

# Jiumaojiu (9922 HK)

## Operating leverage will start to kick in

**Maintain BUY and raised SOTP-based TP to HK\$ 20.88**, based on 15x FY21E P/E for Jiu Mao Jiu ("JM") and 60x FY21E P/E for Tai Er ("TE") (up from 15x and 50x). The losses were short lived as TE and JM have already returned to profit since Apr and May 2020. We are now more confident on the growth onwards. The current valuation of 43x FY21E P/E (vs industry average at 30x) in our view, is still attractive, given a 62% FY20-22E EPS CAGR.

- **1H20 results slight beat.** Jiumaojiu reported net losses of RMB 89mn, beating the "no more than RMB 120mn losses" from its profit warning, thanks to better-than-expected tax credit of RMB 40mn. Noted the RMB 28mn impairment losses was roughly offset by the other income of RMB 27mn.
- **Tai Er's impressive run of recovery.** Tai Er's superior popularity was evidenced by its better-than-industry recovery. According to mgmt., seat turnover had recovered to 91% in Apr 2020 to 108% in Jul 2020 (vs ~4.8x in Dec 2019), helped by the delivery orders, ~26% and 14% of total sales in Apr and Jul 2020. Also, the fading out of delivery would be a positive for its overall GP margin in 2H20E. Traffic further improved in Aug 2020 vs Jul 2020.
- **Store expansion plan on track.** Even with the COVID-19 disruption, Tai Er still added 35 new stores in 1H20, at a similar pace vs 1H19. Although the Beijing expansion plan is likely to be delayed, we are still confident for Tai Er to achieve its 80 new stores target in FY20E, as it has a very short ramp up time (1-1.5 months from contract signing to opening) and receives various shopping mall invitations (can pick only those with better rent terms and locations).
- **Jiu Mao Jiu is also recovering healthily.** Jiu Mao Jiu is obviously lagging behind the industry, but it is still recovering. Its seat turnover improved from 41% in Apr 2020 to 86% in Jul 2020. Thanks to the terminations of many non-performing stores, JM has already returned to profit since May 2020.
- **Under tight cost control, margins can shoot up when demand returns.** The Company has turned on its cost conscious mode, where falling number of staff vs end of FY19 is an example. We believe when the demand normalizes, profits can resume in a robust manner and hence OP margin should trend up from -5.9% in 1H20 to 9.9% in 2H20E and 19.3% in FY21E.
- **Maintain BUY and adjusted TP to HK\$ 20.88.** We adjust FY20E/ 21E/ 22E EPS estimates by -226%/ +29%/ +2%, to factor in: 1) strong SSSG in Aug 2020 and 2) equity raising back in Jul 2020. We maintain BUY and lifted TP to HK\$ 20.88, based on 15x/ 60x FY21E P/E for Jiu Mao Jiu/ Tai Er (up from 15x/ 50x). Valuation is not demanding at 43x FY21E P/E given a turnaround from now on with a 62% FY20-22E EPS CAGR.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,893	2,687	2,452	4,665	6,722
YoY growth (%)	28.8	42.0	(8.7)	90.2	44.1
Net income (RMB mn)	70	164	(29)	519	754
EPS (RMB)	0.050	0.119	(0.021)	0.357	0.519
YoY growth (%)	4.2	136.1	(117.8)	(1,790.2)	45.3
Consensus EPS (RMB)	n/a	n/a	0.061	0.312	0.462
P/E (x)	298.3	128.6	(723.9)	42.8	29.5
P/B (x)	102.1	123.9	6.8	6.1	5.2
Yield (%)	0.3	0.0	0.0	0.7	1.0
ROE (%)	33.9	87.9	(1.8)	15.3	19.0
Net gearing (%)	70.8	187.9	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

## BUY (Maintain)

Target Price	HK\$20.88
(Previous TP)	HK\$16.10)
Up/Downside	+22.1%
Current Price	HK\$17.10

### China Catering Sector

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### Stock Data

Mkt Cap (HK\$ mn)	24,853
Avg 3 mths t/o (HK\$ mn)	146.25
52w High/Low (HK\$)	17.86/7.60
Total Issued Shares (mn)	1,453.4

Source: Bloomberg

### Shareholding Structure

Mr. Guan Yi Hong	42.28%
Shanghai Ling Yu	9.29%
MT BVI	5.25%
MX BVI	5.24%
Free Float	37.94%

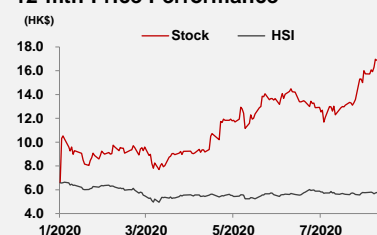
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	39.0%	34.7%
3-mth	39.0%	27.5%
6-mth	80.0%	88.5%
12-mth	n/a	n/a

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: KPMG

### Related Reports

1. Jiumaojiu (9922 HK, BUY) – Hit taken and winner in the second half – 15 Jul 2020
2. Jiumaojiu (9922 HK, BUY) - Speedy recovery indicates rare popularity – 31 Mar 2020
3. Jiumaojiu (9922 HK, BUY) - Excellence and minimalism to unlock scalability - 17 Feb 2020

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	2,452	4,665	6,722	2,599	4,321	6,554	-5.7%	7.9%	2.6%
Gross profit	1,483	2,796	4,060	1,571	2,614	3,974	-5.6%	7.0%	2.2%
EBIT	92	900	1,307	87	678	1,211	5.8%	32.7%	7.9%
Net profit att.	(29)	519	754	23	383	702	-225.5%	35.5%	7.4%
Diluted EPS (RMB)	(0.021)	0.357	0.519	0.017	0.277	0.507	-225.5%	28.9%	2.2%
Gross margin	60.5%	59.9%	60.4%	60.4%	60.5%	60.6%	0ppt	-0.5ppt	-0.2ppt
EBIT margin	3.8%	19.3%	19.4%	3.4%	15.7%	18.5%	0.4ppt	3.6ppt	1ppt
Net profit att. margin	-1.2%	11.1%	11.2%	0.9%	8.9%	10.7%	-2.1ppt	2.3ppt	0.5ppt

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	2,452	4,665	6,722	2,765	4,796	6,628	-11.3%	-2.7%	1.4%
Gross profit	1,483	2,796	4,060	1,720	2,986	4,120	-13.8%	-6.4%	-1.4%
EBIT	92	900	1,307	107	723	1,134	-13.2%	24.5%	15.2%
Net profit att.	(29)	519	754	51	420	655	-157.3%	23.5%	15.1%
Diluted EPS (RMB)	(0.021)	0.357	0.519	0.061	0.312	0.462	-134.5%	14.5%	12.2%
Gross margin	60.5%	59.9%	60.4%	62.2%	62.3%	62.2%	-1.7ppt	-2.3ppt	-1.7ppt
EBIT margin	3.8%	19.3%	19.4%	3.9%	15.1%	17.1%	-0.1ppt	4.2ppt	2.3ppt
Net profit att. margin	-1.2%	11.1%	11.2%	1.8%	8.8%	9.9%	-3ppt	2.4ppt	1.3ppt

Source: Company data, CMBIS estimates

## Results Preview

Figure 3: Results Preview – Half Year

Half yearly / Full yearly (RMB mn)	1H19	2H19	1H20E	2H20E	1H19 YoY	2H19 YoY	1H20E YoY	2H20E YoY
Revenue	1,237	1,450	950	1,503	41%	42%	-23%	4%
COGS	(435)	(550)	(372)	(597)				
Gross profit	802	900	577	906	39%	40%	-28%	1%
<b>GP margins</b>	<b>64.8%</b>	<b>62.1%</b>	<b>60.8%</b>	<b>60.3%</b>				
Other income & gains	2	10	27	23				
Staff costs	(320)	(377)	(327)	(389)	34%	33%	2%	3%
<b>Staff costs / sales</b>	<b>-25.9%</b>	<b>-26.0%</b>	<b>-34.5%</b>	<b>-25.9%</b>				
Dep. of right-of-use assets expenses	(105)	(114)	(114)	(129)	43%	40%	9%	12%
<b>Dep. of ROU assets exp / sales</b>	<b>-8.5%</b>	<b>-7.9%</b>	<b>-12.1%</b>	<b>-8.6%</b>				
Other rentals expenses	(21)	(23)	(14)	(35)	61%	44%	-35%	51%
<b>Other rentals exp / sales</b>	<b>-1.7%</b>	<b>-1.6%</b>	<b>-1.5%</b>	<b>-2.3%</b>				
D & A of other assets	(49)	(48)	(51)	(59)	27%	13%	4%	22%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.0%</b>	<b>-3.3%</b>	<b>-5.4%</b>	<b>-3.9%</b>				
Utilities expenses	(50)	(57)	(38)	(65)	14%	16%	-25%	13%
<b>Utilities exp / sales</b>	<b>-4.1%</b>	<b>-4.0%</b>	<b>-4.0%</b>	<b>-4.3%</b>				
Travelling & related expenses	(5)	(11)	(6)	(6)	18%	9%	11%	-42%
<b>Travelling &amp; related exp / sales</b>	<b>-0.4%</b>	<b>-0.7%</b>	<b>-0.6%</b>	<b>-0.4%</b>				
A & P expenses	(8)	(11)	(11)	(11)	8%	-5%	31%	-2%
<b>A &amp; P exp / sales</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-1.2%</b>	<b>-0.7%</b>				
Delivery service fees	(15)	(17)	(25)	(30)	65%	45%	65%	80%
<b>Delivery service fees / sales</b>	<b>-1.2%</b>	<b>-1.2%</b>	<b>-2.6%</b>	<b>-2.0%</b>				
Other opex	-61	-91	-74	-56	24%	24%	21%	-39%
<b>Other opex / sales</b>	<b>-4.9%</b>	<b>-6.3%</b>	<b>-7.8%</b>	<b>-3.7%</b>				
Operating profit (EBIT)	168	161	-56	148	68%	154%	-133%	-8%
<b>OP margins</b>	<b>13.6%</b>	<b>11.1%</b>	<b>-5.9%</b>	<b>9.9%</b>				
Other items	(2)	(3)	(39)	(5)				
Net finance income	(29)	(38)	(26)	(42)				
<b>Net finance income / sales</b>	<b>-2.3%</b>	<b>-2.6%</b>	<b>-2.7%</b>	<b>-2.8%</b>				
Profit after financing costs	137	120	-121	101				
Associated coms	1	1	(8)	9				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	139	121	-129	110	83%	323%	-193%	-8%
Tax	(37)	(37)	40	(52)				
<b>Tax / sales</b>	<b>-3.0%</b>	<b>-2.5%</b>	<b>4.2%</b>	<b>-3.5%</b>				
<b>Effective tax rate</b>	<b>-26.4%</b>	<b>-30.6%</b>	<b>-31.2%</b>	<b>-47.3%</b>				
Minority interests	9	12	(3)	2				
<b>Net profit att.</b>	<b>93</b>	<b>72</b>	<b>(86)</b>	<b>57</b>	<b>81%</b>	<b>289%</b>	<b>-193%</b>	<b>-21%</b>
<b>NP margins</b>	<b>7.5%</b>	<b>5.0%</b>	<b>-9.0%</b>	<b>3.8%</b>				

Source: Bloomberg, Company data, CMBIS estimates

Figure 4: Results Preview – Full Year

Half yearly / Full yearly (RMB mn)	FY18	FY19	FY20E	FY21E	FY19 YoY	FY20E YoY	FY21E YoY
Revenue	1,893	2,687	2,452	4,665	42%	-9%	90%
COGS	(672)	(985)	(969)	(1,869)			
Gross profit	1,221	1,702	1,483	2,796	39%	-13%	89%
<b>GP margins</b>	<b>64.5%</b>	<b>63.3%</b>	<b>60.5%</b>	<b>59.9%</b>			
Other income & gains	3	12	50	68			
Staff costs	(523)	(697)	(717)	(1,008)	33%	3%	41%
<b>Staff costs / sales</b>	<b>-27.7%</b>	<b>-25.9%</b>	<b>-29.2%</b>	<b>-21.6%</b>			
Dep. of right-of-use assets expenses	(155)	(219)	(243)	(316)	41%	11%	30%
<b>Dep. of ROU assets exp / sales</b>	<b>-8.2%</b>	<b>-8.1%</b>	<b>-9.9%</b>	<b>-6.8%</b>			
Other rentals expenses	(29)	(44)	(49)	(89)	52%	10%	84%
<b>Other rentals exp / sales</b>	<b>-1.5%</b>	<b>-1.6%</b>	<b>-2.0%</b>	<b>-1.9%</b>			
D & A of other assets	(81)	(97)	(110)	(136)	20%	13%	23%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.3%</b>	<b>-3.6%</b>	<b>-4.5%</b>	<b>-2.9%</b>			
Utilities expenses	(94)	(108)	(102)	(128)	15%	-5%	25%
<b>Utilities exp / sales</b>	<b>-5.0%</b>	<b>-4.0%</b>	<b>-4.2%</b>	<b>-2.7%</b>			
Travelling & related expenses	(14)	(16)	(12)	(28)	12%	-24%	128%
<b>Travelling &amp; related exp / sales</b>	<b>-0.8%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.6%</b>			
A & P expenses	(20)	(20)	(22)	(56)	0%	12%	154%
<b>A &amp; P exp / sales</b>	<b>-1.0%</b>	<b>-0.7%</b>	<b>-0.9%</b>	<b>-1.2%</b>			
Delivery service fees	(21)	(32)	(55)	(26)	54%	73%	-53%
<b>Delivery service fees / sales</b>	<b>-1.1%</b>	<b>-1.2%</b>	<b>-2.2%</b>	<b>-0.6%</b>			
Other opex	-123	-152	-130	-177	24%	-15%	36%
<b>Other opex / sales</b>	<b>-6.5%</b>	<b>-5.7%</b>	<b>-5.3%</b>	<b>-3.8%</b>			
Operating profit (EBIT)	163	329	92	900	101%	-72%	874%
<b>OP margins</b>	<b>8.6%</b>	<b>12.2%</b>	<b>3.8%</b>	<b>19.3%</b>			
Other items	1	(5)	(44)	(19)			
Net finance income	(58)	(67)	(68)	(75)			
<b>Net finance income / sales</b>	<b>-3.1%</b>	<b>-2.5%</b>	<b>-2.8%</b>	<b>-1.6%</b>			
Profit after financing costs	106	257	-20	806			
Associated coms	(2)	2	2	3			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	104	259	-18	809	148%	-107%	-4480%
Tax	(31)	(73)	(12)	(218)			
<b>Tax / sales</b>	<b>-1.6%</b>	<b>-2.7%</b>	<b>-0.5%</b>	<b>-4.7%</b>			
<b>Effective tax rate</b>	<b>-29.3%</b>	<b>-28.3%</b>	<b>65.1%</b>	<b>-26.9%</b>			
Minority interests	4	21	(1)	73			
<b>Net profit att.</b>	<b>70</b>	<b>164</b>	<b>(29)</b>	<b>519</b>	<b>136%</b>	<b>-118%</b>	<b>-1876%</b>
<b>NP margins</b>	<b>3.7%</b>	<b>6.1%</b>	<b>-1.2%</b>	<b>11.1%</b>			

Source: Bloomberg, Company data, CMBIS estimates

## Assumptions

Figure 5: CMBIS' assumptions

Major assumptions	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by brand (RMB mn)</b>						
Jiu Mao Jiu	1,204	1,334	1,372	666	984	1,161
Tai Er	244	540	1,277	1,755	3,637	5,502
Other brands	22	19	39	31	43	58
<b>Total</b>	<b>1,469</b>	<b>1,893</b>	<b>2,687</b>	<b>2,452</b>	<b>4,665</b>	<b>6,722</b>
<b>Sales growth by brand (%)</b>						
Jiu Mao Jiu	10.2%	10.8%	2.8%	-51.4%	47.8%	17.9%
Tai Er	259.9%	121.4%	136.4%	37.5%	107.2%	51.3%
Other brands	424.5%	-14.1%	107.9%	-20.0%	40.0%	35.0%
<b>Total</b>	<b>26.2%</b>	<b>28.8%</b>	<b>42.0%</b>	<b>-8.7%</b>	<b>90.2%</b>	<b>44.1%</b>
<b>Sales by segment growth (%)</b>						
Restaurant operations	19.3%	24.9%	44.6%	-15.9%	117.5%	45.1%
Delivery business	329.4%	80.3%	13.1%	72.9%	-55.8%	21.5%
Sales of specialties	13.5%	-44.5%	278.9%	50.0%	20.0%	20.0%
Others	106.2%	40.5%	102.0%	-12.0%	25.0%	20.0%
<b>Sales by region growth (%)</b>						
Tier 1 cities	27.9%	31.3%	25.8%	-13.4%	78.0%	37.0%
New tier 1 cities	12.4%	37.4%	113.3%	10.4%	123.6%	60.9%
Tier 2 cities	2.6%	26.5%	105.4%	8.8%	115.7%	56.3%
Tier 3 cities and below	37.2%	20.5%	18.0%	-26.9%	60.1%	19.1%
<b>GP margins by segment</b>						
Jiu Mao Jiu			67.5%	67.0%	67.0%	67.0%
Tai Er			59.0%	58.0%	58.0%	59.0%
Other brands			58.0%	60.0%	62.0%	62.0%
<b>Total</b>	<b>65.1%</b>	<b>64.5%</b>	<b>63.3%</b>	<b>60.5%</b>	<b>59.9%</b>	<b>60.4%</b>
<b>Opex breakdown</b>						
Staff costs	-27.2%	-27.7%	-25.9%	-29.2%	-21.6%	-22.7%
Depreciation of right-of-use assets	-8.8%	-8.2%	-8.1%	-9.9%	-6.8%	-6.7%
Other rentals & related expenses	-0.6%	-1.5%	-1.6%	-2.0%	-1.9%	-1.8%
D & A of other assets	-5.2%	-4.3%	-3.6%	-4.5%	-2.9%	-2.7%
Utilities expenses	-5.4%	-5.0%	-4.0%	-4.2%	-2.7%	-2.6%
Others	-7.7%	-9.4%	-8.2%	-8.9%	-6.2%	-6.0%
<b>EBIT margins</b>	<b>10.4%</b>	<b>8.6%</b>	<b>12.2%</b>	<b>3.8%</b>	<b>19.3%</b>	<b>19.4%</b>
Effective tax rate	27.8%	28.7%	28.5%	-60.0%	27.0%	26.0%
<b>NP att. margins</b>	<b>4.6%</b>	<b>3.7%</b>	<b>6.1%</b>	<b>-1.2%</b>	<b>11.1%</b>	<b>11.2%</b>
<b>NP att. growth (%)</b>	<b>28.9%</b>	<b>4.2%</b>	<b>136.1%</b>	<b>-117.8%</b>	<b>-1875.8%</b>	<b>45.3%</b>

Source: Company data, CMBIS estimates

## Valuation

Figure 6: Peers valuation

Company	Ticker	Rating	12M TP HK\$/ LC	Price HK\$/ LC	Up/dow n-side (%)	Mkt cap HK\$ mn	Year End	PER (x) FY1 FY2	PBR (x) FY1 FY2	ROE (%) FY0	3yrs PEG(x) FY1	Yield (%) FY1	YTD perf. (%)
<b>Leading Greater China Catering</b>													
Jiumaojiu Int'l	9922 HK	BUY	20.88	17.10	22%	24,853	Dec-19	n/a 42.8	6.8 6.1	87.9	(11.4)	0.0	n/a
Haidilao Int'l	6862 HK	BUY	53.56	45.75	17%	242,475	Dec-19	147.5 49.1	18.4 13.6	5.2	4.3	0.2	46.2
Cafe De Coral	341 HK	BUY	19.07	17.64	8%	10,332	Mar-20	22.7 19.2	3.4 3.2	2.5	0.2	3.3	(4.4)
Xiabuxiabu	520 HK	NR	n/a	9.00	n/a	9,734	Dec-19	93.1 17.0	3.3 2.8	12.5	3.2	1.0	(11.3)
Yihai Int'l	1579 HK	NR	n/a	115.90	n/a	121,336	Dec-19	105.7 77.8	30.3 23.2	34.3	3.4	0.3	154.4
Gourmet Master	2723 TT	NR	n/a	102.50	n/a	4,861	Dec-19	27.0 17.9	1.7 1.6	6.8	2.4	1.9	(17.0)
<b>Avg.</b>								<b>73.8 35.8</b>	<b>10.0 8.0</b>	<b>23.6</b>	<b>1.2</b>	<b>1.0</b>	<b>30.4</b>
<b>Med.</b>								<b>70.0 26.8</b>	<b>6.1 5.2</b>	<b>12.5</b>	<b>3.2</b>	<b>0.5</b>	<b>5.1</b>
<b>Other Greater China Catering</b>													
Fairwood	52 HK	NR	n/a	18.78	n/a	2,433	Mar-20	40.8 13.6	3.6 3.0	8.1	n/a	1.7	(5.5)
Tai Hing	6811 HK	NR	n/a	1.30	n/a	1,302	Dec-19	39.4 8.4	2.6 2.5	11.5	14.0	1.3	(20.7)
Hop Hing	47 HK	NR	n/a	0.06	n/a	604	Dec-19	n/a n/a	n/a n/a	18.8	n/a	n/a	(41.7)
Tsui Wah	1314 HK	NR	n/a	0.33	n/a	459	Mar-20	n/a n/a	n/a n/a	(35.1)	n/a	n/a	(24.4)
Ajisen	538 HK	NR	n/a	1.25	n/a	1,364	Dec-19	6.2 n/a	n/a n/a	4.8	n/a	n/a	(54.9)
Tao Heung	573 HK	NR	n/a	0.92	n/a	935	Dec-19	n/a n/a	n/a n/a	7.6	n/a	n/a	(28.1)
Tang Palace	1181 HK	NR	n/a	0.74	n/a	796	Dec-19	4.4 n/a	n/a n/a	19.8	n/a	n/a	(37.3)
<b>Avg.</b>								<b>22.7 11.0</b>	<b>3.1 2.7</b>	<b>5.1</b>	<b>14.0</b>	<b>1.5</b>	<b>(30.4)</b>
<b>Med.</b>								<b>22.8 11.0</b>	<b>3.1 2.7</b>	<b>8.1</b>	<b>14.0</b>	<b>1.5</b>	<b>(28.1)</b>
<b>Greater China Catering</b>													
<b>Avg.</b>								<b>53.4 30.3</b>	<b>8.5 6.8</b>	<b>14.4</b>	<b>2.8</b>	<b>1.1</b>	<b>(2.3)</b>
<b>Med.</b>								<b>40.1 19.2</b>	<b>3.6 3.2</b>	<b>9.8</b>	<b>3.3</b>	<b>1.0</b>	<b>(17.0)</b>
<b>International Catering</b>													
Mcdonald'S	MCD US	NR	n/a	212.65	n/a	1,226,356	Dec-19	36.6 26.2	n/a n/a	n/a	9.8	2.4	7.6
Starbucks	SBUX US	NR	n/a	82.72	n/a	749,452	Sep-19	87.5 30.8	n/a n/a	n/a	14.1	2.0	(5.9)
Restaurant Brands	QSR US	NR	n/a	54.28	n/a	196,778	Dec-19	25.8 19.8	9.2 9.1	29.7	3.5	3.9	(14.9)
Chipotle Mexican	CMG US	NR	n/a	1269.7	n/a	275,206	Dec-19	118.8 60.8	18.9 15.2	15.8	4.1	0.0	51.7
Darden	DRI US	NR	n/a	82.61	n/a	83,284	May-20	26.8 14.8	4.0 3.6	(2.2)	(0.1)	1.7	(24.2)
Domino'S Pizza	DPZ US	NR	n/a	419.36	n/a	127,885	Dec-19	33.1 32.4	n/a n/a	n/a	2.5	0.7	42.7
Dunkin' Brands	DNKN US	NR	n/a	74.66	n/a	47,607	Dec-19	28.0 24.0	n/a n/a	n/a	6.4	1.7	(1.2)
Wendy'S	WEN US	NR	n/a	21.42	n/a	37,156	Dec-19	39.4 30.9	9.2 9.3	19.8	3.7	1.4	(3.6)
Shake Shack	SHAK US	NR	n/a	60.22	n/a	19,301	Dec-19	n/a 519.1	6.2 6.1	(2.6)	n/a	0.0	1.1
Wingstop	WING US	NR	n/a	167.51	n/a	38,427	Dec-19	132.1 116.2	n/a n/a	n/a	3.1	0.3	94.3
Jollibee Foods	JFC PM	NR	n/a	138.50	n/a	24,466	Dec-19	n/a 37.5	2.5 2.3	(13.6)	n/a	0.7	(35.9)
<b>Avg.</b>								<b>55.8 78.1</b>	<b>8.3 7.6</b>	<b>7.8</b>	<b>5.0</b>	<b>1.4</b>	<b>9.0</b>
<b>Med.</b>								<b>34.9 30.8</b>	<b>7.7 7.6</b>	<b>6.8</b>	<b>3.6</b>	<b>1.5</b>	<b>(2.4)</b>
<b>A-shares Greater China Catering</b>													
Foshan Haitian	603288 CH	NR	n/a	172.00	n/a	626,358	Dec-19	86.2 72.3	27.5 22.9	32.7	4.8	0.6	92.0
Fujian Sunner	002299 CH	NR	n/a	26.09	n/a	36,483	Dec-19	9.2 11.3	2.6 2.3	41.6	(0.8)	4.0	8.3
Angel Yeast	600298 CH	NR	n/a	69.99	n/a	64,818	Dec-19	47.2 40.5	9.5 8.2	23.4	2.2	0.7	128.2
Meihua	600873 CH	NR	n/a	5.95	n/a	20,729	Dec-19	18.9 14.0	n/a n/a	11.0	0.6	n/a	33.7
Guangzhou Restaurant	603043 CH	NR	n/a	41.30	n/a	18,751	Dec-19	39.1 29.2	6.6 5.6	16.7	2.0	0.8	36.0
China Quanjude	002186 CH	NR	n/a	11.30	n/a	3,917	Dec-19	n/a n/a	n/a n/a	(3.7)	n/a	n/a	9.6
Xi'An Catering	000721 CH	NR	n/a	4.75	n/a	2,664	Dec-19	n/a n/a	n/a n/a	(16.9)	n/a	n/a	14.7
<b>Avg.</b>								<b>40.1 33.4</b>	<b>11.6 9.7</b>	<b>15.0</b>	<b>1.7</b>	<b>1.5</b>	<b>46.1</b>
<b>Med.</b>								<b>39.1 29.2</b>	<b>8.1 6.9</b>	<b>16.7</b>	<b>2.0</b>	<b>0.8</b>	<b>33.7</b>
<b>H-shares Consumer Staples</b>													
UPC	220 HK	NR	n/a	7.48	n/a	32,309	Dec-19	19.6 18.1	2.1 2.1	10.8	2.7	4.9	(8.6)
Tingyi	322 HK	NR	n/a	15.32	n/a	86,159	Dec-19	20.9 20.5	3.8 3.7	22.6	3.2	4.2	18.2
Want Want	151 HK	NR	n/a	5.44	n/a	67,539	Mar-20	15.3 14.5	3.8 3.6	23.8	2.6	5.9	(24.1)
Mengniu Dairy	2319 HK	NR	n/a	36.45	n/a	143,808	Dec-19	38.2 25.5	4.0 3.6	15.1	3.0	0.6	16.5
Vitasoy	345 HK	NR	n/a	27.00	n/a	28,742	Mar-20	45.8 36.9	8.4 7.5	17.0	2.3	1.4	(4.4)
Budweiser Brewing	1876 HK	NR	n/a	26.95	n/a	356,910	Dec-19	65.6 38.6	4.5 4.2	9.0	2.5	0.6	2.5
Tsingtao Brewery	168 HK	NR	n/a	70.05	n/a	111,704	Dec-19	42.0 34.1	4.1 3.9	8.3	2.7	0.9	33.8
CR Beer	291 HK	NR	n/a	51.50	n/a	167,075	Dec-19	55.5 39.4	7.0 6.3	7.2	1.1	0.7	19.5
Dali Foods	3799 HK	NR	n/a	4.84	n/a	66,280	Dec-19	14.9 13.7	3.5 3.2	24.2	2.3	4.7	(14.9)
<b>Avg.</b>								<b>35.3 26.8</b>	<b>4.6 4.2</b>	<b>15.3</b>	<b>2.5</b>	<b>2.7</b>	<b>4.3</b>
<b>Med.</b>								<b>38.2 25.5</b>	<b>4.0 3.7</b>	<b>15.1</b>	<b>2.6</b>	<b>1.4</b>	<b>2.5</b>

Source: Bloomberg, Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>1,469</b>	<b>1,893</b>	<b>2,687</b>	<b>2,452</b>	<b>4,665</b>	<b>6,722</b>
Jiu Mao Jiu	1,20	1,33	1,37	666	984	1,16
Tai Er	244	540	1,27	1,75	3,63	5,50
Other brands	22	19	39	31	43	58
						-
<b>Cost of goods sold</b>	<b>(513)</b>	<b>(672)</b>	<b>(985)</b>	<b>(969)</b>	<b>(1,869)</b>	<b>(2,661)</b>
<b>Gross profit</b>	<b>957</b>	<b>1,221</b>	<b>1,702</b>	<b>1,483</b>	<b>2,796</b>	<b>4,060</b>
<b>Other income</b>	<b>2</b>	<b>3</b>	<b>12</b>	<b>50</b>	<b>68</b>	<b>95</b>
<b>Operating expenses</b>	<b>(806)</b>	<b>(1,060)</b>	<b>(1,385)</b>	<b>(1,440)</b>	<b>(1,963)</b>	<b>(2,848)</b>
Staff costs	(400)	(523)	(697)	(717)	(1,008)	(1,524)
Rental & ROUA depre.	(138)	(184)	(263)	(292)	(405)	(569)
D & A expenses	(76)	(81)	(97)	(110)	(136)	(183)
Utilities expenses	(80)	(94)	(108)	(102)	(128)	(172)
Other opex	(112)	(178)	(220)	(219)	(287)	(401)
<b>EBIT</b>	<b>153</b>	<b>163</b>	<b>329</b>	<b>92</b>	<b>900</b>	<b>1,307</b>
Finance costs	(52)	(58)	(67)	(68)	(75)	(90)
JVs & associates	(1)	(2)	2	2	3	4
Exceptional	(1)	1	(5)	(44)	(19)	(26.89)
<b>Pre-tax profit</b>	<b>99</b>	<b>104</b>	<b>259</b>	<b>(18)</b>	<b>809</b>	<b>1,195</b>
Income tax	(28)	(31)	(73)	(12)	(218)	(309)
Less: Minority interests	5	4	21	(1)	73	131
<b>Net profit att.</b>	<b>67</b>	<b>70</b>	<b>164</b>	<b>(29)</b>	<b>519</b>	<b>754</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>759</b>	<b>960</b>	<b>1,271</b>	<b>1,313</b>	<b>1,410</b>	<b>1,521</b>
Fixed asset	216	268	323	364	457	564
Intangible assets & GW	460	578	808	808	808	808
Prepaid lease payments	40	57	66	66	66	66
Interest in joint ventures	4	4	8	10	13	17
Other non-current	39	54	66	66	66	66
<b>Current assets</b>	<b>183</b>	<b>227</b>	<b>383</b>	<b>3,262</b>	<b>4,004</b>	<b>4,848</b>
Cash and cash	52	60	127	3,042	3,632	4,335
Inventories	33	36	75	42	77	109
Trade and other	12	17	12	19	36	52
Prepayments	68	88	122	111	212	305
Other current assets	18	26	47	47	47	47
<b>Current liabilities</b>	<b>290</b>	<b>440</b>	<b>794</b>	<b>759</b>	<b>988</b>	<b>1,187</b>
Bank loans	20	49	220	220	220	220
Trade payables	54	72	97	80	143	190
Accruals & payables	82	145	200	183	348	501
Tax payables	8	12	23	23	23	23
others	127	162	253	253	253	253
<b>Non-current liabilities</b>	<b>445</b>	<b>543</b>	<b>690</b>	<b>690</b>	<b>690</b>	<b>690</b>
Bank loans	-	-	-	-	-	-
Deferred income	16	21	27	27	27	27
Deferred tax	-	-	-	-	-	-
Others	428	522	663	663	663	663
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>72</b>	<b>203</b>
<b>Total net assets</b>	<b>207</b>	<b>204</b>	<b>171</b>	<b>3,127</b>	<b>3,665</b>	<b>4,290</b>
<b>Shareholders' equity</b>	<b>207</b>	<b>204</b>	<b>171</b>	<b>3,127</b>	<b>3,665</b>	<b>4,290</b>

Source: Company data, CMBIS estimates

### Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>EBIT</b>	<b>153</b>	<b>163</b>	<b>329</b>	<b>92</b>	<b>900</b>	<b>1,307</b>
D & A	76	81	97	110	136	-
Chg. in working capital	(18)	(1)	(9)	2	77	58
Income tax paid	(34)	(40)	(67)	(12)	(218)	(309)
Others	137	168	227	14	27	209
<b>NC from operating</b>	<b>314</b>	<b>373</b>	<b>577</b>	<b>206</b>	<b>922</b>	<b>1,264</b>
Capex & investments	(75)	(150)	(184)	(164)	(257)	(316)
Associated companies	(16)	(2)	(2)	-	-	-
Interest received	1	1	2	-	-	-
Others	(0)	(1)	(6)	-	-	-
<b>NC from investing</b>	<b>(90)</b>	<b>(152)</b>	<b>(190)</b>	<b>(164)</b>	<b>(257)</b>	<b>(316)</b>
Equity raised	-	-	-	2,942	-	-
Net change in bank	(19)	29	171	-	-	-
Dividend paid	(20)	(25)	(36)	-	-	(156)
Others	(166)	(218)	(455)	(68)	(75)	(90)
<b>NC from financing</b>	<b>(205)</b>	<b>(214)</b>	<b>(320)</b>	<b>2,873</b>	<b>(75)</b>	<b>(246)</b>
<b>Net change in cash</b>	<b>19</b>	<b>7</b>	<b>67</b>	<b>2,915</b>	<b>590</b>	<b>703</b>
Beginning cash	33	52	60	127	3,042	3,632
Exchange difference	-	-	0	-	-	-
<b>Cash at end of year</b>	<b>52</b>	<b>60</b>	<b>127</b>	<b>3,042</b>	<b>3,632</b>	<b>4,335</b>

### Key ratios

YE 31 Dec	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>						
Jiu Mao Jiu	81.9	70.5	51.0	27.2	21.1	17.3
Tai Er	16.6	28.5	47.5	71.6	78.0	81.9
Other brands	1.5	1.0	1.4	1.3	0.9	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>						
Gross margin	65.1	64.5	63.3	60.5	59.9	60.4
EBIT margin	10.4	8.6	12.2	3.8	19.3	19.4
Pre-tax margin	6.8	5.5	9.6	-0.8	17.3	17.8
Net margin	4.6	3.7	6.1	-1.2	11.1	11.2
Effective tax rate	27.8	28.7	28.5	-60.0	27.0	26.0
<b>Balance sheet ratios</b>						
Current ratio (x)	0.6	0.5	0.5	4.3	4.1	4.1
Quick ratio (x)	0.5	0.4	0.4	4.2	4.0	4.0
Cash ratio (x)	0.2	0.1	0.2	4.0	3.7	3.7
Inventory turnover	19	19	21	16	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	37	34	31	30	28	26
Total debt / total equity	71	103	277	15	13	11
Net debt / equity	45	71	188	Net cash	Net cash	Net cash
<b>Returns (%)</b>						
ROE	32.3	34.2	96.3	-0.9	14.2	17.6
ROA	7.1	5.9	9.9	-0.6	9.6	11.8
<b>Per share</b>						
EPS (RMB)	0.05	0.05	0.12	-0.04	0.36	0.52
DPS (RMB)	0.01	0.04	-	-	0.11	0.16
BVPS (RMB)	0.15	0.15	0.12	2.26	2.52	2.95



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