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CMB International Global Markets | Equity Research | Company Update

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Greentown Service (2869 HK)

Trading scale for quality in 1H26; maintain BUY

Greentown Service's 1H26 revenue rose 6.3% YoY to RMB9.87bn, driven by resilient basic PM (+10.1% YoY) and offset by weak community VAS (-6.7% YoY). Core operating profit (GP–SG&A) and attributable NP grew 16.3%/15.2% YoY to RMB1.25bn/RMB0.71bn respectively, beating the ">15% core OP growth" full-year guidance even after a 34% YoY surge in receivable impairment — partly helped by a 0.5ppt YoY gross-margin lift to 20.0% and a 0.6ppt drop in the SG&A ratio to 7.3%. Basic PM is trading scale for quality, while value-added services remain constrained by the macro backdrop. Management left full-year guidance unchanged and reaffirmed a high payout. We maintain BUY with an unchanged TP of HK$6.55, based on 18x 2026E P/E.

- **Basic PM: trading scale for quality.** Segment revenue growth held at 10% in 1H26 (vs 10.2% in 1H25), supported by better project quality, with the average PM fee edging up to RMB3.22/sqm/month from RMB3.21 in 1H25. Managed GFA growth slowed to 8% YoY (from 11% in 1H25), as the company stepped up terminations of low-quality projects: 17.6mn sqm of terminated GFA in 1H26 (1H25: 12.0mn), up 46% YoY and equal to 3.1% of managed GFA (1H25: 2.4%) (Figure 2). As a result, additions fell to 14.3mn sqm, roughly half (52%) of 1H25's 27.3mn sqm. We think this active clean-up will keep lifting the overall collection rates and project margins in the long run. New contracts value reached RMB1.46bn in 1H26, 37% of the full-year target, marginally below 38% in 1H25.
- **Value-added services dragged by macro backdrop.** Community VAS revenue fell 6.7% YoY, mainly weighed by segments susceptible to macro conditions such as community retail and community asset management (revenue -8.9% and -13.1% YoY respectively). We expect these businesses to stay under pressure in 2H26.
- **FY26 guidance unchanged** with core OP growth of >15%, +0.5ppt gross margin, -0.5ppt admin ratio, cash collections ratio at or above that in FY25, and operating cash flow above 1x net profit. The company has delivered these targets for four consecutive years, and all of them appear to be more achievable than the new-contract value target mentioned above, in our view.
- **Stable dividend plus share buyback; maintain BUY.** The company holds ample cash of RMB6.56bn. It reaffirmed a minimum ordinary payout at 50% plus a possible special dividend (25% in FY25), and will continue buybacks (HK$79mn in Jan to Jul). If buybacks match HK$130mn in FY25, we estimate that FY26E dividend yield will be as high as 7.4% including buybacks. We maintain BUY with an unchanged TP of HK$6.55, based on 18x 2026E P/E. Key risks: weaker collections on high new-home vacancy, slower third-party expansion, and a further decline in community VAS.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,893	19,164	20,733	22,309	23,830
YoY growth (%)	6.4	7.1	8.2	7.6	6.8
Net profit (RMB mn)	785.1	880.2	1,030.1	1,159.4	1,253.4
EPS (Reported) (RMB)	0.25	0.28	0.33	0.37	0.40
YoY growth (%)	31.6	12.7	17.0	12.6	8.1
Consensus EPS (RMB)	na	na	0.33	0.37	0.42
P/E (x)	14.9	13.2	11.3	10.0	9.3
P/B (x)	1.7	1.6	1.5	1.5	1.4
Yield (%)	5.0	5.7	6.6	7.5	8.1
ROE (%)	10.3	11.2	12.6	13.5	14.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$6.55**
(Previous TP	HK$6.55)
Up/Downside	**51.9%**
Current Price	**HK$4.31**

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Stock Data

Mkt Cap (HK$ mn)	13,931.6
Avg 3 mths t/o (HK$ mn)	13.8
52w High/Low (HK$)	5.23/3.89
Total Issued Shares (mn)	3232.4

Source: FactSet

Shareholding Structure

Orchid Garden Investment	31.9%
Lilac International Investment	13.3%

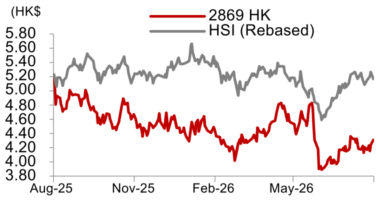
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.9%	1.6%
3-mth	-5.7%	-5.4%
6-mth	-3.4%	0.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Greentown Service's results summary in 1H26

RMB mn	2024A	2025A	YoY	1H25	2H25	1H26	1H25 YoY	2H25 YoY	1H26 YoY	1H26 HoH
Revenue	**17,893**	**19,164**	***7.1%***	**9,289**	**9,876**	**9,871**	***6.1%***	***8.0%***	***6.3%***	***0.0%***
- Property management services	12,401	13,644	*10.0%*	6,633	7,011	7,300	*10.2%*	*9.8%*	*10.1%*	*4.1%*
- Consulting services	2,753	2,764	*0.4%*	1,299	1,465	1,305	*0.6%*	*0.2%*	*0.4%*	*-10.9%*
Property under construction services	2,115	2,142	*1.3%*	1,012	1,131	1,029	*1.5%*	*1.1%*	*1.7%*	*-9.0%*
Management consulting services	638	621	*-2.6%*	287	334	276	*-2.5%*	*-2.7%*	*-4.0%*	*-17.3%*
- Community living services	2,739	2,756	*0.6%*	1,357	1,400	1,266	*-6.0%*	*8.0%*	*-6.7%*	*-9.5%*
Community products and services	1,310	1,372	*4.7%*	676	696	616	*5.1%*	*4.3%*	*-8.9%*	*-11.4%*
Home living services	396	260	*-34.2%*	123	137	127	*-53.8%*	*6.5%*	*3.0%*	*-7.8%*
Community space services	293	361	*23.3%*	173	188	181	*13.0%*	*34.5%*	*4.9%*	*-3.4%*
Property asset management services	635	664	*4.6%*	333	331	290	*1.3%*	*8.0%*	*-13.1%*	*-12.3%*
Cultural and education services	105	99	*-5.9%*	51	48	52	*0.6%*	*-12.0%*	*2.1%*	*9.2%*
Gross profit	**3,011**	**3,322**	***10.3%***	**1,808**	**1,514**	**1,969**	***8.9%***	***12.1%***	***8.9%***	***30.1%***
Core operating profit	**1,507**	**1,878**	***24.6%***	**1,074**	**804**	**1,249**	***25.3%***	***23.7%***	***16.3%***	***55.4%***
Net profit attributable to shareholders	**785**	**880**	***12.1%***	**613**	**267**	**706**	***21.4%***	***-4.6%***	***15.2%***	***164.2%***
EPS (RMB)	0.25	0.28	*12.7%*	0.195	0.085	0.225	*23.3%*	*-5.7%*	*15.7%*	*165.2%*
DPS (RMB)	0.19	0.21	*14.4%*							
Dividend payout ratio	*75%*	*76%*	*0 ppt*							
GP Margin	**16.8%**	**17.3%**	***0.5 ppt***	**19.5%**	**15.3%**	**19.9%**	***0.5 ppt***	***0.6 ppt***	***0.5 ppt***	***4.6 ppt***
- Property management services	13.7%	14.3%	*0.6 ppt*	15.3%	13.4%	16.0%	*0.4 ppt*	*0.8 ppt*	*0.7 ppt*	*2.6 ppt*
- Consulting services	26.7%	27.4%	*0.7 ppt*	26.6%	28.1%	28.6%	*-6.4 ppt*	*10.8 ppt*	*2.0 ppt*	*0.5 ppt*
- Community living services	21.0%	22.4%	*1.4 ppt*	33.1%	12.0%	33.8%	*9.7 ppt*	*-10.8 ppt*	*0.7 ppt*	*21.8 ppt*
Core OP Margin	**8.4%**	**9.8%**	***1.4 ppt***	**11.6%**	**8.1%**	**12.7%**	***1.8 ppt***	***1.0 ppt***	***1.1 ppt***	***4.5 ppt***
Net Margin	**4.4%**	**4.6%**	***0.2 ppt***	**6.6%**	**2.7%**	**7.2%**	***0.8 ppt***	***-0.4 ppt***	***0.6 ppt***	***4.4 ppt***
Managed GFA (mn sqm)	509.0	566.0	*11%*	536.3	566.0	580.3	*11%*	*11%*	*8%*	*2.5%*
Reserved GFA (mn sqm)	357.2	330.8	*-7%*	347.3	330.8	325.6	*-3%*	*-7%*	*-6%*	*-1.6%*
Trade receivables	5,748	6,105	*6%*	7,210	6,105	7,604	*11%*	*6%*	*5%*	*24.5%*
Cash (incl. deposits)	5,972	7,007	*17%*	5,448	7,007	6,393	*26%*	*17%*	*17%*	*-8.8%*

Source: Company data, CMBIGM estimates

Figure 2: Managed-GFA termination rate

Managed GFA movement (mn sqm)	2022A	2023A	2024A	2025A	1H24	1H25	1H26
At the beginning of the period	304.1	381.4	448.4	509.0	448.4	509.0	566.0
Addition	**83.3**	**83.4**	**79.2**	**79.1**	**40.3**	**39.3**	**31.9**
Termination	(6.0)	(16.4)	(18.6)	(22.1)	(7.0)	(12.0)	(17.6)
At the end of the period	381.4	448.4	509.0	566.0	481.7	536.3	580.3
Termination rate (=Termination/beginning GFA)	***-2.0%***	***-4.3%***	***-4.1%***	***-4.3%***	***-1.6%***	***-2.4%***	***-3.1%***

Source: Company data, CMBIGM

Figure 3: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	20,733	22,309	23,830	20,733	22,309	23,830	0%	0%	0%
Gross profit	3,645	3,917	4,189	3,645	3,960	4,272	0%	-1%	-2%
Operating profit	1456	1,646	1,784	1456	1,689	1,866	0%	-3%	-4%
Net profit	1,030	1,159	1,253	1,030	1,187	1,308	0%	-2%	-4%
Gross margin	17.6%	17.6%	17.6%	17.6%	17.8%	17.9%	0ppts	-0.2ppts	-0.3ppts
EBIT margin	7.0%	7.4%	7.5%	7.0%	7.6%	7.8%	0ppts	-0.2ppts	-0.3ppts
Net margin	5.0%	5.2%	5.3%	5.0%	5.3%	5.5%	0ppts	-0.1ppts	-0.2ppts

Source: Company data, CMBIGM estimates

Figure 4: CMBI estimates vs. Consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	20,733	22,309	23,830	20,693	22,189	23,724	0%	1%	0%
Gross profit	3,645	3,917	4,189	3,617	3,919	4,066	1%	0%	3%
Operating profit	1456	1646	1,784	1,550	1,745	1,959	-6%	-6%	-9%
Net profit	1,030	1,159	1,253	1,033	1,157	1,299	0%	0%	-4%
Gross margin	17.6%	17.6%	17.6%	17.5%	17.5%	17.6%	0.1ppts	0ppts	0ppts
EBIT margin	7.0%	7.4%	7.5%	7.5%	7.9%	8.3%	-0.5ppts	-0.5ppts	-0.8ppts
Net margin	5.0%	5.2%	5.3%	5.0%	5.2%	5.5%	0ppts	0ppts	-0.2ppts

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**16,812**	**17,893**	**19,164**	**20,733**	**22,309**	**23,830**
Cost of goods sold	(14,053)	(14,882)	(15,842)	(17,089)	(18,392)	(19,641)
Gross profit	**2,759**	**3,011**	**3,322**	**3,645**	**3,917**	**4,189**
Operating expenses	**(1,530)**	**(1,505)**	**(1,445)**	**(1,497)**	**(1,521)**	**(1,594)**
Selling expense	(337)	(347)	(305)	(325)	(328)	(343)
Admin expense	(1,193)	(1,158)	(1,140)	(1,171)	(1,193)	(1,251)
Operating profit	**(304)**	**(504)**	**(552)**	**(647)**	**(705)**	**(767)**
Other income	112	98	78	78	78	78
Other expense	(168)	(230)	(120)	(129)	(139)	(149)
Other gains/(losses)	(393)	(360)	(555)	(641)	(689)	(741)
Share of (losses)/profits of associates/JV	145	(12)	45	45	45	45
Net Interest income/(expense)	**46**	**56**	**58**	**72**	**79**	**86**
Others	(18)	12	3	0	0	0
Pre-tax profit	**954**	**1,071**	**1,386**	**1,573**	**1,770**	**1,914**
Income tax	(253)	(319)	(446)	(472)	(531)	(574)
After tax profit	**702**	**752**	**941**	**1,101**	**1,239**	**1,340**
Minority interest	(111)	(82)	(61)	(71)	(80)	(86)
Discontinued operations	14	116	na	na	na	na
Net profit	**605**	**785**	**880**	**1,030**	**1,159**	**1,253**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**12,112**	**12,649**	**13,081**	**13,977**	**14,832**	**15,600**
Cash & equivalents	4,531	4,854	5,320	5,691	6,019	6,277
Restricted cash	491	516	587	587	587	587
Account receivables	5,045	5,577	5,893	6,376	6,860	7,328
Inventories	674	598	525	567	610	651
ST bank deposits	0	13	54	54	54	54
Financial assets at FVTPL	1,158	921	490	490	490	490
Other current assets	212	171	212	212	212	212
Non-current assets	**5,970**	**5,045**	**5,235**	**5,274**	**5,351**	**5,428**
PP&E	1,039	517	525	504	504	504
Right-of-use assets	935	237	178	171	171	171
Deferred income tax	519	565	622	622	622	622
Investment in JVs & assos	847	841	1,096	1,140	1,185	1,230
Intangibles	592	381	370	402	434	466
Goodwill	661	435	383	383	383	383
Financial assets at FVTPL	475	314	67	67	67	67
Other non-current assets	901	1,756	1,995	1,984	1,984	1,984
Total assets	**18,082**	**17,694**	**18,317**	**19,251**	**20,183**	**21,028**
Current liabilities	**8,558**	**8,528**	**9,213**	**9,640**	**10,086**	**10,514**
Short-term borrowings	267	41	35	35	35	35
Account payables	4,872	4,972	5,428	5,855	6,302	6,730
Tax payable	902	1,107	1,275	1,275	1,275	1,275
Other current liabilities	133	13	18	18	18	18
Lease liabilities	288	160	127	127	127	127
Contract liabilities	2,096	2,235	2,330	2,330	2,330	2,330
Non-current liabilities	**1,299**	**622**	**386**	**386**	**386**	**386**
Long-term borrowings	23	24	18	18	18	18
Other non-current liabilities	1,276	599	369	369	369	369
Total liabilities	**9,856**	**9,151**	**9,599**	**10,026**	**10,472**	**10,901**
Share capital	0	0	0	0	0	0
Other reserves	7,406	7,789	7,960	8,396	8,803	9,132
Total shareholders equity	**7,406**	**7,789**	**7,960**	**8,396**	**8,803**	**9,132**
Minority interest	820	754	758	829	908	995
Total equity and liabilities	**18,082**	**17,694**	**18,317**	**19,251**	**20,183**	**21,028**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**954**	**1,071**	**1,386**	**1,573**	**1,770**	**1,914**
Depreciation & amortization	392	424	377	336	286	236
Tax paid	(205)	(226)	(320)	(472)	(531)	(574)
Change in working capital	(400)	(355)	212	(97)	(81)	(81)
Others	695	561	(127)	(117)	(124)	(130)
Net cash from operations	**1,436**	**1,475**	**1,528**	**1,224**	**1,320**	**1,365**
Investing						
Capital expenditure	(503)	(322)	(120)	(170)	(220)	(270)
Acquisition of subsidiaries/ investments	(43)	(24)	(247)	0	0	0
Net proceeds from disposal of short-term investments	112	(904)	(1,995)	0	0	0
Others	56	747	2,171	96	103	110
Net cash from investing	**(378)**	**(503)**	**(191)**	**(74)**	**(117)**	**(161)**
Financing						
Dividend paid	(285)	(433)	(573)	(773)	(870)	(940)
Net borrowings	(31)	131	(13)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(131)	(72)	(121)	0	0	0
Others	(271)	(276)	(159)	(6)	(6)	(6)
Net cash from financing	**(717)**	**(651)**	**(866)**	**(778)**	**(875)**	**(946)**
Net change in cash						
Cash at the beginning of the year	4,183	4,531	4,854	5,320	5,691	6,019
Exchange difference	6	3	(5)	0	0	0
Cash at the end of the year	**4,531**	**4,854**	**5,320**	**5,691**	**6,019**	**6,277**

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

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