KE Holdings Inc (2423 HK)

2Q26: Earnings Beat On Improved Operating Efficiency, But Outlook Weaker Than Expected

Highlights

- Beike's 2Q26 results came in above expectations. Revenue declined 5.7% yoy to Rmb24.5b, in line with our and consensus estimates. Non-GAAP net profit increased 75.4% yoy to Rmb3.2b, beating our and consensus expectations. Non-GAAP net margin expanded 6ppt yoy to 13.0% in 2Q26. Beike guided for 3Q26 revenue to be at approximately Rmb20.5b, or an 11% decline, below our and consensus estimates.
- Maintain BUY with a higher target price of HK$60.00 (US$23.00).

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	qoq	yoy	UOBKH	Var	Cons	Var
Total Net revenue	26,011	18,892	24,539	30%	-6%	24,106	2%	24,288	1.0%
Existing home transaction	6,719	6,132	7,023	15%	5%	6,938	1%		
New home transaction services	8,619	5,087	8,947	76%	4%	7,425	20%		
Home renovation and furnishing	4,565	2,339	3,191	36%	-30%	3,362	-5%		
Home rental services	5,675	5,013	4,833	-4%	-15%	5,958	-19%		
Emerging and other services	432	321	546	70%	26%	424	29%		
COGS	(20,311)	(14,332)	(17,526)	-22%	14%	(18,077)	-3%		
Gross profits	5,700	4,560	7,014	54%	23%	6,030	16%	6,237	12.5%
GPM	21.9%	24.1%	28.6%	4 ppt	7 ppt	25.0%	4 ppt	25.7%	3 ppt
Operating expenses	(4,640)	(3,287)	(3,988)	-21%	14%	(3,792)	5%		
Non-GAAP operating income	1,607	1,665	3,592	116%	124%	2,867	25%		
Non-GAAP OPM	6%	9%	15%	6 ppt	8 ppt	12.00%	3 ppt		
Non-GAAP net income	1,815	1,611	3,185	98%	75%	2,418	31.7%	2,376	34.0%
Non-GAAP Net Margin	7.0%	8.5%	13.0%	4 ppt	6 ppt	10.0%	3 ppt	9.8%	3 ppt

Source: Beike, UOB Kay Hian

Analysis

- **In-line top-line growth.** KE Holdings' (Beike) 2Q26 revenue declined 5.7% yoy (1Q26: -19.0% yoy), while total GTV increased 7.1% yoy. Revenue from existing-home transactions grew 4.5% yoy (1Q26: -10.7% yoy) to Rmb7.0b, mainly driven by an 8.0% yoy increase in existing-home GTV to Rmb629.9b, reflecting a recovery in transaction activity. Of which, commission revenue decreased 1.4% yoy to Rmb5.3b, primarily due to a 3.1% yoy decline in GTV of existing-home transactions served by Lianjia stores to Rmb206.6b. Revenue from new-home transactions increased 3.8% yoy to Rmb8.9b, with GTV rising 1.2% yoy to Rmb258.4b (1Q26: -37.2% yoy), supported by deeper coverage of high-quality projects. New-home take rate remained broadly stable at 3.46% in 2Q26.
- **New initiatives.** In 2Q26, home renovation and furnishing revenue declined 30.1% yoy (1Q26: -20.6% yoy) to Rmb3.2b, as the company proactively optimised its customer acquisition channel mix and moderated certain non-brokerage channels. Emerging and other services revenue grew 26.4% yoy (1Q26: -8.1% yoy) to Rmb546m, mainly driven by financial services. Home rental services revenue declined 14.8% yoy (1Q26: -1.5% yoy) to Rmb4.8b, primarily due to a higher proportion of new service offerings under the Carefree Rent business.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	93,457	94,580	85,968	89,516	93,354
EBITDA	4,777	3,183	8,209	9,270	9,675
Operating profit	3,765	2,111	7,367	8,397	8,788
Net profit (rep./act.)	4,065	2,994	6,406	6,979	7,396
Net profit (adj.)	7,198	5,019	8,621	9,189	9,587
EPS	204.3	144.5	248.4	263.5	273.5
PE	19.0	26.9	15.7	14.8	14.2
P/B	1.9	1.9	2.0	1.4	1.2
EV/EBITDA	24.7	37.0	14.4	12.7	12.2
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	4.3	3.2	7.5	7.8	7.9
Net debt/(cash) to equity	(28.1)	(23.7)	(24.9)	(44.5)	(47.6)
ROE	5.7	4.3	9.7	8.8	7.5
Consensus net profit	-	-	5,635.5	6,738.5	7,046.7
UOBKH/Consensus (x)	-	-	1.53	1.36	1.36

Source: Beike, Bloomberg, UOB Kay Hian

Analyst(s)

Julia Pan

juliapan@uobkh.com

+86 21 5404 7225 ext 808

BUY (Maintained)

Share Price	HK$45.38
Target Price	HK$60.00
Upside	32.2%
Previous TP	HK$53.00

Stock Data

Sector	Real Estate
Bloomberg ticker	2423 HK
Shares issued (m)	3,300.9
Market cap (US$m)	156,391.8
Market cap (US$m)	19,947.2
3-mth avg daily t'over (US$m)	66.0

Price Performance (%)

52-week high/low: HK$59.90/HK$35.38

1mth	3mth	6mth	1yr	YTD
2.9	0.4	0.2	(5.3)	9.3

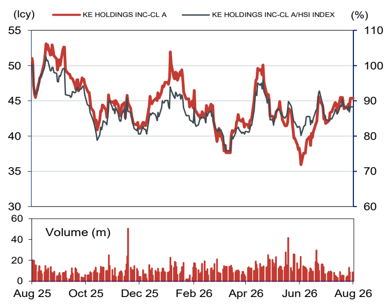
Major Shareholders (%)

Propitious Global	25.74

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	19.71
FY26 Net Debt/Share (Rmb$)	4.92

Price Chart



Source: Bloomberg

Company Description

KE Holdings Inc. operates as an integrated online and offline platform for housing transactions and services. The company offers existing and new home sales, home rentals, home renovation, real estate financial solutions, and other services. KE Holdings conducts businesses in China.

- **Margin overview.** Beike reported 2Q26 gross profit of Rmb4.8b, up 23.1% yoy, while gross margin improved 6.7ppt yoy to 28.6%, driven by improved contribution margins across major business lines, supported by lower personnel and material costs, cost optimisation, and a higher mix of higher-margin platform and rental service offerings. Non-GAAP operating income increased 124% yoy to Rmb3.6b while non-GAAP operating margin increased 8.5ppt yoy to 14.6%, the highest levels in three years. By segment, existing home/new home/home renovation and furnishing/emerging and other services recorded contribution margins of 46.1%/28.8%/39.6%/74.1% in 2Q26, respectively.
- **Platform operating metrics remained soft.** The number of stores decreased 0.4% yoy to 60,300, while active stores declined 1.5% yoy to 57,800. The number of agents fell 3.1% yoy to 540,600, with active agents down 7.5% yoy to 454,600. Average MAUs decreased 6.2% yoy to 45.7m.
- **Operating efficiency continued to improve.** Beike highlighted a stronger operating foundation and deeper organisational transformation in 2Q26, with greater collaboration among professional service providers, its platform and AI. The company continued to focus on improving consumer experience, service-provider productivity, operating efficiency and unit economics, while using AI to standardise and reuse professional service capabilities across cities and service scenarios. These initiatives are aimed at supporting more scalable and sustainable growth over the longer term.
- **3Q26 guidance.** Management guided for revenue of at least Rmb20.5b, down approximately 11% yoy and below our and consensus estimates, with non-GAAP operating margin above 10%. The guidance is based on relatively conservative market assumptions, while expecting Beike's operating alpha to remain intact. Existing- and new-home GTV are both assumed to be roughly flat yoy; for new homes, this still implies meaningful market outperformance, following Beike's 9% yoy GTV growth in July versus a 14% yoy decline in the broader market. Home renovation revenue is expected to decline 25-30% yoy and rental revenue by about 20% yoy, although managed rental units are targeted to exceed 900,000. Operating expenses are expected to decline qoq, partly due to the absence of the SUNAC-related bad-debt provision recorded in 2Q26.
- **2H26 property outlook remains cautious,** but management sees existing-home transactions structurally recovering. Management said transaction volumes are recovering while prices are still bottoming, with Tier 1 cities and higher-quality properties showing better resilience. Importantly, management indicated that 2H26 operations will not rely on a market recovery, with continued flexible resource allocation and strict ROI discipline rather than a return to aggressive expansion.
- **Share repurchases.** In 2Q26, Beike repurchased approximately US$250m of shares and conducted Hong Kong share repurchases for the first time. As of end-Jun 26, cumulative repurchases reached US$2.97b on the NYSE, plus HK$201.5m in Hong Kong, under its US$5b buyback programme valid through Aug 28. The company also maintained Rmb56.0b (US$8.3b) of cash, restricted cash and short-term investments, equivalent to approximately 43% of its market cap.

Valuation/Recommendation

- **Maintain BUY with a higher target price of HK$60.00 (US$23.00),** based on 20x PE 2027F PE. Beike is trading at 15x 2026F PE. We are cautious in view of the weaker market sentiment in 2H26.

Earnings Revision/Risk

- We cut our 3Q26/2026 revenue forecasts by 6.7%/4.3%, while revising earnings forecasts by +7.0%/-2.6%, respectively. We now forecast Beike's 2026 revenue to decline 9% yoy to Rmb86b, while adjusted net profit rises 63% yoy to Rmb8b, implying an adjusted net margin of about 10%, up from 5.3% in 2025.
- **Risks:** a) real estate sector cyclicality and lower growth in brokerage penetration in China's housing market, b) pressure and strict regulations on brokerage commission rates, and c) poor execution of new initiatives.

Share Price Catalyst

- a) Higher monetisation rates, b) less competition, c) positive policies issued by the government to stimulate housing transactions and a better funding environment for property developers, and d) strong growth prospects for new businesses.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	94,580.2	85,968.3	89,516.3	93,353.7
EBITDA	3,183.2	8,208.6	9,270.0	9,675.0
Deprec. & amort.	1,072.4	841.2	872.6	887.0
EBIT	2,110.9	7,367.4	8,397.4	8,788.1
Total other non-operating income	1,386.0	1,049.2	1,035.6	1,035.6
Associate contributions	372.7	195.1	(15.8)	(15.8)
Net interest income/(expense)	807.5	574.0	686.4	849.6
Pre-tax profit	4,677.1	9,185.7	10,103.5	10,657.4
Tax	(1,686.1)	(2,782.0)	(3,127.1)	(3,263.9)
Minorities	2.5	2.5	2.5	2.5
Net profit	2,993.5	6,406.2	6,979.0	7,396.0
Net profit (adj.)	5,019.5	8,621.1	9,189.4	9,586.8

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	2,069.6	1,866.9	2,600.0	2,831.8
Other LT assets	46,478.4	40,162.9	41,955.8	43,501.9
Cash/ST investment	15,943.8	16,426.1	41,169.1	49,980.9
Other current assets	52,176.4	53,921.2	49,225.0	48,808.0
Total assets	116,668.2	112,377.2	134,949.8	145,122.6
ST debt	207.7	85.8	85.8	85.8
Other current liabilities	42,199.5	41,196.8	42,210.0	42,905.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	7,731.1	5,518.2	5,518.2	5,518.2
Shareholders' equity	66,441.3	65,516.9	92,289.0	104,916.9
Minority interest	88.5	59.5	57.0	54.5
Total liabilities & equity	116,668.2	112,377.2	140,160.0	153,480.6

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(376.2)	12,466.2	14,114.4	10,025.0
Profit fo the year	4,677.1	9,185.7	10,103.5	10,657.4
Tax	(1,686.1)	(2,782.0)	(3,127.1)	(3,263.9)
Deprec. & amort.	1,072.4	841.2	872.6	887.0
Associates	(372.7)	(195.1)	15.8	15.8
Working capital changes	6,914.0	152.0	3,732.0	(304.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(10,980.8)	5,264.4	2,517.6	2,033.1
Investing	5,894.3	(1,701.1)	(971.8)	(1,213.8)
Capex (growth)	1,725.2	1,726.2	1,726.2	1,726.2
Investment	0.0	0.0	0.0	0.0
Others	4,169.2	(3,427.3)	(2,697.9)	(2,940.0)
Financing	(9,793.2)	191.7	(14.6)	0.6
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(9,793.2)	191.7	(14.6)	0.6
Net cash inflow (outflow)	(4,275.0)	10,956.8	13,128.0	8,811.8
Beginning cash & cash equivalent	21,441.9	17,084.3	28,041.1	41,169.1
Changes due to forex impact	(82.6)	0.0	0.0	0.0
Ending cash & cash equivalent	17,084.3	28,041.1	41,169.1	49,980.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	3.4	9.5	10.4	10.4
Pre-tax margin	4.9	10.7	11.3	11.4
Net margin	3.2	7.5	7.8	7.9
ROA	2.4	5.6	5.6	5.3
ROE	4.3	9.7	8.8	7.5
Growth				
Turnover	1.2	(9.1)	4.1	4.3
EBITDA	(33.4)	157.9	12.9	4.4
Pre-tax profit	(31.9)	96.4	10.0	5.5
Net profit	(26.4)	114.0	8.9	6.0
Net profit (adj.)	(30.3)	71.8	6.6	4.3
EPS	(29.3)	71.9	6.1	3.8
Leverage				
Debt to total capital	0.3	0.1	0.1	0.1
Debt to equity	0.3	0.1	0.1	0.1
Net debt/(cash) to equity	(23.7)	(24.9)	(44.5)	(47.6)