

A-Living (3319 HK)

Looking forward to next 3-year development

- **54% earnings growth in FY19.** In FY19, A-Living recorded a revenue of RMB5,127mn, up 52% YoY. Gross margin remained competitive at 36.7% compared to 38.2% in FY18. Thanks to the refined management structure, SG&A to revenue declined from 10.2% to 6.8%. Net profit to shareholders grew 53.6% to RMB1,231mn, representing net margin of 24.0%, up 0.3ppt YoY.
- **Over RMB10.0bn revenue in FY19.** In FY18, CMIG/New CMIG recorded a revenue of nearly RMB4,000mn, and achieved over 10% topline growth in FY19, according to management. This means, after the consolidation of CMIG/New CMIG PM in FY20, A-Living's topline will likely to breakthrough RMB10.0bn. As of end-FY19, A-Living has a contracted GFA of 356mn sq m and managed GFA of 234mn sq m. If including CMIG/New CMIG's projects, A-Living's contracted GFA and managed GFA will surpass 600mn sq m and 500mn sq m. Despite an immediate profit contribution for CMIG/New CMIG, the targeted company also has room to improve itself by integrating to A-Living. The previous controlling shareholder of CMIG/New CMIG is a non-PM company, which could help little in operation enhancement. In contrary, A-Living is a hardcore PM company with rich experience in helping the target company to improve. A-Living can apply its standards and system to CMIG/New CMIG.
- **Progressive FY20-22 planning.** A-Living has made a new 3-year planning for FY20-22. The key drivers in the future will be 1) developing the potential existing projects, 2) expanding actively in market with both third party expansion and participating in mixed-ownership reform of SOEs, and 3) developing innovative and new business segments. A-Living aims to achieve 730-750mn sq m contracted GFA and 600mn sq m GFA by end-FY22, and earnings CAGR from FY19 to FY22 at 30%.
- **Reaffirm top pick in property management sector; maintain BUY.** We believe A-Living is entering a new phase of development in FY20. With abundant GFA, more opportunities can be created. We revise up our FY20/21E EPS forecast by 1.2/6.8% to RMB1.30/1.57. We maintain our TP unchanged and reaffirm A-living as our top pick in property management sector.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	3,377	5,127	11,086	13,707	16,084
YoY growth (%)	91.8	51.8	116.2	23.7	17.3
Net income (RMB mn)	801	1,231	1,739	2,091	2,425
EPS (RMB)	0.62	0.92	1.30	1.57	1.82
YoY growth (%)	77.1	48.9	41.3	20.2	16.0
Consensus EPS (RMB)	N.A.	N.A.	1.23	1.61	2.00
P/E (x)	40.6	27.3	19.3	16.0	13.8
P/B (x)	8.0	7.6	7.8	6.5	5.4
Yield (%)	1.2	1.8	2.6	3.1	3.6
ROE (%)	14.8	19.9	24.6	25.8	26.0
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$41.53
(Previous TP	HK\$41.53)
Up/Downside	+48.1%
Current Price	HK\$28.05

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	37,400
Avg 3 mths t/o (HK\$ mn)	210.89
52w High/Low (HK\$)	38.00/ 10.36
Total Issued Shares (mn)	1,333
Source: Bloomberg	

Shareholding Structure

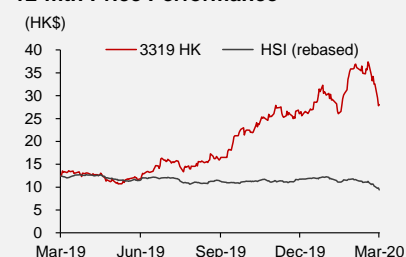
Agile	54.0%
Greenland Holdings	7.5%
Free float	38.5%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-22.5%	-6.8%
3-mth	6.7%	27.7%
6-mth	72.0%	98.1%
12-mth	121.0%	175.6%

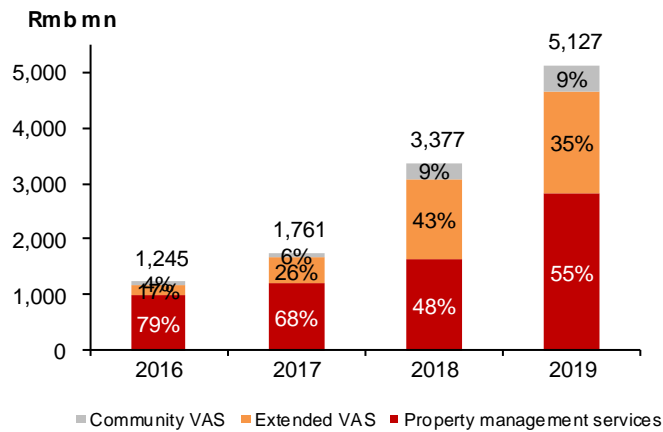
Source: Bloomberg

12-mth Price Performance

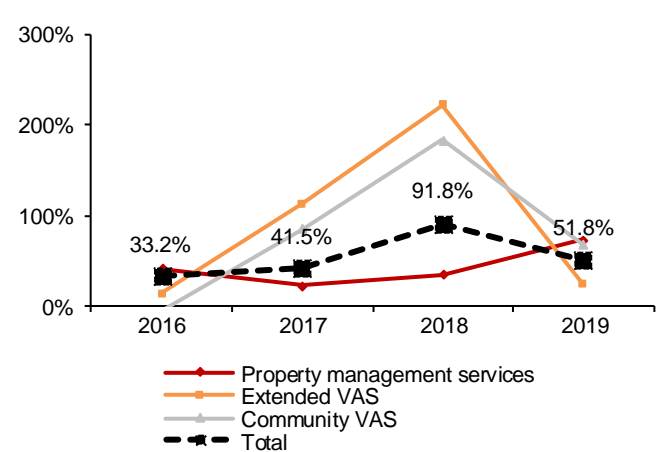


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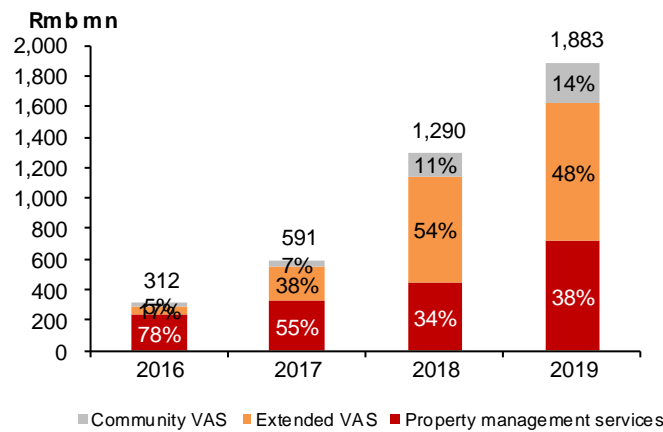
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Figure 1: Revenue

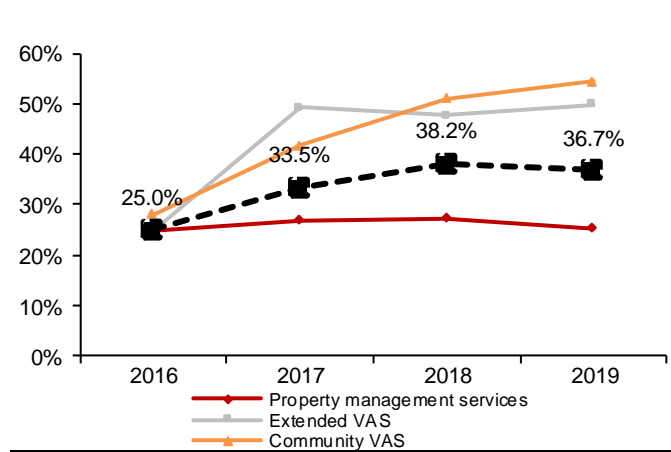
Source: Company data

Figure 2: Revenue growth

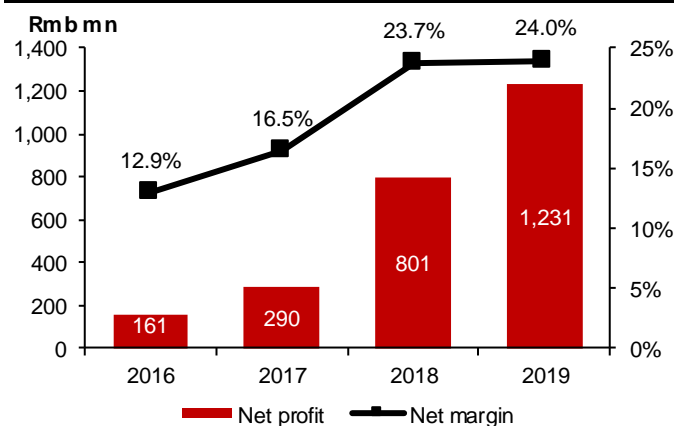
Source: Company data

Figure 3: Gross profit

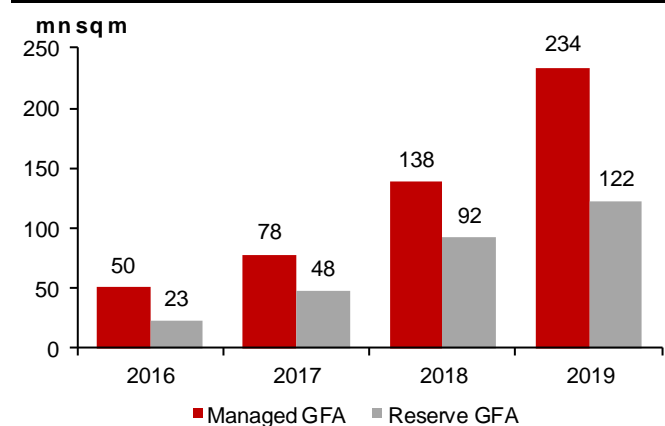
Source: Company data

Figure 4: Gross margin

Source: Company data

Figure 5: Net profit

Source: Company data

Figure 6: GFA

Source: Company data

Figure 7: Earnings revision

RMB mn	New		Old		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	11,086	13,707	11,802	13,583	-6.1%	0.9%
Gross Profit	3,253	3,953	3,326	3,919	-2.2%	0.8%
EBIT	2,666	3,210	2,649	3,138	0.6%	2.3%
Net profit	1,739	2,091	1,718	1,958	1.2%	6.8%
EPS (RMB)	1.30	1.57	1.29	1.47	1.2%	6.8%
Gross Margin	29.3%	28.8%	28.2%	28.9%	1.2ppts	0ppts
EBIT Margin	24.0%	23.4%	22.4%	23.1%	1.6ppts	0.3ppts
Net Margin	15.7%	15.3%	14.6%	14.4%	1.1ppts	0.8ppts

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Turnover	3,377	5,127	11,086	13,707	16,084
Property mgmt services	1,625	2,830	8,640	10,516	11,871
Extended VAS	1,463	1,812	1,935	2,371	2,987
Community VAS	289	485	511	820	1,226
Cost of sales	(2,087)	(3,244)	(7,832)	(9,755)	(11,428)
Gross profit	1,290	1,883	3,253	3,953	4,655
Other income/expense, net	100	131	155	176	150
Selling & marketing expenses	(46)	(43)	(78)	(96)	(113)
Administrative Expenses	(299)	(307)	(665)	(822)	(965)
EBIT	1,045	1,664	2,666	3,210	3,728
Share from associates	-	23	29	30	30
Finance costs	(1)	(16)	(3)	(4)	(4)
Exceptional	31	24	-	-	-
PROFIT BEFORE TAX	1,075	1,694	2,692	3,236	3,754
Income tax	(264)	(403)	(646)	(777)	(901)
PROFIT FOR THE YEAR	811	1,292	2,046	2,460	2,853
Non-controlling interests	(10)	(61)	(307)	(369)	(428)
Net profit to shareholders	801	1,231	1,739	2,091	2,425

Cash flow summary

YE Dec 31 (RMB mn)	FY18A	FY19E	FY20E	FY21E	FY22E
Profit before tax	1,075	1,694	2,692	3,236	3,754
D&A, impairment	33	-	20	20	20
Change in working capital	(51)	(452)	(103)	(97)	(124)
Others	(174)	358	(675)	(807)	(931)
Net cash from operating	883	1,600	1,933	2,353	2,719
Capex	(20)	-	(30)	(30)	(30)
Associated companies	(107)	(1,622)	(1,000)	(200)	(200)
Others	14	-	-	-	-
Net cash from investing	(112)	(1,622)	(1,030)	(230)	(230)
Equity raised	3,314	-	-	-	-
Change of debts	(32)	21	(1)	1	1
Others	(141)	(600)	(869)	(1,045)	(1,212)
Net cash from financing	3,142	(579)	(871)	(1,044)	(1,211)
Net change in cash	3,913	(601)	33	1,079	1,277
Cash at the beginning	880	4,808	4,207	4,240	5,318
Exchange difference	15	-	1	2	3
Cash at the end	4,808	4,207	4,241	5,320	6,599

Key ratios

YE Dec 31	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Property management services	48.1	55.2	77.9	76.7	73.8
Extended VAS	43.3	35.3	17.5	17.3	18.6
Community VAS	8.6	9.5	4.6	6.0	7.6
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	38.2	36.7	29.3	28.8	28.9
EBIT margin	30.9	32.4	24.0	23.4	23.2
Net margin	23.7	24.0	15.7	15.3	15.1
Effective tax rate	24.6	23.8	24.0	24.0	24.0
Growth (%)					
Revenue	91.8	51.8	116.2	23.7	17.3
Gross profit	118.4	46.0	72.8	21.5	17.8
EBIT	162.2	59.2	60.2	20.4	16.1
Net profit	176.5	53.6	41.3	20.2	16.0
Balance sheet ratios					
Current ratio (x)	2.1	2.0	2.0	2.0	3.0
Receivable turnover days	126	156	156	156	156
Payables turnover days	204	196	196	196	196
Inventory turnover days	3	1	1	1	1
Net debt / total equity ratio (%)	net	net	net	net	net
Returns (%)					
ROE	14.8	19.9	24.6	25.8	26.0
ROA	11.1	13.8	15.7	15.9	15.8
Per share					
EPS (RMB)	0.62	0.92	1.30	1.57	1.82
DPS (RMB)	0.30	0.45	0.65	0.78	0.91
BVPS (RMB)	3.16	3.33	3.23	3.86	4.62

Balance sheet

YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	1,308	2,533	3,572	3,812	4,052
Property, plant & equipment	80	159	169	179	189
Goodwill	1,045	1,371	2,371	2,571	2,771
Others	182	1,003	1,032	1,062	1,092
Current assets	5,989	6,855	9,449	11,654	13,952
Inventories	15	12	30	37	44
Trade and other receivables	1,165	2,189	4,733	5,853	6,868
Cash and cash equivalents	4,808	4,207	4,240	5,318	6,596
Others	1	446	446	446	446
Total assets	7,297	9,388	13,021	15,466	18,004
Current liabilities	1,726	2,690	5,148	6,178	7,074
Borrowings	-	28	27	27	27
Trade and other payables	1,169	1,738	4,197	5,227	6,124
Others	557	924	924	924	924
Non-current liabilities	60	192	191	192	193
Borrowings	-	19	18	19	20
Others	60	173	173	173	173
Total liabilities	1,787	2,882	5,339	6,370	7,268
Equity to shareholders	5,422	6,191	7,060	8,106	9,318
Non-controlling interests	88	315	622	991	1,419
Total Equity	5,510	6,506	7,682	9,096	10,737

Source: Company data, CMBIS estimates

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