

# Ke Holdings (BEKE US)

## Takeaways from 2024 Investor Day

We attended (3 Jun) Ke Holdings' (Beike) 2024 Investor Day, and key takeaways are: 1) Empowered by its strong technological capabilities and supported by the well-established infrastructure network, Beike is heading towards a one-stop residential services platform for better living with ~RMB26.7tn TAM in 2031E (RMB17.7tn TAM for housing transactions and RMB9tn TAM for new business); 2) Beike's "customer-first" mindset has been embedded in each of the business pillars, which we think should support its long-term business development; 3) for new business development, Beike will leverage the integrated platform to address pain points in the home renovation industry, develop network effects among properties, customers and services providers to create economies of scale for its home rental business, and enhance its C2M model in collaboration with partners to create products that are well suited for the market for Beihaojia business. Beike's "One Body, Three Wings" strategy is on track to support its long-term revenue and earnings growth, in our view. Also, the core home transaction services provide solid support for sustained shareholder return (Beike conducted c. US\$720mn share-buyback and distributed US\$600mn cash dividends in 2023, while it still has RMB79.1bn cash in hand after excluding customer deposits payable by end-2023). Maintain BUY with a SOTP-based target price unchanged at US\$22.0.

■ **New business has ~RMB9tn TAM in 2031E.** Management believes that housing demand is evolving from "looking for a place to live in" to "looking for a place to live in well", and highlighted three directions for new business evolution: 1) from transaction to services; 2) from decentralized to integrated; and 3) from low-frequency to high-frequency. Apart from the RMB17.7tn TAM for existing and new home transactions in 2031E, management highlighted an RMB9tn TAM for its new businesses, including RMB3tn for home rental, RMB5tn for home renovation, and RMB1tn for residential services. Management noted that it remains committed to making high-quality investment to aid its expansion in residential business, which includes: 1) digital construction; 2) establishing a virtuous quality cycle; 3) creating new business by innovatively connecting housing and customers; 4) building more advanced production methods; and 5) building a new residential service ecosystem.

■ **Leveraging an integrated platform to address pain points in home renovation industry.** The home renovation and furnishing market is a large and rising market which lacks quality supply, and Beike addresses industry pain points by developing an integrated, reliable home renovation and furnishing platform. Beike believes its comparative advantages lie in three aspects: 1) high-quality traffic supply centred on agent-store model; 2) one-stop customized full-service solutions; and 3) tech-driven efficiency enhancement capabilities. Management highlighted that the traffic conversion rate for its Beijing Beiwoo reached 20.3% in 2023 (2021: 4%), and average revenue per user (ARPU) increased to RMB200k in 2023 (2021: RMB120k), which management attributed to its established strong integrated delivery and fulfilment system that ensures high-quality delivery for customers, and guarantees completeness, adaptability, and assurance. In Beijing, Beike's home renovation services saw: 1) the absolute timeline shortened to 91 days in 2023 (2020: 109 days); 2) OPM margin expand to 6.6% in 2023 (2022: -10.4%); and 3) customer satisfaction improve to 85.5% in Dec 2023 (Jan 2023: 66.4%).

**BUY (Maintain)**

**Target Price** US\$22.00  
**Up/Downside** 29.6%  
**Current Price** US\$16.97

### China Internet

**Saiyi HE, CFA**  
 (852) 3916 1739  
 hesaiyi@cmbi.com.hk

**Ye TAO**  
 franktao@cmbi.com.hk

**Miao ZHANG**  
 (852) 3761 8910  
 zhangmiao@cmbi.com.hk

**Wentao LU, CFA**  
 luwentao@cmbi.com.hk

**Bella LI**  
 Bellali@cmbi.com.hk

### Stock Data

Mkt Cap (US\$ mn)	20,076.2
Avg 3 mths t/o (US\$ mn)	73.0
52w High/Low (US\$)	19.47/12.51
Total Issued Shares (mn)	1183.0
Source: FactSet	

### Shareholding Structure

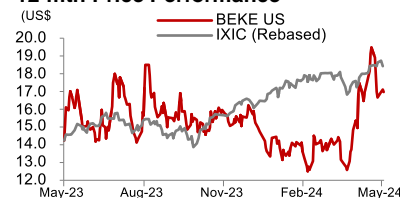
Propitious Global	23.3%
Tencent Mobility	10.0%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	12.2%	5.0%
3-mth	24.9%	20.1%
6-mth	6.5%	-9.4%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

- **Rental business has considerable growth potential.** According to info. shared by Beike, the Carefree Rent Business has entered 13 cities, managing c.240k units of houses, which accounted for only 8.2% of Beike's total listed rental houses (2.93mn units in c. 100 cities). The convertible rate of Carefree Rent Business per city is around 63% according to our calculation ([Figure 1](#)). Given tenants prefer transparent rental pricing and landlords appreciate the security deposit offered by Beike to mitigate vacancy periods, both the supply and demand sides of the rental market are incentivized to utilize the Carefree Rent Service. Thus we see substantial potential for the penetration rate of the business to rise. The Centralized Apartment Business has 11k units under management that could cultivate a strong operational capability for the company, thereby gaining the opportunity to manage the affordable rental housing supplied by government. According to data from MOHURD, China will supply 8.7mn units of affordable housing by the end of 2025 and 5.65mn had been delivered by 2023, implying 3.05mn units to be introduced to the market during 2024-2025.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	60,669	77,777	90,179	99,546	107,931
YoY growth (%)	(24.9)	28.2	15.9	10.4	8.4
Net profit (RMB mn)	(1,386.1)	6,872.1	5,242.8	6,081.3	6,880.1
Adjusted net profit (RMB mn)	2,842.8	10,787.3	9,379.5	10,361.1	11,370.6
YoY growth (%)	23.9	279.5	(13.1)	10.5	9.7
EPS (Adjusted) (RMB)	2.39	9.19	7.95	8.74	9.54
Consensus EPS (RMB)	na	8.13	7.34	8.70	9.99

Source: Company data, Bloomberg, CMBIGM estimates

**Figure 1: Key data of rental business (Carefree Business)**

	unit under management ('0000 unit)	Cities entered	unit managed per city ('0000 unit)
Carefree Rent Business	24	13.0	1.85
Rental home listing on Beike's platform	293	100.0	2.93
Peneration rate	8.2%	Convertible rate per city	63.0%

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	80,752	60,669	77,777	90,179	99,546	107,931
Cost of goods sold	(64,933)	(46,888)	(55,070)	(66,619)	(73,365)	(79,420)
Gross profit	15,819	13,781	22,707	23,560	26,181	28,511
Operating expenses	(17,174)	(14,614)	(16,921)	(18,519)	(19,945)	(21,139)
SG&A expense	(13,234)	(11,920)	(14,891)	(16,453)	(17,764)	(18,829)
R&D expense	(3,194)	(2,546)	(1,937)	(2,065)	(2,180)	(2,310)
Others	(747)	(148)	(93)	0	0	0
Operating profit	(1,355)	(833)	5,786	5,041	6,236	7,372
Other income	1,702	1,569	1,869	1,495	1,346	1,211
Other expense	(163)	(719)	(133)	(24)	0	0
Investment gain/loss	565	(512)	78	8	0	0
Share of (losses)/profits of associates/JV	37	45	9	(4)	0	0
Interest income	355	743	1,263	1,351	1,454	1,553
Pre-tax profit	1,141	292	8,873	7,868	9,036	10,136
Income tax	(1,665)	(1,690)	(1,994)	(2,618)	(2,948)	(3,250)
After tax profit	(525)	(1,397)	6,878	5,249	6,088	6,886
Minority interest	1	11	(6)	(6)	(6)	(6)
Net profit	(524)	(1,386)	6,872	5,243	6,081	6,880
Core net profit	(524)	(1,386)	6,872	5,243	6,081	6,880
Adjusted net profit	2,294	2,843	10,787	9,379	10,361	11,371

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	69,926	70,425	69,754	78,310	87,208	96,796
Cash & equivalents	20,446	19,413	19,635	25,721	32,574	41,746
Restricted cash	6,286	6,181	6,223	6,534	6,861	7,204
Account receivables	9,325	4,163	3,176	6,208	7,691	7,604
Other current assets	33,869	40,667	40,720	39,848	40,082	40,243
Non-current assets	30,393	38,923	50,578	54,085	57,560	61,084
PP&E	1,972	2,037	1,965	2,018	2,036	2,112
Right-of-use assets	7,244	11,284	17,618	21,618	25,618	29,618
Intangibles	1,141	1,687	1,067	521	(22)	(573)
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	132,396	144,768	157,880
Current liabilities	28,936	33,341	39,524	42,733	45,235	47,467
Short-term borrowings	260	619	290	290	290	290
Account payables	6,009	5,843	6,329	7,656	8,431	9,127
Other current liabilities	15,361	14,528	13,175	14,063	15,111	16,040
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	6,691	7,368	7,976
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	51,340	53,842	56,074
Share capital	0	0	0	0	0	0
Retained earnings	(9,843)	(11,406)	(5,673)	709	6,790	13,670
Other reserves	76,817	80,326	77,773	87,885	91,668	95,661
Total shareholders equity	66,974	68,920	72,100	88,594	98,458	109,332
Minority interest	82	134	101	108	114	120
Total equity and liabilities	100,319	109,347	120,332	140,042	152,414	165,527

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Operating</b>						
Profit before taxation	1,141	292	8,873	7,868	9,036	10,136
Depreciation & amortization	1,158	1,089	932	1,503	1,542	1,578
Tax paid	1,665	1,690	1,994	2,618	2,948	3,250
Change in working capital	32	5,036	1,818	(3,576)	(3,165)	(1,797)
Others	(402)	354	(2,460)	(1,720)	(2,114)	(2,506)
<b>Net cash from operations</b>	<b>3,595</b>	<b>8,461</b>	<b>11,158</b>	<b>6,693</b>	<b>8,248</b>	<b>10,661</b>
<b>Investing</b>						
Capital expenditure	(1,430)	(793)	(874)	(921)	(1,017)	(1,103)
Acquisition of subsidiaries/ investments	(9,876)	5,420	(5,595)	0	0	0
Others	(13,578)	(13,099)	2,492	595	(54)	(45)
<b>Net cash from investing</b>	<b>(24,884)</b>	<b>(8,472)</b>	<b>(3,977)</b>	<b>(326)</b>	<b>(1,070)</b>	<b>(1,148)</b>
<b>Financing</b>						
Net borrowings	260	359	(329)	30	2	2
Proceeds from share issues	0	0	0	0	0	0
Others	(1,334)	(1,514)	(6,632)	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	32,255	39,434
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>32,255</b>	<b>39,434</b>	<b>48,949</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	14.6%	(24.9%)	28.2%	15.9%	10.4%	8.4%
Gross profit	(6.2%)	(12.9%)	64.8%	3.8%	11.1%	8.9%
Operating profit	na	na	na	(12.9%)	23.7%	18.2%
Net profit	na	na	na	(23.7%)	16.0%	13.1%
Adj. net profit	(59.9%)	23.9%	279.5%	(13.1%)	10.5%	9.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	19.6%	22.7%	29.2%	26.1%	26.3%	26.4%
Operating margin	(1.7%)	(1.4%)	7.4%	5.6%	6.3%	6.8%
Adj. net profit margin	2.8%	4.7%	13.9%	10.4%	10.4%	10.5%
Return on equity (ROE)	(0.8%)	(2.0%)	9.7%	6.5%	6.5%	6.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.4	2.1	1.8	1.8	1.9	2.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	21.0	27.7	24.0	21.3
P/E (diluted)	ns	ns	21.5	28.4	24.6	21.8
P/B	1.4	2.1	2.0	1.7	1.5	1.4
P/CFPS	67.2	19.0	14.1	25.2	20.1	15.2

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

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

### For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

### For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

### For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.