

Ever Sunshine (1995 HK)

1H21 beat to boost confidence in next 5-year plan; Reiterate Top Pick

New 5-year plan (2024-28) at 38% CAGR (5 folds): After 10-folds target (2019-23E) set to be accomplished, the management announced the next 5-year plan implying 38% NP CAGR in 2024-28E to reach RMB5bn. Given its strong track record after another solid beat in 1H21, we are confident that it can achieve it via **1) Community VAS** will be the key second growth curve. Multiple initiatives have been seen in 1H21 such as property brokerage and it will continue to expand new business units. Its key advantage lies in the projects distribution, mainly in Tier 1-2 cities which enjoy large market as well as its premium service quality. **2) PM business** will continue its advantageous tradition with parentco contributing 20mn sq m per year, organic growth via third-party expansion. We think it may boost M&A as the industry saw more opportunities after property policy tightening. Overall NPM may stay relatively stable as GPM could stay at 28-30% range and operating leverage could continue. Valuation-wise, it is trading at 24x 2022E PE, below its historical average of 25x. Given its results beat, we think it deserves a re-rating and remains our **Top pick**. **Catalyst:** Share buyback.

- **1H21 results – A solid beat:** Despite a very high base, the Company delivered 65% growth in 1H21 earnings at RMB283mn, beating its 55% profit alert and full-year guidance of 50-60% YoY growth. It accounted for 45% of our annual estimate target (44% in 1H20). The total revenue grew 53% YoY to RMB2.06bn in 1H21 mainly driven by its Community VAS segment (+99% YoY) and partly by its basic PM segment (+43% YoY). GP Margin eroded 0.7ppt YoY to 29.9% in 1H21 due to GPM decline in Community VAS segment (-7.3ppt YoY) and Basic PM segment (-1.3ppt YoY). However with the help of operating leverage (SG&A/revenue ratio declined by 2.0ppt YoY in 1H21, NPM was up 1.0ppt YoY to 13.7% in 1H21.) 1H21 EPS was RMB0.17/share (+55% YoY).
- **Strong Community VAS growth driven by multi new initiatives:** The segment grew 99% YoY in 1H21 to account for 25 of total revenue. The increase was mainly attributable to new initiatives – 149% YoY in property agency and 125% YoY growth in home renovation. It is worth to note that the contribution from property agency service was up 5.7ppt YoY to 28.8% after forming a separate business unit. Its GPM dropped by 7ppt YoY to 46.5% in 1H21 due to the dilution of new businesses and we expect its long-term GPM to stay at 45-50%.
- **PM's strong organic growth via third-Party expansion remained its tradition:** In 1H21, its PM segment grew 43% YoY mainly driven by 68% YoY increase in managed GFA to 130mn sq m. The reserved/managed GFA ratio stayed healthy at 68%. In particular, third-party saw 80% YoY growth and contributed 81.5% of its total revenue, still its biggest competitive edge. Taking M&A as a plus, the Company acquired 50% equity in Huaxi Xin'an and Shanghai Xingyue. GPM declined slightly to 23.5% due to the reduction of social insurance subsidies.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	1,076	1,878	3,120	4,914	7,339
YoY growth (%)	48.3	74.5	66.1	57.5	49.4
Net income (RMB mn)	101	224	390	626	931
EPS (RMB)	0.09	0.15	0.24	0.37	0.56
YoY growth (%)	29.6	64.7	66.2	54.8	48.7
Consensus EPS (RMB)	N.A.	N.A.	0.24	0.37	0.56
P/E (x)	120.0	72.8	58.8	38.0	25.6
P/B (x)	18.1	26.5	10.2	7.8	5.7
Yield (%)	0.2	0.4	0.5	0.8	1.2
ROE (%)	11.2	19.5	13.5	17.3	19.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price HK\$22.16
(Previous TP) HK\$22.16
Up/Downside +48.1%
Current Price HK\$14.96

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	24,989
Avg 3 mths t/o (HK\$ mn)	100.73
52w High/Low (HK\$)	26.05/12.02
Total Issued Shares (mn)	1,670

Source: Bloomberg

Shareholding Structure

Lin Family	55.36%
CGC	6.09%
Free float	38.55%

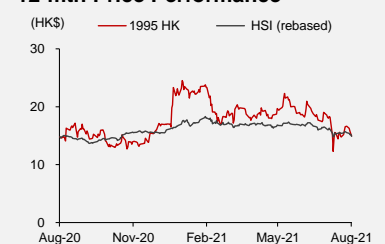
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-19.2%	-12.5%
3-mth	-22.4%	-14.2%
6-mth	-34.6%	-22.6%
12-mth	1.5%	-0.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Figure 1: 1H21 results summary

RMB mn	2019	2020	YoY	CMBI Est	Diff%
Revenue	1,878	3,120	66%	3417	-9%
- PM	1,070	1,758	64%	1894	-7%
- VAS to non-prop owners	325	572	76%	626	-9%
- Community VAS	483	790	63%	897	-12%
Gross Profits	555	980	76%	1128	-13%
Net profits	224	390	74%	428	-9%
EPS (RMB)	0.15	0.24	66%	0.27	-10%
DPS (HKD)	0.05	0.08	75%	0.09	-7%
Margins & GFA	2019	2020	YoY	CMBI Est	Diff%
GP Margin	29.6%	31.4%	1.8ppt	33.0%	-1.6ppt
Net Margin	11.9%	12.5%	0.6ppt	12.5%	0.0ppt
Managed GFA (mn sqm)	65.2	101.6	56%	102.2	-1%
Contracted GFA (mn sqm)	110.6	181.2	64%	170.8	6%

Source: CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE Dec 31 (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	YE Dec 31 (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	1,076	1,878	3,120	4,914	7,339	Profit before tax	142	329	598	1,031	1,543
Basic PM	667	1,070	1,757	2,818	4,184	D&A	4	16	15	15	15
Non-owner VAS	211	325	572	892	1,309	Change in working capital	67	219	(38)	(464)	(277)
Community VAS	198	483	790	1,204	1,847	Others	(37)	(55)	44	(263)	(393)
Cost of sales	(767)	(1,322)	(2,140)	(3,356)	(5,001)	Net cash from operating	175	509	619	320	887
Gross Profit	309	555	980	1,558	2,338	Capex	(15)	(18)	(20)	(20)	(20)
Other income	16	-	-	-	-	JV/Associates	-	1	2	3	4
Administrative expenses	(187)	9	16	35	20	Others	9	(301)	(2)	(3)	(4)
Other expenses	(5)	-	(4)	(24)	(39)	Net cash from investing	(6)	(318)	(20)	(20)	(20)
Operating profit	133	564	992	1,568	2,319	Equity raised	-	56	1,522	-	-
JV/Associates	9	(0)	-	-	-	Change of debts	9	(9)	-	-	-
Finance cost	(0)	(1)	(1)	(1)	(1)	Others	544	(131)	(234)	113	188
Exceptional	(0)	13	-	-	-	Net cash from financing	553	(83)	1,288	113	188
Pre-tax Profit	142	329	598	1,031	1,543	Net change in cash	722	108	1,887	413	1,055
Income tax	(42)	(80)	(156)	(263)	(393)	Cash at the beginning	438	1,160	1,284	3,171	3,584
PROFIT FOR THE YEAR	100	249	443	768	1,150	Exchange difference	-	16	-	-	-
Non-controlling interest	0	(25)	(52)	(142)	(218)	Cash at the end of the year	1,160	1,284	3,171	3,584	4,639
Attributable Net Profit	101	224	390	626	931	Key ratios					
Balance sheet						YE Dec 31	FY18A	FY19A	FY20A	FY21E	FY22E
YE Dec 31 (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	Sales mix (%)					
Non-current assets	109	670	736	723	728	Basic PM	62.0	57.0	56.3	57.3	57.0
Property, plant and	27	62	86	72	77	Non-owner VAS	19.6	17.3	18.3	18.2	17.8
Investment properties	49	51	55	55	55	Community VAS	18.4	25.7	25.3	24.5	25.2
Others	33	557	595	595	595	Total	100.0	100.0	100.0	100.0	100.0
Current assets	1,384	1,808	3,931	4,780	6,277	Profit & loss ratios (%)					
Inventories	-	-	-	-	-	Gross margin	28.7	29.6	31.4	31.7	31.9
Trade and other receivables	213	481	723	1,160	1,601	Net margin	9.3	11.9	12.5	12.7	12.7
Cash and cash equivalents	1,160	1,284	3,171	3,584	4,639	Effective tax rate	29.3	24.2	26.0	25.5	25.5
Others	10	43	37	37	37	Growth (%)					
Total assets	1,493	2,478	4,667	5,503	7,005	Revenue	48.3	74.5	66.1	57.5	49.4
Current liabilities	574	1,187	1,583	1,555	1,720	Gross profit	68.9	79.7	76.4	59.0	50.1
Trade and other payables	358	775	1,056	1,029	1,193	Operating profit	29.4	138.1	89.3	72.2	49.5
Others	216	412	527	527	527	Net profit	31.5	122.7	74.4	60.4	48.7
Non-current liabilities	16	63	67	67	67	Balance sheet ratios					
Deferred income tax	16	49	47	47	47	Current ratio (x)	2.4	1.5	2.5	3.1	3.6
Others	-	14	20	20	20	Receivable turnover days	55	66	66	66	66
Total liabilities	590	1,250	1,650	1,623	1,787	Returns (%)					
Equity to shareholders	899	1,148	2,893	3,614	4,733	ROE	11.2	19.5	13.5	17.3	19.7
Non-controlling interests	4	80	124	266	485	ROA	6.7	9.0	8.4	11.4	13.3
Total Equity	903	1,228	3,017	3,880	5,218	Per share					
						EPS (RMB)	0.09	0.15	0.24	0.37	0.56
						DPS (RMB)	0.02	0.04	0.07	0.11	0.17
						BVPS (RMB)	0.59	0.40	1.40	1.83	2.50

Source: Company data, CMBIS estimates

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