

# Haidilao (6862 HK)

## Reformed successfully and may reopen stores

Maintain BUY and raise TP to HK\$ 21.62, based on 38x FY23E P/E (rolled over from 42x FY22E P/E). Despite the pandemic in 1H22, Haidilao had demonstrated its ability to draw better traffic and carry out costs control in both mainland China and overseas. It is trading at 33x FY23E P/E, slightly higher than 5-year historical average of 31x and China peers' average of 21x, vs its 18% FY20-24E sales CAGR.

- 1H22 result inline.** Sales decreased by 17% YoY to RMB 16.8bn, consisting of 10% sales per store decline (11% SSS decline) and 10% drop in store number, while net losses of RMB 266mn were recorded in 1H22, both were inline with profit warning. However, we are impressed about the underlying: 1) table turnover was resilient in mainland China, at 2.9x (vs 3.0x in 1H21) and recovering strongly in overseas, at 3.0x (vs 2.2x in 1H21), 2) costs control was excellent, evidenced by high GP margin, at ~58% (much higher than ~55%/ ~58% in 2H21/ 1H21) and stable staff costs ratio, at ~35% of sales (much better than ~37%/ ~36% in 2H21/ 1H21). We think this result was driven by: 1) more high-quality new products (click through rate for those launched in Jan/ Jun 2022 were 10%+/ 15%+), 2) a better motivation system (with higher profit sharing started in May 2022) that can improve both "employee effort" and "customer satisfaction" and 3) offerings of more value-added and community operation services. All in all, the "Woodpecker/啄木鸟计划" plan is certainly working even with pandemic in 2Q22.
- A better outlook for 2H22E.** We are turning more optimistic about 2H22E, because: 1) number of stores affected was narrowed from 200+ during Mar-May 2022 to just 90- / 30- in Jun/ Jul 2022, 2) new stores continue to ramp up (table turnover actually improved to 2.5x in 1H22 vs 2.3x in 1H21), 3) refined per store economics, where breakeven level of table turnover was lowered from 3x or above to 2x or above, 4) more new product launches (including delivery and pre-made foods) and 5) more incentivized employees.
- Store opening may resume, under the "hard bone/ 硬骨头" plan.** This is a positive surprise in our view, especially when the management did indicate their confidence (even with uncertainty under pandemic). In order to ensure the quality of these potential new store openings, management will: 1) do detailed analysis on potential impact of table turnover on the nearby stores, 2) impose different KPIs and profit sharing method on these stores and 3) prioritize those locations with better foot traffic, etc.
- Maintain BUY and lifted TP to HK\$ 21.62.** We cut our FY22E/ 23E/ 24E net profit by 56%/ 20%/ 16% to factor in: 1) pandemic in 2Q22, 2) lower GP margin and 3) higher staff costs. We raised our TP to HK\$21.62 based on 38x FY23E P/E (vs 42x FY22E P/E). It is trading at 33x FY23E P/E, vs China peers average of 21x and a 18% FY20-24E sales CAGR.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	28,614	41,112	41,337	50,871	55,005
YoY growth (%)	7.8	43.7	0.5	23.1	8.1
Net income (RMB mn)	309	(4,163)	753	2,632	3,633
EPS (RMB)	0.06	(0.75)	0.14	0.47	0.65
YoY growth (%)	(86.8)	(1,380.0)	(118.1)	249.8	38.0
Consensus EPS (RMB)	n/a	n/a	0.16	0.47	0.65
P/E (x)	268.3	(20.7)	114.3	32.7	23.7
P/B (x)	8.1	10.9	9.8	7.5	5.4
Yield (%)	0.8	0.1	0.1	0.9	1.3
ROE (%)	3.0	(45.9)	9.0	25.8	26.3
Net gearing (%)	16.1	18.6	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$21.62
(Previous TP)	HK\$15.59
Up/Downside	16.2%
Current Price	HK\$18.60

### China Catering Sector

#### Walter Woo

(852) 3761 8776  
walterwoo@cmbi.com.hk

#### Raphael Tse

(852) 3900 0856  
raphaeltse@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	103,676
Avg 3 mths t/o (HK\$ mn)	241.25
52w High/Low (HK\$)	34.30/10.00
Total Issued Shares (mn)	5,574.0

Source: Bloomberg

#### Shareholding Structure

Mr. Zhang Yong	57.44%
Ms. Shu Ping	7.37%
Mr. Shi Yong Hong	7.79%
Ms. Li Hai Yan	6.03%
Other management	7.00%
Free Float	14.37%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	11.5%	12.7%
3-mth	18.9%	25.9%
6-mth	-2.6%	10.9%
12-mth	-40.6%	-24.0%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte Touche Tohmatsu

#### Related Reports

- Haidilao (6862 HK, BUY) – Reforms on track but pandemic still matters – 28 Mar 2022
- Haidilao (6862 HK, BUY) - The worst should be gone as reforms continue – 28 Feb 2022

- **Robust recovery in the overseas market and the potential split-off.** Oversea market is encouraging, with table turnover reached 3.0x in 1H22 (vs 2.2x in 1H21) and 23 new stores or ~23% YoY increase vs last year. We assuredly agreed that the split-off can benefit in manifold ways: 1) formulate the business strategies better toward different consumer behavior, 2) provide an independent platform for potential debt or equity financing, 3) can give investors a clearer picture of the entity and 4) better incentivize and reward the corresponding management.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	41,337	50,871	55,005	47,715	55,366	59,551	-13.4%	-8.1%	-7.6%
Gross profit	23,566	29,002	31,413	27,393	31,785	34,248	-14.0%	-8.8%	-8.3%
EBIT	1,781	4,257	5,499	2,931	4,979	6,297	-39.2%	-14.5%	-12.7%
Net profit att.	753	2,632	3,633	1,717	3,273	4,310	-56.2%	-19.6%	-15.7%
Diluted EPS (RMB)	0.135	0.472	0.652	0.308	0.587	0.773	-56.2%	-19.6%	-15.7%
Gross margin	57.0%	57.0%	57.1%	57.4%	57.4%	57.5%	-0.4ppt	-0.4ppt	-0.4ppt
EBIT margin	4.3%	8.4%	10.0%	6.1%	9.0%	10.6%	-1.8ppt	-0.6ppt	-0.6ppt
Net profit att. margin	1.8%	5.2%	6.6%	3.6%	5.9%	7.2%	-1.8ppt	-0.7ppt	-0.6ppt

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	41,337	50,871	55,005	43,130	51,284	58,401	-4.2%	-0.8%	-5.8%
Gross profit	23,566	29,002	31,413	24,443	27,802	31,665	-3.6%	4.3%	-0.8%
EBIT	1,781	4,257	5,499	1,754	4,391	5,876	1.6%	-3.0%	-6.4%
Net profit att.	753	2,632	3,633	714	2,483	3,540	5.4%	6.0%	2.6%
Diluted EPS (RMB)	0.135	0.472	0.652	0.164	0.469	0.651	-17.6%	0.7%	0.1%
Gross margin	57.0%	57.0%	57.1%	56.7%	54.2%	54.2%	0.3ppt	2.8ppt	2.9ppt
EBIT margin	4.3%	8.4%	10.0%	4.1%	8.6%	10.1%	0.2ppt	-0.2ppt	-0.1ppt
Net profit att. margin	1.8%	5.2%	6.6%	1.7%	4.8%	6.1%	0.2ppt	0.3ppt	0.5ppt

Source: Company data, CMBIGM estimates

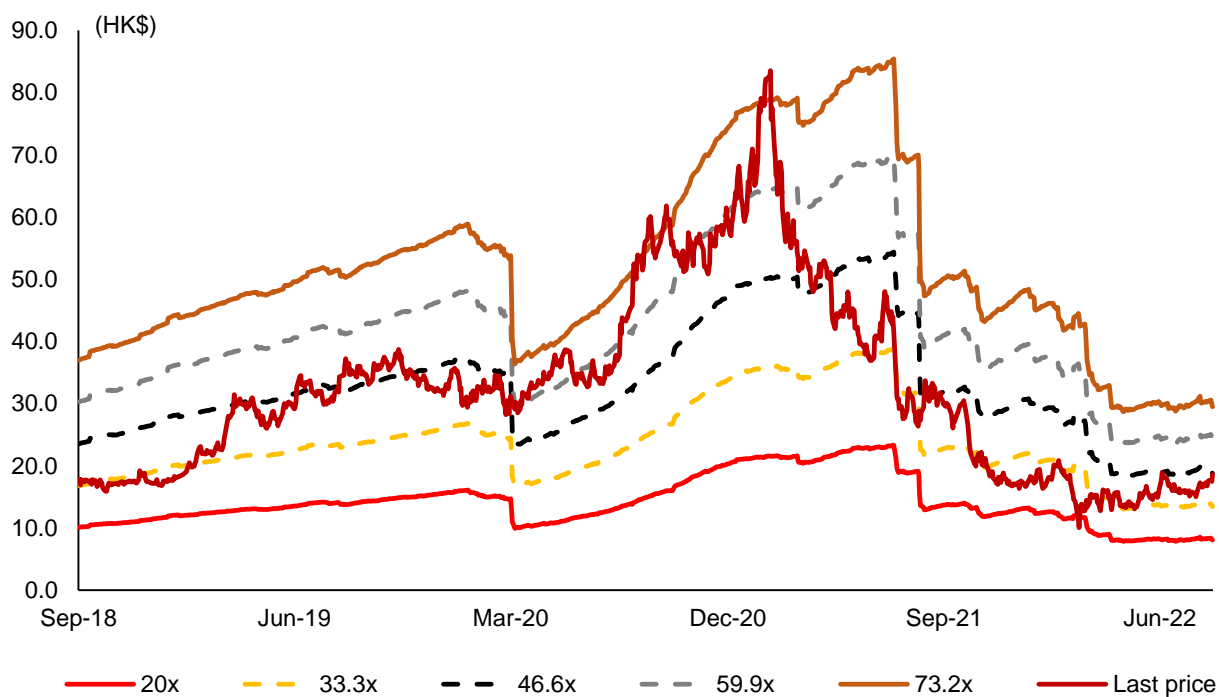
## Valuation

Figure 3: Peers' valuation

Company	Ticker	Rating	12m TP	Price	Up/Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE	3yrs	Yield	
			(LC)	(LC)	side			(HK\$ mn)	End	FY1E	FY2E	FY1E	FY2E	(%)	PEG (x)
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Haidilao	6862 HK	BUY	21.62	18.60	16%	103,676	Dec-21	114.3	32.7	9.8	7.5	9.0	(0.6)	0.1	
Jiumaojiu	9922 HK	BUY	19.70	15.54	27%	22,593	Dec-21	59.9	27.1	5.7	4.7	10.1	1.4	0.4	
Nayuki	2150 HK	HOLD	7.00	5.71	23%	9,793	Dec-21	139.3	28.2	1.9	1.8	(1.7)	(1.0)	0.0	
Cafe De Coral	341 HK	BUY	15.69	11.26	39%	6,595	Mar-22	23.2	15.9	2.2	2.0	8.9	0.1	2.9	
Xiabuxiabu	520 HK	NR	n/a	3.71	n/a	4,030	Dec-21	50.9	14.0	1.9	1.7	2.8	(0.2)	1.6	
Helens	9869 HK	NR	n/a	12.20	n/a	15,456	Dec-21	73.9	20.4	4.6	3.9	5.0	(0.3)	0.6	
Tam Jai	2217 HK	NR	n/a	2.62	n/a	3,512	Mar-22	11.9	8.1	2.0	1.6	20.1	0.4	2.9	
Yihai	1579 HK	BUY	108.52	19.82	448%	20,750	Dec-21	21.8	18.5	3.8	3.3	18.7	2.2	1.3	
Yum China	9987 HK	BUY	343.43	388.00	-11%	162,794	Dec-21	45.6	26.2	2.9	2.6	6.2	(42.1)	0.9	
Gourmet Master	2723 TT	NR	n/a	101.50	n/a	4,719	Dec-21	25.3	17.1	1.6	1.5	5.6	6.0	2.9	
								<b>Avg.</b>	<b>56.6</b>	<b>20.8</b>	<b>3.6</b>	<b>3.1</b>	<b>8.5</b>	<b>(3.4)</b>	<b>1.3</b>
								<b>Med.</b>	<b>48.3</b>	<b>19.5</b>	<b>2.5</b>	<b>2.3</b>	<b>7.5</b>	<b>(0.1)</b>	<b>1.1</b>
<b>Other H-shares Restaurants and Food Ingredients</b>															
Fairwood	52 HK	NR	n/a	13.00	n/a	1,684	Mar-22	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tai Hing	6811 HK	NR	n/a	1.01	n/a	1,015	Dec-21	6.3	5.3	0.9	0.9	15.4	0.2	11.9	
Ajisen China	538 HK	NR	n/a	0.75	n/a	819	Dec-21	6.7	n/a	n/a	n/a	n/a	n/a	7.6	
Tao Heung	573 HK	NR	n/a	0.83	n/a	842	Dec-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
								<b>Avg.</b>	<b>6.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>9.7</b>
								<b>Med.</b>	<b>6.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>9.7</b>
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Yum	YUM US	NR	n/a	110.78	n/a	247,404	Dec-21	24.3	21.0	n/a	n/a	(13.8)	5.4	2.1	
Mcdonald'S	MCD US	NR	n/a	253.49	n/a	1,463,759	Dec-21	25.8	24.0	n/a	n/a	(111.8)	5.6	2.2	
Starbucks	SBUX US	NR	n/a	83.41	n/a	751,157	Oct-21	29.0	25.0	n/a	n/a	(46.2)	8.0	2.4	
Rest. Brands	QSR US	NR	n/a	59.00	n/a	207,711	Dec-21	19.4	18.0	10.7	10.9	35.1	1.9	3.7	
Wingstop	WING US	NR	n/a	110.59	n/a	25,965	Dec-21	70.5	59.3	n/a	n/a	(11.6)	4.2	4.3	
Shake Shack	SHAK US	NR	n/a	47.72	n/a	15,785	Dec-21	n/a	n/a	5.0	4.9	(5.0)	n/a	n/a	
Chipotle Mexican	CMG US	NR	n/a	1612.5	n/a	351,390	Dec-21	49.0	37.8	18.8	15.5	39.3	1.5	0.0	
Darden Rest.	DRI US	NR	n/a	123.38	n/a	118,703	May-22	16.0	14.4	6.9	6.6	46.3	2.1	3.8	
Domino'S Pizza	DPZ US	NR	n/a	380.37	n/a	107,132	Jan-22	30.0	25.4	n/a	n/a	(10.9)	3.9	1.1	
Wendy'S	WEN US	NR	n/a	19.40	n/a	32,403	Jan-22	23.0	19.6	11.4	11.9	49.1	2.5	2.6	
Jollibee Foods	JFC PM	NR	n/a	239.60	n/a	37,189	Dec-21	41.2	30.6	4.1	3.8	10.8	2.6	0.9	
								<b>Avg.</b>	<b>32.8</b>	<b>27.5</b>	<b>9.5</b>	<b>8.9</b>	<b>(1.7)</b>	<b>3.8</b>	<b>2.3</b>
								<b>Med.</b>	<b>27.4</b>	<b>24.5</b>	<b>8.8</b>	<b>8.8</b>	<b>(5.0)</b>	<b>3.3</b>	<b>2.3</b>
<b>H-shares Consumer Staples</b>															
UPC	220 HK	NR	n/a	6.77	n/a	29,242	Dec-21	19.8	15.8	1.9	1.9	9.6	3.7	5.7	
Tingyi	322 HK	NR	n/a	13.96	n/a	78,633	Dec-21	23.9	17.7	4.3	4.3	16.7	5.2	6.8	
Want Want China	151 HK	NR	n/a	5.54	n/a	65,923	Mar-22	13.3	12.3	3.5	3.3	25.7	3.0	6.7	
China Mengniu	2319 HK	NR	n/a	35.65	n/a	141,000	Dec-21	21.4	18.3	2.9	2.6	14.9	1.5	1.4	
Vitasoy	345 HK	NR	n/a	12.32	n/a	13,192	Mar-22	77.5	32.9	3.8	3.5	4.9	(0.3)	1.0	
Tsingtao Brewery	168 HK	NR	n/a	76.50	n/a	137,316	Dec-21	28.4	24.4	3.7	3.4	13.5	3.4	1.7	
CR Beer	291 HK	NR	n/a	54.85	n/a	177,943	Dec-21	37.3	30.1	5.9	5.3	16.1	4.1	1.1	
Dali Foods	3799 HK	NR	n/a	3.59	n/a	49,162	Dec-21	12.2	10.9	2.1	1.9	17.6	4.1	4.1	
								<b>Avg.</b>	<b>29.2</b>	<b>20.3</b>	<b>3.5</b>	<b>3.3</b>	<b>14.9</b>	<b>3.1</b>	<b>3.6</b>
								<b>Med.</b>	<b>22.6</b>	<b>18.0</b>	<b>3.6</b>	<b>3.4</b>	<b>15.5</b>	<b>3.5</b>	<b>2.9</b>

Source: Bloomberg, CMBIGM estimates

**Figure 4: Forward P/E valuation band**



Source: Bloomberg, CMBIS estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Number of restaurants</b>					
China T1 cities	255	248	245	245	245
China T2 cities	499	522	522	527	532
China T3 and below	451	559	557	563	573
Outside PRC	93	114	129	154	179
Total	1,298	1,443	1,453	1,489	1,529
<b>Number of restaurants growth (YoY %)</b>					
China T1 cities	34.2%	-2.7%	-1.2%	0.0%	0.0%
China T2 cities	50.3%	4.6%	0.0%	1.0%	0.9%
China T3 and below	132.5%	23.9%	-0.4%	1.1%	1.8%
Outside PRC	78.8%	22.6%	13.2%	19.4%	16.2%
Total	69.0%	11.2%	0.7%	2.5%	2.7%
<b>Sales per restaurants (RMB mn)</b>					
China T1 cities	23	31	31	37	38
China T2 cities	23	29	28	33	35
China T3 and below	18	25	25	30	32
Outside PRC	24	24	26	33	37
Total	21	27	27	33	35
<b>Sales per restaurants growth (YoY %)</b>					
China T1 cities	-31.8%	34.0%	-2.0%	19.5%	3.5%
China T2 cities	-32.7%	26.4%	-1.9%	19.6%	3.5%
China T3 and below	-39.4%	41.0%	0.1%	18.9%	5.4%
Outside PRC	-45.3%	-0.3%	8.0%	28.1%	13.3%
Total	-36.6%	29.9%	-0.6%	20.1%	5.3%
<b>Average spending per guest (RMB)</b>					
China T1 cities	116.2	111.8	109.6	111.8	114.0
China T2 cities	105.7	101.7	99.7	101.7	103.7
China T3 and below	100.2	95.7	93.8	95.7	97.6
Outside PRC	192.6	197.9	193.9	197.8	201.8
Overall	110.1	104.7	107.8	111.1	114.6
<b>Average spending per guest growth (YoY %)</b>					
China T1 cities	5.5%	-3.8%	-2.0%	2.0%	2.0%
China T2 cities	6.3%	-3.8%	-2.0%	2.0%	2.0%
China T3 and below	5.6%	-4.5%	-2.0%	2.0%	2.0%
Outside PRC	3.9%	2.8%	-2.0%	2.0%	2.0%
Overall	4.7%	-4.9%	2.9%	3.1%	3.1%
<b>GP margins</b>	<b>57.1%</b>	<b>56.3%</b>	<b>57.0%</b>	<b>57.0%</b>	<b>57.1%</b>
Staff costs/ sales	-33.8%	-36.2%	-33.1%	-30.3%	-29.9%
Rental expenses /sales	-0.8%	-0.8%	-1.1%	-0.5%	-0.4%
Utilities expenses/ sales	-3.4%	-3.5%	-3.4%	-3.5%	-3.5%
Depreciation and amortization/ sales	-7.5%	-8.3%	-8.6%	-6.9%	-6.1%
Depreciation of right-of-use assets/ sales	-3.1%	-2.7%	-2.8%	-2.8%	-2.8%
Travelling fees/ sales	-0.7%	-0.6%	-0.6%	-0.8%	-0.8%
Other opex/ sales	-4.4%	-4.5%	-4.0%	-4.6%	-4.5%
Effective tax rate	-57.9%	4.7%	-26.5%	-26.0%	-25.5%
<b>NP att margin</b>	<b>1.1%</b>	<b>-10.1%</b>	<b>1.8%</b>	<b>5.2%</b>	<b>6.6%</b>
<b>NP att growth (%)</b>	<b>-86.8%</b>	<b>250.0%</b>	<b>-118.1%</b>	<b>249.8%</b>	<b>38.0%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY23A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>28,614</b>	<b>41,112</b>	<b>41,337</b>	<b>50,871</b>	<b>55,005</b>
China & loyalty program	25,228	36,940	36,376	43,775	46,143
Overseas	2,226	2,722	3,327	5,088	6,699
Delivery business	718	706	907	1,135	1,242
Condiment & food	442	745	726	873	920
<b>Cost of goods sold</b>	<b>(12,261)</b>	<b>(17,977)</b>	<b>(17,771)</b>	<b>(21,870)</b>	<b>(23,592)</b>
<b>Gross profit</b>	<b>16,353</b>	<b>23,135</b>	<b>23,566</b>	<b>29,002</b>	<b>31,413</b>
<b>Other income</b>	<b>320</b>	<b>446</b>	<b>351</b>	<b>356</b>	<b>468</b>
<b>Operating expenses</b>	<b>(15,363)</b>	<b>(23,319)</b>	<b>(22,136)</b>	<b>(25,100)</b>	<b>(26,381)</b>
D & A	(3,034)	(4,548)	(4,722)	(4,918)	(4,878)
Staff costs	(9,677)	(14,875)	(13,668)	(15,410)	(16,455)
Property rent & related	(236)	(339)	(438)	(245)	(207)
Utilities expenses	(978)	(1,457)	(1,405)	(1,781)	(1,925)
Other operating expenses	(1,438)	(2,100)	(1,901)	(2,747)	(2,915)
<b>EBIT</b>	<b>1,310</b>	<b>262</b>	<b>1,781</b>	<b>4,257</b>	<b>5,499</b>
Finance costs, net	(404)	(612)	(733)	(660)	(576)
JVs & associates	75	81	8	10	11
Exceptional	(245)	(3,707)	(29)	(36)	(39)
<b>Pre-tax profit</b>	<b>735</b>	<b>(3,976)</b>	<b>1,028</b>	<b>3,572</b>	<b>4,896</b>
Income tax	(426)	(185)	(272)	(929)	(1,249)
Less: Minority interests	0	2	3	11	15
<b>Net profit</b>	<b>309</b>	<b>(4,163)</b>	<b>753</b>	<b>2,632</b>	<b>3,633</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EBIT</b>	<b>1,310</b>	<b>262</b>	<b>1,781</b>	<b>4,257</b>	<b>5,499</b>
D & A	2,146	3,421	3,565	3,493	3,338
Change in working capital	(704)	(328)	4	(205)	(90)
Income tax paid	(657)	(702)	(622)	(1,185)	(1,560)
Others	827	1,154	594	725	1,923
<b>Net cash from operating</b>	<b>2,921</b>	<b>3,806</b>	<b>5,323</b>	<b>7,085</b>	<b>9,110</b>
Capex & investments	(6,070)	(4,430)	(827)	(763)	(550)
Associated companies	-	-	-	-	-
Interest received	113	15	-	-	-
Others	1,265	(538)	-	-	-
<b>Net cash from investing</b>	<b>(4,691)</b>	<b>(4,953)</b>	<b>(827)</b>	<b>(763)</b>	<b>(550)</b>
Equity raised	-	1,919	-	-	-
Net change in bank loans	3,891	(183)	-	-	-
Dividend paid	(703)	(93)	(93)	(258)	(982)
Others	(848)	2,668	(792)	(752)	(712)
<b>Net cash from financing</b>	<b>2,340</b>	<b>4,311</b>	<b>(885)</b>	<b>(1,010)</b>	<b>(1,694)</b>
<b>Net change in cash</b>	<b>570</b>	<b>3,164</b>	<b>3,611</b>	<b>5,313</b>	<b>6,865</b>
Beginning cash balance	2,222	2,683	5,767	8,011	14,483
Exchange difference	(109)	(80)	-	-	-
<b>Cash at the end of the year</b>	<b>2,683</b>	<b>5,767</b>	<b>9,378</b>	<b>13,323</b>	<b>21,348</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>20,934</b>	<b>16,616</b>	<b>13,886</b>	<b>11,166</b>	<b>8,389</b>
Fixed asset	12,064	9,315	6,613	3,914	1,145
Intangible assets & goodwill	92	132	96	65	47
Prepaid lease payments	357	372	372	372	372
Interest in joint ventures	301	351	359	369	380
Other non-current assets	8,120	6,446	6,446	6,446	6,446
<b>Current assets</b>	<b>6,593</b>	<b>11,406</b>	<b>14,821</b>	<b>21,293</b>	<b>28,786</b>
Cash and cash equivalents	2,683	5,767	9,378	14,835	21,893
Inventories	1,154	1,456	1,290	1,588	1,713
Trade receivables	275	368	323	398	430
Prepayments	1,930	2,768	2,783	3,425	3,703
Other current assets	551	1,047	1,047	1,047	1,047
<b>Current liabilities</b>	<b>9,868</b>	<b>9,886</b>	<b>9,694</b>	<b>10,503</b>	<b>10,848</b>
Bank loans	3,721	3,560	3,560	3,560	3,560
Trade payables	1,583	1,944	1,743	2,145	2,314
Accruals & other payables	2,249	1,753	1,762	2,169	2,345
Tax payables	201	103	103	103	103
Others	2,114	2,525	2,525	2,525	2,525
<b>Non-current liabilities</b>	<b>7,422</b>	<b>10,207</b>	<b>10,207</b>	<b>10,207</b>	<b>10,207</b>
Bank loans	268	221	221	221	221
Deferred income	-	3,796	3,796	3,796	3,796
Deferred tax	21	31	31	31	31
Others	7,132	6,158	6,158	6,158	6,158
<b>Minority Interest</b>	<b>3</b>	<b>14</b>	<b>46</b>	<b>92</b>	<b>146</b>
<b>Total net assets</b>	<b>10,234</b>	<b>7,915</b>	<b>8,760</b>	<b>11,656</b>	<b>15,975</b>
<b>Shareholders' equity</b>	<b>10,234</b>	<b>7,915</b>	<b>8,760</b>	<b>11,505</b>	<b>15,928</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
China & loyalty program	88.2	89.9	88.0	86.1	83.9
Overseas	7.8	6.6	8.0	10.0	12.2
Delivery business	2.5	1.7	2.2	2.2	2.3
Condiment & food	1.5	1.8	1.8	1.7	1.7
<b>Total</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	57.1	56.3	57.0	57.0	57.1
Operating margin	4.6	0.6	4.3	8.4	10.0
Pre-tax margin	2.6	(9.7)	2.5	7.0	8.9
Net margin	1.1	(10.1)	3.6	5.9	7.2
Effective tax rate	64.5	(4.6)	26.5	26.0	25.5
<b>Balance sheet ratios</b>					
Current ratio (x)	0.7	1.2	1.5	2.0	2.7
Quick ratio (x)	0.6	1.0	1.4	1.9	2.5
Cash ratio (x)	0.3	0.6	1.0	1.4	2.0
Inventory turnover days	35	27	27	27	27
Trade receivables days	3	3	3	3	3
Trade payables days	44	36	36	36	36
Total debt / equity ratio (%)	43	101	42	31	23
Net debt / equity ratio (%)	16	19	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	3.0	(52.6)	8.6	22.9	22.8
ROA	1.1	(14.9)	2.6	8.1	9.8
<b>Per share</b>					
EPS (RMB)	0.06	-0.75	0.31	0.59	0.77
DPS (RMB)	0.13	0.02	0.02	0.14	0.20
BVPS (RMB)	1.93	1.42	1.57	2.06	2.86

Source: Company data, CMBIGM estimates

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.