

Jiumaojiu (9922 HK)

Tai Er's OPM and Song are the key drivers

Maintain BUY and cut TP (mostly due to de-rating). While we are encouraged by ramp-up of Song hotspot, recovery trend for Tai Er is still highly arguable. In fact, due to its richer than peers valuation, it is not our top pick in the sector.

- **1H23 results inline.** For 1H23, group's sales increased by 52% YoY to RMB 2.9bn, inline with CMBI est. Net profit surged by 285% YoY to RMB 222mn, inline with CMBI est. and the profit alert. Sales growth for JM/J Tai Er/ Song were at 2%/ 47%/ 331%, consisting of -3%/ 29%/ 291% store number growth and 8%/ 16%/ 25% SSSG. GP margin declined slightly, likely due to drop in ASP and some operating deleverage but OP margin still managed to jump a lot, thanks to better rental and D&A expenses. Restaurant level OP margin for JM/J Tai Er/ Song were at 19%/ 21%/ 14%, up by 7.4ppt/ 4.9ppt/ 15.1ppt. YoY.
- **Tai Er recovery rate was slow, but OP margin is still climbing and our expectation is now conservative enough.** Tai Er's seat turnover was at 3.1x in 1H23, better than the 2.9x in 1H22, but still far below the 4.8x back in FY19. Even though Tai Er is still competitive in terms of taste and pricing, the demand from young customers and shopping traffic in China (only back to just 70%-80% of FY19's level) are still weak, hence its SSS recovery rate was only at 86% (vs 2019) in 1H23. The trend has improved in Jul- Aug 2023 (to about 90%), but we suspect that was only due to holiday effect and seasonality, hence we are still conservative about recovery rate in 2H23E and FY24E). OP margin was at 21%, fairly close to management's long-term target of 22%-25%, which was already impressive, given such a slow SSS recovery. We do expect improvement to be slow and gradual. The next major catalyst should be the implementation of its self-owned supply chain (Nansha, Beijing in FY24E and Chongqing, Shanghai in FY26E).
- **Song should continue to ramp up and begin to contribute profits.** Song's seat turnover was at 2.8x, increased from 2.4x in 1H22. Even though the brand popularity might not be as hot as its peak in FY21, perhaps due to rising options in the market and increases in supply of Song restaurants, the management had done the right thing to lower its ASP to around RMB 120 (from 130 in FY22), hence we do expect Song seat turnover to continue to ramp up. And we believe 1H23 is the first half year that Song has a positive profit. Even though the OP margin is still low, we do expect that to climb up and reach a level similar to Tai Er eventually.
- **Maintain BUY and cut TP to HK\$15.46.** Our new TP is based on 25x FY24E P/E (down from 30x, slower than expected turnaround). We fine-tuned our net profit forecasts by 3%/ 8%/11% in FY23E/ 24E/ 25E to factor in sales and profits contribution from the Song hotspot.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,180	4,006	6,224	8,394	10,512
YoY growth (%)	54.0	(4.2)	55.4	34.9	25.2
Operating profit (RMB mn)	556	241	900	1,295	1,704
Net profit (RMB mn)	372.2	55.6	601.6	886.5	1,189.3
EPS (Reported) (RMB cents)	23.38	3.39	37.47	55.22	74.08
YoY growth (%)	160.7	(85.5)	1,005.1	47.4	34.2
P/E (x)	47.6	353.9	32.0	21.7	16.2
P/B (x)	5.2	5.5	4.6	3.7	2.9
Yield (%)	0.2	0.1	0.8	1.1	1.5
ROE (%)	12.0	1.8	17.3	20.8	22.0
Net gearing (%)	42.8	34.7	35.7	43.8	53.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$15.46
(Previous TP)	HK\$17.21)
Up/Downside	15.0%
Current Price	HK\$13.44

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	19,533.8
Avg 3 mths t/o (HK\$ mn)	185.3
52w High/Low (HK\$)	23.50/11.90
Total Issued Shares (mn)	1453.4
Source: FactSet	

Shareholding Structure

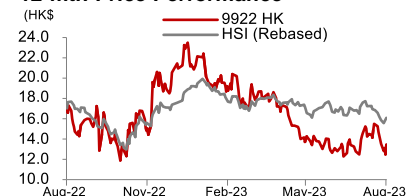
Mr. Guan Yi Hong	37.4%
T. Rowe Price Associates	5.1%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	7.7%	10.4%
3-mth	-2.0%	2.8%
6-mth	-28.4%	-21.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Store opening plan is still quick and on track, but it might look faster from the accounting prospective.** For Tai Er, the 120 net new stores target was maintained but the management did highlighted that the 13 stores opened on 1st of Jan 2023 will not be counted, therefore, effectively speaking the actual net new stores could be raised to 133 in FY23E. For Song hotpot, the 35 net new stores target in FY23E was unchanged and management is now seeing no less than 35 stores in FY24E.
- **Moreover the overseas expansion is smooth and full of potential.** Management has reiterated its 15-20 net Tai Er stores target in the overseas market, and so far the performance has been decent. For example, tariff of the Tai Er store was exceptional in Suntec City, Singapore and the performance of the soon arrived Lai Mei Li Grilled Fish was also good. This had boosted the confidence of the Company's overseas team and believe the room for expansion could be huge (management is now expecting at least 100 stores). Building a local supply chain is also an option, but will only do when the scale has become much larger.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	6,224	8,394	10,512	5,924	7,643	9,370	5.1%	9.8%	12.2%
Gross profit	3,976	5,397	6,803	3,810	4,950	6,110	4.4%	9.0%	11.3%
EBIT	926	1,331	1,760	897	1,235	1,578	3.1%	7.8%	11.5%
Net profit att.	545	803	1,077	528	744	965	3.1%	7.8%	11.6%
Diluted EPS (RMB)	0.375	0.552	0.741	0.363	0.512	0.664	3.1%	7.8%	11.6%
Gross margin	63.9%	64.3%	64.7%	64.3%	64.8%	65.2%	-0.4ppt	-0.5ppt	-0.5ppt
EBIT margin	14.9%	15.9%	16.7%	15.1%	16.2%	16.8%	-0.3ppt	-0.3ppt	-0.1ppt
Net profit att. margin	8.7%	9.6%	10.2%	8.9%	9.7%	10.3%	-0.2ppt	-0.2ppt	-0.1ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	6,224	8,394	10,512	6,624	9,170	11,889	-6.0%	-8.5%	-11.6%
Gross profit	3,976	5,397	6,803	4,250	5,904	7,666	-6.4%	-8.6%	-11.3%
EBIT	926	1,331	1,760	927	1,445	1,946	-0.1%	-7.9%	-9.6%
Net profit att.	545	803	1,077	588	918	1,227	-7.4%	-12.6%	-12.2%
Diluted EPS (RMB)	0.375	0.552	0.741	0.400	0.635	0.857	-6.3%	-13.1%	-13.6%
Gross margin	63.9%	64.3%	64.7%	64.2%	64.4%	64.5%	-0.3ppt	-0.1ppt	0.2ppt
EBIT margin	14.9%	15.9%	16.7%	14.0%	15.8%	16.4%	0.9ppt	0.1ppt	0.4ppt
Net profit att. margin	8.7%	9.6%	10.2%	8.9%	10.0%	10.3%	-0.1ppt	-0.5ppt	-0.1ppt

Source: Company data, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H22	2H22	1H23	2H23E	1H23 YoY	2H23E YoY	1H23E CMBI GM	Actual vs CMBI
Revenue	1,899	2,107	2,879	3,344	52%	59%	2,885	0%
COGS	-664	-783	-1,042	-1,206			-998	
Gross profit	1,235	1,323	1,837	2,139	49%	62%	1,887	-3%
GP margins	65.1%	62.8%	63.8%	64.0%			65.4%	
Other income & gains	25	46	53	39			43	23%
Staff costs	-544	-590	-718	-730	32%	24%	-721	0%
Staff costs / sales	-28.6%	-28.0%	-24.9%	-21.8%			-25.0%	
Dep. of right-of-use assets expenses	-192	-211	-227	-253	18%	20%	-242	-6%
Dep. of ROU assets exp / sales	-10.1%	-10.0%	-7.9%	-7.6%			-8.4%	
Other rentals expenses	-43	-40	-67	-57	57%	41%	-58	16%
Other rentals exp / sales	-2.3%	-1.9%	-2.3%	-1.7%			-2.0%	
D & A of other assets	-93	-97	-109	-176	17%	81%	-133	-18%
D & A of other assets exp / sales	-4.9%	-4.6%	-3.8%	-5.3%			-4.6%	
Utilities expenses	-67	-82	-101	-125	50%	53%	-101	0%
Utilities exp / sales	-3.5%	-3.9%	-3.5%	-3.7%			-3.5%	
Travelling & related expenses	-9	-16	-17	-21	83%	26%	-14	17%
Travelling & related exp / sales	-0.5%	-0.8%	-0.6%	-0.6%			-0.5%	
A & P expenses	-23	-32	-32	-54	38%	68%	-43	-26%
A & P exp / sales	-1.2%	-1.5%	-1.1%	-1.6%			-1.5%	
Delivery service fees	-45	-28	-39	-66	-14%	133%	-43	-10%
Delivery service fees / sales	-2.4%	-1.3%	-1.3%	-2.0%			-1.5%	
Other opex	-80	-170	-152	-199	90%	17%	-144	6%
Other opex / sales	-4.2%	-8.1%	-5.3%	-5.9%			-5.0%	
Operating profit (EBIT)	164	103	429	497	161%	384%	430	0%
OP margins	8.6%	4.9%	14.9%	14.9%			14.9%	
Other items	-27	-61	-58	39			-45	
Net finance income	-39	-42	-43	-45			-58	-26%
Net finance income / sales	-2.1%	-2.0%	-1.5%	-1.3%			-2.0%	
Profit after financing costs	98	-0	328	492			327	
Associated coms	-2	-1	-3	-2			-3	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	96	-1	325	489	241%	n/a	324	0%
Tax	-33	-6	-87	-126			-87	-1%
Tax / sales	-1.7%	-0.3%	-3.0%	-3.8%			-3.0%	
Effective tax rate	-34.6%	487.6%	-26.7%	-25.8%			-27.0%	
Minority interests	5	2	16	41			15	8%
Net profit att.	58	-8	222	322	285%	n/a	221	0%
NP margins	3.0%	-0.4%	7.7%	9.6%			7.7%	

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Half yearly / Full yearly (RMB mn)	FY22	FY23E	FY24E	FY23E YoY	FY24E YoY
Revenue	4,006	6,224	8,394	55%	35%
COGS	-1,447	-2,248	-2,997		
Gross profit	2,559	3,976	5,397	55%	36%
GP margins	63.9%	63.9%	64.3%		
Other income & gains	71	92	126		
Staff costs	-1,134	-1,448	-1,976	28%	36%
Staff costs / sales	-28.3%	-23.3%	-23.5%		
Dep. of right-of-use assets expenses	-403	-481	-613	19%	27%
Dep. of ROU assets exp / sales	-10.1%	-7.7%	-7.3%		
Other rentals expenses	-83	-124	-178	49%	43%
Other rentals exp / sales	-2.1%	-2.0%	-2.1%		
D & A of other assets	-190	-285	-385	50%	35%
D & A of other assets exp / sales	-4.7%	-4.6%	-4.6%		
Utilities expenses	-149	-226	-282	52%	25%
Utilities exp / sales	-3.7%	-3.6%	-3.4%		
Travelling & related expenses	-26	-37	-50	46%	35%
Travelling & related exp / sales	-0.6%	-0.6%	-0.6%		
A & P expenses	-56	-86	-116	55%	35%
A & P exp / sales	-1.4%	-1.4%	-1.4%		
Delivery service fees	-73	-105	-135	43%	28%
Delivery service fees / sales	-1.8%	-1.7%	-1.6%		
Other opex	-250	-351	-456	40%	30%
Other opex / sales	-6.2%	-5.6%	-5.4%		
Operating profit (EBIT)	267	926	1,331	247%	44%
OP margins	6.7%	14.9%	15.9%		
Other items	-88	-19	-25		
Net finance income	-81	-87	-99		
Net finance income / sales	-2.0%	-1.4%	-1.2%		
Profit after financing costs	98	820	1,207		
Associated coms	-3	-5	-7		
Jointly controlled coms	0	0	0		
Pre-tax profit	94	815	1,200	764%	47%
Tax	-39	-213	-314		
Tax / sales	-1.0%	-3.4%	-3.7%		
Effective tax rate	-41.0%	-26.2%	-26.1%		
Minority interests	6	57	84		
Net profit att.	49	545	803	1005%	47%
NP margins	1.2%	8.7%	9.6%		

Source: Bloomberg, Company data, CMBIGM estimates

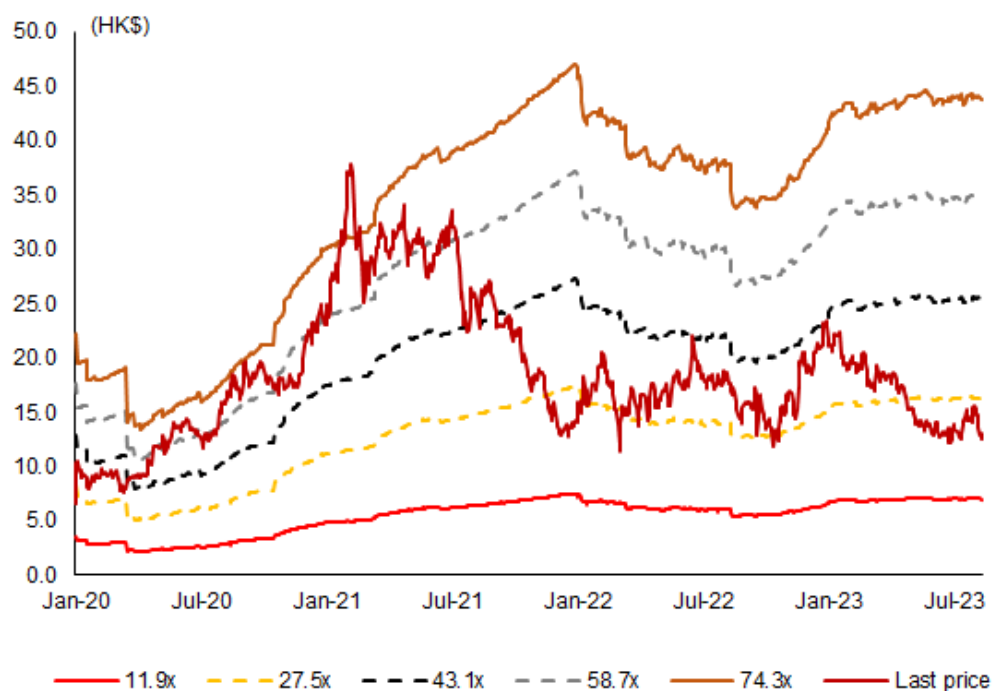
Valuation

Figure 5: Peers valuation

								PER (x)		PBR (x)		ROE (%)	ROE (%)	3yrs PEG(x)	Yield (%)
Company	Ticker	Rating	12M TP HK\$/ LC	Price HK\$/ LC	Up/dow n-side (%)	Mkt cap HK\$ mn	Year End	FY1	FY2	FY1	FY2	FY0	FY2	FY1	FY1
Leading Greater China Catering															
Jiumaojiu	9922 HK	BUY	15.46	13.44	15%	19,549	Dec-22	353.9	32.0	5.5	4.6	11.0	20.6	10.7	0.1
Haidilao	6862 HK	BUY	23.96	21.65	11%	120,677	Dec-22	29.8	24.1	10.3	7.5	17.9	35.6	0.6	0.9
Nayuki	2150 HK	BUY	8.75	4.68	87%	8,027	Dec-22	25.6	12.0	1.5	1.2	(9.7)	10.7	(0.1)	0.2
Helens	9869 HK	NR	n/a	7.96	n/a	10,085	Dec-22	24.5	15.8	4.2	3.4	(68.1)	21.3	(0.1)	0.3
Cafe De Coral	341 HK	BUY	12.32	9.79	26%	5,734	Mar-23	18.4	13.4	2.0	1.9	3.9	14.9	0.3	5.2
Xiabuxiabu	520 HK	BUY	7.65	4.19	83%	4,551	Dec-22	15.4	9.7	2.5	2.1	(20.6)	22.8	(0.1)	2.0
Tam Jai	2217 HK	NR	n/a	1.52	n/a	2,038	Mar-23	13.8	9.5	1.4	1.3	9.1	14.2	0.6	2.2
Yihai	1579 HK	NR	n/a	16.20	n/a	16,795	Dec-22	17.2	15.0	3.0	2.6	18.3	18.4	1.4	1.7
Yum China	9987 HK	BUY	576.90	421.40	37%	175,662	Dec-22	25.0	20.7	3.1	2.8	11.4	14.4	0.6	1.0
Gourmet Master	2723 TT	NR	n/a	106.50	n/a	4,733	Dec-22	18.3	13.8	1.6	1.5	7.6	11.3	0.4	3.7
Avg.								54.2	16.6	3.5	2.9	(1.9)	18.4	1.4	1.7
Med.								21.5	14.4	2.8	2.4	8.3	16.7	0.5	1.3
International Catering															
Yum! Brands	YUM US	NR	n/a	129.40	n/a	284,331	Dec-22	24.7	21.9	n/a	n/a	n/a	(19.7)	0.9	1.9
Mcdonald'S	MCD US	NR	n/a	281.87	n/a	1,610,794	Dec-22	24.4	22.7	n/a	n/a	n/a	(39.1)	1.4	2.2
Starbucks	SBUX US	NR	n/a	95.18	n/a	854,885	Oct-22	27.6	23.4	n/a	n/a	n/a	(54.6)	1.3	2.2
Restaurant Brands	QSR US	NR	n/a	69.57	n/a	248,245	Dec-22	21.6	20.1	7.6	6.9	40.2	38.7	3.8	3.2
Chipotle Mexican	CMG US	NR	n/a	1894.9	n/a	409,928	Dec-22	43.7	36.1	17.4	14.9	45.3	44.7	1.7	0.0
Darden	DRI US	NR	n/a	156.30	n/a	148,147	May-23	17.9	16.2	8.1	7.7	44.6	49.4	1.8	3.3
Domino'S Pizza	DPZ US	NR	n/a	382.62	n/a	105,295	Jan-23	28.0	24.4	n/a	n/a	n/a	(13.9)	2.4	1.3
Wendy'S	WEN US	NR	n/a	20.13	n/a	33,036	Jan-23	20.5	17.9	12.9	17.0	47.0	77.4	0.7	5.0
Shake Shack	SHAK US	NR	n/a	70.31	n/a	23,320	Dec-22	258	171	7.1	6.6	(1.8)	3.9	(1.3)	n/a
Wingstop	WING US	NR	n/a	165.30	n/a	38,857	Dec-22	75.9	65.2	n/a	n/a	n/a	(25.8)	1.1	0.5
Jollibee Foods	JFC PM	NR	n/a	243.00	n/a	37,609	Dec-22	33.8	26.8	3.7	3.3	9.3	13.3	2.7	1.2
Avg.								52.4	40.6	9.5	9.4	30.8	6.8	1.5	2.1
Med.								27.6	23.4	7.8	7.3	42.4	3.9	1.4	2.0
A-shares Greater China Catering															
Foshan Haitian	603288 CH	NR	n/a	40.28	n/a	241,293	Dec-22	31.5	27.1	7.3	6.3	22.8	22.9	2.7	1.5
Fujian Sunner	002299 CH	NR	n/a	20.21	n/a	27,077	Dec-22	18.0	9.3	2.3	1.9	5.7	18.5	0.2	1.3
Angel Yeast	600298 CH	NR	n/a	33.59	n/a	31,440	Dec-22	19.1	15.4	2.7	2.4	16.2	16.0	1.2	1.6
Meihua	600873 CH	NR	n/a	8.43	n/a	26,731	Dec-22	7.1	5.8	1.6	1.4	24.4	23.4	1.7	3.3
Guangzhou Restaurant	603043 CH	NR	n/a	25.05	n/a	15,349	Dec-22	19.5	16.0	3.6	3.0	16.6	19.3	0.8	1.6
China Quanjude	002186 CH	NR	n/a	12.38	n/a	4,114	Dec-22	n/a	n/a	n/a	n/a	(11.8)	n/a	n/a	n/a
Xi'An Catering	000721 CH	NR	n/a	12.73	n/a	7,871	Dec-22	n/a	n/a	n/a	n/a	(33.3)	n/a	n/a	n/a
Avg.								19.0	14.7	3.5	3.0	5.8	20.0	1.3	1.9
Med.								19.1	15.4	2.7	2.4	16.2	19.3	1.2	1.6
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	5.79	n/a	25,009	Dec-22	14.4	12.9	1.7	1.7	11.8	13.4	0.9	7.2
Tingyi	322 HK	NR	n/a	11.64	n/a	65,584	Dec-22	17.2	14.5	4.6	4.3	21.7	32.0	0.9	5.8
Want Want	151 HK	NR	n/a	5.24	n/a	62,248	Mar-23	14.3	13.2	3.6	3.3	21.6	26.7	1.5	5.3
Mengniu Dairy	2319 HK	BUY	40.00	25.00	60%	98,499	Dec-22	14.7	12.7	2.0	1.7	13.8	14.5	1.1	1.9
Vitasoy	345 HK	NR	n/a	10.50	n/a	11,265	Mar-23	61.8	30.3	3.6	3.3	1.5	9.9	0.6	1.0
Budweiser Brewing	1876 HK	HOLD	18.60	16.96	10%	224,608	Dec-22	27.4	22.8	2.5	2.4	8.3	10.8	1.7	1.6
Tsingtao Brewery	168 HK	BUY	92.90	68.55	36%	119,004	Dec-22	19.7	17.1	3.1	2.7	15.7	17.1	1.7	2.8
CR Beer	291 HK	BUY	73.10	47.90	53%	155,396	Dec-22	26.9	22.1	4.6	4.1	17.9	19.2	1.5	1.5
Dali Foods	3799 HK	NR	n/a	3.73	n/a	51,079	Dec-22	14.8	13.5	2.3	2.1	15.8	16.5	3.1	3.9
Avg.								23.5	17.7	3.1	2.9	14.2	17.8	1.4	3.5
Med.								17.2	14.5	3.1	2.7	15.7	16.5	1.5	2.8

Source: Bloomberg, Company data, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band



source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

Major assumptions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by brand (RMB mn)						
Jiu Mao Jiu	716	760	606	608	699	786
Tai Er	1,962	3,292	3,108	4,930	6,666	8,389
Other brands	38	127	292	686	1,029	1,338
Total	2,715	4,180	4,006	6,224	8,394	10,512
Sales growth by brand (%)						
Jiu Mao Jiu	-47.8%	6.3%	-20.4%	0.4%	15.0%	12.3%
Tai Er	53.6%	67.8%	-5.6%	58.6%	35.2%	25.8%
Other brands	-2.7%	238.8%	129.7%	135.0%	50.0%	30.0%
Total	1.0%	54.0%	-4.2%	55.4%	34.9%	25.2%
Sales by segment growth (%)						
Restaurant operations	-9.3%	59.2%	-9.1%	65.0%	36.7%	26.0%
Delivery business	121.6%	31.2%	26.6%	17.2%	24.9%	20.4%
Sales of specialties	-14.6%	416.4%	-90.7%	15.0%	15.0%	15.0%
Others	-15.8%	-26.9%	-22.3%	10.0%	10.0%	10.0%
Total	1.0%	54.0%	-4.2%	55.4%	34.9%	25.2%
Number of restaurants by brand						
Jiu Mao Jiu	98	83	76	79	84	92
Tai Er	233	350	450	580	712	841
Other brands	50	37	30	68	106	144
Total	381	470	556	727	902	1,077
GP margins by segment (%)						
Jiu Mao Jiu	67.0%	61.0%	61.0%	61.0%	61.0%	61.0%
Tai Er	59.5%	63.8%	64.6%	64.5%	65.0%	65.5%
Other brands	60.0%	62.0%	62.0%	62.0%	62.0%	62.0%
Total	61.5%	63.2%	63.9%	63.9%	64.3%	64.7%
Opex breakdown (%)						
Staff costs	-27.5%	-25.3%	-28.3%	-23.3%	-23.5%	-23.4%
Depreciation of right-of-use assets	-9.0%	-8.2%	-10.1%	-7.7%	-7.3%	-7.2%
Other rentals & related expenses	-1.8%	-2.3%	-2.1%	-2.0%	-2.1%	-2.2%
D & A of other assets	-4.1%	-3.8%	-4.7%	-4.6%	-4.6%	-4.7%
Utilities expenses	-3.5%	-3.2%	-3.7%	-3.6%	-3.4%	-3.2%
Others	-9.7%	-8.4%	-10.1%	-9.3%	-9.0%	-8.9%
EBIT margins (%)	9.0%	13.6%	6.7%	14.9%	15.9%	16.7%
Effective tax rate	20.9%	26.5%	39.7%	26.0%	26.0%	26.0%
NP att. margins (%)	4.6%	8.1%	1.2%	8.7%	9.6%	10.2%
NP att. growth (%)	-24.5%	174.0%	-85.5%	1005.0%	47.4%	34.2%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	2,715	4,180	4,006	6,224	8,394	10,512
Cost of goods sold	(1,046)	(1,537)	(1,447)	(2,248)	(2,997)	(3,709)
Gross profit	1,669	2,642	2,559	3,976	5,397	6,803
Operating expenses	(1,509)	(2,138)	(2,363)	(3,143)	(4,192)	(5,211)
Staff costs	(748)	(1,057)	(1,134)	(1,448)	(1,976)	(2,462)
Other rental related expenses	(50)	(97)	(83)	(124)	(178)	(226)
Others	(358)	(482)	(553)	(805)	(1,040)	(1,274)
Operating profit	214	556	241	900	1,295	1,704
Other income	54	52	46	67	90	112
Share of (losses)/profits of associates/JV	(8)	1	(3)	(5)	(7)	(9)
EBITDA	567	1,058	834	1,665	2,293	2,953
Depreciation	(111)	(159)	(190)	(285)	(385)	(493)
Depreciation of ROU assets	(243)	(343)	(403)	(481)	(613)	(756)
Interest income	30	12	26	26	36	55
Interest expense	(67)	(75)	(81)	(87)	(99)	(109)
Other income/expense	8	11	(88)	(19)	(25)	(32)
Pre-tax profit	177	506	94	815	1,200	1,610
Income tax	(39)	(134)	(39)	(213)	(314)	(421)
Minority interest	(14)	(32)	(6)	(57)	(84)	(113)
Net profit	138	372	56	602	887	1,189

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	2,862	2,559	2,585	3,095	4,104	5,520
Cash & equivalents	1,844	1,342	1,099	1,337	2,068	3,216
Account receivables	15	12	21	46	62	78
Inventories	51	71	118	147	196	242
Prepayment	203	325	392	610	822	1,030
ST bank deposits	0	2	11	11	11	11
Other current assets	748	807	945	945	945	945
Non-current assets	1,945	2,576	2,822	3,062	3,305	3,510
PP&E	445	572	737	984	1,234	1,449
Investment in JVs & assos	3	13	10	5	(2)	(10)
Intangibles	12	18	25	23	22	21
Other non-current assets	1,484	1,972	2,051	2,051	2,051	2,051
Total assets	4,806	5,135	5,407	6,157	7,408	9,030
Current liabilities	749	805	955	1,071	1,270	1,463
Short-term borrowings	43	0	0	0	0	0
Account payables	138	141	188	154	205	254
Tax payable	37	38	17	17	17	17
Other current liabilities	531	625	749	900	1,047	1,191
Non-current liabilities	997	1,193	1,253	1,310	1,394	1,507
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	997	1,193	1,253	1,310	1,394	1,507
Total liabilities	1,746	1,998	2,208	2,381	2,664	2,969
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	699	1,710	3,066
Other reserves	3,060	3,138	3,199	3,076	3,035	2,995
Total shareholders equity	3,060	3,138	3,199	3,775	4,744	6,061
Minority interest	0	0	0	1	2	3
Total equity and liabilities	4,806	5,135	5,407	6,158	7,410	9,033

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	177	506	94	815	1,200	1,610
Depreciation & amortization	111	159	190	285	385	493
Tax paid	(48)	(133)	(88)	(213)	(314)	(421)
Change in working capital	3	(104)	9	(155)	(79)	(77)
Others	304	428	478	94	112	130
Net cash from operations	546	856	684	825	1,305	1,735
Investing						
Capital expenditure	(280)	(336)	(370)	(513)	(616)	(687)
Acquisition of subsidiaries/ investments	(1)	(6)	(11)	0	0	0
Others	(803)	(148)	(207)	0	0	0
Net cash from investing	(1,084)	(490)	(588)	(513)	(616)	(687)
Financing						
Dividend paid	(58)	(56)	(83)	13	141	208
Net borrowings	(178)	(43)	30	0	0	0
Proceeds from share issues	2,885	0	13	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(259)	(689)	(441)	(87)	(99)	(109)
Net cash from financing	2,390	(789)	(481)	(74)	43	99
Net change in cash						
Cash at the beginning of the year	127	1,844	1,342	1,099	1,337	2,068
Exchange difference	(136)	(79)	141	0	0	0
Others	1,852	(423)	(384)	238	732	1,147
Cash at the end of the year	1,844	1,342	1,099	1,337	2,068	3,216
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	1.0%	54.0%	(4.2%)	55.4%	34.9%	25.2%
Gross profit	(1.9%)	58.3%	(3.2%)	55.4%	35.7%	26.0%
Operating profit	(34.7%)	160.3%	(56.7%)	273.6%	43.9%	31.6%
EBITDA	(11.9%)	86.5%	(21.2%)	99.7%	37.7%	28.8%
Net profit	(25.7%)	169.7%	(85.1%)	981.8%	47.4%	34.2%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	61.5%	63.2%	63.9%	63.9%	64.3%	64.7%
Operating margin	7.9%	13.3%	6.0%	14.5%	15.4%	16.2%
EBITDA margin	20.9%	25.3%	20.8%	26.8%	27.3%	28.1%
Return on equity (ROE)	8.5%	12.0%	1.8%	17.3%	20.8%	22.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.6	0.4	0.3	0.4	0.4	0.5
Current ratio (x)	3.8	3.2	2.7	2.9	3.2	3.8
Receivable turnover days	2.7	2.7	2.7	2.7	2.7	2.7
Inventory turnover days	22.0	14.5	23.8	23.8	23.8	23.8
Payable turnover days	40.9	33.1	41.5	25.0	25.0	25.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	126.2	47.6	353.9	32.0	21.7	16.2
P/E (diluted)	126.2	47.6	353.9	32.0	21.7	16.2
P/B	5.1	5.2	5.5	4.6	3.7	2.9
P/CFPS	31.3	36.5	30.6	22.0	13.9	10.5
Div yield (%)	0.1	0.2	0.1	0.8	1.1	1.5
EV	16,809.4	18,189.9	18,424.4	18,186.4	17,454.8	16,307.7
EV/Sales	6.2	4.4	4.6	2.9	2.1	1.6
EV/EBITDA	29.6	17.2	22.1	10.9	7.6	5.5

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

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