Ke Holdings (BEKE US)

2Q25 preview: expecting upbeat results

For Ke Holdings' (Beike) 2Q25 results which will be released on 26 Aug, we are anticipating revenue of RMB26.1bn, up 11.7% YoY, and non-GAAP net profit of RMB1.75bn, translating into non-GAAP net margin of 6.7%. Our 2Q25E revenue/ non-GAAP NP forecasts are 0.4/2.2% ahead of Bloomberg consensus. We remain positive that Beike is well positioned to expand its market share in home transaction business, aided by its strong technological capability, superior service quality, and well-established agent cooperation network (ACN). Although facing industry headwinds, and Beike is more proactively shouldering social responsibilities, which likely will weigh on near-term profitability, it is well positioned to deliver long-term healthy profitability expansion and earnings growth, in our view, aided by operational efficiency improvement of core business, and profitability improvement of home decoration business thanks to the scale effect. Our SOTP-based target price is fine-tuned to US$23.8 (was US$24.6), translating into 28/23x 2025E/2026E non-GAAP PE. Maintain BUY.

- **Property sales still see challenges in delivering a solid recovery.** New home/secondary home sales volume in 30/14 cities was -6%/+13% YoY YTD as of 18 Aug, weaker than +1/+33% in 1Q25 but better than -8%/+6% in 2Q25. For MTD in Aug, new home sales went down 15% YoY, with Tier 1 & 2 cities at -18% and Tier 3 cities at -4%, given that high-tier cities benefited more from policies last year and built a higher base. Secondary home sales stayed flat YoY in Aug MTD even with a high base as home prices continue falling. The estimation of Iceberg Big Data also hints at a weak August, forecasting the new home/secondary transaction volume in Aug to be down by an average of 42%/3% YoY in tier 1 cities. Q3 is the traditional low season, but policy relaxation in BJ on 1 Aug has brought a more positive atmosphere, as it reflects that the regulator is trying to respond more quickly and swiftly to the sales decline.
- **2Q25 preview.** For 2Q25E, we are looking for total revenue of RMB26.1bn, up 11.7% YoY, driven by new home transaction services revenue growth of 14%, as well as robust development of home renovation and furnishing business and other new emerging business such as home rental services, while could be partly offset by an 8% YoY decline in existing home transaction services revenue due to the decline in commission fee rate. We are looking for non-GAAP OP of RMB1.8bn, translating into 6.8% non-GAAP OPM.
- **SOTP-based valuation of US$23.8.** Our TP consists of US$22.9/ADS for Beike Core and US$0.9/ADS for Shengdu, and translates into 28/23x 2025E/2026E non-GAAP PE. Maintain BUY. **Key risks:** 1) slower-than-expected GTV growth for new home and existing home sales GTV amid industry headwinds; and 2) slower-than-expected margin recovery dragged by more aggressive-than-expected investment plan.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	77,777	93,457	104,334	115,282	124,242
YoY growth (%)	28.2	20.2	11.6	10.5	7.8
Net profit (RMB mn)	5,883.2	4,064.9	4,636.8	6,462.1	7,721.0
Adjusted net profit (RMB mn)	9,798.5	7,211.1	7,069.4	8,798.3	9,970.0
YoY growth (%)	244.7	(26.4)	(2.0)	24.5	13.3
EPS (Adjusted) (RMB)	8.35	6.44	6.32	7.86	8.91
P/E (x)	26.3	36.3	31.8	22.8	19.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$23.80**
(Previous TP	US$24.60)
Up/Downside	**29.6%**
Current Price	**US$18.37**

China Internet

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Ye TAO, CFA
franktao@cmbi.com.hk

Miao ZHANG
(852) 3761 8910
zhangmiao@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Joanna Ma
joannama@cmbi.com.hk

Stock Data

Mkt Cap (US$ mn)	21,732.5
Avg 3 mths t/o (US$ mn)	66.1
52w High/Low (US$)	25.80/13.36
Total Issued Shares (mn)	1183.0

Source: FactSet

Shareholding Structure

Propitious Global	23.3%
Tencent Mobility	10.0%

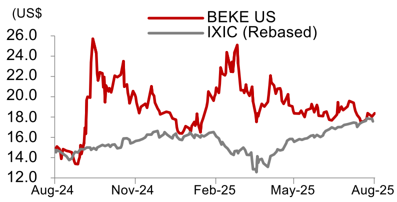
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.5%	-4.4%
3-mth	0.1%	-10.8%
6-mth	-12.1%	-19.0%

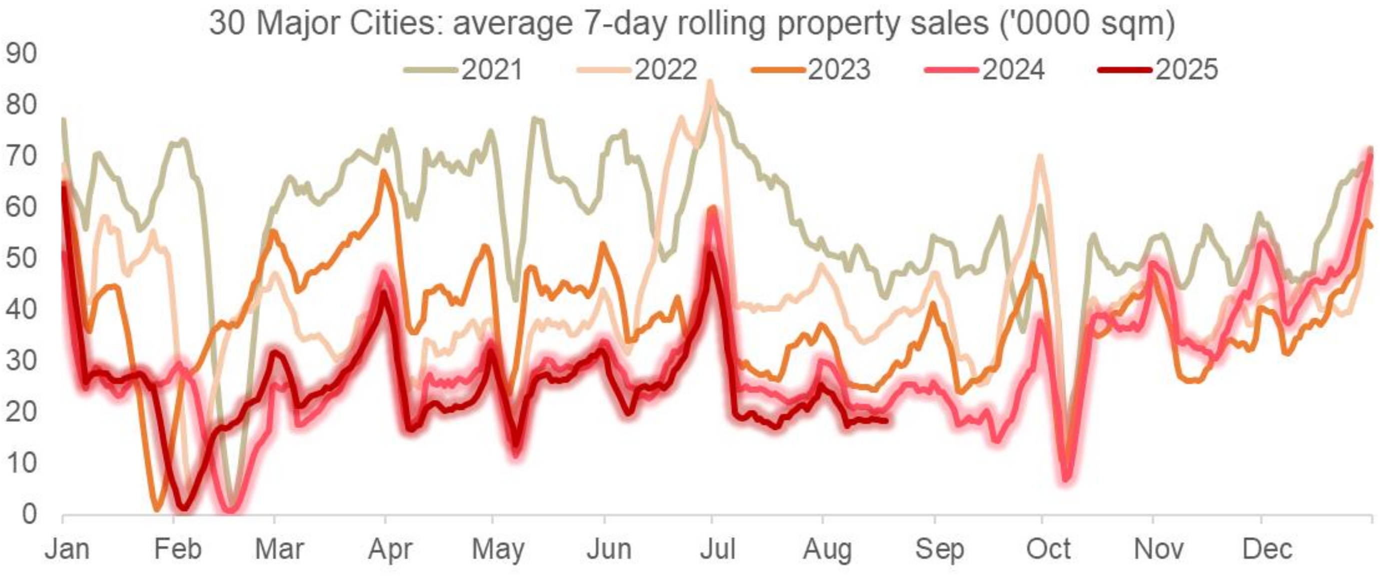
Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: YTD new home sales trend



新房30城销售

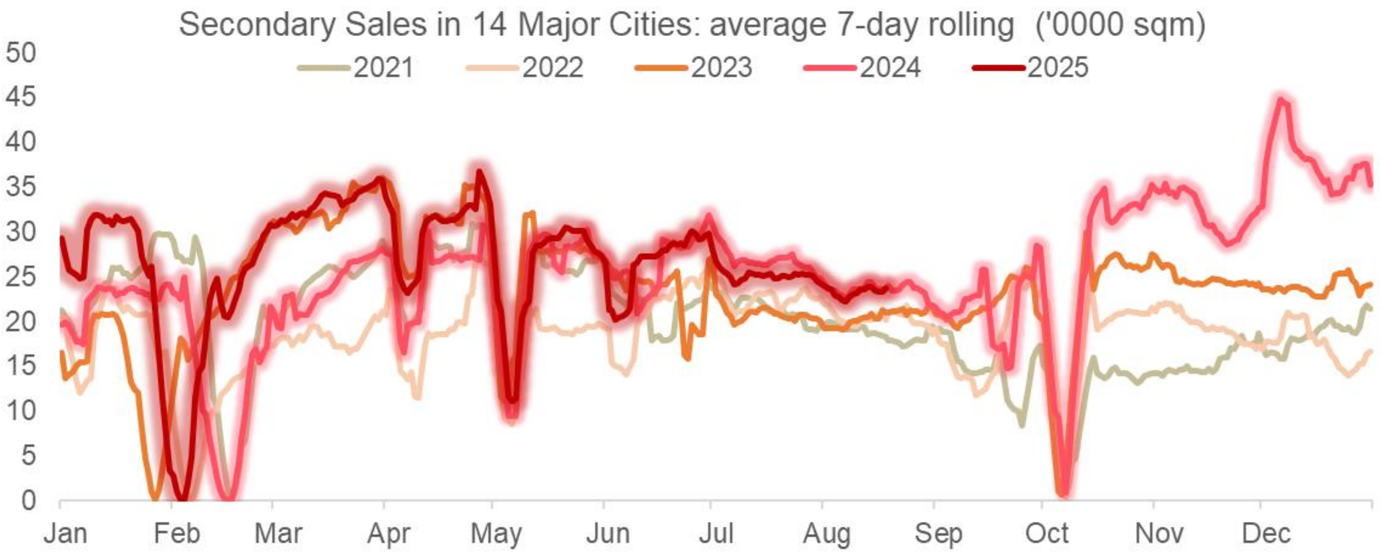
YoY 同比 - new home	25 vs 24	vs 23	vs 22	vs 21	vs 20	vs 19
Jan - Feb	1%	-39%	-47%	-60%	-19%	-49%
Mar	2%	-46%	-21%	-57%	-21%	-47%
Apr	-12%	-46%	-30%	-66%	-52%	-60%
May	-3%	-40%	-25%	-59%	-54%	-54%
Jun	-8%	-26%	-50%	-53%	-54%	-49%
Jul	-19%	-32%	-50%	-67%	-68%	-64%
Aug MTD	**-15%**	-34%	-52%	-62%	-70%	-64%
1Q25	1%	-42%	-38%	-59%	-20%	-48%
2Q25	-8%	-38%	-38%	-60%	-54%	-54%
YTD	**-6%**	-39%	-41%	-60%	-50%	-54%

MoM 月环比	2025
Feb	-23%
Mar	70%
Apr	-24%
May	16%
Jun	**17%**
Jul	-30%
Aug MTD	**-8%**

WoW 周环比	
2025 Aug 18	**13%**

Source: Wind, CMBIGM (data as of 18 Aug)

Figure 2: YTD existing home sales trend



二手房14城销售

YoY 同比 - Second hand	vs 24	vs 23	vs 22	vs 21	vs 20	vs 19
Jan - Feb	29%	25%	62%	15%	115%	44%
Mar	35%	-4%	71%	25%	112%	38%
Apr	17%	8%	59%	14%	40%	8%
May	0%	-5%	44%	13%	10%	-8%
Jun	2%	12%	19%	20%	-2%	8%
Jul	-6%	30%	19%	21%	-8%	0%
Aug MTD	**0%**	**3%**	**3%**	**19%**	**-9%**	**0%**
1Q25	33%	11%	66%	19%	114%	42%
2Q25	6%	5%	39%	15%	15%	3%
YTD	**13%**	**10%**	**42%**	**18%**	**32%**	**15%**

MoM 月环比	2025
Feb	-13%
Mar	60%
Apr	-9%
May	-17%
Jun	3%
Jul	0%
Aug MTD	**-16%**

WoW 周环比	
2025 Aug 18	**22%**

Source: Wind, CMBIGM (data as of 18 Aug)

Figure 3: Beike: CMBI earnings forecast revision

	Current			Previous			Change (%)		
RMB bn	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**
Revenue	104.3	115.3	124.2	108.7	120.6	130.2	-4.0%	-4.4%	-4.6%
Gross Profit	24.9	28.0	30.5	26.3	29.6	32.4	-5.3%	-5.6%	-5.8%
Operating Profit	4.7	7.2	8.8	4.9	7.7	9.4	-5.4%	-5.4%	-5.7%
Non-GAAP net profit	7.1	8.8	10.0	7.3	9.2	10.4	-3.1%	-4.2%	-4.6%
Gross Margin	23.9%	24.3%	24.6%	24.2%	24.6%	24.9%	-0.3 ppt	-0.3 ppt	-0.3 ppt
Operating Margin	4.5%	6.3%	7.1%	4.5%	6.4%	7.2%	-0.1 ppt	-0.1 ppt	-0.1 ppt
Non-GAAP net margin	6.8%	7.62%	8.0%	6.7%	7.6%	8.0%	0.1 ppt	0.0 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 4: Beike: DCF valuation of Beike Core business and SOTP valuation of Beike

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Beike Core									
NPV of FCF	46,321	44,259	43,622	41,857	38,647	33,979	28,889	21,898	14,227
Discounted terminal value	82,410	91,042							
Enterprise value	128,731	135,302							
Net cash	60,601	67,014							
Equity value	189,332	202,316							
No. of ADS (diluted, mn)	1,175	1,175							
Valuation per ADS (USD)	22.9								

(RMBmn)	2025E
Beike Core	193,660
Shengdu	8,000
Total Beike valuation	201,660
Total Beike valuation (USDmn)	28,008
Valuation per ADS	23.8

Source: CMBIGM estimates

Note: 2025E Beike Core valuation = weighted average of 8 months of 2025E valuation and 4 months of 2026E valuation.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**60,669**	**77,777**	**93,457**	**104,334**	**115,282**	**124,242**
Cost of goods sold	(46,888)	(56,059)	(70,513)	(79,385)	(87,293)	(93,719)
Gross profit	**13,781**	**21,718**	**22,944**	**24,950**	**27,989**	**30,523**
Operating expenses	**(14,614)**	**(16,921)**	**(19,179)**	**(20,289)**	**(20,746)**	**(21,700)**
SG&A expense	(11,920)	(14,891)	(16,744)	(17,785)	(18,037)	(18,818)
R&D expense	(2,546)	(1,937)	(2,283)	(2,504)	(2,709)	(2,882)
Others	(148)	(93)	(152)	0	0	0
Operating profit	**(833)**	**4,797**	**3,765**	**4,660**	**7,243**	**8,823**
Other income	1,569	1,869	1,566	1,409	1,268	1,268
Other expense	(719)	(133)	(44)	(40)	0	0
Investment gain/loss	(512)	78	313	110	0	0
Share of (losses)/profits of associates/JV	45	9	10	7	0	0
Interest income	743	1,263	1,260	1,162	1,289	1,424
Pre-tax profit	**292**	**7,884**	**6,870**	**7,310**	**9,801**	**11,515**
Income tax	(1,690)	(1,994)	(2,792)	(2,660)	(3,325)	(3,781)
After tax profit	**(1,397)**	**5,890**	**4,078**	**4,650**	**6,475**	**7,734**
Minority interest	11	(6)	(13)	(13)	(13)	(13)
Net profit	**(1,386)**	**5,883**	**4,065**	**4,637**	**6,462**	**7,721**
Core net profit	**(1,386)**	**5,883**	**4,065**	**4,637**	**6,462**	**7,721**
Adjusted net profit	**2,843**	**9,798**	**7,211**	**7,069**	**8,798**	**9,970**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**70,425**	**69,754**	**76,603**	**83,919**	**91,754**	**100,149**
Cash & equivalents	19,413	19,635	11,443	19,572	25,985	33,483
Restricted cash	6,181	6,223	8,858	9,301	9,766	10,255
Account receivables	4,163	3,176	5,498	4,096	4,673	4,711
Other current assets	40,667	40,720	50,804	50,950	51,330	51,700
Non-current assets	**38,923**	**50,578**	**56,546**	**58,363**	**62,391**	**66,475**
PP&E	2,037	1,965	2,400	2,461	2,573	2,744
Right-of-use assets	11,284	17,618	23,367	27,367	31,367	35,367
Intangibles	1,687	1,067	858	(1,386)	(1,469)	(1,556)
Goodwill	4,934	4,857	4,777	4,777	4,777	4,777
Other non-current assets	18,981	25,071	25,144	25,144	25,144	25,144
Total assets	**109,347**	**120,332**	**133,149**	**142,283**	**154,146**	**166,624**
Current liabilities	**33,341**	**39,524**	**52,744**	**57,178**	**60,490**	**63,246**
Short-term borrowings	619	290	288	288	288	288
Account payables	5,843	6,329	9,493	11,962	13,154	14,122
Other current liabilities	14,528	13,175	15,913	16,963	18,269	19,394
Lease liabilities	4,972	9,369	13,730	13,730	13,730	13,730
Contract liabilities	3,260	4,665	6,052	6,052	6,052	6,052
Accrued expenses	4,118	5,696	7,269	8,183	8,998	9,661
Non-current liabilities	**6,952**	**8,607**	**8,957**	**8,957**	**8,957**	**8,957**
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	6,952	8,607	8,957	8,957	8,957	8,957
Total liabilities	**40,293**	**48,131**	**61,701**	**66,135**	**69,447**	**72,204**
Share capital	0	0	0	0	0	0
Retained earnings	(11,406)	(5,673)	(1,724)	2,913	9,375	17,096
Other reserves	80,326	77,773	73,048	72,982	75,057	77,045
Total shareholders equity	**68,920**	**72,100**	**71,324**	**75,895**	**84,432**	**94,141**
Minority interest	134	101	124	137	151	164
Total equity and liabilities	**109,347**	**120,332**	**133,149**	**142,167**	**154,030**	**166,508**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**292**	**7,884**	**6,870**	**7,310**	**9,801**	**11,515**
Depreciation & amortization	1,089	932	691	947	972	994
Tax paid	1,690	1,994	2,792	2,660	3,325	3,781
Change in working capital	5,036	2,075	1,925	1,778	(1,439)	(1,459)
Others	354	(1,471)	(2,831)	(3,130)	(4,575)	(5,574)
Net cash from operations	**8,461**	**11,414**	**9,447**	**9,566**	**8,084**	**9,257**
Investing						
Capital expenditure	(793)	(874)	(1,037)	(905)	(1,000)	(1,078)
Acquisition of subsidiaries/ investments	5,420	(5,595)	(11,886)	0	0	0
Others	(13,099)	2,492	3,545	(89)	(205)	(193)
Net cash from investing	**(8,472)**	**(3,977)**	**(9,378)**	**(994)**	**(1,205)**	**(1,271)**
Financing						
Net borrowings	359	(329)	(2)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(1,514)	(6,889)	(5,792)	0	0	0
Net cash from financing	**(1,155)**	**(7,218)**	**(5,795)**	**0**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	26,732	25,594	25,857	20,301	28,873	35,751
Exchange difference	29	45	169	0	0	0
Cash at the end of the year	**25,594**	**25,857**	**20,301**	**28,873**	**35,751**	**43,737**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(24.9%)	28.2%	20.2%	11.6%	10.5%	7.8%
Gross profit	(12.9%)	57.6%	5.6%	8.7%	12.2%	9.1%
Operating profit	na	na	(21.5%)	23.8%	55.4%	21.8%
Net profit	na	na	(30.9%)	14.1%	39.4%	19.5%
Adj. net profit	23.9%	244.7%	(26.4%)	(2.0%)	24.5%	13.3%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	22.7%	27.9%	24.6%	23.9%	24.3%	24.6%
Operating margin	(1.4%)	6.2%	4.0%	4.5%	6.3%	7.1%
Adj. net profit margin	4.7%	12.6%	7.7%	6.8%	7.6%	8.0%
Return on equity (ROE)	(2.0%)	8.3%	5.7%	6.3%	8.1%	8.6%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.1	1.8	1.5	1.5	1.5	1.6

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	26.3	36.3	31.8	22.8	19.1
P/E (diluted)	ns	27.0	38.1	33.4	24.0	20.1
P/B	2.3	2.2	2.2	2.0	1.8	1.6
P/CFPS	20.3	14.8	18.6	18.0	22.0	19.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.