

Kweichou Moutai (600519 CH)

3Q rev/np +13%/16%; mixed near-term outlook

3Q net profit grew 16.0% YoY to RMB16.9bn. The growth momentum sequentially decelerated from 20.8% in 1H, as revenue of the quarter slowed in tandem to 13.1% from 19.4% in 1H. The 17% 9M revenue growth still largely tracks to consensus estimates; however, an unchanged 15% full year revenue growth guidance could imply 4Q revenue growth to dip further to HSD%, the lowest we note since 3Q20. In fact, the trend looks to go hand-in-hand with distributors' reluctance to restock after the Golden Week Holiday, when consumers have been increasingly trading down, and when sentiment to consume has been languishing. On the contrary, as a positive note, price fluctuations for the flagship Feitian remained in-range and wholesale price (seal case) settled at around RMB2,900 per bottle, about RMB100 lower than what we saw last month. These in aggregate put together a relatively mixed nearterm outlook for Moutai, in our view. That said, in the medium term, we are still hopeful of seeing Moutai's brand premium, product scarcity and efforts in diversification (crossovers with other F&B brands) could shield the company from exposing to any risk of malignant pricing and irrational destocking, especially when the odds of a prolonged demand recovery has become more alarming.

- Sales mix. 3Q/9M sales revenue recorded RMB33.5bn/102.9bn, +13.1%/+18.3% YoY. Moutai spirit sales in 3Q grew +15% YoY/+10% QoQ to RMB27.9bn, when sales contribution was sequentially flattish at 83.5%. Direct channel sales of the quarter inflated +35% YoY/ +9% QoQ to RMB14.8bn, with "iMoutai" platform showing major growth at +37% YoY/+25 QoQ, contributing RMB5.5bn revenue. Meanwhile, wholesale channel's revenue was RMB18.7bn, up + 2% YoY/+10% QoQ
- Cashflows. OCF of the quarter grew +432% YoY to RMB50bn, thanks to a RMB42bn cash received from sales activity. Cash on hand raised to RMB159.3bn with a RMB9.6bn net increase. These were in line with a higher contract liability which went up by RMB4.1bn in the quarter to RMB 11.4 bn.
- Earnings change. We moderately trim our 2023-25E revenue and net profit by-0.9% to -2.9%/ -1.4% to -3.5% to reflect the results.
- Valuation. Our TP is based on an updated 39.0x (from previously 41.0x) end-23E P/E, which still represents long-term average since 2019. Our methodology reflects our relative optimism (vis-a-vis other F&B diversified of which target multiples are based on -1sd below long term average) on Moutai that it could outperform its peers thanks to its brand premium and product scarcity.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E					
Revenue (RMB mn)	109,464	127,554	148,629	170,234	191,336					
YoY growth (%)	11.7	16.5	16.5	14.5	12.4					
Net profit (RMB mn)	52,460.1	62,716.2	73,415.6	84,786.0	95,893.7					
EPS (Reported) (RMB)	41.76	49.93	58.44	67.49	76.34					
YoY growth (%)	12.3	19.6	17.1	15.5	13.1					
Consensus EPS (RMB)	na	na	59.14	69.38	80.58					
P/E (x)	47.2	36.0	28.1	24.4	21.5					
P/B (x)	13.1	11.4	8.6	7.2	6.1					
Yield (%)	1.1	1.2	1.5	1.8	2.0					
ROE (%)	29.9	32.4	33.6	32.2	30.5					
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash					
Source: Company data, Bloomb	Source: Company data, Bloomberg, CMBIGM estimates									

BUY (Maintain)

 Target Price
 RMB2,279.0

 (Previous TP
 RMB2,440.0)

 Up/Downside
 48.4%

 Current Price
 RMB1,643.9

China Consumer Staples

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Stock Data Mkt Cap (RMB mn) 2,065,167.7 Avg 3 mths t/o (RMB mn) 4,032.2 52w High/Low (RMB) 1912.90/1350.00 Total Issued Shares (mn) 1256.2

Shareholding Structure China Kweichow Moutai 54.1% Winery Group HKSC 7.3%

Share Performance

	Absolute	Relative
1-mth	-11.1%	-5.3%
3-mth	-7.2%	1.0%
6-mth	-4.7%	9.4%

Source: FactSet

Source: FactSet

Source: HKEx



Source: FactSet

Related reports:

1. Budweiser APAC (1876 HK) – 3Q preview: flattish rev/EBITDA growth – Oct 19 2023

2. <u>Mengniu Dairy (2319 HK) – 1H core rev/np +3%/10%:a surprising beat</u> – Sep 1,2023

3. Nongfu Spring (9633 HK) – 1H rev/np +23%/25%; a neat beat on tea beverage – Aug 31, 2023

4. <u>CR Beer (291 HK) - 1H rev/EBIT +13%/26%; Heineken grew 60%</u> - Aug 21, 2023

5. Kweichou Moutai (600519 CH) – 20 Rev/NP +20.4/21.0% as pre-announced - Aug 3, 2023



Figure 1: Earnings revisions

New			Old			Diff (%)			
RMB mn	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	148,629	170,234	191,336	150,035	173,305	197,151	-0.9%	-1.8%	-2.9%
Gross Profit	137,492	157,962	177,924	138,903	160,972	183,605	-1.0%	-1.9%	-3.1%
EBIT	101,120	116,303	131,100	102,509	118,933	135,782	-1.4%	-2.2%	-3.4%
Net profit	73,416	84,786	95,894	74,451	86,750	99,392	-1.4%	-2.3%	-3.5%
Gross Margin	92.5%	92.8%	93.0%	92.6%	92.9%	93.1%	-0.1ppt	-0.1ppt	-0.1ppt
EBIT Margin	68.0%	68.3%	68.5%	68.3%	68.6%	68.9%	-0.3ppt	-0.3ppt	-0.4ppt
Net Margin	49.4%	49.8%	50.1%	49.6%	50.1%	50.4%	-0.2ppt	-0.3ppt	-0.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

CMBIGM			Consensus			Diff (%)			
RMB mn	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	148,629	170,234	191,336	149,503	172,891	199,085	-0.6%	-1.5%	-3.9%
Gross Profit	137,492	157,962	177,924	138,141	160,393	185,087	-0.5%	-1.5%	-3.9%
EBIT	101,120	116,303	131,100	104,324	122,000	141,672	-3.1%	-4.7%	-7.5%
Net profit	73,416	84,786	95,894	74,359	87,232	101,185	-1.3%	-2.8%	-5.2%
Gross Margin	92.5%	92.8%	93.0%	92.4%	92.8%	93.0%	0.1ppt	0ppt	0ppt
EBIT Margin	68.0%	68.3%	68.5%	69.8%	70.6%	71.2%	-1.7ppt	-2.2ppt	-2.6ppt
Net Margin	49.4%	49.8%	50.1%	49.7%	50.5%	50.8%	-0.3ppt	-0.6ppt	-0.7ppt

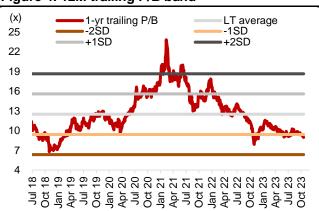
Source: Company data, Bloomberg, CMBIGM estimate

Figure 3: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM

Figure 4: 12M trailing P/B band



Source: Company data, Bloomberg, CMBIGM



Financial Summary

Revenue	INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
Cost of poords and 6,2,655 19,157 10,199 11,137 112,727 117,924 117,925 137,492 117,925 137,492 117,925 137,492 117,924 117,92	YE 31 Dec (RMB mn)						
Gross profit 89,728 100,307 117,355 137,492 117,924 117,924 117,924 117,924 117,924 117,924 117,924 164,623) (64,623) (64,623) (30,941) (30,371) (29,571) (29,151) (33,102) (20,00) 0 <td>Revenue</td> <td>97,993</td> <td>109,464</td> <td>127,554</td> <td>148,629</td> <td>170,234</td> <td>191,336</td>	Revenue	97,993	109,464	127,554	148,629	170,234	191,336
Gross profit 89,728 100,307 117,355 137,492 117,924 117,924 117,924 117,924 117,924 117,924 117,924 164,623) (64,623) (64,623) (30,941) (30,371) (29,571) (29,151) (33,102) (20,00) 0 <td>Cost of goods sold</td> <td>(8,265)</td> <td>(9,157)</td> <td>(10,199)</td> <td>(11,137)</td> <td>(12,272)</td> <td>(13,412)</td>	Cost of goods sold	(8,265)	(9,157)	(10,199)	(11,137)	(12,272)	(13,412)
Selling expense (16,434) (18,042) (21,734) (25,713) (22,451) (33,02) Admin expense (6,840) (8,512) (10,147) (10,659) (22,241) (20,00) 0 0 0 0 Calmoss on financial assets at FVTPL 5 (2) 0 0 0 0 0 EBITDA 67,704 75,217 88,010 102,738 118,225 133,379 Depreciation (1,156) (1,345) (1,444) (1,618) (1,92) (2,279) Other amortisation 1217 (33,378) 88,399 101,120 115,303 131,100 Interest income 279 945 1,475 1,377 1,679 2,027 Interest expense 0 0 0 0 0 0 0 0 Others (24,43) 3 (2) (79,00 (33,330) 0 Others (24,24) 3 (22) (75 (79) (33,330)		89,728	100,307	117,355	137,492	157,962	177,924
Admin ayenne (8,840) (8,512) (9,147) (10,659) (12,208) (13,721) Galnifoss on Infancial assets at FVTPL 5 (2) 0	Operating expenses	(23,275)	(26,554)	(30,941)	(36,372)	(41,659)	(46,823)
Saminacial assets at FVTPL 5 (2) 0 0 0 0 0 0 0 0 0	Selling expense	(16,434)	(18,042)	(21,794)	(25,713)	(29,451)	(33,102)
Debt op pairs (71)			(8,512)				(13,721)
Depreciation	Gain/loss on financial assets at FVTPL	5	(2)	0	0	0	0
Depreciation	Other gains/(losses)	(71)	(13)	(15)	0	0	0
Cher amortisation (121) (135) (168) 0 0 0 EBIT 66,387 73,738 86,399 101,120 116,303 131,00 Interest income 279 945 1,475 1,377 1,679 2,027 Interest expense 0 (14) (12) 0 0 0 Other income/expense (425) (144) (90) (154) (154) (154) Others (44) 3 7(72) (75) (79) (33) Pre-tax profit 66,197 745,28 87,701 102,289 117,749 132,890 Incornel tax (16,647) (74,528 87,701 102,289 117,749 132,890 Meropfit 46,697 52,460 62,716 73,416 84,766 95,894 Core net profit 47,015 52,568 62,783 73,530 84,000 95,000 Gross dividendes 24,226 220,266 62,783 37,353 84,000	EBITDA	67,704	75,217	88,010	102,738	118,235	133,379
Page	Depreciation	(1,196)	(1,345)	(1,444)	(1,618)	(1,932)	(2,279)
Interest income 279	Other amortisation	(121)	(135)	(168)	0	0	0
Interest expense	EBIT	66,387	73,738	86,399	101,120	116,303	131,100
Portigin exchange gain/loss 0 0 0 0 0 0 0 0 0	Interest income	279	945	1,475	1,377	1,679	2,027
Other income/expense (425) (144) (90) (154) (154) (154) Others (44) 3 (72) (75) (75) (79) (33) Pre-tax profit (64,97) 74,528 87,701 102,269 117,749 132,890 Income tax (16,674) (18,808) (22,326) (26,035) (29,976) (33,830) Minority interest (2,826) (3,260) (2,618) (2,818) (2,987) (3,167) Net profit 46,697 52,668 62,716 73,416 84,786 95,894 Core net profit 47,015 52,568 62,783 73,50 84,900 96,008 Gross dividends 24,236 221A 2022A 2028E 2024E 2025E VE 31 Dec (RMB mr) 2000A 2011A 2022A 203E 204E 2025E VE 31 Dec (RMB mr) 2020A 2021A 2023E 2024E 2025E VE 31 Dec (RMB mr) 2020A 2021A 2023E	Interest expense	0	(14)	(12)	0	0	0
Others (44) 3 (72) (75) (79) (83) Pre-tax profit (66,197) 74,528 87,701 102,269 117,749 132,890 Income tax (16,674) (18,808) (22,326) (26,035) (29,976) (3,838) Minority interest (2,826) (3,260) (2,659) (2,818) (2,997) (3,167) Net profit 46,697 52,460 62,716 73,416 84,900 96,008 Gross dividends 24,236 27,228 27,227 31,872 36,808 96,008 Gross dividends 24,236 220,726 216,611 258,512 307,092 361,622 VE 31 Doc (RMB m) 185,652 20,766 216,611 258,512 307,092 361,622 Current assets 184,291 186,878 174,447 212,604 256,684 306,700 Account receivable 1,429 138,878 174,447 212,604 256,684 306,700 Cars As equivalents 2,466	Foreign exchange gain/loss	0	0	0	0	0	0
Pre-tax profit 66,197 74,528 87,701 102,269 117,749 132,890 Income tax (16,674) (18,080) (22,326) (26,035) (29,976) (33,800) Minority Interest (2,826) (3,260) (26,599) (2,818) (2,987) (3,167) Net profit 46,697 52,668 62,716 73,416 84,786 95,894 Core net profit 47,015 52,568 62,783 73,530 84,900 96,008 Gross dividends 24,236 27,228 27,227 31,872 36,808 41,630 YE 31 Dec (RMB mn) 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec (RMB mn) 185,652 20,766 216,611 255,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 255,512 307,092 361,623 Cash & equivalents 24,866 422 1.056 1,230 1,409 1,583 Inventories 28,869 <td>Other income/expense</td> <td>(425)</td> <td>(144)</td> <td>(90)</td> <td>(154)</td> <td>(154)</td> <td>(154)</td>	Other income/expense	(425)	(144)	(90)	(154)	(154)	(154)
Income tax	Others	(44)	3	(72)	(75)	(79)	(83)
Minority interest (2,826) (3,260) (2,659) (2,818) (2,987) (3,167) Net profit 46,697 52,460 62,716 73,416 84,786 95,894 Core net profit 47,015 52,568 62,783 73,530 84,900 96,008 Gross dividends 24,236 27,228 27,227 31,872 36,808 41,630 Each of the control of the c	Pre-tax profit	66,197	74,528	87,701	102,269	117,749	132,890
Net profit	Income tax	(16,674)	(18,808)	(22,326)	(26,035)	(29,976)	(33,830)
Core net profit 47,015 52,568 62,783 73,530 84,900 96,008 Gross dividends 24,236 27,228 27,227 31,872 36,808 41,630 BALANCE SHEET 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec (RMB mn) Urrent assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 2,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intagibles 4,817<	Minority interest	(2,826)	(3,260)	(2,659)	(2,818)	(2,987)	(3,167)
BALANCE SHEET 2020A 2021A 2022A 2023E 2024E 2025E Y8 31 Dec (RMB mn) Current assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,441 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other current lassets 4,847 6,208 7,083 8,114 9,145 10,176 Other current lassets 4	Net profit	46,697	52,460	62,716	73,416	84,786	95,894
BALANCE SHEET 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec (RMB mn) Current assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other ourrent assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396	Core net profit	47,015	52,568	62,783	73,530	84,900	96,008
BALANCE SHEET 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec (RMB mn) Current assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 Pp&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other ourrent assets 4,254 8,400 8,719 8,719 8,719 8,719 Total sasets 213,396	Gross dividends	24,236	27,228	27,227	31,872	36,808	41,630
VE 31 Dec (RMB mn) Current assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 360,703 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,44 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings							
Current assets 185,652 220,766 216,611 258,512 307,092 361,623 Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 0<	BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
Cash & equivalents 154,291 186,878 174,447 212,604 256,684 306,700 Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Current liabilities 45,674 57,914 49,066 52,200 55,966 59,809 Current liabilities 29,822 34,510 34,103 37,238 41,034 44,846 Other current liabilities 15,852 23,404 </td <td>YE 31 Dec (RMB mn)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	YE 31 Dec (RMB mn)						
Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,993 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 <td>Current assets</td> <td>185,652</td> <td>220,766</td> <td>216,611</td> <td>258,512</td> <td>307,092</td> <td>361,623</td>	Current assets	185,652	220,766	216,611	258,512	307,092	361,623
Account receivables 2,466 422 1,056 1,230 1,409 1,583 Inventories 28,869 33,394 38,824 42,993 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 0 0 0 0 0 0 0 0 0 0 0 0	Cash & equivalents	154,291	186,878	174,447	212,604	256,684	306,700
Inventories 28,869 33,394 38,824 42,393 46,714 51,055 Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 <	•	2,466	422	1,056	1,230	1,409	1,583
Other current assets 27 72 2,284 2,284 2,284 2,284 Non-current assets 27,744 34,403 37,753 43,349 49,530 56,242 PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Other non-current assets 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 <td>Inventories</td> <td>28,869</td> <td>33,394</td> <td>38,824</td> <td></td> <td>46,714</td> <td>51,055</td>	Inventories	28,869	33,394	38,824		46,714	51,055
PP&E 18,673 19,794 21,951 26,516 31,666 37,347 Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0	Other current assets	27	72	2,284		2,284	
Intangibles 4,817 6,208 7,083 8,114 9,145 10,176 Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 0 0 0 0 0 0 0 Account payables 29,822 34,510 34,103 37,238 41,034 44,846 0	Non-current assets	27,744	34,403	37,753	43,349	49,530	56,242
Other non-current assets 4,254 8,400 8,719 8,719 8,719 8,719 Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 0 0 0 0 0 0 Account payables 29,822 34,510 34,103 37,238 41,034 44,846 Other current liabilities 15,852 23,404 14,963 <td>PP&E</td> <td>18,673</td> <td>19,794</td> <td>21,951</td> <td>26,516</td> <td>31,666</td> <td>37,347</td>	PP&E	18,673	19,794	21,951	26,516	31,666	37,347
Total assets 213,396 255,168 254,365 301,861 356,622 417,865 Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0	Intangibles	4,817	6,208	7,083	8,114	9,145	10,176
Current liabilities 45,674 57,914 49,066 52,200 55,996 59,809 Short-term borrowings 0 <t< td=""><td>Other non-current assets</td><td>4,254</td><td>8,400</td><td>8,719</td><td>8,719</td><td>8,719</td><td>8,719</td></t<>	Other non-current assets	4,254	8,400	8,719	8,719	8,719	8,719
Short-term borrowings 0	Total assets	213,396	255,168	254,365	301,861	356,622	417,865
Short-term borrowings 0	Current liabilities	45.674	57.914	49.066	52,200	55.996	59.809
Account payables 29,822 34,510 34,103 37,238 41,034 44,846 Other current liabilities 15,852 23,404 14,963 34 334 334 334 334 34 34 34 34 34 34 34 54 34 34 34 34 <td< td=""><td></td><td>=</td><td></td><td>-</td><td>-</td><td></td><td>· ·</td></td<>		=		-	-		· ·
Other current liabilities 15,852 23,404 14,963 13,46 334 334 334 334 334 334 334 34	_						
Non-current liabilities 1 296 334 334 334 334 Long-term borrowings 1 296 334 334 334 334 Total liabilities 45,675 58,211 49,400 52,535 56,331 60,143 Share capital 1,256 1,2							
Long-term borrowings 1 296 334 334 334 334 Total liabilities 45,675 58,211 49,400 52,535 56,331 60,143 Share capital 1,256 1,256 1,256 1,256 1,256 1,256 Retained earnings 157,769 185,860 193,825 235,368 283,346 337,609 Other reserves 2,297 2,423 2,426 2,426 2,426 2,426 Total shareholders equity 161,323 189,539 197,507 239,050 287,028 341,291 Minority interest 6,398 7,418 7,458 10,276 13,264 16,430		1					
Total liabilities 45,675 58,211 49,400 52,535 56,331 60,143 Share capital 1,256		1					
Share capital 1,256 283,346 337,609 283,609 2,426 <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	5						
Retained earnings 157,769 185,860 193,825 235,368 283,346 337,609 Other reserves 2,297 2,423 2,426 2,426 2,426 2,426 2,426 Total shareholders equity 161,323 189,539 197,507 239,050 287,028 341,291 Minority interest 6,398 7,418 7,458 10,276 13,264 16,430		,		-,	,	,	,
Other reserves 2,297 2,423 2,426	Share capital	1,256	1,256	1,256	1,256	1,256	1,256
Total shareholders equity 161,323 189,539 197,507 239,050 287,028 341,291 Minority interest 6,398 7,418 7,458 10,276 13,264 16,430	Retained earnings	157,769	185,860	193,825	235,368	283,346	337,609
Minority interest 6,398 7,418 7,458 10,276 13,264 16,430		2,297	2,423	2,426	2,426	2,426	2,426
·	Total shareholders equity	161,323	189,539	197,507	239,050	287,028	341,291
Total equity and liabilities 213,396 255,168 254,365 301,861 356,622 417,865	Minority interest	6,398	7,418	7,458	10,276	13,264	16,430
	Total equity and liabilities	213,396	255,168	254,365	301,861	356,622	417,865



CASH FLOW 10			~~~			A Wholly Owned S	utsidiary Of Chiza Merchanis Fun
Operating Profit before saxation 66,197 74,528 87,701 102,269 117,749 132,802 Days 22,279 103,202 22,799 103,202 22,799 103,202 22,793 23,333,303 22,793 23,333,303 22,793 (20,333,303) (20,301) (20,301) (21,102) (20,201) (20,301) (21,102) (21,102) (20,102) (21,102	CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
Pofit before taxation	YE 31 Dec (RMB mn)						
Depreciation & amontization	Operating						
Tax paired (16,674) (18,808) (22,326) (20,505) (29,976) (33,380) Chapage in working capital 857 7,880 (28,127) (608) (704) (702) Ches (23) (1,132) (1,143) 0 0 0 Ches promoture (2090) 34,093 (5,077) (6,183) (7,082) (7,080) Capital soxpenditure (2,090) (2,150) (201) (0 0 0 0 Capital soxpenditures (2,090) (2,150) (201) (1,013) (7,000) 0	Profit before taxation	66,197	74,528	87,701	102,269	117,749	•
Change in working capital 857 7,860 (29,127) (608) (704) (702) Others (29) (1,033) (1,163) 0 0 0 Net cash from operations 51,669 64,029 36,699 77,244 89,001 100,637 Investing Use and capital sport divined in substiances (investments) 0 2 0 0 0 0 Acquisition of substiances (investments) 0 2 0 0 0 0 0 0 Acquisition of substiances (investments) (20) (21,50) (210) 0	Depreciation & amortization						
Ohers (29) (1,032) (1,163) 0 0 0 Net cash from operations 51,669 64,029 36,699 77,244 89,001 100,873 Investing Capital expenditures (2,000) (3,400) (5,307) (6,183) (7,082) (7,960) Acquisition of subsidiaries investments (20) (2,150) (210) 0 0 0 Ohers (304) (6) (21) (1,031) (1,031) (1,031) Ohers (304) (6) (21) (1,031) (1,031) (1,031) Financing (1,805) (5,562) (5,537) (7,214) (8,113) (8,991) Financing (1,805) (5,562) (5,537) (7,214) (8,103) (8,991) Financing (1,806) (2,7,228) (5,537) (7,214) (8,103) (8,103) Share repurchases 0 0 2,7,227 (3,100) (3,1,872) (36,808) (41,830) Share repurchases <td>Tax paid</td> <td>, , ,</td> <td></td> <td></td> <td></td> <td>, , ,</td> <td></td>	Tax paid	, , ,				, , ,	
Not cash from operations					, ,	, ,	, ,
Page		` '	,	,			-
Capital expenditure (2,090) (3,409) (5,307) (6,183) (7,082) (7,080) Acquisition of subsidiaries/investments 0 2,150 0 0 0 0 Net process from disposal of short-term (20) (2,150) (21) (1,031) (1,031) (1,031) Others 304 (6) (21) (1,031) (1,031) (1,031) Net cash from investing 304 (6) (21) (1,031) (1,031) (1,031) Pilancing 5 304 (6) (27,227) (31,872) (36,808) (41,630) Share repurchases 0 <	Net cash from operations	51,669	64,029	36,699	77,244	89,001	100,637
Capital expenditure (2,090) (3,409) (5,307) (6,183) (7,082) (7,080) Acquisition of subsidiaries/investments 0 2,150 0 0 0 0 Net process from disposal of short-term (20) (2,150) (21) (1,031) (1,031) (1,031) Others 304 (6) (21) (1,031) (1,031) (1,031) Net cash from investing 304 (6) (21) (1,031) (1,031) (1,031) Pilancing 5 304 (6) (27,227) (31,872) (36,808) (41,630) Share repurchases 0 <	Investing						
Acquisition of subcidiaries/investments 0 2 0 0 0 0 Net proceeds from disposal of short-lerm investments (20) (2,150) (210) 0 0 0 0 Others 304 (6) (21) (1,031) (1,1031) (1,1031) (1,1031) (1,1031) (1,103	_	(2 090)	(3 409)	(5.307)	(6 183)	(7.082)	(7.960)
Net proceeds from disposal of short-term investments	• •				, , ,		
Investments 1,20							
Net cash from investing (1,805) (5,562) (5,537) (7,214) (8,113) (8,991)		(20)	(2,150)	(210)	U	U	Ü
Part	Others			(21)	(1,031)	(1,031)	, ,
Dividend paid (24,236) (27,228) (27,27) (31,872) (36,808) (41,630) (41,6	Net cash from investing	(1,805)	(5,562)	(5,537)	(7,214)	(8,113)	(8,991)
Dividend paid (24,236) (27,228) (27,27) (31,872) (36,808) (41,630) (41,6	Financing						
Share repurchases 0 0 0 0 0 0 0 Others 108 664 (30,14) 0 0 0 Net cash from financing (24,128) (26,564) (57,425) (31,872) (36,808) (41,630) Net change in cash 2 3 1 152,379 190,536 234,616 234,616 234,616 234,616 234,616 234,616 234,616 284,616 <td>_</td> <td>(24.236)</td> <td>(27.228)</td> <td>(27.227)</td> <td>(31.872)</td> <td>(36.808)</td> <td>(41.630)</td>	_	(24.236)	(27.228)	(27.227)	(31.872)	(36.808)	(41.630)
Others 108 664 (30,197) 0 0 0 Net cash from financing (24,128) (26,564) (57,425) (31,872) (36,808) (34,600) Net change in cash Cash at the beginning of the year 121,004 146,741 178,641 152,379 190,536 234,616 Exchange difference 0 (2) 1 0 0 0 0 Others 146,741 178,641 152,379 190,536 234,616 284,631 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 Cash at the end of the year 10.08 11.78 16.5% 134,616 284,631 Cash at the end of the year 10.38 11.1.78 16.5% 16.5% 14.5%	•						
Net change in cash Cash at the beginning of the year 121,004 146,741 178,641 152,379 190,536 234,616 Exchange difference 0 (2) 1 0 0 0 Chiters 25,737 31,900 (26,262) 38,167 44,080 50,015 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 8 8 8 16,5% 14,5% 12,4% Gross profit 10,3% 11,7% 16,5% 14,5% 12,4% EBIT DA 12,3% 11,1% 17,0% 15,1% 12,6% EBIT DA 12,3% 11,1% 17,2% 17,0% 15,5% 12,7% Net profit 13,3% 12,3% 19,6% 17,1% 15,5% 13,1% PROFIT ABILITY 2020A 2021A 2022A 2023E	•	108	664	(30,197)	0		0
Cash at the beginning of the year 121,004 146,741 178,641 152,379 190,536 234,616 Exchange difference 0 (2) 1 0 0 0 Chers 25,737 31,900 (26,262) 38,157 44,080 50,015 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Doc 8 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 16.5% 14.5% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.0% 12.7% Net profit 13.3% 12.3% 11.1% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 92.0% 92.5% 92.8% 93.0% PROFITABILITY 2020A 2021A 2022A 2023E </td <td>Net cash from financing</td> <td>(24,128)</td> <td>(26,564)</td> <td>(57,425)</td> <td>(31,872)</td> <td>(36,808)</td> <td>(41,630)</td>	Net cash from financing	(24,128)	(26,564)	(57,425)	(31,872)	(36,808)	(41,630)
Cash at the beginning of the year 121,004 146,741 178,641 152,379 190,536 234,616 Exchange difference 0 (2) 1 0 0 0 Chers 25,737 31,900 (26,262) 38,157 44,080 50,015 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Doc 8 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 16.5% 14.5% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.0% 12.7% Net profit 13.3% 12.3% 11.1% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 92.0% 92.5% 92.8% 93.0% PROFITABILITY 2020A 2021A 2022A 2023E </td <td>Net change in cash</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Net change in cash						
Exchange difference 0 (2) 1 0 0 0 Others 25,737 31,900 (26,262) 38,157 44,080 50,015 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 CROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE31 Dec T 11.7% 16.5% 14.5% 12.4% 12.6% Cross profit 10.4% 11.1% 17.0% 16.5% 14.5% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.6% EBITDA 12.3% 11.1% 17.2% 17.0% 15.1% 12.7% EBITDA 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.2% 2022A 2023E 2024E 2025E YE31 Dec 91.6% 91.6% 92.0% 92.5% 92.8% 93.0%	_	121.004	146.741	178.641	152.379	190.536	234.616
Others 25,737 31,900 (26,262) 38,157 44,080 50,015 Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Revenue 10.3% 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 16.7% 14.9% 12.6% EBITDA 12.4% 11.1% 17.0% 16.7% 15.1% 12.6% EBIT DA 12.5% 11.1% 17.0% 16.7% 15.1% 12.6% EBIT DA 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFIT ABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 31.4% 29.9% 32.4% 33.6%							
Cash at the end of the year 146,741 178,641 152,379 190,536 234,616 284,631 GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Fevenue 11.7% 16.5% 14.5% 14.4% Gross profit 10.4% 11.8% 17.0% 16.7% 14.9% 12.4% EBIT DA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT offit 13.3% 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT offit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 91.6% 91.6% 92.0% 92.5% 92.8% 93.0% CBITDA margin 91.6% 89.7% 69.0% 69.1% 69.5% 69.7% GEARING/LIQUIDITY/ACTIVITIES 2020A 2021A 2022A 2023	_			(26.262)	38.157		50.015
GROWTH 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Revenue 10.3% 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 17.2% 14.9% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Gross profit margin 91.6% 91.6% 92.0% 92.5% 92.8% 93.0% BEITDA margin 69.1% 68.7% 69.0% 69.1% 69.5% 69.7% Gross profit margin 91.6% 92.0% 92.5% 92.8% 93.0% GRINIG/LIQUIDITY/ACTIVITIES 20							
YE 31 Dec Revenue 10.3% 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 17.2% 14.9% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 91.6% 91.6% 92.0% 92.5% 92.8% 93.0% BEITDA margin 91.6% 91.6% 90.0% 92.5% 92.8% 93.0% Return on equity (ROE) 31.4% 29.9% 32.4% 33.6% 32.2% 30.5% GEARING/LIQUIDITY/ACTIVITIES 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Current ratio (x) 4.1 3.8	GROWTH	2020A	2021A	2022A	2023F	2024F	2025F
Revenue 10.3% 11.7% 16.5% 16.5% 14.5% 12.4% Gross profit 10.4% 11.8% 17.0% 17.2% 14.9% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT 12.5% 11.1% 17.2% 17.0% 15.0% 12.8% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 7 69.1% 69.1% 69.1% 69.5% 69.7% 6		_0_0,		,	_0_0_		_0_0_
Gross profit 10.4% 11.8% 17.0% 17.2% 14.9% 12.6% EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Gross profit margin 91.6% 91.6% 92.0% 92.5% 92.8% 93.0% EBITDA margin 69.1% 68.7% 69.0% 69.1% 69.5% 69.7% Return on equity (ROE) 31.4% 29.9% 32.4% 33.6% 32.2% 30.5% GRARING/LIQUIDITY/ACTIVITIES 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec VE 31 Dec 1,274.9 1,331.0 1,389.4 1,389.4 1,389.4 1,389.4		10.3%	11 7%	16 5%	16 5%	1/1 5%	12 /1%
EBITDA 12.3% 11.1% 17.0% 16.7% 15.1% 12.8% EBIT 12.5% 11.1% 17.2% 17.0% 15.0% 12.7% Net profit 13.3% 12.3% 19.6% 17.1% 15.5% 13.1% PROFITABILITY 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec 31.6% 91.6% 91.6% 92.0% 92.5% 92.8% 93.0% Return on equity (ROE) 31.4% 29.9% 32.4% 33.6% 32.2% 30.5% GEARING/LIQUIDITY/ACTIVITIES 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec Current ratio (x) 4.1 3.8 4.4 5.0 5.5 6.0 Receivable turnover days 9.2 1.4 3.0 3.0 3.0 3.0 Inventory turnover days 1.274.9 1.331.0 1,389.4 1,389.4 1,389.4 1,389.4 1,389.4 1,220.4 1,220.4 1,220.4 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
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Payable turnover days 1,317.0 1,375.5 1,220.4 1,220.4 1,220.4 1,220.4 2024E 2025E VALUATION 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec P/E 39.6 47.2 36.0 28.1 24.4 21.5 P/E (diluted) 39.6 47.2 36.0 28.1 24.4 21.5 P/B 11.5 13.1 11.4 8.6 7.2 6.1	Receivable turnover days	9.2	1.4	3.0	3.0	3.0	3.0
VALUATION 2020A 2021A 2022A 2023E 2024E 2025E YE 31 Dec P/E 39.6 47.2 36.0 28.1 24.4 21.5 P/E (diluted) 39.6 47.2 36.0 28.1 24.4 21.5 P/B 11.5 13.1 11.4 8.6 7.2 6.1	, , , , , , , , , , , , , , , , , , ,						
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YE 31 Dec P/E 39.6 47.2 36.0 28.1 24.4 21.5 P/E (diluted) 39.6 47.2 36.0 28.1 24.4 21.5 P/B 11.5 13.1 11.4 8.6 7.2 6.1	VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
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P/E (diluted) 39.6 47.2 36.0 28.1 24.4 21.5 P/B 11.5 13.1 11.4 8.6 7.2 6.1		39.6	47.2	36.0	28.1	24.4	21.5
P/B 11.5 13.1 11.4 8.6 7.2 6.1							

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



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