

# 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

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### 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%

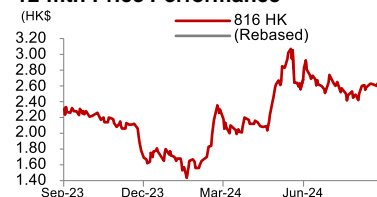
Source: HKEx

### 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
<b>Revenue</b>	<b>1,353</b>	<b>1,351</b>	<b>1,491</b>	<b>10.2%</b>	<b>10.4%</b>
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%
<b>Gross profit</b>	<b>357</b>	<b>389</b>	<b>366</b>	<b>2.5%</b>	<b>-5.8%</b>
<b>SG&amp;A</b>	<b>(159)</b>	<b>(151)</b>	<b>(103)</b>	<b>-35.0%</b>	<b>-31.4%</b>
<b>Net profit</b>	<b>146</b>	<b>191</b>	<b>173</b>	<b>18.9%</b>	<b>-9.4%</b>
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.
<b>GP margin</b>	<b>26.4%</b>	<b>28.8%</b>	<b>24.6%</b>	<b>-1.8 ppt</b>	<b>-4.2 ppt</b>
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
<b>SG&amp;A ratio</b>	<b>-11.7%</b>	<b>-11.1%</b>	<b>-6.9%</b>	<b>4.8 ppt</b>	<b>4.2 ppt</b>
<b>Net margin</b>	<b>10.8%</b>	<b>14.2%</b>	<b>11.6%</b>	<b>0.9 ppt</b>	<b>-2.5 ppt</b>
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%

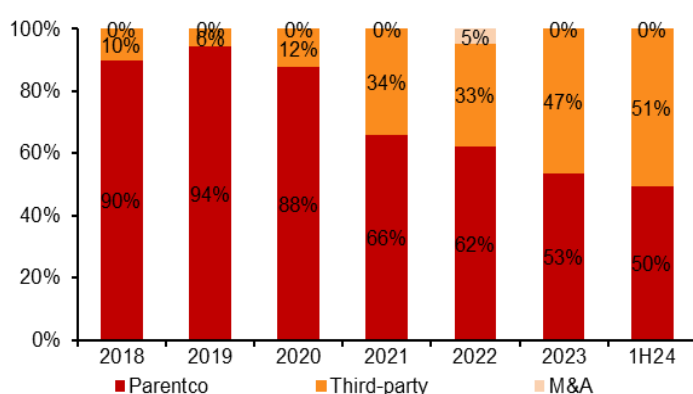
Source: Company data, CMBIGM

Figure 2: Earnings revision

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

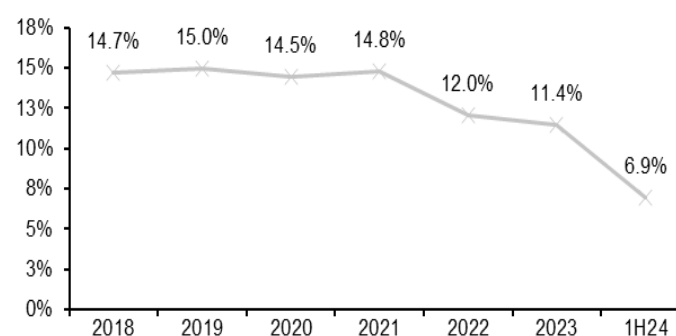
Source: Company data, CMBIGM estimates

Figure 3: Managed-GFA by source



Source: Company data, CMBIGM

Figure 4: SG&amp;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
<b>Jinmao Services</b>	<b>0816.HK</b>	<b>2.57</b>	<b>302</b>	<b>5.3 x</b>	<b>4.8 x</b>	<b>4.5 x</b>	<b>18.5</b>	<b>10.1</b>	<b>7.2</b>	<b>40%</b>	<b>6.6%</b>	<b>7.5%</b>
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%
<b>Average</b>				<b>10.6 x</b>	<b>8.8 x</b>	<b>7.6 x</b>	<b>12.4</b>	<b>21.0</b>	<b>13.5</b>	<b>85%</b>	<b>6.6%</b>	<b>5.7%</b>

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
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
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)
<b>Net cash from operations</b>	<b>347</b>	<b>154</b>	<b>451</b>	<b>630</b>	<b>673</b>	<b>680</b>
<b>Investing</b>						
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)
<b>Net cash from investing</b>	<b>1,076</b>	<b>(360)</b>	<b>(55)</b>	<b>(56)</b>	<b>(56)</b>	<b>(56)</b>
<b>Financing</b>						
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)
<b>Net cash from financing</b>	<b>(1,141)</b>	<b>665</b>	<b>(163)</b>	<b>(171)</b>	<b>(187)</b>	<b>(200)</b>
<b>Net change in cash</b>						
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
<b>Cash at the end of the year</b>	<b>554</b>	<b>1,019</b>	<b>1,252</b>	<b>1,655</b>	<b>2,084</b>	<b>2,509</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
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
<b>YE 31 Dec</b>						
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
<b>YE 31 Dec</b>						
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
<b>YE 31 Dec</b>						
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.

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

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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