

Greentown Management (9979 HK)

Reverse roadshow takeaways: high demand continues, Maintain Buy

Greentown Management shared on its reverse roadshow that new contract value recorded 21.2%/22.4% YoY growth in 4M23/1Q23 (in line) and the client structure continues to improve with projects from FIs already contributed 20.7% of total in 1Q23 (vs. 11.7% in 2022). We found that demand is holding up high with projects from local SOEs benefit from the effect of “trust by one, trust by more”, and projects from FIs have a chance to sign contract in batches rather than one by one in the future. We maintain BUY with TP unchanged at HK\$ 9.39 on company’s dominant market share, stable order growth and profit growth, good cash flow and high dividend pay-out ratio.

■ **New contract growth inline, structure further improved.** The Company booked new contract value of RMB 2.68bn/2.46bn in 4M23/1Q23 (21.2%/22.4% YoY growth), although it implies only RMB 0.22bn in April, 9% YoY growth even with a low base last year. We expect order momentum to pick up in May/June as historical pattern showed the orders mostly came in towards a quarter end (Figure). The Company is aiming to achieve +20% YoY order growth in 2023E. Client structure continued to improve with FIs contributing 20.7% of total in 1Q23 vs. 11.7% in 2022 as major clients like Pin An Real Estate, Cinda Assets and Huarong Trust stayed active.

■ **Takeaways from project visit: sustained demand from local SOEs and FIs.** 1) **local SOEs projects have an effect of “earn trust from one, get trust from more”.** We visited Pukai Jiangnan Chunyi project, a Chinese garden villa project with an ASP of RMB 145K/sqm (c. RMB 40mn/unit). The 1st batch of 186 units were sold out in two hrs with 310 buyers’ registration even without any marketing activities, and >80% buyers made the full payment. The big success attracted more local SOEs like Lujiazui Group, SPDB etc. to seek cooperation with the Company and five more projects have been signed with local SOEs in SH after that. 2) More demand from FIs that carries land asset package give **more chances for the Company to sign FI projects in a batch other than one by one in the future.** High demand from local SOEs and FIs is driving the Company to optimize organization by setting up five regional level companies to absorbing more demand according to the management.

■ **Maintain BUY with TP unchanged at HK\$9.39.** Given company’s dominant market share (26% in 2022), asset light model, stable order growth (est. +20% in 2023E), strong profit growth (est. ~25-30% in 2023E) and exceptionally high dividend pay-out ratio (>80%), we maintain BUY with TP unchanged at HK\$ 9.39, reflecting 18x 2023E PE. Catalysts: successfully signing of FI projects in batch, and higher-than-expected 1H23 earnings. Risks: worse-than-expected macro, and lower-than-expected demand.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	2,243	2,656	3,372	4,294	5,465
YoY growth (%)	23.7	18.4	27.0	27.4	27.3
Net profit (RMB mn)	565	745	935	1,174	1,461
EPS (RMB)	0.29	0.38	0.48	0.61	0.75
Consensus EPS (RMB)	n.a.	n.a.	0.47	0.58	0.76
P/E (x)	22.0	16.9	13.4	10.7	8.6
P/B (x)	3.7	3.4	3.7	3.5	3.3
Yield (%)	3.1	5.9	6.0	7.5	9.3
ROE (%)	16.9	19.9	27.8	33.1	38.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$9.39
Up/Downside 30.4%
Current Price HK\$7.20

China Project Management

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Stock Data

Mkt Cap (HK\$ mn) 720.0
 Avg 3 mths t/o (HK\$ mn) 18.0
 52w High/Low (HK\$) 7.91/4.45
 Total Issued Shares (mn) 2,010

Source: FactSet

Shareholding Structure

Greentown China Holdings Ltd 71.3%
 SUPOR Industrial capital 2.9%

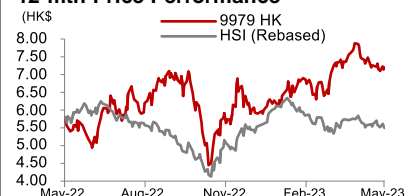
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.4%	-2.7%
3-mth	6.8%	14.1%
6-mth	27.7%	17.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: new contracts

Greentown Mgmt. - new contracts								
	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	4M23
Newly contracted GFA (mn sqm)	4.64	6.10	6.56	n.a.	9.02	5.98	8.22	n.a.
QoQ Growth	54%	31%	8%	n.a.	n.a.	-34%	37%	n.a.
YoY growth	91%	-6%	-27%	n.a.	94%	-2%	25%	n.a.
Estimated service fee (RMB bn)	1.61	2.28	2.01	2.05	2.55	2.00	2.46	2.68
QoQ Growth	83%	42%	-12%	2%	24%	-22%	23%	n.a.
YoY growth	99%	28%	-14%	133%	58%	-12%	22.4%	21.2%

Source: Company data, CMBIGM

Figure 2: The last month usually contributed more for the quarter

	Oct-22	Nov-22	Dec-22
Estimated service fee (RMB bn)	0.59	0.60	0.81

Source: Company data, CMBIGM

Figure 3: Shanghai Pukai Jiangnan Chunyi Project



Source: Company data, CMBIGM

Figure 4: Valuation table

Company	Ticker	CMBI rating	TP (HK\$)	Last price (HK\$)	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)		Dividend Yield		Payout ratio	
						22A	23E	24E	23E	24E	22A	23E	22A	
PJM														
Greentown Management	9979 HK	BUY	9.4	7.2	14,472	16.9	13.4	10.7	25.6	25.5	4.9%	5.4%	80%	
Central China Management	9982 HK	BUY	0.7	0.4	1,613	4.1	4.2	4.6	-1.3	10.1	15.2%	16.6%	60%	
Average						15.6	12.5	10.1	22.9	21.9	6%	6%	78%	
PM														
Binjiang Services	3316 HK	BUY	22.9	6315.9	7,104	13.2	10.3	7.9	32.2	30.6	4.4%	5.7%	58%	
Onowo	2602 HK	BUY	30.7	36120.1	44,193	21.6	14.7	11.6	45.0	26.3	0.9%	1.1%	20%	
Country Garden Services	6098 HK	BUY	10.1	33933.7	49,518	8.1	6.5	5.7	130.0	13.2	1.7%	4.6%	13%	
CR MixC Lifestyle	1209 HK	BUY	37.2	84909.0	99,289	32.4	26.1	20.7	27.5	25.9	1.4%	1.7%	44%	
A-Living	3319 HK	HOLD	5.4	7653.8	9,784	3.3	3.3	3.0	9.8	10.1	0.0	2.1%	0.0%	
Greentown Services	2869 HK	BUY	4.6	14739.7	16,776	24.0	16.8	13.7	39.9	21.8	2.2%	2.8%	54%	
Ever Sunshine	1995 HK	HOLD	3.1	5335.1	5,335	9.6	4.7	3.8	99.9	26.5	2.8%	5.9%	27.0%	
Poly Services	6049 HK	BUY	40.5	22410.0	27,362	17.3	14.4	11.7	21.2	22.4	1.5%	1.7%	26%	
S-Enjoy	1755 HK	SELL	4.2	3685.7	5,289	7.2	5.2	4.5	41.4	17.7	4.4%	6.5%	32%	
Powerlong Commercial	9909 HK	BUY	4.3	2751.6	3,639	4.8	4.5	4.0	21.1	12.1	7.1%	8.0%	34%	
Excellence CM	6989 HK	BUY	2.5	3002.1	3,454	6.1	4.6	3.9	44.0	16.9	6.0%	10.2%	37%	
Central China New Life	9983 HK	BUY	2.8	3554.9	3,555	5.9	5.0	4.5	10.2	14.1	16.8%	14.8%	1.0	
Sino-Ocean Services	6677 HK	BUY	1.7	2012.8	2,190	24.6	3.6	3.4	n.a.	8.9	8.4%	10.1%	2.1	
New Hope Services	3658 HK	BUY	1.6	1327.0	1,400	4.9	4.9	4.3	13.1	14.5	8.6%	8.4%	42%	
Redsun Services	1971 HK	BUY	1.7	701.4	797	5.6	1.8	n.a.	n.a.	n.a.	n.a.	18.2%	n.a.	
Evergrande Services	6666 HK	BUY	2.3	24864.9	24,865	7.9	3.8	n.a.	61.9	n.a.	n.a.	3.8%	n.a.	
Sunac Services	1516 HK	BUY	2.4	7367.0	10,852	3.5	7.1	5.9	n.a.	15.2	6.6%	5.2%	23%	
Jinmao Services	816 HK	HOLD	3.7	3336.5	3,716	8.8	6.6	5.2	30.4	25.8	0.0%	6.0%	0%	
COPH	2669 HK	NR	8.0	26327.8	30,634	20.6	16.1	12.8	28.4	26.5	1.5%	1.9%	31%	
Times Neighborhood	9928 HK	NR	0.6	561.8	700	-3.7	3.5	3.1	n.a.	11.3	4.5%	4.4%	-16%	
Aoyuan Healthy Life	3662 HK	NR	1.9	1350.8	1,351	-5.9	1.6	n.a.	85.4	n.a.	n.a.	23.7%	n.a.	
Shimao Services	873 HK	NR	1.7	4195.9	5,183	-3.8	7.5	6.6	n.a.	13.2	0.0%	0.0%	0%	
KWG Living	3913 HK	NR	0.9	1762.5	2,330	9.8	3.1	2.7	n.a.	16.0	0.0%	0.0%	0%	
Jinke Smart Services	9666 HK	NR	11.8	7690.6	8,030	-3.6	12.3	10.5	n.a.	18.0	0.0%	1.0%	0%	
Average						18.1	14.4	11.4	44.7	20.3	1.8%	3.0%	28.8%	

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	1,813	2,243	2,656	3,372	4,294	5,465
Cost of goods sold	(947)	(1,203)	(1,267)	(1,681)	(2,152)	(2,742)
Gross profit	866	1,041	1,389	1,691	2,143	2,723
Operating expenses	(379)	(471)	(609)	(691)	(844)	(1,067)
Selling expense	(48)	(93)	(120)	(145)	(176)	(224)
Admin expense	(331)	(378)	(489)	(546)	(668)	(843)
Operating profit	25	42	(14)	28	28	28
Other gains/(losses)	(31)	(10)	(73)	(30)	(30)	(30)
Share of (losses)/profits of associates/JV	56	52	58	58	58	58
Interest income	49	116	166	144	145	149
Interest expense	(1)	(6)	(7)	(7)	(7)	(7)
Pre-tax profit	525	722	925	1,165	1,464	1,825
Income tax	(117)	(152)	(189)	(238)	(300)	(374)
After tax profit	412	571	735	926	1,165	1,452
Minority interest	(27)	5	(9)	(9)	(9)	(9)
Net profit	429	565	745	935	1,174	1,461
Core net profit	425	559	795	na	na	na
Gross dividends	332,855	391,595	763,800	na	na	na
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	3,321	3,701	3,858	4,423	5,228	6,239
Cash & equivalents	2,397	2,138	1,933	2,041	2,257	2,521
Restricted cash	16	13	153	153	153	153
Account receivables	388	749	824	1,046	1,332	1,695
Inventories	0	0	0	0	0	0
Financial assets at FVTPL	0	80	75	75	75	75
Non-current assets	1,427	1,543	2,304	1,926	1,958	2,001
PP&E	98	102	109	139	166	203
Right-of-use assets	18	17	19	24	28	34
Investment in JVs & assos	161	244	317	317	317	317
Intangibles	0	0	412	0	0	0
Goodwill	769	769	982	982	982	982
Financial assets at FVTPL	93	101	67	67	67	67
Total assets	4,748	5,244	6,161	6,349	7,185	8,240
Current liabilities	1,619	1,844	2,087	2,659	3,327	4,168
Short-term borrowings	0	0	0	0	0	0
Account payables	819	943	1,173	1,556	1,992	2,538
Tax payable	146	179	217	217	217	217
Lease liabilities	9	5	8	8	8	8
Contract liabilities	396	385	433	550	700	891
Non-current liabilities	26	29	201	201	201	201
Obligations under finance leases	9	10	9	9	9	9
Total liabilities	1,645	1,872	2,288	2,860	3,529	4,369
Share capital	16	16	17	17	17	17
Retained earnings	1,411	1,534	1,717	1,904	2,139	2,431
Other reserves	1,648	1,791	2,006	1,443	1,386	1,318
Total shareholders equity	3,075	3,341	3,739	3,364	3,541	3,765
Minority interest	27	30	134	125	115	106
Total equity and liabilities	4,748	5,244	6,161	6,349	7,185	8,240

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	412	571	735	926	1,165	1,452
Depreciation & amortization	24	25	24	24	24	24
Tax paid	(81)	(119)	(118)	(238)	(300)	(374)
Change in working capital	503	57	29	115	79	93
Net cash from operations	903	566	714	903	1,105	1,401
Investing						
Capital expenditure	(6)	(18)	(46)	(76)	(83)	(104)
Acquisition of subsidiaries/ investments	(1)	8	0	0	0	0
Net proceeds from disposal of short-term investments	3	(69)	4	0	0	0
Net cash from investing	(92)	(497)	(253)	63	57	39
Financing						
Dividend paid	(15)	(333)	(764)	(748)	(939)	(1,169)
Net borrowings	(1)	(4)	(7)	(7)	(7)	(7)
Proceeds from share issues	1,135	0	0	0	0	0
Share repurchases	(100)	0	0	0	0	0
Net cash from financing	486	(322)	(769)	(755)	(946)	(1,176)
Net change in cash						
Cash at the beginning of the year	1,139	2,397	2,138	1,830	2,041	2,257
Exchange difference	(39)	(6)	0	0	0	0
Cash at the end of the year	2,397	2,138	1,830	2,041	2,257	2,521
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(9.1%)	23.7%	18.4%	27.0%	27.4%	27.3%
Gross profit	(1.8%)	20.2%	33.4%	21.7%	26.7%	27.1%
Operating profit	na	68.8%	na	na	0.0%	0.0%
Net profit	26.1%	31.9%	31.7%	25.6%	25.5%	24.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	47.8%	46.4%	52.3%	50.1%	49.9%	49.8%
Operating margin	1.4%	1.9%	(0.5%)	0.8%	0.7%	0.5%
Return on equity (ROE)	18.4%	17.6%	21.0%	26.3%	34.0%	40.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	2.1	2.0	1.8	1.7	1.6	1.5
Receivable turnover days	78.2	121.9	113.2	113.2	113.2	113.2
Payable turnover days	315.5	286.3	337.9	337.9	337.9	337.9
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	10.6	11.4	13.5	13.2	10.6	8.5
P/B	1.5	1.9	2.7	3.7	3.5	3.3
Div yield (%)	6.1	6.0	7.3	6.0	7.6	9.4

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

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