

Jiumaojiu (9922 HK)

Post pandemic margin recovery is the key

Maintain BUY and raised TP, given the solid sales recovery and hopefully meaningful operating leverage in FY23E. However, due to its richer than peers valuation it is not our top pick in the sector.

- **FY22 results inline.** Jiumaojiu's sales dropped by 4% YoY to RMB 40.0bn and net profit tanked by 85% YoY to RMB 49mn in FY22, inline with their profit warning. Such a sharp drop, in our view, was mainly due to: 1) operating deleverage during the pandemic in 4Q22 and 2) active cut in ASP to remain value for money.
- **We expect decent sales and margin recovery for Tai Er in Jan-Feb and FY23E.** Without the pandemic, a typical Tai Er restaurant should generate around RMB 10mn sales and has a 22% to 25% restaurant level OP margin. Thanks to a series of "cost reductions and efficiency improvements" carried out in FY21-22, such as: 1) investments in supply chain and raw material production, 2) rigid control on rental terms negotiation, 3) more agile staffing and shift scheduling, and 4) cut in non-essential expenses, we believe unit economics can improve even further. Since SSS for Tai Er in Jan- Feb 2023 has already reached 101% (vs 2022 level) or about 92% (vs 2019 level, CMBI est.), we believe that the restaurant level OP margin may recover to about 20% or even better (vs 21% in FY19). Moreover, as offline catering demand continues to strengthen, we see room for Tai Er to raise its ASP again, which should be positive to its GP margin.
- **Tai Er will open about 120 stores in FY23E, of which around 15 will be overseas.** According to management, sales per store in places like Singapore or Malaysia are exceptional, which could be a few times greater vs a typical store in mainland China.
- **Song Hotpot expansion is about to accelerate with quality.** Management is targeting about 25 new stores for Song this year (vs just 27 stores as at FY22), and they believe the brand momentum will still be on an uptrend in FY23E-24E. Initially, Song Hotpot has always been popular in Southern China but it appears not too amazing in other areas. However, after certain refinement and ramp up, its performance is not just leading in Beijing, but also in Shanghai, which is a kind of recognition as it is one of the most competitive markets in China.
- **Maintain BUY and raise TP to HK\$23.52.** Our new TP is based on 35x FY24E P/E (rolled over from 40x FY23E P/E, due to the turnaround head). We fine-tuned our net profit forecasts by +3%/ -4% in FY23E/ 24E to factor in better GP margin and operating leverage but a slower sales recovery.

Earnings Summary

| (YE 31 Dec) | FY21A | FY22A | FY23E | FY24E | FY25E |
|----------------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 4,180 | 4,006 | 6,272 | 8,090 | 9,915 |
| YoY growth (%) | 54.0 | (4.2) | 56.6 | 29.0 | 22.6 |
| Operating profit (RMB mn) | 556 | 241 | 988 | 1,381 | 1,803 |
| Net profit (RMB mn) | 372.2 | 55.6 | 673.2 | 963.5 | 1,282.9 |
| Net profit att. (RMB mn) | 339.9 | 49.3 | 609.4 | 872.2 | 1,161.3 |
| EPS (Reported) (RMB cents) | 23.38 | 3.39 | 41.93 | 60.01 | 79.90 |
| YoY growth (%) | 160.7 | (85.5) | 1,136.6 | 43.1 | 33.1 |
| P/E (x) | 66.8 | 497.2 | 40.2 | 28.1 | 21.1 |
| P/B (x) | 7.2 | 7.3 | 6.1 | 4.9 | 3.8 |
| Yield (%) | 0.3 | 0.1 | 0.6 | 0.9 | 1.2 |
| ROE (%) | 11.0 | 1.5 | 16.6 | 19.3 | 20.2 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

| | |
|---------------|------------|
| Target Price | HK\$23.52 |
| (Previous TP) | HK\$19.70) |
| Up/Downside | 24.6% |
| Current Price | HK\$18.88 |

China Consumer Discretionary

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 27,440.4 |
| Avg 3 mths t/o (HK\$ mn) | 20.0 |
| 52w High/Low (HK\$) | 23.50/11.90 |
| Total Issued Shares (mn) | 1453.4 |
| Source: FactSet | |

Shareholding Structure

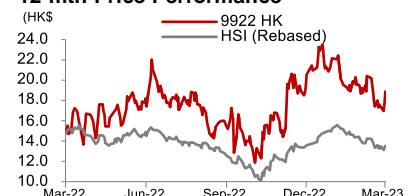
| | |
|-------------------------------|-------|
| Mr. Guan Yi Hong | 40.7% |
| Capital Research & Management | 4.3% |
| Source: HKEx | |

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 1.0% | 5.3% |
| 3-mth | -8.1% | -7.7% |
| 6-mth | 22.6% | 13.6% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings revision

Figure 1: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|-------|-------|-------|-------|-------|-------|----------|---------|-------|
| | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Revenue | 6,272 | 8,090 | 9,915 | 6,658 | 8,957 | n/a | -5.8% | -9.7% | n/a |
| Gross profit | 4,034 | 5,240 | 6,466 | 4,336 | 5,840 | n/a | -7.0% | -10.3% | n/a |
| EBIT | 1,020 | 1,428 | 1,874 | 975 | 1,484 | n/a | 4.6% | -3.7% | n/a |
| Net profit att. | 609 | 872 | 1,161 | 593 | 906 | n/a | 2.8% | -3.8% | n/a |
| Diluted EPS (RMB) | 0.419 | 0.600 | 0.799 | 0.408 | 0.624 | n/a | 2.8% | -3.8% | n/a |
| Gross margin | 64.3% | 64.8% | 65.2% | 65.1% | 65.2% | n/a | -0.8ppt | -0.4ppt | n/a |
| EBIT margin | 16.3% | 17.7% | 18.9% | 14.6% | 16.6% | n/a | 1.6ppt | 1.1ppt | n/a |
| Net profit att. margin | 9.7% | 10.8% | 11.7% | 8.9% | 10.1% | n/a | 0.8ppt | 0.7ppt | n/a |

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|------------------------|--------|-------|-------|-----------|--------|--------|----------|--------|--------|
| | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Revenue | 6,272 | 8,090 | 9,915 | 7,345 | 10,042 | 12,815 | -14.6% | -19.4% | -22.6% |
| Gross profit | 4,034 | 5,240 | 6,466 | 4,722 | 6,325 | 8,294 | -14.6% | -17.2% | -22.0% |
| EBIT | 1,020 | 1,428 | 1,874 | 1,062 | 1,572 | 2,006 | -3.9% | -9.2% | -6.6% |
| Net profit att. | 609 | 872 | 1,161 | 650 | 987 | 1,262 | -6.2% | -11.6% | -8.0% |
| Diluted EPS (RMB) | 0.419 | 0.600 | 0.799 | 0.454 | 0.693 | 0.911 | -7.6% | -13.4% | -12.3% |
| Gross margin | 64.3% | 64.8% | 65.2% | 64.3% | 63.0% | 64.7% | 0ppt | 1.8ppt | 0.5ppt |
| EBIT margin | 16.3% | 17.7% | 18.9% | 14.5% | 15.7% | 15.7% | 1.8ppt | 2ppt | 3.2ppt |
| Net profit att. margin | 9.7% | 10.8% | 11.7% | 8.8% | 9.8% | 9.9% | 0.9ppt | 1ppt | 1.9ppt |

Source: Company data, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

| Half yearly / Full yearly (RMB mn) | 1H21 | 2H21 | 1H22 | 2H22 | 1H22 YoY | 2H22 YoY |
|--|---------------|---------------|---------------|---------------|-------------|--------------|
| Revenue | 2,021 | 2,158 | 1,899 | 2,107 | -6% | -2% |
| COGS | -751 | -786 | -664 | -783 | | |
| Gross profit | 1,270 | 1,372 | 1,235 | 1,323 | -3% | -4% |
| GP margins | 62.8% | 63.6% | 65.1% | 62.8% | | |
| Other income & gains | 30 | 34 | 25 | 46 | | |
| Staff costs | -506 | -550 | -544 | -590 | 7% | 7% |
| Staff costs / sales | -25.1% | -25.5% | -28.6% | -28.0% | | |
| Dep. of right-of-use assets expenses | -161 | -181 | -192 | -211 | 19% | 16% |
| Dep. of ROU assets exp / sales | -8.0% | -8.4% | -10.1% | -10.0% | | |
| Other rentals expenses | -50 | -46 | -43 | -40 | -15% | -13% |
| Other rentals exp / sales | -2.5% | -2.2% | -2.3% | -1.9% | | |
| D & A of other assets | -71 | -88 | -93 | -97 | 32% | 9% |
| D & A of other assets exp / sales | -3.5% | -4.1% | -4.9% | -4.6% | | |
| Utilities expenses | -65 | -68 | -67 | -82 | 4% | 21% |
| Utilities exp / sales | -3.2% | -3.1% | -3.5% | -3.9% | | |
| Travelling & related expenses | -10 | -14 | -9 | -16 | -8% | 20% |
| Travelling & related exp / sales | -0.5% | -0.6% | -0.5% | -0.8% | | |
| A & P expenses | -17 | -31 | -23 | -32 | 39% | 4% |
| A & P exp / sales | -0.8% | -1.4% | -1.2% | -1.5% | | |
| Delivery service fees | -38 | -22 | -45 | -28 | 18% | 27% |
| Delivery service fees / sales | -1.9% | -1.0% | -2.4% | -1.3% | | |
| Other opex | -70 | -148 | -80 | -170 | 15% | 14% |
| Other opex / sales | -3.4% | -6.9% | -4.2% | -8.1% | | |
| Operating profit (EBIT) | 312 | 257 | 164 | 103 | -47% | -60% |
| OP margins | 15.4% | 11.9% | 8.6% | 4.9% | | |
| Other items | 0 | 11 | -27 | -61 | | |
| Net finance income | -37 | -39 | -39 | -42 | | |
| Net finance income / sales | -1.8% | -1.8% | -2.1% | -2.0% | | |
| Profit after financing costs | 275 | 229 | 98 | -0 | | |
| Associated coms | 1 | -0 | -2 | -1 | | |
| Jointly controlled coms | 0 | 0 | 0 | 0 | | |
| Pre-tax profit | 277 | 229 | 96 | -1 | -65% | -101% |
| Tax | -72 | -62 | -33 | -6 | | |
| Tax / sales | -3.5% | -2.9% | -1.7% | -0.3% | | |
| Effective tax rate | -25.9% | -27.1% | -34.6% | 487.6% | | |
| Minority interests | 19 | 13 | 5 | 2 | | |
| Net profit att. | 186 | 154 | 58 | -8 | -69% | -105% |
| NP margins | 9.2% | 7.1% | 3.0% | -0.4% | | |

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results preview – full year

| Half yearly / Full yearly (RMB mn) | FY21 | FY22 | FY23E | FY22E YoY | FY23E YoY |
|--|---------------|---------------|---------------|-------------|--------------|
| Revenue | 4,180 | 4,006 | 6,272 | -4% | 57% |
| COGS | -1,537 | -1,447 | -2,238 | | |
| Gross profit | 2,642 | 2,559 | 4,034 | -3% | 58% |
| GP margins | 63.2% | 63.9% | 64.3% | | |
| Other income & gains | 64 | 71 | 99 | | |
| Staff costs | -1,057 | -1,134 | -1,444 | 7% | 27% |
| Staff costs / sales | -25.3% | -28.3% | -23.0% | | |
| Dep. of right-of-use assets expenses | -343 | -403 | -489 | 18% | 21% |
| Dep. of ROU assets exp / sales | -8.2% | -10.1% | -7.8% | | |
| Other rentals expenses | -97 | -83 | -114 | -14% | 37% |
| Other rentals exp / sales | -2.3% | -2.1% | -1.8% | | |
| D & A of other assets | -159 | -190 | -280 | 20% | 47% |
| D & A of other assets exp / sales | -3.8% | -4.7% | -4.5% | | |
| Utilities expenses | -132 | -149 | -215 | 12% | 45% |
| Utilities exp / sales | -3.2% | -3.7% | -3.4% | | |
| Travelling & related expenses | -24 | -26 | -38 | 8% | 47% |
| Travelling & related exp / sales | -0.6% | -0.6% | -0.6% | | |
| A & P expenses | -48 | -56 | -87 | 16% | 57% |
| A & P exp / sales | -1.1% | -1.4% | -1.4% | | |
| Delivery service fees | -61 | -73 | -93 | 21% | 27% |
| Delivery service fees / sales | -1.5% | -1.8% | -1.5% | | |
| Other opex | -218 | -250 | -354 | 15% | 42% |
| Other opex / sales | -5.2% | -6.2% | -5.6% | | |
| Operating profit (EBIT) | 569 | 267 | 1,020 | -53% | 283% |
| OP margins | 13.6% | 6.7% | 16.3% | | |
| Other items | 11 | -88 | -19 | | |
| Net finance income | -75 | -81 | -85 | | |
| Net finance income / sales | -1.8% | -2.0% | -1.4% | | |
| Profit after financing costs | 505 | 98 | 917 | | |
| Associated coms | 1 | -3 | -5 | | |
| Jointly controlled coms | 0 | 0 | 0 | | |
| Pre-tax profit | 506 | 94 | 912 | -81% | 866% |
| Tax | -134 | -39 | -238 | | |
| Tax / sales | -3.2% | -1.0% | -3.8% | | |
| Effective tax rate | -26.4% | -41.0% | -26.1% | | |
| Minority interests | 32 | 6 | 64 | | |
| Net profit att. | 340 | 49 | 609 | -86% | 1137% |
| NP margins | 8.1% | 1.2% | 9.7% | | |

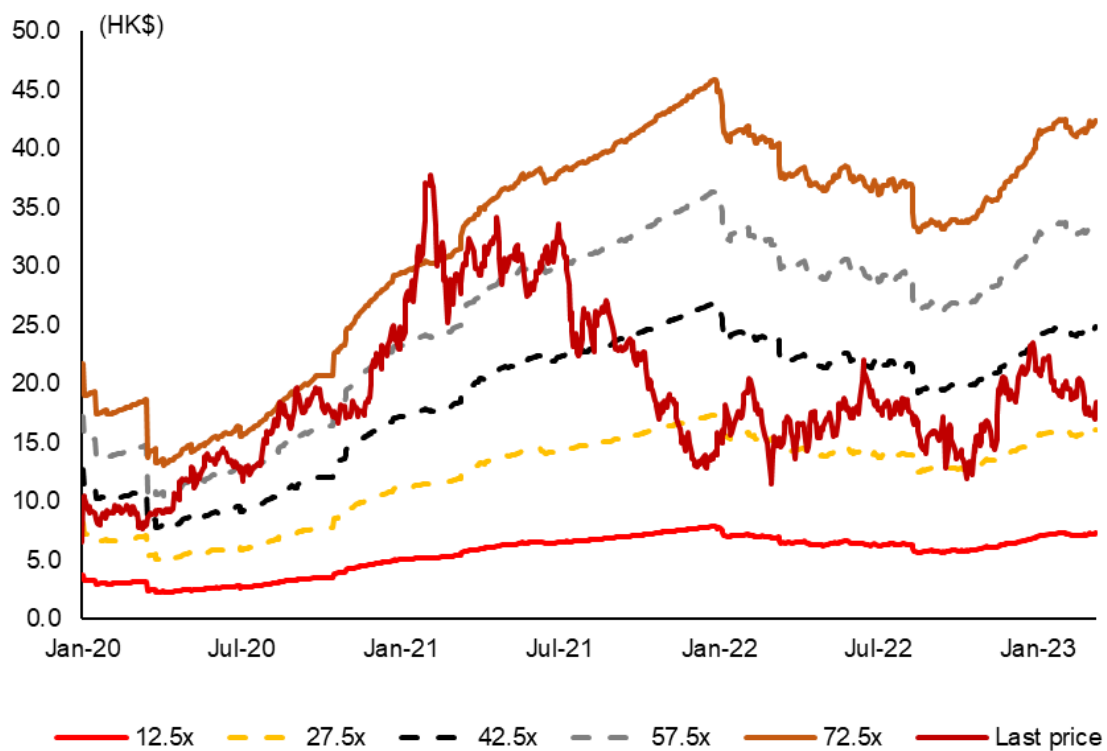
Source: Bloomberg, Company data, CMBIGM estimates

Valuation

Figure 5: Peers valuation

| | | | 12M TP | Price | Up/dow | Mkt cap | Year | PER (x) | | PBR (x) | | ROE | ROE | 3yrs | Yield | | |
|---------------------------------|-----------|--------|-------------|-------------|---------------|-----------|--------|---------|-------|---------|------|------------|------------|---------------|------------|---------------------|--------|
| Company | Ticker | Rating | HK\$/ LC | HK\$/ LC | n-side (%) | HK\$ mn | End | FY1 | FY2 | FY1 | FY2 | (%) FY0 | (%) FY2 | PEG(x) FY1 | (%) FY1 | YTD perf. (%) | |
| Leading Greater China Catering | | | | | | | | | | | | | | | | | |
| Jiumaojiu | 9922 HK | BUY | 23.52 | 18.88 | 25% | 27,461 | Dec-22 | 497.2 | 40.2 | 7.3 | 6.1 | 11.0 | 21.9 | 13.5 | 0.1 | (9.4) | |
| Haidilao | 6862 HK | BUY | 20.79 | 21.00 | -1% | 117,054 | Dec-21 | 133.5 | 37.4 | 11.6 | 9.0 | (50.6) | 25.8 | (0.7) | 0.2 | (6.2) | |
| Helens | 9869 HK | NR | n/a | 15.48 | n/a | 19,612 | Dec-21 | n/a | 42.3 | 7.2 | 6.0 | (15.1) | 14.4 | n/a | 0.5 | 4.5 | |
| Cafe De Coral | 341 HK | BUY | 15.12 | 10.38 | 46% | 6,080 | Mar-22 | 27.5 | 15.3 | 2.1 | 1.9 | 1.7 | 13.1 | 0.2 | 2.4 | (30.3) | |
| Xiabuxiabu | 520 HK | BUY | 11.20 | 6.61 | 69% | 7,180 | Dec-21 | n/a | 21.3 | 3.7 | 3.1 | (27.1) | 14.3 | n/a | 1.1 | (25.6) | |
| Tam Jai | 2217 HK | NR | n/a | 2.32 | n/a | 3,110 | Mar-22 | 23.2 | 12.2 | 2.1 | 1.8 | 19.3 | 16.2 | 1.6 | 1.3 | (11.8) | |
| Yihai | 1579 HK | NR | n/a | 21.50 | n/a | 22,508 | Dec-21 | 28.4 | 23.3 | 4.3 | 3.7 | 18.8 | 16.9 | 5.7 | 1.1 | (22.1) | |
| Yum China | 9987 HK | BUY | 554.61 | 485.00 | 14% | 202,884 | Dec-22 | 31.7 | 25.7 | 3.7 | 3.3 | 6.5 | 13.1 | 0.8 | 0.9 | 10.5 | |
| Gourmet Master | 2723 TT | NR | n/a | 148.00 | n/a | 6,851 | Dec-22 | 25.3 | 19.3 | 2.1 | 2.0 | 4.4 | 11.4 | 0.5 | 3.0 | (2.3) | |
| | | | | | | | | Avg. | 109.6 | 29.8 | 4.7 | 3.9 | (3.5) | 15.0 | 3.1 | 1.0 | (9.4) |
| | | | | | | | | Med. | 28.4 | 24.5 | 3.7 | 3.2 | 4.4 | 14.4 | 0.8 | 1.0 | (7.8) |
| International Catering | | | | | | | | | | | | | | | | | |
| Yum! Brands | YUM US | NR | n/a | 128.53 | n/a | 282,539 | Dec-22 | 24.9 | 21.7 | n/a | n/a | n/a | (18.2) | 0.9 | 1.9 | 0.4 | |
| Mcdonald'S | MCD US | NR | n/a | 270.62 | n/a | 1,553,532 | Dec-22 | 25.6 | 23.2 | n/a | n/a | n/a | (121.3) | 1.7 | 2.3 | 2.7 | |
| Starbucks | SBUX US | NR | n/a | 100.51 | n/a | 906,548 | Oct-22 | 29.6 | 24.8 | n/a | n/a | n/a | (44.0) | 1.4 | 2.1 | 1.3 | |
| Restaurant Brands | QSR US | NR | n/a | 62.00 | n/a | 219,841 | Dec-22 | 20.7 | 18.6 | 7.8 | 7.2 | 42.6 | 44.0 | 5.2 | 3.6 | (4.1) | |
| Chipotle Mexican | CMG US | NR | n/a | 1623.7 | n/a | 351,961 | Dec-22 | 38.8 | 31.9 | 16.5 | 14.0 | 38.5 | 47.1 | 1.6 | 0.0 | 17.0 | |
| Darden | DRI US | NR | n/a | 151.95 | n/a | 145,128 | May-22 | 19.4 | 17.5 | 8.6 | 8.2 | 39.8 | 46.9 | 2.2 | 3.1 | 9.8 | |
| Domino'S Pizza | DPZ US | NR | n/a | 314.61 | n/a | 87,448 | Jan-23 | 24.2 | 21.4 | n/a | n/a | n/a | (12.3) | 2.6 | 1.5 | (9.2) | |
| Wendy'S | WEN US | NR | n/a | 21.29 | n/a | 35,512 | Jan-23 | 21.8 | 19.0 | 15.1 | 19.6 | 39.3 | 77.8 | 0.7 | 4.6 | (5.9) | |
| Shake Shack | SHAK US | NR | n/a | 55.32 | n/a | 18,304 | Dec-22 | n/a | 988 | 5.6 | 5.3 | (6.0) | 0.5 | n/a | n/a | 33.2 | |
| Wingstop | WING US | NR | n/a | 183.99 | n/a | 43,220 | Dec-22 | 95.9 | 78.5 | n/a | n/a | n/a | (21.7) | 1.5 | 0.5 | 33.7 | |
| Jollibee Foods | JFC PM | NR | n/a | 227.00 | n/a | 36,612 | Dec-22 | 27.7 | 21.9 | 3.4 | 3.1 | 10.6 | 14.5 | 5.8 | 1.3 | (1.3) | |
| | | | | | | | | Avg. | 32.9 | 115.1 | 9.5 | 9.6 | 27.5 | 1.2 | 2.4 | 2.1 | 7.1 |
| | | | | | | | | Med. | 25.3 | 21.9 | 8.2 | 7.7 | 38.9 | 0.5 | 1.7 | 2.0 | 1.3 |
| A-shares Greater China Catering | | | | | | | | | | | | | | | | | |
| Foshan Haitian | 603288 CH | NR | n/a | 75.10 | n/a | 396,706 | Dec-21 | 50.4 | 42.6 | 12.5 | 10.6 | 28.6 | 25.2 | 4.7 | 0.9 | (5.7) | |
| Fujian Sunner | 002299 CH | NR | n/a | 23.24 | n/a | 32,947 | Dec-21 | 56.5 | 18.2 | 2.8 | 2.5 | 2.8 | 15.2 | 0.9 | 1.2 | (1.9) | |
| Angel Yeast | 600298 CH | NR | n/a | 40.34 | n/a | 39,960 | Dec-21 | 26.9 | 22.1 | 4.1 | 3.5 | 15.3 | 16.6 | 2.5 | 1.2 | (10.8) | |
| Meihua | 600873 CH | NR | n/a | 9.72 | n/a | 33,712 | Dec-22 | 6.1 | 5.5 | 1.8 | 1.5 | 36.4 | 28.1 | 0.9 | 4.8 | (4.5) | |
| Guangzhou Restaurant | 603043 CH | NR | n/a | 27.70 | n/a | 17,960 | Dec-21 | 27.1 | 21.0 | 4.6 | 3.9 | 18.9 | 19.0 | 1.7 | 1.3 | 7.3 | |
| China Quanjude | 002186 CH | NR | n/a | 13.90 | n/a | 4,888 | Dec-21 | n/a | n/a | n/a | n/a | (27.0) | n/a | n/a | n/a | (39.1) | |
| Xi'An Catering | 000721 CH | NR | n/a | 14.52 | n/a | 9,500 | Dec-21 | n/a | n/a | n/a | n/a | (36.4) | n/a | n/a | n/a | (16.1) | |
| | | | | | | | | Avg. | 33.4 | 21.9 | 5.2 | 4.4 | 5.5 | 20.8 | 2.1 | 1.9 | (10.1) |
| | | | | | | | | Med. | 27.1 | 21.0 | 4.1 | 3.5 | 15.3 | 19.0 | 1.7 | 1.2 | (5.7) |
| H-shares Consumer Staples | | | | | | | | | | | | | | | | | |
| UPC | 220 HK | NR | n/a | 8.30 | n/a | 35,850 | Dec-22 | 18.6 | 16.6 | 2.3 | 2.2 | 9.1 | 13.6 | 0.8 | 5.8 | 6.3 | |
| Tingyi | 322 HK | NR | n/a | 14.26 | n/a | 80,343 | Dec-21 | 25.3 | 18.5 | 4.4 | 4.3 | 17.4 | 24.1 | 6.3 | 6.5 | 3.5 | |
| Want Want | 151 HK | NR | n/a | 5.07 | n/a | 60,251 | Mar-22 | 13.8 | 12.4 | 3.1 | 3.0 | 25.6 | 24.7 | 21.1 | 5.9 | (2.9) | |
| Mengniu Dairy | 2319 HK | NR | n/a | 33.45 | n/a | 132,210 | Dec-21 | 20.2 | 17.4 | 2.8 | 2.5 | 15.8 | 14.8 | 1.5 | 1.5 | (5.5) | |
| Vitasoy | 345 HK | NR | n/a | 15.32 | n/a | 16,406 | Mar-22 | 135.6 | 58.3 | 4.9 | 4.5 | (1.5) | 7.9 | (0.6) | 0.1 | (4.6) | |
| Budweiser Brewing | 1876 HK | NR | n/a | 23.35 | n/a | 309,233 | Dec-22 | 34.2 | 29.5 | 3.4 | 3.2 | 8.4 | 11.3 | 1.9 | 1.3 | (4.9) | |
| Tsingtao Brewery | 168 HK | NR | n/a | 79.40 | n/a | 139,879 | Dec-22 | 24.8 | 21.8 | 3.4 | 3.1 | 15.4 | 15.5 | 3.8 | 1.9 | 3.0 | |
| CR Beer | 291 HK | NR | n/a | 61.35 | n/a | 199,030 | Dec-21 | 41.2 | 33.3 | 6.7 | 5.9 | 15.6 | 18.4 | 4.5 | 0.9 | 12.5 | |
| Dali Foods | 3799 HK | NR | n/a | 3.22 | n/a | 44,095 | Dec-21 | 11.6 | 10.3 | 1.9 | 1.7 | 18.5 | 17.2 | 17.4 | 4.4 | (9.6) | |
| | | | | | | | | Avg. | 36.1 | 24.2 | 3.7 | 3.4 | 13.8 | 16.4 | 6.3 | 3.1 | (0.2) |
| | | | | | | | | Med. | 24.8 | 18.5 | 3.4 | 3.1 | 15.6 | 15.5 | 3.8 | 1.9 | (2.9) |

Source: Bloomberg, Company data, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

| Major assumptions | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E |
|---------------------------------------|---------------|---------------|---------------|----------------|--------------|--------------|
| Sales by brand (RMB mn) | | | | | | |
| Jiu Mao Jiu | 716 | 760 | 606 | 743 | 850 | 955 |
| Tai Er | 1,962 | 3,292 | 3,108 | 5,092 | 6,648 | 8,221 |
| Other brands | 38 | 127 | 292 | 438 | 591 | 739 |
| Total | 2,715 | 4,180 | 4,006 | 6,272 | 8,090 | 9,915 |
| Sales growth by brand (%) | | | | | | |
| Jiu Mao Jiu | -47.8% | 6.3% | -20.4% | 22.7% | 14.4% | 12.3% |
| Tai Er | 53.6% | 67.8% | -5.6% | 63.8% | 30.6% | 23.6% |
| Other brands | -2.7% | 238.8% | 129.7% | 50.0% | 35.0% | 25.0% |
| Total | 1.0% | 54.0% | -4.2% | 56.6% | 29.0% | 22.6% |
| Sales by segment growth (%) | | | | | | |
| Restaurant operations | -9.3% | 59.2% | -9.1% | 69.1% | 29.2% | 22.7% |
| Delivery business | 121.6% | 31.2% | 26.6% | 6.7% | 27.7% | 21.9% |
| Sales of specialties | -14.6% | 416.4% | -90.7% | 15.0% | 15.0% | 15.0% |
| Others | -15.8% | -26.9% | -22.3% | 10.0% | 10.0% | 10.0% |
| Total | 1.0% | 54.0% | -4.2% | 56.6% | 29.0% | 22.6% |
| Number of restaurants by brand | | | | | | |
| Jiu Mao Jiu | 98 | 83 | 76 | 79 | 84 | 92 |
| Tai Er | 233 | 350 | 450 | 555 | 667 | 773 |
| Other brands | 50 | 37 | 30 | 58 | 86 | 99 |
| Total | 381 | 470 | 556 | 692 | 837 | 964 |
| GP margins by segment (%) | | | | | | |
| Jiu Mao Jiu | 67.0% | 61.0% | 61.0% | 61.0% | 61.0% | 61.0% |
| Tai Er | 59.5% | 63.8% | 64.6% | 65.0% | 65.5% | 66.0% |
| Other brands | 60.0% | 62.0% | 62.0% | 62.0% | 62.0% | 62.0% |
| Total | 61.5% | 63.2% | 63.9% | 64.3% | 64.8% | 65.2% |
| Opex breakdown (%) | | | | | | |
| Staff costs | -27.5% | -25.3% | -28.3% | -23.0% | -23.2% | -23.1% |
| Depreciation of right-of-use assets | -9.0% | -8.2% | -10.1% | -7.8% | -7.6% | -7.5% |
| Other rentals & related expenses | -1.8% | -2.3% | -2.1% | -1.8% | -1.8% | -1.8% |
| D & A of other assets | -4.1% | -3.8% | -4.7% | -4.5% | -4.1% | -3.8% |
| Utilities expenses | -3.5% | -3.2% | -3.7% | -3.4% | -3.2% | -3.1% |
| Others | -9.7% | -8.4% | -10.1% | -9.1% | -8.9% | -8.8% |
| EBIT margins (%) | 9.0% | 13.6% | 6.7% | 16.3% | 17.7% | 18.9% |
| Effective tax rate | 20.9% | 26.5% | 39.7% | 26.0% | 26.0% | 26.0% |
| NP att. margins (%) | 4.6% | 8.1% | 1.2% | 9.7% | 10.8% | 11.7% |
| NP att. growth (%) | -24.5% | 174.0% | -85.5% | 1136.6% | 43.1% | 33.1% |

Source: Company data, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 2,715 | 4,180 | 4,006 | 6,272 | 8,090 | 9,915 |
| Cost of goods sold | (1,046) | (1,537) | (1,447) | (2,238) | (2,850) | (3,448) |
| Gross profit | 1,669 | 2,642 | 2,559 | 4,034 | 5,240 | 6,466 |
| Operating expenses | (1,509) | (2,138) | (2,363) | (3,113) | (3,946) | (4,769) |
| Staff costs | (748) | (1,057) | (1,134) | (1,444) | (1,874) | (2,293) |
| Other rental related expenses | (50) | (97) | (83) | (114) | (145) | (178) |
| Others | (358) | (482) | (553) | (787) | (978) | (1,175) |
| Operating profit | 214 | 556 | 241 | 988 | 1,381 | 1,803 |
| Other income | 54 | 52 | 46 | 67 | 87 | 106 |
| Share of (losses)/profits of associates/JV | (8) | 1 | (3) | (5) | (7) | (8) |
| EBITDA | 567 | 1,058 | 834 | 1,757 | 2,330 | 2,926 |
| Depreciation | (111) | (159) | (190) | (280) | (333) | (380) |
| Depreciation of ROU assets | (243) | (343) | (403) | (489) | (617) | (743) |
| Interest income | 30 | 12 | 26 | 32 | 47 | 70 |
| Interest expense | (67) | (75) | (81) | (85) | (93) | (100) |
| Other income/expense | 8 | 11 | (88) | (19) | (24) | (30) |
| Pre-tax profit | 177 | 506 | 94 | 912 | 1,304 | 1,736 |
| Income tax | (39) | (134) | (39) | (238) | (341) | (454) |
| Minority interest | (14) | (32) | (6) | (64) | (91) | (122) |
| Net profit | 138 | 372 | 56 | 673 | 964 | 1,283 |

| BALANCE SHEET | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 2,862 | 2,559 | 2,694 | 3,503 | 4,746 | 6,425 |
| Cash & equivalents | 1,844 | 1,342 | 1,486 | 2,070 | 3,134 | 4,634 |
| Account receivables | 15 | 12 | 30 | 46 | 60 | 73 |
| Inventories | 51 | 71 | 57 | 89 | 113 | 137 |
| Prepayment | 203 | 325 | 312 | 488 | 629 | 771 |
| ST bank deposits | 0 | 2 | 2 | 2 | 2 | 2 |
| Other current assets | 748 | 807 | 807 | 807 | 807 | 807 |
| Non-current assets | 1,945 | 2,576 | 2,608 | 2,678 | 2,722 | 2,723 |
| PP&E | 445 | 572 | 609 | 685 | 737 | 747 |
| Investment in JVs & assos | 3 | 13 | 10 | 5 | (2) | (10) |
| Intangibles | 12 | 18 | 17 | 16 | 15 | 14 |
| Other non-current assets | 1,484 | 1,972 | 1,972 | 1,972 | 1,972 | 1,972 |
| Total assets | 4,806 | 5,135 | 5,302 | 6,181 | 7,468 | 9,148 |
| Current liabilities | 749 | 805 | 757 | 931 | 1,072 | 1,213 |
| Short-term borrowings | 43 | 0 | 0 | 0 | 0 | 0 |
| Account payables | 138 | 141 | 103 | 153 | 195 | 236 |
| Tax payable | 37 | 38 | 38 | 38 | 38 | 38 |
| Other current liabilities | 531 | 625 | 616 | 740 | 839 | 939 |
| Non-current liabilities | 997 | 1,193 | 1,199 | 1,263 | 1,354 | 1,476 |
| Long-term borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current liabilities | 997 | 1,193 | 1,199 | 1,263 | 1,354 | 1,476 |
| Total liabilities | 1,746 | 1,998 | 1,956 | 2,194 | 2,427 | 2,689 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 0 | 0 | 133 | 901 | 1,999 | 3,462 |
| Other reserves | 3,060 | 3,138 | 3,213 | 3,086 | 3,042 | 2,997 |
| Total shareholders equity | 3,060 | 3,138 | 3,346 | 3,987 | 5,041 | 6,459 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity and liabilities | 3,060 | 3,138 | 3,346 | 3,987 | 5,041 | 6,459 |

| CASH FLOW | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|----------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 177 | 506 | 94 | 912 | 1,304 | 1,736 |
| Depreciation & amortization | 111 | 159 | 190 | 280 | 333 | 380 |
| Tax paid | (48) | (133) | (39) | (238) | (341) | (454) |
| Change in working capital | 3 | (104) | (38) | (50) | (38) | (38) |
| Others | 304 | 428 | 206 | 98 | 112 | 125 |
| Net cash from operations | 546 | 856 | 414 | 1,002 | 1,371 | 1,749 |
| Investing | | | | | | |
| Capital expenditure | (280) | (336) | (260) | (345) | (372) | (377) |
| Acquisition of subsidiaries/ investments | (1) | (6) | 0 | 0 | 0 | 0 |
| Others | (803) | (148) | 0 | 0 | 0 | 0 |
| Net cash from investing | (1,084) | (490) | (260) | (345) | (372) | (377) |
| Financing | | | | | | |
| Dividend paid | (58) | (56) | 71 | 13 | 158 | 226 |
| Net borrowings | (178) | (43) | 0 | 0 | 0 | 0 |
| Proceeds from share issues | 2,885 | 0 | 0 | 0 | 0 | 0 |
| Share repurchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (259) | (689) | (81) | (85) | (93) | (100) |
| Net cash from financing | 2,390 | (789) | (10) | (72) | 66 | 127 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 127 | 1,844 | 1,342 | 1,486 | 2,070 | 3,134 |
| Exchange difference | (136) | (79) | 0 | 0 | 0 | 0 |
| Others | 1,852 | (423) | 144 | 585 | 1,064 | 1,500 |
| Cash at the end of the year | 1,844 | 1,342 | 1,486 | 2,070 | 3,134 | 4,634 |
| GROWTH | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Revenue | 1.0% | 54.0% | (4.2%) | 56.6% | 29.0% | 22.6% |
| Gross profit | (1.9%) | 58.3% | (3.2%) | 57.7% | 29.9% | 23.4% |
| Operating profit | (34.7%) | 160.3% | (56.7%) | 310.2% | 39.7% | 30.6% |
| EBITDA | (11.9%) | 86.5% | (21.2%) | 110.6% | 32.6% | 25.6% |
| Net profit | (25.7%) | 169.7% | (85.1%) | 1,110.5% | 43.1% | 33.1% |
| PROFITABILITY | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 61.5% | 63.2% | 63.9% | 64.3% | 64.8% | 65.2% |
| Operating margin | 7.9% | 13.3% | 6.0% | 15.8% | 17.1% | 18.2% |
| EBITDA margin | 20.9% | 25.3% | 20.8% | 28.0% | 28.8% | 29.5% |
| Return on equity (ROE) | 8.5% | 12.0% | 1.7% | 18.4% | 21.3% | 22.3% |
| GEARING/LIQUIDITY/ACTIVITIES | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | 0.6 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 |
| Current ratio (x) | 3.8 | 3.2 | 3.6 | 3.8 | 4.4 | 5.3 |
| Receivable turnover days | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| Inventory turnover days | 22.0 | 14.5 | 14.5 | 14.5 | 14.5 | 14.5 |
| Payable turnover days | 40.9 | 33.1 | 26.0 | 25.0 | 25.0 | 25.0 |
| VALUATION | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| P/E | 177.2 | 66.8 | 497.2 | 40.2 | 28.1 | 21.1 |
| P/E (diluted) | 177.2 | 66.8 | 497.2 | 40.2 | 28.1 | 21.1 |
| P/B | 5.6 | 10.0 | 6.3 | 6.0 | 4.8 | 3.7 |
| P/CFPS | 31.3 | 36.5 | 50.5 | 24.0 | 17.5 | 13.7 |
| Div yield (%) | 0.1 | 0.2 | 0.1 | 0.7 | 0.9 | 1.3 |
| EV | 24,335.2 | 26,096.5 | 25,952.9 | 25,368.3 | 24,304.2 | 22,804.6 |
| EV/Sales | 9.0 | 6.2 | 6.5 | 4.0 | 3.0 | 2.3 |
| EV/EBITDA | 42.9 | 24.7 | 31.1 | 14.4 | 10.4 | 7.8 |

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

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