



**Key Data**

Share price (HK\$)	4.05
Target price(HK\$)	5.82
Upside potential	43.7
52Wk H/L(HK\$)	5.03/2.83
Issued shares (mn)	14,893
Market cap (HK\$mn)	60,636
30-day avg vol (HK\$mn)	329.4
Auditors	PwC
Major shareholder:	
Xu jiayin*	68.1

\*The founder and Chairman of the group  
Source: Company data & Bloomberg

**Revenue composition in 1HFY12 (%)**

Property development:	97.7
Others	2.3

Source: Company data

**Share performance (%)**

	Absolute	Relative*
1-mth	10.4	7.3
3-mth	31.9	21.2
6-mth	3.1	(13.6)

Source: Bloomberg

\*Relative to Hang Seng Index

**1 year price performance**



Source: Bloomberg

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**Evergrande (3333 HK) –Buy**  
**Real Estate Development Industry**

**Strong recovery**

In our view, the fundamentals of Evergrande are recovering. Signs of recovery include expected strong sales momentum in December and 2013, stabilization of GP margin of the group and visible downward trend of gearing ratio. Evergrande will benefit from the urbanization process of second- and third-tier cities, and its standardized development mode will allow the company to rapidly expand and to increase market share.

**Strong sales momentum in December.** According to our channel check, strong sales momentum remains intact in December, which will grow by 368.8% YoY to reach Rmb6.0bn. Full year sales will hit Rmb90.6bn, up 12.7% and 13.3% ahead of the budget (Rmb80.0bn).

**Brighter 2013.** We forecast the group to record Rmb100.0bn sales, up 10.0% YoY which is based on a continuous recovery of the industry and proactive adjustment of the group's strategy. Evergrande will focus on second-tier cities in 2013, which will experience stronger recovery amid acceleration of urbanization.

**Margin is bottoming out:** ASP of the sales has sequentially rebounded for two consecutive months with month-to-month increase of 0.3% to Rmb5,592/sq.m and 6.4% to Rmb5,962/sq.m in October and November respectively. On the back of moderate recovery of the physical market, diminished cash flow risk and better product mix, we expect the margin of the group has stabilized. We estimate that FY12 GP margin will be 29.0% and further rebound to 30.0% for FY13 (28.6% for 1HFY12).

**Gearing on downward trend:** Thanks to the strong sales and disciplined land bank strategy in the 2H12, we forecast the net gearing ratio of the group to decline to 87.0% by end-December, compared to 96.0% at the end-June. The ratio is expected to further improve to 83-85% for FY13.

**Maintain BUY rating:** Given the group's sustainable sales momentum, improved margin and diminishing financial risk, we maintain our BUY rating on the stock, with a TP of HK\$5.82.

**Risk factors:** weaker-than-expected sales; Unfavorable government policy.

**Forecast and Valuation**

FY ended Dec 31	FY09A	FY10A	FY11A	FY12E	FY13E
Core net profit^ (Rmbmn)	492	5,510	8,610	9,035	9,465
YoY chg(%)	3.7	1021.0	56.3	4.9%	4.8%
Core EPS (Rmb)	0.033	0.365	0.565	0.580	0.612
BVPS(Rmb)	0.86	1.37	2.15	2.70	3.34
PE(x)	-	-	-	5.63	5.39
PB(x)	-	-	1.50	1.21	1.03
ROAE(%)	8.5	45.3	42.7	28.8	27.0

^Excluding revaluation G/L on investment property; @Rmb0.8121/HK\$

Source: Company data, Bloomberg, ABCI Securities estimates



## Disclosures

I, Li Hongying, Vivian, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return - 6% $\leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

**Li Hong-ying Vivian, has financial interest in Evergrande Real Estate Group Limited as at 24 Dec 2012.**

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