

Jiumaojiu (9922 HK)

We see risks in 2H24E after the miss in 2Q24

Jiumaojiu issued a profit warning for 1H24, which is still awful compared to our already negative outlook. With risks to linger in the near future (SSSG drop may sustain and store expansion may also slow down, etc.), plus the fairly high valuation (23x FY24E P/E), we now cut our FY24E-26E net profit forecasts by 69%-57% and downgrade the stock to HOLD. We also think the implications for the catering sector and most of the peers are rather gloomy.

■ What is new? Jiumaojiu (9922 HK) reported its 2Q24 operating numbers and issued a profit warning for 1H24.

Tai Er/ Song/ JMJ's table turnover was at 3.6x/ 2.8x/ 2.6x in 2Q24, trending down from 3.9x/ 3.0x/ 3.0x in 1Q24. Their respective same-store sales also went down by 18%/ 37%/ 13% YoY in 2Q24, worsening from the 14%/ 35%/ 4% drop in 1Q24. In terms of ASP, that was at RMB 69/ 104/ 55 respectively in 2Q24, comparing to RMB 75/ 121/ 59 in 1H23.

Moreover, Jiumaojiu has announced a profit warning. Its net profit in 1H24 is now expected to be at around RMB 67mn and representing a 70% YoY decline from RMB 222mn in 1H23. The Company explained such drop was due to: 1) declines in ASP and table turnover and corresponding operating leverage, 2) delay in cost measures, 3) absence of gov. grants, and 4) impairment losses of PPE and right-of-use assets of certain restaurants (around RMB 40mn).

Management will continue to work hard for a turnaround, by the following measures: 1) introduction of new models like franchising and satellite stores for delivery, 2) refining the menu as well as the selling prices, 3) refining the staff incentive schemes, and 4) further and better cost control policies.

■ Our view: 2Q24 numbers missed the already negative outlook, 2H24E could still be tough and store expansion may therefore slow down.

1) We are already fairly pessimistic about the catering sector as well as Jiumaojiu in FY24E, however the Tai Er/ Song's 18%/ 37% SSS drop in 2Q24 are even worse than our expectation of 8%/ 25%.

2) Tai Er recovery rate (vs 2019 level) in 2Q24 should be at around 71%, even worse than the around 76% in 1Q24; therefore even with an easier base last year, the growth was sluggish.

3) Although management is quite pro-active in turning around the business (e.g. tackling the lack of product innovation of its main dish and fall in young people's spending power), the reception of new product launches has not been great and ASP adjustments are not effective enough in terms of boosting customer traffic, moreover, the cost-cutting measures are kind of late and insufficient; therefore, the operating leverage is somewhat meaningful.

4) We are cautious about 3Q24E (also 2H24E), because of the weak macro and high base last year, hence we are factoring in lower table turnovers for all brands in 2H24E (3.6x/ 2.8x/ 2.8x for Tai Er/ Song/ JMJ) and we believe this could also make management slow down their store expansion plan, so we cut new store assumptions for FY24E (around 110/ 30 for Tai Er/ Song, from around 120/ 35).

■ Downgrade to HOLD and cut TP to HK\$ 3.59. We are downgrading the name to HOLD, because of: 1) the tough sector outlook in 2H24E, 2) a lack of sales growth drivers, and 3) fairly high valuation. Our new TP is based on 13x FY25E P/E (rolled over from 17x FY24E P/E). The stock is now trading at 23x FY24E P/E, which is quite demanding given 6% sales growth and a 70% net profit drop in 1H24 (or CMBI est. of 19% sales growth and 56% net profit drop in FY24E).

HOLD (Down)

Target Price **HK\$3.59**
 (Previous TP) HK\$8.39)
Up/Downside **5.3%**
Current Price **HK\$3.41**

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Stock Data

Mkt Cap (HK\$ mn)	4,958.9
Avg 3 mths t/o (HK\$ mn)	67.7
52w High/Low (HK\$)	15.52/3.41
Total Issued Shares (mn)	1454.2

Source: FactSet

Shareholding Structure

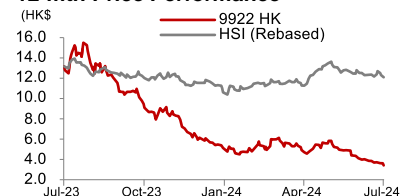
Mr. Guan Yi Hong	37.4%
JPMorgan Chase & Co	7.5%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-20.7%	-16.1%
3-mth	-27.6%	-32.6%
6-mth	-33.0%	-41.1%

Source: FactSet

12-mth Price Performance


Source: FactSet

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Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,006	5,986	7,128	8,924	10,607
YoY growth (%)	(4.2)	49.4	19.1	25.2	18.9
Operating profit (RMB mn)	240.9	701.8	363.0	610.3	778.1
Net profit (RMB mn)	55.6	480.0	209.9	381.9	502.5
EPS (Reported) (RMB)	0.03	0.31	0.13	0.24	0.32
YoY growth (%)	(85.5)	819.7	(56.9)	82.0	31.6
P/E (x)	93.6	10.2	23.6	13.0	9.9
P/B (x)	1.4	1.4	1.2	1.1	0.9
Yield (%)	0.3	4.2	1.8	3.3	4.4
ROE (%)	1.8	14.6	5.9	9.5	10.9
Net gearing (%)	34.7	41.8	39.8	41.3	46.1

Source: Company data, Bloomberg, CMBIGM estimates

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	7,128	8,924	10,607	8,245	10,305	12,254	-13.5%	-13.4%	-13.4%
Gross profit	4,511	5,642	6,703	5,292	6,611	7,860	-14.8%	-14.7%	-14.7%
EBIT	438	693	879	1,086	1,451	1,803	-59.7%	-52.2%	-51.2%
Net profit att.	195	356	468	636	868	1,091	-69.2%	-59.0%	-57.1%
Diluted EPS (RMB)	0.134	0.245	0.322	0.437	0.597	0.751	-69.3%	-59.0%	-57.1%
Gross margin	63.3%	63.2%	63.2%	64.2%	64.2%	64.1%	-0.9ppt	-0.9ppt	-0.9ppt
EBIT margin	6.1%	7.8%	8.3%	13.2%	14.1%	14.7%	-7ppt	-6.3ppt	-6.4ppt
Net profit att. margin	2.7%	4.0%	4.4%	7.7%	8.4%	8.9%	-5ppt	-4.4ppt	-4.5ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	7,128	8,924	10,607	7,416	8,943	10,380	-3.9%	-0.2%	2.2%
Gross profit	4,511	5,642	6,703	4,758	5,736	6,655	-5.2%	-1.6%	0.7%
EBIT	438	693	879	944	1,174	1,379	-53.7%	-40.9%	-36.3%
Net profit att.	195	356	468	551	700	889	-64.5%	-49.2%	-47.3%
Diluted EPS (RMB)	0.134	0.245	0.322	0.393	0.493	0.584	-65.8%	-50.4%	-44.9%
Gross margin	63.3%	63.2%	63.2%	64.2%	64.1%	64.1%	-0.9ppt	-0.9ppt	-0.9ppt
EBIT margin	6.1%	7.8%	8.3%	12.7%	13.1%	13.3%	-6.6ppt	-5.4ppt	-5ppt
Net profit att. margin	2.7%	4.0%	4.4%	7.4%	7.8%	8.6%	-4.7ppt	-3.8ppt	-4.1ppt

Source: Bloomberg, CMBIGM estimates

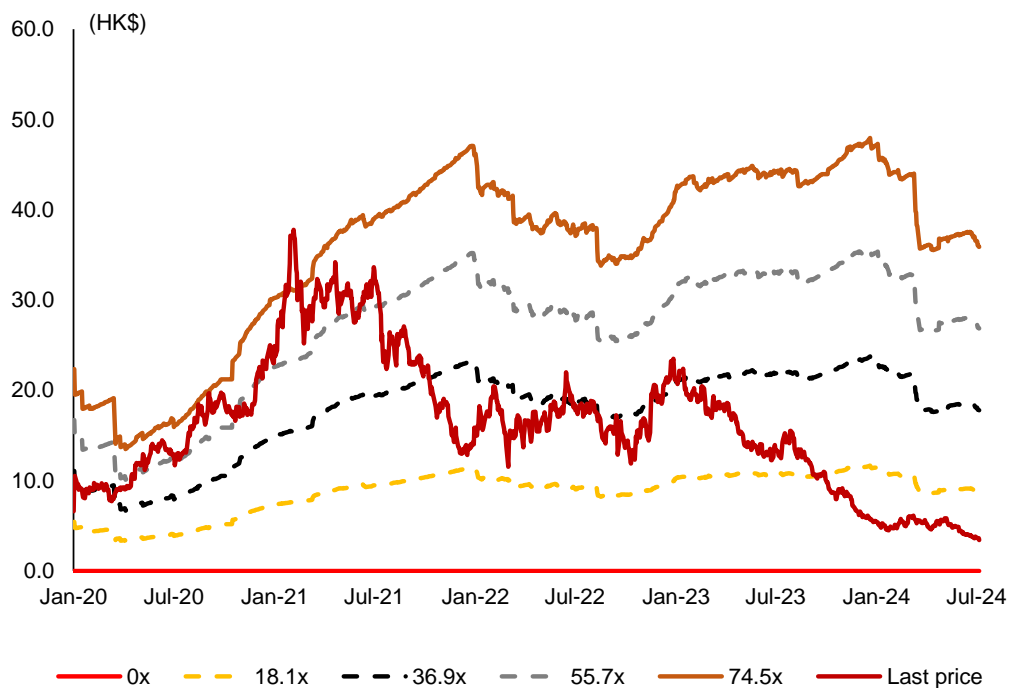
Valuation

Figure 3: 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 perf. (%)	
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E	
Leading Greater China Catering															
Jiumaojiu	9922 HK	BUY	3.59	3.41	5%	4,821	Dec-23	22.5	12.4	1.0	1.6	(2.9)	1.9	(44.1)	
Haidilao	6862 HK	BUY	21.52	13.14	64%	73,242	Dec-23	13.3	11.8	3.9	47.4	1.3	4.4	(9.6)	
DPC Dash	1405 HK	BUY	73.05	69.40	5%	9,053	Dec-23	310.5	63.5	4.0	(1.9)	(1.0)	n/a	12.0	
Nayuki	2150 HK	BUY	3.43	1.97	74%	3,379	Dec-23	27.0	12.8	0.6	0.3	0.2	1.6	(37.9)	
Helens	9869 HK	NR	n/a	2.08	n/a	2,632	Dec-23	9.3	7.4	1.2	9.9	0.3	6.7	(40.0)	
Cafe De Coral	341 HK	BUY	11.15	8.01	39%	4,691	Mar-24	12.4	10.5	1.6	11.6	0.7	8.7	(11.1)	
Xiabuxiabu	520 HK	BUY	4.89	1.35	262%	1,466	Dec-23	11.9	6.3	0.7	(15.0)	(0.1)	4.1	(44.3)	
Tam Jai	2217 HK	NR	n/a	1.01	n/a	1,360	Mar-24	10.6	9.8	1.5	7.8	1.0	8.6	(19.8)	
Yihai	1579 HK	NR	n/a	12.06	n/a	12,503	Dec-23	12.1	10.8	2.0	18.7	1.5	6.3	(2.7)	
Yum China	9987 HK	BUY	348.13	236.80	47%	91,506	Dec-23	13.9	12.4	1.7	13.2	1.2	2.1	(28.7)	
Yum China	YUMC US	BUY	49.59	30.32	64%	91,514	Dec-23	13.9	12.4	1.7	13.2	1.2	2.1	(28.5)	
Gourmet Master	2723 TT	NR	n/a	85.10	n/a	3,654	Dec-23	17.4	13.3	1.2	6.0	1.0	4.6	(16.2)	
								Avg.	39.6	15.3	1.7	9.4	0.4	4.6	(22.6)
								Med.	13.6	12.1	1.5	8.9	0.8	4.4	(24.2)
International Catering															
Yum! Brands	YUM US	NR	n/a	126.93	n/a	279,214	Dec-23	22.4	20.0	n/a	n/a	2.9	2.1	(2.9)	
Mcdonald's	MCD US	NR	n/a	257.28	n/a	1,448,236	Dec-23	21.2	19.5	25.8	n/a	3.0	2.6	(13.2)	
Starbucks Corp	SBUX US	NR	n/a	79.27	n/a	701,316	Oct-23	22.2	19.6	n/a	n/a	2.8	2.9	(17.4)	
Rest' Brands	QSR US	NR	n/a	72.74	n/a	261,308	Dec-23	21.5	18.7	6.3	44.4	5.4	3.2	(6.9)	
Chipotle	CMG US	NR	n/a	53.5	n/a	574,321	Dec-23	48.0	40.0	16.1	44.4	2.3	0.0	17.1	
Darden	DRI US	NR	n/a	142.86	n/a	132,632	May-24	15.0	13.7	6.6	46.2	1.6	3.9	(13.0)	
Domino's Pizza	DPZ US	NR	n/a	404.17	n/a	110,405	Dec-23	25.1	22.7	n/a	n/a	2.5	1.5	(2.0)	
Wendy's Co	WEN US	NR	n/a	17.65	n/a	28,279	Dec-23	17.8	16.3	31.7	57.9	2.2	5.7	(9.4)	
Shake Shack	SHAK US	NR	n/a	84.46	n/a	27,995	Dec-23	115	84	6.4	5.7	2.8	n/a	14.0	
Wingstop Inc	WING US	NR	n/a	369.31	n/a	84,720	Dec-23	105.5	86.3	n/a	n/a	3.4	0.3	43.9	
Jollibee Foods	JFC PM	NR	n/a	229.40	n/a	34,390	Dec-23	27.7	23.6	2.9	11.7	1.5	1.2	(8.8)	
								Avg.	40.2	33.1	13.7	35.1	2.7	2.3	0.1
								Med.	22.4	20.0	6.6	44.4	2.8	2.4	(6.9)
H-share Consumer Staples															
UPC	220 HK	NR	n/a	6.45	n/a	27,860	Dec-23	14.7	13.3	1.9	12.6	1.9	7.0	16.2	
Tingyi	322 HK	NR	n/a	9.45	n/a	53,245	Dec-23	14.3	12.9	3.2	22.9	1.5	7.0	2.3	
Want Want	151 HK	NR	n/a	4.68	n/a	55,280	Mar-24	11.8	11.4	2.6	25.7	2.2	6.2	(0.8)	
China Mengniu	2319 HK	NR	n/a	14.50	n/a	57,062	Dec-23	9.8	8.7	1.0	11.4	0.9	4.3	(31.0)	
Nongfu Spring	9633 HK	NR	n/a	33.75	n/a	379,568	Dec-23	26.2	22.8	8.7	45.9	2.1	2.5	(25.2)	
Vitasoy	345 HK	NR	n/a	5.53	n/a	5,934	Mar-24	24.6	15.7	1.7	3.9	0.4	2.7	(28.9)	
Budweiser	1876 HK	NR	n/a	10.00	n/a	132,434	Dec-23	16.8	14.9	1.4	7.9	1.2	4.1	(31.6)	
Tsingtao	168 HK	NR	n/a	51.00	n/a	87,096	Dec-23	13.0	11.9	2.1	15.7	1.2	4.7	(2.7)	
CR Beer	291 HK	NR	n/a	27.55	n/a	89,377	Dec-23	13.8	12.0	2.2	18.0	1.0	3.3	(18.7)	
								Avg.	16.1	13.7	2.8	18.2	1.4	4.6	(13.4)
								Med.	14.3	12.9	2.1	15.7	1.2	4.3	(18.7)

Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 5: Major assumptions

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by brand (RMB mn)						
Jiu Mao Jiu	760	606	630	535	540	545
Tai Er	3,292	3,108	4,477	4,834	5,746	6,632
Other brands	127	292	879	1,759	2,638	3,430
Total	4,180	4,006	5,986	7,128	8,924	10,607
Sales growth by brand (%)						
Jiu Mao Jiu	6.3%	-20.4%	4.0%	-15.1%	1.0%	1.0%
Tai Er	67.8%	-5.6%	44.0%	8.0%	18.9%	15.4%
Other brands	238.8%	129.7%	201.3%	100.0%	50.0%	30.0%
Total	54.0%	-4.2%	49.4%	19.1%	25.2%	18.9%
Sales by segment growth (%)						
Restaurant operations	59.2%	-9.1%	58.2%	21.8%	26.6%	19.6%
Delivery business	31.2%	26.6%	14.5%	3.9%	16.0%	13.4%
Sales of specialties	416.4%	-90.7%	15.0%	15.0%	15.0%	15.0%
Others	-26.9%	-22.3%	18.3%	10.0%	10.0%	10.0%
Total	54.0%	-4.2%	49.4%	19.1%	25.2%	18.9%
Number of restaurants by brand						
Jiu Mao Jiu	83	76	77	72	72	72
Tai Er	350	450	578	688	796	907
Other brands	37	30	71	101	131	161
Total	470	556	726	861	999	1,140
GP margins by segment (%)						
Jiu Mao Jiu	61.0%	61.0%	61.5%	61.0%	61.0%	61.0%
Tai Er	63.8%	64.6%	64.8%	64.0%	64.0%	64.0%
Other brands	62.0%	62.0%	63.0%	62.0%	62.0%	62.0%
Total	63.2%	63.9%	64.2%	63.3%	63.2%	63.2%
Opex breakdown (%)						
Staff costs	-25.3%	-28.3%	-25.8%	-29.1%	-27.8%	-27.5%
Depreciation of right-of-use assets	-8.2%	-10.1%	-8.1%	-8.6%	-8.0%	-7.8%
Other rentals & related expenses	-2.3%	-2.1%	-2.3%	-2.2%	-2.2%	-2.2%
D&A of other assets	-3.8%	-4.7%	-3.9%	-5.3%	-5.6%	-5.8%
Utilities expenses	-3.2%	-3.7%	-3.7%	-4.1%	-3.9%	-3.9%
Others	-8.4%	-10.1%	-9.8%	-9.5%	-9.5%	-9.4%
EBIT margins (%)	13.6%	6.7%	12.8%	6.1%	7.8%	8.3%
Effective tax rate	26.5%	39.7%	24.5%	27.0%	27.0%	27.0%
NP att. margins (%)	8.1%	1.2%	7.6%	2.7%	4.0%	4.4%
NP att. growth (%)	174.0%	-85.5%	820.2%	-56.9%	82.0%	31.6%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,180	4,006	5,986	7,128	8,924	10,607
Cost of goods sold	(1,537)	(1,447)	(2,142)	(2,617)	(3,282)	(3,903)
Gross profit	2,642	2,559	3,844	4,511	5,642	6,703
Operating expenses	(2,138)	(2,363)	(3,207)	(4,195)	(5,091)	(5,995)
Staff costs	(1,057)	(1,134)	(1,544)	(2,073)	(2,485)	(2,914)
Other rental related expenses	(97)	(83)	(139)	(154)	(193)	(229)
Others	(482)	(553)	(803)	(973)	(1,199)	(1,412)
Operating profit	556	241	702	363	610	778
Other income	52	46	65	47	59	70
Share of (losses)/profits of associates/JV	1	(3)	(2)	(3)	(3)	(4)
EBITDA	1,058	834	1,423	1,356	1,824	2,217
Depreciation	(159)	(190)	(236)	(379)	(498)	(616)
Depreciation of ROU assets	(343)	(403)	(485)	(614)	(716)	(823)
Interest income	12	26	62	75	83	101
Interest expense	(75)	(81)	(93)	(108)	(118)	(128)
Other income/expense	11	(88)	(32)	(38)	(48)	(57)
Pre-tax profit	506	94	636	288	524	690
Income tax	(134)	(39)	(156)	(79)	(142)	(187)
Minority interest	(32)	(6)	(27)	(14)	(26)	(34)
Net profit	372	56	480	210	382	502
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	2,559	2,585	2,806	3,046	3,518	4,234
Cash & equivalents	1,342	1,099	1,327	1,429	1,689	2,207
Account receivables	12	21	38	53	66	78
Inventories	71	118	132	153	192	228
Prepayment	325	392	533	634	794	944
ST bank deposits	2	11	231	231	231	231
Other current assets	807	945	545	545	545	545
Non-current assets	2,576	2,822	3,715	3,982	4,216	4,392
PP&E	572	737	1,129	1,401	1,639	1,820
Investment in JVs & assos	13	10	8	5	2	(2)
Intangibles	18	25	26	24	23	22
Other non-current assets	1,972	2,051	2,552	2,552	2,552	2,552
Total assets	5,135	5,407	6,521	7,028	7,734	8,627
Current liabilities	805	955	1,403	1,466	1,657	1,837
Short-term borrowings	0	0	0	0	0	0
Account payables	141	188	209	179	225	267
Tax payable	38	17	68	68	68	68
Other current liabilities	625	749	1,125	1,218	1,364	1,501
Non-current liabilities	1,193	1,253	1,761	1,776	1,802	1,836
Long-term borrowings	0	0	154	154	154	154
Other non-current liabilities	1,193	1,253	1,607	1,622	1,648	1,682
Total liabilities	1,998	2,208	3,164	3,241	3,459	3,673
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	475	984	1,654
Other reserves	3,138	3,199	3,357	3,311	3,290	3,299
Total shareholders equity	3,138	3,199	3,357	3,786	4,275	4,953
Minority interest	0	0	0	0	0	0
Total equity and liabilities	5,135	5,407	6,521	7,028	7,734	8,627

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	506	94	636	288	524	690
Depreciation & amortization	159	190	236	379	498	616
Tax paid	(133)	(88)	(107)	(79)	(142)	(187)
Change in working capital	(104)	9	(102)	(75)	(20)	(19)
Others	428	478	350	122	141	160
Net cash from operations	856	684	1,012	637	1,001	1,260
Investing						
Capital expenditure	(336)	(370)	(576)	(622)	(707)	(766)
Acquisition of subsidiaries/ investments	(6)	(11)	(10)	0	0	0
Others	(148)	(207)	436	0	0	0
Net cash from investing	(490)	(588)	(150)	(622)	(707)	(766)
Financing						
Dividend paid	(56)	(83)	(66)	196	84	153
Net borrowings	(43)	30	214	0	0	0
Proceeds from share issues	0	13	5	0	0	0
Share repurchases	0	0	(137)	0	0	0
Others	(689)	(441)	(662)	(108)	(118)	(128)
Net cash from financing	(789)	(481)	(646)	87	(33)	25
Net change in cash						
Cash at the beginning of the year	1,844	1,342	1,099	1,327	1,429	1,689
Exchange difference	(79)	141	12	0	0	0
Others	(423)	(384)	216	102	260	518
Cash at the end of the year	1,342	1,099	1,327	1,429	1,689	2,207
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	54.0%	(4.2%)	49.4%	19.1%	25.2%	18.9%
Gross profit	58.3%	(3.2%)	50.2%	17.4%	25.1%	18.8%
Operating profit	160.3%	(56.7%)	191.4%	(48.3%)	68.1%	27.5%
EBITDA	86.5%	(21.2%)	70.6%	(4.7%)	34.5%	21.6%
Net profit	169.7%	(85.1%)	763.2%	(56.3%)	82.0%	31.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	63.2%	63.9%	64.2%	63.3%	63.2%	63.2%
Operating margin	13.3%	6.0%	11.7%	5.1%	6.8%	7.3%
EBITDA margin	25.3%	20.8%	23.8%	19.0%	20.4%	20.9%
Return on equity (ROE)	12.0%	1.8%	14.6%	5.9%	9.5%	10.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.4	0.3	0.4	0.4	0.4	0.5
Current ratio (x)	3.2	2.7	2.0	2.1	2.1	2.3
Receivable turnover days	2.7	2.7	2.7	2.7	2.7	2.7
Inventory turnover days	14.5	23.8	21.3	21.3	21.3	21.3
Payable turnover days	33.1	41.5	33.9	25.0	25.0	25.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	13.6	93.6	10.2	23.6	13.0	9.9
P/E (diluted)	13.6	93.6	10.2	23.6	13.0	9.9
P/B	1.5	1.4	1.4	1.2	1.1	0.9
P/CFPS	5.4	6.7	4.6	7.2	4.6	3.7
Div yield (%)	1.5	0.3	4.2	1.8	3.3	4.4
EV	3,612.2	3,846.7	3,554.7	3,452.4	3,192.4	2,674.1
EV/Sales	0.9	1.0	0.6	0.5	0.4	0.3
EV/EBITDA	3.4	4.6	2.5	2.5	1.8	1.2

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

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