



April 1, 2015
Company Report
Rating: UNRATED

Share price (HK\$) 2.49

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Key Data

52Wk H/L(HK\$)	2.72/2.18
Issued shares (mn)	5,000
Market cap (HK\$ mn)	12,900
3-mth avg daily turnover (HK\$ mn)	5.5
Major shareholder(s) (%): Ji Haipeng	85.26

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property sales	97.7
Property leasing	0.4
Construction	1.8

Source(s): Company, ABCI Securities

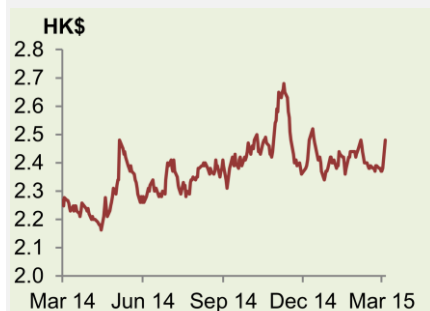
Share performance (%)

	Absolute	Relative*
1-mth	4.9	4.3
3-mth	6.6	0.8
6-mth	11.3	2.2

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)
FY14 results review

- FY14 core profit declined 14% YoY to RMB 1.76bn, but DPS was maintained at HK\$ 0.11; net gearing remained healthy at 66%
- Aiming to achieve RMB14.5bn in presales for FY15, implying a 9% yoy growth
- Issued US\$ 500mn of senior notes with a 9.75-11.25% coupon rate; its offshore syndicated loan of US\$105mn issued in 2014 has a rate of LIBOR +4.5%

FY14 results review. Logan's core profit declined 14% yoy to RMB 1,760mn despite a 12% increase in booked revenue. Although GFA delivered rose 40% yoy to 1.74mn sqm, lower ASP of RMB7,022/sqm (-16% yoy) slashed gross margin to 30.4% (-6.6ppt yoy). However, balance sheet remained healthy with net gearing of 66%, up 5ppt yoy. Despite core profit was lower than that of last year, Logan maintained a DPS of HK\$ 0.11, representing 25% of core profit.

2015 presales target of RMB 14.5bn implies a 9% yoy growth. Despite a tough market environment, Logan achieved RMB 13.35bn in presales for FY14, up 1.1% yoy. About 17% of Logan's presales came from Shantou, 49% from PRD, 29% from Guangxi and 5% from other regions. Logan was ranked No. 1 by presales amount in Shantou, Nanning, Fangchenggang and No.3 in Huizhou. By product mix, about 91% of units have a total price below RMB 1mn, indicating the Group's high exposure to first-home buyers. About 70% of the purchased units are financed by mortgages. Hence, the Group should benefit from recent rate cut and reduction of down-payment for second-home purchase.

2015 presales target of RMB 14.5bn is achievable. In 2014, Logan acquired 2.1mn sqm of attributable landbank at RMB 5,905mn or RMB 2,784/sqm. In particular, Logan increased its tier-1 exposure by acquiring a 51% stake of a 186k sqm site in Shenzhen at RMB 2,387mn. The sites acquired should boost saleable resources to about RMB 29bn in 2015. Its 2015 presales target of RMB 14.5bn should be easily achieved with a 50% sell-through rate. Management highlighted that all of Logan's landbank was acquired through open land tendering, which should entail lower legal risks.

Well recognized by offshore credit market. In 2014, Lgoan's ratings by Moody's and Fitch were Ba3 and BB-, respectively. During the year, Logan successfully issued two tranches of senior notes totaling US\$ 550mn, with a maturity of 3-5 years and a coupon rate of 9.75-11.25%. Logan also issued its first offshore syndicated loan of US\$ 105mn at LIBOR+4.5%, much lower than the current average borrowing cost of 8.8%. Proportion of trust loan also declined from 16.5% of total debt in 2013 to 8.4% in 2014.

Risk factors: 1) Market competition may lead to price cut and lower margin; 2) Increasing anti-corruption effort in China's property sector may hamper investors' confidence.

Results and Valuation

FY ended Dec 31	2011A	2012A	2013A	2014A
Revenue (RMB mn)	3,447	6,588	11,119	12,498
Chg (% YoY)	20.9	91.1	68.8	12.4
Underlying Net Income (RMB mn) ¹	591	1,166	2,045	1,760
Chg (% YoY)	46.2	97.2	75.3	(13.9)
Underlying EPS (RMB)	0.14	0.27	0.41	0.35
Chg (% YoY)	46.2	97.2	49.0	(13.9)
BVPS (RMB)	0.5	1.0	1.5	2.2
Chg (% YoY)	36.4	78.6	52.3	52.8
Underlying PE (x)	14.3	7.3	4.9	5.7
P/B (x)	3.7	2.1	1.4	0.9
ROE (%)	25.8	28.5	27.9	15.7
ROA (%)	3.6	5.3	7.4	3.9
DPS(HK\$)	-	-	0.11	0.11
Yield (%)	-	-	4.42	4.42
Net gearing ² (%)	215.6	93.2	60.9	65.7

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



Exhibit 1: Logan's 2014 results

P&L	FY14	FY13	YoY Chg	Operating statistics	FY14	FY13	YoY Chg
	RMBm	RMBm	(%)				%
Turnover	12,498	11,119	12.4	Contracted GFA (mn sqm)	1.82	1.64	10.7
Cost of Sales	(8,694)	(7,004)	24.1	Contracted ASP (RMB/sqm)	7,347	8,043	(8.7)
Gross Profit	3,804	4,116	(7.6)	Contracted Sales (RMB mn)	13,350	13,208	1.1
Gross Margin (%)	30.4	37.0	(6.6)	GFA Delivered (mn sqm)	1.74	1.24	40.3
Selling and distribution costs	(413)	(304)	35.9	Booked ASP (RMB/sqm)	7,022	8,376	(16.2)
Administrative expense	(527)	(425)	24.1	Property sales booked (RMB mn)	12,215	10,385	17.6
EBIT	2,864	3,387	(15.4)				
EBIT Margin (%)	22.9	30.5	(7.5)				
Other income	85	28	209.0	Balance sheet	Dec-14	Dec-13	YoY chg
Fair Value gains on IP and other exceptional items	862	(3)	na		RMB mn	RMB mn	ppt
Share of profit from JCE/ Associates	-	-	na	Gross debt	16,265	8,983	81.1
Finance cost	(94)	(103)	(9.2)	Cash	7,514	4,506	66.8
Profit before tax	3,718	3,309	12.4	Net debt	8,751	4,477	95.5
Tax	(1,297)	(1,252)	3.6	Net gearing (%)	66%	61%	-10ppt
- LAT	(440)	(560)	(21.4)	Revenue breakdown	FY14	FY13	YoY Chg
- Enterprise tax	(857)	(613)	39.8		RMBm	RMBm	%
Profit after tax	2,421	2,056	17.7	- Property Sales	12,215	10,385	17.6
Minority Interest	(73)	(32)	126.7	- Property leasing	55	60	(9.4)
Net profit	2,348	2,024	16.0	- Construction	228	674	(66.1)
Core net profit	1,760	2,045	(13.9)	Total	12,498	11,119	12.4
Core net margin	14.1	18.4	(4.3)				

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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