



## Company Report: CIFIES Service (01995 HK)

公司报告: 旭辉永升服务 (01995 HK)

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6 September 2022

# Synergy With, But Not Dependent On, the Parent Company; Realise High-Quality Growth; "Accumulate"

依靠但不依赖母公司，兑现高质量增长，“收集”

- Investment rating is "Accumulate" with a TP of HK\$7.00.** We forecast the Company's 2022F-2024F EPS to be RMB0.452/ RMB0.584/ RMB0.769. We derived our TP by applying to 13.6x PE. Based on current market sentiment and the Company's fundamentals, we believe that CIFIES Service's appropriate share value should be worth HK\$7.00, upside of 52.6% of the current price.
- Synergy with parent company, but not dependent on the parent company.** We predict that the Company can achieve growth higher than the current market forecast in 2022F-2024F, because we believe that the Company will continue to stay synergetic with the parent company in business, but not rely on the parent company. We also believe that the Company will further reduce its dependence on the parent company in business, helping the Company further reduce its business risks caused by weakened real estate sales.
- Focus on industry beta (political/ policy risks) in the short run and the Company's alpha (strategies/ brand) in the long run.** (i) From an industry perspective, the market agrees that the valuation of the property management industry is very closely related to the PRC real estate industry. However, we believe it will gradually be separated in the future, especially for leading companies with low business reliance on their parent companies; and (ii) from a company perspective, we believe that the Company is to adhere to "Strategy+Brand" and realise high-quality growth. Reasons can be summarised as follows: (1) strong brand reputation backing; (2) market bargaining power capability of third-party expansion; and (3) solid parent company backing.
- Catalysts:** (1) Further mapping out value-added services (VAS) in non-property owners segment; and (2) easing of real estate liquidity crisis.
- 给予“收集”，目标价 7.00 港元。**我们预测公司 2022-2024 年每股收益为人民币 0.452/ 0.584 / 0.769 元。我们的目标价是基于 13.6 倍的市盈率。考虑到当前市场情绪和公司基本面，我们认为旭辉永升服务的合理估值应为 7.00 港元，上涨空间为 52.6%。
- 与母公司协同发展，但不依赖母公司。**我们预测公司在 2022-2024 年能够实现高于当前市场预测的增长，因为我们认为公司在业务上将继续保持与母公司的协同效应，但不依赖母公司。我们还认为公司将进一步减少其在业务上对母公司的依赖，有助于公司进一步降低因房地产销售疲软带来的经营风险。
- 短期关注行业贝塔（政治/政策风险）和长期聚焦公司阿尔法（战略/品牌）。**(i) 从行业的层面上，市场一致认为物管行业的估值跟内地房地产行业是紧密联系在一起的。但是，我们认为此联系未来会逐渐分离，尤其是对房地产母公司业务依赖程度低的头部公司；和 (ii) 从公司的层面上，我们相信公司将坚持“战略+品牌”，实现高质量增长。其明确原因可归纳如下：1) 强大的品牌口碑支撑；2) 第三方拓展的市场议价能力；和 3) 强大的母公司后盾。
- 催化剂：**1) 进一步布局非业主增值服务板块；和 2) 房地产流动性危机缓解。

Rating:

**Accumulate**

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

**HK\$7.00**

HK\$14.50

Share price 股价:

HK\$4.590

### Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(11.0)	(45.7)	(71.8)
Rel. % to HS Index 相对恒指变动 %	(6.2)	(36.9)	(46.1)
Avg. Share price(HK\$) 平均股价 (港元)	5.0	6.8	11.1

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(△%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2020A	3,120	390	0.243	66.4	15.8	1.798	2.1	0.070	1.8	19.3
2021A	4,703	617	0.366	51.0	10.2	2.638	1.4	0.106	2.8	16.8
2022F	6,752	791	0.452	23.3	8.9	2.882	1.4	0.136	3.4	16.7
2023F	9,029	1,022	0.584	29.2	6.9	3.330	1.2	0.175	4.4	18.8
2024F	12,162	1,347	0.769	31.7	5.2	3.924	1.0	0.231	5.7	21.2

Shares in issue (m) 总股数 (m)	1,752.5	Major shareholder 大股东	Lin's Family 51.9%
Market cap. (HK\$ m) 市值 (HK\$ m)	8,044.0	Free float (%) 自由流通比率 (%)	36.1
3 month average vol. 3 个月平均成交股数 ('000)	14,419.8	FY22 Net gearing (%) FY22 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	17.900 / 4.150	FY22 Est. NAV (HK\$) FY22 每股估值 (港元)	9.8

Source: the Company, Guotai Junan International.

## Investment Thesis

The market currently gives CIFI ES Service (the "Company") a valuation of 8.3x 2022 PE, which is lower than its selected peers group (simple average: 9.8x; weighted average: 13.6x). This valuation mainly assumes the Company's performance in 2022F-2024F will be without high-quality growth, especially in value-added services segments. On the contrary, our analysis shows that the Company will exceed market consensus in 2022F-2024F, especially in community VAS and in VAS to non-property owners. **The reasons are as follows:**

- (1) The Company is to stay synergetic with its parent company, but not rely on the parent company in business.** The current market consensus agrees that PRC sluggish real estate sales is closely related to the valuation of the property management industry, valuing both industries together. However, the market misses that some leading high-quality property management companies (PMC) are less dependent on their parents. Noticed from the Company's interim results, it has achieved high-double-digit growth in both revenue (53.6% YoY) and shareholders' net profit (33.4% YoY), when the entire industry is basically in the situation of increasing revenue but not profit, or neither increasing revenue nor increasing profit. This is mainly due to the Company's strong third-party expansion capability, high quality of service and less reliance on its parent company in business (from third-parties vs. the parent company in 1H2022: 82.8% vs. 17.2%). Meanwhile, the Company will continue to receive high-quality projects from its parent company, where monthly service payments were fully settled without any arrears in 1H2022, which helps strengthen the Company's brand image.
- (2) Focus on industry beta (political/ policy risks) in the short run and the Company's alpha (strategies/ brand) in the long run.** (i) From an industry perspective, the overall valuation of the property management industry is unreasonable and does not follow market rules. Although it is currently impossible to completely separate the valuations of the real estate industry and property management industry, for those companies that are less dependent on their parent companies, we believe that their valuations should be relatively optimistic. We also believe that the valuations of the two industries will gradually separate in the future; and (ii) from a company perspective, the Company's strategy and brand play an important role, amid fairly sluggish property sales in 1H2022. The Company managed to record a 53.6% YoY increase in revenue to RMB3,162.9 mn, mainly benefited from the Company's property management services (PMS) and value-added services to non-property owners revenue with higher business resilience. We believe the Company's robust strategy and sound brand should account for more weight in its medium- to long-term valuation.
- (3) The Company has been mildly affected by the slump in real estate sales with strong third-party expansion capability and business resilience.** We forecast the Company to further accelerate its proportion of GFA under management from independent third parties, growing at a far higher CAGR of 40.7% in 2021-2024F (sourcing from CIFI Holdings: (11.1%)). We forecast the Company's third-party GFA under management expansion to exceed market expectations, reaching a CAGR of 33.8% in 2021-2024F. We also forecast the Company's Community VAS and VAS to property owners to unlock round RMB6.7 bn and RMB4.5 bn in revenue in 2022F-2024F. **Our forecasts are based on the following:**
  - 1) Strong brand reputation backing.** Despite a very sluggish real estate industry in 1H2022, the Company's contracted GFA rose to 291.4 mn sq.m (up by 33.0% YoY) and GFA under management reached more than 207.9 mn sq.m (up by 60.0% YoY), largely outperforming its peers (1H2022 GFA under management addition: 36.9 mn. sq.m vs. 26.0 mn sq.m). At present, the Company services 1.8 mn tenants in 124 core cities.
  - 2) Market bargaining power capability of third-party expansion.** The Company's GFA under management and contracted GFA revenue ranked 10th among its peers group in 2021. The Company's GFA under management sourced from independent third parties grew rapidly at a CAGR of 59.4% in 2017-2021 (both grew faster than peers group average). We expect the Company to focus on expanding non-residential properties, home-living services, common area VAS, housing repair services and additional tailored services in the coming years.
  - 3) Solid parent company backing.** This is conducive to stabilising the Company's revenue and business resilience amid declining real estate industry fundamentals.

The Company's various business segments achieved solid growth, except for community VAS, because the Company's business in eastern China was hard hit by the strict lockdowns in 1H2022 due to the Covid-19 pandemic. We forecast the Company's 2022F-2024F shareholders' net profit to be RMB791.5 mn, RMB1,022.5 mn and RMB1,347.0 mn, respectively,

corresponding to EPS of RMB0.452, RMB0.584 and RMB0.769, respectively. Our PE and DCF valuations are shown to be HK\$7.00 and HK\$9.83, respectively. Weighing two valuation logics, **we believe that a reasonable target price of CIFI ES Service should at least be HK\$7.00, which is also equivalent to implied upside of 52.6%. We give an "Accumulate" investment rating to the Company.**

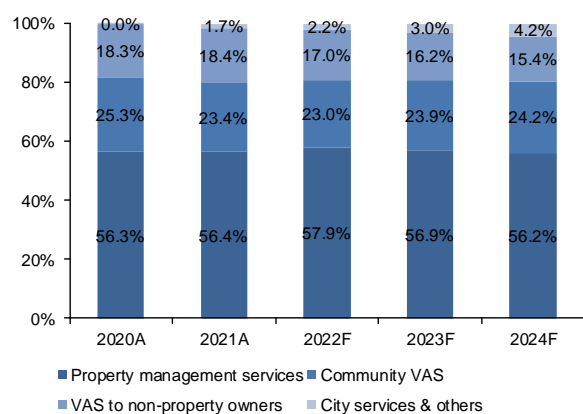
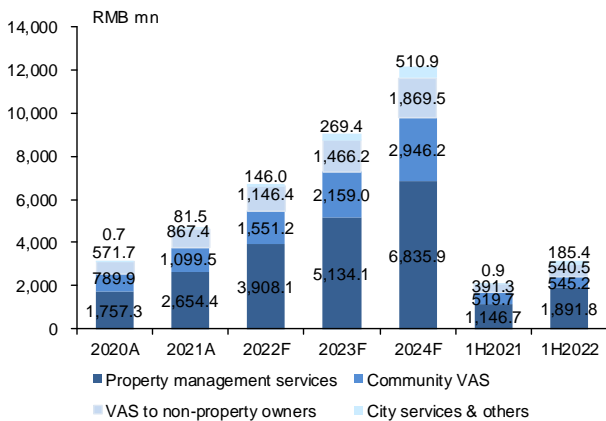
**Risk warnings:** (1) The local Covid-19 epidemic in China may worsen, resulting in more city lockdowns, directly hindering business operations; (2) poor management of new expansion projects; and (3) third-party expansion may not stay on track.

**Financial Analysis and Earnings Forecasts**

**Interim results were relatively good across the industry, showing increased revenue as well as profit YoY.** The Company's 1H2022 revenue was in line with our previous forecast and grew by 53.6% to RMB3,162.9 mn. However, the Company witnessed a decline in overall GPM (down by 4.2 pts YoY to 25.7%), mainly because intense industry competition and lockdowns led to lower GPMs in community VAS (down by 3.9 pts to 42.6%) and VAS to non-property owners (down by 4.2 pts to 22.5%). Despite sluggish property sales in 1H2022 and impact from the Covid-19 pandemic, the Company still managed to achieve 33.4% YoY growth in shareholders' net profit; this proved the resilience of the Company's business. This also fully reflected that the Company can almost operate independently from the parent company.

**We forecast all metrics to grow at low-double digits.** We forecast the Company's total revenue to reach RMB12,162.5 mn in 2024F, 3.4% higher than market consensus, representing CAGR of 37.3% in 2021-2024F. We forecast the Company's shareholders' net profit to be RMB791.5 mn, RMB1,022.5 mn and RMB1,347.0 mn in 2022F-2024F, respectively, representing CAGR of 29.7% in 2021-2024F. Our growth forecasts are mainly based on quality expansion in the Company's non-property management services and intact PMS segment. As a result, we forecast the Company's EPS to grow YoY by 23.3%/ 29.2%/ 31.7% to RMB0.452/ RMB0.584/ RMB0.769 in 2022F-2024F, respectively, corresponding to CAGR of 28.0% in 2021-2024F. In line with market sentiment, we expect stable dividend payout of at least 30.0% in 2022F-2024F.

**Figure 1: We Forecast Overall Revenue to Achieve Better Growth than Market Expectation, at CAGR of 37.3% in 2021-2024F** **Figure 2: We Forecast VAS to Non-Property Owners Revenue Proportion to Decrease by 3.1 pts to 15.4% by 2024F, Due to Declining in Property-Related Businesses**



Source: the Company, Guotai Junan International.

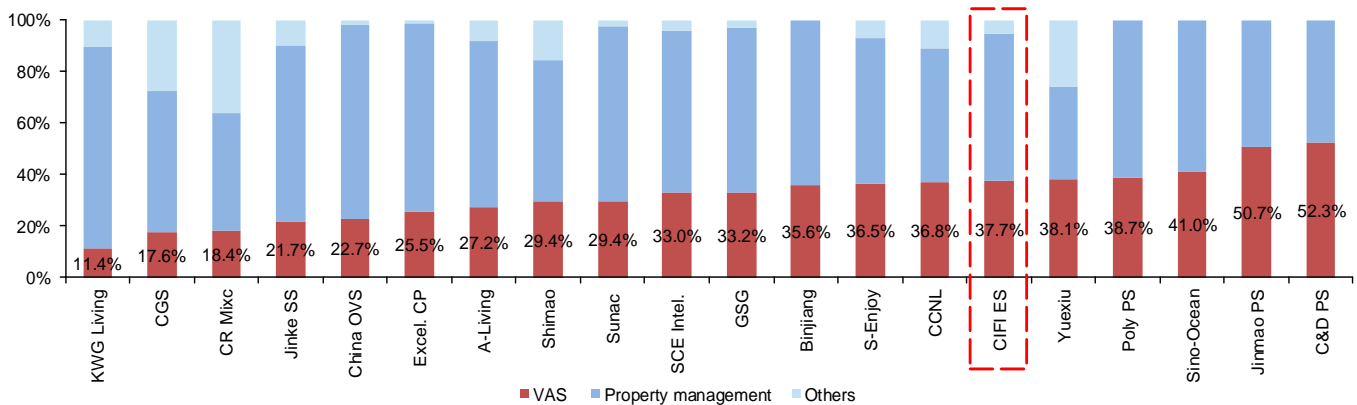
Source: the Company, Guotai Junan International.

**We predict that community VAS segment revenue will bounce back and exceed market expectation, delivering mid-double-digit YoY growth in 2022F, due to the easing of the Covid-19 pandemic in China (2022F: growing by 41.1% and 32.2% vs. market consensus: 37.4% and 23.0%).** Although the Company's community VAS revenue CAGR is not as high as in the past five years (grew at CAGR of 77.8% in 2017-2021), we still believe that there is a lot of room for the segment, especially for property managers which provide high-quality services. Due to the tight lockdowns in many high-tier cities, the Company's community VAS revenue in 1H2022 only recorded YoY growth of 4.9%, but we expect the Company to achieve better-than-market-expected recovery in 2H2022. We predict that it is less likely for China to go through large-scale and prolonged city lockdowns due to the Covid-19 pandemic in 2H2022. Thus, we forecast community VAS revenue to grow at a CAGR of 38.9% in 2021-2024F. Our forecast for the next three years is also based on the Company's further reduction on its reliance on the parent (source from the parent vs. third parties: 17.2% vs. 82.8% in 1H2022; 5.5% vs. 94.5% in 2024F), and no significant changes in growth momentum of VAS and market capacity in the property management industry. Due to strong

market demand for home-living services and common area VAS, we expect the Company to strengthen these segments (forecast to grow at a CAGR of 37.7% and 79.8%, respectively). Accordingly, we lower our revenue forecasts in parking & leasing services and property agency services and forecast 2021-2024F CAGR of 14.0% and 34.9%, respectively, based on the management's guidance and general development direction of the Company.

**We also predict that overall VAS to non-property owners revenue will exceed market expectation in 2022F-2024F**, but with sharp growth decline in sales assistance services and (2021-2024F CAGR: 4.0%) planning & consultancy services (2021-2024F CAGR: 4.0%), given the reducing reliance on the parent company. Due to the Company's further expansion of housing repair services, we have revised up our revenue forecast for this business. Meanwhile, we believe that the Company's additional tailored services will gradually grow in the next few years and account for more than half of the VAS to non-property owners revenue by 2024F.

**Figure 3: The Company's Revenue Derived from VAS (including both Community VAS and VAS to non-property owners in the below figure) Ranked 6th Among its Peers Group in 1H2022 and Forecast to Grow at CAGR of 34.8% in 2021-2024F**



Source: the Company, Guotai Junan International.

Note: (1) The business segments of A-Living, China OVS, GSG, Binjiang, Sunac and S-Enjoy are uniformly classified into community VAS and VAS to non-property owners; and (2) Data of 1H2022 are unaudited.

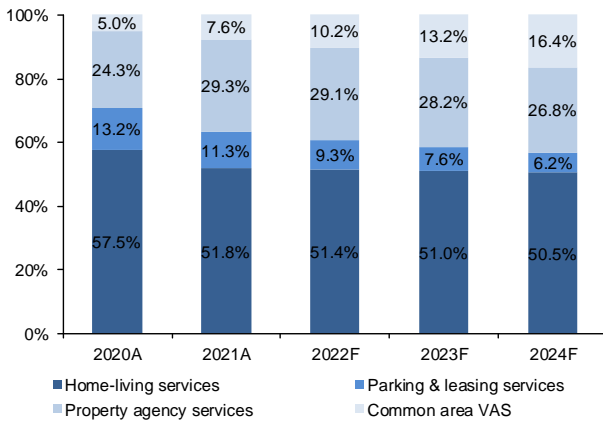
**Table 1: We Forecast Higher Growth than Market Consensus in Revenue of VAS in 2022F-2024F**

Revenue in RMB mn	2017A	2018A	2019A	2020A	2021A	2022F	2023F	2024F	CAGR 2017-2021	CAGR 2021-2024F
<b>Community value-added services</b>										
- Home-living services	47.2	90.4	263.1	454.5	570.0	798.1	1101.3	1486.8	86.4%	37.7%
- Parking & leasing services	15.2	33.4	68.8	104.3	124.2	144.0	164.2	183.9	69.1%	14.0%
- Property agency services	23.4	43.7	101.9	191.6	321.9	450.7	608.4	790.9	92.6%	34.9%
- Common area VAS	24.3	31.0	48.6	39.5	83.4	158.4	285.1	484.6	36.1%	79.8%
<b>Total</b>	<b>110.1</b>	<b>198.4</b>	<b>482.3</b>	<b>789.9</b>	<b>1,099.5</b>	<b>1,551.2</b>	<b>2,159.0</b>	<b>2,946.2</b>	<b>77.8%</b>	<b>38.9%</b>
<b>VAS to non-property owners</b>										
- Sales assistance services	82.7	134.2	208.8	330.5	353.7	371.4	386.2	397.8	43.8%	4.0%
- Additional tailored services	24.9	30.3	40.8	103.2	310.0	496.0	694.4	937.5	87.8%	44.6%
- Planning & consultancy services	12.4	15.8	39.8	79.6	97.0	99.9	103.9	109.1	67.2%	4.0%
- Housing repair services	16.7	23.0	19.4	33.5	67.4	128.1	217.8	348.5	41.7%	72.9%
- Pre-delivery inspection services	5.1	7.2	15.4	25.0	39.3	51.1	63.8	76.6	66.4%	24.9%
- Others	1.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0	(100.0%)	n.a.
<b>Total</b>	<b>143.0</b>	<b>210.5</b>	<b>324.6</b>	<b>571.7</b>	<b>867.4</b>	<b>1,146.4</b>	<b>1,466.2</b>	<b>1,869.5</b>	<b>56.9%</b>	<b>29.2%</b>

Source: the Company, Guotai Junan International.

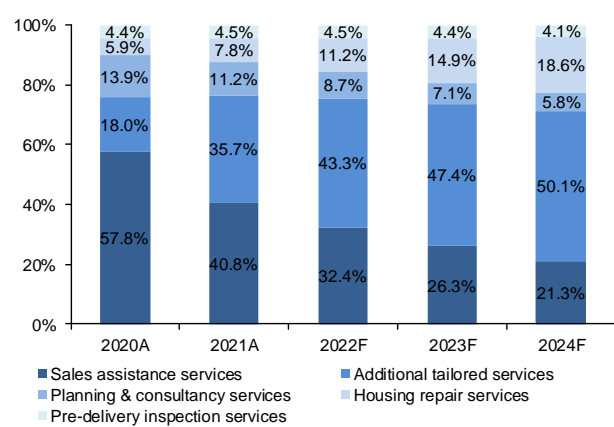
Note: (1) VAS includes community VAS and VAS to non-property owners; and (2) Others sector has no longer existed since 2020.

**Figure 4: We Forecast Common Area VAS and Parking & Leasing Services to Show a Reverse Growth Trend; the Former to Hit 16.4% of Community VAS Revenue by 2024F**



Source: the Company, Guotai Junan International.

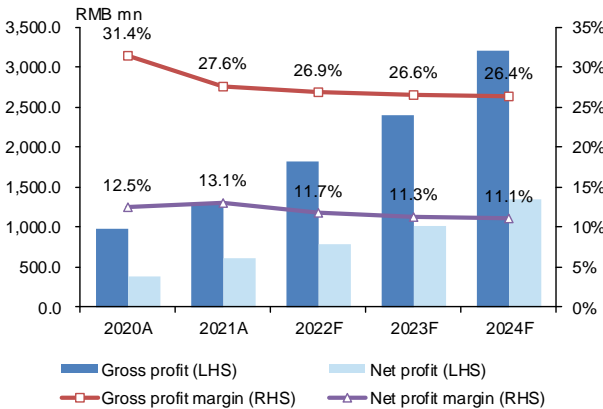
**Figure 5: We Forecast Revenue Proportion of Sales Assistance Services and Preliminary Planning and Design Consultancy Services to decline YoY in 2022F-2024F**



Source: the Company, Guotai Junan International.

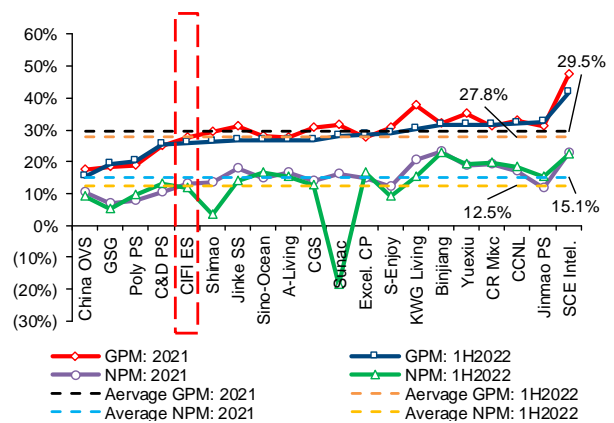
In the past two years, under the circumstances of increasingly fierce competition in the property management industry and the squeeze on GPM of various business segments, the Company's GPM and NPM were slightly lower than the average of its peers group (2021 GPM: 27.6% vs. 29.5%; 2021 NPM: 13.1% vs. 15.1%; 1H2022 GPM: 25.7% vs. 27.8%; 1H2022 NPM: 11.9% vs. 12.5%). It was mainly caused by the Company's low GPM and NPM of its large number of third-party expansion projects. Considering the scale of the Company's third-party expansion projects, we believe such GPM and NPM are still healthy within the industry. **In 2022F-2024F, we predict: (1) the community VAS business to maintain relatively high GPM and VAS to non-property owners GPM to stabilise; and (2) the Company's NPM to remain resilient among its peers group, staying at round 11.4%.**

**Figure 6: We Forecast GPM to Drop Slightly, but Remain around the Peers Average**



Source: the Company, Guotai Junan International.

**Figure 7: We Forecast Community VAS to Keep Relatively High GPM and VAS to Non-Property GPM to Stay Stable**

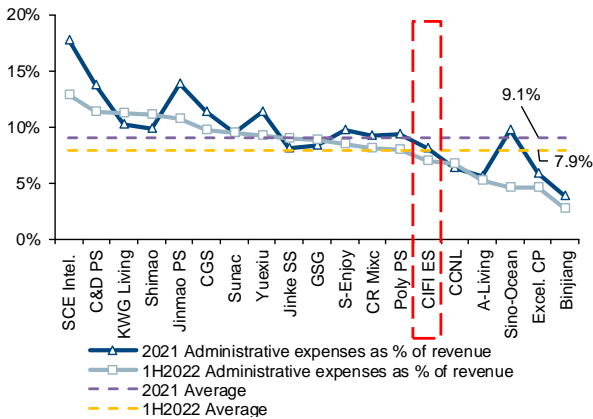


Source: the Company, Guotai Junan International.

Note: (1) Net profits used shareholders' net profit figures; and (2) Data of 1H2022 are unaudited.

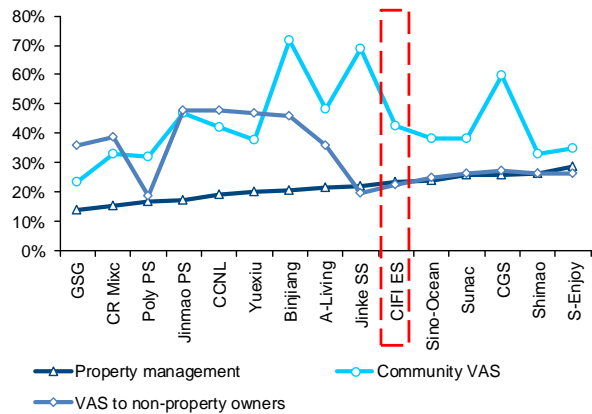
**Even with the GPM generally declining in the property management industry, we forecast the Company's NPM to remain resilient at round 11.4% in 2022F-2024F,** mainly because of the Company's consistently improving cost control. The Company's administrative expense was well below the peers average in 2021 (8.1% of total revenue vs. 9.1% of total revenue), and further enhanced to 6.9% of total revenue in 1H2022. Of which, this is inseparable from the higher GPM of property owners VAS (classified as community VAS in Figure 9 below). Even if the Company's GPM and NPM are slightly lower than the peers average, we still believe that they are within a healthy industry range, as they are higher than the industry leaders', China Overseas services and Poly property services, which are with SOE background.

**Figure 8: Excellence in Cost Control Compared to Its Peers and Expect to Be Well Maintained in 2022F-2024F**



Source: the Company, Guotai Junan International.  
Note: Data of 1H2022 are unaudited.

**Figure 9: High GPM of Community VAS Among Its Peers in 1H2022 and Expect to Be Upheld in 2021-2024F**

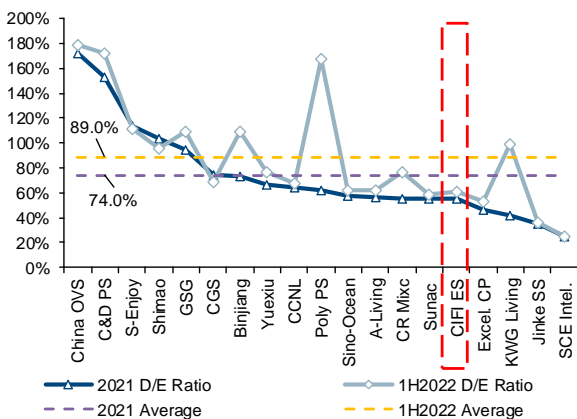


Source: the Company, Guotai Junan International.  
Note: (1) The business segments of A-Living, China OVS, GSG, Binjiang, Sunac and S-Enjoy are uniformly classified into community VAS and VAS to non-property owners; and (2) Data of 1H2022 are unaudited.

**GFA Portfolio - Recap and Forecasts**

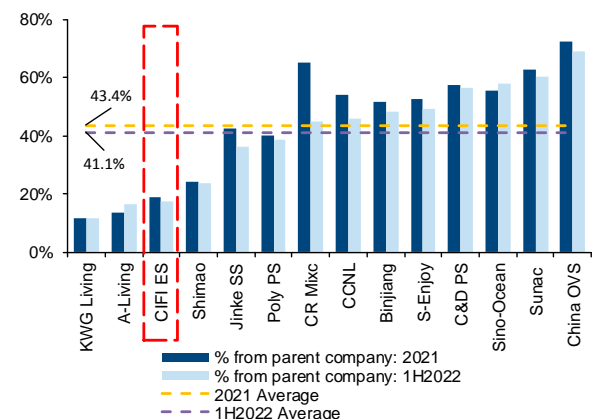
**CIFI ES Service has advantages in its GFA portfolio, with its lower-than-peers average D/E ratio and sound management.** The low leveraging and abundant cash in hand compared with its peers will enable the Company to carry out more bidding and M&A projects in business expansion in 2022F-2024F. The Company's GFA under management and contracted GFA ranked 10th among its peers group in 2021. In 1H2022, The Company's contracted GFA and GFA under management increased by 60.0% YoY and 33.0% YoY to 207.9 mn sq.m and 291.4 mn sq.m, respectively, showing considerably strong signs of expansion amid the slump in real estate sales. The proportion of the Company's GFA under management from its parent company is far lower than the industry average, ranking 3rd within its peers group in 1H2022 (17.2% vs. 41.1%). This again well demonstrates that the Company has strong synergy with the parent company but is not dependent on the parent company in business.

**Figure 10: Leveraging Lower-Than-Peers Average D/E Ratio; We Expect This To Be Maintained in 2021-2024F**



Source: the Company, Guotai Junan International.  
Note: Data of 1H2022 are unaudited.

**Figure 11: We Predict Further Reduction in GFA Reliance on the Parent Company and Strategic Partnerships in 2021-2024F, Accelerating Market-Oriented Development**



Source: the Company, Guotai Junan International.  
Note: Data of 1H2022 are unaudited.

**We forecast the Company's third-party expansion to remain robust in 2022F-2024F, and GFA under management to reach 409.4 mn sq.m by 2024F (94.5% sourced from third-parties), further reducing reliance on the parent.** The Company has been engaging in third-party expansion for years and the GFA under management sourced from third-parties was 4.8x that of the sum of the parent company in 1H2022. We forecast the Company's GFA under management sourced from third-parties to grow at a CAGR of 40.7% in 2021-2024F, beating the market consensus, which is also far greater than sourcing from its parent company (CAGR: -11.0% in 2021-2024F). The forecast is mainly backed by a strong pick-up in sourcing from third-parties and proactively executing biddings and M&As.

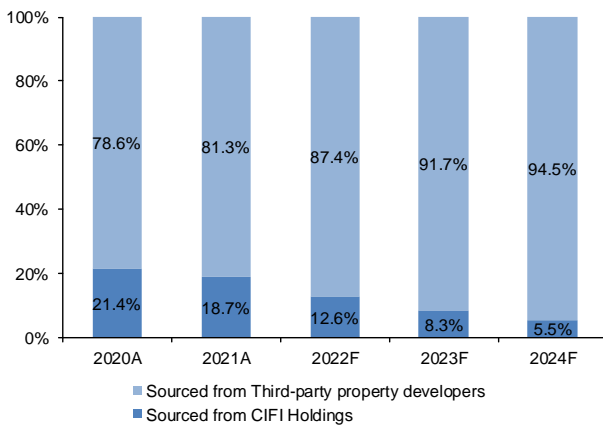
Meanwhile, we forecast the Company's contracted GFA to be on track, increasing at a CAGR of 28.2% in 2021-2024F. The Company's pipeline ratio has remained at a higher level over the past 5 years (1H2022: down to 1.40x, lower than its peers group average of 1.58x), because the Company's GFA under management has accelerated faster than that of its peers. Based on the guidance of the Company's management and the direction of its future development, we predict that the Company will focus more on high-quality growth. As a result, the pipeline ratio is projected to show a downward trend in 2022F-2024F (down to 1.39x in 2024F). Although the Company's parent did not have any arrears and provided some high-quality projects for it during 1H2022, we still predict that the Company's GFA under management from the parent will gradually decrease in 2H2022 and 2023F-2024F. This is also in line with the Company's determination to further reduce its business dependence on its parent.

**Table 2: We Forecast GFA under Management Sourced from Third-parties to Further Accelerate at a CAGR of 33.8% in 2021-2024F, and Contracted GFA to Grow at Low Double-Digit Rate in 2022F-2024F**

mn sq.m	2020A	2021A	2022F	2023F	2024F	CAGR 2021-2024F
<b>GFA under management</b>						
- Sourced from CIFI Holdings	21.7	32.1	28.1	25.1	22.6	(11.1%)
- Sourced from third-party property developer	79.9	139.0	194.6	276.3	386.8	40.7%
<b>Total</b>	<b>101.6</b>	<b>171.0</b>	<b>222.6</b>	<b>301.4</b>	<b>409.4</b>	<b>33.8%</b>
<b>Contracted GFA</b>						
<b>Total</b>	<b>181.2</b>	<b>270.8</b>	<b>370.8</b>	<b>470.8</b>	<b>570.8</b>	<b>28.2%</b>

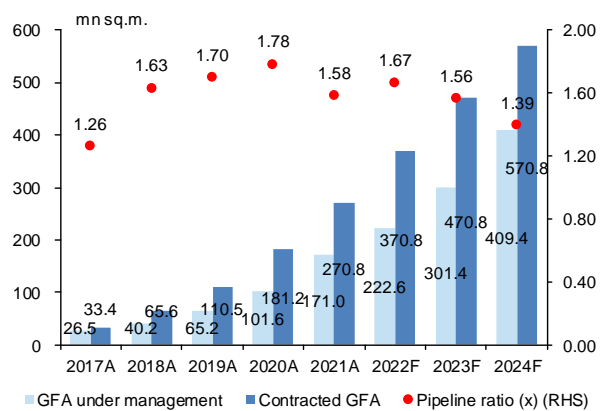
Source: the Company, Guotai Junan International.

**Figure 12: We Forecast the Company's GFA under Management Derived from Third-Parties to Further Rise YoY to 94.5% by 2024F**



Source: the Company, Guotai Junan International.

**Figure 13: We Forecast the Company's GFA Pipeline Ratio to Show a downward Trend in 2022F-2024F**



Source: the Company, Guotai Junan International.

## Valuation and Investment Recommendation

Based on a medium- to long-term investment philosophy, we value CIFI ES Service by two valuation methodologies: PE and DCF.

- For PE valuation methodology, we selected a group of 5 PRC PMCs as the most suitable peers to CIFI ES Service, based on market capitalisation, leading position, business similarity and location of listing. The weighted average PE valuation of selected peers group is 13.6x, corresponding to the Company's reasonable target price of HK\$7.00.

**Table 3: CIFI ES Service's Peers Analysis in Detail**

Company	Stock Code	Currency	Last Price (HK\$)	Mkt Cap (HK\$ m)	PE (fiscal year)				PB (fiscal year)				PEG	ROE (%)	D/Y (%)
					2021A	2022F	2023F	2024F	2021A	2022F	2023F	2024F			
Poly Property Services Co-H	06049	HKD	44.850	24,817	24.3	20.5	16.0	12.7	3.0	2.8	2.5	2.1	1.0	14.3	1.0
Greentown Service Group Co L	02869	HKD	5.400	17,550	17.2	16.4	12.7	10.1	2.0	2.1	1.9	1.7	0.9	12.7	3.1
A-Living Smart City Services	03319	HKD	7.600	10,792	3.8	3.9	3.4	2.9	0.8	0.7	0.6	0.5	0.4	19.6	6.0
Sunac Services Holdings Ltd	01516	HKD	2.240	6,847	4.5	4.4	3.3	2.6	0.7	0.6	0.6	0.5	0.2	14.6	7.2
Jinke Smart Services Group-H	09666	HKD	8.350	5,451	4.3	3.8	2.9	2.3	0.6	0.6	0.5	0.4	0.2	15.1	8.6
<b>Simple Average</b>					<b>10.8</b>	<b>9.8</b>	<b>7.7</b>	<b>6.1</b>	<b>1.4</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>0.5</b>	<b>15.3</b>	<b>5.2</b>

Weighted Average			15.3	13.6	10.6	8.5	1.9	1.9	1.7	1.4	0.7	14.8	3.7		
Median			4.5	4.4	3.4	2.9	0.8	0.7	0.6	0.5	0.4	14.6	6.0		
CIFI ES Service	01995 HK	HKD	4,590	8,044	10.4	8.3	6.3	5.1	1.5	1.4	1.2	1.0	0.4	17.1	3.5

(2) For DCF valuation methodology, we derive the Company's 2022 reasonable target price of HK\$9.83, based on our key assumptions stated in the following table (Table 4):

**Table 4: CIFI ES Service's DCF Key Assumptions and Analysis in Detail**

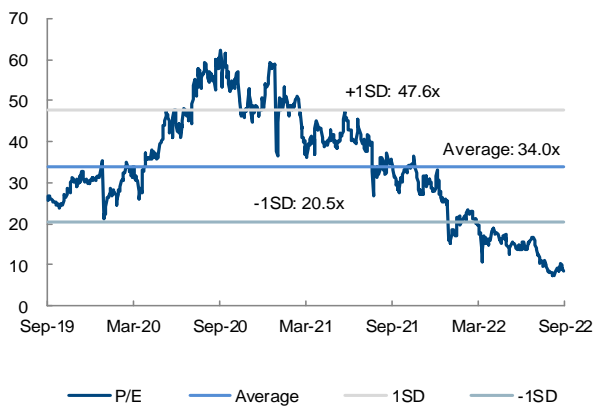
Assumptions		DCF Calculation	
Risk Free Rate	2.91%	Sum of PV FCFF (RMB mn)	7,286
Market Risk Premium	6.92%	+ PV terminal value (RMB mn)	3,434
Beta	1.80	Enterprise value (RMB mn)	10,720
Cost of Equity	15.4%	+ (Net debt)/Cash (RMB mn)	4,352
		Equity value (RMB mn)	15,072
After Tax Cost of Debt	6.5%		
E/(D+E)	95.0%	Assume HK\$/RMB	0.875
WACC	14.8%	Equity value (HK\$ mn)	17,225
		Shares outstanding (mn)	1,752
Long Term Growth Rate	1.5%	NAV per share (HK\$)	9.83

Source: the Company, Guotai Junan International.

We believe that the impact from industry beta will be the main reason for pressure on the valuation of the entire industry in the short term, which is consistent with the current sentiment in the PRC real estate market. However, from the perspective of long-term investment, we will pay more attention to the Company's operating strategies and brand, because we truly believe that the valuation of the property management industry will not be dominated permanently by the valuation of the PRC real estate industry. **Some high-quality PMC will largely stand out and exceed market consensus.**

Since the market consensus valuation still takes the property management valuation and the PRC real estate industry valuation into close consideration, the current overall valuation of the property management industry is heavily affected by the PRC real estate industry. We expect that the valuation of CIFI ES Service will be revised up after the end of the PRC real estate downturn cycle and liquidity crisis, as current beta dominates the entire property management market sentiment. Based on the comprehensive consideration of peer business models, combining current market sentiment and the Company's fundamentals, **we select the result of PE valuation, HK\$7.00 as CIFI ES Service's 2022F fair target price valuation. The valuation result derived from our DCF also validates our PE valuation result. We recommend an investment rating of "Accumulate".**

**Figure 14: CIFI ES Service's Forward P/E Ratio (Current Annual)**



Source: Bloomberg, Guotai Junan International.

**Figure 15: CIFI ES Service's Forward P/B Ratio (Current Annual)**



Source: Bloomberg, Guotai Junan International.

Table 5: Peers Summary and Valuation Comparison

Peers	Stock code	Year	ESAL CP	China O/S	Poly PS	GSG	KING Living	A-Living	Bijiang	Sunac	CFIES	Jinmao PS	Sino-Ocean	Shimao	C&D PS	S-Enjoy	Jinke SS	CGS	Viewu	CR/Mac	CONL	SCE Intl.	
			06988.HK	02689.HK	06049.HK	02869.HK	0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK	
<b>Consensus rating</b>																							
Trading currency			HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Market cap. (HK\$ mn)			3,955.1	27,482	24,870	17,547	2,350	10,792	5,637	6,847.3	8,044.1	3,743.3	2,677.1	4,602	4,770	5,642	5,451	46,363.4	4,879	78,510	3,948	3,695.5	
Share price			3.20	8.80	44,860	5,400	1,160	7,800	20,400	2,240	4,590	4,140	2,430	1,880	3,530	6,480	8,350	13,740	3,080	34,400	3,150	1,780	
3-month average vol. (000)			1,389.9	5,311.6	906.6	5,603.2	6,539.9	8,046.5	220.4	21,875.6	14,612.2	576.8	447.9	19,068.8	770.6	14,060	6,022.6	29,953.9	1,561	1,967.8	1,529.2	1,984.6	
Target price			2021A	4.3	19.6	17.9	3.0	4.0	10.7	4.3	9.1	7.7	4.2	3.4	13.8	6.3	4.6	8.1	8.3	28.2	5.3	9.9	
PE (x)			2021A	0.2	0.9	0.9	0.2	0.4	0.4	0.2	0.4	0.3	0.2	0.4	0.5	0.3	0.2	0.3	0.3	1.3	0.4	0.9	
PEG (x)			3.00	19.50	26.40	22.50	6.91	11.93	3.00	15.44	28.40	4.11	7.00	5.65	10.00	12.20	14.92	36.31	6.00	23.90	6.11	0.30	
Buy/Neutral/Sell																							
GFA (mn sq.m.)			1H2022	30.1	287.2	523.1	349.3	214.2	526.6	35.4	234.0	46.5	79.4	255.9	37.3	172.2	251.2	843.2	43.5	261.1	142.1	24.0	
GFA under management				n.a.	68.8%	38.4%	n.a.	11.8%	16.6%	48.0%	60.3%	n.a.	58.0%	23.4%	56.4%	48.1%	36.3%	n.a.	n.a.	45.0%	45.8%	n.a.	
-Parent/associated parties				n.a.	31.1%	61.6%	n.a.	88.2%	83.4%	52.0%	39.7%	n.a.	42.0%	76.8%	43.6%	50.9%	63.7%	n.a.	n.a.	55.0%	54.2%	n.a.	
-Independent third parties				68.9	n.a.	731.6	365.8	285.8	706.5	374.0	291.4	69.6	12.5	33.1	86.6	297.0	373.5	1,608.9	62.6	245.0	254.7	46.6	
Contracted GFA			1H2022	8.9	27.2	57.8	45.2	8.1	39.7	5.5	19.3	36.9	9.1	5.9	15.4	4.3	18.7	13.3	77.5	4.6	114.3	6.2	
GFA under mngt addition (mn sq.m.)			2019-21A	32.3%	29.0%	27.3%	n.a.	n.a.	66.4%	44.3%	101.3%	n.a.	34.7%	87.8%	26.4%	59.7%	40.5%	66.5%	n.a.	26.3%	54.4%	n.a.	
GFA under management/CAGR			1H2022	1.38	n.a.	1.40	1.05	1.33	1.34	1.62	1.40	1.53	1.53	1.30	2.16	1.72	1.49	1.91	1.44	0.94	1.79	2.03	
Preline ratio (x)			2021A	93.2%	n.a.	96.0%	n.a.	n.a.	n.a.	93.3%	n.a.	n.a.	n.a.	94.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Collection rate (Residential)																							
<b>Parent companies</b>																							
ESAL CP			06988.HK	02689.HK	06049.HK	02869.HK	0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK	
China O/S			02689.HK	06049.HK	02869.HK	0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK		
Poly PS			06049.HK	02869.HK	0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK			
GSG			02869.HK	0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK				
KING Living			0393.HK	03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK					
A-Living			03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK						
Bijiang			03316.HK	03316.HK	01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK						
Sunac			01516.HK	01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK								
CFIES			01955.HK	00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK									
Jinmao PS			00816.HK	0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK										
Sino-Ocean			0877.HK	0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK											
Shimao			0873.HK	02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK												
C&D PS			02156.HK	01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK													
S-Enjoy			01755.HK	08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK														
Jinke SS			08666.HK	06988.HK	06226.HK	01209.HK	09883.HK	00016.HK															
CGS			06988.HK	06226.HK	01209.HK	09883.HK	00016.HK																
Viewu			06226.HK	01209.HK	09883.HK	00016.HK																	
CR/Mac			01209.HK	09883.HK	00016.HK																		
CONL			09883.HK	00016.HK																			
SCE Intl.			00016.HK																				
<b>Revenue breakdown</b>																							
Total (RMB mn)			1H2022	1,862.9	5,813.9	6,494.4	6,827.8	2,064.3	7,619.9	831.5	3,968.6	3,336.1	1,065.9	1,603.3	4,263.7	997.0	2,466.0	2,563.3	20,055.4	1,039.9	5,277.7	1,563.3	604.6
-Property management				1,368.4	4,387.4	3,954.9	4,380.3	1,614.3	4,904.1	535.6	2,740.0	1,891.8	940.7	943.5	2,942.2	476.1	1,392.6	1,754.5	10,983.3	394.8	2,381.9	819.6	379.8
-Community VAS				475.6	463.3	1,402.3	1,310.1	191.6	1,084.1	61.3	294.0	716.5	255.8	394.7	831.0	183.3	624.6	265.3	2,112.3	243.9	560.4	304.5	32.0
-V/S to non-property owners				-	865.6	1,092.2	957.4	44.7	990.0	234.6	801.6	540.5	310.4	362.1	321.6	338.6	274.3	271.4	1,424.0	171.8	411.6	270.9	167.8
-Others				28.9	107.6	-	200.0	213.7	64.7	-	109.9	185.4	-	671.0	-	174.4	254.0	5,332.8	279.4	1,923.9	170.3	25.0	
<b>Gross profit</b>																							
Total (RMB mn)			1H2022	529.1	877.9	1,302.8	1,310.9	621.4	2,049.7	261.9	1,248.8	857.4	365.5	428.9	1,153.3	253.2	715.1	679.8	5,394.9	345.5	1,873.0	497.8	251.5
-Property management				n.a.	n.a.	854.1	601.7	n.a.	1,044.6	110.9	700.3	444.6	93.0	226.4	616.0	n.a.	398.9	387.8	2,845.5	79.0	359.7	154.9	n.a.
-Community VAS				n.a.	n.a.	447.2	303.9	n.a.	322.6	43.8	112.6	306.1	114.8	115.8	306.3	n.a.	219.2	196.3	1,261.0	92.2	185.5	128.5	n.a.
-V/S to non-property owners				n.a.	n.a.	203.5	344.6	n.a.	355.4	107.7	231.6	121.6	148.4	88.0	85.2	n.a.	71.9	52.9	387.3	80.2	159.7	129.5	n.a.
GPM			1H2022	28.4%	15.1%	20.2%	19.2%	30.1%	26.9%	31.5%	28.2%	25.7%	32.5%	26.8%	26.1%	25.6%	29.0%	26.8%	26.9%	31.7%	31.7%	31.8%	41.8%
-Property management				n.a.	n.a.	16.5%	13.8%	n.a.	21.3%	20.7%	25.9%	23.5%	17.2%	24.0%	26.3%	n.a.	25.3%	22.1%	20.0%	15.1%	19.9%	n.a.	
-Community VAS				n.a.	n.a.	31.9%	23.2%	n.a.	48.2%	71.5%	38.3%	42.8%	46.7%	38.0%	32.9%	n.a.	35.1%	68.8%	59.7%	33.1%	42.2%	n.a.	
-V/S to non-property owners				n.a.	n.a.	18.8%	36.0%	n.a.	35.9%	45.9%	26.3%	22.5%	47.5%	25.0%	26.5%	n.a.	26.2%	19.5%	27.2%	46.7%	38.8%	47.8%	
<b>Net profit</b>																							
Total (RMB mn)			1H2022	311.1	533.2	625.6	341.4	313.8	1,150.6	190.4	749.8	397.0	168.9	287.2	140.8	130.6	228.9	356.6	2,557.1	210.4	1,029.2	289.6	134.2
NPM			1H2022	16.7%	9.0%	9.7%	5.0%	15.2%	15.1%	22.9%	18.8%	15.6%	16.7%	16.7%	3.3%	13.1%	9.2%	13.9%	12.8%	19.3%	19.5%	18.5%	22.2%

Source: the Company, Bloomberg, Global Vantage International.  
Note: (1) Three red line user excluding contracted sales facilities, and financial data are based on 1H2022 company interim results; (2) (1) The business segments of A-Living, China O/S, GSG, Bijiang, Sunac and S-Enjoy are uniformly classified into community VAS and V/S to non-property owners and (3) Closing price as of 5 September 2022.

**Table 6: Peers Comparison**

Company	Stock Code	Currency	Last Price (HK\$)	Mkt Cap (HK\$ m)	PE (fiscal year)				PB (fiscal year)				PEG	ROE (%)	D/Y (%)
					2021A	2022F	2023F	2024F	2021A	2022F	2023F	2024F			
<b>Large-scale HK-listed Property Management Company with major business in China</b>															
China Resources Mixc Lifesty	01209 HK	HKD	34.400	78,518	37.8	31.0	23.7	18.9	4.6	4.4	3.9	3.3	1.5	14.9	1.2
Country Garden Services Hold	06098 HK	HKD	13.740	46,369	8.9	7.5	5.8	4.7	1.0	1.0	0.9	0.7	0.4	13.7	3.2
China Overseas Property Hold	02669 HK	HKD	8.360	27,478	27.9	21.4	16.6	12.9	9.2	6.9	5.3	4.1	0.9	35.9	1.4
Evergrande Property Services	06666 HK	HKD	2.300	24,865	6.0	4.9	3.7	n.a.	1.7	1.3	1.0	n.a.	0.3	26.6	2.6
Poly Property Services Co-H	06049 HK	HKD	44.850	24,817	24.3	20.5	16.0	12.7	3.0	2.8	2.5	2.1	1.0	14.3	1.0
<b>Simple Average</b>					<b>21.0</b>	<b>17.1</b>	<b>13.1</b>	<b>12.3</b>	<b>3.9</b>	<b>3.3</b>	<b>2.7</b>	<b>2.6</b>	<b>0.8</b>	<b>21.1</b>	<b>1.9</b>
<b>Weighted Average</b>					<b>24.2</b>	<b>19.8</b>	<b>15.2</b>	<b>13.4</b>	<b>3.8</b>	<b>3.4</b>	<b>2.8</b>	<b>2.6</b>	<b>0.9</b>	<b>18.8</b>	<b>1.8</b>
<b>Median</b>					<b>24.3</b>	<b>20.5</b>	<b>16.0</b>	<b>12.8</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>0.9</b>	<b>14.9</b>	<b>1.4</b>
<b>Mid-scale HK-listed Property Management Company with major business in China</b>															
Greentown Service Group Co L	02869 HK	HKD	5.400	17,550	17.2	16.4	12.7	10.1	2.0	2.1	1.9	1.7	0.9	12.7	3.1
A-Living Smart City Services	03319 HK	HKD	7.600	10,792	3.8	3.9	3.4	2.9	0.8	0.7	0.6	0.5	0.4	19.6	6.0
Cifi Ever Sunshine Services	01995 HK	HKD	4.590	8,044	10.4	8.3	6.3	5.1	1.5	1.4	1.2	1.0	0.4	17.1	3.5
Sunac Services Holdings Ltd	01516 HK	HKD	2.240	6,847	4.5	4.4	3.3	2.6	0.7	0.6	0.6	0.5	0.2	14.6	7.2
S-Enjoy Service Group Co Ltd	01755 HK	HKD	6.480	5,642	8.7	7.1	5.0	4.0	2.0	1.7	1.3	1.0	0.3	28.4	4.7
Binjiang Service Group Co Lt	03316 HK	HKD	20.400	5,639	14.6	11.8	8.6	6.3	4.9	4.3	3.4	2.6	0.4	38.8	n.a.
Jinke Smart Services Group-H	09666 HK	HKD	8.350	5,451	4.3	3.8	2.9	2.3	0.6	0.6	0.5	0.4	0.2	15.1	8.6
C&D Property Management Group	02156 HK	HKD	3.530	4,717	22.5	17.9	12.2	9.5	3.8	n.a.	n.a.	n.a.	0.7	20.2	n.a.
Yuexiu Services Group Ltd	06626 HK	HKD	3.080	4,688	9.5	8.0	5.8	4.3	1.3	1.2	1.1	0.9	0.3	13.0	3.8
Shimao Services Holdings Ltd	00873 HK	HKD	1.880	4,640	3.4	3.6	2.8	2.8	0.4	0.4	0.4	0.3	0.5	12.2	3.1
Central China New Life Ltd	09983 HK	HKD	3.150	3,995	5.3	5.0	4.3	3.6	1.1	1.1	1.0	0.9	0.4	21.8	14.5
Excellence Commercial Proper	06989 HK	HKD	3.200	3,905	6.4	4.3	3.3	2.6	0.9	0.8	0.7	0.7	0.2	20.8	8.3
Jinmao Property Services Co	00816 HK	HKD	4.140	3,743	15.6	7.9	5.7	3.8	15.6	2.6	2.0	1.5	0.3	41.6	3.6
Sce Intelligent Commercial M	00606 HK	HKD	1.780	3,693	7.9	9.4	7.8	6.8	1.2	1.3	1.1	1.0	1.5	14.3	2.6
Dexin Services Group Ltd	02215 HK	HKD	2.980	3,030	21.0	n.a.	n.a.	n.a.	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sino-Ocean Service Holding L	06677 HK	HKD	2.430	2,877	5.4	4.3	3.2	2.4	1.0	1.0	0.9	0.8	0.2	22.2	7.8
Powerlong Commercial Managem	09909 HK	HKD	3.960	2,546	4.7	4.0	3.2	2.8	0.8	0.8	0.7	0.6	0.2	21.1	9.9
Kwg Living Group Holdings Lt	03913 HK	HKD	1.160	2,350	2.9	2.7	2.2	1.7	0.6	0.5	0.4	0.4	0.2	21.3	12.0
Ronshine Service Holding Co	02207 HK	HKD	4.250	2,159	13.6	n.a.	n.a.	n.a.	2.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hevol Services Group Co Ltd	06093 HK	HKD	3.740	2,094	19.9	n.a.	n.a.	n.a.	3.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Simple Average</b>					<b>11.2</b>	<b>8.4</b>	<b>6.4</b>	<b>5.2</b>	<b>2.5</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>	<b>0.5</b>	<b>20.8</b>	<b>6.0</b>
<b>Weighted Average</b>					<b>10.4</b>	<b>8.5</b>	<b>6.4</b>	<b>5.1</b>	<b>2.2</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.5</b>	<b>19.5</b>	<b>5.7</b>
<b>Median</b>					<b>8.3</b>	<b>5.0</b>	<b>4.3</b>	<b>3.6</b>	<b>1.3</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.3</b>	<b>20.2</b>	<b>6.0</b>
<b>Small-scale HK-listed Property Management Company with major business in China</b>															
E-Star Commercial Management	06668 HK	HKD	1.480	1,510	6.5	4.7	3.7	3.0	1.1	1.0	0.9	0.8	0.2	21.4	7.3
New Hope Service Holdings Lt	03658 HK	HKD	1.710	1,392	6.2	3.5	n.a.	n.a.	1.2	0.6	n.a.	n.a.	n.a.	24.2	6.6
Kangqiao Service Group Ltd	02205 HK	HKD	1.930	1,351	11.4	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aoyuan Healthy Life Group Co	03662 HK	HKD	1.860	1,351	2.9	2.0	1.6	n.a.	0.9	0.7	0.6	n.a.	0.1	36.2	16.8
Redsun Services Group Ltd	01971 HK	HKD	3.230	1,340	8.6	6.1	4.7	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	18.4	n.a.
Landsea Green Life Service C	01965 HK	HKD	3.100	1,273	14.5	n.a.	n.a.	n.a.	2.9	n.a.	n.a.	n.a.	n.a.	48.0	n.a.
Yincheng Life Service Co Ltd	01922 HK	HKD	3.500	935	8.8	n.a.	n.a.	n.a.	3.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financial Street Property -H	01502 HK	HKD	2.470	923	5.6	5.7	4.9	4.3	0.7	0.7	0.6	0.6	0.7	12.1	9.6
Colour Life Services Group	01778 HK	HKD	0.620	922	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.8	n.a.
Roiserv Lifestyle Services-H	02146 HK	HKD	2.320	872	1.8	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First Service Holding Ltd	02107 HK	HKD	0.750	750	17.5	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Times Neighborhood Holdings	09928 HK	HKD	0.760	749	2.0	5.3	2.9	2.5	0.3	0.3	0.3	0.3	(0.3)	6.5	2.1
Dowell Service Group Co Ltd	02352 HK	HKD	9.490	636	3.1	n.a.	n.a.	n.a.	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Capital Jiaye Proper	02210 HK	HKD	4.030	591	4.6	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Clifford Modern Living Holdi	03686 HK	HKD	0.580	589	6.0	n.a.	n.a.	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Riverine China Holdings Ltd	01417 HK	HKD	1.220	494	10.1	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kaisa Prosperity Holdings Lt	02168 HK	HKD	2.900	447	6.5	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhenro Services Group Ltd	06958 HK	HKD	0.410	425	2.0	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	23.0	n.a.
Zhong Ao Home Group Ltd	01538 HK	HKD	0.380	325	2.5	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jiayuan Services Holdings Lt	01153 HK	HKD	0.530	324	2.7	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xinyuan Property Management	01895 HK	HKD	0.560	318	2.1	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sundy Service Group Co Ltd	09608 HK	HKD	0.099	317	4.7	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xingye Wulian Service Group	09916 HK	HKD	0.740	296	4.5	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ling Yue Services Group Ltd	02165 HK	HKD	0.600	171	1.7	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ye Xing Holdings Ltd	01941 HK	HKD	0.233	94	2.6	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Simple Average</b>					<b>5.8</b>	<b>4.6</b>	<b>3.6</b>	<b>3.3</b>	<b>0.9</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.2</b>	<b>24.5</b>	<b>8.5</b>
<b>Weighted Average</b>					<b>6.9</b>	<b>4.4</b>	<b>3.5</b>	<b>3.3</b>	<b>1.2</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.2</b>	<b>25.8</b>	<b>9.0</b>
<b>Median</b>					<b>4.7</b>	<b>5.0</b>	<b>3.7</b>	<b>3.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.2</b>	<b>23.0</b>	<b>7.3</b>

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement					
Year End 31 Dec (RMB m)	2020A	2021A	2022F	2023F	2024F
Total revenue	3,120	4,703	6,752	9,029	12,162
- Property management services	1,757	2,654	3,908	5,134	6,836
- Community VAS	790	1,099	1,551	2,159	2,946
- VAS to non-property owners	572	867	1,146	1,466	1,869
- City services & others	1	82	146	269	511
Cost of sales	(2,140)	(3,403)	(4,936)	(6,631)	(8,949)
Gross profit	980	1,300	1,815	2,398	3,213
Other income and other net gains	(10)	122	116	124	139
Administrative expenses	(333)	(465)	(709)	(993)	(1,338)
Expected credit loss on financial assets	(32)	(62)	(53)	(52)	(69)
Other expense	(5)	(0)	(14)	(18)	(24)
Operating profit	600	895	1,156	1,458	1,921
Finance costs	(1)	(3)	(1)	(2)	(2)
Profit before tax	598	891	1,155	1,457	1,919
Income tax	(156)	(199)	(266)	(320)	(422)
Profit after tax	443	693	889	1,136	1,497
Non-controlling interest	(52)	(76)	(98)	(114)	(150)
Shareholders' profit / loss	390	617	791	1,022	1,347
Basic EPS (RMB / share)	0.243	0.366	0.452	0.584	0.769

Cash Flow Statement					
Year End 31 Dec (RMB m)	2020A	2021A	2022F	2023F	2024F
Operating activities					
Profit before income tax	598	891	1,155	1,457	1,919
Finance costs - net	(26)	(38)	(71)	(77)	(90)
D&A	67	73	54	75	99
Others	107	21	44	43	58
Changes in working capital:	84	100	(24)	26	(32)
Net cash from operations	830	1,047	1,159	1,523	1,953
Taxes paid	(121)	(210)	(159)	(216)	(278)
Cash from operating activities	709	837	1,000	1,308	1,675
Investing activities					
Acquisition of subsidiaries, net	(30)	(980)	(484)	(321)	(289)
Purchase of PPE	(21)	(37)	(54)	(72)	(97)
Bank interest income received	28	40	72	78	92
Other investing cash flow	11	60	(2)	(2)	(2)
Cash from investing activities	(13)	(917)	(468)	(317)	(296)
Financing activities					
Proceed from issue of shares	1,441	1,086	0	0	0
Interest expense	(1)	(1)	(1)	(2)	(2)
Payment of lease liabilities	(13)	(15)	4	6	7
Dividends paid	(102)	(173)	(185)	(237)	(307)
Others	(52)	12	3	(5)	0
Cash from financing activities	1,272	908	(179)	(238)	(302)
Net changes in cash	1,969	828	354	752	1,077
Cash at beginning of year	1,284	3,171	3,985	4,339	5,091
Exchange losses	(82)	(14)	0	0	0
Cash at end of year	3,171	3,985	4,339	5,091	6,168

Source: the Company, Guotai Junan International.

Balance Sheet					
Year End 31 Dec (RMB m)	2020A	2021A	2022F	2023F	2024F
PPE	86	112	164	222	292
Investment properties	55	59	68	78	90
Intangible assets	91	372	541	722	917
Goodwill	471	1,344	1,606	1,684	1,708
Deferred tax assets	21	38	47	63	85
Other non-current assets	12	13	0	0	0
Total non-current assets	736	1,938	2,427	2,771	3,091
Trade and bills receivables	459	788	972	1,166	1,400
Prepayments & other receivables	265	536	729	996	1,368
Restricted cash	37	19	13	15	17
Cash & cash equivalents	3,171	3,985	4,339	5,091	6,168
Total current assets	3,931	5,329	6,052	7,268	8,953
Total assets	4,667	7,266	8,479	10,038	12,045
Trade payables	363	586	762	991	1,288
Accruals and other payables	693	1,106	1,167	1,238	1,314
Contract liabilities	388	597	733	953	1,191
Lease liabilities	14	11	13	15	17
Bank loan	0	1	0	0	0
Provision for taxation	125	135	236	316	426
Total current liabilities	1,583	2,438	2,911	3,512	4,236
Borrowings	0	0	5	0	0
Lease Liabilities	16	9	12	16	20
Other long-term payables	5	21	33	53	85
Deferred tax liabilities	47	107	122	163	219
Total non-current liabilities	67	137	172	231	324
Total liabilities	1,650	2,575	3,083	3,744	4,560
Total shareholders' equity	2,893	4,444	5,050	5,835	6,876
Minority interest	124	248	346	459	609
Total equity	3,017	4,692	5,396	6,295	7,485

Financial Ratios					
	2020A	2021A	2022F	2023F	2024F
Revenue Growth (%)	66.1	50.8	43.6	33.7	34.7
Gross Profit Growth (%)	76.4	32.7	39.7	32.1	34.0
Shareholders' Net Profit Growth (%)	74.4	58.1	28.3	29.2	31.7
Gross Margin (%)	31.4	27.6	26.9	26.6	26.4
Operating Profit Margin (%)	19.2	19.0	17.1	16.1	15.8
Net Margin (%)	12.5	13.1	11.7	11.3	11.1
ROE (%)	19.3	16.8	16.7	18.8	21.2
ROA (%)	10.9	10.3	10.1	11.0	12.2
Total Liabilities/Total Assets (%)	35.3	35.4	36.4	37.3	37.9
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/E (Basic) (x)	15.8	10.2	8.9	6.9	5.2
P/B (x)	2.1	1.4	1.4	1.2	1.0
Dividend Yield (%)	1.8	2.8	3.4	4.4	5.7

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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