

# Xiabu Xiabu Catering (520 HK)

## Dragged by 4Q22 but FY23E outlook still bright

### ■ What is new? XBXB issued a profit warning in FY22E, with sales to drop 23% YoY and net losses to be at about RMB 330mn.

- XBXB (520 HK) issued a profit warning and expects its sales to fall by 23% YoY to RMB 4.7bn, around 14%/ 19% lower than BBG/ CMBI est..

- It also forecast net losses to be at about RMB 320mn-340mn in FY22E (vs RMB 280mn in FY21), missing BBG/ CMBI est. of about RMB 190mn.

- Management believed the drag was mainly due to temporary suspension of dine-in services and operating deleverage during the pandemic in FY22E.

- Given the net losses of RMB 278mn in 1H22, the implied net losses in 2H22E improved significantly to just RMB 42mn-62mn, thanks to active improvement in strategy, management and costs control.

### ■ Our view: The miss was mainly on sales, but a bright FY23E is still intact, driven by better costs control and strong rebound in 2023 YTD.

1) The key was the miss in sales, mainly the result of reduced operating days (stores were closed or dine-in was suspended during pandemic) and we do see this as an one-off event,

2) the drag was mostly in Nov/Dec 2022, in our view, where SSSG were at -27%/ -55% for XBXB and -20%/ -55% for Cou Cou, much worse than -17% for XBXB and -14% for Cou Cou (average during Jul - Oct 2022),

3) the reforms were excellent in 2H22E, because SSS drop in 2H22E was at 22%-23% (very similar to 24%-25% in 1H22), but net margin had successfully narrowed to just -2.6% in 2H22E (from -12.8% in 1H22). This was helped by better GP margin (more in-house meat processing) and refined costs control (after simplification of management layers and use of profit sharing scheme),

4) the rebound was strong in 2023 YTD, where SSSG already improved to 36%/ 7% for XBXB and 3%/ -10% for Cou Cou in Jan/ Feb 2023, backed by better seat and table turnover of 2.3x/ 2.2x for XBXB and 2.2x/ 2.2x for Cou Cou (vs 1.6x/ 1.8x and 2.1x/ 2.2x last year). Moreover, HK segment also had a meaningful turnaround (HK was on lockdown last year) and Shao Hot's table turnover was still climbing, from 3.0x in Jan 2023 to 4.2x in Feb 2023.

### ■ Maintain BUY but trim TP to HK\$ 11.20, based on SOTP valuation (21x/ 35x for XBXB/ Cou Cou), also implied a 27x FY23E P/E, ~15% discount to industry average. We cut our net profit forecasts in 2023E/ 24E by 1%/ 7%, to factor in sales miss and slightly higher operating deleverage in FY22E. We still find XBXB attractive, given a 16%/ 48% sales/ restaurant level OP CAGR in FY21-24E, driven by various reforms and recovery. It is trading at 19x FY23E P/E and 1.0x FY23E P/S (vs peers' average of 32x and 2.1x).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,455	6,147	4,734	7,733	9,651
YoY growth (%)	(9.5)	12.7	(23.0)	63.3	24.8
Net income (RMB mn)	2	-293	-344	403	650
Diluted EPS (RMB)	0.002	(0.273)	(0.317)	0.371	0.597
YoY growth (%)	(99.3)	n/a	n/a	(217.0)	61.1
Consensus EPS (RMB)	n/a	n/a	(0.174)	0.217	0.403
P/E (x)	n/a	n/a	n/a	18.9	11.7
P/B (x)	3.1	3.5	4.6	3.7	2.9
Yield (%)	1.1	0.9	0.8	1.9	3.4
ROE (%)	n/a	1.6	8.9	11.9	27.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price	HK\$11.20
(Previous TP	HK\$11.61)
Up/Downside	+42.7%
Current Price	HK\$7.85

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#### Stock Data

Mkt Cap (HK\$ mn)	8,526
Avg 3 mths t/o (HK\$ mn)	167.42
52w High/Low (HK\$)	10.26/2.81
Total Issued Shares (mn)	1086.2

Source: Bloomberg

#### Shareholding Structure

Mr. Ho Kuang Chi	41.8%
CICC	13.5%
Goldman Sachs	5.0%
Free Float	39.7%

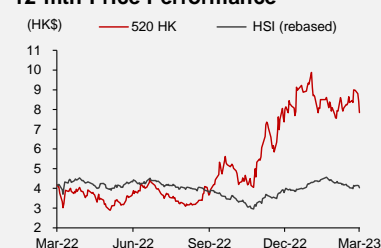
Source: Bloomberg, HKEx

#### Share Performance

	Absolute	Relative
1-mth	10.7%	14.8%
3-mth	14.0%	4.4%
6-mth	129.5%	112.9%
12-mth	89.2%	94.0%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte

#### Related Reports

1. Xiabu Xiabu Catering (520 HK, BUY)  
– Much needed reforms to bring XBXB nationwide – 17 Feb 2023

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	4,734	7,733	9,651	5,814	8,431	10,507	-18.6%	-8.3%	-8.1%
Gross profit	2,963	4,864	6,099	3,639	5,303	6,641	-18.6%	-8.3%	-8.1%
EBIT	-324	738	1,093	-87	764	1,176	271.3%	-3.3%	-7.1%
Net profit att.	-344	403	650	-189	408	697	82.4%	-1.3%	-6.8%
Diluted EPS (RMB)	(0.317)	0.371	0.597	(0.174)	0.376	0.641	82.4%	-1.3%	-6.8%
Gross margin	62.6%	62.9%	63.2%	62.6%	62.9%	63.2%	0ppt	0ppt	0ppt
EBIT margin	-6.9%	9.5%	11.3%	-1.5%	9.1%	11.2%	-5.4ppt	0.5ppt	0.1ppt
Net profit att. margin	-7.3%	5.2%	6.7%	-3.2%	4.8%	6.6%	-4ppt	0.4ppt	0.1ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	4,734	7,733	9,651	5,496	7,491	9,360	-13.9%	3.2%	3.1%
Gross profit	2,963	4,864	6,099	3,453	4,566	5,708	-14.2%	6.5%	6.9%
EBIT	-324	738	1,093	-123	396	672	163.0%	86.2%	62.6%
Net profit att.	-344	403	650	-188	251	427	82.8%	60.5%	52.2%
Diluted EPS (RMB)	(0.317)	0.371	0.597	(0.174)	0.217	0.403	82.4%	70.7%	48.1%
Gross margin	62.6%	62.9%	63.2%	62.8%	60.9%	61.0%	-0.2ppt	2ppt	2.2ppt
EBIT margin	-6.9%	9.5%	11.3%	-2.2%	5.3%	7.2%	-4.6ppt	4.3ppt	4.1ppt
Net profit att. margin	-7.3%	5.2%	6.7%	-3.4%	3.4%	4.6%	-3.8ppt	1.9ppt	2.2ppt

Source: Company data, CMBIGM estimates

## Results preview

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H21	2H21	1H22	2H22E	1H22 YoY	2H22E YoY	2H22E CMBIG M	Actual vs CMBIG M
Revenue	3,047	3,100	2,156	2,577	-29%	-17%	3,657	-30%
COGS	-1,135	-1,207	-811	-959			-1,363	
Gross profit	1,912	1,894	1,345	1,618	-30%	-15%	2,294	-29%
<b>GP margins</b>	<b>62.8%</b>	<b>61.1%</b>	<b>62.4%</b>	<b>62.8%</b>			<b>62.7%</b>	
Other income & gains	59	45	43	-1			7	-116%
Staff costs	-927	-903	-751	-824	-19%	-9%	-1,116	-26%
<b>Staff costs / sales</b>	<b>-30.4%</b>	<b>-29.1%</b>	<b>-34.8%</b>	<b>-32.0%</b>			<b>-30.5%</b>	
Dep. of right-of-use assets expenses	-302	-284	-273	-220	-10%	-23%	-280	-21%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.9%</b>	<b>-9.2%</b>	<b>-12.6%</b>	<b>-8.5%</b>			<b>-7.7%</b>	
Other rentals expenses	-141	-157	-134	-198	-5%	26%	-157	26%
<b>Other rentals exp / sales</b>	<b>-4.6%</b>	<b>-5.1%</b>	<b>-6.2%</b>	<b>-7.7%</b>			<b>-4.3%</b>	
D & A of other assets	-229	-238	-201	-257	-12%	8%	-256	0%
<b>D &amp; A of other assets exp / sales</b>	<b>-7.5%</b>	<b>-7.7%</b>	<b>-9.3%</b>	<b>-10.0%</b>			<b>-7.0%</b>	
Utilities expenses	-95	-107	-75	-90	-21%	-15%	-128	-29%
<b>Utilities exp / sales</b>	<b>-3.1%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-3.5%</b>			<b>-3.5%</b>	
Other opex	-207	-235	-172	-136	-17%	-42%	-235	-42%
<b>Other opex / sales</b>	<b>-6.8%</b>	<b>-7.6%</b>	<b>-8.0%</b>	<b>-5.3%</b>			<b>-6.4%</b>	
Operating profit (EBIT)	71	15	-218	-107	-406%	-832%	130	-182%
<b>OP margins</b>	<b>2.3%</b>	<b>0.5%</b>	<b>-10.1%</b>	<b>-4.1%</b>			<b>3.6%</b>	
Other items	-75	-131	-38	-19			-32	
Net finance income	-49	-43	-44	-26			-41	-37%
<b>Net finance income / sales</b>	<b>-1.6%</b>	<b>-1.4%</b>	<b>-2.1%</b>	<b>-1.0%</b>			<b>-1.1%</b>	
Profit after financing costs	-54	-160	-300	-151			57	
Associated coms	0	0	0	0			0	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	-54	-160	-300	-151	457%	-5%	57	-364%
Tax	7	-76	25	88			36	146%
<b>Tax / sales</b>	<b>0.2%</b>	<b>-2.5%</b>	<b>1.2%</b>	<b>3.4%</b>			<b>1.0%</b>	
<b>Effective tax rate</b>	<b>-12.9%</b>	<b>47.8%</b>	<b>-8.3%</b>	<b>-58.1%</b>			<b>62.6%</b>	
Minority interests	3	7	1	4			6	-23%
<b>Net profit att.</b>	<b>-50</b>	<b>-243</b>	<b>-277</b>	<b>-68</b>	<b>454%</b>	<b>-72%</b>	<b>88</b>	<b>-177%</b>
<b>NP margins</b>	<b>-1.6%</b>	<b>-7.8%</b>	<b>-12.8%</b>	<b>-2.6%</b>			<b>2.4%</b>	

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Half yearly / Full yearly (RMB mn)	FY21	FY22E	FY23E	FY21 YoY	FY22E YoY	FY22E CMBIGM	Actual vs CMBIGM
Revenue	6,147	4,734	7,733	-23%	63%	5,814	-19%
COGS	-1,537	-1,471	-2,264			-2,174	
Gross profit	3,806	2,963	4,864	-22%	64%	3,639	-19%
<b>GP margins</b>	<b>61.9%</b>	<b>62.6%</b>	<b>62.9%</b>			<b>62.6%</b>	
Other income & gains	104	42	63			51	-17%
Staff costs	-1,830	-1,575	-1,993	-14%	27%	-1,867	-16%
<b>Staff costs / sales</b>	<b>-29.8%</b>	<b>-33.3%</b>	<b>-25.8%</b>			<b>-32.1%</b>	
Dep. of right-of-use assets expenses	-586	-493	-588	-16%	19%	-553	-11%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.5%</b>	<b>-10.4%</b>	<b>-7.6%</b>			<b>-9.5%</b>	
Other rentals expenses	-298	-331	-363	11%	10%	-291	14%
<b>Other rentals exp / sales</b>	<b>-4.8%</b>	<b>-7.0%</b>	<b>-4.7%</b>			<b>-5.0%</b>	
D & A of other assets	-467	-458	-471	-2%	3%	-457	0%
<b>D &amp; A of other assets exp / sales</b>	<b>-7.6%</b>	<b>-9.7%</b>	<b>-6.1%</b>			<b>-7.9%</b>	
Utilities expenses	-202	-166	-271	-18%	63%	-203	-19%
<b>Utilities exp / sales</b>	<b>-3.3%</b>	<b>-3.5%</b>	<b>-3.5%</b>			<b>-3.5%</b>	
Other opex	-442	-308	-503	-30%	63%	-407	-24%
<b>Other opex / sales</b>	<b>-7.2%</b>	<b>-6.5%</b>	<b>-6.5%</b>			<b>-7.0%</b>	
Operating profit (EBIT)	86	-324	738	-479%	-327%	-88	270%
<b>OP margins</b>	<b>1.4%</b>	<b>-6.9%</b>	<b>9.5%</b>			<b>-1.5%</b>	
Other items	-207	-57	-93			-70	
Net finance income	-93	-70	-103			-85	-18%
<b>Net finance income / sales</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>-1.3%</b>			<b>-1.5%</b>	
Profit after financing costs	-214	-451	543			-243	
Associated coms	0	0	0			0	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	-214	-451	543	111%	-220%	-243	86%
Tax	-69	113	-130			61	86%
<b>Tax / sales</b>	<b>-1.1%</b>	<b>2.4%</b>	<b>-1.7%</b>			<b>1.0%</b>	
<b>Effective tax rate</b>	<b>32.5%</b>	<b>-25.0%</b>	<b>-24.0%</b>			<b>-25.0%</b>	
Minority interests	10	6	9			7	-19%
<b>Net profit att.</b>	<b>-293</b>	<b>-344</b>	<b>403</b>	<b>17%</b>	<b>-217%</b>	<b>-189</b>	<b>82%</b>
<b>NP margins</b>	<b>-4.8%</b>	<b>-7.3%</b>	<b>5.2%</b>			<b>-3.3%</b>	

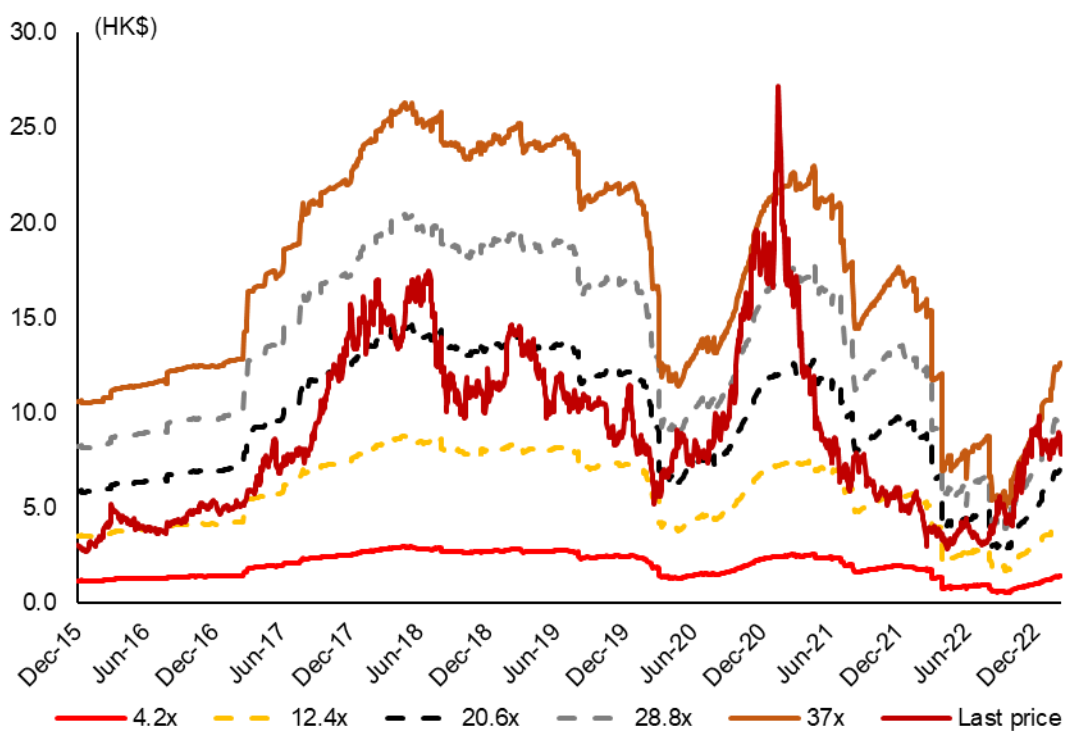
Source: Bloomberg, Company data, CMBIGM estimates

## Valuation

Figure 5: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x) FY1E	P/B (x) FY2E	ROE (%) FY2E	3yrs PEG (x) FY1E	Yield (%) FY1E	YTD per.(%) FY1E
<b>Leading Greater China Catering</b>													
Xiabuxiabu	520 HK	BUY	11.20	7.85	43%	8,526	Dec-21	(22.2)	19.0	4.6	n/a	0.1	0.8 (11.6)
Jiumaojiu	9922 HK	BUY	19.70	18.82	5%	27,374	Dec-21	115.2	36.2	7.3	6.7	2.8	0.2 (9.7)
Haidilao	6862 HK	BUY	21.62	23.15	-7%	129,038	Dec-21	158.1	42.6	13.0	(50.6)	(0.8)	0.1 3.3
Helens	9869 HK	NR	n/a	16.12	n/a	20,422	Dec-21	n/a	43.9	7.6	(15.1)	n/a	0.4 8.8
Cafe De Coral	341 HK	BUY	15.12	12.12	25%	7,099	Mar-22	32.1	17.9	2.4	1.7	0.2	2.1 (18.7)
Tam Jai	2217 HK	NR	n/a	2.31	n/a	3,097	Mar-22	23.1	12.2	2.1	19.3	1.6	1.3 (12.2)
Yihai	1579 HK	NR	n/a	24.10	n/a	25,230	Dec-21	32.2	26.4	4.9	18.8	6.4	0.9 (12.7)
Yum China	9987 HK	BUY	554.60	470.20	18%	196,714	Dec-22	30.8	24.9	3.6	6.5	0.8	0.9 7.1
Gourmet Master	2723 TT	NR	n/a	153.00	n/a	7,018	Dec-21	51.6	26.3	2.5	4.9	9.2	1.8 1.0
Avg.								52.6	31.9	5.1	(1.0)	2.5	0.9 (3.3)
Med.								32.2	26.4	4.1	5.7	1.2	0.8 (4.4)
<b>International Catering</b>													
Yum! Brands	YUM US	NR	n/a	127	n/a	279,074	Dec-22	24.6	21.5	n/a	n/a	1.8	1.9 (0.9)
McDonald's	MCD US	NR	n/a	267	n/a	1,533,908	Dec-22	25.3	22.9	n/a	n/a	1.7	2.3 1.4
Starbucks	SBUX US	NR	n/a	103	n/a	932,322	Oct-22	30.5	25.5	n/a	n/a	1.6	2.1 4.2
Rest. Brands	QSR US	NR	n/a	63	n/a	222,772	Dec-22	21.0	18.8	8.0	42.6	5.2	3.5 (2.7)
Chipotle Mexican	CMG US	NR	n/a	1510	n/a	327,342	Dec-22	36.1	29.6	15.3	38.5	1.5	0.0 8.8
Darden Rest.	DRI US	NR	n/a	147	n/a	139,991	May-22	18.8	16.9	8.3	39.8	2.2	3.3 5.9
Domino's	DPZ US	NR	n/a	311	n/a	86,429	Jan-23	23.9	21.1	n/a	n/a	2.7	1.5 (10.3)
Wendy's	WEN US	NR	n/a	21	n/a	35,864	Jan-23	22.0	19.1	15.2	39.3	1.4	4.4 (5.0)
Shake Shack	SHAK US	NR	n/a	58	n/a	19,202	Dec-22	n/a	n/a	5.8	(6.0)	n/a	n/a 39.7
Wingstop	WING US	NR	n/a	170	n/a	39,869	Dec-22	88	72.4	n/a	n/a	5.3	0.5 23.3
Jollibee Foods	JFC PM	NR	n/a	230	n/a	36,491	Dec-21	27.6	27.8	3.7	18.0	1.3	1.0 0.0
Avg.								31.8	27.6	9.4	28.7	2.5	2.1 5.9
Med.								24.9	22.2	8.1	38.9	1.8	2.0 1.4
<b>H-shares Consumer Staples</b>													
UPC	220 HK	NR	n/a	7.04	n/a	30,408	Dec-21	21.7	16.8	2.0	9.9	4.0	5.1 (9.9)
Tingyi	322 HK	NR	n/a	13.04	n/a	73,470	Dec-21	23.4	17.1	4.1	17.4	6.3	6.7 (5.4)
Want Want*	151 HK	NR	n/a	5.03	n/a	59,775	Mar-22	13.8	12.5	3.1	25.6	51.9	5.8 (3.6)
China Mengniu*	2319 HK	NR	n/a	35.00	n/a	138,433	Dec-21	21.3	18.5	3.0	n/a	1.6	1.4 (1.1)
Vitasoy	345 HK	NR	n/a	16.16	n/a	17,306	Mar-22	143.0	61.4	5.1	(1.5)	(0.6)	0.1 0.6
Nongfu Spring*	9633 HK	NR	n/a	44.50	n/a	500,468	Dec-21	56.0	46.9	17.9	41.1	4.1	1.1 0.9
Budweiser*	1876 HK	NR	n/a	23.30	n/a	308,571	Dec-22	34.1	22.5	3.4	8.4	1.0	1.4 (5.1)
Tsingtao*	168 HK	NR	n/a	82.15	n/a	144,630	Dec-21	29.8	26.0	4.0	15.4	3.5	1.6 6.5
CR Beer*	291 HK	NR	n/a	60.20	n/a	195,299	Dec-21	41.0	32.9	6.6	15.6	4.4	0.9 10.4
Dali Foods	3799 HK	NR	n/a	3.33	n/a	45,601	Dec-21	12.1	10.7	1.9	18.5	6.8	4.2 (6.5)
Avg.								39.6	26.5	5.1	16.7	8.3	2.8 (1.3)
Med.								26.6	20.5	3.7	15.6	4.0	1.5 (2.4)

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

**Figure 6: Valuation – Forward blended 12 months P/E band**

Source: Bloomberg, Company data, CMBIGM estimates

## Assumptions

Figure 7: CMBIGM' assumptions

Major assumptions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales by brand (RMB mn)</b>						
XBXB	4,671	3,502	3,525	2,428	3,849	4,582
Cou Cou	1,196	1,689	2,354	2,010	3,573	4,743
Total	5,867	5,191	5,878	4,438	7,422	9,325
<b>Sales growth by brand (%)</b>						
XBXB	15%	-25%	1%	-31%	59%	19%
Cou Cou	120%	41%	39%	-15%	78%	33%
Total	27%	-12%	13%	-24%	67%	26%
<b>Number of restaurants</b>						
XBXB	1,022	1,061	841	886	1,016	1,136
Cou Cou	102	140	183	243	315	382
Total	1,124	1,201	1,024	1,129	1,331	1,518
<b>Number of restaurants growth (%)</b>						
XBXB	15%	4%	-21%	5%	15%	12%
Cou Cou	113%	37%	31%	33%	30%	21%
Total	20%	7%	-15%	10%	18%	14%
<b>Seat turnover (x)</b>						
XBXB	2.3	2.3	1.6	2.0	2.2	2.3
Cou Cou	2.9	2.5	2.5	1.9	2.4	2.6
<b>ASP (RMB)</b>						
XBXB	56	62	63	59	60	61
Cou Cou	132	137	141	136	140	143
<b>Sales per store (RMB mn)</b>						
XBXB	4.6	3.3	4.2	2.7	3.8	4.0
Cou Cou	11.8	12.1	12.9	8.3	11.3	12.4
<b>Sales per store growth (%)</b>						
XBXB		-29%	28%	-35%	39%	7%
Cou Cou		2%	7%	-36%	37%	9%
GP margins	61.0%	61.9%	62.6%	62.9%	63.2%	63.2%
Staff costs	-27.1%	-29.8%	-33.3%	-25.8%	-26.0%	-25.2%
Rental and related expenses	-4.0%	-4.8%	-7.0%	-4.7%	-4.5%	-4.5%
Depreciation of ROU assets	-10.9%	-9.5%	-10.4%	-7.6%	-7.2%	-7.1%
D & A of other assets	-7.5%	-7.6%	-9.7%	-6.1%	-5.2%	-4.7%
Utilities expenses	-3.5%	-3.3%	-3.5%	-3.5%	-3.5%	-3.5%
Other expenses	-7.0%	-7.2%	-6.5%	-6.5%	-6.3%	-6.3%
Effective tax rate	-83%	33%	-25%	-24%	-23%	-23%
NP att. margin	0%	-5%	-7%	5%	7%	8%
NP att. growth (%)	-99%	n/a	n/a	n/a	61%	42%

Source: Company data, CMBIGM estimates



## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>5,455</b>	<b>6,147</b>	<b>4,734</b>	<b>7,733</b>	<b>9,651</b>
Xiabu Xiabu	3,502	3,525	2,428	3,849	4,582
Cou Cou	1,689	2,354	2,010	3,573	4,743
Others	265	269	296	310	326
<b>Cost of goods sold</b>	<b>(2,130)</b>	<b>(2,341)</b>	<b>(1,770)</b>	<b>(2,869)</b>	<b>(3,552)</b>
<b>Gross profit</b>	<b>3,325</b>	<b>3,806</b>	<b>2,963</b>	<b>4,864</b>	<b>6,099</b>
<b>Other net income</b>	<b>171</b>	<b>104</b>	<b>42</b>	<b>63</b>	<b>80</b>
<b>Operating expenses</b>	<b>(3,277)</b>	<b>(3,824)</b>	<b>(3,330)</b>	<b>(4,189)</b>	<b>(5,086)</b>
Staff costs	(1,478)	(1,830)	(1,575)	(1,993)	(2,510)
Admin	(597)	(586)	(493)	(588)	(691)
Property rent & related	(220)	(298)	(331)	(363)	(434)
D & A	(409)	(467)	(458)	(471)	(506)
Other operating expenses	(573)	(643)	(473)	(773)	(946)
<b>EBIT</b>	<b>219</b>	<b>86</b>	<b>(324)</b>	<b>738</b>	<b>1,093</b>
Finance costs, net	(98)	(93)	(70)	(103)	(118)
JV & associates	-	-	-	-	-
Exceptional	(54)	(207)	(57)	(93)	(116)
<b>Pre-tax profit</b>	<b>67</b>	<b>(214)</b>	<b>(451)</b>	<b>543</b>	<b>859</b>
Income tax	(56)	(69)	113	(130)	(198)
Less: Minority interests	10	10	6	9	12
<b>Net profit</b>	<b>2</b>	<b>(293)</b>	<b>(344)</b>	<b>403</b>	<b>650</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Net income</b>	<b>219</b>	<b>86</b>	<b>(324)</b>	<b>738</b>	<b>1,093</b>
D&A	409	467	458	471	506
Change in working capital	28	12	37	(61)	(36)
Income tax paid	(113)	(58)	113	(130)	(198)
Others	727	542	161	8	104
<b>Net cash from operating</b>	<b>1,270</b>	<b>1,049</b>	<b>444</b>	<b>1,027</b>	<b>1,469</b>
Capex & investments	(405)	(439)	(426)	(619)	(676)
Associated companies	-	-	-	-	-
Interest received	2	4	-	-	-
Others	28	(104)	-	-	-
<b>Net cash from investing</b>	<b>(374)</b>	<b>(539)</b>	<b>(426)</b>	<b>(619)</b>	<b>(676)</b>
Equity raised	8	(6)	-	-	-
Change of Debts	20	56	-	-	-
Dividend paid	(80)	(60)	-	-	-
Others	(515)	(673)	(70)	(103)	(118)
<b>Net cash from financing</b>	<b>(566)</b>	<b>(683)</b>	<b>(70)</b>	<b>(103)</b>	<b>(118)</b>
<b>Net change in cash</b>	<b>330</b>	<b>(174)</b>	<b>(52)</b>	<b>305</b>	<b>675</b>
Beginning cash balance	785	1,097	921	868	1,247
Exchange difference	(18)	(3)	-	-	-
<b>Cash at the end of the year</b>	<b>1,097</b>	<b>921</b>	<b>868</b>	<b>1,173</b>	<b>1,922</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>3,562</b>	<b>2,955</b>	<b>2,923</b>	<b>3,071</b>	<b>3,241</b>
Fixed asset	1,297	1,053	1,022	1,169	1,339
Intangible assets & goodwill	2	2	2	2	1
Prepaid lease payments	170	170	170	170	170
Interest in asso. & JV	0	49	49	49	49
Others	2,094	1,681	1,681	1,681	1,681
<b>Current assets</b>	<b>2,218</b>	<b>1,996</b>	<b>1,520</b>	<b>2,211</b>	<b>2,893</b>
Cash and cash equivalents	1,097	921	648	844	1,215
Inventories	691	599	488	790	978
Trade and other receivables	392	395	303	495	617
Prepayments	0	0	0	0	0
Others	38	82	82	82	82
<b>Current liabilities</b>	<b>1,979</b>	<b>1,768</b>	<b>1,602</b>	<b>2,036</b>	<b>2,310</b>
Borrowings	20	76	76	76	76
Trade payables	341	251	224	363	449
Accruals & other payables	704	604	465	760	948
Tax payables	0	0	0	0	0
Others	914	838	838	838	838
<b>Non-current liabilities</b>	<b>1,461</b>	<b>1,172</b>	<b>1,172</b>	<b>1,172</b>	<b>1,172</b>
Borrowings	0	0	0	0	0
Deferred income	0	0	0	0	0
Deferred tax	0	0	0	0	0
Others	1,461	1,172	1,172	1,172	1,172
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>15</b>	<b>27</b>
<b>Total net assets</b>	<b>2,340</b>	<b>2,011</b>	<b>1,664</b>	<b>2,059</b>	<b>2,624</b>
<b>Shareholders' equity</b>	<b>2,340</b>	<b>2,011</b>	<b>1,664</b>	<b>2,059</b>	<b>2,624</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Xiabu Xiabu	64.2	57.3	51.3	49.8	47.5
Cou Cou	31.0	38.3	42.5	46.2	49.1
Others	4.9	4.4	6.2	4.0	3.4
<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	61.0	61.9	62.6	62.9	63.2
Operating margin	4.0	1.4	(6.9)	9.5	11.3
Pre-tax margin	1.2	(3.5)	(9.5)	7.0	8.9
Net margin	0.0	(4.8)	(7.3)	5.2	6.7
Effective tax rate	82.9	(32.5)	25.0	24.0	23.0
<b>Balance sheet ratios</b>					
Current ratio (x)	1.1	1.1	0.9	1.1	1.3
Quick ratio (x)	0.8	0.8	0.6	0.7	0.8
Cash ratio (x)	0.6	0.5	0.4	0.4	0.5
Inventory turnover days	120	101	101	101	101
Trade receivables days	28	23	23	23	23
Trade payables days	59	46	46	46	46
Total debt / total equity ratio (%)	1	4	5	4	3
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	0.1	(14.6)	(20.7)	19.6	24.8
ROA	0.0	(5.9)	(7.7)	7.6	10.6
<b>Per share</b>					
EPS (RMB)	0.00	(0.27)	(0.17)	0.37	0.71
DPS (RMB)	0.07	0.06	0.06	0.13	0.24
BVPS (RMB)	2.16	1.85	1.53	1.89	2.41

Source: Company data, CMBIGM estimates



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