

CR Mixc Lifestyle (1209 HK)

Upside from mall upgrade and office commercial operation

With strong 1H21 results driven by shopping mall and office segments, we are more positive on its commercial operation as 1) expansion of third-party malls beat expectation and the trend will further accelerate as management commits to upgrade to more high-end malls for its branding. 2) Office commercial operation will also pick up fast to cover more of its own projects. Together with some M&A, it can achieve >30% revenue CAGR and 30% GPM in 2021-25E. It is currently trading at 38x 2022E PE (vs. historical average of 40x). It remains our top pick.

- 1H21 results in line:** The Company delivered 138% YoY growth in 1H21 earnings at RMB806mn, on the high end of profit alert 130-140%, but core profits grew 116% YoY after excluding the fair value gain. The total revenue grew 28% YoY to RMB4.0bn in 1H21 and gross margin jumped 8ppt YoY to 32.2% YoY due to change to commission base from lump sum basis. As a result, NPM was up by 9ppt YoY to 20% in 1H21.
- third-party expansion to catch up in 2H21 on M&A and SOE reform:** in 1H21 PM segment grew 42% YoY driven by 25% growth in managed GFA to 122mn sq m and 150% YoY increase in Community VAS. Also GP Margin expanded by 3.9ppt to 17.9% due to average management fee rise. However, the contracted GFA only grew 23% YoY mainly due to the drag in third-party expansion at 17mn sq m and it is slightly below full-year schedule of 45mn sq m. Management explained to accelerate M&A progress in 2H21 after the market cools down and also looks for opportunities in SOE reform.
- Shopping malls – third-party expansion beat and more high-end malls:** riding on the strong retails sales of its malls (up 85% YoY), the segment recorded 74% YoY growth in 1H21 gross profits on commercial operation. Its solid operation capability has allowed it to way outperform the market and thus can attract operating opportunities from third-party malls. In 1H21, CR has expanded 8 third-party malls and is on track to beat the full-year target of 10 malls. In order to further build up its branding power and attract third-party malls, the Company will increase the number of high-end malls to 15-20 in the mid-term which could also benefit the overall rental outlook.
- Commercial operation the new engine for Office:** the segment recorded 54% YoY growth to RMB690mn (17% of total revenue) driven by +38% YoY in managed GFA and introduction of the commercial operation since 2H20. Also it has improved the occupancy rate to 83.3% in 1H2 (+7.9ppt YoY). This would again prove company's strong capability and help its third-party expansion. Moreover, we see huge upside on commercial operation which will be provided to more GFAs under its management (so far only 20% of its managed GFA). Segment GP margin improved to 35.3% vs. 33.7% in 1H20.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	4,432	5,868	6,779	8,984	11,957
YoY growth (%)	41.6	32.4	15.5	32.5	33.1
Net income (RMB mn)	423	365	818	1,580	2,115
EPS (RMB)	N.A.	N.A.	0.49	0.69	0.93
YoY growth (%)	N.A.	N.A.	N.A.	42.8	33.8
Consensus EPS (RMB)	N.A.	N.A.	0.33	0.63	0.86
P/E (x)	N.A.	N.A.	82.1	57.5	38.0
P/B (x)	N.A.	N.A.	7.3	6.5	6.0
Yield (%)	N.A.	N.A.	0.3	0.6	0.8
ROE (%)	63.4	35.4	6.6	11.3	14.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$56.00
(Previous TP)	HK\$56.00)
Up/Downside	+34.9%
Current Price	HK\$41.50

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	94,724
Avg 3 mths t/o (HK\$ mn)	249.41
52w High/Low (HK\$)	55.25/27.25
Total Issued Shares (mn)	2,283

Source: Bloomberg

Shareholding Structure

CR Land & CR Holdings	73.7%
Free float	26.3%

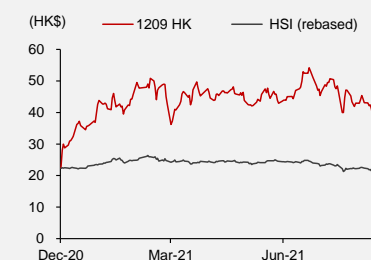
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.5%	-6.0%
3-mth	-13.2%	-4.1%
6-mth	-6.5%	8.0%
12-mth	N.A.	N.A.

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Figure 1: 1H2021 results summary

RMB mn	1H20	1H21	YoY	1H/2020	1H/2021E
Revenue	3,134	4,014	28%	46%	45%
- Residential	1,681	2,392	42%		
- Commercial	1,453	1,623	12%		
Gross profit	755	1,293	71%		
Net profit	339	806	138%		
Core profit (excl. FV gain)	361	779	116%	44%	49%
GP Margin	24.1%	32.2%	8.1 ppt		
Net Margin	10.8%	20.1%	9.3 ppt		
Managed GFA - residential (mn sqm)	97.5	121.8	25%		
Managed GFA - shopping mall (mn sqm)	5.6	7.0	24%		
Managed GFA - office (mn sqm)	5.1	7.1	38%		
GP margin - Residential	14.0%	17.9%	3.9 ppt		
GP margin - Shopping mall	36.0%	67.7%	31.7 ppt		
GP margin - Office	33.7%	35.3%	1.6 ppt		

Source: Company data, CMBIS

CR Mixc Lifestyle – 1H21 results in inline: The Company delivered 138% YoY growth in 1H21 earnings at RMB806mn, on the high end of profit alert of 130-140%, but core profits grew 116% YoY after excluding the fair value gain. The total revenue grew 28% YoY to RMB4.0bn in 1H2021 mainly driven by PM (+42% YoY) sector with its strong growth in Community VAS. Gross margin jumped 8ppt YoY to 32.2% YoY due to strong pick up in shopping mall business and change to commission base from lump sum basis. As a result, NPM was up by 9ppt YoY to 20% in 1H21.

PM segment grew 43% YoY in 1H21, mainly driven by 25% growth in managed GFA to 122mn sq m and 150% YoY increase in Community VAS. GP Margin also expanded by 3.9ppt to 17.9% in all the sub-segments.

Revenue from shopping mall segment dropped by 7% YoY to RMB932mn in 1H21 due to change of commission base. It was compensated by huge improvement in GPM to 68% in 1H21 vs. 36% in 1H20. The managed GFA increased by 24% to 7mn sq m and total 64 shopping malls are in operation in 1H21.

Office segment recorded 54% YoY growth to RMB690mn (17% of total revenue) driven by 38% increase in managed GFA and start of the commercial operation services since 2H20. The overall occupancy rate was 83.3% in 1H21 (up 7.9ppt) and this would provide solid foundation for to carry more commercial operation (now only 20% managed GFA has been offered). GP margin improved to 35.3% vs. 33.7% in 1H20.

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	4,432	5,868	6,779	8,984	11,957
Residential PM	2,763	3,472	3,884	5,155	7,110
Commercial op. and PM	1,668	2,397	2,895	3,829	4,847
Cost of sales	(3,766)	(4,926)	(4,952)	(6,076)	(8,069)
Gross Profit	665	942	1,827	2,908	3,888
Other income	55	77	180	77	79
Selling expenses	(54)	(71)	(50)	(63)	(84)
Administrative expenses	(335)	(432)	(747)	(674)	(897)
Other gains/(losses)	308	45	(3)	(5)	(5)
Operating profit	640	561	1,207	2,244	2,981
JV/Associates	-	-	-	-	-
Finance cost	(68)	(64)	(72)	(64)	(64)
Pre-tax Profit	572	497	1,135	2,180	2,917
Income tax	(149)	(132)	(317)	(599)	(802)
PROFIT FOR THE YEAR	423	365	818	1,580	2,115
Non-controlling interest	-	-	-	-	-
Net Profit to shareholders	423	365	818	1,580	2,115

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Profit before tax	572	497	1,135	2,180	2,917
D&A	42	53	50	54	58
Change in working capital	865	(10)	1,116	196	571
Others	(337)	(84)	(317)	(599)	(802)
Net cash from operating	1,142	455	1,984	1,831	2,743
Capex	(184)	(76)	(70)	(70)	(70)
JV/Associates	-	1	2	3	4
Others	(544)	(1,009)	(2)	(3)	(4)
Net cash from investing	(727)	(1,084)	(70)	(70)	(70)
Equity raised	-	-	11,051	-	-
Change of debts	73	191	522	-	-
Others	(223)	(92)	(3,780)	(301)	(569)
Net cash from financing	(150)	99	7,793	(301)	(569)
Net change in cash	265	(531)	9,707	1,460	2,104
Cash at the beginning of year	871	1,136	605	10,312	11,772
Exchange difference	-	-	-	-	-
Cash at the end of the year	1,136	605	10,312	11,772	13,876

Key ratios

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Non-current assets	2,382	2,478	2,744	2,651	2,671
PP&E	180	203	260	251	269
Investment properties	2,168	2,218	2,234	2,234	2,234
Others	34	57	250	166	168
Current assets	3,360	4,623	16,332	18,359	21,247
Inventories	106	106	196	241	320
Trade and other receivables	1,933	3,188	1,608	2,132	2,837
Cash and cash equivalents	1,136	605	10,312	11,772	13,876
Others	185	724	4,215	4,215	4,215
Total assets	5,742	7,101	19,076	21,010	23,918
Current liabilities	3,685	4,637	5,055	5,527	7,323
Trade and other payables	2,898	3,739	3,366	4,129	5,484
Others	787	899	1,690	1,397	1,839
Non-current liabilities	1,390	1,432	1,558	1,558	1,558
Deferred income tax liabilities	176	202	226	226	226
Others	1,214	1,230	1,332	1,332	1,332
Total liabilities	5,075	6,070	6,613	7,085	8,881
Equity to shareholders	667	1,032	12,463	13,925	15,037
Non-controlling interests	-	-	-	-	-
Total Equity	667	1,032	12,463	13,925	15,037

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E
Sales mix (%)					
Residential PM	62.4	59.2	57.3	57.4	59.5
Commercial op. and PM	37.6	40.8	42.7	42.6	40.5
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross margin	15.0	16.1	27.0	32.4	32.5
Net margin	9.5	6.2	12.1	17.6	17.7
Effective tax rate	26.1	26.5	27.9	27.5	27.5
Growth (%)					
Revenue	41.6	32.4	15.5	32.5	33.1
Gross profit	63.4	41.6	93.9	59.2	33.7
Operating profit	17.6	-12.4	115.3	85.9	32.8
Net profit	8.9	-13.7	124.1	93.2	33.8
Balance sheet ratios					
Current ratio (x)	0.9	1.0	3.2	3.3	2.9
Receivable turnover days	35	37	44	44	44
Returns (%)					
ROE	63.4	35.4	6.6	11.3	14.1
ROA	7.4	5.1	4.3	7.5	8.8
Per share					
EPS (RMB)	N.A.	N.A.	0.49	0.69	0.93
DPS (RMB)	N.A.	N.A.	0.13	0.25	0.33
BVPS (RMB)	N.A.	N.A.	5.46	6.10	6.59

Source: Company data, CMBIS estimates

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