

Greentown Management (9979 HK)

Surprise again: 1H22 new contracts largely beat

The Company released its 1H22 operating data after market close and reported a 10% YoY rise on newly contacted GFA to 13.2 mn sq.m, representing newly-contracted service fees of RMB4.1bn (+26% YoY) and largely beating consensus as well as our expectation of RMB3.3bn. According to data released by Greentown China (3900 HK), Greentown Mgmt. also delivered stronger-than-market contract sales in Jun-22 and booked MoM/YoY growth at +84%/-6% vs. industry avg. of +55%/-43%. Considering factors including 1) developers and PM companies are overshadowed by another wave of debt maturity and potentially weakening property sales in July-22 ([report](#)), 2) the company is likely to deliver decent 1H22E earnings at the end of this month, Greentown Mgmt. might be a good choice for investors in the short term. We maintain our BUY rating with target price unchanged at HK\$8.09, representing 18x 2022E P/E.

■ Both new contracts and property sales in 1H22 beat the expectation.1)

The company reported newly contracted GFA of 13.2 mn sq.m (+10% YoY) and new contract value of RMB4.1bn (+26% YoY) in 1H22, largely beating our expectation of RMB3.3bn and representing 48% of that in 2022E (vs. 45% in 1H21). It indicates the Company has to sign new contracts of RMB4.5bn in 2H22E (+15% YoY) to finish its 20% YoY growth target of the full year, which seems not difficult and the Company is confident about it. As revealed by the quarterly data, contract value of RMB2.1bn was signed in 2Q22, representing a +1.3x YoY growth compared to 2Q21 as projects with bidding process/DD process delayed by lockdown in 1Q22 reached agreements in 2Q22. 2) Company's property sales reached RMB7.9bn in Jun-22, which achieved a stronger recovery than the industry with +84% MoM and -6% YoY growth vs. industry avg. of +55% MoM and -43% YoY. A 20% YoY sales decline in 1H22 delivered by company was also much better than industry's -51% YoY drop.

■ Client structure stays healthy. Projects from private entities/government and SOEs/financial institutions accounted for 22.7%/59%/18.3% of new contracts value in 2Q22 which looks still healthy compared to GFA breakdown at the end of FY21 (24%/73%/2% for private entities/ government and SOEs / Financial institutions). The Company stated that government PJM continues to diversify on project type and it is expected to see more breakthrough on standardized capital PJM during 2H22-1H23.

■ Might be a quality choice in ST as 1) 1H22 results are likely to be the ST catalyst for Company's share price. 2) Industry is getting more attention when peers like CIFI, Gemdale are reporting their good progress in PJM segment and there will be more such cases to come during 1H22 reporting season. 3) Company assured to stop growing in loan-to-third-parties which worried the investors. 4) Developers and PM companies are clouded by another debt maturity peak and potentially weakened July sales. As such, we maintain our BUY rating with target price of HK\$8.09, representing 18x 2022E P/E. **Risks:** 1) another wave of massive lockdown; 2) weaker-than-expected property sales in 2H22; and 3) negative press reports about parentco.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	1,813	2,243	2,767	3,242	3,722
YoY growth (%)	-9.1	23.7	23.3	17.2	14.8
Net income (RMB mn)	439	565	719	857	982
EPS (RMB)	0.26	0.29	0.37	0.45	0.51
YoY growth (%)	15.4	12.4	27.2	19.2	14.6
Consensus EPS (RMB)	N.A.	N.A.	0.45	0.58	0.71
P/E (x)	19.8	17.6	13.8	11.6	10.1
P/B (x)	2.8	3.0	2.7	2.5	2.3
Yield (%)	3.3	3.9	4.3	5.2	5.9
ROE (%)	14.3	16.9	19.9	21.8	22.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$8.09**
 Up/Downside **+30.7%**
 Current Price **HK\$6.19**

China PJM Sector

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Stock Data

Mkt Cap (HK\$ mn)	12,442
Avg 3 mths t/o (HK\$ mn)	18.89
52w High/Low (HK\$)	7.20/3.06
Total Issued Shares (mn)	2,010

Source: Bloomberg

Shareholding Structure

Greentown China Holdings Ltd	73.17%
SUPUR Industrial capital	2.99%
LOU GONGWANG	1.27%

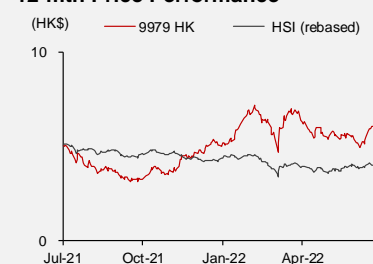
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.1%	19.9%
3-mth	-3.1%	-2.7%
6-mth	20.2%	35.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Figure 1: 1H22 new contracts

	1H21	2H21	1H22	2H22E	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Newly contracted GFA (mn sqm)	12.0	10.8	13.2	14.1	9.0	3.0	4.6	6.1	n.a.	n.a.
yoy growth	23%	n.a.	10%	31%			91%	-5%	n.a.	n.a.
Estimated service fee (RMB bn)	3.22	3.89	4.06	4.47	2.34	0.88	1.61	2.28	2.01	2.05
yoy growth	0%	n.a.	26%	15%			99%	28%	-14%	133%
Service fee as % of full year (2021A/2022E)	45%	55%	48%	52%	33%	12%	23%	32%	24%	24%

Source: Company data, CMBIGM

Figure 2: Property sales of Greentown Management

Property Sales of Greentown Mgmt.		Jan	Feb	Mar	Apr	May	Jun	1H22
2021	GFA Sold (mn sqm)	0.23	0.28	0.49	0.38	0.48	0.53	2.39
	Contracted Sales (RMB bn)	3	3.5	6.5	6	7.4	8.4	34.8
2022	GFA Sold (mn sqm)	0.18	0.27	0.38	0.39	0.33	0.45	2.00
	Contracted Sales (RMB bn)	2.9	3.4	4.4	4.9	4.3	7.9	27.8
2022 % change	Monthly Contracted Sales MoM	n.a.	17%	29%	11%	-12%	84%	n.a.
	Monthly Contracted Sales YoY	n.a.	-3%	-32%	-18%	-42%	-6%	n.a.
2022 % change	Accumulative GFA Sold YoY	n.a.	-12%	-17%	-12%	-17%	-16%	n.a.
	Accumulative Contracted Sales YoY	n.a.	-3%	-18%	-18%	-25%	-20%	n.a.
Industry % change (Contracted sales)	Monthly: Top 100 developers MoM	n.a.	-24%	27%	-16%	6%	55%	n.a.
	Monthly: Top 100 developers YoY	n.a.	-47%	-53%	-59%	-59%	-43%	n.a.
Industry % change (Contracted sales)	Accumulative: Top 100 developers YoY	n.a.	n.a.	-47%	-51%	-53%	-51%	n.a.
ASP	2021 ASP (RMB/sqm)	13,043	12,500	13,265	15,789	15,417	15,849	14,561
	2022 ASP (RMB/sqm)	16,111	12,593	11,579	12,564	13,030	17,556	13,900

Source: Company data, CMBIGM

Figure 3: Valuation table (as of 20220711)

Company	Ticker	CMBI rating	Last price (HK\$)	Mkt Cap (HK\$ mn)	Mkt Cap (HK\$ mn)	P/E			Net profit growth %	
						21A	22E	23E	22E	23E
PJM										
Greentown Management	9979 HK	Buy	8.1	6.2	12,442	17.6	13.8	11.6	27.2	19.2
Central China Management	9982 HK	Hold	1.4	1.0	3,421	3.6	3.4	3.7	3.3	-7.7
Average						14.6	11.5	9.9	22.1	13.4
PM										
Country Garden Services	6098 HK	Buy	47.6	28.5	95,854	16.9	13.7	10.1	43.6	35.9
CR MixC Lifestyle	1209 HK	Buy	44.3	36.7	83,654	44.1	31.2	23.7	27.9	31.1
A-Living	3319 HK	Hold	34.2	10.5	14,910	5.0	4.8	4.2	11.7	15.5
Greentown Services	2889 HK	Hold	7.9	8.5	27,743	24.3	22.2	17.2	23.1	27.7
Ever Sunshine	1995 HK	Hold	12.7	7.4	12,951	16.1	12.2	9.1	39.5	36.0
Poly Services	6049 HK	Hold	53.4	50.0	27,667	25.8	21.8	17.2	23.3	27.3
S-Enjoy	1755 HK	Sell	8.5	8.0	6,947	8.2	6.8	5.1	56.4	34.0
Powerlong Commercial	9909 HK	Buy	33.2	4.6	2,925	5.3	4.4	3.5	23.6	25.4
Excellence CM	6989 HK	Buy	14.9	3.8	4,576	6.8	5.1	3.9	47.7	32.2
Central China New Life	9983 HK	Buy	12.9	3.5	4,379	5.7	4.7	3.8	30.0	22.9
Sino-Ocean Services	6677 HK	Buy	7.1	2.9	3,386	6.6	4.9	3.4	32.5	36.3
New hope Services	3658 HK	Buy	4.4	2.3	1,856	7.9	4.6	n.a.	83.5	n.a.
Redsun Services	1971 HK	Buy	9.4	3.1	1,278	6.7	5.8	4.5	41.2	32.2
Evergrande Services	6666 HK	Buy	10.4	2.3	24,865	5.6	4.2	3.2	n.a.	31.2
Sunac Services	1516 HK	Buy	7.0	3.7	11,310	7.1	5.8	4.7	23.7	26.1
Average						22.7	17.5	13.3	30.5	31.0

Source: Company data, Bloomberg, CMBIGM

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,813	2,243	2,767	3,242	3,722
Commercial	1,312	1,478	1,723	2,002	2,286
Government	310	572	831	1,003	1,171
Other service	191	194	213	237	265
Cost of sales	(947)	(1,203)	(1,511)	(1,734)	(1,982)
Gross Profit	866	1,041	1,255	1,507	1,740
Selling and marketing expenses	(48)	(93)	(55)	(65)	(74)
Administration expenses	(331)	(378)	(439)	(510)	(582)
Listing fee	(34)	-	-	-	-
Other gains and losses	(31)	(10)	-	-	-
Operating profit	422	560	762	933	1,084
Finance cost - net	47	110	96	101	107
Pre-tax Profit	525	722	910	1,08	1,243
Income tax	(117)	(152)	(191)	(228)	(261)
Discontinued operations	5	-	-	-	-
PROFIT FOR THE YEAR	412	571	719	857	982
Non-controlling interest	(27)	5	-	-	-
Net Profit attribute to	439	565	719	857	982

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21E	FY22E	FY23E	FY24E
Profit before tax	412	571	719	857	982
D&A	24	25	24	24	24
Change in working capital	503	57	52	(9)	12
Others	(81)	(119)	(191)	(228)	(261)
Net cash from operating	903	566	698	771	910
Capex	(6)	(21)	(39)	(46)	(56)
Advance/repayment of long-term receivables	(110)	(238)	-	-	-
Others	24	(238)	81	84	81
Net cash from investing	(92)	(497)	43	37	26
Dividends paid	(15)	(333)	(431)	(514)	(589)
Advance from/repayment of a related party	(524)	25	-	-	-
Proceeds from issue of new shares	1,184	-	-	-	-
Others	(159)	(15)	(6)	(6)	(6)
Net cash from financing	486	(322)	(437)	(520)	(595)
Net change in cash	1,258	(260)	303	288	341
Exchange difference	(39)	(6)	-	-	-
Cash at the beginning of the year	1,139	2,397	2,138	2,441	2,729
Cash at the end of the year	2,397	2,138	2,441	2,729	3,070

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Current assets	3,321	3,701	4,348	4,948	5,604
Bank balances and cash	2,397	2,138	2,441	2,729	3,070
Trade and other receivables	388	749	924	1,082	1,242
Contract assets	317	482	595	697	800
Amounts due from related parties	203	240	296	347	398
Other current assets	16	92	92	92	92
Non-current assets	1,427	1,543	1,564	1,587	1,619
Property, plant and equipment	98	102	120	140	167
Right-of-use assets	18	17	19	23	27
Investment properties	53	47	47	47	47
Goodwill	769	769	769	769	769
Interests in associates and JVs	161	244	244	244	244
Long-term receivables	210	238	238	238	238
Other non-current assets	117	126	126	126	126
Total assets	4,748	5,244	5,912	6,534	7,222
Current liabilities	1,619	1,844	2,239	2,541	2,868
Trade and other payables	819	943	1,185	1,360	1,554
Amounts due to related parties	199	246	309	355	405
Contract liabilities	396	385	475	556	639
Others	205	270	270	270	270
Non-current liabilities	26	29	29	29	29
Deferred tax liabilities	17	19	19	19	19
Lease liabilities	9	10	10	10	10
Total liabilities	1,645	1,872	2,267	2,570	2,897
Equity to shareholders	3,075	3,341	3,614	3,934	4,295
Share capital	16	16	16	16	16
Reserves	3,059	3,325	3,598	3,918	4,279
Non-controlling interests	27	30	30	30	30
Total Equity	3,102	3,372	3,645	3,965	4,326

Key ratios

YE 31 Dec	FY20A	FY21E	FY22E	FY23E	FY24E
Sales mix (%)					
Commercial	72.4	65.9	62.3	61.8	61.4
Government	17.1	25.5	30.0	30.9	31.5
Others	10.5	8.6	7.7	7.3	7.1
Total	100.0	100.0	100.0	100.0	100.0
Growth (%)					
Revenue	-9.1%	23.7%	23.3%	17.2%	14.8%
Gross profit	-1.8%	20.2%	20.6%	20.1%	15.4%
Operating profit	-22.5%	32.8%	36.0%	22.5%	16.2%
Net profit	35.3%	28.7%	27.2%	19.2%	14.6%
Profit & loss ratios (%)					
Gross profit margin	47.8	46.4	45.4	46.5	46.8
Net profit margin	24.2	25.2	26.0	26.5	26.4
Effective tax rate	22.4	21.0	21.0	21.0	21.0
Balance sheet ratios					
Cash/total assets (%)	0.5	0.4	0.4	0.4	0.4
Current ratio (x)	0.9	0.8	0.7	0.6	0.6
Receivable turnover days	78	122	122	122	122
Payable turnover days	315	286	286	286	286
IBL to total assets	0.02	0.00	0.00	0.00	-
Returns (%)					
ROE	14.3	16.9	19.9	21.8	22.9
ROA	9.3	10.8	12.2	13.1	13.6
Per share					
EPS (RMB)	0.26	0.29	0.37	0.45	0.51
DPS (RMB)	0.17	0.20	0.22	0.27	0.31
BVPS (RMB)	1.83	1.74	1.88	2.05	2.23

Source: Company and CMBIGM estimates

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