

## Hong Kong

June 27, 2022 - 4:26 PM

### HOLD (no change)

Consensus ratings\*: Buy 12 Hold 1 Sell 0

Current price:	HK\$14.40
Target price:	HK\$18.00
Previous target:	HK\$18.00
Up/downside:	25.0%
CGS-CIMB / Consensus:	-13.4%
Reuters:	0101.HK
Bloomberg:	101 HK
Market cap:	US\$8,254m
	HK\$64,789m
Average daily turnover:	US\$13.62m
	HK\$106.8m
Current shares o/s	4,499m
Free float:	42.1%

\*Source: Bloomberg

### Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (HK\$m)	4,644	5,885	6,750
Core EPS (HK\$)	1.06	1.34	1.53
Core EPS Growth	9.4%	26.1%	14.5%
FD Core P/E (x)	13.57	10.77	9.41
Recurring ROE	3.31%	4.09%	4.32%
P/BV (x)	0.44	0.44	0.38
DPS (HK\$)	0.78	0.80	0.82
Dividend Yield	5.42%	5.56%	5.69%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	-10	-25.9
Relative (%)	-9	-9	-1.1

Major shareholders	% held
Hang Lung Group	57.9

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# Hang Lung Properties Ltd

## Malls' sales have picked up strongly recently

- Management believes luxury retail in China has not been severely impacted by the two-month lockdown. It expects positive rental reversions in FY22F.
- Management expects HK retail sales to rebound from Apr thanks to the consumption voucher scheme, but rental reversions likely under pressure.
- Management has guided for progressive growth in dividends and will keep focusing on the luxury retail market in China. Reiterate Hold.

### HLP: lockdown has not severely impacted China luxury retail

- Management said the footfall for all malls in China, especially its four malls located in Shanghai and Shenyang, declined due to Covid-19 lockdowns.
- Despite the loss of turnover rent, Hang Lung Properties (HLP) was still able to collect base rent from tenants during the lockdown from Apr to May. Management said the occupancy rates have been stable due to tenants' stronger financial positions vs. in FY20.
- Overall, tenants of sub-luxury malls, especially those in the food and beverage (F&B) or lifestyle products segments, saw a larger impact from the lockdown measures than luxury malls.
- Sales picked up on 20 May 2022 which is celebrated as "Chinese Valentine's Day" in the country.
- Management believes the two-month lockdown has not severely impacted luxury tenants and China's economy will recover once the lockdown measures are relaxed. It expects positive rental reversions in FY22F and will continue to focus on the luxury retail market in China.
- For the office segment, HLP expects positive rental revenue growth in FY22F and has guided for lower rental concessions vs. in FY20.

### Rental reversions in HK IP still under pressure

- Management expects the retail sales of HLP's portfolio to rebound, thanks to the consumption voucher scheme, especially for the F&B, fashion, and jewellery segments.
- Management said it is easier to achieve positive rental reversions for new tenants in residential districts than in tourist areas, where vacancy remains high currently.
- Overall, the company believes rental reversions are still under pressure in HK.

### Dividend and M&A guidance

- Management guided for progressive growth in dividends and believes investors are looking for income growth from HLP.
- It also said HLP is open to acquiring residential projects in HK, especially in the luxury segment.
- In China, HLP prefers commercial properties, especially high-end malls, rather than residential properties, because of strong local consumption demand.
- With the opening of more luxury malls in China, management believes mainland Chinese have less reason to visit HK for shopping purposes. Therefore, it now has a more conservative view on the HK retail market and will continue to focus on the luxury mall segment in China.

### Reiterate Hold with an unchanged target price of HK\$18.0

- We reiterate our Hold call on HLP with an unchanged TP of HK\$18 (40% discount to NAV).
- Upside risks: stronger-than expected rental growth in China and HK.
- Downside risks: Further lockdowns due to Covid-19 outbreaks in China, especially in Shanghai.

**Figure 1: Hong Kong peer comparisons**

Short Name	Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV (%)	Upside (%)	P/E (x)				P/BV (x)			Dividend yield (%)			Net Gearing (%)		
									2021	2022F	2023F	2024F	2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F
CK Asset	1113 HK	54.60	58.10	ADD	25,346	105.6	48	6	9.4	8.5	8.4	8.0	0.54	0.51	0.49	4.0	4.1	4.1	9	2	3
HLD	12 HK	29.00	38.30	ADD	17,888	63.9	55	32	10.3	9.8	9.2	8.2	0.42	0.41	0.40	6.2	6.2	6.4	43	41	39
Kerry Prop	683 HK	21.35	28.90	ADD	3,956	64.1	67	35	3.7	6.3	5.2	5.7	0.27	0.26	0.25	17.1	6.3	6.6	16	21	20
NWD	17 HK	28.15	42.50	ADD	9,026	70.8	60	51	10.2	9.7	6.7	7.8	0.32	0.34	0.33	7.3	7.3	7.5	40	43	42
SHKP	16 HK	92.00	143.00	ADD	33,966	204.7	55	55	8.9	9.2	8.4	7.6	0.45	0.44	0.43	5.4	5.4	5.4	15	14	13
Sino	83 HK	11.22	12.10	ADD	11,033	20.1	44	8	8.4	12.1	13.0	11.5	0.53	0.51	0.49	7.4	5.1	5.1	(24)	(24)	(23)
Wharf Holdings	4 HK	26.60	27.30	HOLD	10,357	49.6	46	3	22.3	15.1	13.0	12.7	0.50	0.49	0.48	1.5	2.0	2.3	8	8	8
HLP	101 HK	14.40	18.00	HOLD	8,255	29.5	51	25	14.8	13.6	10.8	9.4	0.46	0.44	0.44	5.4	5.4	5.6	24	25	23
HKL*	HKL SP	4.91	6.10	ADD	11,460	10.2	52	24	11.9	11.7	11.6	11.1	0.33	0.32	0.30	4.5	4.5	4.5	15	17	17
Hysan	14 HK	23.05	26.60	ADD	3,024	60.5	62	15	10.2	10.2	9.4	8.7	0.32	0.32	0.31	6.2	6.2	6.3	11	15	14
Swire Prop	1972 HK	19.00	21.00	HOLD	14,161	38.1	50	11	11.6	13.9	12.8	11.5	0.38	0.38	0.38	5.0	5.2	5.3	4	4	3
Wharf REIC	1997 HK	35.35	37.50	HOLD	13,675	57.7	39	6	16.5	16.0	14.7	13.8	0.52	0.51	0.51	3.7	3.6	4.2	23	21	20
Champion REIT	2778 HK	3.48	4.10	HOLD	2,640	6.3	45	18	13.8	14.0	13.7	13.1	0.42	0.42	0.42	6.5	6.4	6.7	28	26	25
Link REIT	823 HK	63.75	80.00	ADD	17,139	79.7	20	25	113.5	19.5	19.8	18.8	0.84	0.83	0.82	4.5	4.8	5.1	27	31	31
Midland	1200 HK	0.75	1.29	ADD	69	NA	NA	72	5.4	NA	9.6	3.2	0.45	0.48	0.46	0.0	0.0	2.1	(69)	(42)	(39)
<b>Developers</b>							<b>54</b>	<b>27</b>	<b>10.5</b>	<b>10.1</b>	<b>9.1</b>	<b>8.8</b>	<b>0.43</b>	<b>0.42</b>	<b>0.41</b>	<b>7.0</b>	<b>5.2</b>	<b>5.3</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Landlords &amp; REITs</b>							<b>46</b>	<b>18</b>	<b>27.5</b>	<b>14.1</b>	<b>13.2</b>	<b>12.3</b>	<b>0.47</b>	<b>0.46</b>	<b>0.45</b>	<b>5.1</b>	<b>5.2</b>	<b>5.4</b>	<b>19</b>	<b>20</b>	<b>19</b>
<b>Simple average (ex. Midland)</b>							<b>50</b>	<b>23</b>	<b>19.0</b>	<b>12.1</b>	<b>11.2</b>	<b>10.6</b>	<b>0.45</b>	<b>0.44</b>	<b>0.43</b>	<b>6.1</b>	<b>5.2</b>	<b>5.3</b>	<b>17</b>	<b>17</b>	<b>17</b>

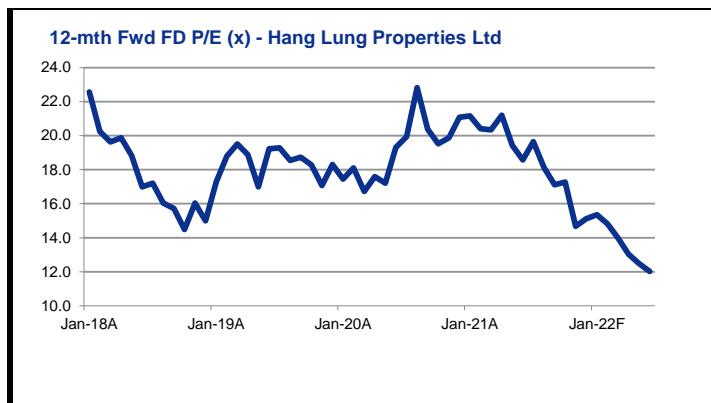
Share price data as of 24 Jun 2022; \* HKL data stated in US\$  
 SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

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## BY THE NUMBERS

Profit & Loss				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>10,321</b>	<b>11,254</b>	<b>15,959</b>	<b>16,655</b>
<b>Gross Profit</b>	<b>7,371</b>	<b>8,007</b>	<b>9,536</b>	<b>10,198</b>
<b>Operating EBITDA</b>	<b>7,231</b>	<b>7,270</b>	<b>8,781</b>	<b>9,422</b>
Depreciation And Amortisation	0	0	0	0
<b>Operating EBIT</b>	<b>7,231</b>	<b>7,270</b>	<b>8,781</b>	<b>9,422</b>
Financial Income/(Expense)	(414)	(473)	(444)	50
Pretax Income/(Loss) from Assoc.	8	130	133	139
Non-Operating Income/(Expense)	55	0	1	2
<b>Profit Before Tax (pre-EI)</b>	<b>6,428</b>	<b>7,057</b>	<b>8,604</b>	<b>9,751</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>6,880</b>	<b>6,927</b>	<b>8,471</b>	<b>9,612</b>
<b>Taxation</b>	<b>(2,083)</b>	<b>(1,547)</b>	<b>(1,829)</b>	<b>(2,080)</b>
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>4,797</b>	<b>5,380</b>	<b>6,642</b>	<b>7,533</b>
Minority Interests	(937)	(736)	(757)	(783)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0	0	0	0
<b>Net Profit</b>	<b>3,860</b>	<b>4,644</b>	<b>5,885</b>	<b>6,750</b>
Recurring Net Profit	4,365	4,774	6,018	6,889
<b>Fully Diluted Recurring Net Profit</b>	<b>4,365</b>	<b>4,774</b>	<b>6,018</b>	<b>6,889</b>

Cash Flow				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>7,231</b>	<b>7,270</b>	<b>8,781</b>	<b>9,422</b>
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(2,652)	(928)	2,972	2,337
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	620	1,540	1,579	968
Net Interest (Paid)/Received	(1,414)	(1,706)	(1,709)	(594)
Tax Paid	(2,083)	(1,547)	(1,829)	(2,080)
<b>Cashflow From Operations</b>	<b>1,702</b>	<b>4,630</b>	<b>9,794</b>	<b>10,053</b>
Capex	(3,134)	(3,526)	(2,526)	(749)
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	2	26	27	28
<b>Cash Flow From Investing</b>	<b>(3,133)</b>	<b>(3,500)</b>	<b>(2,499)</b>	<b>(721)</b>
Debt Raised/(repaid)	7,778	5,115	1,876	108
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(3,464)	(3,509)	(3,554)	(3,644)
Preferred Dividends				
Other Financing Cashflow	(687)	(527)	(543)	(561)
<b>Cash Flow From Financing</b>	<b>3,627</b>	<b>1,079</b>	<b>(2,221)</b>	<b>(4,098)</b>



Balance Sheet				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Cash And Equivalents</b>	<b>8,515</b>	<b>10,723</b>	<b>15,797</b>	<b>21,032</b>
Properties Under Development	10,790	10,738	7,632	4,733
Total Debtors	3,499	3,714	5,266	5,496
Inventories				
Total Other Current Assets	0	0	0	0
<b>Total Current Assets</b>	<b>22,804</b>	<b>25,175</b>	<b>28,696</b>	<b>31,261</b>
Fixed Assets	290	299	308	317
<b>Total Investments</b>	<b>201,064</b>	<b>208,933</b>	<b>209,618</b>	<b>227,343</b>
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	77	77	77	77
<b>Total Non-current Assets</b>	<b>201,431</b>	<b>209,309</b>	<b>210,003</b>	<b>227,737</b>
Short-term Debt	8,079	18,759	1,076	6,332
Current Portion of Long-Term Debt				
Total Creditors	0	0	0	0
Other Current Liabilities	11,423	10,645	12,073	7,007
<b>Total Current Liabilities</b>	<b>19,502</b>	<b>29,404</b>	<b>13,148</b>	<b>13,340</b>
Total Long-term Debt	37,616	32,051	51,610	46,461
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	305	280	256	234
<b>Total Non-current Liabilities</b>	<b>37,921</b>	<b>32,331</b>	<b>51,866</b>	<b>46,695</b>
Total Provisions	14,428	14,429	14,430	14,431
<b>Total Liabilities</b>	<b>71,851</b>	<b>76,164</b>	<b>79,445</b>	<b>74,466</b>
<b>Shareholders' Equity</b>	<b>141,719</b>	<b>146,920</b>	<b>147,096</b>	<b>171,591</b>
Minority Interests	10,665	11,401	12,158	12,941
<b>Total Equity</b>	<b>152,384</b>	<b>158,320</b>	<b>159,254</b>	<b>184,532</b>

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	15.0%	9.0%	41.8%	4.4%
Operating EBITDA Growth	13.9%	9.2%	20.5%	7.3%
Operating EBITDA Margin	65.7%	65.8%	55.9%	57.4%
Net Cash Per Share (HK\$)	(8.26)	(8.91)	(8.20)	(7.06)
BVPS (HK\$)	31.50	32.65	32.69	38.14
Gross Interest Cover	4.56	3.92	4.46	9.12
Effective Tax Rate	30.3%	22.3%	21.6%	21.6%
Net Dividend Payout Ratio	103%	74%	60%	54%
Accounts Receivables Days	123.7	117.0	102.7	118.3
Inventory Days	-	-	-	-
Accounts Payables Days	-	-	-	-
ROIC (%)	2000%	191%	178%	660%
ROCE (%)	3.33%	3.48%	4.09%	4.19%
Return On Average Assets	2.15%	2.57%	3.02%	3.07%

Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue growth - HK property leasing (%)	-6.9%	0.4%	3.2%	4.8%
Revenue growth - China property leasing (%)	31.5%	8.8%	4.5%	8.6%
Dev margin (%)	N/A	36.6%	28.9%	31.2%
HK Rental margin (%)	81.9%	82.1%	82.3%	82.5%
China Rental margin (%)	67.6%	67.6%	67.6%	67.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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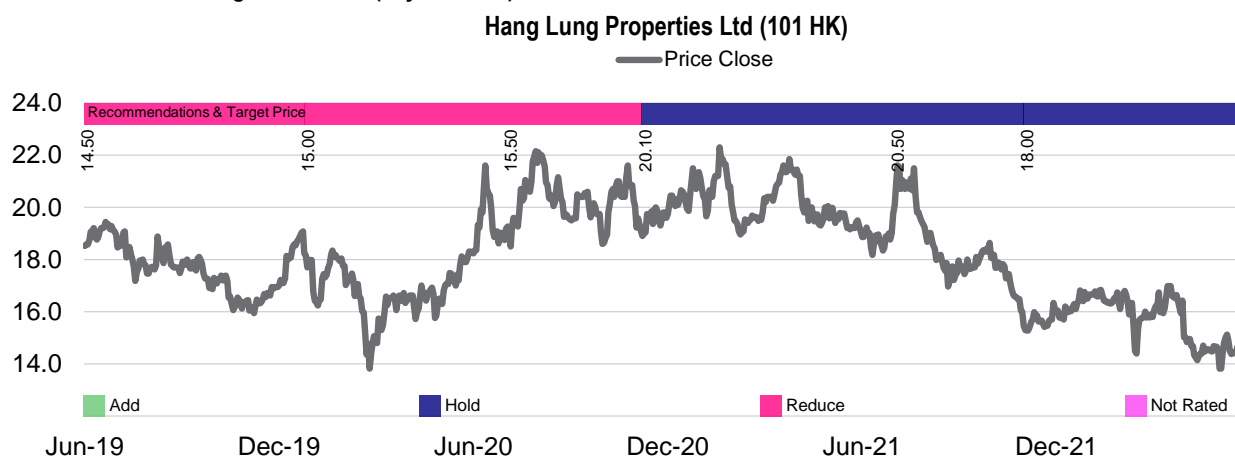
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Add	70.3%	0.8%
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Reduce	7.8%	0.2%

### Spitzer Chart for stock being researched ( 2 year data )



### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

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*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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