

Agile (3383 HK)

Stable sales/earnings growth paving the way to Green category

- **Sales to exceed RMB150bn in 2021E:** During the conference call, management gave a relatively conservative sales target of RMB150bn, representing 9% YoY increase but reiterated the confidence to beat. This is mainly because 1) Agile plans RMB250bn saleable resources (+12% YoY) this year, out of which 70% was from the newly-launched projects/phases. 2) The assumed sell-through rate is 60% compared to 62% in 2020. The sales momentum so far is better than 2020 and this was evidenced by Agile's 225% sales increase in 2M21 (partly due to strong Hainan sales).
- **Project stakes disposal to PingAn may continue to support earnings.** In Dec 2020, the Company announced partial stakes disposal of 7 projects to Ping An and we think this would bring another RMB3.25bn pre-tax profits to Agile which is likely to be booked in 2021E (vs. RMB2.4bn in 2020). Management explains this cooperation with Ping An is more of long-term.
- **Target green category in 2021E:** the Company has satisfied two of "three red lines" requirements with net gearing and unrestricted cash/debt ratio in at 61% and 1.1x in 2020. Liability/Asset (excl. presales) was 71.9% in 2020, slightly higher than the regulatory requirement of 70%. With continuous earnings enhancement, higher cash collection rate and slightly more JV, the management is confident to lower the ratio to below 70%.
- **Dividend policy:** Management targets to maintain at 40% dividend payout ratio and may revise up after reaching green category.
- **2020 results beat:** Agile delivered a solid 2020 core earnings growth of 23% YoY to RMB8.4bn, 5% higher than our estimates. The beat mainly came from higher-than-expected top line growth at 33% YoY to RMB80bn which we mainly attribute to Hainan. GP Margin remained stable at 30.0% in 2020 vs. 30.5% in 2019 and core net margin declined 0.8ppt YoY to 10.4%. The Company declared a HK\$1.1/share full year dividend (39% payout ratio).
- **Maintain Buy.** With unbooked sales of RMB78bn, we revise up 2021/22E revenue by 9-10% to reflect strong sales and completion. GMP was estimated at 30-31% in 2021/22E and as a result we lift the core earnings by 3-4% to reach RMB9.6bn/10.6bn in 2021/22E (+15%/10% YoY). Furthermore, we slightly raise our end-20 NAV forecast from HK\$27.78 to HK\$29. We raise TP from HK\$13.89 to HK\$14.52, based on 50% discount to NAV. The Company is trading at 3.8x 2021E PE which looks attractive.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	56,145	60,239	80,245	91,680	101,745
YoY growth (%)	10.3	7.3	33.2	14.2	11.0
Core NP (RMB mn)	7,125	7,512	8,346	9,615	10,647
EPS (RMB)	1.84	1.93	2.44	2.48	2.74
YoY growth (%)	33.4	5.4	26.1	1.5	10.7
Consensus EPS (RMB)	N.A.	N.A.	N.A.	2.55	2.72
P/E (x)	5.2	4.9	3.9	3.8	3.4
P/B (x)	0.9	0.8	0.7	0.6	0.5
Yield (%)	9.5	9.5	10.4	10.9	12.3
ROE (%)	17.3	16.9	18.6	16.4	15.8
Net gearing (%)	79.1	82.8	61.1	55.0	52.5

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$14.52
(Previous TP)	HK\$13.89
Up/downside	+24.7%
Current Price	HK\$11.68

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	45,751
Avg 3 mths t/o (HK\$ mn)	44.01
52w High/Low (HK\$)	11.98/ 7.60
Total Issued Shares (mn)	3,917

Source: Bloomberg

Shareholding Structure

Chen Zhuo Lin	66.3%
Free float	33.7%

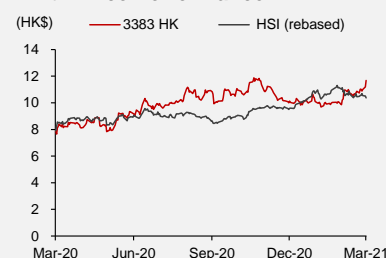
Source: Company data

Share Performance

	Absolute	Relative
1-mth	13.6%	19.2%
3-mth	12.0%	1.3%
6-mth	2.9%	-15.5%
12-mth	22.9%	-2.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Figure 1: 2020 results summary

RMB mn	2019	2020	YoY	CMBI Est	Difference
Revenue	60,239	80,245	33%	72,275	11%
Gross profit	18,358	24,102	31%	23,045	5%
Net profit	7,512	9,475	26%	7,917	20%
Core net profit	6,769	8,346	23%	7,917	5%
EPS (RMB)	1.93	2.44	26%	2.02	21%
Core EPS (RMB)	1.74	2.15	23%	2.02	6%
DPS (HK\$)	1.00	1.1	10%	1.00	10%
Dividend payout ratio	47.6%	42.5%	-5.1 ppt	41.1%	1.4 ppt
Margin	2019	2020	YoY	CMBI Est	Difference
GP Margin	30.5%	30.0%	-0.4 ppt	31.9%	-1.9 ppt
Net Margin	12.5%	11.8%	-0.7 ppt	11.0%	0.9 ppt
Core net Margin	11.2%	10.4%	-0.8 ppt	11.0%	-0.6 ppt
Balance sheet	2019	2020	YoY	CMBI Est	Difference
Net gearing	82.8%	61.0%	-21.8 ppt	80.7%	-19.7 ppt
Debt to asset (excl. presales)	72.7%	72.3%	-0.4 ppt	68.2%	4.1 ppt
Cash/ST debt	1.01	1.09	8%	0.94	16%

Source: CMBIS estimates

Figure 2: Earnings change

RMB mn	New		Old		Diff (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	91,680	101,745	83,865	92,159	9.3%	10.4%
Gross Profit	27,983	31,097	27,458	30,119	1.9%	3.2%
EBIT	21,759	23,940	22,700	24,683	-4.1%	-3.0%
Net profit	9,615	10,647	9,361	10,204	2.7%	4.3%
EPS (RMB)	2.48	2.74	2.39	2.61	3.6%	5.3%
Gross Margin	30.5%	30.6%	32.7%	32.7%	-2.2 ppt	-2.1 ppt
EBIT Margin	23.7%	23.5%	27.1%	26.8%	-3.3 ppt	-3.3 ppt
Net Margin	10.5%	10.5%	11.2%	11.1%	-0.7 ppt	-0.6 ppt

Source: CMBIS estimates

Financial Summary

Income statement

YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	56,145	60,239	80,245	91,680	101,745
Property sales	52,488	54,177	69,547	78,241	86,065
Commercial management	911	974	556	639	703
Property management	2,133	3,577	7,853	9,595	11,259
Environmental	614	1,510	2,289	3,205	3,718
Cost of sales	(31,471)	(41,881)	(56,143)	(63,697)	(70,647)
Gross profit	24,674	18,358	24,102	27,983	31,097
Other income and gains	977	5,818	4,844	3,127	3,323
Distribution expenses	(2,318)	(2,026)	(2,385)	(2,842)	(3,256)
Administrative expenses	(2,910)	(3,999)	(5,235)	(6,051)	(6,715)
Other expenses	(257)	(228)	(400)	(458)	(509)
Operating profit	20,166	17,923	20,927	21,759	23,940
Finance expenses	(2,744)	(2,530)	(1,040)	(1,510)	(1,800)
Associates/JV	27	1,086	1,586	1,790	2,050
Exceptional	1,952	117	-	-	-
Pre-tax profit	19,401	16,596	21,472	22,039	24,190
Profits tax	(11,043)	(7,363)	(9,223)	(9,392)	(10,300)
Minority interest	(556)	(871)	(1,691)	(1,931)	(2,143)
Perpetual	(677)	(850)	(1,084)	(1,100)	(1,100)
Net profit	7,125	7,512	9,475	9,615	10,647
Core profit	5,661	7,424	8,346	9,615	10,647

Cash flow summary

YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
EBIT	20,166	17,923	20,927	21,759	23,940
Depreciation and amortization	603	866	985	1,081	1,119
Change in working capital	(8,055)	(19,809)	1,759	(8,509)	(7,000)
Income tax paid	(8,159)	(9,276)	(8,621)	(9,859)	(10,300)
Others	(1,927)	(4,255)	2,851	(3,333)	(2,860)
Net cash from operating	2,628	(14,551)	17,901	1,139	4,899
Capex	(1,677)	(1,967)	(3,480)	(1,468)	(2,456)
Associates/JV	(3,056)	(2,091)	(3,468)	-	-
Other	(12,976)	7,939	(468)	(468)	(468)
Net cash from investing	(17,708)	3,881	(7,415)	(1,936)	(2,924)
Equity raised	-	-	-	-	-
Change of Debts	24,789	5,449	1,218	4,967	5,451
Dividend paid	(3,960)	(4,124)	(3,134)	(4,005)	(4,179)
Other	10,907	7,126	-	3,483	-
Net cash from financing	31,736	8,451	(1,916)	4,445	1,272
Net change in cash	16,655	(2,219)	8,569	3,648	3,247
Cash at the beginning	19,042	35,776	33,551	41,926	45,379
Exchange difference	79	(6)	(195)	(195)	(195)
Cash at the end	35,776	33,551	41,926	45,379	48,431
Pledged deposit	9,285	9,004	8,939	8,939	8,939
Cash at BS	45,062	42,555	50,865	54,318	57,370

Balance sheet

YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	63,538	82,467	93,270	95,249	99,834
Fixed asset	8,754	11,702	12,081	12,500	13,000
Investment properties	8,804	8,496	10,849	11,050	12,135
Associates/JV	10,088	14,711	18,179	18,179	18,179
Intangible assets	2,101	5,475	7,841	7,500	8,500
Other non-current assets	33,791	42,083	44,319	46,020	48,020
Current assets	166,908	190,764	220,495	235,474	248,526
Cash	45,062	42,555	50,865	54,318	57,370
Account receivable	27,735	35,360	50,021	55,000	57,000
Inventories	87,714	105,462	113,006	119,000	127,000
Other current assets	6,397	7,388	6,603	7,156	7,156
Current liabilities	120,378	147,668	168,611	174,416	182,159
Borrowings	35,333	42,297	38,569	42,426	46,669
Trade and other payables	42,534	53,918	75,230	76,000	77,000
Contract liabilities	25,490	33,654	36,306	38,000	40,000
Deferred taxation	17,015	17,563	17,257	17,257	17,257
Other current liabilities	7	236	1,248	733	1,233
Non-current liabilities	55,087	60,228	68,185	68,049	69,257
Borrowings	53,196	54,373	59,319	60,429	61,637
Other non-current liabilities	1,890	5,855	8,866	7,620	7,620
Shareholders' equity	41,239	44,474	50,816	58,691	67,377
Minority interest	5,407	7,296	12,517	16,000	16,000
Perpetual bond	8,335	13,567	13,637	13,567	13,567
Total equity	54,981	65,336	76,970	88,257	96,944

Key ratios

YE Dec 31	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Property sales	93.5	89.9	86.7	85.3	84.6
Commercial management	1.6	1.6	0.7	0.7	0.7
Property management	3.8	5.9	9.8	10.5	11.1
Environmental	1.1	2.5	2.9	3.5	3.7
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross margin	43.9	30.5	30.0	30.5	30.6
EBIT margin	35.9	29.8	26.1	23.7	23.5
Net margin	12.7	12.5	11.8	10.5	10.5
Effective tax rate	56.9	44.4	43.0	42.6	42.6
Balance sheet ratios					
Current ratio (x)	1.4	1.3	1.3	1.4	1.4
Receivable day	180.3	214.3	227.5	219.0	204.5
Payable day	276.5	326.7	342.2	302.6	276.2
Inventory day	1017.3	919.1	734.7	681.9	656.1
Net gearing ratio (%)	79.1	82.8	61.1	55.0	52.5
Returns (%)					
ROE	17.3	16.9	18.6	16.4	15.8
ROA	3.1	2.7	3.0	2.9	3.1
Per share data					
EPS (RMB)	1.84	1.93	2.44	2.48	2.74
DPS (HK\$)	1.00	1.00	1.10	1.15	1.30
BVPS (RMB)	10.53	11.35	12.97	14.98	17.20

Source: Company data, CMBIS estimates

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