

**Shimao Property Holdings Ltd. (813 HK): Robust Presales, Land Acquisitions Accretive; Reiterate Buy**

**Rating BUY**

Price Target HK\$15.30 (from HK\$14.40)

Price HK\$13.10

### **Key Takeaway**

**Shimao continued its strong presales in September with ASP growth of 10% mom. Thanks to improving financial position, Shimao acquired three projects, and we expect more value-accretive acquisitions ahead. We raised our NAV to HK\$25.5, and increased our price target to HK\$15.3 (+6%). Reiterate Buy.**

**Strong presales, ASP improved:** Shimao achieved Rmb5.14bn presales with GFA sold of 467k sqm in September, up 42% yoy and 50% yoy, respectively. Its ASP grew 10% mom to Rmb11,007/sqm. YTD, it has achieved contracted sale of Rmb35.7bn, 16% higher than 2011 full-year presales. With 89% of RMB40bn target locked-in on our estimate, Shimao stands ahead of the peers. In October, Shimao will launch a couple of commercial projects in Tianjin, Jinan, and Qingdao.

**Robust cash position to support landbanking:** Given on-going strong monthly sale, the company has cash on hand of >Rmb15bn as of September. We estimate its 2012 net gearing to be below 60%. On strengthening financial position, Shimao acquired three new projects in Shanghai and Fujian recently with total GFA of 390k sqm at Rmb1.7bn. We expect the company to acquire more value-accretive projects in the fourth quarter.

**Key takeaways from management update:** 1) Management will focus more on ASP improvement than volume growth in 4Q 2012; 2) the company has over Rmb20bn saleable resources; 3) sell through rate was 60-70%; 4) GFA under construction of 7.5mn sqm, and it may increase 500k sqm GFA starts by end 2012; and 5) Shimao may raise club loan at interest rate <5%.

**Raise price target to HK\$15.2, maintain Buy:** We raised our 2012 presales target to Rmb42bn (from Rmb40bn) to reflect its robust presales, and we increased our NAV estimates by 6% to HK\$25.5 on strong financial position and new acquisitions. Our new price target of HK\$15.3 (+6%) is based on a 40% discount to NAV, reiterate Buy.

### **Valuation/Risks**

Our price target of HK\$15.3 is based on a 40% discount to 2012 NAV estimate of HK\$25.5 (WACC: 15%). Key risks: further tightening property policies and lower-than-expected presales.