

Agile (3383 HK)

Play safe to deliver stable dividend

- Management puts safety as first priority:** During the conference call, management reiterated the current policy situation has certain impacts on the industry and company. For example, the cash collection has dropped from 88% in 2020 to ~80% in 1H21. Without expecting any policy U-turn in the near term, management has chosen to focus on further balance sheet improvement (green category already in 1H21) and deliver a stable 5% earnings growth going forward with continuous sales growth (10% in 2021 set to be met) and GPM at around 28%. As a result, Agile will become a stable high-dividend player.
- 1H21 results highlight:** Agile delivered in line 1H21 results with earnings growth of 3% YoY to RMB5.3bn, accounting for 50% of our 2021 annual estimate (vs 53% in FY20). Revenue increased 15% YoY to RMB38.6bn. Two segments were key drivers behind this growth, including PM, which grew 57% YoY, and Others (environmental protection and commercial management) which grew 45%. GP margin eroded 6.2ppt to 28.1% in 1H21 due to the increased proportion of projects with higher unit land cost and lower GPM. Therefore, net margin eroded 1.6ppt to 13.7%. EPS was RMB1.36/share (+3% YoY) and the Company declared a HK\$0.50/share interim dividend (30.4% payout ratio; -3% YoY), which is the same amount as last years' interim dividend.
- Improving balance sheet to green category:** In 1H21 the Company only spent RMB10.5bn in land costs to acquire 22 plots with AV of RMB7.1k/sq m (+91.2% YoY; RMB3.7k/sq m in 1H20) or 33% of property sales. This has partly led to further balance sheet improvement to green category with liability to Asset (excluding presales) at 68.3%, net gearing at 45% and cash to short-term debt at 1.2x. Management guides to continue maintaining within green category going forward.
- Disposal-driven growth:** The Company's growth in 1H21 is mainly attributable to the disposal of subsidiaries which increased by 128.3% YoY to RMB4.1bn from RMB1.8bn in 1H20. This came from previously-announced seven projects disposal to Ping An on 24 Dec 2020. We do not think this would continue in 2H21 and thus the Company may speed up its sales booking to drive.
- Maintain Buy.** The Company is trading at 3.3x 2021E PE with dividend yield of 11%, which looks attractive.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	56,145	60,239	80,245	91,680	101,745
YoY growth (%)	10.3	7.3	33.2	14.2	11.0
Core NP (RMB mn)	7,125	7,512	8,346	9,615	10,647
EPS (RMB)	1.84	1.93	2.44	2.48	2.74
YoY growth (%)	33.4	5.4	26.1	1.5	10.7
Consensus EPS (RMB)	N.A.	N.A.	N.A.	2.55	2.72
P/E (x)	5.2	4.9	3.9	3.3	3.4
P/B (x)	0.9	0.8	0.7	0.6	0.5
Yield (%)	9.5	9.5	10.4	10.9	12.3
ROE (%)	17.3	16.9	18.6	16.4	15.8
Net gearing (%)	79.1	82.8	61.1	55.0	52.5

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$14.52
(Previous TP)	HK\$14.52)
Up/downside	+55.9%
Current Price	HK\$9.30

China Property Sector

Jeffrey Zeng

(852) 3916 3727

jeffreyzeng@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	35,488
Avg 3 mths t/o (HK\$ mn)	30.88
52w High/Low (HK\$)	13.22/8.30
Total Issued Shares (mn)	3,917

Source: Bloomberg

Shareholding Structure

Chen Zhuo Lin	66.3%
Chen Sze Long	7.9%
Free float	25.8%

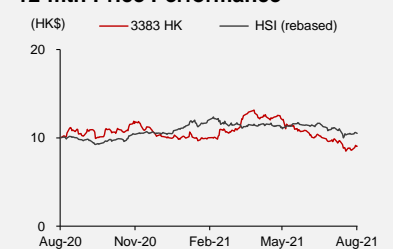
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-6.6%	-3.1%
3-mth	-25.4%	-20.6%
6-mth	-9.8%	2.7%
12-mth	-10.8%	-15.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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Figure 1: 1H21 results summary

RMB mn	1H20	1H21	YoY	1H/2020	1H/2021E
Revenue	33,527	38,588	15%	42%	42%
- Property sales	29,310	32,092	9%	42%	41%
- Property management	3,177	4,992	57%	40%	52%
- Others	1,040	1,504	45%	37%	39%
Gross profit	11,520	10,849	-6%	48%	39%
Net profit	5,127	5,290	3%	53%	50%
EPS (RMB)	1.32	1.36	3%	54%	55%
DPS (RMB)	0.42	0.42	0%	38%	36%
Dividend payout ratio	31.4%	30.4%	-1 ppt		
GP Margin	34.4%	28.1%	-6.2 ppt		
Net Margin	15.3%	13.7%	-1.6 ppt		
	FY20	1H21			
Net Gearing	61.0%	45.3%			
Debt to Aseet (excl. presales)	71.9%	68.3%			
Cash / ST Debt	1.1 x	1.2 x			

Source: CMBIS estimates

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CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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