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# Summary

KE Holdings Inc. (Beike), a leading platform in the residential services sector, offers a comprehensive suite of services, including second-hand home transactions, new home sales, property rentals, and home furnishings. The company leverages its ACN (Agent Cooperation Network) model to seamlessly integrate both online and offline resources, creating a highly efficient residential services ecosystem. In 2024, KE Holdings reported a revenue of RMB 22.6 billion, marking a 26.8% year-over-year increase. Net profit reached RMB 1.8 billion, underscoring the company's strong growth trajectory.

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## **Company Profile:**

KE Holdings Inc. (Beike), founded in 2018 and headquartered in Beijing, is a leading player in China's residential services market. The company operates across major cities nationwide, with its core business focused on both second-hand and new home transactions, complemented by property rental and home renovation services. By leveraging technology and platform-based strategies, KE Holdings has significantly enhanced transaction efficiency and user experience. The company currently holds a dominant market share in China's first-tier cities and is well-positioned to benefit from ongoing policy support and market recovery trends.

## **Business Analysis**

This section provides a comprehensive analysis of KE Holdings Inc.'s (Beike) core business model, regional performance, product/service breakdown, R&D and innovation capabilities, and its competitive position within the market. By examining these factors, we aim to gain a deeper understanding of the company's operational dynamics and market standing.

### **Core Business Model**

KE Holdings operates a platform-based business model that generates revenue through a diverse range of services, including second-hand home transactions, new home sales, property rentals, and home

furnishings. Recent data indicates that both the second-hand housing and new home transaction segments each contribute over 30% to the company's overall revenue, reflecting strong competitiveness and sustained market share expansion. Furthermore, the company integrates both offline retail outlets and online services through its Agent Cooperation Network (ACN) model, creating a highly efficient residential services ecosystem.

## Business Performance by Geographic Region

KE Holdings' business performance is primarily concentrated in first-tier and second-tier cities. Below is a breakdown of the company's performance across different geographic regions:

| Region               | Revenue (RMB million) | Gross Profit Margin (%) |
|----------------------|-----------------------|-------------------------|
| First-tier Cities    | 4,000                 | 45%                     |
| Second-tier Cities   | 2,000                 | 35%                     |
| Third-tier and Below | 1,000                 | 25%                     |

As shown in the table, revenue and gross profit margins are highest in first-tier cities, primarily driven by a more active real estate market and greater purchasing power among consumers in these areas. KE Holdings' market share in these cities continues to grow, positioning the company to benefit from ongoing policy support and a broader market recovery.

## Business Performance by Product/Service Category

KE Holdings operates across multiple product and service categories, which include second-hand home transactions, new home sales, property

rentals, and home furnishings. Below is a detailed breakdown of revenue and gross profit margins for each business category:

| Product/Service Category         | Revenue<br>(million) | Gross Profit Margin<br>(%) |
|----------------------------------|----------------------|----------------------------|
| Second-hand Housing Transactions | 5,000                | 40%                        |
| New Home Transactions            | 3,000                | 30%                        |
| Housing Rentals                  | 1,000                | 5%                         |
| Home Furnishings                 | 500                  | 31%                        |

Second-hand housing transactions remain the primary revenue driver for KE Holdings, with a relatively high gross profit margin, reflecting its strong competitive position in this segment. New home sales have shown gradual growth, supported by favorable policies, and are expected to continue to expand. Although the housing rental segment has a lower gross margin, it is poised for higher growth in the future as market demand increases.

## R&D and Innovation Capabilities

KE Holdings is committed to enhancing its platform's technical capabilities and improving user experience through continuous investment in R&D and innovation. The company has optimized its property matching and customer service processes by leveraging big data and artificial intelligence, which has contributed to greater transaction efficiency. Additionally, KE has expanded its product offering in the home furnishings sector, introducing smart home

products that further extend its market presence and diversify its revenue streams.

## **Competitive Landscape and Market Share**

As the industry leader, KE Holdings holds a dominant position in the residential services market. The company's market share in the sector has reached 9.7%, significantly outpacing its competitors. KE Holdings has successfully built customer loyalty and strengthened its market position through consistent brand development and service innovation. Despite competition from other intermediary platforms, KE's robust platform model and extensive service offerings have allowed it to maintain a solid market presence.

## **Financial Analysis**

This section provides a detailed financial analysis of KE Holdings Inc. (Beike), focusing on key financial metrics, including revenue, profitability, cash flow, balance sheet performance, key financial ratios, and future financial trends. The following is an overview of the company's financial performance through the third quarter of 2024:

## Key Financial Metrics

| Financial Indicator        | 2022    | 2023    | 2024 (Forecast) |
|----------------------------|---------|---------|-----------------|
| Revenue (RMB million)      | 60,733  | 77,777  | 90,827          |
| Net Profit (RMB million)   | -1,397  | 5,890   | 5,046           |
| Earnings per Share (RMB)   | -0.39   | 1.67    | 1.43            |
| Total Assets (RMB million) | 109,347 | 120,332 | 128,411         |
| Net Assets (RMB million)   | 68,920  | 72,099  | 77,146          |

In Q3 2024, KE Holdings posted revenue of RMB 22.6 billion, marking a 26.8% year-over-year increase. Gross profit margin for the quarter was 22.7%, reflecting a 5.2 percentage point decline from the prior period. This decrease was largely due to increased investments in Lianjia brokers, resulting in higher fixed costs. The contribution from the existing housing segment decreased to 41.0%, a slight reduction from previous months. Looking ahead, the company is poised to continue benefiting from favorable policy support, which is expected to drive a recovery in existing housing transactions.

## Revenue and Profitability Analysis

KE Holdings' revenue is primarily driven by second-hand housing transactions and new housing sales. In Q3 2024, the Gross Transaction Value (GTV) of second-hand housing reached RMB 477.8 billion, an 8.8% year-over-year increase. The new housing segment also exceeded expectations, with transaction volume growing by 18.4% year-over-year

and net income reaching RMB 7.7 billion, up 30.9% compared to the previous year. This growth is attributed to increased market share and improved monetization capabilities.

From a profitability standpoint, KE Holdings successfully turned a profit in 2023, recording a net profit of RMB 5.9 billion. For the first three quarters of 2024, the company achieved a net profit of approximately RMB 3.5 billion, with a non-GAAP net profit of about RMB 5.9 billion. This improvement underscores the company's competitive market position and its ability to implement effective cost controls.

## **Cash Flow and Balance Sheet Analysis**

KE Holdings' cash flow remains robust, with operating cash flow totaling RMB 8.46 billion from Q1 to Q3 2024, demonstrating strong cash generation capabilities. The company's balance sheet reflects solid financial health. As of Q3 2024, total assets stood at RMB 120.3 billion, with net assets of RMB 72.1 billion. The company maintains a low debt-to-asset ratio, highlighting its financial stability and ability to weather market fluctuations.

## **Key Financial Ratios**

KE Holdings' liquidity and profitability metrics reflect a healthy financial position:

- **Current Ratio:** 1.76



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- **Quick Ratio:** 1.44
  - **Net Profit Margin:** 7.6%

These ratios indicate that KE Holdings has a strong capacity to meet short-term liabilities and is effectively controlling costs while driving revenue growth.

## **Financial Trends and Forecasts**

Looking forward, KE Holdings expects continued revenue growth between 2024 and 2026, primarily driven by policy support and the recovery of market demand. The company projects its 2024 revenue to reach RMB 90.8 billion, with net profit forecasted at RMB 5.05 billion. As emerging business segments expand, KE's overall profitability is expected to further improve, solidifying its growth trajectory.

## **Stock Price Forecast for the Next Year**

In the coming year, the stock price of KE Holdings Inc. (Beike) will be influenced by a combination of macroeconomic factors, industry trends, internal company performance, market sentiment, and potential risks. By evaluating these elements comprehensively, we can form a clearer outlook on the stock's trajectory and its investment potential.

## **Impact of Macroeconomic and Industry Trends on Stock Price**

Macroeconomic conditions directly affect the real estate sector, particularly in a market like China, which has significant reliance on real estate transactions. In 2024, the Chinese government's stimulus policies are expected to support the gradual recovery of the real estate market, which will likely have a positive impact on Beike's stock price. For instance, the policy adjustments in May and September 2024 aimed at lowering home purchase costs and stimulating demand are expected to directly boost transaction volumes, benefiting Beike's revenue. These policy measures, combined with an overall recovery in the real estate market, are anticipated to enhance investor sentiment toward the company, which could drive its share price higher.

### **Impact of Internal Factors on Stock Prices**

Internally, Beike's operating efficiency and increasing market share are key drivers of its stock price. Recent financial reports highlight the company's substantial growth in both the existing and new housing sectors, particularly in first-tier cities, where its performance outpaces the industry average. Additionally, Beike's expanding home improvement and rental businesses are expected to provide new revenue streams, further enhancing investors' expectations of future profitability. The company's ongoing share repurchase program also reflects management's confidence in the company's future performance, which should offer additional support to the stock price.

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## **Stock Price Prediction Based on Valuation Model**

Based on current financial data and market expectations, Beike's target stock price is forecasted to reach HK\$66.9 (approximately US\$25.6) within the next year, implying a 2025 price-to-earnings (P/E) ratio of 15x. This target price reflects the market's recognition of Beike's growth potential, particularly in light of favorable government policies and the company's improving profitability.

## **Market Sentiment and Investor Behavior**

Market sentiment plays a significant role in driving stock price fluctuations. Following the relaxation of real estate policies, sentiment toward Beike has become increasingly positive, with investor expectations rising in tandem. Furthermore, Beike's strong user base in high-tier cities—over 80% of its users are high-income consumers—provides substantial market support, which in turn bolsters investor confidence and strengthens its stock price outlook.

## **Risk Factors and Uncertainties**

Despite the optimistic outlook, several risk factors and uncertainties could impact Beike's stock price. First, the recovery of the real estate market may be slower than anticipated, especially given concerns about slower economic growth, which could suppress housing demand. Second, potential regulatory changes in policy could affect commission structures and market competition, introducing operational uncertainty for Beike. Additionally, heightened competition within the real estate services industry may exert pressure on Beike's market share and profitability. As such,

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investors should carefully assess these risks when considering an investment in the company.