

16 August 2018

Property | Real Estate

CIFI

Buy (Maintained)

Secular Growth Remains Undimmed

Reaffirm CIFI as our Top Pick among small-cap developers with HKD7.90 TP, from HKD7.80, 85% upside, based on the same 25% discount to end-FY18F ENAV of HKD10.50, from HKD10.40.

- One of the best LT growth players in the sector over the next 3-5 years;
- We like its land banking strategy, abundant saleable resources and strong risk management which we believe will allow CIFI to emerge as a top-10 player in the industry by 2020;
- The recent correction in the sector, on credit and policy concerns, offers a re-entry opportunity, in our view.

1H18 results came in strong with a 59% YoY core net profit increase which was 8% higher than our forecast as well as the 50% YoY growth guided by the company's profit alert. GPM was held steady at 23.6% (vs 24.6% in 2H17) whilst core NPM was 13.3% (vs 12.4% in 2H17).

Sounding land banking strategy to mitigate policy risk. Management is aware of the stringent policy control and limited growth potential for residential property development in tier-1 cities and as such has altered its strategy to focus on tier-2 cities as well as increasing its penetration in tier-3 cities. Over the long term, management believes the majority of its land projects shall be concentrated in tier-2 cities, whilst tier-3 and tier-1 cities shall amount to c.20% and 10%. On land banking channels, CIFI also rests primarily on auctions vs M&A which allows it to maintain a rampant asset turnover going forward.

Visible growth path in property sales ahead. As at end-1H18, CIFI had a land bank with total GFA of 40.4m sqm, equivalent to CNY650bn in saleable resources which is sufficient for the development over next three years whilst maintaining a 38.7% contracted sales CAGR for FY17-20F. Going forward:

- FY18F: we keep our estimate for CNY160bn contracted sales (CNY20bn ahead of its target, equivalent to 54% YoY growth);
- FY19F: it plans to raise its saleable resources to CNY450bn; based on a conservative sell-through rate of 50%, it implies a 41% YoY growth.

CIFI's management is engaged in a prudent land banking policy and competitive financing cost as well as pursuing growth aggressively and strategically. We also like management being risk adverse and planning to slow down their land replenishment activities in 3Q18F, which shall lead to a reduction of net gearing from 88.8% in 1H18. CIFI incurred the lowest financing cost of 5.3% amongst all small- and mid- cap players in the sector.

Reaffirm Top Pick with a new HKD7.90 TP based on the same 25% discount to end-FY18F ENAV of HKD10.50. We changed our FY18/19/20F earnings forecasts by 1/0/4% mainly to factor in a lower GPM brought by the ASP control policy. We also revised our revenue forecasts upward to reflect CIFI's strong secular growth in property sales.

Downside risk is a slower-than-expected property completion.

| Forecasts and Valuations | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
|-------------------------------------|--------|--------|---------|---------|---------|
| Total turnover (CNYm) | 22,224 | 31,824 | 51,697 | 70,165 | 91,817 |
| Reported net profit (CNYm) | 2,808 | 4,828 | 6,303 | 8,208 | 10,737 |
| Recurring net profit (CNYm) | 2,824 | 4,082 | 6,101 | 8,208 | 10,737 |
| Recurring net profit growth (%) | 27.8 | 44.5 | 49.5 | 34.5 | 30.8 |
| Recurring EPS (CNY) | 0.42 | 0.58 | 0.86 | 1.16 | 1.52 |
| DPS (CNY) | 0.15 | 0.19 | 0.31 | 0.41 | 0.53 |
| Recurring P/E (x) | 8.90 | 6.51 | 4.36 | 3.24 | 2.48 |
| P/B (x) | 1.68 | 1.27 | 1.06 | 0.88 | 0.71 |
| Dividend Yield (%) | 4.0 | 5.0 | 8.3 | 10.8 | 14.1 |
| Return on average equity (%) | 20.2 | 26.9 | 27.5 | 29.7 | 31.7 |
| Return on average assets (%) | 3.6 | 4.0 | 3.2 | 3.1 | 3.5 |
| Net debt to equity (%) | 50.4 | 70.0 | 71.1 | 66.5 | 60.4 |
| Our vs consensus EPS (adjusted) (%) | | | 18.3 | 23.8 | 34.0 |

Source: Company data, RHB

| | |
|-------------------|-----------|
| Target Price: | HKD7.90 |
| Price: | HKD4.28 |
| Market Cap: | USD4,234m |
| Bloomberg Ticker: | 884 HK |

Share Data

| | |
|------------------------------|-------------|
| Avg Daily Turnover (HKD/USD) | 125m/16.0m |
| 52-wk Price low/high (HKD) | 4.00 - 7.53 |
| Free Float (%) | 34 |
| Shares outstanding (m) | 7,606 |
| Estimated Return | 85% |

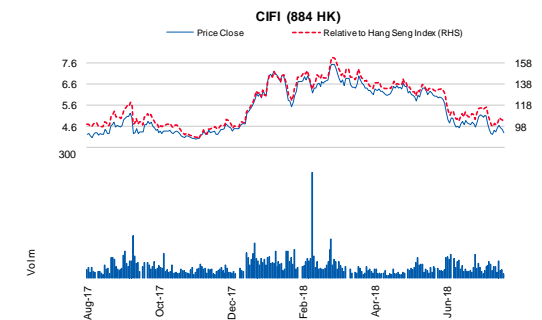
Shareholders (%)

| | |
|--------------------------|------|
| Lin Family | 56.0 |
| Ping An Asset Management | 9.6 |

Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------|-------|--------|--------|--------|-----|
| Absolute | (9.1) | (10.3) | (33.0) | (36.1) | 1.7 |
| Relative | (0.4) | (6.1) | (20.7) | (23.9) | 1.2 |

Source: Bloomberg



Source: Bloomberg

Analysts

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Financial Exhibits

Financial model updated on : 2018-08-15.

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| Hong Kong | Recurring EPS (CNY) | 0.42 | 0.58 | 0.86 | 1.16 | 1.52 |
| Property | EPS (CNY) | 0.42 | 0.68 | 0.89 | 1.16 | 1.52 |
| CIFI | DPS (CNY) | 0.15 | 0.19 | 0.31 | 0.41 | 0.53 |
| Bloomberg 884 HK | BVPS (CNY) | 2.24 | 2.95 | 3.53 | 4.28 | 5.27 |
| Buy | Weighted avg adjusted shares (m) | 6,701 | 7,082 | 7,082 | 7,082 | 7,082 |
| Valuation basis | Valuation metrics | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| 25% discount to our end-FY18F ENAV of HKD10.5 | Recurring P/E (x) | 8.90 | 6.51 | 4.36 | 3.24 | 2.48 |
| Key drivers | P/E (x) | 8.96 | 5.50 | 4.22 | 3.24 | 2.48 |
| Strong contracted sales growth and GPM recovery | P/B (x) | 1.68 | 1.27 | 1.06 | 0.88 | 0.71 |
| Key risks | FCF Yield (%) | 6.6 | (20.1) | 4.3 | 6.6 | 21.7 |
| Possible surge in land costs | Dividend Yield (%) | 4.0 | 5.0 | 8.3 | 10.8 | 14.1 |
| | EV/EBITDA (x) | 2.78 | 3.92 | 3.98 | 3.81 | 3.42 |
| | EV/EBIT (x) | 2.79 | 3.92 | 3.99 | 3.82 | 3.42 |
| Company Profile | Income statement (CN¥m) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| CIFI Holdings was founded in Shanghai in 2000 and was listed in November 2012. It focuses on mass and mid-end residential properties in China. Currently, it has exposure in 13 cities and established a land bank with the total GFA of 22.1m sqm. CIFI also strategically operates joint venture projects with Greenland and Henderson Land (12 HK, NR). | Total turnover | 22,224 | 31,824 | 51,697 | 70,165 | 91,817 |
| | Gross profit | 5,646 | 8,621 | 14,028 | 18,732 | 24,304 |
| | EBITDA | 4,183 | 7,181 | 11,224 | 14,741 | 18,985 |
| | Depreciation and amortisation | (11) | (13) | (15) | (17) | (19) |
| | Operating profit | 4,172 | 7,168 | 11,209 | 14,724 | 18,966 |
| | Net interest | (297) | 110 | 425 | 682 | 736 |
| | Income from associates & JVs | 1,063 | 2,106 | 3,270 | 4,470 | 5,877 |
| | Exceptional income - net | (100) | 658 | 269 | 0 | 0 |
| | Pre-tax profit | 4,837 | 10,041 | 15,173 | 19,876 | 25,579 |
| | Taxation | (1,672) | (3,893) | (6,635) | (8,707) | (11,110) |
| | Minority interests | (357) | (1,320) | (2,235) | (2,960) | (3,732) |
| | Recurring net profit | 2,824 | 4,082 | 6,101 | 8,208 | 10,737 |
| | Cash flow (CN¥m) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| | Change in working capital | (107) | (4,148) | (105) | (7,008) | (6,404) |
| | Cash flow from operations | 2,177 | (281) | 6,156 | 2,275 | 6,286 |
| | Capex | (517) | (5,072) | (5,021) | (524) | (526) |
| | Cash flow from investing activities | (1,657) | (4,859) | (8,290) | (4,993) | (6,403) |
| | Dividends paid | (1,005) | (1,430) | (2,206) | (2,873) | (3,758) |
| | Cash flow from financing activities | 4,935 | 14,598 | 24,258 | (7) | (749) |
| | Cash at beginning of period | 14,874 | 20,328 | 29,787 | 51,911 | 49,185 |
| | Net change in cash | 5,455 | 9,458 | 22,124 | (2,726) | (866) |
| | Ending balance cash | 20,328 | 29,787 | 51,911 | 49,185 | 48,319 |
| | Balance sheet (CN¥m) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| | Total cash and equivalents | 20,677 | 29,787 | 55,185 | 52,459 | 51,593 |
| | Tangible fixed assets | 76 | 85 | 65 | 71 | 76 |
| | Total investments | 14,612 | 23,029 | 29,516 | 35,367 | 42,695 |
| | Total other assets | 2,860 | 2,573 | 2,573 | 2,573 | 2,573 |
| | Total assets | 88,480 | 151,758 | 239,101 | 284,981 | 337,390 |
| | Short-term debt | 4,457 | 11,820 | 22,795 | 23,655 | 24,558 |
| | Total long-term debt | 24,935 | 39,267 | 63,361 | 65,115 | 66,975 |
| | Total liabilities | 71,197 | 121,335 | 195,554 | 230,345 | 271,250 |
| | Shareholders' equity | 14,980 | 20,904 | 25,001 | 30,336 | 37,315 |
| | Minority interests | 2,303 | 9,519 | 18,547 | 24,300 | 28,825 |
| | Total equity | 17,283 | 30,422 | 43,547 | 54,636 | 66,140 |
| | Net debt | 8,714 | 21,300 | 30,972 | 36,311 | 39,939 |
| | Total liabilities & equity | 88,480 | 151,758 | 239,101 | 284,981 | 337,390 |
| | Key metrics | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| | Revenue growth (%) | 21.9 | 43.2 | 62.4 | 35.7 | 30.9 |
| | Recurrent EPS growth (%) | 23.0 | 36.8 | 49.5 | 34.5 | 30.8 |
| | Gross margin (%) | 25.4 | 27.1 | 27.1 | 26.7 | 26.5 |
| | Operating EBITDA margin (%) | 18.8 | 22.6 | 21.7 | 21.0 | 20.7 |
| | Net profit margin (%) | 12.6 | 15.2 | 12.2 | 11.7 | 11.7 |
| | Dividend payout ratio (%) | 35.8 | 29.6 | 35.0 | 35.0 | 35.0 |
| | Capex/sales (%) | 2.3 | 15.9 | 9.7 | 0.7 | 0.6 |
| | Interest cover (x) | 7.88 | 27.32 | 27.07 | 28.56 | 34.38 |

Source: Company data, RHB

1H18 Results Review

Figure 1: CIFI's 1H18 results vs RHB forecast

| FY end Dec 31 (CNY m) | Actual | Actual | Actual | 1H18 | RHB | 1H18 | BBG | 1H18 |
|---------------------------|---------|----------|----------|--------|--------|----------|-----------|----------|
| | 1H17 | 2H17 | 1H18 | YoY | 1H18 | Variance | Consensus | Variance |
| Turnover | 11,235 | 20,589 | 18,421 | 64.0% | 18,259 | 0.9% | N/A | N/A |
| Property sales | 10,590 | 19,705 | 17,395 | 64.3% | | | | |
| Property investment | 51 | 43 | 57 | 11.6% | | | | |
| Property mgmt and others | 594 | 841 | 969 | 63.1% | | | | |
| Cost of sales | (7,680) | (15,522) | (14,069) | 83.2% | | | | |
| Gross profit | 3,555 | 5,067 | 4,352 | 22.4% | | | | |
| Other income | (121) | 917 | 1,335 | N/A | | | | |
| Selling and marketing exp | (271) | (338) | (413) | 52.5% | | | | |
| Administrative expenses | (599) | (669) | (1,045) | 74.5% | | | | |
| Operating profit | 2,564 | 4,976 | 4,229 | 65.0% | | | | |
| Revaluation change | 799 | (141) | 269 | -66.3% | | | | |
| Finance cost - net | 62 | (325) | 229 | 267.0% | | | | |
| Associates and JCEs | 744 | 1,362 | 1,108 | 49.0% | | | | |
| Profit before taxation | 4,169 | 5,872 | 5,836 | 40.0% | | | | |
| Taxation | (1,561) | (2,332) | (1,659) | 6.3% | | | | |
| Profit after taxation | 2,608 | 3,541 | 4,177 | 60.2% | | | | |
| MI/Perpetuals | (452) | (869) | (758) | 67.7% | | | | |
| Reported net profit | 2,156 | 2,672 | 3,419 | 58.6% | | | | |
| Recurring net profit | 1,538 | 2,544 | 2,446 | 59.0% | 2,264 | 8.0% | N/A | N/A |
| Basic EPS (CNY) | 0.318 | 0.363 | 0.448 | 40.8% | | | | |
| Core EPS (CNY) | 0.227 | 0.349 | 0.321 | 41.2% | | | | |
| DPS (CNY) | 0.044 | 0.145 | 0.061 | 40.0% | | | | |
| BVPS (CNY) | 2.420 | 2.952 | 3.081 | 27.3% | | | | |
| Gross margin | 31.6% | 24.6% | 23.6% | | | | | |
| Operating margin | 22.8% | 24.2% | 23.0% | | | | | |
| Effective tax rate | -37.4% | -39.7% | -28.4% | | | | | |
| Net margin | 19.2% | 13.0% | 18.6% | | | | | |
| Core net margin | 13.7% | 12.4% | 13.3% | | | | | |

Source: RHB

Change In Earnings Forecast

Figure 2: Changes to our P&L forecasts

| FY end Dec 31 (CNY m) | FY18F | | | FY19F | | | FY20F | | |
|--|----------|----------|---------|----------|----------|---------|----------|----------|---------|
| | Original | New | chg (%) | Original | New | chg (%) | Original | New | chg (%) |
| Revenue | 48,119 | 51,697 | 7% | 66,470 | 70,165 | 6% | 84,825 | 91,817 | 8% |
| Cost of goods sold | (34,091) | (37,668) | 10% | (47,551) | (51,432) | 8% | (60,798) | (67,513) | 11% |
| Gross profit | 14,029 | 14,028 | 0% | 18,920 | 18,732 | -1% | 24,026 | 24,304 | 1% |
| Selling and marketing exp | (984) | (984) | 0% | (1,405) | (1,401) | 0% | (1,892) | (1,877) | -1% |
| Administrative expenses | (1,995) | (1,995) | 0% | (2,781) | (2,774) | 0% | (3,663) | (3,635) | -1% |
| Other income and expenses (incl. forex loss) | 161 | 161 | N/A | 167 | 167 | N/A | 173 | 173 | N/A |
| Revaluation change | 0 | 269 | N/A | 0 | 0 | N/A | 0 | 0 | N/A |
| Interest income | 658 | 839 | 28% | 787 | 1,198 | 52% | 845 | 1,288 | 52% |
| Interest expense | (333) | (414) | 24% | (357) | (516) | 44% | (383) | (552) | 44% |
| Associate and JCEs | 3,036 | 3,270 | 8% | 4,228 | 4,470 | 6% | 5,421 | 5,877 | 8% |
| Profit before tax | 14,570 | 15,173 | 4% | 19,559 | 19,876 | 2% | 24,528 | 25,579 | 4% |
| Taxation | (6,269) | (6,635) | 6% | (8,420) | (8,707) | 3% | (10,443) | (11,110) | 6% |
| Minority interests | (2,235) | (2,235) | 0% | (2,967) | (2,960) | 0% | (3,759) | (3,732) | -1% |
| Reported net profit | 6,066 | 6,303 | 4% | 8,172 | 8,208 | 0% | 10,326 | 10,737 | 4% |
| Recurring net profit | 6,066 | 6,101 | 1% | 8,172 | 8,208 | 0% | 10,326 | 10,737 | 4% |
| Gross profit margin (%) | 29.2% | 27.1% | -2.0% | 28.5% | 26.7% | -1.8% | 28.3% | 26.5% | -1.9% |
| Reported net profit margin (%) | 12.6% | 12.2% | -0.4% | 12.3% | 11.7% | -0.6% | 12.2% | 11.7% | -0.5% |
| Recurring net profit margin (%) | 12.6% | 11.8% | -0.8% | 12.3% | 11.7% | -0.6% | 12.2% | 11.7% | -0.5% |

Source: RHB

Figure 3: Summary of CIFI's Interim Income Statements

| FY end Dec 31 (CNY m) | Actual | | Actual | | Actual | | RHB |
|---------------------------|---------|----------|---------|----------|----------|-------|----------|
| | 1H16 | 2H16 | 1H17 | 2H17 | 1H18 | 2H18F | |
| Turnover | 8,744 | 13,480 | 11,235 | 20,589 | 18,421 | | 33,276 |
| Property sales | 7,985 | 12,728 | 10,590 | 19,705 | 17,395 | | 32,692 |
| Property investment | 17 | 45 | 51 | 43 | 57 | | 47 |
| Property mgmt and others | 741 | 708 | 594 | 841 | 969 | | 537 |
| Cost of sales | (6,377) | (10,201) | (7,680) | (15,522) | (14,069) | | (23,600) |
| Gross profit | 2,367 | 3,279 | 3,555 | 5,067 | 4,352 | | 9,676 |
| Other income | (196) | 358 | (121) | 917 | 1,335 | | (1,175) |
| Selling and marketing exp | (218) | (307) | (271) | (338) | (413) | | (571) |
| Administrative expenses | (315) | (564) | (599) | (669) | (1,045) | | (951) |
| Operating profit | 1,638 | 2,766 | 2,564 | 4,976 | 4,229 | | 6,980 |
| Revaluation change | (66) | (34) | 799 | (141) | 269 | | 0 |
| Finance cost - net | (40) | (490) | 62 | (325) | 229 | | 196 |
| Associates and JCEs | 239 | 823 | 744 | 1,362 | 1,108 | | 2,162 |
| Profit before taxation | 1,772 | 3,065 | 4,169 | 5,872 | 5,836 | | 9,338 |
| Taxation | (723) | (950) | (1,561) | (2,332) | (1,659) | | (4,976) |
| Profit after taxation | 1,049 | 2,115 | 2,608 | 3,541 | 4,177 | | 4,361 |
| MI/Perpetuals | (211) | (146) | (452) | (869) | (758) | | (1,478) |
| Reported net profit | 838 | 1,969 | 2,156 | 2,672 | 3,419 | | 2,884 |
| Recurring net profit | 948 | 1,876 | 1,538 | 2,544 | 2,446 | | 3,655 |
| Basic EPS (CNY) | 0.126 | 0.293 | 0.318 | 0.363 | 0.448 | | 0.442 |
| Core EPS (CNY) | 0.142 | 0.279 | 0.227 | 0.349 | 0.321 | | 0.541 |
| DPS (CNY) | 0.034 | 0.115 | 0.044 | 0.145 | 0.061 | | 0.251 |
| BVPS (CNY) | 1.955 | 1.989 | 2.420 | 2.952 | 3.081 | | 3.530 |
| Gross margin | 27.1% | 24.3% | 31.6% | 24.6% | 23.6% | | 29.1% |
| Operating margin | 18.7% | 20.5% | 22.8% | 24.2% | 23.0% | | 21.0% |
| Effective tax rate | -40.8% | -31.0% | -37.4% | -39.7% | -28.4% | | -53.3% |
| Net margin | 9.6% | 14.6% | 19.2% | 13.0% | 18.6% | | 8.7% |
| Core net margin | 10.8% | 13.9% | 13.7% | 12.4% | 13.3% | | 11.0% |

Source: RHB

Figure 4: Summary of CIFI's annual income statement

| FY end Dec 31 (CNY m) | FY16 | FY17 | FY18F | FY19F | FY20F |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Property sales | 20,713 | 30,295 | 50,086 | 68,469 | 90,030 |
| Property investment | 62 | 94 | 104 | 114 | 126 |
| Property mgmt and others | 1,449 | 1,435 | 1,507 | 1,582 | 1,661 |
| Total revenue | 22,224 | 31,824 | 51,697 | 70,165 | 91,817 |
| Property sales | 3,560 | 6,378 | 10,487 | 13,944 | 18,112 |
| Property investment | 48 | 57 | 73 | 78 | 87 |
| Property mgmt and others | 565 | 733 | 650 | 702 | 767 |
| EBIT | 4,172 | 7,168 | 11,209 | 14,724 | 18,966 |
| Revaluation change | (100) | 658 | 269 | 0 | 0 |
| Net interest income/ (expense) | (297) | 110 | 425 | 682 | 736 |
| Associates and JCEs | 1,063 | 2,106 | 3,270 | 4,470 | 5,877 |
| Profit before taxation | 4,837 | 10,041 | 15,173 | 19,876 | 25,579 |
| Taxation | (1,672) | (3,893) | (6,635) | (8,707) | (11,110) |
| Profit after taxation | 3,164 | 6,149 | 8,538 | 11,168 | 14,469 |
| Minority interests & perpetual | (357) | (1,320) | (2,235) | (2,960) | (3,732) |
| Reported net profit | 2,808 | 4,828 | 6,303 | 8,208 | 10,737 |
| Recurring net profit | 2,824 | 4,082 | 6,101 | 8,208 | 10,737 |
| Reported EPS (CNY) | 0.42 | 0.68 | 0.89 | 1.16 | 1.52 |
| Recurring EPS (CNY) | 0.42 | 0.58 | 0.86 | 1.16 | 1.52 |
| DPS (HKD) | 0.17 | 0.23 | 0.35 | 0.46 | 0.60 |
| DPS (CNY) | 0.15 | 0.19 | 0.31 | 0.41 | 0.53 |
| Profit margin: | | | | | |
| Gross margin | 25.4% | 27.1% | 27.1% | 26.7% | 26.5% |
| EBIT margin | 18.8% | 22.5% | 21.7% | 21.0% | 20.7% |
| Reported net margin | 12.6% | 15.2% | 12.2% | 11.7% | 11.7% |
| Recurring net margin | 12.7% | 12.8% | 11.8% | 11.7% | 11.7% |
| YoY growth: | | | | | |
| Turnover | 21.9% | 43.2% | 62.4% | 35.7% | 30.9% |
| Booked property sales revenue | 21.5% | 46.3% | 65.3% | 36.7% | 31.5% |
| Reported net profit | 34.0% | 72.0% | 30.5% | 30.2% | 30.8% |
| Recurring net profit | 27.8% | 44.5% | 49.5% | 34.5% | 30.8% |
| Reported EPS | 28.9% | 62.7% | 30.5% | 30.2% | 30.8% |
| Recurring EPS | 23.0% | 36.8% | 49.5% | 34.5% | 30.8% |

Source: RHB

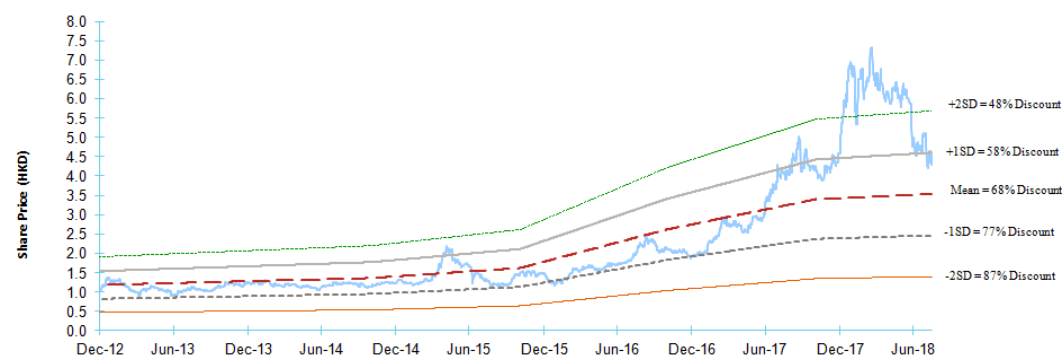
Valuation and Recommendation

Figure 5: CIFI's end-FY18F ENAV

| Details | Total HKD m | HKD/share | % of Total |
|---|---------------|-------------|-------------|
| Landbank and properties under development | 121,270 | 15.3 | 146% |
| Investment properties | 21,144 | 2.7 | 25% |
| Net debts as of end-FY18F | (59,423) | (7.5) | -72% |
| Total | 82,992 | 10.5 | 100% |

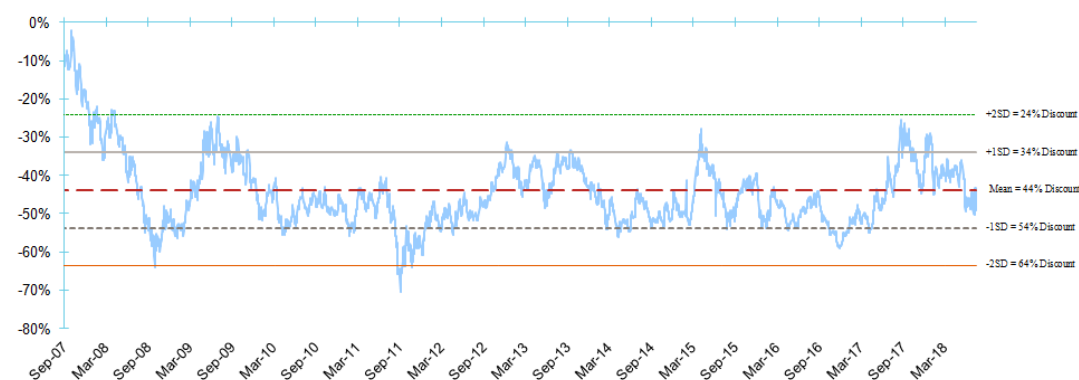
Source: RHB

Figure 6: CIFI's 5-year rolling forward ENAV band



Source: RHB

Figure 7: China Property - past 10 years ENAV discount bands



Source: RHB

Peers Comparison

Figure 8: Peers valuation comparison table I

| Company | Stock code | *Price (HKD) | Mkt cap (USDm) | 3-mth avg t/o (USDm) | RHB/Cons NAV (HKD) | Discount to NAV (%) | P/E FY18F (x) | P/E FY19F (x) | EPS YoY change FY18F (%) | EPS YoY change FY19F (%) | 3-yr EPS CAGR (%) | P/BV FY18F (x) | P/BV FY19F (x) | Div yield FY18F (%) | Div yield FY19F (%) |
|-----------------------------------|------------|--------------|----------------|----------------------|--------------------|---------------------|---------------|---------------|--------------------------|--------------------------|-------------------|----------------|----------------|---------------------|---------------------|
| Large peer average | | | | | | 42.9 | 6.8 | 5.5 | 18.8 | 25.5 | 20.2 | 1.5 | 1.2 | 5.7 | 6.5 |
| China Vanke | 2202 HK | 23.50 | 35,287 | 32.0 | 33.34 | 29.5 | 6.5 | 5.3 | 24.6 | 22.8 | 20.0 | 1.5 | 1.2 | 5.4 | 6.8 |
| **Country Garden | 2007 HK | 10.92 | 30,170 | 110.4 | 25.80 | 57.7 | 6.1 | 4.6 | 35.8 | 33.4 | 29.6 | 1.7 | 1.3 | 5.6 | 7.2 |
| **Evergrande | 3333 HK | 24.45 | 40,606 | 91.0 | 42.20 | 42.1 | 7.2 | 6.0 | -2.1 | 20.5 | 9.9 | 2.0 | 1.7 | 9.0 | 8.2 |
| **China Overseas | 688 HK | 22.75 | 31,752 | 57.3 | 43.00 | 47.1 | 6.2 | 5.2 | 17.4 | 18.8 | 17.5 | 0.8 | 0.7 | 4.1 | 4.9 |
| **CR Land | 1109 HK | 26.15 | 23,089 | 41.8 | 42.00 | 37.7 | 7.4 | 6.3 | 28.0 | 17.8 | 20.8 | 1.1 | 1.0 | 4.7 | 5.5 |
| **Sunac | 1918 HK | 22.50 | 12,620 | 87.8 | 41.30 | 45.5 | 6.7 | 4.2 | 5.3 | 60.8 | 31.3 | 1.7 | 1.3 | 3.2 | 5.0 |
| **Longfor | 960 HK | 19.88 | 15,019 | 15.8 | 35.10 | 43.4 | 8.2 | 6.5 | 27.1 | 25.9 | 24.5 | 1.3 | 1.1 | 4.8 | 6.1 |
| Mid-and-small peer average | | | | | | 52.6 | 7.0 | 5.7 | 29.9 | 21.9 | 18.8 | 0.7 | 0.6 | 6.5 | 7.8 |
| **Shimao | 813 HK | 19.86 | 8,569 | 22.3 | 40.00 | 50.4 | 6.5 | 5.2 | 31.2 | 25.9 | 27.2 | 0.9 | 0.8 | 6.0 | 7.6 |
| **Agile | 3383 HK | 10.92 | 5,449 | 15.9 | 34.00 | 67.9 | 5.1 | 4.1 | 21.4 | 24.0 | 22.2 | 0.9 | 0.8 | 8.9 | 11.1 |
| Guangzhou R&F | 2777 HK | 13.80 | 5,665 | 16.0 | 20.86 | 33.8 | 3.9 | 3.1 | 33.7 | 24.7 | 26.3 | 0.6 | 0.5 | 10.2 | 12.3 |
| China Jinmao | 817 HK | 3.14 | 4,620 | 15.9 | 5.23 | 40.0 | 6.3 | 4.9 | 20.0 | 29.4 | 27.8 | 0.8 | 0.7 | 6.5 | 8.2 |
| **CIFI | 884 HK | 4.28 | 4,234 | 16.7 | 10.50 | 59.2 | 5.2 | 4.0 | 26.6 | 28.6 | 26.8 | 1.1 | 0.9 | 6.9 | 8.8 |
| Sino-Ocean | 3377 HK | 3.96 | 3,842 | 5.1 | 6.80 | 41.8 | 5.3 | 4.4 | 23.1 | 19.9 | 22.5 | 0.5 | 0.5 | 8.1 | 9.8 |
| **KWG | 1813 HK | 8.06 | 3,258 | 15.8 | 22.30 | 63.9 | 4.9 | 3.7 | 48.2 | 33.1 | 35.5 | 0.7 | 0.6 | 7.2 | 9.5 |
| Shenzhen Inv | 604 HK | 2.58 | 2,649 | 5.8 | 8.50 | 69.6 | 6.9 | 5.9 | -27.1 | 17.3 | -6.1 | 0.5 | 0.4 | 7.1 | 7.9 |
| Kaisa | 1638 HK | 2.83 | 2,188 | 6.5 | 5.60 | 49.5 | 1.8 | 1.3 | 214.5 | N/A | N/A | 0.8 | N/A | 4.2 | N/A |
| **Greentown | 3900 HK | 8.21 | 2,267 | 7.5 | 20.30 | 59.6 | 7.4 | 6.6 | 27.7 | 11.5 | 15.2 | 0.5 | 0.5 | 2.7 | 2.9 |
| Yuexiu Property | 123 HK | 1.39 | 2,196 | 7.4 | 1.86 | 25.3 | 5.8 | 4.9 | 12.4 | 18.3 | 14.3 | 0.4 | 0.4 | 6.7 | 8.2 |
| SOHO China | 410 HK | 3.47 | 2,298 | 3.1 | 7.30 | 52.5 | 38.2 | 29.1 | N/A | 31.3 | N/A | 0.5 | 0.5 | 3.0 | 3.4 |
| Hopson | 754 HK | 6.64 | 1,883 | 1.2 | 13.08 | 49.2 | 10.5 | 10.4 | N/A | 1.6 | N/A | N/A | N/A | 2.9 | 2.9 |
| Shui On Land | 272 HK | 1.78 | 1,828 | 4.7 | 5.90 | 69.8 | 8.6 | 8.0 | -23.4 | 7.7 | 0.2 | 0.3 | 0.3 | 4.1 | 4.3 |
| **CSC | 1668 HK | 1.38 | 1,408 | 4.0 | 6.90 | 80.0 | 5.6 | 4.6 | N/A | 22.4 | N/A | 0.3 | 0.3 | 3.6 | 5.4 |
| Poly HK | 119 HK | 2.91 | 1,357 | 3.2 | 7.00 | 58.4 | 3.9 | 3.9 | 104.5 | 0.5 | N/A | 0.3 | 0.3 | 7.3 | 7.2 |
| **COGO | 81 HK | 2.51 | 1,095 | 2.7 | 6.60 | 62.0 | 4.0 | 3.3 | 31.0 | 22.4 | 23.7 | 0.4 | 0.4 | 2.3 | 2.8 |
| Fantasia | 1777 HK | 1.15 | 844 | 1.2 | 2.60 | 55.8 | 4.2 | 3.3 | 20.0 | 29.2 | 24.9 | 0.5 | 0.3 | 6.1 | 7.2 |
| Sector average | | | | | | 45.1 | 6.8 | 5.5 | 21.3 | 24.7 | 19.8 | 1.3 | 1.1 | 5.9 | 6.8 |

Note: *Prices as at 15 Aug 2018 **Under RHB coverage

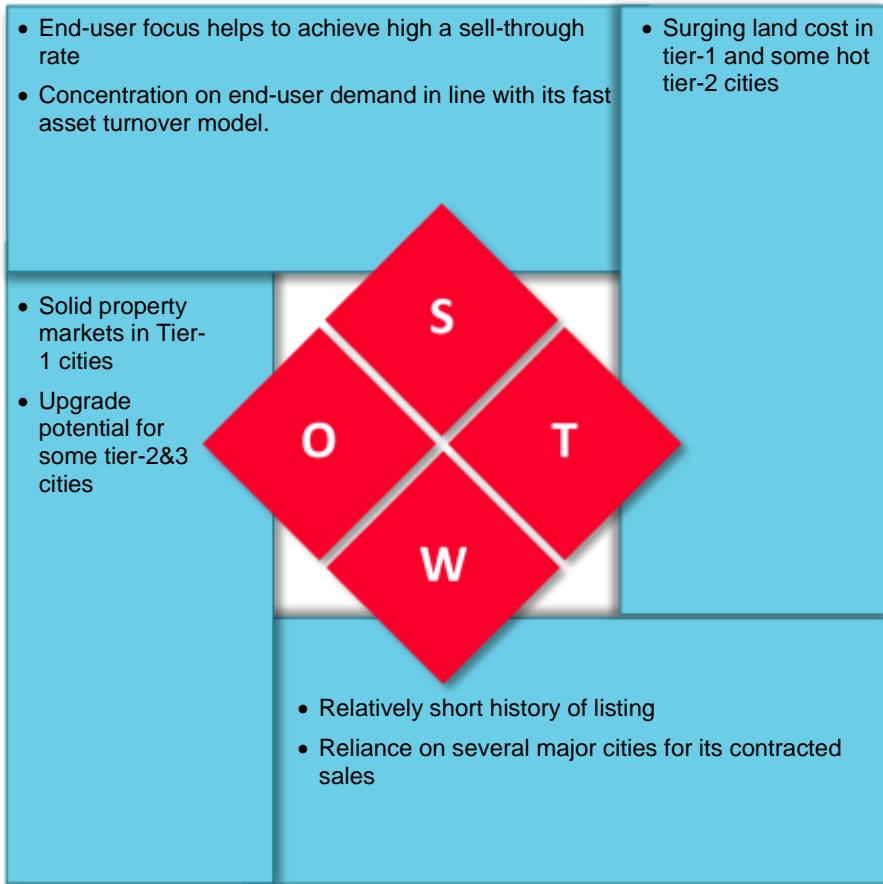
Source: RHB, Bloomberg

Figure 9: Peers valuation comparison table II

| Company | Stock code | Mkt cap | Revenue | | | Net profit | | Gross margin | | | Net margin | | Net gearing | | ROE | | Share price change | |
|-----------------------------------|------------|---------|---------|--------|--------|------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------|--------------------|--|
| | | (USDm) | FY17 | FY18F | FY17 | FY18F | FY17 | FY17 | FY18F | FY17 | FY18F | FY17 | FY18F | FY17 | FY18F | 1-mth | YTD | |
| | | | (USDm) | (USDm) | (USDm) | (USDm) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | |
| Large peer average | | | | | | | 31.8 | 15.8 | 12.5 | 96.3 | 23.1 | 24.5 | 22.5 | -6.6 | -11.7 | | | |
| China Vanke | 2202 HK | 35,287 | 34,313 | 44,997 | 4,055 | 5,063 | 32.3 | 11.8 | 11.3 | 14.1 | N/A | 22.8 | 23.4 | -8.6 | -24.7 | | | |
| Country Garden | 2007 HK | 30,170 | 32,803 | 50,967 | 3,768 | 4,958 | 25.9 | 11.5 | 9.7 | 55.0 | 29.6 | 31.8 | 29.7 | -16.1 | -23.0 | | | |
| Evergrande | 3333 HK | 40,606 | 44,965 | 66,806 | 3,523 | 5,760 | 36.1 | 7.8 | 8.6 | 237.8 | N/A | 30.7 | 32.9 | 14.0 | -9.3 | | | |
| China Overseas | 688 HK | 31,752 | 20,888 | 26,940 | 5,193 | 5,131 | 33.4 | 24.9 | 19.0 | 27.1 | 13.6 | 16.7 | 14.5 | -10.4 | -9.5 | | | |
| CR Land | 1109 HK | 23,089 | 15,107 | 18,989 | 2,932 | 3,128 | 40.3 | 19.4 | 16.5 | 43.1 | 27.0 | 17.7 | 16.4 | -2.2 | 13.7 | | | |
| Sunac | 1918 HK | 12,620 | 9,523 | 20,178 | 1,689 | 1,860 | 20.7 | 17.7 | 9.2 | 249.1 | N/A | 32.8 | 23.3 | -17.9 | -30.4 | | | |
| Longfor | 960 HK | 15,019 | 10,420 | 14,002 | 1,821 | 1,827 | 33.9 | 17.5 | 13.1 | 47.8 | 22.2 | 19.0 | 17.3 | -4.9 | 1.6 | | | |
| Mid-and-small peer average | | | | | | | 33.2 | 31.8 | 12.6 | 88.0 | 46.5 | 14.2 | 12.5 | -8.4 | -16.5 | | | |
| Shimao | 813 HK | 8,569 | 10,182 | 12,346 | 1,134 | 1,324 | 30.4 | 11.1 | 10.7 | 61.1 | 55.9 | 14.2 | 14.5 | -9.3 | 16.8 | | | |
| Agile | 3383 HK | 5,449 | 7,461 | 9,156 | 939 | 1,056 | 40.1 | 12.6 | 11.5 | 93.8 | 13.2 | 16.8 | 17.3 | -11.4 | -7.9 | | | |
| Guangzhou R&F | 2777 HK | 5,665 | 8,570 | 11,220 | 3,084 | 1,452 | 35.4 | 36.0 | 12.9 | 188.8 | 104.5 | 40.2 | 15.4 | -6.9 | -21.7 | | | |
| China Jinmao | 817 HK | 4,620 | 4,493 | 6,075 | 575 | 713 | 32.3 | 12.8 | 11.7 | 69.1 | 53.8 | 12.9 | 13.0 | -19.5 | -8.7 | | | |
| CIFI | 884 HK | 4,234 | 4,601 | 5,889 | 698 | 818 | 27.1 | 15.2 | 13.9 | 49.4 | N/A | 26.9 | 22.5 | -10.3 | -9.1 | | | |
| Sino-Ocean | 3377 HK | 3,842 | 6,627 | 7,568 | 740 | 716 | 24.5 | 11.2 | 9.5 | 66.5 | 33.2 | 11.1 | 9.9 | -11.2 | -26.5 | | | |
| KWG | 1813 HK | 3,258 | 1,669 | 2,382 | 523 | 636 | 34.8 | 31.4 | 26.7 | 72.4 | 44.7 | 14.0 | 15.3 | -11.8 | -11.7 | | | |
| Shenzhen Inv | 604 HK | 2,649 | 1,306 | 2,383 | 631 | 381 | 34.6 | 48.3 | 16.0 | 22.0 | N/A | 13.3 | 7.1 | -7.9 | -20.4 | | | |
| Kaisa | 1638 HK | 2,188 | 4,739 | 9,952 | 475 | 1,240 | 27.3 | 10.0 | 12.5 | 326.2 | N/A | 20.5 | 38.5 | -6.6 | -35.8 | | | |
| Greentown | 3900 HK | 2,267 | 6,065 | 6,370 | 317 | 296 | 19.2 | 5.2 | 4.7 | 59.1 | 51.8 | 6.5 | 6.8 | -18.9 | -18.4 | | | |
| Yuexiu Property | 123 HK | 2,196 | 3,440 | 3,906 | 327 | 368 | 25.7 | 9.5 | 9.4 | 84.1 | 45.7 | 7.2 | 7.3 | -5.4 | -4.8 | | | |
| SOHO China | 410 HK | 2,298 | 284 | 280 | 684 | 69 | 74.0 | 241.2 | 24.4 | 51.4 | N/A | 14.1 | 1.4 | -3.1 | -24.1 | | | |
| Hopson | 754 HK | 1,883 | 1,761 | N/A | 738 | N/A | 36.8 | 41.9 | N/A | 71.9 | N/A | 9.8 | N/A | -1.3 | -13.3 | | | |
| Shui On Land | 272 HK | 1,828 | 2,667 | 2,284 | 324 | 216 | 42.6 | 12.2 | 9.4 | 55.1 | N/A | 4.4 | 3.0 | -1.1 | -17.6 | | | |
| CSC | 1668 HK | 1,408 | 1,198 | 1,577 | 575 | 250 | 43.3 | 48.0 | 15.8 | 76.8 | N/A | 14.0 | 10.4 | -8.0 | -32.7 | | | |
| Poly HK | 119 HK | 1,357 | 4,039 | 4,863 | 314 | 364 | 20.6 | 7.8 | 7.5 | 72.1 | N/A | 9.3 | 9.4 | -7.0 | -28.5 | | | |
| COGO | 81 HK | 1,095 | 2,583 | 3,460 | 162 | 252 | 20.1 | 6.3 | 7.3 | 77.6 | 15.4 | 10.6 | 13.7 | -6.3 | -39.8 | | | |
| Fantasia | 1777 HK | 844 | 1,414 | 1,975 | 167 | 198 | 29.6 | 11.8 | 10.0 | 87.1 | N/A | 9.8 | 7.5 | -5.7 | 7.5 | | | |
| Average | | | | | | | 32.8 | 27.3 | 12.6 | 90.3 | 39.3 | 17.1 | 15.4 | -7.9 | -15.1 | | | |

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2018-03-15 | Buy | 7.80 | 7.20 |
| 2017-08-10 | Buy | 5.00 | 4.36 |
| 2017-08-09 | Buy | 4.40 | 4.38 |
| 2017-07-28 | Buy | 4.40 | 4.02 |
| 2017-03-09 | Buy | 3.10 | 2.89 |
| 2016-12-06 | Buy | 2.70 | 2.22 |
| 2016-08-18 | Buy | 2.50 | 2.39 |
| 2016-03-10 | Buy | 2.20 | 1.78 |
| 2015-08-21 | Buy | 2.10 | 1.41 |
| 2015-07-31 | Buy | 2.10 | 1.63 |

Source: RHB, Bloomberg

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Sell: Share price may fall by more than 10% over the next 12 months

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