

## Hong Kong

### ADD (no change)

Consensus ratings\*: Buy 27 Hold 4 Sell 1

Current price:	HK\$2.73
Target price:	HK\$4.00
Previous target:	HK\$8.60
Up/downside:	46.5%
CGS-CIMB / Consensus:	-49.9%
Reuters:	1995.HK
Bloomberg:	1995 HK
Market cap:	US\$609.5m HK\$4,784m
Average daily turnover:	US\$11.28m HK\$87.77m
Current shares o/s:	1,754m
Free float:	42.2%

\*Source: Bloomberg

#### Key changes in this note

- No changes to FY22-24F EPS.
- Target FY22F P/E cut from 16.9x to 8.4x.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-42.4	-69	-82
Relative (%)	-36.6	-52.8	-57.5

#### Major shareholders

	% held
Lin's family	28.7
CIFI Holdings	23.2
Capital Group	5.9

#### Analyst(s)



#### Will CHU, CFA

T (852) 2539 1327

E will.chu@cgs-cimb.com

#### Raymond CHENG, CFA

T (852) 2539 1324

E raymond.cheng@cgs-cimb.com

#### Steven MAK

T (852) 2539 1328

E steven.mak@cgs-cimb.com

## CIFI Ever Sunshine

### Lower valuation on the back of parent-related liquidity issues

- CIFI ES's share price is down 49% since its parent published 1H22 results in late-Aug, due to actions and news related to its parent.
- CIFI ES's valuation, which used to be comparable to that of state-owned players, has inevitably been hurt due to potential liquidity issues for its parent.
- Reiterate Add with a lower TP of HK\$4.00 (8.4x FY22F P/E), as we assume that CIFI ES's collection of receivables from its parent remains normal.

#### Share price down 49% since parent released 1H22 results

CIFI ES's share price is down 49% since its parent CIFI (884 HK, Add, CP HK\$0.72) released its 1H22 results on 30 Aug; we believe this was due to i) CIFI's top-up placement of 304.9m shares at a 12% discount on 31 Aug; ii) Sina News reported last week about a demand from an equity investment trust for repayment of the trust's investment in CIFI's property development project in Tianjin; and iii) a report in Chinese media company Hexun, quoting an internal letter from CIFI's chairman, which said CIFI's cash balance of over Rmb30bn on its balance sheet as at end-Jun 22 is unable to meet its liquidity needs (as banks impose strict requirements on fund withdrawal from escrow accounts).

#### Valuation hurt due to potential liquidity issues for parent

While CIFI ES's property management portfolio is not heavily reliant on its parent (only 19% of contracted GFA from CIFI's projects at end-Jun 22), we believe that as market has become more risk-averse than before due to rapidly rising interest rates, CIFI ES's share price declines are likely due to market concerns over the potential worsening of CIFI's liquidity. CIFI ES's valuation, which used to trade at a one-year forward P/E close to that of its state-owned peers (e.g. COPL and Poly PS) before CIFI's liquidity issues emerged, has inevitably been hurt.

#### Reiterate Add with a lower P/E multiple

While we make no changes to our FY22-24F EPS forecasts, as we believe a substantial increase in impairment provisions for CIFI ES's receivables from CIFI is still unlikely, we trim our target PEG to 0.4x from 0.8x previously, to reflect our lower valuation for it due to the recent de-rating. Our new target FY22F P/E hence falls to 8.4x (16.9x previously). With a new HK\$/Rmb exchange rate assumption of 0.93, our TP for CIFI ES falls to HK\$4.00. We reiterate Add on CIFI ES but remove it from our high conviction list as we believe news around CIFI's liquidity so far should have little impact on its earnings. Re-rating catalysts include an improvement in CIFI's liquidity and faster-than-expected growth in community value-added services (VAS). Key downside risks include more incidents of third parties seeking early repayment of their investments in CIFI's property projects, and a substantial increase in impairment provisions for CIFI's receivables, which could lead to lower EPS for CIFI ES.

#### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (Rmbm)	3,120	4,703	6,765	8,664	10,758
Operating EBITDA (Rmbm)	709	908	1,218	1,527	1,850
Net Profit (Rmbm)	390	617	773	953	1,140
Core EPS (Rmb)	0.23	0.35	0.44	0.54	0.65
Core EPS Growth	60.4%	50.5%	25.4%	23.2%	19.6%
FD Core P/E (x)	10.16	6.87	5.61	4.55	3.80
DPS (Rmb)	0.07	0.11	0.13	0.16	0.20
Dividend Yield	2.88%	4.46%	5.35%	6.59%	7.89%
EV/EBITDA (x)	1.53	0.66	0.29	(0.10)	(0.61)
P/FCFE (x)	5.70	NA	7.88	4.88	3.07
Net Gearing	(105%)	(85%)	(81%)	(80%)	(84%)
P/BV (x)	1.43	0.98	0.86	0.75	0.66
ROE	19.3%	16.8%	16.3%	17.7%	18.5%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.95	0.91	0.86

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Summary of TP change**

	Old	New	Chg % or % pt
Expected EPS CAGR (%)	21%	21%	0%
Target PEG (x)	0.8	0.4	-50%
Target P/E (x)	16.9	8.4	-50%
FY22F EPS (Rmb)	0.44	0.44	0%
New target price (Rmb)	7.44	3.72	-50%
<b>New target price (HK\$)</b>	<b>8.60</b>	<b>4.00</b>	<b>-53%</b>

New HK\$/Rmb exchange rate = 0.93 (0.87 previously)

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 2: Our end-period GFA projection**

GFA under management (m sq m)	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
CIFI	14.6	17.7	21.7	32.1	39.9	47.2	54.6
Third-party developers	25.6	47.5	79.9	139.0	198.4	254.5	316.6
<b>Total</b>	<b>40.2</b>	<b>65.2</b>	<b>101.6</b>	<b>171.0</b>	<b>238.2</b>	<b>301.6</b>	<b>371.2</b>
CIFI as % of total	36%	27%	21%	19%	17%	16%	15%
Reserve GFA (m sq m)							
CIFI	8.7	13.1	22.1	20.5	18.7	17.8	17.1
Third-party developers	16.7	32.3	57.5	79.2	74.8	88.7	86.6
<b>Total</b>	<b>25.4</b>	<b>45.4</b>	<b>79.6</b>	<b>99.7</b>	<b>93.5</b>	<b>106.5</b>	<b>103.7</b>
Contracted GFA (m sq m)							
CIFI	23.3	30.8	43.8	52.6	58.6	65.0	71.7
Third-party developers	42.3	79.8	137.4	218.2	273.2	343.2	403.2
<b>Total</b>	<b>65.6</b>	<b>110.6</b>	<b>181.2</b>	<b>270.8</b>	<b>331.8</b>	<b>408.1</b>	<b>474.9</b>
CIFI as % of total	36%	28%	24%	19%	18%	16%	15%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 3: China Property Management Valuation Summary**

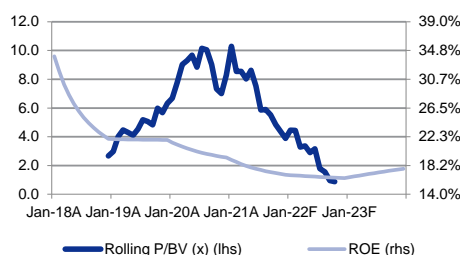
Company Name	Ticker	Share price (HK\$)	Target price (HK\$)	Rating	Upside (%)	Mkt cap (US\$ m)	P/E (x)				Dividend yield			EPS CAGR FY21-24F	FY22F PEG (x)*	Net gearing (%) 2021
							2021	2022F	2023F	2024F	2021	2022F	2023F			
A-Living	3319 HK	6.09	8.90	HOLD	46	1,131	3.3	3.4	3.0	2.7	7.4	7.2	8.3	7%	0.50	(33)
COPL	2669 HK	7.24	11.60	ADD	60	3,082	24.2	18.4	14.2	11.2	1.2	1.6	2.1	29%	0.63	(140)
Country Garden Services	6098 HK	12.18	25.50	ADD	109	5,320	8.4	7.2	6.0	5.1	2.7	3.5	4.2	18%	0.40	(17)
CIFI Ever Sunshine	1995 HK	2.73	4.00	ADD	47	661	7.0	5.6	4.6	3.8	4.5	5.3	6.6	23%	0.25	(85)
Greentown Service	2869 HK	5.06	4.70	REDUCE	(7)	2,087	17.8	19.4	15.1	12.2	3.6	3.8	4.0	13%	1.45	(56)
KWG Living	3913 HK	1.11	1.21	HOLD	9	289	3.0	3.8	3.3	3.0	11.9	5.3	6.2	1%	6.59	(35)
Poly Property Services	6049 HK	42.05	50.70	ADD	21	3,031	24.7	19.1	15.4	12.8	0.8	1.0	1.3	25%	0.78	(112)
Powerlong CM	9909 HK	3.39	6.30	ADD	86	293	3.9	3.4	2.8	2.3	12.5	14.8	18.0	20%	0.17	(162)
Times Neighborhood	9928 HK	0.60	0.82	REDUCE	37	77	1.6	5.7	3.8	3.5	10.6	0.0	4.2	-22%	-0.25	(42)
Shimao Services	873 HK	1.83	4.30	HOLD	135	613	4.0	3.4	2.7	2.4	0.0	7.4	9.1	19%	0.18	(72)
Sunac Services	1516 HK	1.93	1.56	REDUCE	(19)	779	4.2	NA	6.2	5.6	7.1	0.0	4.9	-9%	NA	(62)
Jinke Smart Services	9666 HK	12.00	11.60	HOLD	(3)	991	6.7	8.3	7.5	6.9	6.0	3.6	4.0	-1%	-7.84	(67)
CR Mixc Lifestyle	1209 HK	31.70	42.90	ADD	35	9,348	39.4	26.7	20.3	16.1	1.0	1.4	1.8	35%	0.77	(93)
<b>SOE &amp; quality PMCs</b>					<b>44</b>		<b>20.3</b>	<b>16.1</b>	<b>12.6</b>	<b>10.2</b>	<b>2.3</b>	<b>2.8</b>	<b>3.3</b>	<b>24%</b>	<b>0.71</b>	<b>(84)</b>
<b>Other PMCs</b>					<b>35</b>		<b>3.7</b>	<b>4.9</b>	<b>4.1</b>	<b>3.7</b>	<b>9.7</b>	<b>6.2</b>	<b>8.1</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(68)</b>
<b>Overall average</b>					<b>40</b>		<b>12.7</b>	<b>11.0</b>	<b>8.7</b>	<b>7.2</b>	<b>5.7</b>	<b>4.3</b>	<b>5.5</b>	<b>0.1</b>	<b>0.3</b>	<b>(77)</b>

Share price data as of 6 Oct 2022, \* PEG = FY22F PE/EPS CAGR (FY21-24F)\*100

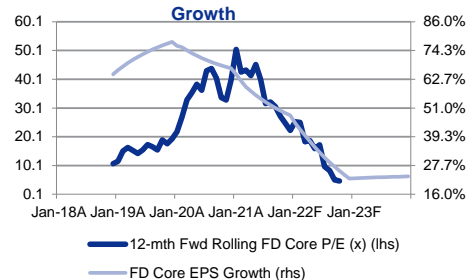
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

## BY THE NUMBERS

**P/BV vs ROE**



**12-mth Fwd FD Core P/E vs FD Core EPS Growth**



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>3,120</b>	<b>4,703</b>	<b>6,765</b>	<b>8,664</b>	<b>10,758</b>
<b>Gross Profit</b>	<b>980</b>	<b>1,300</b>	<b>1,715</b>	<b>2,180</b>	<b>2,693</b>
<b>Operating EBITDA</b>	<b>709</b>	<b>908</b>	<b>1,218</b>	<b>1,527</b>	<b>1,850</b>
Depreciation And Amortisation	(67)	(73)	(85)	(109)	(136)
<b>Operating EBIT</b>	<b>642</b>	<b>835</b>	<b>1,133</b>	<b>1,418</b>	<b>1,714</b>
Financial Income/(Expense)	(1)	(3)	(4)	(4)	(4)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	(42)	60	16	(3)	(22)
<b>Profit Before Tax (pre-EI)</b>	<b>598</b>	<b>891</b>	<b>1,145</b>	<b>1,411</b>	<b>1,688</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>598</b>	<b>891</b>	<b>1,145</b>	<b>1,411</b>	<b>1,688</b>
<b>Taxation</b>	<b>(156)</b>	<b>(199)</b>	<b>(261)</b>	<b>(322)</b>	<b>(385)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>443</b>	<b>693</b>	<b>884</b>	<b>1,089</b>	<b>1,303</b>
Minority Interests	(52)	(76)	(111)	(137)	(163)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	0	0	0	0	0
<b>Net Profit</b>	<b>390</b>	<b>617</b>	<b>773</b>	<b>953</b>	<b>1,140</b>
Recurring Net Profit	390	617	773	953	1,140
<b>Fully Diluted Recurring Net Profit</b>	<b>390</b>	<b>617</b>	<b>773</b>	<b>953</b>	<b>1,140</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>709</b>	<b>908</b>	<b>1,218</b>	<b>1,527</b>	<b>1,850</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	184	556	1,696	1,240	653
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(62)	(414)	(1,344)	(781)	(157)
Net Interest (Paid)/Received	(1)	(3)	(4)	(4)	(4)
Tax Paid	(121)	(210)	(261)	(322)	(385)
<b>Cashflow From Operations</b>	<b>709</b>	<b>837</b>	<b>1,305</b>	<b>1,660</b>	<b>1,956</b>
Capex	(31)	(37)	(130)	(151)	(182)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(30)	(980)	(750)	(750)	(500)
Other Investing Cashflow	49	100	125	130	140
<b>Cash Flow From Investing</b>	<b>(13)</b>	<b>(917)</b>	<b>(755)</b>	<b>(771)</b>	<b>(542)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	1,441	1,086	0	0	0
Shares Repurchased					
Dividends Paid	0	0	(194)	(232)	(286)
Preferred Dividends					
Other Financing Cashflow	(169)	(178)	(4)	(4)	(4)
<b>Cash Flow From Financing</b>	<b>1,272</b>	<b>908</b>	<b>(197)</b>	<b>(236)</b>	<b>(290)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	3,171	3,985	4,338	4,991	6,116
Properties Under Development					
Total Debtors	459	788	1,175	1,386	1,426
Inventories	0	8	2	3	3
Total Other Current Assets	302	547	547	547	547
<b>Total Current Assets</b>	<b>3,931</b>	<b>5,329</b>	<b>6,062</b>	<b>6,927</b>	<b>8,093</b>
Fixed Assets	99	113	157	199	244
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Intangible Assets	471	1,344	1,844	2,344	2,594
Total Other Non-Current Assets	167	482	743	1,005	1,267
<b>Total Non-current Assets</b>	<b>736</b>	<b>1,938</b>	<b>2,744</b>	<b>3,547</b>	<b>4,105</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	1,056	1,693	2,248	2,796	3,258
Other Current Liabilities	527	745	1,006	1,235	1,446
<b>Total Current Liabilities</b>	<b>1,583</b>	<b>2,438</b>	<b>3,254</b>	<b>4,032</b>	<b>4,704</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	20	30	30	30	30
<b>Total Non-current Liabilities</b>	<b>20</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
Total Provisions	47	107	141	173	207
<b>Total Liabilities</b>	<b>1,650</b>	<b>2,575</b>	<b>3,424</b>	<b>4,235</b>	<b>4,941</b>
<b>Shareholders' Equity</b>	<b>2,893</b>	<b>4,444</b>	<b>5,024</b>	<b>5,744</b>	<b>6,598</b>
Minority Interests	124	248	359	495	659
<b>Total Equity</b>	<b>3,017</b>	<b>4,692</b>	<b>5,382</b>	<b>6,240</b>	<b>7,257</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	66.1%	50.8%	43.9%	28.1%	24.2%
Operating EBITDA Growth	117%	28%	34%	25%	21%
Operating EBITDA Margin	22.7%	19.3%	18.0%	17.6%	17.2%
Net Cash Per Share (Rmb)	1.90	2.27	2.48	2.85	3.49
BVPS (Rmb)	1.73	2.53	2.87	3.28	3.77
Gross Interest Cover	428.6	239.5	282.6	336.9	395.4
Effective Tax Rate	26.0%	22.3%	22.8%	22.8%	22.8%
Net Dividend Payout Ratio	30.5%	31.4%	30.0%	30.0%	30.0%
Accounts Receivables Days	46.97	48.39	52.96	53.94	47.84
Inventory Days	0.00	0.43	0.36	0.13	0.13
Accounts Payables Days	156.6	147.4	142.4	142.0	137.4
ROIC (%)	8811%	(970%)	134%	117%	118%
ROCE (%)	29.6%	21.2%	22.0%	23.8%	24.7%
Return On Average Assets	12.4%	11.7%	11.1%	11.3%	11.5%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
GFA under management (m sq m)	101.6	171.0	238.2	301.6	371.2
GPM - overall (%)	31.4%	27.6%	25.3%	25.2%	25.0%
GPM - property management (%)	25.4%	23.1%	23.0%	22.8%	22.6%
GPM - VAS to non-property owners (%)	24.6%	20.9%	20.9%	20.7%	20.5%
GPM - Community VAS (%)	49.6%	44.9%	42.6%	41.6%	41.1%
GPM - city services (%)	N/A	15.5%	8.0%	9.3%	9.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

## Spitzer Chart for stock being researched ( 2 year data )

### CIFI Ever Sunshine (1995 HK)



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