# New World Development (17 HK)

Rights Issue Strenghtens Balance Sheet but Dilutes NAV per Share by 90%

## Highlights

- **NWD has proposed an 11-for-1 rights issue at HK$0.90 per share** to raise HK$24.9b, an 81.5% discount to the last close, fully underwritten by CTFE, HSBC and DBS. It is inter-conditional with a two-year extension of HK$82.0b of bank loans after a 10% prepayment.
- **The rights issue is expected to lower net gearing** by 20.0ppt to 48.3% and lower adjusted net gearing to 71%. Cash to short-term debt ratio is expected to recover to 1x. However, financial risks remain with 70% gearing ratio. The share count rises 12-fold, lowering our NAV per share by 89.1%.
- **Maintain HOLD with a lower target price of HK$2.70** (previously HK$6.44), including the value of the rights. Excluding the rights, our NAV-derived target price is HK$1.05, based on a narrower NAV discount of 70% (previously 80%) to our post-rights NAV, reflecting the improved debt metrics.

## Analysis

- **Issue price at fair discount to diluted NAV; completion is conditional.** New World Development (NWD) has proposed a 11-for-1 rights issue, issuing 27.68b rights shares at HK$0.90, raising HK$24.1b net. The price is 26.9% below the theoretical ex-rights price (TERP) of HK$1.23. Considering the dilution effect, this issue price is at 75%/85% discount to our estimated and company's reported NAV per share of HK$3.5/HK$5.8, respectively, so the issue price is not cheap in our view. The issue is inter-conditional with the prepayment of 10% of HK$82.0b of offshore bank loans due Mar 27-Dec 29 and a two-year extension of the remaining HK$73.8b, which needs all lenders to sign. The whitewash waiver needs at least 75% of independent shareholders'votes.
- **ull underwritten may increase control concentration.** CTFE (45.3%) will take up its full entitlement of about HK$11.3b and underwrite up to a further 29.7% of the issue, with HSBC and DBS underwriting the remaining 25%. We expect capital contribution from CTFE to range between HK$11b-20b.

### Shareholding Structure Before And After The Rights Issue (%)

| | Current | Full take-up | No take-up, all placed | No take-up, none placed |
|---|---|---|---|---|
| CTFE and concert parties | 45.59 | 45.59 | 45.35 | 72.55 |
| Presumed concert parties* | 2.25 | 2.25 | 0.19 | 0.19 |
| Independent placees | - | - | 50.12 | - |
| HSBC and DBS (underwriters) | - | - | - | 22.92 |
| Other public shareholders | 52.17 | 52.17 | 4.35 | 4.35 |
| Total shares (m) | 2,516.6 | 30,199.6 | 30,199.6 | 30,199.6 |

*Source: NWD, UOB Kay Hian. * Considered by the Executive to be acting in concert with CTFE.*

### Key Financials

| Year to 30 Jun (HK$m) | 2025 | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| Net turnover | 27,681 | 19,992 | 26,299 | 26,571 | 26,862 |
| EBITDA | (9,210) | (23,226) | 3,964 | 5,027 | 5,094 |
| Operating profit | (7,155) | (21,174) | 6,021 | 7,085 | 7,151 |
| Net profit (rep./act.) | (16,302) | (28,149) | 148 | 1,442 | 1,767 |
| Net profit (adj.) | 2,283 | 897 | 148 | 1,442 | 1,767 |
| EPS (HK$) | 90.7 | 35.6 | 5.9 | 57.3 | 70.2 |
| PE (x) | 3.2 | 8.1 | 49.0 | 5.0 | 4.1 |
| P/B (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/EBITDA (x) | n.a. | n.a. | 35.3 | 27.8 | 27.4 |
| 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: NWD, Bloomberg, UOB Kay Hian*

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**HOLD (Maintained)**

| | |
|---|---|
| Share Price | HK$2.885 |
| Target Price | HK$2.700 |
| Upside | -6.4% |
| Previous TP | HK$6.44 |

### Stock Data

| | |
|---|---|
| GICS sector | Real Estate |
| Bloomberg ticker: | 17 HK |
| Shares issued (m): | 2,516.6 |
| Market Cap (HK$m): | 7,260.5 |
| Market cap (US$m): | 925.4 |
| 3-mth avg t'over (US$m): | 7.0 |

### Price Performance (%)

| 52-week high/low | | | | HK$11.38/HK$2.885 |
|---|---|---|---|---|
| 1mth | 3mth | 6mth | 1yr | YTD |
| (42.6) | (58.1) | (67.9) | (62.1) | (60.3) |

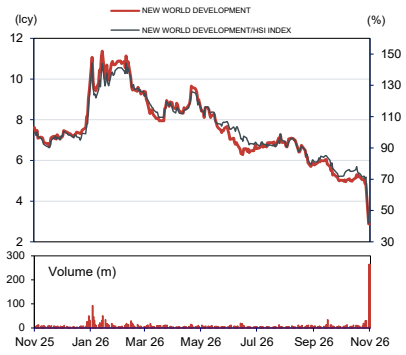
### Major Shareholders (%)

| | |
|---|---|
| Chow Tai Fook Enterprises Ltd | 45.33 |

### Balance Sheet Metrics

| | |
|---|---|
| FY26 NAV/Share (HK$) | 32.2 |
| FY26 Net Debt/ Share (HK$) | 50.2 |

### Price Chart




*Source: Bloomberg, UOB Kay Hian*

### 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 and its subsidiaries hold 45.3%.

- **Key dates to look out for include an** EGM on 5 Jan 27, ex-rights on 7 Jan 27 and acceptance by 29 Jan 27 (see timetable on next page).
- **Improving financial metrics, but financial risk remains.** Of the HK$24.1b net proceeds, 34% (HK$8.2b) will be used to prepay the bank loans, 36% (HK$8.7b) will service notes, loans, interest and deferred perpetual distributions, and 30% (HK$7.2b) will fund development. On the company's pro forma, net debt falls 19.7% to HK$101.4b and net gearing falls 20.0ppt to 48.3%. Adjusted net gearing, which treats the HK$27.9b of perpetuals as debt, fell 26.4ppt to 71.8%. We also expect the cash-to-short-term-debt ratio to recover to 1.05x from 0.69x as of Jun 26. Repaying HK$16.9b of borrowings would save about HK$0.5b of interest a year at the FY26 effective rate of 3.1%. After all, we think the 70% adjusted gearing remains high and NWD needs further deleveraging.

### Gearing And Cash-To-Short Term Debt Before And After The Rights Issue

| HK$b | Jun 26 | Co. pro forma post rights issue | UOBKH: pro. Forma post rights issue |
|---|---|---|---|
| Net debt | 126.3 | 101.4 | 102.2 |
| Total equity | 184.8 | 209.7 | 208.9 |
| Perpetual capital securities | 27.9 | 27.9 | 27.9 |
| Net gearing (%) | 68.3 | 48.3 | 48.9 |
| Adjusted net gearing (%)* | 98.2 | 71.1 | 71.8 |
| Cash/ST debt (x) | 0.69 | n.a. | 1.05 |

*Source: NWD, UOB Kay Hian. * Perpetuals as debt. UOBKH: HK$24.1b net proceed.*

- **NAV per share will be diluted by about 90%.** With the share count rising 12-fold to 30.2b, the company's NAV per share falls 90.3% to HK$5.80 and our estimated NAV per share falls 89.1% to HK$3.50. The HK$0.90 subscription price is a 74.4% discount to our post-rights NAV.

### NAV Before And After The Rights Issue

| HK$m | UOBKH pre | UOBKH post | Co. pre | Co. post |
|---|---|---|---|---|
| Net asset value (Jun 26) | 81,091 | 105,991 | 149,738 | 174,638 |
| Number of shares (m) | 2,517 | 30,199 | 2,517 | 30,199 |
| NAV/share (HK$) | 32.2 | 3.5 | 59.5 | 5.8 |
| Last price discount to NAV (%) | (84.9) | | (91.8) | |
| Rights price discount to NAV (%) | | (74.4) | | (84.4) |

*Source: NWD, UOB Kay Hian.*

- **Further deleveraging depends on management execution.** Management targets HK$150b-200b of attributable contracted sales and asset disposals by end-31, to support a HK$40b-50b reduction in gross debt. We view this sales and disposals target as key to NWD's deleveraging, but the sales target will not be easy to achieve: Reaching HK$150b-200b requires an average of about HK$27b-36b of contracted sales and asset disposals a year from Jul 26 to end-31, while NWD's FY26 contracted sales were HK$29.6b even as the Hong Kong market recovered strongly in 2H25-1H26. Solid execution from management is essential.

## Valuation/Recommendation

- **Maintain HOLD with a lower target price of HK$2.70 (previously HK$6.44).** Our previous target price was based on an 80% discount to our estimated NAV of HK$32.20 per share. With the company's debt metrics improving, we narrow the NAV discount to 70%. %. After the NAV dilution from the rights issue, our target price excluding the rights is HK$1.05 per share, or HK$2.70 including the rights.

## Earnings Revision/Risk

- None.

## Share Price Catalyst

- Lower-than-expected HIBOR; faster non-core disposals and property sales.

### Rights Issue Timetable

| Date | Event |
|---|---|
| 4 Dec 26 | Circular and EGM notice |
| 5 Jan 27 | EGM |
| 6 Jan 27 | Last day cum-rights |
| 7 Jan 27 | Ex-rights |
| 14 Jan 27 | Record date |
| 19-26 Jan 27 | Nil-paid rights trading |
| 29 Jan 27 | Latest time for acceptance |
| 2 Feb 27 | Placing of unsubscribed shares |
| 4 Feb 27 | Results announcement |
| 10 Feb 27 | Fully-paid shares start trading |

Source: NWD, UOB Kay Hian

### Use Of Net Proceeds

| | |
|---|---|
| Net proceeds | HK$24.1b |
| Breakdown | |
| Prepay 10% of Target Facilities | 34% (HK$8.2b) |
| Debt servicing: senior notes, bank loans, interest, deferred perpetual distributions | 36% (HK$8.7b) |
| Development pipeline | 30% (HK$7.2b) |
| **Total** | 100% |

*Source: NWD, 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** |

## 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** |

## 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 fo 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** |

## 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 |

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