

Ke Holdings (BEKE US)

Embracing the profit release cycle

Ke Holdings' (Beike) 1Q26 revenue declined 19.0% YoY to RMB18.9bn, in line with Bloomberg consensus and our forecast, but non-GAAP net profit reached RMB1.6bn, up 15.7% YoY, largely beating Bloomberg and our forecast of RMB1.0-1.2bn. Non-GAAP NP margin reached 8.5%, a 7-quarter high, validating the company's efficiency-driven transformation. Looking forward, management guided for strong 2Q26E revenue with non-GAAP OPM of ~12% and NPM of ~9-10%. Together with 7-8% non-GAAP net margin guidance in 3Q/4Q26E, FY26E non-GAAP net margin is likely to reach 7.9-8.7% per our estimate. We raise our SOTP-based TP to US\$24.0 (up 4% from US\$23.0) to reflect stronger-than-expected profitability trajectory. New TP translates into 25.6x 2026E PE (non-GAAP). Maintain BUY.

- 1Q26 earnings beat driven by structural cost optimization.** Beike's 1Q26 revenue declined 19.0% YoY to RMB18.9bn due to high base effects, with EHT/NHT GTV down 7.9%/37.2% YoY. Despite the revenue decline, contribution margins (CM) improved across all business segments, driven by Lianjia headcount optimization (per-agent transaction volume +26% YoY), refined channel management for new home biz, and procurement-led cost savings in Home renovation biz. Operating expenses declined 22.3% YoY to RMB3.29bn, hitting a 3-year low, thanks to AI-enabled precise marketing allocation and staff streamlining in main biz, higher designer efficiency and lower compensation due to scale contraction in home renovation biz. This lifted non-GAAP NP margin by 2.5ppts YoY to 8.5%, a 7-quarter high.
- Strong 2Q26 guidance signals upward revision of FY26 forecast.** Mgmt. guided for 2Q26 revenue at ~RMB24bn with non-GAAP OPM of ~12% and NPM of ~9-10%, implying non-GAAP NP of ~RMB2.2-2.4bn. Key drivers include: EHT transaction volume growth of 25%+ YoY with GTV achieving single-digit growth; NHT GTV flattening YoY; and gross margin improving to 25%+. For 3Q/4Q26E, mgmt. indicated non-GAAP NPM of 7-8%, and we estimate this implies FY26 non-GAAP NP of ~RMB7.0-7.7bn with a margin of 7.9-8.7%, suggesting meaningful upward revision from 7.0%.
- New businesses on track for profit contribution.** As of end-1Q26, home rental biz had ~750k units (+50% YoY) under management, with 43.6% of revenue changed accounting method (vs. ~20% a year ago), driving CM to 14.8% (+8.1ppts YoY), with the percentage expected to exceed 50% in 2Q26E per mgmt. guidance. Home renovation CM reached 36.2% (+3.6ppts YoY) despite a 20.6% revenue decline from proactive channel restructuring, with management confirming to reach breakeven in FY26. Both new businesses are becoming increasingly meaningful profit contributors.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	93,457	94,580	89,496	97,360	104,919
YoY growth (%)	20.2	1.2	(5.4)	8.8	7.8
Net profit (RMB mn)	4,064.9	2,994.0	5,812.4	7,330.2	8,821.4
Adjusted net profit (RMB mn)	7,211.1	5,016.9	7,461.1	9,052.0	10,564.0
YoY growth (%)	(26.4)	(30.4)	48.7	21.3	16.7
EPS (Adjusted) (RMB)	6.44	4.59	6.83	8.37	9.83
P/E (x)	35.1	46.5	23.9	18.8	15.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$24.00
(Previous TP)	US\$23.00)
Up/Downside	28.2%
Current Price	US\$18.72

China Internet

Saiyi HE, CFA

(852) 3916 1739

hesaiyi@cmbi.com.hk

Ye TAO, CFA

(852) 3850 5226

franktao@cmbi.com.hk

Miao ZHANG

(852) 3761 8910

zhangmiao@cmbi.com.hk

Wentao LU, CFA

luwentao@cmbi.com.hk

Shuyin GUO

(852) 3916 3716

Stock Data

Mkt Cap (US\$ mn)	21,305.4
Avg 3 mths t/o (US\$ mn)	36.8
52w High/Low (US\$)	20.36/14.81
Total Issued Shares (mn)	1138.1

Source: FactSet

Shareholding Structure

Propitious Global	25.4%
Tencent Mobility	7.3%

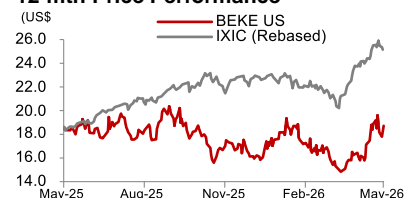
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	13.9%	7.4%
3-mth	8.4%	-4.1%
6-mth	10.0%	-6.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Results comparison and changes in forecast

Figure 1: BEKE: quarterly financial results

(RMBbn)	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26E Consensus	Diff%	CMBI estimates	Diff%
GTV									
<i>Growth (YoY%)</i>									
Existing home transaction	580	584	506	482	534	507	5.4%	520	2.7%
<i>Growth (YoY%)</i>	28%	2%	6%	-35%	-8%				
New home transaction	232	255	196	207	146	136	7.4%	141	3.6%
<i>Growth (YoY%)</i>	53%	9%	-14%	-42%	-37%				
(%)									
Blended monetization rate									
Existing home transaction (revenue/GTV)	1.2%	1.2%	1.18%	1.13%	1.15%	1.20%	-0.1 ppt	1.18%	0.0 ppt
New home transaction (revenue/GTV)	3.48%	3.37%	3.38%	3.51%	3.49%	3.46%	0.0 ppt	3.43%	0.1 ppt
Revenue	23.3	26.0	23.1	22.2	18.9	18.8	0.5%	18.7	1.3%
<i>Growth (YoY%)</i>									
Existing home transaction	6.9	6.7	6.0	5.4	6.1	6.1	0.7%	6.1	0.3%
<i>Growth (YoY%)</i>	20%	-8%	-4%	-39%	-11%				
New home transaction	8.1	8.6	6.6	7.3	5.1	4.7	8.3%	4.8	5.2%
<i>Growth (YoY%)</i>	64%	9%	-14%	-44%	-37%				
Home renovation and furnishing	2.9	4.6	4.3	3.6	2.3	2.6	10.6%	2.7	13.5%
Home rental services	5.1	5.7	5.7	5.4	5.0	4.8	4.4%	4.6	8.8%
Emerging and other services	0.3	0.4	0.4	0.5	0.3	0.6	46.1%	0.4	17.8%
Gross profit	4.8	5.7	4.9	4.8	4.6	4.0	14.9%	4.3	4.9%
Operating profit	0.6	1.1	0.6	-0.1	1.3	0.9	39.1%	0.7	95.3%
Contribution profit	6.1	7.1	6.1						
Non-GAAP operating profit	1.1	1.6	1.2	0.3	1.7	1.2	43.5%	1.1	48.4%
Non-GAAP net profit	1.4	1.8	1.3	0.5	1.6	1.0	67.9%	1.2	34.7%
<i>Growth (YoY%)</i>	0%	-32%	-28%	61.5%	15.7%				
Margin profile									
(%)									
Gross margin	20.7%	21.9%	21.4%	21.4%	24.1%	21.1%	3.0 ppt	23.3%	0.8 ppt
Operating profit margin	2.5%	4.1%	2.6%	-0.7%	6.7%	4.9%	1.9 ppt	3.5%	3.2 ppt
Contribution profit margin	26.1%	27.1%	26.4%	28.1%	29.9%				
Existing home transaction	38.1%	39.9%	39.0%	40.4%	41.3%				
New home transaction	23.4%	24.4%	24.1%	28.3%	25.7%				
Home renovation and furnishing	32.6%	32.1%	32.0%	28.8%	36.2%				
Home rental services	6.7%	8.4%	8.7%	10.4%	14.8%				
Emerging and other services	79.0%	74.4%	69.2%	80.8%	68.8%				
Non-GAAP net profit margin	6.0%	7.0%	5.6%	2.4%	8.5%	5.1%	3.4 ppt	6.4%	2.1 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: BEKE: forecast revision

RMB bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	89.5	97.4	104.9	90.0	97.8	105.3	-0.5%	-0.5%	-0.4%
Gross profit	21.6	24.6	27.5	20.8	23.6	26.5	3.6%	3.9%	3.7%
Operating profit	6.3	8.2	10.1	5.2	7.1	9.5	21.5%	15.5%	6.6%
Non-GAAP net profit	7.5	9.1	10.6	7.0	8.5	10.3	6.8%	6.9%	2.1%
Gross margin	24.1%	25.2%	26.2%	23.2%	24.2%	25.2%	1.0 ppt	1.1 ppt	1.0 ppt
Operating margin	7.0%	8.4%	9.7%	5.7%	7.2%	9.0%	1.3 ppt	1.2 ppt	0.6 ppt
Non-GAAP net margin	8.3%	9.3%	10.1%	7.8%	8.7%	9.8%	0.6 ppt	0.6 ppt	0.2 ppt

Source: Company data, CMBIGM estimates

Figure 3: BEKE: CMBIGM estimates vs consensus

RMB bn	Current			Consensus			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	89.5	97.4	104.9	89.9	94.4	99.8	-0.4%	3.2%	5.2%
Gross profit	21.6	24.6	27.5	20.9	22.6	24.3	3.2%	8.6%	13.3%
Non-GAAP net profit	7.5	9.1	10.6	6.4	7.4	8.1	16.7%	22.5%	30.8%
Gross margin	24.1%	25.2%	26.2%	23.3%	24.0%	24.3%	0.8 ppt	1.3 ppt	1.9 ppt
Non-GAAP net margin	8.3%	9.3%	10.1%	7.1%	7.8%	8.1%	1.2 ppt	1.5 ppt	2.0 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: BEKE: core DCF valuation

(RMBmn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NPV of FCF	45,717	43,821	41,993	37,155	32,102	26,746	21,011	12,958
Discounted terminal value	82,922							
Enterprise value	128,639							
Net cash	54,227							
Equity value	182,866							
No. of ADS (diluted, mn)	1,134							
Valuation per ADS (USD)	23.0							

Source: CMBIGM estimates

Note: USD:RMB exchange rate assumption is at 1:7.0

Figure 5: BEKE: SOTP valuation

(RMBmn)	2026E
Beike Core	182,866
Shengdu	8,000
Total Beike valuation	190,866
Total Beike valuation (USDmn)	27,267
Valuation per ADS (USD)	24.0

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	77,777	93,457	94,580	89,496	97,360	104,919
Cost of goods sold	(56,059)	(70,513)	(74,368)	(67,902)	(72,798)	(77,411)
Gross profit	21,718	22,944	20,212	21,594	24,561	27,508
Operating expenses	(16,921)	(19,179)	(18,101)	(15,318)	(16,372)	(17,380)
SG&A expense	(14,891)	(16,744)	(15,404)	(13,055)	(14,007)	(14,990)
R&D expense	(1,937)	(2,283)	(2,581)	(2,263)	(2,364)	(2,391)
Others	(93)	(152)	(116)	0	0	0
Operating profit	4,797	3,765	2,111	6,276	8,190	10,128
Other income	1,869	1,566	1,446	1,229	1,229	1,229
Other expense	(133)	(44)	(166)	(2)	0	0
Investment gain/loss	78	313	463	0	0	0
Share of (losses)/profits of associates/JV	9	10	16	(16)	0	0
Interest income	1,263	1,260	808	815	890	948
Pre-tax profit	7,884	6,870	4,677	8,302	10,309	12,305
Income tax	(1,994)	(2,792)	(1,686)	(2,492)	(2,982)	(3,486)
After tax profit	5,890	4,078	2,991	5,809	7,327	8,818
Minority interest	(6)	(13)	3	3	3	3
Net profit	5,883	4,065	2,994	5,812	7,330	8,821
Core net profit	5,883	4,065	2,994	5,812	7,330	8,821
Adjusted net profit	9,798	7,211	5,017	7,461	9,052	10,564

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	69,754	76,603	68,120	74,899	83,835	94,246
Cash & equivalents	19,635	11,443	7,773	14,842	22,118	31,970
Restricted cash	6,223	8,858	8,171	8,579	9,008	9,458
Account receivables	3,176	5,498	3,937	3,238	4,066	3,861
Other current assets	40,720	50,804	48,239	48,240	48,643	48,956
Non-current assets	50,578	56,546	48,548	50,503	52,244	54,052
PP&E	1,965	2,400	2,070	2,152	2,020	1,956
Right-of-use assets	17,618	23,367	19,144	21,144	23,144	25,144
Intangibles	1,067	858	723	595	468	340
Goodwill	4,857	4,777	4,660	4,660	4,660	4,660
Other non-current assets	25,071	25,144	21,951	21,951	21,951	21,951
Total assets	120,332	133,149	116,668	125,402	136,079	148,298
Current liabilities	39,524	52,744	42,407	43,907	45,728	47,587
Short-term borrowings	290	288	208	208	208	208
Account payables	6,329	9,493	6,052	5,526	5,924	6,300
Other current liabilities	13,175	15,913	12,210	14,825	15,743	16,751
Lease liabilities	9,369	13,730	10,659	10,659	10,659	10,659
Contract liabilities	4,665	6,052	5,690	5,690	5,690	5,690
Accrued expenses	5,696	7,269	7,588	6,999	7,504	7,980
Non-current liabilities	8,607	8,957	7,731	7,289	7,289	7,289
Long-term borrowings	0	0	442	0	0	0
Other non-current liabilities	8,607	8,957	7,289	7,289	7,289	7,289
Total liabilities	48,131	61,701	50,138	51,196	53,017	54,876
Share capital	0	0	0	0	0	0
Retained earnings	(5,673)	(1,724)	1,142	7,083	14,413	23,234
Other reserves	77,773	73,048	65,299	67,038	68,566	70,108
Total shareholders equity	72,100	71,324	66,441	74,120	82,979	93,342
Minority interest	101	124	89	86	83	80
Total equity and liabilities	120,332	133,149	116,668	125,402	136,079	148,298

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,884	6,870	4,677	8,302	10,309	12,305
Depreciation & amortization	932	1,012	1,072	1,065	1,062	1,057
Tax paid	1,994	2,792	1,686	2,492	2,982	3,486
Change in working capital	2,075	1,925	(6,700)	237	(1,312)	(147)
Others	(1,471)	(3,153)	(1,111)	(3,317)	(4,345)	(5,332)
Net cash from operations	11,414	9,447	(376)	8,779	8,697	11,368
Investing						
Capital expenditure	(874)	(1,037)	(608)	(821)	(893)	(963)
Acquisition of subsidiaries/ investments	(5,595)	(11,886)	12,039	0	0	0
Others	2,492	3,545	(5,537)	(39)	(98)	(102)
Net cash from investing	(3,977)	(9,378)	5,894	(860)	(992)	(1,065)
Financing						
Net borrowings	(329)	(2)	1,208	(442)	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(6,889)	(5,792)	(11,001)	0	0	0
Net cash from financing	(7,218)	(5,795)	(9,793)	(442)	0	0
Net change in cash						
Cash at the beginning of the year	25,594	25,857	20,301	15,944	23,421	31,126
Exchange difference	45	169	(83)	0	0	0
Cash at the end of the year	25,857	20,301	15,944	23,421	31,126	41,429
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	28.2%	20.2%	1.2%	(5.4%)	8.8%	7.8%
Gross profit	57.6%	5.6%	(11.9%)	6.8%	13.7%	12.0%
Operating profit	na	(21.5%)	(43.9%)	197.3%	30.5%	23.7%
Net profit	na	(30.9%)	(26.3%)	94.1%	26.1%	20.3%
Adj. net profit	244.7%	(26.4%)	(30.4%)	48.7%	21.3%	16.7%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.9%	24.6%	21.4%	24.1%	25.2%	26.2%
Operating margin	6.2%	4.0%	2.2%	7.0%	8.4%	9.7%
Adj. net profit margin	12.6%	7.7%	5.3%	8.3%	9.3%	10.1%
Return on equity (ROE)	8.3%	5.7%	4.3%	8.3%	9.3%	10.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.2)	(0.1)	(0.2)	(0.3)	(0.3)
Current ratio (x)	1.8	1.5	1.6	1.7	1.8	2.0
Receivable turnover days	17.0	16.7	18.0	14.6	13.7	13.8
Payable turnover days	41.2	49.1	29.7	29.7	29.7	29.7
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	25.4	35.1	46.5	23.9	18.8	15.5
P/E (diluted)	26.1	36.8	48.4	24.9	19.5	16.1
P/B	2.1	2.1	2.3	2.0	1.7	1.5
P/CFPS	13.8	17.2	ns	18.2	18.6	13.9

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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