

CR MixC Lifestyle (1209 HK)

1H23 earnings beat with surprise in dividend

Company delivered core net profit growth of 37% YoY in 1H23, beating the market expectation. The beat was due to 1.5ppts improvement in GPM to 33.2% powered by scale effect in shopping mall and office building segment. Company reiterated the guidance of 40% core NP CAGR during 14th 5-yr plan, implies a 25% CAGR in FY23-25E. Both retail and office segment showed strong resistance against the slow consumption recovery and high vacancy rate for the industry. Community VAS grew slower impacted by brokerage service but will recover following the stabilization of property market in 2H in our view. Maintain BUY with TP up 6% to HK\$ 46.94.

■ **1H23 earnings beat with improved GPM.** Company reported 1H23 revenue of RMB 6.8bn, 29% YoY growth, in-line with the market expectation. Core net profit grew 37% YoY to RMB 1.4bn, beating the expectation mainly due to the GP margin improvement of 1.5 ppts to 33.2% in 1H23 given GPM for shopping mall segment increased to 71.8% in 1H23 from 61.6% in 1H22 and that for offices segment rose to 37.7% in 1H23 from 32.7% in 1H22 both driven by operating leverage effect. More surprisingly, company lifted interim dividend pay-out ratio to 36% from 28% in 1H22.

■ **Strong defensiveness in commercial operation.** For shopping mall segment, company recorded 41% YoY growth in retail sales (27% comparable growth) in 1H23, largely beating the industry avg. The company expects to have 25-30% YoY growth in FY23E. Rental income increased 52.1% to RMB 10.5bn (25.7% excl. rental relief in 1H22). Company had 3 new open in 1H23 and planed 10 more in 2H. It signed 7 new contracts in 1H23 including the one with China West Airport which is the debut in airport commercial operation. This will be another growth point in the future in our view. For office building, company managed to increase avg. occupancy rate to 83.8% in 1H23 from 80.7% in FY22 against rising vacancy rate for the industry.

■ **Community VAS growth dragged down by brokerage service.** Company delivered 12% YoY revenue growth in community VAS segment in which housekeep service, community retail and renovation service recorded growth of 71-129% YoY but housing brokerage services, accounting for 38% of segment revenue, declined 31% YoY given the weak property market in 1H23. It also dragged segment GPM down by 1.3 ppts to 32.4%. We think it will be recovered in 2H amid the gradual implementation of property easing policy.

■ **Maintain Buy with TP lifted 6% to HK\$ 46.94.** we raise our forecast on NP by 15-16% in 2023E-25E to reflect high GPM, after adopting a reasonable (higher) FX rate. Our TP came in at HK\$46.94, reflecting 32x 2023E PE. The stock is currently trading at 25x 2023E PE.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	8,875	12,016	15,703	18,917	22,063
YoY growth (%)	30.9	35.4	30.7	20.5	16.6
Net profit (RMB mn)	1,725	2,206	2,913	3,528	4,120
EPS (Reported) (RMB)	0.76	0.97	1.28	1.55	1.81
YoY growth (%)	55.8	27.9	32.0	21.1	16.8
Consensus EPS (RMB)	N.A.	N.A.	1.25	1.60	1.92
P/E (x)	47.5	32.2	24.6	20.4	17.4
P/B (x)	5.9	5.0	4.5	4.0	3.5
Yield (%)	0.8	1.1	1.5	1.8	2.1
ROE (%)	13.1	15.7	19.3	20.9	21.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$46.94
(Previous TP)	HK\$44.33
Up/Downside	38.7%
Current Price	HK\$33.85

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Stock Data

Mkt Cap (HK\$ mn)	77,279.6
Avg 3 mths t/o (HK\$ mn)	78.7
52w High/Low (HK\$)	46.35/23.00
Total Issued Shares (mn)	2283.0

Source: FactSet

Shareholding Structure

China Resources Inc.	72.3%
Free float	27.7%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.7%	-1.4%
3-mth	-5.0%	-5.8%
6-mth	-21.3%	-15.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 1H23 results summary

RMB mn	1H22	1H23	YoY	1H/2022	1H/2023E
Revenue	5,278	6,793	29%	44%	43%
- Property management services	2,382	3,450	45%	43%	44%
- Developer VAS	412	407	-1%	42%	38%
- Community VAS	560	627	12%	45%	41%
- Commercial - shopping malls	1,173	1,410	20%	47%	48%
- Commercial - office buildings	751	900	20%	43%	39%
Gross profit	1,672	2,253	35%	46%	47%
Net profit	1,028	1,402	36%	47%	48%
Core net profit	1,040	1,422	37%		
EPS (RMB)	0.45	0.61	36%	47%	48%
DPS (RMB)	0.13	0.22	76%		
Dividend payout ratio	28%	36%			
GP Margin	31.7%	33.2%	1.5 ppt		
Net Margin	19.5%	20.6%	1.2 ppt		
Managed GFA (mn sqm)-resi.	244.7	313.2	28%		
Contracted GFA (mn sqm)-resi.	322.6	366.1	13%		

Source: Company data, CMBIGM

Figure 2: Financial forecast of CR MixC

Key drivers	2020	2021	2022	2023E	2024E	2025E
Managed GFA (mn sqm)	107	147	280	325	380	445
<i>YoY growth</i>	<i>16%</i>	<i>38%</i>	<i>91%</i>	<i>16%</i>	<i>17%</i>	<i>17%</i>
Contracted GFA (mn sqm)	143	185	335	380	435	500
<i>YoY growth</i>	<i>21%</i>	<i>30%</i>	<i>81%</i>	<i>13%</i>	<i>14%</i>	<i>15%</i>
Revenue (RMB mn)	6,779	8,875	12,016	15,703	18,917	22,063
<i>YoY growth</i>	<i>16%</i>	<i>31%</i>	<i>35%</i>	<i>31%</i>	<i>20%</i>	<i>17%</i>
Property management services	2,923	3,772	5,573	7,839	9,334	10,969
VAS to non-property owners	573	813	973	1,071	1,178	1,296
Community VAS	388	725	1,256	1,543	1,967	2,541
Commercial - Shopping malls	1,812	2,130	2,482	2,964	3,494	3,892
Commercial - Office buildings	1,083	1,435	1,732	2,286	2,945	3,365
Gross margin	27%	31%	30%	31%	31%	31%
Property management services	12%	15%	14%	16%	17%	18%
VAS to non-property owners	23%	32%	37%	35%	35%	35%
Community VAS	32%	27%	27%	30%	30%	30%
Commercial - Shopping malls	49%	62%	62%	65%	65%	65%
Commercial - Office buildings	30%	28%	34%	35%	35%	35%
Net profits (RMB mn)	818	1,725	2,206	2,913	3,528	4,220
<i>YoY growth</i>	<i>124%</i>	<i>111%</i>	<i>28%</i>	<i>32%</i>	<i>21%</i>	<i>20%</i>
Net margin	12%	19%	18%	19%	19%	19%

Source: Company data, CMBIGM

Figure 3: Community VAS segment

Revenue (RMB mn)	2021	2022	1H22	1H23
Housekeeping (一呼到家)	57	165	64	110
Retail (潤物直選)	57	104	41	71
Renovation Services (懶人裝修)	82	202	59	134
Rental and Sale Services (租售服務)	421	650	341	237
Others (其他)	108	135	55	75
Total	725	1256	560	627
Growth rate	2021	2022	1H22	1H23
Housekeeping (一呼到家)	119%	189%	n.a.	72%
Retail (潤物直選)	119%	82%	n.a.	73%
Renovation Services (懶人裝修)	128%	146%	n.a.	127%
Rental and Sale Services (租售服務)	106%	54%	n.a.	-30%
Others (其他)	12%	25%	n.a.	36%
Total	87%	73%	n.a.	12%
Revenue Mix	2021	2022	1H22	1H23
Housekeeping (一呼到家)	8%	13%	11%	18%
Retail (潤物直選)	8%	8%	7%	11%
Renovation Services (懶人裝修)	11%	16%	11%	21%
Rental and Sale Services (租售服務)	58%	52%	61%	38%
Others (其他)	15%	11%	10%	12%
Total	100%	100%	100%	100%

Source: Company data, CMBIGM

Figure 4: Gross profit margin

Gross Profit Margin	2021	2022	1H22	1H23
Residential PM	19%	19%	21%	20%
Property management services	15%	14%	15%	16%
Non-owner VAS	32%	37%	39%	39%
Community VAS	27%	27%	33%	32%
Commercial operations and PM	49%	51%	50%	58%
Shopping malls	62%	62%	62%	72%
Office buildings	28%	34%	33%	38%
Total	31%	30%	32%	32%

Source: Company data, CMBIGM

Figure 5: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	15,703	18,917	22,063	16,858	19,515	22,805	-7%	-3%	-3%
Gross Profit	4,803	5,844	6,843	4,859	5,769	6,761	-1%	1%	1%
Operating profit	3,996	4,799	5,571	3,550	4,243	4,970	13%	13%	12%
Net profit	2,913	3,528	4,120	2,519	3,020	3,591	16%	17%	15%
EPS (RMB)	1.28	1.55	1.81	1.10	1.32	1.57	16%	17%	15%
Gross Margin	30.6%	30.9%	31.0%	28.8%	29.6%	29.6%	1.8ppts	1.3ppts	1.4ppts
Operating Margin	25.4%	25.4%	25.3%	21.1%	21.7%	21.8%	4.4ppts	3.6ppts	3.5ppts
Net Margin	18.5%	18.6%	18.7%	14.9%	15.5%	15.7%	3.6ppts	3.2ppts	2.9ppts

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	6,779	8,875	12,016	15,703	18,917	22,063
Cost of goods sold	(4,952)	(6,117)	(8,405)	(10,900)	(13,073)	(15,220)
Gross profit	1,827	2,759	3,611	4,803	5,844	6,843
Operating expenses	(620)	(344)	(619)	(807)	(1,045)	(1,271)
Selling expense	(50)	(58)	(151)	(188)	(227)	(265)
Admin expense	(747)	(819)	(1,053)	(1,068)	(1,267)	(1,456)
Others	178	533	585	450	450	450
Operating profit	1,207	2,414	2,992	3,996	4,799	5,571
Other income	180	523	580	455	455	455
Other gains/(losses)	(3)	9	5	(5)	(5)	(5)
Share of (losses)/profits of associates/JV	(0)	(2)	1	0	0	0
Net Interest income/(expense)	(72)	(76)	(87)	(100)	(80)	(60)
Others	1,030	1,881	2,407	3,547	4,350	5,122
Pre-tax profit	1,135	2,337	2,906	3,896	4,719	5,511
Income tax	(317)	(610)	(693)	(974)	(1,180)	(1,378)
After tax profit	818	1,726	2,213	2,922	3,539	4,134
Minority interest	0	(1)	(7)	(9)	(11)	(13)
Net profit	818	1,725	2,206	2,913	3,528	4,120
Gross dividends	301	638	794	1,049	1,270	1,483
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	16,332	16,030	15,839	18,380	22,073	26,122
Cash & equivalents	10,312	13,698	12,593	14,528	17,459	20,764
Restricted cash	367	229	130	130	130	130
Account receivables	822	1,043	1,558	1,845	2,222	2,592
Inventories	196	138	148	246	295	343
Prepayment	786	923	1,410	1,632	1,966	2,293
Financial assets at FVTPL	3,848	0	0	0	0	0
Non-current assets	2,744	5,562	9,999	9,735	9,835	9,935
PP&E	260	527	569	303	403	503
Right-of-use assets	114	99	103	103	103	103
Deferred income tax	45	77	125	125	125	125
Investment in JVs & assos	2	0	2	6	6	6
Intangibles	2	116	3,275	3,275	3,275	3,275
Other non-current assets	2,320	2,268	3,367	3,366	3,366	3,366
Total assets	19,076	21,592	25,838	28,116	31,908	36,057
Current liabilities	5,055	6,079	8,040	9,105	10,914	12,696
Short-term borrowings	522	801	0	0	0	0
Account payables	700	839	1,339	1,495	1,793	2,088
Tax payable	98	134	118	0	0	0
Lease liabilities	63	81	100	100	100	100
Contract liabilities	1,007	1,417	1,832	2,507	3,021	3,523
Accrued expenses	2,665	2,807	4,651	5,002	6,000	6,985
Non-current liabilities	1,558	1,624	3,473	3,082	3,082	3,082
Obligations under finance leases	1,319	1,278	2,302	2,302	2,302	2,302
Deferred income	13	12	14	14	14	14
Other non-current liabilities	226	334	765	765	765	765
Total liabilities	6,613	7,703	11,512	12,187	13,996	15,777
Total shareholders equity	12,463	13,888	14,280	15,929	17,913	20,280
Minority interest	0	1	46	0	0	0
Total equity and liabilities	19,076	21,592	25,838	28,116	31,908	36,057

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,135	2,337	2,906	3,896	4,719	5,511
Depreciation & amortization	(83)	122	235	106	106	106
Tax paid	(254)	(498)	(651)	(974)	(1,180)	(1,378)
Change in working capital	170	706	(237)	(99)	535	535
Others	135	(377)	(362)	0	0	0
Net cash from operations	1,103	2,290	1,891	2,929	4,180	4,774
Investing						
Capital expenditure	(207)	(371)	(121)	(200)	(200)	(200)
Others	(1,727)	1,790	(943)	0	0	0
Net cash from investing	(1,933)	1,419	(1,064)	(200)	(200)	(200)
Financing						
Dividend paid	(668)	(300)	(963)	(794)	(1,049)	(1,270)
Net borrowings	(435)	0	0	0	0	0
Proceeds from share issues	11,857	0	0	0	0	0
Others	(210)	(22)	(973)	0	0	0
Net cash from financing	10,544	(322)	(1,936)	(794)	(1,049)	(1,270)
Net change in cash						
Cash at the beginning of the year	605	10,312	13,698	12,593	14,528	17,459
Exchange difference	(7)	(2)	3	0	0	0
Cash at the end of the year	10,312	13,698	12,593	14,528	17,459	20,764
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	15.5%	30.9%	35.4%	30.7%	20.5%	16.6%
Gross profit	93.9%	51.0%	30.9%	33.0%	21.7%	17.1%
Operating profit	115.3%	100.0%	23.9%	33.6%	20.1%	16.1%
Net profit	124.1%	110.9%	27.9%	32.0%	21.1%	16.8%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	27.0%	31.1%	30.1%	30.6%	30.9%	31.0%
Operating margin	17.8%	27.2%	24.9%	25.4%	25.4%	25.3%
Return on equity (ROE)	12.1%	13.1%	15.7%	19.3%	20.9%	21.6%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	3.2	2.6	2.0	2.0	2.0	2.1
Receivable turnover days	44.3	42.9	42.9	42.9	42.9	42.9
Inventory turnover days	14.5	8.2	8.2	8.2	8.2	8.2
Payable turnover days	51.6	50.1	50.1	50.1	50.1	50.1
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	57.2	47.5	32.2	24.6	20.4	17.4
P/B	5.1	5.9	5.0	4.5	4.0	3.5
Div yield (%)	0.5	0.8	1.1	1.5	1.8	2.1
EV	12,463.0	13,887.9	14,279.7	15,929.0	17,912.5	20,279.8
EV/Sales	1.8	1.6	1.2	1.0	0.9	0.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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