

Wharf Holdings

Valuation downgrade in light of lower China margins & HK retail rents

Downgrade earnings mainly due to lower China sales margin

We lowered our 2015 earnings estimates by 11% to reflect the lower China property margins and turnover rent of Hong Kong malls. We expect the operating margins of China development properties (DP) will continue to stay under pressure at 9% in 2015-16 (2014: 11%), as management stated that they will focus on asset turnover. We also believe that turnover rent contribution of Wharf's portfolio will be lowered to 17% of total from 21% in 2014, given the challenging outlook of HK retail sales.

Better China mall income insufficient to drive strong rental earnings growth

Wharf's Chengdu IFS mall recorded Rmb483m revenue in its first year of operation, 21% ahead of guidance. Management expects 2015 retail revenue of this new mall to further improve to 24% YoY and retail sales to increase 36% YoY in 2015. The occupancy cost was 22% in 2014 for the mall. That said, Wharf's China rental earnings only accounts for 9% of total and hence still insufficient to drive strong growth trend, given the slower HK rental earnings accounted for 69% of total earnings. As a result, we expect Wharf's overall rental earnings to only increase by 1% in 2015 YoY.

Lifting dividend payout on the investment properties' (IP) earnings

The total IP underlying profit was HK\$7.6bn in 2014 and management stated that they have room to declare dividends in accordance to the trend of IP profit. The total dividend paid in 2014 was HK\$5.49bn, representing 72% of the company's total IP profit. We believe management's intention to base payout as per IP earnings should help support the share price performance.

Valuation: Currently trading at 43% discount to NAV of HK\$89.6/sh

We maintain Neutral on Wharf with a lower PT of HK\$49.26 (-13%) that is based on a higher 45% (from 40%) target discount on a lower NAV. The NAV was lowered after we factored in the lower margins of its China DP and the off-balance sheet debt. We believe a wider discount at -1 SD to historical average is justified given the expectation of more challenging outlook of overall HK retail sales. However, we think a higher dividend payout could help support the share price. Our PT implies a 3.9% dividend yield.

Equities

Hong Kong
Real Estate

12-month rating **Neutral**

12m price target **HK\$49.26**
Prior: HK\$56.92

Price **HK\$50.75**

RIC: 0004.HK **BBG:** 4 HK

Trading data and key metrics

52-wk range HK\$63.00-47.20

Market cap. HK\$154bn/US\$19.8bn

Shares o/s 3,030m (ORD)

Free float 48%

Avg. daily volume ('000) 4,171

Avg. daily value (m) HK\$240.4

Common s/h equity (12/15E) HK\$311bn

P/BV (12/15E) 0.5x

EPS (UBS, diluted) (HK\$)

	From	To	% ch	Cons.
12/15E	4.29	3.82	-10.98	4.39
12/16E	4.63	4.21	-9.04	4.90
12/17E	4.86	4.46	-8.30	5.39

Eva Lee, CFA

Analyst

eva-c.lee@ubs.com

+852-3712 4243

Eugene Cheung, CFA

Analyst

eugene.cheung@ubs.com

+852-3712 4670

Summer Xia, CFA

Analyst

summer.xia@ubs.com

+852-3712 4226

Highlights (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net rental income	8,578	9,645	11,283	11,457	12,156	12,160	12,824	11,776
EBITDA	15,196	14,094	16,212	15,547	16,954	17,328	18,652	19,597
EPS (UBS, HK\$)	3.64	3.73	3.46	3.82	4.21	4.46	4.80	4.69
DPS (HK\$)	1.65	1.70	1.81	1.91	2.02	2.09	2.21	2.16
BVPS (basic, HK\$)	82.03	90.94	100.82	102.73	104.92	107.28	109.88	112.41
NAV per share (UBS, HK\$)	96.37	101.53	89.56	89.56	89.56	89.56	89.56	89.56
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
PE (UBS)	13.0	17.9	16.2	13.3	12.1	11.4	10.6	10.8
EPS (UBS) yield %	7.7	5.6	6.2	7.5	8.3	8.8	9.5	9.2
Net dividend yield %	3.5	2.5	3.2	3.8	4.0	4.1	4.4	4.2
Prem/(disc) to BVPS %	(42.3)	(26.6)	(44.5)	(50.6)	(51.6)	(52.7)	(53.8)	(54.9)
Prem/(disc) to NAV ps %	(50.9)	(34.3)	(37.5)	(43.3)	(43.3)	(43.3)	(43.3)	(43.3)
EV/EBITDA (UBS) x	12.9	18.3	16.0	14.9	13.9	12.7	11.2	10.3

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$50.75 on 16 Mar 2015 19:26 HKT

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Investment Thesis

Wharf Holdings

Investment case

We believe the weaker China macroeconomic outlook will affect Wharf's two key earnings and valuation drivers: HK retail sales and China residential sales. The two segments account for close to ~76% of 2015E earnings and ~60% of 2015E GAV. In addition, the slowdown of HK retail sales due to a weaker Chinese economy and capacity constraints will limit the growth of tourist spending at Wharf shopping malls in the near term. Our PT of HK\$49.26 is based on a 45% NAV discount.

Upside scenario

Wharf's share price is mainly driven by Hong Kong retail sales and residential sales in China. Should both HK retail rents and China residential ASP be 10% higher than our base case assumptions, Wharf's valuation could reach HK\$56.5 per share, based on a tighter NAV discount of 40% (from 45%).

Downside scenario

Hong Kong's retail sales and residential sales are both susceptible to China's overall economic conditions and policy risk. If China's economy is weaker than expected or there is any unexpected change in policy conditions, driving both China residential ASP and HK retail rents to decline by 15% lower than our base case estimates, Wharf's valuation would fall to HK\$41 per share based on a higher NAV target discount of 50% (from 45%).

Upcoming catalysts

Updates on the HK retail sales data and contracted sales update for its China property development business.

12-month rating

Neutral

12m price target

HK\$49.26

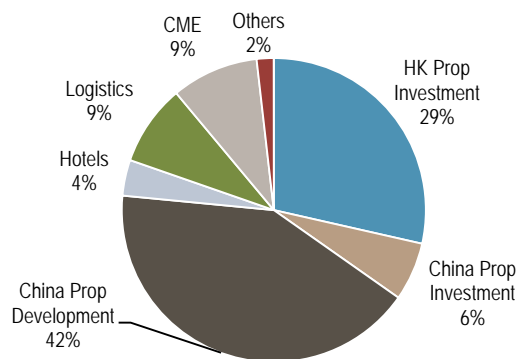
Business description

Founded in 1886, Wharf is a diversified conglomerate with investments in property, logistics, telecommunications, and television. In addition to its 11m sqft investment property portfolio in Hong Kong (Harbour City, Times Square, Plaza Hollywood, etc), its key operating subsidiaries include: 1) Modern Terminals, the second largest port operator in Hong Kong; 2) Wharf T&T (a fixed-line network); and 3) iCable (the largest pay-TV operator in Hong Kong). Wharf is a 52%-owned subsidiary of Wheelock and Company.

Industry outlook

UBS's HK Economist expects retail sales will slow in 2015 to mid-single digits growth. We believe domestic consumption may slow, as declining residential prices will reverse the wealth effect for Hong Kong. A reversal of liquidity in HK due to QE tapering next year may also imply that consumer credit will no longer be as cheap and as easy as it was in the past.

FY15E Revenues by segment



Source: UBS estimates

Operating profit by product segment

HK\$m	2013	2014	2015E	2016E	2017E
HK Prop Investment	8,507	9,905	9,755	10,017	9,915
China Prop Investment	761	991	1,316	1,699	1,767
HK prop Development	68	93	0	157	105
China Prop Development	2,565	1,669	1,406	1,924	2,542
Hotels	377	387	362	372	383
Logistics	974	1,051	1,140	1,173	1,208
CME	212	211	249	258	268
Others	(184)	(24)	(39)	(55)	(71)
Total	13,280	14,283	14,188	15,547	16,117

Source: Company data, UBS estimates

Earnings lowered by 8% - 11%

We lower our 2015/16/17 earnings by 11%/9%/8% to account for the lower property development earnings in China, assuming the future margins will be at around 9-12%. We don't expect the company can deliver a significant recovery from their 2014 property development margins of ~10.8%. In addition, we projected the company's HK rental earnings growth to reverse from 16% YoY growth in 2014 to 2% YoY decline in 2015. The reversal of earnings trend is mainly driven by the decline in the proportion of turnover rent from 21% in 2014 to 13-17% in 2015-17E and slower growth in base rents for next 3 years (2015-17E).

Figure 1: Earnings change

	2015E	2016E	2017E
Original	13,009	14,026	14,727
Revised	11,581	12,758	13,505
Change	-11%	-9%	-8%

Source: UBS estimates

Falling trend of HK turnover rents

The high contribution of turnover rents has formed to be a very important factor to support the solid growth of rental earnings CAGR by 13% over year 2010 to 2014. The proportion of turnover rent has dropped from the peak of 29% in 2011 to 21% in 2014. Given the weaker retail sales outlook, we believe that the proportion of turnover rent will fall to 17% in 2015. In addition to lower base rent of 5% drop YoY, we project the company's overall HK rental earnings to fall 2% YoY in 2015.

Figure 2: HK retail sales trend vs Wharf's turnover rent and HK rental earnings

	2011	2012	2013	2014	2015E
HK retail sales trend	25.0%	9.8%	11.0%	-0.2%	N/A
Wharf's turnover rent as % of total rent	29%	29%	27%	21%	17%
Wharf's HK rental earnings trend	14%	11%	13%	16%	-2%

Source: Company data, UBS estimates

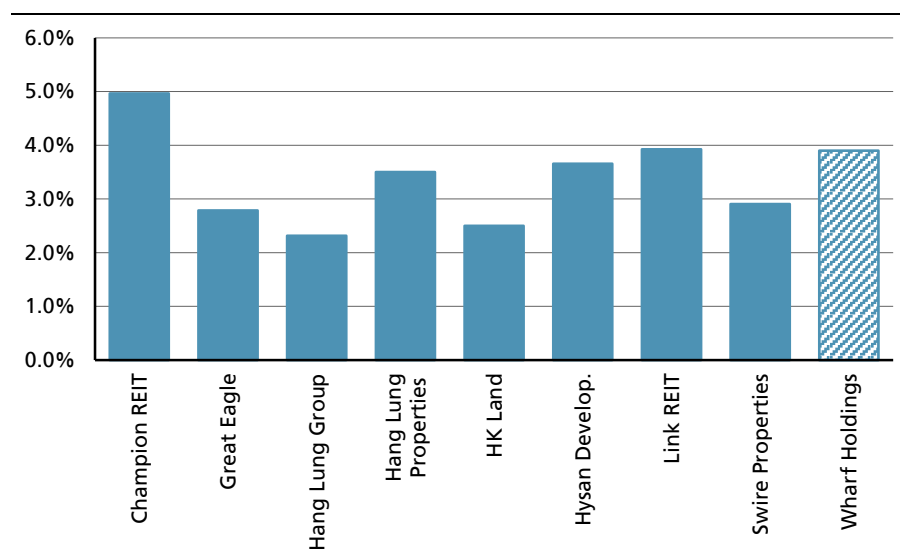
Share price support for Wharf's share price

Wharf share price has weakened 12% over the last month that was driven by the weaker HK retail sales, as highlighted in the -15% YoY of HK retail sales in January 2015. We believe the disappointing results of Wharf would cause further weakness on share price in the near term.

However, we consider there are two factors that could stabilize the share price in the near term and medium term. For the near term, we consider the potential positive response to the launch of luxury residential of Mount Nicholson could be a short term catalyst to the share price. This project is expected to generate a margin of 15% and HK\$6.8b valuation or 2.5% of NAV.

For the medium to long term, we believe that management's determination to raise its dividend payout, as supported by its recurring rental earnings base. Management hinted that the company's payout is based on the rental earnings base while they only paid 72% of total recurring earnings as their 2014 dividends. We believe higher dividend payout and payment could help stabilize its share price. Our PT suggested a 3.9% 2015 dividend yield.

Figure 3: Wharf's PT implied div yield vs other landlords' 2015E div yield



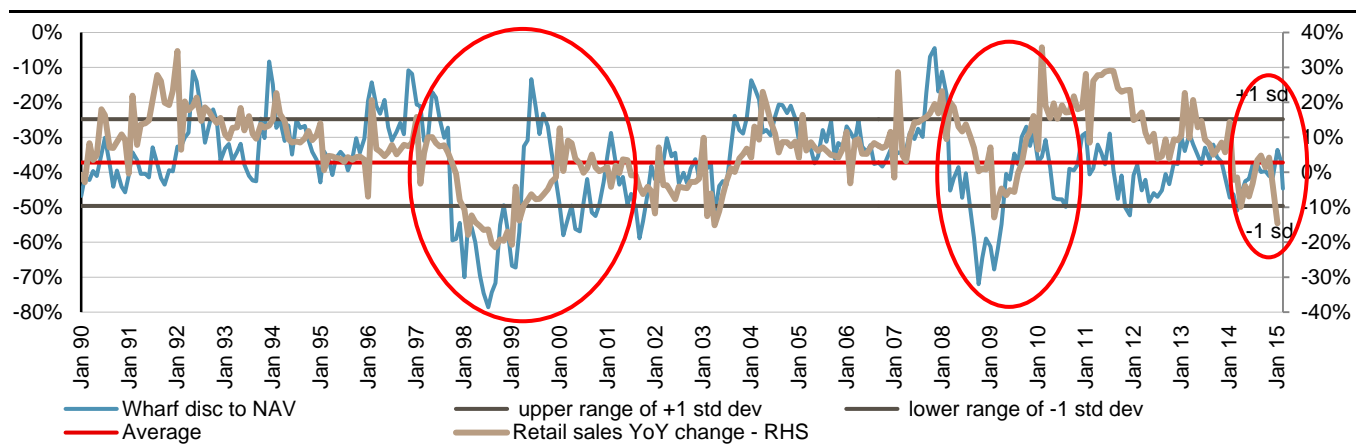
Source: UBS estimates

Downgrade on NAV and PT by 6%/13%

We lower our NAV by 6% to HK\$89.6/sh. to reflect: 1) the lower valuation of China property development projects given the assumption of lower development margins, 2) the assumption of off-balance sheet of its JV projects and 3) the lower valuation of its HK rental properties in light of the expected rental earnings to fall 2% YoY in 2015.

We lower our PT to HK\$49.26 (-13%) based on a wider 45% (from 40%) target discount to NAV. As indicated below, we noted that Wharf will trade to -1 SD against historical growth when the overall HK retail sales growth to slow or even decline in the past downcycle. We believe the wider discount should better reflect the projected retail sales trend over the next 6 to 12 months.

Figure 4: Wharf's historical discount to NAV vs HK retail sales trend



Source: Datastream, UBS estimates, CEIC

Core earnings down 7% YoY to HK\$10,474m

Wharf 2014 core earnings of HK\$10,474m, down 7% YoY, that came to be below UBSe and consensus. The earnings disappointment is mainly related to the lower than expected margins from its China projects at only 10.8% in FY2014 or only 8% in H2 2014. Also, they incurred HK\$230m fair value loss of interest rate swaps (comparing to a HK\$1.3b gain in FY2013).

China property operating rental margins fell to 50% from 60% that was dragged by the lower margins of Chengdu IFS at only 18%. Management indicated the lower margins of CD IFS is related to the company bearing higher operating cost on the vacant and completed spaces at IFS office towers. If Wharf's office occupancy improves, the respective margins are likely to pickup from the current low levels.

Figure 5: Wharf 2014 annual results analysis

(in HK\$m)	FY14A	FY14E	FY13A	Actual vs Forecast	YoY%
Property Investment	14,997	14,712	12,631	2%	19%
Hong Kong	11,413	11,276	9,872	1%	16%
Mainland China	1,984	2,011	1,261	-1%	57%
Hotels	1,600	1,425	1,498	12%	7%
Property development	15,539	12,813	11,514	21%	35%
Hong Kong	113	-	72	N/A	57%
Mainland	15,426	12,813	11,442	20%	35%
Logistics	3,319	3,319	3,226	0%	3%
Terminals	3,206	3,199	3,106	0%	3%
Others	113	120	120	-6%	-6%
CME	3,616	3,845	3,789	-6%	-5%
i-CABLE	1,666	1,932	1,932	-14%	-14%
Telecommunications	1,950	1,913	1,857	2%	5%
Investment and others	665	780	727	-15%	-9%
Total Revenue	38,136	35,469	31,887	8%	20%
Property Investment	11,283	11,239	9,645	0%	17%
Hong Kong	9,905	9,748	8,507	2%	16%
Mainland China	991	1,150	761	-14%	30%
Hotels	387	341	377	13%	3%
Property development	1,762	1,640	2,633	7%	-33%
Hong Kong	93	-	68	NA	37%
Mainland	1,669	1,640	2,565	2%	-35%
Logistics	1,051	1,118	974	-6%	8%
Terminals	1,034	1,088	944	-5%	10%
Others	17	30	30	-43%	-43%
CME	211	221	212	-5%	0%
i-CABLE	(140)	(88)	(88)	59%	59%
Telecommunications	352	309	300	14%	17%
Investment and others	713	773	750	-8%	-5%
Corporate expenses	(738)	(630)	(934)	17%	-21%
Total Operating Profit	14,283	14,360	13,280	-1%	8%
Total Operating Margin	37.5%	40.5%	41.6%	-3.0ppt	-4.2ppt
Net revaluation	27,683	6,892	17,174	302%	61%
Non-recurring items	(2,227)	-	908	NA	-345%
Other net income	484	(79)	(631)	-716%	-177%
Net Finance costs	(1,930)	(1,102)	(552)	75%	250%
Share of results from asso & JVs	1,251	2,162	2,716	-42%	-54%
Profit before taxation	39,544	22,234	32,895	78%	20%
Income tax	(3,120)	(2,713)	(2,763)	15%	13%
Non-controlling interest	(494)	(688)	(752)	-28%	-34%
Net Profit	35,930	18,833	29,380	91%	22%
Core earnings	10,474	11,941	11,298	-12%	-7%
Core net margin	27.5%	33.7%	35.4%	-6.2ppt	-8.0ppt
EPS	11.86	6.22	9.70	91%	22%
Core EPS	3.46	3.94	3.73	-12%	-7%
DPS - First interim	0.55	0.50	0.50	10%	10%
DPS - Second interim	1.26	1.27	1.20	-1%	5%
DPS - Full-year	1.81	1.77	1.70	2%	6%
Payout on core earnings	52%	45%	46%	7.4ppt	6.8ppt

Source: Company data, UBS estimates

Figure 6: Wharf's NAV breakdown

	NAV (HK\$m)	NAV/ share (HK\$)	% of pre- debt NAV	Assumptions
Investment Properties				
Hong Kong				
- Retail	154,364	50.9	45%	At cap rates of 5.5-5.75%
- Office	53,281	17.6	16%	At cap rates of 5.5%
- Residential	11,011	3.6	3%	At cap rates of 4%
- Industrial	1,024	0.3	0%	At cap rates of 7%
	219,680	72.5	64%	
China				
- Retail	19,591	6.5	6%	At cap rates of 7-9%
- Office & others	10,810	3.6	3%	At cap rates of 7-9%
	30,401	10.0	9%	
Inv. property under construction in China				
- Retail	611.0	0.2	0%	At cap rates of 7-9%
- Office & others	1,412	0.5	0%	At cap rates of 7-9%
	2,023	0.7	1%	
Development Properties				
Hong Kong				
- Residential	14,088	4.6	4%	
- Office	2,432	0.8	1%	
	16,520	5.5	5%	
China				
- Residential	46,484	15.3	14%	
- Office & others	6,539	2.2	2%	
	53,023	17.5	16%	
Hotel	9,785	3.2	3%	At cap rates of 11-14%
Modern Terminals	6,595	2.2	2%	At 8x 2015E PE
iCable	1,081	0.4	0%	At market price
Greentown	2,392	0.8	1%	At 30% holding discount to share price
GAV	341,500	112.7	100%	
Less: Associated debt	(10,840)	(3.6)		
Net debt	(59,259)	(19.6)		At par to end-2014 book value
NAV	271,401	89.6		

Source: UBS estimates

Wharf Holdings (0004.HK)

	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Income statement (HK\$m)										
Net rental income	8,578	9,645	11,283	11,457	1.5	12,156	6.1	12,160	12,824	11,776
Investment income	0	0	0	0	-	0	-	0	0	0
Trading income	4,869	2,633	1,762	1,379	-21.7	2,059	49.3	2,401	3,032	4,994
Associates and other income	4,413	5,466	5,156	5,381	4.4	6,060	12.6	7,194	7,474	6,508
Total income	17,860	17,744	18,201	18,217	0.1	20,274	11.3	21,755	23,330	23,278
Interest payable	(1,535)	(1,299)	(2,834)	(2,579)	9.0	(2,509)	2.7	(2,739)	(2,392)	(2,099)
Admin and other	(550)	(934)	(738)	(760)	-3.0	(783)	-3.0	(806)	(831)	(856)
Revenue surplus / recurring income	15,775	15,511	14,629	14,878	1.7	16,983	14.1	18,210	20,107	20,324
Interest capitalised	596	747	904	1,009	1.7	875	14.1	600	19	0
Depreciation & amortisation	(1,430)	(1,445)	(1,445)	(1,445)	0.0	(1,445)	0.0	(1,445)	(1,445)	(1,445)
Pre-exceptional provisions	0	0	0	0	-	0	-	0	0	0
Profit before tax (UBS)	14,941	14,813	14,088	14,442	2.5	16,413	13.6	17,364	18,681	18,879
Exceptionals	36,223	18,082	28,293	0	-	0	-	0	0	0
Profit before tax	51,164	32,895	42,381	14,442	-65.9	16,413	13.6	17,364	18,681	18,879
Tax	(2,800)	(2,763)	(3,120)	(2,417)	22.5	(2,858)	-18.2	(3,024)	(3,204)	(3,479)
Profit after tax	48,364	30,132	39,261	12,024	-69.4	13,554	12.7	14,340	15,478	15,400
Minorities	(1,101)	(752)	(494)	(444)	10.2	(797)	-79.6	(835)	(923)	(1,196)
Preference dividends	0	0	0	0	-	0	-	0	0	0
Extraordinary items (post-tax)	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	47,263	29,380	38,767	11,581	-70.1	12,758	10.2	13,505	14,555	14,204
Tax rate (UBS) (%)	18.7	18.7	22.1	16.7	-24.4	17.4	4.0	17.4	17.1	18.4
EBITDA	15,196	14,094	16,212	15,547	-0.7	16,954	9.9	17,328	18,652	19,597
EBIT	13,766	12,649	14,767	14,102	-4.5	15,509	10.0	15,883	17,207	18,152
Per share (HK\$)										
EPS (UBS)	3.64	3.73	3.46	3.82	10.6	4.21	10.2	4.46	4.80	4.69
Net DPS (HK\$)	1.65	1.70	1.81	1.91	5.6	2.02	5.8	2.09	2.21	2.16
BVPS (basic)	82.03	90.94	100.82	102.73	1.9	104.92	2.1	107.28	109.88	112.41
NAV per share	96.37	101.53	89.56	89.56	0.0	89.56	0.0	89.56	89.56	89.56
Cash EPS (UBS)	3.92	3.96	3.64	3.97	9.1	4.40	10.9	4.74	5.27	5.16
Average shares	3,029	3,030	3,030	3,030	0.0	3,030	0.0	3,030	3,030	3,030
Balance sheet (HK\$m)										
Investment properties (book value)	231,522	261,097	301,890	308,345	2.1	314,800	2.1	321,255	327,710	334,165
Development properties (book value)	3,991	3,995	3,995	3,995	0.0	3,995	0.0	3,995	3,995	3,995
Other fixed assets	60,495	66,859	68,323	69,288	1.4	71,014	2.5	73,501	75,842	77,284
Total fixed assets (book value)	296,008	331,951	374,208	381,628	2.0	389,809	2.1	398,751	407,547	415,444
Trading properties (book value)	48,960	53,811	47,591	56,617	19.0	60,947	7.6	57,478	48,878	36,615
Cash & deposits	18,795	24,515	18,725	19,269	2.9	16,197	-15.9	20,814	22,109	28,448
Other current assets	5,235	4,775	4,134	3,834	-7.3	3,534	-7.8	3,234	2,934	2,634
Total assets (book value)	368,998	415,052	444,658	461,348	3.8	470,487	2.0	480,277	481,468	483,141
Debt	(74,420)	(82,587)	(77,984)	(75,581)	3.1	(69,197)	8.4	(59,274)	(50,906)	(43,483)
Other liabilities	(37,672)	(48,210)	(52,563)	(65,422)	-24.5	(73,514)	-12.4	(85,235)	(86,011)	(86,241)
Preference shares	0	0	0	0	-	0	-	0	0	0
Minority interests	(8,405)	(8,698)	(8,616)	(9,060)	-5.1	(9,856)	-8.8	(10,691)	(11,614)	(12,810)
Shareholders equity / NTA	248,501	275,557	305,495	311,285	1.90	317,920	2.13	325,077	332,937	340,607
Surpluses over book value (UBS)	0	0	0	0	-	0	-	0	0	0
S/h equity / NTA (basic)	248,501	275,557	305,495	311,285	1.90	317,920	2.13	325,077	332,937	340,607
S/h equity / NTA (diluted)	248,501	275,557	305,495	311,285	1.9	317,920	2.1	325,077	332,937	340,607
Cash flow (HK\$m)										
EBIT	13,766	12,649	14,767	14,102	-4.5	15,509	10.0	15,883	17,207	18,152
Depreciation & amortisation	1,430	1,445	1,445	1,445	0.0	1,445	0.0	1,445	1,445	1,445
Net change in working capital	3,657	6,147	11,214	4,133	-63.1	4,062	-1.7	15,489	9,677	12,793
Net interest	(1,550)	(1,832)	(1,700)	(1,570)	7.7	(1,634)	-4.1	(2,139)	(2,373)	(2,099)
Tax paid	(2,588)	(3,105)	(2,981)	(2,417)	18.9	(2,858)	-18.2	(3,024)	(3,204)	(3,479)
Other (operating)	0	0	0	0	-	0	-	0	0	0
Operating cash flow	14,715	15,304	22,745	15,692	-31.0	16,524	5.3	27,654	22,752	26,812
Net (acquisitions) / capex	(12,660)	(13,483)	82	(7,900)	-	(7,900)	0.0	(7,900)	(7,900)	(7,900)
Dividends paid	(3,483)	(5,150)	(5,485)	(5,790)	-5.6	(6,124)	-5.8	(6,347)	(6,695)	(6,534)
Share issues / (buybacks)	0	48	0	0	-	0	-	0	0	0
Net other cash flows	(8,032)	834	(19,807)	945	-	812	-14.1	1,133	1,506	1,383
Cash flow (inc)/dec in net debt	(9,460)	(2,447)	(2,465)	2,947	-	3,312	12.4	14,540	9,663	13,762
Net (debt) / cash	(55,625)	(58,072)	(59,259)	(56,312)	4.97	(53,000)	5.88	(38,460)	(28,797)	(15,036)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Wharf Holdings (0004.HK)

Valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
PE (UBS) x	13.0	17.9	16.2	13.3	12.1	11.4	10.6	10.8
EV/EBIT (core) x	14.3	20.5	17.8	16.6	15.3	14.0	12.3	11.2
EV/EBITDA (core) x	12.9	18.3	16.0	14.9	13.9	12.7	11.2	10.3
P/CEPS (UBS) x	12.1	16.9	15.4	12.8	11.5	10.7	9.6	9.8
CEPS yield (UBS) %	8.3	5.9	6.5	7.8	8.7	9.3	10.4	10.2
Net dividend yield %	3.5	2.5	3.2	3.8	4.0	4.1	4.4	4.2
Net property yield %	4.9	4.8	5.0	5.0	5.1	5.0	5.3	4.6
BVPS (basic, HK\$)	82.03	90.94	100.82	102.73	104.92	107.28	109.88	112.41
NAV per share (HK\$)	96.37	101.53	89.56	89.56	89.56	89.56	89.56	89.56
Prem/(disc) to BVPS %	(42.3)	(26.6)	(44.5)	(50.6)	(51.6)	(52.7)	(53.8)	(54.9)
Prem/(disc) to NAV per share %	(50.9)	(34.3)	(37.5)	(43.3)	(43.3)	(43.3)	(43.3)	(43.3)
Enterprise value (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	143,323	202,175	169,566	153,779	153,779	153,779	153,779	153,779
Net debt (cash)	38,529	39,752	58,666	57,192	53,000	38,460	28,797	21,917
Buy out of minorities	935	927	623	469	9,856	10,691	11,614	12,212
Pension obligations/other	0	0	0	0	0	0	0	0
Total enterprise value	182,787	242,853	228,855	211,440	216,635	202,931	194,191	187,908
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	182,787	242,853	228,855	211,440	216,635	202,931	194,191	187,908
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Recurring income (UBS, pre-tax)	31.7	(1.7)	(5.7)	1.7	14.1	7.2	10.4	1.1
CEPS (UBS)	29.8	1.0	(8.2)	9.1	10.9	7.7	11.4	(2.1)
BVPS (basic)	22.3	10.9	10.9	1.9	2.1	2.3	2.4	2.3
NAV per share	30.9	5.4	(11.8)	0.0	0.0	0.0	0.0	0.0
EBITDA (core)	24.4	(6.3)	7.6	(0.7)	9.9	2.4	8.3	5.5
DPS	55.7	3.0	6.5	5.6	5.8	3.6	5.5	(2.4)
Profitability	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
ROE %	4.9	4.3	3.6	3.8	4.1	4.2	4.4	4.2
Interest cover x	10.3	11.8	5.7	6.2	7.2	7.1	8.8	10.0
Dividend cover x	9.5	5.7	7.1	2.0	2.1	2.1	2.2	2.2
Cash earnings (UBS) dividend cover x	2.4	2.3	2.0	2.1	2.2	2.3	2.4	2.4
Productivity (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Pre-exceptional tax rate	18.7	18.7	22.1	16.7	17.4	17.4	17.1	18.4
Net debt/revalued net assets	22	21	19	18	17	12	9	4
Net debt/(revalued gross assets-cash)	16	15	14	13	12	8	6	3
Net debt/EV %	30.4	23.9	25.9	26.6	24.5	19.0	14.8	8.0
EBITDA/interest expense x	9.9	10.8	5.7	6.0	6.8	6.3	7.8	9.3
Net debt/EBITDA x	3.7	4.1	3.7	3.6	3.1	2.2	1.5	0.8
Investment properties by location %	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Japan	-	-	-	0	-	-	-	-
Asia (including Australia)	-	-	-	0	-	-	-	-
Europe	-	-	-	0	-	-	-	-
North America	-	-	-	0	-	-	-	-
South America	-	-	-	0	-	-	-	-
Other	-	-	-	0	-	-	-	-
Total	-	-	-	0	-	-	-	-
Investment properties by sector %	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Offices	-	-	-	0	-	-	-	-
Retail	-	-	-	0	-	-	-	-
Industrials	-	-	-	0	-	-	-	-
Hotels	-	-	-	0	-	-	-	-
Other	-	-	-	0	-	-	-	-
Total commercial	-	-	-	0	-	-	-	-
Residential	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-2.9%
Forecast dividend yield	3.8%
Forecast stock return	+0.9%
Market return assumption	6.6%
Forecast excess return	-5.7%

Statement of Risk

The performance of Wharf's two flagship shopping malls (Times Square and Harbour City) depends on the continued influx of Mainland Chinese shoppers and a robust local HK economy. A weaker economy in China/HK or introduction of a duty-free policy for luxury goods in Tier 1 Mainland cities would be negative for rental growth in these two shopping malls.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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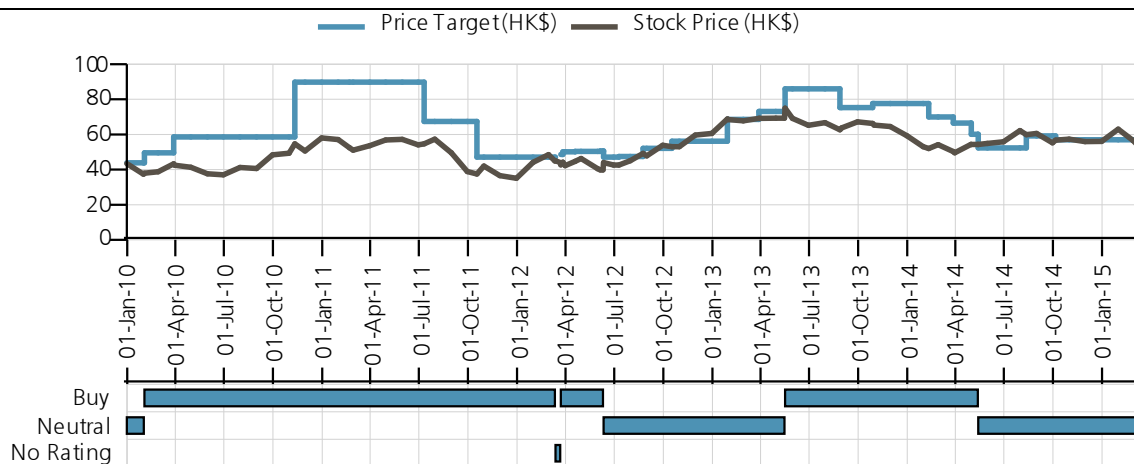
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Wharf Holdings	0004.HK	Neutral	N/A	HK\$52.50	13 Mar 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Wharf Holdings (HK\$)



Source: UBS; as of 13 Mar 2015

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