

KWG Living (3913 HK)

Solid, premium and expansive

KWG Living distinguishes itself through its expertise in commercial PM, marked by solid pipeline and premium fees (avg. RMB 19.7/sq m/month for commercial properties in 2019). The Company recorded managed/contracted GFA of 21.6/34.5mn sq m in 2019. With consistent support from parent developer (22 new commercial projects expected in the next five years) as well as strategic M&As (current pipeline 53mn sq m), the Company seeks to reach 87 mn sq m in managed GFA by 2021.

- **Deeply rooted in key economic regions.** KWG Living positions itself as a comprehensive PM service provider with a focus on premium properties. The parent group, KWG (1813 HK), is a leading property developer with deep roots in key economic regions such as YRD and GBA. Revenue contribution from GBA and YRD are 40% and 27% respectively, benefiting from KWG's well-known brand.
- **Solid pipeline and premium fees mark commercial edge.** As of 30 Apr 2020, KWG Living managed 30 commercial projects with 3.3mn sq m of managed GFA, which includes both shopping malls and office buildings. Average management fee in 2019 was RMB 19.7/sq m/month, with avg mgmt. fee for malls reaching RMB 40-50/sq m/month. KWG set out 2.6mn sq m of land bank for commercial use, and expects to build 16 malls and six office buildings in the next five years. In addition, KWG Living also enters commercial operations contract with third-party developers to unlock further growth potential, and engages in M&As.
- **Looking to greatly expand through M&As.** KWG Living is currently in talks for five potential M&As located in core provinces, with a total managed GFA of 53mn sq m. Landing these projects within the next year would be essential to reaching the Company's 87mn sq m managed GFA target in 2021. Ratio of residential to non-residential GFA for these projects is expected to be 8:2. Apart from residential and premium commercial properties, KWG Living is also looking into public properties with consistent profitability such as schools and hospitals.

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19A
Revenue (RMB mn)	463	659	1,125
YoY growth (%)	N/A	42.2	70.7
Net income (RMB mn)	44	80	185
EPS (RMB)	N/A	N/A	N/A
YoY growth (%)	N/A	N/A	N/A
P/E (x)	N/A	N/A	N/A
P/B (x)	N/A	N/A	N/A
Yield (%)	N/A	N/A	N/A
ROE (%)	45.0	49.8	61.9
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS

NOT RATED

Current Price

HK\$5.34

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Stock Data

Mkt Cap (HK\$ mn)	10,775
Avg 3 mths t/o (HK\$ mn)	N/A
52w High/Low (HK\$)	7.00/5.32
Total Issued Shares (mn)	2,018
Source: Bloomberg	

Shareholding Structure

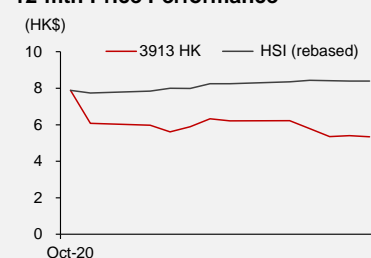
KWG Holdings	82.2%
Mr. Tsui Kam Kim	2.3%
Free float	15.5%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	N/A	N/A
3-mth	N/A	N/A
6-mth	N/A	N/A

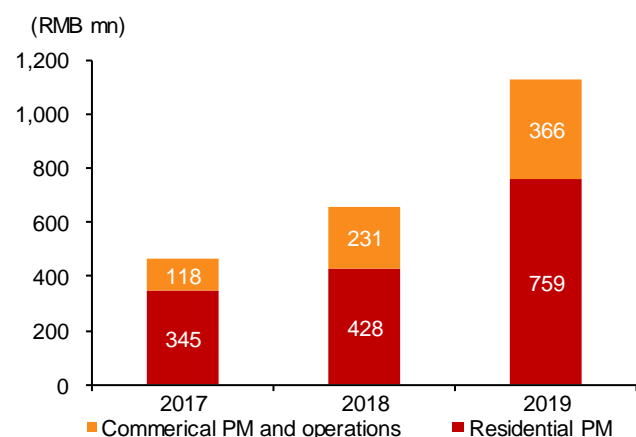
Source: Bloomberg

12-mth Price Performance

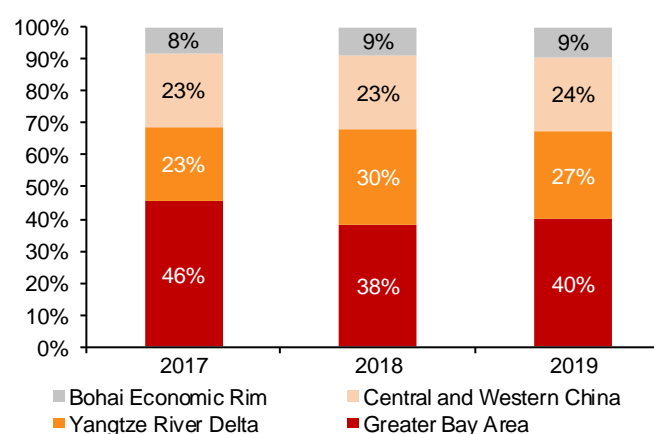


Source: Bloomberg

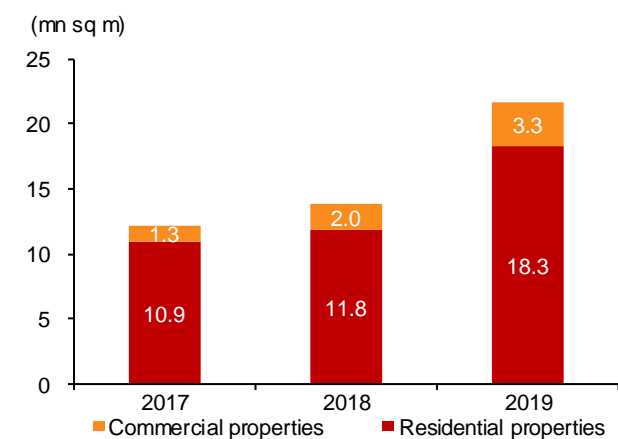
Auditor: Ernst & Young

Figure 1: Revenue

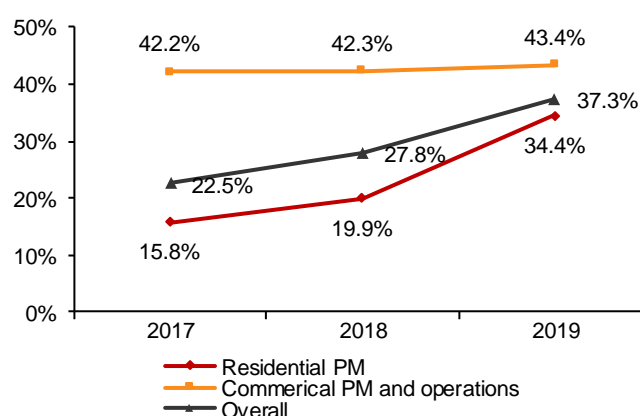
Source: Company data, CMBIS

Figure 2: Revenue mix by region

Source: Company data, CMBIS

Figure 3: GFA under management

Source: Company data, CMBIS

Figure 4: Gross profit margin

Source: Company data, CMBIS

Figure 5: Major commercial projects under KWG Living¹

Project	City	Opening date	GFA (sq m)
Shopping Malls			
Beijing M-CUBE	Beijing	Oct-18	44,195
Chengdu M-CUBE	Chengdu	Oct-20	229,531
Yushan U-fun	Guangzhou	Oct-18	20,358
Longjing U-fun	Foshan	Dec-19	13,545
Suzhou U-fun	Suzhou	Apr-18	179,930
Chengdu U-fun	Chengdu	May-18	229,531
Office Buildings			
Shanghai International Metropolitan Plaza	Shanghai	Jun-18	149,292
Hejing International Finance Place	Guangzhou	Oct-07	102,400
International Metropolitan Plaza	Guangzhou	May-16	33,333
International Commerce Place	Guangzhou	Oct-16	73,697
Chengdu International Commerce Place	Chengdu	Aug-16	270,000
Suzhou Leader Plaza	Suzhou	Dec-15	104,913
Guangxi Hejing International Finance Place	Nanning	Dec-18	134,000

Source: Company data, CMBIS

Note: Includes major projects as of 30 Apr 2020.

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