

China Property

24 April 2018

## Agile Group (3383 HK)

### Key takeaways from NDR to Taiwan

- ⊕ We have arranged an NDR to Taiwan with Agile to meet with investors and analysts and update on its latest operations and business strategy. Below are the key takeaways and management guidance:
- ⊕ **High exposure to Greater Bay Area to support property development margins.** As at end-17, 1/3 of Agile's landbank was located within the Greater Bay Area (mainly Zhongshan, Huizhou and Guangzhou). With the surging ASP in Zhongshan and Huizhou, Agile expects its FY18 GPM to stay at >40%. Moreover, given the low land cost secured from its current landbank, Agile further targets to achieve 30% CAGR in revenue and 12%+ core profit margin for FY18-20.
- ⊕ **High payout ratio to remain.** Agile expects FY18 payout ratio to remain at 45-50%. Agile proposed a final DPS of HK\$68 cents for 2017 which brought full-year DPS to HK\$90 cents, representing a payout of ~47%.
- ⊕ **Sales target at RMB110bn with 2H-skewed launch schedule.** Agile has planned total saleable resources of 12m sqm for 2018, and we estimate they could fetch RMB180bn-200bn. Agile set its FY18 sales target at RMB110bn, up 24% YoY. Furthermore, Agile has planned 41 brand new projects in 2018, of which 39 will be launched in 2Q-4Q18. Agile expects a 40/60 sales pipeline breakdown for 1H/2H18.
- ⊕ **3-year plan on non-property development businesses.** Agile spun off its property management business in early 2018 and is expanding waste treatment business through M&A. Agile targets revenue contribution from non-core businesses to ramp up significantly to ~20% by 2020.
- ⊕ **Maintain Buy.** Hainan announced new home purchase restriction measures over the weekend. We expect FY18 earnings impact on Agile to be <5%, given Agile achieved about half of its FY18 sales plan in 1Q18 from its major Hainan project, namely Hainan Clearwater Bay. We believe the policy will have negative impact on share price in the short run, but Agile's earnings and growth profile remains intact with high margin to stay, high dividend payout and strong sales growth, in our view. We maintain **Buy** rating and TP of HK\$19.80 on the counter.

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**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.

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**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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