

China Property	Last Close	Target Price	Upside
	HK\$11.72	HK\$12.98↑	+10.8%

23 March 2018

## Logan Property (3380 HK)

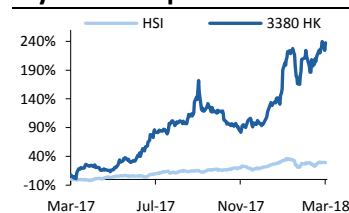
### Results in line; focus on scale and earnings growth ahead

- FY17 results in line, FY18 revenue largely locked in.** Revenue increased 35% YoY to RMB27.7bn with core profit at RMB4.6bn, largely in line with expectations (our estimates on revenue/core profit: RMB27.2bn/RMB4.46bn). GPM improved 2.5ppts YoY to 34.4% due to increase in booking ASP. Logan proposed a final DPS of HK 22 cents, bringing full-year DPS to HK 41 cents. This represents a total payout of 40%, largely in line with expectation. For 2M18, Logan secured total unrecognized sales of RMB35.1bn, which represents ~89% of our FY18E revenue.
- More land-banking from M&A and urban renewal.** Logan had total saleable resources of RMB519bn by end-17 (1H17: RMB388bn), of which RMB217bn (1H17: RMB184bn) was from the open market and the remaining RMB302bn (1H17: RMB204bn) came from M&A and urban renewal projects. As at end-17, ~81% of saleable resources were located within the Greater Bay Area including 34%/16% from Shenzhen/Huizhou. Logan expects ~RMB30bn-40bn of urban renewal projects to become mature and turn into saleable land bank in 2018.
- RMB66bn sales target for FY18.** FY17 contracted sales amounted to RMB43.4bn in FY17. Logan maintained its FY18 attributable sales target at RMB66bn, up 52% YoY, which is backed by RMB130bn planned saleable resources.
- 3-year plan with faster growth ahead.** Management targets 50% CAGR in contracted sales for FY18-20, which implies ~RMB100bn in FY19 and RMB150bn in FY20. Moreover, based on locked-in sales, current ASP and land cost, Logan further expects to achieve 35-36% GPM and 16-17% core profit margin in FY18-20 and to keep its profit growth in line with sales growth.
- Maintain Buy and lift TP.** We view FY17 results as largely in line with expectations. We see growth prospects as intact with profit growth in step with sales scale growth in FY17. We slightly raise our NAV estimate from HK\$15.58 to HK\$17.31 per share in view of higher ASP achieved in Shenzhen and new projects acquired YTD. We also raise our TP accordingly from HK\$11.68 to HK\$12.98. Maintain **Buy**.

#### Stock Rating

**BUY**

#### 1-year stock performance



Source: Bloomberg

#### Stock data

52w high (HK\$)	12.88
52w low (HK\$)	3.58
Market cap (HK\$ m)	64,357.30
Avg daily vol (m)	8.23
YTD change (%)	45.0
200d MA (HK\$)	8.03

Source: Bloomberg

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#### Financial highlights

Y/E 31 Dec	FY15	FY16	FY17	FY18E	FY19E
Revenue (RMB m)	14,574	20,539	27,690	39,499	54,750
YoY growth (%)	14	41	35	43	39
Core net profit (RMB m)	2,043	3,109	4,620	6,635	9,563
Core EPS (HK\$)	0.40	0.56	0.84	1.21	1.74
EPS growth (%)	19	39	50	44	44
P/E (x)	23.4	16.8	11.2	7.8	5.4
P/B (x)	3.53	2.69	2.23	1.74	1.41
Dividend yield (%)	1.3	2.4	3.5	5.1	7.4

Source: Company data, BOCOM Int'l estimates

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**Figure 1: FY17 results summary**

	FY16 (RMB m)	FY17 (RMB m)	YoY (%)
<b>Revenue</b>	<b>20,539</b>	<b>27,690</b>	31.6
Property sales	20,243	26,635	4.7
Property investment	84	88	355.6
Construction contracts	212	966	<b>34.8</b>
COGS	(13,979)	(18,172)	30.0
<b>Gross profit</b>	<b>6,560</b>	<b>9,517</b>	45.1
Gross profit margin (%)	31.9	34.4	+2.5ppts
SG&A	(1,271)	(1,677)	31.9
Other gains/expenses (net)	227	686	202.1
Interest expenses	(372)	(672)	80.8
Reval gain	2,764	2,829	2.4
Associates/JCEs	26	205	702.8
<b>Pretax income</b>	<b>7,933</b>	<b>10,889</b>	37.3
Tax	(2,734)	(3,881)	42.0
<b>Profit after tax</b>	<b>5,200</b>	<b>7,008</b>	34.8
Other MI/ perpetual	(712)	(481)	(32.5)
<b>Net profit</b>	<b>4,488</b>	<b>6,527</b>	45.4
<b>Core profit</b>	<b>3,107</b>	<b>4,620</b>	48.7

Source: Company data, BOCOM Int'l

**Figure 2: Core profit movement**

Source: Company data, BOCOM Int'l

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**Logan Property (3380 HK)**



## BOCOM International

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#### Analyst Stock Ratings:

**Buy:** The stock's total return is expected to **exceed** that of the corresponding industry over the next 12 months.

**Neutral:** The stock's total return is expected to be **in line with** that of the corresponding industry over the next 12 months.

**Sell:** The stock's total return is expected to be **below** that of the corresponding industry over the next 12 months.

**Not-Rated:** The analyst **does not have conviction** regarding the outlook of the stock's total return relative to that of the corresponding industry over the next 12 months.

#### Analyst Industry Views:

**Outperform:** The analyst expects the industry coverage universe to be **attractive** relative to the relevant broad market benchmark over the next 12 months.

**Market perform:** The analyst expects the industry coverage universe to be **in line with** the relevant broad market benchmark over the next 12 months.

**Underperform:** The analyst expects the industry coverage universe to be **unattractive** relative to the relevant broad market benchmark over the next 12 months.

Broad market benchmark for Hong Kong is **the Hang Seng Composite Index**, for China A-shares is the **MSCI China A Index**, for US-listed Chinese companies is **S&P US Listed China 50 (USD) Index**.

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