



# Accumulative decline continued to narrow

## ——Yango 2020H1 Sales Comments

**Event:** Yango achieved accumulative contract sales of RMB 90.01 bn from Jan to Jun (-0.1% YoY) and accumulative contracted area of 7.269 mn sqm (+3.5% YoY); the decline of the company's accumulative contracted sales continued to narrow.

**High-quality land bank helped sales recovery, accumulative sales decline continued to narrow.** In Jun 2020, Yango achieved contracted sales of c. RMB 26.89 bn (+17.8% YoY) and contracted area of c. 1.733 mn sqm (+9.4 YoY); ASP for the month was c. RMB 15511/sqm (last month: c. RMB 11877/sqm). In 2020H1, Yango achieved accumulative contract sales of c. RMB 90.01 bn (-0.1% YoY; from Jan to May: -6.1% YoY) and accumulative contracted area of 7.269 mn sqm (+3.5%; from Jan to May: +1.8%); accumulative ASP from Jan to Jun was c. RMB 12,383/sqm (from Jan to May: c. RMB 11,404/sqm), ASP increased in Jun 2020. The company's land bank is mostly located in high-tier cities. As of end-2019, the expected future saleable value in tier-1 and tier-2 cities accounted for 72.6%. High-quality land bank provides support for the company's sales recovery.

**Diversified expansion channels laid strong foundation for growth, financing costs declined.** While consolidating its advantageous areas, the company continued to promote nationwide coverage. In Jun 2020, Yango acquired 12 land projects of GFA of 2.363 mn sqm in Shanghai, Hangzhou, Foshan, Tianjin, etc. In terms of land acquisition channels, the company has continued to maintain its diverse land acquisition advantages. According to the company's monthly operation announcement, from Jan to Jun 2020, GFA acquired through M&A and other channels accounted for 40.4% (Jan to Jun 2019: 30.2%), rich land acquisition channels enable the company to continue to acquire high-quality land resources under fierce competition in the auction market, and thus lay the foundation for sales growth. In terms of financing, in Jun 2020, the company issued RMB 600 mn 2+2-year 6.6% medium-term notes; in Jul 2020, its overseas wholly-owned subsidiary completed the issuance of USD 300 mn 7.5% senior unsecured fixed-rate bonds due 2024, both with coupon rate lower than 7.71%, the average financing cost of Yango in 2019. The downward financing cost is expected to improve the company's financial situation and help the company achieve healthy development.

**Maintain Buy rating and TP of RMB 9.8.** We expect the company's EPS in 2020-2022 to be RMB 1.31, RMB 1.77 and RMB 2.35, respectively; growth rate of net profit attributable to parent company owners in 2020-2022 to be 33.1%, 35.1% and 32.6%. Considering that the company's land bank is relatively high-quality, the diversified land acquisition channels have significant advantages, maintain NAV discount of 25%, corresponding to 7.5x PE in 2020, implying 30.9% upside potential. (The latest share price is the closing price on 13 Jul, 2020)

*Note: Certain uncertainties in the industry regulation and financing policies may affect the sales performance of listed companies; Macroeconomic fluctuations may have certain impact on business operations within the industry.*

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**Buy**

(Maintain)

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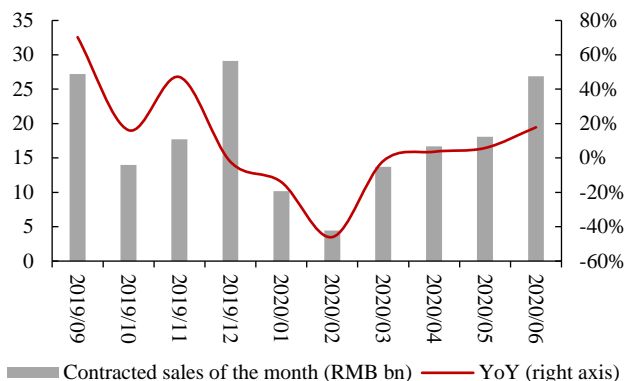
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Financial highlights (RMB mn)	2017A	2018A	2019A	2020E	2021E	2022E
Revenue	33,163	56,470	61,049	82,063	111,630	150,834
(+/-)%	69%	70%	8%	34%	36%	35%
Gross Profit	8,316	14,715	16,226	22,042	29,615	39,760
Net Profit	1,362	3,018	4,020	5,349	7,226	9,584
(+/-)%	68%	46%	33%	33%	35%	33%
PE	14.81	10.12	7.60	5.71	4.23	3.19
PB	1.59	1.33	1.14	0.97	0.79	0.68

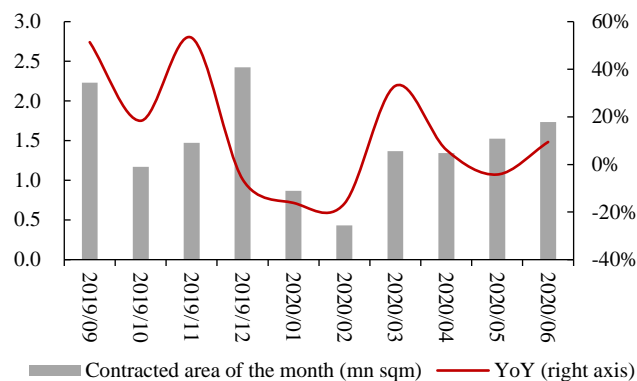


Chart 1: Contracted sales in Jun continued to increase



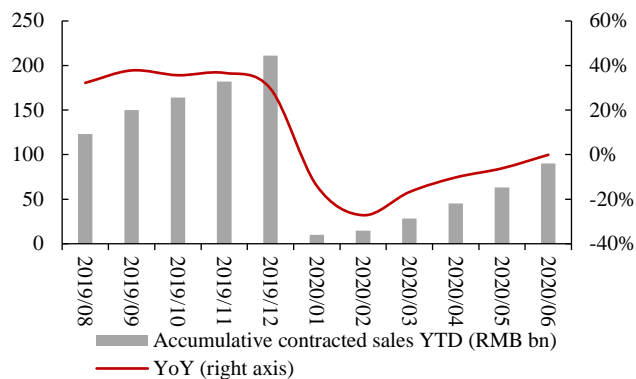
Source: Company announcement, CWSI Research

Chart 2: Contracted area in Jun increased



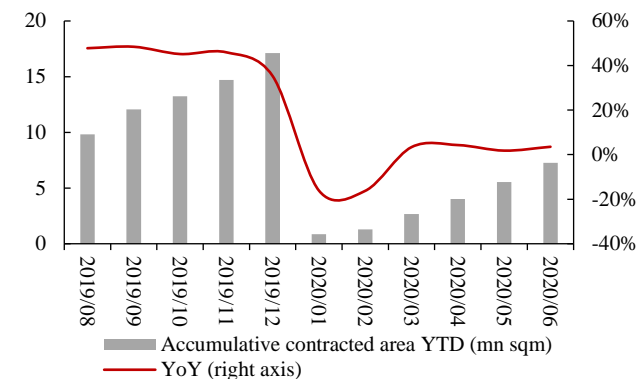
Source: Company announcement, CWSI Research

Chart 3: Accumulative contracted sales decline narrowed



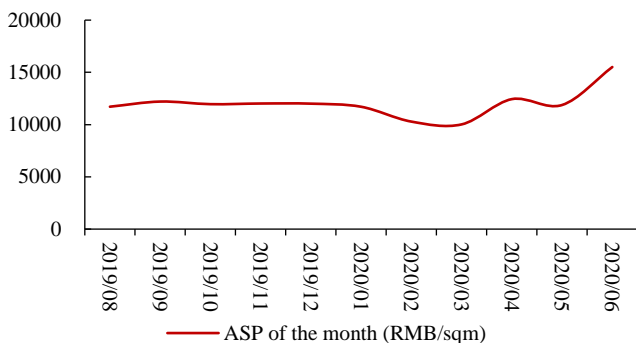
Source: Company announcement, CWSI Research

Chart 4: Accumulative contracted area increased 3.5% YoY



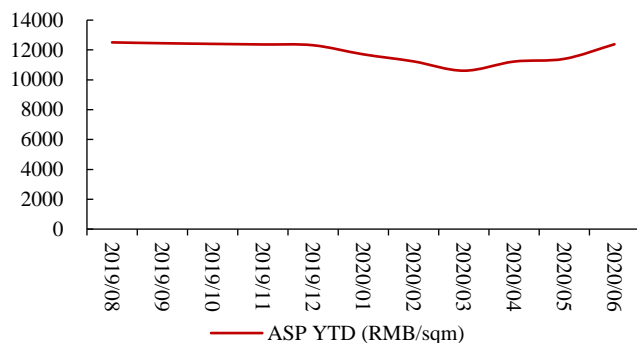
Source: Company announcement, CWSI Research

Chart 5: ASP in Jun increased



Source: Company announcement, CWSI Research

Chart 6: ASP YTD increased slightly



Source: Company announcement, CWSI Research

**Table 1: Yango NAV Breakdown**

<b>NAV Breakdown (RMB bn)</b>	<b>2020</b>
NAV added (RMB bn)	26.56
Equity attributable to equity owners (RMB bn, end-2019)	26.74
NAV (RMB bn)	53.30
No. of shares outstanding (bn)	4.09
NAV per share (RMB / share)	13.02
Share price (RMB / share) at 13 Jul 20	7.46
NAV Discount	42.70%

Source: Company announcement, CWSI Research



Income statement						Cash flow statement					
RMB mn	2018A	2019A	2020E	2021E	2022E	RMB mn	2018A	2019A	2020E	2021E	2022E
Revenues	56,470	61,049	82,063	111,630	150,834	PBT ex. Exceptionals	6,389	6,771	10,490	14,154	18,749
COGS	-41,755	-44,823	-60,021	-82,014	-111,074	Change in working cap.	16,395	9,741	1,828	221	-420
Gross Profit	14,715	16,226	22,042	29,615	39,760	Others	-953	-1,115	-2,811	-4,185	-5,183
Selling and marketing expenses	-1,757	-2,569	-3,447	-4,633	-6,184	CF from operations	21,831	15,396	9,507	10,190	13,146
Administrative expenses	-1,577	-2,188	-2,889	-3,851	-4,978	Investment properties	-9,738	-5,632	-5,413	-7,831	-7,829
EBIT	7,416	7,555	10,455	14,099	19,246	Others	-6,133	-787	-2,930	-577	-578
Interest expense	-673	-998	-1,546	-1,719	-1,999	CF from investing	-15,872	-6,419	-8,343	-8,407	-8,408
Interest income	314	394	843	874	1,011	Free cash flow	5,959	8,977	1,164	1,783	4,739
Associates	55	814	1,325	1,420	1,053	Free cash flow per share	1	2	0	0	1
Other gains/adjustments	57	40	0	0	0	Equity financing	9,593	5,314	5	0	0
PBT	6,389	6,771	10,490	14,154	18,749	Debt financing	-2,258	1,615	1,523	2,634	2,062
Tax	2,483	2,449	3,787	5,109	6,768	Others	-13,626	-11,790	-2,347	-1,704	-4,969
Minority	889	301	1,354	1,818	2,396	CF from financing	-6,291	-4,861	-820	929	-2,906
Net profit attributable to parent company owners	3,018	4,020	5,349	7,226	9,584	Increase in cash and cash equivalents	-332	4,115	345	2,713	1,832
Shares outstanding (weighted)	4,050	4,082	4,083	4,083	4,083	Beginning cash	32,795	32,447	41,978	42,323	45,036
EPS	0.75	0.98	1.31	1.77	2.35	Ending cash	32,447	36,691	42,323	45,036	46,868

Balance sheet						Ratio Analysis (%)					
RMB mn	2018A	2019A	2020E	2021E	2022E		2018A	2019A	2020E	2021E	2022E
Investment properties	8,575	11,621	13,622	15,941	18,457	Gross Margin	26.1%	26.6%	26.9%	26.5%	26.4%
Others	10,145	8,584	12,709	14,655	16,205	Operating margin	13.1%	12.4%	12.7%	12.6%	12.8%
Associates	9,300	14,848	18,258	23,769	29,082	Net profit margin	5.3%	6.6%	6.5%	6.5%	6.4%
Total fixed assets	28,021	35,053	44,589	54,365	63,743	Sales growth	70.3%	8.1%	34.4%	36.0%	35.1%
Inventories	142,172	175,839	208,839	239,976	286,054	EBIT growth	106.7%	1.9%	38.4%	34.9%	36.5%
Receivables	1,256	1,169	1,596	2,202	2,934	Net profit growth	46.4%	33.2%	33.1%	35.1%	32.6%
Bank balances & cash	37,848	41,978	42,323	45,036	46,868	EPS growth	46.4%	32.2%	33.0%	35.1%	32.6%
Others	54,100	53,513	60,634	71,703	103,364	BVPS	5.67	6.55	7.68	9.45	11.06
Total assets	263,397	307,552	357,981	413,283	502,963	Interest coverage (x)	11.01	7.57	6.76	8.20	9.63
Current liabilities	156,838	176,758	211,375	262,324	338,768	Net debt to total capital	70%	54%	48%	46%	43%
Long term debt	51,418	66,519	73,519	71,008	72,735	Net debt to equity	182%	138%	123%	106%	94%
Other long term liabilities	0	0	0	0	0	Sales/assets	0.24	0.21	0.25	0.29	0.33
Deferred income tax	1,126	1,123	1,202	1,333	1,450	Assets/equity	11.46	11.50	11.42	10.72	11.14
Long term liabilities	65,529	79,895	89,756	85,065	89,321	ROA	1.2%	1.4%	1.6%	1.9%	2.1%
Minority Interests	18,051	24,154	25,508	27,326	29,722	ROE	14.3%	16.2%	18.4%	20.7%	22.9%
Shareholders' funds	22,979	26,744	31,341	38,567	45,152	ROCE	3.0%	3.4%	3.9%	4.9%	6.1%
Total liabilities and equity	263,397	307,552	357,981	413,283	502,963						

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