

# Agile (3383 HK)

## More spin-offs reflect true value

Revenue and net profit grew by 23.7% to RMB33.5bn and 1.0% to RMB5.12bn in 1H20, respectively. The reporting profit was 5.1% below our estimate. Till Jul, Agile accomplished 55% of sales target. We raise TP to HK\$13.89. Maintain BUY.

- **Mild profit growth in 1H20.** Revenue and net profit grew by 23.7% to RMB33.5bn and 1.0% to RMB5.12bn in 1H20, respectively. The reporting profit was 5.1% below our estimate of RMB5.40bn. Besides 18.7% growth in revenue from property sales, revenue from property management business gained 1.1x to RMB3.18bn in 1H20. Gross margin expanded by 4.0ppts to 34.4% but less other income dragged down EBIT margin by 4.0ppts to 36.5% in the period. Core net profit grew by 32.9% to RMB5.31bn in 1H20. Interim dividend was cut from HK\$0.6 in 1H19 to HK\$0.5 in 1H20.
- **Products target to end-users and upgraders.** Agile achieved RMB55.1bn contracted sales in 1H20. Contracted sales achieved to RMB10.6bn in Jul 2020 and hit rate reached 55% based on RMB120bn sales target. RMB165bn of properties will be launched in 2H20. About 89% properties launched in 2020 are targeted for end-users and upgraders or aggregate 43% of them are located in Eastern China or GBA.
- **41.95mn sq m attributable land bank.** Agile acquired 20 property projects with total attributable GFA of 3.47mn sq m in 1H20. As at Jun 2020, total attributable land bank amounted to 41.95mn sq m with average land cost of RMB3,373/sq m. As at Jun 2020, Agile has secured 7mn sq m urban redevelopment projects with RMB240bn saleable resources.
- **Diversified businesses is a trump card.** After spinned off A-Living (3319 HK, BUY) in Feb 2018, Agile seeks listing of A-City Group on HKEx in 2020. In fact, diversified businesses become more important to Agile. Value of A-Living accounted for 28% of our estimated NAV or revenue from diversified businesses aggregately contributed 12.6% of total revenue in 1H20, compared with 9.0% in 1H19. More spin-offs will reflect true value of Agile.
- **Raise TP.** We maintain our profit forecast unchanged. As of Jun 2020, pre-sold and unbooked properties totaled RMB95.8bn, of which RMB45.8bn are consolidated. Furthermore, we slightly raise our end-20 NAV forecast from HK\$27.41 to HK\$27.78. We raise TP from HK\$13.71 to HK\$13.89, based on 50% discount to NAV.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	56,145	60,239	72,275	83,865	92,159
YoY growth (%)	8.8	7.3	20.0	16.0	9.9
Net income (RMB mn)	7,125	7,512	7,917	9,361	10,205
EPS (RMB)	1.835	1.935	2.02	2.39	2.61
YoY growth (%)	18.3	5.4	4.5	18.2	9.0
Consensus EPS (RMB)	N.A.	N.A.	2.05	2.32	2.67
P/E (x)	5.2	4.9	4.7	4.0	3.6
P/B (x)	0.9	0.8	0.7	0.6	0.6
Yield (%)	9.5	9.5	9.5	10.9	12.3
ROE (%)	17.3	16.9	15.5	16.0	15.3
Net gearing (%)	79.1	82.8	80.7	74.3	73.9

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$13.89
(Previous TP)	HK\$13.71
Up/downside	+31.8%
Current Price	HK\$10.54

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#### Stock Data

Mkt Cap (HK\$ mn)	41,286
Avg 3 mths t/o (HK\$ mn)	68.33
52w High/Low (HK\$)	12.36/ 7.60
Total Issued Shares (mn)	3,917

Source: Bloomberg

#### Shareholding Structure

Chen Zhuo Lin	66.3%
Free float	33.7%

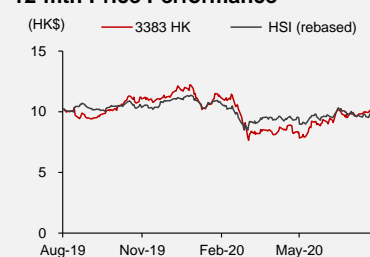
Source: Company data

#### Share Performance

	Absolute	Relative
1-mth	6.3%	8.5%
3-mth	26.4%	22.2%
6-mth	-5.7%	2.5%
12-mth	1.5%	6.2%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: PricewaterhouseCoopers

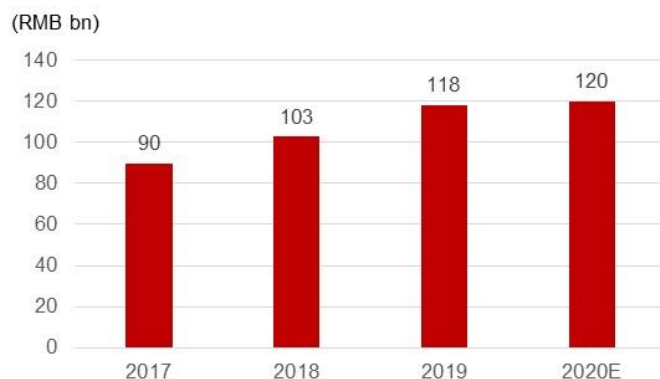
#### Related Reports

1. Hainan is back – 15 Jul 2020
2. Disappointed the market – 24 Mar 2020

**Figure 1: 2019 interim results**

	1H20 (RMB mn)	1H19 (RMB mn)	Change (%)	Remark
<b>Revenue</b>	<b>33,527</b>	<b>27,114</b>	<b>23.7%</b>	
Property sales	29,310	24,685	18.7%	Recognized ASP increased by 18% to RMB15,144/sqm
Rental	88	98	-9.5%	
Hotel	153	353	-56.6%	Lower occupancy rate
Property management	3,177	1,505	111.1%	A-Living
Environmental	799	474	68.5%	
Cost of sales	(22,007)	(18,894)	16.5%	
<b>Gross profit</b>	<b>11,521</b>	<b>8,220</b>	<b>40.2%</b>	Gross margin expanded 4.0ppts to 34.4% in 1H20
Other income	3,499	5,239	-33.2%	
Marketing expenses	(952)	(959)	-0.7%	
Administrative expenses	(1,714)	(1,390)	23.2%	Increase R&D and number of staff
Other expenses	(128)	(135)	-4.8%	
<b>EBIT</b>	<b>12,226</b>	<b>10,975</b>	<b>11.4%</b>	
Finance costs	(1,342)	(926)	45.0%	RMB750mn exchange losses
Share from associates and JVs	491	150	N.A.	
Investment properties revaluation gain	13	2	569.1%	
<b>PROFIT BEFORE TAX</b>	<b>11,387</b>	<b>10,201</b>	<b>11.6%</b>	
Income tax	(5,048)	(4,308)	17.2%	Effective tax rate enlarged by 2.1ppts to 44.3% in 1H20
<b>PROFIT FOR THE YEAR</b>	<b>6,339</b>	<b>5,894</b>	<b>7.6%</b>	
Non-controlling interests	(662)	(400)	65.7%	
Perpetual securities	(549)	(417)	31.7%	
<b>Net profit to shareholders</b>	<b>5,127</b>	<b>5,077</b>	<b>1.0%</b>	Net margin expanded by 1.1ppts to 15.8% in 1H20
<b>Core profit to shareholders</b>	<b>5,306</b>	<b>3,992</b>	<b>32.9%</b>	

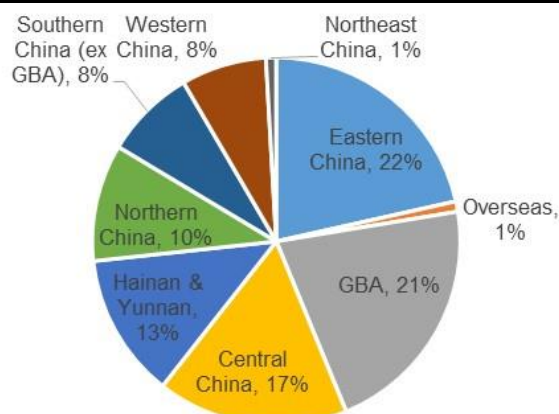
Source: Company data, CMBIS

**Figure 2: Annual contracted sales amount**

Source: Company data, CMBIS

**Figure 3: Recognized GFA & ASP**

Source: Company data, CMBIS

**Figure 4: 2020 saleable resource (RMB220bn)**

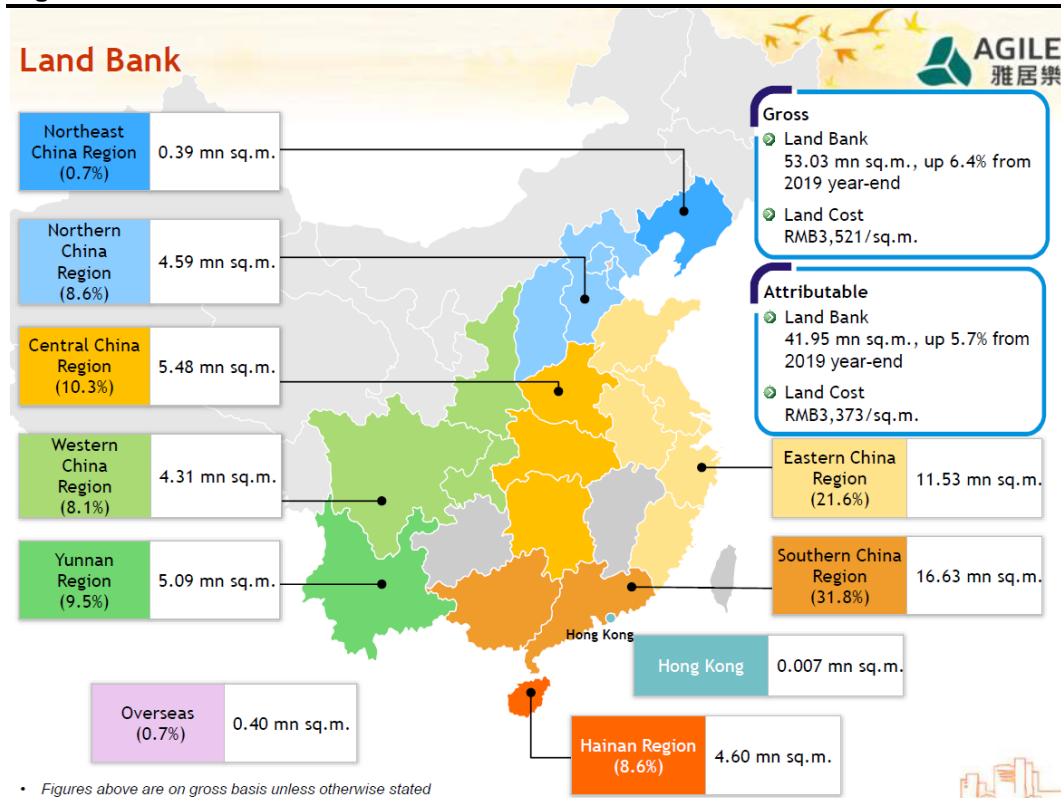
Source: Company data, CMBIS

**Figure 5: Cash flow**

	1H20 (RMB bn)	2020E (RMB bn)
Property sales proceeds	34.1	76.9
Non-property business	5.0	15.6
Cash inflow	39.1	92.5
Land cost	(10.8)	(32.0)
Construction	(10.0)	(31.5)
SG&A expenses	(2.0)	(6.4)
Tax	(5.6)	(14.1)
Interest	(3.2)	(7.2)
Cash outflow	(31.6)	(91.2)
Net cashflow	<u>7.5</u>	<u>1.3</u>

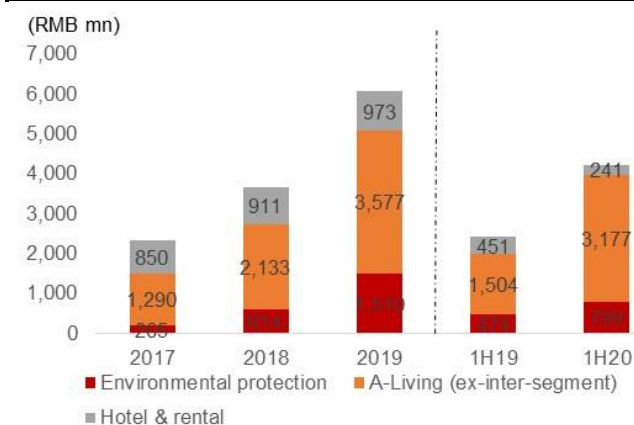
Source: Company data, CMBIS

Figure 6: Land bank



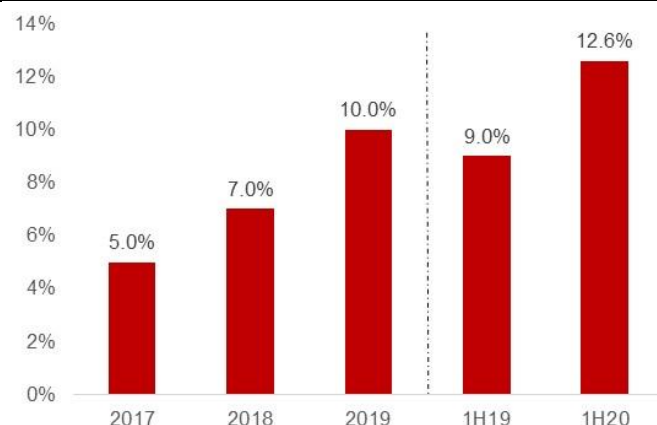
Source: Company data

Figure 7: Breakdown of diversified business revenue



Source: Company data, CMBIS

Figure 8: Contribution of diversified business to total revenue



Source: Company data, CMBIS

Figure 9: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	72,275	83,865	92,159	72,275	83,865	92,159	0.0%	0.0%	0.0%
Gross Profit	23,045	27,458	30,119	23,045	27,458	30,119	0.0%	0.0%	0.0%
EBIT	19,084	22,700	24,683	19,084	22,700	24,683	0.0%	0.0%	0.0%
Net profit	7,917	9,361	10,205	7,907	9,361	10,204	0.1%	0.0%	0.0%
EPS (RMB)	2.02	2.39	2.61	2.02	2.39	2.61	0.1%	0.0%	0.0%
Gross Margin	31.9%	32.7%	32.7%	31.9%	32.7%	32.7%	0 ppt	0 ppt	0 ppt
EBIT Margin	26.4%	27.1%	26.8%	26.4%	27.1%	26.8%	0 ppt	0 ppt	0 ppt
Net Margin	11.0%	11.2%	11.1%	10.9%	11.2%	11.1%	0 ppt	0 ppt	0 ppt

Source: CMBIS estimates

**Figure 10: CMBIS estimates vs consensus**

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	72,275	83,865	92,159	71,507	84,654	92,304	1.1%	-0.9%	-0.2%
Gross Profit	23,045	27,458	30,119	22,745	25,876	28,622	1.3%	6.1%	5.2%
EBIT	19,084	22,700	24,683	17,986	20,509	21,917	6.1%	10.7%	12.6%
Net profit	7,917	9,361	10,205	7,999	9,042	9,950	-1.0%	3.5%	2.6%
EPS (RMB)	2.02	2.39	2.61	2.05	2.32	2.67	-1.2%	3.0%	-2.4%
Gross Margin	31.9%	32.7%	32.7%	31.8%	30.6%	31.0%	0.1 ppt	2.2 ppt	1.7 ppt
EBIT Margin	26.4%	27.1%	26.8%	25.2%	24.2%	23.7%	1.3 ppt	2.8 ppt	3 ppt
Net Margin	11.0%	11.2%	11.1%	11.2%	10.7%	10.8%	-0.2 ppt	0.5 ppt	0.3 ppt

Source: Bloomberg, CMBIS estimates

**Figure 11: End-20 NAV**

	(Rmb mn)	(HK\$ mn)	NAV/share (HK\$)	% of NAV	Remark
Properties under development	126,337	140,844	35.96	129%	WACC of 7.7%
Investment property	8,620	9,610	2.45	9%	At cost
Hotel	7,174	7,998	2.04	7%	Rmb 0.8-5.0mn per room
A-Living	27,254	30,384	7.76	28%	Market cap
Gross Amount	169,386	188,836	48.21	174%	
Net debt	-58,209	-64,893	(16.57)	-60%	Dec-20
Perpetual securities	-13,567	-15,125	(3.86)	-14%	
NAV	97,610	108,818	27.78	100%	

Source: CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>56,145</b>	<b>60,239</b>	<b>72,275</b>	<b>83,865</b>	<b>92,159</b>
Property sales	52,488	54,177	64,200	70,620	76,270
Rental	189	173	180	189	200
Hotel	722	802	882	970	1,067
Property management	2,133	3,577	5,125	9,595	11,259
Environmental	614	1,510	1,888	2,492	3,364
Cost of sales	(31,471)	(41,881)	(49,229)	(56,408)	(62,041)
<b>Gross profit</b>	<b>24,674</b>	<b>18,358</b>	<b>23,045</b>	<b>27,458</b>	<b>30,119</b>
Other income and gains	977	5,818	1,821	1,952	2,122
Distribution expenses	(2,318)	(2,026)	(2,313)	(2,768)	(3,226)
Administrative expenses	(2,910)	(3,999)	(3,108)	(3,522)	(3,871)
Other expenses	(257)	(228)	(361)	(419)	(461)
<b>Operating profit</b>	<b>20,166</b>	<b>17,923</b>	<b>19,084</b>	<b>22,700</b>	<b>24,683</b>
Finance expenses	(2,744)	(2,530)	(1,871)	(1,885)	(1,979)
Associates/JV	27	1,086	810	845	880
Exceptional	1,952	117	13	-	-
<b>Pre-tax profit</b>	<b>19,401</b>	<b>16,596</b>	<b>18,036</b>	<b>21,660</b>	<b>23,584</b>
Profits tax	(11,043)	(7,363)	(8,284)	(10,229)	(11,097)
Minority interest	(556)	(871)	(985)	(1,221)	(1,433)
Perpetual	(677)	(850)	(850)	(850)	(850)
<b>Net profit</b>	<b>7,125</b>	<b>7,512</b>	<b>7,917</b>	<b>9,361</b>	<b>10,205</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>EBIT</b>	<b>20,166</b>	<b>17,923</b>	<b>19,084</b>	<b>22,700</b>	<b>24,683</b>
D&A	603	866	985	966	1,036
Change in working capital	(8,055)	(19,809)	(15,950)	(4,400)	(10,000)
Income tax paid	(8,159)	(9,276)	(9,426)	(10,109)	(11,097)
Others	(1,927)	(4,255)	4,441	(3,333)	(2,860)
<b>Net cash from operating</b>	<b>2,628</b>	<b>(14,551)</b>	<b>(866)</b>	<b>5,824</b>	<b>1,763</b>
Capex	(1,677)	(1,967)	(369)	(2,223)	(1,678)
Associates/JV	(3,056)	(2,091)	1,911	(500)	(1,100)
Other	(12,976)	7,939	(468)	(468)	(468)
<b>Net cash from investing</b>	<b>(17,708)</b>	<b>3,881</b>	<b>1,074</b>	<b>(3,191)</b>	<b>(3,246)</b>
Equity raised	0	-	-	-	-
Change of Debts	24,789	5,449	(5,670)	7,000	2,000
Dividend paid	(3,960)	(4,124)	(3,150)	(3,689)	(4,216)
Other	10,907	7,126	-	-	-
<b>Net cash from financing</b>	<b>31,736</b>	<b>8,451</b>	<b>(8,820)</b>	<b>3,311</b>	<b>(2,216)</b>
Net change in cash	16,655	(2,219)	(8,611)	5,944	(3,699)
Cash at the beginning	19,042	35,776	33,551	24,745	30,494
Exchange difference	79	(6)	(195)	(195)	(195)
<b>Cash at the end</b>	<b>35,776</b>	<b>33,551</b>	<b>24,745</b>	<b>30,494</b>	<b>26,600</b>
Pledged deposit	9,285	9,004	8,046	8,046	8,046
Cash at BS	45,062	42,555	32,791	38,540	34,646

### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>63,538</b>	<b>82,467</b>	<b>75,640</b>	<b>80,030</b>	<b>84,020</b>
Fixed asset	8,754	11,702	11,200	12,500	13,000
Investment properties	8,804	8,496	8,620	8,810	9,200
Associates/JV	10,088	14,711	12,800	13,300	14,400
Intangible assets	2,101	5,475	2,500	2,800	2,800
Other non-current assets	33,791	42,083	40,520	42,620	44,620
<b>Current assets</b>	<b>166,908</b>	<b>190,764</b>	<b>182,891</b>	<b>197,840</b>	<b>204,246</b>
Cash	45,062	42,555	32,791	38,540	34,646
Account receivable	27,735	35,360	28,300	30,000	33,000
Inventories	87,714	105,462	116,000	123,000	130,000
Other current assets	6,397	7,388	5,800	6,300	6,600
<b>Current liabilities</b>	<b>120,378</b>	<b>147,668</b>	<b>126,435</b>	<b>133,750</b>	<b>135,750</b>
Borrowings	35,333	42,297	35,000	38,000	40,000
Trade and other payables	42,534	53,918	43,100	45,200	45,200
Contract liabilities	25,490	33,654	32,000	34,200	34,200
Deferred taxation	17,015	17,563	16,100	16,100	16,100
Other current liabilities	7	236	235	250	250
<b>Non-current liabilities</b>	<b>55,087</b>	<b>60,228</b>	<b>60,000</b>	<b>64,120</b>	<b>64,120</b>
Borrowings	53,196	54,373	56,000	60,000	60,000
Other non-current liabilities	1,890	5,855	4,000	4,120	4,120
<b>Shareholders' equity</b>	<b>41,239</b>	<b>44,474</b>	<b>51,029</b>	<b>58,633</b>	<b>66,730</b>
Minority interest	5,407	7,296	7,500	7,800	8,100
Perpetual bond	8,335	13,567	13,567	13,567	13,567
Total equity	54,981	65,336	72,096	80,000	88,396

### Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>					
Property sales	93.5	89.9	88.8	84.2	82.8
Rental	0.3	0.3	0.2	0.2	0.2
Hotel	1.3	1.3	1.2	1.2	1.2
Property management	3.8	5.9	7.1	11.4	12.2
Others	1.1	2.5	2.6	3.0	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	43.9	30.5	31.9	32.7	32.7
Pre-tax margin	35.9	29.8	26.4	27.1	26.8
Net margin	12.7	12.5	11.0	11.2	11.1
Effective tax rate	56.9	44.4	45.9	47.2	47.1
<b>Balance sheet ratios</b>					
Current ratio (x)	1.4	1.3	1.4	1.5	1.5
Receivable day	180.3	214.3	142.9	130.6	130.7
Payable day	276.5	326.7	217.7	196.7	179.0
Inventory day	1017.3	919.1	860.1	795.9	764.8
Net gearing ratio (%)	79.1	82.8	80.7	74.3	73.9
<b>Returns (%)</b>					
ROE	17.3	16.9	15.5	16.0	15.3
ROA	3.1	2.7	3.1	3.4	3.5
<b>Per share data</b>					
EPS (RMB)	1.84	1.93	2.02	2.39	2.61
DPS (HK\$)	1.00	1.00	1.00	1.15	1.30
BVPS (RMB)	10.53	11.35	13.03	14.97	17.04

Source: Company data, CMBIS estimates



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