

## New Hope Service (3658 HK)

### High dividend growth story to continue

**Do you like 10% dividend yield with cash = market cap?** Company reported +22% YoY earnings growth in 2022 (in line with market expectation). It surprised the market that the higher dividend that lifting payout ratio from 31% to 48% in 2022 (10% dividend yield) that has supported the share price strongly. Company also confirmed to maintain 50% payout ratio going forward so that would make New Hope Services appealing in its high dividend yield of 10%. On the growth side, we like the company due to 1) its solid improvement in third-party expansions (which contributed 70% of new managed GFA in 2022 vs. 59% in 2021). 2) Successful exploration on community VAS (retail and catering business grew 110% YoY and accounted for 35% of segment revenue in 2022 (vs. 20% in 2021). So that would continue to boost its revenue/net profit to grow at 30%/15% CAGR. We maintain buy and the Company is trading at an attractive at 5x 2023E PE with net cash equivalent to its market cap.

- 2022 Earnings in-line.** Company reported net profit +22% YoY to RMB 203mn, in line with our expectation. GP Margin eroded 2.9ppt YoY to 37.9% in 2022 due to an increase in the proportion of business with relatively lower GPM, including third party PM mentioned above and retail & catering services that grew 110% YoY and accounted for 35% of segment revenue in 2022 (vs. 20% in 2021). Operating cash flow saw 24% YoY decrease in 2022 as account receivables surged to RMB 325mn, an increase of RMB 135mn including c.RMB 65mn of natural business growth and c.RMB 75mn from acquired company – MingYu Global, which were guaranteed to be repaid by its undistributed profit before acquisition.
- Third-party expansion dominated GFA growth.** The total revenue grew 23% YoY to RMB 1,139mn in 2022 mainly driven by Basic PM segment (+54% YoY) and Lifestyle Services (+20% YoY). The growth of Basic PM business was mainly supported by 78% YoY growth in managed GFA and strong efforts in independent third-party expansions and M&A. New managed GFA from third-party and M&A accounted for 70% of total (vs. 59% in 2021). This makes segment revenue from third parties tripled to RMB 176mn in 2022 from RMB 42mn in 2021 and accounted for 36% of segment revenue (vs. 13% in 2021)
- Lifted dividend payout in 2022 and beyond.** Company announced a dividend of RMB 0.12/share that lifting payout ratio to 48% in 2022 from 31% in 2021, represents a dividend yield of 10% on the announcement day and boosted the share price by 12% in two days after the announcement (vs. HSI/PM sector +2%/-3%). **The company confirmed to maintain payout ratio above 50% going forward.**
- Maintain Buy on attractive valuation.** We estimate the company to deliver >30% CAGR on revenue but cut 20-30% of our forecast on NP to 15% CAGR in 2023-25E. It's mainly because that GP Margin is expected to slightly contract to ~34% from the current 38%. We maintain Buy and cut TP to HK\$2.77 using 8x 2023E PE multiple (previously 10x), in line with industry average for small cap names. It is currently trading at an attractive 5x 2023E PE with net cash equivalent to market cap. **Risk:** impairment risk from account receivable.

**BUY (Maintain)**

<b>Target Price</b>	<b>HK\$2.77</b>
<b>(Previous TP)</b>	<b>HK\$4.41)</b>
<b>Up/Downside</b>	<b>+76.2%</b>
<b>Current Price</b>	<b>HK\$1.57</b>

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#### Stock Data

Mkt Cap (HK\$ mn)	1,278
Avg 3 mths t/o (HK\$ mn)	0.10
52w High/Low (HK\$)	2.58/0.70
Total Issued Shares (mn)	814

Source: Bloomberg

#### Shareholding Structure

Golden Rose Developments	66.92%
New Voyage Dvlp Ltd.	5.02%
Neptune Inv Hlds.	3.76%

Source: HKEX

#### Share Performance

	Absolute	Relative
1-mth	18.0%	18.6%
3-mth	8.3%	6.5%
6-mth	21.7%	9.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

**Auditor: KPMG**

## Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	925	1,139	1,560	2,101	2,731
YoY growth (%)	57.2	23.1	37.0	34.7	30.0
Net income (RMB mn)	166	203	234	268	307
EPS (RMB)	0.23	0.25	0.29	0.33	0.38
YoY growth (%)	21.1	8.4	15.1	14.9	14.4
Consensus EPS (RMB)	NA	NA	NA	NA	NA
P/E (x)	6.1	5.7	4.9	4.3	3.7
P/B (x)	1.1	0.9	0.8	0.7	0.6
Yield (%)	5.0	8.5	8.5	8.5	8.5
ROE (%)	17.4	16.5	15.1	14.3	14.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	1,560	2,101	2,731	1,840	2,662	n.a.	-15%	-21%	n.a.
Gross Profit	566	732	928	690	969	n.a.	-18%	-25%	n.a.
Operating Profit	296	340	389	351	478	n.a.	-16%	-29%	n.a.
Net profit	234	268	307	290	396	n.a.	-20%	-32%	n.a.
EPS (RMB)	0.29	0.33	0.38	0.36	0.49	n.a.	-20%	-32%	n.a.
Gross Margin	36.2%	34.8%	34.0%	37.5%	36.4%	n.a.	-1.2 ppt	-1.6 ppt	n.a.
Operating Margin	19.0%	16.2%	14.3%	19.1%	18.0%	n.a.	-0.1 ppt	-1.8 ppt	n.a.
Net Margin	15.0%	12.8%	11.2%	15.8%	14.9%	n.a.	-0.8 ppt	-2.1 ppt	n.a.

Source: Company data, CMBIGM estimate

Figure 2: 2022 results summary

## New Hope Services results summary

RMB mn	2021	2022	YoY
<b>Revenue</b>	<b>925</b>	<b>1,139</b>	<b>23%</b>
- Property management services	317	488	54%
- Developer VAS	234	229	-2%
- Commercial operations	120	118	-2%
- Lifestyle services (community VAS)	254	303	20%
Gross profit	377	431	14%
<b>Net profit</b>	<b>166</b>	<b>203</b>	<b>22%</b>
<b>Core net profit (ex. Listing expenses)</b>	<b>187</b>	<b>203</b>	<b>9%</b>
EPS (RMB)	0.23	0.25	8%
DPS (RMB)	0.07	0.12	68%
Dividend payout ratio	31.0%	48.1%	17.1 ppt
<b>GP Margin</b>	<b>40.7%</b>	<b>37.9%</b>	<b>-2.9 ppt</b>
<b>Net Margin</b>	<b>17.9%</b>	<b>1.0%</b>	<b>-16.9 ppt</b>
Managed GFA (mn sq m)	16.2	28.8	78%
Contracted GFA (mn sq m)	26.4	36.1	37%

Source: Company data, CMBIGM

Figure 3: Valuation table

Company	Ticker	CMBI rating	TP (HK\$)	Last price (HK\$)	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)		Dividend Yield		Payout ratio
						21A	22E	23E	22E	23E	21A	22E	21A
Onewo	2602 HK	BUY	60.7	36.2	42,602	-	18.4	14.4	8.3	35.8	-	1.3%	-
Country Garden Services	6098 HK	BUY	47.6	12.9	43,513	8.6	8.4	6.4	2.7	25.0	2.8%	3.0%	24%
CR MixC Lifestyle	1209 HK	BUY	56.0	39.5	90,045	44.7	35.6	27.2	21.8	31.9	0.9%	1.2%	38%
A-Living	3319 HK	HOLD	34.2	7.8	11,033	3.6	4.5	3.8	-11.2	15.2	0.1	5.1%	22.8%
Greentown Services	2869 HK	HOLD	7.9	5.0	16,227	17.2	17.3	13.7	-11.9	26.2	4.0%	2.9%	69%
Ever Sunshine	1995 HK	HOLD	12.7	2.9	5,143	6.7	5.8	4.6	17.8	26.8	4.4%	5.4%	29.5%
Poly Services	6049 HK	HOLD	53.4	42.9	23,738	23.5	19.5	15.5	19.3	26.1	0.9%	1.0%	20%
S-Enjoy	1755 HK	SELL	8.5	5.8	5,010	6.5	6.6	4.8	18.0	27.5	3.2%	4.9%	21%
Powerlong Commercial	9909 HK	BUY	33.2	5.9	3,767	6.8	6.0	5.0	7.0	14.3	5.1%	6.1%	35%
Excellence CM	6989 HK	BUY	14.9	3.5	4,271	6.9	4.8	3.6	33.5	33.8	10.3%	10.4%	71%
Central China New Life	9983 HK	BUY	12.9	2.8	3,606	4.3	4.6	4.1	3.3	11.6	12.0%	15.4%	0.5
Sino-Ocean Services	6677 HK	BUY	7.1	2.2	2,628	4.8	4.5	3.6	5.1	21.7	5.0%	6.8%	0.2
New Hope Services	3658 HK	BUY	2.8	1.6	1,278	5.2	3.2	NA	22.0	15.0	5.0%	8.5%	29%
Redsun Services	1971 HK	BUY	9.4	2.2	913	5.7	4.2	3.2	41.2	32.2	NA	NA	NA
Evergrande Services	6666 HK	BUY	10.4	2.3	24,865	7.9	4.9	3.7	21.9	32.8	NA	NA	NA
Sunac Services	1516 HK	BUY	7.0	3.2	9,751	5.2	4.8	7.3	-161.8	NA	4.7%	0.0%	24%
Jinmao Services	816 HK	BUY	5.5	4.1	3,662	13.8	8.0	5.9	102.0	45.7	NA	NA	NA
COPH	2669 HK	NR	NA	8.9	29,385	29.8	23.2	18.1	28.5	28.4	1.0%	1.3%	30%
Times Neighborhood	9928 HK	NR	NA	0.7	651	1.7	4.7	2.7	-62.7	74.6	8.6%	2.4%	15%
Aoyuan Healthy Life	3662 HK	NR	NA	1.9	1,351	4.8	2.0	1.6	41.3	31.2	NA	NA	NA
Shimao Services	873 HK	NR	NA	2.2	5,504	4.0	15.3	5.8	-73.3	102.4	NA	NA	NA
KWG Living	3913 HK	NR	NA	1.4	2,755	3.4	3.9	3.4	-13.4	15.0	10.6%	7.4%	0.4
Jinke Smart Services	9666 HK	NR	NA	12.1	7,926	6.2	9.7	7.0	-35.7	20.2	6.5%	4.2%	40%
<b>Average</b>						<b>20.0</b>	<b>18.9</b>	<b>14.6</b>	<b>8.4</b>	<b>29.6</b>	<b>1.9%</b>	<b>2.1%</b>	<b>25.8%</b>

Source: Company data, Bloomberg, CMBIGM

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>925</b>	<b>1,139</b>	<b>1,560</b>	<b>2,101</b>	<b>2,731</b>
PM services	317	488	744	1,047	1,330
Developer VAS	234	229	241	253	265
Commercial operations	120	118	130	143	158
Lifestyle services (community)	254	303	445	658	978
Cost of sales	(548)	(708)	(995)	(1,369)	(1,802)
<b>Gross Profit</b>	<b>377</b>	<b>431</b>	<b>566</b>	<b>732</b>	<b>928</b>
Other income	1	(7)	(7)	(8)	(9)
Selling expenses	(4)	(4)	(8)	(11)	(14)
Administrative expenses	(173)	(158)	(234)	(315)	(410)
Impairment	(3)	(15)	(20)	(58)	(106)
<b>Operating profit</b>	<b>198</b>	<b>247</b>	<b>296</b>	<b>340</b>	<b>389</b>
Finance cost	4	20	-	-	-
<b>Pre-tax Profit</b>	<b>202</b>	<b>266</b>	<b>296</b>	<b>340</b>	<b>389</b>
Income tax	(36)	(44)	(50)	(58)	(66)
<b>PROFIT FOR THE YEAR</b>	<b>166</b>	<b>222</b>	<b>246</b>	<b>282</b>	<b>323</b>
Non-controlling interest	0	(19)	(12)	(14)	(16)
<b>Net Profit</b>	<b>166</b>	<b>203</b>	<b>234</b>	<b>268</b>	<b>307</b>
<b>Core Net Profit</b>	<b>187</b>	<b>203</b>	<b>234</b>	<b>268</b>	<b>307</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Profit before tax</b>	<b>202</b>	<b>266</b>	<b>296</b>	<b>340</b>	<b>389</b>
D&A	13	3	3	3	3
Change in working capital	30	(295)	(120)	(154)	(180)
Others	(9)	(44)	(50)	(58)	(66)
<b>Net cash from operating</b>	<b>236</b>	<b>(70)</b>	<b>128</b>	<b>131</b>	<b>146</b>
Capex	(16)	5	5	5	5
JV/Associates	3	4	5	6	6
Others	157	(4)	(5)	(6)	(6)
<b>Net cash from investing</b>	<b>144</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Equity raised	648	-	-	-	-
Change of debts	(12)	-	-	-	-
Others	(24)	(58)	(58)	(58)	(58)
<b>Net cash from financing</b>	<b>613</b>	<b>(58)</b>	<b>(58)</b>	<b>(58)</b>	<b>(58)</b>
Net change in cash	993	42	116	183	183
<b>Cash at the beginning of the</b>	<b>113</b>	<b>1,106</b>	<b>1,148</b>	<b>1,264</b>	<b>1,264</b>
Exchange difference	-	-	-	-	-
<b>Cash at the end of the year</b>	<b>1,106</b>	<b>1,148</b>	<b>1,264</b>	<b>1,447</b>	<b>1,447</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Non-current assets</b>	<b>139</b>	<b>376</b>	<b>245</b>	<b>248</b>	<b>250</b>
Property, plant and equipment	97	105	107	110	112
Others	43	272	138	138	138
<b>Current assets</b>	<b>1,352</b>	<b>1,579</b>	<b>1,788</b>	<b>2,125</b>	<b>2,305</b>
Inventories	0	0	0	0	0
Trade receivables	189	325	445	599	779
Cash and cash equivalents	1,106	1,040	1,264	1,447	1,447
Others	57	214	79	79	79
<b>Total assets</b>	<b>1,491</b>	<b>1,955</b>	<b>2,033</b>	<b>2,373</b>	<b>2,555</b>
<b>Current liabilities</b>	<b>469</b>	<b>569</b>	<b>413</b>	<b>415</b>	<b>418</b>
Trade and other payables	6	4	4	4	4
Others	463	565	409	411	414
<b>Non-current liabilities</b>	<b>68</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>
Deferred income tax liabilities	7	16	16	16	16
Others	60	61	61	61	61
<b>Total liabilities</b>	<b>537</b>	<b>646</b>	<b>490</b>	<b>492</b>	<b>495</b>
<b>Equity to shareholders</b>	<b>953</b>	<b>1,234</b>	<b>1,543</b>	<b>1,881</b>	<b>2,060</b>
Non-controlling interests	1	76	-	-	-
<b>Total Equity</b>	<b>954</b>	<b>1,309</b>	<b>1,543</b>	<b>1,881</b>	<b>2,060</b>

### Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales mix (%)</b>					
PM services	34.3	42.9	47.7	49.8	48.7
Developer VAS	25.3	20.1	15.4	12.0	9.7
Commercial operations	13.0	10.4	8.3	6.8	5.8
Lifestyle services	27.4	26.6	28.5	31.3	35.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	40.7	37.9	36.2	34.8	34.0
Net margin	17.9	17.8	15.0	12.8	11.2
Effective tax rate	18.0	16.6	17.0	17.0	17.0
<b>Growth (%)</b>					
Revenue	57.2	23.1	37.0	34.7	30.0
Gross profit	52.3	14.5	31.2	29.4	26.9
Operating profit	47.2	24.5	20.0	14.9	14.4
Net profit	51.1	22.4	15.1	14.9	14.4
<b>Balance sheet ratios</b>					
Current ratio (x)	2.9	2.8	4.3	5.1	5.5
Receivable turnover days	75	104	104	104	104
<b>Returns (%)</b>					
ROE	17.4	16.5	15.1	14.3	14.9
ROA	11.1	10.4	11.5	11.3	12.0
<b>Per share</b>					
EPS (RMB)	<b>0.23</b>	<b>0.25</b>	<b>0.29</b>	<b>0.33</b>	<b>0.38</b>
DPS (RMB)	0.07	0.12	0.12	0.12	0.12
BVPS (RMB)	1.31	1.51	1.87	2.17	2.39

Source: Company and CMBIGM estimates

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