



Feb 24, 2016
Company Report
Rating: UNRATED

Share price (HK\$) 3.13

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Key Data

52Wk H/L(HK\$)	3.94/2.50
Issued shares (mn)	1,723
Market cap (HK\$ mn)	5,393
3-mth avg daily turnover (HK\$ mn)	5.29
Major shareholder(s) (%): Shum Chiu Hung	69.36

Source(s): Company, Bloomberg, ABCI Securities

FY15 Revenue breakdown (%)

Property development	97.0
Property investment	1.8
Property management	1.2

Source(s): Company, ABCI Securities

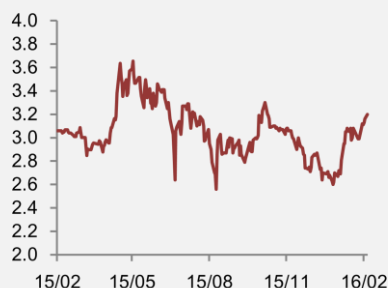
Share performance (%)

	Absolute	Relative*
1-mth	11.4	9.5
3-mth	4.3	20.9
6-mth	16.4	28.3

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Times Property (1233 HK)
FY15 results review

- Core profit rose 12.3% yoy to RMB 1,477mn as revenue increased 30.9% yoy
- Gross margin dropped 4.6ppt yoy to 26.0% mainly due to booking of low-margin projects presold in 2014.
- Net gearing dropped from 100% in Dec 2014 to 78% in Dec 2015; average cost of debt declined from 10.85% in FY14 to 9.64% in FY15.
- Presales in 2015 grew 28% yoy to RMB 19.5bn, of which Guangzhou accounted for 38% of total. For 2016, Times set a sales target of RMB 21.5bn, implying 10% YoY growth.

Solid FY15 results. Times Property (Times) reported its FY15 core profit rose 12.3% YoY to RMB 1,477mn; revenue surged 30.9% YoY to RMB 13.6bn on the 78%YoY increase in GFA delivered. Gross margin declined by 4.6ppt YoY to 26.0%, as booked ASP dropped 26.5%YoY to RMB 8,861/sqm. The lower margin is mainly due to (i) price cut of projects presold in 2014 amid a weak property market; (ii) revenue contribution from Guangzhou dropped from 67% in FY14 to 41% in FY15. However, management expect gross margin to recover in FY16 as presales ASP has improved since 2015. About RMB 260mn incurred as FX loss due to the translation of USD-denominated debt into equity. Hence, RMB depreciation did not affect its bottom line. The Group also announced a DPS of RMB15.63 cent, up 9% YoY, meaning that its current yield stands at 5.9% based on the current price.

2016 sales target set at RMB 21.5bn. 2015 presales went up 28.1% YoY to RMB19.5bn, as sell-through rate remained healthy at 60%. The three major cities in PRD- Guangzhou, Foshan, and Zhuhai, accounted for 38%, 25%, and 21% of total presales, respectively. In 2016, Times set a presales target of RMB 21.5bn, up 10% YoY, much lower than 41% CAGR during 2012-15. As of Dec 2015, Times has a landbank of 10.6mn sqm across 6 cities with an average cost of RMB 1,994/sqm, of which Guangzhou accounts for 16% of total. Management are confident in achieving RMB 50-60bn in presales over the medium/long term, given the size of its existing landbank and the high market potential of the 6 cities entered. Besides, the Group also has 33 redevelopment projects in the pipeline, of which 9 projects in Guangzhou (with a total planned GFA of 2.1mn sqm) have already entered the land conversion stage.

Remarkable improvement in finance cost. Net gearing fell from 100% in Dec 14 to 78% in Dec 15. Average cost of debt edged down from 10.85% in FY14 to 9.64% in FY15. Effective interest rate stood at 8.6% as at Dec 2015, given that all high-cost trust loans were fully repaid during the year. (continue next page)

Results and Valuation

FY ended Dec 31	2011A	2012A	2013A	2014A	2015A
Revenue (RMB mn)	2,467	3,197	9,695	10,419	13,638
Chg (% YoY)	59.4	29.6	203.2	7.5	30.9
Core Net Income (RMB mn) ¹	119	271	942	1,315	1,477
Chg (% YoY)	208.0	127.4	247.6	39.5	12.3
Underlying EPS (RMB)	0.09	0.20	0.53	0.76	0.86
Chg (% YoY)	208.0	121.5	170.2	43.6	12.3
BVPS (RMB)	1.8	2.0	2.3	3.1	4.0
Chg (% YoY)	11.8	12.2	14.2	36.2	30.6
Underlying PE (x)	29.9	13.5	5.0	3.5	3.1
P/B (x)	1.5	1.3	1.2	0.9	0.7
ROE (%)	5.1	10.0	23.6	24.2	20.8
ROA (%)	0.7	1.3	3.8	4.0	3.2
DPS(HK\$)	-	-	0.10	0.14	0.16
Yield (%)	-	-	3.90	5.41	5.89
Net gearing ² (%)	92.2	119.9	93.2	99.6	78.0

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

²Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities



Times also raised (1) RMB 2bn of public corporate bond due 2020 at 6.75% in July 2015;(2) RMB 3bn of non-public corporate bond due 2018 at 7.85% in Oct 2015; (3) RMB 3bn of non-public bond due 2019 at 7.88% in Jan 2016. The cost is much lower than previous USD bond issued at 11.45-12.625% in 2014-15. Management expects the interest terms to turn even more favourable as impacts of the rate cuts in 2015 will be more fully reflected in 2016 when loan repricing takes place.

Trading at discount to peers. Despite its positive presales outlook, high exposure to tier-1 cities and improving credit profile, Times is trading at 2.2x consensus FY16 P/E, lower than the peer average of 4.1x. We believe the Group's potential is still under-recognized by the market.

Risk factors: 1) Legal risk associated with Guangzhou's urban redevelopment projects; 2) Surging land price in tier-1 cities may erode margins; 3) mismatch of foreign currency exposure in assets and liabilities may result in exchange losses.

Exhibit 1: Time Property's FY15 results

P&L	FY15	FY14	YoY Chg	Operating statistics	FY15	FY14	YoY Chg
	RMBmn	RMBmn	(%)				%
Turnover	13,638	10,419	30.9	Contracted GFA (mn sqm)	2.17	1.40	55.1
Cost of Sales	(10,092)	(7,233)	39.5	Contracted ASP (RMB/sqm)	9,011	10,913	(17.4)
Gross Profit	3,546	3,186	11.3	Contracted Sales (RMB mn)	19,508	15,234	28.1
Gross Margin (%)	26.0	30.6	(4.6)	GFA delivered (mn sqm)	1.49	0.84	78.3
Selling and distribution costs	(488)	(483)	0.9	Booked ASP (RMB/sqm)	8,861	12,061	(26.5)
Administrative expense	(392)	(345)	13.7	Property sales booked (RMB mn)	13,225	10,095	31.0
EBIT	2,666	2,358	13.1				
EBIT Margin (%)	19.6	22.6	(3.1)				
Other income	-	-	na	Balance sheet	Dec-15	Dec-14	YoY chg
Fair Value gains on IP and other exceptional items	130	105	24.7		RMB mn	RMB mn	ppt
Share of profit from JCE/ Associates	-	-	na	Gross debt	15,968	11,109	43.7
Finance cost	(175)	(232)	(24.5)	Cash	8,749	5,418	61.5
Profit before tax	2,622	2,231	17.5	Net debt	7,219	5,692	26.8
Tax	(1,070)	(881)	21.5	Net gearing (%)	78%	100%	-22ppt
- LAT	(481)	(538)	(10.7)	Revenue breakdown	FY15	FY14	YoY Chg
- Enterprise tax	(589)	(343)	72.0		RMBmn	RMBmn	%
Profit after tax	1,551	1,350	15.0	- Property Sales	13,225	10,095	31.0
Minority Interest	(130)	(75)	74.8	- Property leasing	245	197	24.5
Net profit	1,421	1,275	11.5	- Property management	168	128	31.5
Core net profit	1,477	1,315	12.3	Total	13,638	10,419	30.9
Core net margin	10.8	12.6	(1.8)				

Source(s): Company, ABCI Securities



Disclosures

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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 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.

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