

Radiance Holdings (Group) Company Limited

Solid 1H21 All-Round Performance, Maintain Buy

We believe Radiance has largely locked-in its 2021E and 2022E earnings visibility after reporting a solid set of 1H21 results. The solid 1H21 results implies that 47% of our full-year 2021E core net profit are secured, while its RMB77bn contract liabilities on balance sheet represents 174% of our 2021E revenues. At 4.7x 2021E P/E, we maintain our Buy Rating.

Strong 1H21 performance with future revenues locked in, maintain Buy

We believe that Radiance is on track to meet our 2021E core net profit after 47% of our 2021E estimates has been secured during 1H21. The developer has one of the highest earnings visibility in the sector with its 1H21 RMB77bn contract liabilities representing 174% of our 2021E revenues. The developer has also maintained a solid balance sheet as it continues to meet the Three Red Lines regulatory requirement, together with a healthy reduction in Completed Properties Held for Sale. We believe the stock is trading at inexpensive valuations of 4.7x 2021E P/E and our Target Price of HK\$6.04/sh is based on a 6.5x 2021E P/E, offering 38% upside. Maintain Buy.

High Earnings visibility secured by solid contracted sales

Radiance has achieved solid contracted sales YTD, marked by a YTD July contracted sales run-rate of 55%, slightly ahead of the sector average of 53.6%. This has helped the developer to have already secured its 2021E-2022E revenues, with RMB77bn contract liabilities (174% of 2021E revenue) already on its 1H21 balance sheet. Such a contracted sales growth was largely underpinned by a 30.3% YoY contracted ASP growth to RMB17,320/sqm, reflecting the strength in the property markets of Tier-1 and 2 cities.

Solid 1H21 results, on track to meet full-year expectations

Radiance announced a strong set of results for 1H21, with revenues growing 44% YoY to RMB16.1bn and core net profit up 180% YoY to RMB1.49bn, representing 47% of our full-year earnings estimate of RMB3.2bn. GP Margin declined by 2ppt YoY to 21.1%, in-line with the industry average. Core Net Margin increased sharply from 4.8% in 1H20 to 9.3% in 1H21 due to higher profit contributions from JV & Asso and lower Minority Interests.

Balance sheet and cash flows continued to strengthen

Radiance has continued to maintain its full compliance with the Three Red Lines in 1H21, with all three ratios showing a marked improvement from end-2020. Liabilities-to-Asset (excl. contract liabilities) was at 68.3%, Net Gearing at 75.9%, and Cash to Short-term Debt at 1.5x. In addition, its Completed Properties Held for Sale decreased from end-2020's RMB12.5bn to RMB10.6bn, demonstrating the developer's ability to manage its inventory through its contracted sales. Furthermore, growth in minority interest on its balance has now stabilized, with MI funding 8% of its balance sheet (total assets), compared to 7.8% in 2020 and 3% in 2019.

Stock trading at inexpensive valuations of 4.7x 2021E P/E, 7.4% div yield

Radiance is currently trading at attractive valuations of 4.7x 2021E P/E and offering 7.4% div yield, which is roughly in-line with the industry average. Our Target Price of HK\$6.04/sh is based on a 6.5x 2021E P/E, offering 38% upside.

Key Risks: (1) Weaker than expected contracted sales; (2) Profit margins weaker than expected; and (3) Increased dilution from minority interests.

Stock code: 9993.HK

Rating: Buy

Price target (HK\$)	6.04
Current price (HK\$, 12 Aug 2021)	4.36
Upside/downside %	38%
Market cap (HK\$ m)	17,637
Market cap (US\$ m)	2,267
Avg daily turnover (US\$ m)	2.10

Source: Bloomberg, AMTD Research

Key forecasts

(RMB m)	2020	2021e	2022e	2023e
Revenue	34,875	44,939	54,829	67,764
yoy %	34.3%	28.9%	22.0%	23.6%
Gross Profit	7,713	9,887	12,062	14,908
yoy %	36.2%	28.2%	22.0%	23.6%
Core NP	2,859	3,193	4,164	4,942
yoy %	31.6%	11.7%	30.4%	18.7%
Gross margin	22.1%	22.0%	22.0%	22.0%
Net gearing	91.5%	89.7%	66.2%	44.1%
EPS	0.71	0.79	1.03	1.22
DPS	0.27	0.28	0.36	0.43
BPS	5.33	5.84	6.51	7.31

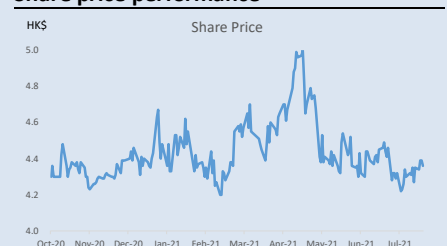
Source: Company data, AMTD Research

Valuation

	2020	2021e	2022e	2022e
P/E	5.2	4.7	3.6	3.0
P/BV	0.7	0.6	0.6	0.5
Div. yield	7.3%	7.4%	9.7%	11.5%
ROE	13.3%	13.5%	15.8%	16.7%
ROA	1.5%	1.5%	1.8%	2.0%

Source: Bloomberg, AMTD Research

Share price performance



Source: Bloomberg

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Figure 1: Radiance 1H21 Results Summary

1HFY21 Results (RMB '000)	1HFY21A	FY21E	% of FY21E	1HFY20A	YoY/Chg
Property development and sales	15,794,783	44,444,051	36%	10,916,144	45%
Property leasing	189,180	336,613	56%	175,564	8%
Management consulting services	82,482	158,037	52%	61,303	35%
Total Revenue	16,066,445	44,938,701	36%	11,153,011	44%
Cost of Sales	(12,673,144)	(35,052,186)	36%	(8,605,131)	47%
Gross Profit	3,393,301	9,886,514	34%	2,547,880	33%
Other income and gains	87,664	562,335	16%	16,471	432%
Other expenses	(24,338)	(103,848)	23%	(128,218)	-81%
Selling and marketing expenses	(509,407)	(1,383,401)	37%	(330,067)	54%
Administrative expenses	(481,001)	(1,435,354)	34%	(451,698)	6%
Fair value gains on investment properties	501,186	-	N/A	175,406	186%
Fair value gains or losses from financial assets at fair value through profit or loss	(5,993)	-	N/A	238	-2618%
Operating profit	2,961,412	7,526,247	39%	1,830,012	62%
Finance income	96,961	267,698	36%	33,541	189%
Finance costs	(96,544)	(609,923)	16%	(166,255)	-42%
Share of profits and losses of:					
Joint ventures	30,309	1,033,590	3%	126,779	-76%
Associates	191,277	(145,309)	-132%	(36,377)	-626%
Profit before tax	3,183,415	8,072,303	39%	1,787,700	78%
Income tax expense	(1,171,050)	(3,815,624)	31%	(742,012)	58%
Net profit	2,012,365	4,256,679	47%	1,045,688	92%
Owners of the parent	1,825,266	3,192,509	57%	607,812	200%
Non-controlling interests	187,099	1,064,170	18%	437,876	-57%
Core Attributable Net Profit	1,488,402	3,192,509	47%	531,241	180%
Key Ratios					
GP Margin	21.1%	22.0%		22.8%	-1.7ppt
Core Net Margin	9.3%	7.1%		4.8%	4.5ppt
	1HFY21A	FY21E		1HFY20A	YoY/Chg
Net Debt to Equity	75.9%	89.7%		N/A	N/A
Debt to Asset (excl. Contract Liabilities)	68.3%	69.7%		N/A	N/A
Cash to Short-term Borrowings	1.5x	1.0x		N/A	N/A
Total Assets to Total Equity	5.2x	5.4x		N/A	N/A

Source: Company data, AMTD Research Estimates

Figure 2: China Property Developers: Peers Valuation Comparison

Date	12/8/2021	Share Price	Mkt cap	P/E			P/B			Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20
China Property Developers										
2202 HK	Vanke	23.40	39,685	5.7x	5.2x	4.8x	1.0x	0.9x	0.8x	6.0%
960 HK	Longfor	38.35	29,896	10.7x	8.7x	7.4x	1.8x	1.5x	1.4x	4.2%
1109 HK	CR Land	29.45	26,989	7.7x	6.5x	5.6x	0.9x	0.8x	0.7x	4.8%
688 HK	COLI	18.56	26,106	4.7x	4.1x	3.8x	0.5x	0.5x	0.5x	7.2%
2007 HK	Country Garden	8.43	23,886	4.6x	4.1x	3.6x	0.9x	0.8x	0.7x	6.1%
1918 HK	Sunac	20.90	12,521	3.0x	2.4x	2.1x	0.7x	0.5x	0.4x	8.9%
3333 HK	Evergrande	5.81	9,892	2.3x	2.8x	2.8x	0.4x	0.4x	0.3x	2.9%
813 HK	Shimao	16.36	7,438	4.1x	3.5x	3.0x	0.5x	0.5x	0.4x	10.3%
3380 HK	Logan	9.32	6,613	3.6x	3.0x	2.5x	1.1x	0.8x	0.7x	12.2%
884 HK	CIFI	5.71	6,138	5.2x	4.1x	3.5x	1.1x	0.9x	0.7x	6.7%
1030 HK	Seazen	7.62	6,081	4.0x	3.9x	3.4x	1.1x	0.9x	0.7x	6.1%
3383 HK	Agile	9.04	4,551	3.3x	3.0x	2.7x	0.6x	0.5x	0.4x	13.7%
1813 HK	KWG	9.21	3,767	4.0x	3.1x	2.6x	0.6x	0.5x	0.4x	11.4%
2777 HK	R&F	7.34	3,540	2.8x	2.8x	2.4x	0.3x	0.2x	0.2x	15.3%
1238 HK	Powerlong*	6.09	3,242	5.8x	4.7x	3.7x	0.6x	0.5x	0.5x	7.7%
3900 HK	Greentown	9.91	3,178	9.1x	7.2x	6.5x	0.6x	0.6x	0.6x	4.0%
123 HK	Yuesiu	7.46	2,969	4.8x	4.1x	3.4x	0.4x	0.4x	0.4x	8.2%
6158 HK	Zhenro	4.77	2,677	7.2x	6.1x	5.1x	0.9x	0.8x	0.7x	3.0%
3990 HK	Midea RE	15.02	2,383	3.9x	3.0x	2.5x	0.7x	0.6x	0.5x	12.0%
9993 HK	Radiance*	4.36	2,267	5.2x	4.7x	3.6x	0.7x	0.6x	0.6x	7.3%
2772 HK	Zhongliang	4.76	2,191	3.9x	3.3x	2.9x	1.3x	1.0x	0.9x	9.7%
1638 HK	Kaisa	2.42	2,182	3.2x	2.0x	1.8x	0.4x	0.2x	0.2x	5.4%
1233 HK	Times	8.30	2,116	2.7x	2.5x	2.1x	0.7x	0.6x	0.5x	10.4%
2103 HK	Sinic*	4.21	1,932	6.7x	6.1x	4.9x	1.3x	1.1x	0.9x	4.0%
3883 HK	Aoyuan*	5.55	1,923	2.6x	2.3x	2.1x	0.7x	0.6x	0.5x	16.6%
1966 HK	China SCE	3.07	1,666	3.4x	2.7x	2.2x	0.5x	0.4x	0.4x	9.0%
1628 HK	Yuzhou*	1.77	1,434	NA	9.8x	6.0x	0.3x	0.4x	0.4x	20.3%
272 HK	Shui On Land	1.29	1,337	NA	NA	NA	0.2x	NA	NA	0.0%
95 HK	Lvgem*	1.87	1,225	12.9x	4.5x	4.4x	0.3x	0.3x	0.3x	0.0%
1996 HK	Redsun*	2.65	1,135	5.6x	4.0x	3.7x	0.5x	0.4x	0.4x	5.4%
2019 HK	Dexin China*	2.98	1,035	4.6x	4.4x	4.0x	1.1x	1.0x	0.8x	4.4%
3301 HK	Ronshine	4.60	995	2.9x	3.3x	2.6x	0.4x	0.4x	0.3x	11.3%
119 HK	Poly Prop	2.01	959	3.6x	NA	NA	0.2x	NA	NA	6.4%
1098 HK	Roadking	9.40	905	NA	NA	NA	0.3x	NA	NA	5.9%
832 HK	CCRE*	1.87	713	1.8x	1.8x	1.7x	0.4x	0.3x	0.3x	21.8%
6111 HK	Dafa*	6.35	676	12.8x	10.2x	8.5x	1.2x	1.1x	1.0x	1.5%
230 HK	Minmetals*	0.79	340	23.5x	10.9x	6.1x	0.3x	0.3x	0.3x	2.5%
Total/Average			246,579	5.7x	4.5x	3.8x	0.7x	0.6x	0.6x	7.9%

Source: Bloomberg Estimates, *AMTD Research Estimates

Note: As of 12 Aug 2021

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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

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