

# Atour Lifestyle (ATAT US)

## Top-rated & fast-growing with the right strategy

We initiate BUY on Atour and put it as our sector top pick, because of outstanding customer satisfaction and room for expansion. While 3Q23E could be a challenge with softening macro numbers and high base, we still believe the upcycle of hotel sector had just begun (even with volatility) and Atour's FY23E guidance is conservative enough. Our TP is based on 35x FY23E P/E, well supported by the 39%/ 135% sales/ np att. CAGR in FY22-25E. **Catalysts: better than expected 1) PMI, 2) tourism data during key holidays and 3) peers' results.**

- **A leading lifestyle mid to upscale hotel group in China.** Atour is the largest hotel group in upper midscale segment in China, with 10.1% market share in 2021. It has six brands (A.T. House/ Atour S/ Z Hotel/ Atour/ Atour X/ Atour Light), 932 hotels with over 100K rooms. Room rate/ OC rate/ RevPAR was RMB 391/ 63%/ RMB 261 and sales/ NP was RMB 2.3bn/ RMB 98mn in FY22.
- **Better than peers customer satisfaction and financials.** Atour is not only outstanding in customer rating (Ctrip.com and Dianping.com), but also leading in 1Q23 RevPAR recovery rate (at 118% vs H World/ JinJiang/ BTG Hotel's 118%/ 103%/ 96%). Such results, in our view, are well supported by its: 1) "standardized" approach to personalized services, 2) focuses on younger customers, 3) customer-centric culture and 4) localization strategy.
- **Fast payback for the franchisees, evidenced by decent repeat purchase rate and limited closures.** Payback period of a typical Atour hotel is rather industry leading at 3 to 5 years, a result mostly due to its premium in room rate vs peers. We think its franchisees are generally satisfied, based on the 30%+ repeat purchase rate and exceptionally low store closures.
- **Ample room for Atour to expand in the space of mid to upscale hotel.** Hotel expansion should remain fast as midscale to upscale hotels are still in high demand and fragmented, plus Atour's low city penetration and density.
- **Hotel industry should still in upcycle, supported by structural reasons.** Based on our studies on many cycles in the past, we think the upcycle has just begun (although volatility should also be expected) because a typical cycle should last for at least five quarters and supply is structurally limited.
- **We forecast a 39% sales and a 135% np att. CAGR in FY22-25E.** Key drivers are: 1) rapid hotel expansion, 2) rebound in RevPAR, 3) ramp-up of franchised hotels' GP margin and 4) operating leverage. The 118% RevPAR recovery rate in 1Q23 was stronger than expected but FY23E net profit could be dragged by retreats in 2H23E and one-off share-based compensation. Our EPS estimates are 23%-13% in FY23E-24E lower than cons., as we have factored in a lower GP margin and higher one-off share-based expenses.
- **We initiate BUY on Atour with a TP of US\$21.83, based on 35x FY23E P/E.** Our TP has a 16% premium over peers' average of 30x (or 26% over H-World's 28x). We think that is well justified by its faster than peers sales and EBITDA growth, plus its higher mix from franchised hotels. Atour is trading at 25x FY23E P/E and 14x EV/ EBITDA, which is not demanding in our view.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	2,148	2,263	3,681	4,736	6,017
YoY growth (%)	37.1	5.4	62.7	28.6	27.1
EBITDA (RMB mn)	299	261	892	1,304	1,829
Net profit (RMB mn)	139.7	96.1	562.9	912.1	1,316.3
EPS (Reported) (RMB)	0.45	0.77	4.31	6.98	10.07
YoY growth (%)	83.2	71.8	458.5	62.1	44.3
Consensus EPS (RMB)	na	na	5.62	8.01	9.85
P/E (x)	na	140.8	25.2	15.6	10.8
EV/EBITDA (x)	122.0	48.7	13.5	8.4	5.2
Yield (%)	na	0.0	0.0	0.0	0.0
ROE (%)	24.7	11.0	38.3	41.4	39.7

Source: Company data, Bloomberg, CMBIGM estimates

## BUY

**Target Price** US\$21.83  
**Up/Downside** 38.5%  
**Current Price** US\$15.76

### China Consumer Discretionary

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### Stock Data

Mkt Cap (US\$ mn)	6,014.0
Avg 3 mths t/o (US\$ mn)	4.0
52w High/Low (US\$)	NA/NA
Total Issued Shares (mn)	381.6

Source: FactSet

### Shareholding Structure

Mr. Haijun Wang	31.0%
Legend Capital	24.7%

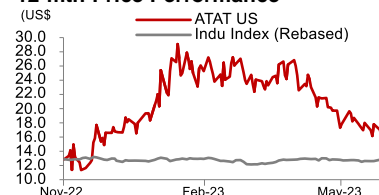
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-20.1%	-19.8%
3-mth	-41.1%	-42.3%
6-mth	5.8%	5.9%

Source: FactSet

### 12-mth Price Performance



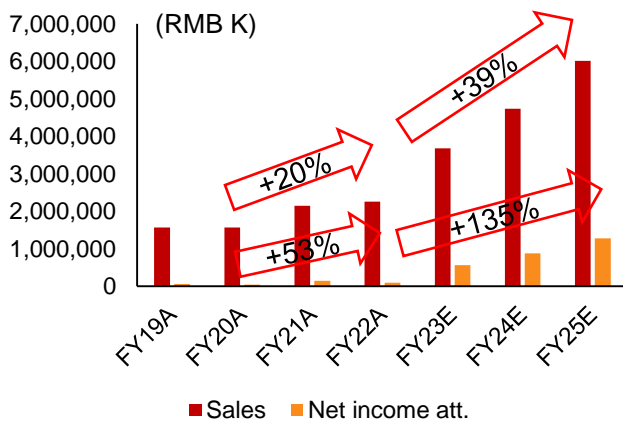
Source: FactSet

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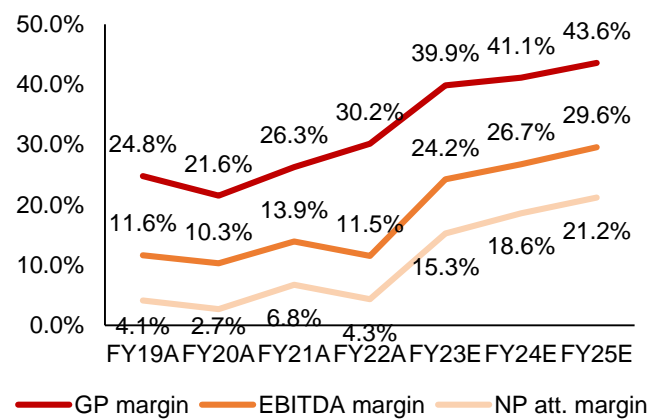
## Focus Charts and Tables

**Figure 1: Sales and net profit att. (yearly)**



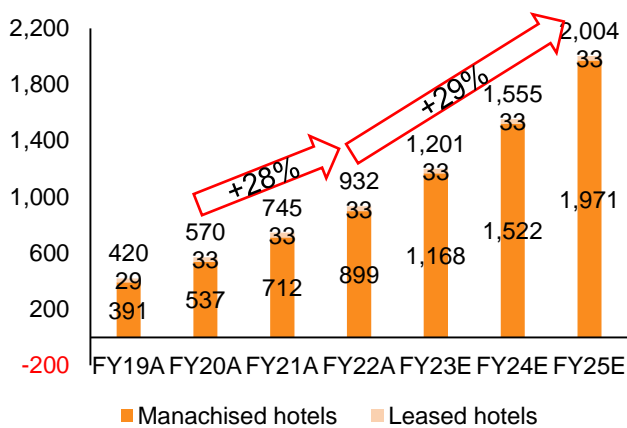
Source: Company data, CMBIGM estimates

**Figure 2: GP/ EBITDA/ NP att. margin (yearly)**



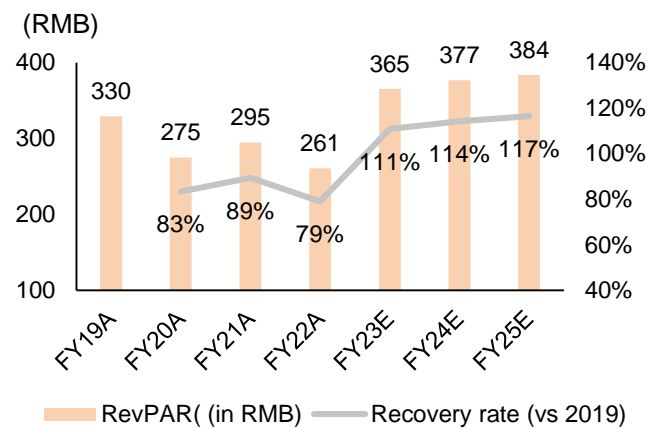
Source: Company data, CMBIGM estimates

**Figure 3: Number of hotels, by segment**



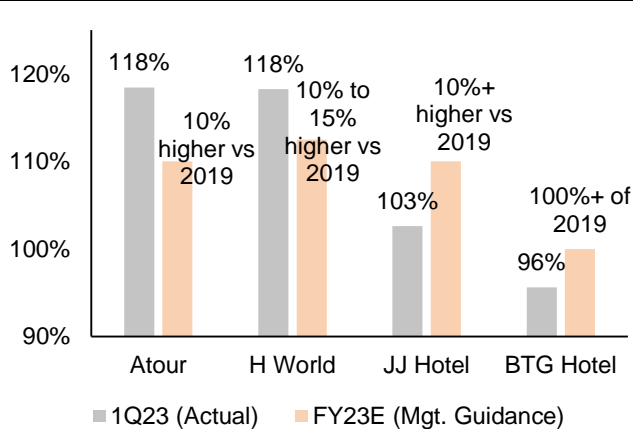
Source: Company data, CMBIGM estimates

**Figure 4: RevPAR and recovery rate (vs 2019)**



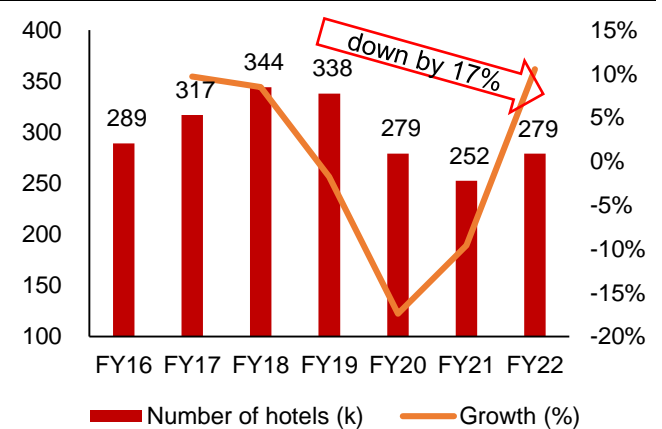
Source: Company data, CMBIGM estimates

**Figure 5: RevPAR recovery rate, by company**



Source: Company data, CMBIGM estimates

**Figure 6: Number of hotels in China and growth**



Source: Company data, CMBIGM estimates

## Company Overview

### A leading lifestyle mid to upscale hotel group in China.

Atour Hotel Group is a leading hotel management company headquartered in Shanghai, focusing mainly on the upper midscale segment in China. Having 10.1% of market share, it was already the largest brand in the upper midscale hotel industry in China in 2021.

The Company was founded and the first hotel was opened in 2013 by Mr. Wang Haijun. He is a well-respected veteran in China's hospitality sector. Mr Wang was the EVP of China Lodging group and also worked for Ctrip, Home Inn and JinJiang Inn. He has won "40 People of China's Hotel Industry in tribute to the 40 Years of reform and development" as well as the "Most Innovative Person Award in the China Tourism Industry".

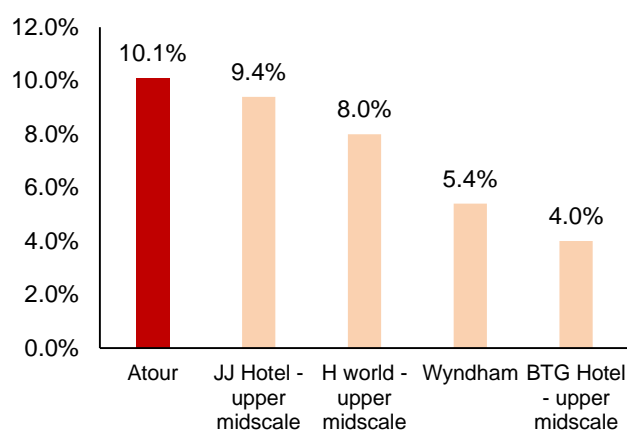
Atour has six accommodation brands including A.T.HOUSE, Atour S Hotel, ZHOTEL, Atour Hotel, Atour X Hotel, and Atour Light, covering four different sub-markets of mid-end, high-end, and luxury. In addition, Atour Group has created three scene-based retail brands: "αTOUR PLANET Atour Planet", "SAVHE Sahe", and "Z2GO&CO.", covering sleep, fragrance and personal care, and travel.

**Figure 7: List of brands under Atour Lifestyle Holdings**



Source: Company data, CMBIGM estimates

**Figure 8: Top 5 hotel groups' market shares, by upper midscale hotel room number in China, 2021**



Source: Frost & Sullivan, Company data, CMBIGM estimates

**Figure 9: Top 5 hotel groups' market shares, by hotel room number in China, 2022**

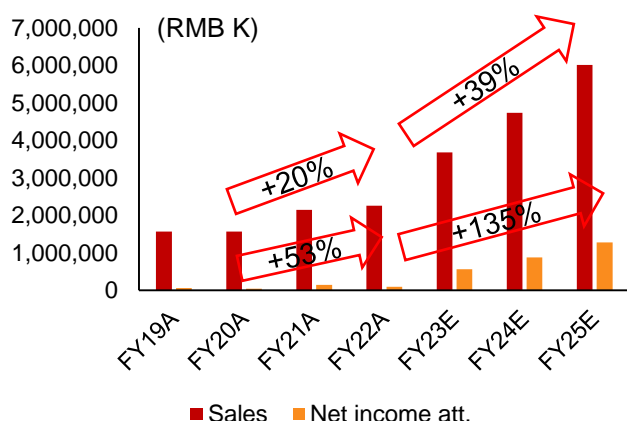


Source: China Hospitality Association, CMBIGM estimates

As at FY22, Atour has 932 hotels (899 managed and 33 leased) with over 100K rooms, spanning across 163 cities (mostly are tier 1 and tier 2). While room rate was at RMB 391, OC rate was at 63%, the RevPAR (including F&B revenues) was at RMB 261. It has generated RMB 2.3bn sales and RMB 98mn net profit att., despite the impact from pandemic.

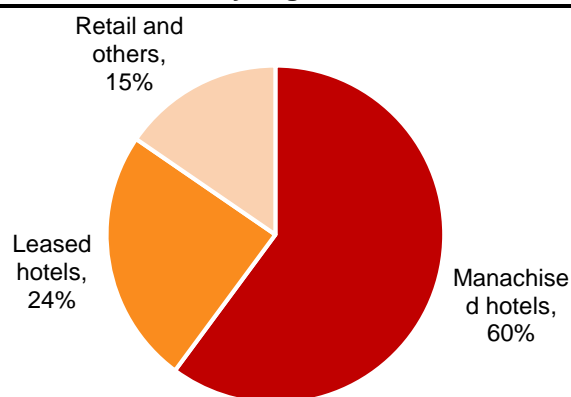
From FY20 to FY22, the hotel numbers/ sales/ net profit att. CAGR were 29%/ 20%/ 53%. In FY22-25E, we forecast the hotel numbers/ sales/ net profit CAGR to be 29%/ 39%/ 135%, driven by: 1) increases in managed hotels, 2) recovery of demand for both business and leisure travelling, 3) margin expansion by the ramp up of managed hotels and operating leverage aided by the RevPAR recovery.

**Figure 10: Sales and net profit att. (yearly)**



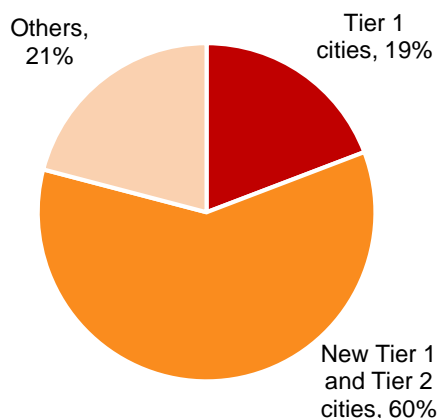
Source: Company data, CMBIGM estimates

**Figure 11: Sales mix, by segment, in FY22**



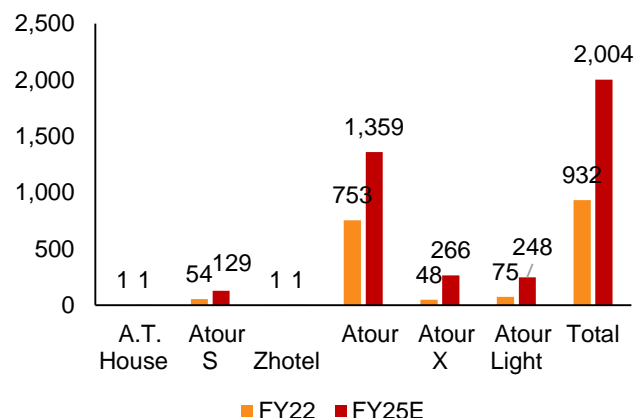
Source: Company data, CMBIGM

**Figure 12: Mix of hotel numbers, by tier cities in FY22**



Source: Company data, CMBIGM

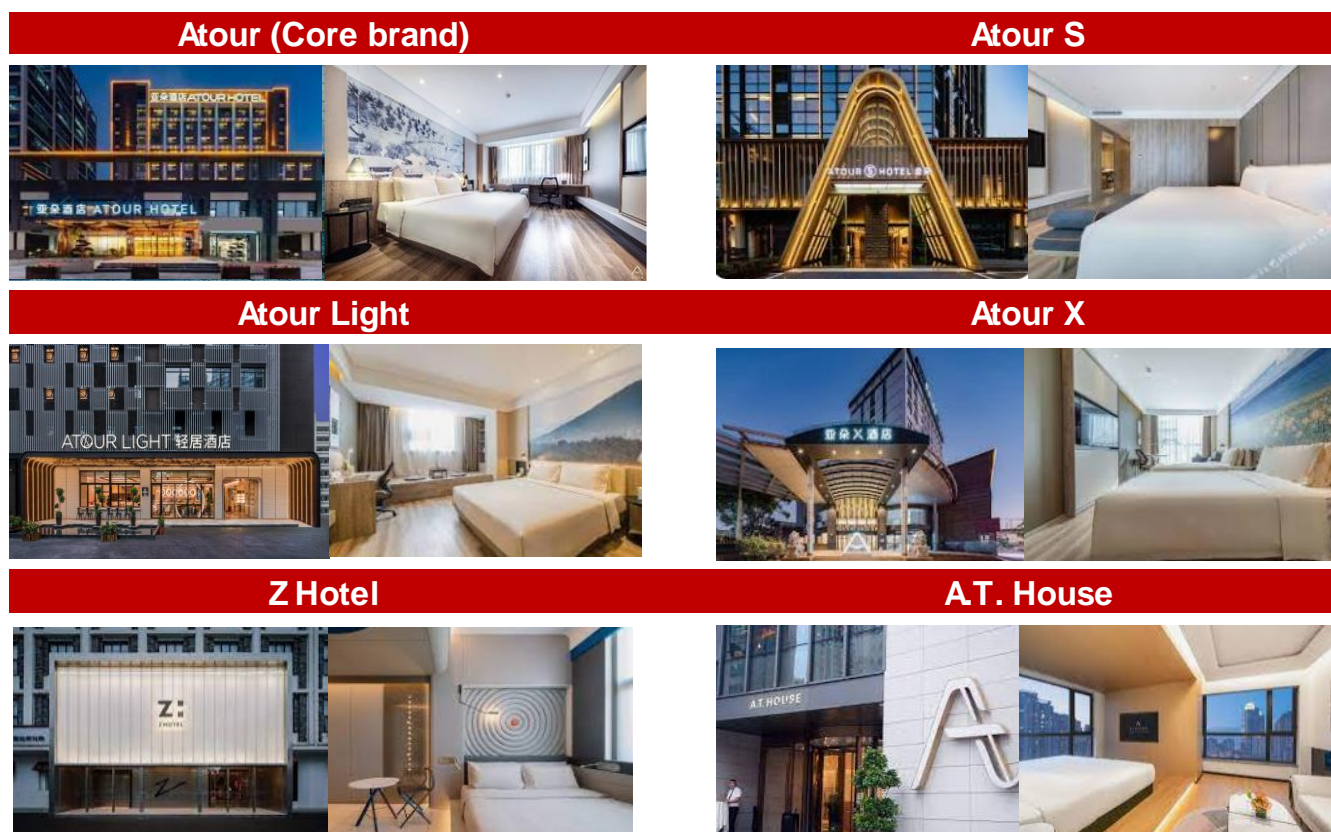
**Figure 13: Number of hotels by brand**



Source: Company data, CMBIGM estimates



Figure 14: Images of Atour Hotels



Source: Company data, CMBIGM

Figure 15: Top 100 International Upper Midscale Hotel Brands, by Asian Business News Data

中高端酒店品牌 2022年ABN指数榜单TOP100 ABN Index Top 100 International Upscale Hotels							
排名	品牌名称	搜索指数	点评指数	媒体指数	新媒体指数	投资人指数	ABN指数
1	希尔顿欢朋酒店	64.92	300	112.51	112.59	63.19	653.21
2	维也纳国际酒店	59.45	300	111.08	104.9	62.8	638.24
3	亚朵酒店	60.66	295.71	106.3	111.26	60.27	634.21
4	如家精选酒店	53.67	288.98	106.19	89.18	59.8	597.82
5	锦江都城酒店	56.87	262.58	108.7	104.27	53.35	585.77
6	漫心酒店	52.26	274.71	99.75	101.83	56.12	584.66
7	智选假日酒店	61.81	261.55	103.58	98.89	56.21	582.03
8	丽呈东台酒店	53.01	250.91	109.34	107.06	59.11	579.43
9	美居酒店	53.81	292.52	92.26	91.56	44.99	575.14
10	桔子水晶酒店	53.48	298.24	90.27	84.61	48.47	575.07
11	美豪丽致酒店	51.4	267.02	85.87	97.94	45.26	547.49
12	丽呈睿轩酒店	52.97	233.53	105.72	99.95	51.7	543.87
13	戴斯酒店	51.02	241.98	102.87	90.13	49.34	535.33
14	兰欧酒店	55.49	184.49	92.53	103.64	62.35	498.49
15	诺富特酒店	54.56	224.96	90.29	85.3	43.06	498.17
16	宜尚PLUS酒店	50.53	205.34	88.1	105.64	47.33	496.95
17	希尔顿花园酒店	56.87	171.42	101.92	106.41	49.79	486.41
18	福朋喜来登酒店	51	171.79	97.55	108.75	53.79	482.87
19	希尔顿惠庭酒店	60.74	166.73	101.74	91.05	62.61	482.87
20	ZMAX HOTELS	58.27	159.91	108.84	96.05	57.94	481.01

Source: Asian Business News Data, CMBIGM

Figure 16: Top 100 International Upscale Hotel Brands, by Asian Business News Data

国内高端酒店品牌 2022年ABN指数榜单TOP100 ABN Index Top 100 International Upscale Hotels							
排名	品牌名称	搜索指数	点评指数	媒体指数	新媒体指数	投资人指数	ABN指数
1	君澜度假酒店	63.96	275.01	106.31	114.44	57.86	617.59
2	开元名都酒店	60.03	267.24	107.22	103.33	62.21	600.03
3	丽呈酒店	60.39	273.75	109.64	100.02	52.07	595.85
4	万达嘉华酒店	56.59	289.68	93.52	104.13	50.89	594.82
5	万达文华酒店	55.93	259.93	102.12	92.72	56.96	567.66
6	亚朵S酒店	57.09	276.08	94.2	88.49	49.23	565.09
7	维景酒店	52.1	212.63	100.05	101.98	55.68	522.43
8	世纪金源大饭店	52.29	214.93	95.52	88.99	46.75	498.48
9	假日度假酒店	54.73	173.63	102.32	102.96	48.23	481.87
10	开元名庭酒店	53.08	184.13	92.46	93.39	56.89	479.95
11	尼依格罗酒店	56.25	152.28	101.57	101.25	61.04	472.39
12	雅致酒店	48.88	165.74	102.03	102.43	46.53	465.6
13	观堂	54.79	151.65	95.7	96.84	58.53	457.51
14	芳草度假酒店	53.87	153.19	95.91	93.2	60.08	456.24
15	碧桂园凤凰酒店	53	148.72	102.67	97.68	52.11	454.17
16	禧玥酒店	50.56	156.65	92.04	98.84	52.49	450.57
17	花间堂酒店	54.58	151.13	94.99	94.86	52.53	448.09
18	Pagoda君亭设计酒店	54.21	147.72	91.65	95.15	58.49	447.22
19	郁锦香酒店	53.53	110.8	104.48	102.67	60.45	431.93
20	蝶来酒店	52.14	126.51	104.79	98.96	46.35	428.76

Source: Asian Business News Data, CMBIGM

Figure 17: Atour's Milestones

Year	Key business milestones of Atour
2012	·Established Atour Lifestyle Holdings Limited as the Company's holding company in the Cayman Islands in Apr
2013	·Atour Shanghai was established, where all of Atour's business currently in China are conducted via Atour Shanghai and its subsidiaries ·The first Atour hotel was established in Xi'an in Jul
2014	·The Company started its franchising business model
2016	·Introduced IP cooperation schemes including Rodney Wu (吴秀波) and Zhihu etc
2017	·Recorded 10mn members in its membership scheme
2018	·Introduced AT-Labs strategies to provide experimental areas for AI and technology projects
2020	·Established the 500th Atour Hotel ·Recorded 20mn members in its membership scheme
2021	·Established other hotel brands including ZHOTEL, Atour X, A.T. Houses ·Atour Hong Kong was incorporated in Mar, where the Company owns 100% equity interest in Atour Hong Kong
2022	·The Company was listed on the Nasdaq stock exchange, stock code ATAT US

Source: Company data, CMBIGM

## Company's key positives and growth drivers

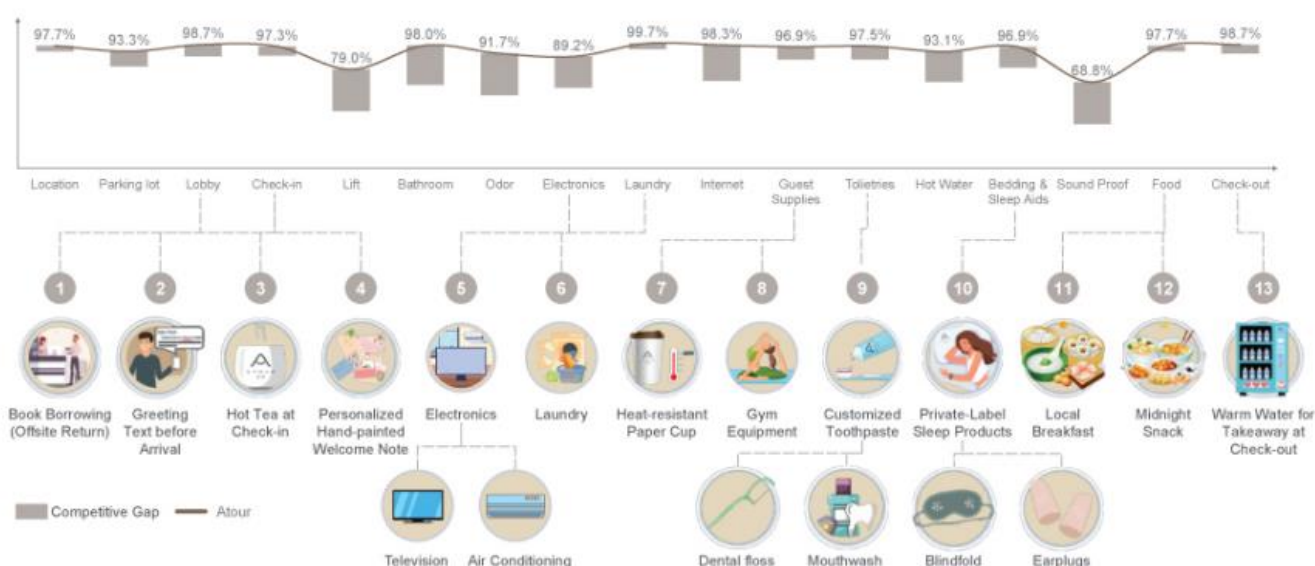
### 1) Better than peers customer satisfaction and financials, driven by modernized and customer-centric management model

Atour is clearing leading in the midscale to upscale hotel segment, evidenced by its no.1 spot in market shares and the higher than peers' customer satisfaction rating on both Ctrip.com and Dianping.com, thanks to its "standardized" approach to personalized services, strategy to capture young customers, customer-centric culture and its localization strategy. Hence, its 1Q23 RevPAR recovery rate (vs 2019) was 118%, rather leading among its peers.

#### ■ 1.1 Atour is clearing leading in terms of customer satisfaction.

According to an independent customer survey conducted by "Brand Wisdom", Atour was overwhelmingly leading, and has ranked the top among six brands in the upper midscale hotel segment since 2017. As illustrated in the diagram below, in each of the 17 key hotel customer interaction and consumption scenarios identified by "Brandwisdom", Atour's services received the highest customer satisfaction rating from the respondents.

**Figure 18: Customer satisfaction of Atour and the gap with other brands in 17 key hotel customer interaction and consumption scenarios**

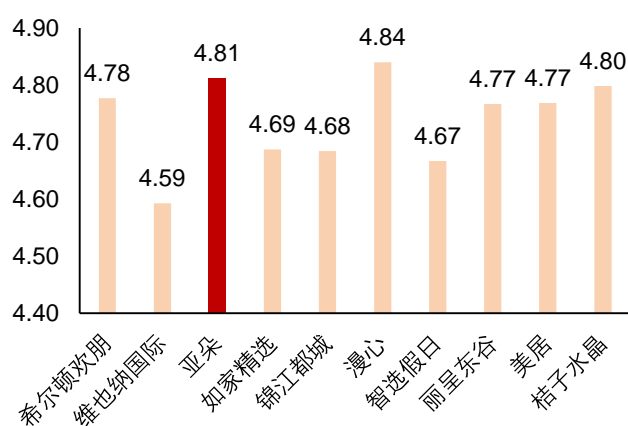


Source: Brandwisdom, Company data, CMBIGM estimates

Moreover, based on our research in 1Q23, we can also tell Atour has an industry-leading customer rating of 4.81 (out of 5.00) on Ctrip.com (Tier 1 + five Tier 2 cities) and 4.38 (out of 5.00) on Dianping.com (Tier 1 cities), much better than peers' average of 4.74 and 4.22. Therefore, the room rate at RMB 515 is about 10% higher than peer's average of around RMB 470 on Ctrip.com (Tier 1 + five Tier 2 cities). In fact, the rate of repeat purchases is high in FY22, as 52.8% of customers has made a second reservation within a year.

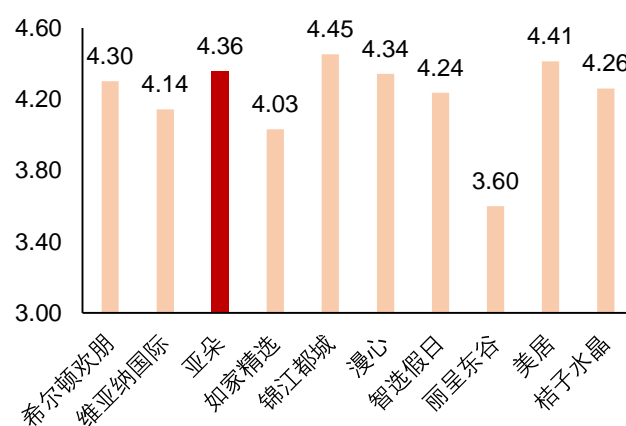


Figure 19: Ctrip customer rating, by brand



Source: Ctrip.com, CMBIGM estimates, \*average of tier 1 cities

Figure 20: Dianping customer rating, by brand



Source: Dianping.com, CMBIGM estimates, \*average of tier 1 cities and five tier 2 cities

We believe Atour's success was built on its:

**1) strategy of "standardized" approach to personalized services,** it has established well-defined standards and procedures across all its hotels while also offering personalized experiences tailored to individual guest preferences. Such approach ensures consistency in service quality while catering to the unique needs and preferences of each guest.

**2) strategy to capture the young customers,** Atour's customer base is also young and fast growing, about 23.6% and 45.5% of the customers were aged below 30 and between 30 and 40 respectively in FY21. We believe its various warm hearted services (such as hot tea at the check-in counter, book borrowing, provision of heat-resistant paper cups, soft-bristled toothbrush and memory foam pillows), interior design (minimalism, modernized and highly artistic decoration) and unique themed hotels (Music, Basketball and Literature, etc.) are positive on brand building and reputation, as well as rather attractive to young customers.

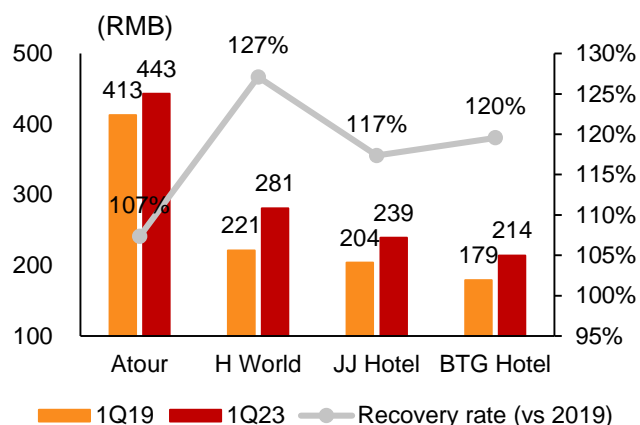
**3) customer-centric culture,** Atour maintains strong customer-centric management and operational policies. It empowers front-line staff with the freedom and discretion to identify and address guests' needs, providing customized services based on individual situations, which could ensure a high level of attentiveness and responsiveness. Moreover, Atour highly values customer feedback and actively seeks input from customer-service staff, the hotel managers and on-site HR representative will host daily meeting to discuss the latest guest feedback and address operational issues on the spot.

**4) localization strategy,** Atour tends to decorate the hotel public area and rooms to "invite the city in," with artworks created by local artists and other touches on details to reflect the design vocabulary of the region. The moment when the guests step in the hotels, they can feel embraced by the charms of local culture.

## ■ 1.2 Hence Atour is recovering and growing faster than peers.

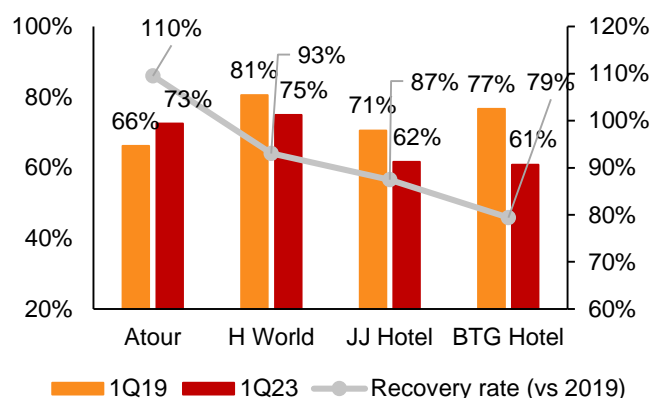
JinJiang and BTG hotel both reported decent 1Q23 results with their RevPAR recovery rate reaching 103% and 96% (vs 1Q19). For Atour and H World, they have done even better (RevPAR recovery rate are both at 118%), thanks to their better customer satisfaction, aided by the strategies we mentioned above. In terms of driver, Atour's recovery was driven more by OC rate (at 72.5%, vs 66% in 1Q23) than room rate (at RMB 443, 7% above 1Q19 level). In terms of RevPAR growth, it was at 70% YoY in 1Q23 for Atour, compared to peers' average of just 56%.

**Figure 21: Room rate, by company**



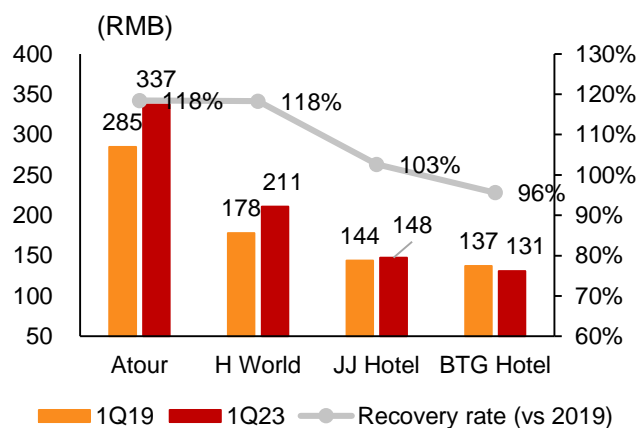
Source: Company data, CMBIGM estimates

**Figure 22: Occupancy rate, by company**



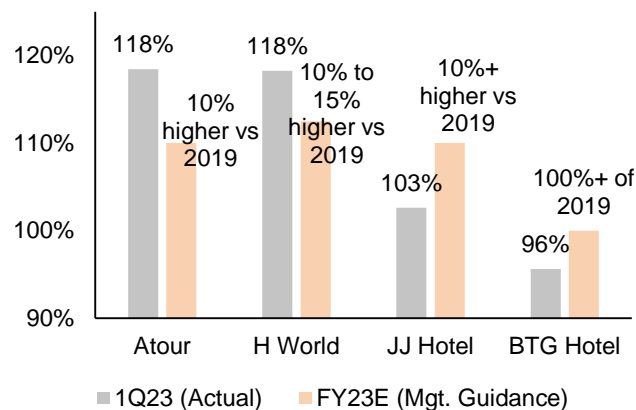
Source: Company data, CMBIGM estimates

**Figure 23: Overall RevPAR, by company**



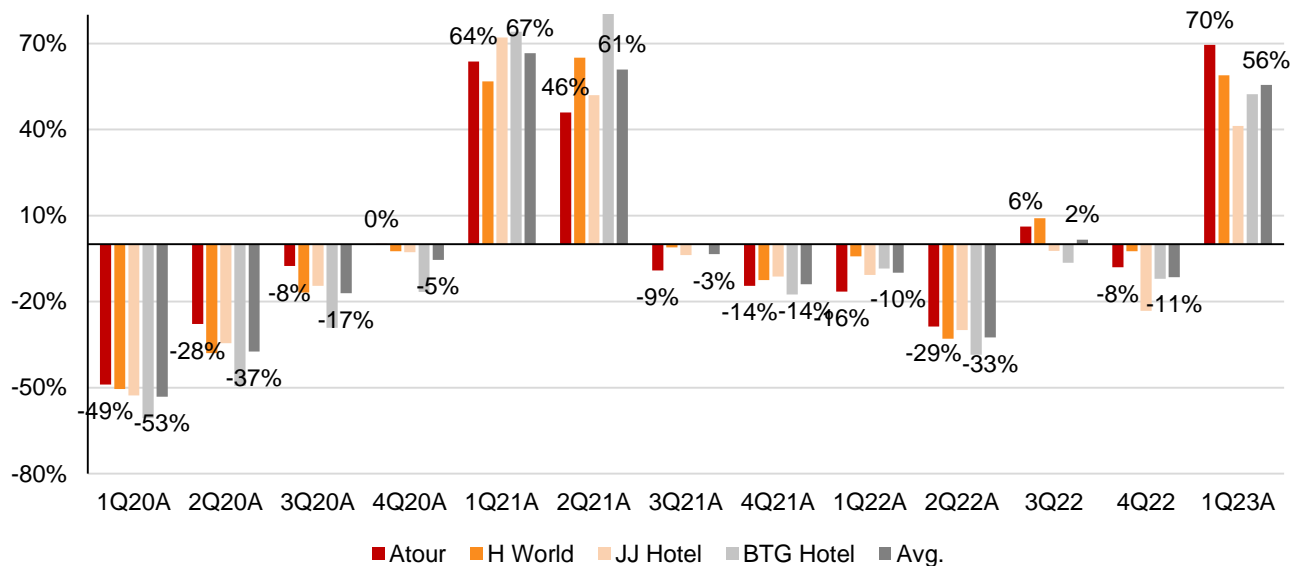
Source: Company data, CMBIGM estimates

**Figure 24: FY23E RevPAR recovery rate guidance**



Source: Company data, CMBIGM estimates

Figure 25: Quarterly RevPAR growth, by company



Source: Company data, CMBIGM estimates

## 2) Fast payback for the franchisees, evidenced by decent repeat purchase rate and limited store closures

The payback period of a typical Atour hotel is usually 3 to 5 years, which is quite industry leading, thanks to its premium room rate (about 10% higher than peers). Also, in our view, the rather high 31% repeat purchase rate, by its franchisees and the limited number of Hotel closures, is a positive sign for decent franchisees satisfaction.

### ■ 2.1 Payback period for a typical Atour hotel is usually 3 to 5 years.

Atour has highlighted that the investment payback period for its franchisees are generally between 3 to 5 years after opening a hotel, which is one of the fastest among all upper midscale hotel chains in China.

**Figure 26: Unit economics for a typical manachised Atour hotel**

Items	Units	Bear	Base	Bull
Room rate per night	RMB	400	415	430
OC rate	%	75.0%	77.5%	80.0%
RevPAR	RMB	300	322	344
Annual sales	RMB	12,592,500	13,500,209	14,439,400
Other income	RMB	629,625	675,010	721,970
<b>Total sales</b>	<b>RMB</b>	<b>13,222,125</b>	<b>14,175,220</b>	<b>15,161,370</b>
Take rate	%	10.0%	10.0%	10.0%
Total franchise and management fees		1,322,213	1,417,522	1,516,137
Rent per sq.m per day	RMB	2.5	2.5	2.5
<b>Annual rent</b>	<b>RMB</b>	<b>4,516,875</b>	<b>4,516,875</b>	<b>4,516,875</b>
Annual rent/ sales		34.2%	31.9%	29.8%
Number of staffs per hotel room		0.24	0.24	0.24
Number of staffs per hotel		28	28	28
Average salary	RMB	6,000	6,000	6,000
GM and HR salary	RMB	33,000	33,000	33,000
<b>Annual staff costs</b>	<b>RMB</b>	<b>2,412,000</b>	<b>2,412,000</b>	<b>2,412,000</b>
Annual staff costs/ sales		18.2%	17.0%	15.9%
<b>Depreciation expenses</b>	<b>RMB</b>	<b>1,495,000</b>	<b>1,495,000</b>	<b>1,495,000</b>
Depreciation/ sales	%	11.3%	10.5%	9.9%
<b>Costs of supplies</b>	<b>RMB</b>	<b>678,500</b>	<b>678,500</b>	<b>678,500</b>
Supplies/ sales	%	5.1%	4.8%	4.5%
<b>Energy costs</b>	<b>RMB</b>	<b>661,106</b>	<b>708,761</b>	<b>758,069</b>
Energy/ sales	%	5.0%	5.0%	5.0%
<b>Total COGS</b>		<b>11,085,694</b>	<b>11,228,658</b>	<b>11,376,581</b>
<b>Gross profit</b>	<b>RMB</b>	<b>2,136,431</b>	<b>2,946,562</b>	<b>3,784,790</b>
GP margin	%	16.2%	20.8%	25.0%
Total Opex	RMB	528,885	567,009	606,455
Opex/ sales	%	4.0%	4.0%	4.0%
<b>EBITDA</b>	<b>RMB</b>	<b>3,102,546</b>	<b>3,874,553</b>	<b>4,673,335</b>
EBITDA	%	23.5%	27.3%	30.8%
Pre-tax profit	RMB	1,607,546	2,379,553	3,178,335
Tax	RMB	401,887	594,888	794,584
Tax rate	%	25.0%	25.0%	25.0%
<b>Net profit</b>	<b>RMB</b>	<b>1,205,660</b>	<b>1,784,665</b>	<b>2,383,751</b>
NP margin	%	9.1%	12.6%	15.7%
<b>Pay back period</b>	<b>years</b>	<b>5.00</b>	<b>4.01</b>	<b>3.32</b>

Source: CMBIGM estimates

Typically speaking, a franchise agreement for a Atour hotel has a length of about 8 to 15 years and the capex per room/ per hotel is about RMB 130K/ RMB 15mn, as one hotel usually consisted of 110 to 120 rooms. Also, with a RMB 410-20 RevPAR and a 75-80% OC rate, the annual sales can be at around RMB 13.5mn and the GP and EBITDA margin should be around 21% and 13%, assuming 10% take rate and 28 staffs per hotel.

**Figure 27: Capex for a typical franchised Atour hotel**

Items	Units	Bear	Base	Bull
Number of rooms		115	115	115
Area per room	Sq.m	30	30	30
Initial capex per room	RMB	130,000	130,000	130,000
Total capex	RMB	14,950,000	14,950,000	14,950,000
Common area	Sq.m	1,500	1,500	1,500
Total area	Sq.m	4,950	4,950	4,950
Upfront franchise fees per room	RMB	4,000	4,000	4,000
Other upfront fees (e.g. construction guidance)	RMB	110,000	110,000	110,000
Total upfront fees	RMB	570,000	570,000	570,000
<b>Total investments</b>	<b>RMB</b>	<b>15,520,000</b>	<b>15,520,000</b>	<b>15,520,000</b>

Source: CMBIGM estimates

Recently, Atour also released the 3.0 version of Atour Light, which targets customers who appreciate the aesthetically decoration more. The beauty of this model lies in its costs and the payback period. It has an even lower capex per room at RMB 105K (vs RMB 130K for Atour core brand), while its average RevPAR can reach about RMB 310 when it matures (vs RMB 415 for Atour core brand), hence the payback period could be as short as 3 years (even better than 3 to 5 years for Atour core brand).



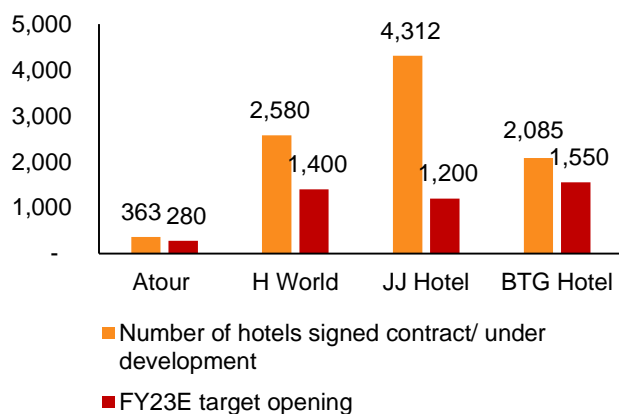
## ■ 2.2 Repeat purchase rate for franchisees is high and store closures were minimal.

In fact, in FY21, about 31.2% of the franchisees who entered into new franchise and management agreement were the existing franchisees.

Another indicator that we can measure the financial quality for Atour's managed hotel is by the number of store closures. The number of closure of Atour hotel was as low as just 4, which is far lower than major peers (about 500/ 400/ 800 for H World/ JinJiang/ BTG Hotel). And in terms of % of total hotel, it was just close to 0% for Atour, compared to its peers (6%/ 3%/ 14% for H World/ JinJiang/ BTG Hotel) in FY22. For FY23E, Atour expects to have about 10 store closures, compared to about 600 to 650 for both H World and BTG Hotel.

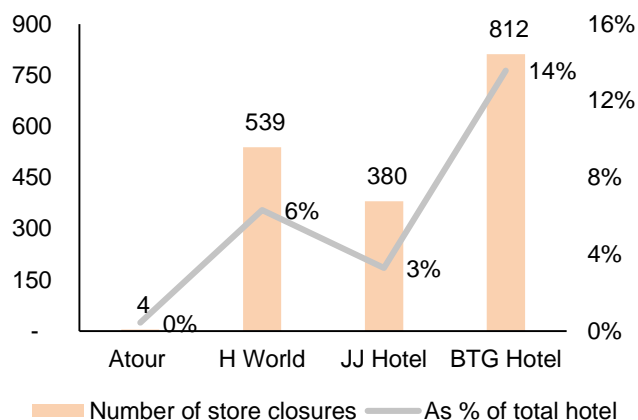
On the other hand, the number of hotels under development (contract signed but not opened) for Atour is not low, which is about 360 in FY23E, much more than the store opening target of about 280 (CMBI est.).

**Figure 28: Number of hotels under development, in FY22**



Source: Company data, CMBIGM estimates

**Figure 29: Number of hotel closures and % of total, in FY22**



Source: Company data, CMBIGM estimates

### 3) Ample room for Atour to expand in the space of mid to upscale hotel.

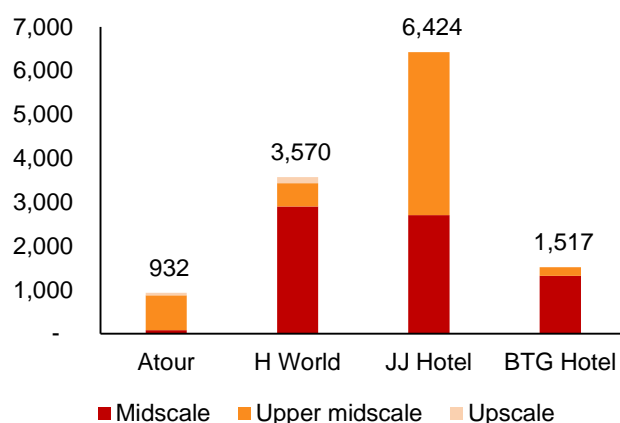
We believe the addressable market is still huge for Atour, esp. when midscale to upscale segment has just started to consolidate the industry since FY19. Moreover, Atour can still expand to a vast amount of new cities and increase its density in each of them. Therefore, the sales growth and number of hotel growth for Atour should be much faster than the industry and even faster than the three main leaders.

#### ■ 3.1 Huge room for Atour to expand, esp. on city penetration and density per city.

Atour currently has about 900 hotels in the midscale to upscale segment in FY22. We think the group's target of 2,000 hotels by FY25E is achievable, because:

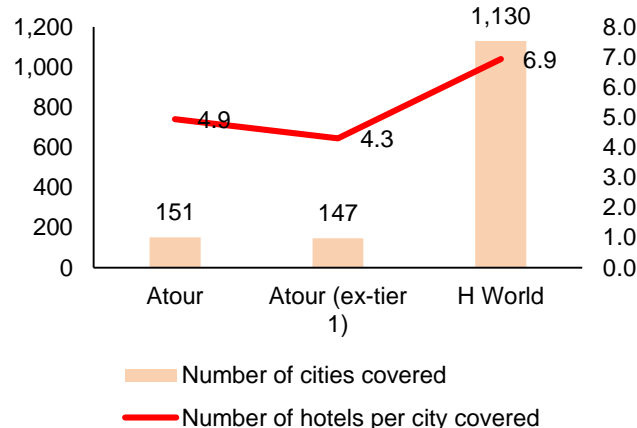
- 1) the midscale to upscale hotels only accounted for less than 25% of total hotels in China, which is far less than 70%+ in the US, hence we think the room for growth is huge;
- 2) the concentration is still climbing for top 10 which jumped from about 54% in 2018, to 69% in 2021. We think the brands with quality will continue to take market shares, as the economic growth in China remains moderate;
- 3) for peers like H World/ JinJiang/ BTG Hotel, they already had about 3,600/ 6,400/ 1,500 hotels in FY22. We think the target customers of these hotels are also the same for Atour's hotel, and Atour could take market shares from them, supported by its industry leading branding and customer experience,
- 4) most importantly, the city penetration and density per city is still fairly low for Atour. Atour only expanded to 151 cities while H World has already entered over 1,100 cities in 1H22. Also, the number of hotel per city is only about 5 for Atour, less than H World's 7.

**Figure 30: Number of midscale, upper midscale and upscale hotels, by company, in FY22**



Source: Company data, CMBIGM estimates

**Figure 31: Number of hotels per city covered, by company, in 1H22**



Source: Ctrip.com, Company data, CMBIGM estimates

### ■ 3.2 Atour should grow much faster than its peers in the next three years.

Atour aims to have about 2,000 hotels by FY25, consisting of around 130 Atour S/ 1 Zhote/ 1300-1400 Atour/ 200-300 Atour X/ 200-300 Atour Light hotels, which implies a hotel count CAGR of 29%, certainly one of the fastest growing plans in the industry.

We can also refer to its hotel count CAGR during FY18-22. It was 39% for Atour, compared to H World/ JinJiang/ BTG Hotel's 19%/ 12%/ 10%.

For FY23E, Atour's target growth is about 29%, way faster than its peers of 7% to 15%, noted that the FY23E target for the top 3 companies are all less aggressive than their original FY22 target. Moreover, Atour's store closure % is close to 0%, which is also lower than its peers of 3% to 14% in FY22.

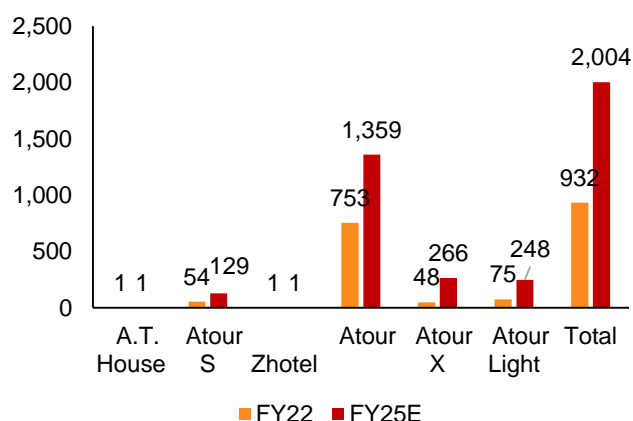
Another reason for us to prefer Atour more is its absence of soft brand offerings, unlike other companies such as BTG Hotel, where its opening target include some soft brands, where the profit generated are generally much lower (four soft brand hotels are comparable to one traditional hotel).

**Figure 32: Store openings target in FY22 and FY23E**

Brand	2022 Original Target	2022 Actual	2023 Target
<b>Atour</b>	215 opening	187 opening	280 opening, 10 closures
<b>H World</b>	1,500 opening, 500-550 closures	1,244 opening in mainland China: 1227/ 17 merchandised/ self-operated	1,400 opening, 600 - 650 closures
<b>JinJiang Hotel</b>	1,500 opening, 2,500 newly signed hotels	1,328 opening	1,200 opening, 2,000 newly signed hotels
<b>BTG Hotel</b>	1,800 - 2,000 opening	879 opening: 200/ 97/ 582 midscale to upscale/ economy/ soft brand, 850/ 29 merchandised/ self-operated	1,500 - 1,600 opening, 600 - 650 closures

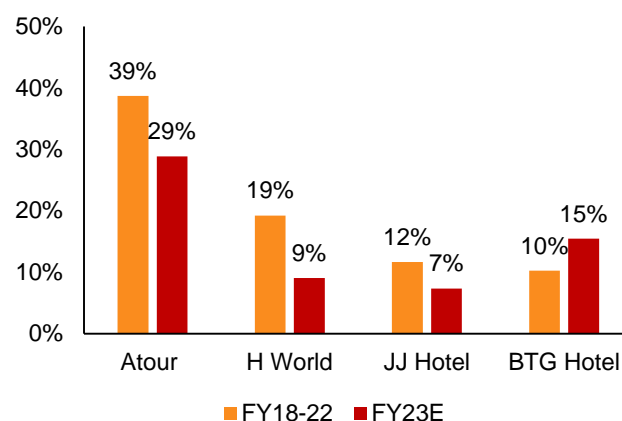
Source: Company data, CMBIGM estimates

**Figure 33: Number of hotels in FY22 and 2025 target**



Source: Company data, CMBIGM estimates

**Figure 34: Hotel count growth, by company**



Source: Company data, CMBIGM estimates

## Industry Analysis

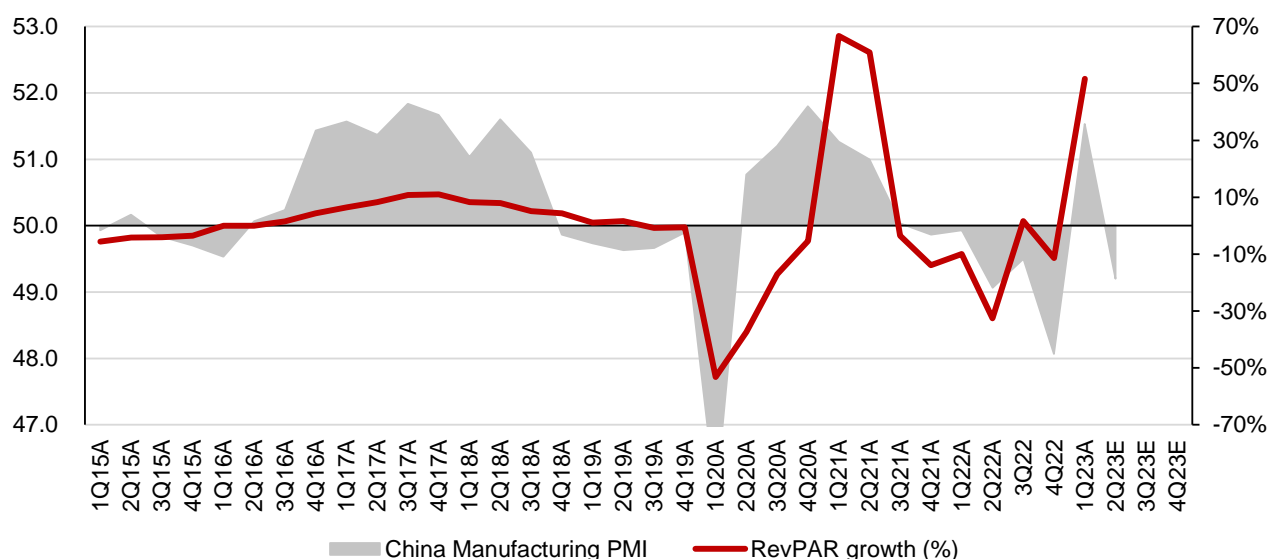
### 1) Hotel industry should be in the early stage of upcycle (or last stage of down cycle), but volatility is expected

We tend to think the China hotel industry is still in the early stage of an upcycle, based on the historical data and patterns even though we should also embrace any short-term volatility. While demand is moderately improving as the PMI is trending positively, the drop in supply of about 20% since the beginning of pandemic in FY20 is more important and would be a strong support for the RevPAR growth in FY23E and onwards.

#### ■ 1.1 Demand is moderately improving (with no more drags from COVID-19), however we should still beware of any macro risks.

Generally speaking, the Manufacturing PMI in China is not only a leading indicator for the economic status in China, but also for the hotel/ travelling sector as well (by roughly 1 quarter). As we can tell from the chart below, when PMI is above 50 or begins to improve QoQ, the RevPAR growth tends to be positive or also improving QoQ. This was clearly the case during the past two upcycles (2Q15 to 2Q18 and 2Q20 to 2Q21).

**Figure 35: China manufacturing PMI and hotel industry RevPAR growth**



Source: NBS, Company data, CMBIGM estimates, \*RevPAR used is the average of Atour (since 2019), H World (since 2015), Jing Jiang Hotel (since 2015) and BTG Hotel (since 2016)

**Figure 36: Comparison for the current and previous up/ downcycles**

Up/ down cycle	Starting quarter	Ending quarter	Length	Demand	Supply	Remarks
Down cycle	4Q13	1Q15	6 quarters	Weak (esp. for high-end)	Over supply	Driven mainly by anti-corruption campaign
Up cycle	2Q15	2Q18	13 quarters	Strong	Over supply being digested	Aided by economic growth and wealth effect
Down cycle	3Q18	1Q20	7 quarters	Weak	Over supply being digested	Weakness triggered by trade war with US
Up cycle	2Q20	2Q21	5 quarters	Moderate	Supply was reduced	Boosted by recovery from Covid-19, wealth effect (QE and low interest rates)
Down cycle	3Q21	4Q22	6 quarters	Weak and suppressed	Supply was reduced	Dragged by on going travel restriction under Covid-19
Up cycle ?	1Q23	4Q24 ?	8 quarters ?	Moderately improving	Under-supply	

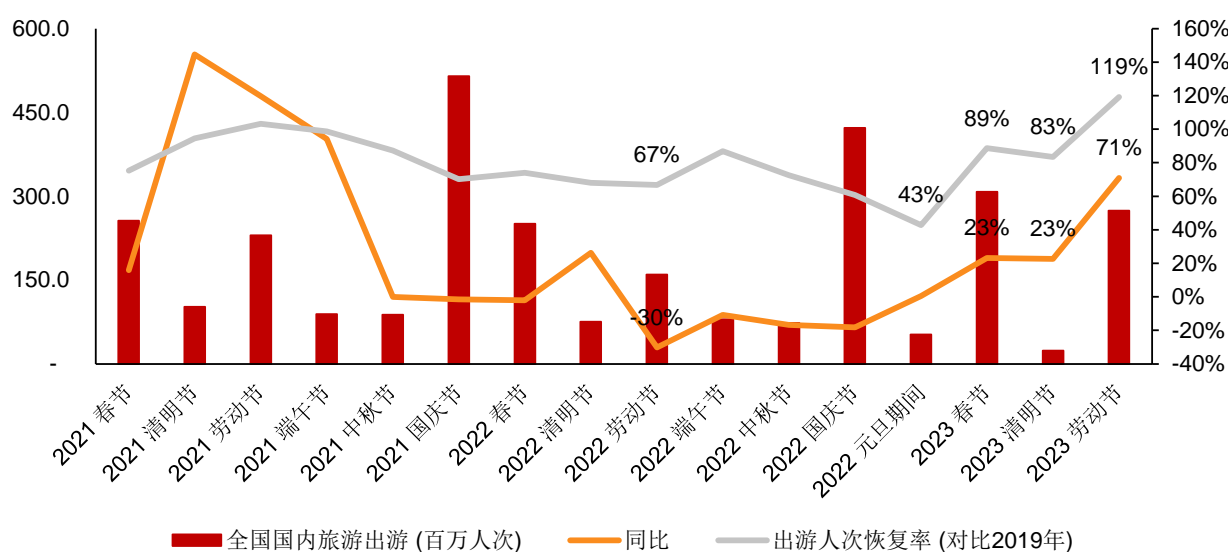
Source: Company data, CMBIGM estimates

Recently, China's manufacturing PMI has reached above 50 since Jan 2023, even though it has softened in Mar and Apr 2023, we are still positive about its trend in the upcoming quarters, because:

1) one cycle usually lasts for 5 quarters or more (based on the cycles in the past 10 years), so even if there are quarters during 2023 to 2024 that are relatively weak, the overall trend should still be improving;

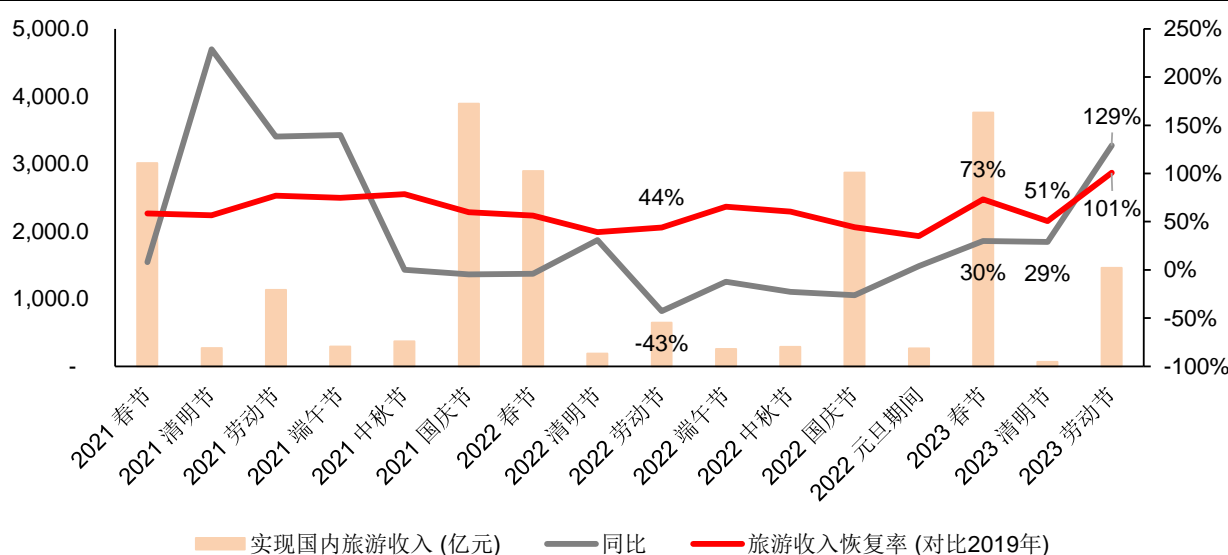
2) data about the 5-1 Golden Week, esp. for the tourism sector in China are rather strong, where the tourism and spending had already recovered to about 119% and 101% vs level in 2019, as reported by Ministry of Culture and Tourism. Hence, we are optimistic about 2Q23E;

**Figure 37: Domestic tourism volume, growth and recovery rate (vs 2019) in different holidays**



Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates

**Figure 38: Domestic tourism spending, growth and recovery rate (vs 2019) in different holidays**



Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates



3) the purchasing power is there (supported by 123% GDP recovery rate), but consumer spending was weak (recovery rate for retail sales was only at 111% in FY22), which could be hindered by the increased saving rate. Yet, that should improve gradually as consumer confidence restores;

4) if we refer to the path of recovery for overseas economies, IHG's RevPAR has resumed positive growth since 2H22, after two years of negative growth (from 2H20 to 1H22). We wishfully believe this could be an indication for the businesses in China as well.

**Figure 39: IHG Group's recovery rate (vs 2019), by region**

## RevPAR, Occupancy and ADR recovery across regions

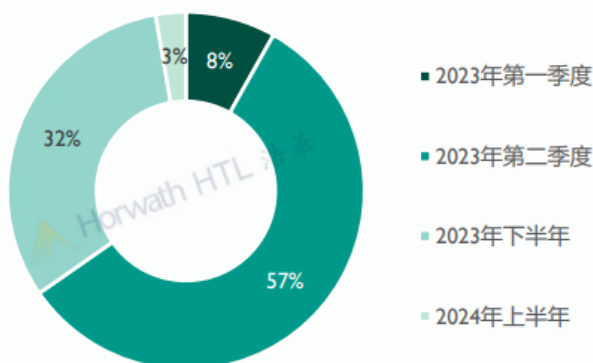


Source: Company data (IHG), CMBIGM estimates

According to a survey done by Horwath HTL, most respondents expect the hospitality sector to resume to normal by 2Q23E (about 57% of total) or by 3Q23E (about 32% of total).

**Figure 40: When do you think the hotel industry will resume to normal? - Horwath HTL's <China Hotel Industry Prosperity Survey Report>**

问题：基于目前发展态势，您认为中国酒店市场何时能够基本恢复正常？



当问及预计中国酒店市场何时基本恢复正常，8%的受访者认为2023年第一季度市场即可恢复，近六成受访者预期今年第二季度国内酒店市场可恢复正常，而约三成受访者表示今年下半年则有望恢复，仅有3%的受访者认为市场基本恢复正常需等到2024年上半年。

与以往酒店从业者对疫情影响预期为“持久战”不同，在2022年底国内疫情防控全面放开的利好趋势下，中央政府多项稳经济、保增长及促发展的纾困政策使得受访者普遍对国内酒店市场的全面恢复持有愈加积极的预期。

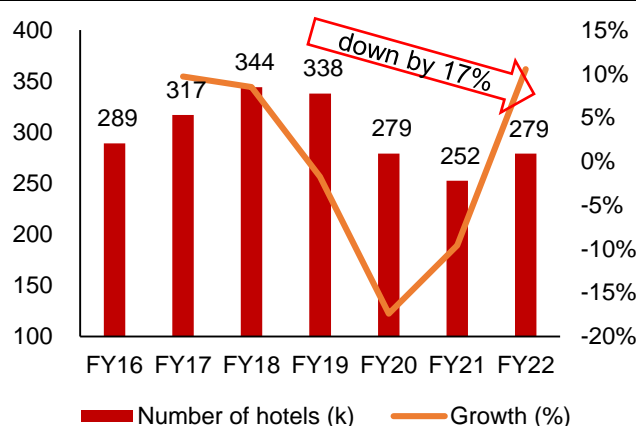
Source: Horwath HTL's <China Hotel Industry Prosperity Survey Report>, CMBIGM estimates

■ **1.2 Supply has reduced by 17% after pandemic and the new built are rather limited, hence favorable for RevPAR growth.**

On the supply side, we think it is quite favorable for leading brands, because:

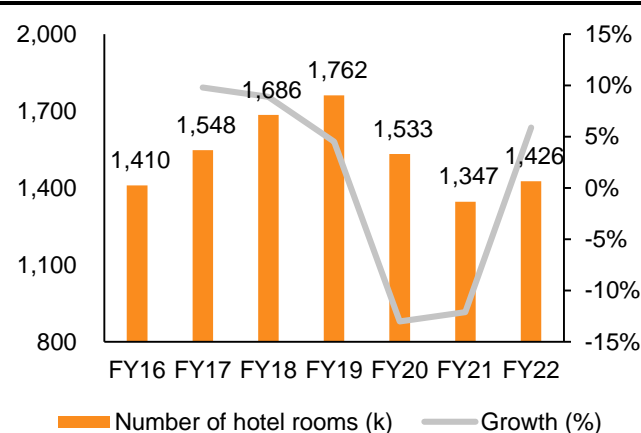
1) the number of hotels and hotel rooms in China was only 279K and 1.43mn in FY22, despite the small rebound, which are still roughly 17% and 19% below the level in FY19, as many independent hotels or underperforming chain hotels exited the industry;

**Figure 41: Number of hotels in China and growth**



Source: China Hospitality Association, Inntie data, CMBIGM estimates

**Figure 42: Number of hotel rooms in China and growth (%)**

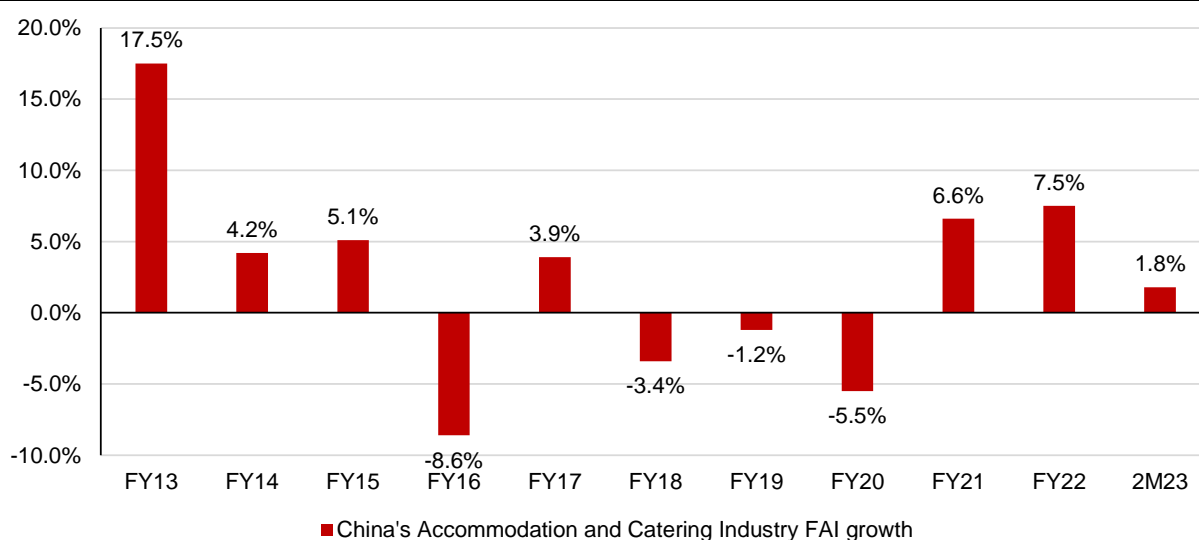


Source: China Hospitality Association, Inntie data, CMBIGM estimates

2) the FAI growth for the accommodation and catering industry was not high during FY21-22 and even turned into negative in 2M23, meaning that the upcoming supply should not increase much.

Even if there is new supply, we believe these supplies are likely from the leading brands such as Atour, as we can tell the hotel number growth for Atour is still accelerating in FY23E, unlike the slowdown of the three major companies. Hence, we expect Atour and industry's RevPAR recovery rate to continue to be strong in FY23E.

**Figure 43: China's Accommodation and Catering Industry FAI growth**



Source: NBS, CMBIGM estimates

## 2) Business vs leisure travel? We are still optimistic, but mostly on the midscale to upscale ones

Domestic business demand is certainly rebounding YoY and we tend to believe that the recovery rate could be strong throughout the year in FY23E, based on the current travelers' interests and number of exhibitions planned in tier 1 cities.

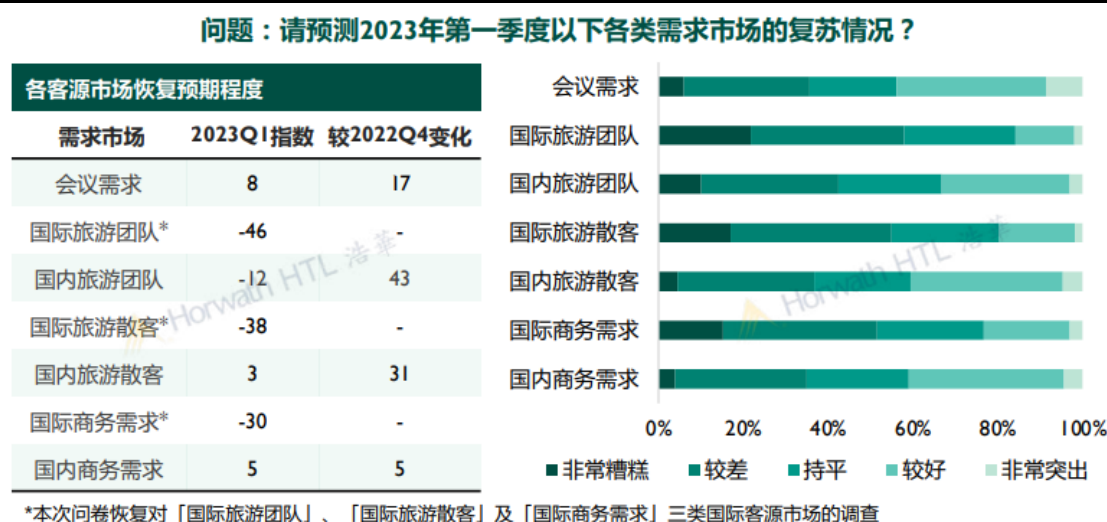
### ■ 2.1 Domestic business demand should rebound strongly while the international demand is still weak.

According to a survey in the <China Hotel Industry Prosperity Survey Report>, done by Horwath HTL's China, the respondents believe the demand and conditions about exhibition related/ business related travelling demand are stronger than the domestic leisure travelling demand. We believe that was mainly due to the lift in social distancing measures in China and the piled up demand in the last three years (many exhibitions were either cancelled or switched to online during 2020 to 2022).

Also, according to report published by GBTA (Global Business Travel Association) in Aug 2022, the China business travel market is expected to recover to about 75%/ 89% in 2022/ by 2023 of the level in 2019. Moreover, based on a survey done by Morgan Stanley in Dec 2022, to over 100 managers in charge of corporate business travel around the world. Most of the respondents said that their company's business travel expenditure has already surpassed that in 2019 by about 6% to 10%.

Some investors may question the sustainability of this demand and the cut in travelling budgets per person, as many companies were much more costs conscious after the pandemic. We have the same concerns, but still think the recovery rates for midscale to upscale hotel brands are likely to be much higher (or even surpassing the 2019 level).

**Figure 44: What is your prediction on the demand by segment in 1Q23? - Horwath HTL's <China Hotel Industry Prosperity Survey Report>**



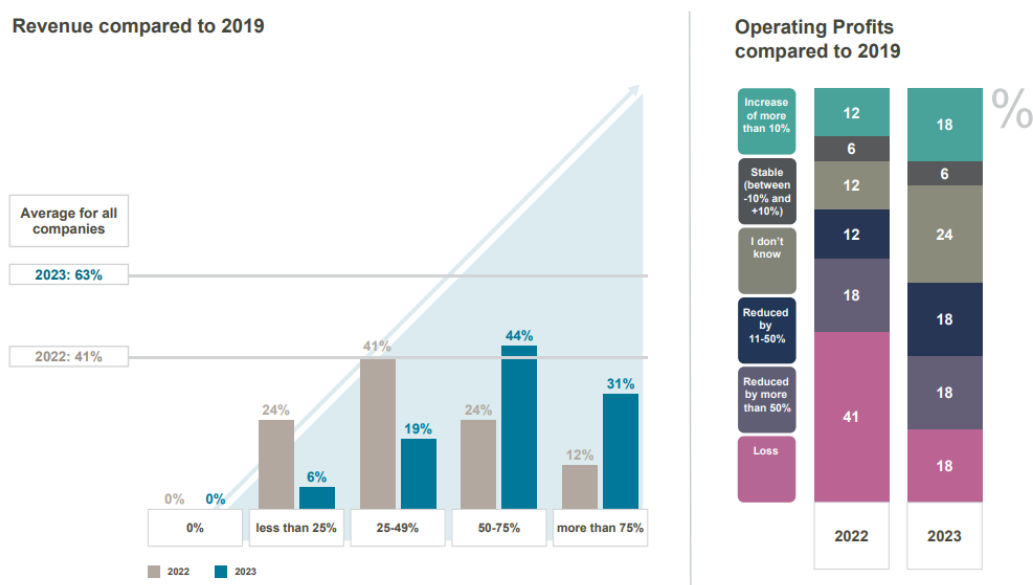
Source: Horwath HTL's <China Hotel Industry Prosperity Survey Report>, CMBIGM estimates

## ■ 2.2 Referring to backlog of exhibitions, the business travelling could still be strong throughout the year.

In order to have a better outlook for the travelling industry, as well as for Atour, which has a higher sales mix from the business related travellers, we should also look into the data of China's exhibition industry in 2023E.

Initially speaking, based on a survey done by UFI Global Exhibition Barometer, the average revenues for all companies in the survey in 2022 had only recovered to 41% of the level in 2019, and moreover, the expectation for 2023E will recover to about 63% of the level in 2019. This may look quite weak, compared to the over 100% RevPAR recovery, reported by JinJiang and BTG Hotel. However, as we look into the actual number of exhibitions being held, as well as the backlog, we are reasonably more optimistic.

**Figure 45: Survey result on China, in the 2023 UFI Global Exhibition Barometer**



Source: UFI - The Global Association of the Exhibition Industry, CMBIGM estimates

Firstly, the YoY growth rate is exceptionally strong. According to the president of Guangdong Convention and Exhibition Organization Enterprises Association, the number of exhibitions in 1Q23 in Guangzhou had gone up by 330% YoY and already recovered to 115% of the level in 2019 (while the total area of exhibitions had reached 102% of the level in 2019).

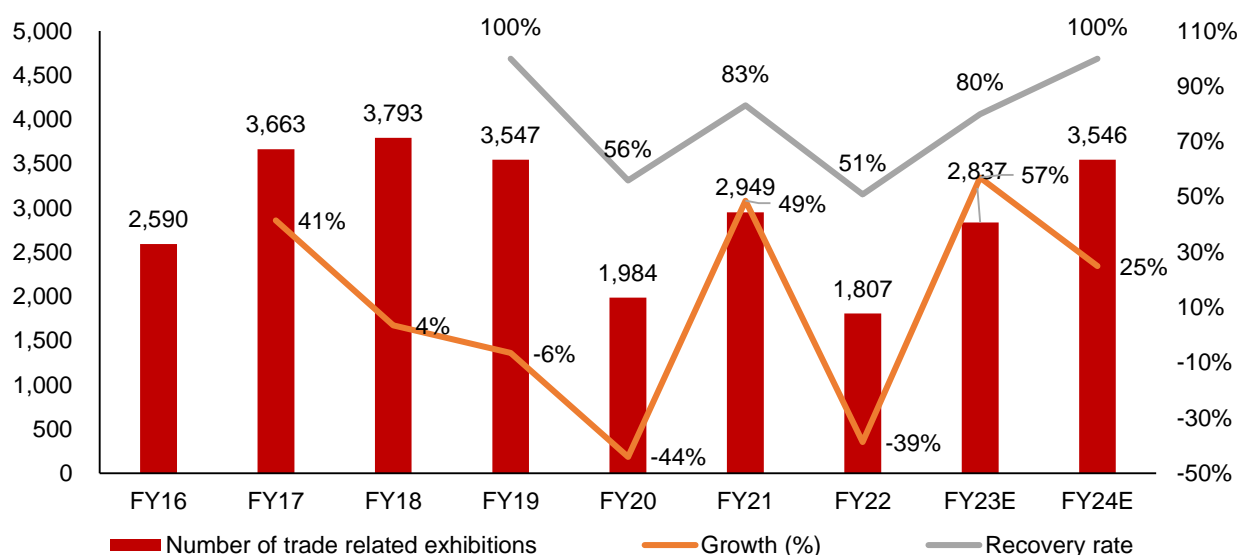
Secondly, the backlog is quite strong, based on Beijing Municipal Bureau of Commerce's data, the number of exhibitions and total area planned in 1H23 have recovered to 93% and 85% of the level in 2019. Also, based on Shenzhen Municipal Bureau of Commerce, the planned scale of exhibitions will hit a record high, which will certainly surpass the level back in 2019.

Thirdly, since the total supply of hotels had also gone down by roughly 20% in FY22 (vs FY19) and the exited ones are mostly the independent hotels, the recovery rate and the RevPAR for the hotel chains (esp. the midscale to upscale brands) would still be strong and higher than the 2019 level.

**Figure 46: Number of exhibitions in 1Q23 and backlog in FY23E, for the tier 1 cities**

Region	Detail	Source:
Beijing	Beijing Municipal Bureau of Commerce announced that, the number and area of exhibition projects (with venues over 10,000 square meters) planned in the city in 1H23, have recovered to 93% and 85% of the level in 2019, respectively.	Beijing Municipal Bureau of Commerce/ 北京市商务局
Shanghai	According to Shanghai Municipal Commission of Commerce, as of now, judging from the scheduled schedule of major exhibition halls in Shanghai, Shanghai plans to hold nearly 300 exhibitions within 2023, with an exhibition area of over 14 million square meters. Among them, there are 38 large-scale exhibitions of more than 100,000 square meters, with an total exhibition area of over 7 million square meters, reaching more than 80% of that in 2019.	Shanghai Municipal Commission of Commerce/ 上海市商务委
Guangzhou	Liu Songping, president of Guangdong Convention and Exhibition Organization Enterprises Association, said that the number of exhibitions in 1Q23 increased by 330% YoY! The number of exhibitions recovered to 115% of 2019, while the exhibition area recovered to 102% of 2019	Guangdong Convention and Exhibition Organization Enterprise Association/ 广东会展组展企业协会
Shenzhen	Bureau of Commerce of Shenzhen Municipality revealed that in 2023, Shenzhen is expected to hold an annual exhibition area of over 8 million square meters, and the scale of exhibitions will hit a record high (surpassing the 2019 level).	Shenzhen Municipal Bureau of Commerce/ 深圳市商务局

Source: China Council for the Promotion of International Trade (CCPIT), CMBIGM estimates

**Figure 47: Number of trade related exhibitions, growth and recovery rate (vs 2019)**

Source: China Council for the Promotion of International Trade (CCPIT), CMBIGM estimates



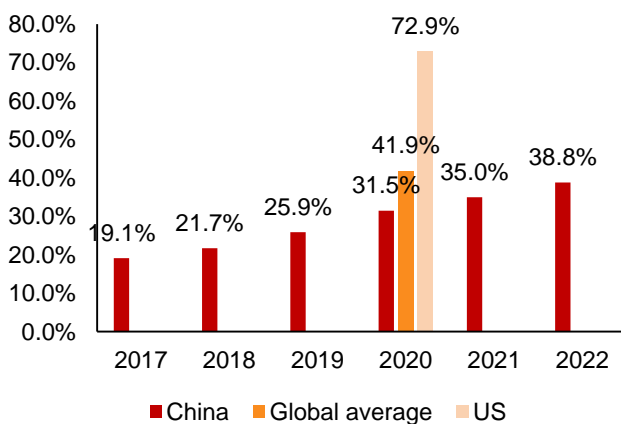
### 3) Industry consolidation is expected to continue, esp. by the midscale to upscale hotels

China is still low in hotel chain penetration rate, compared to the world and to the more developed countries like the US. We do think the trend that midscale to upscale hotels to grow faster can sustain in the near future, as China's consumers continue to trade up.

#### ■ 3.1 China's hotel chain penetration rate is still low and consumption upgrade shall continue

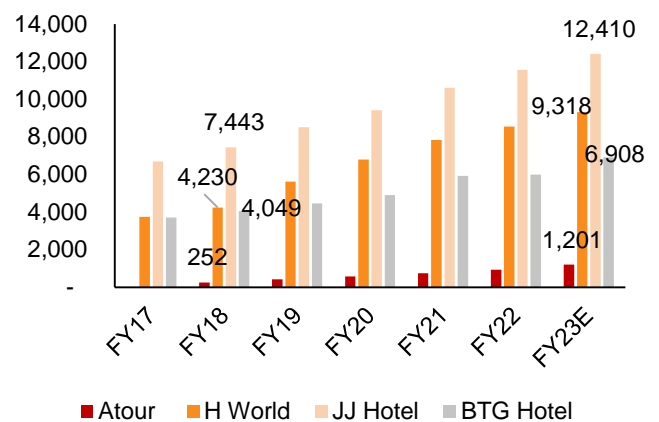
China's hotel industry is still highly fragmented and is made up of a large number of independent hotels and a few hotel chains. As at 2022, the hotel chains accounted for only 39% of total in China, which is still below the global average of 42% in 2020 and far below US's 73% in 2020. In particular, the penetration rates for chained hotels are usually lower in the lower tier cities and in the upscale and economy hotel segments.

Figure 48: % of hotels under hotel chains, by region



Source: China Hospitality Association, Inntie data, CMBIGM estimates

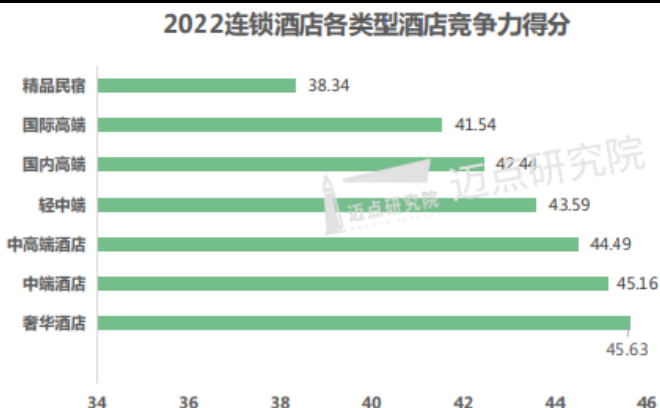
Figure 49: Number of hotels, by company



Source: Company data, CMBIGM estimates

As we can tell from the research done by Meadin Research, the score of competitiveness tends to be higher for the hotel chains (vs independent hotels) and for the luxury, midscale and upper midscale brands (vs the upscale and economy brands).

Figure 50: Competitiveness score, by price range and type



Source: Meadin Research, CMBIGM estimates

Figure 51: Competitiveness score, by chain hotels vs independent hotels

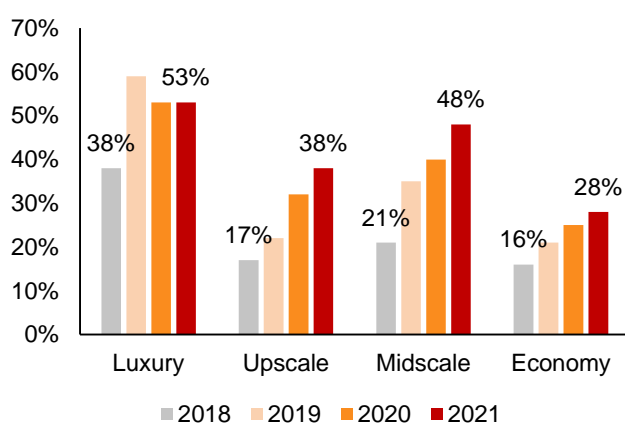


Source: Meadin Research, CMBIGM estimates

### ■ 3.2 Midscale to upscale hotels have consolidated the industry quickly in recent years.

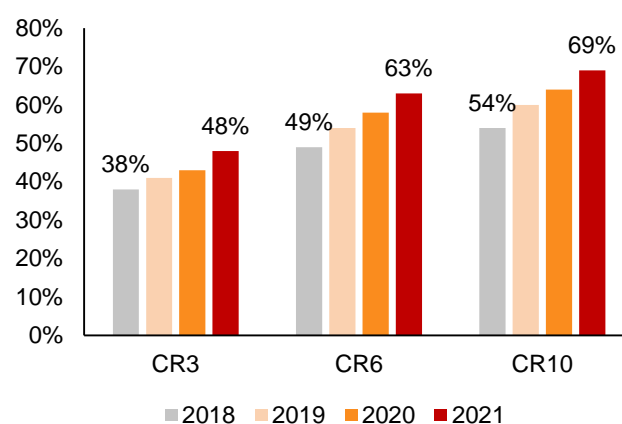
In the past few years, the consolidation was explosive, as the penetration rate for chain hotels was only 26% in 2019, but surged to 39% in 2022. The midscale to upscale brands gained significant market shares from economy and luxury hotels during 2020 to 2022. We believe such result was driven by the pandemic (much more difficult for independent hotels to survive without a stable stream of income and cash flow, and the pandemic had imposed tons of disruptions), as well as the competition and habit changes during pandemic (as the consumers are now more keen to stay in hotels which have better hygiene and a more comfortable environment. As they have to stay for quite a long period of time, quarantine for instance). We would not be surprised if the pace of consolidation slows mildly in FY23E and onwards, as China's economy re-opens, but the trend will certainly continue. s

**Figure 52: % of hotels under hotel chains in China, by price range**



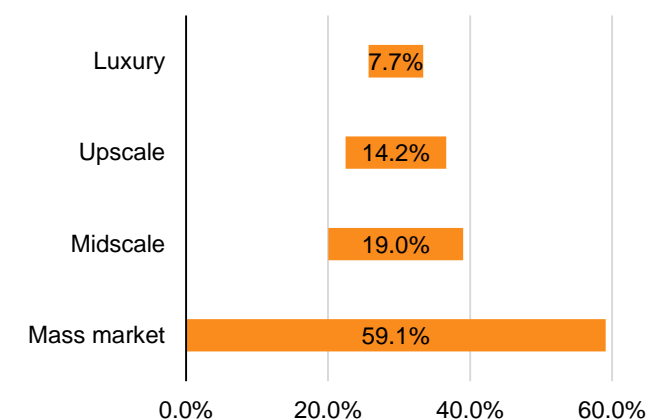
Source: China Hospitality Association, Inntie data, CMBIGM estimates

**Figure 53: Concentration rate for top 3/ 6/ 10 hotel chains in China**

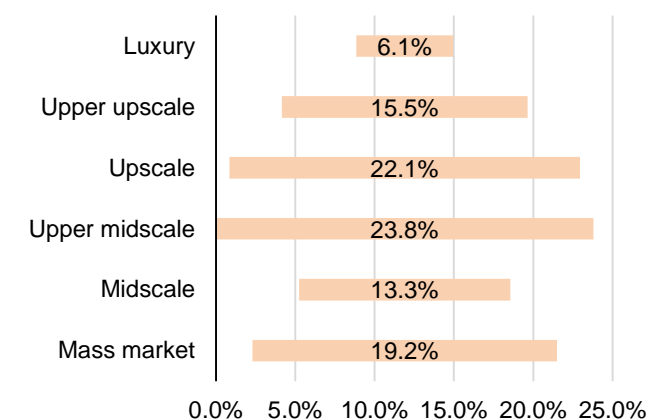


Source: China Hospitality Association, Inntie data, CMBIGM estimates

If we compare the structure of hotel industry for China and the US, we can tell midscale to upper upscale made up about 75% of total supply in the US, while the midscale to upscale segment in China only accounted for 33%.

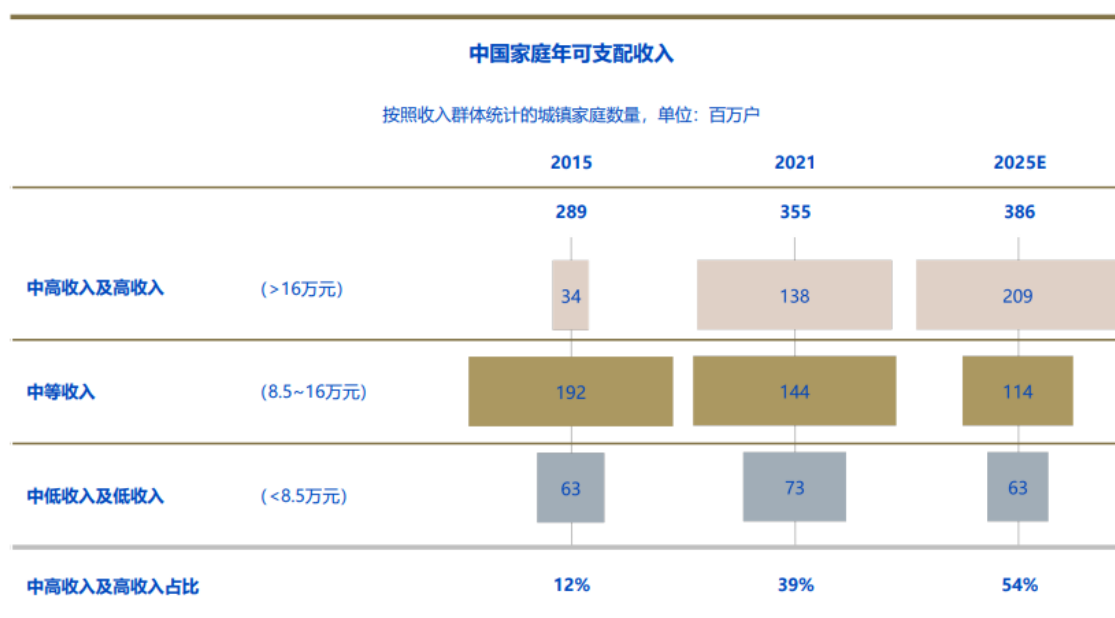
**Figure 54: China's hotel mix by price range**


Source: Inttie data, CMBIGM estimates

**Figure 55: US's hotel mix by price range**


Source: Company data (IHG), CMBIGM estimates

As the middle class continues to rise in China (where Mckinsey is expecting the % of upper-middle & high-income households (annual income over RMB 160K) will increase from 39% in 2021 to 54% by 2025E) despite all the drags in economic growth and the trend of premiumization to maintain its momentum (because the major spenders will now shift to those who were born in the 90s and 00s and they tend to pursue a better lifestyle and living quality than the older generations), it is likely to see demand for midscale to upscale hotels to continue to grow faster than the rest of the industry in the foreseeable future.

**Figure 56: China's population group by income, in 2015, 2021 and 2025E**


Source: Mckinsey & Co, CMBIGM estimates

## Assumptions

**Figure 57: CMBIGM' assumptions**

Major assumptions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales by segment (RMB mn)</b>						
Manachised hotels	926	1,220	1,361	2,316	3,064	4,019
Leased hotels	496	630	553	803	847	863
Retail and others	144	297	349	563	825	1,134
Total	1,567	2,148	2,263	3,681	4,736	6,017
<b>Sales growth by segment (%)</b>						
Manachised hotels	10%	32%	12%	70%	32%	31%
Leased hotels	-19%	27%	-12%	45%	5%	2%
Retail and others	29%	107%	18%	61%	47%	37%
Total	0%	37%	5%	63%	29%	27%
<b>Number of hotels by segment</b>						
Manachised hotels	537	712	899	1,168	1,522	1,971
Leased hotels	33	33	33	33	33	33
Total	570	745	932	1,201	1,555	2,004
<b>Number of hotels growth (%)</b>						
Manachised hotels	37%	33%	26%	30%	30%	30%
Leased hotels	14%	0%	0%	0%	0%	0%
Total	36%	31%	25%	29%	29%	29%
<b>Occupancy (%)</b>						
Manachised hotels	67%	67%	63%	82%	83%	82%
Leased hotels	69%	71%	66%	84%	85%	84%
Total	67%	68%	63%	82%	83%	82%
<b>Room rates (RMB)</b>						
Manachised hotels	382	407	386	421	430	440
Leased hotels	468	517	465	516	537	553
Total	390	415	391	425	433	443
<b>RevPAR (RMB)</b>						
Manachised hotels	269	288	256	362	374	382
Leased hotels	339	388	331	458	482	491
Total	275	295	261	365	377	384
<b>Sales per store growth (%)</b>						
Manachised hotels	-14%	7%	-11%	41%	3%	2%
Leased hotels	-27%	14%	-15%	39%	5%	2%
Total	-17%	7%	-12%	40%	3%	2%
GP margins	21.6%	26.3%	30.2%	39.9%	41.1%	43.6%
Selling & Marketing expenses	-4.5%	-5.8%	-6.2%	-6.9%	-5.5%	-5.4%
G & A expenses	-8.4%	-9.2%	-15.5%	-11.0%	-10.1%	-9.3%
Tec. and dev. expenses	-2.1%	-2.4%	-2.9%	-2.4%	-2.2%	-2.2%
Other expenses	-2.5%	0.2%	1.7%	1.7%	1.7%	1.7%
Effective tax rate	-50%	-31%	-47%	-30%	-25%	-25%
NP att. margin	3%	7%	4%	15%	19%	22%
NP att. growth (%)	-35%	245%	-32%	473%	62%	44%

Source: Company data, CMBIGM estimates

## Earnings revision

**Figure 58: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,681	4,736	6,017	3,690	4,885	6,180	-0.2%	-3.0%	-2.6%
Gross profit	1,468	1,949	2,624	1,532	2,126	2,801	-4.2%	-8.4%	-6.3%
EBIT	804	1,214	1,750	871	1,405	1,970	-7.7%	-13.6%	-11.1%
Net profit att.	562	910	1,314	651	1,084	1,331	-13.7%	-16.0%	-1.3%
Diluted EPS (RMB)	4.307	6.980	10.073	5.620	8.008	9.850	-23.4%	-12.8%	2.3%
Gross margin	39.9%	41.1%	43.6%	41.5%	43.5%	45.3%	-1.6ppt	-2.4ppt	-1.7ppt
EBIT margin	21.8%	25.6%	29.1%	23.6%	28.8%	31.9%	-1.8ppt	-3.1ppt	-2.8ppt
Net profit att. margin	15.3%	19.2%	21.8%	17.6%	22.2%	21.5%	-2.4ppt	-3ppt	0.3ppt

Source: Company data, CMBIGM estimates



## Financial Analysis

We forecast sales growth of 63%/ 29%/ 27% YoY in FY23E/ 24E/ 25E

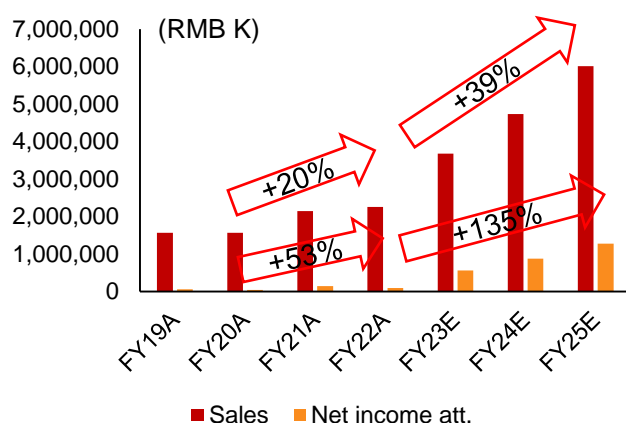
### ■ We expect sales to surge by 63% YoY in FY23E, due to drags by pandemic.

We project Atour's sales to reach RMB 3.6bn in FY22E, increased by 63% YoY, driven by: 1) 29% jump in hotel numbers and 2) 40% increases in RevPAR (consists of 9% room rate hike and rebound of OC rate from about 63% to around 82%) OR 1) 68% manachised hotels sales growth, 2) 45% leased hotel sales growth and 3) 61% increases in retail and other sales.

### ■ We also project a 39% sales CAGR in FY23E-25E.

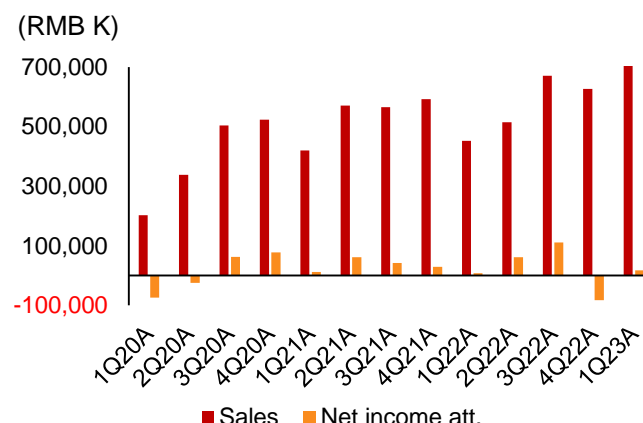
We also expect Atour's sales to be RMB 6.0bn by FY25E and that implies a sales CAGR of 39% during FY22-25E. Such growth was a result of: 1) 29% hotel number CAGR and 14% RevPAR CAGR (made up of 4% room rate CAGR and surge in OC rate to 82%, from 63%) OR 2) 43%/ 16%/ 48% sales CAGR for manachised hotels/ leased hotels/ retail and other. From the angle of RevPAR recovery rate, we expect that to be at 111%/ 114%/ 117% in FY23E/ 24E/ 25E (vs the FY19 level).

Figure 59: Sales and net profit (yearly)



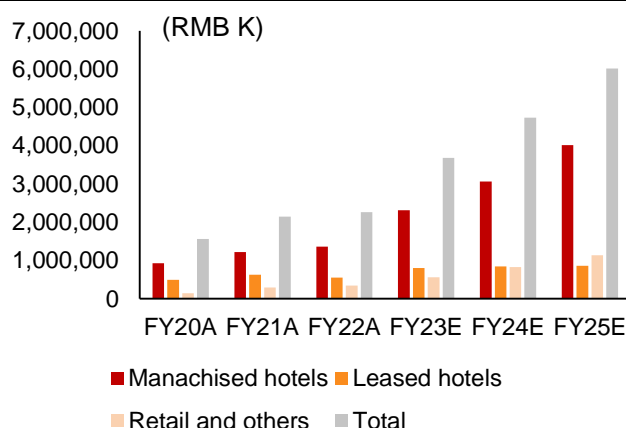
Source: Company data, CMBIGM estimates

Figure 60: Sales and net profit (quarterly)



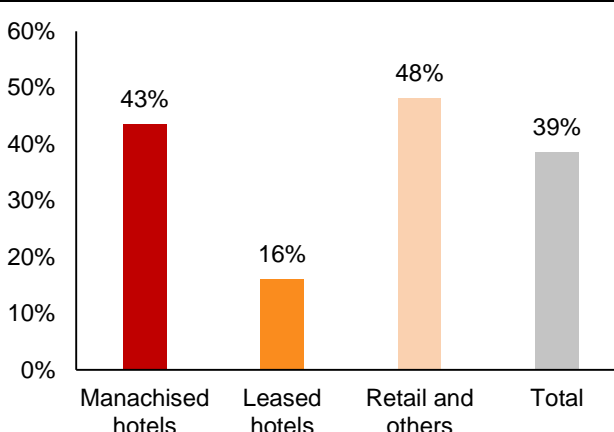
Source: Company data, CMBIGM estimates

Figure 61: Sales, by segment

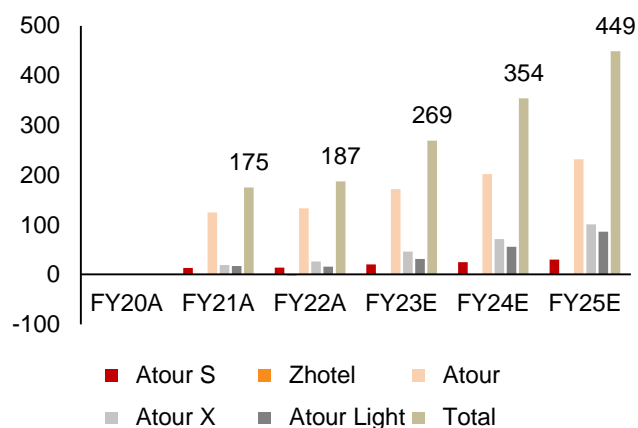


Source: Company data, CMBIGM estimates

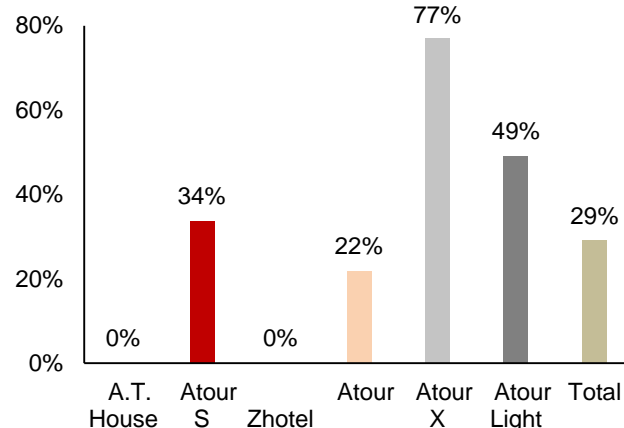
Figure 62: Sales CAGR (FY22-25E), by segment



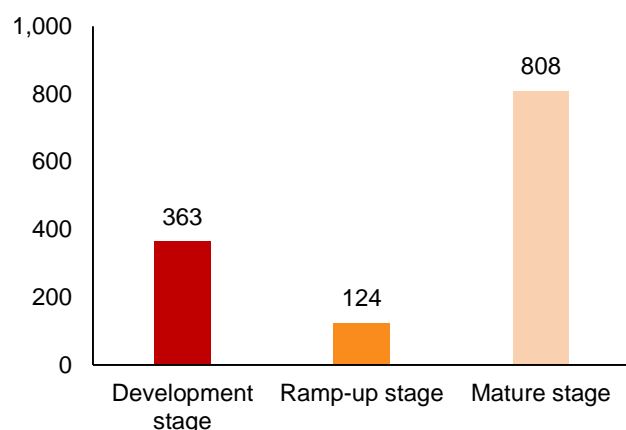
Source: Company data, CMBIGM estimates

**Figure 63: Number of hotels, by brand**

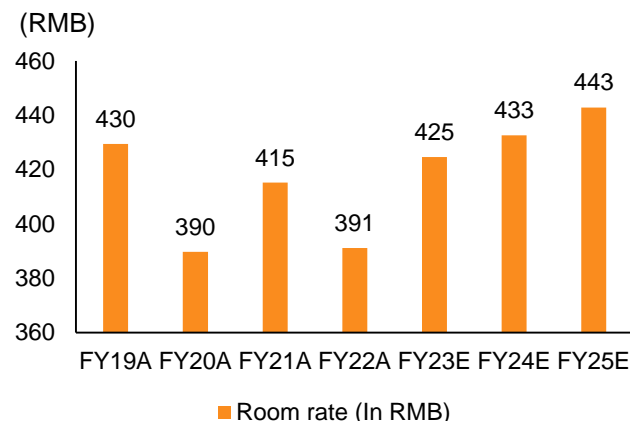
Source: Company data, CMBIGM estimates

**Figure 64: Hotel CAGR (FY22-25E), by brand**

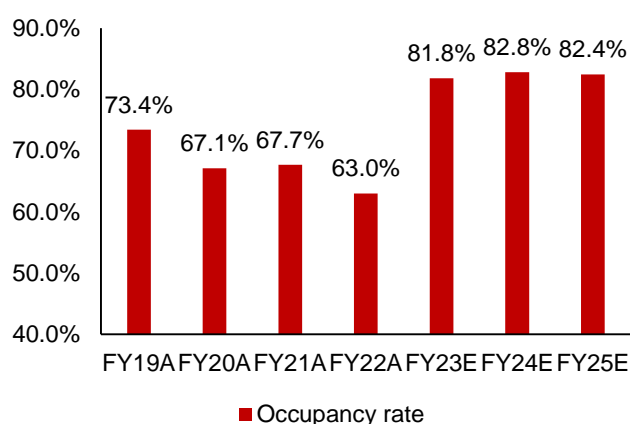
Source: Company data, CMBIGM estimates

**Figure 65: Number of hotels, by stage, in FY22**

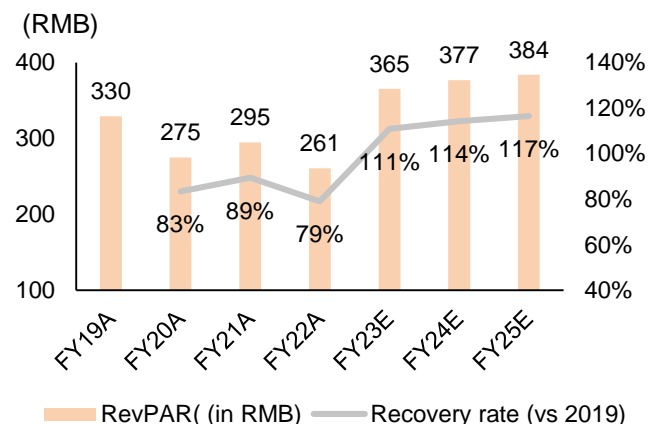
Source: Company data, CMBIGM estimates

**Figure 66: Atour's room rate**

Source: Company data, CMBIGM estimates

**Figure 67: Atour's OC rate**

Source: Company data, CMBIGM estimates

**Figure 68: Atour's RevPAR and recovery rate**

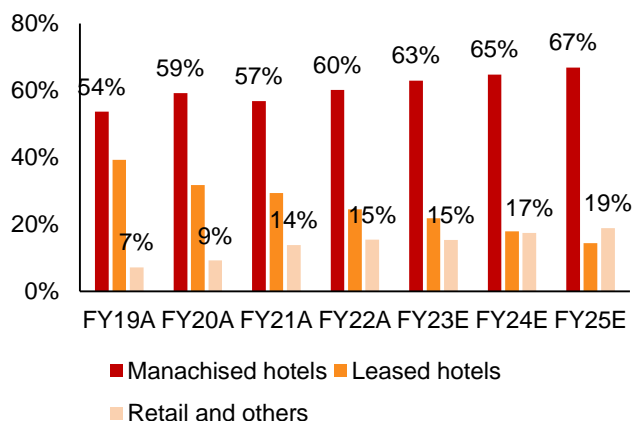
Source: Company data, CMBIGM estimates

## We forecast NP att. to grow by 473%/ 57%/ 45% in FY23E/ 24E/ 25E

### ■ GP margin should climb fast during FY23E-25E, thanks to ramp-up of its manachised hotels.

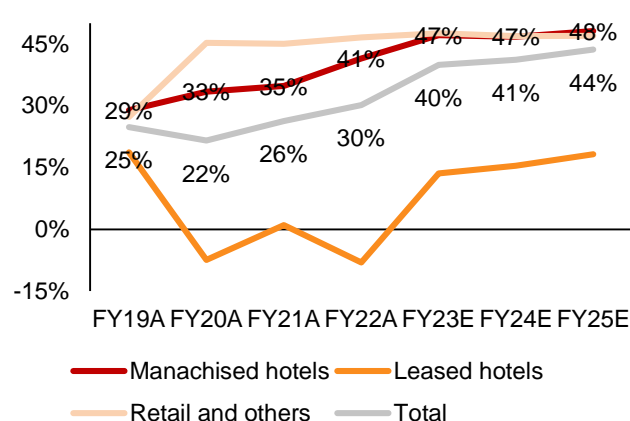
We expect GP margin to rocket from 30.2% in FY22 to 39.9% in FY23E and eventually to 43.6% in FY25E, thanks to: 1) ramp-up of its manachised hotels business (long-term GP margin can be as high as 25%/ 65%/ 17%), 2) turnaround in leased hotel business (GP margin was negative or barely positive in FY20-22), and 3) rapid growth from retail business like Atour department and online stores (long-term GP margin can be above 40%).

**Figure 69: Sales mix, by segment**



Source: Company data, CMBIGM estimates

**Figure 70: GP margin, by segment**

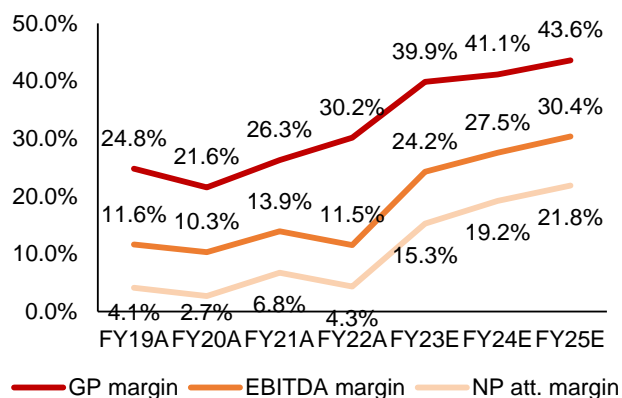


Source: Company data, CMBIGM estimates

### ■ EBITDA margin may climb quickly to 24.2% in FY23E and 29.6% in FY25E.

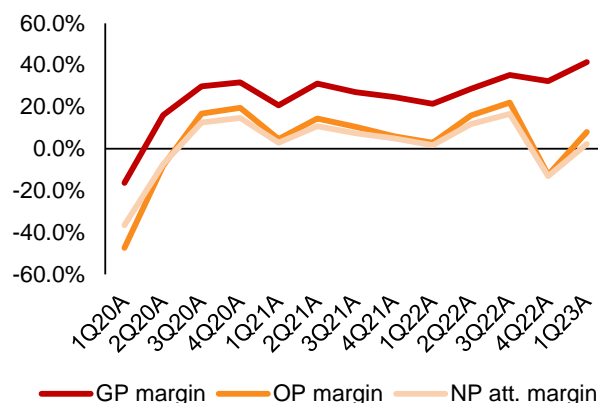
We expect the OP margin to go up almost instantly in FY23E and continue to climb in FY24E-25E, thanks to: 1) ramp-up of manachised hotels business (margins tend to be low for the first two years for Atour because of the upfront investments and fees, but could show a quick turnaround after that), 2) turnaround in leased hotel business which could lead to certain operating leverage and 3) greater sales from the matured stage hotels (where OC rate are 80% or above, compared to just 55% or more for hotels in the ramp-up stage). However, investors should also be aware of the share-based compensation expenses in FY22/ FY23E, which are roughly RMB 160mn/ RMB 150mn and made up 7%/ 4% of total sales.

**Figure 71: GP/ EBITDA/ NP att. margin (yearly)**



Source: Company data, CMBIGM estimates

**Figure 72: GP/ OP/ NP att. margin (quarterly)**

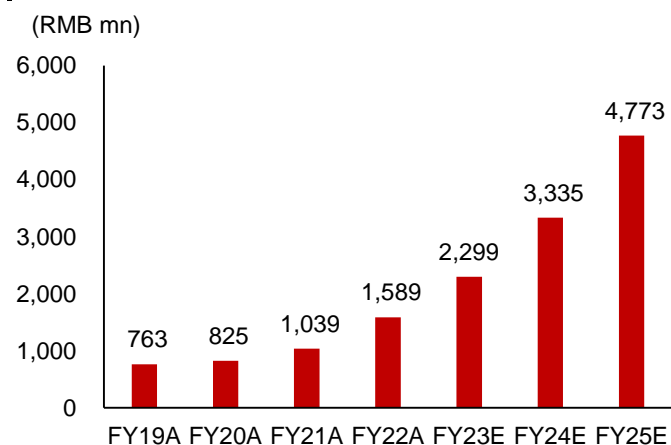


Source: Company data, CMBIGM estimates

## Balance sheet and Cash flow

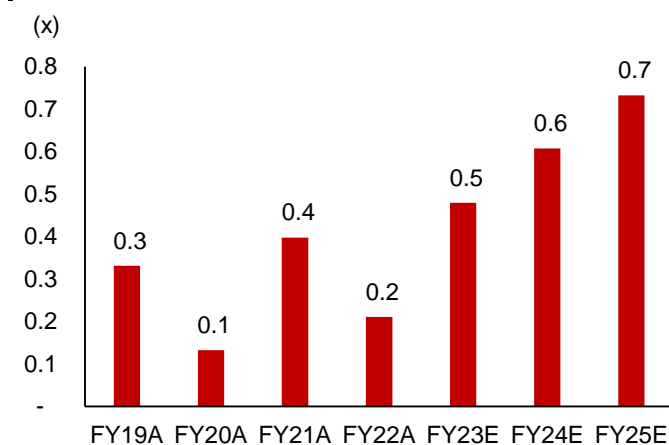
- Atour's cash flow and cash balance are going to improve significantly, driven by the organic recovery from pandemic and its asset-light model (limited capex).

**Figure 73: Closing cash balance**



Source: Company data, CMBIGM estimates

**Figure 74: Net operating cash flow ratio**

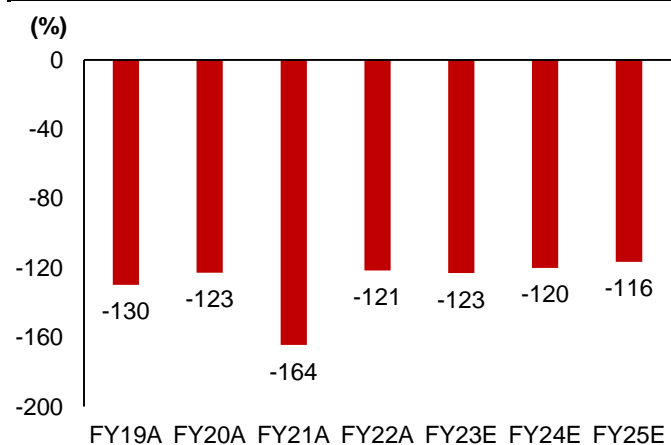


Source: Company data, CMBIGM estimates

Note: Net operating cash flow ratio = dividing net operating cash flow divided by current liabilities

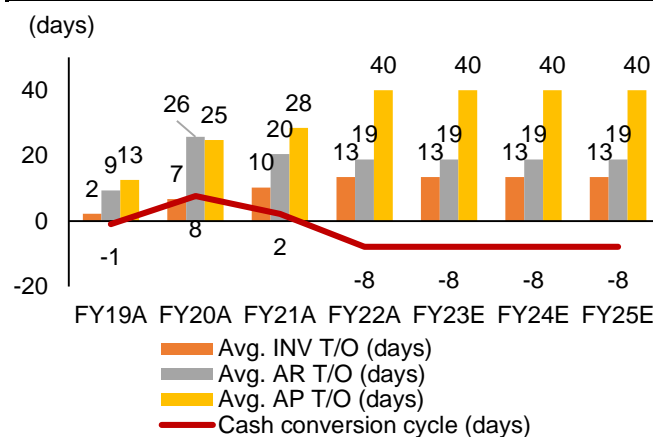
- Atour is going to stay in net cash position and working capital should remain stable.

**Figure 75: Net debt or (cash) to equity**



Source: Company data, CMBIGM estimates

**Figure 76: Working capital (days)**



Source: Company data, CMBIGM estimates

## Valuation

Figure 77: Peers valuation table

Greater China Hotels														
Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/ Down- side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
Atour Lifestyle	ATAT US	NR	21.83	15.73	39%	16,150	Dec-22	25.2	16.1	8.7	11.0	0.2	0.0	(12.7)
H World Group	HTHT US	NR	n/a	38.39	n/a	95,802	Dec-22	27.7	23.6	7.6	(1.9)	(0.1)	0.6	(9.5)
SH Jinjiang Int'l	600754 CH	NR	n/a	47.14	n/a	49,267	Dec-22	33.5	22.8	2.8	2.2	0.2	1.3	(19.2)
Btg Hotels Group	600258 CH	NR	n/a	20.24	n/a	24,699	Dec-22	28.0	19.7	2.0	(2.5)	(0.1)	0.6	(18.4)
Ssaw Hotels	301073 CH	NR	n/a	38.78	n/a	8,224	Dec-22	54.8	36.1	7.2	4.1	0.6	0.8	(17.0)
Greentree	GHG US	NR	n/a	5.34	n/a	4,273	Dec-22	12.3	8.7	2.1	n/a	(0.1)	2.3	43.9
Avg.								30.3	21.2	5.1	2.6	0.1	0.9	(5.5)
Med.								27.8	21.3	5.0	2.2	0.1	0.7	(14.9)
International Hotels														
HK & SH Hotels	45 HK	NR	n/a	6.84	n/a	11,282	Dec-22	n/a	n/a	n/a	(1.3)	n/a	n/a	(15.8)
Shangri-La Asia	69 HK	NR	n/a	6.06	n/a	21,728	Dec-22	27.6	16.1	0.9	(2.9)	(0.1)	0.6	(5.3)
Mandarin Oriental	MAND SP	NR	n/a	1.68	n/a	16,626	Dec-22	n/a	n/a	n/a	(1.5)	n/a	n/a	(12.5)
Banyan Tree	BTH SP	NR	n/a	0.37	n/a	1,857	Dec-22	18.5	14.2	n/a	0.2	0.1	n/a	15.6
Marriott Int'l	MAR US	NR	n/a	171.45	n/a	407,260	Dec-22	20.6	18.9	n/a	286.4	1.6	1.0	15.2
Hilton Worldwide	HLT US	NR	n/a	137.11	n/a	284,110	Dec-22	23.3	20.7	n/a	n/a	1.2	0.5	8.5
Hyatt Hotels	H US	NR	n/a	107.54	n/a	89,016	Dec-22	38.7	30.1	3.0	16.2	12.5	0.3	18.9
Wyndham Hotels	WH US	NR	n/a	66.43	n/a	44,664	Dec-22	16.6	15.3	6.3	30.2	1.9	2.1	(6.8)
Choice Hotels	CHH US	NR	n/a	111.88	n/a	44,672	Dec-22	18.9	17.0	89.9	175.6	3.2	1.0	(0.7)
Intercontinental	IHG LN	NR	n/a	5262.00	n/a	89,221	Dec-22	19.6	17.2	n/a	n/a	0.7	2.3	10.9
Accor Sa	AC FP	NR	n/a	32.83	n/a	74,130	Dec-22	19.4	17.4	1.7	8.6	1.5	2.9	42.1
Avg.								22.6	18.6	20.3	56.8	2.5	1.3	6.4
Med.								19.6	17.2	3.0	8.6	1.5	1.0	8.5

Source: Bloomberg, Company data, CMBIGM estimates

## Initiate BUY on Atour with a TP of US\$ 21.83, based on 35x FY23E P/E.

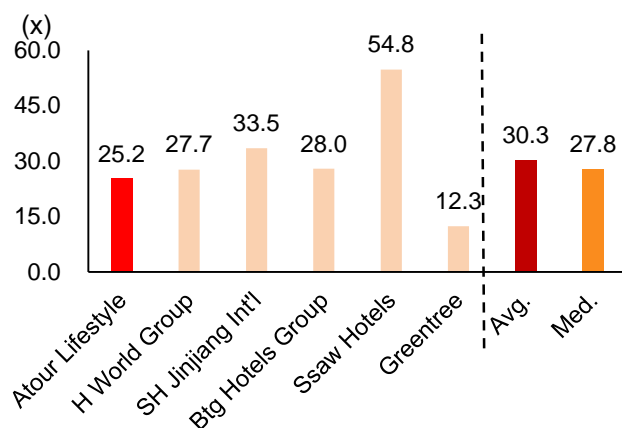
We initiate BUY on Atour with a target price of US\$ 21.83, based on 35x FY23E P/E, which has a 16% premium over the industry average of 30x. In our view, it is well justified by: 1) faster-than-peers' 3 years (FY22-25E) sales CAGR at 38%, 2) faster-than-peers' EBITDA CAGR at 90% and 3) higher sales mix from the more stable and higher margin manachised hotels, even if it has a small scale vs the top 3 companies (H-world, JinJiang, and BTG Hotel).

In fact, the industry average valuation, if we exclude Green Tree (which has a much higher mix of economy to midscale hotels), would be as high as 38x FY23E P/E. Therefore, our target price implied multiple of 40x is not that demanding, in our view.

As such, Atour is currently trading at 25x FY23E P/E currently, and our target price should offer an upside of about 30% to 40%.

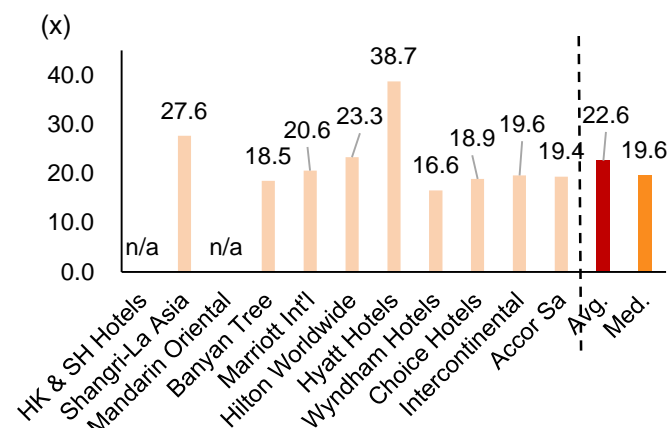
For the Greater China hotel industry, it is trading at about 30x FY23E P/E on average, while the 3 years (FY22-25E) sales CAGR is at around 29%.

**Figure 78: China peers valuation - Forward 1 yrs P/E**



Source: Company data, CMBIGM estimates

**Figure 79: Int'l peers valuation - Forward 1 yrs P/E**

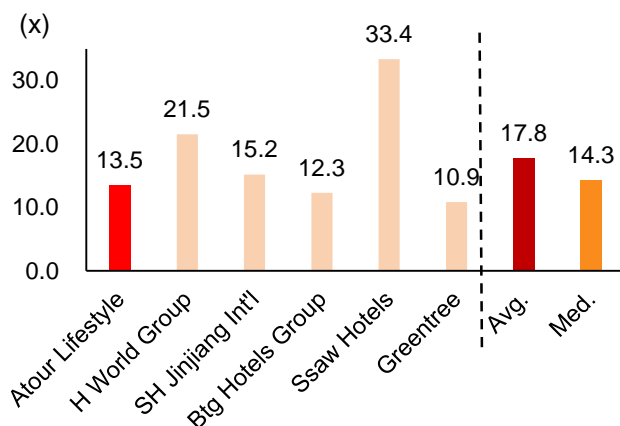


Source: Company data, CMBIGM estimates



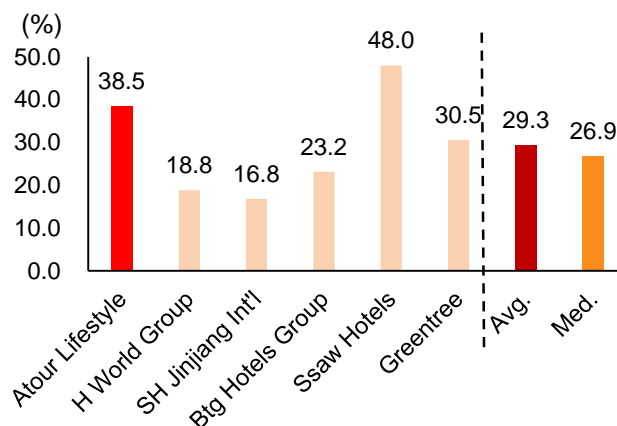
In terms of EV/ EBITDA, it is now trading at 13.5x FY23E, which still has 24% discount vs industry average of 18x and 37% discount to H World. Our target price implies about 20x FY23E EV/ EBITDA.

**Figure 80: China peers' Forward 1 yrs EV/ EBITDA**



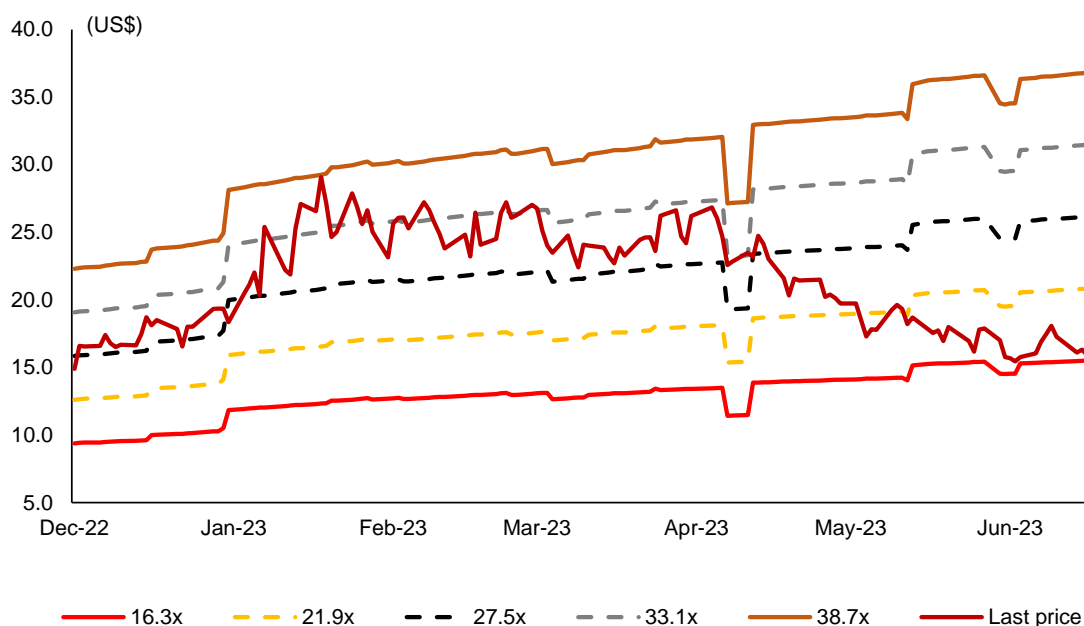
Source: Bloomberg, Company data, CMBIGM estimates

**Figure 81: China peers' Forward 3 yrs sales CAGR**



Source: Bloomberg, Company data, CMBIGM estimates

**Figure 82: Valuation – Forward blended 12 months P/E band**



Source: Bloomberg, Company data, CMBIGM estimates

■ DCF method derives a valuation of US\$ 21.97 per share (~35x FY23E P/E).

We also crosscheck our valuation estimates using the DCF method, deriving a valuation of US\$ 21.97 per share, based on a 12.9% WACC and 3.0% terminal growth. This valuation implies a 35.2x FY23E P/E and is reasonably close to our target price of US\$ 21.83, based on 35x FY23E P/E.

Figure 83: Valuation - DCF method in RMB mn

DCF	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
EBITDA	299	261	892	1,267	1,781	2,337	2,988
Chg in working cap	109	-68	100	79	89	110	128
Adjusted tax	-67	-88	-243	-296	-428	-574	-743
Capex & product dev	-64	-36	-56	-67	-79	-91	-103
<b>Unleveraged FCF</b>	<b>277</b>	<b>69</b>	<b>693</b>	<b>983</b>	<b>1,363</b>	<b>1,782</b>	<b>2,270</b>
YoY%							
DCF (23E-27E)			4,672				
PV (Terminal value)			12,961				
EV (End-23E)			17,633				
Cash from options/warrants conv			0				
Year-end net cash/(debts)			2,151				
<b>Fully diluted equity value (End-23E)</b>			<b>19,784</b>				
Minority interests (End-23E)			0				
<b>Market cap (End-23E)</b>			<b>19,784</b>				
Exchange rate			0.14				
<b>Fully diluted equity value/share (US\$)</b>			<b>21.97</b>				
Risk-free rate			3.0%				
Risk premium			16.0%				
Beta			0.90				
Cost of equity			17.4%				
Cost of debt			3.0%				
Tax rate			25.0%				
After-tax cost of debt			2.3%				
Debt to total capital			30.0%				
<b>WACC</b>			<b>12.9%</b>				
<b>Terminal growth</b>			<b>3.0%</b>				

Source: Bloomberg, Company data, CMBIGM estimates

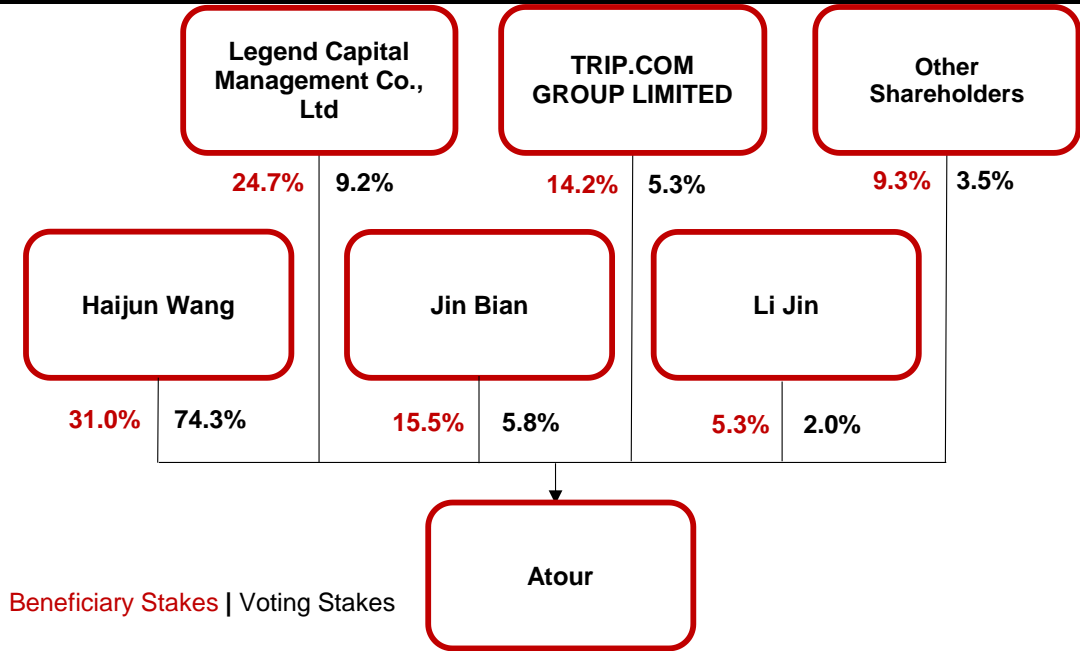
Figure 84: Sensitivity test for the target price, in US\$

	Terminal growth (%)	WACC (%)						
		11.4%	11.9%	12.4%	12.9%	13.4%	13.9%	14.4%
	1.5%	23.0	21.9	20.8	19.9	19.0	18.3	17.5
	2.0%	23.9	22.6	21.5	20.5	19.6	18.8	18.0
	2.5%	24.9	23.5	22.3	21.2	20.2	19.3	18.5
	3.0%	26.0	24.5	23.2	22.0	20.9	19.9	19.1
	3.5%	27.2	25.6	24.1	22.8	21.7	20.6	19.6
	4.0%	28.6	26.8	25.2	23.8	22.5	21.3	20.3
	4.5%	30.3	28.2	26.4	24.8	23.4	22.2	21.0

Source: Bloomberg, Company data, CMBIGM estimates

Shareholding Structure

Figure 85: Atour’s shareholding structure, by legal entity



Source: Company data, NASDAQ, CMBIGM estimates

## Management Profile

**Figure 86: Atour's management profile**

Name	Age	Joined the group since	Date of appointment	Position	Background & Responsibility
<b>Mr. Wang Haijun</b> (王海軍)	46 years old	2013	2013	Founder, Chairman of Board of Directors, Chief Executive Officer	Prior to founding Atour in 2013, Mr. Wang served as the executive vice president of China Lodging Group, currently known as Huazhu Group Ltd (HTHT US, 1179 HK). Prior to joining Huazhu in 2005, he worked for Home Inns, Jinjiang Inn, as well as other reputable hotel companies. As the founder of Atour, he is a well respected industry veteran with extensive hotel development and management experienced. He was recognized as a leader in various industry leadership lists, including the List of the Most Innovative Business Figures in China, the List of 40 Leaders of China's Hospitality Industry within the Past 40 Years, the List of the Most Innovative Figures in China's Travel Industry.
<b>Mr. Wang Shoudong</b> (王壽東)	45 years old	2021	2021	Co-Chief Financial Officer	Prior to joining the Company, Mr. Wang served in various positions for TANSI Global Food Group Co., Ltd. (3666 HK). He served as the chief financial officer of TANSI Global Group Co., Ltd. from 2019 to 2020. During 2011 to 2016, he was in charge of the management of finance, legal affairs and internal audit at TANSI Global Group Co., Ltd. and also served as board secretary and joint company secretary. Previously, he served in the finance department of Best Buy Commercial (Shanghai) Co., Ltd. and Dazhong Transportation (Group) Co., Ltd. (600611 SH). He received his MBA degree from Fudan University.
<b>Mr. Lu Hong</b> (陸宏)	47 years old	2019	2021	Director, Senior Vice President	Mr. Lu is in charge of corporate strategies, internal control and investor relations and a director since 2021. He joined the Company in 2019 and served as a Vice President from 2019 to 2020. Previously, he served as a vice president and the board secretary of Xiamen 35.com Technology (300051 SZ), a vice president and the board secretary of Shandong Zhongji Electrical Equipment Co., Ltd. (300308 SZ), and the board secretary of Guangzhou Goaland Energy Conservation Tech. Co., Ltd. (300499 SZ). He graduated from Fuzhou University and received his MBA degree from the New York Institute of Technology.
<b>Mr. Chen Gang</b> (陳剛)	43 years old	2018	2019	Co-Chief Operating Officer	Mr. Chen joined the Company in 2018 and served as a Vice President. Previously, he served as a vice president of Zhuyou Hotel Management Co., Ltd. He graduated from Zhejiang Gongshang University.
<b>Mr. Zhang Xun</b> (張迅)	52 years old	2013	2021	Co-Chief Operating Officer	Mr. Zhang joined the Company in 2013 and held various positions successively from 2013 to 2021, including regional general manager, chief operating officer of the hotel business unit, chief customer officer and head of chief executive officer's office. He brought the Company extensive hotel development and management experience. Prior to joining the Company, he served as hotel manager and regional manager for China Lodging Group, currently known as Huazhu Group Ltd (HTHT US, 1179 HK) from 2007 to 2013. Previously he also worked for multiple reputable local resort hotels in Chongqing, China. He graduated from Chongqing University of Technology.
<b>Ms. Gao Lijun</b> (高麗君)	39 years old	2013	2021	Director, Chief Compliance Officer	Ms. Gao served as the Chief Compliance Officer since 2023 and a director since 2021. She joined the Company in 2013 and served as the Company's general counsel from Jan 2015 to Oct 2018. She contributes more than a decade of experience in the practice of law and is specialized in corporate finance, risk management, and regulatory compliance. She graduated from Shanghai Normal University.
<b>Mr. Zhou Shiwei</b> (周世偉)	47 years old	n/a	n/a	Director	Apart from serving as Company's Director, Mr. Zhou has also served as a vice president of Trip.com Group Ltd. since 2015. He is also a director of Luxuriant Holdings Limited, Teamsport Topco Limited and Tuniu Corporation. He graduated from Tongji University. He received his MSc degree in Structural Engineering from Columbia University and his MBA degree from University of Southern California.
<b>Mr. Zhou Hongbin</b> (周宏斌)	49 years old	n/a	n/a	Director	Apart from serving as Company's Director, Mr. Zhou has also been working at Legend Capital Management Co., Ltd. since 2005, and currently serves as its managing director. He is also a director of Jiangsu Lihua Livestock Co., Ltd., Beijing Chemclin Diagnostics Co., Ltd., Milkway Chemical Engineering Supply Chain Service Co., Ltd., Pharmaron (Beijing) Pharmaceutical Technology Co., Ltd. and Jiangsu Rec-Biotechnology Co., Ltd. He graduated from Wuhan University and received his doctor's degree in Business Administration from Fudan University.
<b>Ms. Zhang Chao</b> (張超)	46 years old	n/a	n/a	Independent Director	Ms. Zhang has been a professor in Beijing International Studies University since 2015. She graduated from Yanshan University and received her master's degree in Tourism Administration from Nankai University and her doctor's degree in Regional Economics from Peking University.
<b>Mr. Lin Cong</b> (林聰)	62 years old	n/a	n/a	Independent Director	Prior to serving as an Independent Director, Mr. Lin had served as a senior vice president at Marriott International China between 2003 and 2020. He graduated from Beijing Union University.
<b>Mr. Wang Can</b> (王灿)	43 years old	n/a	n/a	Independent Director	Mr. Wang has been a director at Health and Happiness International Holdings Limited since 2020. He has also served in various senior management roles, including chief financial officer, chief growth officer and executive director, at Fosun International from 2012 to 2020. He graduated from Anhui University and received his MBA degree from China Europe International Business School.

Source: Company data, CMBIGM

## Key Risks

- Weaker than expected economic growth and recovery
- Outbreak of viruses or other illnesses that may have material adverse effect on the business
- Level of competition intensifies, or fails to remain competitive in product, service, and branding quality, thereby significantly reducing profit margin for its franchisees
- Failure to keep up with hotel expansion plan, or new hotel performance is not as good as expected
- Labour shortage or faster than expected increase in labour costs and rental expenses
- Involvement in fraud or other misconduct committed by employees or third parties

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	1,567	2,148	2,263	3,681	4,736	6,017
Cost of goods sold	(1,229)	(1,583)	(1,580)	(2,214)	(2,787)	(3,394)
Gross profit	338	565	683	1,468	1,949	2,624
Operating expenses	(298)	(391)	(556)	(747)	(845)	(1,019)
Selling expense	(71)	(124)	(140)	(252)	(261)	(324)
Admin expense	(46)	(103)	(261)	(304)	(368)	(451)
R&D expense	(34)	(52)	(66)	(88)	(104)	(132)
Staff costs	0	0	0	0	0	0
Other rental related expenses	0	0	0	0	0	0
Others	(147)	(112)	(89)	(102)	(112)	(111)
Operating profit	64	203	179	804	1,214	1,750
Other income	23	22	38	62	80	101
Other gains/(losses)	11	1	1	(0)	2	5
EBITDA	161	299	261	892	1,304	1,829
EBIT	75	197	166	783	1,185	1,710
Interest income	1	7	14	21	31	45
Pre-tax profit	75	204	181	804	1,216	1,755
Income tax	(38)	(64)	(84)	(241)	(304)	(439)
After tax profit	42	145	98	562	910	1,314
Minority interest	4	5	2	(1)	(2)	(3)
Net profit	38	140	96	563	912	1,316
Adjusted net profit	38	140	96	563	912	1,316

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	1,170	1,416	2,125	2,999	4,172	5,774
Cash & equivalents	825	1,039	1,589	2,299	3,335	4,773
Restricted cash	0	0	0	0	0	0
Account receivables	140	100	133	189	243	309
Inventories	30	59	57	81	102	125
Prepayment	126	167	134	218	280	356
Other current assets	49	52	211	211	211	211
Non-current assets	816	829	2,637	2,591	2,546	2,514
PP&E	467	439	360	314	269	237
Right-of-use assets	0	0	1,932	1,932	1,932	1,932
Intangibles	3	4	6	5	5	5
Other non-current assets	345	386	340	340	340	340
Total assets	1,986	2,245	4,762	5,590	6,718	8,288
Current liabilities	898	1,051	1,348	1,612	1,829	2,082
Short-term borrowings	89	65	143	143	143	143
Account payables	464	609	515	780	997	1,250
Tax payable	62	46	31	31	31	31
Other current liabilities	283	332	339	339	339	339
Lease liabilities	0	0	320	320	320	320
Non-current liabilities	521	629	2,227	2,228	2,230	2,233
Long-term borrowings	31	44	2	2	2	2
Other non-current liabilities	490	586	2,225	2,226	2,228	2,231
Total liabilities	1,420	1,681	3,575	3,840	4,059	4,315
Retained earnings	0	0	0	562	1,472	2,786
Other reserves	566	565	1,187	1,187	1,187	1,187
Total shareholders equity	566	565	1,187	1,749	2,659	3,973
Minority interest	0	0	0	0	0	0
Total equity and liabilities	1,986	2,245	4,762	5,590	6,718	8,288

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	75	204	181	804	1,216	1,755
Depreciation & amortization	86	95	81	88	88	74
Tax paid	40	(15)	(15)	(241)	(304)	(439)
Change in working capital	(25)	109	(68)	100	79	89
Others	(57)	25	106	21	31	45
<b>Net cash from operations</b>	<b>119</b>	<b>418</b>	<b>284</b>	<b>773</b>	<b>1,111</b>	<b>1,524</b>
<b>Investing</b>						
Capital expenditure	(113)	(64)	(36)	(56)	(67)	(79)
Acquisition of subsidiaries/ investments	23	9	(153)	0	0	0
Others	(16)	13	(3)	0	0	0
<b>Net cash from investing</b>	<b>(106)</b>	<b>(42)</b>	<b>(192)</b>	<b>(56)</b>	<b>(67)</b>	<b>(79)</b>
<b>Financing</b>						
Dividend paid	0	(21)	0	0	0	0
Net borrowings	49	(12)	65	0	0	0
Proceeds from share issues	0	0	400	0	0	0
Share repurchases	0	(111)	(0)	0	0	0
Others	(1)	(17)	(8)	(7)	(7)	(7)
<b>Net cash from financing</b>	<b>48</b>	<b>(161)</b>	<b>456</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	763	825	1,039	1,589	2,299	3,335
Exchange difference	0	(1)	3	0	0	0
Others	61	215	548	710	1,036	1,438
<b>Cash at the end of the year</b>	<b>825</b>	<b>1,039</b>	<b>1,589</b>	<b>2,299</b>	<b>3,335</b>	<b>4,773</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	(0.0%)	37.1%	5.4%	62.7%	28.6%	27.1%
Gross profit	(13.0%)	67.2%	21.0%	114.9%	32.7%	34.6%
Operating profit	(30.2%)	217.0%	(11.5%)	348.2%	51.0%	44.2%
EBITDA	(11.7%)	85.5%	(12.7%)	241.6%	46.2%	40.2%
EBIT	(30.9%)	163.9%	(15.8%)	371.2%	51.4%	44.3%
Net profit	(37.8%)	269.3%	(31.2%)	485.8%	62.1%	44.3%
Adj. net profit	(37.8%)	269.3%	(31.2%)	485.8%	62.1%	44.3%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	21.6%	26.3%	30.2%	39.9%	41.1%	43.6%
Operating margin	4.1%	9.4%	7.9%	21.8%	25.6%	29.1%
EBITDA margin	10.3%	13.9%	11.5%	24.2%	27.5%	30.4%
Adj. net profit margin	2.4%	6.5%	4.2%	15.3%	19.3%	21.9%
Return on equity (ROE)	6.9%	24.7%	11.0%	38.3%	41.4%	39.7%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	1.2	1.6	1.2	1.2	1.2	1.2
Current ratio (x)	1.3	1.3	1.6	1.9	2.3	2.8
Receivable turnover days	25.7	20.4	18.8	18.8	18.8	18.8
Inventory turnover days	6.7	10.3	13.4	13.4	13.4	13.4
Payable turnover days	24.8	28.5	40.0	40.0	40.0	40.0
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	na	na	140.8	25.2	15.6	10.8
P/E (diluted)	na	na	140.8	25.2	15.6	10.8
P/B	na	na	11.9	8.4	5.5	3.7
P/CFPS	na	na	48.5	19.0	13.2	9.6
Div yield (%)	na	na	0.0	0.0	0.0	0.0
EV	18,794.4	17,630.6	37,393.0	14,162.3	14,162.3	14,162.3
EV/Sales	12.0	8.2	16.5	3.8	3.0	2.4
EV/EBIT	251.5	89.4	225.1	18.1	11.9	8.3
EV/EBITDA	105.1	122.0	48.7	13.5	8.4	5.2

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



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