

Nayuki (2150 HK)

Guidance revised and franchising is the key

Maintain BUY but trimmed TP to HK\$ 7.53, based on 20x FY24E P/E (changed from our DCF model). While we are still cautious about the consumer demand in 2H23E, we are also excited about the new franchising programme.

- 1H23 result was roughly inline but sales per store was far from exceptional.** Nayuki's sales has gone up by 27% YoY to RMB 2.6bn, consisted of 32% increases number of stores and 5% sales per store decline, which was 10%/ 13% below CMBI / BBG est.. The Company also broke even with net profit of RMB 66mn, 17% lower than CMBI/ BBG est., but the NP margin was at 2.5%, inline with CMBI est. of 2.6%. The sales miss, in our view, was mainly due to: 1) weak demand during the 2Q23, 2) increased competition from Heytea and others, 3) not too successful new products and A&P efforts. Cost-wise, staff costs/ A&P expenses were excellent, both had fallen by 4%/2% while rental/ D&A expenses had increased by 12%/ 13%. But overall speaking, the operating leverage was less-than-expected, even though Nayuki's restaurant margin had reached its new high at 20.1%.
- Retail sales slightly improved in Aug 2023 but we are still highly conservative.** Management did mention a positive SSSG in Aug 2023, improved slightly from the flattish numbers in Jun-Jul 2023. We do find it satisfactory enough given the rising competition and promotions from other brands (e.g. Heytea stores have more than doubled in 1H23). Therefore, we are still highly conservative on topline in 2H23E.
- Net profit margin roughly maintained but the operating leverage is needed.** Management did not rule out the chance to achieve a 5% NP margin in FY23E, after an inline performance for the summer season. We believe per store economic is impressive enough already (e.g. employees per store was squeezed to just 4, from more than 10 in the past) and further expansion would depend highly on sales growth and operating leverage.
- But store opening target was lowered.** Management is now aiming for 500 new stores for Nayuki in FY23E (cut from 600 in Mar 2023). We are not too surprised as less new stores could mean less drags on net profit. Management also expect 500+ stores to be opened per year in FY24E-25E.
- Demand to become Nayuki's franchise is robust.** Management mentioned the number of applications was massive (CMBI est. over 10K in 1 month) and is aiming to open around 3,000 stores in 2 years. We expect Nayuki to earn not just a cut of the GMV (1% of retail sales), some one-off licenses fees, but also revenue from selling raw materials and ingredients to their franchisees. We have not factored in those in our model, but roughly speaking, we think RMB 1mn profit could be made per 10 franchise stores opened.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,297	4,292	6,433	8,185	9,874
YoY growth (%)	40.5	(0.1)	49.9	27.2	20.6
Operating profit (RMB mn)	(86)	(359)	468	790	944
Net profit (RMB mn)	(4,525.5)	(474.5)	275.4	561.8	730.8
EPS (Reported) (RMB cents)	(263.80)	(27.36)	15.86	32.37	42.11
YoY growth (%)	na	na	na	104.0	30.1
P/S (x)	1.6	1.7	1.1	0.9	0.7
P/E (x)	n/a	n/a	25.6	12.8	9.8
P/B (x)	3.2	1.8	1.5	1.3	1.2
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(200.3)	(9.8)	5.6	10.4	12.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$7.53
(Previous TP)	HK\$8.75)
Up/Downside	56.6%
Current Price	HK\$4.81

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	8,249.8
Avg 3 mths t/o (HK\$ mn)	22.9
52w High/Low (HK\$)	8.85/4.03
Total Issued Shares (mn)	1715.1

Source: FactSet

Shareholding Structure

Mr. Zhao Lin & Ms. Peng Xin	58.7%
Tiantu Capital	9.9%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.3%	-2.0%
3-mth	-18.1%	-18.7%
6-mth	-33.7%	-28.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Smooth development for the RTD business.** Ready-to-drink beverage sale had surged by 80%+ YoY and had also broken even in 1H23. We are impressed that some SKUs have already become star products (marketing around these products are quite successful too), hence breakeven is still reasonable for FY23E. The impact on the group currently could be minimal but the potential is there in the long-run.
- **Maintain BUY and cut TP to HK\$ 7.53.** We revised down FY23E/ 24E/ 25E net profit forecasts by 5%/ 1%/ 12% to factor in weaker-than-expected sales and the associating operating leverage. The new TP is based on 20x FY24E P/E (changed from the DCF method). The company is now trading at 13x FY24E PE, which is not demanding at all. We still think the catering sector could be under pressure and competition will further intensify, but from the mid to long term prospective, Nayuki should still benefit from the rising tea drink market.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	6,433	8,185	9,874	6,720	8,993	10,802	-4.3%	-9.0%	-8.6%
Gross profit	4,303	5,480	6,615	4,511	6,045	7,264	-4.6%	-9.3%	-8.9%
EBIT	508	834	995	408	768	1,131	24.5%	8.5%	-12.0%
Adjusted NP att.	285	572	742	299	575	840	-4.6%	-0.5%	-11.7%
Adjusted EPS (RMB)	0.166	0.333	0.433	0.174	0.335	0.490	-4.6%	-0.5%	-11.7%
Gross margin	66.9%	66.9%	67.0%	67.1%	67.2%	67.2%	-0.2ppt	-0.3ppt	-0.3ppt
EBIT margin	7.9%	10.2%	10.1%	6.1%	8.5%	10.5%	1.8ppt	1.6ppt	-0.4ppt
Net profit att. margin	4.4%	7.0%	7.5%	4.4%	6.4%	7.8%	0ppt	0.6ppt	-0.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	6,433	8,185	9,874	6,968	9,433	11,696	-7.7%	-13.2%	-15.6%
Gross profit	4,303	5,480	6,615	4,716	6,409	7,964	-8.8%	-14.5%	-16.9%
EBIT	508	834	995	471	790	1,156	7.9%	5.5%	-13.9%
Adjusted NP att.	285	572	742	303	600	895	-5.9%	-4.7%	-17.1%
Adjusted EPS (RMB)	0.166	0.333	0.433	0.170	0.361	0.525	-2.3%	-7.6%	-17.6%
Gross margin	66.9%	66.9%	67.0%	67.7%	67.9%	68.1%	-0.8ppt	-1ppt	-1.1ppt
EBIT margin	7.9%	10.2%	10.1%	6.8%	8.4%	9.9%	1.1ppt	1.8ppt	0.2ppt
Net profit att. margin	4.4%	7.0%	7.5%	4.3%	6.4%	7.7%	0.1ppt	0.6ppt	-0.1ppt

Source: Company data, CMBIGM estimates

Results summary

Figure 3: Results review – half year

(RMB mn)	1H22	2H22	1H23E	2H23E	1H23E YoY	2H23E YoY	1H23E CMBIGM	Actual vs CMBIGM
Revenue	2,045	2,247	2,594	3,839	27%	71%	2,874	-10%
COGS	-648	-768	-825	-1,305			-905	
Gross profit	1,397	1,479	1,768	2,535	27%	71%	1,969	-10%
GP margins	68.3%	65.8%	68.2%	66.0%			68.5%	-0.3ppt
Other income & gains	64	61	88	68			23	281%
Staff costs	-712	-650	-686	-674	-4%	4%	-718	-5%
Staff costs / sales	-34.8%	-28.9%	-26.4%	-17.6%			-25.0%	
Dep. of ROU assets expenses	-221	-214	-200	-260	-9%	22%	-267	-25%
Dep. of ROU assets exp / sales	-10.8%	-9.5%	-7.7%	-6.8%			-9.3%	
Other rentals expenses	-102	-127	-162	-218	59%	73%	-129	26%
Other rentals exp / sales	-5.0%	-5.6%	-6.3%	-5.7%			-4.5%	
D & A of other assets	-126	-137	-143	-225	13%	64%	-172	-17%
D & A of other assets exp / sales	-6.2%	-6.1%	-5.5%	-5.9%			-6.0%	
A & P expenses	-75	-68	-74	-132	-2%	95%	-86	-14%
A & P exp / sales	-3.7%	-3.0%	-2.9%	-3.4%			-3.0%	
Delivery service fees	-163	-217	-191	-367	17%	69%	-221	-14%
Delivery service fees / sales	-8.0%	-9.7%	-7.4%	-9.6%			-7.7%	
Utilities expenses	-53	-60	-67	-101	25%	67%	-57	16%
Utilities exp / sales	-2.6%	-2.7%	-2.6%	-2.6%			-2.0%	
Logistic & storage fees	-59	-64	-69	-99	17%	53%	-60	14%
Logistic & storage fees / sales	-2.9%	-2.9%	-2.6%	-2.6%			-2.1%	
Other opex	-104	-146	-117	-166			-124	-5%
Operating profit (EBIT)	-155	-143	147	361	-195%	-352%	155	-5%
OP margins	-7.6%	-6.4%	5.7%	9.4%			5.4%	0.3ppt
Other items	-54	-82	-34	-43			-9	
Net finance income	-44	-36	-34	-65			-72	
Net finance income / sales	-2.2%	-1.6%	-1.3%	-1.7%			-2.5%	
Profit after financing costs	-254	-261	79	253			75	
Associated coms	0	-1	0	-0			3	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	-254	-263	79	253	-131%	-196%	78	1%
Tax	-3	44	-14	-43			-1	
Tax / sales	-0.1%	1.9%	-0.5%	-1.1%			0.0%	
Effective tax rate	1.1%	-16.6%	-17.5%	-16.9%			-1.0%	
Minority interests	-3	-4	-1	5			1	
Net profit att.	-254	-215	66	206	-126%	-196%	76	-13%
NP margins	-12.4%	-9.6%	2.5%	5.4%			2.6%	-0.1ppt
Adjusted Net profit att.	-246	-209	71	214	-129%	-202%	0	n/a
Adjusted NP att. margin	-12.0%	-9.3%	2.8%	5.6%			0.0%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY22	FY23E	FY24E	FY23E YoY	FY24E YoY
Revenue	4,292	6,433	8,185	50%	27%
COGS	-1,416	-2,130	-2,705		
Gross profit	2,875	4,303	5,480	50%	27%
GP margins	67.0%	66.9%	66.9%		
Other income & gains	125	156	101		
Staff costs	-1,362	-1,359	-1,535	0%	13%
Staff costs / sales	-31.7%	-21.1%	-18.7%		
Dep. of ROU assets expenses	-435	-461	-577	6%	25%
Dep. of ROU assets exp / sales	-10.1%	-7.2%	-7.1%		
Other rentals expenses	-229	-381	-462	66%	21%
Other rentals exp / sales	-5.3%	-5.9%	-5.6%		
D & A of other assets	-263	-368	-435	40%	18%
D & A of other assets exp / sales	-6.1%	-5.7%	-5.3%		
A & P expenses	-143	-206	-229	44%	11%
A & P exp / sales	-3.3%	-3.2%	-2.8%		
Delivery service fees	-381	-558	-773	47%	38%
Delivery service fees / sales	-8.9%	-8.7%	-9.4%		
Utilities expenses	-114	-167	-180	47%	8%
Utilities exp / sales	-2.6%	-2.6%	-2.2%		
Logistic & storage fees	-123	-167	-213	36%	27%
Logistic & storage fees / sales	-2.9%	-2.6%	-2.6%		
Other opex	-250	-283	-344	13%	21%
Operating profit (EBIT)	-298	508	834	-270%	64%
OP margins	-7.0%	7.9%	10.2%		
Other items	-136	-77	-57		
Net finance income	-80	-99	-115		
Net finance income / sales	-1.9%	-1.5%	-1.4%		
Profit after financing costs	-515	332	661		
Associated coms	-1	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	-517	332	661	-164%	99%
Tax	41	-56	-99		
Tax / sales	0.9%	-0.9%	-1.2%		
Effective tax rate	-7.9%	-17.0%	-15.0%		
Minority interests	-6	3	7		
Net profit att.	-469	272	555	-158%	104%
NP margins	-10.9%	4.2%	6.8%		
Adjusted Net profit att.	-455	285	572	-163%	101%
Adjusted NP att. margin	-10.6%	4.4%	7.0%		

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: Major assumptions 1

Major assumptions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by brand (RMB mn)						
Nayuki	2,871	4,067	3,969	5,939	7,603	9,214
Tai Gai	153	141	83	75	79	80
Others	33	88	240	419	503	579
Total	3,057	4,297	4,292	6,433	8,185	9,874
Sales growth by brand segment						
Nayuki	25.3%	41.7%	-2.4%	49.6%	28.0%	21.2%
Tai Gai	-17.4%	-7.5%	-41.6%	-9.2%	5.0%	2.0%
Others	34.1%	163.7%	172.9%	75.0%	20.0%	15.0%
Total	22.2%	40.5%	-0.1%	49.9%	27.2%	20.6%
Sales by channel growth						
In-store cashier & others	-45.0%	31.6%	-19.4%	29.6%	8.1%	12.4%
WeChat/ Alipay & Nayuki app	285.3%	20.1%	-4.5%	76.2%	22.2%	-1.5%
3rd party online ordering platforms	99.2%	79.0%	19.5%	41.3%	41.5%	41.6%
Total	22.2%	40.5%	-0.1%	49.9%	27.2%	20.6%
Nayuki brand's store network						
Tier 1 cities	170	280	373	506	634	757
New Tier 1 cities	170	282	357	492	624	751
Tier 2 cities	122	187	242	382	482	577
Other cities	29	68	96	184	239	284
Total	491	817	1,068	1,564	1,979	2,369
GP margins	62.1%	67.4%	67.0%	66.9%	66.9%	67.0%
Opex breakdown						
Staff costs	-30.1%	-33.2%	-31.7%	-21.1%	-18.7%	-19.0%
Depreciation of right-of-use assets	-11.5%	-9.8%	-10.1%	-7.2%	-7.1%	-6.8%
Other rentals & related expenses	-3.3%	-5.0%	-5.3%	-5.9%	-5.6%	-5.3%
D & A of other assets	-5.0%	-4.7%	-6.1%	-5.7%	-5.3%	-4.8%
Advertising & promotion expenses	-2.7%	-2.6%	-3.3%	-3.2%	-2.8%	-2.7%
Delivery service fees	-5.5%	-6.0%	-8.9%	-8.7%	-9.4%	-10.6%
Utilities expenses	-2.2%	-2.1%	-2.6%	-2.6%	-2.2%	-2.1%
Logistic and storage fees	-1.9%	-2.1%	-2.9%	-2.6%	-2.6%	-2.6%
EBIT margins	2.6%	-1.5%	-7.0%	7.9%	10.2%	10.1%
Effective tax rate	-6.9%	0.1%	7.9%	17.0%	15.0%	15.0%
NP att. margins	-6.6%	-105.3%	-10.9%	4.2%	6.8%	7.3%
NP att. growth (%)	423.7%	2141.3%	-89.6%	-158.0%	104.0%	30.1%
Adj. NP margins	0.8%	-3.4%	-10.7%	4.5%	7.1%	7.6%
Adj. NP growth (%)	-309.4%	-691.2%	217.6%	-162.5%	100.6%	29.8%

Source: Company data, CMBIGM estimates

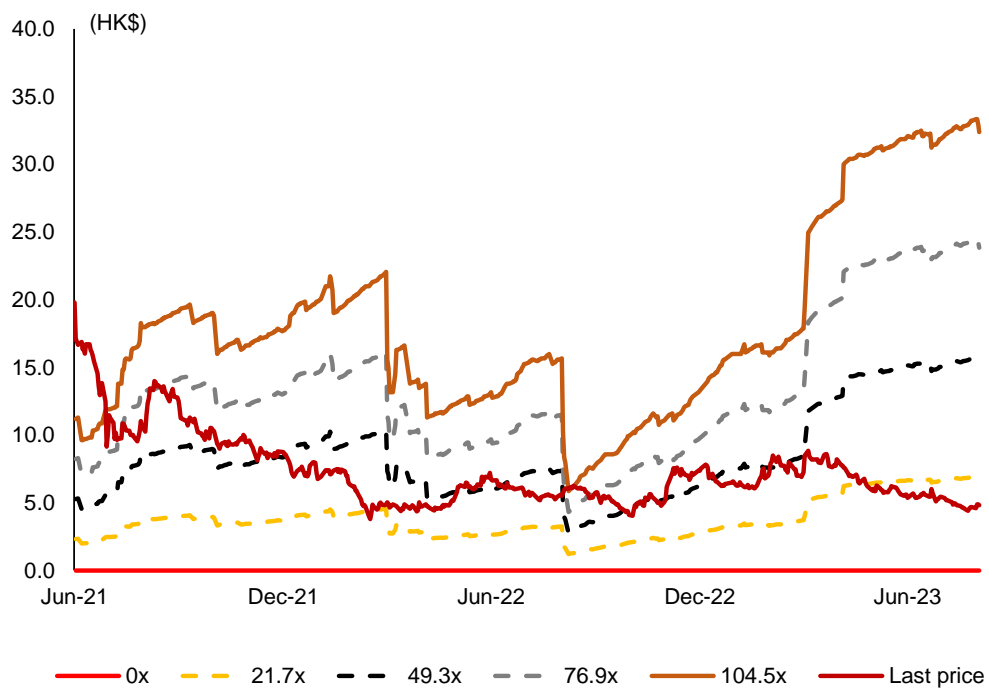
Valuation

Figure 6: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)	
								FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
Leading Greater China Catering															
Nayuki	2150 HK	BUY	7.53	4.81	57%	8,250	Dec-22	25.6	12.8	1.3	(91.5)	(0.1)	0.0	(36.1)	
Jiumaojiu	9922 HK	BUY	15.46	12.58	23%	18,298	Dec-22	31.3	19.2	3.8	6.6	0.2	0.8	(39.7)	
Haidilao	6862 HK	BUY	23.96	21.35	12%	119,005	Dec-22	25.5	21.7	7.2	46.0	0.5	1.1	(4.7)	
Cafe De Coral	341 HK	BUY	12.32	9.50	30%	5,564	Mar-23	17.8	13.0	1.8	3.9	0.3	5.4	(36.2)	
Xiabuxiabu	520 HK	BUY	4.89	3.79	29%	4,117	Dec-22	21.7	10.3	2.1	(4.7)	(0.1)	1.8	(57.0)	
Dpc Dash	1405 HK	NR	n/a	49.20	n/a	6,395	Dec-22	n/a	n/a	9.0	(26.0)	n/a	n/a	n/a	
Helens	9869 HK	NR	n/a	7.90	n/a	10,009	Dec-22	25.9	17.6	3.5	(68.1)	(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	1.3	9.1	0.6	2.1	(39.9)	
Yihai	1579 HK	NR	n/a	14.70	n/a	15,239	Dec-22	15.6	13.8	2.4	20.5	1.4	1.9	(46.2)	
Yum China	9987 HK	BUY	576.90	418.00	38%	173,699	Dec-22	24.8	20.5	2.8	11.4	0.6	1.0	(4.8)	
Yum China	YUMC US	BUY	74.47	53.84	38%	175,499	Dec-22	25.0	20.8	2.8	11.4	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	1.6	7.6	0.4	3.6	(25.4)	
								Avg.	22.4	15.8	3.3	(6.2)	0.4	1.8	(30.7)
								Med.	24.8	14.8	2.6	7.1	0.4	1.4	(36.2)
International Catering															
Yum! Brands	YUM US	NR	n/a	130	n/a	285,964	Dec-22	24.8	22.0	n/a	n/a	1.9	1.9	1.6	
Mcdonald'S	MCD US	NR	n/a	284	n/a	1,624,877	Dec-22	24.6	22.9	n/a	n/a	1.4	2.2	7.9	
Starbucks	SBUX US	NR	n/a	99	n/a	891,646	Oct-22	28.8	24.4	n/a	n/a	1.5	2.1	0.0	
Rest. Brands	QSR US	NR	n/a	69	n/a	246,850	Dec-22	21.4	20.0	6.8	40.2	3.8	3.2	7.0	
Chipotle	CMG US	NR	n/a	1939	n/a	419,512	Dec-22	44.7	36.9	15.2	45.3	1.8	0.0	39.7	
Darden Rest.	DRI US	NR	n/a	157	n/a	148,993	May-23	18.0	16.3	7.7	44.6	1.8	3.3	13.6	
Domino'S	DPZ US	NR	n/a	394	n/a	108,515	Jan-23	28.8	25.1	n/a	n/a	2.5	1.2	13.8	
Wendy'S	WEN US	NR	n/a	20	n/a	33,277	Jan-23	20.6	18.1	17.1	47.0	1.4	4.9	(10.4)	
Shake Shack	SHAK US	NR	n/a	70	n/a	23,351	Dec-22	258.8	171.7	6.6	(1.8)	(1.3)	n/a	69.5	
Wingstop	WING US	NR	n/a	163	n/a	38,322	Dec-22	74.9	64.5	n/a	n/a	3.8	0.5	18.4	
Jollibee Foods	JFC PM	NR	n/a	237	n/a	36,733	Dec-22	33.2	27.1	3.2	9.3	2.1	1.2	3.0	
								Avg.	52.6	40.8	9.5	30.8	1.9	2.1	14.9
								Med.	28.8	24.4	7.3	42.4	1.8	2.0	7.9
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	5.80	n/a	25,052	Dec-22	14.5	13.0	1.7	11.8	0.9	7.2	(25.7)	
Tingyi	322 HK	NR	n/a	11.52	n/a	64,908	Dec-22	17.2	14.3	4.2	21.7	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	3.3	21.6	1.5	5.3	(0.6)	
China Mengniu*	2319 HK	BUY	40.00	26.40	52%	104,015	Dec-22	15.6	13.4	1.8	11.3	1.2	1.9	(24.3)	
Vitasoy	345 HK	NR	n/a	10.10	n/a	10,835	Mar-23	59.4	29.1	3.2	1.5	0.6	1.1	(37.1)	
Nongfu Spring*	9633 HK	BUY	58.00	44.05	32%	495,407	Dec-22	45.9	39.4	14.3	45.6	3.5	1.6	(0.1)	
Budweiser*	1876 HK	HOLD	26.60	17.00	56%	225,138	Dec-22	27.4	22.8	2.4	8.3	1.7	1.6	(30.8)	
Tsingtao*	168 HK	BUY	92.90	65.35	42%	112,326	Dec-22	18.9	16.2	2.6	16.7	1.5	2.8	(14.6)	
CR Beer*	291 HK	BUY	77.40	46.10	68%	149,557	Dec-22	26.0	21.4	3.9	17.9	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	2.1	15.8	3.1	3.9	6.6	
								Avg.	25.4	19.6	4.0	17.2	1.6	3.3	(15.7)
								Med.	18.1	15.2	2.9	16.3	1.5	2.3	(15.0)

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

Figure 7: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	3,057	4,297	4,292	6,433	8,185	9,874
Cost of goods sold	(1,159)	(1,401)	(1,416)	(2,130)	(2,705)	(3,259)
Gross profit	1,898	2,896	2,875	4,303	5,480	6,615
Operating expenses	(2,024)	(2,990)	(3,299)	(3,951)	(4,748)	(5,730)
Staff costs	(919)	(1,424)	(1,362)	(1,359)	(1,535)	(1,879)
Other rental related expenses	(101)	(213)	(229)	(381)	(462)	(523)
Others	(497)	(728)	(1,010)	(1,382)	(1,739)	(2,184)
Operating profit	73	(86)	(359)	468	790	944
Other income	198	8	65	116	57	59
EBITDA	580	539	339	1,297	1,802	2,088
Depreciation	(154)	(204)	(263)	(368)	(435)	(470)
Depreciation of ROU assets	(353)	(420)	(435)	(461)	(577)	(675)
Interest income	7	19	60	40	44	52
Interest expense	(130)	(92)	(80)	(99)	(115)	(126)
Net Interest income/(expense)	(123)	(72)	(20)	(59)	(72)	(74)
Other income/expense	(140)	(4,372)	(136)	(77)	(57)	(10)
Pre-tax profit	(190)	(4,530)	(515)	332	661	860
Income tax	(13)	4	41	(56)	(99)	(129)
Minority interest	1	1	6	(3)	(7)	(9)
Net profit	(203)	(4,526)	(475)	275	562	731
BALANCE SHEET						
	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	1,330	4,671	3,970	4,620	5,484	6,510
Cash & equivalents	502	4,053	1,387	2,216	2,921	3,795
Account receivables	1	3	3	4	6	7
Inventories	103	174	126	226	287	346
ST bank deposits	0	52	1,820	1,820	1,820	1,820
Other current assets	724	390	633	354	450	543
Non-current assets	1,984	2,658	2,970	3,001	2,975	2,900
PP&E	587	801	1,024	1,055	1,029	954
Investment in JVs & assos	0	0	24	24	24	24
Intangibles	1	0	0	0	0	0
Other non-current assets	1,396	1,856	1,921	1,921	1,921	1,921
Total assets	3,314	7,328	6,940	7,621	8,459	9,410
Current liabilities	2,728	1,330	1,203	1,531	1,750	1,961
Short-term borrowings	283	0	0	0	0	0
Account payables	226	289	170	345	439	528
Tax payable	21	28	29	29	29	29
Other current liabilities	2,197	1,013	1,004	1,157	1,283	1,403
Non-current liabilities	1,010	1,055	972	975	981	990
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,010	1,055	972	975	981	990
Total liabilities	3,739	2,385	2,174	2,506	2,732	2,951
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	272	827	1,550
Other reserves	(424)	4,943	4,766	4,843	4,900	4,910
Total shareholders equity	(424)	4,943	4,766	5,115	5,727	6,459
Minority interest	0	0	0	0	0	0
Total equity and liabilities	3,314	7,328	6,940	7,621	8,459	9,410

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(190)	(4,530)	(517)	332	661	860
Depreciation & amortization	154	204	263	368	435	470
Tax paid	6	(5)	0	(56)	(99)	(129)
Change in working capital	(9)	(59)	(47)	507	60	58
Others	614	4,896	607	176	173	136
Net cash from operations	574	506	307	1,326	1,230	1,394
Investing						
Capital expenditure	(243)	(749)	(448)	(399)	(409)	(395)
Acquisition of subsidiaries/ investments	(0)	0	0	0	0	0
Others	(0)	(46)	(2,181)	0	0	0
Net cash from investing	(244)	(795)	(2,629)	(399)	(409)	(395)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	222	(283)	0	0	0	0
Proceeds from share issues	0	4,620	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(130)	(445)	(478)	(99)	(115)	(126)
Net cash from financing	92	3,892	(478)	(99)	(115)	(126)
Net change in cash						
Cash at the beginning of the year	81	502	4,053	1,387	2,216	2,921
Exchange difference	(2)	(52)	135	0	0	0
Others	422	3,603	(2,801)	829	705	874
Cash at the end of the year	502	4,053	1,387	2,216	2,921	3,795
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	22.2%	40.5%	(0.1%)	49.9%	27.2%	20.6%
Gross profit	19.7%	52.6%	(0.7%)	49.6%	27.4%	20.7%
Operating profit	43.6%	na	na	na	68.8%	19.5%
EBITDA	43.3%	(7.1%)	(37.0%)	282.0%	39.0%	15.9%
Net profit	na	na	na	na	104.0%	30.1%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	62.1%	67.4%	67.0%	66.9%	66.9%	67.0%
Operating margin	2.4%	(2.0%)	(8.4%)	7.3%	9.6%	9.6%
EBITDA margin	19.0%	12.5%	7.9%	20.2%	22.0%	21.2%
Return on equity (ROE)	na	(200.3%)	(9.8%)	5.6%	10.4%	12.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	0.5	3.5	3.3	3.0	3.1	3.3
Receivable turnover days	0.1	0.2	0.3	0.3	0.3	0.3
Inventory turnover days	28.5	36.1	38.7	38.7	38.7	38.7
Payable turnover days	67.3	67.1	59.2	59.2	59.2	59.2
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	na	na	na	25.6	12.8	9.8
P/E (diluted)	na	na	na	25.6	12.8	9.8
P/B	na	3.2	1.8	1.5	1.3	1.2
P/CFPS	na	31.0	28.0	5.8	6.2	5.5
Div yield (%)	na	0.0	0.0	0.0	0.0	0.0

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

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