

Ever Sunshine (1995 HK)

10 folds in 5 years

During 2016-2019, revenue and net profit grew at CAGR of 57.6% to RMB1,878mn and 88.2% to RMB224mn, respectively. Ever Sunshine is confident about its future, driven not only by the parent company, but also by M&A, third parties and co-operation with independent regional property developers. The Company set its 5-year plan in 2018 to look for 10x growth from 2018 to 2023.

- **134mn shares top-up placing.** On 4 Jun 2020, the Company announced to place 134mn shares through top-up placing. Placing price is HK\$11.78, which is equivalent to 6.95% discount to previous closing price of HK\$12.66. Net proceeds amounted to HK\$1.56bn. Net proceeds will be used for future business development or investments and as general working capital. After the completion of placing and subscription of new shares, stake of Lin Family and CIFI Holdings will decrease to 36.6% and 19.8% from 39.8% and 21.5% before top-up placing, respectively.
- **Multi-wheel driven market development strategies.** CIFI Holdings (884 HK, NR) posted a 52% and 26% growth in contracted sales GFA in 2018 and 2019, respectively. This is an important asset for Ever Sunshine. As at Dec 2019, contracted GFA and GFA under management amounted to 110.6mn sq m and 65.2mn sq m, up 68.7% and 61.9% YoY, respectively. Robust growth of GFA is not only driven by the parent company, but also by M&A and third parties. In the past 12 months, the Company acquired major stake of three property companies. These acquisitions accelerated the growth path. Lastly, Ever Sunshine looks for co-operation with independent regional property developers. Through "5221" strategy, 50%/20%/20%/10% of future GFA will be acquired by third-parties/developer partners/CIFI/M&A.
- **RMB3bn cash on war chest.** After the completion of share placement, Ever Sunshine will own more than RMB3bn cash, which is about one-sixth of its market cap. We believe this not only helps its M&A plans, but also enhances its VAS business. In 2019, revenue from community VAS and non-property owners VAS grew by 144% to RMB483mn and 54% to RMB325mn, respectively. Ever Sunshine will invest further in technologies and intelligent operations to improve service quality and operational efficiency.
- **Maintain BUY.** We revise up our FY20/21E net profit forecast by 9.6%/20.6% to RMB357/535mn. 10x growth from 2018 to 2023, indicating the profit would achieve RMB1bn in 2023. We believe such goal is progressive and achievable given CIFI and its partners' continuous support on VAS to non-property owners as well as more M&A deals are expected to come. Current valuation has already reflected the Company's fast-growing perspective. But we view Ever Sunshine as a long-term growth story in a rising property management industry. Furthermore, the inclusion of HK Stock-connect and 1H20 results could be short-term catalysts. Thus, we raise our TP to HK\$14.00, based on 40x FY21 P/E, closed to valuation of Poly PM (6049 HK, BUY). Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,076	1,878	3,068	4,558	6,302
YoY growth (%)	48.3	74.5	63.4	48.6	38.3
Net income (RMB mn)	101	224	357	535	743
EPS (RMB)	0.09	0.15	0.22	0.32	0.45
YoY growth (%)	29.6	64.7	52.0	44.5	39.0
Consensus EPS (RMB)	N.A.	N.A.	0.24	0.36	0.53
P/E (x)	120.0	72.8	47.9	33.2	23.9
P/B (x)	18.1	26.5	6.9	6.0	5.1
Yield (%)	0.2	0.4	0.6	0.9	1.3
ROE (%)	11.2	19.5	11.4	15.3	18.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$14.00
(Previous TP)	HK\$10.20
Up/Downside	+18.6%
Current Price	HK\$11.80

China Property Service Sector

Chengyu Huang

(852) 3761 8773

huangchengyu@cmbi.com.hk

Samson Man, CFA

(852) 3900 0853

samsonman@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	18,130
Avg 3 mths t/o (HK\$ mn)	125.31
52w High/Low (HK\$)	13.3/3.14
Total Issued Shares (mn)	1,670

Source: Bloomberg

Shareholding Structure

Lin Family	31.1%
CIFI Holdings	21.5%
Free float	47.4%

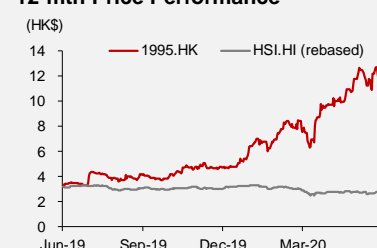
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.0%	-2.2%
3-mth	39.6%	47.4%
6-mth	147.9%	165.2%
12-mth	281.9%	315.7%

Source: Bloomberg

12-mth Price Performance

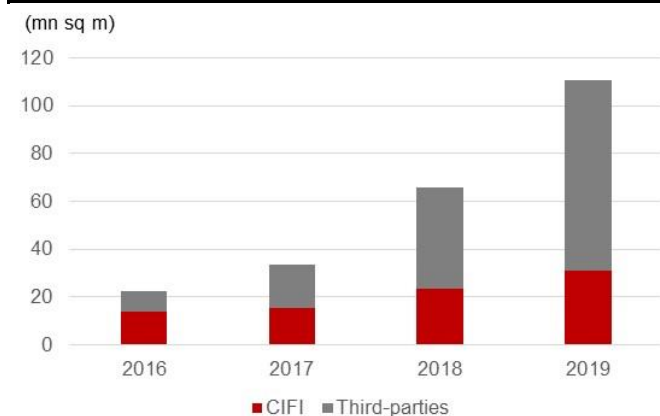


Source: Bloomberg

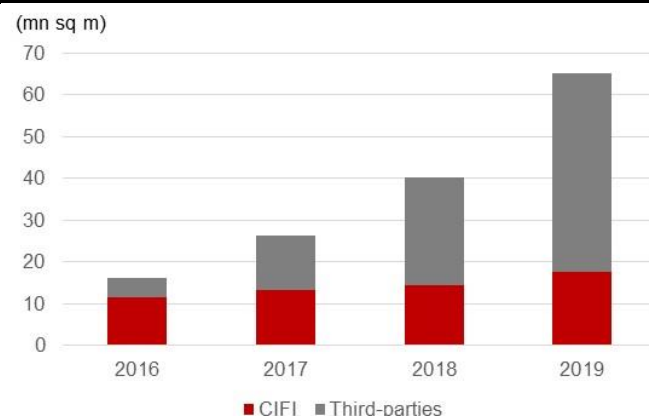
Auditor: BDO

Please cast your valuable vote for CMBIS research team in the 2020 Asiamoney Brokers Poll:

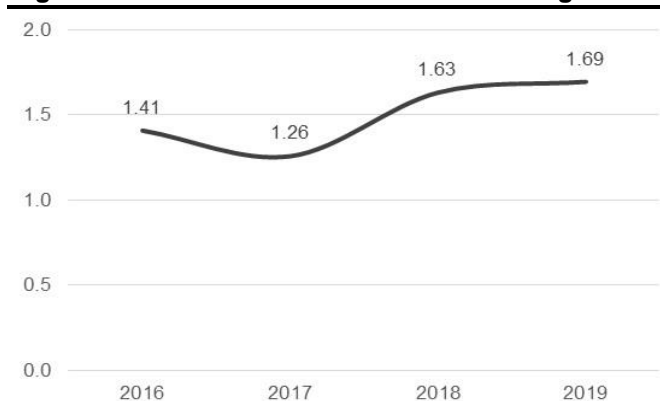
<https://euromoney.com/brokers>

Figure 1: Contracted GFA

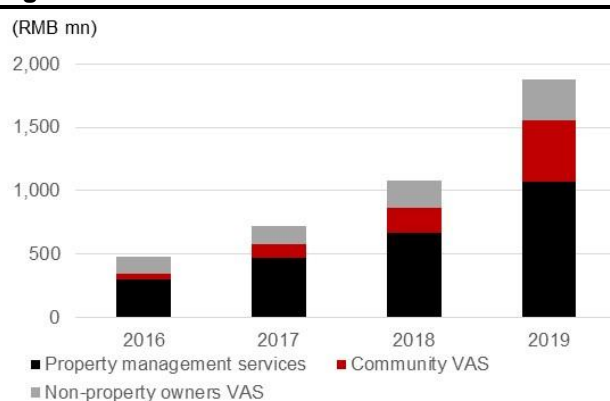
Source: Company data

Figure 2: GFA under management

Source: Company data

Figure 3: Contracted GFA/GFA under management

Source: Company data, CMBIS

Figure 4: Revenue

Source: Company data

Figure 5: Effect on shareholding structure

	Before shares placement		Immediately after the completion of the placing but before the completion of the subscription		Immediately after the completion of the placing and the subscription	
	No. of shares (mn)	% of total	No. of shares (mn)	% of total	No. of shares (mn)	% of total
The Vendor	440.00	28.64%	306.00	19.92%	440.00	26.34%
Best Legend	171.68	11.17%	171.68	11.17%	171.68	10.28%
CIFI Holdings	330.00	21.48%	330.00	21.48%	330.00	19.76%
The Placees	0.00	0.00%	134.00	8.72%	134.00	8.02%
Other shareholders	594.72	38.71%	594.72	38.71%	594.72	35.60%
Total	1,536.40	100.00%	1,536.40	100.00%	1,670.40	100.00%

Source: Company data, CMBIS

Figure 6: Earnings revision

RMB mn	New		Old		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	3,068	4,558	2,311	2,933	32.7%	55.4%
Gross Profit	890	1,337	741	956	20.0%	39.9%
EBIT	562	840	436	593	28.7%	41.7%
Net profit	357	535	326	443	9.6%	20.6%
EPS (RMB)	0.22	0.32	0.21	0.29	4.5%	11.0%
Gross Margin	29.0%	29.3%	32.1%	32.6%	-3.1 ppt	-3.3 ppt
EBIT Margin	18.3%	18.4%	18.9%	20.2%	-0.6 ppt	-1.8 ppt
Net Margin	11.6%	11.7%	14.1%	15.1%	-2.5 ppt	-3.4 ppt

Source: CMBIS estimates

Figure 7: Peer valuation

Company	Ticker	Share Price	Mkt Cap (mn, HK\$)	Mkt/NP			NP YoY		
		8/6/2020		20E	21E	22E	20E	21E	22E
CG SERVICES	6098 HK	36.80	101,330	41.2	30.0	22.5	32%	37%	33%
A-LIVING	3319 HK	41.50	55,333	28.9	22.2	17.6	40%	30%	26%
POLY PPT DEV	6049 HK	87.60	48,472	58.9	42.7	31.2	50%	38%	37%
GREENTOWN SER	2869 HK	10.22	30,126	42.3	32.5	25.9	34%	30%	25%
CHINA OVS PPT	2669 HK	8.20	26,952	38.1	29.7	23.9	34%	28%	24%
S-ENJOY SERVICE	1755 HK	19.86	16,247	35.1	24.5	18.1	47%	43%	36%
POWERLONG CM	9909 HK	16.54	10,280	33.2	22.9	16.4	56%	45%	40%
LANGUANGJUSTBON	2606 HK	56.30	10,027	15.1	11.3	8.4	38%	34%	35%
COLOUR LIFE	1778 HK	3.50	4,980	7.9	7.1	6.5	13%	11%	9%
TIMES NEIGHBOR	9928 HK	10.10	9,178	36.7	21.4	14.5	87%	72%	47%
AOYUAN HEALTHY	3662 HK	9.06	6,580	24.8	17.7	13.9	39%	40%	28%
KAISA PROSPER	2168 HK	37.65	5,271	20.6	14.8	10.6	38%	40%	39%
BINJIANG SER	3316 HK	12.66	3,499	19.5	15.0	12.1	27%	30%	24%
Average				31.0	22.5	17.0	41%	37%	31%
EVERSUNSHINE LS	1995 HK	11.80	18,130	45.5	30.4	21.9	60%	50%	39%

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Turnover	1,076	1,878	3,068	4,558	6,302
Property management	667	1,070	1,863	2,771	3,839
VAS to non-property owners	211	325	457	635	849
Community VAS	198	483	748	1,153	1,614
Cost of sales	(767)	(1,322)	(2,178)	(3,220)	(4,439)
Gross Profit	309	555	890	1,337	1,862
Other income	16	35	20	20	20
Administrative expenses	(187)	(247)	(307)	(456)	(630)
Other expenses	(1)	(3)	(2)	(3)	(4)
EBIT	133	317	562	840	1,168
Share from JCE	9	(0)	-	-	-
Finance cost	(0)	(1)	(1)	(1)	(1)
Exceptional	(0)	13	-	-	-
Pre-tax Profit	142	329	560	839	1,166
Income tax	(42)	(80)	(140)	(210)	(292)
PROFIT FOR THE YEAR	100	249	420	629	875
Non-controlling interest	0	(25)	(63)	(94)	(131)
Net Profit attribute to	101	224	357	535	743

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before tax	142	329	560	839	1,166
D&A, impairment	4	20	15	15	15
Change in working capital	67	219	(187)	(120)	(141)
Others	(37)	(59)	60	(210)	(292)
Net cash from operating	175	509	448	524	749
Capex	(9)	(10)	(20)	(20)	(20)
Associated companies	(1)	(275)	-	-	-
Others	4	(33)	-	-	-
Net cash from investing	(6)	(318)	(20)	(20)	(20)
Equity raised	578	60	1,522	-	-
Change of debts	9	(9)	-	-	-
Others	(35)	(133)	(107)	(160)	(223)
Net cash from financing	553	(83)	1,415	(160)	(223)
Net change in cash	722	108	1,843	344	506
Cash at the beginning	438	1,160	1,284	3,127	3,470
Exchange difference	-	16	-	-	-
Cash at the end	1,160	1,284	3,127	3,470	3,976

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Property management	62.0	57.0	60.7	60.8	60.9
VAS to non-property owners	19.6	17.3	14.9	13.9	13.5
Community VAS	18.4	25.7	24.4	25.3	25.6
Total	100	100	100	100	100

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	109	670	675	680	685
PP&E	27	62	67	72	77
Investment properties	49	51	51	51	51
Others	33	557	557	557	557
Current assets	1,384	1,808	3,771	4,339	5,107
Inventories	-	-	-	-	-
Trade and other receivables	213	481	601	826	1,088
Cash and cash equivalents	1,160	1,284	3,127	3,470	3,976
Others	10	43	43	43	43
Total assets	1,493	2,478	4,446	5,019	5,793
Current liabilities	574	1,187	1,120	1,225	1,347
Trade and other payables	358	775	708	812	934
Others	216	412	412	412	412
Non-current liabilities	16	63	63	63	63
Deferred income tax	16	49	49	49	49
Others	-	14	14	14	14
Total liabilities	590	1,250	1,183	1,288	1,410
Equity to shareholders	899	1,148	3,120	3,494	4,015
Non-controlling interests	4	80	143	237	369
Total Equity	903	1,228	3,263	3,732	4,383

Profit & loss ratios (%)					
Gross margin	28.7	29.6	29.0	29.3	29.6
EBIT margin	12.4	16.9	18.3	18.4	18.5
Net margin	9.3	11.9	11.6	11.7	11.8
Effective tax rate	29.3	24.2	25.0	25.0	25.0
Growth (%)					
Revenue	48.3	74.5	63.4	48.6	38.3
Gross profit	68.9	79.7	60.2	50.4	39.3
EBIT	29.4	138.1	77.3	49.7	38.9
Net profit	31.5	122.7	59.5	49.8	39.0
Balance sheet ratios					
Current ratio (x)	2.1	2.0	2.0	2.0	3.0
Receivable turnover days	55	55	55	55	55
Payables turnover days	34	37	37	37	37
Inventory turnover days	-	-	-	-	-
Net debt / total equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	11.2	19.5	11.4	15.3	18.5
ROA	6.7	10.0	9.4	12.5	15.1
Per share					
EPS (RMB)	0.09	0.15	0.22	0.32	0.45
DPS (RMB)	0.02	0.04	0.06	0.10	0.13
BVPS (RMB)	0.59	0.40	1.55	1.77	2.09

Source: Company data, CMBIS estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIS Ratings

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

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.