

# KE Holdings

Bloomberg: 2423 HK Equity | BEKE US Equity | Reuters: 2423.HK | BEKE.K

Refer to important disclosures at the end of this report

DBS Group Research . Equity

21 Jul 2022

## HK: BUY (Initiating Coverage)

Last Traded Price (H) (20 Jul 2022): HK\$41.00 (HSI : 20,890)

Price Target 12-mth (H): HK\$52.00 (26.8% upside)

## US: BUY (Initiating Coverage)

Last Traded Price (A) (20 Jul 2022): US\$15.05 (NASDAQ : 11,898)

Price Target 12-mth (A): US\$19.00 (26.2% upside)

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## The proxy for physical market rebound

- Dominant player in the China real estate brokerage sector; a direct beneficiary for the upcoming physical market recovery
- Growing penetration of existing home transaction in high-tier cities further ensure its growth outlook
- Unrivalled market reach – backed by its extensive agent and store network interlinked by its Agent Cooperation Network (ACN)
- Initiate with BUY at TP of US\$19/HK\$52

Unrivalled market leader that will benefit first from the physical market recovery. KE Holdings (“Beike”) is China’s largest real estate broker with 29%/10% market share in existing and new home markets in FY21. Beike is a pioneer and has initiated a wave of reforms on the sector’s infrastructure and set new service standards in China. Its unique ACN model has proven effective as seen by its solid gross transaction value (GTV) CAGR of 39% from FY17 to FY21. Leveraging on its unmatched competitive edge, we expect Beike’s GTV growth momentum to pick up sequentially along with the ongoing recovery in the physical market, which will translate into a c.36% non-GAAP earnings CAGR from FY21 to FY24F. Beike’s share price has been weak for several months due to fluctuations in the physical markets, offering a good entry point to ride on the likely market rebound.

### Where we differ? Better position to capture physical recovery.

We expect Beike to benefit from a potential shift to second-home transactions should recent mortgage suspension event remains unsolved; the physical market is en-route for sequential recovery as developers resume project launches.

### Valuation:

Our TP of US\$19/HK\$52 is based on 36x FY23F PE, which is equivalent to the company’s average 2-year forward PE in 2021.

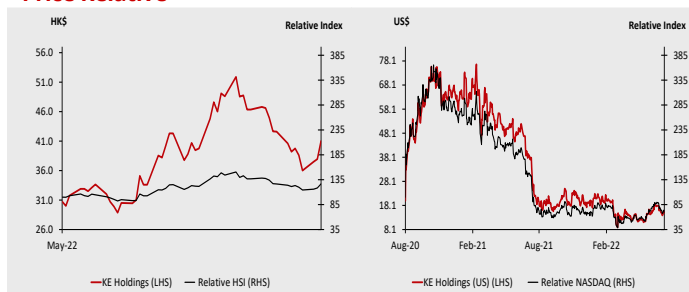
### Key Risks to Our View:

Unexpected COVID-19 outbreak leads to closure of its offline stores; higher-than-expected pressure on new home commission rate; more intensified competition

### At A Glance

Issued Capital (m shrs)	3,591
Mkt Cap (HKm/US\$m)	147,231 / 18,756
Major Shareholders (%)	
Yan (Zhu)	24.4
Tencent Holdings Ltd	10.6
Free Float (%)	65.0
3m Avg. Daily Val. (US\$m)	1.73
GICS Industry: Real Estate / Real Estate Management & Development	

### Price Relative



### Forecasts and Valuation

FY Dec (RMB m)	2021A	2022F	2023F	2024F
Turnover	80,752	64,997	81,278	95,068
EBITDA	16	(1,279)	3,474	5,240
Pre-tax Profit	1,141	(761)	3,958	5,585
Net Profit (n-GAAP)	2,295	171	4,535	5,834
Net Profit (GAAP)	(525)	(1,544)	2,603	3,797
Core Profit Gth (%)	N/A	N/A	N/A	45.9
Non-GAAP EPS (RMB)	0.65	0.05	1.22	1.56
Non-GAAP EPS (HK\$)	0.75	0.05	1.42	1.82
Non-GAAP EPS Gth	N/A	N/A	N/A	28.0
Non-GAAP PE (X)	54.2	760.8	28.8	22.5
P/Cash Flow (X)	34.6	144.9	18.2	15.7
EV/EBITDA (X)	4332.1	nm	22.1	13.5
DPS (HK\$)	0.00	0.00	0.00	0.00
Div Yield (%)	0.0	0.0	0.0	0.0
Net Gearing (%)	CASH	CASH	CASH	CASH
ROE (%)	3.4	0.3	6.6	7.9
Book Value (HK\$)	21.81	20.97	22.14	23.70
P/Book Value (X)	1.9	2.0	1.8	1.7

EPS Rev (%):	New	New	New
Consensus EPS (RMB)	0.06	1.24	1.64
Other Broker Recs:	B:6	S:0	H:1

Source: Company, DBS Bank (Hong Kong) Limited (“DBS HK”), Thomson Reuters



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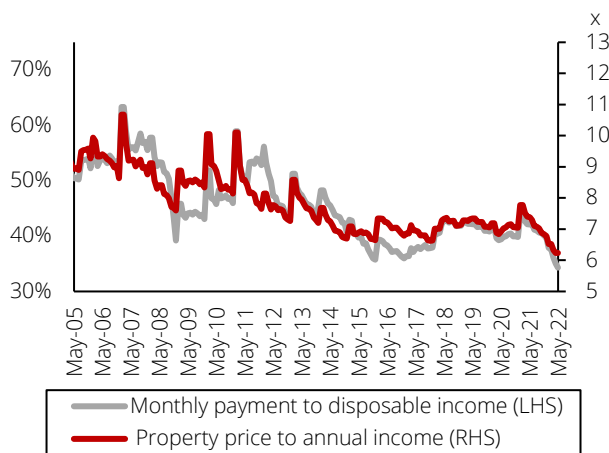
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**Investment Summary**

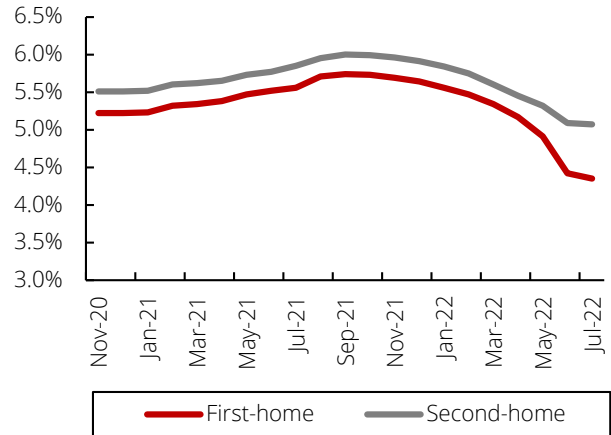
Direct beneficiary of a gradual recovery in the physical market. The physical property market should have passed its bottom in our view. On one hand, affordability ratios are already at their lowest levels in >17 years led by softening residential ASPs and falling mortgage rates. Homebuyer sentiment is also showing decent signs of stabilisation as impact from previous policy supports start to flow through and COVID-19 restrictions start to ease, as evidenced by solid recovery in weekly primary and secondary market sales data. These, we believe, are solid signs that point towards a sales recovery in 2H22. Beike being the largest real estate broker in China is poised to benefit from this trend. Also, brokerage business is more direct while developers are subject to delivery and collection schedule. Despite there are some disruptions from recent wave of mortgage payment suspension from homebuyers, we see signs of stabilization after intervention from CBIRC (China Banking and Insurance Commission) and pressing banks to offer potential mortgage payment grace period, per Bloomberg's report.

**China's affordability ratio**



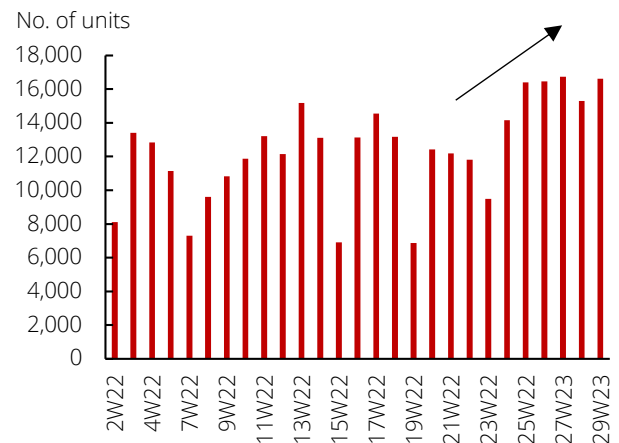
Source: NBS, DBS HK

**Ongoing cuts in mortgage rate**



Source: Beike Research Institute, DBS HK

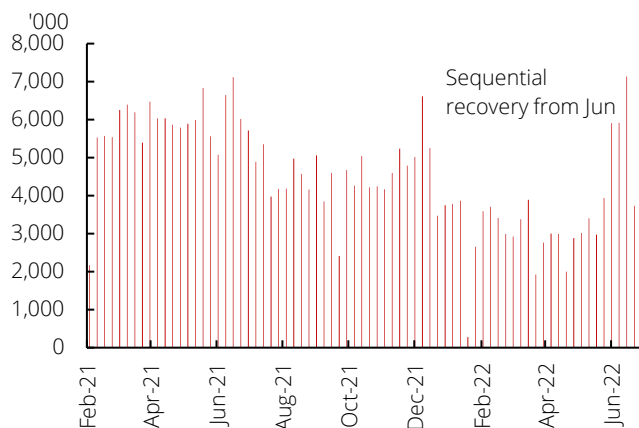
**Units of secondary home transactions in the 10 cities we track**



Source: Zhuge Zhaofang Research Institute, DBS HK

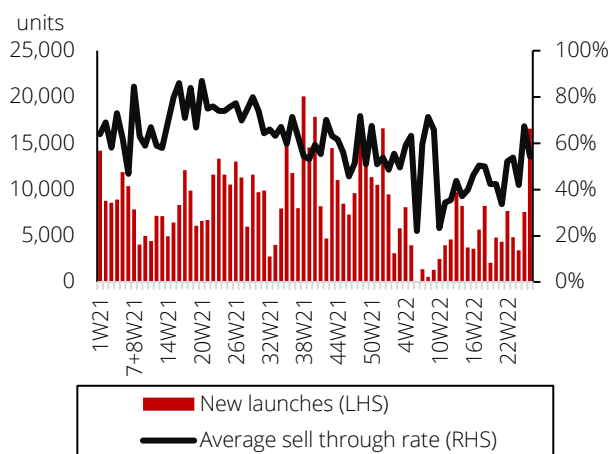
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### Weekly new home sales in the 27 cities we track



Source: CREIS, DBS HK

### Weekly project launches and average sell-through rate in key tier 1 and 2 cities



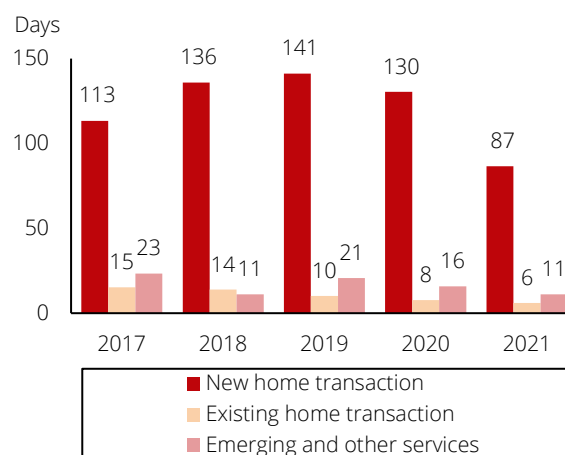
Source: CREIS, DBS HK

**Concerns over receivable impairments for new home transactions reflected in the share price.** A key concern on Beike relates to the company's ability to collect its account receivables (i.e. commission fee income) from developers, on lingering property sector turbulence and refinancing channels for developers still generally shut, also the recent wave of mortgage suspensions. We take the view that risks on this front should be manageable and is already well reflected in the

share price. First, Beike has already adopted a prudent approach for receivables since 2021. The company has been able to control its account receivable days from developers in their new home transaction business at a healthy 90 days in FY21 despite the liquidity crunch in the property sector since 4Q21. Second, liquidity risk in the property sector should have peaked as most liquidity-stressed developers have either been rescued or entered into bond default/extension by now. Further defaults are possible but should not come as a surprise to the market, and necessary receivable impairments should have been made.

Looking forward, we believe Beike's exposure on this front will be better contained given 1) the company's planned introduction of a "Pre-paid" model for its new home business, whereby developers will settle relevant commission payments upfront in a common escrow account, and transfer to Beike once the transaction is settled; and 2) higher commission contribution from SOEs (from current c.25% of new home's GTV).

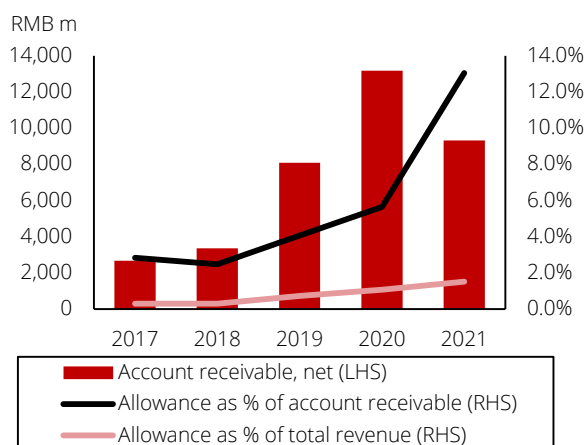
### Days of receivables by business segment



Source: Company, DBS HK

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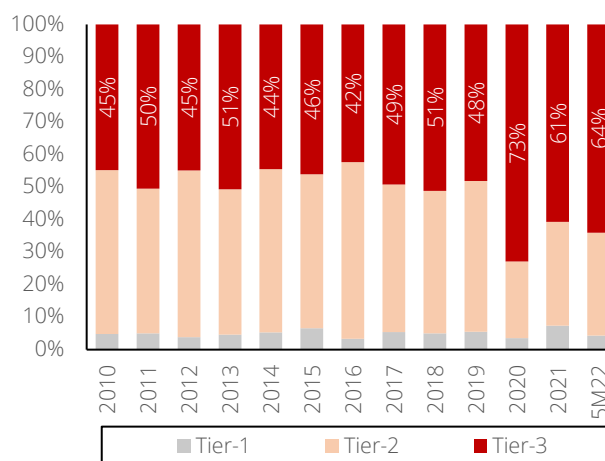
### Accounts receivable and allowance as % to AR



Source: Company, DBS HK

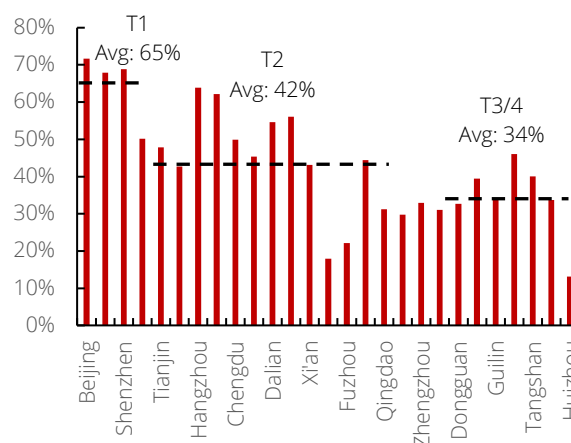
**Growing penetration of existing home transactions in high-tier cities serves as mid-to-long term growth driver.** Continuous urbanization is expected to lead to additional housing demand and propel the growth of housing activities. We expect the rate will continue to grow, underpinned by increasing demand for upgraded housing quality and living conditions. According to the China Insights Consultancy (CIC) report, approximately 25% of housing transactions in the past two years in China has been motivated by housing upgrades, while the percentage is higher at 40% in first-tier cities. We expect the trend to continue, notably in top-tier cities, where the number of existing home transactions is set to head higher due to limited land supply and concerns over delivery of new homes. Looking forward, we estimate a slight uplift in the nationwide existing homes turnover rate from a current level of 1.1% on the back of growing upgrader demand, easing purchase restrictions and increasing population. The GTV of existing homes is expected to grow at a 3-year CAGR of c.6.3% to Rmb8.4tr during FY21-24F as per CIC. We are estimating that Beike's market share will return to 29% in terms of GTV in FY24, which is the level in FY21. Beike should enjoy greater advantage should there is a shift to existing home due to recent mortgage payment suspension as homebuyers' worries over delivery risk of new homes. This could create greater earnings flexibility to the company given a higher margin this segment carried. Thus, additional market share gains would provide upside to our assumptions.

### GFA transacted by city-tier



Source: Beike Research Institute, DBS HK

### Penetration of secondary home transaction by city tier



Source: CREIS, DBS HK

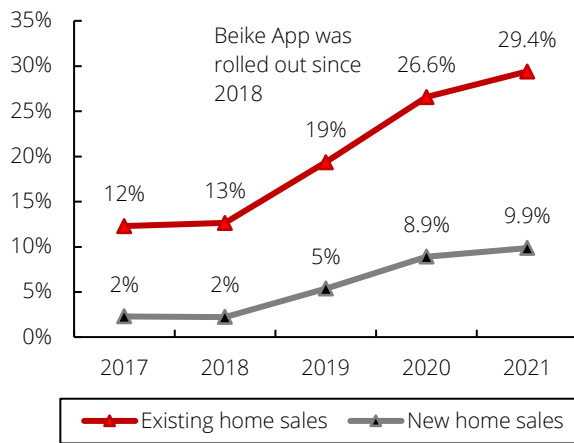
**Solid and unmatched competitive edge underpinned by its Agent Cooperation Network (ACN).** Beike's ACN network allows it to open its property listings to more than one property agent to serve and look for customer leads, enhancing the overall efficiency in matching and execution of the deal. Beike had built this network internally in 2011 within Lianjia, which was later launched onto its franchise and connected stores in 2018. The ACN has enabled the company to stand out from the crowd with its higher than peers successful transaction

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rate, which has in turn attracted more property listings onto its platform both via its internal Lianjia channel as well as affiliates and connected stores. This creates an unmatched positive multiplier effect.

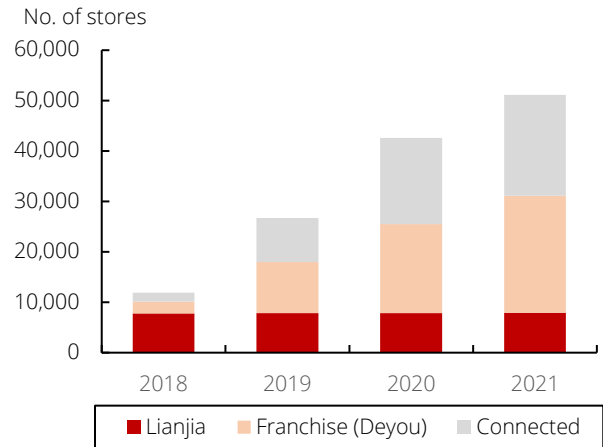
As at Dec-21, Beike's Housing Dictionary covered 257m properties (+7% y-o-y), representing around c.57% of China's total housing stock. Approximately 86% of the existing home listings on the platform were posted by agents affiliated with connected stores (incl. Deyou) in 2021. The GTV derived via the ACN network contributed a sizeable c.76% of the company's total in 2021. The company has market share of c.29% and 10% in China's existing and new home segments in 2021, respectively, placing Beike as the market leader in the industry.

**Beike's market share (GTV) by segment**



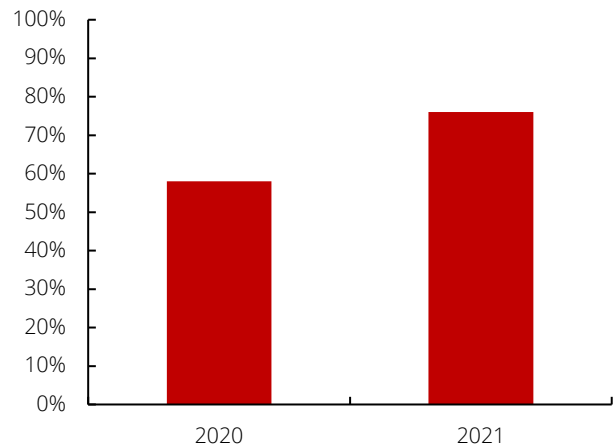
Source: Company, DBS HK

**No. of stores on Beike's online platform**



Source: Company, DBS HK

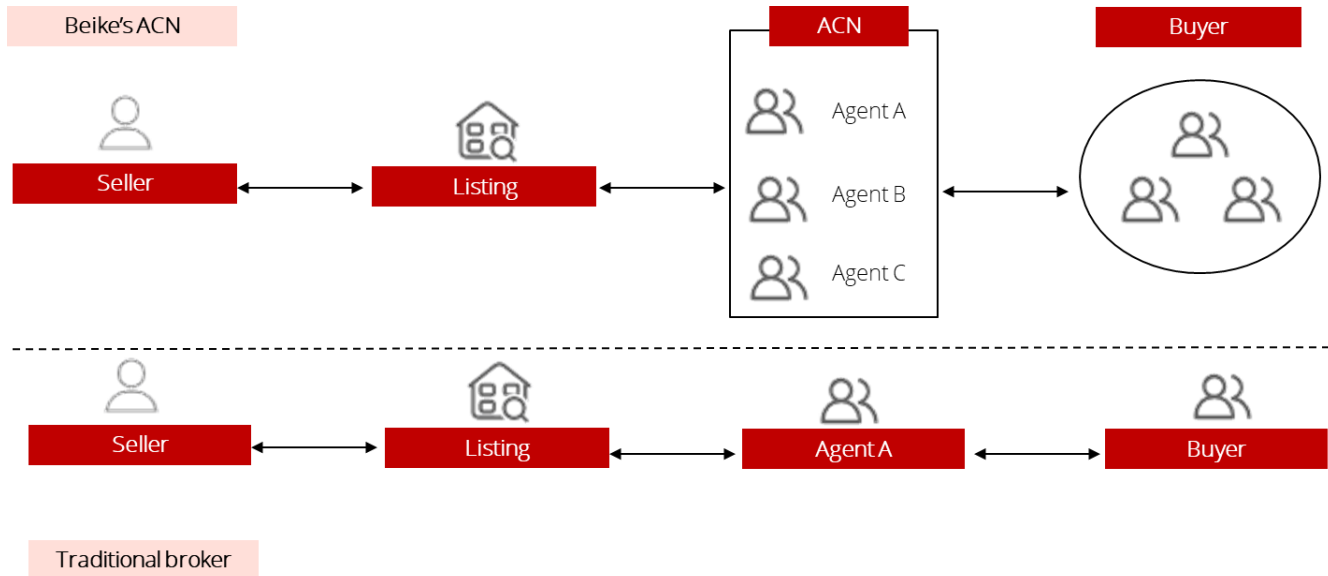
**% of GTV generated via ACN**



Source: Company, DBS HK

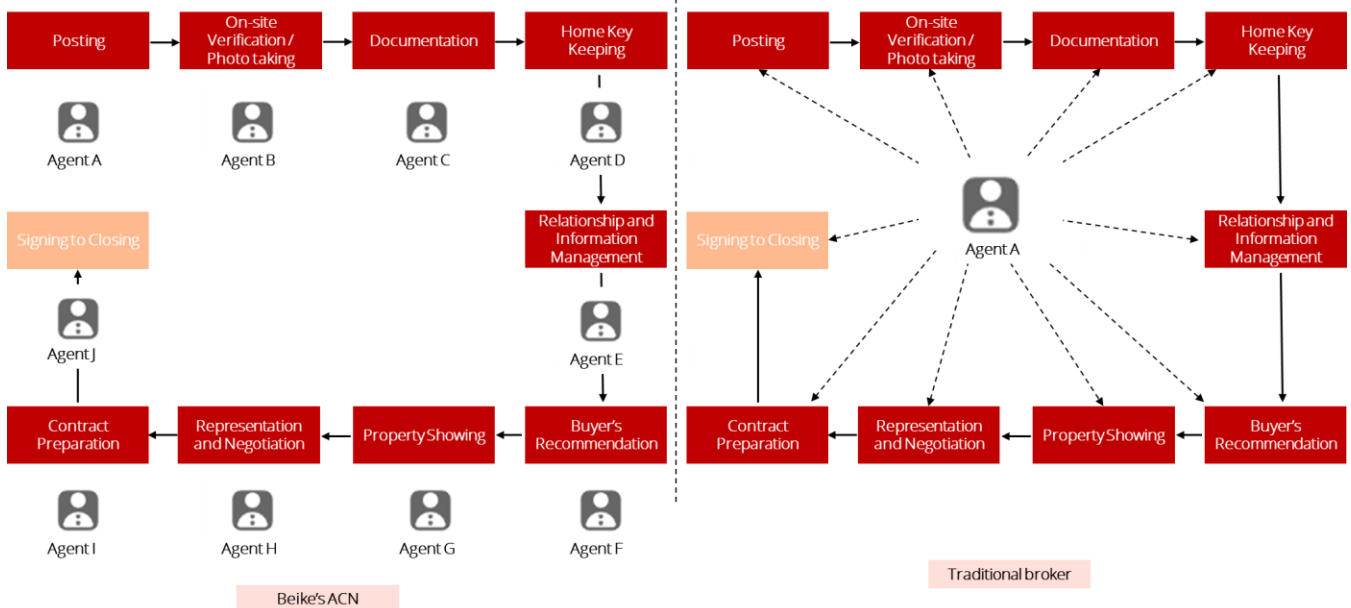
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**Business model of Beike's ACN vs traditional broker**



Source: Company, DBS HK

**Transaction flow under Beike's ACN vs traditional broker**

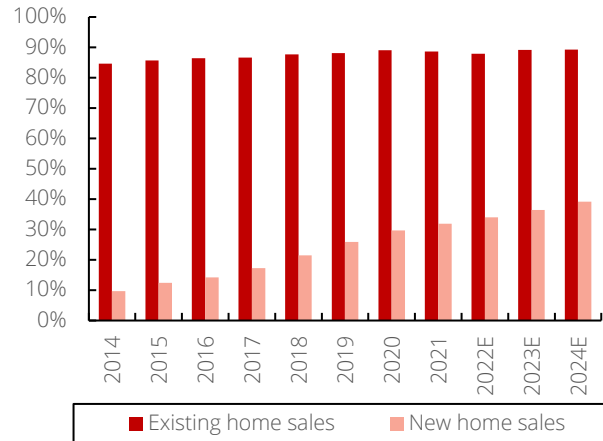


Source: Company, DBS HK

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**Role of property agents (or external sales channels) is gaining popularity.** The total GTV of housing transactions through brokerage services in China grew from Rmb7.6tr in 2016 to Rmb12.6tr in 2021, at a CAGR of 10.6% and is estimated to reach c.Rmb19.4tr in 2026 alongside a CAGR of c.9.0% according to CIC forecasts. The major driver should be an increase in penetration rate of brokerage services in housing transactions from 48.9% in 2021, to c.62.2% in 2026. Such a trend will likely be led by developers' increasing reliance over external sales channels for presales activities given that 1) it is not cost efficient for developers to maintain their own marketing and property agent teams for cities in which they do not have an extensive presence, as well as for individual remotely located projects; 2) it is often easier to rely on external sales channels (who have better access and reach to potential homebuyers) when developers wish to shorten their sales cycles and accelerate cash collections. Beike being the largest real estate broker in China will undoubtedly be the key beneficiary of this trend.

**Penetration rate of real estate brokerage services**



Source: CIC, DBS HK

**The immediate beneficiary to ride on the potential physical market recovery. Initiate with BUY.** Having corrected by 80% from 3Q21's level before the property market turbulence hits, investor concerns over the sharp deceleration in sales in the physical property market and collection risks of account receivables should be fully priced in. The stock now trades at 29x FY23F PE, which offers a decent point of entry for this quality name to ride on the likely rebound in the physical market. We therefore initiate coverage on Beike (BEKE US/2423 HK) with a BUY rating and TP of US\$19/HK\$52, based upon 36x FY23F PE, which is equivalent to the historical mean of its 2-year forward PE in 2021.



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### SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Enjoy economies of scale with lower marginal cost of expansion</li> <li>• The largest authentic "Housing Dictionary" system, covering more than 257 million property listings in China</li> <li>• The first mover of developing industry infrastructure "ACN", limited evidence of peers catching up</li> <li>• Visionary management team with proven track record of innovation and execution</li> </ul>	<ul style="list-style-type: none"> <li>• GTV affected by property market cycles</li> <li>• Lack of track record in emerging businesses like home renovation</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Less competitors after recent market turbulence</li> <li>• Ongoing urbanization is expected to lead to additional housing demand and further propel the growth of housing activities</li> <li>• A more stable operating environment, thereby cyclicity of the sector could be potentially lowered</li> </ul>	<ul style="list-style-type: none"> <li>• More difficult to control the delivery of satisfactory customer experience as the company expands</li> <li>• Regulatory risk rises given its growing market position</li> </ul>

Source: DBS HK

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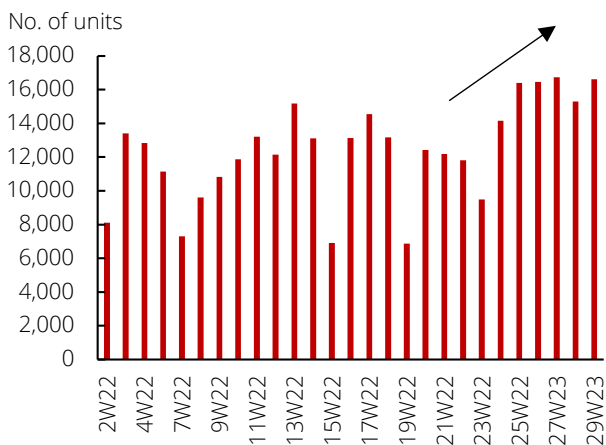
**Critical Factors**

**Secondary home transactions in Tier 1/2 cities**

**Scalable exposure in the second home transaction segment.** With a 20-year footprint in the Chinese real estate brokerage sector, Beike has garnered a c.29% market share in China's secondary home transaction segment. This business represents a sizeable portion of the company's GTV and P&L. In 2021, existing home transactions contributed 53%/40% of Beike's total GTV and total revenues. The GTV of secondary home transactions in Tier-1 and Tier-2 cities accounted for c.90% of the total. Therefore, Beike's earnings performance is partially dependent on the secondary market performance in Tier-1/2 cities. As indicated in the chart below, any slowdown in Tier 1/2 secondary market transactions in the past has translated into declines in GTV, which would adversely impact Beike's P&L and thus share price performance. This is therefore a key factor to monitor.

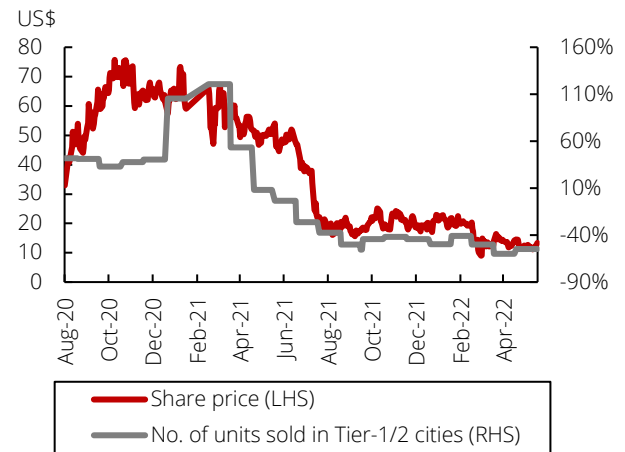
**Secondary market transactions should have passed its bottom and en-route for sequential recovery.** Data so far compiled by third party databases have indicated w-o-w improvements in June both in terms of number of house viewings and transactions. These, we believe, are key indications that the secondary market has passed a bottom and homebuyer sentiment has stabilised. Looking forward, we believe homebuyer sentiment will further improve as policy easing measures gradually come into effect. This would serve as a positive share price catalyst for Beike.

**Secondary home transaction in the 10 cities we track (units)**



Source: Zhuge Zhaofang Research Institute, DBS HK

**Share price vs y-o-y growth of secondary transactions in tier-1/2 cities**



Source: CREIS, DBS HK

**Primary property sales**

**New home sales market playing an increasingly important role on Beike's business.** Thanks to Beike's well-reputed brand and solid property sales track record, the company has been rapidly expanding its presence in the new-home brokerage market. Beike's market share has risen from 2% in 2017 to 10% in 2021, with GTV and revenue from new home transactions each contributing 42% and 58% of total GTV and total revenues. It therefore comes as no surprise to us that there is an evident relationship between Beike's share price and the sales performance of China's primary residential sales market.

We believe the role of external sales channels (i.e. Beike's current role with developers) will likely be increasingly important. On one hand, we take the view that developers will be more inclined to engage brokerage service providers for their more extensive homebuyer network coverage, more precise customer recommendations and efficient sales conversions, particularly during the physical market downturn. It also makes more sense on a cost efficiency basis for developers to turn to external sales channels instead of maintaining in-house marketing teams within cities in which they have a smaller presence.

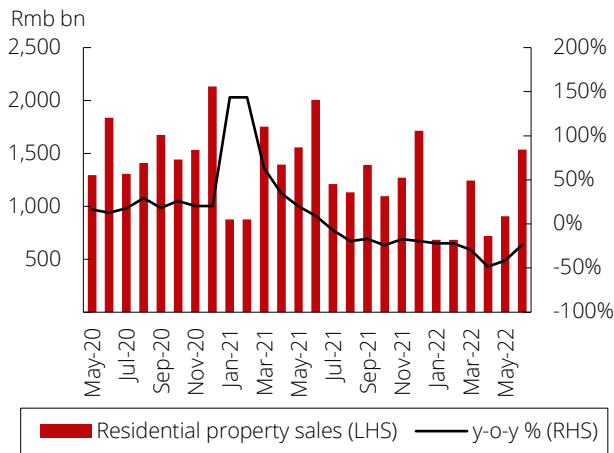
**Primary market poised to post sequential sales recovery.**

We believe the primary market, while slightly lagging the secondary market, should have seen a bottom as well. This is evidenced by a solid pickup in project launches and sell-through rates in key Tier 1 and 2 cities we track since the second half of June-22, as well as presales recovery from developers during the month. In anticipation for supportive policies to feed through, developers are likely to keep to their project launch schedule to regain lost ground from

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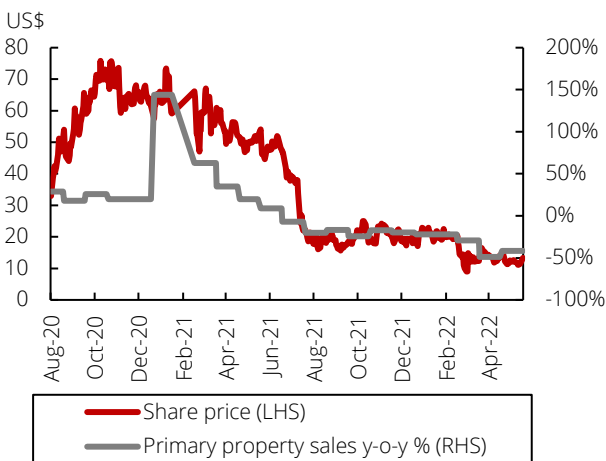
COVID-19 lockdown measures and a low comparison base in 2H. We believe the primary residential sales market will continue to edge up on a m-o-m basis with y-o-y decline to narrow or potentially move back into positive territory. This should catalyze Beike's share price.

### Primary residential sales growth y-o-y



Source: CEIC, DBS HK

### Share price vs primary residential sales growth y-o-y



Source: Bloomberg Finance L.P., CEIC, DBS HK

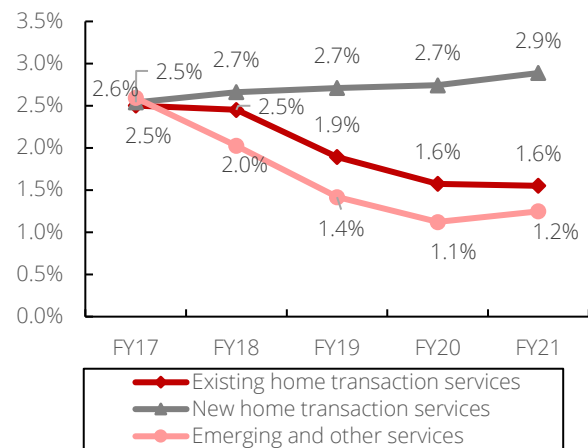
## Commission rate

**Commission rates – a key metric to watch.** From 2017 to 2021, CAGR of revenue from existing/new home transactions was 15%/64%, while CAGR of GTV reached 29%/59%, with the discrepancy in growth rate mainly from a change in their respective average commission rates. Our sensitivity analysis shows that for every 20-bps increase in average commission rate received from existing home and new home transactions, there could be a c.13% and c.7% lift in their respective revenues. This is therefore another

critical factor that can directly impact Beike's earnings and investors should monitor this parameter.

**Average commission rates on a slight downtrend.** On one hand, GTV contribution from secondary market transactions is expected to grow at a slightly faster c.21% CAGR from FY22-24F than new home transaction's GTV CAGR of c.17% in the same period. This should be a drag on Beike's average commission rate as the former earns a lower commission rate. On another, commission rate for new home transactions is expected to decline as SOEs contribute more to new home GTV (from current c.25%). SOEs in general pay c.20% less commission than POEs in return for lower risk in account receivable collections.

### Commission rate by business segment



Source: Company, DBS HK

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### Financials

Overall GTV to grow at a 2-year CAGR of c.20% from FY22-24F. We expect overall GTV to grow by c.20% 2-year CAGR after a slight setback of c.26% in FY22F, to be driven by an increase of all three of its existing and new home transactions, as well as emerging and other services.

For its **existing home business**, we expect GTV growth to be slightly stronger at a 2-year CAGR of c.21% from FY22F to FY24F after a c.20% decline in FY22F alongside the physical market downturn. This will be supported by continued expansion in scale of Deyou and other connected stores, which are expected to rise at 2-year CAGR of c.23% and c.24% respectively. The average number of stores for Deyou and other connected stores

is expected to expand at a 2-year CAGR of c.6%/c.8%, while growth in GTV per store for both to grow at c.15% upon market recovery.

In the case of **new home transaction services**, 2-year GTV CAGR is expected to grow by a slightly slower c.17% in FY22-24F, after a c.30% drop in FY22F, reflecting a milder growth in transactions from Beike stores and external sales channel as sentiment gradually recovers.

Our estimated GTV from **emerging and other services** is expected to grow at a 2-year CAGR at c.30% from FY22-FY24F, after a c.53% setback in FY22F alongside a slower demand for financial services amid transaction slowdown and also business realignment due to regulations.

### Historical performance and assumptions for GTV

	2017	2018	2019	2020	2021	2022E	2023E	2024E	17-21 CAGR	22-24E CAGR
GTV (Rmb bn)	1,014	1,153	2,128	3,499	3,853	2,851	3,548	4,113	40%	20%
Home transaction	990	1,103	2,045	3,323	3,667	2,764	3,421	3,966	39%	20%
Existing home transaction services	738	822	1,297	1,940	2,058	1,643	2,072	2,423	29%	21%
Lianjia (self-owned)	738	784	855	1,012	1,035	805	996	1,149		
Deyou (franchised)	-	21	268	495	584	485	619	732		
Connected stores	-	16	174	433	439	353	457	542		
New home transaction services	253	281	748	1,383	1,609	1,121	1,349	1,543	59%	17%
Beike stores	117	158	447	839	969	682	869	1,025		
Direct stores	60	43	60	54	48	34	34	34		
External stores	32	36	199	416	488	341	382	420		
Agency and other services	43	43	41	75	103	63	63	63		
Emerging and other services	24	50	83	176	187	87	127	147	67%	30%
<b>% breakdown</b>										
Existing home transaction services	73%	71%	61%	55%	53%	58%	58%	59%		
New home transaction services	25%	24%	35%	40%	42%	39%	38%	38%		
Emerging and other services	2%	4%	4%	5%	5%	3%	4%	4%		
<b>% yoy</b>										
Existing home transaction services		14%	85%	64%	10%	-26%	24%	16%		
New home transaction services		11%	58%	50%	6%	-20%	26%	17%		
Emerging and other services		11%	166%	85%	16%	-30%	20%	14%		
		109%	64%	113%	6%	-53%	45%	16%		

Source: Company, DBS HK

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**Revenues from existing home transaction services** is expected to increase by a 2-year CAGR of c.22% from FY22-24F after a c.20% dip in FY22F. Within this, we project a 2-year CAGR of c.21%/c.29% for commission income/platform and franchise fees and other value-added services.

We expect **revenues from new home transaction services** to increase by c.14% CAGR from FY22F to FY24F. This is primarily attributable to a c.23% 2-year CAGR increase of GTV of new home transactions completed on Beike platform, partially offset by a slight moderation in average commission rate for the segment based on our expectation of higher GTV contribution from SOEs (generally c.20% lower commission rate vs POEs) under the expectation that they will likely be taking larger market shares given the turbulence in the property market currently.

**Revenues from emerging and other services to rise** c.48% CAGR from FY22F to FY24F, attributable mainly to a c.56% CAGR in revenues from home renovation after the acquisition of Shengdu.

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### Revenue growth and take rate

(Rmb mn)	2017	2018	2019	2020	2021	2022E	2023E	2024E	17-21 CAGR	22-24E CAGR
Existing home transaction services	18,461	20,155	24,569	30,565	31,948	25,603	32,538	38,403	15%	22%
New home transaction services	6,419	7,472	20,274	37,938	46,472	33,272	38,443	43,206	64%	14%
Emerging and other services	625	1,020	1,173	1,979	2,332	6,122	10,298	13,460	39%	48%
<b>Total revenues</b>	<b>25,506</b>	<b>28,646</b>	<b>46,015</b>	<b>70,481</b>	<b>80,752</b>	<b>64,997</b>	<b>81,278</b>	<b>95,068</b>	<b>33%</b>	<b>21%</b>
<b>Revenue mix</b>										
Existing home transaction services	72%	70%	53%	43%	40%	39%	40%	40%		
New home transaction services	25%	26%	44%	54%	58%	51%	47%	45%		
Emerging and other services	2%	4%	3%	3%	3%	9%	13%	14%		
<b>Revenue yoy growth</b>										
Existing home transaction services		9%	22%	24%	5%	-20%	27%	18%		
New home transaction services		16%	171%	87%	22%	-28%	16%	12%		
Emerging and other services		63%	15%	69%	18%	163%	68%	31%		
Total revenues		<b>12%</b>	<b>61%</b>	<b>53%</b>	<b>15%</b>	<b>-20%</b>	<b>25%</b>	<b>17%</b>		
<b>% take rate</b>										
Existing home transaction services	2.5%	2.5%	2.2%	2.0%	2.1%	2.3%	2.3%	2.3%		
New home transaction services	2.5%	2.7%	2.7%	2.7%	2.9%	3.0%	2.9%	2.8%		
Emerging and other services	2.6%	2.0%	1.4%	1.1%	1.2%	7.0%	8.1%	9.2%		

Source: Company, DBS HK

### Breakdown for source of revenue

Type of stores	Existing home transaction	New home transaction	Emerging and other services
Lianjia (self-owned)	Commission income (include home sales and rentals)	Commission income	
Deyou (franchised)	Commission income/Platform service fees/Franchise fees/Other VAS fees	Commission income	(GTV of financial services and home renovation)*commission rate
Connected stores	Commission income/Platform service fees/Other VAS fees	Commission income	

Source: Company, DBS HK

**Gross profits to grow at a c.31% CAGR from FY22F to FY24F on the back of an improving operating leverage.** Upon milder growth prospects in new home transaction services, we expect 2-year CAGR of gross profit for this segment to moderate to c.11%, lower than c.26% of existing home transaction services, mainly driven by a lower GTV growth. Led by home renovation, the 2-year CAGR of emerging and other services could achieve c.55%. Gross margins for both existing home transactions and new home transactions are expected to experience a dip in 2022F upon the closure of its offline stores, following a sequential improvement

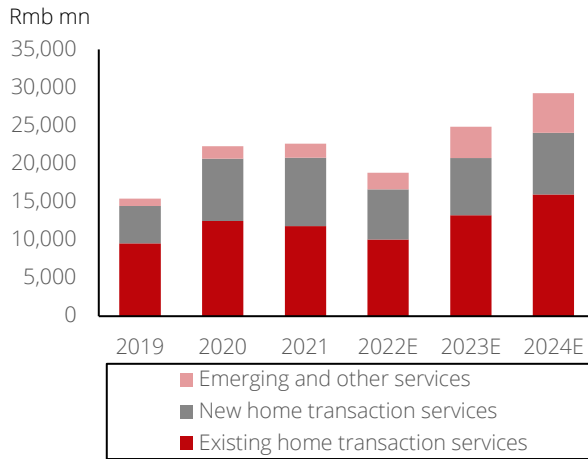
onwards, by leveraging on its superior infrastructure build-up and high-quality service standards. We expect margin for emerging and other services to decline from c.79% in FY21 to c.39% by FY24F, mainly dragged by higher contribution from home renovation which carries a lower margin.

**SG&A to post gradual improvements.** Alongside the company's ongoing effort to speed up digitization within its operational processes, and stores and platform, operational efficiencies will be realized. We project SG&A

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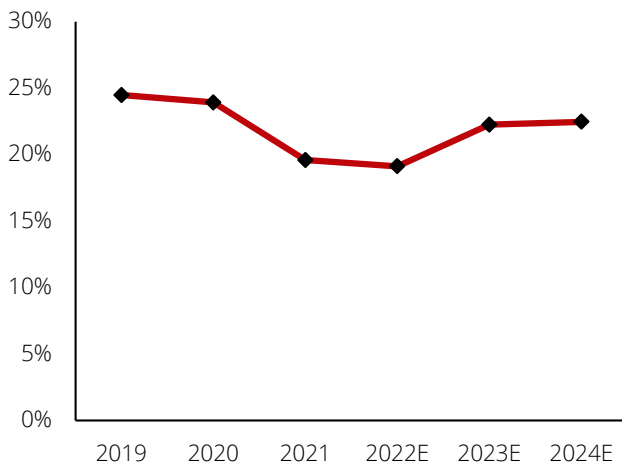
(on GAAP basis) as % of revenue to improve from 21.6% in FY21 to c.20.3% by FY24F after a one-off pick up in FY22F

### Gross profits contribution



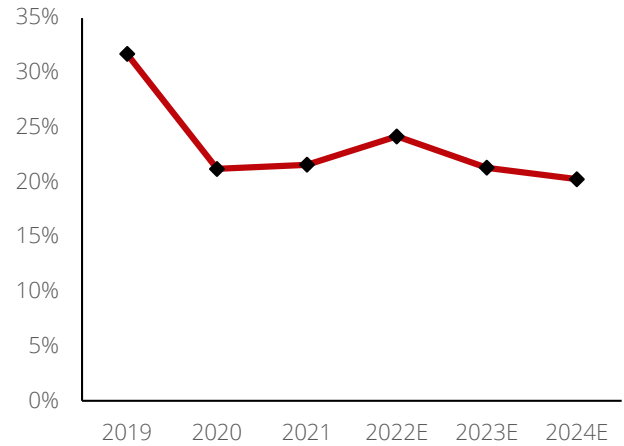
Source: Company, DBS HK

### Segmental gross profit margins



Source: Company, DBS HK

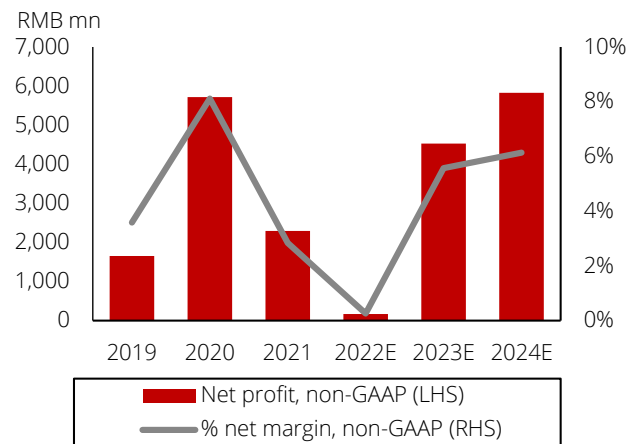
### SG&A to revenue ratio



Source: Company, DBS HK

**Net margin to take a toll in FY22F and post a recovery trend from FY23F onwards (on non-GAAP basis).** We expect Beike's net margin will improve from the trough of c.0.3% in FY22F to c.6.1% in FY24F, to be driven by 1) anticipation of lower receivable impairments going forward as most should have been done by now' and 2) expected improvements in gross margins; and 3) improvements in SG&A.

### Net profits and margin



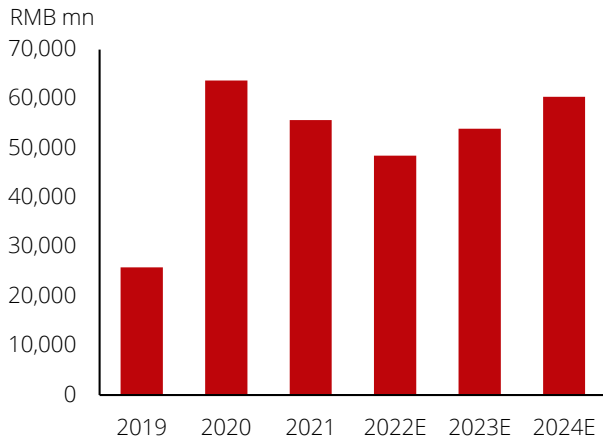
Source: Company, DBS HK

**Sufficient cash position to explore M&A and operate capital management.** Alongside its asset-light business model, we expect Beike to maintain its net cash status over our forecast period. This should put Beike in a good position to further diversify its income sources via M&A and potentially reduce its earnings cyclicality related to the property sector. Beike's solid financials should also help support the

**KE Holdings**

company's announced share repurchase or buyback plans at times of share price weaknesses – with their recently proposed US\$1 bn share repurchase program as a good case in point.

**Net cash level**







Source: Company, DBS HK



## KE Holdings

## Peer comparison table

	Beike 	Centaline* 	E-House* 	515j* 	World Union* 	Anjuke * 
<b>Businesses</b>						
New home sales	✓	✓	✓	✓	✓	✓
Existing home sales	✓	✓	✓	✓		✓
Housing rentals	✓	✓		✓		✓
Other services	✓		✓		✓	✓
<b>Business model</b>	Self-operated/ franchise/ 3rd parties	Self-operated	Self-operated/ franchise	Self-operated/ franchise	Self-operated	Information platform
<b>GTV (Rmb b)</b>						
New home sales	1,609		406		384	65
Existing home sales	2,058		108			
Total	3,667	979.6	513	400	384	65
<b>Revenue (Rmb b)</b>						
New home sales	46.5		3.2	1.7	3.0	1.6
Commission rate %	2.9%		0.8%		0.8%	2.5%
Existing home sales	31.9		2.7	5.2		
Commission rate %	1.6%		2.5%			
Total	78.4	14.2	5.9	7.0	3.0	1.6
<b>Commission rate %</b>	<b>2.1%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.7%</b>	<b>0.8%</b>	<b>2.5%</b>
<b>Self-owned</b>						
Stores	7,300	2,100		2,300		
Agents	139,000*	<4,900		41,351		
<b>Connected/franchise</b>						
Stores	43,738			1,300	80,000	
Agents	354,000*			50,000	240,000	806,000

Source: Companies, News, DBS HK

Remarks: data as of FY20

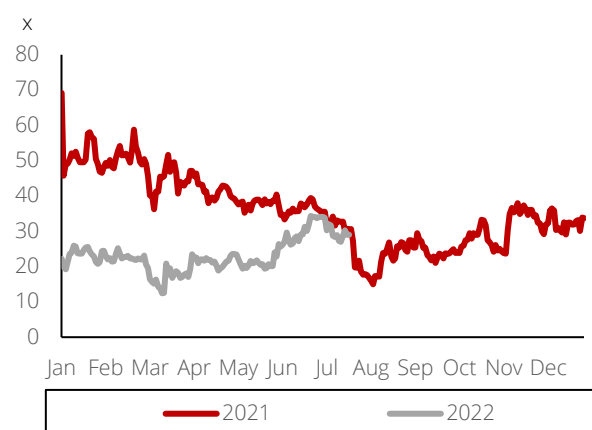
## KE Holdings

### Valuation & Peers Comparison

Initiate coverage on Beike with a BUY rating and target price of US\$19/HK\$52 pegged to 36x FY23F PE, implying c.26.8%/c.20.9% upside. We derive our TP by applying a 36x multiple to 2023F non-GAAP earnings, benchmarking to its average 2-year forward PE in 2021.

PE multiple is a common valuation methodology. This is mainly attributable to the company's 1) asset-light business model; and 2) earnings being the best metric to reflect the company's ability in revenue generation and cost management upon its largely standardised product offering in the maturing and expectedly stabilizing physical property market in China.

#### Beike's 2-year forward PE trend



Source: Bloomberg Finance L.P., DBS HK

### Peers comparison

Company Name	Currency Code	Price Local\$	Target		Recom	Mkt Cap US\$m	Fiscal Yr	PE	PE	P/Bk	P/Bk	ROE	ROE	P/S	P/S	Net gearing %
			Price Local\$	Price Local\$				22F x	23F x	22F x	23F x	22F %	23F %	22F x	23F x	
KE Holdings*^	2423 HK	HKD	41	52.00	BUY	19,812	Dec	762.1	28.9	2.0	1.9	0.3	6.6	2.1	1.6	Cash
KE Holdings*^	BEKE US	USD	15.05	19.00	BUY	19,029	Dec	279.3	27.7	1.9	1.8	0.7	6.6	2.0	1.6	Cash
<b>China Real Estate Agencies</b>																
E-House (China)	2048 HK	HKD	0.87	n.a.	NR	194	Dec	n.a.	n.a.	n.a.	n.a.	(59.2)	(16.9)	0.2	0.2	Cash
Hopefluent Group	733 HK	HKD	1.23	n.a.	NR	106	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Cash
515j Holding 'A'	000560 CH	CNY	2.62	n.a.	NR	915	Dec	14.8	14.6	0.6	0.5	3.6	3.8	0.5	0.4	103.8
SZ Worldunion 'A'	002285 CH	CNY	2.98	n.a.	NR	899	Dec	57.3	29.5	1.1	n.a.	2.2	5.3	1.0	1.1	1.4
Fang Holdings	SFUN US	USD	0.02	n.a.	NR	0	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.3
Fangdd Network	DUO US	USD	2.04	n.a.	NR	58	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Cash
<b>Overseas Real Estate Agencies</b>																
Zillow Group Class C	Z US	USD	36.89	n.a.	NR	9,086	Dec	23.2	16.5	1.8	1.6	9.2	14.5	1.0	2.9	31.0
Redfin	RDFN US	USD	10.04	n.a.	NR	1,076	Dec	n.a.	n.a.	5.9	9.2	(117.6)	n.a.	0.4	0.4	304.8
Anywhere Real Estate	RLGY US	USD	10.61	n.a.	NR	1,254	Dec	5.1	4.5	0.5	0.5	13.3	12.3	0.2	0.2	109.1
Re/Max Holdings Cl.A	RMAX US	USD	25.15	n.a.	NR	485	Dec	10.3	9.8	1.3	1.2	11.7	11.4	1.3	1.3	57.6
<b>Other Online Platform Companies</b>																
Alibaba Group*#	9988 HK	HKD	103.2	157.00	BUY	35,496	Mar	19.4	16.2	1.8	1.6	9.8	10.4	2.0	1.7	Cash
Jd Com 'A'*	9618 HK	HKD	245.6	400.00	BUY	48,663	Dec	84.4	20.2	1.6	1.4	1.9	7.3	0.6	0.5	Cash
Meituan*	3690 HK	HKD	194.7	226.00	BUY	153,465	Dec	n.a.	103.3	8.6	7.7	(9.5)	7.7	4.9	3.7	Cash
Pinduoduo*	PDD US	USD	53.43	89.00	BUY	67,556	Dec	40.3	21.0	5.0	3.9	13.5	20.7	4.1	3.2	Cash

^ Non-GAAP EPS

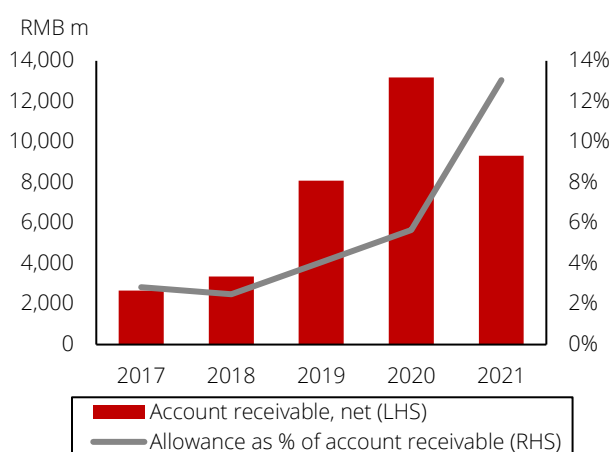
Source: Thomson Reuters, \*DBS HK

## KE Holdings

### Key Risks

**Risk in collecting accounts receivable from real estate developers.** Beike may face operational challenges from weakening cash flows arising from declining sales of developers. When contracted by real estate developers, Beike hands over deposits collected from sale of new homes and grants them credit terms for its sales commissions. This could lead to impairment losses if Beike is required to write-off the accounts receivable, adversely affecting its earnings as a result.

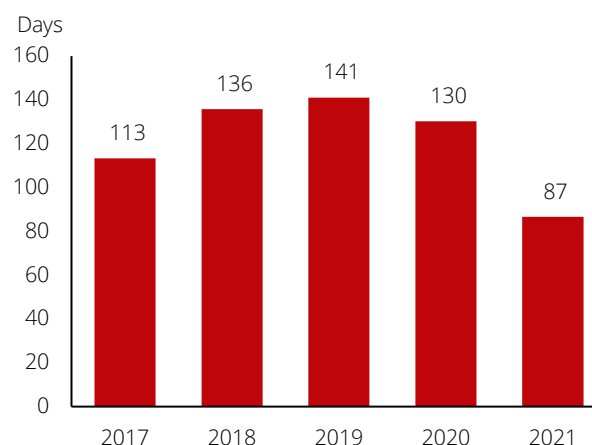
#### Accounts receivable and allowance as % of revenue



Source: Company, DBS HK

However, we believe such risk for Beike is manageable as it has adopted a prudent receivable policy since 2021. This has Beike to maintain a relatively healthy receivable turnover of around 90 days. Looking ahead, as sector liquidity risk has largely peaked out, the possibility of unexpected provisions should be limited in our view. Besides, we believe this risk will be lowered with 1) the company's planned introduction of a "Pre-paid" model for its new home business, which required developers to pay the relevant commission payments upfront into a common escrow account, and transfer to Beike once the transactions are settled; and 2) higher commission contribution from SOEs.

#### Receivable days for new home transactions

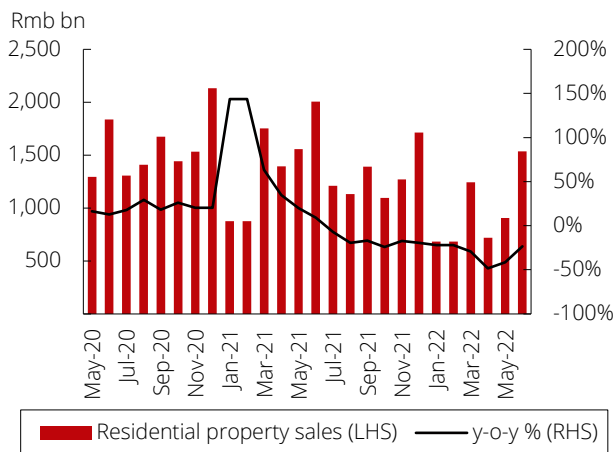


Source: Company, DBS HK

**Delayed physical market recovery upon COVID-19 resurgence could dampen Beike's GTV growth outlook.** The physical market took a dive in Mar-May with the introduction of city lockdown measures upon COVID-19 resurgence in parts of China. Since then, regulators have pressed on the acceleration pedal on supportive policies, and have seemingly turned more targeted in terms of their approach to control new COVID-19 cases. Along with the gradual easing of lockdown measures implemented during Mar-May, sales recovery in Jun-22 has been decent. We are currently relatively optimistic on recovery prospects given the low base and potential supportive policies. However, in the event that lockdown measures are re-introduced upon an unfortunate resurgence of COVID-19 cases, such recovery may well be dampened, and so would Beike's GTV growth outlook.

## KE Holdings

### Monthly primary residential sales



Source: CEIC, DBS HK

**Relationship with existing real estate brokerage brands and agents.** There were over 407k active real estate agents representing 300 brokerage brands on Beike's platform as at Dec-21. Beike enters into business cooperation agreements with brokerage brands. Under these agreements, it offers the brokerage brands access to the infrastructure on its platform, such as ACN and the SaaS systems. The brokerage brands, in turn, would commit to following its ACN as well as other protocols on the platform and subscribe to an agreed-upon fee structure. There is some uncertainty whether Beike can maintain a relationship with existing brokerage brands, stores and agents on commercially acceptable terms. Other risks are not being able to (i) develop new relationships or maintain its existing relationships, and (ii) serve a large number of customers nationwide while maintaining superior housing transaction services. There could be restrictions in developing its extensive property listing inventory, which may in turn materially and adversely affect the platform's operations.

**Concerns from legislation of Anti-Monopoly rules given its leading position.** China has recently been expanding its regulatory approach to managing the country's Internet platforms/digitized economy to create a favourable environment for the industry's long-term sustainable development. The Anti-Monopoly rules are to prevent the abuse of market power that leads to unfair competition, such as coercive platform-exclusive cooperation with brokerage ("choosing one between two"). The risk for Beike is fairly limited as Beike should be able to maintain its leading position backed by its innovative business model, and the company is taking very proactive steps to address the related issues that could potentially breach the rules. Beike was one of 27 companies that attended the meeting

with the State Administration for Market Regulation (SAMR), the Cyberspace Administration of China (CAC) and the State Tax Administration held in Nov 20, clarifying that regulatory investigations would be conducted into the practice of exclusive cooperation agreements within the industry. Given the fact that Beike was not on the list and didn't being fined even after an anti-monopoly investigations probe. We think the risk is limited in our view.

**KE Holdings****Environment, Social & Governance (ESG)**

**Environmental:** With an aspiration to promote joyful living, Beike endeavors to utilize its online and offline network to offer public welfare resources to everyone in the communities it serves. Beike has committed to supporting non-profit organizations devoted to protecting the environment. Through Beijing Lianjia Public Welfare Foundation, a charitable organization established in 2018 where Beike is the founding sponsor, Beike provides funds to charitable organizations in various areas, including leading research centers dedicated to connecting and analyzing environmental data, building information platforms on environmental protection and promoting green decision-making in government policies and business activities.

**Social:** Beike believes that the foundation of real estate brokerage services is the communities in which its brokerage stores are a part of. Beike gives back to the communities through a series of initiatives. It has committed to providing charitable contributions to the underserved communities in China, many of which are in rural areas. It can leverage on the power of its platform to address the living needs of these communities and offer localized and effective solutions.

**Governance:** Beike is committed to maintaining high standards of corporate governance to safeguard the interest of stakeholders and enhance corporate value and accountability. An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of the agents on the platform and protecting its brand image. It has adopted an Anti-Corruption Compliance Policy in which it strictly forbids any kickbacks or other payments to a customer to secure purchases. The prohibition applies to both direct and indirect payments, such as payments in disguise of discounts and gifts. Besides, its internal control, legal, and corporate governance departments seek to monitor the compliance of its business activities and handle complaints and whistle-blowing cases through its internal compliance reporting email.

## KE Holdings

### Company Background

#### Dominant player in the China real estate brokerage sector.

Founded in September 2001 by Mr. ZUO Hu, Beike is by far the sector leader in the China real estate brokerage industry. The company has 407k active agents across 45k stores (incl. self-owned, franchise and connected stores) as at Dec-21. It is the largest player in the real estate broker sector with market shares of 29%/10% in existing and new home sales in FY21. Aside from that, Beike is a pioneer in the industry, and has made significant contributions to the formation of industry infrastructure and standards. It has also reinvented the way in which service providers and housing customers can navigate and complete housing transactions for both existing and new home sales and home rentals, and services such as home renovation, real estate financial solutions, and others.

**2001- 2009: Established its own brand "Lianjia".** Beike started to operate in the real estate brokerage business under its "Lianjia" brand for existing home sales in 2001. Lianjia has been recognized as "China's Famous Brand." Under Lianjia, Beike provides brokerage services to housing customers, marketing and sales services to real estate developers for new home sales and also provides services for home rentals. Leveraging on its strong online and offline operational capabilities, through Lianjia, Beike has implemented a series of industry "firsts" and successfully developed rules, operational know-hows, data and technology systems that offer superior service quality and efficiency. For example, Lianjia was among the first to propose tripartite agreements in housing transactions to include brokerage service providers as a party to provide full transparency and instill trust.

#### 2010 – 2017: Moved online and incorporated the ACN framework into its business model.

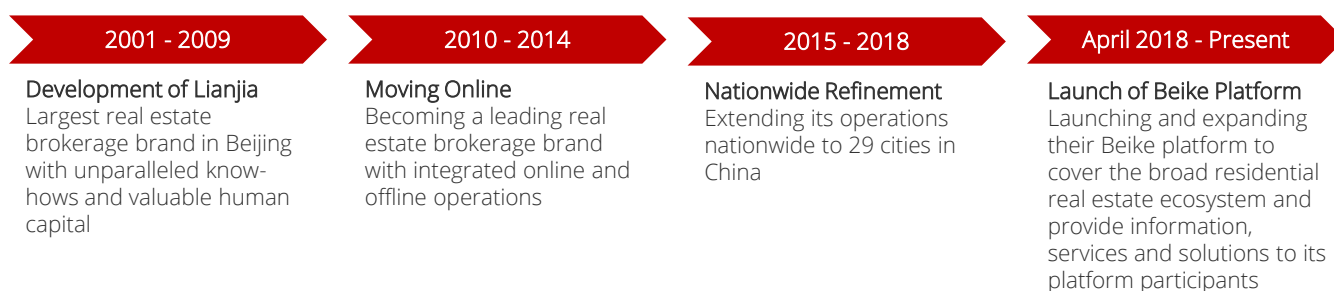
The Housing Dictionary was launched via Lianjia in 2008, and it has been compiling, analyzing and mining property data ever since. Lianjia pioneered the migration from offline to online through launching Lianjia.com in 2010 and building its own Link SaaS system ahead of its peers. Lianjia has also established a prototype for ACN in 2011, which has since been tested and refined before being rolled out. The ACN was launched in Beijing, and enabled Lianjia to be the dominant brand there. Lianjia then extended the ACN to Shanghai and other first and second tier cities in China and achieved leading positions in those local markets.

#### 2018 – now: Establishing the Beike platform with ACN as its operating system to wider agent network.

Building on the success of ACN, the company replicated the core competencies of Lianjia across the Beike platform in April 2018. Built on the success of the time-tested ACN, they horizontally extended the core competencies of Lianjia to Beike platform (gather with Lianjia, franchise and connected stores) in April 2018 to serve the broad housing related market. This allows multiple agents to work on one transaction and receive commissions based on their role and contribution, resulting in more frequent cross-store and cross-brand collaborations.

In 2019, Beike tapped into the home renovation industry through launching its home renovation brand, Beiwoo. In July 2021, Beike acquired Shengdu Home Renovation, a Hangzhou-based full-service home renovation service provider in China, with over 19 years operating experience. The acquisition of Shengdu will enable Beike to strengthen its capabilities in providing better housing services to satisfy the evolving needs of housing customers.

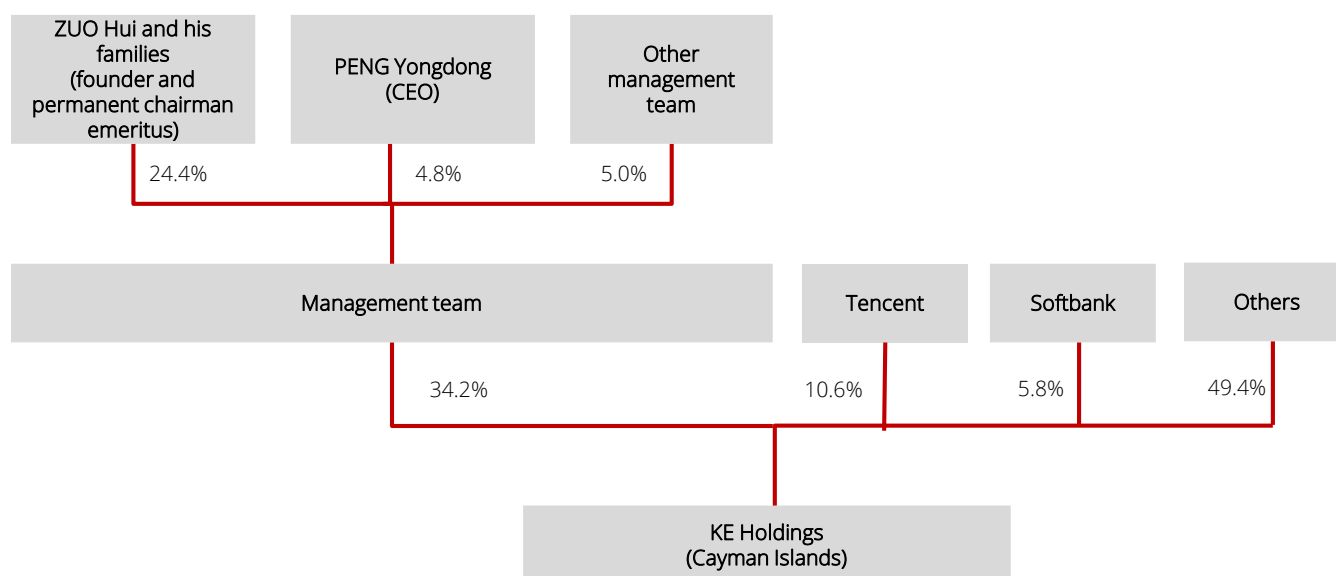
### Key milestones



Source: Company, DBS HK

## KE Holdings

### Shareholding structure



Source: Company, DBS HK

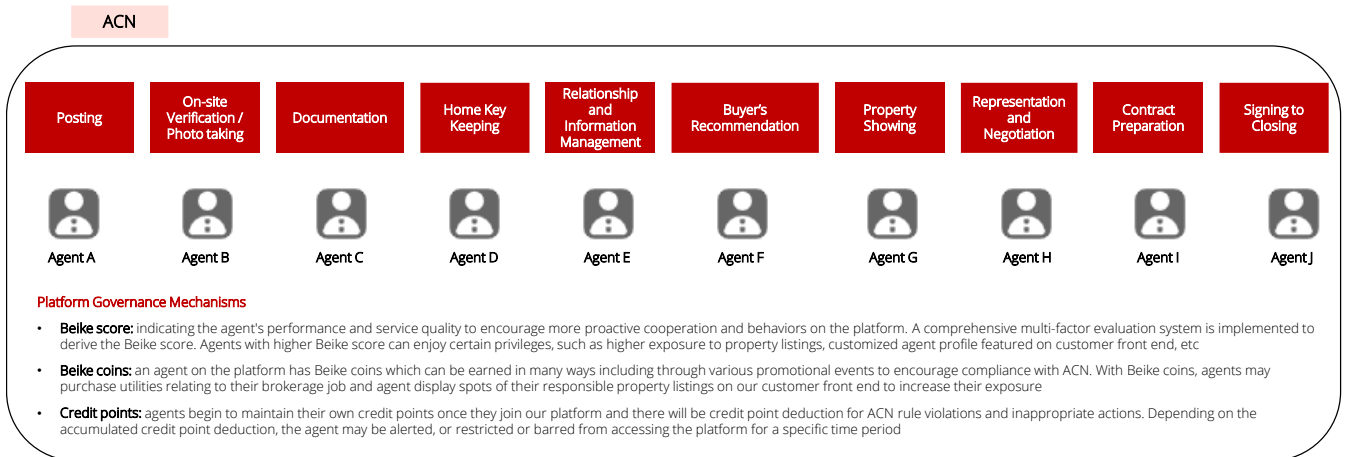
### Beike's solutions to challenges in real estate brokerage sector

Pain points for the sector	Beike's solutions
<ol style="list-style-type: none"> <li><b>Lack of cooperation mechanisms for agents</b> <ul style="list-style-type: none"> <li>✓ Cause: agents in China are often confined to a small geographic area and engage in fierce competition for listing and customer resources</li> <li>✓ Consequence: agents are less incentivized to cooperate, which jeopardizes the overall efficiency and the delivery of high-quality services</li> </ul> </li> <li><b>Lack of infrastructure for the industry</b> <ul style="list-style-type: none"> <li>✓ Cause: no infrastructure for the housing transactions → lead to duplicate or fraudulent property listings with inaccurate or outdated property and pricing information</li> <li>✓ Consequence: home buyers to engage multiple agents for one housing transaction and thus greatly hamper transaction efficiency</li> </ul> </li> <li><b>Lack of experienced brokerage service providers</b> <ul style="list-style-type: none"> <li>✓ Cause: Due to the intense competition in a highly fragmented market, productivity of agents in China is low compared to that of more developed markets</li> <li>✓ Consequence: this leads to lower and less stable average income and higher turnover rate</li> </ul> </li> </ol>	<p>* Agent Cooperation Network (ACN) introduced by Beike, as the operating system underpinning our infrastructure, to redefine relationships among industry participants</p> <ol style="list-style-type: none"> <li><b>Assigning cooperative roles of agents to achieve cross-store and cross-brand collaboration</b> <ul style="list-style-type: none"> <li>✓ Property listings share among all participants, agents have equal access to all the listings in the ACN</li> <li>✓ ACN prescribes various roles for agents in a housing transaction, which creates more opportunities for agents to participate in a transaction and earn allocated commission, increases transaction efficiency, shortens the lead conversion cycle and enhances agents retention.</li> </ul> </li> <li><b>Creating a professional network for agents, stores, brands and other service providers to get connected and engaged on the platform</b> <ul style="list-style-type: none"> <li>✓ The platform had over 260 real estate brokerage brands, over 52,866 community-centric stores and over 407k active agents from Lianjia, Beike platform, Deyou and connected platforms across 103 economically vibrant cities in China as of Dec-21</li> </ul> </li> </ol>

Source: Company, News media, DBS HK

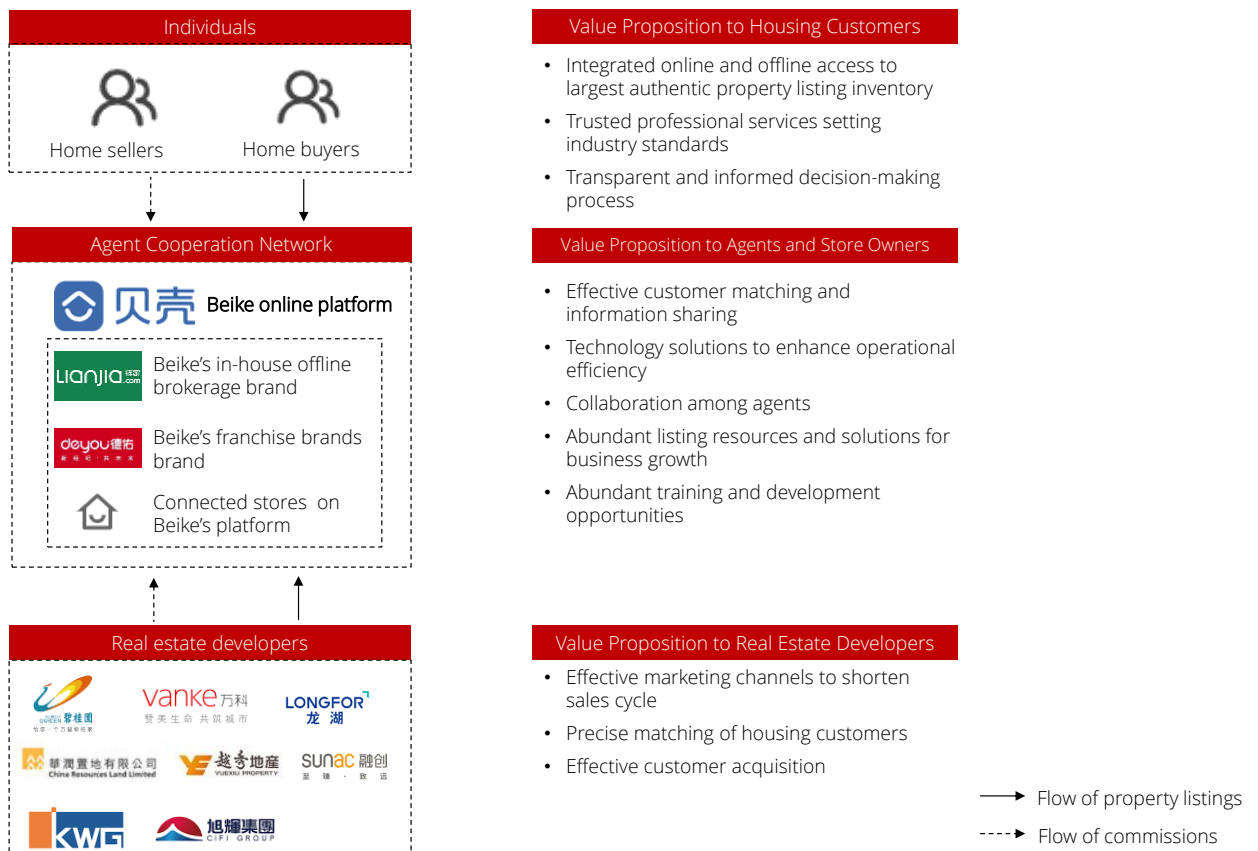
**KE Holdings**

**Illustration of transaction flow in ACN**



Source: Company, DBS HK

**Value proposition of ACN to different participants**



Source: Company, DBS HK



## KE Holdings

### Management & Strategy

#### Senior management profile

Name	Position	Age	Experience
Mr. PENG Yongdong	Chairman/ Executive Director and Chief Executive Officer	42	<ul style="list-style-type: none"> <li>Served as Executive Director since December 2018 and co-founded Beike with Mr. Zuo. Succeeded Mr. ZUO Hui, who passed away on May 20, 2021, to be the new Chairman of the Board.</li> <li>He has been Chief Executive Officer of Lianjia.com (Beijing) Technology Co., Ltd., which later changed its name to Beike Zhaofang (Beijing) Technology Co., Ltd., since 2017 and Vice General Manager of Beijing Lianjia since 2010</li> <li>Prior to that, Mr. Peng was a senior consultant of strategy and revolution at IBM between 2006 and 2010. From 2001 to 2004, he acted as a senior manager at BEL</li> <li>He obtained his bachelor's degree in electrical engineering from Zhejiang University in 2001 and IMBA degree from Tsinghua University in 2006</li> </ul>
Mr. SHAN Yigang	Executive Director	49	<ul style="list-style-type: none"> <li>Served as Executive Director since July 2018. He has been a director of Beijing Lianjia since 2007</li> <li>Prior to joining Beijing Lianjia, Mr. Shan was the co-founder of Dalian Haowangjiao Real Estate Brokerage Co., Ltd. from 1999 to 2007</li> <li>Mr. Shan obtained his EMBA degree from Tsinghua University in 2019</li> </ul>
Mr. XU Tao	Chief Financial Officer	48	<ul style="list-style-type: none"> <li>Served as Chief Financial Officer of Beike Zhaofang (Beijing) Technology Co., Ltd. since 2016. Prior to that, Mr. Xu was the chief financial officer of SenseTime Technology (China) Co., Ltd. from June to November in 2016</li> <li>Between 2014 and 2015, he served as the chief financial officer of Didi Infinity Technology Development Limited Company</li> <li>Prior to that, Mr. Xu was the chief financial officer of Dimension Data Information Technology (Beijing) Co., Ltd. from 2011 to 2014</li> <li>From 2008 to 2011, Mr. Xu served as the financial director of China in Sun Microsystems China Co., Ltd</li> <li>From 2001 to 2008, Mr. Xu served as the chief financial officer at Lucent Technology (China) Co., Ltd. Prior to that, he worked as the financial manager of Beijing Sohu Internet Information Service Co., Ltd. from 1999 to 2001 and worked at Pepsi Cola (China) Co., Ltd. between 1996 and 1998</li> <li>He received his bachelor's degree in accounting from Capital University of Economics and Business in 1996 and a master's degree in international accounting from the University of New South Wales in 2005</li> </ul>
Mr. XU Wangang	Co-chief Operating Officer	56	<ul style="list-style-type: none"> <li>He has been the Co-chief Operating Officer since 2018</li> <li>Prior to that, he worked as the general manager and the head of the western region from 2015 to 2018 at Chengdu Lianjia Real Estate Brokerage Co., Ltd., an affiliate of Beike.</li> <li>Between 2004 and 2015, Mr. Xu served as the general manager of Sichuan Yicheng Real Estate Brokerage Co., Ltd</li> <li>Mr. Xu started his career as a staff member in technology R&amp;D at No.10 Research Institute of Ministry of Information Industries and its affiliates (now known as China Electronics Technology Group Corporation No.10 Research Institute) in 1986, where he was promoted to a manager later</li> <li>Mr. Xu graduated from University of Electronic Science and Technology of China with a bachelor's degree in electronic engineering in 1986</li> </ul>

Source: Company; DBS HK

## KE Holdings

### Balance Sheet:

As at Dec-2021, Beike's days of receivable stood at 87, improved from 130 days in FY20, in part led by the company's prudent receivable policy, which either has slowed down the new home transactions with potential distressed property developers or raised its receivable term agreement. As sector liquidity risk has largely peaked out, the possibility of unexpected provisions should be limited in our view.

### Share Price Drivers:

Recovery in existing and new home transactions; faster-than-expected growth in agents and stores; better-than-expected progress on cost control; solid-than-expected growth in commission rates for both existing and new home transactions.

### Key Risks:

Unexpected COVID-19 outbreak leads to closure of its offline stores; higher-than-expected pressure on new home commission rate; more intensified competition

### Environmental, Social, Governance:

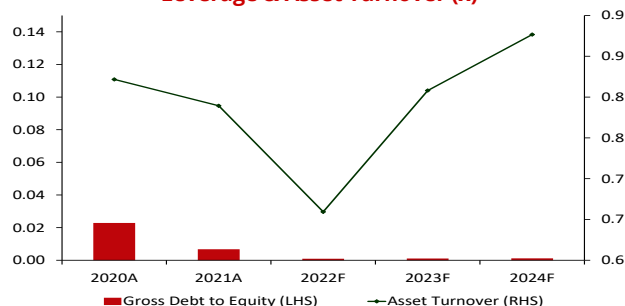
With an aspiration to promote joyful living, Beike endeavors to utilize its online and offline network to offer public welfare resources to everyone in the communities it serves. Beike also provides funds to charitable organizations in various areas, including leading research centers dedicated to connecting and analyzing environmental data, and promoting green decision-making in government policies and business activities.

Beike is committed to maintaining an effective set of anti-kickback policies and procedures which is critical to ensure the integrity of the agents on the platform and protecting its brand image.

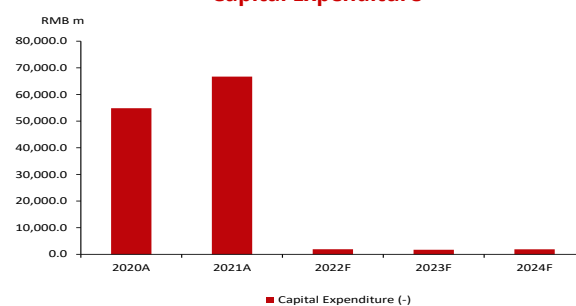
### Company Background

Founded in Sep 2001 by Mr. ZUO Hu and listed in the US in Aug 2020, KE Holdings (Beike) is by far the sector leader in the China real estate brokerage industry, providing existing/new home transactions, rental, home renovation and other value-added services. The company has 407k active agents across 45k stores (incl. self-owned, franchise and connected stores) as at Dec-21. It is the largest player in the real estate broker sector with market shares of 29%/10% in existing and new home transactions in FY21. On May 2022, Beike (2423.HK) listed on the HKEx, the first China internet ADR to obtain dual primary listing status.

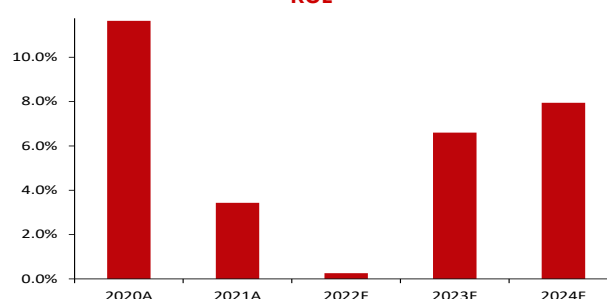
Leverage & Asset Turnover (x)



Capital Expenditure



ROE



PB Band



Source: Company, DBS HK

## KE Holdings

### Segmental Breakdown (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
<b>Revenues (RMB m)</b>					
Existing home transaction services	30,565	31,948	25,603	32,538	38,403
New home transaction services	37,938	46,472	33,272	38,443	43,206
Emerging and other services	1,979	2,332	6,122	10,298	13,460
<b>Total</b>	<b>70,481</b>	<b>80,752</b>	<b>64,997</b>	<b>81,278</b>	<b>95,068</b>

Source: Company, DBS HK

### Income Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Turnover	70,481	80,752	64,997	81,278	95,068
Cost of Goods Sold	(53,621)	(64,933)	(52,568)	(63,195)	(73,705)
<b>Gross Profit</b>	<b>16,860</b>	<b>15,819</b>	<b>12,429</b>	<b>18,083</b>	<b>21,363</b>
Other Opg (Exp)/Inc	(14,018)	(17,174)	(15,194)	(16,277)	(17,973)
<b>Operating Profit</b>	<b>2,842</b>	<b>(1,355)</b>	<b>(2,764)</b>	<b>1,807</b>	<b>3,390</b>
Associates Inc	0	0	0	0	0
Net Interest (Exp)/Inc	164	355	401	410	454
Exceptional Gain/(Loss)	1,382	2,141	1,603	1,741	1,741
<b>Pre-tax Profit</b>	<b>4,387</b>	<b>1,141</b>	<b>(761)</b>	<b>3,958</b>	<b>5,585</b>
Tax	(1,609)	(1,665)	(783)	(1,355)	(1,789)
Minority Interest	(1)	1	(1)	(1)	(1)
<b>Net Profit (Non-GAAP)</b>	<b>5,719</b>	<b>2,295</b>	<b>171</b>	<b>4,535</b>	<b>5,834</b>
<b>Net Profit (GAAP)</b>	<b>2,778</b>	<b>(525)</b>	<b>(1,544)</b>	<b>2,603</b>	<b>3,797</b>
Sales Gth (%)	53.2	14.6	(19.5)	25.0	17.0
Net Profit Gth (%)	246.1	(59.9)	N/A	N/A	28.7
Core Profit Gth (%)	N/A	N/A	(194.2)	N/A	45.9
Gross Mgn (%)	23.9	19.6	19.1	22.2	22.5
Core Profit Margin (%)	3.9	(0.6)	(2.4)	3.2	4.0
Tax Rate	36.7	146.0	N/A	34.2	32.0

Source: Company, DBS HK

## KE Holdings

### Balance Sheet (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Fixed Assets	1,472	1,972	2,154	2,293	2,400
Invt in Assocs & JVs	218	10	10	10	10
Other LT Assets	15,066	28,411	35,898	36,611	37,421
Cash & ST Invt	65,226	56,135	48,740	54,167	60,642
Other Current Assets	22,313	13,791	10,030	11,268	12,086
<b>Total Assets</b>	<b>104,296</b>	<b>100,319</b>	<b>96,831</b>	<b>104,349</b>	<b>112,559</b>
ST Debt	1,513	454	64	78	89
Creditors	13,338	10,190	9,217	11,188	12,954
Other Current Liab	18,783	18,292	16,452	17,920	18,987
LT Debt	15	0	0	0	0
Other LT Liabilities	3,855	4,327	4,342	4,342	4,342
Minority Interests	27	82	83	84	86
Shareholder's Equity	66,765	66,974	66,673	70,737	76,102
<b>Total Capital</b>	<b>104,296</b>	<b>100,319</b>	<b>96,831</b>	<b>104,349</b>	<b>112,559</b>
Share Capital (m)	2,218	3,533	3,694	3,712	3,731
Net Cash/(Debt)	63,698	55,681	48,676	54,089	60,553
Working Capital	(9,808)	(14,690)	(15,639)	(17,840)	(19,856)
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

Source: Company, DBS HK

### Cash Flow Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Profit Before Tax	2,778	(525)	(1,544)	2,603	3,797
Assoc. & JV Inc/(loss)	0	0	0	0	0
Tax Paid	0	0	0	0	0
Depr/Amort	1,174	1,371	1,485	1,667	1,850
Chg in Wkg.Cap.	2,991	32	(288)	1,451	1,181
Other Non-Cash	2,597	3,020	1,244	1,463	1,569
<b>Operating CF</b>	<b>9,362</b>	<b>3,595</b>	<b>898</b>	<b>7,185</b>	<b>8,396</b>
Net chg in inv.	39,793	38,540	(260)	0	0
Assoc, MI, Invsmt	(54,771)	(63,424)	(5,328)	(1,771)	(1,933)
<b>Investing CF</b>	<b>(14,978)</b>	<b>(24,884)</b>	<b>(5,588)</b>	<b>(1,771)</b>	<b>(1,933)</b>
Net Chg in Debt	(5,978)	(1,073)	(130)	13	12
New Capital	31,630	0	0	0	0
Dividend	0	0	0	0	0
Other Financing CF	(245)	(1)	0	0	0
<b>Financing CF</b>	<b>25,406</b>	<b>(1,074)</b>	<b>(130)</b>	<b>13</b>	<b>12</b>
Chg in Cash	19,790	(22,363)	(4,820)	5,427	6,475
Chg in Net Cash	37,832	(8,018)	(7,005)	5,414	6,464

Source: Company, DBS HK

## KE Holdings

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 21 Jul 2022 10:20:36 (HKT)

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