

CR Mixc Lifestyle (1209 HK)

Negotiations with existing malls to accelerate asset-light delivery

CR Mixc's 2020 results was in line with profit alert, with core earnings up 148% YoY. Gross margin leaped 11ppt in to 27%, mainly due to the introduction of commercial operations. The Company guided >40% core profit CAGR for next five years, which we believe can be reached through 1) accelerated asset-light delivery to achieve ~25% CAGR in mall GFA; and 2) rental/retail sales rebound to provide RMB1,400mn in operations income (vs. est. RMB600mn in 2020). We raise 2021E/22E earnings forecast by 5.4%/7.0% and raise TP to HK\$56.00 reflecting 50x 2022E P/E. **Reiterate CR Mixc as a sector top pick.**

- Targets 150 malls and 400mn sq m residential GFA by 2025.** CR Mixc plans to open 12-15 malls/yr (2021E: 13, 2 asset-light) and gain 10+ asset-light mall contracts each year (most will open in ~3 years), representing roughly 20% mall GFA CAGR. For residential PM, the Company plans for 45mn sq m new third-party GFA each year to reach ~400mn sq m by 2025 (2020: 107mn sq m). Company guides >40% five-year core earnings CAGR through expansion and margin upgrade.
- Negotiation with existing malls to accelerate asset-light delivery.** With 17 asset-light malls open by 2020, CR Mixc has been able to attract third-party developers and expand through asset-light model. In addition, the Company will start to negotiate for existing malls which will shorten delivery cycle. Given our expectation of 500+ new malls/yr for the entire market, ~200 of which are luxury to high-end (on par with Mixc/Mixone), there are plenty of suitable targets for the leading player. If successful, this will allow mall delivery to exceed guidance of ~15/yr and result in 25% CAGR in mall GFA.
- Rental/sales rebound in 2021 to provide est. RMB1,400mn operations income.** CR Land's rental income/retail sales has rebounded strongly in Jan/Feb (+35%/46% YoY for rental, +34%/91% YoY for sales), which signals a strong year for high-end malls and would benefit CR Mixc whose operations segment takes commissions from rental income (~5%) and EBITDA (~10%). We estimate operations income using ~11% of parentco's mall rental income (assuming 60% EBITDA margin). Given CR Land's 2020 rental income of RMB10bn and est. 30% rental growth, we estimate operations segment to contribute RMB1,400mn revenue in 2021, vs est. RMB600mn in 2020.

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	43.0
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				

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$56.00
(Previous TP)	HK\$52.20)
Up/Downside	+16.8%
Current Price	HK\$47.95

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Stock Data

Mkt Cap (HK\$ mn)	109,446
Avg 3 mths t/o (HK\$ mn)	207.06
52w High/Low (HK\$)	53.30/27.25
Total Issued Shares (mn)	2,283

Source: Bloomberg

Shareholding Structure

CR Land & CR Holdings	73.7%
Company directors	0.1%
Free float	26.2%

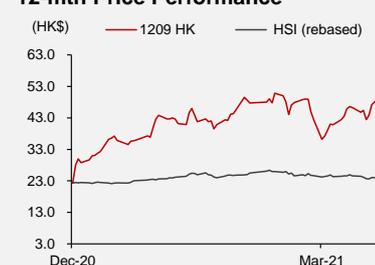
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.9%	6.2%
3-mth	39.6%	30.9%
6-mth	N.A.	N.A.
12-mth	N.A.	N.A.

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

- **2020 earnings in line with profit alert.** CR Mixc recorded 124% YoY net profit growth to RMB818mn, in line with profit alert. Revenue grew 15.5% YoY to RMB6,779mn. GP margin leaped 10.9ppt to 27.0% mainly due to 1) high margins of new commercial operations business. The Company declared dividend of RMB0.132/share, representing 36.8% payout ratio.
- **Raise TP to HK\$56.00 and reiterate TOP PICK.** We raise 2021E/22E earnings forecast by 5.4%/7.0% given our confidence for the Company to deliver its target. Raise TP to HK\$56.00 reflecting 50x 2022E P/E. **Reiterate CR Mixc as a sector top pick.**

Figure 1: Earnings revision

RMB mn	New		Old		Diff (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	8,984	11,957	9,734	11,760	-7.7%	1.7%
Gross Profit	2,908	3,888	2,708	3,399	7.4%	14.4%
Operating profit	2,244	2,981	2,076	2,717	8.1%	9.7%
Net profit	1,580	2,115	1,499	1,976	5.4%	7.0%
EPS (RMB)	0.69	0.93	0.66	0.87	5.4%	7.0%
Gross Margin	32.4%	32.5%	27.8%	29.9%	4.5ppts	2.6ppts
Operating Margin	25.0%	24.9%	21.3%	23.1%	3.6ppts	1.8ppts
Net Margin	17.6%	17.7%	15.4%	16.8%	2.2ppts	0.9ppts

Source: Company data, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	4,432	5,868	6,779	8,984	11,957	Profit before tax	572	497	1,135	2,180	2,917
Residential PM	2,763	3,472	3,884	5,155	7,110	D&A	42	53	50	54	58
Commercial op. and PM	1,668	2,397	2,895	3,829	4,847	Change in working capital	865	(10)	1,116	196	571
Cost of sales	(3,766)	(4,926)	(4,952)	(6,076)	(8,069)	Others	(337)	(84)	(317)	(599)	(802)
Gross Profit	665	942	1,827	2,908	3,888	Net cash from operating	1,142	455	1,984	1,831	2,743
Other income	55	77	180	77	79	Capex	(184)	(76)	(70)	(70)	(70)
Selling expenses	(54)	(71)	(50)	(63)	(84)	JV/Associates	-	1	2	3	4
Administrative expenses	(335)	(432)	(747)	(674)	(897)	Others	(544)	(1,009)	(2)	(3)	(4)
Other gains/(losses)	308	45	(3)	(5)	(5)	Net cash from investing	(727)	(1,084)	(70)	(70)	(70)
Operating profit	640	561	1,207	2,244	2,981	Equity raised	-	-	11,051	-	-
JV/Associates	-	-	-	-	-	Change of debts	73	191	522	-	-
Finance cost	(68)	(64)	(72)	(64)	(64)	Others	(223)	(92)	(3,780)	(301)	(569)
Pre-tax Profit	572	497	1,135	2,180	2,917	Net cash from financing	(150)	99	7,793	(301)	(569)
Income tax	(149)	(132)	(317)	(599)	(802)	Net change in cash	265	(531)	9,707	1,460	2,104
PROFIT FOR THE YEAR	423	365	818	1,580	2,115	Cash at the beginning of year	871	1,136	605	10,312	11,772
Non-controlling interest	-	-	-	-	-	Exchange difference	-	-	-	-	-
Net Profit to shareholders	423	365	818	1,580	2,115	Cash at the end of the year	1,136	605	10,312	11,772	13,876
Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E
Non-current assets	2,382	2,478	2,744	2,651	2,671	Sales mix (%)					
PP&E	180	203	260	251	269	Residential PM	62.4	59.2	57.3	57.4	59.5
Investment properties	2,168	2,218	2,234	2,234	2,234	Commercial op. and PM	37.6	40.8	42.7	42.6	40.5
Others	34	57	250	166	168	Total	100.0	100.0	100.0	100.0	100.0
Current assets	3,360	4,623	16,332	18,359	21,247	Profit & loss ratios (%)					
Inventories	106	106	196	241	320	Gross margin	15.0	16.1	27.0	32.4	32.5
Trade and other receivables	1,933	3,188	1,608	2,132	2,837	Net margin	9.5	6.2	12.1	17.6	17.7
Cash and cash equivalents	1,136	605	10,312	11,772	13,876	Effective tax rate	26.1	26.5	27.9	27.5	27.5
Others	185	724	4,215	4,215	4,215	Growth (%)					
Total assets	5,742	7,101	19,076	21,010	23,918	Revenue	41.6	32.4	15.5	32.5	33.1
Current liabilities	3,685	4,637	5,055	5,527	7,323	Gross profit	63.4	41.6	93.9	59.2	33.7
Trade and other payables	2,898	3,739	3,366	4,129	5,484	Operating profit	17.6	-12.4	115.3	85.9	32.8
Others	787	899	1,690	1,397	1,839	Net profit	8.9	-13.7	124.1	93.2	33.8
Non-current liabilities	1,390	1,432	1,558	1,558	1,558	Balance sheet ratios					
Deferred income tax liabilities	176	202	226	226	226	Current ratio (x)	0.9	1.0	3.2	3.3	2.9
Others	1,214	1,230	1,332	1,332	1,332	Receivable turnover days	35	37	44	44	44
Total liabilities	5,075	6,070	6,613	7,085	8,881	Returns (%)					
Equity to shareholders	667	1,032	12,463	13,925	15,037	ROE	63.4	35.4	6.6	11.3	14.1
Non-controlling interests	-	-	-	-	-	ROA	7.4	5.1	4.3	7.5	8.8
Total Equity	667	1,032	12,463	13,925	15,037	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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