



Times China (1233 HK)

New vision: More, bigger, faster

- 2017 core profit after minority interest rose 40% YoY to RMB 2.53bn
- Gross margin improved 1.7ppt YoY to 27.9% on higher ASP
- In 2017, Times's presale rose 42% YoY to RMB 41.6bn. Big Bay Area accounted for 87% of total presale; 2018 sales target of RMB55bn implies a 32% YoY growth rate.
- Maintain **BUY** with revised TP of HK\$ 13.30 (from HK\$ 11.20) based on a 50% discount

Better-than-expected FY17 results. Times's FY17 core profit rose 40% YoY to RMB 2.53bn, beating our forecast by 16% and consensus by 14%, mainly due to significant increase in other income (+278% YoY to RMB 353mn). Gross margin increased 1.7ppt YoY to 27.9%, as booked ASP rose 40% YoY to RMB 11.3k/sqm. Such improvement is likely to continue given the 24% YoY increase in FY17 presales ASP (RMB 14.8k/sqm). As minority interest increased substantially from RMB 27mn in FY16 to RMB 674mn in FY17, core net margin declined moderately by 0.2ppt YoY to 10.9%. Net gearing was up 2.5ppt YoY to 57.5% as of Dec 2017 even though new land acquisition totaled RMB16.9bn (GFA: 4.99mn sqm). Finance cost trended down further by 73bps to 7.6%. Times announced a DPS of RMB 41.43 cents for FY17, implying a payout ratio of ~30% or a 5.7% dividend yield based on Feb 28 closing.

Big Bay Area drives performance. FY17 presales soared 42% YoY to RMB 41.6bn. The Big Bay area cities, Foshan, Guangzhou, Zhuhai, Dongguan, Zhongshan, and Huizhou accounted for 34%, 31%, 11%, 7%, 3% and 1% of total presale, respectively. 2018 sales target is RMB 55bn (~RMB100bn saleable resources), implying a 32% YoY growth. In 2M18, the Group's presale jumped 119% YoY to RMB 6.1bn. As at Dec 2017, Times had a total landbank of 16.8mn sqm with an average cost of RMB 2,971/sqm. For urban redevelopment projects, Times expect to complete the conversion for ~5.6mn sqm in 2018-20 (of which ~1mn sqm should be completed in 2018). Letters of intent were signed for another 13.6mn sqm, with the conversion expected to be completed after 2020. These projects would provide additional saleable resources in the future.

A new name with a bigger vision. Times have also officially changed its name from Times Property to Times China in Feb 2018. During the analyst meeting, Times's chairman shared three objectives established for the Group: **1) To become a global Top 500 company; 2) To be an urban services provider.** Times have already signed cooperative agreements on 22 industry park projects in 2016-17. Several new businesses such as industry park, rental housing and warehouse will be developed. The Group will position itself as urban services provider; **3) A company with a presales scale of RMB 100bn.** Times is confident in achieving RMB100bn in annual presales by 2019 or 2020. Overall, we believe the new businesses complement well with the Group's core residential property development business and will accelerate growth in future.

Results and Valuation

FY ended Dec 31	2016A	2017A	2018E	2019E	2020E
Revenue (RMB mn)	16,206	23,110	35,855	40,547	53,824
Chg (% YoY)	18.8	42.6	55.1	13.1	32.7
Core net profit (RMB mn)	1,811	2,530	3,131	3,917	5,904
Chg (% YoY)	22.6	39.7	23.7	25.1	50.7
Core EPS (RMB)	0.99	1.38	1.71	2.14	3.22
Chg (% YoY)	22.6	39.7	23.7	25.1	50.7
BVPS (RMB)	5.0	8.5	9.7	11.2	13.4
Chg (% YoY)	28.6	70.5	14.1	15.4	20.2
Core PE (x)	7.3	5.3	4.3	3.4	2.3
P/B (x)	1.5	0.9	0.7	0.6	0.5
ROE (%)	19.8	16.2	17.6	19.1	24.0
ROA (%)	2.6	2.5	2.7	2.9	4.5
DPS(RMB)	0.32	0.41	0.51	0.64	0.97
Yield (%)	4.34	5.71	7.06	8.83	13.31
Net gearing (%)	55.1	57.5	Net cash	Net cash	Net cash

Source(s): Bloomberg, ABCI Securities estimates

Company Report

Mar 1, 2018

Rating: BUY

TP: HK\$ 13.30

Analyst : Kenneth Tung

Tel: (852) 2147 8311

kennethtung@abci.com.hk

Share price (HK\$)	9.00
Est. share price return	47.7%
Est. dividend yield	7.1%
Est. total return	54.8%
Previous Rating & TP	BUY, HK\$11.20

Previous Report Date Nov 14, 2018

Source(s): Bloomberg, ABCI Securities

Key Data

52Wk H/L(HK\$)	10.4/4.52
Issued shares (mn)	1,723
Market cap (HK\$ mn)	17,696
3-mth avg daily turnover(HK\$ mn)	51.83
Major shareholder(s) (%)	
SHUM Chiu Hung	65.17%

Source(s): Bloomberg, ABCI Securities

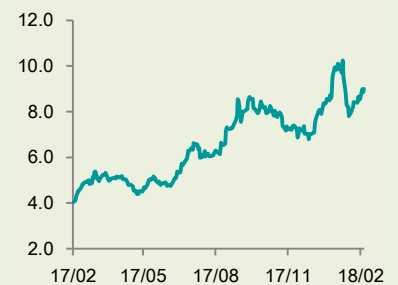
Share Performance

	Absolute	Relative*
1-mth	(1.0)	4.9
3-mth	30.4	23.2
6-mth	45.3	32.1

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)



Source(s): Bloomberg, ABCI Securities



Maintain BUY and raise TP to HK\$ 13.30. We factor in the latest land acquisitions and raise our 2018E NAV to HK\$ 26.55/share (from HK\$ 22.43). We also lift our TP to HK\$ 13.30 (from HK\$ 11.20), based on an unchanged 50% discount to NAV. Times remain to be our top small-mid cap pick given its strategic focus on the Big Bay Area and potential upside from redevelopment projects. Reiterate **BUY**.

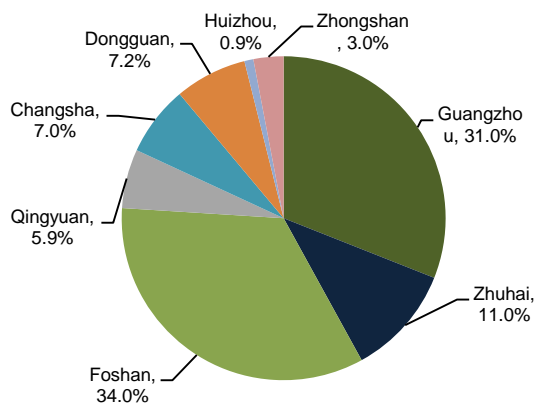
Risk factors: 1) Diversification into new business; 2) Surging minority interest; 3) Further policy tightening on property market; 4) Rising onshore financing cost for property sector

Exhibit 1: Times's FY17 results

P&L	FY17	FY16	YoY Chg	Operating statistics	FY17	FY16	YoY Chg
	RMB mn	RMB mn	(%)				
Turnover	23,110	16,206	42.6	Presales GFA (mn sqm)	2.82	2.47	14.1
Cost of Sales & direct operating	(16,660)	(11,956)	39.3	Presales ASP (RMB/sqm)	14,752	11,859	24.4
Gross Profit	6,450	4,250	51.8	Presale (RMB mn)	41,629	29,328	41.9
Gross Margin (%)	27.9	26.2	+1.7ppt	GFA Delivered (mn sqm)	1.99	1.94	2.7
Selling and distribution costs	(623)	(657)	(5.3)	Booked ASP (RMB/sqm)	11,299	8,066	40.1
Administrative expense	(1,181)	(621)	90.0	Property sales booked	22,473	15,620	43.9
EBIT	4,646	2,971	56.4				
EBIT Margin (%)	20.1	18.3	+1.8ppt				
Other income, gains and losses	353	93	277.8	Balance sheet	Dec-17	Dec-16	YoY %
Other exceptional items	465	269	72.6		RMB mn	RMB mn	
Share of profit from JCE/ Associates	225	66	na	Gross debt	33,289	20,801	60.0
Finance cost	(401)	(240)	67.1	Cash	17,207	11,881	44.8
Profit before tax	5,288	3,161	67.3	Net debt	16,082	8,920	80.3
Tax	(1,947)	(1,178)	65.3	Net gearing (%)	57.5%	55.1%	+2.5ppt
- LAT	(599)	(488)	22.7	Revenue breakdown	FY17	FY16	YoY %
- Enterprise tax	(1,349)	(690)	95.4		RMB mn	RMB mn	
Profit after tax	3,341	1,982	68.5	- Property Sales	22,473	15,620	43.9
Minority Interest	(674)	(27)	2,360.8	- Property leasing	289	298	(2.9)
Net profit	2,667	1,955	36.4	- Property management	347	288	20.6
Core net profit (before MI)	3,203	1,833	74.7	Total	23,110	16,207	42.6
Core net profit (after MI)	2,530	1,810	39.8				
Core net margin	10.9	11.2	-0.2ppt				

Source(s): Company, ABCI Securities

Exhibit 2: FY17 presales breakdown (total: RMB 41.6bn)



Source(s): Company, ABCI Securities

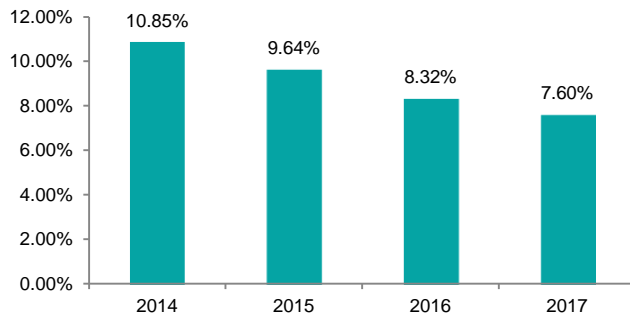
Exhibit 3: Landbank by city as at Dec 2017 (average land cost: RMB2,971/sqm)

City	mn sqm	%
Guangzhou	2.14	13%
Foshan	2.39	14%
Zhuhai	1.09	8%
Qingyuan	5.60	33%
Changsha	1.77	10%
Zhongshan	1.13	7%
Huizhou	1.11	7%
Jiangmen	1.09	6%
Dongguan	0.50	3%
Total	16.82	100%

Source(s): Company, ABCI Securities



Exhibit 4: Average finance cost



Source(s): Company, ABCI Securities

Exhibit 5: Times's 2018E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Guangzhou	2.1	4,934	14%		2,306
Foshan	2.4	8,937	26%	DCF with	3,739
Zhuhai	1.1	1,568	5%	WACC of	1,439
Dongguan	0.5	2,617	8%	13.2%	5,233
Qingyuan	5.6	10,790	31%		1,927
Others	5.1	5,712	17%		1,120
Subtotal	16.8	34,557	93%		2,055
Investment Properties		2,508	7%	6.5% cap rate on 2017E net rental	
Total 2018E GAV		37,065	100%		
2018E Net cash/ (debt)		2,202	6%		
Total 2018E NAV		39,267	106%		
No. of share outstanding (diluted)		1,834			
NAV per share (RMB)		21.41			
Ex rate		1.24			
NAV per share (HKD)		26.55			
Target discount (%)		50%			
Target Price (HKD)		13.30			
WACC	13.2%				
Cost of debt	9.0%				
Cost of equity	25.0%				
Debt/ (Debt + Equity)	65%				

Source(s): Company, ABCI Securities estimates



Consolidated income statement (2015A-2020E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	13,638	16,206	23,110	35,855	40,547	53,824
Cost of sales	(10,092)	(11,956)	(16,660)	(25,839)	(29,796)	(38,471)
Gross Profit	3,546	4,250	6,450	10,016	10,751	15,354
SG&A expenses	(880)	(1,279)	(1,677)	(2,388)	(2,614)	(2,863)
EBIT	2,666	2,971	4,773	7,627	8,137	12,491
Finance cost	(175)	(240)	(401)	(479)	(479)	(479)
Share of profit of associates	(0)	66	225	0	0	0
Other income/ (expenses)	34	93	480	100	100	80
Fair value gain of investment properties	0	0	0	0	0	0
Disposal/one-off items	96	269	338	0	0	0
Profit before tax	2,621	3,161	5,415	7,248	7,758	12,092
Tax	(1,070)	(1,178)	(1,947)	(3,085)	(3,170)	(4,863)
Profit after tax	1,551	1,982	3,468	4,164	4,588	7,229
Minority interest	(130)	(27)	(674)	(1,033)	(671)	(1,325)
Reported net profit	1,420	1,955	2,794	3,131	3,917	5,904
<i>Less: exceptional items</i>	57	(144)	(264)	0	0	0
Underlying net profit	1,477	1,811	2,530	3,131	3,917	5,904
Per share						
Underlying EPS (RMB)	0.81	0.99	1.38	1.71	2.14	3.22
DPS (RMB)	0.16	0.32	0.41	0.51	0.64	0.97
Payout ratio (%)	19%	32%	30%	30%	30%	30%
BVPS (RMB)	3.87	4.98	8.49	9.69	11.18	13.44
Growth %						
Revenue	30.9%	18.8%	42.6%	55.1%	13.1%	32.7%
Gross Profit	11.3%	19.9%	51.8%	55.3%	7.3%	42.8%
EBIT	13.1%	11.4%	60.6%	59.8%	6.7%	53.5%
Underlying net profit	12.3%	22.6%	39.7%	23.7%	25.1%	50.7%
Margin %						
Gross margin	26.0%	26.2%	27.9%	27.9%	26.5%	28.5%
Gross margin (post-LAT)	23.2%	24.1%	26.0%	23.6%	22.9%	24.3%
EBIT margin	19.5%	18.3%	20.7%	21.3%	20.1%	23.2%
Core net margin	10.8%	10.6%	12.9%	11.6%	11.3%	13.4%
Key assumptions						
Contracted Sales (RMB mn)	19,508	29,327	41,629	55,812	58,030	35,261
GFA sold (mn sqm)	2.17	2.47	2.82	3.83	4.70	3.26
ASP (RMB/sqm)	9,011	11,859	14,752	14,589	12,360	10,809
Booked Sales (RMB mn)	13,225	15,620	22,473	35,176	39,822	53,052
GFA delivered (mn sqm)	1.49	1.94	1.70	2.37	2.82	4.33
Booked ASP (RMB/sqm)	8,861	8,066	13,249	14,861	14,146	12,262

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2015A-2020E)

As of Dec 31 (RMB mn)	2015A	2016A	2017A	2018E	2019E	2020E
Current assets	40,755	58,654	90,402	104,788	125,757	120,768
Cash	4,841	8,923	14,263	32,547	69,525	78,653
Restricted cash	3,908	2,958	2,944	2,944	2,944	2,944
Trade & other receivables	1,978	2,579	3,253	3,253	3,253	3,253
Property under development	23,543	32,702	47,888	43,990	27,980	13,864
Other current assets	6,485	11,493	22,054	22,054	22,054	22,054
Non-current assets	5,115	10,435	10,977	10,868	10,760	10,651
Property, plant & equipment	1,005	1,242	1,379	1,270	1,162	1,053
Investment properties	1,353	1,598	1,498	1,498	1,498	1,498
Investment in Associate and JCE	240	2,721	4,734	4,734	4,734	4,734
Other non-current assets	2,517	4,875	3,366	3,366	3,366	3,366
Total Assets	45,870	69,089	101,379	115,656	136,516	131,419
Current Liabilities	19,984	33,078	44,713	55,815	73,313	62,809
Short-term borrowings	359	1,956	6,030	6,030	6,030	6,030
Trade & other payables	3,715	3,288	7,992	7,992	7,992	7,992
Pre-sales deposits	10,304	24,011	24,011	35,114	52,611	42,107
Other current liabilities	5,606	3,822	6,679	6,679	6,679	6,679
Non-current liabilities	16,628	19,820	28,720	28,720	28,720	28,720
Long-term borrowings	15,609	18,845	27,259	27,259	27,259	27,259
Other payables	0	0	0	0	0	0
Other non-current liabilities	1,019	975	1,461	1,461	1,461	1,461
Total Liabilities	36,612	52,898	73,433	84,536	102,033	91,529
Net Assets	9,258	16,191	27,946	31,120	34,483	39,890
Shareholders' Equity	7,100	9,132	15,572	17,763	20,505	24,637
Minority Interest	2,158	7,059	12,374	13,357	13,978	15,253
Total Equity	9,258	16,191	27,946	31,120	34,483	39,890
Key ratio						
Gross debt (RMB mn)	15,968	20,801	33,289	33,289	33,289	33,289
Net debt (RMB mn)	7,219	8,920	16,082	(2,202)	(39,180)	(48,308)
Net gearing (%)	78%	55%	58%	-7%	-114%	-121%
Contracted sales/ Total assets (x)	0.43	0.42	0.41	0.48	0.43	0.27

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2015A-2020E)

FY ended Dec 31 (RMB mn)	2015A	2016A	2017A	2018E	2019E	2020E
EBITDA	2,745	3,061	4,902	7,756	8,265	12,619
Change in Working Capital	(7,743)	(5,149)	(22,944)	17,185	35,691	5,796
Tax payment	(1,070)	(1,178)	(1,947)	(3,085)	(3,170)	(4,863)
Operating cash flow	(6,069)	(3,266)	(19,990)	21,856	40,787	13,552
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	0	0	0	0	0
Others	34	93	480	100	100	80
Investing cash flow	(86)	73	460	80	80	60
Debt raised	13,855	13,532	28,806	4,000	4,000	4,000
Debt repaid	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Interest expenses	(1,266)	(1,665)	(2,229)	(2,663)	(2,663)	(2,663)
Equity raised	0	0	0	0	0	0
Dividend to shareholders	(269)	(543)	(722)	(939)	(1,175)	(1,771)
Others	(50)	(50)	3,015	(50)	(50)	(50)
Financing cash flow	8,270	7,274	24,870	(3,652)	(3,888)	(4,484)
Net cash inflow/ (outflow)	2,116	4,081	5,340	18,284	36,978	9,128
Cash- beginning	2,726	4,841	8,923	14,263	32,547	69,525
Cash- year-end	4,841	8,923	14,263	32,547	69,525	78,653

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Kenneth Tung, 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. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the 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

Market return: 5-year average market return rate

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.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2018 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

Tel: (852) 2868 2183