

# Yum China (YUMC US)

## Digital, delivery, Pizza Hut reform driven growth

Initiate BUY on YUMC, as we forecast 14% NP CAGR in FY19-22E (even under drags by COVID-19) vs 13% in FY16-19, driven by: 1) near term favorable food, staff and rental costs, 2) more new stores and better locations, 3) various longer-term benefits yield from digital upgrades and 4) Pizza Hut reforms. Our TP of US\$ 72.61 is based on 36x FY21E P/E, 5% discount to leading China peer's avg. but 16% higher than Int'l peers' avg.. YUMC's valuation is attractive at 29x FY21E P/E and 3.3x PEG, well below HDL's 51x and 5.9x, JMJ's 45x and 9.1x.

- **A restaurant empire with leading product, digital and delivery quality.** Yum China ("YUMC") is the largest restaurant group in China by sales in 2019 (~1.4% market share). It owned 9,200 restaurants in China (6,534 KFC/ 2,281 Pizza Hut/ 385 others) and recorded USD 8.8bn sales and USD 700mn NP in FY19.
- **Multiple near-term catalysts and too conservative consensus.** We expect SSSG to turn positive to 14% YoY in FY21E, thanks to: 1) consumption recovery, 2) low base, 3) favourable food and staff cost trends, 4) superior digital and delivery upgrades and 5) better store locations and rental terms. More importantly, we believe our forecast is prudent while consensus is too conservative (CMBI's FY21E sales is only 10-13% higher vs FY19 and sales per average store for KFC/ Pizza Hut are just 3% lower / 1% higher vs FY19).
- **Digital and delivery upgrades to boost frequency and ASP.** YUMC has vast customer base for big data. We expect the growth drivers to be: 1) customer acquisitions by better user experience and convenience, 2) increase in purchasing frequency from more members, 3) ASP increases thru more upselling and 4) brands' cross-selling through membership reward system.
- **Industry leading product quality and Pizza Hut reform.** Backed by leading customer satisfaction rating among fried chicken brands, KFC should gain market shares in all tier cities in China. We also see Pizza Hut's reform successful (menu innovations, return of value for money, stores revamps, etc. since 2017) and yield an impressive 13% restaurant OP CAGR in FY19-22E.
- **We forecast 8% sales and 14% NP att. CAGR in FY20E-22E.** Key drivers are: 1) delivery, 2) increases in members and purchasing frequency, 3) easing food, staff and rental costs, and 4) Pizza Hut's reform and operating leverage.
- **Initiate BUY with TP of US\$ 72.61, based on 36x FY21E P/E, 5% discount to leading peers' average.** We find YUMC attractive given a 14% NP CAGR in FY19-22E (impressive enough given drags from COVID-19 and vs 14% in FY17-19). It is trading at 29x FY21E P/E and 3.3x PEG (based on FY20E P/E and FY19-22E NP CAGR), vs HDL's 53x and 6.2x, JMJ's 47x and 9.7x.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (USD mn)	8,415	8,776	8,127	9,818	10,930
YoY growth (%)	8.3	4.3	(7.4)	20.8	11.3
Net income (USD mn)	708	713	728	878	1,057
Diluted EPS (USD)	1.78	1.81	1.76	2.02	2.41
YoY growth (%)	77.9	1.8	(2.6)	14.4	19.6
Consensus EPS (USD)	n/a	n/a	1.47	2.02	2.33
P/E (x)	32.1	31.7	32.7	28.6	23.9
P/B (x)	7.3	6.8	4.0	3.6	3.2
Yield (%)	0.8	0.8	0.3	0.9	1.0
ROE (%)	23.8	22.5	12.2	12.9	13.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Initiation)

Target Price	US\$72.61
Up/Downside	+27.9%
Current Price	US\$56.76

### China Catering Sector

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#### Stock Data

Mkt Cap (US\$ mn)	23,802
Avg 3 mths t/o (US\$ mn)	142.2
52w High/Low (US\$)	60.97/38.33
Total Issued Shares (mn)	419.3

Source: Bloomberg

#### Shareholding Structure

Primavera Capital	5.7%
BlackRock	6.5%
Invesco	9.7%
Management	0.2%
Free Float	77.8%

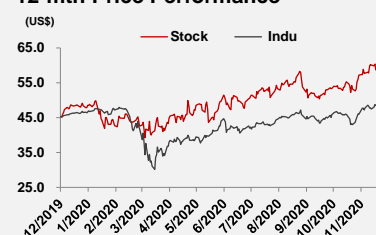
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-0.8%	-7.0%
3-mth	5.5%	-1.8%
6-mth	14.2%	2.4%
12-mth	26.7%	17.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

## Investment Thesis

### ■ A restaurant empire with leading product, digital and delivery quality.

Yum China ("YUMC") is the largest restaurant group in China, in terms of sales in 2019, with 1.4% market share. It owned 9,200 restaurants in China (6,534 KFC/ 2,281 Pizza Hut/ 385 Others) and generated USD 8.8bn sales and USD 713mn net profit in FY19.

### ■ Multiple near-term catalysts and too conservative consensus.

We expect SSSG to turn positive in FY21E, thanks to macro factors like: 1) domestic consumption recovery, 2) low base, 3) favorable food and staff cost trends, plus company specific factors, including: 1) superior digital and delivery upgrades that bring more seamless O2O customer experience and 2) better new store location and rental terms. More importantly, we believe the consensus is too conservative and our forecasts for FY21E-22E sales are 1-2% higher. CMBI's FY21E sales is only based on 10-13% growth vs FY19 while CMBI's FY21E sales per average store for KFC/ Pizza Hut are just 3% lower/ 1% higher vs FY19.

### ■ Digital and delivery upgrades to boost frequency and ASP.

YUMC has a vast customer base, which is excellent for customer analytics through big data, in order to better suit the customer demand. We expect the growth drivers to be: 1) more customer and member acquisitions with better users' experiences (digital orderings and payments) and convenience (easier delivery), 2) increase in purchasing frequency as more customers joining as members, 3) ASP increases thru more effective upselling and 4) cross-selling between brands thru the member's reward system.

### ■ Industry leading product quality and Pizza Hut reform.

Backed by leading customer satisfaction rating among fried chicken brands in China, we are confident that KFC can gain market shares in T1 and below cities. We also see Pizza Hut's initial transformation (menu innovations, return of value for money, store revamps, etc.) since 2017 successful and should yield a faster growth and higher margins onwards.

### ■ Ample room for growth – doubling stores in 10 years is achievable

We see more upside for YUMC's store expansions (vs consensus). We concur with its long-term target of 21,000 stores (both KFC and Pizza Hut) in China, derived from 15 stores per 1mn population. For KFC alone, its store counts can reach 12,000/ 27,000 if we use Japan/ China tier-1 cities as benchmarks, derived from density of 9/ 19 stores per 1 mn population. If this is done in 10 years, the implied CAGR would be 9.1%, much higher than our forecast of 5.8%, based on about 600/ 100 net new stores per year for KFC/ Pizza Hut. Also, we believe KFC can still expand in Tier-1 and Tier- 2 cities, because: 1) its ASP is similar vs peers and 2) its store counts are only the largest in 2 tier-1 cities (out of 4) and 3 tier-2 cities (out of 15), where CNHLS and Zhengxin Chicken Steak have more stores.

### ■ We project 8% sales and 14% net profit att. CAGR in FY20E-22E.

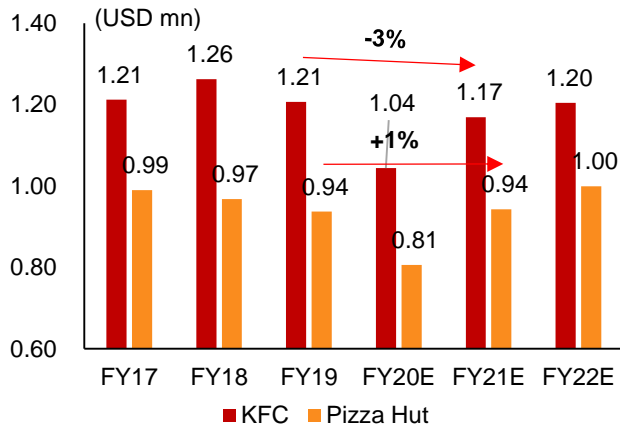
We expect sales drivers in FY20-22E to be: 1) rapid delivery growth, 2) increases in membership and purchasing frequency and 3) better Pizza Hut SSSG after its menu and store upgrades; while margin drivers are: 1) favourable food and staff costs, 2) better rental terms after pandemic and 3) operating leverage yield from successful Pizza Hut reform.

### ■ We initiate BUY on YUMC with a TP of US\$ 72.61, based on 36x FY21E P/E.

We find YUMC attractive given a 14% NP CAGR in FY19-22E (impressive enough given drags from COVID-19, vs 14% in FY17-19). It is trading at 29x FY21E P/E and 3.3x PEG (based on FY20E P/E and FY19-22E NP CAGR), undemanding compared to Haidilao's 53x and 6.2x, as well as Jiumaojiu's 47x and 9.7x, and industry's avg. of 38x and 3.3x.

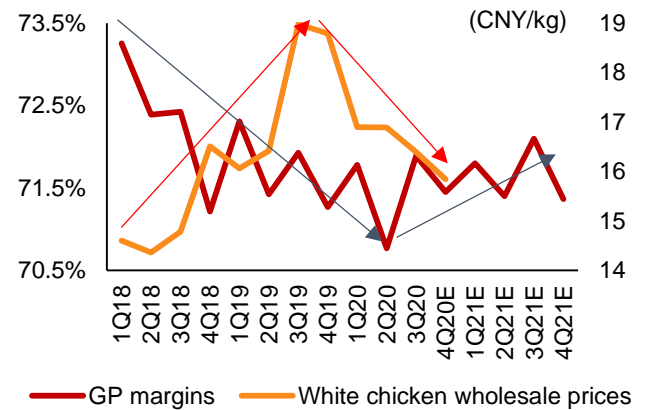
## Focus Charts and Tables

Figure 1: Sales per average store by brand



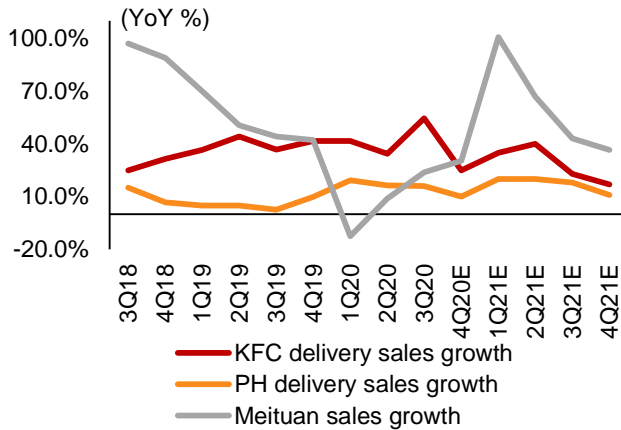
Source: Company data, CMBIS estimates

Figure 2: China chicken prices and YUMC's GPM



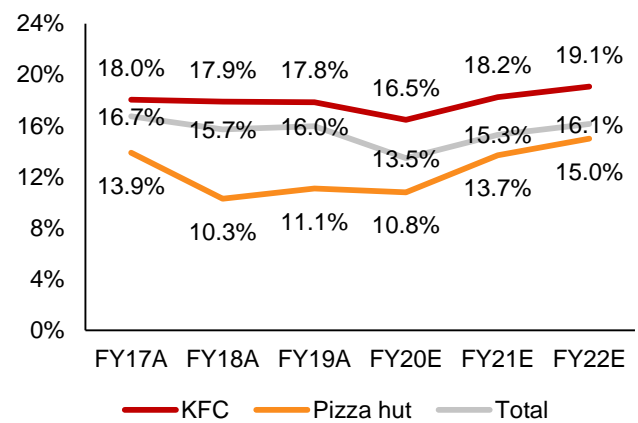
Source: Ministry of Agriculture, Company data, CMBIS estimates

Figure 3: KFC, PH, Meituan delivery sales growth



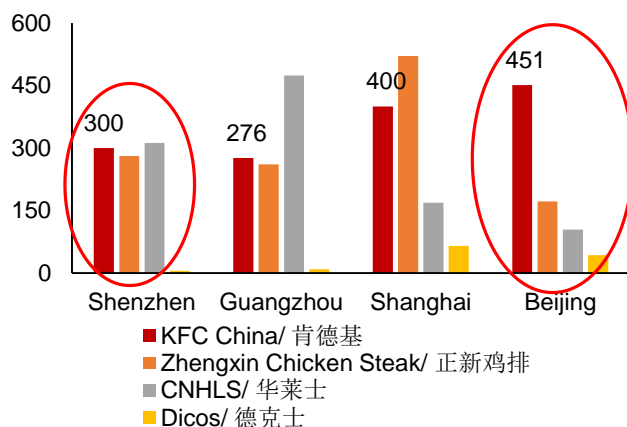
Source: Ministry of Agriculture, Company data, CMBIS estimates

Figure 4: Restaurants OP margin by brand



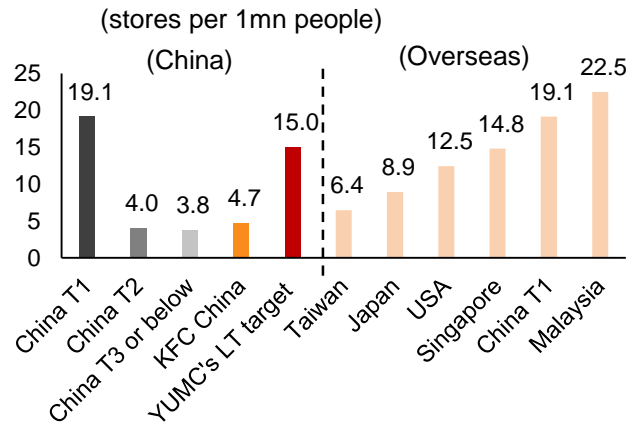
Source: Company data, CMBIS estimates

Figure 5: Number of stores by brand in tier-1 cities



Source: dianping.com, Company data, CMBIS estimates, as at Nov 2020

Figure 6: KFC's store density by region



Source: dianping.com, Company data, CMBIS estimates

## Assumptions

Figure 7: CMBIS' assumptions

Major assumptions	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by segment (RMB mn)</b>						
KFC - eat in sales	4,471	4,882	4,911	4,093	4,911	5,271
KFC - delivery sales	595	808	1,129	1,569	2,016	2,480
PH - eat in sales	1,669	1,611	1,527	1,099	1,344	1,411
PH- delivery sales	424	500	527	609	715	815
Others	610	614	682	757	832	954
Total	7,769	8,415	8,776	8,127	9,818	10,930
<b>Sales by segment growth (%)</b>						
KFC - eat in sales		9.2%	0.6%	-16.7%	20.0%	7.3%
KFC - delivery sales		35.8%	39.7%	39.0%	28.5%	23.0%
PH - eat in sales		-3.5%	-5.2%	-28.0%	22.3%	4.9%
PH- delivery sales		18.1%	5.4%	15.5%	17.4%	14.0%
Others		0.7%	11.1%	11.0%	9.8%	14.8%
Total		8.3%	4.3%	-7.4%	20.8%	11.3%
<b>Sales network by brand</b>						
KFC	5,488	5,910	6,534	7,044	7,644	8,234
Pizza Hut	2,195	2,240	2,281	2,301	2,361	2,461
Others	300	334	385	1,013	1,093	1,173
Total	7,983	8,484	9,200	10,358	11,098	11,868
<b>Restaurant profit margin by brand</b>						
KFC	18.0%	17.9%	17.8%	16.5%	18.2%	19.1%
Pizza hut	14.0%	10.2%	11.1%	10.8%	13.7%	15.0%
Others	0.3%	0.0%	-0.4%	-0.4%	0.0%	0.2%
Total	16.7%	15.7%	16.0%	13.5%	15.3%	16.1%
<b>Costs breakdown</b>						
Food and paper/ sales	26.2%	27.6%	28.2%	28.5%	28.3%	28.0%
Payroll and employee benefits/ sales	19.9%	20.4%	20.6%	20.8%	20.2%	19.9%
Rental and other operating expenses/ sales	28.9%	28.4%	27.0%	27.2%	26.1%	25.9%
G & A expenses/ sales	6.4%	5.4%	5.5%	6.0%	5.5%	5.3%
Franchisees expenses/ sales	7.6%	7.1%	7.3%	7.5%	7.5%	7.6%
Effective tax rate	47.2%	22.5%	25.9%	26.5%	26.0%	25.5%
<b>NP att. margin</b>	<b>5.1%</b>	<b>8.4%</b>	<b>8.1%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>9.7%</b>
<b>NP att. growth (%)</b>	<b>-20.1%</b>	<b>77.9%</b>	<b>0.7%</b>	<b>2.1%</b>	<b>20.6%</b>	<b>20.3%</b>

Source: Company data, CMBIS estimates

Figure 8: CMBIS estimates vs consensus

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	8,115	9,795	10,901	8,114	9,747	10,675	0.0%	0.5%	2.1%
Operating Profit	911	1,080	1,317	759	1,093	1,268	20.0%	-1.3%	3.8%
Net profit	724	871	1,048	656	837	953	10.4%	4.1%	10.0%
EPS (US\$ cents)	1.752	2.001	2.393	1.468	2.020	2.326	19.4%	-0.9%	2.9%
Gross Margin	71.5%	71.7%	71.8%	69.9%	70.0%	69.8%	1.6ppt	1.7ppt	1.9ppt
Operating Margin	11.2%	11.0%	12.1%	9.4%	11.2%	11.9%	1.9ppt	-0.2ppt	0.2ppt
Net Margin	8.9%	8.9%	9.6%	8.1%	8.6%	8.9%	0.8ppt	0.3ppt	0.7ppt

Source: Company data, CMBIS estimates

## Valuation

Figure 9: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
Leading Greater China Catering														
Yum China	YUMC US	BUY	72.61	76.76	28%	187,447	Dec-19	32.7	28.6	4.0	3.6	23.2	3.3	0.3
Jiumaojiu	9922 HK	BUY	20.88	18.48	13%	26,859	Dec-19	445.0	47.2	10.0	8.3	101.4	9.7	0.1
Haidilao	6862 HK	BUY	53.56	55.40	-3%	293,620	Dec-19	247.1	53.4	20.2	14.6	5.2	6.2	0.2
Cafe De Coral	341 HK	BUY	18.37	17.42	5%	10,203	Mar-20	21.8	22.1	3.4	3.2	3.0	0.2	2.6
Xiabuxiabu	520 HK	NR	n/a	18.30	n/a	19,792	Dec-19	n/a	32.4	7.0	5.9	(6.0)	37.4	0.3
Yihai	1579 HK	NR	n/a	95.00	n/a	99,456	Dec-19	80.8	58.8	23.1	17.4	34.3	2.2	0.3
Gourmet Master	2723 TT	NR	n/a	146.00	n/a	7,218	Dec-19	27.7	21.3	2.4	2.3	8.1	1.6	1.9
Avg.								142.6	37.8	10.0	7.9	24.2	8.7	0.8
Med.								57.1	32.4	7.0	5.9	8.1	3.3	0.3
Other Greater China Catering														
Fairwood	52 HK	NR	n/a	18.34	n/a	2,376	Mar-20	39.9	13.3	3.5	2.9	9.3	n/a	1.7
Tai Hing	6811 HK	NR	n/a	1.40	n/a	1,403	Dec-19	36.8	8.8	2.8	2.7	11.5	1.1	1.5
Hop Hing	47 HK	NR	n/a	0.05	n/a	504	Dec-19	n/a	n/a	n/a	n/a	(4.2)	n/a	n/a
Ajisen China	538 HK	NR	n/a	1.17	n/a	1,277	Dec-19	5.2	n/a	n/a	n/a	(1.2)	n/a	n/a
Avg.								27.3	11.0	3.1	2.8	3.9	1.1	1.6
Med.								36.8	11.0	3.1	2.8	4.0	1.1	1.6
Greater China Catering														
Avg.								104.2	31.8	8.5	6.8	16.8	7.7	1.0
Med.								36.8	29.1	4.1	3.6	8.1	2.8	0.3
International Catering														
Yum! Brands	YUM US	NR	n/a	105.32	n/a	246,250	Dec-19	30.7	26.4	n/a	n/a	n/a	38.6	1.8
Mcdonald'S	MCD US	NR	n/a	213.02	n/a	1,230,171	Dec-19	34.4	25.6	n/a	n/a	n/a	8.9	2.4
Starbucks	SBUX US	NR	n/a	101.80	n/a	926,060	Sep-20	36.3	31.1	n/a	n/a	n/a	0.5	1.8
Rest. Brands	QSR US	NR	n/a	59.49	n/a	216,025	Dec-19	27.4	21.4	10.1	9.9	23.8	3.3	3.5
Wingstop	CMG US	NR	n/a	1310.3	n/a	284,158	Dec-19	119.6	61.4	19.1	15.9	13.8	3.9	0.0
Shake Shack	DRI US	NR	n/a	114.29	n/a	115,333	May-20	27.2	18.6	5.5	4.9	(7.9)	(0.1)	1.2
Chipotle	DPZ US	NR	n/a	383.53	n/a	117,118	Dec-19	30.8	29.5	n/a	n/a	n/a	2.2	0.8
Darden	DNKN US	NR	n/a	106.41	n/a	67,973	Dec-19	37.8	33.2	n/a	n/a	n/a	7.1	0.8
Domino'S Pizza	WEN US	NR	n/a	21.96	n/a	38,146	Dec-19	38.3	30.9	8.7	9.1	18.0	3.4	1.3
Dunkin' Brands	SHAK US	NR	n/a	87.38	n/a	28,066	Dec-19	n/a	462.3	9.1	9.1	(7.0)	n/a	0.0
Wendy'S	WING US	NR	n/a	124.01	n/a	28,530	Dec-19	102.1	87.2	n/a	n/a	n/a	2.9	0.4
Jollibee Foods	JFC PM	NR	n/a	206.40	n/a	36,871	Dec-19	n/a	61.8	4.0	3.8	(19.4)	n/a	0.4
Avg.								48.5	74.1	9.4	8.8	3.6	7.1	1.2
Med.								35.3	31.0	8.9	9.1	3.4	3.3	1.0
H-shares Consumer Staples														
UPC	220 HK	NR	n/a	7.30	n/a	31,531	Dec-19	17.1	16.3	1.9	1.9	10.8	1.7	5.6
Tingyi	322 HK	NR	n/a	13.66	n/a	76,829	Dec-19	16.6	16.5	3.2	3.1	22.6	1.7	5.4
Want Want*	151 HK	BUY	7.36	5.54	33%	67,741	Mar-20	13.9	13.4	3.6	3.5	28.8	1.4	6.2
China Mengniu*	2319 HK	BUY	42.00	43.15	-3%	170,293	Dec-19	41.7	27.7	4.5	3.9	11.5	2.7	0.5
Vitasoy	345 HK	NR	n/a	31.95	n/a	34,023	Mar-20	48.9	44.2	9.7	8.7	19.7	2.8	1.3
Budweiser	1876 HK	NR	n/a	27.05	n/a	358,234	Dec-19	69.8	42.0	4.6	4.2	9.0	7.4	0.5
Tsingtao*	168 HK	BUY	78.10	78.20	-0%	132,210	Dec-19	41.0	34.4	4.3	3.9	10.9	2.3	1.0
CR Beer	291 HK	NR	n/a	63.65	n/a	206,492	Dec-19	64.5	45.5	8.2	7.4	7.2	1.1	0.6
Dali Foods	3799 HK	NR	n/a	4.92	n/a	67,375	Dec-19	14.7	13.2	3.3	3.0	22.1	1.8	4.6
Avg.								36.5	28.1	4.8	4.4	15.8	2.5	2.9
Med.								41.0	27.7	4.3	3.9	11.5	1.8	1.3

Source: Bloomberg, Company data, CMBIS estimates, \*cover by another analyst - Albert Yip

## Initiate BUY on Yum China with TP of US\$ 72.61 (36x FY21E)

We initiate on Yum China with a BUY rating and a target price of US\$ 72.61, based on a 36.0x FY21E P/E, given its 1) leadership in fastfood, in terms of revenue and store counts, 2) superior resilience proven during the pandemic and 3) industry leading digital maturity.

Our target price has a 5% discount to leading Greater China peers' average of 37.8x FY21E P/E and a 16% premium over International peers' median of 31.0x FY21E P/E. We believe that can be justified by:

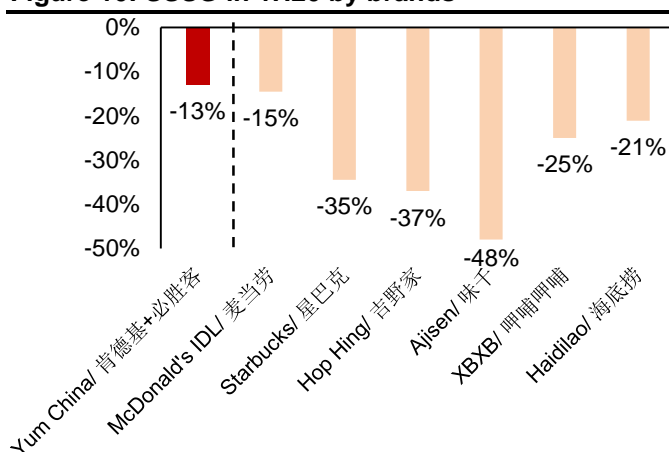
### #1 Largest in scale and number of restaurants, in the China catering sector.

YUMC has generated about RMB 61.1bn sales in FY19, which is already 1.3x higher than Haidilao's RMB 26.6bn, 9.1x higher than XiabuXiabu's RMB 6.0bn and 21.7x higher than Jiumaojiu's RMB 2.7bn. YUMC also had 9,200 stores in FY19, which is 7.2 greater than XiabuXiabu's 1,124, 11.8x higher than Haidilao's 716 and 33.2x more than Jiumaojiu's 269.

### #2 Superior resilience proven during the pandemic, in terms of SSSG and margins.

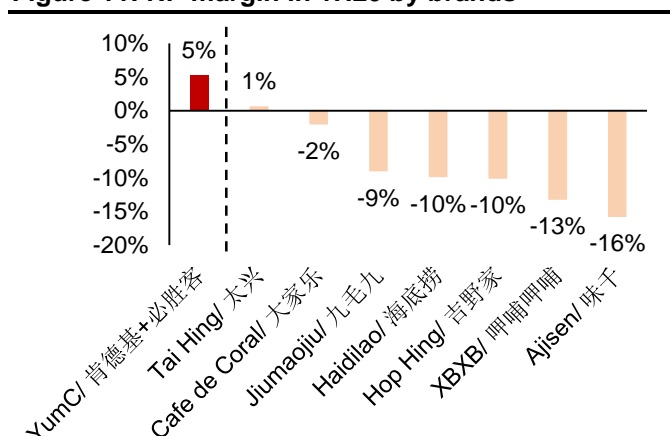
YUMC delivered the industry leading SSSG (just a 13% decline) and profit (at 5% NP margin) in 1H20, even amid the pandemic. Thanks to :1) more flexible staff costs and 2) fast food nature, which fit well for all take away, dine-in and delivery, and 3) affordable pricing. We believe YUMC deserves a meaningful credit for such an excellent performance.

Figure 10: SSSG in 1H20 by brands



Source: Company data, CMBIS estimates

Figure 11: NP margin in 1H20 by brands



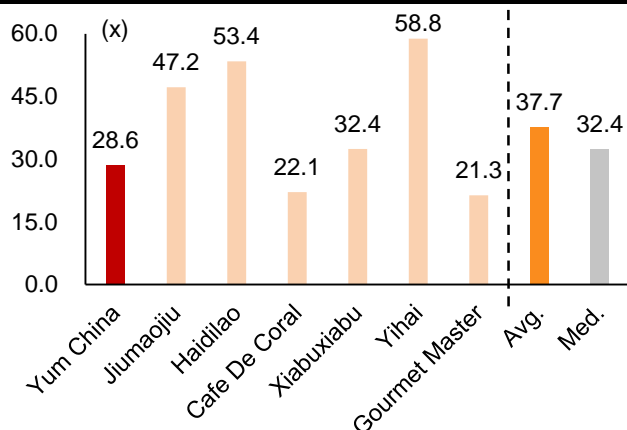
Source: Company data, CMBIS estimates

### #3 Industry leading digital maturity, a key for future market consolidations.

YUMC had already acquired over 215mn and 70mn members for KFC and Pizza Hut in China, achieved close to 100% delivery coverage for its restaurants, recorded about 70% sales from digital orderings in FY19. These digital and delivery achievements are certainly the result of significant investments on IT systems, and we believe the big data and IT knowhow can not only generate more sales and profit for the group, but also create a meaningful entry barriers for its competitors in the future.

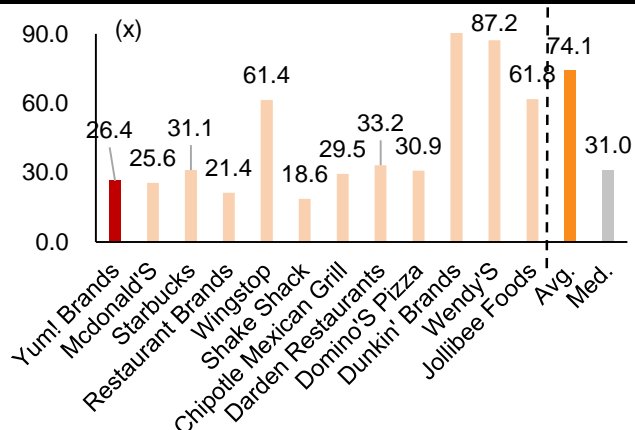


Figure 12: China peers valuation - Forward 2 yrs P/E



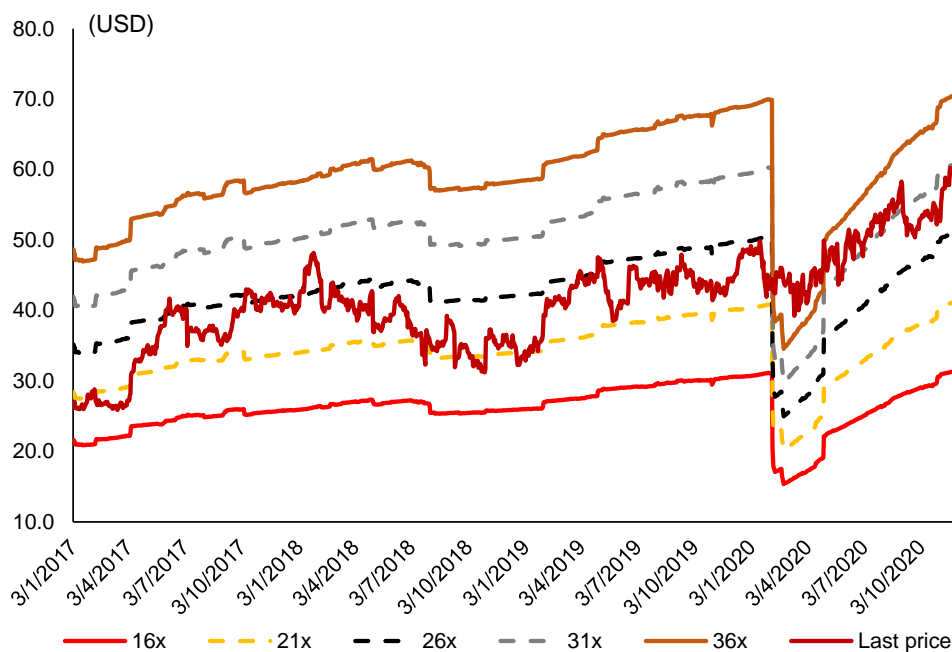
Source: Bloomberg, Company data, CMBIS estimates

Figure 13: Int'l peers valuation - Forward 2 yrs P/E



Source: Bloomberg, Company data, CMBIS estimates

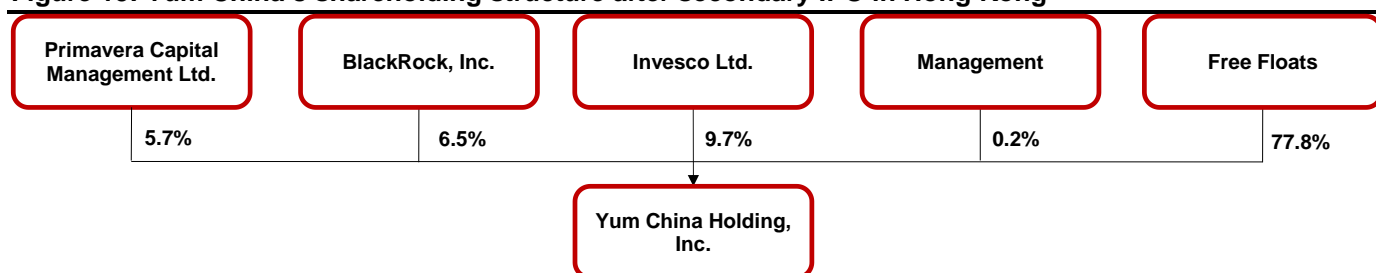
Figure 14: Valuation – Forward 2 yrs P/E band



Source: Bloomberg, Company data, CMBIS estimates, as at 4 Dec 2020

## Shareholding Structure

Figure 15: Yum China's shareholding structure after secondary IPO in Hong Kong



Source: Company data, HKEX, CMBIS estimates



## Key Risks

- Outbreak of viruses or other illnesses that may have material adverse effect on the business
- Greater than expected increase in raw material costs
- Level of competition intensify, or fail to remain competitive in product, service, branding quality
- Lower than expected positive yield from the Pizza Hut transformation
- Failure to keep up with store expansion plan, or new store performance is as good as expected
- Labour shortage or faster than expected increase in labour costs
- Involvement in lethal or other severe food safety scandal
- Involvement in fraud or other misconduct committed by employees or third parties

## Financial Summary

### Income statement

YE 31 Dec (USD mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>8,415</b>	<b>8,776</b>	<b>8,127</b>	<b>9,818</b>	<b>10,930</b>
Company sales	7,633	7,925	7,309	8,826	9,828
Franchise fees and income	141	148	147	185	202
Fran. & uncol. affiliates sales	603	654	619	751	838
Other revenues	38	49	52	56	62
<b>Cost of goods sold</b>	<b>(2,326)</b>	<b>(2,479)</b>	<b>(2,317)</b>	<b>(2,780)</b>	<b>(3,056)</b>
<b>Gross profit</b>	<b>6,089</b>	<b>6,297</b>	<b>5,810</b>	<b>7,038</b>	<b>7,874</b>
<b>Other net income</b>	<b>152</b>	<b>60</b>	<b>260</b>	<b>69</b>	<b>77</b>
<b>Operating expenses</b>	<b>(5,300)</b>	<b>(5,456)</b>	<b>(5,153)</b>	<b>(6,018)</b>	<b>(6,622)</b>
Staff costs	(1,714)	(1,807)	(1,688)	(1,982)	(2,176)
Admin	(526)	(560)	(577)	(648)	(689)
Property rent & related	(852)	(877)	(804)	(971)	(1,081)
D & A	(445)	(428)	(404)	(407)	(434)
Other operating expenses	(1,763)	(1,784)	(1,680)	(2,009)	(2,242)
<b>EBIT</b>	<b>941</b>	<b>901</b>	<b>917</b>	<b>1,089</b>	<b>1,329</b>
Finance costs, net	36	39	68	109	127
JV & associates	-	-	-	-	-
Exceptional	(27)	63	49	39	22
<b>Pre-tax profit</b>	<b>950</b>	<b>1,003</b>	<b>1,033</b>	<b>1,237</b>	<b>1,478</b>
Income tax	(214)	(260)	(274)	(322)	(377)
Less: Minority interests	28	30	31	37	44
<b>Net profit</b>	<b>708</b>	<b>713</b>	<b>728</b>	<b>878</b>	<b>1,057</b>

### Cash flow summary

YE 31 Dec (USD mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Net income</b>	<b>941</b>	<b>901</b>	<b>917</b>	<b>1,089</b>	<b>1,329</b>
D&A	429	419	385	396	425
Change in working capital	213	74	(13)	91	56
Income tax paid	33	16	(274)	(322)	(377)
Others	(283)	(225)	192	185	158
<b>Net cash from operating</b>	<b>1,333</b>	<b>1,185</b>	<b>1,207</b>	<b>1,439</b>	<b>1,591</b>
Capex & investments	(470)	(435)	(406)	(491)	(547)
Associated companies	-	-	-	-	-
Interest received	-	-	-	-	-
Others	(82)	(475)	-	-	-
<b>Net cash from investing</b>	<b>(552)</b>	<b>(910)</b>	<b>(406)</b>	<b>(491)</b>	<b>(547)</b>
Equity raised	(307)	(265)	2,220	-	-
Change of Debts	-	-	-	-	-
Dividend paid	(161)	(181)	(181)	(77)	(211)
Others	(50)	(34)	-	-	-
<b>Net cash from financing</b>	<b>(518)</b>	<b>(480)</b>	<b>2,039</b>	<b>(77)</b>	<b>(211)</b>
<b>Net change in cash</b>	<b>263</b>	<b>(205)</b>	<b>2,840</b>	<b>871</b>	<b>833</b>
Beginning cash balance	1,059	1,266	1,046	3,886	4,756
Exchange difference	(56)	(15)	-	-	-
<b>Cash at the end of the year</b>	<b>1,266</b>	<b>1,046</b>	<b>3,886</b>	<b>4,756</b>	<b>5,590</b>

### Balance sheet

YE 31 Dec (USD mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>2,658</b>	<b>4,691</b>	<b>4,637</b>	<b>4,695</b>	<b>4,808</b>
Fixed asset	1,615	1,594	1,615	1,710	1,832
Intangible assets & goodwill	116	94	75	64	54
Prepaid lease payments	-	-	-	-	-
Interest in asso. & JV	81	89	89	89	89
Others	846	2,914	2,858	2,832	2,833
<b>Current assets</b>	<b>1,952</b>	<b>2,259</b>	<b>5,027</b>	<b>6,006</b>	<b>6,906</b>
Cash and cash equivalents	1,266	1,046	3,886	4,756	5,590
Inventories	307	380	317	381	419
Trade and other receivables	80	88	89	108	120
Prepayments	177	134	124	150	167
Others	122	611	611	611	611
<b>Current liabilities</b>	<b>1,253</b>	<b>1,736</b>	<b>1,652</b>	<b>1,850</b>	<b>1,974</b>
Borrowings	-	-	-	-	-
Trade payables	619	623	571	686	754
Accruals & other payables	369	437	405	489	544
Tax payables	54	45	45	45	45
Others	211	631	631	631	631
<b>Non-current liabilities</b>	<b>380</b>	<b>2,039</b>	<b>2,039</b>	<b>2,039</b>	<b>2,039</b>
Borrowings	-	-	-	-	-
Deferred income	144	-	-	-	-
Deferred tax	136	136	136	136	136
Others	100	1,903	1,903	1,903	1,903
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>2,977</b>	<b>3,175</b>	<b>5,973</b>	<b>6,811</b>	<b>7,701</b>
<b>Shareholders' equity</b>	<b>2,977</b>	<b>3,175</b>	<b>5,973</b>	<b>6,811</b>	<b>7,701</b>

### Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>					
Company sales	90.7	90.3	89.9	89.9	89.9
Franchise fees and income	1.7	1.7	1.8	1.9	1.9
Fran. & uncol. affiliates sales	7.2	7.5	7.6	7.7	7.7
Other revenues	0.5	0.6	0.6	0.6	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	72.4	71.8	71.5	71.7	72.0
Operating margin	11.2	10.3	11.3	11.1	12.2
Pre-tax margin	11.3	11.4	12.7	12.6	13.5
Net margin	8.4	8.1	9.0	8.9	9.7
Effective tax rate	22.5	25.9	26.5	26.0	25.5
<b>Balance sheet ratios</b>					
Current ratio (x)	1.6	1.3	3.0	3.2	3.5
Quick ratio (x)	1.3	1.1	2.9	3.0	3.3
Cash ratio (x)	1.0	0.6	2.4	2.6	2.8
Inventory turnover days	47	51	50	50	50
Trade receivables days	3	3	4	4	4
Trade payables days	82	91	90	90	90
Total debt / total equity ratio (%)	-	-	-	-	-
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	23.8	22.5	12.2	12.9	13.7
ROA	15.4	10.3	7.5	8.2	9.0
<b>Per share</b>					
EPS (USD)	1.79	1.84	1.76	2.02	2.41
DPS (USD)	0.44	0.48	0.19	0.50	0.60
BVPS (USD)	7.85	8.44	14.30	16.21	18.22

Source: Company data, CMBIS estimates

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