

02 April 2015

Hold
Unchanged

Market Data: Apr,1

Closing Price (HK\$)	3.13
Price Target (HK\$)	3.35
HSCEI	12,537
HSCCI	4,718
52-week High/Low (HK\$)	4.01/2.78
Market Cap (US\$m)	8,220
Market Cap (HK\$m)	63,702
Shares Outstanding (m)	20,352
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"Country Garden(2007 HK)—High quality lagger" Jan 8,2015

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引入平安成第二大股东 然协同效应短期料难显现

碧桂园 (2007:HK)

Financial summary and valuation

	2012	2013	2014	2015E	2016E
Revenue (Rmbm)	41,890	62,725	84,549	103,038	121,314
YoY (%)	21%	50%	35%	22%	18%
Underlying net income (Rmbm)	6,852	8,514	8,907	10,640	12,892
YoY (%)	18%	24%	5%	19%	21%
Basic EPS (Rmb)	0.38	0.46	0.53	0.49	0.57
Core EPS (Rmb)	0.38	0.46	0.47	0.49	0.57
ROE (%)	20.6%	20.9%	17.7%	17.0%	17.7%
Net gearing (%)	52%	64%	62%	51%	55%
Dividend yield (%)	5.7%	6.8%	6.3%	6.9%	8.0%
PE (x)	6.3	5.2	4.5	4.9	4.2
PB (x)	1.1	1.0	0.8	0.7	0.7

Note: Core EPS is calculated as if all non-recurring items are excluded.

投资要点:

碧桂园于昨日发布公告称将引入中国第二大保险公司平安人寿(2318HK)作为公司第二大股东。根据公告,碧桂园将以每股2.82港币(较停牌前交易价格折价10%,相当于0.7倍15年PB)的价格向平安人寿的附属公司定向增发22.4亿新股(占增发前股本的11%,或增发后股本的10%)。碧桂园的第一大股东,公司创始人杨国强先生及其家族所持股份将从65%下降到58%,公众持股量也将从35%下降到32%,平安不会派管理层进驻公司董事会。

公司管理层着重强调了此次与平安合作对公司未来发展的战略意义,今后两家公司将联手对接及开发碧桂园超过200个现有项目及这些项目涉及的逾35万户业主的社区资源以加强社区产业链以及发展覆盖住户日常活动的综合业务平台。同时会在不动产发展和社区金融整合方面展开进一步合作。

碧桂园引入平安人寿成第二大股东,但协同效应短期内难以显现,反而由增发导致的摊薄效应会在2015-2016年间有所反映。虽然本次交易完成后碧桂园将获得约63亿港币的资金用于房地产业务发展,公司资产负债表也将得到进一步优化,但基于所得大部分款项将用于收购新项目的假设,我们仅将2015年底公司净权益负债率预测值从55%略微下调至51%(2014年底为62%)。我们将15和16年核心每股收益预测值分别下调7%和10%至0.49元(同比增长5%)和0.57元(同比增长17%),并相应将每股净资产值从4.65港币下调4%至4.46港币。

作为定位三四线城市郊区的大型住宅开发商,该地区正面临供应过度等问题,因此碧桂园目前的首要任务是如何再保证不损失利润率的情况下维持公司业绩增长。我们认为此次引进平安人寿并不能有效解决这一问题。在昨天晚上举行的电话会议中,公司并没有上调既定的2015年合约销售目标(1350亿元人民币,同比仅增长5%)。由于此次交易将改善公司目前的财务状况,我们将目标净资产值折价从30%收窄至25%并将目标价从3.25港币上调至3.35港币。考虑到目前股价较新目标价存在7%的上行空间,我们维持公司中性评级。

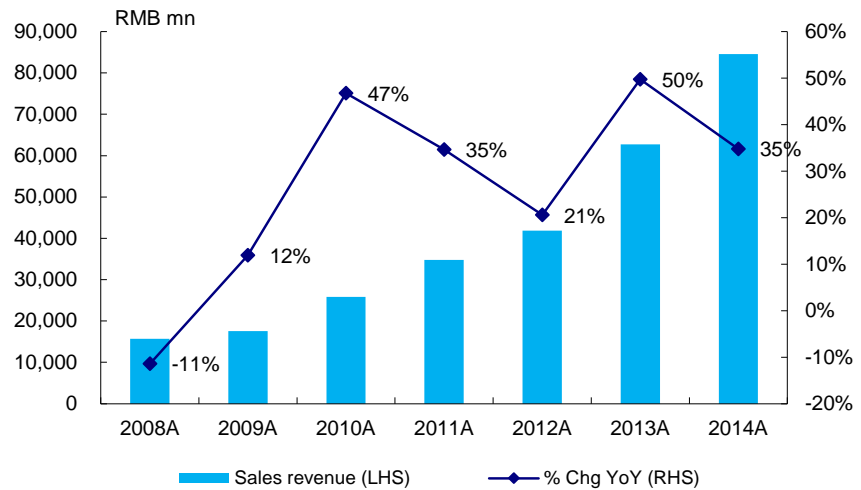
Introducing Ping An. China's second largest life insurer Ping An Insurance Group Co of China (2318:HK) will become the second largest shareholder in Guangdong-based mass residential developer Country Garden. In an agreement announced 01 April, Country Garden will issue 2.24bn new shares (c.11% of existing shares or c.10% of enlarged share capital) to a subsidiary of Ping An at HK\$2.82 per share (representing a 10% discount to the stock's close price prior to suspension of trading for the announcement, or c.0.7x 15E PB). Country Garden's largest shareholder, the family of founder Yeung Kwok Keung, will decrease to c.58% from the current c.65%, and the public float will decrease from c.35% to c.32%.

Long-term partnership. Country Garden stressed the strategic element of the tie-up, stating that the two companies could collaborate on the development of 200-plus existing projects currently being developed by the company. Ping An may be looking at the large communities in Country Garden projects; the company notes that more than 350,000 households own property in its projects.

Near-term dilution. The net proceeds from the deal will reach c.HK\$6.3bn, which Country Garden intends to direct towards general working capital for property business development. While we see realisation of any synergies as unlikely in the near-term, the impact of share dilution from the issue will be felt in 2015-16E. We cut our core EPS forecasts by 7% to Rmb0.49 (+5% YoY) in 15E and by 10% to Rmb0.57 (+17% YoY) in 16E. We adjust our net asset value (NAV) per share calculation accordingly, lowering it 4% from HK\$4.65 to HK\$4.46. We expect Country Garden's balance sheet to improve with the influx of capital, but assuming most of the proceeds are used on new acquisitions we revise down our end-2015 gearing forecast only slightly, from 55% to 51% (vs 62% at end-2014).

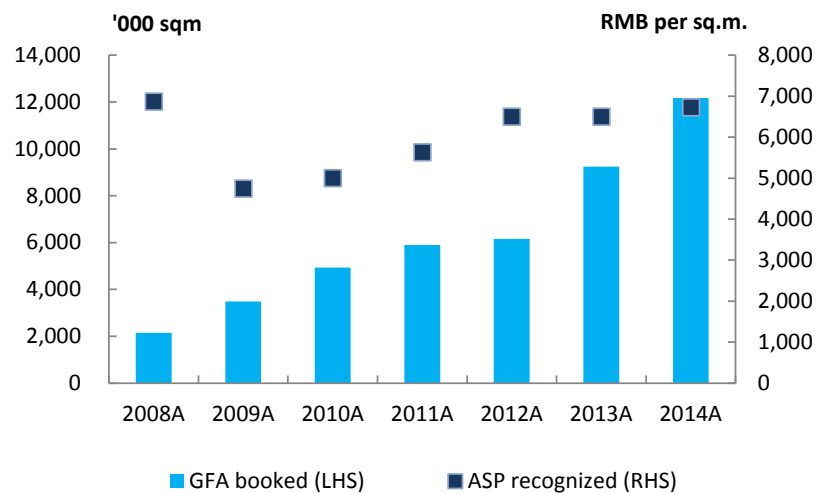
Maintain Hold. As a mass residential developer primarily concentrated in lower-tier cities, the most pressing issue for Country Garden at present is how to maintain growth without giving way on profitability. The introduction of Ping An as an investor, in our view, does not help solve this problem. We note that in its investor call, the company maintained its cautious outlook in setting this year's sales target at (Rmb135bn, +5% YoY). We narrow our target NAV discount from 30% to 25% due to the enhanced financial position of the company and update our target price from HK\$3.25 to HK\$3.35. With c.7% upside, we maintain our rating at Hold.

Figure 1: Revenue and growth



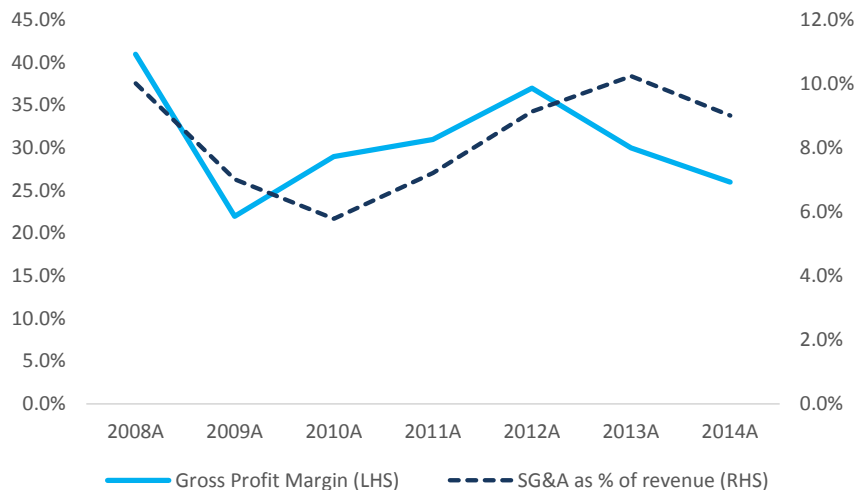
Source: Company data, SWS Research

Figure 2: GFA booked and ASP recognized



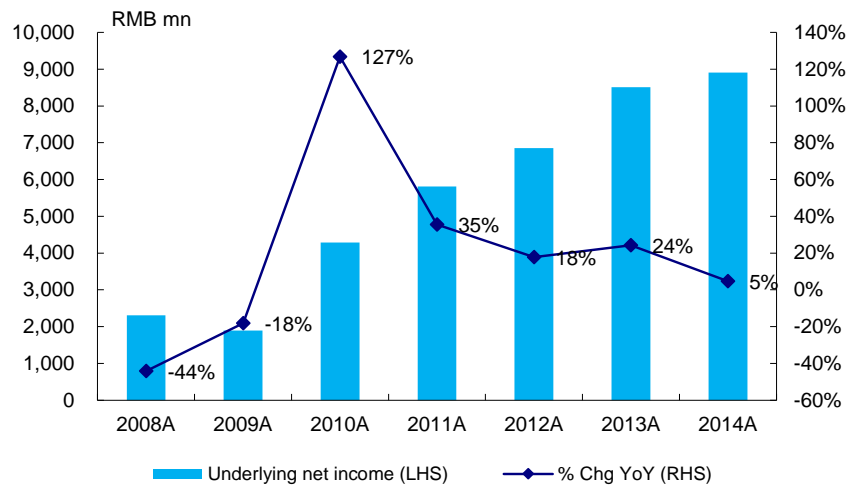
Source: Company data, SWS Research

Figure 3: Gross margin and expense ratio as percentage of revenue



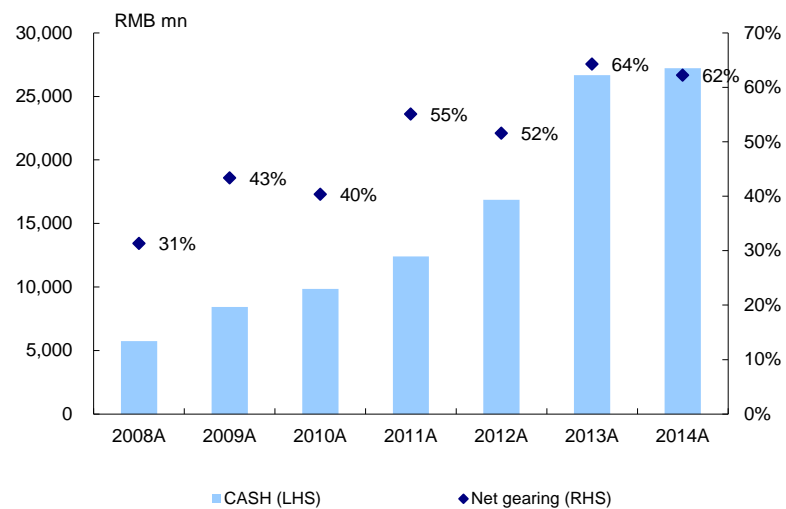
Source: Company data, SWS Research

Figure 4: Underlying earnings and growth



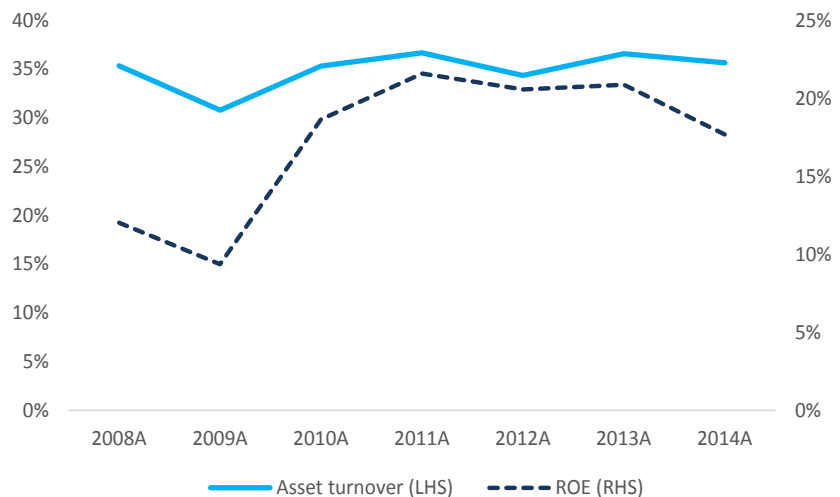
Source: Company data, SWS Research

Figure 5: Cash and net gearing



Source: Company data, SWS Research

Figure 6: Asset turnover and ROE



Source: Company data, SWS Research

Fig 7: Contracted sales record

Code	Listcos	Yearly Contracted Sales (RMB bn)							% Chg YoY, Yearly						
		09A	10A	11A	12A	13A	14T	14A	09A	10A	11A	12A	13A	14T	14A
000002 CH	Vanke	63	108	122	141	171	200	215	31%	72%	13%	16%	21%	17%	26%
600048 CH	A-share Poly	43	66	73	102	125	150	137	112%	52%	11%	39%	23%	20%	9%
688 HK	COLI	42	54	70	89	111	111	113	80%	28%	30%	28%	24%	0%	2%
2007 HK	Country Garden	23	33	43	48	106	128	129	33%	41%	32%	10%	123%	21%	21%
3333 HK	Evergrande	30	50	80	92	100	110	132	402%	66%	59%	15%	9%	10%	31%
813 HK	Shimao	23	31	31	46	67	80	70	88%	36%	1%	50%	46%	20%	5%
1109 HK	CR Land	25	22	36	52	66	70	69	213%	-11%	62%	45%	27%	6%	4%
3900 HK	Greentown	51	54	33	51	62	62	79	240%	5%	-39%	55%	22%	0%	28%
1918 HK	Sunac	6	8	18	32	51	65	66	70%	30%	112%	78%	61%	28%	30%
960 HK	Longfor	18	33	38	40	48	57	49	79%	82%	15%	5%	20%	18%	2%
600383 CH	Gemdale	21	28	31	34	45	60	49	78%	35%	9%	10%	32%	33%	9%
2777 HK	R&F	24	33	29	33	42	70	54	51%	36%	-11%	13%	27%	66%	29%
000024CH	China Merchant	15	15	21	36	43	50	51	131%	-1%	44%	73%	19%	16%	18%
3383 HK	Agile	20	32	32	33	40	48	44	73%	61%	-2%	5%	22%	19%	9%
3377 HK	Sino-ocean	14	22	27	31	36	40	40	96%	54%	26%	14%	15%	12%	12%
119 HK	Poly Ppty	8	12	16	23	27	28	24	45%	46%	35%	48%	14%	5%	-10%
1638 HK	Kaisa	6	10	15	17	24	30	29	114%	66%	53%	14%	38%	25%	21%
2868 HK	BCL	11	12	11	13	20	28	25	183%	17%	-11%	20%	48%	43%	27%
1813 HK	KWG	8	11	11	12	16	21	21	181%	45%	4%	7%	34%	30%	26%
884 HK	CIFI		7	5	10	15	22	21	--	--	-16%	75%	61%	44%	38%
123 HK	Yuexiu	6	9	9	12	15	22	22	98%	54%	2%	36%	19%	50%	50%
832 HK	Central China	4	5	8	10	14	17	16	6%	52%	48%	27%	34%	24%	12%
81 HK	COGO		3	6	11	14	18	14	--	--	87%	72%	28%	31%	5%
754 HK	Hopson	15	11	10	12	11	15	5	58%	-27%	-10%	17%	-3%	33%	-53%
337 HK	Greenland HK	6	6	3	3	3	12	13	203%	15%	-50%	-6%	16%	244%	271%
Total/Average		676	780	985	1,273	1,514	1,487		116%	37%	15%	26%	29%	19%	17%

Source: Company data, SWS Research

Fig 8: Land acquisitions

Listcos	Land purchase by value (Rmb bn)						As % of contracted Sales					
	09A	10A	11A	12A	13A	14A	09A	10A	11A	12A	13A	14A
Vanke	25	59	25	44	76	29	39%	55%	20%	31%	44%	13%
COLI	23	21	24	36	51	42	54%	39%	35%	40%	46%	35%
CR land	24	17	19	9	28	37	96%	78%	53%	18%	42%	53%
Country Garden	3	7	8	10	30	17	15%	20%	19%	20%	28%	13%
Shimao	12	21	10	4	35	19	54%	68%	31%	9%	52%	27%
Longfor	18	19	9	19	15	17	100%	58%	24%	48%	32%	35%
Evergrande	8	33	34	17	71	20	26%	66%	42%	18%	70%	15%
R&F	9	9	5	4	44	4	36%	27%	16%	11%	104%	8%
Sino-ocean	9	31	8	4	1	17	63%	144%	29%	12%	3%	43%
Agile	16	12	2	3	13	2	81%	38%	5%	8%	32%	5%
Sunac	1	4	8	11	26	12	17%	53%	48%	43%	74%	29%
Poly Ppty	12	13	4	2	9	8	148%	112%	25%	8%	32%	35%
KWG	3	10	4	2	6	8	44%	88%	36%	15%	36%	36%
Average	163	256	159	164	404	238	60%	65%	29%	22%	46%	27%

Source: Company data, SWS Research

Fig9: Valuation and target price

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	+/- (%)	PE (x)			PB (x)			NAV Disc	Return		
						13E	14E	15E	13E	14E	15E		2013	2014	2015
Vanke	2202 HK	23	Not Rated	--	--	10.5	8.8	7.7	2.1	1.7	1.4	-11%	11%	25%	5%
COLI	688 HK	211	BUY	30.60	18%	11.1	8.9	8.2	1.9	1.6	1.2	-16%	-5%	7%	12%
CR land	1109 HK	130	O-PF	24.57	10%	13.7	11.0	10.9	1.4	1.2	1.2	-18%	-8%	9%	9%
Country Garden	2007 HK	57	Hold	3.35	7%	5.4	5.4	5.1	1.0	0.8	0.8	-30%	20%	-29%	1%
Shimao	813 HK	57	O-PF	19.40	18%	6.2	5.8	4.7	1.1	1.0	0.8	-41%	22%	2%	-5%
Longfor	960HK	61	BUY	12.62	13%	7.8	7.4	6.6	1.3	1.0	0.9	-38%	-27%	-5%	12%
Evergrande	3333 HK	62	U-PF	3.13	-19%	6.0	5.4	4.8	0.9	0.7	0.6	-38%	-30%	25%	23%
R&F	2777 HK	26	U-PF	7.02	-13%	3.5	5.2	4.5	0.6	0.6	0.5	-54%	-8%	-11%	-15%
Sino-ocean	3377 HK	34	BUY	6.63	38%	7.6	7.9	6.4	0.6	0.7	0.6	-49%	-9%	-10%	9%
Agile	3383 HK	17	O-PF	5.08	5%	3.0	3.4	4.1	0.4	0.4	0.4	-67%	-22%	-44%	10%
Sunac	1918HK	22	BUY	8.68	29%	5.0	4.8	3.9	1.0	0.9	0.7	-46%	-21%	81%	-15%
Poly Ppty	119 HK	14	U-PF	3.30	-13%	8.8	25.3	16.4	0.4	0.4	0.4	-48%	-29%	-18%	19%
KWG	1813 HK	16	O-PF	6.15	9%	5.6	5.1	4.2	0.7	0.6	0.6	-45%	-20%	33%	6%
Average						7.0	8.0	6.7	0.9	0.8	0.7	-41%	-10%	5%	5%

Source: Bloomberg, Company data, SWS Research

APPENDIX

Figure 1: Forecast Income Statement

(Rmbm)	2009A	2010A	2011A	2012A	2013A	2014A	2015E	2016E
Revenue	17,586	25,804	34,748	41,890	62,725	84,549	103,038	121,314
Property sales	16,545	24,638	33,194	40,012	60,043	81,898	100,050	117,934
Construction business	378	289	241	314	867	468	538	619
Ppty mgmt	349	405	512	592	820	1,051	1,261	1,513
Hotel mgmt	314	472	801	972	995	1,132	1,189	1,248
Cost of Sales	(12,936)	(17,453)	(22,753)	(26,552)	(43,713)	(62,494)	(78,222)	(92,530)
Gross Profit	4,650	8,351	11,995	15,339	19,012	22,055	24,816	28,784
Revaluation gains						1,880		
Other Income	189	41	43	103	21	186	50	70
Distribution expenses	(325)	(622)	(1,128)	(2,186)	(4,304)	(4,356)	(4,455)	(4,752)
Administrative expenses	(856)	(833)	(1,320)	(1,568)	(2,033)	(3,160)	(3,318)	(3,484)
EBIT	3,659	6,938	9,591	11,688	12,696	16,605	17,093	20,618
Fair value changes on derivative financial instruments	251	55	15	74				
Share of loss of an associate		(48)	121	(94)	(26)	(40)	(30)	(50)
Finance Costs	(652)	(225)	(120)	(126)	803	(196)	(211)	(219)
Profit before tax	3,258	6,720	9,606	11,541	13,473	16,369	16,852	20,349
Tax expense	(1,132)	(2,402)	(3,768)	(4,657)	(4,625)	(5,757)	(5,814)	(6,974)
Inc tax	(685)	(1,529)	(2,320)	(2,396)	(2,990)	(4,112)	(4,213)	(5,087)
LAT	(275)	(873)	(1,448)	(2,261)	(1,635)	(1,645)	(1,601)	(1,887)
Deferred	(172)							
Profit for the year	2,126	4,318	5,838	6,884	8,848	10,612	11,038	13,375
-To Non-controlling shareholders	(46)	(27)	(25)	(32)	(334)	(383)	(398)	(483)
To controlling shareholders	2,080	4,291	5,813	6,852	8,514	10,229	10,640	12,892
Dividends paid	(740)	(1,605)	(2,163)	(2,527)	(3,106)	(3,002)	(3,724)	(4,512)
Basic EPS (RMB)	0.13	0.26	0.33	0.38	0.46	0.53	0.49	0.57
Diluted EPS (RMB)	0.13	0.26	0.33	0.38	0.46	0.53	0.49	0.57
DPS (RMB)	0.05	0.10	0.13	0.14	0.17	0.16	0.17	0.20
Core EPS	0.12	0.26	0.33	0.38	0.46	0.47	0.49	0.57

Figure 2: Forecast Balance Sheet:

(Rmbm)	2009A	2010A	2011A	2012A	2013A	2014A	2015E	2016E
Land use rights	1,102	1,096	1,326	1,390	1,865	2,035	2,055	2,075
Investment property	141	134	126	118	112	7,036	7,106	7,177
PP&E	3,878	5,552	8,055	11,614	15,828	18,643	21,439	24,655
Properties under development	13,195	17,398	26,551	25,700	40,080	44,639	51,335	59,035
Others	2,948	1,240	1,523	1,789	2,141	3,063	4,218	4,030
Non-current assets	21,264	25,420	37,581	40,611	60,026	75,415	86,153	96,973
Properties under development	20,247	23,761	28,370	39,155	67,474	105,994	135,270	163,085
Completed properties held for sale	5,107	8,079	12,876	18,497	18,920	23,203	22,043	20,941
Cash and cash equivalents	4,609	5,094	7,745	11,809	18,910	18,761	19,215	13,200
Restricted cash	3,815	4,759	4,649	5,051	7,770	8,453	9,721	11,179
Receivable	7,058	12,373	12,535	17,124	26,378	25,371	27,908	30,699
Others	1,840	2,595	3,554	4,275	6,761	10,835	12,460	14,329
Current assets	42,676	56,661	69,729	95,911	146,213	192,617	226,617	253,433
Total assets	63,940	82,081	107,310	136,522	206,239	268,032	312,770	350,405
Share capital and premiums	14,925	15,392	15,382	19,369	20,169	24,262	29,298	29,298
Retained earnings	5,151	8,436	12,240	16,307	21,590	28,181	35,097	43,477
Other reserves	1,094	993	1,368	1,902	2,194	4,243	4,285	4,328
Majority interests	21,170	24,821	28,990	37,578	43,953	56,686	68,680	77,103
Minority interests	371	597	1,077	1,307	2,058	5,756	5,814	5,872
Perpetual securities						3,090	3,090	3,090
Total equity	21,541	25,418	30,067	38,885	46,011	62,442	74,494	82,975
Borrowings	7,638	4,680	7,408	13,603	23,103	26,404	29,103	32,103
Senior notes	2,602	8,872	14,204	14,213	20,711	19,735	25,000	25,000
Convertible bonds	4,278		884					
Others	1,482	780	975	1,114	1,510	2,828	6,219	6,248
Non-current liabilities	16,000	14,332	23,471	28,930	45,324	48,967	60,322	63,351
Advanced sales proceeds	14,039	21,729	27,865	33,354	63,418	91,792	108,534	125,484
Trade Payable	6,565	9,077	12,810	19,030	30,914	40,925	45,018	49,519
Tax payable	2,545	4,023	5,707	7,227	8,138	8,976	10,322	11,871
Borrowings	3,250	5,184	6,469	8,152	12,434	14,930	11,586	11,086
Convertible bonds		1,381		945				
Others		937	921				2,494	6,120
Current liabilities	26,399	42,331	53,772	68,708	114,904	156,623	177,953	204,080
Total liabilities	42,399	56,663	77,243	97,638	160,228	205,590	238,276	267,431
Total equity and liabilities	63,940	82,081	107,310	136,522	206,239	268,032	312,770	350,406

Figure 3: Forecast Cash Flow Statement:

(Rmbm)	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
Cash generated from/(used in) operations	1,799	3,268	2,485	(9,113)	(9,677)	(5,820)	(9,000)	(5,000)
Others	(2,590)	(2,492)	(4,971)			(1,208)	(1,268)	(1,332)
Net cash generated from operating activities	(791)	776	(2,486)	(9,113)	(9,677)	(7,028)	(10,268)	(6,332)
Acquisitions	(3,057)	(2,096)	(2,811)			(2,050)	(2,153)	(2,260)
Others	70	76	182			70	74	77
Net cash generated from Investing activities	(2,987)	(2,020)	(2,629)	0	0	(1,980)	(2,079)	(2,183)
Proceeds from issuance of shares				3,987	800	4,093	5,036	0
Proceeds from placement of shares				2,000		3,090	0	0
Proceeds of CB or perpetual securities issuance			884	61	(945)	0	0	0
Proceeds of senior notes issuance	2,528	6,295	5,770	9	6,498	(976)	5,265	0
Net borrowings	3,063	(1,013)	4,032	7,120	10,425	2,652	2,500	2,500
Repurchase of CB		(3,371)	(1,381)					
Others	(208)	(77)	(1,312)					
Net cash generated from financing activities	5,383	1,834	7,993	13,177	16,778	8,859	12,801	2,500
Increase in cash and cash equivalents	1,605	590	2,878	4,064	7,101	(149)	454	(6,015)
Cash and cash equivalents at beginning of year	3,006	4,609	5,094	7,745	11,809	18,910	18,761	19,215
Exchange losses on cash and cash equivalents	(2)	(105)	(227)					
Cash and cash equivalents at end of the year	4,609	5,094	7,745	11,809	18,910	18,761	19,215	13,200

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