



Times Property (1233 HK)

Dividend surprise from FY16 results

- FY16 core profit rose 24%YoY to RMB 1,833mn, in line with our forecast
- Lower net gearing and higher dividend payout delivered positive surprises
- 2016 presales jumped 50%YoY to RMB 29.3bn; 2017 sales target of RMB 32.5bn implies a decent growth of 11%YoY amid policy tightening
- Redevelopment pipeline may accelerate in 2017
- Maintain **BUY** with revised TP of HK\$ 6.00 (from HK\$ 5.70), still based on a 60% discount to NAV

Company Report

Feb 28, 2017

Rating: **BUY**

TP: **HK\$ 6.00**

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Share price (HK\$)	4.66
Est. share price return	28.8%
Est. dividend yield	8.6%
Est. total return	37.4%
Previous Rating & TP	BUY, HK\$5.7
Previous Report Date	Nov 3, 2016

Source(s): Bloomberg, ABCI Securities

Key Data

52Wk H/L(HK\$)	4.74/2.98
Issued shares (mn)	1,723
Market cap (HK\$ mn)	7,581
3-mth avg daily turnover(HK\$ mn)	10.81
Major shareholder(s) (%)	
SHUM Chiu Hung	69.36%

Source(s): Bloomberg, ABCI Securities

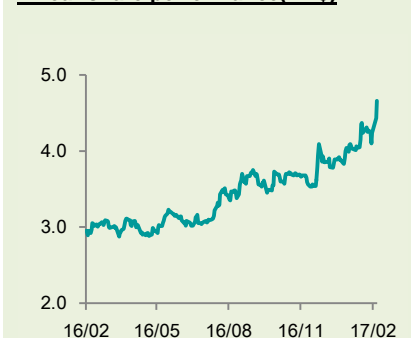
Share Performance

	Absolute	Relative*
1-mth	9.2	6.1
3-mth	19.6	13.0
6-mth	27.2	20.7

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)



Source(s): Bloomberg, ABCI Securities

A pleasant dividend surprise. Times reported FY16 core profit rose 24%YoY to RMB 1,833mn, which is in line with our forecast. Gross margin edged up 0.2ppt YoY to 26.2% in FY16, as booked ASP declined 9% to RMB 8,066/sqm in FY16. Since FY16 presales ASP jumped 32% YoY to RMB 11,859/sqm, we believe margins should improve in 2017-18 upon project completion. Net gearing and dividend presented positive surprises. Net gearing declined from 78% in Dec 2015 to 55% in Dec 2016, driven by better-than-expected presales; given improved balance sheet and better cash flow, Times raised its DPS for FY16 by 100% YoY to RMB 0.315/share as payout lifted from 18% in FY15 to 30% in FY16. This translates into an 7.6% dividend yield based on current share price. Management commented a 30% payout is not high compared to peers and may increase payout further in the future.

Expect modest growth in 2017. In FY16, Times's presales rose 50%YoY to RMB 29.3bn. The three key cities, Foshan, Guangzhou, and Zhuhai, accounted for 36%, 28%, and 23% of total presales, respectively. Due to the high base established in 2016 and policy-tightening trend at present, the Group's 2017 target of RMB 32.5bn represents a modest YoY growth of 11% YoY, assuming RMB 60bn of saleable resources and a 54% sell-through rate for 2017. In 2016, Times spent RMB18.5bn to acquire 3.4mn sqm of land. Management said they would adopt a balanced approach between growth and leverage; therefore, net gearing would stay at ~60% in 2017. Management expects urban redevelopment to pick up pace in 2017, and 5-6 projects would be converted into the landbank as opposed to 1 in 2016. Times currently has 43 redevelopment projects with a total GFA of 12mn sqm in the pipeline.

Maintain BUY and raise TP to HK\$ 6.00. We factor in the latest land acquisitions and raise our 2017E NAV estimate to HK\$ 14.99/share (from HK\$14.27). We also lift our TP to HK\$ 6.00 (from HK\$ 5.70), still based on a 60% discount to NAV. While many players increase their leverages to pursue sales growth and higher market share, Times has been delivering a steady profit growth, improved balance sheet, and higher dividend since its listing. Times remains to be our Top SME pick in the sector. Reiterate **BUY**.

Risk factors: 1) Reduced margin on expensive land acquisitions; 2) Low trading liquidity; 3) Further policy tightening

Results and Valuation

FY ended Dec 31	2015A	2016A	2017E	2018E	2019E
Revenue (RMB mn)	13,638	16,206	20,119	29,955	40,212
Chg (% YoY)	30.9	18.8	24.1	48.9	34.2
Core net profit (RMB mn)	1,477	1,833	2,163	3,548	3,418
Chg (% YoY)	12.3	24.1	18.0	64.1	(3.7)
Core EPS (RMB)	0.81	1.00	1.18	1.93	1.86
Chg (% YoY)	5.6	24.1	18.0	64.1	(3.7)
BVPS (RMB)	3.9	5.0	5.8	7.2	8.6
Chg (% YoY)	22.7	28.6	17.0	23.8	18.5
Core PE (x)	5.1	4.1	3.5	2.1	2.2
P/B (x)	1.1	0.8	0.7	0.6	0.5
ROE (%)	20.8	20.1	20.2	26.8	21.8
ROA (%)	3.2	2.7	2.8	4.3	4.7
DPS(HK\$)	0.16	0.32	0.35	0.58	0.56
Yield (%)	3.79	7.64	8.58	14.08	13.56
Net gearing (%)	78.0	55.1	59.4	Net cash	Net cash

Source(s): Bloomberg, ABCI Securities estimates

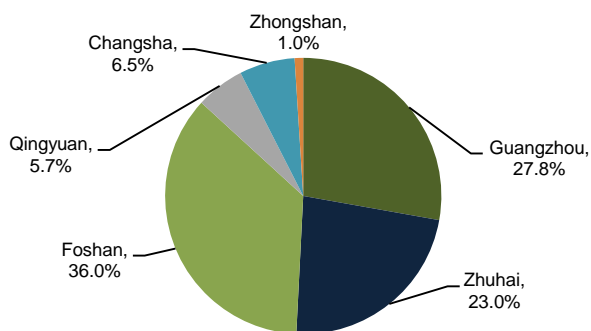


Exhibit 1: Times's FY16 results

P&L	FY16	FY15	YoY	Operating statistics	FY16	FY15	YoY
	RMBmn	RMBmn	(%)				%
Turnover	16,206	13,638	18.8	Contracted GFA (mn sqm)	2.47	2.17	14.2
Cost of Sales	(11,956)	(10,092)	18.5	Contracted ASP (RMB/sqm)	11,859	9,011	31.6
Gross Profit	4,250	3,546	19.8	Contracted Sales (RMB mn)	29,328	19,508	50.3
Gross Margin (%)	26.2	26.0	0.2ppt	GFA Delivered (mn sqm)	1.94	1.49	29.8
Selling and distribution costs	(657)	(488)	34.7	Booked ASP (RMB/sqm)	8,066	8,861	(9.0)
Administrative expense	(621)	(392)	58.5	Booked sales (RMB mn)	15,620	13,225	18.1
EBIT	2,971	2,666	11.4				
EBIT Margin (%)	18.3	19.6	(1.2ppt)				
Other income	93	34	174.1	Balance sheet	Dec-16	Dec-15	YoY
Fair Value gains on IP and others	269	96	179.8		RMB mn	RMB mn	
Share of profit from JCE/ Assoc.	66	-	na	Gross debt	20,801	15,968	30.3
Finance cost	(240)	(175)	37.0	Cash	11,881	8,749	35.8
Profit before tax	3,161	2,622	20.6	Net debt	8,920	7,219	23.6
Tax	(1,178)	(1,070)	10.1	Net gearing (%)	55%	78%	(23ppt)
- LAT	(488)	(481)	1.5	Revenue breakdown	FY16	FY15	YoY chg
- Enterprise tax	(690)	(589)	17.1		RMBmn	RMBmn	%
Profit after tax	1,982	1,551	27.8	- Property Sales	15,620	13,225	18.1
Minority Interest	(27)	(130)	(79.0)	- Property leasing	298	245	21.9
Net profit	1,955	1,421	37.6	- Property management	288	168	71.3
Core net profit	1,833	1,477	24.1	Total	16,207	13,638	18.8
Core net margin	11.3	10.8	0.5ppt				
EPS (RMB)	1.064	0.857	24.1				
DPS (RMB)	0.315	0.156	101.6				
Payout (%)	30%	18%	12ppt				

Source(s): Company, ABCI Securities

Exhibit 2: 2016 presales breakdown (total: RMB 29.3bn)



Source(s): Company, ABCI Securities

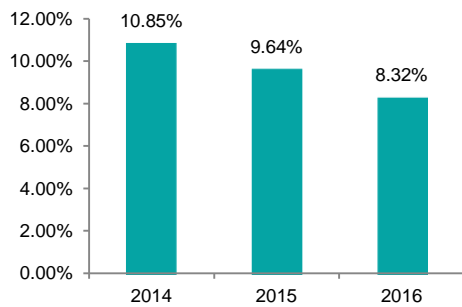
Exhibit 3: Land bank by city as at Dec 2016 (average land cost: RMB3,020/sqm)

City	mn sqm	%
Guangzhou	2.22	17%
Foshan	2.42	19%
Zhuhai	1.55	12%
Qingyuan	3.57	27%
Changsha	1.62	12%
Zhongshan	0.55	4%
Huizhou	0.63	5%
Dongguan	0.50	4%
Total	13.06	100%

Source(s): Company, ABCI Securities



Exhibit 4: Average finance cost



Source(s): Company, ABCI Securities

Exhibit 5: Maturity profile (Dec 2016)

	Maturity					Total RMBmn
	<1yr RMBmn	2yr RMBmn	3yr RMBmn	4yr RMBmn	>4yr RMBmn	
CB	-	-	242	-	-	242
Senior note	1,494	-	2,086	1,910	-	5,490
Domestic corp. bond	-	2,985	2,983	1,983	-	7,951
Bank loans	462	3,309	2,598	110	569	7,048
Total	1,956	6,294	7,909	4,003	569	20,731

Source(s): Company, ABCI Securities

Exhibit 6: Cash flow guidance

	2016A RMBbn	2017E RMBbn
Presales	25.4	28.0
Land	(11.2)	(13.0)
Construction	(7.5)	(8.1)
Finance cost	(1.7)	(1.9)
Tax	(2.8)	(3.3)
SG&A	(1.3)	(1.6)
Operating cash flow	0.9	0.1

Source(s): Company, ABCI Securities estimates

Exhibit 7: FY16 land acquisitions

Cities	No. of project	GFA mn sqm	Consideration RMBmn	AV RMB/sqm
Guangzhou	4	0.802	2,904	3,619
Foshan	2	0.553	8,089	14,619
Zuhai	2	0.299	1,882	6,303
Zhongshan	1	0.499	813	1,630
Dongguan	3	0.416	3,661	8,796
Qingyuan	1	0.236	216	914
Huizhou	1	0.632	887	1,403
Total	14	3.438	18,452	5,367

Source(s): Company, ABCI Securities



Exhibit 8: Times's 2017E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Guangzhou	3.0	7,862	24%	DCF with WACC of 13.2%	2,656
Foshan	3.2	13,713	43%		4,293
Zhuhai	2.0	5,288	16%		2,602
Dongguan	0.7	3,129	10%		4,731
Qingyuan	3.4	792	2%		232
Others	1.6	1,307	4%		832
Subtotal	13.8	32,091	93%		2,319
Investment Properties		2,584	7%	6.5% cap rate on 2017E net rental	
Total 2017E GAV		34,675	100%		
2017E Net cash/ (debt)		(10,481)	-30%		
Total 2017E NAV		24,545	70%		
No. of share outstanding (diluted)		1,834			
NAV per share (RMB)		13.38			
Ex rate		1.12			
NAV per share (HKD)		14.99			
Target discount (%)		60%			
Target Price (HKD)		6.00			
WACC					
Cost of debt		9.0%			
Cost of equity		25.0%			
Debt/ (Debt + Equity)		65%			

Source(s): Company, ABCI Securities estimates



Consolidated income statement (2014A-2019E)

FY Ended Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
Revenue	10,419	13,638	16,206	20,119	29,955	40,212
Cost of sales	(7,233)	(10,092)	(11,956)	(14,196)	(21,315)	(29,441)
Gross Profit	3,186	3,546	4,250	5,923	8,640	10,771
SG&A expenses	(828)	(880)	(1,279)	(1,656)	(2,125)	(3,507)
EBIT	2,358	2,666	2,971	4,268	6,515	7,263
Finance cost	(232)	(175)	(240)	(240)	(240)	(240)
Share of profit of associates	4	(0)	66	0	0	0
Other income/ (expenses)	0	34	93	0	0	0
Fair value gain of investment properties	0	0	0	0	0	0
Disposal/one-off items	105	96	269	0	0	0
Profit before tax	2,235	2,621	3,161	4,028	6,275	7,024
Tax	(881)	(1,070)	(1,178)	(1,865)	(2,727)	(3,035)
Profit after tax	1,354	1,551	1,982	2,163	3,548	3,989
Minority interest	(75)	(130)	(27)	0	0	(571)
Reported net profit	1,279	1,420	1,955	2,163	3,548	3,418
<i>Less: exceptional items</i>	36	57	(122)	0	0	0
Underlying net profit	1,315	1,477	1,833	2,163	3,548	3,418
Per share						
Underlying EPS (RMB)	0.76	0.81	1.00	1.18	1.93	1.86
DPS (RMB)	0.14	0.16	0.32	0.35	0.58	0.56
Payout ratio (%)	19%	19%	32%	30%	30%	30%
BVPS (RMB)	3.16	3.87	4.98	5.83	7.22	8.55
Growth %						
Revenue	7.5%	30.9%	18.8%	24.1%	48.9%	34.2%
Gross Profit	36.2%	11.3%	19.9%	39.4%	45.9%	24.7%
EBIT	44.9%	13.1%	11.4%	43.6%	52.7%	11.5%
Underlying net profit	39.5%	12.3%	24.1%	18.0%	64.1%	-3.7%
Margin %						
Gross margin	30.6%	26.0%	26.2%	29.4%	28.8%	26.8%
Gross margin (post-LAT)	26.2%	23.2%	24.1%	24.5%	24.2%	22.9%
EBIT margin	22.6%	19.5%	18.3%	21.2%	21.7%	18.1%
Core net margin	12.2%	10.8%	10.6%	10.8%	11.8%	9.9%
Key assumptions						
Contracted Sales (RMB mn)	15,234	19,508	29,327	31,664	31,979	25,867
GFA sold (mn sqm)	1.40	2.17	2.47	2.32	2.30	2.18
ASP (RMB/sqm)	10,913	9,011	11,859	13,633	13,899	11,872
Booked Sales (RMB mn)	10,095	13,225	15,620	19,495	29,290	39,504
GFA delivered (mn sqm)	0.84	1.49	1.94	1.48	2.25	3.00
Booked ASP (RMB/sqm)	12,061	8,861	8,066	13,163	12,992	13,161

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2014A-2019E)

As of Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
Current assets	29,137	40,755	58,654	67,647	72,858	63,183
Cash	2,726	4,841	8,923	7,401	17,986	29,162
Restricted cash	2,692	3,908	2,958	2,958	2,958	2,958
Trade & other receivables	1,225	1,978	2,579	2,579	2,579	2,579
Property under development	20,123	23,543	32,702	43,217	37,842	16,992
Other current assets	2,371	6,485	11,493	11,493	11,493	11,493
Non-current assets	3,947	5,115	10,435	10,365	10,295	10,225
Property, plant & equipment	885	1,005	1,242	1,172	1,102	1,032
Investment properties	1,398	1,353	1,598	1,598	1,598	1,598
Investment in Associate and JCE	49	240	2,721	2,721	2,721	2,721
Other non-current assets	1,615	2,517	4,875	4,875	4,875	4,875
Total Assets	33,085	45,870	69,089	78,012	83,152	73,408
Current Liabilities	16,997	19,984	33,078	40,498	43,140	30,420
Short-term borrowings	1,786	359	1,956	1,956	1,956	1,956
Trade & other payables	3,556	3,715	3,288	3,288	3,288	3,288
Pre-sales deposits	8,531	10,304	24,011	31,432	34,074	21,354
Other current liabilities	3,124	5,606	3,822	3,822	3,822	3,822
Non-current liabilities	10,371	16,628	19,820	19,820	19,820	19,820
Long-term borrowings	9,323	15,609	18,845	18,845	18,845	18,845
Other payables	0	0	0	0	0	0
Other non-current liabilities	1,047	1,019	975	975	975	975
Total Liabilities	27,367	36,612	52,898	60,318	62,960	50,240
Net Assets	5,717	9,258	16,191	17,694	20,192	23,168
Shareholders' Equity	5,438	7,100	9,132	10,685	13,233	15,688
Minority Interest	279	2,158	7,059	7,009	6,959	7,480
Total Equity	5,717	9,258	16,191	17,694	20,192	23,168
Key ratio						
Gross debt (RMB mn)	11,109	15,968	20,801	20,801	20,801	20,801
Net debt (RMB mn)	5,692	7,219	8,920	10,442	(143)	(11,319)
Net gearing (%)	100%	78%	55%	59%	-1%	-49%
Contracted sales/ Total assets (x)	0.46	0.43	0.42	0.41	0.38	0.35

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement (2014A-2019E)

FY ended Dec 31 (RMB mn)	2014A	2015A	2016E	2017E	2018E	2019E
EBITDA	2,420	2,745	3,061	4,358	6,605	7,353
Change in Working Capital	(3,041)	(7,743)	(5,149)	(1,671)	9,441	9,555
Tax payment	(881)	(1,070)	(1,178)	(1,865)	(2,727)	(3,035)
Operating cash flow	(1,503)	(6,069)	(3,266)	822	13,319	13,873
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	0	0	0	0
Others	0	34	93	0	0	0
Investing cash flow	(120)	(86)	73	(20)	(20)	(20)
Debt raised	4,590	13,855	13,532	4,000	4,000	4,000
Debt repaid	(2,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Interest expenses	(1,189)	(1,266)	(1,665)	(1,664)	(1,664)	(1,664)
Equity raised	0	0	0	0	0	0
Dividend to shareholders	(247)	(269)	(543)	(610)	(1,000)	(963)
Others	(50)	(50)	(50)	(50)	(50)	(50)
Financing cash flow	1,104	8,270	7,274	(2,324)	(2,714)	(2,678)
Net cash inflow/ (outflow)	(519)	2,116	4,081	(1,522)	10,585	11,176
Cash- beginning	3,245	2,726	4,841	8,923	7,401	17,986
Cash- year-end	2,726	4,841	8,923	7,401	17,986	29,162

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

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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