

Greentown Management (9979 HK)

Weakening demand + intensifying competition, what is next?

Greentown Mgmt's stock price plunged 32% post-1H24 earnings, partly due to the uncertainty on strategy execution among investors following the resignation of former CEO Mr. Li Jun. More importantly, the pullback was due to [revenue/net profit](#) deceleration (8%/6% YoY vs. guidance of 20%/30%), constrained by declining client payment capacity and heightened competition. A 19% YoY drop in [new contract value](#) reflects **1)** reduced land supply, **2)** slow sales recovery which dampened clients' confidence in development, and **3)** insufficient funds to start projects. We see low visibility of quick recovery of property sales in the near term and revise down our 2024-26E revenue expectations by 17-27% to YoY growth of 5%/9%/7%, and profit forecasts by 20-38% to YoY growth of 3%/9%/8%. However, we believe the long-term demand for PJM remains intact, given the recovery of property sales. We maintain our BUY rating with TP cut by 41% to HK\$5.56, representing 10x 2024E P/E. Risk: account receivable impairment.

■ **Revenue dragged by government PJM.** In 1H24, revenue increased by 8% YoY to RMB17.6bn (below the 20% target). Contract assets rose 25% YoY to RMB12bn, reflecting delays of landowner payment. Government PJM revenues declined 16% YoY, as economic weakness slowed investments and reduced payment capacity of government. Commercial PJM revenues grew 23% YoY, mainly due to the support from revenue linked to property sales, with contract sales up 14% YoY to RMB41.1bn in 1H24, significantly outperforming peers (NBS property sales -25% YoY, TOP 100 developers -41% YoY). Construction progress-related revenues potentially declined, as developers' construction pace slowed in the current challenging environment.

■ **Weakening demand + intensifying competition.** [New contract value](#) declined by 18% YoY to RMB419mn in 1H24, with SOEs/Fis/Gov./POEs down -25%/-17%/-12%/-9% YoY, respectively. Such decline was due to: **1)** SOEs: low start rates for project from LGFVs, **2)** financial institutions: less problematic defaulted projects have been taken over, with more complex ones left, **3)** government: less affordable housing construction needs given fiscal constraints and policy-driven inventory acquisitions, and **4)** privately owned enterprises (POE): reduced land acquisition and developer confidence. However, the decline was smaller for POEs, possibly benefiting from the company's integrated light and heavy asset strategy facilitating project flow. ASP of new contract signed in 1H24 fell sharply by 19% to RMB240/sqm, indicating intensified competition. This is corroborated by a 0.5ppt YoY decrease in gross margin, with ongoing pressure expected.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,656	3,302	3,475	3,800	4,070
YoY growth (%)	18.4	24.3	5.2	9.3	7.1
Net profit (RMB mn)	744.5	973.6	1,002.5	1,090.3	1,179.1
EPS (Reported) (RMB)	0.38	0.50	0.51	0.56	0.60
YoY growth (%)	30.7	29.4	3.0	8.8	8.1
Consensus EPS (RMB)	na	na	0.61	0.75	0.91
P/E (x)	6.5	5.0	4.9	4.5	4.1
P/B (x)	1.3	1.2	1.2	1.1	1.0
Yield (%)	15.2	20.0	16.4	17.9	19.3
ROE (%)	21.0	25.2	24.3	24.9	25.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.56
(Previous TP)	HK\$9.37)
Up/Downside	103.8%
Current Price	HK\$2.73

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Stock Data

Mkt Cap (HK\$ mn)	273.0
Avg 3 mths t/o (HK\$ mn)	30.5
52w High/Low (HK\$)	7.88/2.73
Total Issued Shares (mn)	100.0

Source: FactSet

Shareholding Structure

Greentown China Holdings Ltd	71.3%
SUPOR Industrial capital	2.9%

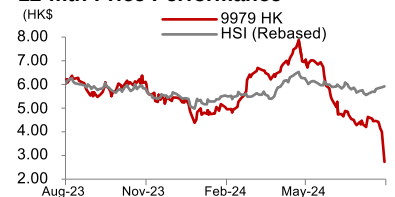
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-36.7%	-39.7%
3-mth	-60.7%	-58.6%
6-mth	-45.9%	-49.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **What is next:** Without a sales upswing in Sept & Oct to boost landowner confidence, 2H revenues and contract signings may be affected. In the long term, the demand for PJM services is sustainable, even though the pace may depend on recovery of property sales, given **1)** the substantial base of LGFVs projects, after grappling with land transfers and equity introductions, will ultimately opt for PJM services. **2)** PJM firms will continue to innovate, offering standalone services such as design, cost control, and sales management, complementing full-process PJM. The company has already tapped into the renovation of older residential areas and will expand further. **3)** Acting as a platform to integrate resources en masse is a key advantage, enabling the initiation of more underfunded projects and driving growth in PJM demand.
- **Valuation.** We revised down 2024-26E revenue by 17-27% to YoY growth of 5%/9%/7%, and net profit forecasts by 20-38% to YoY growth of 3%/9%/8%, to reflect the challenges mentioned above. While we think long-term demand for PJM remains, we maintain BUY rating with a TP cut of 41% to HK\$5.56, representing 10x 2024E P/E.

Figure 1: Results summary

RMB mn	1H23	1H24	YoY	HoH
Revenue	1,549	1,670	7.8%	-4.8%
Commercial PJM	1,065	1,308	22.9%	2.1%
Government PJM	395	332	-16.1%	-15.7%
Other Services	89	30	-66.7%	-62.4%
Gross profit	806	860	6.7%	-6.1%
Net profit	474	501	5.8%	0.2%
EPS (RMB) - Basic	0.24	0.26	5.3%	0.0%
EPS (RMB) - Diluted	0.24	0.25	5.7%	0.4%
GP Margin	52.0%	51.5%	-0.5 ppt	-0.7 ppt
Commercial PJM	51.5%	54.2%	2.7 ppt	1.2 ppt
Government PJM	44.8%	40.4%	-4.4 ppt	-5.2 ppt
Other Services	90.7%	59.3%	-31.4 ppt	-13.3 ppt
Net Margin	31%	30%	-0.6 ppt	1.5 ppt
New Contract GFA (mn sqm)	17.3	17.5	1.1%	-3.1%
New Contract Value (RMB bn)	5.1	4.2	-18%	-20.2%

Source: Company data, CMBIGM estimates

Figure 2: New contract breakdown

New contract GFA breakdown (mn sqm)	FY22	3M23	1H23	9M23	FY23	3M24	1H24
Private property developers	6.6	2.4	3.5	4.6	8.9	2.1	5.1
Government	8.2	1.8	4.8	8.1	11.0	3.4	5.4
SOEs	10.5	2.3	6.0	10.9	11.8	2.7	4.6
Financial institutions	2.9	1.7	3.1	3.1	3.6	1.0	2.3
Total	28.2	8.2	17.3	26.7	35.3	9.2	17.5
YoY							
Private property developers					34%	-14%	48%
Government					34%	88%	13%
SOEs					12%	19%	-22%
Financial institutions					24%	-44%	-24%
Total					25%	11%	1%
Mix %							
Private property developers	24%	29%	20%	17%	25%	23%	29%
Government	29%	22%	28%	30%	31%	37%	31%
SOEs	37%	28%	35%	41%	33%	30%	27%
Financial institutions	10%	21%	18%	12%	10%	10%	13%
Total	100%	100%	100%	100%	100%	100%	100%
New contract value breakdown (RMB bn)	FY22	3M23	1H23	9M23	FY23	3M24	1H24
Private property developers	2.6	0.8	1.3	1.8	3.2	0.8	1.2
Government	1.0	0.2	0.5	0.8	1.0	0.3	0.4
SOEs	4.1	1.0	2.3	4.3	5.1	1.1	1.7
Financial institutions	1.0	0.5	1.1	1.1	1.2	0.3	0.9
Total	8.6	2.5	5.1	7.9	10.4	2.5	4.2
YoY							
Private property developers					24%	-1%	-9%
Government					-2%	38%	-12%
SOEs					25%	18%	-25%
Financial institutions					16%	-43%	-17%
Total					21%	1%	-18%
Mix %							
Private property developers	30%	32%	25%	22%	31%	31%	27%
Government	11%	9%	10%	10%	9%	12%	10%
SOEs	47%	39%	45%	54%	49%	45%	41%
Financial institutions	12%	21%	21%	14%	11%	12%	21%
Total	100%	100%	100%	100%	100%	100%	100%
New contract ASP (RMB/sq.m)	FY22	3M23	1H23	9M23	FY23	3M24	1H24
Private property developers	385.5	327.8	366.0	381.0	356.9	376.8	223.7
Government	119.2	116.0	102.9	98.8	87.2	85.3	80.2
SOEs	390.1	421.1	385.3	393.2	432.3	415.4	371.5
Financial institutions	346.2	296.5	347.4	347.4	321.3	302.1	382.0
Total	305.1	300.5	296.9	296.5	294.2	272.1	240.0
YoY							
Private property developers					-7%	15%	-39%
Government					-27%	-26%	-22%
SOEs					11%	-1%	-4%
Financial institutions					-7%	2%	10%
Total					-4%	-9%	-19%

Source: Company data, CMBIGM estimates

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,475	3,800	4,070	4,048	4,788	5,609	-14%	-21%	-27%
Gross Profit	1,729	1,857	1,988	2,080	2,457	2,857	-17%	-24%	-30%
Operating Profit	1,036	1,133	1,231	1,284	1,655	2,006	-19%	-32%	-39%
Net profit	1,003	1,090	1,179	1,251	1,582	1,897	-20%	-31%	-38%
EPS (RMB)	0.51	0.56	0.60	0.64	0.81	0.97	-20%	-31%	-38%
Gross Margin	49.7%	48.9%	48.8%	51.4%	51.3%	50.9%	-1.6 ppt	-2.4 ppt	-2.1 ppt
Operating Margin	29.8%	29.8%	30.2%	31.7%	34.6%	35.8%	-1.9 ppt	-4.8 ppt	-5.5 ppt
Net Margin	28.8%	28.7%	29.0%	30.9%	33.0%	33.8%	-2.1 ppt	-4.3 ppt	-4.9 ppt

Source: Company data, CMBIGM estimates

Figure 4: 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	22.50	6,585	13.1 x	11.1 x	9.4 x	22.2	18.4	18.0	55%	3.4%	4.2%
Onewo	2602.HK	16.68	2,506	9.0 x	7.8 x	6.9 x	1.6	14.7	14.2	66%	7.2%	8.0%
Country Garden Services	6098.HK	4.24	1,818	7.5 x	6.0 x	5.6 x	NA	24.8	7.0	337%	7.6%	7.4%
Poly Services	6049.HK	25.10	1,781	8.1 x	7.2 x	6.4 x	13.0	12.4	12.3	40%	4.4%	4.7%
COPH	2669.HK	4.63	1,950	8.6 x	7.3 x	6.2 x	20.5	18.1	17.5	31%	3.0%	3.5%
China Merchant PO	001914.SZ	8.31	1,237	10.0 x	8.5 x	7.2 x	19.5	18.5	17.6	24%	2.0%	2.5%
Greentown n Services	2869.HK	3.62	1,468	14.1 x	11.8 x	10.2 x	22.8	18.8	16.3	72%	4.1%	4.3%
Greentown Management	9979.HK	2.73	704	5.0 x	4.9 x	4.5 x	3.0	8.8	8.1	100%	20.1%	16.4%
Sunac Services	1516.HK	1.76	690	7.8 x	6.8 x	5.9 x	NA	14.7	14.0	NA	22.3%	8.7%
Binjiang Services	3316.HK	16.26	576	7.1 x	6.1 x	5.2 x	17.0	17.7	16.4	70%	8.5%	8.5%
Yuxiu Services	6626.HK	3.05	594	7.4 x	6.4 x	5.5 x	16.7	17.1	15.7	50%	5.8%	6.6%
Jinke Services	9666.HK	7.75	614	10.8 x	9.3 x	7.8 x	NA	16.0	18.6	NA	0.0%	5.0%
C&D PM	2156.HK	2.53	457	6.1 x	5.0 x	4.2 x	13.5	22.1	19.2	67%	10.3%	NA
A-Living	3319.HK	2.64	481	5.6 x	2.9 x	2.5 x	32.6	94.8	16.1	26%	3.5%	4.4%
Ever Sunshine	1995.HK	1.52	337	5.0 x	4.5 x	0.0 x	10.7	10.4	NA	50%	9.0%	10.2%
S-Enjoy	1755.HK	2.91	325	4.6 x	4.3 x	4.0 x	12.8	8.2	7.4	39%	7.7%	NA
Jinmao Services	0816.HK	2.63	305	5.6 x	4.9 x	4.3 x	15.9	14.1	13.7	42%	6.5%	NA
Central China New Life	9983.HK	1.32	220	4.2 x	3.9 x	3.0 x	NA	9.7	26.9	NA	24.9%	13.5%
Pow erlong Commercial	9909.HK	2.60	214	3.2 x	3.0 x	0.0 x	5.1	8.2	NA	19%	5.8%	9.3%
Excellence CM	6989.HK	1.35	211	4.5 x	4.0 x	3.7 x	10.7	11.3	7.8	69%	14.1%	NA
New Hope Services	3658.HK	1.79	187	5.7 x	5.3 x	5.0 x	9.1	7.5	5.0	59%	9.7%	NA
E-star CM	6668.HK	1.13	147	5.7 x	5.1 x	4.5 x	7.4	11.2	12.9	70%	11.5%	11.6%
Average				9.6 x	8.2 x	7.0 x	14.2	18.4	14.8	71%	6.0%	5.4%

Source: Company data, Wind, CMBIGM estimates

Note: Data as of 27 Aug.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	2,243	2,656	3,302	3,475	3,800	4,070
Cost of goods sold	(1,203)	(1,267)	(1,580)	(1,747)	(1,943)	(2,082)
Gross profit	1,041	1,389	1,722	1,729	1,857	1,988
Operating expenses	(471)	(609)	(619)	(633)	(664)	(697)
Selling expense	(93)	(120)	(105)	(111)	(122)	(130)
Admin expense	(378)	(489)	(515)	(521)	(543)	(567)
Operating profit	42	(14)	(76)	(17)	(17)	(17)
Other income	(10)	(73)	(119)	(60)	(60)	(60)
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	140	149	158
Interest expense	(6)	(7)	(5)	(5)	(5)	(5)
Net Interest income/(expense)	110	159	150	135	144	153
Pre-tax profit	722	925	1,177	1,214	1,320	1,427
Income tax	(152)	(189)	(197)	(206)	(224)	(243)
After tax profit	571	735	981	1,008	1,095	1,184
Minority interest	(5)	9	(7)	(5)	(5)	(5)
Discontinued operations	0	0	0	0	0	0
Net profit	565	745	974	1,003	1,090	1,179
Core net profit	565	745	974	1,003	1,090	1,179

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	3,701	3,858	4,440	4,876	5,404	5,872
Cash & equivalents	2,138	1,933	2,044	2,365	2,754	3,170
Restricted cash	13	153	165	165	165	165
Account receivables	749	824	824	867	948	1,015
Inventories	0	0	0	0	0	0
Financial assets at FVTPL	80	75	41	41	41	41
Other current assets	240	298	474	499	546	585
Contract assets	482	574	891	937	950	895
Non-current assets	1,543	2,304	2,293	2,313	2,313	2,323
PP&E	102	109	111	111	106	104
Right-of-use assets	17	19	11	11	10	10
Deferred income tax	18	28	46	66	86	106
Investment in JVs & assos	244	317	364	364	364	364
Intangibles	0	412	354	354	339	332
Goodwill	769	982	982	982	982	982
Financial assets at FVTPL	101	67	57	57	57	57
Other non-current assets	292	370	369	369	369	369
Total assets	5,244	6,161	6,733	7,188	7,717	8,195
Current liabilities	1,844	2,087	2,420	2,621	2,876	3,063
Short-term borrowings	0	0	0	0	0	0
Account payables	943	1,173	1,257	1,390	1,546	1,657
Tax payable	265	252	256	256	256	256
Other current liabilities	246	221	395	437	486	521
Lease liabilities	5	8	4	4	4	4
Contract liabilities	385	433	508	534	584	626
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	2,800	3,055	3,242
Share capital	16	17	17	17	17	17
Retained earnings	1,534	1,717	1,835	2,036	2,254	2,490
Other reserves	1,791	2,006	2,144	2,193	2,244	2,293
Total shareholders equity	3,341	3,739	3,996	4,246	4,514	4,800
Minority interest	30	134	138	143	148	153
Total equity and liabilities	5,244	6,161	6,733	7,188	7,717	8,195

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	571	735	981	1,008	1,095	1,184
Depreciation & amortization	25	77	84	80	60	50
Tax paid	(119)	(184)	(249)	(206)	(224)	(243)
Change in working capital	57	(82)	(73)	86	115	135
Others	33	178	212	121	130	139
Net cash from operations	566	725	955	1,089	1,176	1,266
Investing						
Capital expenditure	(21)	(29)	(25)	(80)	(40)	(40)
Acquisition of subsidiaries/ investments	(86)	(34)	(23)	0	0	0
Net proceeds from disposal of short-term investments	(69)	11	6	0	0	0
Others	(321)	(479)	(21)	120	129	138
Net cash from investing	(497)	(530)	(61)	40	90	98
Financing						
Dividend paid	(333)	(388)	(749)	(802)	(872)	(943)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	10	(12)	(17)	(5)	(5)	(5)
Net cash from financing	(322)	(400)	(766)	(808)	(878)	(948)
Net change in cash						
Cash at the beginning of the year	2,397	2,138	1,933	2,044	2,365	2,754
Exchange difference	(6)	1	(16)	0	0	0
Cash at the end of the year	2,138	1,933	2,044	2,365	2,754	3,170

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

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OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
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