



April 1, 2015  
 Company Report  
 Rating: UNRATED

Share price (HK\$) 48.00

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**Key Data**

52Wk H/L(HK\$)	50.65/43.8
Issued shares (mn)	4,526
Market cap (HK\$ mn)	217,086
3-mth avg daily turnover (HK\$ mn)	120.63
Major shareholder(s) (%): Mr WANG Jianlin	51.1

Source(s): Company, Bloomberg, ABCI Securities

**FY14 Revenue breakdown (%)**

Property sales	85.1
Property investment	9.6
Hotels	3.7
Others	1.6

Source(s): Company, ABCI Securities

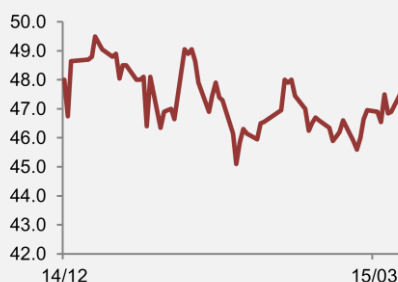
**Share performance (%)**

	Absolute	Relative*
1-mth	1.2	0.5
3-mth	(3.0)	(8.4)
6-mth	NA	NA

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

**Wanda (3699 HK)**  
 FY14 results review

- FY14 core profit rose 14%yoy to RMB14.8bn; gross margin stayed high at 42.6%
- Rental income surged 34% yoy to RMB 10.4bn in FY14; Wanda plans to add 26 new malls in 2015
- Presales rose 27% yoy to RMB 160.2bn in FY14, with commercial property sales accounting for 60% of total

**FY14 results review.** Wanda's core profit rose 14% yoy to RMB 14.8bn as revenue increased 24% yoy to RMB 108bn. Gross margin contracted slightly by 0.5ppt yoy to 42.6%, which is still significant higher than most residential developers such as COLI (32.7%) and CR Land (30.6%). Net gearing remained healthy at 57% (+4ppt YoY) after Wanda had raised ~RMB 23.8bn of IPO proceeds in Dec 2014. In FY14, Wanda achieved an operating cash inflow of RMB8.8bn as cash generated from sales proceeds and recurring revenue was higher than cash outflow for land premium (RMB 22.5bn) and construction (RMB 56.0bn). Most investing cash flow (RMB 45.7bn) was utilized for development of investment properties (RMB 31.8bn).

**Solid rental business.** Wanda's rental income rose 34%yoy to RMB 10.4bn as the no. of Wanda Plazas increased from 84 in 2013 to 107 in 2014. Leasable floor area also increased 23.5% yoy to 11.49mn sqm. EBIT margin (ex-fair value gain and other income) for the segment went up 2.8ppt yoy to 60.4%. Wanda's shopping malls generated RMB 62.7bn of retail sales in tier-1/2 cities and RMB 39.3bn in tier-3 ones. Occupancy cost (rent / tenants' retail sales) remained low at 9.3% for tier-1/2 and 9.5% for tier-3 cities. Management commented Wanda is introducing turnover rent (based on a fixed percentage of tenant's sales) into its malls to increase rent. In FY15, Wanda aims to achieve a 30% yoy growth in rental business by adding 26 new malls during the year. Management believes business is not impacted by online retailing, given that 35.8% of rental income was from experience type consumption (e.g. F&B, cinema, etc). Also, they are very confident in their business in tier-3 regions where their malls are usually regarded as landmark buildings. Also, retail sales performance for malls operating for more than 1 year increased 25% yoy in tier-3 cities in 2014, faster than the 22% yoy growth in tier-1/2 cities. Annual sales for malls in tier-3 cities were RMB 9,050/sqm, which was only 19% lower than that in tier-1/2 cities.

**Presales rose 27% YoY to RMB 160.2bn in FY14.** Wanda's presales increased 27% yoy to RMB 160.2bn as GFA sold jumped 34%yoy, while ASP dropped slightly by 6% yoy. Wanda was ranked No. 3 by presales in China in 2014. Commercial property (retail, Office and SOHO) accounted for 60% while residential represented 40% of total presales. By geography, about 50% of income was from tier-1/2 cities, 48% from tier-3 cities and 2% from overseas. In 2015, Wanda targets to achieve a 5% yoy growth in presales.

**Risk factors:** 1) Higher net gearing on higher-than-expected capex for investment properties and hotels; 2) Margin erosion on market competition.

**Results and Valuation**

FY ended Dec 31	2011A	2012A	2013A	2014A
Revenue (RMB mn)	50,772	59,091	86,774	107,871
Chg (% YoY)		16.4	46.8	24.3
Underlying Net Income (RMB mn) <sup>1</sup>	9,285	10,887	12,999	14,824
Chg (% YoY)		17.2	19.4	14.0
Underlying EPS (RMB)	2.49	2.91	3.48	3.97
Chg (% YoY)		17.2	19.5	14.0
BVPS (RMB)	16.2	22.9	29.0	40.9
Chg (% YoY)		41.8	26.4	41.1
Underlying PE (x)	15.5	13.2	11.0	9.7
P/B (x)	2.4	1.7	1.3	0.9
ROE (%)	15.4	12.7	12.0	9.7
ROA (%)	3.7	3.2	3.0	2.6
DPS(HK\$)	-	-	-	0.95
Yield (%)	-	-	-	2.5
Net gearing <sup>2</sup> (%)	38.8	48.9	53.3	56.9

<sup>1</sup> Underlying net income = Net profit - revaluation gain of investment properties and one-off items

<sup>2</sup> Net gearing = Net debt / Total equity

Source(s): Bloomberg, ABCI Securities



Exhibit 1: Wanda's 2014 results

P&L	FY14	FY13	YoY Chg
	RMBm	RMBm	(%)
<b>Turnover</b>	<b>107,871</b>	<b>86,774</b>	<b>24.3</b>
Cost of Sales	(61,945)	(49,438)	25.3
<b>Gross Profit</b>	<b>45,926</b>	<b>37,336</b>	<b>23.0</b>
<b>Gross Margin (%)</b>	<b>42.6</b>	<b>43.0</b>	<b>(0.5)</b>
Selling and distribution costs	(6,112)	(4,298)	42.2
Administrative expense	(7,541)	(5,267)	43.2
<b>EBIT</b>	<b>32,273</b>	<b>27,771</b>	<b>16.2</b>
<b>EBIT Margin (%)</b>	<b>29.9</b>	<b>32.0</b>	<b>(2.1)</b>
Other income	3,206	4,142	(22.6)
Fair Value gains on IP and other exceptional items	13,455	15,443	na
Share of profit from JCE/ Associates	(2)	(9)	(77.8)
Finance cost	(7,132)	(5,855)	21.8
<b>Profit before tax</b>	<b>41,800</b>	<b>41,492</b>	<b>0.7</b>
<b>Tax</b>	<b>(16,699)</b>	<b>(16,610)</b>	<b>0.5</b>
- LAT	(7,286)	(7,196)	1.3
- Enterprise tax	(9,413)	(613)	1,435.5
<b>Profit after tax</b>	<b>25,101</b>	<b>24,882</b>	<b>0.9</b>
Minority Interest	(262)	(301)	(13.0)
<b>Net profit</b>	<b>24,839</b>	<b>24,581</b>	<b>1.0</b>
<b>Core net profit</b>	<b>14,824</b>	<b>12,999</b>	<b>14.0</b>
<b>Core net margin</b>	<b>13.7</b>	<b>15.0</b>	

Operating statistics	FY14	FY13	YoY Chg
			%
Presales GFA (mn sqm)	14.19	10.59	34.1
Presales ASP (RMB/sqm)	11,290	11,941	(5.5)
<b>Presales (RMB mn)</b>	<b>160,200</b>	<b>126,400</b>	<b>26.7</b>
GFA Delivered (mn sqm)	7.55	6.28	20.2
Booked ASP (RMB/sqm)	12,144	11,932	1.8
<b>Property sales booked (RMB mn)</b>	<b>91,748</b>	<b>74,981</b>	<b>22.4</b>

Balance sheet	Dec-14	Dec-13	YoY chg
	RMB mn	RMB mn	ppt
Gross debt	180,969	133,932	35.1
Cash	93,035	73,664	26.3
<b>Net debt</b>	<b>87,934</b>	<b>60,268</b>	<b>45.9</b>
<b>Net gearing (%)</b>	<b>57%</b>	<b>53%</b>	<b>+4ppt</b>

Revenue breakdown	FY14	FY13	YoY Chg
	RMBm	RMBm	%
- Property Sales	91,748	74,981	22.4
- Property leasing	10,352	7,707	34.3
- Hotels	4,008	3,215	24.7
- Others	1,763	871	102.4
<b>Total</b>	<b>107,871</b>	<b>86,774</b>	<b>24.3</b>

Source(s): Company, ABCI Securities



## Disclosures

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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

Market return: 5-year average market return rate from 2009-2013

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.

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