

Onewo (2602 HK)

Let Onewo Town Surprise you

We are **more positive than market** on its Onewo Town project **due to our channel check**. The logic behind includes 1) Onewo's market-leading brand and strong third-party expansion capacity especially in existing projects (50% of its third-party expansion) allow the Company to continue winning projects within their planned Town circle (3km) and increase the density. This can be seen even from the tough 2022 that revenue from third-party grew 53% and 46% YoY in residential and commercial PM. 2) With increasing density, Onewo can follow up with its community VAS business. For example, the home decoration revenue has doubled annually among the 31 mature towns. 3) Our channel check shows Onewo Town's revenue and GPM would improve 15% and 0.5ppt after 6 months' implementation. Therefore, in the medium-to-long term, the positive financial impact would be shown when more mature Towns are ready. **Catalyst:** inclusion into SZ-HK stock connect.

- **Onewo Town strategy is working based on our channel check.** In 2022, Onewo has increased its number of Onewo Town to 584 (459 in 2021) with 38 projects finished. Management targeted another 100+ Onewo Town projects this year. In particular, the strategy of Onewo has already shifted from density of basic PM service to community VAS business such as facility management, home decoration, delivery and advertisement. For example, among 31 mature Onewo Towns, the home decoration revenue has more than doubled to RMB200mn/project/year. Also, based on our channel check, on average each Onewo Town will see 15% revenue increase and 0.5ppt GPM improvement after 6 months' implementation. Therefore, in a medium-to-long term, we will see more obvious financial impact from the Onewo Town strategy.
- **Strong brand value to further widen its third-party expansion advantage.** The Company reported +27% YoY revenue growth in 2022 on commercial PM (+43% YoY) and residential PM (+30% YoY) in third-party expansion. For **Commercial PM**, revenue from third parties grew 46% YoY, 85% of segment total in 2022 (vs. 83% in 2021) (saturated income of managed GFA grew 45% YoY). For **Residential PM**, revenue from third parties grew 53% YoY to account for 46% of segment total in 2022 (vs. 39% in 2021).

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	23,705	30,106	39,774	49,002	59,780
YoY growth (%)	30.6	27.0	32.1	23.2	22.0
Net income (RMB mn)	1,668	1,510	2,230	2,779	3,475
EPS (RMB)	1.65	1.40	2.06	2.57	3.21
YoY growth (%)	12.4	-15.2	47.6	24.6	25.1
Consensus EPS (RMB)	N.A.	N.A.	2.21	3.01	3.88
P/E (x)	18.3	21.6	14.6	11.7	9.4
P/B (x)	14.8	3.8	3.0	2.4	2.0
Yield (%)	11.6	0.9	1.7	2.1	2.7
ROE (%)	16.9	9.2	12.0	13.3	14.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$43.6
(Previous TP)	HK\$49.6)
Up/Downside	+20.2%
Current Price	HK\$36.3

China Property Service Sector

Miao Zhang

(852) 3761 8910

zhangmiao@cmbi.com.hk

Jeffrey Zeng

(852) 3916 3727

jeffreyzeng@cmbi.com.hk

Bella Li

(852) 3757 6202

bellali@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	46,602
Avg 3 mths t/o (HK\$ mn)	16.32
52w High/Low (HK\$)	57.1/27.2
Total Issued Shares (mn)	128

Source: Bloomberg

Shareholding Structure

Boyu Capital	54.5%
China Chengtong	12.6%
Others	32.9%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.7%	-10.0%
3-mth	-22.5%	-22.2%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

- **2022 earnings recap.** The Company delivered in-line revenue growth at 27% YoY to RMB30bn in a very tough macro environment. However, RMB1.5bn net profit (9% YoY decline) came slightly below market expectation due to 1) GP margin decline of 3ppt YoY to 14.1% (-1.8ppt to 15.9% if excluded the impact of amortization) as high margin business - VAS to owners and developers were affected by macro environment. 2) RMB 1.6bn impairment losses mainly on account receivables (+39% YoY). 3) RMB 8.5bn of D&A (+110% YoY) on Goodwill and Customer relationship.
- **Maintain Buy:** With the overall recovery in 2023, we expect the Company to accelerate its revenue growth to 32% driven by both its residential PM business (+35% YoY) on fast third-party expansion and Commercial PM (+37% YoY). The scale effect and cost saving measures would also help support the margin recovery for NPM to 6% (+1%). Together with less impairment, the bottom line is expected to grow 48% YoY in 2023E on a low base and 25% YoY in 2024E. We maintain Buy but cut TP to HK\$43.6/share to reflect 17/21% cut in 2023/24E EPS and 18x 2023E P/E (unchanged).

Figure 1: FY22 results summary

RMB mn	2021	2022	YoY	vs. CMBI est.
Revenue	23,705	30,106	27%	-3%
- Residential PM	11,363	14,811	30%	3%
- Commercial PM	5,288	7,545	43%	0%
- Community VAS	1,798	1,772	-1%	-18%
- VAS for developers	3,065	2,935	-4%	-14%
- Urban space services	340	664	95%	9%
- AIoT and BPaaS solution services	1,850	2,378	29%	-16%
Gross profit	4,020	4,231	5%	-19%
Net profit	1,668	1,510	-9%	-31%
EPS (RMB)	1.65	1.40	-15%	-25%
DPS (RMB)*	3.49	0.26	-92%	-44%
Dividend payout ratio	212%	18.7%	-193.3 ppt	-25%
GP Margin	17.0%	14.1%	-2.9 ppt	-17%
Net Margin	7.0%	5.0%	-2 ppt	-29%
Annualized income of managed GFA (RMB bn)				
- Residential	18	23	28%	
- Commercial	8	11	36%	

Note*: Dividend of RMB 3.5bn before IPO in 2021

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	39,774	49,002	59,780	41,262	54,283	n.a.	-4%	-10%	n.a.
Gross Profit	5,961	7,417	9,200	7,057	9,378	n.a.	-16%	-21%	n.a.
Operating profit	2,918	3,614	4,510	3,902	5,097	n.a.	-25%	-29%	n.a.
Net profit	2,230	2,779	3,475	2,923	3,834	n.a.	-24%	-28%	n.a.
EPS (RMB)	2.06	2.57	3.21	2.48	3.25	n.a.	-17%	-21%	n.a.
Gross Margin	15.0%	15.1%	15.4%	17.1%	17.3%	n.a.	-2.1ppts	-2.1ppts	n.a.
Operating Margin	7.3%	7.4%	7.5%	9.5%	9.4%	n.a.	-2.1ppts	-2ppts	n.a.
Net Margin	5.6%	5.7%	5.8%	7.1%	7.1%	n.a.	-1.5ppts	-1.4ppts	n.a.

Source: Company data, CMBIGM estimates

Figure 3: Key assumptions

Key drivers	2019	2020	2021	2022	2023E	2024E	2025E
Managed GFA (mn sqm)	479	577	785	991	1,269	1,618	2,040
YoY growth		20%	36%	26%	28%	28%	26%
- Residential (mn sqm)	431	498	660	820	1,035	1,306	1,634
- Non-residential (mn sqm)	48	79	125	171	233	312	406
Revenue (RMB mn)	13,927	18,145	23,705	30,106	39,774	49,002	59,780
YoY growth		30.3%	30.6%	27.0%	32.1%	23.2%	22.0%
- Residential PM	7,251	9,130	11,363	14,811	20,296	24,982	30,791
- Commercial PM	2,569	4,023	5,288	7,545	10,331	13,088	15,804
- Community VAS	1,577	1,493	1,798	1,772	2,064	2,406	2,809
- VAS for developers	1,693	2,363	3,065	2,935	2,935	2,935	2,935
- Urban space integrated services	31	102	340	664	996	1,395	1,813
- AIoT and BPaaS solution service	806	1,034	1,850	2,378	3,152	4,196	5,628
Gross margin	17.7%	18.5%	17.0%	14.1%	15.0%	15.1%	15.4%
- Residential PM	9.5%	15.0%	11.1%	9.9%	11.2%	11.5%	12.0%
- Commercial PM	15.5%	14.3%	13.7%	12.2%	13.5%	13.5%	13.5%
- Community VAS	46.2%	41.6%	45.5%	36.1%	38.2%	37.2%	35.5%
- VAS for developers	28.1%	22.4%	19.5%	13.9%	13.9%	13.9%	13.9%
- Urban space integrated services	9.2%	14.0%	17.4%	8.2%	10.0%	10.0%	10.0%
- AIoT and BPaaS solution service	21.2%	24.6%	29.9%	31.6%	31.6%	31.8%	31.7%
Net profits (RMB mn)	1,020	1,464	1,668	1,510	2,230	2,779	3,475
YoY growth		44%	14%	-9%	48%	24.6%	25.1%
Net margin	7.3%	8.1%	7.0%	5.0%	5.6%	5.7%	5.8%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	23,705	30,106	39,774	49,002	59,780
Residential PM	13,161	14,811	20,296	24,982	30,791
Commercial PM	5,288	7,545	10,331	13,088	15,804
Community VAS	1,798	1,772	2,064	2,406	2,809
VAS for developers	3,065	2,935	2,935	2,935	2,935
Urban space services	340	664	996	1,395	1,813
AIoT and BPaaS solution	1,850	2,378	3,152	4,196	5,628
Cost of sales	(19,685)	(25,875)	(33,814)	(41,585)	(50,580)
Gross profit	4,020	4,231	5,961	7,417	9,200
Other income	417	571	308	314	322
Selling expenses	(257)	(450)	(517)	(637)	(777)
Administrative expenses	(1,792)	(2,153)	(2,784)	(3,430)	(4,185)
Other expenses	(92)	(156)	(50)	(50)	(50)
Operating profit	2,297	2,042	2,918	3,614	4,510
Share from JCE	34	(10)	29	32	24
Finance cost	(10)	(11)	(9)	(9)	(9)
Pre-tax profit	2,320	2,021	2,938	3,636	4,524
Income tax	(606)	(435)	(632)	(782)	(973)
Profit for the year	1,714	1,586	2,306	2,854	3,551
Non-controlling interest	(47)	(76)	(76)	(76)	(76)
Net profit to shareholders	1,668	1,510	2,230	2,779	3,475

Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net income	2,320	2,021	2,938	3,636	4,524
D&A	395	556	646	736	826
Change in working capital	784	61	(534)	115	253
Income tax paid	(496)	(435)	(632)	(782)	(973)
Others	(170)	99	(64)	(73)	(72)
Net cash fr. operating act.	2,834	2,302	2,353	3,632	4,557
Capex & investments	(285)	(580)	(680)	(780)	(880)
Others	804	191	225	231	238
Net cash fr. investing act.	519	(389)	(455)	(549)	(642)
Equity raised	-	5,340	-	-	-
Change of Debts	(18)	-	-	-	-
Dividend paid	(2,243)	(284)	(558)	(695)	(869)
Others	(58)	(11)	(9)	(9)	(9)
Net cash fr. financing act.	(2,319)	5,045	(567)	(704)	(878)
Net change in cash	1,033	6,958	1,331	2,379	3,037
Cash at the beginning of the	5,398	6,431	13,388	14,720	17,098
Exchange difference	(0)	-	-	-	-
Cash at the end of the	6,431	13,388	14,720	17,098	20,136

Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	15,016	15,121	15,345	15,581	15,819
Fixed asset	501	666	836	1,016	1,206
Goodwill	3,700	3,700	3,700	3,700	3,700
Other intangible assets	4,544	4,807	4,627	4,447	4,267
Prepayments	1,992	2,389	2,389	2,389	2,389
Others	4,279	3,559	3,793	4,029	4,257
Current assets	13,708	21,789	24,464	28,127	32,531
Cash	6,431	13,345	14,720	17,098	20,136
Account receivable	4,514	6,278	7,557	8,820	10,163
Prepayments	1,698	1,698	1,698	1,698	1,698
Other current assets	1,066	468	489	510	535
Total Assets	28,724	36,910	39,809	43,708	48,350
Current liabilities	16,282	17,714	18,480	19,879	21,498
Account payables	3,243	5,320	6,086	7,485	9,104
Contract liabilities	4,168	4,515	4,515	4,515	4,515
Other	8,871	7,879	7,879	7,879	7,879
Non-current liabilities	2,130	2,195	2,195	2,195	2,195
Borrowings	4	4	-	-	-
Deferred tax liabilities	1,088	990	990	990	990
Others	1,038	1,201	1,205	1,205	1,205
Total Liabilities	18,412	19,909	20,676	22,074	23,694
Shareholders' equity	9,893	16,460	18,516	20,941	23,888
Non-controlling interests	419	541	617	692	768
Total Equity	10,313	17,001	19,133	21,633	24,656

Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Sales mix (%)					
Residential PM	55.5	49.2	51.0	51.0	51.5
Commercial PM	22.3	25.1	26.0	26.7	26.4
Community VAS	7.6	5.9	5.2	4.9	4.7
VAS to developers	12.9	9.7	7.4	6.0	4.9
Urban space services	1.4	2.2	2.5	2.8	3.0
AIoT and BPaaS solution	7.8	7.9	7.9	8.6	9.4
Total	107.6	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	17.0	14.1	15.0	15.1	15.4
Operating margin	9.7	6.8	7.3	7.4	7.5
Net margin	7.0	5.0	5.6	5.7	5.8
Effective tax rate	26.1	21.5	21.5	21.5	21.5
Growth (%)					
Revenue	30.6	27.0	32.1	23.2	22.0
Gross profit	19.5	5.2	40.9	24.4	24.0
Net profit	13.9	-9.4	47.6	24.6	25.1
Balance sheet ratios					
Current ratio (x)	0.8	1.2	1.3	1.4	1.5
Receivable turnover days	70	76	69	66	62
Returns (%)					
ROE	16.9	9.2	12.0	13.3	14.5
ROA	5.8	4.1	5.6	6.4	7.2
Per share					
EPS (RMB)	1.65	1.40	2.06	2.57	3.21
DPS (RMB)	3.49	0.26	0.52	0.64	0.80
BVPS (RMB)	2.04	7.85	9.99	12.46	15.42

Source: Company data, CMBIGM estimates

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CMB International Global Markets Limited

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

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