

Xinyuan Real Estate Co (NYSE:XIN)

Financial | Real Estate Development

- XIN has the lowest P/S and P/B multiples amongst peers, despite operational performance on par or better than peers and one of the highest dividend yields.
- XIN's 4Q \$802.4mn contract sales beat the midpoint of management's guidance by 14.8%.

Company Description

XIN is a real estate developer and property manager that focuses on large-scale residential projects; it operates primarily in China and the US. In China, XIN develops and manages large-scale real estate projects, such as high-rise buildings and multi-layer apartment buildings, in several tier-one and tier-two cities such as Beijing, Shanghai, Zhengzhou, and Jinan. XIN was one of the first real estate developers in China to enter the US market, and it deals in the development of residential properties in three locations – Irvine, California; Reno, Nevada; and Brooklyn, New York. XIN is headquartered in Beijing, China and its website is www.xyre.com.

Key Data

52-Week Range	4.26 - 8.29
Shares Outstanding	70.65
Market Cap	4
3-Months Avg Volume	
Total Cash	1,119.46
Total Debt	3,327.71

Key Financials

	FY14A	FY15A	FY16A
Revenue	919.75	1,164.32	1,561.62
EBIT	97.05	105.54	179.36
EBITDA	105.67	114.29	188.05
Earnings	48.52	66.48	72.98
CFF	453.58	286.57	346.13

XIN Continues to be Undervalued Relative to Real Estate Developer Peers

In many respects, XIN is relatively undervalued compared to its peers, which is illustrated with our competitor heatmap.

- On a trailing twelve months' basis, XIN has performed around the median of its peers – with revenue, gross profit, and EBIT growth reflecting a 62nd, 48th, and 48th percentile ranking against peers, respectively
- Despite its relative operational performance, XIN has the lowest P/S and P/B multiples amongst peers
- XIN's P/E multiple manifests relative undervaluation as well – with a 25th percentile ranking
- In addition, XIN has the 3rd highest dividend yield

Company	Ticker	Mkt Cap (\$mn)	Rev Δ (TTM)	Gross Profit Δ (TTM)	EBIT Δ (TTM)	P/S	P/E	P/B	Div Yield
China Vanke Co Ltd-H	2202 HK	55,472	10%	36%	36%	1.4	13.6	2.8	2.8%
China Fortune Land Develop-A	600340 CH	17,117	54%	52%	52%	1.9	13.4	4.0	
Yango Group Co Ltd-A	000671 CH	5,234	30%	14%	14%	1.3	22.6	2.4	
Xinhu Zhongbao Co Ltd-A	600208 CH	5,888	5%	-15%	-15%	2.7	5.4	1.2	
Future Land Development Hold	1030 HK	4,799	25%	59%	59%	1.0	23.6	3.1	1.0%
Country Garden Holdings Co	2007 HK	39,774	41%	56%	56%	1.5	18.5	3.2	2.2%
Sunshine 100 China Holdings	2608 HK	1,121	36%	18%	18%	0.8	13.2	1.0	0.0%
China Aoyuan Property Group	3883 HK	2,276	11%	24%	24%	1.1	13.6	1.6	2.8%
Fantasia Holdings Group Co	1777 HK	972	-7%	11%	11%	0.7	9.9	0.6	4.2%
Yuzhou Properties Co	1628 HK	2,673	52%	55%	55%	0.9	8.3	1.4	6.6%
Beijing Capital Land Ltd-H	2868 HK	1,876	11%	150%	150%	0.6	5.7	0.7	5.1%
Modern Land China Co Ltd	1107 HK	667	-2%	-11%	-11%	0.5	6.1	0.8	4.7%
China South City Holdings	1668 HK	1,913	25%	21%	21%	1.7	3.4	0.5	2.7%
Kaisa Group Holdings Ltd	1638 HK	3,269	80%	201%	201%	0.8		1.3	0.0%
Sunac China Holdings Ltd	1918 HK	15,992	35%	66%	66%	2.2	22.6	3.9	1.1%
Lennar Corp-A	LEN US	17,972	15%	10%	10%	1.1	14.5	1.7	0.3%
K.B. Home	KBH US	2,408	22%	31%	31%	0.5	14.1	1.3	0.4%
Longfor Properties	960 HK	17,382	12%	29%	29%	2.0	11.0	1.7	3.6%
Central China Real Estate	832 HK	1,058	7%	-1%	-1%	0.6	12.1	1.0	0.0%
Cifi Holdings Group Co Ltd	884 HK	6,204	12%	25%	25%	1.4	8.5	2.2	2.4%
Landsea Green Properties Co	106 HK	491	187%	30%	30%	0.5	5.9	1.3	4.4%
Xinyuan Real Estate Co L-Adr	XIN US	424	27%	28%	28%	0.2	6.1	0.4	4.9%
Median		3,269	22%	29%	29%	1.1	12.7	1.4	2.5%

Development of New Business Segment - Construction Management Services

On its 3Q earnings call, XIN introduced a new business segment – Construction Management Service – launched to further leverage and capitalize on its industry know-how and resources. XIN entered a construction management agreement for Guangzhou Huanqiu – an office building project owned by a Guangzhou-based high-tech company. Under the agreement, XIN will hold minority interest in the project while charging a service fee for Construction Management Service.

In 4Q, 3 more projects were added to this burgeoning segment.

Financial Analysis

Income Statement

Income Statement Summary	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Revenue	1,980.24	1,561.62	1,164.32	919.75
Operating Income	245.71	179.36	105.54	97.05
Pretax Income	191.89	165.71	118.99	79.05
Income bef XO Items	79.79	79.46	66.48	48.50
Net Income	61.60	72.98	66.48	48.52
Basic EPS Before XO Items	1.02	1.19	0.93	0.36
Basic EPS	0.96	1.10	0.94	0.32
Diluted EPS Before XO Items	1.00	1.15	0.89	0.35
Diluted EPS	0.94	1.06	0.90	0.29
Dividends per Share	-	0.60	0.40	0.20
EBITDA	-	188.05	114.29	105.67
Return on Common Equity	6.49	7.95	7.01	5.07

Balance Sheet

Balance Sheet Summary	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Current Assets	5,196.12	3,931.45	3,262.96	3,070.46
Total Long-Term Assets	1,285.82	305.00	285.92	161.07
Total Assets	6,481.93	4,236.45	3,548.88	3,231.53
Total Current Liabilities	3,811.80	2,060.61	1,650.88	1,592.63
Total Long-Term Liabilities	1,608.67	1,259.68	962.05	678.28
Total Liabilities	5,420.47	3,320.29	2,612.93	2,270.91
Total Shareholders' Equity	1,061.46	916.15	935.95	960.61
Shares Outstanding	70.65	65.71	71.40	147.02
Book Value per Share	14.11	13.70	13.11	6.53
Tangible Book Value / Sh	-	13.70	13.11	6.53
Shareholder Equity/Total Liab	16.38	21.63	26.37	29.73

Cash Flow Statement

Cash Flow Summary	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Net Income	61.60	72.98	66.48	48.50
Depreciation and Amortization	-	8.69	8.75	8.62
Change in Working Capital	(486.52)	258.75	134.26	40.67
Cash - Operating Activities	-	(159.88)	(4.54)	(884.31)
Capital Expenditures	-	(2.74)	(2.48)	(5.93)
Cash - Investing Activities	-	4.47	(35.00)	(15.89)
Cash - Financing Activities	-	346.13	286.57	453.58
Net Changes in Cash	-	190.72	247.03	(446.62)
Free Cash Flow	-	(162.62)	(7.01)	(890.25)
Free Cash Flow / Basic Sh	-	(2.44)	(0.10)	(5.86)
Free Cash Flow / Diluted Sh	-	(2.36)	(0.10)	(5.03)
Cashflow per Share	-	(2.40)	(0.06)	(5.82)

Ratios & Margins

For the Fiscal Period Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Profitability				
Return on Assets %	1.73	1.96	1.87	1.15
Return on Capital %	3.07	3.00	3.28	2.89
Return on Equity %	5.07	7.01	7.95	6.49
Margin Analysis				
Gross Margin %	26.33	23.45	22.92	23.09
SG&A Margin %	-	-	-	-
EBITDA Margin %	11.49	9.82	12.04	-
EBIT Margin %	10.55	9.06	11.49	12.41
Earnings from Cont. Ops Margin %	10.55	9.06	11.49	12.41
Net Income Margin	5.27	5.71	4.67	3.11
Normalized Net Income Margin	5.97	5.67	5.06	3.30
Free Cash Flow Margin	(96.79)	(0.60)	(10.41)	-
Asset Turnover				
Total Asset Turnover	0.33	0.34	0.40	0.37
Fixed Asset Turnover	19.74	27.14	42.54	59.58
Accounts Receivable Turnover	76.69	40.50	41.79	29.34
Inventory Turnover	0.51	0.49	0.59	0.61
Short Term Liquidity				
Current Ratio	1.93	1.98	1.91	1.36
Quick Ratio	0.10	0.26	0.32	0.34
Cash from Ops. to Curr. Liab.	0.09	0.24	0.30	0.31
Avg. Days Sales Out.	4.76	9.01	8.76	12.44
Avg. Days Inventory Out.	722.01	744.94	624.53	602.13
Avg. Days Payable Out.	68.68	139.55	122.43	114.40
Avg. Cash Conversion Cycle	658.09	614.39	510.87	500.17

Ratios & Margins (cont'd.)

Long Term Solvency

Total Debt/Equity	159.83	186.93	230.63	313.50
Total Debt/Capital	61.51	65.15	69.75	75.82
LT Debt/Equity	67.87	99.31	136.15	143.16
LT Debt/Capital	26.12	34.61	40.46	32.52
Total Liabilities/Total Assets	20.99	27.11	29.73	24.82
EBIT / Interest Exp.	3.44	5.20	6.01	3.71
EBITDA / Interest Exp.	0.78	0.63	0.91	-
(EBITDA-CAPEX) / Interest Exp.	0.74	0.62	0.89	-
Total Debt/EBITDA	14.53	15.31	11.24	-
Net Debt/EBITDA	13.14	11.91	7.95	-

Growth Over Prior Year %

Total Revenue	2.5%	26.6%	34.1%	26.8%
Gross Profit	-19.0%	12.7%	31.1%	27.7%
EBITDA	-51.4%	8.2%	64.5%	
EBITA	-52.0%	8.1%	65.5%	
EBIT	-54.6%	8.7%	70.0%	37.0%
Earnings from Cont. Ops.	-61.6%	37.1%	19.5%	0.4%
Net Income	-61.6%	37.0%	9.8%	-15.6%
Normalized Net Income	-56.5%	20.3%	19.7%	-17.3%
Diluted EPS before Extra	-82.9%	210.3%	17.8%	-11.3%
Accounts Receivable	81.2%	172.0%	-22.2%	212.8%
Inventory	81.1%	10.7%	14.9%	28.8%
Net PP&E	-0.5%	-15.4%	-13.3%	-5.0%
Total Assets	35.7%	9.8%	19.4%	53.0%
Tangible Book Value	-46.5%	100.6%	4.5%	
Common Equity	0.8%	-2.6%	-3.8%	10.7%
Cash from Ops.	314.5%	-99.5%	3425.4%	
Capital Expenditures	70.4%	-58.2%	10.6%	
Levered Free Cash Flow	310.6%	-99.2%	2219.1%	
Unlevered Free Cash Flow	291.1%	-97.6%	741.6%	

Capital Structure

Current Capitalization (USD)		Capitalization Chart		Current	ROE - Basic	USD
Share Price	6.0		<ul style="list-style-type: none"> Market Cap Common Equity Total Liability Net Liability 	Profit Margin Net Profit 3.1 Sales 61.6 1980.2 x Asset Turnover Sales 0.4 Assets 1980.2 6481.9 x Equity Multiplier Assets 6.1 Equity 6481.9 1061.5 - ROE 7.0	3.1 61.6 1980.2 0.4 1980.2 6481.9 6.1 6481.9 1061.5 - 7.0	
x Shares Out.	70.6					
- Market Capitalization	423.9					
- Cash and Equivalents	1,175.1					
+ Total Debt	3,327.7					
+ Pref. Equity	0.0					
+ Total Minority Interest	64.5					
- Total Enterprise Value (TEV)	2,641.0					
Book Value of Common Equity	997.0					
+ Pref. Equity	0.0					
+ Total Minority Interest	64.5					
+ Total Debt	3,327.7					
- Total Capital	4,389.2					

Valuation Multiples

For the Fiscal Period Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2017
TEV/Total Revenue	1.89	1.40	1.18	1.36	1.36
TEV/EBITDA	16.43	14.21	9.77	#VALUE!	--
TEV/EBIT	17.89	15.39	10.24	10.98	10.99
P/Diluted EPS Before XO	0.29	0.90	1.06	0.94	0.94
P/BV	0.36	0.28	0.36	0.48	0.48



