China Overseas Property Holdings (2669 HK)

1H26: Earnings Fall 9% On Margin Compression; Interim Payout Lifted To 40%

Highlights

- 1H26 attributable net profit fell 9.0% yoy to Rmb701m, with revenue up 4.5% yoy but group gross margin down 2.0ppt yoy to 14.9%.
- GFA under management rose 3.7% hoh to 495.4m sqm and third-party share reached 43.3%, but property management services margin fell to 13.0% (1H25: 15.4%).
- Receivable turnover lengthened by nine days yoy to 82.5 days; interim DPS rose to HK$0.10, implying a payout ratio of 40.3%. Maintain BUY with an unchanged target price of HK$4.20.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	1H25	yoy
Revenue	7,485	7,161	4.5%
- Property management services	6,202	5,668	9.4%
- Community VAS	525	608	(13.7%)
- VAS to non-property owners	733	858	(14.6%)
- Carparking trading	25	27	(7.0%)
Gross profit	1,113	1,210	(8.0%)
Attributable net profit	701	770	(9.0%)
EPS (Rmb)	0.21	0.23	(9.0%)
DPS (HK$) (incl special dividend in 1H25)	0.10	0.10	flat
DPS (HK$) (excl special dividend in 1H25)	0.10	0.09	11.1%
Payout ratio (%) (incl special dividend in 1H25)	40.3	39.0	1.3ppt
Payout ratio (%) (excl special dividend in 1H25)	40.3	35.1	5.2ppt
Margins	1H26	1H25	yoy chg
Gross profit margin (%)	14.9	16.9	(2.0ppt)
- Property management services	13.0	15.4	(2.4ppt)
- Community VAS	39.2	35.2	4.0ppt
- VAS to non-property owners	13.3	13.4	(0.1ppt)
SG&A/revenue (%)	2.4	2.1	0.3ppt
Net profit margin (%)	9.4	10.8	(1.4ppt)

Note: 1H25 is on a restated basis following the common-control combination with China State Construction Property Management on 29 Dec 25. As FY25 was not restated, no comparable 2H25 can be derived.

Source: COPH, UOB Kay Hian

Analysis

- **1H26 results were in line with our expectation.** China Overseas Property Holdings' (COPH) attributable net profit fell 9.0% yoy to Rmb701m, with: a) revenue growth of 4.5% yoy to Rmb7,485m; b) a group gross profit margin of 14.9%, down 2.0ppt yoy; c) an SG&A to revenue ratio of 2.4% (1H25: 2.1%); and d) a cash position of Rmb5.73b, down 8.6% hoh. The company announced an interim DPS of HK$0.10 (1H25: an interim DPS of HK$0.09 plus a special DPS of HK$0.01 for its 10th listing anniversary), taking the interim payout ratio to 40.3% (1H25: 39.0% including the special dividend).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	14,113	14,960	15,356	15,741	16,208
EBITDA	2,005	1,906	1,651	1,629	1,663
Operating profit	1,902	1,826	1,571	1,549	1,583
Net profit (rep./act.)	1,514	1,367	1,226	1,213	1,243
Net profit (adj.)	1,514	1,367	1,226	1,213	1,243
EPS (fen)	46.1	41.6	37.3	36.9	37.8
PE (x)	6.3	6.9	7.7	7.8	7.6
P/B (x)	1.9	1.6	1.4	1.3	1.2
EV/EBITDA (x)	1.5	1.6	1.9	1.9	1.9
Dividend yield (%)	5.7	6.2	5.3	5.5	5.9
Net margin (%)	10.7	9.1	8.0	7.7	7.7
Net debt/(cash) to equity (%)	(114.3)	(107.1)	(98.4)	(88.3)	(89.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)		24.9	19.7	17.5	16.3
Consensus net profit (Rmbm)	-	-	1,366.8	1,320.6	1,336.6
UOBKH/Consensus (x)	-	-	0.90	0.92	0.93

Source: COPH, Bloomberg, UOB Kay Hian

Analyst(s)

Damon Shen
damonshen@uobkh.com
+86 21 54047225 ext.820

Liu Jieqi
Jieqi.Liu@uobkh.com
+852 28261392

BUY (Maintained)

Share Price	HK$3.365
Target Price	HK$4.20
Upside	+24.8%

Stock Data

Sector	Real Estate
Bloomberg ticker	2669 HK
Shares issued (m)	3,284.0
Market cap (HK$m)	11,050.6
Market cap (US$m)	1,408.8
3-mth avg daily t'ov (US$m)	3.5

Price Performance (%)

52-week high/low				HK$5.95/HK$3.15
1mth	3mth	6mth	1yr	YTD
(6.5)	(11.9)	(21.6)	(42.7)	(25.6)

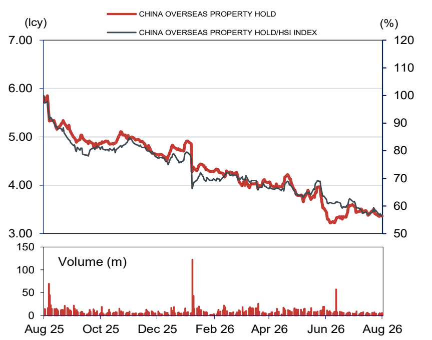
Major Shareholders (%)

China Overseas Land & Investment	56.1.

Balance Sheet Metrics

FY26 Net cash/share (Rmb)	1.97
FY26 BVPS (Rmb)	2.00

Price Chart



Source: Bloomberg

Company Description

China Overseas Property Holdings provides property management and value-added services in China and Hong Kong, and is the property management arm of China Overseas Land & Investment.

- **Faster GFA expansion alongside continued portfolio optimisation.** GFA under management reached 495.4m sqm at end-Jun 26, a net increase of 17.8m sqm from end-25 (up 3.7% hoh and 13.6% yoy), as newly added GFA of 37.0m sqm (85.9% from independent third parties) more than offset the exit of 19.2m sqm of expiring or underperforming contracts. Newly signed contracts were worth Rmb2,497m, of which 61.1% was urban operation projects. By source of projects, independent third parties rose to 43.3% of GFA under management (end-25: 42.7%); by type, non-residential rose to 33.4% (end-25: 31.4%), with urban operation projects at 22.3% (end-25: 20.7%).
- **Revenue growth was led by basic property management, while both value-added services (VAS) segments contracted.** Property management (PM) services revenue rose 9.4% yoy to Rmb6,202m on GFA expansion, with lump sum contracts up 9.6% yoy and commission-based contracts up 2.8% yoy. VAS to non-property owners fell 14.6% yoy to Rmb733m as the developer-facing business remained under pressure. Community VAS fell 13.7% yoy to Rmb525m, as community asset operation held up relatively well (-3.8% yoy) but home living and commercial operation services fell 25.5% yoy on cautious consumption. Carparking trading fell 7.0% yoy to Rmb25m.
- **Margin compression is the key negative.** PM services gross margin fell 2.4ppt yoy to 13.0%, with the lump sum model down to 11.1% (1H25: 13.5%) on price cuts, contract exits and persistently high labour costs, while commission-based contracts remained at 100%. Community VAS margin rose 4.0ppt yoy to 39.2% on a higher weighting of community asset operation, and VAS to non-property owners was broadly stable at 13.3% (1H25: 13.4%). SG&A rose 19.3% yoy, lifting the SG&A to revenue ratio to 2.4% (1H25: 2.1%). Amid persistently high labour costs and the exit from low-margin contracts, we expect the company's operating efficiency and basic property management gross margin to remain under sustained pressure.
- **Receivable pressure increased.** Trade and retention receivables rose 23.7% yoy to Rmb3,980m and cash fell by 8.6% to Rmb5.73b (end-25: Rmb6.27b), partly reflecting the continued deterioration in collection efficiency. Receivables turnover days increased by nine days yoy to 82.5 days in 1H26.
- **Management expects to steadily increase dividend payout ratio. T**he interim payout ratio was raised to 40.3%, from 35.1% in 1H25 excluding the special dividend, and management expects the payout ratio to increase steadily going forward.

Earnings Revision/Risk

- **We keep our 2026-28 earnings forecasts unchanged.** 1H26 attributable net profit represents 57.2% of our full-year 2026 forecast of Rmb1,226m, and the first-half margin trend points to downside risks to that forecast.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$4.20,** derived from a DCF model with a WACC of 12.9% and a terminal growth rate of 1.0%. COPH is currently trading at 7.8x 2026F PE and offers a 5.3% 2026F dividend yield.

Share Price Catalyst

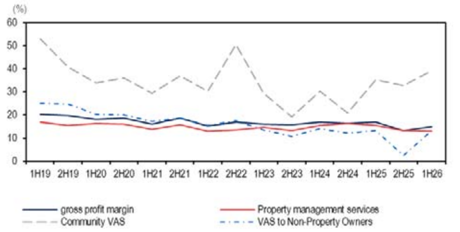
- a) Faster-than-expected third-party expansion; b) stabilisation of the lump sum gross margin; c) a further increase in the dividend payout ratio.

COPH's Key Operational Data

Operation data (m sqm)	Jun 25	Dec 25	Jun 26	YoY %	HoH %
GFA under management	436.1	477.6	495.4	13.6	3.7
- From CSC/COLI Group	265.5	273.5	281.0	5.8	2.7
- From third parties	170.6	204.1	214.4	25.7	5.0
- Residential	316.8	327.8	329.7	4.1	0.6
- Non-residential	119.3	149.8	165.7	38.9	10.6
- Commercial/offices	46.0	51.0	55.0	19.6	7.8
- Urban operation	73.3	98.8	110.7	51.0	12.0
Third-party share (%)	39.1	42.7	43.3	4.2ppt	0.6ppt
Period flows	1H25	2H25	1H26		
Net newly added GFA	5.0	41.5	17.8	256.0	(57.1)
- Residential projects	9.3	11.0	1.9	(79.6)	(82.7)
- Commercial and office	(4.3)	30.5	15.9	turn positive	(47.9)

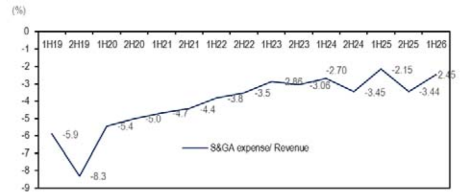
Source: COPH, UOB Kay Hian

Gross Profit Margin Of Segments



Source: COPH, UOB Kay Hian

SG&A Expense/Revenue



Source: COPH, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	14,959.9	15,355.5	15,741.1	16,207.9
EBITDA	1,906.4	1,651.5	1,628.6	1,663.0
Deprec. & amort.	80.0	80.0	80.0	80.0
EBIT	1,826.4	1,571.5	1,548.6	1,583.0
Total other non-operating income	1.8	76.8	82.6	88.8
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	0.0	0.0	0.0	0.0
Pre-tax profit	1,828.1	1,648.3	1,631.3	1,671.8
Tax	-450.4	-412.0	-407.7	-417.8
Minorities	-10.7	-10.7	-10.7	-10.7
Net profit	1,367.0	1,225.5	1,212.8	1,243.2
Net profit (adj.)	1,367.0	1,225.5	1,212.8	1,243.2

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	277.2	247.2	217.2	187.2
Other LT assets	502.7	502.7	502.7	502.7
Cash/ST investment	6,270.7	6,473.5	6,421.2	7,146.7
Other current assets	5,908.0	6,380.6	6,824.4	7,558.4
Total assets	12,958.6	13,604.1	13,965.6	15,395.1
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	6,976.1	6,878.7	6,529.7	7,256.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	52.2	60.9	69.5	78.2
Shareholders' equity	5,854.5	6,577.9	7,268.9	7,952.4
Minority interest	75.9	86.6	97.3	108.1
Total liabilities & equity	12,958.6	13,604.1	13,965.6	15,395.1

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	1,449.1	633.9	395.3	1,208.6
Profit fo the year	1,828.1	1,648.3	1,631.3	1,671.8
Tax	-450.4	-412.0	-407.7	-417.8
Deprec. & amort.	80.0	80.0	80.0	80.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	-28.0	-698.3	-921.1	-135.8
Non-cash items	30.3	27.0	24.0	21.7
Other operating cashflows	-11.0	-11.0	-11.1	-11.3
Investing	-413.7	80.4	86.3	92.5
Capex (growth)	-50.0	-50.0	-50.0	-50.0
Investment	0.0	0.0	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Others	-363.7	130.4	136.3	142.5
Financing	-597.4	-511.5	-533.9	-575.6
Dividend payments	-589.9	-501.8	-521.3	-559.2
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	-7.5	-9.7	-12.6	-16.4
Net cash inflow (outflow)	438.1	202.8	-52.3	725.5
Beginning cash & cash equivalent	5,832.7	6,270.7	6,473.5	6,421.2
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	6,270.7	6,473.5	6,421.2	7,146.7

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.7	10.8	10.3	10.3
Pre-tax margin	12.2	10.7	10.4	10.3
Net margin	9.1	8.0	7.7	7.7
ROA	10.9	9.2	8.8	8.5
ROE	24.9	19.7	17.5	16.3
Growth				
Turnover	6.0	2.6	2.5	3.0
EBITDA	(4.9)	(13.4)	(1.4)	2.1
Pre-tax profit	(9.4)	(9.8)	(1.0)	2.5
Net profit	(9.7)	(10.3)	(1.0)	2.5
Net profit (adj.)	(9.7)	(10.3)	(1.0)	2.5
EPS	(9.7)	(10.3)	(1.0)	2.5
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(107.1)	(98.4)	(88.3)	(89.9)
Interest cover (x)	12.7	10.8	10.3	10.3
EBITDA margin	12.2	10.7	10.4	10.3
Pre-tax margin	9.1	8.0	7.7	7.7
Net margin	10.9	9.2	8.8	8.5