

Hong Kong

ADD (no change)

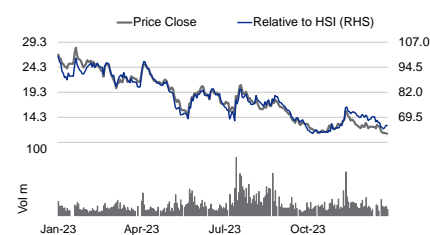
Consensus ratings*: Buy 30 Hold 1 Sell 0

Current price:	HK\$11.04
Target price:	HK\$16.00
Previous target:	HK\$19.00
Up/downside:	44.9%
CGS-CIMB / Consensus:	-25.5%
Reuters:	0960.HK
Bloomberg:	960 HK
Market cap:	US\$9,321m
	HK\$72,773m
Average daily turnover:	US\$24.62m
	HK\$190.9m
Current shares o/s:	6,061m
Free float:	34.3%

*Source: Bloomberg

Key changes in this note

- FY23F/24F/25F EPS cut by 40%/36%/37% respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-10.3	-15.7	-58.9
Relative (%)	-9.4	-8.1	-34.6

Major shareholders	% held
Wu Yajun & Cai Xinyi	42.7
Cai Kui	23.0

Analyst(s)



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Longfor Group

Whitelist developer supported by regulators

- We expect Longfor's FY23F earnings to disappoint the market, with net profit down c.40% yoy dragged by low ASP and high land costs.
- We are not overly concerned about its liquidity position due to its low gearing and refinancing capabilities as a whitelist developer supported by regulators.
- In addition, Longfor has repaid some of its offshore debt and has no offshore debt due until 2027F.
- Reiterate Add with a lower TP of HK\$16.0 (from HK\$19.0) due to lower GPM and sales assumptions. Longfor is our top pick among private developers.

2023F contracted sales could be 15% short of our original estimate

In 11M23, Longfor's sales came in at Rmb162bn (-11% yoy), some 15% below our forecast due to homebuyers' cautious view of the property market, as a result of slower economic growth in China, declining household income, and negative newsflow surrounding developers. Given the persistent weak sector sentiment, we think Dec 2023 sales could have weakened further. Overall, we forecast its FY23F contracted sales falling 14% yoy to Rmb174bn, the second consecutive year of decline. For 2024F and 2025F, we expect its contracted sales to rebound 4% and 10%, respectively, largely due to the lower base.

Likely record-low GPM for 2023F

We think the ASP for Longfor's residential project sales in 2023F was c.10-15% below its expectations. Meanwhile, land costs for project sales in 2023F were relatively high, as many of these projects were acquired in 1H22 or before, when the China property market was faring relatively better. As such, we estimate GPM for projects sales in 2023F to be only in the high single-digits or low teens. We estimate that 2023F blended GPM contracted by 6.6% pts to 14.6%, the lowest since listing, with a GPM of 75% for investment properties and 25% for property management. We expect its blended GPM for 2024F and 2025F to improve modestly to about 18%, still well below the 25-40% it achieved in 2006-2021.

A whitelist developer and no offshore debt due until 2027F

Despite its weak profit outlook over FY23-25F, we expect Longfor's financials to remain sound. Specifically, we expect its net gearing to stay at a healthy level of 56% in FY23F. Longfor also does not have any offshore debt due until 2027F. We think Longfor should have sufficient liquidity to repay its onshore debt on maturity over the next 6-12 months, given that it is one of the "whitelist" developers recognised by regulators and banks as one they will continue to provide liquidity support, as recently illustrated by its issuance of a 3-year medium term note of Rmb1.2bn on 12 Dec 2023 at a low cost of 3.66%.

Reiterate Add with a lower TP of HK\$16.0

We lower our FY23-25F EPS by 36-40% for slower sales growth. We cut NAV by 16% for lower GPM and sales assumptions, resulting in a lower NAV-based TP of HK\$16.0. We nevertheless reiterate our Add rating for the stock's undemanding valuation (45% upside). Key downside risks: more developers defaulting and continued weak sales ahead. Re-rating catalysts: unexpected massive policy loosening from regulators to save the sector.

Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues (Rmbm)	223,375	250,565	180,683	157,888	160,843
Operating EBITDA (Rmbm)	40,256	40,906	17,728	20,032	20,417
Net Profit (Rmbm)	25,471	25,167	13,489	14,841	15,246
Core EPS (Rmb)	3.81	3.78	2.15	2.36	2.43
Core EPS Growth	19.6%	(0.8%)	(43.2%)	10.0%	2.7%
FD Core P/E (x)	2.70	2.69	4.61	4.29	4.17
DPS (Rmb)	1.70	1.13	0.64	0.71	0.73
Dividend Yield	16.8%	11.2%	6.3%	7.0%	7.2%
EV/EBITDA (x)	5.80	6.30	14.85	12.74	11.76
P/FCFE (x)	10.19	7.10	3.95	2.90	3.25
Net Gearing	46.7%	58.1%	56.1%	52.8%	46.6%
P/BV (x)	0.49	0.45	0.42	0.42	0.42
ROE	19.2%	16.9%	9.2%	9.8%	10.1%
% Change In Core EPS Estimates			(39.9%)	(35.8%)	(37.2%)
EPS/Consensus EPS (x)			0.64	0.70	0.66

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Earnings revisions

Rmb m	2023F			2024F			2025F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Core net profit	22,459	13,489	-40%	23,123	14,841	-36%	24,271	15,246	-37%
EPS (Rmb)	3.58	2.15	-40%	3.68	2.36	-36%	3.86	2.43	-37%
DPS (HK\$)	1.07	0.64	-40%	1.10	0.71	-36%	1.16	0.73	-37%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: NAV breakdown

12-month forward NAV	Rmb m	Rmb/share
Development properties	182,812	29.1
Investment properties	135,658	21.6
Net debt	(128,738)	(20.5)
NAV (Rmb)	189,732	30.2
NAV (HK\$)	201,843	32.0
Target discount		50%
Target price		16.0

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Summary of new NAV and target price

HK\$	Old	New	Chg
NAV/share	38.0	32.0	-16%
Target discount	50%	50%	+10%
Target price	19.0	16.0	-16%

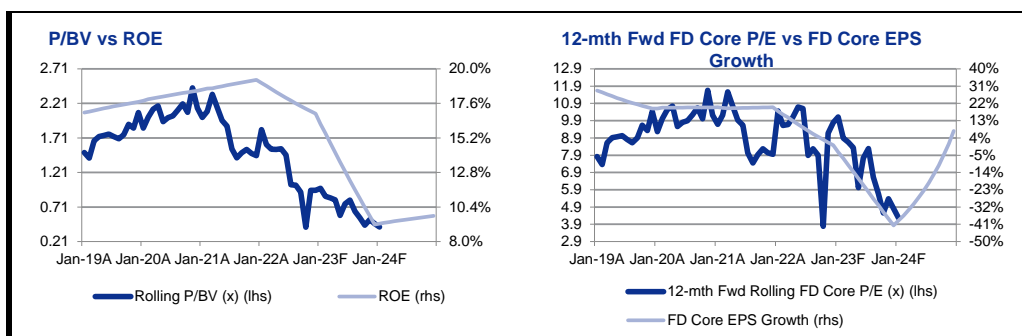
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: China property valuation summary

Company	Bloomberg Ticker	CP* (HK\$)	TP* (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh* (HK\$)	Disc. to NAV (%)	Upside (%)	P/E (x)			P/BV(x)			Yield (%)			Net Gearing (%)		
									2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
COLI	688 HK	12.660	19.40	ADD	17,860	21.60	41	53	5.2	6.1	5.9	0.4	0.3	0.3	6.9	5.9	6.0	43	40	38
CR Land	1109 HK	25.850	41.70	ADD	23,930	45.30	43	61	6.3	6.1	5.7	0.7	0.6	0.6	5.9	6.1	6.5	34	32	30
China Vanke - H	2202 HK	6.560	10.90	ADD	15,205	19.90	67	66	3.0	3.3	3.2	0.3	0.3	0.3	11.3	10.6	11.1	44	49	43
China Vanke - A	000002 CH	9.880	15.10	ADD	15,194	18.50	47	53	5.0	5.4	5.2	0.5	0.4	0.4	6.9	6.5	6.8	44	49	43
CIFI	884 HK	0.249	0.23	REDUCE	347	0.91	73	(8)	NA	NA	NA	0.1	0.1	0.1	0.0	0.0	0.0	102	104	98
Country Garden	2007 HK	0.730	0.69	REDUCE	2,653	2.30	68	(5)	6.1	NA	NA	0.1	0.1	0.2	0.0	0.0	0.0	40	51	52
Greentown China	3900 HK	7.230	9.80	ADD	2,517	23.70	69	36	4.1	3.9	3.6	0.5	0.4	0.4	7.5	7.7	8.3	63	73	66
Longfor	960 HK	11.040	16.00	ADD	9,355	32.00	66	45	2.7	4.7	4.3	0.4	0.4	0.4	11.2	6.3	7.0	58	56	53
Agile	3383 HK	0.770	0.70	REDUCE	504	2.90	73	(9)	NA	NA	NA	0.1	0.1	0.1	0.0	0.0	0.0	57	52	43
KWG Group	1813 HK	0.500	0.50	REDUCE	219	2.50	80	0	NA	NA	NA	0.0	0.1	0.1	0.0	0.0	0.0	162	191	181
Times China	1233 HK	0.255	0.27	REDUCE	69	1.36	81	6	NA	NA	NA	0.1	0.1	0.2	0.0	0.0	0.0	206	230	258
Developers with liquidity issues							75	(3)	6.1	NA	NA	0.1	0.1	0.1	0.0	0.0	0.0	113	126	126
SOE and quality developers							57	52	4.3	4.8	4.5	0.5	0.4	0.4	8.6	7.3	7.8	48	50	46
Overall average							66	24	4.6	4.8	4.5	0.3	0.3	0.3	4.3	3.7	3.9	81	88	86

Share price data as of 9 Jan 2024; *A-share data stated in Rmb
 SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	223,375	250,565	180,683	157,888	160,843
Gross Profit	56,541	53,038	26,401	27,927	28,459
Operating EBITDA	40,256	40,906	17,728	20,032	20,417
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	40,256	40,906	17,728	20,032	20,417
Financial Income/(Expense)	1,060	1,144	1,138	1,134	1,134
Pretax Income/(Loss) from Assoc.	2,932	1,421	2,843	3,127	3,284
Non-Operating Income/(Expense)	3,480	2,387	609	698	750
Profit Before Tax (pre-EI)	47,729	45,859	22,318	24,991	25,584
Exceptional Items					
Pre-tax Profit	47,729	45,859	22,318	24,991	25,584
Taxation	(14,323)	(12,231)	(5,445)	(6,427)	(6,536)
Exceptional Income - post-tax					
Profit After Tax	33,406	33,628	16,873	18,564	19,048
Minority Interests	(7,935)	(8,461)	(3,384)	(3,724)	(3,803)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	25,471	25,167	13,489	14,841	15,246
Recurring Net Profit	22,440	22,540	13,489	14,841	15,246
Fully Diluted Recurring Net Profit	22,440	22,540	13,489	14,841	15,246

Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	40,256	40,906	17,728	20,032	20,417
Cash Flow from Inv. & Assoc.	2,932	1,421	2,843	3,127	3,284
Change In Working Capital	3,920	(16,478)	(6,120)	(1,396)	5,756
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	489	606	727	872	1,047
Other Operating Cashflow	3,567	8,680	6,243	6,316	6,261
Net Interest (Paid)/Received	(6,735)	(7,498)	(7,855)	(8,062)	(8,044)
Tax Paid	(15,897)	(17,676)	(9,125)	(10,218)	(10,461)
Cashflow From Operations	28,532	9,961	4,440	10,670	18,259
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments					
Other Investing Cashflow	(48,732)	(12,412)	1,302	1,302	1,302
Cash Flow From Investing	(48,732)	(12,412)	1,302	1,302	1,302
Debt Raised/(repaid)	26,149	11,004	10,000	10,000	0
Proceeds From Issue Of Shares	119	32	0	0	0
Shares Repurchased					
Dividends Paid	(9,102)	(5,886)	(7,035)	(4,034)	(4,438)
Preferred Dividends					
Other Financing Cashflow	14,133	(18,708)	0	0	0
Cash Flow From Financing	31,298	(13,558)	2,965	5,966	(4,438)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	88,535	72,624	81,331	99,270	114,393
Properties Under Development					
Total Debtors	45,917	35,671	34,957	34,258	33,573
Inventories	406,016	326,740	310,511	319,915	336,005
Total Other Current Assets	103,921	105,203	105,661	106,315	107,001
Total Current Assets	644,388	540,238	532,461	559,758	590,972
Fixed Assets	184,657	196,473	207,456	219,142	231,570
Total Investments	26,747	29,186	29,186	29,186	29,186
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	19,859	20,877	21,324	22,221	23,409
Total Non-current Assets	231,263	246,536	257,966	270,550	284,166
Short-term Debt	14,501	20,657	22,657	24,657	24,657
Current Portion of Long-Term Debt					
Total Creditors	330,553	220,401	197,339	204,648	225,808
Other Current Liabilities	101,489	94,818	99,458	120,338	142,222
Total Current Liabilities	446,543	335,875	319,455	349,643	392,687
Total Long-term Debt	177,566	187,351	195,351	203,351	203,351
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,742	1,699	1,869	2,056	2,262
Total Non-current Liabilities	179,308	189,050	197,220	205,407	205,613
Total Provisions	27,923	28,670	30,103	31,608	33,189
Total Liabilities	653,774	553,595	546,778	586,658	631,489
Shareholders' Equity	124,949	142,100	151,555	151,555	151,555
Minority Interests	96,928	91,079	92,094	92,094	92,094
Total Equity	221,878	233,179	243,649	243,649	243,649

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	21.0%	12.2%	(27.9%)	(12.6%)	1.9%
Operating EBITDA Growth	(3.5%)	1.6%	(56.7%)	13.0%	1.9%
Operating EBITDA Margin	18.0%	16.3%	9.8%	12.7%	12.7%
Net Cash Per Share (Rmb)	(17.04)	(21.55)	(21.76)	(20.49)	(18.09)
BVPS (Rmb)	20.57	22.62	24.13	24.13	24.13
Gross Interest Cover	5.07	4.65	1.94	2.14	2.18
Effective Tax Rate	14.2%	10.2%	21.7%	21.7%	21.6%
Net Dividend Payout Ratio	30.2%	21.1%	28.3%	27.5%	27.6%
Accounts Receivables Days	67.66	59.42	71.34	80.22	76.96
Inventory Days	855.0	677.0	753.8	887.7	904.2
Accounts Payables Days	686.3	509.0	494.1	566.0	593.4
ROIC (%)	10.5%	9.3%	3.6%	3.9%	4.1%
ROCE (%)	10.1%	9.3%	4.0%	4.3%	4.3%
Return On Average Assets	5.04%	4.96%	2.13%	2.34%	2.28%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Contracted sales (Rmb m)	290,090.0	201,588.0	174,055.6	180,545.1	198,981.2
Contracted sales GFA (m sq m)	17.1	13.0	11.3	11.7	12.9
Overall gross profit margin (%)	25.3%	21.2%	14.6%	17.7%	17.7%
SG&A expense / revenue (%)	7.0%	6.7%	7.3%	4.8%	4.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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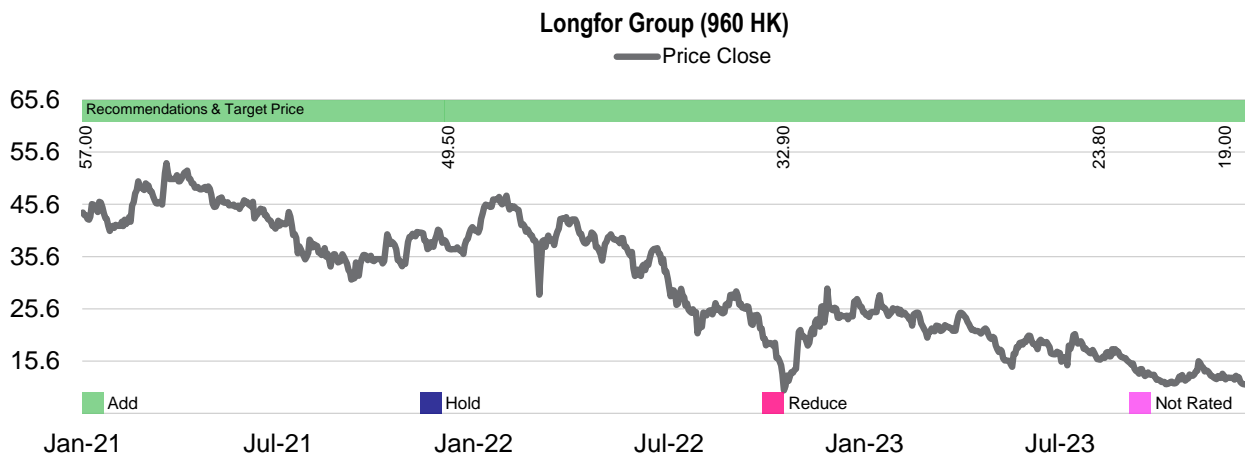
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636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

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.
<i>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.</i>	
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