

# CR Mixc Lifestyle (1209 HK)

## 1H22E preview: still 20% growth after rental relief

Despite challenging retail environment and a potential rental relief (estimated at RMB700mn by CRL or RMB77mn impact on CR MixC), we still expect the company to deliver 20% YoY net profit growth in 1H22E. Part of the engine was the consolidation of Yujia/Zhongnan deals (completed in Mar 22) which could help pull up shopping mall commercial operation arm (7% YoY growth in 1H22E). However, 20% growth vs. current valuation of 35x 2022E may not be strong enough to support a further rally and **we suggest investors to wait until clearer trend on retail recovery as shopping mall segment is the key driver after all.**

**Risks:** pandemic in Shenzhen; and accounting receivable after M&A.

- Overall revenue/NP to grow 30/20% YoY in 1H22E:** The revenue was mainly driven by the residential segment on Yujia/Zhongnan's consolidation. Commercial operation of shopping mall was impacted by the weak retail sales and some rental relief. As a result, GP margin is estimated to be down by 2ppt YoY on mix change and NP margin may stay at 19% (Figure 1).
- Shopping mall segment impacted by rental relief:** We estimate parentco's rental income to grow only 7% YoY in 1H22E after pricing in **RMB700mn rental relief**. This time the relief was smaller than ~RMB1bn in 1H20 as it only targets SMEs in the medium to high risk regions (27% of its CRL's GFA based on our estimates). Therefore, we expect CR Mixc to deliver 7% YoY revenue growth in this segment and may see more upside in 2H22E after the revival of consumption and mall openings. Also, we expect a similar GP margin of 66% and thus GP to reach RMB659mn (42% of total vs. 49% in 1H21).
- Residential segment to grow 43% YoY in 1H22E on M&As:** Following the acquisitions of Yujia and Zhongnan Construction's PM (completed in Mar2022), it has boosted its managed GFA to 237mn sqm by Jun 22E. This would greatly boost its basic management revenue by 57% to RMB2.7bn while VAS (both non-owner/Community) business is roughly flattish due to pandemic. We expect GP margin to reach 18.5%, in line with its 20% target.
- 2021-2024E Earnings CAGR at 24%:** For the full year of 2022, we expect CR Mixc to deliver 22% YoY growth to RMB2.1bn after factoring in the challenging retail environment. However, the earnings is estimated to take off in 2023E at 26% after normalization. As market de-rating, we also adjust our targeted PE multiple for CR Mixc to 40x 2022E (vs. 50x previously) and this would imply target price of HK\$44.3/share. Currently, the stock is trading at 35x 2022E PE, close to 36x which is 1-std deviation below historical average.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	6,779	8,875	11,329	14,887	18,032
YoY growth (%)	15.5	30.9	27.6	31.4	21.1
Net income (RMB mn)	818	1,726	2,111	2,660	3,262
EPS (RMB)	0.49	0.76	0.92	1.17	1.43
YoY growth (%)	N.A.	55.9	22.3	26.0	22.6
Consensus EPS (RMB)	0.33	0.63	0.86	0.86	0.86
P/E (x)	65.8	42.2	34.5	27.4	22.3
P/B (x)	5.8	5.2	4.8	4.3	3.8
Yield (%)	0.4	0.9	1.0	1.3	1.6
ROE (%)	6.6	12.4	13.8	15.5	16.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

**Target Price** HK\$44.30  
(Previous TP) HK\$56.00  
**Up/Downside** +15.3%  
**Current Price** HK\$38.45

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### Stock Data

Mkt Cap (HK\$ mn)	87,762
Avg 3 mths t/o (HK\$ mn)	84.17
52w High/Low (HK\$)	51.80/28.60
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	-0.4%	-0.1%
3-mth	-6.3%	-4.1%
6-mth	19.8%	28.0%
12-mth	-17.6%	7.1%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: Ernst & Young**

Figure 1: 1H22E results forecast

RMB mn	1H20	1H21	1H22E	YoY	1H/2021	1H/2022E
<b>Revenue</b>	<b>3,134</b>	<b>4,014</b>	<b>5,204</b>	<b>30%</b>	<b>45%</b>	<b>46%</b>
<b>Residential</b>	1,681	2,392	3,413	43%		
- Basic Fee	1,317	1,736	2,726	57%		
- Non-owner VAS	237	340	340	0%		
- Community VAS	126	315	347	10%		
<b>Commercial</b>	1,453	1,623	1,792	10%		
- Shopping mall	1,005	933	998	7%		
- Office	448	690	793	15%		
<b>Gross profit</b>	<b>755</b>	<b>1,293</b>	<b>1,552</b>	<b>20%</b>	47%	46%
<b>Net profit</b>	<b>339</b>	<b>806</b>	<b>967</b>	<b>20%</b>	47%	46%
<b>GP Margin</b>	<b>24.1%</b>	<b>32.2%</b>	<b>29.8%</b>	<b>-2.4 ppt</b>		
<b>Net Margin</b>	<b>10.8%</b>	<b>20.1%</b>	<b>18.6%</b>	<b>-1.5 ppt</b>		
Managed GFA - residential (mn sqm)	97.5	121.8	237.3	95%		
GP margin - Residential	14.0%	17.9%	18.5%	<b>0.6 ppt</b>		
GP margin - Shopping mall	36.0%	67.7%	66.0%	<b>-1.7 ppt</b>		
GP margin - Office	33.7%	35.3%	33.0%	<b>-2.3 ppt</b>		

Source: CMBIGM

Figure 2: 1-yr forward PE band of CR Mixc



Source: Bloomberg

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>6,779</b>	<b>8,875</b>	<b>11,329</b>	<b>14,887</b>	<b>18,032</b>
Residential PM	3,884	5,310	7,263	9,749	11,762
Commercial op. and PM	2,895	3,565	4,066	5,138	6,270
Cost of sales	(4,952)	(6,117)	(7,970)	(10,486)	(12,558)
<b>Gross Profit</b>	<b>1,827</b>	<b>2,759</b>	<b>3,359</b>	<b>4,401</b>	<b>5,475</b>
Other income	180	523	439	489	489
Selling expenses	(50)	(58)	(79)	(104)	(126)
Administrative expenses	(747)	(819)	(793)	(1,117)	(1,352)
Other gains/(losses)	(3)	9	(5)	(5)	(5)
<b>Operating profit</b>	<b>1,207</b>	<b>2,414</b>	<b>2,921</b>	<b>3,664</b>	<b>4,480</b>
JV/Associates	-	-	-	-	-
Finance cost	(72)	(76)	(64)	(64)	(64)
<b>Pre-tax Profit</b>	<b>1,135</b>	<b>2,337</b>	<b>2,857</b>	<b>3,600</b>	<b>4,416</b>
Income tax	(317)	(610)	(746)	(941)	(1,151)
<b>PROFIT FOR THE YEAR</b>	<b>818</b>	<b>1,726</b>	<b>2,111</b>	<b>2,660</b>	<b>3,262</b>
Non-controlling interest	-	-	-	-	-
<b>Net Profit to shareholders</b>	<b>818</b>	<b>1,726</b>	<b>2,111</b>	<b>2,660</b>	<b>3,262</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before tax</b>	<b>1,135</b>	<b>2,337</b>	<b>2,857</b>	<b>3,600</b>	<b>4,416</b>
D&A	83	54	58	58	58
Change in working capital	170	(18)	338	598	442
Others	(285)	(610)	(746)	(941)	(1,154)
<b>Net cash from operating</b>	<b>1,103</b>	<b>1,762</b>	<b>2,506</b>	<b>3,316</b>	<b>3,762</b>
Capex	(207)	(70)	(70)	(70)	(70)
JV/Associates	2	3	4	4	4
Others	(1,729)	(3)	(4)	(4)	(4)
<b>Net cash from investing</b>	<b>(1,933)</b>	<b>(70)</b>	<b>(70)</b>	<b>(70)</b>	<b>(70)</b>
Equity raised	1,857	-	-	-	-
Change of debts	(2,943)	-	-	-	-
Others	11,631	(301)	(639)	(760)	(958)
<b>Net cash from financing</b>	<b>10,544</b>	<b>(301)</b>	<b>(639)</b>	<b>(760)</b>	<b>(958)</b>
Net change in cash	9,714	1,391	1,797	2,486	2,734
<b>Cash at the beginning of year</b>	<b>605</b>	<b>10,312</b>	<b>11,704</b>	<b>13,501</b>	<b>15,987</b>
Exchange difference	-	(7)	-	-	-
<b>Cash at the end of the year</b>	<b>10,319</b>	<b>11,704</b>	<b>13,501</b>	<b>15,987</b>	<b>18,721</b>

### Key ratios

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>2,744</b>	<b>5,562</b>	<b>6,637</b>	<b>7,026</b>	<b>7,453</b>
PP&E	260	527	263	281	299
Investment properties	2,234	2,264	2,264	2,264	2,264
Others	250	2,771	4,110	4,481	4,889
<b>Current assets</b>	<b>16,332</b>	<b>16,030</b>	<b>16,871</b>	<b>20,259</b>	<b>23,787</b>
Inventories	196	138	180	237	283
Trade and other receivables	1,608	1,965	2,690	3,535	4,282
Cash and cash equivalents	10,312	13,698	13,501	15,987	18,721
Others	4,215	229	500	500	500
<b>Total assets</b>	<b>19,076</b>	<b>21,592</b>	<b>23,508</b>	<b>27,285</b>	<b>31,240</b>
<b>Current liabilities</b>	<b>5,055</b>	<b>6,079</b>	<b>6,551</b>	<b>8,549</b>	<b>10,225</b>
Trade and other payables	3,366	3,646	4,751	6,251	7,486
Others	1,690	2,433	1,800	2,298	2,739
<b>Non-current liabilities</b>	<b>1,558</b>	<b>1,624</b>	<b>1,624</b>	<b>1,624</b>	<b>1,624</b>
Deferred income tax liabilities	226	334	334	334	334
Others	1,332	1,290	1,290	1,290	1,290
<b>Total liabilities</b>	<b>6,613</b>	<b>7,703</b>	<b>8,175</b>	<b>10,173</b>	<b>11,848</b>
<b>Equity to shareholders</b>	<b>12,463</b>	<b>13,889</b>	<b>15,334</b>	<b>17,113</b>	<b>19,391</b>
Non-controlling interests	-	-	-	-	-
<b>Total Equity</b>	<b>12,463</b>	<b>13,889</b>	<b>15,334</b>	<b>17,113</b>	<b>19,391</b>

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Residential PM	57.3	59.8	64.1	65.5	65.2
Commercial op. and PM	42.7	40.2	35.9	34.5	34.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	27.0	31.1	29.7	29.6	30.4
Net margin	12.1	19.4	18.6	17.9	18.1
Effective tax rate	28.0	26.1	26.1	26.1	26.1
<b>Growth (%)</b>					
Revenue	15.5	30.9	27.6	31.4	21.1
Gross profit	93.9	51.0	21.8	31.0	24.4
Operating profit	115.3	100.0	21.0	25.5	22.3
Net profit	124.1	111.1	22.3	26.0	22.6
<b>Balance sheet ratios</b>					
Current ratio (x)	3.2	2.6	2.6	2.4	2.3
Receivable turnover days	44	43	43	43	43
<b>Returns (%)</b>					
ROE	6.6	12.4	13.8	15.5	16.8
ROA	4.3	8.0	9.0	9.7	10.4
<b>Per share</b>					
EPS (RMB)	0.49	0.76	0.92	1.17	1.43
DPS (RMB)	0.13	0.28	0.33	0.42	0.51
BVPS (RMB)	5.46	6.08	6.72	7.50	8.50

Source: Company data, CMBIS estimates

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