

22 March, 2017

增持  
首次覆盖

# 沸腾的小火锅

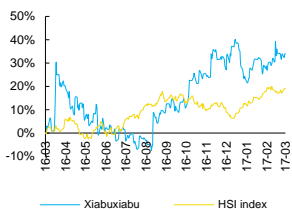
呷哺呷哺 (520:HK)

## Financial summary and valuation

### Market Data: Mar 21, 2017

Closing Price (HK\$)	5.36
Price Target (HK\$)	6.11
HSCEI	10,273
HSCCI	3,919
52-week High/Low (HK\$)	3.60 / 5.48
Market Cap (USD Bn)	0.70
Market Cap (HK\$ Bn)	5.54
Shares Outstanding (Mn)	1,072
Exchange Rate (RMB-HK\$)	0.870

### Price Performance Chart:



Source: Bloomberg

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The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

	2014	2015	2016E	2017E	2018E
Revenue (Rmbm)	2,202	2,425	2,683	3,137	3,589
YoY (%)	16.48	10.11	10.64	16.93	14.43
Net income (Rmbm)	141	263	360	412	483
YoY (%)	0.34	86.53	36.65	14.38	17.22
EPS (Rmb)	0.17	0.25	0.34	0.38	0.45
Diluted EPS (Rmb)	0.17	0.25	0.34	0.38	0.45
ROE (%)	11.08	17.79	21.08	20.92	21.24
Debt/asset (%)	24.27	24.62	21.41	21.65	21.64
Dividend yield (%)	1.10	1.70	2.51	2.87	3.36
P/E (x)	26.76	18.24	13.35	11.67	9.95
P/B (x)	2.97	3.24	2.81	2.44	2.11
EV/Ebitda (x)	11.89	7.44	5.63	4.99	4.35

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

呷哺呷哺的业务在 1998 年从北京开始，将快速休闲餐和中国传统火锅进行了融合。2013 年根据 Frost&Sullivan 的数据，呷哺呷哺在中国快速休闲餐行业占有约 15.8% 的市场份额仅次于味千中国 (538 HK: 未评级) 17.6% 的市占率。截至 2016 年 6 月底，呷哺呷哺在中国的 33 城市拥有 554 家餐厅。公司未来将通过开拓新市场，餐厅升级，新品牌湊湊以及外卖服务等拉动公司增长。我们预测 2016 年/2017 年/2018 年每股盈利在人民币 0.34 元/0.38 元/0.45 元。我们通过 DCF 估值法得到目标价为港币 6.11 元，对应 16.1 倍的 2017 年 PE，14.1% 的上升空间，首次覆盖给予增持评级。

**轴辐式扩张策略。**我们对公司的扩展战略方式比较认可。呷哺在进入一个新市场时候，首先会先进入当地最热闹商圈或者主要商业中心，然后再逐渐的向周边渗透。例如公司最早时候先进入北京（在北京先进入热门商区）和天津市场，并在当地市场进行深耕，然后再进入河北省其他的 14 个省市和地区。随着公司的扩展策略，公司对北京市场的依赖度逐渐降低，从 2011 年的 87.5% 下降到 2016 年上半年的 60.7%，我们预期到 2018 年该占比将持续下降至 53%，14% 收入将来自上海和天津地区，33% 来自其他地区。公司预计在未来三年每年继续新开约 100 家门店（不包括关闭门店）。

**餐厅升级以提升同店销售增长率。**随着消费者的消费升级，公司推出了呷哺 2.0 版本的门店，给消费者提供更加高档而休闲的用餐环境，增加高价值新菜品。我们认为新的版本对上海地区的餐厅可以对客单价提升约人民币 5 元至人民币 54 元，北京地区客单价提升 3 元至人民币 51 元。通过我们的渠道调研，我们认为升级版餐厅可以对同店销售带来约 15% 左右的提升。随着餐厅升级的拉动，我们认为一直相对落后的上海地区业绩 17 年同店销售增长率将转正，未来将保持在 3~5%。

**新品牌“湊湊”。**呷哺呷哺在 2016 年中期推出了已经研发两三年已久的新品牌湊湊，并在北京陆续开业两家门店，排队的客人络绎不绝。相比呷哺呷哺，湊湊更适合人数较多如 4-8 人的聚餐，并提供相比呷哺更为高端的消费体验，客单价在 120 元人民币左右（呷哺呷哺客单价截至 2016 年上半年在人民币 47.3 元）。我们预计到 2020 年湊湊将对公司的收入贡献达到 20% 左右。

**首次覆盖，给予增持评级。**考虑到餐厅数量在未来的增长，客单价的提升，我们预测 2016 年收入增长在 10.4% 左右达到 26.8 亿元，2017 年同比上升 16.9% 达到人民币 31.4 亿元。我们预测 2016 年/2017 年/2018 年每股盈利在人民币 0.34 元/0.38 元/0.45 元。我们通过 DCF 估值法得到目标价为港币 6.11 元，对应 16.1 倍的 2017 年 PE，14.1% 的上升空间，首次覆盖给予增持评级。

Xiabuxiabu opened in Beijing in 1998, applying a fast food approach to the traditional Chinese hotpot concept. In 2013, it held a 15.8% share of the domestic fast-casual dining market, according to Frost & Sullivan (behind leading Ajisen (538:HK – N-R), with a 17.6% share). By end-June 2016, Xiabuxiabu operated 554 outlets in 33 cities nationwide. Management plans to drive growth through new location openings, restaurant upgrades, aggressive marketing and delivery services. We forecast EPS of Rmb 0.34 in 16E (+37% YoY), Rmb 0.38 in 17E (+14% YoY) and Rmb 0.45 in 18E (+17% YoY). Our HK\$6.11 target (16.1x 17E PE) implies 14.1% upside. We initiate coverage with an Outperform recommendation.

**Hub-and-spoke strategy.** We are positive on the company's business expansion strategy. When entering a new market, Xiabuxiabu will first build a presence in major commercial districts and then gradually penetrate adjacent areas. For example, the company first entered Beijing and Tianjin markets, before penetrating 14 other cities in Hebei Province. With the gradual expansion into other regions in China, Beijing's topline contribution declined from 87.5% in 2011 to 60.7% in 1H16, and we expected this to further decline to 53.0% in 18E, with Shanghai and Tianjin contributing c.14% and other regions contributing c.33%. We expect the company to add an incremental 70 restaurants in 16E (for a total of 622) and 66 in 17E (688).

**Upgrades drive SSSG.** As consumption habits shift towards higher value goods and services, Xiabuxiabu has launched Xiabuxiabu 2.0, which offers a more upscale dining atmosphere. We expect these stores to drive average selling prices (ASPs) in Shanghai (by Rmb5 to Rmb54) and in Beijing (by Rmb3 to Rmb51). Through our channel checks, we note that restaurants upgraded to Xiabuxiabu 2.0 achieved a 15% increase in same store sales. As these stores roll out, we expect performance in Shanghai to achieve positive SSSG in 17E, normalising at 3-5% SSSG over the long term.

**Coucou brand.** Launched in 2016 in Beijing, Xiabuxiabu's two Coucou restaurants have proved extremely popular. The Coucou concept is more suitable for larger groups of four to eight and offers a high-end experience incorporating traditional Chinese furniture and tableware, with an ASP of Rmb120. We expect Coucou restaurants to total two in 16E, six in 17E and 15 in 18E, accounting for 20% of revenue by 20E.

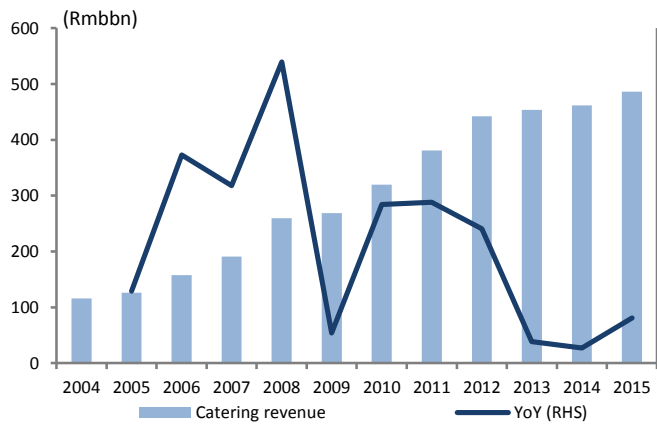
**Initiate with an Outperform rating.** On the back of new store openings and rising ASPs, we project revenue to rise by 10.4% YoY in 16E to Rmb 2,683m and by 16.9% YoY in 17E to Rmb 3,137m. Gross margin is expected to widen by 5.4ppts in 16E to 66.4%, before moderating to 64.25% in 17E and 18E. While we also assume Capex to tick up slightly with the opening of higher-end restaurants, capex to sales improves from 5.4% in 15A to 5.0% in 16E and 4.3% in 17E. We forecast EPS of Rmb 0.34 in 16E (+37% YoY), Rmb 0.38 in 17E (+14% YoY) and Rmb 0.45 in 18E (+17% YoY). Our DCF-derived HK\$6.11 target (16.1x 17E PE) implies 14.1% upside and we initiate coverage with an Outperform recommendation.

# Hot pot upshot

## Industry overview

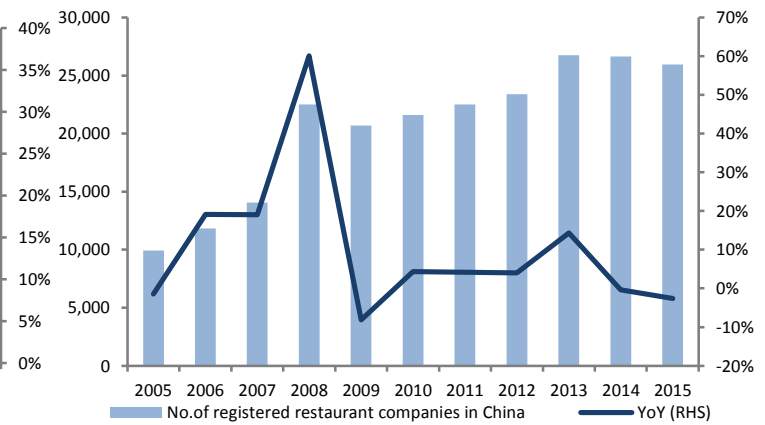
China's catering industry has grown rapidly over the past 10 years, with revenue expanding at a 12.0% Cagr from 2006 to 2015, reaching Rmb486.4bn. From 2015 to 2016, the number of restaurants in Beijing, Shanghai, Shenzhen, and Guangzhou doubled. However, growth suffered after the stock market crash in 2H15 and 161,287 restaurants closed across four tier-1 cities. In Shanghai alone, 63,296 restaurants shut their doors, an average of 10,000 per month and 350 per day.

Fig 1: Catering industry revenue growing trend in China



Source: National Bureau of Statistics, SWS Research

Fig 2: Number of registered restaurant companies in China

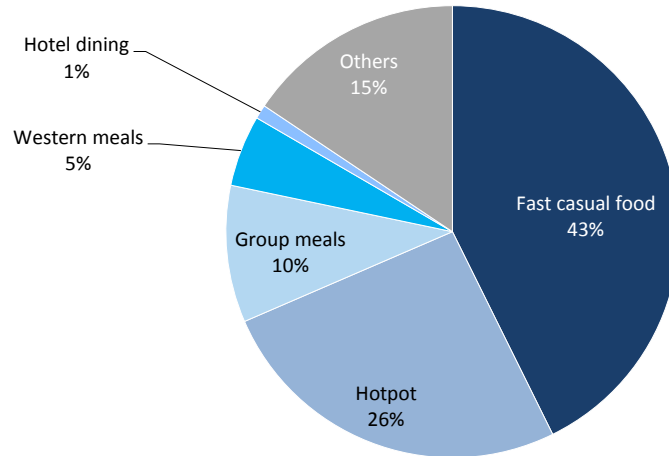


Source: National Bureau of Statistics, SWS Research

However, the total number of restaurants is still growing at a stable rate, with new openings outpacing closures. Some of these restaurants have continued to build the networks and continue to expand. In our view, they were quick to adapt to the following trends:

**Growth of mass consumer market.** Against the backdrop of the government's anti-corruption campaign, ASPs tumbled from a steady Rmb81 (2003-08) to Rmb76 (2009). High-end restaurants catering to government officials and state-owned enterprises (SOEs) felt the brunt of the impact. Meanwhile, restaurants that targeted the middle class saw the competitive environment intensify, given the low barriers to entry. Before 2012, the list of top 100 catering companies in China was dominated by high-end restaurants; by 2015, mass market catering accounted for an 80%-plus market share and among the top 100, 19 were fast food companies, accounting for a 40% share of mass market catering. We expect the trend to continue, with the contribution arriving at 60% in the next five years as the market shifts towards a growing mass market that has an appetite for upgrading its consumption habits.

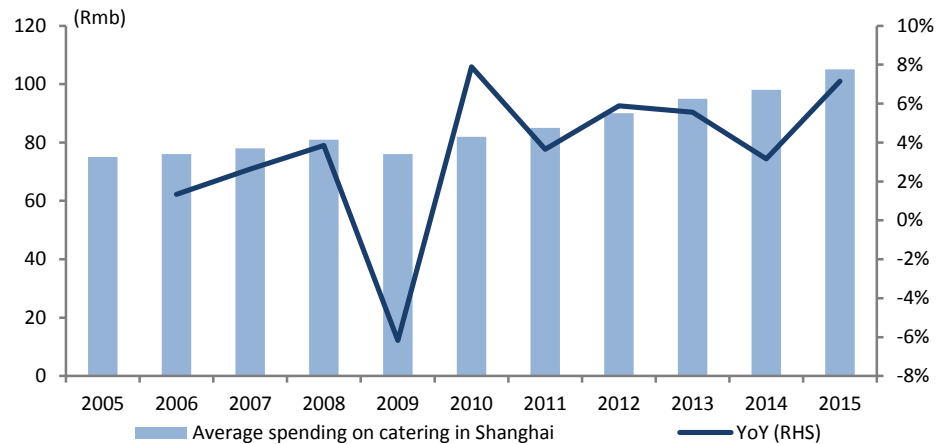
Fig 3: Top 100 catering companies revenue breakdown



Source: SWS Research

ASPs have also started to improve on the back of the consumption upgrade theme, rising from Rmb76 in 2009 to Rmb105 in 2015.

Fig 4: Catering ASPs in Shanghai



Source: Shanghai Bureau of Statistics, SWS Research

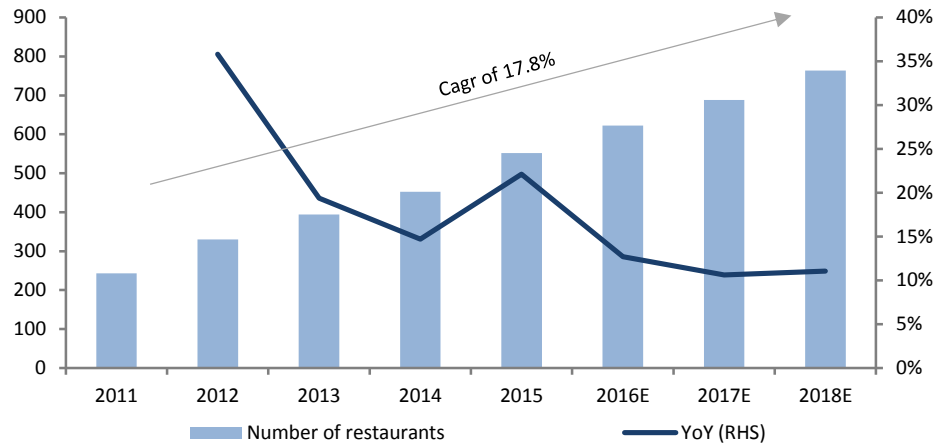
**Consumer preferences in a fragmented market.** According to the China Cuisine Association, the top factors influencing customers to choose a certain restaurant include taste and atmosphere (32.8%), food safety and hygiene (31.2%), location (15.6%), reasonable price (13.5%), word of mouth (3.5%) and service (2.0%).

While industry revenue is growing and the customer base is shifting, of the 5.1 million restaurants in China, the top 100 chain restaurants have seen their market share rise from nil in 2003 to just 7.43% in 2015. We believe that the trend should accelerate if chain restaurants are able to capitalise on the shift to higher quality dining experiences and implement chain-wide initiatives to offer their customers a consistent level of quality.

**Company background**

Xiabuxiabu opened in Beijing in 1998, applying a fast food approach to the traditional Chinese hotpot concept with a bar-style approach. The restaurants provide around 10 different types of soup bases with more than a hundred menu items at a compelling price point. The concept rapidly gained popularity among mass market consumers and the brand expanded its business quickly, with the number of restaurants more than doubling from 243 in 2011 to 552 in 2015 (22.8% Cagr). All Xiabuxiabu restaurants are self-operated to ensure the quality of both food and operation.

Fig 5: Number of Xiabuxiabu restaurants



Source: Company data, SWS Research

Unlike traditional hotpot, Xiabuxiabu seats customers at a bar, allowing staff to provide menu items directly. IT systems support food procurement and inventory management as well as staff shift scheduling. Company management aims to automate a variety of services for ease of replication in expansion to new locations.

The company has set internal targets based on its “1,000, 100, 10” rule, aiming to operate 1,000 stores, achieve Rmb10 亿 “yi” (Rmb10bn) revenue and generate Rmb1 亿 “yi” (Rmb10bn) net profit before 2020.

Fig 6: Xiabuxiabu restaurant (1.0)



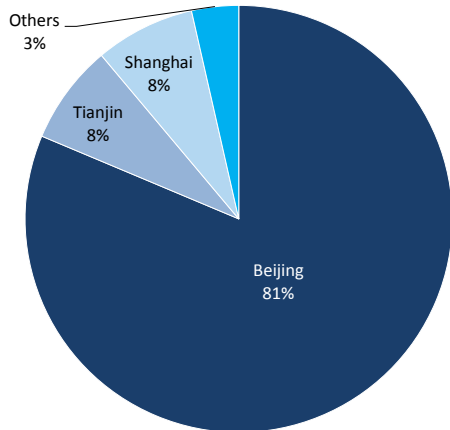
Source: Company data, SWS Research

**Hub-and-spoke strategy**

We are positive on the company’s business expansion strategy. When entering a new market, Xiabuxiabu will first build a presence in major commercial districts and then gradually penetrate adjacent areas. For example, the company first entered Beijing and Tianjin markets, before penetrating 14 other cities in Hebei Province.

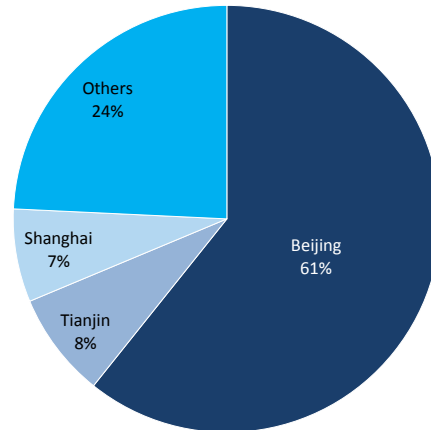
We believe that the strategy is effective as initially, the restaurant’s reputation is built quickly through its first location in a major commercial district of the target market. Once its popularity grows and management has gained an understanding of the local market, expansion begins. New restaurants are able to enjoy scale effects as they leverage central kitchens and logistics.

Fig 7: Revenue breakdown by geography in 2011



Source: Company data, SWS Research

Fig 8: Revenue breakdown by geography in 1H16



Source: Company data, SWS Research

With the gradual expansion into other regions into China, Beijing’s contribution to the topline declined from 87.5% in 2011 to 60.7% in 1H16, and we expect the contribution to further decline to 53.0% in 18E, with Shanghai and Tianjin contributing c.14% and other regions contributing c.33%. In the near term, the company will penetrate into Harbin, Inner Mongolia and Xi’an. We expect the bulk of the company’s expansion to focus on eastern China in the future.

Fig 9: No. of Xiabuxiabu restaurants

Year	2014		2015		2016E		2017E		2018E	
	No. of stores	Revenue	No. of stores	Revenue	No. of stores	Revenue	No. of stores	Revenue	No. of stores	Revenue
Beijing	246	1525	275	1526	284	1620	289	1706	294	1770
Shanghai	58	215	58	203	54	190	60	206	64	228
Tianjin	42	155	49	184	54	206	57	234	60	254
Others	106	307	170	511	230	654	282	883	331	1087

Source: Company data, SWS Research

## Xiabuxiabu 2.0

With competition intensifying against the backdrop of a sluggish economic outlook, Chinese catering companies faced a challenging 2H-1H16. However, while industry SSSG turned negative, Xiabuxiabu was able to post low single digit SSSG on the back of new restaurant ramp ups and its Xiabuxiabu 2.0 expansion project.

The new format caters to upgrade demand and is targeted at a younger demographic, offering an improved interior design while maintaining high operational efficiency through an online to offline (O2O) system. The layout was also improved, so that a typical customer only requires service from a waiter twice, versus seven at the original format. Management developed the menu to include high quality, higher-margin items and we believe that ASPs for the 2.0 format should rise by Rmb5 to Rmb54 for Shanghai restaurants and by Rmb3 to Rmb52 for those in Beijing.

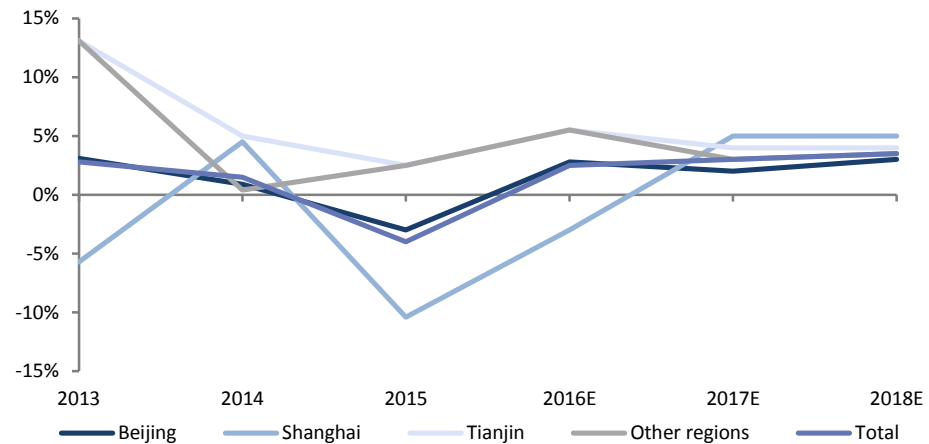
Fig 10: Xiabuxiabu 2.0



Source: Company, SWS Research

Our channel checks indicate that restaurants upgraded to the 2.0 format achieve a 15% increase in revenue. By the middle of August 2016, the company had launched 53 Xiabuxiabu 2.0 restaurants, featuring 10 versions different designs. In Shanghai alone, more than 10 restaurants opened during 2010-13 were upgraded to the 2.0 version. All new restaurants openings are based on the 2.0 format. We expect the upgrade will help push Shanghai SSSG into positive territory in 17E, normalising at 3-5% in the future.

Fig 11: SSSG in different cities: Xiabuxiabu restaurants



Source: Company data, SWS Research

**Moving upmarket**

Launched in 2016 in Beijing, Xiabuxiabu’s two Coucou restaurants have proved extremely popular. The Coucou concept is more suitable for larger groups of four to eight and offers a high-end experience incorporating traditional Chinese furniture and tableware, with an ASP of Rmb115 vs Rmb45 for typical Xiabuxiabu outlets. We expect revenue generated by Coucou concept restaurants to be four times that of Xiabuxiabu restaurants, with an operating margin 5.0ppts higher (24% vs 19%).

Fig 12: First Coucou restaurant in Sanlitun



Source: Company data, SWS Research

Xiabuxiabu and CouCou brands are managed by two separate teams, given their different target demographic. The manager of CouCou previously worked for Green Tea (56 restaurants in China) and Spice Spirit (30 restaurants). Both of these restaurant chains are very popular and are well established in China.

Fig 13: Comparison within Xiabuxiabu and Coucou

Brand	ASP	Capex	Store sales	Store size	Operating margin	Environment
Xiabuxiabu	Rmb45-50	Rmb1.1-1.2m	Rmb4-6m	20-25 sqm	19%	Casual fast food for 1-3 people dining
Coucou	Rmb115	Rmb3.5m	Rmb20-30m	300-400 sqm	24%	More focus on customer experience; for 4-8 gathering

Source: Company data, SWS Research

CouCou also offers 23 varieties of Chinese tea on its menu and the company has plans to establish its own tea brand, initially sold through CouCou outlets.

Fig 14: Coucou Chinese tea promotions



Source: Company data, SWS Research

We conservatively forecast that the revenue contribution from Coucou will increase from 1-2% in 2016 to around 17-20% in 20E.

Fig 15: Forecast of Coucou business

	2016E	2017E	2018E	2019E	2020E
Store number	2	6	15	30	50
Sales from Coucou (Rmbm)	13.5	57.6	180.1	416.6	821.3
Revenue/total revenue	1%	2%	5%	10%	17%

Source: Company data, SWS Research

### Product development

After five years of development, Xiabuxiabu introduced its own hotpot soup and dipping sauces. There are currently 11 varieties of hotpot soup sauce and four varieties of dipping sauce, sold via JD.com, Tmall and newly opened restaurants. We forecast sauce product revenue of Rmb50m in 17E and Rmb70m in 17E (+40% YoY). Penetration into supermarkets will offer upside to our forecasts.



Fig 16: Xiabuxiabu sauce products sold online and advertisement inside Xiabuxiabu restaurants

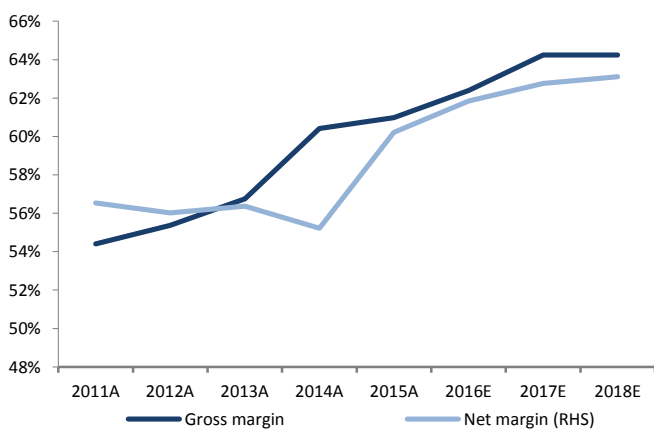


Source: Company data, SWS Research

**Financials**

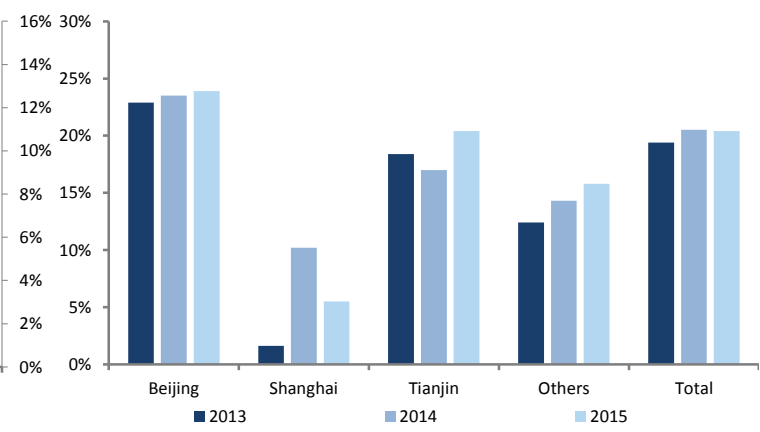
With new restaurants ramping up and costs under strict control, gross margin and net margin increased from 54.4% and 7.6% in 2011 to 61.0% and 10.9% in 2015. We expect the trend to continue, with gross margin expanding to 63.4% in 16E and 64.3% in 17E. Net margin is forecast to rise to 12.3% in 16E and 13.1% in 17E, driven by higher SSSG, an increasing Coucou brand contribution and sales of high-margin self-branded products.

Fig 17: Profit margin from 11A to 18E



Source: Company data, SWS Research

Fig 18: OPM of restaurants in different regions



Source: Company data, SWS Research

In our view, the company’s balance sheet is more than strong enough to finance management’s expansion plans, with cash on hand expected to rise from Rmb1,354.5m in 15A to Rmb1,508m in 16E (+11.3% YoY) and Rmb1,782m in 17E (+18.2% YoY). The firm is debt free and free cash flow is forecast to rise by 11% YoY in 16E to Rmb555m and by 25% YoY in 17E to Rmb694m, given improving SSSG and new restaurants ramping up. While the dividend payout ratio has remained at 35% since the company listed, management has stated that it is considering lifting it to 40%. Given the strong financial position of the company, we believe that this is achievable. We forecast dividend yield to rise from 1.79% in 15A to 2.64% in 16E and 3.02% in 17E.

**Earnings forecast**

We forecast Xiabuxiabu to increase its restaurant numbers by 70 in 16E (total of 622) and by 66 in 17E (688), while Coucou restaurants are expected to expand from two in 16E to six in 17E.

**Fig 19: Coucou forecasts**

	2016E	2017E	2018E	2019E	2020E
Store number	2	6	15	30	50
Sales from Coucou (Rmbm)	13.5	57.6	180.1	416.6	821.3
Segment revenue/total revenue	1%	2%	5%	10%	17%

Source: Company data, SWS Research

We forecast revenue to experience a 14.0% Cagr from 15A to 18E, arriving at Rmb3,589m, while net profit is expected to increase at a 22.4% Cagr over the same period, reaching Rmb482.5m.

**Fig 20: Store number forecasts, by region**

	2014	2015	2016E	2017E	2018E
Xiabuxiabu total stores	452	552	622	688	749
Beijing	246	275	284	289	294
Shanghai	58	58	54	60	64
Tianjin	42	49	54	57	60
Other regions	106	170	230	282	331
Coucou stores			2	6	15

Source: Company data, SWS Research

**Fig 21: Revenue forecasts, by region**

(Rmbm)	2014	2015	2016E	2017E	2018E
Xiabuxiabu	2,202	2,425	2,669	3,029	3,339
Beijing	1,525	1,526	1,620	1,706	1,770
Shanghai	215	203	190	206	228
Tianjin	155	184	206	234	254
Other regions	307	511	654	883	1,087
Coucou stores	-	-	14	58	180

Source: Company data, SWS Research

## Management

The company's management draws on experience in the fast food industry, F&B, marketing, finance and investment.

Mr. Ho Kuang-Chi, aged 52, is the chairman of the board and executive director, who is responsible for formulating the overall development strategy and business plans for the group. Mr. Ho has 17 years of experience in the catering industry and created the bar-style hotpot inspired by his experience in the manufacturing business in Taiwan, which rely on high efficiency working areas with less dependence on labor and more on automated processes. He established the first Xiabuxiabu in 1999 and was awarded the "Most Influential Entrepreneur of Food and Beverage Industry in China in 2015" and "Most Influential Entrepreneur of Hotpot Industry in China in 2015" by the China Cuisine Association.

Ms. Yang Shuling, aged 54, is CEO and executive director, who joined Xiabu Fast Food in 1998 as an accountant. Ms. Yang has over 17 years of experience in financial and accounting in the catering industry and is responsible for overseeing the management and strategic development of the Group.

Ms. Hsieh Lily Hui-yun, aged 61, acts as an independent non-executive director and was appointed to the board in 2014. She has over 30 years of experience in auditing and accounting in various industries, including food retailing, manufacturing, and processing. Ms. Hsieh joined YUM! China in 1996 and was the CFO of YUM! China during 2000 to 2012. Before 2000, she worked with Kraft Foods (Asia Pacific), Pillsbury Canada and China Airlines, and has served as independent non-executive director of Dongpeng Holdings (3386 HK)

since 2013 and non-executive director of Little Sheep Group Limited (968 HK) from 2009 to 2012.

Ms. Zhao Yi, aged 46, is the CFO of the group. She joined the company in 2012 and is primarily responsible for audits, accounting, financial management and IT-related matters. Ms. Zhao has 19 years of experience in accounting and corporate finance and business management in multi-national FMCG companies such as PepsiCo Food Co., Unilever Service, Sony Ericsson Group and McDonald’s (MCD:US), where she worked in financial analysis, budgeting, auditing and management roles.

**Valuation**

We derive our target price using DCF methodology with a 10.2% WACC and derive a total equity value of Rmb7,671m, representing a target price of HK\$6.11 (16.1x 17E PE). We note that currently the sector is trading at 21.0 17F PE. With 14.1% upside, we initiate coverage with an Outperform rating.

**Fig 22: DCF valuation**

<b>WACC</b>	
Risk-free rate	3.00%
Equity risk premium	6.20%
Beta :	1.3
<b>CAPM</b>	<b>11.00%</b>
<hr/>	
Nominal cost of debt	4.00%
Debt to equity ratio	12.00%
Effective tax rate	24.00%
<b>WACC</b>	<b>10.20%</b>
<hr/>	
Terminal growth	3.00%
Fast and stable growth value	3,974
Terminal value	3,754
Core firm value	7,728
Minus: Net of debt	24
<b>Equity value</b>	<b>7,704</b>
<hr/>	
Share capital	1,071
Equity value per share in HK\$	6.11

Source: Company data, SWS Research

**Fig 23: Peer valuation table**

Company name	Code	PEx (16E)	PEx (17E)	PEx (18E)	PBx (16E)	PBx (17E)	PBx (18E)
TSUI WAH HOLDING	1314 HK	13.90	23.00	14.00	1.40	1.34	1.27
AJISEN CHINA HOL	538 HK	11.90	14.50	12.80	0.89	0.88	0.88
CAFE DE CORAL	341 HK	27.70	25.60	22.00	4.36	4.41	4.20
<b>Industry average</b>		<b>17.83</b>	<b>21.03</b>	<b>16.27</b>	<b>2.22</b>	<b>2.21</b>	<b>2.12</b>

Source: Bloomberg, SWS Research

## Appendix

Consolidated Income Statement					
Rmbm	2014	2015	2016E	2017E	2018E
Revenue	2,202	2,425	2,683	3,137	3,589
Cost of sales	1,036	1,085	1,060	1,294	1,481
Gross profit	1,330	1,478	1,781	2,015	2,306
Other income	12	27	31	34	39
EBIT	186	323	474	542	635
Finance Costs	0	0	21	25	29
Profit Before Tax	186	323	474	542	635
Income Tax Expense	45	60	114	130	152
Minority Interests	0	0	0	0	0
Profit for the Year	141	263	360	412	483

Source: SWS Research

Consolidated Cash Flow Statement					
Rmbm	2014	2015	2016E	2017E	2018E
Profit Before Tax	186	323	474	542	635
Depreciation And Amortisation	91	119	112	119	123
Finance Cost	20	20	21	25	29
Losses From Investments	0	13	0	0	0
Change In Working Capital	96	40	(41)	41	44
Others	(79)	(145)	(251)	(411)	(546)
CF From Operating Activities	315	370	420	560	635
Capex	127.3	130.7	135.3	133.7	132.0
Other CF From Investing Activities	(251)	(236)	(280)	(279)	(277)
CF From Investing Activities	(124)	(106)	(144)	(145)	(145)
Equity Financing	808	34	0	0	0
Net Change In Liabilities	0	0	0	0	0
Dividend And Interest Paid	(220)	(98)	(122)	(140)	(164)
Other CF From Financing Activities	0	(0)	0	0	0
CF From Financing Activities	588	(63)	(122)	(140)	(164)
Net Cash Flow	779	201	153	275	326
FCFF	442	501	555	694	767
FCFE	422	481	534	669	738

Source: SWS Research

Consolidated Balance Sheet					
Rmbm	2014	2015	2016E	2017E	2018E
Current Assets	1,278	1,512	1,666	1,972	2,322
Bank Balances And Cash	1,123	1,355	1,508	1,782	2,109
Trade And Other Receivables	33	53	41	49	58
Inventories	123	104	117	141	156
Other Current Assets	0	0	0	0	0
Long Term Investment	14	6	11	13	15
PPE	312	334	357	372	382
Intangible And Other Assets	3	1	1	1	1
Total Assets	1,682	1,964	2,172	2,511	2,899
Current Liabilities	391	467	443	520	600
Borrowings	0	0	0	0	0
Trade And Other Payables	127	462	439	514	594
Other Current Liabilities	264	5	4	5	6
Long Term Liabilities	17	17	22	24	27
Total Liabilities	408	484	465	544	627
Minority Interests	0	0	0	0	0
Shareholder Equity	1,274	1,480	1,707	1,967	2,271
Share Capital	0	0	0	0	0
Reserves	1,274	1,480	1,707	1,967	2,271
Equity Attributable	1,274	1,480	1,707	1,967	2,271
Total Liabilities And Equity	1,682	1,964	2,172	2,511	2,899

Source: SWS Research

Key Financial Ratios					
	2014	2015	2016E	2017E	2018E
<b>Ratios per share (Rmb)</b>					
Earnings per share	0.17	0.25	0.34	0.38	0.45
Operating CF Per Share	0.37	0.35	0.39	0.52	0.59
Dividend Per Share	0.06	0.09	0.13	0.15	0.18
<b>Key Operating Ratios (%)</b>					
Net Assets Per Share	1.51	1.38	1.59	1.84	2.12
ROIC	10.93	17.59	20.82	20.67	20.99
ROE	11.08	17.79	21.08	20.92	21.24
Gross Profit Margin	60.42	60.98	66.39	64.25	64.25
Ebitda Margin	12.59	18.25	21.82	21.05	21.10
Ebit Margin	8.45	13.33	17.65	17.27	17.69
Growth Rate Of Revenue	16.48	10.11	10.64	16.93	14.43
Growth Rate Of Profit	0.34	86.53	36.65	14.38	17.22
Debt To Asset Ratio	24.27	24.62	21.41	21.65	21.64
Turnover Rate Of Net Assets	172.86	163.77	157.17	159.43	158.03
Turnover Rate Of Total Assets	130.90	123.44	123.52	124.92	123.83
Effective Tax rate	24.11	18.49	24.00	24.00	24.00
Dividend Yield	1.10	1.70	2.51	2.87	3.36
<b>Valuation Ratios (x)</b>					
PE	26.76	18.24	13.35	11.67	9.95
PB	2.97	3.24	2.81	2.44	2.11
EV/Sales	1.50	1.36	1.23	1.05	0.92
EV/Ebitda	11.89	7.44	5.63	4.99	4.35

Source: SWS Research

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