Guoquan Food (2517 HK)

Expect slower store expansion with broader revenue support

Guoquan's 1H26 revenue/NP grew 21.8%/15.2% YoY to RMB 3,947/211 mn, respectively with core operating profit up 18.3% YoY, missing its guidance of NP growth outpacing revenue growth. Our two key takeaways are: 1) management trimmed FY26 store target to 13,100 from the 14,500 laid out at the FY25 annual results in March, signalling a slower but more disciplined expansion pace. Meanwhile, the Company reiterated its long-term goal of 20,000 stores, with membership, online channels and overseas exploration adding new revenue levers. 2) Despite mix-driven GPM dilution in 1H26 (down 0.6ppts to 21.5%), management expects mild improvement ahead, on supply-chain efficiency gains, high-margin hotpot-season offerings, Guoquan Farm scale-up and online-offline synergy. We transfer coverage with a BUY rating and a TP of HK$3.07, based on 14x FY26E PE, the average of selected comparable peers.

- **Store expansion slowed with broadening revenue support**. Store count reached 12,198 in 1H26 (+1,798 YoY; net +632 in 1H26). The new FY26 target of >13,100 stores marks a clear cut from the 14,500 guided in March, with priority shifting from speed to quality: new openings limited to large-store format, closure rate is guided below 4% (was 5%); the long-term 20,000-store ambition stays intact. The Company is broadening its revenue support with 1) membership reached 82mn (+63% YoY), contributing 73.2% of consumption (+12ppts), 2) in-store Douyin GMV nearly doubled to RMB910mn, and 3) the first Hong Kong store opened as a pilot for phased overseas expansion.
- **GPM: transitory dilution in 1H26, mild improvement expected ahead.** GPM slipped 0.6ppts YoY to 21.5% in 1H26, weighed by raw material cost inflation, newly introduced lower-margin categories (e.g. Golden Pillow durian), and a rising share of lower-ticket online orders. Management expects mild GPM recovery in coming periods, mainly driven by: 1) steady supply-chain efficiency gains; 2) higher-margin product display in the hotpot peak season in 2H26 (e.g. grassland lamb as the flagship item); 3) margin-mix optimization as Guoquan Farm scales up (1H26 GMV RMB240mn, up over 6x YoY); and 4) online-offline product synergy.
- **Transfer coverage with a BUY rating.** Our new TP of HK$ 3.07 based on 14x FY26E PE, in line with comparable peers set with closer business-model resemblance, comprising: 1) franchise-led retailers with 10k-plus store scale and deep lower-tier market penetration; and 2) hotpot and catering supply-chain names and at-home dining plays. (Figure 4)

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	6,470	7,810	9,162	10,434	11,794
YoY growth (%)	6.2	20.7	17.3	13.9	13.0
Net profit (RMB mn)	241.2	453.9	587.6	756.5	895.7
EPS (Reported) (RMB)	0.08	0.16	0.20	0.26	0.31
YoY growth (%)	(5.9)	94.0	25.1	28.7	18.4
Consensus EPS (RMB)	na	na	0.22	0.27	0.32
P/E (x)	18.9	9.8	7.8	6.1	5.1
Yield (%)	4.6	6.9	7.7	9.9	11.7
ROE (%)	7.5	14.7	18.6	22.0	23.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$3.07**
Up/Downside	**65.9%**
Current Price	**HK$1.85**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK$ mn)	4,912.4
Avg 3 mths t/o (HK$ mn)	31.8
52w High/Low (HK$)	4.69/1.72
Total Issued Shares (mn)	2655.4

Source: FactSet

Shareholding Structure

Mr. Yang Mingchao, Mr. Meng Xianjin & Mr	44.2%
IDG China	5.1%

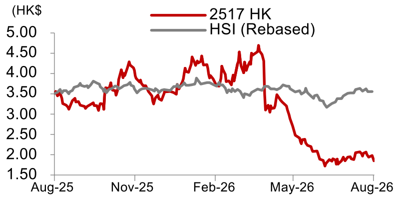
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	0.0%	-3.7%
3-mth	-31.5%	-30.7%
6-mth	-52.2%	-49.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

CMB INTERNATIONAL

Figure 1: 2517 HK results summary – 1H26

RMB ('000)	2024	2025	YoY	1H25	2H25	1H26	YoY	HoH
Revenue	**6,470**	**7,810**	***20.7%***	**3,240**	**4,570**	**3,947**	***21.8%***	***-13.6%***
Sales of products	6,312	7,636	*21%*	3,155	4,480	3,849	*22.0%*	*-14%*
Sales to franchisees	5,445	6,219	*14%*	2,595	3,624	3,170	*22.1%*	*-13%*
Other sales channels	867	1,417	*63%*	560	857	679	*21.2%*	*-21%*
Service income	158	174	*11%*	84	90	98	*16.5%*	*9%*
Gross profit	**1,417**	**1,687**	***19%***	**717**	**969**	**849**	***18.3%***	***-12%***
Selling and distribution expense	664	708	*7%*	308	400	384	*24.6%*	*-4%*
Administrative expense	454	463	*2%*	209	254	246	*17.7%*	*-3%*
EBIT	***323***	***598***	***85.1%***	***257***	***341***	***286***	***11.3%***	***-16.1%***
Net profit	**231**	**433**	***87.8%***	**183**	**250**	**211**	***15.2%***	***-15.3%***
Core operating profit (non-IFRS)	**311**	**461**	***48.2%***	**190**	**271**	**225**	***18.3%***	***-16.8%***
EPS (RMB)	0.08	0.16	*94.0%*	0.07	0.09	0.08	*17.9%*	*-14.7%*
DPS (RMB)	0.07	0.11	*49.8%*	0.07	0.04	0.05	*-29.7%*	*33.4%*
Dividend payout ratio	*87%*	*67%*		*105%*	*40%*	*62%*		
Ratios:								
Gross margin	**21.9%**	**21.6%**	***-0.3 ppt***	**22.1%**	**21.2%**	**21.5%**	***-0.6 ppt***	***0.3 ppt***
Selling expense %	10.3%	9.1%	*-1.2 ppt*	9.5%	8.7%	9.7%	*0.2 ppt*	*1.0 ppt*
Admin. expense %	7.0%	5.9%	*-1.1 ppt*	6.4%	5.6%	6.2%	*-0.2 ppt*	*0.7 ppt*
OP margin	**5.0%**	**7.7%**	***2.7 ppt***	**7.9%**	**7.5%**	**7.3%**	***-0.7 ppt***	***-0.2 ppt***
Net margin	**3.6%**	**5.5%**	***2.0 ppt***	**5.7%**	**5.5%**	**5.4%**	***-0.3 ppt***	***-0.1 ppt***
Core OP margin (non IFRS)	**4.8%**	**5.9%**	***1.1 ppt***	**5.9%**	**5.9%**	**5.7%**	***-0.2 ppt***	***-0.2 ppt***
Op matrix:			*Net*				*Net from 1H25*	*Net from FY25*
Number of stores	**10,150**	**11,566**	***1,416***	**10,400**	**11,566**	**12,198**	***1,798***	***632***
Franchised stores	10,135	11,554	*1,419*	10,386	11,554	12,190	*1,804*	*636*
Self-operated stores	15	12	*-3*	14	12	8	*-6*	*-4*

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	9,162	10,434	11,794	9,038	10,301	n.a.	1.4%	1.3%	n.a.
Gross profit	1,988	2,274	2,582	1,997	2,287	n.a.	-0.5%	-0.6%	n.a.
Operating profit	787	1,010	1,194	518	683	n.a.	51.8%	47.8%	n.a.
Net profit	562	722	854	424	554	n.a.	32.5%	30.4%	n.a.
Gross margin	21.7%	21.8%	21.9%	22.1%	22.2%	n.a.	-0.4ppt	-0.4ppt	n.a.
Operating margin	8.6%	9.7%	10.1%	5.7%	6.6%	n.a.	2.9ppt	3ppt	n.a.
Net margin	6.1%	6.9%	7.2%	4.7%	5.4%	n.a.	1.4ppt	1.5ppt	n.a.

Source: Company data, CMBIGM estimates

Figure 3: CMBI estimates vs. Consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	9,162	10,434	11,794	9,735	11,674	13,607	-5.9%	-10.6%	-13.3%
Gross profit	1,988	2,274	2,582	2,117	2,539	2,988	-6.1%	-10.4%	-13.6%
Operating profit	787	1,010	1,194	747	942	1,128	5.4%	7.2%	5.8%
Net profit	562	722	854	590	734	881	-4.8%	-1.6%	-3.1%
Gross margin	21.7%	21.8%	21.9%	21.7%	21.7%	22.0%	-0.1ppt	0ppt	-0.1ppt
Operating margin	8.6%	9.7%	10.1%	7.7%	8.1%	8.3%	0.9ppt	1.6ppt	1.8ppt
Net margin	6.1%	6.9%	7.2%	6.1%	6.3%	6.5%	0.1ppt	0.6ppt	0.8ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Valuation comps

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Rev. growth (%)			NP growth (%)			GPM (%)	NPM (%)	Payout ratio	Div yield	
		(LC)	(USD mn)	26E	27E	28E	26E	27E	28E	26E	27E	28E	25A	25A	25A	25A	26E
Guoquan	**2517.HK**	**1.85**	**648**	**7.8 x**	**6.1 x**	**5.1 x**	**17.3**	**13.9**	**13.0**	**29.8**	**28.5**	**18.2**	**21.6**	**5.8**	**68%**	**6.9%**	**7.7%**
Mixue Group	2097.HK	220.60	10,676	11.3 x	9.9 x	8.9 x	13.7	12.0	10.8	8.7	13.9	11.9	31.1	17.7	NA	NA	NA
Guming	1364.HK	24.52	7,434	15.5 x	12.8 x	10.9 x	25.6	20.4	16.2	5.2	21.2	17.2	33.0	24.1	96%	5.8%	2.3%
Auntea Jenny	2589.HK	82.85	1,111	12.7 x	10.8 x	9.6 x	16.0	16.6	12.1	18.4	17.6	12.9	31.4	11.2	36%	2.3%	3.6%
Chabaidao	2555.HK	4.68	881	6.5 x	5.7 x	5.1 x	10.7	11.7	11.6	13.4	14.0	13.6	32.5	15.2	131%	16.9%	6.5%
Chagee	CHA.O	10.05	1,917	8.3 x	7.1 x	6.7 x	8.3	11.9	6.7	33.7	16.2	6.8	40.0	9.2	103%	9.2%	NA
Wanchen Biotechn	300972.SZ	199.68	5,807	16.7 x	13.0 x	11.2 x	31.2	19.5	12.1	74.2	28.3	16.6	12.2	4.7	14%	0.5%	1.4%
Babi Food	605338.SH	19.64	693	15.1 x	12.8 x	11.1 x	12.3	16.4	14.1	14.4	18.1	14.8	27.9	14.7	105%	6.1%	5.4%
Anjoy Food	2648.HK	67.05	3,843	10.7 x	9.0 x	7.9 x	17.2	13.9	10.8	33.1	18.1	14.5	21.6	8.5	66%	4.8%	6.4%
Yihai Intl	1579.HK	15.14	2,001	14.2 x	12.9 x	11.9 x	7.4	7.1	6.8	12.1	9.7	8.7	32.7	13.7	93%	6.0%	5.8%
Dingdong	DDL.N	2.25	492	9.0 x	7.2 x	NA	15.3	9.7	NA	59.7	25.4	NA	29.2	1.0	NA	NA	NA
Qianweiyangchu	001215.SZ	31.30	448	35.1 x	29.2 x	24.7 x	11.6	10.7	10.1	36.3	20.1	18.2	21.9	3.3	NA	NA	NA
Average				**13.7 x**	**11.5 x**	**10.0 x**	**18.7**	**14.9**	**11.6**	**24.7**	**18.5**	**13.6**	**28.4**	**14.5**	**51%**	**3.4%**	**2.3%**

Source: Company data, Wind, CMBIGM estimates
Note: Data as of 19 Aug 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**6,094**	**6,470**	**7,810**	**9,162**	**10,434**	**11,794**
Cost of goods sold	(4,743)	(5,053)	(6,123)	(7,174)	(8,160)	(9,212)
Gross profit	**1,351**	**1,417**	**1,687**	**1,988**	**2,274**	**2,582**
Operating expenses	**(1,085)**	**(1,120)**	**(1,182)**	**(1,321)**	**(1,410)**	**(1,555)**
Selling expense	(579)	(664)	(708)	(807)	(879)	(983)
Admin expense	(497)	(454)	(463)	(501)	(516)	(555)
Others	(9)	(1)	(12)	(14)	(15)	(17)
Operating profit	**371**	**323**	**598**	**787**	**1,010**	**1,194**
Other income	73	(13)	77	102	127	148
Other gains/(losses)	(8)	(4)	(7)	(8)	(8)	(8)
EBITDA	**339**	**284**	**582**	**887**	**9,184**	**na**
EBIT	**332**	**281**	**575**	**760**	**983**	**1,167**
Interest income	32	39	16	18	18	18
Pre-tax profit	**363**	**320**	**601**	**778**	**1,001**	**1,185**
Income tax	(100)	(78)	(147)	(191)	(245)	(290)
After tax profit	**240**	**231**	**433**	**560**	**722**	**854**
Minority interest	(24)	(11)	(21)	(27)	(35)	(41)
Net profit	**263**	**241**	**454**	**588**	**757**	**896**
Adjusted net profit	**263**	**241**	**454**	**588**	**757**	**896**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**2,875**	**3,268**	**3,473**	**3,872**	**4,489**	**5,137**
Cash & equivalents	1,173	1,326	751	1,234	1,683	2,109
Restricted cash	64	89	109	109	109	109
Account receivables	54	234	425	251	286	323
Inventories	720	692	803	826	894	1,010
Prepayment	409	324	396	465	529	598
Other current assets	455	604	988	988	988	988
Non-current assets	**1,776**	**1,483**	**1,766**	**1,822**	**1,870**	**1,920**
PP&E	441	494	578	636	684	734
Right-of-use assets	136	151	234	234	234	234
Investment in JVs & assos	2	302	332	332	332	332
Intangibles	58	51	54	53	52	52
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,140	486	568	568	568	568
Total assets	**4,652**	**4,751**	**5,238**	**5,695**	**6,360**	**7,058**
Current liabilities	**1,168**	**1,404**	**1,936**	**2,125**	**2,433**	**2,720**
Short-term borrowings	72	64	130	130	130	130
Account payables	1,035	1,284	1,719	1,908	2,216	2,503
Tax payable	43	40	59	59	59	59
Other current liabilities	18	16	29	29	29	29
Lease liabilities	0	0	0	0	0	0
Non-current liabilities	**105**	**82**	**123**	**123**	**123**	**123**
Long-term borrowings	8	4	10	10	10	10
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	97	78	114	114	114	114
Total liabilities	**1,273**	**1,487**	**2,059**	**2,248**	**2,556**	**2,843**
Share capital	2,747	2,747	2,747	2,747	2,747	2,747
Retained earnings	0	(73)	(257)	(133)	155	497
Other reserves	515	470	547	663	696	724
Total shareholders equity	**3,262**	**3,144**	**3,037**	**3,277**	**3,599**	**3,968**
Minority interest	117	120	143	170	205	246
Total equity and liabilities	**4,652**	**4,751**	**5,238**	**5,695**	**6,360**	**7,058**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**363**	**320**	**601**	**778**	**1,001**	**1,185**
Depreciation & amortization	(24)	(35)	(19)	109	142	166
Tax paid	(24)	(95)	(128)	(191)	(245)	(290)
Change in working capital	(11)	167	32	272	140	66
Others	374	174	102	18	18	18
Net cash from operations	**678**	**531**	**588**	**987**	**1,057**	**1,146**
Investing						
Capital expenditure	(133)	(105)	(150)	(175)	(200)	(226)
Acquisition of subsidiaries/ investments	(123)	(264)	(66)	0	0	0
Net proceeds from disposal of short-term investments	3	4	3	0	0	0
Others	(295)	245	(405)	0	0	0
Net cash from investing	**(548)**	**(120)**	**(617)**	**(175)**	**(200)**	**(226)**
Financing						
Dividend paid	(5)	(151)	(400)	(320)	(400)	(485)
Net borrowings	(47)	(42)	38	0	0	0
Proceeds from share issues	424	0	0	0	0	0
Share repurchases	0	(73)	(184)	0	0	0
Others	(17)	2	3	(8)	(8)	(8)
Net cash from financing	**355**	**(265)**	**(543)**	**(329)**	**(408)**	**(493)**
Net change in cash						
Cash at the beginning of the year	695	1,173	1,326	751	1,234	1,683
Exchange difference	(7)	6	(2)	0	0	0
Others	486	146	(572)	483	449	426
Cash at the end of the year	**1,173**	**1,326**	**751**	**1,234**	**1,683**	**2,109**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(15.0%)	6.2%	20.7%	17.3%	13.9%	13.0%
Gross profit	8.2%	4.9%	19.0%	17.9%	14.4%	13.6%
Operating profit	9.4%	(12.9%)	85.2%	31.5%	28.4%	18.2%
EBITDA	7.3%	(16.2%)	104.8%	52.5%	934.8%	na
EBIT	7.3%	(15.4%)	105.0%	32.1%	29.4%	18.7%
Net profit	9.3%	(8.4%)	88.1%	29.5%	28.7%	18.4%
Adj. net profit	9.3%	(8.4%)	88.1%	29.5%	28.7%	18.4%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	22.2%	21.9%	21.6%	21.7%	21.8%	21.9%
Operating margin	6.1%	5.0%	7.7%	8.6%	9.7%	10.1%
EBITDA margin	5.6%	4.4%	7.5%	9.7%	88.0%	na
Adj. net profit margin	4.3%	3.7%	5.8%	6.4%	7.3%	7.6%
Return on equity (ROE)	9.0%	7.5%	14.7%	18.6%	22.0%	23.7%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.4	0.4	0.2	0.4	0.5	0.5
Current ratio (x)	2.5	2.3	1.8	1.8	1.8	1.9
Receivable turnover days	5.6	8.1	15.4	10.0	10.0	10.0
Inventory turnover days	68.0	51.0	44.6	42.0	40.0	40.0
Payable turnover days	39.8	39.9	46.0	48.0	50.0	50.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	17.8	18.9	9.8	7.8	6.1	5.1
P/E (diluted)	17.8	18.9	9.8	7.8	6.1	5.1
P/B	1.3	1.3	1.4	1.3	1.1	1.0
P/CFPS	6.3	8.2	7.2	4.4	4.1	3.8
Div yield (%)	3.4	4.6	6.9	7.7	9.9	11.7
EV	3,925.4	3,735.5	4,361.5	3,878.8	3,429.9	3,003.6
EV/Sales	0.6	0.6	0.6	0.4	0.3	0.3
EV/EBIT	11.8	13.3	7.6	5.1	3.5	2.6
EV/EBITDA	11.6	13.1	7.5	4.4	0.4	na

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

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BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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