



Jinmao (817 HK) Fast-growing SOE player

- 4M18 presales soared 325%YoY to RMB48.7bn, equivalent to 49% of 2018 sales target. ASP jumped 79%YoY to RMB39k/sqm
- Aims to achieve RMB 200bn in presales by 2020
- Jinmao is able to secure low cost land bank from primary development projects
- In 2017, land development had a gross margin of 61%
- Maintain **BUY** with revised TP of HK\$ 6.40 (from HK\$ 4.55), based on a 40% discount to NAV

Company Report

May 29, 2018

Rating: **BUY**

TP: HK\$ 6.40

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Share price (HK\$)	4.56
Est. share price return	40.4%
Est. dividend yield	3.7%
Est. total return	44.1%
Previous Rating & TP	BUY, HK\$4.55
Previous Report Date	Nov 14, 2017

Source(s): Bloomberg, ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	5.60/2.30
Issued shares (mn)	11,576
Market cap (HK\$ mn)	52,790
3-mth avg daily turnover(HK\$ mn)	135.66
Major shareholder(s) (%)	
Sinochem	54.0%
New China Life	9.9%

Source(s): Bloomberg, ABCI Securities

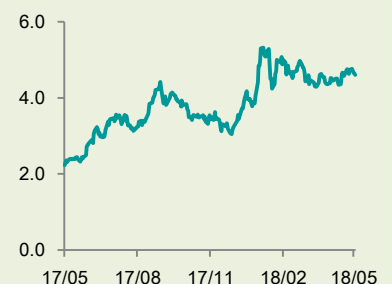
Share Performance

	Absolute	Relative*
1-mth	2.2	1.2
3-mth	(1.3)	0.9
6-mth	33.2	29.3

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Strong sales growth with rising ASP. In 4M18, Jinmao's presales soared 325% YoY to RMB 48.7bn, achieving 49% of its 2018 sales target (RMB 100bn). ASP jumped 79% YoY to RMB 39k/sqm. No presales breakdown has been provided, but we believe the en-bloc disposal of a premium Shanghai office project- the Xingwaitan (星外滩), which has an estimated saleable resources of RMB 27.9bn and an ASP of ~RMB 65k/sqm, contributed to the sharp presales increase. A 50% stake of the project was sold to SIPG (Shanghai International Port Group) on Dec 28, 2017 but actual presales recognition only occurred in 2018. However, even if we exclude the one-off disposal, Jinmao's presales still soared 82%YoY to RMB 20.8bn while ASP climbed 16% YoY to RMB 25.4k/sqm. By 2020, Jinmao aims to achieve RMB 200bn in presales.

Primary land development enables low-cost landbank. With an SOE background, Jinmao is able to generate land sales and secure low cost landbank from primary development projects. For instance, their first primary development project, Changsha Meixi Lake Phase I with a GFA of 10.4mn was acquired in 2011. Up to 2017, the project accumulated RMB 24.3bn in land sales and 7.54mn sqm of GFA was sold. In 2017, land development had a gross margin of 61%. Potential site area of primary development projects in the pipeline was estimated by the Group to be no less than 5mn sqm, spanning across Wenzhou, Quanzhou, Jinan, Changsha, Wuhan and Qingdao. Taking the Wenzhou Oujiang International New City project as an example, a land parcel with a GFA of 596k sqm was first acquired in Aug 2017 at RMB 2,287/sqm. Phase 1 was sold out 135 days after the land acquisition during the first launch at an ASP of RMB 10k/sqm. We believe these primary development projects could generate decent profits in the future.

Results and Valuation¹

FY ended Dec 31	2016A	2017A	2018E	2019E	2020E
Revenue (RMB mn)	27,304	31,075	38,862	77,256	92,599
Chg (% YoY)	53.6	13.8	25.1	98.8	19.9
Core net profit (RMB mn) ²	2,069	3,905	4,797	6,375	6,388
Chg (% YoY)	(10.4)	88.7	22.9	32.9	0.2
Core EPS (RMB)	0.21	0.35	0.41	0.55	0.55
Chg (% YoY)	(4.4)	67.5	17.2	32.9	0.2
BVPS (RMB)	2.72	3.08	3.32	3.65	3.98
Chg (% YoY)	(8.2)	13.3	7.8	10.0	9.1
Core P/E (x)	17.5	10.4	8.9	6.7	6.7
P/B (x)	1.4	1.2	1.1	1.0	0.9
ROE (%)	7.1	11.9	12.5	15.1	13.9
ROA (%)	1.2	1.8	1.8	2.1	2.0
DPS(HK\$)	0.09	0.26	0.17	0.22	0.22
Yield (%)	2.0	5.7	3.6	4.8	4.8
Net gearing (%) ³	49.4	73.3	50.8	15.8	(46.4)

¹ RMB to HK\$= 1.24

² Core net profit= Net profit attributable to ordinary shareholders- fair value gains on investment properties, net of related tax effect and minority interest

³ Net gearing= net debt/ total equity

Source(s): Bloomberg, ABCI Securities estimates



Maintain BUY with revised TP of HK\$ 6.40. Due to better-than-expected presales and ASP, we raised our 2018E and 2019E core profit forecasts by 10.8% and 4.4%. Also factoring in the latest land acquisitions and higher asset turnover, we raise our 2018E NAV estimate to HK\$ 10.73/share (from HK\$ 9.10) and TP to HK\$ 6.40 (from HK\$ 4.55), based on a reduced NAV discount of 40% (from 50%). We like Jinmao for its low-cost landbank from primary development projects. Being an SOE, Jinmao is able to borrow at lower interest costs compared to peers amid the rising interest rate. Maintain **BUY**.

Risk factors: 1) Further policy tightening in tier 1/2 cities adversely affecting property sales; 2) Price control on land sales; 3) contracting gross margin in 2019-2020 due to reducing proportion of office sales

Exhibit 1: Adjusted 4M18 presales, GFA sold and ASP

	Amount RMB bn	GFA mn sqm	ASP RMB'000 /sqm
4M18 presales	48.7	1.25	39.1
Less: Xingwaitan project	27.9	0.43	65.2
Adjusted 4M18 presales	20.8	0.82	25.4
4M17 presales	11.5	0.52	21.8
<i>YoY chg – pre-adjustment</i>	<i>325.2%</i>	<i>137.7%</i>	<i>78.9%</i>
<i>YoY chg- post- adjustment</i>	<i>81.5%</i>	<i>56.2%</i>	<i>16.3%</i>

Source(s): Company, ABCI Securities

Exhibit 2: Jinmao's primary development projects (up to Dec 2017)

Primary Development	Total Investment	Sales	Total area sold
	RMB bn	RMB bn	mn sqm
Changsha Meixi Lake Phase I	12.8	24.3	7.54
Nanjing Qinglong Mountain Int'l Ecological New City	17.0	17.5	1.15

Source(s): Company, ABCI Securities

Exhibit 3: Jinmao's 2018E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development	20.6	84,787	55%	DCF with WACC of 10.5%	4,113
Primary Land Development	13.3	55,214	36%	Mkt value	4,155
Investment Properties	0.5	6,434	4%	6% cap rate on 2018E net rental income	
Hotels		6,413	4%	Market value of stakes in Jinmao investment (6139 HK)	
Total 2018E GAV		152,849	100%		
2018E Net cash/ (debt)		(37,657)	-25%		
2018E Perpetual instrument		(14,802)	-10%		
Total 2018E NAV		100,390	66%		
No. of share outstanding		11,601			
NAV per share (RMB)		8.65			
Exchange rate		1.24			
NAV per share (HK\$)		10.73			
Target discount (%)		40%			
Target Price (HK\$)		6.40			

WACC	10.5%
Cost of Debt	6.0%
Cost of Equity	18.0%
Debt/ (Debt + Equity)	55%

Source(s): Company, ABCI Securities estimates



Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Revenue	27,304	31,075	38,862	77,256	92,599
Cost of sales	(17,099)	(21,034)	(24,334)	(59,525)	(75,498)
Gross Profit	10,205	10,041	14,528	17,731	17,101
SG&A expenses	(2,366)	(3,120)	(4,451)	(5,248)	(5,050)
EBIT	7,838	6,920	10,076	12,483	12,050
Finance cost	(729)	(1,692)	(1,091)	(1,106)	(1,122)
Share of profit of associates	(72)	63	1,841	2,435	1,802
Other income/ (expenses)	710	1,056	1,113	1,149	1,952
Fair value gain of investment properties	729	96	0	0	0
Disposal gains	0	2,561	0	0	0
Other one-off items	(186)	(179)	0	0	0
Profit before tax	8,291	8,825	11,940	14,961	14,683
Tax	(3,717)	(3,675)	(4,241)	(4,740)	(4,436)
Profit after tax	4,574	5,150	7,698	10,221	10,248
Minority interest	(2,038)	(1,172)	(2,901)	(3,846)	(3,860)
Reported net profit	2,535	3,978	4,797	6,375	6,388
<i>Less: Fair value gain of investment properties, net of related tax effect and minority interest</i>	(466)	(73)	0	0	0
Core net profit*	2,069	3,905	4,797	6,375	6,388
Per share					
Core EPS (RMB)	0.21	0.35	0.41	0.55	0.55
DPS (HK\$)**	0.09	0.26	0.17	0.22	0.22
Payout ratio (%)	43%	74%	40%	40%	40%
BVPS (RMB)	2.72	3.08	3.32	3.65	3.98
Growth %					
Revenue	53.6%	13.8%	25.1%	98.8%	19.9%
Gross Profit	48.5%	-1.6%	44.7%	22.0%	-3.6%
EBIT	61.7%	-11.7%	45.6%	23.9%	-3.5%
Core net profit	-10.4%	88.7%	22.9%	32.9%	0.2%
Margin %					
Gross margin	37.4%	32.3%	37.4%	23.0%	18.5%
Gross margin (post-LAT)	18.6%	11.8%	13.3%	9.0%	6.8%
EBIT margin	28.7%	22.3%	25.9%	16.2%	13.0%
Core net margin	15.5%	10.4%	15.1%	10.1%	9.1%
Key assumptions					
Contracted Sales- property development (RMB mn)	37,464	58,010	99,320	117,882	106,187
GFA sold (mn sqm)	1.47	2.42	4.56	5.40	6.51
ASP (RMB/sqm)	25,435	24,004	21,764	21,822	16,305
Contracted Sales- Land (RMB mn)	11,052	11,310	13,681	14,206	14,757
GFA sold (mn sqm)	0.96	1.09	1.39	1.39	1.39
ASP (RMB/sqm)	11,534	10,406	9,865	10,243	10,641
Booked Property Sales (RMB mn)	21,456	21,967	26,922	62,925	77,743
GFA delivered (mn sqm)	0.85	1.16	1.39	3.59	4.89
Booked ASP (RMB/sqm)	25,165	18,996	19,412	17,517	15,902
Booked Land Sales (RMB mn)	2,137	4,902	7,646	9,591	9,901
GFA delivered (mn sqm)	0.19	0.78	1.07	1.29	1.29
Booked ASP (RMB/sqm)	11,400	6,253	7,149	7,453	7,694

* Core net profit= Net profit attributable to ordinary shareholders- fair value gains on investment properties, net of related tax effect and minority interest

** 2017 figures included special dividend of HK\$ 8.17

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Current assets	86,283	117,278	128,348	152,830	205,931
Cash	18,046	19,407	31,439	57,320	111,820
Restricted cash	2,328	3,235	3,235	3,235	3,235
Trade & other receivables	6,446	920	920	920	920
Property under development	15,990	24,650	24,650	24,650	24,650
Property held for sales	11,153	11,772	11,772	11,772	11,772
Land under development	5,521	6,877	5,915	4,516	3,117
Other current assets	26,798	50,417	50,417	50,417	50,417
Non-current assets	80,621	104,767	144,595	143,994	117,911
Property, plant & equipment	10,812	10,839	10,854	10,870	10,885
Properties under development	26,930	41,884	77,856	72,805	42,904
Land under development	11,705	8,998	8,998	8,998	8,998
Investment properties	22,029	27,812	29,812	31,812	33,812
Investment in Associate and JCE	5,376	6,838	8,679	11,114	12,916
Other non-current assets	3,769	8,395	8,395	8,395	8,395
Total Assets	166,904	222,044	272,943	296,825	323,842
Current Liabilities	71,382	107,074	150,335	167,352	187,483
Short-term borrowings	12,944	27,827	28,827	29,827	30,827
Trade & other payables	15,689	27,962	27,962	27,962	27,962
Pre-sales deposits	28,279	38,929	81,189	97,207	116,338
Other current liabilities	14,470	12,356	12,356	12,356	12,356
Non-current liabilities	39,778	48,527	48,527	48,527	48,527
Long-term borrowings	34,981	43,505	43,505	43,505	43,505
Other payables	-	-	-	-	-
Other non-current liabilities	4,797	5,022	5,022	5,022	5,022
Total Liabilities	111,160	155,601	198,861	215,879	236,010
Net Assets	55,744	66,444	74,081	80,946	87,832
Shareholders' Equity	28,988	32,852	38,396	42,221	46,053
Perpetual capital securities	7,894	14,802	14,802	14,802	14,802
Minority Interest	18,862	18,790	20,884	23,923	26,977
Total Equity	55,744	66,444	74,081	80,946	87,832
Key ratio					
Gross debt (RMB mn)	47,925	71,331	72,331	73,331	74,331
Net debt (RMB mn)	27,551	48,690	37,657	12,777	(40,723)
Net gearing (%)	49.4%	73.3%	50.8%	15.8%	-46.4%

Source(s): Company, ABCI Securities estimates

**農銀國際**

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Jinmao Holdings Group Limited (817 HK, BUY)

China Property

May 29, 2018

Consolidated cash flow statement (2016A-2020E)

FY ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
EBITDA	8,172	7,281	10,437	12,844	12,411
Change in Working Capital	(6,849)	(28,651)	9,786	25,037	53,037
Tax payment	(2,911)	(4,451)	(4,241)	(4,740)	(4,436)
Operating cash flow	(1,587)	(25,822)	15,982	33,141	61,012
Purchase of PP&E	(523)	(376)	(376)	(376)	(376)
Addition of Investment Properties	(20)	(3,707)	(2,000)	(2,000)	(2,000)
Investment in Associate/ JCE	(2,505)	(1,912)	0	0	0
Others	3,182	(8,396)	1,113	1,149	1,952
Investing cash flow	134	(14,390)	(1,262)	(1,227)	(423)
Debt raised	41,557	57,625	11,000	11,000	11,000
Debt repaid	(33,851)	(32,448)	(10,000)	(10,000)	(10,000)
Interest expenses	(2,511)	(3,245)	(3,626)	(3,677)	(3,727)
Equity raised	0	0	2,665	0	0
Perpetual securities coupon	(247)	(468)	(757)	(757)	(757)
Dividend to shareholders	(722)	(1,586)	(1,919)	(2,550)	(2,555)
Others	4,275	21,694	(50)	(50)	(50)
Financing cash flow	8,502	41,573	(2,687)	(6,033)	(6,089)
Net cash inflow/ (outflow)	7,049	1,361	12,032	25,881	54,500
Cash- beginning	10,997	18,046	19,407	31,439	57,320
Cash- year-end	18,046	19,407	31,439	57,320	111,820

Source(s): Company, ABCI Securities estimates

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate (10%)
Hold	- Market return rate (-10%) \leq Stock return rate < Market return rate (+10%)
Sell	Stock return < - Market return (-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2005 (HSI total return index 2005-17 CAGR at 10%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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