

23 May 2018

Property | Real Estate

Agile Group Holdings

Buy (Maintained)

Momentum Remains Solid

Maintain BUY and HKD20 TP, 24% upside, based on 40% discount to our end-FY18F ENAV of HKD34. After meeting management, we believe Agile's contracted sales pace and high-margin advantages are in line. Despite a setback in Hainan under the latest policies, it remains buoyant, given the Government's long-term development plan. The company can rely on other cities to make up the temporary shortfall. The GBA investment theme remains intact, while laggard cities have a higher potential for catch-up in ASPs. Yields are also attractive at 7.4-10.6%.

Remain upbeat in Hainan despite the short-term curb. The latest spread of austerity measures to the entire Hainan province would effectively restrain non-local demand. Cities with a higher reliance on tourist and non-local demand, such as Sanya, would be more severely affected. Over the longer term, the positive policy support from the Central Government to develop Hainan into a free-trade port, such as granting residency rights to overseas talents, will still be favourable to its property market.

Agile achieved contracted sales revenue of CNY8bn in Hainan YTD (vs full-year target of CNY13bn). The peak season of sales lies in 1Q and 4Q, with the remaining CNY5bn in sales target scheduled to be completed in 4Q18. Should there be a miss, Agile will consider launching more projects in cities within Hainan with higher local demand, such as Haikou, or cities in other regions as alternatives to make up the difference.

Greater Bay Area (GBA) investment theme is still prevailing. Agile is considered a major beneficiary, given 33% of its landbank (in terms of volume) is located in the GBA region, particularly Zhongshan (16.5%). While the property market remains buoyant in many cities in the region, management is not overlooking laggard cities with relatively lower ASPs and more relaxed purchase restrictions, such as Huizhou and Huiyang. These cities are likely to catch up in terms of ASP in the coming months. Overall, we expect the GBA region to contribute 35-40% of total contracted sales revenue in FY18.

Maintain BUY. We believe that the Hainan and GBA investment themes are highly favourable to Agile going forward. It has achieved a locked-in ratio of 26.8% for its 4M18 contracted sales revenue, which we think is in line with the 40/60 split of its full-year target for 1H/2H. Our current HKD20 TP is based on a 40% discount of our end-FY18F ENAV of HKD34.

Downside risks include slower-than-expected booking of property sales, and further restrictive policies in some hot low-tier cities.

Target Price:	HKD20.00
Price:	HKD16.20
Market Cap:	USD8,064m
Bloomberg Ticker:	3383 HK

Share Data

Avg Daily Turnover (HKD/USD)	137m/17.6m
52-wk Price low/high (HKD)	6.57 - 17.1
Free Float (%)	36
Shares outstanding (m)	3,917
Estimated Return	24%

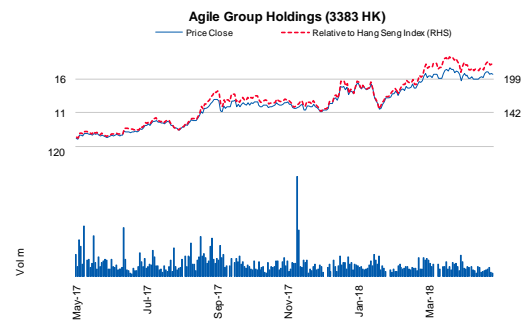
Shareholders (%)

Chen family	63.6
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	36.3	0.0	21.1	34.7	152.1
Relative	32.5	(2.1)	22.3	30.6	128.8

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (CNYm)	46,679	51,607	60,630	77,157	93,845
Reported net profit (CNYm)	2,284	6,025	8,367	10,114	11,999
Recurring net profit (CNYm)	2,744	6,019	8,367	10,114	11,999
Recurring net profit growth (%)	13.0	119.4	39.0	20.9	18.6
Recurring EPS (CNY)	0.71	1.55	2.15	2.61	3.09
DPS (CNY)	0.40	0.75	0.97	1.17	1.39
Recurring P/E (x)	18.6	8.5	6.1	5.0	4.2
P/B (x)	1.46	1.42	1.16	1.03	0.91
Dividend Yield (%)	3.1	5.7	7.4	8.9	10.6
Return on average equity (%)	6.6	16.8	20.9	21.7	22.7
Return on average assets (%)	1.8	4.1	4.5	4.2	3.9
Net debt to equity (%)	70.0	96.0	77.6	69.5	71.2
Our vs consensus EPS (adjusted) (%)			14.8	11.9	8.5

Source: Company data, RHB

Analysts

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Financial Exhibits

Financial model updated on : 2018-05-21

Asia	Financial summary	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Hong Kong	Recurring EPS (CNY)	0.71	1.55	2.15	2.61	3.09
Property	EPS (CNY)	0.59	1.55	2.15	2.61	3.09
Agile Group Holdings	DPS (CNY)	0.40	0.75	0.97	1.17	1.39
Bloomberg 3383 HK	BVPS (CNY)	9.0	9.3	11.3	12.7	14.4
Buy	Weighted avg adjusted shares (m)	3,883	3,883	3,883	3,883	3,883
Valuation basis	Valuation metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Based on 40% discount to Agile's end-FY18F ENAV of HKD34.00	Recurring P/E (x)	18.6	8.5	6.1	5.0	4.2
Key drivers	P/E (x)	22.3	8.5	6.1	5.0	4.2
Recovery in GPM and contracted sales in low-tier cities	P/B (x)	1.46	1.42	1.16	1.03	0.91
Key risks	FCF Yield (%)	4.2	7.6	(13.2)	(1.6)	(1.7)
i. Slow asset turnover;	Dividend Yield (%)	3.1	5.7	7.4	8.9	10.6
ii. Over-reliance on Tier-3 cities	EV/EBITDA (x)	7.04	4.27	4.32	3.75	3.54
	EV/EBIT (x)	7.40	4.40	4.45	3.85	3.62
Company Profile	Income statement (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Agile was founded in 1992. It is principally engaged in the development of large-scale complex property projects, together with hotel operations, property investment and management. Riding on over 20 years of property development experience, Agile established solid presence and reputation in Guangdong province (mainly Zhongshan, Guangzhou and Foshan) and expanded to various regions across China. Agile moved its headquarter from Zhongshan to Guangzhou in 2012, and it also expanded its presence to Malaysia. It has a landbank with a total GFA of 34.1m sqm (as of end-FY17).	Total turnover	46,679	51,607	60,630	77,157	93,845
	Gross profit	12,366	20,687	24,604	29,938	35,574
	EBITDA	9,191	16,788	18,771	21,951	25,270
	Depreciation and amortisation	(444)	(482)	(517)	(551)	(583)
	Operating profit	8,747	16,306	18,253	21,400	24,687
	Net interest	(491)	(614)	(760)	(795)	(810)
	Income from associates & JVs	7	169	106	142	181
	Exceptional income - net	43	8	0	0	0
	Pre-tax profit	7,483	15,869	17,599	20,748	24,058
	Taxation	(4,433)	(9,089)	(7,579)	(8,487)	(9,385)
	Minority interests	(766)	(755)	(1,654)	(2,146)	(2,675)
	Recurring net profit	2,744	6,019	8,367	10,114	11,999
	Cash flow (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Change in working capital	10,434	4,232	(2,841)	(1,279)	(5,016)
	Cash flow from operations	9,330	11,050	469	6,410	6,310
	Capex	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)
	Cash flow from investing activities	(7,008)	(6,880)	(6,671)	(6,308)	(5,789)
	Proceeds from issue of shares	0	0	3,984	0	0
	Dividends paid	(988)	(1,084)	(542)	(766)	(971)
	Cash flow from financing activities	2,639	2,362	6,795	2,341	1,871
	Cash at beginning of period	7,407	12,432	19,042	19,736	22,311
	Net change in cash	4,961	6,532	592	2,442	2,392
	Ending balance cash	12,369	18,964	19,634	22,178	24,703
	Balance sheet (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total cash and equivalents	22,618	30,120	30,261	32,309	34,373
	Tangible fixed assets	18,850	27,473	31,162	32,870	34,599
	Total investments	11,066	12,892	13,769	14,714	15,731
	Total other assets	5,670	10,349	10,620	10,899	11,187
	Total assets	131,725	163,357	209,918	271,775	350,771
	Short-term debt	12,815	27,146	14,667	14,667	14,667
	Total long-term debt	36,778	40,058	55,058	57,058	65,058
	Other liabilities	1,137	1,179	1,179	1,179	1,179
	Total liabilities	93,167	124,710	159,090	215,037	287,069
	Shareholders' equity	35,310	36,335	43,885	49,448	56,047
	Minority interests	3,248	2,312	6,942	7,290	7,654
	Total equity	38,558	38,647	50,828	56,738	63,701
	Net debt	26,975	37,085	39,465	39,416	45,352
	Total liabilities & equity	131,725	163,357	209,918	271,775	350,771
	Key metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Revenue growth (%)	8.5	10.6	17.5	27.3	21.6
	Recurrent EPS growth (%)	13.0	119.4	39.0	20.9	18.6
	Gross margin (%)	26.5	40.1	40.6	38.8	37.9
	Operating EBITDA margin (%)	19.7	32.5	31.0	28.5	26.9
	Net profit margin (%)	4.9	11.7	13.8	13.1	12.8
	Dividend payout ratio (%)	77.2	77.2	45.0	45.0	45.0
	Capex/sales (%)	15.4	14.0	11.9	9.3	7.7
	Interest cover (x)	13.7	18.1	19.4	21.9	24.6

Source: Company data, RHB

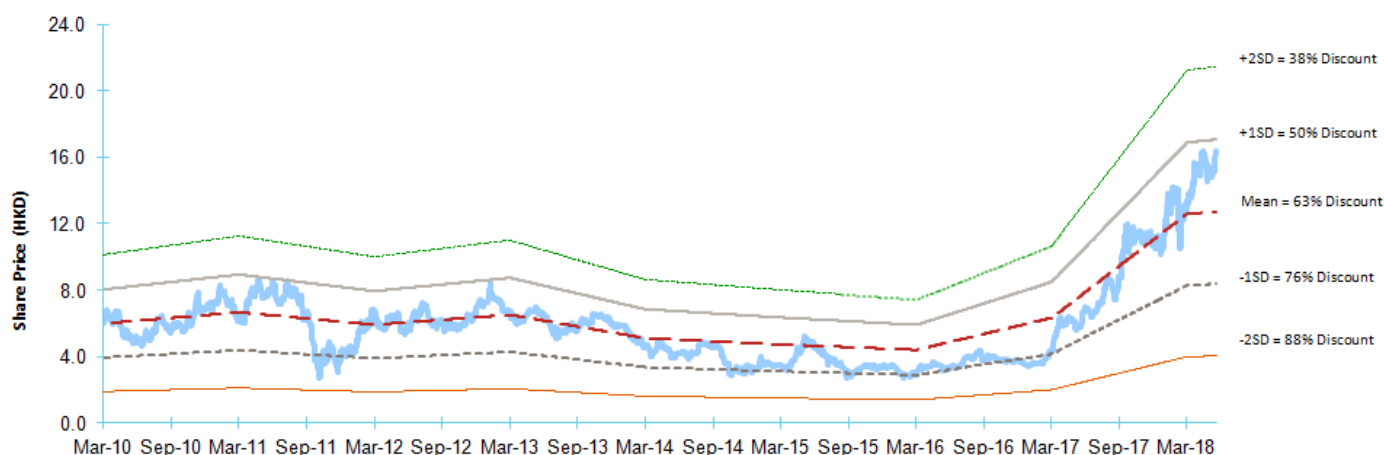
Valuation And Recommendation

Figure 1: Agile's end-FY18F ENAV

Details	Total HKDm	HKD/share	% of Total
Landbank - development properties	147,512	37.7	111%
Landbank - investment properties & hotels	20,327	5.2	15%
Property management (A-Living)	13,000	3.3	10%
Net debt as at end-FY18F	(47,722)	(12.2)	-36%
Total	133,117	34.0	100%

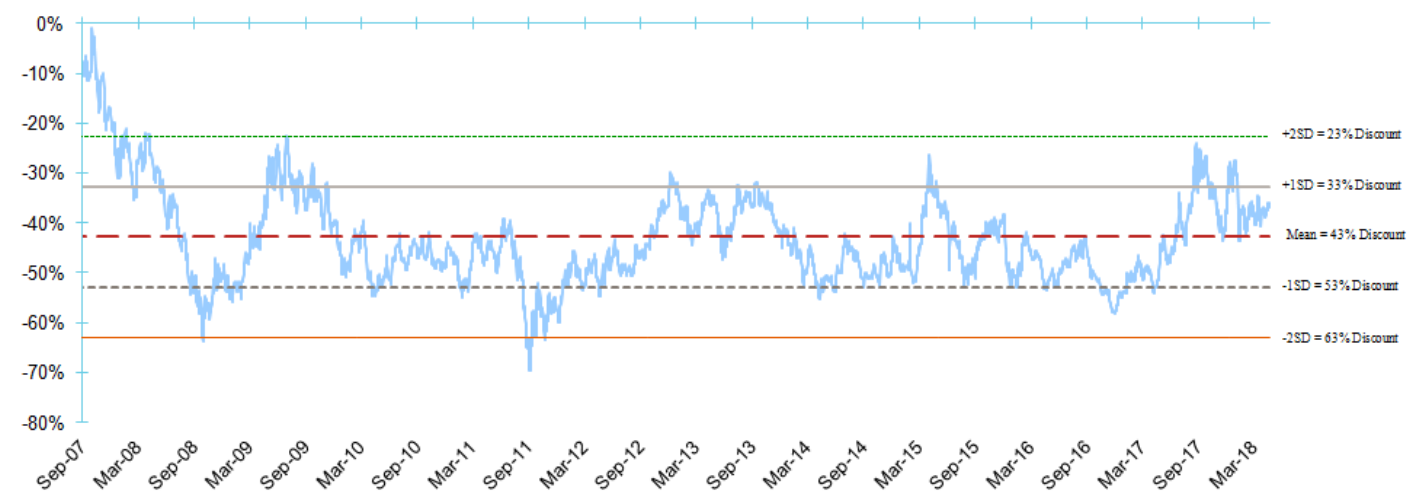
Source: RHB

Figure 2: Agile's 5-year rolling forward ENAV band



Source: RHB

Figure 3: China property's 10-year ENAV discount bands



Source: RHB

Peer Comparison

Figure 4: Peer 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		EPS YoY change		3-yr EPS CAGR (%)	P/BV		Div yield		
							FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)		FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)	
Large peer average							29.1	7.9	6.3	20.6	27.0	22.0	1.8	1.4	4.8	5.5
China Vanke	2202 HK	30.15	46,244	33.3	33.34	9.6	7.8	6.4	24.6	22.0	18.8	1.7	1.5	4.8	5.8	
**Country Garden	2007 HK	16.36	45,311	107.8	25.80	36.6	8.5	6.3	35.4	35.0	30.4	2.3	1.8	4.0	5.2	
**Evergrande	3333 HK	25.10	42,138	57.7	42.20	40.5	6.7	5.6	-0.5	21.2	12.6	2.0	1.6	8.6	7.9	
**China Overseas	688 HK	27.35	38,174	54.0	43.00	36.4	7.4	6.3	18.3	18.0	17.4	1.0	0.9	3.4	4.1	
**CR Land	1109 HK	30.05	26,533	47.0	42.00	28.5	8.5	7.3	27.3	17.8	20.4	1.3	1.1	4.0	4.7	
**Sunac	1918 HK	34.45	19,320	75.7	41.30	16.6	9.0	5.5	11.9	63.8	38.7	2.3	1.7	2.3	3.6	
**Longfor	960 HK	23.85	17,991	14.8	35.10	32.1	9.1	7.2	27.3	26.0	25.4	1.4	1.3	4.3	5.5	
Mid-and-small peer average							34.2	8.3	6.8	30.2	21.2	19.9	0.9	0.7	4.9	6.0
**Shimao	813 HK	23.40	10,097	19.0	40.00	41.5	7.0	5.7	32.7	23.2	26.7	1.0	0.9	5.5	6.8	
**Agile	3383 HK	16.16	8,064	18.6	34.00	52.5	7.0	5.7	21.3	24.0	22.6	1.2	1.0	6.6	8.1	
Guangzhou R&F	2777 HK	19.56	8,030	16.7	20.86	6.2	5.1	4.2	31.8	22.9	25.2	0.8	0.7	7.9	9.6	
China Jinmao	817 HK	4.76	7,020	17.8	5.23	9.0	8.8	6.8	19.7	29.5	29.7	1.2	1.0	4.6	5.8	
**CIFI	884 HK	6.47	6,338	23.3	10.40	37.8	7.3	5.6	25.9	28.9	26.6	1.5	1.3	4.9	6.3	
Sino-Ocean	3377 HK	5.62	5,434	7.6	6.80	17.4	7.0	5.8	22.3	19.7	23.0	0.7	0.6	6.2	7.5	
**KWG	1813 HK	12.20	4,904	14.8	22.30	45.3	6.6	5.1	54.6	30.7	35.8	1.0	0.9	5.2	6.8	
Shenzhen Inv	604 HK	3.34	3,429	4.2	8.50	60.7	8.9	7.6	-27.1	17.3	-6.1	0.6	0.6	5.5	6.1	
Kaisa	1638 HK	4.34	3,353	6.3	5.60	22.5	2.5	1.9	214.5	N/A	N/A	1.1	N/A	N/A	N/A	
**Greentown	3900 HK	12.00	3,314	7.5	20.30	40.9	10.0	8.9	27.3	11.4	15.8	0.7	0.7	2.0	2.2	
Yuexiu Property	123 HK	1.84	2,907	8.0	1.86	1.1	7.4	6.0	7.1	22.7	16.2	0.5	0.5	5.3	6.6	
SOHO China	410 HK	3.93	2,603	4.5	7.30	46.2	36.8	28.6	N/A	28.7	N/A	0.5	0.5	4.1	4.7	
Hopson	754 HK	7.95	2,254	1.5	13.08	39.2	12.6	12.4	N/A	1.6	N/A	N/A	N/A	2.4	2.4	
Shui On Land	272 HK	2.35	2,414	3.9	5.90	60.2	10.5	9.7	-23.4	7.7	0.2	0.4	0.3	2.5	2.5	
**CSC	1668 HK	1.71	1,745	3.1	6.30	72.9	8.3	7.2	N/A	14.5	21.5	0.5	0.4	2.9	3.9	
Poly HK	119 HK	3.84	1,791	4.4	7.00	45.1	7.1	7.3	49.5	-2.8	N/A	0.5	0.5	3.9	3.7	
**COGO	81 HK	3.66	1,596	4.4	6.60	44.5	5.5	4.2	39.5	30.6	26.6	0.6	0.5	1.4	2.0	
Fantasia	1777 HK	1.48	1,087	2.0	2.60	43.1	5.0	3.9	20.0	29.2	24.9	0.5	0.4	3.4	6.1	
Sector average							30.3	8.0	6.4	23.0	25.6	21.5	1.5	1.3	4.8	5.6

Note: *Prices as at 21 May 2018

Note 2: **Under RHB coverage

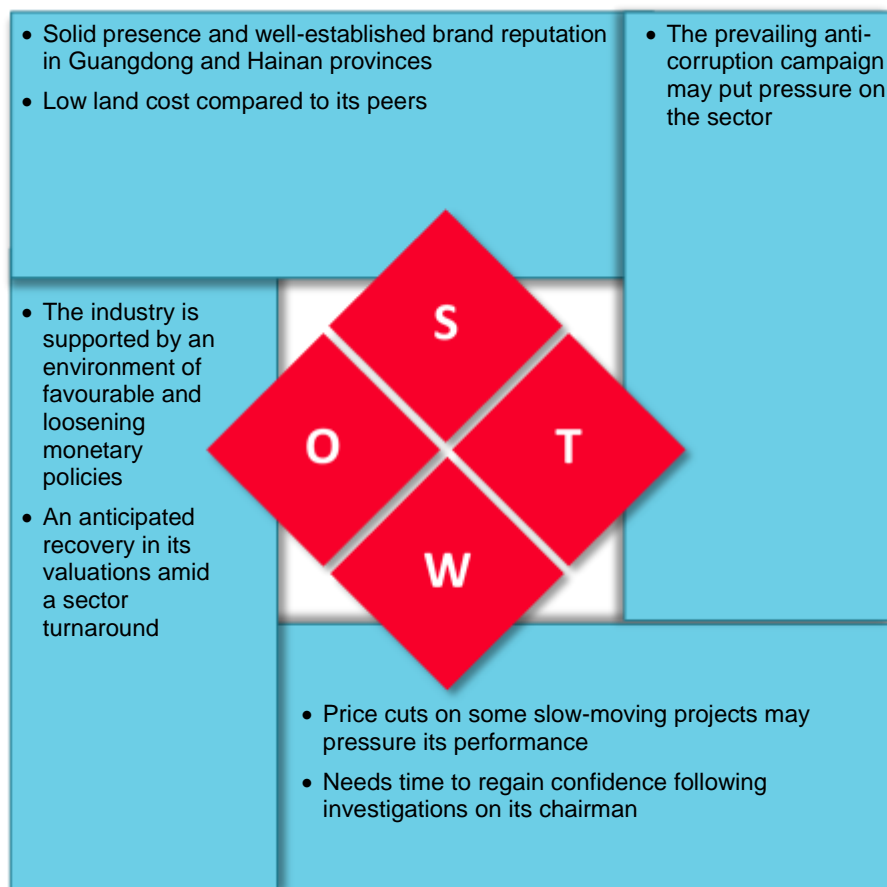
Source: RHB, Bloomberg

Figure 5: Peer comparison table II

Company	Stock	Mkt cap	Revenue		Net profit		Gross margin	Net margin		Net gearing		ROE		Share price change	
	code		FY17	FY18F	FY17	FY18F	FY17	FY17	FY18F	FY17	FY18F	FY17	FY18F	1-mth	YTD
		(USDm)	(USDm)	(USDm)	(USDm)	(USDm)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Large peer average							31.8	15.8	12.6	96.3	14.6	24.5	22.6	2.6	9.6
China Vanke	2202 HK	46,244	37,141	49,284	4,390	5,477	32.3	11.8	11.1	14.1	N/A	22.8	22.9	-8.1	-3.4
Country Garden	2007 HK	45,311	35,506	54,935	4,079	5,319	25.9	11.5	9.7	55.0	0.0	31.8	29.3	4.9	9.8
Evergrande	3333 HK	42,138	48,670	69,289	3,814	6,210	36.1	7.8	9.0	237.8	N/A	30.7	33.9	0.8	-6.9
China Overseas	688 HK	38,174	20,889	27,251	5,193	5,170	33.4	24.9	19.0	27.1	12.8	16.7	14.5	5.0	8.7
CR Land	1109 HK	26,533	15,107	19,003	2,932	3,103	40.3	19.4	16.3	43.1	23.7	17.7	16.3	5.1	30.7
Sunac	1918 HK	19,320	10,308	21,785	1,828	2,176	20.7	17.7	10.0	249.1	N/A	32.8	24.0	6.3	6.5
Longfor	960 HK	17,991	11,279	15,052	1,971	1,979	33.9	17.5	13.1	47.8	21.9	19.0	17.4	4.1	21.8
Mid-and-small peer average							33.3	32.2	12.7	87.5	40.5	14.3	12.3	5.0	13.8
Shimao	813 HK	10,097	11,021	13,346	1,227	1,450	30.4	11.1	10.9	61.1	53.7	14.2	14.8	14.1	37.6
Agile	3383 HK	8,064	8,076	9,964	1,017	1,144	40.1	12.6	11.5	93.8	10.6	16.8	17.2	0.0	36.3
Guangzhou R&F	2777 HK	8,030	9,276	12,321	3,338	1,566	35.4	36.0	12.7	188.8	76.5	40.2	15.5	5.7	11.0
China Jinmao	817 HK	7,020	4,863	6,539	622	753	32.3	12.8	11.5	69.1	53.9	12.9	13.1	9.2	38.4
CIFI	884 HK	6,338	4,980	6,325	756	868	27.1	15.2	13.7	49.4	N/A	26.9	22.3	4.7	37.4
Sino-Ocean	3377 HK	5,434	7,173	8,108	800	773	24.5	11.2	9.5	66.5	26.1	11.1	9.9	2.7	4.3
KWG	1813 HK	4,904	1,806	2,546	566	712	34.8	31.4	28.0	72.4	38.5	14.0	15.6	13.8	33.6
Shenzhen Inv	604 HK	3,429	1,306	2,383	631	381	34.6	48.3	16.0	22.0	N/A	13.3	7.1	4.4	3.1
Kaisa	1638 HK	3,353	5,129	10,772	514	1,342	27.3	10.0	12.5	326.2	N/A	20.5	38.5	2.8	-1.6
Greentown	3900 HK	3,314	6,565	6,893	343	317	19.2	5.2	4.6	59.1	48.4	6.5	6.6	15.8	19.3
Yuexiu Property	123 HK	2,907	3,723	4,222	354	386	25.7	9.5	9.2	72.9	45.0	7.2	7.5	3.4	26.0
SOHO China	410 HK	2,603	307	308	741	78	74.0	241.2	25.2	51.4	N/A	14.1	1.5	-3.2	-14.0
Hopson	754 HK	2,254	1,761	N/A	738	N/A	36.8	41.9	N/A	71.9	N/A	9.8	N/A	0.0	3.8
Shui On Land	272 HK	2,414	2,887	2,624	351	233	42.6	12.2	8.9	55.1	N/A	4.4	4.1	8.8	8.8
CSC	1668 HK	1,745	999	1,262	551	228	44.8	55.1	18.1	78.2	N/A	16.0	10.5	0.6	-16.6
Poly HK	119 HK	1,791	4,039	4,863	314	285	20.6	7.8	5.9	72.1	N/A	9.3	6.6	5.2	-5.7
COGO	81 HK	1,596	2,583	3,327	162	242	20.1	6.3	7.3	77.6	11.3	10.6	11.4	8.3	-12.2
Fantasia	1777 HK	1,087	1,531	2,138	181	214	29.6	11.8	10.0	87.1	N/A	9.8	7.5	-6.9	38.3
Average							32.9	27.6	12.6	89.9	32.5	17.2	15.3	4.3	12.6

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-03-22	Buy	20.0	16.4
2018-03-13	Buy	18.0	14.2
2017-11-24	Buy	14.1	11.7
2017-08-29	Buy	10.6	9.1
2017-07-28	Neutral	8.5	9.2
2017-03-16	Sell	4.7	6.6
2016-08-24	Neutral	4.2	4.4
2016-05-25	Neutral	4.2	3.7
2016-03-24	Neutral	4.2	4.3
2015-11-12	Neutral	4.4	4.2

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

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

Not Rated: Stock is not within regular research coverage

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