

CR Mixc Lifestyle (1209 HK)

Implication of acquiring Yuzhou's residential PM on MixC and the property sector

- What's New?** On the eve of 5 Jan, MixC announced the acquisition of Yuzhou's residential PM arm, which has managed/contracted GFA of 17.6/26.6mn sq m in 2020. The total consideration for this deal shall not be higher than RMB1.06bn.
- Quantitative and qualitative impact on MixC:** On the Pro Forma basis, Yujia can bring 18.6%/16.5% boost for MixC's contracted and managed GFA and 6% boost on MixC's net profit in 2020. If we assume Yujia's net profit to double in 2021E, the valuation is estimated to be 11x 2021E PE, which is not cheap given that small players are trading at below 8x. In terms of synergy, acquisitions of residential PM may not be in line with Mixc's focus on commercial property management. (Note that Yuzhou did not sell its commercial PM business to MixC.) Lastly, as Yuzhou's pressure mounts, the parent co risk of Yujia in regard to delivery is being transferred to MixC.
- Implication on property sector:** Positive for property sector as SOE stepped up its help to alleviate default risks of non-SOE developers. However, we think SOE may still take a conservative stance on M&A, which means it alone is not suffice to solve the cash shortage. To recall, on 20 Dec 2021, [PBOC and CBIRC both encouraged quality developers to engage in M&As](#) and urged financial institutions to provide M&A financial services. MixC's M&A deal with Yujia bore the significance that SOEs are stepping up to help. Moreover, on 31 Dec, [China South City announced the change of its single largest shareholder to SZCDG](#) (Shenzhen LGFV owned by SASAC). In our [last report](#), we mentioned the next focal point in the property sector could be the potential technical default (exchange offer or extension) of Yuzhou's US\$242mn bond due 23 Jan and US\$347mn bond due 25 Jan. The announcement of this deal will alleviate some of the concerns in Yuzhou's ability for repayment, though the size is not enough to cover the full payment.
- Which SOE PM firms may do M&A:** Poly Property Management is likely as they are actively looking for assets after the share incentives, but unlikely for Onowo (mainly because it has already acquired Yango Smart Services) and COSP (because it has less cash and M&A is not its focus).

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.	0.49	0.66	0.91
P/E (x)	N.A.	N.A.	54.9	38.5	28.8
P/B (x)	N.A.	N.A.	4.9	4.4	4.0
Yield (%)	N.A.	N.A.	0.5	0.9	1.3
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	+74.5%
Current Price	HK\$32.10

China Property Service Sector

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Stock Data

Mkt Cap (HK\$ mn)	73,268
Avg 3 mths t/o (HK\$ mn)	108.65
52w High/Low (HK\$)	55.25/31.75
Total Issued Shares (mn)	2,283

Source: Bloomberg

Shareholding Structure

CR Land & CR Holdings	73.7%
Free float	26.3%

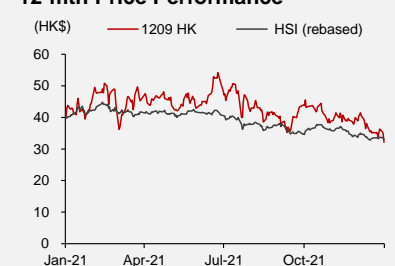
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-19.5%	-16.5%
3-mth	-27.0%	-23.1%
6-mth	-33.7%	-18.6%
12-mth	-12.9	5.1

Source: Bloomberg

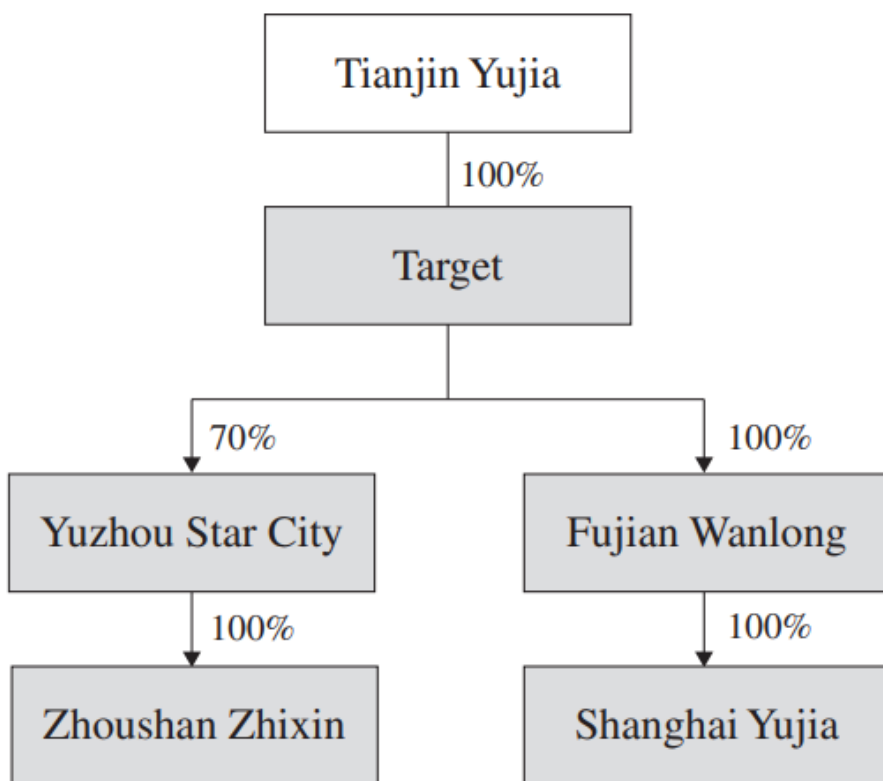
12-mth Price Performance



Source: Bloomberg

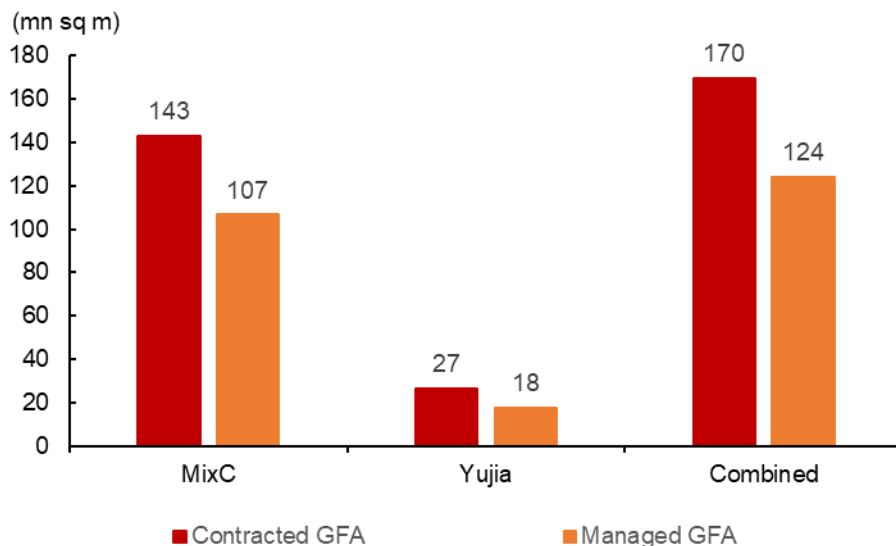
Auditor: Ernst & Young

Figure 1: Structure of Yujia

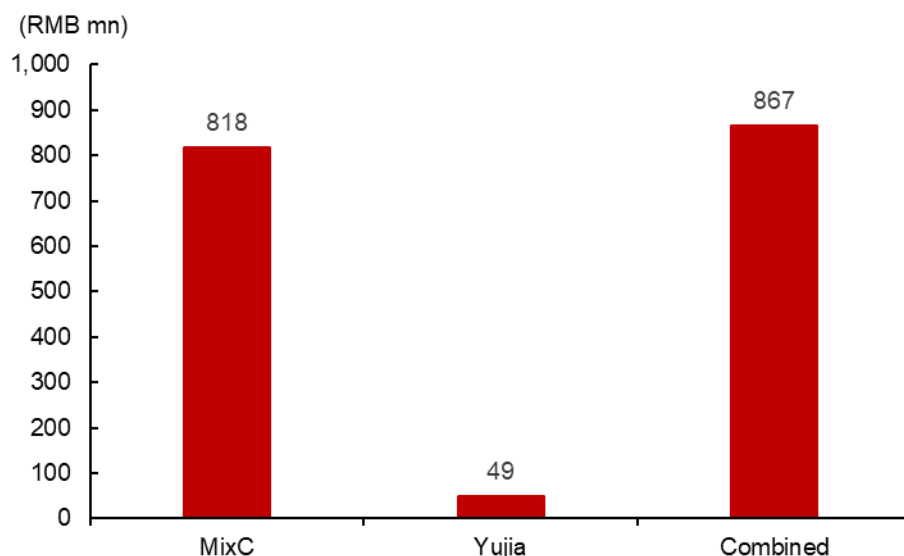


Source: Company announcement

Figure 2: GFA contribution for MixC, 2020A



Source: Company data, CMBIS

Figure 3: Net profit contribution for MixC, 2020A

Source: Company data, CMBIS

Figure 4: PM sector comps

Company	Ticker	CMBI rating	TP	Last price	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)	
			(HK\$)	(HK\$)		20A	21E	22E	21E	22E
Country Garden Services	6098 HK	BUY	91.2	46.7	157,195	46.2	27.9	19.1	65.8	45.9
CR MixC Lifestyle	1209 HK	BUY	56.0	36.4	82,969	68.6	44.7	32.5	53.6	37.3
A-Living	3319 HK	HOLD	34.2	13.3	18,886	8.4	6.1	4.7	38.9	29.4
Greentown Services	2869 HK	HOLD	9.5	7.2	23,364	31.5	20.0	15.3	57.6	30.8
Ever Sunshine	1995 HK	BUY	22.2	12.1	21,187	47.7	25.8	17.5	84.7	47.2
Poly Services	6049 HK	HOLD	53.4	61.3	33,919	44.7	31.7	24.7	41.0	28.5
S-Enjoy	1755 HK	BUY	34.6	11.2	9,725	18.1	11.4	8.0	58.2	42.7
Powerlong Commercial	9909 HK	BUY	33.2	14.5	9,322	26.4	16.3	11.9	61.5	37.7
Excellence CM	6989 HK	BUY	14.9	4.6	5,648	13.3	8.8	6.4	51.9	36.4
Central China New Life	9983 HK	BUY	12.9	5.0	6,370	11.7	8.4	6.1	40.2	36.1
Sino-Ocean Services	6677 HK	BUY	7.1	4.8	5,695	12.7	11.2	8.0	13.4	39.4
New Hope Services	3658 HK	BUY	4.4	2.9	2,361	17.2	10.1	6.5	70.7	53.8
Redsun Services	1971 HK	BUY	9.4	4.2	1,755	18.7	9.1	6.2	105.2	48.4
Evergrande Services	6666 HK	BUY	10.4	2.6	28,541	8.3	5.8	3.8	54.0	52.5
Sunac Services	1516 HK	BUY	29.8	8.0	24,524	26.3	12.8	8.0	105.3	60.6
COPH	2669 HK	NR	NA	8.3	27,182	38.0	29.1	22.4	30.6	30.3
Times Neighborhood	9928 HK	NR	NA	2.9	2,849	10.6	5.7	3.2	85.6	78.5
Aoyuan Healthy Life	3662 HK	NR	NA	2.4	1,772	6.4	4.1	2.9	55.2	42.0
Shimao Services	873 HK	NR	NA	5.4	13,436	13.1	8.4	5.7	55.0	47.6
KWG Living	3913 HK	NR	NA	3.2	6,455	15.0	7.2	4.7	108.2	53.5
Jinke Smart Services	9666 HK	NR	NA	34.0	22,164	24.0	16.2	10.8	48.1	49.4
Average						39.3	24.9	17.7	59.3	42.6

Source: Company data, CMBIS

Figure 5: Jan 2022's debt maturity schedule

Debt Maturing in Jan 2022 (USD Mn)				
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Company	Date	Amount	Bond Details	Current Px
Logan	01/03/22	62	USD Bond LOGPH 5.75 01/03/22 with US\$61.7mn outstanding	99.75
Seazen	01/07/22	49	RMB MTN FTLNHD 5.50 01/07/22 with RMB310mn outstanding	99.92
KWG	01/11/22	250	USD 250mn Bond KWG 6.00 01/11/22	98.00
R&F	01/13/22	725	USD 725mn Bond GZRFPR 5.75 01/13/22	63.00
Zhenro	01/13/22	100	USD 100mn Bond ZHPRHK 5.35 01/13/22	98.20
Shimao	01/15/22	315	RMB Bond SHSMA 4.65 01/15/22	85.00
Radiance	01/16/22	300	USD 300mn Bond JNHUIG 10.50 01/16/22	98.95
Dafa	01/18/22	185	USD Bond DAFAPG 9.95 01/18/22 with US\$185mn outstanding	90.00
Aoyuan	01/20/22	188	USD 188mn Bond CAPG 4.20 01/20/22	20.00
Poly	01/21/22	236	RMB 1500mn Bond POLYRE 3.60 01/21/22	100.00
CIFI	01/22/22	49	HKD 385mn Term Loan	-
Aoyuan	01/23/22	500	USD 500mn Bond CAPG 8.50 01/23/22	18.00
Yuzhou	01/23/22	242	USD Bond YUZHOU 8.625 01/23/22 with US\$242mn outstanding	50.00
Sinic	01/24/22	242	USD Bond SINHLD 8.50 01/24/22 with US\$242mn outstanding	5.00
Yuzhou	01/25/22	347	USD Bond YUZHOU 6.00 01/25/22 with US\$347mn outstanding	47.00
Powerlong	01/26/22	128	HKD 1000mn Bond PWRLNG 6.00 01/26/22	-
Country Garden	01/27/22	425	USD 245mn Bond COGARD 7.125 01/27/22	98.51
Zhongliang	01/31/22	203	USD Bond ZHLGHD 7.50 01/31/22 with US\$203mn outstanding	96.50

Source: Company data, CMBIS

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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