

New Hope Service (3658 HK)

Strong FY21 results set for a more sustainable growth

New Hope has delivered a strong NP growth of 61% in 2021, in line with its IPO guidance. More importantly, we see the structural change (more business lines/penetration into community VAS and rapid expansion of third-party projects) would lead to a sustainable and independent growth in 2022E (30-40% YoY NP growth guided). Also, the valuation looks attractive at 5x 2022E with net cash almost equivalent to its market cap. Maintain Buy rating.

- A strong 2021:** The Company delivered 61% growth in 2021 adjusted earnings (excluding one-off listing expenses) at RMB187mn, in line with its profit alerts range (58-63%). The total revenue grew 57% YoY to RMB925mn in 2021 mainly driven by Lifestyle Services (+116% YoY) and PM segment (+67% YoY). GP Margin eroded 1.3ppt YoY to 40.7% in 2021 due to an increase in the proportion of PM and Lifestyle Services with relatively lower GPM. NPM widened to 20.2% in 2021 (+0.4ppt YoY) and NP came in at RMB187mn, due to reduction in SA&A cost by 3ppts to 16% (excluding listing expenses) in 2021. EPS was RMB0.23/share (+21% YoY) and the Company declared their first dividend of RMB0.071/share, representing a 31% dividend payout ratio.
- Rapid growth in lifestyle services (Community VAS):** The Company recorded 116% YoY growth in this segment, which made up 27% (20% in 2020) of total revenue. It is mainly attributable to the following reasons. 1) Community lifestyle services went up 149%, driven by the steady growth of scale and penetration. 2) Asset management business went up 108% due to efficiency boost by the newly implemented Smart Vehicle Management Cloud System (+30% YoY revenue) and its cooperation with Beike. GPM decreased to 42% (-3ppt YoY) resulting from increase in lower gross margin business like retail and group meals, but nominal segment gross profit increased 102% YoY.
- Basic PM Business** grew 67% YoY in 2021, mainly driven by 58% growth in managed GFA and strong efforts in independent third-party expansions. Third-party contribution increased from 15.4ppts in 2021 to account for 28.1% of segment revenue with RMB89mn in 2021 (+269% YoY). Revenue mix also shifted with non-residential GFA increasing 62% YoY to 5.3mn sq m.
- Commercial operational services** only grew 7% YoY in revenue to RMB120mn. The gross margin has recovered from covid-19 pandemic seeing a better occupancy rate, improving segment GPM to 62% in 2021 (+7ppt YoY).

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21A	FY22E
Revenue (RMB mn)	258	381	588	925	1,832
YoY (%)	N.A.	47.5	54.6	57.2	98.1
Net profit (RMB mn)	41	64	110	166	298
EPS (RMB)	N.A.	N.A.	0.19	0.23	0.37
Consensus EPS (RMB)	N.A.	N.A.	N.A.	0.24	0.37
P/E (x)	N.A.	N.A.	9.4	7.8	4.8
P/B (x)	N.A.	N.A.	9.3	1.1	0.8
Yield (%)	N.A.	N.A.	N.A.	12.7	20.6
ROE (%)	11.1	15.1	75.5	17.4	24.2
Net gearing (x)	Net cash	Net cash	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	+107.0%
Current Price	HK\$2.13

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	1,734
Avg 3 mths t/o (HK\$ mn)	0.32
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%

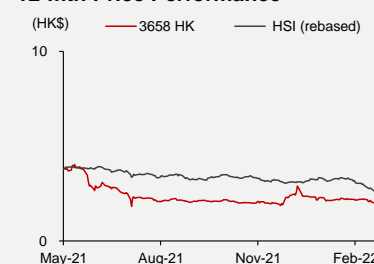
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.9%	12.6%
3-mth	-5.2%	0.7%
6-mth	6.9%	20.3%
12-mth	N.A.	N.A.

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Figure 1: 2021 results summary

RMB mn	2020	2021	YoY	Diff. vs. Estimate
Revenue	588	925	57%	-17%
- Property management services	190	317	67%	
- Developer VAS	168	234	39%	
- Commercial operations	113	120	7%	
- Lifestyle services	117	254	116%	
Gross profit	247	377	52%	
Net profit (adjusted)	116	187	61%	-5%
EPS (RMB)	0.19	0.23	21%	
DPS (RMB)	N.A	0.07		
Dividend payout ratio	-	31%		
GP Margin	42.1%	40.7%	-1.3 ppt	1.5 ppt
Net Margin	19.8%	20.2%	0.4 ppt	2.4 ppt
Managed GFA (mn sq m)	10.2	16.2	58%	
Contracted GFA (mn sq m)	15.4	26.4	71%	

Source: Company data, CMBIGM

Figure 2: PM sector comps

Company	Ticker	CMBI rating	TP (HK\$)	Last price (HK\$)	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)	
						20A	21E	22E	21E	22E
Country Garden Services	6098 HK	BUY	91.2	34.7	116,803	34.4	32.1	20.6	72.7	49.6
CR MixC Lifestyle	1209 HK	BUY	56.0	36.0	82,170	67.9	88.2	43.2	107.0	37.7
A-Living	3319 HK	HOLD	34.2	12.5	17,750	7.9	8.0	5.9	47.7	25.8
Greentown Services	2869 HK	HOLD	9.5	6.9	22,363	30.2	26.1	19.6	41.1	30.3
Ever Sunshine	1995 HK	BUY	22.2	10.5	18,332	41.3	36.1	22.7	74.9	47.8
Poly Services	6049 HK	HOLD	53.4	51.3	28,386	28.1	26.5	21.2	75.3	27.1
S-Enjoy	1755 HK	BUY	34.6	10.4	9,067	16.8	16.4	10.7	62.2	42.7
Powerlong Commercial	9909 HK	BUY	33.2	7.5	4,790	13.5	12.8	8.7	60.7	38.4
Excellence CM	6989 HK	BUY	14.9	4.0	4,820	11.4	10.6	7.2	81.3	35.5
Central China New Life	9983 HK	BUY	12.9	4.1	5,204	8.2	6.7	5.0	110.5	32.2
Sino-Ocean Services	6677 HK	BUY	7.1	3.7	4,357	8.0	8.5	6.0	141.7	33.7
New Hope Services	3658 HK	BUY	4.4	2.4	1,954	7.9	8.3	5.4	61.9	78.6
Redsun Services	1971 HK	BUY	9.4	3.1	1,278	13.7	13.3	6.7	139.1	50.2
Evergrande Services	6666 HK	BUY	10.4	2.3	24,865	7.8	8.1	5.8	42.7	21.4
Sunac Services	1516 HK	BUY	29.8	5.0	15,454	17.0	22.5	9.8	128.6	47.8
COPH	2669 HK	NR	NA	7.5	24,487	34.3	36.3	26.4	31.3	30.2
Times Neighborhood	9928 HK	NR	NA	2.2	2,149	8.0	7.6	4.4	88.2	39.9
Aoyuan Healthy Life	3662 HK	NR	NA	1.9	1,394	5.0	4.9	3.0	53.3	41.3
Shimao Services	873 HK	NR	NA	4.7	11,674	11.4	13.2	7.4	92.7	40.7
KWG Living	3913 HK	NR	NA	2.9	5,749	13.3	14.5	6.5	137.7	51.7
Jinke Smart Services	9666 HK	NR	NA	26.2	17,105	18.5	21.6	12.6	95.5	47.3
Average						33.8	37.1	21.6	78.3	40.3

Source: Bloomberg, CMBIGM

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21A	FY22E
Revenue	258	381	588	925	1,832
Property management	116	141	190	317	1,093
Developer VAS	51	128	168	234	177
Commercial operations	62	73	113	120	175
Lifestyle services	28	39	117	254	388
Cost of sales	(148)	(221)	(341)	(548)	(1,144)
Gross Profit	110	160	247	377	688
Other income	(1)	7	10	1	10
Selling expenses	(1)	(3)	(3)	(4)	(18)
Administrative expenses	(55)	(82)	(119)	(173)	(311)
Impairment	(0)	(1)	(0)	(3)	(9)
Operating profit	52	80	135	198	360
Finance cost	(0)	(3)	(3)	4	-
Exceptional	2	-	3	(0)	-
Pre-tax Profit	52	77	133	202	360
Income tax	(11)	(13)	(23)	(36)	(58)
PROFIT FOR THE YEAR	41	64	110	166	302
Non-controlling interest	0	(0)	-	(0)	(5)
Net Profit attribute to shareholders	41	64	110	166	298

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21A	FY22E
Non-current assets	43	55	104	139	128
Property, plant and	29	32	72	110	77
Others	14	23	32	29	51
Current assets	537	1,263	488	1,352	1,506
Inventories	0	0	0	0	0
Trade and other receivables	59	83	163	189	508
Cash and cash equivalents	117	49	113	1,106	786
Others	361	1,130	212	57	212
Total Assets	580	1,318	591	1,491	1,634
Current liabilities	195	372	397	469	353
Trade and other payables	17	40	44	72	0
Others	178	333	353	397	353
Non-current liabilities	17	522	49	68	49
Deferred income tax liabilities	-	1	3	7	3
Others	17	522	46	60	46
Total liabilities	211	895	446	537	402
Equity to shareholders	369	423	145	953	1,231
Non-controlling interests	(0)	-	-	2	-
Total Equity	369	423	145	954	1,231

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19E	FY20A	FY21A	FY22E
Profit before tax	52	77	133	NA	360
D&A	3	10	-	NA	3
Chg in working capital	15	219	-	NA	(201)
Others	(11)	(193)	33	NA	(58)
Net cash from operating	59	113	165	NA	104
Capex	(12)	(6)	(8)	NA	5
JV/Associates	-	1	2	NA	4
Others	(68)	(719)	295	NA	(4)
Net cash from investing	(80)	(725)	289	NA	5
Equity raised	-	-	7	NA	-
Chg of debts	-	573	(50)	NA	-
Others	(2)	(29)	(348)	NA	-
Net cash from financing	(2)	544	(390)	NA	-
Net change in cash	(23)	(68)	63	993	109
Cash at the beginning of the year	141	117	49	113	1,106
Exchange difference	-	-	-	-	-
Cash at the end of the year	117	49	113	1,106	1,215

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21A	FY22E
Sales mix (%)					
Property management services	45.1	37.0	32.3	34.3	59.6
Developer VAS	19.7	33.7	28.6	25.3	9.7
Commercial operations	24.2	19.1	19.2	13.0	9.5
Lifestyle services	11.0	10.2	19.9	27.4	21.2
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross margin	42.6	41.9	42.1	40.7	37.6
Net margin	15.9	16.8	18.7	17.9	16.2
Effective tax rate	20.7	17.0	17.2	18.0	16.0
Growth (%)					
Revenue		47.5	54.6	57.2	98.1
Gross profit		45.1	55.1	52.3	82.8
EBIT		52.9	69.4	47.2	81.3
Net profit		55.6	71.7	51.1	79.4
Balance sheet ratios					
Current ratio (x)	2.8	3.4	1.2	2.9	4.3
Receivable turnover days	84	80	101	75	101
Returns (%)					
ROE	11.1	15.1	75.5	17.4	24.2
ROA	7.1	4.9	18.6	11.1	18.2
Per share					
EPS (RMB)	N.A.	N.A.	0.2	0.2	0.4
DPS (RMB)	N.A.	N.A.	0.0	0.1	0.1
BVPS (RMB)	N.A.	N.A.	0.19	1.65	2.14

Source: Company data, CMBIGM estimates

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