

New World Development (17 HK)

FY26: Core Profit Turns Positive; 11 SKIES Exit Helps Long-term Cash Flow, But Debt Metrics Warrant Caution

Highlights

- Underlying net profit back in profit, beating expectations, supported by lower finance costs as well as growth in core operations' results. Higher provisions and impairment led to expanded attributable losses.
- Early termination of the 11 SKIES contract, as announced on 30 Sep 26, is positive on NWD's long-term cash flow, but weaker debt metrics need caution.
- Maintain HOLD with a lower target price of HK\$6.44 to reflect a wider NAV discount of 80% (previously 70%), taking into account the company's debt metrics and the market's interest-rate outlook.

FY26 Results

Year to 30 Jun (HK\$m)	FY26	FY25	YoY	UOB KH Actual vs est.
Revenue	19,992	27,681	-27.8%	28,826 -30.6%
Gross profit	9,426	11,626	-18.9%	12,802 -26.4%
EBIT	-22,982	-8,283	n/m	3,351 n/m
Attributable net profit	-28,149	-16,302	n/m	-3,396 n/m
Underlying net profit before MI & perps*	2,228	-1,225	n/m	n/a n/m
Underlying net profit after MI & perps*	897	-1,170	n/m	-3,396 n/m
Basic EPS (HK\$)	-7.72	-6.82	n/m	-1.35 n/m
DPS (HK\$)^	0.0	0.0	n/m	0.0 n/m
Net gearing	68.30%	58.10%	+10.2ppt	61.72% +6.6ppt
Net gearing (PCs as debt)	98.22%	90.52%	+7.7ppt	87.56% +10.7ppt
Profit by segments	FY26	FY25	YoY	UOB KH Actual vs est.
Development properties	6,010	5,580	+7.7%	6,100 -1.5%
Investment properties	3,475	3,244	+7.1%	3,791 -8.3%
Construction	-28.8	-180.2	n/m	-182.0 n/m
Hotel operations	-330.2	-359.8	n/m	-164.9 n/m
Others	-989	-1,214	n/m	-1,214 n/m

* Excl. non-cash items such as provision, impairment and fair value change.

Source: New World Development, UOB Kay Hian

Analysis

- Underlying net profit beat expectations; high provisions deepened net loss.** In FY26, New World Development (NWD) reported HK\$2.2b of underlying net profit from recurring and core operations (before minority interest and perps distribution), representing a turnaround from a loss of HK\$1.2b in FY25, beating market expectation of a loss of HK\$2,125m. This is mainly thanks to: a) increase in profits from development and investment properties, and b) a 14.9% yoy decrease in finance costs. However, attributable net loss expanded 72.7% yoy to HK\$28.2b in FY26, due to: a) HK\$18.3b net impairment losses and provisions relating to the 11 SKIES project, and b) HK\$8.0b impairment loss on property inventories. Net gearing ratio edged up 10.2ppt to 68.3% as cash declined 34.4% yoy to HK\$17b as of Jun 26. The company continued to halt dividends and perps distribution.

Key Financials

Year to 30 Jun (HK\$m)	2025	2026	2027F	2028F	2029F
Net turnover	27,681	19,992	26,299	26,571	26,862
EBITDA	(9,210)	(23,226)	3,964	5,027	5,094
Operating profit	(7,155)	(21,174)	6,021	7,085	7,151
Net profit (rep./act.)	(16,302)	(28,149)	148	1,442	1,767
Net profit (adj.)	(1,170)	897	148	1,442	1,767
EPS (HK\$)	90.7	35.6	5.9	57.3	70.2
PE (x)	6.7	17.0	102.7	10.6	8.6
P/B (x)	0.1	0.1	0.1	0.1	0.1
EV/EBITDA (x)	n.a.	n.a.	37.3	29.4	29.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(58.9)	(140.8)	0.6	5.4	6.6
Net debt/(cash) to equity (%)	63.1	74.1	70.9	71.1	68.8
Interest cover (x)	(2.0)	(5.5)	1.0	1.3	1.4
ROE (%)	(7.9)	(15.0)	0.1	0.8	1.0
Consensus net profit (HK\$m)	-	-	(1,948.0)	(923.0)	(460.0)
UOBKH/Consensus (x)	-	-	(0.08)	(1.56)	(3.84)

Source: New World Development, UOB Kay Hian

Analyst(s)

Liu Jieqi

Jieqi.Liu@uobkh.com

+852 28261392

Damon Shen

Damonshen@uobkh.com

+86 21 54047225 ext.820

HOLD (Maintained)

Share Price	HK\$6.05
Target Price	HK\$6.44
Upside	6.4%
Previous TP	HK\$9.60

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	17 HK
Shares issued (m):	2,516.6
Market Cap (HK\$m):	15,225.4
Market cap (US\$m):	1,952.0
3-mth avg t'over (US\$m):	4.2

Price Performance (%)

52-week high/low			HK\$12.45/HK\$5.58	
1mth	3mth	6mth	1yr	YTD
(5.6)	(3.7)	(25.0)	(22.6)	(16.8)

Major Shareholders (%)

Chow Tai Fook Enterprises Ltd	45.24%
-------------------------------	--------

Balance Sheet Metrics

FY27 NAV/Share (HK\$)	59.22
FY27 Net Debt/ Share (HK\$)	50.10

Price Chart



Source: Bloomberg

Company Description

New World Development develops and invests in residential and commercial properties in Hong Kong and the Chinese Mainland. It owns and operates the K11 cultural-retail and office portfolio and also runs hotels, facilities management and a department store. Chow Tai Fook Enterprises holds 45.2%.

- **FY26 sales beat target; HK\$27b target maintained for FY27.** FY26 contracted sales reached HK\$29.6b, exceeding the HK\$27b target set in Sep 25. Management has maintained its HK\$27b sales target for FY27, supported by over 3,000 planned Hong Kong units — led by four Pavilia projects and the Fanling Ma Sik Road launch — plus new Mainland projects including Shenzhen Bay Pavilion.
- **Investment properties (IP) operations continued to improve.** Hong Kong rental income and results rose 5.9% and 9.1% yoy, respectively. Occupancy improved across major malls, while K11 MUSEA tenant sales grew 23%, outperforming the Hong Kong market and matching leading high-end malls. In China, rental income and results increased 5.2% and 1.4% yoy, respectively. Shanghai K11 Art Mall and K11 Atelier are expected to be spun off into China-listed C-REITs in FY27, generating Rmb3.2b in cash, increasing cash by 22% and reducing net gearing by approximately 2ppt. Overall, we think NWD's IP portfolio remained competitive. Its FY26 IP results covered approximately 55% of interest expenses.
- **Early termination of 11 SKIES contract is positive on NWD's long-term cash flow.** NWD announced on 30 Sep 26 plans to end the 11 SKIES contract with the Airport Authority early, surrendering the project on 1 Apr 27 for a HK\$2.3b fee. NWD will provide agreed pre- and post-handover works at no cost, with a total capex budget of HK\$1,049.5m. Separately, Chow Tai Fook Enterprises granted the Airport Authority an option to acquire 750m NWD shares for HK\$2.25b. The option is exercisable only if the transfer would not breach bank covenants or make the Airport Authority the largest shareholder; transferred shares are locked up until 30 Sep 32. NWD has marked HK\$18,321.5m charge relating to 11 SKIES, covering the above expenses and HK\$14,722m of impairment losses on contract assets and prepayments. We see the exit as positive: At current rents, we estimate that early termination improves net present value (NPV) by approximately HK\$5b, reducing the contract's negative NPV from HK\$8.5b to HK\$3bn.
- **Despite improved earnings and positive action on 11 SKIES, NWD's key debt metrics deteriorated.** Net debt rose 5.2% yoy to HK\$126.3b, while net gearing increased 10.2ppt to 68.3%, partly reflecting a 10.6% decline in total equity to HK\$184.8b following the loss. Cash fell 34.4% to HK\$17.0b, while debt due within one year surged 253.7% to HK\$23.2b, driving the cash-to-short-term-debt ratio down to 0.73x as of Jun 26 from 3.90x a year earlier. NWD attributes the net debt increase to timing of cash collection and JV accounting. Nevertheless, with higher interest rates potentially lifting finance costs and weighing on property sales, we expect cash flow to remain tight in FY27.
- **For FY27, management will continue to prioritise cash flow and debt reduction.** NWD will continue debt reduction through asset monetisation, cost control and disciplined capex, keeping FY27 capex below HK\$12b, while further exploring C-REITs for Mainland assets.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of HK\$6.44.** We maintain our HOLD rating and raise our NAV estimate slightly from HK\$32.10 to HK\$32.20, while lowering our target price to HK\$6.44 to reflect a wider NAV discount of 80% (previously 70%), taking into account the company's debt metrics and the market's interest-rate outlook.

Earnings revision/risk.

- Raise our FY27/28 earnings forecasts from -HK\$1002m/HK\$426m to HK\$148m/HK\$1,442m, respectively.

Share Price Catalyst

- Stronger-than-expected property sales.

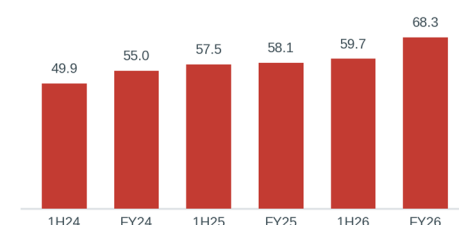
Occupancy Rate Of Key IPs In Hong Kong And Mainland China

Asset	Dec 25	Jun 26	hoh
Hong Kong			
K11 MUSEA	98%	99%	+1ppt
K11 ATELIER King's Rd	88%	95%	+7ppt
New World Tower	90%	90%	Flat
83 King Lam St	74%	83%	+9ppt
Mainland China			
Shanghai K11 Art Mall	92%	95%	+3ppt
Wuhan Hankou K11	89%	92%	+3ppt
Wuhan Guanggu K11	90%	94%	+4ppt
Shenyang K11	83%	81%	-2ppt

Source: NWD (Dec 25 Hong Kong figures from the 1H26 interim announcement), UOB Kay Hian

Net Gearing Ratio

Net gearing ratio (%)



Source: New World Development, UOB Kay Hian

Profit & Loss

Year to 30 Jun (HK\$m)	2026	2027F	2028F	2029F
Net turnover	19,992.2	26,299.2	26,571.3	26,861.8
EBITDA	(23,225.5)	3,964.2	5,026.7	5,093.8
Deprec. & amort.	(2,051.5)	(2,056.5)	(2,058.5)	(2,057.2)
EBIT	(21,174.0)	6,020.7	7,085.2	7,150.9
Total other non-operating income	(3,794.8)	(1,987.0)	(1,987.0)	(1,987.0)
Associate contributions	1,638.2	1,638.2	1,638.2	1,638.2
Net interest income/(expense)	(4,211.8)	(3,914.9)	(3,827.1)	(3,740.9)
Pre-tax profit	(27,542.4)	1,756.9	2,909.3	3,061.2
Tax	(1,262.9)	(2,396.5)	(2,412.5)	(2,428.8)
Minorities	656.5	787.8	945.4	1,134.4
Net profit	(28,148.8)	148.2	1,442.2	1,766.9
Net profit (adj.)	897.1	148.2	1,442.2	1,766.9

Cash Flow

Year to 30 Jun (HK\$m)	2026	2027F	2028F	2029F
Operating	14,305.9	11,124.0	13,344.0	12,302.8
Profit to the year	(27,542.4)	1,756.9	2,909.3	3,061.2
Tax	(1,262.9)	(2,396.5)	(2,412.5)	(2,428.8)
Deprec. & amort.	(2,051.5)	(2,056.5)	(2,058.5)	(2,057.2)
Associates	(1,638.2)	(1,638.2)	(1,638.2)	(1,638.2)
Working capital changes	(141.5)	6,308.7	5,677.8	5,110.1
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	46,942.4	9,149.5	10,866.1	10,255.7
Investing	(11,076.1)	(4,616.0)	(4,695.6)	(4,776.7)
Capex (growth)	(12,121.2)	(3,977.8)	(4,057.4)	(4,138.5)
Investment	41,340.5	42,978.7	44,616.9	46,255.1
Others	(40,295.4)	(43,616.9)	(45,255.1)	(46,893.3)
Financing	(10,559.2)	(12,397.1)	(12,560.3)	(12,756.9)
Dividend payments	(177.7)	(177.7)	(177.7)	(177.7)
Proceeds from borrowings	(2,971.5)	(3,746.5)	(3,844.9)	(3,976.0)
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(7,410.0)	(8,472.9)	(8,537.7)	(8,603.2)
Net cash inflow (outflow)	(7,329.4)	(5,889.1)	(3,911.9)	(5,230.9)
Beginning cash & cash equivalent	24,290.2	16,960.8	11,071.8	7,159.9
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	16,960.8	11,071.8	7,159.9	1,929.0

Balance Sheet

Year to 30 Jun (HK\$m)	2026	2027F	2028F	2029F
Fixed assets	232,350.9	237,057.7	241,880.5	246,822.7
Other LT assets	55,803.3	57,517.0	59,234.4	60,955.8
Cash/ST investment	16,960.4	19,557.3	15,383.5	15,383.5
Other current assets	86,582.4	80,499.8	75,075.9	70,220.4
Total assets	391,697.0	394,631.8	391,574.3	393,382.4
ST debt	24,508.8	24,031.7	23,564.1	23,105.9
Other current liabilities	51,037.9	47,116.7	46,555.6	46,115.0
LT debt	124,078.4	121,596.8	119,164.9	116,781.6
Other LT liabilities	7,255.5	17,709.7	17,616.0	22,073.9
Shareholders' equity	177,595.9	177,744.1	179,186.3	180,953.2
Minority interest	7,220.5	6,432.7	5,487.3	4,352.9
Total liabilities & equity	391,697.0	394,631.8	391,574.3	393,382.4

Key Metric

Year to 30 Jun (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	(116.2)	15.1	18.9	19.0
Pre-tax margin	(137.8)	6.7	10.9	11.4
Net margin	(140.8)	0.6	5.4	6.6
ROA	(6.9)	0.0	0.4	0.5
ROE	(15.0)	0.1	0.8	1.0
Growth				
Turnover	(27.8)	31.5	1.0	1.1
EBITDA	n.a.	n.a.	26.8	1.3
Pre-tax profit	n.a.	n.a.	65.6	5.2
Net profit	n.a.	n.a.	873.0	22.5
Net profit (adj.)	(60.7)	(83.5)	873.0	22.5
EPS	(60.7)	(83.5)	873.0	22.5
Leverage				
Debt to total capital	44.6	44.2	43.6	43.0
Debt to equity	83.7	81.9	79.7	77.3
Net debt/(cash) to equity	74.1	70.9	71.1	68.8
Interest cover (x)	(5.5)	1.0	1.3	1.4

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."