

# 2020 March Newsletter

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## China SCE Group Holdings Limited

Stock Code: 1966.HK

Best 50 of China Real Estate Developers



China SCE Group Holdings Limited ("China SCE" or the "Company") was established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in February 2010. The Group's major businesses include property development, commercial management, property management and rental apartments business. The Company is headquartered in Shanghai for its business operations, while implementing regional focused development strategy targeting the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the West Taiwan Strait Economic Zone and Central Western Region.

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## Latest News



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### *Sales Overview*

In March 2020, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB6.022 billion and a contracted sales area of 430,579 sq.m., representing a year-on-year decrease of 11% and 24%, respectively. The average selling price for March 2020 was RMB13,983 per sq.m.

For the three months ended 31 March 2020, the Group together with its joint ventures and associates achieved an accumulated contracted sales amount of approximately RMB12.929 billion and an accumulated contracted sales area of 899,385 sq.m., representing a year-on-year decrease of 18% and 29%, respectively. The average selling price for the three months ended 31 March 2020 was RMB14,375 per sq.m.

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### *Land Bank*

As of 31 March 2020, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 33.20 million sq.m.

No land parcel being acquired in March 2020.

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### **Attributable Core Profit Increased by 20% in 2019, Declared a Final Dividend of HK14 Cents Per Share**

China SCE announced 2019 annual results on 30 March 2020, with revenue of approximately RMB21.370 billion, representing a 20% growth. Gross profit margin was 27.6%, profit for the year rose by 9% to RMB4.023 billion. Core profit attributable to owners of the parent soared 20% to approximately RMB2.650 billion. The final dividend was HK14 cents per share, together with an interim dividend of HK10 cents per share, the annual dividend payout ratio was 33%.

As of 31 December 2019, cash and bank balances were approximately RMB23.899 billion, an increase of 20% over last year, and the net gearing ratio was 60.0%, improved by 0.4 percentage points.

The contracted sales target for 2020 increased 16% to RMB93 billion.

### **Various Research Houses Affirmed BUY, CLSA Initiated Coverage with BUY**

#### Analyst Coverage after 2019 Annual Results

Research House	Rating	Target Price (HKD)
BOCI	Buy	5.01
Citi	Buy	5.00
CLSA	Buy	4.90
CMBI	Buy	5.74
Guotai Junan	Accumulate	-
Haitong International	Buy	6.83
Haitong Securities	Outperform	5.39-6.47
HSBC	Buy	4.60
Huatai Financial	Buy	6.00
Jefferies	Buy	5.66
J.P. Morgan	Overweight	6.00
Macquarie	Outperform	5.63
Morgan Stanley	Overweight	6.25
Northeast Securities	Buy	5.40

(Listed in Alphabetical Order)

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**BOCI** believes the financial soundness of China SCE provides flexibility and margin of safety amid external uncertainty.

**Citi** comments RMB100 billion sales vision for China SCE still holds under the "Dual-Track" strategy.

**CLSA** believes China SCE with its sales scale, picked a perfect time for building up investment property portfolio development. CLSA initiates coverage on China SCE with a BUY rating.

**CMBI** raises end 2020 NAV forecast of China SCE to reflect the new land acquisitions, as a result, 12-month target price is raised to HK5.74 per share.

**Haitong International** believes China SCE could easily beat its conservative sales target and China SCE has also been beating its sales target over the past five years.

**HSBC** believes China SCE is steadily progressing and the solid contracted sales in the past two years will translate into stronger booking and earnings growth in 2020 and 2021.

**Huatai Financial** expects China SCE to experience faster earnings growth in 2020, leveraging the higher profit contribution from its joint ventures.

**Jefferies** mentions China SCE management targets to maintain 20-30% sales CAGR in the medium term, while continuing to expand its mall/rental apartment portfolios to a sizeable scale by 2025. Jefferies reaffirms China SCE as their Top Pick.

**J.P. Morgan** believes that 2020 will be the year where China SCE will see outperforming growth in both (1) earnings (+30% YOY vs. peers' +18% YOY) and (2) attributable sales growth (+37% YOY vs. peers' +10% YOY). J.P. Morgan reaffirms China SCE as their Top Pick.

**Macquarie** says China SCE's management laid out a clear blueprint for diversified businesses by 2025 and strives to achieve strong contracted sales growth.

**Morgan Stanley** sees solid growth ahead for China SCE supported by the "Dual-Track" land acquisition strategy.

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