

Greentown Management (9979 HK)

FY23 results in-line: >30% NP and 100% pay-out

Greentown Management delivered +31% YoY growth in net profit in FY23 and offered a special dividend for the second time that maintained the pay-out ratio at 100%, representing 8% div. yield. We think company's capability of timely business restructuring supported its consistent delivery of strong performance among sluggish property market, which deserves a valuation premium. Maintain BUY with TP at HK\$ 9.37, reflecting 13x 2024E PE.

- **NP +31% YoY, maintained 100% div. pay-out.** Company reported attributable NP of RMB 974mn in FY23, +31% YoY, in-line with our forecast given its effective operational cost control resulted in a decrease in [SG&A fee as % of revenue \(excl. D&A\)](#) (16% in FY23 vs. 20% in FY22) and lower effective tax rate (17% in FY23 vs. 20% in FY22) as more subsidiaries obtained "high-tech enterprise certification" that subjected to lower tax rate. [GP margin](#) was stable at 52% with that for commercial PJM decreased 2ppt to 52% as services scope was expanded for certain projects which requires assistance from third parties. GP margin for government PJM improved 4ppt to 45% due to optimized staff evaluation mechanism. Investors felt comforting about the special dividend that maintained a 100% pay-out ratio amid the lacklustre market.
- **Guided industry-leading growth in next three years.** Company guided +20% and +25% CAGR for revenue and NP in next three years, which may outperform most companies in broader property market. We are positive on company's ability to achieve this target as 1) +20% CAGR for revenue equals to c.RMB15bn revenue in total for [FY24-26E](#), while company currently has billable contract value of RMB 25bn which does not include a new increase of c.RMB10bn each year. The dividend pay-out ratio was guided at 80%.
- **Remarkable adaptability deserves attention.** Company once again kept its good record on target completion despite the bleak property market condition. We think the company's agility in adjusting business structure played a crucial role. Company stepped into PJM for FIs and LGFVs in FY22 since demand from SMDs decreased, and it further increased its effort in "home delivery guarantee" in FY23 to align with policy directives. As residential market is contracting, company also expanded business to non-residential project which accounted for 15% of its new contract in FY23.
- **Maintain BUY with TP at HK\$9.37.** We like company by its asset-light model, high cash flow and high dividend yield (8% as of last trading day) as well as repeatedly validated target achievement capability. Our new TP of HK\$ 9.37 reflecting 13x 2024E PE. **Risks:** property sales drop, LGFV default.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,656	3,302	4,048	4,788	5,609
YoY growth (%)	18.4	24.3	22.6	18.3	17.2
Net profit (RMB mn)	744.5	973.6	1,250.9	1,582.0	1,897.3
EPS (Reported) (RMB)	0.38	0.50	0.64	0.81	0.97
YoY growth (%)	30.7	29.4	28.5	26.5	19.9
Consensus EPS (RMB)	na	na	0.61	0.75	0.91
P/E (x)	13.5	11.6	9.0	7.1	5.9
P/B (x)	2.7	2.8	3.0	2.8	2.6
Yield (%)	7.3	8.7	8.9	11.3	13.5
ROE (%)	21.0	25.2	32.2	40.4	45.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$9.37**
 (Previous TP) HK\$9.67
Up/Downside **51.3%**
Current Price **HK\$6.19**
China Project Management

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Stock Data
 Mkt Cap (HK\$ mn) 619.0
 Avg 3 mths t/o (HK\$ mn) 10.9
 52w High/Low (HK\$) 7.91/4.38
 Total Issued Shares (mn) 100.0
 Source: FactSet

Shareholding Structure
 Greentown China Holdings Ltd 71.3%
 SUPOR Industrial capital 2.9%
 Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.5%	21.3%
3-mth	13.6%	12.5%
6-mth	7.1%	17.2%

Source: FactSet



Source: FactSet

Figure 1: FY23 results summary

RMB mn	2022	2023	YoY	vs. CMBI Est.
Revenue	2,656	3,302	24.3%	-1.9%
Commercial PJM	1,669	2,346	40.5%	11.9%
Government PJM	781	788	1.0%	-25.4%
Other services	206	168	-18.4%	-20.8%
Gross profit	1,389	1,722	24.0%	0.8%
Net profit	745	974	30.8%	1.1%
EPS (RMB)	0.38	0.50	29.4%	0.0%
DPS (RMB)	0.38	0.50	31.6%	25.7%
Dividend payout ratio	100%	100%	-	-
GP Margin	52.3%	52.2%	-0.1 ppt	1 ppt
GP Margin - Commercial	53.8%	52.3%	-1 ppt	0 ppt
GP Margin - Government	40.8%	45.2%	4.4 ppt	3 ppt
GP Margin - Other services	84.0%	82.2%	-1.8 ppt	0 ppt
Net Margin	28.0%	29.5%	1 ppt	1 ppt
New contract GFA (mn sqm)	28.2	35.3	25.0%	
New contract Value (RMB bn)	8.6	10.4	20.4%	

Source: Company data, CMBIGM

Figure 2: 2H23 results summary

RMB mn	1H22	1H23	YoY	2H22	2H23	YoY	HoH
Revenue	1,259	1,549	23.1%	1,397	1,753	25.5%	13.2%
Commercial PJM	765	1,065	39.2%	905	1,281	41.6%	20.3%
Government PJM	381	395	3.6%	400	393	-1.6%	-0.5%
Other services	112	89	-20.9%	93	79	-15.5%	-11.6%
Gross profit	635	806	27.0%	754	806	6.9%	0.0%
Net profit	361	474	31.3%	384	474	23.4%	0.0%
EPS (RMB)	0.19	0.24	30.1%	0.20	0.26	28.9%	5.4%
DPS (RMB)							
Dividend payout ratio							
GP Margin	50.4%	52.0%	1.6 ppt	53.9%	46.0%	-8.0 ppt	-0.1 ppt
GP Margin - Commercial	49.7%	51.5%	1.8 ppt	57.3%	53.0%	-4 ppt	0 ppt
GP Margin - Government	42.2%	44.8%	2.6 ppt	39.5%	45.6%	6.1 ppt	0.0 ppt
GP Margin - Other services	83.6%	90.7%	7.1 ppt	84.5%	72.6%	-11.9 ppt	-0.2 ppt
Net Margin	29%	31%	1.9 ppt	27%	27%	0 ppt	0 ppt
New contract GFA (mn sqm)	13.2	17.3	31%	15.0	18.0	20%	4%
New contract Value (RMB bn)	4.1	5.1	26%	4.6	5.3	15%	3%

Source: Company data, CMBIGM

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	4,048	4,788	5,609	4,288	5,458	n.a.	-6%	-12%	n.a.
Gross Profit	2,080	2,457	2,857	2,156	2,722	n.a.	-4%	-10%	n.a.
Operating Profit	1,284	1,655	2,006	1,283	1,626	n.a.	0%	2%	n.a.
Net profit	1,251	1,582	1,897	1,214	1,494	n.a.	3%	6%	n.a.
EPS (RMB)	0.64	0.81	0.97	0.63	0.77	n.a.	2%	5%	n.a.
Gross Margin	51.4%	51.3%	50.9%	50.3%	49.9%	n.a.	1.1 ppt	1.4 ppt	n.a.
Operating Margin	31.7%	34.6%	35.8%	29.9%	29.8%	n.a.	1.8 ppt	4.8 ppt	n.a.
Net Margin	30.9%	33.0%	33.8%	28.3%	27.4%	n.a.	2.6 ppt	5.7 ppt	n.a.

Source: Company data, CMBIGM

Figure 4: Financial forecast – Greentown Mgmt.

Key drivers	2020	2021	2022	2023	2024E	2025E	2026E
New contract GFA (mn sqm)	19	23	28	35	42	49	57
YoY growth	17%	22%	24%	25%	18%	17%	16%
New contract value (RMB mn)	5,810	7,110	8,610	10,370	12,237	14,317	16,608
YoY growth	22%	22%	21%	20%	18%	17%	16%
Revenue (RMB mn)	1,813	2,243	2,656	3,302	4,048	4,788	5,609
YoY growth	-9%	24%	18%	24%	23%	18%	17%
Commercial	1,312	1,478	1,669	2,346	2,972	3,586	4,273
Government	310	572	781	788	900	1,017	1,143
Other service	191	194	206	168	176	185	194
Gross margin	48%	46%	52.3%	52.2%	51%	51%	51%
Commercial	44%	45%	54%	52%	52%	52%	52%
Government	45%	41%	41%	45%	44%	44%	44%
Other service	77%	74%	84%	82%	82%	82%	82%
Net profits	408	571	735	981	1,256	1,587	1,902
YoY growth	5%	40%	29%	33%	28%	26%	20%
Net profits to shareholders	429	565	745	974	1,251	1,582	1,897
YoY growth	26%	32%	32%	30.8%	28%	26%	20%
Net margin	22%	25%	28%	30%	31%	33%	34%

Source: Company data, CMBIGM

Figure 5: SG&A fee – Greentown Mgmt.

RMB mn	2020	2021	2022	2023
Total SG&A	378.9	470.8	608.8	619.0
as % of rev	20.9%	21.0%	22.9%	18.7%
SG&A excl. D&A and trademark license fee	341.0	445.8	531.6	534.8
as % of rev	18.8%	19.9%	20.0%	16.2%

Source: Company data, CMBIGM

Figure 6: New contract growth (Greentown Mgmt. vs. industry)

(mn sqm 百万方)	2017	2018	2019	2020	2021	2022	2023	LT target
Newly contracted GFA - 綠管新簽約面積	11	22	16	19	23	28	35	60
YoY growth - 同比增速		111%	-29%	17%	22%	24%	25%	
Market size - 代建行业新簽約面積	39	55	67	77	100	111	170	300
YoY growth - 同比增速		41%	23%	14%	30%	11%	53%	
Market share of Greentown Mgmt. - 綠管市場份額	27.4%	41.1%	23.8%	24.4%	22.9%	25.5%	20.8%	20%
National property sales - 全国商品房銷售面積	1,694	1,715	1,716	1,761	1,794	1,358	1,117	1,000
YoY growth - 同比增速		1%	0%	3%	2%	-24%	-18%	
Penetration rate - 代建行业滲透率	2.4%	3.2%	3.9%	4.8%	5.7%	8.2%	15.5%	30%

Source: Company data, CMBIGM

Figure 7: New contract breakdown

Newly contracted project breakdown - GFA (mn sqm)					
	FY22	3M23	1H23	9M23	FY23
Private property developers	6.6	2.4	3.5	4.6	8.9
Government	8.2	1.8	4.8	8.1	11.0
SOEs	10.5	2.3	6.0	10.9	11.8
Financial institutions	2.9	1.7	3.1	3.1	3.6
Total	28.2	8.2	17.3	26.7	35.3
%					
Private property developers	24%	29%	20%	17%	25%
Government	29%	22%	28%	30%	31%
SOEs	37%	28%	35%	41%	33%
Financial institutions	10%	21%	18%	12%	10%
Total	100%	100%	100%	100%	100%
Newly contracted project breakdown - Fee (RMB bn)					
	FY22	3M23	1H23	9M23	FY23
Private property developers	2.6	0.8	1.3	1.8	3.2
Government	1.0	0.2	0.5	0.8	1.0
SOEs	4.1	1.0	2.3	4.3	5.1
Financial institutions	1.0	0.5	1.1	1.1	1.2
Total	8.6	2.5	5.1	7.9	10.4
%					
Private property developers	30%	32%	25%	22%	31%
Government	11%	9%	10%	10%	9%
SOEs	47%	39%	45%	54%	49%
Financial institutions	12%	21%	21%	14%	11%
Total	100%	100%	100%	100%	100%
New contract ASP (RMB/sq.m)					
	FY22	3M23	1H23	9M23	FY23
Private property developers	385.5	327.8	366.0	381.0	356.9
Government	119.2	116.0	102.9	98.8	87.2
SOEs	390.1	421.1	385.3	393.2	432.3
Financial institutions	346.2	296.5	347.4	347.4	321.3
Total	305.1	300.5	296.9	296.5	294.2

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	2,243	2,656	3,302	4,048	4,788	5,609
Cost of goods sold	(1,203)	(1,267)	(1,580)	(1,968)	(2,331)	(2,753)
Gross profit	1,041	1,389	1,722	2,080	2,457	2,857
Operating expenses	(471)	(609)	(619)	(736)	(751)	(820)
Selling expense	(93)	(120)	(105)	(130)	(153)	(179)
Admin expense	(378)	(489)	(515)	(606)	(598)	(641)
Operating profit	42	(14)	(76)	(17)	(7)	13
Other income	(10)	(73)	(119)	(60)	(50)	(30)
Other expense	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	52	58	43	43	43	43
Interest income	116	166	156	191	219	247
Interest expense	(6)	(7)	(5)	(5)	(5)	(5)
Net Interest income/(expense)	110	159	150	186	214	242
Pre-tax profit	722	925	1,177	1,513	1,912	2,292
Income tax	(152)	(189)	(197)	(257)	(325)	(390)
After tax profit	571	735	981	1,256	1,587	1,902
Minority interest	(5)	9	(7)	(5)	(5)	(5)
Discontinued operations	0	0	0	0	0	0
Net profit	565	745	974	1,251	1,582	1,897
Core net profit	565	745	974	1,251	1,582	1,897

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	3,701	3,858	4,440	5,218	5,907	6,692
Cash & equivalents	2,138	1,933	2,044	2,328	2,620	3,046
Restricted cash	13	153	165	165	165	165
Account receivables	749	824	824	1,010	1,195	1,399
Inventories	0	0	0	0	0	0
Financial assets at FVTPL	80	75	41	41	41	41
Other current assets	240	298	474	582	688	806
Contract assets	482	574	891	1,092	1,197	1,234
Non-current assets	1,543	2,304	2,293	1,825	1,912	2,008
PP&E	102	109	111	(29)	14	65
Right-of-use assets	17	19	11	(3)	1	6
Deferred income tax	18	28	46	66	86	106
Investment in JVs & assos	244	317	364	364	364	364
Intangibles	0	412	354	0	0	0
Goodwill	769	982	982	982	982	982
Financial assets at FVTPL	101	67	57	57	57	57
Other non-current assets	292	370	369	389	409	429
Total assets	5,244	6,161	6,733	7,043	7,818	8,700
Current liabilities	1,844	2,087	2,420	2,941	3,434	4,001
Short-term borrowings	0	0	0	0	0	0
Account payables	943	1,173	1,257	1,566	1,855	2,190
Tax payable	265	252	256	256	256	256
Other current liabilities	246	221	395	492	583	689
Lease liabilities	5	8	4	4	4	4
Contract liabilities	385	433	508	622	736	862
Non-current liabilities	29	201	179	179	179	179
Obligations under finance leases	10	9	3	3	3	3
Deferred income	19	103	53	53	53	53
Other non-current liabilities	0	89	122	122	122	122
Total liabilities	1,872	2,288	2,599	3,120	3,613	4,180
Share capital	16	17	17	17	17	17
Retained earnings	1,534	1,717	1,835	2,085	2,402	2,781
Other reserves	1,791	2,006	2,144	1,679	1,639	1,570
Total shareholders equity	3,341	3,739	3,996	3,781	4,058	4,367
Minority interest	30	134	138	143	148	153
Total equity and liabilities	5,244	6,161	6,733	7,043	7,818	8,700

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	571	735	981	1,256	1,587	1,902
Depreciation & amortization	25	77	84	80	24	24
Tax paid	(119)	(184)	(242)	(257)	(325)	(390)
Change in working capital	57	(82)	(160)	26	97	207
Others	33	178	201	88	118	134
Net cash from operations	566	725	863	1,193	1,501	1,877
Investing						
Capital expenditure	(21)	(29)	(21)	(27)	(74)	(85)
Acquisition of subsidiaries/ investments	(86)	(34)	(47)	0	0	0
Net proceeds from disposal of short-term investments	(69)	11	34	0	0	0
Others	(321)	(479)	134	291	137	156
Net cash from investing	(497)	(530)	100	264	63	71
Financing						
Dividend paid	(333)	(388)	(1,005)	(1,001)	(1,266)	(1,518)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	10	(12)	(15)	(5)	(5)	(5)
Net cash from financing	(322)	(400)	(1,020)	(1,006)	(1,271)	(1,523)
Net change in cash						
Cash at the beginning of the year	2,397	2,138	1,933	1,876	2,328	2,620
Exchange difference	(6)	1	0	0	0	0
Cash at the end of the year	2,138	1,933	1,876	2,328	2,620	3,046
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	23.7%	18.4%	24.3%	22.6%	18.3%	17.2%
Gross profit	20.2%	33.4%	24.0%	20.8%	18.1%	16.3%
Net profit	28.7%	31.7%	30.8%	28.5%	26.5%	19.9%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	46.4%	52.3%	52.2%	51.4%	51.3%	50.9%
Operating margin	1.9%	(0.5%)	(2.3%)	(0.4%)	(0.1%)	0.2%
Return on equity (ROE)	17.6%	21.0%	25.2%	32.2%	40.4%	45.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.0	1.8	1.8	1.8	1.7	1.7
Receivable turnover days	121.9	113.2	91.1	91.1	91.1	91.1
Payable turnover days	286.3	337.9	290.4	290.4	290.4	290.4
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	11.4	13.5	11.6	9.0	7.1	5.9
P/E (diluted)	11.4	13.5	11.6	9.0	7.1	5.9
P/B	1.9	2.7	2.8	3.0	2.8	2.6
Div yield (%)	6.0	7.3	8.7	8.9	11.3	13.5

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

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