

Shoucheng (697 HK)

Parking In and C-REITs Out

Shoucheng is China's leading car park management firm and real estate fund operator under SOE-parentco Shougang Group. 2023E will be a good financial year for Shoucheng as rapid traffic recovery and CSRC's push for C-REITs would greatly boost its parking business and fund size growth (it has early move advantage in C-REITs). In the medium term, C-REITs would also help the company transit into an asset-light model – listing its mature car parks and industrial parks into C-REITs. Therefore, we expect Shoucheng to deliver 42%/15% revenue/NP CAGR in 2022-24E, roughly in line with its incentive plan requirement. Besides, we think the share price has limited downside due to its high dividend yield at 7% and HK\$300mn share buyback plan (enough for 2.3% stakes). Initiate at Buy with TP of HK\$2.19 using 15x 2023E PE, 10% discount to the average of its global peers. **Catalyst:** another round of special dividend after selling the remaining Shougang resources for HK\$2.2bn.

- The key parking space consolidator on a rising traffic:** the car park shortage (26% gap) may boost the construction of parking lot at 10% CAGR to 322mn units by 2025E (or 0.85:1). This would make parking fee business an RMB700bn market by 2025E (assume 30% of parking used for rental purpose and 20% utilization rate). We expect Shoucheng to be the key beneficiary to consolidate and grow number of its managed parking lots by 44% CAGR given its SOE background, smartization know-how (EV charging and system), strong cash position. Together with a rising traffic in 2023E after COVID (already back to 2019 level), we expect its parking revenue to deliver 66% CAGR in 2022-24E.
- First-mover advantage into C-REITs to boost its fund AUM:** With CSRC's green light in 2021, the C-REITs market has grown rapidly to 23 listings, RMB80bn size and 25% returns. We expect C-REITs size to further grow at 50% CAGR in 2023-24E to RMB180bn as CSRC would potentially allow more asset classes like green energy/commercial assets and encourage private real estate fund to invest. This would help Shoucheng boost its fund AUM given its first-move advantage through direct investments in nine REITs and pre-REITs preparation of its quality industrial and car parks. For example, it has just raised a RMB4.5bn pre-REITs fund with China life and Shougang Group. Going forward, we expect fund size to grow at 8% 2022-24E CAGR at RMB4.5bn per year (10% of C-REITs annual issuance size) to reach RMB64bn. This would drive a revenue growth of 12% CAGR in 2022-24E with high GPM at 70%.
- High dividend yield and share buy back as downside cushion:** Due to its rich cash position, Shoucheng is likely to keep its high dividend payout policy at 80% or 7% dividend yield in 2023E. Also It plans to further dispose the remaining 17% Shougang resources (639.HK) worth of HK\$2.2bn and may pay special dividend (they paid HK\$200mn special dividend in Feb22 after disposing 11% of Shougang resources). Besides, it has HK\$300mn share buyback plan (HK\$20mn used) with repurchase price up to HK\$1.5/share.
- Initiate at Buy.** We forecast revenue to grow at 42% CAGR in 22-24E with parking business (+66% CAGR). This mix shift puts NPM down to 34% by 2024E. Net net, we expect NP to grow 15% in 22-24E. **Risk:** More intensified-than-expected competition into C-REITs after CSRC's trial in real estate fund.

BUY (Initiation)

Target Price	HK\$2.19
Up/Downside	+25.8%
Current Price	HK\$1.74

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	12,874
Avg 3 mths t/o (HK\$ mn)	7.30
52w High/Low (HK\$)	1.97/0.90
Total Issued Shares (mn)	7,529

Source: Bloomberg

Shareholding Structure

Shougang	24.97%
ORIX	14.34%
NWS Holding	11.47%
BOCOMC	10.00%
HOPU Investments	6.93%
Others	32.26%

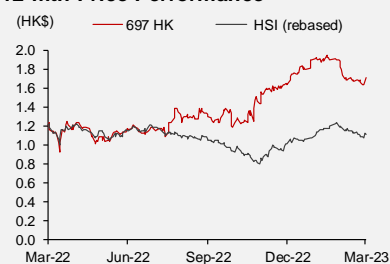
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.2%	-1.8%
3-mth	1.2%	-8.0%
6-mth	26.5%	20.2%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PWC

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (HK\$ mn)	706	1,195	1,774	2,725	3,577
YoY growth (%)	78.2	69.3	48	54	31
Core profit (HK\$ mn)	659	116	920	1,061	1,222
Core EPS (HK\$)	0.10	0.02	0.12	0.15	0.18
YoY growth (%)	N.A.	N.A.	N.A.	15	15
Consensus EPS (HK\$)	N.A.	N.A.	N.A.	N.A.	N.A.
P/E (x)	17.7	102	13.7	11.6	9.6
P/B (x)	1.0	1.2	1.2	1.1	1.1
Yield (%)	6.9	5.7	5.8	6.7	8.1
ROE (%)	5.6	1.0	8.9	9.9	11.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

One-page summary

Figure 1: Our key forecast and assumptions

HKD mn	2019A	2020A	2021A	2022E	2023E	2024E	2022-24E CAGR
Revenue	396	706	1,195	1,774	2,725	3,577	42%
yoy		78%	69%	48%	54%	31%	
Parking	177	481	613	911	1,789	2,506	66%
yoy		172%	28%	49%	96%	40%	
Fund management	181	213	558	839	913	1,047	12%
yoy		18%	163%	50%	9%	15%	
Others	38	12	23	24	24	25	2%
Gross profit	202	174	547	883	1,197	1,495	30%
yoy		-14%	214%	61%	36%	25%	
GPM	51%	25%	46%	50%	44%	42%	
Core net profit	443	659	116	920	1,061	1,222	15%
yoy		49%	-82%	693%	15%	15%	
NPM*	112%	93%	10%	52%	39%	34%	
Managed Car park				162,500	242,875	337,669	44%
yoy					49%	39%	
Fund size under management				60,077	65,077	70,077	8%
yoy					8%	8%	

Source: Company data, CMBIGM estimates; High NPM in 2019 and 2020 was due to dividend income from its investment

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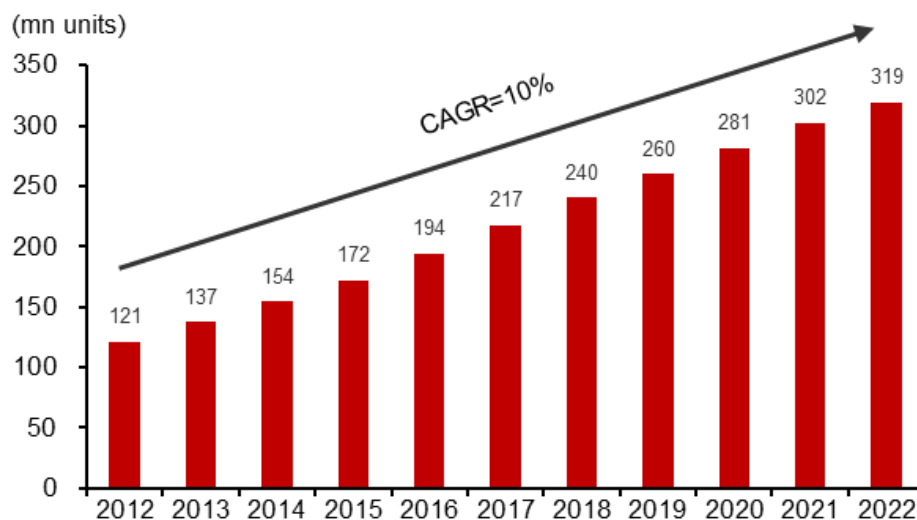
Investment Thesis

The key market consolidator with strong expansion plan and smartization know-how

■ Parking industry suffers a long-term supply shortage.

The national automobile ownerships in China has reached 319 million by the end of 2022. According to national parking lot analysis report jointly released by AutoNavi and Tsinghua University Transportation Research Institute, the shortfall of parking spaces has exceeded 80 million by the end of 2021 or a large gap of 26%. If we consider the peak hours, the shortage issue would be even more prominent. Therefore, NDRC has issued the document to push for more urban car parking development to meet the cap, especially for big cities.

Figure 2: National automobile ownership



Source: www.gov.cn

■ Parking fee business would reach RMB700bn annual market size

There were 220mn car parking spaces as of 2021. If assume only 30% used for rental, hourly rate of RMB4/hour and utilization rate of 20%, then it would imply an annual fee of RMB460bn. As the general automobile ownership is likely to grow at ~5% CAGR, the number of car park spaces would outgrow that to close the gap so we assume 10% CAGR. This would mean the annual parking fees would reach RMB1tn by 2025E.

■ Shoucheng's leading position in parking and smartization would help consolidate the market

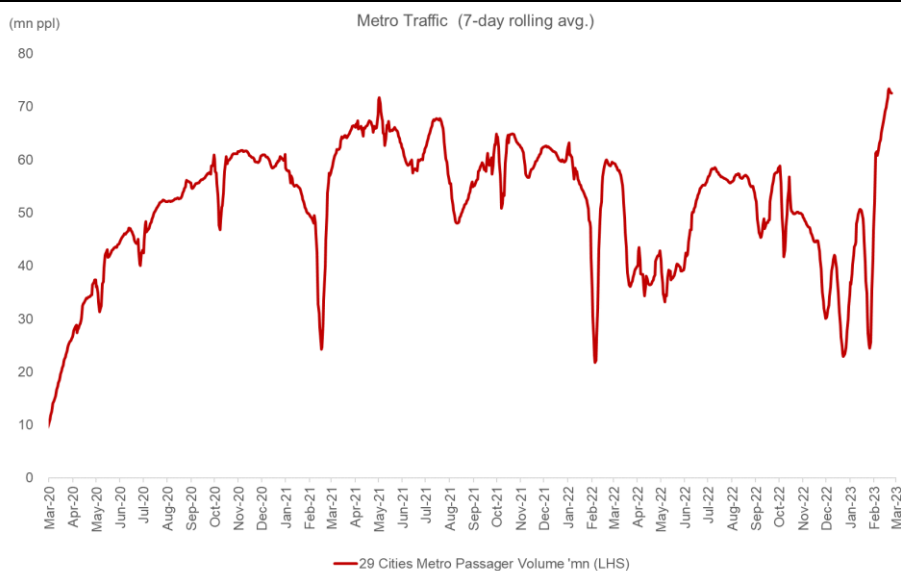
As one of the largest parking players, Shoucheng has 162k units of parking space with total 250k units signed in. It is only less than 1% of market share that shows a large room to improve amid such a fragmented market. Especially, the trend of smartization towards unmanned management and EV charging would give Shoucheng great opportunity to consolidate the market. For unmanned management, Shoucheng has developed a SaaS system to cover its car parks. For EV charging, it has established corporations with NEV markers like Xiaopeng, Tesla to install charging stations. This would make Shoucheng more appealing to bid for car park spaces via BOT, long-term rental and acquisition models.

Therefore, we expect its number of signed parking lot would grow at 40% 2022-24E CAGR to reach 587k units (outpace industry's 10%). With improving utilization rate in 2023-24E, we expect parking revenue to reach 66% CAGR in 2022-24E.

Figure 3: Our key assumptions

HKD mn	2019A	2020A	2021A	2022E	2023E	2024E
No. of signed parking lot yoy			150,000	250,000 67%	362,500 45%	489,375 35%
No. of managed parking lot yoy			97,500	162,500 67%	242,875 49%	337,669 39%
Daily utilization rate			20%	16%	24%	25%
Parking revenue	177	481 172%	613 28%	911 49%	1,789 96%	2,506 40%

Source: Company data

Figure 4: Traffic recovers to pre-COVID period

Source: Wind

Fund management: its early move into booming C-REITs would boost AUM growing

C-REITs the new sexy industry to attract real estate funds

Before 2021, no public REITs were introduced in China. So asset owners can only sell the partial/full stakes of asset to PE funds or certain investors. These are called Private REITs and the differences vs. public REITs are non-public traded and no tax exemption. Public REITs were only officially introduced in 2021 following the trial policy “公开募集基础设施证券投资基金指引(试行)” in Aug 2020 and nine REITs were listed as the first batch in May 2021.

For the first batch, the asset scope only covers infrastructure and regulators require dividend yield must be >4% for next three years based on listing price. Two types of underlying assets: 1) property-backed REITs (industrial parks and logistics): 4-5% dividend yield; 2) Franchise-backed REITs (high-way toll, anti-pollution projects): >6% dividend yield

as the franchise rights are time-decreasing so there is a higher dividend requested by investors. Below chart listed out the nine public REITs listed in 2021 and they achieved 25% performance after IPO partly due to the scarcity effect.

Figure 5: Details of 9 public REITs in the first batch

代码	180101	508001	180801	508000	508056	508027	508006	180201	180301
名称	博时招商蛇口产业园封闭式基础设施证券投资基金	浙商证券沪杭甬高速封闭式基础设施证券投资基金	中航首钢生物质封闭式基础设施证券投资基金	华安颐江光大园封闭式基础设施证券投资基金	中金普洛斯仓储物流封闭式基础设施证券投资基金	东吴-苏州工业园区产业园封闭式基础设施证券投资基金	富国首创水务封闭式基础设施证券投资基金	平安广州交投广河高速公路封闭式基础设施证券投资基金	红土创新益田港仓储物流封闭式基础设施证券投资基金
基础设施项目类型	产业园	收费公路	污染治理	产业园	仓储物流	产业园	市政设施	收费公路	仓储物流
准予募集份额(亿份)	9	5	1	5	15	9	5	7	8
战略配售认购份额(亿份)	5.85	3.72	0.60	2.77	10.80	5.40	3.80	5.53	4.80
网下发售份额(亿份)	2.25	1.09	0.30	1.56	3.36	2.88	0.96	1.12	2.24
公众发售份额(亿份)	0.90	0.19	0.10	0.67	0.84	0.72	0.24	0.35	0.96
询价区间	2.10元/份-2.42元/份	8.27元/份-9.511元/份	12.5元/份-14.0元/份	2.78元/份-3.20元/份	3.70元/份-4.26元/份	3.558元/份-4.094元/份	3.491元/份-4.015元/份	12.471元/份-13.257元/份	2.163元/份-2.381元/份
公众投资者认购日(预计)	5.31—6.2	5.31—6.4	5.31—6.1	5.31—6.4	5.31—6.4	5.31—6.4	5.31—6.4	6.1—6.4	5.31
封闭期	50年	20年	21年	20年	50年	40年	26年	99年	36年
基金管理人	博时基金管理有限公司	浙江浙商证券资产管理有限公司	中航基金管理有限公司	华安基金管理有限公司	中金基金管理有限公司	东吴基金管理有限公司	富国基金管理有限公司	平安基金管理有限公司	红土创新基金管理有限公司
原始权益人	招商局蛇口工业区控股股份有限公司	浙江沪杭甬高速公路、杭州市临安交通投资集团、杭州市临安交通投资、杭州余杭交通集团有限公司	首钢环境产业有限公司	上海光全投资中心(有限合伙)、光全安石(北京)投资管理有限公司	普洛斯中国控股有限公司	苏州工业园区科技发展有限公司、苏州工业园区建屋产业开发有限公司、苏州工业园区兆润投资控股集团有限公司	北京首创股份有限公司	广州交通投资集团有限公司	深圳市益田港集团有限公司
交易所	深圳交易所	上交所	深圳交易所	上交所	上交所	上交所	上交所	深圳交易所	深圳交易所
ABS管理人	博时资本管理有限公司	浙江浙商证券资产管理有限公司	中航证券有限公司	上海国泰君安证券资产管理有限公司	中国国际金融股份有限公司	东吴证券股份有限公司	富国资产管理(上海)有限公司	平安证券股份有限公司	深圳红土资产管理(深圳)有限公司
基金托管人	招商银行股份有限公司	招商银行股份有限公司	招商银行股份有限公司	招商银行股份有限公司	兴业银行股份有限公司	招商银行股份有限公司	招商银行股份有限公司	中国工商银行股份有限公司	招商银行股份有限公司

Source: Yicai, Wind

In July 2021, CSRC has announced that the asset scope can be extended to cover social housing and then we see two social housing projects listed in Aug 2022.

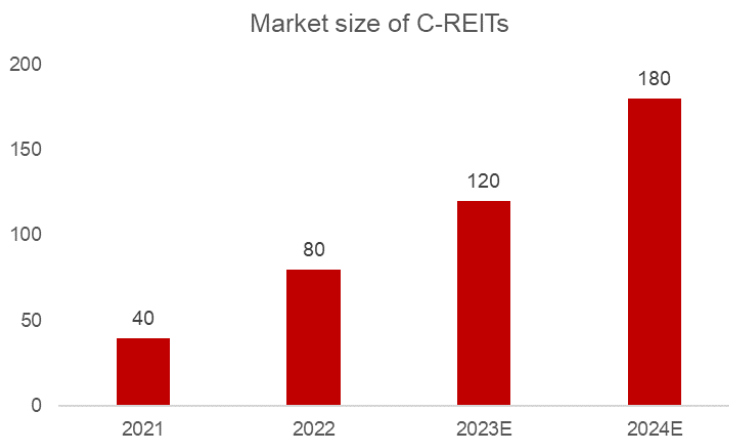
In Dec 2022, CSRC speaker also mentioned to further extend the asset scope to service apartment, commercial asset, green energy. This would further help enlarge the market size. So far there are total 24 C-REITs listed with a total market size of RMB80bn.

Going forward, we expect C-REITs market to see a fast growth as 1) more asset classes in the game. It is likely to see service apartment, shopping mall, green energy to be officially approved this year because CSRC has mentioned in Dec 2022. 2) CSRC also recently announced the new pilot scheme to boost private investment into real estate space. This may also attract private money into this C-REITs space to make the cake bigger. We expect the market size of C-REITs to grow at 50% CAGR in 2023-24E to RMB180bn size.

Figure 6: Listed C-REITs so far

证券简称	基金成立日	基金份额 (亿份)	上市基金发行 价 (元)	首发募资 规模 (亿 元)
中金普洛斯REIT	2021/6/7	15	3.89	58.35
博时蛇口产业园REIT	2021/6/7	9	2.31	20.79
平安广州广河REIT	2021/6/7	7	13.02	91.14
红土盐田港REIT	2021/6/7	8	2.30	18.40
中航首钢绿能REIT	2021/6/7	1	13.38	13.38
华安张江光大REIT	2021/6/7	5	2.99	14.95
浙商沪杭甬REIT	2021/6/7	5	8.72	43.60
富国首创水务REIT	2021/6/7	5	3.70	18.50
东吴苏园产业REIT	2021/6/7	9	3.88	34.92
建信中关村REIT	2021/12/3	9	3.20	28.80
华夏越秀高速REIT	2021/12/3	3	7.10	21.30
华夏中国交建REIT	2022/4/13	10	9.40	93.99
国金中国铁建REIT	2022/6/27	5	9.59	47.93
鹏华深圳能源REIT	2022/7/11	6	5.90	35.38
红土深圳安居REIT	2022/8/22	5	2.48	12.42
华夏北京保障房REIT	2022/8/22	5	2.51	12.55
中金厦门安居REIT	2022/8/22	5	2.60	13.00
华夏合肥高新REIT	2022/9/20	7	2.19	15.33
国泰君安临港创新产业园REIT	2022/9/22	2	4.12	8.24
国泰君安东久新经济REIT	2022/9/23	5	3.04	15.18

Source: Cailian

Figure 7: We expect C-REITs market size to grow at 50% CAGR in 2023-24E

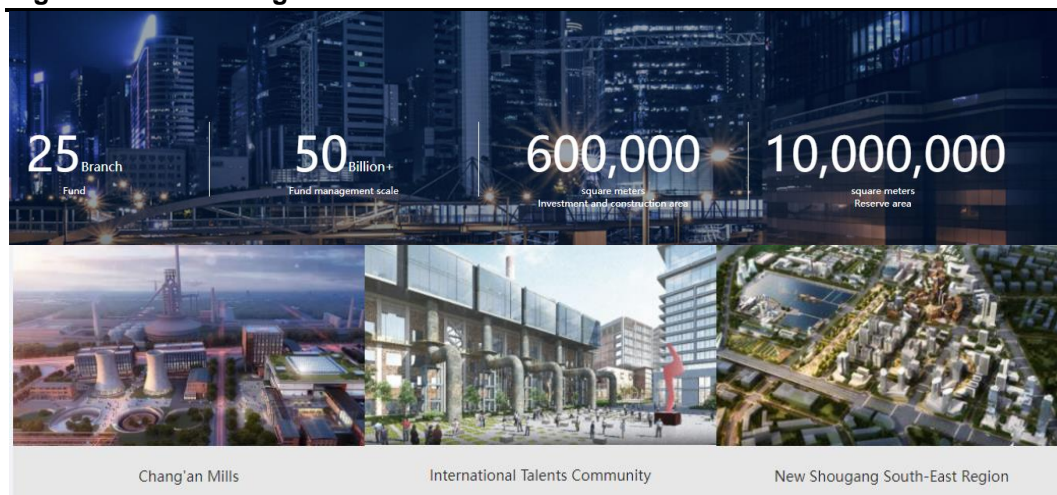
Source: Cailian

Shoucheng's early move advantage in C-REITs would help boost its fund management AUM

Shoucheng managed a portfolio of funds with AUM of RMB50bn as of Jun 2022. As the pioneer in C-REITs investment, it has invested in nine public C-REITs including GLP REITs, Shekou Industrial park, Suzhou Industrial park, Shanghai-Hangzhou high way toll, etc. This has not just helped Shoucheng achieve good investment returns of >25%, but also gain the access to participate in the full chain of C-REITs issuance. This is mainly because the company owns and operates up to 700k sqm of industrial parks with 10mn sqm in the land bank. Therefore Shoucheng could leverage its SOE status and own assets to raise funds for C-REITs.

For example, Shoucheng has raised RMB4.5bn pre-REITs fund with China life and Shougang Asset management in order to acquire ESG projects for C-REITs listing. As we expect C-REITs market size to increase RMB40bn and RMB60bn in 2023E and 2024E, Shoucheng’s early move and know-how could help grow its AUM and achieve excessive return.

Figure 8: Fund management facts



Source: Company data

Figure 9: Its investment in C-REITs

REITs	Asset Class	Cash Dividend Rate (2022.3.30)	Cash Dividend Rate (2022E)	Market Value by Dec, 31, 2021 (100 million RMB)	Accumulative Return Rate (2021.12.31)
REITs名稱	資產類型	現金分派率 (2022.3.30)	現金分派率 (2022E)	2021.12.31 市值 (億人民幣)	累計收益率 (2021.12.31)
China Merchants Shekou Industrial Zone Holdings Co., Ltd. 蛇口產園	Property rights 產權	3.29%	4.46%	25	19.96%
Global Logistic Properties 普洛斯	Property rights 產權	3.46%	4.31%	73	25.06%
Yantian Port 鹽田港	Property rights 產權	3.08%	4.40%	24	33.04%
Zhongguancun Industrial Park 中關村	Property rights 產權	2.94%	4.78%	40	39.00%
Zhangjiang Everbright Park 張江光大	Property rights 產權	3.18%	4.04%	19	24.58%
Dongwu Suyuan 東吳蘇園	Property rights 產權	3.73%	4.36%	41	17.16%
Fulgoal Capital Water 首創水務	Franchise 特許經營權	5.67%	9.08%	27	46.30%
Shougang Green Energy 首鋼綠能	Franchise 特許經營權	5.75%	7.63%	17	30.43%
Yuexiu REIT 越秀高捷	Franchise 特許經營權	5.87%	7.87%	27	28.08%
Zhejiang Hanghui Expressway Co 浙江杭徽	Franchise 特許經營權	8.75%	9.91%	51	16.01%
Ping An Guangzhou Comm Invest Guanghe Expressway 廣州廣河	Franchise 特許經營權	6.88%	6.87%	92	0.72%
Average 平均值					25.49%

Source: Company data

In terms of financials, we expect fund size to grow at HK\$5bn mainly for C-REITs funds which is already at around 10% market share. Also given the still promising returns on C-REITs, we expect both fund fees, carry and fair value change to grow together. Net net, we expect fund management to grow at 12% 2022-24E CAGR.

In the long REIT run, we think Shoucheng will also put its parking asset and industrial parks into C-REITs IPO. That would create the synergy between two main business lines.

Figure 10: Fund management business to grow at 12% 2022-24E CAGR

HKD mn	2019A	2020A	2021A	2022E	2023E	2024E
Fund size (HKD bn)			54	59	64	69
yoy				9%	8%	8%
Fund management revenue	181	213	558	839	913	1,047
yoy		18%	163%	50%	9%	15%
Fund fees	186	208	174	300	358	420
yoy		12%	-16%	72%	19%	17%
Investment Carry			247	338	423	507
yoy				37%	25%	20%
Fair value change	(5)	5	137	200	132	119

Source: Company data

Aggressive earnings guidance comes with incentive plan

Incentive plan is out: Under Beijing SASAC's approval, Shoucheng has adopted the management incentive plan to award a total equity options of 173mn shares (2.3% of existing share base). The quota has been used up in two batches: 1)138.5mn equity options issued on 5 Nov 2021 at strike price of HK\$1.624/share. 2) The remaining 26.2mn equity options issued on 2 Nov 2022 at strike price of HK\$1.56/share. Both batches come up with exercise period of 3 years in a proportion of 33%, 33% and 34%. (Details below).

High earnings growth requirement for management to exercise the plan: The incentive plan has required management to achieve a total revenue CAGR of 48% and number of managed parking spaces CAGR of 45% under the exercise periods (2022-25). We think the visibility is high for 2022-23E given its rich cash of HK\$5.5bn. These cash can be used to secure parking spaces via BOT project or direct acquisition.

Figure 11: First batch of incentive plan at strike price of HK\$1.624/share

An aggregate of 138,500,000 Share Options will be granted to the following Selected Employees:

Selected Employees	Role of Selected Employees	Number of Share Options granted	Percentage to the total number of issued Shares as at the date of this announcement <i>(Note 1)</i>
Connected Selected Employees:			
Mr. Zhao Tianyang	Executive Director and Chairman of the Board	7,000,000	0.10%
Mr. Xu Liang	Executive Director	5,000,000	0.07%
Mr. Li Wei	Executive Director and President of the Board	9,000,000	0.12%
Ms. Zhang Meng	Executive Director	7,000,000	0.10%
11 other Connected Selected Employees	Employees of the Group <i>(Note 2)</i>	41,220,000	0.57%
Non-Connected Selected Employees:		69,280,000	0.95%
Total		138,500,000	1.90%

Source: Company data

Figure 12: Second batch of incentive plan at strike price of HK\$1.56/share

An aggregate of 26,200,000 Share Options will be granted to the following Selected Employees:

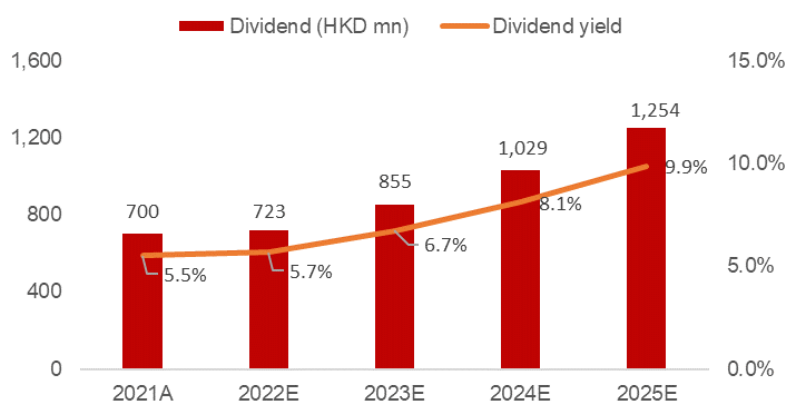
Selected Employees	Role of Selected Employees	Number of Share Options granted	Percentage to the total number of issued Shares as at the date of this announcement <i>(Note 1)</i>
Connected Selected Employee:			
1 Connected Selected Employee	Director of a subsidiary of the Company <i>(Note 2)</i>	3,500,000	0.05%
Non-Connected Selected Employees:		22,700,000	0.31%
Total		26,200,000	0.36%

Source: Company data

High dividend yield and share buyback to cushion the downside

High dividend yield: Shoucheng is rich in cash with HK\$5.5bn in the bank account and liquid investment. So, the management has been quite generous in the dividend payout. Historically, the dividend payout ratio has been quite high and we expect the ratio to be at 80% going forward. Also, it has announced HK\$200mn special dividend in Feb 2022 after HK\$1.4bn proceeds from the stake disposal of Shougang Resources.

Figure 13: Dividend yield is expected to range at 7-10% during 2023-25E



Source: Company data

Note: special dividend is excluded in 2022E figure

Share buyback plan: In Feb 2022, the company announced the share buy back plan to use up to HK\$300mn for share repurchase. The amount is used to buy up to 2.4% of stakes under Shoucheng's current market cap which is quite significant. So far it has spent HK\$20mn on the share repurchase at a share price of HK\$1.18-HK\$1.57. That means there are still HK\$280mn bullet and the current share price is only 9% higher than the last share buyback price. This would be a relatively limited downside backed by the share buy back.

Figure 14: Dividend yield is expected to range at 7-10% during 2023-25E

Row	Date/period	Number	Value	Curr.	Av. price
1	2022-11-07	1,520,000	2,380,160	HKD	1.566
2	2022-11-03	200,000	304,180	HKD	1.521
3	2022-09-19	1,500,000	1,984,440	HKD	1.323
4	2022-09-16	1,200,000	1,504,100	HKD	1.253
5	2022-07-22	1,000,000	1,233,840	HKD	1.234
6	2022-07-20	1,192,000	1,429,480	HKD	1.199
7	2022-04-12	440,000	525,220	HKD	1.194
8	2022-04-11	670,000	787,820	HKD	1.176
9	2022-04-08	190,000	232,640	HKD	1.224
10	2022-04-07	230,000	280,840	HKD	1.221
11	2022-04-06	320,000	394,560	HKD	1.233
12	2022-04-04	420,000	515,940	HKD	1.228
13	2022-04-01	300,000	359,040	HKD	1.197
14	2022-02-25	350,000	467,800	HKD	1.337
15	2022-02-24	1,000,000	1,341,240	HKD	1.341
16	2022-02-23	1,000,000	1,374,660	HKD	1.375
17	2022-02-22	1,350,000	1,800,000	HKD	1.333
18	2022-02-21	1,000,000	1,350,000	HKD	1.350
19	2022-02-18	1,200,000	1,619,680	HKD	1.350

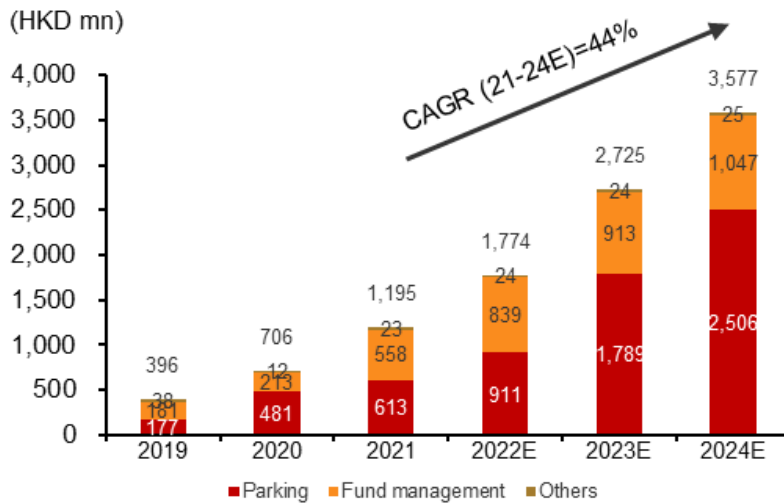
Source: webb-site.com

Financials

Stable growth with high dividend yield

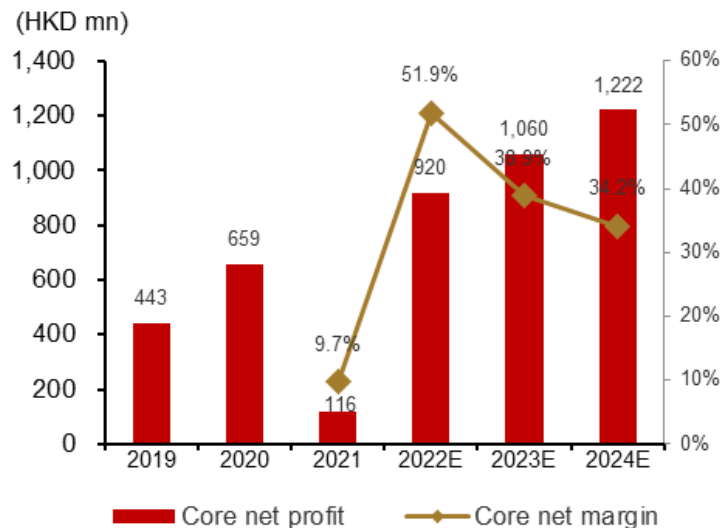
We expect Shoucheng to deliver 44% revenue growth CAGR in 2021-24E, mainly driven by parking space business at 59% CAGR and fund management at 23%. For the margin, we think it will be in a declining trend due to mix change towards lower-margin parking business. NPM is forecasted to slide from 52% in 2022E to 34% in 2024E. Net net, we forecast Shoucheng’s net profit to deliver steady 15% CAGR in 2022-24E which translates into 7-8% dividend yield

Figure 15: Revenue to grow at 44% CAGR in 21-24E



Source: Company data, CMBIGM estimates

Figure 16: Core net profit attributable to shareholders at 15% 2022-24E CAGR



Source: Company data, CMBIGM estimates

Target price and catalysts

We derive our TP of HK\$2.19/share by using 2023E EPS and 15x PE. The 15x multiple is based on 10% discount to the average of its global peers at 17x 2023E. The company is currently trading at 12x 2023E PE and thus we expect a 29% upside from a long-term perspective.

For the main catalysts, the keys are 1) declaration of special dividend after disposal of remaining 17% stakes in Shougang Resources; and 2) new supportive C-REIT policy.

Figure 17: Our target price derivation

Price Target	
2023E EPS (HKD)	0.15
Target PE multiple	15
Price Target (HKD/share)	2.19

Source: Company data, CMBIGM estimates

Figure 18: Valuation comps

Company	Ticker	CMBI rating	TP (LC)	Last price (LC)	Mkt Cap (HK\$ mn)	Mkt Cap (LC)	P/E				Dividend Yield		Payout
							21A	22E	23E	24E	21A	22E	21A
Shoucheng Holdings	697 HK	BUY	2.2	1.7	12,799	12,799	n.a.	13.7	11.6	9.6	5.7%	5.8%	n.a.
Real Estate Fund Mangement													
ESR Group	1821 HK	NR	NA	13.3	58,895	58,895	15.6	12.7	11.8	9.5	0.0%	1.6%	0%
Capital Land Investment	CLI SP	NR	NA	3.6	108,558	18,643	9.7	22.1	17.0	15.0	3.3%	3.3%	32%
Brookfield Asset Management	BAM US	NR	NA	33.8	109,366	13,933	n.a.	n.a.	24.3	20.6	n.a.	n.a.	n.a.
Carlyle Group	CG US	NR	NA	34.4	98,405	12,536	4.0	9.0	9.3	7.7	2.9%	3.8%	12%
Parking Business													
PARK24 Co.,Ltd	4666 JP	NR	NA	1977.0	19,408	338,163	n.a.	129.9	24.4	18.9	0.0%	0.0%	0%
Nippon Parking	2353 JP	NR	NA	269.0	5,379	93,719	37.8	28.0	20.1	17.8	1.8%	1.9%	67%
Average						Average	9.5	22.7	16.6	14.0	3.2%	3.1%	23.4%

Source: Company data, CMBIGM estimates

Risks

Intensified competition for real estate fund management

On 20 Feb, CSRC announced the new pilot scheme to boost private money to set up real estate fund for relevant investment. Below are the details.

- **Who can participate:** domestic investors in the scheme, predominantly institutional (non-developers), should offer no less than RMB10mn each to participate in the fund raising. Foreign investors through Qualified Foreign Limited Partnership (QFLP) can also participate.
- **Scope of the real estate types:** existing residential projects, social housing, commercial building and infrastructure.
- **Purpose:** we think the program itself is to encourage and attract private investment to help local government on home delivery, social housing target and infrastructure. If the return is attractive, this may accelerate the progress of non-performing assets in real estate and also reduce the burden for local government on social housing and infrastructure.
- **Our read:** we think this is mildly positive for the property sector as 1) on the plus side, it is officially encouraging more private funds to help property sector so it may boost the progress especially when sales are recovering now. 2) The channel has also been opened for foreign investors. 3) The scope is limited for now but there may leave some space for money inflow into new residential projects or M&A deals.

This may gradually create competitions with Shoucheng and others in a previously SOE-dominated real estate fund management business. In particular, Shoucheng may see more competitors in the project sourcing stage that could impact its fund size growth in the long run.

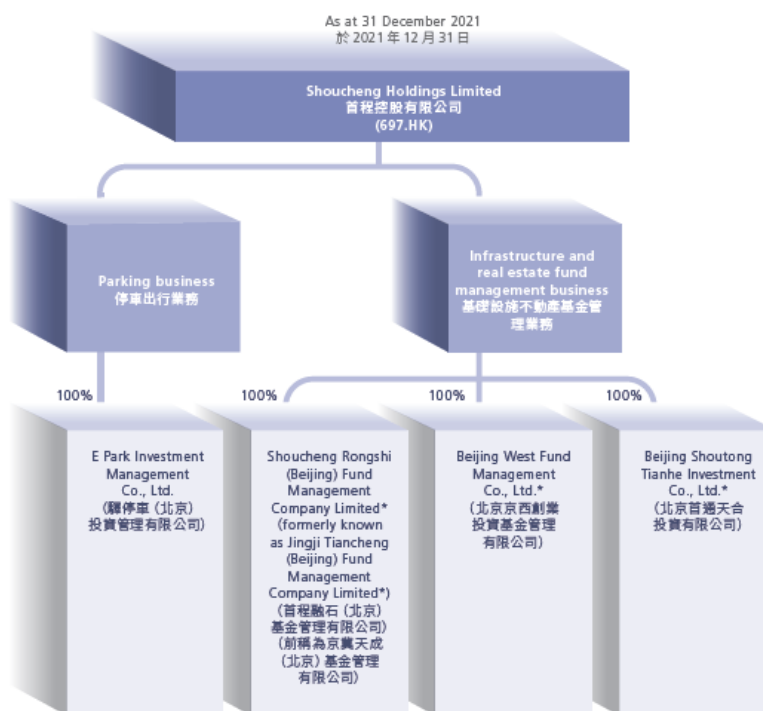
Rising costs of parking space acquisition

As EV charging business makes parking space more attractive now, we expect the acquisition costs to go up amid a supply shortage and demand recovery. For example, LimeTree just completed an acquisition of 6,000 parking space at Nanjing South station in January 2023. This may increase the costs for Shoucheng to bid for parking spaces in order to complete its 45% growth CAGR.

Company Overview

Shoucheng Holdings (known as Shougang Concord International before 2020) is one of the listed companies under Shougang Group and has been engaged in car parking asset management business and infrastructure & real estate fund management business since 2017. The company was listed on the main board of the HKEx in 1991 and was acquired by Shougang Group and CK Hutchison (0001.HK) in 1992. The main businesses were steel manufacturing and mineral exploration back then. The company started business transformation by acquiring parking asset operation (Shouzhong Investment, renamed to E-Parking later) and private equity management business (Jingji Asset) after divesting old business and relevant assets during 2016-2017. To optimize the asset structure and concentrate on main business, it further divested non-core business by selling entire equity interest (35.7%) in Shougang Century (103. HK) in 2018 and divesting partial equity interest (11.9% out of 27.6%) in Shougang Fushan Resources in 2021. The Company has officially changed its name to Shoucheng Holdings Limited in 2020 to reflect the strategy to focus on the parking business and infrastructure and real estate fund management business.

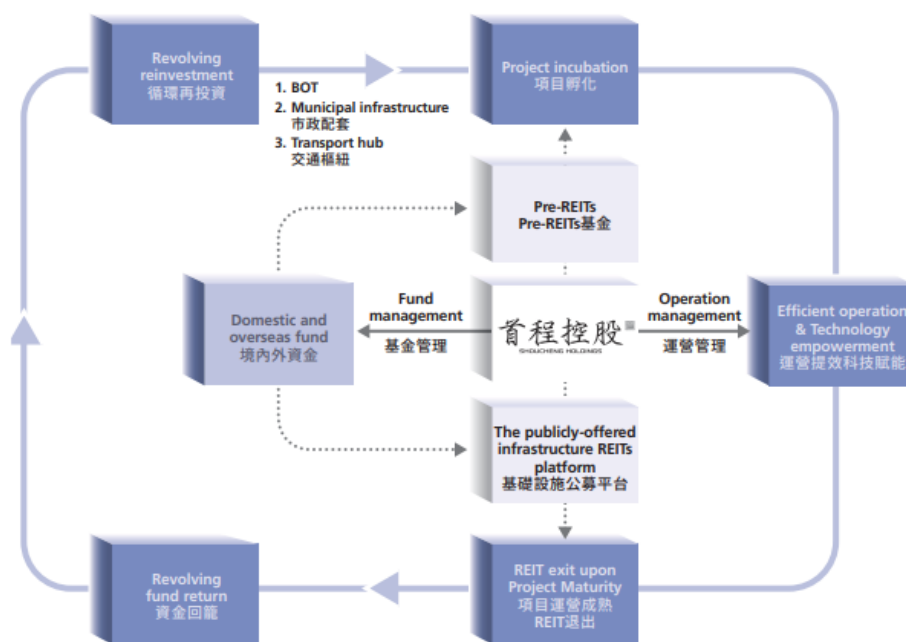
Figure 19: Business Structure



Source: Company data, CMBIGM

To bear the policy benefit, the company made its effort to build the synergy between infrastructure & real estate fund management and parking sector. The publicly-offered infrastructure REITs provide development channels and exit paths for parking asset. The business model forms a closed-loop from asset acquisition to asset operation and upgrade to asset securitization. The multi-level linkage and synergy of core business is the core competitiveness of the company.

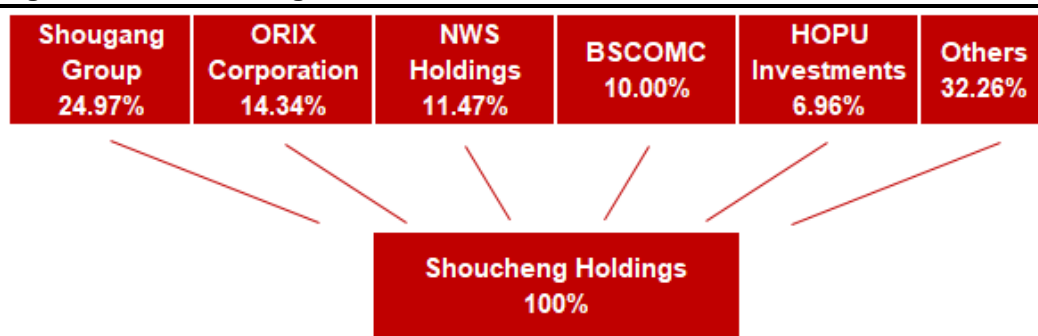
Figure 20: Synergy between core business



Source: Company data, CMBIGM

During the transformation process in 2018-2019, the Company has successively introduced CIMC Group, NWS Holdings, ORIX Group, HOPU Investments and MatrixPartners China etc to be the strategic shareholders. According to the announcement in Nov 2022, BSCOMC completed the purchase of 10% of total share of the company from Shougang Group and the major shareholders became Shougang Group, ORIX Corporation, NWS Holdings, BSCOMC and HOPU Investments who owe 24.97%, 14.33%, 11.47%, 10.00% and 6.96% of total shares respectively.

Figure 21: Shareholding structure



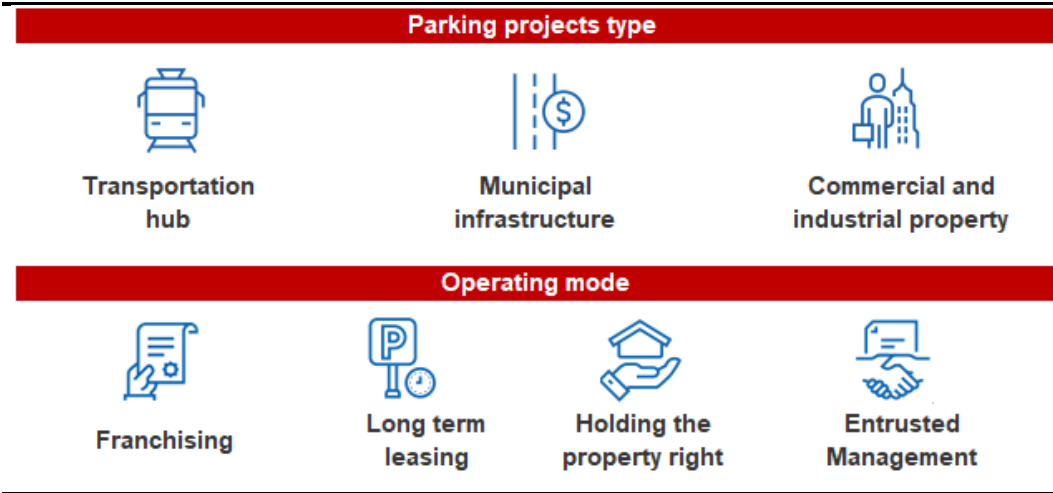
Source: Company data, CMBIGM

Parking Assets Management

The segment revenue accounted for 51% of total revenue in 2021 and has been growing at CAGR of 115% from HK\$ 62mn in 2018 to HK\$ 613mn in 2021. The parking business has been expanding rapidly in past five years with the number of contracted parking spaces exceeded 200k and average remaining contact term reached 15 years by the end of 2021. Meanwhile, management efficiency is continuously improving with the number of parking spaces managed per capita increased to 72 by the end of 2021 from 50 in the past. The Company is mainly operating its parking projects in transportation hubs (airports, railway stations), municipal infrastructure (hospitals, roadside), commercial properties and industry

parks through four business modes including franchising, long-term leasing, property holding and entrusted management. The business landscape spreads in 12 cities of 4 districts covering Bohai Rim Region, Chengdu-Chongqing Economic Zone, Yangtze River Delta Region and the Greater Bay Area.

Figure 22: Parking projects type and operating modes

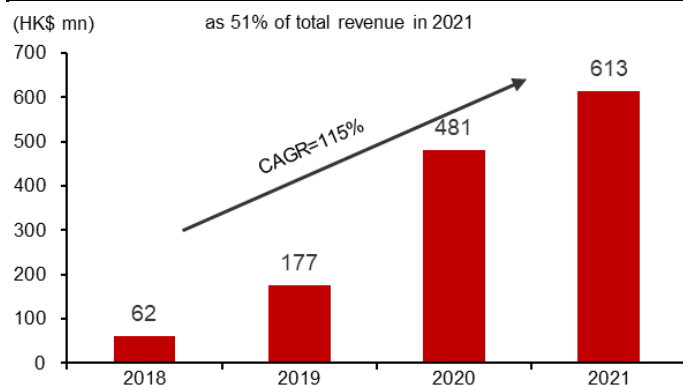


Source: Company data, CMBIGM

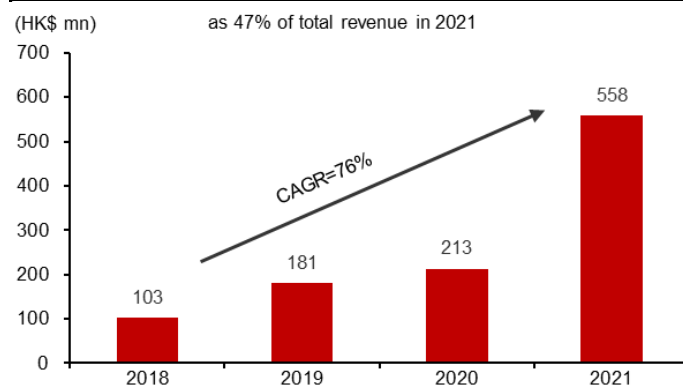
Figure 23: Geographic distribution of parking business



Source: Company data, CMBIGM

Figure 24: Revenue of parking business

Source: Company data, CMBIGM

Figure 25: Revenue of fund management business

Source: Company data, CMBIGM

Infrastructure real estate fund management

Revenue from funds management segment contributed about 47% of total revenue in 2021 and has been growing at CAGR of 75% from HK\$ 103mn in 2018 to HK\$ 558mn in 2021. The Company has established 25 funds with total management scale growing steadily to RMB 50bn (paid-in amount RMB 20bn), the area of invested projects has reached 600k sq.m and the reserve area is about 10mn sq.m. The typical projects are mainly located in Beijing Shougang Industrial Park.

The Company has given much efforts on the REITs sector and deeply involved in REITs issuance by helping Shougang Green Energy (180801.SZ) successfully list as one of the first batch of C-REITs. By cooperating with China Life, the Company launched a RMB10 bn scale of pre-REITs fund for green and environmental protection with an initial phase of RMB 4.5bn. Together with another well-known insurance institution, the Company initiated a REITs development fund of RMB 30bn to invest in affordable rental housing, industry park, parking lots and warehousing etc. The Company is forming a closed-loop model in the entire REITs chain based on its strong fund-raising ability, precision industry investment ability, lean operation and management ability, as well as mature and comprehensive exit capability.

Figure 26: Typical projects in Beijing Shougang Industrial Park

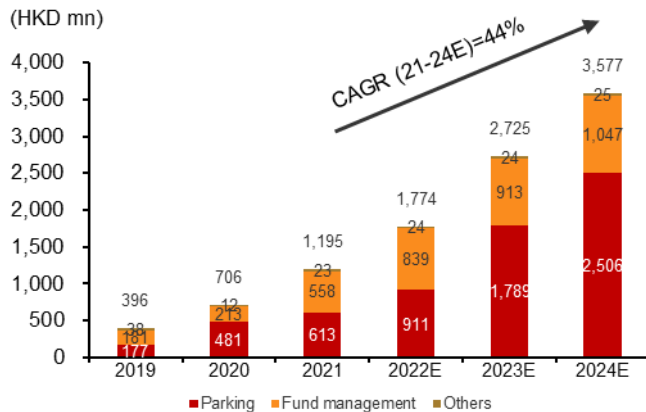
Source: Company data, CMBIGM

Financial Analysis

Revenue to grow at 41% CAGR in 2021-24E

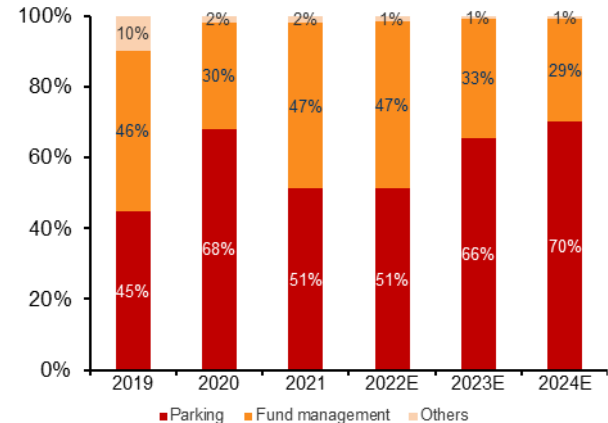
Thanks to robust growth in both managed-parking spaces and fund management scale, total revenue is set to grow at 41% CAGR from HK\$1,195mn in 2021 to HK\$3,577mn in 2024E. We expect revenue of two major segments – Parking business and Fund management business to grow at CAGR of 59% and 23% in 2021-24E and reach HK\$2,506mn and HK\$ 1,047mn in 2024E.

Figure 27: Revenue to grow at 41% CAGR in 21-24E



Source: Company data, CMBIGM estimates

Figure 28: Revenue mix

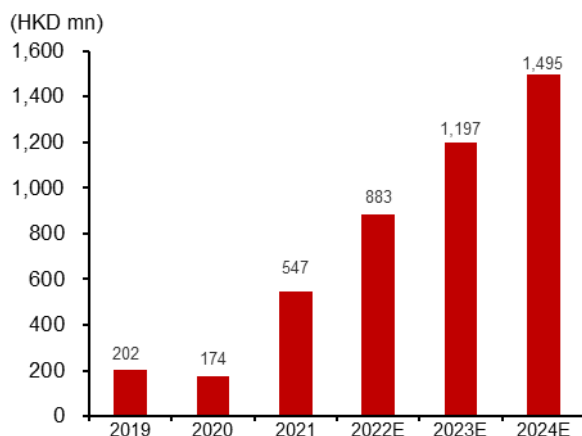


Source: Company data, CMBIGM estimates

Gross profit margin to decline on mix change

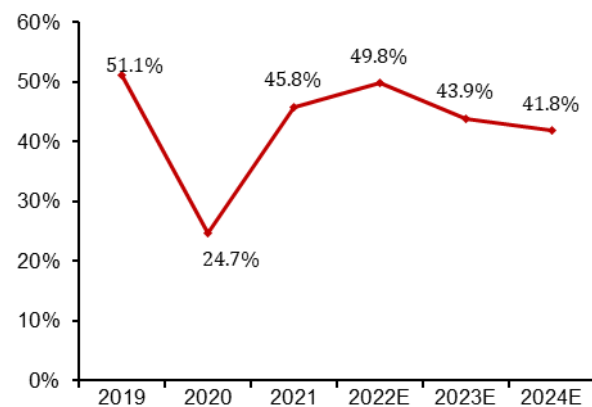
Gross profit was HK\$174mn and HK\$547mn in 2020 and 2021 and the corresponding gross margin was 24.7% and 45.8%, respectively. Going forward, we expect GPM to peak at 49.8% in 2022E and contracted to 44-42% in 2023E/24E due to mix change towards low-margin parking business.

Figure 29: Gross profit



Source: Company data, CMBIGM estimates

Figure 30: Gross profit margin



Source: Company data, CMBIGM estimates

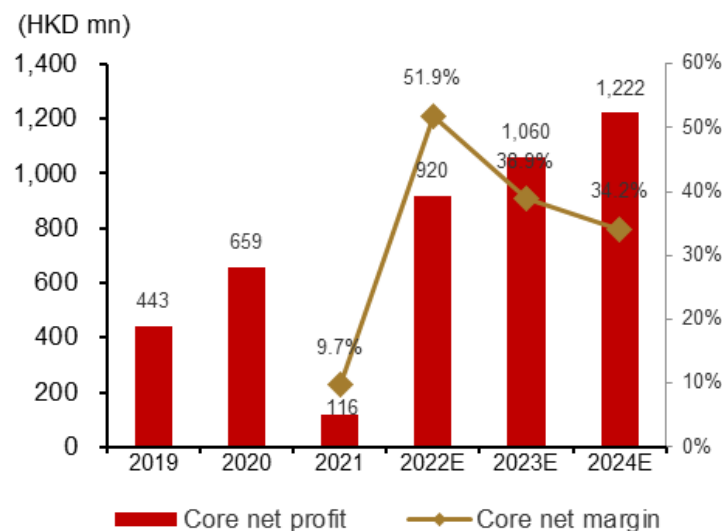
SG&A expenses

Selling, General and Administrative (SG&A) expenses increased from HK\$ 251mn in 2020 to HK\$ 343mn in 2021. The rise in SG&A expenses was in line with the expansion of the Company's business scale. SG&A expenses to revenue ratio was at 28.7% at the end of 2021. We expect SG&A expenses/revenue to go lower on the scale of economy to 9-11% in 2022-24E.

Estimated core net profit attributable to shareholders to grow at 23% CAGR in 2021-24E

Net profit attributable to owners turned to a loss of HK\$ 1,095mn in 2021 from profit of HK\$ 659mn in 2020, mainly due to the provision for impairment in Shougang Resource. The core net profit excluding one-off impact was HK\$ 116mn in 2021 respectively. The corresponding core net profit margin (attributed to shareholders) was 9.7%, respectively. Going forward, we expect core net profit to increase by 15% CAGR in 2022-24E to HK\$1,222mn in 2024E with net margin to peak in 2022E and gradually contracted to 30-40% level.

Figure 31: Core net profit attributable to shareholders



Source: Company data, CMBIGM estimates

Valuation

Figure 32: Valuation comps

Company	Ticker	CMBI rating	TP (LC)	Last price (LC)	Mkt Cap (HK\$ mn)	Mkt Cap (LC)	P/E				Dividend Yield		Payout
							21A	22E	23E	24E	21A	22E	21A
Shoucheng Holdings	697 HK	BUY	2.2	1.7	12,799	12,799	n.a.	13.7	11.6	9.6	5.7%	5.8%	n.a.
Real Estate Fund Mangement													
ESR Group	1821 HK	NR	NA	13.3	58,895	58,895	15.6	12.7	11.8	9.5	0.0%	1.6%	0%
Capital Land Investment	CLI SP	NR	NA	3.6	108,558	18,643	9.7	22.1	17.0	15.0	3.3%	3.3%	32%
Brookfield Asset Management	BAM US	NR	NA	33.8	109,366	13,933	n.a.	n.a.	24.3	20.6	n.a.	n.a.	n.a.
Carlyle Group	CG US	NR	NA	34.4	98,405	12,536	4.0	9.0	9.3	7.7	2.9%	3.8%	12%
Parking Business													
PARK24 Co.,Ltd	4666 JP	NR	NA	1977.0	19,408	338,163	n.a.	129.9	24.4	18.9	0.0%	0.0%	0%
Nippon Parking	2353 JP	NR	NA	269.0	5,379	93,719	37.8	28.0	20.1	17.8	1.8%	1.9%	67%
Average						Average	9.5	22.7	16.6	14.0	3.2%	3.1%	23.4%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE Dec 31 (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	706	1,195	1,774	2,725	3,577
Parking	481	613	911	1,789	2,506
Fund management	213	558	839	913	1,047
Others	12	23	24	24	25
Cost of sales	(531)	(648)	(890)	(1,528)	(2,081)
Gross profit	174	547	883	1,197	1,495
Other income	138	365	541	273	179
Selling and marketing	-	-	-	-	-
Administrative	(251)	(343)	(195)	(245)	(322)
Other expenses	-	-	-	-	-
Operating profit	62	569	1,229	1,225	1,352
Share from JCE	687	131	106	300	393
Finance cost	(77)	(74)	(88)	(87)	(89)
Pre-tax profit	672	(989)	1,247	1,438	1,657
Income tax	(37)	(124)	(312)	(359)	(414)
Deferred income tax	16	(38)	-	-	-
Withholding tax	0	-15	0	0	0
Profit from discontinued	-	-	-	-	-
Profit for the year	635	(1,114)	935	1,078	1,242
Non-controlling interest	(23)	(18)	15	18	20
Core net profit	659	116	920	1,061	1,222

Cash flow summary

YE 31 Dec (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Profit before tax	672	(989)	1,247	1,438	1,657
D&A	174	229	194	180	167
Change in working capital	(46)	(1,042)	(623)	(152)	(143)
Income tax paid	(29)	(53)	(312)	(359)	(414)
Interest/ dividend paid	(16)	(222)	(88)	(87)	(89)
Share of profits from asso. and JVs	(687)	(131)	(106)	(300)	(393)
Others	(4)	1,425	3,612	-	-
Cash flow from operating	63	(783)	3,924	719	784
CAPEX	(98)	(2)	(2)	(2)	(2)
Interest / dividend income	331	375	88	87	89
Others	(528)	(481)	(44)	(1,042)	(1,039)
Cash flow from investing	(295)	(108)	42	(957)	(952)
Equity raised	477	419	-	-	-
Change of debts	(19)	233	(89)	3	(38)
Dividends paid	(800)	(712)	(700)	(736)	(849)
Others	1,229	(244)	-	(0)	0
Cash flow from financing	887	-	-	-	-
Net change in cash	655	(1,195)	3,176	(970)	(1,054)
Cash at the beginning of the year	3,057	3,739	2,573	5,750	4,779
FX differences	26	30	-	-	-
Cash at the end of the year	3,739	2,573	5,750	4,779	3,724

Balance sheet

YE 31 Dec (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	9,311	5,275	5,526	6,995	8,527
Property, plant and equipment	40	36	31	28	25
Investment properties	159	257	257	1,257	2,257
Contract assets	88	124	124	124	124
Right-of-use assets	1,753	2,205	2,078	1,960	1,848
JV and associates	5,926	1,028	1,135	1,434	1,828
Prepayment	297	133	425	730	994
Others	2,890	3,822	3,678	3,546	3,423
Current assets	4,814	8,106	8,211	7,744	7,139
Cash and cash equivalents	3,739	2,573	5,750	4,779	3,724
Trade and other receivable	524	398	938	1,442	1,892
Short term investment	515	1,523	1,523	1,523	1,523
Others	37	3,612	-	-	-
Total Asset	14,126	13,382	13,738	14,739	15,667
Current liabilities	700	1,008	1,202	1,935	2,542
Trade and other payables	421	629	780	1,338	1,823
Contract liabilities	89	24	35	54	71
Leasing liabilities	123	77	62	49	40
Others	190	355	387	543	648
Non-current liabilities	1,506	2,146	2,072	1,998	1,925
Borrowings	477	574	651	713	763
Lease liabilities-non curren	1,012	1,512	1,361	1,225	1,103
Deferred tax liabilities	18	60	60	60	60
Others	1,488	2,086	2,012	1,938	1,865
Total liabilities	2,206	3,154	3,274	3,933	4,467
Share capital	12,128	12,547	12,547	12,547	12,547
Reserves	(355)	(2,406)	(2,186)	(1,861)	(1,488)
Non-controlling interests	147	88	103	121	141
Total Equity	11,919	10,228	10,464	10,806	11,200

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Parking	68.1	51.3	51.4	65.6	70.1
Fund management	30.1	46.7	47.3	33.5	29.3
Others	1.7	1.9	1.3	0.9	0.7
Total	100.0	100.0	100.0	100.0	100.0
Growth (%)					
Revenue	78.2	69.3	48.4	53.7	31.2
Net profit	48.7	(82.4)	692.9	15.3	15.2
Profit & loss ratios (%)					
Gross margin	24.7	45.8	49.8	43.9	41.8
Operating margin	8.8	47.6	69.3	44.9	37.8
Net margin	93.3	9.7	51.9	38.9	34.2
Effective tax rate	5.4	-12.6	25.0	25.0	25.0
Balance sheet ratios					
Cash/total assets (%)	26.5	19.2	15.6	14.7	13.5
Current ratio (x)	6.88	8.04	6.83	4.52	3.60
Receivable turnover days	271.1	121.6	193.1	193.1	193.1
Payable turnover days	289	355	320	320	320
Returns (%)					
ROE	5.6	1.1	8.9	9.9	11.1
Per share					
Core EPS (HK\$)	0.10	0.02	0.13	0.15	0.17
DPS (HK\$)	0.12	0.10	0.10	0.12	0.13
BVPS (HK\$)	1.72	1.41	1.42	1.47	1.52

Source: Company data, CMBIGM estimates

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