

## Aoyuan Healthy Life Group Company Limited

### All-Stars Aligned - Valuation, Results, Growth Outlook

We reiterate our Buy Rating on Aoyuan Healthy Life as we believe the stock will be re-rated on the back of the strong set of 2020 results. We believe the current valuation of 9.4x 2021E P/E offers investors an attractive buying opportunity into a stock on track to deliver an earnings growth of over 50% YoY in 2021E.

#### 9.4x 2021E P/E for a 50% earnings growth stock, Reiterate Buy

We believe the recent correction in Aoyuan Healthy Life's share price is unwarranted and represents an attractive buying opportunity for investors. Fundamentals are intact with 2020 results in-line with our expectations and 2021E is on track to deliver another ~50% YoY net profit growth, in our view. We believe market has mainly been concerned with the company's (1) heavily reliance on parent company; and (2) lack of track record in General Health and Wellness sector. However, we believe the acquisitions in 2020 have changed the company's reliance on parent co. and 55% of GFA Under Management are now third-party projects, with a vibrant team actively seeking for third-party opportunities. General Health and Wellness expansion remains underway and such concerns will also be alleviated once a successful acquisition is completed. We reiterate our Buy Rating with our Target Price of HK\$11.18/sh offering 103% upside potential.

#### 2020 Results in-line, core net profit growing 59% YoY

Aoyuan Healthy Life's 2020 core net profit came in at RMB243.4m, up 59% YoY, and in-line with our estimates (AMTD: RMB253m). Revenue grew by 56% YoY to RMB1,408m which is in-line with our estimate (AMTD: RMB1,504m). Gross Margins and Net Margins maintained at relatively high levels of 34% and 17% respectively, despite the acquisition of Easy Life during the year. Company declared a Final Dividend of RMB0.14/sh.

#### Execution Strength shines through in 2020 acquisitions

The company completed the acquisitions of Easy Life, Ningbo Hongjian and Beijing Boan during 2020 to drive its GFA Under Management to grow by 174% YoY to reach 41.4m sqm. Of which, 55% of GFA Under Management are third-party projects. We believe market has overlooked the execution strength that Aoyuan Healthy Life has demonstrated through the acquisitions as the company has more than doubled its operational scale during the year, while maintaining profit margins at levels above industry average. We estimate that management has managed to lift Easy Life's profit margins by 3 percentage points to achieve the 17% core net margins. We believe such execution strength will underpin the company's long term growth and thus we expect a re-rating of the stock to reflect its execution capabilities.

#### Recent correction offers an attractive buying opportunity

We believe Aoyuan Healthy Life's share price is trading at attractive valuations of 9.4x 2021E P/E (Industry Average: 24.7x ) and will be re-rated on the back of this strong set of results. We maintain our DCF-based target price unchanged at HK\$11.18/sh, which implies a target P/E Multiple of 17.7x.

Stock code: 3662.HK

Rating: Buy

Price target (HK\$)	11.18
Current price (HK\$, 30 Mar 2021)	5.50
Upside/downside %	103%
Market cap (HK\$ m)	3,994
Market cap (US\$ m)	515
3M Avg daily turnover (US\$ m)	1.12

Source: Bloomberg, AMTD Research

#### Key forecasts

(RMB m)	2019	2020	2021e	2022e
Revenue	901	1,408	2,867	3,435
yoy %	45.6%	56.3%	103.6%	19.8%
Gross Profit	337	481	922	1,094
yoy %	61.5%	42.8%	91.6%	18.6%
Core Net Profit	153	243	383	476
yoy %	108.4%	59.0%	57.2%	24.5%
Gross margin	37.4%	34.2%	32.2%	31.8%
Net gearing	Net cash	Net cash	Net cash	Net cash
EPS	0.26	0.34	0.53	0.66
DPS	0.10	0.14	0.21	0.26
BPS	1.24	1.43	1.70	1.97

Source: Company data, AMTD Research

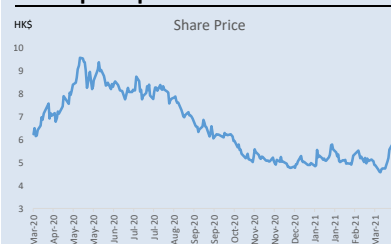
Notes: Core NP excludes listing expenses

#### Valuation

	2019	2020	2021e	2022e
P/E	19.0	14.4	9.4	7.6
P/BV	4.0	3.5	2.9	2.5
Div. yield	1.9%	2.8%	4.3%	5.3%
ROE	33.5%	23.5%	33.6%	35.7%
ROA	17.2%	9.5%	20.3%	21.8%

Source: Bloomberg, AMTD Research

#### Share price performance



Source: Bloomberg

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**Figure 1: Aoyuan Healthy Life FY20 Results Summary**

FY20 Results (RMB '000)	FY20A	FY20E	Diff (%)	FY19A	YoY/Chg
<b>Property management services</b>	<b>1,074,848</b>	<b>1,115,838</b>	<b>-4%</b>	<b>646,387</b>	<b>66%</b>
Property management services fee income	626,184	817,391	-23%	390,122	61%
Major owners value-added services	233,556	213,639	9%	239,800	-3%
Community value-added services and others	215,108	84,809	154%	16,465	1206%
<b>Commercial operational services</b>	<b>333,241</b>	<b>389,150</b>	<b>-14%</b>	<b>254,413</b>	<b>31%</b>
Commercial operation and management services	205,969	99,419	107%	160,902	28%
Market positioning and business tenant sourcing services	127,272	289,731	-56%	93,511	36%
<b>Total Revenue</b>	<b>1,408,089</b>	<b>1,504,988</b>	<b>-6%</b>	<b>900,800</b>	<b>56%</b>
Cost of services	(926,711)	(1,053,367)	-12%	(563,746)	64%
<b>Gross Profit</b>	<b>481,378</b>	<b>451,621</b>	<b>7%</b>	<b>337,054</b>	<b>43%</b>
Other income	23,703	15,065	57%	29,662	-20%
Impairment losses under expected credit loss model, net of reversal	(16,063)	(476)	3274%	(3,547)	353%
Administrative expenses and other expenses	(149,715)	(105,349)	42%	(125,975)	19%
Selling and distribution expenses	(2,347)	(2,455)	-4%	(2,470)	-5%
Listing expenses	-	-	N/A	(15,919)	-100%
Finance costs	(16,536)	-	N/A	(2,334)	608%
Gain on deemed disposal of subsidiaries	4,496	-	N/A	4,576	-2%
Share of results of joint ventures	(169)	-	N/A	-	N/A
Share of results of Associates	840	-	N/A	(2,434)	-135%
<b>Profit before tax</b>	<b>325,587</b>	<b>358,406</b>	<b>-9%</b>	<b>218,613</b>	<b>49%</b>
Income tax expense	(72,598)	(100,354)	-28%	(55,503)	31%
<b>Profit for the year</b>	<b>252,989</b>	<b>258,052</b>	<b>-2%</b>	<b>163,110</b>	<b>55%</b>
Non-controlling interests	2,612	4,387	-40%	632	313%
Attributable net profit	250,377	253,665	-1%	162,478	54%
<b>Core attributable NP</b>	<b>243,400</b>	<b>253,665</b>	<b>-4%</b>	<b>153,082</b>	<b>59%</b>
<b>Key Ratios</b>					
GP Margins	34.2%	30.0%		37.4%	-3.2%
Core Net Margins	17.3%	16.9%		17.0%	0.3%
	<b>FY20A</b>	<b>FY20E</b>		<b>FY19A</b>	<b>YoY/Chg</b>
Net Debt to Equity	Net cash	Net cash		Net cash	N/A

Source: Company Data, AMTD Research Estimates

Figure 2: China Property Management Companies: Peers Valuation comparison

Date	3/30/2021	Share Price	Mkt cap	P/E			P/B		Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY20	FY21E	FY22E	FY20	FY21E	FY20
<b>China Property Management</b>									
6098 HK	Country Garden Services	79.00	30,350	66.1x	48.2x	33.1x	13.4x	11.7x	0.2%
1209.HK	China Res Mixc	47.95	14,077	85.6x	62.8x	45.3x	NA	6.6x	0.0%
1516.HK	Sunac Services	25.05	9,999	84.2x	52.5x	32.1x	6.7x	6.1x	0.0%
3319 HK	A-Living Services	35.40	6,071	22.0x	16.8x	12.9x	5.4x	4.3x	1.4%
9666.HK	Jinke Services	71.70	6,021	48.5x	35.9x	23.4x	1.3x	4.9x	0.0%
873 HK	Shimao Services	17.58	5,345	43.4x	27.2x	16.6x	5.4x	5.4x	0.0%
2869 HK	Greentown Service	11.26	4,672	41.4x	32.2x	24.3x	4.5x	4.2x	0.8%
1995 HK	Eversunshine	19.88	4,271	68.8x	44.5x	29.7x	8.6x	8.7x	0.3%
6049 HK	Poly PPT Dev	53.00	3,772	36.5x	27.8x	21.4x	4.0x	3.7x	0.6%
2669 HK	China Overseas PH	7.33	3,099	31.6x	26.5x	20.3x	11.2x	8.6x	0.7%
1755 HK	S-Enjoy Services	23.20	2,599	35.4x	23.9x	16.6x	12.5x	8.9x	0.9%
9909 HK	Powerlong CM	25.40	2,104	43.4x	30.3x	21.8x	6.4x	5.6x	0.0%
3913 HK	KWG Living	8.03	2,084	35.5x	20.3x	12.9x	4.6x	3.8x	0.0%
2606 HK	Languang Justbon	51.50	1,180	14.5x	10.3x	7.9x	3.0x	2.4x	2.7%
9983 HK	CC New Life*	7.10	1,148	15.7x	15.2x	15.2x	2.8x	2.5x	2.5%
9979 HK	Greentown Mgmt	3.80	957	12.3x	11.6x	9.3x	2.0x	1.9x	0.0%
9928 HK	Times Neighbor	6.09	772	20.5x	12.4x	8.3x	2.9x	2.6x	0.6%
6958 HK	Zhenro Services	5.15	687	21.4x	15.7x	10.8x	3.3x	NA	0.0%
3316 HK	Binjiang Services	19.18	682	20.3x	17.0x	12.7x	NA	3.6x	1.3%
1778 HK	Colour Life	3.48	651	8.4x	7.1x	6.5x	1.0x	0.9x	3.0%
2168 HK	Kaisa Prosperity	26.10	517	14.3x	10.5x	7.6x	NA	2.4x	2.0%
3662 HK	Aoyuan Healthy Life*	5.50	514	14.4x	9.4x	7.6x	3.5x	2.9x	2.8%
1971 HK	Redsun Services	4.46	238	18.4x	9.9x	6.6x	NA	2.8x	0.0%
<b>Total/Average</b>			<b>101,809</b>	<b>34.9x</b>	<b>24.7x</b>	<b>17.5x</b>	<b>5.4x</b>	<b>4.7x</b>	<b>0.9%</b>

Source: Bloomberg Estimates, \*AMTD Research Estimates for AMTD Coverage Stocks

Note: As of 30th Mar 2021

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### AMTD Investment Ratings

#### Stock Rating

<b>Buy</b>	Stock with potential return of over 20% over the next 12 months
<b>Hold</b>	Stock with potential return of -20% to +20% over the next 12 months
<b>Sell</b>	Stock with potential loss of over 20% over the next 12 months

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