

### COMPANY RESULTS

#### CR Mixc (1209 HK)

2023: Results Beat With Higher Payout Ratio; Pursuing High-quality Growth

CR Mixc's attributable net profit grew 32.8% yoy, beating expectations. The payout ratio jumped to 55% without special dividends. Operating efficiency improved further, and expansion of third-party shopping malls remains robust. Management hints that the dividend payout ratio may rise further in the future, with a conservative outlook for a retail sales recovery. Raise 2024/25 earnings by 4.2%/4.7% respectively. Maintain BUY. Target price: HK\$33.20.

#### 2023 RESULTS

Year to 31 Dec (Rmbm)	FY22	FY23	yoy % chg	UOBKH Forecast	Actual Vs Estimate
Revenue	12,016	14,767	+ 22.9%	16,375	-9.8%
- Property management segment	7,802	9,601	+ 23.1%	11,748	-18.3%
- Commercial Management Segment	4,214	5,166	+ 22.6%	4,627	11.7%
Gross profit	3,611	4,694	+ 30.0%	4,611	1.8%
EBIT	2,992	4,027	+ 34.6%	3,837	4.9%
Attributable net profit	2,206	2,929	+ 32.8%	2,823	3.7%
EPS (Rmb/share)	0.967	1.283	+ 32.8%	1.237	3.7%
DPS (Rmb/share)	0.44	0.70	+ 60.4%	0.49	42.3%
Dividend Payout Ratio	45%	55%	+ 20.8%	40%	37.2%
Cash	12,593	15,633	+ 24.1%	14,154	10.4%
Margins/Ratios	FY22	FY23	yoy chg		
Gross Margin	30.0%	31.8%	1.7 pp	28.2%	12.8%
- Property management segment	18.8%	17.5%	-1.4 pp	18.6%	-6.0%
- Commercial Management Segment	50.8%	58.3%	7.6 pp	52.5%	11.2%
SG&A/revenue	-10.0%	-8.4%	-1.7 pp	-8.7%	-3.4%
Trade Account Receivable Turnover Days	39.5	43.9	4.4 days	38.0	15.6%

Source: CR Mixc, UOB Kay Hian. \*Special dividend of Rmb0.364 is not included

#### RESULTS

• **Results beat expectations without special dividends.** CR Mixc's underlying profit increased by 32.8% yoy to Rmb2,929m, beating our expectation of 28% yoy, mainly driven by: a) revenue increasing 22.9% yoy, b) gross margin growing 1.7ppt to 31.8%, and c) SG&A/revenue further dropping 1.6% yoy to 8.4%. Annual DPS is Rmb0.704/share, +60% yoy implying a payout ratio of 55%. For reference, CR Mixc paid Rmb0.439/share annual and Rmb0.364/share special dividend in 2022, implying a total payout ratio of 83% (including special dividend) or 45% (excluding special dividend).

#### KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	12,016	14,767	18,724	21,948	25,927
EBITDA	2,459	3,527	4,508	5,514	6,395
Operating profit	2,369	3,411	4,356	5,318	6,140
Net profit (rep./act.)	2,220	2,957	3,706	4,446	5,078
Net profit (adj.)	2,220	2,957	3,706	4,446	5,078
EPS (Fen)	97.3	129.5	162.4	194.8	222.5
PE (x)	22.4	16.8	13.4	11.2	9.8
P/B (x)	3.5	3.1	2.7	2.4	2.1
EV/EBITDA (x)	13.2	9.2	7.2	5.9	5.1
Dividend yield (%)	2.0	3.2	3.0	3.6	4.1
Net margin (%)	18.5	20.0	19.8	20.3	19.6
Net debt/(cash) to equity (%)	(88.2)	(72.6)	(95.4)	(85.4)	(102.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	15.8	19.6	21.7	22.8	22.7
Consensus net profit	-	-	3,535	4,329	4,904
UOBKH/Consensus (x)	-	-	1.05	1.03	1.04

Source: CR Mixc, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

### BUY

(Maintained)

Share Price	HK\$23.60
Target Price	HK\$33.20
Upside	+40.7%
(Previous TP)	HK\$31.50

#### COMPANY DESCRIPTION

China Resources Mixc Lifestyle Services Limited offer property management services. The Company provides residential property management, community value added services, commercial operational services, commercial subleasing services, and other services.

#### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	1209 HK
Shares issued (m):	2,282.5
Market cap (HK\$m):	53,867.0
Market cap (US\$m):	6,885.5
3-mth avg daily t'over (US\$m):	12.2

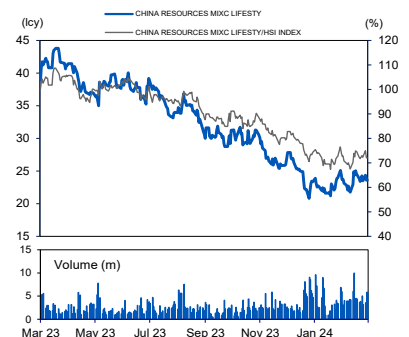
#### Price Performance (%)

52-week high/low	HK\$43.80/HK\$20.80			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(6.0)	(8.7)	(23.9)	(40.2)	(15.3)

#### Major Shareholders

	%
	-
	-
FY24 NAV/Share (Rmb)	7.96
FY24 Net Cash/Share (Rmb)	7.60

#### PRICE CHART



Source: Bloomberg

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- Improved efficiency of commercial management.** Gross margin in the commercial business increased 7.7% to 58.4% in 2023 driven by: a) accumulated retail sales growing 43.3%, with a same store growth of 30.9%, and b) average net operating income margin of third-party projects in operation jumping 11.1% to 52.7%. For office, against a challenging market environment, occupancy rate of 26 projects increased 3.2ppt to 83.9%. The lower margin of the property management business (down by 1.3% to 17.5%) might be a concern. After all, SG&A/revenue further dropped 1.6% yoy to 8.4%.
- Stronger cash generating abilities.** Trade receivables grew 30.5% yoy to Rmb2.07b, mainly due to third-party property management services managed on a lump sum basis. Operating cash flow/core net profit increased 19.2 ppt yoy to 104.2%.
- Solid third-party project expansion of malls under management.** In 2023, CR Mixc newly obtained 22 shopping malls, among which, 14 are third-party projects with an average GFA of 126,000sqm. All of the 14 third party projects were Transit Oriented Development (TOD) projects in Tier 1/2 cities.

### STOCK IMPACT

- Pursuing high-quality growth.** Management is committed to accomplishing its target for the 14th Five-Year Period with greater attention to the quality of growth. With Rmb15.6b of cash on hand, management shared a prudent view on M&A opportunities, with a focus on strategic acquisitions.
- Outlook for retail sales market in 2024.** Management believes that there is a structural change in consumption, with customers placing more emphasis on value-for-money products/services. For tenant sales, management targets 15-20% overall yoy growth and 8-10% same-store sales growth in 2024.

### EARNINGS REVISION/RISK

- Raise 2024/25 earnings forecast and introduce 2026 earnings forecast.** We raise our earnings forecast for 2024/25 by 4.2%/4.7% respectively to factor in management's unchanged 40% CAGR of net attributable profit for the 14th Five-Year Period. We also introduce forecast for 2026. We estimate that attributable net profit will grow at a CAGR of 17.1% during 2024-26.
- Key risks include:** a) wages of workers rising at a faster-than-expected pace, and b) the government unexpectedly tightening regulations on the property management sectors.

### VALUATION/RECOMMENDATION

- We maintain BUY on CR Mixc with a higher target price of HK\$33.20,** derived from the updated DCM model with a WACC of 14.5%. Our target price implies 11.2x 2025F PE, which is close to 0.5SD below mean.

### SHARE PRICE CATALYST

- Faster-than-expected business expansion.

### KEY STATISTICS OF MALL PORTFOLIO

Malls in operation	2022	2023	yoy
Total GFA (m sqm)	9.2	10.9	19.3
No. of Projects	86	101	17.4
- From CR Land	67	78	16.4
- From 3rd Party	19	23	21.1
Malls in pipeline	2022	2023	yoy
Total GFA (m sqm)	5.9	9.6	62.7
No. of Projects	56	78	39.3

Source: CR Mixc, UOB Kayhian

### MANAGED GFA OF RESIDENTIAL SEGMENT

Operation data	2022	2023	yoy%
Managed GFA	297	370	24.6%
- From CR Land	127	147	15.0%
- From third party	164	224	36.0%

Source: CR Mixc, UOB Kayhian

### REVENUE OF COMMERCIAL SEGMENT

RMB' million	FY23	FY22	Change
Revenue	5,166	4,214	22.6%
Shopping malls	3,238	2,482	30.5%
Shopping Malls -operation	2,204	1,680	32.8%
Shopping Malls -property management	430	457	-6.0%
Shopping Malls -sub-leasing	604	365	65.4%
Office	1,928	1,732	11.3%
Office -operation	132	127	-4.5%
Office -property management	1,796	1,605	11.9%

Source: CR Mixc

### REVENUE OF PM SEGMENT

RMB' million	FY23	FY22	Change
Revenue	9,801	7,802	23.1%
Basic property services	7,246	5,573	30.0%
Value-added services to non-property owners	829	973	-14.8%
Community value-added services	1,526	1,256	21.5%

Source: CR Mixc

### PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	14,767.0	18,723.9	21,948.1	25,926.7
EBITDA	3,527.2	4,507.7	5,514.5	6,395.3
Deprec. & amort.	116.4	151.3	196.7	255.7
EBIT	3,410.8	4,356.4	5,317.8	6,139.5
Total other non-operating income	181.3	181.3	181.3	181.3
Associate contributions	2.6	3.4	4.5	5.8
Net interest income/(expense)	278.0	345.7	362.7	373.3
Pre-tax profit	3,912.1	4,916.8	5,896.3	6,729.9
Tax	(969.5)	(1,229.2)	(1,474.1)	(1,682.5)
Minorities	13.9	18.1	23.5	30.5
Net profit	2,956.5	3,705.6	4,445.7	5,078.0
Net profit (adj.)	2,956.5	3,705.6	4,445.7	5,078.0

### CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	1,980.9	7,999.6	2,701.4	9,333.6
Pre-tax profit	3,912.1	4,916.8	5,896.3	6,729.9
Tax	(969.5)	(1,229.2)	(1,474.1)	(1,682.5)
Deprec. & amort.	205.5	267.2	347.3	451.5
Associates	(2.6)	(3.4)	(4.5)	(5.8)
Working capital changes	(686.0)	4,474.8	(1,594.5)	4,320.1
Other operating cashflows	(478.6)	(426.6)	(469.2)	(479.7)
Investing	(1,997.6)	(507.0)	(649.5)	(850.2)
Capex (growth)	(207.4)	(637.7)	(797.5)	(999.0)
Investments	576.5	644.2	661.3	671.8
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(2,366.8)	(513.5)	(513.3)	(523.0)
Financing	(995.9)	(1,728.0)	(1,599.5)	(1,895.5)
Dividend payments	(992.8)	(1,610.8)	(1,482.3)	(1,778.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	114.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(117.2)	(117.2)	(117.2)	(117.2)
Net cash inflow (outflow)	(1,012.6)	5,764.6	452.4	6,588.0
Beginning cash & cash equivalent	12,592.8	11,580.2	17,344.7	17,797.2
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	11,580.2	17,344.7	17,797.2	24,385.1

### BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	4,339.9	4,505.4	4,720.6	5,000.4
Other LT assets	3,925.2	4,675.2	5,057.0	5,525.7
ST debt	n.a.	n.a.	n.a.	n.a.
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	11,580.2	17,344.7	17,797.2	24,385.1
Other current assets	7,938.3	8,195.6	9,227.9	9,787.0
<b>Total assets</b>	<b>27,783.5</b>	<b>34,721.0</b>	<b>36,802.8</b>	<b>44,698.2</b>
Other current liabilities	8,339.7	13,071.8	12,509.7	17,388.9
Other LT liabilities	3,407.7	3,407.7	3,407.7	3,407.7
Shareholders' equity	15,948.2	18,171.6	20,839.0	23,885.8
Minority interest	87.8	69.8	46.3	15.8
<b>Total liabilities &amp; equity</b>	<b>27,783.5</b>	<b>34,721.0</b>	<b>36,802.7</b>	<b>44,698.2</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	23.9	24.1	25.1	24.7
Pre-tax margin	26.5	26.3	26.9	26.0
Net margin	20.0	19.8	20.3	19.6
ROA	11.0	11.9	12.4	12.5
ROE	19.6	21.7	22.8	22.7
<b>Growth</b>				
Turnover	22.9	26.8	17.2	18.1
EBITDA	43.5	27.8	22.3	16.0
Pre-tax profit	34.6	25.7	19.9	14.1
Net profit	33.2	25.3	20.0	14.2
Net profit (adj.)	33.2	25.3	20.0	14.2
EPS	33.2	25.3	20.0	14.2
<b>Leverage</b>				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(72.6)	(95.4)	(85.4)	(102.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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