

Guangdong Land Holdings Limited
HKSE: 0124
Maintaining Rating & Target
BUY, HK\$5.00
February 8, 2021
MARKET DATA

Share Price:	HK\$	1.14
Market Cap:	HK\$	1,951.16 M
52wk Range:	HK\$	0.72 - 1.40
Ave. Volume:		270,000
Basic S/O:		1,711.54 M
Fully Diluted S/O:		1,711.54 M
Float:		308.08 M
Board Lot:		2,000
Institutional (SDI) %:		8%
Insider %:		74%

FINANCIAL DATA (6/30)

Cash:	HK\$	2,588.72 M
ST Debt:	HK\$	665.63 M
LT Debt:	HK\$	3,822.07 M
Net Asset Value:	HK\$	6,501.40 M
EBITDA (ttm):	HK\$	3,294.60 M
CFFO (ttm):	HK\$	(262.83) M

Auditor: PricewaterhouseCoopers

HKD	2019A	2020e	2021e	2022e
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Revenue (in Millions)

Jun	464.15	1,898.48A	1,386.83	854.43
Dec	1,372.53	2,103.21	846.52	3,848.90
REV	1,836.68	4,001.69	2,233.34	4,703.34
<i>P/S</i>	<i>1.06</i>	<i>0.49</i>	<i>0.87</i>	<i>0.42</i>

Diluted EPS (in cents per share)

Jun	(1.98)	101.48A	23.00	14.05
Dec	21.91	12.68	7.38	100.41
EPS	19.93	114.15	30.38	114.46
<i>P/E</i>	<i>5.72</i>	<i>0.99</i>	<i>3.75</i>	<i>0.99</i>

Dividend

Dec	0.00	0.00	0.00	0.00
<i>Yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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HK\$1.0 Billion Loan Facility Announced

HK\$1.0 Billion Loan Facility. Last week, GDL announced it entered into a term facility with an undisclosed bank for HK\$1.0 billion. The announcement of such a facility has been expected as the Company continues to add to its property portfolio. We expect the funds will be used for development and operating expenses in between cash receipts from the pre-sale and sale of completed properties.

Acquisitions Completed. On January 13, the Jiangmen Acquisition was completed and on January 18, the Huizhou Acquisition was completed. Please see our November 2, 2020 and December 16, 2020 reports for additional details.

Model Update. We made no changes to our model as we had assumed bank financing and the completion of both acquisitions.

Maintaining Rating & Target. The news since our last update had largely been expected. With no changes to our model we are reiterating our Buy rating and HK\$5.00 target price on Guangdong Land Holdings. Our target price is based on our DCF model that covers GDL's entire project portfolio, discounted at 6.5%.

RISKS

Lack of Real Estate Development Experience

GDL had no direct real estate development experience after spending years as a brewery. However, it received an influx of management personnel from its parent company, GDH, who has been successful in real estate in Guangdong and has executed on projects developed and acquired to date.

Timing of Deliveries and Pre-Sales

Slower than expected pre-sale activity or deliveries of units or debt capital acquired at higher than expected interest rates could have a negative impact on our model and valuation estimate of the Company.

Foreign Currency Translation

The Company operates in China, but reports results Hong Kong Dollars. Movements between the currencies could impact its financials, specifically the value of its GDH City project.

Capital Management

Delays in the GDH City project and/or a lack of acquisition opportunities could make it difficult for management to achieve a fair rate of return on its cash position.

Controlled by Guangdong Investment

Guangdong Investment Limited [HK: 270] owns 1,268,522,665 shares, or 74.1%, of Guangdong Land. As such, it maintains control over the future of the Group.

Project Development Costs

Construction costs, capital costs and project timelines could vary from our estimates, which could have a positive or negative impact on our estimates.

Low Float and Share Turnover

With less than 20% of the shares outstanding in the float and less than US\$1 million trading each day, any trading interest in either direction could cause the stock to move fast and/or make it difficult to trade large positions.

Jewelry District Development

The GDH City project is dependent in part on the local government to continue to push towards the development of the jewelry market in Luohu and Shuibei, and thus have local and international brands to seek retail and office space in the area.

Land and Real Estate Prices

Land and property values in China has primarily risen in recent years, but have been subject to fluctuations based on factors such as availability of credit and limitations on sale prices for new units.

Impact of Pandemics

A recurrence of COVID-19, or another pandemic in the Greater Bay Area could result to delays in construction schedules and/or reduction in prices that could impact the value of properties held for sale.

BUSINESS SUMMARY

Guangdong Land (GDL) recently transitioned from a brewery to a Guangdong-focused real estate investment and development company. The Company is currently constructing its flagship property, the GDH City Project, a mixed-use commercial and residential project in the gold and jewelry district of Shenzhen. GDL also owns three projects in Guangzhou, including the Ruyingju and Baohuaxuan residential projects and a mixed-use project, Laurel House, along with new mixed-use development projects in Foshan, Huizhou, Zhuhai and two in Jiangmen and a residential project in Zhongshan. GDL is a publicly listed subsidiary of Guangdong Investment (GDI [HK: 270]), which is a subsidiary of Guangdong Holdings (GDH), a provincial level State Owned Enterprise.

ESTIMATED INCOME STATEMENT

(in 000s of HKD)	2019A	H1:20A	H2:20e	2020e	H1:21e	H2:21e	2021e	H1:22e	H2:22e	2022e	2023e	2024e
Revenue	1,836,676	1,898,483	2,103,206	4,001,689	1,386,826	846,517	2,233,343	854,434	3,848,901	4,703,335	6,586,388	11,699,603
Cost of Sales	(1,520,248)	(1,023,225)	(1,228,749)	(2,251,974)	(540,185)	(283,791)	(823,977)	(283,886)	(1,289,533)	(1,573,419)	(3,454,316)	(7,562,837)
Gross Profit	316,428	875,258	874,457	1,749,715	846,640	562,725	1,409,366	570,548	2,559,368	3,129,915	3,132,072	4,136,766
Selling & Distribution Expenses	(86,037)	(76,531)	(82,580)	(159,111)	(89,334)	(85,048)	(174,381)	(94,067)	(103,742)	(197,809)	(267,565)	(369,090)
Administration Expenses	(117,939)	(62,341)	(64,230)	(126,571)	(66,430)	(68,811)	(135,241)	(71,686)	(74,695)	(146,381)	(158,977)	(172,767)
Other Gains, Net	587,484	1,893,074	-	1,893,074	-	-	-	-	-	-	-	-
Finance Costs	(65,111)	(10,354)	(25,025)	(35,379)	(41,141)	(31,679)	(72,820)	(28,679)	(32,319)	(60,998)	(159,890)	(274,491)
Profit Before Tax	634,825	2,619,106	704,729	3,323,835	649,736	377,188	1,026,924	376,116	2,348,612	2,724,728	2,545,640	3,320,418
Income Tax Expense	(285,336)	(878,226)	(486,354)	(1,364,580)	(256,093)	(259,621)	(515,713)	(145,228)	(632,441)	(777,668)	(596,710)	(594,572)
Net Income	349,489	1,740,880	218,375	1,959,255	393,643	117,568	511,211	230,888	1,716,171	1,947,060	1,948,930	2,725,846
Minority Interests	(8,426)	(4,069)	(1,395)	(5,464)	-	8,780	8,780	9,548	2,466	12,014	(139,684)	(239,381)
Net Income	341,063	1,736,811	216,980	1,953,791	393,643	126,348	519,990	240,437	1,718,637	1,959,074	1,809,245	2,486,465
Basic EPS (HK Cents/Share)	19.93	101.48	12.68	114.15	23.00	7.38	30.38	14.05	100.41	114.46	105.71	145.28
Basic S/O	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537
Diluted EPS (HK Cents/Share)	19.93	101.48	12.68	114.15	23.00	7.38	30.38	14.05	100.41	114.46	105.71	145.28
Diluted S/O	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537

Source: 0124 documents filed with the HKEX and Greenridge Global estimates

DISCLOSURES

Distribution of Ratings

Rating	Count	Percent	<u>I.B. last 12 months</u>	
			Count	Percent
BUY	8	89%	0	0%
HOLD	0	0%	0	0%
SELL	1	11%	0	0%
NO RATING	0	0%	0	0%

Explanation of Ratings

- BUY:** Describes undervalued stocks we expect to provide a total return (capital appreciation + yield) of 15% or more in the next twelve month period.
- HOLD:** Describes fully valued stocks we expect to provide a total return (capital appreciation + yield) of plus or minus 15% in the next twelve month period.
- SELL:** Describes overvalued stocks we expect to provide a total negative return (capital depreciation + yield) of 15% or more in the next twelve month period.
- NO RATING:** Describes stocks that have their investment rating and/or target price temporarily removed for fundamental or compliance-based reasons.

Analyst Certification

I, William Gregozeski, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and subject company. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Other Disclosures

<u>Company</u>	<u>Disclosures</u>
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DISCLOSURES (continued)

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