

Nayuki Holdings Limited (2150 HK)

Breakeven achieved with more flexible costing

Upgrade to BUY and raised TP to HK\$ 7.38, based on our DCF model which implies a ~43x FY23E P/E and ~1.5x FY23E P/S. The listed co level net profit achieved in Jun 2022, in our view, is a positive surprise. With better SSSG and more automation kicking-in in 2H22E, we do think the turnaround is here. Current valuation of 35x FY23E P/E is fair but the ~1.2x FY23E P/S is not so demanding (industry median at 1.5x), in our view.

- **1H22 result inline.** In 1H22, sales fell by 4% YoY to RMB 2.0bn (including a 40% drop in sales per Nayuki store and 56% increases in store number) and recorded net losses of RMB 255mn (vs RMB 8mn in 1H21), both were inline with profit warning. This result was a mixture of: 1) higher than expected other income, but 2) jump in staff costs, depreciation and utilities expenses (mainly due to operating deleverage) and 3) rocketed delivery and A&P expenses.
- **The strategy of offering more lower-priced products is paying off.** Under the current economic conditions and industry landscape, the launch of "light series" in 1H22 was highly effective on drawing customer traffic. In fact, Nayuki was fairly competitive (vs brands also selling products priced at RMB 9-19), thanks to: 1) high quality products (e.g. drinks made of fresh fruits and dairy) and 2) decent store environment, hence we are confident on further market shares gain in the near future. More importantly, the fear of margin dilution has been exaggerated as the GP margin can still be high at ~68% in 1H22.
- **Listed co level profit was achieved since Jun 2022 and 2H22E outlook is positive.** Gradual recovery of sales per store since Apr 2022 was expected, but breakeven achieved in Jun 2022 was certainly a positive surprise, because the SSS was still falling by 25% in that period. We believe this excellent result was due to: 1) the use of automatic shift scheduling system (launched since Mar 2022), 2) the rollout of automatic tea-making equipment (installed in ~50% of stores in Jun 2022 and aim to be ~100% by Sep 2022), 3) ramp up of new stores (opened after 1H20) and more conversion to PRO stores (from regular) which are enjoying a much lower breakeven point, as their rental terms are way more favorable. Going forward, with a much better SSS onwards (dropped YoY by only 25%/ 30%/ 5% in Jun/ Jul/ Aug 2022), we tend to think 2H22E can be profit-making.
- **Upgrade to BUY and raised TP to HK\$ 7.38.** We revised up FY22E/ 23E/ 24E net profit by 70%/ 7%/ 15%, to factor in: 1) better GP margin and 2) much lower staff costs. Our TP is based on DCF method (unchanged 15.1% WACC and 2.0% terminal growth), which implies a 1.5x FY23E P/S vs peer average of 1.5x.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	3,057	4,297	5,158	7,052	9,125
YoY growth (%)	22.2	40.5	20.1	36.7	29.4
EBITDA (RMB mn)	227	118	208	753	1,191
NP att. (RMB mn)	(202)	(4,525)	(141)	235	529
Adj. NP (RMB mn)	26	(144)	(120)	249	547
Adj. EPS (RMB)	0.015	(0.084)	(0.070)	0.145	0.319
YoY growth (%)	n/a	n/a	n/a	(307.4)	119.4
Consensus EPS (RMB)	n/a	n/a	0.006	0.178	0.327
Adjusted P/E (x)	330.4	(58.7)	(72.1)	34.8	15.8
P/S (x)	2.8	2.0	1.7	1.2	1.0
ROE (%)	n/a	(91.5)	(2.9)	4.6	9.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIGM estimates

BUY (Up)

Target Price	HK\$7.38
(Previous TP	HK\$7.00)
Up/Downside	24.0%
Current Price	HK\$5.95

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Stock Data

Mkt Cap (HK\$ mn)	10,205
Avg 3 mths t/o (HK\$ mn)	16.49
52w High/Low (HK\$)	14.30/3.65
Total Issued Shares (mn)	1,715.1
Source: Bloomberg	

Shareholding Structure

Mr. Zhao Lin & Ms. Peng Xin	56.98%
Tiantu Capital	11.09%
Employee incentive platform	5.35%
PAGAC Nebula	5.28%
Shenzhen Capital Group	2.82%
Free Float	18.47%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	3.3%	4.3%
3-mth	-7.6%	-0.8%
6-mth	-7.6%	5.2%
12-mth	-50.3%	-35.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Nayuki Holdings (2150 HK, HOLD) – Factor in drags and looking for turnaround – 10 Jun 2022
2. Nayuki Holdings (2150 HK, HOLD) – FY22E is the year of digitalization – 31 Mar 2022

- **Target of 350 new store openings in FY22E was maintained.** Nayuki has net opened 87 stores in 1H22, slightly behind schedule due to pandemic. However, management is still highly confident on achieving their target in FY22E, as the available choices are rather abundant (vacancy at malls are high in 1H22) and the financial burden are low (both cash flow and OP breakeven are effortless under the refined PRO store format).
- **More initiatives are on its way.** Nayuki also launched their RTD business, mainly selling bottled pure tea, fruit tea and sparkling water products in the offline channels like chain shopping malls and Nayuki teahouses. Initial performance was quite encouraging, evidenced by other sales of RMB 123mn in 1H22, jumped by 194% YoY. Management genuinely regards this area as great potential, when considering the top-notch branding and product quality of Nayuki. Moreover, Nayuki will open a new species of store called "Nayuki lifestyle" in Shenzhen, which is a mega-sized store with 300 seats and open space for 15 different brands (open for 3rd party brands as well).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,158	7,052	9,125	5,162	7,106	8,955	-0.1%	-0.8%	1.9%
Gross profit	3,469	4,745	6,144	3,413	4,722	5,969	1.7%	0.5%	2.9%
EBIT	(35)	423	793	(6)	392	712	543.0%	8.0%	11.3%
Adjusted NP att.	(120)	249	547	(71)	233	493	70.4%	6.9%	11.0%
Adjusted EPS (RMB)	(0.070)	0.145	0.319	(0.041)	0.136	0.287	70.4%	6.9%	11.0%
Gross margin	67.3%	67.3%	67.3%	66.1%	66.4%	66.7%	1.1ppt	0.8ppt	0.7ppt
EBIT margin	-0.7%	6.0%	8.7%	-0.1%	5.5%	8.0%	-0.6ppt	0.5ppt	0.7ppt
Net profit att. margin	-2.3%	3.5%	6.0%	-1.4%	3.3%	5.5%	-1ppt	0.3ppt	0.5ppt

Source: Company data, CMBIGM estimates

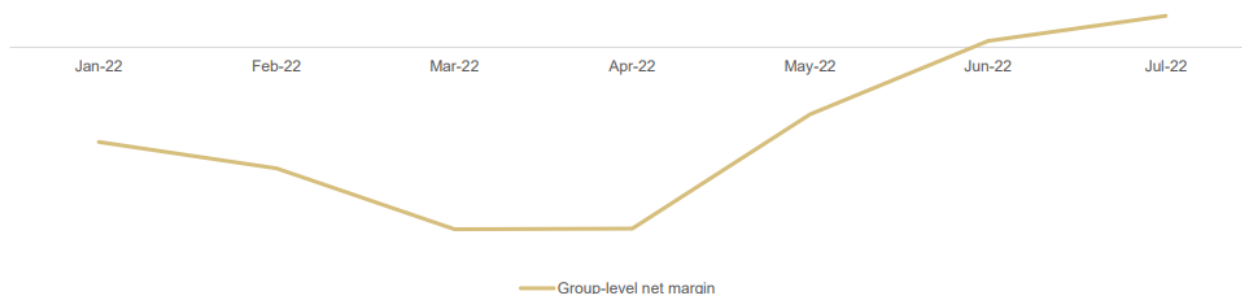
Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,158	7,052	9,125	5,681	8,022	9,883	-9.2%	-12.1%	-7.7%
Gross profit	3,469	4,745	6,144	3,769	5,341	6,610	-8.0%	-11.2%	-7.0%
EBIT	(35)	423	793	48	441	719	-173.7%	-4.1%	10.4%
Adjusted NP att.	(120)	249	547	(67)	295	565	79.9%	-15.3%	-3.2%
Adjusted EPS (RMB)	(0.070)	0.145	0.319	0.006	0.178	0.327	-1352.2%	-18.2%	-2.3%
Gross margin	67.3%	67.3%	67.3%	66.4%	66.6%	66.9%	0.9ppt	0.7ppt	0.5ppt
EBIT margin	-0.7%	6.0%	8.7%	0.8%	5.5%	7.3%	-1.5ppt	0.5ppt	1.4ppt
Net profit att. margin	-2.3%	3.5%	6.0%	-1.2%	3.7%	5.7%	-1.2ppt	-0.1ppt	0.3ppt

Source: Company data, CMBIGM estimates

Figure 3: Net profit margin by month, YTD 2022

With cost control measures including digitalization, the Group recorded profit on management accounts of June



(1) Only stores that have been open for no less than 60 days have not closed on 30 June, 2022 are included.
 (2) The operating profit margin of the stores shown in this table excludes the impact of one-time opening expenses.

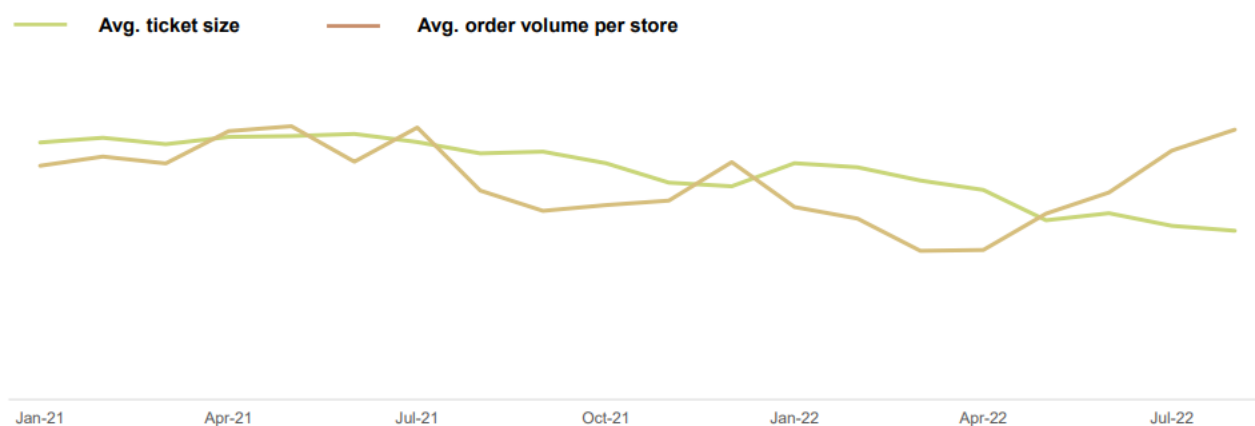
奈雪 NAYUKI

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Source: Company data, CMBIGM estimates

Figure 4: ASP and volume trend, YTD 2022

Volume improves significantly despite lower ticket size; expects better profitability from recovery consumers' confidence



Facing COVID-19 pressure, in 1H2022, the Company rolled out products of a lower price range at RMB9-19 to cover wider customer base



Average order volume per store improves month by month and achieving slight increase yoy since mid-May with COVID-19 cases stabilizing, showing gradual recovery of consumer traffic as well as confidence



Hopeful for future consumption recovery, digitalized management, strong supply chain management and product innovation will drive revenue and profit growth

Source: Company data, CMBIGM estimates

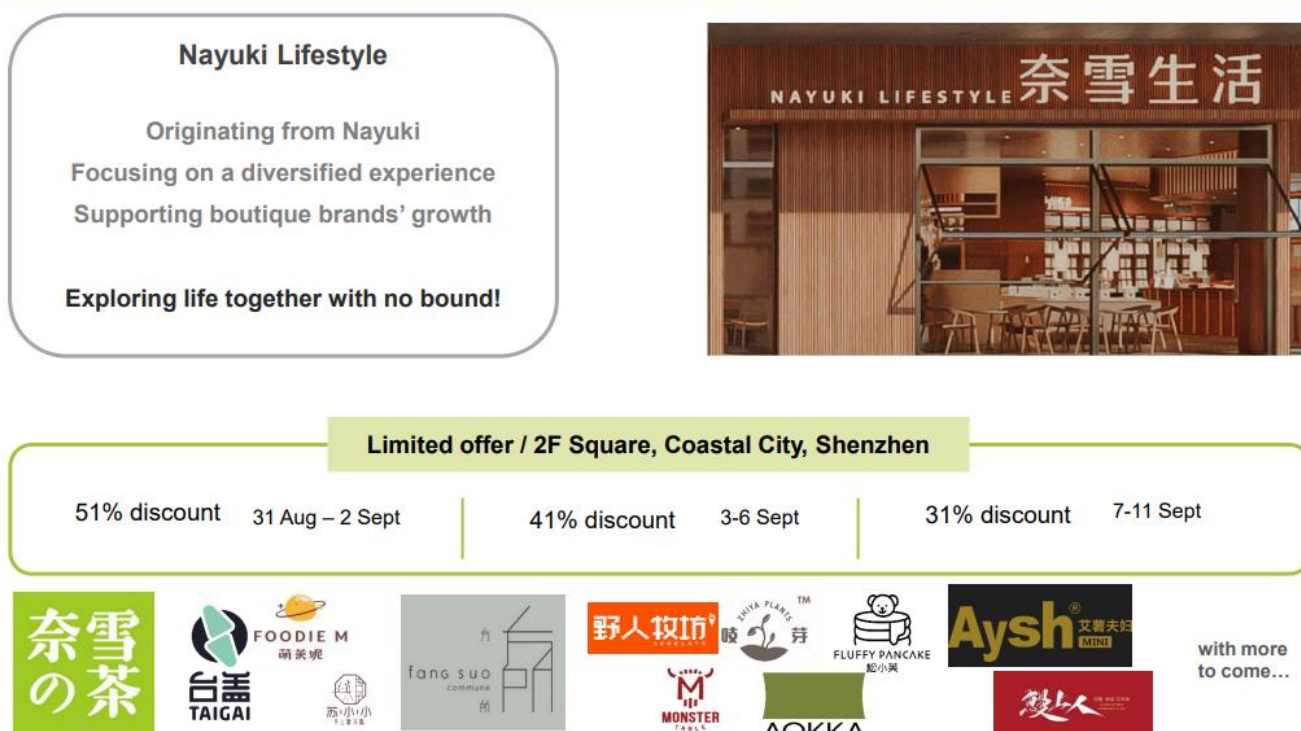
Figure 5: Nayuki's Ready to drink products: bottled pure tea, fruit tea and sparkling water



Source: Taobao, CMBIGM estimates

Figure 6: Nayuki "lifestyle", a multi-brand one stop experience store.

One-stop experience of Nayuki Lifestyle, starting 31 August in Coastal City, Shenzhen



Source: Company data, CMBIGM estimates

Results summary

Figure 7: Results review – half year

(RMB mn)	1H21	2H21	1H22E	2H22E	1H22E YoY	2H22E YoY
Revenue	2,126	2,171	2,045	3,113	-4%	43%
COGS	(669)	(732)	(648)	(1,041)		
Gross profit	1,457	1,439	1,397	2,073	-4%	44%
GP margins	68.5%	66.3%	68.3%	66.6%		
Other income & gains	9	19	64	42		
Staff costs	(670)	(755)	(712)	(814)	6%	8%
Staff costs / sales	-31.5%	-34.8%	-34.8%	-26.1%		
Dep. of ROU assets expenses	(202)	(218)	(221)	(324)	10%	48%
Dep. of ROU assets exp / sales	-9.5%	-10.1%	-10.8%	-10.4%		
Other rentals expenses	(94)	(119)	(102)	(172)	9%	45%
Other rentals exp / sales	-4.4%	-5.5%	-5.0%	-5.5%		
D & A of other assets	(95)	(109)	(126)	(165)	33%	52%
D & A of other assets exp / sales	-4.5%	-5.0%	-6.2%	-5.3%		
A & P expenses	(37)	(74)	(75)	(80)	101%	7%
A & P exp / sales	-1.8%	-3.4%	-3.7%	-2.6%		
Delivery service fees	(112)	(147)	(163)	(201)	46%	37%
Delivery service fees / sales	-5.3%	-6.8%	-8.0%	-6.5%		
Utilities expenses	(39)	(51)	(53)	(65)	35%	27%
Utilities exp / sales	-1.8%	-2.4%	-2.6%	-2.1%		
Logistic & storage fees	(42)	(49)	(59)	(60)	41%	23%
Logistic & storage fees / sales	-2.0%	-2.3%	-2.9%	-1.9%		
Other opex	(84)	(93)	(104)	(113)		
Operating profit (EBIT)	91	-158	-155	120	-270%	-176%
OP margins	4.3%	-7.3%	-7.6%	3.8%		
Other items	(12)	(4,360)	(54)	24		
Net finance income	(46)	(45)	(44)	(57)		
Net finance income / sales	-2.2%	-2.1%	-2.2%	-1.8%		
Profit after financing costs	34	(4,563)	(254)	86		
Associated coms	0	0	0	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	34	-4,563	-254	86	-858%	-102%
Tax	(26)	30	(3)	28		
Tax / sales	-1.2%	1.4%	-0.1%	0.9%		
Effective tax rate	-76.7%	-0.7%	1.1%	32.5%		
Minority interests	0	(1)	(3)	1		
Net profit att.	8	(4,532)	(254)	113	-3351%	-103%
NP margins	0.4%	n/a	-12.4%	3.6%		
Adjusted Net profit att.	48	(192)	(247)	127	-613%	-166%
Adjusted NP att. margin	2.3%	-8.9%	-12.1%	4.1%		

Source: Company data, CMBIGM estimates

Figure 8: Results review - Full Year

Full yearly (RMB mn)	FY21	FY22E	FY2EE	FY22E YoY	FY23E YoY
Revenue	4,297	5,158	7,052	20%	37%
COGS	(1,401)	(1,689)	(2,307)		
Gross profit	2,896	3,469	4,745	20%	37%
GP margins	67.4%	67.3%	67.3%		
Other income & gains	27	106	81		
Staff costs	(1,424)	(1,526)	(1,822)	7%	19%
Staff costs / sales	-33.2%	-29.6%	-25.8%		
Dep. of ROU assets expenses	(420)	(545)	(712)	30%	31%
Dep. of ROU assets exp / sales	-9.8%	-10.6%	-10.1%		
Other rentals expenses	(213)	(274)	(335)	29%	22%
Other rentals exp / sales	-5.0%	-5.3%	-4.7%		
D & A of other assets	(204)	(292)	(375)	43%	29%
D & A of other assets exp / sales	-4.7%	-5.7%	-5.3%		
A & P expenses	(112)	(155)	(197)	39%	28%
A & P exp / sales	-2.6%	-3.0%	-2.8%		
Delivery service fees	(259)	(364)	(447)	41%	23%
Delivery service fees / sales	-6.0%	-7.1%	-6.3%		
Utilities expenses	(91)	(119)	(134)	31%	13%
Utilities exp / sales	-2.1%	-2.3%	-1.9%		
Logistic & storage fees	(91)	(119)	(113)	31%	-5%
Logistic & storage fees / sales	-2.1%	-2.3%	-1.6%		
Other opex	(176)	(217)	(268)	23%	24%
Operating profit (EBIT)	-67	-35	423	-47%	-1294%
OP margins	-1.5%	-0.7%	6.0%		
Other items	(4,372)	(31)	(7)		
Net finance income	(92)	(101)	(136)		
Net finance income / sales	-2.1%	-2.0%	-1.9%		
Profit after financing costs	(4,530)	(168)	280		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	-4,530	-168	280	-96%	-267%
Tax	4	25	(42)		
Tax / sales	0.1%	0.5%	-0.6%		
Effective tax rate	-0.1%	-15.0%	-15.0%		
Minority interests	(1)	(2)	3		
Net profit att.	(4,525)	(141)	235	-97%	-267%
NP margins	-105.3%	-3%	3.3%		
Adjusted Net profit att.	(144)	(120)	249	-17%	-307%
Adjusted NP att. margin	-3.4%	-2.3%	3.5%		

Source: Company data, CMBIGM estimates

Assumptions

Figure 9: Major assumptions 1

Major assumptions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by brand (RMB mn)						
Nayuki	2,291	2,871	4,067	4,806	6,604	8,599
Tai Gai	185	153	141	116	139	156
Others	25	33	88	237	308	370
Total	2,502	3,057	4,297	5,158	7,052	9,125
Sales growth by brand segment						
Nayuki	151.9%	25.3%	41.7%	18.2%	37.4%	30.2%
Tai Gai	18.9%	-17.4%	-7.5%	-18.2%	20.2%	12.4%
Others	15.3%	34.1%	163.7%	170.0%	30.0%	20.0%
Total	130.2%	22.2%	40.5%	20.1%	36.7%	29.4%
Sales by channel growth						
In-store cashier & others	74.3%	-45.0%	31.1%	-17.6%	24.8%	8.6%
WeChat/ Alipay & Nayuki app		285.3%	20.2%	47.5%	57.8%	44.0%
3rd party online ordering platforms	412.6%	99.2%	79.3%	24.6%	19.6%	19.5%
Total	130.2%	22.2%	40.5%	20.1%	36.7%	29.4%
Nayuki brand's store network						
Tier 1 cities	138	170	280	393	521	649
New Tier 1 cities	119	170	282	382	502	634
Tier 2 cities	62	122	187	277	377	477
Other cities	8	29	68	111	159	214
Total	327	491	817	1,163	1,559	1,974
GP margins	63.4%	62.1%	67.4%	67.3%	67.3%	67.3%
Opex breakdown						
Staff costs	-30.0%	-30.1%	-33.2%	-29.6%	-25.8%	-25.2%
Depreciation of right-of-use assets	-10.5%	-11.5%	-9.8%	-10.6%	-10.1%	-9.4%
Other rentals & related expenses	-5.1%	-3.3%	-5.0%	-5.3%	-4.7%	-4.3%
D & A of other assets	-3.7%	-5.0%	-4.7%	-5.7%	-5.3%	-4.9%
Advertising & promotion expenses	-2.7%	-2.7%	-2.6%	-3.0%	-2.8%	-2.6%
Delivery service fees	-2.6%	-5.5%	-6.0%	-7.1%	-6.3%	-6.0%
Utilities expenses	-2.1%	-2.2%	-2.1%	-2.3%	-1.9%	-1.9%
Logistic and storage fees	-1.6%	-1.9%	-2.1%	-2.3%	-1.6%	-1.6%
EBIT margins	2.2%	2.6%	-1.5%	-0.7%	6.0%	8.7%
Effective tax rate	7.1%	-6.9%	0.1%	15.0%	15.0%	15.0%
NP att. margins	-1.5%	-6.6%	-105.3%	-2.7%	3.3%	5.8%
NP att. growth (%)	-41.6%	423.7%	2141.3%	-96.9%	-267.0%	124.8%
Adj. NP margins	-0.5%	0.8%	-3.4%	-2.4%	3.6%	6.1%
Adj. NP growth (%)	-79.3%	-309.4%	-691.2%	-16.1%	-306.8%	119.5%

Source: Company data, CMBIGM estimates

Our DCF method assumes

- 29% sales CAGR in FY20-25E
- 45% EBITDA CAGR in FY20-25E
- 13.2% EBITDA margin in FY25 (from 7.4% in FY20)
- 15.1% WACC (higher than international peers avg. of 7.7% and lower than Greater China leading peers avg. of 16.1%), based on 4.0% costs of debt, 20.0% risk premium, beta of 0.8x, 19.0% cost of equity, optimal debt/ equity ratio of 25%/ 75%.
- 2.0% terminal growth.

Figure 10: DCF-based valuation

DCF	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EBITDA	143	227	118	208	753	1,191	1,446
Chg in working cap	29	(9)	(59)	100	68	74	66
Adjusted tax	(4)	(4)	4	10	(62)	(118)	(151)
Capex & product dev	(290)	(243)	(749)	(387)	(437)	(456)	(439)
Unleveraged FCF	(121)	(30)	(686)	(69)	322	692	922
YoY%							
DCF (21E-25E)				1,787			
PV (Terminal value)				4,865			
EV (End-21E)				6,652			
Cash from options/warrants conv				0			
Yer-end net cash/(debts)				4,104			
Fully diluted equity value (End-22E)				10,756			
Fully diluted no. of shares (m)				1,715			
Minority interests (End-22E)				30			
Market cap (End-22E)				10,726			
Exchange rate				1.18			
Fully diluted equity value/share (HK\$)				7.38			
Risk-free rate				3.0%			
Risk premium				20.0%			
Beta				0.80			
Cost of equity				19.0%			
Cost of debt				4.0%			
Tax rate				15.0%			
After-tax cost of debt				3.4%			
Debt to total capital				25.0%			
WACC				15.1%			
Terminal growth				2.0%			
FY23E EV/EBITDA				14.3			
FY23E adj. P/E				43.0			
FY23E P/S				1.5			

Source: Bloomberg, Company data, CMBIGM estimates

Figure 11: DCF-based valuation - sensitivity test

		WACC (%)						
		13.6%	14.1%	14.6%	15.1%	15.6%	16.1%	16.6%
Terminal growth (%)	0.5%	7.62	7.40	7.19	6.99	6.82	6.65	6.49
	1.0%	7.78	7.54	7.32	7.11	6.93	6.75	6.58
	1.5%	7.95	7.69	7.46	7.24	7.04	6.86	6.68
	2.0%	8.13	7.86	7.61	7.38	7.17	6.97	6.79
	2.5%	8.34	8.04	7.78	7.53	7.31	7.10	6.90
	3.0%	8.56	8.24	7.96	7.69	7.45	7.23	7.03
	3.5%	8.80	8.46	8.15	7.87	7.61	7.38	7.16

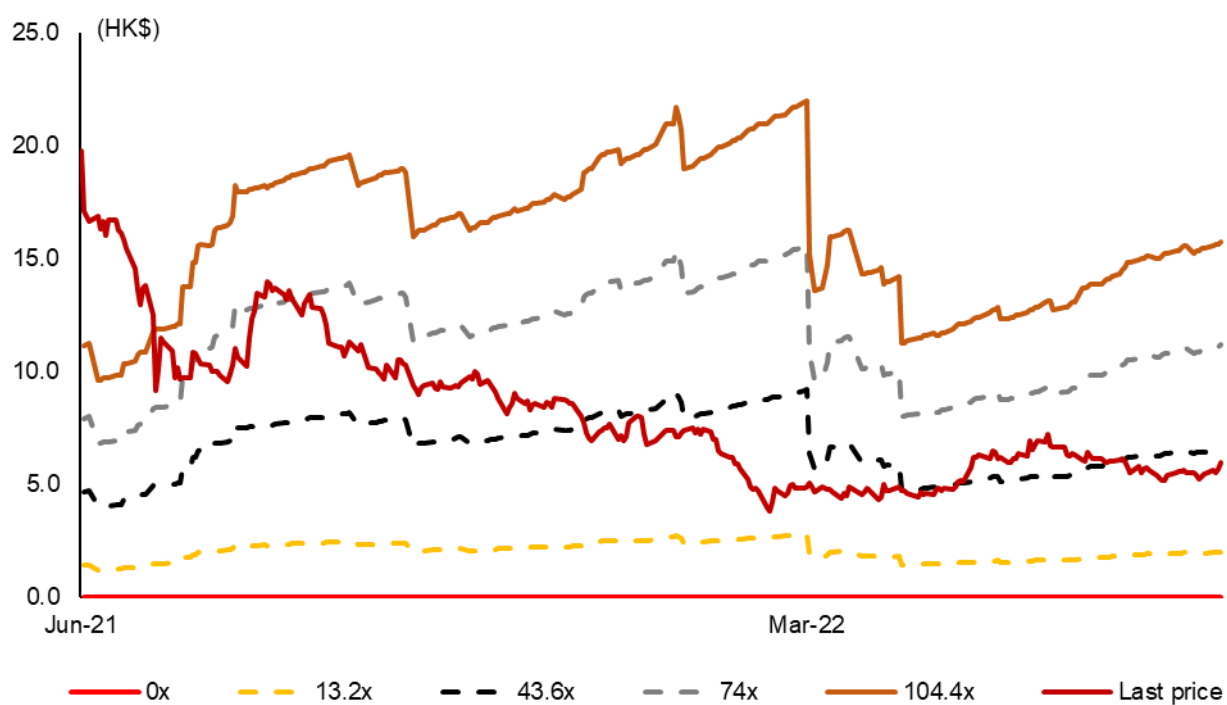
Source: Bloomberg, Company data, CMBIGM estimates

Valuation

Figure 12: Peers valuation

			12M TP	Price	Up/do	Mkt cap	Year	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD
			HK\$/	HK\$/ LC	wn-	HK\$ mn	End	FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)	perform
Company	Ticker	Rating	LC	LC	side										ance
Leading Greater China Catering and Food Ingredients															
Nayuki Holdings	2150 HK	BUY	7.38	5.95	24%	10,205	Dec-21	(72.1)	34.8	1.8	1.7	(91.5)	0.5	0.0	(30.5)
Jiumaojiu Int'l	9922 HK	BUY	19.70	15.22	29%	22,128	Dec-21	61.4	27.1	5.7	4.7	6.7	1.4	0.4	11.1
Haidilao Int'l	6862 HK	BUY	21.62	17.70	22%	98,660	Dec-21	118.9	32.8	10.0	7.9	(50.6)	(0.6)	0.2	0.6
Cafe De Coral	341 HK	BUY	15.69	11.28	39%	6,607	Mar-22	23.3	15.9	2.2	2.0	0.7	0.1	2.9	(18.8)
Xiabuxiabu	520 HK	NR	n/a	3.75	n/a	4,073	Dec-21	94.3	15.0	1.9	1.7	(27.1)	(0.5)	1.6	(37.8)
Helens	9869 HK	NR	n/a	11.70	n/a	14,823	Dec-21	71.0	19.6	4.4	3.7	(15.1)	(0.3)	0.6	(38.0)
Tam Jai	2217 HK	NR	n/a	2.51	n/a	3,365	Mar-22	11.4	7.7	1.9	1.6	19.3	0.3	3.0	(24.9)
Yihai Int'l	1579 HK	UR	n/a	18.64	n/a	19,514	Dec-21	21.4	18.0	3.6	3.1	18.8	2.3	1.3	(47.7)
Yum China	9987 HK	BUY	450.06	387.80	16%	162,729	Dec-21	45.6	26.2	2.9	2.6	11.6	(42.1)	0.9	1.4
Gourmet Master	2723 TT	NR	n/a	100.50	n/a	4,651	Dec-21	25.1	16.9	1.5	1.5	5.8	6.0	2.9	(10.7)
Avg.							Avg.	40.0	21.4	3.6	3.1	(12.1)	(3.3)	1.4	(19.5)
Med.							Med.	35.3	18.8	2.5	2.3	3.3	0.2	1.1	(21.8)
Other Greater China Catering and Food Ingredients															
Tenfu	6868 HK	NR	n/a	5.00	n/a	5,468	Dec-21	n/a	n/a	n/a	n/a	16.2	n/a	n/a	(10.7)
Sunjuice	1256 TT	NR	n/a	220.00	n/a	1,914	Dec-21	n/a	n/a	n/a	n/a	12.9	n/a	n/a	(30.9)
Fairwood	52 HK	NR	n/a	12.90	n/a	1,671	Mar-22	n/a	n/a	n/a	n/a	5.7	n/a	n/a	(16.8)
Tai Hing Group	6811 HK	NR	n/a	1.00	n/a	1,005	Dec-21	6.3	5.3	0.9	0.8	1.4	0.2	12.0	(26.5)
Ajisen China	538 HK	NR	n/a	0.74	n/a	808	Dec-21	6.6	n/a	n/a	n/a	(4.5)	n/a	7.7	(41.3)
Tao Heung	573 HK	NR	n/a	0.80	n/a	811	Dec-21	n/a	n/a	n/a	n/a	(7.0)	n/a	n/a	(12.1)
Avg.							Avg.	n/a	n/a	n/a	n/a	4.1	n/a	n/a	(23.0)
Med.							Med.	n/a	n/a	n/a	n/a	3.5	n/a	n/a	(21.6)
Greater China Catering and Food Ingredients															
							Avg.	44.1	18.4	3.5	3.0	(0.3)	(3.3)	3.0	(20.2)
							Med.	25.1	17.5	2.5	2.3	5.7	0.2	1.6	(18.8)
International Catering and Food Ingredients															
Yum! Brands	YUM US	NR	n/a	113	n/a	252,553	Dec-21	24.8	21.4	n/a	n/a	n/a	5.6	2.0	(18.6)
Mcdonald'S Corp	MCD US	NR	n/a	255	n/a	1,475,194	Dec-21	26.0	24.2	n/a	n/a	n/a	5.7	2.2	(4.7)
Starbucks Corp	SBUX US	NR	n/a	84	n/a	753,830	Oct-21	29.1	25.1	n/a	n/a	n/a	8.0	2.4	(28.4)
Restaurant Brands	QSR US	NR	n/a	59	n/a	207,887	Dec-21	19.4	18.0	10.7	10.9	34.3	1.9	3.7	(2.8)
Chipotle Mexican Grill	CMG US	NR	n/a	1581	n/a	344,476	Dec-21	48.0	37.0	18.4	15.2	34.9	1.5	0.0	(9.6)
Darden Restaurants	DRI US	NR	n/a	124	n/a	119,170	May-22	16.1	14.5	6.9	6.6	38.0	2.1	3.8	(17.8)
Domino'S Pizza	DPZ US	NR	n/a	368	n/a	103,740	Jan-22	29.1	24.5	n/a	n/a	n/a	3.8	1.2	(34.7)
Wendy'S Co	WEN US	NR	n/a	19	n/a	31,942	Jan-22	22.6	19.3	11.2	11.8	36.0	2.5	2.6	(19.8)
Shake Shack	SHAK US	NR	n/a	46	n/a	15,051	Dec-21	n/a	n/a	4.7	4.7	(5.7)	n/a	n/a	(36.9)
Wingstop	WING US	NR	n/a	112	n/a	26,307	Dec-21	71.5	60.1	n/a	n/a	n/a	4.2	4.2	(32.9)
Avg.							Avg.	31.8	27.1	10.4	9.8	27.5	3.9	2.4	(20.6)
Med.							Med.	26.0	24.2	10.7	10.9	34.9	3.8	2.4	(19.2)
A-shares Greater China Catering and Food Ingredients															
Foshan Haitian Flavouring	603288 CH	NR	n/a	78.61	n/a	413,914	Dec-21	48.6	41.1	12.5	10.3	30.7	3.4	0.9	(17.7)
Fujian Sunner	002299 CH	NR	n/a	22.11	n/a	31,247	Dec-21	52.9	17.5	2.7	2.4	0.8	0.9	1.0	(8.5)
Angel Yeast	600298 CH	NR	n/a	47	n/a	46,428	Dec-21	29.0	23.0	4.7	4.1	15.2	2.2	1.0	(22.1)
Meihua Holdings Group	600873 CH	NR	n/a	10.45	n/a	36,127	Dec-21	7.4	6.5	2.4	1.9	37.0	0.2	8.7	36.2
Guangzhou Restaurant	603043 CH	NR	n/a	23.73	n/a	15,295	Dec-21	21.0	17.7	3.8	3.2	19.9	1.4	1.6	(1.4)
Xiangpiaopiao Food	603711 CH	NR	n/a	12.65	n/a	5,904	Dec-21	28.1	20.1	1.7	1.6	5.7	2.5	n/a	(22.9)
China Quanjude	002186 CH	NR	n/a	8.49	n/a	2,976	Dec-21	n/a	n/a	n/a	n/a	(14.9)	n/a	n/a	(12.4)
Avg.							Avg.	31.2	21.0	4.6	3.9	13.5	1.8	2.6	(7.0)
Med.							Med.	28.6	18.9	3.2	2.8	15.2	1.8	1.0	(12.4)
H-shares Consumer Staples															
Uni-President China	220 HK	NR	n/a	6.56	n/a	28,335	Dec-21	19.2	15.4	1.9	1.9	9.9	3.6	5.9	(13.2)
Tingyi (Cayman Isln)	322 HK	NR	n/a	13.62	n/a	76,718	Dec-21	23.4	17.3	4.2	4.2	17.4	5.0	7.0	(14.6)
Want Want China	151 HK	NR	n/a	5.50	n/a	65,447	Mar-22	13.3	12.3	3.5	3.3	26.7	3.0	6.7	(20.0)
China Mengniu Dairy	2319 HK	BUY	50.50	34.60	46%	136,847	Dec-21	20.8	17.8	2.9	2.6	15.8	1.5	1.5	(20.8)
Vitasoy Intl Holdings	345 HK	NR	n/a	12.00	n/a	12,850	Mar-22	75.5	32.0	3.7	3.4	(4.6)	(0.3)	1.0	(23.8)
Nongfu Spring	9633 HK	BUY	57.60	45.80	26%	515,088	Dec-21	58.1	48.4	18.4	15.3	41.1	4.5	1.1	(11.0)
Budweiser Brewing	1876 HK	BUY	28.40	21.85	30%	289,368	Dec-21	34.4	29.6	3.2	2.9	10.1	2.3	1.0	6.8
Tsingtao Brewery	168 HK	BUY	86.00	73.65	17%	133,654	Dec-21	27.4	23.5	3.6	3.3	15.3	3.2	1.7	0.9
China Resources Beer	291 HK	NR	n/a	52.15	n/a	169,184	Dec-21	35.5	28.7	5.7	5.1	15.6	3.9	1.1	(18.3)
Dali Foods Group	3799 HK	NR	n/a	3.60	n/a	49,299	Dec-21	12.2	11.0	2.1	1.9	18.5	4.2	4.1	(11.8)
Avg.							Avg.	32.0	23.6	4.9	4.4	16.6	3.1	3.1	(12.6)
Med.							Med.	25.4	20.7	3.5	3.3	15.7	3.4	1.6	(13.9)

Source: Bloomberg, Company data, CMBIGM estimates

Figure 13: Forward P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,502	3,057	4,297	5,158	7,052	9,125
Nayuki	2,291	2,871	4,067	4,806	6,604	8,599
Tai Gai	185	153	141	116	139	156
Others	25	33	88	237	308	370
Cost of goods sold	(916)	(1,159)	(1,401)	(1,689)	(2,307)	(2,981)
Gross profit	1,586	1,898	2,896	3,469	4,745	6,144
Other income	6	206	27	106	81	83
Operating expenses	(1,536)	(2,024)	(2,990)	(3,610)	(4,403)	(5,434)
Staff costs	(751)	(919)	(1,424)	(1,526)	(1,822)	(2,299)
Rental & ROUA depre.	(389)	(453)	(633)	(820)	(1,047)	(1,249)
D & A expenses	(93)	(154)	(204)	(292)	(375)	(444)
Utilities expenses	(67)	(82)	(112)	(155)	(197)	(237)
Other opex	(236)	(415)	(617)	(818)	(962)	(1,205)
EBIT	56	80	(67)	(35)	423	793
Finance costs	(96)	(130)	(92)	(101)	(136)	(154)
JVs & associates	-	-	-	-	-	-
Exceptional	(2)	(140)	(4,372)	(31)	(7)	(9)
Pre-tax profit	(43)	(190)	(4,530)	(168)	280	630
Income tax	3	(13)	4	25	(42)	(94)
Less: Minority interests	(1)	(1)	(1)	(2)	3	6
Net profit att.	(39)	(202)	(4,525)	(141)	235	529
Adj. net profit	(12)	25	(145)	(122)	252	553
Adj. net profit att.	(11)	26	(144)	(120)	249	547

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,756	1,984	2,658	2,753	2,815	2,827
Fixed asset	451	587	801	897	959	971
Intangible assets & goodwill	1	1	0	0	0	0
Prepaid lease payments	4	2	338	338	338	338
Interest in joint ventures	0	0	0	0	0	0
Other non-current assets	1,300	1,394	1,517	1,517	1,517	1,517
Current assets	295	1,330	4,671	4,451	4,868	5,656
Cash and cash equivalents	81	502	4,053	3,946	4,198	4,804
Inventories	78	103	174	167	228	295
Trade and other receivables	1	1	3	2	3	4
Prepayments	1	0	0	0	0	0
Other current assets	135	724	441	335	440	554
Current liabilities	1,226	2,728	1,330	1,317	1,551	1,807
Bank loans	55	283	0	0	0	0
Trade payables	202	226	289	278	379	490
Accruals & other payables	167	258	363	361	494	639
Tax payables	7	21	28	28	28	28
others	796	1,940	650	650	650	650
Non-current liabilities	974	1,010	1,055	1,055	1,055	1,055
Bank loans	0	0	0	0	0	0
Deferred income	0	0	0	0	0	0
Deferred tax	1	4	5	5	5	5
Others	973	1,006	1,050	1,050	1,050	1,050
Minority Interest	0	0	0	(2)	1	7
Total net assets	(149)	(424)	4,943	4,833	5,076	5,614
Shareholders' equity	(149)	(424)	4,943	4,833	5,076	5,614

Source: Company data, CMBIGM estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	56	80	(67)	(35)	423	793
D & A	93	154	204	292	375	444
Change in working capital	29	(9)	(59)	100	68	74
Income tax paid	(30)	6	(5)	25	(42)	(94)
Others	269	343	433	0	-	-
Operating cash flow	416	574	506	382	825	1,217
Capex & investments	(291)	(243)	(749)	(387)	(437)	(456)
Associated companies	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Others	(0)	(0)	(46)	-	-	-
Investing cash flow	(291)	(244)	(795)	(387)	(437)	(456)
Equity raised	-	-	4,620	-	-	-
Net change in bank loans	53	222	(283)	-	-	-
Dividend paid	-	-	-	-	-	-
Others	(282)	(130)	(445)	(101)	(136)	(154)
Financing cash flow	(229)	92	3,892	(101)	(136)	(154)
Net change in cash	(104)	422	3,603	(106)	251	606
Beginning cash balance	186	81	502	4,053	3,946	4,198
Exchange difference	(0)	(2)	(52)	-	-	-
Cash at the end of the year	81	502	4,053	3,946	4,198	4,804

Key ratios

YE 31 Dec	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)						
Nayuki	91.6	93.9	94.7	93.2	93.7	94.2
Tai Gai	7.4	5.0	3.3	2.2	2.0	1.7
Others	1.0	1.1	2.0	4.6	4.4	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	63.4	62.1	67.4	67.3	67.3	67.3
EBIT margin	2.2	2.6	(1.5)	(0.7)	6.0	8.7
Pre-tax margin	(1.7)	(6.2)	(105)	(3.3)	4.0	6.9
Net margin	(1.5)	(6.6)	(105)	(2.7)	3.3	5.8
Effective tax rate	7.1	(6.9)	0.1	15.0	15.0	15.0
Adj. net margin	(0.5)	0.8	(3.4)	(2.4)	3.6	6.1
Balance sheet ratios						
Current ratio (x)	0.2	0.5	3.5	3.4	3.1	3.1
Quick ratio (x)	0.2	0.4	3.4	3.3	3.0	3.0
Cash ratio (x)	0.1	0.2	3.0	3.0	2.7	2.7
Inventory turnover days	23	28	36	36	36	36
Trade receivables days	0	0	0	0	0	0
Trade payables days	61	67	67	60	60	60
Total debt / total equity ratio (%)	(36)	(67)	0	0	0	0
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	n/a	n/a	(91.5)	(2.9)	4.6	9.4
ROA	(1.9)	(6.1)	(61.7)	(2.0)	3.1	6.2
Per share						
EPS (RMB)	(0.01)	0.02	(0.08)	(0.07)	0.15	0.3
DPS (RMB)	-	-	-	-	-	-
BVPS (RMB)	(0.09)	(0.25)	2.88	2.82	2.96	3.3

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