

# Xiabu Xiabu (520 HK)

## Both sales and margin recovery are on track

Supported by robust XBXB and slightly weak Cou Cou performance YTD 2023, the Company is still on track to achieve its FY23E target in our view. Hence we maintain BUY and forecast a 34% sales/ 176% restaurant level OP CAGR during FY22-25E.

- **FY22 results inline but margin improved meaningfully in 2H22.** Sales declined by 23% YoY to RMB 4.7bn and registered net losses of about RMB350mn, implying a -7.5% NP margin, both are inline with profit warning. GP margin was at 61.9% (missed CMBI est. of 62.6%) but it was offset by better-than-expected other income and D&A expenses. Store numbers of both brands missed our est., but were offset by higher-than-expected ASP and seat turnover (esp. for XBXB). Most importantly, the group's NP margin narrowed to -3% in 2H22, from -13% in 1H22, despite pandemic in 4Q22.
- **Strong XBXB and soft Cou Cou in YTD 2023; group level numbers are on track to meet management's target.** For XBXB, its SSSG in Jan-Mar 2023 was fairly robust at 20%+. According to the management, the fulfillment rate was also strong (at 100%+ in Jan-Feb and 107%+ in Mar 2023), vs FY22 target of 400K sales per store. We believe such a brilliant performance was driven mainly by: 1) improved product quality and values and 2) store image revamps. For Cou Cou, we estimate its SSSG in Jan-Mar 2023 was roughly flattish. Based on management, the fulfillment rate was slightly below expectation (at 90%+ in Jan-Feb and 95%+ in Mar 2023), vs FY22 target of 1200K sales per store. We believe that was due to weaker-than-expected economic recovery, where consumption for mid-high end is still subdued. However, we are still optimistic about FY23E, with the low base in 2Q23E and 4Q23E head. Moreover, we believe the Company is on track to achieve the ~5% pre-tax margin (or ~5.5% NP margin) target in FY23.
- **Store opening in China should reaccelerate and expansion to overseas (ex-HK) should start.** The Company is now expecting 120/ 74/ 20 new stores for XBXB/ Cou Cou/ ShaoHot and may close up to 30/ 13 stores for XBXB/ Cou Cou, while around 26 stores will be overseas (mainly for Cou Cou) in FY23E. Management believes the overseas expansion will not dilute the man power to open stores in mainland China because many decent locations will likely be available, considering their long-term relationships with developers like TW's Shin Kong Group and SOGO Group, HK's SHK and New World, and SG's Capital Land, etc.
- **Maintain BUY with TP of HK\$ 11.21, based on SOTP valuation (21x/ 35x for XBXB/ Cou Cou), implying a 27x FY23E P/E, 22% discount to peers' average.** We find XBXB attractive, esp. after the recent share price retreat and turnaround driven by various reforms and China's re-opening. It is trading at 16x FY23E P/E (vs peers' average of 34x).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	6,147	4,725	7,461	9,579	11,441
YoY growth (%)	12.7	(23.1)	57.9	28.4	19.4
Operating profit (RMB mn)	(18)	(376)	502	982	1,273
Net profit (RMB mn)	(293.2)	(353.1)	402.3	652.4	837.4
EPS (Reported) (RMB cents)	(33.48)	(37.43)	41.48	67.24	86.30
YoY growth (%)	na	na	na	62.1	28.3
P/E (x)	(19.2)	(17.2)	15.5	9.6	7.5
P/B (x)	2.8	3.9	3.1	2.4	1.9
Yield (%)	1.1	1.0	2.3	4.2	6.0
ROE (%)	1.6	8.9	11.9	28.1	28.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** HK\$11.21  
(Previous TP HK\$11.20)  
**Up/Downside** 74.2%  
**Current Price** HK\$6.43

### China Consumer Discretionary

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### Stock Data

Mkt Cap (HK\$ mn)	6,984.1
Avg 3 mths t/o (HK\$ mn)	8.0
52w High/Low (HK\$)	9.88/2.89
Total Issued Shares (mn)	1086.2

Source: FactSet

### Shareholding Structure

Ho Kuang-Chi	41.8%
CICC	13.5%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-23.1%	-24.6%
3-mth	-28.9%	-30.5%
6-mth	23.4%	4.9%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

- **Store economics should further improve, aided by better store locations and incentive system.** On top of the reforms in product and management system, XBXB catering is actively refining its new store format. Firstly, a more digital and sophisticated new store location picking system was installed in Oct 2022. Secondly, these new form of stores will be smaller in size (area for XBXB will cut from 210 sq.m to 150 sq.m while that for Cou Cou will cut from 610 sq.m to 450 sq.m), hence both the rental expenses and depreciation (so as the capex) will be lower. Thirdly, store managers can supervise more than one store at a time, hence there is also a leverage in staff costs. As a result, management believes the OP margin for a typical model for XBXB and Cou Cou can be as high as 20% and 18% (Both NP margin are at 12%), noted that the margin for Cou Cou is better than our previous estimates of 16% and 10%.
- **Reforms on membership system may become a new growth driver.** After the consolidation of memberships between all brands, which can facilitate and induce more cross-selling, the Company now aims to launch a new paid membership program, where more privileges will be available, to enhance overall customer loyalty and experience. Moreover, assuming one million members have been converted into paid members, a subscription fee of about RMB 188mn can be generated (e.g., RMB 188 per person).

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	7,461	9,579	11,441	7,733	9,651	n/a	-3.5%	-0.7%	n/a
Gross profit	4,643	5,989	7,154	4,864	6,099	n/a	-4.5%	-1.8%	n/a
EBIT	563	1,062	1,371	738	1,093	n/a	-23.8%	-2.8%	n/a
Net profit att.	402	652	837	403	650	n/a	-0.2%	0.4%	n/a
Diluted EPS (RMB)	0.370	0.600	0.771	0.371	0.597	n/a	-0.1%	0.5%	n/a
Gross margin	62.2%	62.5%	62.5%	62.9%	63.2%	n/a	-0.7ppt	-0.7ppt	n/a
EBIT margin	7.5%	11.1%	12.0%	9.5%	11.3%	n/a	-2ppt	-0.2ppt	n/a
Net profit att. margin	5.4%	6.8%	7.3%	5.2%	6.7%	n/a	0.2ppt	0.1ppt	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	7,461	9,579	11,441	7,485	9,308	11,500	-0.3%	2.9%	-0.5%
Gross profit	4,643	5,989	7,154	4,616	5,745	7,360	0.6%	4.3%	-2.8%
EBIT	563	1,062	1,371	469	723	1,384	19.9%	46.9%	-1.0%
Net profit att.	402	652	837	292	486	665	37.7%	34.3%	25.9%
Diluted EPS (RMB)	0.370	0.600	0.771	0.272	0.438	0.610	36.4%	37.0%	26.3%
Gross margin	62.2%	62.5%	62.5%	61.7%	61.7%	64.0%	0.6ppt	0.8ppt	-1.5ppt
EBIT margin	7.5%	11.1%	12.0%	6.3%	7.8%	12.0%	1.3ppt	3.3ppt	-0.1ppt
Net profit att. margin	5.4%	6.8%	7.3%	3.9%	5.2%	5.8%	1.5ppt	1.6ppt	1.5ppt

Source: Company data, CMBIGM estimates

## Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H21	2H21	1H22	2H22E	1H22 YoY	2H22E YoY	2H22E CMBIG M	Actual vs CMBIG M
Revenue	3,047	3,100	2,156	2,568	59%	-12%	-29%	-17%
COGS	-1,135	-1,207	-811	-987				
Gross profit	1,912	1,894	1,345	1,581	65%	-13%	-30%	-17%
<b>GP margins</b>	<b>62.8%</b>	<b>61.1%</b>	<b>62.4%</b>	<b>61.6%</b>				
Other income & gains	59	45	43	77				
Staff costs	-927	-903	-751	-802	46%	7%	-19%	-11%
<b>Staff costs / sales</b>	<b>-30.4%</b>	<b>-29.1%</b>	<b>-34.8%</b>	<b>-31.2%</b>				
Dep. of right-of-use assets expenses	-302	-284	-273	-289	12%	-13%	-10%	2%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.9%</b>	<b>-9.2%</b>	<b>-12.6%</b>	<b>-11.2%</b>				
Other rentals expenses	-141	-157	-134	-118	51%	24%	-5%	-25%
<b>Other rentals exp / sales</b>	<b>-4.6%</b>	<b>-5.1%</b>	<b>-6.2%</b>	<b>-4.6%</b>				
D & A of other assets	-229	-238	-201	-201	16%	12%	-12%	-15%
<b>D &amp; A of other assets exp / sales</b>	<b>-7.5%</b>	<b>-7.7%</b>	<b>-9.3%</b>	<b>-7.8%</b>				
Utilities expenses	-95	-107	-75	-102	42%	-14%	-21%	-4%
<b>Utilities exp / sales</b>	<b>-3.1%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-4.0%</b>				
Other opex	-207	-235	-172	-184	26%	8%	-17%	-22%
<b>Other opex / sales</b>	<b>-6.8%</b>	<b>-7.6%</b>	<b>-8.0%</b>	<b>-7.2%</b>				
Operating profit (EBIT)	71	15	-218	-38	-135%	-97%	-406%	-362%
<b>OP margins</b>	<b>2.3%</b>	<b>0.5%</b>	<b>-10.1%</b>	<b>-1.5%</b>				
Other items	-75	-131	-38	21				
Net finance income	-49	-43	-44	-34				
<b>Net finance income / sales</b>	<b>-1.6%</b>	<b>-1.4%</b>	<b>-2.1%</b>	<b>-1.3%</b>				
Profit after financing costs	-54	-160	-300	-51				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	-54	-160	-300	-51	-83%	-142%	457%	-68%
Tax	7	-76	25	-5				
<b>Tax / sales</b>	<b>0.2%</b>	<b>-2.5%</b>	<b>1.2%</b>	<b>-0.2%</b>				
<b>Effective tax rate</b>	<b>-12.9%</b>	<b>47.8%</b>	<b>-8.3%</b>	<b>9.9%</b>				
Minority interests	3	7	1	20				
<b>Net profit att.</b>	<b>-50</b>	<b>-243</b>	<b>-277</b>	<b>-77</b>	<b>-80%</b>	<b>-195%</b>	<b>454%</b>	<b>-69%</b>
<b>NP margins</b>	<b>-1.6%</b>	<b>-7.8%</b>	<b>-12.8%</b>	<b>-3.0%</b>				

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Half yearly / Full yearly (RMB mn)	FY21	FY22E	FY23E	FY21 YoY	FY22E YoY	FY22E CMBIGM	Actual vs CMBIGM
Revenue	6,147	4,725	7,461	13%	-23%	4,734	0%
COGS	-1,537	-1,471	-2,264			-1,471	
Gross profit	3,806	2,926	4,643	14%	-23%	2,963	-1%
<b>GP margins</b>	<b>61.9%</b>	<b>61.9%</b>	<b>62.2%</b>			<b>62.6%</b>	
Other income & gains	104	121	61			42	187%
Staff costs	-1,830	-1,554	-2,001	24%	-15%	-1,575	-1%
<b>Staff costs / sales</b>	<b>-29.8%</b>	<b>-32.9%</b>	<b>-26.8%</b>			<b>-33.3%</b>	
Dep.of right-of-use assets expenses	-586	-561	-536	-2%	-4%	-493	14%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.5%</b>	<b>-11.9%</b>	<b>-7.2%</b>			<b>-10.4%</b>	
Other rentals expenses	-298	-252	-351	36%	-16%	-331	-24%
<b>Other rentals exp / sales</b>	<b>-4.8%</b>	<b>-5.3%</b>	<b>-4.7%</b>			<b>-7.0%</b>	
D & A of other assets	-467	-402	-470	14%	-14%	-458	-12%
<b>D &amp; A of other assets exp / sales</b>	<b>-7.6%</b>	<b>-8.5%</b>	<b>-6.3%</b>			<b>-9.7%</b>	
Utilities expenses	-202	-177	-261	6%	-12%	-166	7%
<b>Utilities exp / sales</b>	<b>-3.3%</b>	<b>-3.8%</b>	<b>-3.5%</b>			<b>-3.5%</b>	
Other opex	-442	-356	-522	16%	-19%	-308	16%
<b>Other opex / sales</b>	<b>-7.2%</b>	<b>-7.5%</b>	<b>-7.0%</b>			<b>-6.5%</b>	
Operating profit (EBIT)	86	-256	563	-61%	-399%	-324	-21%
<b>OP margins</b>	<b>1.4%</b>	<b>-5.4%</b>	<b>7.5%</b>			<b>-6.9%</b>	
Other items	-207	-16	-90			-57	
Net finance income	-93	-79	-99			-70	12%
<b>Net finance income / sales</b>	<b>-1.5%</b>	<b>-1.7%</b>	<b>-1.3%</b>			<b>-1.5%</b>	
Profit after financing costs	-214	-351	374			-451	
Associated coms	0	0	0			0	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	-214	-351	374	-418%	64%	-451	-22%
Tax	-69	20	37			113	-82%
<b>Tax / sales</b>	<b>-1.1%</b>	<b>0.4%</b>	<b>0.5%</b>			<b>2.4%</b>	
<b>Effective tax rate</b>	<b>32.5%</b>	<b>-5.6%</b>	<b>10.0%</b>			<b>-25.0%</b>	
Minority interests	10	22	9			6	285%
<b>Net profit att.</b>	<b>-293</b>	<b>-353</b>	<b>402</b>	<b>n/a</b>	<b>20%</b>	<b>-344</b>	<b>3%</b>
<b>NP margins</b>	<b>-4.8%</b>	<b>-7.5%</b>	<b>5.4%</b>			<b>-7.3%</b>	

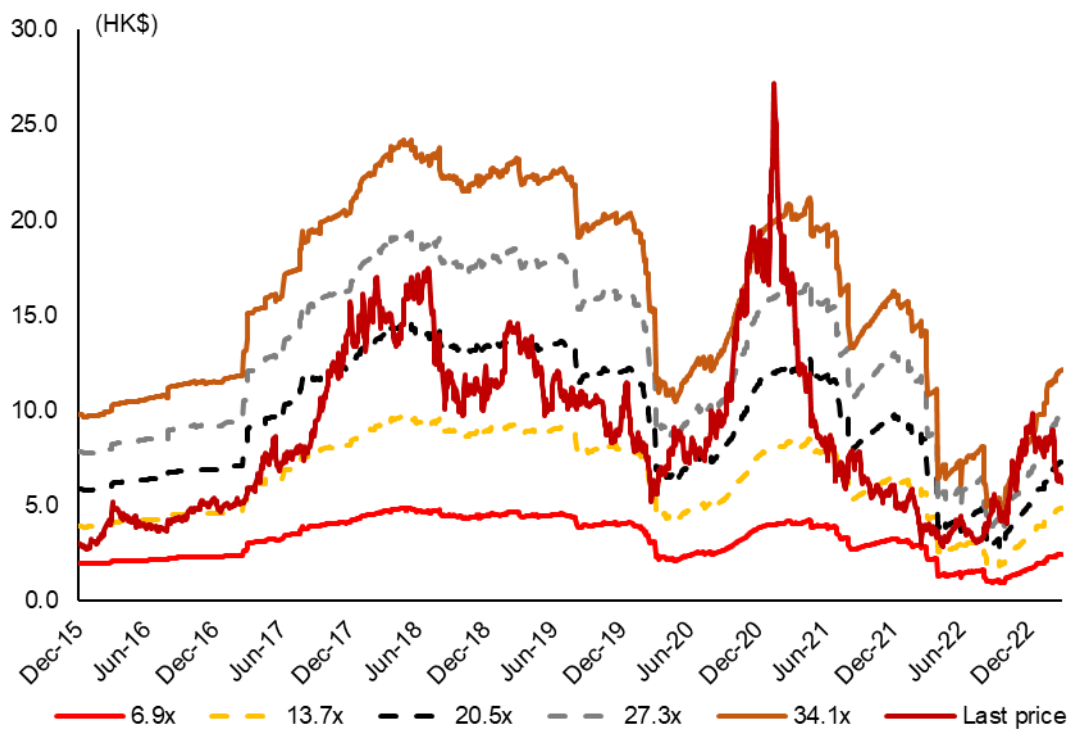
Source: Bloomberg, Company data, CMBIGM estimates

## Valuation

Figure 5: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.( %)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
Leading Greater China Catering														
Xiabuxiabu	520 HK	BUY	11.21	6.43	74%	6,984	Dec-22	15.5	9.6	3.1	n/a	(0.1)	2.3	(27.6)
Jiumaojiu	9922 HK	BUY	23.52	18.18	29%	26,443	Dec-22	35.6	23.2	6.0	1.6	0.2	0.5	(12.8)
Haidilao	6862 HK	BUY	21.62	20.70	4%	115,382	Dec-21	86.9	36.8	11.5	(50.6)	(0.4)	0.1	(7.6)
Helens	9869 HK	NR	n/a	12.78	n/a	16,191	Dec-22	35.6	20.1	5.4	(68.1)	(0.2)	0.2	(13.8)
Cafe De Coral	341 HK	BUY	15.12	10.56	43%	6,185	Mar-22	28.9	15.8	2.1	1.7	0.2	2.4	(29.1)
Tam Jai	2217 HK	NR	n/a	2.32	n/a	3,110	Mar-22	23.2	12.2	2.1	19.3	1.6	1.3	(11.8)
Yihai	1579 HK	NR	n/a	21.35	n/a	22,351	Dec-21	28.2	23.1	4.3	18.8	5.7	1.1	(22.6)
Yum China	9987 HK	BUY	554.60	494.00	12%	206,614	Dec-22	32.4	26.3	3.7	6.5	0.9	0.9	12.5
Gourmet Master	2723 TT	NR	n/a	146.00	n/a	6,774	Dec-22	24.8	18.6	2.1	4.4	0.5	3.1	(3.6)
Avg.								34.6	24.4	4.3	(8.3)	0.9	1.2	(12.2)
Med.								28.9	21.6	3.4	3.1	0.2	1.0	(12.3)
International Catering														
Yum! Brands	YUM US	NR	n/a	129	n/a	282,548	Dec-22	24.9	21.7	n/a	n/a	1.9	1.9	0.3
McDonald's	MCD US	NR	n/a	276	n/a	1,583,980	Dec-22	26.1	23.7	n/a	n/a	1.8	2.2	4.7
Starbucks	SBUX US	NR	n/a	99	n/a	890,641	Oct-22	29.1	24.3	n/a	n/a	1.5	2.2	(0.5)
Rest. Brands	QSR US	NR	n/a	65	n/a	229,065	Dec-22	21.6	19.3	7.8	42.6	5.4	3.4	(0.1)
Chipotle Mexican	CMG US	NR	n/a	1653	n/a	358,396	Dec-22	39.5	32.4	16.7	38.5	1.6	0.0	19.1
Darden Rest.	DRI US	NR	n/a	154	n/a	147,577	May-22	19.5	17.6	8.9	43.8	2.2	3.1	11.7
Domino's	DPZ US	NR	n/a	324	n/a	90,146	Jan-23	25.0	22.1	n/a	n/a	2.7	1.5	(6.4)
Wendy's	WEN US	NR	n/a	21	n/a	35,196	Jan-23	21.6	18.8	14.9	39.3	1.3	4.6	(6.8)
Shake Shack	SHAK US	NR	n/a	53	n/a	17,574	Dec-22	n/a	948.2	5.3	(6.0)	n/a	n/a	27.9
Wingstop	WING US	NR	n/a	184	n/a	43,192	Dec-22	96	78.6	n/a	n/a	5.7	0.5	33.6
Jollibee Foods	JFC PM	NR	n/a	219	n/a	35,374	Dec-22	28.1	22.5	3.3	10.6	1.4	1.4	(4.8)
Avg.								33.1	111.7	9.5	28.1	2.6	2.1	7.1
Med.								25.5	22.5	8.3	38.9	1.8	2.0	0.3
H-shares Consumer Staples														
UPC	220 HK	NR	n/a	8.15	n/a	35,203	Dec-22	18.3	16.3	2.3	9.1	0.8	6.0	4.4
Tingyi	322 HK	NR	n/a	13.32	n/a	75,047	Dec-22	17.7	14.6	4.3	16.4	0.7	7.4	(3.3)
Want Want*	151 HK	NR	n/a	5.11	n/a	60,726	Mar-22	13.9	12.5	3.1	25.6	21.2	5.9	(2.1)
China Mengniu*	2319 HK	NR	n/a	33.75	n/a	133,396	Dec-21	20.3	17.6	2.9	15.8	1.5	1.5	(4.7)
Vitasoy	345 HK	NR	n/a	15.14	n/a	16,213	Mar-22	134.0	57.6	4.8	(1.5)	(0.6)	0.1	(5.7)
Nongfu Spring*	9633 HK	NR	n/a	46.30	n/a	520,711	Dec-22	48.2	40.7	14.5	37.9	2.7	1.3	5.0
Budweiser*	1876 HK	NR	n/a	24.40	n/a	323,139	Dec-22	35.7	30.8	3.6	8.4	2.0	1.3	(0.6)
Tsingtao*	168 HK	NR	n/a	83.15	n/a	148,228	Dec-22	25.0	21.8	3.6	15.3	2.1	2.1	7.8
CR Beer*	291 HK	NR	n/a	62.70	n/a	203,410	Dec-22	32.9	27.1	6.0	16.9	1.6	1.2	14.9
Dali Foods	3799 HK	NR	n/a	3.23	n/a	44,232	Dec-22	10.3	9.6	1.7	18.5	n/a	4.8	(9.3)
Avg.								35.6	24.9	4.7	16.2	3.6	3.1	0.6
Med.								22.7	19.7	3.6	16.1	1.6	1.8	(1.4)

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

**Figure 6: Forward blended 12 months P/E band**

Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 7: CMBIGM assumptions

Major assumptions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales by brand (RMB mn)</b>						
XBXB	3,502	3,525	2,286	3,815	4,718	5,314
Cou Cou	1,689	2,354	2,206	3,401	4,604	5,857
Total	5,191	5,878	4,492	7,216	9,322	11,171
<b>Sales growth by brand (%)</b>						
XBXB	-25%	1%	-35%	67%	24%	13%
Cou Cou	41%	39%	-6%	54%	35%	27%
Total	-12%	13%	-24%	61%	29%	20%
<b>Number of restaurants</b>						
XBXB	1,061	841	801	892	1,002	1,107
Cou Cou	140	183	224	285	352	414
Total	1,201	1,024	1,025	1,177	1,354	1,521
<b>Number of restaurants growth (%)</b>						
XBXB	4%	-21%	-5%	11%	12%	10%
Cou Cou	37%	31%	22%	27%	24%	18%
Total	7%	-15%	0%	15%	15%	12%
<b>Seat turnover (x)</b>						
XBXB	2.3	2.0	2.3	2.5	2.6	2.6
Cou Cou	2.5	2.5	1.9	2.3	2.5	2.6
<b>ASP (RMB)</b>						
XBXB	62	63	64	62	63	65
Cou Cou	137	141	151	151	153	156
<b>Sales per store (RMB mn)</b>						
XBXB	3.3	4.2	2.8	4.2	4.7	4.8
Cou Cou	12.1	12.9	10.1	11.9	13.1	14.1
<b>Sales per store growth (%)</b>						
XBXB	-29%	28%	-32%	50%	10%	2%
Cou Cou	2%	7%	-22%	18%	10%	8%
GP margins	61.9%	61.9%	62.2%	62.5%	62.5%	62.5%
Staff costs	-29.8%	-32.9%	-26.8%	-25.9%	-25.4%	-25.3%
Rental and related expenses	-4.8%	-5.3%	-4.7%	-4.5%	-4.5%	-4.5%
Depreciation of ROU assets	-9.5%	-11.9%	-7.2%	-6.6%	-6.7%	-6.7%
D & A of other assets	-7.6%	-8.5%	-6.3%	-5.3%	-4.8%	-4.5%
Utilities expenses	-3.3%	-3.8%	-3.5%	-3.5%	-3.5%	-3.5%
Other expenses	-7.2%	-7.5%	-7.0%	-6.5%	-6.5%	-6.5%
Effective tax rate	33%	-6%	10%	-20%	-23%	-23%
NP att. margin	-5%	-7%	5%	7%	7%	8%
NP att. growth (%)	-16061%	20%	-214%	62%	28%	22%

Source: Company data, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	5,455	6,147	4,725	7,461	9,579	11,441
Cost of goods sold	(2,130)	(2,341)	(1,799)	(2,818)	(3,589)	(4,287)
Gross profit	3,325	3,806	2,926	4,643	5,989	7,154
Operating expenses	(3,277)	(3,824)	(3,302)	(4,141)	(5,007)	(5,881)
Staff costs	(1,478)	(1,830)	(1,554)	(2,001)	(2,479)	(2,909)
Other rental related expenses	(817)	(884)	(813)	(887)	(1,067)	(1,281)
Others	(982)	(1,110)	(936)	(1,254)	(1,461)	(1,691)
Operating profit	48	(18)	(376)	502	982	1,273
Other income	160	93	112	53	68	81
EBITDA	617	541	138	1,025	1,554	1,901
Depreciation	0	0	0	0	0	0
Depreciation of ROU assets	(597)	(586)	(561)	(536)	(636)	(767)
Goodwill amortisation	0	0	0	0	0	0
Other amortisation	(409)	(467)	(402)	(470)	(503)	(547)
EBIT	219	86	(256)	563	1,062	1,371
Interest income	11	11	8	8	11	16
Net Interest income/(expense)	11	11	8	8	11	16
Others	(152)	(299)	(95)	(189)	(232)	(265)
Pre-tax profit	67	(214)	(351)	374	830	1,105
Income tax	(56)	(69)	20	37	(166)	(254)
After tax profit	11	(283)	(331)	411	664	851
Minority interest	(10)	(10)	(22)	(9)	(11)	(14)
Net profit	2	(293)	(353)	402	652	837

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	2,218	1,996	1,491	2,185	2,923	3,746
Cash & equivalents	1,097	921	611	850	1,240	1,751
Restricted cash	0	0	0	0	0	0
Account receivables	392	395	302	477	613	732
Inventories	691	599	496	776	989	1,181
Other current assets	38	82	82	82	82	82
Non-current assets	3,562	2,906	2,874	3,000	3,168	3,308
PP&E	1,297	1,053	1,021	1,148	1,316	1,456
Right-of-use assets	1,972	1,638	1,638	1,638	1,638	1,638
Intangibles	2	2	2	2	1	1
Other non-current assets	292	213	213	213	213	213
Total assets	5,780	4,902	4,365	5,186	6,091	7,054
Current liabilities	1,979	1,768	1,605	2,002	2,308	2,579
Short-term borrowings	20	76	76	76	76	76
Account payables	1,045	855	692	1,089	1,395	1,666
Tax payable	0	0	0	0	0	0
Other current liabilities	914	838	838	838	838	838
Non-current liabilities	1,461	1,168	1,168	1,168	1,168	1,168
Other non-current liabilities	1,461	1,168	1,168	1,168	1,168	1,168
Total liabilities	3,440	2,936	2,773	3,171	3,476	3,747
Share capital	0	0	0	0	0	0
Retained earnings	0	0	(443)	(182)	210	670
Other reserves	2,319	1,969	1,969	1,969	1,969	1,969
Total shareholders equity	2,340	2,011	1,585	1,936	2,442	3,040
Minority interest	21	42	58	148	263	400
Total equity and liabilities	2,319	1,970	1,527	1,788	2,179	2,640

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	219	86	(256)	563	1,062	1,371
Depreciation & amortization	398	456	394	462	492	530
Tax paid	(113)	(58)	20	37	(166)	(254)
Change in working capital	28	12	33	(58)	(42)	(40)
Others	738	553	64	31	34	38
<b>Net cash from operations</b>	<b>1,270</b>	<b>1,049</b>	<b>254</b>	<b>1,035</b>	<b>1,379</b>	<b>1,645</b>
<b>Investing</b>						
Capital expenditure	(405)	(439)	(425)	(597)	(671)	(686)
Acquisition of subsidiaries/ investments	89	21	0	0	0	0
Others	(58)	(122)	0	0	0	0
<b>Net cash from investing</b>	<b>(374)</b>	<b>(539)</b>	<b>(425)</b>	<b>(597)</b>	<b>(671)</b>	<b>(686)</b>
<b>Financing</b>						
Dividend paid	(80)	(60)	(60)	(100)	(201)	(319)
Net borrowings	20	56	0	0	0	0
Proceeds from share issues	0	(12)	0	0	0	0
Share repurchases	8	6	0	0	0	0
Others	(515)	(673)	(79)	(99)	(117)	(128)
<b>Net cash from financing</b>	<b>(566)</b>	<b>(683)</b>	<b>(139)</b>	<b>(200)</b>	<b>(318)</b>	<b>(447)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	785	1,097	921	611	850	1,240
Exchange difference	(18)	(3)	0	0	0	0
Others	330	(174)	(310)	239	390	511
<b>Cash at the end of the year</b>	<b>1,097</b>	<b>921</b>	<b>611</b>	<b>850</b>	<b>1,240</b>	<b>1,751</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	(9.5%)	12.7%	(23.1%)	57.9%	28.4%	19.4%
Gross profit	(12.6%)	14.5%	(23.1%)	58.7%	29.0%	19.4%
Operating profit	(91.2%)	na	na	na	95.8%	29.6%
EBITDA	(32.8%)	(12.3%)	(74.5%)	643.6%	51.6%	22.4%
EBIT	(63.7%)	(60.9%)	na	na	88.7%	29.1%
Net profit	(99.4%)	na	na	na	62.1%	28.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	61.0%	61.9%	61.9%	62.2%	62.5%	62.5%
Operating margin	0.9%	(0.3%)	(8.0%)	6.7%	10.3%	11.1%
EBITDA margin	11.3%	8.8%	2.9%	13.7%	16.2%	16.6%
Return on equity (ROE)	0.1%	(13.5%)	(19.6%)	22.9%	29.8%	30.6%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Current ratio (x)	1.1	1.1	0.9	1.1	1.3	1.5
Receivable turnover days	27.8	23.3	23.3	23.3	23.3	23.3
Inventory turnover days	120.2	100.5	100.5	100.5	100.5	100.5
Payable turnover days	59.2	46.1	46.1	46.1	46.1	46.1
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	3,174.8	(19.2)	(17.2)	15.5	9.6	7.5
P/B	4.0	4.8	2.7	3.1	2.4	1.9
P/CFPS	6.2	7.4	14.9	5.3	4.0	3.3
Div yield (%)	1.0	0.8	1.5	2.6	4.8	6.9

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

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