

Ke Holdings (BEKE US)

Cost reduction and new business profitability improvement to drive earnings recovery

For Ke Holdings' (Beike) 4Q25 results, we are anticipating revenue of RMB22.2bn, down 28.5% YoY due to high base, and non-GAAP NP of RMB427mn, translating into NPM of 1.9%, after taking into account the impact from one-off cost reduction measures. Our 4Q25E revenue and non-GAAP NP forecasts were in line with Bloomberg consensus if excluding the impact from one-off cost reduction measures. 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). For 2026E, we expect the cost optimization measures for core housing transaction business, combined with profitability improvement of new businesses to drive earnings recovery. Meanwhile, we are looking for RMB7.0bn non-GAAP NP (2025E: RMB4.9bn), implying YoY growth of 42%. Our SOTP-based TP was lifted by 5% to US\$21.8 (was US\$20.7) after accounting for better long-term operating cash flow outlook aided by cost optimization initiatives, translating into 25.9/21.6x 2026E/27E non-GAAP PE. Maintain BUY.

- **Property sales outlook:** the property sector has benefitted from multiple policy tailwinds recently, including 1) financing side: remove "three red lines", the emphasis placed on this by official media signals an intent to improve the financing environment for the sector in our view. 2) Demand side: Shanghai's initiative to acquire existing homes for public rental housing which theoretically could stabilize secondary home prices by anchoring price expectations. While the actual impact hinges on the acquisition scale and execution efficiency, limited scale and core area-focused acquisition could lead to further price divergence in the secondary market. Nonetheless, the marginal upgrade demand stimulated may provide some support for new home prices. For FY26E, we forecast new home sales GTV to decline 6% YoY to RMB 7.1tn (volume -5%, price -1%), and secondary home sales GTV to fall 11% YoY to RMB 6.5tn (volume +5%, price -14%).
- **4Q25 results preview.** For 4Q25E, we are looking for total revenue of RMB22.2bn, down 28.5% YoY, owing to a high base in 4Q24. We are looking for non-GAAP OP/NP of RMB40mn/427mn, translating into 0.2/1.9% non-GAAP OPM/NPM.
- **SOTP-based target price of US\$21.8 per ADS.** Our TP consists of US\$20.9/ADS for Beike Core and US\$0.9/ADS for Shengdu, and translates into 25.9/21.6x 2025E/2026E non-GAAP PE. Maintain BUY. Key risks: 1) slower-than-expected GTV growth for new homes 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	94,641	91,497	99,473
YoY growth (%)	28.2	20.2	1.3	(3.3)	8.7
Net profit (RMB mn)	5,883.2	4,064.9	2,765.2	4,881.2	6,324.3
Adjusted net profit (RMB mn)	9,798.5	7,211.1	4,937.0	7,008.6	8,426.7
YoY growth (%)	244.7	(26.4)	(31.5)	42.0	20.2
EPS (Adjusted) (RMB)	8.35	6.44	4.44	6.35	7.71
P/E (x)	25.9	35.7	52.2	29.4	22.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$21.80
(Previous TP)	US\$20.70)
Up/Downside	16.5%
Current Price	US\$18.71

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Stock Data

Mkt Cap (US\$ mn)	21,766.2
Avg 3 mths t/o (US\$ mn)	85.6
52w High/Low (US\$)	25.09/15.60
Total Issued Shares (mn)	1163.3

Source: FactSet

Shareholding Structure

Propitious Global	25.4%
Tencent Mobility	7.3%

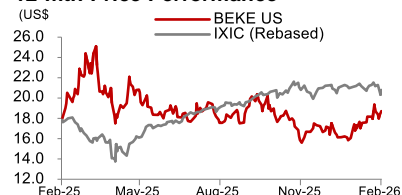
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	7.7%	10.1%
3-mth	18.4%	18.5%
6-mth	6.8%	-1.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Beike: CMBI earnings forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	94.6	91.5	99.5	94.6	94.4	102.7	0.0%	-3.0%	-3.1%
Gross profit	20.2	21.4	24.1	20.2	21.8	24.6	0.0%	-1.8%	-1.8%
Operating profit	1.8	4.9	6.7	2.5	5.0	7.1	-28.8%	-2.2%	-5.3%
Non-GAAP net profit	4.9	7.0	8.4	5.5	7.0	8.6	-9.7%	-0.1%	-1.6%
Gross margin	21.4%	23.4%	24.3%	21.4%	23.1%	23.9%	0.0 ppt	0.3 ppt	0.3 ppt
Operating margin	1.9%	5.4%	6.8%	2.6%	5.3%	6.9%	-0.8 ppt	0.0 ppt	-0.2 ppt
Non-GAAP net margin	5.2%	7.7%	8.5%	5.8%	7.4%	8.3%	-0.6 ppt	0.2 ppt	0.1 ppt

Source: CMBIGM estimates

Figure 2: Beike: CMBI estimates vs Bloomberg consensus

RMB bn	Current			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	94.6	91.5	99.5	94.8	98.8	107.1	-0.2%	-7.4%	-7.1%
Gross profit	20.2	21.4	24.1	20.2	22.7	25.4	0.2%	-5.6%	-5.0%
Non-GAAP net profit	4.9	7.0	8.4	5.6	7.1	8.3	-12.8%	-1.0%	1.2%
Gross margin	21.4%	23.4%	24.3%	21.3%	23.0%	23.7%	0.1 ppt	0.4 ppt	0.6 ppt
Non-GAAP net margin	5.2%	7.7%	8.5%	6.0%	7.2%	7.8%	-0.7 ppt	0.5 ppt	0.7 ppt

Source: CMBIGM estimates

Figure 3: Beike: DCF valuation of Beike Core business and SOTP valuation of Beike

(RMBmn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NPV of FCF	37,239	39,860	38,251	33,781	28,941	24,245	19,026	11,978
Discounted terminal value	76,656							
Enterprise value	113,894							
Net cash	59,889							
Equity value	173,784							
No. of ADS (diluted, mn)	1,160							
Valuation per ADS (USD)	20.8							

(RMBmn)	2026E
Beike Core	173,784
Shengdu	8,000
Total Beike valuation	181,784
Total Beike valuation (USDmn)	25,248
Valuation per ADS (USD)	21.8

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	60,669	77,777	93,457	94,641	91,497	99,473
Cost of goods sold	(46,888)	(56,059)	(70,513)	(74,396)	(70,099)	(75,325)
Gross profit	13,781	21,718	22,944	20,245	21,398	24,149
Operating expenses	(14,614)	(16,921)	(19,179)	(18,488)	(16,484)	(17,424)
SG&A expense	(11,920)	(14,891)	(16,744)	(15,868)	(14,151)	(14,987)
R&D expense	(2,546)	(1,937)	(2,283)	(2,508)	(2,333)	(2,437)
Others	(148)	(93)	(152)	(113)	0	0
Operating profit	(833)	4,797	3,765	1,757	4,914	6,725
Other income	1,569	1,869	1,566	1,409	1,128	1,128
Other expense	(719)	(133)	(44)	(57)	0	0
Investment gain/loss	(512)	78	313	448	0	0
Share of (losses)/profits of associates/JV	45	9	10	23	0	0
Interest income	743	1,263	1,260	1,048	1,150	1,254
Pre-tax profit	292	7,884	6,870	4,628	7,191	9,107
Income tax	(1,690)	(1,994)	(2,792)	(1,850)	(2,296)	(2,769)
After tax profit	(1,397)	5,890	4,078	2,779	4,894	6,338
Minority interest	11	(6)	(13)	(13)	(13)	(13)
Net profit	(1,386)	5,883	4,065	2,765	4,881	6,324
Core net profit	(1,386)	5,883	4,065	2,765	4,881	6,324
Adjusted net profit	2,843	9,798	7,211	4,937	7,009	8,427

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	70,425	69,754	76,603	78,807	81,963	90,417
Cash & equivalents	19,413	19,635	11,443	16,012	18,860	25,699
Restricted cash	6,181	6,223	8,858	9,301	9,766	10,255
Account receivables	4,163	3,176	5,498	3,485	3,413	4,115
Other current assets	40,667	40,720	50,804	50,009	49,923	50,348
Non-current assets	38,923	50,578	56,546	58,461	60,444	62,495
PP&E	2,037	1,965	2,400	2,521	2,559	2,664
Right-of-use assets	11,284	17,618	23,367	27,367	29,367	31,367
Intangibles	1,687	1,067	858	(1,348)	(1,403)	(1,458)
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	137,268	142,407	152,911
Current liabilities	33,341	39,524	52,744	54,247	52,497	54,694
Short-term borrowings	619	290	288	288	288	288
Account payables	5,843	6,329	9,493	11,210	10,563	11,350
Other current liabilities	14,528	13,175	15,913	15,298	14,639	15,510
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	7,669	7,226	7,764
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	63,204	61,454	63,651
Share capital	0	0	0	0	0	0
Retained earnings	(11,406)	(5,673)	(1,724)	1,041	5,923	12,247
Other reserves	80,326	77,773	73,048	72,885	74,879	76,849
Total shareholders equity	68,920	72,100	71,324	73,926	80,802	89,096
Minority interest	134	101	124	137	151	164
Total equity and liabilities	109,347	120,332	133,149	137,268	142,407	152,911

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	292	7,884	6,870	4,628	7,191	9,107
Depreciation & amortization	1,089	932	691	812	856	863
Tax paid	1,690	1,994	2,792	1,850	2,296	2,769
Change in working capital	5,036	2,075	1,925	35	(3,591)	(758)
Others	354	(1,471)	(2,831)	(1,722)	(2,598)	(3,569)
Net cash from operations	8,461	11,414	9,447	5,603	4,155	8,412
Investing						
Capital expenditure	(793)	(874)	(1,037)	(868)	(840)	(913)
Acquisition of subsidiaries/ investments	5,420	(5,595)	(11,886)	0	0	0
Others	(13,099)	2,492	3,545	277	(2)	(172)
Net cash from investing	(8,472)	(3,977)	(9,378)	(592)	(841)	(1,085)
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	25,313	28,626
Exchange difference	29	45	169	0	0	0
Cash at the end of the year	25,594	25,857	20,301	25,313	28,626	35,954
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(24.9%)	28.2%	20.2%	1.3%	(3.3%)	8.7%
Gross profit	(12.9%)	57.6%	5.6%	(11.8%)	5.7%	12.9%
Operating profit	na	na	(21.5%)	(53.3%)	179.7%	36.9%
Net profit	na	na	(30.9%)	(32.0%)	76.5%	29.6%
Adj. net profit	23.9%	244.7%	(26.4%)	(31.5%)	42.0%	20.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	22.7%	27.9%	24.6%	21.4%	23.4%	24.3%
Operating margin	(1.4%)	6.2%	4.0%	1.9%	5.4%	6.8%
Adj. net profit margin	4.7%	12.6%	7.7%	5.2%	7.7%	8.5%
Return on equity (ROE)	(2.0%)	8.3%	5.7%	3.8%	6.3%	7.4%
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)	(0.2)	(0.3)
Current ratio (x)	2.1	1.8	1.5	1.5	1.6	1.7
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	25.9	35.7	52.2	29.4	22.5
P/E (diluted)	ns	26.6	37.5	54.6	30.9	23.6
P/B	2.2	2.1	2.2	2.1	1.9	1.7
P/CFPS	19.7	14.3	18.0	31.9	45.6	20.1

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

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