Greentown Service (2869 HK)

Continue to bear fruit from efficiency gains

Greentown Service's FY25 net profit (NP) grew 12.1% YoY to RMB 880mn, missing Bloomberg consensus by 6.3% and in line with our forecast. Core operating profit (=GP-SG&A) rose 24.6% YoY, largely beating the 15% guidance set by management earlier thanks to its continued efforts on efficiency improvement. Share price went up 6.5% after analyst briefing given company guided a >15% core OP growth in FY26 with further efficiency improvement as well as the high payout ratio to be maintained. We maintain BUY and trim TP by 1% to HK$6.55 based on 18x 2026E P/E, and we cut target P/E multiple from 22x to 18x (c. 20% discount) to reflect the climbing new home vacancy rate that results from weak property sales, which we think is likely to weigh on collection rate of the industry in the next few years.

- **Efforts on efficiency improvement yielded strong results.** The company's continued efficiency improvement measures drove a gross margin lift of 0.5ppts YoY (to 17.3%) and a SG&A ratio cut of 0.9ppts YoY (to 7.5%) in FY25, which totally saved RMB263mn and contributed 70% of the growth in core operating profit. Core OP surged 24.6% YoY to RMB1,878mn, largely beating management's 15% guidance. This also leaves sufficient space for its heavy impairment, 121% higher YoY than the previous year, and delivered a 12.1% YoY increase in NP, representing a 0.2ppts expansion in NP margin. We expect this trend to sustain, as the company's progress comes not from mere layoffs, but from a combination of refined management, cross-project collaboration, technology empowerment and focus on high-quality businesses. Its headcount increased 7% yet net profit per capita rose 5% in FY25.
- **New home PM fee collection remains a future concern**. The company did not disclose its overall collection rate. Our calculation points to a mild decline, which causes worries given its mention of elevated vacancy rates for newly-delivered projects in FY25, heavily affected by the slowdown in property sales. Meanwhile, we see the share of net new GFA under management contributed by related parties rise from 19% in FY24 to 27% in FY25. We expect persistent high vacancy due to weak new home sales to continue over the next 1–2 years with no viable near-term solutions. Consequently, pressure on PM fee collection could persist and become the main drag in the coming years, potentially dampening the sector's medium-term growth outlook.
- **FY26 guidance is beyond market expectation.** The company guided >15% core OP growth in FY26 with gross margin to expand a further 0.5ppts and administrative fee ratio to drop by a further 0.5ppts. This opens up room for market optimism on the company's efficiency improvement outcomes. Coupled with the company stating it will maintain a high dividend payout ratio, its share price jumped 6.5% after analyst briefing while the HSI declined 3%.

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	1,030.2	1,187.3	1,307.7
EPS (Reported) (RMB)	0.25	0.28	0.33	0.38	0.42
YoY growth (%)	31.6	12.7	17.0	15.3	10.1
Consensus EPS (RMB)	na	0.29	0.34	0.38	0.38
P/E (x)	15.1	13.4	11.4	9.9	9.0
P/B (x)	1.7	1.6	1.5	1.5	1.4
Yield (%)	4.9	5.7	6.6	7.6	8.3
ROE (%)	10.3	11.2	12.6	13.8	14.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$6.55**
(Previous TP	HK$6.61)
Up/Downside	**53.7%**
Current Price	**HK$4.26**

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Stock Data

Mkt Cap (HK$ mn)	13,770.0
Avg 3 mths t/o (HK$ mn)	14.0
52w High/Low (HK$)	5.23/3.94
Total Issued Shares (mn)	3232.4

Source: FactSet

Shareholding Structure

Orchid Garden Investment	31.9%
Lilac International Investment	13.3%

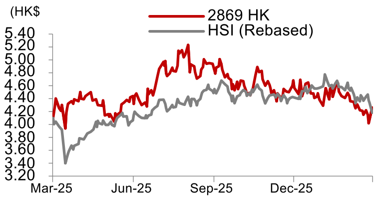
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.1%	5.4%
3-mth	-9.0%	-3.8%
6-mth	-12.9%	-6.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 2869 HK results summary- FY25

RMB mn	2024A	2025A	YoY	vs. CMBI est.	1H25	2H25	1H YoY	2H YoY	HoH
Revenue	**17,893**	**19,164**	***7.1%***	***-0.1%***	**9,289**	**9,876**	***6.1%***	***8.0%***	***6.3%***
- Property management services	12,401	13,644	*10.0%*	*-1.1%*	6,633	7,011	*10.2%*	*9.8%*	*5.7%*
- Consulting services	2,753	2,764	*0.4%*	*0.4%*	1,299	1,465	*0.6%*	*0.2%*	*12.8%*
Property under construction services	2,115	2,142	*1.3%*	*1.3%*	1,012	1,131	*1.5%*	*1.1%*	*11.8%*
Management consulting services	638	621	*-2.6%*	*-2.4%*	287	334	*-2.5%*	*-2.7%*	*16.2%*
- Community living services	2,739	2,756	*0.6%*	*4.0%*	1,357	1,400	*-6.0%*	*8.0%*	*3.2%*
Community products and services	1,310	1,372	*4.7%*	*-0.3%*	676	696	*5.1%*	*4.3%*	*2.9%*
Home living services	396	260	*-34.2%*	*19.7%*	123	137	*-53.8%*	*6.5%*	*11.7%*
Community space services	293	361	*23.3%*	*14.1%*	173	188	*13.0%*	*34.5%*	*8.6%*
Property asset management services	635	664	*4.6%*	*4.6%*	333	331	*1.3%*	*8.0%*	*-0.8%*
Cultural and education services	105	99	*-5.9%*	*-5.9%*	51	48	*0.6%*	*-12.0%*	*-6.5%*
Gross profit	**3,011**	**3,322**	***10.3%***	***-0.6%***	**1,808**	**1,514**	***8.9%***	***12.1%***	***-16.3%***
Core operating profit	**1,507**	**1,878**	***24.6%***	***3.5%***	**1,074**	**804**	***25.3%***	***23.7%***	***-25.1%***
Net profit attributable to shareholders	**785**	**880**	***12.1%***	***0.7%***	**613**	**267**	***21.4%***	***-4.6%***	***-56.4%***
EPS (RMB)	0.25	0.28	*12.7%*	*1.2%*	0.195	0.085	*23.4%*	*-5.9%*	*-56.5%*
DPS (RMB)	0.19	0.21	*14.4%*	*2.2%*					
Dividend payout ratio	*75%*	*76%*	*0 ppt*	*0.9%*					
GP Margin	**16.8%**	**17.3%**	***0.5 ppt***	***-0.1 ppt***	**19.5%**	**15.3%**	***0.5 ppt***	***0.6 ppt***	***-4.1 ppt***
- Property management services	13.7%	14.3%	*0.6 ppt*	*0.0 ppt*	15.3%	13.4%	*0.4 ppt*	*0.8 ppt*	*-1.9 ppt*
- Consulting services	26.7%	27.4%	*0.7 ppt*	*2.7 ppt*	33.1%	22.3%	*0.1 ppt*	*5.1 ppt*	*-10.8 ppt*
- Community living services	21.0%	22.4%	*1.4 ppt*	*-3.7 ppt*	26.6%	18.3%	*3.2 ppt*	*-4.5 ppt*	*-8.3 ppt*
Core OP Margin	**8.4%**	**9.8%**	***1.4 ppt***	***0.3 ppt***	**11.6%**	**8.1%**	***1.8 ppt***	***1.0 ppt***	***-3.4 ppt***
Net Margin	**4.4%**	**4.6%**	***0.2 ppt***	***0.0 ppt***	**6.6%**	**2.7%**	***0.8 ppt***	***-0.4 ppt***	***-3.9 ppt***
Managed GFA (mn sqm)	509.0	566.0	*11%*	*-0.2%*	536.3	566.0	*11%*	*11%*	*5.5%*
Reserved GFA (mn sqm)	357.2	330.8	*-7%*	*-7.4%*	347.3	330.8	*-3%*	*-7%*	*-4.8%*
Trade receivables	5,748	6,105	*6%*	*-0.3%*	7,210	6,105	*11%*	*6%*	*-15.3%*
Cash (incl. deposits)	5,972	7,007	*17%*	*11.6%*	5,448	7,007	*26%*	*17%*	*28.6%*

Source: Company data, CMBIGM estimates

Figure 2: Managed-GFA termination rate

Managed GFA movement (mn sqm)	2022A	2023A	2024A	2025A	1H24	2H24	1H25	2H25
At the beginning of the period	304.1	381.4	448.4	509.0	448.4	481.7	509.0	536.3
Addition	**83.3**	**83.4**	**79.2**	**79.1**	**40.3**	**38.9**	**39.3**	**39.8**
Termination	(6.0)	(16.4)	(18.6)	(22.1)	(7.0)	(11.6)	(12.0)	(10.1)
At the end of the period	381.4	448.4	509.0	566.0	481.7	509.0	536.3	566.0
Termination rate (=Termination GFA / Beginning GFA)	***-2.0%***	***-4.3%***	***-4.1%***	***-4.3%***	***-1.6%***	***-2.4%***	***-2.4%***	***-1.9%***

Source: Company data, CMBIGM

Figure 3: Earnings revision

RMB mn	New FY26E	New FY27E	New FY28E	Old FY26E	Old FY27E	Old FY28E	Diff (%) FY26E	Diff (%) FY27E	Diff (%) FY28E
Revenue	20,733	22,309	23,830	20,550	21,971	n.a.	1%	2%	n.a.
Gross profit	3,645	3,960	4,272	3,557	3,784	n.a.	2%	5%	n.a.
Operating profit	1456	1,689	1,866	1466	1,617	n.a.	-1%	4%	n.a.
Net profit	1,030	1,187	1,308	1,000	1,101	n.a.	3%	8%	n.a.
Gross margin	17.6%	17.8%	17.9%	17.3%	17.2%	n.a.	0.3ppts	0.5ppts	n.a.
EBIT margin	7.0%	7.6%	7.8%	7.1%	7.4%	n.a.	-0.1ppts	0.2ppts	n.a.
Net margin	5.0%	5.3%	5.5%	4.9%	5.0%	n.a.	0.1ppts	0.3ppts	n.a.

Source: Company data, CMBIGM estimates

Figure 4: CMBI estimates vs. Consensus

RMB mn	CMBIGM FY26E	CMBIGM FY27E	CMBIGM FY28E	Consensus FY26E	Consensus FY27E	Consensus FY28E	Diff (%) FY26E	Diff (%) FY27E	Diff (%) FY28E
Revenue	20,733	22,309	23,830	20,805	22,415	23,728	0%	0%	0%
Gross profit	3,645	3,960	4,272	3,654	3,959	4,067	0%	0%	5%
Operating profit	1456	1689	1,866	1,595	1,788	1,604	-9%	-6%	16%
Net profit	1,030	1,187	1,308	1,067	1,203	1,220	-3%	-1%	7%
Gross margin	17.6%	17.8%	17.9%	17.6%	17.7%	17.1%	0ppts	0.1ppts	0.8ppts
EBIT margin	7.0%	7.6%	7.8%	7.7%	8.0%	6.8%	-0.6ppts	-0.4ppts	1.1ppts
Net margin	5.0%	5.3%	5.5%	5.1%	5.4%	5.1%	-0.2ppts	0ppts	0.3ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 5: Valuation comps

Company	Ticker	Last Price (LC)	Mkt Cap (USD mn)	P/E (x) 26E	P/E (x) 27E	Net Profit Growth (%) 26E	Net Profit Growth (%) 27E	Net Profit Growth (%) 28E	Payout ratio 24A	Dividend Yield 24A	Dividend Yield 25E	PEG 26E
CR MixC	1209.HK	43.72	12,736	19.3 x	17.2 x	10.2	13.7	12.5	134%	5.3%	4.5%	1.2
Onewo	2602.HK	16.51	2,461	20.2 x	17.5 x	21.2	15.2	24.3	250%	10.1%	8.0%	1.2
Country Garden Services	6098.HK	5.65	2,348	9.0 x	8.2 x	(18.5)	22.0	9.9	55%	5.7%	9.5%	0.4
Poly Services	6049.HK	30.46	2,151	9.0 x	8.3 x	6.3	5.8	7.5	50%	4.8%	5.7%	1.4
COPH	2669.HK	3.99	1,672	6.4 x	5.8 x	9.6	9.6	8.8	36%	4.5%	4.9%	0.6
China Merchant PO	001914.SZ	9.68	1,477	10.3 x	9.5 x	51.0	8.7	6.4	42%	2.7%	2.1%	1.1
Greentown Services	**2869.HK**	**4.26**	**1,714**	**11.4 x**	**9.9 x**	**17.0**	**15.2**	**10.1**	**75%**	**4.9%**	**5.7%**	**0.7**
C&D PM	2156.HK	2.51	451	7.3 x	6.7 x	18.4	11.0	10.1	58%	6.0%	7.1%	0.6
Ever Sunshine	1995.HK	1.68	369	5.0 x	4.7 x	(7.3)	15.8	6.6	62%	11.0%	10.2%	0.3
Jinmao Services	0816.HK	2.31	267	4.3 x	4.0 x	5.0	9.0	8.7	41%	7.8%	7.4%	0.4
Average				**15.1 x**	**13.5 x**	**10.9**	**13.4**	**12.1**	**112%**	**5.6%**	**5.5%**	**1.1**

Source: Company data, Wind, CMBIGM (as of 23 Mar 2026)

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)	(17,088)	(18,349)	(19,558)
Gross profit	**2,759**	**3,011**	**3,322**	**3,645**	**3,960**	**4,272**
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**	**1,813**	**1,997**
Income tax	(253)	(319)	(446)	(472)	(544)	(599)
After tax profit	**702**	**752**	**941**	**1,101**	**1,269**	**1,398**
Minority interest	(111)	(82)	(61)	(71)	(82)	(90)
Discontinued operations	14	116	na	na	na	na
Net profit	**605**	**785**	**880**	**1,030**	**1,187**	**1,308**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**12,112**	**12,649**	**13,081**	**13,977**	**14,827**	**15,598**
Cash & equivalents	4,531	4,854	5,320	5,691	6,015	6,278
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	609	649
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**	**20,178**	**21,026**
Current liabilities	**8,558**	**8,528**	**9,213**	**9,640**	**10,072**	**10,486**
Short-term borrowings	267	41	35	35	35	35
Account payables	4,872	4,972	5,428	5,855	6,287	6,701
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**	**10,458**	**10,872**
Share capital	0	0	0	0	0	0
Other reserves	7,406	7,789	7,960	8,396	8,810	9,153
Total shareholders equity	**7,406**	**7,789**	**7,960**	**8,396**	**8,810**	**9,153**
Minority interest	820	754	758	829	910	1,001
Total equity and liabilities	**18,082**	**17,694**	**18,317**	**19,251**	**20,178**	**21,026**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**954**	**1,071**	**1,386**	**1,573**	**1,813**	**1,997**
Depreciation & amortization	392	424	377	336	286	236
Tax paid	(205)	(226)	(320)	(472)	(544)	(599)
Change in working capital	(400)	(355)	212	(97)	(94)	(94)
Others	695	561	(127)	(117)	(124)	(130)
Net cash from operations	**1,436**	**1,475**	**1,528**	**1,224**	**1,337**	**1,410**
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)	(891)	(981)
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)**	**(779)**	**(896)**	**(987)**
Net change in cash						
Cash at the beginning of the year	4,183	4,531	4,854	5,320	5,691	6,015
Exchange difference	6	3	(5)	0	0	0
Cash at the end of the year	**4,531**	**4,854**	**5,320**	**5,691**	**6,015**	**6,278**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	13.2%	6.4%	7.1%	8.2%	7.6%	6.8%
Gross profit	14.9%	9.1%	10.3%	9.7%	8.6%	7.9%
Net profit	10.6%	29.7%	12.1%	17.0%	15.2%	10.1%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	16.4%	16.8%	17.3%	17.6%	17.8%	17.9%
Operating margin	(1.8%)	(2.8%)	(2.9%)	(3.1%)	(3.2%)	(3.2%)
Return on equity (ROE)	8.3%	10.3%	11.2%	12.6%	13.8%	14.6%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.4	1.5	1.4	1.4	1.5	1.5
Receivable turnover days	109.5	113.8	112.2	112.2	112.2	112.2
Inventory turnover days	17.5	14.7	12.1	12.1	12.1	12.1
Payable turnover days	126.5	121.9	125.1	125.1	125.1	125.1

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	19.9	15.1	13.4	11.4	9.9	9.0
P/B	2.0	1.7	1.6	1.5	1.5	1.4
Div yield (%)	3.6	4.9	5.7	6.6	7.6	8.3

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

Disclosures & Disclaimers

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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.

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CMBIGM 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 CMBIGM
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 Global Markets Limited

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