



Hopefluent (733 HK) –Unrated Real Estate Service Industry

Key data

Share price (HK\$)	2.23
Target price (HK\$)	-
Upside potential (%)	-
52Wk H/L(HK\$)	2.55 / 1.20
Issued shares (mn)	459.3
Market cap (HK\$mn)	1,048
30-day avg turnover (HK\$mn)	2.21
Major shareholder (%): Fu Wai Chung	35.70

Source: Company & Bloomberg

Revenue composition in 1H12 (%)

Primary market	62.8
Secondary market	29.2
Property management	8.0

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	0.0	(3.5)
3-mth	(1.3)	(9.9)
6-mth	16.1	12.6

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst

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Stronger growth ahead

We take positive view on outlook of Hopefluent, a leading real estate agent due to (i) keep gaining recognition from property developers and hence securing more projects on hand for the primary property market business (ii) reaching an inflection point, and will resume uptrend for the secondary property market business. Per Bloomberg consensus, the combined net profit to hit HK\$167mn in FY12, up 24.6%YoY, and further grow by 16.2%YoY in FY13. It is trading at 5.9x forward PE, sharply lower than the peers' PE range of 8.1-16.8x and also lower than 8.0x, its mid-cycle mean PE level.

Primary property market – above industry growth rate: We expect the group will grow its primary property business by CAGR 19.5% in FY11-14. Such a growth rate far exceeds 4.9% CAGR growth for the industry. Reasons led to our optimism, includes (i) the group enjoys strong reputation with NO.1 market share in Guangzhou and Hefei and top 10 in Shanghai. (ii) it possess strong and diversified client base, over 500,000 customers including sizable developers, such as Vanke, Evergrande, and Gemdale. Leveraging on these, it is expected to secure increasing numbers of new projects from property developers, which will serve as key growth drivers in coming years.

Secondary property market – reaching an inflection point: The group has a strong and unique vision for its secondary property market business, which could become a growth engine when the property markets in the first tier cities are mature. Tamed by the market, the group now has better foresight on predicting turning points and strong adaptability to the dynamic market. Per consensus, this division will make breakeven in operating level in FY12 and generate operating profit of HK\$34mn in FY13 representing a growth of 100.0%YoY in FY13.

A yield play: The group has maintained a consistent dividend payout except 2008 for the last 6 six financial years (FY), with (i) DPS of HK\$0.09-plus and (ii) payout ratio of ~20% for FY09 and ~30% for the other 4 FY. Meanwhile management guides a consistent 30%-plus payout ratio going forward. As the earnings of the group will be in uptrend, a consistent 30%-plus DPR make us view the group as a yield play among PRC property industry. The dividend yield of the group is calculated at 5.1% for FY12E, 6.8% for FY13E.

Risk factors: Lower than expected sales; liquidity risk

Results and valuation

(FY ended Dec 31)	FY09A	FY10A	FY11A	FY12F	FY13E
Revenue (HK\$ mn)	995	1,328	1,611	1,777	2,056
Chg (%YoY)	45.5	33.4	21.3	10.3	15.7
Net Income (HK\$ mn)	126	171	134	167	194
Chg (%YoY)	-267.1	36.6	-21.7	24.6	16.2
EPS (HK\$)	0.424	0.412	0.290	0.335	0.385
Chg (%YoY)	-241.5	-3.0	-29.5	15.5	14.9
PE (x)	-	-	7.7	5.9	5.3
ROAE (%)	23.1	22.3	13.7	14.6	15.7

Source: Bloomberg; Company, ABCI Securities estimate

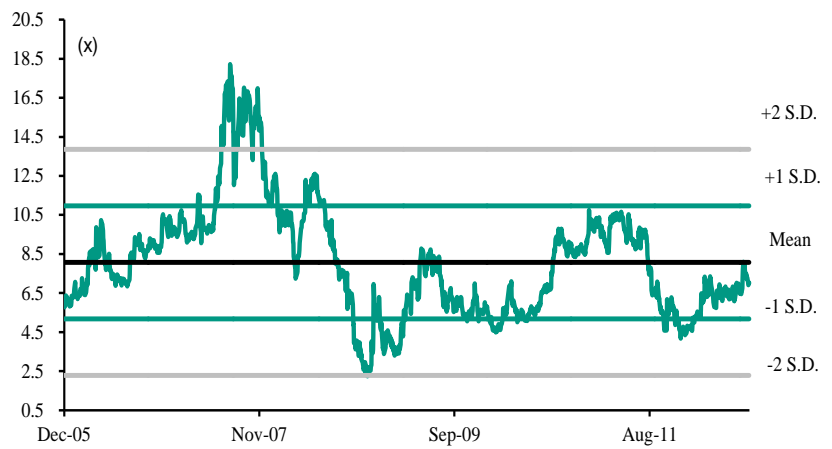


Exhibit: Market valuation comparison

Ticker	Stock name	Currency	Price	FY2011		FY2012	
				PE(x)	PE(x)	PE(x)	Historical PB(x)
733 HK Equity	HOPEFLUENT GROUP	HK\$	2.23	7.7	5.9	1.0	
Domestic peers							
EJ US Equity	E-HOUSE CHIN-ADS	US\$	4.02	27.2	8.1	0.6	
SYSW US Equity	SYSWIN INC-ADS	US\$	1.85	14.0	9.6	0.7	
002285 CH Equity	SHENZHEN WORLD-A	Rmb	11.37	17.9	16.8	2.8	
International Peers							
1200 HK Equity	MIDLAND HOLDINGS	HK\$	4.44	12.9	10.6	2.0	
CBG US Equity	CBRE GROUP INC-A	US\$	19.31	15.8	13.0	5.1	
JLL US Equity	JONES LANG LASAL	US\$	77.10	14.1	12.0	1.9	

Source: Bloomberg and ABCI Securities

Exhibit: PE band chart



Note: we use 4-yr average EPS to smooth the volatility

Source: Bloomberg and ABCI Securities

Disclosures

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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 19 Oct 2012.

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