

Jinmao Property Services (816 HK)

Fast growth continues with impressive third-party-driven expansion

- 1H22 core profit jumped 89% YoY to RMB 183.2mn
- GFA under mgt grew 129% YoY to 45.5mn sqm after acquiring Beijing Capital Services
- Growing revenue from VASNPO (+30%YoY) demonstrated continuous support from parent
- 2023 GFA under mgt target of 100mn sqm stays unchanged
- Maintain **BUY** with revised DCF-based TP of HK\$ 8.17

Fast growth in three business segments. JPS's 1H22 revenue increased 60% YoY to RMB 1,097mn, as revenue from PM Services (PMS)/ Valued-added services to non-property owner (VASNPO)/ Community value-added services (CVAS) jumped 46%/30%/221% YoY. GFA under mgt increased 129% YoY to 45.5mn sqm and contracted GFA rose 58%YoY to 69.6mn sqm in 1H22. On June 17, 2022, JPS acquired Beijing Capital Services (BCS) at RMB 450mn (~13.7x historical P/E), adding 2.8mn sqm in GFA under mgt and 7.11mn sqm in contracted GFA. 1H22 core profit, excluding listing expenses, soared 89%YoY to RMB 183.2mn. Gross margin was down 0.3ppt YoY to 32.5% while administrative expenses only increased 20% YoY to RMB 117mn, reflecting better economies of scale and cost control. Although 7M21 contracted sales of JPS's parent, Jinmao China (817 HK), fell 46% YoY, revenue from VASNPO still grew 30% YoY, reflecting continuous support from parent. Total cash balance increased 88% HoH to RMB 1.0bn after IPO, and the Group maintained a healthy operating cash flow of RMB 278mn in 1H22, representing ~1.5x of core profit. Trade receivables from related parties increased 32%HoH to RMB 371mn, which is reasonable considering the 30% YoY growth in VASNPO revenue.

Third-party GFA and CVAS as key drivers for 2H22. Driven by M&A, third-party tendering, and inflow of city operation projects, third-party GFA under mgt increased 44% HoH to 17.89mn sqm, representing 39% of total GFA under mgt as of June 2022 (Dec 2021: 34%). JPS maintains its 2023 GFA under mgt target of 100mn sqm and 50% profit CAGR target for the 14th five-year plan period (2021-25). CVAS revenue grew substantially on improving efficiency. In particular, average revenue per sqm increased 89% YoY to RMB 0.66/sqm for community space operation. For real estate brokerage business, average agency fee per staff increased 114% YoY to RMB 195k during 1H22. Going forward, JPS will streamline its cooperation with Sinochem Group to procure agricultural products for its community retailing business.

Maintain BUY with revised TP at HK\$8.17. Given the slowing property sales and completion across the property sector, we lower our core profit forecasts by 6.0%/6.9% in 2022E/23E and our DCF-based TP to HK\$ 8.17 (from HK\$ 9.10), as we revise down the third-party tendering GFA addition estimates. With a core profit CAGR of 41% in 2022-24E, this SOE player is significantly undervalued at 7.4x 2022E P/E in our view. Maintain **BUY**.

Results and Valuations

FY ended Dec 31	2020A	2021A	2022E	2023E	2024E
Revenue (RMB mn)	944	1,516	3,090	4,578	6,237
Chg (% YoY)	19.8	60.5	103.9	48.2	36.2
Core net profit (RMB mn) ¹	77	195	420	596	840
Chg (% YoY)	240.9	153.0	115.2	41.8	41.1
Core EPS (RMB)	0.10	0.24	0.46	0.66	0.93
Chg (% YoY)	240.9	153.0	90.4	41.8	41.1
BVPS (RMB)	0.06	0.24	1.29	1.78	2.48
Chg (% YoY)	(54.4)	297.7	426.4	38.4	39.2
P/E (x)	35.5	14.0	7.4	5.2	3.7
P/B (x)	55.8	14.0	2.7	1.9	1.4
Core ROE (%)	157.0	95.6	35.9	36.8	37.4
Core ROA (%)	3.6	14.4	16.6	18.6	20.4
DPS (RMB)	-	-	0.12	0.16	0.23
Yield (%)	-	-	3.4	4.8	6.8
Net (debt)/cash (RMBmn)	(810)	555	1,160	1,702	2,425

Source(s): The Company, ABCI Securities estimates

Note: RMB to HK\$ = 1.15

¹Core net profit = Net profit attributable to owners of the parent + listing expenses + non-controlling interests

Company Report

Aug 23, 2022

Rating: **BUY**
TP: HK\$ 8.17

Analyst: Kenneth Tung
Tel: (852) 2147 8311
kennettung@abci.com.hk

Share price (HK\$)	3.94
Est. share price return	107.3%
Est. dividend yield	3.4%
Est. total return	110.7%
Previous Rating & TP	BUY; HK\$9.10
Previous Report Date	May 5, 2022

Source(s): Bloomberg, ABCI Securities estimates

Key data

52Wk H/L(HK\$)	7.40/3.31
Issued shares (mn)	904.189
Market cap (HK\$ mn)	3,562.5
3-mth Avg daily turnover (HK\$ mn)	2.51
Major shareholder(s) (%):	
China Jinmao Holdings	67.28%
Group Ltd ("China Jinmao")	

Source(s): Bloomberg, ABCI Securities

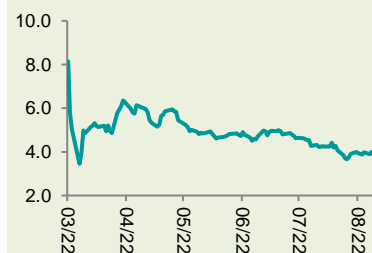
Share Performance (%)

	Absolute	Relative*
1-mth	(7.5)	(3.0)
3-mth	(18.3)	(16.1)
6-mth	NA	NA

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

Share performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities

Financial statements

Consolidated income statement (2020A-2024E)

FY Ended Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Revenue	944	1,516	3,090	4,578	6,237
Cost of sales	(709)	(1,045)	(2,164)	(3,276)	(4,538)
Gross Profit	235	470	925	1,302	1,699
Selling and distribution expenses	(2)	(15)	(37)	(44)	(53)
Administrative expenses	(135)	(209)	(348)	(478)	(538)
Other income and gains	75	46	28	33	40
Finance costs	(64)	(34)	-	-	-
Other expenses, net	(1)	(10)	(14)	-	-
Profit before tax	108	248	555	814	1,148
Income tax expense	(30)	(69)	(149)	(218)	(308)
Profit after tax	77	179	406	596	840
Non-controlling interests	-	(1)	-	-	-
Net profit attributable to owners of the parent	77	178	406	596	840
Add: Listing expenses	-	16	14	-	-
Add: Non-controlling interests	-	1	-	-	-
Core net profit*	77	195	420	596	840
Per share					
Reported EPS (RMB)	0.10	0.22	0.45	0.66	0.93
Core EPS (RMB)	0.10	0.24	0.46	0.66	0.93
DPS (RMB)	-	-	0.12	0.16	0.23
Payout ratio (%)	0%	0%	25%	25%	25%
BVPS (RMB)	0.06	0.24	1.29	1.78	2.48
Growth %					
Revenue	19.8%	60.5%	103.9%	48.2%	36.2%
Gross Profit	55.0%	100.2%	96.9%	40.7%	30.5%
Core profit	240.9%	153.0%	115.2%	41.8%	41.1%
Margin %					
Gross margin	24.9%	31.0%	30.0%	28.4%	27.2%
Core net margin	8.3%	12.9%	13.6%	13.0%	13.5%
Revenue breakdown					
Property mgt services	567	823	1,577	2,603	3,600
VAS to non-property owners	294	539	1,062	1,242	1,430
Community value added services and others	82	153	451	733	1,208
Total	944	1,516	3,090	4,578	6,237
Key assumptions					
Contracted GFA (mn sqm)	40.5	57.6	118.4	180.6	241.4
GFA under mgt (mn sqm)	17.7	36.4	81.2	126.2	170.2

Source(s): The Company, ABCI Securities estimates

* Core net profit= Net profit attributable to owners of the parent + listing expenses+ non-controlling interests



Consolidated balance sheet (2020A-2024E)

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Current assets	1,124	1,249	2,010	2,814	3,822
Cash and cash equivalents	271	554	1,159	1,701	2,424
Trade receivables	204	414	570	833	1,117
Inventories	5	5	5	5	5
Other current assets	644	276	276	276	276
Non-current assets	1,011	110	514	390	307
Property, plant and equipment	34	55	458	335	252
Intangible assets	7	6	6	6	6
Investment properties	11	9	9	9	9
Deferred tax assets	2	5	5	5	5
Right-of-use assets	16	32	32	32	32
Other non-current assets	942	3	3	3	3
Total Assets	2,135	1,359	2,524	3,205	4,129
Current Liabilities	1,011	1,128	1,326	1,560	1,854
Other payables, deposits received and accruals	521	630	630	630	630
Interest-bearing borrowings	144	-	-	-	-
Trade payables	112	171	368	603	897
Other current liabilities	235	327	327	327	327
Non-current liabilities	1,075	27	27	27	27
Deferred tax Liabilities	2	2	2	2	2
Interest-bearing borrowings	937	-	-	-	-
Other non-current liabilities	136	25	25	25	25
Total Liabilities	2,086	1,155	1,353	1,587	1,881
Net Assets	49	204	1,171	1,618	2,248
Shareholders' Equity	49	195	1,163	1,609	2,239
Minority Interest	-	9	9	9	9
Total Equity	49	204	1,171	1,618	2,248
Key ratio					
Gross debt (RMB mn)	1,081	-	-	-	-
Net debt/ (cash) (RMB mn)	810	(555)	(1,160)	(1,702)	(2,425)

Source(s): The Company, ABCI Securities estimates



Consolidated cash flow statement (2020A-2024E)

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Net cash flows from operating activities	136	347	547	687	924
Purchase of PP&E	(24)	(35)	(10)	(10)	(10)
Loan interest income received	63	32	-	-	-
Purchases of intangible assets	(3)	(3)	-	-	-
Repayment from related parties	134	1,081	-	-	-
Acquisition of subsidiaries	-	-	(507)	(19)	(21)
Others	0	0	-	-	-
Net cash flows used in investing activities	171	1,076	(517)	(29)	(31)
Debt raised	-	-	-	-	-
Repayment of interest-bearing borrowings	(134)	(1,081)	-	-	-
Interest expenses	(64)	(35)	-	-	-
Equity raised	-	-	666	-	-
Payment to shareholders	-	-	(105)	(149)	(210)
Others	7	(25)	14	33	40
Net cash flows (used in)/from financing activities	(191)	(1,141)	575	(115)	(170)
Net cash inflow/ (outflow)	116	283	605	542	723
Cash- beginning	155	271	554	1,159	1,701
Cash- year-end	271	554	1,159	1,701	2,424

Source(s): The Company, ABCI Securities estimates

Disclosures

Analyst Certification

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 10\%$)
Hold	- Market return rate ($\sim 10\%$) \leq Stock return rate $<$ Market return rate ($\sim +10\%$)
Sell	Stock return $<$ - Market return ($\sim -10\%$)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months
Market return rate: average market return rate since 2009 (For reference: HSI total return index 2009-21 averaged at 9.2%)

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183**