

Far East Consortium International Limited

UK Economy Reopening will Boost Property Sales

We believe that Far East Consortium (FEC) is a key beneficiary of the UK economy reopening. As the UK economy and labour market bounces back, we believe it will underpin a rebound in FEC's UK property sales. We estimate UK property sales to contribute to ~19% of its FY2021E-23E total property sales on average. Maintain Buy.

UK property sales to drive ~19% of FY2021E-2023E property sales

As a global property developer of mixed-used property projects, UK is one of the more significant property markets for FEC. We estimate that UK property projects contribute to ~19% of FEC's FY2021E-2023E property sales. In particular, the developer has a primely located project available for sale in Aspen Canary Wharf in London, with a total GDV of HK\$4bn, in our view. The developer has also recently launched Victoria Riverside in Manchester with 634 apartments and 34 townhouses available for sale. This is the first phase of a major development (15,000-20,000 units in total) and will be a key earnings driver for the coming years, in our view.

Recruitment survey points to swift rebound in UK jobs market

We believe the acceleration in the UK economic growth and improved jobs market will underpin the demand for UK properties, driving property sales and property prices higher, in our view. UK jobs market in April 2021 has risen at the fastest rate since late 1990's according to Reuters, citing the monthly index of demand for staff from the Recruitment and Employment Confederation (REC) and KPMG. Meanwhile, on 6 May 2021, Bank of England has raised its forecast for British economic growth in 2021 to 7.25% from its previous estimate of 5.0%. The UK lockdown is set to further relax from 17 May 2021 onwards.

Valuation undemanding, major shareholder repurchased shares

The stock is currently trading at undemanding valuations of 59% disc. to NAV and implying a 6.6x FY21E P/E or 4.6x FY22E P/E. Major shareholder Mr. David Chiu has been regularly repurchasing shares since its interim results announcement. This has now brought his shareholding up to 49.64% (as of 23 April 2021) from 48.22% (as of 27 Nov 2020), and we calculate that the average cost of share purchased is at ~HK\$2.81/sh.

Key Downside Risks

Key risks for the stock include (1) pro-longed economic impact by COVID-19, including travel restriction and lock-down measures; (2) unexpected tightening in monetary policy; (3) Slower than expected property sales in UK and Australia.

Stock code: 0035.HK

Rating: Buy

Price target (HK\$)	4.18
Current price (HK\$, 7 May 2021)	2.81
Upside/downside %	49%
Market cap (HK\$ m)	6,730
Market cap (US\$ m)	868
Avg daily turnover (US\$ m)	0.47

Source: Bloomberg, AMTD Research

Key forecasts

(HKm)	FY20	FY21e	FY22e	FY23e
Revenue	7,451	8,900	13,525	16,157
yoy %	8.9%	19.5%	52.0%	19.5%
Gross Profit	2,259	2,648	4,532	5,778
yoy %	-13.4%	17.2%	71.1%	27.5%
Core Net Profit	842	1,003	1,451	1,894
yoy %	-42.2%	19.1%	44.7%	30.6%
Gross margin	30.3%	29.8%	33.5%	35.8%
Net gearing*	56.7%	60.1%	62.5%	55.0%
EPS	0.36	0.42	0.61	0.80
DPS	0.19	0.22	0.24	0.28
BPS	4.71	4.72	4.89	5.19

Source: Company data, AMTD Research

*Hotel Portfolio Revalued to Market Value

Valuation

	FY20	FY21e	FY22e	FY23e
P/E	7.9	6.6	4.6	3.5
P/BV	0.6	0.6	0.6	0.5
Div. yield	6.8%	7.8%	8.7%	10.0%
ROE	7.6%	9.0%	12.5%	15.4%
ROA	1.3%	2.0%	2.8%	3.6%

Source: Bloomberg, AMTD Research

Share price performance



Source: Bloomberg

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IMPORTANT DISCLOSURES

AMTD Investment Ratings

Stock Rating

Buy	Stock with potential return of over 20% over the next 12 months
Hold	Stock with potential return of -20% to +20% over the next 12 months
Sell	Stock with potential loss of over 20% over the next 12 months

Analyst Certification

I, Jacky Chan, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject company or companies and its or their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Global Markets Limited.

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