

# Ke Holdings (BEKE US)

## Positive sign showed amid bumpy recovery

Beike reported (15 Mar) 4Q23 results: revenue grew 20.6% YoY on a low base to RMB20.2bn, 7% better than Bloomberg consensus estimates, mainly on better-than-expected GTV generation from existing home transactions (EHT), and stronger-than-expected revenue growth in home renovation business. Non-GAAP net income was RMB1.7bn, 9.5% better than consensus, thanks to better-than-expected gross profit generation aided by better-than-expected cost optimization. For 2023, total revenue grew 28% YoY to RMB77.8bn, and non-GAAP net income was RMB9.8bn, translating into a 12.6% NPM (2022: 4.7%). Although overall business recovery of Beike seems to be bumpy in the near term, overall demand for home transactions likely still takes time to recover, and Beike faces tougher comps due to an overwhelming release of pent-up demand, positive signs are showing up along with the relaxation of restrictive policies. Beike's core business is continuously gaining market share aided by its well-established ACN ecosystem, while its home renovation business is ramping up quickly, which in our view is on track to support Beike's long-term revenue and earnings growth. Our SOTP-based target price is fine-tuned to US\$23.0 (was US\$24.7), including US\$22.1 for Beike Core and US\$0.9 for Shengdu, translating into 20x 24E PE (non-GAAP). Maintain BUY.

- **Solid 4Q results on low base and strong execution.** In 4Q23, GTV for Beike's EHT grew 30% YoY to RMB468bn and that for new home transactions (NHT) dropped 10% YoY to RMB238bn. The 2.6% commission rate in 4Q23 (4Q22: 2.7%) for Lianjia post the commission rate cut in Oct 2023 speaks to a controllable impact, while management highlighted further market share gains in EHT market, especially in Beijing and Shanghai, which in our view could partly offset the negative impact from the commission rate cut, and shall alleviate market concerns. In 4Q23, Beike generated RMB3.6bn of revenue in home renovation and furnishing business, up 74% YoY (3Q23: 72%). On a combined basis, home renovation business and emerging and other services contributed 33% of total revenue in 4Q23 (4Q22: 19%).
- **Bottom line was a beat although one-off items exist.** Although the one-off bonus paid to staff as well as incremental bad debt provisions have brought one-off disturbance to operating expenses, the reported non-GAAP net profit was still a 9.5% beat to consensus in 4Q23, due to better-than-expected cost optimization. With still weak consumer demand in 2M24 and a high base in 1Q23, we forecast a 36% YoY decline in combined GTV for EHT and NHT, and a 21% YoY decline in total revenue for Beike in 1Q24, but we expect a strong sequential recovery in March for Beike along with the relaxation of restrictive policies nationwide.
- **Demonstrated commitment to enhancing shareholder return.** Beike announced that: 1) it has repurchased around US\$719mn worth of shares in total under its share repurchase program in 2023; and 2) its board has approved a final cash dividend of US\$0.351 per ADS (or US\$0.4bn in total amount) for 2023; and Beike targets no less than 5% of total shareholder return per annum through a combination of share repurchases and dividends over the long term.
- **The sustainability of positive momentum remains uncertain.** Property sales showed preliminary signs of improvement post the CNY especially in tier-1 cities, with the secondary market recovering better than the new home market. According to data from local MOHURD, the units of new

**BUY (Maintain)**

**Target Price** **US\$23.00**  
 (Previous TP US\$24.70)  
**Up/Downside** **59.9%**  
**Current Price** **US\$14.38**

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### Stock Data

Mkt Cap (US\$ mn)	17,108.3
Avg 3 mths t/o (US\$ mn)	99.9
52w High/Low (US\$)	19.47/12.51
Total Issued Shares (mn)	1189.7

Source: FactSet

### Shareholding Structure

Propitious Global	23.3%
Tencent Mobility	10.0%

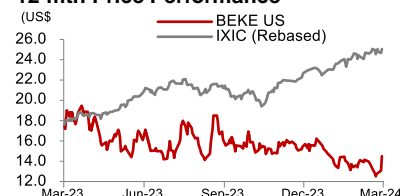
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	4.4%	2.3%
3-mth	-7.8%	-15.9%
6-mth	-11.2%	-23.6%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

homes/secondary homes sold in the **third** week post the CNY in tier-1 cities recovered to avg. 54/83% of that in the same period last year. However, whether the trend can be maintained still requires observation in our view, given that: 1) new home recovery was mainly driven by project supply, and it does not necessarily indicate a large improvement of buying sentiment. Taking Shanghai as an example, avg. project subscription rate of projects launched in 2024 was 95% vs. 193% for **the** first batch launched in the similar period last year. 2) The secondary market was boosted by both price declines and policy relaxation. Transaction price in Shanghai dropped 4% from the first to the third week post the CNY. Maintaining transaction volumes may require more policy support and the continuation of a downward price trend as narrowing price gaps between new and secondary homes may lead to more first-time buyers shifting from new homes to secondary homes. 3) In lower-tier cities, price declines to psychological thresholds may attract more first-time buyers into the market.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	60,669	77,777	86,631	95,262	102,906
Net profit (RMB mn)	(1,386.1)	5,871.4	6,326.3	7,417.5	8,350.3
Adjusted net profit (RMB mn)	2,842.8	9,798.5	9,867.2	10,971.8	12,054.0
Adj. NP (Consensus; RMBmn)			9,671	11,161	12,803.5
EPS (Adjusted) (RMB)	2.39	8.35	8.36	9.25	10.12
P/E (x)	ns	23.4	19.3	16.5	14.8
ROE (%)	(2.0)	8.3	7.9	7.9	8.0

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Beike: quarterly financial results

(RMBbn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23 CMBI estimates	Diff%
<b>GTV</b>	<b>737</b>	<b>647</b>	<b>972</b>	<b>781</b>	<b>655</b>	<b>736</b>	<b>719</b>	2.3%
Growth (YoY%)	-11%	-12%	66%	22%	-11%	14%	11%	
Existing home transaction	449	360	664	457	439	468	452	3.5%
Growth (YoY%)	19%	1%	78%	16%	-2%	30%	26%	
New home transaction	262	264	278	295	192	238	238	0.0%
Growth (YoY%)	-36%	-26%	44%	32%	-27%	-10%	-10%	
<b>Blended monetization rate (%)</b>								
Existing home transaction (revenue/GTV)	1.6	1.5	1.4	1.4	1.4	1.3	1.3	-0.05 ppt
New home transaction (revenue/GTV)	3.0	3.1	3.0	2.9	3.1	3.2	3.1	0.04 ppt
<b>Revenue</b>	<b>17.6</b>	<b>16.7</b>	<b>20.3</b>	<b>19.5</b>	<b>17.8</b>	<b>20.2</b>	<b>19.4</b>	4.3%
Growth (YoY%)	(3)	(6)	62	41	1	21	16	
Existing home transaction	7.2	5.3	9.2	6.4	6.3	6.0	6.0	0.0%
Growth (YoY%)	17	(12)	49	16	(12)	15	15	
New home transaction	7.8	8.3	8.4	8.7	5.9	7.6	7.5	1.1%
Growth (YoY%)	(31)	(27)	42	30	(24)	(9)	(10)	
Emerging and other services - old disclosure	2.6	3.2	2.7	4.4	5.6	6.6	5.8	12.8%
Growth (YoY%)	334	549	454	177	112	107	83	
<b>Gross profit</b>	<b>4.8</b>	<b>4.1</b>	<b>6.3</b>	<b>5.3</b>	<b>4.9</b>	<b>5.1</b>	<b>4.9</b>	4.3%
Operating profit	1.2	0.4	3.0	1.1	0.9	-0.2	1.0	
Contribution profit	6.0	5.0	7.5	6.5	6.1	6.4		
Non-GAAP net profit	1.9	1.6	3.6	2.4	2.1	1.7	1.8	-5.7%
<b>Margins (%)</b>								
Gross margin	27.0	24.4	31.3	27.4	27.4	25.5	25.5	0.0 ppt
Operating profit margin	6.9	2.3	14.7	5.5	5.1	-0.9	5.4	-6.2 ppt
Contribution profit margin	34.0	30.0	36.8	33.4	34.2	31.8		
Non-GAAP net profit margin	10.7	9.2	17.6	12.1	12.1	8.5	9.4	-0.9 ppt

Source: Company data, CMBIGM

**Figure 2: Beike: forecast revision**

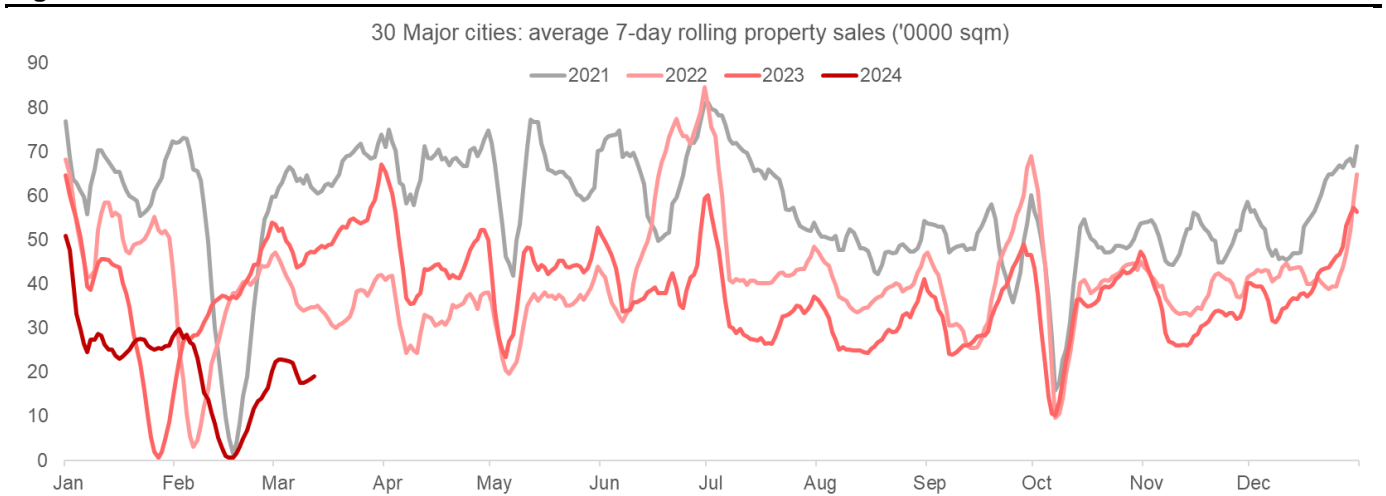
RMB bn	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	86.6	95.3	102.9	88.1	96.4	-	-1.7%	-1.2%	-
Gross profit	24.4	27.1	29.4	24.3	26.9	-	0.2%	0.8%	-
Operating profit	6.7	8.1	9.4	6.6	8.0	-	0.8%	1.6%	-
Non-GAAP net profit	9.8	11.0	12.0	9.5	10.7	-	3.9%	2.5%	-
Gross margin	28.1%	28.5%	28.6%	27.6%	27.9%	-	0.5 ppt	0.6 ppt	-
Operating margin	7.7%	8.5%	9.1%	7.5%	8.3%	-	0.2 ppt	0.2 ppt	-
Non-GAAP net margin	11.4%	11.5%	11.7%	10.8%	11.1%	-	0.6 ppt	0.4 ppt	-

Source: CMBIGM estimates

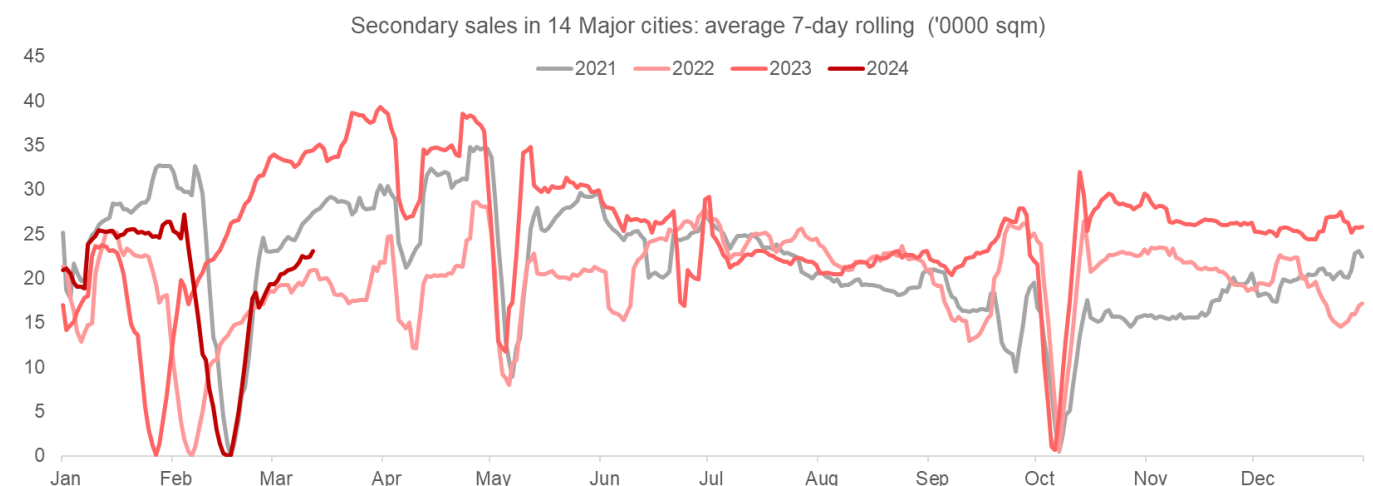
**Figure 3: Beike: estimates vs consensus**

RMB bn	Current			Consensus			Diff (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	86.6	95.3	102.9	86.1	95.6	107.5	0.6%	-0.4%	-4.3%
Gross Profit	24.4	27.1	29.4	23.5	26.3	28.9	3.7%	3.0%	1.8%
Non-GAAP net profit	9.8	11.0	12.0	9.7	11.2	12.8	1.8%	-1.9%	-6.0%
Gross Margin	28.1%	28.5%	28.6%	27.3%	27.5%	26.9%	0.8 ppt	0.9 ppt	1.7 ppt
Non-GAAP net margin	11.4%	11.5%	11.7%	11.2%	11.7%	11.9%	0.1 ppt	-0.2 ppt	-0.2 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 4: YTD new home sales declined 44% YoY as of end of 12 Mar 2024**

Source: Wind, CMBIGM

**Figure 5: YTD new home sales declined 13% YoY as of end of 12 Mar 2024**

Source: Wind, CMBIGM

**Figure 6: Beike Core: DCF valuation table**

(RMBmn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NPV of FCF	58,836	53,736	53,169	48,551	46,039	40,034	35,776	28,058	21,994	12,417
Discounted terminal value	65,107	71,927								
Enterprise value	123,943	125,663								
Net cash	66,057	73,357								
Equity value	190,000	199,020								
No. of ADS (diluted, mn)	1,210	1,216								
Valuation per ADS (USD)	22.2									

Source: CMBIGM estimate

Note: 1) we assume USD:RMB = 7.2:1; 2) our valuation is based on weighted average of 9-month valuation in 2024 and 3-month valuation in 2025.

**Figure 7: Beike: SOTP valuation**

(RMBmn)	2024E
Beike Core	192,255
Shengdu	8,000
Total Beike valuation	200,255
Total Beike valuation (USDmn)	27,813
Valuation per ADS	23.0

Source: CMBIGM estimates

Figure 8: Recovery process in tier-1 cities

	2023	2024	%
	Unit sold in the 3rd week post-CNY	Unit sold in the 3rd week post-CNY	recovered
<b>New home</b>			
Shenzhen	482	432	90%
Shanghai	917	385	42%
Beijing	1600	435	27%
Guangzhou	1228	1043	85%
<b>Total</b>	<b>4227</b>	<b>2295</b>	<b>54%</b>
<b>Secondary home</b>			
Shenzhen	657	881	134%
Shanghai	4793	4309	90%
Beijing	3761	2740	73%
Guangzhou	3013	2252	75%
<b>Total</b>	<b>12224</b>	<b>10182</b>	<b>83%</b>

Source: Local MOHURD, CMBIGM

Figure 9: Buying sentiment is still low compared to last year

Project launched in 2024	Unit supplied	Subscription number	Subscription rate	Project in 1st batch of 2023	Unit supplied	Subscription number	Subscription rate
香港置地招商汇元玺	48	320	667%	象屿招商公园1872北区	144	800	555%
招商苏河玺	30	147	490%	华发半岛华庭	335	1671	499%
天汇玺	16	55	344%	越秀保利嘉悦云上	177	760	430%
保利滨江天珺	20	60	300%	象屿招商公园1872南区	364	1439	395%
绿城外滩兰庭臻兰	166	450	271%	古美华府	295	1001	339%
中建万科理想之地	212	510	241%	钱江大家文澜府	217	700	323%
绿城沁蘭园	412	786	190%	保利建工海明天汇	183	580	319%
华润中环置地中心润府	260	360	138%	泗水和鸣	20	60	300%
中环金茂府	266	310	117%	中铁湖光逸景	103	244	237%
露香园云宸二期	262	280	107%	华发四季河滨	350	730	209%
黄浦庆成府	226	242	107%	安联湖山悦	124	232	187%
嘉俊庭	440	448	102%	中企云萃森林	245	420	171%
上江南 璟荟名庭	379	320	84%	金鼎阅府	466	701	150%
万科海上映像	39	23	59%	保利中企和颂	365	490	135%
金地丰盛道	51	30	56%	奉发名邸	100	119	119%
中铁建花语前湾	394	205	55%	金鼎阅府	525	598	114%
华发海上都荟	315	139	44%	保利联发光合臻园	176	180	102%
华润观宸润府	178	77	43%	鹏瑞云璟湾	193	184	95%
日月光伯爵天地	216	75	35%	天安象屿萃湖臻境	298	221	74%
象屿交控 中环云悦府	329	102	31%	象屿同进虹桥嘉悦	262	175	67%
众禾嘉苑	312	74	24%	蟠龙府二期	468	280	60%
中建玖海云天	482	95	20%	上实望海	587	137	23%
深业深安上居	360	30	8%	新城尚品	88	18	20%
<b>Total</b>	<b>5413</b>	<b>5138</b>	<b>95%</b>	<b>Total</b>	<b>6085</b>	<b>11740</b>	<b>193%</b>

Source: Fangdi.com, CMBIGM

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	80,752	60,669	77,777	86,631	95,262	102,906
Cost of goods sold	(64,933)	(46,888)	(56,059)	(62,268)	(68,153)	(73,480)
Gross profit	15,819	13,781	21,718	24,363	27,109	29,426
Operating expenses	(17,174)	(14,614)	(16,921)	(17,690)	(18,977)	(20,036)
SG&A expense	(13,234)	(11,920)	(14,891)	(15,706)	(16,890)	(17,834)
R&D expense	(3,194)	(2,546)	(1,937)	(1,984)	(2,086)	(2,202)
Others	(747)	(148)	(93)	0	0	0
Operating profit	(1,355)	(833)	4,797	6,672	8,132	9,390
Other income	1,702	1,569	1,869	1,122	1,009	908
Other expense	(163)	(719)	(133)	0	0	0
Investment gain/loss	565	(512)	78	0	0	0
Share of (losses)/profits of associates/JV	37	45	9	0	0	0
Interest income	355	743	1,263	1,351	1,454	1,553
Pre-tax profit	1,141	292	7,884	9,145	10,596	11,852
Income tax	(1,665)	(1,690)	(1,994)	(2,801)	(3,160)	(3,483)
After tax profit	(525)	(1,397)	5,890	6,344	7,436	8,369
Minority interest	1	11	(18)	(18)	(18)	(18)
Net profit	(524)	(1,386)	5,871	6,326	7,417	8,350
Core net profit	(524)	(1,386)	5,871	6,326	7,417	8,350
Adjusted net profit	2,294	2,843	9,798	9,867	10,972	12,054
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	69,926	70,425	69,754	83,765	93,685	104,359
Cash & equivalents	20,446	19,413	19,635	32,120	39,421	50,326
Restricted cash	6,286	6,181	6,223	6,534	6,861	7,204
Account receivables	9,325	4,163	3,176	5,887	7,980	7,273
Other current assets	33,869	40,667	40,720	39,223	39,423	39,557
Non-current assets	30,393	38,923	50,578	54,054	57,495	60,983
PP&E	1,972	2,037	1,965	1,988	1,976	2,019
Right-of-use assets	7,244	11,284	17,618	21,618	25,618	29,618
Intangibles	1,141	1,687	1,067	520	(27)	(582)
Goodwill	1,806	4,934	4,857	4,857	4,857	4,857
Other non-current assets	18,230	18,981	25,071	25,071	25,071	25,071
Total assets	100,319	109,347	120,332	137,818	151,180	165,342
Current liabilities	28,936	33,341	39,524	47,546	50,328	52,829
Short-term borrowings	260	619	290	290	290	290
Account payables	6,009	5,843	6,329	10,918	11,950	12,884
Other current liabilities	15,361	14,528	13,175	17,208	18,477	19,608
Lease liabilities	2,753	4,972	9,369	9,369	9,369	9,369
Contract liabilities	1,102	3,260	4,665	4,665	4,665	4,665
Accrued expenses	3,451	4,118	5,696	5,095	5,577	6,013
Non-current liabilities	4,327	6,952	8,607	8,607	8,607	8,607
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	4,327	6,952	8,607	8,607	8,607	8,607
Total liabilities	33,263	40,293	48,131	56,153	58,935	61,436
Share capital	0	0	0	0	0	0
Retained earnings	(9,843)	(11,406)	(5,673)	792	8,209	16,560
Other reserves	76,817	80,326	77,773	87,400	90,544	93,837
Total shareholders equity	66,974	68,920	72,100	88,192	98,753	110,397
Minority interest	82	134	101	119	138	156
Total equity and liabilities	100,319	109,347	120,332	144,464	157,826	171,988



<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,141	292	7,884	9,145	10,596	11,852
Depreciation & amortization	1,158	1,089	932	1,498	1,532	1,563
Tax paid	1,665	1,690	1,994	2,801	3,160	3,483
Change in working capital	32	5,036	636	2,188	(3,459)	(883)
Others	(402)	354	(289)	(2,569)	(3,176)	(3,674)
<b>Net cash from operations</b>	<b>3,595</b>	<b>8,461</b>	<b>11,158</b>	<b>13,062</b>	<b>8,653</b>	<b>12,342</b>
<b>Investing</b>						
Capital expenditure	(1,430)	(793)	(795)	(885)	(973)	(1,051)
Acquisition of subsidiaries/ investments	(9,876)	5,420	899	0	0	0
Others	(13,578)	(13,099)	(4,082)	589	(53)	(45)
<b>Net cash from investing</b>	<b>(24,884)</b>	<b>(8,472)</b>	<b>(3,977)</b>	<b>(296)</b>	<b>(1,027)</b>	<b>(1,096)</b>
<b>Financing</b>						
Net borrowings	260	359	0	30	2	2
Proceeds from share issues	0	0	0	0	0	0
Others	(1,334)	(1,514)	(6,962)	0	0	0
<b>Net cash from financing</b>	<b>(1,074)</b>	<b>(1,155)</b>	<b>(6,962)</b>	<b>30</b>	<b>2</b>	<b>2</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	49,537	26,732	25,594	25,857	38,654	46,282
Exchange difference	(442)	29	45	0	0	0
<b>Cash at the end of the year</b>	<b>26,732</b>	<b>25,594</b>	<b>25,857</b>	<b>38,654</b>	<b>46,282</b>	<b>57,529</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	14.6%	(24.9%)	28.2%	11.4%	10.0%	8.0%
Gross profit	(6.2%)	(12.9%)	57.6%	12.2%	11.3%	8.5%
Operating profit	na	na	na	39.1%	21.9%	15.5%
Net profit	na	na	na	7.7%	17.2%	12.6%
Adj. net profit	(59.9%)	23.9%	244.7%	0.7%	11.2%	9.9%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	19.6%	22.7%	27.9%	28.1%	28.5%	28.6%
Operating margin	(1.7%)	(1.4%)	6.2%	7.7%	8.5%	9.1%
Adj. net profit margin	2.8%	4.7%	12.6%	11.4%	11.5%	11.7%
Return on equity (ROE)	(0.8%)	(2.0%)	8.3%	7.9%	7.9%	8.0%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Current ratio (x)	2.4	2.1	1.8	1.8	1.9	2.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	ns	ns	23.4	19.3	16.5	14.8
P/E (diluted)	ns	ns	24.0	19.8	17.0	15.1
P/B	2.9	1.8	1.9	1.4	1.3	1.1
P/CFPS	139.8	16.1	13.4	10.1	16.0	10.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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