

Equity Research Report



Property Management

03319.HK A-Living Services

Dual-Brand and Dual-Turbo Driven, Earnings Growth Accelerating

Aug. 10th, 2018

Unrated

Market Data

Date	2018.08.09
Closing Price (HKD)	14.8
Total Shares (Mn)	1333
Shares Outstanding (Mn)	433
Market Cap (HKD/Mn)	19700
Market Float (HKD/Mn)	6413
Net Assets (CNY/Mn)	6457
Total Assets (CNY/Mn)	4958
BVPS (CNY)	3.72

Source: Wind

Key Financial Indicators

FY	2014A	2015A	2016A	2017A
Revenue (Mn/CNY)	826.1	934.4	1,244.7	1,760.8
YoY (%)	-	13.1	33.2	41.5
Net Profit (Mn/CNY)	41.6	65.0	160.7	289.7
YoY (%)	-	56.2	147.3	80.3
Gross Margin (%)	12.0	15.9	25.0	33.5
Net Profit Margin (%)	5.0	7.0	12.9	16.5
ROE (%)	184.7	74.3	57.5	19.7
EPS (CNY)	0.06	0.09	0.22	0.35
DPS (CNY)	-	-	-	0.05

Source: Company Disclosure, Industrial Securities Research Institute

Investment Highlight

- **Dual-Brand and Dual-Turbo Driven, Earnings Growth Accelerating:** Based on two strategic shareholders, Agile Group and Greenland Holdings, with dual-brand of Agile Property Management and Greenland Property Services, the company's earnings growth is accelerating through 1) from shareholders; 2) from 3rd-party; 3) by acquisition. The company cooperated with two strategic shareholders, value-added services will be a great profit source. With clear positioning, dual-brand, property management and value-added services dual-turbo driven, the company's earnings growth will be accelerating.
- **Revenue Growing Rapidly:** The Company recorded revenue of RMB 1,405.7 million, up by 103.1% y-o-y, mainly as increasing management GFA provided by Greenland Holdings and Agile group and the rapid growth of value-added service. Property management services, value-added services to non-property owners and to property owners recorded revenue of RMB 750.3, 575.4 and 79.9 million, up by 37.1%, 438.9%, and 110.6% y-o-y, representing 53.4%, 40.9% and 5.7% of total revenues.
- **Net Profit increased by 196.3%:** Gross profit of 2018H1 reached RMB 510.3 million, increased by 131.5% and GPM increased by 2.8 ppts to 36.3%. GPM for property management services, value-added services to non-property owners and to property owners was 29.0%, 44.3% and 46.9%. Net profit reached RMB 332.3 million, increased by 196.3%, with NPM at 23.6%, up by 7.1ppts.
- **Adequate Contracted GFA:** By 2018H1, total GFA under management rise to 109.1 million sqm, up by 39.3% y-o-y, with 40.8%, 3.6% and 55.6% from Agile Group, Greenland Holdings, and 3rd-party respectively. Total contracted GFA rise to 185.6 million sqm, up by 47.2% to 2017A, with 34.1%、10.2% and 55.7%, from Agile Group, Greenland Holdings, and 3rd-party respectively.

Risks: Expansion and acquisition failure; Unable to raise management fee; Lower growth for value-added services

Related Report

Overseas Research-

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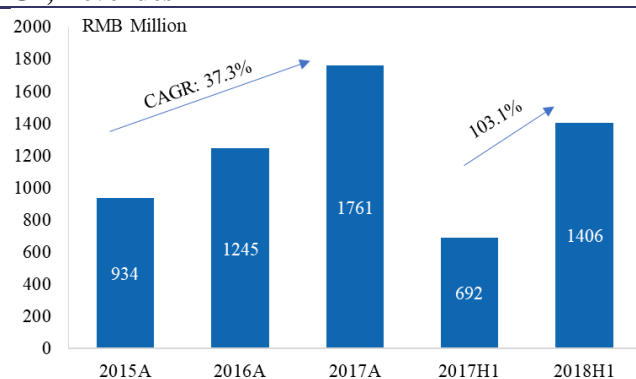
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Context

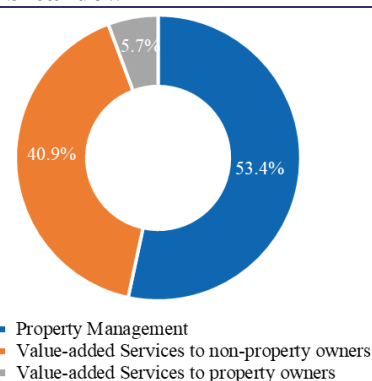
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G1, Revenues



Source: Company, Industrial Securities

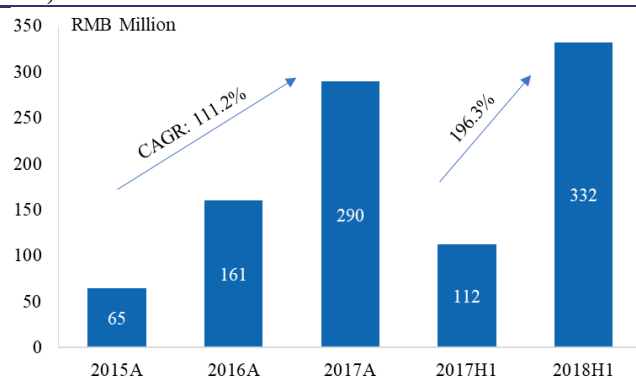
G2, Revenues breakdown



Source: Company, Industrial Securities

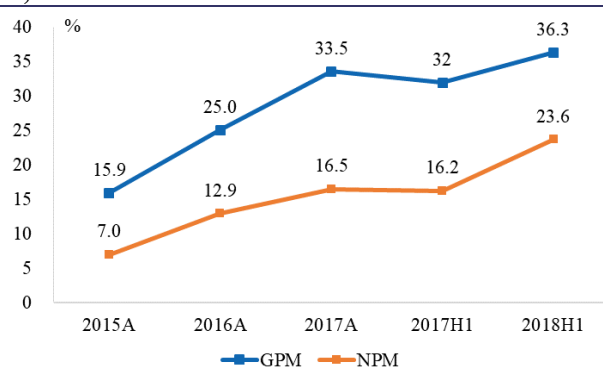
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G3, Net Profit



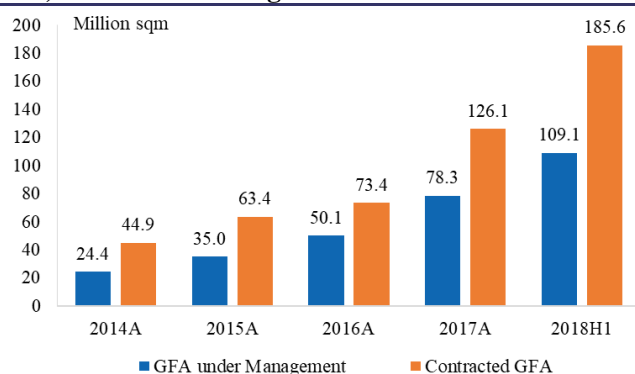
Source: Company, Industrial Securities

G4, GPM and NPM

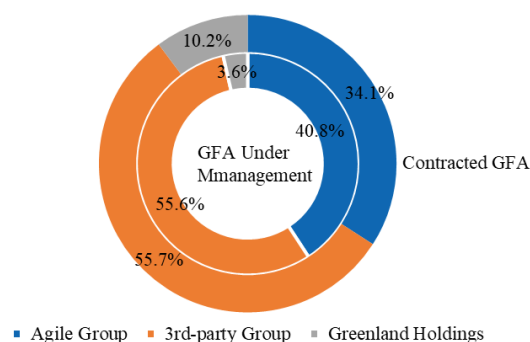


Source: Company, Industrial Securities

- Adequate Contracted GFA:** By 2018H1, total GFA under management rise to 109.1 million sqm, up by 39.3% y-o-y, with 40.8%, 3.6% and 55.6% from Agile Group, Greenland Holdings, and 3rd-party respectively. Total contracted GFA rise to 185.6 million sqm, up by 47.2% to 2017A, with 34.1%, 10.2% and 55.7%, from Agile Group, Greenland Holdings, and 3rd-party respectively. Adequate contracted GFA will guarantee the future growth. The average management fee reached 3.02 Yuan/sqm/month, slightly higher than last year (2.97 Yuan/sqm/month).

G5, GFA under management and contracted GFA

Source: Company, Industrial Securities

G6, GFA Breakdown

Source: Company, Industrial Securities

- Scale of property management business expanding:** With the dual brand of Agile Property Management and Greenland Property Service, A-Living actively searched for 3rd-party cooperation in the new housing market, outreaching and obtaining 21 million sqm of management area in 2018H1. On the other hand, the company acquired 51% equity of Nanjing Zizhu Property Management Company and Lanzhou Chengguan Property Management Company and newly obtained 24.3 million and 24.9 million sqm of management area, expanding business landscape to East China and Northwest China. The company will continue looking for M&A opportunities and strengthen its scale effect.
- Excellent Value-added business performance:** The revenue of value-added services to non-property owners increased by more than 400% y-o-y, credit to the development of sales assistance service, property agency service and diversified business. The development of sales assistance service is mainly due to the increase in the scale of contracted sales of Agile Group (accumulated contracted sales increased by 15.3% y-o-y) and Greenland Property's contribution of providing case service to Greenland Holdings. The revenue of value-added service to property owners increased by 111% y-o-y, credit to the increase in the scale of traditional properties and the increase in value of service. The value-added service to property owners business consists of 70% of life services (maintenance, housekeeping, community group purchase, community tourism etc.) and 30% of asset management service (club management, hotel and apartment management, second-hand housing intermediary service etc.).
- Dual-Brand and Dual-Turbo Driven, Earnings Growth Accelerating:** Based on two strategic shareholders, Agile Group and Greenland Holdings, with dual-brand of Agile Property Management and Greenland Property Services, the company's earnings growth is accelerating through 1) from shareholders; 2) from 3rd-party; 3) by acquisition. The company cooperated with two strategic shareholders, value-added services will be a great profit source. With clear positioning, dual-brand, property management and value-added services dual-turbo driven, the company's earnings growth will be accelerating.
- Risks:** Expansion and acquisition failure; Unable to raise management fee; Lower growth for value-added services

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