

Binjiang Service (3316 HK)

Expansion outside Zhejiang to support GFA growth; Maintain BUY

The company's FY24 revenue grew 28% YoY to RMB 3.6bn, 3% above CMBI estimate, driven by managed GFA expansion and strong renovation business. Net profit rose 11% YoY to RMB 550mn, 2% below CMBI expectation, due to: 1) gross margin decline; 2) an extra RMB 50.5mn withholding tax from fund transfer, excluding which core net profit grew 21% YoY to RMB 600mn, 7% above CMBI estimate. GFA from third parties expanded 21% YoY, far exceeding peers. With 91%/62% of third-party GFA in Zhejiang/Hangzhou, the company plans to focus on expansion in other high-tier cities outside Zhejiang in the future. It raised basic payout ratio by 10ppt to 70%, reflecting a dividend yield of 5.9%/7.0% in FY24/FY25E. We like the company for its 1) robust third-party scale expansion supported by high-end services (avg. PM fee at RMB 4.1/sqm vs. industry's RMB 2.72/sqm according to the company), 2) stable GFA deliveries from parentco, and 3) attractive shareholder returns. Maintain BUY with TP of HK\$32.86, based on 13x 2025E P/E, a minor discount from industry avg. of 14x, given the company is heavily affected by regional concentration. Risks: slower-than-expected third-party expansion, receivables impairment.

■ **FY24 earnings dragged by withholding tax.** Revenue grew 28% YoY to RMB 3.6bn, driven by 24% managed GFA expansion leading to 25% YoY basic PM revenue growth and 62% YoY growth in community VAS given strong growth in renovation biz. Non-owner VAS revenue declined 3% YoY on weaker developer demand. Net profit rose 11% YoY to RMB 550mn, 2% below our forecast, as: 1) gross margin fell 1.5ppt on higher rev. contribution from low-margin biz like renovation business; 2) income tax surged 23% YoY, raising effective tax rate by 7ppt due to RMB 1.3bn fund transfer to HK for dividends and higher interest income, incurring RMB 50.5mn more withholding tax vs that in FY23. Excluding this, core net profit grew 21% YoY to RMB 600mn, 7% above CMBI estimate.

■ **Strong growth in third-party managed GFA; to shift expansion focus to high-tier cities outside Zhejiang.** Managed GFA from third parties grew 21% to 37.4mn sqm, far exceeding the industry's 8% according to CRIC, driven by its diversified methods (direct bidding 77.5%, equity cooperation 22.5%). With 91%/62% of third-party GFA in Zhejiang/Hangzhou, the company expressed an intention to shift future expansion focus to other high-tier cities outside Zhejiang, to avoid lower margins and low collection rates in lower-tier cities in Zhejiang given the economic conditions and intense competition.

■ **Generous shareholder returns.** FY24 dividend payout ratio was at 70% (same as FY23), but the basic payout ratio rose by 10 ppt to 70% in FY24 as FY23 had a 10% special dividend, and we expect 70% to be sustained. Based on the last price, the dividend yield was 5.9%/7.0% in FY24/FY25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	2,809	3,595	4,145	4,749	5,459
YoY growth (%)	41.7	28.0	15.3	14.6	15.0
Net profit (RMB mn)	492.5	546.5	642.8	730.6	832.3
EPS (Reported) (RMB)	1.78	1.98	2.33	2.64	3.01
YoY growth (%)	19.6	11.0	17.6	13.7	13.9
Consensus EPS (RMB)	na	na	2.32	2.65	2.92
P/E (x)	13.3	12.0	10.2	8.9	7.9
P/B (x)	4.4	4.3	3.9	3.6	3.3
Yield (%)	5.3	5.9	6.9	7.8	8.9
ROE (%)	36.0	36.2	40.4	42.4	44.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$32.86**
 (Previous TP) HK\$32.94
Up/Downside **29.9%**
Current Price **HK\$25.30**

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Stock Data

Mkt Cap (HK\$ mn) 6,993.1
 Avg 3 mths t/o (HK\$ mn) 5.2
 52w High/Low (HK\$) 26.45/15.26
 Total Issued Shares (mn) 276.4

Source: FactSet

Shareholding Structure

GREAT DRAGON VENTURES 45.9%
 LTD
 HAOUYU VENTURES LTD 12.9%

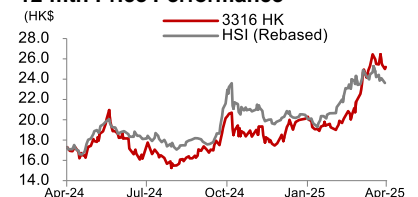
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	16.3%	15.0%
3-mth	24.6%	5.4%
6-mth	24.3%	20.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Results summary

RMB mn	2023A	2024	YoY	2024E	vs.est.	1H24	2H24	1H YoY	2H YoY	HoH
Revenue	2,809	3,595	28.0%	3,485	3%	1,650	1,944	38.7%	20.1%	17.8%
- Property management services	1,550	1,932	24.7%	1,964	-2%	905	1,027	25.9%	23.6%	13.4%
- VAS to non owners	581	565	-2.7%	490	15%	251	315	-10.3%	4.4%	25.5%
- 5S VAS	678	1,097	61.7%	1,031	6%	494	603	158.5%	23.7%	21.9%
Gross profit	696	835	20.0%	819	2%	422	414	32.6%	9.5%	n.a.
Income tax	(150)	(233)	55.8%	(190)	23%	(119)	(114)	54.9%	56.6%	-4.8%
Net profit	493	547	11.0%	558	-2%	265	281	14.9%	7.5%	6.0%
Core net profit (excl.one off tax impact)	493	597	21.2%	558	7%					
EPS (RMB)	1.78	1.98	11%	2.02	-2%	0.96	1.02	14.9%	7.8%	6.3%
DPS (RMB)	1.25	1.38	11%	1.21	14%	0.58	0.81			
Dividend payout ratio	70%	70%	n.a.	60%	10 ppt	60%	79%			
GP Margin	24.8%	23.2%	-1.5 ppt	23.5%	-0.3 ppt	25.6%	21.3%	-1.2 ppt	-2.1 ppt	-4.3 ppt
- Property management services	18%	18%	0.0 ppt	19%	-0.4 ppt	20%	17.2%	0.5 ppt	-0.4 ppt	-2.5 ppt
- VAS to non owners	33%	39%	5.4 ppt	37%	1.6 ppt	43%	35.1%	2.5 ppt	8.8 ppt	-7.9 ppt
- 5S VAS	32%	24%	-8.4 ppt	26%	-2.1 ppt	27%	21.0%	-7.4 ppt	-10.3 ppt	-6.4 ppt
Effective tax rate	-23%	-30%	-6.7 ppt	-25%	-5 ppt	-30%	-28.8%	-6.0 ppt	-7.3 ppt	1.7 ppt
Net Margin	17.5%	15.2%	-2.3 ppt	16.0%	-0.8 ppt	16.1%	14.5%	-3.3 ppt	-1.7 ppt	-1.6 ppt
Contracted GFA (mn sq m)	82.2	92.9	13%	98.2	-5%	90.0	92.9	21%	13%	
Managed GFA (mn sq m)	54.8	67.9	24%	70.2	-3%	63.1	67.9	30%	24%	

Source: Company data, CMBIGM

Figure 2: Earnings revision

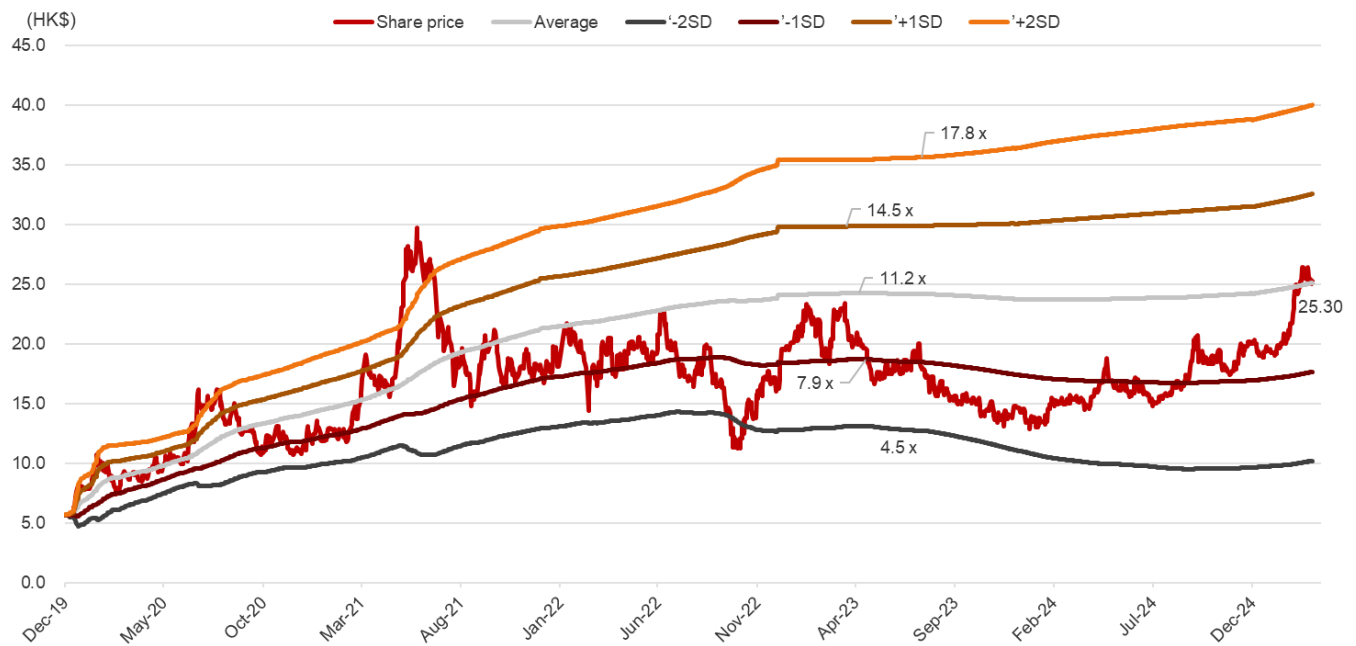
RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,145	4,749	5,459	4,140	4,916	n.a.	0.1%	-3.4%	n.a.
Gross profit	896	1,018	1,166	907	1,058	n.a.	-1.2%	-3.8%	n.a.
Operating profit	746	845	967	795	930	n.a.	-6.2%	-9.1%	n.a.
Net profit	643	731	832	655	763	n.a.	-1.9%	-4.2%	n.a.
Gross margin	21.6%	21.4%	21.4%	21.9%	21.5%	n.a.	-0.3ppt	-0.1ppt	n.a.
EBIT margin	18.0%	17.8%	17.7%	19.2%	18.9%	n.a.	-1.2ppt	-1.1ppt	n.a.
Net margin	15.5%	15.4%	15.2%	15.8%	15.5%	n.a.	-0.3ppt	-0.1ppt	n.a.

Source: Company data, CMBIGM estimates

Figure 3: CMBI estimates vs. Consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,145	4,749	5,459	4,152	4,776	5,322	-0.2%	-0.6%	2.6%
Gross profit	896	1,018	1,166	938	1,060	1,173	-4.5%	-4.0%	-0.6%
Operating profit	746	845	967	799	934	954	-6.6%	-9.5%	1.3%
Net profit	643	731	832	642	732	809	0.1%	-0.2%	2.9%
Gross margin	21.6%	21.4%	21.4%	22.6%	22.2%	22.0%	-1ppt	-0.8ppt	-0.7ppt
EBIT margin	18.0%	17.8%	17.7%	19.2%	19.5%	17.9%	-1.2ppt	-1.7ppt	-0.2ppt
Net margin	15.2%	15.3%	15.5%	15.9%	15.8%	15.8%	-0.6ppt	-0.5ppt	-0.3ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: PE band – 3316 HK

Source: Company data, CMBIGM estimates

Note: Data as of 2 Apr 2025

Figure 5: Valuation comps

Company	Ticker	Last Price (LC)	Mkt Cap (USD m n)	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
				25E	26E	27E	24A	25E	26E		24A	25E
CR MixC	1209.HK	34.95	10,252	17.0 x	14.5 x	12.5 x	23.9	19.1	16.8	97%	4.8%	3.5%
Onewo	2602.HK	22.75	3,425	15.2 x	13.0 x	12.4 x	(41.2)	41.0	16.3	196%	9.1%	5.7%
Poly Services	6049.HK	32.20	2,290	10.4 x	9.6 x	8.8 x	6.8	7.3	7.8	50%	4.5%	4.8%
COPH	2669.HK	5.37	2,266	9.7 x	8.8 x	8.0 x	12.5	11.1	10.0	36%	3.4%	3.6%
China Merchant PO	001914.SZ	12.17	1,797	13.8 x	12.3 x	11.1 x	14.2	11.5	11.8	30%	2.0%	2.3%
Greentown n Services	2869.HK	4.21	1,712	13.6 x	11.9 x	10.5 x	29.7	14.9	15.0	75%	4.8%	5.1%
Binjiang Services	3316.HK	25.30	899	10.0 x	8.9 x	7.9 x	11.0	17.5	13.7	70%	5.9%	7.0%
Yuxiu Services	6626.HK	3.03	588	7.8 x	6.8 x	5.8 x	(28.0)	51.9	14.4	74%	6.0%	6.5%
C&D PM	2156.HK	2.55	462	8.1 x	7.2 x	7.0 x	(30.8)	25.7	13.6	58%	5.9%	7.4%
Ever Sunshine	1995.HK	1.97	438	5.9 x	5.3 x	5.0 x	10.0	11.5	10.6	62%	9.4%	8.3%
Jinmao Services	0816.HK	2.90	337	6.0 x	5.6 x	5.3 x	10.4	8.8	6.3	40%	6.2%	6.7%
Excellence CM	6989.HK	1.39	218	4.6 x	4.1 x	3.8 x	3.1	9.6	10.8	50%	10.0%	11.0%
New Hope Services	3658.HK	1.99	208	6.0 x	5.4 x	4.9 x	5.5	10.4	10.5	57%	8.7%	9.6%
E-star CM	6668.HK	1.31	171	7.8 x	7.6 x	7.3 x	(9.7)	1.3	2.6	80%	10.0%	10.1%
Average				13.8 x	12.0 x	4.8 x	8.5	19.7	14.1	90%	5.3%	4.5%
BEKE-W	2423.HK	53.00	24,669	26.6 x	21.2 x	18.4 x	(26.4)	16.3	27.8	73%	1.9%	2.1%
Greentown n Management	9979.HK	2.97	767	5.7 x	5.2 x	5.5 x	(17.7)	20.1	11.1	59%	8.8%	15.3%
Average				26.0 x	20.8 x	18.0 x	(26.1)	16.4	27.3	72%	2.1%	2.5%

Source: Company data, Wind, CMBIGM

Note: Data as of 2 Apr 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	1,983	2,809	3,595	4,145	4,749	5,459
Cost of goods sold	(1,390)	(2,113)	(2,759)	(3,249)	(3,731)	(4,293)
Others	0	0	0	0	0	0
Gross profit	592	696	835	896	1,018	1,166
Operating expenses	(76)	(119)	(130)	(150)	(173)	(199)
Selling expense	(8)	(18)	(24)	(28)	(32)	(36)
Admin expense	(62)	(76)	(101)	(116)	(133)	(153)
Operating profit	516	577	705	746	845	967
Other income	15	11	6	6	6	6
Other expense	(21)	(35)	(12)	(12)	(14)	(16)
Net Interest income/(expense)	42	67	80	97	114	126
Other income/expense	3	8	1	1	1	1
Pre-tax profit	561	653	786	845	960	1,093
Income tax	(142)	(150)	(233)	(194)	(220)	(251)
After tax profit	419	503	554	651	740	843
Minority interest	7	10	7	8	9	11
Net profit	412	493	547	643	731	832
Net dividends	247	345	383	450	512	583
BALANCE SHEET						
	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	2,640	2,605	3,082	3,604	4,161	4,818
Cash & equivalents	1,950	1,455	891	1,271	1,678	2,159
Restricted cash	58	58	68	68	68	68
Account receivables	343	545	590	681	780	896
Inventories	147	245	290	342	392	451
ST bank deposits	132	279	941	941	941	941
Financial assets at FVTPL	0	0	302	302	302	302
Contract assets	9	22	0	0	0	0
Non-current assets	354	1,450	1,177	1,190	1,198	1,204
PP&E	27	43	43	57	65	71
Deferred income tax	26	34	36	36	36	36
Investment in JVs & assos	9	14	9	9	9	9
Intangibles	0	4	3	3	3	3
Other non-current assets	292	1,354	1,085	1,085	1,085	1,085
Total assets	2,994	4,055	4,259	4,794	5,359	6,022
Current liabilities	1,681	2,492	2,653	3,070	3,507	4,020
Short-term borrowings	0	0	0	0	0	0
Account payables	672	847	1,009	1,188	1,364	1,570
Other current liabilities	101	86	87	87	87	87
Lease liabilities	0	2	2	2	2	2
Contract liabilities	907	1,556	1,555	1,794	2,055	2,362
Non-current liabilities	27	22	14	14	14	14
Deferred income	27	20	13	13	13	13
Other non-current liabilities	0	2	1	1	1	1
Total liabilities	1,708	2,513	2,667	3,084	3,522	4,034
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0
Other reserves	1,246	1,488	1,529	1,655	1,792	1,952
Total shareholders equity	1,246	1,488	1,529	1,655	1,792	1,953
Minority interest	40	53	63	55	45	35
Total equity and liabilities	2,994	4,055	4,259	4,794	5,359	6,022

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	561	653	786	845	960	1,093
Depreciation & amortization	8	14	17	20	22	24
Tax paid	(91)	(179)	(233)	(194)	(220)	(251)
Change in working capital	670	484	71	276	288	337
Others	(25)	(43)	(70)	(86)	(101)	(110)
Net cash from operations	1,123	928	572	860	949	1,094
Investing						
Capital expenditure	(22)	(25)	(30)	(30)	(30)	(30)
Acquisition of subsidiaries/ investments	(1)	(0)	0	0	0	0
Net proceeds from disposal of short-term investments	372	130	(302)	0	0	0
Others	(318)	(1,277)	(421)	0	0	0
Net cash from investing	32	(1,173)	(753)	(30)	(30)	(30)
Financing						
Dividend paid	(111)	(259)	(383)	(450)	(512)	(583)
Proceeds from share issues	2	7	0	0	0	0
Others	(2)	(3)	0	0	0	0
Net cash from financing	(111)	(256)	(383)	(450)	(512)	(583)
Net change in cash						
Cash at the beginning of the year	906	1,950	1,455	891	1,271	1,678
Exchange difference	1	1	0	0	0	0
Cash at the end of the year	1,950	1,450	891	1,271	1,678	2,159
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	41.7%	41.7%	28.0%	15.3%	14.6%	15.0%
Gross profit	31.7%	17.5%	20.0%	7.2%	13.6%	14.6%
Operating profit	32.3%	11.9%	22.1%	5.8%	13.3%	14.4%
Net profit	28.0%	19.6%	11.0%	17.6%	13.7%	13.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	29.9%	24.8%	23.2%	21.6%	21.4%	21.4%
Operating margin	26.0%	20.6%	19.6%	18.0%	17.8%	17.7%
Return on equity (ROE)	37.7%	36.0%	36.2%	40.4%	42.4%	44.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.6	1.0	1.2	1.2	1.2	1.2
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	15.9	13.3	12.0	10.2	8.9	7.9
P/B	5.2	4.4	4.3	3.9	3.6	3.3
Div yield (%)	3.8	5.3	5.9	6.9	7.8	8.9

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

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