

# Beijing Capital Land (2868.HK)

## Positive outlook in 2015

HONG KONG | PROPERTY | COMPANY UPDATE

13 February 2015

- The revenue of BCL dropped by 11% yoy and reached RMB 10.06 billion in 2014 and the net profit rose up 18.3% yoy and reached RMB 2.26 billion. During that period, the gross profit rate dropped by 3.3% and reached 24.1% while the net profit rate rose up 5.6% and reached 22.5%. The drop of the entry income and gross profit rate reflected that BCL had a weak performance in the profit and loss statement of 2014, while the obvious increase of investment income and the income of jointly operated companies promoted the double-digit increase of the profit in the end of the year.
- The contract sales of BCL rose up 26.8% yoy from 2013 to 2014 and reached RMB 24.8 billion, creating a new peak. The amounts of sales of five core cities summed up to RMB 16.8 billion, accounting for 70% of the total sales. The great surprise came from Sydney, Australia, whose sales of the whole year reached 2.2 billion, accounting for 9%.
- The land investment cost of BCL reached 19.4 billion in 2014, rising up 66% compared with that in 2013. The covered area of the lands it obtained was 2.74 million square meters, rising up 25% yoy. The lands that the Company obtained in Beijing and Shanghai were 930 and 430 thousand square meters respectively, strengthening its market share and influence in Beijing and Shanghai.
- The book cash of the Company in the end of 2014 was 13.9 billion, rising up 22.6% compared with that in 2013. The scale of the total debts increased to 32.5 billion and the scale of net debts increased to 20.2 billion with the net debts ratio of 87%, rising up 28.5% compared with that in the end of 2013. While the capital expenditure maintains tensioning, BCL well manages its balance sheet and continues broadening its financing channels.
- The three product lines of BCL continuously show its power, which are the residential sales in the core cities, the continuous expansion of Oteri J and mining the huge potential in overseas markets. We believe that the sustainable growth capacity of the three product lines is stronger, and the growth performance visibility is higher, with the capacity to drive the core performance growth.
- We believe that the prospect of BCL in 2015 is positive, the Company's product lines and development strategies can adapt to the current market situation, and the Company has stronger executive ability, which makes the visibility of its business prospects in 2015 and achieving the sales targets higher. However, we also believe that the higher capital expenditure makes the Company have more risk exposure, which reduces the attraction of the value underestimation of BCL. We give BCL the "Accumulate" rating, with the target price of 4 HKD in the next 12 months, which is equivalent to 3.5 times and 3.2 times expected P/E in 2015/2016.

### Accumulate (Update)

Closing Price: HKD 3.64

Target Price: HKD 4.00 (+9.9%)

O/S SHARES (MN) :	2,018
MARKET CAP (HKD MN) :	7,382
Ent. Value (HKD MN) :	27,582
52 - WK HI/LO (HKD) :	3.85-2.39

### SHARE HOLDING PATTERN, %

PROMOTERS :	45.58
NON PROMOTER CORP. HOLDINGS :	13.15
PUBLIC & OTHERS :	41.27

### PRICE



Source: Phillip Capital Research

### KEY FINANCIALS

RMB Mn	FY12	FY13	FY14E	FY15E
Revenue	11,320	10,058	15,058	19,282
Net Profit	1,522	1,690	1,887	2,567
EPS	0.750	0.830	0.917	1.247
P/E (X)	2.56	2.83	3.49	2.57
BVPS	4.29	4.43	5.65	6.38
P/B (X)	0.45	0.53	0.57	0.50
DPS	0.220	0.250	0.270	0.300
Div. Yield	11.46%	10.64%	8.44%	9.38%

Source: Phillip Capital Research Est.

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## Financials

FYE	FY08	FY09	FY10	FY11	FY12A	FY13A	FY14A	FY15E	FY16E
<b>Valuation Ratios</b>									
P/E (X), adj.	6.56	5.53	3.25	2.40	4.69	2.56	2.83	3.49	2.57
P/B (X)	0.70	0.64	0.56	0.41	0.52	0.45	0.53	0.57	0.50
Dividend Yield (%)	6.54%	7.50%	12.28%	16.81%	6.20%	11.46%	10.64%	8.44%	9.38%
<b>Per share data (RMB)</b>									
EPS, reported	0.189	0.266	0.453	0.470	0.550	0.750	0.830	0.917	1.247
EPS, adj.	0.189	0.266	0.453	0.470	0.550	0.750	0.830	0.917	1.247
DPS	0.080	0.110	0.181	0.190	0.160	0.220	0.250	0.270	0.300
BVPS	2.09	2.28	2.60	2.79	3.76	4.29	4.43	5.65	6.38
<b>Growth &amp; Margins (%)</b>									
<b>Growth</b>									
Revenue	6.1%	4.4%	20.4%	15.9%	21.4%	23.9%	-11.1%	49.7%	28.1%
Operating profit	23.6%	12.5%	21.5%	-16.5%	16.4%	28.3%	18.5%	18.2%	34.1%
Net Income, adj.	-27.2%	40.5%	70.6%	4.0%	16.3%	37.0%	11.0%	11.7%	36.0%
<b>Margins</b>									
Gross profit margin	32.13%	32.04%	34.42%	38.67%	32.56%	33.26%	29.85%	28.52%	28.61%
Operating profit margin	27.56%	29.71%	29.99%	21.61%	20.71%	21.44%	28.58%	22.56%	23.63%
Net profit margin	7.41%	9.98%	14.14%	12.69%	12.16%	13.45%	16.80%	12.53%	13.31%
<b>Key Ratios</b>									
ROE (%)	9.0%	11.7%	17.4%	21.3%	11.2%	17.5%	18.7%	16.2%	19.6%
ROA (%)	2.0%	2.4%	3.0%	3.7%	2.3%	2.9%	3.0%	3.0%	3.4%
Net Debt/(Cash)	4,738	1,726	1,421	4,624	5,832	9,532	20,208	21,354	22,652
Net Gearing (X)	76.9%	25.9%	18.5%	81.6%	99.0%	58.7%	87.0%	87.7%	85.8%
<b>Income Statement (RMB mn)</b>									
Revenue	5,167	5,393	6,493	7,523	9,134	11,320	10,058	15,058	19,282
Cost of sales	3,506	3,665	4,258	4,614	6,160	7,555	7,056	10,763	13,765
Gross profit	1,660	1,728	2,235	2,909	2,974	3,765	3,002	4,295	5,517
Operating profit	1,424	1,602	1,947	1,626	1,892	2,427	2,875	3,397	4,556
EBT	1,267	1,510	1,906	1,636	1,899	2,624	2,946	3,210	4,482
Tax	504	622	845	456	565	710	682	931	1,457
Tax rate	39.78%	41.19%	44.33%	27.87%	29.75%	27.06%	23.15%	29.00%	32.50%
Profit for the year	762	888	1,061	1,180	1,334	1,914	2,264	2,279	3,025
Minority interests	379	350	143	225	223	392	574	392	458
Net profit	383	538	918	955	1,111	1,522	1,690	1,887	2,567

Source: BCL and Phillip Securities

### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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