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Binjiang Service (3316 HK)

1H26: Steady expansion with PM margin under sector-wide pressure

BUY (Maintain)

Target Price	**HK$31.37**
(Previous TP	HK$32.06)
Up/Downside	**30.7%**
Current Price	**HK$24.00**

China Property Management

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Stock Data

Mkt Cap (HK$ mn)	6,633.8
Avg 3 mths t/o (HK$ mn)	4.8
52w High/Low (HK$)	27.60/21.08
Total Issued Shares (mn)	276.4

Source: FactSet

Shareholding Structure

GREAT DRAGON VENTURES LTD	45.9%
HAOYU VENTURES LTD	12.9%

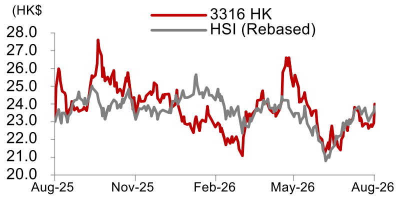
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	6.7%	3.1%
3-mth	-4.4%	-6.7%
6-mth	5.7%	7.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Binjiang Service posted resilient 1H26 results with revenue up 13.5% YoY to RMB 2.3bn and net profit up 5.1% YoY to RMB 322mn (14% net margin). Basic PM revenue advanced 20.9% YoY, lifting its revenue mix by 4ppt to 61%; as this lower-margin, still-softening segment gained weight, overall GP margin contracted 1.7ppt YoY. We regard the basic PM margin decline as a sector-wide trend, though the company's proactive cost measures are already narrowing the drop. The payout ratio was held at 70%, implying an estimated FY26E dividend yield of 8%. We maintain BUY with a TP of HK$31.37, still based on 13x FY26E P/E.

- **Basic PM: steady expansion with counter-trend collection rate gains**. Managed GFA rose 23.4% YoY to 92.7mn sqm and net new area jumped 41% YoY. The company was among the first to shake off the industry's project-termination headwind: GFA terminated fell from 2.87mn/1.81mn sqm in the past two years to just 0.35mn sqm in 1H26 (<0.4% of GFA, an industry low) (Figure 2). Bucking the industry, the collection rate rose 1.46ppt YoY, with 10 projects' fee hikes lifting the average fee to RMB 4.18/sqm/month. Basic PM GP margin, however, fell 1.2ppt YoY to 17.04% on labour cost inflation, project aging and renewal concessions. We see this decline as a broad sector-wide trend, and the company's mitigation—robotics, digitalization and centralized procurement—may gradually narrow it.
- **5S VAS growth slows amid a driver shift.** Non-owner VAS returned to growth (+13.7% YoY to RMB 240mn), underpinned by parentco Binjiang Group's steady contracted sales driving early-stage service demand. 5S owner VAS growth, however, decelerated sharply to +0.4% YoY in 1H26 from +8.3% in FY25, mainly dragged by a slowdown in large flat-floor decoration as parentco deliveries of such projects normalize. In response, management is steering the segment into deepening custom home decoration, brokerage and renovation service penetration across the full life cycle of high-end projects, to shift the growth driver.
- **Maintain BUY on high yield**. The newly amended Housing Provident Fund Regulations allow withdrawals for PM fees and home renovation, which we expect to support the collection rate and home decoration VAS demand. The company maintains a high 70% payout ratio, translating into an estimated FY26E dividend yield of 8%. We maintain BUY with TP of HK$31.37, based on 13x FY26E P/E; the 1.3% TP cut mainly reflects our earnings adjustment. Risks: 1) slower 5S VAS growth; 2) social security cost pressure; 3) weaker-than-expected third-party expansion.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	3,595	4,101	4,656	5,167	5,678
YoY growth (%)	28.0	14.1	13.5	11.0	9.9
Net profit (RMB mn)	546.5	595.5	620.3	667.2	716.8
EPS (Reported) (RMB)	1.98	2.15	2.24	2.41	2.59
YoY growth (%)	11.0	9.0	4.2	7.6	7.4
Consensus EPS (RMB)	na	na	2.33	2.52	2.66
P/E (x)	10.4	9.5	9.2	8.5	7.9
P/B (x)	3.7	3.4	3.1	2.9	2.6
Yield (%)	6.7	7.9	8.2	8.8	9.5
ROE (%)	36.2	37.2	35.4	34.9	34.5

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: 3316 HK results summary- 1H26

RMB mn	2024	2025	*YoY*	1H25	2H25	1H26	*1H26 YoY*	*1H26 HoH*
Revenue	**3,595**	**4,101**	***14.1%***	**2,025**	**2,076**	**2,298**	***13.5%***	***10.7%***
- Property management services	1,932	2,441	*26.3%*	1,158	1,283	1,400	*20.9%*	*9.1%*
- VAS to non owners	565	472	*-16.6%*	214	258	243	*13.7%*	*-5.5%*
- 5S VAS	1,097	1,188	*8.3%*	653	536	655	*0.4%*	*22.3%*
Gross profit	**835**	**910**	***8.9%***	**455**	**455**	**477**	***4.9%***	***4.9%***
Income tax	(233)	(222)	*-4.6%*	(109)	(113)	(107)	*-1.6%*	*-5.8%*
Net profit	**547**	**596**	***9.0%***	**298**	**298**	**315**	***5.8%***	***5.8%***
EPS (RMB)	1.98	2.15	*8.7%*	1.08	1.07	1.14	*5.8%*	*6.2%*
DPS (RMB)	1.38	1.62	*16.7%*	0.75		0.80	*5.9%*	
Dividend payout ratio	*70%*	*75%*	*5.1 ppt*	*70%*		*70%*	*0 ppt*	
GP Margin	**23.2%**	**22.2%**	***-1.1 ppt***	**22.5%**	**21.9%**	**20.8%**	***-1.7 ppt***	***-1.1 ppt***
- Property management services	18.4%	17.3%	*-1.1 ppt*	18.2%	16.5%	17.0%	*-1.1 ppt*	*0.5 ppt*
- VAS to non owners	38.6%	31.5%	*-7.1 ppt*	34.7%	28.9%	31.9%	*-2.8 ppt*	*2.9 ppt*
- 5S VAS	23.9%	28.5%	*4.6 ppt*	26.1%	31.4%	24.6%	*-1.5 ppt*	*-6.8 ppt*
Effective tax rate	-30%	-27%	*2.9 ppt*	-26%	-27%	-25%	*1.3 ppt*	*2.3 ppt*
Net Margin	**15.2%**	**14.5%**	***-0.7 ppt***	**14.7%**	**14.3%**	**13.7%**	***-1.0 ppt***	***-0.6 ppt***
								vs.2025
Managed GFA (mn sq m)	67.9	82.6	*21.6%*	75.1	82.6	92.7	*23.4%*	*12.2%*
Contracted GFA (mn sq m)	92.9	104.2	*12.3%*	96.4	104.2	109.7	*13.8%*	*5.2%*
Trade receivables	590	760	*28.8%*	858	760	1,078	*25.6%*	*41.7%*
Cash (incl. deposits)	2,913	2,997	*2.9%*	3,125	2,997	2,637	*-15.6%*	*-12.0%*

Source: Company data, CMBIGM

Figure 2: Managed-GFA termination rate

Managed GFA movement (mn sqm)	2023A	2024A	2025A	1H24	2H24	1H25	2H25	1H26
At the beginning of the period	42.0	54.8	67.9	54.8	63.1	67.9	75.1	82.6
Addition	14.8	16.0	16.5	9.2	7	7.7	8.8	10.4
Termination	(1.9)	(2.9)	(1.8)	(0.9)	(1.9)	(0.5)	(1.3)	(0.3)
At the end of the period	54.8	67.9	82.6	63.1	67.9	75.1	82.6	92.7
Termination rate (=Termination/beginning GFA)	***-4.5%***	***-5.2%***	***-2.7%***	***- 1.7%***	***-3.1%***	***-0.8%***	***-1.7%***	***-0.4%***

Source: Company data, CMBIGM

Figure 3: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,656	5,167	5,678	4,534	4,944	5,356	2.7%	4.5%	6.0%
Gross profit	962	1,042	1,122	976	1,045	1,113	-1.4%	-0.3%	0.8%
Operating profit	786	846	906	805	857	910	-2.3%	-1.3%	-0.4%
Net profit	620	667	717	634	675	719	-2.2%	-1.2%	-0.3%
Gross margin	20.7%	20.2%	19.8%	21.5%	21.1%	20.8%	-0.9ppt	-1ppt	-1ppt
EBIT margin	16.9%	16.4%	16.0%	17.8%	17.3%	17.0%	-0.9ppt	-1ppt	-1ppt
Net margin	13.3%	12.9%	12.6%	14.0%	13.7%	13.4%	-0.7ppt	-0.7ppt	-0.8ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBI estimates vs. Consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,656	5,167	5,678	4,530	5,044	5,467	2.8%	2.4%	3.9%
Gross profit	962	1,042	1,122	977	1,072	1,142	-1.5%	-2.8%	-1.8%
Operating profit	786	846	906	819	880	941	-4.0%	-3.8%	-3.7%
Net profit	620	667	717	643	693	735	-3.5%	-3.7%	-2.4%
Gross margin	20.7%	20.2%	19.8%	21.6%	21.2%	20.9%	-0.9ppt	-1.1ppt	-1.1ppt
EBIT margin	16.9%	16.4%	16.0%	18.1%	17.4%	17.6%	-1.2ppt	-1.1ppt	-1.6ppt
Net margin	13.3%	12.9%	12.6%	14.2%	13.7%	14.1%	-0.9ppt	-0.8ppt	-1.5ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**2,809**	**3,595**	**4,101**	**4,656**	**5,167**	**5,678**
Cost of goods sold	(2,113)	(2,759)	(3,191)	(3,694)	(4,125)	(4,556)
Others	0	0	0	0	0	0
Gross profit	**696**	**835**	**910**	**962**	**1,042**	**1,122**
Operating expenses	**(119)**	**(130)**	**(153)**	**(176)**	**(196)**	**(216)**
Selling expense	(18)	(24)	(29)	(33)	(37)	(41)
Admin expense	(76)	(101)	(93)	(106)	(117)	(129)
Operating profit	**577**	**705**	**757**	**786**	**846**	**906**
Other income	11	6	9	9	9	9
Other expense	(35)	(12)	(40)	(46)	(51)	(56)
Net Interest income/(expense)	**67**	**80**	**71**	**77**	**82**	**91**
Other income/expense	8	1	3	3	3	3
Pre-tax profit	**653**	**786**	**832**	**866**	**932**	**1,001**
Income tax	(150)	(233)	(222)	(231)	(249)	(267)
After tax profit	**503**	**554**	**609**	**635**	**683**	**733**
Minority interest	10	7	14	14	16	17
Net profit	**493**	**547**	**596**	**620**	**667**	**717**
Net dividends	345	383	447	465	500	537

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**2,605**	**3,082**	**4,695**	**5,264**	**5,799**	**6,347**
Cash & equivalents	1,455	891	891	1,305	1,700	2,108
Restricted cash	58	68	263	263	263	263
Account receivables	545	590	760	863	958	1,053
Inventories	245	290	333	386	430	475
ST bank deposits	279	941	2,015	2,015	2,015	2,015
Financial assets at FVTPL	0	302	433	433	433	433
Contract assets	22	0	0	0	0	0
Non-current assets	**1,450**	**1,177**	**215**	**227**	**233**	**237**
PP&E	43	43	52	65	71	75
Deferred income tax	34	36	53	53	53	53
Investment in JVs & assos	14	9	13	13	13	13
Intangibles	4	3	4	4	4	4
Other non-current assets	1,354	1,085	93	93	93	93
Total assets	**4,055**	**4,259**	**4,909**	**5,492**	**6,033**	**6,584**
Current liabilities	**2,492**	**2,653**	**3,141**	**3,583**	**3,976**	**4,370**
Short-term borrowings	0	0	0	0	0	0
Account payables	847	1,009	1,285	1,488	1,661	1,835
Other current liabilities	86	87	86	86	86	86
Lease liabilities	2	2	1	1	1	1
Contract liabilities	1,556	1,555	1,769	2,008	2,228	2,449
Non-current liabilities	**22**	**14**	**23**	**23**	**23**	**23**
Deferred income	20	13	22	22	22	22
Other non-current liabilities	2	1	1	1	1	1
Total liabilities	**2,513**	**2,667**	**3,164**	**3,605**	**3,999**	**4,393**
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0
Other reserves	1,488	1,529	1,672	1,827	1,991	2,165
Total shareholders equity	**1,488**	**1,529**	**1,672**	**1,827**	**1,991**	**2,165**
Minority interest	53	63	73	59	43	26
Total equity and liabilities	**4,055**	**4,259**	**4,909**	**5,492**	**6,033**	**6,584**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**653**	**786**	**832**	**866**	**932**	**1,001**
Depreciation & amortization	14	18	20	22	24	26
Tax paid	(179)	(241)	(222)	(231)	(249)	(267)
Change in working capital	484	70	276	286	254	254
Others	(42)	(72)	(35)	(34)	(35)	(39)
Net cash from operations	**929**	**561**	**871**	**909**	**926**	**975**
Investing						
Capital expenditure	(25)	(26)	(30)	(30)	(30)	(30)
Acquisition of subsidiaries/ investments	(0)	0	0	0	0	0
Net proceeds from disposal of short-term investments	130	730	(131)	0	0	0
Others	(1,273)	(1,312)	(84)	0	0	0
Net cash from investing	**(1,168)**	**(608)**	**(245)**	**(30)**	**(30)**	**(30)**
Financing						
Dividend paid	(259)	(505)	(447)	(465)	(500)	(537)
Proceeds from share issues	7	9	0	0	0	0
Others	(3)	(7)	0	0	0	0
Net cash from financing	**(256)**	**(503)**	**(447)**	**(465)**	**(500)**	**(537)**
Net change in cash						
Cash at the beginning of the year	1,950	1,455	891	891	1,305	1,700
Exchange difference	1	(15)	(180)	0	0	0
Cash at the end of the year	**1,455**	**891**	**891**	**1,305**	**1,700**	**2,108**

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

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