ICBC 工银国际

Equity Research

Company Note

Rating **BUY**

16 January 2013

Yuexiu Property

Guangzhou residential market leader

Philip Tse, CFA
(852) 2683 3211
philip.tse@icbci.com.hk

Yuexiu Property ("Yuexiu") has achieved a fruitful year 2012 with total contracted sales amounted to Rmb12.3bn, 123% of 2012 sales target. During the year, cash generated from the disposal of Guangzhou IFC to GZI REITs has provided plenty of liquidity for its fast landbank expansion. As at 13 January, Yuexiu's landbank has a total GFA of 14.2mn sqm, comparing to 11.2mn sqm (Dec 2011). With fast expansion in landbank, we estimate the total saleable resources for 2013 can exceed Rmb30bn and achieve contracted sales over Rmb16bn, 25% YoY growth. We reiterate BUY rating on the counter with target price at HK$3.70 (old: HK$3.30), based on 30% discount.

One of the highest run-rate level among peers. Yuexiu has achieved total contracted sales of Rmb12.3bn in 2012, representing a YoY growth of 36% or a run-rate of 122% of its annual sales target of Rmb10bn, almost the highest among peers. The total contracted GFA was amounted to 1.035mn sqm, representing ASP of Rmb11,884psm. Including subscription sales, the total sales amounted to Rmb16.1bn.

Plenty of saleable resources for 2013. We estimate that the total saleable resources for 2013 will reach Rmb30bn, about 36% higher than 2012. Excluding the subscription sales of about Rmb3.8bn pending to be contracted, with 56% sale-through rate achieved in 2012, we believe the company can achieve contracted sales of over Rmb16bn assuming same sale-through rate as 2012. Any further potential disposal of non-core investment properties will provide additional boost to sales performance.

Divesture of Guangzhou IFC provides plenty of liquidity for expansion. The disposal proposal of Guangzhou IFC concluded last year has provided plenty of financial resources for fast expansion. During the year, Yuexiu has acquired 13 new projects with total GFA of about 2.97mn sqm for total considerations of Rmb8bn. As of mid-Jan 2013, the total landbank of Yuexiu has reached 14.2mn sqm, comparing to 11.2mn sqm in Dec 2011.

Projects acquired in 2012

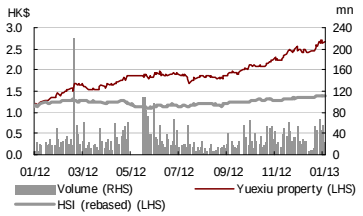
Project	Time	Location	Type	GFA (k sqm)	Land Cost (Rmb mn)
Conghua Jiangpu Town Project	Jun	Guangzhou	R	184.9	164
Hangzhou Lin'an Phase III Land	Aug	Hangzhou	R/C	214.6	254
Hong Kong Prince Edward Road Project	Aug	Hong Kong	R	3.7	152
Yantai Land Project	Sep	Yantai	R/C	480.0	530
Luogang Land Project	Sep	Guangzhou	R	226.4	1,250
Luogang Changling Road Project	Oct	Guangzhou	R	314.3	1,650
Wuhan Jiang'an District Land Project	Oct	Wuhan	R/C	323.9	1,201
Wuhan Jiang'an District Land Project II	Nov	Wuhan	R/C	152.9	568
Shenyang Changbai Island Land Project	Nov	Shenyang	R/C	154.8	400
Simpo Island Project	Nov	Haikou	R	68.0	350
KunShan Huaqiao land Project	Dec	Kunshan	R	492.5	496
Qingdao Licang District Project	Dec	Qindgao	R/C	353.9	1,011
TOTAL				**2969.9**	**8,026**

Source: company data, HKEx, ICBCI Research

Sector	**Property**
Key Data	
Ticker	**123.HK**
Price (15 Jan)	**HK$2.73**
Target price	**HK$3.70**
52W High	HK$2.77
52W Low	HK$1.77
Mkt. Cap. (HK$mn)	25,384
Mkt. Cap. (US$mn)	3,274
Total Issued Share (mn)	9,298
Avg. 3mths t/o (HK$mn)	72

Shareholdings Structure	
Guangzhou Yue Xiu Holdings Limited	49.8%
Free float	50.2%

Price performance



performance %	1m	3m	6m
123.HK	10.5	28.2	45.2
HSI	3.4	10.3	22.3

Earning forecast (Rmb mn)

YE 31 Dec	10A	11A	12F	13F	14F
Turnover	5,634	9,569	8,959	14,241	18,830
yoy (%)	20.6	69.8	(6.4)	59.0	32.2
EBITDA	2,240	8,872	3,885	4,534	6,002
yoy (%)	257.2	296.0	(56.2)	16.7	32.4
Net profit	919	5,137	2,045	2,339	3,010
yoy (%)	(251.3)	458.9	(60.2)	14.4	28.7
Recurring profit	725	1,420	2,045	2,339	3,010
yoy (%)	65.1	95.9	44.0	14.4	28.7
EPS (Rmb)	0.10	0.15	0.22	0.25	0.32
yoy (%)	57.3	57.9	44.0	14.2	28.7
DPS (HK$)	-	0.09	0.11	0.13	0.16
yoy (%)	na	na	29.6	14.2	28.7

Key ratios

YE 31 Dec	11A	12F	13F
PER (x)	14.5	9.9	8.5
EV/EBITDA (x)	3.6	7.0	6.4
PBR (x)	1.0	0.9	0.9
Yield (%)	3.1	4.0	4.6
ROE (%)	7.9	9.7	10.4
Net Debt/equity (%)	77.2	52.4	55.6

Next year forward PER



Source: HKEx, Bloomberg, Company data & ICBCI estimates

ICBC International Capital Limited and/or ICBC International Securities Limited have an investment banking relationship with Yuexiu Property within the past 12 months.

Healthy financials with high earnings visibility. Despite the fast and aggressive land acquisition, thanks to the divesture of GZ IFC, we believe Yuexiu had a manageable cashflow for year 2012. We estimate Yuexiu had approximately Rmb6.8bn cash on hand with net gearing ratio at about 52% as at end 2012. Further, due to high sale-through achieved, we estimate the total unrecognized contracted sales has reached Rmb15bn as at end 2012, which provide high earnings locked-in for 2H12 as well as 2013.

Valuation and recommendation. Taking into account the latest land acquisitions, we have revised our NAV estimate from HK$4.40 per share to HK$5.28 per share. We believe the company is emerging as a nationwide developer which mitigates the geographical and local policy risks. With the divesture of GZ IFC, we expect the company's asset turnover is accelerating and is entering a fast growing period. While the counter is currently trading at 50% discount to our estimated NAV, we believe it is undemanding for a financially solid, SOE-background and fast growing developer. We reiterate our **BUY** rating on Yuexiu with target price at HK$3.70 (old: HK$3.30), representing 30% discount to NAV compared with peers' average at 37%.

Peers comparison – valuation

Company	Ticker	15 Jan Price HK$	Target Price HK$	Rating	NAV HK$	% Prem/ (Disc)	PER (x) Nxt. Y	PER (x) Nxt. 2Y	EPS chg (%) Nxt. Y	EPS chg (%) Nxt. 2Y	PBR (x) Nxt. Y	PBR (x) Nxt. 2Y	Dvd yield (%) Nxt. Y	ROE (%) Nxt. Y
Hopson	754.HK	16.66	na	na	**31.18**	(46.6)	17.6	12.4	(16.4)	41.8	0.7	0.7	0.4	3.1
R&F Properties	2777.HK	14.76	na	na	**22.29**	(33.8)	8.3	7.8	67.0	5.8	1.5	1.3	4.8	18.9
Shimao Property*	813.HK	17.18	18.55	BUY	**23.19**	(25.9)	10.9	9.0	22.0	21.3	1.5	1.3	2.3	14.1
Shui On Land*	272.HK	3.79	4.87	BUY	**10.83**	(65.0)	9.9	9.0	16.2	9.4	0.6	0.6	3.5	5.7
Greentown China	3900.HK	16.86	na	na	**27.47**	(38.6)	7.4	6.8	309.6	10.3	1.5	1.3	1.9	22.0
Franshion Properties*	817.HK	2.92	3.21	BUY	**4.94**	(40.9)	11.2	8.3	44.7	18.0	0.7	0.6	2.6	8.8
Soho China*	410.HK	6.39	5.13	SELL	**9.32**	(31.4)	6.8	5.4	216.1	25.6	1.2	1.1	5.5	17.3
China Overseas	688.HK	25.00	na	na	**24.13**	3.6	13.2	11.2	93.7	18.1	2.4	2.1	1.6	20.0
China Resources Land	1109.HK	23.15	na	na	**21.43**	8.0	18.7	15.9	88.6	17.7	2.0	1.8	1.3	11.0
Sino-Ocean*	3377.HK	6.17	5.35	HOLD	**8.91**	(30.8)	9.0	7.5	29.3	19.7	0.8	0.7	2.7	9.3
Yuexiu Property*	**123.HK**	**2.73**	**3.70**	**BUY**	**5.28**	**(48.3)**	**9.9**	**8.5**	**44.0**	**14.2**	**0.9**	**0.9**	**4.0**	**9.7**
Glorious Property	845.HK	1.61	na	na	**4.26**	(62.2)	6.8	5.4	2.6	25.8	0.5	0.5	1.0	8.2
Evergrande*	3333.HK	4.56	5.02	BUY	**10.67**	(57.3)	6.6	6.3	1.7	4.7	1.5	1.3	5.3	24.0
Central China*	832.HK	2.98	3.30	BUY	**6.00**	(50.3)	6.8	4.8	17.6	41.1	1.2	1.1	4.9	16.9
Fantasia*	1777.HK	1.33	na	na	**2.44**	(45.5)	5.6	5.0	(17.4)	12.6	0.9	0.8	3.9	12.9
Poly Property*	119.HK	6.36	7.15	BUY	**11.00**	(42.2)	9.3	7.6	13.2	22.6	0.9	0.8	2.2	9.7
Longfor*	960.HK	14.96	13.73	HOLD	**18.30**	(18.3)	11.2	9.3	30.1	20.3	2.5	2.1	1.7	23.7
Sunac*	1918.HK	6.99	8.29	BUY	**11.05**	(36.7)	6.0	5.0	59.5	18.5	2.0	1.7	1.6	29.2
Mean						**(37.2)**	**9.3**	**7.7**	**51.2**	**19.7**	**1.3**	**1.1**	**3.2**	**14.5**

*Source: Bloomberg, * ICBCI estimates*

ICBC International Capital Limited and/or ICBC International Securities Limited have an investment banking relationship with Fantasia within the past 12 months.

Sales
Telephone: (852) 2683 3888 Fax: (852) 2683 3881

Research
Telephone: (852) 2683 3888 Fax: (852) 2683 3222

Important Disclosures

ICBCI Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -15% over next 12 months
SELL	: Stock with potential loss of over 15% over next 12 months
SPECULATIVE BUY	: Stock with potential return of over 20% over next 3 months, with high volatility
SPECULATIVE SELL	: Stock with potential loss of over 20% over next 3 months, with high volatility

ICBCI is the wholly owned subsidiary of Industrial and Commercial Bank of China

Investors should assume that ICBCI does or seeks to have investment banking or other business relationships with the companies in this report.
Additional information is available upon request.
The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers; and no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in this report.

ICBC International Research Limited

Address: 37/F., ICBC Tower, 3 Garden Road, Central, Hong Kong Tel: (852) 2683 3888 Fax: (852) 2683 3900

"Copyright 2009 ICBC International Research Limited ("ICBCI"). This report has been prepared solely for ICBCI clients and clients of certain affiliated companies of ICBCI on the basis that no part of it will be reproduced, transmitted or made available to any other person. ICBCI and companies and persons associated with ICBCI may from time to time, to the extent permitted by law, perform investment, advisory or other services for companies mentioned in this report, as well as deal (as principal or otherwise) in, or otherwise be interested in, any securities mentioned herein.

The securities mentioned in this report may not be (or, where relevant, continue to be) suitable for all clients. Accordingly, this report does not constitute an offer to sell or a solicitation to buy, sell or hold securities. The information herein has been obtained from sources believed to be reliable, but its accuracy and completeness cannot be guaranteed. No liability or responsibility is accepted for any errors or for any negligence, default or lack of care or for any loss or damage whatsoever that may arise from actions based on material contained in this report. This document is not to be relied on as such or used in substitution for the exercise of independent judgment.

For recipients of this document in Singapore
This document has been prepared by one or more companies within the ICBCI Group and is prepared for and distributed to you by the Singapore branch of Industrial and Commercial Bank of China.

For recipients of this document in the United Kingdom
This report has been provided only to persons falling within Article 11(3) of the UK Financial Services Act 1986(Investment Advertisements)(Exemption)(No.2) Order 1995, and may not be provided to any other person without the prior written consent of ICBCI.

For recipients of this document in the United States
This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US, institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.