

18 June 2014

万科 B 转 H 获股东通过,月底前将挂牌港交所

CHINA VANKE (200002:CH)

Market Data: Jun,17

Closing Price (HK\$)	12.41
HSCEI	10,461
52-week High/Low (HK\$)	17.1/10.53
Market Cap (HK\$m)	16,020
Shares Outstanding (m)	1,291

Price Performance Chart:



Source: Bloomberg

Analyst

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Financial summary and valuation

	2011	2012	2013	2014E	2015E
Revenue (Rmbm)	71,783	103,116	135,419	167,218	206,980
YoY (%)	41.54%	43.65%	31.33%	23.48%	23.78%
Net income (Rmbm)	9,625	12,551	15,118	18,051	20,718
YoY (%)	32.15%	30.40%	20.45%	19.39%	14.78%
EPS (Rmb)	0.88	1.14	1.37	1.64	1.88
Core EPS (Rmb)	0.88	1.14	1.37	1.64	1.88
ROE (%)	19.8%	21.5%	21.5%	21.9%	22.2%
Net Gearing (%)	30%	38%	61%	55%	50%
Dividend Yield (%)	1.4	1.8	4.1	5.0	6.2
PE (x)	11.3	8.7	7.2	6.1	5.3
PB (x)	2.1	1.7	1.4	1.1	0.9

Note: Core EPS is calculated as if all non-recurring items are excluded. P/E is calculated as closing price divided by each year's core EPS.

投资要点:

- 中国最大的房地产开发商万科日前公告称,在6月9日至13日公司B股现金选择权的申报期内,共计24,183,859份B股现金选择权进行了有效的行权申报,有效申报的现金选择权数量占公司B股总股数的1.84%,未超过公司B股总股数的1/3。公司B股转换上市地以介绍方式在港交所主板上市及挂牌交易方案将继续实施。
- 万科2012年底上报B股转H股方案,此后因中国房地产实施宏观调控而推迟至今年3月方获中国证监会首肯。本次B股股东现金选择申报顺利通过,为转股扫清了最后的障碍。我们预计公司将于月底前挂牌港交所,但可能比稍早披露的6月19日略晚几天。这将使得万科成为继北辰股份后第二家在沪港两地同时挂牌的中国房地产开发商,而万科无疑更有代表性。
- 跟随转股计划获得管理层点头,万科今年以来引入可观改善和创新。公司2013年年度派息比例已从此前的20%提升至30%,并表示此后会稳定在这个派息位置回报股东。4月下旬,万科更是首次引入了‘事业合伙人制度’,允许高级管理层和部分优秀员工作为合伙人参加公司开发的项目投资,首批公司已在逾300个项目中甄选出30多个项目引入合伙人制度,而初期逾三万员工中有1320人有幸成为合伙人。而作为该合伙人制度的一部分,所有属于合伙人的奖金将集体委托给财务公司进行投资管理,而自5月下旬开始该部分资金已被利用通过二级市场购买万科A股股票。目前已前后通过五个交易日花费约16亿元购买近1.9亿股(占万科总股本的1.7%,占A股总股本的1.9%)。
- 万科江湖地位毋庸置疑,公司2013年以1700亿合约销售额蝉联全国开发商老大位置,今年前五个月实现合约销售815亿,同比增长16%,完成全年2000亿目标的四成,在行业整体呈下行走势、板块平均销售仅个位数增长的背景下,已属不易。但A股市场并没有给予大公司溢价,目前万科A股估值仅相当于50%净资产折价,0.9倍14年PB,4.9倍14年PE,较板块平均水准至少低两成;而万科B股虽然已较A股溢价逾两成,但其39%净资产折价,1.1倍14年PB,6.1倍14年PE的估值与中资地产领头羊中海外的28%净资产折价,1.3倍14年PB,7.1倍14年PE相比,仍便宜15%。我们认为,在H股正式挂牌后,万科H的估值会有进一步提升的机会,公司的行业领先地位、稳健基本面以及良好的激励机制都将是吸引更多海外投资者的卖点,而目前的行业环境下所可能逐步出现的整合机会也将令龙头公司更加受益。

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Investment Highlights:

B-Share green light. On Monday, China's largest developer, China Vanke, announced that the total number of B-shares opting to cash out (at HK\$12.39/s), rather than transferring to the H-share market in 09-13 June, reached just c.24m (1.84% of total B-shares). This is below 33.3%, a percentage that makes the H-share of Vanke meet the minimum 8% of total issued shares as required by the Hong Kong stock exchange. As a result, the conversion of B to H-share will continue to go ahead as scheduled.

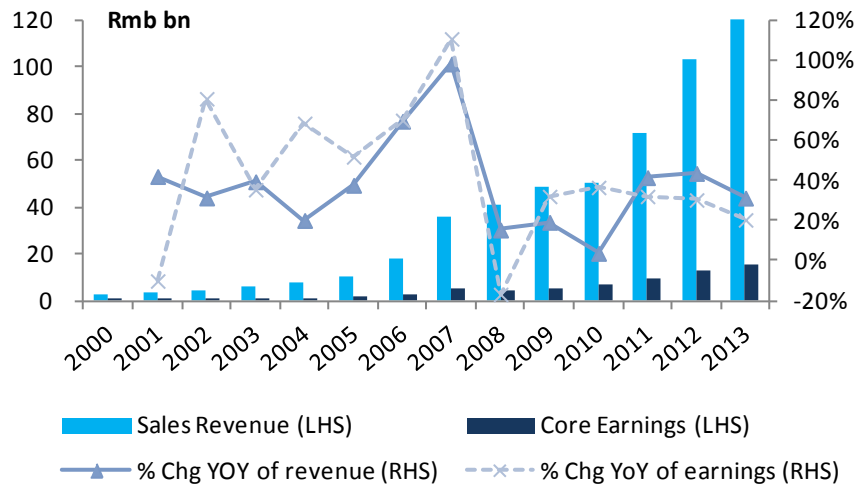
Key barriers removed. Since the cash option exercise of B-shares has acted as the final barrier to Vanke's B-to H-share conversion, we expect a total 1,291m Vanke B-shares (11.77% of total issued capital including A-shares) to be listed on the Hong Kong main board shortly before the end of June. This will likely to be later than the preliminary announcement date on 19 June. Furthermore, no any new issuance will be involved and the purpose will primarily serve to improve the stock's liquidity.

New incentive scheme introduced. Since April, Vanke has officially launched a partnership system. The new motivation scheme along with an existing options stimuli (that requires c.22% of annual earnings growth and ROE of no less than 14.5%) will allow senior management and qualified employees to become partners of projects developed by Vanke. The partners will then share the returns as a bonus. In the primary stage, 1,320 partners were selected from a total of more than 35,000 employees.

Continuous A-share buyback. As part of the partnership scheme, the bonus attributed to the partners would all be entrusted to a financial advisory company. The bonus will be reinvested by the company on behalf of the partners. Since the first buyback on 28 May, c.187m Vanke A-shares (c.1.7% of total issued capital) were bought to the secondary market using a total of c.Rmb1.6bn (part from this trust account and part from margin borrowing).

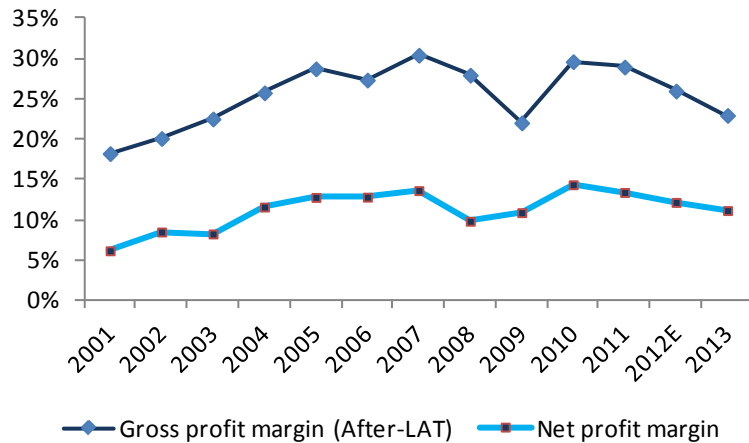
Potential in valuations catch-up. Vanke A-share is currently trading at 50% discount to NAV, 0.9x 14E PB, 4.9x 14E PE and Vanke B (H)-share is trading 22% higher at 39% discount to NAV, 1.1x 14E PB, 6.1x 14E PE. However, in comparison to its H-share peers, COLI is trading at 28% discount to NAV, 1.3x 14E PB, 7.1x 14E PE. Vanke B (H)-share implies a 15% cheaper valuation. Given its leading market position, outperforming sales and limited number of stocks, Vanke may further its H-share stock performance potential.

Figure 1: Revenue and Earnings



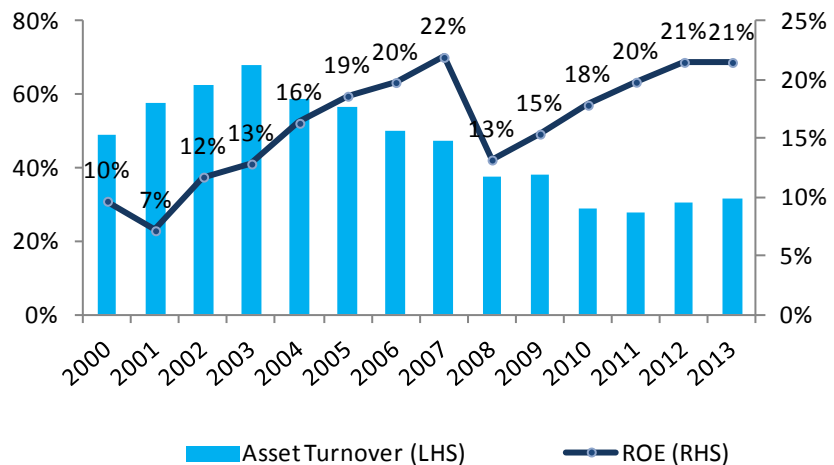
Source: Company data, SWS Research

Figure 2: Gross and net margin



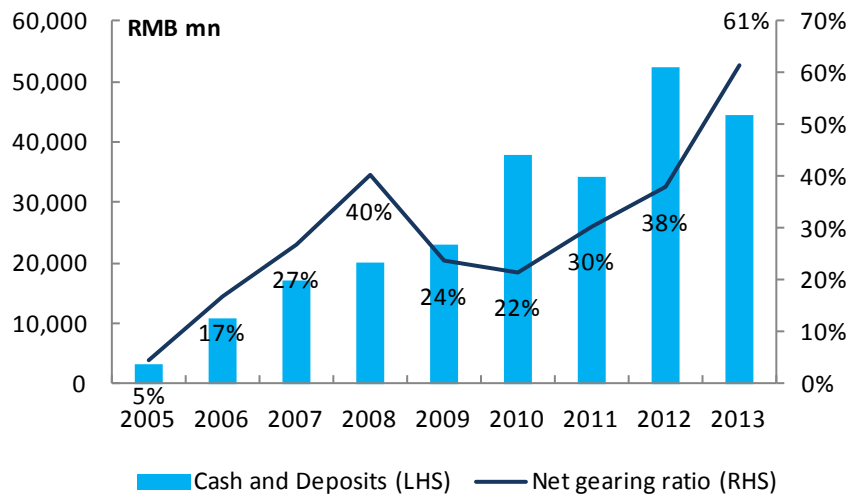
Source: Company data, SWS Research

Figure 3: Asset turnover and ROE



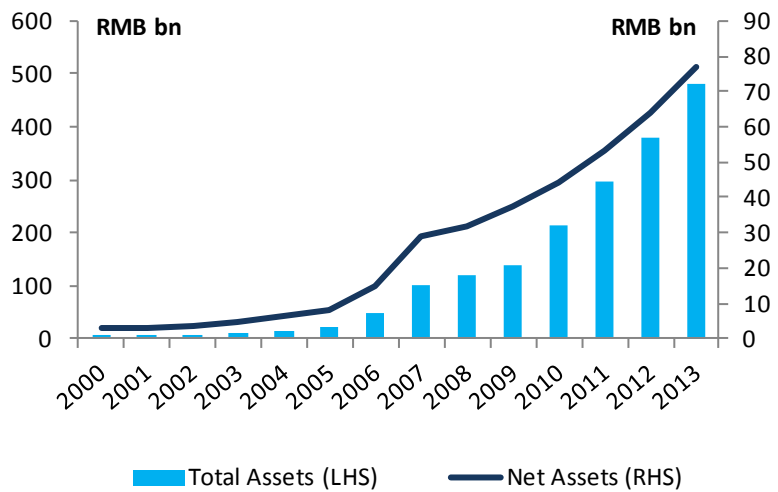
Source: Company data, SWS Research

Figure 4: Cash on hand and net gearing ratio



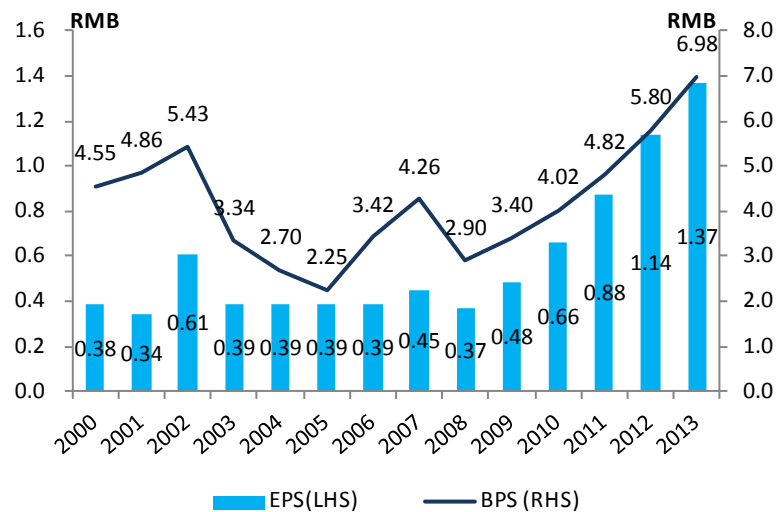
Source: Company data, SWS Research

Figure 5: Total and Net assets



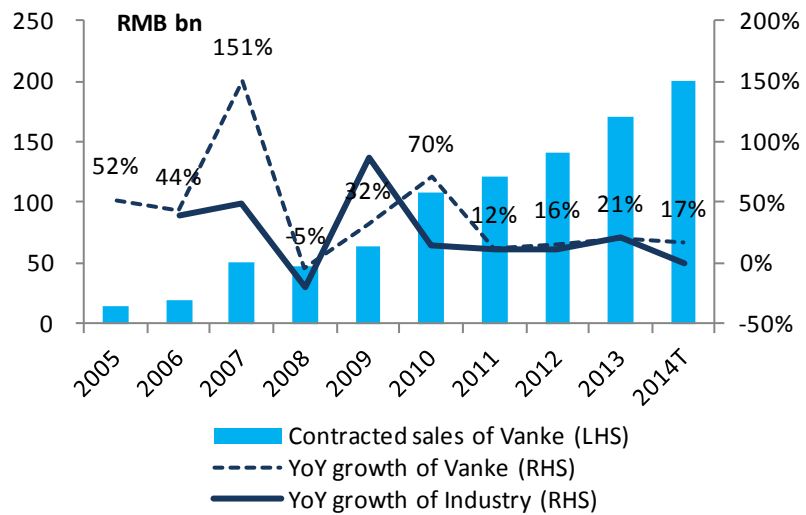
Source: Company data, SWS Research

Figure 6: EPS and BPS



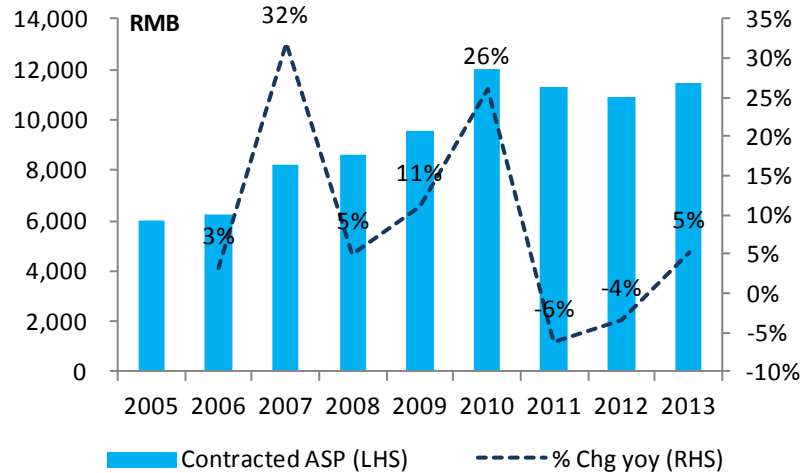
Source: Company data, SWS Research

Figure 7: Contracted sales record and target



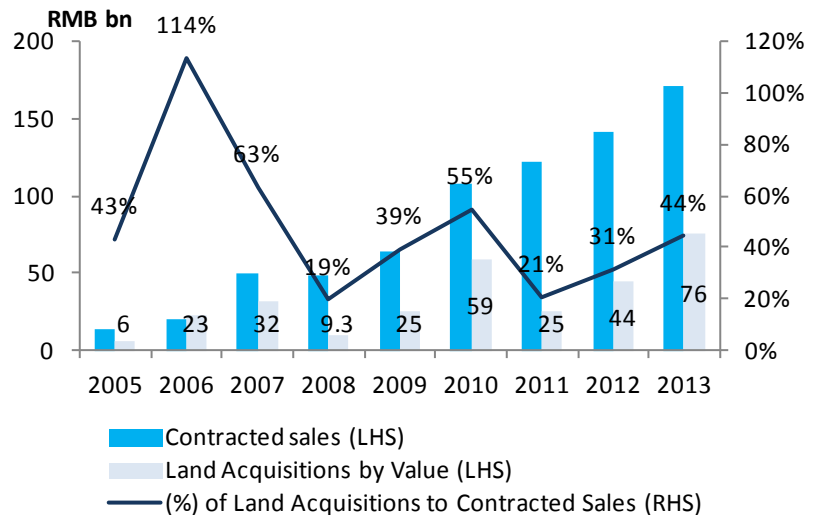
Source: Company data, SWS Research

Figure 8: Average selling prices recognised through contracted sales



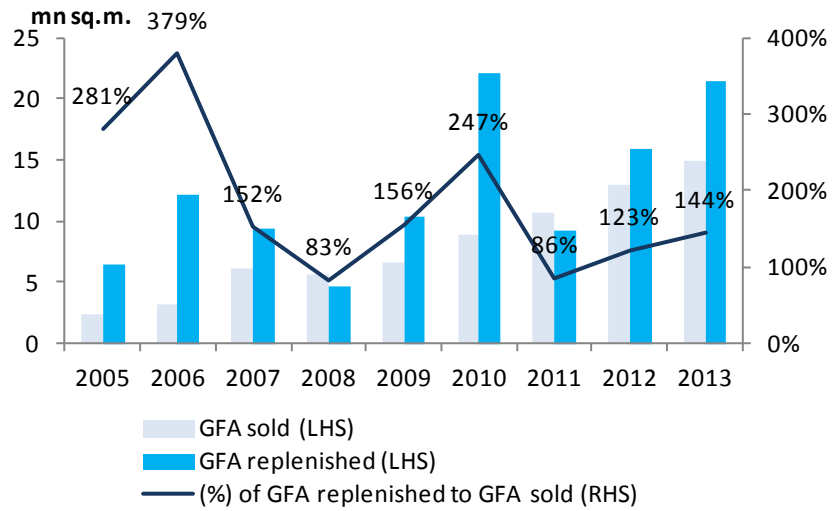
Source: Company data, SWS Research

Figure 9: Land acquisitions by value



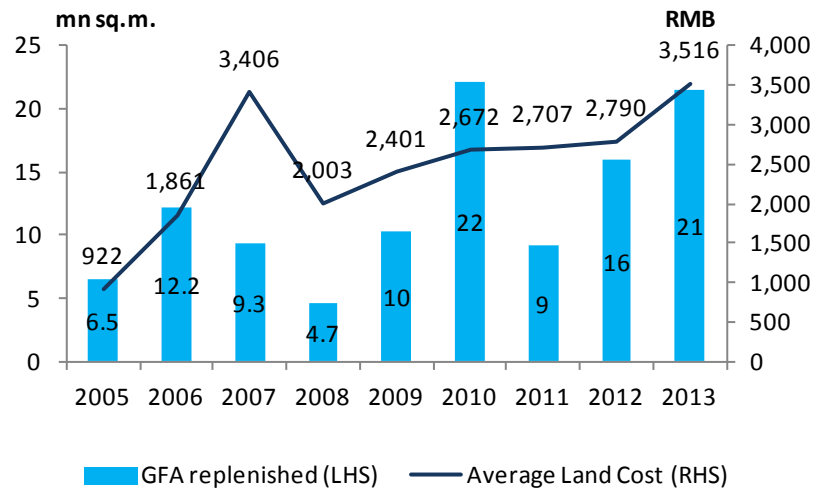
Source: Company data, SWS Research

Figure 10: Land acquisitions by areas



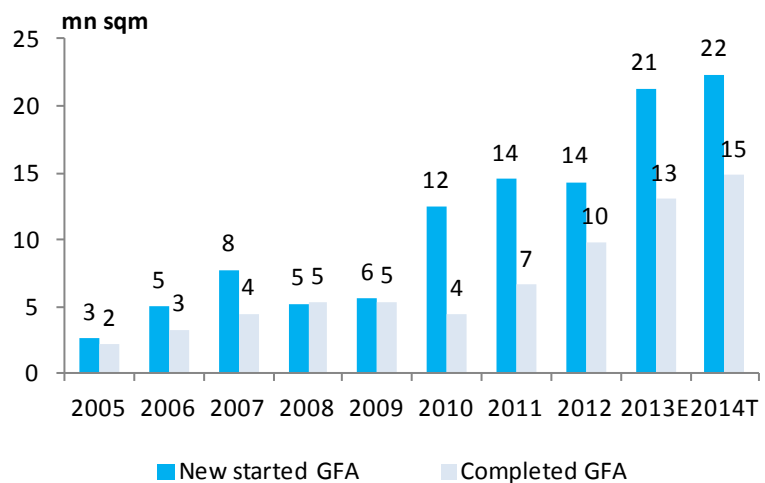
Source: Company data, SWS Research

Figure 11: Average cost of land acquired



Source: Company data, SWS Research

Figure 12: New start and completion target



Source: Company data, SWS Research

Figure 13: Vanke has ranked No1 in China's property market

Developers	2013				2012			
	Ranking	Market Share	Contracted Sales	% Chg YoY	Ranking	Market Share	Contracted Sales	% Chg YoY
Vanke	1	2.10%	171	21%	1	2.19%	141	16%
Greenland	2	2.00%	163	55%	3	1.63%	105	38%
Vanda	3	1.79%	146	32%	2	1.71%	110	16%
A-share Poly	4	1.54%	125	23%	4	1.58%	102	39%
COLI	5	1.36%	111	24%	6	1.38%	89	28%
Country Garden	6	1.30%	106	123%	9	0.74%	48	10%
Evergrande	7	1.23%	100	9%	5	1.43%	92	15%
CR Land	8	0.81%	66	27%	7	0.81%	52	45%
Shimao	9	0.82%	67	46%	10	0.72%	46	50%
Greentown	10	0.76%	62	22%	8	0.79%	51	55%
Sunac	11	0.62%	51	61%	16	0.49%	32	78%
Longfor	12	0.59%	48	20%	11	0.62%	40	5%
Gemdale	13	0.55%	45	32%	13	0.53%	34	10%
Citic	14	0.55%	45	89%	19	0.37%	24	-7%
China Merchant	15	0.53%	43	19%	12	0.56%	36	73%
R&F	16	0.52%	42	27%	14	0.52%	33	13%
Agile	17	0.50%	40	22%	15	0.51%	33	5%
China Fortune	18	0.46%	37	77%	21	0.33%	21	28%
Sino-ocean	19	0.44%	36	15%	17	0.48%	31	14%
China Railway	20	0.40%	33	94%	24	0.26%	17	45%
		19%				18%		

Source: Company data, SWS Research

Figure 14: Sales progress remained outperforming in 2014

Code	Listcos	Yearly Contracted Sales (RMB bn)						% Chg YoY, Yearly						Jan-May14 Sales	% Chg YoY	% of 14T
		09A	10A	11A	12A	13A	14T	09A	10A	11A	12A	13A	14T			
000002 CH	Vanke	63	108	122	141	171	200	31%	72%	13%	16%	21%	17%	81.5	16%	41%
600048 CH	A-share Poly	43	66	73	102	125	150	112%	52%	11%	39%	23%	20%	48.6	-5%	32%
688 HK	COLI	42	54	70	89	111	111	80%	28%	30%	28%	24%	0%	44.9	-14%	41%
2007 HK	Country Garden	23	33	43	48	106	128	33%	41%	32%	10%	123%	20%	49.4	71%	39%
3333 HK	Evergrande	30	50	80	92	100	110	402%	66%	59%	15%	9%	10%	56.2	64%	51%
813 HK	Shimao	23	31	31	46	67	80	88%	36%	1%	50%	46%	20%	24.0	-5%	30%
1109 HK	CR Land	25	22	36	52	66	70	213%	-11%	62%	45%	27%	6%	19.3	-32%	28%
3900 HK	Greentown	51	54	33	51	65	65	240%	5%	-39%	55%	27%	0%	21.7	-8%	33%
1918 HK	Sunac	6	8	18	32	51	65	70%	30%	112%	78%	61%	28%	19.4	26%	30%
960 HK	Longfor	18	33	38	40	48	57	79%	82%	15%	5%	20%	18%	15.7	-13%	28%
600383 CH	Gemdale	21	28	31	34	45	60	78%	35%	9%	10%	32%	33%	12.7	-11%	21%
2777 HK	R&F	24	33	29	33	42	70	51%	36%	-11%	13%	27%	66%	21.8	40%	31%
3383 HK	Agile	20	32	32	33	40	48	73%	61%	-2%	5%	22%	19%	16.5	27%	34%
3377 HK	Sino-ocean	14	22	27	31	36	40	96%	54%	26%	14%	15%	12%	9.1	-39%	23%
119 HK	Poly Ppty	8	12	16	23	27	28	45%	46%	35%	48%	14%	5%	10.1	-11%	36%
1638 HK	Kaisa	6	10	15	17	24	30	114%	66%	53%	14%	38%	25%	8.9	2%	30%
2868 HK	BCL	11	12	11	13	20	28	183%	17%	-11%	20%	48%	43%	5.1	17%	18%
1813 HK	KWG	8	11	11	12	16	21	181%	45%	4%	7%	34%	30%	8.2	20%	39%
884 HK	CIFI		7	5	10	15	22	--	--	-16%	75%	61%	44%	8.2	44%	37%
123 HK	Yuxiu	6	9	9	12	15	22	98%	54%	2%	36%	19%	50%	7.5	-1%	34%
832 HK	Central China	4	5	8	10	14	20	6%	52%	48%	27%	34%	44%	4.1	-14%	20%
81 HK	COGO		3	6	11	14	18	--	--	87%	72%	28%	34%	4.4	-16%	24%
754 HK	Hopson	15	11	10	12	11	15	58%	-27%	-10%	17%	-3%	33%	1.5	-65%	10%
845 HK	Glorious	7	13	13	11	7	n.a.	76%	89%	5%	-18%	-33%	n.a.	1.7	-51%	--
337 HK	Greenland HK	6	6	3	3	3	12	203%	15%	-50%	-6%	16%	244%	3.9	172%	32%
	Average							114%	41%	19%	27%	29%	34%		8%	31%

Source: Company data, SWS Research

Figure 15: Valuation table

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	+/- (%)	PE (x)			PB (x)			NAV Disc	Return	
						13E	14E	15E	13E	14E	15E		2013	2014
Vanke	000002CH	17	BUY	--	--	7.2	6.0	5.3	1.0	0.9	0.8	-39%	11%	-8%
COLI	688 HK	164	O-PF	22.40	11%	8.7	7.1	5.9	1.5	1.3	1.1	-28%	-5%	-8%
CR land	1109 HK	87	O-PF	18.90	27%	9.2	7.3	6.0	1.0	0.9	0.8	-45%	-8%	-23%
Country Garden	2007 HK	57	BUY	4.85	54%	5.4	4.2	3.2	1.0	0.9	0.8	-42%	20%	-33%
Shimao	813 HK	50	BUY	21.82	51%	5.5	4.3	3.4	1.0	0.8	0.7	-54%	22%	-19%
Longfor	960HK	54	Neutral	10.25	4%	6.9	6.0	5.0	1.2	1.0	0.8	-47%	-27%	-9%
Evergrande	3333 HK	58	U-PF	3.75	3%	5.6	5.2	4.8	0.6	0.5	0.5	-42%	-30%	23%
R&F	2777 HK	31	U-PF	9.11	-7%	4.3	3.8	3.4	0.8	0.7	0.6	-57%	-8%	-13%
Sino-ocean	3377 HK	30	Neutral	4.05	-3%	8.0	6.3	5.4	0.6	0.6	0.5	-48%	-9%	-18%
Agile	3383 HK	20	Neutral	6.60	17%	3.3	3.3	2.9	0.4	0.4	0.3	-66%	-22%	-32%
Sunac	1918HK	14	BUY	5.20	21%	3.6	2.7	2.1	0.8	0.7	0.5	-67%	-21%	-8%
Poly Ppty	119 HK	12	U-PF	3.21	-3%	6.2	5.1	4.5	0.4	0.4	0.4	-64%	-29%	-20%
KWG	1813 HK	13	O-PF	4.71	1%	4.6	3.8	3.2	0.6	0.5	0.5	-55%	-20%	8%
Average					15%	5.9	4.9	4.1	0.8	0.7	0.6	-51%	-11%	-13%

Source: Company data, SWS Research

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- Outperform : With a markup 5% to 20% better than that of the market ;
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