

Hong Kong

ADD (no change)

Consensus ratings*: Buy 15 Hold 4 Sell 0

Current price:	HK\$11.74
Target price:	HK\$13.50
Previous target:	HK\$13.50
Up/downside:	15.0%
CGS-CIMB / Consensus:	0.2%
Reuters:	0017.HK
Bloomberg:	17 HK
Market cap:	US\$15,152m HK\$118,564m
Average daily turnover:	US\$25.75m HK\$202.9m
Current shares o/s:	9,815m
Free float:	56.1%
*Source: Bloomberg	

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.4	3	16.2
Relative (%)	-1.3	-2.2	-13.5

Major shareholders

	% held
Chow Tai Fook Enterprises Limited	44.0

New World Development

More catalysts in 2HFY18

- We expect 1HFY6/18 core profit fell 14% yoy due to no project completions in HK. Core profit should resume growth upon the completion of Pavilia Bay in 2H.
- NWD may launch three projects in CY18, with a total sales value of around HK\$11bn.
- Pre-leasing of Victoria Dockside may surprise the market. Office rent is higher than expected, while retail pre-leasing will speed up along with the market recovery.
- Contracted sales in China are set to accelerate in 2HFY18 after the Communist Party Congress. We expect 2.2m sq m of non-core projects to be disposed.
- Reiterate Add. TP of HK\$13.5 based on 40% discount to NAV.

1HFY18 core profit likely fell due to no project completion

NWD will announce its 1HFY18 (Jul-Dec 17) results on 27 Feb. We estimate its core profit fell 14% yoy to HK\$3.6bn, mainly due to no project completions in HK in 1H. However, we remain confident that FY18F core profit will grow 11% upon the completion of Pavilia Bay in 2HFY18. We expect it to announce 1H DPS of HK\$0.13.

Plenty of saleable resources for CY18

We estimate NWD's contracted sales in 1HFY18 amounted to HK\$4bn, -15% yoy, mainly contributed by Mount Pavilia (HK\$1.5bn), The Parkville (HK\$776m) and Artisan House (HK\$679m). We expect NWD's FY18 contracted sales to be ~HK\$10bn. NWD plans to launch three projects in CY18, namely Fleur Pavilia (611 units), second phase of Mount Pavilia (200 units) and Sheung Heung Road project (300 units). We estimate the total sales value to be HK\$11bn.

Property sales recognition likely slowed in 1HFY18

NWD had no project completions in 1HFY18; as such, we estimate recognised sales declined by 47% to HK\$3bn in 1HFY18, mainly contributed by inventory sales of Mount Pavilia and Double Cove. EBIT margin likely fell 2% pts yoy to 26% in 1HFY18, mainly due to a change in property sales mix.

Pre-leasing of Victoria Dockside may surprise the market

K11 Atelier, the office portion of Victoria Dockside, has been handed over to tenants since 1HFY18. We expect the occupancy to reach 90% by end-FY18. According to HKET, the headline rent in Kowloon reached a record-high level of HK\$95/sf/month, exceeding SHKP's ICC. The retail mall is scheduled to open in 1HFY19. We expect pre-leasing progress will speed up along with the recovering retail market. We expect the entire project can double NWD's full-year rental income in FY20F.

China sales to accelerate in 2HFY18

According to CRIC data, NWD recorded Rmb6bn contracted sales in 1HFY18, accounting for 40% of its FY18F sales target of Rmb16bn. 1HFY18 sales were impacted by policy tightening during the Communist Party Congress in Oct 17. We believe the full-year target is still achievable. Besides, NWD has 2.2m sq m of non-core projects which it can dispose. We believe these projects will eventually be taken up by Chinese developers as market consolidation continues.

Reiterate Add with an unchanged TP of HK\$13.5

The re-rating of NWD's share price has accelerated since third generation Adrian Cheng took on more responsibility in FY17. We expect the re-rating to continue as many of its restructuring initiatives start to bear fruit in FY19-20F – an increase in its China sales in FY19 after it streamlined its landbank and full-year contribution of Victoria Dockside in FY20F. Our TP of HK\$13.5 is based on a 40% discount to NAV. Maintain Add. Key risks include delays in the opening of Victoria Dockside and a slowdown in the local economy.

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Financial Summary

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues (HK\$m)	59,570	56,629	65,059	58,935	76,979
Operating EBITDA (HK\$m)	11,431	12,496	13,204	11,680	16,052
Net Profit (HK\$m)	8,666	8,072	8,594	9,497	10,333
Normalised EPS (HK\$)	1.06	0.75	0.84	0.93	1.01
Normalised EPS Growth	37.2%	(29.3%)	11.9%	11.0%	9.2%
FD Normalised P/E (x)	11.17	15.80	14.06	12.66	11.60
DPS (HK\$)	0.44	0.46	0.47	0.49	0.51
Dividend Yield	3.75%	3.92%	4.00%	4.17%	4.34%
EV/EBITDA (x)	12.50	13.59	13.19	14.40	9.88
P/FCFE (x)	NA	7.72	NA	NA	14.91
Net Gearing	39.7%	36.2%	33.0%	32.3%	29.1%
P/BV (x)	0.61	0.62	0.43	0.43	0.43
ROE	5.39%	3.90%	3.60%	3.40%	3.72%
Normalised EPS/consensus EPS (x)			1.09	1.06	1.07

SOURCE: COMPANY DATA, CGS-CIMB FORECASTS

Figure 1: NWD's 1HFY18 results preview

	1H17	1H18	yoy%
Rental income	1,184.4	1,274.3	7.6
Property sales	13,019.6	11,769.2	-9.6
Department store operations	1,720.4	1,772.0	3.0
Hotel and restaurant operations	754.7	729.8	-3.3
Turnover	26,639.4	26,156.0	-1.8
Rental income	738.8	912.7	23.5
Property sales	4,185.8	3,673.4	-12.2
Hotel and restaurant operations	-14.8	-10.8	-26.9
Segment results	6,151.8	5,788.0	-5.9
Other (Charge)/Income	637.9	0.0	-100.0
Unallocated corporate expenses	-541.6	-604.3	11.6
Operating profit	6,248.1	5,183.7	-17.0
Net financing cost	-239.5	-234.1	-2.3
Combined Asso/JCE	1,471.3	1,987.0	35.1
Profit before taxation	7,479.9	6,936.7	-7.3
Combined tax	-2,079.8	-1,997.9	-3.9
Profit after taxation	5,400.1	4,938.8	-8.5
Minority interests	-1,110.8	-1,093.0	-1.6
Perpetual	-129.3	-266.6	106.2
Core profit	4,160.0	3,579.2	-14.0

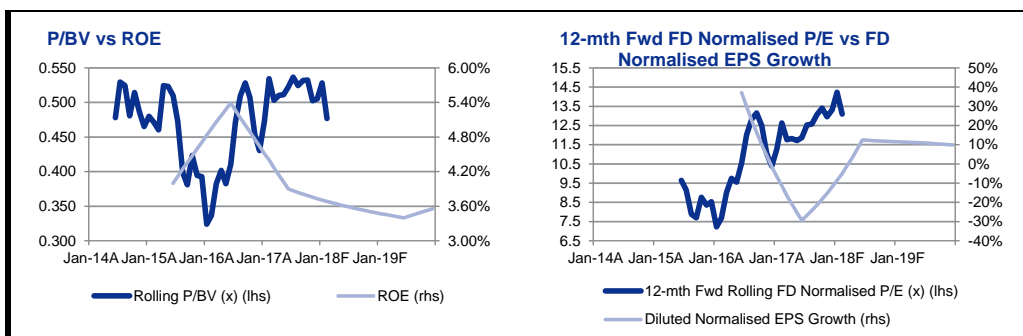
SOURCE: CGS-CIMB RESEARCH, COMPANY

Figure 2: Peers comparison

Short Name	Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	To NAV (%)	Upside (%)	P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)		
									2016	2017F	2018F	2019F	2016	2017F	2018F	2016	2017F	2018F	2016	2017F	2018F
CK Asset	1113 HK	67.55	85.0	ADD	31,919	122.0	45	26	13.9	11.7	9.8	8.6	1.0	0.9	0.8	2.3	2.6	3.1	3	2	-6
HLD	12 HK	50.65	67.0	ADD	25,899	96.0	47	32	14.3	12.0	11.1	10.2	0.8	0.8	0.8	3.1	3.3	3.5	13	14	10
Kerry	683 HK	35.40	41.0	ADD	6,552	74.0	52	16	14.0	9.3	8.7	7.9	0.6	0.6	0.6	3.1	3.8	4.2	30	25	18
NWD	17 HK	11.74	13.5	ADD	15,152	22.5	48	15	12.3	16.6	14.4	13.0	0.6	0.6	0.4	3.7	3.9	4.0	38	34	33
SHKP	16 HK	128.00	180.0	ADD	47,388	257.0	50	41	11.8	14.3	11.5	10.4	0.8	0.7	0.7	3.0	3.2	3.9	9	8	6
Sino	83 HK	13.82	18.2	ADD	11,389	25.0	45	32	16.7	16.1	9.2	17.9	0.7	0.7	0.6	3.7	3.8	4.1	-20	-18	-15
Wharf Holdings	4 HK	28.90	32.0	ADD	11,223	53.0	45	11	17.7	12.9	12.2	11.4	0.3	0.7	0.6	7.4	1.5	1.8	7	-19	-21
Wheelock	20 HK	56.15	69.0	HOLD	14,651	115.0	51	23	9.7	9.9	8.9	8.7	0.5	0.6	0.5	2.3	2.2	2.3	15	10	6
HLP	101 HK	18.82	16.0	REDUCE	10,817	32.0	41	-15	13.3	15.3	18.3	19.5	0.7	0.6	0.6	4.0	4.0	4.0	2	5	10
HKL*	HKL SP	7.04	9.1	ADD	16,564	14.0	50	29	19.7	16.2	15.4	15.6	0.5	0.5	0.5	2.7	2.8	3.0	6	6	5
Hysan	14 HK	44.10	48.0	HOLD	5,894	80.0	45	9	21.9	19.4	18.6	18.0	0.7	0.7	0.7	3.1	3.1	3.2	5	4	4
Swire Ppt	1972 HK	26.45	31.0	ADD	19,774	44.0	40	17	19.9	19.5	18.7	18.4	0.7	0.7	0.7	2.7	2.8	2.9	15	16	12
Wharf REIT	1997 HK	51.05	48.0	HOLD	19,808	68.0	25	-6	17.4	17.1	16.5	16.8	0.8	0.8	0.8	N/A	3.7	3.8	15	21	21
Champion REIT	2778 HK	5.54	5.8	HOLD	4,123	8.9	38	5	22.9	21.7	21.0	20.0	0.6	0.5	0.5	4.1	4.4	4.5	27	23	22
Link REIT	823 HK	65.20	73.0	HOLD	18,078	67.0	3	12	30.5	27.9	25.8	26.4	1.1	1.0	1.0	3.2	3.5	3.8	20	22	23
Midland	1200 HK	2.30	3.0	ADD	211	NA	NA	30	N/A	6.4	5.9	5.4	1.4	1.1	1.0	0.0	0.0	0.0	-44	-62	-75
Developers							48	24	13.8	12.8	10.7	11.0	0.7	0.7	0.6	3.6	3.0	3.4	12	7	4
Landlords & REITs							34	9	21.4	20.0	19.6	19.7	0.7	0.7	0.7	3.3	3.4	3.6	12	12	13
Simple average							42	16	17.1	16.0	14.7	14.9	0.7	0.7	0.7	3.5	3.2	3.5	12	10	9

SOURCE: CGS-CIMB RESEARCH, COMPANY

Share price data as of 23 Feb 2018; * HKL data stated in US\$

BY THE NUMBERS

Profit & Loss

(HK\$m)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	59,570	56,629	65,059	58,935	76,979
Gross Profit	18,522	18,537	21,987	19,449	26,730
Operating EBITDA	11,431	12,496	13,204	11,680	16,052
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	11,431	12,496	13,204	11,680	16,052
Financial Income/(Expense)	(537)	(446)	(468)	(382)	(269)
Pretax Income/(Loss) from Assoc.	2,661	3,925	3,974	5,653	4,900
Non-Operating Income/(Expense)	5,153	(745)	(1,209)	(1,245)	(1,282)
Profit Before Tax (pre-EI)	18,400	13,867	15,502	15,706	19,401
Exceptional Items					
Pre-tax Profit	18,707	15,230	15,502	15,706	19,401
Taxation	(6,424)	(4,756)	(4,465)	(3,894)	(5,617)
Exceptional Income - post-tax					
Profit After Tax	12,283	10,475	11,037	11,813	13,785
Minority Interests	(3,617)	(2,403)	(2,442)	(2,316)	(3,451)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)	(790)	(1,660)	(396)	(396)	(396)
Net Profit	8,666	8,072	8,594	9,497	10,333
Normalised Net Profit	14,070	11,196	11,037	11,813	13,785
Fully Diluted Normalised Profit	9,662	7,133	8,198	9,101	9,938

Cash Flow

(HK\$m)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	11,431	12,496	13,204	11,680	16,052
Cash Flow from Inv. & Assoc.					
Change In Working Capital	1,344	12,296	(4,468)	(341)	1,754
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(410)	1,430	994	1,130	1,273
Net Interest (Paid)/Received	(4,919)	(4,863)	(5,248)	(5,058)	(4,802)
Tax Paid	(4,359)	(3,329)	(3,125)	(2,726)	(3,932)
Cashflow From Operations	3,087	18,029	1,356	4,685	10,345
Capex	(8,921)	(8,921)	(8,921)	(8,921)	(8,921)
Disposals Of FAs/subsidiaries	18,161	2,687	6,486	6,486	6,486
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(36,142)	0	(20,000)	0	0
Other Investing Cashflow	2,801	2,898	3,000	3,105	3,214
Cash Flow From Investing	(24,102)	(3,336)	(19,435)	670	779
Debt Raised/(repaid)	20,384	(90)	(1,225)	(11,909)	(3,395)
Proceeds From Issue Of Shares	4	0	0	0	0
Shares Repurchased					
Dividends Paid	(1,019)	(661)	(730)	(785)	(785)
Preferred Dividends					
Other Financing Cashflow	(2,264)	(2,172)	(2,532)	(1,856)	(2,187)
Cash Flow From Financing	17,105	(2,922)	(4,487)	(14,549)	(6,366)

SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd
Balance Sheet

(HK\$m)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	55,171	67,107	44,541	35,346	40,104
Properties Under Development	71,918	83,061	83,061	83,061	83,061
Total Debtors	25,481	27,864	24,858	26,068	26,263
Inventories	666	756	673	661	659
Total Other Current Assets	5,702	193	193	193	193
Total Current Assets	158,938	178,981	153,325	145,329	150,281
Fixed Assets	0	0	0	0	0
Total Investments	194,718	225,844	328,679	324,263	323,311
Intangible Assets	2,702	3,424	3,424	3,424	3,424
Total Other Non-Current Assets	35,751	28,807	29,356	29,921	30,503
Total Non-current Assets	233,171	258,075	361,459	357,608	357,237
Short-term Debt	20,090	21,225	31,909	23,395	17,719
Current Portion of Long-Term Debt					
Total Creditors	38,191	50,735	43,177	44,034	45,982
Other Current Liabilities	8,242	7,541	7,766	7,998	8,237
Total Current Liabilities	66,523	79,501	82,852	75,427	71,938
Total Long-term Debt	114,842	125,895	113,987	110,592	112,874
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	9,848	10,716	11,037	11,368	11,710
Total Non-current Liabilities	124,691	136,611	125,024	121,961	124,583
Total Provisions	0	0	0	0	0
Total Liabilities	191,213	216,112	207,876	197,388	196,521
Shareholders' Equity	179,573	186,091	269,613	265,937	267,935
Minority Interests	21,322	34,853	37,296	39,611	43,063
Total Equity	200,895	220,945	306,908	305,549	310,997

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	7.8%	(4.9%)	14.9%	(9.4%)	30.6%
Operating EBITDA Growth	3.8%	0.1%	18.6%	(11.5%)	37.4%
Operating EBITDA Margin	18.7%	19.7%	20.3%	19.8%	20.9%
Net Cash Per Share (HK\$)	(8.50)	(8.15)	(10.33)	(10.05)	(9.22)
BVPS (HK\$)	19.13	18.96	27.47	27.09	27.30
Gross Interest Cover	1.94	1.69	1.89	1.72	2.45
Effective Tax Rate	26.1%	20.3%	28.8%	24.8%	28.9%
Net Dividend Payout Ratio	42.6%	62.5%	56.3%	52.8%	50.4%
Accounts Receivables Days	143.5	171.9	147.9	157.7	124.4
Inventory Days	6.12	6.81	6.05	6.16	4.81
Accounts Payables Days	351.3	426.1	397.9	403.1	327.8
ROIC (%)	9.8%	9.7%	12.8%	10.8%	14.7%
ROCE (%)	3.71%	3.65%	3.64%	3.01%	4.04%
Return On Average Assets	3.48%	2.39%	2.32%	2.31%	2.69%

Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Unbooked Presales (m) (HK\$)	34,190.4	34,188.6	39,479.3	74,160.9	67,744.2
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	31.1%	32.7%	33.8%	33.0%	34.7%
Contracted Sales ASP (per Sm) (HK\$)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	25.3%	28.6%	28.4%	30.5%	28.0%
Investment rev / total rev (%)	12.7%	12.4%	12.9%	16.5%	17.5%
Residential rev / total rev (%)	64.9%	66.6%	69.9%	63.2%	67.8%
Inv. properties rental margin (%)	56.5%	57.1%	65.6%	65.7%	66.1%
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

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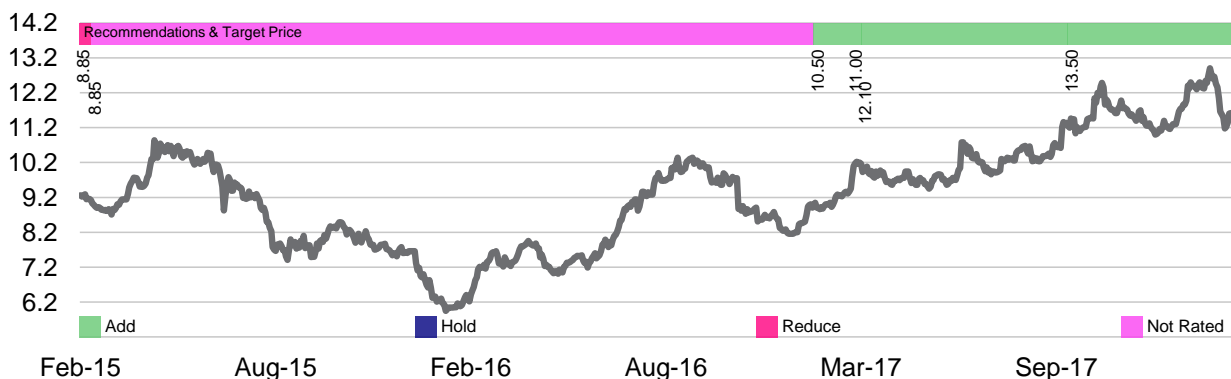
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Add	58.5%	6.4%
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Reduce	9.0%	0.7%

Spitzer Chart for stock being researched (2 year data)

New World Development (17 HK)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

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Definition:

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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