

# Guoquan Food (2517 HK)

## A national at-home food expert to innovate at all fronts

- **Guoquan is the largest one-stop brand for at-home meal solutions in China.** Guoquan achieved retail sales of RMB11.1bn with 3% market share in 2022. The company offers a diversified product portfolio that spans eight major categories (hotpot, barbecue, beverages, single-serve meals, ready-to-cook meal kits, fresh food, Western cuisines, and snacks). Such a great variety can cater for diverse dining scenarios. In 2024, it has generated about RMB 6.5bn in sales, RMB 230mn in profit with 10,150 stores in China.
- **Consumer-to-Factory Model: a number of advantages for customers ("quick delivery and convenience, good quality, great bargain and more varieties"), franchisees and suppliers.** Guoquan leverages its C2F model to deliver speed, quality, value and variety to the young and busy consumers (esp. in lower tier cities) with over 700 SKUs (400 new SKUs per year). Backed by six specialized factories and top-tier suppliers, it ensures strict food safety and quality, as well as rapid delivery (available even past midnight). Guoquan's vertically integrated supply chain has made its selling prices roughly 10%/ 40%/ 80% below Meituan Xiaoxiang/ Yonghui/ Haidilao and secure a clear leadership in hotpot, barbecue and set meal categories.
- **Persistent product innovation: Blockbuster set meals to attract traffic and aggressive category expansion to raise sales volume.** Guoquan's blockbuster set meals converted massive online traffic into offline visits, led by the viral "Ox trip freedom hotpot set" (sold 5mn units and generated RMB 500mn in just 7 months in 2024). In 2025, it has expanded into steaks, crayfish, beers, desserts and frozen treats to boost off-season sales, while planned upstream investments to lift product quality and lower costs.
- **Channel upgrades and expansion: Leveraging Douyin for new user acquisition, using membership programme and store revamp to tap into new types of demand and boost frequency.** Guoquan not only accelerated growth on Douyin since 2024, but also revamped the membership program (average spend and frequency lifted, members grew by 48% and prepaid card sales also grew by 37% to nearly RMB 1bn). Store upgrades also delivered strong returns, with 24-hour formats in higher-tier cities driving ~5% SSSG at low cost, and larger stores in lower-tier cities achieving 20%+ SSSG with faster payback from lower rents and staff costs.
- **We forecast a 17% sales and 42% net profit CAGR during FY24-27E with NP att. margin rising to 6.4% by FY27E.** Such growth will be underpinned by blockbuster product launches, channel expansion, category diversification, store upgrades across city tiers, and a revamped membership program that drives higher purchasing frequency, supported by stronger staff training to deepen customer retention. Margin expansion should come from an improving product mix, greater supply chain efficiency, higher self-production, scale benefits and operating leverage.
- **We initiate BUY with TP of HK\$ 4.80, based on 23x FY26E P/E.** In our view, a premium should be deserved for Guoquan, because of: 1) its vertically integrated business model, 2) massive store network, 3) strong brand equity (in both products and channels) and 4) much faster sales growth (17% sales CAGR during FY24-27E). Hence, we are applying a 23x FY26E P/E for Guoquan, which has a 4% discount vs / 32% premium over peers' average/ median of 23.9x/ 17.4x.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,094	6,470	7,764	9,036	10,301
YoY growth (%)	(15.0)	6.2	20.0	16.4	14.0
EBITDA (RMB mn)	339.4	284.3	613.0	831.5	9,183.9
Net profit (RMB mn)	263.4	241.2	423.7	553.5	679.1
EPS (Reported) (RMB cents)	8.94	8.37	14.85	19.40	23.81
YoY growth (%)	0.6	(6.3)	77.4	30.6	22.7
P/E (x)	36.7	39.1	22.1	16.9	13.8
EV/EBITDA (x)	25.4	29.8	13.2	9.6	0.9
Yield (%)	1.6	2.2	3.9	5.0	6.2
ROE (%)	9.0	7.5	13.0	16.1	18.6

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Initiate)

Target Price	HK\$4.80
Up/Downside	34.8%
Current Price	HK\$3.56

#### China Consumer Discretionary

#### Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	9,821.0
Avg 3 mths t/o (HK\$ mn)	149.4
52w High/Low (HK\$)	4.10/1.67
Total Issued Shares (mn)	2758.7

Source: FactSet

#### Shareholding Structure

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

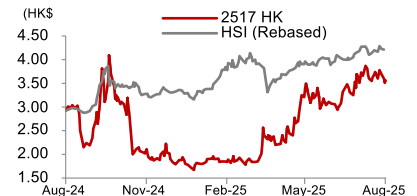
Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	-3.5%	-4.8%
3-mth	4.7%	-1.5%
6-mth	93.5%	73.6%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

## Contents

<b>Investment Thesis</b> .....	<b>3</b>
<b>Focus Charts and Tables</b> .....	<b>6</b>
<b>Company Background</b> .....	<b>7</b>
Guoquan is the largest one-stop brand for at-home meal solutions in China .....	7
<b>Key positives and growth drivers</b> .....	<b>10</b>
1) The Consumer-to-Factory (“C2F”) Model: a number of advantages for customers (“quick delivery and convenience, good quality, great bargain and more varieties”), franchisees and suppliers. ....	10
2) Persistent product innovation: Blockbuster set meals to attract traffic and aggressive category expansion to grow sales volume.....	21
3) Channel upgrades and expansion: Leveraging Douyin for new user acquisition, using membership programme and store revamp to tap into new types of demand and boost frequency. ....	26
<b>Industry analysis and trends</b> .....	<b>32</b>
1) The dining at home industry sales are growing, while categories such as pre-prepped meals, at-home food delivery, and fresh grocery instant retail are likely to grow even faster. ....	32
2) Pre-prepped meal sales are structured for more growth.....	36
3) Domestic beef & lamb prices might stabilize while international prices may climb further.....	41
4) We can see some similarities between Guoquan and Kobe Bussan.....	43
<b>Financial Analysis</b> .....	<b>46</b>
We forecast sales growth of 20%/ 16%/ 14% YoY in FY25E/ 26E/ 27E .....	46
We forecast net profit growth of 78%/ 31%/23% in FY25E/ 26E/ 27E .....	48
Balance sheet and cash flow .....	49
<b>Results summary</b> .....	<b>52</b>
<b>Assumptions</b> .....	<b>54</b>
Initiate BUY on Guoquan with TP of HK\$ 4.80 (based on 23x FY26E P/E).....	56
<b>Shareholding Structure</b> .....	<b>59</b>
<b>Management Profile</b> .....	<b>60</b>
<b>Key Risks</b> .....	<b>61</b>

## Investment Thesis

### ■ Guoquan is the largest one-stop brand for at-home meal solutions in China.

Guoquan is the largest one-stop brand for at-home meal solutions in China, with RMB11.1 bn retail sales and 3% market share in 2022. Its product portfolio spans eight major categories (hotpots, barbecue, beverages, single-serve meals, ready-to-cook meal kits, fresh food, Western cuisines, and snacks), meeting the diverse dining scenarios of consumers. The company offers more than 700 SKUs. Guoquan has become a household name in community-based digital food retail, dedicated to delivering meal products that are “more diverse, faster, better, and more affordable”. In 2024, it has generated about RMB 6.5 bn in sales, RMB 230 mn in profit with 10,150 stores in China.

### ■ The Consumer-to-Factory (“C2F”) Model: a number of advantages for customers (“fast delivery and convenience, good quality, great bargain and more varieties”), franchisees and suppliers.

Guoquan has a strong brand position as the hotpot and barbecue ingredient expert, but its real strength is way more than that. It has adopted a C2F (Consumer to Factory) model that offers consumers “fast delivery and convenience, good quality, great bargain and more variety”. The Company provides a highly convenient one-stop shopping experience, with more organized layout, more pre-prepped SKUs ideal for solo, busy and young diners, especially in the lower-tier cities. In terms of delivery, Guoquan’s orders can be delivered at a similar speed as Meituan Xiaoxing (and way faster than supermarkets and hotpot restaurants), and it is still opening even after midnight. Food quality and safety are also ensured via owning six factories (each producing only one type of product) and strict product testing. Guoquan has also used the same suppliers of Haidilao for hot pot soup base products. Moreover, unlike staffs at the supermarkets and riders of delivery platforms, Guoquan’s staffs know the products and customers better and can serve in more personalized ways. Guoquan’s product prices are extremely competitive (around 10%/40%/80% lower vs Meituan/ Yonghui/ Haidilao) due to its large-scale, highly efficient and vertically integrated supply chain. With over 700 SKUs and more than 400 new products launched annually, it has a clear leadership in hotspots, barbecue and set meal categories over food brands, supermarkets, restaurants and many peers.

### ■ Persistent product innovation: Blockbuster set meals to attract traffic and aggressive category expansion to raise sales volume.

Guoquan’s breakout strategy centers on value-driven set meals that convert online traffic into offline store visits, which is highly successful and difficult for others to replicate. Its viral “Ox Trip Freedom Hotpot Set” was sold with over 5mn units for over RMB 500mn in just 7 months on platforms like Douyin. And since the consumers have to redeem that product at offline stores, it has served as a foot traffic magnet and helped a lot on the reaccelerating of membership growth and SSSG. In 2025, more set meal products have been introduced, such as steaks, crayfish and beers, etc.. Moreover, Guoquan is expanding its product categories beyond hotpots and barbecue, by adding new products like steaks, protein based products like crayfish, desserts, drinks and frozen treats in 2025. And this move, in our view, is quite effective in terms of boosting its off-season sales. Going forward, Guoquan do have some plans to invest more in the upstream facilities, which should further improve product quality and reduce costs.

■ **Channel upgrades and expansion: Leveraging Douyin for new user acquisition, using membership programme and store revamp to tap into new types of demand and boost frequency.**

Guoquan effectively leveraged Douyin in 2024 to drive traffic, acquiring about 4mn new members and generating over 6.2bn views. Its viral product strategy successfully boosted both sales and brand visibility, and earned four annual awards from the Douyin platform. In 2025, Guoquan continues expanding its private domain traffic through in-store live streaming, which is also helpful for driving up overall SSSG. Guoquan also revamped its membership system in 2024 to boost purchasing frequency and stickiness. By shifting to a growth-point model based on order frequency, average member purchase rose by 25% YoY. Registered members grew by 48% and the pre-paid card sales also grew by 37% YoY to nearly RMB 1bn in 2024. The Company is also upgrading its stores across tier to boost sales. In the higher tier cities, stores that being transformed into a 24-hour store can record about 5% SSSG with minimal costs. In the lower tier cities, the renovated stores with a larger area may achieve SSSG of at least 20%, where the margins can be higher and the payback can be faster due to lower rental expenses and staff costs.

■ **The dining at home industry sales is still expected to grow, while categories such as pre-prepped meals, at-home food delivery, and fresh grocery instant retail are likely to grow at an even faster pace.**

At-home food sales in China are expected to continue growing, esp. in categories like pre-prepped meals, food delivery and fresh food via instant retail. While dining out will gain shares, similar to the trend in the US, at-home food consumption will still continue to grow, just with a slightly more moderate rate. Going forward in China, from 2022 to 2026, Frost & Sullivan's forecasts show a 5% CAGR for at home food sales and a 9% for dining out. The growth is supported by improved delivery cold chain logistics, and consumer demand for convenience, particularly among younger, urban users. New demand scenarios and broader retail participation will further drive the shift toward instant and flexible at-home food solutions.

■ **Pre-prepped meal sales are structured for more growth.**

Pre-prepped meals in China are set to have rather fast growth, driven by numerous structural reasons, such as urbanization, smaller household sizes, rising female labor participation, longer average working hours, an aging population and consumer base, and the tendency of young people spending more time at home, etc.. Consumer acceptance is rising, and over 40% are opened to eating pre-prepped food for dinner, lunch or breakfast (the figures are, in fact, even higher in tier 1 and new tier 1 cities). Growth is also shifting from the institutions or restaurants (B-end) to the consumer end (C-end), especially in the lower tier cities. As production, cold chain, and food safety technologies advance, pre-prepped meals will become more widely adopted.

■ **Domestic beef & lamb prices might stabilize while international prices may climb further.**

China's beef prices have begun to stabilize after years of decline, while lamb prices remain weak despite some supply tightening. In contrast, global beef and lamb prices, esp. from the US, Brazil, Australia and New Zealand, have surged in 2024 to 2025, due to tight supply, weather shocks and strong demand from China and other markets. Elevated import costs may continue putting upward pressure on China's domestic market.

■ **We can see some similarities between Guoquan and Kobe Bussan.**

On one hand, we can see some similarities between China right now and Japan back in 1990s. On the other hand, there are also some similarities between Guoquan and Kobe Bussan, in terms of background and business model. Therefore, we do think the history there may shed some lights on the future development of Guoquan in the near future. While Guoquan can double down on its core competency (vertically integrated value chain, hard-discounts model, focus on star products), we believe it can also strengthen its manufacturing first mindset (while not underestimating the importance of emotional value), hook and profit model, as well as trying out more horizontal expansion.

■ **We forecast a 17% sales and 42% net profit CAGR during FY24-27E.**

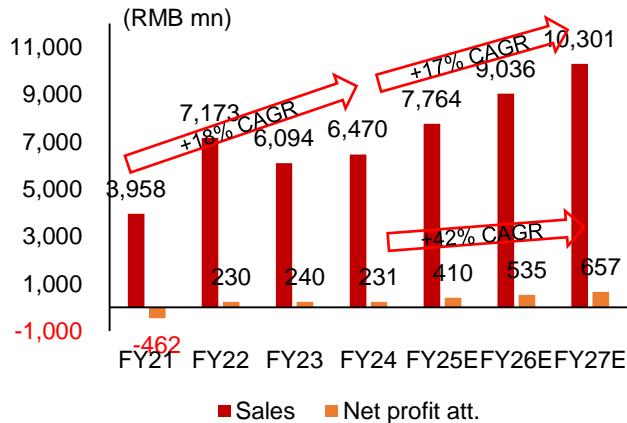
We think the most critical growth drivers include: 1) blockbuster products strategy and channel expansion, in order to boost traffic, to draw new customers and members growth, 2) product category expansion and store revamp (in both high and low tier cities) to tap into and serve many new types of demand, 3) reforming the membership programme to boost purchasing frequency, and 4) better training for store managers, in order to better serve and retain customers, etc.. Margin-wise, we can also see certain upside (net profit margin to be 6.4% by FY27E), thanks to: 1) a better product mix, 2) improvements in supply chain efficiency, 3) potential increases in self-production mix, 4) economies of scales and 5) operating leverage, etc..

■ **We initiate BUY with TP of HK\$ 4.80, based on 23x FY26E P/E.**

We also think Guoquan should deserve a higher valuation, because of: 1) its vertically integrated business model, 2) massive store network (far more than those convenience stores, restaurant brands and supermarket and e-commerce brands), 3) strong brand equity (owning both food product brand and the sale channel brand) and 4) much faster sales growth (17% sales CAGR during FY24-27E). Hence, we are applying a 23x FY26E P/E for Guoquan, which has a 4% discounts vs / 32% premium over peers' average/ median of 23.9x/ 17.4x.

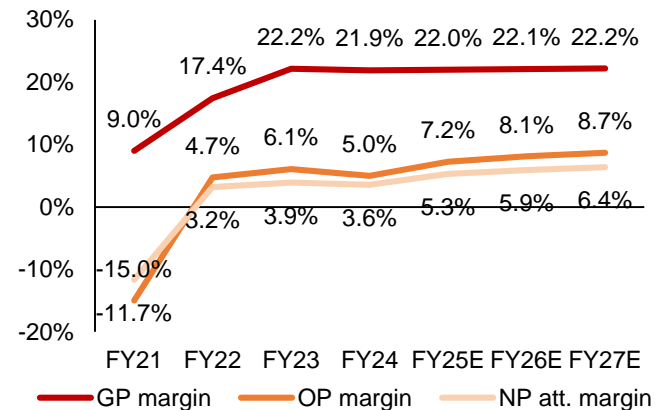
## Focus Charts and Tables

Figure 1: Sales, NP att. and CAGR



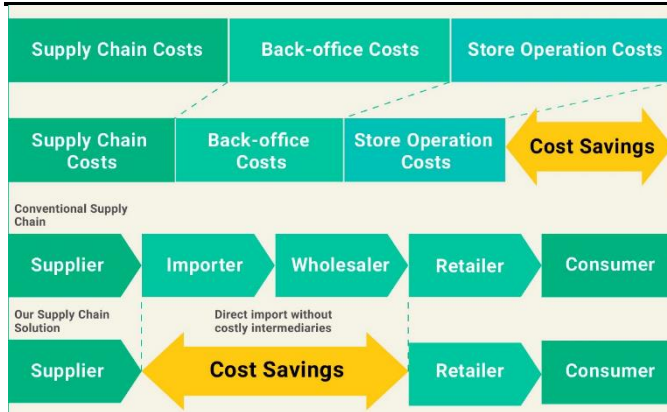
Source: Company data, CMBIGM estimates

Figure 2: GP, OP and NP att. margin



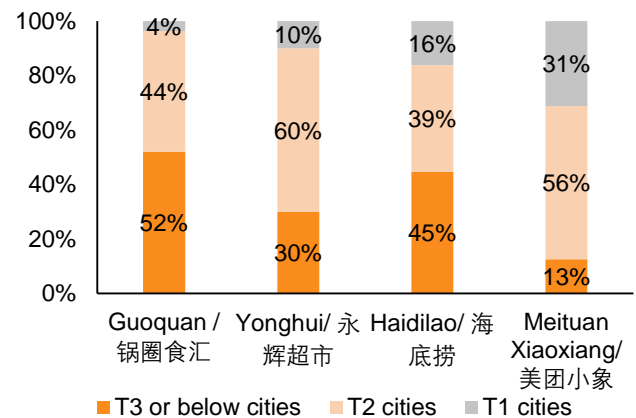
Source: Company data, CMBIGM estimates

Figure 3: A vertically integrated business model can lead to costs savings and better products quality



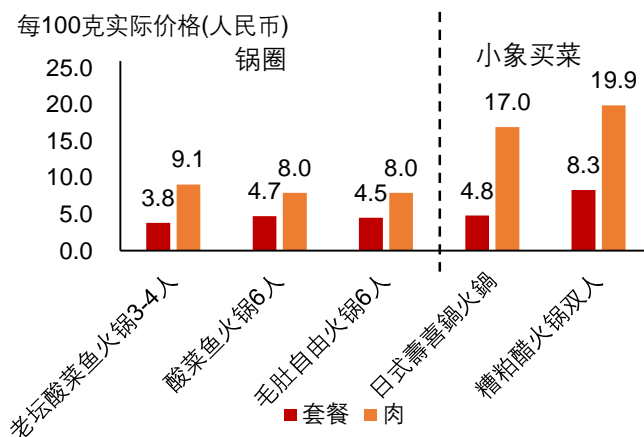
Source: Kobe Bussan (3038 JP), CMBIGM

Figure 4: Mix of stores, by different tier cities, by different sellers



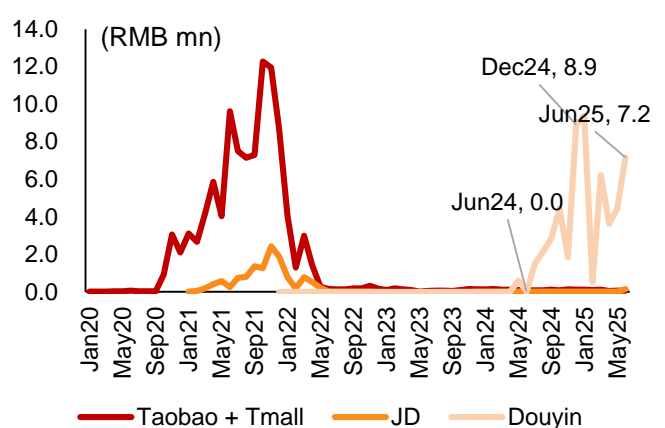
Source: Company data, CMBIGM estimates

Figure 5: Prices per 100g ingredient of different set meals, by Guoquan and Meituan Xiaoxiang



Source: Company data, CMBIGM estimates

Figure 6: Guoquan's e-commerce sales, by different platforms



Source: Company data, CMBIGM estimates



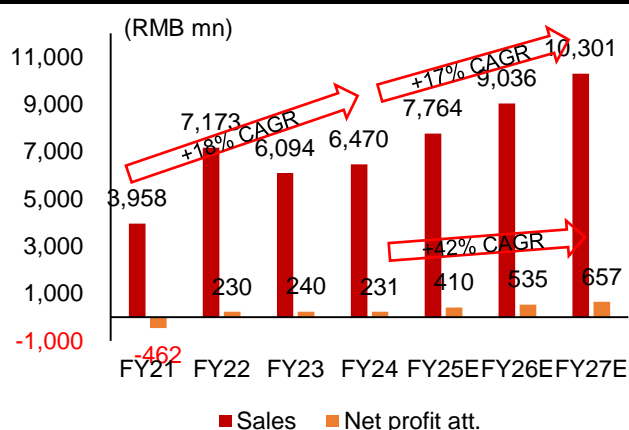
## Company Background

### Guoquan is the largest one-stop brand for at-home meal solutions in China

Guoquan is the largest one-stop brand for at-home meal solutions in China, with RMB11.1 bn retail sales and 3% market shares in 2022. Its product portfolio spans eight major categories (hotpots, barbecue, beverages, single-serve meals, ready-to-cook meal kits, fresh food, Western cuisines, and snacks), meeting the diverse dining scenarios of consumers. The company offers more than 700 SKUs. Guoquan has become a household name in community-based digital food retail, dedicated to delivering meal products that are “more diverse, faster, better, and more affordable”.

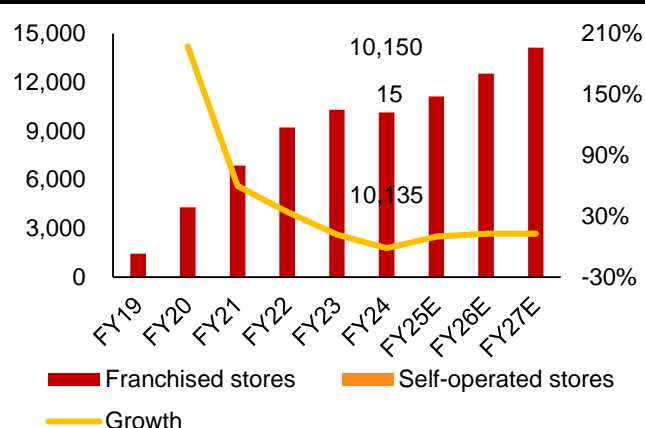
The Company was founded by Mr. Yang Ming Chao in 2015, with its first hotpot ingredient supermarket in 2017 and finally being listed in 2023. Its key investors include CMB International, Knight Vision, IDG, Buhuo Private Equity, Sanquan Foods, GenBridge Capital and JD.com, etc... In 2024, Guoquan generated about RMB 6.5 bn in sales, RMB 230 mn in profit with 10,150 stores in China.

**Figure 7: Sales, NP att. and CAGR**



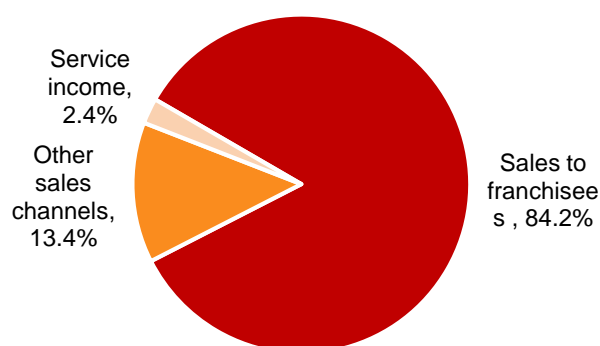
Source: Company data, CMBIGM estimates

**Figure 8: Number of stores, by channel**



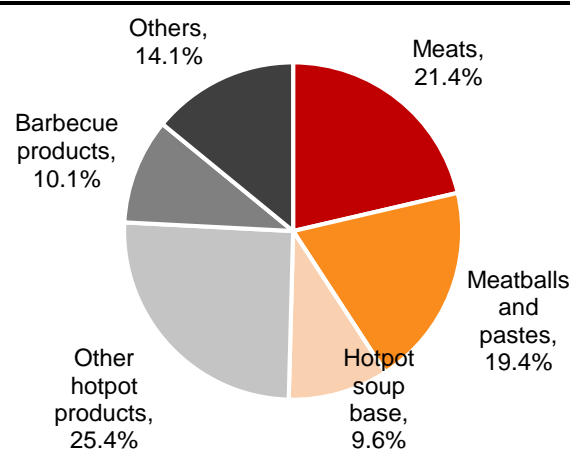
Source: Company data, CMBIGM estimates

**Figure 9: Sales by channel, FY24**



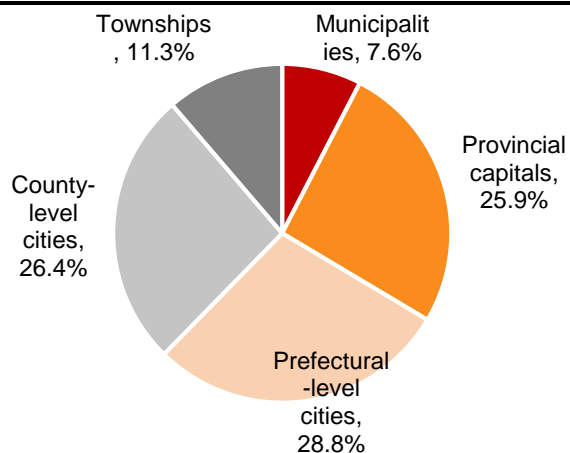
Source: Company data, CMBIGM estimates

**Figure 10: Sales by product types, FY22**



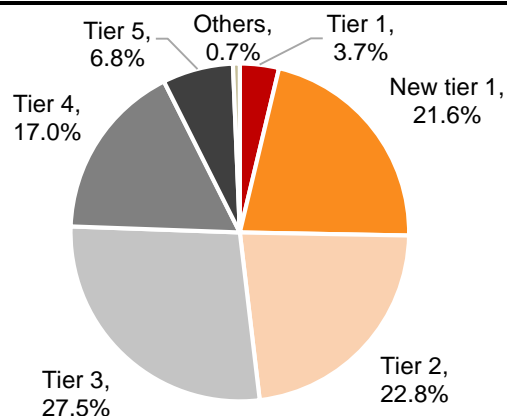
Source: Company data, CMBIGM estimates

**Figure 11: Franchised store mix, by different provincial level autonomous region or municipality, FY22**



Source: Company data, CMBIGM estimates

**Figure 12: Store mix, by different tier cities, 1H25**



Source: <https://www.canyandata.com/>, CMBIGM estimates

**Figure 13: Guoquan's Slogan "Dine at home, find Guoquan"**



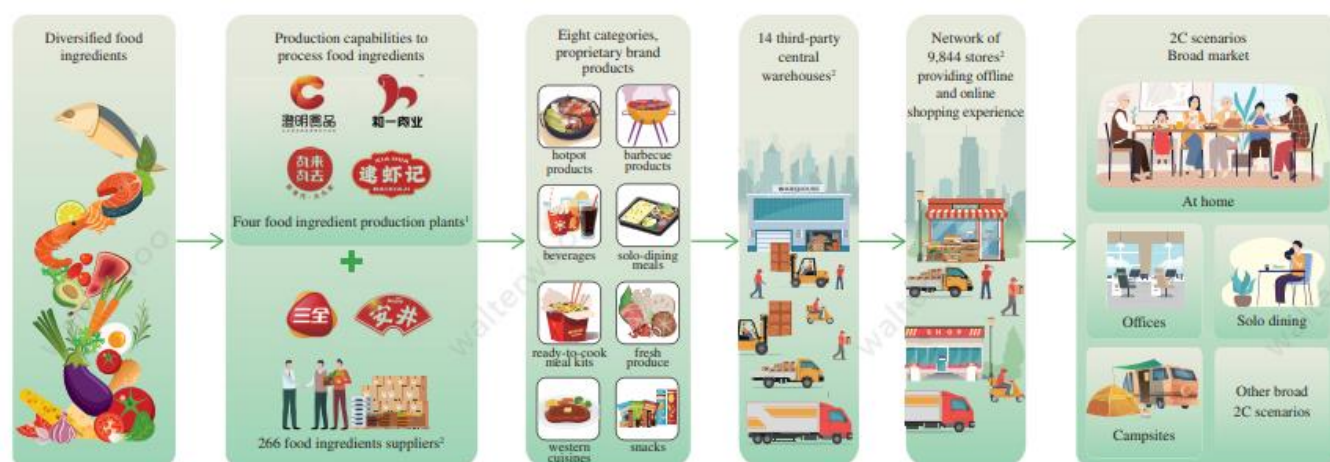
Source: Company data, CMBIGM

**Figure 14: Guoquan's core values, vision and mission**



Source: Company data, CMBIGM



**Figure 15: Guoquan (2517 HK)'s business model****Notes:**

- As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for the production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products
- As of April 30, 2023

Source: Company data, CMBIGM

**Figure 16: Key milestones**

Date	Key business milestones of Guoquan
2015	Henan Guoquan Supply Chain Management Co., Ltd./ 河南锅圈供应链管理有限公司, which subsequently became the company's subsidiary, was established in the PRC.
2017	In January, the first retail store was launched in Zhengzhou, Henan Province.
2018	In January, the Company expanded its retail store network to over 100 stores.
2019	In January, the Company expanded its retail store network to over 500 stores. In July, Guoquan Supply Chain (Shanghai) Co., Ltd./ 锅圈供应链(上海)有限公司, being the Company's predecessor, was established in the PRC.
2020	In June, Guoquan APP was launched.
2022	In December, the number of the cumulative contracted stores exceeded 10,000.
2023	The Company was converted into a joint stock company with its name changed to Guoquan Food (Shanghai) Co., Ltd./ 锅圈食品(上海)股份有限公司.
2024	In April, the Company signed a contract with the Taijiang government and established Miaomiao Sour Soup Food Co., Ltd./ "苗苗酸汤食品有限公司" in Taijiang County. The first phase included an investment of RMB 100 mn to build a sour soup production line with an annual output of 20,000 tons. In July, Huading Cold Chain/ "华鼎冷链科技" became a wholly-owned subsidiary of Guoquan Industry, a Controlling Shareholder of the Company. Huading Cold Chain then started to provide cold chain warehousing and logistics services to the Group. In September, the new factory of Guoquan Huanhuan Food (Hubei) Co., Ltd./ "锅圈欢欢食品(湖北)有限公司" was put into operation in Shishou City, Jingzhou, Hubei. In December, the Company acquired additional 41% equity interest in Beihai Daixiaji Food Co., Ltd./ "逮虾记" The Company was honored with Douyin's "2024 Industry Benchmark of the Year Award" and its "2024 Overall Grand Prize", recognized by Douyin Local Life as the "2024 Best Pioneer Brand Award", and named the "2024 Growth Dark Horse Brand" in the catering industry./ "年度行业标杆奖", "年度全场大奖", 抖音本地生活 "2024 年度最佳先锋品牌大奖", 餐饮行业 "年度增长黑马品牌".
2025	In July, the Company intended to construct a food production base in Danzhou, Hainan Province/ "海南儋州生产基地", with an estimated investment of approximately RMB 490 mn.

Source: Company data, CMBIGM

## Key positives and growth drivers

### 1) The Consumer-to-Factory (“C2F”) Model: a number of advantages for customers (“quick delivery and convenience, good quality, great bargain and more varieties”), franchisees and suppliers.

Guoquan has built a strong brand position in the hotpot and barbecue segment through a C2F (Consumer to Factory) model that offers consumers “quick delivery and convenience, good quality, great bargain and more varieties”. The Company provides a very convenient one-stop shopping experience, with more organized layout, more pre-prepped SKUs ideal for solo, busy and young diners, especially in lower-tier cities. Food quality and safety are also ensured via owning six factories (each is producing only one type of product) and strict product testing. Guoquan has also used the same suppliers of Haidilao for hot pot soup base products. Guoquan’s prices are extremely competitive (around 10%/ 40%/ 80% lower vs Meituan/ Yonghui/ Haidilao) due to its large-scale, highly efficient and vertically integrated supply chain. With over 700 SKUs and more than 400 new products launched annually, it has a clear leadership in hotpot, barbecue and set meal categories over food brands, supermarkets, restaurants and many peers.

#### ■ 1.1 Quick delivery and convenience: One-stop shopping with quick delivery, plus comprehensive coverage in lower-tier cities.

In terms of delivery speed and opening hours, Guoquan should beat supermarkets and hotpot restaurants with ease, and leading Meituan Xiaoxiang by miles.

The delivery speed is generally quite fast, which usually takes about 30 mins per order (similar to Meituan Xiaoxiang and way faster than Haidilao’s 60mins and Yonghui’s next day delivery). It has a much longer opening hours, and many of its stores will remain open during the midnight (from 9:00pm to 8:30am, starting from mid-2024), which we think is a huge advantage.

**Figure 17: Details for the delivery services, by different sellers**

	Guoquan / 鍋圈食匯	Yonghui/ 永輝超市	Haidilao/ 海底撈	Meituan Xiaoxiang/ 美团小象
Minimum purchase amount/ 最低消費金額	滿39元減2元 滿79元減4元 滿99元減6元 (部份地區更低)	0元但SKU通常尺寸較大或平均價格更貴	滿68元起送	滿39元起免配送費
Delivery fee (RMB)/ 配送費 (人民幣)	6元	0元	15元	3元
Delivery time/ 配送時間	30分鐘到1小時 (主要通過第三方外賣平台)	最快24小時後	3公里範圍內約60分鐘, 3公里外每公里增加10分鐘	最快30分鐘
Opening hours for delivery / 可配送時間	多數為24小時營業, 晚上9時至早上8時30分為自助模式, 凌晨後選擇不會減少	通常為早上6時30分至晚上12時, 只少量試點有24小時營業	早上9時至晚上10時	通常為早上7時至晚上12時

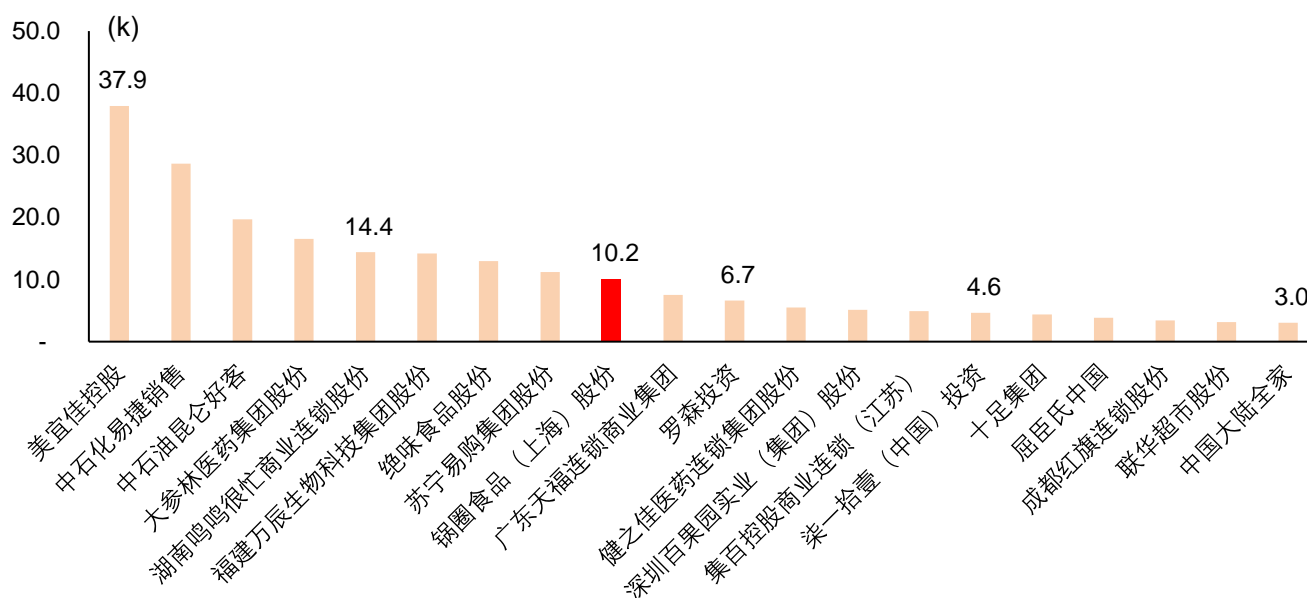
Source: Company data, CMBIGM

In terms of the shopping experience, we do think Guoquan is better. While one-stop shopping is available by many sellers, but compared to supermarkets, which tend to be larger and has an overwhelming number of SKUs and somewhat disorganized displays, Guoquan stores are smaller with a clearer organization, richer products, and hence it can provide a more efficient shopping experience.

In terms of size and portion of products, we also think Guoquan is better. Guoquan focuses more on small-package and single-serve products, while supermarkets generally offer large packages. Therefore, it has more products tailored for the solo diners, with more small packages and ready-to-cook options that have been washed, cut, and pre-prepped, which are ideal for young consumers with limited time after work.

In terms of city coverage, Guoquan, in our view, is more superior than its competitors, as it has over 10,000 stores in China (ranked number 10 in China among all of the chain brands, even more than those leading convenience store brands' and far more than Haidilao's about 1,400 restaurants, Yonghui's around 800 supermarkets and Meituan Xiaoxiang's around 700 warehouses). We think Guoquan's nationwide presence is definitely one of its most critical advantages.

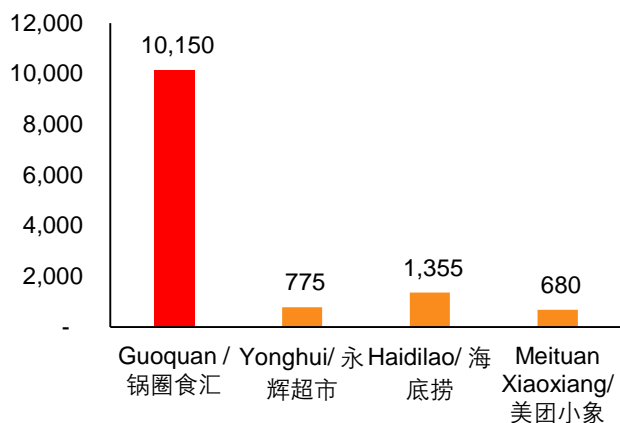
**Figure 18: Number of stores in China, by different chain brands, in 2024**



Source: China Chain Store & Franchise Association (CCFA), CMBIGM estimates

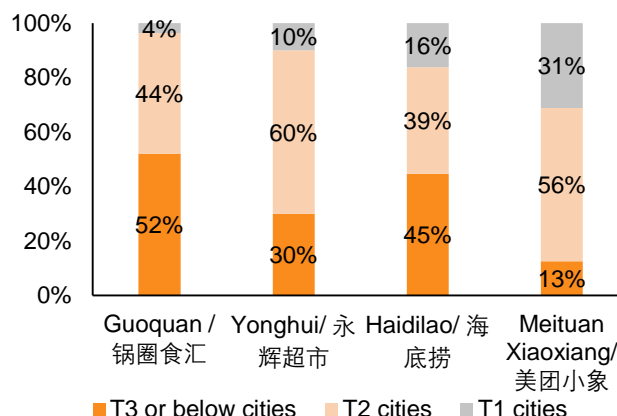
And Guoquan is exceptionally strong in the lower-tier cities (over 50% of stores are located there, far more than Yonghui's 30%, Haidilao's 45% and Meituan Xiaoxiang's 10% to 15%), which should definitely lead to a better brand equity and influence in those local communities.

**Figure 19: Number of stores or warehouses, by different sellers**



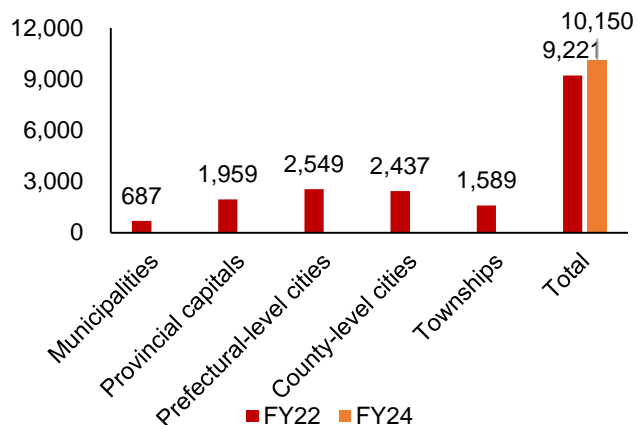
Source: Company data, CMBIGM estimates

**Figure 20: Mix of stores, by different tier cities, by different sellers**



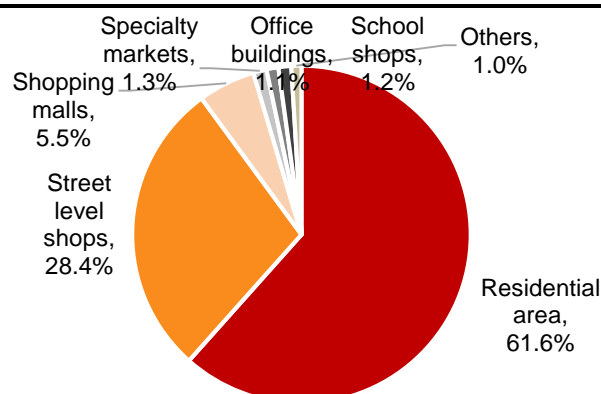
Source: Company data, CMBIGM estimates

**Figure 21: Number of Guoquan stores, by different tier cities, FY22 and FY24**



Source: Company data, CMBIGM

**Figure 22: Mix of Guoquan stores, by different types of area, 1H25**



Source: <https://www.canyandata.com/>, CMBIGM estimates

■ **1.2 Great quality: Taking prices into account, the quality is great and highly stable and many services provided by Guoquan can help building influence among the community.**

A wide range of brands are available in supermarkets and Meituan, but the product quality may vary significantly. However, Guoquan has six self-owned/ invested factories which uses the "single-product, single-factory" model with 100% traceability. Therefore, the product quality can be guaranteed with great consistency. The quality of the hotpot soup bases also matters a lot and Guoquan's soup base suppliers are also supplying to Haidilao.

Every Guoquan product must pass multiple rounds of sensory evaluation:

- 1) internal departments (procurement, quality control, R&D, merchandise) jointly conduct blind tastings. Multiple experienced chefs participate, ensuring a professional perspective.
- 2) some non-industry individuals taste new products, representing everyday customer preferences.
- 3) the best-tasting products among similar offerings are selected only after suppliers pass comprehensive audits and checks.

Many new products were launched in 2024 and quickly became bestsellers with accelerating sales growth. This is also reflecting good quality and strong word of mouth.

**Figure 23: Locations of Guoquan's self-owned or invested factories**

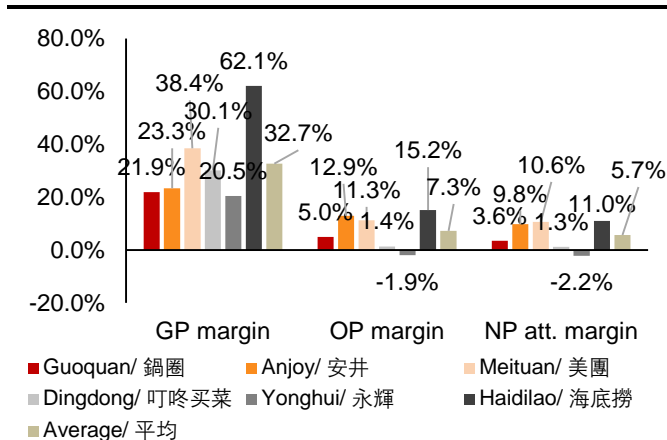


Source: Company data, CMBIGM



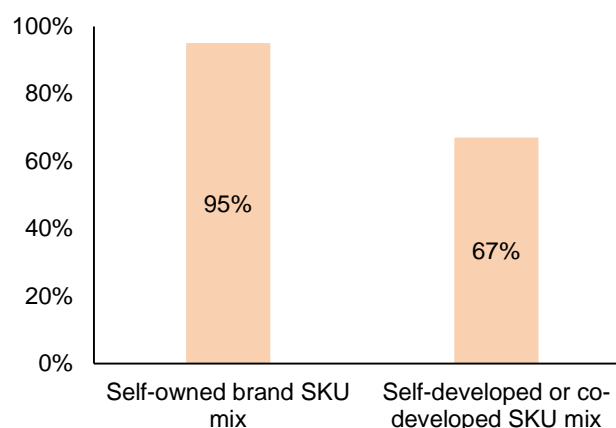
Guoquan's gross profit margin is not high at all compared to peers, while costs are lower thanks to its huge amount of procurement and economies of scale, but profit margins are lower as well, which means the product quality may be high.

**Figure 24: Profit margins by different sellers in FY24**



Source: Company data, CMBIGM estimates

**Figure 25: SKU mix, by self-owned brand and self-developed or co-developed, as at Apr 2023**



Source: Company data, CMBIGM estimates

More importantly, another critical advantage owned by Guoquan, but not by the supermarkets like Yonghui and Meituan Xiaoxiang, is the attentive customer services.

As supermarkets have too many SKUs with large sales area, it is hard for employees to serve the customer in a very sophisticated way.

Since Meituan Xiaoxiang mainly involves in e-commerce sales, and only employs riders for delivery, it only provides minimal services. Hence, the service level is just not as competitive less what Guoquan's offering.

In comparison, staffs in Guoquan know their products better, and can interact more frequently with customers in a more personalized way, and therefore it is easier to build trust and relationship with the customers, creating a better brand equity and influence among the community.

■ **1.3 Good bargain: The vertically integrated C2F Model can help eliminating the intermediaries while bulk purchasing can drive down overall costs and selling prices.**

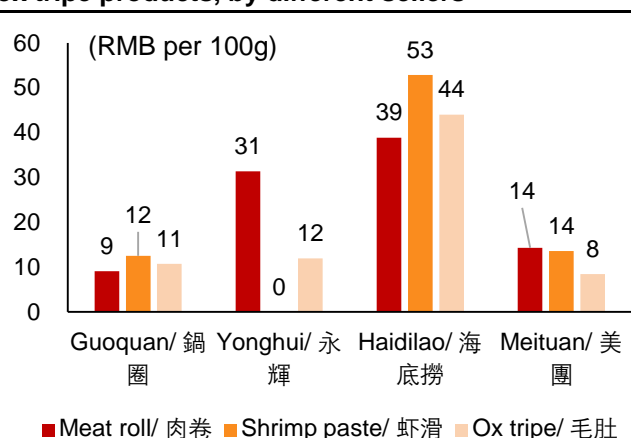
According to our channel check, Guoquan's average price per 100g of meat, shrimp paste and ox tripe products are ~40%/ 80%/ 10% lower vs Yonghui's/ Haidilao's/ Meituan Xiaoxian's. Hence, Guoquan definitely has a clear pricing advantage over supermarkets and hotpot restaurants on many products and certain advantages over Xiaoxiang on some items.

**Figure 26: Prices per 100g meat, shrimp paste and ox tripe products, by different seller**

Price per 100g (RMB)	Guoquan / 鍋圈	Yonghui/ 永輝	Haidilao/ 海底撈	Meituan/ 美團
Meat roll/ 肉卷	9	31	39	14
Shrimp paste/ 蝦滑	12	n/a	53	14
Ox tripe/ 毛肚	11	12	44	8
Guoquan's price vs Others	Guoquan / 鍋圈	Yonghui/ 永輝	Haidilao/ 海底撈	Meituan/ 美團
Meat roll/ 肉卷		-71%	-77%	-37%
Shrimp paste/ 蝦滑		n/a	-76%	-8%
Ox tripe/ 毛肚		-10%	-76%	27%
Average/ 平均		-41%	-76%	-6%

Source: Company data, CMBIGM estimates

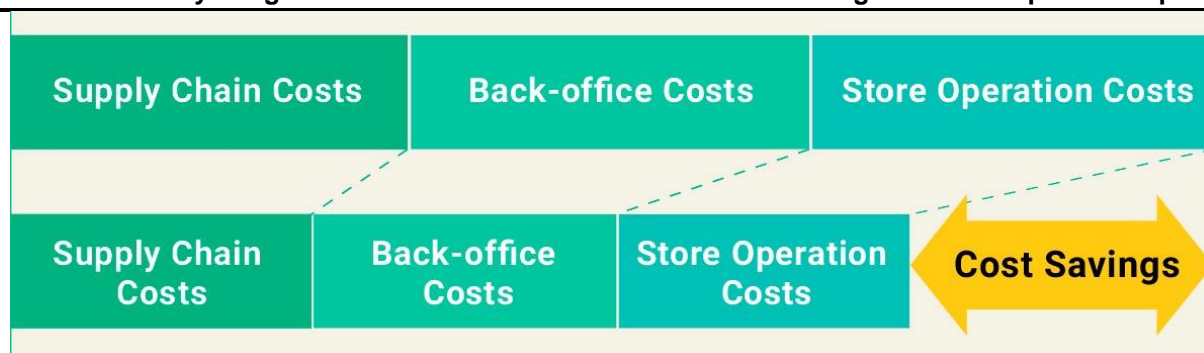
**Figure 27: Prices per 100g meat, shrimp paste and ox tripe products, by different sellers**



Source: Company data, CMBIGM estimates

We believe Guoquan's price advantage was derived from its costs advantage, which is a result of its vertically integrated business model (by directly investing into or indirectly improving the supply chain and by owning both product brand and sales channel brand).

**Figure 28: A vertically integrated business model can lead to costs savings and better products quality**



Source: Kobe Bussan (3038 JP), CMBIGM

**Figure 29: Eliminating the intermediaries can lead to more costs savings**

Source: Kobe Bussan (3038 JP), CMBIGM

By leveraging a C2F (Consumer-to-Factory) direct connection model to terminal stores/consumers, which consists of building its own factories, regional distribution centers and warehouses (Guoquan actually operates eight national regional distribution centers and 28 front warehouses, reaching a cold chain next-day delivery coverage rate of 92%), Guoquan is able to:

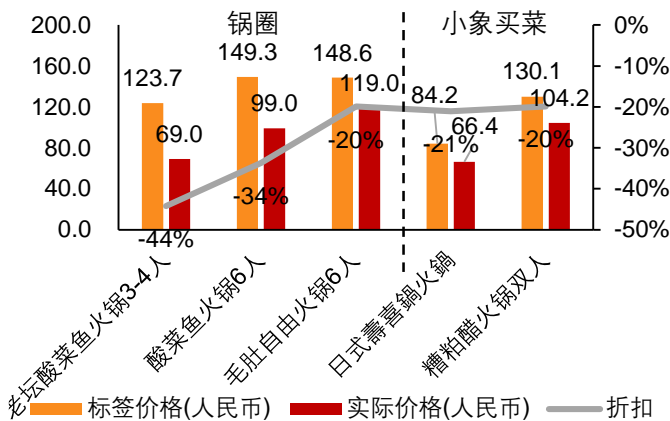
- 1) enjoy lower than industry average supply chain costs (e.g. procurement costs) and back-office costs (e.g. profit of the intermediaries), by eliminating many intermediaries and making more purchases directly from the upstream suppliers,
- 2) reduce its logistics and warehousing costs as well as achieving better inventory management (inventory turnover days decreased from 68 in FY23 to just 55 in FY24 and it may continue to fall in the future), by making more investments in supply chain facilities (plans to invest RMB120mn in smart warehousing in FY25).

Moreover, by supporting more than 10,000 franchisees' stores, Guoquan not only can sharply reduce the logistics and warehousing costs but also achieve massive economies of scale (e.g. can make more bulk purchases as the core products are often bought in quantities of many tons at a time), eventually driving up its product quality and delivering more value-for-money product to consumers.

In our view, set meals offered by Guoquan are a powerful tool to gain market share, as they provide excellent value for money which can effectively attract new customers.

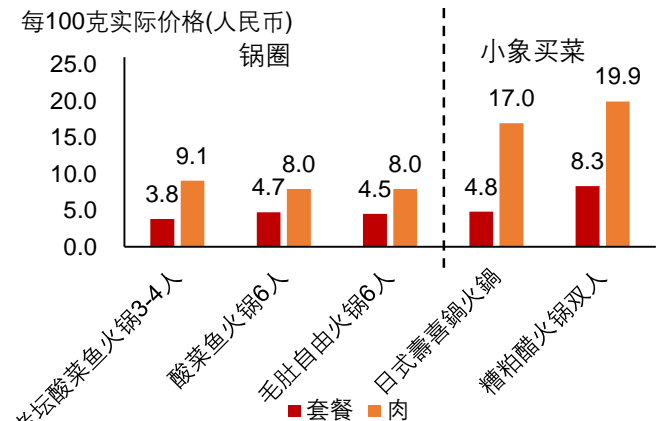
For example, Guoquan's set meals are priced at around RMB 69 to 119, which seems to be similar to those sold by Meituan Xiaoxiang (RMB 66 to 104). However, the price per 100g for meat is different (price per 100g meat for Guoquan is at RMB 8 to 9 while that for Meituan Xiaoxiang is at RMB 17 to 19) and the price per 100g portion of food is different too (price per 100g for Guoquan is at RMB 3.8 to 4.5 while that for Meituan Xiaoxiang is at RMB 4.8 to 8.3). Also, what Guoquan offering is way cheaper and larger (as combo meal for hot pot restaurants like Haidilao is priced at over RMB 200 and the portion is smaller).

**Figure 30: Prices and discounts of different set meals, by Guoquan and Meituan Xiaoxiang**



Source: Company data, CMBIGM estimates

**Figure 31: Prices per 100g ingredient of different set meals, by Guoquan and Meituan Xiaoxiang**



Source: Company data, CMBIGM estimates

**Figure 32: Prices and weight data of different set meals, by Guoquan and Meituan Xiaoxiang**

份量(克)	锅圈 老坛酸菜鱼火锅3-4人	锅圈 酸菜鱼火锅6人	锅圈 毛肚自由火锅6人	小象买菜 日式寿喜锅火锅	小象买菜 糟粕醋火锅双人
调味料/ 菌菇	280	360	200	200	150
毛肚	200	0	700	300	0
鸡	0	0	0	0	450
鱼	0	870	0	0	0
肉	870	200	400	180	240
丸	356	356	656	0	300
面/ 蛋	100	310	680	700	110
共计	1,806	2,096	2,636	1,380	1,250

标签价格(人民币)	老坛酸菜鱼火锅3-4人餐	酸菜鱼火锅6人餐	毛肚自由火锅6人餐	日式寿喜锅火锅套餐	糟粕醋火锅双人餐
调味料/ 菌菇	12.9	16.8	13.9	19.9	9.9
毛肚	15.9	0.0	59.0	15.9	0.0
鸡	0.0	0.0	0.0	0.0	45.9
鱼	0.0	79.0	0.0	0.0	0.0
肉	79.0	15.9	31.8	30.5	47.8
丸	14.4	19.5	23.0	0.0	12.7
面/ 蛋	1.5	18.1	20.9	17.9	13.8
共计	123.7	149.3	148.6	84.2	130.1

实际价格(人民币)	69.0	99.0	119.0	66.4	104.2
折扣	-44%	-34%	-20%	-21%	-20%

每100克标签价格 (人民币)	老坛酸菜鱼火锅3-4人餐	酸菜鱼火锅6人餐	毛肚自由火锅6人餐	日式寿喜锅火锅套餐	糟粕醋火锅双人餐
调味料/ 菌菇	4.6	4.7	7.0	10.0	6.6
毛肚	8.0	n/a	8.4	5.3	n/a
鸡	n/a	n/a	n/a	n/a	10.2
鱼	n/a	9.1	n/a	n/a	n/a
肉	9.1	8.0	8.0	17.0	19.9
丸	4.0	5.5	3.5	n/a	4.2
面/ 蛋	1.5	5.8	3.1	2.6	12.5
共计	6.8	7.1	5.6	6.1	10.4

套餐	3.8	4.7	4.5	4.8	8.3
----	-----	-----	-----	-----	-----

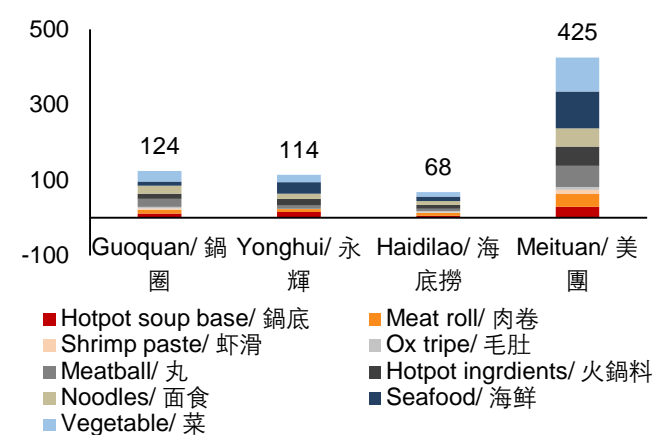
Source: Company data, CMBIGM estimates

■ **1.4 More varieties: Number of SKUs exceeds both supermarkets and hotpot restaurants, slightly less than Meituan Xiaoxiang, with clear advantages in hotpot and set meal products.**

Guoquan offers over 700 SKUs, covering eight major categories including hotpots, barbecue, fresh food, prepared meals, Western cuisines, beverages, cookware, etc. Over 400 new SKUs were launched annually in 2024, catering to various scenarios such as family gatherings, camping, late-night snacks, and solo dining.

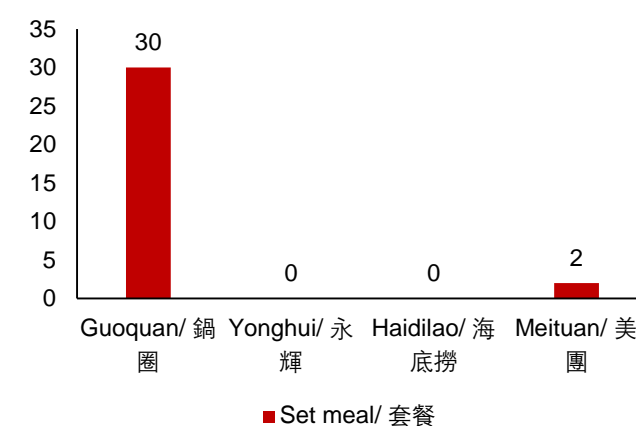
In terms of hotpot products, the number of SKU is noticeably higher than that in supermarkets and hotpot restaurants, especially in categories like meat rolls, ox tripe, shrimp paste, etc. The same applies to barbecue, although it is still slightly fewer than Meituan Xiaoxiang. Guoquan also offers a wide range of set meals (hotpots, barbecue, crayfish, etc.) to suit different consumption scenarios.

**Figure 33: Number of hotpot related SKUs, available for delivery, by sellers**



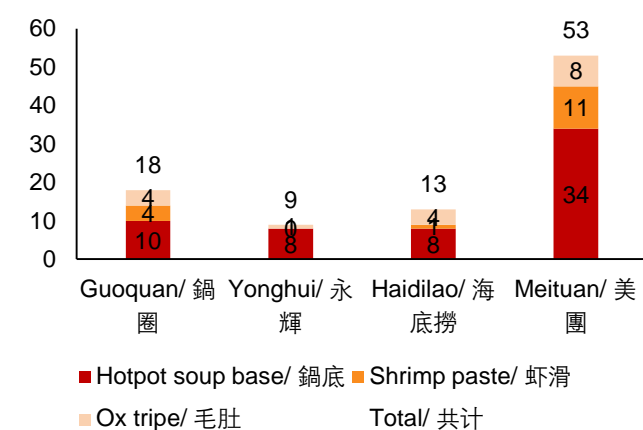
Source: Company data, CMBIGM estimates

**Figure 34: Number of set meal products, available for delivery, by sellers**



Source: Company data, CMBIGM estimates

**Figure 35: Number of meat, shrimp paste and ox tripe SKUs, available for delivery, by sellers**



Source: Company data, CMBIGM estimates

**Figure 36: Top 10 recommended products of Guoquan**

消費者推荐菜品Top10

- 1 一品肥牛
- 2 鍋圈食汇优品肥牛
- 3 脆香毛肚
- 4 青虾滑
- 5 羊腿卷
- 6 番茄火锅汤料
- 7 金汤火锅料
- 8 乡村安格斯雪花肥牛
- 9 优品肥牛
- 10 乌鸡卷

Source: Company data, CMBIGM



Figure 37: List of meat, shrimp paste and ox tripe products available for delivery by Guoquan/ Yonghui

锅圈食汇	類別	名稱	零售单价 (人民币)	每包净重 (g)	每100克价格 (人民币)	單位
1	肉卷	乡村安格斯雪花肥牛	14.9	200	7.45	盒
2		筋头巴脑雪花肥牛	15.9	200	7.95	盒
3		優品肥牛	22.9	200	11.45	盒
4		美人脂雪花肥牛	35.9	250	14.36	盒
5		筋头巴脑雪花肥牛	36.5	500	7.30	盒
6		韩式五花肉片	14.9	150	9.93	袋
7		乌鸡卷	8.9	200	4.45	盒
8		羊腿卷	15.9	200	7.95	盒
9		羊羔肉	20.9	200	10.45	盒
10		脆骨羊肉卷	22.9	200	11.45	盒
11		羊腿卷	35.0	500	7.00	盒
平均					9.07	
1	虾滑	北海蝦滑	9.9	120	8.25	袋
2		青蝦滑	18.9	120	15.75	袋
3		青蝦滑	20.9	150	13.93	袋
4		青蝦滑	59.9	500	11.98	袋
平均					12.48	
1	毛肚	白玉脆毛肚	19.9	200	9.95	盒
2		巴适黑毛肚	17.9	150	11.93	袋
3		脆香毛肚	13.5	135	10.00	袋
4		黑白毛肚双拼组合装	31.4	285	11.02	袋
平均					10.73	

永辉超市	類別	名稱	零售单价 (人民币)	每包净重 (g)	每100克价格 (人民币)	單位
1	肉卷	山东滨州黑毛谷饲和牛M5牛肩片	128.0	500	25.60	盒
2		山东滨州黑毛和牛谷饲尾龙扒切片	102.0	250	40.80	盒
3		山东滨州黑毛和牛谷饲牛胸肉切片	69.0	250	27.60	盒
4		山东滨州黑毛和牛谷饲三角尾扒切片	108.8	250	43.52	盒
5		山东滨州黑毛和牛谷饲牛腹肉片	69.0	250	27.60	盒
6		内蒙古巴盟羯羊筋头巴脑	69.0	1000	6.90	盒
7		山东滨州安格斯M5牛小排	99.0	180	55.00	盒
8		山东滨州黑毛和牛谷饲雪花上脑切片	59.0	250	23.60	盒
平均					31.33	
1	虾滑					袋
平均					n/a	
1	毛肚	百里炙火锅干层毛肚 250g*2	59.8	500	11.96	袋
平均					11.96	

Source: Company data, CMBIGM estimates

**Figure 38: List of meat, shrimp paste and ox tripe products available for delivery by Haidilao/ Meituan Xiaoxiang**

海 底 捞	類別	名稱	零售单 价 (人 民币)	每包净 重 (g)	每100克 价格 (人 民币)	單位
1	肉卷	捞派肥牛卷	37.0	100	37.00	份
2		捞派肥牛卷	74.0	200	37.00	份
3		捞派滑牛肉	74.0	200	37.00	份
4		新西兰羔羊羊排卷	39.0	100	39.00	份
5		新西兰羔羊羊排卷	78.0	200	39.00	份
6		鲜切匙肉	42.0	100	42.00	份
7		鲜切吊龙	42.0	100	42.00	份
8		鲜切嫩肉	38.0	100	38.00	份
平均			38.88			
小 象 买 菜	類別	名稱	零售单 价 (人 民币)	每包净 重 (g)	每100克 价格 (人 民币)	單位
1	肉卷	精选原切肥牛卷	18.8	300	6.27	盒
2		澳洲谷饲100天安格斯大刀肥牛片	26.6	200	13.30	盒
3		澳洲谷饲肥牛卷	33.9	400	8.48	盒
4		进口原切肥牛卷	38.9	500	7.78	盒
5		澳洲原切安格斯肥牛卷	73.5	700	10.50	盒
6		澳洲谷饲和牛腹花火锅片	17.9	120	14.92	盒
7		澳洲S级原切上脑烤肉片	17.9	150	11.93	盒
8		鲜黄牛嫩肉潮汕火锅片	16.9	120	14.08	盒
9		进口精选牛上脑卷	27.9	200	13.95	盒
10		新西兰草原羔羊肉卷	18.8	200	9.40	盒
11		鲜黄牛吊龙潮汕火锅片	18.9	120	15.75	盒
12		澳洲冰鲜谷饲100天五花烤肉片	19.9	150	13.27	盒
13		鲜黄牛肥肋潮汕火锅片	20.9	120	17.42	盒
14		鲜黄牛肥仁潮汕火锅片	21.6	100	21.60	盒
15		冰鲜手切羊肉	21.9	200	10.95	盒
16		羔羊冰鲜火锅羊腿片	22.9	120	19.08	盒
17		鲜切黄牛嫩牛肉片	22.9	200	11.45	盒
18		沙葱生态羊肉卷	22.9	300	7.63	盒
19		进口谷饲安格斯腿腱烤肉片	23.9	200	11.95	盒
20		鲜黄牛五花肋潮汕火锅片	25.9	100	25.90	盒
21		羔羊冰鲜火锅羊上脑	25.9	150	17.27	盒
22		内蒙草原羔羊肉卷	15.8	200	7.90	盒
23		西鲜记盐池滩羊羔羊卷	28.5	200	14.25	盒
24		进口谷饲安格斯眼肉盖烤肉片	29.9	200	14.95	盒
25		大别山黑山羊原切羔羊脖骨肉卷	29.9	245	12.20	盒
26		鲜黄牛潮汕火锅双拼 (嫩肉+吊龙)	33.9	240	14.13	盒
27		澳洲草地羊肉卷	35.9	400	8.98	盒
28		鲜黄牛潮汕火锅双拼 (吊龙+肥肋)	36.9	240	15.38	盒
29		月盛斋内蒙草原羔羊肉片	37.9	400	9.48	盒
30		进口谷饲安格斯肥瘦双拼烤肉片	39.9	280	14.25	盒
31		西鲜记盐池滩羊羔羊卷	39.9	300	13.30	盒
32		澳洲和牛M4-5原切烤肉片	40.5	200	20.25	盒
33		澳洲安格斯谷饲牛肉烧烤三拼	49.9	300	16.63	盒
34		鲜黄牛潮汕火锅套餐 (2-3人份)	51.9	360	14.42	盒
平均			14.29			
1	虾滑	招牌大颗粒虾滑	37.0	70	52.86	份
平均			52.86			
1	虾滑	超值青虾滑	9.9	150	6.60	袋
2		恒兴渔港纯虾肉糜	10.9	100	10.90	袋
3		正大青虾滑	10.9	100	10.90	袋
4		象大厨黑虎虾滑	12.9	100	12.90	袋
5		安井虾滑	13.9	150	9.27	袋
6		正大冷冻白虾滑	14.9	150	9.93	袋
7		新虾宝大颗粒黑虎虾滑	16.8	100	16.80	袋
8		九生堂响铃卷鱼滑	18.5	120	15.42	袋
9		象大厨黄金腐竹虾滑	19.9	150	13.27	袋
10		美加佳竹荚虾滑	25.9	100	25.90	袋
11		海底捞捞派虾滑	25.9	150	17.27	袋
平均			13.56			
1	毛肚	捞派脆脆毛肚	44.0	100	44.00	份
2		捞派脆脆毛肚	88.0	200	44.00	份
3		脆脆千层毛肚	44.0	100	44.00	份
4		脆脆千层毛肚	88.0	200	44.00	份
平均			44.00 份			
1	毛肚	冰鲜黑毛肚	17.9	200	8.95	袋
2		冰鲜火锅毛肚三拼	29.9	300	9.97	袋
3		黑千层肚	16.9	200	8.45	袋
4		冰鲜黑千层肚	17.9	200	8.95	袋
5		白千层肚	17.9	200	8.95	袋
6		冰鲜手撕巴掌大片毛肚	36.9	600	6.15	袋
7		风生水起拌毛肚	21.9	245	8.94	袋
8		冰鲜白千层	28.2	400	7.05	袋
平均			8.43			

Source: Company data, CMBIGM estimates

## 2) Persistent product innovation: Blockbuster set meals to attract traffic and aggressive category expansion to grow sales volume.

Guoquan's breakout strategy centers on value-driven set meals that convert online traffic into offline store visits, which is highly successful and difficult for others to replicate. Its viral "Ox Trip Freedom Hotpot Set" was sold at over 5mn units for more than RMB 500mn in just 7 months on platforms like Douyin. And since consumers have to redeem that product in offline stores, the strategy has served as a foot traffic magnet and helped a lot on reaccelerating membership growth and SSSG. In 2025, more set meal products have been introduced, such as steaks, crayfish and beers, etc.. Moreover, Guoquan is expanding its product categories beyond hotpots and barbecue, by adding new products like steaks, protein based products like crayfish, desserts, drinks and frozen treats in 2025. This move, in our view, is quite effective in terms of boosting its off-season sales. Going forward, Guoquan do have some plans to invest more in the upstream facilities, which should further improve the product quality and reduce costs.

### ■ 2.1 Blockbuster product strategy: Excellent value for money set meals has successfully captured the traffic online and converted it into foot traffic offline, which is somewhat difficult for the rivals to copy.

Guoquan has doubled down its Blockbuster product strategy. By launching the "Ox tripe freedom hotpot set" in May 2024, it has sold 5 mn sets through Douyin and other online platforms in just 7 months. The total sales exceeded RMB 500mn in FY24, roughly three times of the sales in FY23. This approach is very effective in driving traffic, because the blockbuster SKU "Ox Tripe" set only has a GP margin of about 10% (much lower than the 35% GP margin where Guoquan's products typically have). However, this has efficiently channels the online traffic (e.g. Douyin) to the offline physical stores.

We believe this success is difficult for competitors to replicate, not only because of its slim margin, but also due to its high completeness, as most products (about 95%) sold are under Guoquan's own brands.

And as the consumer habit slowly built, an upgraded version was introduced with a higher GP margin of 15% to 20%, but the sales remained strong in FY25E.

**Figure 39: Prices and weight data of different set meals, by Guoquan in FY24**

Product launch date	May 2024	Sep 2024
Name (Chi)	毛肚自由火锅6人餐	酸菜鱼自由火锅6人餐
Name (Eng)	Ox tripe set	Sauerkraut fish set
Price (RMB)	99	99
Image	 <p>锁定三重福利 福利第1重 锁定毛肚自由套餐 爆款再升级</p> <p>毛肚自由火锅6人餐 ¥98元 ¥99元</p> <p>上线1个月，爆卖100万单 11家3家1底料1主食4油碟 700g毛肚组合，搭配牛羊肉卷、虾滑 人均不到16.5元，一吃大满足！</p>	 <p>套餐详情</p> <p>必选：</p> <ul style="list-style-type: none"> <li>牛油锅底(含底料) 200g/份</li> <li>菠萝牛肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> </ul> <p>必选：</p> <ul style="list-style-type: none"> <li>牛油锅底(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> <li>澳洲羔羊肉片(含底料) 200g/份</li> </ul>

Source: Company data, CMBIGM estimates

New blockbuster set meals are planned for FY25E, such as steak bundles, crayfish sets, etc..

Figure 40: Prices and details of different set meals, by Guoquan in FY25E

Product launch date	Feb 2025	Mar 2025	Apr 2025	Jun 2025	Jul 2025
Name (Chi)	燒烤露營集裝箱套餐	牛排套餐	毛肚自由Plus火鍋6人餐	小龍蝦暢享套餐	牛肉滿滿套餐
Name (Eng)	BBQ camping container set	Steak set	Ox tripe Plus set	All-you-can-eat crayfish set	Full of beef set
Price (RMB)	119	99	119	99	89
Image					

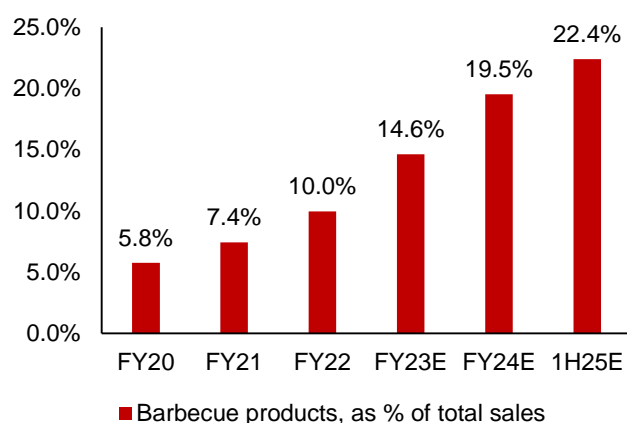
Source: Company data, CMBIGM estimates

## ■ 2.2 Substantial room for category expansion, pushing beef, protein-rich products, drinks & beers in FY25E.

Guoquan initially specialized in hotpots, and then expanded its footprint to barbecue. The sales mix in FY22 was 76% hot pot related, 10% barbecue related and 14% others. In FY24, we estimated the sales mix to be about 60% hotpot related, 20% barbecue related, 10% prepared meals and 10% others.

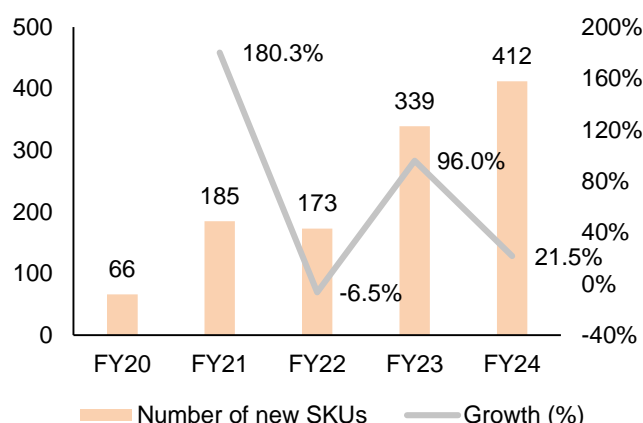
We believe that the company is strategically developing more new products (introduced 173/ 339/ 412 new SKUs in FY22/ 23/ 24), in order to fulfil many types of new demand in different kinds of dining scenarios (such as more solo meals, larger packages for family dining, barbecue products for outdoor hiking or gathering, afternoon tea, snacks at offices, etc.), and to boost the sales during the off-seasons. In fact, we can still see significant growth potential in many categories.

**Figure 41: Sales mix of barbecue products**



Source: Company data, CMBIGM estimates

**Figure 42: Number of new SKUs and growth**



Source: Company data, CMBIGM estimates

**Figure 43: Guoquan's current product categories**



Source: Company data, CMBIGM



For FY25E, the Company will put more emphasis on new categories such as steaks, various protein-rich products, crayfish, beverages (including beer), desserts (such as cheese and coconut jelly), NFC juices, craft beers, ice creams, and more.

Figure 44: Guoquan's new products launched in FY25E



**88** 山楂/百香果口味拼团价  
元/件 (8罐)  
**酒饮到家**

**49.9** 拼团价  
元/6盒  
**爆品拼团-原香牛排**  
原香牛排上脑

**99** 拼团价  
元/份  
**爆品拼团-毛肚自由**  
大脸毛肚自由套餐

**99** 拼团价  
元/份  
**龙虾套餐拼团-嗦虾自由**  
4盒小龙虾(畅享装)+4份面(火锅面霸)

**东方茶香 轻盈登场**  
中国茶韵搭配微醺精酿 一键开启微醺夏日

**点击品茗**  
\*请适度饮酒, 本商城不向未成年人售酒

Source: Company data, CMBIGM

### ■ 2.3 More investments in the upstream are in the pipeline.

Guoquan will continue to invest in the upstream market, raising self-production ratios from around 20% to 30% in FY24 to about 40% to 45% in the future, based on our estimates. This may enhance quality, and drive down costs.

**Figure 45: List of Guoquan's self-owned or invested factories**

No.	Name (Chi/ Eng)	Types of product	Locations (Chi/ Eng)	Time of commencement	Owner ships	Designed capacity (tons), in FY22	Actual production (tons), in FY22	Utilization rate, in FY22
1	Heyi/ 和一肉業	Beef	Luyi County, Zhoukou City, Henan/ 河南省周口市鹿邑縣	Acquired in Aug 2021	51%	15,000	8,475	56.5%
2	Wanlai Wanqu/ 丸來丸去	Meatballs	Luyi County, Zhoukou City, Henan/ 河南省周口市鹿邑縣	Acquired in Aug 2021	51%	7,500	4,792	63.9%
3	Chengming/ 澄明食品	Hotpot soup base	Luyi County, Zhoukou City, Henan & Guangyuan City, Sichuan/ 河南省周口市鹿邑縣和 四川省廣元市	Acquired in Nov 2022	77%	2,234	1,621	72.6%
4	Huanhuan/ 歡歡食品	Aquatic product	Jingzhou City, Hubei/ 湖北省荊州市	Started production in Sep 2024	60%	40,000	n/a	n/a
5	Daixiaji/ 達蝦記	Shrimp paste	Beihai City, Guangxi Zhuang Autonomous Region/ 广西壮族自治区北海市	Invested 10% in Nov 2021, and 41% in Dec 2024	51%	20,000	n/a	n/a
6	Miaomiao sour soup/ 苗苗酸湯	Sour soup base	Taijiang County, Miao and Dong Autonomous Prefecture, Guizhou/ 贵州省苗族侗族自治州台江县	Invested in Sep 2024	39%	12,000	n/a	n/a

Source: Company data, CMBIGM estimates

The Company has acquired a land in Hainan Island in Jul 2025 and will invest about RMB 490mn in total for the new facilities there. The new factories are expected to commence operation since late 2026 to early 2027 and once it ramped up, the self-production ratio could be boosted by about 10%. This new facilities will undertake three major functions: 1) utilizing the closed-border policy to save tariffs on imported raw materials (such as imported products such as tripe, beef and lamb), 2) a regional supply chain radiating to the markets south of the Yangtze River, and 3) serving as a frontier base for expanding to the Southeast Asia region.

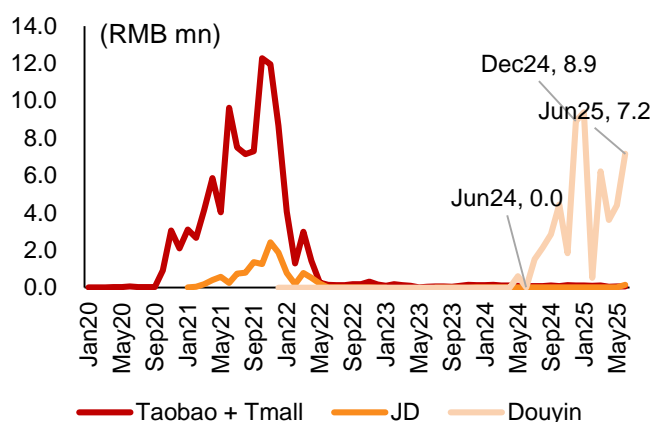
### 3) Channel upgrades and expansion: Leveraging Douyin for new user acquisition, using membership programe and store ravamp to tap into new types of demand and boost frequency.

Guoquan effectively leveraged Douyin in 2024 to drive traffic, acquiring about 4mn new members and generating over 6.2bn of views. Its viral product strategy successfully boosted both sales and brand visibility, and earned four annual awards from the Douyin platform. In 2025, Guoquan continues expanding its private domain traffic through in-store live streaming, which is also helpful for driving up overall SSSG. Guoquan revamped its membership system in 2024 to boost purchasing frequency and stickiness. By shifting to a growth-point model based on order frequency, average member purchase rose by 25% YoY. Registered members grew by 48% and the pre-paid card sales grew by 37% YoY to nearly RMB 1bn in 2024. Guoquan is also upgrading its stores across tier to boost sales. In the higher tier cities, stores that are transformed into a 24-hour store can record about 5% SSSG with minimal costs. In the lower tier cities, the renovated stores with a larger area may achieve at least 20% SSSG, where the margins can be higher and the payback can be faster due to lower rental expenses and staff costs.

#### ■ 3.1 Effective use of Douyin to acquire new customers and members

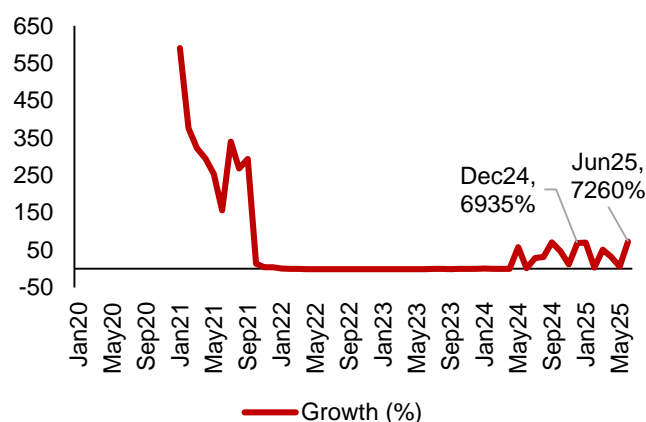
The blockbuster set meal strategy was absolutely phenomenon in 2024. But in our view, the success was partly driven by the brilliant use of e-commerce channels like Douyin (but of course, Guoquan also invested in other public domain platforms like Kuaishou, Meituan, Ele.me, WeChat Mini Apps). Guoquan has acquired over 6.2 bn of views through the Douyin platform in 2024, and successfully acquired nearly 4mn new members.

**Figure 46: Guoquan's e-commerce sales, by different platform**



Source: Company data, CMBIGM estimates

**Figure 47: Guoquan's e-commerce sales growth**



Source: Company data, CMBIGM estimates



In fact, Guoquan won four awards from Douyin in 2024, including the “2024 Industry Benchmark of the Year Award” and “2024 Overall Grand Prize”, which is a clear evidence that Guoquan has done a great job.

Based on our understanding, Guoquan has leveraged on Douyin and its insight about their target customers (those tend to dine at home). The company has effectively allocated various resources (such as celebrities and key opinion leaders) to create many hot topics, and build mental connections with many audiences. This approach has strengthened its brand positioning of “Dining at home, find Guoquan” and brand equity which eventually results in enormous sales for set meals.

Figure 48: Different awards announced by Douyin in 2024

	Awards
Douyin/ 抖音	"2024 Industry Benchmark of the Year Award" "2024 Overall Grand Prize"
Douyin Local Life/ 抖音本地生活	"2024 Best Pioneer Brand Award" "2024 Growth Dark Horse Brand" in the catering industry

Source: Company data, CMBIGM estimates

Figure 49: Different awards announced by Douyin in 2024



Source: Company data, CMBIGM estimates

Guoquan has also put more efforts to ramp up its private domain traffic in FY25E. For example, more stores are starting their own live streaming channels and activities.

Figure 50: Bargain-priced set meal products for the Douyin channel in FY25E

精酿龙虾 小饼小串  
朋友到位 小聚必备

¥119

3-5人餐—(原价170元)—  
抖音7折尊享

5种 (41串)+2凉菜+1小龙虾+1淄博小饼  
+2调料+1精酿+1番茄汁 (或1山楂汁)

左滑查看更多烧烤套餐

抖音搜索 锅圈食汇本地生活

\*以上套餐产品明细详见抖音平台“锅圈食汇本地生活”

7款烤串 搭配热辣烤鱼  
露营更百搭 选它!

¥139

4-6人餐—(原价199元)—  
抖音7折尊享

7种 (53串)+1烤鱼 (或1小龙虾)  
+1奶酪芝士焗+2凉菜+1淄博小饼+2  
调料+1精酿+1黄桃汁

左滑查看更多烧烤套餐

抖音搜索 锅圈食汇本地生活

\*以上套餐产品明细详见抖音平台“锅圈食汇本地生活”

10款烤串 搭配甜品精酿  
全家出游 一套就够

¥169

5-8人餐—(原价260元)—  
抖音6.5折尊享

10种 (73串)+1烤鱼+2奶酪芝士焗+2凉  
菜+1淄博小饼+1面筋+2调料+1精酿+1山  
楂汁

左滑查看更多烧烤套餐

抖音搜索 锅圈食汇本地生活

\*以上套餐产品明细详见抖音平台“锅圈食汇本地生活”

Source: Company data, CMBIGM

PLEASE READ THE ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

27

### ■ 3.2 Membership programme upgrade: Driving up both purchase frequency and brand loyalty

Guoquan has reformed its membership programme in 2H24. Previously, under the old membership programme, grades were based on cumulative spending (RMB 1 = 1 point, in order to become the top tier member (Diamond Pot), 1,500 or more points were needed). But now the tier upgrade under the latest membership programme is based on growth points gained per order (1 order with ASP between RMB 20 to RMB 99 = 1 growth point; 1 order with ASP between RMB 100 to RMB 199 = 2 growth points; 1 order with ASP over RMB 300 = 3 growth points; in order to become the top tier member (4 stars Master Chef), 18+ growth points will need to be earned).

**Figure 51: Guoquan's membership programme policy, before the major reforms in 2H24**



Source: Company data, CMBIGM

**Figure 52: Guoquan's new membership programme policy, after the major reforms in 2H24**

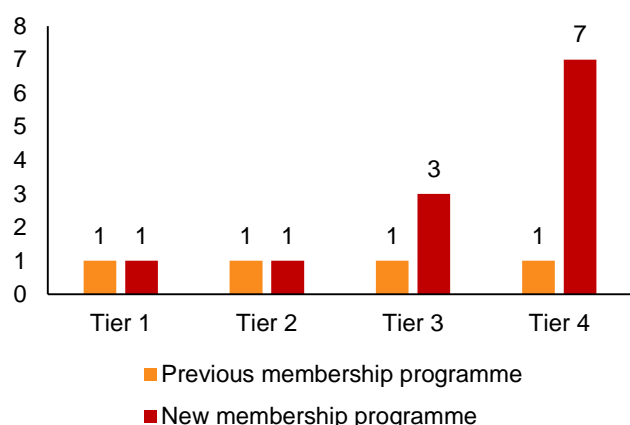


Source: Company data, CMBIGM



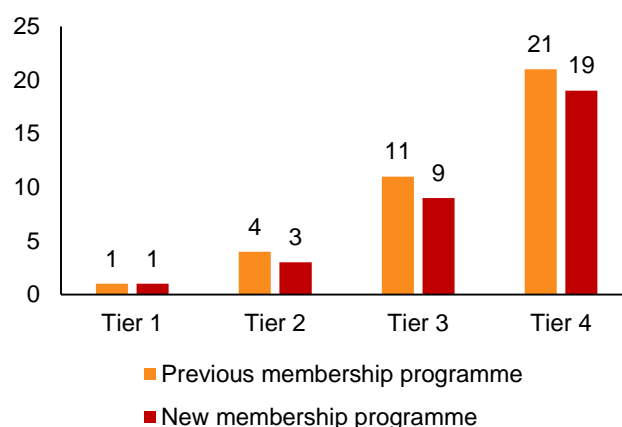
Under the new membership programme, in order to become a top tier member (tier 4), the minimum number of purchases will be increased to 7 times (the customer cannot earn this status by just spending more than RMB 1,500 once and not making any more purchase during that year). Therefore, the overall purchase frequency will be boosted. Also, for those who used to spend a normal amount per order (ASP of RMB 70), the number of purchases needed to become a higher tier member will actually be reduced, under the new member programme, and hence this should increase their incentives to buy more often as well.

**Figure 53: Number of minimum purchases to become member of different tier**



Source: Company data, CMBIGM estimates

**Figure 54: Number of minimum purchases to become member of different tier (assuming ASP of RMB 70)**



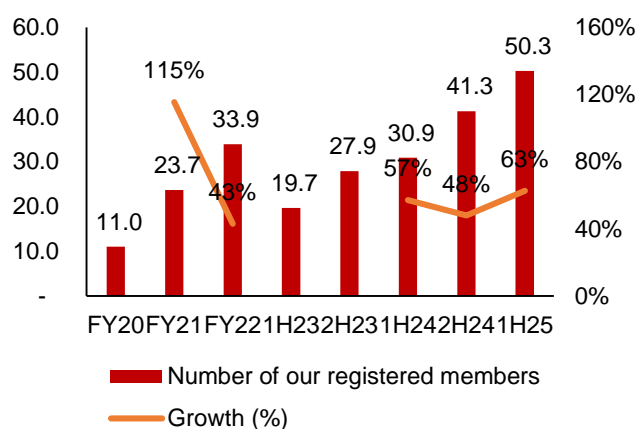
Source: Company data, CMBIGM estimates

As a result, average member purchase frequency grew from 2.4 times/year in FY23 to 3.0 in FY24, representing an increase of 25%, also indicating a boost in overall brand loyalty.

Therefore, by leveraging the blockbuster product strategy, the Douyin platform traffic and upgrade in membership programme, the registered members grew 48% YoY in FY24, and the prepaid card value also nearly hit RMB 1bn, up 37% YoY in FY24.

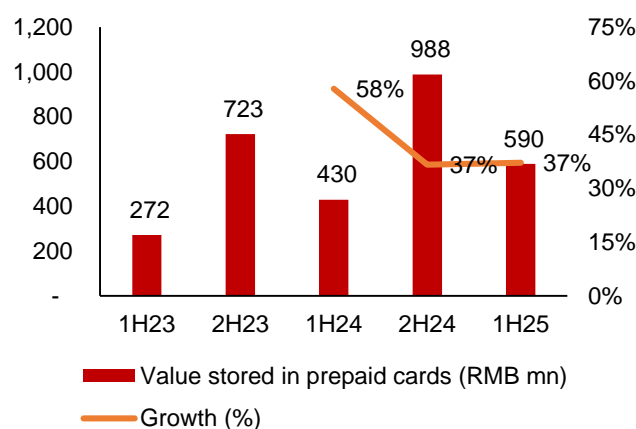
Moreover, the Company has also mentioned once that the monthly average member activity rate was at 11.8% in FY24, showing a strong retention pattern.

**Figure 55: Number of registered members and growth**



Source: Company data, CMBIGM estimates

**Figure 56: Value stored in prepaid cards and growth**



Source: Company data, CMBIGM estimates

### ■ 3.3 Various store formats upgrade, including 24-hour stores in urban areas and the expanded, renovated stores in rural areas

Guoquan has rolled out another powerful upgrade by introducing stores opening for 24 hours (unmanned during late night and in early morning). These stores will be located in the top-tier cities, provincial and selective prefecture-level cities. The upgrade has begun in Mar 2025, mostly for stores in East and North China. In 1H25, this model has been adopted in over 2,000 outlets, and the Company expected to finish the conversions of 2,000 to 3,000 stores by the end of 2025, which will certainly boost SSSG in 2H25E.

We believe the impact is rather positive. For example, the Fuyuan road store in Zhengzhou has recorded a daily sales increase of RMB 500 to 1,000 between the hours from 21:30 to 08:30. As it has a daily sales averaging at about RMB 10,000 (about RMB 7,500 during weekdays and around RMB 14,000 during the weekend), an at least 5% lift in SSSG was achieved. Moreover, just in May 2025, the retail sales of a single unmanned store in Suzhou reached about RMB 1,800 to 2,000 in a single day at night.

The upgrade costs were, actually, rather minimal, at about RMB 3,000 to 4,000 per store. The extra cost was mostly for additional night lighting as the refrigeration system was already in place in the past (that is a sunk cost already).

**Figure 57: Image of a Guoquan store, now available for 24-hour shopping**



Source: Company data, CMBIGM

**Figure 58: Two stores in Suzhou recorded revenue of around RMB 1,800- 2,000 at night**



Source: Company data, CMBIGM

Guoquan has also introduced renovation and area expansion for the township stores. About 2,000 stores were located in the township in China in FY24. Around 1,000 stores have been upgraded already in FY24 and the upgrade of the rest will be ongoing (target to revamp all 2,000 by FY25E).

The major changes are: 1) store size will expand from 50-100 sq.m. to 100-200 sq.m., more freezers will be added, 2) while number of SKUs will be trimmed to about 350 (from over 400), more larger sized packages and more protein-rich products will be added, 3) if there is any shift in location, the new location will be close to the town centers, in order to strengthen the brand equity and influence. After the upgrades, SSSG could usually grow by more than 20%, according to our estimates.

Township stores tend to have lower absolute sales than urban outlets, but thanks to the cheaper rents and labor costs, their profitability tends to be 3ppts higher than a comparable store in the urban areas.

Renovation costs are about RMB 10,000 to 20,000, but are quickly recouped thanks to simpler design, which should offset the expense of adding freezers.

**Figure 59: Guoquan's store economics, by different types of area**

Store economics in the county-level cities	Before the revamp	After the revamp
<b>Average store size (sq.m)</b>	<b>50-100</b>	<b>~100-200</b>
Annual sales per store (RMB)	~850k	~1,100k
Monthly sales per store (RMB)	~71k	~92k
Daily sales per store (RMB)	~2.5k	~3.2k
SSSG after store revamp		20%-30%
ASP (RMB)	~70	~70
Number of orders per day	~35	~45
<b>GP margin</b>	<b>35.0%</b>	<b>35.0%</b>
Number of staffs	3 full-time	3 full-time
<b>Staff costs/ sales</b>	<b>10.5%</b>	<b>8.2%</b>
<b>Rental exp./ sales</b>	<b>6.8%</b>	<b>9.8%</b>
Capex per store (RMB)	~150k	~150k
Capex per store for revamp (RMB)		~20k-30k
Capex per sq.m (RMB)	~2,000	~1,100
<b>D&amp;A exp./ sales</b>	<b>2.9%</b>	<b>2.5%</b>
Delivery sales mix	~20%	~20%
<b>Delivery exp./ sales</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Utilities exp./ sales</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Other opex</b>	<b>1.0%</b>	<b>0.5%</b>
<b>OP margin</b>	<b>10.8%</b>	<b>11.0%</b>

Source: Company data, CMBIGM estimates

Typically speaking, the average capex per store will be at RMB 210k (70k renovation fees / 70k for purchases of equipment/ 70k for purchases of first round inventory), according to the management, while the capex for stores located in the township will usually be lower and more affordable (about RMB 170k). And the payback cycle/ period will roughly be 1.5 (do not include the purchases of first round inventory) to 2 years (include the purchases of first round inventory).

## Industry analysis and trends

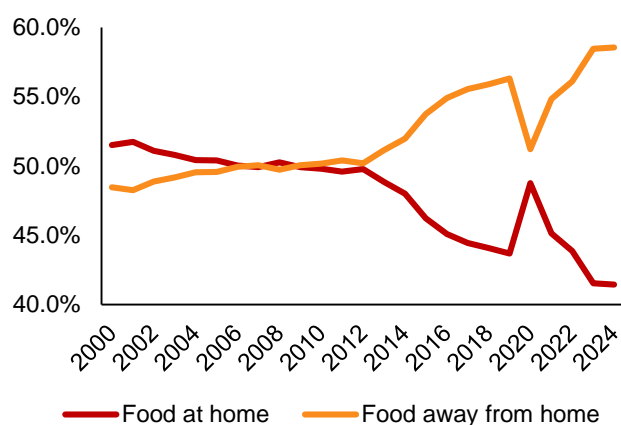
### 1) The dining at home industry sales are growing, while categories such as pre-prepped meals, at-home food delivery, and fresh grocery instant retail are likely to grow even faster.

Based on Frost & Sullivan, iiMedia Research and our research, at-home food sales in China are expected to continue growing, esp. in categories like pre-prepped meals, food delivery and fresh food via instant retail. While dining out will gain shares, similar to the trend in the US, at home food consumption will still continue to grow, just with a slightly more moderate rate. Going forward in China, from 2022 to 2026, Frost & Sullivan's forecasts show a 5% CAGR for at home food sales and a 9% for dining out. Such growth is supported by improved delivery cold chain logistics, and consumer demand for convenience, particularly among younger, urban users. New demand scenarios and broader retail participation will further drive the shift toward instant and flexible at-home food solutions.

#### ■ 1.1 Taking US as a reference, mix of dining out may also increase in China, but dining at home food consumption will still grow, albeit at a slower pace.

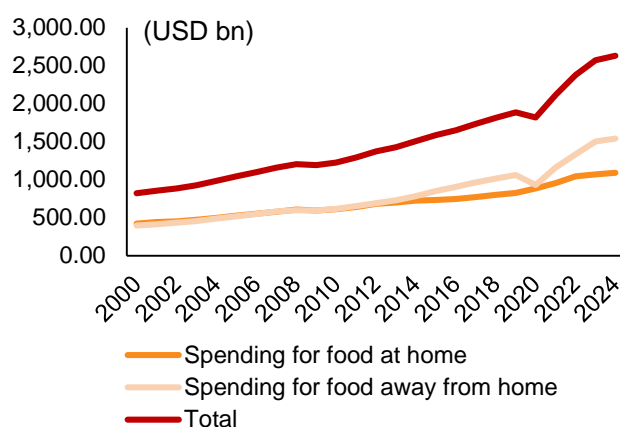
According to US Department of Agriculture, in the US, total sales of food expenditure reached about US\$ 2.63tn in 2024. Of this, 41.5% were spent on at-home consumption, while 58.5% of those went to dining out. Over the past 20 years, the share of at-home food consumption has decreased from around 51% to 41%, driven by rising per capita income, greater affordability of dining out, faster urban lifestyles, and declining interest in cooking, especially among women and younger demographics. Nonetheless, both dining at home and dining out spending have continued to grow in absolute terms. From 2004 to 2024, total food expenditure sales CAGR was at around 5%, while sales CAGR for dining at home and dining out were about 4% and 6%, respectively.

**Figure 60: Mix of food expenditure for dining at home vs away from home in the US**



Source: US Department of Agriculture, CMBIGM estimates

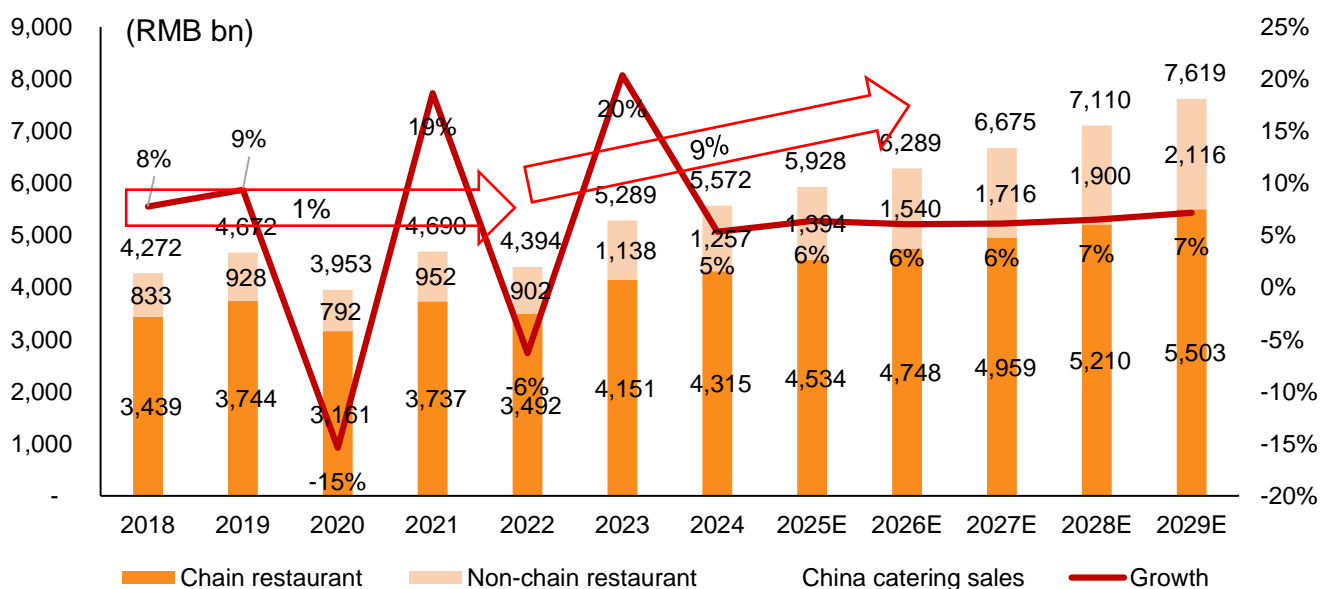
**Figure 61: Food expenditure in the US, by dining at home and away from home**



Source: US Department of Agriculture, CMBIGM estimates

In China, however, from 2018 to 2022, the overall catering industry recorded a sales CAGR of just 1%, while dining at home food consumption sales CAGR was very rapid, at 15%. We believe that was largely due to COVID-related impacts. Looking ahead (2022–2026), Frost & Sullivan estimates that the CAGR for dining and at-home categories will be approximately 9% and 5%, respectively.

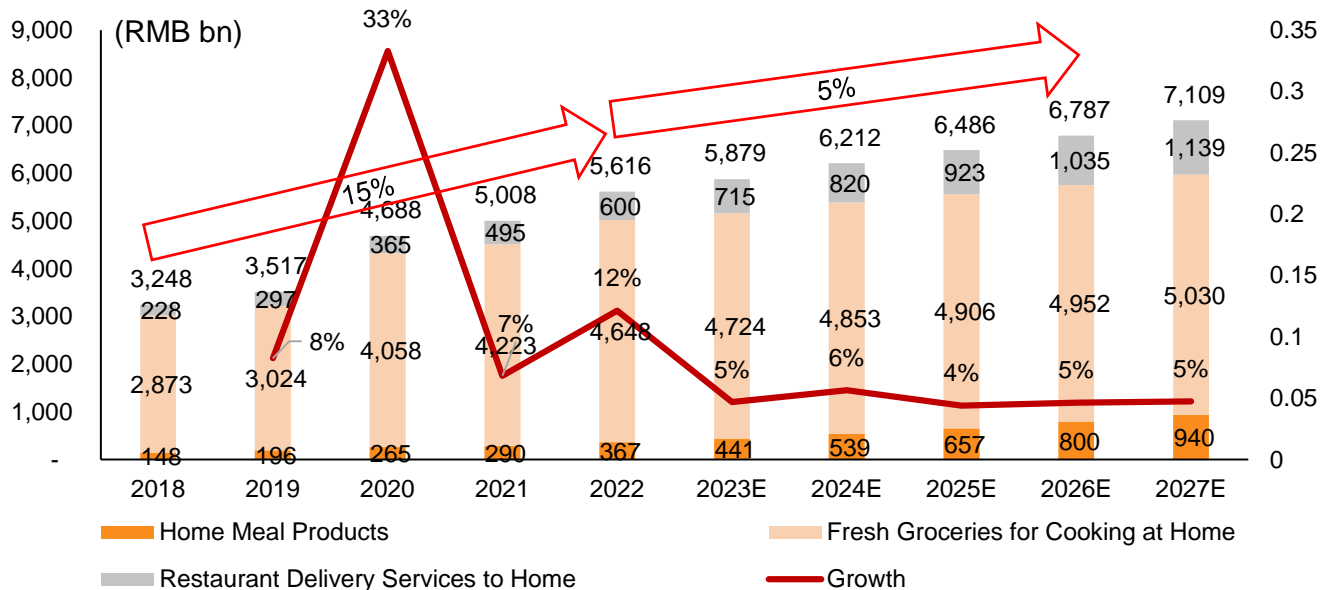
**Figure 62: China catering sales and growth, by chain restaurant and non-chain restaurant**



Source: NBS, Frost & Sullivan, CMBIGM estimates

Moreover, even within the dining at home food industry, the growth rate for home meal products and restaurant delivery services to home sales will be much faster than that of fresh groceries for cooking at home sales.

**Figure 63: China dining at home industry sales and growth, by home meal products, fresh groceries for cooking at home and restaurant delivery services to home**



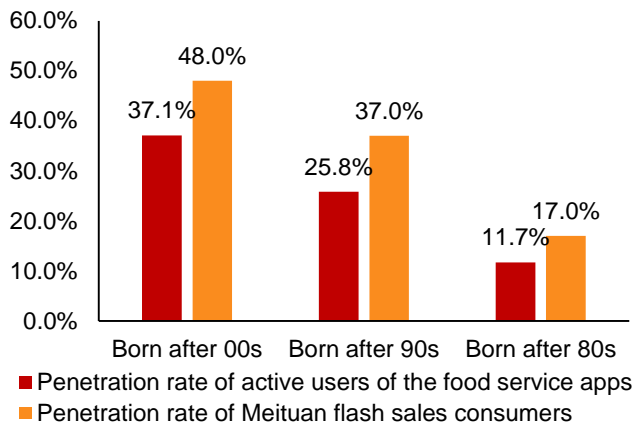
Source: NBS, Frost & Sullivan, CMBIGM estimates



## ■ 1.2 Growth in instant retail, delivery, cold-chain logistics, and pre-prepped foods will support continued expansion in the dining at-home food category.

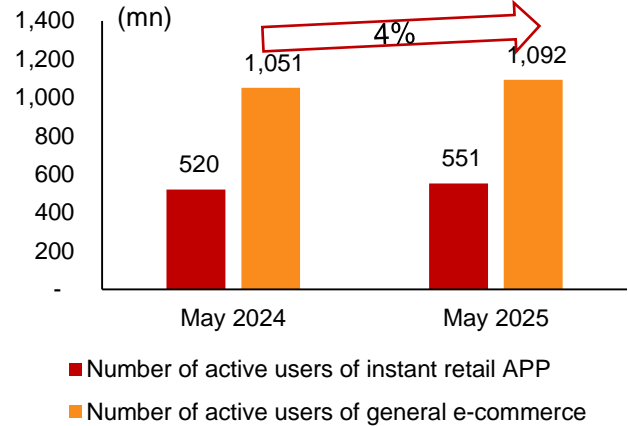
As services like instant retail delivery become increasingly mainstream, consumers (particularly those urban white-collar workers and young shoppers) are developing stronger habits and expectations around "on-demand fulfilment," and are more willing to pay a premium for it. We can clearly tell that the penetration rate for those born after 90s and born after 00s are much higher than that for those born after 80s.

**Figure 64: Penetration rate of food delivery APP and Meituan's flash sales, by different age group**



Source: QuestMobile, Meituan, CMBIGM

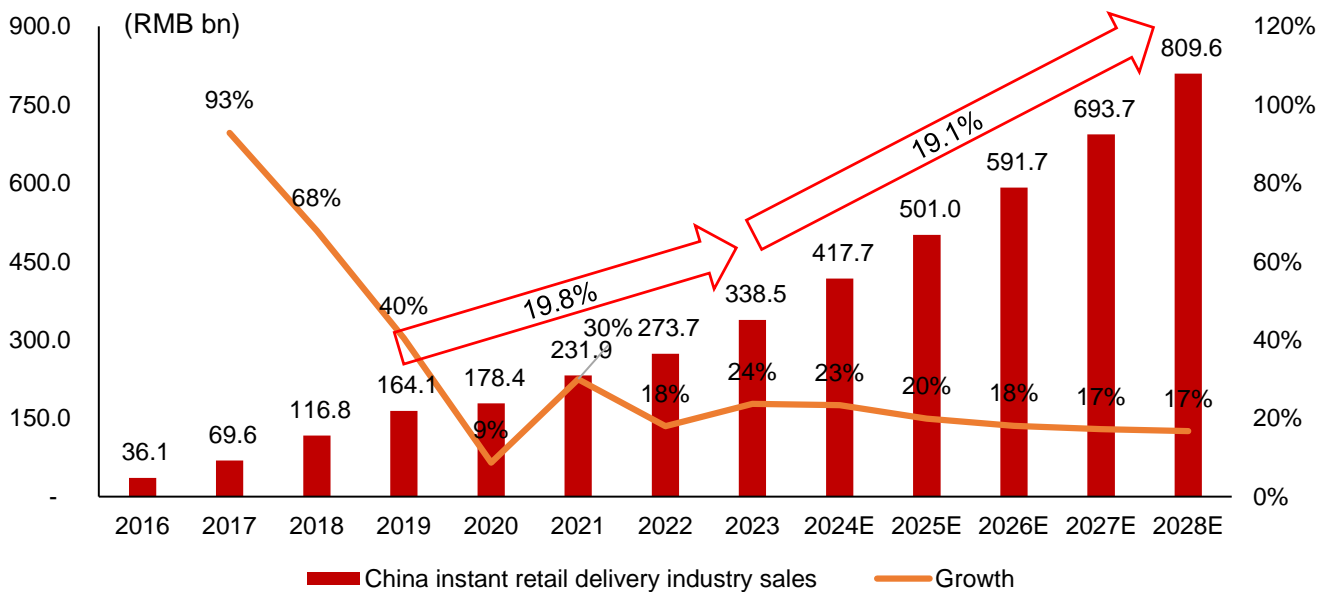
**Figure 65: Number of active users of instant retail APP and the general e-commerce services**



Source: QuestMobile, CMBIGM

The scenarios are also expanding, such as the night-time consumption and ad-hoc/urgent needs (e.g., fresh food, pharmaceuticals, FMCG), they are better covered nowadays. Hence unlocking new demands and driving behavioural shifts toward all-day consumption. More merchants and different kinds of products and services are entering the space, all enabling deeper integration of online traffic with offline supply. This will continue to foster new retail formats and create synergistic "1+1>2" effects, driving incremental growth.

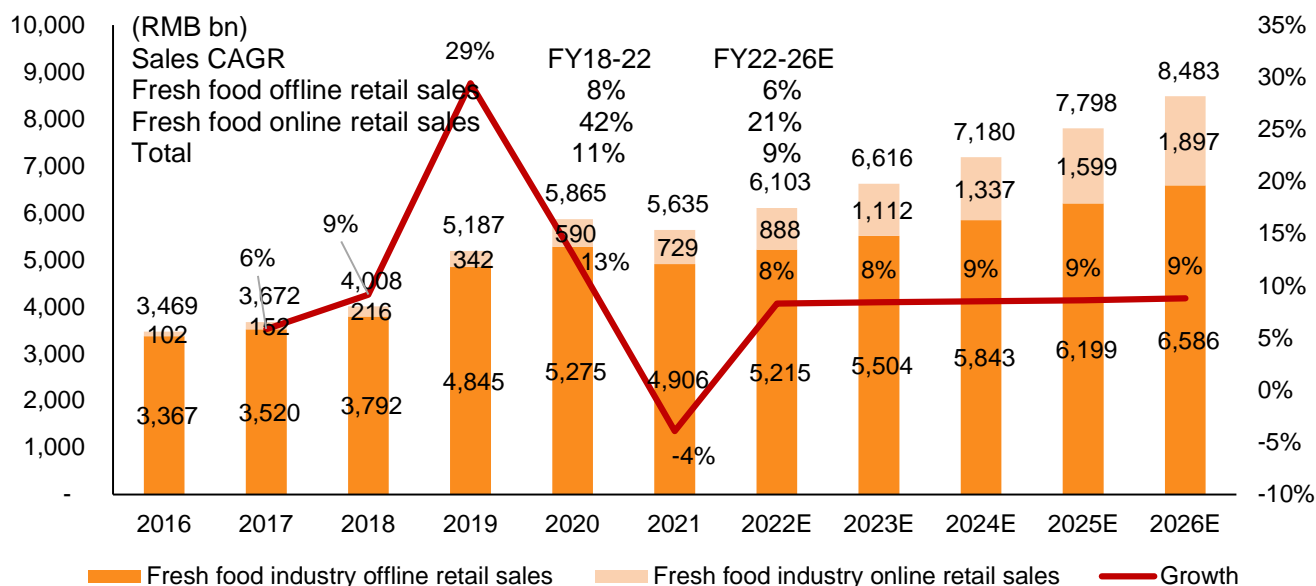
**Figure 66: China instant retail industry sales and growth**



Source: iiMedia Research, CMBIGM estimates

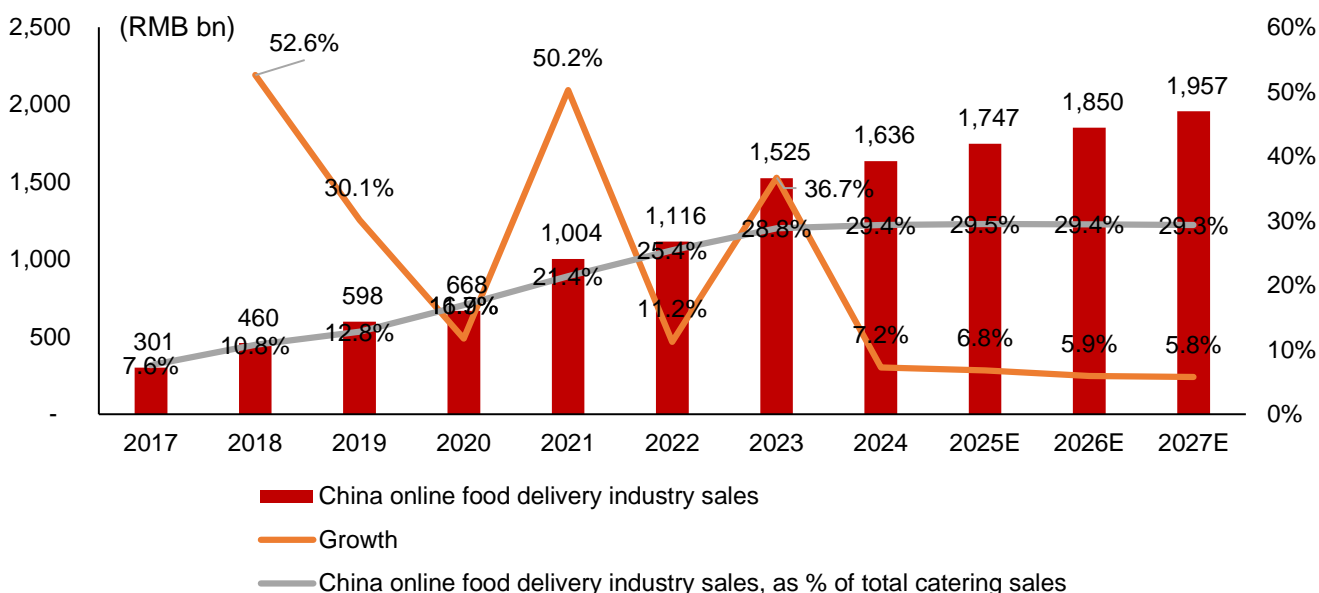
As the instant retail delivery industry continues to boom, the instant retail delivery parts within various industries (fresh groceries, pre-prepped meals and food delivery to home), are all well positioned for more structural growth.

**Figure 67: China fresh food industry retail sales and growth, by offline and online channel, and online penetration**



Source: Frost & Sullivan, CMBIGM estimates

**Figure 68: China online food delivery industry sales and growth, as well as the penetration of online food delivery industry**



Source: iiMedia Research, CMBIGM estimates

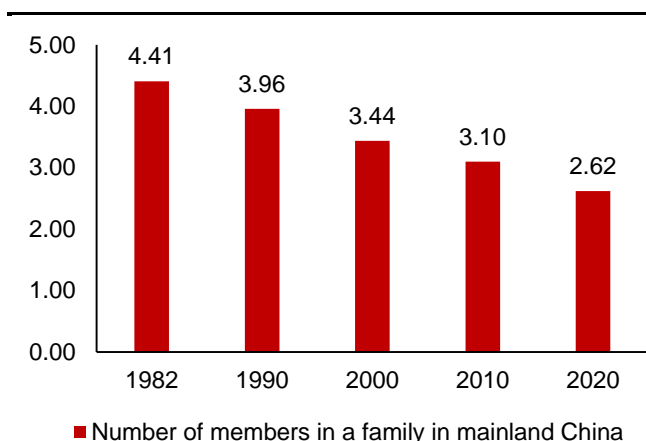
## 2) Pre-prepped meal sales are structured for more growth.

Pre-prepped meals in China are set to have rather fast growth, driven by structural reasons, such as urbanization, smaller household sizes, rising female labor participation, longer average working hours, an aging population and consumer base, and young people spending more time at home, etc.. Consumer acceptance has been rising, and over 40% are open to eating pre-prepped food for dinner, lunch or breakfast (the figures are, in fact, even higher in tier 1 and new tier 1 cities). Growth is also shifting from the institutions or restaurants (B-end) to the consumer end (C-end), especially in the lower tier cities. As production, cold chain, and food safety technologies advance, pre-prepped meals will become more widely adopted.

### ■ 2.1 Urbanization and evolving family structures are tailwinds for the category.

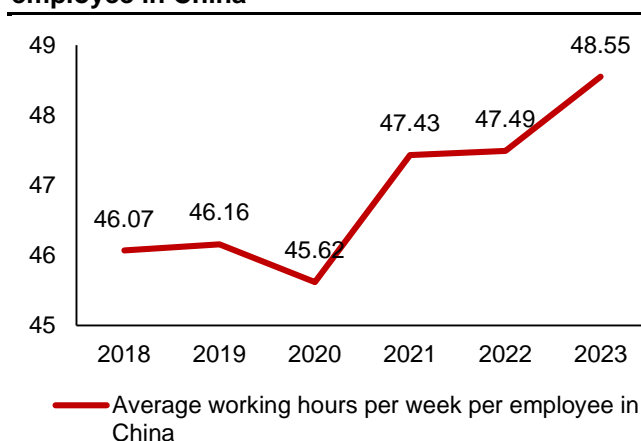
As household sizes continue to shrink in China, single-person meals become more common, and as working hours lengthen, more consumers are turning to pre-prepped meals. Furthermore, we do think the industry's future growth will shift more toward the consumer end (C-end), rather than from institutions or restaurants (B-end).

**Figure 69: Number of members per family in China**



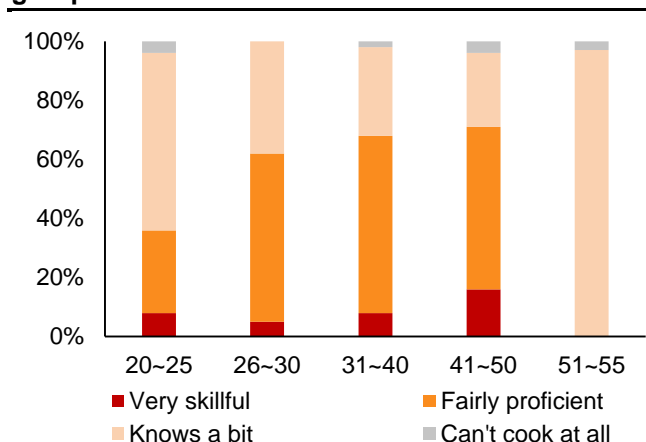
Source: NBS, CMBIGM estimates

**Figure 70: Average working hours per week per employee in China**



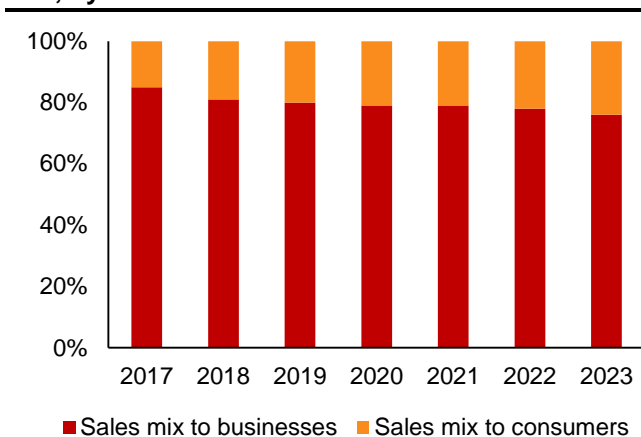
Source: NBS, CMBIGM estimates

**Figure 71: Level of cooking skills, by different age group in 2022**



Source: China Chain Store & Franchise Association (CCFA), CMBIGM estimates

**Figure 72: China pre-pepped food industry sales mix, by to businesses or to consumers**

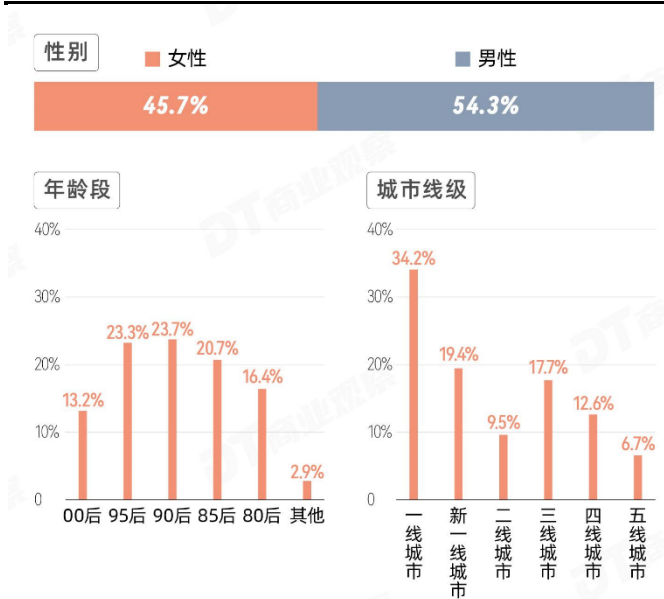


Source: Food Ingredients Supply Chain Association, CMBIGM estimates

We can also tell from the survey done by DT Research Institution, where consumers in the higher tier cities tend to have a higher acceptance for pre-pepped food. And the younger the consumers (except those born after 00s), the higher chance that they would accept the pre-pepped food.

Therefore, as lower-tier cities increasingly resemble top-tier cities in lifestyle and consumption habits, we believe the demand for pre-prepped foods will continue to rise as well.

**Figure 73: Different response to the question “Can you accept pre-pepped food?”, by gender and age group**



注: 数据统计时间截至2024年5月11日, 样本N=1767, 其中购买过预制菜的样本数为1360

Source: DT Research Institution, CMBIGM

**Figure 74: Different pain points for cooking at home and food delivery to home**

**买菜在家烹饪的痛点:**



**外卖到家的痛点:**



Source: Frost & Sullivan, CMBIGM

■ **2.2 Although the definition of pre-prepped food is somewhat ambiguous, consumer acceptance is fairly positive.**

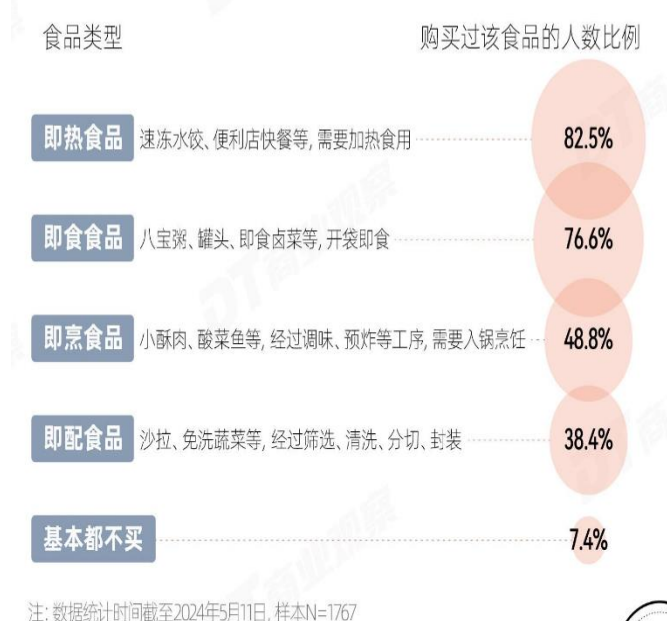
According to data from DT Research Institution, only less than 10% of consumers are completely averse to pre-prepped foods. 48%, 44%, and 41% of respondents said they are willing to eat pre-prepped meals for dinner, lunch, and breakfast, respectively.

**Figure 75: Different response to the question “Which of the following scenarios will you accept the use of pre-pepped food?”**



Source: DT Research Institution, CMBIGM

**Figure 76: Different response to the question “What kind of pre-pepped food have you been purchased actively before?”**

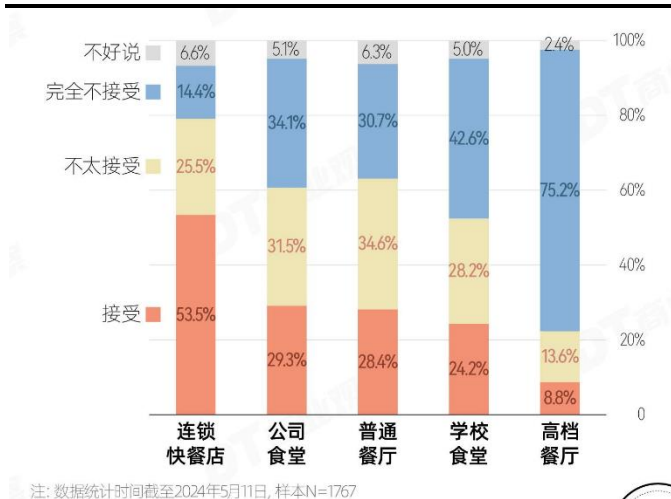


Source: DT Research Institution, CMBIGM



If food safety and healthiness, and transparent labeling can be fulfilled, many consumers can actually accept the fact that pre-prepped foods being served in restaurants.

**Figure 77: Different response to the question “Can you accept pre-pepped food under various kind of situations?”**



Source: DT Research Institution, CMBIGM

**Figure 78: Different response to the question “What kind of criteria will need to be fulfilled, in order for you to accept pre-pepped food?”**



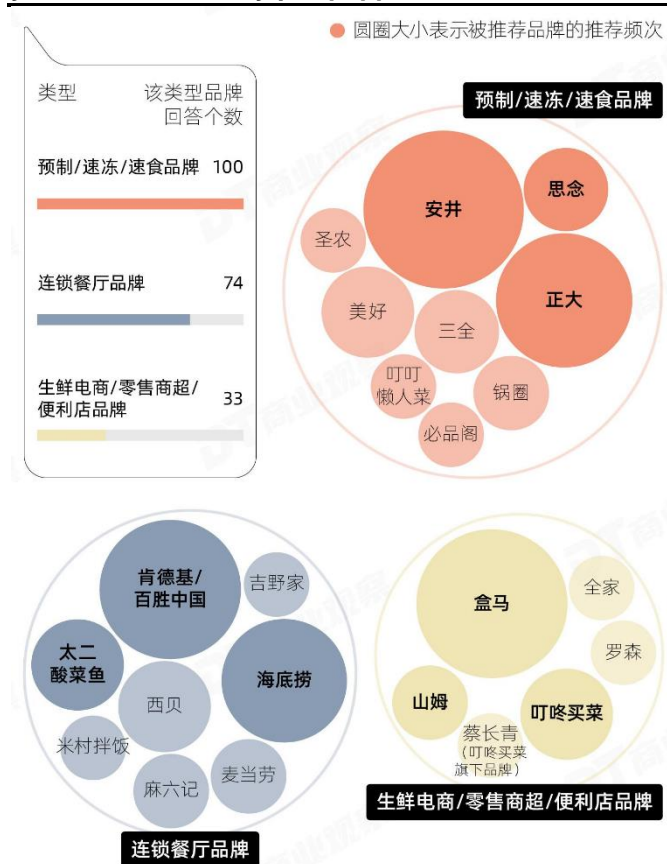
Source: DT Research Institution, CMBIGM

**Figure 79: Different response to the question “What kind of food are considered as pre-pepped food?”**



Source: DT Research Institution, CMBIGM

**Figure 80: Different response to the question “Do you recommend any pre-pepped food brands?”**

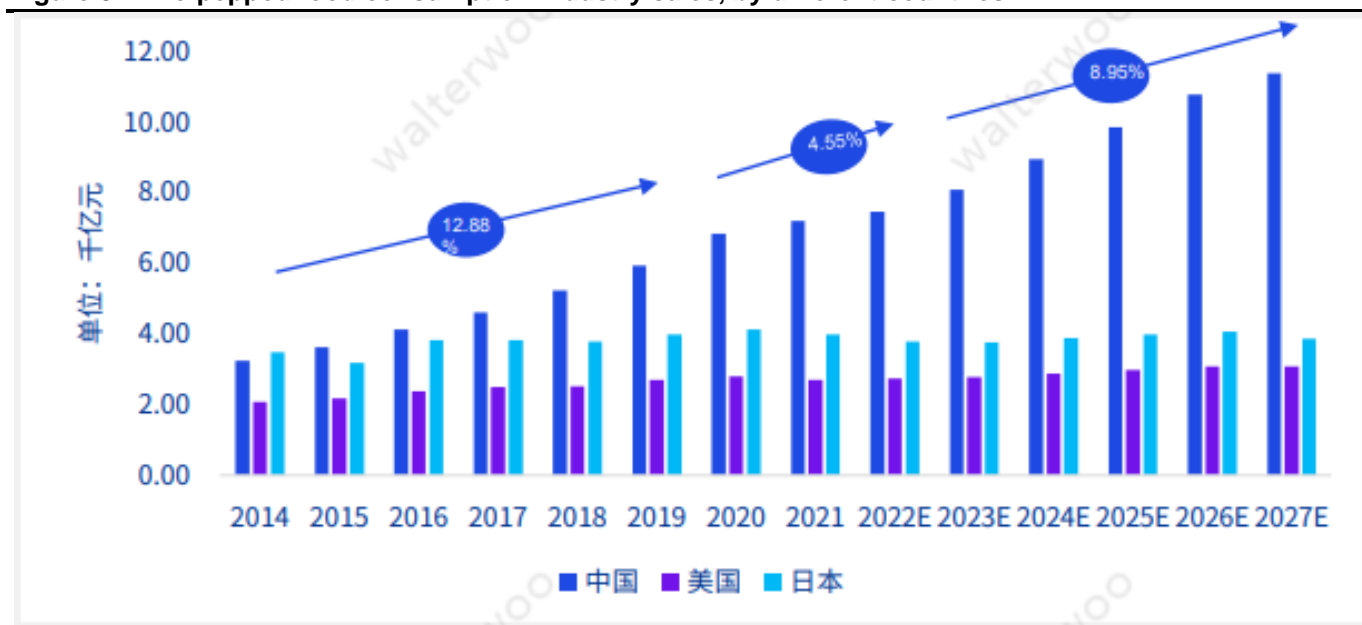


Source: DT Research Institution, CMBIGM

### ■ 2.3 Technological advancement will further support the industry's sustainable growth.

Driven by greater sophistication in standardized production, automation, cold-chain logistics, flash-freezing technologies, food safety, sterilization, and preservation techniques, these will all contribute to the wider adoption and continued sales growth of pre-prepped meals.

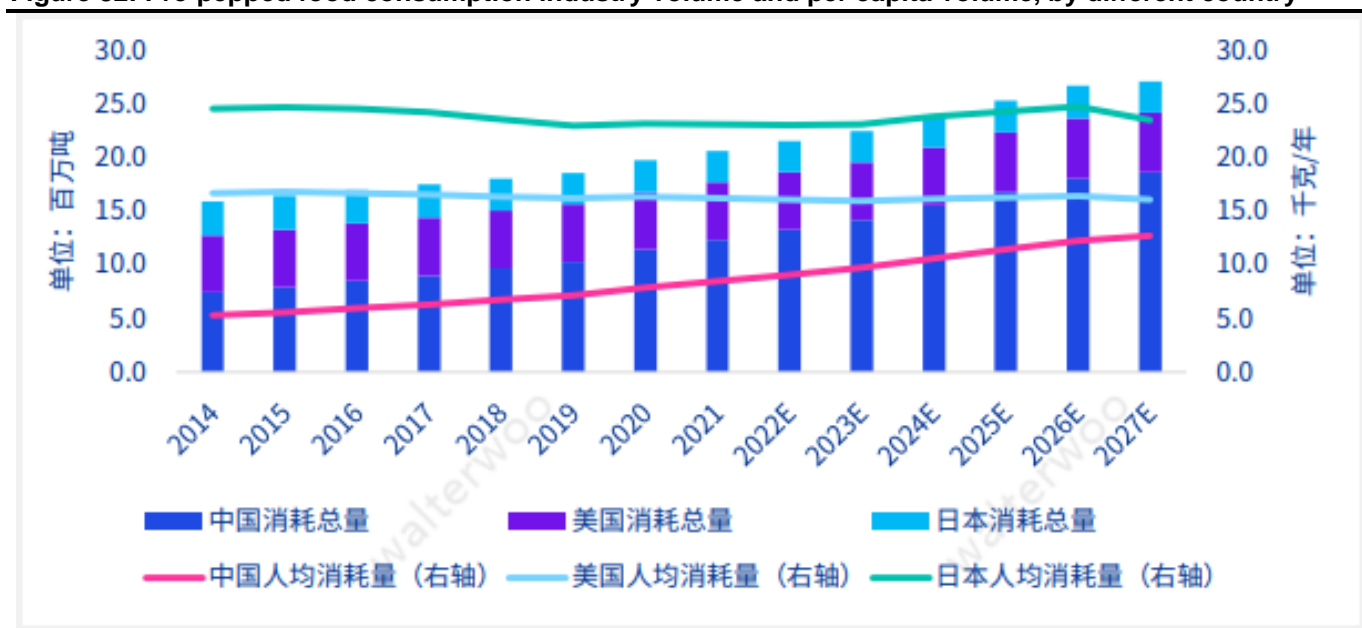
**Figure 81: Pre-pepped food consumption industry sales, by different countries**



Source: KPMG, CMBIGM estimates

Consumption per capita of pre-pepped food in China is still lower than that in US and Japan, according to KPMG.

**Figure 82: Pre-pepped food consumption industry volume and per capita volume, by different country**



Source: KPMG, CMBIGM estimates

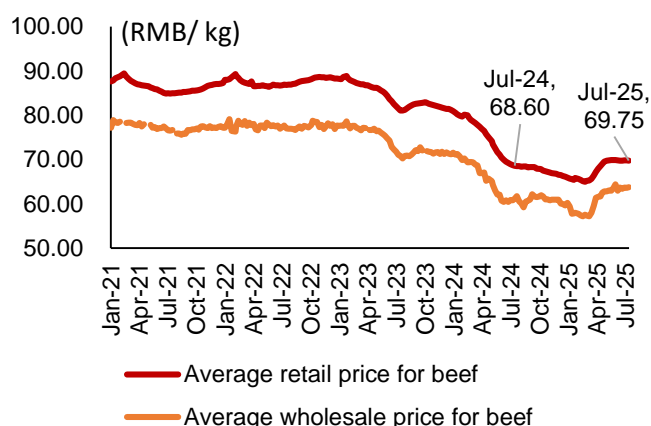
### 3) Domestic beef & lamb prices might stabilize while international prices may climb further.

China's beef prices have begun to stabilize after years of decline, while lamb prices remain weak despite supply tightening. In contrast, global beef and lamb prices, esp. from the US, Brazil, Australia and New Zealand, have surged in 2024 to 2025, due to tight supply, weather shocks and strong demand from China and other markets. Elevated import costs may continue putting upward pressure on China's domestic market.

#### ■ 3.1 Domestic beef prices have declined over the past few years but have recently shown signs of stabilizing.

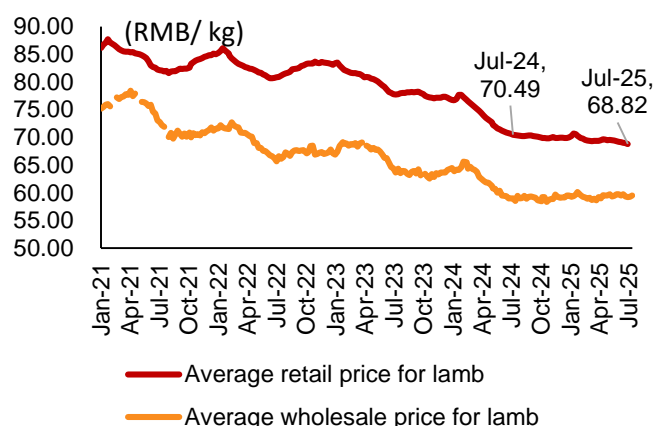
Since 2023, beef prices in China have been on a downward trajectory, reaching 5-year lows in 2024 to 2025. In Dec 2024, average retail and wholesale prices were at around RMB 66.1/kg and RMB 59.6/kg, down 19% and 16% YoY, respectively. By Jul 2025, prices had edged up to RMB 69.8/kg and RMB 63.8/kg, reflecting a 2% and 4% YoY increase, suggesting some initial stabilization. Weak consumer demand, economic uncertainty, and low consumer confidence have slowed the consumption of high-value proteins such as beef. In contrast, lower pork and poultry prices have created a substitution effect. On the supply side, rapid increases in domestic production, a surge in imports, and the influx of culled dairy cows into the beef value chain due to weak dairy margins led to an oversupplied market and prolonged downward price pressure. We expect the beef price to enter a stabilization phase in 2025E, with average prices projected at RMB 74/kg. In 2H25E, price rebounds are possible during seasonal peaks and amid tightening inventory and rising pork prices, but high supply will likely cap the upside. In mid to long term, tightening supply due to herd structure optimization may support a moderate price recovery.

**Figure 83: Average retail price and wholesale price for beef in China**



Source: Ministry of Agriculture and Rural Affairs, CMBIGM estimates

**Figure 84: Average retail price and wholesale price for lamb in China**



Source: Ministry of Agriculture and Rural Affairs, CMBIGM estimates

Lamb followed a similar trend. Prices declined throughout 2024 to 2025. In Jul 2025, average retail and wholesale prices dropped to RMB 68.9/ kg and RMB 59.5/kg, down 3% YoY and up 1% YoY, still at the lowest range in the past five years. Demand weakness, combined with cheap pork and beef creating substitution pressure, has dragged down lamb prices. Historically speaking, the lamb production would grow mildly every year. But since 2024, both the inventory and output have started to fall, and this trend has continued in 2025. Moreover, the import volume has started to increase as well (even though it only accounts for a small portion of total supply). All of these are suggesting the oversupply situation has begun to ease. However, for the next three years, unless consumer confidence and demand see material improvement, the price recovery for lamb, in our view, will remain limited despite supply-side adjustments.

■ **3.2 International beef prices rebounded substantially in 2024 to 2025, driven by shrinking capacity, extreme weather, and robust Chinese demand, and are expected to remain elevated.**

US beef prices have been hovering at record highs over the past three years. Factors include herd liquidation due to extreme weather, high feed and labor costs, and cattle inventory falling to multi-year lows. Tight supply, coupled with strong domestic and global demand, has driven up the US beef export prices. In Jun 2025, the average US wholesale beef price has exceeded US\$ 9,722/ tonne. Unless supply recovers meaningfully, we believe that the prices will remain high for the next few years.

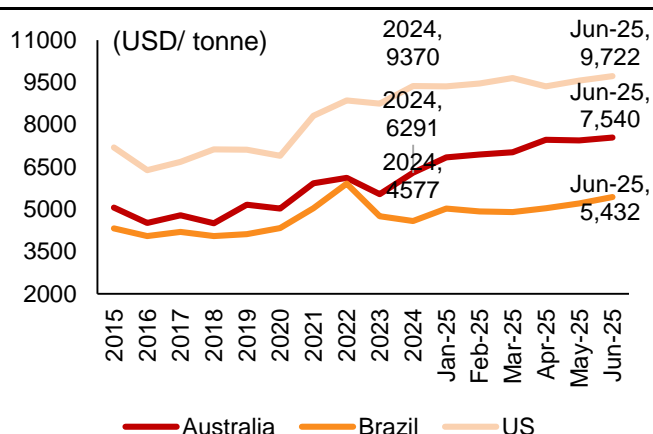
In Brazil, the average beef wholesale price has steadily increased over the past three years. In Jun 2025, wholesale prices reached US\$ 5,432/ tonne, up about 16% YoY, driven by the decline of cattle inventory in two consecutive years. Despite shrinking domestic supply, Brazil remains the world's top beef exporter (especially to China), and it will likely put further upward pressure on prices in the international market.

In Australia, beef prices were highly volatile. After a sharp drop in 2023 due to drought and forced sales, prices rebounded quickly in late 2024 into 2025. Triggered by improved weather and herd restocking, the wholesale beef price has climbed to more than US\$ 7,540/ tonne, its highest level in two years. Given the recovery in exports to China and rising procurement from US and European buyers, Australian beef prices are expected to continue trending higher.

Australian lamb prices also rebounded structurally between 2024 and 2025. After plunging in 2023 amid extreme droughts and high supply pressure, prices recovered sharply due to herd reductions and tighter supply. In Jun 2025, wholesale lamb prices hit new highs to about US\$ 8,757/ tonne. Strong demand from the US, China, and other emerging markets is expected to support high prices going forward, in our view.

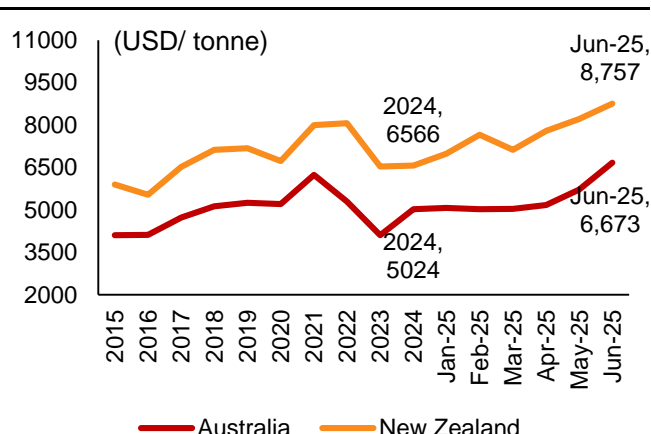
New Zealand lamb prices saw a sharp recovery in 2025 following a weak 2024. Wholesale prices has reached US\$ 6,673/ tonne in Jun 2025. Key drivers included resumed import demand in the EU and China, and tight domestic supply.

**Figure 85: Wholesale price for beef in US, Australia and Brazil**



Source: Food and Agriculture Organization (FAO), CMBIGM estimates

**Figure 86: Wholesale price for lamb in New Zealand and Australia**



Source: Food and Agriculture Organization (FAO), CMBIGM estimates

#### 4) We can see some similarities between Guoquan and Kobe Bussan.

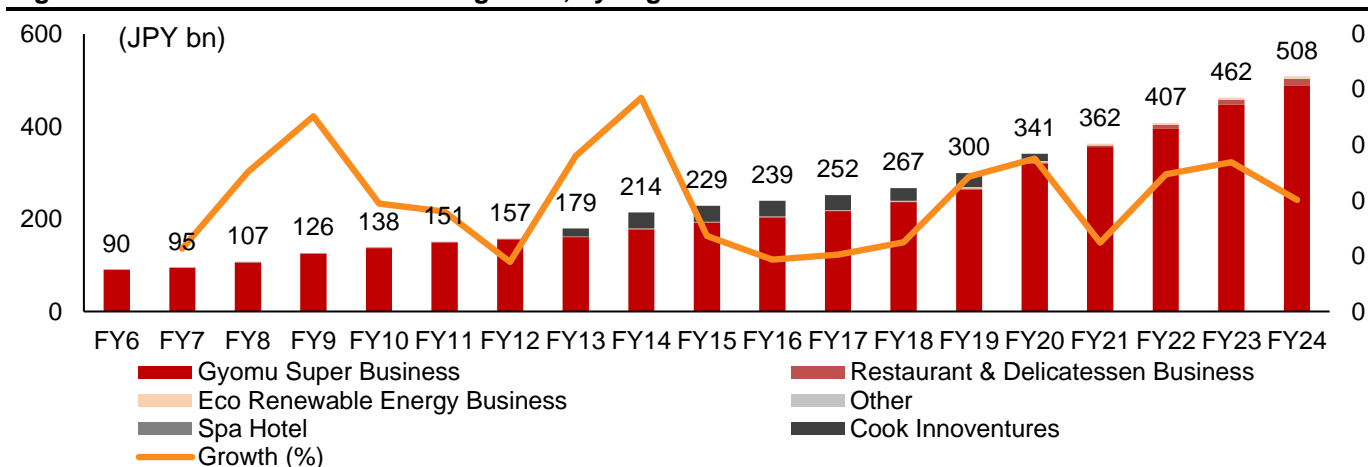
On one hand, we can see some similarities between China right now and Japan back in 1990s. On the other hand, there are also some similarities between Guoquan and Kobe Bussan, in terms of background and business model. Therefore, we do think the history there may shed some lights on the future development of Guoquan in the near future. While Guoquan can double down on its core competency (vertically integrated value chain, hard-discounts model, focus on star products), we believe it can also strengthen its manufacturing first mindset (while not underestimating the importance of emotional value), hook and profit model, as well as trying out more horizontal expansion.

##### ■ 3.1 The winning formula of Kobe Bussan is highly instructive for Guoquan to draw upon, in our view.

We observe several similarities between Japan in the 1990s and China today, including slowing economic growth, smaller household sizes, rising female labor participation, longer average working hours, an aging population and consumer base, and the tendency of young people spending more time at home. Against this backdrop, Kobe Bussan has achieved highly successful and rapid development over the past 30 years, and Guoquan's current business model shares certain commonalities. Therefore, we hope that Kobe Bussan's historical trajectory can offer insights into Guoquan's future development path.

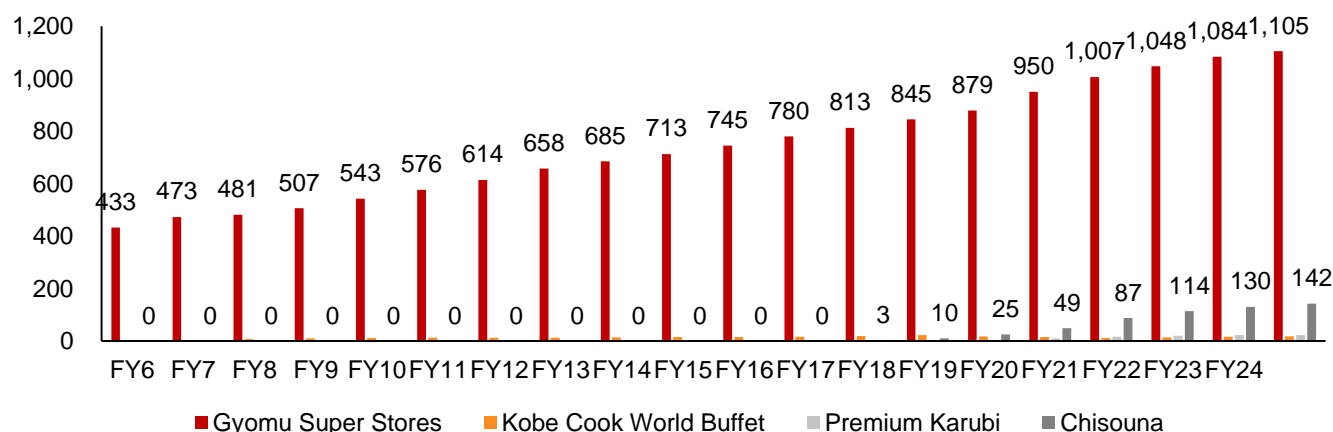
Kobe Bussan's annual sales increased from roughly JPY90 bn in FY06 to about JPY508 bn in FY24, a 5.6x expansion with a CAGR of around 10%. Meanwhile, the number of stores grew from 435 in FY06 to 1,286 in FY24, a 2.9x increase. Notably, this growth took place during a period when Japan's overall economic growth was not particularly strong.

**Figure 87: Kobe Bussan's sales and growth, by segment**



Source: Kobe Bussan (3038 JP), CMBIGM estimates



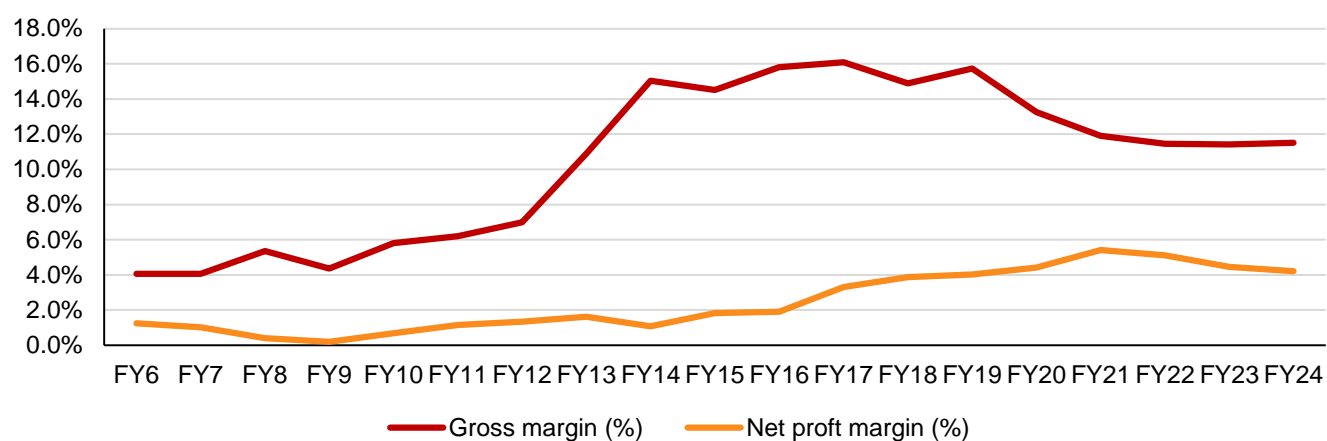
**Figure 88: Kobe Bussan's number of stores, by different brand**

Source: Kobe Bussan (3038 JP), CMBIGM estimates

In our view, Kobe Bussan's rapid growth has been driven by the following factors and sources of expansion:

- 1) Vertically integrated value chain: spanning upstream procurement, logistics and warehousing, R&D, midstream manufacturing and brand building, and downstream retail, thereby reducing intermediary costs.
- 2) Manufacturing-first mindset: consistently positioning itself as a manufacturing company, optimizing design at every stage to achieve higher efficiency and lower costs than peers, with continuous improvement over time.
- 3) Focus on star products: scaling core products, such as German sausages and mizu-yokan, in order to cement the mindshare of the brand in consumers' minds and hence providing a more stable sales volume.
- 4) Hard-discount model: by operating with ultra-low gross margin and expense ratio, and leveraging the self-owned brand, standardized packaging and simplified store design, the Company can provide exceptional value-for-money product and services to the customers. Even though the margin of each SKU is slim, the turnover is fast, the scale is large and the costs are low because of centralized procurement, so the Company is still able to win on massive sales volume.
- 5) Hook and profit model (low costs acquisition with high margin monetization): using low-margin, high-value anchor products to attract customers, then cross-selling slightly higher-priced, higher-margin items to enhance profitability.
- 6) Horizontal expansion: developing adjacent store formats by capitalizing on the company's low procurement costs, for example, the packaged-food shop like Chisouna and restaurants such as Kobe Cook World Buffet and Premium Karubi.

We believe these elements are highly instructive for Guoquan to draw upon.

**Figure 89: Kobe Bussan's gross margin and net profit margin**

Source: Kobe Bussan (3038 JP), CMBIGM estimates

## Financial Analysis

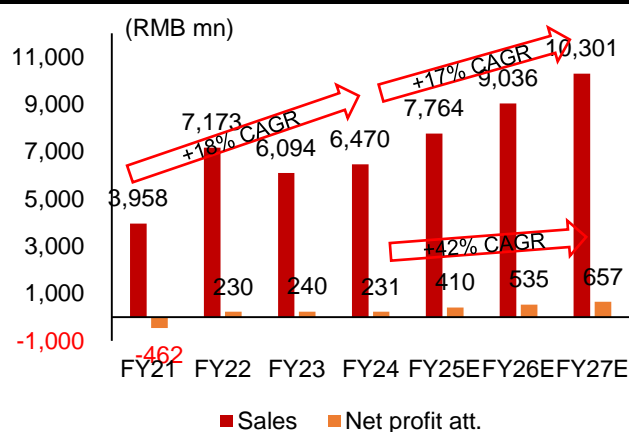
We forecast sales growth of 20%/ 16%/ 14% YoY in FY25E/ 26E/ 27E

- We forecast sales to grow by 20% YoY in FY25E, mainly driven by store openings, economies of scales and efficiency improvements.

We project Guoquan's sales to be around RMB 7.8bn in FY25E, driven by 16% franchises sales growth, 45% other channels sales growth and 7% service income sales growth.

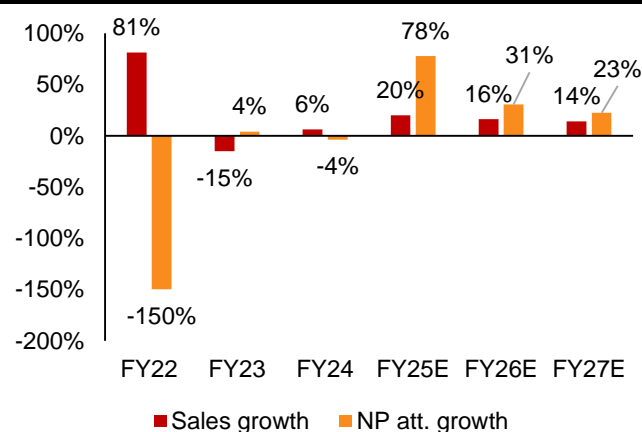
And the franchises sales growth can break down into: 6% sales per franchisee store growth (supported by the blockbuster product and channel expansion strategy, membership growth, new product category expansion, various types of store revamp in both high and low tier cities and better training for store managers, etc.), and 10% franchisee store count growth (about 1,000 new stores, more are in the lower tier cities).

Figure 90: Sales, net profit and CAGR



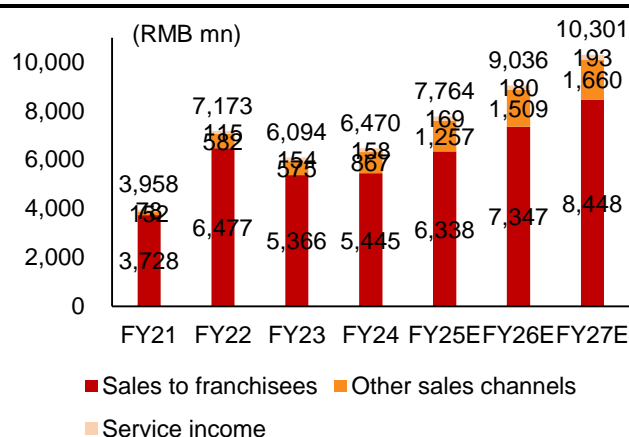
Source: Company data, CMBIGM estimates

Figure 91: Sales growth and net profit att. growth



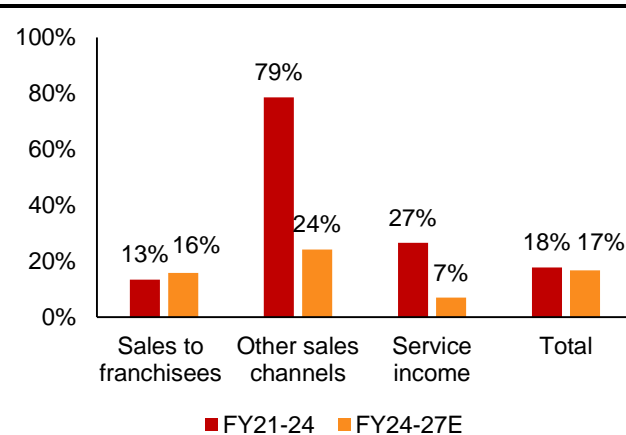
Source: Company data, CMBIGM estimates

Figure 92: Sales by segment



Source: Company data, CMBIGM estimates

Figure 93: Sales CAGR by segment, during FY21-24 and FY24-27E



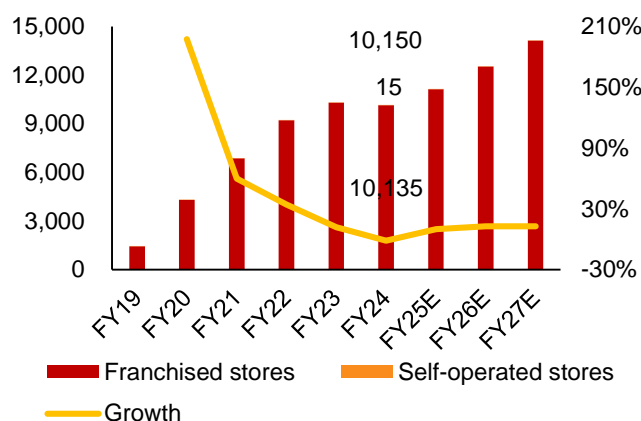
Source: Company data, CMBIGM estimates

■ **We project a 17% sales CAGR during FY24-27E, assuming:**

16% franchise sales CAGR, 24% other channels sales CAGR and 7% service income sales CAGR.

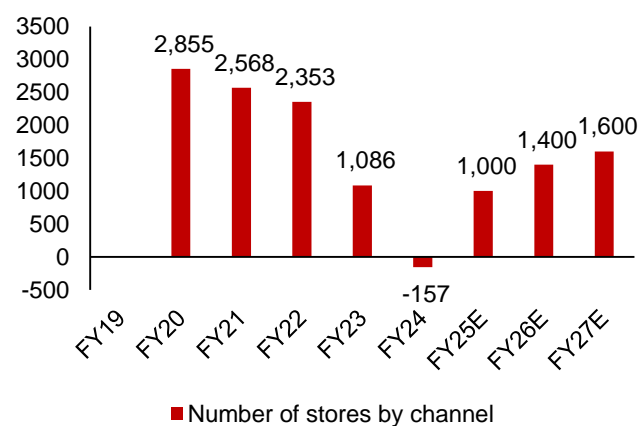
And the franchises sales growth can break down into: 4% sales per franchisee store CAGR (supported by the blockbuster product and channel expansion strategy, membership growth, new product category expansion, various types of store revamp in both high and low tier cities and better training for store managers, etc.), and 9% franchisee store count CAGR (about 1,000/ 1,400/ 1,600 new stores in FY25E/ 26E/ 27E, more in the lower tier cities). Noted that over 50% of the new stores will be located in the county-level cities and in the townships. The Company had about 2,300 stores in less than 2,000 townships in China, as at 1H25, but there are around 38k townships in total in the entire China. In 5-years' time, by FY29E, the Company is aiming to double its sales to around RMB 15.0bn and has a total store count over 20,000 in China.

**Figure 94: Number of stores, by channel and growth**



Source: Company data, CMBIGM estimates

**Figure 95: Number of new stores**



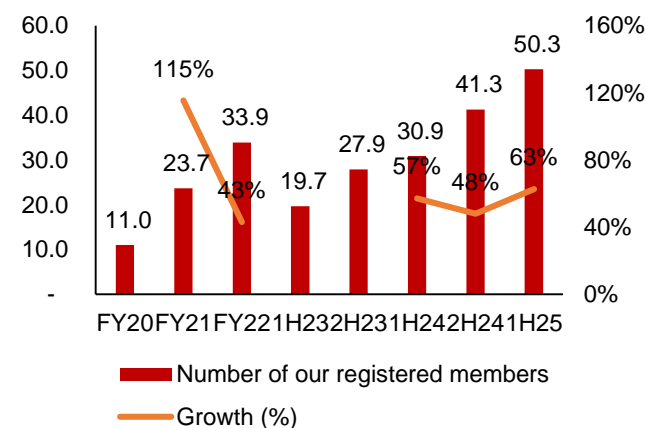
Source: Company data, CMBIGM estimates

**Figure 96: Sales per franchised stores and growth**



Source: Company data, CMBIGM estimates

**Figure 97: Number of registered members growth**



Source: Company data, CMBIGM estimates

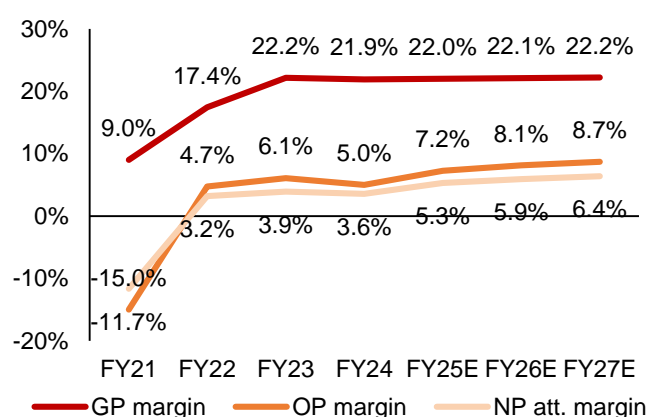
## We forecast net profit growth of 78%/ 31%/23% in FY25E/ 26E/ 27E

### ■ GP margin may increase to about 22.0% in FY25E and gradually improve by 0.1% per year onwards.

We do expect the GP margin to slightly increase in FY25E, due to: 1) a better product mix, 2) economies of scales (as certain COGS are relatively fixed), 3) improvements in the supply chain efficiency (thanks to Guoquan's one product one factory strategy, further increase in bulk purchases, further cooperation or development with different raw material suppliers, etc.), 4) potential increase in the self-production mix.

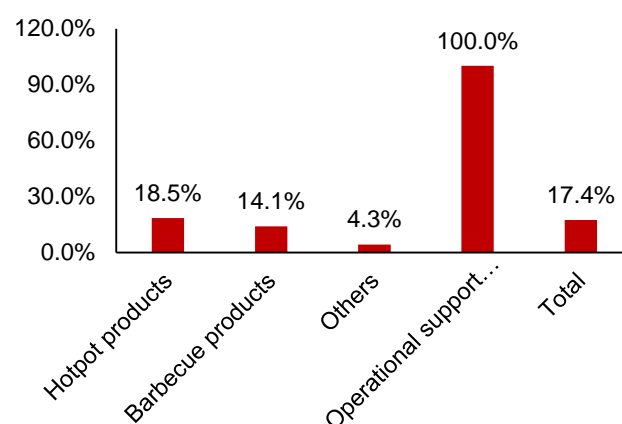
Just to note that, not all of the improvements (efficiency gained or costs reduced) will be directly translate into higher GP margin, as the Company is very willing to share such benefits with different parties like the consumers (may cut retail prices), the franchisees (may adjust the wholesale discounts) and the upstream farmers.

Figure 98: GP, OP and NP att. margin



Source: Company data, CMBIGM estimates

Figure 99: GP margin by product types, FY22

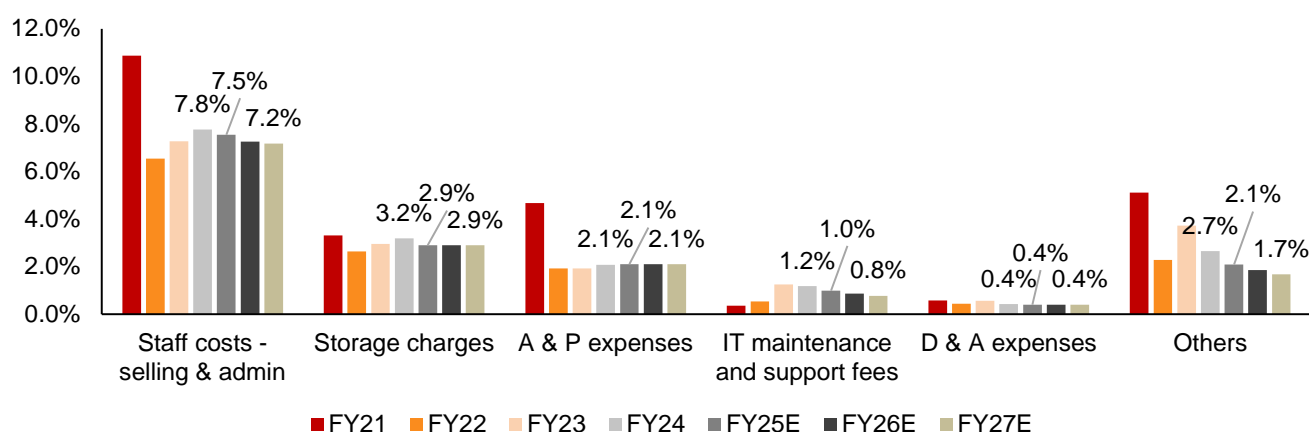


Source: Company data, CMBIGM estimates

### ■ NP margin will increase to 5.3% in FY25E, before jumping further to 5.9% in FY26E and 6.4% in FY27E.

We do expect the NP margin to rocket in FY25E and further climb in FY26E and FY27E, mainly due to: 1) GP margin improvements, and 2) economies of scales (as certain opex like storage charges and headquarters costs like IT maintenance fees are relatively fixed).

Figure 100: Opex breakdown, as % of total sales



Source: Company data, CMBIGM estimates



## Balance sheet and cash flow

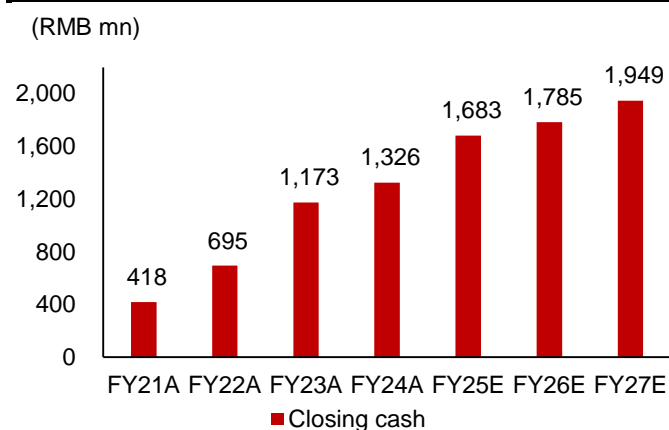
### ■ Cash flow has been strong and steadily increasing, we do expect this trend to continue.

Guoquan's cash level has been increasing during FY21-24, even with the turbulence of Covid-19, as well as the increases in dividend payout ratio (from 0% in FY22 to 60% in FY23 and 87% in FY24). We believe this exceptional growth was driven by: 1) rapid store expansion, 2) sales growth and rebound in net profit margin, 3) improvements in working capital management and most importantly 4) the sharp increase in prepaid cards sales (value stores in prepaid cards was about RMB 988mn in FY24, up 37% YoY).

Going forward, we expect capex to increase moderately to around RMB 230mn-RMB 310mn per year during FY24-27E, mostly for the development of new production plants and factories (such as the one in Hainan island) and not much are stores related (since most of the 1,000 to 1,600 new stores per year will be opened by the franchisees).

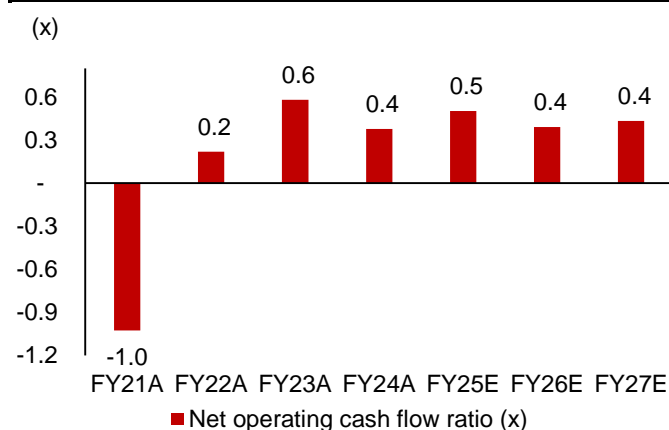
But thanks to the decent sales growth and further margin improvement, we believe the net operating cash flow ratio (over current liabilities) will at least be stable during FY24-27E.

**Figure 101: Closing cash balance**



Source: Company data, CMBIGM estimates

**Figure 102: Net operating cash flow ratio**



Source: Company data, CMBIGM estimates

Note: net operating cash flow ratio = dividing net operating cash flow by current liabilities

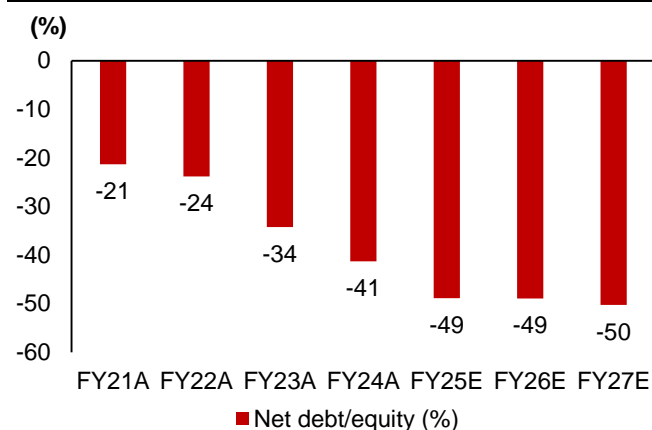
■ **We expect Guoquan's cash conversion cycle to gradually improve and may further decline.**

Inventory days was only at 51 days in FY24 (down from 68 days in FY23), which is better than many leading consumer food brands (78 days for Sanquan Food and 106 days for Anjoy Foods in FY24) but similar to many other supermarket brands (about 51 days for Yonghui). As Guoquan continues to invest in its supply chain, we believe the level of inventory management, digitalization and automation will help all drive down the inventory days gradually in the next three years.

Receivable days was at 8 days in FY24, because Guoquan has a settlement policy of "payment in advance", where most of the franchisees will have to pay cash first before receiving the inventory. Going forward, as Guoquan is also exploring more businesses with more sizable customers, the receivable days will increase slowly to 10 days in FY27E.

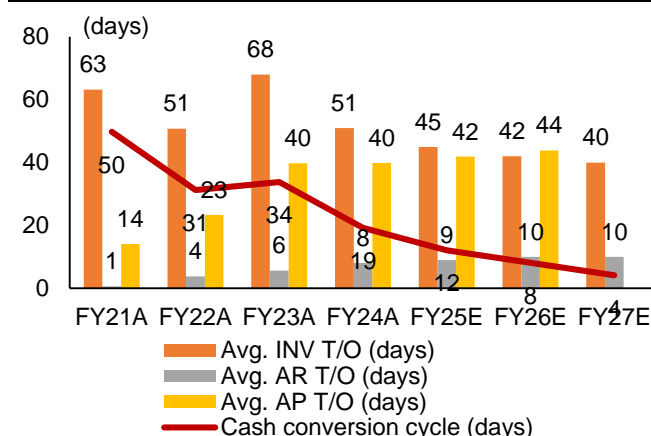
Payable days was at 40 days in FY24, fairly similar to its peers. But it has been going up from just 14 days in FY21 to 40 days in FY24, thanks to improved bargaining power over its suppliers, as its scale grows larger and larger.

**Figure 103: Total debt or (cash) to equity**



Source: Company data, CMBIGM estimates

**Figure 104: Working capital (days)**



Source: Company data, CMBIGM estimates

## Earnings revision

**Figure 105: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,764	9,036	10,301	n/a	n/a	n/a	0.0%	0.0%	0.0%
Gross profit	1,708	1,997	2,287	n/a	n/a	n/a	0.0%	0.0%	0.0%
EBIT	562	732	898	n/a	n/a	n/a	0.0%	0.0%	0.0%
Net profit att.	410	535	657	n/a	n/a	n/a	0.0%	0.0%	0.0%
Diluted EPS (RMB)	0.149	0.194	0.238	n/a	n/a	n/a	0.0%	0.0%	0.0%
Gross margin	22.0%	22.1%	22.2%	n/a	n/a	n/a	0ppt	0ppt	0ppt
EBIT margin	7.2%	8.1%	8.7%	n/a	n/a	n/a	0ppt	0ppt	0ppt
Net profit att. margin	5.3%	5.9%	6.4%	n/a	n/a	n/a	0ppt	0ppt	0ppt

Source: Company data, CMBIGM estimates

**Figure 106: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,764	9,036	10,301	7,341	8,487	9,880	5.8%	6.5%	4.3%
Gross profit	1,708	1,997	2,287	1,670	1,904	2,197	2.3%	4.9%	4.1%
EBIT	562	732	898	621	742	895	-9.5%	-1.3%	0.3%
Net profit att.	410	535	657	411	491	588	-0.3%	9.0%	11.6%
Diluted EPS (RMB)	0.149	0.194	0.238	0.150	0.178	0.212	-1.0%	9.0%	12.3%
Gross margin	22.0%	22.1%	22.2%	22.7%	22.4%	22.2%	-0.7ppt	-0.3ppt	0ppt
EBIT margin	7.2%	8.1%	8.7%	8.5%	8.7%	9.1%	-1.2ppt	-0.6ppt	-0.3ppt
Net profit att. margin	5.3%	5.9%	6.4%	5.6%	5.8%	6.0%	-0.3ppt	0.1ppt	0.4ppt

Source: Bloomberg, CMBIGM estimates

## Results summary

Figure 107: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25E	1H24 YoY	2H24 YoY	1H25 YoY	2H25 E YoY
Revenue	2,665	3,805	3,240	4,525	-3%	14%	22%	19%
COGS	-2,056	-2,997	-2,522	-3,534				
Gross profit	609	808	717	991	5%	5%	18%	23%
<b>GP margins</b>	<b>22.8%</b>	<b>21.2%</b>	<b>22.1%</b>	<b>21.9%</b>				
Other income & gains	31	-5	58	48				
S & D expenses	-302	-362	-308	-440	14%	15%	2%	21%
<b>S &amp; D exp / sales</b>	<b>-11.3%</b>	<b>-9.5%</b>	<b>-9.5%</b>	<b>-9.7%</b>				
Admin expenses	-221	-233	-209	-288	2%	-17%	-6%	24%
<b>Admin exp / sales</b>	<b>-8.3%</b>	<b>-6.1%</b>	<b>-6.4%</b>	<b>-6.4%</b>				
Other opex	-1	-1	-1	-7				
Operating profit (EBIT)	117	206	257	304	-33%	4%	120%	47%
<b>OP margins</b>	<b>4.4%</b>	<b>5.4%</b>	<b>7.9%</b>	<b>6.7%</b>				
Other items	1	-1	-0	0				
Net finance income	-2	-2	-3	-1				
<b>Net finance income / sales</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>				
Profit after financing costs	116	204	254	303				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
<b>Pre-tax profit</b>	<b>116</b>	<b>204</b>	<b>254</b>	<b>303</b>	<b>-29%</b>	<b>1%</b>	<b>120%</b>	<b>49%</b>
Tax	-30	-48	-64	-70				
<b>Tax / sales</b>	<b>-1.1%</b>	<b>-1.3%</b>	<b>-2.0%</b>	<b>-1.5%</b>				
<b>Effective tax rate</b>	<b>-26.2%</b>	<b>-23.6%</b>	<b>-25.2%</b>	<b>-23.0%</b>				
Minority interests	-0	11	7	7				
<b>Net profit att.</b>	<b>86</b>	<b>145</b>	<b>183</b>	<b>226</b>	<b>-20%</b>	<b>10%</b>	<b>113%</b>	<b>57%</b>
<b>NP att. margins</b>	<b>3.2%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>5.0%</b>				

Source: Company data, CMBIGM estimates

**Figure 108: Results review - Full Year**

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY24 YoY	FY25E YoY	FY26E YoY
Revenue	6,470	7,764	9,036	6%	20%	16%
COGS	-5,053	-6,056	-7,039			
Gross profit	1,417	1,708	1,997	5%	21%	17%
<b>GP margins</b>	<b>21.9%</b>	<b>22.0%</b>	<b>22.1%</b>			
Other income & gains	26	106	124			
S & D expenses	-664	-748	-845	15%	13%	13%
<b>S &amp; D exp / sales</b>	<b>-10.3%</b>	<b>-9.6%</b>	<b>-9.4%</b>			
Admin expenses	-454	-497	-535	-9%	9%	8%
<b>Admin exp / sales</b>	<b>-7.0%</b>	<b>-6.4%</b>	<b>-5.9%</b>			
Other opex	-1	-8	-9			
Operating profit (EBIT)	323	562	732	-13%	74%	30%
<b>OP margins</b>	<b>5.0%</b>	<b>7.2%</b>	<b>8.1%</b>			
Other items	1	0	0			
Net finance income	-4	-4	-4			
<b>Net finance income / sales</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>			
Profit after financing costs	320	558	728			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
<b>Pre-tax profit</b>	<b>320</b>	<b>558</b>	<b>728</b>	<b>-12%</b>	<b>74%</b>	<b>31%</b>
Tax	-78	-134	-175			
<b>Tax / sales</b>	<b>-1.2%</b>	<b>-1.7%</b>	<b>-1.9%</b>			
<b>Effective tax rate</b>	<b>-24.5%</b>	<b>-24.0%</b>	<b>-24.0%</b>			
Minority interests	11	14	18			
<b>Net profit att.</b>	<b>231</b>	<b>410</b>	<b>535</b>	<b>-4%</b>	<b>78%</b>	<b>31%</b>
<b>NP att. margins</b>	<b>3.6%</b>	<b>5.3%</b>	<b>5.9%</b>			

Source: Company data, CMBIGM estimates



## Assumptions

Figure 109: Major assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales by channel (RMB mn)</b>						
Sales to franchisees	6,477	5,366	5,445	6,338	7,347	8,448
Other sales channels	582	575	867	1,257	1,509	1,660
Service income	115	154	158	169	180	193
Total	7,173	6,094	6,470	7,764	9,036	10,301
<b>Sales growth by channel</b>						
Sales to franchisees	73.7%	-17.2%	1.5%	16.4%	15.9%	15.0%
Service income	282.1%	-1.2%	50.8%	45.0%	20.0%	10.0%
Total	47.8%	33.9%	2.6%	7.0%	7.0%	7.0%
Total	81.2%	-15.0%	6.2%	20.0%	16.4%	14.0%
<b>Store network by channel</b>						
Franchised stores	9,216	10,300	10,135	11,130	12,525	14,120
Self-operated stores	5	7	15	20	25	30
Total	9,221	10,307	10,150	11,150	12,550	14,150
<b>Sales per average store by channel (RMB mn)</b>						
Franchised stores	0.7	0.5	0.5	0.6	0.6	0.6
<b>Sales per average store growth by channel</b>						
Franchised stores	29%	-26%	3%	6%	3%	2%
<b>GP margins</b>	<b>17.4%</b>	<b>22.2%</b>	<b>21.9%</b>	<b>22.0%</b>	<b>22.1%</b>	<b>22.2%</b>
<b>Opex breakdown</b>						
Staff costs - selling & admin	6.5%	7.3%	7.8%	7.5%	7.3%	7.2%
Storage charges	2.6%	2.9%	3.2%	2.9%	2.9%	2.9%
A & P expenses	1.9%	1.9%	2.1%	2.1%	2.1%	2.1%
IT maintenance and support fees	0.5%	1.3%	1.2%	1.0%	0.9%	0.8%
D & A expenses	0.4%	0.6%	0.4%	0.4%	0.4%	0.4%
Bank charges	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Legal, professional and consulting fees	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Listing expenses	0.2%	0.9%	0.0%	0.0%	0.0%	0.0%
R & D expenses	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Others	1.6%	2.3%	2.1%	1.5%	1.4%	1.2%
<b>OP margins</b>	<b>4.7%</b>	<b>6.1%</b>	<b>5.0%</b>	<b>7.2%</b>	<b>8.1%</b>	<b>8.7%</b>
Effective tax rate	-27.4%	-27.5%	-24.5%	-24.0%	-24.0%	-24.0%
<b>NP att. margins</b>	<b>3.2%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>5.3%</b>	<b>5.9%</b>	<b>6.4%</b>
<b>NP att. growth (%)</b>	<b>-149.8%</b>	<b>4.2%</b>	<b>-3.8%</b>	<b>77.7%</b>	<b>30.6%</b>	<b>22.7%</b>

Source: Company data, CMBIGM estimates

## Valuation

Figure 110: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
Company	Ticker	Ratin g	(LC)	(LC)	side	(HK\$m)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
Greater China Peers														
Guoquan	2517 HK	BUY	4.80	3.56	35%	9,450	Dec-24	22.3	17.1	2.5	7.4	0.5	3.8	83.5
Anjoy	603345 CH	NR	n/a	74.92	n/a	26,356	Dec-24	14.3	13.2	1.5	10.9	1.6	4.6	(8.1)
Sanquan	002216 CH	NR	n/a	11.61	n/a	11,107	Dec-24	18.3	16.9	2.0	11.3	2.6	2.7	(3.3)
Weizhixiang	605089 CH	NR	n/a	26.63	n/a	3,999	Dec-24	37.0	31.9	2.7	7.0	2.6	1.7	6.8
Qianweiyangchu	001215 CH	NR	n/a	30.53	n/a	3,228	Dec-24	30.2	26.5	1.4	3.8	2.1	0.3	(0.5)
Haitian	603288 CH	NR	n/a	39.49	n/a	248,993	Dec-24	31.2	28.2	6.0	n/a	2.9	2.3	(14.0)
Yihai	1579 HK	NR	n/a	14.04	n/a	14,555	Dec-24	15.4	13.9	2.5	15.8	1.5	5.7	(6.9)
Yonghui	601933 CH	NR	n/a	4.97	n/a	49,079	Dec-24	n/a	88.8	10.2	(36.6)	n/a	0.0	(21.6)
Meituan*	3690 HK	BUY	181.60	120.80	50%	738,214	Dec-24	17.0	12.8	2.6	23.8	0.7	0.0	(20.4)
Dingdong	DDL US	NR	n/a	2.36	n/a	4,355	Dec-24	15.7	12.2	2.1	50.0	4.9	n/a	(28.0)
Dfi Retail Grp	DFI SP	NR	n/a	3.56	n/a	37,648	Dec-24	18.4	17.7	11.6	(47.9)	(0.1)	15.6	54.1
Haidilao	6862 HK	BUY	20.20	14.27	42%	79,541	Dec-24	14.5	13.2	4.5	42.9	1.9	5.8	(10.3)
Xiabuxiabu	520 HK	BUY	4.89	0.81	504%	880	Dec-24	n/a	n/a	0.9	(40.6)	n/a	4.0	(19.0)
Seven & I	3382 JP	NR	n/a	2010.50	n/a	277,223	Feb-25	20.6	19.7	1.3	5.3	0.9	2.5	(19.2)
Familymart	5903 TT	NR	n/a	192.50	n/a	11,085	Dec-24	24.4	22.1	4.5	50.4	(1.6)	3.3	3.5
Avg.								21.5	23.9	3.8	7.4	1.6	3.7	(0.2)
Med.								18.4	17.4	2.5	9.2	1.6	3.0	(8.1)
Int'l E-commerce platforms, Supermarkets & Convenience stores														
Walmart	WMT US	NR	n/a	101.29	n/a	6,315,129	Jan-25	38.8	34.5	7.6	22.8	3.6	0.9	12.1
Costco	COST US	NR	n/a	980.85	n/a	3,398,316	Sep-24	54.1	48.9	12.5	32.1	5.4	0.5	7.0
Loblaw	L CN	NR	n/a	58.76	n/a	393,486	Dec-24	24.6	22.8	5.8	22.3	1.5	0.9	24.2
Kroger	KR US	NR	n/a	70.72	n/a	365,289	Feb-25	14.7	13.4	5.0	24.2	1.0	1.9	15.7
Dfi Retail	DFI SP	NR	n/a	3.56	n/a	37,648	Dec-24	18.4	17.7	11.6	(47.9)	(0.1)	15.6	54.1
Alimentation Couche-Tard	ATD CN	NR	n/a	70.33	n/a	375,300	Apr-25	17.7	15.6	2.6	18.3	1.6	1.3	(11.8)
Seven & I	3382 JP	NR	n/a	2010.50	n/a	277,223	Feb-25	20.6	19.7	1.3	5.3	0.9	2.5	(19.2)
Familymart	5903 TT	NR	n/a	192.50	n/a	11,085	Dec-24	24.4	22.1	4.5	50.4	(1.6)	3.3	3.5
Kobe Bussan	3038 JP	NR	n/a	4255.00	n/a	61,632	Oct-24	35.2	31.7	5.6	17.6	2.0	0.6	23.7
Nichirei	2871 JP	NR	n/a	1744.50	n/a	23,734	Mar-25	14.6	13.2	1.5	9.3	0.9	2.7	(16.0)
Sysco	SYU US	NR	n/a	79.49	n/a	301,038	Jun-25	17.3	15.7	11.6	99.1	1.2	2.7	4.0
Us Foods	USFD US	NR	n/a	77.00	n/a	135,455	Dec-24	19.9	16.6	3.3	11.5	0.5	0.0	14.1
Chefs' Warehouse	CHEF US	NR	n/a	61.40	n/a	19,553	Dec-24	34.6	29.2	3.4	13.6	1.8	n/a	24.5
Avg.								25.8	23.2	5.87	21.4	1.45	2.74	10.5
Med.								20.6	19.7	5.04	18.3	1.24	1.59	12.1
International Catering and Food Ingredients														
Yum! Brands	YUM US	NR	n/a	152	n/a	329,595	Dec-24	25.2	22.8	n/a	n/a	2.0	1.9	13.3
Mcdonald's	MCD US	NR	n/a	311	n/a	1,733,446	Dec-24	25.2	23.3	n/a	n/a	2.9	2.3	7.3
Starbucks	SBUX US	NR	n/a	91	n/a	807,501	Sep-24	40.8	33.5	n/a	n/a	154.4	2.7	(0.4)
Rest. Brands	QSR US	NR	n/a	67	n/a	236,253	Dec-24	18.2	16.6	5.5	26.9	1.7	3.7	2.1
Chipotle	CMG US	NR	n/a	43	n/a	453,072	Dec-24	35.6	30.5	13.1	42.6	2.5	0.0	(28.3)
Darden Restaurants	DRI US	NR	n/a	208	n/a	189,321	May-25	19.5	18.1	9.4	46.1	1.6	2.9	11.3
Domino's Pizza	DPZ US	NR	n/a	451	n/a	119,500	Dec-24	25.6	23.1	n/a	n/a	3.0	1.5	7.3
Wendy's	WEN US	NR	n/a	11	n/a	15,751	Dec-24	12.0	11.0	40.8	99.3	2.5	6.5	(35.1)
Texas Roadhouse	TXRH US	NR	n/a	176	n/a	91,323	Dec-24	26.8	23.4	6.7	32.3	2.7	1.5	(2.5)
Shake Shack	SHAK US	NR	n/a	105	n/a	34,857	Dec-24	75.8	60.3	6.9	4.2	0.7	n/a	(19.5)
Wingstop	WING US	NR	n/a	331	n/a	72,192	Dec-24	82.7	64.4	n/a	n/a	3.8	0.3	16.4
Dutch Bros	BROS US	NR	n/a	64	n/a	82,028	Dec-24	96.1	71.3	10.6	10.0	1.9	n/a	21.8
Avg.								40.3	33.2	13.3	37.3	15.0	2.3	(0.5)
Med.								26.2	23.3	9.4	32.3	2.5	2.1	4.7

Source: Bloomberg, Company data, CMBIGM estimates, \*covered by CMBI's internet team

Note: data as at 20 Aug 2025

## Initiate BUY on Guoquan with TP of HK\$ 4.80 (based on 23x FY26E P/E).

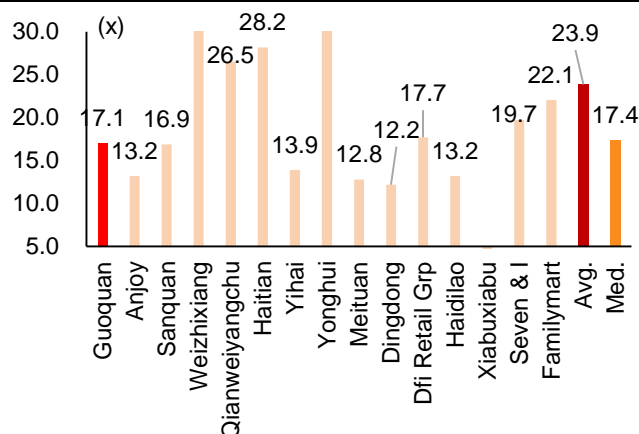
Our primary valuation method for Guoquan is the comparable Price to Earnings (P/E) method but we will also highlight the valuation by the Discounted Cash Flow (DCF) method.

### ■ Initiate BUY with TP of HK\$ 4.80, based on 23x FY26E P/E.

We also think Guoquan should deserve a higher valuation, because of: 1) its vertically integrated business model, 2) massive store network (far more than those convenience stores, restaurant brands and supermarket and e-commerce brands), 3) strong brand equity (owning both food product brand and the sale channel brand) and 4) much faster sales growth (17% sales CAGR during FY24-27E). Hence, we apply a 23x FY26E P/E for Guoquan, at 4% discounts / 32% premium over peers' average/ median of 23.9x/ 17.4x.

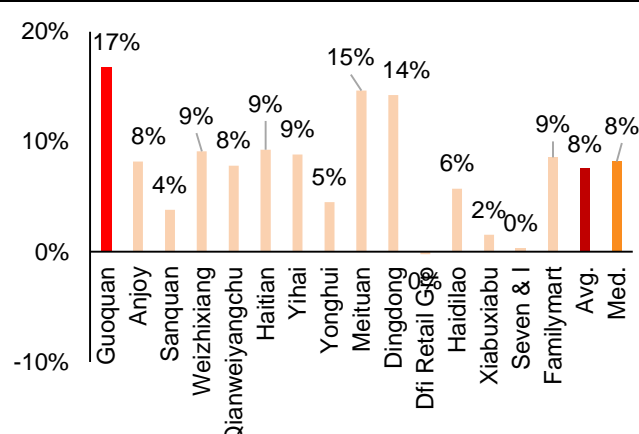
Noted that, based on the DCF method (8.7% WACC, 3% terminal growth), its valuation could be as high as HK\$ 4.86, which is implying a 23.0x FY26E P/E, at 4% discounts vs China peers' average of 23.9x (or 32% premium over median of 17.4x).

**Figure 111: Peers valuation - Forward 2-year P/E**



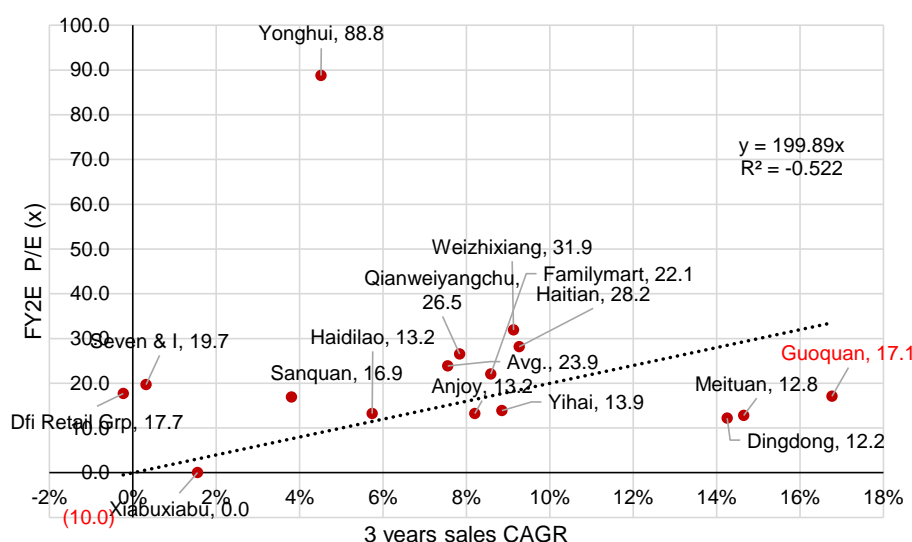
Source: Bloomberg, Company data, CMBIGM estimates  
Note: data as at 20 Aug 2025

**Figure 112: Peers' 3-year sales CAGR**



Source: Bloomberg, Company data, CMBIGM estimates  
Note: data as at 11 Dec 2024

**Figure 113: Forward 2-year P/E vs 3-year sales CAGR**



Source: Company data, CMBIGM estimates

### ■ Vs the food product brands.

We believe Guoquan should be trading at a premium over the pure food product brands, because it does not only have the upstream supply chain (factories, warehouses and logistics) and the food product brand (just like a typical food brand), but it also occupies the sales channel (through many small franchisees) with its owned brand, which could give them a stronger brand equity and a better access to the big data of the customers, resulting in a better customer services, greater customer strictness and bargaining power.

Therefore, since the average FY26E P/E is trading at 21.8x for those food brands, we are comfortable to assign a 23x FY26E P/E for Guoquan, which has a 6% premium.

### ■ Vs supermarkets and e-commerce platforms.

We believe Guoquan should also be trading at a premium over those supermarket companies, because it does not only have the sales channel with its owned brand, but also have the upstream supply chain and the food product business, also with its owned brand. Therefore, it is able to earn more profits by involving in more segments within the entire value chain. Also, we do think Guoquan's business model is slightly more appropriate and modern, because its SKUs are more focused and well organized, which should provide a better one-stop shopping experience to the customers, and fit better with the demand online, and this is fully evidenced by its higher sales per sq.m., faster sales growth and net profit margin.

The median FY26E P/E is trading at about 15.3x for the e-commerce platforms and supermarkets, but we are still comfortable to assign a 23x FY26E P/E for Guoquan, which corresponds to a premium of around 50%.

### ■ Vs restaurants.

We believe Guoquan should also trade at a premium over the restaurant brands, thanks to its: 1) franchisee business nature, 2) relatively better brand equity (it has both branding for the stores and the food products), 3) massive store network and exceptional coverage in the low tier cities (a more nationwide brand equity) and the 3) much faster growth and margin expansion.

While Haidilao is only trading at 13.2x FY26E P/E (note that it is currently undergoing its downcycle), we are still confident to give Guoquan a target valuation of 23x FY26E P/E.

### ■ Vs convenience stores.

We also think Guoquan should trade at a premium over the convenience store brands, because it has its own food product brand (not only the channel brand), and more upstream investment (letting it to earn more profit by involving more in the value chain, as well as the power to cope with any costs inflation). Moreover, it has a much more focused business (on raw materials that it has the edges, unlike the convenience stores that tend to do as many businesses as it can), which should be more effective to generate a higher profit margin.

While the average FY26E P/E is trading at 20.9x for the leading convenience store brands, we are still comfortable to assign a 23x FY26E P/E for Guoquan, which has a 10% premium.

- We can also cross check the valuation by the DCF method for Guoquan, which is actually suggesting a 23.0x FY26E P/E.

Our DCF method is assuming:

- a 15% sales CAGR during FY24-29E
- a 39% EBITDA CAGR in FY24-29E
- a 11.3% EBITDA margin by FY29E (from 4.4% in FY24)
- a 8.7% WACC (lower than both Greater China peers' average of 10.1% but same as Int'l peers' average of 8.3%), based on 3% cost of debt, 13% risk premium, beta of 0.6x, 10.8% cost of equity, and optimal debt/ equity ratio of 15%/ 85%.
- 3.0% terminal growth.

The valuation can be as high as RMB 12,327mn, effectively implying a TP of HK\$ 4.86 or 23.0x FY26E P/E, at 4% discounts vs China peers' average of 23.9x (or 32% premium over median of 17.4x), compared to the Company's 3-year sales CAGR of 17% and net profit CAGR of 42%, implying a PEG of 0.55x.

Figure 114: Valuation - DCF method in HK\$ mn

DCF	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
EBITDA	-43	-610	316	339	284	613	832	1,047	1,268	1,467	1,645
Chg in working cap	-147	-99	257	-11	99	275	24	50	-29	-30	-31
Adjusted tax	-0	135	-92	-102	-79	-135	-176	-215	-258	-304	-353
Capex & product dev	-26	-64	-116	-133	-105	-233	-271	-309	-349	-390	-433
Unleveraged FCF	-216	-638	365	94	198	521	408	572	633	743	828
YoY%											
DCF (23E-27E)						2,215					
PV (Terminal value)						8,899					
EV (End-23E)						11,114					
Cash from options/warrants conv						0					
Yer-end net cash/(debts)						1,347					
Fully diluted equity value (End-23E)						12,461					
Fully diluted no. of shares (m)						2,759					
Minority interests (End-23E)						134					
Market cap (End-23E)						12,327					
Exchange rate						1.07					
Fully diluted equity value/share (HK\$)						4.86					
Risk-free rate						3.0%					
Risk premium						8.5%					
Unleveraged industry beta						0.80					
Gearing						0.0%					
Tax						24.0%					
Beta						0.80					
Cost of equity						9.8%					
Cost of debt						3.0%					
Tax rate						24.0%					
After-tax cost of debt						2.3%					
Debt to total capital						15.0%					
WACC						8.7%					
Terminal growth						3.0%					

Source: Bloomberg, Company data, CMBIGM estimates

Figure 115: Sensitivity test for the target price, in HK\$

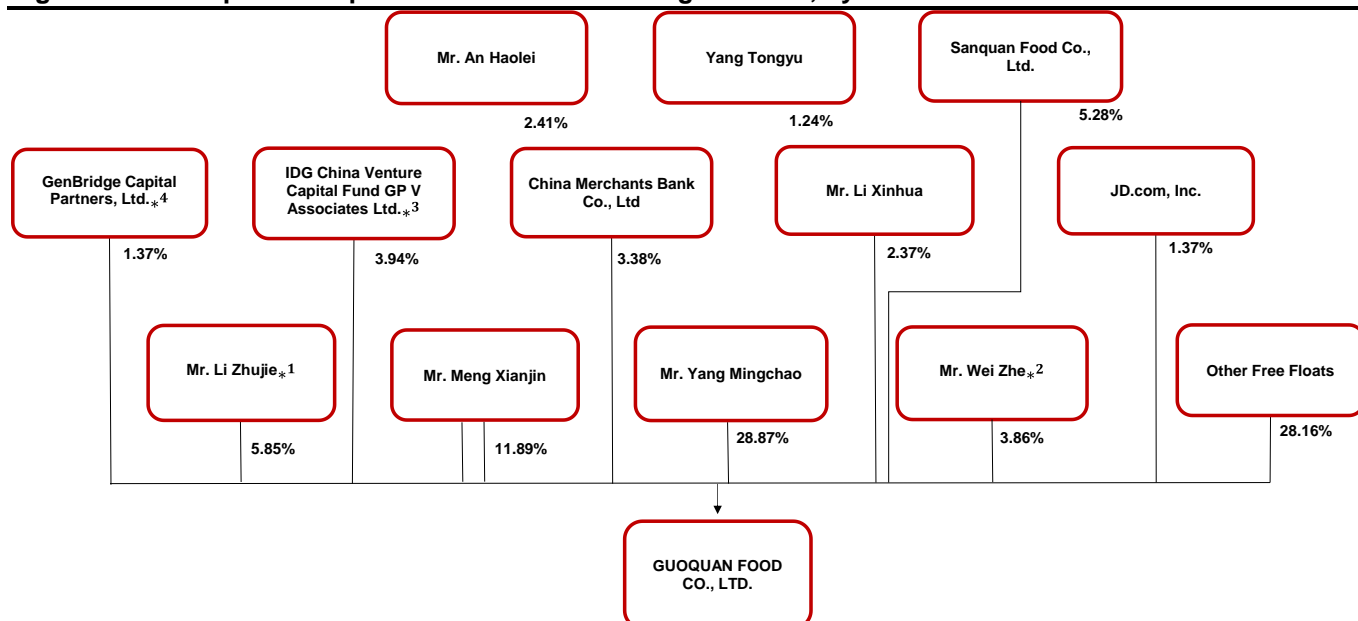
		WACC (%)						
		7.2%	7.7%	8.2%	8.7%	9.2%	9.7%	10.2%
Terminal growth (%)	1.5%	5.09	4.70	4.37	4.09	3.84	3.63	3.44
	2.0%	5.46	5.01	4.63	4.31	4.03	3.79	3.58
	2.5%	5.92	5.38	4.93	4.56	4.24	3.97	3.73
	3.0%	6.48	5.82	5.29	4.86	4.49	4.18	3.91
	3.5%	7.19	6.37	5.73	5.21	4.78	4.42	4.12
	4.0%	8.14	7.08	6.27	5.64	5.13	4.71	4.36
	4.5%	9.43	8.00	6.96	6.17	5.55	5.05	4.64

Source: Bloomberg, Company data, CMBIGM estimates



## Shareholding Structure

Figure 116: Guoquan's corporate structure after reorganization, by actual owners



Source: Company data, CMBIGM estimates

\*Note:

1. Mr. Li Zhujie holds stakes in Guoquan through Shanghai Buhuo Private Equity Investment Fund Management Co., Ltd. & Buhuovc Inc..
2. Mr. Wei Zhe holds stakes in Guoquan through VKC Cayman II Ltd. & Suzhou Weitelixin Venture Capital Management Co., Ltd.
3. The beneficial owners of IDG China Venture Capital Fund GP V Associates Ltd. are Mr. Ho Chi Sing and Mr. Zhou Quan, both are Independent Third Parties.
4. The beneficial owner of GenBridge Capital Partners, Ltd. is Li Mao Chun, an Independent Third Party.

## Management Profile

Figure 117: Guoquan's management profile

Name	Age	Joined the group since	Date of appointment	Position	Responsibility
<b>Mr. Yang Mingchao</b> (楊明超)	54 years old	Jan-15	Jan-15	Executive Director, chief executive officer, and chairperson of the Board,	Responsible for the overall business strategies and operations of the Group. Mr. Yang founded the Group in January 2015 and has been working in the Group and certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since January 2015, where he has been working as the chairman; this Company since July 2019, where he has been serving as a director; Shanghai Guoquan Shihui Commercial Management Co., Ltd. (上海鍋圈食匯商業管理有限公司) since June 2020, where he has been serving as a director; Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司) since August 2021, Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司) since November 2022 and Guoquan Huanhuan Food (Hubei) Co., Ltd. (鍋圈歡歡食品(湖北)有限公司) since January 2024 where he has been serving as the chairman. Mr. Yang received a bachelor's degree in Chinese Literature from Zhengzhou University (鄭州大學) in the PRC in June 1994.
<b>Mr. Meng Xianjin</b> (孟先進)	44 years old	Jan-15	Jan-15	Executive Director and executive vice president	Responsible for the market development and store management of the Group. Mr. Meng co-founded the Group with Mr. Yang in January 2015, and has been working in the Group and certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since January 2015, where he has been serving as a vice president; Zhengzhou Guoquan Shihui Network Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司) since February 2017, where he has been serving as the director; Shaanxi Guoquan Shihui Commercial Management Co., Ltd. (陝西鍋圈食匯商業管理有限公司) since August 2019, where he has been serving as the director; Beijing Guoquan Shihui Commercial Management Co., Ltd. (北京鍋圈食匯商業管理有限公司) and Nanjing Guoquan Shihui Commercial Management Co., Ltd. (南京鍋圈食匯商業管理有限公司) since August 2019, where he has been serving as the supervisor; and this Company since October 2019, where he has been serving as the Director.
<b>Mr. An Hao lei</b> (安浩磊)	40 years old	Jul-18	Mar-20	Executive Director and vice president	Serves as a director at several subsidiaries within the Group. Prior to joining the Group, Mr. An served as a general manager in Zhengzhou Anzhong Enterprise Management Consulting Co., Ltd. (鄭州安眾企業管理諮詢有限公司) from January 2012 to May 2015, and a general manager in Henan Kangzhiyuan Trading Co., Ltd. (河南康之源商貿有限公司) from May 2015 to July 2018. Mr. An obtained a junior college diploma in mobile Internet application technology (移動互聯網應用技術專業) in the Open University of China (國家開放大學) in January 2024. Mr. An is currently pursuing an Executive Master of Business Administration (EMBA) Program at The Hong Kong University of Science and Technology.
<b>Ms. Luo Na</b> (羅娜)	43 years old	Mar-17	Jul-20	Executive Director and vice president	Primarily responsible for managing the product chain of the Group. Since March 2017, Ms. Luo has been working in the Company and certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since March 2017 and this Company since July 2020, where she has been working as the director of product center; Luyi County Wanlai Wangu Food Co., Ltd. (鹿邑縣丸來去食品有限公司), Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司) since August 2021 and Guoquan Huanhuan Food (Hubei) Co., Ltd. (鍋圈歡歡食品(湖北)有限公司) since January 2024, where she has been serving as the director. Ms. Luo obtained a junior college diploma (through correspondence course) in business and corporation administration in Henan Normal University (河南師範大學) in the PRC in July 2023.
<b>Ms. Yang Tongyu</b> (楊童雨)	27 years old	Jun-25	Jun-25	Executive Director	Currently serves as the chairperson of Guoquan Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company and the vice president of the Company, and is mainly responsible for the management of plants affiliated with the Group and relevant work related to the Group's investment and financing and capital market. From October 2019 to November 2022, Ms. Yang served as an executive director and chairperson of Luyi Chengming Food Co., Ltd. Ms. Yang graduated from University of the West of England with a bachelor's degree of arts in 2018 and Loughborough University with a master's degree of science in 2019. Ms. Yang is a representative of the 14th Henan Provincial People's Congress and a standing member of the 11th Luyi County Committee of the Chinese People's Political Consultative Conference.
<b>Mr. Wang Hui</b> (王輝)	40 years old	Feb-20	Feb-24	Chief financial officer	Mr. Wang is responsible for managing the overall financial and capital market related work. Mr. Wang joined the Group in September 2020. Prior to joining the Group, Mr. Wang worked in PricewaterhouseCoopers Zhongtian (普華永道中天會計師事務所) from September 2006 to August 2014 with his last position as an audit manager. From August 2014 to May 2015, Mr. Wang worked in Bayer (China) Limited (拜耳(中國)有限公司). From June 2015 to August 2016, Mr. Wang worked in Covestro Polymers (China) Co., Ltd. (科思創聚合物(中國)有限公司). From September 2016 to September 2020, Mr. Wang worked as a financial director in YANG'S DUMPLING Enterprise Management Development (Shanghai) Co., Ltd. (小楊生煎企業管理發展(上海)有限公司). Mr. Wang has been a Certified Public Accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) (CICPA) since December 2009 (currently non-practising). Mr. Wang obtained his bachelor's degree in mathematics and applied mathematics in East China University of Science and Technology (華東理工大學) in the PRC in July 2006.
<b>Ms. Zheng Min</b> (鄭敏)	44 years old	Jan-17	Mar-23	Supervisor	Responsible for supervising the performance of duties by the Directors and senior management of the Company. Ms. Zheng joined the Group in January 2017 as an operating director responsible for franchisee management and has served as the Supervisor since December 2019. Prior to joining the Group, Ms. Zheng worked as a regional manager in Zhengzhou Guoguo Catering Management Co., Ltd. (鄭州國國餐飲管理有限公司) from August 2004 to March 2012. Ms. Zheng completed the China Chain Enterprise CEO Development Program organized by Shanghai Jiao Tong University, Lifelong Education College (上海交通大學終身教育學院) and obtained the certificate of completion in June 2024. In addition, she is currently pursuing a junior college diploma in business administration in the Open University of China (國家開放大學) in the PRC.
<b>Ms. Xue Hong</b> (薛鴻)	46 years old	Jan-15	Dec-24	Deputy financial director	Responsible for supervising the performance of duties by the Company's Directors and senior management, etc. Prior to joining the Group, Ms. Xue worked at FUREN Group Pharmaceutical Limited Company (輔仁藥業集團醫藥有限公司) from January 2008 to May 2014, with her last position held as a financial manager. Ms. Xue graduated from Zhengzhou University (鄭州大學) in the PRC, with a bachelor's degree in accounting. Ms. Xue obtained the qualification of intermediate accountant in the PRC in May 2006.
<b>Ms. Zhang Yifan</b> (張藝凡)	36 years old	Aug-19	Feb-23	Supervisor	Responsible for supervising the performance of duties by the Directors and senior management of the Company. Ms. Zhang joined the Group in August 2019 as the chairman assistant and has served as the Supervisor since February 2023. Prior to joining the Group, Ms. Zhang concurrently served as an editorial reporter in Zhengzhou TV Station (鄭州電視台) and a director of a subsidiary within the Group from October 2011 to July 2019. Ms. Zhang obtained a bachelor's degree in broadcasting and hosting arts from Zhongyuan University of Technology (中原工學院) in the PRC in July 2010.
<b>Mr. Liu Zhengzheng</b> (劉正鋒)	33 years old	Sep-23	Sep-23	Non-executive Director	Mainly participates in evaluation and approval of business plans, strategies and major decisions of the Group through the Board. Mr. Liu has extensive experience in the capital market. From November 2014 to March 2017, Mr. Liu worked in Henan Jianui Investment Co., Ltd. (河南佳瑞投資有限公司). From April 2017 to March 2023, Mr. Liu served as the board secretary of Henan Huahuan Dairy Group Co., Ltd. (河南花冠乳業集團股份有限公司), primarily responsible for its initial public offering. Since April 2023, Mr. Liu has been working as a manager in the securities department in Sanquan Food Co., Ltd. (三全食品股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002216), primarily responsible for the information disclosure and investor relationship management. Since August 2023, Mr. Liu has been the board secretary of Suanquan Food Co., Ltd.. Mr. Liu obtained his bachelor's degree in Finance from Henan University of Economics and Law (河南財經政法大學) in the PRC in July 2013 and a master's degree in Accounting and Finance from University of London in United Kingdom in November 2014.

Source: Company data, CMBIGM estimates

## Key Risks

### ■ Economy-wise

- Weaker-than-expected economic growth and recovery
- Outbreak of diseases that may adversely reduce customer traffics

### ■ Industry-wise

- Level of competition intensifies (either from the supermarket, restaurants or from the online platforms), or competitors successfully catch up on product, service and brand equity
- Faster-than-expected increase in raw material costs
- Labour shortage or faster-than-expected increase in staff costs
- Weaker-than-expected offline foot traffic
- Unfavourable shift in consumer tastes

### ■ Company-wise

- Worse than expected performance by the franchisees, e.g. fall in product or service quality and hence the consumer satisfaction
- New product is not as popular as predicted
- Weaker-than-expected store revamp (transformation into 24 hours store or larger store format, etc.)
- Fail to keep up with store expansion plan
- Involvement in business fraud or other misconducts
- Involvement in lethal or other food safety scandals

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	7,173	6,094	6,470	7,764	9,036	10,301
Cost of goods sold	(5,924)	(4,743)	(5,053)	(6,056)	(7,039)	(8,014)
Gross profit	1,249	1,351	1,417	1,708	1,997	2,287
Operating expenses	(1,031)	(1,085)	(1,120)	(1,252)	(1,389)	(1,536)
Selling expense	(625)	(579)	(664)	(748)	(845)	(949)
Admin expense	(404)	(497)	(454)	(497)	(535)	(577)
Others	(3)	(9)	(1)	(8)	(9)	(10)
Operating profit	339	371	323	562	732	898
Other income	98	73	(13)	66	79	98
Other gains/(losses)	(7)	(8)	(4)	(4)	(4)	(4)
EBITDA	316	339	284	613	832	9,184
EBIT	309	332	281	518	683	845
Interest income	23	32	39	40	46	49
Pre-tax profit	332	363	320	558	728	893
Income tax	(91)	(100)	(78)	(134)	(175)	(214)
After tax profit	230	240	231	410	535	657
Minority interest	(11)	(24)	(11)	(14)	(18)	(22)
Net profit	241	263	241	424	554	679
Adjusted net profit	241	263	241	424	554	679

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	2,409	2,875	3,268	3,526	3,881	4,280
Cash & equivalents	695	1,173	1,326	1,683	1,785	1,949
Restricted cash	42	64	89	89	89	89
Account receivables	134	54	234	191	248	282
Inventories	1,047	720	692	747	810	878
Prepayment	440	409	324	389	453	516
Other current assets	50	455	604	427	497	567
Non-current assets	1,672	1,776	1,483	1,625	1,751	1,862
PP&E	358	441	494	636	762	873
Right-of-use assets	152	136	151	151	151	151
Investment in JVs & assos	2	2	302	302	302	302
Intangibles	61	58	51	51	50	50
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,098	1,140	486	486	486	486
Total assets	4,081	4,652	4,751	5,151	5,632	6,142
Current liabilities	1,303	1,168	1,404	1,580	1,856	2,142
Short-term borrowings	95	72	64	64	64	64
Account payables	1,167	1,035	1,284	1,460	1,737	2,022
Tax payable	21	43	40	40	40	40
Other current liabilities	20	18	16	16	16	16
Lease liabilities	0	0	0	0	0	0
Non-current liabilities	88	105	82	82	82	82
Long-term borrowings	0	8	4	4	4	4
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	88	97	78	78	78	78
Total liabilities	1,391	1,273	1,487	1,662	1,939	2,224
Share capital	21	2,747	2,747	2,747	2,747	2,747
Retained earnings	0	0	(73)	(212)	(132)	(33)
Other reserves	2,573	515	470	819	925	1,029
Total shareholders equity	2,594	3,262	3,144	3,354	3,541	3,743
Minority interest	95	117	120	134	153	175
Total equity and liabilities	4,081	4,652	4,751	5,151	5,632	6,142

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	332	363	320	558	728	893
Depreciation & amortization	(16)	(24)	(35)	56	103	153
Tax paid	(1)	(24)	(95)	(134)	(175)	(214)
Change in working capital	257	(11)	99	275	24	50
Others	(287)	374	243	40	46	49
<b>Net cash from operations</b>	<b>285</b>	<b>678</b>	<b>531</b>	<b>794</b>	<b>726</b>	<b>931</b>
<b>Investing</b>						
Capital expenditure	(116)	(133)	(105)	(233)	(271)	(309)
Acquisition of subsidiaries/ investments	0	(123)	(264)	0	0	0
Net proceeds from disposal of short-term investments	1	3	4	0	0	0
Others	75	(295)	245	0	0	0
<b>Net cash from investing</b>	<b>(40)</b>	<b>(548)</b>	<b>(120)</b>	<b>(233)</b>	<b>(271)</b>	<b>(309)</b>
<b>Financing</b>						
Dividend paid	0	(5)	(151)	(200)	(348)	(455)
Net borrowings	13	(47)	(42)	0	0	0
Proceeds from share issues	0	424	0	0	0	0
Share repurchases	0	0	(73)	0	0	0
Others	20	(17)	2	(4)	(4)	(4)
<b>Net cash from financing</b>	<b>33</b>	<b>355</b>	<b>(265)</b>	<b>(204)</b>	<b>(352)</b>	<b>(459)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	418	695	1,173	1,326	1,683	1,785
Exchange difference	(0)	(7)	6	0	0	0
Others	277	486	146	357	102	163
<b>Cash at the end of the year</b>	<b>695</b>	<b>1,173</b>	<b>1,326</b>	<b>1,683</b>	<b>1,785</b>	<b>1,949</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	81.2%	(15.0%)	6.2%	20.0%	16.4%	14.0%
Gross profit	251.5%	8.2%	4.9%	20.6%	16.9%	14.5%
Operating profit	na	9.4%	(12.9%)	73.8%	30.4%	22.6%
EBITDA	na	7.3%	(16.2%)	115.6%	35.6%	1,004.5%
EBIT	na	7.3%	(15.4%)	84.4%	31.9%	23.7%
Net profit	na	9.3%	(8.4%)	75.6%	30.6%	22.7%
Adj. net profit	na	9.3%	(8.4%)	75.6%	30.6%	22.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	17.4%	22.2%	21.9%	22.0%	22.1%	22.2%
Operating margin	4.7%	6.1%	5.0%	7.2%	8.1%	8.7%
EBITDA margin	4.4%	5.6%	4.4%	7.9%	9.2%	89.2%
Adj. net profit margin	3.4%	4.3%	3.7%	5.5%	6.1%	6.6%
Return on equity (ROE)	10.3%	9.0%	7.5%	13.0%	16.1%	18.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.2	0.4	0.4	0.5	0.5	0.5
Current ratio (x)	1.8	2.5	2.3	2.2	2.1	2.0
Receivable turnover days	3.8	5.6	8.1	9.0	10.0	10.0
Inventory turnover days	50.8	68.0	51.0	45.0	42.0	40.0
Payable turnover days	23.4	39.8	39.9	41.9	43.9	45.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/E	36.9	36.7	39.1	22.1	16.9	13.8
P/E (diluted)	36.9	36.7	39.1	22.1	16.9	13.8
P/B	3.3	2.7	2.8	2.6	2.4	2.3
P/CFPS	29.8	13.0	17.0	11.4	12.5	9.7
Div yield (%)	0.0	1.6	2.2	3.9	5.0	6.2
EV	8,863.7	8,623.4	8,473.9	8,116.8	8,014.4	7,851.1
EV/Sales	1.2	1.4	1.3	1.0	0.9	0.8
EV/EBIT	28.7	26.0	30.2	15.7	11.7	9.3
EV/EBITDA	28.0	25.4	29.8	13.2	9.6	0.9

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



# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

## CMBIGM Ratings

**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

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.