



Equity Research
Property Mgmt / China

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OP Express

Not Rated

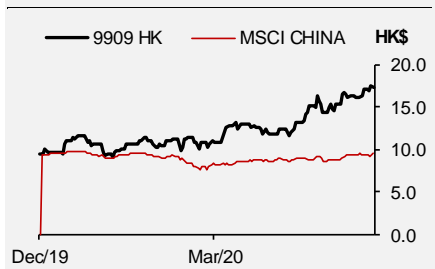
Close price: HK\$17.06

Key Data

HKEx code	9909 HK
12 Months High (HK\$)	18.80
12 Month Low (HK\$)	9.05
3M Avg Dail Vol. (mn)	1.27
Issue Share (mn)	621.50
Market Cap (HK\$m)	10,627.65
Fiscal Year	2019/12
Major shareholder (s)	Powerlong Real Estate (1238 HK)

Source: Company data, Bloomberg, OP Research
Closing price are as of 18/06/2020

Price Chart



	1mth	3mth	6mth
Absolute %	5.3	57.3	N/A
Rel. MSCI CHINA %	1.7	37.5	N/A

Company Profile

Powerlong Commercial Management Holdings Limited offers real estate services. The Company provides residential property management, office buildings management, serviced apartments management, and other services. Powerlong Commercial Management Holdings provides its services throughout China.

Powerlong CM (9909 HK)

Moving into the fast lane

Spun off from Powerlong Real Estate (1238 HK) in Dec. 2019, Powerlong CM is a leading commercial property mgmt ("PM") service provider in China with strong stance in Yangtze River Delta. Backed by solid project pipelines from parent co, Powerlong CM targets to **TRIPLE** its no. of operating projects to 150 by 2025E.

Commercial property mgmt leader with improving operation track record.

Powerlong CM generates ~80%/20% of its revenue from commercial /residential property with respective GPM of ~30%/13%. It runs commercial properties under 4 well-established brand names (i.e. Powerlong One Mall, Powerlong City, Powerlong Plaza, and Powerlong Land), each with distinctive positioning in their target customer group, property location, size, and merchant mix so that the Company can quickly replicate the operational know-how to future projects either from parent co or independent third parties. By the end of 2019, there were 51 projects, or 7mn sqm commercial properties under mgmt with average occupancy rate of 89.4%, contributing a total of RMB1.3bn revenue, representing 36.3% yoy growth.

Highly-visible project pipelines with upside potential on M&A.

The Company aims to add 100 retail commercial projects into its operation portfolio by 2025E on top of the 51 projects under current operation, implying average increase of 20 projects annually, of which 10 projects (or around 0.8-1mn sqm) come from projects delivered by parent company, and the other 10 projects come from third-party and M&A. The Company plans 11-13 new projects opening in FY20E, implying c. 35% yoy growth in revenue if excluding the epidemic distortion. Upsides from potential M&A has not yet been factored in current guidance/market estimates.

Margin expansion supported by individual project ramp-up and efficiency improvement.

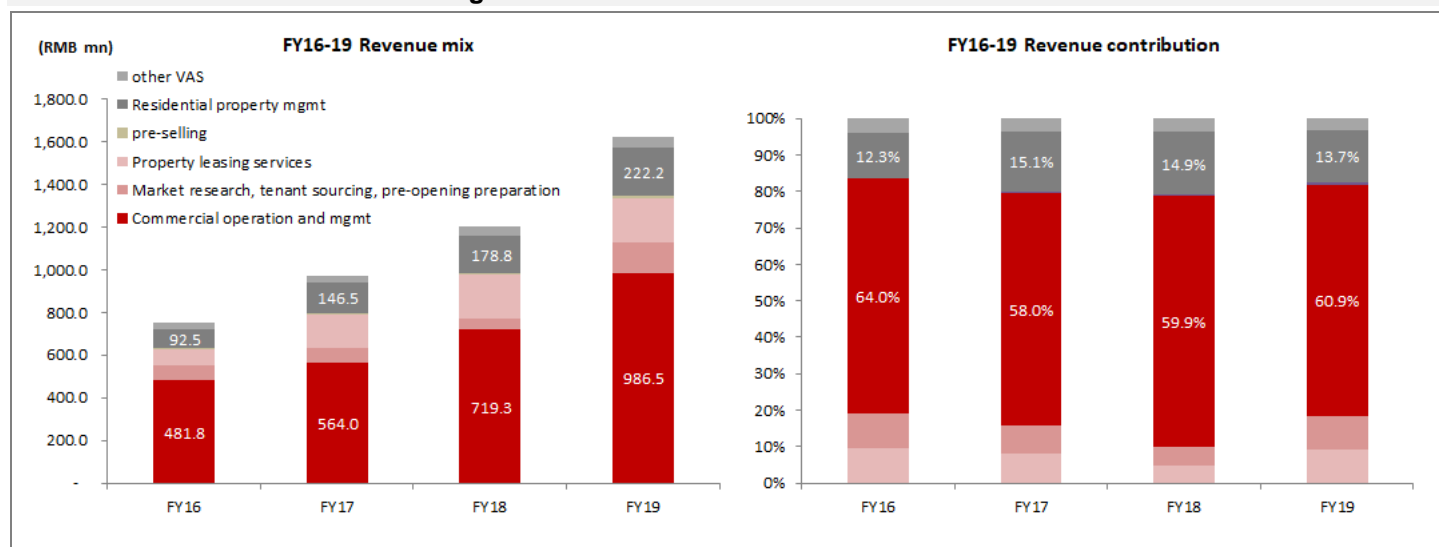
We expect a margin expansion trajectory in the mid to long term thanks to (1) project-level operation leverage kicking in as income from shopping mall VAS (i.e. advertising space and car park mgmt) increases with ramping up traffic over 2-3 years after the opening, (2) stronger capability to transfer service cost pressure to merchants by regular upward revision of unit mgmt fee (compared to residential PM projects), and (3) the improvement in mgmt fee collection rate for residential projects. On top of that, increasing project density in Yangtze River Delta is also expected to help cost optimization at the Company level.

High growth visibility underappreciated.

Current market consensus forecasts **over 45% earnings CAGR** for FY19-22E based on organic growth while the Company is trading at 33x FY20E P/E, equivalent to **0.7x PEG**. Given the high GFA growth visibility, (2) resilient margin outlook, and (3) high revenue contribution from non-cyclical business, we believe Powerlong CM is still undervalued.

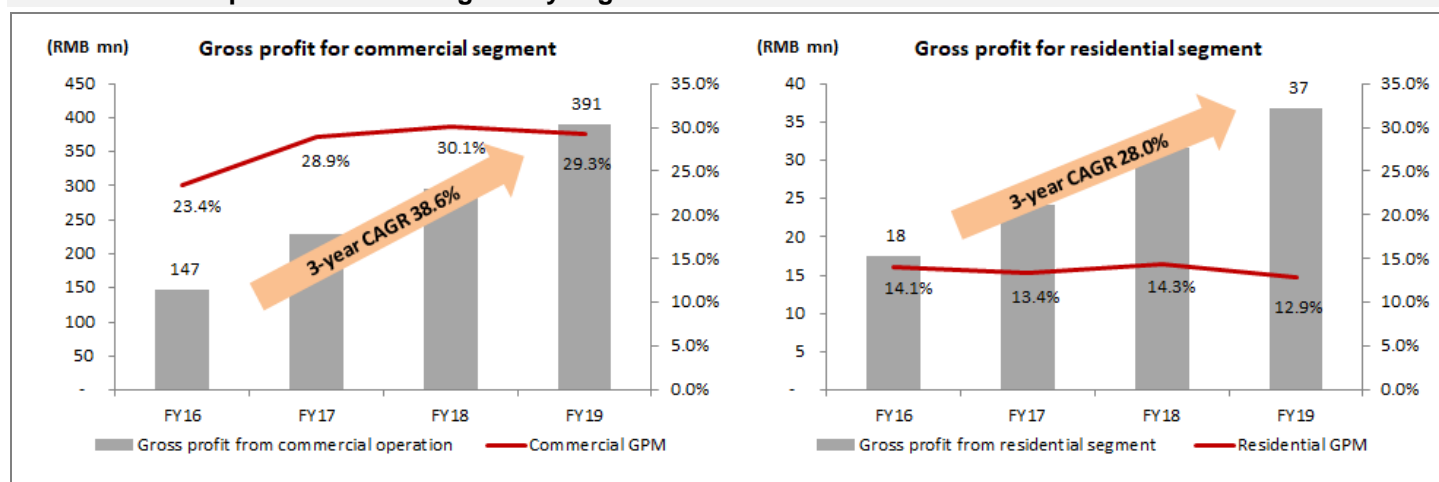
Risks: (1) slower than expected opening of new commercial projects; (2) lower than expected occupancy rate

Exhibit 1: Revenue mix of Powerlong CM



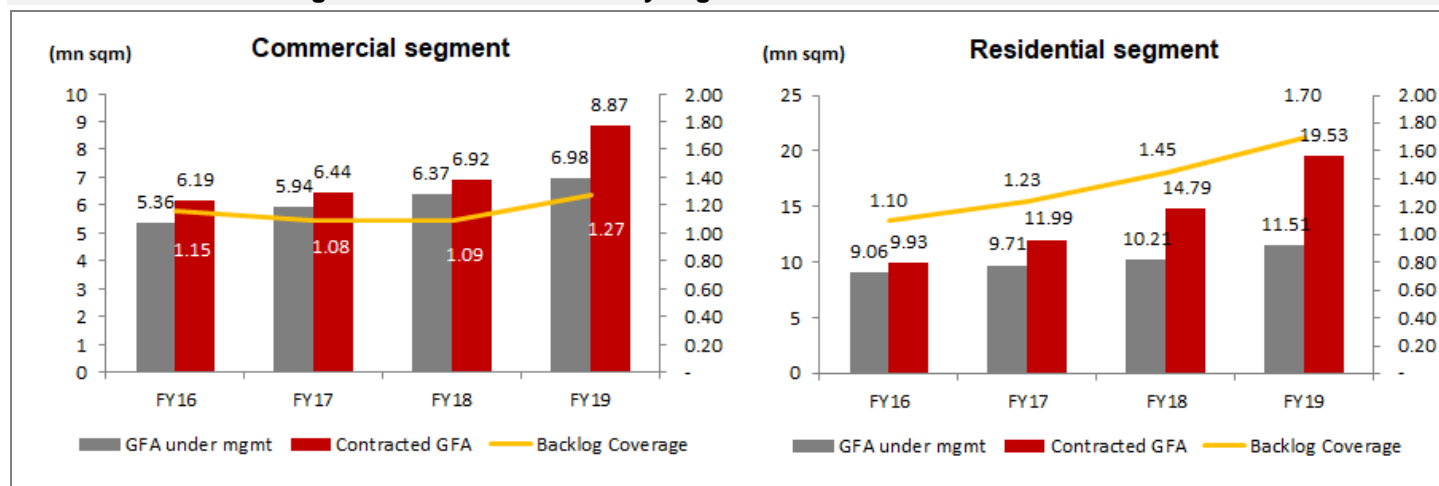
Source: Company

Exhibit 2: Gross profit of Powerlong CM by segment



Source: Company

Exhibit 3: GFA under mgmt and contracted GFA by segment from FY16 to FY19



Source: Company

Exhibit 4: Product matrix of commercial operation segment (data by the end of 2019)

Brand name	in Chinese	Positioning	No. in operation	Avg. occupancy	GFA under mgmt ('000 sqm)
Powerlong One Mall	宝龙一城	Super premium landmark shopping mall	1	95.2%	171
Powerlong City	宝龙城	Premium version of Powerlong Plaza	2	91.3%	437
Powerlong Plaza	宝龙广场	Mid-end community mixed-use destination	42	89.0%	5,990
Powerlong Land	宝龙天地	Community-friendly shopping streets	6	90.1%	384

Source: Company

Exhibit 5: Commercial Projects in operation in 2019 by opening date (from old to new)

Region	Project Name	GFA under mgmt (sqm)	Occupancy Rate			
			2016	2017	2018	1H19
Southeast China	福州宝龙广场	186,178	97.1	97	99.4	95
Bohai Economic Rim	青岛城阳宝龙广场	443,262	56.7	62.3	58.7	69.8
Yangtze River Delta	蚌埠宝龙广场	346,880	70	71.4	62.6	89.2
Midwest China	郑州宝龙广场	235,606	57.1	99	71.6	80.2
Yangtze River Delta	无锡旺庄宝龙广场	192,865	96.8	92.4	94.2	97.2
Southeast China	泉州安溪宝龙广场	85,374	99.9	100	99.9	98.2
Bohai Economic Rim	青岛李沧宝龙广场	174,167	66.4	69.8	70.4	74.4
Bohai Economic Rim	青岛即墨宝龙广场	175,513	59.8	69.7	66.1	75.5
Midwest China	洛阳宝龙广场	138,350	88.8	88	84.9	92.9
Yangtze River Delta	盐城宝龙广场	199,409	82	88.4	88.9	87.1
Yangtze River Delta	宿迁宝龙广场	150,660	99.4	85	100	97.3
Bohai Economic Rim	泰安宝龙广场	102,677	65.8	72.3	70.5	70.9
Midwest China	新乡宝龙广场	171,433	98.5	96	98.2	96.8
Yangtze River Delta	上海曹路宝龙广场	81,720	99.4	98.9	97.1	96.5
Southeast China	泉州晋江宝龙广场	236,892	89	90.6	89.4	81.7
Yangtze River Delta	杭州下沙宝龙广场	98,660	94.6	89	94.7	94.6
Bohai Economic Rim	天津宝龙广场	162,836	60.9	38.3	57.6	50.4
Midwest China	重庆合川宝龙广场	147,403	87.3	89	87	85
Yangtze River Delta	上海奉贤宝龙广场	117,715	85.1	91.8	91.6	92.1
Yangtze River Delta	上海临港宝龙广场	70,720	96.6	99.1	99.4	96.9
Yangtze River Delta	上海宝山宝龙广场	35,854	99.9	97.2	91.3	91.7
Yangtze River Delta	杭州萧山宝龙广场	143,836	87.8	90.2	87.7	85
Yangtze River Delta	杭州富阳宝龙广场	77,186	57.9	85.3	89	82.3
Bohai Economic Rim	青岛胶州宝龙广场	164,772	94.2	94.3	97.5	97.3
Yangtze River Delta	镇江宝龙广场	138,880	91.8	95.3	89.4	95
Yangtze River Delta	上海七宝 宝龙城	150,567	85.7	66.7	84	89.8
Bohai Economic Rim	烟台蓬莱宝龙广场	148,213	72.6	84	93	90.2
Yangtze River Delta	杭州滨江 宝龙城	286,699	96.1	90.9	98.6	98.1
Bohai Economic Rim	烟台莱山宝龙广场	100,027	86.6	63.2	52.4	65.8
Yangtze River Delta	常州宝龙广场	170,134	81.2	87.6	89.6	74.5
Yangtze River Delta	上海嘉定宝龙广场	144,072	93.9	92.2	97.4	95.3
Yangtze River Delta	扬州宝龙广场	88,659	94.5	93.1	80.2	74
Yangtze River Delta	金华义乌宝龙广场**	90,992	n.a.	100	91.4	89
Yangtze River Delta	阜阳宝龙广场	140,441	n.a.	94.5	78.2	71.4
Midwest China	重庆涪陵宝龙广场**	113,854	n.a.	97.3	93.8	93.8
Yangtze River Delta	上海吴泾宝龙广场	45,017	n.a.	94.6	94	90.4
Southeast China	厦门宝龙一城	170,585	n.a.	n.a.	97.9	94.6
Midwest China	四川江油宝龙广场**	91,342	n.a.	n.a.	88.3	88.6
Yangtze River Delta	上海青浦宝龙广场	171,673	n.a.	n.a.	100	100
Yangtze River Delta	杭州临安宝龙广场	103,700	n.a.	n.a.	n.a.	n.a.
Yangtze River Delta	上海宝杨宝龙广场	148,407	n.a.	n.a.	n.a.	n.a.
Yangtze River Delta	宁波鄞州宝龙广场	93,924	n.a.	n.a.	n.a.	n.a.
Yangtze River Delta	南京高淳宝龙广场	87,542	n.a.	n.a.	n.a.	n.a.
Bohai Economic Rim	天津滨海宝龙广场	61,883	n.a.	n.a.	n.a.	n.a.
Yangtze River Delta	绍兴袍江宝龙广场	41,083	n.a.	n.a.	n.a.	n.a.

*Does not include Powerlong Land here. **Third party projects

Source: Company

Exhibit 6: Commercial Projects pipeline of Powerlong CM

Region	City	Project	Product line	Expected operation	Contracted GFA (appx)
Project from parent co					
1 Southeast China	Jinjiang	(晉江陳村)	Powerlong Plaza	September 2020	46,486
2 Southeast China	Quanzhou	(泉州台投)	Powerlong Plaza	September 2020	148,950
3 Yangtze River Delta	Hangzhou	(杭州大江東)	Powerlong Plaza	September 2020	95,373
4 Yangtze River Delta	Hangzhou	(臨安青山湖)	Powerlong Plaza	September 2020	189,524
5 Yangtze River Delta	Yancheng	(鹽城新區)	Powerlong Plaza	December 2020	135,932
6 Bohai Economic Rim	Tianjin	(天津於家堡)	Powerlong Plaza	December 2020	162,836
7 Southeast China	Zhangzhou	(漳州藍田)	Powerlong Plaza	December 2020	66,186
8 Yangtze River Delta	Jinhua	(金華永康)	Powerlong Plaza	December 2020	89,900
9 Yangtze River Delta	Zhoushan	(舟山新城)	Powerlong Plaza	December 2020	80,880
10 Yangtze River Delta	Shaoxing	(紹興諸暨)	Powerlong Plaza	December 2020	138,600
11 Yangtze River Delta	Xinxiang	(新鄉三期)	Powerlong Land	September 2020	33,738
12 Yangtze River Delta	Zhoushan	(舟山鹽倉定海)	Powerlong Land	September 2020	16,000
13 Yangtze River Delta	Huai'an	(淮安二期)	Powerlong Land	December 2020	34,000
14 Yangtze River Delta	Taizhou	(溫嶺項目)	Powerlong Plaza	September 2021	107,000
15 Yangtze River Delta	Wenzhou	(溫州空港)	Powerlong Plaza	September 2021	47,000
16 Yangtze River Delta	Hangzhou	(杭州未來科技城)	Powerlong Plaza	September 2021	204,000
17 Yangtze River Delta	Yiwu	(義烏青口)	Powerlong Plaza	September 2021	96,000
18 Yangtze River Delta	Taizhou	(台州椒江)	Powerlong Plaza	September 2021	149,517
19 Yangtze River Delta	Ningbo	(寧波遠大)	Powerlong Plaza	December 2021	143,588
20 Yangtze River Delta	Shanghai	(上海楊浦)	Powerlong Plaza	December 2021	26,000
21 Yangtze River Delta	Hangzhou	(杭州桃源)	Powerlong Plaza	December 2021	106,000
22 Yangtze River Delta	Yixing	(宜興丁蜀)	Powerlong Plaza	December 2021	50,000
23 Yangtze River Delta	Lin'an	(臨安錦南)	Powerlong Plaza	December 2021	77,000
24 Southeast China	Zhuhai	(珠海高新區)	Powerlong City	December 2021	110,590
25 Yangtze River Delta	Ningbo	(寧波鄞州新城)	Powerlong One Mall	December 2021	190,100
26 Yangtze River Delta	Ningbo	(寧波奉化)	Powerlong Plaza	December 2021	71,300
27 Yangtze River Delta	Lin'an	(臨安錦南)	Powerlong Land	September 2021	15,864
28 Yangtze River Delta	Jinhua	(金華磐安)	Powerlong Land	September 2021	43,400
29 Bohai Economic Rim	Qingdao	(膠州少海)	Powerlong Land	September 2021	23,415
30 Yangtze River Delta	Zhoushan	(舟山普陀)	Powerlong Land	September 2021	57,000
31 Southeast China	Ningde	(福鼎)	Powerlong Land	September 2021	31,600
32 Yangtze River Delta	Ningbo	(寧波余姚)	Powerlong Land	December 2021	65,915
33 Yangtze River Delta	Ningbo	(寧海)	Powerlong Land	December 2021	23,000
34 Yangtze River Delta	Ningbo	(五江口)	Powerlong Land	December 2021	70,000
35 Yangtze River Delta	Shanghai	(嘉定嘉偉)	Powerlong Land	December 2021	36,000
36 Southeast China	Zhuhai	(珠海金灣)	Powerlong City	December 2021	70,000
37 Yangtze River Delta	Taizhou	(路橋項目)	Powerlong Land	December 2022	100,560
38 Yangtze River Delta	Hangzhou	(杭州勾陽路)	Powerlong Plaza	September 2022	294,000
39 Yangtze River Delta	Wuxi	(無錫新吳)	Powerlong Land	December 2022	75,000
40 Yangtze River Delta	Huzhou	(湖州吳興)	Powerlong Land	December 2022	35,000
subtotal					3,557,254
Projects from third party					
1 Yangtze River Delta	Shaoxing	(紹興柯橋)	Powerlong Plaza	September 2020	100,007
2 Yangtze River Delta	Hangzhou	(青山湖科投)	Powerlong Plaza	December 2020	110,000
3 Midwest China	Chongqing	(重慶萬州)	Powerlong Plaza	December 2021	80,000
4 Yangtze River Delta	Taizhou	(台州杜橋)	Powerlong Plaza	December 2021	96,000
5 Southeast China	Quanzhou	(南安羅東鎮)	Powerlong Plaza	December 2022	50,000
subtotal					436,007
Total					3,993,261

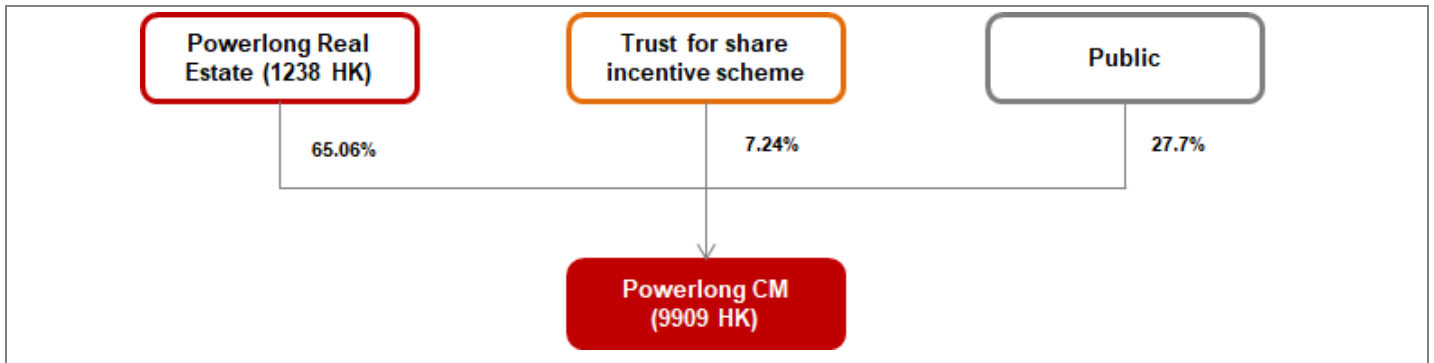
Source: Company

Exhibit 7: Historical Financials

(RMB mn)	FY 2016	FY 2017	FY 2018	FY 2019
Income Statement				
Total Revenue	752.7	973.0	1,200.4	1,620.5
Cost of Goods Sold	588.3	719.6	874.5	1,192.1
Gross Profit	164.4	253.4	325.9	428.4
Selling General and Administrative Expenses	64.3	112.9	111.7	159.1
Write-Down/Impairment of Assets	2.9	2.8	2.8	7.2
Operating Income	106.1	148.4	225.5	279.4
Income Tax Expense (Benefit)	24.8	35.8	49.5	68.7
Income Before Income Taxes	87.7	114.4	182.9	247.3
Total Financial Costs	18.4	34.0	42.6	32.1
Profit After Taxation Before Minority	62.9	78.6	133.3	178.6
Net Income Available For Common Shareholders	62.9	78.6	133.3	178.6
Balance Sheet				
Property Plant & Equipment - Net	164.8	183.2	173.5	6.9
Real Estate Investments	226.5	232.8	155.6	207.2
Long Term Investments	333.3	333.3	333.5	0.0
Deferred Income Tax Asset (Long-Term)	43.2	57.8	56.5	48.4
Investment In Affiliates/Joint Ventures	—	—	—	4.7
Total Non-Current Assets	767.7	807.0	719.1	267.3
Prepaid Expenses and Other	919.8	732.6	333.5	91.1
Restricted Cash (Short-Term)	62.2	1.6	486.5	0.0
Taxes Receivable	0.7	1.7	2.5	2.7
Accounts Receivable And Other Receivables	61.7	92.2	82.5	113.9
Cash At Bank	151.6	112.9	553.4	2,616.1
Total Current Assets	1,196.0	941.0	1,458.5	2,823.8
Total Assets	1,963.7	1,748.0	2,177.6	3,091.1
Short-Term Borrowings	741.0	256.3	526.0	0.0
Customer Deposits/Advances (Short-Term)	17.5	17.0	29.5	27.5
Trade Payables And Others	549.3	596.3	648.1	763.1
Current Tax Liabilities	28.4	40.3	54.0	33.6
Total Current Liabilities	1,502.2	1,201.6	1,597.0	1,313.4
Total Noncurrent Liabilities	443.7	450.0	350.7	190.5
Total Liabilities	1,946.0	1,651.6	1,947.7	1,503.9
Total Shareholders Equity	17.8	96.4	229.9	1,587.2
Total Liabilities and Shareholders Equity	1,963.7	1,748.0	2,177.6	3,091.1
Cash Flow				
Total Cash Flows From Operations	281.4	323.7	356.2	533.5
Disposal of Fixed Assets	1.0	2.1	0.0	137.5
Capital Expenditures	-2.9	-2.8	-2.6	-6.4
Other Investing Activities	415.3	238.3	-30.7	531.8
Purchase Of Associates/Joint Ventures	—	—	—	-4.7
Proceeds From Sale Of Subs (Net Of Cash Sold)	—	—	—	28.6
Interest Received From Investing Activities	65.1	52.2	2.1	15.5
Total Cash Flows From Investing	478.5	289.8	-31.2	702.3
Issuance of Common Stock	—	—	—	1,276.8
Other Financing Activities	-575.0	-67.3	18.0	-13.6
Total Cash Flows From Financing	-742.7	-652.3	115.5	827.2
Cash and Cash Equivalents (End of Period)	151.6	112.9	553.4	2,616.1
Cash and Cash Equivalents (Beg of Period)	134.5	151.6	112.9	553.4

Source: Bloomberg

Exhibit 8: Shareholding structure



Source: Company

Exhibit 9: Peer Group Comparison

Company	Chinese name	Ticker	Price	YTD%	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	NP Hist (US\$m)	NP FY1 (US\$m)	NP FY2 (US\$m)	NP FY3 (US\$m)	3-Yr Earnings Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	GPM Hist (%)	NPM Hist (%)	NPM FY1 (%)	NPM FY2 (%)	ROE Hist (%)	ROE FY1 (%)	ROE FY2 (%)	ROE FY3 (%)
Adjusted sector avg*							48.7	36.1	25.6	47.0	68.5	95.5	128.4	41.7	0.9	0.9	1.2	27.8	12.7	13.2	13.2	37.1	22.1	24.9	26.7
Powerlong CM	寶龍商業	9909 HK	16.88	73.7	1,368	2.2	35.4	33.5	23.1	25.2	39.3	56.9	79.6	46.7	0.72	1.2	1.3	26.4	11.0	13.3	14.2	19.7	14.3	18.4	21.4
Poly Property -H	保利物業	6049 HK	79.15	72.3	5,751	22.4	60.8	54.4	39.4	69.3	104.0	143.1	194.2	41.0	1.33	N/A	0.6	20.3	8.2	9.0	9.2	17.2	12.7	14.9	16.8
Ever Sunshine Li	永升生活服務	1995 HK	11.72	126.1	2,573	16.5	74.8	46.0	30.1	31.6	51.6	79.7	114.7	53.6	0.86	0.4	0.6	29.6	11.9	12.3	12.7	21.9	23.3	28.3	33.1
S-Enjoy Service	新城悅服務	1755 HK	20.10	68.7	2,169	5.9	55.2	36.6	25.5	39.9	58.9	84.6	114.1	42.0	0.87	0.6	1.4	29.6	13.9	14.2	14.5	31.7	34.1	37.6	38.1
China Overseas P	中海物業	2669 HK	7.95	66.1	3,452	17.7	49.8	38.6	30.1	69.4	89.5	114.7	142.3	27.1	1.43	0.5	0.8	20.0	9.8	10.1	10.3	40.8	34.1	33.0	31.7
Central China Ne	建業新生活	9983 HK	9.06	n.a.	1,467	N/A	N/A	28.3	18.9	33.1	51.6	77.7	105.0	47.0	0.60	N/A	1.1	32.8	13.3	13.3	13.0	96.3	13.1	16.9	19.5
Sichuan Languang	藍光嘉寶服務	2606 HK	56.15	13.1	1,291	5.2	16.6	15.4	11.6	60.7	84.4	112.1	149.1	34.9	0.44	1.9	2.4	36.2	20.5	20.1	18.7	32.6	23.1	25.1	26.6

Source: Bloomberg

Our recent reports

Date	Company / Sector	Code	Title	Rating	Analyst
11/06/2020	Xtep Intl	1368	More promising prospect from FY21E	BUY	Megan Jin
08/06/2020	Edvantage Group	382	Campus capacity enlarged further	BUY	Megan Jin
04/06/2020	S-Enjoy Service	1755	Robust expansion continues	BUY	Megan Jin
04/06/2020	Greentown Services	2869	Placing for new growth initiatives - city services most likely	HOLD	Dallas Cai
28/05/2020	A-Living	3319	Positive read-across from April property sales	BUY	Dallas Cai
25/05/2020	HKBN	1310	Challenging to becoming BN leader	NR	Kevin Tam
18/05/2020	Skyworth	751	The sky getting clear	NR	Kevin Tam
14/05/2020	Ausnutria Dairy	1717	Premium products brought up GPM in 1Q20	BUY	Megan Jin/Dallas Cai
14/05/2020	China Youzan	8083	1Q loss narrowed as economies of scale kicking in	BUY	Dallas Cai
05/05/2020	HKTV	1137	HK based ecommerce on the rise	BUY	Kevin Tam/Megan Jin
23/04/2020	Edvantage Group	382	License fee saving may come earlier	BUY	Megan Jin/Dallas Cai
22/04/2020	361 Degrees Intl	1361	1Q20 retail sales in line	BUY	Megan Jin
21/04/2020	Xtep Intl	1368	1Q20 sales performance better than feared	BUY	Megan Jin/Dallas Cai
20/04/2020	Li-Ning	2331	1Q20 delivered satisfactory retail sales	BUY	Megan Jin/Dallas Cai
16/04/2020	Anta Sports	2020	Robust online FILA sales to drive 1Q20 sales beat	BUY	Dallas Cai/Megan Jin
15/04/2020	China Youzan	8083	FY19 GMV saw growth acceleration	BUY	Dallas Cai
02/04/2020	Greentown Services	2869	FY19 results largely in line	HOLD	Dallas Cai
31/03/2020	TCL Electronics	1070	FY19 results up to expectations	BUY	Dallas Cai
30/03/2020	Li-Ning	2331	A head start in FY20E with resilient operation	BUY	Dallas Cai/Megan Jin
27/03/2020	CH Display OPT	334	Lower order visibility ahead in FY20E	HOLD	Dallas Cai
27/03/2020	ChinaSoft Int'l	354	Cloud business ready to accelerate in FY20E	BUY	Dallas Cai
25/03/2020	Anta Sports	2020	FY20E strive for positive growth	BUY	Dallas Cai/Megan Jin
25/03/2020	China Overseas PPT	2669	FY19 results up to expectations	HOLD	Dallas Cai
23/03/2020	CG Services	6098	FY19 saw solid set of results	BUY	Dallas Cai
20/03/2020	Kingdee Int'l	268	Ambitious cloud target to weigh on FY20E earnings	HOLD	Dallas Cai
20/03/2020	Xtep Intl	1368	FY19 results in line with expectations	BUY	Dallas Cai/Megan Jin
19/03/2020	A-Living	3319	Unfolding a new 3-year plan	BUY	Dallas Cai

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