

## Hong Kong

June 16, 2022 - 5:21 PM

### ADD (no change)

Consensus ratings\*: Buy 13 Hold 3 Sell 2

Current price:	HK\$28.10
Target price:	HK\$42.50
Previous target:	HK\$42.50
Up/downside:	51.2%
CGS-CIMB / Consensus:	10.5%
Reuters:	0017.HK
Bloomberg:	17 HK
Market cap:	US\$9,009m
	HK\$70,717m
Average daily turnover:	US\$13.48m
	HK\$106.6m
Current shares o/s	2,517m
Free float:	55.5%

\*Source: Bloomberg

### Key financial forecasts

	Jun-22F	Jun-23F	Jun-24F
Net Profit (HK\$m)	5,478	8,829	7,527
Core EPS (HK\$)	2.91	4.17	3.62
Core EPS Growth	6.1%	43.4%	(13.2%)
FD Core P/E (x)	9.69	6.73	7.76
Recurring ROE	3.38%	4.93%	4.21%
P/BV (x)	0.34	0.33	0.32
DPS (HK\$)	2.06	2.10	2.10
Dividend Yield	7.33%	7.47%	7.47%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.4	-0.9	-30.8
Relative (%)	-6.9	-4.7	-4.1

### Major shareholders

Chow Tai Fook Enterprises Limited	% held	44.5
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# New World Development

## Takeaways from virtual property conference

- Despite macroeconomic uncertainties, NWD is confident of achieving its sales targets in HK and China for FY6/22F.
- NWD expects to add a total of 6m sq ft of attributable GFA to its land bank in the New Territories from new farmland conversion and up-zoning.
- NWD has also met its FY6/22F non-core asset disposal target, which gives it room to replenish land bank in HK. Reiterate Add.

### Still confident of achieving FY6/22 contracted sales targets

- Despite challenging economic environment, NWD's management says it is confident of achieving its FY6/22F development property (DP) contracted sales targets in both HK (HK\$10bn) and China (Rmb20bn).
- HK DP sales in FY6/22F are primarily attributable to sales of office space in 888 Lai Chi Kok Road (now renamed as NCB Innovation Centre), where NWD has sold 75% of office GFA.
- In addition to Rmb9.3bn DP contracted sales in 1HFY22, NWD successfully locked in c.Rmb7bn of subscription sales (ASP: Rmb69.8k/sq m) a few days ago from its Wangjiang New Town project in Hangzhou. The subscription sales will gradually be converted into contracted sales when formalities are completed.

### Taking actions to speed up farmland conversion

- Following the HKSAR Government's objectives of increasing land supply for flats and of developing the Northern Metropolis (NM) in the New Territories, NWD is attempting to speed up the conversion pipeline of its farmland reserve.
- It expects to add 2m sq ft of attributable GFA into its land bank from new farmland conversion in the next two fiscal years, and another 4m sq ft of attributable GFA from up-zoning, from farmland sites located in the NM.

### Non-core asset disposals make room for new land banking

- NWD secured more non-core asset disposals in 2HFY22F, such as the disposal of aircraft leasing business (Goshawk) held by its listed subsidiary NWS (659 HK, NR), so that the total value of assets disposed in FY6/22F amounts to over HK\$13.8bn (higher than initial full-year target of HK\$8bn-10bn).
- The capital recycling activities at both NWD and NWS levels have increased NWD's capacity for land banking (e.g. Kai Tak JV project from Kaisa and Tseung Kwan O residential JV project via public tender), and would enable NWD to achieve a stable net gearing of ~40%.

### Reiterates target of higher underlying profit from recurring income

- NWD reiterated its target of achieving at least 50% of its underlying net profit from recurring income businesses (i.e. investment properties, insurance) by FY6/24F.
- We reiterate our Add rating for NWD with an unchanged TP of HK\$42.5, based on a 40% discount to NAV of HK\$70.8.
- Key downside risks are a prolonged Covid-19 outbreak in China, leading to slower rental growth and DP sales. Stronger-than-expected DP sales in HK and China are potential re-rating catalysts.

**Figure 1: HK property valuation summary**

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	51.70	58.10	ADD	23,997	105.6	51	12	8.9	8.1	7.9	7.6	0.51	0.49	0.47	4.3	4.3	4.3	9	2	3
HLD	12 HK	28.55	38.30	ADD	17,608	63.9	55	34	10.1	9.6	9.0	8.1	0.41	0.41	0.40	6.3	6.3	6.5	43	41	39
Kerry Prop	683 HK	19.98	28.90	ADD	3,701	64.1	69	45	3.5	5.9	4.8	5.3	0.25	0.24	0.23	18.3	6.8	7.0	16	21	20
NWD	17 HK	28.10	42.50	ADD	9,009	70.8	60	51	10.1	9.6	6.7	7.8	0.32	0.34	0.33	7.3	7.3	7.5	40	43	42
SHKP	16 HK	90.80	143.00	ADD	33,518	204.7	56	57	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	11.12	12.10	ADD	10,933	20.1	45	9	8.3	12.0	12.9	11.4	0.53	0.50	0.49	7.5	5.1	5.1	(24)	(24)	(23)
Wharf Holdings	4 HK	25.40	27.30	HOLD	9,888	49.6	49	7	21.3	14.4	12.4	12.1	0.48	0.47	0.46	1.6	2.1	2.4	8	8	8
HLP	101 HK	14.44	18.00	HOLD	8,276	29.5	51	25	14.9	13.6	10.8	9.4	0.46	0.44	0.44	5.4	5.4	5.5	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	23.15	26.60	ADD	3,038	60.5	62	15	10.2	10.3	9.4	8.8	0.32	0.32	0.32	6.2	6.2	6.3	11	15	14
Swire Prop	1972 HK	18.76	21.00	HOLD	13,980	38.1	51	12	11.5	13.7	12.6	11.4	0.38	0.37	0.37	5.1	5.2	5.4	4	4	3
Wharf REIC	1997 HK	33.70	37.50	HOLD	13,035	57.7	42	11	15.7	15.3	14.0	13.2	0.50	0.49	0.48	3.9	3.8	4.4	23	21	20
Champion REIT	2778 HK	3.51	4.10	HOLD	2,663	6.3	44	17	13.9	14.1	13.8	13.2	0.43	0.42	0.42	6.5	6.4	6.6	28	26	25
Link REIT	823 HK	65.20	80.00	ADD	17,527	79.7	18	23	116.1	20.0	20.2	19.2	0.86	0.85	0.84	4.4	4.7	4.9	27	31	31
Midland	1200 HK	0.73	1.29	ADD	67	NA	NA	77	5.2	NA	9.4	3.1	0.44	0.47	0.45	0.0	0.0	2.2	(69)	(42)	(39)
<b>Developers</b>							<b>55</b>	<b>31</b>	<b>10.1</b>	<b>9.8</b>	<b>8.9</b>	<b>8.5</b>	<b>0.42</b>	<b>0.41</b>	<b>0.40</b>	<b>7.2</b>	<b>5.3</b>	<b>5.5</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Landlords &amp; REITs</b>							<b>46</b>	<b>19</b>	<b>27.7</b>	<b>14.0</b>	<b>13.1</b>	<b>12.2</b>	<b>0.46</b>	<b>0.46</b>	<b>0.45</b>	<b>5.2</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>25</b>	<b>18.9</b>	<b>11.9</b>	<b>11.0</b>	<b>10.4</b>	<b>0.44</b>	<b>0.43</b>	<b>0.43</b>	<b>6.2</b>	<b>5.3</b>	<b>5.4</b>	<b>17</b>	<b>17</b>	<b>17</b>

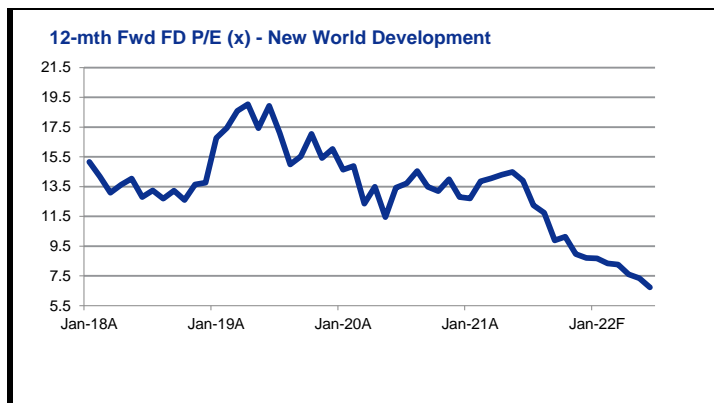
Share price data as of 16 Jun 2022; \* HKL data stated in US\$

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

## BY THE NUMBERS

Profit & Loss				
(HK\$m)	Jun-21A	Jun-22F	Jun-23F	Jun-24F
<b>Total Net Revenues</b>	<b>68,233</b>	<b>76,983</b>	<b>78,749</b>	<b>85,745</b>
<b>Gross Profit</b>	<b>19,151</b>	<b>23,563</b>	<b>24,030</b>	<b>25,518</b>
<b>Operating EBITDA</b>	<b>10,249</b>	<b>12,610</b>	<b>12,859</b>	<b>13,656</b>
Depreciation And Amortisation	0	0	0	0
<b>Operating EBIT</b>	<b>10,249</b>	<b>12,610</b>	<b>12,859</b>	<b>13,656</b>
Financial Income/(Expense)	(1,276)	(1,247)	(1,497)	(1,493)
Pretax Income/(Loss) from Assoc.	1,783	2,324	7,572	5,865
Non-Operating Income/(Expense)	(1,526)	766	(1,275)	(1,313)
<b>Profit Before Tax (pre-EI)</b>	<b>9,230</b>	<b>14,453</b>	<b>17,660</b>	<b>16,714</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>9,230</b>	<b>14,453</b>	<b>17,660</b>	<b>16,714</b>
<b>Taxation</b>	<b>(5,662)</b>	<b>(5,077)</b>	<b>(5,059)</b>	<b>(5,441)</b>
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>3,568</b>	<b>9,376</b>	<b>12,601</b>	<b>11,274</b>
Minority Interests	(1,250)	(2,038)	(2,098)	(2,161)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	(2,283)	(1,860)	(1,674)	(1,586)
<b>Net Profit</b>	<b>36</b>	<b>5,478</b>	<b>8,829</b>	<b>7,527</b>
Recurring Net Profit	6,978	7,338	10,503	9,113
<b>Fully Diluted Recurring Net Profit</b>	<b>6,978</b>	<b>7,338</b>	<b>10,503</b>	<b>9,113</b>

Cash Flow				
(HK\$m)	Jun-21A	Jun-22F	Jun-23F	Jun-24F
<b>EBITDA</b>	<b>10,249</b>	<b>12,610</b>	<b>12,859</b>	<b>13,656</b>
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(9,129)	6,804	1,522	3,517
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	1,163	1,902	(331)	(305)
Net Interest (Paid)/Received	(1,276)	(3,012)	(3,307)	(3,370)
Tax Paid	(3,963)	(3,554)	(3,541)	(3,809)
<b>Cashflow From Operations</b>	<b>(2,956)</b>	<b>14,749</b>	<b>7,203</b>	<b>9,689</b>
Capex	(10,458)	(30,000)	(15,000)	(10,000)
Disposals Of FAs/subsidiaries	10,286	6,330	3,956	3,956
Disposals of Investment Properties				
Acq. Of Subsidiaries/Investments	0	0	0	0
Other Investing Cashflow	2,940	3,033	3,129	3,229
<b>Cash Flow From Investing</b>	<b>2,768</b>	<b>(20,637)</b>	<b>(7,914)</b>	<b>(2,815)</b>
Debt Raised/(repaid)	(3,013)	1,812	7,219	6,273
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(943)	(964)	(946)	(987)
Preferred Dividends				
Other Financing Cashflow	(1,532)	(1,332)	(1,339)	(1,401)
<b>Cash Flow From Financing</b>	<b>(5,489)</b>	<b>(483)</b>	<b>4,934</b>	<b>3,885</b>



Balance Sheet				
(HK\$m)	Jun-21A	Jun-22F	Jun-23F	Jun-24F
<b>Total Cash And Equivalents</b>	<b>61,955</b>	<b>55,584</b>	<b>59,806</b>	<b>70,565</b>
Properties Under Development	89,308	89,308	89,308	89,308
Total Debtors	34,683	31,865	33,912	33,487
Inventories	598	662	662	663
Total Other Current Assets	21,520	21,520	21,520	21,520
<b>Total Current Assets</b>	<b>208,065</b>	<b>198,939</b>	<b>205,208</b>	<b>215,543</b>
Fixed Assets	0	0	0	0
<b>Total Investments</b>	<b>301,822</b>	<b>302,366</b>	<b>309,246</b>	<b>314,298</b>
Intangible Assets	8,246	8,246	8,246	8,246
Total Other Non-Current Assets	108,945	109,637	110,350	111,085
<b>Total Non-current Assets</b>	<b>419,013</b>	<b>420,250</b>	<b>427,842</b>	<b>433,629</b>
Short-term Debt	38,188	52,781	43,727	37,691
Current Portion of Long-Term Debt				
Total Creditors	39,498	38,651	39,283	39,144
Other Current Liabilities	71,875	77,090	80,356	83,926
<b>Total Current Liabilities</b>	<b>149,561</b>	<b>168,522</b>	<b>163,366</b>	<b>160,761</b>
Total Long-term Debt	137,829	125,048	141,321	153,630
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	35,495	36,560	37,657	38,786
<b>Total Non-current Liabilities</b>	<b>173,324</b>	<b>161,608</b>	<b>178,977</b>	<b>192,416</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>322,885</b>	<b>330,129</b>	<b>342,344</b>	<b>353,177</b>
<b>Shareholders' Equity</b>	<b>223,329</b>	<b>211,052</b>	<b>215,005</b>	<b>218,133</b>
Minority Interests	80,864	78,007	75,701	77,862
<b>Total Equity</b>	<b>304,192</b>	<b>289,059</b>	<b>290,707</b>	<b>295,995</b>

Key Ratios				
	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Revenue Growth	15.6%	12.8%	2.3%	8.9%
Operating EBITDA Growth	(15.6%)	23.0%	2.0%	6.2%
Operating EBITDA Margin	15.0%	16.4%	16.3%	15.9%
Net Cash Per Share (HK\$)	(44.86)	(48.57)	(49.77)	(47.98)
BVPS (HK\$)	87.84	83.86	85.43	86.68
Gross Interest Cover	3.42	2.68	2.66	2.73
Effective Tax Rate	37.1%	35.1%	28.6%	32.6%
Net Dividend Payout Ratio	146%	95%	60%	70%
Accounts Receivables Days	186.9	157.8	152.4	143.8
Inventory Days	4.77	4.30	4.41	4.02
Accounts Payables Days	294.5	267.0	259.9	238.3
ROIC (%)	5.7%	6.9%	7.4%	7.9%
ROCE (%)	2.52%	3.02%	3.05%	3.18%
Return On Average Assets	0.96%	1.37%	1.94%	1.71%

Key Drivers				
	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Property development - HK (HK\$ m)	7,761.6	8,491.9	5,793.5	7,459.0
Property development - China (HK\$ m)	14,820.0	18,699.3	20,416.8	23,198.6
Property investment - HK (HK\$ m)	2,839.1	3,198.3	3,498.9	3,697.7
Property investment - China (HK\$ m)	1,861.6	2,224.8	2,781.8	3,045.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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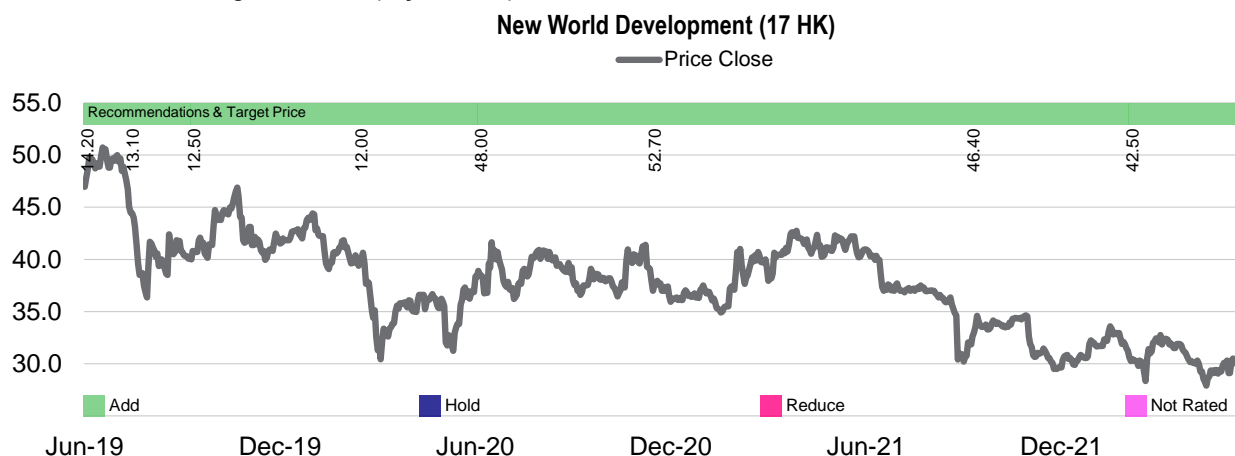
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### Spitzer Chart for stock being researched ( 2 year data )



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

**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)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework****Stock Ratings**

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.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

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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