



Sichuan Languang Justbon Leading property management services provider in southwest China

- In Dec 2019, Justbon made its first acquisition after listing by purchasing 60% stake in Jiaying Zhongli Property Services at RMB48mn
- We expect Justbon's GFA under management to grow at 45% CAGR from 72mn sqm in 2019E, to 152mn sqm in 2021E on the back of faster M&A activities
- Given its market leadership in Sichuan province, Justbon's better-than-peers net margin at ~20% level is likely to maintain in next three years
- Initiate **BUY** with DCF-based TP of HK\$ 63.90

Market leader in Sichuan. Sichuan Languang Justbon Services Group Co., Ltd (Justbon) is a leading property management (PM) service provider in southwest China and Sichuan Province with a total GFA under management of 63.3mn sqm as of June 30, 2019. The Group was ranked fourth and first in the two regions in terms of GFA under management among the Top 100 Property Management Companies in China in 2019, according to China Index Academy (CIA). Through organic growth and M&A, Justbon's GFA under management rose from 24.2mn sqm in 2016, to 44.0mn sqm (+81.8%YoY) in 2017 and 60.6mn sqm (+37.7%YoY) in 2018. Benefiting from the China western development policy, it enjoys a preferential income tax rate of 15% (vs. statutory corporate income tax rate at 25% in the PRC).

An M&A specialist. Justbon's fast-growing GFA under management is driven by projects from parent group, Languang Group and those developed by independent third parties. Contracted sales and contracted GFA of Sichuan Languang Development Co. Ltd (600466 CH) were ~RMB 85.5bn and 8.02mn sqm in 2018, up 47%YoY and 32% YoY. Justbon also expands through new service engagements with third-party property developers, property owners' associations, and M&As. In 2016, 2017, 2018 and 1H19, success rates for the tender bidding of preliminary PM contracts for properties developed by third-party property developers were 53.3%, 48.1%, 59.0% and 56.1%, respectively. Justbon also acquired numerous property management companies (PMCs) to expand GFA under management by ~2.0mn sqm, 10.3mn sqm and 9.1mn sqm in 2016, 2017 and 2018, respectively. As of June 30, 2019, projects from third-party property developers accounted for 57.1% of total GFA under management. In Dec 2019, Justbon announced its first acquisition after listing to purchase 60% stake in Jiaying Zhongli Property Services (JZPS) at RMB48mn with 12.96x historical PE.

Initiate BUY with TP at HK\$63.90. Since a substantial portion of Justbon's revenue is determined by PM agreements, we employ the DCF method for valuation based on the highly predictable cash flow. Our DCF-based TP of HK\$ 63.90 translates into 17.6x P/E and 3.5x P/B for 2020E, which is lower than the sector average.

Results and Valuation

FY ended Dec 31	2017A	2018A	2019E	2020E	2021E
Revenue (RMB mn)	923	1,464	2,080	2,791	3,755
Chg (% YoY)	40.3	58.6	42.1	34.2	34.5
Core net profit (RMB mn)*	168	281	430	574	762
Chg (% YoY)	82.1	56.5	48.7	33.5	32.6
Core EPS (RMB)	1.30	2.18	2.42	3.23	4.28
Chg (% YoY)	67.8	67.4	10.7	33.5	32.6
BVPS (RMB)	3.31	3.40	13.76	16.02	19.01
Chg (% YoY)	63.9	2.7	304.5	16.4	18.7
Core P/E (x)	33.2	19.8	17.92	13.43	10.13
P/B (x)	13.1	12.7	3.15	2.70	2.28
ROE (%)	42.7	63.5	17.7	20.3	22.6
ROA (%)	17.7	23.5	12.8	14.4	15.6
DPS(RMB)	-	-	0.72	0.97	1.28
Yield (%)	-	-	1.67	2.23	2.96
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

* Core net profit = profit attributable to owners of the company - Other gains/(losses) x 0.75

** RMB /HKD: 1.128

Source(s): Bloomberg, ABCI Securities estimates

Company Report Jan 14, 2020

Rating: **BUY**
TP: HK\$ 63.90

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Share price (HK\$)	48.85
Est. share price return	30.8%
Est. dividend yield	2.2%
Est. total return	33.0%
Previous Rating & TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities

Key Data

52Wk H/L(HK\$)	56.4/39.65
Issued shares (mn)	178
Issued H-shares (mn)	49
Market cap (HK\$ mn)	8,950
H-share Mkt cap (HK\$ mn)	2,479
3-mth avg daily turnover(HK\$ mn)	47.85
Major shareholder(s) (%)	
Languang Development	65%

Source(s): Bloomberg, ABCI Securities

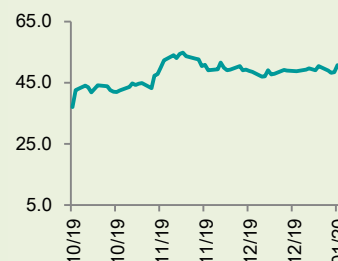
Share Performance (%)

	Absolute	Relative*
1-mth	18.7	7.0
3-mth	NA	NA
6-mth	NA	NA

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

Share performance (HK\$)



Source(s): Bloomberg, ABCI Securities

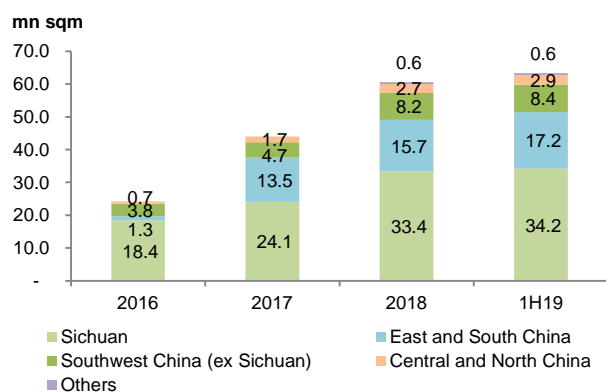


Market leader in Sichuan

Justbon is a leading property management (PM) provider in southwest China and Sichuan Province. The Group, whose operation has started since 2000, has achieved a leading market position in the PM industry in southwest China. In southwest China and Sichuan, Justbon's total GFA under management were ~41.6 mn sqm and 33.4 mn sqm as of Dec 31, 2018; it was ranked fourth in southwest China and first in Sichuan among the Top 100 Property Management Companies in China in 2019, according to industry consulting firm China Index Academy (CIA). By both revenue and net profit, Justbon was ranked third among the Top 100 Property Management Companies in southwest China in 2019.

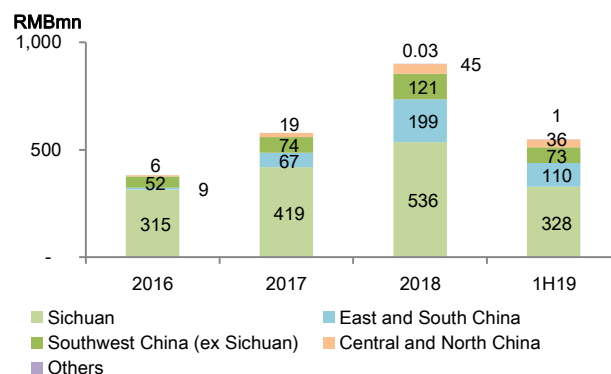
Through organic growth as well as expansion through M&A, Justbon's GFA under management rose from 24.2mn sqm in 2016, to 44.0mn sqm (+81.8% YoY) in 2017, 60.6mn sqm (+37.7% YoY) in 2018, and 63.3mn sqm (+4.5% HoH) in 1H19.

Exhibit 1: Justbon's GFA under management by region



Source(s): The Company, ABCI Securities

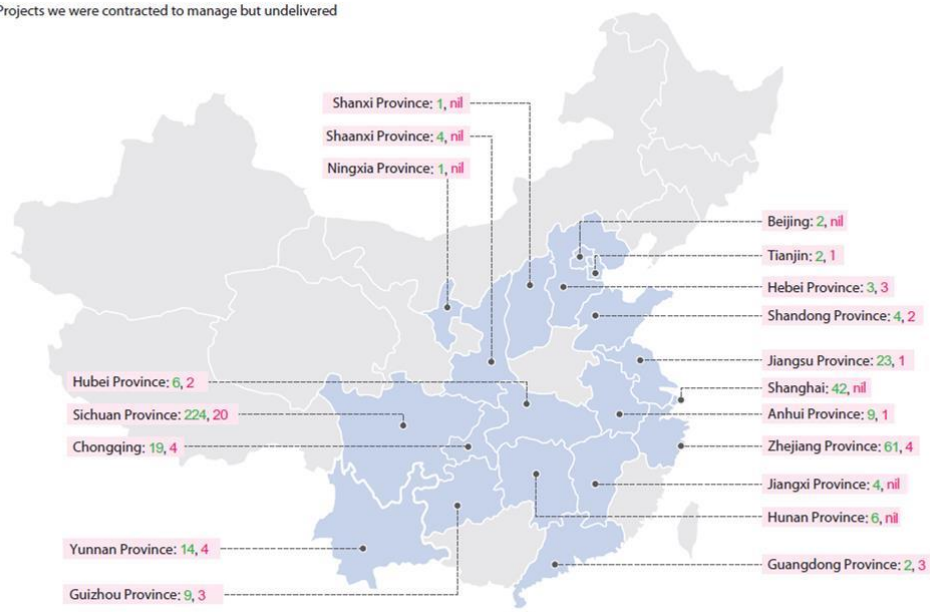
Exhibit 2: Justbon's PM revenue by region



Source(s): The Company, ABCI Securities

Exhibit 3: Justbon's projects under management in China (June 2019)

■ Projects under management
■ Projects we were contracted to manage but undelivered



Source(s): The Company, ABCI Securities



Diversified revenue mix

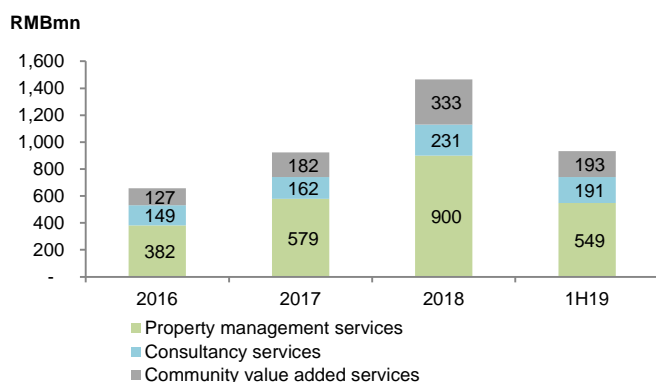
Justbon has three main business lines:

1) PM services. Justbon provides property developers, property owners and residents with a wide range of services, including, security, cleaning, greening and gardening, repairs and maintenance services. The segment accounts for 61.4% of total revenue in 2018 with a CAGR of 54% in 2016-18.

2) Consultancy Services. Justbon also offers consultancy services to property developers, homeowners and other PMCs, which include (i) preliminary planning and design consultancy services for property development projects, (ii) sales assistance services, (iii) home inspection services, and (iv) on-site consultation and advice to selected local PMCs to help them improve their services to clients. The segment accounts for 15.8% of total revenue in 2018 with a CAGR of 24% in 2016-18.

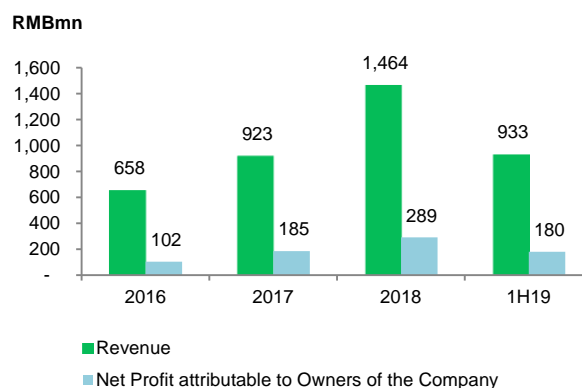
3) Community value-added services (CVAS). Justbon's CVAS to property owners and residents aim to provide them with access to a wide range of products and services through multiple channels, enhancing convenience as well as living experience. The segment accounted for 22.8% of total revenue in 2018 and grew at a CAGR of 62% in 2016-18.

Exhibit 4: Justbon's revenue mix (2016-1H19)



Source(s): The Company, ABCI Securities

Exhibit 5: Justbon's revenue and net profit attributable to owners of the company



Source(s): The Company, ABCI Securities



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

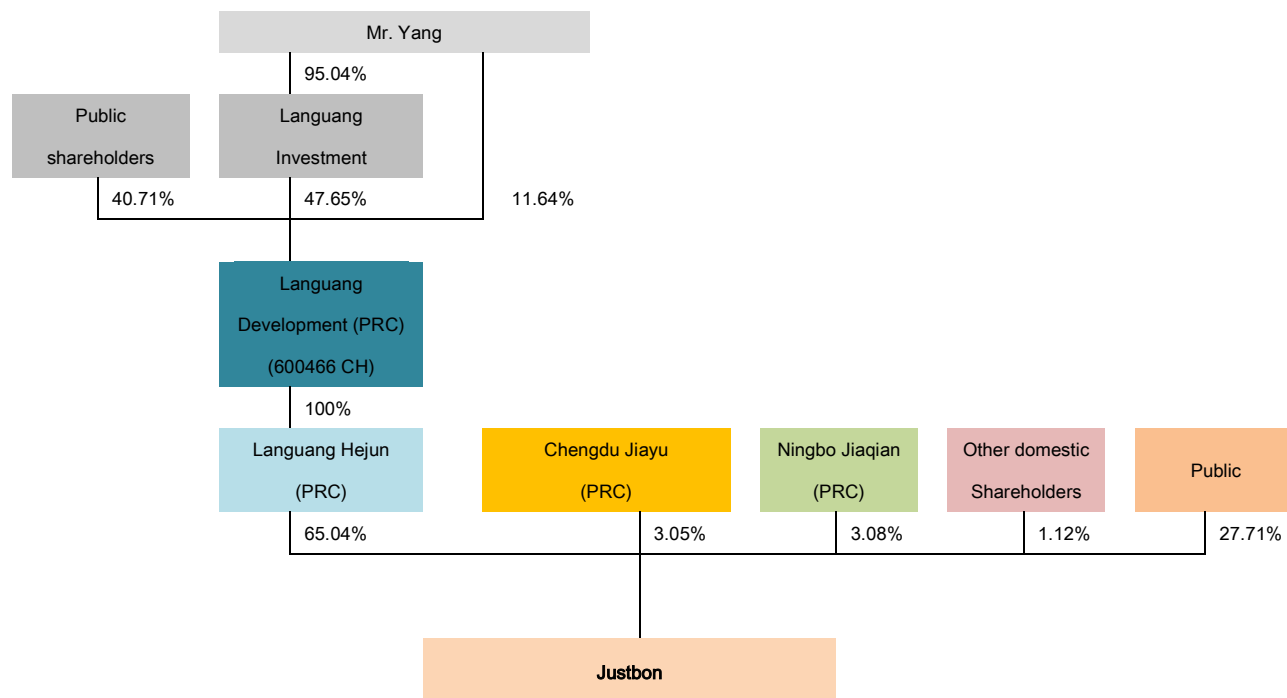
SICHUAN LANGUANG JUSTBON SERVICES (2606 HK, BUY)

China's Property Management Sector

Jan 14, 2020

Shareholding structure

Exhibit 6: Shareholder structure after IPO



* Languang Hejun, Chengdu Jiayu and Ningbo Jiaqian are domestic shareholders

Source(s): The Company, ABCI Securities



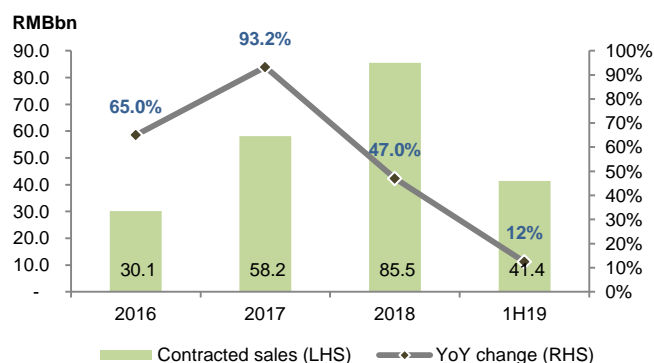
PM: multiple sources for managed GFA growth

Fast-growing GFA under management driven by Languang and independent third parties

Justbon's fast-growing GFA under management is driven by both projects from its parent group, Languang Group (Languang Investment Holdings Group Co., Ltd- parent company of A-share listed Sichuan Languang Development Co., Ltd [600466 CH], and its subsidiaries), and projects developed by independent third parties. Justbon's managed GFA rose from 24.2mn sqm in 2016, to 60.6mn sqm in 2018, implying a 58% CAGR during the period. As at June 2019, Justbon's GFA under management was 63.3mn sqm.

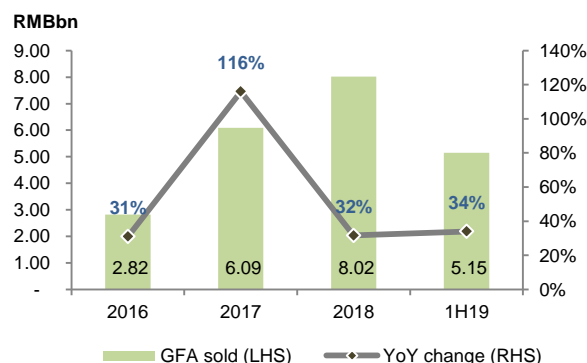
According to E-house CRIC, Sichuan Languang Development was ranked 27th in 2018 by contracted sales value. According to Sichuan Languang Development's annual report, contracted sales and contracted GFA was ~RMB85.5bn and 8.02mn sqm in 2018, up 47%YoY and 32%YoY, respectively. In 2018, Sichuan Languang Development acquired new sites with a total GFA of 14.96 mn sqm, up 155% YoY. During the Track Record Period (2016-1H19), the success rate of tender bids for preliminary PM contracts in respect of properties developed by Languang Group was 100.0%.

Exhibit 7: Sichuan Languang Development's contracted sales



Source(s): Sichuan Languang Development, ABCI Securities

Exhibit 8: Sichuan Languang Development's contracted GFA

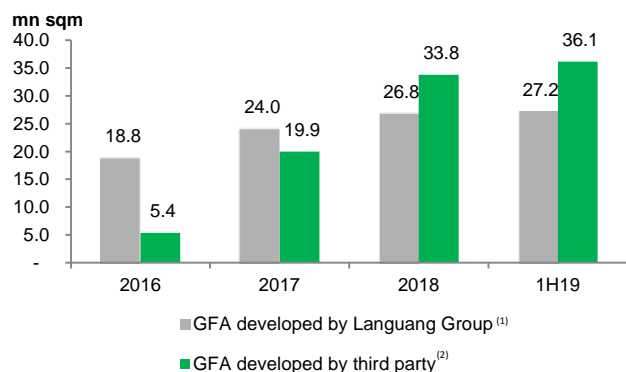


Source(s): Sichuan Languang Development, ABCI Securities

Other than new projects from parent company, Justbon also expands through obtaining new service engagements from third-party property developers, property owners' associations, and M&A. As of June 30, 2019, the number of projects under management and developed by third-party property developers reached 274; GFA under management from properties developed by third-party property developers grew rapidly at a CAGR of 147.4% to 33.8 mn sqm as of Dec 31, 2018 from 5.4 mn sqm as of Dec 31, 2016. In 2016, 2017, 2018 and 1H19, the success rate of the tender bids for preliminary PM contracts in respect of properties developed by third-party property developers was 53.3%, 48.1%, 59.0% and 56.1% respectively. As of June 30, 2019, Justbon had established cooperation with more than 110 property developers; among these developers, 37 had established strategic partnerships with Justbon. We estimate the Group will benefit from the project resources of more than 38.3 mn sqm in the next three years as a result of these partnerships. As of June 30, 2019, projects from third-party property developers accounted for 57.1% of total GFA under management.



Exhibit 9: Total GFA under management from projects developed by third parties

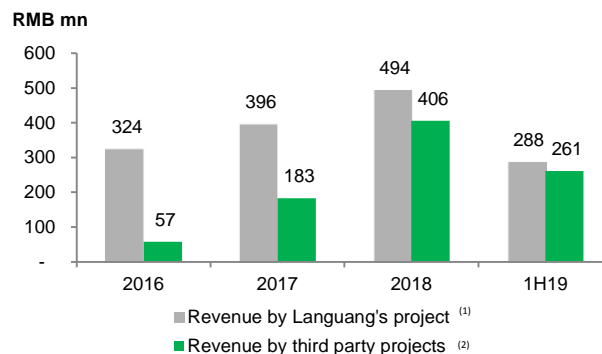


(1) Includes projects solely developed by Languang Group and properties that Languang Group jointly developed with other property developers for which properties Languang Group held a controlling interest.

(2) Includes properties developed by independent third-party developers, as well as properties developed by joint ventures and associates of Languang Development.

Source(s): The Company, ABCI Securities

Exhibit 10: PM revenue from projects developed by third parties



(1) Includes projects solely developed by Languang Group and properties that Languang Group jointly developed with other property developers for which properties Languang Group held a controlling interest.

(2) Includes properties developed by independent third-party developers, as well as properties developed by joint ventures and associates of Languang Development.

Source(s): The Company, ABCI Securities

M&A expert

M&A is another major source of new projects for Justbon. During the Track Record Period, Justbon acquired Guojia Property, Hangzhou Lvyu, Shanghai Zhenxian, Chengdu Dongjing, Luzhou Tianli and Chengdu Quancheng for a consideration of RMB 104.0 mn, RMB60.0 mn, RMB24.0 mn, RMB52.0 mn, RMB35.0 mn, and RMB2.3 mn. These acquisitions helped increase its GFA under management by 2.0mn sqm, 10.3mn sqm and 9.1mn sqm in 2016, 2017 and 2018, respectively. Going forward, the Group intends to acquire PM companies with (1) good corporate credit, (2) an annual revenue of over RMB 50.0 mn, (3) GFA under management of over 3.0mn sqm, (4) managed projects mainly include residential area and/or public construction.

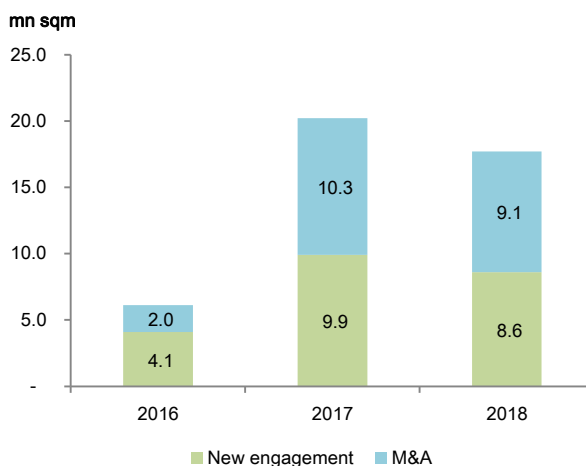
After Justbon's listing in Oct 2019, the group made its first M&A on 6 Dec 2019 by acquiring 60% stake in Jiaying Zhongli Property Services (JZPS) at RMB48mn. Net profit and net margin of the JZPS was RMB6.175mn (+7.5%YoY) and 11.25% in 2018, implying a historical PE of 12.96x.

Exhibit 11: List of acquisitions by Justbon

Year	PMC acquired	Consideration RMBmn	Stake
Year 2016			
13-Sep-16	Guojia Property	104.0	100%
Year 2017			
19-Oct-17	Hangzhou Lvyu	60.0	76%
24-Oct-17	Shanghai Zhenxian	24.0	80%
Total		84.0	
Year 2018			
19-Jun-18	Chengdu Dongjing	52.0	65%
25-Jun-18	Luzhou Tianli	35.0	70%
29-Dec-18	Chengdu Quancheng	2.3	100%
Total		89.3	

Source(s): The Company, ABCI Securities

Exhibit 12: GFA under management addition in Justbon



Source(s): The Company, ABCI Securities

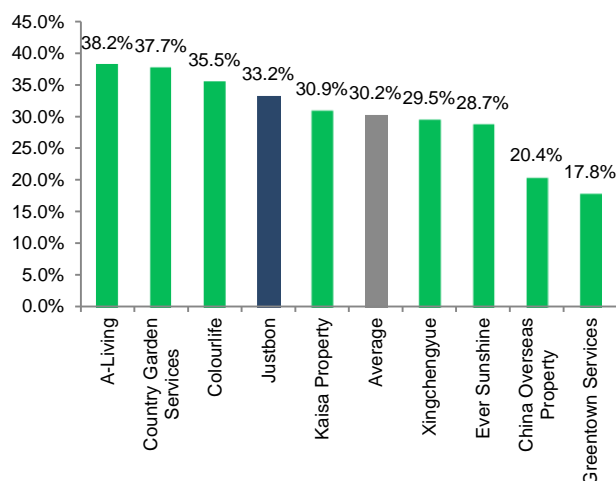
Exhibit 13: GFA and revenue guarantee for JZPS

Year ended	GFA mn sqm	YoY change %	Revenue RMBmn	YoY change %
2020	4.741		69.643	
2021	4.978	5%	73.135	5%
2022	5.227	5%	76.781	5%

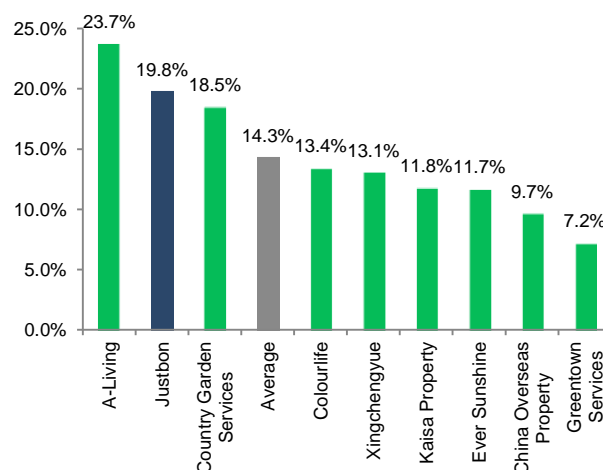
Source(s): The Company, ABCI Securities

Higher-than-peer net margin and preferential tax rate

Justbon's average management fee rate declined from RMB 2.3/sqm in 2016 to RMB2.1/sqm/mth in 2017 and RMB 2.0/sqm/mth in 2018 and 1H19 due to weaker performance of newly acquired companies; nonetheless, its gross profit margin stayed at above 32% for the past three years. The Group has successfully controlled its administrative cost (+0.8%YoY to RMB 128mn) in 2018. Despite the 3.1ppt YoY drop in gross margin in 2018, net margin only contracted by 0.2ppt YoY to 19.8%, which was still higher than the average net margin of 14.3% among peers. We believe its higher-than-peer net margin could be attributed to 1) Justbon's concentrated operation in western China, and 2) preferential income tax treatment of 15% (China's normal corporate tax rate: 25%) mandated by the China Western Development scheme; such tax rate is applicable to the Group's subsidiaries located in western cities. Moreover, we expect integration process of the acquired companies to be completed in the next 1-2 years, which will release further upside in margin.

Exhibit 14: Gross profit margin comparison (2018)


Source(s): Annual reports of respective companies, ABCI Securities

Exhibit 15: Core net margin comparison (2018)


Source(s): Annual reports of respective companies, ABCI Securities



Consultancy Services: rising demand on sales assistance services from Languang Group

Revenue derived from developers

Leveraging on the Group's PM expertise and brand recognition, Justbon offers various consultancy services to property developers and other PMCs, to address their various needs arising throughout different stages of property development and management:

- a) **Sales Assistance Services:** Justbon may be appointed by property developers at an early stage of property development to provide sales assistance services. The Group recognizes revenue based on actual cost or at a fixed lump sum amount. After entering into sales assistance services agreement with developers, Justbon will deploy staff on-site at the display units and property sales venues, to assist property developers with their marketing activities, and be mainly responsible for cleaning, security, the display units, marketing planning and visitor reception.
- b) **Home Inspection:** Justbon provides home inspection services to property developers and property owners after the construction has been completed and delivered to buyers. The Group primarily provides two types of home inspection services: **1) Delivery assessment.** Justbon will assess the condition of completed properties to determine whether such properties are suitable for delivery by searching and reviewing the completion filing records of such properties, conducting on-site examination, and undertaking other tests and surveys. The scope of assessment covers individual units, common areas, basements, landscaping, public facilities and equipment. **2) Unit inspection,** which focuses on aspects that are likely to affect property owners' satisfaction or the delivery rate of properties, such as functionality, quality and design of properties. On-site examination and other tests and surveys will be conducted with a view to spotting potential defects and issues.
- c) **Others:** Justbon also provides preliminary planning and design consultancy services before the completion of the property, and consultancy services to other PMCs.

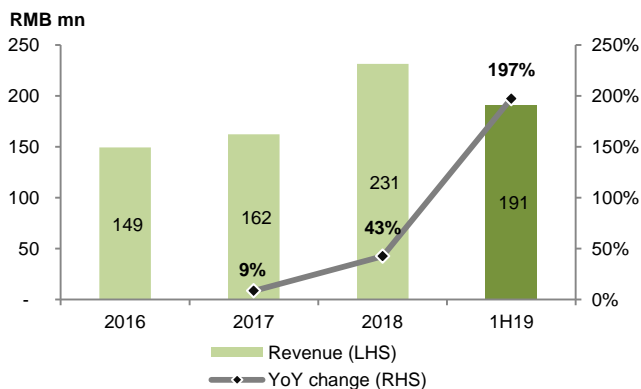
As Languang Group is one of the largest customers for the sales assistance services, revenue growth for the division of consultancy services will be affected by the parent's presales activities, while home inspection revenue would correlate with the completion of projects by the parent. Contracted sales of Sichuan Languang Development soared 93% YoY to RMB 58.2bn in 2017 and 47%YoY to RMB 85.5bn in 2018, reflecting high demand for sales assistance services in our view. In 1H19, revenue from consultancy services jumped 197% YoY to ~RMB191mn. Consultancy services provided to third-party developers also became a new driver for the division and soared 383%YoY to ~RMB 28mn, representing 14.4% of total consultancy revenue in 1H19, compared to 8.9% in 1H18.

Master Property Management Related Services Agreement with Languang Group

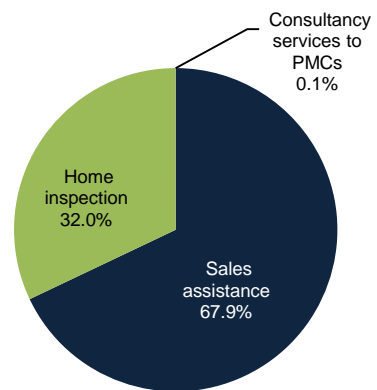
In 2019, Justbon entered into a master PM-related services agreement with Languang Investment Holdings Group Co., Ltd (the "Master Property Management Related Services Agreement"), pursuant to which Justbon agreed to provide PM services to Languang Investment Group (Languang Investment Holdings Group Co., Ltd and its subsidiaries and associates), including but not limited to (i) pre-delivery services including (a) house inspection; and (b) display units and on-site sales office management services; (ii) PM services for properties owned by the Languang Investment Group; (iii) preliminary planning and design consultancy services for

property development projects; and (iv) after-sales maintenance services and customer relationship maintenance services. Justbon estimates that the maximum annual fee payable by the Languang Investment Group in relation to the PM-related services for each of the three years ending Dec 31, 2021 will not exceed RMB 514.2mn, RMB 609.1mn (+18%YoY) and RMB 678.3 mn (+11%YoY), respectively.

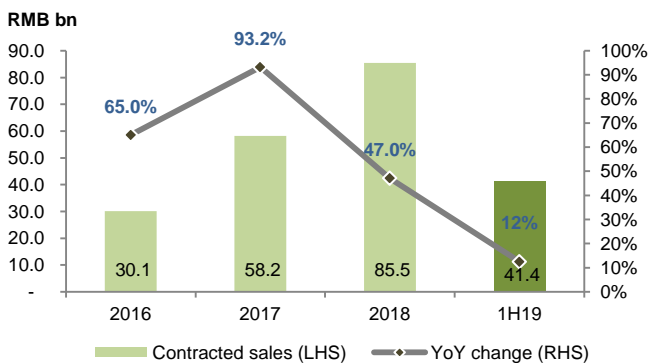
We expect the Master Property Management Related Services Agreement concerns mainly on consultancy services. The annual cap may suggest a slowdown in revenue from the consultancy segment for 2020-21, which, in our view, may imply: 1) slowing new launches by parent group in 2020-21 following a moderate expansion pace; 2) the parent's intention to confine related-party transactions to a reasonable level in our view.

Exhibit 16: Revenue from consultancy services


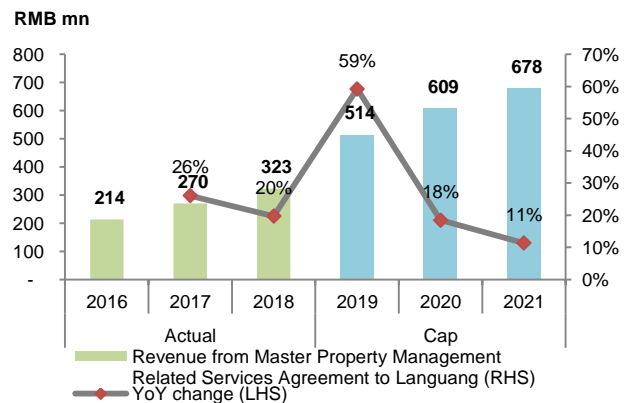
Source(s): The Company, ABCI Securities

Exhibit 17: Revenue from consultancy services by service type (1H19)


Source(s): The Company, ABCI Securities

Exhibit 18: Sichuan Languang Development's contracted sales


Source(s): Sichuan Languang Development, ABCI Securities

Exhibit 19: Annual cap on Master Property Management Related Services Agreement with Languang Investment Group


Source(s): The Company, ABCI Securities



CVAS: fast revenue growth driven by comprehensive O2O strategy

Wide range of CVAS offering address daily needs of residents

Justbon provides the following community value-added services to property owners and residents:

- **Resident services.** Justbon offers resident services to property owners and residents with a focus on their daily needs, such as:
 - **Property maintenance and repair**
 - **Housekeeping and cleaning services**
 - **Decoration, turnkey and move-in furnishing services:** Justbon offers design and purchasing services with turnkey furnishing packages to create a move-in ready residence. Leveraging on the Group's supplier resources, it assists the owners and residents in decorating and furnishing the units and purchasing furniture, home appliances and accessories, saving them time and effort. A pre-negotiated fee is charged for the turnkey and move-in furnishing services
 - **Purchase assistance:** Residents may place orders to purchase different products and services at PM offices or through the Justbon Life Pro (嘉寶生活家) mobile app
 - **Public resources administration:** Through active management on the public resources (e.g. common area, storage room, etc.) in the residential community, Justbon organizes educational and cultural activities, charity events, and operates electric vehicle charging station and unmanned vending machine.
- **Residential property agency services.** Justbon's residential property agency business commenced in 2009, providing property developers with property agency services with respect to (i) newly developed properties in selected cities and (ii) unsold units at the properties under management. The Group reaches out to potential residential property buyers through its network of PM offices located across China. Justbon also offers brokerage services for property leasing transactions by landlords.
- **Commercial PM and operation services.** Justbon provides property value management services, including commercial property lease services, to property owners. The scope of such services includes the leasing and sales of second-hand properties, real estate auction, trading consulting, agency sales of the commercial properties, car parks, shops and office buildings for property developers, and financial services related to real estate transaction. Justbon manages a portfolio of properties for rent, with property owners bearing the maintenance cost. If a property is successfully rented out, a commission fee is charged based on a fixed rate of the rental income.
- **Advertisement.** Justbon provide quality product information and create advertising venues for the merchants by utilizing the community's public area. The Group has also started to provide advertising services free of charge based on the "Justbon Life Pro (嘉寶生活家)" mobile app since 2018. The app provides information of services and products closely tied to residents' daily life and basic needs such as consumer goods, household supplies and travelling products.

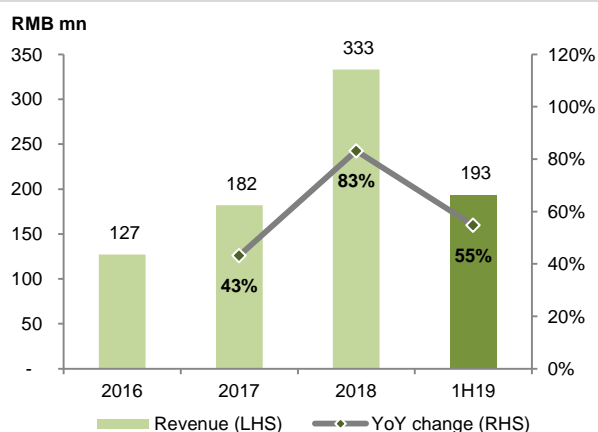
One-stop services platform to improve efficiency and service quality

Justbon's one-stop service platform primarily comprises of "Justbon Life Pro (嘉寶生活家)" and "Employee Life Pro (員工生活家)" mobile app, intelligent terminals, intelligent building management system, smart parking system and "Life Pro Experience Center (生活家體驗中心)."

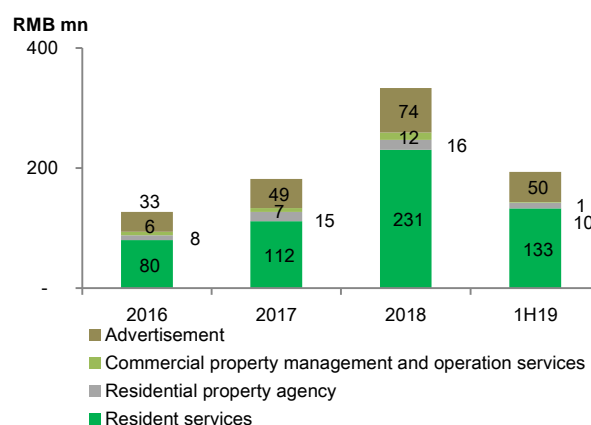
- **Justbon Life Pro:** Key functions of the mobile app includes (a) one-click door opening through the “shake” function on the mobile app; (b) online payment of property management fee (c) online repair and maintenance requests; (d) purchase of consumer goods; and (e) other services, such as housekeeping, travelling, laundry services and express delivery services etc. As of June 30, 2019, the Justbon Life Pro mobile app covered more than 400 projects and attracted a total number of more than 714,000 registered users.
- **Employee Life Pro:** Enables employee to monitor the transaction flow, communicate with the vendors and customers and collect feedback from the customers.
- **Life Pro Experience Center:** (i) Showcases the products and services offered on online platform and enable residents to make one-click purchase via QR code scan; (ii) acts as transit service stations for express deliveries; (iii) provides a venue to carry out “Justbon Life Pro (嘉寶生活家)” themed activities and (iv) provides on-site services and serves as reception for the residents to make offline purchases and conduct transactions through the mobile app. As of June 30, 2019, 126 projects, out of a total of 436 projects under management, were equipped with “Life Pro Experience Center.

In 2016, 2017, 2018 and 1H19, Justbon spent ~ RMB 7.1mn, RMB 5.1mn, RMB 6.1mn and RMB3.0mn, respectively, on the development of the one-stop service platform.

Driven by fast growing GFA under management and introduction of its one-stop service platform to the acquired targets, revenue growth of CVAS accelerated from 43%YoY in 2017, to 83%YoY in 2018 and 55%YoY in 1H19.

Exhibit 20: Revenue from CVAS


Source(s): The Company, ABCI Securities

Exhibit 21: Revenue from CVAS by service type


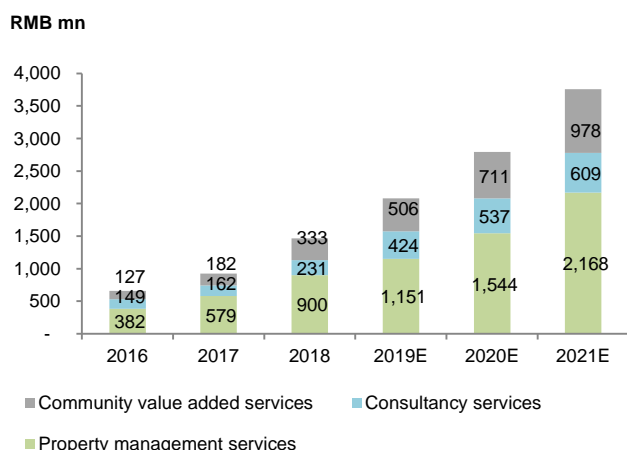
Source(s): The Company, ABCI Securities

Earnings forecasts

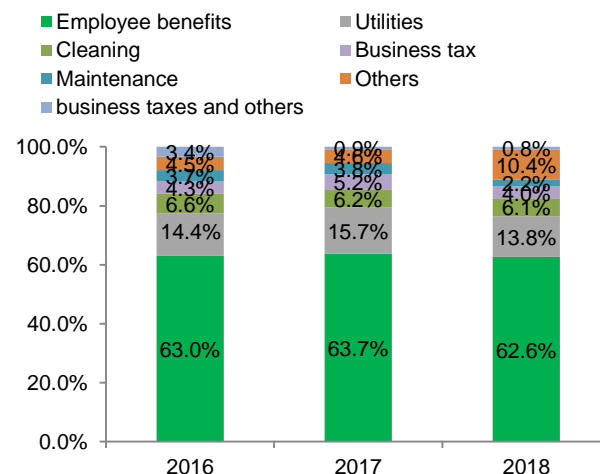
Net profit to expand at 33% CAGR over 2019E-21E

We expect revenue to grow at 34% CAGR in 2019E-21E on expanding GFA under management (45% CAGR in our forecast) and fast CVAS revenue growth (39% CAGR in our forecast), with higher penetration of its Justbon Life Pro App to new projects and acquired targets. On the other hand, we expect revenue from Consultancy services would grow at slower pace at 20% CAGR as parent's contracted sales is likely to moderate. With abundant cash balance on hand, thanks to profit growth and cash-rich PM business, we expect contracted GFA from M&A per year to rise from ~10mn sqm in 2017-18 to 25mn sqm in 2020E-21E. For the acquisition of JZPS announced in Dec 2019, we assume actual completion of the transaction will take place in 2020. Meanwhile, average management fee rate would remain stable since quality projects from parent company would offset the weaker pricing from M&A projects.

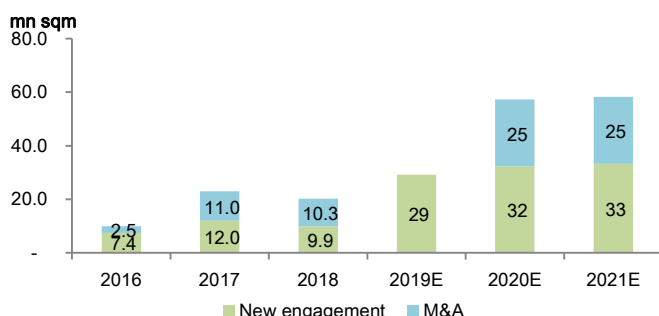
We expect gross margin to remain at ~34% in 2019-21E since increasing contribution from higher-margin CVAS business would offset impact of accelerated M&A activities. Based on the growing revenue and stable margins, we forecast net profit to increase from RMB 430mn in 2019E to RMB 762mn in 2021E, representing a 33% CAGR in 2019E-21E.

Exhibit 22: Justbon's revenue breakdown


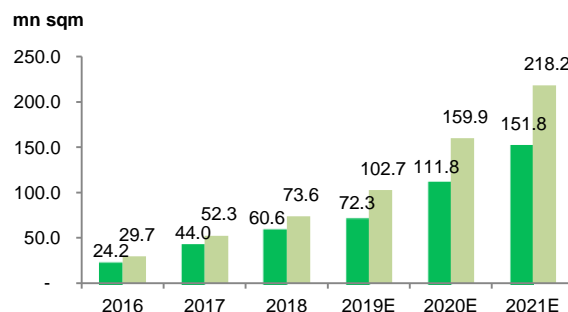
Source(s): The Company, ABCI Securities estimates

Exhibit 23: Justbon's cost of sales breakdown


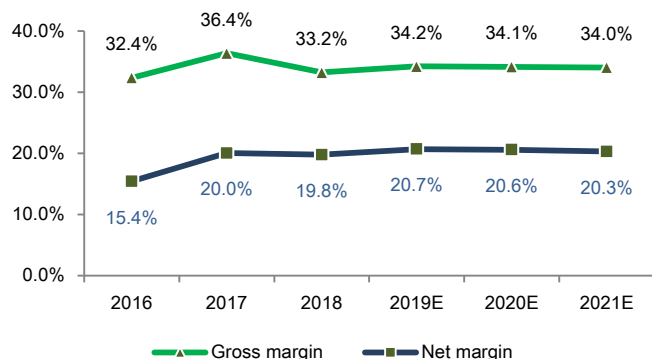
Source(s): The Company, ABCI Securities

Exhibit 24: Justbon's contracted GFA addition from M&A


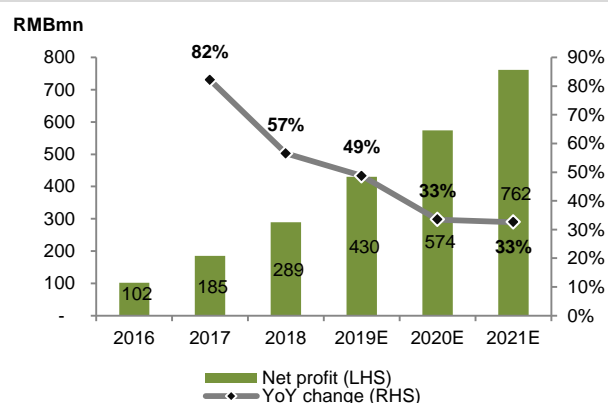
Source(s): The Company, ABCI Securities estimates

Exhibit 25: Justbon's GFA under management & contracted GFA


Source(s): The Company, ABCI Securities estimates

Exhibit 26: Gross and core net margins


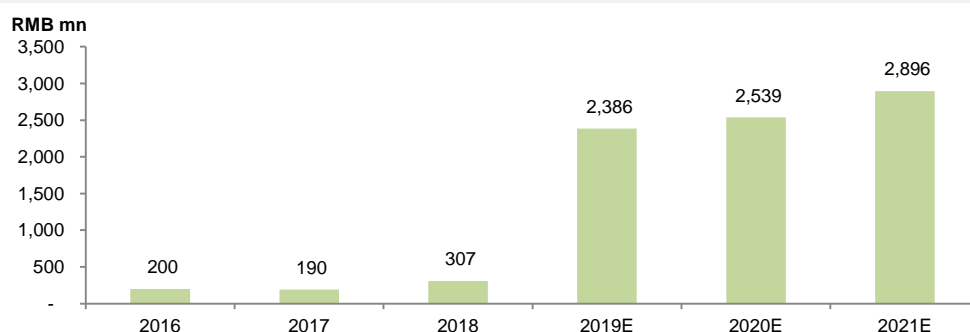
Source(s): The Company, ABCI Securities estimates

Exhibit 27: Justbon's net profit


Source(s): The Company, ABCI Securities estimates

Net cash company with a clean structure

Justbon has been in a net cash position since 2016. Its net cash balance grew from RMB 200mn in 2016, to RMB 307mn in 2018. Driven by its healthy level of free cash flow from business, we expect net cash balance to grow to RMB 2,896mn by 2021E. Besides, the Group has kept its outstanding balance due to/from related parties at a relatively low level. Trade receivable balance due from related parties was RMB 186mn in 2018, representing 14.7% of total assets. Other payables due to related parties were RMB 53mn in 2018, representing 6.7% of total liabilities.

Exhibit 28: Net cash balance


* Net cash= total cash- gross debt

Source(s): The Company, ABCI Securities estimates

Exhibit 29: Justbon's 1H19 financial performance

P&L	1H19	1H18	YoY Chg	Balance sheet	Jun-19	Dec-18	HoH %
	RMB mn	RMB mn	(%)		RMBmn	RMBmn	
Revenue	933	588	58.8	Gross debt	-	-	na
Cost of Sales	(617)	(398)	55.0	Cash	189	307	(38)
Gross Profit	316	190	66.8	Net debt	(189)	(307)	(38)
Gross Margin (%)	33.9	32.3	+1.6ppt	Net gearing (%)	NA	NA	
Selling and distribution costs	(2)	(2)	(8.7)		1H19	1H18	YoY Chg
Administrative expense	(86)	(80)	7.8		RMBmn	RMBmn	
EBIT	228	108	112.0	Total revenue	933	588	58.8
EBIT Margin (%)	24.5	18.3	+6.1ppt	- Property management services	549	398	37.7
Other income	4	2	93.1	- Consultancy services	191	64	197.4
Net impairment losses on financial assets	(9)	(10)	(15.0)	- Community value added services	193	125	54.7
Other net gains	(1)	10	(106.9)	Gross profit	316	190	66.8
Interest income				- Property management services	155	116	33.1
Finance cost	(0)	(0)	na	- Consultancy services	94	28	236.9
Profit before tax	223	109	104.3	- Community value added services	68	46	48.3
Tax	(36)	(19)	87.1	Gross margin	33.9%	32.3%	+1.6ppt
Profit after tax	187	90	108.0	- Property management services	28.2%	29.1%	-1.0ppt
Minority Interest	(7)	(2)	243.2	- Consultancy services	49.3%	43.5%	+5.8ppt
Net profit	180	88	104.9	- Community value added services	34.9%	36.4%	+1.5ppt
Net margin	19.3	14.9	+4.3ppt				
				Operating statistics	1H19	FY18	Variance
				GFA Under management	63.3	60.6	4.5
				Contracted GFA	78.7	73.6	7.0
				Average residential management fee	2.0	2.0	0.0

Source(s): The Company, ABCI Securities



Future plans

- **Acquisitions of quality PMCs:** Justbon plans to acquire 1) PMCs that can bolster its geographic presence in eastern and southern China, Bohai Rim, and Greater Bay Area; 2) PMCs that specialized in non-residential projects and enhance diversification of the Group; 3) companies which are engaged in PM related businesses, such as security, cleaning, gardening and maintenance service providers, in order to achieve synergy.
- **Investment in IT and O2O platform:** Justbon plans to (i) invest in software, hardware and intelligent terminals to upgrade the “Justbon Life Pro (嘉寶生活家)” mobile app; (ii) build more apps/platforms and upgrade “Life Pro Experience Centers (生活家體驗中心)” to further improve the user experience of residents; and (iii) cooperate with third-party suppliers to improve the quality and variety of value-added services, in particular, to diversify the supply channels for household necessities and groceries, upgrade moving-in furnishing services and start providing community care services and community education services.
- **Improving IT system:** Justbon plans to make further investment in information technology software and upgrade its smart management and digitalization. Comprehensive use of digitalization and operation automation will enable the Group to optimize information communication and resource allocation, and provide intelligent community solutions to property developers and PMCs, and further reduce operating costs and improve profitability.

Initiate BUY with TP HK\$63.90 based on DCF

DCF valuation based on 8% WACC

Although the market tends to favor the use of comparative approach (e.g. fair value-to-earnings multiple) in valuing PMCs, we believe the method stresses mainly on the short-term earnings aspect and does not take into consideration of a company's balance sheet position and longer-term growth. A substantial proportion of Justbon's revenue is determined by PM agreement, which generates recurrent income in the-long term. As such, we believe DCF valuation would offer a more accurate assessment of the Group's value based on its high cash flow visibility. Our DCF-derived TP for Justbon (with a WACC of 8%; terminal growth of 0%) is HK\$ 63.90, which translates into 17.6x P/E and 3.5x P/B for 2020E.

Exhibit 30: Sensitivity analysis of DCF valuation to changes in WACC

		WACC				
Terminal growth	6.0%	7.0%	8.0%	9%	10%	
0%	80.7	71.0	63.9	58.3	54.0	
1%	87.7	75.5	66.9	60.4	55.5	
2%	98.2	81.8	70.9	63.1	57.3	

<u>Variance from base case</u>		WACC				
Terminal growth	6.0%	7.0%	8.0%	9.0%	10.0%	
0%	26%	11%	0%	-9%	-15%	
1%	37%	18%	5%	-5%	-13%	
2%	54%	28%	11%	-1%	-10%	

Source(s): ABCI Securities estimates

Comparative approach

We consider small/mid-sized listed PMCs (with GFA under management < 100mn sqm) in China, including Xinchengyue (1755 HK), Ever Sunshine (1995 HK), Aoyuan Healthy (3662 HK) and Kaisa Prosperity (2168 HK), to be Justbon's comparable peers. Our TP implies 17.6x 2020E P/E for Justbon, which lower than the peer trading average at 18.7x 2020E P/E. Justbon's parent, Languang Group, achieved a contracted sales of RMB 85.5bn in 2018, which is lower than the contracted sales of RMB91.2bn, RMB 152bn and RMB 221bn attained by China Aoyuan (3883 HK, Aoyuan Healthy's parent), CIFI (884 HK, Ever Sunshine's parent) and Future Land (1030 HK, Xinchengyue's parent). Given M&A represents significant proportion of new projects, we believe Justbon's valuation towards the sector's lower-end is justifiable due to weaker visibility.



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

SICHUAN LANGUANG JUSTBON SERVICES (2606 HK, BUY)

China's Property Management Sector

Jan 14, 2020

Exhibit 31: Valuation of HK listed PMCs

Appendix 01: Valuation of HK listed PMOS

PRC Property	Ticker	Mkt Cap HK\$ (bn)	Share Price (HK\$)	Performance			Valuation									
				3M	YTD	2019	P/E			Yield (%)			P/B			
				% Chg	% Chg	% Chg	2018A	2019E*	2020E*	2018A	2019E*	2020E*	2018A	2019E*	2020E*	
		(HKD bn)	(HK\$)													
Large PMC (GFA under management >100mn sqm)																
1	Country Garden Services	6098 HK	77.5	28.6	18	9	112	79.5	44.9	33.7	0.3	0.5	0.7	29.5	13.8	10.6
2	A-Living	3319 HK	43.1	32.3	43	20	161	47.7	33.5	23.8	1.0	1.1	1.6	6.9	6.2	5.7
3	Greentown Services	2869 HK	24.1	8.64	12	2	44	44.2	38.9	29.5	1.0	0.9	1.3	8.8	8.0	6.5
4	China Overseas Property	2669 HK	17.3	5.25	30	7	116	42.9	33.9	26.8	0.8	0.9	1.2	13.3	11.5	8.7
5	Colour Life	1778 HK	6.3	4.43	8	3	7	11.5	9.7	8.3	3.9	4.1	4.7	1.7	1.4	1.3
Small/mid-sized PMC (GFA under management <100mn sqm)																
1	Ever Sunshine	1995 HK	10.0	6.52	56	23	199	70.5	43.5	27.2	0.4	0.6	0.9	9.6	8.3	6.9
2	S-Enjoy	1755 HK	10.1	12.3	57	1	222	59.3	35.2	24.1	0.9	NA	NA	10.6	NA	NA
3	Justbon	2606 HK	8.7	48.9	NA	(2)	34	19.8	17.9	13.4	0.0	1.7	2.2	12.7	3.1	2.7
4	Aoyuan Healthy	3662 HK	4.5	6.21	13	6	NA	48.1	24.5	15.3	0.4	1.5	2.5	5.3	6.9	4.3
5	Kaisa Prosperity	2168 HK	3.0	21.7	37	4	187	25.5	18.3	13.7	0.8	1.3	1.9	5.3	4.7	3.7
PMC Avg					30	7	120	44.9	30.0	21.6	1.0	1.4	1.9	10.4	7.1	5.6
- Large PMC					22	8	88	45.2	32.2	24.4	1.4	1.5	1.9	12.0	8.2	6.6
- Small/mid-sized PMC					41	6	161	44.7	27.9	18.7	0.5	1.3	1.9	8.7	5.8	4.4

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



Exhibit 32: FY18 peer comparison by GFA (Small/mid-sized players, GFA under management < 100mn sqm)

	Ever Sunshine (1995 HK)			S-Enjoy (1755 HK)			Kaisa Prosperity (2168 HK)			Aoyuan Healthy (3662 HK)			Justbon (2606 HK)		
	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg
GFA comparison															
GFA under management (mn sqm)	26.5	40.2	52%	36.3	42.9	18%	24.0	26.9	12%	8.6	10.4	21%	44.0	60.6	38%
- Residential	22.3	32.8	47%				21.6	23.9	11%	NA	NA		41.4	57.5	39%
- Non-residential	4.2	7.4	78%				2.4	3.0	24%	NA	NA		2.6	3.1	22%
% as total GFA under management															
- Residential	84%	82%	-3%				90%	89%	-1%	NA	NA	NA	94%	95%	1%
- Non-residential	15.8%	18.5%	2.7%				10%	11%	1%	NA	NA	NA	6%	5%	-1%
GFA under management (mn sqm)	26.5	40.2	52%	36.3	42.9	18%	24.0	26.9	12%	8.6	10.4	21%	44.0	60.6	38%
- Developed by major shareholders/parent group	13.2	14.6	11%	26.2	30.5	16%	20.7	22.6	9%	8.2	9.9	21%	24.0	26.8	12%
- Third parties	13.3	25.6	93%	10.1	12.4	23%	3.3	4.3	28%	0.4	0.5	24%	19.9	33.8	69%
GFA under management (%)															
- Developed by major shareholders/parent group	50%	36%	-13%	72%	71%	-1%	86%	84%	-2%	95%	95%	0%	55%	44%	-10%
- Third parties	50%	64%	13%	28%	29%	1%	14%	16%	2%	5%	5%	0%	45%	56%	10%
Contracted GFA (mn sqm)	33.4	65.6	96%	67.8	112.2	65%	29.7	32.2	9%	N A	N A		52.3	73.6	41%

Source(s): The Company, Ever Sunshine, S-Enjoy, Kaisa Prosperity, Aoyuan Healthy, ABCI Securities

Exhibit 33: 1H19 peer comparison by GFA (Large PMCs, GFA under management > 100mn sqm)

	Ever Sunshine (1995 HK)			S-Enjoy (1755 HK)			Kaisa Prosperity (2168 HK)			Aoyuan Healthy (3662 HK)			Justbon (2606 HK)		
	1H18	1H19	YoY chg	1H18	1H19	YoY chg	1H18	1H19	YoY chg	1H18	1H19	YoY chg	FY18	1H19	YoY chg
GFA comparison															
GFA under management (mn sqm)	32.1	49.0	53%	37.9	44.4	17%	25.4	36.3	43%	9.9	12.0	21%	60.6	63.3	4%
- Residential	26.0	41.1	58%	NA	NA		22.6	31.7	41%	NA	NA		57.5	60.0	4%
- Non-residential	6.1	8.0	30%	NA	NA		2.9	4.6	61%	NA	NA		3.1	3.3	8%
% as total GFA under management															
- Residential	81%	84%	3%	NA	NA		89%	87%	-1%	NA	NA		95%	95%	0%
- Non-residential	19%	16%	-3%	NA	NA		11%	13%	1%	NA	NA		5%	5%	0%
GFA under management (mn sqm)	32.1	49.0	53%	37.9	44.4	17%	25.4	36.3	43%	9.9	12.0	21%	60.6	63.3	4%
- Developed by major shareholders/parent group	13.5	15.9	18%	27.5	32.5	18%	20.7	23.8	15%	9.3	11.1	19%	26.8	27.2	1%
- Third parties	18.6	33.1	78%	10.4	11.9	14%	4.7	12.5	163%	0.6	0.9	53%	33.8	36.1	7%
GFA under management (%)															
- Developed by major shareholders/parent group	42%	33%	-10%	73%	73%	1%	81%	66%	-16%	94%	92%	-2%	44%	43%	-1%
- Third parties	58%	67%	10%	27%	27%	-1%	19%	34%	16%	6%	8%	2%	56%	57%	1%
Contracted GFA (mn sqm)	42.4	86.2	104%	82.1	132.8	62%	30.4	41.4	36%	NA	NA		73.6	78.7	7%

Source(s): The Company, Ever Sunshine, S-Enjoy, Kaisa Prosperity, Aoyuan Healthy, ABCI Securities

Exhibit 34: FY18 peer comparison by financial metric (small/mid-sized player, GFA under management < 100mn sqm)

	Ever Sunshine (1995 HK)			S-Enjoy (1755 HK)			Kaisa Prosperity (2168 HK)			Aoyuan Healthy (3662 HK)			Justbon (2606 HK)		
	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg	2017	2018	YoY chg
Financials comparison															
Revenue (RMBmn)	725	1,076	48%	866	1,150	33%	669	896	34%	436	619	42%	923	1,464	59%
- PM revenue	472	667	41%	567	732	29%	268	376	40%	235	306	30%	579	900	55%
- VAS revenue & Others	253	409	62%	299	418	40%	401	520	30%	201 [#]	313 [#]	56%	344	565	64%
% as total revenue															
- PM revenue	65%	62%	-3%	65%	64%	-2%	40%	42%	2%	54%	49%	-4%	63%	61%	-1%
- VAS revenue & Others	35%	38%	3%	35%	36%	2%	60%	58%	-2%	46%	51%	4%	37%	39%	1%
Gross profit (RMBmn)	183	309	69%	242	339	40%	204	277	36%	148	209	41%	336	487	45%
Gross margin (%)	25.2%	28.7%	3.5%	28.0%	29.5%	1.5%	30.5%	30.9%	0.4%	34.1%	33.7%	-0.3%	36.4%	33.2%	-3.1%
Gross Margin (%)	25.2%	28.7%	3.5%	28.0%	29.5%	1.5%	30.5%	30.9%	0.4%	34.1%	33.7%	-0.3%	36.4%	33.2%	-3.1%
- PMS	18.0%	20.7%	2.7%	25.3%	27.8%	2.5%	31.9%	33.0%	1.1%	NA	NA		30.3%	28.0%	-2.3%
- VAS revenue & Others	38.7%	41.8%	3.1%	33.0%	32.4%	-0.6%	29.6%	29.4%	-0.2%	NA	NA		46.5%	41.6%	-4.9%
Core net profit* (RMBmn)	76	126	65%	73	150	105%	76	106	39%	75	94	26%	185	289	57%
Net margin (%)	10.5%	11.7%	1.2%	8.5%	13.1%	4.6%	11.3%	11.8%	0.5%	17.1%	15.2%	-2.0%	20.0%	19.8%	-0.3%
	Dec17	Dec18	YoY chg	Dec17	Dec18	YoY chg	Dec17	Dec18	YoY chg	Dec17	Dec18	YoY chg	Dec17	Dec18	YoY chg
Gross debt (RMBmn)	-	-	NA	-	-	NA	-	-	NA	-	2	NA	-	-	NA
Cash (RMBmn)	438	1,170	167%	633	1,278	102%	115	709	515%	164	200	22%	190	307	62%
Net debt (RMBmn)	(438)	(1,170)	167%	(633)	(1,278)	102%	(115)	(709)	515%	(164)	(199)	21%	(190)	(307)	62%
Total Equity (RMBmn)	245	903	269%	189	867	359%	305	506	66%	111	126	14%	436	468	7%
Net gearing (%)	-179%	-130%	49%	-335%	-147%	188%	-38%	-140%	-102%	-148%	-157%	-9%	-44%	-66%	-22.0%

* Core profit= Net profit- (Other (losses)/gains-net + Other exceptional items) x 0.75

Source(s): The Company, Ever Sunshine, S-Enjoy, Kaisa Prosperity, Aoyuan Healthy, ABCI Securities

Exhibit 35: 1H19 peer comparison by financial metric (Large PMCs, GFA under management > 100mn sqm)

	Ever Sunshine (1995 HK)			S-Enjoy (1755 HK)			Kaisa Prosperity (2168 HK)			Aoyuan Healthy (3662 HK)			Justbon (2606 HK)		
	1H18	1H19	YoY chg	1H18	1H19	YoY chg	1H18	1H19	YoY chg	1H18	1H19	YoY chg	1H18	1H19	YoY chg
Financials comparison															
Revenue (RMBmn)	439	708	61%	500	856	71%	412	558	35%	267	392	47%	588	933	59%
- PM revenue	300	436	45%	335	398	19%	178	234	31%	205	283	38%	398	549	38%
- VAS revenue & Others	138	271	96%	165	459	179%	235	325	38%	63	109	73%	189	384	103%
% as total revenue															
- PM revenue	68%	62%	-7%	67%	46%	-21%	43%	42%	-1%	77%	72%	-4%	68%	59%	-9%
- VAS revenue & Others	32%	38%	7%	33%	54%	21%	57%	58%	1%	23%	28%	4%	32%	41%	9%
Gross profit (RMBmn)	126	210	67%	144	250	74%	141	191	36%	97	155	60%	190	316	67%
Gross margin (%)	28.8%	29.7%	0.9%	28.8%	29.2%	0.4%	34.2%	34.3%	0.1%	36.2%	39.6%	3.4%	32.3%	33.9%	1.6%
Gross Margin (%)	28.8%	29.7%	0.9%	28.8%	29.2%	0.4%	34.2%	34.3%	0.1%	36.2%	39.6%	3.4%	32.3%	33.9%	1.6%
- PMS	23.7%	20.8%	-2.9%	27.7%	28.1%	0.4%	37.2%	34.1%	-3.1%	NA	NA	NA	29.1%	28.2%	-1.0%
- VAS revenue & Others	39.9%	44.1%	4.2%	30.9%	30.1%	-0.8%	31.9%	34.4%	2.5%	NA	NA	NA	38.8%	42.0%	3.2%
Core net profit* (RMBmn)	41	91	120%	55	117	115%	63	92	45%	36	90	152%	88	180	104.9%
Net margin (%)	9.4%	12.8%	3.4%	10.9%	13.7%	2.8%	15.3%	16.4%	1.1%	13.4%	22.9%	9.6%	14.9%	19.3%	4.3%
	Dec18	Jun 19	YoY chg	Dec18	Jun 19	YoY chg	Dec18	Jun 19	YoY chg	Dec18	Jun 19	YoY chg	Dec18	Jun 19	YoY chg
Gross debt (RMBmn)	-	9	NA	-	-	NA	-	-	NA	2	2	NA	-	-	NA
Cash (RMBmn)	1,170	1,112	-5%	1,278	1,011	-21%	709	521	-26%	200	997	397%	307	189	-38%
Net debt (RMBmn)	(1,170)	(1,102)	-6%	(1,278)	(1,011)	-21%	(709)	(521)	-26%	(199)	(995)	401%	(307)	(189)	-38%
Total Equity (RMBmn)	903	1,027	14%	867	893	3%	506	588	16%	126	773	512%	442	3,343	656%
Net gearing (%)	-130%	-107%	22%	-147%	-113%	34%	-140%	-89%	51%	-157%	-129%	29%	-69%	-6%	64%

* Core profit= Net profit- (Other (losses)/gains-net + Other exceptional items) x 0.75

Source(s): Source(s): The Company, Ever Sunshine, S-Enjoy, Kaisa Prosperity, Aoyuan Healthy, ABCI Securities



Risk factors

- 6% of Justbon's GFA under management will expire by 2019.**
 About 6% of Justbon's GFA under management will expire by 2019. Failure in renewing these contracts may lead to PM revenue decline. These are mainly PM contracts with the property owners' associations, which generally have a fixed term and need to be renewed upon expiration. Generally, agreements without fixed terms will terminate once a property owners' association has been set up and a new property management service agreement between such property owners' association and a property management company becomes effective.

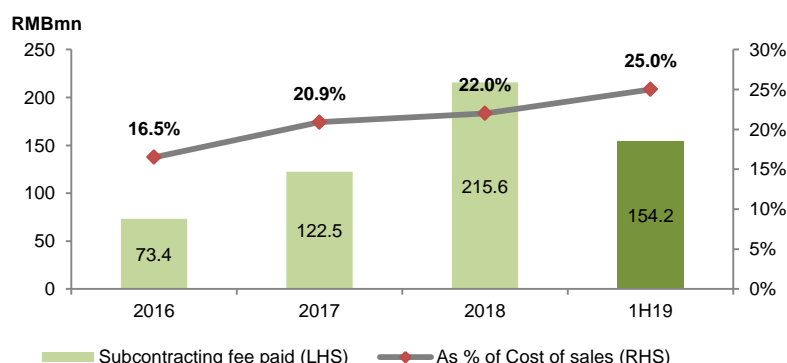
Exhibit 36: Expiration schedule of properties contracted with Justbon (June 2019)

	Contracted GFA	
	mn sqm	%
Without fixed terms	57.4	73%
June 30, 2019	0.9	1%
6 months ending Dec 31, 2019	4.1	5%
Year ending Dec 31, 2020	6.3	8%
Year ending Dec 31, 2021 and beyond	10.0	13%
Total	78.7	100%

Source(s): The Company, ABCI Securities

- Declining management fee rate.** The average management fee of Justbon declined from RMB 2.30/sqm/mth in 2016, to RMB 2.10/sqm/mth in 2017 and RMB2.0/sqm/mth in 2018 and 1H19, mainly due to weaker performance of the newly acquired companies during 2017-18. This may also reflect ES's weakened pricing power and inability to raise management fee rate in our view.
- Rising labor costs.** As a result of growing headcounts and increasing minimum wages, the employee benefit expenses in cost of sales rose from RMB 281mn in 2016, to RMB 612mn in 2018, implying a CAGR of 48% during the period, and increase 30%YoY to RMB 326mn in 1H19. As at Jun 2019, Justbon employed a total of 10,468 full-time employees in the PRC. To mitigate rising labor costs, Justbon delegates certain PM services, primarily including cleaning, greening, gardening, security and repairs and maintenance services, to third-party subcontractors. Subcontracting fee as a percentage of cost of sales increased from 16.5% in 2016 to 25.0% in 1H19.

Exhibit 37: Subcontracting fee paid and as a percentage of cost of sales



Source(s): The Company, ABCI Securities



- **Adverse impact of social security's reform.** Starting from Jan 2019, the State Tax Administration will replace Ministry of Human Resources and Social Security, to become the authority for the collection of social securities. Market was concerned that labor-intensive sector, including PM services, will suffer from higher payment on social securities (if they have not been complying fully to the regulation previously). During 2016-18, Justbon did not register for and/or fully contribute to certain social insurance and housing provident funds for the employees. The Group made provisions in the amounts of ~RMB1.2mn, RMB2.8mn, RMB3.3mn and RMB1.8mn, respectively, in 2016, 2017, 2018 and 1H19.

However, the working report of the State Council announced in Mar 2019 provided relief measures. First, the local authority will not demand recovery on any historical arrears. Moreover, the share of enterprise contributions to urban workers' basic aged-care insurance will be reduced from 20% to 16% starting on May 1, 2019, which would significantly alleviate pressure on social security payment.

- **Substantial amount of related-party transactions.** Revenue from Languang Group and its related companies, which mainly included consultancy services and PM services provided to properties developed by Languang Group, was RMB 203mn in 1H19, representing 21.8% of total revenue. However, the percentage of revenue from related parties has been declining for the past few years from 32.5% of total revenue in 2016, to 29.2% in 2017, 22.1% in 2018 and 21.8% in 1H19.

Exhibit 38: Related-party transactions of Justbon

(RMBmn)	2016	2017	2018	1H19
Provision of services	214	270	323	203
YoY change		26%	20%	68%
As % of total revenue	32.5%	29.2%	22.1%	21.8%
Purchases of Goods and services	0.04	1	2	1
YoY change		1232%	291%	2385%
Short-term lease expenses	15	22	15	10
YoY change		41%	-30%	0%

Source(s): The Company, ABCI Securities

- **Increase in intangible assets due to aggressive M&A.** Intangible assets account for 9.1% of total assets in 2018, and we expect the ratio to increase to 11.5%, 14.5% and 14.8% in 2019E/20E/21E, respectively. Any impairment of intangible assets in the future will adversely affect profitability and shareholders' value.



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

SICHUAN LANGUANG JUSTBON SERVICES (2606 HK, BUY)

China's Property Management Sector

Jan 14, 2020

Financial statements

Consolidated income statement (2017A-2021E)

FY Ended Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Revenue	658	923	1,464	2,080	2,791
Direct costs	(445)	(587)	(978)	(1,368)	(1,838)
Gross Profit	213	336	487	712	953
Selling and marketing expenses	(7)	(5)	(4)	(5)	(5)
Administrative expenses	(86)	(127)	(129)	(167)	(230)
EBIT	119	204	354	541	718
Other income	4	3	5	11	17
Net impairment losses	(4)	(9)	(16)	(22)	(27)
Other gains-net	2	23	10	-	-
Profit before tax	122	221	354	530	707
Tax	(19)	(35)	(57)	(88)	(118)
Profit after tax	102	186	297	442	589
Minority interest	(0)	(1)	(8)	(11)	(15)
Reported net profit	102	185	289	430	574
Less: exceptional items	-2	-17	-8	0	0
Core net profit	100	168	281	430	574
Per share					
Core EPS (RMB)	0.78	1.30	2.18	3.32	3.23
DPS (RMB)	-	-	-	1.00	0.97
Payout ratio (%)	0%	0%	0%	30%	30%
BVPS (RMB)	2.02	3.31	3.40	17.89	16.02
Growth %					
Revenue		40.3%	58.6%	42.1%	34.2%
Gross Profit		57.6%	44.9%	46.3%	33.8%
EBIT		70.7%	73.5%	52.9%	32.7%
Core net profit		82.1%	56.5%	48.7%	33.5%
Margin %					
Gross margin	32.4%	36.4%	33.2%	34.2%	34.1%
EBIT margin	18.2%	22.1%	24.2%	26.0%	25.7%
Core net margin	15.4%	20.0%	19.8%	20.7%	20.6%
Revenue breakdown					
Property management services	382	579	900	1,151	1,544
Consultancy services	149	162	231	424	537
Community value added services	127	182	333	506	711
Total	658	923	1,464	2,080	2,791
Key assumptions					
Contracted GFA(mn sqm)	29.7	52.3	73.6	102.7	159.9
GFA under management (mn sqm)	24.2	44.0	60.6	72.3	111.8

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2014A-2019E)

As of Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Current assets	805	910	3,078	3,457	4,118
Bank balances and cash	190	307	2,386	2,539	2,896
Financial assets at fair value through profit or loss	234	0	0	0	0
Trade receivables	376	597	685	912	1,216
Inventories	5	6	6	6	6
Income tax recoverable	0	0	0	0	0
Other current assets	0	0	0	0	0
Non-current assets	248	355	365	646	877
Property, plant and equipment	10	13	43	73	103
Intangible assets	77	115	95	346	546
Goodwill	125	184	184	184	184
Other non-current assets	35	43	43	43	43
Total Assets	1,052	1,265	3,442	4,103	4,995
Current Liabilities	600	774	928	1,171	1,510
Accruals and other payables	0	0	0	0	0
Contract liabilities	164	231	231	231	231
Trade payables	399	481	634	878	1,216
Other current liabilities	37	63	63	63	63
Non-current liabilities	16	22	22	22	22
Deferred tax liabilities	16	22	22	22	22
Total Liabilities	617	797	950	1,194	1,532
Net Assets	436	468	2,492	2,909	3,462
Shareholders' Equity	427	438	2,451	2,853	3,386
Minority Interest	9	30	41	56	76
Total Equity	436	468	2,492	2,909	3,462
Key ratio					
Gross debt (RMB mn)	-	-	-	-	-
Net debt (RMB mn)	(190)	(307)	(2,386)	(2,539)	(2,896)
Net gearing (%)	-44%	-66%	-96%	-87%	-84%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2014A-2019E)

As of Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
EBITDA	213	370	561	760	1,037
Change in Working Capital	(83)	(86)	65	17	34
Tax payment	(24)	(39)	(88)	(118)	(156)
Operating Cash flow	105	245	538	659	915
Purchase of PP&E	(4)	(7)	(30)	(30)	(30)
Purchase of intangible assets	(8)	(10)	-	(294)	(281)
Purchase of financial assets	(230)	(250)	-	-	-
Proceeds from disposal of financial assets	212	493	-	-	-
Others	(67)	(55)	-	-	-
Investing Cash flow	(96)	171	(30)	(324)	(311)
Interest received	-	-	-	-	-
Equity raised	-	-	1,712	-	-
Dividend to shareholders	(18)	(319)	(129)	(172)	(229)
Others	-	29	(11)	(11)	(18)
Financing Cash flow	(18)	(300)	1,571	(183)	(247)
Net cash inflow/ (outflow)	(10)	117	2,079	152	357
Cash- beginning	200	190	307	2,386	2,539
Cash- year-end	190	307	2,386	2,539	2,896

Source(s): Company, ABCI Securities estimates



Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate (10%)
Hold	- Market return (-10%) \leq Stock return < Market return rate (10%)
Sell	Stock return < - Market return (-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 (HSI total return index 2008-19 CAGR at 10%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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