

Cafe De Coral (341 HK)

Expect a massive subsidy and traffic recovery

More details of Anti-epidemic Fund was released by HK government on 12 May 2020, which includes a massive subsidy for the catering sector. Together with the projected traffic recovery, we have now turned more positive. We adjusted our EPS by -63%/ +15%/ -1% in FY20E/ 21E/ 22E and upgrade to BUY and lifted TP to HK\$ 15.98, based on 19x FY3/21E P/E (unchanged), vs its 5 years avg. of 21x.

- **Announced further details about Anti-epidemic Fund.** HK government issued 3 rounds of measures totaling HK\$ 287.5bn and we believe CDC is eligible to two of them (but can only pick one): 1) Employment Support Scheme (funding commitments up to HK\$ 81bn) and 2) Catering Business (Social Distancing) Subsidy Scheme (funding commitments up to HK\$ 9.5bn). **To err on the side of caution, we only factored in HK\$ 200mn in our model for FY21E.**

1) **Employment Support Scheme.** All employers who have been making MPF contributions to employees are eligible and wage subsidy is based on 50% of monthly salary (capped at HK\$ 18,000) for 6 months, as long as 1) there are no redundancy of staff and 2) not less than 50% of subsidies are used for salaries. According to our estimates, 6,000/ 1,400 full/ part-time staff in HK, with avg. salary of HK\$ 15,620/ 5,250 are entitled to the subsidies, totaling RMB 300mn in FY3/21E.

2) **Catering Business (Social Distancing) Subsidy Scheme.** Each premise can receive subsidies up to HK\$ 250k-2,200k, depending on its licensed area per premise, as long as: 1) there are no layoffs and 2) not less than 80% of subsidies are used for salaries. Based on 351 stores in Hong Kong for FY3/21E, we estimate potential subsidies of HK\$ 350mn (assumed avg. area per premise at ~350 sq m).

- **HK catering sales dropped by 33% YoY in 1Q20, but we expect bottom out and gradual recovery.** Catering sales in HK were hit hard by COVID-19, down by 33% YoY in 1Q20 (-11%/ -47%/ -42% in Jan/ Feb/ Mar 2020), even worse than -14% YoY in 4Q19 but slightly better than CMBIS est. of -43% YoY. By type, sales for Chinese/ Non-Chinese/ Fast food restaurants were down by 40%/ 36%/ 17% YoY. After a slightly better Mar vs Feb, we now expect a gradual improvement, boosted by relaxation of the social distancing order on 21 May 2020 and zero local infections for over 2 weeks.

- **Upgrade to BUY and lifted TP to HK\$ 18.31.** We adjusted our EPS by -63%/ +15%/ -1% in FY20E/ 21E/ 22E, to factor in profit warning and potential subsidies. We upgrade to BUY and lifted TP to HK\$ 18.31 based on 19x FY3/21E (unchanged). Since the worst will be over in Apr-Jun 2020, in our view, its current valuation of 17x FY3/21E is attractive, vs 5 years avg. of 21x.

Earnings Summary

(YE 31 Mar)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (HK\$ mn)	8,427.4	8,493.9	7,862.6	8,406.3	8,827.7
YoY growth (%)	6.7	0.8	(7.4)	6.9	5.0
Net income (HK\$ mn)	458.1	590.3	84.6	560.5	552.6
EPS (HK\$)	0.79	1.01	0.15	0.96	0.95
YoY growth (%)	(9.4)	28.7	(85.7)	562.3	(1.4)
Consensus EPS (HK\$)	n/a	n/a	0.59	0.88	1.01
P/E (x)	20.1	15.6	109.2	16.5	16.7
P/B (x)	2.6	2.7	2.9	2.6	2.5
Yield (%)	7.4	5.3	0.3	5.5	5.4
ROE (%)	12.8	17.3	2.7	15.7	15.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Up)

Target Price	HK\$18.31
(Previous TP	HK\$15.98)
Up/Downside	15.6%
Current Price	HK\$15.84

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	9,278
Avg 3 mths t/o (HK\$ mn)	25.35
52w High/Low (HK\$)	26.90/12.60
Total Issued Shares (mn)	585.7
Source: Bloomberg	

Shareholding Structure

Lo Tak Shing	15.76%
Lo Hoi Chun	11.61%
Lo Hoi Kwong	11.00%
Invesco Hong Kong Ltd.	5.01%
Free float	56.62%

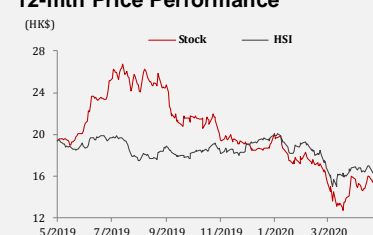
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.3%	0.0%
3-mth	-6.2%	5.2%
6-mth	-20.6%	-13.1%
12-mth	-17.0%	-3.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Related Reports

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2. Café de Coral (341 HK, HOLD) – 1H20 result inline but pressure may sustain - 27 Nov 2019
3. Café de Coral (341 HK, HOLD) - No immunity and limited visibility - 11 Nov 2019

Focus Charts

Figure 1: Staff and costs detail in FY3/19 (CMBIS est.)

Staff costs (HK\$ mn)	FY3/19
Wages, salaries and allowances	2,428.2
Discretionary bonuses	133.1
Pension costs - defined contribution plans	101.9
Pension costs - others	5.4
Share based compensation expenses	(1.2)
Total	2,667.4
Salary per employee by region by type (CMBI est., HK\$)	FY3/19
Hong Kong SAR - full time	17,355
Hong Kong SAR - part time	7,500
Average	13,873
Mainland China - full time	4,896
Mainland China - part time	2,500
Average	4,582
Total average	11,632
Number of staffs (CMBI est.)	FY3/19
Hong Kong SAR - full time	7,545
Hong Kong SAR - part time	6,956
Total	14,501
Mainland China - full time	3,220
Mainland China - part time	1,389
Total	4,609
Sum total	19,110

Source: Company data, CMBIS estimates

Figure 2: CDC's potential subsidies under the Employment Support Scheme.

Figure 2: 2020-2021 potential subsidies under the Employment Support Scheme		
Number of staffs in Hong Kong		in FY3/19
Full time		7,545
Part time		6,956
Total		14,501
Subsidy by full/ part time (CMBI est.) in FY3/21E		Assumptions
Total eligible staffs		
Full time		6,036 80% of FY3/19 level due to less stores
Part time		1,391 20% of FY3/19 level due to less stores
Average salary (HK\$)		
Full time		15,620 90% of FY3/19 level due to lower working hours
Part time		5,250 70% of FY3/19 level due to lower working hours
Subsidy per month per employee (HK\$)		
Full time		7,810 50% of salary
Part time		2,625 50% of salary
Total subsidies (HK\$ mn)		
Full time		283 for 6 months
Part time		22 for 6 months
Total		305

Source: Company data, CMBIS estimates

Figure 3: Government subsidy per catering premises under the Catering Business (Social Distancing) Subsidy Scheme

Licensed area	Level of subsidy (to be distributed in 2 tranches on equal splitting basis, HK\$ mn)
Not exceeding 100 sq.m	0.25
> 100 sq.m to 200 sq.m	0.50
> 200 sq.m to 400 sq.m	0.90
> 400 sq.m to 700 sq.m	1.65
> 700 sq.m	2.20

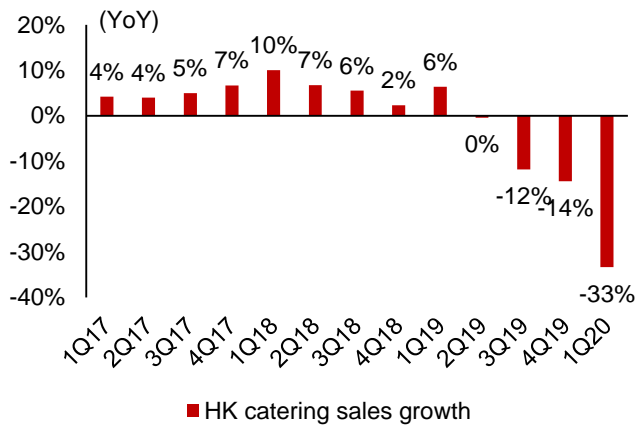
Source: Company data, CMBIS estimates

Figure 4: CDC's potential subsidies under the Catering Business (Social Distancing) Subsidy Scheme.

Subsidy by brand (CMBI est., in FY3/21E)	Number of premises	Area per premise (sq.m)	Subsidy per premise (HK\$ mn)	Total subsidies (HK\$ mn)
Hong Kong				
Café de Coral	162	300	0.90	146
Super Super Congee & Noodles	45	200	0.50	23
Asia Pacific Catering	86	600	1.65	142
The Spaghetti House	6	350	0.90	5
Spaghetti 360°	1	350	0.90	1
Oliver's Super Sandwiches	14	200	0.50	7
Shanghai Lao Lao	13	350	0.90	12
Mixian Sense (米線陣)	20	200	0.50	10
Others	4	200	0.50	2
Total / Average	351	353	0.98	347

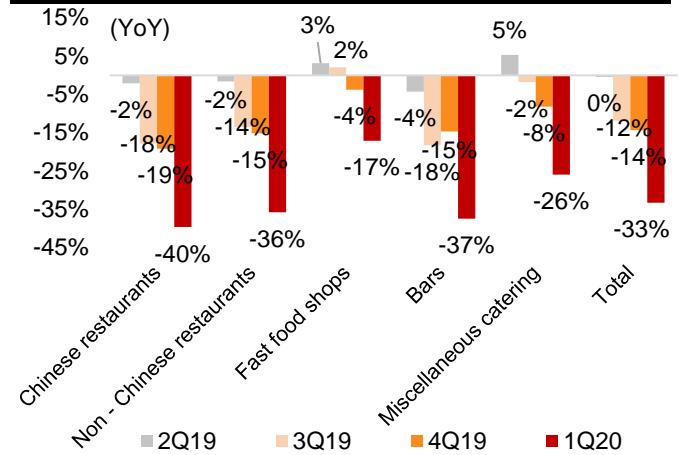
Source: Company data, CMBIS estimates

Figure 5: HK catering sales growth



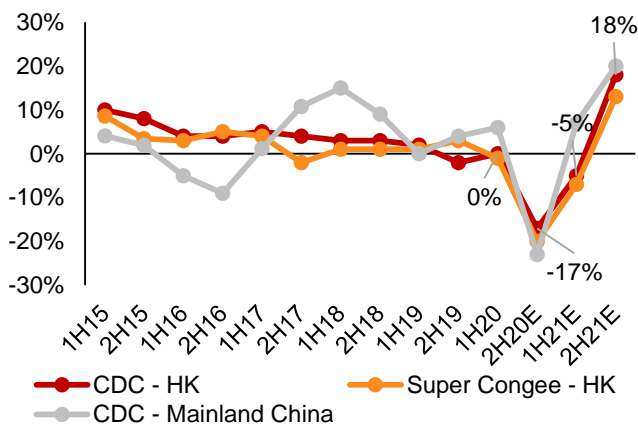
Source: Census and Statistics Department, CMBIS estimates

Figure 6: HK catering sales growth, by type



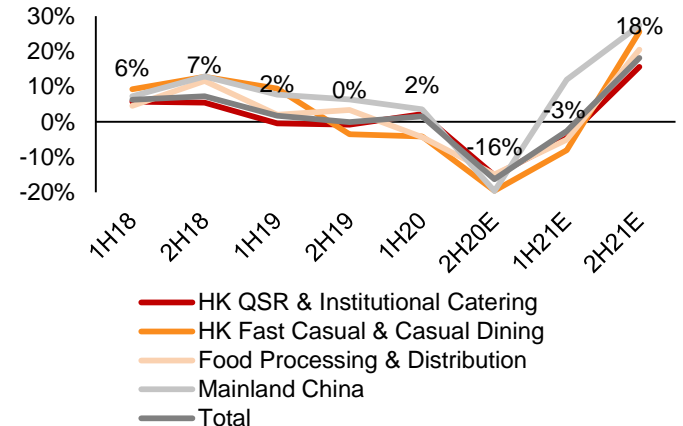
Source: Census and Statistics Department, CMBIS estimates

Figure 7: SSSG, by brand and region



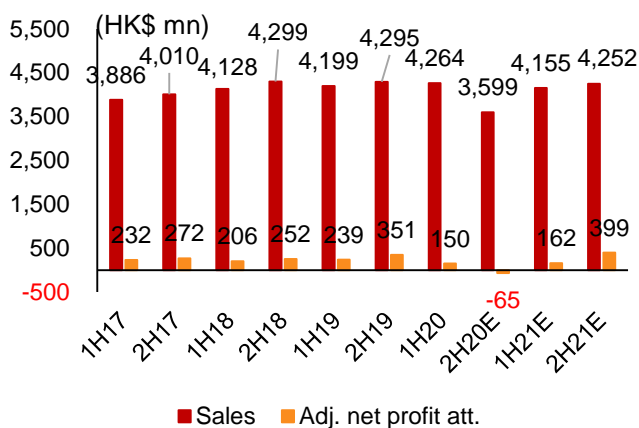
Source: Company data, CMBIS estimates

Figure 8: Sales growth, by segment and region



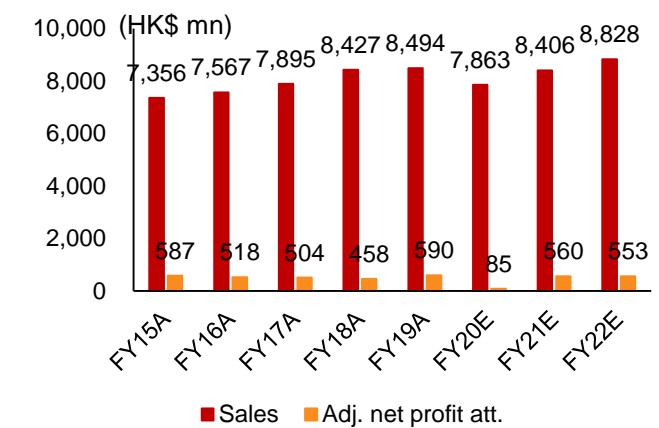
Source: Company data, CMBIS estimates

Figure 9: Sales/ net profit att., half year



Source: Company data, CMBIS estimates

Figure 10: Sales/ net profit att., full year



Source: Company data, CMBIS estimates

Figure 11: Results preview - half year

HK\$ mn	1H19	2H19	1H20	2H20E	1H19 YoY	2H19 YoY	1H20 YoY	2H20E YoY
Hong Kong	3,608	3,734	3,652	3,148	1%	-1%	1%	-16%
China	591	561	612	451	8%	6%	4%	-20%
Total revenue	4,199	4,295	4,264	3,599	2%	0%	2%	-16%
COGS	(3,683)	(3,673)	(3,765)	(3,538)	1%	-2%	2%	-4%
Gross profit	515	622	499	61	5%	13%	-3%	-90%
Other income and gains	9	9	(4)	(6)	-175%	-701%	-139%	-171%
Administrative expenses	(240)	(208)	(317)	(133)	2%	-7%	32%	-36%
Operating profit	284	423	179	(78)	17%	29%	-37%	-118%
Share of results of Assos	0	0	0	0	n/a	n/a	n/a	n/a
Non-operating items	0	0	0	0	n/a	n/a	n/a	n/a
Net finance income	8	7	9	(1)	23%	32%	19%	-117%
Profit before tax	292	430	188	(79)	18%	29%	-36%	-118%
Income tax	(52)	(78)	(38)	14	23%	-2%	-27%	-118%
Minority interest	1	1	1	(0)	122%	12%	-31%	-146%
Net profit att.	239	351	150	(65)	16%	39%	-37%	-119%
FV change on investment properties	0	20	0	(5)				
Loss on disposal of other PP&E	(3)	(9)	(8)	(0)				
Impairment loss of PP&E	0	(4)	(8)	(1)				
Share-based compensation expenses	(13)	14	(13)	0				
Adj. pre-tax profit	308	408	218	(74)	4%	17%	-29%	-118%
GP margin	12.3%	14.5%	11.7%	1.7%	0.4ppt	1.6ppt	-0.6ppt	-12.8ppt
OP margin	6.8%	9.8%	4.2%	-2.2%	0.9ppt	2.2ppt	-2.6ppt	-12ppt
NP att. margin	5.7%	8.2%	3.5%	-1.8%	0.7ppt	2.3ppt	-2.2ppt	-10ppt
Adj. pre-tax margin	7.3%	9.5%	5.1%	-2.1%	0.2ppt	1.4ppt	-2.2ppt	-11.5ppt

Source: Company data, CMBIS estimates

Figure 12: Results preview - full year

HK\$ mn	FY18	FY19	FY20E	FY21E	FY19 YoY	FY20E YoY	FY21E YoY
Hong Kong	7,351	7,342	6,799	7,146	0%	-7%	5%
China	1,076	1,152	1,063	1,260	7%	-8%	19%
Total revenue	8,427	8,494	7,863	8,406	1%	-7%	7%
COGS	(7,385)	(7,357)	(7,303)	(7,290)	0%	-1%	0%
Gross profit	1,042	1,137	560	1,116	9%	-51%	99%
Other income and gains	(14)	18	(10)	1	-229%	-154%	-107%
Administrative expenses	(459)	(448)	(450)	(432)	-2%	0%	-4%
Operating profit	570	707	101	684	24%	-86%	580%
Share of results of Assos	0	0	0	0	n/a	n/a	n/a
Non-operating items	0	0	0	0	n/a	n/a	n/a
Net finance income	12	15	8	8	27%	-45%	2%
Profit before tax	581	722	109	692	24%	-85%	537%
Income tax	(122)	(130)	(24)	(132)	6%	-82%	450%
Minority interest	1	2	0	0	47%	-91%	70%
Net profit att.	458	590	85	560	29%	-86%	562%
FV change on investment properties	19	20	(5)	5			
Loss on disposal of other PP&E	(21)	(11)	(9)	(9)			
Impairment loss of PP&E	(33)	(4)	(9)	(8)			
Share-based compensation expenses	(26)	1	(13)	(13)			
Adj. pre-tax profit	643	716	144	717	11%	-80%	399%
GP margin	12.4%	13.4%	7.1%	13.3%	1ppt	-6.3ppt	6.2ppt
OP margin	6.8%	8.3%	1.3%	8.1%	1.6ppt	-7ppt	6.9ppt
NP att. margin	5.4%	6.9%	1.1%	6.7%	1.5ppt	-5.9ppt	5.6ppt
Adj. pre-tax margin	7.6%	8.4%	1.8%	8.5%	0.8ppt	-6.6ppt	6.7ppt

Source: Company data, CMBIS estimates

Earnings revision

Figure 13: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	7,863	8,406	8,828	7,863	8,596	9,104	0.0%	-2.2%	-3.0%
Gross profit	560	1,116	1,106	725	1,043	1,124	-22.8%	7.0%	-1.6%
EBIT	101	684	666	286	596	669	-64.8%	14.8%	-0.5%
Net profit att.	85	560	553	231	489	556	-63.3%	14.6%	-0.6%
Diluted EPS (RMB)	0.15	0.96	0.95	0.40	0.84	0.96	-63.3%	14.6%	-0.6%
Gross margin	7.1%	13.3%	12.5%	9.2%	12.1%	12.3%	-2.1ppt	1.1ppt	0.2ppt
EBIT margin	1.3%	8.1%	7.5%	3.6%	6.9%	7.3%	-2.4ppt	1.2ppt	0.2ppt
Net profit att. margin	1.1%	6.7%	6.3%	2.9%	5.7%	6.1%	-1.9ppt	1ppt	0.2ppt

Source: Company data, CMBIS estimates

Figure 14: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	7,863	8,406	8,828	7,979	8,319	9,045	-1.5%	1.1%	-2.4%
Gross profit	560	1,116	1,106	766	993	1,167	-26.9%	12.4%	-5.2%
EBIT	101	684	666	417	557	705	-75.9%	22.7%	-5.6%
Net profit att.	85	560	553	343	510	589	-75.3%	9.9%	-6.2%
Adjusted Net Profit	0.15	0.96	0.95	0.59	0.88	1.01	-75.3%	9.9%	-6.2%
Diluted EPS (RMB)	7.1%	13.3%	12.5%	9.6%	11.9%	12.9%	-2.5ppt	1.3ppt	-0.4ppt
Gross margin	1.3%	8.1%	7.5%	5.2%	6.7%	7.8%	-3.9ppt	1.4ppt	-0.3ppt
EBIT margin	1.1%	6.7%	6.3%	4.3%	6.1%	6.5%	-3.2ppt	0.5ppt	-0.3ppt

Source: Company data, CMBIS estimates

Valuation

Figure 15: 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															
Cafe De Coral	341 HK	BUY	18.31	15.84	16%	9,278	Mar-19	109.2	16.5	2.9	2.6	16.9	(50.2)	0.3	
Haidilao Int'l	6862 HK	BUY	37.56	34.00	10%	180,200	Dec-19	91.4	37.8	13.6	10.4	24.4	2.8	0.3	
Jiumaojiu Int'l	9922 HK	BUY	11.44	11.94	-4%	16,518	Dec-19	106.0	34.4	6.0	5.0	101.4	2.6	0.3	
XBXB Catering	520 HK	NR	n/a	7.88	n/a	8,523	Dec-19	47.1	14.2	3.1	2.7	12.5	1.6	1.3	
Yihai Int'l	1579 HK	NR	n/a	66.30	n/a	69,409	Dec-19	64.8	47.9	17.9	13.6	31.1	2.3	0.4	
Yum China	YUMC US	NR	n/a	48.92	n/a	142,724	Dec-19	46.5	24.1	5.5	4.7	18.3	7.3	0.6	
Gourmet Master	2723 TT	NR	n/a	98.00	n/a	4,574	Dec-19	24.9	16.2	1.6	1.5	6.4	2.2	2.1	
								Avg.	70.0	27.3	7.2	5.8	30.1	(4.5)	0.8
								Med.	64.8	24.1	5.5	4.7	18.3	2.3	0.4
Other H-shares Restaurants and Food Ingredients															
Fairwood	52 HK	NR	n/a	18.42	n/a	2,386	Mar-19	12.7	21.9	3.4	3.1	18.3	9.0	2.3	
Tai Hing	6811 HK	NR	n/a	1.47	n/a	1,470	Dec-19	13.4	9.8	2.8	2.6	11.5	0.4	3.8	
Hop Hing	47 HK	NR	n/a	0.08	n/a	755	Dec-19	n/a	n/a	n/a	n/a	18.8	n/a	n/a	
Tsui Wah	1314 HK	NR	n/a	0.34	n/a	480	Mar-19	n/a	n/a	n/a	n/a	(5.2)	n/a	n/a	
Ajisen China	538 HK	NR	n/a	1.61	n/a	1,757	Dec-19	8.2	n/a	n/a	n/a	4.8	n/a	6.8	
Tao Heung	573 HK	NR	n/a	1.02	n/a	1,037	Dec-19	n/a	n/a	n/a	n/a	7.6	n/a	n/a	
Tang Palace	1181 HK	NR	n/a	0.82	n/a	882	Dec-19	5.4	n/a	n/a	n/a	19.8	n/a	n/a	
								Avg.	9.9	15.9	3.1	2.9	10.8	4.7	4.3
								Med.	10.4	15.9	3.1	2.9	11.5	4.7	3.8
Leading Greater China Restaurants and Food Ingredients															
Yum! Brands	YUM US	NR	n/a	86.37	n/a	201,481	Dec-19	30.4	23.1	n/a	n/a	n/a	(34.5)	2.2	
Mcdonald'S	MCD US	NR	n/a	180.88	n/a	1,042,386	Dec-19	32.5	22.9	n/a	n/a	n/a	12.5	2.8	
Starbucks Corp	SBUX US	NR	n/a	75.87	n/a	686,987	Sep-19	54.4	27.4	n/a	n/a	n/a	17.3	2.2	
Rest. Brands	QSR US	NR	n/a	52.59	n/a	190,075	Dec-19	26.0	19.4	8.8	8.7	33.3	3.7	4.0	
Chipotle Mexican	CMG US	NR	n/a	933.93	n/a	201,882	Dec-19	110.6	50.4	14.3	12.1	21.4	4.8	0.0	
Darden Rest.	DRI US	NR	n/a	73.93	n/a	74,419	May-19	31.2	27.1	4.0	3.5	27.3	(9.6)	3.6	
Domino'S Pizza	DPZ US	NR	n/a	377.49	n/a	114,447	Dec-19	34.6	31.7	n/a	n/a	n/a	3.3	0.8	
Dunkin' Brands	DNKN US	NR	n/a	65.37	n/a	41,601	Dec-19	25.7	21.4	n/a	n/a	n/a	7.4	1.2	
Wendy'S Co	WEN US	NR	n/a	21.12	n/a	36,452	Dec-19	39.9	31.5	9.0	9.4	21.9	4.3	1.4	
Shake Shack	SHAK US	NR	n/a	52.01	n/a	16,644	Dec-19	n/a	183.8	5.9	5.6	6.1	n/a	0.0	
Wingstop	WING US	NR	n/a	126.48	n/a	29,000	Dec-19	124.0	103.7	n/a	n/a	n/a	4.2	0.4	
Jollibee Foods	JFC PM	NR	n/a	139.40	n/a	23,845	Dec-19	35.3	24.9	2.4	2.2	12.9	15.2	1.2	
								Avg.	49.5	47.3	7.4	6.9	20.5	2.6	1.6
								Med.	34.6	27.2	7.3	7.2	21.7	4.3	1.3
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	8.20	n/a	35,419	Dec-19	22.5	20.8	2.4	2.3	10.2	4.1	4.3	
Tingyi	322 HK	NR	n/a	14.14	n/a	79,523	Dec-19	23.8	21.8	3.7	3.6	17.0	12.9	3.8	
Want Want China	151 HK	NR	n/a	5.41	n/a	67,166	Mar-19	16.4	15.4	3.8	3.5	27.2	3.7	4.5	
China Mengniu	2319 HK	NR	n/a	28.80	n/a	113,349	Dec-19	28.9	20.6	3.2	2.9	15.1	2.5	0.8	
Vitasoy	345 HK	NR	n/a	29.30	n/a	31,169	Mar-19	56.8	48.3	9.5	8.9	23.0	11.7	1.2	
Tsingtao Brewery	168 HK	NR	n/a	49.30	n/a	74,858	Dec-19	33.2	26.2	3.0	2.8	8.3	3.0	1.2	
CR Beer	291 HK	NR	n/a	39.15	n/a	127,010	Dec-19	48.5	32.7	5.5	4.9	6.8	1.0	0.8	
Budweiser Brew	1876 HK	NR	n/a	22.90	n/a	303,274	Dec-19	50.9	32.8	3.7	3.5	9.0	4.6	0.7	
Dali Foods	3799 HK	NR	n/a	4.74	n/a	64,910	Dec-19	15.1	13.8	3.5	3.2	24.2	2.8	4.6	
								Avg.	32.9	25.8	4.3	3.9	15.6	5.1	2.4
								Med.	28.9	21.8	3.7	3.5	15.1	3.7	1.2

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 16: Major assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment (HK\$ mn)					
HK QSR & Institutional Catering	6,302	6,264	5,845	6,123	6,312
HK Fast Casual & Casual Dining	882	906	800	856	929
Food Processing & Distribution	167	172	155	167	175
Mainland China	1,076	1,152	1,063	1,260	1,411
Total	8,427	8,494	7,863	8,406	8,828
Growth (%)					
HK QSR & Institutional Catering	6%	-1%	-7%	5%	3%
HK Fast Casual & Casual Dining	11%	3%	-12%	7%	9%
Food Processing & Distribution	8%	3%	-10%	8%	5%
Mainland China	10%	7%	-8%	19%	12%
Total	7%	1%	-7%	7%	5%
GP margin	12.4%	13.4%	7.1%	13.3%	12.5%
Costs breakdown					
Costs of raw materials	28.5%	27.5%	28.7%	28.8%	27.0%
Depreciation	4.0%	4.1%	4.8%	4.8%	4.8%
Operating lease rentals	12.2%	12.0%	12.8%	12.1%	12.2%
Employee benefit expenses	31.3%	31.4%	33.3%	32.5%	32.9%
OP margin	6.8%	8.3%	1.3%	8.1%	7.5%
Effective tax rate	21.0%	18.0%	22.0%	19.0%	18.0%
NP att. margins	5.4%	6.9%	1.1%	6.7%	6.3%
NP att. growth (%)	-9.1%	28.9%	-85.7%	562.3%	-1.4%
Sales network by region					
HK QSR & Institutional Catering	298	298	294	289	294
HK Fast Casual Dining	68	60	62	59	64
Mainland China	97	107	114	129	142
Total	463	465	470	477	500
SSSG by segment					
HK Café de Coral	3.0%	0.0%	-8.5%	6.5%	3.5%
HK Super Super Congee & Noodles	1.0%	2.0%	-10.5%	3.0%	2.5%
Mainland China Café de Coral	12.0%	2.0%	-8.5%	13.5%	6.5%

Source: Company data, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Mar (HK\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Mar (HK\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	8,427	8,494	7,863	8,406	8,828	EBIT	570	707	101	684	666
HK QSR & Institutional Catering	6,302	6,264	5,845	6,123	6,312	D & A	344	356	379	407	429
HK Fast Casual & Casual Dining	882	906	800	856	929	Change in working capital	36	23	(71)	25	18
Food Processing & Distribution	167	172	155	167	175	Income tax paid	(103)	(116)	(24)	(132)	(121)
Mainland China	1,076	1,152	1,063	1,260	1,411	Others	46	(18)	9	9	10
Cost of goods sold	(7,385)	(7,357)	(7,303)	(7,290)	(7,722)	Net cash from operating CF	893	952	394	993	1,001
Gross profit	1,042	1,137	560	1,116	1,106	Capex & investments	(433)	(277)	(444)	(450)	(473)
Other income	(14)	18	(10)	1	1	Associated companies	-	-	-	-	-
Operating expenses	(459)	(448)	(450)	(432)	(441)	Interest received	12	15	8	8	9
D & A	-	-	-	-	-	Others	(35)	63	-	-	-
Staff costs	-	-	-	-	-	Net cash from investing CF	(457)	(199)	(436)	(442)	(465)
S & D costs (ex-staff, D&A)	-	-	-	-	-	Equity raised	8	-	-	-	-
Admin exp. (ex-staff, D&A)	(459)	(448)	(450)	(432)	(441)	Net change in bank loans	-	-	-	-	-
Other operating expenses	-	-	-	-	-	Dividend paid	(471)	(680)	(386)	(131)	(503)
EBIT	570	707	101	684	666	Others	(3)	(11)	-	-	-
Finance costs, net	12	15	8	8	9	Net cash from financing CF	(466)	(691)	(386)	(131)	(503)
JVs & associates	-	-	-	-	-	Net change in cash	(30)	63	(428)	421	33
Exceptional	-	-	-	-	-	Beginning cash balance	790	801	836	407	828
Pre-tax profit	581	722	109	692	674	Exchange difference	41	(29)	-	-	-
Income tax	(122)	(130)	(24)	(132)	(121)	Cash at the end of the year	801	836	407	828	861
Less: Minority interests	1	2	0	0	0						
Net profit	458	590	85	560	553						

Balance sheet						Key ratios					
YE 31 Mar (HK\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	3,242	3,102	3,171	3,218	3,267	Sales mix (%)					
Fixed asset	2,021	1,923	1,994	2,045	2,097	HK QSR & Institutional Catering	74.8	73.7	74.3	72.8	71.5
Intangible assets & goodwill	4	2	3	3	2	HK Fast Casual & Casual Dining	10.5	10.7	10.2	10.2	10.5
Prepaid lease payments	79	75	73	70	68	Food Processing & Distribution	2.0	2.0	2.0	2.0	2.0
Interest in joint ventures	-	-	-	-	-	Mainland China	12.8	13.6	13.5	15.0	16.0
Other non-current assets	1,137	1,103	1,100	1,100	1,100	Total	100.0	100.0	100.0	100.0	100.0
Current assets	1,374	1,392	939	1,378	1,440	P&L ratios (%)					
Cash and cash equivalents	824	857	429	850	883	Gross margin	12.4	13.4	7.1	13.3	12.5
Inventories	234	241	240	240	254	Operating margin	6.8	8.3	1.3	8.1	7.5
Trade and other receivables	191	165	151	161	169	Pre-tax margin	6.9	8.5	1.4	8.2	7.6
Prepayments	121	127	118	126	132	Net margin	5.4	6.9	1.1	6.7	6.3
Other current assets	3	1	1	1	1	Effective tax rate	21.0	18.0	22.0	19.0	18.0
Current liabilities	956	984	888	932	978	Balance sheet ratios					
Bank loans	-	-	-	-	-	Current ratio (x)	0.7	0.7	0.9	0.7	0.7
Trade payables	207	220	220	220	233	Quick ratio (x)	1.2	1.2	0.8	1.2	1.2
Accruals & other payables	707	725	629	673	706	Cash ratio (x)	86.2	87.1	48.3	91.2	90.3
Tax payables	41	39	39	39	39	Inventory turnover days	12	12	12	12	12
others	-	-	-	-	-	Trade receivables days	8	7	7	7	7
Non-current liabilities	87	88	88	88	88	Trade payables days	10	11	11	11	11
Bank loans	-	-	-	-	-	Total debt / total equity ratio (%)	-	-	-	-	-
Deferred income	35	45	45	45	45	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred tax	34	29	29	29	29	Returns (%)					
Others	19	13	13	13	13	ROE	12.8	17.3	2.7	15.7	15.2
Minority Interest	4	6	6	7	7	ROA	9.9	13.1	2.1	12.2	11.7
Total net assets	3,570	3,415	3,127	3,570	3,633	Per share					
Shareholders' equity	3,570	3,415	3,127	3,570	3,633	EPS (HK\$)	0.79	1.01	0.15	0.96	0.95
						DPS (HK\$)	1.17	0.85	0.04	0.87	0.85
						BVPS (HK\$)	6.15	5.88	5.39	6.15	6.26

Source: Company data, CMBIS estimates

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