



Shimao Services Holdings[0873.HK]

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Issue Particulars

Industry sector	Property management
Listing category	Mainboard
Major Shareholders	Best Cosmos (66.5%)
Total new shares issued (mn)	588.23
Issue price (HK\$)	14.8-17.2
Total share offer size (HK\$mn)	8,705.8-10,117.5
Shares offered for Placement (mn)	529.4
Shares offered for IPO (mn)	58.82
Total outstanding shares (mn)	2,352.9
FY19 profit (HKD mn)	445.6
FY19 P/E(x)	78-90.8
Market cap. of shares (HK\$mn)	34,823.5-40,470.6
NAV per share(HK\$)	2.54-2.89
Nominal Value (HK\$)	0.01
Board Lot (shares)	1,000
Sponsors	CICC, Morgan Stanly

Time Table

IPO open	20-Oct-2020
IPO close	23-Oct-2020
Results announcement date	29-Oct-2020
Cheques refunded	29-Oct-2020
Dealing of shares	30-Oct-2020

Financial Data

FYE 31 Dec(RMB\$'000)	FY18	FY19	6 months ended 6/30/20
Revenue	1,329,323	2,489,086	1,564,636
Cost of sales	(939,033)	(1,651,005)	(1,032,841)
Gross profit	390,290	838,081	531,795
Operating profit	186,018	521,157	314,146
Profit before income tax	195,187	506,051	303,629
Profit for the year/period	146,196	384,531	254,671
Profit attributable to the shareholders	146,196	384,531	245,420

Clawback Structure

Over subscription for IPO (x)	% of IPO for the total share offer
14-49	15%
49-99	25%
Over 99	25%

Business

The company is a leading comprehensive property management and community living service provider in the PRC. According to CIA, the company ranked 12th by CIA among the "Top 100 Property Management Companies in the PRC" in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. As of June 30, 2020, the company had an aggregate contracted GFA of 125.5 million sq.m., covering 108 cities across 26 provinces in China, and in particular, the company managed 293 properties with an aggregate GFA under management of 85.7 million sq.m.

The company generate revenue from three business lines: property management services; community value-added services; and value-added services to non-property owners, and for 1H2020, the above business accounted for 52.4%, 26.7% and 20.9% of total revenue respectively. For the 1H2020, Independent Third Parties accounted for 70.5% of total revenue, while revenue from Shimao Group and Joint ventures and associates of the Shimao Group together accounted for 29.5%, and lump sum basis accounted for 99.9% of property management services, and for property types, Residential properties accounted for 89.2%, while Non-residential properties accounted for 10.8%. For the revenue from property management services breakdown by region, Yangtze River Delta Region accounted for 37.3%.

For the 1H2020, the overall property management fees was 2.1 RMB per sq.m, while it was 2.4 RMB per sq.m for FY2018 and 2.3 RMB per sq.m for FY2017, the decrease in average monthly property management fee per sq.m was primarily due to the decrease in management fees from Independent third-party property developers which was 1.6 RMB per sq.m for 1H2020. However, thanks to the revenue derived from community value-added services up from 7.1% in FY2018 to 26.7% for 1H2020, the overall gross profit margin up from 29.4% in FY2018 to 34% for 1H2020. And for the Gross Profit Margin by business, Property management services was 27.2%, Community value-added Services was 49.4%, Value-added services to non-property owner was 31.4% for the 1H2020.

For the result performance, the company's revenue, profitability and gross profit margin all recorded increase, in which the revenue have CAGR of 54.5% during FY2017 to FY2019, and the profit also had CAGR of 88% for the same period. Moreover, it also continue to recorded net cash inflow from operating activities, the fundamental was good. As of the Latest Practicable Date, the company further expanded its management portfolio to cover 615 properties with an aggregate contracted GFA of approximately 144.3 million sq.m, in which Shimao Group accounted for 48.3%, Joint ventures and associates of the Shimao Group accounted for 12.35%, and Independent third-party property developers accounted for 39.36%. In fact, for FY2019, Shimao Group had contracted sales area of 18.779 million s.q.m, up 45% YoY and the contracted sales area for 3Q2020 was 11.476 million s.q.m, up 18% YoY, and is expected to support future growth. In terms of valuation, the company's FY19 P/E ratio is 78-90.8times, and the P/B ratio is about 5.83-5.95times, the valuation is not low, but the company has sufficient reserved area for growth while it also has Sequoia Capital China and Tencent as Pre-IPO Investors, we recommended "Subscribe". Besides, Qualifying Shareholders will be provided with the Assured Entitlement to an aggregate of 58,823,000 Reserved Shares in the Preferential Offering, representing approximately 10.0% of the Shimao Services Shares initially available under the Global Offering.

Use Of Proceeds

Used to continue to expand the business scale through multiple channels;	65%
Used to diversify people-oriented and property-oriented value-added service offerings;	15%
Used to improve information technology system and smart technologies;	5%
Used to attract and nurture talent;	5%
Working capital and other general corporate purposes.	10%

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