

27 March 2019

**Hold**  
**Unchanged**

## 全年业绩符合预期，冀 20%销售增长

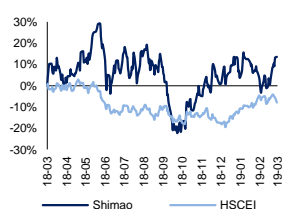
### SHIMAO PROPERTY HOLDINGS LTD (00813:HK)

#### Financial summary and valuation

#### Market Data: 26 March 2019

Closing Price (HK\$)	22.10
Price Target (HK\$)	22.50
HSCEI	11,170
HSCCI	4,527
52-week High/Low (HK\$)	26.20/14.32
Market Cap (USD Mn)	9,296
Market Cap (HK\$ Mn)	72,963
Shares Outstanding (Mn)	3,301
Exchange Rate (RMB-HK\$)	1.17

#### Price Performance Chart:



Source: Bloomberg

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#### Related Reports

Regional overhang, Feb27, 2019

Facing challenges in 2019, Dec10, 2018

Weakening market, Aug29, 2018

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	70,426	85,513	110,263	137,219	164,730
YoY (%)	19%	21%	29%	24%	20%
Underlying net income (Rmbm)	6,930	8,551	10,184	12,250	13,857
YoY (%)	11%	23%	19%	20%	13%
EPS (Rmb)	2.32	2.65	3.71	4.01	4.49
Core EPS (Rmb)	2.05	2.56	3.09	3.71	4.20
ROE (%)	12.6%	14.6%	16.0%	16.9%	16.9%
Net Gearing (%)	63%	65%	66%	66%	61%
Dividend Yield (%)	4.7%	5.6%	5.6%	6.7%	7.6%
PE (x)	5.7	7.6	6.3	5.2	4.6
PB (x)	0.7	1.1	0.9	0.8	0.7

Core EPS is calculated as if all non-recurring items are excluded. P/E is calculated as closing price divided by each year's core EPS.

世茂房地产周二盘后公布业绩与我们预期一致，公司将2019年目标销售增长定在20%，与可比同业目标增速相仿。我们维持公司2019-2020年每股核心净利润预测值分别为3.09元（同比增长19%）和3.71元（同比增长20%），并新增2021年预测值为4.20元（同比增长13%）。我们更新公司目标价至22.5港元，并维持中性评级。

公司 2018 年营业额同比增长 21%至 855 亿元，其中物业开发收入同比增长 21%至 809 亿元，较我们预期略低 4%，包含商业物业运营、酒店运营以及物业管理等服务在内的其他收入增长 27%至 46 亿元。同期毛利率从 17 年的 30.4%上升 1.1 个百分点至 31.5%，较我们预期的 31.4%略高 0.1 个百分点。扣除 19 亿物业重估收入以及 22 亿汇兑损失影响，归属股东的核心净利润同比上升 23%至 85.5 亿，较我们预期略高 0.9%，但较一致预期低 7%。公司宣派末期股息每股 0.7 港元（17 年为 0.6 港元），连同已付中期股息每股 0.5 港元（17 年为 0.4 港元），令全年股息为 1.2 港元，同比增长 20%，派息率基本稳定在略超 40%，与我们预期基本相同。截至 18 年底，公司总有息负债增长 25%至 1142 亿，净权益负债率略微上升 2 个百分点至 65%。

公司于 2018 年完成合约销售额 1760 亿元，较 2017 年大幅增长 75%，显著跑赢了板块的平均销售增速（18 年约 30%），改变了公司过去四年连续销售增速低于同业的态势，也令自己的规模排名从 2017 年的第 16 位晋升到全国第 11 位，主要受益于公司 17 年加大了土地储备购置力度以及布局较多的福建区域表现突出。公司将 2019 年销售目标定位 2100 亿元，同比增长 20%，与可比同业目标增速相仿。公司预计 2019 年总可售资源可达 3500 亿元，并将目标去化率从 2018 年的 65%下调至 2019 年的 60%，并于今年前两个月实现累计合约销售金额同比增长 26%至 215 亿元。

公司曾在上一轮行业上行周期 2012-2013 年将自己的销售规模推上了一个台阶，此后进一步的规模增长遭遇了 14 年行业下行周期，15-16 年致力于去库存，17 年才开始调整过来。公司 2017 年以来显著加大了土地投资，权益土地购置金额从 2016 年的 300 亿飙升到 2017 年的 680 亿，2018 年前三季度继续购地 450 亿元，惟于四季度放缓了投资步伐以等待土地价格的进一步回软。公司 2018 年全年土地支出超过 520 亿元。与 2017 年不同的是，2017 年的土地投资主要集中在一线（58%）和二线城市（30%），三四线城市仅占投资金额的 12%，2018 年这一比例上升至约 50%，绝对额上升到超过 250 亿（17 年约 70 亿）。截止 2018 年末，公司总土储面积达 5500 万方，权益土储面积超过 3700 万方，平均楼面价为 5386 元/平米，相当于 2018 年合约销售均价的 33%。

我们维持公司 2019-2020 年每股核心净利润预测值分别为 3.09 元（同比增长 19%）和 3.71 元（同比增长 20%），并新增 2021 年预测值为 4.20 元（同比增长 13%）。我们维持公司每股净资产预测 30 港元不变，因应目前整体市场估值的上行将目标净资产折价从 35%略微收窄至 25%。我们对公司 17 年末在深圳龙岗 240 亿买下的综合地块（投资大、试讲长、自持面积多）以及 2017-2018 年下沉到三四线城市仍表示担忧。我们将公司目标价从 19.5 港币上调至 22.5 港币，对应 1.8%上升空间，维持世茂房地产中性评级。

Shimao Property announced its 2018 results, with revenue up 21% YoY to Rmb85.5bn and core net profit up 23% YoY to Rmb8.6bn, largely in line with our expectations. Management set a sales growth target of 20% YoY for 2019, similar to its peers. We maintain our core EPS forecasts of Rmb3.09 in 19E (+20.7% YoY) and Rmb3.71 in 20E (+20.1% YoY), and forecast Rmb4.20 in 21E (+13.2% YoY). We lift our target price from HK\$19.50 to HK\$22.50. With 2% upside, we maintain our Hold rating.

**Results highlights.** Revenue from property sales rose 21% YoY to Rmb80.9bn in 2018, 4% lower than our estimate, revenue from hotels, commercial properties operations, property management and others rose 27% to Rmb4.6bn. The overall gross margin improved by 1.1ppts from 30.4% in 2017 to 31.5% in 2018, 0.1ppts higher than our forecast. Excluding revaluation gains of Rmb1.9bn and exchange losses of Rmb2.2bn, attributable core profit reached Rmb8.55bn (+23% YoY), 0.9% higher than our estimate, or 7% lower than market consensus. It declared final dividend per share of HK\$0.7 (vs. HK\$0.6 in 2017), pushing the full-year DPS to HK\$1.2 (+20% YoY), implying a stable pay-out ratio at 40%-plus, in line with our expectation. As of end-2018, the total debts rose 25% to Rmb114.2bn, lifting the net gearing ratio by 2ppts to 65%.

**Contract sales.** Shimao delivered 2018 sales growth of 75% YoY (vs sector average: +c.30% YoY), with contract sales of Rmb176bn, making it China's 11th largest developer in terms of sales (vs 16th in 2017). By contrast, the company experienced slower-than-average sales growth in 2014-17. We attribute the sales growth improvement to its increased land investment since 2017 and the robust recovery of regional markets like Fujian to which the firm is heavily exposed. The firm set its 2019 sales target at Rmb210bn (+20% YoY), in line with target growths disclosed by comparable peers. This was supported by Rmb350bn sellable resources with target sell-through rate guided down from c.65% in 2018 to c.60% in 2019, while for the first two months it's achieved sales of Rmb21.5bn (+26% YoY).

**Land bank.** We note Shimao's sales jumped during the last upcycle in 2012-13, before experiencing a downcycle starting from 2014. It took almost three years for the firm to complete its destocking. After land costs surged to Rmb68bn in 2017 (vs Rmb30bn in 2016), the firm continued to replenish its inventory until 4Q18, when the land market started to cool down. During full-year 2018, the company still spent over Rmb52bn on land. In contrast with 2017, when tier-1 and -2 cities accounted for 58% and 30% of the firm's total investment, respectively, Shimao significantly increased investment in tier-3 and -4 cities in 2018 (c.50% of the total), representing a combined Rmb25bn (vs Rmb7bn in 2017). Its total land reserves reached 55msqm (or 37msqm in the attributable sense) as of end-2018, with an average floor cost of Rmb5,386/sqm (33% of the average contracted selling price in 2018).

**Maintain Hold.** We maintain our net asset value (NAV) estimate at HK\$30, and decrease our NAV discount from 35% to 25% to account for the lift in valuation of the broad market. We believe the firm's current valuation is not overpriced; however, we remain concerned about the large-sized complex project acquired in Shenzhen and its investment in lower-tier cities over 2017-18. We lift our target price from HK\$19.50 to HK\$22.50. With 2% upside, we maintain our Hold rating.

## Results highlights

Shimao Property announced its 2018 annual results after market closed on Tuesday, in line with our expectation, and set 20% YoY growth for 2019 sales, similar with comparable peers.

Revenue up 21% YoY to Rmb85.5bn in 2018, of which revenue from property sales up 21% YoY to Rmb80.9bn, 4% lower than our estimate, revenue from hotels, commercial properties operations, property management and others rose 27% to Rmb4.6bn.

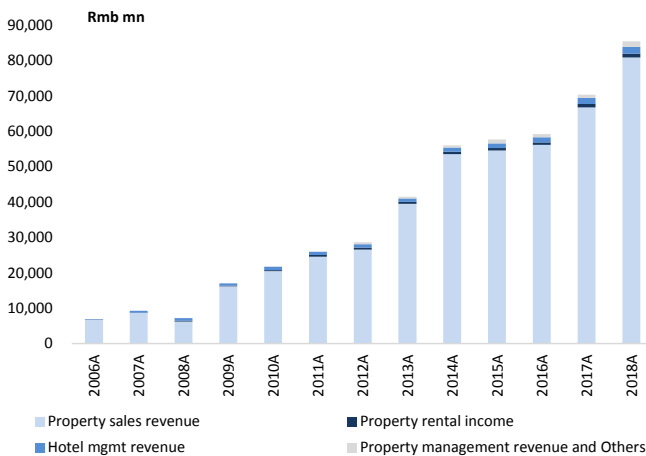
The overall gross margin improved by 1.1ppts from 30.4% in 2017 to 31.5% in 2018, 0.1ppts higher than our forecast.

Excluding revaluation gains of Rmb1.9bn and exchange losses of Rmb2.2bn, attributable core profit reached Rmb8.55bn (+23% YoY), 0.9% higher than our estimate, or 7% lower than market consensus.

It declared final dividend per share of HK\$0.7 (vs. HK\$0.6 in 2017), pushing the full-year DPS to HK\$1.2 (+20% YoY), implying a stable pay-out ratio at 40%-plus, in line with our expectation.

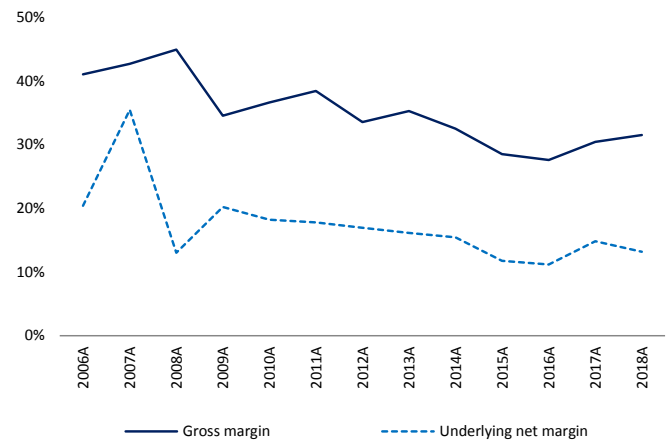
As of end-2018, the total debts rose 25% to Rmb114.2bn, lifting the net gearing ratio by 2ppts to 65%.

Fig 1: Breakdown of revenue



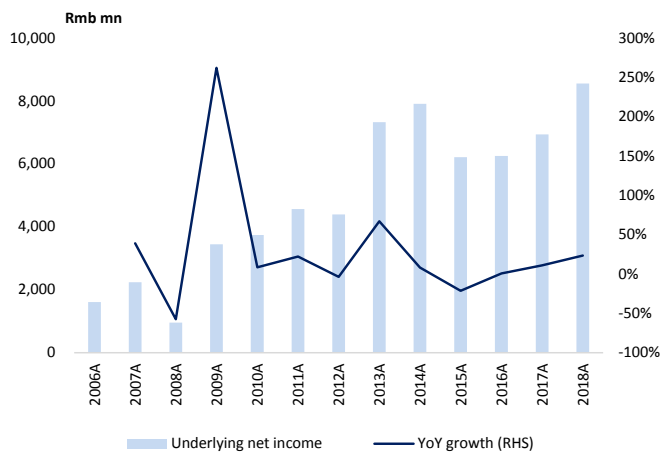
Source: Company data, SWS Research

Fig 2: Gross margin and net profit margin



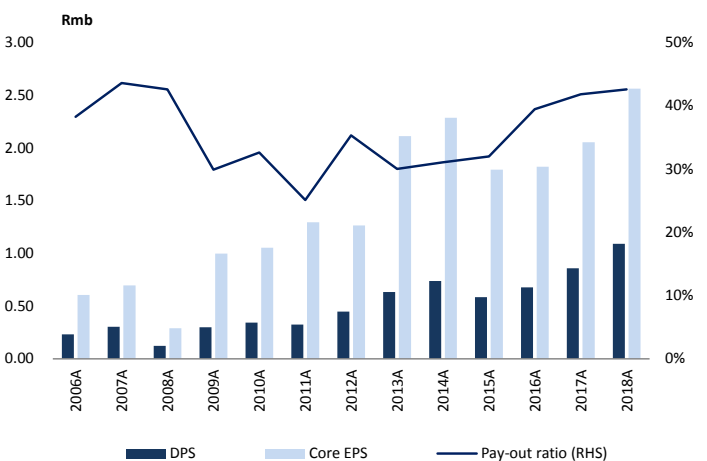
Source: Company data, SWS Research

Fig 3: Underlying net profit and growth



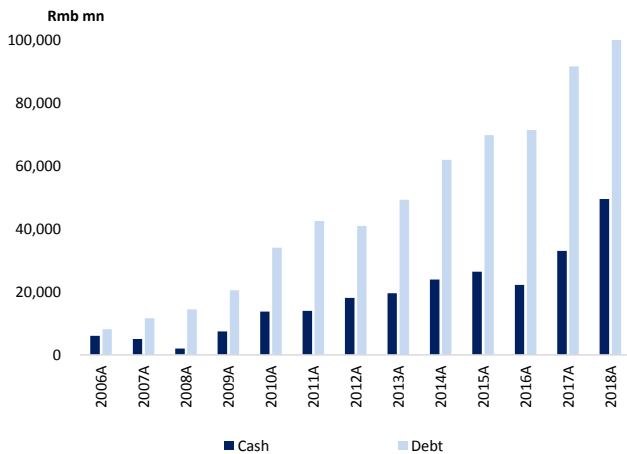
Source: Company data, SWS Research

Fig 4: DPS, core EPS and pay-out ratio



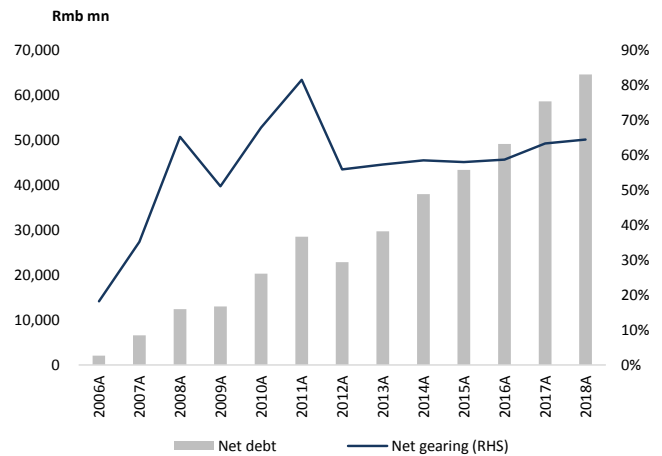
Source: Company data, SWS Research

Fig 5: Cash and total debt



Source: Company data, SWS Research

Fig 6: Net debt and net gearing ratio



Source: Company data, SWS Research

## Contract sales

Shimao delivered 2018 sales growth of 75% YoY (vs sector average: +c.30% YoY), with contract sales of Rmb176bn, making it China's 11th largest developer in terms of sales (vs 16th in 2017). By contrast, the company experienced slower-than-average sales growth in 2014-17.

We attribute the sales growth improvement to its increased land investment since 2017 and the robust recovery of regional markets like Fujian to which the firm is heavily exposed.

The firm set its 2019 sales target at Rmb210bn (+20% YoY), in line with target growths disclosed by comparable peers. This was supported by Rmb350bn sellable resources with target sell-through rate guided down from c.65% in 2018 to c.60% in 2019, while for the first two months it's achieved sales of Rmb21.5bn (+26% YoY).

Fig 7: Contract sales of key listed Chinese developers, 2012-2018 (unit: Rmb bn)

Code	Listcos	12A	13A	14A	15A	16A	17A	18A	13A	14A	15A	16A	17A	18A
02007 HK	Country Garden	48	106	129	140	309	551	665	123%	21%	9%	120%	78%	21%
02202 HK	Vanke	141	171	215	261	364	530	607	21%	26%	22%	39%	45%	15%
03333 HK	Evergrande	92	100	132	201	373	501	551	9%	31%	53%	85%	34%	10%
01918 HK	Sunac	32	51	66	68	151	362	461	61%	30%	4%	121%	140%	27%
00688 HK	COLI	89	111	115	154	185	207	268	24%	2%	28%	17%	10%	30%
00960 HK	Longfor	40	48	49	55	88	156	201	20%	2%	11%	62%	77%	29%
01109 HK	CR Land	52	66	69	85	108	152	216	27%	4%	23%	27%	41%	42%
01030 HK	Future Land	16	21	24	32	65	126	221	28%	16%	33%	104%	94%	75%
00884 HK	CIFI	10	15	21	30	53	104	152	61%	38%	43%	75%	96%	46%
00813 HK	Shimao	46	67	70	67	68	101	176	46%	5%	-5%	2%	48%	75%
02777 HK	R&F	33	42	54	54	61	82	131	27%	29%	0%	12%	35%	60%
03383 HK	Agile	33	40	44	44	53	81	103	22%	9%	0%	19%	53%	27%
03377 HK	Sino-ocean	31	36	40	41	50	71	110	15%	12%	1%	24%	40%	55%
00817 HK	China Jinmao	11	15	19	28	37	58	125	36%	27%	50%	35%	55%	115%
01628 HK	Yuzhou	7	11	12	14	23	40	56	68%	10%	17%	66%	74%	39%
01813 HK	KWG	16	22	27	25	29	38	66	37%	20%	-7%	14%	33%	72%
00119 HK	Poly Ppty	23	27	24	30	35	38	41	14%	-10%	25%	16%	9%	8%
03900 HK	Greentown	51	62	79	72	96	103	101	22%	28%	-9%	33%	8%	-2%
<b>Total/Average</b>		<b>771</b>	<b>1011</b>	<b>1189</b>	<b>1401</b>	<b>2149</b>	<b>3301</b>	<b>4250</b>	<b>31%</b>	<b>18%</b>	<b>18%</b>	<b>53%</b>	<b>54%</b>	<b>29%</b>

Source: Company data, SWS Research

Fig 8: Stake in contract sales and attributable contract sales of major developers, 2015-2018

Code	Listcos	Interests of contracted sales				Attributable contracted sales				% Chg yoy		
		15A	16A	17A	18A	15A	16A	17A	18A	16A	17A	18A
02007 HK	Country Garden	89%	76%	71%	75%	125	235	389	502	89%	66%	29%
02202 HK	Vanke	70%	71%	71%	70%	183	260	377	425	42%	45%	13%
03333 HK	Evergrande	95%	95%	95%	95%	191	355	477	524	86%	34%	10%
01918 HK	Sunac	64%	69%	73%	71%	43	104	266	326	139%	155%	23%
00688 HK	COLI	95%	95%	91%	90%	146	176	188	241	21%	7%	28%

00960 HK	Longfor	85%	75%	70%	70%	46	66	109	140	43%	65%	28%
01109 HK	CR Land	90%	86%	85%	85%	77	93	129	183	21%	39%	42%
01030 HK	Future Land	78%	77%	79%	77%	25	50	100	170	100%	100%	70%
00884 HK	CIFI	66%	55%	53%	50%	20	29	55	76	45%	88%	38%
00813 HK	Shimao	75%	73%	74%	75%	50	50	75	132	0%	50%	76%
02777 HK	R&F	100%	100%	100%	100%	54	61	82	131	12%	35%	60%
03383 HK	Agile	93%	93%	90%	79%	41	49	73	81	19%	49%	11%
03377 HK	Sino-ocean	80%	69%	71%	60%	32	35	50	66	8%	43%	32%
00817 HK	China Jinmao	65%	68%	68%	63%	18	26	39	78	40%	54%	100%
01628 HK	Yuzhou	91%	90%	74%	70%	13	21	30	39	64%	44%	31%
01813 HK	KWG	81%	78%	75%	65%	20	22	29	42	11%	29%	48%
00119 HK	Poly Ppty	80%	75%	70%	66%	24	26	27	27	9%	1%	2%
03900 HK	Greentown	54%	53%	53%	55%	39	51	55	56	32%	7%	1%
Total/Average		81%	78%	76%	73%	1148	1709	2548	3240	49%	49%	27%

Source: Company data, SWS Research

## Land bank

We note Shimao's sales jumped during the last upcycle in 2012-13, before experiencing a downcycle starting from 2014. It took almost three years for the firm to complete its destocking.

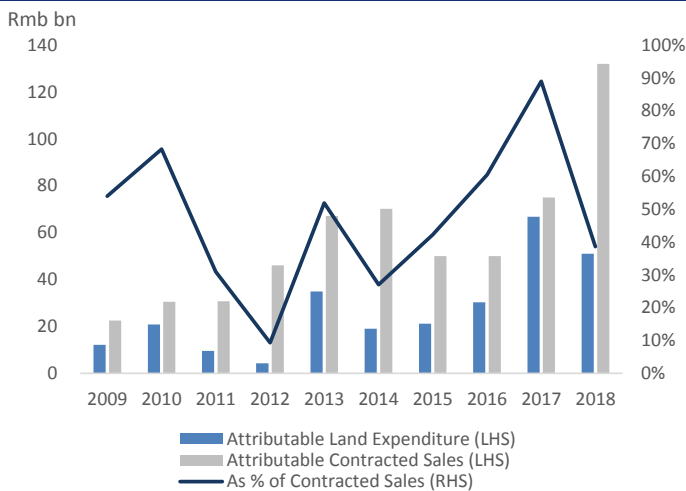
After land costs surged to Rmb68bn in 2017 (vs Rmb30bn in 2016), the firm continued to replenish its inventory until 4Q18, when the land market started to cool down.

During full-year 2018, the company still spent over Rmb52bn on land.

In contrast with 2017, when tier-1 and -2 cities accounted for 58% and 30% of the firm's total investment, respectively, Shimao significantly increased investment in tier-3 and -4 cities in 2018 (c.50% of the total), representing a combined Rmb25bn (vs Rmb7bn in 2017).

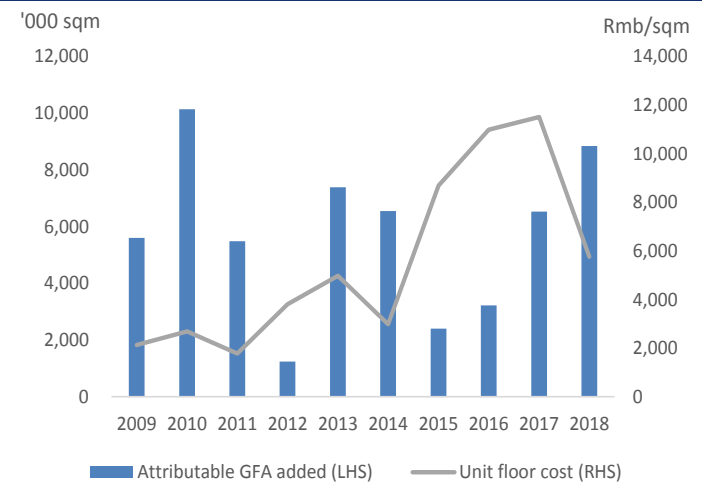
Its total land reserves reached 55msqm (or 37msqm in the attributable sense) as of end-2018, with an average floor cost of Rmb5,386/sqm (33% of the average contracted selling price in 2018).

Fig 9: Shimao's land investment against contracted sales, 2009-2018



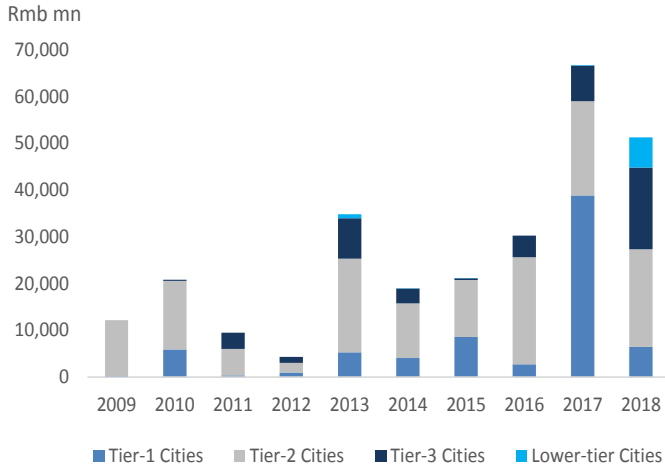
Source: Company data, SWS Research

Fig 10: Shimao's land reserves newly added and corresponding floor cost, 2009-2018



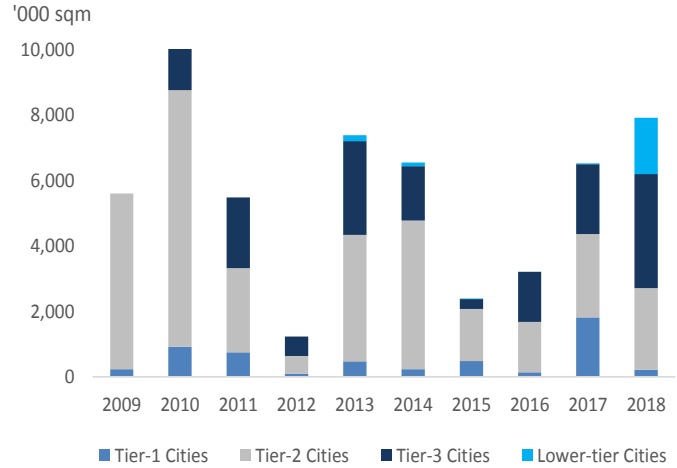
Source: Company data, SWS Research

Fig 11: Shimao's land investment by city type in 2018 (value)



Source: Company data, SWS Research

Fig 12: Shimao's land investment by city type in 2018 (area)



Source: Company data, SWS Research

Fig 13: Shimao's city coverage

# of cities	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tier-1		1			1	1				
Tier-2	5	2	1			3			2	1
Tier-3		1	2	1	2	2		1	2	4
Lower tier					1	1	1		1	10
<b>Total</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>15</b>

Source: Company data, SWS Research

## Maintain Hold

We maintain our net asset value (NAV) estimate at HK\$30, and decrease our NAV discount from 35% to 25% to account for the lift in valuation of the broad market.

We believe the firm's current valuation is not overpriced; however, we remain concerned about the large-sized complex project acquired in Shenzhen and its investment in lower-tier cities over 2017-18.

We lift our target price from HK\$19.50 to HK\$22.50. With 2% upside, we maintain our Hold rating.

Fig 14: Valuation and target price of key listed Chinese developers

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)		PB (x)		Dividend yield		NAV Disc	Shares Performance		
					18E	19E	18E	19E	18E	19E		2017	2018	2019
COLI	00688 HK	310	Hold	31.45	8.4	7.4	1.1	1.0	3.4%	3.9%	-24%	25%	8%	5%
Country Garden	02007 HK	257	Hold	10.92	6.6	6.2	1.9	1.5	4.7%	5.0%	-29%	248%	-33%	25%
CR land	01109 HK	226	Outperform	36.10	10.3	8.4	1.4	1.3	3.7%	4.5%	-23%	36%	35%	8%
Longfor	00960 HK	151	Hold	24.91	10.4	8.7	1.6	1.5	3.8%	4.6%	-11%	106%	20%	13%
Shimao	00813 HK	75	Hold	22.50	7.6	6.3	1.1	0.9	5.6%	5.6%	-26%	73%	22%	6%
CIFI	00884 HK	44	Hold	5.70	6.9	6.2	1.5	1.2	5.2%	5.7%	-40%	138%	-14%	36%
Sino-ocean	03377 HK	24	Hold	3.68	8.2	4.1	0.3	0.3	6.6%	9.7%	-69%	60%	-34%	-6%
KWG	01813 HK	26	Hold	8.62	5.5	4.9	0.7	0.7	6.4%	7.1%	-41%	128%	-34%	23%
Yuzhou	01628 HK	18	Outperform	4.58	4.5	3.5	0.9	0.8	7.8%	8.8%	-47%	74%	-19%	37%
Poly Ppty	00119 HK	11	Outperform	3.62	5.7	2.9	0.4	0.3	5.3%	10.5%	-63%	58%	-38%	23%
					<b>7.4</b>	<b>5.8</b>	<b>1.1</b>	<b>1.0</b>	<b>5.2%</b>	<b>6.5%</b>	<b>-37%</b>	<b>95%</b>	<b>-9%</b>	<b>17%</b>

Source: Bloomberg, Company data, SWS Research



**Figure 3: Forecast Cash Flow Statement**

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Cash generated from/(used in) operations	(4,012)	(4,068)	5,096	6,000	23,323	9,627	12,000	13,000	13,650
Tax and Interest payment	(6,935)	(8,695)	(9,799)	(9,460)	(11,844)	(12,436)	(13,058)	(13,711)	(14,396)
Others	26	809	2,495						
<b>Net cash generated from operating activities</b>	<b>(10,921)</b>	<b>(11,954)</b>	<b>(2,208)</b>	<b>(3,460)</b>	<b>11,479</b>	<b>(2,809)</b>	<b>(1,058)</b>	<b>(711)</b>	<b>(746)</b>
Acquisitions	(907)	(1,585)	(2,364)	(2,395)	(25,957)	(7,787)	(7,865)	(6,292)	(5,034)
Others	(5,113)	1,390	1,321	(3,006)	2,952	3,100	3,410	3,444	3,478
<b>Net cash generated from Investing activities</b>	<b>(6,020)</b>	<b>(195)</b>	<b>(1,043)</b>	<b>(5,401)</b>	<b>(23,005)</b>	<b>(4,688)</b>	<b>(4,455)</b>	<b>(2,848)</b>	<b>(1,555)</b>
Proceeds from issuance of shares				(795)	(65)				
Net borrowings	8,335	12,665	7,827	(81)	22,290	22,527	6,500	4,500	4,502
Dividend payment	(1,549)	(2,196)	(2,456)	(2,325)	(2,541)	(2,896)	(3,641)	(3,565)	0
Others	11,399	4,912		8,804	1,044	3,017	614	633	652
<b>Net cash generated from financing activities</b>	<b>18,185</b>	<b>15,381</b>	<b>5,371</b>	<b>5,603</b>	<b>20,728</b>	<b>22,647</b>	<b>3,473</b>	<b>1,568</b>	<b>5,154</b>
<b>Increase in cash and cash equivalents</b>	<b>1,244</b>	<b>3,232</b>	<b>2,119</b>	<b>(3,258)</b>	<b>9,202</b>	<b>15,151</b>	<b>(2,040)</b>	<b>(1,991)</b>	<b>2,852</b>
Cash and cash equivalents at beginning of year	15,894	17,026	20,472	22,591	19,359	28,537	43,688	41,647	39,656
Exchange losses on cash and cash equivalents	(113)	215		26	(24)				
<b>Cash and cash equivalents at end of the year</b>	<b>17,026</b>	<b>20,472</b>	<b>22,591</b>	<b>19,359</b>	<b>28,537</b>	<b>43,688</b>	<b>41,647</b>	<b>39,656</b>	<b>42,508</b>

Source: Company data, SWS Research



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