



Excellence Commercial Property [6989.HK]

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Issue Particulars

Industry sector	Property management
Listing category	Mainboard
Major Shareholders	Mr. Li Wa(59.9%)
Total new shares issued (mn)	300
Issue price (HK\$)	9.3-10.68
Total share offer size (HK\$mn)	2,790-3,200
Shares offered for Placement (mn)	270
Shares offered for IPO (mn)	30
Total outstanding shares (mn)	1,200
FY19 profit (HKD mn)	203.7
FY19 P/E(x)	54.8-62.9
Market cap. of shares (HK\$mn)	11,160-12,816
NAV per share(HK\$)	2.09-2.43
Nominal Value (HK\$)	0.01
Board Lot (shares)	1,000
Sponsors	HaiTong International · CMB International

Inter

Time Table

IPO open	7-Oct -2020
IPO close	12- Oct -2020
Results announcement date	16- Oct -2020
Cheques refunded	16- Oct -2020
Dealing of shares	19- Oct -2020

Financial Data

FYE 31 Dec(RMB\$'000)	FY18	FY19	5mths ended 5/31/20
Revenue	1,223,186	1,836,019	941,685
Cost of sales	(928,947)	(1,402,573)	(690,293)
Gross profit	294,239	433,446	251,392
Profit before income tax	211,270	316,747	196,034
Profit/(loss) for the year/ period	156,559	233,565	153,520
Attributable to the shareholders	125,773	178,510	142,139

Clawback Structure

Over subscription for IPO (x)	% of IPO for the total share offer
15-50	30%
50-100	40%
Over 100	50%

Business

The company is a leading commercial property management service provider in China and focused in Greater Bay Area. As of May 31, 2020, it had 331 projects in 34 cities under management with an aggregate GFA of 25.8 million sq.m., of which 111 projects with an aggregate GFA of 11.7 million sq.m. were located in the Greater Bay Area. These projects included commercially properties, public and industrial properties and residential properties. Most of the properties under management are located in first-tier or new first-tier cities. The company also provides a wide range of value-added services.

According to the F&S Report, in terms of the revenue from basic property management services provided to commercial properties in 2019, the company ranked fourth among the commercial property management service providers in China, and second among the commercial property management service providers in the Greater Bay Area. In addition, according to the F&S Report, in terms of the revenue from basic property management services provided to high-end commercial properties in 2019, it ranked third among the commercial property management service providers in China, and first among the commercial property management service providers in the Greater Bay Area. According to the prospectus, Revenue of Commercial Property Management Service Market in China will have CAGR of 8% during 2019-2024E while it was 13% during 2014-2019. And the Total Revenue of High-end Commercial Property Management Service Market in China will have of 11.3% during 2019-2024E and it was 16.9% during 2014-2019.

During the Track Record Period, its revenue increased to RMB1,836.0 million in 2019, representing a CAGR of approximately 39.2% during FY2017-FY2019, and the GFA under management also increased to 23.5 million sq.m. as of December 31, 2019, representing a CAGR of approximately 43.9%, however, the net profit only had CAGR of 30.9%. In fact, the average property management fee for commercial properties developed by Excellence Group up to RMB 23 per sq.m. per month as of end of May 20, but the average property management fee for commercial properties developed by third-party property dropped from RMB17.0 per sq.m. per month in FY2017 to RMB15.8 as of end of May 20, moreover, the growth of the area under management from Excellence Group was much lower than from third-party property for the reporting period. As of end of May 20, the area from third-party property accounted for 58.4% of area under management, and the gross profit margin was 26.7%. But investors should be caution that the growth of third-party property area may have negative impact on the gross profit performance.

As of end of May 20. The contracted area amounted to 36.8 million sq.m and was 1.4 times of the area under management, provided support for future growth. For the breakdown of revenue in FY2019, Commercial property accounted for 65.2%, Residential property management services accounted for 9.6% and Value-added services accounted for 11.1% and for the breakdown by region. GBA accounted for 66.3%.

In terms of valuation, the company's FY19 P/E ratio is 54.8-62.9 times, and the P/B ratio is about 4.4 times. The valuation is higher than the peers of Powerlong CM(9909) and Fin Street PPT(1502). However, the net profit for 5M ended 2020 up 130% YoY, and is expected to rationalize the valuation. The company also introduced 9 cornerstone investors, including Tencent (0700), JD (9618), Snow Lake Capital, 3W Fund etc., subscribed for a total of US\$150 million in shares. The company stated that it provides management services for Tencent, Huawei and OPPO, etc. In reference to the IPO of Powerlong CM(9909) and Fin Street PPT(1502), they up 5.9% and 28.5% for the 1st day of listing, with accumulated gain of more than 170% and 30% respectively, and the percentage allotted for 1hand were 90% and 20%, we recommended "Subscribe".

Use Of Proceeds

Used for business expansion	70%
Used to invest in advanced information technology system;	10%
Used for facility upgrades for the properties under management	5%
Used for attracting and nurturing talent.	5%
Used for general corporate purposes	10%

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