

CIFI EverSunshine Services (1995 HK)

Positive profit Alert in 1H21,
the non-residential business has made a breakthrough
Hong Kong | Property Management | Update Report

19 August 2021

Investment Summary

CIFI Ever Sunshine Services announced positive profit alert for 1H21. It is expected that the company's unaudited consolidated net profit and net profit attributable to the parent for the six months ended June 30, 2021 will increase by more than 55% over the same period last year. The increase in net profit was mainly due to the increase in the GFA under management; the increase in revenue from community VAS and VAS provided to non-owners, and the business recovery after the impact of the new crown pneumonia epidemic.

Excellent external expansion, breakthroughs were made in non-residential businesses

The company's net profit and net profit attributable to the parent in the first half of last year were RMB 200 million and 170 million, respectively. The company stated that it will increase by no less than 55% from last year which is estimated to be CNY 310 million and CNY 270 million respectively. During the period, the company successively won the bids for a number of external projects, and made breakthroughs in the school segment and public property segment. It won the bids for 9 school property management subjects and public property management subjects, including projects such as Hunan University of Technology and Hunan Xiangxi Expressway Service Area.

In the semi-annual work conference held by the company earlier, with "scale as king and quality as first priority" as the theme, it clearly pointed out the goals and tasks for the whole year of 2021. In the future, property services will develop around "people + system + technology", put people at the core of everything, and let technology and systems help to improve the quality of services to people. The company adheres to a consistent development strategy and fully implements the development strategy of "platform + ecology". The company has set 2021 as the year of quality improvement, and set six management goals and 29 key tasks. 1. Scale expand, four-wheel drive; 2. Fine operation experience upgrade; 3. Active service, reputation brand; 4. Professional BU, Accelerate marketization; 5. Structure optimize, upgrade the organization; sixth, smart property, driven by digital intelligence.

The company independently make its professional business as BU. At present, Yongsheng has six VAS brand. A professional team is responsible for product development and research on how to reach the owner accurately. On the business side, the company adopts a business-raising plan. On the one hand, it cooperates with big brands to jointly empower, and on the other hand, it also splits with localized small businesses. There will be no more than two single-category suppliers in a community to form 'Support business plan'. On the client side, focusing on cultivating the owner's habit, through time-based or scenario-based sales strategies, the owner's stickiness to the company's value-added services is improved, and the path dependence and mental cycle of the user side are formed.

Valuation and investment advice

We think that the company's performance in 1H21 is in line with expectations, the expansion of GFA under management is smooth, and the reserve GFA is sufficient to support future development and achieve the company's guideline of 10 times of net profit in 5 years.

BUY (Maintain)

CMP HKD 16.28
(Closing price as of 16 August)
Target HKD 25.87 (+58.9%)

COMPANY DATA

O/S SHARES (MN) :	1,670.4
MARKET CAP (HKD MN) :	27,194
52 - WK HI/LO (HKD):	25.96/12.02

SHARE HOLDING PATTERN %

Lin Zhong & Family	26.34
CIFI HOLDINGS (GROUP) CO. LTD	24.35
Lin Feng	10.28

PRICE VS. HSI



Source: Wind, PSHK

KEY FINANCIALS

CNY mn	FY19	FY20	FY21E	FY22E
Net Sales	1,878	3,119	5,062	7,554
Net Profit	224	390	628	926
EPS, CNY cent	14.58	24.26	37.58	55.45
P/E, x	94.92	57.04	36.82	24.95
BVPS, CNY cent	67.91	172.33	203.13	247.69
P/BV, x	20.38	8.03	6.81	5.59
DPS (HKD cent)	4.79	8.38	12.82	18.92
Div. Yield (%)	0.29	0.51	0.79	1.16

Source: Company reports, Phillip Securities Est.

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The company did not announce any other acquisition plans in the first half of the year. The company currently has sufficient cash and can look for other investment opportunities in the market and look forward to the company's new acquisition plan. The company's long-term investment logic remains unchanged. The company's development practice in community VAS is at a better level in the industry. With the industry integration in the future, the growth of income from property management services will slow down, and VAS will become the second driver of the company's growth. power. The company builds brand reputation through high-quality standardized services, and continues to expand community VAS, and further develops towards life service providers. Taking into account that the company has more consumption attributes than other peers, the company is given a 1.1x PEG for 2021 and maintains a target price of HK\$25.87, corresponding to 58.51x/39.66x expected P/E ratios in 2021 and 2022, and maintains a buy rating.
(Current price as of August 16)

Financials

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,878	3,119	5,062	7,554	11,345
COGS	(1,322)	(2,139)	(3,536)	(5,287)	(7,925)
Gross Profit	555	980	1,526	2,267	3,420
Admin expense	(247)	(333)	(663)	(990)	(1,486)
Other operating gain/(loss)	26	(75)	42	62	92
Operating Profit	335	572	904	1,339	2,025
Net finance income	(6)	26	47	64	87
Associated companies & JVs	(0)	-	-	-	-
Profit before tax	329	598	951	1,403	2,113
Tax	(80)	(156)	(238)	(351)	(528)
NCI	(25)	(52)	(86)	(126)	(181)
Profit for the year	224	390	628	926	1,404
EPS	14.58	24.26	37.58	55.45	84.05

Key Financial Data

Dec Y/E	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratio					
P/E ratio, x	96.44	57.95	37.41	25.35	16.73
P/B ratio, x	20.70	8.16	6.92	5.68	4.45
Dividend Yield, %	0.29	0.51	0.78	1.14	1.73
Per share data (RMB cent)					
EPS	14.58	24.26	37.58	55.45	84.05
BVPS	67.91	172.33	203.13	247.69	315.66
DPS (HKD cent)	4.79	8.38	12.82	18.92	28.68
Growth & Margin					
Growth					
Revenue Growth	75%	66%	62%	49%	50%
Operating Profit Growth	154%	71%	58%	48%	51%
Net Profit Growth	124%	74%	61%	48%	52%
Margin					
Gross Profit Margin	30%	31%	30%	30%	30%
Operating Profit Margin	18%	18%	18%	18%	18%
Net Profit Margin	12%	13%	12%	12%	12%
Key Ratios					
ROE	18%	13%	17%	21%	24%
ROA	9%	8%	10%	12%	13%

(Closing price as of 16 August)

source:PSHK

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Non Current Asset					
PPE	41	57	79	108	150
GoodWill	431	471	471	471	471
LT investment	51	55	55	55	55
Other	147	153	139	127	118
Total Non Current Assets	670	736	744	762	793
Current Asset					
T/R	342	459	693	1,035	1,554
Inventories	-	-	-	-	-
Restricted Bank deposits	43	7	7	7	7
Cash and cash equivalents	1,284	3,171	4,295	5,844	7,957
Others	139	295	295	295	295
Total Current Assets	1,808	3,931	5,290	7,180	9,813
Total Assets	2,478	4,667	6,034	7,942	10,606
Non Current Liabilities					
Loan	1	5	5	5	5
Deferred tax liabilities	49	47	47	47	47
Others	13	16	17	18	19
Total Non Current Liabilities	63	67	68	69	71
Current Liabilities					
Loan	-	-	-	-	-
T/P	490	693	969	1,448	2,171
B/P	285	363	225	336	505
Others	412	527	1,154	1,599	2,054
Total Current Liabilities	1,187	1,583	2,348	3,384	4,731
Equity					
Share capital	14	15	15	15	15
Reserve	1,134	2,879	3,393	4,137	5,273
Non controlling interest	80	124	210	336	516
Total Equity	1,228	3,017	3,618	4,488	5,804
Total Liabilities and Equity	2,478	4,667	6,034	7,942	10,606

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
EBITDA	355	639	933	1,370	2,061
Chg in working cap	219	84	417	582	650
Others	(13)	107	(0)	(0)	(0)
Tax	(52)	(121)	(125)	(238)	(351)
CFO	509	709	1,225	1,714	2,360
Capex	(18)	(21)	(34)	(47)	(65)
Others	(301)	8	48	64	88
CFI	(318)	(13)	13	17	23
Issue of Shares	-	-	-	-	-
Dividends paid	(31)	(102)	(113)	(182)	(269)
Others	(52)	1,374	(1)	(1)	(1)
CFF	(83)	1,272	(114)	(183)	(269)
Net Change in Cash	108	1,969	1,125	1,549	2,113
Foreign exchange	16	(82)	-	-	-
Cash and CE at Y/E	1,284	3,171	4,295	5,844	7,957

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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