

China / Hong Kong

Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

24 Jul 2018

Hongkong Land (HKL SP) : BUY

Mkt. Cap: US\$16,940m | 3m Avg. Daily Val: US\$12.9m

Last Traded Price (23 Jul 2018): US\$7.20

Price Target 12-mth: US\$8.57 (19.0% upside)

Analyst

Jeff YAU CFA, +852 2820 4912; jeff_yau@dbb.com

Ian CHUI +852 2971 1915; ianchui@dbb.com

Jason LAM +852 29711773 jasonlamch@dbb.com

FY18 interim result preview

- Underlying profit is expected to be 2% higher with growing rental receipts
- Residential sales earnings should remain a key swing factor on earnings
- BUY with US\$8.57 TP

Forecasts and Valuation

FY Dec (US\$ m)	2016A	2017A	2018F	2019F
Turnover	1,994	1,960	2,460	2,046
EBITDA	971	911	1,002	998
Pre-tax Profit	1,019	1,128	1,243	1,254
Underlying Profit	848	970	1,041	1,050
Underlying Profit Gth (%)	(6.3)	14.4	7.3	0.9
EPS (US\$)	0.36	0.41	0.44	0.45
EPS Gth (%)	(6.3)	14.4	7.3	0.9
PE (X)	20.0	17.5	16.3	16.1
P/Cash Flow (X)	13.7	18.1	16.3	15.4
EV/EBITDA (X)	20.1	21.4	19.5	19.6
DPS (US\$)	0.19	0.20	0.21	0.21
Div Yield (%)	2.6	2.8	2.9	2.9
Net Gearing (%)	6	7	9	11
ROE (%)	2.8	2.8	2.7	2.6
Est. NAV (US\$):			12.4	13.2
Disc. to NAV (%)			(42)	(45)
Earnings Rev (%):			Nil	Nil
Consensus EPS (US\$):			0.43	0.45
Other Broker Recs:		B: 10	S: 3	H: 1

Source: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

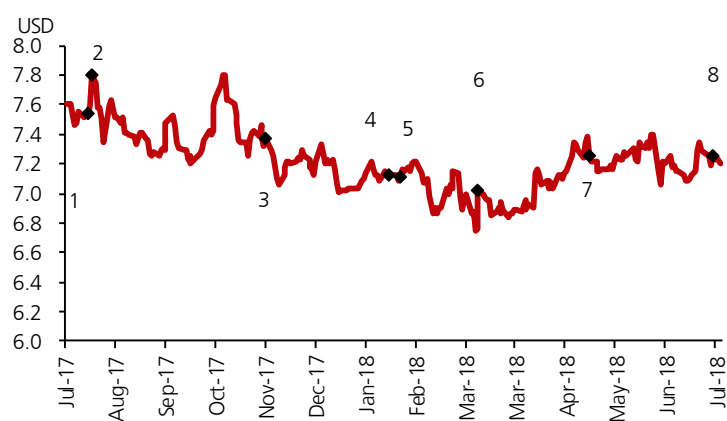
Hongkong Land will announce its interim result on 26 July. We forecast the company's underlying profit be 2% higher y-o-y at US\$530m on back of increased rental earnings. Interim DPS is expected to stay stable at US\$0.06.

Gross rental earnings should grow 8% driven by positive rental reversion, improved occupancy of Central office portfolio and contributions from newly completed WF Central in Beijing. In Singapore, residential sales are recognised using percentage of completion method, with Sol Acres and Lake Grande being the main contributors in 1H18. In China, residential sales earnings should come from projects in Chongqing and Chengdu and booking of development profits should remain a key swing factor on the company's earnings.

Key things to watch for include the vacancy and rental reversion trend of Central's office/retail portfolios and Singapore's office portfolio, the company's outlook of the office market in Hong Kong/Singapore, dividend paid, colour on share buyback, and an update on new investments in the region, among others.

Flash Note

Target Price & Ratings History



Source: DBS HK

Analyst: Jeff YAU CFA,

Ian CHUI

Jason LAM

DBS HK recommendations are based on Absolute Total Return * Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Sources for all charts and tables are DBS HK unless otherwise specified.

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DBS Bank (Hong Kong) Limited18th Floor Man Yee building, 68 Des Voeux Road Central, Central, Hong Kong

Tel: (852) 2820-4888, Fax: (852) 2521-1812

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd
Contact: Carol Wu
18th Floor Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong
Tel: 852 28204888
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd
Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd
Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)
Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanukul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand