

China Resources Mixc (1209 HK)

Visible growth ahead

- Retail sales and rental revenue of malls jumped 44% YoY and 35% YoY in 2021
- 2022 target of 100mn sqm GFA under mgt addition is achievable as the Group added 72.48mn sqm via M&As in early 2022
- COVID outbreak may result in slower growth in retail sales on shopping malls
- We forecast a core profit CAGR of 40% in 2022-24E driven by 26% CAGR in GFA under mgt and further gross margin improvement
- Maintain **BUY** with DCF-derived TP of HK\$ 52.60

Impressive performance in shopping malls. In 2021, CR Mixc's revenue increased 31% YoY to RMB 8,875mn as revenue from residential PMS (RPMS) and commercial operational & PMS (COPMS) increased 37% YoY and 23% YoY on fast-growing GFA under mgt. Total GFA under mgt rose 37% YoY to 162.4mn sqm while contracted GFA was up 30% YoY to 209mn sqm. Thanks to its SOE status and expertise, GFA from public city space jumped 315% YoY to 29.3mn sqm with an annual contract value of RMB 293mn. Gross margin increased 4.1ppt YoY to 31.1% on better operating efficiency. For shopping malls under CR MIXC's mgt, retail sales soared 44% YoY to RMB 118.9bn while rental income jumped 35% YoY to RMB 15.2bn. EBITDA margin for shopping malls increased 9.9ppt YoY to 60.9%. In 2021, 13 newly-opened malls had a 98% occupancy rate and an EBITDA margin of 31%, generating reasonable level of profits in first year of operation. On the back of rising revenue and margin, CR Mixc's core profit soared 109% YoY to RMB 1,702mn.

Visible GFA growth ahead following major acquisitions. CR Mixc targets to add 100mn sqm in third-party GFA and open 18 new malls. In 1Q22, following the acquisitions of Yuzhou's and Zhongnan's PM businesses, CR Mixc has secured 72.48mn sqm in GFA under mgt and 122.37mn sqm in contracted GFA. We expect recent COVID resurgence, however, to negatively affect business in shopping malls. Due to lockdowns in various cities, the Group expects shopping malls under mgt to report a negative retail sales growth for Mar and a single-digit growth for 1Q22, compared to 40% YoY in Jan 2022.

Maintain BUY with revised TP at HK\$ 52.60. Factoring in the strong residential GFA growth on higher-than-expected M&A expansion and weaker shopping mall performance on COVID resurgence, we raise our 2022E core profit forecasts by 14.3% and our TP to HK\$ 52.60 (from HK\$ 50.50). Maintain **BUY**. PMC with a SOE background is set to benefit from increasing M&A amid industry consolidation. We forecast a core profit CAGR of 40% in 2022-24E driven by 26% CAGR in GFA under mgt and further gross margin improvement (from 33.5% in 2022E to 37.0% in 2024E). The counter is our top pick for the PM sector.

Results and Valuations

FY ended Dec 31	2020A	2021A	2022E	2023E	2024E
Revenue (RMB mn)	6,779	8,875	12,939	17,927	22,500
Chg (% YoY)	15.5	30.9	45.8	38.5	25.5
Core profit (RMB mn) ¹	816	1,702	2,468	3,605	4,855
Chg (% YoY)	147.9	108.6	45.0	46.1	34.7
Core EPS (RMB)	0.48	0.75	1.08	1.58	2.13
Chg (% YoY)	142.5	54.1	45.0	46.1	34.7
BVPS (RMB)	5.46	6.08	6.84	7.95	9.44
Chg (% YoY)	773.4	11.4	12.4	16.2	18.7
P/E (x)	64.9	42.1	29.0	19.9	14.8
P/B (x)	5.75	5.16	4.59	3.95	3.33
Core ROE (%)	12.1	13.1	16.7	21.4	24.5
Core ROA (%)	6.2	8.5	10.9	14.4	17.0
DPS (RMB)	0.13	0.28	0.32	0.47	0.64
Yield (%)	0.42	0.88	1.03	1.51	2.03
Net cash (RMBmn)	10,158	15,600	13,639	15,209	17,691

Note: RMB to HK\$= 1.23

¹ Core profit= Profit after tax –other expenses and non-recurring items and related tax impact

Source(s): The Company, ABCI Securities estimates

Company Report

Apr 1, 2022

Rating: **BUY**

TP: HK\$ 52.60

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Key Data

Share price (HK\$)	38.75
Est. share price return	35.7%
Est. dividend yield	1.0%
Est. total return	36.7%
Previous Rating & TP	BUY; HK\$50.50
Previous Report Date	4 Feb 2021

Source(s): The Company, ABCI Securities estimates

Key data

52Wk H/L (HK\$)	54.20/32.10
Issued shares (mn)	2,283
Market cap (HK\$ mn)	88,447
Avg daily turnover since listing (HK\$ mn)	161.46
Major shareholder(s) (%):	
CR Land	73.72

Source(s): Bloomberg, ABCI Securities

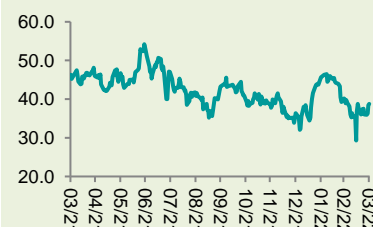
Share Performance (%)

	Absolute	Relative*
1-mth	(3.2)	0.1
3-mth	6.6	12.6
6-mth	(10.4)	0.1

* Relative to HSI

Source(s): The Company, ABCI Securities

1-Year share performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Risk factors: 1) Unsuccessful renewal upon contract expiry; 2) Rising labor costs; 3) Substantial related party transactions; 4) Uncertain development of COVID pandemic; 5) Post-M&A project management risk

Exhibit 1: CR MIXC's major acquisitions in 1Q22

	Yuzhou's PM business	Zhongnan's PM business
Consideration (RMBmn)	1,058	2,260
Stake %	100%	100%
GFA under mgt (mn sqm)	21.01	51.47
Contracted GFA (mn sqm)	31.49	90.88
2021 net profit (RMBmn)	76	176
2021 PE	13.92	12.84

Source(s): The Company, ABCI Securities

Exhibit 2: CRMLS's 2021 financial performance

P&L	2021	2020	YoY Chg	Balance sheet	Dec-21	Dec-20	YoY%
	RMBmn	RMBmn	(%)		RMBmn	RMBmn	
Revenue	8,875	6,779	31	Gross debt	801	522	54
Cost of Sales	(6,117)	(4,952)	24	Cash	16,402	10,679	54
Gross Profit	2,759	1,827	51	Net Cash	15,600	10,158	54
Gross Margin (%)	31.1	27.0	4.1ppt				
Marketing expenses	(58)	(50)	16	Revenue breakdown	2021	2020	YoY Chg
Administrative expenses	(819)	(747)	10		RMBmn	RMBmn	
EBIT	1,881	1,030	83	Total revenue	8,875	6,779	30.9
EBIT Margin (%)	21.2	15.2	6.0ppt	- RPMS	5,310	3,883	36.7
Other income and gains	523	180	190	PMS	3,772	2,923	29.1
Other expenses	(21)	(5)	360	VAS to Property developers	813	573	41.8
Changes on changes in fair value of IP	30	2	1,661	Community VAS	725	387	87.1
Share of loss of a joint venture	(2)	(0)	1,479	- COPMS	3,565	2,896	23.1
Finance costs	(76)	(72)	5	Shopping malls	2,130	1,812	17.6
Profit before tax	2,337	1,135	106	Office	1,435	1,084	32.4
Tax	(610)	(317)	92				
Profit after tax	1,726	818	111				
Minority interest	(1)	-	NA				
Net profit	1,725	818	111				
Core profit	1,702	816	109				
Core net margin	19.2%	12.0%	7.1ppt				
Operating statistics	2021	2020	YoY Chg	Gross margin	2021	2020	YoY Chg (ppt)
GFA Under mgt	162.4	118.4	37.2	Overall	31.1%	27.0%	4.1
- Residential and others	146.8	106.6	37.8	- RPMS	19.3%	15.9%	3.4
- Shopping malls	7.4	6.1	20.4	PMS	15.0%	12.3%	2.7
- Office	8.2	5.7	44.3	VAS to Property developers	31.9%	23.5%	8.4
Contracted GFA	208.9	160.4	30.3	Community VAS	27.5%	31.9%	(4.4)
- Residential and others	185.9	142.9	30.1	- COPMS	48.6%	41.8%	6.8
- Shopping malls	13.0	10.1	28.9	Shopping mall	62.4%	48.8%	13.6
- Office	10.0	7.3	36.3	Office	28.1%	30.0%	(1.8)

Source(s): The Company, ABCI Securities

Exhibit 3: Changes in TP and profit forecasts

	OLD	NEW	Chg	Reasons
TP (HK\$)	50.50	52.60	4.2%	- Factoring in Yuzhou and Zhongnan acquisition; lower shopping mall revenue on COVID resurgence
Core profit (RMBmn)				
-2022E	2,160	2,468	14.3%	- Factoring in Yuzhou and Zhongnan acquisition; lower shopping mall revenue on COVID resurgence
-2023E	NA	3,605		

Source(s): Company, ABCI Securities estimates



Financial statements

Consolidated income statement (2020A-2024E)

FY Ended Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Revenue	6,779	8,875	12,939	17,927	22,500
Cost of Sales	(4,952)	(6,117)	(8,598)	(11,681)	(14,171)
Gross Profit	1,827	2,759	4,341	6,246	8,329
Marketing expenses	(50)	(58)	(73)	(91)	(113)
Administrative expenses	(747)	(819)	(1,057)	(1,394)	(1,773)
EBIT	1,030	1,881	3,211	4,761	6,443
Other income and gains	180	523	218	216	236
Share of loss of a joint venture	(0)	(2)	-	-	-
Finance costs	(72)	(76)	(67)	(67)	(67)
Other expenses	(5)	(21)	(5)	(7)	(9)
Gain on changes in fair value of investment properties	2	30	-	-	-
Profit before tax	1,135	2,337	3,356	4,903	6,603
Tax	(317)	(610)	(888)	(1,298)	(1,748)
Profit after tax	818	1,726	2,468	3,605	4,855
Minority interest	-	(1)	-	-	-
Net profit	818	1,725	2,468	3,605	4,855
Core profit	816	1,702	2,468	3,605	4,855
Per share					
Reported EPS (RMB)	0.48	0.76	1.08	1.58	2.13
Core EPS (RMB)	0.48	0.75	1.08	1.58	2.13
DPS (RMB)	0.13	0.28	0.32	0.47	0.64
Payout ratio (%)	27%	37%	30%	30%	30%
BVPS (RMB)	5.46	6.08	6.84	7.95	9.44
Growth %					
Revenue	15.5%	30.9%	45.8%	38.5%	25.5%
Gross Profit	93.9%	51.0%	57.4%	43.9%	33.4%
EBIT	134.7%	82.7%	70.6%	48.3%	35.3%
Core profit	147.9%	108.6%	45.0%	46.1%	34.7%
Margin %					
Gross margin	27.0%	31.1%	33.5%	34.8%	37.0%
EBIT margin	15.2%	21.2%	24.8%	26.6%	28.6%
Core net margin	12.0%	19.2%	19.1%	20.1%	21.6%
Revenue breakdown					
COPMS	2,896	3,565	5,100	6,632	8,389
RPMS	3,883	5,310	7,839	11,294	14,111
Total	6,779	8,875	12,939	17,927	22,500
Key assumptions					
Contracted GFA (mn sqm)	160.4	208.9	344.2	420.1	501.7
- Shopping malls	10.1	13.0	24.6	31.8	39.1
- Office buildings	7.3	10.0	12.7	15.2	17.7
- Residential and others	142.9	185.9	306.9	373.1	445.0
GFA under mgt (mn sqm)	118.4	162.4	301.1	383.1	474.9
- Shopping malls	6.1	7.4	20.6	27.9	35.1
- Office buildings	5.7	8.2	9.1	10.9	12.6
- Residential and others	106.6	146.8	271.3	344.4	427.3

Source(s): The Company, ABCI Securities estimates



Consolidated balance sheet (2020A-2024E)

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Current assets	16,332	16,030	14,828	17,202	20,421
Bank balances and cash	10,312	13,698	11,737	13,307	15,788
Restricted cash	367	229	229	229	229
Prepayments, other receivables and other assets	786	923	1,682	2,486	3,223
Trade and bill receivables	822	1,043	1,043	1,043	1,043
Financial assets at fair value through profit or loss	3,848	-	-	-	-
Other current assets	196	138	138	138	138
Non-current assets	2,744	5,562	8,752	9,456	10,183
Property, plant and equipment	260	527	537	547	557
Investment properties	2,234	2,264	2,264	2,264	2,264
Deposits paid for purchase of property, plant and equipment	86	4	4	4	4
Time deposits	0	2,475	2,475	2,475	2,475
Other non-current assets	164	292	3,473	4,167	4,884
Total Assets	19,076	21,592	23,580	26,658	30,604
Current Liabilities	5,055	6,079	6,340	6,894	7,441
Other payables and accruals	2,665	2,807	2,807	2,807	2,807
Contract liabilities	1,007	1,417	1,417	1,417	1,417
Trade payables	700	839	1,100	1,654	2,201
Interest-bearing bank borrowings	522	801	801	801	801
Other current liabilities	161	214	214	214	214
Non-current liabilities	1,558	1,624	1,624	1,624	1,624
Other liabilities	13	12	12	12	12
Lease liabilities	1,319	1,278	1,278	1,278	1,278
Deferred tax liabilities	226	334	334	334	334
Total Liabilities	6,613	7,703	7,963	8,518	9,064
Net Assets	12,463	13,889	15,617	18,140	21,539
Shareholders' Equity	12,463	13,888	15,616	18,139	21,538
Minority Interest	0	1	1	1	1
Total Equity	12,463	13,889	15,617	18,140	21,539
Key ratio					
Gross debt (RMB mn)	522	801	801	801	801
Net debt/ (cash) (RMB mn)	(10,158)	(15,600)	(13,639)	(15,209)	(17,691)

Note: As we do not have detailed balance sheets of acquired Yuzhou and Zhongnan's property management business, we will update accordingly when more information is available in future

Source(s): The Company, ABCI Securities estimates

**農銀國際**

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Resources Mixc Lifestyle Services Limited (1209 HK, BUY)
 China Property Management Sector
 Apr 1, 2022

Consolidated cash flow statement (2020A-2024E)

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
EBITDA	1,112	1,970	3,355	4,968	6,673
Change in Working Capital	245	(218)	(499)	(250)	(190)
Tax payment	(254)	(610)	(888)	(1,298)	(1,748)
Operating Cash flow	1,103	1,141	1,968	3,421	4,735
Purchase of PP&E	(207)	(10)	(10)	(10)	(10)
Purchase of intangible assets, M&A	-	(889)	(3,325)	(901)	(947)
Repayment from related parties	2,056	-	-	-	-
Others	(3,783)	-	-	-	-
Investing Cash flow	(1,933)	(899)	(3,335)	(911)	(957)
Interest paid	(7)	(76)	(67)	(67)	(67)
Equity raised	11,857	-	-	-	-
Dividend payment	(668)	(630)	(740)	(1,082)	(1,457)
Others	(645)	3,849	213	209	227
Financing Cash flow	10,537	3,144	(595)	(940)	(1,296)
Net cash inflow/ (outflow)	9,707	3,386	(1,961)	1,570	2,482
Cash- beginning	605	10,312	13,698	11,737	13,307
Cash- year-end	10,312	13,698	11,737	13,307	15,788

Source(s): The Company, ABCI Securities estimates

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 10\%$)
Hold	- Market return rate ($\sim 10\%$) \leq Stock return rate $<$ Market return rate ($\sim 10\%$)
Sell	Stock return $<$ - Market return ($\sim 10\%$)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2009 (For reference: HSI total return index 2009-21 averaged at 9.2%)

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