

# Jiumaojiu (9922 HK)

## Hit taken and winner in the second half

**Maintain BUY and raised SOTP-based TP to HK\$ 16.10**, based on 15x FY21E P/E for Jiu Mao Jiu and 50x FY21E P/E for Tai Er (up from 10x and 35x FY21E P/E respectively, we believe better than peers traffic could justify its ability to gain market shares and a higher leader multiple). 1) Smaller burden from Jiu Mao Jiu, 2) robust momentum for Tai Er and 3) better rental terms, in our view, could all fuel better growth onwards. We think its current valuation of 41x FY21E P/E (vs industry average at 31x) is still attractive, given a 62% FY20-22E EPS CAGR.

- **We expect 23% sales reduction and RMB 116mn losses in 1H20E.** Referencing to the profit warning, we estimate net losses of RMB 116mn and 23% YoY sales decline (Tai Er +25%/ Jiu Mao Jiu -61%) in 1H20E. Such result included: 1) operating deleverage from store suspension in 1Q20, 2) Jiu Mao Jiu's weak recovery, 3) one-off expenses from Jiu Mao Jiu's store closures and 4) margin dilution from greater Tai Er's delivery sales.
- **Tai Er's recovery remained industry leading, with the help of delivery sales.** Tai Er's 25% sales growth in 1H20E is far better than industry (China catering sales fell by 37% in 5M20, by NBS). Its recovery rate in 2Q, in our view, was impressive, where table turn already reached ~5x in Jun 2020 (~107% of FY19 level) and dine-in and delivery accounted for ~88%/ 19%. Recovery rate for YUMC/ HDL/ XBXB were ~95%/ 80%/ 70% in Jun 2020.
- **Expect Tai Er opened ~36 stores in 1H20E, on track to fulfill its FY20E target.** Despite disruptions caused by COVID-19, JMJ still managed to open 36 new Tai Er stores (CMBI est.) in 1H20E, registered a 78% YoY growth. We believe FY20E target of 80 is achievable, even with a second outbreak in Beijing, where planned openings in Beijing could be shifted to other regions. Also, we think JMJ is a major beneficiary from industry consolidation, by signing more new store contracts with better rental terms and locations.
- **Expect Jiu Mao Jiu to close ~39 stores in 1H20E.** Jiu Mao Jiu is under pressure in 1H20E, because of: 1) ASP drop as it had removed tea charge per person and 2) its weak traffic, where table turn only recovered to 1.6x (~70% recovery rate) in Jun 2020. We estimate closure of 39 Jiu Mao Jiu stores in 1H20E (21 were in Beijing, Tianjin and Wuhan), with a one-off expense of ~RMB 20mn. Whether to re-open more stores would subject to performance of the new format stores, which is likely to be delayed to FY21E.
- **Maintain BUY and adjusted TP to HK\$ 16.10.** We cut FY20E/ 21E/ 22E EPS estimates by 88%/ 26%/ 17%, to factor in the disruptions by COVID-19. We maintain BUY and lifted TP to HK\$ 16.10, based on 15x/ 50x FY21E P/E for Jiu Mao Jiu/ Tai Er (up from 10x/ 35x). Valuation is still undemanding at 41x FY21E P/E given a turnaround from now on with a 62% FY20-22E EPS CAGR.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,893	2,687	2,599	4,321	6,554
YoY growth (%)	28.8	42.0	(3.3)	66.3	51.7
Net income (RMB mn)	70	164	23	383	702
EPS (RMB)	0.050	0.119	0.017	0.277	0.507
YoY growth (%)	4.2	136.1	(85.8)	1,545.3	83.2
Consensus EPS (RMB)	n/a	n/a	0.087	0.312	0.451
P/E (x)	218.7	94.3	666.3	40.5	22.1
P/B (x)	74.8	90.9	6.5	5.6	4.6
Yield (%)	0.4	0.0	0.0	0.7	1.4
ROE (%)	33.9	87.9	1.8	14.8	22.7
Net gearing (%)	70.8	187.9	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

## BUY (Maintain)

Target Price	HK\$16.10
(Previous TP)	HK\$11.44)
Up/Downside	+28.4%
Current Price	HK\$12.54

### China Catering Sector

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### Stock Data

Mkt Cap (HK\$ mn)	17,348
Avg 3 mths t/o (HK\$ mn)	110.86
52w High/Low (HK\$)	14.60/7.60
Total Issued Shares (mn)	1,383.4

Source: Bloomberg

### Shareholding Structure

Mr. Guan Yi Hong	44.42%
Shanghai Ling Yu	10.84%
MT BVI	6.59%
MX BVI	6.60%
Others	3.83%
Free Float	27.71%

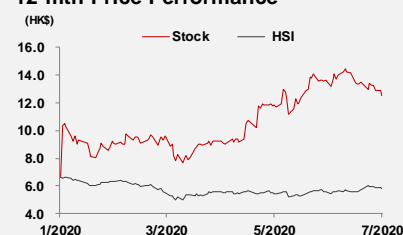
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-5.4%	-10.8%
3-mth	40.0%	32.0%
6-mth	n/a	n/a
12-mth	n/a	n/a

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: KPMG

### Related Reports

1. Jiumaojiu (9922 HK, BUY) - Speedy recovery indicates rare popularity – 31 Mar 2020
2. Jiumaojiu (9922 HK, BUY) - Excellence and minimalism to unlock scalability - 17 Feb 2020

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## Results Preview

Figure 1: Results Preview – Half Year

Half yearly / Full yearly (RMB mn)	1H19	2H19	1H20E	2H20E	1H19 YoY	2H19 YoY	1H20E YoY	2H20E YoY
Revenue	1,237	1,450	957	1,642	41%	42%	-23%	13%
COGS	(435)	(550)	(378)	(651)				
Gross profit	802	900	579	991	39%	40%	-28%	10%
<b>GP margins</b>	<b>64.8%</b>	<b>62.1%</b>	<b>60.5%</b>	<b>60.4%</b>				
Other income & gains	2	10	5	21				
Staff costs	(320)	(377)	(340)	(433)	34%	33%	6%	15%
<b>Staff costs / sales</b>	<b>-25.9%</b>	<b>-26.0%</b>	<b>-35.5%</b>	<b>-26.4%</b>				
Dep. of right-of-use assets expenses	(105)	(114)	(129)	(128)	43%	40%	24%	12%
<b>Dep. of ROU assets exp / sales</b>	<b>-8.5%</b>	<b>-7.9%</b>	<b>-13.5%</b>	<b>-7.8%</b>				
Other rentals expenses	(21)	(23)	(29)	(21)	61%	44%	34%	-8%
<b>Other rentals exp / sales</b>	<b>-1.7%</b>	<b>-1.6%</b>	<b>-3.0%</b>	<b>-1.3%</b>				
D & A of other assets	(49)	(48)	(67)	(55)	27%	13%	36%	14%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.0%</b>	<b>-3.3%</b>	<b>-7.0%</b>	<b>-3.3%</b>				
Utilities expenses	(50)	(57)	(40)	(57)	14%	16%	-20%	-1%
<b>Utilities exp / sales</b>	<b>-4.1%</b>	<b>-4.0%</b>	<b>-4.2%</b>	<b>-3.5%</b>				
Travelling & related expenses	(5)	(11)	(2)	(3)	18%	9%	-65%	-69%
<b>Travelling &amp; related exp / sales</b>	<b>-0.4%</b>	<b>-0.7%</b>	<b>-0.2%</b>	<b>-0.2%</b>				
A & P expenses	(8)	(11)	(10)	(13)	8%	-5%	15%	10%
<b>A &amp; P exp / sales</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-1.0%</b>	<b>-0.8%</b>				
Delivery service fees	(15)	(17)	(11)	(35)	65%	45%	-29%	110%
<b>Delivery service fees / sales</b>	<b>-1.2%</b>	<b>-1.2%</b>	<b>-1.1%</b>	<b>-2.2%</b>				
Other opex	-61	-91	-67	-71	24%	24%	10%	-22%
<b>Other opex / sales</b>	<b>-4.9%</b>	<b>-6.3%</b>	<b>-7.0%</b>	<b>-4.3%</b>				
Operating profit (EBIT)	168	161	-110	197	68%	154%	-165%	23%
<b>OP margins</b>	<b>13.6%</b>	<b>11.1%</b>	<b>-11.5%</b>	<b>12.0%</b>				
Other items	(2)	(3)	(1)	(3)				
Net finance income	(29)	(38)	(22)	(46)				
<b>Net finance income / sales</b>	<b>-2.3%</b>	<b>-2.6%</b>	<b>-2.3%</b>	<b>-2.8%</b>				
Profit after financing costs	137	120	-134	148				
Associated coms	1	1	1	1				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	139	121	-133	148	83%	323%	-196%	23%
Tax	(37)	(37)	7	2				
<b>Tax / sales</b>	<b>-3.0%</b>	<b>-2.5%</b>	<b>0.7%</b>	<b>0.1%</b>				
<b>Effective tax rate</b>	<b>-26.4%</b>	<b>-30.6%</b>	<b>-5.0%</b>	<b>1.2%</b>				
Minority interests	9	12	(10)	11				
<b>Net profit att.</b>	<b>93</b>	<b>72</b>	<b>(116)</b>	<b>139</b>	<b>81%</b>	<b>289%</b>	<b>-225%</b>	<b>94%</b>
<b>NP margins</b>	<b>7.5%</b>	<b>5.0%</b>	<b>-12.1%</b>	<b>8.5%</b>				

Source: Bloomberg, Company data, CMBIS estimates

Figure 2: Results Preview – Full Year

Half yearly / Full yearly (RMB mn)	FY18	FY19	FY20E	FY21E	FY19 YoY	FY20E YoY	FY21E YoY
Revenue	1,893	2,687	2,599	4,321	42%	-3%	66%
COGS	(672)	(985)	(1,029)	(1,708)			
Gross profit	1,221	1,702	1,571	2,614	39%	-8%	66%
<b>GP margins</b>	<b>64.5%</b>	<b>63.3%</b>	<b>60.4%</b>	<b>60.5%</b>			
Other income & gains	3	12	26	46			
Staff costs	(523)	(697)	(773)	(1,062)	33%	11%	37%
<b>Staff costs / sales</b>	<b>-27.7%</b>	<b>-25.9%</b>	<b>-29.7%</b>	<b>-24.6%</b>			
Dep. of right-of-use assets expenses	(155)	(219)	(257)	(324)	41%	17%	26%
<b>Dep. of ROU assets exp / sales</b>	<b>-8.2%</b>	<b>-8.1%</b>	<b>-9.9%</b>	<b>-7.5%</b>			
Other rentals expenses	(29)	(44)	(50)	(78)	52%	12%	57%
<b>Other rentals exp / sales</b>	<b>-1.5%</b>	<b>-1.6%</b>	<b>-1.9%</b>	<b>-1.8%</b>			
D & A of other assets	(81)	(97)	(122)	(151)	20%	25%	23%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.3%</b>	<b>-3.6%</b>	<b>-4.7%</b>	<b>-3.5%</b>			
Utilities expenses	(94)	(108)	(97)	(144)	15%	-10%	48%
<b>Utilities exp / sales</b>	<b>-5.0%</b>	<b>-4.0%</b>	<b>-3.7%</b>	<b>-3.3%</b>			
Travelling & related expenses	(14)	(16)	(5)	(17)	12%	-68%	233%
<b>Travelling &amp; related exp / sales</b>	<b>-0.8%</b>	<b>-0.6%</b>	<b>-0.2%</b>	<b>-0.4%</b>			
A & P expenses	(20)	(20)	(22)	(46)	0%	12%	109%
<b>A &amp; P exp / sales</b>	<b>-1.0%</b>	<b>-0.7%</b>	<b>-0.9%</b>	<b>-1.1%</b>			
Delivery service fees	(21)	(32)	(46)	(21)	54%	44%	-55%
<b>Delivery service fees / sales</b>	<b>-1.1%</b>	<b>-1.2%</b>	<b>-1.8%</b>	<b>-0.5%</b>			
Other opex	-123	-152	-138	-138	24%	-10%	0%
<b>Other opex / sales</b>	<b>-6.5%</b>	<b>-5.7%</b>	<b>-5.3%</b>	<b>-3.2%</b>			
Operating profit (EBIT)	163	329	87	678	101%	-73%	676%
<b>OP margins</b>	<b>8.6%</b>	<b>12.2%</b>	<b>3.4%</b>	<b>15.7%</b>			
Other items	1	(5)	(5)	(8)			
Net finance income	(58)	(67)	(68)	(76)			
<b>Net finance income / sales</b>	<b>-3.1%</b>	<b>-2.5%</b>	<b>-2.6%</b>	<b>-1.8%</b>			
Profit after financing costs	106	257	14	594			
Associated coms	(2)	2	2	3			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	104	259	16	597	148%	-94%	3663%
Tax	(31)	(73)	9	(160)			
<b>Tax / sales</b>	<b>-1.6%</b>	<b>-2.7%</b>	<b>0.3%</b>	<b>-3.7%</b>			
<b>Effective tax rate</b>	<b>-29.3%</b>	<b>-28.3%</b>	<b>53.7%</b>	<b>-26.9%</b>			
Minority interests	4	21	1	54			
<b>Net profit att.</b>	<b>70</b>	<b>164</b>	<b>23</b>	<b>383</b>	<b>136%</b>	<b>-86%</b>	<b>1545%</b>
<b>NP margins</b>	<b>3.7%</b>	<b>6.1%</b>	<b>0.9%</b>	<b>8.9%</b>			

Source: Bloomberg, Company data, CMBIS estimates

## Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	2,599	4,321	6,554	3,257	5,276	7,801	-20.2%	-18.1%	-16.0%
Gross profit	1,571	2,614	3,974	2,039	3,278	4,815	-23.0%	-20.3%	-17.5%
EBIT	87	678	1,211	376	896	1,444	-76.8%	-24.3%	-16.1%
Net profit att.	23	383	702	197	514	840	-88.2%	-25.5%	-16.5%
Diluted EPS (RMB)	0.017	0.277	0.507	0.143	0.372	0.607	-88.2%	-25.5%	-16.5%
Gross margin	60.4%	60.5%	60.6%	62.6%	62.1%	61.7%	-2.2ppt	-1.7ppt	-1.1ppt
EBIT margin	3.4%	15.7%	18.5%	11.6%	17.0%	18.5%	-8.2ppt	-1.3ppt	0ppt
Net profit att. margin	0.9%	8.9%	10.7%	6.1%	9.7%	10.8%	-5.2ppt	-0.9ppt	-0.1ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	2,599	4,321	6,554	2,881	4,883	6,712	-9.8%	-11.5%	-2.4%
Gross profit	1,571	2,614	3,974	1,805	3,046	4,175	-13.0%	-14.2%	-4.8%
EBIT	87	678	1,211	296	811	1,247	-70.5%	-16.3%	-2.8%
Net profit att.	23	383	702	145	439	697	-84.0%	-12.8%	0.8%
Diluted EPS (RMB)	0.017	0.277	0.507	0.087	0.312	0.451	-80.6%	-11.3%	12.5%
Gross margin	60.4%	60.5%	60.6%	62.6%	62.4%	62.2%	-2.2ppt	-1.9ppt	-1.6ppt
EBIT margin	3.4%	15.7%	18.5%	10.3%	16.6%	18.6%	-6.9ppt	-0.9ppt	-0.1ppt
Net profit att. margin	0.9%	8.9%	10.7%	5.0%	9.0%	10.4%	-4.1ppt	-0.1ppt	0.3ppt

Source: Company data, CMBIS estimates

Figure 5: Valuation table for SOTP methodology

SOTP Valuation	Target price (HK\$)	Valuation (RMB mn)	Value Split	Method	Target Ratio (x)	Implied P/E (x)	Implied 3 years PEG (x)	FY21E CMBI est. net profit (Rmb mn)	Remarks
1. Jiu Mao Jiu	0.32	365	2%	FY21E P/E	15.0			24	43% discount to industry average of 26x
2. Tai Er + others	15.78	17,932	98%	FY21E P/E	50.0			359	62% premium to leaders' average of 31x
<b>Total/ implied valuation</b>	<b>16.10</b>	<b>18,297</b>		<b>FY21E</b>		<b>47.8</b>	<b>0.77</b>	<b>383</b>	

Source: Company data, CMBIS estimates

## Assumptions

Figure 6: CMBIS' assumptions

Major assumptions	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by brand (RMB mn)</b>						
Jiu Mao Jiu	1,204	1,334	1,372	692	785	976
Tai Er	244	540	1,277	1,877	3,494	5,519
Other brands	22	19	39	31	43	58
<b>Total</b>	<b>1,469</b>	<b>1,893</b>	<b>2,687</b>	<b>2,599</b>	<b>4,321</b>	<b>6,554</b>
<b>Sales growth by brand (%)</b>						
Jiu Mao Jiu	10.2%	10.8%	2.8%	-49.6%	13.4%	24.4%
Tai Er	259.9%	121.4%	136.4%	46.9%	86.2%	58.0%
Other brands	424.5%	-14.1%	107.9%	-20.0%	40.0%	35.0%
<b>Total</b>	<b>26.2%</b>	<b>28.8%</b>	<b>42.0%</b>	<b>-3.3%</b>	<b>66.3%</b>	<b>51.7%</b>
<b>Sales by segment growth (%)</b>						
Restaurant operations	19.3%	24.9%	44.6%	-6.1%	81.3%	52.7%
Delivery business	329.4%	80.3%	13.1%	30.4%	-53.3%	28.2%
Sales of specialties	13.5%	-44.5%	278.9%	20.0%	20.0%	20.0%
Others	106.2%	40.5%	102.0%	-15.0%	25.0%	20.0%
<b>Sales by region growth (%)</b>						
Tier 1 cities	27.9%	31.3%	25.8%	-7.7%	54.3%	44.0%
New tier 1 cities	12.4%	37.4%	113.3%	15.0%	101.1%	69.1%
Tier 2 cities	2.6%	26.5%	105.4%	18.0%	85.9%	64.6%
Tier 3 cities and below	37.2%	20.5%	18.0%	-24.5%	38.0%	25.5%
<b>GP margins by segment</b>						
Jiu Mao Jiu			67.5%	67.0%	67.0%	67.0%
Tai Er			59.0%	58.0%	59.0%	59.5%
Other brands			58.0%	60.0%	62.0%	62.0%
<b>Total</b>	<b>65.1%</b>	<b>64.5%</b>	<b>63.3%</b>	<b>60.4%</b>	<b>60.5%</b>	<b>60.6%</b>
<b>Opex breakdown</b>						
Staff costs	-27.2%	-27.7%	-25.9%	-29.7%	-24.6%	-23.4%
Depreciation of right-of-use assets	-8.8%	-8.2%	-8.1%	-9.9%	-7.5%	-7.1%
Other rentals & related expenses	-0.6%	-1.5%	-1.6%	-1.9%	-1.8%	-1.6%
D & A of other assets	-5.2%	-4.3%	-3.6%	-4.7%	-3.5%	-3.1%
Utilities expenses	-5.4%	-5.0%	-4.0%	-3.7%	-3.3%	-2.9%
Others	-7.7%	-9.4%	-8.2%	-8.1%	-5.1%	-5.0%
<b>EBIT margins</b>	<b>10.4%</b>	<b>8.6%</b>	<b>12.2%</b>	<b>3.4%</b>	<b>15.7%</b>	<b>18.5%</b>
Effective tax rate	27.8%	28.7%	28.5%	-60.0%	27.0%	26.0%
<b>NP att. margins</b>	<b>4.6%</b>	<b>3.7%</b>	<b>6.1%</b>	<b>0.9%</b>	<b>8.9%</b>	<b>10.7%</b>
<b>NP att. growth (%)</b>	<b>28.9%</b>	<b>4.2%</b>	<b>136.1%</b>	<b>-85.8%</b>	<b>1545.3%</b>	<b>83.2%</b>

Source: Company data, CMBIS estimates

## Valuation

Figure 7: Peers valuation

Company	Ticker	Rating	12M TP HK\$/ LC	Price HK\$/ LC	Up/dow n-side (%)	Mkt cap HK\$ mn	Year End	PER (x) FY1 FY2	PBR (x) FY1 FY2	ROE (%) FY0	3yrs PEG(x) FY1	Yield (%) FY1	YTD perf. (%)
<b>Leading Greater China Catering</b>													
Jiumaojiu Int'l	9922 HK	BUY	16.10	12.54	28%	17,348	Dec-19	666.3	40.5	6.5	5.6	87.9	n/a
Haidilao Int'l	6862 HK	BUY	37.90	33.75	12%	178,875	Dec-19	109.1	37.0	13.8	10.2	24.4	3.3
Cafe De Coral	341 HK	BUY	19.07	14.50	32%	8,493	Mar-20	18.7	15.7	2.8	2.6	2.5	0.2
Xiabuxiabu	520 HK	NR	n/a	7.91	n/a	8,555	Dec-19	54.2	14.3	3.0	2.5	12.5	1.9
Yihai Int'l	1579 HK	NR	n/a	96.25	n/a	100,764	Dec-19	91.7	67.6	25.4	19.2	31.1	3.1
Gourmet Master	2723 TT	NR	n/a	92.90	n/a	4,392	Dec-19	26.9	16.1	1.6	1.5	6.4	2.5
								<b>Avg.</b>	<b>144.7</b>	<b>30.9</b>	<b>8.4</b>	<b>6.6</b>	<b>26.2</b>
								<b>Med.</b>	<b>54.2</b>	<b>24.8</b>	<b>5.6</b>	<b>4.8</b>	<b>18.3</b>
<b>Other Greater China Catering</b>													
Fairwood	52 HK	NR	n/a	16.56	n/a	2,145	Mar-20	36.0	12.0	3.1	2.6	8.1	n/a
Tai Hing	6811 HK	NR	n/a	1.18	n/a	1,182	Dec-19	10.7	7.9	1.2	1.1	11.5	10.0
Hop Hing	47 HK	NR	n/a	0.06	n/a	604	Dec-19	n/a	n/a	n/a	n/a	18.8	n/a
Tsui Wah	1314 HK	NR	n/a	0.30	n/a	423	Mar-20	n/a	n/a	n/a	n/a	(35.1)	n/a
Ajisen	538 HK	NR	n/a	1.23	n/a	1,343	Dec-19	6.2	n/a	n/a	n/a	4.8	n/a
Tao Heung	573 HK	NR	n/a	0.94	n/a	956	Dec-19	n/a	n/a	n/a	n/a	7.6	n/a
Tang Palace	1181 HK	NR	n/a	0.72	n/a	775	Dec-19	4.7	n/a	n/a	n/a	19.8	n/a
								<b>Avg.</b>	<b>14.4</b>	<b>9.9</b>	<b>2.2</b>	<b>1.9</b>	<b>5.1</b>
								<b>Med.</b>	<b>8.5</b>	<b>9.9</b>	<b>2.2</b>	<b>1.9</b>	<b>8.1</b>
<b>Greater China Catering</b>													
								<b>Avg.</b>	<b>97.3</b>	<b>26.2</b>	<b>7.0</b>	<b>5.6</b>	<b>15.6</b>
								<b>Med.</b>	<b>36.0</b>	<b>16.1</b>	<b>3.1</b>	<b>2.6</b>	<b>12.0</b>
<b>International Catering</b>													
Mcdonald's	MCD US	NR	n/a	184.92	n/a	1,065,778	Dec-19	32.4	23.1	n/a	n/a	n/a	9.9
Starbucks	SBUX US	NR	n/a	72.65	n/a	657,907	Sep-19	82.2	27.5	n/a	n/a	n/a	14.7
Restaurant Brands	QSR US	NR	n/a	54.22	n/a	195,494	Dec-19	26.2	19.8	9.0	8.8	33.3	3.5
Chipotle Mexican	CMG US	NR	n/a	1088.9	n/a	235,413	Dec-19	114.5	56.5	16.0	13.5	21.4	4.6
Darden	DRI US	NR	n/a	72.90	n/a	73,390	May-20	23.7	13.2	3.5	3.1	(2.2)	(0.1)
Domino's Pizza	DPZ US	NR	n/a	401.38	n/a	121,703	Dec-19	35.1	32.8	n/a	n/a	n/a	3.1
Dunkin' Brands	DNKN US	NR	n/a	64.58	n/a	41,103	Dec-19	25.2	21.1	n/a	n/a	n/a	7.3
Wendy's	WEN US	NR	n/a	21.43	n/a	36,992	Dec-19	39.4	31.8	8.8	9.0	21.9	4.6
Shake Shack	SHAK US	NR	n/a	48.69	n/a	15,583	Dec-19	n/a	190.9	5.1	4.9	6.1	n/a
Wingstop	WING US	NR	n/a	129.70	n/a	29,741	Dec-19	124.4	105.1	n/a	n/a	n/a	3.4
Jollibee Foods	JFC PM	NR	n/a	140.00	n/a	24,267	Dec-19	n/a	34.2	2.5	2.3	4.7	n/a
								<b>Avg.</b>	<b>53.3</b>	<b>48.3</b>	<b>7.5</b>	<b>6.9</b>	<b>14.2</b>
								<b>Med.</b>	<b>33.8</b>	<b>29.7</b>	<b>7.0</b>	<b>6.9</b>	<b>13.8</b>
<b>A-shares Greater China Catering</b>													
Foshan Haitian	603288 CH	NR	n/a	130.60	n/a	467,508	Dec-19	66.4	55.6	20.8	17.2	32.7	3.8
Fujian Sunner	002299 CH	NR	n/a	30.40	n/a	41,787	Dec-19	9.5	11.2	2.9	2.6	46.6	(1.5)
Angel Yeast	600298 CH	NR	n/a	66.46	n/a	60,502	Dec-19	48.8	41.8	9.2	7.9	19.9	2.7
Meihua	600873 CH	NR	n/a	5.38	n/a	18,424	Dec-19	17.1	12.7	n/a	n/a	9.6	0.6
Guangzhou Restaurant	603043 CH	NR	n/a	32.96	n/a	14,710	Dec-19	30.0	23.3	5.3	4.5	16.7	1.5
China Quanjude	002186 CH	NR	n/a	12.54	n/a	4,273	Dec-19	n/a	n/a	n/a	n/a	(3.7)	n/a
Xi'an Catering	000721 CH	NR	n/a	5.32	n/a	2,933	Dec-19	n/a	n/a	n/a	n/a	(13.4)	n/a
								<b>Avg.</b>	<b>34.4</b>	<b>28.9</b>	<b>9.5</b>	<b>8.0</b>	<b>15.5</b>
								<b>Med.</b>	<b>30.0</b>	<b>23.3</b>	<b>7.2</b>	<b>6.2</b>	<b>16.7</b>
<b>H-shares Consumer Staples</b>													
UPC	220 HK	NR	n/a	8.66	n/a	37,405	Dec-19	23.1	21.2	2.5	2.4	10.2	3.2
Tingyi	322 HK	NR	n/a	13.72	n/a	77,161	Dec-19	22.7	20.8	3.5	3.4	17.0	9.1
Want Want	151 HK	NR	n/a	6.07	n/a	75,360	Mar-20	17.4	16.6	4.2	4.1	23.8	3.2
Mengniu Dairy	2319 HK	NR	n/a	35.05	n/a	138,048	Dec-19	37.7	25.0	3.9	3.4	15.1	3.1
Vitasoy	345 HK	NR	n/a	29.90	n/a	31,809	Mar-20	52.0	41.5	9.3	8.5	17.0	2.7
Budweiser Brewing	1876 HK	NR	n/a	24.60	n/a	325,788	Dec-19	41.2	26.9	4.0	3.7	9.0	1.6
Tsingtao Brewery	168 HK	NR	n/a	65.90	n/a	106,931	Dec-19	43.2	34.0	3.9	3.6	8.3	3.3
CR Beer	291 HK	NR	n/a	48.40	n/a	157,018	Dec-19	60.2	39.8	6.7	6.0	6.8	1.2
Dali Foods	3799 HK	NR	n/a	4.88	n/a	66,827	Dec-19	15.3	14.0	3.6	3.3	24.2	2.6
								<b>Avg.</b>	<b>34.8</b>	<b>26.6</b>	<b>4.6</b>	<b>4.3</b>	<b>14.6</b>
								<b>Med.</b>	<b>37.7</b>	<b>25.0</b>	<b>3.9</b>	<b>3.6</b>	<b>15.1</b>

Source: Bloomberg, Company data, CMBIS estimates



## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>1,469</b>	<b>1,893</b>	<b>2,687</b>	<b>2,599</b>	<b>4,321</b>	<b>6,554</b>
Jiu Mao Jiu	1,20	1,33	1,37	692	785	976
Tai Er	244	540	1,27	1,87	3,49	5,51
Other brands	22	19	39	31	43	58
						-
<b>Cost of goods sold</b>	<b>(513)</b>	<b>(672)</b>	<b>(985)</b>	<b>(1,029)</b>	<b>(1,708)</b>	<b>(2,580)</b>
<b>Gross profit</b>	<b>957</b>	<b>1,221</b>	<b>1,702</b>	<b>1,571</b>	<b>2,614</b>	<b>3,974</b>
<b>Other income</b>	<b>2</b>	<b>3</b>	<b>12</b>	<b>26</b>	<b>46</b>	<b>55</b>
<b>Operating expenses</b>	<b>(806)</b>	<b>(1,060)</b>	<b>(1,385)</b>	<b>(1,509)</b>	<b>(1,981)</b>	<b>(2,818)</b>
Staff costs	(400)	(523)	(697)	(773)	(1,062)	(1,531)
Rental & ROUA depre.	(138)	(184)	(263)	(307)	(402)	(569)
D & A expenses	(76)	(81)	(97)	(122)	(151)	(202)
Utilities expenses	(80)	(94)	(108)	(97)	(144)	(189)
Other opex	(112)	(178)	(220)	(211)	(222)	(326)
<b>EBIT</b>	<b>153</b>	<b>163</b>	<b>329</b>	<b>87</b>	<b>678</b>	<b>1,211</b>
Finance costs	(52)	(58)	(67)	(68)	(76)	(91)
JVs & associates	(1)	(2)	2	2	3	4
Exceptional	(1)	1	(5)	(5)	(8)	(12.16)
<b>Pre-tax profit</b>	<b>99</b>	<b>104</b>	<b>259</b>	<b>16</b>	<b>597</b>	<b>1,112</b>
Income tax	(28)	(31)	(73)	9	(160)	(288)
Less: Minority interests	5	4	21	1	54	122
<b>Net profit att.</b>	<b>67</b>	<b>70</b>	<b>164</b>	<b>23</b>	<b>383</b>	<b>702</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>759</b>	<b>960</b>	<b>1,271</b>	<b>1,311</b>	<b>1,378</b>	<b>1,475</b>
Fixed asset	216	268	323	361	426	518
Intangible assets & GW	460	578	808	808	808	808
Prepaid lease payments	40	57	66	66	66	66
Interest in joint ventures	4	4	8	10	13	17
Other non-current	39	54	66	66	66	66
<b>Current assets</b>	<b>183</b>	<b>227</b>	<b>383</b>	<b>2,554</b>	<b>3,106</b>	<b>3,950</b>
Cash and cash	52	60	127	2,324	2,759	3,449
Inventories	33	36	75	45	70	106
Trade and other	12	17	12	20	33	50
Prepayments	68	88	122	118	196	298
Other current assets	18	26	47	47	47	47
<b>Current liabilities</b>	<b>290</b>	<b>440</b>	<b>794</b>	<b>775</b>	<b>950</b>	<b>1,169</b>
Bank loans	20	49	220	220	220	220
Trade payables	54	72	97	85	131	184
Accruals & payables	82	145	200	194	322	488
Tax payables	8	12	23	23	23	23
others	127	162	253	253	253	253
<b>Non-current liabilities</b>	<b>445</b>	<b>543</b>	<b>690</b>	<b>690</b>	<b>690</b>	<b>690</b>
Bank loans	-	-	-	-	-	-
Deferred income	16	21	27	27	27	27
Deferred tax	-	-	-	-	-	-
Others	428	522	663	663	663	663
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>55</b>	<b>177</b>
<b>Total net assets</b>	<b>207</b>	<b>204</b>	<b>171</b>	<b>2,399</b>	<b>2,790</b>	<b>3,389</b>
<b>Shareholders' equity</b>	<b>207</b>	<b>204</b>	<b>171</b>	<b>2,399</b>	<b>2,790</b>	<b>3,389</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>EBIT</b>	<b>153</b>	<b>163</b>	<b>329</b>	<b>87</b>	<b>678</b>	<b>1,211</b>
D & A	76	81	97	122	151	-
Chg. in working capital	(18)	(1)	12	7	58	65
Income tax paid	(34)	(40)	(73)	9	(160)	(288)
Others	137	168	1	14	22	216
<b>NC from operating</b>	<b>314</b>	<b>373</b>	<b>366</b>	<b>239</b>	<b>749</b>	<b>1,204</b>
Capex & investments	(75)	(150)	(188)	(174)	(238)	(308)
Associated companies	(16)	(2)	(0)	(0)	(0)	(0)
Interest received	1	1	-	-	-	-
Others	(0)	(1)	-	-	-	-
<b>NC from investing</b>	<b>(90)</b>	<b>(152)</b>	<b>(188)</b>	<b>(174)</b>	<b>(238)</b>	<b>(308)</b>
Equity raised	-	-	-	2,200	-	-
Net change in bank	(19)	29	263	-	-	-
Dividend paid	(20)	(25)	30	-	-	(115)
Others	(166)	(218)	(382)	(68)	(76)	(91)
<b>NC from financing</b>	<b>(205)</b>	<b>(214)</b>	<b>(89)</b>	<b>2,132</b>	<b>(76)</b>	<b>(206)</b>
<b>Net change in cash</b>	<b>19</b>	<b>7</b>	<b>89</b>	<b>2,197</b>	<b>436</b>	<b>689</b>
Beginning cash	33	52	60	149	2,345	2,781
Exchange difference	-	-	-	-	-	-
<b>Cash at end of year</b>	<b>52</b>	<b>60</b>	<b>149</b>	<b>2,345</b>	<b>2,781</b>	<b>3,470</b>

### Key ratios

YE 31 Dec	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>						
Jiu Mao Jiu	81.9	70.5	51.0	26.6	18.2	14.9
Tai Er	16.6	28.5	47.5	72.2	80.8	84.2
Other brands	1.5	1.0	1.4	1.2	1.0	0.9
<b>Total</b>	<b>100.0</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	65.1	64.5	63.3	60.4	60.5	60.6
EBIT margin	10.4	8.6	12.2	3.4	15.7	18.5
Pre-tax margin	6.8	5.5	9.6	0.6	13.8	17.0
Net margin	4.6	3.7	6.1	0.9	8.9	10.7
Effective tax rate	27.8	28.7	28.5	-60.0	27.0	26.0
<b>Balance sheet ratios</b>						
Current ratio (x)	0.6	0.5	0.5	3.3	3.3	3.4
Quick ratio (x)	0.5	0.4	0.4	3.2	3.2	3.3
Cash ratio (x)	0.2	0.1	0.2	3.0	2.9	3.0
Inventory turnover	19	19	21	16	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	37	34	31	30	28	26
Total debt / total equity	71	103	277	20	17	14
Net debt / equity	45	71	188	Net cash	Net cash	Net cash
<b>Returns (%)</b>						
ROE	32.3	34.2	96.3	1.0	13.7	20.7
ROA	7.1	5.9	9.9	0.6	8.5	12.9
<b>Per share</b>						
EPS (RMB)	0.05	0.05	0.12	0.02	0.28	0.51
DPS (RMB)	0.01	0.04	-	-	0.08	0.15
BVPS (RMB)	0.15	0.15	0.12	1.73	2.02	2.45

Source: Company data, CMBIS estimates

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