

Haidilao (6862 HK)

Our view on management changes

What is new? Haidilao (6862 HK, BUY) and Super Hi (9658 HK, NR) have announced a management change. Yang Lijuan resigned as the executive director and CEO of Haidilao and will become the executive director and CEO of Super Hi. Gou Yiqun will be appointed as the executive director and CEO of Haidilao.

■ **CMBI's view:** We don't think it is a negative to Haidilao as the company's operation is still improving and the potential for new store openings is still increasing. For Super Hi, we believe it should be a positive.

■ **Regarding the departure of key person Ms. Yang, we think the impact on Haidilao is neutral:**

1) The financial performance has been good and definitely not lower than expected. As mentioned in the announcement, both the Woodpecker Program/ 啄木鸟计划在 2021 (closing around 300 stores and improving the operation of remaining stores, and not opening any new stores until the table turnover has returned to 4 times or more in principle) and the Ying Gu Tou Program/ 硬骨头计划在 2022 (reopening some of the previously closed stores) have been successfully completed. The current table turnover is remarkable (around 4.2x in the second half of 2023 and 4.3x the first five months of 2024, recovery rate vs 2019 should be above 100%, compared to industry average of just 70% to 80%), while the 50 to 100 of those previously closed stores have been reopened in FY22-23.

2) Haidilao's competitiveness (in terms of talent) will not be affected much in our view, because except for Ms. Yang, no other executives will be transferred to Super Hi. Besides, we do think the new CEO Mr. Gou is highly competent. Similar to Ms. Yang, he was also one of first employees when Mr. Zhang and Mr. Shi started the business. During his long tenure with Haidilao, Mr. Gou has worked as the CFO, head of IT department, head of supply chain and procurement, as well as the chairman of Shuhai.

3) On top of the steady improvement in operation which made it outperform its peers by miles in recent years, 1) new products are highly successful, as they are refined after listening to feedback from top-tier members during the tasting sessions and some are more localized, 2) marketing has gone viral on social media, thanks to sharing of various "hidden" eating methods and the "Subject 3" dance, 3) the engagement with customers has been enhanced, such as inviting black card members to Haidilao store managers' conference and high-tier members to new product tasting sessions. The potential for new store openings has also increased. For instance, the franchising stores are going to be launched soon, while the performance of campus stores is outstanding. And more importantly, the Xiao Hai Huo Guo/ 小嗨火锅 (a mass-market version of Haidilao hot pot) has been well-received. All of these could be the building blocks of a potential speed-up in store expansion.

Earnings Summary

| (YE 31 Dec) | FY22A | FY23A | FY24E | FY25E | FY26E |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue (RMB mn) | 31,039 | 41,453 | 47,018 | 50,125 | 52,135 |
| YoY growth (%) | (20.6) | 33.6 | 13.4 | 6.6 | 4.0 |
| Operating profit (RMB mn) | 2,123.5 | 5,584.3 | 6,392.3 | 7,554.8 | 8,518.2 |
| Net profit (RMB mn) | 1,637.3 | 4,495.4 | 4,996.6 | 5,813.6 | 6,613.1 |
| EPS (Reported) (RMB) | 0.29 | 0.81 | 0.89 | 1.04 | 1.18 |
| YoY growth (%) | na | 174.6 | 10.6 | 16.3 | 13.8 |
| P/E (x) | 46.5 | 16.9 | 15.3 | 13.1 | 11.6 |
| P/B (x) | 10.2 | 6.4 | 3.6 | 2.4 | 1.8 |
| Yield (%) | 0.0 | 5.3 | 5.9 | 6.8 | 7.8 |
| ROE (%) | 21.3 | 46.4 | 30.4 | 22.3 | 17.8 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$21.52
Up/Downside 46.6%
Current Price HK\$14.68

China Consumer Discretionary

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 81,826.3 |
| Avg 3 mths t/o (HK\$ mn) | 215.6 |
| 52w High/Low (HK\$) | 23.70/12.20 |
| Total Issued Shares (mn) | 5574.0 |

Source: FactSet

Shareholding Structure

| | |
|----------------|-------|
| Mr. Zhang Yong | 60.4% |
| Mr. Shi Sean | 9.4% |

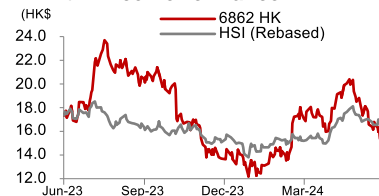
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -20.6% | -17.1% |
| 3-mth | -16.5% | -23.6% |
| 6-mth | 7.2% | -2.9% |

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Maintain BUY with TP of HK\$ 21.52**, based on 20x FY24E P/E (unchanged). The stock is trading at 15x FY24E P/E and also has a 6% FY24E yield, which still looks somewhat attractive, for a more long-term investment perspective.
- Even though there are only single-digit new stores YTD, the company is still very confident on achieving its FY24E target of single-digit % growth (around 50). However, as the store expansion pace is still slow in near term and the macro environment is fairly weak, we believe investors can continue to monitor and wait for the moment that store expansion acceleration occurs, where the valuation could be re-rated.
- Moreover, we believe the move is positive for Super Hi, because Ms. Yang's expertise could be highly useful for Super Hi's future expansion. As stores have just started to achieve breakeven and generate positive cash flow, a store expansion acceleration has become much more possible.

Earnings revision

Figure 1: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|--------|--------|--------|--------|--------|--------|----------|-------|-------|
| | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| Revenue | 47,018 | 50,125 | 52,135 | 47,018 | 50,125 | 52,135 | 0.0% | 0.0% | 0.0% |
| Gross profit | 27,844 | 29,684 | 30,874 | 27,844 | 29,684 | 30,874 | 0.0% | 0.0% | 0.0% |
| EBIT | 6,873 | 8,129 | 9,180 | 6,873 | 8,129 | 9,180 | 0.0% | 0.0% | 0.0% |
| Net profit att. | 4,977 | 5,790 | 6,587 | 4,977 | 5,790 | 6,587 | 0.0% | 0.0% | 0.0% |
| Diluted EPS (RMB) | 0.893 | 1.039 | 1.182 | 0.893 | 1.039 | 1.182 | 0.0% | 0.0% | 0.0% |
| Gross margin | 59.2% | 59.2% | 59.2% | 59.2% | 59.2% | 59.2% | 0ppt | 0ppt | 0ppt |
| EBIT margin | 14.6% | 16.2% | 17.6% | 14.6% | 16.2% | 17.6% | 0ppt | 0ppt | 0ppt |
| Net profit att. margin | 10.6% | 11.6% | 12.6% | 10.6% | 11.6% | 12.6% | 0ppt | 0ppt | 0ppt |

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 | 47,018 | 50,125 | 52,135 | 46,511 | 50,574 | 54,782 | 1.1% | -0.9% | -4.8% |
| Gross profit | 27,844 | 29,684 | 30,874 | 27,551 | 29,965 | 32,462 | 1.1% | -0.9% | -4.9% |
| EBIT | 6,873 | 8,129 | 9,180 | 6,614 | 7,430 | 8,262 | 3.9% | 9.4% | 11.1% |
| Net profit att. | 4,977 | 5,790 | 6,587 | 5,097 | 5,727 | 6,368 | -2.3% | 1.1% | 3.4% |
| Diluted EPS (RMB) | 0.893 | 1.039 | 1.182 | 0.923 | 1.035 | 1.149 | -3.2% | 0.4% | 2.9% |
| Gross margin | 59.2% | 59.2% | 59.2% | 59.2% | 59.2% | 59.3% | 0ppt | 0ppt | 0ppt |
| EBIT margin | 14.6% | 16.2% | 17.6% | 14.2% | 14.7% | 15.1% | 0.4ppt | 1.5ppt | 2.5ppt |
| Net profit att. margin | 10.6% | 11.6% | 12.6% | 11.0% | 11.3% | 11.6% | -0.4ppt | 0.2ppt | 1ppt |

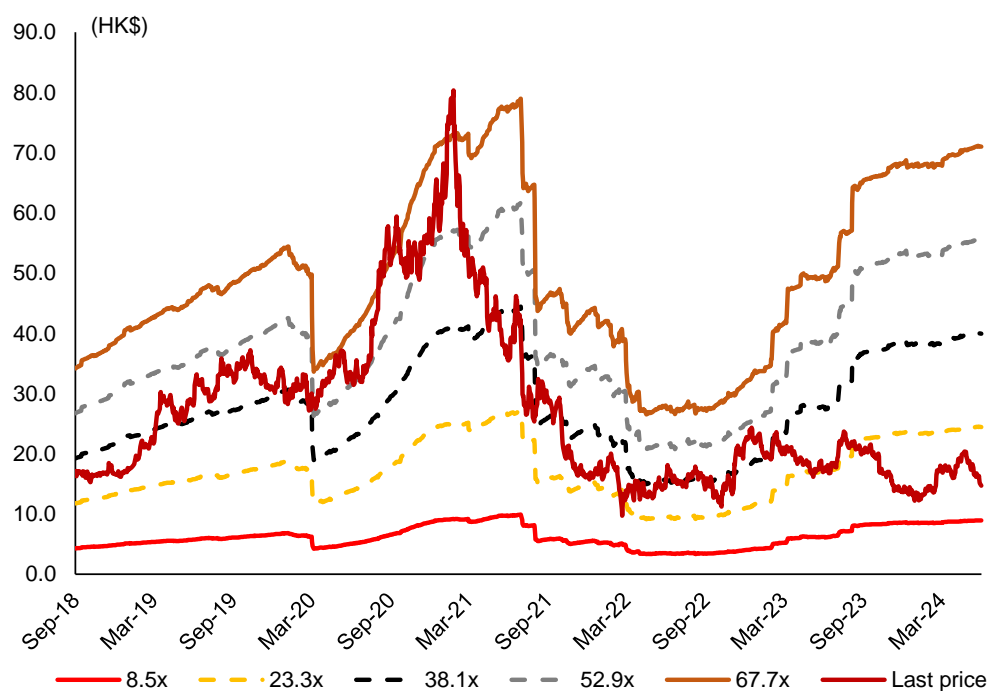
Source: Company data, CMBIGM estimates

Valuation

Figure 3: Peers valuation table

| | | | 12m TP | Price | Up/ Down- | Mkt. Cap | Year | P/E (x) | | P/B (x) | ROE (%) | 3yrs PEG (x) | Yield (%) | YTD per.(%) |
|--------------------------------|---------|--------|-----------|--------|--------------|-----------|--------|---------|------|------------|------------|--------------------|--------------|----------------|
| Company | Ticker | Rating | (LC) | (LC) | side | (HK\$m) | End | FY1E | FY2E | FY2E | FY2E | FY1E | FY1E | FY1E |
| Leading Greater China Catering | | | | | | | | | | | | | | |
| Haidilao | 6862 HK | BUY | 21.52 | 14.68 | 47% | 81,826 | Dec-23 | 13.6 | 11.7 | 3.2 | 40.1 | 1.0 | 6.6 | 1.0 |
| Jiumaojiu | 9922 HK | BUY | 8.39 | 3.98 | 111% | 5,701 | Dec-23 | 8.9 | 7.1 | 1.2 | 15.8 | 0.4 | 4.2 | (34.8) |
| Nayuki | 2150 HK | BUY | 3.43 | 2.21 | 55% | 3,790 | Dec-23 | 29.4 | 14.2 | 0.6 | 2.1 | 0.2 | 1.5 | (30.3) |
| Cafe De Coral | 341 HK | BUY | 11.15 | 8.18 | 36% | 4,791 | Mar-24 | 11.6 | 9.6 | 1.6 | 14.6 | 0.6 | 8.6 | (9.2) |
| Dpc Dash Ltd | 1405 HK | BUY | 73.05 | 62.45 | 17% | 8,143 | Dec-23 | 147.0 | 56.8 | 3.6 | 3.1 | (0.5) | n/a | 0.8 |
| Xiabuxiabu | 520 HK | BUY | 4.89 | 1.46 | 235% | 1,586 | Dec-23 | 12.6 | 6.4 | 0.8 | 9.5 | (0.1) | 3.7 | (39.7) |
| Super Hi | 9658 HK | NR | n/a | 13.48 | n/a | 8,766 | Dec-23 | 23.7 | 17.3 | 2.8 | 14.5 | 0.6 | 0.0 | 29.6 |
| Helens | 9869 HK | NR | n/a | 2.46 | n/a | 3,113 | Dec-23 | 11.1 | 8.8 | 1.4 | 13.0 | 0.4 | 5.7 | (29.0) |
| Tam Jai | 2217 HK | NR | n/a | 1.05 | n/a | 1,414 | Mar-24 | 11.1 | 10.2 | 1.5 | 8.7 | 1.1 | 8.3 | (16.7) |
| Yihai | 1579 HK | NR | n/a | 13.72 | n/a | 14,224 | Dec-23 | 13.4 | 11.9 | 2.3 | 18.8 | 1.4 | 5.8 | 10.6 |
| Yum China | 9987 HK | BUY | 348.13 | 248.80 | 40% | 96,460 | Dec-23 | 14.5 | 12.8 | 1.8 | 13.4 | 1.2 | 2.0 | (25.1) |
| Yum China | YUMC US | BUY | 49.59 | 32.25 | 54% | 97,616 | Dec-23 | 14.7 | 13.0 | 1.8 | 13.4 | 1.2 | 1.9 | (24.0) |
| Gourmet Master | 2723 TT | NR | n/a | 87.50 | n/a | 3,797 | Dec-23 | 16.8 | 13.7 | 1.2 | 8.3 | 1.0 | 4.8 | (13.8) |
| Avg. | | | | | | | | 25.3 | 14.9 | 1.8 | 13.5 | 0.7 | 4.4 | (13.9) |
| Med. | | | | | | | | 13.6 | 11.9 | 1.6 | 13.4 | 0.6 | 4.5 | (16.7) |
| International Catering | | | | | | | | | | | | | | |
| Yum! Brands | YUM US | NR | n/a | 134.29 | n/a | 295,271 | Dec-23 | 23.7 | 21.1 | n/a | (21.1) | 2.9 | 2.0 | 2.8 |
| McDonald's | MCD US | NR | n/a | 259.39 | n/a | 1,459,459 | Dec-23 | 21.3 | 19.6 | 25.9 | (190.8) | 2.9 | 2.6 | (12.5) |
| Starbucks | SBUX US | NR | n/a | 79.91 | n/a | 706,661 | Oct-23 | 22.3 | 19.6 | n/a | (50.7) | 2.7 | 2.9 | (16.8) |
| Rest. Brands | QSR US | NR | n/a | 69.24 | n/a | 248,695 | Dec-23 | 20.4 | 17.8 | 6.0 | 32.4 | 5.1 | 3.4 | (11.4) |
| Chipotle Mexican | WING US | NR | n/a | 414.76 | n/a | 95,103 | Dec-23 | 120.6 | 99.2 | n/a | (23.5) | 4.0 | 0.2 | 61.6 |
| Darden Rest. | SHAK US | NR | n/a | 89.01 | n/a | 29,490 | Dec-23 | 121.3 | 88.6 | 6.8 | 6.6 | 3.0 | n/a | 20.1 |
| Domino's | CMG US | NR | n/a | 3210.5 | n/a | 688,466 | Dec-23 | 57.9 | 48.0 | 19.5 | 43.7 | 2.8 | 0.0 | 40.4 |
| Wendy's | DRI US | NR | n/a | 153.28 | n/a | 142,835 | May-24 | 16.1 | 14.6 | 7.1 | 48.7 | 1.6 | 3.6 | (6.7) |
| Shake Shack | DPZ US | NR | n/a | 521.83 | n/a | 142,103 | Dec-23 | 32.8 | 28.9 | n/a | (13.8) | 3.0 | 1.1 | 26.6 |
| Wingstop | WEN US | NR | n/a | 16.67 | n/a | 26,697 | Dec-23 | 16.7 | 15.3 | 29.5 | 74.5 | 2.0 | 6.1 | (14.4) |
| Jollibee Foods | JFC PM | NR | n/a | 218.00 | n/a | 32,457 | Dec-23 | 26.3 | 22.5 | 2.7 | 11.6 | 1.4 | 1.3 | (13.3) |
| Avg. | | | | | | | | 43.6 | 35.9 | 13.9 | (7.5) | 2.9 | 2.3 | 6.9 |
| Med. | | | | | | | | 23.7 | 21.1 | 7.1 | 6.6 | 2.9 | 2.3 | (6.7) |
| H-share Consumer Staples | | | | | | | | | | | | | | |
| UPC | 220 HK | NR | n/a | 7.10 | n/a | 30,667 | Dec-23 | 16.1 | 14.6 | 2.1 | 13.5 | 2.0 | 6.3 | 27.9 |
| Tingyi | 322 HK | NR | n/a | 9.67 | n/a | 54,484 | Dec-23 | 14.9 | 13.4 | 3.2 | 24.8 | 1.7 | 6.9 | 4.7 |
| Want Want | 151 HK | NR | n/a | 4.18 | n/a | 49,374 | Mar-23 | 11.9 | 11.0 | 2.5 | 24.6 | 1.6 | 5.6 | (11.4) |
| China Mengniu | 2319 HK | NR | n/a | 4.18 | n/a | 52,497 | Dec-23 | 8.9 | 7.9 | 0.9 | 11.7 | 0.8 | 4.7 | (36.5) |
| Vitasoy | 345 HK | NR | n/a | 4.18 | n/a | 6,630 | Mar-24 | 27.7 | 17.5 | 1.9 | 7.7 | 0.5 | 2.4 | (20.6) |
| Nongfu Spring | 9633 HK | NR | n/a | 4.18 | n/a | 451,546 | Dec-23 | 30.8 | 26.8 | 10.2 | 42.8 | 2.4 | 2.1 | (11.1) |
| Budweiser | 1876 HK | NR | n/a | 4.18 | n/a | 119,853 | Dec-23 | 14.9 | 13.0 | 1.3 | 9.3 | 1.0 | 4.7 | (38.1) |
| Tsingtao | 168 HK | NR | n/a | 4.18 | n/a | 90,389 | Dec-23 | 13.4 | 12.0 | 2.1 | 17.8 | 1.1 | 4.5 | (0.2) |
| CR Beer | 291 HK | NR | n/a | 4.18 | n/a | 90,026 | Dec-23 | 13.8 | 11.9 | 2.2 | 18.2 | 0.9 | 3.2 | (18.1) |
| Avg. | | | | | | | | 16.9 | 14.2 | 2.9 | 19.0 | 1.3 | 4.5 | (11.5) |
| Med. | | | | | | | | 14.9 | 13.0 | 2.1 | 17.8 | 1.1 | 4.7 | (11.4) |

Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 5: Major assumptions

| Major assumptions | FY22A | FY23A | FY24E | FY25E | FY26E |
|--|----------------|---------------|--------------|--------------|--------------|
| Number of restaurants | | | | | |
| China T1 cities | 234 | 232 | 237 | 237 | 237 |
| China T2 cities | 538 | 538 | 553 | 563 | 573 |
| China T3 and below | 577 | 581 | 601 | 616 | 631 |
| Outside PRC | 22 | 23 | 33 | 38 | 43 |
| Total | 1,371 | 1,374 | 1,424 | 1,454 | 1,484 |
| Number of restaurants growth (YoY %) | | | | | |
| China T1 cities | -5.6% | -0.9% | 2.2% | 0.0% | 0.0% |
| China T2 cities | 3.1% | 0.0% | 2.8% | 1.8% | 1.8% |
| China T3 and below | 3.2% | 0.7% | 3.4% | 2.5% | 2.4% |
| Outside PRC | 10.0% | 4.5% | 43.5% | 15.2% | 13.2% |
| Total | 1.6% | 0.2% | 3.6% | 2.1% | 2.1% |
| Sales per restaurants (RMB mn) | | | | | |
| China T1 cities | 22 | 31 | 34 | 35 | 35 |
| China T2 cities | 21 | 29 | 31 | 32 | 33 |
| China T3 and below | 20 | 26 | 29 | 30 | 31 |
| Outside PRC | 47 | 60 | 67 | 72 | 76 |
| Total | 21 | 29 | 32 | 33 | 34 |
| Table turnover rate (times/ day) | | | | | |
| China T1 cities | 3.0 | 3.8 | 4.2 | 4.4 | 4.5 |
| China T2 cities | 3.0 | 3.9 | 4.3 | 4.5 | 4.6 |
| China T3 and below | 2.9 | 3.6 | 4.0 | 4.2 | 4.3 |
| Outside PRC | 3.5 | 3.8 | 4.2 | 4.4 | 4.5 |
| Total | 3.0 | 3.8 | 4.2 | 4.4 | 4.5 |
| Average spending per guest (RMB) | | | | | |
| China T1 cities | 114.2 | 105.7 | 105.7 | 107.8 | 110.0 |
| China T2 cities | 104.3 | 98.3 | 98.3 | 100.3 | 102.3 |
| China T3 and below | 97.9 | 92.8 | 92.8 | 94.7 | 96.5 |
| Outside PRC | 197.4 | 202.8 | 202.8 | 206.9 | 211.0 |
| Overall | 104.9 | 99.1 | 104.9 | 107.4 | 110.0 |
| Average spending per guest growth (YoY %) | | | | | |
| China T1 cities | 2.1% | -7.4% | 0.0% | 2.0% | 2.0% |
| China T2 cities | 2.6% | -5.8% | 0.0% | 2.0% | 2.0% |
| China T3 and below | 2.3% | -5.2% | 0.0% | 2.0% | 2.0% |
| Outside PRC | -2.6% | 2.7% | 0.0% | 2.0% | 2.0% |
| Overall | 2.5% | -5.5% | 5.8% | 2.4% | 2.5% |
| GP margins | 58.4% | 59.1% | 59.2% | 59.2% | 59.2% |
| Staff costs/ sales | -33.0% | -31.5% | -31.6% | -31.1% | -30.9% |
| Rental expenses/ sales | -0.9% | -0.9% | -0.9% | -0.9% | -0.9% |
| Utilities expenses/ sales | -3.4% | -3.3% | -3.3% | -3.3% | -3.3% |
| Depreciation and amortization/ sales | -8.2% | -5.3% | -5.0% | -4.1% | -3.0% |
| Depreciation of right-of-use assets/ sales | -2.5% | -1.8% | -1.6% | -1.5% | -1.5% |
| Travelling fees/ sales | -0.5% | -0.5% | -0.6% | -0.7% | -0.8% |
| Other opex/ sales | -4.4% | -3.9% | -3.6% | -3.4% | -3.4% |
| Effective tax rate | -22.7% | -22.9% | -23.0% | -25.0% | -25.0% |
| NP att. margin | 5.3% | 10.9% | 10.6% | 11.6% | 12.6% |
| NP att. growth (%) | -150.4% | 174.6% | 10.6% | 16.3% | 13.8% |

Source: Company data, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|----------|----------|----------|----------|----------|----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 39,097 | 31,039 | 41,453 | 47,018 | 50,125 | 52,135 |
| Cost of goods sold | (17,243) | (12,906) | (16,946) | (19,174) | (20,441) | (21,261) |
| Gross profit | 21,853 | 18,132 | 24,507 | 27,844 | 29,684 | 30,874 |
| Operating expenses | (21,545) | (16,389) | (19,537) | (21,851) | (22,555) | (22,799) |
| Staff costs | (13,950) | (10,240) | (13,040) | (14,855) | (15,595) | (16,094) |
| Other rental related expenses | (297) | (274) | (362) | (410) | (438) | (455) |
| Others | (3,201) | (2,554) | (3,190) | (3,527) | (3,710) | (3,911) |
| Operating profit | 638 | 2,123 | 5,584 | 6,392 | 7,555 | 8,518 |
| Other income | 330 | 380 | 614 | 400 | 426 | 443 |
| Share of (losses)/profits of associates/JV | 81 | 65 | 46 | 9 | 10 | 10 |
| EBITDA | 4,736 | 5,445 | 8,530 | 9,450 | 10,368 | 10,857 |
| Depreciation | (3,193) | (2,560) | (2,215) | (2,329) | (2,050) | (1,545) |
| Depreciation of ROU assets | (904) | (761) | (731) | (729) | (762) | (794) |
| Interest income | 28 | 116 | 327 | 481 | 574 | 662 |
| Interest expense | (583) | (474) | (351) | (361) | (352) | (336) |
| Other income/expense | (3,235) | 287 | 227 | (33) | (35) | (36) |
| Pre-tax profit | (3,070) | 2,118 | 5,833 | 6,489 | 7,752 | 8,817 |
| Income tax | (178) | (480) | (1,338) | (1,492) | (1,938) | (2,204) |
| Minority interest | (2) | 1 | 4 | (19) | (23) | (26) |
| Net profit | (3,248) | 1,637 | 4,495 | 4,997 | 5,814 | 6,613 |
| BALANCE SHEET | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 11,406 | 10,507 | 18,439 | 21,836 | 25,076 | 27,751 |
| Cash & equivalents | 5,767 | 6,301 | 12,972 | 15,789 | 18,702 | 21,166 |
| Account receivables | 368 | 307 | 450 | 511 | 545 | 566 |
| Inventories | 1,456 | 1,142 | 1,706 | 1,930 | 2,057 | 2,140 |
| Prepayment | 2,768 | 1,650 | 2,203 | 2,499 | 2,664 | 2,771 |
| ST bank deposits | 722 | 421 | 421 | 421 | 421 | 421 |
| Other current assets | 325 | 686 | 686 | 686 | 686 | 686 |
| Non-current assets | 16,616 | 10,933 | 8,586 | 6,714 | 5,151 | 4,112 |
| PP&E | 9,315 | 5,645 | 3,401 | 1,565 | 30 | (985) |
| Deferred income tax | 526 | 601 | 601 | 601 | 601 | 601 |
| Investment in JVs & assos | 351 | 257 | 191 | 177 | 163 | 148 |
| Intangibles | 132 | 105 | 69 | 46 | 32 | 24 |
| Other non-current assets | 6,291 | 4,325 | 4,325 | 4,325 | 4,325 | 4,325 |
| Total assets | 28,021 | 21,439 | 27,025 | 28,551 | 30,227 | 31,863 |
| Current liabilities | 9,886 | 7,232 | 8,550 | 9,097 | 9,405 | 9,604 |
| Short-term borrowings | 3,560 | 2,341 | 2,341 | 2,341 | 2,341 | 2,341 |
| Account payables | 1,944 | 1,321 | 2,144 | 2,425 | 2,586 | 2,689 |
| Tax payable | 103 | 58 | 58 | 58 | 58 | 58 |
| Other current liabilities | 4,278 | 3,512 | 4,007 | 4,272 | 4,420 | 4,516 |
| Non-current liabilities | 10,221 | 6,764 | 6,533 | 6,585 | 6,643 | 6,706 |
| Long-term borrowings | 221 | 215 | 215 | 215 | 215 | 215 |
| Other non-current liabilities | 10,000 | 6,548 | 6,317 | 6,370 | 6,428 | 6,491 |
| Total liabilities | 20,107 | 13,996 | 15,083 | 15,682 | 16,048 | 16,310 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 0 | 0 | 8,549 | 18,007 | 29,011 | 41,527 |
| Other reserves | 7,914 | 7,443 | 3,393 | 2,962 | 2,230 | 1,513 |
| Total shareholders equity | 7,915 | 7,443 | 11,942 | 20,970 | 31,241 | 43,041 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity and liabilities | 28,021 | 21,439 | 27,025 | 36,651 | 47,289 | 59,351 |

| CASH FLOW | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|----------------|----------------|---------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | (3,070) | 2,118 | 5,833 | 6,489 | 7,752 | 8,817 |
| Depreciation & amortization | 3,193 | 2,560 | 2,215 | 2,329 | 2,050 | 1,545 |
| Tax paid | (702) | (353) | (1,338) | (1,492) | (1,938) | (2,204) |
| Change in working capital | (328) | 556 | 57 | (34) | (18) | (12) |
| Others | 4,713 | 1,272 | 350 | 384 | 378 | 362 |
| Net cash from operations | 3,806 | 6,152 | 7,118 | 7,676 | 8,223 | 8,509 |
| Investing | | | | | | |
| Capital expenditure | (4,430) | (825) | (207) | (470) | (501) | (521) |
| Acquisition of subsidiaries/ investments | 82 | 720 | 0 | 0 | 0 | 0 |
| Others | (605) | (652) | 112 | 23 | 25 | 25 |
| Net cash from investing | (4,953) | (757) | (95) | (447) | (477) | (496) |
| Financing | | | | | | |
| Dividend paid | (93) | 0 | 0 | (4,050) | (4,481) | (5,213) |
| Net borrowings | (183) | (1,243) | 0 | 0 | 0 | 0 |
| Proceeds from share issues | 1,919 | 0 | 0 | 0 | 0 | 0 |
| Share repurchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 2,668 | (3,745) | (351) | (361) | (352) | (336) |
| Net cash from financing | 4,311 | (4,988) | (351) | (4,411) | (4,833) | (5,549) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 2,683 | 5,767 | 6,301 | 12,972 | 15,789 | 18,702 |
| Exchange difference | (80) | 126 | 0 | 0 | 0 | 0 |
| Others | 3,164 | 408 | 6,671 | 2,817 | 2,913 | 2,464 |
| Cash at the end of the year | 5,767 | 6,301 | 12,972 | 15,789 | 18,702 | 21,166 |
| GROWTH | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Revenue | 36.6% | (20.6%) | 33.6% | 13.4% | 6.6% | 4.0% |
| Gross profit | 33.6% | (17.0%) | 35.2% | 13.6% | 6.6% | 4.0% |
| Operating profit | (51.2%) | 232.6% | 163.0% | 14.5% | 18.2% | 12.8% |
| EBITDA | 9.0% | 15.0% | 56.7% | 10.8% | 9.7% | 4.7% |
| Net profit | na | na | 174.6% | 11.1% | 16.4% | 13.8% |
| PROFITABILITY | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 55.9% | 58.4% | 59.1% | 59.2% | 59.2% | 59.2% |
| Operating margin | 1.6% | 6.8% | 13.5% | 13.6% | 15.1% | 16.3% |
| EBITDA margin | 12.1% | 17.5% | 20.6% | 20.1% | 20.7% | 20.8% |
| Return on equity (ROE) | (35.8%) | 21.3% | 46.4% | 30.4% | 22.3% | 17.8% |
| GEARING/LIQUIDITY/ACTIVITIES | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Current ratio (x) | 1.2 | 1.5 | 2.2 | 2.4 | 2.7 | 2.9 |
| Receivable turnover days | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Inventory turnover days | 27.6 | 36.7 | 36.7 | 36.7 | 36.7 | 36.7 |
| Payable turnover days | 37.3 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 |
| VALUATION | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| P/E | ns | 46.5 | 16.9 | 15.3 | 13.1 | 11.6 |
| P/E (diluted) | ns | 46.5 | 16.9 | 15.3 | 13.1 | 11.6 |
| P/B | 9.6 | 10.2 | 6.4 | 3.6 | 2.4 | 1.8 |
| P/CFPS | 20.0 | 12.4 | 10.7 | 9.9 | 9.3 | 8.9 |
| Div yield (%) | 0.1 | 0.0 | 5.3 | 5.9 | 6.8 | 7.8 |

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

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