



November 20, 2015
Company Report
Rating: BUY
TP: HK\$ 4.70

Share price (HK\$) 3.26
Est. share price return 44.2%
Est. dividend yield 4.0%
Est. total return 48.2%

Previous Rating & TP HK\$4.60, BUY
Previous Report Date Aug 31, 2015

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Key Data

52Wk H/L(HK\$)	3.70/2.30
Issued shares (mn)	5,000
Market cap (HK\$ mn)	16,150
3-mth avg daily turnover (HK\$ mn)	5.13
Major shareholder(s) (%):	
Mr. Ji Haipeng	85.26

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development	97.7
Construction	1.8
Property investment	0.4

Source(s): Company, ABCI Securities

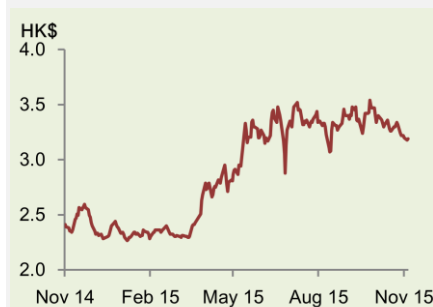
Share performance (%)

	Absolute	Relative*
1-mth	(4.2)	(0.5)
3-mth	(2.1)	0.2
6-mth	9.4	35.8

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)
BUY on growing portfolio in Shenzhen

- 10M15 presales rose 51.5%YoY to RMB16.02bn
- Acquired a premium site with GFA of 0.808mn sqm near Hongshan Metro station at RMB11.25bn, or RMB13,920/sqm
- Shenzhen should account for 75% of total GAV, after this significant acquisition
- Maintain BUY with revised TP of HK\$4.70 (from HK\$4.60), still based on a 50% discount to NAV

10M15 presales jumped 51.5% YoY to RMB 16.02bn; newly launched Shenzhen Acesite Mansion project achieved ASP of RMB55,000/sqm.

Logan's presales jumped 37.5% YoY to RMB2.77bn in Oct. ASP reached RMB 12,533/sqm in Sep, 86% higher than RMB 6,755/sqm in 1H15. Moving into 4Q15, we expect solid recovery in presales and ASP on the launch of Shenzhen Acesite Mansion (九龙玺). According to NBS, Shenzhen's new home price surged 38.7% during Jan-Oct 2015, much faster than 13.8%/8.6%/7.6% in Shanghai/ Beijing/ Guangzhou. We expect Logan to attain its RMB 18bn presales target given the city's undersupply situation.

Premium site next to Hongshan metro station in Shenzhen.

In Sep 2015, Logan acquired a site with a GFA of 0.808mn sqm next to the Hongshan metro station for RMB 11.25bn, or RMB 13,920/sqm. The site will be developed into apartments, office and ancillary facilities for commercial use. The project will be one train stop away from the Shenzhen North Railway Station, 15 min away from Futian's CBD, and 28mins from West Kowloon Station in Hong Kong upon the completion of the Guangzhou-Shenzhen-Hong Kong High Speed Rail Link. Given the high land premium, we believe Logan will align with a JV partner. We currently assume Logan to hold a 51% stake in the project, and net gearing should stay at a healthy level of 80% by end-2015.

Maintain BUY with revised TP of HK\$4.70.

We factor in the recent land acquisition and raise our 2016E NAV estimate to HK\$ 9.32/share (from HK\$9.19). We raise our TP to HK\$ 4.70 (from HK\$ 4.60), still based on 50% discount to NAV. Following the acquisition of the Hongshan site, projects in Shenzhen (property development and investment properties) now account for 75% of total GAV. Rising property market in Shenzhen is set to benefit the Group. Maintain BUY.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,119	12,498	14,465	16,257	19,259
Chg (% YoY)	68.8	12.4	15.7	12.4	18.5
Underlying Net Income (RMB mn) ¹	2,045	1,760	2,070	2,263	2,787
Chg (% YoY)	75.3	(13.9)	17.6	9.3	23.2
Underlying EPS (RMB)	0.41	0.35	0.41	0.45	0.56
Chg (% YoY)	49.0	(13.9)	17.6	9.3	23.2
BVPS (RMB)	1.5	2.2	2.5	2.8	3.2
Chg (% YoY)	52.3	52.8	12.7	12.0	12.6
Underlying PE (x)	6.6	7.6	6.5	5.9	4.8
P/B (x)	1.8	1.2	1.1	0.9	0.8
ROE (%)	27.9	15.7	16.4	16.0	17.5
ROA (%)	7.4	3.9	3.7	3.2	2.8
DPS(HK\$)	0.11	0.11	0.13	0.15	0.20
Yield (%)	3.37	3.37	3.99	4.60	6.13
Net gearing ² (%)	60.9	65.7	88.2	70.9	Net cash

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

²Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



Exhibit 1: Logan's 2016E NAV estimate

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Methodology	Implied value per sqm (RMB)
Property development					
Shenzhen	0.7	26,288	61%	DCF with WACC of 7.2%	39,118
Huizhou	4.1	4,069	9%		986
Shantou	1.4	718	2%		503
Foshan	1.0	926	2%		929
Others	6.5	11,006	26%		1,698
Subtotal	13.7	43,008	86%		3,138
Investment Properties		7,027	14%	1.5x Book value	
Total 2016E GAV		50,035	100%		
2016E Net debt		(11,854)	-24%		
Total 2016E NAV		38,180	76%		
No. of share outstanding (diluted)		5,000			
NAV per share (RMB)		7.64			
Ex rate		1.22			
NAV per share (HKD)		9.32			
Target discount (%)		50%			
Target Price (HKD)		4.70			
WACC					
WACC	7.2%				
Cost of debt	6.5%				
Cost of Equity	10.0%				
Debt/ (Debt + Equity)	55%				

Source(s): Company, ABCI Securities estimates



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Revenue	11,119	12,498	14,465	16,257	19,259
Cost of sales	(7,004)	(8,694)	(9,444)	(9,917)	(10,820)
Gross Profit	4,116	3,804	5,021	6,340	8,439
SG&A expenses	(729)	(940)	(1,202)	(1,691)	(2,357)
EBIT	3,387	2,864	3,819	4,648	6,082
Finance cost	(103)	(94)	(117)	(103)	(109)
Share of profit of associates	0	0	0	0	0
Other income/ (expenses)	28	85	60	60	205
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	(3)	862	0	0	0
Profit before tax	3,309	3,718	3,763	4,605	6,178
Tax	(1,252)	(1,297)	(1,534)	(1,931)	(2,648)
Profit after tax	2,056	2,421	2,229	2,674	3,530
Minority interest	(32)	(73)	(159)	(411)	(743)
Reported net profit	2,024	2,348	2,070	2,263	2,787
<i>Less: exceptional items</i>	<i>21</i>	<i>(588)</i>	<i>0</i>	<i>0</i>	<i>0</i>
Underlying net profit	2,045	1,760	2,070	2,263	2,787
Per share					
Underlying EPS (RMB)	0.41	0.35	0.41	0.45	0.56
DPS (RMB)	0.11	0.11	0.13	0.15	0.20
Payout ratio (%)	27%	31%	31%	33%	36%
BVPS (RMB)	1.47	2.24	2.53	2.83	3.19
Growth %					
Revenue	68.8%	12.4%	15.7%	12.4%	18.5%
Gross Profit	60.8%	-7.6%	32.0%	26.3%	33.1%
EBIT	63.3%	-15.4%	33.3%	21.7%	30.8%
Underlying net profit	75.3%	-13.9%	17.6%	9.3%	23.2%
Margin %					
Gross margin	37.0%	30.4%	34.7%	39.0%	43.8%
Gross margin (post-LAT)	34.2%	27.5%	29.9%	33.3%	36.9%
EBIT margin	30.5%	22.9%	26.4%	28.6%	31.6%
Core net margin	18.5%	14.2%	15.4%	16.4%	18.3%
Key assumptions					
Contracted Sales (RMBm)	13,208	13,350	17,751	27,351	45,115
GFA sold (m sqm)	1.64	1.82	2.03	2.55	3.15
ASP (RMB/sqm)	8,043	7,347	8,752	10,741	14,315
Booked Sales (RMB)	10,385	12,215	14,161	15,931	18,908
GFA delivered (m sqm)	1.24	1.74	1.78	1.71	1.64
Booked ASP (RMB/sqm)	8,376	7,022	7,939	9,327	11,508

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2013A-2017E)

As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Current assets	23,624	39,226	50,076	64,270	93,857
Cash	3,827	5,576	3,228	5,473	33,667
Restricted cash	678	1,938	1,938	1,938	1,938
Trade & other receivables	1,316	2,502	2,502	2,502	2,502
Property under development	17,686	27,875	41,074	53,023	54,416
Other current assets	117	1,334	1,334	1,334	1,334
Non-current assets	4,187	5,610	5,710	5,811	5,911
Property, plant & equipment	97	122	123	123	124
Investment properties	3,793	4,685	4,785	4,885	4,985
Investment in Associate and JCE	0	0	0	0	0
Other non-current assets	297	803	803	803	803
Total Assets	27,812	44,836	55,786	70,081	99,769
Current Liabilities	13,635	17,827	27,250	39,670	66,877
Short term borrowings	2,754	3,824	5,824	6,824	7,824
Trade & other payables	3,382	3,486	3,486	3,486	3,486
Pre-sales deposits	6,347	8,356	15,779	27,199	53,406
Other current assets	1,152	2,160	2,160	2,160	2,160
Non-current liabilities	6,827	13,691	13,691	13,691	13,691
Long term borrowings	6,228	12,441	12,441	12,441	12,441
Other payables	0	0	0	0	0
Other non-current assets	599	1,251	1,251	1,251	1,251
Total Liabilities	20,462	31,519	40,941	53,361	80,568
Net Assets	7,350	13,317	14,846	16,720	19,200
Shareholders Equity	7,336	11,210	12,629	14,142	15,929
Minority Interest	14	2,107	2,216	2,578	3,271
Total Equity	7,350	13,317	14,846	16,720	19,200
Key ratio					
Gross debt (RMBm)	8,983	16,265	18,265	19,265	20,265
Net debt (RMBm)	4,477	8,751	13,099	11,854	(15,340)
Net gearing (%)	61%	66%	88%	71%	-80%
Contracted sales/ Total assets (x)	0.47	0.30	0.32	0.39	0.45

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
EBITDA	3,403	2,884	3,838	4,668	6,101
Change in Working Capital	(3,053)	(9,806)	(4,512)	588	25,990
Tax payment	(1,252)	(1,297)	(1,534)	(1,931)	(2,648)
Operating Cashflow	(902)	(8,220)	(2,207)	3,325	29,444
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	(100)	(100)	(100)
Others	28	85	60	60	205
Investing Cashflow	(92)	(35)	(60)	(60)	85
Debt raised	3,615	11,613	2,000	5,000	5,000
Debt repaid	(841)	0	0	(4,000)	(4,000)
Interest expenses	(1,107)	(1,010)	(1,381)	(1,220)	(1,285)
Equity raised	(92)	(35)	(60)	(60)	85
Dividend to shareholders	(550)	(550)	(650)	(750)	(1,000)
Others	1,260	(15)	10	10	(135)
Financing Cashflow	2,285	10,003	(81)	(1,020)	(1,335)
Net cash inflow/ (outflow)	1,291	1,749	(2,348)	2,245	28,194
Cash- beginning	2,537	3,827	5,576	3,228	5,473
Cash- year-end	3,827	5,576	3,228	5,473	33,667

Source(s): Company, ABCI Securities estimates



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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

Market return: 5-year average market return rate from 2010-2014

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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