

Agile (3383 HK)

Disappointed the market

The reported net profit was 14.7% and 10.7% below our and market consensus forecast due to less than expected delivery and gross margin assumption. We cut our earnings forecast by 15.6% in 2020 and 16.8% in 2021. Furthermore, we trim TP from HK\$16.49 to HK\$10.65. Maintain BUY.

- 2019 earnings rose by 5%.** Revenue and net profit just advanced by 7.3% to RMB60.2bn and 5.4% to RMB7.5bn in 2019, respectively. The reported net profit was 14.7% and 10.7% below our and market consensus forecast. Gross margin declined from 43.9% in 2018 to 30.5% in 2019. Furthermore, SG&A expenses/revenue ratio increased from 9.8% in 2018 to 10.4% in 2019 because of business expansion. The Company declared final dividend of HK\$0.4 per share that resulted in full year dividend of HK\$1.0 per share.
- RMB120bn contracted sales target in 2020.** In 2020, about RMB220bn of properties will be launched for sales, of which 35 are new projects and 178 are existing ones. In addition, more than 13mn sq m of properties are for end-users & upgraders. Full year contracted sales target will be RMB120bn in 2020. As at end-19, pre-sold and unbooked properties amounted to RMB37bn, of which RMB8bn came from Hainan project.
- Attributable land bank of 39.70mn sq m in 75 cities.** Agile acquired 42 plots of land with total GFA of 10.90mn sq m in total consideration of RMB47.2bn in 2019. The Company newly entered nine mainland cities and Phnom Penh of Cambodia. As at end-19, Agile owned 39.70mn sq m attributable land bank in 75 cities and average land cost amounted to RMB3,364 per sq m.
- Diversified businesses are growth engines.** Revenue from diversified businesses (Hotel, rental, A-Living and environmental) grew from RMB2.35bn in 2017 to RMB6.06bn in 2019, representing a CAGR of 61%. The Company plans to spin off its construction business to list on HKEx this year.
- Cut forecast and TP.** We cut our GM assumption and delivery plan. We trim earnings forecast by 15.6% to RMB7.44bn in 2020 and 16.8% to RMB8.74bn in 2021. We cut end-20 NAV forecast from HK\$32.58 to HK\$26.62 due to less GM assumption and higher borrowing. As a result, we cut TP from HK\$16.49 to HK\$10.65, based on 60% discount to NAV.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	56,145	60,239	70,920	79,771	89,047
YoY growth (%)	8.8	7.3	17.7	12.5	11.6
Net income (RMB mn)	7,125	7,512	7,435	8,740	9,630
EPS (RMB)	1.835	1.935	1.915	2.251	2.480
YoY growth (%)	18.3	5.4	(1.0)	17.5	10.2
Consensus EPS (RMB)	N.A.	2.167	2.327	2.613	N.A.
P/E (x)	3.9	3.7	3.7	3.1	2.9
P/B (x)	0.7	0.6	0.5	0.5	0.4
Yield (%)	12.7	12.7	12.7	14.6	16.5
ROE (%)	17.3	16.9	14.7	15.2	14.8
Net gearing (%)	79.1	82.8	77.8	73.0	75.0

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$10.65
(Previous TP)	HK\$16.49)
Up/downside	+35.0%
Current Price	HK\$7.89

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	30,906
Avg 3 mths t/o (HK\$ mn)	68.96
52w High/Low (HK\$)	13.50/ 7.65
Total Issued Shares (mn)	3,917

Source: Bloomberg

Shareholding Structure

Chen Zhou Lin	67.1%
Free float	32.9%

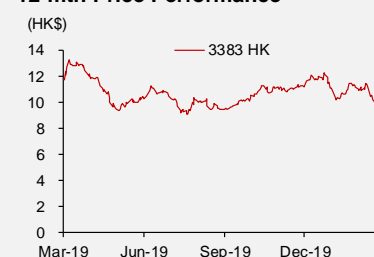
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-18.5%	-2.4%
3-mth	-19.0%	-0.9%
6-mth	-4.1%	11.2%
12-mth	-23.6%	-2.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Related Reports:

- Agile (3383 HK, BUY) – Good incubator – 10 Mar 2020
- Agile (3383 HK, BUY) – Generous payout – 22 Aug 2019
- Agile (3383 HK, BUY) – Seeing is believing – 6 Jun 2019

Figure 1: 2019 results

YE Dec 31 (RMB mn)	FY18A	FY19A	Change	FY19E	Diff
Revenue	56,145	60,239	7.3%	62,342	-3.4%
Property sales	52,488	54,177	3.2%	57,002	-5.0%
Rental	189	173	-8.7%	198	-12.8%
Hotel	722	802	11.1%	794	1.0%
Property management	2,133	3,577	67.7%	3,458	3.5%
Environmental	614	1,510	146.1%	890	69.7%
Cost of sales	(31,471)	(41,881)	33.1%	(40,624)	3.1%
Gross profit	24,674	18,358	-25.6%	21,718	-15.5%
Other income and gains	977	5,818	495.7%	4,047	43.8%
Distribution expenses	(2,318)	(2,026)	-12.6%	(2,057)	-1.5%
Administrative expenses	(2,910)	(3,999)	37.4%	(2,930)	36.5%
Other expenses	(257)	(228)	-11.2%	(312)	-26.8%
Operating profit	20,166	17,923	-11.1%	20,466	-12.4%
Finance expenses	(2,744)	(2,530)	-7.8%	(2,112)	19.8%
Associates/JV	27	1,086	3908.6%	230	372.3%
Exceptional	1,952	117	-94.0%	2	5753.5%
Pre-tax profit	19,401	16,596	-14.5%	18,586	-10.7%
Profits tax	(11,043)	(7,363)	-33.3%	(8,193)	-10.1%
Minority interest	(556)	(871)	56.7%	(833)	4.6%
Perpetual	(677)	(850)	25.6%	(750)	13.4%
Net profit	7,125	7,512	5.4%	8,811	-14.7%
Core profit	5,661	7,424	31.1%	8,810	-15.7%

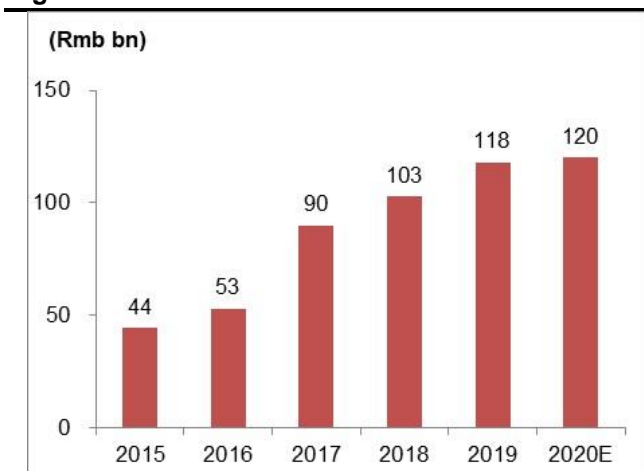
Source: Company data, CMBIS estimates

Figure 2: Revenue from property sales breakdown

	Pre-sale amount			GFA Pre-sold		
	2019 (RMB54.2bn)	2018 (RMB52.5bn)	Change ppts	2019 (84.53mn sq m)	2018 (4.68mn sq m)	Change ppts
Southern China	27.1%	34.5%	-7.4	28.1%	42.4%	-14.3
Greater Bay Area (GBA)	20.1%	29.9%	-9.8	18.7%	33.3%	-14.6
Non GBA	6.9%	4.6%	+2.3	9.4%	9.1%	+0.3
Eastern China	29.4%	27.6%	+1.8	26.7%	28.0%	-1.3
Other regions (Non-Tourism Property)	31.3%	12.5%	+18.8	34.6%	15.7%	+18.9
Western China	18.1%	7.1%	+11.0	19.3%	9.5%	+9.8
NE & Central China, Northern China	11.1%	3.8%	+7.3	13.9%	5.1%	+8.8
Overseas	2.1%	1.6%	+0.5	1.5%	1.1%	+0.4
Tourism Property (Hainan & Yunnan)	12.2%	25.4%	-13.2	10.6%	13.9%	-3.3
Total	100.0%	100.0%	-	100.0%	100.0%	-

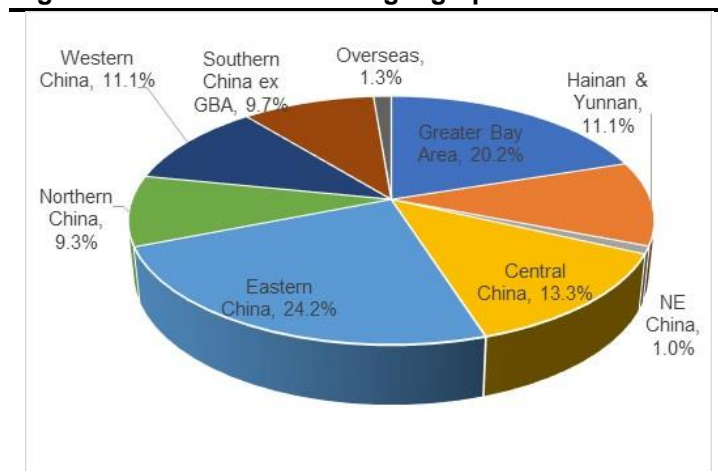
Source: Company data

Figure 3: Contracted sales amount



Source: Company data

Figure 4: Saleable resources geographical distribution



Source: Company data

Figure 5: Contracted sales breakdown

	Pre-sale amount			GFA Pre-sold		
	2019 (RMB118.0bn)	2018 (RMB102.7bn)	Change ppts	2019 (8.91mn sq m)	2018 (7.98mn sq m)	Change ppts
Southern China	32.2%	34.6%	-2.4	33.4%	36.0%	-2.6
Greater Bay Area (GBA)	27.4%	30.1%	-2.7	26.3%	28.0%	-1.7
Non GBA	4.8%	4.5%	+0.3	7.1%	8.0%	-0.9
Eastern China	29.7%	19.3%	+10.4	26.8%	18.4%	+8.4
Other regions (Non-Tourism Property)	23.1%	26.9%	-3.8	28.0%	30.0%	-2
Western China	4.0%	8.8%	-4.8	5.9%	11.2%	-5.3
NE & Central China, Northern China	17.5%	15.8%	+1.7	21.5%	17.8%	+3.7
Overseas	1.6%	2.3%	-0.7	0.6%	1.0%	-0.4
Tourism Property (Hainan & Yunnan)	15.0%	19.2%	-4.2	11.8%	15.6%	-3.8
Total	100.0%	100.0%	-	100.0%	100.0%	-

Source: Company data

Figure 6: Business plan

(mn sq m)	2020E	2019A
GFA under development	25.85	23.11
New start GFA	9.11	7.74

Source: Company data

Figure 7: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	70,920	79,771	89,047	73,506	84,773	N.A.	-3.5%	-5.9%	N.A.
Gross Profit	22,704	26,225	29,210	26,906	29,743	N.A.	-15.6%	-11.8%	N.A.
EBIT	18,675	21,682	23,851	22,117	24,077	N.A.	-15.6%	-9.9%	N.A.
Net profit	7,435	8,740	9,630	8,810	10,499	N.A.	-15.6%	-16.8%	N.A.
EPS (RMB)	1.91	2.25	2.48	2.27	2.70	N.A.	-15.6%	-16.6%	N.A.
Gross Margin	32.0%	32.9%	32.8%	36.6%	35.1%	N.A.	-4.6 ppt	-2.2 ppt	N.A.
EBIT Margin	26.3%	27.2%	26.8%	30.1%	28.4%	N.A.	-3.8 ppt	-1.2 ppt	N.A.
Net Margin	10.5%	11.0%	10.8%	12.0%	12.4%	N.A.	-1.5 ppt	-1.4 ppt	N.A.

Source: CMBIS estimates

Figure 8: End-20 NAV

	NAV/share		% of		Remark
	(Rmb mn)	(HK\$ mn)	(HK\$)	NAV	
Properties under development	123,246	137,398	35.08	132%	WACC of 9.0%
Investment property	11,200	12,486	3.19	12%	At cost
Hotel	7,174	7,998	2.04	8%	Rmb 0.8-5.0mn per room
A-Living	21,184	23,616	6.03	23%	Market cap
Gross Amount	162,804	181,499	46.34	174%	
Net debt	(55,691)	(62,086)	(15.85)	-60%	Dec-20
Perpetual securities	(13,567)	(15,125)	(3.86)	-15%	
NAV	93,546	104,288	26.62	100%	

Source: CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec (RMB mn)	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue	56,145	60,239	70,920	79,771	89,047	EBIT	20,166	17,923	18,675	21,682	23,851
Property sales	52,488	54,177	62,846	69,130	77,426	D&A	603	866	985	943	1,013
Rental	189	173	180	189	200	Change in working capital	(8,055)	(5,824)	(15,950)	(4,400)	(10,000)
Hotel	722	802	882	970	1,067	Income tax paid	(8,159)	(5,519)	(9,246)	(9,780)	(11,017)
Property management	2,133	3,577	5,125	6,990	6,990	Others	(1,927)	(5,284)	6,214	(3,275)	(3,695)
Environmental	614	1,510	1,888	2,492	3,364	Net cash from operating	2,628	2,162	679	5,171	152
Cost of sales	(31,471)	(41,881)	(48,216)	(53,546)	(59,837)	Capex	(1,677)	(3,411)	(369)	(2,223)	(1,678)
Gross profit	24,674	18,358	22,704	26,225	29,210	Associates/JV	(3,056)	(4,623)	1,911	(500)	(1,100)
Other income and gains	977	5,818	1,644	1,839	1,942	Other	(12,976)	(468)	(468)	(468)	(468)
Distribution expenses	(2,318)	(2,026)	(2,269)	(2,632)	(3,117)	Net cash from investing	(17,708)	(8,501)	1,074	(3,191)	(3,246)
Administrative expenses	(2,910)	(3,999)	(3,050)	(3,350)	(3,740)	Equity raised	0	0	0	0	0
Other expenses	(257)	(228)	(355)	(399)	(445)	Change of Debts	24,789	8,140	(8,670)	7,000	3,000
Operating profit	20,166	17,923	18,675	21,682	23,851	Dividend paid	(3,960)	(3,831)	(3,134)	(3,657)	(4,179)
Finance expenses	(2,744)	(2,530)	(1,839)	(1,822)	(1,927)	Other	10,907	0	0	0	0
Associates/JV	27	1,086	810	845	880	Net cash from financing	31,736	4,309	(11,804)	3,343	(1,179)
Exceptional	1,952	117	0	0	0	Net change in cash	16,655	(2,030)	(10,051)	5,323	(4,273)
Pre-tax profit	19,401	16,596	17,646	20,706	22,804	Cash at the beginning	19,042	35,776	33,551	23,305	28,433
Profits tax	(11,043)	(7,363)	(8,103)	(9,900)	(11,017)	Exchange difference	79	(195)	(195)	(195)	(195)
Minority interest	(556)	(871)	(1,257)	(1,216)	(1,306)	Cash at the end	35,776	33,551	23,305	28,433	23,965
Perpetual	(677)	(850)	(850)	(850)	(850)	Pledged deposit	9,285	9,004	9,004	9,004	9,004
Net profit	7,125	7,512	7,435	8,740	9,630	Cash at BS	45,062	42,555	32,309	37,437	32,969

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	63,538	82,467	72,640	77,030	82,020	Sales mix (%)					
Fixed asset	8,754	11,702	11,200	12,500	13,000	Property sales	93.5	89.9	88.6	86.7	86.9
Investment properties	8,804	8,496	8,620	8,810	9,200	Rental	0.3	0.3	0.3	0.2	0.2
Associates/JV	10,088	14,711	12,800	13,300	14,400	Hotel	1.3	1.3	1.2	1.2	1.2
Intangible assets	2,101	5,475	2,500	2,800	2,800	Property management	3.8	5.9	7.2	8.8	7.9
Other non-current assets	33,791	42,083	37,520	39,620	42,620	Others	1.1	2.5	2.7	3.1	3.8
Current assets	166,908	190,764	182,409	196,737	202,569	Total	100.0	100.0	100.0	100.0	100.0
Cash	45,062	42,555	32,309	37,437	32,969	Profit & loss ratios (%)					
Account receivable	27,735	35,360	28,300	30,000	33,000	Gross margin	43.9	30.5	32.0	32.9	32.8
Inventories	87,714	105,462	116,000	123,000	130,000	Pre-tax margin	35.9	29.8	26.3	27.2	26.8
Other current assets	6,397	7,388	5,800	6,300	6,600	Net margin	12.7	12.5	10.5	11.0	10.8
Current liabilities	120,378	147,668	123,435	130,750	133,750	Effective tax rate	56.9	44.4	45.9	47.8	48.3
Borrowings	35,333	42,297	32,000	35,000	38,000	Balance sheet ratios					
Trade and other payables	42,534	53,918	43,100	45,200	45,200	Current ratio (x)	1.4	1.3	1.5	1.5	1.5
Contract liabilities	25,490	33,654	32,000	34,200	34,200	Receivable day	180.3	214.3	145.6	137.3	135.3
Deferred taxation	17,015	17,563	16,100	16,100	16,100	Payable day	276.5	326.7	221.8	206.8	185.3
Other current liabilities	7	236	235	250	250	Inventory day	1017.3	919.1	878.1	838.4	793.0
Non-current liabilities	55,087	60,228	60,000	64,120	64,120	Net gearing ratio (%)	79.1	82.8	77.8	73.0	75.0
Borrowings	53,196	54,373	56,000	60,000	60,000	Returns (%)					
Other non-current liabilities	1,890	5,855	4,000	4,120	4,120	ROE	17.3	16.9	14.7	15.2	14.8
Shareholders' equity	41,239	44,474	50,547	57,530	65,052	ROA	3.1	2.7	2.9	3.2	3.4
Minority interest	5,407	7,296	7,500	7,800	8,100	Per share data					
Perpetual bond	8,335	13,567	13,567	13,567	13,567	EPS (RMB)	1.84	1.93	1.91	2.25	2.48
Total equity	54,981	65,336	71,614	78,897	86,719	DPS (HK\$)	1.00	1.00	1.00	1.15	1.30
						BVPS (RMB)	10.53	11.35	12.90	14.69	16.61

Source: Company data, CMBIS estimates

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