

Haidilao (6862 HK)

Store expansion may be the next catalyst

1H23 result was strong (resilient table turn plus strong margin uptick) but with limited surprises. While we are still cautious about the sector in 2H23E, Haidilao is one of our preferred picks, and the next catalyst could be the speed up in store expansion (likely in FY24E). We maintain BUY, based on this short-term turnaround. But in long-run, lack of growth drivers is still a big concern.

- **1H23 result was roughly inline.** Haidilao's sales increased by 25% YoY to RMB 18.8bn and net profit rocketed by 30x to RMB 2.3bn in 1H23, both were inline with CMBI est. and the profit alert. GP margin reached 59%, impressive given a declining ASP and promotional environment. Staff costs was still a miss (despite improved meaningfully YoY) but was offset by the bet in rental, D&A expenses and other opex. Moreover, the higher-than-expected other gains was also offset by the higher than expected tax rate.
- **We do expect gradual improvement in SSS recovery rate onwards.** The 25% sales growth in 1H23 was more driven by SSSG (+16%) or table turnover (from 2.9x to 3.3x), rather than the increase in store counts (+4%) or ASP (fell from RMB 109 to 103). In fact, Haidilao's SSS recovery rate (vs 2019 level) in Jun-Jul 2023 were quite resilient (at about 90%+ to 100%+) and outstanding (vs peers average of about 86-87%). We believe this was boosted by: 1) successful launches of new product and 2) improved service quality (comparing to the times during pandemic). Management is still confident to restore its table turnover to the pre-covid level (e.g. at least 4x or above), as the traffic of many old stores had already exceeded that level, it is the new stores that are holding back and ramping up at a slower pace. But fortunately, our assumption in our model is not that aggressive and expect the table turnover of about 3.4x/ 3.6x/ 3.7x in FY23E/ 24E/ 25E.
- **Margin-wise, we do expect OP margin to improve in 2H23E and FY24E.** We believe GP margin can stay at 59% in 2H23E thanks to: 1) increase in bargaining power by adding more 3rd party suppliers, 2) establishment of more strategic partnerships in exchange of a cheaper input price and 3) more new product launches with better ASP and margins. These should more than offset the negatives from potential drop in ticket size and rise in promotions. We also expect staff costs (as % of sales) to further decrease (at a moderate rate), as new stores gradually re-open (some employees are currently reserved for expansion). Moreover, after the change of incentive system (from high base salary and low bonus to vice versa, the sharing ratio could go up to about 20%), more micro-management were seen and certain number of stores have become more efficient.
- **Maintain BUY and raised TP to HK\$ 24.76**, based on 26x FY24E P/E. We fine-tuned our FY23E/ 24E/ 25E net profit forecasts by +16%/ -1%/ -3% to factor in: 1) slower sales recovery, 2) better sourcing costs and 3) better staff costs and opex. The stock is trading at only 25x FY23E P/E, attractive vs its 5 years avg. of 42x and peers' avg. of 23x, with a 44% FY22-25E NP CAGR.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	39,097	31,039	36,847	41,099	42,345
YoY growth (%)	36.6	(20.6)	18.7	11.5	3.0
Operating profit (RMB mn)	638	2,123	4,812	5,984	6,682
Net profit (RMB mn)	(3,247.8)	1,637.3	3,928.5	4,423.3	4,919.7
EPS (Reported) (RMB)	(0.58)	0.29	0.70	0.79	0.88
YoY growth (%)	na	na	138.9	12.6	11.2
P/E (x)	na	60.3	25.2	22.4	20.2
P/B (x)	12.5	13.3	8.7	6.8	5.4
Yield (%)	na	0.0	na	na	na
ROE (%)	(35.8)	21.3	41.8	34.1	30.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$24.76
(Previous TP)	HK\$23.96
Up/Downside	16.0%
Current Price	HK\$21.35

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Raphael TSE

(852) 3900 0856

raphaeltse@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	119,004.9
Avg 3 mths t/o (HK\$ mn)	314.5
52w High/Low (HK\$)	24.35/11.21
Total Issued Shares (mn)	5574.0

Source: FactSet

Shareholding Structure

Mr. Zhang Yong	60.4%
Mr. Shi Sean	9.4%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.3%	6.7%
3-mth	29.6%	28.5%
6-mth	-1.6%	5.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **No meaningful store expansion in 2H23E yet, but we do expect some accelerations in FY24E.** The company has net opened 11 stores in 1H23, from 1371 in FY22 to 1382 in 1H23, and we are now expecting around 20-30 more to add in 2H23E, should be at the high end of the management guidance of ~RMB 170 capex (implying roughly 17 to 34 new stores). However, even the average table turnover might not reach above 4x, but could still be achieved in more sub-regions, hence, we think it is still possible for expansion to accelerate (we are assuming about 50 new stores) in FY24E.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	36,847	41,099	42,345	39,455	43,844	45,103	-6.6%	-6.3%	-6.1%
Gross profit	21,817	24,376	25,114	23,045	25,565	26,299	-5.3%	-4.7%	-4.5%
EBIT	5,007	6,295	7,102	5,153	6,556	7,313	-2.8%	-4.0%	-2.9%
Net profit att.	3,914	4,406	4,900	3,390	4,435	5,037	15.5%	-0.6%	-2.7%
Diluted EPS (RMB)	0.702	0.790	0.879	0.608	0.796	0.904	15.5%	-0.6%	-2.7%
Gross margin	59.2%	59.3%	59.3%	58.4%	58.3%	58.3%	0.8ppt	1ppt	1ppt
EBIT margin	13.6%	15.3%	16.8%	13.1%	15.0%	16.2%	0.5ppt	0.4ppt	0.6ppt
Net profit att. margin	10.6%	10.7%	11.6%	8.6%	10.1%	11.2%	2ppt	0.6ppt	0.4ppt

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	36,847	41,099	42,345	42,299	48,214	53,640	-12.9%	-14.8%	-21.1%
Gross profit	21,817	24,376	25,114	24,799	27,076	29,942	-12.0%	-10.0%	-16.1%
EBIT	5,007	6,295	7,102	5,189	6,394	7,325	-3.5%	-1.5%	-3.0%
Net profit att.	3,914	4,406	4,900	3,778	4,661	5,439	3.6%	-5.5%	-9.9%
Diluted EPS (RMB)	0.702	0.790	0.879	0.682	0.834	0.971	2.9%	-5.3%	-9.5%
Gross margin	59.2%	59.3%	59.3%	58.6%	56.2%	55.8%	0.6ppt	3.2ppt	3.5ppt
EBIT margin	13.6%	15.3%	16.8%	12.3%	13.3%	13.7%	1.3ppt	2.1ppt	3.1ppt
Net profit att. margin	10.6%	10.7%	11.6%	8.9%	9.7%	10.1%	1.7ppt	1.1ppt	1.4ppt

Source: Company data, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H22	2H22	1H23	2H23E	1H23 YoY	2H23E YoY	1H23E CMBI GM	Actual vs CMBI GM
Revenue	15,155	15,883	18,886	17,961	25%	13%	18,879	0%
COGS	-6,476	-6,430	-7,685	-7,345			-7,854	
Gross profit	8,679	9,453	11,201	10,616	29%	12%	11,025	2%
GP margins	57.3%	59.5%	59.3%	59.1%			58.4%	
Other income & gains	174	322	397	222			245	62%
Staff costs	-5,311	-4,929	-5,769	-5,174	9%	5%	-5,022	15%
Staff costs / sales	-35.0%	-31.0%	-30.5%	-28.8%			-26.6%	
Dep. of right-of-use assets expenses	-372	-389	-362	-469	-3%	21%	-472	-23%
Dep. of right-of-use assets expenses / sales	-2.5%	-2.5%	-1.9%	-2.6%			-2.5%	
Other rentals expenses	-169	-105	-200	-131	18%	25%	-227	-12%
Other rentals expenses / sales	-1.1%	-0.7%	-1.1%	-0.7%			-1.2%	
Amort. of other intangible assets	-20	-24	-19	-17	-6%	-30%	-19	0%
Amort. of other intangible assets / sales	-0.1%	-0.2%	-0.1%	-0.1%			-0.1%	
Depre. of PPE	-1,304	-1,211	-1,125	-1,324	-14%	9%	-1,246	-10%
Depre. of PPE / sales	-8.6%	-7.6%	-6.0%	-7.4%			-6.6%	
Utilities exp.	-502	-546	-605	-611	21%	12%	-585	3%
Utilities exp. / sales	-3.3%	-3.4%	-3.2%	-3.4%			-3.1%	
Travelling & related exp.	-81	-64	-79	-106	-3%	65%	-113	-31%
Travelling & related exp. / sales	-0.5%	-0.4%	-0.4%	-0.6%			-0.6%	
Other opex	-642	-719	-684	-753	7%	5%	-736	-7%
Other exp. / sales	-7.4%	-7.6%	-6.1%	-7.1%			-6.7%	
Operating profit (EBIT)	451	1,788	2,754	2,253	511%	26%	2,851	-3%
OP margins	3.0%	11.3%	14.6%	12.5%			15.1%	
Other items	-69	356	227	42			-76	
Net finance income	-207	-267	-183	-250			-189	-3%
Net finance income / sales	-1.4%	-1.7%	-1.0%	-1.4%			-1.0%	
Profit after financing costs	176	1,877	2,798	2,044			2,586	
Associated coms	27	39	16	-8			4	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	202	1,915	2,814	2,036	1292%	6%	2,590	9%
Tax	-130	-350	-555	-367			-389	
Tax / sales	-0.9%	-2.2%	-2.9%	-2.0%			-2.1%	
Effective tax rate	-64.3%	-18.3%	-19.7%	-18.0%			-15.0%	
Minority interests	-1	-0	1	14			8	
Net profit att.	73	1,565	2,258	1,656	2982%	6%	2,194	3%
NP margins	0.5%	9.9%	12.0%	9.2%			11.6%	

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Full yearly (RMB mn)	FY22	FY23E	FY24E	FY23E YoY	FY24E YoY
Revenue	31,039	36,847	41,099	19%	12%
COGS	-12,906	-15,030	-16,723		
Gross profit	18,132	21,817	24,376	20%	12%
GP margins	58.4%	59.2%	59.3%		
Other income & gains	496	619	661		
Staff costs	-10,240	-10,943	-12,049	7%	10%
Staff costs / sales	-33.0%	-29.7%	-29.3%		
Dep. of right-of-use assets expenses	-761	-832	-877	9%	5%
Dep. of right-of-use assets expenses / sales	-2.5%	-2.3%	-2.1%		
Other rentals expenses	-274	-332	-370	21%	12%
Other rentals expenses / sales	-0.9%	-0.9%	-0.9%		
Amort. of other intangible assets	-44	-36	-23	-19%	-37%
Amort. of other intangible assets / sales	-0.1%	-0.1%	-0.1%		
Depre. of PPE	-2,515	-2,450	-2,298	-3%	-6%
Depre. of PPE / sales	-8.1%	-6.6%	-5.6%		
Utilities exp.	-1,048	-1,216	-1,356	16%	12%
Utilities exp. / sales	-3.4%	-3.3%	-3.3%		
Travelling & related exp.	-145	-184	-247	27%	34%
Travelling & related exp. / sales	-0.5%	-0.5%	-0.6%		
Other opex	-1,361	-1,437	-1,521	6%	6%
Other exp. / sales	-7.5%	-6.6%	-6.2%		
Operating profit (EBIT)	2,239	5,007	6,295	124%	26%
OP margins	7.2%	13.6%	15.3%		
Other items	287	269	-111		
Net finance income	-474	-433	-448		
Net finance income / sales	-1.5%	-1.2%	-1.1%		
Profit after financing costs	2,052	4,843	5,736		
Associated coms	0	0	0		
Jointly controlled coms	65	7	8		
Pre-tax profit	2,118	4,850	5,745	129%	18%
Tax	-480	-921	-1,321		
Tax / sales	-1.5%	-2.5%	-3.2%		
Effective tax rate	-22.7%	-19.0%	-23.0%		
Minority interests	-1	15	17		
Net profit att.	1,639	3,914	4,406	139%	13%
NP margins	5.3%	10.6%	10.7%		

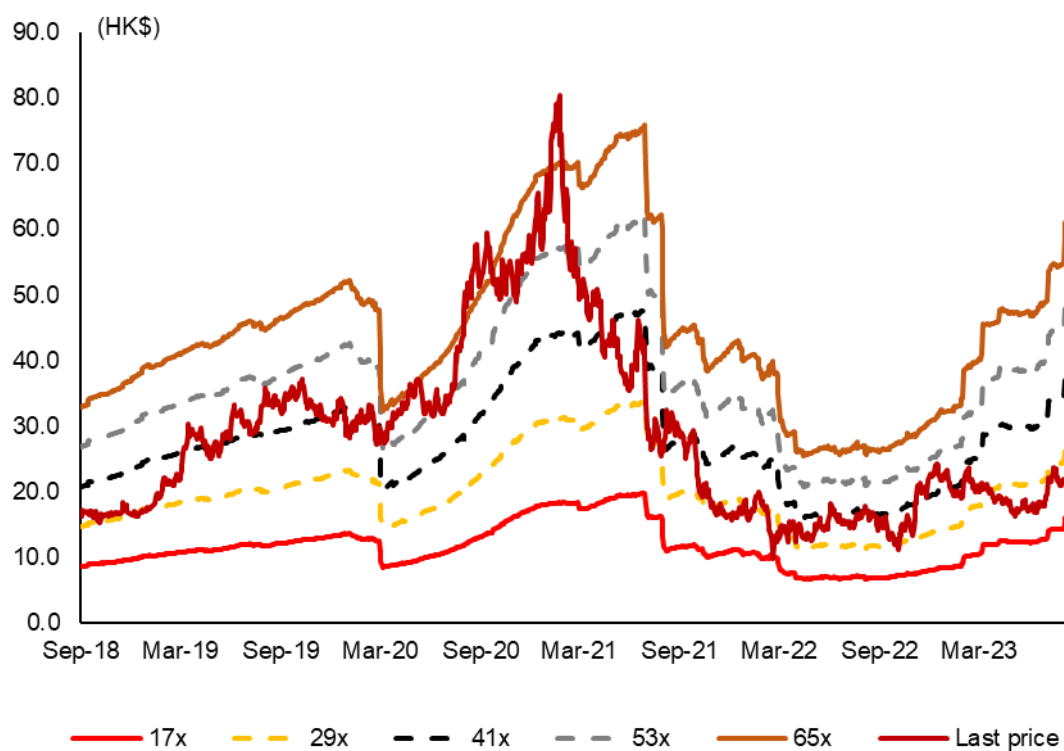
Source: Bloomberg, Company data, CMBIGM estimates

Valuation

Figure 5: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x) FY1E	P/E (x) FY2E	P/B (x) FY2E	ROE (%) FY2E	3yrs PEG (x) FY1E	Yield (%) FY1E	YTD per.(%) FY1E
Leading Greater China Catering														
Haidilao	6862 HK	BUY	24.76	21.35	16%	119,005	Dec-22	25.2	22.4	8.7	41.6	0.6	(1.2)	(4.7)
Jiumaojiu	9922 HK	BUY	15.46	12.58	23%	18,298	Dec-22	31.3	19.2	4.6	15.5	0.2	0.8	(39.7)
Nayuki	2150 HK	BUY	8.75	4.81	82%	8,250	Dec-22	27.8	12.8	1.5	4.9	(0.1)	0.2	(36.1)
Cafe De Coral	341 HK	BUY	12.32	9.50	30%	5,564	Mar-23	17.8	13.0	1.9	11.3	0.3	5.4	(36.2)
Xiabuxiabu	520 HK	BUY	4.89	3.79	29%	4,117	Dec-22	21.7	10.3	2.4	11.6	(0.1)	1.8	(57.0)
Helens	9869 HK	NR	n/a	7.90	n/a	10,009	Dec-22	25.8	17.6	4.3	16.5	(0.2)	1.4	(46.7)
Tam Jai	2217 HK	NR	n/a	1.58	n/a	2,119	Mar-23	14.4	9.9	1.5	9.9	0.6	2.1	(39.9)
Yihai	1579 HK	NR	n/a	14.70	n/a	15,239	Dec-22	15.6	13.8	2.8	18.3	1.4	1.9	(46.2)
Yum China	9987 HK	BUY	576.90	418.00	38%	173,699	Dec-22	24.8	20.5	3.1	13.3	0.6	1.0	(4.8)
Yum China	YUMC US	BUY	74.47	53.84	38%	175,505	Dec-22	25.0	20.8	3.1	13.3	0.6	1.0	(1.5)
Gourmet Master	2723 TT	NR	n/a	113.00	n/a	5,005	Dec-22	19.2	14.8	1.7	9.4	0.4	3.6	(25.4)
								Avg.	22.6	15.9	3.2	15.0	0.4	1.6
								Med.	24.8	14.8	2.8	13.3	0.4	1.4
International Catering														
Yum! Brands	YUM US	NR	n/a	130.10	n/a	285,975	Dec-22	24.8	22.0	n/a	(18.0)	1.9	1.9	1.6
McDonald's	MCD US	NR	n/a	284.24	n/a	1,624,939	Dec-22	24.6	22.9	n/a	(148.0)	1.4	2.2	7.9
Starbucks	SBUX US	NR	n/a	99.24	n/a	891,680	Oct-22	28.8	24.4	n/a	(46.8)	1.5	2.1	0.0
Rest. Brands	QSR US	NR	n/a	69.17	n/a	246,786	Dec-22	21.4	20.0	7.6	38.3	3.8	3.2	7.0
Chipotle Mexican	WING US	NR	n/a	162.97	n/a	38,324	Dec-22	74.9	64.5	n/a	(18.6)	3.8	0.5	18.4
Darden Rest.	SHAK US	NR	n/a	70.38	n/a	23,352	Dec-22	258.8	171.7	7.1	2.6	(1.3)	n/a	69.5
Domino's	CMG US	NR	n/a	1938.6	n/a	419,528	Dec-22	44.7	36.9	17.8	45.5	1.8	0.0	39.7
Wendy's	DRI US	NR	n/a	157.14	n/a	148,999	May-23	18.0	16.3	8.1	47.0	1.8	3.3	13.6
Shake Shack	DPZ US	NR	n/a	394.19	n/a	108,519	Jan-23	28.8	25.1	n/a	(11.8)	2.5	1.2	13.8
Wingstop	WEN US	NR	n/a	20.27	n/a	33,278	Jan-23	20.6	18.1	13.0	45.8	1.4	4.9	(10.4)
Jollibee Foods	JFC PM	NR	n/a	237.00	n/a	36,757	Dec-22	33.2	27.1	3.5	11.5	2.1	1.2	3.0
								Avg.	52.6	40.8	9.5	(4.8)	1.9	2.1
								Med.	28.8	24.4	7.8	2.6	1.8	2.0
H-shares Consumer Staples														
UPC	220 HK	NR	n/a	5.80	n/a	25,052	Dec-22	14.5	13.0	1.7	12.0	0.9	7.2	(25.7)
Tingyi	322 HK	NR	n/a	11.52	n/a	64,908	Dec-22	17.2	14.3	4.6	26.7	0.9	5.9	(14.6)
Want Want*	151 HK	NR	n/a	5.19	n/a	61,654	Mar-23	14.2	13.1	3.5	26.3	1.5	5.3	(0.6)
China Mengniu*	2319 HK	BUY	40.00	26.40	52%	104,015	Dec-22	15.6	13.4	2.2	13.9	1.2	1.9	(24.3)
Vitasoy	345 HK	NR	n/a	10.10	n/a	10,835	Mar-23	59.4	29.1	3.5	5.2	0.6	1.1	(37.1)
Nongfu Spring*	9633 HK	BUY	56.90	44.05	29%	495,407	Dec-22	45.9	39.4	16.7	38.3	3.5	1.6	(0.1)
Budweiser*	1876 HK	HOLD	18.60	17.00	9%	225,138	Dec-22	27.4	22.8	2.5	9.5	1.7	1.6	(30.8)
Tsingtao*	168 HK	BUY	88.90	65.35	36%	112,332	Dec-22	18.9	16.2	3.0	16.0	1.5	2.8	(14.6)
CR Beer*	291 HK	BUY	73.10	46.10	59%	149,557	Dec-22	26.0	21.4	4.5	17.8	1.4	1.5	(15.5)
Dali Foods	3799 HK	NR	n/a	3.73	n/a	51,079	Dec-22	14.8	13.5	2.3	16.3	3.1	3.9	6.6
								Avg.	25.4	19.6	4.4	18.2	1.6	3.3
								Med.	18.1	15.2	3.2	16.1	1.5	2.3

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

Figure 6: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
Number of restaurants					
China T1 cities	248	234	229	224	214
China T2 cities	522	538	548	558	568
China T3 and below	559	577	588	603	618
Outside PRC	20	22	22	22	22
Total	1,349	1,371	1,387	1,407	1,422
Number of restaurants growth (YoY %)					
China T1 cities	-2.7%	-5.6%	-2.1%	-2.2%	-4.5%
China T2 cities	4.6%	3.1%	1.9%	1.8%	1.8%
China T3 and below	23.9%	3.2%	1.9%	2.6%	2.5%
Outside PRC	-78.5%	10.0%	0.0%	0.0%	0.0%
Total	3.9%	1.6%	1.2%	1.4%	1.1%
Sales per restaurants (RMB mn)					
China T1 cities	31	22	26	28	29
China T2 cities	29	21	25	27	27
China T3 and below	25	20	23	26	26
Outside PRC	40	47	53	63	68
Total	28	21	25	27	28
Table turnover rate (times/ day)					
China T1 cities	3.1	3.0	3.4	3.6	3.7
China T2 cities	3.1	3.0	3.4	3.6	3.7
China T3 and below	2.9	2.9	3.3	3.5	3.6
Outside PRC	3.0	3.5	3.7	4.1	4.3
Total	3.0	3.0	3.4	3.6	3.7
Average spending per guest (RMB)					
China T1 cities	111.8	114.2	116.5	118.8	121.2
China T2 cities	101.7	104.3	106.4	108.5	110.7
China T3 and below	95.7	97.9	99.9	101.9	103.9
Outside PRC	202.6	197.4	201.3	205.4	209.5
Overall	102.3	104.9	114.6	117.0	119.4
Average spending per guest growth (YoY %)					
China T1 cities	-3.8%	2.1%	2.0%	2.0%	2.0%
China T2 cities	-3.8%	2.6%	2.0%	2.0%	2.0%
China T3 and below	-4.5%	2.3%	2.0%	2.0%	2.0%
Outside PRC	5.2%	-2.6%	2.0%	2.0%	2.0%
Overall	-7.1%	2.5%	9.2%	2.1%	2.0%
GP margins	55.9%	58.4%	59.2%	59.3%	59.3%
Staff costs/ sales	-35.7%	-33.0%	-29.7%	-29.3%	-28.9%
Rental expenses /sales	-0.8%	-0.9%	-0.9%	-0.9%	-0.9%
Utilities expenses/ sales	-3.5%	-3.4%	-3.3%	-3.3%	-3.3%
Depreciation and amortization/ sales	-8.2%	-8.2%	-6.7%	-5.6%	-4.8%
Depreciation of right-of-use assets/ sales	-2.3%	-2.5%	-2.3%	-2.1%	-2.2%
Travelling fees/ sales	-0.6%	-0.5%	-0.5%	-0.6%	-0.7%
Other opex/ sales	-4.1%	-4.4%	-3.9%	-3.7%	-3.6%
Effective tax rate	5.8%	-22.7%	-19.0%	-23.0%	-25.0%
NP att. margin	-8.3%	5.3%	10.6%	10.7%	11.6%
NP att. growth (%)	n/a	-150.4%	138.9%	12.6%	11.2%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	28,614	39,097	31,039	36,847	41,099	42,345
Cost of goods sold	(12,261)	(17,243)	(12,906)	(15,030)	(16,723)	(17,230)
Gross profit	16,353	21,853	18,132	21,817	24,376	25,114
Operating expenses	(15,363)	(21,545)	(16,389)	(17,429)	(18,741)	(18,792)
Staff costs	(9,677)	(13,950)	(10,240)	(10,943)	(12,049)	(12,236)
Other rental related expenses	(236)	(297)	(274)	(332)	(370)	(381)
Others	(2,417)	(3,201)	(2,554)	(2,837)	(3,124)	(3,218)
Operating profit	1,310	638	2,123	4,812	5,984	6,682
Other income	320	330	380	424	349	360
Share of (losses)/profits of associates/JV	75	81	65	7	8	8
EBITDA	4,343	4,736	5,445	8,129	9,182	9,639
Depreciation	(2,146)	(3,193)	(2,560)	(2,486)	(2,321)	(2,033)
Depreciation of ROU assets	(888)	(904)	(761)	(832)	(877)	(924)
Interest income	41	28	116	195	311	420
Interest expense	(446)	(583)	(474)	(433)	(448)	(437)
Other income/expense	(245)	(3,235)	287	269	(111)	(114)
Pre-tax profit	735	(3,070)	2,118	4,850	5,745	6,560
Income tax	(426)	(178)	(480)	(921)	(1,321)	(1,640)
Minority interest	(0)	(2)	1	(15)	(17)	(20)
Net profit	310	(3,248)	1,637	3,928	4,423	4,920

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	6,593	11,406	10,507	17,335	23,348	28,788
Cash & equivalents	2,683	5,767	6,301	12,356	17,926	23,236
Account receivables	275	368	307	400	447	460
Inventories	1,154	1,456	1,142	1,513	1,683	1,734
Prepayment	1,930	2,768	1,650	1,959	2,185	2,251
ST bank deposits	45	722	421	421	421	421
Other current assets	506	325	686	686	686	686
Non-current assets	20,934	16,616	10,933	8,621	6,699	5,077
PP&E	12,064	9,315	5,645	3,379	1,492	(104)
Deferred income tax	353	526	601	601	601	601
Investment in JVs & assos	301	351	257	247	235	222
Intangibles	92	132	105	69	46	32
Other non-current assets	8,124	6,291	4,325	4,325	4,325	4,325
Total assets	27,527	28,021	21,439	25,955	30,046	33,865
Current liabilities	9,868	9,886	7,232	8,089	8,505	8,628
Short-term borrowings	3,721	3,560	2,341	2,341	2,341	2,341
Account payables	1,583	1,944	1,321	1,901	2,115	2,180
Tax payable	201	103	58	58	58	58
Other current liabilities	4,363	4,278	3,512	3,788	3,991	4,050
Non-current liabilities	7,425	10,221	6,764	6,509	6,638	6,772
Long-term borrowings	268	221	215	215	215	215
Other non-current liabilities	7,157	10,000	6,548	6,294	6,422	6,556
Total liabilities	17,293	20,107	13,996	14,598	15,143	15,400
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	2,740	5,824	9,254
Other reserves	10,234	7,914	7,443	8,617	8,765	8,913
Total shareholders equity	10,234	7,915	7,443	11,357	14,589	18,167
Minority interest	0	0	0	0	0	0
Total equity and liabilities	27,527	28,021	21,439	25,955	29,732	33,567

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	735	(3,070)	2,118	4,850	5,745	6,560
Depreciation & amortization	2,146	3,193	2,560	2,486	2,321	2,033
Tax paid	(657)	(702)	(353)	(921)	(1,321)	(1,640)
Change in working capital	(704)	(328)	556	83	(26)	(7)
Others	1,401	4,713	1,272	157	(1,483)	(2,119)
Net cash from operations	2,921	3,806	6,152	6,654	5,235	4,827
Investing						
Capital expenditure	(6,070)	(4,430)	(825)	(184)	(411)	(423)
Acquisition of subsidiaries/ investments	(24)	82	720	0	0	0
Others	1,402	(605)	(652)	18	20	21
Net cash from investing	(4,691)	(4,953)	(757)	(166)	(391)	(403)
Financing						
Dividend paid	(703)	(93)	0	0	1,174	1,322
Net borrowings	3,891	(183)	(1,243)	0	0	0
Proceeds from share issues	0	1,919	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(848)	2,668	(3,745)	(433)	(448)	(437)
Net cash from financing	2,340	4,311	(4,988)	(433)	726	885
Net change in cash						
Cash at the beginning of the year	2,222	2,683	5,767	6,301	12,356	17,926
Exchange difference	(109)	(80)	126	0	0	0
Others	570	3,164	408	6,055	5,571	5,309
Cash at the end of the year	2,683	5,767	6,301	12,356	17,926	23,236
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	7.8%	36.6%	(20.6%)	18.7%	11.5%	3.0%
Gross profit	6.8%	33.6%	(17.0%)	20.3%	11.7%	3.0%
Operating profit	(58.8%)	(51.2%)	232.6%	126.6%	24.4%	11.7%
EBITDA	(14.4%)	9.0%	15.0%	49.3%	13.0%	5.0%
Net profit	(86.8%)	na	na	139.9%	12.6%	11.2%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	57.1%	55.9%	58.4%	59.2%	59.3%	59.3%
Operating margin	4.6%	1.6%	6.8%	13.1%	14.6%	15.8%
EBITDA margin	15.2%	12.1%	17.5%	22.1%	22.3%	22.8%
Return on equity (ROE)	3.0%	(35.8%)	21.3%	41.8%	34.1%	30.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	0.7	1.2	1.5	2.1	2.7	3.3
Receivable turnover days	3.1	3.0	4.0	4.0	4.0	4.0
Inventory turnover days	35.0	27.6	36.7	36.7	36.7	36.7
Payable turnover days	44.5	37.3	46.2	46.2	46.2	46.2
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	308.0	na	65	25.2	22.4	20.2
P/E (diluted)	308.0	na	60.3	25.2	22.4	20.2
P/B	9.3	12.5	13.3	8.7	6.8	5.4
P/CFPS	64.1	48.2	12.2	16.6	21.1	22.9
Div yield (%)	ns	ns	0.0	ns	ns	ns

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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