

# Yum China (9987 HK)

## Another hit taken, but stay mid-term positive

We see YUMC's 3Q21E business update as a profit warning and a bad news to the industry due to large-scale COVID-19 outbreak in Aug 2021. Magnitude of the profit decline was a miss, even though the capital market should have certain expectations. Nevertheless, going forward we remain positive about YUMC's growth in 4Q21E and FY22E, considering solid store expansions, strong delivery sales and Pizza Hut reform. We maintain BUY and cut our TP to HK\$ 532.66, based on 30x FY22E P/E (down from 32x to factor in sector de-rating). YUMC's valuation is not demanding at 26x FY22E P/E, vs HDL's 35x and JMJ's 38x.

- YUMC believes 3Q21E results could be under pressure.** Based on the current trend, Yum China is now forecasting a 50-60% YoY decline in adj. operating profit in 3Q21E, due to: 1) Nanjing COVID-19 outbreak (~15%/ ~20% decline in SSSG vs 2020/ 2019 level during Aug 2021), which had spread to 16 provinces and resulted in cancellations of many summer trips and few social activities, dine-in SSSG dropped by 20-30% YoY while sales at transportation hubs and tourist locations fell by 40-50% YoY, 2) climbing raw material costs and wage hike (this was industry-wise) and 3) increased promotional activities to draw traffic. Even though a soft Aug 2021 is expected by the market, still, the magnitude of such decline is large. Given that one-off gains in 3Q20 (re-measurement gain of Suzhou KFC acquisition) was taken into account, operating de-leverage in this peak season is genuinely meaningful.
- SSSG should be improving in Sep 2021 and we remain cautiously optimistic for 2H21E.** The Nanjing outbreak started on 20 Jul and died down on 14 Aug, hence we believe SSSG in Sep 2021 should be better at ~5% drop (vs ~15% drop in Aug). For 3Q21E/ 4Q21E, we now forecast: 1) 4% decline/ 3% increase in SSSG, 2) 2%/ 9% sales growth and 3) 70% drop/ 41% increase in net profit. We have factored in raw material (~3% YoY increase in poultry prices) and staff costs (~7% salary increase vs 2019 level) pressure in 2H21E.
- We stay optimistic about the FY22E and mid-term growth.** We forecast a 14%/ 26%/ 34% sales/ adj. OP/ NP growth for FY22E (only 2%/ 5% cut in sales/ net profit vs previous estimates), thanks to: 1) solid store expansion plan (no delay for 1,300 new stores in FY21E), 2) extremely strong delivery sales growth (43%/ 27% for KFC/ Pizza Hut in 2Q21) and 3) structural positives yielding from the Pizza Hut reform, which should last for a long period.
- Maintain BUY but cut TP to HK\$ 532.66,** based on 30x FY22E P/E (down from 32x). We revised down FY21E/ 22E/ 23E NP forecast by 11%/ 5%/ 5%, to factor in: 1) weak 3Q21E SSSG and 2) the related operating de-leverage. YUMC is trading at 26x FY22E P/E, not demanding vs HDL's 35x and JMJ's 38x, given a 15% EBIT CAGR in FY20-23E.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (USD mn)	8,776	8,263	9,873	11,233	12,412
YoY growth (%)	4.3	(5.8)	19.5	13.8	10.5
Net income (USD mn)	713	784	756	1,009	1,153
Diluted EPS (USD)	1.81	1.89	1.73	2.29	2.60
YoY growth (%)	1.8	4.5	(8.8)	32.8	13.6
Consensus EPS (USD)	n/a	n/a	1.94	2.31	2.67
P/E (x)	32.3	31.1	34.1	25.7	22.6
P/B (x)	6.9	4.1	3.7	3.3	2.9
Yield (%)	0.8	0.4	0.7	1.0	1.1
ROE (%)	22.5	13.0	11.2	13.3	13.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$532.66
(Previous TP)	HK\$597.92)
Up/Downside	+16.8%
Current Price	HK\$456.00

### China Catering Sector

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### Stock Data

Mkt Cap (HK\$ mn)	191,923
Avg 3 mths t/o (HK\$ mn)	74.19
52w High/Low (HK\$)	544.0/385.6
Total Issued Shares (mn)	420.9

Source: Bloomberg

### Shareholding Structure

Primavera Capital	5.7%
BlackRock	7.1%
Invesco	9.0%
Management	0.2%
Free Float	78.0%

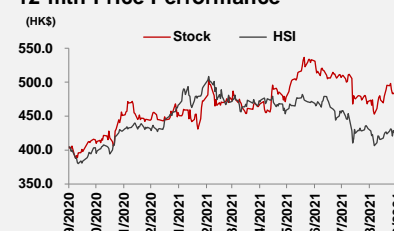
Source: HKEX

### Share Performance

	Absolute	Relative
1-mth	1.3%	4.8%
3-mth	-10.4%	1.3%
6-mth	-0.1%	12.6%
12-mth	18.8%	14.8%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: KPMG

### Related Reports

- Yum China (9987 HK, BUY) – Robust Pizza Hut and accelerated expansion – 30 Jul 2021
- Yum China (9987 HK, BUY) - A good start in FY21E despite a few headwinds – 29 Apr 2021
- China Catering Sector (OUTPERFORM) - Leaders to benefit even more during recovery – 12 Mar 2021

## Earnings revision

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9,873	11,233	12,412	10,182	11,481	12,696	-3.0%	-2.2%	-2.2%
Gross profit	7,092	8,054	8,874	7,313	8,213	9,059	-3.0%	-1.9%	-2.0%
Operating Profit	965	1,298	1,472	1,091	1,369	1,550	-11.5%	-5.2%	-5.0%
Net profit	756	1,009	1,153	846	1,062	1,211	-10.7%	-5.0%	-4.8%
EPS (US\$ cents)	1.726	2.292	2.604	1.933	2.412	2.736	-10.7%	-5.0%	-4.8%
Gross margin	71.8%	71.7%	71.5%	71.8%	71.5%	71.4%	0ppt	0.2ppt	0.1ppt
EBIT margin	9.8%	11.6%	11.9%	10.7%	11.9%	12.2%	-0.9ppt	-0.4ppt	-0.4ppt
Net profit att. margin	7.7%	9.0%	9.3%	8.3%	9.2%	9.5%	-0.7ppt	-0.3ppt	-0.3ppt

Source: Company data, CMBIS estimates

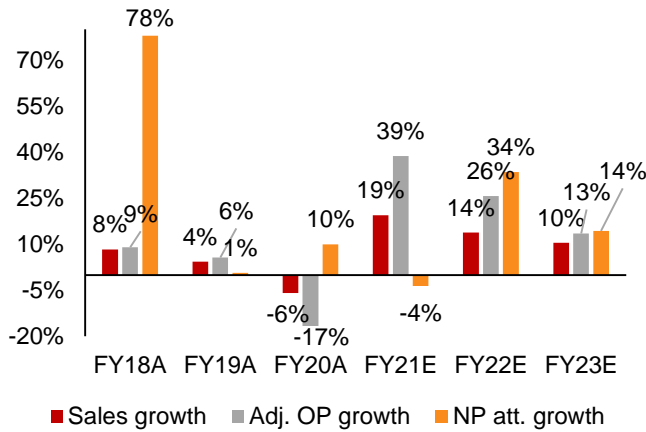
Figure 2: CMBIS estimates vs consensus

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9,873	11,233	12,412	10,237	11,473	12,770	-3.5%	-2.1%	-2.8%
Gross profit	7,092	8,054	8,874	7,340	8,204	9,122	-3.4%	-1.8%	-2.7%
Operating Profit	965	1,298	1,472	1,115	1,340	1,511	-13.5%	-3.1%	-2.5%
Net profit	756	1,009	1,153	835	1,002	1,157	-9.5%	0.7%	-0.4%
EPS (US\$ cents)	1.726	2.292	2.604	1.942	2.307	2.672	-11.1%	-0.7%	-2.5%
Gross Margin	71.8%	71.7%	71.5%	71.7%	71.5%	71.4%	0.1ppt	0.2ppt	0.1ppt
Operating Margin	9.8%	11.6%	11.9%	10.9%	11.7%	11.8%	-1.1ppt	-0.1ppt	0ppt
Net Margin	7.7%	9.0%	9.3%	8.2%	8.7%	9.1%	-0.5ppt	0.2ppt	0.2ppt

Source: Company data, CMBIS estimates

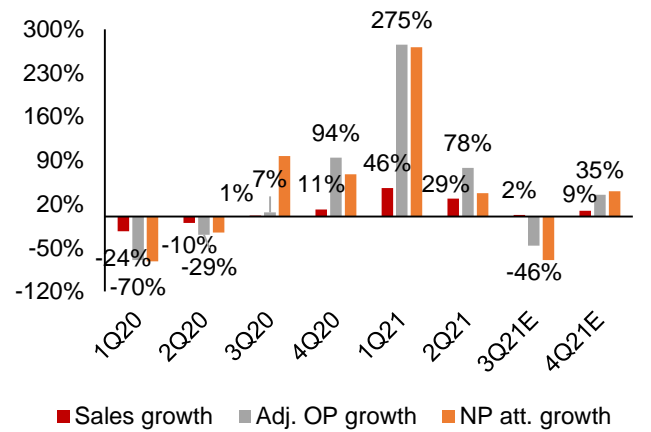
## Focus Charts

**Figure 3: Yearly sales/ net profit att. growth**



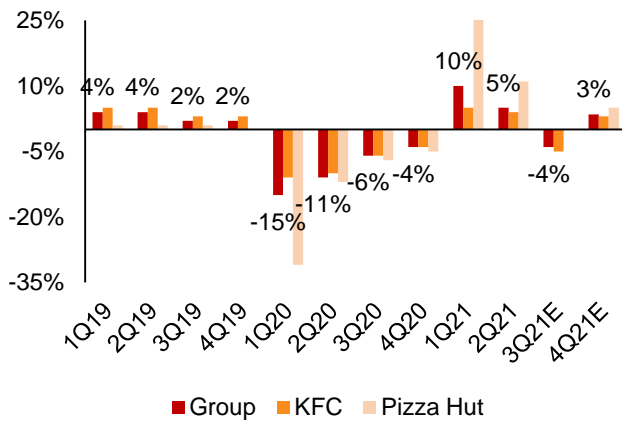
Source: Company data, CMBIS estimates

**Figure 4: Quarterly sales/ net profit att. growth**



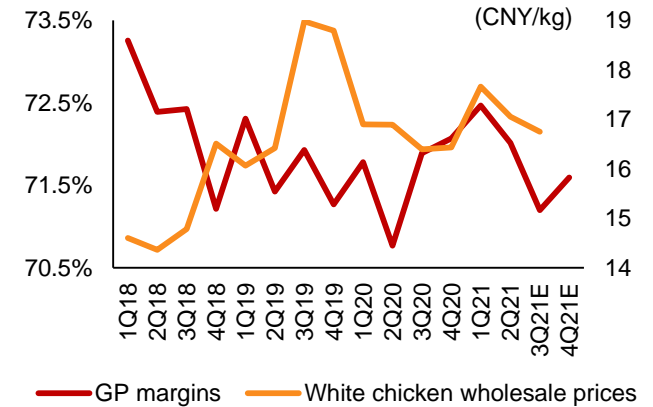
Source: Company data, CMBIS estimates

**Figure 5: KFC/ Pizza Hut/ Group's SSSG**



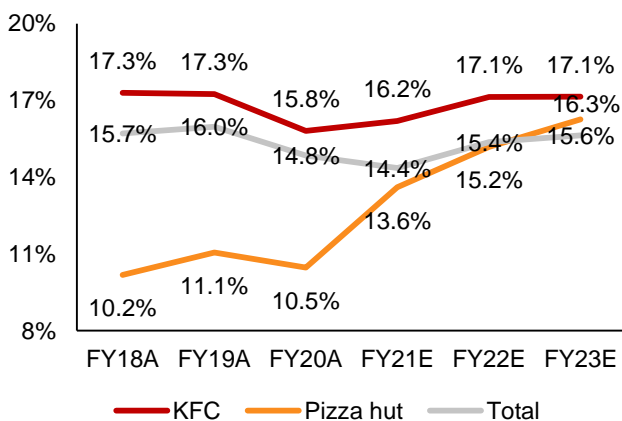
Source: Company data, CMBIS estimates

**Figure 6: KFC's GP margin vs chicken prices**



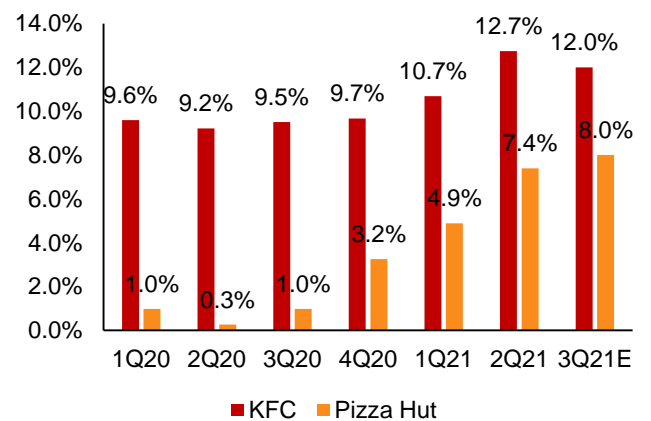
Source: Company data, CMBIS estimates

**Figure 7: KFC/ Pizza Hut/ Group's restaurant OP margin**



Source: Company data, CMBIS estimates

**Figure 8: KFC/ Pizza Hut's number of restaurants growth**



Source: Company data, CMBIS estimates

## Assumptions

Figure 9: CMBIS' assumptions

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment (RMB mn)</b>						
KFC - eat in sales	4,882	4,911	4,137	4,897	5,421	5,768
KFC - delivery sales	808	1,129	1,617	2,069	2,545	3,080
PH - eat in sales	1,611	1,527	1,146	1,388	1,536	1,658
PH- delivery sales	500	527	642	750	855	958
Others	614	682	721	769	876	947
Total	8,415	8,776	8,263	9,873	11,233	12,412
<b>Sales by segment growth (%)</b>						
KFC - eat in sales	9.2%	0.6%	-15.8%	18.4%	10.7%	6.4%
KFC - delivery sales	35.8%	39.7%	43.2%	28.0%	23.0%	21.0%
PH - eat in sales	-3.5%	-5.2%	-25.0%	21.2%	10.7%	8.0%
PH- delivery sales	18.1%	5.4%	21.7%	16.9%	14.0%	12.0%
Others	0.7%	11.1%	5.8%	6.6%	13.9%	8.2%
Total	8.3%	4.3%	-5.8%	19.5%	13.8%	10.5%
<b>Sales network by brand</b>						
KFC	5,910	6,534	7,166	8,071	8,761	9,341
Pizza Hut	2,240	2,281	2,355	2,545	2,685	2,825
Others	334	385	985	1,111	1,191	1,271
Total	8,484	9,200	10,506	11,727	12,637	13,437
<b>Restaurant profit margin by brand</b>						
KFC	17.3%	17.3%	15.8%	16.2%	17.1%	17.1%
Pizza hut	10.2%	11.1%	10.5%	13.6%	15.2%	16.3%
Others	0.0%	-0.4%	-0.4%	-0.2%	-0.2%	-0.2%
Total	15.7%	16.0%	14.8%	14.4%	15.4%	15.6%
<b>Costs breakdown</b>						
Food and paper/ sales	27.6%	28.2%	28.3%	28.2%	28.3%	28.5%
Payroll and employee benefits/ sales	20.4%	20.6%	20.9%	21.9%	21.3%	21.2%
Rental and other operating expenses/ sales	28.4%	27.0%	26.9%	26.4%	26.3%	26.4%
G & A expenses/ sales	5.4%	5.5%	5.8%	5.5%	5.3%	5.2%
Franchisees expenses/ sales	7.1%	7.3%	7.7%	6.4%	6.2%	5.9%
Effective tax rate	22.5%	25.9%	26.6%	26.0%	25.5%	25.0%
<b>NP att. margin</b>	<b>8.4%</b>	<b>8.1%</b>	<b>9.5%</b>	<b>7.7%</b>	<b>9.0%</b>	<b>9.3%</b>
<b>NP att. growth (%)</b>	<b>77.9%</b>	<b>0.7%</b>	<b>10.0%</b>	<b>-3.6%</b>	<b>33.5%</b>	<b>14.3%</b>

Source: Company data, CMBIS estimates

## Valuation

Figure 10: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
<b>Leading Greater China Catering</b>															
Yum China	9987 HK	BUY	532.66	456.00	17%	191,923	Dec-20	34.1	25.7	3.7	3.3	17.0	3.0	0.7	
Jiumaojiu	9922 HK	BUY	30.47	24.20	26%	35,173	Dec-20	61.8	38.4	8.4	7.0	14.3	0.6	0.4	
Haidilao	6862 HK	BUY	34.06	30.90	10%	168,683	Dec-20	70.3	34.6	11.1	8.5	14.3	0.4	0.4	
Nayuki	2150 HK	BUY	17.10	13.60	26%	23,326	Dec-20	184.5	60.8	6.3	5.8	n/a	n/a	n/a	
Helens	9869 HK	NR	n/a	22.75	n/a	28,363	Dec-20	110.8	31.9	n/a	n/a	56.2	n/a	n/a	
Cafe De Coral	341 HK	BUY	19.05	13.84	38%	8,106	Mar-21	22.5	17.7	2.5	2.4	12.6	1.7	2.6	
Xiabuxiabu	520 HK	NR	n/a	7.45	n/a	8,087	Dec-20	27.5	13.8	2.7	2.3	9.6	0.0	1.1	
Yihai	1579 HK	BUY	108.52	41.15	164%	43,080	Dec-20	37.7	30.8	8.5	6.9	26.9	2.2	0.7	
Gourmet Master	2723 TT	NR	n/a	139.00	n/a	7,034	Dec-20	19.8	18.5	2.1	2.0	13.2	1.1	3.0	
								<b>Avg.</b>	<b>63.2</b>	<b>30.2</b>	<b>5.7</b>	<b>4.8</b>	<b>20.5</b>	<b>1.3</b>	<b>1.3</b>
								<b>Med.</b>	<b>37.7</b>	<b>30.8</b>	<b>5.0</b>	<b>4.5</b>	<b>14.3</b>	<b>1.1</b>	<b>0.7</b>
<b>Other Greater China Catering</b>															
Tai Hing	6811 HK	NR	n/a	1.64	n/a	1,646	Dec-20	9.4	8.0	1.5	1.3	14.3	0.3	7.0	
Ajisen China	538 HK	NR	n/a	1.36	n/a	1,484	Dec-20	n/a	n/a	n/a	n/a	2.6	n/a	n/a	
								<b>Avg.</b>	<b>9.4</b>	<b>8.0</b>	<b>1.5</b>	<b>1.3</b>	<b>9.0</b>	<b>0.3</b>	<b>7.0</b>
								<b>Med.</b>	<b>9.4</b>	<b>8.0</b>	<b>1.5</b>	<b>1.3</b>	<b>8.4</b>	<b>0.3</b>	<b>7.0</b>
<b>Greater China Catering</b>															
								<b>Avg.</b>	<b>57.8</b>	<b>28.0</b>	<b>5.2</b>	<b>4.4</b>	<b>16.7</b>	<b>1.2</b>	<b>2.0</b>
								<b>Med.</b>	<b>35.9</b>	<b>28.3</b>	<b>3.7</b>	<b>3.3</b>	<b>14.3</b>	<b>0.8</b>	<b>0.9</b>
<b>International Catering</b>															
Yum! Brands	YUM US	NR	n/a	128.99	n/a	296,625	Dec-20	28.4	26.0	n/a	n/a	n/a	1.2	1.5	
Mcdonald'S	MCD US	NR	n/a	241.13	n/a	1,400,664	Dec-20	26.7	24.4	n/a	n/a	n/a	1.4	2.2	
Starbucks Corp	SBUX US	NR	n/a	118.86	n/a	1,090,098	Sep-20	36.7	31.8	n/a	n/a	n/a	0.5	1.6	
Rest' Brands	QSR US	NR	n/a	64.63	n/a	228,268	Dec-20	23.2	20.3	9.1	9.8	27.8	0.7	3.3	
Chipotle	CMG US	NR	n/a	1859.8	n/a	406,415	Dec-20	72.6	55.5	22.8	19.0	30.2	1.5	0.0	
Darden	DRI US	NR	n/a	148.62	n/a	150,650	May-21	19.9	17.8	6.4	5.8	24.5	0.8	2.9	
Domino'S Pizza	DPZ US	NR	n/a	506.96	n/a	145,325	Jan-21	37.0	32.1	n/a	n/a	n/a	3.0	0.7	
Wendy'S Co	WEN US	NR	n/a	22.46	n/a	38,921	Jan-21	27.5	24.6	8.7	10.0	35.2	1.0	1.9	
Shake Shack	SHAK US	NR	n/a	82.35	n/a	26,939	Dec-20	n/a	236.6	8.7	8.2	(5.2)	n/a	n/a	
Wingstop Inc	WING US	NR	n/a	178.95	n/a	41,403	Dec-20	118.9	92.9	n/a	n/a	n/a	2.7	0.4	
Jollibee Foods	JFC PM	NR	n/a	199.50	n/a	34,629	Dec-20	82.0	37.6	3.7	3.5	2.3	(0.4)	0.6	
								<b>Avg.</b>	<b>47.3</b>	<b>54.5</b>	<b>9.9</b>	<b>9.4</b>	<b>19.1</b>	<b>1.2</b>	<b>1.5</b>
								<b>Med.</b>	<b>32.5</b>	<b>31.8</b>	<b>8.7</b>	<b>9.0</b>	<b>26.1</b>	<b>1.1</b>	<b>1.6</b>
<b>H-shares Consumer Staples</b>															
UPC	220 HK	NR	n/a	7.42	n/a	32,049	Dec-20	18.4	15.7	1.9	1.9	10.6	2.4	5.4	
Tingyi	322 HK	NR	n/a	14.52	n/a	81,712	Dec-20	18.0	16.0	3.1	3.1	19.7	2.4	6.6	
Want Want	151 HK	NR	n/a	5.43	n/a	64,972	Mar-21	12.8	12.0	3.4	3.1	27.6	1.7	5.1	
China Mengniu	2319 HK	NR	n/a	48.50	n/a	191,531	Dec-20	30.1	24.9	4.2	3.7	16.4	1.0	0.9	
Vitasoy	345 HK	NR	n/a	19.80	n/a	21,186	Mar-21	43.8	33.2	5.7	5.3	16.3	4.4	1.5	
Budweiser	1876 HK	NR	n/a	18.34	n/a	242,884	Dec-20	32.7	27.1	2.8	2.6	8.3	0.9	1.2	
Tsingtao	168 HK	NR	n/a	59.45	n/a	109,576	Dec-20	24.3	21.3	3.0	2.8	13.1	1.2	1.6	
CR Beer	291 HK	NR	n/a	57.45	n/a	186,378	Dec-20	36.5	32.9	6.4	5.7	18.4	0.9	1.2	
Dali Foods	3799 HK	NR	n/a	4.10	n/a	56,146	Dec-20	11.6	10.7	2.4	2.2	22.8	1.3	4.5	
								<b>Avg.</b>	<b>25.4</b>	<b>21.5</b>	<b>3.7</b>	<b>3.4</b>	<b>17.0</b>	<b>1.8</b>	<b>3.1</b>
								<b>Med.</b>	<b>24.3</b>	<b>21.3</b>	<b>3.1</b>	<b>3.1</b>	<b>16.4</b>	<b>1.3</b>	<b>1.6</b>

Source: Bloomberg, Company data, CMBIS estimates,

## Financial Summary

### Income statement

YE 31 Dec (USD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>8,776</b>	<b>8,263</b>	<b>9,873</b>	<b>11,233</b>	<b>12,412</b>
Company sales	7,925	7,396	8,973	10,255	11,377
Franchise fees and income	148	148	163	178	194
Fran. & uncol. affiliates sales	654	647	666	728	774
Other revenues	49	72	72	72	67
<b>Cost of goods sold</b>	<b>(2,479)</b>	<b>(2,342)</b>	<b>(2,782)</b>	<b>(3,179)</b>	<b>(3,538)</b>
<b>Gross profit</b>	<b>6,297</b>	<b>5,921</b>	<b>7,092</b>	<b>8,054</b>	<b>8,874</b>
<b>Other net income</b>	<b>60</b>	<b>285</b>	<b>10</b>	<b>79</b>	<b>87</b>
<b>Operating expenses</b>	<b>(5,456)</b>	<b>(5,245)</b>	<b>(6,137)</b>	<b>(6,835)</b>	<b>(7,488)</b>
Staff costs	(1,807)	(1,730)	(2,165)	(2,392)	(2,627)
Admin	(560)	(591)	(652)	(708)	(770)
Property rent & related	(877)	(814)	(969)	(1,108)	(1,229)
D & A	(428)	(404)	(446)	(497)	(552)
Other operating expenses	(1,784)	(1,706)	(1,905)	(2,131)	(2,311)
<b>EBIT</b>	<b>901</b>	<b>961</b>	<b>965</b>	<b>1,298</b>	<b>1,472</b>
Finance costs, net	39	43	79	91	104
JV & associates	-	-	-	-	-
Exceptional	63	104	20	22	25
<b>Pre-tax profit</b>	<b>1,003</b>	<b>1,108</b>	<b>1,064</b>	<b>1,411</b>	<b>1,601</b>
Income tax	(260)	(295)	(277)	(360)	(400)
Less: Minority interests	30	29	32	42	48
<b>Net profit</b>	<b>713</b>	<b>784</b>	<b>756</b>	<b>1,009</b>	<b>1,153</b>

### Cash flow summary

YE 31 Dec (USD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net income</b>	<b>901</b>	<b>961</b>	<b>965</b>	<b>1,298</b>	<b>1,472</b>
D&A	419	386	435	487	550
Change in working capital	74	(7)	86	76	67
Income tax paid	16	(295)	(277)	(360)	(400)
Others	(225)	234	136	122	131
<b>Net cash from operating</b>	<b>1,185</b>	<b>1,279</b>	<b>1,345</b>	<b>1,623</b>	<b>1,820</b>
Capex & investments	(435)	(578)	(691)	(674)	(745)
Associated companies	-	-	-	-	-
Interest received	-	-	-	-	-
Others	(475)	-	-	-	-
<b>Net cash from investing</b>	<b>(910)</b>	<b>(578)</b>	<b>(691)</b>	<b>(674)</b>	<b>(745)</b>
Equity raised	(265)	2,220	-	-	-
Change of Debts	-	-	-	-	-
Dividend paid	(181)	(181)	(95)	(182)	(243)
Others	(34)	-	-	-	-
<b>Net cash from financing</b>	<b>(480)</b>	<b>2,039</b>	<b>(95)</b>	<b>(182)</b>	<b>(243)</b>
<b>Net change in cash</b>	<b>(205)</b>	<b>2,740</b>	<b>559</b>	<b>767</b>	<b>832</b>
Beginning cash balance	1,266	1,046	3,786	4,345	5,112
Exchange difference	(15)	-	-	-	-
<b>Cash at the end of the year</b>	<b>1,046</b>	<b>3,786</b>	<b>4,345</b>	<b>5,112</b>	<b>5,944</b>

### Balance sheet

YE 31 Dec (USD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>4,691</b>	<b>4,797</b>	<b>5,016</b>	<b>5,194</b>	<b>5,387</b>
Fixed asset	1,594	1,775	2,031	2,219	2,414
Intangible assets & goodwill	94	75	64	54	52
Prepaid lease payments	-	-	-	-	-
Interest in asso. & JV	89	89	89	89	89
Others	2,914	2,858	2,832	2,833	2,833
<b>Current assets</b>	<b>2,259</b>	<b>4,934</b>	<b>5,596</b>	<b>6,453</b>	<b>7,365</b>
Cash and cash equivalents	1,046	3,786	4,345	5,112	5,944
Inventories	380	321	381	435	485
Trade and other receivables	88	91	108	123	136
Prepayments	134	126	151	172	190
Others	611	611	611	611	611
<b>Current liabilities</b>	<b>1,736</b>	<b>1,665</b>	<b>1,854</b>	<b>2,019</b>	<b>2,166</b>
Borrowings	-	-	-	-	-
Trade payables	623	577	686	784	872
Accruals & other payables	437	411	492	559	618
Tax payables	45	45	45	45	45
Others	631	631	631	631	631
<b>Non-current liabilities</b>	<b>2,039</b>	<b>2,039</b>	<b>2,039</b>	<b>2,039</b>	<b>2,039</b>
Borrowings	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	136	136	136	136	136
Others	1,903	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>3,175</b>	<b>6,027</b>	<b>6,719</b>	<b>7,589</b>	<b>8,547</b>
<b>Shareholders' equity</b>	<b>3,175</b>	<b>6,027</b>	<b>6,719</b>	<b>7,589</b>	<b>8,547</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Company sales	90.3	89.5	90.9	91.3	91.7
Franchise fees and income	1.7	1.8	1.6	1.6	1.6
Fran. & uncol. affiliates sales	7.5	7.8	6.7	6.5	6.2
Other revenues	0.6	0.9	0.7	0.6	0.5
<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	71.8	71.7	71.8	71.7	71.5
Operating margin	10.3	11.6	9.8	11.6	11.9
Pre-tax margin	11.4	13.4	10.8	12.6	12.9
Net margin	8.1	9.5	7.7	9.0	9.3
Effective tax rate	25.9	26.6	26.0	25.5	25.0
<b>Balance sheet ratios</b>					
Current ratio (x)	1.3	3.0	3.0	3.2	3.4
Quick ratio (x)	1.1	2.8	2.8	3.0	3.2
Cash ratio (x)	0.6	2.3	2.3	2.5	2.7
Inventory turnover days	51	50	50	50	50
Trade receivables days	3	4	4	4	4
Trade payables days	91	90	90	90	90
Total debt / total equity ratio (%)	0	0	0	0	0
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	22.5	13.0	11.2	13.3	13.5
ROA	10.3	8.1	7.1	8.7	9.0
<b>Per share</b>					
EPS (USD)	1.81	1.89	1.73	2.29	2.60
DPS (USD)	0.48	0.23	0.43	0.57	0.65
BVPS (USD)	8.44	14.35	15.90	17.85	19.99

Source: Company data, CMBIS estimates

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