

Hong Kong

HOLD (previously REDUCE)

Consensus ratings*: Buy 12 Hold 4 Sell 3

Current price:	HK\$11.96
Target price:	HK\$11.60
Previous target:	HK\$6.10
Up/downside:	-3.0%
CGS-CIMB / Consensus:	36.0%
Reuters:	9666.HK
Bloomberg:	9666 HK
Market cap:	US\$994.7m HK\$7,808m
Average daily turnover:	US\$8.07m HK\$74.03m
Current shares o/s:	652.8m
Free float:	39.2%

*Source: Bloomberg

Key changes in this note

- No changes to EPS estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.7	-42.8	-71.4
Relative (%)	20.2	-23.1	-45.2

Major shareholders	% held
Jinke Property (000656 CH)	30.3
Boyu Capital	22.7
Employee share incentive scheme	7.7

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Jinke Smart Services

Boyu's general offer a good opportunity to offload positions

- Boyu Capital (JSS's second-largest shareholder) makes a general cash offer to acquire JSS's shares at HK\$12 per share.
- We think the offer provides a good opportunity for minority shareholders to exit their positions at a valuation premium to non-state-owned PM firms.
- We upgrade JSS to Hold with a higher TP of HK\$11.6 (8x FY22F P/E), adjusting for a higher P/E but a lower exchange rate of CNY vs. HK\$.

Boyu to make general offer to acquire JSS shares at HK\$12

Jinke SS (JSS) announced in the afternoon that Boyu Capital (JSS's second-largest shareholder) will make a general cash offer to acquire JSS's shares (i.e. shares not owned by or pledged to Boyu currently; see Figure 1), at HK\$12/share. The date of dispatching the circular for the general offer is yet to be confirmed. The offer is conditional upon 1) at least 50,359,122 shares (7.7% of share capital) having accepted the offer, as intended by Boyu; 2) anti-trust clearance or deemed clearance from the State Administration for Market Regulation (SAMR) of China; and 3) no adverse material impact on JSS's business and financial position since the last audited results. Nevertheless, Boyu intends to maintain JSS's listing status with a public float of not less than 23.4% after the close of the general offer.

A premium valuation for minority shareholders to exit positions

In our view, Boyu's purchase of Jinke Property's (JSS's parent) shares in JSS should offset, fully or partially, Jinke Property's debt payable to Boyu, for which Jinke Property pledged 107.8m JSS shares (c.16.5% of share capital). JSS's minority shareholders could also take this opportunity to offload their positions at a valuation premium to other non-state-owned property management (PM) companies under our coverage. At today's closing price of HK\$11.96 (0.3% discount to offer price), JSS's valuation translates into 8.3x FY22F P/E and 7.5x FY23F P/E, a 56% and 71% premium to the non-state-owned PM companies we cover (excluding CG Services and CIFI Ever Sunshine).

Upgrade to Hold with a higher TP of HK\$11.6

We leave FY22-24F EPS unchanged but lift our target FY22F P/E to 8x (4x previously) following Boyu's general offer; in deriving this new target P/E we take reference to the existing average FY22F forward P/E of quality non-state-owned PM companies (namely, CG Services and CIFI Ever Sunshine). Adjusting the target HK\$/CNY exchange rate to 0.91 (0.87 previously), we raise our TP for JSS to HK\$11.6 and upgrade JSS to Hold. Key downside risks to our Hold rating include rejection or non-clearance of the general offer by SAMR, and fewer than the required hurdle of 50.3m shares held by minority shareholders accepting the offer. Key upside risks: Boyu raising the offer price and Jinke Property honouring its trade payables to JSS.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (Rmbm)	3,372	5,968	6,151	7,165	7,971
Operating EBITDA (Rmbm)	771	1,386	1,158	1,290	1,358
Net Profit (Rmbm)	617	1,057	859	942	1,023
Core EPS (Rmb)	0.94	1.62	1.32	1.44	1.57
Core EPS Growth	68.3%	71.4%	(18.7%)	9.8%	8.6%
FD Core P/E (x)	11.54	6.73	8.28	7.55	6.95
DPS (Rmb)	0.50	0.65	0.40	0.43	0.47
Dividend Yield	4.59%	5.96%	3.62%	3.97%	4.32%
EV/EBITDA (x)	0.38	1.43	2.99	1.53	0.54
P/FCFE (x)	15.67	NA	NA	4.05	4.61
Net Gearing	(94.7%)	(66.9%)	(44.1%)	(56.1%)	(63.4%)
P/BV (x)	0.99	0.93	0.86	0.78	0.71
ROE	16.1%	14.2%	10.8%	10.8%	10.7%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.71	0.60	0.51

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: JSS's shareholding structure as at 27 Sep 2022

Shareholder	No. of shares	% stake
Boyu Capital [^]	148,106,700	22.7%
Jinke Property (pledged to Boyu Capital) [^]	107,797,875	16.5%
Jinke Property (unpledged) [^]	90,277,000	13.8%
Mr. Huang Hongyun ^{^*}	123,400	0.0%
Jinke Property / JSS share incentive schemes	60,151,447	9.2%
Public shareholders	246,391,678	37.7%
Total	652,848,100	100.0%

Columns in blue are not subject to the general offer this time

[^]Parties acting in concert

^{^*}Founder of Jinke Property

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Summary of TP change

	Old	New	Chg %
Target FY22F P/E (x)	4.0	8.0	100%
FY22F EPS (Rmb)	1.32	1.32	0%
FY22F EPS (HK\$)	1.51	1.45	-4%
New target price (HK\$)	6.10	11.60	90%

Old HK\$:CNY exchange rate = 0.87; New HK\$:CNY exchange rate = 0.91

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: China property management valuation summary

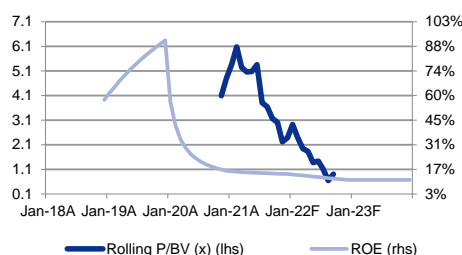
Company Name	Ticker	Share price (HK\$)	Target price (HK\$)	Rating	Upside (%)	Mkt cap (US\$ m)	P/E (x)				Dividend yield			EPS CAGR FY21-24F	FY22F PEG (x) [*]	Net gearing (%) 2021
							2021	2022F	2023F	2024F	2021	2022F	2023F			
A-Living	3319 HK	7.07	8.90	HOLD	26	1,212	3.9	4.0	3.5	3.2	6.4	6.2	7.1	7%	0.58	(33)
COPL	2669 HK	7.50	11.60	ADD	55	3,149	25.0	19.0	14.7	11.6	1.2	1.6	2.0	29%	0.65	(140)
Country Garden Services	6098 HK	14.20	25.50	ADD	80	5,938	9.9	8.5	7.0	6.0	2.3	3.0	3.6	18%	0.47	(17)
CIFI Ever Sunshine	1995 HK	3.90	8.60	ADD	121	817	10.1	8.1	6.5	5.5	3.1	3.7	4.6	23%	0.35	(85)
Greentown Service	2869 HK	5.65	4.70	REDUCE	(17)	2,211	20.0	21.8	17.0	13.7	3.2	3.4	3.5	13%	1.63	(56)
KWG Living	3913 HK	1.22	1.21	HOLD	(1)	302	3.3	4.2	3.6	3.3	10.8	4.8	5.6	1%	7.29	(35)
Poly Property Services	6049 HK	44.80	50.70	ADD	13	3,063	26.5	20.4	16.5	13.7	0.7	1.0	1.2	25%	0.83	(112)
Powerlong CM	9909 HK	3.75	6.30	ADD	68	295	4.4	3.8	3.1	2.5	11.3	13.3	16.1	20%	0.19	(162)
Times Neighborhood	9928 HK	0.64	0.82	REDUCE	28	78	1.7	6.1	4.1	3.7	9.9	0.0	4.0	-22%	-0.27	(42)
Shimao Services	873 HK	2.09	4.30	HOLD	106	607	4.5	3.9	3.2	2.7	0.0	6.5	7.9	19%	0.21	(72)
Sunac Services	1516 HK	2.29	5.60	HOLD	145	849	5.1	4.0	3.3	2.8	5.9	7.5	9.1	22%	0.18	(62)
Jinke Smart Services	9666 HK	11.96	11.60	HOLD	(3)	750	6.7	8.3	7.5	7.0	6.0	3.6	4.0	-1%	-7.86	(67)
CR Mixc Lifestyle	1209 HK	32.00	42.90	ADD	34	9,101	40.0	27.1	20.6	16.4	0.9	1.4	1.8	35%	0.78	(93)
SOE & quality PMCs					48		21.9	17.5	13.7	11.1	1.9	2.3	2.8	24%	0.79	(84)
Other PMCs					24		4.0	5.3	4.4	3.9	8.9	5.6	7.4	0.0	(0.0)	(68)
Overall average					37		13.8	11.9	9.5	7.9	5.1	3.8	4.9	0.1	0.4	(77)

Share price data as of 27 Sep 2022, * PEG = FY22F PE/EPS CAGR (FY21-24F)*100

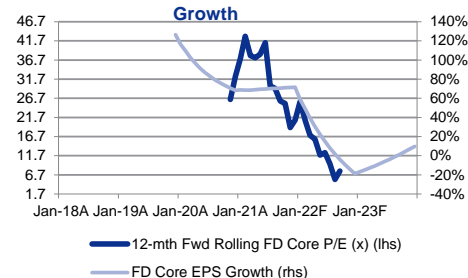
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

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
Total Net Revenues	3,372	5,968	6,151	7,165	7,971
Gross Profit	1,009	1,846	1,652	1,848	1,965
Operating EBITDA	771	1,386	1,158	1,290	1,358
Depreciation And Amortisation	(15)	(24)	(5)	(9)	(16)
Operating EBIT	756	1,362	1,153	1,281	1,342
Financial Income/(Expense)	8	25	31	22	31
Pretax Income/(Loss) from Assoc.	(1)	4	5	5	5
Non-Operating Income/(Expense)	2	(70)	(164)	(171)	(143)
Profit Before Tax (pre-EI)	766	1,321	1,025	1,137	1,235
Exceptional Items					
Pre-tax Profit	766	1,321	1,025	1,137	1,235
Taxation	(134)	(244)	(149)	(176)	(191)
Exceptional Income - post-tax					
Profit After Tax	632	1,077	876	961	1,044
Minority Interests	(16)	(20)	(18)	(19)	(21)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	617	1,057	859	942	1,023
Recurring Net Profit	617	1,057	859	942	1,023
Fully Diluted Recurring Net Profit	617	1,057	859	942	1,023

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	771	1,386	1,158	1,290	1,358
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(563)	(847)	(510)	(146)	(71)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	37	38	(13)	(14)	(14)
Net Interest (Paid)/Received	(67)	21	59	51	62
Tax Paid	(124)	(154)	(149)	(176)	(191)
Cashflow From Operations	55	444	545	1,006	1,143
Capex	(12)	(52)	(100)	(150)	(200)
Disposals Of FAs/subsidiaries	73	82	0	0	0
Disposals of Investment Properties	0	0	0	0	0
Acq. Of Subsidiaries/investments	(19)	(484)	0	0	0
Other Investing Cashflow	2,187	(845)	(1,253)	900	600
Cash Flow From Investing	2,229	(1,300)	(1,353)	750	400
Debt Raised/(repaid)	(1,830)	0	0	0	0
Proceeds From Issue Of Shares	5,791	0	0	0	0
Shares Repurchased	0	(13)	0	0	0
Dividends Paid	(3)	(333)	(424)	(257)	(282)
Preferred Dividends					
Other Financing Cashflow	242	(644)	0	0	0
Cash Flow From Financing	4,201	(990)	(424)	(257)	(282)

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	6,857	5,170	3,690	5,188	6,449
Properties Under Development					
Total Debtors	1,582	4,210	4,648	4,895	5,020
Inventories	16	23	23	23	23
Total Other Current Assets	61	53	53	53	53
Total Current Assets	8,515	9,456	8,414	10,160	11,546
Fixed Assets	34	90	186	326	510
Total Investments	5	47	52	57	62
Intangible Assets	59	733	733	733	733
Total Other Non-Current Assets	12	113	1,605	707	108
Total Non-current Assets	109	984	2,576	1,824	1,414
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	879	1,725	1,613	1,674	1,685
Other Current Liabilities	463	791	821	853	887
Total Current Liabilities	1,342	2,516	2,434	2,527	2,572
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	45	176	185	194	204
Total Non-current Liabilities	45	176	185	194	204
Total Provisions	1	17	10	12	13
Total Liabilities	1,388	2,710	2,630	2,734	2,789
Shareholders' Equity	7,198	7,657	8,270	9,140	10,040
Minority Interests	38	73	91	110	131
Total Equity	7,237	7,730	8,360	9,250	10,171

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	44.9%	77.0%	3.1%	16.5%	11.2%
Operating EBITDA Growth	87.5%	79.8%	(16.4%)	11.5%	5.2%
Operating EBITDA Margin	22.9%	23.2%	18.8%	18.0%	17.0%
Net Cash Per Share (Rmb)	10.50	7.92	5.66	7.96	9.89
BVPS (Rmb)	11.03	11.73	12.69	14.02	15.40
Gross Interest Cover	9.8	856.1	N/A	N/A	N/A
Effective Tax Rate	17.5%	18.5%	14.5%	15.5%	15.5%
Net Dividend Payout Ratio	52.9%	40.1%	30.0%	30.0%	30.0%
Accounts Receivables Days	87.3	93.9	129.2	124.0	117.7
Inventory Days	1.71	1.73	1.86	1.57	1.39
Accounts Payables Days	33.58	39.43	49.47	45.62	44.21
ROIC (%)	28%	243%	32%	20%	24%
ROCE (%)	17.6%	18.5%	14.7%	14.8%	14.1%
Return On Average Assets	9.8%	11.1%	8.0%	8.2%	8.2%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
GFA under management (m sq m)	156.2	237.9	283.3	325.7	366.3
Contracted GFA (m sq m)	277.2	359.8	397.1	434.4	472.1
Gross margin (PM services) (%)	26.3%	24.3%	24.3%	23.6%	23.4%
Gross margin (non-property owner VAS) (%)	37.4%	43.1%	21.6%	26.7%	21.6%
Gross margin (community VAS) (%)	49.5%	41.6%	50.0%	45.0%	43.0%
Gross margin (tech solutions) (%)	53.6%	44.5%	25.0%	24.5%	24.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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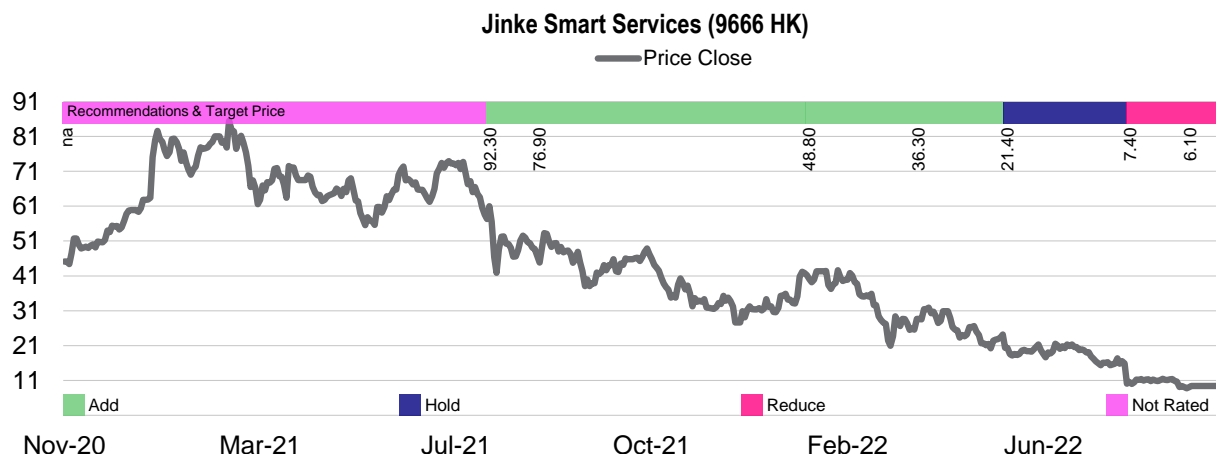
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%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

Spitzer Chart for stock being researched (2 year data)



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Definition:

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.

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