

Hong Kong

June 17, 2022 - 8:30 PM

ADD (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 7

Current price:	HK\$28.10
Target price:	HK\$38.30
Previous target:	HK\$38.30
Up/downside:	36.3%
CGS-CIMB / Consensus:	4.6%
Reuters:	0012.HK
Bloomberg:	12 HK
Market cap:	US\$17,331m
	HK\$136,043m
Average daily turnover:	US\$13.76m
	HK\$128.6m
Current shares o/s	4,841m
Free float:	27.2%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (HK\$m)	14,349	15,322	17,091
Core EPS (HK\$)	2.96	3.16	3.53
Core EPS Growth	5.3%	6.8%	11.5%
FD Core P/E (x)	9.48	8.88	7.96
Recurring ROE	4.25%	4.45%	4.87%
P/BV (x)	0.40	0.39	0.38
DPS (HK\$)	1.80	1.85	1.90
Dividend Yield	6.41%	6.58%	6.76%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-12.5	-15.5	-26.1
Relative (%)	-14.8	-13.5	0.1

Major shareholders	% held
Lee Shau Kee	72.8

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Henderson Land Development

Takeaways from virtual property conference

- HLD expects home prices in HK to remain stable, despite higher mortgage rates ahead, on strong local demand and short supply.
- Management said that farmland conversion should be faster after introduction of standard rate. Henderson is one of the largest farmland owners in HK.
- Reiterate Add with a TP of HK\$38.3. HLD trades at an attractive valuation of a 56% discount to NAV and offers a 6.4% FY22F dividend yield.

HK development projects: Management still optimistic

- Henderson Land Development's (HLD) management believes the market sentiment in HK is still good, as illustrated by its recent launch of the Phase 1 of Baker Circle in Hung Hom, which was oversubscribed by over 6 times in Jun.
- HLD's 4M22 HK sales grew 10% yoy, with more projects to be launched in 2H22F.
- Management also stressed the cost advantages of its land reserves in Northern Metropolis compared with its peers.
- Management said HLD will further speed up farmland conversion and that the introduction of a standard rate for conversion should help shorten the conversion time.

HK investment projects: Occupancy not affected much by Covid-19

- Retail sales rebounded in Apr, especially for the food and beverages segment, due to the relaxation of social distancing measures and Phase 1 of the government's electronic voucher scheme.
- Management noted that the fifth wave of the Covid-19 outbreak did not affect the occupancy rate of its retail malls much. For instance, occupancy reached 95% for IFC mall and 90-100% for malls in New Territories in Apr. Also, management expects the rental relief measures by HLD to be less this time vs. the fourth outbreak wave.
- Although there are fewer new MNCs moving to HK recently due to the Covid-19 pandemic, management saw upgrading demand by office tenants within HK as there are continuous lease enquiries on IFC, The Henderson — its new office building in Murray Road, which is expected to be completed in 2023F.
- Management said that the rent of The Henderson will be some 10% higher than the effective rent of IFC offices.

China land bank growth will be very selective

- Management said that HLD has slowed down its land bank expansion in China in the past few years; its exposure is mainly in the top-tier cities in China. Should there be any attractive acquisition opportunities, management said that it preferred owning controlling stakes so that it can control the financials at project level.
- For investment properties, HLD prefers offices in prime cities in China as it believes the office market in China has strong growth prospects.

Impact of interest rate rise and dividend policy

- Management expects the Hibor-based mortgage rate in HK to increase further on the back of the US rate hike but thinks HK will not fully follow the US due to sufficient liquidity in the HK banking system.
- Given the shortage of housing supply in HK, HLD expects home prices to maintain stable unless interest rates see an unexpected surge.
- According to HLD's dividend policy, its annual dividend payout will maintain at an absolute amount regardless of net profit volatility.

Reiterate Add rating, with an unchanged TP of HK\$38.30

- We reiterate Add rating on HLD, with an unchanged TP of HK\$38.30, on the back of its large land reserves and rich farmland exposure in HK.
- Key downside risks are a prolonged Covid-19 outbreak in HK and delayed re-opening of HK's borders.
- Stronger-than-expected rental reversions in IP are a re-rating catalyst for HLD.

Figure 1: HK property peer comparison

Short Name	Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV		P/E (x)				P/BV (x)			Dividend yield (%)			Net Gearing (%)		
							NAV (%)	Upside (%)	2021	2022F	2023F	2024F	2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F
CK Asset	1113 HK	51.20	58.10	ADD	23,765	105.6	52	13	8.8	8.0	7.9	7.5	0.50	0.48	0.46	4.3	4.3	4.4	9	2	3
HLD	12 HK	28.10	38.30	ADD	17,331	63.9	56	36	10.0	9.5	8.9	8.0	0.41	0.40	0.39	6.4	6.4	6.6	43	41	39
Kerry Prop	683 HK	19.90	28.90	ADD	3,687	64.1	69	45	3.5	5.8	4.8	5.3	0.25	0.24	0.23	18.3	6.8	7.0	16	21	20
NWD	17 HK	27.80	42.50	ADD	8,913	70.8	61	53	10.0	9.5	6.7	7.7	0.32	0.33	0.33	7.4	7.4	7.6	40	43	42
SHKP	16 HK	90.70	143.00	ADD	33,482	204.7	56	58	8.8	9.1	8.3	7.5	0.44	0.43	0.42	5.5	5.5	5.5	15	14	13
Sino	83 HK	11.00	12.10	ADD	10,816	20.1	45	10	8.2	11.8	12.8	11.3	0.52	0.50	0.48	7.5	5.2	5.2	(24)	(24)	(23)
Wharf Holdings	4 HK	25.70	27.30	HOLD	10,005	49.6	48	6	21.5	14.6	12.5	12.3	0.48	0.47	0.46	1.6	2.1	2.4	8	8	8
HLP	101 HK	14.40	18.00	HOLD	8,254	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	4.72	6.10	ADD	11,016	10.2	54	29	11.4	11.3	11.1	10.6	0.31	0.31	0.29	4.7	4.7	4.7	15	17	17
Hysan	14 HK	22.05	26.60	ADD	2,894	60.5	64	21	9.7	9.8	9.0	8.3	0.31	0.31	0.30	6.5	6.5	6.6	11	15	14
Swire Prop	1972 HK	18.26	21.00	HOLD	13,608	38.1	52	15	11.2	13.3	12.3	11.1	0.37	0.36	0.36	5.2	5.4	5.5	4	4	3
Wharf REIC	1997 HK	32.75	37.50	HOLD	12,667	57.7	43	15	15.3	14.8	13.6	12.8	0.48	0.48	0.47	4.0	3.9	4.5	23	21	20
Champion REIT	2778 HK	3.40	4.10	HOLD	2,579	6.3	46	21	13.5	13.7	13.4	12.8	0.41	0.41	0.41	6.7	6.6	6.8	28	26	25
Link REIT	823 HK	63.20	80.00	ADD	16,990	79.7	21	27	112.5	19.3	19.6	18.6	0.83	0.82	0.82	4.6	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)
Developers							55	32	10.1	9.8	8.8	8.5	0.42	0.41	0.40	7.3	5.4	5.5	15	15	15
Landlords & REITs							47	22	26.9	13.7	12.8	11.9	0.45	0.45	0.44	5.3	5.3	5.5	19	20	19
Simple average (ex. Midland)							51	27	18.5	11.7	10.8	10.2	0.44	0.43	0.42	6.3	5.4	5.5	17	17	17

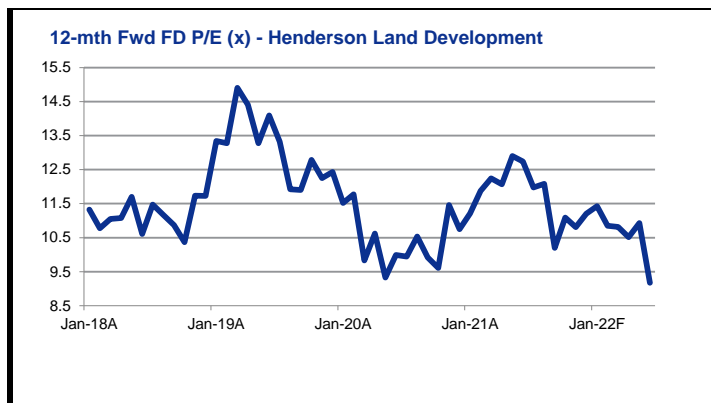
Share price data as of 17 Jun 2022; * HKL data stated in US\$
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

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BY THE NUMBERS

Profit & Loss				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	23,527	36,139	37,086	34,629
Gross Profit	12,082	16,017	15,853	15,998
Operating EBITDA	9,952	13,762	13,621	13,746
Depreciation And Amortisation	0	0	0	0
Operating EBIT	9,952	13,762	13,621	13,746
Financial Income/(Expense)	(491)	(610)	(489)	(315)
Pretax Income/(Loss) from Assoc.	3,965	4,061	4,626	6,375
Non-Operating Income/(Expense)	1,853	472	472	472
Profit Before Tax (pre-EI)	15,708	17,685	18,231	20,278
Exceptional Items				
Pre-tax Profit	15,279	17,685	18,231	20,278
Taxation	(1,952)	(2,474)	(2,503)	(2,385)
Exceptional Income - post-tax				
Profit After Tax	13,327	15,210	15,728	17,893
Minority Interests	(132)	(862)	(406)	(802)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	13,195	14,349	15,322	17,091
Recurring Net Profit	13,624	14,349	15,322	17,091
Fully Diluted Recurring Net Profit	13,624	14,349	15,322	17,091

Cash Flow				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	9,952	13,762	13,621	13,746
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	10,637	303	(545)	(6,359)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	3,503	2,341	2,959	3,929
Net Interest (Paid)/Received	(1,984)	(2,551)	(2,648)	(2,644)
Tax Paid	(1,952)	(2,474)	(2,503)	(2,385)
Cashflow From Operations	20,156	11,380	10,885	6,287
Capex	0	0	0	0
Disposals Of FAs/subsidiaries	(67,956)	0	0	0
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	1,190	1,218	1,388	1,912
Cash Flow From Investing	(66,767)	1,218	1,388	1,912
Debt Raised/(repaid)	60,465	6,216	5,667	(2,167)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(8,714)	(8,714)	(8,714)	(9,053)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	51,751	(2,498)	(3,047)	(11,219)



Balance Sheet				
(HK\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	10,947	21,047	30,273	27,253
Properties Under Development	109,180	111,680	114,180	114,180
Total Debtors	18,249	22,334	25,183	15,915
Inventories				
Total Other Current Assets	1,169	1,169	1,169	1,169
Total Current Assets	139,545	156,230	170,805	158,517
Fixed Assets	0	0	0	0
Total Investments	410,759	413,674	416,584	419,919
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	410,759	413,674	416,584	419,919
Short-term Debt	31,784	24,333	12,167	8,111
Current Portion of Long-Term Debt				
Total Creditors	28,480	35,367	40,172	24,545
Other Current Liabilities	2,983	2,983	2,983	2,983
Total Current Liabilities	63,247	62,683	55,321	35,639
Total Long-term Debt	121,665	135,332	153,166	155,055
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	30,372	31,234	31,640	32,442
Total Non-current Liabilities	152,037	166,566	184,805	187,497
Total Provisions	0	0	0	0
Total Liabilities	215,284	229,249	240,127	223,136
Shareholders' Equity	335,020	340,655	347,263	355,300
Minority Interests				
Total Equity	335,020	340,655	347,263	355,300

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(6.0%)	53.6%	2.6%	(6.6%)
Operating EBITDA Growth	(23.2%)	32.6%	(1.0%)	0.9%
Operating EBITDA Margin	44.1%	38.1%	36.7%	39.7%
Net Cash Per Share (HK\$)	(29.44)	(28.63)	(27.90)	(28.07)
BVPS (HK\$)	69.20	70.37	71.73	73.39
Gross Interest Cover	4.96	5.06	4.50	4.21
Effective Tax Rate	12.8%	14.0%	13.7%	11.8%
Net Dividend Payout Ratio	64.0%	60.7%	56.9%	53.0%
Accounts Receivables Days	274.6	204.9	233.8	217.2
Inventory Days	-	-	-	-
Accounts Payables Days	809.8	579.1	649.3	635.7
ROIC (%)	9.2%	11.8%	11.7%	11.8%
ROCE (%)	2.32%	2.82%	2.76%	2.79%
Return On Average Assets	2.80%	2.81%	2.79%	3.11%

Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Property sales - HK (HK\$ m)	10,805.0	22,346.8	21,007.7	19,371.8
Property sales - China (HK\$ m)	1,825.0	1,749.5	3,340.0	2,173.7
Property investment - HK (HK\$ m)	4,462.0	5,032.1	5,520.1	5,672.4
Property investment - China (HK\$ m)	2,043.0	2,618.9	2,825.8	3,019.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)

Henderson Land Development (12 HK)



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

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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Definition:

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40/40