

Xinyuan Real Estate Co

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Xinyuan Real Estate is building a global real estate ? and blockchain ? empire

When is a blockchain company not a blockchain company? When it is Xinyuan Real Estate Co. (NYSE:XIN).

The current market has cast aside its love for all things blockchain and cryptocurrency. The trend of the moment is cannabis ? but trends change while others are reborn. While there's a lull in the blockchain momentum, it might be an opportune time to dig into a name that could perform if momentum returns. Even better, it could still perform well even if blockchain never finds that 2017 spark again.

What makes Xinyuan intriguing lies in the company's base structure.

Xinyuan is a real estate developer and property manager with locations primarily in China. The company develops and manages large-scale, high-quality residential projects such as multilayer apartment buildings, sub-high-rise apartments buildings, and high-rise apartment buildings.

Once the residential projects are established, Xinyuan expands its projects in the area to include auxiliary services and amenities including retail outlets, leisure and health facilities, schools, and small-scale office and commercial properties.

The twist with Xinyuan comes from the fact it is one of the few Chinese real estate developers also with a presence in the United States and Great Britain via New York City and London, respectively. For those investors in New York, you may have stumbled across a Xinyuan development or development in progress in Brooklyn, Manhattan, or Queens.

Breaking new ground

Xinyuan has broken ground in Hell's Kitchen with a project it calls Hudson Garden. Once completed, the Manhattan-based project will total 38,000 square feet of retail commercial space. The company has already leased 29,000 square feet to one of the largest retailers in the US, Target Corp (NYSE:TGT). Target has signed a 20-year lease for more than 75% of the project.

In Brooklyn, Xinyuan is already earning revenue from its Oosten project. The company has sold 176 out of 216 units generating revenue of \$259.3 million.

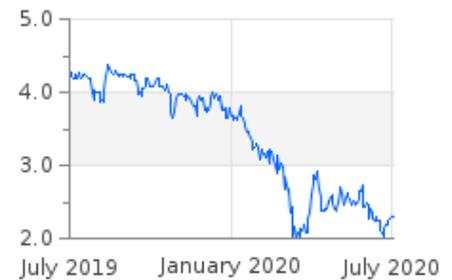
Lastly, the company has received the Landmark Protection Committee's approval on a grounds-up development project in Flushing, New York. This is in the predevelopment stage, so details are limited at this time.

Across the Atlantic, the Madison Project in the Canary Wharf neighborhood of London is under construction. Xinyuan has already pre-sold 54% of the residential units including all 104 of the affordable housing apartments. The company anticipates construction will be complete by 2020.

Price: 2.22

Market Cap: \$119.2 m

1 Year Share Price Graph



Share Information

Code: XIN

Listing: NYSE

52 week	High	Low
	4.43	1.93

Sector: Real Estate

Website: www.xyre.com

Company Synopsis:

Xinyuan Real Estate Co. , Ltd. , through its subsidiaries, develops residential real estate properties for middle income consumers in the People's Republic of China and the United States.

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The diversification outside of China helps offset some of the concerns revolving around the government's strict regulations when it comes to real estate in China. Over the past year, some local governments have loosened restrictions as housing pricing have cooled a bit, but the overarching regulation remains in place. This is a double-edged sword; while restrictions have created some pent-up demand, real estate companies generally don't favor hearing markets have cooled.

Building by the numbers

Examining the most recent financial report, some investors may conclude this cooling off negatively impacted revenue. Xinyuan reported a loss of \$0.11 per share on revenue of \$360.6 million against a loss of \$0.14 on revenues of \$488.2 million a year earlier.

If investors stopped reading after the headlines, they may miss a very important change that explains the sudden "drop" in revenue. I use quotes here because it wasn't a real drop in the sense of the word. Instead, the company's adoption of a new accounting standard changed the manner in which it recognizes revenue.

For all contracts executed after January 1, 2018, Xinyuan now recognizes revenue over time rather than at the time of the contract execution; therefore, the prior year's comparisons are no longer apples to apples. If we were to adjust to create an apples-to-apples comparison, we'd find Xinyuan doubled their revenue and grew contract sales by two-thirds since the first quarter of 2018 according to its chairman, Yong Zhang.

The company can be considered shareholder-friendly. Over the past year, it has paid out \$0.40 per ADR in the form of a dividend and intends to continue. Based on the current price, Xinyuan offers a 9.2% yield with the cash flow to support the payout. Furthermore, with a book value approaching \$10.50, there is bound to be some consideration of taking the company private if the stock price does not increase.

Xinyuan has been repurchasing its shares. The company bought back \$30 million in ADR's in the second quarter of 2018. Based on the current market cap of \$274 million, this represents 11% of the company. Combined with the dividend, Xinyuan ranks as one of the top names in the public markets as defined by yield plus share repurchases.

Secret weapon: blockchain

Ironically, the same government restricting current Chinese real estate activity may also be the main cog behind a little-known catalyst for Xinyuan, a catalyst not currently priced into shares.

Xinyuan is working with the Chinese government to build the first national standard project in blockchain. The company is constructing de-centralized, safe and transparent real estate and financial services platforms. The driving concept is BaaS (blockchain as a service). The platform connects homeowners with financing opportunities.

Furthermore, it's chasing after markets including banking, brokers, payment, P2P lending, insurance, and real estate among other sectors. The P2P lending business is booming in China, and Xinyuan will work with the Shenzhen local financial regulatory information system to help control this industry. The goal is to permit safer access to capital while maintaining a close eye on this enormous market.

This, alone, is exciting, but the link to blockchain and real estate transactions offers some real excitement. The company, via two of its subsidiaries has some big-name partnerships in the blockchain space including IBM (NYSE: IBM) and 58.com (NYSE: WUBA).

This is IBM's first move into China via blockchain. Through IBM's blockchain technology, the Xinyuan real estate finance technology platform will offer safety, transparency, and convenience for users.

As a standalone real estate company, Xinyuan separates itself from competitors through shareholder friendly action as well as global diversification.

As a stock, it offers the upside of blockchain while offering a stable, diverse business behind the opportunity. It doesn't

come risk-free though as Xinyuan's main business will always be subject to the will of the Chinese government; however, the diversification of its portfolio into other countries should grow over time offering some stability.

Xinyuan's shares were up 1.9% to \$3.93 in morning trading in New York.

At the time of publication, Tim Collins had no positions in the stocks mentioned.

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