

Ke Holdings (BEKE US)

Profitability improvement on track

Ke Holdings' (Beike) 4Q25 revenue declined 28.7% YoY to RMB22.2bn, inline with Bloomberg consensus and our forecast, and non-GAAP net profit reached RMB0.5bn in the quarter, down 61.5% YoY, ahead of our forecast at RMB0.4bn. For 2025, Beike's total revenue grew 1% YoY, while non-GAAP net profit was down 30% YoY due to industry headwinds. For 2026E, we expect the cost optimization measures for core housing transaction business, combined with profitability improvement of new businesses to drive earnings recovery. Our 2026E non-GAAP net income forecast is unchanged at RMB7.0bn, and this implies a 39% YoY growth. Our SOTP-based TP is lifted by 6% to US\$23.0 (was US\$21.8) after accounting for better long-term operating cash flow outlook aided by cost optimization initiatives, translating into 26.3x 2026E non-GAAP PE. Maintain BUY.

■ Core housing transaction business continued to gain market share.

For existing home transactions (EHT)/ new home transactions (NHT), Beike saw GTV decline of 35/42% YoY, and revenue decline of 39%/44% YoY in 4Q25. Management noted market share gains sustained for EHT business in 4Q25: the number of orders on Beike platform declined 17% YoY, better than that of the overall market. On the emerging new businesses, home renovation and furnishing (HR&F)/home rental services/emerging & other services recorded revenue of RMB3.6bn/5.4bn/459mn in 4Q25, -12%/+18%/+5% YoY, and contributed 43% of total revenue on a combined basis (4Q24: 29%). Contribution margin was 31.4%/8.6% in 2025 for HR&F/home rental services, up 0.7ppts/3.6ppts YoY, which demonstrated operating efficiency improvement. Overall operating efficiency is also on improvement track for Beike: total non-GAAP operating expense was RMB4.5bn in 4Q25, down from RMB5.6bn in 4Q24. We are anticipating total non-GAAP operating expense of RMB14.0bn for 2026E, down 14% YoY, driven by Beike's effort to drive continuous operating efficiency improvement.

■ **1Q26 outlook: industry headwinds continue to weigh on revenue growth, but profitability improvement is on track.** For 1Q26E, we are looking for total revenue of RMB18.7bn, down 20% YoY, owing to continued industry headwinds in housing transaction industry, as well as changes in accounting treatment of home rental services, and the initiatives to drive efficient growth of HR&F business. We estimate GTV decline of 10%/39% YoY for EHT/NHT in 1Q26E, but anticipate non-GAAP operating profit of RMB1.1bn, down merely 2% YoY, translating into 6.0% non-GAAP OPM (1Q25: 4.9%).

■ **SOTP-based TP of US\$23.0.** Our TP consists of US\$22.0/ADS for Beike Core and US\$1.0/ADS for Shengdu, and translates into 26.3x 2026E non-GAAP PE. Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	93,457	94,580	89,976	97,844	105,327
YoY growth (%)	20.2	1.2	(4.9)	8.7	7.6
Net profit (RMB mn)	4,064.9	2,994.0	5,198.1	6,726.6	8,588.2
Adjusted net profit (RMB mn)	7,211.1	5,016.9	6,988.8	8,468.1	10,348.9
YoY growth (%)	(26.4)	(30.4)	39.3	21.2	22.2
EPS (Adjusted) (RMB)	6.44	4.59	6.40	7.83	9.63
P/E (x)	32.1	42.6	24.5	18.8	14.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$23.00
(Previous TP)	US\$21.80
Up/Downside	36.1%
Current Price	US\$16.90

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Stock Data

Mkt Cap (US\$ mn)	19,234.0
Avg 3 mths t/o (US\$ mn)	77.5
52w High/Low (US\$)	23.27/15.60
Total Issued Shares (mn)	1138.1

Source: FactSet

Shareholding Structure

Propitious Global	25.4%
Tencent Mobility	7.3%

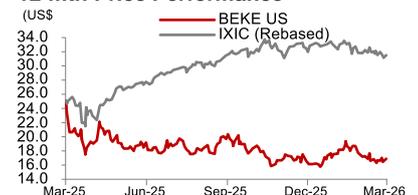
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.6%	-0.7%
3-mth	3.2%	4.7%
6-mth	-17.0%	-17.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Industry view: sales are improving, yet full recovery remains challenging. New home/secondary home sales volume in 30/14 cities was at -22%/-10% YoY growth YTD as of 15 Mar, better than -29%/-23% in 4Q25. Secondary market shows stronger momentum than new homes, as policy packages introduced at the beginning of the year have effectively activated liquidity in core cities. While we think the comprehensive rebound remains challenging given 1) demand continues to be dampened by income uncertainty, concerns over further price declines, and delivery risks for pre-sold properties; 2) on the supply side, high unsold inventory (438 mn sqm as of end-Feb) requires a prolonged digestion period, and the widening decline in REI reflects persistent caution among developers. For FY2026E, we forecast new home sales to decline 6% YoY to RMB 7.1tn (volume -5%, price -1%), and secondary home sales to fall 11% YoY to RMB 6.5tn (volume +5%, price -14%).

Figure 1: Property sales - YTD

Primary sales ('0000'sqm)	1Q25	2Q25	3Q25	4Q25	1Q26 QTD	1Q25 YoY	2Q25 YoY	3Q25 YoY	4Q25 YoY	1Q26 QTD YoY
30 major cities	1,528	2,385	2,342	2,630	1,186	-27%	-9%	6%	-29%	-22%
Tier 1&2	1,156	1,880	1,819	2,109	911	-30%	-8%	7%	-29%	-21%
Tier 3	372	505	523	521	275	-15%	-12%	2%	-29%	-26%
Shenzhen	81	74	61	82	73	23%	-17%	-37%	-62%	-9%
Guangzhou	148	253	254	247	47	-11%	2%	12%	-36%	-68%
Shanghai	228	375	364	372	127	-24%	-2%	-4%	-20%	-44%
Chengdu	366	420	381	392	45	-19%	-29%	-12%	-34%	-88%
Suzhou	68	125	119	88	45	-48%	-5%	-11%	-58%	-33%
Hangzhou	85	172	165	261	73	-49%	-24%	6%	17%	-14%
Beijing	139	217	233	183	122	-43%	-2%	-4%	-40%	-12%

Secondary sales ('0000'sqm)	1Q25	2Q25	3Q25	4Q25	1Q26 QTD	1Q25 YoY	2Q25 YoY	3Q25 YoY	4Q25 YoY	1Q26 QTD YoY
14 major cities	1,803	2,480	2,347	2,255	1,623	1%	6%	6%	-23%	-10%
Shenzhen	126	177	169	164	117	26%	24%	23%	-32%	-7%
Hangzhou	111	146	130	106	76	16%	2%	12%	-42%	-32%
Shanghai	404	540	510	522	386	13%	8%	14%	-22%	-4%
Beijing	320	446	420	423	290	1%	10%	-1%	-23%	-10%
Chengdu	509	696	657	591	424	3%	10%	10%	-26%	-17%
Dongguan	66	105	102	112	78	2%	40%	22%	0%	18%
Suzhou	150	212	193	172	51	-13%	-7%	1%	-24%	-66%
Qingdao	110	177	173	148	111	-19%	-6%	6%	-24%	1%
Foshan	138	217	220	217	157	-20%	2%	15%	0%	13%

Source: Wind, CMBIGM (data as of 15 Mar)

Results comparison and changes in forecast

Figure 2: BEKE: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	4Q25E Consensus	Diff%
GTV										
<i>Growth (YoY%)</i>										
Existing home transaction	453	571	478	745	580	584	506	482	503	-4.2%
<i>Growth (YoY%)</i>	-32%	25%	9%	59%	28%	2%	6%	-35%		
New home transaction	152	235	228	355	232	255	196	207	217	-4.6%
<i>Growth (YoY%)</i>	-45%	-20%	18%	49%	53%	9%	-14%	-42%		
(%)										
Blended monetization rate										
Existing home transaction (revenue/GTV)	1.3%	1.29%	1.30%	1.20%	1.2%	1.2%	1.18%	1.13%	1.12%	0.0 ppt
New home transaction (revenue/GTV)	3.2%	3.37%	3.39%	3.68%	3.48%	3.37%	3.38%	3.51%	3.47%	0.0 ppt
Revenue	16.4	23.4	22.6	31.1	23.3	26.0	23.1	22.2	22.2	0.2%
<i>Growth (YoY%)</i>	-19%	20%	27%	54%	42%	11%	2.1%	-28.7%		
Existing home transaction	5.7	7.3	6.2	8.9	6.9	6.7	6.0	5.4	5.6	-3.7%
<i>Growth (YoY%)</i>	-38%	14%	-1%	47%	20%	-8%	-4%	-39%		
New home transaction	4.9	7.9	7.7	13.1	8.1	8.6	6.6	7.3	7.5	-3.4%
<i>Growth (YoY%)</i>	-41%	-9%	31%	73%	64%	9%	-14%	-44%		
Home renovation and furnishing	2.4	4.0	4.2	4.1	2.9	4.6	4.3	3.6	3.5	2.3%
Home rental services	2.6	3.2	3.9	4.6	5.1	5.7	5.7	5.4	5.0	7.4%
Emerging and other services	0.7	0.9	0.5	0.4	0.3	0.4	0.4	0.5	0.4	12.2%
Gross profit	4.1	6.5	5.1	7.2	4.8	5.7	4.9	4.8	4.6	2.5%
Operating profit	0.0	2.0	0.7	1.0	0.6	1.1	0.6	-0.1	0.6	
Contribution profit	5.2	7.7	6.3	8.7	6.1	7.1	6.1			
Non-GAAP operating profit	1.0	2.8	1.4	1.8	1.1	1.6	1.2	0.3	0.6	-49.0%
Non-GAAP net profit	1.4	2.7	1.8	1.3	1.4	1.8	1.3	0.5	0.6	-18.4%
<i>Growth (YoY%)</i>	-61%	14%	-17%	-22%	0%	-32%	-28%	-61.5%		
Margin profile										
(%)										
Gross margin	25.2%	27.9%	22.7%	23.0%	20.7%	21.9%	21.4%	21.4%	20.9%	0.5 ppt
Operating profit margin	0.1%	8.6%	3.2%	3.2%	2.5%	4.1%	2.6%	-0.7%	2.9%	-3.5 ppt
Contribution profit margin	31.7%	33.0%	28.1%	28.0%	26.1%	27.1%	26.4%	28.1%		
Existing home transaction	44.5%	47.5%	41.0%	40.4%	38.1%	39.9%	39.0%	40.4%		
New home transaction	22.3%	25.0%	24.8%	25.6%	23.4%	24.4%	24.1%	28.3%		
Home renovation and furnishing	30.6%	31.3%	31.2%	29.8%	32.6%	32.1%	32.0%	28.8%		
Home rental services	5.5%	5.8%	4.4%	4.6%	6.7%	8.4%	8.7%	10.4%		
Emerging and other services	94.7%	90.3%	79.3%	70.8%	79.0%	74.4%	69.2%	80.8%		
Non-GAAP net profit margin	8.5%	11.5%	7.9%	4.3%	6.0%	7.0%	5.6%	2.4%	2.9%	-0.5 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 3: BEKE: forecast revision

RMB bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	90.0	97.8	105.3	91.5	99.5	-	-1.7%	-1.6%	-
Gross profit	20.8	23.6	26.5	21.4	24.1	-	-2.6%	-2.1%	-
Operating profit	5.2	7.1	9.5	4.9	6.7	-	5.1%	5.4%	-
Non-GAAP net profit	7.0	8.5	10.3	7.0	8.4	-	-0.3%	0.5%	-
Gross margin	23.2%	24.2%	25.2%	23.4%	24.3%	-	-0.2 ppt	-0.1 ppt	-
Operating margin	5.7%	7.2%	9.0%	5.4%	6.8%	-	0.4 ppt	0.5 ppt	-
Non-GAAP net margin	7.8%	8.7%	9.8%	7.7%	8.5%	-	0.1 ppt	0.2 ppt	-

Source: Company data, CMBIGM estimates

Figure 4: BEKE: CMBIGM estimates vs consensus

RMB bn	Current			Consensus			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	90.0	97.8	105.3	97.4	105.4	102.0	-7.7%	-7.2%	3.3%
Gross profit	20.8	23.6	26.5	22.3	24.8	25.6	-6.4%	-4.8%	3.4%
Non-GAAP net profit	7.0	8.5	10.4	6.9	8.2	9.1	0.6%	3.1%	13.3%
Gross margin	23.2%	24.2%	25.2%	22.8%	23.6%	25.2%	0.3 ppt	0.6 ppt	0.0 ppt
Non-GAAP net margin	7.8%	8.7%	9.8%	7.1%	7.8%	9.0%	0.6 ppt	0.9 ppt	0.9 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 5: BEKE: core DCF valuation

(RMBmn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NPV of FCF	41,788	40,502	39,161	34,928	30,128	25,380	19,918	12,531
Discounted terminal value	80,195							
Enterprise value	121,983							
Net cash	53,630							
Equity value	175,613							
No. of ADS (diluted, mn)	1,138							
Valuation per ADS (USD)	22.0							

Source: CMBIGM estimates

Note: we adjusted USD:RMB exchange rate assumption to 1:7.0 from 1:7.2

Figure 6: BEKE: SOTP valuation

(RMBmn)	2026E
Beike Core	175,613
Shengdu	8,000
Total Beike valuation	183,613
Total Beike valuation (USDmn)	26,230
Valuation per ADS (USD)	23.0

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	77,777	93,457	94,580	89,976	97,844	105,327
Cost of goods sold	(56,059)	(70,513)	(74,368)	(69,140)	(74,205)	(78,804)
Gross profit	21,718	22,944	20,212	20,836	23,639	26,524
Operating expenses	(16,921)	(19,179)	(18,101)	(15,670)	(16,551)	(17,027)
SG&A expense	(14,891)	(16,744)	(15,404)	(13,395)	(14,175)	(14,627)
R&D expense	(1,937)	(2,283)	(2,581)	(2,275)	(2,376)	(2,400)
Others	(93)	(152)	(116)	0	0	0
Operating profit	4,797	3,765	2,111	5,166	7,088	9,497
Other income	1,869	1,566	1,446	1,229	1,229	1,229
Other expense	(133)	(44)	(166)	0	0	0
Investment gain/loss	78	313	463	0	0	0
Share of (losses)/profits of associates/JV	9	10	16	0	0	0
Interest income	1,263	1,260	808	1,091	1,190	1,270
Pre-tax profit	7,884	6,870	4,677	7,486	9,507	11,996
Income tax	(1,994)	(2,792)	(1,686)	(2,290)	(2,784)	(3,411)
After tax profit	5,890	4,078	2,991	5,195	6,724	8,585
Minority interest	(6)	(13)	3	3	3	3
Net profit	5,883	4,065	2,994	5,198	6,727	8,588
Core net profit	5,883	4,065	2,994	5,198	6,727	8,588
Adjusted net profit	9,798	7,211	5,017	6,989	8,468	10,349
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	69,754	76,603	68,120	74,303	82,626	92,706
Cash & equivalents	19,635	11,443	7,773	14,257	21,093	30,476
Restricted cash	6,223	8,858	8,171	8,579	9,008	9,458
Account receivables	3,176	5,498	3,937	3,290	3,955	3,899
Other current assets	40,720	50,804	48,239	48,176	48,570	48,872
Non-current assets	50,578	56,546	48,548	48,507	50,322	52,203
PP&E	1,965	2,400	2,070	2,156	2,027	1,964
Right-of-use assets	17,618	23,367	19,144	21,144	23,144	25,144
Intangibles	1,067	858	723	(1,405)	(1,461)	(1,517)
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	122,810	132,947	144,909
Current liabilities	39,524	52,744	42,407	43,907	45,694	47,424
Short-term borrowings	290	288	208	208	208	208
Account payables	6,329	9,493	6,052	5,627	6,039	6,413
Other current liabilities	13,175	15,913	12,210	14,597	15,450	16,331
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	7,127	7,649	8,123
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	51,196	52,983	54,713
Share capital	0	0	0	0	0	0
Retained earnings	(5,673)	(1,724)	1,142	6,468	13,195	21,783
Other reserves	77,773	73,048	65,299	65,060	66,687	68,333
Total shareholders equity	72,100	71,324	66,441	71,528	79,882	90,116
Minority interest	101	124	89	86	83	80
Total equity and liabilities	120,332	133,149	116,668	122,810	132,948	144,909

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,884	6,870	4,677	7,486	9,507	11,996
Depreciation & amortization	932	1,012	1,072	1,079	1,083	1,085
Tax paid	1,994	2,792	1,686	2,290	2,784	3,411
Change in working capital	2,075	1,925	(5,778)	204	(1,181)	(424)
Others	(1,471)	(3,153)	(2,034)	(2,905)	(3,940)	(5,175)
Net cash from operations	11,414	9,447	(376)	8,155	8,253	10,893
Investing						
Capital expenditure	(874)	(1,037)	(868)	(826)	(898)	(967)
Acquisition of subsidiaries/ investments	(5,595)	(11,886)	1,657	0	0	0
Others	2,492	3,545	5,105	6	(91)	(93)
Net cash from investing	(3,977)	(9,378)	5,894	(820)	(988)	(1,060)
Financing						
Net borrowings	(329)	(2)	442	(442)	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(6,889)	(5,792)	(10,235)	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	22,836	30,101
Exchange difference	45	169	(83)	0	0	0
Cash at the end of the year	25,857	20,301	15,944	22,836	30,101	39,934
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	28.2%	20.2%	1.2%	(4.9%)	8.7%	7.6%
Gross profit	57.6%	5.6%	(11.9%)	3.1%	13.5%	12.2%
Operating profit	na	(21.5%)	(43.9%)	144.7%	37.2%	34.0%
Net profit	na	(30.9%)	(26.3%)	73.6%	29.4%	27.7%
Adj. net profit	244.7%	(26.4%)	(30.4%)	39.3%	21.2%	22.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.9%	24.6%	21.4%	23.2%	24.2%	25.2%
Operating margin	6.2%	4.0%	2.2%	5.7%	7.2%	9.0%
Adj. net profit margin	12.6%	7.7%	5.3%	7.8%	8.7%	9.8%
Return on equity (ROE)	8.3%	5.7%	4.3%	7.5%	8.9%	10.1%
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)	(0.3)	(0.3)
Current ratio (x)	1.8	1.5	1.6	1.7	1.8	2.0
Receivable turnover days	17.0	16.7	18.0	14.7	13.5	13.6
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	23.3	32.1	42.6	24.5	18.8	14.6
P/E (diluted)	23.9	33.7	44.3	25.5	19.5	15.2
P/B	1.9	2.0	2.1	1.9	1.7	1.5
P/CFPS	12.6	15.8	ns	18.1	18.0	13.4

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

Disclosures & Disclaimers

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