

New Hope Service (3658 HK)

1H21 Results: in line

The Company delivered 83% growth in 1H21 adjusted earnings (excluding listing fees) at RMB80mn, in line with its profit alerts (>80%). The total revenue grew 76% YoY to RMB403mn in 1H21 mainly driven by Lifestyle Services (+171% YoY) and PM segment (+80% YoY). GP Margin eroded 0.6ppt YoY to 42.7% in 1H21 due to an increase in the proportion of PM and Lifestyle Services with relatively lower GPM. NPM widened to 19.8% in 1H21 (+0.8ppt YoY) and NP came at RMB80mn, 40% of our 2021E estimate (vs. 40% in 1H20). 1H21 EPS was RMB0.09/share (+13% YoY) and the Company decided not to declare an interim dividend.

- Strong growth in lifestyle services:** The Company recorded 171% YoY growth in this segment, which drove the overall revenue up 76%. It is mainly attributable to the following reasons. 1) Community lifestyle services went up 220% due to managed GFA growth of 80%. 2) Space operation center was opened in 2021 to further explore community space resources resulting in significant increase in revenue. 3) Community asset management business went up 220% due to the newly implemented smart parking system. GPM increased 13.3ppt (+40% YoY) resulting from higher proportion of community space operation and community AM services which have higher GPM.
- Basic PM Business** grew 80% YoY in 1H21, mainly driven by 80% growth in managed GFA and strong efforts in independent third-party expansions. third-party contribution increased from 0.1% in 1H20 to 17% in 1H21 with a revenue of RMB14mn in 1H21 (nil in 1H20). Non-residential GFA also increased 116.6% YoY to 4.2mn sq m. We believe continued fortitudes in diversification and third-party expansion will enable faster growth in managed GFA and wider customer base.
- Maintain BUY:** The Company is currently trading at 6.5x 2022E PE, which looks attractive. For more details, tune in for the conference call at 10am today.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	258	381	588	1,109	1,832
YoY (%)	NA	47.5	54.6	88.5	65.2
Net profit (RMB mn)	41	64	110	197	298
EPS (RMB)	N.A.	N.A.	0.14	0.24	0.37
Consensus EPS (RMB)	N.A.	N.A.	N.A.	0.26	0.38
P/E (x)	N.A.	N.A.	17.5	9.8	6.5
P/B (x)	N.A.	N.A.	13.3	2.1	1.6
Yield (%)	N.A.	N.A.	N.A.	N.A.	N.A.
ROE (%)	11.1	15.1	75.5	21.9	24.5
Net gearing (x)	Net cash	1.38	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$4.41**
 (Previous TP) **HK\$4.41**
Up/Downside **+96.9%**
Current Price **HK\$2.24**

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	1,824
Avg 3 mths t/o (HK\$ mn)	N.A.
52w High/Low (HK\$)	4.20/1.82
Total Issued Shares (mn)	814

Source: Bloomberg

Shareholding Structure

Mr. Liu Yonghao	66.9%
Free float	33.1%

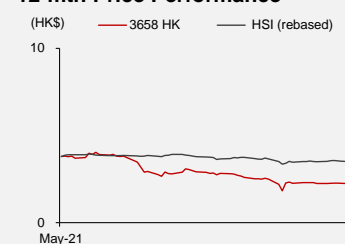
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-15.7%	-10.5%
3-mth	N.A.	N.A.
6-mth	N.A.	N.A.
12-mth	N.A.	N.A.

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Figure 1: 1H2021 Results

RMB mn	1H20	1H21	YoY	1H/2020	1H/2021E
Revenue	229	403	76%	39%	36%
- Property management services	81	146	80%	43%	26%
- Developer VAS	64	101	58%	38%	63%
- Commercial operations	51	66	29%	45%	49%
- Lifestyle services	33	89	171%	28%	36%
Gross profit	99	172	73%	40%	40%
Net profit (adjusted)	44	80	83%	40%	40%
EPS (RMB)	0.08	0.09	13%	57%	38%
DPS (RMB)	N.A.	-			
Dividend payout ratio	-	-			
GP Margin	43.3%	42.7%	-0.6 ppt		
Net Margin	19.0%	19.8%	0.8 ppt		
Managed GFA (mn sq m)	7.0	12.5	80%	68%	35%
Contracted GFA (mn sq m)	13.5	20.4	51%	87%	38%

Source: Company data, CMBIS

Financial Statements

Income statement

Income statement					
YE Dec 31 (Rmb mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	258	381	588	1,109	1,832
Property management services	116	141	190	568	1,093
Developer VAS	51	128	168	161	177
Commercial operations	62	73	113	134	175
Lifestyle services (community VAS)	28	39	117	246	388
Cost of sales	(148)	(221)	(341)	(674)	(1,144)
Gross Profit	110	160	247	435	688
Other income	(1)	7	10	10	10
Selling expenses	(1)	(3)	(3)	(11)	(18)
Administrative expenses	(55)	(82)	(119)	(189)	(311)
Impairment	(0)	(1)	(0)	(6)	(9)
Operating profit	52	80	135	240	360
Finance cost	(0)	(3)	(3)	-	-
Exceptional	2	-	3	-	-
Pre-tax Profit	52	77	133	240	360
Income tax	(11)	(13)	(23)	(38)	(58)
PROFIT FOR THE YEAR	41	64	110	201	302
Non-controlling interest	0	(0)	-	(4)	(5)
Net Profit attr. to shareholders	41	64	110	197	298

Source: Company data, CMBIS estimates

Balance sheet

YE Dec 31 (Rmb mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Non-current assets	43	55	104	106	109
Property, plant and equipment	29	32	72	74	77
Others	14	23	32	32	32
Current assets	537	1,263	488	1,196	1,506
Inventories	0	0	0	0	0
Trade receivables	59	83	163	308	508
Cash and cash equivalents	117	49	113	677	786
Others	361	1,130	212	212	212
Total assets	580	1,318	591	1,303	1,615
Current liabilities	195	372	397	353	353
Trade and other payables	17	40	0	0	0
Others	178	333	397	353	353
Non-current liabilities	17	522	49	49	49
Deferred income tax liabilities	-	1	3	3	3
Others	17	522	46	46	46
Total liabilities	211	895	446	402	402
Equity to shareholders	369	423	145	900	1,212
Non-controlling interests	(0)	-	-	-	-
Total Equity	369	423	145	900	1,212

Source: Company data, CMBIS estimates

Cash flow summary

YE Dec 31 (Rmb mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before tax	52	77	133	240	360
D&A	3	10	-	3	3
Change in working capital	15	219	-	(144)	(201)
Others	(11)	(193)	33	(38)	(58)
Net cash from operating	59	113	165	59	104
Capex	(12)	(6)	(8)	5	5
JV/Associates	-	1	2	3	4
Others	(68)	(719)	295	(3)	(4)
Net cash from investing	(80)	(725)	289	5	5
Equity raised	-	-	7	500	-
Change of debts	-	573	(50)	-	-
Others	(2)	(29)	(348)	-	-
Net cash from financing	(2)	544	(390)	500	-
Net change in cash	(23)	(68)	63	564	109
Cash at the beginning of the year	141	117	49	113	677
Exchange difference	-	-	-	-	-
Cash at the end of the year	117	49	113	677	786

Source: Company data, CMBIS estimates

Key ratios

YE Dec 31	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Property management services	45.1	37.0	32.3	51.2	59.6
Developer VAS	19.7	33.7	28.6	14.5	9.7
Commercial operations	24.2	19.1	19.2	12.1	9.5
Lifestyle services (community VAS)	11.0	10.2	19.9	22.2	21.2
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross margin	42.6	41.9	42.1	39.2	37.6
Net margin	15.9	16.8	18.7	17.8	16.2
Effective tax rate	20.7	17.0	17.2	16.0	16.0
Growth (%)					
Revenue	47.5	54.6	88.5	65.2	58.4
Gross profit	45.1	55.1	75.7	50.0	50.8
Operating profit	52.9	69.4	77.8	50.8	50.8
Net profit	55.6	71.7	79.8	50.8	50.8
Balance sheet ratios					
Current ratio (x)	2.8	3.4	1.2	3.4	4.3
Receivable turnover days	84	80	101	101	101
Returns (%)					
ROE	11.1	15.1	75.5	21.9	24.5
ROA	7.1	4.9	18.6	15.2	18.4

Source: Company data, CMBIS estimates

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