

Hong Kong

June 16, 2022 - 11:23 PM

HOLD (no change)

Consensus ratings*: Buy 18 Hold 2 Sell 0

| | |
|-------------------------|-------------|
| Current price: | HK\$18.36 |
| Target price: | HK\$21.40 |
| Previous target: | HK\$21.40 |
| Up/downside: | 16.6% |
| CGS-CIMB / Consensus: | -45.2% |
| Reuters: | 9666.HK |
| Bloomberg: | 9666 HK |
| Market cap: | US\$1,527m |
| | HK\$11,986m |
| Average daily turnover: | US\$12.75m |
| | HK\$99.18m |
| Current shares o/s | 652.8m |
| Free float: | 39.9% |

*Source: Bloomberg

Key financial forecasts

| | Dec-22F | Dec-23F | Dec-24F |
|-------------------|---------|---------|---------|
| Net Profit (Rmbm) | 1,319 | 1,629 | 1,967 |
| Core EPS (Rmb) | 2.02 | 2.50 | 3.01 |
| Core EPS Growth | 24.7% | 23.6% | 20.7% |
| FD Core P/E (x) | 7.77 | 6.29 | 5.21 |
| Recurring ROE | 16.2% | 17.6% | 18.5% |
| P/BV (x) | 1.18 | 1.04 | 0.90 |
| DPS (Rmb) | 0.81 | 1.00 | 1.21 |
| Dividend Yield | 5.15% | 6.36% | 7.67% |



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|-------|-------|-------|
| Absolute (%) | -17.7 | -21.2 | -70.8 |
| Relative (%) | -22.2 | -25 | -44.1 |

| Major shareholders | % held |
|----------------------------------|--------|
| Jinke Property (000656 CH) | 30.3 |
| Boyu Capital | 22.0 |
| Employee share incentive schemes | 7.7 |

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Jinke Smart Services

Takeaways from virtual property conference

- Management expects the agreement to acquire Jiayuan Services to be finalised and announced by 23 Jun, i.e. within a week.
- Management reiterates its contracted GFA growth, revenue growth and net profit targets for FY22F.
- Reiterate Hold on Jinke SS with a TP of HK\$21.4. Key risk to its share price is further disposal of its shares by parent Jinke Property.

Agreement to acquire Jiayuan Services to be finalised within a week

- During our virtual property conference, Jinke SS's management reiterated its target of growing contracted GFA by 100m sq m in FY22F, with ~50% from third-party (3P) contracts, ~40% from M&A and ~10% from its parent Jinke Property (000656 CH, NR).
- It announced on 26 May plans to acquire Jiayuan Services (1153 HK, NR), with a more detailed proposal to be announced by 23 Jun. If a final agreement between Jinke SS and Jiayuan International (2768 HK, NR; parent of Jiayuan Services) cannot be reached by 23 Jun, the M&A may not proceed.
- Apart from Jiayuan Services, management has identified some mid- to small-sized property management (PM) firms as potential targets to meet its M&A goal.

Regrouping business segments to emphasise growth in VAS

- With the proposal of its four growth curves (referred to as "SLCT") in Aug 21, its hotel management business (acquired from Jinke Property) and catering services have been grouped under the "Local catering services" or "Catering" segments. VAS to non-property owners has been grouped with PM services under the "Space PM services" or "Space" segments. The original community VAS is now also called the "life" segment.

Management reiterates FY22F revenue growth and net profit targets

- Management reiterates its target of achieving 40% yoy revenue growth (i.e., ~Rmb8bn) and Rmb1bn net profit (excluding contribution from VAS to non-property owners) in FY22F.
- Management expects stable FY22F revenue share from Space (60-70%), while some FY22F revenue share from life may shift towards Catering and Smart living technology solutions ("Technology" segment) due to higher growth rates for the latter segments.
- For FY22F, management also expects flattish gross profit margin (GPM) from PM services (FY21: 24%), largely stable GPMs from Life and Catering segments, and a decline in GPM from the Technology segment due to a change in product mix as a result of rapid revenue growth. FY22F GPM for VAS to non-property owners still looks uncertain, according to management.

Reiterate Hold with a TP of HK\$21.4

- We reiterate our Hold rating on Jinke SS with a TP of HK\$21.4, equivalent to 9.2x FY22F P/E (based on 23% FY21-24F EPS CAGR and 0.4x PEG).
- Key downside risks include prolonged Covid-19 outbreak in China that slows VAS expansion and further disposal of Jinke SS shares by Jinke Property. Improvement in liquidity for Jinke Property is a key upside risk for Jinke SS.

Figure 1: China property management valuation summary

| Company Name | Ticker | Share price (HK\$) | Target price (HK\$) | Rating | Upside (%) | Mkt cap (US\$ m) | P/E (x) | | | | Dividend yield | | | EPS CAGR FY21-24F | FY22F PEG (x)* | Net gearing (%) 2021 |
|-----------------------------------|---------|-----------------------|------------------------|--------|---------------|---------------------|-------------|-------------|-------------|------------|----------------|------------|------------|----------------------|-------------------|-------------------------|
| | | | | | | | 2021 | 2022F | 2023F | 2024F | 2021 | 2022F | 2023F | | | |
| A-Living | 3319 HK | 12.14 | 12.30 | HOLD | 1 | 2,388 | 6.2 | 5.3 | 4.6 | 4.1 | 3.9 | 4.7 | 5.4 | 15% | 0.36 | (33) |
| COPH | 2669 HK | 8.38 | 11.60 | ADD | 38 | 3,534 | 28.0 | 20.6 | 15.9 | 12.2 | 1.1 | 1.5 | 1.9 | 32% | 0.65 | (140) |
| Country Garden Services | 6098 HK | 28.10 | 62.60 | ADD | 123 | 12,812 | 18.3 | 13.8 | 10.0 | 7.7 | 1.2 | 1.8 | 2.5 | 33% | 0.41 | (17) |
| CIFI Ever Sunshine | 1995 HK | 8.50 | 17.60 | ADD | 107 | 1,936 | 20.7 | 14.8 | 11.0 | 8.4 | 1.5 | 2.0 | 2.7 | 33% | 0.45 | (85) |
| Greentown Service | 2869 HK | 7.87 | 7.40 | HOLD | (6) | 3,247 | 25.4 | 20.9 | 17.1 | 14.2 | 2.5 | 2.6 | 2.7 | 21% | 0.98 | (56) |
| KWG Living | 3913 HK | 2.21 | 5.80 | ADD | 162 | 578 | 5.6 | 4.0 | 3.0 | 2.3 | 6.3 | 8.7 | 11.7 | 35% | 0.12 | (35) |
| Poly Property Services | 6049 HK | 50.30 | 47.00 | HOLD | (7) | 3,567 | 27.9 | 22.2 | 18.2 | 15.1 | 0.7 | 0.9 | 1.1 | 23% | 0.98 | (112) |
| Powerlong CM | 9909 HK | 6.31 | 7.80 | ADD | 24 | 537 | 6.9 | 5.6 | 4.6 | 3.7 | 7.1 | 8.9 | 11.0 | 23% | 0.25 | (162) |
| Times Neighborhood | 9928 HK | 1.55 | 2.75 | ADD | 77 | 211 | 3.9 | 3.3 | 2.8 | 2.3 | 4.3 | 7.4 | 9.3 | 19% | 0.17 | (42) |
| Shimao Services | 873 HK | 4.20 | 5.00 | HOLD | 19 | 1,321 | 8.3 | 6.8 | 5.5 | 4.8 | 3.6 | 4.4 | 5.4 | 20% | 0.33 | (71) |
| Sunac Services | 1516 HK | 4.34 | 5.60 | HOLD | 29 | 1,764 | 9.0 | 7.2 | 5.9 | 4.9 | 3.3 | 4.2 | 5.1 | 22% | 0.32 | (62) |
| Jinke Smart Services | 9666 HK | 18.36 | 21.40 | HOLD | 17 | 1,550 | 9.7 | 7.8 | 6.3 | 5.2 | 4.1 | 5.1 | 6.4 | 23% | 0.34 | (67) |
| CR Mixc Lifestyle | 1209 HK | 36.75 | 40.70 | HOLD | 11 | 10,875 | 43.1 | 29.1 | 22.1 | 16.9 | 0.9 | 1.3 | 1.7 | 37% | 0.79 | (93) |
| Mid- and large-cap average | | | | | 35 | | 20.9 | 15.7 | 12.3 | 9.9 | 2.1 | 2.7 | 3.3 | 27% | 0.59 | (74) |
| Small-cap average | | | | | 71 | | 6.2 | 4.9 | 4.0 | 3.3 | 5.4 | 7.3 | 9.3 | 24% | 0.22 | (78) |
| Overall average | | | | | 46 | | 16.4 | 12.4 | 9.8 | 7.8 | 3.1 | 4.1 | 5.1 | 26% | 0.47 | (75) |

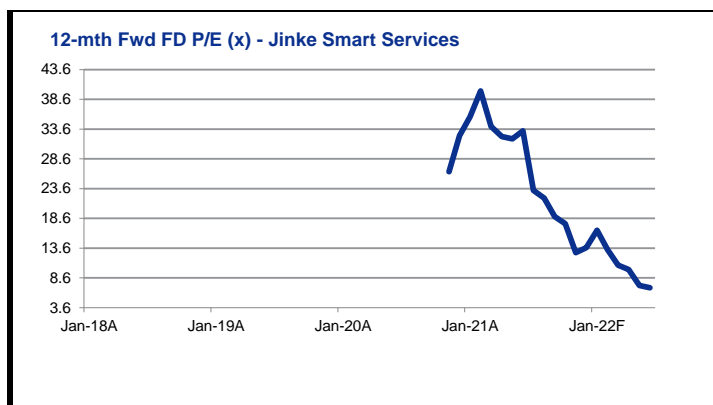
Share price data as of 16 Jun 2022, * PEG = FY22F PE/EPS CAGR (FY21-24F)*100

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS

| Profit & Loss | | | | |
|---|--------------|--------------|---------------|---------------|
| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
| Total Net Revenues | 5,968 | 7,950 | 10,265 | 12,869 |
| Gross Profit | 1,846 | 2,334 | 2,936 | 3,600 |
| Operating EBITDA | 1,386 | 1,703 | 2,139 | 2,614 |
| Depreciation And Amortisation | (24) | (5) | (24) | (43) |
| Operating EBIT | 1,362 | 1,698 | 2,115 | 2,571 |
| Financial Income/(Expense) | 25 | 47 | 48 | 48 |
| Pretax Income/(Loss) from Assoc. | 4 | 5 | 5 | 6 |
| Non-Operating Income/(Expense) | (70) | (101) | (130) | (163) |
| Profit Before Tax (pre-EI) | 1,321 | 1,648 | 2,038 | 2,462 |
| Exceptional Items | | | | |
| Pre-tax Profit | 1,321 | 1,648 | 2,038 | 2,462 |
| Taxation | (244) | (305) | (376) | (455) |
| Exceptional Income - post-tax | | | | |
| Profit After Tax | 1,077 | 1,344 | 1,661 | 2,007 |
| Minority Interests | (20) | (25) | (32) | (40) |
| Prof. & Special Div | 0 | 0 | 0 | 0 |
| FX Gain/(Loss) - post tax | | | | |
| Other Adjustments - post-tax | | | | |
| Net Profit | 1,057 | 1,319 | 1,629 | 1,967 |
| Recurring Net Profit | 1,057 | 1,319 | 1,629 | 1,967 |
| Fully Diluted Recurring Net Profit | 1,057 | 1,319 | 1,629 | 1,967 |

| Cash Flow | | | | |
|------------------------------------|----------------|--------------|--------------|--------------|
| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
| EBITDA | 1,386 | 1,703 | 2,139 | 2,614 |
| Cash Flow from Inv. & Assoc. | | | | |
| Change In Working Capital | (847) | 70 | (286) | (313) |
| Straight Line Adjustment | | | | |
| (Incr)/Decr in Total Provisions | | | | |
| Other Non-Cash (Income)/Expense | | | | |
| Other Operating Cashflow | 38 | (28) | (30) | (31) |
| Net Interest (Paid)/Received | 21 | 73 | 76 | 78 |
| Tax Paid | (154) | (305) | (376) | (455) |
| Cashflow From Operations | 444 | 1,513 | 1,523 | 1,892 |
| Capex | (52) | (400) | (400) | (400) |
| Disposals Of FAs/subsidiaries | 82 | 0 | 0 | 0 |
| Disposals of Investment Properties | 0 | 0 | 0 | 0 |
| Acq. Of Subsidiaries/Investments | (484) | (540) | (540) | (540) |
| Other Investing Cashflow | (845) | 0 | 0 | 0 |
| Cash Flow From Investing | (1,300) | (940) | (940) | (940) |
| Debt Raised/(repaid) | 0 | 0 | 0 | 0 |
| Proceeds From Issue Of Shares | 0 | 0 | 0 | 0 |
| Shares Repurchased | (13) | 0 | 0 | 0 |
| Dividends Paid | (333) | (424) | (528) | (652) |
| Preferred Dividends | | | | |
| Other Financing Cashflow | (644) | 0 | 0 | 0 |
| Cash Flow From Financing | (990) | (424) | (528) | (652) |



| Balance Sheet | | | | |
|--------------------------------------|--------------|--------------|---------------|---------------|
| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
| Total Cash And Equivalents | 5,170 | 5,318 | 5,373 | 5,674 |
| Properties Under Development | | | | |
| Total Debtors | 4,210 | 4,242 | 4,838 | 5,508 |
| Inventories | 23 | 23 | 23 | 23 |
| Total Other Current Assets | 53 | 53 | 53 | 53 |
| Total Current Assets | 9,456 | 9,637 | 10,287 | 11,258 |
| Fixed Assets | 90 | 486 | 861 | 1,218 |
| Total Investments | 47 | 52 | 57 | 63 |
| Intangible Assets | 733 | 1,273 | 1,813 | 2,353 |
| Total Other Non-Current Assets | 113 | 118 | 124 | 130 |
| Total Non-current Assets | 984 | 1,929 | 2,856 | 3,765 |
| Short-term Debt | 0 | 0 | 0 | 0 |
| Current Portion of Long-Term Debt | | | | |
| Total Creditors | 1,725 | 1,722 | 1,907 | 2,117 |
| Other Current Liabilities | 791 | 897 | 1,022 | 1,170 |
| Total Current Liabilities | 2,516 | 2,619 | 2,929 | 3,287 |
| Total Long-term Debt | 0 | 0 | 0 | 0 |
| Hybrid Debt - Debt Component | | | | |
| Total Other Non-Current Liabilities | 176 | 176 | 176 | 176 |
| Total Non-current Liabilities | 176 | 176 | 176 | 176 |
| Total Provisions | 17 | 21 | 26 | 32 |
| Total Liabilities | 2,710 | 2,816 | 3,132 | 3,495 |
| Shareholders' Equity | 7,657 | 8,651 | 9,881 | 11,357 |
| Minority Interests | 73 | 98 | 130 | 170 |
| Total Equity | 7,730 | 8,749 | 10,011 | 11,528 |

| Key Ratios | | | | |
|---------------------------|---------|---------|---------|---------|
| | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
| Revenue Growth | 77.0% | 33.2% | 29.1% | 25.4% |
| Operating EBITDA Growth | 79.8% | 22.9% | 25.6% | 22.2% |
| Operating EBITDA Margin | 23.2% | 21.4% | 20.8% | 20.3% |
| Net Cash Per Share (Rmb) | 7.92 | 8.15 | 8.23 | 8.69 |
| BVPS (Rmb) | 11.73 | 13.25 | 15.14 | 17.40 |
| Gross Interest Cover | 856.1 | N/A | N/A | N/A |
| Effective Tax Rate | 18.5% | 18.5% | 18.5% | 18.5% |
| Net Dividend Payout Ratio | 40.1% | 40.0% | 40.0% | 40.0% |
| Accounts Receivables Days | 93.88 | 93.14 | 83.29 | 84.61 |
| Inventory Days | 1.73 | 1.49 | 1.14 | 0.90 |
| Accounts Payables Days | 39.43 | 39.54 | 34.82 | 35.40 |
| ROIC (%) | 24.3% | 47% | 44% | 40% |
| ROCE (%) | 18.5% | 21.1% | 23.0% | 24.3% |
| Return On Average Assets | 11.1% | 11.9% | 13.2% | 14.0% |

| Key Drivers | | | | |
|---|---------|---------|---------|---------|
| | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
| GFA under management (m sq m) | 237.9 | 319.0 | 408.4 | 501.3 |
| Contracted GFA (m sq m) | 359.8 | 450.3 | 543.8 | 640.3 |
| Gross margin (PM services) (%) | 24.3% | 24.3% | 24.0% | 23.8% |
| Gross margin (non-property owner VAS) (%) | 43.1% | 39.6% | 39.3% | 38.7% |
| Gross margin (community VAS) (%) | 41.6% | 40.0% | 38.9% | 37.8% |
| Gross margin (tech solutions) (%) | 44.5% | 42.5% | 40.5% | 39.5% |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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| | | | | | |
|---------------------|-----------|-----------|---------|----------|------------------|
| Score Range: | 90 - 100 | 80 – 89 | 70 - 79 | Below 70 | No Survey Result |
| Description: | Excellent | Very Good | Good | N/A | N/A |

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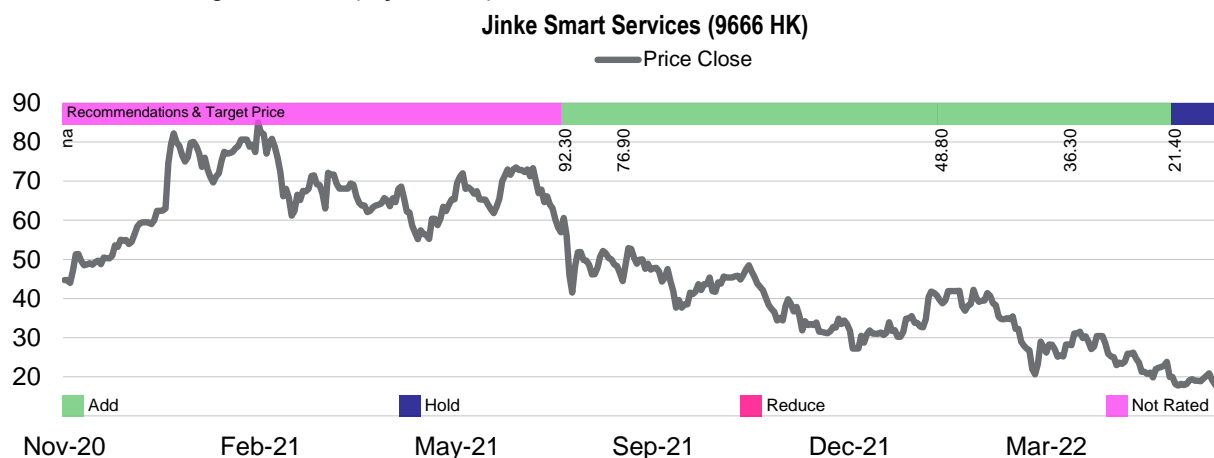
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| Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022 | | |
|---|-------------------------|--------------------------------|
| 632 companies under coverage for quarter ended on 31 March 2022 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 70.3% | 0.8% |
| Hold | 22.0% | 0.0% |
| Reduce | 7.8% | 0.2% |

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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40/10