

# Jiumaojiu (9922 HK)

## Still hindered by industry down-cycle

**Maintain BUY but cut TP to HK\$ 19.67**, based on lowered 40x FY22E P/E. We are conservative about the sector given tough COVID-19 and macro environment but still maintain BUY because of its relatively cheap valuation. It is trading at 33x FY22E P/E (industry average at 25x) vs 51% FY19-23E NP CAGR. We may watch out for potential government stimulus, which can boost sentiment meaningfully.

- **4Q21E was even tougher than 3Q21.** Management stated that Tai Er sales recovery rate (vs 2019) were only 93%/ 82%/ 82% in Oct/ Nov/ Dec 2021, even worse than 90% in 3Q21. We believe the industry demand was also suppressed, as the dine-in seat turnover was only 3.5-4.0, due to weak shopping mall foot traffic. Its delivery sales mix stayed only at ~13% of sales and did not pick up (like before) when COVID-19 cases reemerged in 4Q21E.
- **Fair performance vs peers.** Based on our estimates, recovery rate for Tai Er and JMJ's in Dec 2021 was worse than fast food (82%/ 84% for KFC/ Pizza Hut) but better than hot pot (77%/ 70%/ 85% for HDL/ XBXB/ Cou Cou). Because Tai Er's sales per store was still among the top 1/ 3 restaurants in ~60%/ ~90% of all the shopping malls, this is actually pointing to an industry-wide decrease in consumption power.
- **Stay cautious about 1Q22E and a potential turnaround in 2H22E.** COVID-19 cases was climbing since Sep 2021 with no signs of having peaked out. Since Shenzhen, Shanghai and Beijing are also hit, we are very bearish about Jan-Feb 2021 (recovery rate at 80%+ only). Our base case is still a gradual improvement in FY22E (recovery rate at ~95%, moderate ASP hike and seat turnover increase), but due to greater than expected operating deleverage, we lowered GP/ OP margin assumptions.
- **Expecting 150/ 10 new store openings for Tai Er/ Song in FY22E.** Tai Er opened 117 net stores in FY21E, in-line with previous target of 120. Although some openings were delayed, it is not a negative because we think the key of expansion is not speed but better rental terms. We believe Tai Er/ Song will open 150/ 10 stores in FY22E, mostly in Tier 2 or below/ Tier 1 cities.
- **JMJ to stabilize and Song to expand with quality.** We are satisfied by the resilient sales recovery rate for JMJ in 4Q21 (89%/ 82%/ 80% in Oct/ Nov/ Dec) thanks to improved product and service quality and it is marginally profitable. After 6 months of fine-tuning, Song hot pot has ramped up successfully with improved scores on dianping.com and more queuing.
- **Maintain BUY and cut TP to HK\$ 19.67.** We revised down FY21E/ 22E/ 23E EPS estimates by 19%/ 19%/ 10% to factor in: 1) COVID-19 outbreak in 2H21E and 2) greater operating deleverage. We maintain BUY but cut TP to HK\$ 19.67, based on 40x FY22E P/E (from 50x due to sector de-rating).

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,687	2,715	4,066	5,790	7,761
YoY growth (%)	42.0	1.0	49.8	42.4	34.0
Net income (RMB mn)	164	124	364	593	860
EPS (RMB)	0.119	0.090	0.250	0.408	0.592
YoY growth (%)	136.1	(24.5)	178.9	63.2	45.0
Consensus EPS (RMB)	n/a	n/a	0.311	0.500	0.729
P/E (x)	120.8	150.8	53.3	32.7	22.5
P/B (x)	116.4	6.1	5.6	4.7	3.8
Yield (%)	0.0	0.1	0.4	0.6	0.9
ROE (%)	34.2	96.3	4.1	10.5	14.4
Net gearing (%)	187.9	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price	HK\$19.67
(Previous TP)	HK\$30.47)
Up/Downside	+22.5%
Current Price	HK\$16.06

### China Catering Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	23,342
Avg 3 mths t/o (HK\$ mn)	147.14
52w High/Low (HK\$)	38.67/12.62
Total Issued Shares (mn)	1,453.4

Source: Bloomberg

#### Shareholding Structure

Mr. Guan Yi Hong	40.66%
Shanghai Ling Yu	4.47%
MT BVI	5.25%
MX BVI	4.31%
Free Float	45.31%

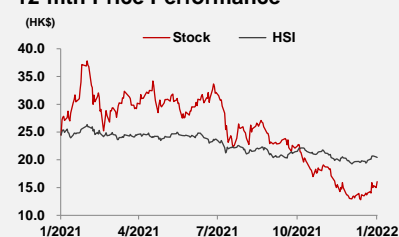
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	14.9%	10.0%
3-mth	-32.1%	-29.0%
6-mth	-53.3%	-46.0%
12-mth	-37.0%	-25.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: KPMG

#### Related Reports

1. Jiumaojiu (9922 HK, BUY) – Slightly more cautious after a bumpy Jul-Aug – 26 Aug 2021
2. Jiumaojiu (9922 HK, BUY) – Profit inline despite drags from mini outbreak – 29 Jul 2021
3. Jiumaojiu (9922 HK, BUY) – Gradual recovery with margin enhancements – 25 Mar 2021

## Results Summary

Figure 1: Results review – Half Year

Half yearly / Full yearly (RMB mn)	1H20	2H20	1H21	2H21E	1H21E YoY	2H21E YoY
Revenue	950	1,765	2,021	2,044	113%	16%
COGS	(372)	(674)	(751)	(775)		
Gross profit	577	1,092	1,270	1,270	120%	16%
<b>GP margins</b>	<b>60.8%</b>	<b>61.8%</b>	<b>62.8%</b>	<b>62.1%</b>		
Other income & gains	27	57	30	36		
Staff costs	(327)	(421)	(506)	(477)	55%	13%
<b>Staff costs / sales</b>	<b>-34.5%</b>	<b>-23.8%</b>	<b>-25.1%</b>	<b>-23.3%</b>		
Dep. of right-of-use assets expenses	(114)	(129)	(161)	(144)	41%	12%
<b>Dep. of ROU assets exp / sales</b>	<b>-12.1%</b>	<b>-7.3%</b>	<b>-8.0%</b>	<b>-7.0%</b>		
Other rentals expenses	(14)	(36)	(50)	(42)	261%	17%
<b>Other rentals exp / sales</b>	<b>-1.5%</b>	<b>-2.0%</b>	<b>-2.5%</b>	<b>-2.0%</b>		
D & A of other assets	(51)	(59)	(71)	(97)	38%	64%
<b>D &amp; A of other assets exp / sales</b>	<b>-5.4%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-4.8%</b>		
Utilities expenses	(38)	(57)	(65)	(71)	71%	24%
<b>Utilities exp / sales</b>	<b>-4.0%</b>	<b>-3.2%</b>	<b>-3.2%</b>	<b>-3.5%</b>		
Travelling & related expenses	(6)	(11)	(10)	(10)	65%	-3%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.5%</b>		
A & P expenses	(11)	(10)	(17)	(16)	53%	51%
<b>A &amp; P exp / sales</b>	<b>-1.2%</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>-0.8%</b>		
Delivery service fees	(25)	(21)	(38)	(16)	55%	-24%
<b>Delivery service fees / sales</b>	<b>-2.6%</b>	<b>-1.2%</b>	<b>-1.9%</b>	<b>-0.8%</b>		
Other opex	-74	-106	-70	-101	-6%	-4%
<b>Other opex / sales</b>	<b>-7.8%</b>	<b>-6.0%</b>	<b>-3.4%</b>	<b>-4.9%</b>		
Operating profit (EBIT)	-56	300	312	332	-659%	11%
<b>OP margins</b>	<b>-5.9%</b>	<b>17.0%</b>	<b>15.4%</b>	<b>16.2%</b>		
Other items	(39)	48	0	(8)		
Net finance income	(26)	(41)	(37)	(34)		
<b>Net finance income / sales</b>	<b>-2.7%</b>	<b>-2.3%</b>	<b>-1.8%</b>	<b>-1.7%</b>		
Profit after financing costs	-121	306	275	289		
Associated coms	(8)	(1)	1	(5)		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-129	305	277	284	-315%	-7%
Tax	40	(79)	(72)	(75)		
<b>Tax / sales</b>	<b>4.2%</b>	<b>-4.5%</b>	<b>-3.5%</b>	<b>-3.7%</b>		
<b>Effective tax rate</b>	<b>-31.2%</b>	<b>-25.8%</b>	<b>-25.9%</b>	<b>-26.5%</b>		
Minority interests	(3)	17	19	31		
<b>Net profit att.</b>	<b>(86)</b>	<b>210</b>	<b>186</b>	<b>177</b>	<b>-317%</b>	<b>-15%</b>
<b>NP margins</b>	<b>-9.0%</b>	<b>11.9%</b>	<b>9.2%</b>	<b>8.7%</b>		

Source: Bloomberg, Company data, CMBIS estimates

Figure 2: Results preview – Full Year

Half yearly / Full yearly (RMB mn)	FY20	FY21E	FY22E	FY21E YoY	FY22E YoY
Revenue	2,715	4,066	5,790	50%	42%
COGS	(1,046)	(1,526)	(2,197)		
Gross profit	1,669	2,540	3,593	52%	41%
<b>GP margins</b>	<b>61.5%</b>	<b>62.5%</b>	<b>62.1%</b>		
Other income & gains	84	66	80		
Staff costs	(748)	(983)	(1,309)	31%	33%
<b>Staff costs / sales</b>	<b>-27.5%</b>	<b>-24.2%</b>	<b>-22.6%</b>		
Dep. of right-of-use assets expenses	(243)	(305)	(412)	26%	35%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.0%</b>	<b>-7.5%</b>	<b>-7.1%</b>		
Other rentals expenses	(50)	(92)	(134)	85%	45%
<b>Other rentals exp / sales</b>	<b>-1.8%</b>	<b>-2.3%</b>	<b>-2.3%</b>		
D & A of other assets	(111)	(168)	(212)	52%	26%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.1%</b>	<b>-4.1%</b>	<b>-3.7%</b>		
Utilities expenses	(95)	(135)	(179)	43%	32%
<b>Utilities exp / sales</b>	<b>-3.5%</b>	<b>-3.3%</b>	<b>-3.1%</b>		
Travelling & related expenses	(17)	(20)	(35)	22%	71%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.6%</b>		
A & P expenses	(21)	(33)	(46)	52%	42%
<b>A &amp; P exp / sales</b>	<b>-0.8%</b>	<b>-0.8%</b>	<b>-0.8%</b>		
Delivery service fees	(45)	(54)	(79)	19%	46%
<b>Delivery service fees / sales</b>	<b>-1.7%</b>	<b>-1.3%</b>	<b>-1.4%</b>		
Other opex	-180	-171	-226	-5%	32%
<b>Other opex / sales</b>	<b>-6.6%</b>	<b>-4.2%</b>	<b>-3.9%</b>		
Operating profit (EBIT)	244	644	1,042	164%	62%
<b>OP margins</b>	<b>9.0%</b>	<b>15.8%</b>	<b>18.0%</b>		
Other items	8	(8)	(12)		
Net finance income	(67)	(71)	(80)		
<b>Net finance income / sales</b>	<b>-2.5%</b>	<b>-1.7%</b>	<b>-1.4%</b>		
Profit after financing costs	185	565	950		
Associated coms	(8)	(4)	(6)		
Jointly controlled coms	0	0	0		
Pre-tax profit	177	561	944	218%	68%
Tax	(39)	(147)	(247)		
<b>Tax / sales</b>	<b>-1.4%</b>	<b>-3.6%</b>	<b>-4.3%</b>		
<b>Effective tax rate</b>	<b>-21.9%</b>	<b>-26.2%</b>	<b>-26.2%</b>		
Minority interests	14	50	104		
<b>Net profit att.</b>	<b>124</b>	<b>364</b>	<b>593</b>	<b>193%</b>	<b>63%</b>
<b>NP margins</b>	<b>4.6%</b>	<b>8.9%</b>	<b>10.2%</b>		

Source: Bloomberg, Company data, CMBIS estimates

## Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,066	5,790	7,761	4,540	6,544	8,706	-10.5%	-11.5%	-10.8%
Gross profit	2,540	3,593	4,853	2,872	4,133	5,531	-11.6%	-13.1%	-12.3%
EBIT	644	1,042	1,505	800	1,306	1,706	-19.6%	-20.2%	-11.8%
Net profit att.	364	593	860	449	735	953	-19.0%	-19.3%	-9.7%
Diluted EPS (RMB)	0.250	0.408	0.592	0.309	0.506	0.655	-19.0%	-19.3%	-9.7%
Gross margin	62.5%	62.1%	62.5%	63.3%	63.2%	63.5%	-0.8ppt	-1.1ppt	-1ppt
EBIT margin	15.8%	18.0%	19.4%	17.6%	20.0%	19.6%	-1.8ppt	-2ppt	-0.2ppt
Net profit att. margin	8.9%	10.2%	11.1%	9.9%	11.2%	10.9%	-0.9ppt	-1ppt	0.1ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,066	5,790	7,761	4,751	6,927	9,579	-14.4%	-16.4%	-19.0%
Gross profit	2,540	3,593	4,853	3,025	4,407	6,089	-16.0%	-18.5%	-20.3%
EBIT	644	1,042	1,505	703	1,143	1,672	-8.4%	-8.9%	-10.0%
Net profit att.	364	593	860	425	700	1,033	-14.4%	-15.2%	-16.8%
Diluted EPS (RMB)	0.250	0.408	0.592	0.311	0.500	0.729	-19.5%	-18.3%	-18.8%
Gross margin	62.5%	62.1%	62.5%	63.7%	63.6%	63.6%	-1.2ppt	-1.6ppt	-1ppt
EBIT margin	15.8%	18.0%	19.4%	14.8%	16.5%	17.4%	1ppt	1.5ppt	1.9ppt
Net profit att. margin	8.9%	10.2%	11.1%	8.9%	10.1%	10.8%	0ppt	0.1ppt	0.3ppt

Source: Company data, CMBIS estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by brand (RMB mn)</b>						
Jiu Mao Jiu	1,334	1,372	716	641	715	895
Tai Er	540	1,277	1,962	3,372	5,005	6,774
Other brands	19	39	38	53	71	92
<b>Total</b>	<b>1,893</b>	<b>2,687</b>	<b>2,715</b>	<b>4,066</b>	<b>5,790</b>	<b>7,761</b>
<b>Sales growth by brand (%)</b>						
Jiu Mao Jiu	10.8%	2.8%	-47.8%	-10.4%	11.5%	25.3%
Tai Er	121.4%	136.4%	53.6%	71.9%	48.4%	35.4%
Other brands	-14.1%	107.9%	-2.7%	40.0%	35.0%	30.0%
<b>Total</b>	<b>28.8%</b>	<b>42.0%</b>	<b>1.0%</b>	<b>49.8%</b>	<b>42.4%</b>	<b>34.0%</b>
<b>Sales by segment growth (%)</b>						
Restaurant operations	24.9%	44.6%	-9.3%	55.8%	43.0%	34.2%
Delivery business	80.3%	13.1%	121.6%	23.1%	39.8%	33.9%
Sales of specialties	-44.5%	278.9%	-14.6%	200.0%	30.0%	20.0%
Others	40.5%	102.0%	-15.8%	5.0%	20.0%	15.0%
<b>Sales by region growth (%)</b>						
Tier 1 cities	31.3%	26.4%	-5.5%	41.6%	34.1%	27.5%
New tier 1 cities	37.4%	113.3%	27.1%	66.7%	59.5%	28.7%
Tier 2 cities	26.5%	101.4%	28.7%	75.1%	55.3%	54.3%
Tier 3 cities and below	20.5%	18.0%	-24.6%	13.9%	15.8%	34.1%
<b>GP margins by segment (%)</b>						
Jiu Mao Jiu		67.5%	67.0%	65.0%	59.0%	59.0%
Tai Er		59.0%	59.5%	62.0%	62.5%	63.0%
Other brands		58.0%	60.0%	62.0%	62.0%	62.0%
<b>Total</b>	<b>64.5%</b>	<b>63.3%</b>	<b>61.5%</b>	<b>62.5%</b>	<b>62.1%</b>	<b>62.5%</b>
<b>Opex breakdown (%)</b>						
Staff costs	-27.7%	-25.9%	-27.5%	-24.2%	-22.6%	-22.3%
Depreciation of right-of-use assets	-8.2%	-8.1%	-9.0%	-7.5%	-7.1%	-7.0%
Other rentals & related expenses	-1.5%	-1.6%	-1.8%	-2.3%	-2.3%	-2.3%
D & A of other assets	-4.3%	-3.6%	-4.1%	-4.1%	-3.7%	-3.3%
Utilities expenses	-5.0%	-4.0%	-3.5%	-3.3%	-3.1%	-3.0%
Others	-9.4%	-8.2%	-9.7%	-6.8%	-6.7%	-6.6%
<b>EBIT margins (%)</b>	<b>8.6%</b>	<b>12.2%</b>	<b>9.0%</b>	<b>15.8%</b>	<b>18.0%</b>	<b>19.4%</b>
Effective tax rate	28.7%	28.5%	20.9%	26.0%	26.0%	26.0%
<b>NP att. margins (%)</b>	<b>3.7%</b>	<b>6.1%</b>	<b>4.6%</b>	<b>8.9%</b>	<b>10.2%</b>	<b>11.1%</b>
<b>NP att. growth (%)</b>	<b>4.2%</b>	<b>136.1%</b>	<b>-24.5%</b>	<b>193.0%</b>	<b>63.2%</b>	<b>45.0%</b>

Source: Company data, CMBIS estimates

## Valuation

**Figure 6: Peers valuation**

Company	Ticker	Rating	12M TP	Price	Up/dow	Mkt cap	Year	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD	
			HK\$/LC	HK\$/LC	n-side (%)	HK\$ mn	End	FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)		perf. (%)
<b>Leading Greater China Catering</b>																
Jiumaojiu	9922 HK	BUY	19.67	16.06	22%	23,342	Dec-20	53.3	32.7	5.6	4.7	18.5	0.6	0.1	17.2	
Haidilao	6862 HK	HOLD	18.30	17.80	3%	99,217	Dec-20	259.1	28.3	7.0	5.8	22.4	1.8	0.3	1.1	
Nayuki	2150 HK	HOLD	7.83	7.18	9%	12,315	Dec-20	n/a	40.1	2.8	2.6	8.4	n/a	n/a	(16.1)	
Helens	9869 HK	NR	n/a	19.44	n/a	24,629	Dec-20	223.2	34.6	14.0	9.0	20.4	n/a	0.0	3.0	
Cafe De Coral	341 HK	BUY	19.05	13.64	40%	7,989	Mar-21	31.5	19.7	2.6	2.4	12.9	2.4	1.7	(1.9)	
Xiabuxiabu	520 HK	NR	n/a	4.95	n/a	5,375	Dec-20	32.5	11.1	1.8	1.6	15.5	0.1	1.7	(18.7)	
Tam Jai	2217 HK	NR	n/a	3.12	n/a	4,182	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(6.6)	
Yihai	1579 HK	BUY	108.52	32.10	238%	33,605	Dec-20	29.8	24.7	6.6	5.4	23.3	1.9	0.9	(11.0)	
Yum China	9987 HK	HOLD	438.86	362.00	21%	154,982	Dec-20	30.3	22.2	2.9	2.6	12.8	3.8	1.0	(5.4)	
Gourmet Master	2723 TT	NR	n/a	106.00	n/a	5,390	Dec-20	16.3	15.0	1.6	1.6	10.4	1.0	3.8	(5.8)	
								<b>Avg.</b>	<b>84.5</b>	<b>25.4</b>	<b>5.0</b>	<b>4.0</b>	<b>16.1</b>	<b>1.7</b>	<b>1.2</b>	<b>(4.4)</b>
								<b>Med.</b>	<b>32.0</b>	<b>24.7</b>	<b>2.9</b>	<b>2.6</b>	<b>15.5</b>	<b>1.8</b>	<b>0.9</b>	<b>(5.6)</b>
<b>Other Greater China Catering</b>																
Fairwood	52 HK	NR	n/a	15.40	n/a	1,995	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(0.6)	
Tai Hing	6811 HK	NR	n/a	1.29	n/a	1,295	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(5.1)	
Hop Hing	47 HK	NR	n/a	0.08	n/a	796	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	
Ajisen	538 HK	NR	n/a	1.28	n/a	1,397	Dec-20	15.6	10.5	n/a	n/a	n/a	n/a	4.8	1.6	
								<b>Avg.</b>	<b>15.6</b>	<b>10.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.8</b>	<b>(1.1)</b>
								<b>Med.</b>	<b>15.6</b>	<b>10.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.8</b>	<b>(0.3)</b>
<b>Greater China Catering</b>																
								<b>Avg.</b>	<b>76.8</b>	<b>23.9</b>	<b>5.0</b>	<b>4.0</b>	<b>16.1</b>	<b>1.7</b>	<b>1.6</b>	<b>(3.4)</b>
								<b>Med.</b>	<b>31.5</b>	<b>23.5</b>	<b>2.9</b>	<b>2.6</b>	<b>15.5</b>	<b>1.8</b>	<b>1.0</b>	<b>(3.5)</b>
<b>International Catering</b>																
Yum! Brands	YUM US	NR	n/a	127.06	n/a	290,262	Dec-20	28.0	25.6	n/a	n/a	(17.1)	1.5	1.6	(8.5)	
McDonald's	MCD US	NR	n/a	257.71	n/a	1,500,757	Dec-20	27.3	25.4	n/a	n/a	(146.8)	1.4	2.0	(3.9)	
Starbucks	SBUX US	NR	n/a	100.12	n/a	915,395	Oct-21	29.1	25.1	n/a	n/a	(50.4)	1.5	2.0	(14.4)	
Restaurant Brands	QSR US	NR	n/a	57.19	n/a	205,896	Dec-20	20.7	19.0	8.4	11.8	33.0	0.7	3.7	(5.8)	
Chipotle Mexican	CMG US	NR	n/a	1498.1	n/a	328,487	Dec-20	59.5	45.5	18.2	15.3	34.7	1.3	0.0	(14.3)	
Darden	DRI US	NR	n/a	143.00	n/a	142,339	May-21	18.8	16.9	7.2	6.7	41.7	0.8	3.1	(5.1)	
Domino's Pizza	DPZ US	NR	n/a	473.04	n/a	134,140	Jan-21	34.7	30.9	n/a	n/a	(1.8)	3.0	0.8	(16.2)	
Wendy's	WEN US	NR	n/a	23.32	n/a	40,098	Jan-21	28.8	26.3	10.5	12.2	43.5	1.4	1.8	(2.2)	
Shake Shack	SHAK US	NR	n/a	69.29	n/a	22,713	Dec-20	n/a	549.9	7.1	7.0	2.7	n/a	n/a	(4.0)	
Wingstop	WING US	NR	n/a	155.00	n/a	36,028	Dec-20	109.2	82.8	n/a	n/a	(20.0)	2.0	0.4	(10.3)	
Jollibee Foods	JFC PM	NR	n/a	230.00	n/a	38,618	Dec-20	81.5	43.2	4.5	4.1	10.1	35.3	0.6	6.3	
								<b>Avg.</b>	<b>43.8</b>	<b>81.0</b>	<b>9.3</b>	<b>9.5</b>	<b>(6.4)</b>	<b>4.9</b>	<b>1.6</b>	<b>(7.1)</b>
								<b>Med.</b>	<b>28.9</b>	<b>26.3</b>	<b>7.8</b>	<b>9.4</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>(5.8)</b>
<b>A-shares Greater China Catering</b>																
Foshan Haitian	603288 CH	NR	n/a	103.73	n/a	536,123	Dec-20	65.1	54.8	17.3	14.3	28.7	3.8	0.9	(1.3)	
Fujian Sunner	002299 CH	NR	n/a	23.00	n/a	35,116	Dec-20	44.7	20.8	3.1	2.8	13.5	4.8	1.1	(4.8)	
Angel Yeast	600298 CH	NR	n/a	55.00	n/a	56,201	Dec-20	33.5	27.8	6.4	5.4	20.3	2.1	0.9	(8.9)	
Meihua	600873 CH	NR	n/a	7.40	n/a	28,133	Dec-20	11.7	8.0	2.3	1.8	21.9	0.2	4.1	(3.5)	
Guangzhou Restaurant	603043 CH	NR	n/a	23.40	n/a	16,238	Dec-20	24.3	19.5	4.4	3.8	19.6	1.0	1.8	(2.7)	
China Quanjude	002186 CH	NR	n/a	10.50	n/a	3,974	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.4	
Xi'An Catering	000721 CH	NR	n/a	4.68	n/a	2,866	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.1	
								<b>Avg.</b>	<b>35.9</b>	<b>26.2</b>	<b>6.7</b>	<b>5.6</b>	<b>20.8</b>	<b>2.4</b>	<b>1.7</b>	<b>0.5</b>
								<b>Med.</b>	<b>33.5</b>	<b>20.8</b>	<b>4.4</b>	<b>3.8</b>	<b>20.3</b>	<b>2.1</b>	<b>1.1</b>	<b>(2.7)</b>
<b>H-shares Consumer Staples</b>																
UPC	220 HK	NR	n/a	7.34	n/a	31,704	Dec-20	17.4	15.3	1.9	1.9	12.2	2.2	5.8	(2.9)	
Tingyi	322 HK	NR	n/a	15.84	n/a	89,195	Dec-20	19.2	16.9	3.5	3.5	20.8	2.4	6.7	(1.1)	
Want Want	151 HK	NR	n/a	7.63	n/a	90,793	Mar-21	17.4	16.3	4.4	4.2	27.3	2.0	3.6	6.6	
Mengniu Dairy	2319 HK	NR	n/a	46.25	n/a	182,835	Dec-20	28.4	23.5	4.0	3.5	15.4	0.9	0.9	4.6	
Vitasoy	345 HK	NR	n/a	15.26	n/a	16,328	Mar-21	n/a	35.7	4.7	4.3	12.7	n/a	0.1	(3.0)	
Budweiser Brewing	1876 HK	NR	n/a	19.78	n/a	261,954	Dec-20	36.3	30.2	3.0	2.8	9.4	1.0	1.1	(3.3)	
Tsingtao Brewery	168 HK	NR	n/a	66.70	n/a	121,535	Dec-20	25.5	22.9	3.3	3.0	13.5	1.2	1.7	(8.6)	
CR Beer	291 HK	NR	n/a	56.20	n/a	182,323	Dec-20	34.8	32.6	6.1	5.5	16.8	0.8	1.2	(12.0)	
Dali Foods	3799 HK	NR	n/a	4.45	n/a	60,939	Dec-20	12.4	11.6	2.6	2.4	21.0	1.3	4.2	9.1	
								<b>Avg.</b>	<b>23.9</b>	<b>22.8</b>	<b>3.7</b>	<b>3.5</b>	<b>16.6</b>	<b>1.5</b>	<b>2.8</b>	<b>(1.2)</b>
								<b>Med.</b>	<b>22.4</b>	<b>22.9</b>	<b>3.5</b>	<b>3.5</b>	<b>15.4</b>	<b>1.2</b>	<b>1.7</b>	<b>(2.9)</b>

Source: Bloomberg, Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,893</b>	<b>2,687</b>	<b>2,715</b>	<b>4,066</b>	<b>5,790</b>	<b>7,761</b>
Jiu Mao Jiu	1,33	1,37	716	641	715	895
Tai Er	540	1,277	1,962	3,372	5,005	6,774
Other brands	19	39	38	53	71	92
<b>Cost of goods sold</b>	<b>(672)</b>	<b>(985)</b>	<b>(1,046)</b>	<b>(1,526)</b>	<b>(2,197)</b>	<b>(2,908)</b>
<b>Gross profit</b>	<b>1,221</b>	<b>1,702</b>	<b>1,669</b>	<b>2,540</b>	<b>3,593</b>	<b>4,853</b>
<b>Other income</b>	<b>3</b>	<b>12</b>	<b>84</b>	<b>66</b>	<b>80</b>	<b>104</b>
<b>Operating expenses</b>	<b>(1,060)</b>	<b>(1,385)</b>	<b>(1,509)</b>	<b>(1,962)</b>	<b>(2,631)</b>	<b>(3,452)</b>
Staff costs	(523)	(697)	(748)	(983)	(1,309)	(1,728)
Rental & ROUA depre.	(184)	(263)	(293)	(398)	(546)	(725)
D & A expenses	(81)	(97)	(111)	(168)	(212)	(253)
Utilities expenses	(94)	(108)	(95)	(135)	(179)	(231)
Other opex	(178)	(220)	(263)	(277)	(386)	(514)
<b>EBIT</b>	<b>163</b>	<b>329</b>	<b>244</b>	<b>644</b>	<b>1,042</b>	<b>1,505</b>
Finance costs	(58)	(67)	(67)	(71)	(80)	(91)
JVs & associates	(2)	2	(8)	(4)	(6)	(8)
Exceptional	1	(5)	8	(8)	(12)	(16)
<b>Pre-tax profit</b>	<b>104</b>	<b>259</b>	<b>177</b>	<b>561</b>	<b>944</b>	<b>1,390</b>
Income tax	(31)	(73)	(39)	(147)	(247)	(363)
Less: Minority interests	4	21	14	50	104	167
<b>Net profit att.</b>	<b>70</b>	<b>164</b>	<b>124</b>	<b>364</b>	<b>593</b>	<b>860</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>960</b>	<b>1,271</b>	<b>1,945</b>	<b>2,004</b>	<b>2,068</b>	<b>2,096</b>
Fixed asset	268	323	445	509	580	617
Intangible assets & GW	578	808	1,228	1,227	1,226	1,225
Prepaid lease payments	57	66	129	129	129	129
Interest in joint ventures	4	8	3	(1)	(6)	(14)
Other non-current	54	66	140	140	140	140
<b>Current assets</b>	<b>227</b>	<b>383</b>	<b>2,862</b>	<b>3,323</b>	<b>4,202</b>	<b>5,517</b>
Cash and cash	60	127	1,844	2,177	2,887	4,011
Inventories	36	75	51	63	90	120
Trade and other	17	12	15	30	43	57
Prepayments	88	122	203	304	433	580
Other current assets	26	47	749	749	749	749
<b>Current liabilities</b>	<b>440</b>	<b>794</b>	<b>749</b>	<b>824</b>	<b>986</b>	<b>1,168</b>
Bank loans	49	220	43	43	43	43
Trade payables	72	97	138	117	156	199
Accruals & payables	145	200	192	288	410	550
Tax payables	12	23	37	37	37	37
others	162	253	339	339	339	339
<b>Non-current liabilities</b>	<b>543</b>	<b>690</b>	<b>997</b>	<b>997</b>	<b>997</b>	<b>997</b>
Bank loans	-	-	-	-	-	-
Deferred income	21	27	27	27	27	27
Deferred tax	-	-	3	3	3	3
Others	522	663	967	967	967	967
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>154</b>	<b>321</b>
<b>Total net assets</b>	<b>204</b>	<b>171</b>	<b>3,060</b>	<b>3,455</b>	<b>4,133</b>	<b>5,127</b>
<b>Shareholders' equity</b>	<b>204</b>	<b>171</b>	<b>3,060</b>	<b>3,455</b>	<b>4,133</b>	<b>5,127</b>

Source: Company data, CMBIS estimates

### Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>EBIT</b>	<b>163</b>	<b>329</b>	<b>244</b>	<b>644</b>	<b>1,042</b>	<b>1,505</b>
D & A	81	97	111	168	-	-
Chg. in working capital	(1)	(9)	3	(53)	(8)	(9)
Income tax paid	(40)	(67)	(48)	(147)	(247)	(363)
Others	168	227	236	(8)	203	243
<b>NC from operating</b>	<b>373</b>	<b>577</b>	<b>546</b>	<b>604</b>	<b>990</b>	<b>1,376</b>
Capex & investments	(150)	(184)	(280)	(224)	(272)	(279)
Associated companies	(2)	(2)	(97)	-	-	-
Interest received	1	2	27	-	-	-
Others	(1)	(6)	(733)	-	-	-
<b>NC from investing</b>	<b>(152)</b>	<b>(190)</b>	<b>(1,084)</b>	<b>(224)</b>	<b>(272)</b>	<b>(279)</b>
Equity raised	-	-	2,885	-	-	-
Net change in bank	29	171	(178)	-	-	-
Dividend paid	(25)	(36)	(58)	23	73	119
Others	(218)	(455)	(259)	(71)	(80)	(91)
<b>NC from financing</b>	<b>(214)</b>	<b>(320)</b>	<b>2,390</b>	<b>(47)</b>	<b>(8)</b>	<b>27</b>
<b>Net change in cash</b>	<b>7</b>	<b>67</b>	<b>1,852</b>	<b>333</b>	<b>710</b>	<b>1,124</b>
Beginning cash	52	60	127	1,844	2,177	2,887
Exchange difference	-	0	(136)	-	-	-
<b>Cash at end of year</b>	<b>60</b>	<b>127</b>	<b>1,844</b>	<b>2,177</b>	<b>2,887</b>	<b>4,011</b>

### Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>						
Jiu Mao Jiu	70.5	51.0	26.4	15.8	12.3	11.5
Tai Er	28.5	47.5	72.3	82.9	86.4	87.3
Other brands	1.0	1.4	1.4	1.3	1.2	1.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>						
Gross margin	64.5	63.3	61.5	62.5	62.1	62.5
EBIT margin	8.6	12.2	9.0	15.8	18.0	19.4
Pre-tax margin	5.5	9.6	6.5	13.8	16.3	17.9
Net margin	3.7	6.1	4.6	8.9	10.2	11.1
Effective tax rate	28.7	28.5	20.9	26.0	26.0	26.0
<b>Balance sheet ratios</b>						
Current ratio (x)	0.5	0.5	3.8	4.0	4.3	4.7
Quick ratio (x)	0.4	0.4	3.8	4.0	4.2	4.6
Cash ratio (x)	0.1	0.2	2.5	2.6	2.9	3.4
Inventory turnover	19	21	22	15	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	34	31	41	28	26	25
Total debt / total equity ratio (%)	103	277	12	11	9	7
Net debt / equity ratio (%)	71	188	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>						
ROE	34.2	96.3	4.1	10.5	14.4	16.8
ROA	5.9	9.9	2.6	6.8	9.5	11.3
<b>Per share</b>						
EPS (RMB)	0.05	0.12	0.09	0.25	0.41	0.59
DPS (RMB)	0.04	-	0.02	0.05	0.08	0.12
BVPS (RMB)	0.15	0.12	2.21	2.38	2.84	3.53

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