

# Jiumaojiu (9922 HK)

## Re-opening, margins & Song are key drivers

**Maintain BUY but revised down TP to HK\$ 19.70**, based on unchanged 40x FY23E P/E (revised up from 35x FY23E P/E as we believe the worst will be over in 3Q22). We maintain BUY because we are still confident on Tai Er's leading brand equity, management quality, as well as its significant long-term potential. And we are also optimistic on Song Hot Pot to become a visible growth driver in near future. The stock is trading at 35x FY23E P/E, vs 5-year average of 50x and 28% FY21-24E NP CAGR.

- **1H22 result inline.** Sales dropped by 6% YoY to RMB 1.9bn, which consists of both store openings and pressure from COVID-19 outbreaks, while net profit fell by 69% YoY to RMB 58mn, in line with the previous profit alert. However, we are still impressed as JMJ is one of the very few catering companies still managed to generate profit in 1H22, we attributed that to: 1) rapid store openings, 2) robust GP margin, supported by investments in supply chain, 3) agile and rigid control on staff costs and rental terms negotiations.
- **Tai Er brand is still leading but store expansion was affected by COVID-19.** We do believe Tai Er was hit hard in 1H22, due to Shanghai lockdown and declined consumer purchasing power, as its SSSG dropped by ~23% with seat turnover fell to 2.9x (from 3.7x in 1H21) and a decrease in restaurant level OP margin to 16.5% in 1H22 (from 23.4% in 1H21). However, Tai Er is still expanding further into the lower tier cities (where a more value money pricing will be applied), which tends to have better margins, given lower staffs and rental costs. The new store openings of ~120 in FY22E was reiterated, and we believe the expansion could be fairly "stable" in FY23E-24E, assuming the COVID-19 situation remains controllable.
- **Song Hot Pot is up-rising and store expansion may accelerate in the future.** Song Hot Pot's seat turnover has improved from 2.2x in 1H21 to 2.4x in 1H22, and its GP margin and overall profitability should have been climbing in 1H22, reflecting its superior popularity (serious queuing were observed during supper time). Moreover, we believe a potential acceleration in expansion in FY23E is not an issue for Song thanks to the support and experience from the Tai Er team.
- **Maintain BUY but cut TP to HK\$ 19.70.** We cut FY22E/ 23E/ 24E net profit estimates by 8%/ 21%/ 7% to factor in: 1) COVID-19 outbreak in 2Q22E, 2) cut in Tai Er's store opening in FY22E, 3) slower SSS recovery in FY23E, 4) better GP margin but 5) higher staff costs. We maintain BUY but revised down TP to HK\$ 19.70, based on 40x FY23E P/E (up from 35x, given a potential turnaround ahead).

### Earnings Summary

| (YE 31 Dec)         | FY20A    | FY21A    | FY22E    | FY23E    | FY24E    |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn)    | 2,715    | 4,180    | 4,940    | 6,658    | 8,957    |
| YoY growth (%)      | 1.0      | 54.0     | 18.2     | 34.8     | 34.5     |
| Net income (RMB mn) | 124      | 340      | 336      | 593      | 906      |
| EPS (RMB)           | 0.090    | 0.234    | 0.231    | 0.408    | 0.624    |
| YoY growth (%)      | (24.5)   | 160.8    | (1.2)    | 76.4     | 53.0     |
| Consensus EPS (RMB) | N/A      | N/A      | 0.277    | 0.536    | 0.755    |
| P/E (x)             | 159.8    | 60.2     | 61.0     | 34.6     | 22.6     |
| P/B (x)             | 6.5      | 6.0      | 5.4      | 4.6      | 3.8      |
| Yield (%)           | 0.1      | 0.3      | 0.3      | 0.6      | 0.9      |
| ROE (%)             | 96.3     | 4.1      | 10.0     | 8.8      | 13.3     |
| Net gearing (%)     | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

|               |           |
|---------------|-----------|
| Target Price  | HK\$19.70 |
| (Previous TP) | HK\$21.30 |
| Up/Downside   | +15.7%    |
| Current Price | HK\$17.02 |

### China Catering Sector

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### Stock Data

|                          |             |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn)        | 24,745      |
| Avg 3 mths t/o (HK\$ mn) | 178.46      |
| 52w High/Low (HK\$)      | 27.50/10.82 |
| Total Issued Shares (mn) | 1,453.9     |
| Source: Bloomberg        |             |

### Shareholding Structure

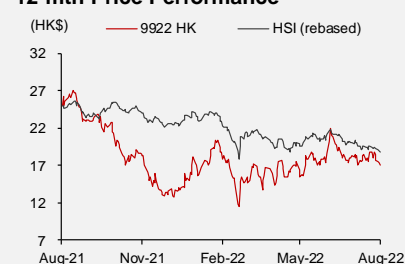
|                  |        |
|------------------|--------|
| Mr. Guan Yi Hong | 40.66% |
| Shanghai Ling Yu | 4.47%  |
| MT BVI           | 5.25%  |
| MX BVI           | 4.31%  |
| Free Float       | 45.31% |
| Source: HKEx     |        |

### Share Performance

|        | Absolute | Relative |
|--------|----------|----------|
| 1-mth  | -5.5%    | -0.1%    |
| 3-mth  | 5.9%     | 11.1%    |
| 6-mth  | -7.8%    | 11.9%    |
| 12-mth | -23.9%   | -2.0%    |

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: KPMG

### Related Reports

1. Jiumaojiu (9922 HK, BUY) – SSS rebounds in May and costs control pay off – 17 Jun 2022
2. Jiumaojiu (9922 HK, BUY) – A resilient Tai Er and an uprising Song Hot Pot – 25 Mar 2022
3. Jiumaojiu (9922 HK, BUY) – Still hindered by industry down-cycle – 19 Jan 2022

- **Jiumaojiu brand was highly resilient, store expansion may resume.** Even with COVID-19 outbreaks, Jiumaojiu's SSSG only fell by ~10%, seat turnover stayed flattish at 1.8x and restaurant level OP margin still managed to jump to 11.7% in 1H22, from 7.8% in 1H21. Management attributed this result to: 1) tastier and simplified menu, 2) optimized kitchen sizes and 3) reduced staffs per store (from ~40 in pre-COVID time to 27-28 in 1H22). Going forward, if its profitability continues to improve, new stores are likely to be opened.
- **Sales growth may still be subjective to COVID-19, but margin wise should be more resilient.** We are expecting GP margin to expand in FY22E-24E, driven by greater bargaining power on its raw material costs, while OP margin should rebound in FY23E, thanks to better rental expenses but slightly higher pressure on staff costs.

## Earnings revision

Figure 1: Earnings revision

| RMB mn                 | New   |       |       | Old   |       |       | Diff (%) |         |         |
|------------------------|-------|-------|-------|-------|-------|-------|----------|---------|---------|
|                        | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E    | FY23E   | FY24E   |
| Revenue                | 4,940 | 6,658 | 8,957 | 5,029 | 7,357 | 9,378 | -1.8%    | -9.5%   | -4.5%   |
| Gross profit           | 3,171 | 4,336 | 5,840 | 3,202 | 4,720 | 6,021 | -1.0%    | -8.1%   | -3.0%   |
| EBIT                   | 561   | 975   | 1,484 | 606   | 1,219 | 1,597 | -7.4%    | -20.0%  | -7.1%   |
| Net profit att.        | 336   | 593   | 906   | 365   | 750   | 977   | -7.9%    | -21.0%  | -7.2%   |
| Diluted EPS (RMB)      | 0.231 | 0.408 | 0.624 | 0.251 | 0.516 | 0.672 | -7.9%    | -21.0%  | -7.2%   |
| Gross margin           | 64.2% | 65.1% | 65.2% | 63.7% | 64.2% | 64.2% | 0.5ppt   | 1ppt    | 1ppt    |
| EBIT margin            | 11.4% | 14.6% | 16.6% | 12.0% | 16.6% | 17.0% | -0.7ppt  | -1.9ppt | -0.5ppt |
| Net profit att. margin | 6.8%  | 8.9%  | 10.1% | 7.2%  | 10.2% | 10.4% | -0.4ppt  | -1.3ppt | -0.3ppt |

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| RMB mn                 | CMBIGM |       |       | Consensus |       |        | Diff (%) |         |        |
|------------------------|--------|-------|-------|-----------|-------|--------|----------|---------|--------|
|                        | FY22E  | FY23E | FY24E | FY22E     | FY23E | FY24E  | FY22E    | FY23E   | FY24E  |
| Revenue                | 4,940  | 6,658 | 8,957 | 5,385     | 8,223 | 10,955 | -8.3%    | -19.0%  | -18.2% |
| Gross profit           | 3,171  | 4,336 | 5,840 | 3,413     | 4,990 | 6,642  | -7.1%    | -13.1%  | -12.1% |
| EBIT                   | 561    | 975   | 1,484 | 673       | 1,239 | 1,732  | -16.6%   | -21.3%  | -14.3% |
| Net profit att.        | 336    | 593   | 906   | 433       | 797   | 1,065  | -22.5%   | -25.7%  | -14.9% |
| Diluted EPS (RMB)      | 0.231  | 0.408 | 0.624 | 0.277     | 0.536 | 0.755  | -16.5%   | -23.9%  | -17.4% |
| Gross margin           | 64.2%  | 65.1% | 65.2% | 63.4%     | 60.7% | 60.6%  | 0.8ppt   | 4.4ppt  | 4.6ppt |
| EBIT margin            | 11.4%  | 14.6% | 16.6% | 12.5%     | 15.1% | 15.8%  | -1.1ppt  | -0.4ppt | 0.8ppt |
| Net profit att. margin | 6.8%   | 8.9%  | 10.1% | 8.0%      | 9.7%  | 9.7%   | -1.2ppt  | -0.8ppt | 0.4ppt |

Source: Company data, CMBIGM estimates

## Results Summary

Figure 3: Results review – half year

| Half yearly / Full yearly (RMB mn)           | 1H21          | 2H21          | 1H22E         | 2H22E         | 1H22E YoY   | 2H22E YoY  | 1H22E CMBIS   | Actual vs CMBIS |
|--|---------------|---------------|---------------|---------------|-------------|------------|---------------|-----------------|
| Revenue                                      | 2,021         | 2,158         | 1,899         | 3,041         | -6%         | 41%        | 1,946         | -2%             |
| COGS   | (751)         | (786)         | (664)         | (1,105)       |             |            | -716          |                 |
| Gross profit                                 | 1,270         | 1,372         | 1,235         | 1,936         | -3%         | 41%        | 1,230         | 0%              |
| <b>GP margins</b>                            | <b>62.8%</b>  | <b>63.6%</b>  | <b>65.1%</b>  | <b>63.7%</b>  |             |            | <b>63.2%</b>  |                 |
| Other income & gains                         | 30            | 34            | 25            | 44            |             |            | 29            | -13%            |
| Staff costs                                  | (506)         | (550)         | (544)         | (776)         | 7%          | 41%        | -526          | 3%              |
| <b>Staff costs / sales</b>                   | <b>-25.1%</b> | <b>-25.5%</b> | <b>-28.6%</b> | <b>-25.5%</b> |             |            | <b>-27.0%</b> |                 |
| Dep. of right-of-use assets expenses         | (161)         | (181)         | (192)         | (256)         | 19%         | 41%        | -195          | -1%             |
| <b>Dep. of ROU assets exp / sales</b>        | <b>-8.0%</b>  | <b>-8.4%</b>  | <b>-10.1%</b> | <b>-8.4%</b>  |             |            | <b>-10.0%</b> |                 |
| Other rentals expenses                       | (50)          | (46)          | (43)          | (77)          | -15%        | 67%        | -58           | -27%            |
| <b>Other rentals exp / sales</b>             | <b>-2.5%</b>  | <b>-2.2%</b>  | <b>-2.3%</b>  | <b>-2.5%</b>  |             |            | <b>-3.0%</b>  |                 |
| D & A of other assets                        | (71)          | (88)          | (93)          | (133)         | 32%         | 51%        | -97           | -4%             |
| <b>D &amp; A of other assets exp / sales</b> | <b>-3.5%</b>  | <b>-4.1%</b>  | <b>-4.9%</b>  | <b>-4.4%</b>  |             |            | <b>-5.0%</b>  |                 |
| Utilities expenses                           | (65)          | (68)          | (67)          | (109)         | 4%          | 61%        | -78           | -14%            |
| <b>Utilities exp / sales</b>                 | <b>-3.2%</b>  | <b>-3.1%</b>  | <b>-3.5%</b>  | <b>-3.6%</b>  |             |            | <b>-4.0%</b>  |                 |
| Travelling & related expenses                | (10)          | (14)          | (9)           | (20)          | -8%         | 50%        | -10           | -6%             |
| <b>Travelling &amp; related exp / sales</b>  | <b>-0.5%</b>  | <b>-0.6%</b>  | <b>-0.5%</b>  | <b>-0.7%</b>  |             |            | <b>-0.5%</b>  |                 |
| A & P expenses                               | (17)          | (31)          | (23)          | (33)          | 39%         | 7%         | -16           | 49%             |
| <b>A &amp; P exp / sales</b>                 | <b>-0.8%</b>  | <b>-1.4%</b>  | <b>-1.2%</b>  | <b>-1.1%</b>  |             |            | <b>-0.8%</b>  |                 |
| Delivery service fees                        | (38)          | (22)          | (45)          | (36)          | 18%         | 60%        | -29           | 54%             |
| <b>Delivery service fees / sales</b>         | <b>-1.9%</b>  | <b>-1.0%</b>  | <b>-2.4%</b>  | <b>-1.2%</b>  |             |            | <b>-1.5%</b>  |                 |
| Other opex                                   | -70           | -148          | -80           | -142          | 15%         | -4%        | -88           | -8%             |
| <b>Other opex / sales</b>                    | <b>-3.4%</b>  | <b>-6.9%</b>  | <b>-4.2%</b>  | <b>-4.7%</b>  |             |            | <b>-4.5%</b>  |                 |
| Operating profit (EBIT)                      | 312           | 257           | 164           | 397           | -47%        | 55%        | 164           | 0%              |
| <b>OP margins</b>                            | <b>15.4%</b>  | <b>11.9%</b>  | <b>8.6%</b>   | <b>13.1%</b>  |             |            | <b>8.4%</b>   |                 |
| Other items                                  | 0             | 11            | (27)          | 40            |             |            | 6             |                 |
| Net finance income                           | (37)          | (39)          | (39)          | (35)          |             |            | -29           | 34%             |
| <b>Net finance income / sales</b>            | <b>-1.8%</b>  | <b>-1.8%</b>  | <b>-2.1%</b>  | <b>-1.2%</b>  |             |            | <b>-1.5%</b>  |                 |
| Profit after financing costs                 | 275           | 229           | 98            | 402           |             |            | 140           |                 |
| Associated coms                              | 1             | (0)           | (2)           | 3             |             |            | 1             |                 |
| Jointly controlled coms                      | 0             | 0             | 0             | 0             |             |            | 0             |                 |
| Pre-tax profit                               | 277           | 229           | 96            | 405           | -65%        | 77%        | 141           | -32%            |
| Tax  | (72)          | (62)          | (33)          | (97)          |             |            | -42           | -22%            |
| <b>Tax / sales</b>                           | <b>-3.5%</b>  | <b>-2.9%</b>  | <b>-1.7%</b>  | <b>-3.2%</b>  |             |            | <b>-2.2%</b>  |                 |
| <b>Effective tax rate</b>                    | <b>-25.9%</b> | <b>-27.1%</b> | <b>-34.6%</b> | <b>-23.9%</b> |             |            | <b>-30.0%</b> |                 |
| Minority interests                           | 19            | 13            | 5             | 30            |             |            | 11            | -57%            |
| <b>Net profit att.</b>                       | <b>186</b>    | <b>154</b>    | <b>58</b>     | <b>278</b>    | <b>-69%</b> | <b>81%</b> | <b>87</b>     | <b>-34%</b>     |
| <b>NP margins</b>                            | <b>9.2%</b>   | <b>7.1%</b>   | <b>3.0%</b>   | <b>9.1%</b>   |             |            | <b>4.5%</b>   |                 |

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results preview – full year

| Half yearly / Full yearly (RMB mn)           | FY21          | FY22E         | FY23E         | FY22E YoY  | FY23E YoY  |
|--|---------------|---------------|---------------|------------|------------|
| Revenue                                      | 4,180         | 4,940         | 6,658         | 18%        | 35%        |
| COGS   | (1,537)       | (1,768)       | (2,322)       |            |            |
| Gross profit                                 | 2,642         | 3,171         | 4,336         | 20%        | 37%        |
| <b>GP margins</b>                            | <b>63.2%</b>  | <b>64.2%</b>  | <b>65.1%</b>  |            |            |
| Other income & gains                         | 64            | 70            | 89            |            |            |
| Staff costs                                  | (1,057)       | (1,320)       | (1,708)       | 25%        | 29%        |
| <b>Staff costs / sales</b>                   | <b>-25.3%</b> | <b>-26.7%</b> | <b>-25.7%</b> |            |            |
| Dep. of right-of-use assets expenses         | (343)         | (448)         | (568)         | 31%        | 27%        |
| <b>Dep. of ROU assets exp / sales</b>        | <b>-8.2%</b>  | <b>-9.1%</b>  | <b>-8.5%</b>  |            |            |
| Other rentals expenses                       | (97)          | (120)         | (177)         | 24%        | 47%        |
| <b>Other rentals exp / sales</b>             | <b>-2.3%</b>  | <b>-2.4%</b>  | <b>-2.7%</b>  |            |            |
| D & A of other assets                        | (159)         | (227)         | (265)         | 43%        | 17%        |
| <b>D &amp; A of other assets exp / sales</b> | <b>-3.8%</b>  | <b>-4.6%</b>  | <b>-4.0%</b>  |            |            |
| Utilities expenses                           | (132)         | (176)         | (221)         | 33%        | 26%        |
| <b>Utilities exp / sales</b>                 | <b>-3.2%</b>  | <b>-3.6%</b>  | <b>-3.3%</b>  |            |            |
| Travelling & related expenses                | (24)          | (30)          | (40)          | 25%        | 35%        |
| <b>Travelling &amp; related exp / sales</b>  | <b>-0.6%</b>  | <b>-0.6%</b>  | <b>-0.6%</b>  |            |            |
| A & P expenses                               | (48)          | (56)          | (76)          | 18%        | 35%        |
| <b>A &amp; P exp / sales</b>                 | <b>-1.1%</b>  | <b>-1.1%</b>  | <b>-1.1%</b>  |            |            |
| Delivery service fees                        | (61)          | (81)          | (98)          | 33%        | 21%        |
| <b>Delivery service fees / sales</b>         | <b>-1.5%</b>  | <b>-1.6%</b>  | <b>-1.5%</b>  |            |            |
| Other opex                                   | -218          | -222          | -296          | 2%         | 33%        |
| <b>Other opex / sales</b>                    | <b>-5.2%</b>  | <b>-4.5%</b>  | <b>-4.5%</b>  |            |            |
| Operating profit (EBIT)                      | 569           | 561           | 975           | -1%        | 74%        |
| <b>OP margins</b>                            | <b>13.6%</b>  | <b>11.4%</b>  | <b>14.6%</b>  |            |            |
| Other items                                  | 11            | 13            | 18            |            |            |
| Net finance income                           | (75)          | (75)          | (84)          |            |            |
| <b>Net finance income / sales</b>            | <b>-1.8%</b>  | <b>-1.5%</b>  | <b>-1.3%</b>  |            |            |
| Profit after financing costs                 | 505           | 500           | 909           |            |            |
| Associated coms                              | 1             | 1             | 2             |            |            |
| Jointly controlled coms                      | 0             | 0             | 0             |            |            |
| Pre-tax profit                               | 506           | 501           | 911           | -1%        | 82%        |
| Tax  | (134)         | (130)         | (236)         |            |            |
| <b>Tax / sales</b>                           | <b>-3.2%</b>  | <b>-2.6%</b>  | <b>-3.6%</b>  |            |            |
| <b>Effective tax rate</b>                    | <b>-26.4%</b> | <b>-25.9%</b> | <b>-26.0%</b> |            |            |
| Minority interests                           | 32            | 35            | 82            |            |            |
| <b>Net profit att.</b>                       | <b>340</b>    | <b>336</b>    | <b>593</b>    | <b>-1%</b> | <b>76%</b> |
| <b>NP margins</b>                            | <b>8.1%</b>   | <b>6.8%</b>   | <b>8.9%</b>   |            |            |

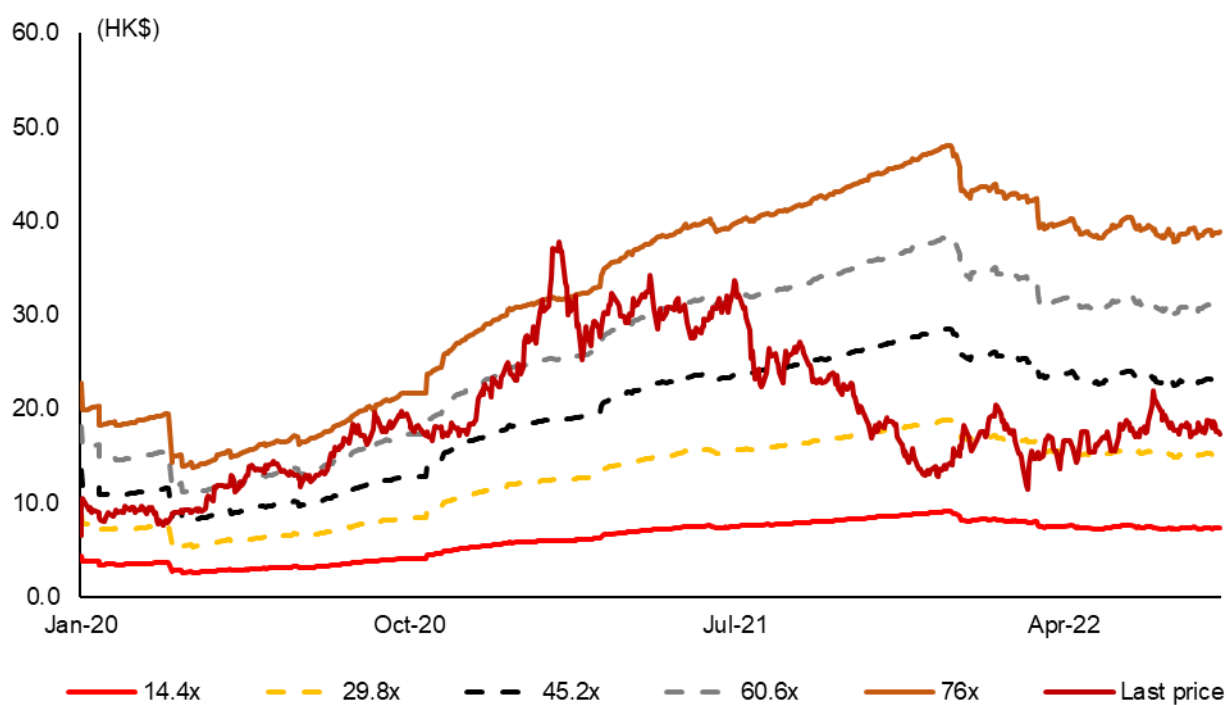
Source: Bloomberg, Company data, CMBIGM estimates

## Valuation

Figure 5: Peers valuation

|                                 |           |        | 12M TP      | Price       | Up/dow        | Mkt cap   | Year   | PER (x) |      | PBR (x) |      | ROE    | ROE    | 3yrs   | Yield |              |
|---------------------------------|-----------|--------|-------------|-------------|---------------|-----------|--------|---------|------|---------|------|--------|--------|--------|-------|--------------|
|                                 |           |        | HK\$/<br>LC | HK\$/<br>LC | n-side<br>(%) | HK\$ mn   | End    | FY1     | FY2  | FY1     | FY2  | (%)    | (%)    | PEG(x) | (%)   | YTD          |
| Company                         | Ticker    | Rating | LC          | LC          | (%)           | HK\$ mn   | End    | FY1     | FY2  | FY1     | FY2  | FY0    | FY2    | FY1    | FY1   | perf.<br>(%) |
| Leading Greater China Catering  |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| Jiumaojiu                       | 9922 HK   | BUY    | 19.70       | 17.02       | 16%           | 24,745    | Dec-21 | 61.0    | 34.6 | 5.4     | 4.6  | 10.5   | 19.7   | 1.6    | 0.3   | 24.2         |
| Haidilao                        | 6862 HK   | BUY    | 15.59       | 16.76       | -7%           | 93,420    | Dec-21 | 89.4    | 31.3 | 9.1     | 7.2  | (45.9) | 24.5   | (0.5)  | 0.2   | (4.8)        |
| Nayuki                          | 2150 HK   | HOLD   | 7.00        | 5.26        | 33%           | 9,022     | Dec-21 | 766.7   | 25.8 | 1.7     | 1.6  | n/a    | 6.5    | (5.3)  | 0.0   | (38.6)       |
| Helens                          | 9869 HK   | NR     | n/a         | 13.06       | n/a           | 16,546    | Dec-21 | 59.8    | 21.1 | 4.8     | 4.0  | (15.1) | 18.1   | (0.2)  | 0.0   | (30.8)       |
| Cafe De Coral                   | 341 HK    | BUY    | 15.69       | 11.26       | 39%           | 6,595     | Mar-22 | 23.2    | 15.9 | 2.2     | 2.0  | 0.7    | 13.4   | 0.1    | 2.9   | (19.0)       |
| Xiabuxiabu                      | 520 HK    | NR     | n/a         | 3.27        | n/a           | 3,552     | Dec-21 | 35.3    | 11.4 | 1.5     | 1.4  | (13.7) | 12.5   | (0.2)  | 0.9   | (45.8)       |
| Tam Jai                         | 2217 HK   | NR     | n/a         | 2.45        | n/a           | 3,284     | Mar-22 | 11.1    | 7.5  | 1.9     | 1.5  | 19.3   | 22.1   | 0.3    | 3.1   | (26.6)       |
| Yihai                           | 1579 HK   | BUY    | 108.52      | 20.85       | 420%          | 21,828    | Dec-21 | 22.8    | 19.4 | 4.0     | 3.4  | 21.6   | 18.9   | 2.2    | 1.2   | (41.5)       |
| Yum China                       | 9987 HK   | BUY    | 450.06      | 386.00      | 17%           | 161,955   | Dec-21 | 45.4    | 26.1 | 2.9     | 2.6  | 11.6   | 10.2   | (41.9) | 0.9   | 0.9          |
| Gourmet Master                  | 2723 TT   | NR     | n/a         | 98.80       | n/a           | 4,610     | Dec-21 | 23.6    | 15.4 | 1.5     | 1.4  | 9.6    | 9.8    | 4.7    | 3.3   | (12.2)       |
| Avg.                            |           |        |             |             |               |           |        | 113.8   | 20.8 | 3.5     | 3.0  | (0.1)  | 15.6   | (3.9)  | 1.3   | (19.4)       |
| Med.                            |           |        |             |             |               |           |        | 40.3    | 20.2 | 2.5     | 2.3  | 9.6    | 15.8   | (0.0)  | 0.9   | (22.8)       |
| Other Greater China Catering    |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| Fairwood                        | 52 HK     | NR     | n/a         | 13.14       | n/a           | 1,702     | Mar-22 | n/a     | n/a  | n/a     | n/a  | 5.7    | n/a    | n/a    | n/a   | (15.2)       |
| Tai Hing                        | 6811 HK   | NR     | n/a         | 0.99        | n/a           | 995       | Dec-21 | 6.2     | 5.2  | 0.9     | 0.8  | 9.2    | 18.9   | 0.8    | 12.1  | (27.2)       |
| Ajisen                          | 538 HK    | NR     | n/a         | 0.79        | n/a           | 862       | Dec-21 | 7.0     | n/a  | n/a     | n/a  | (4.5)  | n/a    | n/a    | 7.2   | (37.3)       |
| Avg.                            |           |        |             |             |               |           |        | 6.6     | n/a  | n/a     | n/a  | 2.6    | n/a    | n/a    | 9.7   | (26.6)       |
| Med.                            |           |        |             |             |               |           |        | 6.6     | n/a  | n/a     | n/a  | 2.6    | n/a    | n/a    | 9.7   | (27.2)       |
| Greater China Catering          |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| Avg.                            |           |        |             |             |               |           |        | 95.9    | 19.4 | 3.3     | 2.8  | 0.6    | 15.9   | (3.5)  | 2.7   | (21.1)       |
| Med.                            |           |        |             |             |               |           |        | 29.4    | 19.4 | 2.2     | 2.0  | 5.7    | 18.1   | 0.1    | 1.1   | (26.6)       |
| International Catering          |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| Yum! Brands                     | YUM US    | NR     | n/a         | 114.75      | n/a           | 256,208   | Dec-21 | 25.2    | 21.7 | n/a     | n/a  | n/a    | (11.8) | 1.1    | 2.0   | (17.4)       |
| Mcdonald'S                      | MCD US    | NR     | n/a         | 260.59      | n/a           | 1,504,364 | Dec-21 | 26.5    | 24.6 | n/a     | n/a  | n/a    | (69.7) | 5.8    | 2.2   | (2.8)        |
| Starbucks                       | SBUX US   | NR     | n/a         | 85.74       | n/a           | 771,908   | Oct-21 | 29.8    | 25.7 | n/a     | n/a  | n/a    | (42.6) | 2.2    | 2.3   | (26.7)       |
| Restaurant Brands               | QSR US    | NR     | n/a         | 59.16       | n/a           | 208,364   | Dec-21 | 19.4    | 18.1 | 10.8    | 11.0 | 34.3   | 40.1   | 1.9    | 3.7   | (2.5)        |
| Chipotle Mexican                | CMG US    | NR     | n/a         | 1648.1      | n/a           | 359,050   | Dec-21 | 50.1    | 38.6 | 19.2    | 15.8 | 34.9   | 46.7   | 1.6    | 0.0   | (5.7)        |
| Darden                          | DRI US    | NR     | n/a         | 127.51      | n/a           | 122,647   | May-22 | 16.5    | 14.9 | 7.1     | 6.8  | 38.0   | 51.3   | 2.2    | 3.7   | (15.4)       |
| Domino'S Pizza                  | DPZ US    | NR     | n/a         | 395.66      | n/a           | 111,411   | Jan-22 | 31.2    | 26.4 | n/a     | n/a  | n/a    | (3.5)  | 4.0    | 1.1   | (29.9)       |
| Wendy'S                         | WEN US    | NR     | n/a         | 20.11       | n/a           | 33,580    | Jan-22 | 23.7    | 20.3 | 9.9     | 12.3 | 36.0   | 55.3   | 1.0    | 2.5   | (15.8)       |
| Shake Shack                     | SHAK US   | NR     | n/a         | 50.38       | n/a           | 16,660    | Dec-21 | n/a     | n/a  | 5.3     | 5.2  | (5.7)  | 0.9    | n/a    | n/a   | (30.2)       |
| Wingstop                        | WING US   | NR     | n/a         | 122.34      | n/a           | 28,717    | Dec-21 | 78.0    | 65.6 | n/a     | n/a  | n/a    | (14.9) | 1.4    | 3.9   | (26.7)       |
| Jollibee Foods                  | JFC PM    | NR     | n/a         | 231.00      | n/a           | 35,985    | Dec-21 | 41.4    | 30.4 | 4.0     | 3.7  | 14.0   | 13.0   | 5.7    | 1.0   | 6.7          |
| Avg.                            |           |        |             |             |               |           |        | 34.2    | 28.6 | 9.4     | 9.1  | 25.3   | 5.9    | 2.7    | 2.2   | (15.1)       |
| Med.                            |           |        |             |             |               |           |        | 28.2    | 25.2 | 8.5     | 8.9  | 34.6   | 0.9    | 2.1    | 2.2   | (15.8)       |
| A-shares Greater China Catering |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| Foshan Haitian                  | 603288 CH | NR     | n/a         | 77.43       | n/a           | 410,261   | Dec-21 | 46.6    | 39.4 | 11.9    | 9.8  | 27.7   | 26.9   | 3.0    | 1.0   | (19.0)       |
| Fujian Sunner                   | 002299 CH | NR     | n/a         | 20.32       | n/a           | 28,903    | Dec-21 | 40.9    | 15.1 | 2.4     | 2.1  | 0.8    | 15.6   | 0.7    | 1.3   | (15.9)       |
| Angel Yeast                     | 600298 CH | NR     | n/a         | 46.32       | n/a           | 46,044    | Dec-21 | 28.6    | 22.7 | 4.7     | 4.0  | 15.2   | 18.1   | 2.1    | 1.1   | (23.3)       |
| Meihua                          | 600873 CH | NR     | n/a         | 10.40       | n/a           | 36,180    | Dec-21 | 7.3     | 6.5  | 2.4     | 1.9  | 37.0   | 29.2   | 0.2    | 8.8   | 35.6         |
| Guangzhou Restaurant            | 603043 CH | NR     | n/a         | 23.16       | n/a           | 15,021    | Dec-21 | 20.4    | 17.3 | 3.6     | 3.1  | 19.9   | 18.3   | 1.3    | 1.5   | (3.7)        |
| China Quanjude                  | 002186 CH | NR     | n/a         | 8.04        | n/a           | 2,836     | Dec-21 | n/a     | n/a  | n/a     | n/a  | (14.9) | n/a    | n/a    | n/a   | (17.0)       |
| Xi'An Catering                  | 000721 CH | NR     | n/a         | 4.21        | n/a           | 2,763     | Dec-21 | n/a     | n/a  | n/a     | n/a  | (33.1) | n/a    | n/a    | n/a   | 4.5          |
| Avg.                            |           |        |             |             |               |           |        | 28.8    | 20.2 | 5.0     | 4.2  | 7.5    | 21.6   | 1.4    | 2.7   | (5.6)        |
| Med.                            |           |        |             |             |               |           |        | 28.6    | 17.3 | 3.6     | 3.1  | 15.2   | 18.3   | 1.3    | 1.3   | (15.9)       |
| H-shares Consumer Staples       |           |        |             |             |               |           |        |         |      |         |      |        |        |        |       |              |
| UPC                             | 220 HK    | NR     | n/a         | 6.56        | n/a           | 28,335    | Dec-21 | 19.1    | 15.3 | 1.9     | 1.8  | 9.9    | 12.1   | 3.2    | 5.9   | (13.2)       |
| Tingyi                          | 322 HK    | NR     | n/a         | 13.70       | n/a           | 77,169    | Dec-21 | 23.2    | 17.2 | 4.2     | 4.2  | 17.4   | 25.1   | 4.5    | 7.2   | (14.1)       |
| Want Want                       | 151 HK    | NR     | n/a         | 6.01        | n/a           | 71,516    | Mar-22 | 14.4    | 13.3 | 3.8     | 3.6  | 26.7   | 27.8   | 3.0    | 6.2   | (16.1)       |
| Mengniu Dairy                   | 2319 HK   | NR     | n/a         | 32.20       | n/a           | 127,354   | Dec-21 | 19.1    | 15.8 | 2.7     | 2.3  | 14.4   | 15.2   | 1.2    | 1.5   | (26.3)       |
| Vitasoy                         | 345 HK    | NR     | n/a         | 11.64       | n/a           | 12,464    | Mar-22 | 73.2    | 31.0 | 3.6     | 3.3  | (4.6)  | 10.9   | (0.3)  | 1.0   | (26.0)       |
| Budweiser Brewing               | 1876 HK   | NR     | n/a         | 22.20       | n/a           | 294,003   | Dec-21 | 34.5    | 29.8 | 3.2     | 3.0  | 10.1   | 10.4   | 2.3    | 1.1   | 8.6          |
| Tsingtao Brewery                | 168 HK    | NR     | n/a         | 72.90       | n/a           | 128,021   | Dec-21 | 27.6    | 23.5 | 3.5     | 3.3  | 14.2   | 14.2   | 3.4    | 1.7   | (0.1)        |
| CR Beer                         | 291 HK    | NR     | n/a         | 55.25       | n/a           | 179,241   | Dec-21 | 37.5    | 30.3 | 6.0     | 5.3  | 15.6   | 17.9   | 4.1    | 1.1   | (13.5)       |
| Dali Foods                      | 3799 HK   | NR     | n/a         | 3.50        | n/a           | 47,929    | Dec-21 | 11.8    | 10.7 | 2.0     | 1.8  | 20.3   | 17.9   | 3.4    | 4.3   | (14.2)       |
| Avg.                            |           |        |             |             |               |           |        | 28.9    | 20.8 | 3.4     | 3.2  | 13.8   | 16.8   | 2.7    | 3.3   | (12.8)       |
| Med.                            |           |        |             |             |               |           |        | 23.2    | 17.2 | 3.5     | 3.3  | 14.4   | 15.2   | 3.2    | 1.7   | (14.1)       |

Source: Bloomberg, Company data, CMBIGM estimates

**Figure 6: P/E valuation band**

Source: Bloomberg, CMBIS estimates

## Assumptions

Figure 7: Major assumptions

| Major assumptions                     | FY19A         | FY20A         | FY21A         | FY22E        | FY23E        | FY24E        |
|---------------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|
| <b>Sales by brand (RMB mn)</b>        |               |               |               |              |              |              |
| Jiu Mao Jiu                           | 1,372         | 716           | 760           | 704          | 860          | 1,048        |
| Tai Er                                | 1,277         | 1,962         | 3,292         | 4,095        | 5,630        | 7,692        |
| Other brands                          | 39            | 38            | 127           | 140          | 168          | 218          |
| <b>Total</b>                          | <b>2,687</b>  | <b>2,715</b>  | <b>4,180</b>  | <b>4,940</b> | <b>6,658</b> | <b>8,957</b> |
| <b>Sales growth by brand (%)</b>      |               |               |               |              |              |              |
| Jiu Mao Jiu                           | 2.8%          | -47.8%        | 6.3%          | -7.4%        | 22.1%        | 21.8%        |
| Tai Er                                | 136.4%        | 53.6%         | 67.8%         | 24.4%        | 37.5%        | 36.6%        |
| Other brands                          | 107.9%        | -2.7%         | 238.8%        | 10.0%        | 20.0%        | 30.0%        |
| <b>Total</b>                          | <b>42.0%</b>  | <b>1.0%</b>   | <b>54.0%</b>  | <b>18.2%</b> | <b>34.8%</b> | <b>34.5%</b> |
| <b>Sales by segment growth (%)</b>    |               |               |               |              |              |              |
| Restaurant operations                 | 44.6%         | -9.3%         | 59.2%         | 16.1%        | 38.4%        | 34.8%        |
| Delivery business                     | 13.1%         | 121.6%        | 31.2%         | 30.5%        | 17.3%        | 33.8%        |
| Sales of specialties                  | 278.9%        | -14.6%        | 416.4%        | 10.0%        | 15.0%        | 15.0%        |
| Others                                | 102.0%        | -15.8%        | -26.9%        | 0.0%         | 10.0%        | 10.0%        |
| <b>Total</b>                          | <b>42.0%</b>  | <b>1.0%</b>   | <b>54.0%</b>  | <b>18.2%</b> | <b>34.8%</b> | <b>34.5%</b> |
| <b>Number of restaurants by brand</b> |               |               |               |              |              |              |
| Jiu Mao Jiu                           | 143           | 98            | 83            | 77           | 90           | 101          |
| Tai Er                                | 126           | 233           | 350           | 470          | 597          | 738          |
| Other brands                          | 67            | 50            | 37            | 25           | 40           | 55           |
| <b>Total</b>                          | <b>336</b>    | <b>381</b>    | <b>470</b>    | <b>572</b>   | <b>727</b>   | <b>894</b>   |
| <b>GP margins by segment (%)</b>      |               |               |               |              |              |              |
| Jiu Mao Jiu                           | 67.5%         | 67.0%         | 61.0%         | 60.0%        | 60.0%        | 60.0%        |
| Tai Er                                | 59.0%         | 59.5%         | 63.8%         | 65.0%        | 66.0%        | 66.0%        |
| Other brands                          | 58.0%         | 60.0%         | 62.0%         | 62.0%        | 62.0%        | 62.0%        |
| <b>Total</b>                          | <b>63.3%</b>  | <b>61.5%</b>  | <b>63.2%</b>  | <b>64.2%</b> | <b>65.1%</b> | <b>65.2%</b> |
| <b>Opex breakdown (%)</b>             |               |               |               |              |              |              |
| Staff costs                           | -25.9%        | -27.5%        | -25.3%        | -26.7%       | -25.7%       | -25.1%       |
| Depreciation of right-of-use assets   | -8.1%         | -9.0%         | -8.2%         | -9.1%        | -8.5%        | -8.0%        |
| Other rentals & related expenses      | -1.6%         | -1.8%         | -2.3%         | -2.4%        | -2.7%        | -2.8%        |
| D & A of other assets                 | -3.6%         | -4.1%         | -3.8%         | -4.6%        | -4.0%        | -3.4%        |
| Utilities expenses                    | -4.0%         | -3.5%         | -3.2%         | -3.6%        | -3.3%        | -3.1%        |
| Others                                | -8.2%         | -9.7%         | -8.4%         | -7.9%        | -7.7%        | -7.6%        |
| <b>EBIT margins (%)</b>               | <b>12.2%</b>  | <b>9.0%</b>   | <b>13.6%</b>  | <b>11.4%</b> | <b>14.6%</b> | <b>16.6%</b> |
| Effective tax rate                    | 28.5%         | 20.9%         | 26.5%         | 26.0%        | 26.0%        | 26.0%        |
| <b>NP att. margins (%)</b>            | <b>6.1%</b>   | <b>4.6%</b>   | <b>8.1%</b>   | <b>6.8%</b>  | <b>8.9%</b>  | <b>10.1%</b> |
| <b>NP att. growth (%)</b>             | <b>136.1%</b> | <b>-24.5%</b> | <b>174.0%</b> | <b>-1.2%</b> | <b>76.4%</b> | <b>53.0%</b> |

Source: Company data, CMBIGM estimates



## Financial Summary

### Income statement

| YE 31 Dec (RMB mn)        | FY19A          | FY20A          | FY21A          | FY22E          | FY23E          | FY24E          |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>            | <b>2,687</b>   | <b>2,715</b>   | <b>4,180</b>   | <b>4,940</b>   | <b>6,658</b>   | <b>8,957</b>   |
| Jiu Mao Jiu               | 1,37           | 716            | 760            | 704            | 860            | 1,04           |
| Tai Er                    | 1,27           | 1,96           | 3,29           | 4,09           | 5,63           | 7,69           |
| Other brands              | 39             | 38             | 127            | 140            | 168            | 218            |
|                           |                |                |                |                |                | -              |
| <b>Cost of goods sold</b> | <b>(985)</b>   | <b>(1,046)</b> | <b>(1,537)</b> | <b>(1,768)</b> | <b>(2,322)</b> | <b>(3,117)</b> |
| <b>Gross profit</b>       | <b>1,702</b>   | <b>1,669</b>   | <b>2,642</b>   | <b>3,171</b>   | <b>4,336</b>   | <b>5,840</b>   |
| <b>Other income</b>       | <b>12</b>      | <b>84</b>      | <b>64</b>      | <b>70</b>      | <b>89</b>      | <b>119</b>     |
| <b>Operating expenses</b> | <b>(1,385)</b> | <b>(1,509)</b> | <b>(2,138)</b> | <b>(2,680)</b> | <b>(3,450)</b> | <b>(4,476)</b> |
| Staff costs               | (697)          | (748)          | (1,057)        | (1,320)        | (1,708)        | (2,252)        |
| Rental & ROUA depre.      | (263)          | (293)          | (439)          | (568)          | (746)          | (968)          |
| D & A expenses            | (97)           | (111)          | (159)          | (227)          | (265)          | (303)          |
| Utilities expenses        | (108)          | (95)           | (132)          | (176)          | (221)          | (274)          |
| Other opex                | (220)          | (263)          | (350)          | (389)          | (510)          | (680)          |
| <b>EBIT</b>               | <b>329</b>     | <b>244</b>     | <b>569</b>     | <b>561</b>     | <b>975</b>     | <b>1,484</b>   |
| Finance costs             | (67)           | (67)           | (75)           | (75)           | (84)           | (95)           |
| JVs & associates          | 2              | (8)            | 1              | 1              | 2              | 2              |
| Exceptional               | (5)            | 8              | 11             | 13             | 18             | 24.48          |
| <b>Pre-tax profit</b>     | <b>259</b>     | <b>177</b>     | <b>506</b>     | <b>501</b>     | <b>911</b>     | <b>1,415</b>   |
| Income tax                | (73)           | (39)           | (134)          | (130)          | (236)          | (367)          |
| Less: Minority interests  | 21             | 14             | 32             | 35             | 82             | 142            |
| <b>Net profit att.</b>    | <b>164</b>     | <b>124</b>     | <b>340</b>     | <b>336</b>     | <b>593</b>     | <b>906</b>     |

### Balance sheet

| YE 31 Dec (RMB mn)             | FY19A        | FY20A        | FY21A        | FY22E        | FY23E        | FY24E        |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Non-current assets</b>      | <b>1,271</b> | <b>1,945</b> | <b>2,090</b> | <b>2,120</b> | <b>2,133</b> | <b>2,156</b> |
| Fixed asset                    | 323          | 445          | 590          | 620          | 632          | 654          |
| Intangible assets & GW         | 808          | 1,228        | 1,227        | 1,226        | 1,225        | 1,224        |
| Prepaid lease payments         | 66           | 129          | 129          | 129          | 129          | 129          |
| Interest in joint ventures     | 8            | 3            | 4            | 6            | 7            | 9            |
| Other non-current              | 66           | 140          | 140          | 140          | 140          | 140          |
| <b>Current assets</b>          | <b>383</b>   | <b>2,862</b> | <b>3,185</b> | <b>3,646</b> | <b>4,514</b> | <b>5,856</b> |
| Cash and cash                  | 127          | 1,844        | 2,030        | 2,419        | 3,123        | 4,243        |
| Inventories                    | 75           | 51           | 63           | 73           | 95           | 128          |
| Trade and other                | 12           | 15           | 31           | 37           | 49           | 66           |
| Prepayments                    | 122          | 203          | 313          | 369          | 498          | 670          |
| Other current assets           | 47           | 749          | 749          | 749          | 749          | 749          |
| <b>Current liabilities</b>     | <b>794</b>   | <b>749</b>   | <b>833</b>   | <b>895</b>   | <b>1,050</b> | <b>1,267</b> |
| Bank loans                     | 220          | 43           | 43           | 43           | 43           | 43           |
| Trade payables                 | 97           | 138          | 118          | 126          | 159          | 213          |
| Accruals & payables            | 200          | 192          | 296          | 350          | 472          | 635          |
| Tax payables                   | 23           | 37           | 37           | 37           | 37           | 37           |
| others                         | 253          | 339          | 339          | 339          | 339          | 339          |
| <b>Non-current liabilities</b> | <b>690</b>   | <b>997</b>   | <b>997</b>   | <b>997</b>   | <b>997</b>   | <b>997</b>   |
| Bank loans                     | -            | -            | -            | -            | -            | -            |
| Deferred income                | 27           | 27           | 27           | 27           | 27           | 27           |
| Deferred tax                   | -            | 3            | 3            | 3            | 3            | 3            |
| Others                         | 663          | 967          | 967          | 967          | 967          | 967          |
| <b>Minority Interest</b>       | <b>-</b>     | <b>-</b>     | <b>32</b>    | <b>67</b>    | <b>149</b>   | <b>291</b>   |
| <b>Total net assets</b>        | <b>171</b>   | <b>3,060</b> | <b>3,413</b> | <b>3,807</b> | <b>4,451</b> | <b>5,457</b> |
| <b>Shareholders' equity</b>    | <b>171</b>   | <b>3,060</b> | <b>3,413</b> | <b>3,807</b> | <b>4,451</b> | <b>5,457</b> |

Source: Company data, CMBIGM estimates

### Cash flow summary

| YE 31 Dec (RMB mn)         | FY19A        | FY20A          | FY21A        | FY22E        | FY23E        | FY24E        |
|----------------------------|--------------|----------------|--------------|--------------|--------------|--------------|
| <b>EBIT</b>                | <b>329</b>   | <b>244</b>     | <b>569</b>   | <b>561</b>   | <b>975</b>   | <b>1,484</b> |
| D & A                      | 97           | 111            | 159          | -            | -            | -            |
| Chg. in working capital    | (9)          | 3              | (53)         | (10)         | (9)          | (4)          |
| Income tax paid            | (67)         | (48)           | (134)        | (130)        | (236)        | (367)        |
| Others                     | 227          | 236            | 10           | 218          | 255          | 293          |
| <b>NC from operating</b>   | <b>577</b>   | <b>546</b>     | <b>551</b>   | <b>639</b>   | <b>984</b>   | <b>1,405</b> |
| Capex & investments        | (184)        | (280)          | (313)        | (247)        | (266)        | (314)        |
| Associated companies       | (2)          | (97)           | -            | -            | -            | -            |
| Interest received          | 2            | 27             | -            | -            | -            | -            |
| Others                     | (6)          | (733)          | -            | -            | -            | -            |
| <b>NC from investing</b>   | <b>(190)</b> | <b>(1,084)</b> | <b>(313)</b> | <b>(247)</b> | <b>(266)</b> | <b>(314)</b> |
| Equity raised              | -            | 2,885          | -            | -            | -            | -            |
| Net change in bank         | 171          | (178)          | -            | -            | -            | -            |
| Dividend paid              | (36)         | (58)           | 24           | 71           | 70           | 124          |
| Others                     | (455)        | (259)          | (75)         | (75)         | (84)         | (95)         |
| <b>NC from financing</b>   | <b>(320)</b> | <b>2,390</b>   | <b>(51)</b>  | <b>(4)</b>   | <b>(14)</b>  | <b>29</b>    |
| <b>Net change in cash</b>  | <b>67</b>    | <b>1,852</b>   | <b>186</b>   | <b>388</b>   | <b>704</b>   | <b>1,120</b> |
| Beginning cash             | 60           | 127            | 1,844        | 2,030        | 2,419        | 3,123        |
| Exchange difference        | 0            | (136)          | -            | -            | -            | -            |
| <b>Cash at end of year</b> | <b>127</b>   | <b>1,844</b>   | <b>2,030</b> | <b>2,419</b> | <b>3,123</b> | <b>4,243</b> |

### Key ratios

| YE 31 Dec                           | FY19A        | FY20A        | FY21A        | FY22E        | FY23E        | FY24E        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales mix (%)</b>                |              |              |              |              |              |              |
| Jiu Mao Jiu                         | 51.0         | 26.4         | 18.2         | 14.3         | 12.9         | 11.7         |
| Tai Er                              | 47.5         | 72.3         | 78.8         | 82.9         | 84.6         | 85.9         |
| Other brands                        | 1.4          | 1.4          | 3.0          | 2.8          | 2.5          | 2.4          |
|                                     |              |              |              |              |              | -            |
| <b>Total</b>                        | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>P&amp;L ratios (%)</b>           |              |              |              |              |              |              |
| Gross margin                        | 63.3         | 61.5         | 63.2         | 64.2         | 65.1         | 65.2         |
| EBIT margin                         | 12.2         | 9.0          | 13.6         | 11.4         | 14.6         | 16.6         |
| Pre-tax margin                      | 9.6          | 6.5          | 12.1         | 10.1         | 13.7         | 15.8         |
| Net margin                          | 6.1          | 4.6          | 8.1          | 6.8          | 8.9          | 10.1         |
| Effective tax rate                  | 28.5         | 20.9         | 26.5         | 26.0         | 26.0         | 26.0         |
| <b>Balance sheet ratios</b>         |              |              |              |              |              |              |
| Current ratio (x)                   | 0.5          | 3.8          | 3.8          | 4.1          | 4.3          | 4.6          |
| Quick ratio (x)                     | 0.4          | 3.8          | 3.7          | 4.0          | 4.2          | 4.5          |
| Cash ratio (x)                      | 0.2          | 2.5          | 2.4          | 2.7          | 3.0          | 3.3          |
| Inventory turnover                  | 21           | 22           | 15           | 15           | 15           | 15           |
| Trade receivables                   | 3            | 3            | 3            | 3            | 3            | 3            |
| Trade payables days                 | 31           | 41           | 28           | 26           | 25           | 25           |
| Total debt / total equity ratio (%) | 140          | 2            | 2            | 2            | 1            | 1            |
| Net debt / equity ratio (%)         | 51           | Net cash     | Net cash     | Net cash     | Net cash     | Net cash     |
| <b>Returns (%)</b>                  |              |              |              |              |              |              |
| ROE                                 | 96.3         | 4.1          | 10.0         | 8.8          | 13.3         | 16.6         |
| ROA                                 | 9.9          | 2.6          | 6.4          | 5.8          | 8.9          | 11.3         |
| <b>Per share</b>                    |              |              |              |              |              |              |
| EPS (RMB)                           | 0.12         | 0.09         | 0.23         | 0.23         | 0.41         | 0.62         |
| DPS (RMB)                           | -            | 0.02         | 0.05         | 0.05         | 0.09         | 0.13         |
| BVPS (RMB)                          | 0.12         | 2.21         | 2.35         | 2.62         | 3.06         | 3.75         |



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|-----------------------|---|
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