

China Aoyuan (3883 HK)

1H21 results miss; 2H21 needs to speed up

Aoyuan's 1H2021 core earnings (excluding IP FV changes, FX and non-recurring items and their corresponding taxes) declined 12% YoY to RMB2.16bn on GPM. This is worse than its full year guidance of 20% growth. Revenue expanded 15% YoY based on 27.8% YoY growth in GFA delivered (3.68mn sq m) and 109% growth in its hotel and PM segments. Under stricter regulations, GP Margin eroded to 25.0% in 1H21 vs. 29.3% in 1H20 and thus net margin declined 2.1ppt YoY to 6.4%. EPS was RMB0.77/share, -14% YoY and the Company decided not to declare an interim dividend, same as 1H20.

- Stable balance sheet:** Three indicators as regards "three red line" requirements are relatively stable with both Net Gearing and Unrestricted Cash/ST debts at 80.7% and 1.2x in 1H2021 (vs. 82.7% and 1.0x in 1H2020). In addition, debt to asset ratio (excl. pre-sales) also remained stable at 78.5% in 1H21 vs. 78.4% in 1H20, and therefore the Company is still in the yellow category. It's worth noting that the total debt has declined 2% compared to FY20 to RMB111bn.
- Contained land acquisitions in 1H21:** Aoyuan only spent RMB6.5bn on land acquisitions in 1H21, only 10% of sales due to its cautious view of unreasonable land market. It will try to rely more on the urban renewal channel to gain more cheap lands and in 1H21 it has converted 3 plots.
- Growth in 2H21:** The Company stated that it would strengthen sales, monitor collection rate, and speed up delivery in 2H21. At the same time, it would continue to reduce the overall debt scale.
- Maintain BUY on attractive valuation:** The Company is currently trading at 0.7x 2020 PB at historically low.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	31,006	50,531	67,794	96,702	117,850
YoY growth (%)	62.2	63.0	34.2	16.7	21.9
Net income (RMB mn)	2,409	4,201	5,908	7,399	8,720
EPS (RMB)	0.90	1.56	2.19	2.75	3.24
YoY growth (%)	46.6	74.0	40.0	12.5	17.9
Consensus EPS (RMB)	NA	NA	NA	2.26	2.64
P/E (x)	9.6	5.5	2.1	3.2	2.7
P/B (x)	2.0	1.6	0.7	0.6	0.5
Yield (%)	4.2	6.3	17.0	12.7	15.0
ROE (%)	20.3	27.9	31.8	31.6	30.4
Net gearing (%)	58.9	74.9	82.7	70.2	65.5

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$15.48
(Previous TP)	HK\$15.48)
Up/Downside	+207.1%
Current Price	HK\$5.04

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	14,800
Avg 3 mths t/o (HK\$ mn)	57.61
52w High/Low (HK\$)	10.11/4.83
Total Issued Shares (mn)	2,696

Source: Bloomberg

Shareholding Structure

GUO ZI WEN	55.3%
Free float	44.7%

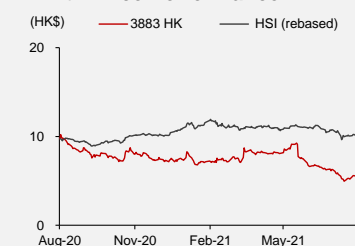
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.3%	-5.9%
3-mth	-31.5%	-27.3%
6-mth	-22.2%	-11.1%
12-mth	-42.4%	-45.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Figure 1: Interim results

RMB mn	1H20	1H21	YoY	1H/2020	1H/2021E
Revenue	28,243	32,510	15%	42%	34%
- Property development	27,341	30,710	12%	42%	33%
- Property investment	98	119	21%	41%	26%
- Hotel, PM	804	1,680	109%	26%	54%
Gross profit	8,282	8,130	-2%	49%	30%
Net profit	2,416	2,089	-14%	41%	28%
Core profit	2,450	2,157	-12%	N.A	N.A
EPS (RMB)	0.90	0.77	-14%	41%	28%
DPS (RMB)	-	-			
Dividend payout ratio	-	-			
GP Margin	29.3%	25.0%	-4.3 ppt		
Net Margin	8.6%	6.4%	-2.1 ppt		
	FY20	1H21			
Net Gearing	82.7%	80.7%			
Debt to Aseet (excl. presales)	78.0%	78.5%			
Cash / ST Debt	1.0 x	1.2 x			

Source: Company data, CMBIS

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	31,006	50,531	82,856	96,702	117,850	Profit before tax	6,954	10,589	15,756	17,919	21,343
Property development	29,740	48,091	79,900	93,120	113,505	D&A, impairment	144	263	80	80	80
Property investment	186	273	355	461	600	Change in working capital	7,829	(2,447)	(6,091)	(10,353)	(6,076)
Others	1,080	2,167	2,601	3,121	3,745	Others	(6,340)	(10,231)	(7,475)	(8,690)	
Cost of sales	(21,372)	(35,510)	(59,351)	(69,262)	(84,960)	Net cash from operating	8,588	(1,825)	2,271	(1,044)	4,839
Gross profit	9,634	15,021	23,505	27,440	32,890	Capex, net	(713)	(20,626)	(500)	(400)	(400)
Other income	350	485	500	525	580	Associated companies	(11,564)	(11,259)	(2,500)	(2,500)	(3,500)
Selling and distribution	(1,432)	(2,138)	(3,480)	(4,061)	(4,950)	Others	(4,686)	444	-	-	-
Administrative expenses	(1,736)	(2,435)	(4,143)	(4,835)	(5,892)	Net cash from investing	(16,963)	(31,442)	(3,000)	(2,900)	(3,900)
EBIT	6,816	10,933	16,382	19,069	22,628	Equity raised	(291)	(281)	-	-	-
Associates and JVs	35	(51)	(60)	20	65	Change of debts	17,439	44,184	10,785	6,739	6,229
Finance costs	(411)	(718)	(918)	(1,170)	(1,350)	Others	(777)	2,418	(2,631)	(2,960)	(3,488)
Exceptional	514	425	352	-	-	Net cash from financing	16,370	46,321	8,154	3,780	2,741
PROFIT BEFORE TAX	6,954	10,58	15,756	17,919	21,343	Net change in cash	7,995	13,054	7,425	(165)	3,680
Income tax	(4,015)	(5,368)	(7,535)	(8,670)	(10,444)	Cash at the beginning of the	24,769	32,937	46,104	53,529	53,365
PROFIT FOR THE YEAR	2,939	5,222	8,222	9,249	10,900	Exchange difference	173	113	-	-	-
Non-controlling interests	(531)	(1,021)	(1,644)	(1,850)	(2,180)	Cash at the end of the year	32,937	46,104	53,529	53,365	57,045
Net profit to shareholders	2,409	4,201	6,577	7,399	8,720						
Core net profit	2,574	4,122	6,295	7,399	8,720						
Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E
Current assets	171,808	262,458	286,028	306,968	328,453	Sales mix (%)					
Properties for sale	114,894	158,931	180,132	195,698	205,043	Property development	95.9	95.2	96.4	96.3	96.3
Trade and other receivables	12,274	26,259	33,142	38,681	47,140	Property investment	0.6	0.5	0.4	0.5	0.5
Amount due from	2,267	5,369	5,369	5,369	5,369	Others	3.5	4.3	3.1	3.2	3.2
Bank balances and cash	36,012	58,043	53,529	53,365	57,045	Total	100	100	100	100	100
Others	6,360	13,855	13,855	13,855	13,855	Profit & loss ratios (%)					
Non-current assets	17,051	27,423	30,635	33,475	37,359	Gross margin	31.1	29.7	28.4	28.4	27.9
PP&E	2,057	2,686	2,806	2,926	3,046	EBIT margin	22.0	21.6	19.8	19.7	19.2
Investment properties	8,833	10,072	10,725	10,925	11,125	Net margin	7.8	8.3	7.9	7.7	7.4
Investment in associates and	1,939	5,865	8,305	10,825	14,390	Effective tax rate	57.7	50.7	47.8	48.4	48.9
Others	4,221	8,799	8,799	8,799	8,798	Growth (%)					
Total assets	188,858	289,880	316,663	340,443	365,812	Revenue	62.2	63.0	64.0	16.7	21.9
Current liabilities	121,033	196,847	220,416	235,678	275,772	Gross profit	88.5	55.9	56.5	16.7	19.9
Trade and other payables	25,565	36,838	59,351	69,262	84,960	EBIT	93.7	60.4	49.8	16.4	18.7
Contracted liabilities	59,966	86,056	85,536	86,376	82,407	Net profit	46.9	74.4	56.6	12.5	17.9
Amount due to	4,755	22,822	26,810	26,810	26,810	Balance sheet ratios					
ST loan	23,732	41,873	39,461	43,971	72,337	Current ratio (x)	1.4	1.3	1.3	1.3	1.2
Others	7,015	9,258	9,258	9,258	9,258	Receivable turnover days	144	190	146	146	146
Non-current liabilities	37,092	56,037	53,659	55,888	33,751	Payables turnover days	437	379	365	365	365
LT loan	33,990	53,891	51,514	53,742	31,605	Inventory turnover days	1,962	1,634	1,108	1,031	881
Others	3,102	2,146	2,146	2,146	2,146	Net debt / total equity ratio (%)	58.9	74.9	64.4	70.2	65.5
Total liabilities	158,124	252,884	274,076	291,566	309,523	Returns (%)					
Total equity	30,734	36,997	42,587	48,876	56,288	ROE	20.3	27.9	31.8	31.6	30.4
Equity to shareholders	11,872	15,030	18,976	23,416	28,647	ROA	1.6	1.8	2.6	2.7	3.0
Non-controlling interests	18,862	21,967	23,611	25,461	27,641	Per share data					
						EPS (RMB)	0.90	1.56	2.19	2.75	3.24
						DPS (RMB)	0.36	0.55	0.98	1.10	1.30
						BVPS (RMB)	4.43	5.58	7.05	8.70	10.65

Source: Company data, CMBIS estimates

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