

Ke Holdings (BEKE US)

On the right track of driving operating efficiency improvement

Ke Holdings' (Beike) 2Q25 revenue rose 11% YoY to RMB26.0bn, inline with both CMBI estimates and Bloomberg consensus, mainly driven by new home transactions (+9% YoY), home rental services (+78% YoY), and home renovation and furnishing (HR&F) business (+13% YoY). Non-GAAP net profit reached RMB1.8bn in the quarter (down 32% YoY), beating CMBI estimates/consensus by 4%/6%. Although property sales still see challenges in delivering a solid recovery, and Beike is hard to be immune from the industry headwind, the company is on the right track of operating efficiency improvement, which should bring better earnings elasticity when the industry recovers, in our view. We lower 2025-2027E revenue /non-GAAP net profit forecast by 2-3%/6-13% to reflect more severe-than-expected industry headwind, and cut our SOTP-based target price by 5.0% to US\$22.6 (was US\$23.8) to reflect lower earnings forecasts. However, we remain positive that Beike could continue expanding its market share in housing transaction business, while the business development of HR&F, as well as home rental services are on track to drive long-term revenue and earnings growth upside for Beike. Maintain BUY.

- **Market share gains sustained for core business in 2Q25.** For existing home transactions (EHT)/ new home transactions (NHT), Beike saw GTV growth of +2/+9% YoY, and revenue growth of -8%/+9% YoY. Management noted solid market share gains for both EHT and NHT in 1H25: 1) for EHT, the number of existing homes sold on Beike's platform grew 26% YoY, outpacing the 19% for the whole industry estimated by Beike Research Institute, and the order share for Beike increased by 4ppts YoY; 2) for NHT, order growth on Beike's platform was +19% YoY, outpacing the market which saw a YoY decline of 6%. Driving by the initiatives to control cost and improve operating efficiency which started in mid-2Q25, contribution profit margin (CPM) for EHT/NHT expanded to 39.9%/24.4% in 2Q25 (1Q25: 38.1%/23.4%).
- **New businesses maintained solid revenue growth.** On the emerging new businesses, HR&F/home rental services recorded revenue of RMB4.6bn/5.7bn in 2Q25, up 13%/78% YoY, and contributed 39% of total revenue on a combined basis (2Q24: 31%). CPM was 32.1%/8.4% in 2Q25 for HR&F/home rental services, up 0.8ppts/2.6ppts YoY, which demonstrated continuous operating efficiency improvement, in our view. Management noted that HR&F business has achieved profitability in 2Q25 if excluding the cost and expense allocation from the group, and maintained its guidance for full-year profitability after considering group cost allocation in 2026.
- **Industry headwind continues to weigh on profitability in the short term.** For 3Q25E, we are looking for total revenue of RMB22.4bn, down 0.8% YoY, and anticipating non-GAAP net profit of RMB998mn (down 44% YoY), translating into 4.5% non-GAAP NPM. We estimate GTV growth of +6%/-13% YoY for EHT/NHT in 3Q25E. Beike is driving operating efficiency improvement across business lines to offset the impact from the challenging industry headwind, which we believe is on the right track, and can bring better earnings elasticity when the industry recovers. We lower 2025E non-GAAP net profit forecast by 13% to RMB6.1bn to reflect the near-term industry headwind, but are looking for a 28% YoY rebound in 2026E driven by industry recovery propelled by potential policy support, as well as Beike's initiative to drive operating efficiency improvement.
- **SOTP-based TP of US\$22.6.** Our TP consists of US\$21.7/ADS for Beike Core and US\$0.9/ADS for Shengdu, and translates into 31/24x 2025/2026E non-GAAP PE. Maintain BUY.

BUY (Maintain)

Target Price	US\$22.60
(Previous TP)	US\$23.80)
Up/Downside	20.1%
Current Price	US\$18.82

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Stock Data

Mkt Cap (US\$ mn)	22,114.1
Avg 3 mths t/o (US\$ mn)	64.5
52w High/Low (US\$)	25.80/13.36
Total Issued Shares (mn)	1175.0

Source: FactSet

Shareholding Structure

Propitious Global	23.4%
Tencent Mobility	6.8%

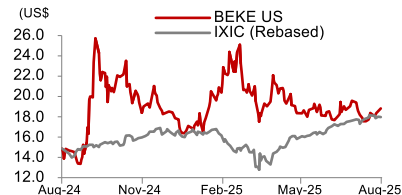
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.5%	-5.1%
3-mth	2.1%	-10.8%
6-mth	-17.7%	-26.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	77,777	93,457	101,361	112,648	121,923
YoY growth (%)	28.2	20.2	8.5	11.1	8.2
Net profit (RMB mn)	5,883.2	4,064.9	3,899.4	5,671.4	7,288.2
Adjusted net profit (RMB mn)	9,798.5	7,211.1	6,136.7	7,831.9	9,371.8
YoY growth (%)	244.7	(26.4)	(14.9)	27.6	19.7
EPS (Adjusted) (RMB)	8.35	6.44	5.52	7.08	8.52
P/E (x)	26.9	37.1	38.4	26.2	20.3

Source: Company data, Bloomberg, CMBIGM estimates

Results comparison and changes in forecast

Figure 1: BEKE: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25E Consensus	Diff%
GTV	630	839	737	1,144	844	879	868	1.3%
Growth (YoY%)	-35%	7%	12%	55%	34%	5%		
Existing home transaction	453	571	478	745	580	584	573	1.8%
Growth (YoY%)	-32%	25%	9%	59%	28%	2%		
New home transaction	152	235	228	355	232	255	258	-0.9%
Growth (YoY%)	-45%	-20%	18%	49%	53%	9%		
(%)								
Blended monetization rate								
Existing home transaction (revenue/GTV)	1.3%	1.29%	1.3%	1.2%	1.2%	1.2%	1.23%	-0.1 ppt
New home transaction (revenue/GTV)	3.2%	3.37%	3.4%	3.7%	3.48%	3.37%	3.43%	-0.1 ppt
Revenue	16.4	23.4	22.6	31.1	23.3	26.0	26.0	0.0%
Growth (YoY%)	-19%	20%	27%	54%	42%	11%		
Existing home transaction	5.7	7.3	6.2	8.9	6.9	6.7	7.0	-4.7%
Growth (YoY%)	-38%	14%	-1%	47%	20%	-8%		
New home transaction	4.9	7.9	7.7	13.1	8.1	8.6	8.8	-2.4%
Growth (YoY%)	-41%	-9%	31%	73%	64%	9%		
Home renovation and furnishing	2.4	4.0	4.2	4.1	2.9	4.6	4.6	-0.3%
Home rental services	2.6	3.2	3.9	4.6	5.1	5.7	5.2	8.2%
Emerging and other services	0.7	0.9	0.5	0.4	0.3	0.4	0.5	-15.7%
Gross profit	4.1	6.5	5.1	7.2	4.8	5.7	6.0	-4.2%
Operating profit	0.0	2.0	0.7	1.0	0.6	1.1	1.8	-39.5%
Contribution profit	5.2	7.7	6.3	8.7	6.1	7.1		
Non-GAAP operating profit	1.0	2.8	1.4	1.8	1.1	1.6	1.8	-8.2%
Non-GAAP net profit	1.4	2.7	1.8	1.3	1.4	1.8	1.7	5.6%
Growth (YoY%)	-61%	14%	-17%	-22%	0%	-32%		
Margin profile								
(%)								
Gross margin	25.2%	27.9%	22.7%	23.0%	20.7%	21.9%	22.9%	-1.0 ppt
Operating profit margin	0.1%	8.6%	3.2%	3.2%	2.5%	4.1%	6.7%	-2.7 ppt
Contribution profit margin	31.7%	33.0%	28.1%	28.0%	26.1%	27.1%		
Existing home transaction	44.5%	47.5%	41.0%	40.4%	38.1%	39.9%		
New home transaction	22.3%	25.0%	24.8%	25.6%	23.4%	24.4%		
Home renovation and furnishing	30.6%	31.3%	31.2%	29.8%	32.6%	32.1%		
Home rental services	5.5%	5.8%	4.4%	4.6%	6.7%	8.4%		
Emerging and other services	94.7%	90.3%	79.3%	70.8%	79.0%	74.4%		
Non-GAAP net profit margin	8.5%	11.5%	7.9%	4.3%	6.0%	7.0%	6.6%	0.4 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 2: BEKE: forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	101.4	112.6	121.9	104.3	115.3	124.2	-2.9%	-2.3%	-1.9%
Gross profit	22.0	25.5	28.3	24.9	28.0	30.5	-11.9%	-8.9%	-7.3%
Operating profit	3.5	6.0	8.1	4.7	7.2	8.8	-24.9%	-17.4%	-8.6%
Non-GAAP net profit	6.1	7.8	9.4	7.1	8.8	10.0	-13.0%	-10.8%	-5.9%
Gross margin	21.7%	22.6%	23.2%	23.9%	24.3%	24.6%	-2.2 ppt	-1.6 ppt	-1.4 ppt
Operating margin	3.5%	5.3%	6.6%	4.5%	6.3%	7.1%	-1.0 ppt	-1.0 ppt	-0.5 ppt
Non-GAAP net margin	6.1%	7.0%	7.7%	6.8%	7.6%	8.0%	-0.7 ppt	-0.7 ppt	-0.3 ppt

Source: Company data, CMBIGM estimates

Figure 3: BEKE: CMBIGM estimates vs consensus

RMB bn	CMBI estimates			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	101.4	112.6	121.9	106.7	120.0	133.9	-5.0%	-6.2%	-8.9%
Gross profit	22.0	25.5	28.3	24.4	28.3	32.2	-9.8%	-10.0%	-12.2%
Non-GAAP net profit	6.1	7.8	9.4	7.5	9.4	11.2	-18.2%	-16.6%	-16.2%
Gross margin	21.7%	22.6%	23.2%	22.8%	23.6%	24.1%	-1.2 ppt	-1.0 ppt	-0.9 ppt
Non-GAAP net margin	6.1%	7.0%	7.7%	7.0%	7.8%	8.3%	-1.0 ppt	-0.9 ppt	-0.7 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: BEKE: core DCF valuation

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NPV of FCF	41,553	40,364	40,577	39,308	36,391	31,795	26,876	20,202	13,219
Discounted terminal value	76,576	84,597							
Enterprise value	118,128	124,961							
Net cash	59,631	65,178							
Equity value	177,759	190,139							
No. of ADS (diluted, mn)	1,168	1,161							
Valuation per ADS (USD)	21.6								

Source: CMBIGM estimates

Note: 1) we assume USD:RMB exchange rate = 7.2:1; 2) we are using weighted average of 8-month valuation in 2025E and 4-month valuation in 2026E

Figure 5: BEKE: SOTP valuation

(RMBmn)	2025E
Beike Core	181,886
Shengdu	8,000
Total Beike valuation	189,886
Total Beike valuation (USDmn)	26,373
Valuation per ADS (USD)	22.6

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	60,669	77,777	93,457	101,361	112,648	121,923
Cost of goods sold	(46,888)	(56,059)	(70,513)	(79,369)	(87,157)	(93,634)
Gross profit	13,781	21,718	22,944	21,992	25,492	28,289
Operating expenses	(14,614)	(16,921)	(19,179)	(18,492)	(19,506)	(20,222)
SG&A expense	(11,920)	(14,891)	(16,744)	(15,829)	(16,690)	(17,211)
R&D expense	(2,546)	(1,937)	(2,283)	(2,635)	(2,816)	(3,011)
Others	(148)	(93)	(152)	(28)	0	0
Operating profit	(833)	4,797	3,765	3,500	5,985	8,066
Other income	1,569	1,869	1,566	1,409	1,409	1,409
Other expense	(719)	(133)	(44)	(46)	0	0
Investment gain/loss	(512)	78	313	222	0	0
Share of (losses)/profits of associates/JV	45	9	10	14	0	0
Interest income	743	1,263	1,260	1,162	1,289	1,424
Pre-tax profit	292	7,884	6,870	6,262	8,684	10,900
Income tax	(1,690)	(1,994)	(2,792)	(2,349)	(2,999)	(3,598)
After tax profit	(1,397)	5,890	4,078	3,913	5,685	7,301
Minority interest	11	(6)	(13)	(13)	(13)	(13)
Net profit	(1,386)	5,883	4,065	3,899	5,671	7,288
Core net profit	(1,386)	5,883	4,065	3,899	5,671	7,288
Adjusted net profit	2,843	9,798	7,211	6,137	7,832	9,372

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	70,425	69,754	76,603	82,725	89,739	97,654
Cash & equivalents	19,413	19,635	11,443	18,601	24,148	31,183
Restricted cash	6,181	6,223	8,858	9,301	9,766	10,255
Account receivables	4,163	3,176	5,498	3,960	4,588	4,616
Other current assets	40,667	40,720	50,804	50,862	51,237	51,600
Non-current assets	38,923	50,578	56,546	58,340	62,351	66,421
PP&E	2,037	1,965	2,400	2,441	2,537	2,695
Right-of-use assets	11,284	17,618	23,367	27,367	31,367	35,367
Intangibles	1,687	1,067	858	(1,388)	(1,474)	(1,563)
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	141,065	152,090	164,074
Current liabilities	33,341	39,524	52,744	56,760	60,072	62,804
Short-term borrowings	619	290	288	288	288	288
Account payables	5,843	6,329	9,493	11,960	13,133	14,109
Other current liabilities	14,528	13,175	15,913	16,549	17,885	18,974
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	8,181	8,984	9,652
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	65,717	69,029	71,761
Share capital	0	0	0	0	0	0
Retained earnings	(11,406)	(5,673)	(1,724)	2,176	7,847	15,135
Other reserves	80,326	77,773	73,048	73,035	75,063	77,014
Total shareholders equity	68,920	72,100	71,324	75,211	82,910	92,149
Minority interest	134	101	124	137	151	164
Total equity and liabilities	109,347	120,332	133,149	141,065	152,090	164,074

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	292	7,884	6,870	6,262	8,684	10,900
Depreciation & amortization	1,089	932	691	944	967	988
Tax paid	1,690	1,994	2,792	2,349	2,999	3,598
Change in working capital	5,036	2,075	1,925	1,524	(1,488)	(1,472)
Others	354	(1,471)	(2,831)	(2,570)	(3,971)	(5,245)
Net cash from operations	8,461	11,414	9,447	8,510	7,191	8,768
Investing						
Capital expenditure	(793)	(874)	(1,037)	(879)	(977)	(1,058)
Acquisition of subsidiaries/ investments	5,420	(5,595)	(11,886)	0	0	0
Others	(13,099)	2,492	3,545	(29)	(202)	(187)
Net cash from investing	(8,472)	(3,977)	(9,378)	(909)	(1,179)	(1,245)
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	27,903	33,915
Exchange difference	29	45	169	0	0	0
Cash at the end of the year	25,594	25,857	20,301	27,903	33,915	41,437
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(24.9%)	28.2%	20.2%	8.5%	11.1%	8.2%
Gross profit	(12.9%)	57.6%	5.6%	(4.1%)	15.9%	11.0%
Operating profit	na	na	(21.5%)	(7.0%)	71.0%	34.8%
Net profit	na	na	(30.9%)	(4.1%)	45.4%	28.5%
Adj. net profit	23.9%	244.7%	(26.4%)	(14.9%)	27.6%	19.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	22.7%	27.9%	24.6%	21.7%	22.6%	23.2%
Operating margin	(1.4%)	6.2%	4.0%	3.5%	5.3%	6.6%
Adj. net profit margin	4.7%	12.6%	7.7%	6.1%	7.0%	7.7%
Return on equity (ROE)	(2.0%)	8.3%	5.7%	5.3%	7.2%	8.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)
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	26.9	37.1	38.4	26.2	20.3
P/E (diluted)	ns	27.5	38.9	40.3	27.6	21.3
P/B	2.3	2.2	2.3	2.1	1.9	1.7
P/CFPS	20.6	15.0	18.8	20.7	25.5	20.5

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

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