

Nayuki (2150 HK)

Franchising and costs cutting are the keys

We are still highly cautious on the catering sector (as well as Nayuki) because of price war induced by the weakening macro demand and surge in competitions. We maintain BUY on Nayuki only because of its: 1) high cash level (over 75%+ of its market cap), 2) potential income and profits from ramp up of its franchising business and 3) efforts to reduce/ control store level and headquarter costs.

- SSS trend YTD has been negative and we see limited catalysts ahead.** Nayuki's SSSG for Jan/ Feb/ Mar 2024 were at -29%/ -34%/ -30% (driven by drop in both ASP and volume), even worse than 7% drop in 2H23. We believe this depressing trend was due to high base and increase in competition.
- Store expansion plan in FY24E is conservative even with boost from franchising.** Back in FY23, about 417 stores were opened, that was inline with the guidance. For self-operated business, management is now guiding for ~200 new stores (10+ in overseas), however, ~150 stores could also be closed. Hence, the net increase would be rather handful. For franchising business, around 80 stores were opened in FY23 and there were roughly 200 stores by 1Q24. Management is aiming for only 200 to 400 franchised stores in FY24E. But the 2-3 years target of 2,000-3,000 new stores is still valid.
- FY24E outlook is quite mixed, as we see pressure for topline but some room for margin improvement.** For topline growth in FY24E, we are now forecasting 14% growth, which is driven by: 1) 3% increase in store counts (excluding franchise), 2) 6% increase in sales per stores (ramp up of new stores opened last year while the average ASP and daily orders will still be down by both 5% YoY), 3) ramp up of sales from RTD and franchising business (sales of raw materials to its franchise). For net profit margin in FY24E, we do expect it to improve to around 1.1%, which is a mixture of: 1) stable GP margin, 2) operating deleverage from drop in ASP and daily orders, 3) potential closures of those underperforming stores (operating losses may be reduced but one-off impairment losses could also be recorded), 4) more cautious investment in the RTD business (management is aiming to narrow the losses), 5) introduction of a more asset light store format (capex per store cut from RMB 1mn to RMB 580K and store size will also be cut from 90 sq.m. to 40sq.m.), 6) small profits from the franchising business (as the incremental costs are very limited), 7) limited increases in headquarter costs, etc.
- Maintain BUY but cut TP to HK\$ 3.43.** We cut FY24E/ 25E net profit by 87%/ 72% to factor in: 1) slowdown in self-operated store expansion, 2) fall in sales per store and the associated operating deleverage but a 3) potential income and profit from the franchising business. We are certainly disappointed about its profitability (only expect 1.1% NP margin in FY24E) but still think the Company could survive in long run, as store level cash flow is still positive and the group is still very cash rich (accounted for 75%+ of its market cap). Hence, we have lowered our TP and changed valuation method from 20x FY24E P/E to 1.0x FY24E P/S (where a ~20% discounts to peers' average of 1.2x was applied). It is now trading at 0.7x FY24E P/S and 20x FY25E P/E.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMBmn)	4,292	5,164	5,877	5,987	6,169
YoY growth (%)	(0.1)	20.3	13.8	1.9	3.0
Operating profit (RMBmn)	(358.7)	(11.8)	75.8	193.0	260.3
Net profit (RMBmn)	(475.8)	11.2	63.7	200.4	274.9
EPS (Reported) (RMBcents)	(27.36)	0.77	3.67	11.55	15.84
YoY growth (%)	na	na	375.9	214.7	37.2
P/S (x)	0.9	0.8	0.7	0.7	0.7
P/E (x)	(8.4)	305.8	64.3	20.4	14.9
P/B (x)	0.8	0.8	0.8	0.8	0.8
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(9.8)	0.2	1.3	4.0	5.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$3.43
(Previous TP)	HK\$7.53)
Up/Downside	31.3%
Current Price	HK\$2.61

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	4,476.5
Avg 3 mths t/o (HK\$ mn)	20.8
52w High/Low (HK\$)	8.60/2.44
Total Issued Shares(mn)	1715.1

Source: FactSet

Shareholding Structure

Mr. Zhao Lin & Ms. Peng Xin	58.7%
Tiantu Capital	9.9%

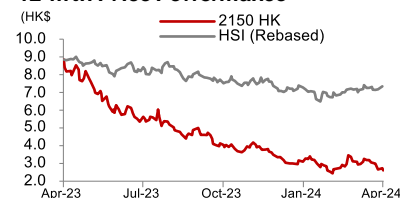
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-16.6%	-17.3%
3-mth	-16.6%	-17.0%
6-mth	-35.4%	-33.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **FY23 results were disappointing but should be well expected.** Nayuki's sales increased by 20% YoY to RMB 5.2bn, while net profit turned positive to RMB 13mn, with a NP margin of 0.3% (vs -10.9% last year). In FY23, average price per order dropped by 14% YoY to RMB 29.6, while average orders per teahouse per day was quite stable at 344, fell by only 1% YoY. However, the trend deteriorated in 2H23, as sales growth slowed down to just 14% and NP margin turned negative to -2.1%, driven by sharp drop in ASP and volume and the subsequent operating deleverage.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	5,877	5,987	6,169	8,185	9,874	n/a	-28.2%	-39.4%	n/a
Gross profit	3,917	3,991	4,112	5,480	6,615	n/a	-28.5%	-39.7%	n/a
EBIT	208	337	422	834	995	n/a	-75.1%	-66.1%	n/a
Adjusted NP att.	75	210	284	572	742	n/a	-86.9%	-71.7%	n/a
Adjusted EPS (RMB)	0.044	0.122	0.166	0.333	0.433	n/a	-86.9%	-71.7%	n/a
Gross margin	66.7%	66.7%	66.7%	66.9%	67.0%	n/a	-0.3ppt	-0.3ppt	n/a
EBIT margin	3.5%	5.6%	6.8%	10.2%	10.1%	n/a	-6.6ppt	-4.4ppt	n/a
Net profit att. margin	1.3%	3.5%	4.6%	7.0%	7.5%	n/a	-5.7ppt	-4ppt	n/a

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	5,877	5,987	6,169	7,739	9,450	9,226	-24.1%	-36.6%	-33.1%
Gross profit	3,917	3,991	4,112	5,184	6,245	5,568	-24.4%	-36.1%	-26.2%
EBIT	208	337	422	486	714	685	-57.2%	-52.8%	-38.4%
Adjusted NP att.	75	210	284	366	554	518	-79.6%	-62.1%	-45.2%
Adjusted EPS (RMB)	0.044	0.122	0.166	0.216	0.334	0.303	-79.9%	-63.3%	-45.4%
Gross margin	66.7%	66.7%	66.7%	67.0%	66.1%	60.3%	-0.3ppt	0.6ppt	6.3ppt
EBIT margin	3.5%	5.6%	6.8%	6.3%	7.6%	7.4%	-2.7ppt	-1.9ppt	-0.6ppt
Net profit att. margin	1.3%	3.5%	4.6%	4.7%	5.9%	5.6%	-3.5ppt	-2.4ppt	-1ppt

Source: Company data, CMBIGM estimates

Results summary

Figure 3: Results review – half year

(RMB mn)	1H22	2H22	1H23	2H23	1H23 YoY	2H23 YoY
Revenue	2,045	2,247	2,594	2,570	27%	14%
COGS	-648	-768	-825	-874		
Gross profit	1,397	1,479	1,768	1,696	27%	15%
GP margins	68.3%	65.8%	68.2%	66.0%		
Other income & gains	64	61	88	99		
Staff costs	-712	-650	-686	-718	-4%	10%
Staff costs/ sales	-34.8%	-28.9%	-26.4%	-27.9%		
Dep. of ROU assets expenses	-221	-214	-200	-211	-9%	-1%
Dep. of ROU assets exp / sales	-10.8%	-9.5%	-7.7%	-8.2%		
Other rentals expenses	-102	-127	-162	-144	59%	14%
Other rentalsexp / sales	-5.0%	-5.6%	-6.3%	-5.6%		
D & A of other assets	-126	-137	-143	-161	13%	18%
D & A of other assets exp / sales	-6.2%	-6.1%	-5.5%	-6.3%		
A & P expenses	-75	-68	-74	-92	-2%	35%
A & P exp / sales	-3.7%	-3.0%	-2.9%	-3.6%		
Delivery service fees	-163	-217	-191	-201	17%	-7%
Delivery service fees/sales	-8.0%	-9.7%	-7.4%	-7.8%		
Utilities expenses	-53	-60	-67	-77	25%	28%
Utilitiesexp / sales	-2.6%	-2.7%	-2.6%	-3.0%		
Logistic & storage fees	-59	-64	-69	-72	17%	12%
Logistic & storage fees/sales	-2.9%	-2.9%	-2.6%	-2.8%		
Other opex	-104	-146	-117	-144		
Operating profit (EBIT)	-155	-143	147	-26	-195%	-82%
OP margins	-7.6%	-6.4%	5.7%	-1.0%		
Other items	-54	-82	-34	24		
Net finance income	-44	-36	-34	-32		
Net finance income/ sales	-2.2%	-1.6%	-1.3%	-1.2%		
Profit after financing costs	-254	-261	79	-34		
Associated coms	0	-1	0	-39		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-254	-263	79	-72	-131%	-72%
Tax	-3	44	-14	19		
Tax/ sales	-0.1%	1.9%	-0.5%	0.7%		
Effective taxrate	1.1%	-16.6%	-17.5%	-25.9%		
Minority interests	-3	-4	-1	-1		
Net profit att.	-254	-215	66	-53	-126%	-75%
NP margins	-12.4%	-9.6%	2.5%	-2.1%		
Adjusted Net profit att.	-246	-209	71	-48	-129%	-77%
Adjusted NP att. margin	-12.0%	-9.3%	2.8%	-1.9%		

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY22	FY23	FY24E	FY23 YoY	FY24E YoY
Revenue	4,292	5,164	5,877	20%	14%
COGS	-1,416	-1,699	-1,960		
Gross profit	2,875	3,465	3,917	20%	13%
GP margins	67.0%	67.1%	66.7%		
Other income & gains	125	186	179		
Staff costs	-1,362	-1,404	-1,529	3%	9%
Staff costs/ sales	-31.7%	-27.2%	-26.0%		
Dep.of ROU assets expenses	-435	-412	-493	-5%	20%
Dep. of ROU assets exp / sales	-10.1%	-8.0%	-8.4%		
Other rentals expenses	-229	-306	-335	34%	9%
Other rental exp / sales	-5.3%	-5.9%	-5.7%		
D & A of other assets	-263	-304	-437	16%	43%
D & A of other assets exp / sales	-6.1%	-5.9%	-7.4%		
A & P expenses	-143	-166	-176	16%	6%
A & P exp / sales	-3.3%	-3.2%	-3.0%		
Delivery service fees	-381	-393	-360	3%	-8%
Delivery service fees/ sales	-8.9%	-7.6%	-6.1%		
Utilities expenses	-114	-144	-153	27%	6%
Utilities exp / sales	-2.6%	-2.8%	-2.6%		
Logistic & storage fees	-123	-141	-160	14%	14%
Logistic & storage fees/ sales	-2.9%	-2.7%	-2.7%		
Other opex	-250	-261	-247	5%	-6%
Operating profit (EBIT)	-298	120	208	-140%	73%
OP margins	-7.0%	2.3%	3.5%		
Other items	-136	-10	-29		
Net finance income	-80	-66	-92		
Net finance income/ sales	-1.9%	-1.3%	-1.6%		
Profit after financing costs	-515	45	87		
Associated coms	-1	-39	-12		
Jointly controlled coms	0	0	0		
Pre-tax profit	-517	6	75	-101%	1126%
Tax	41	5	-11		
Tax/ sales	0.9%	0.1%	-0.2%		
Effective tax rate	-7.9%	82.7%	-15.0%		
Minority interests	-6	-2	1		
Net profit att.	-469	13	63	-103%	376%
NP margins	-10.9%	0.3%	1.1%		
Adjusted Net profit att.	-455	23	75	-105%	225%
Adjusted NP att. margin	-10.6%	0.4%	1.3%		

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: Major assumptions 1

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by brand (RMBm n)						
Nayuki	4,067	3,969	4,692	5,153	5,168	5,267
Tai Gai	141	83	53	12	-	-
Others	88	240	419	712	819	901
Total	4,297	4,292	5,164	5,877	5,987	6,169
Sales growth by brand segment						
Nayuki	41.7%	-2.4%	18.2%	9.8%	0.3%	1.9%
Tai Gai	-7.5%	-41.6%	-35.2%	-78.1%	-100.0%	-
Others	163.7%	172.9%	74.8%	70.0%	15.0%	10.0%
Total	40.5%	-0.1%	20.3%	13.8%	1.9%	3.0%
Average sales per store (RMB)						
	5.0	3.7	3.0	3.2	2.9	2.8
Growth (%)	-14.9%	-25.3%	-19.8%	6.5%	-7.1%	-4.1%
Average sales per order/ ASP (RMB)						
	42	34	30	28	27	26
Growth (%)	-3.3%	-17.5%	-13.7%	-5.0%	-3.0%	-3.0%
Average orders per day						
	417	348	344	327	321	314
Growth (%)	-11.3%	-16.4%	-1.1%	-5.0%	-2.0%	-2.0%
Average daily sales (RMB)						
	17,335	11,943	10,191	9,198	8,743	8,311
Nayuki brand's store network						
Total	817	1,068	1,574	1,624	1,754	1,864
GP margins						
	67.4%	67.0%	67.1%	66.7%	66.7%	66.7%
Opex breakdown						
Staff costs	-33.2%	-31.7%	-27.2%	-26.0%	-26.0%	-26.3%
Depreciation of right-of-use assets	-9.8%	-10.1%	-8.0%	-8.4%	-8.0%	-8.0%
Other rentals & related expenses	-5.0%	-5.3%	-5.9%	-5.7%	-5.3%	-5.1%
D & A of other assets	-4.7%	-6.1%	-5.9%	-7.4%	-7.4%	-7.0%
Advertising & promotion expenses	-2.6%	-3.3%	-3.2%	-3.0%	-2.9%	-2.9%
Delivery service fees	-6.0%	-8.9%	-7.6%	-6.1%	-5.4%	-4.7%
Utilities expenses	-2.1%	-2.6%	-2.8%	-2.6%	-2.5%	-2.5%
Logistic & storage fees	-2.1%	-2.9%	-2.7%	-2.7%	-2.7%	-2.7%
EBIT margins						
	-1.5%	-7.0%	2.3%	3.5%	5.6%	6.8%
Effective tax rate	0.1%	7.9%	-82.7%	15.0%	15.0%	15.0%
NP att. margins						
	-105.3%	-10.9%	0.3%	1.1%	3.3%	4.4%
NP att. growth (%)						
	2141.3%	-89.6%	-102.8%	375.9%	214.7%	37.2%
Adj. NP margins						
	-3.4%	-10.7%	0.4%	1.3%	3.5%	4.7%
Adj. NP growth (%)						
	-691.2%	217.6%	-104.5%	260.7%	181.5%	35.3%

Source: Company data, CMBIGM estimates

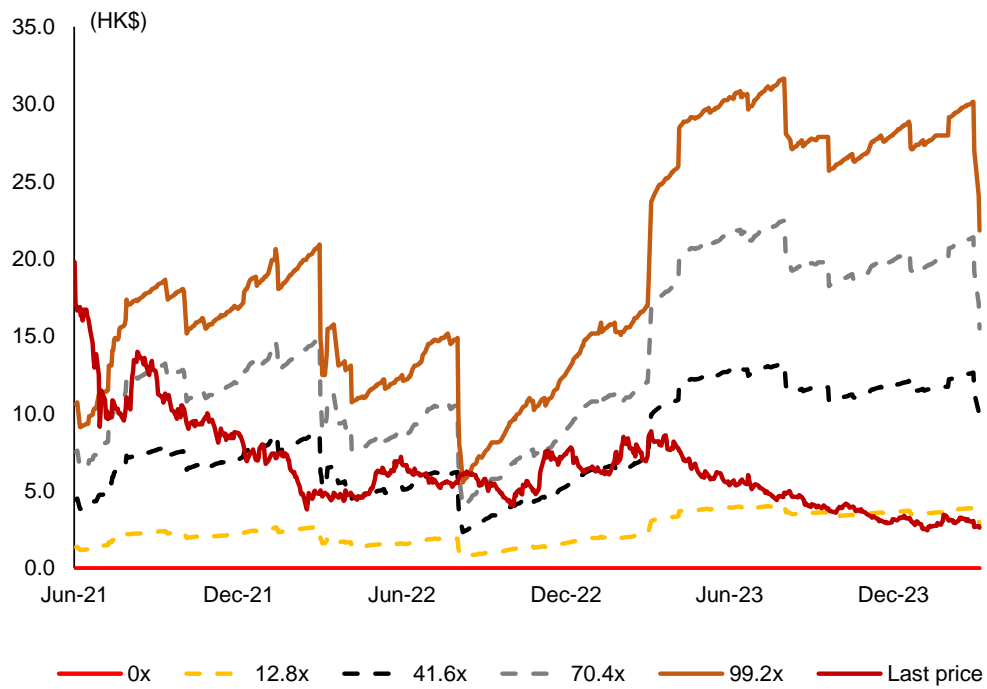
Valuation

Figure 6: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m n)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per. (%)	
								FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
Leading Greater China Catering															
Nayuki	2150 HK	BUY	3.43	2.61	31%	4,476	Dec-23	54.2	19.3	0.8	(91.5)	0.6	0.0	(17.7)	
Jiumaojiu	9922 HK	BUY	8.39	5.42	55%	7,786	Dec-23	12.1	9.5	1.6	13.9	0.5	3.2	(11.1)	
Haidilao	6862 HK	BUY	24.76	17.56	41%	97,879	Dec-23	17.7	15.7	5.1	47.4	1.8	2.8	20.8	
Cafe De Coral	341 HK	BUY	14.82	8.18	81%	4,791	Mar-23	13.5	10.0	1.6	7.2	0.2	8.4	(9.2)	
Xiabuxiabu	520 HK	BUY	4.89	1.61	204%	1,749	Dec-23	6.9	4.5	0.7	(15.0)	(0.0)	4.3	(34.6)	
Dpc Dash	1405 HK	BUY	73.05	52.65	39%	6,862	Dec-23	322.1	46.8	3.2	(1.9)	(1.0)	n/a	(15.0)	
Helens	9869 HK	NR	n/a	3.23	n/a	4,087	Dec-23	10.8	8.7	1.5	9.9	0.4	4.6	(15.2)	
Tam Jai	2217 HK	NR	n/a	0.99	n/a	1,333	Mar-23	9.0	7.3	0.8	9.1	0.6	6.6	(21.4)	
Yihai	1579 HK	NR	n/a	15.22	n/a	15,779	Dec-23	14.5	13.1	2.4	18.7	1.6	4.4	22.7	
Yum China	9987 HK	BUY	384.17	307.80	25%	121,163	Dec-23	17.8	15.8	2.2	12.8	1.4	1.6	(7.3)	
Yum China	YUMC US	BUY	49.59	39.66	25%	122,220	Dec-23	18.0	15.9	2.2	12.8	1.4	1.6	(6.5)	
Gourmet Master	2723 TT	NR	n/a	91.20	n/a	4,010	Dec-23	16.4	13.1	1.3	6.9	0.7	4.9	(10.1)	
								Avg.	42.8	15.0	2.0	2.5	0.7	3.9	(8.7)
								Med.	15.5	13.1	1.6	9.5	0.6	4.3	(10.6)
International Catering															
Yum! Brands	YUM US	NR	n/a	139	n/a	305,343	Dec-23	24.0	21.4	n/a	n/a	2.8	1.9	6.1	
Mcdonald'S	MCD US	NR	n/a	275	n/a	1,553,312	Dec-23	22.1	20.3	n/a	n/a	2.6	2.5	(7.3)	
Starbucks	SBUX US	NR	n/a	89	n/a	791,368	Oct-23	22.0	18.9	n/a	n/a	1.5	2.6	(7.0)	
Rest. Brands	QSR US	NR	n/a	77	n/a	275,532	Dec-23	22.4	19.6	6.4	44.4	5.1	3.0	(2.0)	
Chipotle	CMG US	NR	n/a	2907	n/a	624,036	Dec-23	54.6	44.9	18.7	45.3	2.8	0.0	27.1	
Darden Rest.	DRI US	NR	n/a	162	n/a	151,830	May-23	18.4	16.7	8.2	49.0	1.9	3.2	(1.1)	
Domino'S	DPZ US	NR	n/a	497	n/a	135,520	Dec-23	31.5	28.1	n/a	n/a	3.1	1.2	20.6	
Wendy'S	WEN US	NR	n/a	18	n/a	29,541	Dec-23	18.4	16.6	56.0	52.7	2.0	5.6	(5.7)	
Shake Shack	SHAK US	NR	n/a	103	n/a	34,166	Dec-23	150.6	109.3	7.8	4.7	4.0	n/a	39.2	
Wingstop	WING US	NR	n/a	364	n/a	83,633	Dec-23	121.8	99.5	n/a	n/a	5.0	0.3	41.9	
Jollibee Foods	JFC PM	NR	n/a	233	n/a	36,157	Dec-23	27.5	22.2	2.8	11.3	1.4	1.3	(7.5)	
								Avg.	46.7	38.0	16.7	34.6	2.9	2.2	9.5
								Med.	24.0	21.4	8.0	44.8	2.8	2.2	(1.1)
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	5.71	n/a	24,663	Dec-23	14.0	12.5	1.7	12.6	3.2	6.9	2.9	
Tingyi	322 HK	NR	n/a	8.59	n/a	48,399	Dec-23	12.3	11.2	2.8	22.9	1.3	8.3	(9.8)	
Want Want	151 HK	NR	n/a	4.60	n/a	54,335	Mar-23	13.0	12.1	1.7	25.0	1.8	5.3	(2.5)	
China Mengniu*	2319 HK	BUY	n/a	17.56	n/a	69,104	Dec-23	11.0	9.9	1.2	11.4	0.9	3.6	(16.4)	
Vitasoy	345 HK	NR	n/a	6.55	n/a	7,027	Mar-23	60.6	28.1	2.2	2.1	0.6	1.0	(15.8)	
Nongfu Spring*	9633 HK	BUY	57.80	43.90	32%	493,720	Dec-23	34.5	30.1	11.0	45.9	2.7	2.0	(2.8)	
Budw eiser*	1876 HK	HOLD	14.50	11.38	27%	150,710	Dec-23	18.2	15.8	1.6	7.9	1.1	3.6	(22.2)	
Tsingtao*	168 HK	BUY	82.10	53.20	54%	96,877	Dec-23	13.5	11.9	2.0	16.1	1.3	4.3	1.5	
CR Beer*	291 HK	BUY	69.80	35.60	96%	115,493	Dec-23	17.4	15.1	2.7	18.0	1.2	2.5	4.1	
								Avg.	21.6	16.3	3.0	18.0	1.6	4.2	(6.8)
								Med.	14.0	12.5	2.0	16.1	1.3	3.6	(2.8)

Source: Bloomberg, Company data, CMBIGM estimates, *covered by another analyst – Joseph Wong

Figure 7: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,297	4,292	5,164	5,877	5,987	6,169
Cost of goods sold	(1,401)	(1,416)	(1,699)	(1,960)	(1,997)	(2,057)
Gross profit	2,896	2,875	3,465	3,917	3,991	4,112
Operating expenses	(2,990)	(3,299)	(3,531)	(3,889)	(3,846)	(3,901)
Staff costs	(1,424)	(1,362)	(1,404)	(1,529)	(1,557)	(1,623)
Other rental related expenses	(213)	(229)	(306)	(335)	(316)	(314)
Others	(728)	(1,010)	(1,104)	(1,096)	(1,047)	(1,038)
Operating profit	(86)	(359)	(12)	76	193	260
Other income	8	65	54	47	48	49
Share of (losses)/profits of associates/JV	0	(1)	(39)	(12)	0	0
EBITDA	539	339	704	1,005	1,118	1,186
Depreciation	(204)	(263)	(304)	(437)	(444)	(432)
Depreciation of ROU assets	(420)	(435)	(412)	(493)	(481)	(493)
Interest income	19	60	132	132	144	161
Interest expense	(92)	(80)	(66)	(92)	(84)	(80)
Net Interest income/(expense)	(72)	(20)	66	40	61	82
Other income/expense	(4,372)	(136)	(10)	(29)	(18)	(19)
Pre-tax profit	(4,530)	(517)	6	75	236	323
Income tax	4	41	5	(11)	(35)	(49)
Minority interest	1	6	2	(1)	(2)	(3)
Net profit	(4,526)	(476)	11	64	200	275
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	4,671	3,970	4,107	4,448	4,885	5,448
Cash & equivalents	4,053	1,387	1,820	2,093	2,520	3,067
Account receivables	3	3	4	4	4	4
Inventories	174	126	180	208	212	218
ST bank deposits	52	1,820	1,820	1,820	1,820	1,820
Other current assets	390	633	284	323	329	339
Non-current assets	2,658	2,970	3,021	2,867	2,662	2,415
PP&E	801	1,024	1,114	972	767	520
Investment in JVs & assos	0	24	(14)	(26)	(26)	(26)
Intangibles	0	0	0	0	0	(0)
Other non-current assets	1,856	1,921	1,921	1,921	1,921	1,921
Total assets	7,328	6,940	7,129	7,315	7,547	7,864
Current liabilities	1,330	1,203	1,371	1,464	1,478	1,501
Short-term borrowings	0	0	0	0	0	0
Account payables	289	170	275	318	324	333
Tax payable	28	29	29	29	29	29
Other current liabilities	1,013	1,004	1,066	1,117	1,125	1,138
Non-current liabilities	1,055	972	969	970	973	976
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,055	972	969	970	973	976
Total liabilities	2,385	2,174	2,340	2,434	2,450	2,476
Share capital	0	0	0	0	0	0
Retained earnings	0	0	13	76	274	546
Other reserves	4,943	4,766	4,775	4,805	4,823	4,841
Total shareholders equity	4,943	4,766	4,789	4,881	5,097	5,387
Minority interest	0	0	0	0	0	0
Total equity and liabilities	7,328	6,940	7,129	7,315	7,547	7,864

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(4,530)	(517)	6	75	236	323
Depreciation & amortization	204	263	304	437	444	432
Tax paid	(5)	0	5	(11)	(35)	(49)
Change in working capital	(59)	(47)	463	26	4	6
Others	4,896	607	185	133	102	98
Net cash from operations	506	307	963	659	750	812
Investing						
Capital expenditure	(749)	(448)	(465)	(294)	(239)	(185)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(46)	(2,181)	0	0	0	0
Net cash from investing	(795)	(2,629)	(465)	(294)	(239)	(185)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(283)	0	0	0	0	0
Proceeds from share issues	4,620	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(445)	(478)	(66)	(92)	(84)	(80)
Net cash from financing	3,892	(478)	(66)	(92)	(84)	(80)
Net change in cash						
Cash at the beginning of the year	502	4,053	1,387	1,820	2,093	2,520
Exchange difference	(52)	135	0	0	0	0
Others	3,603	(2,801)	432	274	427	547
Cash at the end of the year	4,053	1,387	1,820	2,093	2,520	3,067
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	40.5%	(0.1%)	20.3%	13.8%	1.9%	3.0%
Gross profit	52.6%	(0.7%)	20.5%	13.1%	1.9%	3.0%
Operating profit	na	na	na	na	154.5%	34.9%
EBITDA	(7.1%)	(37.0%)	107.5%	42.7%	11.3%	6.0%
Net profit	na	na	na	470.3%	214.7%	37.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	67.4%	67.0%	67.1%	66.7%	66.7%	66.7%
Operating margin	(2.0%)	(8.4%)	(0.2%)	1.3%	3.2%	4.2%
EBITDA margin	12.5%	7.9%	13.6%	17.1%	18.7%	19.2%
Return on equity (ROE)	(200.3%)	(9.8%)	0.2%	1.3%	4.0%	5.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	3.5	3.3	3.0	3.0	3.3	3.6
Receivable turnover days	0.2	0.3	0.3	0.3	0.3	0.3
Inventory turnover days	36.1	38.7	38.7	38.7	38.7	38.7
Payable turnover days	67.1	59.2	59.2	59.2	59.2	59.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	(0.8)	(8.4)	305.8	64.3	20.4	14.9
P/E (diluted)	(0.8)	(8.4)	305.8	64.3	20.4	14.9
P/B	0.7	0.8	0.8	0.8	0.8	0.8
P/CFPS	8.2	13.5	4.3	6.3	5.5	5.1
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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