

Redsun Properties Group Limited

Solid 1H21 Performance, On Track to Beat Sales Target

We believe Redsun is on track to deliver a ~40% YoY growth in core net profit following a solid set of 1H21 results. Balance sheet continued to improve, which will underpin the company's long-term stability, in our view. We maintain our Buy Rating and Target Price unchanged at HK\$3.34/sh.

Valuation undemanding at 4.0x 2021E P/E, offering ~40% growth

Redsun achieved solid contracted sales YTD, with 7M21 contracted sales reaching RMB56bn, implying a run-rate of 56.3%, placing it slightly ahead of the industry average of 53.4% and on track to beat its 15% YoY growth target to RMB99.5bn, in our view. In addition, we believe Redsun's clear earnings visibility, solid 1H21 performance, and healthy balance sheet places it on track to achieve our estimated ~40% earnings growth for 2021E. We believe the stock is currently trading at inexpensive levels of 4.0x 2021E P/E, and our Target Price offers 26% upside to current levels. Maintain Buy.

Solid 1H21 results, achieving 37% of our full year estimates

Redsun announced a solid set of 1H21 results which was largely in line with our estimates. Total revenue grew 35% YoY to RMB13bn, while we estimate core net profit grew 2% YoY to RMB676mn, achieving 37% of our full year estimates and on track to deliver a 40% YoY growth, in our view. Core net profit was slightly lower than expected amid larger proportion of profits attrib. to minority interests. Gross margin and core net margins were at 21.1% and 5.2% respectively. Nonetheless, the developer demonstrated prudent expense control with an overall 5% YoY drop in SG&A; in particular, 1H21 admin expenses declined 26% YoY.

Clear earnings visibility with 117% of 2021E revenues in the bag

Redsun's 2H21E and 1H22E's revenues have been largely locked in via its ~RMB31bn of contract liabilities on 1H21 balance sheet, representing 117% of 2021E revenues, in our view. We believe the developer would be able to achieve its 2021 contracted sales target of RMB99.5bn with an overall sell-through rate of ~60%. Most of the developer's saleable resources are concentrated in Yangtze River Delta (50%), which has been relatively resilient during the past 12 months, in our view.

Healthy balance sheet underpins long term stability

The developer has maintained a healthy balance sheet under the current regulatory regime, which should underpin the developer's long-term stability. It is in the green camp for the Three Red Lines with Net Gearing declining 14.8ppt YoY to 53.9%, Liability-to-Asset (excl. Contract Liabilities) declining 4.8ppt YoY to 69.4%, and Cash to Short-term Borrowings improving to 1.7x. Redsun has limited refinancing risks given its optimized debt structure, in our view, amid the solid performance of its USD bonds in the secondary market.

Inexpensive valuations of 4.0x 2021E P/E, 6.1% div yield

Redsun is currently trading at 4.0x 2021E P/E and offering 6.1% div yield, which we believe is attractive. Our unchanged Target Price of HK\$3.34/sh is based on a Target 2021E P/E of 5.5x and offers 26% upside. **Key Risks:** (1) Slower than expected contracted sales growth; and (2) Attributable proportion lower than expected.

Stock code: 1996.HK

Rating: Buy

Price target (HK\$)	3.34
Current price (HK\$, 27 Aug 2021)	2.65
Upside/downside %	26%
Market cap (HK\$ m)	8,830
Market cap (US\$ m)	1,133
Avg daily turnover (US\$ m)	1.47

Source: Bloomberg, AMTD Research

Key forecasts

(RMB m)	2020	2021e	2022e	2023e
Revenue	20,159	27,063	30,406	37,831
yoy %	32.9%	34.3%	12.4%	24.4%
Gross Profit	4,508	6,052	6,799	8,459
yoy %	18.2%	34.3%	12.4%	24.4%
Core Net Profit	1,313	1,832	1,959	2,151
yoy %	5.3%	39.5%	6.9%	9.8%
Gross margin	22.4%	22.4%	22.4%	22.4%
Net gearing	50.3%	48.8%	46.0%	39.4%
EPS	0.40	0.55	0.59	0.65
DPS	0.12	0.13	0.14	0.16
BPS	4.53	4.99	5.44	5.93

Source: Company data, AMTD Research

Valuation

	2020	2021e	2022e	2023e
P/E	5.6	4.0	3.8	3.4
P/BV	0.5	0.4	0.4	0.4
Div. yield	5.5%	6.1%	6.5%	7.1%
ROE	8.6%	11.1%	10.9%	10.9%
ROA	1.1%	1.4%	1.3%	1.3%

Source: Bloomberg, AMTD Research

Share price performance



Source: Bloomberg

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Figure 1: Redsun 1H21 Results Summary

1HFY21 Results (RMB '000)	1HFY21A	FY21E	% of FY21E	1HFY20A	YoY/Chg
Sale of properties	12,650,071	26,411,945	48%	9,398,208	35%
Commercial operations	291,773	606,269	48%	212,839	37%
Hotel operations	22,608	45,158	50%	12,765	77%
Total Revenue	12,964,452	27,063,372	48%	9,623,812	35%
Cost of sales	(10,234,286)	(21,011,658)	49%	(7,189,382)	42%
Gross Profit	2,730,166	6,051,714	45%	2,434,430	12%
Other income and gains	222,919	849,316	26%	179,188	24%
Selling and distribution expenses	(416,723)	(1,066,766)	39%	(319,716)	30%
Administrative expenses	(403,745)	(1,139,269)	35%	(543,059)	-26%
Other expenses	(35,318)	(52,836)	67%	(50,488)	-30%
Fair value gains/(losses) on investment properties	87,690	-	N/A	57,302	53%
Share of profits and losses of:					
Joint ventures	(123,195)	(114,159)	108%	(26,237)	370%
Associates	158,469	708,996	22%	259,141	-39%
Finance costs	(494,616)	(901,610)	55%	(425,186)	16%
Profit before tax	1,725,647	4,335,385	40%	1,565,375	10%
Income tax expense	(735,678)	(2,045,376)	36%	(670,307)	10%
Net profit	989,969	2,290,009	43%	895,068	11%
Owners of the Company	739,311	1,832,007	40%	677,418	9%
Non-controlling interests	250,658	458,002	55%	217,650	15%
Core Attri. Net Profit	675,781	1,832,007	37%	661,624	2%
Key Ratios					
GP Margin	21.1%	22.4%		25.3%	-4.2ppt
Core Net Margin	5.2%	6.8%		6.9%	-1.7ppt
	1HFY21A	FY21E		1HFY20A	YoY/Chg
Net Debt to Equity	53.9%	48.8%		68.7%	-14.8ppt
Liability to Asset (excl. Contract Liabilities)	69.4%	70.3%		74.2%	-4.8ppt
Cash to Short-term Borrowings	1.7x	1.2x		1.5x	0.1x
Total Assets to Total Equity	4.3x	4.5x		5.0x	-0.8x

Source: Company Data, AMTD Research Estimates

Figure 2: China Property Developers: Peers Valuation Comparison

Date	27/8/2021	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	22.30	36,809	5.5x	4.8x	4.6x	1.0x	0.8x	0.8x	6.3%
960 HK	Longfor	36.15	28,150	10.1x	8.3x	7.0x	1.7x	1.5x	1.3x	4.5%
1109 HK	CR Land	28.90	26,455	7.6x	6.4x	5.5x	0.9x	0.8x	0.7x	4.9%
688 HK	COLI	17.72	24,897	4.5x	3.9x	3.6x	0.5x	0.5x	0.4x	7.5%
2007 HK	Country Garden	8.54	24,644	5.1x	4.3x	3.9x	0.9x	0.8x	0.7x	6.0%
1918 HK	Sunac	19.38	11,598	2.8x	2.2x	1.9x	0.6x	0.5x	0.4x	9.6%
3333 HK	Evergrande	4.37	7,432	1.7x	2.1x	2.1x	0.3x	0.3x	0.3x	3.9%
813 HK	Shimao	15.54	7,057	3.9x	3.3x	2.8x	0.5x	0.5x	0.4x	10.9%
3380 HK	Logan	9.44	6,691	3.6x	3.0x	2.5x	1.1x	0.8x	0.7x	12.0%
884 HK	CIFI	5.13	5,508	4.6x	3.8x	3.3x	1.0x	0.8x	0.7x	7.5%
1030 HK	Seazen	6.88	5,485	4.4x	3.6x	3.1x	1.0x	0.8x	0.7x	6.7%
3383 HK	Agile	8.67	4,360	3.2x	3.0x	2.8x	0.6x	0.5x	0.4x	14.3%
3900 HK	Greentown	11.54	3,696	10.6x	8.4x	7.3x	0.8x	0.7x	0.7x	3.4%
1813 HK	KWG	8.33	3,404	3.6x	2.8x	2.4x	0.5x	0.5x	0.4x	12.6%
1238 HK	Powerlong*	6.17	3,281	5.9x	4.7x	3.7x	0.6x	0.5x	0.5x	7.6%
2777 HK	R&F	6.53	3,145	2.5x	2.8x	2.4x	0.2x	0.2x	0.2x	17.2%
123 HK	Yuexiu*	7.28	2,894	4.7x	4.0x	3.3x	0.4x	0.4x	0.4x	8.4%
6158 HK	Zhenro	4.44	2,489	6.7x	5.8x	4.8x	0.8x	0.7x	0.7x	3.2%
3990 HK	Midea RE	15.08	2,390	3.9x	3.0x	2.6x	0.7x	0.6x	0.5x	11.9%
1638 HK	Kaisa	2.57	2,315	3.4x	2.1x	1.9x	0.4x	0.2x	0.2x	5.1%
9993 HK	Radiance*	4.30	2,233	5.1x	4.5x	3.5x	0.7x	0.6x	0.6x	7.5%
2772 HK	Zhongliang	4.44	2,042	3.7x	3.2x	2.8x	1.2x	1.0x	0.8x	10.4%
1233 HK	Times	7.75	1,974	2.5x	2.2x	2.0x	0.7x	0.5x	0.5x	11.1%
2103 HK	Sinic*	4.17	1,911	6.7x	6.0x	4.8x	1.3x	1.1x	0.9x	4.0%
1966 HK	China SCE	3.08	1,669	3.4x	2.7x	2.2x	0.5x	0.4x	0.4x	9.0%
3883 HK	Aoyuan*	4.75	1,644	2.2x	2.0x	1.8x	0.6x	0.5x	0.4x	19.5%
272 HK	Shui On Land	1.26	1,304	NA	NA	NA	0.2x	NA	NA	0.0%
1628 HK	Yuzhou*	1.54	1,246	NA	8.5x	5.2x	0.3x	0.3x	0.3x	23.4%
95 HK	Lvgem*	1.84	1,204	12.7x	4.4x	4.3x	0.3x	0.3x	0.3x	0.0%
1996 HK	Redsun*	2.65	1,133	5.6x	4.0x	3.8x	0.5x	0.4x	0.4x	5.5%
2019 HK	Dexin China*	2.87	995	4.4x	4.2x	3.9x	1.1x	0.9x	0.8x	4.6%
119 HK	Poly Prop	2.05	977	3.7x	NA	NA	0.2x	NA	NA	6.2%
3301 HK	Ronshine	4.29	927	2.7x	3.0x	2.4x	0.3x	0.3x	0.3x	12.1%
1098 HK	Roadking	8.94	860	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*	6.61	702	13.3x	10.6x	8.9x	1.2x	1.1x	1.0x	1.5%
230 HK	Minmetals*	0.77	331	22.9x	10.6x	6.0x	0.3x	0.3x	0.3x	2.6%
Total/Average			234,577	5.6x	4.4x	3.7x	0.7x	0.6x	0.5x	8.3%

Source: Company Data, *AMTD Research Estimates

Note: As of 27 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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