

Not rated**碧桂园服务 (6098:HK)****碧桂园服务正式挂牌，物管板块再迎新军**

碧桂园服务是中国最大物业开发商碧桂园旗下的物业管理服务板块，将于 6 月 19 日在香港联交所主板独立挂牌上市。碧桂园将以特别股息形式向所有碧桂园股东派发碧桂园服务股份，每持 8.7 股碧桂园获派 1 股碧桂园服务。

截至 2017 年末，碧桂园服务的总合约管理面积达 3.3 亿平米（2015-2017 年复合增长率为 43%），总收费管理面积为 1.23 亿平米（2015-2017 年复合增长率为 33%），上市后将位列物业管理板块管理面积第二位，仅次于彩生活。在碧桂园服务的所有收费管理面积中，来自碧桂园开发的物业项目占比于 2017 年达 89%，意味着其显著受益于开发商的强力支持。碧桂园于 2017 年一跃成为中国最大的物业开发商，当年公司实现合约销售额 5500 亿（同比增长 78%），合约销售面积 6100 万平米（同比增长 62%），并于今年 1-5 月实现合约销售额 3350 亿（同比增长 37%），合约销售面积 3500 万平米（同比增长 29%）。碧桂园未设定 2018 年销售目标，我们预计公司全年的销售额至少突破 7000 亿，较 2017 年再增约三成。

与此同时，在碧桂园服务的收费面积中，来自第三方独立开发商的物业项目占比从 2015 年的 3% 提升至 2017 年的 11%，这意味着公司开始致力于拓展第三方业务，相比中海物业第三方项目占比为 10%，绿城服务为 77%，而彩生活管理面积几乎全部来自于第三方项目。关于物业管理的收费方式，碧桂园服务 99.7% 的收费管理面积采用包干制，相比绿城服务为 98%，中海物业为 50%，而彩生活 90% 的管理面积则采用酬金制（毛利率为 100%）。此外，我们估算碧桂园服务的平均每月物业费为 1.7 元/平米，与其集中在低阶城市的地理布局相一致。

碧桂园服务于 2017 年实现总收入同比增长 32% 至 31 亿元，其中来自物业管理服务板块的收入同比增长 30% 至 25 亿元，占比达 82%。同期，公司净利润同比增长 24% 至 4.0 亿元（2015-2017 年复合增长率为 35%），与已上市同业 2017 年净利润规模相比，碧桂园服务位居第一。公司综合毛利率从 2015 年的 30.6% 进一步提升至 2017 年的 33.2%，主要受益于低阶城市经营成本相对较低，以及大盘物业管理带来的规模经济效应。

今年以来，港股物业管理板块平均上涨四成，显著跑赢大盘，目前平均估值水平为 23 倍 18 年 PE，其中板块龙头绿城服务 18 年 PE 超过 30 倍，更为依赖母公司发展的中海物业 22 倍，母公司开发能力偏弱因而积极拓展外延并购和增值服务的彩生活约 16 倍。

Analyst

Kris Li
A0230511040076
ARG379

Email lihong@swsresearch.com
Phone: (+86) 2329 7818 ext 7223

Country Garden Services (CG Services) is a property management services provider, which expects to list on 19 June 2018 following its spin-off from Country Garden (2007:HK – Outperform), China's largest developer. A total of 2.5bn CG Services shares will be distributed to all registered shareholders of Country Garden, representing one CG Services share for every 8.7 Country Garden shares.

Strong developer support. As of end-2017, CG Services recorded total contracted gross floor area (GFA) of 330msqm (a Cagr of 43% in 2015-2017), second only to Colour Life (1778:HK – BUY), while revenue-contributing GFA reached 123msqm (a Cagr of 33%), of which 89% were properties developed by Country Garden. Country Garden became China's largest developer in 2017, with contract sales of 61msqm (+62% YoY) worth Rmb550bn (+78% YoY), and achieved sales of 35msqm (+29% YoY) in the first five months of 2018, worth Rmb335bn (+37% YoY); we forecast full-year sales to top Rmb700bn (+27% YoY).

Peer comparison. We highlight that contribution from independent developers rose from 3% of CG Services' revenue-contributing GFA in 2015 to 11% in 2017, vs 10% for China Overseas Property (COPH; 2669:HK – BUY), 77% for Greentown Service (2869:HK – Outperform) and 99% for Colour Life. In terms of charging methods, 99.7% of CG Services' revenue-contributing GFA in 2017 was charged under the lump-sum method, vs 98% for Greentown Service and 50% for COPH, while Colour Life charged using the commission model for 90% of its managed area, at a gross margin of 100%. Meanwhile, we calculate CG Services' average monthly managed fee at Rmb1.7/sqm, consistent with its geographical footprint mainly focusing on lower-tier cities.

Growth and profitability. The company recorded revenue of Rmb3.1bn in 2017 (+32% YoY), of which property management services contributed Rmb2.5bn (+30% YoY, 82% of total). Meanwhile, its net profit reached Rmb400mn in 2017 (+24% YoY), making it the largest among its listed peers, with a Cagr of 35% in 2015-2017. Overall gross margin improved from 30.6% in 2015 to 33.2% in 2017, outperforming most listed peers mainly due to lower operating cost in lower-tier cities as well as its market-leading position in large-scale property management.

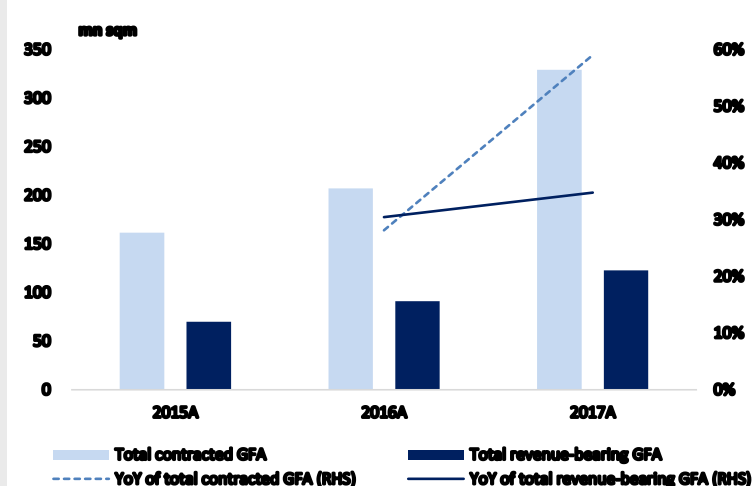
Valuation. The Hong Kong-listed property management sector surged 40% YTD (vs +1% for the HSCEI), with an average stock valuation of 23x 18E PE, of which Greentown Service trades at 31x 18E PE, vs 22x 18E PE for COPH and 16x 18E PE for Colour Life.

Strong developer support

Country Garden Services (CG Services) is a property management services provider, which expects to list on 19 June 2018 following its spin-off from Country Garden (2007:HK – Outperform), China's largest developer. A total of 2.5bn CG Services shares will be distributed to all registered shareholders of Country Garden, representing one CG Services share for every 8.7 Country Garden shares.

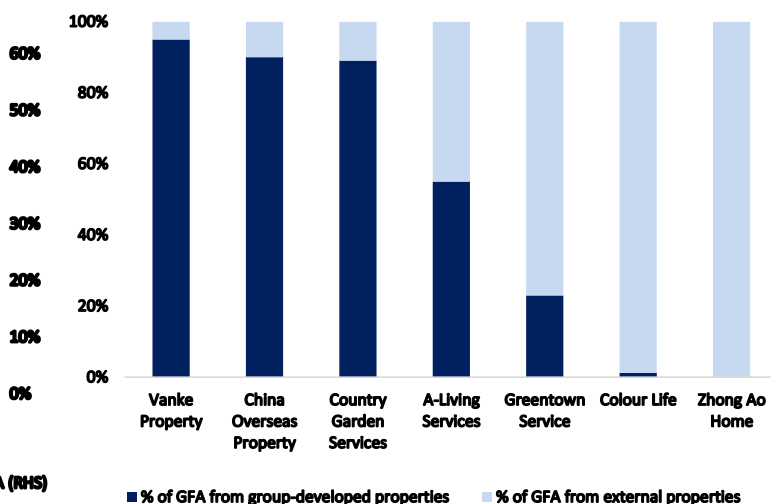
As of end-2017, CG Services recorded total contracted gross floor area (GFA) of 330msqm (a Cagr of 43% in 2015-2017), second only to Colour Life, while revenue-contributing GFA reached 123msqm (a Cagr of 33%), of which 89% were properties developed by Country Garden.

Fig 1: Total contracted GFA and revenue-bearing GFA with growth



Source: Company data, SWS Research

Fig 2: Managed GFA breakdown by sources



Source: Company data, SWS Research

Country Garden became China's largest developer in 2017, with contract sales of 61msqm (+62% YoY) worth Rmb550bn (+78% YoY), and achieved sales of 35msqm (+29% YoY) in the first five months of 2018, worth Rmb335bn (+37% YoY); we forecast full-year sales to top Rmb700bn (+27% YoY).

Fig 3: Contract sales of key listed developers in 5M18 (Units: Rmb mn)

Companies	Monthly Contract Sales					% Chg YoY, Monthly					% Chg YoY, YTD				
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May
China Jinmao	16,652	13,963	8,052	10,020	8,108	745%	570%	46%	435%	137%	745%	655%	304%	325%	282%
China Aoyuan	4,050	4,056	5,505	7,210	7,501	140%	93%	143%	187%	185%	140%	114%	125%	143%	153%
Fantasia	1,620	1,405	1,521	1,798	2,006	101%	96%	18%	121%	189%	101%	99%	62%	75%	93%
Logan	4,210	4,050	7,640	4,760	8,160	108%	100%	120%	22%	101%	108%	104%	111%	81%	86%
Sunac	22,180	19,110	30,830	35,180	38,270	173%	88%	38%	84%	86%	173%	126%	78%	80%	81%
Powerlong	2,068	1,952	2,621	1,967	3,523	37%	88%	48%	61%	175%	37%	58%	54%	56%	78%
KWG	5,560	4,128	5,060	5,260	5,601	155%	128%	35%	82%	44%	155%	143%	90%	88%	76%
Times	3,053	3,002	4,725	4,949	4,736	172%	83%	19%	80%	82%	172%	119%	60%	66%	69%
Future Land	10,284	8,750	18,835	12,704	16,641	110%	67%	45%	39%	86%	110%	88%	64%	57%	63%
Shimao	10,021	7,102	15,790	8,100	10,570	96%	36%	54%	30%	50%	96%	66%	60%	53%	53%
SCE	4,108	3,903	3,612	2,528	3,173	123%	95%	23%	49%	2%	123%	108%	71%	67%	49%
Central China	1,673	1,366	2,619	2,778	4,730	35%	-20%	47%	142%	57%	35%	3%	20%	44%	48%
A-share Poly	31,649	21,647	33,636	32,465	35,721	106%	61%	18%	24%	43%	106%	85%	51%	43%	43%
R&F	6,510	5,840	11,770	8,870	10,470	75%	42%	45%	21%	44%	75%	58%	51%	42%	42%
Sino-ocean land	3,520	4,500	8,020	7,500	7,210	83%	19%	26%	36%	63%	83%	41%	33%	34%	40%
Evergrande	64,360	48,140	49,370	50,390	41,830	73%	54%	28%	33%	10%	73%	64%	51%	47%	39%
Country Garden	69,160	54,680	64,130	69,550	77,160	42%	41%	1%	30%	93%	42%	42%	25%	26%	37%
CIFI	10,100	6,820	10,200	11,030	12,670	17%	24%	12%	49%	70%	17%	19%	17%	24%	33%
Yuandu	3,039	1,651	5,302	4,243	4,650	-14%	25%	27%	10%	103%	-14%	-3%	11%	11%	25%
Merchant Shekou	11,760	7,243	12,309	10,396	10,213	77%	-18%	11%	33%	14%	77%	23%	18%	21%	20%
Agile	6,990	5,560	8,850	8,290	8,650	51%	-13%	-14%	38%	67%	51%	14%	1%	9%	18%
CR Land	11,170	5,540	15,440	14,170	15,640	9%	-34%	30%	34%	29%	9%	-10%	6%	13%	17%

Tuesday, 19 June, 2018

Bringing China to the World

COLI	20,661	13,194	18,810	16,123	21,386	30%	10%	5%	6%	30%	30%	22%	15%	13%	16%
Vanke	67,980	35,600	50,680	41,890	42,880	41%	-8%	-20%	0%	19%	41%	20%	3%	2%	5%
Greentown	4,800	2,900	7,400	8,800	11,200	41%	-29%	-13%	-2%	30%	41%	3%	-6%	-4%	4%
Yuzhou	2,758	3,053	4,543	4,012	4,111	34%	2%	-11%	3%	3%	34%	15%	2%	2%	2%
Longfor	16,020	13,250	14,750	14,570	17,530	33%	7%	-21%	-14%	11%	33%	20%	2%	-2%	0%
Gemdale	8,110	4,590	13,410	10,510	11,880	7%	-46%	-22%	20%	22%	7%	-21%	-21%	-13%	-6%
BCL	4,060	1,840	2,620	2,500	4,780	-35%	-2%	-42%	24%	14%	-35%	-28%	-33%	-25%	-16%
Total/Average	428,126	308,835	438,049	412,563	451,000	60%	30%	10%	30%	47%	60%	46%	30%	30%	33%

Source: Company data, SWS Research

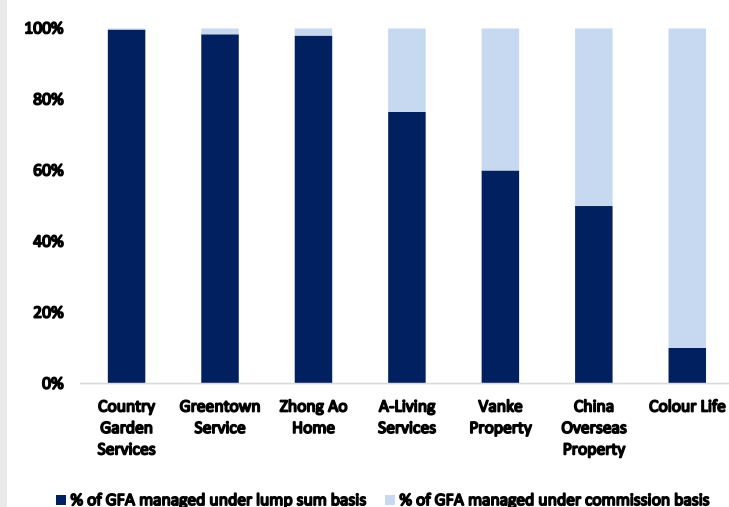
Peer comparison

We highlight that contribution from independent developers rose from 3% of CG Services' revenue-contributing GFA in 2015 to 11% in 2017, vs 10% for China Overseas Property, 77% for Greentown Service and 99% for Colour Life.

In terms of charging methods, 99.7% of CG Services' revenue-contributing GFA in 2017 was charged under the lump-sum method, vs 98% for Greentown Service and 50% for COPH, while Colour Life charged using the commission model for 90% of its managed area, at a gross margin of 100%.

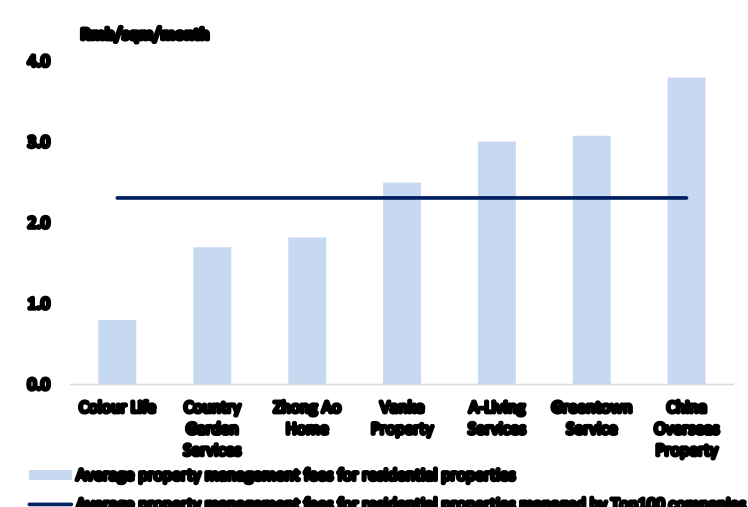
Meanwhile, we calculate CG Services' average monthly managed fee at Rmb1.7/sqm, consistent with its geographical footprint mainly focusing on lower-tier cities.

Fig 4: Managed GFA breakdown by charging methods



Source: Company data, SWS Research

Fig 5: Average managed fee



Source: Company data, SWS Research

Growth and profitability

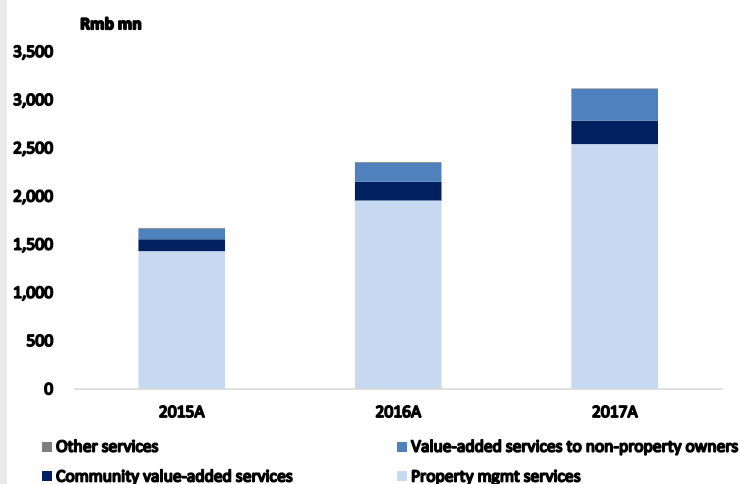
The company recorded revenue of Rmb3.1bn in 2017 (+32% YoY), of which property management services contributed Rmb2.5bn (+30% YoY, 82% of total). Meanwhile, its net profit reached Rmb400mn in 2017 (+24% YoY), making it the largest among its listed peers, with a Cagr of 35% in 2015-2017.

Overall gross margin improved from 30.6% in 2015 to 33.2% in 2017, outperforming most listed peers mainly due to lower operating cost in lower-tier cities as well as its market-leading position in large-scale property management.

Tuesday, 19 June, 2018

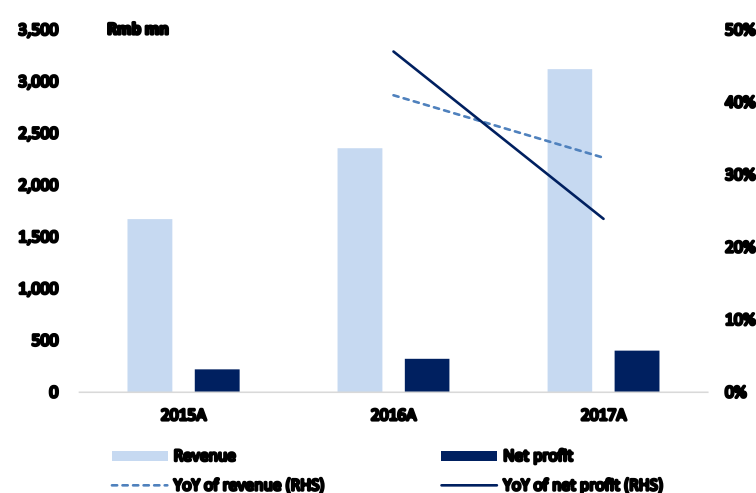
Bringing China to the World

Fig 6: Total revenue breakdown by segments



Source: Company data, SWS Research

Fig 7: Revenue and net profit with growth



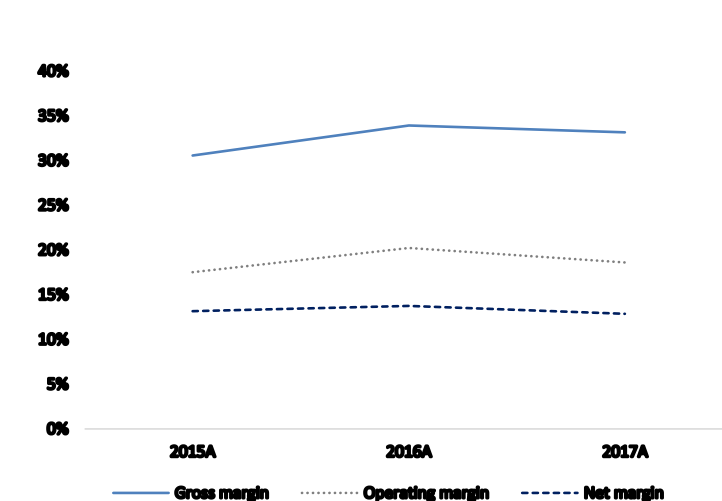
Source: Company data, SWS Research

Fig 8: Net profit of key peers with growth in 2017



Source: Company data, SWS Research

Fig 9: Gross margin, operating margin and net margin



Source: Company data, SWS Research

Valuation

The Hong Kong-listed property management sector surged 40% YTD (vs +1% for the HSCEI), with an average stock valuation of 23x 18E PE, of which Greentown Service trades at 31x 18E PE, vs 22x 18E PE for COPH and 16x 18E PE for Colour Life.

Fig 10: Valuation and target price

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)			PB (x)			Dividend yield	Shares Performance	
					17A	18E	19E	17A	18E	19E		2017	2018
Greentown Service	2869 HK	21.7	Outperform	7.60	46	31	24	9	8	6	0.7%	133%	27%
China Overseas Property	2669 HK	8.9	BUY	3.50	29	22	18	10	8	6	1.2%	59%	28%
Colour Life Services	1778 HK	11.3	BUY	8.00	22	16	14	4	4	3	2.0%	-10%	65%
Average					32	23	19	8	6	5	1.3%	61%	40%

Source: Company data, SWS Research & Bloomberg

Information Disclosure :

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (I) are not involved in any market making activities for any of the listed corporation reviewed; or (II) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (III) do not have any financial interest in relation to the listed corporation reviewed or (IV) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials or log into www.swsresearch.com for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

Introduction of Share Investment Rating

Security Investment Rating :

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight : Industry performs better than that of the whole market ;

Equal weight : Industry performs about the same as that of the whole market ;

Underweight : Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

Tuesday, 19 June, 2018

Bringing China to the World

Disclaimer :

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of Shenwan Hongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenwan Hongyuan Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.