

12 March 2015

Hold
Unchanged

业绩增长令市场失望 维持中性评级

碧桂园 (2007:HK)

Market Data: Mar,11

Closing Price (HK\$)	2.98
Price Target (HK\$)	3.25
HSCEI	11,417
HSCCI	4,408
52-week High/Low (HK\$)	4.16/2.78
Market Cap (USD Mn)	7,825
Market Cap (HK\$ Mn)	60,648
Shares Outstanding (Mn)	20,352
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

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

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Financial summary and valuation

	2012	2013	2014	2015E	2016E
Revenue (Rmbm)	41,890.00	62,725.00	84,549.00	103,038.00	121,314.34
YoY (%)	21	50	35	22	18
Underlying net income (Rmbm)	6,851.56	8,513.76	8,906.88	10,639.79	12,892.26
YoY (%)	18.00	24.00	5.00	19.00	21.00
Net income (Rmbm)	6,851.56	8,513.76	10,229.13	10,639.79	12,892.26
EPS (Rmb)	0.38	0.46	0.53	0.52	0.63
Core EPS (Rmb)	0.38	0.46	0.47	0.52	0.63
ROE (%)	20.59	20.88	17.70	17.68	19.00
Net gearing (%)	51.57	64.26	62.25	56.37	56.72
Dividend yield (%)	5.65	6.75	6.32	7.37	8.93
PE (x)	6.27	5.19	4.46	4.56	3.76
PB (x)	1.10	0.96	0.73	0.70	0.62

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

投资要点:

碧桂园昨天中午发布 2014 年财报。2014 年公司核心净利同比增长 5%至人民币 89 亿元，核心每股收益同比增长 1%至每股 0.47 元，较我们之前的预测低 13 个百分点。虽然销售收入（同比增长 35%至 845 亿元）和房地产开发销售（同比增长 36%至 820 亿元）均超预期，但核心每股收益仅 1%的增长仍然令人失望。我们认为这次财报数据差强人意的主要原因如下：1）公司全年毛利率下降幅度超预期（从 2013 年的 30%下降至 26%，而我们的预测值为 27%）；2）两费费率（费用占收入比例）比我们的预测值高 1 个百分点（我们预测费率为 8%，而公司实际费率为 9%）；3）公司 2014 年汇兑损失为 26 亿元，而 2013 年汇兑收入为 50 亿元。公司宣布派发期末股息每股 0.16 元，基本与 2013 年持平。

由于公司在 2014 年 9 月宣布增发共集资 30 亿港元，公司年末净资产负债率从 2013 年底的 64%；2014 年中的 70%下滑至 62%。公司年末手持现金及现金等价物为 270 亿元，基本与去年持平；总借贷较 2013 年同期上升 8%至 610 亿元，其中，长期借贷同比增长 5%至 460 亿元，短期借贷同比增长 20%至 150 亿元。借贷成本下滑 38 个基点至 8.16%。

公司在 2013 年实现合约销售额同比增长 123%（同期行业平均为 29%），2014 年实现合约销售额同比增长 21%（同期行业平均为 17%）后，这个大本营位于广东并专注三四线城市的大型住宅开发商仅将 2015 年公司全年合约销售额增长目标定为 5%，期望基于 2400 亿元可售货源实现合约销售 1350 亿元。截至今年前 2 个月，公司合约销售额已经从 2014 年的高位同比下滑 55%至 110 亿元，这意味着公司从 3 月开始到 12 月结束平均每月合约销售额至少达到 124 亿元已达到全年销售增长目标。此外，2015 年公司交付面积目标为 1500 万方，同比增长 23%，但根据管理层指引，公司全年毛利率水平可能下滑 2 个百分点至 24%。

由于公司毛利率增长和销售额增长均放缓，我们将公司每股净资产值从 4.65 港币下调 7 个百分点至 5 港币；同时将 2015 和 2016 年的每股盈利预测分别下调 10 个和 9 个百分点至 0.52 元（同比增长 12%）和 0.63 元（同比增长 21%）。这相当于目前公司估值为 4.6 倍 15 年 PE，0.7 倍 15 年 PB，36%净资产值折价，而目前行业平均估值水平为 5.0 倍 15 年 PE，0.7 倍 15 年 PB，48%净资产值折价。在行业政策日益宽松背景下，我们认为短期存在由销售回暖带来的重估机会。我们维持目标净资产值折价 30%不变，得到新 12 个月目标价 3.25 港币。考虑到目前股价较目标价仍存在 9%的上升空间，我们维持公司中性评级。

Investment Highlights:

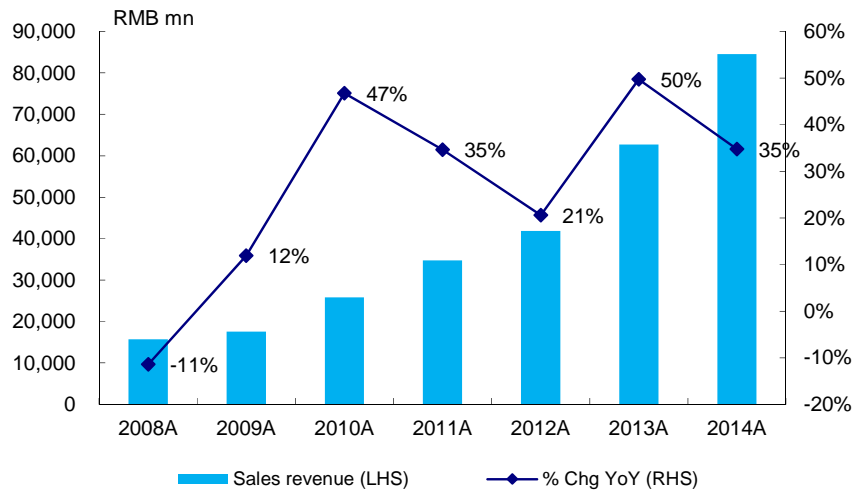
Results miss. Although Country Garden 2014 revenue of Rmb84.5bn (+35% YoY) beat our expectation, the company reported 2014 underlying net income of Rmb8.9bn (+5% YoY) and core EPS of Rmb0.47 (+1% YoY), 13% below our expectation. We attribute this to combination of higher-than-expected costs on both gross and operating levels, as well as a loss on foreign exchange. Gross margin fell from 30% in 2013 to 26% in 2014 (vs our forecast of 27%), while operating expenses, at 9% of revenue, were higher than our forecast of 8%). Furthermore, the company recognised an exchange loss of Rmb2.6bn for 2014, compared with a gain on foreign exchange of Rmb5bn in 2013. The company declared a final dividend of Rmb0.16, almost flat from 2013.

Gearing down. On back of a HK\$3bn rights issue in September 2014, Country Garden net gearing fell from 64% at end-2013 to 62% at end-2014, having peaked at 70% in mid-2014. Cash and cash equivalents remained flat at Rmb27bn and total borrowing increased by c.8% from one year earlier to Rmb61bn. Of this, long-term borrowings increased to Rmb46bn (+5% YoY) and short-term borrowings decreased to Rmb15bn (+20% YoY).

Softening guidance. After achieving contract sales growth of 123% YoY in 2013 (vs sector average growth of 29% YoY) and 21% YoY growth in 2014 (vs sector average of 17% YoY), Country Garden, a mass-residential developer with a focus on lower-tier cities, set its 2015 sales growth target at just 5% YoY (equivalent to sales of Rmb135bn, out of its sellable resources of Rmb240bn). Sales in the first two months of this year declined 55% YoY to Rmb11bn of a high base in early 2014. The company targets delivery in 2015 of 15mm². (+23% YoY), and forecasts a further 2ppts drop in gross margin to c.24%.

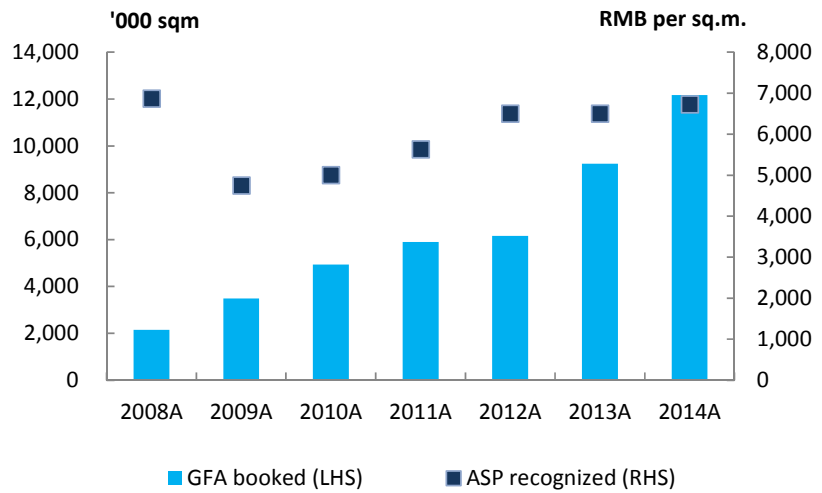
Maintain Hold. In light of the lower gross margin and slower sales growth, we cut our net asset value (NAV) forecast for Country Garden by 7% from HK\$5 to HK\$4.65 and revise down our EPS forecast by 10% from Rmb0.58 to Rmb0.52 (+11% YoY) in 15E and by 10% from Rmb0.7 to Rmb0.63 (+21% YoY) in 16E. This translates into a valuation of 4.6x 15E PE, 0.7x 15E PB, representing a 36% discount to NAV (vs a sector average of 5.0x 15E PE, 0.7x 15E PB, or 48% discount to NAV). We still see a high likelihood of a sector-wide re-rating in the months to come on the back of a policy-driven sales recovery. We maintain our target NAV discount at 30%, lowering our target price from HK\$3.5 to HK\$3.25. With c.9% upside, we maintain our Hold rating.

Figure 1: Revenue and growth



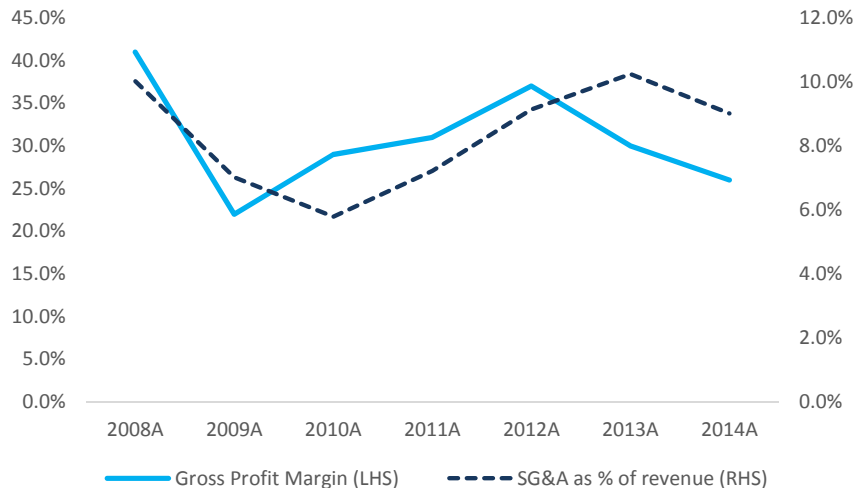
Source: Company data, SWS Research

Figure 2: GFA booked and ASP recognized



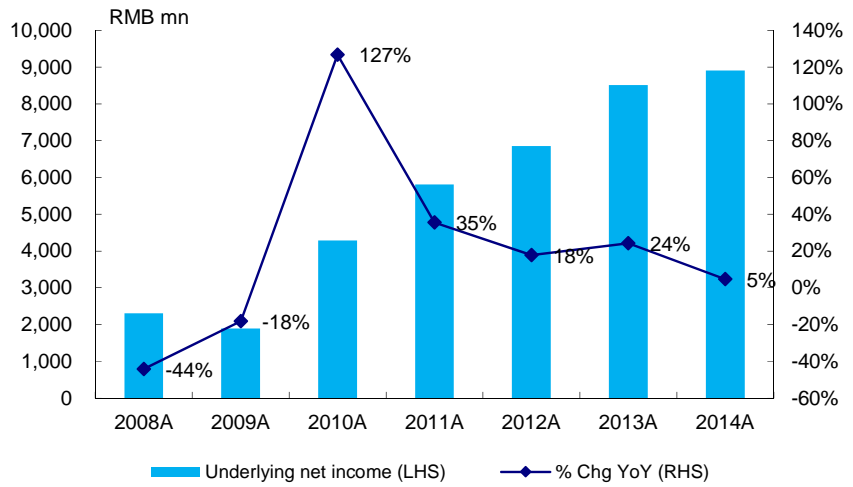
Source: Company data, SWS Research

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



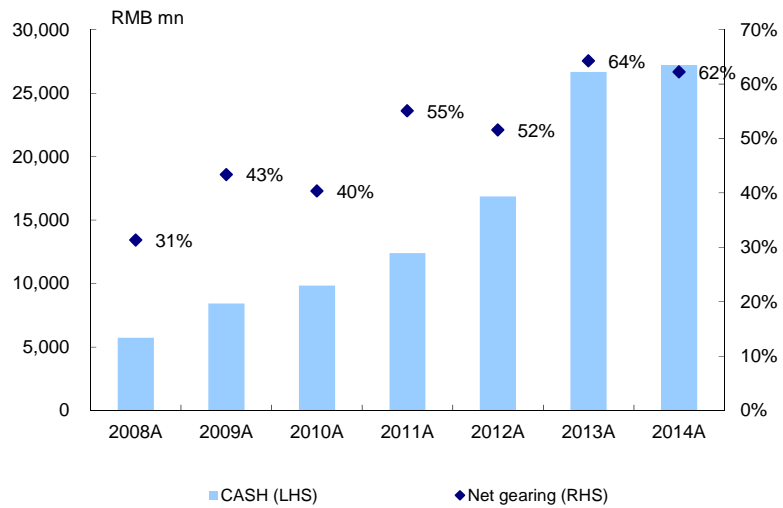
Source: Company data, SWS Research

Figure 4: Underlying earnings and growth



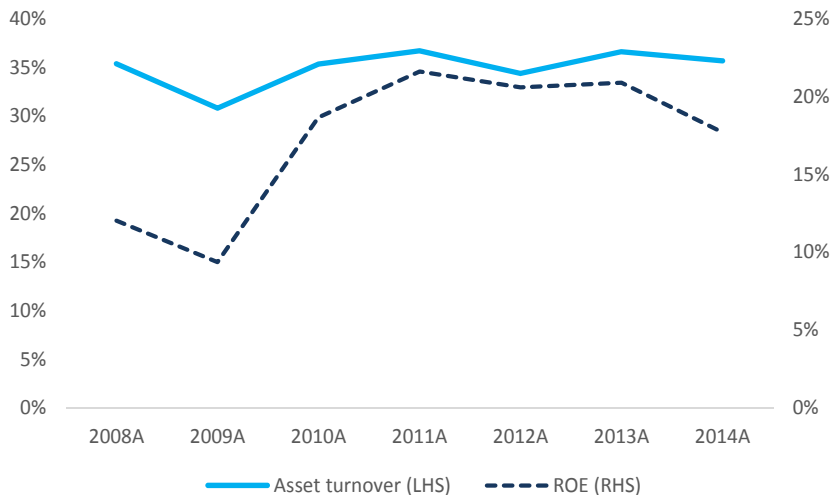
Source: Company data, SWS Research

Figure 5: Cash and net gearing



Source: Company data, SWS Research

Figure 6: Asset turnover and ROE



Source: Company data, SWS Research

APPENDIX

Consolidated 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
Property management	349	405	512	592	820	1,051	1,261	1,513
Hotel management	314	472	801	972	995	1,132	1,189	1,248
	(12,936)	(17,453)	(22,753)	(26,552)	(43,713)	(62,494)	(78,222)	(92,530)
Cost of Sales))))))))
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	0.52	0.63
Diluted EPS (Rmb)	0.13	0.26	0.33	0.38	0.46	0.53	0.52	0.63
DPS (Rmb)	0.05	0.10	0.13	0.14	0.17	0.16	0.18	0.22
Core EPS	0.12	0.26	0.33	0.38	0.46	0.47	0.52	0.63

Consolidated 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	129,270	155,885
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	16,816	12,801
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	218,218	245,834
Total assets	63,940	82,081	107,310	136,522	206,239	268,032	304,371	342,806
Share capital and premiums	14,925	15,392	15,382	19,369	20,169	24,262	24,262	24,262
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	63,644	72,067
Minority interests	371	597	1,077	1,307	2,058	5,756	5,814	5,872
Perpetual securities							0	0
Total equity	21,541	25,418	30,067	38,885	46,011	62,442	69,458	77,939
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	2,856	2,885
Non-current liabilities	16,000	14,332	23,471	28,930	45,324	48,967	56,959	59,988
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	6,920
Current liabilities	26,399	42,331	53,772	68,708	114,904	156,623	177,953	204,880
Total liabilities	42,399	56,663	77,243	97,638	160,228	205,590	234,913	264,867
Total equity and liabilities	63,940	82,081	107,310	136,522	206,239	268,032	304,371	342,806

Consolidated Cash Flow Statement:

Rmbm	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
Cash generated from/(used in) operations	1,799	3,268	2,485	(5,126)	(8,877)	(2,000)	(3,000)	(3,000)
Others	(2,590)	(2,492)	(4,971)			(1,208)	(1,268)	(1,332)
Net cash generated from operating activities	(791)	776	(2,486)	(5,126)	(8,877)	(3,208)	(4,268)	(4,332)
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								
Proceeds from placement of shares				2,000		0	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	9,190	15,978	1,676	7,765	2,500
Increase in cash and cash equivalents	1,605	590	2,878	4,064	7,101	(3,512)	1,418	(4,015)
Cash and cash equivalents at beginning of year	3,006	4,609	5,094	7,745	11,809	18,910	15,398	16,816
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	15,398	16,816	12,801

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