

Hong Kong

HOLD (previously ADD)

Consensus ratings*: Buy 26 Hold 3 Sell 3

Current price:	HK\$0.85
Target price:	HK\$0.92
Previous target:	HK\$3.70
Up/downside:	8.2%
CGS-CIMB / Consensus:	-64.5%
Reuters:	0884.HK
Bloomberg:	884 HK
Market cap:	US\$1,023m HK\$8,031m
Average daily turnover:	US\$29.97m HK\$233.5m
Current shares o/s:	9,449m
Free float:	46.7%

*Source: Bloomberg

Key changes in this note

- FY22F/23F/24F EPS was cut by 19%/36%/39%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-56.9	-77.2	-82.6
Relative (%)	-51	-60	-57.6

Major shareholders	% held
Lin's Family	47.3
Ping An Insurance	6.0

Analyst(s)



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CIFI Holdings

Downgrade to Hold on liquidity deterioration

- CIFI's liquidity situation has unexpectedly worsened in the past weeks, as illustrated by its failure to fulfil its debt obligation for a project in Tianjin.
- Its fundraising in the past 12 months seems insufficient to meet its liquidity needs, as free cash flow from sales are limited YTD.
- We think CIFI may request to delay the payment of its short-term debts, to give it more time to manage its balance sheet.
- Downgrade to Hold with lower TP of HK\$0.92. It is not a Reduce given its low valuation of 0.16x FY22F P/BV.

Worsening of liquidity position

CIFI's liquidity situation has been worsening recently, as illustrated by its failure to make a timely payment of investment return to a minority shareholder of a residential project in Tianjin last week. CIFI said it will negotiate with that project shareholder to come up with a resolution that both parties can accept. So far, we have not heard of any progress over this. Meanwhile, based on Chinese media Hexun, in an internal letter sent to CIFI's staff last week, chairman Mr Lin indicated that CIFI's financial position is very challenging on the back of weak sales and added that CIFI has limited room to use its so-called Rmb30bn cash reserves as the majority of these are restricted or cannot be freely used.

Past 12 months' fundraising seems insufficient

Although CIFI has raised a few billions Rmb in the past 12 months through equity, asset disposal and onshore debt issuance, the efforts seem insufficient to meet its liquidity needs (onshore/offshore debt repayment, construction capex) as its major cash inflow from contracted sales has declined significantly and most of the cash obtained from sales were not to be freely used. Meanwhile, CIFI has limited room to cut its construction capex as it needs to ensure delivery of its presold projects. While CIFI does not have any major debt repayment due before Jan 2023, we understand that it needs to pay interest expense or amortise some of its syndicate loans or US\$ bonds. Given limited refinancing opportunities currently, we think CIFI, like some of its peers, could request to delay the repayment of some of its debts, giving it more time to manage its balance sheet.

FY22-24F sales assumptions cut by 8%, EPS by 19-39%

Given CIFI's weaker sales progress, we now expect sales of about Rmb139bn in FY22F, down 44% yoy, and c.8% below our previous estimate. For FY23F and FY24F, we expect sales will be about 10% lower than in FY22F. Its weaker sales, coupled with a lower GPM, lead us to cut our FY22-24F EPS forecasts by 19% to 39%.

Downgrade to Hold with a lower TP of HK\$0.92

We cut our SOP-based TP for CIFI by 75% to HK\$0.92 to reflect 1) a 52% cut to our NAV, 2) a wider target discount of 80% for property NAV (previously 60%) of HK\$0.86 and 3) Rmb's 5% depreciation in the past two months. With 8% share price upside potential, we downgrade CIFI from Add to Hold. Key downside risks include further weakening of contracted sales, which would stiffen its liquidity. Massive supportive measures from regulators, which could improve CIFI's liquidity, are key upside risks.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (Rmbm)	71,799	107,835	88,447	86,075	83,647
Operating EBITDA (Rmbm)	10,595	14,663	10,671	9,624	9,943
Net Profit (Rmbm)	8,032	7,613	3,463	3,410	3,567
Core EPS (Rmb)	0.99	0.88	0.39	0.36	0.38
Core EPS Growth	12.3%	(11.5%)	(56.0%)	(6.6%)	4.6%
FD Core P/E (x)					
DPS (Rmb)	0.35	0.16	0.00	0.00	0.07
Dividend Yield					
EV/EBITDA (x)					
P/FCFE (x)	NA	NA	NA		
Net Gearing	64.0%	62.8%	73.3%	62.8%	53.9%
P/BV (x)					
ROE	21.8%	17.4%	7.8%	7.4%	7.2%
% Change In Core EPS Estimates			(18.5%)	(36.1%)	(38.9%)
CGS-CIMB/Consensus EPS (x)			0.62	0.57	0.58

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Valuation basis ►

We stick to SOP as our valuation methodology for CIFI. In valuing its property NAV, we use an unchanged 11% discount rate to discount its future cash flows and apply a 80% discount to NAV (widened from 60%). We widen our target discount to NAV as we factor in higher uncertainties in CIFI realising its sales in a weak property market sentiment. While we apply an unchanged 60% holding discount to CIFI ES (Ever Sunshine, 1995 HK, Add, CP: HK\$2.73), the attributable value of CIFI ES is down 48%, reflecting a lower share price of CIFI ES since our previous TP revision for CIFI. Our SOP-based TP is therefore cut by 75% to HK\$0.92, suggesting only 8% upside potential.

Key downside and upside risks ►

Key downside risks for CIFI include i) further weakening of its contracted sales, and ii) demand by minority investors of its property projects for repayment or early repayment of their investments in those projects, which would stiffen its liquidity. Key upside risks for CIFI include i) unexpected massive supportive measures from regulators, which could improve CIFI's liquidity; and ii) reaching an agreement with project investors on the repayment schedule for the investors' project investment proceeds.

Figure 1: Earnings revisions

Rmb m	2022F			2023F			2024F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Core net profit	4,252	3,463	-19%	5,166	3,410	-34%	5,650	3,567	-37%
EPS (HK\$)	0.47	0.39	-19%	0.57	0.36	-36%	0.62	0.38	-39%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 2: Summary of NAV and target price changes

	Old			New			Chg (%)
	NAV	Target discount (%)	Discounted value	NAV	Target discount (%)	Discounted value	
Property NAV	8.9	60%	3.6	4.3	80%	0.86	-76%
Interest in Ever Sunshine	0.3	60%	0.1	0.1	60%	0.06	-48%
Target price			3.7			0.92	-75%

All NAVs and discounted values mentioned above are denominated in HK\$

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 3: CIFI's NAV breakdown

	Rmb m	Rmb/share
Property development	81,236	8.6
Property investment	35,379	3.7
Gross asset value (GAV)	116,614	12.3
Net debt	(78,861)	(8.3)
Property NAV	37,753	4.0
Property NAV - HK\$	40,595	4.3
Interest in Ever Sunshine (1995 HK)	1,169	0.1
CIFI's total NAV	41,764	4.4

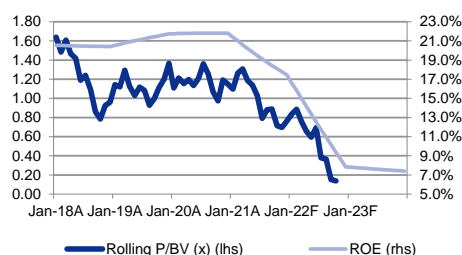
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: China property valuation summary

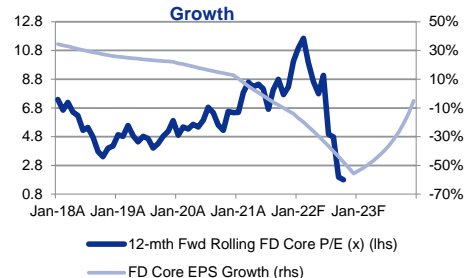
							Disc. to															
	Bloomberg	Share	TP		Mkt cap	NAV/sh	NAV	Upside		P/E (x)				P/BV(x)			Yield (%)		Net Gearing (%)			
Company	Ticker	price (HK\$)	(HK\$)	Rating	(US\$ m)	(HK\$)	(%)	(%)		2021	2022F	2023F	2024F	2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F
COLI	688 HK	21.70	28.20	ADD	30,256	31.9	32	30	5.9	6.3	6.1	5.7	0.6	0.6	0.6	6.2	5.8	6.0	31	31	25	
CR Land	1109 HK	33.30	48.20	ADD	30,250	52.3	36	45	8.1	7.8	7.6	6.9	1.0	0.9	0.9	4.6	4.7	4.9	24	33	32	
China Vanke - H	2202 HK	15.54	24.50	ADD	28,140	41.2	62	58	6.5	6.3	6.3	5.8	0.7	0.7	0.6	6.9	5.6	5.6	30	31	27	
China Vanke - A	000002 CH	17.83	19.00	ADD	27,839	32.6	45	7	8.3	8.0	8.0	7.3	0.9	0.8	0.8	5.4	4.4	4.4	30	31	27	
CIFI	884 HK	0.85	0.92	HOLD	1,023	4.4	81	8	0.9	2.0	2.1	2.0	0.2	0.2	0.2	20.3	0.0	0.0	63	73	63	
Country Garden	2007 HK	1.96	3.80	ADD	6,091	9.5	79	94	1.5	3.3	2.9	2.5	0.2	0.2	0.2	17.2	0.0	3.8	45	44	39	
Greentown China	3900 HK	15.64	16.40	ADD	5,018	24.3	36	5	12.0	9.3	8.5	8.1	1.0	0.9	0.9	3.2	3.5	3.7	52	63	77	
Longfor	960 HK	24.45	49.50	ADD	19,564	55.0	56	102	5.8	5.5	5.2	4.9	1.1	0.9	0.8	7.7	5.4	5.7	47	50	46	
Agile	3383 HK	2.10	2.86	HOLD	1,048	9.0	77	36	1.1	1.5	1.5	1.4	0.1	0.1	0.1	21.7	0.0	0.0	51	46	35	
KWG Group	1813 HK	1.05	1.40	HOLD	426	7.0	85	33	0.8	2.1	2.1	2.0	0.1	0.1	0.1	38.9	0.0	0.0	79	90	85	
Times China	1233 HK	0.96	1.40	HOLD	257	7.0	86	46	0.5	5.6	4.9	3.1	0.1	0.1	0.1	9.5	0.0	0.0	79	95	81	
Small and mid-cap average							73	26	3.1	4.1	3.8	3.3	0.3	0.3	0.3	18.7	0.7	0.7	65	73	68	
Overall average							61	42	4.7	5.3	5.0	4.5	0.5	0.5	0.5	0.5	12.9	2.7	3.1	48	53	49
																	Share price data as of 5 Oct 2022; * A-share data stated in Rmb					
																	SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS					

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	71,799	107,835	88,447	86,075	83,647
Gross Profit	15,609	20,797	15,454	14,236	14,383
Operating EBITDA	10,595	14,663	10,671	9,624	9,943
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	10,595	14,663	10,671	9,624	9,943
Financial Income/(Expense)	(49)	6	(62)	(53)	(46)
Pretax Income/(Loss) from Assoc.	2,128	759	550	491	357
Non-Operating Income/(Expense)	3,495	2,800	(6)	769	791
Profit Before Tax (pre-EI)	16,170	18,228	11,152	10,831	11,045
Exceptional Items					
Pre-tax Profit	16,170	18,228	11,152	10,831	11,045
Taxation	(4,274)	(5,900)	(3,839)	(3,679)	(3,664)
Exceptional Income - post-tax					
Profit After Tax	11,896	12,327	7,313	7,152	7,380
Minority Interests	(3,634)	(4,595)	(3,731)	(3,623)	(3,695)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(230)	(119)	(119)	(119)	(119)
Net Profit	8,032	7,613	3,463	3,410	3,567
Recurring Net Profit	8,026	7,284	3,463	3,410	3,567
Fully Diluted Recurring Net Profit	8,026	7,284	3,463	3,410	3,567

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	10,595	14,663	10,671	9,624	9,943
Cash Flow from Inv. & Assoc.	(2,128)	(759)	(550)	(491)	(357)
Change In Working Capital	11,309	(3,741)	(12,960)	6,778	5,895
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	184	241	290	348	417
Other Operating Cashflow	3,099	228	3,351	4,246	4,225
Net Interest (Paid)/Received	(5,917)	(5,796)	(6,035)	(6,113)	(6,208)
Tax Paid					
Cashflow From Operations	17,142	4,837	(5,232)	14,392	13,915
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	47	0	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	0	0	0	0	0
Other Investing Cashflow	(37,388)	(12,450)	3,111	56	40
Cash Flow From Investing	(37,341)	(12,450)	3,111	56	40
Debt Raised/(repaid)	6,585	5,732	(5,000)	0	0
Proceeds From Issue Of Shares	2,558	2,612	0	0	0
Shares Repurchased					
Dividends Paid	(3,106)	(4,300)	(500)	0	0
Preferred Dividends					
Other Financing Cashflow	7,078	(1,109)	(4,437)	(6,733)	(6,846)
Cash Flow From Financing	13,115	2,935	(9,937)	(6,733)	(6,846)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	51,155	46,710	34,651	42,366	49,475
Properties Under Development					
Total Debtors	30,384	34,817	33,076	32,745	32,418
Inventories	141,923	188,302	181,576	174,732	167,168
Total Other Current Assets	93,397	81,699	71,285	75,274	77,848
Total Current Assets	316,859	351,527	320,588	325,117	326,909
Fixed Assets	22,934	40,958	46,049	48,362	50,792
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	39,507	40,265	35,545	37,494	39,565
Total Non-current Assets	62,441	81,223	81,594	85,856	90,357
Short-term Debt	18,699	17,735	16,895	16,895	16,895
Current Portion of Long-Term Debt					
Total Creditors	58,332	68,299	58,054	58,054	59,796
Other Current Liabilities	129,839	137,706	117,273	119,761	118,345
Total Current Liabilities	206,871	223,740	192,222	194,710	195,035
Total Long-term Debt	86,016	96,377	96,617	96,617	96,617
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	121	190	190	190	190
Total Non-current Liabilities	86,136	96,567	96,807	96,807	96,807
Total Provisions	2,650	5,043	5,619	6,171	6,720
Total Liabilities	295,657	325,350	294,648	297,688	298,563
Shareholders' Equity	39,589	43,915	44,378	47,788	51,355
Minority Interests	44,054	63,485	63,155	65,497	67,349
Total Equity	83,642	107,400	107,533	113,285	118,704

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	31.1%	50.2%	(18.0%)	(2.7%)	(2.8%)
Operating EBITDA Growth	16.4%	38.4%	(27.2%)	(9.8%)	3.3%
Operating EBITDA Margin	14.8%	13.6%	12.1%	11.2%	11.9%
Net Cash Per Share (Rmb)	(6.52)	(7.67)	(8.35)	(7.53)	(6.78)
BVPS (Rmb)	4.82	5.00	4.70	5.06	5.44
Gross Interest Cover	1.62	2.30	1.61	1.43	1.45
Effective Tax Rate	20.4%	28.0%	23.6%	23.7%	24.1%
Net Dividend Payout Ratio	30.1%	15.8%	NA	NA	14.4%
Accounts Receivables Days	139.1	110.3	140.1	139.6	142.6
Inventory Days	888.1	692.4	924.8	905.2	903.3
Accounts Payables Days	317.5	265.5	315.9	295.0	311.4
ROIC (%)	6.82%	7.86%	4.45%	3.76%	3.91%
ROCE (%)	6.14%	7.30%	4.97%	4.46%	4.48%
Return On Average Assets	3.69%	3.28%	2.11%	2.10%	2.08%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Contracted sales (Rmb m)	231,000.0	247,250.0	139,486.0	127,867.0	128,060.0
Overall gross profit margin (%)	21.7%	19.3%	17.5%	16.5%	17.2%
Gross profit margin - property development (%)	23.2%	19.2%	16.1%	14.6%	14.6%
% of gross profit from property development	102.0%	95.0%	84.8%	78.6%	72.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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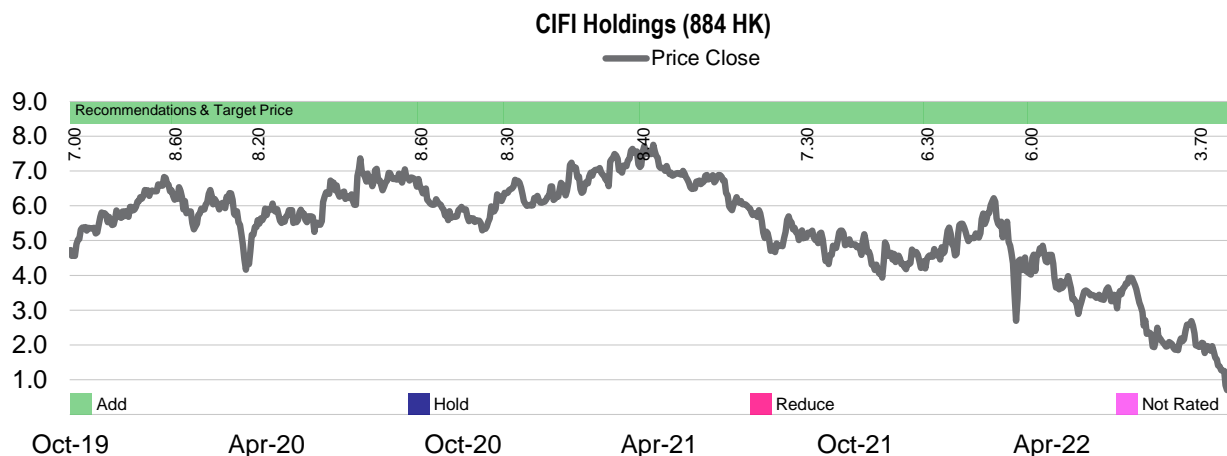
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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.