



Feb 3, 2016
Company Report
Rating: BUY
TP: HK\$ 4.50

Share price (HK\$) 2.28
Est. share price return 97.4%
Est. dividend yield 5.7%
Est. total return 103.1%

Previous Rating & TP HK\$4.70, BUY
Previous Report Date Nov 20, 2015

Analyst : Kenneth Tung
Tel: (852) 2147 8311
Email: kennethtung@abci.com.hk

Key Data

52Wk H/L(HK\$)	3.70/2.11
Issued shares (mn)	5,558
Market cap (HK\$ mn)	12,672
3-mth avg daily turnover (HK\$ mn)	35.84
Major shareholder(s) (%):	
Mr. Ji Haipeng	76.47
RRJ Capital	5.02
Value Partner	1.50

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	(13.7)	(2.8)
3-mth	(31.6)	(19.0)
6-mth	(31.8)	(14.5)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)
2015: A year of sales victory

- Presales in 2015 jumped 53.6% YoY to RMB 20.5bn, beating the sales target by 14%.
- In Dec, the second batch of its Acesite Mansion project in Shenzhen was released. About 400 units were sold at RMB60,000/sqm in the first day of sale
- New shares placement totaling HK\$ 1.55bn was completed in Nov 2015 to strengthen the balance sheet
- Maintain **BUY** with revised TP of HK\$4.50 (from HK\$4.70) based on an

2015 presales jumped 53.6% YoY to RMB 20.5bn, beating sales target by 14%. Driven by strong performance of Acesite Mansion project [玖龙玺], Logan's presales jumped 115.4% YoY to RMB 2.74bn in Dec 2015 while ASP soared to RMB16.7k/sqm, up 127% MoM. For the second batch of its Acesite Mansion project in Shenzhen, a total of 400 units was sold at RMB 60,000/sqm (vs. RMB55,000/sqm for the first batch) in the first day of sale. For 2015, Logan's presales reached a record high at RMB 20.5bn, representing a growth of 53.6% YoY(vs. peer average increase at 17% YoY); GFA and ASP grew 32%YoY and 12% YoY.

Placement in December strengthens balance sheet further. In Nov 2015, Logan completed the issuance of 557.5mn new shares (10.03% of enlarged capital) at HK\$2.78 (13% discount), raising a total of HK\$ 1,550mn. This timely placement ahead of the market downturn since beginning of 2016 eases the possibility that gearing may rise significantly related to its purchase of the site near the Hongshan Metro Station at RMB 11.25bn in Sep 2015. In Jan 2016, Logan issued US\$ 260mn of 7.70% senior notes due 2020. The coupon rate is lower than the USD bonds raised in 2014 at 9.55%-11.25%.

Maintain BUY with revised TP of HK\$4.50. Due to better-than-expected presales in 2015 and ASP performance, we raise our 2016E NAV estimate to RMB 42.5bn (from RMB 38.2bn). However, NAV per share drops to HK\$9.03 (from HK\$9.32) due to the new share issuance and RMB depreciation. We lower our TP to HK\$ 4.50 (from HK\$ 4.70), still based on 50% discount to FY16E NAV. Following the acquisition of the Hongshan site, landbank in Shenzhen (property development and investment properties) now accounts for 75% of total GAV. Rising property market in Shenzhen will benefit the Group. Maintain **BUY**.

Risk factors: 1) Forex risks; 2) Rising land cost in tier-1 cities; 3) Increase in net gearing.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,119	12,498	15,292	17,282	19,647
Chg (% YoY)	68.8	12.4	22.4	13.0	13.7
Core net profit (RMB mn) ¹	2,045	1,760	2,018	2,261	2,661
Chg (% YoY)	75.3	(13.9)	14.6	12.1	17.7
Underlying EPS (RMB)	0.41	0.35	0.36	0.41	0.48
Chg (% YoY)	49.0	(13.9)	3.1	12.1	17.7
BVPS (RMB)	1.5	2.2	2.5	2.7	3.0
Chg (% YoY)	52.3	52.8	10.6	10.4	10.2
Underlying PE (x)	4.7	5.5	5.3	4.8	4.0
P/B (x)	1.3	0.9	0.8	0.7	0.6
ROE (%)	27.9	15.7	14.6	14.9	15.9
ROA (%)	7.4	3.9	3.4	3.2	2.6
DPS(HK\$)	0.11	0.11	0.13	0.15	0.20
Yield (%)	4.82	4.82	5.70	6.58	8.77
Net gearing ² (%)	60.9	65.7	58.7	52.6	Net cash

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

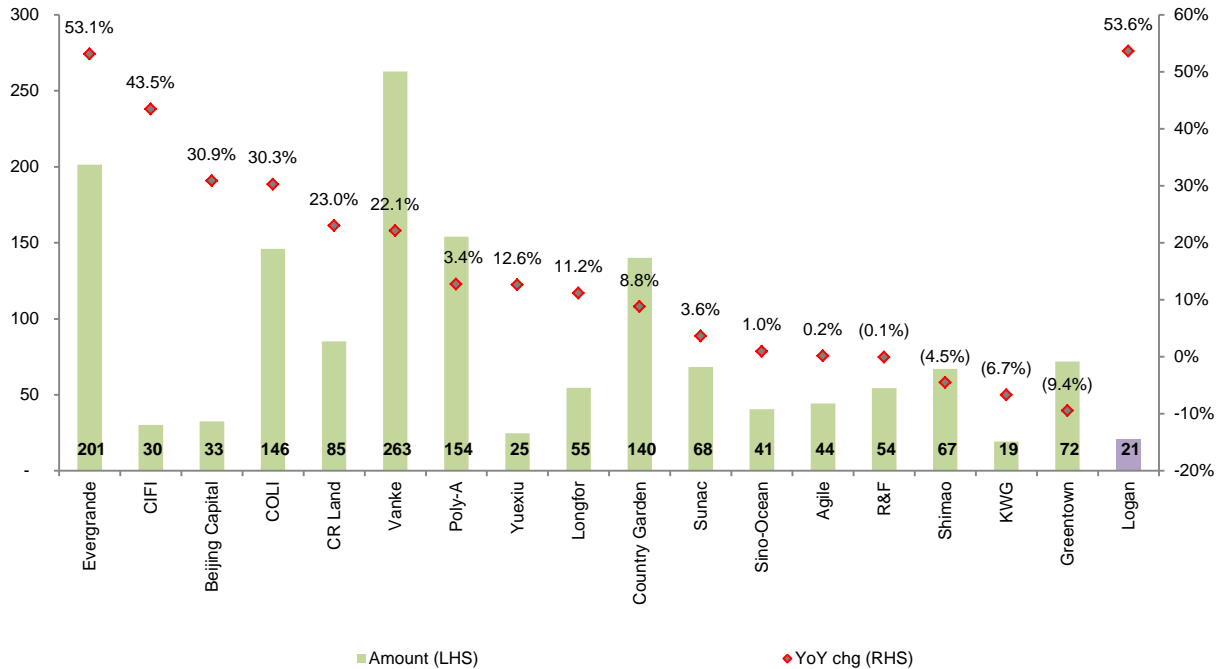
²Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



Exhibit 1: Presales growth of major developers in 2015

RMB bn



Source(s): Company, ABCI Securities estimates

Exhibit 2: Logan's 2016E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Shenzhen	0.7	27,543	61%	DCF with 7.2%WACC	40,985
Huizhou	4.1	2,419	5%		586
Shantou	1.4	1,160	3%		812
Foshan	1.0	251	1%		252
Others	6.5	13,578	30%		2,095
Subtotal	13.7	44,950	86%		3,280
Investment Properties	0.1	7,027	14%		1.5x book value
Total 2016E GAV		51,977	100%		
2016E Net debt		(9,454)	-18%		
Total 2016E NAV		42,523	82%		
No. of share outstanding (diluted)		5,558			
NAV per share (RMB)		7.65			
Ex rate		1.18			
NAV per share (HKD)		9.03			
Target discount (%)		50%			
Target Price (HKD)		4.50			
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	15,292	17,282	19,647
Cost of sales	(7,004)	(8,694)	(10,069)	(10,607)	(10,827)
Gross Profit	4,116	3,804	5,224	6,676	8,819
SG&A expenses	(729)	(940)	(1,371)	(1,813)	(2,593)
EBIT	3,387	2,864	3,852	4,862	6,226
Finance cost	(103)	(94)	(117)	(103)	(109)
Share of profit of associates	0	0	0	0	0
Other income/ (expenses)	28	85	78	89	236
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	3,813	4,848	6,353
Tax	(1,252)	(1,297)	(1,582)	(2,046)	(2,793)
Profit after tax	2,056	2,421	2,232	2,803	3,561
Minority interest	(32)	(73)	(214)	(541)	(900)
Reported net profit	2,024	2,348	2,018	2,261	2,661
<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	2,018	2,261	2,661
Per share					
Underlying EPS (RMB)	0.41	0.35	0.36	0.41	0.48
DPS (RMB)	0.11	0.11	0.13	0.15	0.20
Payout ratio (%)	27%	31%	36%	37%	42%
BVPS (RMB)	1.47	2.24	2.48	2.74	3.02
Growth %					
Revenue	68.8%	12.4%	22.4%	13.0%	13.7%
Gross Profit	60.8%	-7.6%	37.3%	27.8%	32.1%
EBIT	63.3%	-15.4%	34.5%	26.2%	28.1%
Underlying net profit	75.3%	-13.9%	14.6%	12.1%	17.7%
Margin %					
Gross margin	37.0%	30.4%	34.2%	38.6%	44.9%
Gross margin (post-LAT)	34.2%	27.5%	29.3%	32.8%	37.4%
EBIT margin	30.5%	22.9%	25.2%	28.1%	31.7%
Core net margin	18.5%	14.2%	14.6%	16.2%	18.1%
Key assumptions					
Contracted Sales (RMB mn)	13,208	13,350	20,510	26,474	47,387
GFA sold (m sqm)	1.64	1.82	2.43	2.38	3.11
ASP (RMB/sqm)	8,043	7,347	8,441	11,122	15,237
Booked Sales (RMB)	10,385	12,215	14,989	16,956	19,296
GFA delivered (m sqm)	1.24	1.74	1.90	1.85	1.63
Booked ASP (RMB/sqm)	8,376	7,022	7,871	9,176	11,874

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	53,219	65,555	96,945
Cash	3,827	5,576	6,900	7,873	37,767
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	40,545	51,908	53,404
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	58,929	71,366	102,857
Current Liabilities	13,635	17,827	29,180	39,699	68,790
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	17,710	27,228	55,319
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	42,872	53,390	82,481
Net Assets	7,350	13,317	16,057	17,976	20,375
Shareholders' Equity	7,336	11,210	13,786	15,214	16,763
Minority Interest	14	2,107	2,271	2,763	3,613
Total Equity	7,350	13,317	16,057	17,976	20,375
Key ratio					
Gross debt (RMB mn)	8,983	16,265	18,265	19,265	20,265
Net debt (RMB mn)	4,477	8,751	9,427	9,454	(19,439)
Net gearing (%)	61%	66%	59%	53%	-95%
Contracted sales/ Total assets (x)	0.47	0.30	0.35	0.37	0.46

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	3,872	4,882	6,246
Change in Working Capital	(3,053)	(9,806)	(2,052)	(728)	27,771
Tax payment	(1,252)	(1,297)	(1,582)	(2,046)	(2,793)
Operating cash flow	(902)	(8,220)	238	2,108	31,224
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	(100)	(100)	(100)
Others	28	85	78	89	236
Investing cash flow	(92)	(35)	(42)	(31)	116
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)	(42)	(31)	116
Dividend to shareholders	(550)	(550)	(722)	(834)	(1,112)
Others	1,260	(15)	1,273	(19)	(166)
Financing cash flow	2,285	10,003	1,127	(1,103)	(1,446)
Net cash inflow/ (outflow)	1,291	1,749	1,324	974	29,893
Cash- beginning	2,537	3,827	5,576	6,900	7,873
Cash- year-end	3,827	5,576	6,900	7,873	37,767

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Tung Yiu Kei, Kenneth, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

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.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is



determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2016 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183**