

Haidilao (6862 HK)

Quick stores ramp up despite faster expansion

SUMMARY. Maintain BUY and raised TP to HK\$ 37.56, based on 47x FY20E P/E (rolled over from 57x FY19E P/E). We believe HDL's fundamental remained intact and faster store expansions could translate into a decent earnings upside in FY20E.

- **1H19 net profit inline, if we exclude impacts from IFRS 16.** Haidilao's net profit rose by 41% YoY to RMB 911mn, ~5% below CMBI's est. However, excluding impact from new accounting standards (~RMB 58mn or 0.5ppt of total sales), net profit could have gone up by 50%, to RMB 969mn, inline.
- **Faster-than-expected restaurant expansions dragged down OP margin.** Number of restaurants increased by 127 (120/ 7 in China/Overseas) to 593(550/ 43), by 1H19, much faster than our original forecast of 104 (96/ 8 respectively). Growth rate of 74% in 1H19 actually speeded up from 68%/ 71% in 1H18/2H18, hence resulting in 0.7ppt drop in OP margin to 11.4% in 1H19. **We now expect new openings to be 301/ 209/ 186, and total stores will reach 767/ 976/ 1,162 in FY19E/ 20E/ 21E, implying a 36% CAGR.**
- **Ramp-up of new stores remain quick.** We believe fall in table turnover for new stores (from 4.2x in 1H18 to 3.9x in 1H19) was only due to faster-than-expected openings, but the ramp up pace of a single store was still quick. Operating breakeven period was 1-4 months, vs 1-3 months in the past as openings were skewed to 2Q19 (50/80 in 1Q/2Q), a low season for hot pot.
- **... while more-matured stores continued to improve steadily.** More-matured stores are still growing steadily, as indicated by the 4.7% SSSG in 1H19 (table turnover to 5.2x from 5.0x in 1H18), vs 6.2% SSSG in FY18.
- **Overseas margin improved.** We believe it is on the right track as OP margin climbed together with table turn (from 3.7x to 3.9x) and openings of highly popular stores in UK and Australia, even though ASP was averaged down (from RMB 196 to RMB 186) by entering Malaysia and Vietnam market.
- **Presuming a faster earnings growth in 2H19E.** We foresee a faster earnings growth in 2H19E, thanks to: 1) potential increase in ASP to cope with rising raw materials prices (mostly pork and chicken prices), 2) better margins from greater operating leverage due to higher table turnover during peak season and 3) restaurants opened in 2H18 and 1H19 to contribute positive profit after six months.
- **Maintain BUY and raised TP to HK\$ 37.56.** We maintain BUY and raised TP to HK\$ 37.56, based on 47x FY20E P/E (rolled over from 57x FY19E P/E), implying a 1.4x 3 years PEG. Current valuation is not demanding, at 40x FY20E P/E or 1.2x PEG (vs domestic/ int'l peers avg. median of 2.0x/ 2.2x). We adjusted our FY19E/ 20E/ 21E EPS by -6.9%/ -0.5%/ +1.2%, to factor in 1) greater depreciation, finance costs and lower rental expenses due to new accounting standard, and 2) faster store expansion.

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	10,637	16,969	27,351	37,024	46,421
YoY growth (%)	36.2	59.5	61.2	35.4	25.4
Net income (RMB mn)	1,028	1,646	2,632	3,727	4,989
EPS (RMB)	0.194	0.311	0.497	0.703	0.941
YoY growth (%)	-	60.2	59.9	41.6	33.8
P/E (x)	136.7	90.2	56.4	39.9	29.8
P/B (x)	128.8	17.2	12.7	9.3	6.8
Yield (%)	0.5	0.3	0.4	0.5	0.7
ROE (%)	95.1	33.9	25.9	26.9	26.5
Net gearing (%)	112.8	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price	HK\$37.56
(Previous TP	HK\$34.56)
Up/Downside	+17.9%
Current Price	HK\$31.85

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	168,805
Avg 3 mths t/o (HK\$ mn)	109.10
52w High/Low (HK\$)	35.1/15.5
Total Issued Shares (mn)	5,300.0

Source: Bloomberg

Shareholding Structure

Mr. Zhang Yong	44.02%
Ms. Shu Ping	13.66%
Mr. Shi Yong Hong	13.66%
Ms. Li Hai Yan	13.66%
Other management	7.00%
Free Float	8.00%

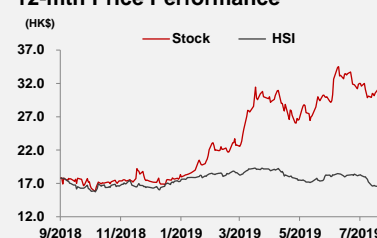
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.2%	9.8%
3-mth	22.0%	29.3%
6-mth	54.2%	67.7%
12-mth	n/a	n/a

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

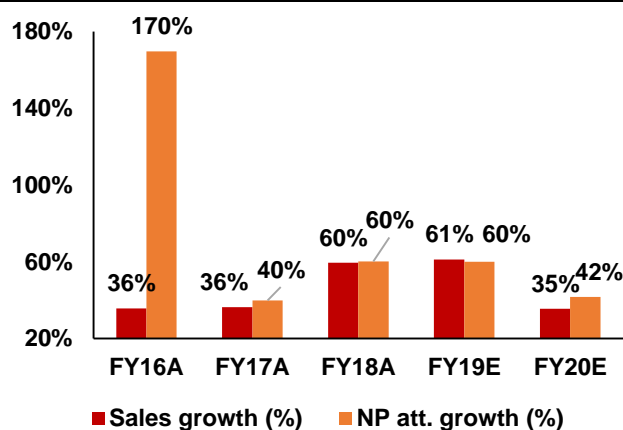
Auditor: Deloitte Touche Tohmatsu

Related Reports

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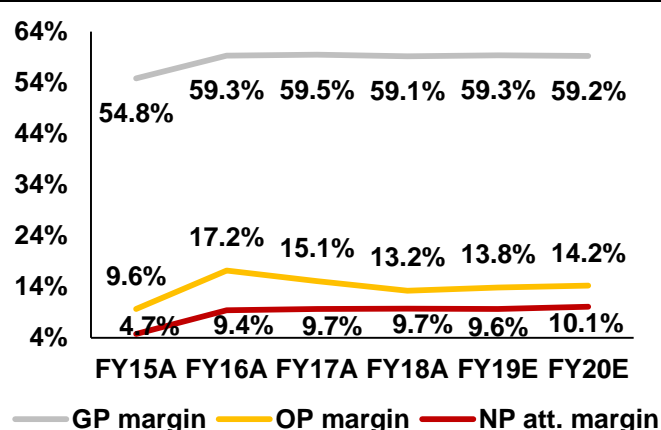
Focus Charts

Figure 1: Sales/ net profit growth - full year



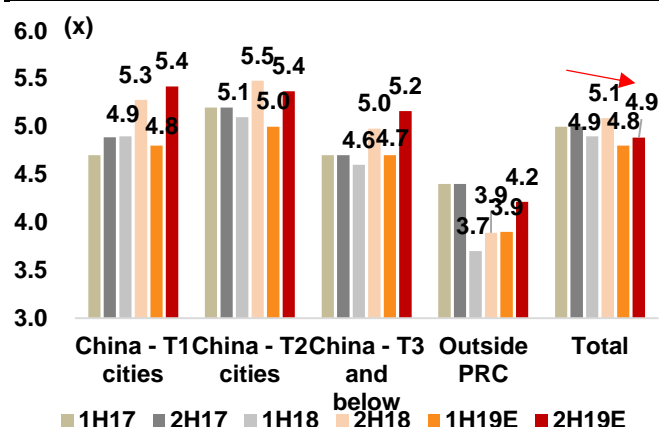
Source: Company data, CMBIS estimates

Figure 2: GP/ OP/ NP margin



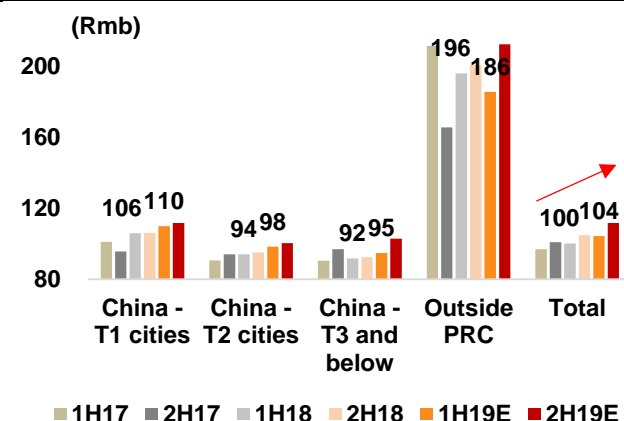
Source: Company data, CMBIS estimates

Figure 3: Table turnover by region



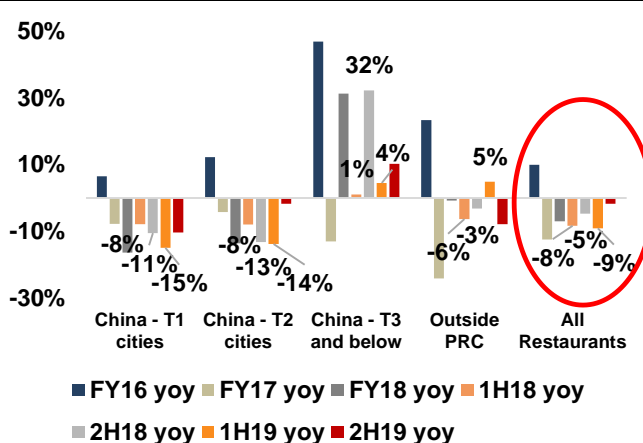
Source: Company data, CMBIS estimates

Figure 4: Average selling price by region



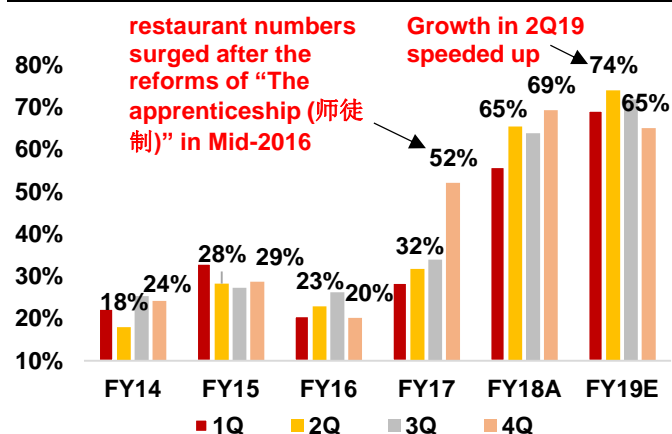
Source: Company data, CMBIS estimates

Figure 5: Sales per store fell as expansion quickened



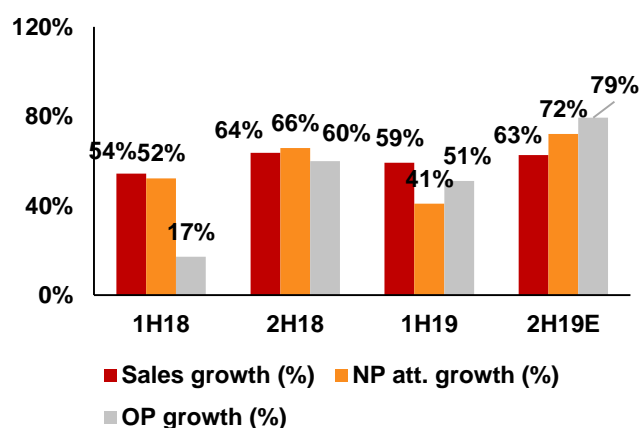
Source: Company data, CMBIS estimates

Figure 6: Number of store growth by quarter



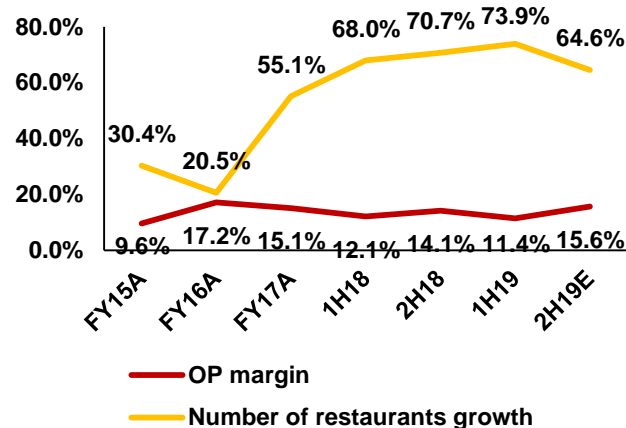
Source: Internet, CMBIS

Figure 7: Sales/ net profit growth – half year



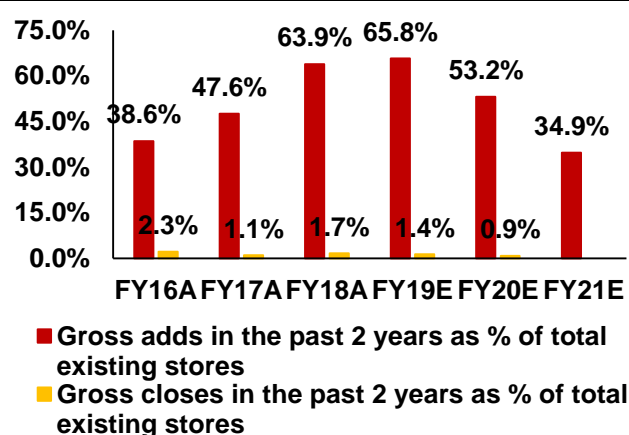
Source: Company data, CMBIS estimates

Figure 8: OP margin to pick up if expansion slows



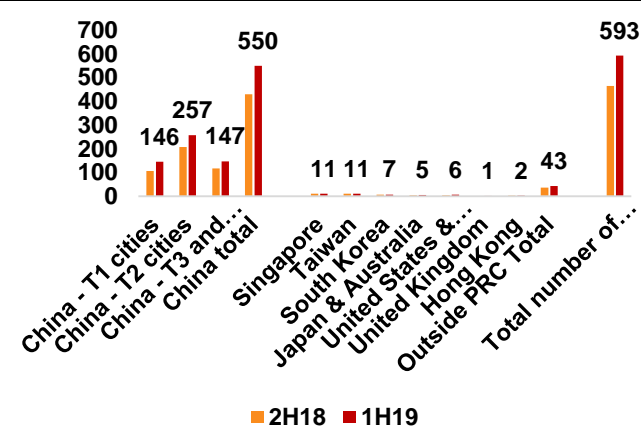
Source: Company data, CMBIS estimates

Figure 9: New restaurant mix could fall from FY20E



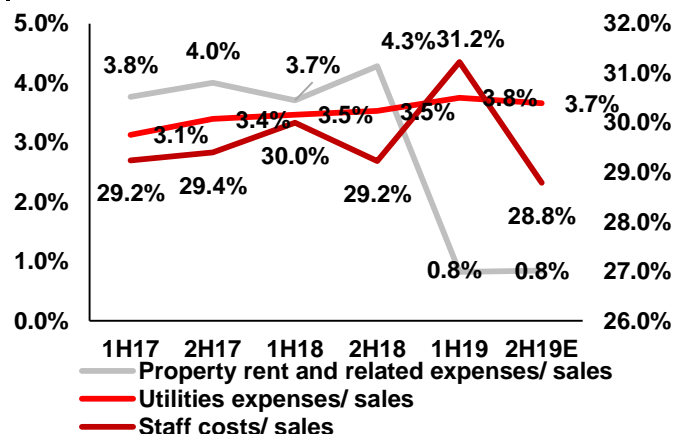
Source: Company data, CMBIS estimates

Figure 10: Number of stores, by region



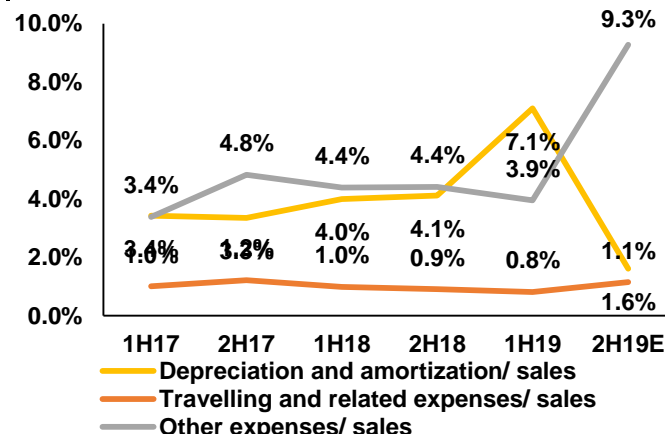
Source: Company data, CMBIS estimates

Figure 11: Opex breakdown 1



Source: Company data, CMBIS estimates

Figure 12: Opex breakdown 2



Source: Company data, CMBIS

Results Summary

Figure 13: Results summary – Half Year

	1H17	2H17	1H18	2H18	1H19	2H19E	1H18 yoy	2H18 yoy	1H19E yoy	2H19E yoy	1H19E CMBI	Actual vs CMBI
Revenue	4,756	5,881	7,343	9,626	11,695	15,656	54%	64%	59%	63%	11,539	1%
COGS	(1,949)	(2,364)	(3,066)	(3,869)	(4,903)	(6,227)					(4,695)	
Gross profit	2,807	3,517	4,276	5,758	6,792	9,429	52%	64%	59%	64%	6,844	-1%
GP margins	59.0%	59.8%	58.2%	59.8%	58.1%	60.2%					59.3%	
Other income & gains	40	51	27	77	119	109					63	89%
Staff costs	(1,391)	(1,729)	(2,203)	(2,814)	(3,652)	(4,507)	58%	63%	66%	60%	(3,609)	1%
Staff costs / sales	-29.2%	-29.4%	-30.0%	-29.2%	-31.2%	-28.8%					-31.3%	
Property rent & related exp.	(179)	(236)	(272)	(413)	(96)	(132)	52%	75%	-65%	-68%	(473)	-80%
Property rent & related exp. / sales	-3.8%	-4.0%	-3.7%	-4.3%	-0.8%	-0.8%					-4.1%	
Utilities exp.	(149)	(200)	(255)	(340)	(439)	(573)	71%	70%	72%	68%	(392)	12%
Utilities exp. / sales	-3.1%	-3.4%	-3.5%	-3.5%	-3.8%	-3.7%					-3.4%	
Depreciation & amortization	(163)	(197)	(294)	(396)	(830)	(252)	80%	101%	183%	-36%	(508)	64%
Depreciation & amortization / sales	-3.4%	-3.3%	-4.0%	-4.1%	-7.1%	-1.6%					-4.4%	
Travelling & related exp.	(48)	(72)	(72)	(87)	(94)	(179)	51%	22%	30%	106%	(115)	-18%
Travelling & related exp. / sales	-1.0%	-1.2%	-1.0%	-0.9%	-0.8%	-1.1%					-1.0%	
Other opex	(161)	(284)	(322)	(424)	(462)	(1,453)	100%	49%	43%	243%	(496)	-7%
Operating profit (EBIT)	756	851	886	1,362	1,338	2,443	17%	60%	51%	79%	1,313	2%
OP margins	15.9%	14.5%	12.1%	14.1%	11.4%	15.6%					11.4%	
Other items	8	18	19	(1)	(3)	16					6	
Net finance income	(6)	(2)	(9)	(22)	(102)	(124)					(12)	785%
Net finance income / sales	-0.1%	0.0%	-0.1%	-0.2%	-0.9%	-0.8%					-0.1%	
Profit after financing costs	758	867	896	1,338	1,233	2,336					1,308	
Associated coms	0	0	5	22	18	9					6	
Jointly controlled coms	0	0	0	0	0	0					0	
Pre-tax profit	758	867	901	1,361	1,251	2,345	19%	57%	39%	72%	1,313	-5%
Tax	(205)	(226)	(254)	(359)	(339)	(614)					(348)	
Tax / sales	-4.3%	-3.8%	-3.5%	-3.7%	-2.9%	-3.9%					-3.0%	
Effective tax rate	-27.0%	-26.1%	-28.1%	-26.4%	-27.1%	-26.2%					-26.5%	
Minority interests	128	38	1	2	1	10					4	
Net profit att.	425	603	646	1,000	911	1,721	52%	66%	41%	72%	961	-5%
NP margins	8.9%	10.3%	8.8%	10.4%	7.8%	11.0%					8.3%	
Listing fees	0	0	21	65	0	0					0	
Adjusted Net profit att.	425	603	667	1,065	911	1,721	57%	77%	37%	62%	961	-5%
Adjusted NP att. margins	8.9%	10.3%	9.1%	11.1%	7.8%	11.0%					8.3%	
Sales by channels (Rmb mn)												
China - T1 cities	1,427	1,532	1,800	2,235	2,865	3,139	26%	46%	59%	40%	2,908	-1%
China - T2 cities	2,340	2,891	3,468	4,327	5,024	7,128	48%	50%	45%	65%	4,902	3%
China - T3 and below	636	882	1,401	1,977	2,532	3,669	120%	124%	81%	86%	2,546	-1%
Outside PRC	273	431	532	790	960	1,152	95%	83%	80%	46%	905	6%
Net of Customer loyalty program	(29)	5	(50)	9	(50)	9	71%	77%	1%	3%	(55)	-9%
Delivery business	98	121	133	190	188	348	36%	57%	41%	83%	207	-9%
Sales of condiment products and food i	12	19	57	97	175	210	391%	420%	206%	117%	126	39%
Total	4,756	5,881	7,343	9,626	11,695	15,656	54%	64%	59%	63%	11,539	1%

Source: Company data, CMBIS estimates

Figure 14: Results summary - Full Year

	FY15	FY16	FY17	FY18	FY19E	FY16	FY17	FY18	FY19E
						yoy	yoy	yoy	yoy
Revenue	5,757	7,808	10,637	16,969	27,351	36%	36%	60%	61%
COGS	(2,600)	(3,179)	(4,313)	(6,935)	(11,129)				
Gross profit	3,157	4,628	6,324	10,034	16,222	47%	37%	59%	62%
GP margins	54.8%	59.3%	59.5%	59.1%	59.3%				
Other income & gains	36	62	91	104	228				
Staff costs	(1,572)	(2,044)	(3,120)	(5,016)	(8,159)	30%	53%	61%	63%
Staff costs / sales	-27.3%	-26.2%	-29.3%	-29.6%	-29.8%				
Property rent & related exp.	(269)	(298)	(415)	(685)	(229)	11%	39%	65%	-67%
Property rent & related exp. / sales	-4.7%	-3.8%	-3.9%	-4.0%	-0.8%				
Utilities exp.	(221)	(263)	(349)	(595)	(1,012)	19%	33%	71%	70%
Utilities exp. / sales	-3.8%	-3.4%	-3.3%	-3.5%	-3.7%				
Depreciation & amortization	(239)	(286)	(360)	(689)	(1,082)	20%	26%	92%	57%
Depreciation & amortization / sales	-4.2%	-3.7%	-3.4%	-4.1%	-4.0%				
Travelling & related exp.	(67)	(84)	(120)	(159)	(274)	26%	42%	33%	72%
Travelling & related exp. / sales	-1.2%	-1.1%	-1.1%	-0.9%	-1.0%				
Other opex	(268)	(372)	(445)	(746)	(1,915)	39%	19%	68%	157%
Operating profit (EBIT)	555	1,342	1,607	2,248	3,781	142%	20%	40%	68%
OP margins	9.6%	17.2%	15.1%	13.2%	13.8%				
Other items	8	12	26	18	14				
Net finance income	(3)	(8)	(9)	(31)	(226)				
Net finance income / sales	-0.1%	-0.1%	-0.1%	-0.2%	-0.8%				
Profit after financing costs	560	1,346	1,625	2,234	3,569				
Associated coms	0	0	0	0	0				
Jointly controlled coms	0	0	0	28	27				
Pre-tax profit	560	1,346	1,625	2,262	3,596	140%	21%	39%	59%
Tax	(149)	(368)	(431)	(613)	(953)				
Tax / sales	-2.6%	-4.7%	-4.0%	-3.6%	-3.5%				
Effective tax rate	-26.7%	-27.3%	-26.5%	-27.1%	-26.5%				
Minority interests	138	243	166	3	11				
Net profit att.	273	735	1,028	1,646	2,632	170%	40%	60%	60%
NP margins	4.7%	9.4%	9.7%	9.7%	9.6%				
Listing fees	0	0	0	86	0				
Adjusted Net profit att.	273	735	1,028	1,732	2,632	170%	40%	68%	52%
Adjusted NP att. margins	4.7%	9.4%	9.7%	10.2%	9.6%				
Sales by channels (Rmb mn)									
China - T1 cities	2,317	2,714	2,959	4,036	6,004	17%	9%	36%	49%
China - T2 cities	2,880	3,776	5,231	7,795	12,152	31%	39%	49%	56%
China - T3 and below	310	734	1,518	3,379	6,201	137%	107%	123%	84%
Outside PRC	277	439	703	1,323	2,113	58%	60%	88%	60%
Net of Customer loyalty program	(131)	(27)	(24)	(40)	(40)	-79%	-12%	70%	0%
Delivery business	74	146	219	324	536	97%	50%	48%	66%
Sales of condiment products and food i	30	26	30	154	386	-12%	17%	409%	150%
Total	5,757	7,808	10,637	16,969	27,351	36%	36%	60%	61%

Source: Company data, CMBIS estimates

Figure 15: Operating numbers - Half Year

	1H17	2H17	1H18	2H18	1H19	2H19E	1H18 yoy	2H18 yoy	1H19E yoy	2H19E yoy	1H19E CMBI	Actual vs CMBI
Sales per store (Rmb mn)												
China - T1 cities	25	24	23	21	20	19	-8%	-11%	-15%	-10%	21	-6%
China - T2 cities	25	24	23	21	20	21	-8%	-13%	-14%	-2%	20	-3%
China - T3 and below	16	13	16	17	17	19	1%	32%	4%	10%	18	-3%
Outside PRC	23	23	21	22	22	20	-6%	-3%	5%	-8%	21	9%
All Restaurants	23	21	21	20	19	20	-8%	-5%	-9%	-2%	20	-3%
Total number of restaurants												
China - T1 cities	57	65	78	106	146	166	37%	63%	87%	57%	140	4%
China - T2 cities	95	120	153	207	257	347	61%	73%	68%	68%	243	6%
China - T3 and below	39	69	85	117	147	197	118%	70%	73%	68%	143	3%
Outside PRC	12	19	25	36	43	57	108%	89%	72%	58%	44	-2%
Total	203	273	341	466	593	767	68%	71%	74%	65%	570	4%
Average spending per guest (Rmb)												
China - T1 cities	101	96	106	106	110	112	5%	11%	4%	5%	111	-1%
China - T2 cities	91	94	94	95	98	100	4%	1%	4%	5%	99	-1%
China - T3 and below	91	97	92	92	95	103	1%	-5%	3%	11%	95	0%
Outside PRC	212	166	196	201	186	212	-7%	21%	-5%	6%	196	-5%
Total	97	101	100	105	104	112	3%	4%	4%	6%	107	-3%
Table turnover rate (times/ day)												
China - T1 cities	4.7	4.9	4.9	5.3	4.8	5.4	4%	8%	-2%	3%	5.1	-5%
China - T2 cities	5.2	5.2	5.1	5.5	5.0	5.4	-2%	5%	-2%	-2%	5.1	-2%
China - T3 and below	4.7	4.7	4.6	5.0	4.7	5.2	-2%	6%	2%	4%	4.8	-3%
Outside PRC	4.4	4.4	3.7	3.9	3.9	4.2	-16%	-12%	5%	8%	3.5	11%
Total	5.0	5.0	4.9	5.1	4.8	4.9	-2%	2%	-2%	-4%	4.9	-1%
Same store sales growth (%)												
China - T1 cities			12.2%	11.3%	3.3%	6.5%					8.0%	
China - T2 cities			4.2%	4.4%	1.9%	4.0%					5.0%	
China - T3 and below			6.3%	14.5%	12.5%	9.7%					8.0%	
Outside PRC			-2.8%	-13.6%	9.7%	4.6%					-5.0%	
Total			6.4%	6.0%	4.7%	6.2%					6.5%	

Source: Company data, CMBIS estimates

Figure 16: China catering peers' performance

Fiscal Year		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	17 (4 month)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
KFC China SSSG	Dec	12%	3%	-1%	1%	1%	4%	7%	7%	5%	0%	1%	3%	5%	3%
KFC China System Sales Growth	Dec			-2%		3%	8%	11%	11%	9%	5%	6%	9%	11%	7%
Pizza Hut China SSSG	Dec	-12%	-10%	-4%	-3%	2%	0%	0%	1%	-5%	-4%	-5%	-4%	1%	1%
Pizza Hut China System Sales Growth	Dec			7%		9%	7%	7%	6%	-1%	-1%	-2%	-2%	3%	4%
YUM China SSSG	Dec	6%	0%	-1%	0%	1%	3%	6%	5%	3%	-1%	-1%	1%	4%	4%
YUM China System Sales Growth	Dec			3%		4%	7%	10%	9%*	6%	3%	4%	6%	9%	10%
McDonalds China SSSG	Dec														
McDonalds High Growth Market SSSG	Dec	3.6%	1.6%	1.5%	2.8%	3.8%	7.0%	6.2%	4.0%	4.7%	2.4%	4.6%	4.8%	6.0%	7.9%
McDonalds Int'l development license	Dec														
Hop Hing China SSSG	Dec	-5.8%	-7.0%	-2.2%	2.2%	4.7%	5%*	4.0%	4.4%*	1.8%	1.6%*	0.1%	-2.0%	2.6%	1.0%
Ajisen China SSSG	Dec	-6.1%	-9.6%	-6.3%	-0.6%	-0.5%	4.2%	9.7%	5.3%	0.6%	-1.8%	-6.3%	-2.5%	5.1%	
Ajisen Hong Kong SSSG	Dec	-2.0%	-0.7%	-0.7%	-1.7%	-5.1%	-4.6%	-9.0%	-7.9%	-4.3%	-10.8%	-6.9%	-5.2%	-18.8%	
Ajisen Group's Fast Casual Restaurant	Dec													7.2%	4.8%
XBXB SSSG	Dec		0.6%		5.4%		7.2%		9.8%		7.3%		-2.7%		0.0%
Haidilao SSSG	Dec										6.4%		6.0%		4.7%
Tai Hing China SSSG	Dec						-6.8%				2.1%				
Tai Hing Hong Kong SSSG	Dec						0.8%				4.2%				
Tai Hing Group SSSG	Dec						-1.4%				5.1%		1.4%		

CMBI estimates

Source: Company data, CMBIS estimates

Earnings revision

Figure 17: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	27,351	37,024	46,421	27,722	36,342	44,507	-1.3%	1.9%	4.3%
Gross profit	16,222	21,922	27,532	16,442	21,518	26,397	-1.3%	1.9%	4.3%
EBIT	3,667	5,102	6,708	3,800	5,027	6,588	-3.5%	1.5%	1.8%
Reported Net profit	2,632	3,727	4,989	2,828	3,747	4,931	-6.9%	-0.5%	1.2%
Diluted EPS (RMB)	0.497	0.703	0.941	0.534	0.707	0.930	-6.9%	-0.5%	1.2%
Gross margin	59.3%	59.2%	59.3%	59.3%	59.2%	59.3%	0ppt	0ppt	0ppt
EBIT margin	13.4%	13.8%	14.4%	13.7%	13.8%	14.8%	-0.3ppt	-0.1ppt	-0.4ppt
Net profit att. margin	9.6%	10.1%	10.7%	10.2%	10.3%	11.1%	-0.6ppt	-0.2ppt	-0.3ppt

Source: Company data, CMBIS estimates

Figure 18: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	27,351	37,024	46,421	27,072	37,634	47,146	1.0%	-1.6%	-1.5%
Gross profit	16,222	21,922	27,532	15,940	22,140	27,798	1.8%	-1.0%	-1.0%
EBIT	3,667	5,102	6,708	3,561	4,891	6,164	3.0%	4.3%	8.8%
Net profit att.	2,632	3,727	4,989	2,625	3,663	4,680	0.3%	1.8%	6.6%
Diluted EPS (RMB)	0.497	0.703	0.941	0.500	0.706	0.899	-0.7%	-0.3%	4.7%
Gross margin	59.3%	59.2%	59.3%	58.9%	58.8%	59.0%	0.4ppt	0.4ppt	0.3ppt
EBIT margin	13.4%	13.8%	14.4%	13.2%	13.0%	13.1%	0.3ppt	0.8ppt	1.4ppt
Net profit att. margin	9.6%	10.1%	10.7%	9.7%	9.7%	9.9%	-0.1ppt	0.3ppt	0.8ppt

Source: Company data, CMBIS estimates

Valuation

Figure 19: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$ mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
Leading Greater China Restaurants and Food Ingredients														
Haidilao Int'l	6862 HK	BUY	37.56	31.85	18%	168,805	Dec-18	56.4	39.9	12.7	9.3	33.9	1.3	0.4
Cafe De Coral	341 HK	BUY	26.61	26.25	1%	15,374	Mar-19	24.9	23.0	4.4	4.2	16.9	3.4	3.4
XBXB Catering	520 HK	NR	n/a	11.16	n/a	12,060	Dec-18	19.5	16.0	4.1	3.5	21.9	1.1	2.2
Yihai Int'l	1579 HK	NR	n/a	46.30	n/a	48,471	Dec-18	60.6	45.4	16.3	12.5	29.5	2.0	0.5
Yum China	YUMC US	NR	n/a	45.67	n/a	134,969	Dec-18	25.9	23.6	5.3	4.6	22.6	4.5	1.1
Gourmet Master	2723 TT	NR	n/a	154.00	n/a	6,931	Dec-18	18.9	14.2	2.5	2.3	11.7	2.0	3.0
							Avg.	34.3	27.0	7.5	6.1	22.7	2.4	1.8
							Med.	25.4	23.3	4.8	4.4	22.2	2.0	1.6
Other H-shares Restaurants and Food Ingredients														
Fairwood	52 HK	NR	n/a	24.70	n/a	3,199	Mar-19	13.0	16.1	3.9	3.7	23.4	n/a	5.1
Hop Hing	47 HK	NR	n/a	0.12	n/a	1,208	Dec-18	n/a	n/a	n/a	n/a	18.6	n/a	n/a
Tsui Wah	1314 HK	NR	n/a	0.52	n/a	734	Mar-19	10.4	7.4	0.5	0.5	0.4	n/a	11.5
Ajisen China	538 HK	NR	n/a	3.12	n/a	3,406	Dec-18	15.0	14.3	0.9	0.9	18.5	(0.7)	3.3
Tao Heung	573 HK	NR	n/a	1.35	n/a	1,372	Dec-18	n/a	n/a	n/a	n/a	6.8	n/a	n/a
Tang Palace	1181 HK	NR	n/a	1.17	n/a	1,256	Dec-18	7.5	7.0	n/a	n/a	22.4	n/a	n/a
							Avg.	11.5	11.2	1.8	1.7	15.0	(0.7)	6.6
							Med.	11.7	10.8	0.9	0.9	18.5	(0.7)	5.1
Leading Greater China Restaurants and Food Ingredients														
Yum! Brands	YUM US	NR	n/a	116.57	n/a	278,182	Dec-18	30.1	27.4	n/a	n/a	n/a	(68.2)	1.4
Mcdonald'S	MCD US	NR	n/a	218.47	n/a	1,301,211	Dec-18	27.2	24.9	n/a	n/a	n/a	3.7	2.1
Starbucks Corp	SBUX US	NR	n/a	95.63	n/a	897,735	Sep-18	33.9	30.7	n/a	n/a	n/a	15.2	1.6
Rest. Brands	QSR US	NR	n/a	75.46	n/a	288,100	Dec-18	27.3	24.8	14.6	13.8	29.2	2.7	2.7
Chipotle Mexican	CMG US	NR	n/a	820.14	n/a	178,314	Dec-18	61.4	47.3	14.1	11.6	17.0	1.2	0.0
Darden Rest.	DRI US	NR	n/a	118.87	n/a	114,495	May-19	18.5	17.4	5.2	4.7	31.1	2.1	3.0
Domino'S Pizza	DPZ US	NR	n/a	232.43	n/a	75,162	Dec-18	24.5	21.4	n/a	n/a	n/a	1.9	1.1
Dunkin' Brands	DNKN US	NR	n/a	83.10	n/a	53,908	Dec-18	27.2	25.5	n/a	n/a	n/a	3.2	1.8
Wendy'S Co	WEN US	NR	n/a	20.67	n/a	37,382	Dec-18	32.7	26.8	8.6	10.4	88.0	(1.4)	1.9
Jollibee Foods	JFC PM	NR	n/a	225.20	n/a	36,862	Dec-18	34.7	29.3	4.6	4.2	14.7	5.7	1.1
							Avg.	31.7	27.6	9.4	8.9	36.0	(3.4)	1.7
							Med.	28.7	26.1	8.6	10.4	29.2	2.4	1.7
H-shares Consumer Staples														
Uni-Pre. China	220 HK	NR	n/a	9.31	n/a	40,213	Dec-18	26.7	24.6	2.7	2.7	10.1	2.0	3.3
Tingyi	322 HK	NR	n/a	12.60	n/a	70,855	Dec-18	24.1	22.2	3.1	2.9	12.9	3.8	3.0
Want Want China	151 HK	NR	n/a	6.30	n/a	78,263	Mar-19	18.7	17.8	4.4	4.1	23.3	4.1	3.7
China Mengniu	2319 HK	NR	n/a	31.75	n/a	124,854	Dec-18	23.9	23.9	3.9	3.4	12.7	1.2	0.9
Vitasoy	345 HK	NR	n/a	38.00	n/a	40,408	Mar-19	48.5	40.9	11.4	10.3	22.9	2.9	1.3
Tsingtao Brewery	168 HK	NR	n/a	52.25	n/a	74,192	Dec-18	35.8	31.9	3.3	3.1	9.5	2.3	1.2
CR Beer	291 HK	NR	n/a	41.90	n/a	135,931	Dec-18	58.0	39.9	6.1	5.5	6.7	1.0	0.6
Dali Foods	3799 HK	NR	n/a	5.16	n/a	70,662	Dec-18	15.6	14.2	3.7	3.3	25.5	2.2	3.5
							Avg.	31.4	26.9	4.8	4.4	15.4	2.4	2.2
							Med.	25.4	24.2	3.8	3.4	12.8	2.2	2.1

Source: Bloomberg, CMBIS estimates

Assumption

Figure 20: Haidilao key assumptions

Major assumptions	FY17A	FY18A	FY19E	FY20E	FY21E
Sales by segment (Rmb bn)					
China T1 cities	2,959	4,036	6,004	8,313	10,601
China T2 cities	5,231	7,795	12,152	16,146	20,056
China T3 and below	1,518	3,379	6,201	8,531	10,737
Outside PRC	703	1,323	2,113	2,855	3,556
Net of customer loyalty prm.	(24)	(40)	(40)	(43)	(45)
Delivery business	219	324	536	700	863
Condiment & food ingredients	30	154	386	521	651
Total	10,637	16,969	27,351	37,024	46,421
Sales growth by segment (YoY %)					
China T1 cities	9.0%	36.4%	48.8%	38.5%	27.5%
China T2 cities	38.5%	49.0%	55.9%	32.9%	24.2%
China T3 and below	107.0%	122.5%	83.5%	37.6%	25.9%
Outside PRC	60.2%	88.0%	59.7%	35.2%	24.6%
Net of customer loyalty prm.	-12.5%	69.6%	0.0%	5.0%	5.0%
Delivery business	49.7%	47.9%	65.8%	30.6%	23.3%
Condiment & food ingredients	16.7%	409.0%	150.0%	35.0%	25.0%
Total	36.2%	59.5%	61.2%	35.4%	25.4%
Number of restaurants					
China T1 cities	65	106	166	221	271
China T2 cities	120	207	347	437	517
China T3 and below	69	117	197	242	282
Outside PRC	19	36	57	76	92
Total	273	466	767	976	1,162
Number of restaurants growth (YoY %)					
China T1 cities	18.2%	63.1%	56.6%	33.1%	22.6%
China T2 cities	44.6%	72.5%	67.6%	25.9%	18.3%
China T3 and below	137.9%	69.6%	68.4%	22.8%	16.5%
Outside PRC	111.1%	89.5%	58.3%	33.3%	21.1%
Total	55.1%	70.7%	64.6%	27.2%	19.1%
Sales per restaurants (Rmb mn)					
China T1 cities	46	38	36	38	39
China T2 cities	44	38	35	37	39
China T3 and below	22	29	31	35	38
Outside PRC	37	37	37	38	39
Total	38	35	34	37	39
Sales per restaurants growth (YoY %)					
China T1 cities	-7.7%	-16.4%	-5.0%	4.0%	4.0%
China T2 cities	-4.2%	-13.6%	-7.0%	5.5%	5.0%
China T3 and below	-13.0%	31.2%	9.0%	12.0%	8.0%
Outside PRC	-24.1%	-0.8%	0.9%	1.4%	2.9%
Total	-12.3%	-7.0%	-2.6%	6.5%	5.4%
Average spending per guest (Rmb)					
China T1 cities	98.3	106.1	110.9	115.9	120
China T2 cities	92.6	94.8	99.5	104.5	109
China T3 and below	94.5	92.1	99.5	102.5	105
Outside PRC	179.6	199.3	199.3	203.3	209
Overall	97.7	101.1	109.8	114.4	119
Average spending per guest growth (YoY %)					
China T1 cities	3.1%	7.9%	4.5%	4.5%	3.5%
China T2 cities	4.6%	2.4%	5.0%	5.0%	4.5%
China T3 and below	1.8%	-2.5%	8.0%	3.0%	2.5%
Outside PRC	-16.6%	11.0%	0.0%	2.0%	3.0%
Overall	3.4%	3.5%	8.6%	4.2%	3.7%
GP margins					
GP margins	59.5%	59.1%	59.3%	59.2%	59.3%
Staff costs/ sales	-29.3%	-29.6%	-29.8%	-30.0%	-29.7%
Property rent and related expenses/ sales	-3.9%	-4.0%	-0.8%	-0.9%	-0.8%
Utilities expenses / sales	-3.3%	-3.5%	-3.7%	-3.7%	-3.7%
Depreciation and amortization/ sales	-3.4%	-4.1%	-4.0%	-4.0%	-4.0%
Travelling and related expenses/ sales	-1.1%	-0.9%	-1.0%	-1.0%	-1.0%
Other expenses/ sales	-4.2%	-4.4%	-7.0%	-6.3%	-6.0%
Effective tax rate	-26.5%	-27.1%	-26.5%	-26.5%	-26.5%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	10,637	16,969	27,351	37,024	46,421
China & loyalty program	9,685	15,169	24,316	32,947	41,350
Overseas	703	1,323	2,113	2,855	3,556
Delivery business	219	324	536	700	863
Condiment & food	30	154	386	521	651
Cost of goods sold	(4,313)	(6,935)	(11,129)	(15,102)	(18,889)
Gross profit	6,324	10,034	16,222	21,922	27,532
Other income	86	66	115	155	149
Operating expenses	(4,808)	(7,891)	(12,669)	(16,975)	(20,973)
D & A	(360)	(689)	(1,082)	(1,488)	(1,847)
Staff costs	(3,120)	(5,016)	(8,159)	(11,097)	(13,778)
S & D costs (ex-staff, D&A)	(415)	(685)	(229)	(317)	(381)
Admin exp. (ex-staff, D&A)	(349)	(595)	(1,012)	(1,370)	(1,718)
Other operating expenses	(565)	(906)	(2,188)	(2,703)	(3,249)
EBIT	1,602	2,209	3,667	5,102	6,708
Finance costs, net	(4)	7	(113)	(31)	83
JVs & associates	0	28	27	9	10
Exceptional	26	18	14	11	14
Pre-tax profit	1,625	2,262	3,596	5,092	6,815
Income tax	(431)	(613)	(953)	(1,349)	(1,806)
Less: Minority interests	166	3	11	15	20
Net profit	1,028	1,646	2,632	3,727	4,989

Cash flow summary

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
EBIT	1,602	2,209	3,667	5,102	6,708
D & A	360	689	1,082	1,488	1,848
Change in working capital	(110)	34	(63)	97	92
Income tax paid	(468)	(583)	(953)	(1,349)	(1,806)
Others	16	39	113	157	258
Net cash from operating	1,400	2,388	3,847	5,495	7,100
Capex & investments	(1,243)	(2,512)	(3,282)	(2,777)	(2,553)
Associated companies	(4)	-	-	-	-
Interest received	1	22	-	-	-
Others	(319)	(1,377)	-	-	-
Net cash from investing	(1,565)	(3,867)	(3,282)	(2,777)	(2,553)
Equity raised	0	6,632	-	-	-
Net change in bank loans	(221)	53	(200)	(100)	-
Dividend paid	-	(461)	456	526	745
Others	326	(885)	(226)	(188)	(176)
Net cash from financing	105	5,339	30	238	570
Net change in cash	(60)	3,861	595	2,957	5,116
Beginning cash balance	407	282	4,119	4,713	7,670
Exchange difference	(65)	(24)	-	-	-
Cash at the end of the year	282	4,119	4,713	7,670	12,787

Balance sheet

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Non-current assets	2,274	6,209	8,436	9,734	10,450
Fixed asset	2,085	4,000	6,213	7,513	8,229
Intangible assets & goodwill	11	52	39	28	17
Prepaid lease payments	121	1,953	1,953	1,953	1,953
Interest in joint ventures	4	100	127	136	147
Other non-current assets	53	104	104	104	104
Current assets	1,462	5,736	6,828	10,423	16,157
Cash and cash equivalents	282	4,119	4,713	7,670	12,787
Inventories	95	457	305	414	518
Trade and other	173	150	375	507	636
Prepayments	325	695	1,120	1,516	1,901
Other current assets	587	315	315	315	315
Current liabilities	2,618	3,306	3,541	4,175	4,885
Bank loans	348	410	410	410	410
Trade payables	169	729	610	828	1,035
Accruals & other payables	511	906	1,461	1,978	2,480
Tax payables	80	161	161	161	161
Others	1,511	1,099	899	799	799
Non-current liabilities	27	9	9	9	9
Bank loans	9	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	13	2	2	2	2
Others	4	7	7	7	7
Minority Interest	2	5	2	6	12
Total net assets	1,089	8,625	11,713	15,967	21,700
Shareholders' equity	1,091	8,630	11,714	15,972	21,713

Key ratios

YE Dec 31	FY17A	FY18A	FY19E	FY20E	FY21E
Sales mix (%)					
China & loyalty program	91.0	89.4	88.9	89.0	89.1
Overseas	6.6	7.8	7.7	7.7	7.7
Delivery business	2.1	1.9	2.0	1.9	1.9
Condiment & food	0.3	0.9	1.4	1.4	1.4
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	59.5	59.1	59.3	59.2	59.3
Operating margin	15.1	13.0	13.4	13.8	14.4
Pre-tax margin	15.3	13.3	13.1	13.8	14.7
Net margin	9.7	9.7	9.6	10.1	10.7
Effective tax rate	26.5	27.4	26.5	26.5	26.5
Balance sheet ratios					
Current ratio (x)	3.2	2.5	2.7	2.7	2.7
Quick ratio (x)	2.9	2.2	2.5	2.4	2.4
Cash ratio (x)	0.1	1.2	1.3	1.8	2.6
Inventory turnover days	6	15	10	10	10
Trade receivables days	4	3	5	5	5
Trade payables days	12	24	20	20	20
Total debt / total equity	143	12	7	4	3
Net debt / equity ratio (%)	113	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	94.2	19.1	22.5	23.3	23.0
ROA	27.5	13.8	17.2	18.5	18.7
Per share					
EPS (RMB)	0.19	0.31	0.50	0.70	0.94
DPS (RMB)	0.14	0.09	0.10	0.14	0.19
BVPS (RMB)	0.21	1.63	2.21	3.01	4.10

Source: Company data, CMBIS estimates

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