

Jiumaojiu (9922 HK)

Transforming despite tough macro backdrop

The 1H24 results were inline but the underlying was slightly positive (e.g. resilient GP margin, as well as the restaurant-level OP margin). We agree that both Tai Er and Song are making loads of efforts to transform, but under such a tough industry and macro environment, we would not be able to turn positive, unless we can really see a compelling improvement in figures in the near term.

■ **Despite the macro weakness, both Tai Er and Song are actively transforming themselves and we think they are making progress.** Tai Er is adversely affected by subdued customer traffic and rising competition in the shopping malls, as well as the increasingly cost-conscious customers. However, we can still see it making progress in both sales and margins. For example: 1) Tai Er has proactively lowered its ASP, esp. in areas like Northeast China with a relatively lower income, where they are offering more affordable products made with the snakehead fish. 2) It has expanded target customers by introducing more new products like Sichuan-style and non-spicy dishes, the reception of which so far has been quite satisfactory (click rates of those SKUs are high), and it has also offered more delivery options for one-person meals. 3) It has rolled out more new business models, such as the store format dedicated to delivery services (already had 43 stores as at Aug 2024). Going forward in 2H24E, Tai Er will fine-tune its focus, to dedicate more efforts to improve its product quality, instead of driving down the ASP.

There are also positives in terms of profitability in 2H24E, such as: 1) resilient GP margin, which was well controlled in 1H24, thanks to lower procurement prices, and as promotions ease, further improvement is likely; 2) rightsizing of manpower per store, started in May 2024 (average number of staff per Tai Er store was cut to about 20), and 3) the rollout of new incentive schemes (the local management team, including the region manager, the store manager and the kitchen manager will be entitled to more profit sharing), which we believe could boost their motivation to do better and improve overall efficiency. Song Hotpot is also widening its target customer group by introducing more flavours of soup base and more new products as well as trying to boost the store productivity by opening new stores only in the existing regions. These measures should also be constructive, in our view.

■ **Maintain HOLD but trim TP to HK\$ 2.64, based on 9x FY25E P/E.** We have fine-tuned the FY24E/25E/ 26E net profit by -3%/ +6%/ -3%, in order to factor in: 1) the weak SSSG, 2) slower-than-expected store expansion, but 3) a stronger-than-expected GP margin and staff cost control. The new TP is based on 9x FY25E P/E (cut from 13x, due to sector de-rating). The stock is now trading at 18x FY24E P/E and 9x FY25E P/E, still a bit demanding, given just a 9% 3-year (FY23-26E) sales CAGR.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,006	5,986	6,232	7,346	8,417
YoY growth (%)	(4.2)	49.4	4.1	17.9	14.6
Operating profit (RMB mn)	240.9	701.8	355.8	628.2	773.8
Net profit (RMB mn)	55.6	480.0	203.6	405.6	519.6
EPS (Reported) (RMB)	0.03	0.31	0.13	0.26	0.33
YoY growth (%)	(85.5)	819.7	(58.2)	99.2	28.1
P/E (x)	67.2	7.3	17.5	8.8	6.8
P/B (x)	1.0	1.0	0.9	0.8	0.7
Yield (%)	0.4	5.9	2.5	4.9	6.3
ROE (%)	1.8	14.6	5.7	10.1	11.2
Net gearing (%)	34.7	41.8	47.1	55.0	63.8

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	HK\$2.64
(Previous TP)	HK\$3.59)
Up/Downside	6.0%
Current Price	HK\$2.49

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	3,621.0
Avg 3 mths t/o (HK\$ mn)	51.6
52w High/Low (HK\$)	13.44/2.38
Total Issued Shares (mn)	1454.2

Source: FactSet

Shareholding Structure

Mr. Guan Yi Hong	37.4%
JPMorgan Chase & Co	7.5%

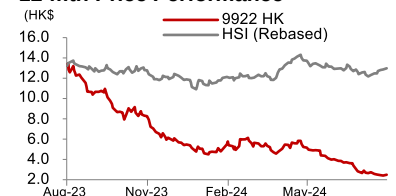
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.8%	-11.8%
3-mth	-50.8%	-47.9%
6-mth	-54.6%	-57.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **1H24 result inline.** Jiumaojiu has reported 6% YoY sales growth to RMB 3.1bn, inline with the pre-announced profit warning. It has also reported a 67% YoY drop in net profit to RMB 72mn in 1H24, slightly better than the “no more than 70% drop” issued in the profit warning. The GP margin was certainly a beat, at 64.2%, increased by 0.4ppt YoY, impressive as it was achieved with greater promotions and a falling ASP, but this was offset by the higher-than-expected staff costs. SSSG were soft for all the brands in 1H24, -8.5%/ -15.5%/ -34.7% for Jiumaojiu/ Tai Er/ Song Hotpot, hence the respective restaurant-level OP margin all retreated to 16.9%/ 13.8%/ 8.6% (from 19.2%/ 21.3%/ 13.7% in 1H23).
- **SSSG were still under pressure in Jul-Aug 2024, but sequential improvement in 4Q24E is still likely.** Management has mentioned a similar SSS decline (vs 2Q24) in Jul-Aug 2024, given the high base last year, as well as a QoQ improvement in seat turnover, simply because of the seasonality (as summer is usually the peak season). But thanks to the low base last year, we believe it is still likely to see a narrowed decline going into 4Q24E.
- **The store opening plan in FY24E remained unchanged but franchising business is growing fast (esp. for the new brand Shanwaimian).** The company is now targeting to open 80 to 110 Tai Er stores (we tend to think the low-end is the more likely target) and 25 Song hotpot stores in FY24E, unchanged vs last call in Jul 2024. Moreover, the franchise business may create another income stream onwards. There were already 8 Tai Er and 12 Shanwaimian stores in 1H24, and the company could have 10 Tai Er and 25 Shanwaimian stores by 2H24E.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,232	7,346	8,417	7,128	8,924	10,607	-12.6%	-17.7%	-20.6%
Gross profit	4,014	4,734	5,426	4,511	5,642	6,703	-11.0%	-16.1%	-19.1%
EBIT	426	717	891	438	693	879	-2.7%	3.4%	1.3%
Net profit att.	190	378	484	195	356	468	-3.0%	6.2%	3.4%
Diluted EPS (RMB)	0.130	0.260	0.333	0.134	0.245	0.322	-3.0%	6.2%	3.4%
Gross margin	64.4%	64.4%	64.5%	63.3%	63.2%	63.2%	1.1ppt	1.2ppt	1.3ppt
EBIT margin	6.8%	9.8%	10.6%	6.1%	7.8%	8.3%	0.7ppt	2ppt	2.3ppt
Net profit att. margin	3.0%	5.1%	5.7%	2.7%	4.0%	4.4%	0.3ppt	1.2ppt	1.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,232	7,346	8,417	7,061	8,484	9,640	-11.7%	-13.4%	-12.7%
Gross profit	4,014	4,734	5,426	4,506	5,416	6,153	-10.9%	-12.6%	-11.8%
EBIT	426	717	891	773	974	1,121	-44.9%	-26.4%	-20.5%
Net profit att.	190	378	484	409	544	674	-53.6%	-30.5%	-28.2%
Diluted EPS (RMB)	0.130	0.260	0.333	0.295	0.403	0.476	-55.8%	-35.5%	-30.0%
Gross margin	64.4%	64.4%	64.5%	63.8%	63.8%	63.8%	0.6ppt	0.6ppt	0.6ppt
EBIT margin	6.8%	9.8%	10.6%	10.9%	11.5%	11.6%	-4.1ppt	-1.7ppt	-1ppt
Net profit att. margin	3.0%	5.1%	5.7%	5.8%	6.4%	7.0%	-2.7ppt	-1.3ppt	-1.2ppt

Source: Bloomberg, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H23	2H23	1H24	2H24E	1H24 YoY	2H24E YoY	1H24E CMBI GM	Actual vs CMBI
Revenue	2,879	3,106	3,064	3,168	52%	47%	6%	2%
COGS	-1,042	-1,100	-1,097	-1,121				
Gross profit	1,837	2,007	1,967	2,047	49%	52%	7%	2%
GP margins	63.8%	64.6%	64.2%	64.6%				
Other income & gains	53	73	33	78				
Staff costs	-718	-827	-894	-839	32%	40%	25%	2%
Staff costs / sales	-24.9%	-26.6%	-29.2%	-26.5%				
Dep. of right-of-use assets expenses	-227	-258	-287	-316	18%	22%	26%	23%
Dep. of ROU assets exp / sales	-7.9%	-8.3%	-9.4%	-10.0%				
Other rentals expenses	-67	-72	-66	-69	57%	77%	-1%	-3%
Other rentals exp / sales	-2.3%	-2.3%	-2.2%	-2.2%				
D&A of other assets	-109	-126	-140	-209	17%	31%	29%	65%
D&A of other assets exp / sales	-3.8%	-4.1%	-4.6%	-6.6%				
Utilities expenses	-101	-118	-123	-146	50%	45%	23%	23%
Utilities exp / sales	-3.5%	-3.8%	-4.0%	-4.6%				
Travelling & related expenses	-17	-22	-14	-24	83%	34%	-19%	8%
Travelling & related exp / sales	-0.6%	-0.7%	-0.4%	-0.7%				
A&P expenses	-32	-52	-47	-41	38%	62%	47%	-22%
A&P exp / sales	-1.1%	-1.7%	-1.5%	-1.3%				
Delivery service fees	-39	-72	-41	-84	-14%	70%	6%	17%
Delivery service fees / sales	-1.3%	-2.3%	-1.3%	-2.7%				
Other opex	-152	-197	-176	-181	90%	27%	16%	-8%
Other opex / sales	-5.3%	-6.3%	-5.7%	-5.7%				
Operating profit (EBIT)	429	335	212	214	161%	227%	-51%	-36%
OP margins	14.9%	10.8%	6.9%	6.8%				
Other items	-58	25	-69	31				
Net finance income	-43	-50	-53	-53				
Net finance income / sales	-1.5%	-1.6%	-1.7%	-1.7%				
Profit after financing costs	328	310	90	193				
Associated coms	-3	1	-2	-1				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	325	311	88	192	241%	##### #	-73%	-38%
Tax	-87	-69	-20	-56				
Tax / sales	-3.0%	-2.2%	-0.7%	-1.8%				
Effective tax rate	-26.7%	-22.3%	-22.7%	-29.3%				
Minority interests	16	10	-4	18				
Net profit att.	222	231	72	117	285%	- 2846%	-67%	-49%
NP margins	7.7%	7.4%	2.4%	3.7%				

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Half yearly / Full yearly (RMB mn)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY
Revenue	5,986	6,232	7,346	4%	18%
COGS	-2,142	-2,219	-2,613		
Gross profit	3,844	4,014	4,734	4%	18%
GP margins	64.2%	64.4%	64.4%		
Other income & gains	127	111	137		
Staff costs	-1,544	-1,733	-1,857	12%	7%
Staff costs / sales	-25.8%	-27.8%	-25.3%		
Dep. of right-of-use assets expenses	-485	-603	-698	24%	16%
Dep. of ROU assets exp / sales	-8.1%	-9.7%	-9.5%		
Other rentals expenses	-139	-136	-161	-2%	18%
Other rentals exp / sales	-2.3%	-2.2%	-2.2%		
D&A of other assets	-236	-349	-399	48%	14%
D&A of other assets exp / sales	-3.9%	-5.6%	-5.4%		
Utilities expenses	-219	-270	-308	23%	14%
Utilities exp / sales	-3.7%	-4.3%	-4.2%		
Travelling & related expenses	-39	-37	-44	-4%	18%
Travelling & related exp / sales	-0.6%	-0.6%	-0.6%		
A&P expenses	-85	-88	-104	4%	18%
A&P exp / sales	-1.4%	-1.4%	-1.4%		
Delivery service fees	-111	-126	-148	13%	17%
Delivery service fees / sales	-1.9%	-2.0%	-2.0%		
Other opex	-349	-357	-436	2%	22%
Other opex / sales	-5.8%	-5.7%	-5.9%		
Operating profit (EBIT)	764	426	717	-44%	68%
OP margins	12.8%	6.8%	9.8%		
Other items	-32	-37	-44		
Net finance income	-93	-106	-114		
Net finance income / sales	-1.6%	-1.7%	-1.5%		
Profit after financing costs	639	282	559		
Associated coms	-2	-2	-3		
Jointly controlled coms	0	0	0		
Pre-tax profit	636	280	557	-56%	99%
Tax	-156	-76	-151		
Tax / sales	-2.6%	-1.2%	-2.1%		
Effective tax rate	-24.6%	-27.2%	-27.1%		
Minority interests	27	14	28		
Net profit att.	453	190	378	-58%	99%
NP margins	7.6%	3.0%	5.1%		

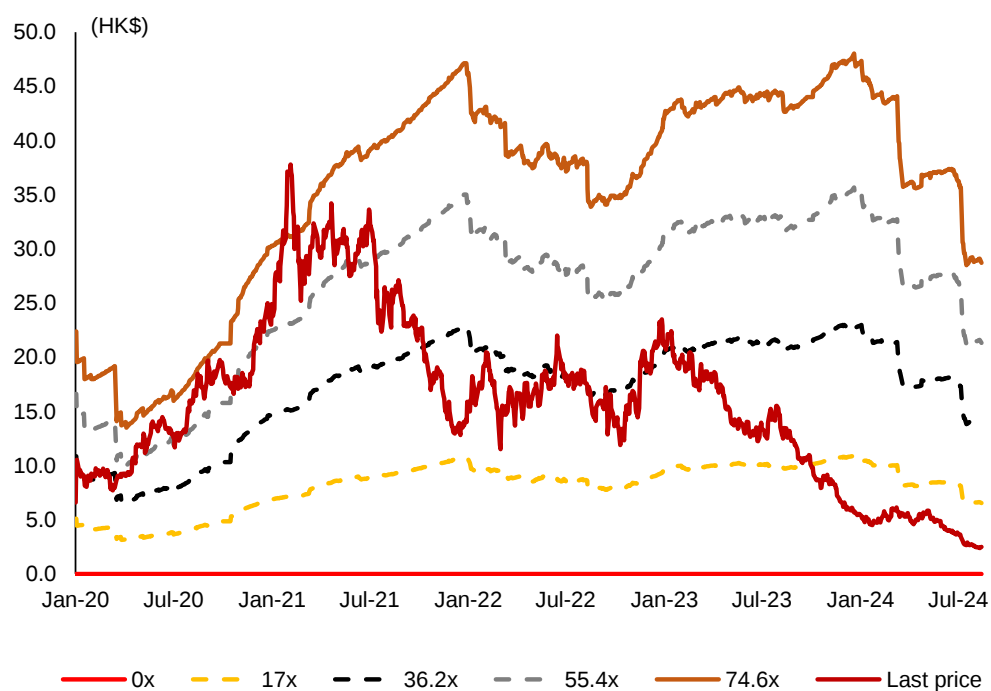
Source: Bloomberg, Company data, CMBIGM estimates

Valuation

Figure 5: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
Leading Greater China Catering														
Jiumaojiu	9922 HK	HOLD	2.64	2.49	6%	3,512	Dec-23	16.9	8.5	0.7	1.6	(2.9)	2.6	(59.2)
Haidilao	6862 HK	BUY	21.52	11.92	81%	66,442	Dec-23	12.0	10.7	3.5	47.4	1.2	5.2	(18.0)
DPC Dash	1405 HK	BUY	81.20	66.15	23%	8,629	Dec-23	182.6	55.7	3.7	(1.9)	(0.6)	n/a	6.8
Nayuki	2150 HK	BUY	3.43	1.43	140%	2,449	Dec-23	18.7	9.1	0.4	0.3	0.1	0.0	(54.9)
Helens	9869 HK	NR	n/a	1.73	n/a	2,189	Dec-23	7.6	6.0	0.9	9.9	0.3	8.2	(50.1)
Cafe De Coral	341 HK	BUY	11.15	8.16	37%	4,733	Mar-24	12.7	10.7	1.6	11.6	0.7	8.5	(9.4)
Xiabuxiabu	520 HK	BUY	4.89	0.97	404%	1,054	Dec-23	9.3	4.7	0.5	(15.0)	(0.0)	5.5	(60.0)
Tam Jai	2217 HK	NR	n/a	0.86	n/a	1,158	Mar-24	9.1	8.3	0.8	7.8	0.9	10.1	(31.7)
Yihai	1579 HK	NR	n/a	11.22	n/a	11,632	Dec-23	11.1	9.9	1.8	18.7	1.3	7.0	(9.5)
Yum China	9987 HK	BUY	294.91	263.80	12%	101,143	Dec-23	15.4	13.7	1.8	13.6	1.3	1.9	(20.6)
Yum China	YUMC US	BUY	38.07	33.37	14%	99,741	Dec-23	15.1	13.5	1.8	13.6	1.3	1.9	(21.4)
Gourmet Master	2723 TT	NR	n/a	82.30	n/a	3,628	Dec-23	17.7	13.3	1.2	4.5	1.0	4.6	(18.9)
Avg.								27.3	13.7	1.6	9.3	0.4	5.1	(28.9)
Med.								13.9	10.3	1.4	8.9	0.8	5.2	(21.0)
International Catering														
Yum! Brands	YUM US	NR	n/a	135.52	n/a	297,043	Dec-23	24.0	21.6	n/a	n/a	3.3	2.0	3.7
Mcdonald's	MCD US	NR	n/a	289.52	n/a	1,619,052	Dec-23	24.5	22.8	n/a	n/a	4.3	2.3	(2.4)
Starbucks Corp	SBUX US	NR	n/a	94.02	n/a	830,581	Oct-23	26.4	23.7	n/a	n/a	3.6	2.4	(2.1)
Rest' Brands	QSR US	NR	n/a	70.36	n/a	252,680	Dec-23	20.7	18.1	5.7	42.9	5.1	3.3	(9.9)
Chipotle	CMG US	NR	n/a	53.7	n/a	573,409	Dec-23	49.3	41.4	16.2	43.5	2.5	0.0	17.4
Darden	DRI US	NR	n/a	154.07	n/a	142,285	May-24	16.2	14.7	7.1	46.2	1.7	3.7	(6.2)
Domino's Pizza	DPZ US	NR	n/a	425.28	n/a	115,948	Dec-23	26.3	24.0	n/a	n/a	2.6	1.4	3.2
Wendy's Co	WEN US	NR	n/a	16.90	n/a	26,777	Dec-23	17.1	15.8	37.6	60.7	2.3	6.0	(13.2)
Shake Shack	SHAK US	NR	n/a	108.97	n/a	36,345	Dec-23	152	106	8.2	6.1	3.6	n/a	47.0
Wingstop Inc	WING US	NR	n/a	403.89	n/a	92,268	Dec-23	107.5	87.9	n/a	n/a	3.1	0.2	57.4
Jollibee Foods	JFC PM	NR	n/a	254.00	n/a	39,559	Dec-23	29.7	25.5	3.1	12.4	1.6	1.2	1.0
Avg.								44.9	36.5	13.0	35.3	3.1	2.2	8.7
Med.								26.3	23.7	7.6	43.2	3.1	2.1	1.0

Source: Bloomberg, Company data, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by brand (RMB mn)						
Jiu Mao Jiu	760	606	630	568	574	579
Tai Er	3,292	3,108	4,477	4,653	5,559	6,442
Other brands	127	292	879	1,011	1,214	1,396
Total	4,180	4,006	5,986	6,232	7,346	8,417
Sales growth by brand (%)						
Jiu Mao Jiu	6.3%	-20.4%	4.0%	-9.8%	1.0%	1.0%
Tai Er	67.8%	-5.6%	44.0%	3.9%	19.5%	15.9%
Other brands	238.8%	129.7%	201.3%	15.0%	20.0%	15.0%
Total	54.0%	-4.2%	49.4%	4.1%	17.9%	14.6%
Sales by segment growth (%)						
Restaurant operations	59.2%	-9.1%	58.2%	-0.2%	18.2%	14.7%
Delivery business	31.2%	26.6%	14.5%	17.3%	16.7%	14.0%
Sales of specialties	416.4%	-90.7%	1014.0%	600.0%	15.0%	15.0%
Others	-26.9%	-22.3%	-87.8%	150.0%	10.0%	10.0%
Total	54.0%	-4.2%	49.4%	4.1%	17.9%	14.6%
Number of restaurants by brand						
Jiu Mao Jiu	83	76	77	72	72	72
Tai Er	350	450	578	662	770	881
Other brands	37	30	71	96	121	146
Total	470	556	726	830	963	1,099
GP margins by segment (%)						
Jiu Mao Jiu	61.0%	61.0%	61.5%	62.0%	62.0%	62.0%
Tai Er	63.8%	64.6%	64.8%	65.0%	65.0%	65.0%
Other brands	62.0%	62.0%	63.0%	63.0%	63.0%	63.0%
Total	63.2%	63.9%	64.2%	64.4%	64.4%	64.5%
Opex breakdown (%)						
Staff costs	-25.3%	-28.3%	-25.8%	-27.8%	-25.3%	-24.9%
Depreciation of right-of-use assets	-8.2%	-10.1%	-8.1%	-9.7%	-9.5%	-9.6%
Other rentals & related expenses	-2.3%	-2.1%	-2.3%	-2.2%	-2.2%	-2.2%
D & A of other assets	-3.8%	-4.7%	-3.9%	-5.6%	-5.4%	-5.1%
Utilities expenses	-3.2%	-3.7%	-3.7%	-4.3%	-4.2%	-4.2%
Others	-8.4%	-10.1%	-9.8%	-9.8%	-10.0%	-9.9%
EBIT margins (%)	13.6%	6.7%	12.8%	6.8%	9.8%	10.6%
Effective tax rate	26.5%	39.7%	24.5%	27.0%	27.0%	27.0%
NP att. margins (%)	8.1%	1.2%	7.6%	3.0%	5.1%	5.7%
NP att. growth (%)	174.0%	-85.5%	820.2%	-58.2%	99.2%	28.1%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,180	4,006	5,986	6,232	7,346	8,417
Cost of goods sold	(1,537)	(1,447)	(2,142)	(2,219)	(2,613)	(2,991)
Gross profit	2,642	2,559	3,844	4,014	4,734	5,426
Operating expenses	(2,138)	(2,363)	(3,207)	(3,699)	(4,154)	(4,708)
Staff costs	(1,057)	(1,134)	(1,544)	(1,733)	(1,857)	(2,098)
Other rental related expenses	(97)	(83)	(139)	(136)	(161)	(185)
Others	(482)	(553)	(803)	(878)	(1,039)	(1,182)
Operating profit	556	241	702	356	628	774
Other income	52	46	65	41	48	56
Share of (losses)/profits of associates/JV	1	(3)	(2)	(2)	(3)	(3)
EBITDA	1,058	834	1,423	1,308	1,725	2,017
Depreciation	(159)	(190)	(236)	(349)	(399)	(431)
Depreciation of ROU assets	(343)	(403)	(485)	(603)	(698)	(812)
Interest income	12	26	62	70	89	117
Interest expense	(75)	(81)	(93)	(106)	(114)	(124)
Other income/expense	11	(88)	(32)	(37)	(44)	(51)
Pre-tax profit	506	94	636	280	557	713
Income tax	(134)	(39)	(156)	(76)	(151)	(193)
Minority interest	(32)	(6)	(27)	(14)	(28)	(36)
Net profit	372	56	480	204	406	520

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	2,559	2,585	2,806	3,210	3,915	4,861
Cash & equivalents	1,342	1,099	1,327	1,703	2,277	3,098
Account receivables	12	21	38	46	54	62
Inventories	71	118	132	130	153	175
Prepayment	325	392	533	555	654	749
ST bank deposits	2	11	231	231	231	231
Other current assets	807	945	545	545	545	545
Non-current assets	2,576	2,822	3,715	3,710	3,655	3,555
PP&E	572	737	1,129	1,128	1,077	981
Investment in JVs & assos	13	10	8	6	3	(0)
Intangibles	18	25	26	24	23	22
Other non-current assets	1,972	2,051	2,552	2,552	2,552	2,552
Total assets	5,135	5,407	6,521	6,920	7,570	8,416
Current liabilities	805	955	1,403	1,365	1,483	1,596
Short-term borrowings	0	0	0	0	0	0
Account payables	141	188	209	152	179	205
Tax payable	38	17	68	68	68	68
Other current liabilities	625	749	1,125	1,145	1,236	1,323
Non-current liabilities	1,193	1,253	1,761	1,775	1,803	1,839
Long-term borrowings	0	0	154	154	154	154
Other non-current liabilities	1,193	1,253	1,607	1,621	1,649	1,685
Total liabilities	1,998	2,208	3,164	3,141	3,286	3,435
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	467	1,008	1,701
Other reserves	3,138	3,199	3,357	3,313	3,276	3,280
Total shareholders equity	3,138	3,199	3,357	3,780	4,283	4,981
Minority interest	0	0	0	0	0	0
Total equity and liabilities	5,135	5,407	6,521	6,920	7,570	8,416

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	506	94	636	280	557	713
Depreciation & amortization	159	190	236	349	399	431
Tax paid	(133)	(88)	(107)	(76)	(151)	(193)
Change in working capital	(104)	9	(102)	(65)	(13)	(12)
Others	428	478	350	119	132	148
Net cash from operations	856	684	1,012	606	924	1,087
Investing						
Capital expenditure	(336)	(370)	(576)	(319)	(318)	(305)
Acquisition of subsidiaries/ investments	(6)	(11)	(10)	0	0	0
Others	(148)	(207)	436	0	0	0
Net cash from investing	(490)	(588)	(150)	(319)	(318)	(305)
Financing						
Dividend paid	(56)	(83)	(66)	196	82	163
Net borrowings	(43)	30	214	0	0	0
Proceeds from share issues	0	13	5	0	0	0
Share repurchases	0	0	(137)	0	0	0
Others	(689)	(441)	(662)	(106)	(114)	(124)
Net cash from financing	(789)	(481)	(646)	89	(32)	39
Net change in cash						
Cash at the beginning of the year	1,844	1,342	1,099	1,327	1,703	2,277
Exchange difference	(79)	141	12	0	0	0
Others	(423)	(384)	216	376	574	821
Cash at the end of the year	1,342	1,099	1,327	1,703	2,277	3,098
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	54.0%	(4.2%)	49.4%	4.1%	17.9%	14.6%
Gross profit	58.3%	(3.2%)	50.2%	4.4%	17.9%	14.6%
Operating profit	160.3%	(56.7%)	191.4%	(49.3%)	76.6%	23.2%
EBITDA	86.5%	(21.2%)	70.6%	(8.1%)	31.9%	16.9%
Net profit	169.7%	(85.1%)	763.2%	(57.6%)	99.2%	28.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	63.2%	63.9%	64.2%	64.4%	64.4%	64.5%
Operating margin	13.3%	6.0%	11.7%	5.7%	8.6%	9.2%
EBITDA margin	25.3%	20.8%	23.8%	21.0%	23.5%	24.0%
Return on equity (ROE)	12.0%	1.8%	14.6%	5.7%	10.1%	11.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.4	0.3	0.4	0.5	0.5	0.6
Current ratio (x)	3.2	2.7	2.0	2.4	2.6	3.0
Receivable turnover days	2.7	2.7	2.7	2.7	2.7	2.7
Inventory turnover days	14.5	23.8	21.3	21.3	21.3	21.3
Payable turnover days	33.1	41.5	33.9	25.0	25.0	25.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	9.7	67.2	7.3	17.5	8.8	6.8
P/E (diluted)	9.7	67.2	7.3	17.5	8.8	6.8
P/B	1.1	1.0	1.0	0.9	0.8	0.7
P/CFPS	3.9	4.8	3.3	5.5	3.6	3.0
Div yield (%)	2.1	0.4	5.9	2.5	4.9	6.3
EV	2,275.1	2,509.6	2,216.8	1,840.5	1,266.3	445.5
EV/Sales	0.5	0.6	0.4	0.3	0.2	0.1
EV/EBITDA	2.2	3.0	1.6	1.4	0.7	0.2

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

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