

### COMPANY RESULTS

#### CIFI Ever Sunshine Services (1995 HK)

1H21: In Line With Expectations; PATMI Up 65% yoy

**CES' 1H21 results were in line with expectations with net profit attributable to shareholders growing 65.3% yoy to Rmb283.0m, which is above the profit guidance of >55% growth. Overall gross margin fell 0.8ppt to 29.9%, mainly due to reduction of subsidies on social security payments and lower margins from higher expansion costs from the fast-growing community VAS segment. Management targets 38% earnings CAGR from 2023-28. Maintain BUY with a lower target price of HK\$21.77.**

#### 1H21 RESULTS

Year to 31 Dec (Rmbm)	1H20	1H21	yoy % chg
Revenue	1344.9	2058.6	53.1%
-Property management services	801.4	1146.7	43.1%
-Community VAS	260.4	519.7	99.5%
-VAS to non-property owners	282.7	391.3	38.4%
-Others	0.4	0.9	145.0%
Gross profit	412.5	616.3	49.4%
Profit attributable to shareholders	171.2	283.0	65.3%
Gross margin	30.7%	29.9%	-0.7ppt
Net profit margin	12.7%	13.7%	1.0ppt
Contracted GFA (m sqm)	142.8	219.1	53.4%
Managed GFA (m sqm)	77.2	130.0	68.4%

Source: CES, UOB Kay Hian

#### RESULTS

- **1H21 results in line with expectations.** CIFI Ever Sunshine Services (CES) reported a revenue of Rmb2,058.6m, up 53.1% yoy and mainly driven by scale expansion as the company's GFA under management increased 68.4% yoy to 130.0m sqm. Meanwhile, net profit attributable to shareholders grew to Rmb283.0m, up 65.3% yoy which is above the profit guidance of >55% growth.
- **No interim dividend was declared**, but management guided that it would keep the dividend payout ratio at around 30%. A final dividend is expected to be declared during the full-year results announcement.

#### KEY FINANCIALS

Year to 31 Dec (Rmbm)	2019	2020	2021F	2022F	2023F
Net turnover	1,878	3,120	4,814	7,098	9,849
EBITDA	346	604	965	1,479	2,036
Operating profit	330	600	959	1,468	2,035
Net profit (rep./act.)	225	392	636	968	1,349
Net profit (adj.)	225	392	636	968	1,349
EPS (Fen)	14.7	24.4	39.5	60.1	83.8
PE (x)	97.3	58.6	36.1	23.7	17.0
P/B (x)	19.3	8.0	7.0	5.9	4.8
EV/EBITDA (x)	59.7	34.2	21.4	14.0	10.2
Dividend yield (%)	0.3	0.4	0.8	1.2	1.7
Net margin (%)	12.0	12.6	13.2	13.6	13.7
Net debt/(cash) to equity (%)	(111.8)	(109.6)	(102.2)	(101.2)	(84.2)
Interest cover (x)	n.a.	n.a.	608.0	854.5	1,079.4
ROE (%)	22.0	19.4	20.5	26.7	30.9
Consensus net profit	-	-	628	941	1,326
UOBKH/Consensus (x)	-	-	1.01	1.03	1.02

Source: CES, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	HK\$17.16
Target Price	HK\$21.77
Upside	+26.9%
(Previous TP)	HK\$23.30

#### COMPANY DESCRIPTION

CIFI Ever Sunshine constantly improves its business system and fully promotes five service brands. It seeks to achieve rapid growth in corporate scale, in-depth development in service brands, comprehensive upgrade in customer satisfaction and continuous increase in performance.

#### STOCK DATA

GICS sector	Property
Bloomberg ticker:	1995 HK
Shares issued (m):	1,670.4
Market cap (HK\$m):	28,664.1
Market cap (US\$m):	3,682.3
3-mth avg daily t'over (US\$m):	12.5

#### Price Performance (%)

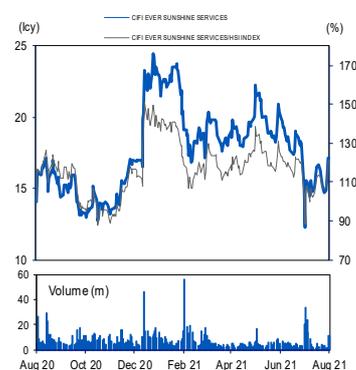
52-week high/low HK\$24.50/HK\$12.28

1mth	3mth	6mth	1yr	YTD
(5.7)	(14.6)	(16.1)	17.5	0.8

#### Major Shareholders

	%
Lin Family	55.36
FY21 NAV/Share (Rmb)	2.05
FY21 Net Cash/Share (Rmb)	2.10

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Shaun Tan**  
+852 2236 6798  
shaun.tan@uobkayhian.com.hk

**Ziv Ang Sze Champ**  
+603 2147 1826  
zivang@uobkayhian.com

### STOCK IMPACT

#### GROSS PROFIT MARGINS

	1H20	1H21	yoy chg
Property management services	24.8%	23.5%	-1.3ppt
Community VAS	53.8%	46.5%	-7.3ppt
VAS to non-property owners	25.8%	26.6%	0.8ppt
<b>Overall</b>	<b>30.7%</b>	<b>29.9%</b>	<b>-0.8ppt</b>

Source: CES, UOB Kay Hian

- Overall gross margin declined 0.8ppt to 29.9%** primarily due to a decrease in the gross margin of property management services and community value-added services (VAS). Basic property management services' gross margin declined 1.3ppt to 23.5% mainly due to the reduction of subsidies on social security payments vs a year ago. Community VAS' gross margin declined 7.3ppt to 46.5% mostly due to higher costs from the expansion in new sub-segments such as the community maintenance and repairing business. Going forward, management guided that property management service margin could decline further to 20-22%. Community VAS margin will likely remain stable around 40-50%; and the overall margin should remain stable at 28-30%.
- Meanwhile net margin increased 1.0ppt to 13.7% from further SG&A control.** Management guided that they have further improved operational efficiency, with SG&A as a percentage of revenue declining 1.9ppt from 11.8% in 1H20 to 9.9% in 1H21.
- On track to meet GFA under management target with 42% completion rate in 1H21.** CES added 40m sqm of contracted GFA during the reporting period, completing 42% of its 95m sqm target for the full year. >85% of newly-added contracted GFA, or 35m sqm, came from third-party bidding. We note that new GFA from third-party bidding rose steadily despite concerns of increasing competition in this space, underscoring CES's strong third-party bidding capabilities.
- Upbeat forward-looking earnings guidance of 38% CAGR from 2023-28.** Management updated and emphasised the new earnings target of 38% 5-year CAGR for 2023-28, implying 5x growth in five years. CES is on track to meet the previous earnings growth target of 10x in five years (2018-23) and the updated growth target suggests management's confidence about beating high growth targets. Management continues to see vast opportunities in the longer term from expansion of service coverage in non-residential projects (offices, malls, schools, hospitals and etc) and diversified community services.

#### EARNINGS REVISION/RISKS

- Raise our earnings estimates for 2021/2022/23 by 3%/7%/8% respectively,** mainly factoring in higher growth from the community VAS segment.

#### VALUATION/RECOMMENDATION

- Maintain BUY with a target price of HK\$21.77.** CES remains our top pick in the sector and we maintain our BUY rating on the company. We lower our target price to HK\$21.77 (previously HK\$23.30) based on a lower target multiple of 30x 2022F PE (previously 35x) as we factor in increased country risk. Given CES's solid track record starting from 2018, we think the new upbeat earnings guidance of 38% CAGR from 2023-28, although very forward-looking, may still hold weight and will be positive for the share price.

#### SHARE PRICE CATALYST

- Accretive M&As and successful large-scale third-party bidding.**

### PROFIT & LOSS

Year to 31 Dec (Rmbm)	2020	2021F	2022F	2023F
<b>Net turnover</b>	<b>3,119.6</b>	<b>4,813.5</b>	<b>7,097.7</b>	<b>9,849.1</b>
EBITDA	603.7	965.4	1,478.9	2,036.4
Deprec. & amort.	4.1	6.1	11.1	1.0
EBIT	599.6	959.3	1,467.8	2,035.4
Total other non-operating income	0.0	0.0	1.0	1.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	0.0	(1.6)	(1.7)	(1.9)
<b>Pre-tax profit</b>	<b>599.6</b>	<b>957.7</b>	<b>1,467.0</b>	<b>2,034.6</b>
Tax	(155.5)	(239.4)	(351.8)	(488.1)
Minorities	(52.2)	(82.4)	(147.3)	(197.2)
Preferred dividends	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>391.9</b>	<b>635.9</b>	<b>967.8</b>	<b>1,349.3</b>
Net profit (adj.)	391.9	635.9	967.8	1,349.3

### CASH FLOW

Year to 31 Dec (Rmbm)	2020	2021F	2022F	2023F
<b>Operating</b>	<b>400.4</b>	<b>362.4</b>	<b>864.0</b>	<b>1,358.8</b>
Pre-tax profit	598.1	957.7	1,466.0	2,033.6
Tax	(150.9)	(191.7)	(243.0)	(307.5)
Deprec. & amort.	4.1	6.1	10.1	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(51.0)	(408.2)	(367.4)	(365.4)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	0.0	(1.6)	(1.7)	(1.9)
<b>Investing</b>	<b>(14.2)</b>	<b>(35.5)</b>	<b>(69.9)</b>	<b>(36.4)</b>
Capex (growth)	(23.8)	(26.0)	(69.9)	(36.4)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	9.6	(9.6)	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>Financing</b>	<b>1,500.8</b>	<b>(117.1)</b>	<b>(190.8)</b>	<b>(1,256.9)</b>
Dividend payments	(73.1)	(117.1)	(190.8)	(1,256.9)
Issue of shares	1,564.5	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	9.4	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>1,886.9</b>	<b>209.8</b>	<b>603.4</b>	<b>65.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>1,283.6</b>	<b>3,170.6</b>	<b>3,380.4</b>	<b>3,983.8</b>
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>3,170.6</b>	<b>3,380.4</b>	<b>3,983.8</b>	<b>4,049.2</b>

### BALANCE SHEET

Year to 31 Dec (Rmbm)	2020	2021F	2022F	2023F
Fixed assets	86.2	112.2	182.1	218.5
Other LT assets	650.2	684.5	710.5	660.2
Cash/ST investment	3,170.6	3,380.4	3,983.8	4,049.2
Other current assets	760.2	1,331.1	1,749.9	3,192.5
<b>Total assets</b>	<b>4,667.2</b>	<b>5,508.1</b>	<b>6,626.2</b>	<b>8,120.4</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,582.7	1,936.7	2,264.5	2,666.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	67.0	58.3	72.8	91.0
Shareholders' equity	2,893.4	3,306.8	3,935.2	4,811.6
Minority interest	124.0	206.4	353.7	550.9
<b>Total liabilities &amp; equity</b>	<b>4,667.2</b>	<b>5,508.1</b>	<b>6,626.2</b>	<b>8,120.4</b>

### KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
<b>Profitability</b>				
EBITDA margin	19.4	20.1	20.8	20.7
Pre-tax margin	19.2	19.9	20.7	20.7
Net margin	12.6	13.2	13.6	13.7
ROA	11.0	12.5	16.0	18.3
ROE	19.4	20.5	26.7	30.9
<b>Growth</b>				
Turnover	66.1	54.3	47.5	38.8
EBITDA	74.4	59.9	53.2	37.7
Pre-tax profit	81.8	59.7	53.2	38.7
Net profit	74.0	62.3	52.2	39.4
Net profit (adj.)	74.0	62.3	52.2	39.4
EPS	66.1	62.3	52.2	39.4
<b>Leverage</b>				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(109.6)	(102.2)	(101.2)	(84.2)
Interest cover (x)	n.a.	608.0	854.5	1,079.4

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