Ke Holdings (BEKE US)

4Q26/2027 earnings set to beat as efficiency gains compound

BUY (Maintain)

Target Price	**US$23.60**
(Previous TP	US$22.40)
Up/Downside	**26.6%**
Current Price	**US$18.64**

KE Holdings' 3Q26 results beat both Bloomberg consensus and our estimates: revenue of RMB20.99bn fell 8.9% YoY but was 1.2%/2.3% above consensus/our forecast; non-GAAP NP rose 102.6% YoY to RMB2.605bn, 29.6%/40.1% above consensus/our forecast; NPM reached 12.4%, 2.7/3.3ppt above consensus/our forecast. The beat was driven by cost and expense control plus operating efficiency: contribution margins improved YoY across all major business lines, while GAAP opex of RMB3.36bn fell 22.4% YoY, reflecting organisational streamlining, better-targeted marketing and the absence of 2Q26's one-off provision. GTV rose 4.5% YoY while the number of stores fell 1.4% and agents were flat, showing profit improvement is now driven by per-store and per-agent productivity. To reflect the results, we raise FY26-28E non-GAAP NP by 2-6%, trim revenue by 0-4%, and lift our SOTP-based TP by 5.4% to US$23.60, implying 20.2x/18.6x 2026E/2027E non-GAAP P/E. BUY.

- **Efficiency-driven market share expansion sustained.** 3Q26 stores totalled 60,533 (-1.4% YoY) and agents 545,816 (flat YoY), yet existing home transaction (EHT) volume grew 14% YoY, faster than our estimated market growth of 6-7%, lifting EHT volume share by c.3ppt YoY to 42%. Efficiency gains came from: 1) EHT volume per Lianjia agent rose >30% YoY and volume per connected store c.17%. 2) New home transaction (NHT) continued to outperform: GTV rose 5.3% YoY versus -11% for top-100 developers and -15% for overall market (NBS), lifting market share by c.3ppt to over 35%. Contribution margin (CM) rose 3.6ppt YoY to 42.5% for EHT and 3.8ppt to 27.9% for NHT; the 0.9ppt QoQ decline in NHT reflects deliberate commission-rate increases in selected cities to support partner stores.
- **New businesses becoming profit engines.** Home renovation and furnishing revenue fell 22.9% YoY to RMB3.31bn (recognition lags contract value), but contract value returned to YoY growth and CM rose 8.2ppt YoY to 40.2% given centralised procurement lowering material costs and higher labour efficiency, with pre-allocation profit above RMB200mn in 9M26 and set to exceed RMB400mn for FY26E. Rental biz revenue fell 25.4% YoY to RMB4.27bn mainly on the revenue accounting change (net-basis share rising from 24.5% to 65.9% of units); units under management exceeded 830k (+25% YoY), CM rose 7.9ppt YoY to 16.6%, and cumulative pre-allocation operating profit surpassed RMB1.3bn in 9M26.
- **Forecasting a strong 4Q26 profit and double-digit EPS growth in 2027**. We forecast 4Q26E revenue of c.RMB20bn (-9% to -10% YoY, mainly on the HRS net-basis change) and non-GAAP OPM of c.10%, implying operating profit up c.507% YoY to RMB1.96bn (4Q25 base of only RMB0.3bn). We forecast FY26E/FY27E non-GAAP NP of RMB8.98bn (+79.0%)/RMB9.72bn (+8.3%); combined with the share-count reduction from buybacks, 2027 EPS should achieve double-digit growth, mainly on further release of cost-efficiency gains and higher new-business margins.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	93,457	94,580	84,536	86,543	89,131
YoY growth (%)	20.2	1.2	(10.6)	2.4	3.0
Net profit (RMB mn)	4,064.9	2,994.0	7,236.0	8,060.5	8,886.0
Adjusted net profit (RMB mn)	7,211.1	5,016.9	8,978.5	9,724.5	10,507.5
YoY growth (%)	(26.4)	(30.4)	79.0	8.3	8.1
EPS (Adjusted) (RMB)	6.44	4.59	8.35	9.24	10.04
P/E (x)	34.2	45.4	18.5	16.2	14.6

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (US$ mn)	21,214.3
Avg 3 mths t/o (US$ mn)	47.5
52w High/Low (US$)	19.59/14.26
Total Issued Shares (mn)	1138.1

Source: FactSet

Shareholding Structure

Propitious Global	25.4%
Tencent Mobility	7.3%

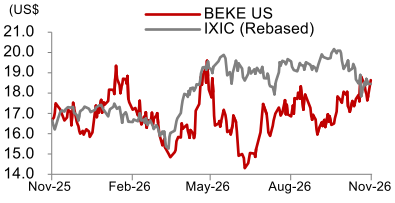
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.2%	7.3%
3-mth	10.6%	17.3%
6-mth	2.6%	7.0%

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	2Q26	3Q26	3Q26E Consensus	Diff%	CMBI estimates	Diff%
GTV											
Growth (YoY%)											
Existing home transaction	**580**	**584**	**506**	**482**	**534**	**630**	**521**	**514**	**1.4%**	**503**	**3.5%**
Growth (YoY%)	*28%*	*2%*	*6%*	*-35%*	*-8%*	*8%*	*3%*				
New home transaction	**232**	**255**	**196**	**207**	**146**	**258**	**207**	**199**	**3.8%**	**197**	**5.0%**
Growth (YoY%)	*53%*	*9%*	*-14%*	*-42%*	*-37%*	*1%*	*5%*				
(%)											
Blended monetization rate											
Existing home transaction (revenue/GTV)	1.18%	1.15%	1.18%	1.13%	1.15%	1.11%	1.17%	1.15%	0.0 ppt	1.16%	0.0 ppt
New home transaction (revenue/GTV)	3.48%	3.37%	3.38%	3.51%	3.49%	3.46%	3.30%	3.39%	-0.1 ppt	3.38%	-0.1 ppt
Revenue	**23.3**	**26.0**	**23.1**	**22.2**	**18.9**	**24.5**	**21.0**	**20.7**	**1.2%**	**20.5**	**2.3%**
Growth (YoY%)	*42%*	*11%*	*2.1%*	*28.7%*	*19.0%*	*-5.7%*	*-8.9%*				
Existing home transaction	**6.9**	**6.7**	**6.0**	**5.4**	**6.1**	**7.0**	**6.1**	**5.9**	**3.1%**	**5.8**	**4.4%**
Growth (YoY%)	*20%*	*-8%*	*-4%*	*-39%*	*-11%*	*5%*	*2%*				
New home transaction	**8.1**	**8.6**	**6.6**	**7.3**	**5.1**	**8.9**	**6.8**	**6.7**	**1.3%**	**6.7**	**2.6%**
Growth (YoY%)	*64%*	*9%*	*-14%*	*-44%*	*-37%*	*4%*	*3%*				
Home renovation and furnishing	**2.9**	**4.6**	**4.3**	**3.6**	**2.3**	**3.2**	**3.3**	**3.1**	**8.4%**	**3.1**	**6.0%**
Home rental servcies	**5.1**	**5.7**	**5.7**	**5.4**	**5.0**	**4.8**	**4.3**	**4.6**	**-6.6%**	**4.6**	**-6.8%**
Emerging and other services	**0.3**	**0.4**	**0.4**	**0.5**	**0.3**	**0.5**	**0.5**	**0.5**	**3.1%**	**0.5**	**-4.7%**
Gross profit	4.8	5.7	4.9	4.8	4.6	7.0	5.8	5.5	5.6%	5.5	5.1%
Operating profit	0.6	1.1	0.6	-0.1	1.3	3.0	2.5	2.2	11.6%	1.7	47.3%
Contribution profit	6.1	7.1	6.1	6.2	5.7	8.2	6.9				
Non-GAAP operating profit	**1.1**	**1.6**	**1.2**	**0.3**	**1.7**	**3.6**	**2.9**	**2.2**	**30.6%**	**2.1**	**34.6%**
Non-GAAP net profit	**1.4**	**1.8**	**1.3**	**0.5**	**1.6**	**3.2**	**2.6**	**2.0**	**29.6%**	**1.9**	**40.1%**
Growth (YoY%)	*0%*	*-32%*	*-28%*	*61.5%*	*15.7%*	*74.9%*	*102.6%*				
Margin profile											
(%)											
Gross margin	20.7%	21.9%	21.4%	21.4%	24.1%	28.6%	27.7%	26.6%	1.1 ppt	27.0%	0.7 ppt
Operating profit margin	2.5%	4.1%	2.6%	-0.7%	6.7%	12.3%	11.7%	10.6%	1.1 ppt	8.1%	3.6 ppt
Contribution profit margin	26.1%	27.1%	26.4%	28.1%	29.9%	33.5%					
Existing home transaction	38.1%	39.9%	39.0%	40.4%	41.3%	46.1%					
New home transaction	23.4%	24.4%	24.1%	28.3%	25.7%	28.8%					
Home renovation and furnishing	32.6%	32.1%	32.0%	28.8%	36.2%	39.6%					
Home rental servcies	6.7%	8.4%	8.7%	10.4%	14.8%	15.3%					
Emerging and other services	79.0%	74.4%	69.2%	80.8%	68.8%	74.1%					
Non-GAAP net profit margin	6.0%	7.0%	5.6%	2.4%	8.5%	13.0%	12.4%	9.7%	2.7 ppt	9.1%	3.3 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: BEKE: forecast revision

	Current			Previous			Change (%)		
RMB bn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	84.5	86.5	89.1	84.3	88.4	92.4	0.2%	-2.1%	-3.5%
Gross profit	23.0	24.3	25.9	22.5	24.3	26.1	2.4%	0.3%	-0.7%
Operating profit	8.3	9.7	10.8	7.5	8.8	10.1	11.2%	10.4%	6.8%
Non-GAAP net profit	9.0	9.7	10.5	8.5	9.3	10.3	6.2%	4.8%	2.4%
Gross margin	27.2%	28.1%	29.0%	26.7%	27.4%	28.2%	0.6 ppt	0.7 ppt	0.8 ppt
Operating margin	9.8%	11.2%	12.1%	8.8%	9.9%	11.0%	1.0 ppt	1.3 ppt	1.2 ppt
Non-GAAP net margin	10.6%	11.2%	11.8%	10.0%	10.5%	11.1%	0.6 ppt	0.7 ppt	0.7 ppt

Source: Company data, CMBIGM estimates

Figure 3: BEKE: CMBIGM estimates vs consensus

	Current			Consensus			Diff (%)		
RMB bn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	84.5	86.5	89.1	87.6	91.2	95.3	-3.5%	-5.1%	-6.5%
Gross profit	23.0	24.3	25.9	22.5	23.9	25.5	2.5%	1.6%	1.6%
Non-GAAP net profit	9.0	9.7	10.5	8.4	9.1	10.2	7.2%	6.4%	3.0%
Gross margin	27.2%	28.1%	29.0%	23.3%	24.0%	24.3%	4.0 ppt	4.1 ppt	4.7 ppt
Non-GAAP net margin	10.6%	11.2%	11.8%	9.6%	10.0%	10.7%	1.1 ppt	1.2 ppt	1.1 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	42,308	42,352	38,960	34,233	28,905	24,379	19,002	12,269
Discounted terminal value	78,514							
Enterprise value	120,822							
Net cash	52,126							
Equity value	172,948							
No. of ADSs (diluted, mn)	1,118							
Valuation per ADS (USD)	22.6							

Source: CMBIGM estimates
Note: USD:RMB exchange rate assumption is at 1:6.85 (was 1:7.0)

Figure 5: BEKE: SOTP valuation

(RMBmn)	2026E
Beike Core	172,948
Shengdu	8,000
Total Beike valuation	180,948
Total Beike valuation (USDmn)	26,416
Valuation per ADS	23.6

Source: Company data, CMBIGM estimates

Risks

1) Slower-than-expected property transaction recovery; 2) higher-than-expected receivable impairment from developers; 3) delayed profitability of new business; etc.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**77,777**	**93,457**	**94,580**	**84,536**	**86,543**	**89,131**
Cost of goods sold	(56,059)	(70,513)	(74,368)	(61,512)	(62,226)	(63,255)
Gross profit	**21,718**	**22,944**	**20,212**	**23,023**	**24,317**	**25,877**
Operating expenses	**(16,921)**	**(19,179)**	**(18,101)**	**(14,722)**	**(14,639)**	**(15,077)**
SG&A expense	(14,891)	(16,744)	(15,404)	(12,585)	(12,538)	(12,913)
R&D expense	(1,937)	(2,283)	(2,581)	(2,137)	(2,102)	(2,165)
Others	(93)	(152)	(116)	0	0	0
Operating profit	**4,797**	**3,765**	**2,111**	**8,301**	**9,678**	**10,800**
Other income	1,869	1,566	1,446	1,157	1,157	1,157
Other expense	(133)	(44)	(166)	13	0	0
Investment gain/loss	78	313	463	320	0	0
Share of (losses)/profits of associates/JV	9	10	16	(16)	0	0
Interest income	1,263	1,260	808	438	433	398
Pre-tax profit	**7,884**	**6,870**	**4,677**	**10,212**	**11,267**	**12,354**
Income tax	(1,994)	(2,792)	(1,686)	(2,976)	(3,206)	(3,467)
After tax profit	**5,890**	**4,078**	**2,991**	**7,237**	**8,061**	**8,887**
Minority interest	(6)	(13)	3	(1)	(1)	(1)
Net profit	**5,883**	**4,065**	**2,994**	**7,236**	**8,061**	**8,886**
Core net profit	**5,883**	**4,065**	**2,994**	**7,236**	**8,061**	**8,886**
Adjusted net profit	**9,798**	**7,211**	**5,017**	**8,979**	**9,725**	**10,507**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**69,754**	**76,603**	**68,120**	**71,368**	**79,524**	**88,533**
Cash & equivalents	19,635	11,443	7,773	12,754	20,896	29,845
Restricted cash	6,223	8,858	8,171	8,579	9,008	9,458
Account receivables	3,176	5,498	3,937	2,432	2,417	2,263
Other current assets	40,720	50,804	48,239	47,603	47,203	46,967
Non-current assets	**50,578**	**56,546**	**48,548**	**50,223**	**52,014**	**53,913**
PP&E	1,965	2,400	2,070	1,866	1,761	1,745
Right-of-use assets	17,618	23,367	19,144	21,144	23,144	25,144
Intangibles	1,067	858	723	601	498	412
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**	**121,591**	**131,538**	**142,446**
Current liabilities	**39,524**	**52,744**	**42,407**	**38,845**	**39,173**	**39,679**
Short-term borrowings	290	288	208	208	208	208
Account payables	6,329	9,493	6,052	5,006	5,064	5,148
Other current liabilities	13,175	15,913	12,210	11,006	11,204	11,521
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	6,276	6,349	6,454
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**	**46,134**	**46,462**	**46,968**
Share capital	0	0	0	0	0	0
Retained earnings	(5,673)	(1,724)	1,142	8,378	16,439	25,325
Other reserves	77,773	73,048	65,299	66,990	68,548	70,063
Total shareholders equity	**72,100**	**71,324**	**66,441**	**75,368**	**84,986**	**95,387**
Minority interest	101	124	89	89	90	90
Total equity and liabilities	**120,332**	**133,149**	**116,668**	**121,591**	**131,538**	**142,446**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**7,884**	**6,870**	**4,677**	**10,212**	**11,267**	**12,354**
Depreciation & amortization	932	1,012	1,072	730	624	529
Tax paid	1,994	2,792	1,686	2,976	3,206	3,467
Change in working capital	2,075	1,925	(6,700)	(3,475)	(1,258)	(1,082)
Others	(1,471)	(3,153)	(1,111)	(4,261)	(4,855)	(5,419)
Net cash from operations	**11,414**	**9,447**	**(376)**	**6,183**	**8,984**	**9,849**
Investing						
Capital expenditure	(874)	(1,037)	(608)	(406)	(415)	(428)
Acquisition of subsidiaries/ investments	(5,595)	(11,886)	12,039	0	0	0
Others	2,492	3,545	(5,537)	54	2	(22)
Net cash from investing	**(3,977)**	**(9,378)**	**5,894**	**(352)**	**(414)**	**(450)**
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	21,333	29,904
Exchange difference	45	169	(83)	0	0	0
Cash at the end of the year	**25,857**	**20,301**	**15,944**	**21,333**	**29,904**	**39,303**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	28.2%	20.2%	1.2%	(10.6%)	2.4%	3.0%
Gross profit	57.6%	5.6%	(11.9%)	13.9%	5.6%	6.4%
Operating profit	na	(21.5%)	(43.9%)	293.3%	16.6%	11.6%
Net profit	na	(30.9%)	(26.3%)	141.7%	11.4%	10.2%
Adj. net profit	244.7%	(26.4%)	(30.4%)	79.0%	8.3%	8.1%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.9%	24.6%	21.4%	27.2%	28.1%	29.0%
Operating margin	6.2%	4.0%	2.2%	9.8%	11.2%	12.1%
Adj. net profit margin	12.6%	7.7%	5.3%	10.6%	11.2%	11.8%
Return on equity (ROE)	8.3%	5.7%	4.3%	10.2%	10.1%	9.9%

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)	(0.2)	(0.3)
Current ratio (x)	1.8	1.5	1.6	1.8	2.0	2.2
Receivable turnover days	17.0	16.7	18.0	13.7	10.2	9.6
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	24.8	34.2	45.4	18.5	16.2	14.6
P/E (diluted)	25.4	35.9	47.2	19.2	16.9	15.2
P/B	2.1	2.1	2.2	1.9	1.6	1.4
P/CFPS	13.4	16.8	ns	24.5	16.5	15.0

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

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BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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