

Minmetals Land Limited

Growth Accelerates on the Back of 2020 Asset Injection

We believe the growth related to Minmetals' 2020 asset injection is beginning to materialize through a solid 1H21 revenue and contracted sales performance. We expect the revenue growth to extend into 2H21E. Nonetheless, a turnaround will hinge on the proportion of profits attributable to shareholders, in our view.

Solid top-line performance for 1H21

Minmetals announced a set of solid results for 1H21 with revenues growing 84% YoY to HKD4,926mn and net profit growing 58% YoY to HKD397mn, while we estimate core net profit increased 24% YoY to HKD72.9mn. Its revenues were slightly ahead of our full year estimate at 53%, while core net profit represents 30% of our full year estimate, driven by a higher than expected 160% YoY increase in profit attri. to minority interests. GP margin increased 4.4ppt YoY to 21.7%, due to recognition of higher margin projects during the period. Nonetheless, we calculate that the core net margin dropped 0.7ppt to 1.5% due to the increase in minority interests. We maintain our Hold rating with a Target Price of HK\$0.86/sh.

2020 asset injection benefits beginning to surface

Minmetals' contracted sales reached RMB12.5bn for the first half of 2021, a 124% increase YoY, underpinned by the asset injection from its controlling shareholder in 2020. Moreover, there is clear visibility in terms of revenue growth for 2021-2022E, with a ~29% HoH increase in contract liabilities representing ~1.9x of our 2021E revenue. We thus believe we are beginning to see the growth stemming from the 2020 asset injection, in our view. As such, there may be a possible upside risk to our top-line estimate for 2H21E, but the upside to core net profit will depend on the profit sharing towards minority interests for 2H21E.

Increase in profits to minority interests holds back growth

The net profit attrib. to minority interests rose 160% to HKD231mn for 1H21, or 159% of our full year estimate. As a result, net profit attrib. to shareholders only increased 13% YoY to HK\$61.4m, representing roughly just 15% of the 1H21 Total Net Profit. We expected to see the proportion gain of attrib. net profit/MI to revert to a more reasonable level in 2H21E, after recognizing lower attrib. projects in the Greater Bay Area during 1H21, in our view.

Healthy balance sheet forms the basis for stable growth

Minmetals maintained its strengthened balance sheet and debt profile by fully meeting the Three Red Lines as of 1H21, with Net Gearing at 44.8%, Liability to Asset (excl. Contract Liabilities) at 64.5%, and Cash to Short-term Debt at 1.6x. In addition, it recorded a net gain in cash with cash balance at HKD14.1bn at 1H21, leaving the developer ample resources to acquire more land during the rest of the year.

Fairly valued at 10.9x 2021E P/E, 0.27x 2021E P/B

We maintain our Hold rating as we believe the stock is currently fairly valued, trading at 10.9x 2021E P/E and 0.27x 2021E P/B. Our Target Price is unchanged at HK\$0.86/sh and implies a 10.9x 2021E P/E, offering 9% upside. **Key Risks:** (1) Contracted sales growth slower than expected; (2) Profits to minority interests continue to grow aggressively; and (3) GP margin growth slower than expected.

Stock code: 0230.HK

Rating: Hold

Price target (HK\$)	0.86
Current price (HK\$, 26 Aug 2021)	0.79
Upside/downside %	9%
Market cap (HK\$ m)	2,644
Market cap (US\$ m)	340
Avg daily turnover (US\$m)	0.03

Source: Bloomberg, AMTD Research

Key forecasts

(HK\$ m)	2020	2021e	2022e	2023e
Revenue	7,662	9,219	9,267	10,592
yoy %	-32.0%	20.3%	0.5%	14.3%
Gross Profit	1,230	1,481	1,488	1,701
yoy %	-54.0%	20.3%	0.5%	14.3%
Core Net Profit	112	243	431	501
yoy %	-87.3%	116.6%	77.1%	16.2%
Gross margin	16.1%	16.1%	16.1%	16.1%
Net gearing	49.7%	51.2%	50.0%	49.3%
EPS	0.03	0.07	0.13	0.15
DPS	0.02	0.02	0.04	0.05
BPS	2.87	2.92	3.01	3.11

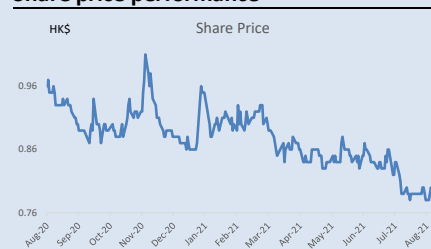
Source: Company data, AMTD Research

Valuation

	2020	2021e	2022e	2023e
P/E	23.5	10.9	6.1	5.3
P/BV	0.28	0.27	0.26	0.25
Div. yield	2.5%	2.9%	5.2%	6.1%
ROE	1.2%	2.5%	4.3%	4.8%
ROA	0.2%	0.3%	0.5%	0.5%

Source: Bloomberg, AMTD Research

Share price performance



Source: Bloomberg

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Figure 1: Minmetals 1H21 Results Summary

1HFY21 Results (HKD '000)	1HFY21A	FY21E	% of FY21E	1HFY20A	YoY/Chg
Sale of properties	4,783,580	8,599,316	56%	2,425,826	97%
Specialised construction	115,695	555,900	21%	216,050	-46%
Rental and management fee income from property investment	26,564	63,627	42%	31,250	-15%
Total Revenue	4,925,839	9,218,843	53%	2,673,126	84%
Cost of sales	(3,855,568)	(7,738,304)	50%	(2,209,840)	74%
Gross profit	1,070,271	1,480,539	72%	463,286	131%
Other income, other gains and losses	46,596	84,822	55%	167,756	-72%
Fair value changes on investment properties	(99,260)	-	N/A	(28,974)	243%
Selling and marketing expenses	(155,215)	(294,246)	53%	(83,527)	86%
Administrative and other expenses	(209,646)	(737,507)	28%	(174,391)	20%
Expected credit losses, net of reversal	(8,809)	-	N/A	1,470	N/A
Finance income	41,049	222,799	18%	90,769	-55%
Finance costs	(48,874)	(37,980)	129%	(38,560)	27%
Share of results of associates	(11,439)	5,377	-213%	12,757	N/A
Share of results of joint ventures	1,799	(2,719)	-66%	603	198%
Profit before tax	626,472	721,084	87%	411,189	52%
Income tax expense	(229,784)	(111,687)	206%	(160,112)	44%
Net profit	396,688	609,397	65%	251,077	58%
Owners of the Company	61,406	243,357	25%	54,298	13%
Holders of perpetual capital instruments	104,252	220,578	47%	107,900	-3%
Non-controlling interests	231,030	145,462	159%	88,879	160%
Core Attri. Net Profit	72,930	243,357	30%	58,997	24%
Key Ratios					
GP Margins	21.7%	16.1%		17.3%	4.4ppt
Core Net Margins	1.5%	2.6%		2.2%	-0.7ppt
	1HFY21A	FY21E		1HFY20A	YoY/Chg
Net Debt to Equity	45%	51%		92%	-47.6ppt
Liability to Asset (excl. Contract Liabilities)	65%	60%		62%	2.7ppt
Cash to Short-term Borrowings	1.6x	1.9x		1.2x	0.4x
Total Assets to Total Equity	3.6x	3.3x		2.9x	0.7x

Source: Company data, AMTD Research Estimates

Figure 2: China Property Developers: Peers Valuation Comparison

Date	26/8/2021	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	22.05	36,685	5.4x	4.8x	4.5x	1.0x	0.8x	0.7x	6.4%
960 HK	Longfor	35.60	27,733	9.9x	8.2x	6.9x	1.7x	1.4x	1.3x	4.5%
1109 HK	CR Land	27.45	25,138	7.2x	6.0x	5.2x	0.8x	0.7x	0.7x	5.1%
688 HK	COLI	17.56	24,682	4.5x	3.9x	3.6x	0.5x	0.5x	0.4x	7.6%
2007 HK	Country Garden	8.33	24,048	4.9x	4.2x	3.8x	0.9x	0.8x	0.6x	6.2%
1918 HK	Sunac	19.18	11,483	2.8x	2.2x	1.9x	0.6x	0.5x	0.4x	9.7%
3333 HK	Evergrande	4.23	7,197	1.6x	2.0x	2.0x	0.3x	0.3x	0.2x	4.0%
813 HK	Shimao	15.54	7,060	3.9x	3.3x	2.8x	0.5x	0.5x	0.4x	10.9%
3380 HK	Logan	9.50	6,736	3.6x	3.0x	2.6x	1.1x	0.8x	0.7x	12.0%
1030 HK	Seazen	6.88	5,487	4.4x	3.6x	3.1x	1.0x	0.8x	0.7x	6.7%
884 HK	CIFI	5.08	5,457	4.5x	3.7x	3.1x	1.0x	0.8x	0.7x	7.6%
3383 HK	Agile	8.68	4,366	3.2x	3.0x	2.8x	0.6x	0.5x	0.4x	14.3%
3900 HK	Greentown	10.78	3,454	9.9x	7.8x	6.9x	0.7x	0.7x	0.6x	3.7%
1813 HK	KWG	8.41	3,438	3.6x	2.8x	2.4x	0.5x	0.5x	0.4x	12.4%
1238 HK	Powerlong*	6.11	3,250	5.9x	4.7x	3.7x	0.6x	0.5x	0.5x	7.7%
2777 HK	R&F	6.56	3,161	2.5x	2.8x	2.4x	0.2x	0.2x	0.2x	17.2%
123 HK	Yuesiu*	7.32	2,911	4.7x	4.1x	3.3x	0.4x	0.4x	0.4x	8.4%
6158 HK	Zhenro	4.41	2,474	6.6x	5.7x	4.9x	0.8x	0.7x	0.7x	3.2%
3990 HK	Midea RE	15.02	2,381	3.9x	3.0x	2.6x	0.7x	0.6x	0.5x	12.0%
1638 HK	Kaisa	2.50	2,252	3.3x	2.0x	1.9x	0.4x	0.2x	0.2x	5.2%
9993 HK	Radianc*	4.26	2,213	5.0x	4.5x	3.4x	0.7x	0.6x	0.5x	7.6%
1233 HK	Times	7.80	1,987	2.5x	2.3x	2.0x	0.7x	0.5x	0.5x	11.1%
2772 HK	Zhongliang	4.29	1,973	3.5x	3.0x	2.7x	1.2x	0.9x	0.8x	10.8%
2103 HK	Sinic*	4.22	1,935	6.7x	6.1x	4.9x	1.3x	1.1x	0.9x	4.0%
1966 HK	China SCE	3.06	1,659	3.4x	2.7x	2.2x	0.5x	0.4x	0.4x	9.0%
3883 HK	Aoyuan*	4.62	1,599	2.1x	2.0x	1.7x	0.6x	0.5x	0.4x	20.0%
272 HK	Shui On Land	1.27	1,315	NA	NA	NA	0.2x	NA	NA	0.0%
1628 HK	Yuzhou*	1.57	1,271	NA	8.7x	5.3x	0.3x	0.3x	0.3x	22.9%
95 HK	Lvgem*	1.84	1,205	12.7x	4.4x	4.3x	0.3x	0.3x	0.3x	0.0%
1996 HK	Redsun*	2.66	1,138	5.6x	4.0x	3.8x	0.5x	0.4x	0.4x	5.4%
2019 HK	Dexin China*	2.89	1,003	4.4x	4.3x	3.9x	1.1x	0.9x	0.8x	4.6%
119 HK	Poly Prop	2.07	987	3.7x	NA	NA	0.2x	NA	NA	6.2%
3301 HK	Ronshine	4.33	936	2.7x	3.1x	2.5x	0.3x	0.3x	0.3x	12.0%
1098 HK	Roadking	8.93	859	NA	NA	NA	0.3x	NA	NA	6.2%
832 HK	CCRE*	1.90	724	1.8x	1.8x	1.7x	0.4x	0.3x	0.3x	21.5%
6111 HK	Dafa*	6.51	692	13.1x	10.5x	8.7x	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			231,230	5.5x	4.4x	3.6x	0.7x	0.6x	0.5x	8.4%

Source: Bloomberg Estimates, *AMTD Research Estimates

Note: As of 26 Aug 2021

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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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