

Jinmao Property Services (816 HK)

Improved independence with a recovered central SOE as parentco; Upgrade to BUY

The company's earnings were inline with Bloomberg consensus, with NP +18.9% YoY in 1H24 thanks to effective cost control. We think the 2024E target NP growth of >20% is not hard given consolidation of an acquired company, continued cost control and a low base in 2H. We find that the company's independence has largely improved, and parentco's risk has largely eased. Considering its strong central SOE heritage amidst intensifying competition in third-party expansion, we upgrade rating from HOLD to BUY, and our TP is at HK\$ 4.91, representing 10x 2024E P/E. TP is lowered by 10% as we have adjusted our FX rate applied.

- 1H24 earnings inline thanks to effective cost control.** Revenue rose 10.2% YoY to RMB1.5bn, supported by a 34.6% YoY increase in Basic PM to RMB1.0bn. VAS to developers fell 20.8% YoY to RMB177mn due to business contraction, and Owner VAS declined 19.6% YoY to RMB305mn due to weak consumer sentiment. Gross profit margin (GPM) contracted 1.8ppt YoY to 24.6%, impacted by VAS to developers, while Basic PM saw a 1.3ppt GPM improvement given higher project density, and Owner VAS GPM increased 3.6ppt to 42.3%, aided by parking space sales. NP growth reached 18.9% YoY, aided by a 4.8ppt YoY reduction in the SG&A ratio to 6.9%.
- Guidance unchanged with NP growth >20%.** Despite the challenging 2H24, management maintained its 2024E guidance, aiming for NP growth of 20%. We believe such growth can be achieved, given: **1)** the acquisition of RUNWU JIAYE, expected to be consolidated in 2H, adding approximately 8mn sqm to managed-GFA, which we estimate could contribute about 27% to the full-year total; **2)** the continuation of overhead reduction efforts into 2H; and **3)** a low base in 2H, requiring only 12% NP growth in 2H24 to meet the target.
- Independence largely improved.** We find that the proportion of managed-GFA from third parties has risen from 33% at the time of listing in 2022 to 50.5% in 1H24. Third-party contribution to contracted-GFA now stands at 54%. The GP contribution from VAS to developers decreased to 15.1% in 1H24 from 36.9% in 2022. Meanwhile, asset impairment risks from the parentco, China Jinmao, have been largely addressed, with it returning to profitability in 1H24. The company anticipates the parentco to deliver c.6mn sqm of managed-GFA for the full year.
- Upgrade to BUY.** Jinmao Property Services was valued lower due to concerns over its weaker organic growth capabilities. Given the aforementioned factors, we now believe the company's independence has largely improved to industry average level. Amidst intensified competition in third-party expansion, its SOE parentco and related party Sinochem will provide stable support to the PM arm. We upgrade our rating to BUY with a TP cut by 10% to HK\$ 4.91 (due to FX rate change), representing a 10x 2024E PE. **Risks:** underperformance in third-party expansion; deterioration in accounts receivable quality.

BUY (Up)

Target Price **HK\$4.91**
 (Previous TP) **HK\$5.48)**
Up/Downside **91.1%**
Current Price **HK\$2.57**

China Property

Miao ZHANG
 (852) 3761 8910
 zhangmiao@cmbi.com.hk

Bella LI
 (852) 3757 6202
 bellali@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	2,323.8
Avg 3 mths t/o (HK\$ mn)	0.7
52w High/Low (HK\$)	3.07/1.44
Total Issued Shares (mn)	904.2

Source: FactSet

Shareholding Structure

China Jinmao Hldg. Group	67.3%
Sinochem HK Group	7.5%

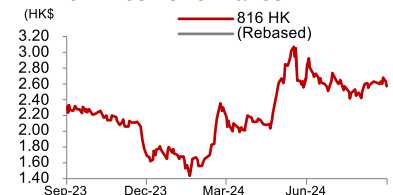
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.2%	NM
3-mth	-4.1%	NM
6-mth	11.7%	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,436	2,704	3,095	3,640	4,008
YoY growth (%)	60.7	11.0	14.4	17.6	10.1
Net profit (RMB mn)	336.0	337.3	399.6	440.0	471.8
YoY growth (%)	88.8	0.4	18.5	10.1	7.2
EPS (Reported) (RMB)	0.38	0.37	0.44	0.49	0.52
YoY growth (%)	70.7	(1.8)	18.5	10.1	7.2
Consensus EPS (RMB)	na	na	0.43	0.48	0.54
P/E (x)	6.2	6.3	5.3	4.8	4.5
P/B (x)	1.6	1.4	1.2	1.0	0.8
Yield (%)	6.5	6.6	7.5	8.3	8.9
ROE (%)	43.7	23.4	23.2	21.1	19.2

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Results summary

RMB mn	1H23	2H24	1H24	YoY	HoH
Revenue	1,353	1,351	1,491	10.2%	10.4%
Property management services	750	825	1,009	34.6%	22.3%
VAS to non-property owners	224	281	177	-20.8%	-37.0%
Community VAS	380	245	305	-19.6%	24.7%
Gross profit	357	389	366	2.5%	-5.8%
SG&A	(159)	(151)	(103)	-35.0%	-31.4%
Net profit	146	191	173	18.9%	-9.4%
EPS (RMB)	0.16	0.21	0.19	18.9%	-9.4%
DPS (RMB)	-	-	0.08		n.a.
Dividend payout ratio	0%	0%	40%		n.a.
GP margin	26.4%	28.8%	24.6%	-1.8 ppt	-4.2 ppt
Property management services	16.7%	15.0%	18.0%	1.3 ppt	3.0 ppt
VAS to non-property owners	38.0%	49.8%	31.3%	-6.7 ppt	-18.4 ppt
Community VAS	38.8%	51.3%	42.3%	3.6 ppt	-9.0 ppt
SG&A ratio	-11.7%	-11.1%	-6.9%	4.8 ppt	4.2 ppt
Net margin	10.8%	14.2%	11.6%	0.9 ppt	-2.5 ppt
Managed GFA (mn sq m)	71.0	84.2	98.1	38.2%	16%
Contracted GFA (mn sq m)	94.5	106.4	117.4	24.3%	10%

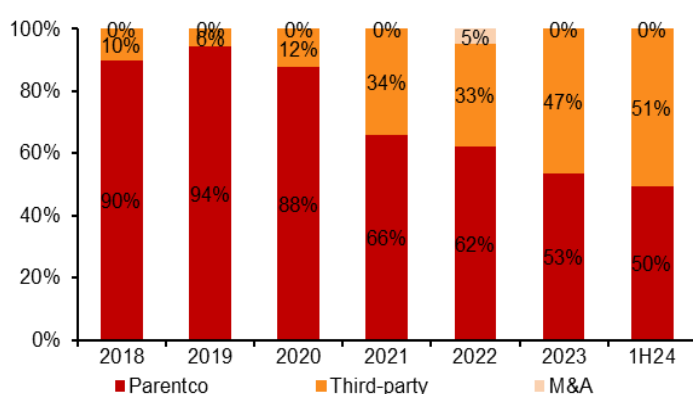
Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,095	3,640	4,008	7,138	n.a.	n.a.	-57%	n.a.	n.a.
Gross profit	762	845	901	1,990	n.a.	n.a.	-62%	n.a.	n.a.
Operating profit	540	595	637	1,309	n.a.	n.a.	-59%	n.a.	n.a.
Net profit	400	440	472	933	n.a.	n.a.	-57%	n.a.	n.a.
EPS (RMB)	0.44	0.49	0.52	1.17	n.a.	n.a.	-62%	n.a.	n.a.
Gross margin	24.6%	23.2%	22.5%	27.9%	n.a.	n.a.	-3.2 ppt	n.a.	n.a.
Operating margin	17.5%	16.3%	15.9%	18.3%	n.a.	n.a.	-0.9 ppt	n.a.	n.a.
Net margin	12.9%	12.1%	11.8%	13.1%	n.a.	n.a.	-0.2 ppt	n.a.	n.a.

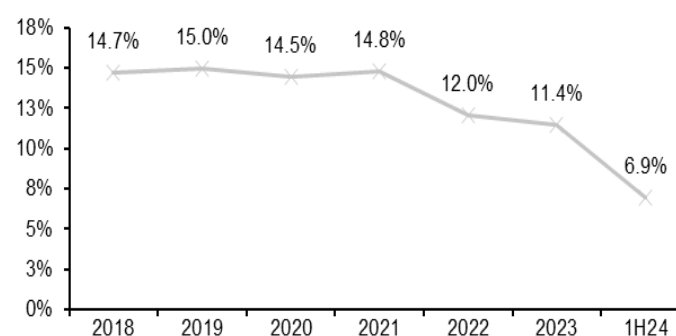
Source: Company data, CMBIGM estimates

Figure 3: Managed-GFA by source



Source: Company data, CMBIGM

Figure 4: SG&A ratio



Source: Company data, CMBIGM

Figure 5: Valuation comps

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)		24E	25E	26E	24E	25E	26E		23A	24E
CR MixC	1209.HK	23.90	6,997	13.9 x	11.8 x	10.0 x	22.2	18.3	17.0	99%	5.9%	4.8%
Onewo	2602.HK	17.48	2,627	9.8 x	8.6 x	7.6 x	(2.0)	13.9	13.3	66%	6.9%	7.7%
Country Garden Services	6098.HK	4.37	1,874	7.8 x	6.2 x	5.8 x	NA	24.9	6.7	337%	7.4%	7.2%
Poly Services	6049.HK	25.70	1,824	8.5 x	7.7 x	7.1 x	10.7	10.5	8.4	40%	4.2%	4.7%
COPH	2669.HK	4.86	2,047	9.2 x	7.9 x	6.9 x	18.3	16.2	14.6	31%	2.9%	3.4%
China Merchant PO	001914.SZ	8.60	1,282	10.8 x	9.5 x	8.3 x	14.2	14.6	14.4	24%	2.0%	2.4%
Greentown Services	2869.HK	3.58	1,453	14.4 x	12.1 x	10.3 x	19.7	19.7	17.4	70%	4.1%	4.8%
Greentown Management	9979.HK	3.24	835	5.8 x	5.3 x	4.9 x	3.0	8.8	8.1	80%	16.8%	13.8%
Sunac Services	1516.HK	1.63	639	18.8 x	6.4 x	5.5 x	NA	194.0	15.4	NA	24.0%	9.4%
Binjiang Services	3316.HK	16.82	596	7.4 x	6.3 x	5.4 x	16.2	17.9	15.5	70%	8.2%	9.5%
Yuxiu Services	6626.HK	3.01	586	7.3 x	6.3 x	5.4 x	16.7	17.1	15.7	50%	5.8%	6.7%
Jinke Services	9666.HK	8.48	672	11.8 x	10.2 x	8.6 x	NA	16.0	18.5	NA	0.0%	4.5%
C&D PM	2156.HK	2.34	423	5.7 x	4.6 x	3.9 x	13.5	22.1	19.2	67%	11.1%	NA
Ever Sunshine	1995.HK	1.81	401	5.9 x	5.4 x	0.0 x	10.7	10.2	NA	50%	7.5%	11.5%
S-Enjoy	1755.HK	3.07	343	4.9 x	4.5 x	4.2 x	12.8	8.2	7.4	39%	7.3%	NA
Jinmao Services	0816.HK	2.57	302	5.3 x	4.8 x	4.5 x	18.5	10.1	7.2	40%	6.6%	7.5%
Central China New Life	9983.HK	1.34	224	3.7 x	3.4 x	3.1 x	NA	10.4	10.3	NA	24.5%	13.3%
Powerlong Commercial	9909.HK	2.51	207	3.7 x	3.6 x	0.0 x	(12.6)	4.0	NA	19%	6.0%	7.9%
Excellence CM	6989.HK	1.27	199	4.4 x	3.9 x	3.6 x	7.0	11.7	9.1	69%	15.0%	NA
New Hope Services	3658.HK	1.74	182	5.5 x	5.1 x	4.9 x	9.1	7.5	5.0	59%	10.0%	NA
E-star CM	6668.HK	1.14	148	6.2 x	5.7 x	5.1 x	(0.4)	8.6	10.7	70%	11.4%	11.5%
Average				10.6 x	8.8 x	7.6 x	12.4	21.0	13.5	85%	6.6%	5.7%

Source: Company data, Wind, CMBIGM estimates

Note: updated to 3 Sep 2024

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,516	2,436	2,704	3,095	3,640	4,008
Cost of goods sold	(1,045)	(1,702)	(1,958)	(2,333)	(2,795)	(3,107)
Operating expenses	470	734	747	762	845	901
Selling expense	(15)	(54)	(56)	(43)	(51)	(56)
Admin expense	(209)	(240)	(253)	(170)	(200)	(220)
Others	36	8	14	(8)	1	13
Operating profit	282	448	451	540	595	637
Net Interest income/(expense)	(34)	(2)	(5)	(5)	(5)	(5)
Pre-tax profit	248	446	447	535	589	632
Income tax	(69)	(105)	(104)	(123)	(136)	(145)
After tax profit	179	341	343	412	454	487
Minority interest	1	5	6	13	14	15
Net profit	178	336	337	400	440	472
Gross dividends	0	134	140	160	176	189

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	1,249	2,442	2,998	3,532	4,144	4,691
Cash & equivalents	554	1,019	1,252	1,655	2,084	2,509
Restricted cash	1	2	2	2	2	2
Account receivables	414	779	900	1,030	1,212	1,334
Inventories	5	4	4	5	6	7
Prepayment	267	611	817	817	817	817
Other current assets	8	27	23	23	23	23
Non-current assets	110	561	616	634	650	662
PP&E	55	91	96	105	112	117
Right-of-use assets	32	28	28	28	27	27
Intangibles	6	92	102	112	120	128
Goodwill	3	249	249	249	249	249
Other non-current assets	14	102	141	141	141	141
Total assets	1,359	3,004	3,614	4,166	4,793	5,353
Current liabilities	1,128	1,533	1,909	2,095	2,335	2,497
Account payables	171	456	603	718	861	957
Tax payable	4	26	40	40	40	40
Lease liabilities	9	16	22	22	22	22
Contract liabilities	314	370	487	557	655	722
Accrued expenses	630	664	756	756	756	756
Non-current liabilities	27	111	137	137	137	137
Obligations under finance leases	25	85	113	113	113	113
Other non-current liabilities	2	26	24	24	24	24
Total liabilities	1,155	1,643	2,046	2,232	2,472	2,634
Share capital	67	840	840	840	840	840
Other reserves	128	504	702	1,056	1,429	1,812
Total shareholders equity	195	1,343	1,542	1,896	2,269	2,652
Minority interest	9	17	26	39	53	67
Total equity and liabilities	1,359	3,004	3,614	4,166	4,793	5,353

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	248	446	447	535	589	632
Depreciation & amortization	22	40	45	47	50	53
Tax paid	(94)	(100)	(76)	(110)	(122)	(132)
Change in working capital	163	(212)	33	169	172	153
Others	8	(21)	3	(11)	(16)	(25)
Net cash from operations	347	154	451	630	673	680
Investing						
Capital expenditure	(35)	(60)	(32)	(32)	(32)	(32)
Acquisition of subsidiaries/ investments	0	(289)	0	0	0	0
Net proceeds from disposal of short-term investments	1,081	0	0	0	0	0
Others	30	(11)	(23)	(24)	(24)	(24)
Net cash from investing	1,076	(360)	(55)	(56)	(56)	(56)
Financing						
Dividend paid	(5)	(100)	(159)	(160)	(176)	(189)
Net borrowings	(1,089)	(9)	(10)	(10)	(10)	(10)
Proceeds from share issues	0	773	0	0	0	0
Others	(47)	1	6	(1)	(1)	(1)
Net cash from financing	(1,141)	665	(163)	(171)	(187)	(200)
Net change in cash						
Cash at the beginning of the year	271	554	1,019	1,252	1,655	2,084
Exchange difference	0	6	0	0	0	0
Cash at the end of the year	554	1,019	1,252	1,655	2,084	2,509
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	na	60.7%	11.0%	14.4%	17.6%	10.1%
Operating profit	na	58.9%	0.8%	19.7%	10.0%	7.2%
Net profit	na	88.8%	0.4%	18.5%	10.1%	7.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Operating margin	18.6%	18.4%	16.7%	17.5%	16.3%	15.9%
Return on equity (ROE)	na	43.7%	23.4%	23.2%	21.1%	19.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	1.1	1.6	1.6	1.7	1.8	1.9
Receivable turnover days	99.8	116.7	121.5	121.5	121.5	121.5
Inventory turnover days	1.6	0.9	0.8	0.8	0.8	0.8
Payable turnover days	59.7	97.8	112.4	112.4	112.4	112.4
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	10.5	6.2	6.3	5.3	4.8	4.5
P/B	9.5	1.6	1.4	1.2	1.0	0.8
Div yield (%)	0.0	6.5	6.6	7.5	8.3	8.9
EV	1,960.5	3,627.9	4,407.5	4,742.9	5,181.0	5,479.0
EV/Sales	1.3	1.5	1.6	1.5	1.4	1.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.