

## Yuexiu Services (YXS) (6626 HK)

### Unique metro business to drive growth

- With the inflow of new residential properties from YueXiu Property (YXP, 123 HK) and public projects, we forecast YXS's GFA under mgt will increase from 58.9mn sqm in 2021E to 116.7mn sqm in 2023E, implying a 41% CAGR during the period
- In 11M21, YXP's contracted sales and contracted GFA sold jumped 13%YoY and 3% YoY, providing a steady pipeline for YXS
- In 1H21, revenue generated by transit-oriented development (TOD) projects was 117mn in 1H2021, accounting for 12.2% of total revenue or 14.6% in GFA under mgt
- Initiate **BUY** with DCF-based TP of HK\$5.52

**Unique Metro business model.** As of June 2021, YXS provides property management services (PMS) to 71 metro stations and 25 metro depots of GZ Metro, with a total GFA under mgt of 5.10mn sqm and contracted GFA of 6.12mn sqm. In 1H21, revenue generated by TOD projects was 117mn in 1H2021, accounting for 12.2% of total revenue or 14.6% in GFA under mgt. Net margin jumped 5.7ppt YoY to 17.3%, showing YXS's pricing power due to the high entry barrier to TOD business. GZ Metro's 148 metro stations and 13 metro depots will provide YXS a steady TOD pipeline going forward.

**Steady pipeline from YXP.** As of June 2021, YXP had a premium landbank of 28.09mn sqm. According to YXP's announcement, contracted sales increased 32.8%YoY to RMB 95.76bn despite the COVID-19 pandemic; contracted GFA also rose 9%YoY to 3.79mn sqm in 2020. In 11M21, YXP's contracted sales/GFA sold jumped 13%/3%YoY.

**Quality commercial portfolio in the pipeline.** YXS provides commercial property mgt and operational services (CPMOS) to commercial properties, including office buildings, shopping malls, and wholesale markets. As of Jun 30, 2021, a total of 42 commercial properties were under YXS's mgt, representing a GFA under mgt of 3.0 mn sqm, up 11.3% YoY. Revenue from CPMOS segment grew 22% YoY to RMB 357mn in 2020 and 97% YoY to RMB 280mn in 1H21, representing 29.2% of total revenue in 1H21.

**Initiate BUY with TP at HK\$ 5.52.** Since a substantial proportion of the Group's revenue is dependent on PM agreements with regular and predictable cash flow, we employ the DCF method to assess its value. Our DCF-based TP of HK\$ 5.52 translates into 10.4x P/E and 2.4x P/B for 2022E (vs. 5.9x P/E and 1.6x P/B in 2022E for small PMCs). We believe YXS deserves a premium valuation to its peers, given its 55% earnings CAGR in 2021E-23E and its unique TOD model. In short-term, YXS' share price will be affected by substantial increase in public freefloat shares after the expiry of IPO lockup period.

#### Financial Summary

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	896	1,168	2,262	3,735	5,308
Chg (% YoY)	17.5	30.3	93.7	65.1	42.1
Core net profit (RMB mn) <sup>1</sup>	91	199	407	665	984
Chg (% YoY)	100.9	118.0	104.4	63.4	48.0
Core EPS (RMB)	0.08	0.18	0.35	0.44	0.65
Chg (% YoY)	100.9	118.0	92.5	26.4	48.0
BVPS (RMB)	0.23	0.55	1.61	1.92	2.37
Chg (% YoY)	51.4	137.4	190.4	19.0	23.6
P/E (x)	62.4	31.1	14.2	7.4	5.9
P/B (x)	16.6	11.0	4.6	1.6	1.3
Core ROE (%)	25.8	41.2	39.6	23.6	23.8
Core ROA (%)	1.8	3.3	7.6	10.9	12.3
DPS (RMB)	-	-	-	0.10	0.13
Yield (%)	-	-	-	4.1	5.1
Net cash (RMBmn)	(201)	1,008	3,051	3,448	3,878

Source(s): The Company, ABCI Securities estimates

Note: RMB to HK\$= 1.22

<sup>1</sup>Core net profit= Profit after tax – other expenses and non-recurring items and related tax impact

Source(s): The Company, ABCI Securities estimates

## Company Report

Dec 24, 2021

Rating: **BUY**

TP: HK\$ 5.52

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

Share price (HK\$)	3.12
Est. share price return	76.9%
Est. dividend yield	4.1%
Est. total return	81.0%
Previous Rating & TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities estimates

#### Key data

52Wk H/L(HK\$)	5.73/3.00
IPO price- 28 Jun 2021 (HK\$)	4.88
Issued shares (mn)	1,522
Market cap (HK\$ mn)	4,672
Avg daily turnover since listing (HK\$ mn)	6.66
Major shareholder(s) (%):	
YXP	66.92
GZ Metro	5.94

Source(s): Bloomberg, ABCI Securities

IPO lock-up expiry for cornerstone investors 12/28/2021

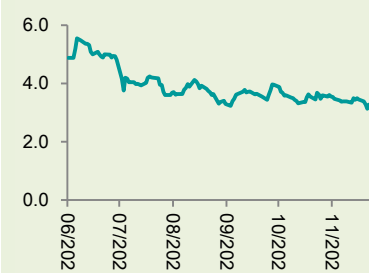
#### Share Performance (%)

	Absolute	Relative*
1-mth	(13.5)	(6.6)
3-mth	(10.0)	(4.5)
6-mth	NA	NA

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

#### Share performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities

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## Key investment highlights

YXS is an all-round urban operation service provider in China and a leader of integrated PMS in the Greater Bay Area (GBA). YXS is also a pioneer in the property mgt sector in China with nearly 30 years of industry exposure and is one of the first enterprises that received first-class property mgt qualification at the state level. YXS also participated in the revision of the PMS guidelines of Guangzhou, Guangdong Province, and China. YXS's prominent position in the industry is further evidenced by its titles as the standing director institution of the China Property Management Association (中國物業管理協會), the vice president institution of the Guangdong Property Management Industry Association (廣東省物業管理行業協會), and the president institution of the Guangzhou Property Management Industry Association (廣州市物業管理行業協會).

### Fast-growing TOD (transit-oriented development) revenue

On Nov 23, 2020, YXS acquired Guangzhou Metro Property Management Co., Ltd (GZMPM) from GZ Metro, YXS strategic investor, and thereby became a comprehensive PMS provider with metro environmental engineering maintenance and metro property mgt and operation capabilities. As of June 2021, YXS provides PMS to 71 metro stations and 25 metro depots of GZ Metro; total GFA under mgt and contracted GFA of these projects amounted to 5.10mn sqm and 6.12mn sqm. YXS has successfully secured new TOD projects (excluding above-ground residential GFA) with a contracted GFA of 0.93mn sqm in 1H21. In servicing metro depots, YXS undertakes cleaning work for special equipment such as metro trains and can establish a technological edge distinguishing itself from competitors. Based on the framework agreement signed between YXS and GZ Metro, YXS will provide property and related services to GZ Metro's train stations, train depots, residential properties, and commercial properties for a term up to Dec 2023. Annual caps of RMB 261.6mn, RMB 314.0mn (+20%YoY), and RMB 392.5mn (+25%YoY) during 2021-23E are set for such connected transactions, indicating growing demand from metro projects.

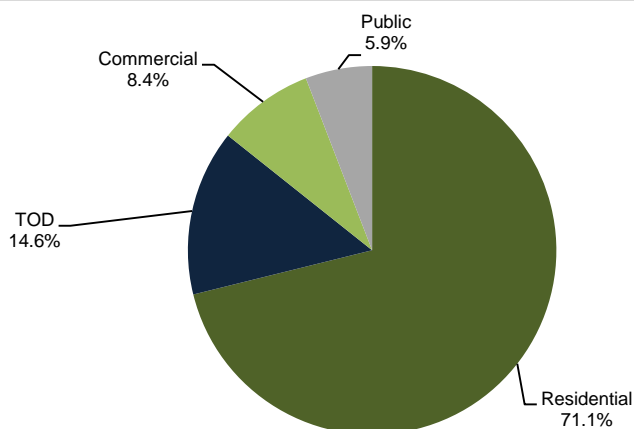
Revenue generated by TOD projects was 117mn in 1H21, accounting for 12.2% of total revenue or 14.6% in GFA under mgt. Gross margin of TOD projects rose 1.9ppt YoY to 27.9%, while net margin jumped 5.7ppt YoY to 17.3%, demonstrating YXS's pricing power supported by the high entry barrier to TOD business. In the future, GZ Metro's 148 metro stations and 13 metro depots will provide YXS a steady TOD pipeline. GZ Metro has successfully sourced projects outside Guangzhou, including but not limited to Metro Line 6 of Changsha, Metro Line 3 of Nanchang, Metro Line 4 of Chongqing, and Urban Rail Transit Line 1 of Lijiang. YXS's partnership with GZ Metro would naturally allow it to scale up its metro-related property mgt business along the path of its geographical expansion. Also, given the successful track record in providing PM services to Metro stations, YXS targets to penetrate into other major transportation hubs, such as high-speed rail and airports.

**Exhibit 1: GZ Metro Lines under construction**

	MetroLines	Mileages(km)	No. of Metro stations	No. of Metro depots
1	Line 18	61.3	9	2
2	Line 22	30.8	8	1
3	West Extension of Line 7	13.45	8	1
4	Line 11	44.2	32	1
5	Phase II of Line 13	33.5	23	2
6	East Extension of Line 3	9.55	4	1
7	East Extension of Line 5	9.8	6	1
8	Phase II of Line 7	21.9	11	1
9	Line 10	19.15	14	1
10	Line 12	37.6	25	2
11	Phase II of Line 14	11.9	8	0
	<b>Total</b>	<b>293.15</b>	<b>148</b>	<b>13</b>

Source(s): GZ Metro, ABCI Securities

**Exhibit 2: YXS's GFA under mgt by property type as of Jun 2021 (GFA under mgt: 35.04mn sqm)**

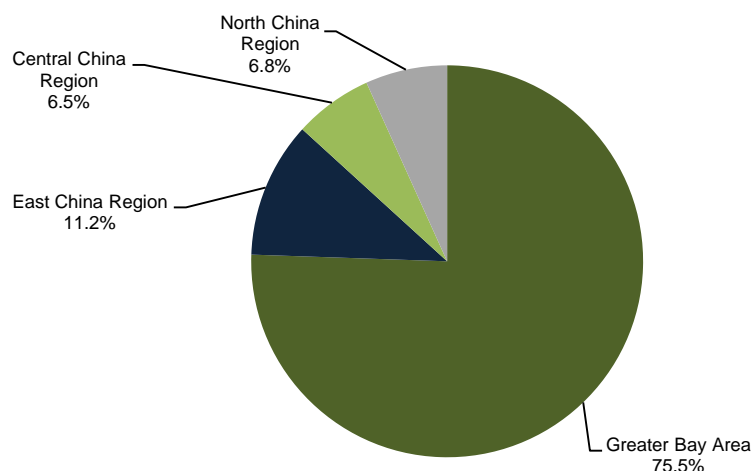


Source(s): The Company, ABCI Securities

**Focused on GBA**

As of Jun 30, 2021, the Group had 226 projects under management with a total GFA under mgt of 35.0 mn sqm, representing a growth of 44.6% YoY. As of the same date, it was contracted to manage 276 projects with a total contracted GFA of 52.7 mn sqm, representing a growth of 33.9%. As of Jun 30 2021, projects contracted to be managed by the Group covered 20 cities across 11 provinces in the PRC and Hong Kong. Over the years, YXS has established a strong presence in the GBA. As of June 2021, GBA accounts for 75.5% of total GFA under mgt.

**Exhibit 3: YXS's GFA under mgt by region (Jun 2021)**

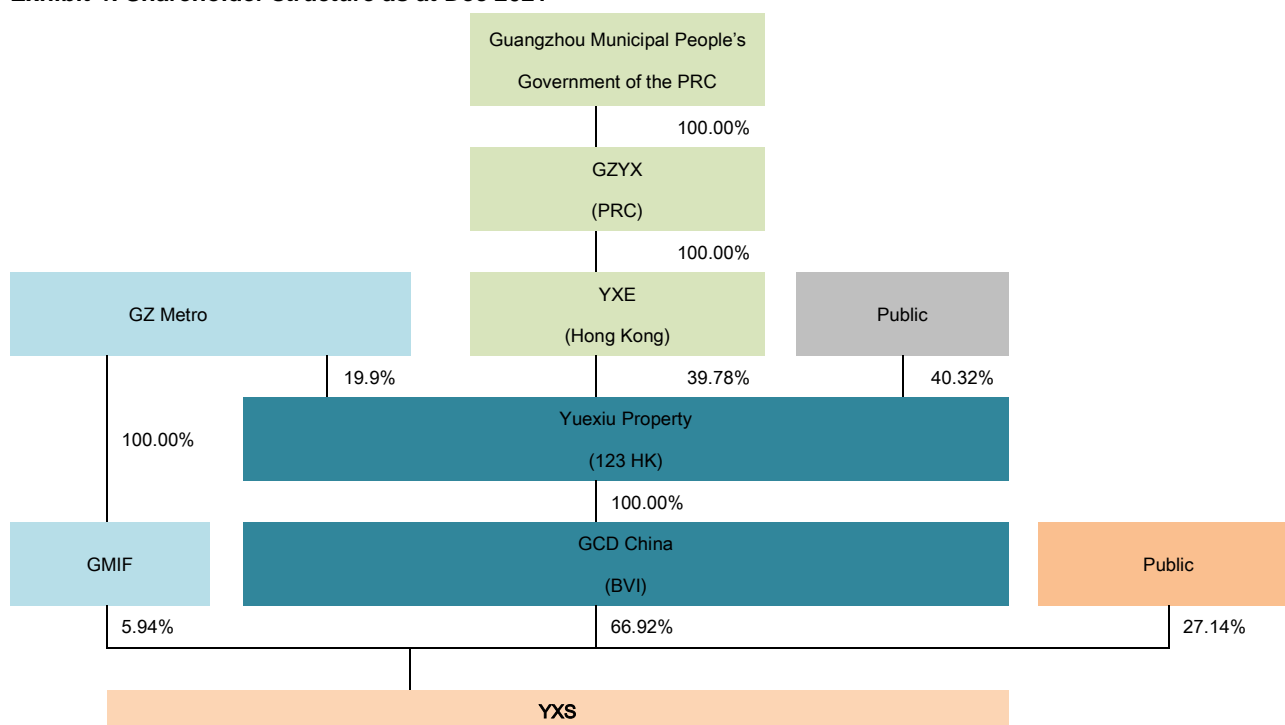


Source(s): The Company, ABCI Securities

## Full support from SOE parent group

YXS's history can be traced back to 1992 when Yuexiu PD, one of the major operating subsidiaries and a company principally engaged in the property mgt business, was established on Jan 2, 1992, by Guangzhou City Construction & Development Holding Company (廣州市城市建設開發總公司), a company ultimately wholly owned by Guangzhou Yue Xiu Holdings Limited (GZ YX) and is currently named as GCCD Group. GCCD mainly engages in property development. YXS is 66.92% owned by Yuexiu Property and 5.94% owned by GZ Metro.

**Exhibit 4: Shareholder structure as at Dec 2021**



Source(s): The Company, ABCI Securities



#### ▪ Synergy with other businesses within GZYX

Established in 1985, GZYX, YXS's indirect controlling shareholder, is the second-largest SOE wholly owned by the SASAC of Guangzhou Municipal Government. It has formed a "4+X" business layout centering on the core sectors of real estate, finance, transportation infrastructure, and food, and has five subsidiaries listed in domestic and overseas stock exchanges. As of Dec 2020, GZYX Group's total assets neared RMB 700bn; its revenue amounted to ~RMB70bn for 2020. GZYX's strong SOE background and diversified business portfolio will provide YXS with omnichannel expansion opportunities across industries.

#### ▪ SOE status favors public projects

YXS actively promotes the integration of social resources, enters into strategic cooperative relationships with government authorities and SOEs, and builds a multi-dimensional business expansion mechanism for urban services. Guangdong Science Center, a public premise that YXS has served for a decade, is a landmark public property in China as well as the world's largest science education venue with comprehensive functions, according to the Guinness World Records. Guangdong Science Center was recognized as a "National Model Building for Property Management (全國物業管理示範大廈)" for efficient and standardized PMS. In addition, YXS is contracted to provide PMS for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. (三菱重工東方燃氣輪機(廣州)有限公司) and a security equipment manufacturer, which shows its capability to manage properties requiring a high level of production safety and confidentiality expectations. In the context of the national reform of "Decentralization — Control — Service (放管服)" (i.e., streamlining administration and delegating power, improving regulation, and optimizing services) and the mass upgrade of urban facilities, YXS has undertaken several key projects, such as Heaven Blue (藍色天際) in Wuhan.

#### ▪ Future strategy

- **"Property mgt + government"**: YXS will establish strategic cooperative relationships with various levels of SOEs and government investment vehicles across China to enhance urban service capabilities;
- **"Property mgt + hotel"**: YXS will proactively explore opportunities to offer engineering mgt and safety mgt services to hotel properties owned by GZYX Group and gradually extend such services to hotel properties owned by third parties;
- **"Property mgt + long-term rental apartment"**: YXS intends to extend standardized, quality and intelligent PMS to long-term apartment rental platforms such as "Yuexiu Star Home (越秀星寓)", a self-owned brand of Yuexiu Property, in addition to introducing value-added services that cater to the needs of residents;
- **"Property mgt + healthcare"**: By revitalizing the existing public premises and healthcare facilities in the residential communities under mgt, YXS will gradually transform the environment into one more adaptive to the elderly needs, especially for those living alone or disabled. YXS also spotted a niche to offer integrated medical and nursing services, organize health mgt lectures, and promote elderly care volunteer services in the residential communities. It is worth mentioning that Yuexiu Property is on track to expand its healthcare business further and has developed several mid-to-high-end nursing complexes where medical and nursing services are integrated under one roof. As the property mgt platform of YXP, YXS is exploring more monetization opportunities through development and innovation in healthcare services.

## Diversified revenue mix

YXS classifies its businesses into the following segments:

### Non-commercial property mgt and value-added services:

**1) PMS.** YXS provides a broad spectrum of PMS to non-commercial properties, primarily residential properties, public premises, and industrial parks. YXS offers cleaning, security, gardening, and repair and maintenance services to (i) property owners, property owners' associations, and residents for properties sold and delivered; (ii) property developers for undelivered portions of the properties.

**2) Value-added services to non-property owners (VASNPO).** VASNPO primarily includes (i) sales office and display unit mgt and pre-delivery support services; (ii) car park space sales assistance services; (iii) ancillary property leasing services; (iv) preliminary planning and design consultancy services.

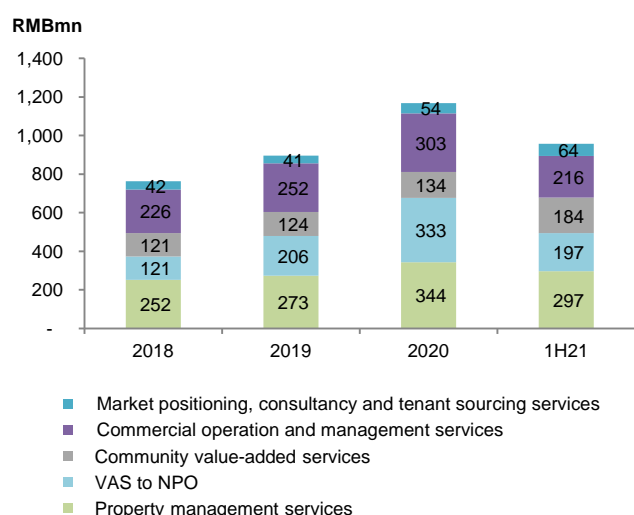
**3) Community Value-added services (CVAS).** These services mainly consist of (i) home-living services; (ii) space operation services; (iii) decoration, turnkey, and move-in furnishing services.

### Commercial property mgt and operational services:

**1) Commercial operation and management services (COMS).** YXS provides commercial operation and mgt services to property owners, developers, and tenants. These services include (i) commercial PMS; (ii) other value-added services.

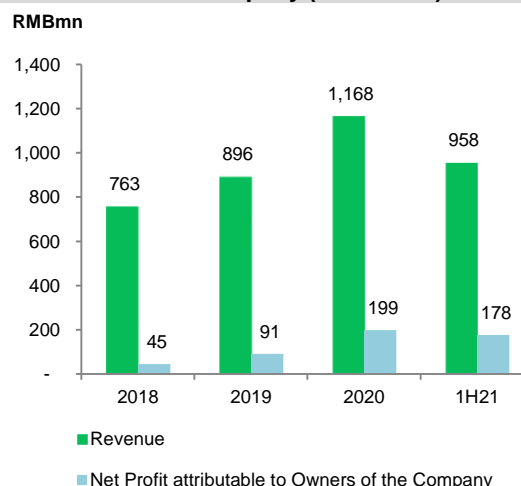
**2) Market positioning, consultancy, and tenant sourcing services (MPCTSS).** YXS provides these services to property developers and property owners.

**Exhibit 5: YXS's revenue mix (2018-1H21)**



Source(s): The Company, ABCI Securities

**Exhibit 6: YXS's revenue and net profit attributable to owners of the company (2018-1H21)**



Source(s): The Company, ABCI Securities



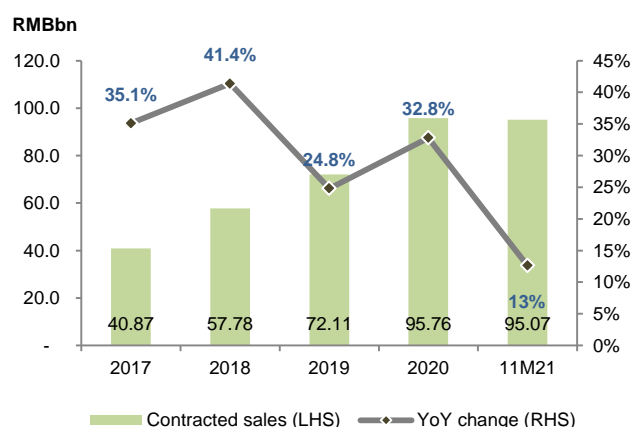
## Property Management Services (PMS): Two core drivers

### YXP's contracted sales and metro projects to drive growth

YXS's fast-growing GFA under mgt is driven by 1) projects from GZYG and YXP (and their respective joint ventures, associates or other related parties); 2) independent third parties. YXS's GFA under mgt for non-commercial properties rose from 17.447mn sqm in 2018 to 29.9mn sqm in 2020, implying a 31% CAGR during the period. In 2020, non-commercial property management and value-added services projects developed by GZYG and YXP (and their respective joint ventures, associates or other related parties) and independent third parties accounted for 88.9% and 11.1% of total GFA under mgt or 93.2% and 6.8% of total PM revenue.

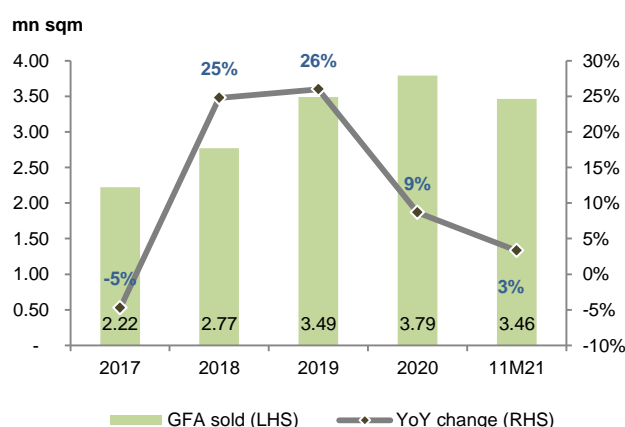
**YXP:** YXP is a prominent property developer with four development platforms (central region, eastern region, western region, and railway transportation platforms) deeply rooted in the real estate market of GBA. As of June 2021, YXP had a premium landbank of 28.09mn sqm. YXP's contracted sales amounted to RMB 63.7bn in 2020 in GBA, the second-highest among the property developers in Guangzhou in terms of attributable sales in 2020, according to CIA. According to YXP's announcement, YXP's contracted sales increased 32.8% YoY to RMB 95.76bn despite the COVID-19 pandemic; contracted GFA also rose 9% YoY to 3.79mn sqm in 2020. In 11M21, YXP's contracted sales and contracted GFA sold jumped 13%YoY and 3% YoY.

**Exhibit 7: YXP's contracted sales**



Source(s): YXP, ABCI Securities

**Exhibit 8: YXP's contracted GFA**

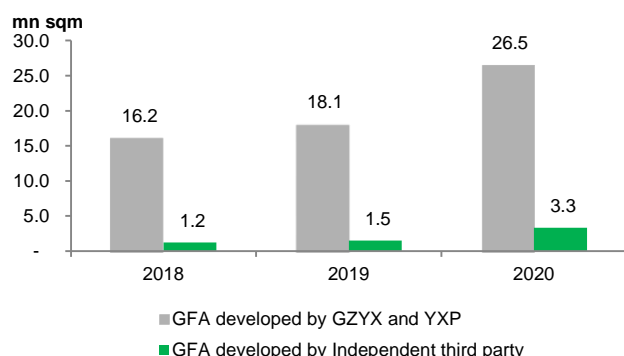


Source(s): YXP, ABCI Securities

**Third parties:** As at Dec 2020, projects developed by independent third-party developers were 3.3mn sqm, representing 11.1% of total GFA under mgt. For 2018-20, bid win rates for non-commercial properties developed by independent third-party property developers were 40.0% (out of 5 bids submitted), 29.2% (out of 24 bids submitted), and 31.3% (out of 16 bids submitted), respectively. In 1H21, independent third parties account for 7.3% of total revenue.

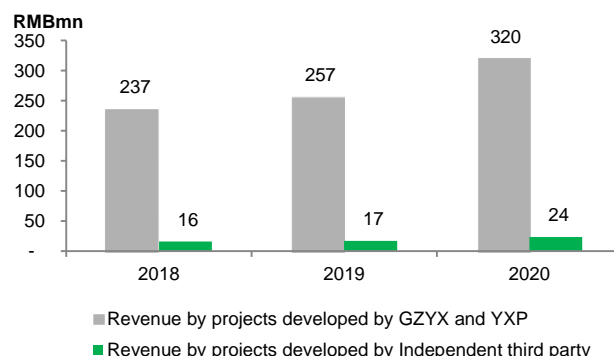


**Exhibit 9: Total GFA under mgt from projects developed by GZYY/YXP and independent third-party developers**



Source(s): The Company, ABCI Securities

**Exhibit 10: PM revenue from projects developed by GZYY/YXP and independent third-party developers**



Source(s): The Company, ABCI Securities

## Impressive margin driven by premium rate and digitalization

In 1H21, YXS's average property mgt fee of residential, office, and shopping mall properties was RMB 2.8/sqm, RMB 23.5/sqm, and RMB 35.3/sqm. Higher-than-peer fee rates will continue to support lucrative margins.

**Exhibit 11: Average property mgt fee for YXS**

(RMB/sqm/mth)	2018	2019	2020	1H21
<b>Residential properties</b>	<b>2.7</b>	<b>2.8</b>	<b>2.7</b>	<b>2.8</b>
YoY change		3.7%	-3.6%	0.0%
<b>Office properties</b>	<b>22.9</b>	<b>22.9</b>	<b>22.8</b>	<b>23.5</b>
YoY change		0.0%	-0.4%	2.2%
<b>Shopping mall</b>	<b>34.3</b>	<b>34.3</b>	<b>35.3</b>	<b>35.3</b>
YoY change		0.0%	2.9%	0.0%

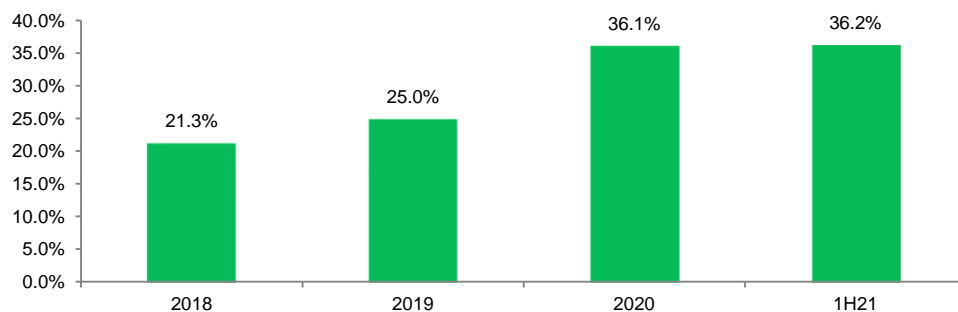
Source(s): The Company, ABCI Securities

YXS also invests heavily in digitalization and technology development. It connects with its customers through “Enjoy Club (悅秀會)” and “Yue + (悅享會)” membership schemes. “Enjoy Club” is a service portal equipped with various functions, such as online payment and car park space mgt services for customers who live in the residential properties YXS manages. “Yue +” is a digitalized ecosystem for commercial properties, facilitating interactions among tenants across multiple industries, allowing sales synergy to materialize. As of Dec 31, 2020, these membership schemes had 1.57mn members.

Besides, YXS has collaborated with Dahua Technology in setting up a joint laboratory of AI applications to test and improve the algorithm design of YXS's smart devices and incubate new service scenarios for smart technologies. YXS has also deepened its cooperation with iFLYTEK Intelligent System Co., Ltd. (訊飛智元信息科技有限公司) in intelligent data processing and image recognition to reinforce cross-industry effort in embedding cutting-edge technologies into property mgt. Driven by technology upgrade and premium fee rates, YXS's gross margin in non-commercial property

management and value-added services increased from 21.3% in 2018 to 25.0% in 2019, 36.1% in 2020, and 36.2% in 1H21.

**Exhibit 12: YXS's gross margin for non-commercial properties**



Source(s): The Company, ABCI Securities



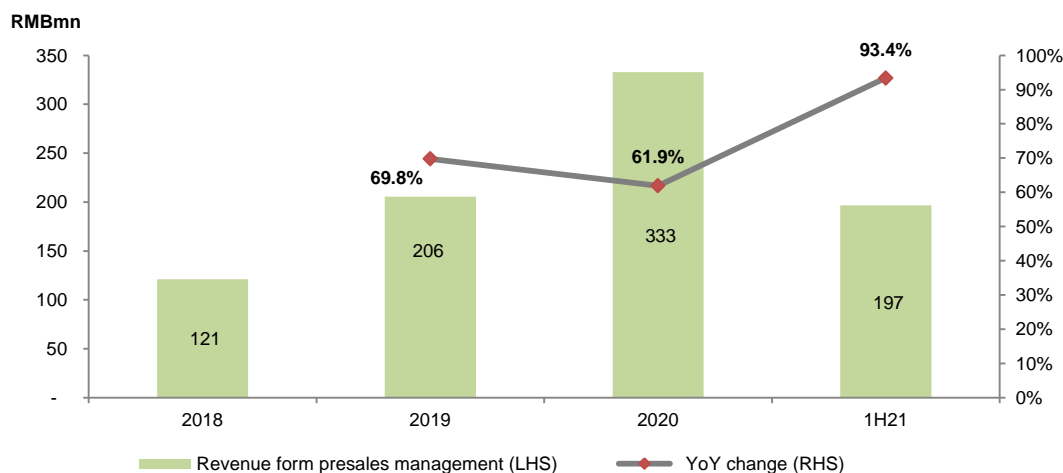
## Value-added services to non-property owners (VASNPO): Rising presales activities of YXP drive growth

Capitalizing on its property mgt expertise, YXS provides VASNPO to address needs at various stages of property development and mgt. YXS's service offerings include:

- (i) **Sales Office and Display Unit Mgt and Pre-delivery Support Services:** YXS provides PMS to sales offices and display units of property developers, such as visitor reception, cleaning, security, and maintenance services, to ensure the orderliness during the residential property sales activities of the property developers. Property developers also engage YXS to carry out quality inspection and cleaning services before delivering the residential units to property owners. YXS typically charges property developers a fixed service fee based on a basket of factors such as the service scope, service standards, and staffing requirements.
- (ii) **Carpark Space Sales Assistance Services:** YXS offers sales assistance services to property developers for the first-hand car park spaces in the residential properties developed by sourcing potential purchases and assisting property developers to lock in sales with them. Upon the conclusion of a car park space sale transaction, YXS generally charges the seller, which is the property developer, a commission calculated at a certain percentage of the actual purchase price.
- (iii) **Ancillary Property Leasing Services:** YXS assists property developers in leasing out their ancillary properties in the residential communities, such as shops, office spaces, clubhouses, and recreational facilities. YXS generally charges the property developers a fixed commission fee calculated as a percentage of rent payables for a certain number of months, subject to the nature of the ancillary properties engaged in leasing.
- (iv) **Preliminary Planning and Design Consultancy Services:** YXS offers a variety of preliminary planning and design consultancy services to property developers, enabling them to better adapt their residential properties to the ever-changing lifestyle needs of the end-users. For instance, at the preliminary planning stage, YXS advises on traffic planning and garbage clearance of the residential communities. YXS's consultancy services also involve a review of construction blueprints from multiple perspectives, such as the engineering design of property mgt premises, landscaping, decoration, display units design, and clubhouse operation model. In addition, YXS provides advisory services regarding the development of ancillary commercial facilities of residential properties, covering stages from feasibility study and early planning to tenant sourcing and management. YXS generally charges a fee based on the unit price and the GFA of each project for the preliminary planning and design consultancy services.

Revenue from VASNPO rose 70% YoY to RMB 206mn in 2019, 62%YoY to RMB 333mn in 2020, and 63%YoY to RMB197mn in 1H21, primarily due to the expanded scale of the car park space sale assistance services and the increase in various value-added services provided to GZYX and its subsidiaries, joint ventures, and associates.

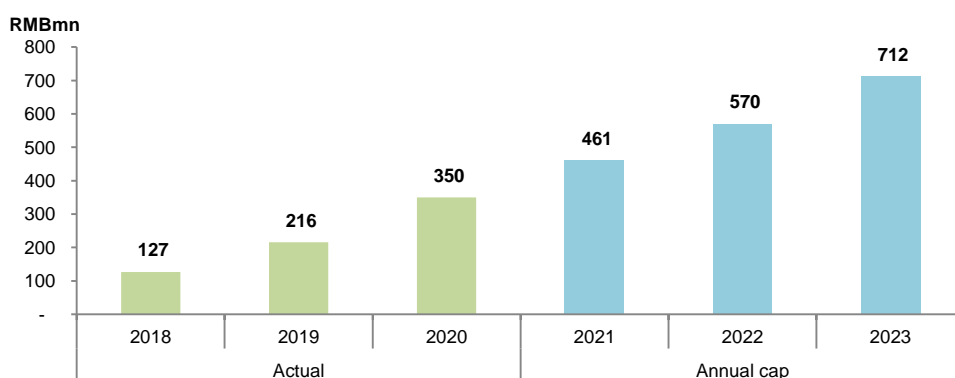
**Exhibit 13: Revenue from VASNPO**



Source(s): The Company, ABCI Securities

YXS entered into a value-added services framework agreement (the "Value-Added Services Framework Agreement") with GZYX and YXP, pursuant to which YXS agreed to provide value-added services to GZYX, Yuexiu Property and their respective associates, including (i) non-property owner value-added services (such as preliminary planning and design consultancy services, sales office and display unit mgt and pre-delivery support services, car park space sales assistance services and ancillary property leasing services); and (ii) community value-added services (such as home-living services) for a term up to and including Dec 31, 2023. Annual caps of RMB 461mn (+32%YoY), RMB 570mn (+24%YoY), and RMB 712mn (+25%YoY) during 2021-23E are set for such connected transactions, reflecting strong demand of VASNPO from related parties in coming years, in our view.

**Exhibit 14: Annual cap for Value-Added Services Framework Agreement**



Source(s): The Company, ABCI Securities

## CVAS: Diversified services on offer

YXS's major CVAS include:

### (i) Home-living Services

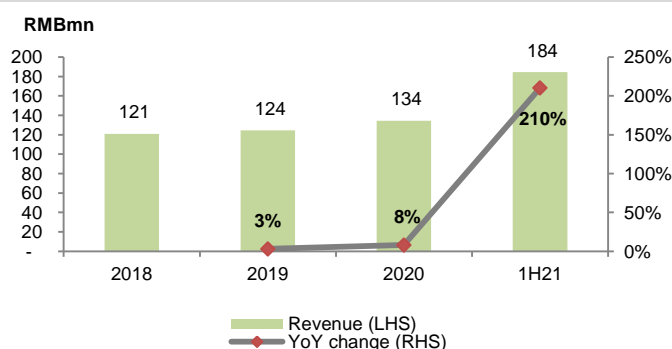
- *Handyman services* include, among others, housekeeping service, groceries purchase assistance service, laundry service, and home appliances and furniture repair and maintenance service.
- *Online retail services*: Through the "Enjoy Club" mobile application and membership program, YXS provides online retail and home delivery services to property owners and residents by reselling groceries, seasonal products, other daily necessities, and online education resources purchased from third-party merchants.

(ii) **Space Operation Services**: YXS operates a leasing business in connection with advertisement exhibition spaces distributed over the exterior wall, lobbies, elevators, light boxes, car park entries, and other facilities in the community. YXS also leases space in the common areas to third parties for setting up base stations and self-service facilities, such as delivery storage cabinets. For space operation services, YXS is permitted under the PMS contracts or property owners' consents of a certain scale as required by the PRC laws to lease out the common areas on behalf of the property owners. The income generated from such services is shared between the property owners and YXS in a proportion (i) agreed upon in the PMS contracts, or (ii) provided in the relevant laws and local regulations. The proceeds from such income shared by the property owners are deposited with a designated bank account and will be used primarily to replenish repair and maintenance funds.

(iii) **Decoration, turnkey, and move-in furnishing services**: YXS's strong network of reputable third-party interior design and decoration service providers and furniture manufacturers enables us to deliver (i) hard-decoration services; (ii) soft-decoration services; (iii) turnkey furnishing packages; and (iv) home refurbishment services, to property owners, assisting them in preparing a move-in ready residence.

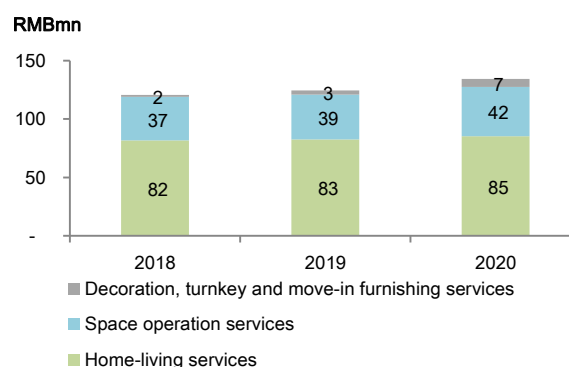
Revenue from CVAS increased 3%YoY to RMB 124mn in 2019 and rose 8%YoY to RMB 134mn in 2020, mainly driven by the increase in GFA under mgt and broadened service offerings. In 1H21, revenue from CVAS soared 210%, as the home decoration business picked up and generated RMB 50mn in revenue during the period.

**Exhibit 15: Revenue from CVAS**



Source(s): The Company, ABCI Securities

**Exhibit 16: Revenue from CVAS by service**



Source(s): The Company, ABCI Securities

## Commercial property management and operational services (CPMOS): Quality commercial portfolio in the pipeline

YXS provides CPMOS to commercial properties, including office buildings, shopping malls, and wholesale markets. As of Jun 30, 2021, a total of 42 commercial properties were under YXS's mgt, representing a GFA under mgt of 3.0 mn sqm, up 11.3%YoY. Revenue from the CPMOS segment grew 22%YoY to RMB 357mn in 2020 and 97%YoY to RMB 280mn in 1H21, representing 29.2% of total revenue in 1H21.

YXS's CPMOS primarily includes:

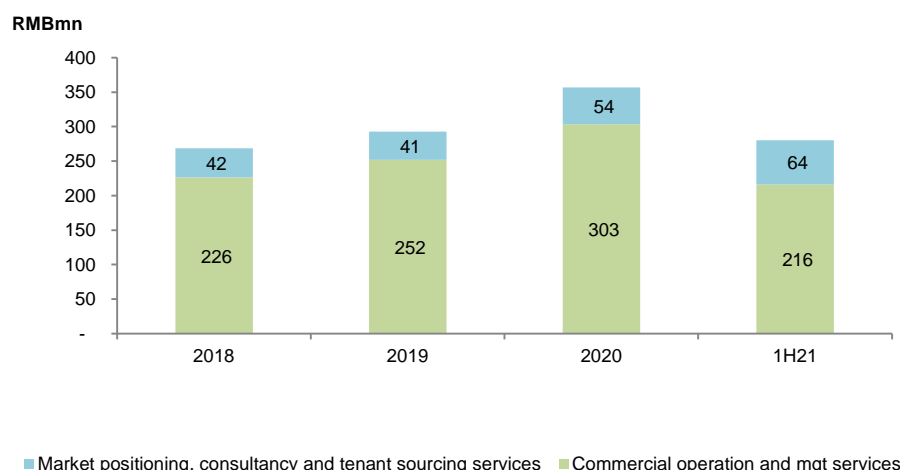
### (i) Commercial operation and mgt services

- *Commercial PMS*: YXS provides security, cleaning, repair and maintenance, and gardening services to property owners, tenants, and property developers of commercial properties.
- *Other value-added services*: Other value-added services YXS provides include, among others, car park mgt and operation services and space operation services (including advertising space leasing and common area leasing services).

### (ii) Market positioning consultancy and tenant sourcing services

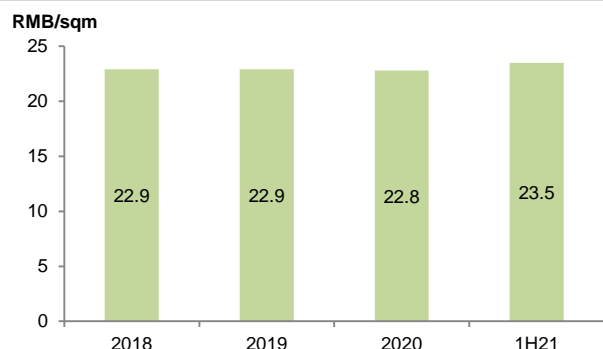
- *Market positioning and mgt consultancy services*: YXS provides mgt consultancy and positioning services for commercial properties based on market research. It also offers engineering consultancy services and property mgt consultancy services and advises on marketing and promotion plans.
- *Tenant sourcing services*: YXS sources and negotiates with target tenants for property developers or property owners before and after the opening of the commercial properties based on their positioning.

**Exhibit 17: Revenue from CPMOS by service type**



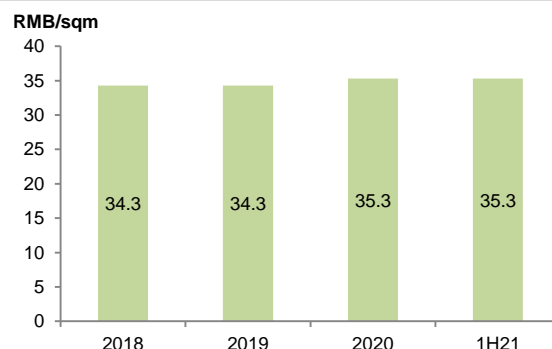
Source(s): The Company, ABCI Securities

**Exhibit 18: YXS's average property mgt fee rates for office buildings in PRC**



Source(s): The Company, ABCI Securities

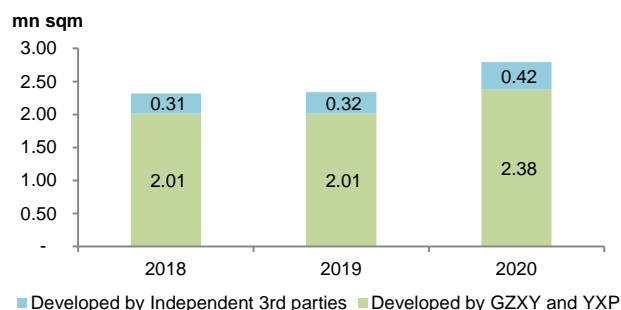
**Exhibit 19: YXS's average property mgt fee rates for shopping malls in PRC**



Source(s): The Company, ABCI Securities

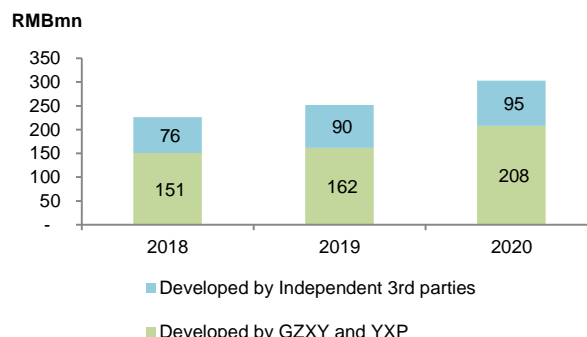
YXS's proven track record has enabled the Group to expand service offerings and obtain new engagements from independent third-party property developers. For 2018, 2019, and 2020, YXS's bid win rates for commercial properties developed by independent third-party property developers were 50.0% (out of four bids submitted), 40.0% (out of the five bids submitted), and 75.0% (out of four bids submitted), respectively. In 1H21, YXS successfully secured 0.38mn sqm of newly contracted GFA in 3<sup>rd</sup> parties commercial properties.

**Exhibit 20: GFA under mgt from CPMOS by developer**



Source(s): The Company, ABCI Securities

**Exhibit 21: Revenue from Commercial operation and mgt services by developer**



Source(s): The Company, ABCI Securities

**Exhibit 22: Newly contracted GFA from independent 3<sup>rd</sup> parties for CPMOS (1H21)**

Project	GFA
1 Guangzhou Main Tower of Skyworth Science City	53,000
2 Guangzhou Daily Media Building	81,000
3 Guangzhou Cloud Economy Eco Park	101,000
4 Wuxi Yangming Science & Technology Innovation Center	72,000
5 Cangzhou Renqui Wanda Shopping Mall	75,000
<b>Total</b>	<b>382,000</b>

Source(s): The Company, ABCI Securities



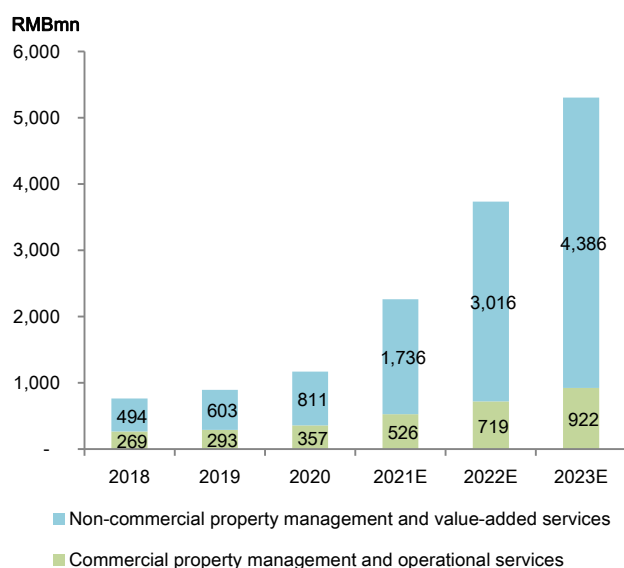
## Earnings forecasts

### Net profit to expand at 55% CAGR over 2021E-23E

We expect revenue to grow at 53% CAGR in 2021E-23E on expanding GFA under mgt (41% CAGR in our forecast), driven by the inflow of projects from YXP, a growing no. of metro stations under mgt after the GZMPM acquisition, and public projects. For the new GFA under mgt in 2021-23E, we assume M&A to account for 15mn sqm per year.

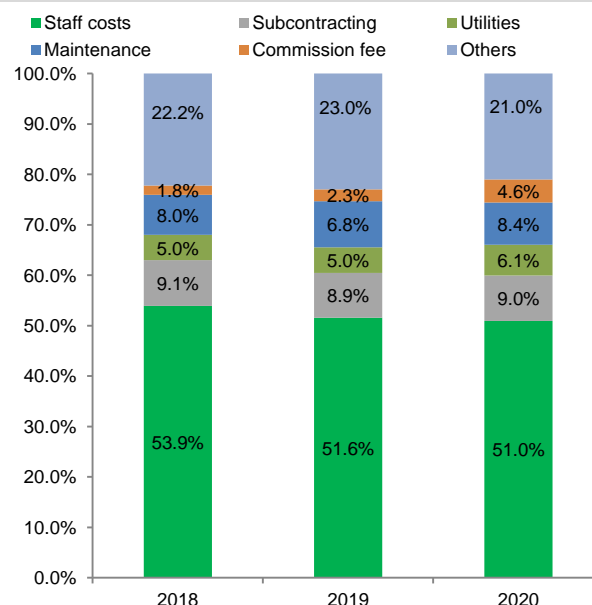
We expect gross margin to remain at 29%-32% level in 2021E-23E since higher economies of scale and digitalization would offset the impact of third-party/M&A projects with lower margins. The core net margin would stay at 17%-19% in 2021E-23E. Driven by growing revenue and GFA expansion, we forecast core profit to increase from RMB 407mn in 2021E to RMB 984mn in 2023E, representing a 55% CAGR in 2021E-23E.

**Exhibit 23: YXS's revenue breakdown**



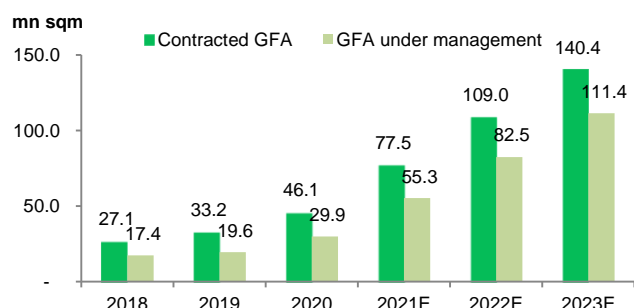
Source(s): The Company, ABCI Securities estimates

**Exhibit 24: YXS's cost of sales breakdown**



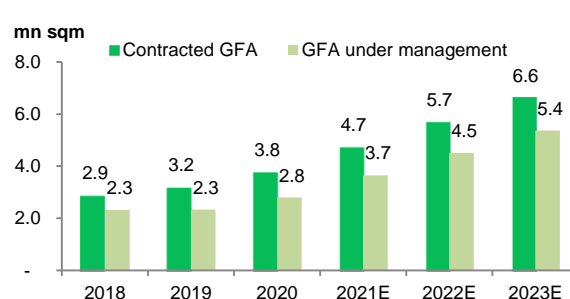
Source(s): The Company, ABCI Securities

**Exhibit 25: GFA under mgt and contracted GFA-non-commercial properties**



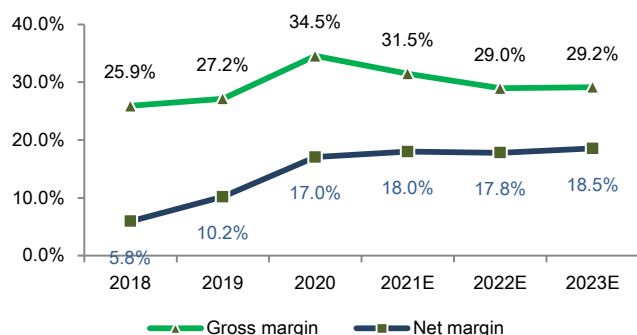
Source(s): The Company, ABCI Securities estimates

**Exhibit 26: GFA under mgt and contracted GFA-commercial properties**



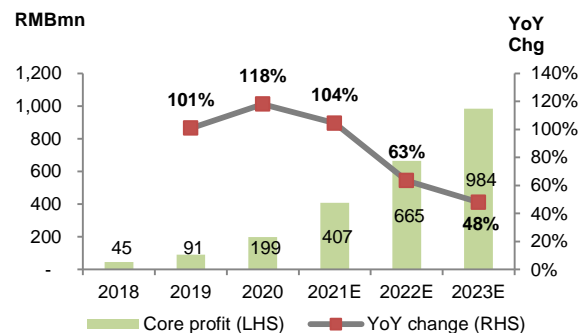
Source(s): The Company, ABCI Securities estimates

**Exhibit 27: Gross and core net margins**



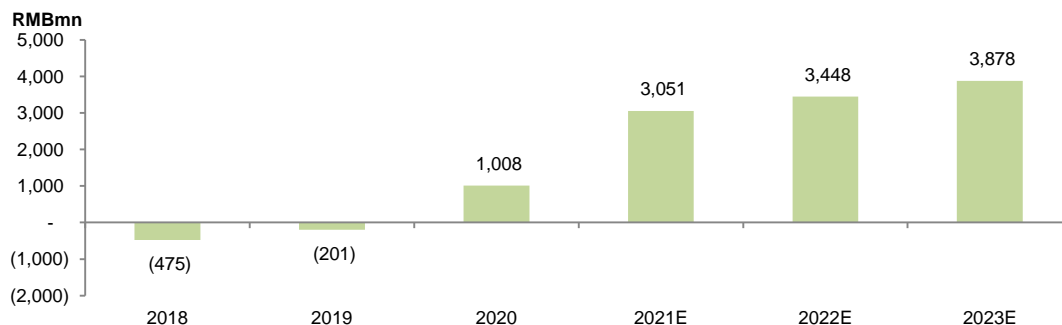
Source(s): The Company, ABCI Securities estimates

**Exhibit 28: YXS's core profit and YoY chg**



\* Core net profit= Profit after tax - other expenses and non-recurring items and related tax impact  
Source(s): The Company, ABCI Securities estimates

**Exhibit 29: Net cash balance**



\* Net cash= total cash minus gross debt  
Source(s): The Company, ABCI Securities estimates

**Exhibit 30: YXS's 1H21 results**

P&L	1H21	1H20	YoY Chg	Balance sheet	Jun-21	Dec-20	Variance %
	RMBm	RMBm	(%)		RMBm	RMBm	
<b>Revenue</b>	<b>958</b>	<b>460</b>	<b>108%</b>	Gross debt	-	-	na
Cost of Sales	(616)	(312)	97%	Cash	3,192	1,008	217%
<b>Gross Profit</b>	<b>343</b>	<b>148</b>	<b>131%</b>	<b>Net cash</b>	<b>3,192</b>	<b>1,008</b>	<b>217%</b>
<b>Gross Margin (%)</b>	<b>35.8%</b>	<b>32.2%</b>	<b>3.6ppt</b>				
Selling and distribution costs	-	-			<b>1H21</b>	<b>1H20</b>	<b>YoY Chg</b>
Administrative expense	(88)	(49)	79%		RMBm	RMBm	
<b>EBIT</b>	<b>254</b>	<b>99</b>	<b>157%</b>	<b>Total revenue</b>	<b>958</b>	<b>460</b>	<b>114%</b>
<b>EBIT Margin (%)</b>	<b>26.5</b>	<b>21.5</b>	<b>5.1ppt</b>	<b>- Non-commercial property mgt</b>	<b>678</b>	<b>318</b>	<b>113%</b>
Other income	7	32	-79%	Property management services	297	157	89%
Net impairment losses on financial assets	(0)	(1)	-30%	VAS to NPO	197	102	93%
Other (losses)/gains-net	0	0	122%	Community value-added services	184	59	210%
Share of profit of a joint venture	0	-	na	<b>- Commercial property mgt</b>	<b>280</b>	<b>142</b>	<b>114%</b>
Finance income	7	2	316%	Commercial operation and management services	216	124	75%
Finance cost	(2)	(27)	-91%	Market positioning, consultancy and tenant sourcing services	64	18	246%
<b>Profit before tax</b>	<b>265</b>	<b>105</b>	<b>152%</b>	<b>Gross margin</b>	<b>35.8%</b>	<b>32.3%</b>	<b>3.5ppt</b>
Tax	(81)	(28)	188%	<b>- Non-commercial property mgt</b>	<b>36.2%</b>	<b>35.1%</b>	<b>1.1ppt</b>
<b>Profit after tax</b>	<b>185</b>	<b>77</b>	<b>139%</b>	Property management services	24.5%	21.6%	2.9ppt
Minority Interest	(7)	(1)	425%	VAS to NPO	50.2%	55.4%	(5.2ppt)
<b>Net profit</b>	<b>178</b>	<b>76</b>	<b>134%</b>	Community value-added services	40.2%	35.9%	4.3ppt
<b>Core profit</b>	<b>196</b>	<b>76</b>	<b>159%</b>	<b>- Commercial property mgt</b>	<b>34.8%</b>	<b>26.0%</b>	<b>8.8ppt</b>
<b>Core net margin</b>	<b>18.5%</b>	<b>16.5%</b>	<b>2.1ppt</b>	Commercial operation and management services	31.3%	26.0%	5.3ppt
				Market positioning, consultancy and tenant sourcing services	45.9%	24.2%	21.7ppt
				<b>Operating statistics</b>	<b>1H21</b>	<b>1H20</b>	<b>Chg</b>
				GFA Under management	35.0	24.2	44.6%
				Contracted GFA	52.7	39.4	33.9%

\* Net cash= total cash minus gross debt  
Source(s): The Company, ABCI Securities

## Initiate BUY with TP HK\$ 5.52 based on DCF

### DCF valuation based on a 18% WACC

In our view, a substantial proportion of the Group's revenue is determined by PM agreement, which generates recurrent income in the long term. As such, we believe the DCF method would offer a more accurate assessment of the Group's long-term value given its high cash flow visibility and robust revenue/net profit growth.

The DCF-derived model TP for YXS (with a WACC of 18% and 1% terminal growth) is HK\$ 5.52, which translates into 10.4x P/E and 2.4x P/B for 2021E.

### Exhibit 31: YXS's DCF valuation: TP sensitivity to changes in WACC and terminal growth

	WACC					
Terminal growth	TP (HK\$)	16.0%	17.0%	18.0%	19.0%	20.0%
1.0%		5.77	5.62	5.49	5.37	5.26
2.0%		5.82	5.66	5.52	5.39	5.28
3.0%		5.87	5.70	5.55	5.42	5.30
<u>Variance from base case</u>		WACC				
Terminal growth	change (%)	16.0%	17.0%	18.0%	19.0%	20.0%
1.0%		4.6%	1.9%	-0.5%	-2.7%	-4.7%
2.0%		5.4%	2.6%	0.0%	-2.3%	-4.3%
3.0%		6.3%	3.3%	0.6%	-1.8%	-3.9%

Source(s): ABCI Securities estimates

### Peers' valuation

Based on Bloomberg's consensus forecasts, small-cap peers with a market cap less than HK\$10bn are trading at a wide range of 2.6x-11.8x 2022E P/E. We believe the wide valuation range is due to differences in growth profile and background of the parent companies. Given the short listing history, YXS is only trading at 5.8x 2022E P/E – we believe the lower valuation reflects the capital market's hesitation before YXS can establish a consistent and solid track record in FY21 and FY22.

**Exhibit 32: Valuation of HK-listed PMCs operating in China**

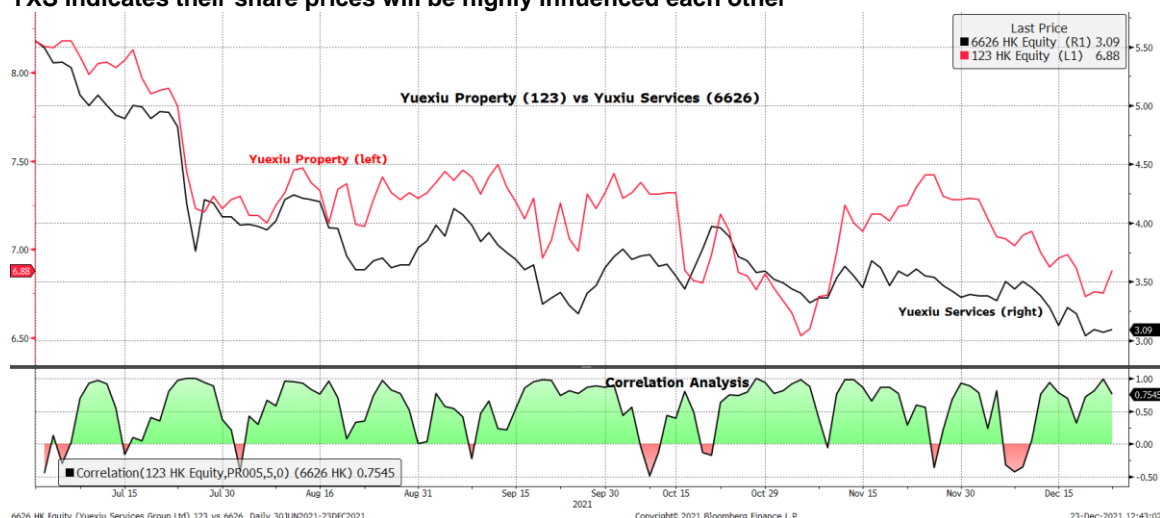
		Ticker	Mkt Cap HK\$ (bn)	Share Price (HK\$)	Performance			Valuation								
					1M	6M	YTD	P/E			Yield (%)			P/B		
			(HKD bn)	(HK\$)	% Chg	% Chg	% Chg	2020A	2021E*	2022E*	2020A	2021E*	2022E*	2020A	2021E*	2022E*
Small PMC (Mkt cap< HK\$10bn)																
1	Powerlong CM	9909 HK	9.2	14.92	(18)	(47)	(42)	20.2	16.2	11.8	2.3	3.1	4.5	3.3	3.0	2.5
2	KWG Living	3913 HK	6.9	3.46	(34)	(60)	(46)	14.7	7.8	5.0	2.1	4.1	6.3	1.9	1.6	1.3
3	Central China New Life	9983 HK	6.2	4.88	(6)	(33)	(22)	9.9	8.2	6.0	5.9	5.6	7.8	1.8	1.7	1.4
4	Binjiang Services	3316 HK	5.9	22.00	5	(35)	49	12.2	14.8	9.8	1.8	NA	NA	5.6	4.6	3.5
5	Yuexiu Services	6626 HK	4.7	3.12	(14)	NA	NA	14.2	7.4	5.9	-	4.1	5.1	4.6	1.6	1.3
6	Times Neighbourhood	9928 HK	2.9	2.99	(19)	(51)	(60)	7.7	5.8	3.2	2.9	5.4	11.2	1.4	1.2	0.6
7	New Hope Services	3658 HK	1.9	2.34	14	(14)	NA	8.5	7.8	5.0	-	3.83	5.20	7.7	1.6	1.3
8	Kaisa Prosperity	2168 HK	1.8	12.12	(11)	(60)	(37)	4.8	3.7	2.6	5.8	11.7	15.5	1.1	0.9	0.7
9	Aoyuan Healthy	3662 HK	1.8	2.50	(20)	(58)	(49)	4.6	4.1	2.9	6.8	9.8	13.9	1.3	1.2	0.9
10	Redsun Services	1971 HK	1.7	4.14	(4)	3	(14)	13.5	8.9	6.0	1.5	3.5	5.4	2.0	2.6	2.4
11	Yincheng Life	1922 HK	0.9	3.16	2	(34)	(28)	9.1	7.0	6.2	2.8	6.0	4.9	3.7	2.7	2.0
Small cap PMC Avg					(10)	(40)	(30)	10.7	8.5	5.9	4.0	5.9	8.4	3.0	2.0	1.6

\*Bloomberg's consensus forecasts  
Source(s): Bloomberg, ABCI Securities

### High correlation between share prices of YXP and YXS

YXS's share price is strongly correlated with YXP's, given inseparable business relationship in new project sourcing and VASNPO segment. As a result, credit crisis happening in the property developers sector will not just materially affect YXP, but also YXS, despite being a net cash company. In particular, market is worrying whether parent developers will divest their stakes in their PM subsidiaries to fulfill their debt repayments. Trading at 3.3x 2022E PE, YXP provides investors a cheaper alternative to getting exposure in YXS, as the latter is trading at 5.8x 2022E PE currently. YXS's future upside could be limited by YXP's share price performance.

**Exhibit 33: Share price of YXP (123) vs YXS (6626)- Statistically strong correlation between YXP and YXS indicates their share prices will be highly influenced each other**



Source(s): Bloomberg, ABCI Securities

**Exhibit 34: 1H21 peer comparison by GFA (SOE/ GBA players)**

	CR MIXC 1209 HK			Poly PS 6049 HK			COP 2669 HK			KWGL 3913 HK			YXS 6626 HK		
	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg
<b>GFA comparison</b>															
<b>GFA under mgt (mn sqm)</b>	<b>108.2</b>	<b>135.8</b>	<b>25%</b>	<b>317</b>	<b>428</b>	<b>35%</b>	<b>187</b>	<b>233</b>	<b>24%</b>	<b>21.6</b>	<b>41.6</b>	<b>92%</b>	<b>23.0</b>	<b>165.1</b>	<b>619%</b>
- Residential	97.5	121.8	25%	150	182	21%	NA	NA		18.3	29.1	59%	19.5	97.4	399%
- Non-residential	10.8	14.0	30%	167	246	47%	NA	NA		3.3	12.5	281%	3.5	67.7	1860%
<b>% as total GFA under mgt</b>															
- Residential	90%	90%	0%	47%	42%	-5%	NA	NA		85%	70%	-15%	85%	59%	(26ppt)
- Non-residential	10%	10%	0%	53%	58%	5%	NA	NA		15%	30%	15%	15%	41%	26ppt
<b>GFA under mgt (mn sqm)</b>	<b>108.2</b>	<b>135.8</b>	<b>25%</b>	<b>317</b>	<b>428</b>	<b>35%</b>	<b>187</b>	<b>233</b>	<b>24%</b>	<b>21.6</b>	<b>41.6</b>	<b>92%</b>	<b>23.0</b>	<b>165.1</b>	<b>619%</b>
- Developed by major shareholders/parent group	86.3	98.8	14%	137	163	19%	164	172	5%	NA	NA		NA	22.8	
- Third parties	21.9	37.1	69%	180	265	47%	24	61	158%	NA	NA		NA	142.3	
<b>GFA under mgt (%)</b>															
- Developed by major shareholders/parent group	80%	73%	(7%)	43%	38%	-5%	NA	NA		NA	NA		NA	14%	NA
- Third parties	20%	27%	7%	57%	62%	5%	NA	NA		NA	NA		NA	86%	NA
<b>Contracted GFA (mn sqm)</b>	<b>108.2</b>	<b>135.8</b>	<b>25%</b>	<b>493</b>	<b>622</b>	<b>26%</b>	<b>NA</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>		<b>34.6</b>	<b>221.7</b>	<b>541%</b>

Source(s): The Company, CR MIXC, Poly PS, COP, KWGL, ABCI Securities

**Exhibit 35: 1H21 peer comparison by financial metric (SOE/ GBA players)**

	CR MIXC 1209 HK			Poly PS 6049 HK			COP 2669 HK			KWGL 3913 HK			YXS 6626 HK		
	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg	1H20	1H21	YoY chg
<b>Financials comparison</b>															
<b>Revenue (RMBmn)</b>	<b>3,134</b>	<b>4,014</b>	<b>28%</b>	<b>3,601</b>	<b>5,153</b>	<b>43%</b>	<b>2,850</b>	<b>4,296</b>	<b>51%</b>	<b>1,125</b>	<b>1,517</b>	<b>35%</b>	<b>671</b>	<b>1,229</b>	<b>83%</b>
- PMS	1,317	1,736	32%	2,286	3,143	38%	2,230	3,044	36%	382	514	34%	365	632	73%
- VAS to NPO and property agency	237	340	43%	554	807	46%	421	797	89%	222	259	17%	130	189	46%
- CVAS	122	299	145%	761	1,203	58%	190	385	102%	155	290	87%	138	352	156%
- CPMOS & Others	1,458	1,639	12%				9	69	678%	366	455	24%	38	55	45%
<b>% as total revenue</b>															
- PMS	42%	43%	1%	63%	61%	(2%)	78%	71%	(7%)	34%	34%	0%	54%	51%	(3ppt)
- VAS to NPO and property agency	8%	8%	1%	15%	16%	0%	15%	19%	4%	20%	17%	(3%)	19%	15%	(4ppt)
- CVAS	4%	7%	4%	21%	23%	2%	7%	9%	2%	14%	19%	5%	21%	29%	8ppt
- CPMOS & Others	47%	41%	-6%				0%	2%	1%	33%	30%	(3%)	6%	4%	(1ppt)
<b>Gross profit (RMBmn)</b>	<b>755</b>	<b>1,293</b>	<b>71%</b>	<b>734</b>	<b>1,031</b>	<b>41.0%</b>	<b>512</b>	<b>690</b>	<b>35.0%</b>	<b>420</b>	<b>639</b>	<b>52%</b>	<b>262</b>	<b>543</b>	<b>108%</b>
<b>Gross Margin (%)</b>	<b>24.10%</b>	<b>32.20%</b>	<b>8.10%</b>	<b>20.40%</b>	<b>20.00%</b>	<b>(0.4%)</b>	<b>18.00%</b>	<b>16.10%</b>	<b>(2%)</b>	<b>37.30%</b>	<b>42.10%</b>	<b>4.80%</b>	<b>39%</b>	<b>44%</b>	<b>5%</b>
- PMS	11%	13%	2%	17%	16%	(1%)	16%	14%	(2%)	NA	NA		NA	NA	
- VAS to NPO and property agency	21%	26%	5%	21%	19%	(2%)	20%	17%	(3%)	NA	NA		NA	NA	
- CVAS	34%	37%	2%	30%	30%	0%	34%	30%	(4%)	NA	NA		NA	NA	
- CPMOS & Others	36%	53%	17%				29%	30%	0%				NA	NA	
<b>Core net profit* (RMBmn)</b>	<b>361</b>	<b>779</b>	<b>116%</b>	<b>355</b>	<b>493</b>	<b>39.0%</b>	<b>280</b>	<b>393</b>	<b>40%</b>	<b>187</b>	<b>351</b>	<b>87%</b>	<b>124</b>	<b>315</b>	<b>154%</b>
<b>Net margin (%)</b>	<b>12%</b>	<b>19%</b>	<b>8%</b>	<b>10%</b>	<b>10%</b>	<b>0%</b>	<b>10%</b>	<b>9%</b>	<b>-1%</b>	<b>17%</b>	<b>23%</b>	<b>7%</b>	<b>19%</b>	<b>26%</b>	<b>7ppt</b>
	<b>20-Dec</b>	<b>21-Jun</b>	<b>YoY chg</b>	<b>20-Dec</b>	<b>21-Jun</b>	<b>YoY chg</b>	<b>20-Dec</b>	<b>21-Jun</b>	<b>YoY chg</b>	<b>20-Dec</b>	<b>21-Jun</b>	<b>YoY chg</b>	<b>20-Dec</b>	<b>21-Jun</b>	<b>YoY chg</b>
Gross debt (RMBmn)	-	-		-	-		-	-		-	-		-	-	
Cash (RMBmn)	10,679	12,762	19%	7,448	7,124	(4%)	3,706	3,258	(12%)	435	2,965	581%	2,965	3,082	4%
<b>Net debt (RMBmn)</b>	<b>(10,679)</b>	<b>(12,762)</b>	<b>0</b>	<b>(7,448)</b>	<b>(7,124)</b>	<b>(4%)</b>	<b>(3,706)</b>	<b>(3,258)</b>	<b>(12%)</b>	<b>(435)</b>	<b>(2,965)</b>	<b>581%</b>	<b>(2,965)</b>	<b>(3,082)</b>	<b>4%</b>
Total Equity (RMBmn)	12,463	12,969	4%	6,519	6,247	(4%)	2,184	2,479	13%	397	2,993	653%	2,993	3,168	6%

\* Core profit= Net profit-profit/loss from discontinued operation- tax adjustment- (Other (losses)/gains-net + Other exceptional items) x 0.75

Source(s): The Company, CR MIXC, Poly PS, COP, KWGL, ABCI Securities

## Risk factors

- **Unsuccessful renewal upon contract expiry**

During 2018-19, YXS has successfully renewed all non-commercial PMS contracts upon expiry. However, renewal rate dropped to 66.7% in 2020. These are mainly PM contracts with the property owners' associations and public projects, which generally have a fixed term and must be renewed upon expiration. Contracts without fixed terms will usually be terminated once a property owners' association has been set up and a new PMS agreement between such property owners' association and a PMC becomes effective. In our model, we assume these contracts that will expire in the coming years could be fully renewed. However, this assumption may not be true, and our revenue forecasts would be overstated if these contracts were terminated.

**Exhibit 36: Renewal rates in connection with non-commercial PMS contracts**

	2018	2019	2020
Expired	1	5	6
Renewed	1	5	4
<b>Renewal rate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>66.7%</b>

Source(s): The Company, ABCI Securities

- **Rising labor costs.** As a result of growing headcounts and increasing minimum wages, the staff costs in cost of sales rose 16%YoY to RMB 389.72mn in 2020. As of Dec 31, 2020, YXS had 10,477 full-time employees in the PRC and Hong Kong.
- **Substantial related-party transactions.** Revenue from related parties increased 46%YoY to RMB 275.6mn in 2019, 73%YoY to RMB 448.7mn in 2020, and 258%YoY to RMB375.3mn in 1H21, representing 24.7%, 30.7%, 38.4% and 39.2% of total revenue. Growing reliance on related parties may reflect difficulties in securing third-party projects.

**Exhibit 37: Related-party transactions of YXS**

	2018	2019	2020	1H21
Provision of services	RMBmn	RMBmn	RMBmn	RMBmn
- Ultimate holding company	0.2	-	-	-
- Fellow subsidiaries	159.6	238.0	386.7	270.3
- Non-controlling interest of Yuexiu Property and its subsidiaries	-	1.9	22.5	102.8
- Associates and joint ventures of Yuexiu Property	28.5	35.7	39.5	2.2
<b>Total</b>	<b>188.3</b>	<b>275.6</b>	<b>448.7</b>	<b>375.3</b>
YoY change %		46%	63%	258%
As % of total revenue	24.7%	30.7%	38.4%	39.2%

Source(s): The Company, ABCI Securities

- **Conservative approach in M&A.** YXS only made one major acquisition over the past three years. The GZMPM acquisition increased its GFA under mgt by 5.97mn sqm in Nov 2020. Given its relatively slow M&A pace, YXS may lag behind its peers in expansion.
- **IPO lockup expiry on 12/28/2021.** Freefloat public shares will increase by 159.126mn shares after the expiry of IPO lockup period. Cornerstone investors are free to transact their YXS shares after the expiry of lockup period. Public freefloat shares will increase from 253.94mn to 413.07mn, up 62.7%. The expectation of substantial increase in public freefloat shares will affect share price in advance of the expiry of lockup period. The potential change of supply and demand in secondary market may lead to increase in share price volatility.



## Financial statements

### Consolidated income statement (2018A-2023E)

FY Ended Dec 31 (RMB mn)	2018A	2019A	2020A	2021E	2022E	2023E
<b>Revenue</b>	<b>763</b>	<b>896</b>	<b>1,168</b>	<b>2,262</b>	<b>3,735</b>	<b>5,308</b>
Cost of services	(565)	(653)	(765)	(1,550)	(2,653)	(3,760)
<b>Gross Profit</b>	<b>198</b>	<b>243</b>	<b>403</b>	<b>712</b>	<b>1,082</b>	<b>1,547</b>
Selling and marketing expenses	-	-	-	-	-	-
Administrative expenses	(110)	(117)	(144)	(158)	(175)	(194)
<b>EBIT</b>	<b>87</b>	<b>127</b>	<b>259</b>	<b>554</b>	<b>907</b>	<b>1,353</b>
Other income	39	69	45	19	23	27
Share of results of associates	-	-	-	-	-	-
Finance income	2	2	7	10	16	12
Finance expenses	(53)	(65)	(29)	(7)	(7)	(7)
Net impairment losses on financial assets	(9)	(5)	(3)	(4)	(7)	(11)
Other (losses)/gains-net	(1)	1	0	(25)	-	-
<b>Profit before tax</b>	<b>66</b>	<b>128</b>	<b>280</b>	<b>547</b>	<b>932</b>	<b>1,375</b>
Tax	(19)	(35)	(77)	(150)	(255)	(376)
<b>Profit after tax</b>	<b>47</b>	<b>93</b>	<b>204</b>	<b>398</b>	<b>677</b>	<b>999</b>
Minority interest	(2)	(2)	(5)	(9)	(12)	(15)
<b>Net profit</b>	<b>45</b>	<b>91</b>	<b>199</b>	<b>388</b>	<b>665</b>	<b>984</b>
<b>Core profit*</b>	<b>45</b>	<b>91</b>	<b>199</b>	<b>407</b>	<b>665</b>	<b>984</b>
<b>Per share</b>						
Reported EPS (RMB)	0.04	0.00	0.18	0.33	0.44	0.65
Core EPS (RMB)	0.04	0.08	0.18	0.35	0.44	0.65
DPS (RMB)	-	-	-	0.10	0.13	0.19
Payout ratio (%)	0%	0%	0%	30%	30%	30%
BVPS (RMB)	0.15	0.23	0.55	1.61	1.92	2.37
<b>Growth %</b>						
Revenue		17.5%	30.3%	93.7%	65.1%	42.1%
Gross Profit		23.2%	65.7%	76.6%	51.9%	43.0%
EBIT		44.9%	104.9%	113.7%	63.6%	49.3%
Core profit		100.9%	118.0%	104.4%	63.4%	48.0%
<b>Margin %</b>						
Gross margin	25.9%	27.2%	34.5%	31.5%	29.0%	29.2%
EBIT margin	11.5%	14.1%	22.2%	24.5%	24.3%	25.5%
Core net margin	6.0%	10.2%	17.0%	18.0%	17.8%	18.5%
<b>Revenue breakdown</b>						
Commercial operational services	269	293	357	526	719	922
PMS	494	603	811	1,736	3,016	4,386
<b>Total</b>	<b>763</b>	<b>896</b>	<b>1,168</b>	<b>2,262</b>	<b>3,735</b>	<b>5,308</b>
<b>Key assumptions</b>						
<b>Contracted GFA(mn sqm)</b>	<b>30.0</b>	<b>36.4</b>	<b>49.9</b>	<b>82.3</b>	<b>114.7</b>	<b>147.1</b>
- Non-commercial property management	2.9	3.2	3.8	4.7	5.7	6.6
- Commercial property management	27.1	33.2	46.1	77.5	109.0	140.4
<b>GFA under mgt (mn sqm)</b>	<b>19.8</b>	<b>21.9</b>	<b>32.6</b>	<b>58.9</b>	<b>87.0</b>	<b>116.7</b>
- Commercial property management	2.3	2.3	2.8	3.7	4.5	5.4
- Non-commercial property management	17.4	19.6	29.9	55.3	82.5	111.4

Source(s): The Company, ABCI Securities estimates

\* Core net profit= Profit after tax – other expenses and non-recurring items and related tax impact



Consolidated balance sheet (2018A-2023E)

As of Dec 31 (RMB mn)	2018A	2019A	2020A	2021E	2022E	2023E
<b>Current assets</b>	<b>2,477</b>	<b>2,756</b>	<b>1,876</b>	<b>4,121</b>	<b>5,015</b>	<b>5,976</b>
Bank balances and cash	598	774	995	3,038	3,434	3,864
Restricted cash	0	6	7	7	7	7
Trade and other receivables and prepayments	1,872	1,961	862	1,064	1,561	2,092
Inventories	1	1	1	1	1	1
Income tax recoverable	6	15	11	11	11	11
Other current assets	0	0	0	0	0	0
<b>Non-current assets</b>	<b>224</b>	<b>211</b>	<b>535</b>	<b>788</b>	<b>1,056</b>	<b>1,343</b>
Property, plant and equipment	22	35	41	51	61	71
Financial assets at fair value through other comprehensive income	30	36	35	35	35	35
Restricted cash	7	1	7	7	7	7
Other non-current assets	165	140	453	695	954	1,231
<b>Total Assets</b>	<b>2,701</b>	<b>2,967</b>	<b>2,411</b>	<b>4,908</b>	<b>6,071</b>	<b>7,319</b>
<b>Current Liabilities</b>	<b>1,431</b>	<b>1,726</b>	<b>1,556</b>	<b>2,209</b>	<b>2,894</b>	<b>3,439</b>
Other payables and accruals	0	0	0	0	0	0
Contracted liabilities	106	93	163	163	163	163
Trade payables	1,141	1,423	1,272	1,926	2,611	3,156
Borrowings	99	106	0	0	0	0
Other current liabilities	85	104	120	120	120	120
<b>Non-current liabilities</b>	<b>1,086</b>	<b>973</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>94</b>
Bank and other borrowings	981	875	0	0	0	0
Lease liabilities	98	71	52	52	52	52
Other non-current liabilities	7	27	42	42	42	42
<b>Total Liabilities</b>	<b>2,517</b>	<b>2,699</b>	<b>1,650</b>	<b>2,303</b>	<b>2,989</b>	<b>3,533</b>
<b>Net Assets</b>	<b>184</b>	<b>268</b>	<b>761</b>	<b>2,605</b>	<b>3,082</b>	<b>3,786</b>
<b>Shareholders' Equity</b>	<b>171</b>	<b>259</b>	<b>615</b>	<b>2,450</b>	<b>2,915</b>	<b>3,604</b>
Minority Interest	13	9	146	155	167	182
<b>Total Equity</b>	<b>184</b>	<b>268</b>	<b>761</b>	<b>2,605</b>	<b>3,082</b>	<b>3,786</b>
<b>Key ratio</b>						
Gross debt (RMB mn)	1,080	981	-	-	-	-
Net debt/ (cash) (RMB mn)	475	201	(1,008)	(3,051)	(3,448)	(3,878)

Source(s): The Company, ABCI Securities estimates



Consolidated cash flow statement (2018A-2023E)

As of Dec 31 (RMB mn)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA	159	205	335	559	913	1,362
Change in Working Capital	(107)	27	162	451	188	14
Tax payment	(14)	(26)	(46)	(150)	(255)	(376)
<b>Operating Cash Flow</b>	<b>38</b>	<b>206</b>	<b>450</b>	<b>860</b>	<b>846</b>	<b>999</b>
Purchase of PP&E	(12)	(20)	(14)	(10)	(10)	(10)
Purchase of intangible assets	-	-	-	(247)	(265)	(285)
Cash advance to related parties	(1,287)	(162)	(26)	-	-	-
Repayment of related parties	202	192	1,316	-	-	-
Others	24	(3)	(250)	10	16	12
<b>Investing Cash Flow</b>	<b>(1,073)</b>	<b>7</b>	<b>1,026</b>	<b>(247)</b>	<b>(259)</b>	<b>(283)</b>
Debt raised	1,150	-	-	-	-	-
Repayments of borrowings	(70)	(99)	(981)	-	-	-
Interest expenses	(40)	(58)	(28)	(7)	(7)	(7)
Equity raised	-	-	-	1,605	-	-
Payment to shareholders	-	(13)	(4)	(158)	(200)	(295)
Others	37	133	(243)	(10)	16	16
<b>Financing Cash Flow</b>	<b>1,077</b>	<b>(37)</b>	<b>(1,256)</b>	<b>1,430</b>	<b>(191)</b>	<b>(286)</b>
<b>Net cash inflow/ (outflow)</b>	<b>42</b>	<b>176</b>	<b>221</b>	<b>2,043</b>	<b>396</b>	<b>430</b>
<b>Cash- beginning</b>	<b>556</b>	<b>598</b>	<b>774</b>	<b>995</b>	<b>3,038</b>	<b>3,434</b>
<b>Cash- year-end</b>	<b>598</b>	<b>774</b>	<b>995</b>	<b>3,038</b>	<b>3,434</b>	<b>3,864</b>

Source(s): The Company, ABCI Securities estimates

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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 2008 (For reference: HSI total return index 2008-20 CAGR 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**