

China Property Management Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

Time to revisit this neglected sector

- Another c.3-12% cut may be made on FY21-23F consensus earnings estimates...
- ...but the sector will, nonetheless, still be able to deliver a solid c.39% 3-year CAGR on average
- Downside risk on consensus should be in price; sector is attractive even as dividend plays with property sales-related income excluded
- Price volatility in 1H22 to offer entry points for quality names – [CGS \(6098 HK\)](#)

Solid growth prospects despite earnings cuts ahead. With existing uncertainty in the property sector, both property developers and managers have yet to provide an update on their growth guidance. The impact that property managers will face from the property sector's struggle remains an unanswered question. Our analysis, incorporating the latest expectations on developers' delivery pace, property managers' M&A outlooks, actual presales, and land acquisition data, identified that there may be another 3-12% cut to be made on consensus FY21-23F earnings in 1H22 (detailed methodology and result on P.2-3). Having said that, the sector will still be able to post a solid c.39% 3-year earnings CAGR for names we track (vs. 48% previously).

Earnings downside in price. Having factored in our estimated earnings cuts, the sector still traded at >1sd below its historical 1-year forward PE since 2018. Even if we are to look at the sector from an extreme angle as dividend plays (see [Is there a valuation floor for the sector?](#) for our logic), assuming 1) all property-related non-recurring income are excluded, 2) property managers adhere to a 90% dividend payout, and 3) zero earnings growth from FY22 onwards, the sector will still be able to offer a fruitful unlevered FY22F dividend yield of c.6.2%, vs. a 6.3% levered FY22F distribution yield from HK-listed REITs.

Price volatility in 1H22 to offer entry opportunities for quality names. Valuation of the PM sector should have seen its worst with weak sentiment spilled over from the property side started to show signs of stabilisation, and investors' attention will gradually return to this sector with their eyes back on property managers' decent fundamentals and growth outlook. Price volatility in the sector will likely persist in 1H22, as the market adjusts earnings estimates in the likely absence of clear growth guidance. We recommend investors to watch for entry opportunities for quality names. Our sector top pick remains as **Country Garden Services (6098 HK)** for it having the necessary qualities to maintain its growth and valuation outperformance.

HSI: 24,924

ANALYSTS

Jason LAM +852 36684179 jasonlamch@db.com
 Danielle WANG CFA, +852 36684176 danielle_wang@db.com
 Ken HE CFA, +86 21 38562898 ken_he@db.com
 Zoe Zhang +86 21 38562892 zoezhangbb@db.com
 Dexter CHUN dexterchun@db.com
 Ben Wong benwongkf@db.com

Recommendation & valuation

Company Name	Price HK\$	Target Price HK\$	Rec	Mkt Cap US\$m	PE 22F x
Country Garden Services (6098 HK)	51.55	78.82	BUY	18,592	22.5
Sunac Services (1516 HK)	9.17	15.80	BUY	3,654	14.5
A-Living (3319 HK)	16.96	25.91	BUY	2,902	7.7
Ever Sunshine (1995 HK)	15.66	18.75	BUY	3,357	26.2
Greentown Ser.Gp. (2869 HK)	8.91	7.82	HOLD	3,575	24.8
Central China New Life (9983 HK)	5.35	5.73	HOLD	828	8.6

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")



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Earnings impact from the property market downturn

The property management sector took a significant hit together with the China property sector since 2H21 due to weakened market sentiments and spill over concerns from developers' liquidity stress and an evident moderation in the physical market. Having said that, with valuations hitting historically low levels and dust on the property side starting to show signs of settling, investors are gradually regaining interest in the property management sector and are starting to refocus on property managers' fundamentals for potential bottom-fishing candidates.

Price correlation between China property and property management names

Companies	Stock Code	Price correlation with related developer		
		1H21	2H21	2H21-YTD
Sunac S	1516 HK	3%	97%	97%
Shimao	873 HK	-56%	96%	97%
KWG living	3913 HK	-15%	96%	97%
A-living	3319 HK	-4%	95%	96%
Powerlong CM	1238 HK	72%	87%	89%
CCNL	9983 HK	-61%	77%	80%
CGS	6098 HK	-22%	72%	79%
Poly Ppty	6049 HK	1%	64%	78%
S-Enjoy	1755 HK	53%	72%	76%
COPH	2669 HK	32%	55%	71%
CIFI ES	1995 HK	-9%	84%	70%
Jinke	9666 HK	43%	70%	59%
CR Mixc	1209 HK	9%	-14%	-15%
GTS	2869 HK	-67%	-14%	-16%
Sino-Ocean	6677 HK	-4%	-36%	-35%
Average		-2%	60%	61%

Source: Bloomberg Finance L.P., DBS HK

As uncertainty remains over the developers' side, property managers, in general, have yet to finalise a quantifiable growth guidance, with the question of how the sector's growth outlook may be affected by developers' liquidity stress and moderated physical market growth outlook left unanswered. Accordingly, there are also doubts as to whether the sector's potential earnings downside has been fully priced in. We have therefore conducted an earnings downside analysis on the FY21-23F consensus earnings estimates of the property managers we track by looking at their related developers' 1) **expected delivery shortfalls**, which affects the pace of reserved GFA conversions; and 2)

2021 presales growth and land acquisitions, which directly dictate the amount of non-property owner VAS that can be provided by the property manager in FY21F and FY22F. We have also removed **M&A growth assumptions** for PM names with liquidity stress-related developers.

Key assumptions of our analysis are as below:

1. Delivery delays (inferred from market expectations over developers' slowdown in revenue growth) and potential shortfall from M&A (for those with liquidity-stressed related developers) would directly affect the original expected growth of the PM business; community VAS will only share an equivalent growth magnitude.
2. Non-property owner VAS is fully dictated by the related developers' actual and expected presales growth outlook (FY21F segmental performance will be directly related to presales growth for the year; FY22F based on 2021 land acquisition GFA growth, and FY23F expected to be flat y-o-y. GTS would be an exception and we will use our expected national GFA growth instead, as they don't offer non-property owner VAS to Greentown China).
3. Other businesses (i.e., commercial operations, city services) are unaffected by the physical market downturn.

Latest related developers' FY21-23 revenue adjustments since Sep 21

Companies	Stock Code	Related developer	Stock Code	Consensus rev. adjustments from Sep-21		
				FY21F	FY22F	FY23F
CGS	6098 HK	CG	2007 HK	-6%	-10%	-14%
GTS	2869 HK	Greentown China	3900 HK	-4%	-3%	-8%
A-Living	3319 HK	Agile	3383 HK	-6%	-13%	-20%
COPH	2669 HK	COLI	688 HK	-1%	-3%	0%
Poly Services	6049 HK	Poly CN	600048 CN	0%	-3%	-3%
Shimao Services	873 HK	Shimao Group	813 HK	-13%	-20%	-26%
CR Lifestyle	1209 HK	CR Land	1109 HK	-1%	-4%	-4%
Sunac Services	1516 HK	Sunac China	1918 HK	-7%	-14%	-21%
Jinke Smart Service	9666 HK	Jinke	000656 CH	3%	-3%	-6%
S-Enjoy	1755 HK	Future Land	1030 HK	-2%	-12%	-25%
Ever Sunshine	1995 HK	CIFI	884 HK	-4%	-8%	-13%
Powerlong CM	9909 HK	Powerlong	1238 HK	-10%	-14%	-19%
CCNL	9983 HK	CCRE	832 HK	0%	0%	0%
KWG Living	3913 HK	KWG Group	1813 HK	-3%	-11%	-20%
Sino-Ocean Service	6677 HK	Sino-Ocean	3377 HK	-5%	-12%	-14%
Average				-4%	-9%	-13%

Source: Thomson Reuters, DBS HK

Related developers' FY21 presales and land acquisition growth (by GFA)

Companies	Stock Code	Related developer	Stock Code	FY21 presales GFA growth (%)	FY21 land acquisition GFA growth
CGS	6098 HK	CG	2007 HK	-1%	-42%
GTS	2869 HK	Greentown China	3900 HK	14%	n.m.
A-Living	3319 HK	Agile	3383 HK	-5%	-50%
COPH	2669 HK	COLI	688 HK	-1%	-14%
Poly Services	6049 HK	Poly CN	600048 CN	-2%	-15%
Shimao Services	873 HK	Shimao Group	813 HK	-11%	-78%
CR Lifestyle	1209 HK	CR Land	1109 HK	17%	-4%
Sunac Services	1516 HK	Sunac China	1918 HK	1%	-26%
Jinke Smart Service	9666 HK	Jinke	000656 CH	-8%	-54%
S-Enjoy	1755 HK	Future Land	1030 HK	0%	-53%
Ever Sunshine	1995 HK	CIFI	884 HK	-6%	-16%
Powerlong CM	9909 HK	Powerlong	1238 HK	20%	-67%
CCNL	9983 HK	CCRE	832 HK	-8%	-12%
KWG Living	3913 HK	KWG Group	1813 HK	-11%	-67%
Sino-Ocean Service	6677 HK	Sino-Ocean	3377 HK	9%	-6%
Average				0%	-36%

Source: Companies, DBS HK

How much downside should we expect ahead? According to estimates from Bloomberg, the market has slightly cut the sector's FY21-23F earnings by 1-4% since Sep 21. Our earnings downside analysis suggests that the current liquidity crisis among developers and moderation in the physical market since 2H21 may lead to a **c.3% earnings miss from current FY21 earnings estimates** that will be scheduled for release in March, and there will likely be an **additional 9-12% cut** in consensus FY22-23F estimates. Having said that, the sector will nonetheless offer a **decent c.39% 3-year earnings CAGR (vs. original c.48%)**.

Downside risks on Bloomberg consensus estimates

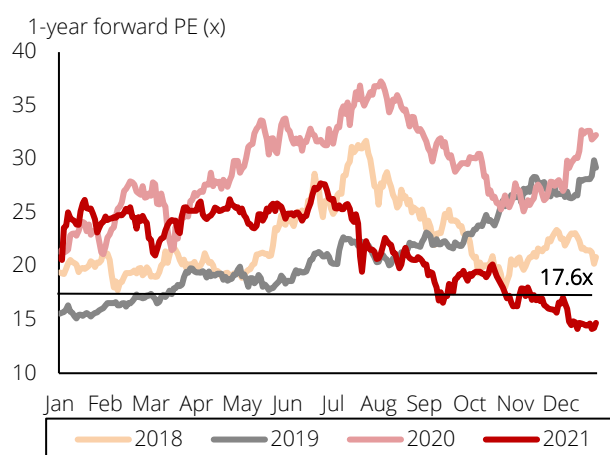
Companies	Stock Code	Earnings downside risks from current BBG estimates		
		FY21F	FY22F	FY23F
CGS	6098 HK	2%	1%	-1%
GTS	2869 HK	2%	3%	3%
A-Living	3319 HK	-9%	-21%	-28%
COPH	2669 HK	-2%	-5%	-5%
Poly Services	6049 HK	0%	-2%	-4%
Shimao Services	873 HK	-8%	-29%	-37%
CR Lifestyle	1209 HK	-1%	-2%	-1%
Sunac Services	1516 HK	-3%	-14%	-26%
Jinke Smart Service	9666 HK	-4%	-16%	-23%
S-Enjoy	1755 HK	-1%	-10%	-16%
Ever Sunshine	1995 HK	-5%	-8%	-11%
Powerlong CM	9909 HK	0%	1%	1%
CCNL	9983 HK	-7%	-13%	-18%
KWG Living	3913 HK	-5%	-10%	-13%
Sino-Ocean Service	6677 HK	1%	-2%	-8%
Average		-3%	-9%	-12%

Source: Bloomberg Finance L.P., DBS HK

But is the additional earnings downside fully in price?

The property management sector would be trading at 17.6x FY22F PE **after** factoring in our estimated earnings downside, which is still **>1sd below its historical 1-year forward PE average since 2018** when market interest in the sector started to pick up.

Historical sector 1-year forward PE average



Source: Bloomberg Finance L.P., DBS HK

Attractively valued even from the angle of a dividend play. We believe the sector's valuation is still attractive, even from the angle of treating property managers as dividend plays (refer to [Is there a valuation floor for the sector?](#) for details on our logic and concept behind this perspective). On the assumptions of 1) property managers are seen as dividend plays and would lift their dividend payout ratios to 90%; and 2) **exclusion of all non-recurring income contributions** (i.e. excluding earnings from property agency and other non-property owner VAS), property managers we track can hypothetically offer a fruitful **unlevered FY22F dividend yield of 6.2%** after factoring our estimated earnings downside, as compared to the current average levered FY22 distribution yield of 6.3% offered by HK REITs. Among the names we track, we see deep value on offer from **A-Living (3319 HK)**, with it to potentially offer c.10% FY22F dividend yield under our assumptions.

Expected distribution yields for HK REITs

Company	Stock Code	FY21F distribution yield (%)	FY22F distribution yield (%)
Yuexiu REIT	405 HK	8.44	8.70
SF REIT	2191 HK	5.59	7.80
Sunlight REIT	435 HK	5.89	6.24
Fortune REIT	778 HK	5.97	6.04
Prosperity REIT	808 HK	5.92	5.92
Champion REIT	2778 HK	5.91	5.76
Regal REIT	1881 HK	5.52	5.52
LINK REIT	823 HK	4.64	4.75
Average		5.98	6.34

Source: Bloomberg Finance L.P., DBS HK

Expected dividend yield excluding non-property owner VAS and a 90% dividend payout ratio

Companies	Stock Code	Dividend yield ex-NP VAS contributions		At assumed 90% payout ratio	
		FY21F	FY22F	FY21F	FY22F
CGS	6098 HK	0.7%	1.1%	2.6%	4.0%
GTS	2869 HK	1.7%	2.3%	3.0%	4.1%
A-Living	3319 HK	3.4%	4.3%	7.7%	9.8%
COPH	2669 HK	0.9%	1.2%	2.8%	3.7%
Poly Services	6049 HK	1.0%	1.3%	2.4%	3.2%
Shimao Services	873 HK	2.1%	2.9%	5.9%	7.8%
CR Lifestyle	1209 HK	0.5%	0.6%	1.5%	2.1%
Sunac Services	1516 HK	1.2%	1.8%	3.7%	5.5%
Jinke Smart Service	9666 HK	1.3%	1.9%	2.3%	3.3%
S-Enjoy	1755 HK	2.4%	3.5%	4.3%	6.4%
Ever Sunshine	1995 HK	0.7%	1.1%	2.2%	3.3%
Powerlong CM	9909 HK	3.1%	4.3%	4.4%	6.1%
CCNL	9983 HK	4.2%	6.1%	6.2%	9.1%
KWG Living	3913 HK	4.0%	6.0%	9.5%	14.3%
Sino-Ocean Service	6677 HK	2.2%	3.1%	7.8%	10.9%
Average		2.0%	2.8%	4.4%	6.2%

Source: Bloomberg Finance L.P., Companies, DBS HK

Valuations should have bottomed, but price volatility will likely persist throughout 1H22. We believe valuation of the property management sector should have seen its worst with weak sentiment spilled over from the development side started to show signs of stabilisation upon regulator's stronger tone of support for developers' liquidity in Jan 22. We expect investors' attention to gradually return to this sector with eyes back on property managers' fundamentals and growth outlook as we move past the 1Q22 repayment peak in the development side. Having said that, we expect price volatility in the sector to persist throughout 1H22, as we believe there will still be some earnings cuts pending to be made by the market (as suggested in our analysis above)

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throughout the results season, and dusts are yet to fully settle in the property sector.

Rebasing our valuation base to 1-year forward PE average in 2H21. We believe valuations of the sector should have bottomed in 4Q21, but it is unlikely for valuations to recover to the level in 1H21 given the current liquidity situation for developers and physical market outlook. Accordingly, we have adjusted the target valuation multiple of our covered companies to the average 1-year forward PE average in 2H21 (except for Sunac Service, where investors' concerns only started to become evident since 4Q21).

Latest TP and ratings of our estimates

Company	Stock code	Latest rating	Latest TP (HK\$)	Valuation base	Target multiple (x)	Target basis
CGS	6098 HK	BUY	78.82	FY22F PE	35.80	Avg of 2H21 1-yr forward PE
A-Living	3319 HK	BUY	25.91	FY22F PE	12.20	Avg of 2H21 1-yr forward PE
Sunac Service	1516 HK	BUY	15.80	FY22F PE	26.00	Avg of 4Q21 1-yr forward PE
Ever Sunshine	1995 HK	BUY	18.75	FY22F PE	32.70	Avg of 2H21 1-yr forward PE
GTS	2869 HK	HOLD	7.82	FY22F PE	22.70	Avg of 2H21 1-yr forward PE
CCNL	9983 HK	HOLD	5.73	FY22F PE	9.60	Avg of 2H21 1-yr forward PE

Source: DBS HK

Watch for entry opportunities for quality names. We believe price volatility throughout 1H22 would offer decent entry opportunities for investors to accumulate quality names. We continue to like **Country Garden Services (6098 HK)**, for it having the necessary qualities to maintain its growth and valuation outperformance (refer to our report: [Who is best poised to outperform?](#) for detailed comparisons vs. peers). High-beta names like **Sunac Services (1516 HK)** and **A-Living (3319 HK)** that have been dragged by spillover concerns from the property sector, are also offering decent value with good potential to see a strong rebound when dusts in the development space fully settle.

China / Hong Kong Company Update

Country Garden Services Holdings Co Ltd

Bloomberg: 6098 HK Equity | Reuters: 6098.HK

Refer to important disclosures at the end of this report

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BUY

Last Traded Price (10 Feb 2022): HK\$51.55 (HSI : 24,924)
Price Target 12-mth: HK\$78.82 (53% upside) (Prev HK\$75.61)

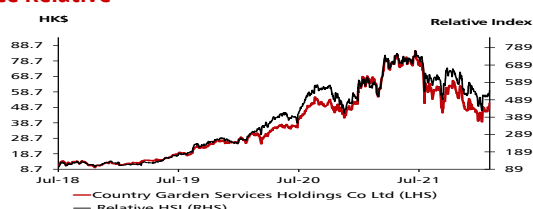
Analyst

Jason LAM +852 36684179 jasonlamch@db.com
Danielle WANG CFA, +852 36684176 danielle_wang@db.com
Ken HE CFA, +86 21 38562898 ken_he@db.com
Zoe Zhang +86 21 38562892 zoezhangbb@db.com
Dexter CHUN dexterchun@db.com
Ben Wong benwongkf@db.com

What's New

- Reaffirms its 50% earnings CAGR guidance and 5-year growth plan
- Largely unaffected by the property market slowdown and is poised to deliver sector-leading growth despite its high comparison base
- Maintain BUY and sector top pick with TP of HK\$78.82

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021F	2022F	2023F
Turnover	15,600	26,359	39,841	49,321
EBITDA	3,893	5,588	8,615	11,057
Pre-tax Profit	3,715	5,653	8,703	11,212
Net Profit	2,686	4,094	6,303	8,120
Net Profit Gth	60.8	52.4	53.9	28.8
EPS (RMB)	0.98	1.34	1.87	2.41
EPS (HK\$)	1.20	1.64	2.30	2.96
EPS Gth (%)	55.6	37.3	39.6	28.8
Diluted EPS (HK\$)	1.20	1.64	2.30	2.96
DPS (HK\$)	0.30	0.41	0.57	0.74
BV Per Share (HK\$)	6.49	14.62	15.18	17.56
PE (X)	43.0	31.3	22.5	17.4
P/Cash Flow (X)	32.0	27.2	21.4	15.9
P/Free CF (X)	488.1	nm	32.9	15.9
EV/EBITDA (X)	27.1	20.0	14.1	10.3
Net Div Yield (%)	0.6	0.8	1.1	1.4
P/Book Value (X)	7.9	3.5	3.4	2.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	26.9	16.1	16.1	18.1
Earnings Rev (%)		0	0	(1)
Consensus EPS (RMB)		1.37	1.99	2.79
Other Broker Recs:		B:40	S:0	H:0

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

The undisputed sector leader

Investment Thesis

A key beneficiary of an increasingly active M&A market. CGS has c.Rmb14.5bn of net cash (excl. payable convertible bonds, assuming recent acquisitions have been fully paid up) for potential M&A opportunities ahead. This would place it first across the sector in terms of cash resources. While we expect CGS will likely put more focus on the consolidation of recently acquired companies, the company is still proactive in the M&A space and is up for small and mid-sized acquisition opportunities. Further M&As would offer upside to our current earnings estimates and further enhance the company's already solid growth prospects.

Largely unaffected by the property sector downturn. Unlike most peers in the sector, CGS's related developer Country Garden (2007 HK) was less affected by the liquidity crunch in the development sector since 2H21. Delivery pace should be largely intact, with a manageable slowdown in presales alongside the physical market. Impact from these fronts on CGS should be manageable and are fully covered by its recent M&As and solid progress in community VAS.

Valuation:

Our TP is based on a 35.8x FY22F EPS, which is the average 1-year forward PE for the company in 2H21.

Where we differ:

Poised to maintain its valuation outperformance borne by its highest combined rankings in terms of earnings growth visibility, earnings quality and growth potential among peers – the three key factors that explains the valuation discrepancy in the sector (refer to our report: [Who is best poised to outperform?](#) for detailed comparisons vs peers)

Key Risks to Our View:

Inability to secure sufficient M&A to offset EPS dilution; delayed deliveries from Country Garden (2007 HK); share disposal from controlling shareholder; faster than expected surge in labour cost.

At A Glance

Issued Capital (m shrs)	3,366
Mkt Cap (HK\$m/US\$m)	144,841 / 18,592
Major Shareholders (%)	
Yang (Huiyan)	43.1
Free Float (%)	56.9
3m Avg. Daily Val. (US\$m)	113.66
GICS Industry: Industrials / Commercial & Professional Service	



Watchlist the stock on Insights Direct to receive prompt updates



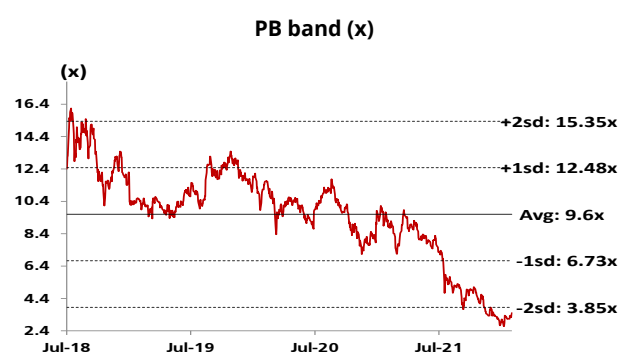
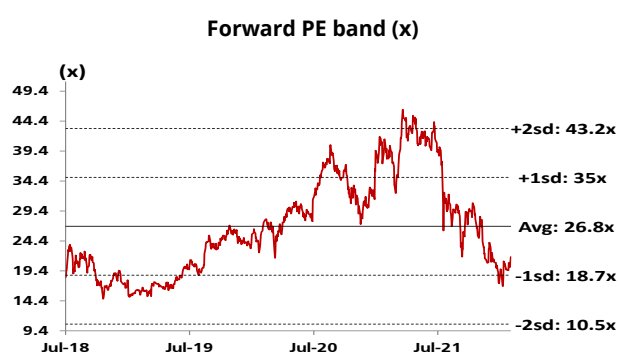
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Country Garden Services Holdings Co Ltd

Company Background

CGS is the property management arm of Country Garden (CG; 2007 HK). It was spun off by introduction onto the HKSE via a 1-for-8.7 distribution ratio of CG shares in June 2018. The company is a leading residential property management services provider, ranked first in terms of overall strength among the Top 100 Property Management Companies in China by the CIA in 2020. It operated total contracted GFA of 1.11bn sm as at Jun-21.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Country Garden Services Holdings Co Ltd

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	(0.3)	0.3	0.1
Average GFA conversion rate for new projects from 3rd party (years)	2.8	2.8	2.8
Average GFA conversion rate for projects from CG (years)	4.2	4.2	4.2

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property management services	5,749	8,607	12,568	21,208	25,879
Three supplies and property management	525	1,540	1,555	1,571	1,587
Heat supply	990	1,159	1,217	1,270	1,270
Community value-added services	865	1,731	3,445	5,764	7,988
Value-added services to non-property owners	1,422	1,370	1,848	2,337	2,549
City services	68	884	4,941	6,546	8,674
Other services	25	309	784	1,145	1,375
Total	9,645	15,600	26,359	39,841	49,321
Gross Profit (RMB m)					
Property management services	1,729	2,979	3,772	5,941	7,120
Three supplies and property management	70	108	156	157	159
Heat supply	59	99	110	121	127
Community value-added services	573	1,128	2,211	3,695	5,103
Value-added services to non-property owners	583	624	838	1,056	1,167
City services	26	288	1,087	1,506	1,995
Other services	11	74	409	598	718
Total	3,052	5,300	8,583	13,074	16,389
Gross Profit Margins (%)					
Property management services	30.1	34.6	30.0	28.0	27.5
Three supplies and property management	13.4	7.0	10.0	10.0	10.0
Heat supply	6.0	8.6	9.0	9.5	10.0
Community value-added services	66.2	65.1	64.2	64.1	63.9
Value-added services to non-property owners	41.0	45.5	45.4	45.2	45.8
City services	38.7	32.5	22.0	23.0	23.0
Other services	42.2	24.0	52.1	52.2	52.2
Total	31.6	34.0	32.6	32.8	33.2

Source: Company, DBS HK

Country Garden Services Holdings Co Ltd
Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenue	9,645	15,600	26,359	39,841	49,321
Cost of Goods Sold	(6,593)	(10,301)	(17,776)	(26,768)	(32,932)
Gross Profit	3,052	5,300	8,583	13,074	16,389
Other Opng (Exp)/Inc	(1,076)	(1,669)	(3,261)	(4,729)	(5,608)
Operating Profit	1,976	3,630	5,322	8,345	10,781
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	8	41	45	49	54
Net Interest (Exp)/Inc	92	44	286	309	377
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	2,076	3,715	5,653	8,703	11,212
Tax	(358)	(933)	(1,413)	(2,176)	(2,803)
Minority Interest	(48)	(96)	(146)	(224)	(289)
Preference Dividend	0	0	0	0	0
Net Profit	1,671	2,686	4,094	6,303	8,120
Net Profit before Except.	1,671	2,686	4,094	6,303	8,120
EBITDA	2,133	3,893	5,588	8,615	11,057
Growth					
Revenue Gth (%)	106.3	61.7	69.0	51.1	23.8
EBITDA Gth (%)	103.8	82.5	43.6	54.2	28.3
Opg Profit Gth (%)	95.3	83.7	46.6	56.8	29.2
Net Profit Gth (%)	81.0	60.8	52.4	53.9	28.8
Margins & Ratio					
Gross Margins (%)	31.6	34.0	32.6	32.8	33.2
Opg Profit Margin (%)	19.4	22.6	19.8	20.7	21.6
Net Profit Margin (%)	21.5	23.8	21.4	21.8	22.7
ROAE (%)	43.8	26.9	16.1	16.1	18.1
ROA (%)	18.8	12.4	9.1	10.0	11.2
ROCE (%)	39.7	20.6	12.5	14.2	16.8
Div Payout Ratio (%)	25.0	25.0	25.0	25.0	25.0
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS HK

Country Garden Services Holdings Co Ltd

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Net Fixed Assets	312	1,249	1,145	1,040	935
Invt in Associates & JVs	80	312	16,238	18,538	18,538
Other LT Assets	1,654	6,355	6,238	6,121	6,004
Cash & ST Invt	6,926	15,341	23,024	22,546	30,268
Inventory	14	137	231	350	433
Debtors	2,004	5,244	9,763	15,937	19,729
Other Current Assets	1,281	2,566	2,566	2,566	2,566
Total Assets	12,269	31,204	59,205	67,097	78,473
ST Debt	0	3,564	4,434	362	362
Creditors	4,690	7,476	12,631	19,092	23,634
Other Current Liab	1,737	3,193	3,193	3,193	3,193
LT Debt	0	248	248	248	248
Other LT Liabilities	162	564	564	564	564
Shareholder's Equity	5,373	14,566	36,396	41,676	48,220
Minority Interests	306	1,593	1,739	1,963	2,252
Total Cap. & Liab.	12,269	31,204	59,205	67,097	78,473
Non-Cash Wkg. Capital	(3,129)	(2,722)	(3,264)	(3,432)	(4,100)
Net Cash/(Debt)	6,926	11,530	18,343	21,936	29,659
Debtors Turn (avg days)	52.8	84.8	103.9	117.7	132.0
Creditors Turn (avg days)	191.2	220.3	209.0	218.1	238.4
Inventory Turn (avg days)	0.6	2.7	3.8	4.0	4.4
Asset Turnover (x)	1.1	0.7	0.6	0.6	0.7
Current Ratio (x)	1.6	1.6	1.8	1.8	1.9
Quick Ratio (x)	1.4	1.4	1.6	1.7	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	88.6	340.2	377.4	0.0
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

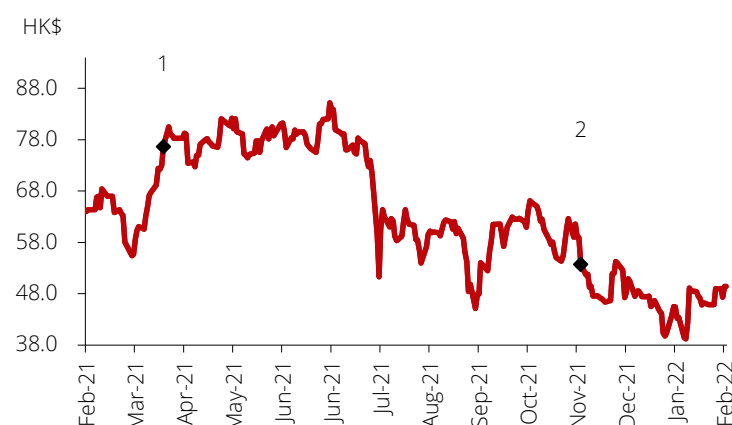
Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Pre-Tax Profit	2,076	3,715	5,653	8,703	11,212
Dep. & Amort.	149	336	221	221	221
Tax Paid	(295)	(509)	(1,413)	(2,176)	(2,803)
Assoc. & JV Inc/(loss)	(8)	(41)	0	0	0
(Pft)/ Loss on disposal of FAs	0	1	0	0	0
Chg in Wkg.Cap.	1,528	108	542	168	668
Other Operating CF	(193)	4	(286)	(309)	(377)
Net Operating CF	3,257	3,614	4,717	6,608	8,921
Capital Exp.(net)	(398)	(3,377)	(15,926)	(2,300)	0
Other Invt.(net)	2,218	1,950	0	0	0
Invt in Assoc. & JV	(174)	(342)	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(3,274)	(2,863)	286	309	377
Net Investing CF	(1,628)	(4,632)	(15,640)	(1,991)	377
Div Paid	(237)	(432)	(672)	(1,024)	(1,576)
Chg in Gross Debt	0	3,658	4,072	(4,072)	0
Capital Issues	1,715	6,568	15,205	0	0
Other Financing CF	(79)	(32)	0	0	0
Net Financing CF	1,399	9,762	18,605	(5,096)	(1,576)
Currency Adjustments	17	(443)	0	0	0
Chg in Cash	3,045	8,301	7,683	(478)	7,722
Opg CFPS (RMB)	0.65	1.27	1.37	1.91	2.45
Free CFPS (RMB)	1.07	0.09	(3.67)	1.28	2.65

Source: Company, DBS HK

Country Garden Services Holdings Co Ltd

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	26-Mar-21	HK\$72.95	HK\$96.57	Buy
2:	19-Nov-21	HK\$53.70	HK\$75.61	Buy

Source: DBS HK

Analyst: Jason LAM
 Danielle WANG CFA,
 Ken HE CFA,
 Zoe Zhang
 Dexter CHUN
 Ben WONG

China / Hong Kong Company Update

Sunac Services Holdings

Bloomberg: 1516 HK Equity | Reuters: 1516.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

BUY

Last Traded Price (10 Feb 2022): HK\$9.17 (HSI : 24,924)
Price Target 12-mth: HK\$15.80 (72% upside) (Prev HK\$16.46)

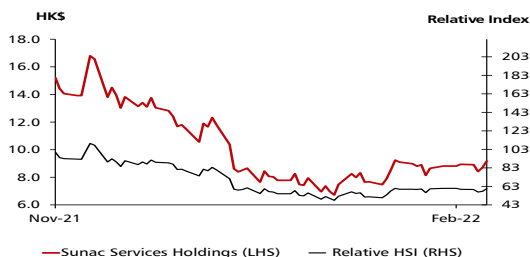
Analyst

Jason LAM +852 36684179 jasonlamch@db.com
Danielle WANG CFA, +852 36684176 danielle_wang@db.com
Ken HE CFA, +86 21 38562898 ken_he@db.com
Zoe Zhang +86 21 38562892 zoezhangbb@db.com
Dexter CHUN dexterchun@db.com
Ben Wong benwongkf@db.com

What's New

- Solid 55% 3-year earnings CAGR clouded by spillover concerns on parent developer's liquidity position
- Cut FY21-23F earnings by 5-15% to reflect parent developer's likely slowdown in project delivery and presales under its current liquidity struggle
- Maintain BUY with TP of HK\$15.80

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021F	2022F	2023F
Turnover	4,623	7,369	10,301	13,923
EBITDA	870	1,457	2,023	2,815
Pre-tax Profit	822	1,612	2,187	3,009
Net Profit	601	1,181	1,603	2,206
Net Profit Gth (%)	122.6	96.6	35.7	37.6
EPS (RMB)	0.25	0.38	0.52	0.71
EPS (HK\$)	0.31	0.47	0.63	0.87
EPS Gth (%)	114.7	51.8	35.7	37.6
Diluted EPS (HK\$)	0.31	0.47	0.63	0.87
DPS (HK\$)	0.09	0.14	0.19	0.26
BV Per Share (HK\$)	4.96	4.15	4.64	5.32
PE (X)	29.8	19.6	14.5	10.5
P/Cash Flow (X)	17.5	17.9	13.3	9.7
P/Free CF (X)	nm	nm	13.3	9.7
EV/EBITDA (X)	9.6	10.4	6.7	4.1
Net Div Yield (%)	1.0	1.5	2.1	2.9
P/Book Value (X)	1.8	2.2	2.0	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	12.0	11.7	14.4	17.5
Earnings Rev (%)		(5)	(13)	(15)
Consensus EPS (RMB)		0.42	0.63	0.88
Other Broker Recs:		B: 19	S: 2	H: 3

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Pick for policy turnaround

Investment Thesis

Concerns on stake disposal from Sunac China (1918 HK) may have been overplayed. Share price of Sunac Services took a severe hit along with Sunac China upon concerns that the liquidity struggle of the latter may lead to further disposals of its stake in the company. We are more optimistic than the market on this front. Sunac has actively monetised its assets and recouped >US\$4bn of cash over the past quarter for its near-term bond repayments. This, along with Sunac Service's currently distressed valuation and share price, points to manageable risk on further share disposals in our view.

Solid fundamentals despite potential scale contraction of developer parent. We have cut our FY21-23F earnings estimates by 5-15% (c.7-17% below market) to reflect Sunac China's likely slowdown in presales (our estimates factored in 15% and 5% decline in its FY22 and FY23 presales) and project delivery given that it has suspended land acquisitions and construction activities to preserve its cashflows. That said, this will still translate into a solid 3-year earnings CAGR of 55%. Despite likely weaker contribution from its parent, we believe its growth prospects can be supplemented by its robust progress in the 3rd party space (c.40% of its incremental contracted GFA came from public auctions, c.30% from M&A and 30% from parent in 2021). Therefore, we believe Sunac Services' solid growth prospects has been overshadowed by spillover concerns on Sunac China.

Valuation:

Our new TP is based on 26.0x FY22F EPS, which is on par to the company's average 1-year forward PE in 4Q21.

Where we differ:

The pick for sentiment and valuation recovery in the China Property Sector. Sunac Services has the highest share price correlation to its related developer within the sector since 2H21. Accordingly, we believe the counter will likely see one of the strongest rebounds in price and valuation when sentiment on the property sector settles and recovers.

Key Risks to Our View:

Further share disposal by major shareholder; unexpected policy tightening on the property sector; significant deterioration in Sunac China's development scale; share placement

At A Glance

Issued Capital (m shrs)	3,104
Mkt Cap (HK\$m/US\$m)	28,464 / 3,654
Major Shareholders (%)	
Sunac China Holdings Ltd	50.0
Free Float (%)	50.0
3m Avg. Daily Val. (US\$m)	30.97
GICS Industry: Real Estate / Real Estate Management & Development	



Watchlist the stock on Insights Direct to receive prompt updates

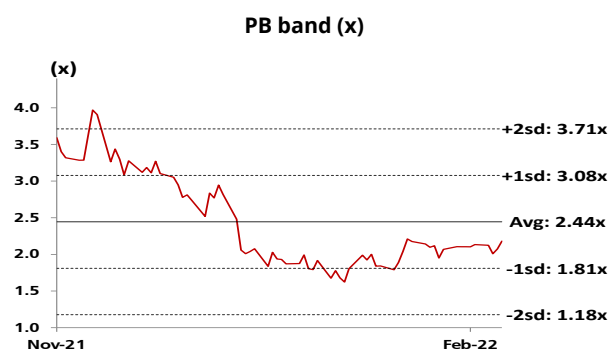
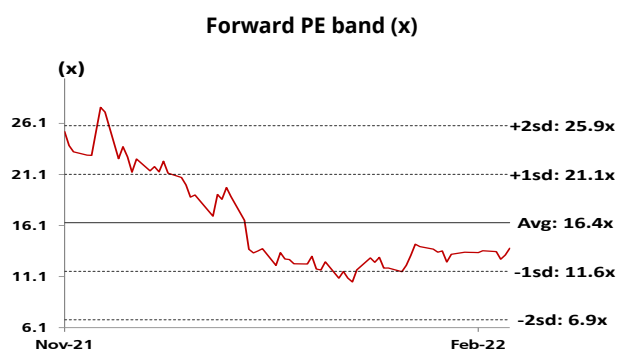


Sunac Services Holdings

Company Background

Spun-off for listing on the HKEx in Nov-20, Sunac Services was founded in 2004 and served as the PM arm of Sunac China. Having operated for over 16 years with a focus on relatively higher end projects Tier 1 and 2 cities, the property manager is often recognised as a high-quality property service provider. Leveraged upon the rapid development scale expansion of Sunac China and the gradual expansion into third party projects, contracted and managed GFA of Sunac Services each grew by more than sixfold and eightfold from 57m sm and 20m sm in contracted and managed GFA as at Dec-17 to 321.7m sm and 173.4m sm respectively as at Jun-21.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Sunac Services Holdings

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	(0.1)	0.0	0.0
Average GFA conversion rate for new projects from 3rd party (years)	0.9	0.9	0.9
Average GFA conversion rate for projects from Sunac China (years)	2.5	2.5	2.5

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property management services	1,148	2,774	4,652	7,099	9,905
Value-added services to non-property owners	1,572	1,673	2,272	2,280	2,412
Community living services	107	176	444	922	1,607
Total	2,827	4,623	7,369	10,301	13,923
Gross Profit (RMB m)					
Property management services	136	599	1,091	1,684	2,407
Value-added services to non-property owners	547	595	841	844	892
Community living services	37	82	189	393	680
Total	720	1,275	2,121	2,920	3,979
Gross Profit Margins (%)					
Property management services	11.8	21.6	23.4	23.7	24.3
Value-added services to non-property owners	34.8	35.6	37.0	37.0	37.0
Community living services	34.6	46.3	42.6	42.6	42.3
Total	25.5	27.6	28.8	28.3	28.6

Source: Company, DBS HK

Sunac Services Holdings

Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenue	2,827	4,623	7,369	10,301	13,923
Cost of Goods Sold	(2,107)	(3,347)	(5,248)	(7,381)	(9,944)
Gross Profit	720	1,275	2,121	2,920	3,979
Other Opng (Exp)/Inc	(364)	(472)	(737)	(979)	(1,253)
Operating Profit	357	803	1,384	1,942	2,726
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	1	9	15	23	30
Net Interest (Exp)/Inc	(12)	10	213	222	253
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	346	822	1,612	2,187	3,009
Tax	(76)	(197)	(382)	(517)	(712)
Minority Interest	0	(25)	(49)	(66)	(91)
Preference Dividend	0	0	0	0	0
Net Profit	270	601	1,181	1,603	2,206
Net Profit before Except.	270	601	1,181	1,603	2,206
EBITDA	372	870	1,457	2,023	2,815
Growth					
Revenue Gth (%)	53.5	63.5	59.4	39.8	35.2
EBITDA Gth (%)	103.4	133.9	67.5	38.8	39.1
Opg Profit Gth (%)	106.4	125.3	72.3	40.3	40.4
Net Profit Gth (%)	174.5	122.6	96.6	35.7	37.6
Margins & Ratio					
Gross Margins (%)	25.5	27.6	28.8	28.3	28.6
Opg Profit Margin (%)	12.3	17.0	18.5	18.7	19.5
Net Profit Margin (%)	9.5	13.0	16.0	15.6	15.8
ROAE (%)	137.8	12.0	11.7	14.4	17.5
ROA (%)	13.8	7.9	8.5	10.0	11.7
ROCE (%)	47.0	11.6	10.1	12.9	15.9
Div Payout Ratio (%)	0.0	30.0	30.0	30.0	30.0
Net Interest Cover (x)	30.1	NM	NM	NM	NM

Source: Company, DBS HK

Sunac Services Holdings

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Net Fixed Assets	29	59	41	23	6
Invts in Associates & JVs	0	0	2,537	2,537	2,537
Other LT Assets	124	1,890	1,850	1,809	1,769
Cash & ST Invts	1,090	9,579	8,184	9,796	11,966
Inventory	82	41	65	91	123
Debtors	586	1,351	2,167	3,030	4,095
Other Current Assets	359	37	37	37	37
Total Assets	2,271	12,957	14,880	17,323	20,532
ST Debt	0	0	0	0	0
Creditors	1,087	1,773	2,834	3,962	5,355
Other Current Liab	664	1,177	1,177	1,177	1,177
LT Debt	0	0	0	0	0
Other LT Liabilities	22	272	272	272	272
Shareholder's Equity	367	9,684	10,497	11,746	13,471
Minority Interests	131	51	100	166	258
Total Cap. & Liab.	2,271	12,957	14,880	17,323	20,532
Non-Cash Wkg. Capital	(723)	(1,521)	(1,742)	(1,981)	(2,277)
Net Cash/(Debt)	1,090	9,579	8,184	9,796	11,966
Debtors Turn (avg days)	63.2	76.5	87.1	92.1	93.4
Creditors Turn (avg days)	151.3	158.7	162.0	169.4	172.0
Inventory Turn (avg days)	11.2	6.8	3.7	3.9	4.0
Asset Turnover (x)	1.4	0.6	0.5	0.6	0.7
Current Ratio (x)	1.2	3.7	2.6	2.5	2.5
Quick Ratio (x)	1.0	3.7	2.6	2.5	2.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	N/A	N/A	N/A
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

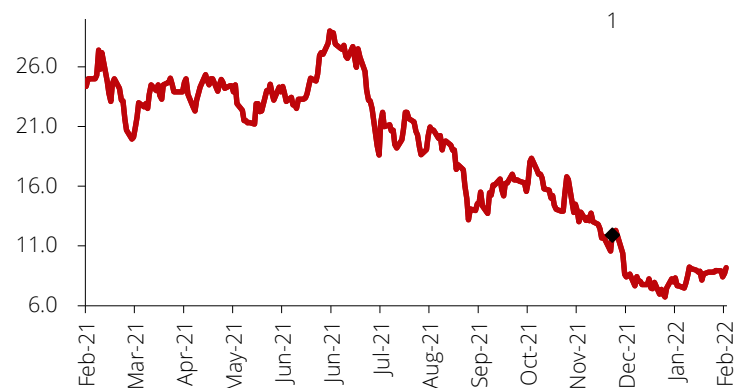
Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Pre-Tax Profit	346	822	1,612	2,187	3,009
Dep. & Amort.	35	82	58	58	58
Tax Paid	(26)	(132)	(382)	(517)	(712)
Assoc. & JV Inc/(loss)	(1)	(9)	0	0	0
(Pft)/ Loss on disposal of FAs	0	2	0	0	0
Chg in Wkg.Cap.	0	0	0	0	0
Other Operating CF	353	258	8	17	43
Net Operating CF	707	1,024	1,297	1,745	2,398
Capital Exp.(net)	(26)	(1,073)	(2,537)	0	0
Other Invts.(net)	5	(350)	0	0	0
Invts in Assoc. & JV	0	(1)	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	624	53	215	224	255
Net Investing CF	603	(1,371)	(2,322)	224	255
Div Paid	0	0	(180)	(354)	(481)
Chg in Gross Debt	(615)	0	0	0	0
Capital Issues	0	7,592	(188)	0	0
Other Financing CF	21	1,034	(6)	(7)	(8)
Net Financing CF	(594)	8,626	(375)	(362)	(489)
Currency Adjustments	2	3	4	5	6
Chg in Cash	718	8,282	(1,396)	1,613	2,170
Opg CFPS (RMB)	0.31	0.43	0.42	0.56	0.77
Free CFPS (RMB)	0.29	(0.02)	(0.40)	0.56	0.77

Source: Company, DBS HK

Sunac Services Holdings

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	7-Dec-21	HK\$10.56	HK\$16.46	Buy

Source: DBS HK

Analyst: Jason LAM
 Danielle WANG CFA,
 Ken HE CFA,
 Zoe Zhang
 Dexter CHUN
 Ben WONG

China / Hong Kong Company Update

A-Living Group Limited

Bloomberg: 3319 HK Equity | Reuters: 3319.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

BUY

Last Traded Price (10 Feb 2022): HK\$16.96 (HSI : 24,924)
Price Target 12-mth: HK\$25.91 (53% upside) (Prev HK\$54.73)

Analyst

Jason LAM +852 36684179 jasonlamch@db.com
Danielle WANG CFA, +852 36684176 danielle_wang@db.com
Ken HE CFA, +86 21 38562898 ken_he@db.com
Zoe Zhang +86 21 38562892 zoezhangbb@db.com
Dexter CHUN dexterchun@db.com
Ben Wong benwongkf@db.com

What's New

- Plenty of value for investors even if stock is seen as a dividend play after stripping away its property-related non-recurring income
- Cut FY21-23F earnings estimates by 13-32% to factor in potential slowdown from Agile and physical market, along with weaker growth outlook from expected halt in M&A
- Maintain BUY with HK\$25.91 TP

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021F	2022F	2023F
Turnover	10,026	13,221	15,700	17,691
EBITDA	2,709	3,217	3,697	4,158
Pre-tax Profit	2,488	3,028	3,515	3,976
Net Profit	1,754	2,208	2,564	2,900
Net Pft (Pre Ex) (core profit)	1,754	2,208	2,564	2,900
Net Profit Gth (Pre-ex) (%)	42.5	25.9	16.1	13.1
EPS (RMB)	1.32	1.60	1.81	2.04
EPS (HK\$)	1.61	1.96	2.21	2.51
EPS Gth (%)	42.5	21.3	13.1	13.1
Diluted EPS (HK\$)	1.61	1.96	2.21	2.51
DPS (HK\$)	0.64	0.59	0.66	0.75
BV Per Share (HK\$)	6.77	10.31	11.69	13.53
PE (X)	10.5	8.7	7.7	6.8
P/Cash Flow (X)	7.0	6.8	5.6	5.6
P/Free CF (X)	7.2	6.8	5.6	5.6
EV/EBITDA (X)	5.5	3.8	2.8	1.9
Net Div Yield (%)	3.8	3.5	3.9	4.4
P/Book Value (X)	2.5	1.6	1.5	1.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	25.9	23.3	20.4	19.9
Earnings Rev (%)		(13)	(26)	(32)
Consensus EPS (RMB)		1.73	2.19	2.77
Other Broker Recs:		B:21	S:3	H:4

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Trough valuation in sight

Investment Thesis

Deep embedded value. A-Living is now trading at a level that is attractive even on the perspective of a dividend play. In the theoretical scenario of 1) the company opts to lift its dividend payout to 90% like the rest of HK-listed REITs; and 2) include only the recurring portion of its earnings (i.e. strip out all property agency, non-property owner VAS contributions), A-Living can potentially offer an unlevered 10% FY22F dividend yield. This can place A-Living meaningfully above that of HK-listed REITs' current levered distribution yield of 6.3%, implying deep embedded value for investors.

Concerns over Agile's liquidity struggle and potential physical market slowdown reflected in the price. We believe earnings downside from Agile and physical market slowdown have been taken into account in our latest FY21-23F earnings estimates that are 10-26% below current market estimates. On the other hand, while there is a possibility that Agile may opt to dispose more stakes in the future for liquidity, A-Living is already trading at an attractive valuation even as a M&A target (at c.11.5x FY21F PE – having stripped out all contributions from property agency and other non-property owner VAS). We believe the company will soon reach its trough valuation.

Valuation:

Our new TP is based on 12.2x FY22F EPS, which is on par to the company's average 1-year forward PE in 2H21.

Where we differ:

Deep embedded value. A-Living is capable of offering a more attractive recurring dividend yield than a typical HK REITs even if 1) we exclude all non-recurring income – i.e. property agency and non-property owner VAS; and 2) assume zero growth for its recurring business segments.

Key Risks to Our View:

Stake disposal from major shareholder a share price overhang. With dust yet to settle in the property sector, Agile may opt to further dispose of its stake in the company or to utilize the stake as an underlying asset to facilitate further bond issuances (e.g. in form of another exchangeable bond).

At A Glance

Issued Capital (m shrs)	1,333
Mkt Cap (HK\$/US\$m)	22,608 / 2,902
Major Shareholders (%)	
Agile Group Holdings Ltd	54.3
Free Float (%)	45.7
3m Avg. Daily Val. (US\$m)	13.18
GICS Industry: Industrials / Commercial & Professional Service	



Watchlist the stock on Insights Direct to receive prompt updates

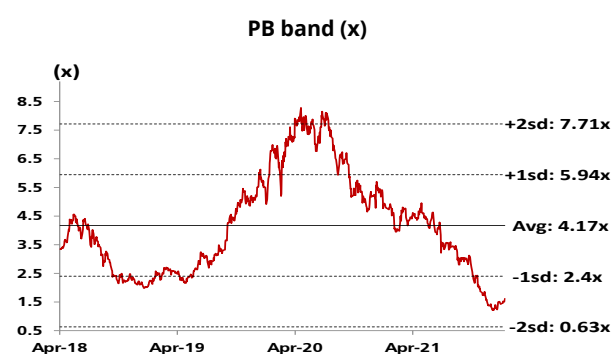
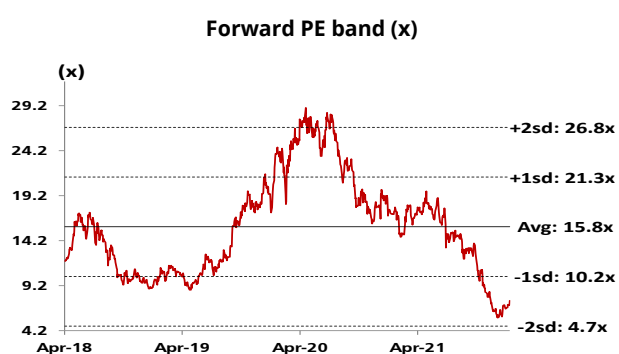


A-Living Group Limited

Company Background

A-Living is the property management division of Agile Group (3383 HK) that was spun off for listing on the HKSE in February 2018 at an initial public offering (IPO) price of HK\$14.20. A-Living has almost 25 years of experience in the industry. Through early participation in numerous scalable M&As, A-Living has successfully accumulated a decent operational scale, both in the residential and public facilities at generally fair valuation multiples of 10-12x. The company's contracted and managed GFA stood at c.584m sm and c.425m sm respectively as at Jun-21.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

A-Living Group Limited

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	0.0	0.0	0.0
Average GFA conversion rate for new projects from 3rd party/Greenland (years)	1.7	1.7	1.7
Average GFA conversion rate for projects from Agile (years)	2.6	2.6	2.6

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property Management Services	2,830	6,482	8,444	9,910	11,190
Value-added services to non-property owners	1,812	2,491	2,554	2,556	2,586
Value-added services to property owners	485	1,053	1,500	1,898	2,197
City Services	0	0	723	1,336	1,719
Total	5,127	10,026	13,221	15,700	17,691
Gross Profit (RMB m)					
Property Management Services	715	1,414	1,835	2,134	2,410
Value-added services to non-property owners	903	999	958	895	905
Value-added services to property owners	264	560	780	968	1,120
City Services	0	0	159	294	378
Total	1,883	2,973	3,732	4,291	4,813
Gross Profit Margins (%)					
Property Management Services	25.3	21.8	21.7	21.5	21.5
Value-added services to non-property owners	49.8	40.1	37.5	35.0	35.0
Value-added services to property owners	54.4	53.2	52.0	51.0	51.0
City Services	N/A	N/A	22.0	22.0	22.0
Total	36.7	29.7	28.2	27.3	27.2

Source: Company, DBS HK

A-Living Group Limited

Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenue	5,127	10,026	13,221	15,700	17,691
Cost of Goods Sold	(3,244)	(7,053)	(9,489)	(11,409)	(12,878)
Gross Profit	1,883	2,973	3,732	4,291	4,813
Other Opng (Exp)/Inc	(195)	(507)	(772)	(861)	(936)
Operating Profit	1,688	2,466	2,961	3,429	3,877
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	23	62	75	86	99
Net Interest (Exp)/Inc	(16)	(40)	(7)	0	0
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	1,694	2,488	3,028	3,515	3,976
Tax	(403)	(515)	(545)	(633)	(716)
Minority Interest	(61)	(218)	(275)	(319)	(361)
Preference Dividend	0	0	0	0	0
Net Profit	1,231	1,754	2,208	2,564	2,900
Net Profit before Except.	1,231	1,754	2,208	2,564	2,900
EBITDA	1,800	2,709	3,217	3,697	4,158
Growth					
Revenue Gth (%)	51.8	95.5	31.9	18.7	12.7
EBITDA Gth (%)	62.2	50.5	18.7	14.9	12.5
Opg Profit Gth (%)	56.9	46.1	20.1	15.8	13.1
Net Profit Gth (%)	53.6	42.5	25.9	16.1	13.1
Margins & Ratio					
Gross Margins (%)	36.7	29.7	28.2	27.3	27.2
Opg Profit Margin (%)	31.2	22.8	21.0	20.7	20.9
Net Profit Margin (%)	24.0	17.5	16.7	16.3	16.4
ROAE (%)	21.2	25.9	23.3	20.4	19.9
ROA (%)	14.8	15.0	13.2	12.1	11.9
ROCE (%)	21.0	24.4	21.1	19.0	18.6
Div Payout Ratio (%)	48.8	39.5	30.0	30.0	30.0
Net Interest Cover (x)	103.3	61.1	402.1	NM	NM

Source: Company, DBS HK

A-Living Group Limited

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Net Fixed Assets	159	255	212	168	125
Invts in Associates & JVs	0	0	0	0	0
Other LT Assets	2,405	4,620	5,791	5,653	5,516
Cash & ST Invts	4,213	5,085	8,445	11,283	14,048
Inventory	12	19	132	157	177
Debtors	2,158	3,406	4,407	4,906	5,528
Other Current Assets	440	591	591	591	591
Total Assets	9,388	13,975	19,579	22,759	25,985
ST Debt	16	225	0	0	0
Creditors	1,738	3,371	4,654	5,614	6,348
Other Current Liab	936	1,270	1,270	1,270	1,270
LT Debt	5	9	9	9	9
Other LT Liabilities	186	443	443	443	443
Shareholder's Equity	6,191	7,355	11,625	13,526	15,657
Minority Interests	315	1,303	1,577	1,896	2,257
Total Cap. & Liab.	9,388	13,975	19,579	22,759	25,985
Non-Cash Wkg. Capital	(63)	(625)	(793)	(1,229)	(1,321)
Net Cash/(Debt)	4,191	4,851	8,436	11,274	14,039
Debtors Turn (avg days)	118.3	101.3	107.8	108.3	107.6
Creditors Turn (avg days)	168.2	135.7	157.3	166.9	171.9
Inventory Turn (avg days)	1.6	0.8	3.0	4.7	4.8
Asset Turnover (x)	0.6	0.9	0.8	0.7	0.7
Current Ratio (x)	2.5	1.9	2.3	2.5	2.7
Quick Ratio (x)	2.4	1.7	2.2	2.4	2.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	73.0	26.1	0.0	0.0	0.0
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

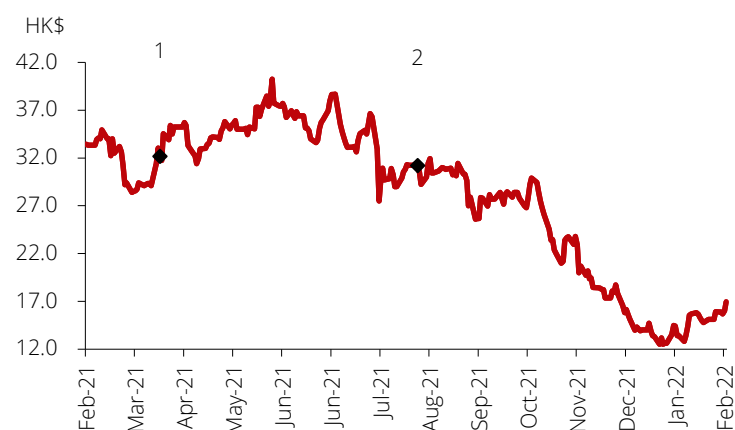
Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Pre-Tax Profit	1,694	2,488	3,028	3,515	3,976
Dep. & Amort.	90	181	181	181	181
Tax Paid	(315)	(490)	(545)	(633)	(716)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	0	5	0	0	0
Chg in Wkg.Cap.	138	404	168	436	92
Other Operating CF	(6)	32	0	0	0
Net Operating CF	1,600	2,620	2,832	3,500	3,534
Capital Exp.(net)	(16)	(61)	0	0	0
Other Invts.(net)	(1,361)	(985)	(1,310)	0	0
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(399)	152	0	0	0
Net Investing CF	(1,775)	(894)	(1,310)	0	0
Div Paid	0	0	0	0	0
Chg in Gross Debt	(27)	(131)	(225)	0	0
Capital Issues	0	0	2,756	0	0
Other Financing CF	(399)	(745)	(693)	(662)	(769)
Net Financing CF	(426)	(877)	1,838	(662)	(769)
Currency Adjustments	0	0	0	0	0
Chg in Cash	(601)	850	3,361	2,838	2,765
Opg CFPS (RMB)	1.10	1.66	1.93	2.16	2.42
Free CFPS (RMB)	1.19	1.92	2.05	2.46	2.49

Source: Company, DBS HK

A-Living Group Limited

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	24-Mar-21	HK\$33.05	HK\$54.66	Buy
2:	18-Aug-21	HK\$31.45	HK\$54.73	Buy

Source: DBS HK

Analyst: Jason LAM

Danielle WANG CFA,

Ken HE CFA,

Zoe Zhang

Dexter CHUN

Ben WONG

China / Hong Kong Company Update

CIFI Ever Sunshine Services

Bloomberg: 1995 HK Equity | Reuters: 1995.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

BUY

Last Traded Price (10 Feb 2022): HK\$15.66 (HSI : 24,924)
Price Target 12-mth: HK\$18.75 (20% upside) (Prev HK\$24.70)

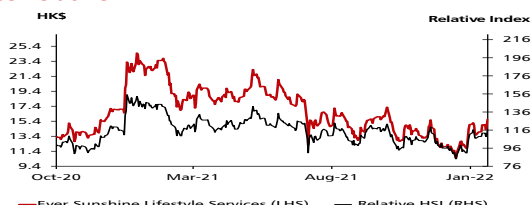
Analyst

Jason LAM +852 36684179 jasonlamch@db.com
Danielle WANG CFA, +852 36684176 danielle_wang@db.com
Ken HE CFA, +86 21 38562898 ken_he@db.com
Zoe Zhang +86 21 38562892 zoezhangbb@db.com
Dexter CHUN dexterchun@db.com
Ben Wong benwongkf@db.com

What's New

- Less affected by the slowdown of its related developer and the physical market
- Remains proactive on small and mid-sized M&A opportunities
- Trimmed FY21-23F earnings by 5-9% to reflect a slowdown in development pace of CIFI (884 HK)
- Maintain BUY with TP 18.75/sh

Price Relative



Forecasts and Valuation

FY Dec (RMB m)	2020A	2021F	2022F	2023F
Turnover	3,120	4,709	6,818	9,661
EBITDA	626	886	1,258	1,755
Pre-tax Profit	598	876	1,260	1,773
Net Profit	390	594	856	1,204
Core Profit	390	594	856	1,204
Core Profit Gth (%)	74.4	52.3	43.9	40.8
Core EPS (RMB)	0.24	0.35	0.49	0.69
Core EPS (HK\$)	0.30	0.43	0.60	0.84
Core EPS Gth (%)	66.4	45.5	38.2	40.8
Core PE (X)	52.6	36.2	26.2	18.6
P/Cash Flow (X)	29.0	21.1	15.9	11.6
EV/EBITDA (X)	27.9	19.8	13.8	9.0
DPS (HK\$)	0.09	0.13	0.18	0.25
Div Yield (%)	0.6	0.8	1.1	1.6
Net Gearing (%)	CASH	CASH	CASH	CASH
ROE (%)	19.3	16.1	17.8	21.4
Book Value (HK\$)	2.21	3.26	3.61	4.27
P/Book Value (X)	7.1	4.8	4.3	3.7

EPS Rev (%): (5) (9) (5)
Consensus EPS (RMB) 0.38 0.55 0.77
Other Broker Recs: B:33 S:0 H:1

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Growth prospects intact

Investment Thesis

On track to achieve full-year targets despite turbulence in the property sector. Together with its M&As in 2021 and a largely unaffected delivery schedule from CIFI (884 HK), Ever Sunshine has achieved its full-year managed GFA growth target of 60m sm. Community VAS should have progressed as expected, while non-property owner VAS will likely be under pressure as CIFI slowed down on land acquisitions in 2H21 given the liquidity crunch and uncertainty in the property sector. Impact from non-property owner VAS should be manageable given the segment's relatively low earnings contribution (c.17% gross profit in 1H21). We believe Ever Sunshine should have met its FY21 earnings growth guidance of 50-60%.

Future growth prospects intact. Most of the increase in Ever Sunshine's GFA has been from 3rd party projects (91% of 1H21's managed GFA increment, 47% non-residential GFA), reducing its risk to CIFI and the overall physical market slowdown. Meanwhile, thanks to CIFI's better-than-peers liquidity position, it is less affected by the sector's liquidity struggle and currently targets to post 10% growth in FY22 attributable presales. With these in mind, we believe Ever Sunshine's GFA growth prospects remain intact, and its guidance to grow managed GFA by c.60m sm (or c.45% y-o-y) in 2022 should be achievable.

Valuation:

Our TP is based on 32.7x FY22F EPS, which is on par to the company's average 1-year forward PE in 2H21.

Where we differ:

Sell-off on spillover concerns from the property sector have been overplayed. We believe Ever Sunshine is less affected in terms of growth outlook from both a slowdown of its related developer (CIFI) and the overall physical market as compared to its peers.

Key Risks to Our View:

Significant presales slowdown of CIFI and of the physical market, fluctuations in labour costs; fails to secure 3rd party projects at reasonable margins; deterioration in fee collection rates.

At A Glance

Issued Capital (m shrs)	1,670
Mkt Cap (HK\$/US\$m)	26,152 / 3,357
Major Shareholders (%)	
CIFI Holdings Group Co Ltd	23.2
Elite Force Development Ltd.	20.7
Lin (Feng)	8.8
Capital Research Global Investors	7.1
Cederberg Capital UK LLP	5.7
Free Float (%)	34.5
3m Avg. Daily Val. (US\$m)	10.08
GICS Industry: Real Estate / Real Estate Management & Development	



Watchlist the stock on Insights Direct to receive prompt updates

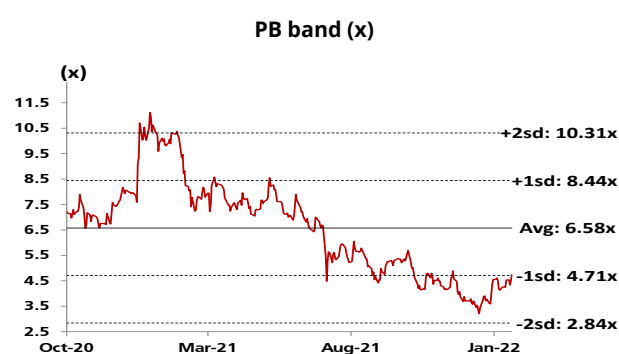
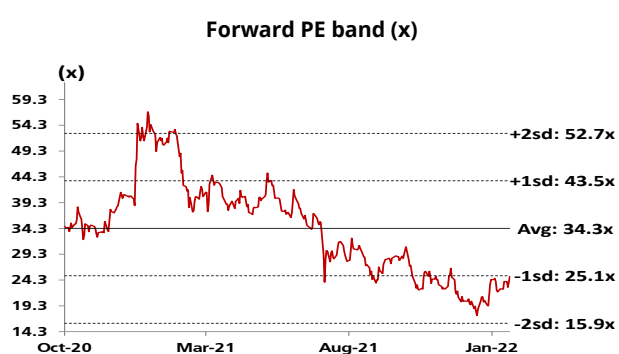


CIFI Ever Sunshine Services

Company Background

Spun-off for listing on the HKEx in Dec-18, Ever Sunshine was founded by the Lin Family in 2002 and served as the property management arm of CIFI. As at Jun-21, it has a contracted GFA of c.219m sm and managed GFA of c.130m sm with a presence in 114 cities in 10 key economic regions. The company is ranked 12th in terms of overall strength according to the China Index Academy (CIA) in 2020.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

CIFI Ever Sunshine Services

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	0.6%	2.7%	3.2%
Average GFA conversion rate for new projects from 3rd party (years)	1.65	1.65	1.65
Average GFA conversion rate for projects from CIFI (years)	2.4	2.4	2.4

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property Management Services	1,070	1,757	2,790	4,145	5,991
Value-added services to non-	325	572	653	804	1,000
Value-added services to property	483	791	1,265	1,869	2,670
Others	N/A	N/A	N/A	N/A	N/A
Total	1,878	3,120	4,709	6,818	9,661

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Turnover	1,878	3,120	4,709	6,818	9,661
Cost of Goods Sold	(1,322)	(2,140)	(3,330)	(4,856)	(6,934)
Gross Profit	555	980	1,379	1,962	2,726
Other Opg (Exp)/Inc	(244)	(407)	(548)	(759)	(1,027)
Operating Profit	311	572	831	1,203	1,699
Associates Inc	0	0	0	0	0
Net Interest (Exp)/Inc	18	26	44	56	72
Exceptional Gain/(Loss)	0	0	0	1	2
Pre-tax Profit	329	598	876	1,260	1,773
Tax	(80)	(156)	(215)	(308)	(434)
Minority Interest	(25)	(52)	(67)	(96)	(135)
Net Profit	224	390	594	856	1,204
Core Profit	224	390	594	856	1,204
Sales Gth (%)	74.5	66.1	50.9	44.8	41.7
Net Profit Gth (%)	122.7	74.4	52.3	43.9	40.8
Core Profit Gth (%)	122.7	74.4	52.3	43.9	40.8
Gross Mgn (%)	29.6	31.4	29.3	28.8	28.2
Core Profit Margin (%)	11.9	12.5	12.6	12.5	12.5
Tax Rate	24.2	26.0	24.5	24.5	24.5

Source: Company, DBS HK

CIFI Ever Sunshine Services

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Fixed Assets	101	91	91	91	91
Invt in Assocs & JVs	51	55	55	55	55
Other LT Assets	519	590	1,589	1,534	1,480
Cash & ST Invt	1,327	3,177	4,138	5,370	7,053
Other Current Assets	481	753	987	1,297	1,715
Total Assets	2,478	4,667	6,859	8,348	10,395
ST Debt	0	0	0	0	0
Creditors	490	693	1,047	1,515	2,147
Other Current Liab	697	889	1,074	1,320	1,650
LT Debt	0	0	0	0	0
Other LT Liabilities	63	67	67	67	67
Minority Interests	80	124	191	287	421
Shareholder's Equity	1,148	2,893	4,481	5,159	6,109
Total Capital	2,478	4,667	6,859	8,348	10,395
Share Capital (m)	1,536	1,609	1,684	1,754	1,754
Net Cash/(Debt)	1,327	3,177	4,138	5,370	7,053
Working Capital	(706)	(829)	(1,134)	(1,538)	(2,082)
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Profit Before Tax	329	598	876	1,259	1,771
Assoc. & JV Inc/(loss)	0	0	0	0	0
Tax Paid	(52)	(121)	(215)	(308)	(434)
Depr/Amort	40	64	54	54	54
Chg in Wkg.Cap.	93	42	304	404	545
Other Non-Cash	99	126	0	0	0
Operating CF	509	709	1,020	1,409	1,936
Net chg in inv.	0	1	0	0	0
Assoc, MI, Invsmt	(318)	(14)	(1,052)	0	0
Investing CF	(318)	(13)	(1,052)	0	0
Net Chg in Debt	3	7	0	0	0
New Capital	56	1,441	1,108	0	0
Dividend	(31)	(102)	(116)	(176)	(253)
Other Financing CF	(112)	(73)	0	0	0
Financing CF	(83)	1,272	993	(176)	(253)
Chg in Cash	124	1,887	960	1,233	1,683
Chg in Net Cash	166	1,851	960	1,233	1,683

Source: Company, DBS HK

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	22-Mar-21	HK\$18.42	HK\$24.45	Buy
2:	26-Aug-21	HK\$17.16	HK\$24.70	Buy

Source: DBS HK

Analyst: Jason LAM

Danielle WANG CFA,

Ken HE CFA,

Zoe Zhang

Dexter CHUN

Ben WONG

China / Hong Kong Company Update

Greentown Service Group

Bloomberg: 2869 HK Equity | Reuters: 2869.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

HOLD (Downgrade from BUY)

Last Traded Price (10 Feb 2022): HK\$8.91 (HSI : 24,924)

Price Target 12-mth: HK\$7.82 (12% downside) (Prev HK\$16.66)

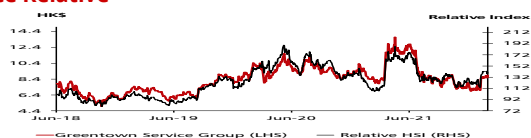
Analyst

Jason LAM +852 36684179 jasonlamch@db.com
 Danielle WANG CFA, +852 36684176 danielle_wang@db.com
 Ken HE CFA, +86 21 38562898 ken_he@db.com
 Zoe Zhang +86 21 38562892 zoezhangbb@db.com
 Dexter CHUN dexterchun@db.com
 Ben Wong benwongkf@db.com

What's New

- Ability of the company to strike a balance between service quality and growth remains uncertain
- FY21 GFA expansion missed targets due to delays stemming from COVID-19 resurgence in China
- Recent changes to the senior management team signal a possible change in corporate culture and strategy
- Downgrade to HOLD with TP of HK\$7.82

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021F	2022F	2023F
Turnover	10,106	12,384	15,200	18,755
EBITDA	1,288	1,317	1,551	1,860
Pre-tax Profit	1,003	1,085	1,337	1,658
Net Profit	710	778	947	1,174
Net Pft (Pre Ex) (core profit)	649	778	947	1,174
Net Profit Gth (Pre-ex) (%)	36.6	19.7	21.8	23.9
EPS (RMB)	0.23	0.24	0.29	0.36
EPS (HK\$)	0.29	0.29	0.36	0.45
Core EPS (RMB)	0.21	0.24	0.29	0.36
Core EPS (HK\$)	0.26	0.29	0.36	0.45
EPS Gth (%)	35.9	3.0	21.8	23.9
Core EPS Gth (%)	24.7	12.7	21.8	23.9
Diluted EPS (HK\$)	0.26	0.29	0.36	0.45
DPS (HK\$)	0.22	0.12	0.14	0.18
BV Per Share (HK\$)	2.75	2.76	2.98	3.25
PE (X)	31.1	30.2	24.8	20.0
CorePE (X)	34.0	30.2	24.8	20.0
P/Cash Flow (X)	16.8	57.0	17.0	15.5
P/Free CF (X)	22.7	57.0	17.0	15.5
EV/EBITDA (X)	13.1	13.8	11.0	8.6
Net Div Yield (%)	2.5	1.3	1.6	2.0
P/Book Value (X)	3.2	3.2	3.0	2.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	14.8	11.0	12.5	14.3
Earnings Rev (%):		(16)	(23)	New
Consensus EPS (RMB)		0.29	0.38	0.48
Other Broker Recs:		B:22	S:1	H:5

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Uncertainties ahead

Investment Thesis

Rising uncertainty on its ability to achieve its five-year growth target. GTS secured c.128m sm of contracted GFA (vs target of 150m sm) or c.Rmb4.5bn of annualized contracted sum (vs Rmb5bn target) in 2021, due to delays from the resurgence of COVID-19 cases in Nov-Dec 21 and marked a miss to the first of their ambitious 5-year growth plan. Meanwhile, we believe GFA conversion will likely fall short of expectations as well, with consultancy services to moderate given the physical market downturn. While GTS believes such setbacks are temporary and has maintained its growth targets for now, we see a possibility that the company may have to tune down its expectations in the future.

Major adjustments to senior management team hints at a potential change in corporate culture and strategy. After the change in CEO and the retirement of its ex-Chairlady LI Hairong, GTS appointed a CFO and COO in Jan-22; both are from China Resources group. This marks a deviation from its historical practice of promoting candidates internally for senior positions. We believe such changes and appointments in the management team will likely spark meaningful changes in GTS's corporate culture and potentially on its growth strategy as well. Dust from these ends will likely take time to settle and potential impact will have to be carefully monitored.

Valuation:

Our new TP is based on 22.7x FY22F EPS, which is on par to the company's average 1-year forward PE in 2H21.

Where we differ:

Ability to balance service quality and growth yet to be proven. We believe GTS's ambitious five-year growth plan may pose challenges to the maintenance of its overall service quality, which has been the company's key competitive edge vs peers. We are less optimistic on the company's ability to strike a proper balance between the two before more evidence to suggest otherwise.

Key Risks to Our View:

Inability to maintain service quality and reputation during their five-year plan; inability to maintain profit margins; operational risks in existing VAS businesses; failure to adequately control labour costs.

At A Glance

Issued Capital (m shrs)	3,220
Mkt Cap (HK\$m/US\$m)	27,853 / 3,575
Major Shareholders (%)	
Orchid Garden Investment Co., Ltd.	31.4
Li (Hairong)	13.1
Longfor Group Holdings Ltd.	9.1
Yiheng Capital Management, L.P.	5.0
Free Float (%)	41.4
3m Avg. Daily Val. (US\$m)	9.51
GICS Industry: Industrials / Commercial & Professional Service	



Watchlist the stock on Insights Direct to receive prompt updates



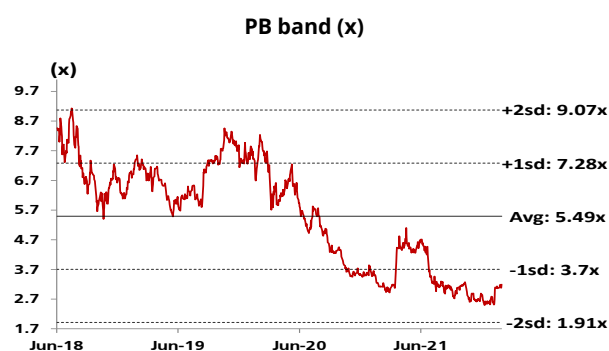
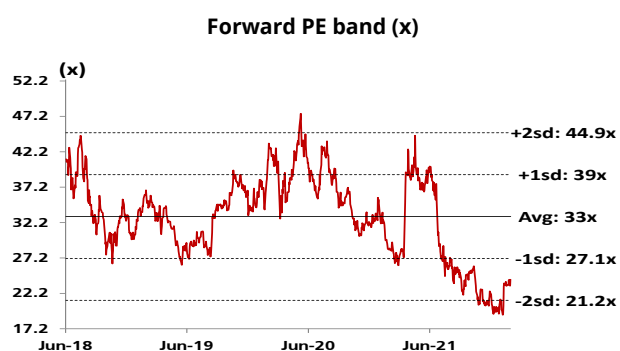
Live more, Bank less

Greentown Service Group

Company Background

Greentown Services was listed on the HKSE in November 2016 at an IPO price of HK\$2.20. The company is a high-end residential property management services provider that offers a comprehensive range of property, community and consulting services primarily aimed at property owners and community residents. It operates sizable contracted GFA of 575m sm as at Jun-21.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Greentown Service Group

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	0.0	0.0	0.0
Average GFA conversion rate (years)	2.3	2.3	2.3

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property Management Services	5,452	6,429	8,299	10,532	13,256
Property Consulting Services	1,217	1,500	1,466	1,495	1,594
Community Living Services	1,913	2,177	2,619	3,173	3,905
Total	8,582	10,106	12,384	15,200	18,755
Gross Profit (RMB m)					
Property Management Services	620	821	1,086	1,410	1,801
Property Consulting Services	409	488	462	458	484
Community Living Services	519	613	707	858	1,039
Total	1,547	1,923	2,255	2,726	3,324
Gross Profit Margins (%)					
Property Management Services	11.4	12.8	13.1	13.4	13.6
Property Consulting Services	33.6	32.6	31.5	30.7	30.3
Community Living Services	27.1	28.2	27.0	27.0	26.6
Total	18.0	19.0	18.2	17.9	17.7

Source: Company, DBS HK

Greentown Service Group

Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenue	8,582	10,106	12,384	15,200	18,755
Cost of Goods Sold	(7,035)	(8,183)	(10,129)	(12,474)	(15,431)
Gross Profit	1,547	1,923	2,255	2,726	3,324
Other Opng (Exp)/Inc	(903)	(953)	(1,251)	(1,490)	(1,782)
Operating Profit	644	970	1,004	1,236	1,542
Other Non Opng (Exp)/Inc	0	34	27	30	33
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(1)	0	54	71	83
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	643	1,003	1,085	1,337	1,658
Tax	(171)	(262)	(275)	(340)	(423)
Minority Interest	5	(30)	(32)	(50)	(62)
Preference Dividend	0	0	0	0	0
Net Profit	477	710	778	947	1,174
Net Profit before Except.	475	649	778	947	1,174
EBITDA	882	1,288	1,317	1,551	1,860
Growth					
Revenue Gth (%)	27.9	17.8	22.5	22.7	23.4
EBITDA Gth (%)	27.5	46.1	2.2	17.8	19.9
Opg Profit Gth (%)	24.7	50.6	3.6	23.1	24.7
Net Profit Gth (%)	(1.2)	48.8	9.5	21.8	23.9
Margins & Ratio					
Gross Margins (%)	18.0	19.0	18.2	17.9	17.7
Opg Profit Margin (%)	4.7	6.8	5.8	6.3	6.7
Net Profit Margin (%)	5.6	7.0	6.3	6.2	6.3
ROAE (%)	18.8	14.8	11.0	12.5	14.3
ROA (%)	6.9	6.6	5.9	6.6	7.3
ROCE (%)	13.8	11.2	8.7	10.2	11.8
Div Payout Ratio (%)	40.0	76.3	40.0	40.0	40.0
Net Interest Cover (x)	858.4	7,458.8	NM	NM	NM

Source: Company, DBS HK

Greentown Service Group

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Net Fixed Assets	582	695	458	221	(17)
Invts in Associates & JVs	207	681	681	681	681
Other LT Assets	2,529	3,094	3,046	2,998	2,950
Cash & ST Invts	2,919	5,701	5,710	6,780	7,906
Inventory	338	346	423	520	641
Debtors	1,841	1,990	2,607	3,378	4,168
Other Current Assets	106	572	572	572	572
Total Assets	8,521	13,079	13,497	15,149	16,901
ST Debt	47	6	0	0	0
Creditors	2,627	2,963	3,029	4,063	5,049
Other Current Liab	1,476	1,716	1,716	1,716	1,716
LT Debt	436	140	0	0	0
Other LT Liabilities	982	1,140	1,140	1,140	1,140
Shareholder's Equity	2,753	6,821	7,287	7,856	8,560
Minority Interests	201	291	324	374	435
Total Cap. & Liab.	8,521	13,079	13,497	15,149	16,901
Non-Cash Wkg. Capital	(1,817)	(1,772)	(1,142)	(1,310)	(1,384)
Net Cash/(Debt)	2,436	5,555	5,710	6,780	7,906
Debtors Turn (avg days)	64.7	69.2	67.7	71.9	73.4
Creditors Turn (avg days)	121.3	129.2	111.1	106.2	109.8
Inventory Turn (avg days)	16.9	15.8	14.3	14.1	14.0
Asset Turnover (x)	1.2	0.9	0.9	1.1	1.2
Current Ratio (x)	1.3	1.8	2.0	1.9	2.0
Quick Ratio (x)	1.1	1.6	1.8	1.8	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	48.1	234.9	N/A	N/A	N/A
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Pre-Tax Profit	643	1,003	1,085	1,337	1,658
Dep. & Amort.	238	285	285	285	285
Tax Paid	(151)	(221)	(275)	(340)	(423)
Assoc. & JV Inc/(loss)	3	28	0	0	0
(Pft)/ Loss on disposal of FAs	19	7	0	0	0
Chg in Wkg.Cap.	126	1,167	(629)	167	74
Other Operating CF	42	(953)	(54)	(71)	(83)
Net Operating CF	919	1,316	412	1,379	1,512
Capital Exp.(net)	(232)	(344)	0	0	0
Other Invts.(net)	(105)	(596)	0	0	0
Invts in Assoc. & JV	(248)	(313)	0	0	0
Div from Assoc & JV	3	2	0	0	0
Other Investing CF	(19)	(1,013)	65	71	83
Net Investing CF	(602)	(2,264)	65	71	83
Div Paid	(178)	(220)	(311)	(379)	(469)
Chg in Gross Debt	338	(340)	(146)	0	0
Capital Issues	0	3,648	0	0	0
Other Financing CF	2	122	(12)	0	0
Net Financing CF	161	3,210	(469)	(379)	(469)
Currency Adjustments	(9)	(233)	0	0	0
Chg in Cash	470	2,029	8	1,071	1,125
Opg CFPS (RMB)	0.29	0.05	0.32	0.37	0.44
Free CFPS (RMB)	0.25	0.32	0.13	0.43	0.47

Source: Company, DBS HK

Greentown Service Group

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	9-Apr-21	HK\$12.78	HK\$16.66	Buy

Source: DBS HK

Analyst: Jason LAM

Danielle WANG CFA,

Ken HE CFA,

Zoe Zhang,

Dexter CHUN,

Ben WONG

China / Hong Kong Company Update

Central China New Life

Bloomberg: 9983 HK Equity | Reuters: 9983.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Feb 2022

HOLD (Downgrade from BUY)

Last Traded Price (10 Feb 2022): HK\$5.35 (HSI : 24,924)

Price Target 12-mth: HK\$5.73 (7% upside) (Prev HK\$11.26)

Analyst

Jason LAM +852 36684179 jasonlamch@db.com
 Danielle WANG CFA, +852 36684176 danielle_wang@db.com
 Ken HE CFA, +86 21 38562898 ken_he@db.com
 Zoe Zhang +86 21 38562892 zoezhangbb@db.com
 Dexter CHUN dexterchun@db.com
 Ben Wong benwongkf@db.com

What's New

- Growth prospects under pressure, affected by related developer's liquidity struggle and slower-than-expected progress on the Jianye+ platform
- Expects downward adjustment to its 3-year growth plan previously disclosed in Aug-21
- Cut FY21-23F earnings to factor in impact from 1) COVID-19 outbreak in Henan; 2) slow progress on Jianye+; and 3) liquidity constraint from related developer
- Downgrade to HOLD upon weakened growth outlook; TP trimmed to HK\$5.73

Future earnings clouded by uncertainty

Investment Thesis

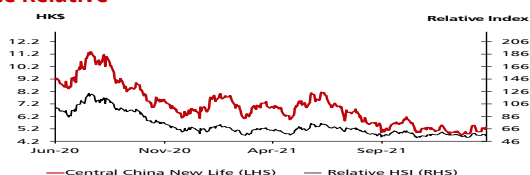
Earnings to take a hit from ongoing pressure faced by related developer. CCNL is fairly dependent on the overall performance of CCRE (832 HK) with c.48% of its 1H21 gross profit derived directly from its related developer via non-property owner VAS. Alongside the recent COVID-19 outbreak in Henan and a tougher liquidity environment in the development sector, we believe CCRE will face higher liquidity pressure, and delivery pace is expected to slow and presales outlook to weaken accordingly. Support through intelligent community solutions will likely be slower as well. We estimate impact from these fronts would reduce our FY21-23F earnings by c.0-28%.

Searching for an appropriate business model for Jianye+. CCNL has been actively seeking for ways to penetrate deeper into its community with local lifestyle services offered on its Jianye+ platform. So far, the growth in users and members on the platform have been slower than expected in 2021. We believe CCNL will likely revise down its growth guidance in this business segment in March.

Valuation:

Our TP is based on a 9.6x FY22F EPS, which is the average 1-year forward PE for the company in 2H21.

Price Relative



Forecasts and Valuation

FY Dec (RMB m)	2020A	2021F	2022F	2023F
Turnover	2,654	3,485	4,367	5,221
EBITDA	569	784	828	948
Pre-tax Profit	557	787	832	954
Net Profit	427	598	632	725
Core Profit	427	598	632	725
Core Profit Gth (%)	82.3	40.2	5.7	14.7
Core EPS (RMB)	0.38	0.48	0.51	0.58
Core EPS (HK\$)	0.47	0.59	0.62	0.71
Core EPS Gth (%)	47.0	25.5	5.7	14.7
Core PE (X)	11.4	9.1	8.6	7.5
P/Cash Flow (X)	17.3	12.7	12.4	8.7
EV/EBITDA (X)	4.7	4.1	3.8	3.1
DPS (HK\$)	0.29	0.35	0.37	0.43
Div Yield (%)	5.4	6.6	7.0	8.0
Net Gearing (%)	CASH	CASH	CASH	CASH
ROE (%)	27.9	21.3	20.7	21.8
Book Value (HK\$)	2.96	2.89	3.14	3.42
P/Book Value (X)	1.8	1.9	1.7	1.6
EPS Rev (%):		(0)	(21)	(28)
Consensus EPS (RMB)		0.49	0.68	0.94
Other Broker Recs:		B:10	S:1	H:0

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Where we differ:

Moderation in CCNL's growth outlook yet to be fully reflected. We believe the market has yet to recognize the full impact that the current turbulence in the property market has on CCNL's future growth outlook. Our FY21-23F earnings are 3-37% below market consensus estimates.

Key Risks to Our View:

Tougher than expected liquidity pressure on CCRE (832 HK); longer than expected search for growth strategy on Jianye+, significant labour cost increments.

At A Glance

Issued Capital (m shrs)	1,246
Mkt Cap (HK\$m/US\$m)	6,454 / 828
Major Shareholders (%)	
Wu (Po Sum)	66.8
HHLR Advisors, Ltd.	6.7
Free Float (%)	26.5
3m Avg. Daily Val. (US\$m)	0.73
GICS Industry: Real Estate / Real Estate Management & Devel	



Watchlist the stock on Insights Direct to receive prompt updates

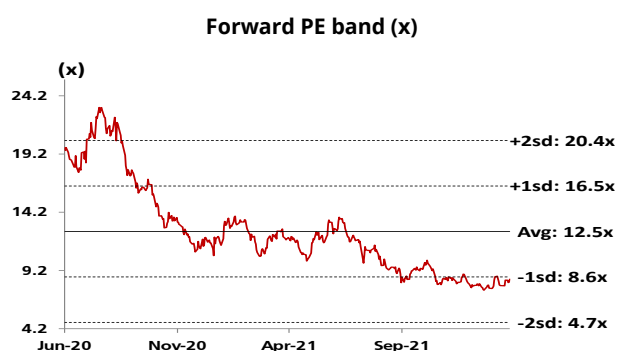


Central China New Life

Company Background

Leveraging on the highly recognisable “Central China” brand and CCRE’s rich development pipeline in Henan since its establishment in 1994, CCNL is the largest property management (PM) service provider in central China, both in terms of managed GFA and revenue in 2018, according to the China Index Academy (CIA). The company ranks 12th in terms of comprehensive strength among the Top 100 PM companies in China in 2020 by the CIA.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Central China New Life

Key Assumptions

FY Dec	2021F	2022F	2023F
Average property management fee growth (%)	5.0%	5.0%	5.0%
Average GFA conversion rate for new projects from 3rd party (years)	1.9	1.9	1.9
Average GFA conversion rate for projects from CCRE (years)	2.7	2.7	2.7

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Revenues (RMB m)					
Property management and VAS	1,341	2,199	2,898	3,648	4,395
Lifestyle Services	309	366	453	558	648
Commercial ppty mgmt and	105	90	134	161	177
0	0	0	0	0	0
Others	N/A	N/A	N/A	N/A	N/A
Total	1,754	2,654	3,485	4,367	5,221

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Turnover	1,754	2,654	3,485	4,367	5,221
Cost of Goods Sold	(1,178)	(1,794)	(2,449)	(3,129)	(3,776)
Gross Profit	576	861	1,036	1,238	1,444
Other Opg (Exp)/Inc	(252)	(317)	(279)	(437)	(522)
Operating Profit	324	543	758	802	922
Associates Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(16)	14	30	30	32
Exceptional Gain/(Loss)	(5)	0	0	0	0
Pre-tax Profit	302	557	787	832	954
Tax	(75)	(116)	(164)	(174)	(199)
Minority Interest	6	(14)	(25)	(26)	(30)
Net Profit	234	427	598	632	725
Core Profit	234	427	598	632	725
Sales Gth (%)	152.8	51.3	31.3	25.3	19.5
Net Profit Gth (%)	1,101.6	82.3	40.2	5.7	14.7
Core Profit Gth (%)	1,101.6	82.3	40.2	5.7	14.7
Gross Mgn (%)	32.8	32.4	29.7	28.4	27.7
Core Profit Margin (%)	13.3	16.1	17.2	14.5	13.9
Tax Rate	24.7	20.9	20.9	20.9	20.9

Source: Company, DBS HK

Central China New Life

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Fixed Assets	18	56	35	14	(7)
Invt in Assocs & JVs	1	1	35	35	35
Other LT Assets	82	166	160	155	150
Cash & ST Invt	585	2,219	2,283	2,373	2,591
Other Current Assets	777	1,808	2,294	2,821	3,251
Total Assets	1,463	4,250	4,807	5,398	6,020
ST Debt	0	0	0	0	0
Creditors	654	937	1,231	1,542	1,843
Other Current Liab	363	531	531	531	531
LT Debt	0	0	0	0	0
Other LT Liabilities	64	65	65	65	65
Minority Interests	12	26	51	77	107
Shareholder's Equity	369	2,691	2,931	3,183	3,473
Total Capital	1,463	4,250	4,807	5,398	6,020
Share Capital (m)	899	1,115	1,245	1,245	1,245
Net Cash/(Debt)	585	2,219	2,283	2,373	2,591
Working Capital	(241)	340	533	748	877
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

Source: Company, DBS HK

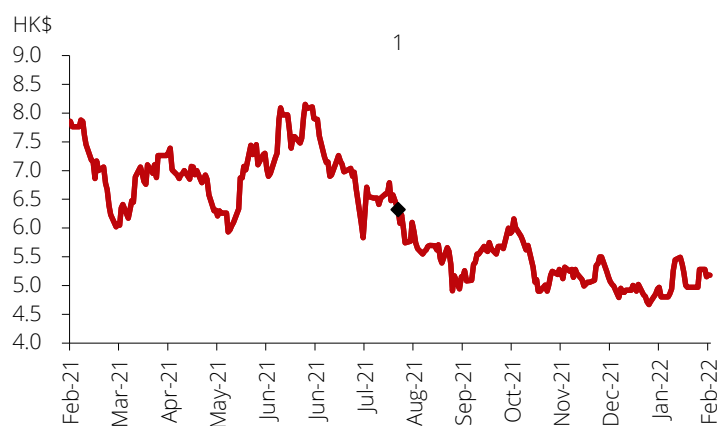
Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021F	2022F	2023F
Profit Before Tax	308	557	787	832	954
Assoc. & JV Inc/(loss)	0	0	0	0	0
Tax Paid	(51)	(75)	(164)	(174)	(199)
Depr/Amort	14	26	26	26	26
Chg in Wkg.Cap.	(12)	(243)	(192)	(216)	(128)
Other Non-Cash	22	16	(30)	(30)	(32)
Operating CF	281	281	427	439	621
Net chg in inv.	31	(459)	0	0	0
Assoc, MI, Invsmt	613	(73)	(4)	30	32
Investing CF	644	(533)	(4)	30	32
Net Chg in Debt	(436)	0	0	0	0
New Capital	0	0	0	0	0
Dividend	0	0	(359)	(379)	(435)
Other Financing CF	(38)	1,885	0	0	0
Financing CF	(474)	1,885	(359)	(379)	(435)
Chg in Cash	450	1,633	64	90	218
Chg in Net Cash	887	1,634	64	90	218

Source: Company, DBS HK

Central China New Life

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	16-Aug-21	HK\$6.58	HK\$11.26	Buy

Source: DBS HK

Analyst: Jason LAM

Danielle WANG CFA,

Ken HE CFA,

Zoe Zhang

Dexter CHUN

Ben WONG

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 11 Feb 2022 11:29:38 (HKT)

Dissemination Date: 11 Feb 2022 18:01:55 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

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DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

DBS Regional Research Offices**HONG KONG**

DBS Bank (Hong Kong) Ltd

Contact: Carol Wu

13th Floor One Island East,

18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)

19th Floor, Menara Multi-Purpose, Capital Square,

8 Jalan Munshi Abdullah 50100, Kuala Lumpur, Malaysia.

Tel.: 603 2604 3333

Fax: 603 2604 3921

e-mail: general@alliancedbs.com

Co. Regn No. 198401015984 (128540-U)

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua

12 Marina Boulevard,

Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaesearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand