

Yuexiu Property

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DBS Group Research . Equity

9 Jan 2024

BUY

Last Traded Price (8 Jan 2024): HK\$5.61 (HSI : 16,224)

Price Target 12-mth: HK\$7.52 (34% upside) (Prev HK\$11.60)

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What's New

- Likely to deliver another year of presales outperformance supported by solid land acquisition pace in FY23
- A potentially upbeat presales target for FY25F that is pending for announcement in March could be a share price catalyst
- Trimmed FY23-25F earnings by 6-10% on lower margin assumptions to reflect the ongoing physical market downcycle
- Maintain BUY with HK\$7.52 TP

Price Relative



Forecasts and Valuation

FY Dec (RMB m)	2022A	2023F	2024F	2025F
Turnover	72,416	81,380	89,862	97,419
EBITDA	10,898	11,451	12,975	12,644
Pre-tax Profit	10,830	11,637	13,117	12,643
Net Profit	3,953	4,064	4,061	4,179
Core Profit	4,240	4,064	4,061	4,179
Core Profit Gth (%)	2.2	(4.2)	(0.1)	2.9
Core EPS (RMB)	1.37	1.01	1.01	1.04
Core EPS (HK\$)	1.50	1.10	1.10	1.13
Core EPS Gth (%)	2.2	(26.3)	(0.1)	2.9
Core PE (X)	3.7	5.1	5.1	4.9
P/Cash Flow (X)	4.3	nm	nm	10.3
EV/EBITDA (X)	9.8	10.0	9.3	9.7
DPS (HK\$)	0.71	0.44	0.44	0.45
Div Yield (%)	12.7	7.8	7.8	8.0
Net Gearing (%)	62.7	55.0	54.3	50.9
ROE (%)	8.3	7.0	6.7	6.6
Book Value (HK\$)	16.74	15.78	16.45	17.14
P/Book Value (X)	0.3	0.4	0.3	0.3

EPS Rev (%)		(6)	(8)	(10)
Consensus EPS (RMB)		1.17	1.25	1.37
Other Broker Recs:		B:27	S:0	H:0

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Poised for outperformance

Investment Thesis

Local SOE with multiple landbanking channels and unique asset recycling platform. Yuexiu Property (YXP) is the development arm of Yuexiu Group, a SOE based in Guangdong province. Leveraging on its background and strategic investor Guangzhou Metro, YXP has access to quality projects via multiple landbanking channels – from ordinary public auctions and M&A to SOE collaborations and transit-oriented developments (TOD). The company also has a unique “dual platform” and can monetize its matured investment properties via asset injections into its 37%-owned offshore REIT platform, Yuexiu REIT (405 HK).

Profit margins may take longer to recover. While YXP recorded another year of presales outperformance in 2023 (+13% y-o-y), the company is not immune to the ongoing property sector downcycle and has offered mild price discounts on its projects for sale. This would bring its presales GPM to c.17-18% on our estimates, marginally lower vs our original expectation. This, coupled with a continually challenging market outlook for 2024, may delay YXP's margin recovery trajectory. Along with possible inventory impairments, we have trimmed our FY23-25F earnings by 6-10%.

Poised to deliver another year of sector-leading presales growth.

Supported by another year of solid land acquisitions (c.38% of presales to land premium in 2023, 100% in Tier 1 and 2 cities), YXP remains one of the best positioned to record above-sector presales growth. The company is currently reviewing its 14th FYP targets and potential announcement of an upbeat FY25F presales guidance in Mar could serve as a share price catalyst.

Maintain BUY with HK\$7.52TP.

We believe YXP's share price outperformance will continue to be backed by its solid presales and earnings outlook. Our TP is based on 0.45x FY24F PB, the average level in FY17 when the company delivered similar core ROE of c.7%.

Key Risks

Slower-than-expected presales momentum; slippages in project completion; stronger than expected margin compression

At A Glance

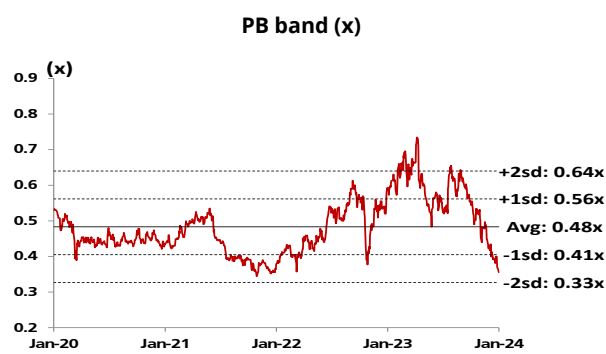
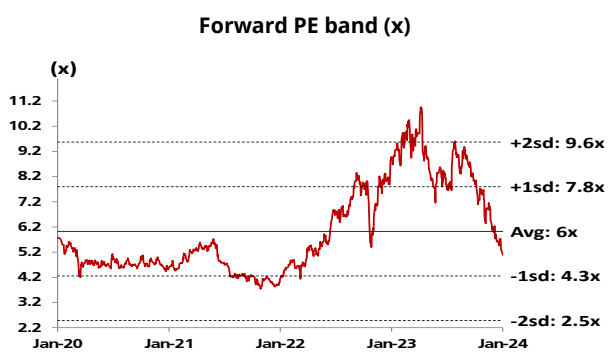
Issued Capital (m shrs)	3,250
Mkt Cap (HKm/US\$m)	18,720 / 2,398
Major Shareholders (%)	
Yue Xiu Enterprises (Holdings) Limited	36.8
Guangzhou Metro Group Co., Ltd.	19.9
Free Float (%)	36.7
3m Avg. Daily Val. (US\$m)	7.4
GICS Industry: Real Estate / Real Estate Management & Development	

Yuexiu Property

Company Background

Yuexiu Property Company Ltd. (Yuexiu Property) is a PRC real estate developer that originates from Guangdong and has since expanded into various cities in China. The company also owns a real estate investment trust platform – Yuexiu REIT (405.HK). In 2019, the company successfully brought in GZ Metro as a key strategic shareholder (which currently owns a 19.9% stake in Yuexiu Property). Currently, the board has six members, namely two executive directors (EDs) from senior management, three EDs from Yuexiu Group, and one new non-ED from GZ Metro.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Yuexiu Property

Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenues (RMB m)					
Property development	54,153	68,728	76,896	84,739	91,550
Property management	1,410	1,841	2,209	2,651	3,181
Property investment	642	325	600	630	662
Others	1,173	1,522	1,674	1,842	2,026
Total	57,379	72,416	81,380	89,862	97,419

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Turnover	57,379	72,416	81,380	89,862	97,419
Cost of Goods Sold	(44,896)	(57,610)	(67,032)	(74,094)	(80,243)
Gross Profit	12,482	14,806	14,348	15,768	17,176
Other Opg (Exp)/Inc	(3,213)	(3,811)	(3,255)	(3,594)	(4,286)
Operating Profit	9,269	10,995	11,093	12,173	12,890
Associates Inc	415	(97)	358	802	(245)
Net Interest (Exp)/Inc	(350)	(279)	186	142	(1)
Exceptional Gain/(Loss)	1,508	211	0	0	0
Pre-tax Profit	10,842	10,830	11,637	13,117	12,643
Tax	(5,569)	(4,692)	(5,042)	(5,683)	(5,478)
Minority Interest	(1,685)	(2,184)	(2,531)	(3,373)	(2,986)
Net Profit	3,589	3,953	4,064	4,061	4,179
Core Profit	4,150	4,240	4,064	4,061	4,179
Sales Gth (%)	24.1	26.2	12.4	10.4	8.4
Net Profit Gth (%)	(15.5)	10.2	2.8	(0.1)	2.9
Core Profit Gth (%)	3.2	2.2	(4.2)	(0.1)	2.9
Gross Mgn (%)	21.8	20.4	17.6	17.5	17.6
Core Profit Margin (%)	7.2	5.9	5.0	4.5	4.3
Tax Rate	51.4	43.3	43.3	43.3	43.3

Source: Company, DBS HK

Yuexiu Property

Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Fixed Assets	3,896	4,748	4,411	4,073	3,736
InvtS in Assocs & JVs	23,548	29,628	29,986	30,788	30,543
Other LT Assets	23,607	28,001	28,001	28,001	28,001
Cash & ST InvtS	40,511	35,131	33,429	29,949	29,648
Other Current Assets	222,305	248,856	315,959	363,430	397,850
Total Assets	313,867	346,365	411,787	456,242	489,777
ST Debt	29,802	15,744	12,744	9,744	6,744
Creditors	68,786	77,960	83,368	81,951	89,159
Other Current Liab	84,033	84,805	132,596	173,648	195,426
LT Debt	45,732	72,554	74,554	76,554	78,554
Other LT Liabilities	11,135	10,496	10,496	10,496	10,496
Minority Interests	28,131	37,363	39,894	43,267	46,253
Shareholder's Equity	46,248	47,443	58,134	60,581	63,146
Total Capital	313,867	346,365	411,787	456,242	489,777
Share Capital (m)	3,096	3,096	4,025	4,025	4,025
Net Cash/(Debt)	(35,023)	(53,167)	(53,869)	(56,349)	(55,650)
Working Capital	69,486	86,090	99,995	107,830	113,265
Net Gearing (%)	47.1	62.7	55.0	54.3	50.9

Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Profit Before Tax	10,843	10,830	11,637	13,117	12,643
Assoc. & JV Inc/(loss)	(415)	97	(358)	(802)	245
Tax Paid	(5,565)	(6,766)	(5,042)	(5,683)	(5,478)
Depr/Amort	346	0	0	0	0
Chg in Wkg.Cap.	(7,448)	(16,605)	(13,905)	(7,835)	(5,435)
Other Non-Cash	(2,436)	16,163	(187)	(126)	21
Operating CF	(4,676)	3,719	(7,854)	(1,329)	1,997
Net chg in inv.	0	0	0	0	0
Assoc, MI, Invsmt	(6,519)	(7,058)	524	463	317
Investing CF	(6,519)	(7,058)	524	463	317
Net Chg in Debt	8,219	10,579	(1,000)	(1,000)	(1,000)
New Capital	0	0	7,469	0	0
Dividend	(1,641)	(1,772)	(842)	(1,616)	(1,614)
Other Financing CF	9,215	(16,521)	0	0	0
Financing CF	15,793	(7,714)	5,627	(2,616)	(2,614)
Chg in Cash	4,553	(10,920)	(1,703)	(3,481)	(301)
Chg in Net Cash	(4,503)	(18,144)	(702)	(2,480)	699

Source: Company, DBS HK

Yuexiu Property

Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	17-Jan-23	HK\$11.08	HK\$13.82	BUY
2	16-Mar-23	HK\$11.08	HK\$13.96	BUY
3	21-Jun-23	HK\$9.10	HK\$11.63	BUY
4	25-Jul-23	HK\$8.40	HK\$11.60	BUY

Source: DBS HK

Analyst: Ben Wong
 Jason Lam
 Dexter Chun

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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

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