

Hong Kong

June 28, 2022 - 9:49 PM

HOLD (no change)

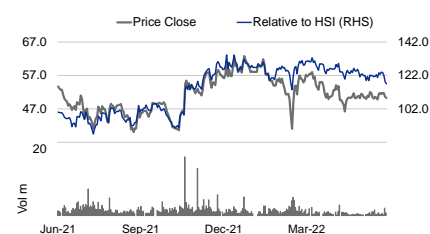
Consensus ratings*: Buy 25 Hold 4 Sell 1

Current price:	HK\$50.25
Target price:	HK\$47.00
Previous target:	HK\$47.00
Up/downside:	-6.5%
CGS-CIMB / Consensus:	-33.2%
Reuters:	6049.HK
Bloomberg:	6049 HK
Market cap:	US\$3,543m
	HK\$27,805m
Average daily turnover:	US\$4.77m
	HK\$37.40m
Current shares o/s	553.3m
Free float:	27.7%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (Rmbm)	1,073	1,310	1,572
Core EPS (Rmb)	1.94	2.37	2.84
Core EPS Growth	25.8%	22.1%	20.0%
FD Core P/E (x)	22.15	18.14	15.12
Recurring ROE	14.8%	15.8%	16.4%
P/BV (x)	3.07	2.68	2.32
DPS (Rmb)	0.39	0.47	0.57
Dividend Yield	0.91%	1.09%	1.33%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.2	-8.5	-6.4
Relative (%)	-9.5	-11.9	17

Major shareholders	% held
Poly Developments (600048 CH)	72.3

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Poly Property Services

Takeaways from virtual property conference

- Poly Prop Services' (Poly PS) management said third-party GFA expansion was slower than expected in 5M22 due to the recent Covid-19 outbreak.
- It expects an increase in gross profit margin for community VAS as it optimises the mix of services, after introducing new ones a few years ago.
- It remains conservative on M&As, citing concerns over valuation and potential integration issues. Reiterate Hold, with a TP of HK\$47.

Slower third-party bidding progress amid Covid-19 outbreak

- Poly PS management said during our virtual property conference that the company's GFA expansion via third-party (3P) bidding was slower than expected in 5M22, due to the Covid-19 outbreak in recent months. Nevertheless, the proportion of residential GFA to non-residential GFA acquired from 3P bidding so far this year has been maintained at about 1:3. As in previous years, management did not provide growth guidance for FY22F.
- Management does not expect any social security waiver by the Chinese government in FY22F, unlike FY20 when the pandemic in China began.
- Management expects pressure on receivables collection from public facilities as a result of a weak economy.

Looking forward to an increase in GPM for community VAS

- In community value-added services (VAS), some businesses of community living services, e.g. move-in and furnishing services and community retail, were cut down during the pandemic. Those related to community assets (e.g. space operation) ran as normal, according to management.
- By optimising the mix of community VAS after the introduction of new services a few years ago, management expects an increase in GPM of community VAS (FY21: 31.4%).
- Management expects a hoh decrease in the revenue share of VAS to non-property owners in 1H22F, due to developers' weaker property sales.

Still awaiting better M&A valuations

- Management said the valuations for acquisition targets are declining but thinks they can go even lower — which is why Poly PS has not yet made any sizeable M&As yet.
- Other than valuation, management said it would give equal importance to the target's readiness for integration while evaluating an acquisition.

Reiterate Hold with a TP of HK\$47

- The first phase of Poly PS's Restricted Share Incentive Scheme was approved by shareholders in Feb 22. Management says the next phase, if any, would have to be launched no less than two years after the approval of the first phase.
- We reiterate Hold on Poly PS with a TP of HK\$47, still based on 20.3x FY22F P/E (0.9x PEG and 23% FY21-24F EPS CAGR).
- Key downside risks include prolonged lockdowns in key Tier-1 and -2 cities in China, while EPS-accretive M&As and faster-than-expected expansion of community VAS are key upside risks.

Figure 1: Our projection of Poly PS's year-end management portfolio

	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
GFA under management (m sq m)							
Poly Developments	109	129	152	186	220	252	285
Third-party developers and public facilities	81	158	228	279	333	396	463
Total	191	287	380	465	553	648	747
<i>Poly Developments as % of total</i>	57%	45%	40%	40%	40%	39%	38%
Contracted GFA (m sq m)							
Poly Developments	171	210	240	279	310	343	376
Third-party developers and public facilities	191	288	327	377	447	517	587
Total	362	498	567	656	758	860	963
<i>Poly Developments as % of total</i>	47%	42%	42%	43%	41%	40%	39%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 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	PEG (x)*	Net gearing (%)
							2021	2022F	2023F	2024F	2021	2022F	2023F			
A-Living	3319 HK	12.72	12.30	HOLD	(3)	2,301	6.5	5.6	4.8	4.3	3.8	4.5	5.1	15%	0.37	(33)
COPH	2669 HK	8.25	11.60	ADD	41	3,455	27.6	20.3	15.6	12.1	1.1	1.5	1.9	32%	0.64	(140)
Country Garden Services	6098 HK	35.35	62.60	ADD	77	15,176	23.0	17.3	12.5	9.7	1.0	1.4	2.0	33%	0.52	(17)
CIFI Ever Sunshine	1995 HK	9.91	17.60	ADD	78	2,213	24.1	17.2	12.8	9.7	1.3	1.7	2.3	33%	0.52	(85)
Greentown Service	2869 HK	8.94	7.40	HOLD	(17)	3,699	28.8	23.8	19.5	16.2	2.2	2.3	2.4	21%	1.12	(56)
KWG Living	3913 HK	2.48	5.80	ADD	134	637	6.3	4.5	3.4	2.6	5.7	7.7	10.4	35%	0.13	(35)
Poly Property Services	6049 HK	50.25	47.00	HOLD	(6)	3,543	27.9	22.2	18.1	15.1	0.7	0.9	1.1	23%	0.98	(112)
Powerlong CM	9909 HK	5.98	7.80	ADD	30	490	6.6	5.3	4.3	3.5	7.5	9.4	11.6	23%	0.23	(162)
Times Neighborhood	9928 HK	1.74	2.75	ADD	58	219	4.4	3.7	3.1	2.6	3.9	6.6	8.2	19%	0.20	(42)
Shimao Services	873 HK	3.68	4.30	HOLD	17	1,157	7.5	6.4	5.2	4.5	0.0	3.9	4.8	19%	0.34	(72)
Sunac Services	1516 HK	4.56	5.60	HOLD	23	1,776	9.5	7.5	6.2	5.2	3.2	4.0	4.9	22%	0.34	(62)
Jinke Smart Services	9666 HK	20.50	21.40	HOLD	4	1,705	10.8	8.7	7.0	5.8	3.7	4.6	5.7	23%	0.38	(67)
CR Mixc Lifestyle	1209 HK	39.65	40.70	HOLD	3	11,531	46.5	31.3	23.8	18.2	0.8	1.2	1.6	37%	0.85	(93)
Mid- and large-cap average					22		22.7	17.1	13.4	10.7	2.0	2.5	3.0	27%	0.64	(74)
Small-cap average					60		6.2	5.0	4.0	3.3	4.3	6.9	8.8	24%	0.23	(78)
Overall average					34		17.7	13.4	10.5	8.4	2.7	3.8	4.8	26%	0.51	(75)

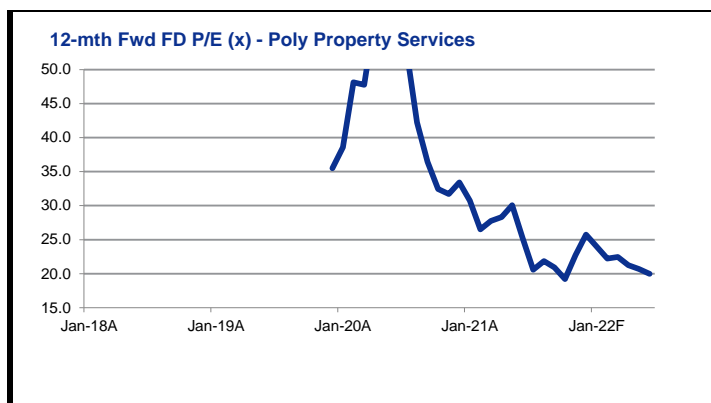
Share price data as of 28 Jun 2022, * PEG = FY22F PE/EPS CAGR (FY21-24F)*100

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	10,783	13,816	17,113	20,655
Gross Profit	2,015	2,577	3,186	3,852
Operating EBITDA	1,050	1,340	1,731	2,140
Depreciation And Amortisation	(53)	(53)	(125)	(185)
Operating EBIT	997	1,287	1,606	1,955
Financial Income/(Expense)	70	79	83	90
Pretax Income/(Loss) from Assoc.	22	28	35	42
Non-Operating Income/(Expense)	74	80	76	72
Profit Before Tax (pre-EI)	1,162	1,474	1,799	2,158
Exceptional Items				
Pre-tax Profit	1,162	1,474	1,799	2,158
Taxation	(292)	(368)	(450)	(540)
Exceptional Income - post-tax				
Profit After Tax	871	1,105	1,350	1,619
Minority Interests	(25)	(32)	(39)	(47)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	7	0	0	0
Net Profit	853	1,073	1,310	1,572
Recurring Net Profit	853	1,073	1,310	1,572
Fully Diluted Recurring Net Profit	853	1,073	1,310	1,572

Cash Flow				
(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,049.8	1,339.7	1,730.6	2,140.4
Cash Flow from Inv. & Assoc.				
Change In Working Capital	353.3	441.5	284.8	162.1
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(148.9)	(276.6)	(153.3)	9.3
Net Interest (Paid)/Received	(10.6)	(11.1)	(11.6)	(12.2)
Tax Paid	(291.6)	(368.4)	(449.8)	(539.6)
Cashflow From Operations	952.1	1,125.2	1,400.6	1,760.0
Capex	(108.8)	(217.6)	(217.6)	(217.6)
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	(549.8)	(1,200.0)	(1,200.0)	(600.0)
Other Investing Cashflow	186.9	202.6	212.6	225.6
Cash Flow From Investing	(471.7)	(1,215.0)	(1,205.0)	(592.0)
Debt Raised/(repaid)				
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(237.9)	(168.8)	(215.8)	(260.1)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	(237.9)	(168.8)	(215.8)	(260.1)



Balance Sheet				
(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	7,691	7,432	7,412	8,320
Properties Under Development				
Total Debtors	1,425	1,482	1,835	2,215
Inventories	51	51	51	51
Total Other Current Assets	825	825	825	825
Total Current Assets	9,991	9,789	10,122	11,410
Fixed Assets	200	367	493	587
Total Investments	789	817	852	894
Intangible Assets	125	1,322	2,489	3,027
Total Other Non-Current Assets	34	39	45	51
Total Non-current Assets	1,147	2,545	3,878	4,559
Short-term Debt	0	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	2,584	2,550	2,734	2,931
Other Current Liabilities	1,552	1,801	2,096	2,443
Total Current Liabilities	4,136	4,352	4,830	5,374
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	79	79	79	79
Total Non-current Liabilities	79	79	79	79
Total Provisions	34	38	41	45
Total Liabilities	4,249	4,468	4,950	5,498
Shareholders' Equity	6,786	7,731	8,876	10,249
Minority Interests	103	135	174	221
Total Equity	6,889	7,866	9,050	10,470

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	34.2%	28.1%	23.9%	20.7%
Operating EBITDA Growth	28.8%	27.6%	29.2%	23.7%
Operating EBITDA Margin	9.7%	9.7%	10.1%	10.4%
Net Cash Per Share (Rmb)	13.90	13.43	13.39	15.04
BVPS (Rmb)	12.26	13.97	16.04	18.52
Gross Interest Cover	94.4	116.0	137.9	159.9
Effective Tax Rate	25.1%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	19.8%	20.1%	19.8%	20.1%
Accounts Receivables Days	39.15	38.39	35.38	35.89
Inventory Days	2.11	1.64	1.33	1.10
Accounts Payables Days	24.99	25.55	22.58	22.92
ROIC (%)	(55%)	(65%)	(452%)	162%
ROCE (%)	16.4%	18.6%	20.1%	21.0%
Return On Average Assets	8.0%	8.9%	9.8%	10.4%

Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
GFA under management (m sq m)	465.3	553.0	648.2	747.3
GPM - Property management (%)	14.3%	14.3%	14.2%	14.2%
GPM - VAS to non-property owners (%)	18.7%	18.7%	18.7%	18.7%
GPM - Community VAS (%)	31.4%	31.3%	31.2%	31.1%
Overall gross profit margin (%)	18.7%	18.6%	18.6%	18.7%
SG&A expense ratio (%)	9.4%	9.3%	9.2%	9.2%

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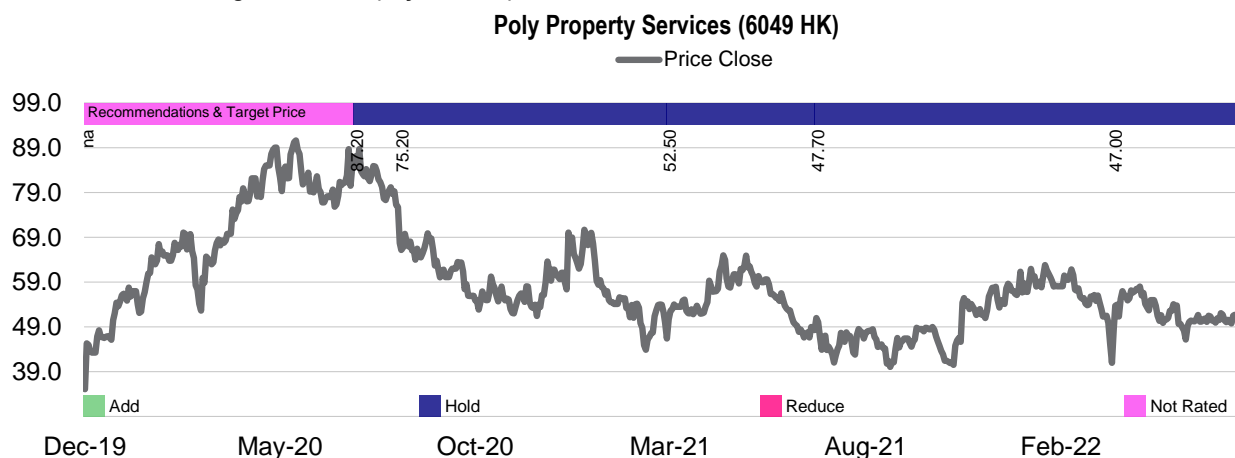
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%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

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- 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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