

Haidilao (6862 HK)

Reopen and staff costs reform-led turnaround

FY22 result beat again if we consider only its Greater China business. As Haidilao achieved positive SSSG returns in YTD 2023 and notably low breakeven point since 2H22 (thru staff costs refinement and no negative impacts on service quality), we do find its turnaround in FY23E and valuation attractive. Our net profit forecasts are 23%-33% higher than BBG consensus. Maintain BUY.

- FY22 result beat if we exclude the spin-off.** Haidilao's sales dropped by 16% YoY but returned to profit of RMB 1.3bn in FY22, both were inline with its positive profit alert. However, if we consider ONLY the Greater China business, its sales had fallen by 21% but its net profit was even higher at RMB 1.6bn, a beat by 20%+. The performance in 2H22 was phenomenal (excluding one-off items like gains from bond repurchase), the adjusted NP margin had improved to ~9% (vs just 0% in 1H22), even under a bigger SSS decline of -13% (vs -11% in 1H22), thanks to: 1) decent GP margin, perhaps aided by lower sourcing costs for soup base and 2) rigid staff costs control, driven by greater use of standardized ingredients, part time staffs, consolidation of duties and roles and implementation of "low base salary but high bonus" structure.
- 2023 outlook is bright, both on the sales recovery and margin improvement.** According to management, seat turnover in Jan-Mar 2023 is getting better (under pressure at the start of reopen, but rebounded meaningfully during CNY and the trend is good in Mar). We estimate SSSG was close to or slightly positive in YTD 2023, and recovery rate (vs 2019) will be about 80%+, vs 70%+ in 2H22, hence we would not be surprised to see the NP margin to be at least similar, if not better. Supported by: 1) better new products (more offline tasting events and more localization), 2) better store environment (more options for interior designs), 3) more initiatives to embrace younger customers and 4) ongoing staff costs refinement, we are now estimating FY23E seat turnover to reach 3.7x and NP margin to be at ~9.3%.
- A fairly conservative new store opening guidance, but we are optimistic.** Management guided a capex of ~RMB 170mn for new stores in FY23E, which is implying roughly 17 to 34 new stores. However, since their policy of "NO new store until group level table turnover reached above 4x" is not a hard and fast rule, plus the 24 new stores opened in FY22 performed very well and operationally broken even in just 3 months, we believe there are upside risks for their new store expansion in FY23E.
- Maintain BUY and raised TP to HK\$ 27.97.** We lowered our FY23E/ 24E sales forecast to factor in the drag on sales by pandemic in 4Q22 but raised our FY23E/ 24E net profit forecasts by 41%/ 32% due to: 1) lower sourcing costs, 2) increase in labour productivity and 3) increased mix of part time workers. The stock is trading at only 27x FY23E P/E, attractive vs its 5 years avg. of 42x and peers' avg. of 32x, with a 49% FY22-25E NP CAGR.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	39,097	31,039	39,934	44,354	45,625
YoY growth (%)	36.6	(20.6)	28.7	11.1	2.9
Operating profit (RMB mn)	638	2,123	5,425	6,820	7,528
Net profit (RMB mn)	(3,247.8)	1,637.3	3,712.1	4,818.1	5,448.0
Net profit att. (RMB mn)	-3,249.8	1,638.6	3,697.1	4,798.7	5,426.2
EPS (Reported) (RMB)	(0.58)	0.29	0.66	0.86	0.97
YoY growth (%)	na	na	125.6	29.8	13.1
P/E (x)	(30.3)	60.0	26.6	20.5	18.1
P/B (x)	12.4	10.4	7.5	5.8	4.7
Yield (%)	na	0.0	na	na	na
ROE (%)	(35.8)	18.8	32.8	32.1	28.9
Net gearing	18.6	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$27.97
(Previous TP)	HK\$21.62)
Up/Downside	31.6%
Current Price	HK\$21.25

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	118,447.5
Avg 3 mths t/o (HK\$ mn)	21.4
52w High/Low (HK\$)	24.35/11.21
Total Issued Shares (mn)	5574.0

Source: FactSet

Shareholding Structure

Mr. Zhang Yong	57.4%
Ms. Shu Ping	7.4%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.1%	-5.0%
3-mth	-5.1%	-8.0%
6-mth	43.5%	21.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	39,934	44,354	45,625	50,871	55,005	n/a	-21.5%	-19.4%	n/a
Gross profit	23,325	25,862	26,604	29,002	31,413	n/a	-19.6%	-17.7%	n/a
EBIT	5,609	7,085	7,872	4,257	5,499	n/a	31.7%	28.8%	n/a
Net profit att.	3,697	4,799	5,426	2,632	3,633	n/a	40.5%	32.1%	n/a
Diluted EPS (RMB)	0.663	0.861	0.973	0.472	0.652	n/a	40.5%	32.1%	n/a
Gross margin	58.4%	58.3%	58.3%	57.0%	57.1%	n/a	1.4ppt	1.2ppt	n/a
EBIT margin	14.0%	16.0%	17.3%	8.4%	10.0%	n/a	5.7ppt	6ppt	n/a
Net profit att. margin	9.3%	10.8%	11.9%	5.2%	6.6%	n/a	4.1ppt	4.2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	39,934	44,354	45,625	45,748	52,994	56,225	-12.7%	-16.3%	-18.9%
Gross profit	23,325	25,862	26,604	26,386	29,458	32,646	-11.6%	-12.2%	-18.5%
EBIT	5,609	7,085	7,872	3,851	5,178	6,553	45.6%	36.8%	20.1%
Net profit att.	3,697	4,799	5,426	2,774	3,914	4,398	33.3%	22.6%	23.4%
Diluted EPS (RMB)	0.663	0.861	0.973	0.504	0.695	0.838	31.6%	23.9%	16.2%
Gross margin	58.4%	58.3%	58.3%	57.7%	55.6%	58.1%	0.7ppt	2.7ppt	0.2ppt
EBIT margin	14.0%	16.0%	17.3%	8.4%	9.8%	11.7%	5.6ppt	6.2ppt	5.6ppt
Net profit att. margin	9.3%	10.8%	11.9%	6.1%	7.4%	7.8%	3.2ppt	3.4ppt	4.1ppt

Source: Company data, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H21	2H21	1H22	2H22E	1H22 YoY	2H22E YoY
Revenue	20,094	19,002	16,764	14,275	-17%	-25%
COGS	-8,502	-8,741	-7,043	-5,863		
Gross profit	11,592	10,261	9,721	8,412	-16%	-18%
GP margins	57.7%	54.0%	58.0%	58.9%		
Other income & gains	195	163	208	288		
Staff costs	-7,162	-6,788	-5,903	-4,337	-18%	-36%
Staff costs / sales	-35.6%	-35.7%	-35.2%	-30.4%		
Dep. of right-of-use assets expenses	-559	-345	-474	-287	-15%	-17%
Dep. of right-of-use assets expenses / sales	-2.8%	-1.8%	-2.8%	-2.0%		
Other rentals expenses	-199	-98	-206	-68	4%	-30%
Other rentals expenses / sales	-1.0%	-0.5%	-1.2%	-0.5%		
Amort. of other intangible assets	-17	-20	-20	-24	18%	20%
Amort. of other intangible assets / sales	-0.1%	-0.1%	-0.1%	-0.2%		
Depre. of PPE	-1,593	-1,563	-1,420	-1,095	-11%	-30%
Depre. of PPE / sales	-7.9%	-8.2%	-8.5%	-7.7%		
Utilities exp.	-693	-693	-560	-488	-19%	-30%
Utilities exp. / sales	-3.4%	-3.6%	-3.3%	-3.4%		
Travelling & related exp.	-119	-110	-96	-48	-19%	-56%
Travelling & related exp. / sales	-0.6%	-0.6%	-0.6%	-0.3%		
Other opex	-801	-786	-811	-550	1%	-30%
Other exp. / sales	-6.9%	-7.7%	-8.3%	-6.5%		
Operating profit (EBIT)	644	22	437	1,802	-32%	8119%
OP margins	3.2%	0.1%	2.6%	12.6%		
Other items	-85	-3,149	-339	626		
Net finance income	-304	-279	-237	-237		
Net finance income / sales	-1.5%	-1.5%	-1.4%	-1.7%		
Profit after financing costs	255	-3,407	-138	2,190		
Associated coms	40	42	27	39		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	295	-3,365	-111	2,229	-138%	-166%
Tax	-198	21	-156	-324		
Tax / sales	-1.0%	0.1%	-0.9%	-2.3%		
Effective tax rate	-67.3%	-0.6%	140.6%	-14.5%		
Minority interests	2	-0	-1	-0		
Net profit att.	95	-3,344	-266	1,905	-382%	-157%
NP margins	0.5%	-17.6%	-1.6%	13.3%		

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Full yearly (RMB mn)	FY21	FY22	FY23E	FY21 YoY	FY22 YoY
Revenue	39,097	31,039	39,934	37%	-21%
COGS	-17,243	-12,906	-16,609		
Gross profit	21,853	18,132	23,325	34%	-17%
GP margins	55.9%	58.4%	58.4%		
Other income & gains	358	496	463		
Staff costs	-13,950	-10,240	-10,960	44%	-27%
Staff costs / sales	-35.7%	-33.0%	-27.4%		
Dep. of right-of-use assets expenses	-904	-761	-855	2%	-16%
Dep. of right-of-use assets expenses / sales	-2.3%	-2.5%	-2.1%		
Other rentals expenses	-297	-274	-359	26%	-8%
Other rentals expenses / sales	-0.8%	-0.9%	-0.9%		
Amort. of other intangible assets	-37	-44	-31	34%	19%
Amort. of other intangible assets / sales	-0.1%	-0.1%	-0.1%		
Depre. of PPE	-3,156	-2,515	-2,621	49%	-20%
Depre. of PPE / sales	-8.1%	-8.1%	-6.6%		
Utilities exp.	-1,386	-1,048	-1,318	42%	-24%
Utilities exp. / sales	-3.5%	-3.4%	-3.3%		
Travelling & related exp.	-228	-145	-319	23%	-37%
Travelling & related exp. / sales	-0.6%	-0.5%	-0.8%		
Other opex	-1,587	-1,361	-1,717	27%	-14%
Other exp. / sales	-7.3%	-7.5%	-7.4%		
Operating profit (EBIT)	666	2,239	5,609	-51%	236%
OP margins	1.7%	7.2%	14.0%		
Other items	-3,235	287	-108		
Net finance income	-583	-474	-492		
Net finance income / sales	-1.5%	-1.5%	-1.2%		
Profit after financing costs	-3,151	2,052	5,008		
Associated coms	0	0	0		
Jointly controlled coms	81	65	8		
Pre-tax profit	-3,070	2,118	5,016	-518%	-169%
Tax	-178	-480	-1,304		
Tax / sales	-0.5%	-1.5%	-3.3%		
Effective tax rate	5.8%	-22.7%	-26.0%		
Minority interests	2	-1	15		
Net profit att.	-3,250	1,639	3,697	-1151%	-150%
NP margins	-8.3%	5.3%	9.3%		

Source: Bloomberg, Company data, CMBIGM estimates

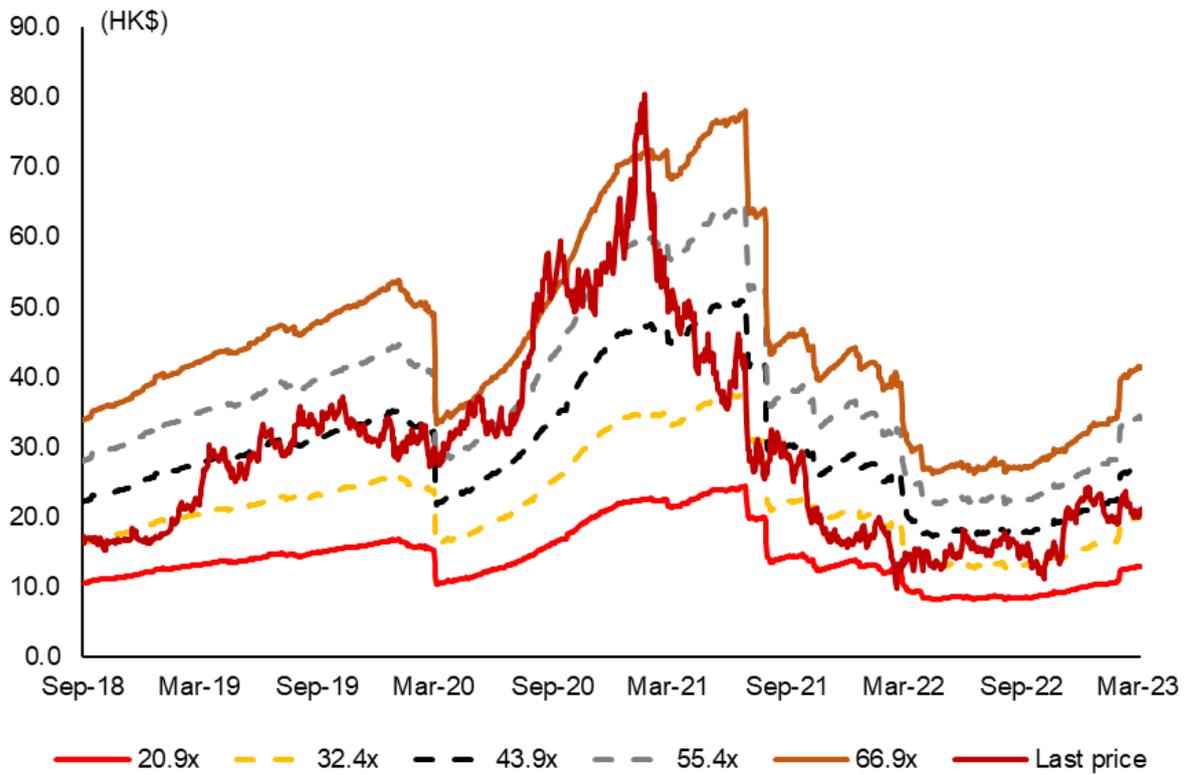
Valuation

Figure 5: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)	
								FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
Leading Greater China Catering															
Haidilao	6862 HK	BUY	27.97	21.25	32%	118,448	Dec-22	26.6	20.5	7.5	32.7	0.5	(1.1)	(5.1)	
Jiumaojiu	9922 HK	BUY	23.52	18.68	26%	27,170	Dec-22	36.4	23.8	6.2	17.6	0.2	0.5	(10.4)	
Cafe De Coral	341 HK	BUY	15.12	10.40	45%	6,091	Mar-22	28.5	15.5	2.1	7.7	0.2	2.4	(30.2)	
Xiabuxiabu	520 HK	BUY	11.21	7.16	57%	7,777	Dec-22	22.1	14.1	3.1	15.9	(0.1)	1.4	(19.4)	
Helens	9869 HK	NR	n/a	13.40	n/a	16,976	Dec-22	37.3	21.6	5.9	15.6	(0.2)	0.2	(9.6)	
Tam Jai	2217 HK	NR	n/a	2.33	n/a	3,124	Mar-22	23.3	12.3	2.1	9.0	1.7	1.3	(11.4)	
Yihai	1579 HK	BUY	108.52	23.05	371%	24,131	Dec-22	24.7	20.9	4.0	16.9	1.3	1.2	(16.5)	
Yum China	9987 HK	BUY	554.61	493.60	12%	206,431	Dec-22	32.3	26.3	3.7	11.7	0.9	0.9	12.4	
Gourmet Master	2723 TT	NR	n/a	145.00	n/a	6,720	Dec-22	24.6	18.5	2.1	8.9	0.5	3.2	(4.3)	
								Avg.	31.7	19.9	3.9	13.8	0.5	1.0	(8.2)
								Med.	27.5	20.7	3.4	13.6	0.3	1.0	(10.0)
International Catering															
Yum! Brands	YUM US	NR	n/a	132.08	n/a	290,420	Dec-22	25.6	22.3	n/a	(16.6)	1.9	1.8	3.1	
McDonald's	MCD US	NR	n/a	279.61	n/a	1,605,570	Dec-22	26.5	24.0	n/a	(118.4)	1.8	2.2	6.1	
Starbucks	SBUX US	NR	n/a	104.13	n/a	939,449	Oct-22	30.7	25.7	n/a	(37.9)	1.6	2.1	5.0	
Rest. Brands	QSR US	NR	n/a	67.14	n/a	238,078	Dec-22	22.5	20.1	8.1	40.1	5.8	3.3	3.8	
Chipotle Mexican	WING US	NR	n/a	183.58	n/a	43,136	Dec-22	96.0	78.5	n/a	(15.8)	5.7	0.5	33.4	
Darden Rest.	SHAK US	NR	n/a	55.49	n/a	18,365	Dec-22	n/a	n/a	5.6	(0.5)	n/a	n/a	33.6	
Domino's	CMG US	NR	n/a	1708.3	n/a	370,406	Dec-22	40.8	33.5	17.3	44.8	1.7	0.0	23.1	
Wendy's	DRI US	NR	n/a	155.16	n/a	148,236	May-22	19.6	17.7	8.9	46.0	2.2	3.1	12.2	
Shake Shack	DPZ US	NR	n/a	329.87	n/a	91,714	Jan-23	25.4	22.4	n/a	(11.0)	2.8	1.5	(4.8)	
Wingstop	WEN US	NR	n/a	21.78	n/a	36,255	Jan-23	22.3	19.4	15.4	48.9	1.4	4.5	(3.8)	
Jollibee Foods	JFC PM	NR	n/a	224.00	n/a	36,251	Dec-22	28.7	23.0	3.3	12.9	1.4	1.3	(2.6)	
								Avg.	33.8	28.7	9.8	(0.7)	2.6	2.0	9.9
								Med.	26.0	22.7	8.5	(0.5)	1.9	1.9	5.0
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	7.92	n/a	34,209	Dec-22	17.6	15.8	2.2	12.4	0.8	6.3	1.4	
Tingyi	322 HK	NR	n/a	13.08	n/a	73,695	Dec-22	17.7	14.7	4.6	26.6	0.8	7.1	(5.1)	
Want Want*	151 HK	NR	n/a	5.05	n/a	60,005	Mar-22	13.7	12.3	3.1	22.6	20.9	6.0	(3.3)	
China Mengniu*	2319 HK	NR	n/a	32.20	n/a	127,269	Dec-22	17.1	14.8	2.4	14.5	1.1	1.7	(9.0)	
Vitasoy	345 HK	NR	n/a	15.20	n/a	16,278	Mar-22	134.5	57.8	4.8	4.0	(0.6)	0.1	(5.4)	
Nongfu Spring*	9633 HK	NR	n/a	45.15	n/a	507,778	Dec-22	47.1	40.2	14.3	34.4	3.0	1.5	2.4	
Budweiser*	1876 HK	NR	n/a	23.95	n/a	317,179	Dec-22	35.1	30.2	3.5	10.3	1.9	1.3	(2.4)	
Tsingtao*	168 HK	NR	n/a	85.70	n/a	153,810	Dec-22	25.3	22.2	3.7	15.2	2.0	2.0	11.2	
CR Beer*	291 HK	NR	n/a	63.00	n/a	204,383	Dec-22	32.9	27.1	6.0	18.3	1.6	1.2	15.5	
Dali Foods	3799 HK	NR	n/a	3.28	n/a	44,917	Dec-22	10.8	10.1	1.8	17.3	1.1	4.6	(7.9)	
								Avg.	35.2	24.5	4.6	17.6	3.3	3.2	(0.3)
								Med.	21.5	19.0	3.6	16.2	1.3	1.9	(2.9)

Source: Bloomberg, Company data, CMBIGM estimates, *covered by another analyst – Joseph Wong

Figure 6: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
Number of restaurants					
China T1 cities	248	234	229	224	214
China T2 cities	522	538	548	558	568
China T3 and below	559	577	588	603	618
Outside PRC	20	22	22	22	22
Total	1,349	1,371	1,387	1,407	1,422
Number of restaurants growth (YoY %)					
China T1 cities	-2.7%	-5.6%	-2.1%	-2.2%	-4.5%
China T2 cities	4.6%	3.1%	1.9%	1.8%	1.8%
China T3 and below	23.9%	3.2%	1.9%	2.6%	2.5%
Outside PRC	-78.5%	10.0%	0.0%	0.0%	0.0%
Total	3.9%	1.6%	1.2%	1.4%	1.1%
Sales per restaurants (RMB mn)					
China T1 cities	31	22	27	30	30
China T2 cities	29	21	26	29	29
China T3 and below	25	20	26	29	29
Outside PRC	40	47	56	66	71
Total	28	21	27	29	30
Table turnover rate (times/ day)					
China T1 cities	3.1	3.0	3.6	3.8	3.9
China T2 cities	3.1	3.0	3.6	3.8	3.9
China T3 and below	2.9	2.9	3.7	3.9	4.0
Outside PRC	3.0	3.5	3.9	4.3	4.5
Total	3.0	3.0	3.7	3.9	4.0
Average spending per guest (RMB)					
China T1 cities	111.8	114.2	116.5	118.8	121.2
China T2 cities	101.7	104.3	106.4	108.5	110.7
China T3 and below	95.7	97.9	99.9	101.9	103.9
Outside PRC	202.6	197.4	201.3	205.4	209.5
Overall	102.3	104.9	114.4	116.8	119.2
Average spending per guest growth (YoY %)					
China T1 cities	-3.8%	2.1%	2.0%	2.0%	2.0%
China T2 cities	-3.8%	2.6%	2.0%	2.0%	2.0%
China T3 and below	-4.5%	2.3%	2.0%	2.0%	2.0%
Outside PRC	5.2%	-2.6%	2.0%	2.0%	2.0%
Overall	-7.1%	2.5%	9.1%	2.1%	2.0%
GP margins					
Staff costs/ sales	-35.7%	-33.0%	-27.4%	-27.0%	-26.7%
Rental expenses /sales	-0.8%	-0.9%	-0.9%	-0.9%	-0.9%
Utilities expenses/ sales	-3.5%	-3.4%	-3.3%	-3.3%	-3.3%
Depreciation and amortization/ sales	-8.2%	-8.2%	-6.6%	-5.5%	-4.7%
Depreciation of right-of-use assets/ sales	-2.3%	-2.5%	-2.1%	-1.9%	-2.0%
Travelling fees/ sales	-0.6%	-0.5%	-0.8%	-0.8%	-0.8%
Other opex/ sales	-4.1%	-4.4%	-4.3%	-4.3%	-4.3%
Effective tax rate	5.8%	-22.7%	-26.0%	-25.5%	-25.0%
NP att. margin	-8.3%	5.3%	9.3%	10.8%	11.9%
NP att. growth (%)	n/a	-150.4%	125.6%	29.8%	13.1%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	28,614	39,097	31,039	39,934	44,354	45,625
Cost of goods sold	(12,261)	(17,243)	(12,906)	(16,609)	(18,491)	(19,021)
Gross profit	16,353	21,853	18,132	23,325	25,862	26,604
Operating expenses	(15,363)	(21,545)	(16,389)	(18,180)	(19,419)	(19,464)
Staff costs	(9,677)	(13,950)	(10,240)	(10,960)	(11,982)	(12,189)
Other rental related expenses	(236)	(297)	(274)	(359)	(399)	(411)
Others	(2,417)	(3,201)	(2,554)	(3,354)	(3,726)	(3,833)
Operating profit	1,310	638	2,123	5,425	6,820	7,528
Other income	320	330	380	280	377	388
Share of (losses)/profits of associates/JV	75	81	65	8	9	9
EBITDA	4,343	4,736	5,445	8,931	10,132	10,560
Depreciation	(2,146)	(3,193)	(2,560)	(2,652)	(2,449)	(2,132)
Depreciation of ROU assets	(888)	(904)	(761)	(855)	(864)	(900)
Interest income	41	28	116	184	265	344
Interest expense	(446)	(583)	(474)	(492)	(507)	(494)
Other income/expense	(245)	(3,235)	287	(108)	(120)	(123)
Pre-tax profit	735	(3,070)	2,118	5,016	6,467	7,264
Income tax	(426)	(178)	(480)	(1,304)	(1,649)	(1,816)
Minority interest	(0)	(2)	1	(15)	(19)	(22)
Net profit	310	(3,248)	1,637	3,712	4,818	5,448
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	6,593	11,406	14,003	21,044	27,260	33,169
Cash & equivalents	2,683	5,767	9,526	15,585	21,309	27,078
Account receivables	275	368	255	328	365	375
Inventories	1,154	1,456	977	1,257	1,400	1,440
Prepayment	1,930	2,768	2,197	2,827	3,140	3,230
ST bank deposits	45	722	722	722	722	722
Other current assets	506	325	325	325	325	325
Non-current assets	20,934	16,616	14,291	11,846	9,850	8,184
PP&E	12,064	9,315	6,961	4,540	2,553	886
Deferred income tax	353	526	526	526	526	526
Investment in JVs & assos	301	351	416	424	433	442
Intangibles	92	132	96	65	47	37
Other non-current assets	8,124	6,291	6,291	6,291	6,291	6,291
Total assets	27,527	28,021	28,294	32,891	37,110	41,353
Current liabilities	9,868	9,886	8,900	9,678	10,068	10,180
Short-term borrowings	3,721	3,560	3,560	3,560	3,560	3,560
Account payables	1,583	1,944	1,320	1,698	1,891	1,945
Tax payable	201	103	103	103	103	103
Other current liabilities	4,363	4,278	3,917	4,316	4,514	4,571
Non-current liabilities	7,425	10,221	9,933	10,056	10,195	10,340
Long-term borrowings	268	221	221	221	221	221
Other non-current liabilities	7,157	10,000	9,712	9,835	9,974	10,119
Total liabilities	17,293	20,107	18,833	19,733	20,263	20,519
Share capital	0	0	0	0	0	0
Retained earnings	0	0	1,546	4,134	7,493	11,291
Other reserves	10,234	7,914	7,914	9,024	9,354	9,542
Total shareholders equity	10,234	7,915	9,460	13,157	16,847	20,834
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,234	7,915	9,460	13,157	16,847	20,834

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	735	(3,070)	2,118	5,016	6,467	7,264
Depreciation & amortization	2,146	3,193	2,560	2,652	2,449	2,132
Tax paid	(657)	(702)	(480)	(1,304)	(1,649)	(1,816)
Change in working capital	(704)	(328)	177	(206)	(101)	(29)
Others	1,401	4,713	170	592	(1,601)	(2,271)
Net cash from operations	2,921	3,806	4,544	6,751	5,565	5,279
Investing						
Capital expenditure	(6,070)	(4,430)	(404)	(200)	(444)	(456)
Acquisition of subsidiaries/ investments	(24)	82	0	0	0	0
Others	1,402	(605)	0	0	0	0
Net cash from investing	(4,691)	(4,953)	(404)	(200)	(444)	(456)
Financing						
Dividend paid	(703)	(93)	93	0	1,109	1,440
Net borrowings	3,891	(183)	0	0	0	0
Proceeds from share issues	0	1,919	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(848)	2,668	(474)	(492)	(507)	(494)
Net cash from financing	2,340	4,311	(381)	(492)	602	946
Net change in cash						
Cash at the beginning of the year	2,222	2,683	5,767	9,526	15,585	21,309
Exchange difference	(109)	(80)	0	0	0	0
Others	570	3,164	3,760	6,058	5,724	5,769
Cash at the end of the year	2,683	5,767	9,526	15,585	21,309	27,078
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	7.8%	36.6%	(20.6%)	28.7%	11.1%	2.9%
Gross profit	6.8%	33.6%	(17.0%)	28.6%	10.9%	2.9%
Operating profit	(58.8%)	(51.2%)	232.6%	155.5%	25.7%	10.4%
EBITDA	(14.4%)	9.0%	15.0%	64.0%	13.4%	4.2%
Net profit	(86.8%)	na	na	126.7%	29.8%	13.1%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	57.1%	55.9%	58.4%	58.4%	58.3%	58.3%
Operating margin	4.6%	1.6%	6.8%	13.6%	15.4%	16.5%
EBITDA margin	15.2%	12.1%	17.5%	22.4%	22.8%	23.1%
Return on equity (ROE)	3.0%	(35.8%)	18.8%	32.8%	32.1%	28.9%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	0.7	1.2	1.6	2.2	2.7	3.3
Receivable turnover days	3.1	3.0	3.0	3.0	3.0	3.0
Inventory turnover days	35.0	27.6	27.6	27.6	27.6	27.6
Payable turnover days	44.5	37.3	37.3	37.3	37.3	37.3
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	306.6	(30.3)	60.0	26.6	20.5	18.1
P/E (diluted)	306.6	(30.3)	60.0	26.6	20.5	18.1
P/B	18.3	23.2	7.9	7.9	6.2	5.0
P/CFPS	64.1	48.2	16.5	15.4	18.6	19.6
Div yield (%)	ns	ns	0.0	ns	ns	ns

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

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