

COMPANY UPDATE

China Overseas Property Holdings (2669 HK)

Clarifying Growth Targets For 2024-26

Amid worries over its ambiguous growth target, COPH has updated its target to a 15-20% CAGR in the company's major business indicators. Management has also confirmed that they will review the dividend policy with the aim of steadily raising the payout ratio, which was 31% in 2023. This is a positive move which will improve investors' sentiment, but the market will be eyeing the execution. Maintain our earnings forecasts. Maintain BUY with an unchanged target price of HK\$5.60.

WHAT'S NEW

- During its 2023 results announcement, China Overseas Property Holdings (COPH) said to target double digit growth in major business indicators in 2024. Amid enquiries and concerns, we held a conference call with COPH on 15 April to further discuss the company's growth targets.

STOCK IMPACT

- Clarifying growth target.** COPH targets to achieve 15-20% CAGR in company's major business indicators. Management also confirmed that it will be reviewing the company's dividend policy with the aim of steadily increasing COPH's dividend payout ratio from 2023's 31%. We believe a clearer growth target will help ease investors' concerns. However, it is crucial for COPH to prove its ability to grow in the next 12 months in order to restore investors' confidence, in our view.
- We are positive on COPH's growing capability.** During 2020-2023: a) COPH's GFA under management grew at a CAGR of 27.6%; b) attributable net profit grew at a CAGR of approximately 29.7%, showing that COPH has been on track to achieve its target to achieve 30% CAGR in major indicators during 14th Five Year Period. Resetting its growth target, COPH is believed to be committed to achieve the new goal under the leadership led by new CEO (Mr. Xiao Junqiang was appointed in Feb 2023). For 2024-26, we estimate COPH's revenue and attributable net profit to grow at a CAGR of 19% and 19% respectively.

KEY DATA OF MAJOR SOE PROPERTY MANAGEMENT COMPANIES

	Earnings Growth in 2023	Payout Ratio in 2023	Growth targets
COPH	22.6%	31%	10-15%
Poly Property Services	24.0%	40%	10%+
CR Mixc	32.8%	55%	~17%+

Source: Respective companies, UOB Kay Hian

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	10,899.8	13,051.3	15,413.3	18,411.1	22,036.0
EBITDA	1,420.8	1,793.7	2,110.0	2,561.1	3,107.7
Operating profit	1,335.6	1,682.9	1,965.9	2,373.8	2,864.2
Net profit (rep./act.)	1,079.3	1,368.1	1,574.0	1,878.1	2,243.0
Net profit (adj.)	(17.0)	19.0	(6.6)	(6.6)	(6.6)
EPS (Fen)	(0.5)	0.6	(0.2)	(0.2)	(0.2)
PE (x)	n.m.	671.1	n.m.	n.m.	n.m.
P/B (x)	4.0	3.1	2.4	2.0	1.6
EV/EBITDA (x)	6.0	4.8	4.0	3.3	2.7
Dividend yield (%)	3.1	3.6	4.0	4.7	5.6
Net margin (%)	9.9	10.5	10.2	10.2	10.2
Net debt/(cash) to equity (%)	(129.9)	(124.5)	(81.9)	(96.8)	(90.1)
ROE (%)	34.9	37.5	33.8	32.2	31.0
Consensus net profit (Rmb m)	-	-	1,727	2,080	2,101
UOBKH/Consensus (x)	-	-	n.m.	n.m.	n.m.

Source: China Overseas Property Holdings, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E reflected as "n.m."

BUY

(Maintained)

Share Price	HK\$4.05
Target Price	HK\$5.60
Upside	+38.3%

COMPANY DESCRIPTION

China Overseas Property Holdings (COPL) is a subsidiary of China Overseas Holdings and an avant-garde in the property management industry in China with first-class qualifications.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	2669 HK
Shares issued (m):	3,286.9
Market cap (HK\$m):	13,771.9
Market cap (US\$m):	1,757.4
3-mth avg daily t'over (US\$m):	7.5

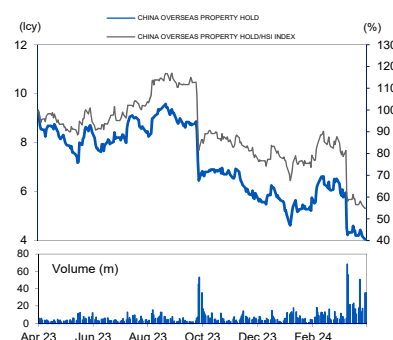
Price Performance (%)

52-week high/low			HK\$9.58/HK\$4.05	
1mth	3mth	6mth	1yr	YTD
(35.6)	(25.8)	(42.2)	(55.3)	(28.5)

Major Shareholders

	%
-	-
-	-
-	-
FY24 NAV/Share (Hkd)	1.58
FY24 Net Cash/Share (Hkd)	1.29

PRICE CHART



Source: Bloomberg

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EARNINGS REVISION/RISK

- **Maintain earnings forecast.** We expect COPH's revenue and attributable net profit to grow at a CAGR of 19% and 19% respectively during 2024-26.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of HK\$5.60**, derived from the updated DCM model with a WACC of 16.5%. Our target price implies 9x 2025F PE, as compared with targeted 2025F PE of 12x and 15.5x for Poly Property Services and CR Mixc respectively.

SHARE PRICE CATALYST

- Stronger-than-expected property sales in 2024.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	13,051.3	15,413.3	18,411.1	22,036.0
EBITDA	1,793.7	2,110.0	2,561.1	3,107.7
Deprec. & amort.	110.8	144.1	187.3	243.5
EBIT	1,682.9	1,965.9	2,373.8	2,864.2
Total other non-operating income	62.9	62.9	62.9	62.9
Associate contributions	6.5	8.4	10.9	14.2
Net interest income/(expense)	125.9	130.6	135.0	139.0
Pre-tax profit	1,829.0	2,114.3	2,524.5	3,017.0
Tax	(451.9)	(528.6)	(631.1)	(754.3)
Minorities	(9.0)	(11.7)	(15.2)	(19.8)
Net profit	1,368.1	1,574.0	1,878.1	2,243.0
Net profit (adj.)	19.0	(6.6)	(6.6)	(6.6)

CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	1,419.2	(379.0)	2,660.3	1,746.2
Pre-tax profit	1,803.4	2,114.3	2,524.5	3,017.0
Tax	(451.9)	(528.6)	(631.1)	(754.3)
Deprec. & amort.	110.8	144.1	187.3	243.5
Associates	9.0	11.7	15.2	19.8
Working capital changes	32.7	(2,027.9)	661.8	(683.6)
Non-cash items	(84.9)	(92.7)	(97.4)	(96.3)
Investing	(1,026.3)	(68.1)	(132.9)	(187.7)
Capex (growth)	(1,073.3)	(677.9)	(731.3)	(800.7)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	47.0	609.9	598.4	613.0
Financing	(361.9)	(432.8)	(514.7)	(615.3)
Dividend payments	(355.4)	(424.3)	(503.7)	(601.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(6.5)	(8.5)	(11.0)	(14.3)
Net cash inflow (outflow)	31.0	(879.9)	2,012.7	943.1
Beginning cash & cash equivalent	5,099.7	5,130.7	4,250.7	6,263.4
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	5,130.7	4,250.7	6,263.4	7,206.6

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	287.2	373.4	485.4	631.0
Other LT assets	392.7	369.5	366.4	356.7
ST debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	5,130.7	4,250.7	6,263.4	7,206.6
Other current assets	4,800.2	5,846.6	7,003.1	8,167.1
Total assets	10,610.8	10,840.2	14,118.3	16,361.4
Other current liabilities	6,365.2	5,512.5	7,498.4	8,196.4
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	68.6	68.6	68.6	68.6
Shareholders' equity	4,121.4	5,191.7	6,468.8	7,994.1
Minority interest	55.7	67.4	82.6	102.3
Total liabilities & equity	10,610.8	10,840.2	14,118.3	16,361.4

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	13.7	13.7	13.9	14.1
Pre-tax margin	14.0	13.7	13.7	13.7
Net margin	10.5	10.2	10.2	10.2
ROA	14.0	14.7	15.1	14.7
ROE	37.5	33.8	32.2	31.0
Growth				
Turnover	19.7	18.1	19.4	19.7
EBITDA	26.2	17.6	21.4	21.3
Pre-tax profit	28.1	15.6	19.4	19.5
Net profit	26.8	15.1	19.3	19.4
Net profit (adj.)	n.a.	(135.0)	n.a.	n.a.
EPS	n.a.	(135.0)	n.a.	n.a.
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(124.5)	(81.9)	(96.8)	(90.1)

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