China Resources Mixc Lifestyle (1209 HK)

Oct 26 Operational Update: SSS Slips; Cutting Mall Forecasts And Target Price

Highlights

- We estimate CR Mixc's mall retail sales grew by low single digits yoy in Oct 26, with SSS down slightly. Luxury malls reported weaker SSS than the overall portfolio for the first time this year. In 10M26, we estimate total retail sales grew by double digits yoy and SSS rose by mid-single digits, with luxury malls in line with the portfolio.
- We expect luxury sales growth to slow and SSS to decline in 1H27. We cut our 2026-28 mall revenue growth forecasts to 14.1%/9%/10% and our core net profit forecasts by 0.9%/5.7%/8.2% respectively. We still expect CR Mixc to meet its 2026 guidance of double-digit core net profit growth.
- We use DCF (WACC: 8.7%, terminal growth rate: 2.5%) to derive our target price of HK$50.00 (from HK$55.00 previously). Maintain BUY.

Analysis

- **Mall retail sales slowed in October.** We estimate total retail sales across CR Mixc's malls grew by low single digits yoy in Oct 26, slower than the high single-digit growth we estimated for Sep 26, with same-store sales (SSS) down slightly yoy. SSS at its luxury malls was weaker than the overall portfolio, marking the first such instance this year. For 10M26, we estimate total retail sales grew by double digits yoy with SSS up by mid-single digits. SSS growth at its luxury malls should be broadly in line with the overall portfolio.
- **We lower our mall forecasts for 2027.** We expect luxury sales growth to slow and SSS to decline in 1H27, owing to the negative wealth effect of weak property and stock markets. We cut our 2026-28 mall revenue growth forecasts from 15%/15%/14% to 14.1%/9%/10% respectively, and our 2027-28 mall gross margin from 75.9% to 75.0%. New mall openings should support revenue growth, with five openings in 4Q26 (12 in 2026) and 16 in 2027.

Valuation/Recommendation

- **Maintain BUY and cut target price from HK$55.00 to HK$50.00.** We use DCF (WACC: 8.7%, terminal growth rate: 2.5%) and raise our beta assumption to 0.9 from 0.8, which lifts our WACC from 8.2% to 8.7%. We raise the beta as we expect mid- to high-end retail sales to be hit harder than overall retail sales in 1H27. The stock trades at 17.2x 2026F PE and a 5.8% 2026F dividend yield, and our target price implies 22.5x 2026F PE.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	17,154	18,022	19,617	21,247	22,950
EBITDA	4,363	5,032	5,703	6,169	6,746
Operating profit	4,231	4,859	5,479	5,878	6,367
Net profit (rep./act.)	3,598	3,969	4,368	4,623	4,933
Net profit (adj.)	3,474	3,950	4,345	4,600	4,910
EPS (fen)	152.2	173.1	190.4	201.5	215.1
PE (x)	20.9	18.4	16.7	15.8	14.8
P/B (x)	4.4	4.7	4.5	3.4	3.3
EV/EBITDA (x)	15.0	13.0	11.5	10.6	9.7
Dividend yield (%)	4.8	5.4	6.0	6.3	6.8
Net margin (%)	21.0	22.0	22.3	21.8	21.5
Net debt/(cash) to equity (%)	(58.2)	(35.8)	(46.1)	(44.9)	(49.3)
Interest cover (x)	37.7	45.3	51.4	55.6	60.8
ROE (%)	#N/A	24.8	27.6	24.6	22.7
Consensus net profit (Rmbm)	-	-	4,388.7	4,816.4	5,333.1
UOBKH/Consensus (x)	-	-	0.99	0.96	0.92

Source: CR Mixc, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$37.50
Target Price	HK$50.00
Upside	+33.3%
Previous TP	HK$55.00

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	1209 HK
Shares issued (m):	2,282.5
Market Cap (HK$m):	85,593.8
Market cap (US$m):	10,910.6
3-mth avg t'over (US$m):	22.8

Price Performance (%)

52-week high/low				HK$51.15/HK$36.14
1mth	3mth	6mth	1yr	YTD
(5.5)	(8.2)	(18.1)	(14.8)	(12.7)

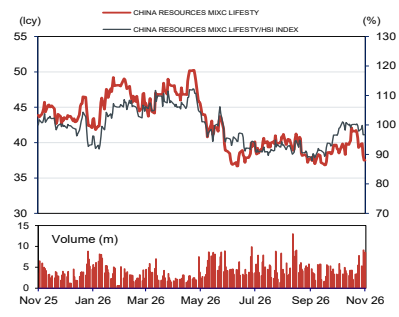
Major Shareholders (%)

China Resources Co Ltd	72.29
JP Morgan Chase & Co	5.67

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	7.11
FY26 Net Debt/ Share (Rmb)	3.28

Price Chart



Source: Bloomberg

Company Description

China Resources Mixc Lifestyle Services is an asset-light property management and commercial operation service provider in China, spun off from parent China Resources Land. Its commercial segment operates shopping malls and offices, while its property management segment serves residential communities and urban space, including public facilities, industrial parks and venues.

Earnings Revision/Risk

- **We cut our earnings forecasts.** We trim our 2026 core net profit forecast by 0.9% to Rmb4.35b, which is still a 10.0% growth yoy. We cut our 2027-28 core net profit forecasts by 5.7%/8.2% to Rmb4.60b/Rmb4.91b respectively, mainly reflecting our lowered expectations for luxury sales and SSS, which in turn lowers our mall revenue growth and gross margin assumptions.

Key Changes To Estimates

	Old			New			Change		
Rmbm	26E	27E	28E	26E	27E	28E	26E	27E	28E
Revenue	19,647	21,623	23,616	19,617	21,247	22,950	-0.1%	-1.7%	-2.8%
VAS to property developers	484	493	493	484	493	493	0.0%	0.0%	0.0%
GPM	36.0%	36.7%	37.2%	35.8%	35.4%	35.6%	-0.2ppt	-1.2ppt	-1.7ppt
Gross profit	7,073	7,927	8,794	7,021	7,532	8,161	-0.7%	-5.0%	-7.2%
Core net profit	4,383	4,877	5,349	4,345	4,600	4,910	-0.9%	-5.7%	-8.2%

Source: CR Mixc, UOB Kay Hian

Share Price Catalyst

- Faster-than-expected mall openings and tenant retail sales growth.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	18,021.6	19,617.1	21,246.8	22,950.0
EBITDA	5,031.9	5,703.4	6,169.3	6,746.1
Deprec. & amort.	172.5	224.2	291.5	378.9
EBIT	4,859.4	5,479.2	5,877.8	6,367.2
Total other non-operating income	604.9	654.0	655.2	656.9
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	-111.0	-111.0	-111.0	-111.0
Pre-tax profit	5,353.4	6,022.2	6,422.1	6,913.1
Tax	-1,269.6	-1,505.6	-1,605.5	-1,728.3
Minorities	-114.7	-149.1	-193.9	-252.0
Net profit	3,969.0	4,367.5	4,622.7	4,932.8
Net profit (adj.)	3,950.0	4,345.0	4,600.2	4,910.3
Adjusted EPS	173.1	190.4	201.5	215.1

Balance Sheet

Year to 31 Dec(Rmbm)	2025	2026F	2027F	2028F
Fixed assets	5,294.5	5,471.4	5,701.3	6,000.1
Other LT assets	9,140.4	10,304.7	11,701.8	13,378.4
Cash/ST investment	5,538.3	7,484.2	9,570.8	10,926.2
Other current assets	9,077.8	7,833.0	9,729.6	8,514.2
Total assets	29,050.9	31,093.2	36,703.5	38,819.0
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	10,197.0	11,471.3	12,000.2	13,242.7
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	3,160.2	3,160.2	3,160.2	3,160.2
Shareholders' equity	15,461.9	16,229.8	21,311.2	22,184.3
Minority interest	231.8	231.8	231.8	231.8
Total liabilities & equity	29,050.9	31,093.2	36,703.5	38,819.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,579.0	7,201.7	3,794.6	8,222.4
Profit fo the year	5,353.4	6,022.2	6,422.1	6,913.1
Tax	-1,269.6	-1,505.6	-1,605.5	-1,728.3
Deprec. & amort.	172.5	224.2	291.5	378.9
Associates	0.0	0.0	0.0	0.0
Working capital changes	419.7	2,519.1	-1,367.8	2,457.8
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	-96.9	-58.3	54.4	200.8
Investing	-5,021.0	-1,194.8	2,748.0	-2,155.8
Capex (growth)	-122.3	-879.9	-1,120.9	-1,429.6
Investment	0.0	0.0	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Others	-4,898.7	-314.9	3,868.8	-726.2
Financing	-3,619.8	-4,061.0	-4,456.0	-4,711.2
Dividend payments	-3,474.1	-3,950.0	-4,345.0	-4,600.2
Proceeds from borrowings	-34.8	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	-111.0	-111.0	-111.0	-111.0
Net cash inflow (outflow)	-4,061.9	1,945.9	2,086.6	1,355.4
Beginning cash & cash equivalent	9,600.1	5,538.3	7,484.2	9,570.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	5,538.3	7,484.2	9,570.8	10,926.2

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.9	29.1	29.0	29.4
Pre-tax margin	29.7	30.7	30.2	30.1
Net margin	22.0	22.3	21.8	21.5
ROA	13.6	14.5	13.6	13.1
ROE	24.8	27.6	24.6	22.7
Growth				
Turnover	5.1	8.9	8.3	8.0
EBITDA	15.3	13.3	8.2	9.3
Pre-tax profit	10.1	12.5	6.6	7.6
Net profit	10.3	10.0	5.8	6.7
Net profit (adj.)	13.7	10.0	5.9	6.7
EPS	13.7	10.0	5.9	6.7
Leverage				
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	(35.8)	(46.1)	(44.9)	(49.3)

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