

Binjiang Service (3316 HK)

Solid 1H24 with balanced sources of growth, maintain BUY

Binjiang Services reported solid 1H24 results with revenue/NP grew 39%/15% YoY. GP margin (GPM) narrowed 1.2ppts since furnishing services with lower margin accounted for higher proportion in revenue. Tax rate hiked 6ppts due to provision for withholding tax. We think the Company has balanced sources to support GFA growth which is healthier than peers amid the challenging environment. We maintain BUY with TP trimmed by 4% to HK\$32.94, representing 15x 2024E P/E.

Solid results in 1H24. Revenue grew 39% YoY to RMB1.65bn buoyed by 1) reliable performance of basic PM that grew 26% YoY, 2) strong output in Owner VAS segment that rose 159% YoY given that furnishing services sustained high growth momentum. VAS to developers contracted 10% YoY given less property development business from parentco. GPM narrowed by 1.2ppts to 25.6% since furnishing services with lower margin took a larger proportion in revenue. Tax rate hiked 6ppts to 30.5% due to the provision of withholding tax, which led to a 3.3ppt contraction in NP margin, representing a 15% YoY increase in NP. The Company highlighted that the sustainability of the growth of furnishing services is secured by RMB 1.27bn of contract liabilities. We think this will bring continued pressure on margins.

- Balanced sources foster healthy GFA growth.** Managed-GFA expanded 30% YoY in 1H24. Of the net increase, 35% came from parentco. and 65% from third parties. The net increase of GFA from parentco. grew 13% YoY, while that from third parties grew 29% YoY, collectively driving a 23% YoY rise in total net increase of managed GFA. The Company sustained stable growth from both sources, avoiding over-reliance amid challenging environment (reduction of development scale and intensifying completion of third party projects), which we view as a healthy expansion strategy. The Company expects to deliver 20-30% growth in managed-GFA in 2024E.
- Growth of receivables in normal range.** Total receivables increased 44% YoY, slightly outpacing revenue growth of 38%. Given the seasonal nature of PM fee collections, the rate is considered normal.
- Valuation.** We lowered our forecasts on NP by 7-13% in 2024-25E to reflect challenging environment and intensifying competition in third party expansion. Combined with adjustment of FX rate applied, our TP was lowered by 4% to HK\$32.94, representing 15x 2024E P/E. We maintain BUY rating given the Company's balanced sources of growth. Risks: AR impairment, and slower-than-expected GFA expansion.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	1,983	2,809	3,485	4,140	4,916
YoY growth (%)	41.7	41.7	24.1	18.8	18.7
Net profit (RMB mn)	412.0	492.5	558.4	654.5	763.4
EPS (Reported) (RMB)	1.49	1.78	2.02	2.37	2.76
YoY growth (%)	28.0	19.6	13.4	17.2	16.6
Consensus EPS (RMB)	N/A	N/A	2.05	2.38	2.75
P/E (x)	10.4	8.7	7.7	6.6	5.6
P/B (x)	3.4	2.9	2.6	2.4	2.1
Yield (%)	5.8	8.0	7.7	9.1	10.6
ROE (%)	37.7	36.0	35.7	37.9	39.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$32.94
(Previous TP)	HK\$34.33)
Up/Downside	93.7%
Current Price	HK\$17.00

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Stock Data

Mkt Cap (HK\$ mn)	4,698.9
Avg 3 mths t/o (HK\$ mn)	1.8
52w High/Low (HK\$)	20.95/14.36
Total Issued Shares (mn)	276.4

Source: FactSet

Shareholding Structure

GREAT DRAGON VENTURES LTD	45.9%
HAOYU VENTURES LTD	12.9%

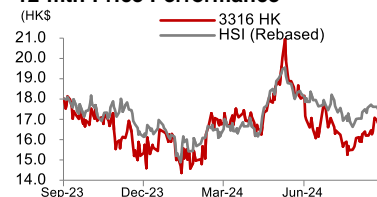
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	5.7%	5.1%
3-mth	-5.7%	0.8%
6-mth	1.4%	-3.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Results summary

RMB mn	1H23	2H23	1H24	YoY	HoH
Revenue	1,190	1,619	1,650	38.7%	1.9%
- Property management services	719	831	905	25.9%	9.0%
- VAS to non-owners	279	301	251	-10.3%	-16.8%
- 5S VAS	191	487	494	158.5%	1.5%
Gross profit	318	378	422	32.6%	N/A
Net profit	231	262	265	14.9%	1.4%
EPS (RMB)	0.84	0.95	0.96	14.9%	1.4%
DPS (RMB)	-	-	0.58		
Dividend payout ratio	-	-	60%		
GP Margin	26.7%	23.3%	25.6%	-1.2 ppt	2.2 ppt
- Property management services	19.2%	17.6%	19.7%	0.5 ppt	2.1 ppt
- VAS to non-owners	40.5%	26.3%	43.0%	2.5 ppt	16.7 ppt
- 5S VAS	34.8%	31.3%	27.4%	-7.4 ppt	-3.9 ppt
Effective tax rate	-24.5%	-21.4%	-30.5%	-6.0 ppt	-9.0 ppt
Net Margin	19.4%	16.2%	16.1%	-3.3 ppt	-0.1 ppt
	1H23	FY23	1H24		
Contracted GFA (mn sq m)	74.2	82.2	90.0	21%	9%
Managed GFA (mn sq m)	48.7	54.8	63.1	30%	15%
from Binjiang group	21.4	23.9	26.7	25%	12%
from Third parties	27.3	31.0	36.4	33%	17%
By property type					
Residential PM	39	45	52	32%	15%
Non-residential PM	10	10	12	21%	18%
Account receivables & contract assets	545	568	784	44%	38%
Cash & Time deposits	3,098	3,145	2,915	-6%	-7%

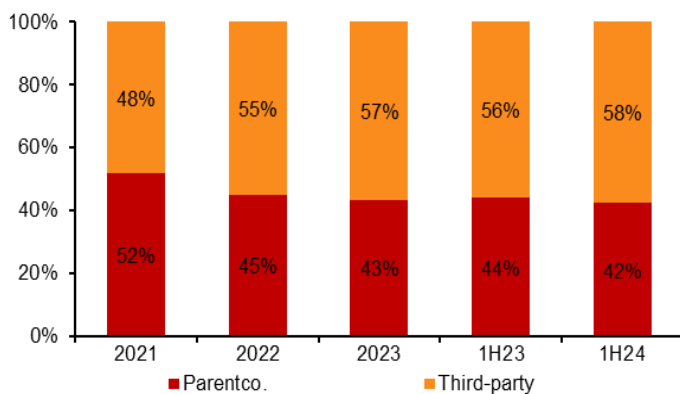
Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,485	4,140	4,916	3,621	3,690	N/A	-4%	12%	N/A
Gross profit	819	907	1,058	958	1,042	N/A	-15%	-13%	N/A
Operating profit	677	795	930	823	907	N/A	-18%	-12%	N/A
Net profit	558	655	763	642	702	N/A	-13%	-7%	N/A
EPS (RMB)	2.02	2.37	2.76	2.32	2.54	N/A	-13%	-7%	N/A
Gross margin	23.5%	21.9%	21.5%	26.5%	28.2%	N/A	-3ppts	-6.3ppts	N/A
Operating margin	19.4%	19.2%	18.9%	22.7%	24.6%	N/A	-3.3ppts	-5.4ppts	N/A
Net margin	16.0%	15.8%	15.5%	17.7%	19.0%	N/A	-1.7ppts	-3.2ppts	N/A

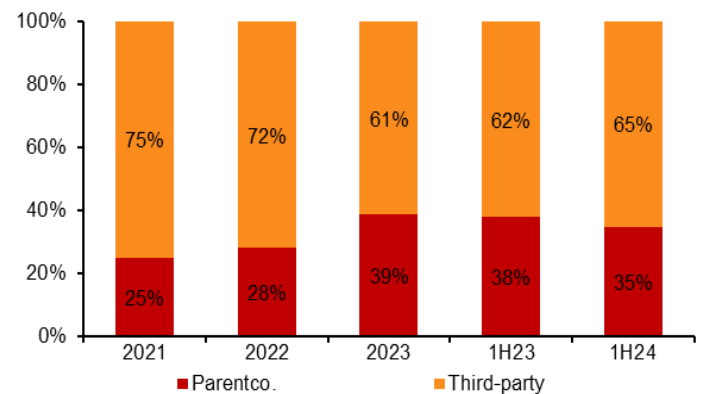
Source: Company data, CMBIGM estimates

Figure 3: Managed-GFA breakdown



Source: Company data, CMBIGM

Figure 4: New increase of managed-GFA breakdown



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)	(USD mn)	24E	25E	26E	24E	25E	26E	23A	23A	24E
CR MixC	1209.HK	24.05	7,041	13.9 x	11.8 x	10.1 x	22.5	18.0	16.7	99%	5.8%	4.6%
Onewo	2602.HK	18.24	2,741	10.2 x	8.9 x	7.9 x	(2.0)	13.9	13.3	66%	6.6%	7.4%
COPH	2669.HK	4.84	2,039	9.1 x	7.9 x	6.8 x	18.1	16.2	14.6	31%	2.9%	3.4%
Country Garden Services	6098.HK	4.30	1,844	7.6 x	6.1 x	5.7 x	NA	24.9	6.7	NA	7.5%	7.3%
Poly Services	6049.HK	25.35	1,799	8.4 x	7.6 x	7.0 x	10.7	10.5	8.4	40%	4.3%	4.7%
Greentown Services	2869.HK	3.52	1,428	14.2 x	11.9 x	10.1 x	19.7	19.7	17.4	70%	4.2%	4.9%
China Merchant PO	001914.SZ	8.48	1,267	10.8 x	9.4 x	8.2 x	13.7	14.3	14.2	24%	2.0%	2.5%
Greentown Management	9979.HK	3.16	815	5.6 x	5.2 x	4.8 x	3.0	8.8	8.1	80%	17.2%	14.1%
Jinke Services	9666.HK	9.00	713	12.5 x	10.8 x	9.1 x	n.a.	16.0	18.5	NA	0.0%	4.3%
Binjiang Services	3316.HK	17.00	603	7.7 x	6.6 x	5.6 x	13.4	17.2	16.6	60%	8.0%	7.7%
Yuexiu Services	6626.HK	3.07	598	7.5 x	6.4 x	5.5 x	16.7	17.1	15.7	50%	5.7%	6.6%
C&D PM	2156.HK	2.42	437	5.9 x	4.8 x	4.0 x	13.5	22.1	19.2	67%	10.7%	NA
Ever Sunshine	1995.HK	1.77	392	5.8 x	5.3 x	0.0 x	10.7	10.2	NA	50%	7.7%	11.8%
S-Enjoy	1755.HK	3.00	335	4.7 x	4.4 x	4.1 x	12.8	8.2	7.4	39%	7.5%	NA
Jinmao Services	0816.HK	2.40	278	4.9 x	4.5 x	4.2 x	18.5	10.1	7.2	40%	7.0%	8.0%
Powerlong Commercial	9909.HK	2.57	212	3.8 x	3.7 x	0.0 x	(12.6)	4.0	NA	19%	5.8%	7.7%
Central China New Life	9983.HK	1.18	197	3.3 x	3.0 x	2.7 x	NA	10.4	10.3	NA	27.8%	15.2%
Excellence CM	6989.HK	1.21	189	4.1 x	3.7 x	3.4 x	7.0	11.7	9.1	69%	15.7%	NA
New Hope Services	3658.HK	1.67	174	5.3 x	4.7 x	4.2 x	9.4	11.9	11.7	60%	10.4%	11.3%
E-star CM	6668.HK	1.12	146	6.1 x	5.6 x	5.1 x	(0.4)	8.6	10.7	70%	11.6%	11.8%
Average				10.6 x	8.8 x	7.6 x	8.4	20.6	13.5	58%	6.6%	5.7%

Source: Company data, Wind, CMBIGM estimates

Note: Data as of 9 Sep

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,399	1,983	2,809	3,485	4,140	4,916
Cost of goods sold	(949)	(1,390)	(2,113)	(2,667)	(3,234)	(3,858)
Others	0	0	0	0	0	0
Gross profit	450	592	696	819	907	1,058
Operating expenses	(60)	(76)	(119)	(141)	(111)	(129)
Selling expense	(4)	(8)	(18)	(23)	25	29
Admin expense	(54)	(62)	(76)	(101)	(116)	(133)
Operating profit	390	516	577	677	795	930
Other income	10	15	11	4	4	4
Other expense	(12)	(21)	(35)	(22)	(24)	(29)
Net interest income/(expense)	32	42	67	81	94	108
Other income/expense	1	3	8	1	1	1
Pre-tax profit	423	561	653	760	890	1,039
Income tax	(98)	(142)	(150)	(190)	(223)	(260)
After tax profit	325	419	503	570	668	779
Minority interest	3	7	10	11	13	16
Net profit	322	412	493	558	655	763
Net dividends	106	247	345	391	458	534
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	1,482	2,640	2,605	3,324	4,063	4,922
Cash & equivalents	906	1,950	1,455	1,974	2,515	3,144
Restricted cash	57	58	58	58	58	58
Account receivables	173	343	545	677	804	954
Inventories	79	147	245	309	375	447
ST bank deposits	243	132	279	279	279	279
Financial assets at FVTPL	24	0	0	0	0	0
Contract assets	0	9	22	28	33	39
Non-current assets	202	354	1,446	1,466	1,481	1,493
PP&E	20	27	43	63	78	90
Deferred income tax	19	26	34	34	34	34
Investment in JVs & assos	6	9	14	14	14	14
Other non-current assets	157	292	1,354	1,354	1,354	1,354
Total assets	1,685	2,994	4,051	4,790	5,544	6,414
Current liabilities	711	1,681	2,492	3,088	3,678	4,358
Short-term borrowings	0	0	0	0	0	0
Account payables	496	672	847	1,069	1,296	1,547
Other current liabilities	70	101	86	86	86	86
Lease liabilities	2	0	2	2	2	2
Contract liabilities	144	907	1,556	1,930	2,293	2,723
Non-current liabilities	0	27	22	22	22	22
Deferred income	0	27	20	20	20	20
Other non-current liabilities	0	0	2	2	2	2
Total liabilities	711	1,708	2,513	3,109	3,700	4,380
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0
Other reserves	941	1,246	1,488	1,638	1,816	2,022
Total shareholders equity	942	1,246	1,488	1,639	1,816	2,022
Minority interest	32	40	53	42	28	13
Total equity and liabilities	1,685	2,994	4,055	4,790	5,544	6,414

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	423	561	653	760	890	1,039
Depreciation & amortization	6	8	14	20	25	28
Tax paid	(96)	(91)	(179)	(190)	(223)	(260)
Change in working capital	(69)	670	484	401	397	457
Others	(22)	(25)	(43)	(61)	(71)	(80)
Net cash from operations	242	1,123	928	930	1,019	1,184
Investing						
Capital expenditure	(13)	(22)	(25)	(20)	(20)	(20)
Acquisition of subsidiaries/ investments	(0)	(1)	(0)	0	0	0
Net proceeds from disposal of short-term investments	432	372	130	0	0	0
Others	(354)	(318)	(1,277)	0	0	0
Net cash from investing	66	32	(1,173)	(20)	(20)	(20)
Financing						
Dividend paid	(219)	(111)	(259)	(391)	(458)	(534)
Proceeds from share issues	13	2	7	0	0	0
Others	(2)	(2)	(3)	0	0	0
Net cash from financing	(208)	(111)	(256)	(391)	(458)	(534)
Net change in cash						
Cash at the beginning of the year	805	906	1,950	1,455	1,974	2,515
Exchange difference	1	1	1	0	0	0
Cash at the end of the year	906	1,950	1,450	1,974	2,515	3,144
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	45.7%	41.7%	41.7%	24.1%	18.8%	18.7%
Gross profit	51.2%	31.7%	17.5%	17.6%	10.7%	16.7%
Operating profit	54.1%	32.3%	11.9%	17.3%	17.4%	16.9%
Net profit	46.6%	28.0%	19.6%	13.4%	17.2%	16.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	32.1%	29.9%	24.8%	23.5%	21.9%	21.5%
Operating margin	27.9%	26.0%	20.6%	19.4%	19.2%	18.9%
Return on equity (ROE)	36.1%	37.7%	36.0%	35.7%	37.9%	39.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.1	1.6	1.0	1.1	1.1	1.1
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	13.3	10.4	8.7	7.7	6.6	5.6
P/B	4.6	3.4	2.9	2.6	2.4	2.1
Div yield (%)	4.5	5.8	8.0	7.7	9.1	10.6

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

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