

Binjiang Service (3316 HK)

Solid 1H24 with balanced sources of growth, maintain BUY

Binjiang Services reported solid 1H24 results with revenue/NP grew 39%/15% YoY. GP margin (GPM) narrowed 1.2ppts since furnishing services with lower margin accounted for higher proportion in revenue. Tax rate hiked 6ppts due to provision for withholding tax. We think the Company has balanced sources to support GFA growth which is healthier than peers amid the challenging environment. We maintain BUY with TP trimmed by 4% to HK\$32.94, representing 15x 2024E P/E.

Solid results in 1H24. Revenue grew 39% YoY to RMB1.65bn buoyed by 1) reliable performance of basic PM that grew 26% YoY, 2) strong output in Owner VAS segment that rose 159% YoY given that furnishing services sustained high growth momentum. VAS to developers contracted 10% YoY given less property development business from parentco. GPM narrowed by 1.2ppts to 25.6% since furnishing services with lower margin took a larger proportion in revenue. Tax rate hiked 6ppts to 30.5% due to the provision of withholding tax, which led to a 3.3ppt contraction in NP margin, representing a 15% YoY increase in NP. The Company highlighted that the sustainability of the growth of furnishing services is secured by RMB 1.27bn of contract liabilities. We think this will bring continued pressure on margins.

■ **Balanced sources foster healthy GFA growth.** Managed-GFA expanded 30% YoY in 1H24. Of the net increase, 35% came from parentco. and 65% from third parties. The net increase of GFA from parentco. grew 13% YoY, while that from third parties grew 29% YoY, collectively driving a 23% YoY rise in total net increase of managed GFA. The Company sustained stable growth from both sources, avoiding over-reliance amid challenging environment (reduction of development scale and intensifying completion of third party projects), which we view as a healthy expansion strategy. The Company expects to deliver 20-30% growth in managed-GFA in 2024E.

■ **Growth of receivables in normal range.** Total receivables increased 44% YoY, slightly outpacing revenue growth of 38%. Given the seasonal nature of PM fee collections, the rate is considered normal.

■ **Valuation.** We lowered our forecasts on NP by 7-13% in 2024-25E to reflect challenging environment and intensifying competition in third party expansion. Combined with adjustment of FX rate applied, our TP was lowered by 4% to HK\$32.94, representing 15x 2024E P/E. We maintain BUY rating given the Company's balanced sources of growth. Risks: AR impairment, and slower-than-expected GFA expansion.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	1,983	2,809	3,485	4,140	4,916
YoY growth (%)	41.7	41.7	24.1	18.8	18.7
Net profit (RMB mn)	412.0	492.5	558.4	654.5	763.4
EPS (Reported) (RMB)	1.49	1.78	2.02	2.37	2.76
YoY growth (%)	28.0	19.6	13.4	17.2	16.6
Consensus EPS (RMB)	N/A	N/A	2.05	2.38	2.75
P/E (x)	10.4	8.7	7.7	6.6	5.6
P/B (x)	3.4	2.9	2.6	2.4	2.1
Yield (%)	5.8	8.0	7.7	9.1	10.6
ROE (%)	37.7	36.0	35.7	37.9	39.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$32.94**
 (Previous TP) HK\$34.33
Up/Downside **93.7%**
Current Price **HK\$17.00**

China Property Management

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

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

Stock Data

Mkt Cap (HK\$ mn) 4,698.9
 Avg 3 mths t/o (HK\$ mn) 1.8
 52w High/Low (HK\$) 20.95/14.36
 Total Issued Shares (mn) 276.4
 Source: FactSet

Shareholding Structure

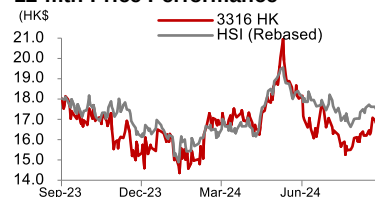
GREAT DRAGON VENTURES LTD 45.9%
 LTD
 HAOUYU VENTURES LTD 12.9%
 Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	5.7%	5.1%
3-mth	-5.7%	0.8%
6-mth	1.4%	-3.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Results summary

RMB mn	1H23	2H23	1H24	YoY	HoH
Revenue	1,190	1,619	1,650	38.7%	1.9%
- Property management services	719	831	905	25.9%	9.0%
- VAS to non-owners	279	301	251	-10.3%	-16.8%
- 5S VAS	191	487	494	158.5%	1.5%
Gross profit	318	378	422	32.6%	N/A
Net profit	231	262	265	14.9%	1.4%
EPS (RMB)	0.84	0.95	0.96	14.9%	1.4%
DPS (RMB)	-	-	0.58		
Dividend payout ratio	-	-	60%		
GP Margin	26.7%	23.3%	25.6%	-1.2 ppt	2.2 ppt
- Property management services	19.2%	17.6%	19.7%	0.5 ppt	2.1 ppt
- VAS to non-owners	40.5%	26.3%	43.0%	2.5 ppt	16.7 ppt
- 5S VAS	34.8%	31.3%	27.4%	-7.4 ppt	-3.9 ppt
Effective tax rate	-24.5%	-21.4%	-30.5%	-6.0 ppt	-9.0 ppt
Net Margin	19.4%	16.2%	16.1%	-3.3 ppt	-0.1 ppt
	1H23	FY23	1H24		
Contracted GFA (mn sq m)	74.2	82.2	90.0	21%	9%
Managed GFA (mn sq m)	48.7	54.8	63.1	30%	15%
from Binjiang group	21.4	23.9	26.7	25%	12%
from Third parties	27.3	31.0	36.4	33%	17%
By property type					
Residential PM	39	45	52	32%	15%
Non-residential PM	10	10	12	21%	18%
Account receivables & contract assets	545	568	784	44%	38%
Cash & Time deposits	3,098	3,145	2,915	-6%	-7%

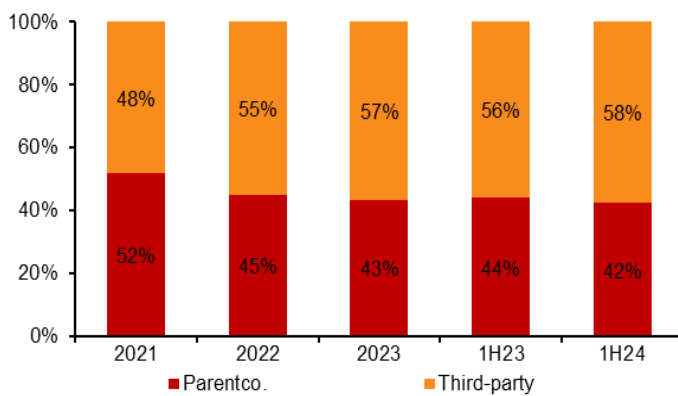
Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,485	4,140	4,916	3,621	3,690	N/A	-4%	12%	N/A
Gross profit	819	907	1,058	958	1,042	N/A	-15%	-13%	N/A
Operating profit	677	795	930	823	907	N/A	-18%	-12%	N/A
Net profit	558	655	763	642	702	N/A	-13%	-7%	N/A
EPS (RMB)	2.02	2.37	2.76	2.32	2.54	N/A	-13%	-7%	N/A
Gross margin	23.5%	21.9%	21.5%	26.5%	28.2%	N/A	-3ppts	-6.3ppts	N/A
Operating margin	19.4%	19.2%	18.9%	22.7%	24.6%	N/A	-3.3ppts	-5.4ppts	N/A
Net margin	16.0%	15.8%	15.5%	17.7%	19.0%	N/A	-1.7ppts	-3.2ppts	N/A

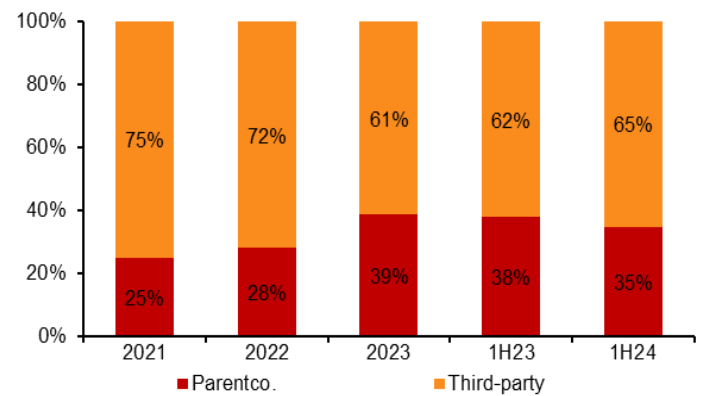
Source: Company data, CMBIGM estimates

Figure 3: Managed-GFA breakdown



Source: Company data, CMBIGM

Figure 4: New increase of managed-GFA breakdown



Source: Company data, CMBIGM

Figure 5: Valuation comps

Com pany	T icker	Last Price	Mkt Cap (USD mn)	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)		24E	25E	26E	24E	25E	26E		23A	24E
CR Mix C	1209.HK	24.05	7,041	13.9 x	11.8 x	10.1 x	22.5	18.0	16.7	99%	5.8%	4.6%
Onew o	2602.HK	18.24	2,741	10.2 x	8.9 x	7.9 x	(2.0)	13.9	13.3	66%	6.6%	7.4%
COPH	2669.HK	4.84	2,039	9.1 x	7.9 x	6.8 x	18.1	16.2	14.6	31%	2.9%	3.4%
Country Garden Services	6098.HK	4.30	1,844	7.6 x	6.1 x	5.7 x	NA	24.9	6.7	NA	7.5%	7.3%
Poly Services	6049.HK	25.35	1,799	8.4 x	7.6 x	7.0 x	10.7	10.5	8.4	40%	4.3%	4.7%
Greentow n Services	2869.HK	3.52	1,428	14.2 x	11.9 x	10.1 x	19.7	19.7	17.4	70%	4.2%	4.9%
China Merchant PO	001914.SZ	8.48	1,267	10.8 x	9.4 x	8.2 x	13.7	14.3	14.2	24%	2.0%	2.5%
Greentow n Management	9979.HK	3.16	815	5.6 x	5.2 x	4.8 x	3.0	8.8	8.1	80%	17.2%	14.1%
Jinke Services	9666.HK	9.00	713	12.5 x	10.8 x	9.1 x	n.a.	16.0	18.5	NA	0.0%	4.3%
Binjiang Services	3316.HK	17.00	603	7.7 x	6.6 x	5.6 x	13.4	17.2	16.6	60%	8.0%	7.7%
Yuexiu Services	6626.HK	3.07	598	7.5 x	6.4 x	5.5 x	16.7	17.1	15.7	50%	5.7%	6.6%
C&D PM	2156.HK	2.42	437	5.9 x	4.8 x	4.0 x	13.5	22.1	19.2	67%	10.7%	NA
Ever Sunshine	1995.HK	1.77	392	5.8 x	5.3 x	0.0 x	10.7	10.2	NA	50%	7.7%	11.8%
S-Enjoy	1755.HK	3.00	335	4.7 x	4.4 x	4.1 x	12.8	8.2	7.4	39%	7.5%	NA
Jinmao Services	0816.HK	2.40	278	4.9 x	4.5 x	4.2 x	18.5	10.1	7.2	40%	7.0%	8.0%
Pow erlong Commercial	9909.HK	2.57	212	3.8 x	3.7 x	0.0 x	(12.6)	4.0	NA	19%	5.8%	7.7%
Central China New Life	9983.HK	1.18	197	3.3 x	3.0 x	2.7 x	NA	10.4	10.3	NA	27.8%	15.2%
Excellence CM	6989.HK	1.21	189	4.1 x	3.7 x	3.4 x	7.0	11.7	9.1	69%	15.7%	NA
New Hope Services	3658.HK	1.67	174	5.3 x	4.7 x	4.2 x	9.4	11.9	11.7	60%	10.4%	11.3%
E-star CM	6668.HK	1.12	146	6.1 x	5.6 x	5.1 x	(0.4)	8.6	10.7	70%	11.6%	11.8%
Average				10.6 x	8.8 x	7.6 x	8.4	20.6	13.5	58%	6.6%	5.7%

Source: Company data, Wind, CMBIGM estimates

Note: Data as of 9 Sep

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,399	1,983	2,809	3,485	4,140	4,916
Cost of goods sold	(949)	(1,390)	(2,113)	(2,667)	(3,234)	(3,858)
Others	0	0	0	0	0	0
Gross profit	450	592	696	819	907	1,058
Operating expenses	(60)	(76)	(119)	(141)	(111)	(129)
Selling expense	(4)	(8)	(18)	(23)	25	29
Admin expense	(54)	(62)	(76)	(101)	(116)	(133)
Operating profit	390	516	577	677	795	930
Other income	10	15	11	4	4	4
Other expense	(12)	(21)	(35)	(22)	(24)	(29)
Net interest income/(expense)	32	42	67	81	94	108
Other income/expense	1	3	8	1	1	1
Pre-tax profit	423	561	653	760	890	1,039
Income tax	(98)	(142)	(150)	(190)	(223)	(260)
After tax profit	325	419	503	570	668	779
Minority interest	3	7	10	11	13	16
Net profit	322	412	493	558	655	763
Net dividends	106	247	345	391	458	534

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	1,482	2,640	2,605	3,324	4,063	4,922
Cash & equivalents	906	1,950	1,455	1,974	2,515	3,144
Restricted cash	57	58	58	58	58	58
Account receivables	173	343	545	677	804	954
Inventories	79	147	245	309	375	447
ST bank deposits	243	132	279	279	279	279
Financial assets at FVTPL	24	0	0	0	0	0
Contract assets	0	9	22	28	33	39
Non-current assets	202	354	1,446	1,466	1,481	1,493
PP&E	20	27	43	63	78	90
Deferred income tax	19	26	34	34	34	34
Investment in JVs & assos	6	9	14	14	14	14
Other non-current assets	157	292	1,354	1,354	1,354	1,354
Total assets	1,685	2,994	4,051	4,790	5,544	6,414
Current liabilities	711	1,681	2,492	3,088	3,678	4,358
Short-term borrowings	0	0	0	0	0	0
Account payables	496	672	847	1,069	1,296	1,547
Other current liabilities	70	101	86	86	86	86
Lease liabilities	2	0	2	2	2	2
Contract liabilities	144	907	1,556	1,930	2,293	2,723
Non-current liabilities	0	27	22	22	22	22
Deferred income	0	27	20	20	20	20
Other non-current liabilities	0	0	2	2	2	2
Total liabilities	711	1,708	2,513	3,109	3,700	4,380
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0
Other reserves	941	1,246	1,488	1,638	1,816	2,022
Total shareholders equity	942	1,246	1,488	1,639	1,816	2,022
Minority interest	32	40	53	42	28	13
Total equity and liabilities	1,685	2,994	4,055	4,790	5,544	6,414

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	423	561	653	760	890	1,039
Depreciation & amortization	6	8	14	20	25	28
Tax paid	(96)	(91)	(179)	(190)	(223)	(260)
Change in working capital	(69)	670	484	401	397	457
Others	(22)	(25)	(43)	(61)	(71)	(80)
Net cash from operations	242	1,123	928	930	1,019	1,184
Investing						
Capital expenditure	(13)	(22)	(25)	(20)	(20)	(20)
Acquisition of subsidiaries/ investments	(0)	(1)	(0)	0	0	0
Net proceeds from disposal of short-term investments	432	372	130	0	0	0
Others	(354)	(318)	(1,277)	0	0	0
Net cash from investing	66	32	(1,173)	(20)	(20)	(20)
Financing						
Dividend paid	(219)	(111)	(259)	(391)	(458)	(534)
Proceeds from share issues	13	2	7	0	0	0
Others	(2)	(2)	(3)	0	0	0
Net cash from financing	(208)	(111)	(256)	(391)	(458)	(534)
Net change in cash						
Cash at the beginning of the year	805	906	1,950	1,455	1,974	2,515
Exchange difference	1	1	1	0	0	0
Cash at the end of the year	906	1,950	1,450	1,974	2,515	3,144
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	45.7%	41.7%	41.7%	24.1%	18.8%	18.7%
Gross profit	51.2%	31.7%	17.5%	17.6%	10.7%	16.7%
Operating profit	54.1%	32.3%	11.9%	17.3%	17.4%	16.9%
Net profit	46.6%	28.0%	19.6%	13.4%	17.2%	16.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	32.1%	29.9%	24.8%	23.5%	21.9%	21.5%
Operating margin	27.9%	26.0%	20.6%	19.4%	19.2%	18.9%
Return on equity (ROE)	36.1%	37.7%	36.0%	35.7%	37.9%	39.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.1	1.6	1.0	1.1	1.1	1.1
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	13.3	10.4	8.7	7.7	6.6	5.6
P/B	4.6	3.4	2.9	2.6	2.4	2.1
Div yield (%)	4.5	5.8	8.0	7.7	9.1	10.6

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.