

Agile (3383 HK)

Generous payout

SUMMARY. Revenue and net profit increased by 12.0% to RMB27.1bn and 35.1% to RMB5.08bn in 1H19, respectively. We estimate end-20 NAV to be HK\$29.19. As a result, we raise TP from HK\$15.93 to HK\$16.05. Maintain BUY.

- **Interim profit jumped 35% to RMB5.1bn.** Revenue and net profit increased by 12.0% to RMB27.1bn and 35.1% to RMB5.08bn in 1H19, respectively. GM narrowed from 49.6% in 1H18 to 30.3% in 1H19 because less contribution by Hainan project. Agile recorded RMB2.2bn after tax gain from the disposal of 34% equity interest in a project company and RMB435mn after tax gain from re-measurement from JV transferred to a subsidiary.
- **58% hit rate of contracted sales by Jul.** In 1H19, 108 projects were launched for pre-sales, of which 22 were new ones. Contracted sales amount and area soared by 25.0% to RMB58.2bn and 14.4% to 4.06mn sq m in 1H19, respectively. Including the contracted sales of RMB7.11bn in Jul, Agile achieved hit rate of 58% based on full year sales target of RMB113bn by Jul. About RMB200bn saleable resources in 134 property projects are available in 2019. As at Jun 2019, presold and unbooked properties totaled RMB35bn with estimated GM of 35%.
- **49.94mn sq m total land bank in 72 cities.** Agile acquired 28 new projects of total GFA of 6.92mn sq m with total consideration of RMB23.2bn in 1H19. As at Jun 2019, Agile had invested properties projects in 72 cities (6 new ones) with total GFA of 49.94mn sq m (attributable GFA 39.27mn sq m). Average land cost was RMB3,255 per sq m, which is equivalent to 22.7% of pre-sales ASP in 1H19. Meanwhile, projects in Greater Bay Area accounted for 23% of total land bank.
- **Diversified businesses expansion.** Revenue from non-property development business increased by 47% to RMB2.4bn in 1H19. Its contribution also increased from 6.8% in 1H18 to 9.0% in 1H19. We expect it will further expand to 11.2% by 2021. A-Living (3319 HK, BUY) posted a 63% earnings growth in 1H19. We forecast A-Living to have a 36.6% CAGR on earnings next three-year. Environmental protection business also recorded a 94% growth in operating profit to RMB225mn in 1H19. We expect its spin-off plan will happen in 2021.
- **More than 10% dividend yield.** Agile declared interim dividend of HK\$0.6 and promised payout ratio as 40-49% in the future. We raise our earnings forecast by 15.4% to RMB9.85bn in 2019. We also forecast end-20 NAV to be HK\$29.19. As a result, we raise TP from HK\$15.93 to HK\$16.05, based on 45% discount to NAV.

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	51,607	56,145	62,342	74,646	87,076
YoY growth (%)	10.6	8.8	11.0	19.7	16.7
Net income (RMB mn)	6,025	7,125	9,850	9,218	11,036
EPS (RMB)	1.552	1.835	2.537	2.374	2.843
YoY growth (%)	163.8	18.3	38.3	(6.4)	19.7
P/E (x)	6.0	5.1	3.7	3.9	3.3
P/B (x)	1.0	0.9	0.7	0.6	0.6
Yield (%)	8.7	9.6	12.5	12.0	13.0
ROE (%)	16.6	17.3	19.8	16.3	16.9
Net gearing (%)	71.4	79.1	72.4	70.3	67.4

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price	HK\$16.05
(Previous TP)	HK\$15.93)
Up/downside	+54.7%
Current Price	HK\$10.38

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	40,659
Avg 3 mths t/o (HK\$ mn)	62.1
52w High/Low (HK\$)	13.50/8.09
Total Issued Shares (mn)	3,917

Source: Bloomberg

Shareholding Structure

Chen Zhou Lin	64.4%
Free float	35.6%

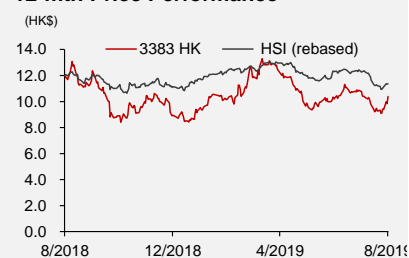
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.5%	-0.7%
3-mth	2.0%	8.0%
6-mth	-3.2%	5.2%
12-mth	-11.9%	-7.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

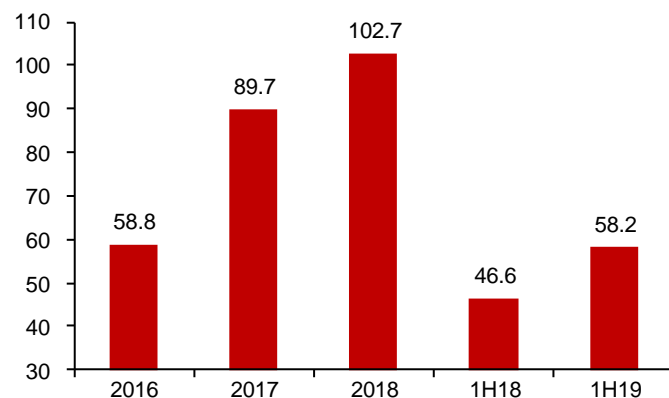
Figure 1: 2019 Interim results

	1H19A (Rmb mn)	1H18A (Rmb mn)	Growth (%)	Remark
Turnover	27,114	24,206	12.0%	
-Property development	24,685	22,552	9.5%	Recognized ASP and GFA increased 3.5% and 5.5% in 1H19
-Property investment	98	93	4.9%	
-Hotel	353	362	-2.5%	
-Property management	1,505	918	63.9%	Managed GFA reached 211mn sqm by Jun 2019
-Environmental protection	474	281	68.9%	Increase number of waste treatment projects
Cost of Sales	(18,894)	(12,188)	55.0%	
Gross Profit	8,220	12,018	-31.6%	Gross margin was narrowed from 49.6% in 1H18 to 30.3% in 1H19
Other operating income	5,239	666	687.1%	Gain of RMB3.0bn from disposal interest in a project company
Distribution Cost	(959)	(1,031)	-7.0%	
Administrative Expenses	(1,390)	(1,047)	32.9%	Increase number of employees
Other Expenses	(135)	(54)	149.4%	
EBIT	10,975	10,552	4.0%	
Net finance expense	(926)	(853)	8.5%	
Associated	150	(51)	N.A.	
Exceptional	2	22	-91.4%	Revaluation gain of investment properties
Pre-tax Profit	10,201	9,670	5.5%	
Taxation	(4,308)	(5,389)	-20.1%	Effective tax rate reduced by 13.5ppts to 42.2% in 1H19
Profit after Tax	5,894	4,280	37.7%	
Minority	(400)	(234)	70.8%	
Perpetual securities	(417)	(287)	45.2%	
Net Profit	5,077	3,759	35.1%	Declared interim dividend of HK\$0.6 per share
Core earnings	5,075	3,743	35.6%	

Source: Company data

Figure 2: Contracted sales amount

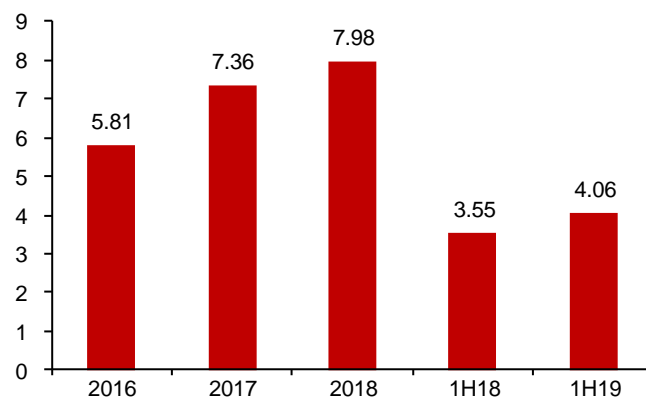
(RMB bn)



Source: Company data

Figure 3: Contracted sales area

(mn sq m)



Source: Company data

Figure 4: Contracted sales by regions

RMB bn / mn sq m	1H18		1H19	
	Contracted sales	GFA sold	Contracted sales	GFA sold
	46.6	3.55	58.2	4.06
Southern China	33.4%	34.2%	31.6%	34.2%
-GBA	29.4%	27.9%	27.6%	27.9%
-Non-GBA	4.0%	6.3%	4.0%	6.3%
Eastern China	15.7%	24.1%	26.3%	24.1%
Western China	7.7%	5.5%	3.9%	5.5%
Northeast & Central China & Northern China	17.0%	20.1%	16.3%	20.1%
Overseas	1.9%	0.9%	2.2%	0.9%
Tourism Property (Hainan & Yunnan)	24.3%	15.2%	19.7%	15.2%
Total	100%	100%	100%	100%

Source: Company data

Figure 5: Recognized sales by regions

RMB bn / mn sq m	1H18		1H19	
	Recognized sales	Recognized GFA	Recognized sales	Recognized GFA
	22.6	1.82	24.7	1.92
Southern China	23.9%	37.7%	32.4%	33.7%
-GBA	17.5%	24.6%	24.3%	19.6%
-Non-GBA	6.4%	13.1%	8.1%	14.1%
Eastern China	20.8%	23.6%	40.5%	37.1%
Western China	6.4%	7.8%	5.0%	8.5%
Northeast & Central China & Northern China	1.3%	2.1%	8.9%	9.2%
Overseas	2.0%	1.9%	1.4%	1.1%
Tourism Property (Hainan & Yunnan)	45.6%	26.9%	11.8%	10.4%
Total	100%	100%	100%	100%

Source: Company data

Figure 6: Cash flow guidance

Amount (RMB bn)	1H19 Actual	FY19 budget
Proceeds from pre-sales	79.0	31.7
Proceeds from other business	11.0	3.0
Cash inflow	90.0	34.7
Construction cost	(23.9)	(12.8)
Land premium/M&A	(47.9)	(22.5)
SG&A	(7.2)	(2.0)
Tax	(13.1)	(8.6)
Interest	(7.2)	(2.8)
Dividend	(4.9)	(2.2)
Others	0.2	(0.1)
Cash inflow	(104.0)	(51.0)
Net operating cash outflow	(14.0)	(16.3)

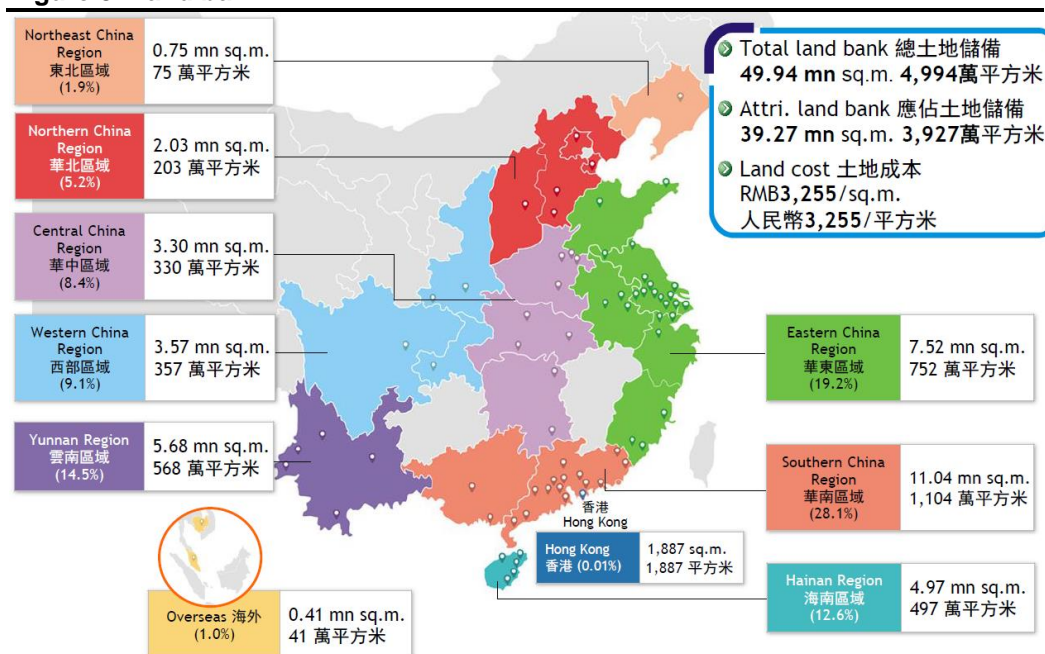
Source: Company data

Figure 7: Development guidance

	1H19 Actual	FY19 budget
Pre-sales (RMB bn)	58.2	113.0
(mn sq m)		
New start	4.46	10.10
Under construction	18.80	24.59
Completed	2.06	7.27
FY saleable resources	7.38	14.34

Source: Company data

Figure 8: Land bank



Source: Company data

Figure 9: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	62,342	74,646	87,076	68,298	79,939	91,631	-8.7%	-6.6%	-5.0%
Gross Profit	21,718	27,328	30,279	26,216	29,262	31,978	-17.2%	-6.6%	-5.3%
EBIT	21,871	22,459	24,716	21,137	23,519	25,564	3.5%	-4.5%	-3.3%
Net profit	9,850	9,218	11,036	8,537	8,328	9,362	15.4%	10.7%	17.9%
EPS (RMB)	2.54	2.37	2.84	1.94	2.14	2.41	30.8%	10.9%	17.9%
Gross Margin	34.8%	36.6%	34.8%	38.4%	36.6%	34.9%	-3.5 ppt	0 ppt	-0.1 ppt
EBIT Margin	35.1%	30.1%	28.4%	30.9%	29.4%	27.9%	4.1 ppt	0.7 ppt	0.5 ppt
Net Margin	15.8%	12.3%	12.7%	12.5%	10.4%	10.2%	3.3 ppt	1.9 ppt	2.5 ppt

Source: CMBIS estimates

Figure 10: End-20 NAV

	(Rmb mn)	(HK\$ mn)	NAV/share (HK\$)	% of NAV	Remark
Properties under development	133,783	149,145	38.08	130%	WACC of 9.0%
Investment property	11,200	12,486	3.19	11%	At cost
Hotel	7,174	7,998	2.04	7%	Rmb 0.8-5.0mn per room
A-Living	9,791	10,915	2.79	10%	Market cap
Gross Amount	161,948	180,544	46.09	158%	
Net debt	(50,493)	(56,291)	(14.37)	-49%	Dec-20
Perpetual securities	(8,900)	(9,922)	(2.53)	-9%	
NAV	102,555	114,331	29.19	100%	

Source: CMBIS estimates

Financial Summary

Income statement

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	51,607	56,145	62,342	74,646	87,076
Property sales	49,262	52,488	57,002	67,262	77,351
Rental	167	189	198	210	223
Hotel	684	722	794	873	961
Property management	1,290	2,133	3,458	5,125	6,990
Environmental	205	614	890	1,175	1,551
Cost of sales	(30,920)	(31,471)	(40,624)	(47,317)	(56,797)
Gross profit	20,687	24,674	21,718	27,328	30,279
Other income and gains	606	977	5,452	953	1,055
Distribution expenses	(2,259)	(2,318)	(2,057)	(2,389)	(2,786)
Administrative expenses	(2,044)	(2,910)	(2,930)	(3,060)	(3,396)
Other expenses	(397)	(257)	(312)	(373)	(435)
Operating profit	16,594	20,166	21,871	22,459	24,716
Finance expenses	(899)	(2,744)	(2,112)	(1,664)	(1,685)
Associates/JV	169	27	230	80	90
Exceptional	4	1,952	2	0	0
Pre-tax profit	15,869	19,401	19,991	20,875	23,121
Profits tax	(9,089)	(11,043)	(8,558)	(9,699)	(10,169)
Minority interest	(282)	(556)	(833)	(1,257)	(1,216)
Perpetual	(473)	(677)	(750)	(700)	(700)
Net profit	6,025	7,125	9,850	9,218	11,036

Cash flow summary

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
EBIT	16,594	20,166	21,871	22,459	24,716
D&A	591	603	792	842	921
Change in working capital	(4,061)	(8,055)	(16,774)	(2,900)	(5,500)
Income tax paid	(7,210)	(8,159)	(7,957)	(9,599)	(10,049)
Others	(2,961)	(1,927)	7,657	(6,516)	(6,228)
Net cash from operating	2,953	2,628	5,589	4,286	3,860
Capex	(2,931)	(1,677)	(1,792)	(1,812)	(2,223)
Associates/JV	(2,097)	(3,056)	(1,912)	(800)	(500)
Other	(1,932)	(12,976)	(468)	(468)	(468)
Net cash from investing	(6,960)	(17,708)	(4,171)	(3,080)	(3,191)
Equity raised	0	0	0	0	0
Change of Debts	17,149	24,789	(4,529)	0	2,000
Dividend paid	(2,762)	(3,960)	(3,831)	(4,527)	(4,527)
Other	(3,629)	10,907	0	0	0
Net cash from financing	10,758	31,736	(8,360)	(4,527)	(2,527)
Net change in cash	6,751	16,655	(6,942)	(3,321)	(1,858)
Cash at the beginning	12,432	19,042	35,776	28,639	25,123
Exchange difference	(141)	79	(195)	(195)	(195)
Cash at the end	19,042	35,776	28,639	25,123	23,070
Pledged deposit	11,078	9,285	8,384	8,384	8,384
Cash at BS	30,120	45,062	37,023	33,507	31,454

Balance sheet

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Non-current assets	50,714	63,538	61,980	69,740	77,030
Fixed asset	7,573	8,754	10,200	11,200	12,500
Investment properties	5,887	8,804	8,500	8,620	8,810
Associates/JV	7,006	10,088	12,000	12,800	13,300
Intangible assets	1,458	2,101	2,300	2,500	2,800
Other non-current assets	28,790	33,791	28,980	34,620	39,620
Current assets	112,644	166,908	177,123	181,507	189,754
Cash	30,120	45,062	37,023	33,507	31,454
Account receivable	16,396	27,735	29,200	28,200	30,000
Inventories	62,669	87,714	105,000	114,000	122,000
Other current assets	3,458	6,397	5,900	5,800	6,300
Current liabilities	83,473	120,378	116,300	119,435	121,750
Borrowings	27,146	35,333	30,000	28,000	26,000
Trade and other payables	23,264	42,534	40,000	43,100	45,200
Contract liabilities	19,461	25,490	30,000	32,000	34,200
Deferred taxation	13,361	17,015	16,100	16,100	16,100
Other current liabilities	241	7	200	235	250
Non-current liabilities	35,708	55,087	57,900	60,000	64,120
Borrowings	34,529	53,196	54,000	56,000	60,000
Other non-current liabilities	1,179	1,890	3,900	4,000	4,120
Shareholders' equity	36,335	41,239	49,703	56,462	65,214
Minority interest	2,312	5,407	6,300	6,450	6,800
Perpetual bond	5,529	8,335	8,900	8,900	8,900
Total equity	44,176	54,981	64,903	71,812	80,914

Key ratios

YE Dec 31	FY17A	FY18A	FY19E	FY20E	FY21E
Sales mix (%)					
Property sales	95.5	93.5	91.4	90.1	88.8
Rental	0.3	0.3	0.3	0.3	0.3
Hotel	1.3	1.3	1.3	1.2	1.1
Property management	2.5	3.8	5.5	6.9	8.0
Others	0.4	1.1	1.4	1.6	1.8
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross margin	40.1	43.9	34.8	36.6	34.8
Pre-tax margin	32.2	35.9	35.1	30.1	28.4
Net margin	11.7	12.7	15.8	12.3	12.7
Effective tax rate	57.3	56.9	42.8	46.5	44.0
Balance sheet ratios					
Current ratio (x)	1.3	1.4	1.5	1.5	1.6
Receivable day	116.0	180.3	171.0	137.9	125.8
Payable day	164.5	276.5	234.2	210.7	189.5
Inventory day	739.8	1017.3	943.4	879.4	784.0
Net gearing ratio (%)	71.4	79.1	72.4	70.3	67.4
Returns (%)					
ROE	16.6	17.3	19.8	16.3	16.9
ROA	3.7	3.1	4.1	3.7	4.1
Per share data					
EPS (RMB)	1.55	1.84	2.54	2.37	2.84
DPS (HK\$)	0.90	1.00	1.30	1.25	1.35
BVPS (RMB)	9.28	10.53	12.69	14.41	16.65

Source: Company data, CMBIS estimates

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