

Jiumaojiu (9922 HK)

SSS rebounds in May and costs control pay off

Maintain BUY and raised TP to HK\$ 21.30, based on 35x FY23E P/E (rolled over from 40x FY22E P/E). After hosting a NDR with the Company, we are now factoring in the negatives by the recent COVID-19 outbreaks and lockdowns, but still maintain BUY because we think the worst shall be over, plus Tai Er's significant long-term potential. The stock is trading at 28x FY23E P/E, vs 5-year average of 50x and 44% FY21-24E NP CAGR.

- **SSS rebounded in May vs Apr 2022.** SSS recovery rate (vs 2021) for Tai Er/ JMJ were at 61%/ 81% in May, improving from 52%/ 74% in Apr and 60%/ 80% in Mar 2022. Compared to 2019, SSS recovery for Tai Er/ JMJ were at 63%/ 71% in May, vs 51%/ 61% in Apr and 58%/ 62% in Mar 2022. Tai Er is heavily impacted as ~11%/ 6% of its total stores are located in Shanghai/ Beijing while JMJ has none. JMJ's outperformance was also driven by its store environment and product revamps, in our view.
- **Stay cautiously optimistic on recovery trend after Jun 2022.** According to management, Tai Er's SSS recovery rate (vs 2021) could have been at 75%, if the affected areas (e.g. Shanghai, Beijing, Tianjin.) were excluded. On top of this, we have turned more positive about 2H22E, thanks to: 1) quick recovery observed in Shenzhen (85% recovery rate (vs 2021) for both Tai Er/ JMJ in May, 2) stepping up in promotions in Shanghai (e.g. enjoying a 20% up in food portion with the same price) and 3) low base in 2H21. As at 13 Jun 2022, only five Tai Er stores (out of 367) have not resumed operation, either dine-in or delivery.
- **Even with operating leverage in Mar-Apr 2022, we still expect profits in 1H22E.** We believe GP margin can be stable due to prices lock-in and increased use of self-raised bass (about 5-10% cheaper vs sourced outside), while prices of other raw materials like beef, pork and ingredients are all manageable. Staffs per Tai Er restaurant was already down to just 27 in Dec 2021 (vs 36 before COVID-19), but pressure will still be there given no layoffs in 1H22E, even though only min. wages will be paid for those in areas affected by COVID-19 outbreaks. Drags in rental will also be there but manageable, as 60-70% of new stores signed in recent years could enjoy a very minimal base rent, plus the rising mix of stores in lower tier cities. All in All, we are expecting NP margin to be at 5.2% in 1H22E (vs 7.1% in 2H21).
- **Maintain BUY but raised TP to HK\$ 21.30.** We cut FY22E/ 23E net profit estimates by 29%/ 5% but raised 24E net profit by 4% to factor in: 1) COVID-19 outbreak in 2Q22E, 2) greater operating leverage and 3) lower minority interests. We maintain BUY but raised TP to HK\$ 21.30, based on 35x FY23E P/E (rolled over from 40x FY22E P/E).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	2,715	4,180	5,031	7,105	9,179
YoY growth (%)	1.0	54.0	20.4	41.2	29.2
Net income (RMB mn)	124	340	380	732	1,011
EPS (RMB)	0.090	0.234	0.262	0.504	0.695
YoY growth (%)	(24.5)	160.8	11.8	92.6	38.0
Consensus EPS (RMB)	N/A	N/A	0.343	0.566	0.787
P/E (x)	160.5	60.5	54.1	28.1	20.4
P/B (x)	6.5	6.0	5.3	4.4	3.6
Yield (%)	0.1	0.3	0.4	0.7	1.0
ROE (%)	4.1	10.0	9.9	15.8	17.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$21.30
(Previous TP)	HK\$17.83)
Up/Downside	+21.7%
Current Price	HK\$17.10

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	24,853
Avg 3 mths t/o (HK\$ mn)	215.65
52w High/Low (HK\$)	33.75/10.82
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	6.8%	-0.2%
3-mth	51.9%	31.3%
6-mth	28.1%	40.8%
12-mth	-37.6%	-16.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Jiumaojiu (9922 HK, BUY) – A resilient Tai Er and an uprising Song Hot Pot – 25 Mar 2022
2. Jiumaojiu (9922 HK, BUY) – Still hindered by industry down-cycle – 19 Jan 2022
3. Jiumaojiu (9922 HK, BUY) – Slightly more cautious after a bumpy Jul-Aug – 26 Aug 2021

- **Factoring in a slightly better recovery rate in 2H22E vs 2H21.** We now forecast the SSS recovery rate (vs 2019) to be 88%/ 94% for Tai Er/ JMJ in 2H22E (vs 79%/ 94% in 2H21), a pace which is slightly better than 2H21 but weaker than 2H20, due to the possible social distancing measures and less robust economic growth. But with the costs savings and efficiency gains, we are expecting a 9.2% NP margin in 2H22E (vs 7.1% in 2H21).
- **Stores opening pace was slowed in 1H22 but full year target remained unchanged.** Due to various travel restrictions in mainland China, site visits and construction works are delayed, hence we only expect 20-30 new stores in 1H22E (vs 150 target in FY22E).
- **Factoring in a slightly Song hotspot is ramping up smoothly.** Despite the pandemic, management highlighted that table turnover (at 2.5x in FY21) for Song is still improving YoY, thanks to improved customer experience. However, the store model is still striving for perfection, hence only limited expansions in near future.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,031	7,105	9,179	5,792	7,646	9,450	-13.1%	-7.1%	-2.9%
Gross profit	3,203	4,558	5,893	3,688	4,903	6,066	-13.1%	-7.0%	-2.8%
EBIT	625	1,159	1,579	911	1,311	1,640	-31.4%	-11.6%	-3.7%
Net profit att.	380	732	1,011	536	773	973	-29.1%	-5.3%	3.8%
Diluted EPS (RMB)	0.262	0.504	0.695	0.369	0.532	0.670	-29.1%	-5.3%	3.8%
Gross margin	63.7%	64.2%	64.2%	63.7%	64.1%	64.2%	0ppt	0ppt	0ppt
EBIT margin	12.4%	16.3%	17.2%	15.7%	17.2%	17.4%	-3.3ppt	-0.8ppt	-0.1ppt
Net profit att. margin	7.6%	10.3%	11.0%	9.3%	10.1%	10.3%	-1.7ppt	0.2ppt	0.7ppt

Source: Company data, CMBIGM estimates

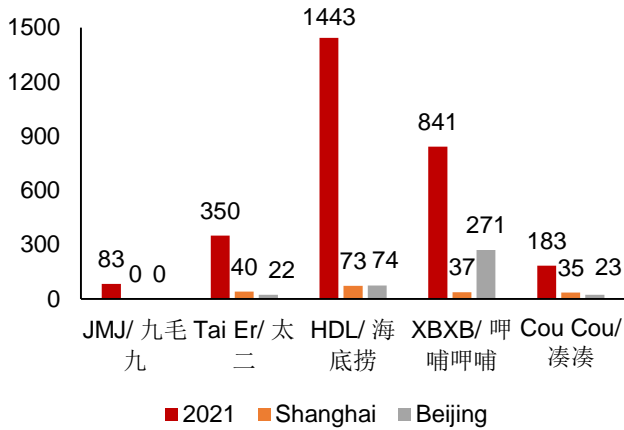
Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,031	7,105	9,179	5,772	8,468	11,177	-12.8%	-16.1%	-17.9%
Gross profit	3,203	4,558	5,893	3,654	5,388	7,147	-12.3%	-15.4%	-17.5%
EBIT	625	1,159	1,579	798	1,308	1,808	-21.7%	-11.4%	-12.7%
Net profit att.	380	732	1,011	500	834	1,091	-24.0%	-12.2%	-7.3%
Diluted EPS (RMB)	0.262	0.504	0.695	0.343	0.566	0.787	-23.6%	-11.0%	-11.6%
Gross margin	63.7%	64.2%	64.2%	63.3%	63.6%	63.9%	0.4ppt	0.5ppt	0.3ppt
EBIT margin	12.4%	16.3%	17.2%	13.8%	15.4%	16.2%	-1.4ppt	0.9ppt	1ppt
Net profit att. margin	7.6%	10.3%	11.0%	8.7%	9.9%	9.8%	-1.1ppt	0.5ppt	1.3ppt

Source: Company data, CMBIGM estimates

Focus Charts

Figure 3: # of stores in Shanghai/ Beijing by brand



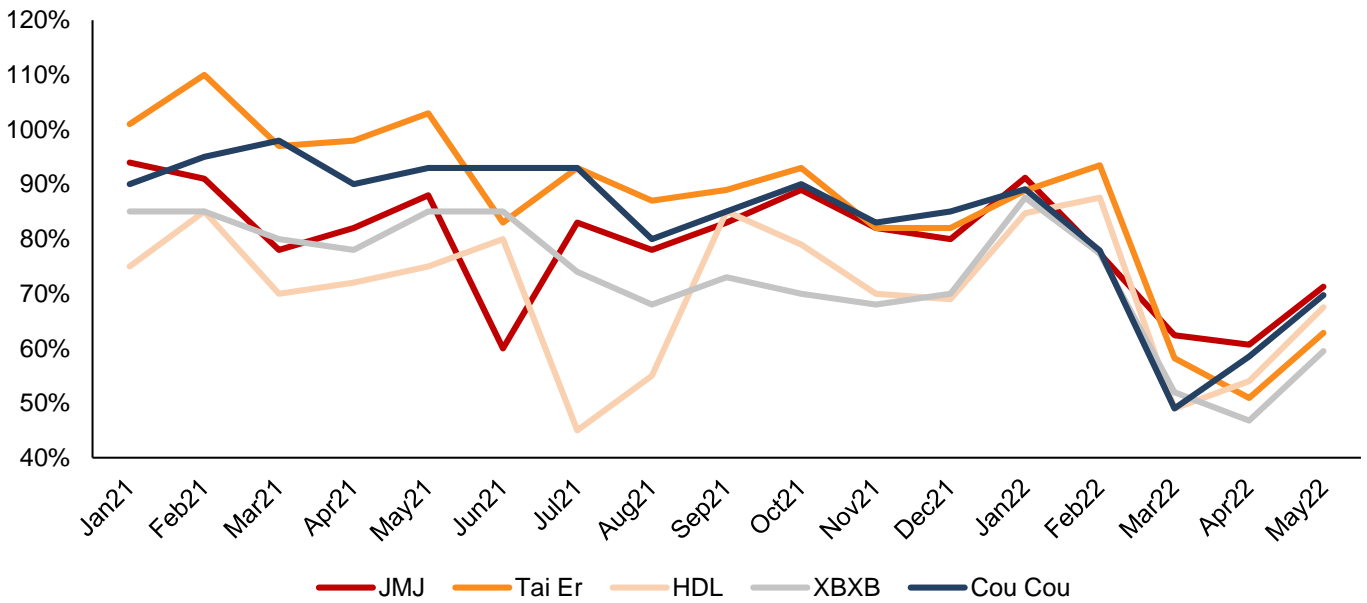
Source: Company data, CMBIGM estimates

Figure 4: Tai Er's promotion in Shanghai



Source: Company data, CMBIGM estimates

Figure 5: Same store sales recovery rate (vs 2019) by brand



Source: Company data, CMBIGM estimates, *table turnover recovery rate was used for HDL

Results Summary

Figure 6: Results preview – half year

Half yearly / Full yearly (RMB mn)	1H21	2H21	1H22E	2H22E	1H22E YoY	2H22E YoY
Revenue	2,021	2,158	2,040	2,991	1%	39%
COGS	(751)	(786)	(749)	(1,079)		
Gross profit	1,270	1,372	1,292	1,911	2%	39%
GP margins	62.8%	63.6%	63.3%	63.9%		
Other income & gains	30	34	29	42		
Staff costs	(506)	(550)	(555)	(715)	10%	30%
Staff costs / sales	-25.1%	-25.5%	-27.2%	-23.9%		
Dep. of right-of-use assets expenses	(161)	(181)	(175)	(251)	9%	38%
Dep. of ROU assets exp / sales	-8.0%	-8.4%	-8.6%	-8.4%		
Other rentals expenses	(50)	(46)	(57)	(65)	13%	40%
Other rentals exp / sales	-2.5%	-2.2%	-2.8%	-2.2%		
D & A of other assets	(71)	(88)	(98)	(129)	38%	46%
D & A of other assets exp / sales	-3.5%	-4.1%	-4.8%	-4.3%		
Utilities expenses	(65)	(68)	(78)	(103)	20%	52%
Utilities exp / sales	-3.2%	-3.1%	-3.8%	-3.5%		
Travelling & related expenses	(10)	(14)	(10)	(20)	2%	47%
Travelling & related exp / sales	-0.5%	-0.6%	-0.5%	-0.7%		
A & P expenses	(17)	(31)	(16)	(41)	-3%	33%
A & P exp / sales	-0.8%	-1.4%	-0.8%	-1.4%		
Delivery service fees	(38)	(22)	(45)	(38)	17%	68%
Delivery service fees / sales	-1.9%	-1.0%	-2.2%	-1.3%		
Other opex	-70	-148	-92	-160	32%	8%
Other opex / sales	-3.4%	-6.9%	-4.5%	-5.3%		
Operating profit (EBIT)	312	257	194	431	-38%	68%
OP margins	15.4%	11.9%	9.5%	14.4%		
Other items	0	11	6	8		
Net finance income	(37)	(39)	(31)	(47)		
Net finance income / sales	-1.8%	-1.8%	-1.5%	-1.6%		
Profit after financing costs	275	229	169	392		
Associated coms	1	(0)	1	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	277	229	170	392	-38%	71%
Tax	(72)	(62)	(51)	(95)		
Tax / sales	-3.5%	-2.9%	-2.5%	-3.2%		
Effective tax rate	-25.9%	-27.1%	-30.0%	-24.2%		
Minority interests	19	13	14	23		
Net profit att.	186	154	106	274	-43%	78%
NP margins	9.2%	7.1%	5.2%	9.2%		

Source: Bloomberg, Company data, CMBIGM estimates

Figure 7: Results preview – full year

Half yearly / Full yearly (RMB mn)	FY21	FY22E	FY23E	FY22E YoY	FY23E YoY
Revenue	4,180	5,031	7,105	20%	41%
COGS	(1,537)	(1,828)	(2,547)		
Gross profit	2,642	3,203	4,558	21%	42%
GP margins	63.2%	63.7%	64.2%		
Other income & gains	64	71	94		
Staff costs	(1,057)	(1,270)	(1,663)	20%	31%
Staff costs / sales	-25.3%	-25.2%	-23.4%		
Dep. of right-of-use assets expenses	(343)	(426)	(571)	24%	34%
Dep. of ROU assets exp / sales	-8.2%	-8.5%	-8.0%		
Other rentals expenses	(97)	(122)	(188)	26%	54%
Other rentals exp / sales	-2.3%	-2.4%	-2.7%		
D & A of other assets	(159)	(227)	(267)	43%	18%
D & A of other assets exp / sales	-3.8%	-4.5%	-3.8%		
Utilities expenses	(132)	(181)	(231)	37%	28%
Utilities exp / sales	-3.2%	-3.6%	-3.3%		
Travelling & related expenses	(24)	(30)	(43)	28%	41%
Travelling & related exp / sales	-0.6%	-0.6%	-0.6%		
A & P expenses	(48)	(57)	(81)	20%	41%
A & P exp / sales	-1.1%	-1.1%	-1.1%		
Delivery service fees	(61)	(83)	(97)	36%	17%
Delivery service fees / sales	-1.5%	-1.6%	-1.4%		
Other opex	-218	-252	-352	15%	40%
Other opex / sales	-5.2%	-5.0%	-5.0%		
Operating profit (EBIT)	569	625	1,159	10%	86%
OP margins	13.6%	12.4%	16.3%		
Other items	11	14	19		
Net finance income	(75)	(77)	(88)		
Net finance income / sales	-1.8%	-1.5%	-1.2%		
Profit after financing costs	505	562	1,090		
Associated coms	1	1	2		
Jointly controlled coms	0	0	0		
Pre-tax profit	506	563	1,092	11%	94%
Tax	(134)	(146)	(284)		
Tax / sales	-3.2%	-2.9%	-4.0%		
Effective tax rate	-26.4%	-25.9%	-26.0%		
Minority interests	32	37	76		
Net profit att.	340	380	732	12%	93%
NP margins	8.1%	7.6%	10.3%		

Source: Bloomberg, Company data, CMBIGM estimates

Valuation

Figure 8: Peers valuation

Company	Ticker	Rating	12M TP	Price	Up/dow	Mkt cap	Year	PER (x)		PBR (x)		ROE	ROE	3yrs	Yield	YTD	
			HK\$/LC	HK\$/LC	n-side (%)			HK\$ mn	End	FY1	FY2	FY1	FY2	(%)	(%)		PEG(x)
Leading Greater China Catering																	
Jiumaojiu	9922 HK	BUY	21.30	17.10	25%	24,853	Dec-21	54.1	28.1	5.3	4.4	10.5	20.3	1.2	0.4	24.8	
Haidilao	6862 HK	BUY	15.59	14.56	7%	81,157	Dec-21	51.7	25.4	7.5	6.0	(45.9)	25.6	(0.3)	0.5	(17.3)	
Nayuki	2150 HK	HOLD	7.00	6.14	14%	10,531	Dec-21	150.0	29.7	1.9	1.8	n/a	6.7	(1.0)	0.0	(28.3)	
Helens	9869 HK	NR	n/a	12.42	n/a	15,735	Dec-21	37.3	17.4	4.2	3.5	(15.1)	19.5	(0.1)	0.8	(34.2)	
Cafe De Coral	341 HK	BUY	19.05	11.76	62%	6,888	Mar-22	22.7	15.2	4.1	3.9	0.7	14.3	n/a	2.8	(15.4)	
Xiabuxiabu	520 HK	NR	n/a	3.87	n/a	4,203	Dec-21	33.1	12.5	1.7	1.6	(13.7)	13.3	(0.2)	1.3	(35.9)	
Tam Jai	2217 HK	NR	n/a	2.51	n/a	3,365	Mar-22	11.4	7.7	1.9	1.6	19.3	22.1	0.3	3.0	(24.9)	
Yihai	1579 HK	UR	n/a	22.40	n/a	23,451	Dec-21	23.4	19.8	4.2	3.5	21.6	19.0	2.1	1.2	(37.1)	
Yum China	9987 HK	HOLD	287.57	320.40	-10%	135,026	Dec-21	40.6	22.1	2.3	2.1	13.0	10.3	(22.9)	1.1	(16.3)	
Gourmet Master	2723 TT	NR	n/a	103.50	n/a	4,916	Dec-21	18.9	15.9	1.6	1.6	9.6	10.5	4.6	4.1	(8.0)	
								Avg.	44.3	19.4	3.5	3.0	0.0	16.1	(1.8)	1.5	(19.2)
								Med.	35.2	18.6	3.2	2.8	9.6	16.6	(0.1)	1.2	(21.1)
Other Greater China Catering																	
Fairwood	52 HK	NR	n/a	13.70	n/a	1,775	Mar-21	n/a	n/a	n/a	n/a	19.1	n/a	n/a	n/a	(11.6)	
Tai Hing	6811 HK	NR	n/a	1.10	n/a	1,104	Dec-21	6.9	5.8	1.0	0.9	9.2	18.9	0.9	10.9	(19.1)	
Ajsen	538 HK	NR	n/a	0.92	n/a	1,004	Dec-21	n/a	n/a	n/a	n/a	0.7	n/a	n/a	n/a	(27.0)	
								Avg.	6.9	n/a	n/a	n/a	2.6	n/a	n/a	10.9	(19.2)
								Med.	6.9	n/a	n/a	n/a	2.6	n/a	n/a	10.9	(19.1)
Greater China Catering																	
								Avg.	40.9	18.2	3.3	2.8	2.4	16.4	(1.5)	2.4	(19.2)
								Med.	33.1	17.4	2.3	2.1	9.4	18.9	0.1	1.2	(19.1)
International Catering																	
Yum! Brands	YUM US	NR	n/a	111.90	n/a	250,489	Dec-21	23.9	20.7	n/a	n/a	n/a	(12.2)	1.1	2.0	(19.4)	
Mcdonald'S	MCD US	NR	n/a	238.90	n/a	1,386,903	Dec-21	24.6	22.2	n/a	n/a	n/a	(196.1)	4.7	2.3	(10.9)	
Starbucks	SBUX US	NR	n/a	74.19	n/a	667,936	Oct-21	25.6	21.3	n/a	n/a	n/a	(49.6)	1.8	2.7	(36.6)	
Restaurant Brands	QSR US	NR	n/a	48.66	n/a	172,350	Dec-21	16.5	14.8	8.2	8.7	36.1	50.2	1.4	4.4	(19.8)	
Chipotle Mexican	CMG US	NR	n/a	1266.2	n/a	277,925	Dec-21	39.4	29.7	13.8	11.3	32.3	44.4	1.2	0.0	(27.6)	
Darden	DRI US	NR	n/a	116.55	n/a	114,120	May-21	15.8	14.2	6.5	6.1	42.8	46.0	0.7	3.8	(22.6)	
Domino'S Pizza	DPZ US	NR	n/a	385.42	n/a	109,055	Jan-22	30.2	25.5	n/a	n/a	n/a	(1.3)	3.5	1.1	(31.7)	
Wendy'S	WEN US	NR	n/a	18.01	n/a	30,289	Jan-22	21.8	18.2	12.2	14.6	40.3	36.4	0.9	2.7	(24.5)	
Shake Shack	SHAK US	NR	n/a	40.47	n/a	13,384	Dec-21	n/a	245.3	4.3	4.1	(4.9)	0.2	n/a	n/a	(43.9)	
Wingstop	WING US	NR	n/a	75.46	n/a	17,698	Dec-21	48.9	40.0	n/a	n/a	n/a	(14.0)	0.9	0.9	(54.8)	
Jollibee Foods	JFC PM	NR	n/a	200.20	n/a	32,636	Dec-21	36.2	26.5	3.5	3.1	11.8	12.7	4.0	1.1	(7.5)	
								Avg.	28.3	43.5	8.1	8.0	26.4	(7.6)	2.0	2.1	(27.2)
								Med.	25.1	22.2	7.4	7.4	34.2	0.2	1.3	2.2	(24.5)
A-shares Greater China Catering																	
Foshan Haitian	603288 CH	NR	n/a	81.20	n/a	440,050	Dec-21	47.8	40.4	12.3	10.1	27.7	27.5	2.8	0.9	(15.0)	
Fujian Sunner	002299 CH	NR	n/a	18.97	n/a	27,598	Dec-21	35.3	14.0	2.3	2.0	3.1	15.4	0.6	1.9	(21.5)	
Angel Yeast	600298 CH	NR	n/a	44.60	n/a	43,434	Dec-21	26.6	21.2	4.6	3.9	17.4	18.9	1.7	1.1	(26.1)	
Meihua	600873 CH	NR	n/a	10.43	n/a	37,797	Dec-21	9.2	8.1	2.4	2.0	29.1	25.5	0.4	6.5	36.0	
Guangzhou Restaurant	603043 CH	NR	n/a	22.57	n/a	14,972	Dec-21	20.1	16.7	3.5	3.1	19.9	18.4	1.2	1.5	(6.2)	
China Quanjude	002186 CH	NR	n/a	8.08	n/a	2,915	Dec-21	n/a	n/a	n/a	n/a	(14.9)	n/a	n/a	n/a	(16.6)	
Xi'An Catering	000721 CH	NR	n/a	4.33	n/a	2,906	Dec-21	n/a	n/a	n/a	n/a	(27.6)	n/a	n/a	n/a	7.4	
								Avg.	27.8	20.1	5.0	4.2	7.8	21.2	1.4	2.4	(6.0)
								Med.	26.6	16.7	3.5	3.1	17.4	18.9	1.2	1.5	(15.0)
H-shares Consumer Staples																	
UPC	220 HK	NR	n/a	6.20	n/a	26,780	Dec-21	15.6	13.7	1.7	1.7	10.9	12.6	2.2	6.9	(18.0)	
Tingyi	322 HK	NR	n/a	12.48	n/a	70,295	Dec-21	16.8	14.1	3.5	3.5	19.1	25.6	2.1	7.2	(21.8)	
Want Want	151 HK	NR	n/a	7.03	n/a	83,654	Mar-21	16.9	15.5	4.4	4.1	29.5	27.9	2.2	3.9	(1.8)	
Mengniu Dairy*	2319 HK	BUY	57.00	34.85	64%	137,812	Dec-21	19.6	16.4	2.8	2.5	14.4	15.6	1.1	1.4	(20.2)	
Vitasoy	345 HK	NR	n/a	14.12	n/a	15,109	Mar-21	n/a	37.9	4.6	4.1	(2.6)	10.9	n/a	0.2	(10.3)	
Budweiser Brewing*	1876 HK	BUY	20.40	20.35	0%	269,503	Dec-21	31.2	26.2	2.9	2.7	8.8	10.6	1.8	1.2	(0.5)	
Tsingtao Brewery*	168 HK	BUY	63.05	67.05	-6%	118,704	Dec-21	25.0	21.4	3.2	2.9	14.2	14.5	3.3	1.8	(8.2)	
CR Beer*	291 HK	BUY	80.00	47.75	68%	154,909	Dec-21	32.3	25.7	5.1	4.5	20.1	17.7	3.3	1.2	(25.2)	
Dali Foods	3799 HK	NR	n/a	3.94	n/a	53,955	Dec-21	12.1	11.1	2.2	2.0	20.3	18.7	1.7	4.2	(3.4)	
								Avg.	21.2	20.2	3.4	3.1	15.0	17.1	2.2	3.1	(12.2)
								Med.	18.3	16.4	3.2	2.9	14.4	15.6	2.1	1.8	(10.3)

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

Assumptions

Figure 9: Major assumptions

Major assumptions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by brand (RMB mn)						
Jiu Mao Jiu	1,372	716	760	700	923	1,121
Tai Er	1,277	1,962	3,292	4,191	6,015	7,840
Other brands	39	38	127	140	168	218
Total	2,687	2,715	4,180	5,031	7,105	9,179
Sales growth by brand (%)						
Jiu Mao Jiu	2.8%	-47.8%	6.3%	-8.0%	31.8%	21.5%
Tai Er	136.4%	53.6%	67.8%	27.3%	43.5%	30.4%
Other brands	107.9%	-2.7%	238.8%	10.0%	20.0%	30.0%
Total	42.0%	1.0%	54.0%	20.4%	41.2%	29.2%
Sales by segment growth (%)						
Restaurant operations	44.6%	-9.3%	59.2%	17.4%	47.1%	30.0%
Delivery business	13.1%	121.6%	31.2%	37.0%	13.8%	24.8%
Sales of specialties	278.9%	-14.6%	416.4%	50.0%	30.0%	15.0%
Others	102.0%	-15.8%	-26.9%	0.0%	10.0%	10.0%
Total	42.0%	1.0%	54.0%	20.4%	41.2%	29.2%
Number of restaurants by brand						
Jiu Mao Jiu	143	98	83	84	97	108
Tai Er	126	233	350	491	618	759
Other brands	67	50	37	50	65	334
Total	336	381	470	625	780	1,201
GP margins by segment (%)						
Jiu Mao Jiu	67.5%	67.0%	61.0%	59.0%	59.0%	59.0%
Tai Er	59.0%	59.5%	63.8%	64.5%	65.0%	65.0%
Other brands	58.0%	60.0%	62.0%	62.0%	62.0%	62.0%
Total	63.3%	61.5%	63.2%	63.7%	64.2%	64.2%
Opex breakdown (%)						
Staff costs	-25.9%	-27.5%	-25.3%	-25.2%	-23.4%	-23.4%
Depreciation of right-of-use assets	-8.1%	-9.0%	-8.2%	-8.5%	-8.0%	-7.7%
Other rentals & related expenses	-1.6%	-1.8%	-2.3%	-2.4%	-2.7%	-2.8%
D & A of other assets	-3.6%	-4.1%	-3.8%	-4.5%	-3.8%	-3.4%
Utilities expenses	-4.0%	-3.5%	-3.2%	-3.6%	-3.3%	-3.1%
Others	-8.2%	-9.7%	-8.4%	-8.4%	-8.1%	-7.9%
EBIT margins (%)						
Effective tax rate	12.2%	9.0%	13.6%	12.4%	16.3%	17.2%
	28.5%	20.9%	26.5%	26.0%	26.0%	26.0%
NP att. margins (%)						
	6.1%	4.6%	8.1%	7.6%	10.3%	11.0%
NP att. growth (%)						
	136.1%	-24.5%	174.0%	11.8%	92.6%	38.0%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,687	2,715	4,180	5,031	7,105	9,179
Jiu Mao Jiu	1,37	716	760	700	923	1,12
Tai Er	1,27	1,96	3,29	4,19	6,01	7,84
Other brands	39	38	127	140	168	218
						-
Cost of goods sold	(985)	(1,046)	(1,537)	(1,828)	(2,547)	(3,287)
Gross profit	1,702	1,669	2,642	3,203	4,558	5,893
Other income	12	84	64	71	94	123
Operating expenses	(1,385)	(1,509)	(2,138)	(2,649)	(3,493)	(4,437)
Staff costs	(697)	(748)	(1,057)	(1,270)	(1,663)	(2,152)
Rental & ROUA depre.	(263)	(293)	(439)	(549)	(759)	(965)
D & A expenses	(97)	(111)	(159)	(227)	(267)	(309)
Utilities expenses	(108)	(95)	(132)	(181)	(231)	(284)
Other opex	(220)	(263)	(350)	(422)	(572)	(727)
EBIT	329	244	569	625	1,159	1,579
Finance costs	(67)	(67)	(75)	(77)	(88)	(99)
JVs & associates	2	(8)	1	1	2	2
Exceptional	(5)	8	11	14	19	25.08
Pre-tax profit	259	177	506	563	1,092	1,508
Income tax	(73)	(39)	(134)	(146)	(284)	(391)
Less: Minority interests	21	14	32	37	76	106
Net profit att.	164	124	340	380	732	1,011

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,271	1,945	2,090	2,124	2,153	2,178
Fixed asset	323	445	590	624	652	676
Intangible assets & GW	808	1,228	1,227	1,226	1,225	1,224
Prepaid lease payments	66	129	129	129	129	129
Interest in joint ventures	8	3	4	6	7	9
Other non-current	66	140	140	140	140	140
Current assets	383	2,862	3,185	3,698	4,729	6,145
Cash and cash	127	1,844	2,030	2,461	3,292	4,507
Inventories	75	51	63	75	105	135
Trade and other	12	15	31	37	53	68
Prepayments	122	203	313	376	531	686
Other current assets	47	749	749	749	749	749
Current liabilities	794	749	833	906	1,097	1,294
Bank loans	220	43	43	43	43	43
Trade payables	97	138	118	130	174	225
Accruals & payables	200	192	296	356	503	650
Tax payables	23	37	37	37	37	37
others	253	339	339	339	339	339
Non-current liabilities	690	997	997	997	997	997
Bank loans	-	-	-	-	-	-
Deferred income	27	27	27	27	27	27
Deferred tax	-	3	3	3	3	3
Others	663	967	967	967	967	967
Minority Interest	-	-	32	69	145	251
Total net assets	171	3,060	3,413	3,851	4,643	5,781
Shareholders' equity	171	3,060	3,413	3,851	4,643	5,781

Source: Company data, CMBIGM estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	329	244	569	625	1,159	1,579
D & A	97	111	159	-	-	-
Chg. in working capital	(9)	3	(53)	(9)	(9)	(3)
Income tax paid	(67)	(48)	(134)	(146)	(284)	(391)
Others	227	236	10	219	258	298
NC from operating	577	546	551	688	1,125	1,482
Capex & investments	(184)	(280)	(313)	(252)	(284)	(321)
Associated companies	(2)	(97)	-	-	-	-
Interest received	2	27	-	-	-	-
Others	(6)	(733)	-	-	-	-
NC from investing	(190)	(1,084)	(313)	(252)	(284)	(321)
Equity raised	-	2,885	-	-	-	-
Net change in bank	171	(178)	-	-	-	-
Dividend paid	(36)	(58)	24	71	79	153
Others	(455)	(259)	(75)	(77)	(88)	(99)
NC from financing	(320)	2,390	(51)	(6)	(9)	54
Net change in cash	67	1,852	186	430	831	1,215
Beginning cash	60	127	1,844	2,030	2,461	3,292
Exchange difference	0	(136)	-	-	-	-
Cash at end of year	127	1,844	2,030	2,461	3,292	4,507

Key ratios

YE 31 Dec	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)						
Jiu Mao Jiu	51.0	26.4	18.2	13.9	13.0	12.2
Tai Er	47.5	72.3	78.8	83.3	84.7	85.4
Other brands	1.4	1.4	3.0	2.8	2.4	2.4
						-
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	63.3	61.5	63.2	63.7	64.2	64.2
EBIT margin	12.2	9.0	13.6	12.4	16.3	17.2
Pre-tax margin	9.6	6.5	12.1	11.2	15.4	16.4
Net margin	6.1	4.6	8.1	7.6	10.3	11.0
Effective tax rate	28.5	20.9	26.5	26.0	26.0	26.0
Balance sheet ratios						
Current ratio (x)	0.5	3.8	3.8	4.1	4.3	4.7
Quick ratio (x)	0.4	3.8	3.7	4.0	4.2	4.6
Cash ratio (x)	0.2	2.5	2.4	2.7	3.0	3.5
Inventory turnover	21	22	15	15	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	31	41	28	26	25	25
Total debt / total equity ratio (%)	140	2	2	2	1	1
Net debt / equity ratio (%)	51	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	96.3	4.1	10.0	9.9	15.8	17.5
ROA	9.9	2.6	6.4	6.5	10.6	12.1
Per share						
EPS (RMB)	0.12	0.09	0.23	0.26	0.50	0.70
DPS (RMB)	-	0.02	0.05	0.05	0.11	0.15
BVPS (RMB)	0.12	2.21	2.35	2.65	3.19	3.98

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