

Buy

(maintained)

Real Estate

Key Data

Mar. 23, 2020

Closing Price	7.07
Total Shares (Mn)	5339.72
Shares Outstanding (Mn)	5247.92
Market Cap(CNY/Mn)	37751.79
Market Float(CNY/Mn)	37097.97
Net Assets (CNY/Mn)	27367.08
Total Assets (CNY/Mn)	321605.02
BVPS	5.13

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JINKE PROPERTY GROUP

(000656.SZ)

A Surge in Performance, a Decline in Financial Leverage and a Higher Dividend Yield

24-March-20

Key Financial Indicators

FY	2018A	2019E	2020E	2021E
Revenue (Mn/CNY)	67773	88783	112755	139816
YoY (%)	64.4%	31.0%	27.0%	24.0%
Net Profit (Mn/CNY)	5676	7123	8549	9895
YoY (%)	46.1%	25.5%	20.0%	15.7%
Gross Margin (%)	28.8%	28.0%	27.8%	27.0%
Net Profit Margin (%)	8.4%	8.0%	7.6%	7.1%
ROE (%)	20.7%	20.3%	20.5%	20.1%
EPS (CNY)	1.05	1.32	1.58	1.83

Company Profile

JINKE PROPERTY GROUP CO., LTD. is a China-based company principally engaged in the development and distribution of real estates. The Company mainly operates through three segments. Real Estate segment is primarily engaged in the development of residential and commercial properties, as well as the development and operation of industrial estates. Community Integrated Services segment mainly provides property management services. New Energy segment consists of wind power and photovoltaic power generation. The Company is also involved in hotel management, gardening and architecture decoration businesses. The Company operates its business in domestic market, mainly in Chongqing and Jiangsu Province, China. (Source: Reuters)

Comments

The company saw a surge in performance in 2019.

JINKE PROPERTY GROUP (the company) made revenue of CNY 67.773 billion (bln), up 64.36% year-on-year (YoY); its net profit attributable to shareholders came in at CNY 5.676bln, rising 46.06% from a year earlier, the growth of which was slower than that of revenue, which was mainly due to the inventory falling price reserves of CNY 981 million(mln) in 2019 and the increase in proportion of minority interests, with 11% in 2019 and 3% in 2018.

The profitability maintained at high levels.

The gross margin and net profit ratio stood at 28.84% and 9.4% in 2019, respectively, keeping the high levels in 2018. The weighted ROE hit a record high of 23.6%, up 4.18 percentage points (pcts) from 2018.

The sales kept a high growth and land purchase was also in a rise.

In 2019, the company realized sales amount of CNY 186bln, an increase of 57% from a year earlier, achieving 124% of its annual target. It delivered an active performance in land purchase with good cost control. The new land-buying areas rose by 61.8% YoY to 33.23 million square meters; the amount expanded 26.9% YoY to CNY 88.8bln on new land-purchase; the average land-purchase price was CNY 2,672/square meter(sq); the amount of land purchase accounted for 49% of the sales



amount.

Its financial leverage declined greatly, ensuring its debt solvency.

The company registered net debt rate at 120.2% at the end of 2019, a great drop of 16.3pcts from the same period of 2018. The company owns ample currency capital and the ratio of cash/short-term loan stood at 1.09, guaranteeing its debt solvency.

It maintained a higher dividend rate.

The company is expected to give out dividend of CNY 2.4bln for 2019, making the dividend per share achieve CNY 0.45 and the bonus rate of 42.3%, based on the closing price on March 23rd 2020. The dividend yield was as high as 6.36%.

Earnings forecast and investment recommendation

Benefitted from the better-than-expected fundamental performance of the midwest cities, the company maintained high growth in sales and presented an outstanding capability in land purchase, laying a solid foundation for its future performance. We estimate its EPS to be CNY 1.32/CNY 1.58 for 2020/2021, implying a P/E ratio to be 5.4x/4.5x, respectively, based on the closing price on March 23rd 2020. We remain a "Buy" rating.

Potential risks: great contraction in mortgage and consumption loans

This English translation of the original Chinese version <金科股份年报点评：业绩大幅增长，财务杠杆下降，股息率较高> issued by Industrial Securities on March 24, 2020 is for information purpose only. In case of a discrepancy, the Chinese original will prevail.

Appendix

Balance Sheet					Income Statement				
Mn/CNY					Mn/CNY				
FY	2018A	2019E	2020E	2021E	FY	2018A	2019E	2020E	2021E
Current Assets	291229	390130	476902	541305	Operating Income	67773	88783	112755	139816
Cash and Cash Equivalent	35986	52999	67653	83889	Operating Expense	48230	63924	81409	102065
Trading Financial Assets	0	0	0	0	Business Tax and Surcharges	2707	3551	5311	6613
Account Receivables	2280	3434	5016	7153	Selling Expense	4215	5522	6765	8389
Other Receivables	22498	25313	34815	40109	Administration Expense	2689	3818	4510	5593
Inventory	214241	287509	349936	387715	Financial Expense	629	1136	2336	2838
Non-current Asset	30376	31679	34013	36132	Asset Impairment	-981	0	0	0
Available-for-sale Financial Assets	0	272	249	174	Change in Fair Value	96	44	20	30
Long-term Equity Investment	13622	15000	17000	19000	Investment Income	186	157	167	163
Investment Real Estate	8324	8500	8900	9200	Operating Profit	8622	11033	12610	14511
Fixed Assets	4378	4085	3790	3493	Non-business Income	96	80	80	80
Construction in Progress	0	0	0	0	Non-business Expense	383	360	300	250
Oil and Gas Assets	0	0	0	0	Total Profit	8335	10753	12390	14341
Intangible Assets	76	65	53	41	Income Tax	1978	2473	2850	3298
Total Assets	321605	421809	510915	577437	Net Profit	6357	8280	9540	11043
Current Liabilities	200965	285559	355561	403959	Minority Interest Income	681	1157	991	1147
Short-term Loans	3060	14093	34675	54642	Net Profit Attributable to Parent Company	5676	7123	8549	9895
Notes Payable	7502	7858	11336	13380	EPS(CNY)	1.05	1.32	1.58	1.83
Account Payable	23549	30452	37855	46950					
Others	166854	233156	271694	288988	Key Financial Ratios				
Non-current Liabilities	68488	75230	86666	96097	FY	2019	2020E	2021E	2022E
Long-term Loans	52382	62154	73065	82021	Growth				
Others	16107	13076	13601	14076	Increase Rate of Business Revenue	64.4%	31.0%	27.0%	24.0%
Total Liabilities	269454	360790	442227	500056	Increase Rate of Business Profit	61.5%	28.0%	14.3%	15.1%
Share Capital	5340	5340	5340	5340	Net Profit Growth Rate	46.1%	25.5%	20.0%	15.7%
Capital Reserve	4507	4864	5558	6251	Profitability				
Undistributed Profit	12985	22643	27703	33498	Gross Margin Rate	28.8%	28.0%	27.8%	27.0%
Minority Interest	24784	25941	26932	28079	Net Profit Margin	8.4%	8.0%	7.6%	7.1%
Total Shareholders' Equity	52151	61019	68688	77381	ROE	20.7%	20.3%	20.5%	20.1%
Total Liabilities and Equity	321605	421809	510915	577437					
					Solvency				
Cash Flow Statement					Asset-liability Ratio	83.8%	85.5%	86.6%	86.6%
FY	2018A	2019E	2020E	2021E	Current Ratio	1.45	1.37	1.34	1.34
Net Profit	5676	7123	8549	9895	Quick Ratio	0.38	0.36	0.36	0.38
Depreciation and Amortization	345	390	392	393	Operation Capacity				
Property Depreciation Preparation	-441	148	-27	12	Asset Turnover Ratio	24.5%	23.9%	24.2%	25.7%
Amortization of Intangible Assets	78	76	77	77	AR Turnover Ratio	34.34	31.08	26.69	22.98
Loss from Fair Value Change	96	44	20	30	Stock Info(CNY)				
Financial Expense	629	1136	2336	2838	EPS	1.05	1.32	1.58	1.83
Investment Loss	-186	-157	-167	-163	OCFPS				
Minority Interest Income	681	1157	991	1147	NAVPS	5.06	6.49	7.72	9.12
Change in Working Capitals	11899	13161	27703	25590	Valuation Ratio				
Cash Flows from Operating Activities	-6446	-3318	-15547	-11595	PE	6.7	5.4	4.5	3.9
Cash Flows from Investment Activities	-10945	-1754	-2295	-2147	PB	1.4	1.1	0.9	0.8
Cash Flows from Financing Activities	14363	22085	32496	29978					
Net Change in Cash	-3028	17013	14654	16237					
Beginning Balance of Cash	29852	35986	52999	67653					
Ending Balance of Cash	26823	52999	67653	83889					

Introduction of Share Investment Rating

Industry Investment Rating

When measuring the difference between the markup of the industry index and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of the report, we define the terms as follows:

- **Overweight:** Industry performs better than that of the whole market;
- **Neutral:** Industry performs about the same as that of the whole market;
- **Underweight:** Industry performs worse than that of the whole market

Company Investment Rating

When measuring the difference between the markup of the company stock price and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of this report, we define the terms as follows:

- **Buy:** With a markup more than 15% better than that of the market;
- **Outperform:** With a markup 5% to 15% better than that of the market;
- **Neutral:** With a markup less than 5% better or worse than that of the market;
- **Underperform:** With a markup more than 5% worse than that of the market.

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