

DPC Dash (1405 HK)

Outlook stays healthy after positive profit alert

What is new? DPC Dash announced a positive profit alert for 1H24. For 1H24, the company is now expecting that: 1) sales to increase by 45%+ YoY to RMB 2.0bn, 2) net profit to be at RMB 10.0mn+ (vs RMB 8.8mn in 1H23), 3) adj. net profit to be at RMB 48mn+ (vs RMB 17.4mn losses in 1H23). Also, the company has opened 146 net new stores (12/ 134 in mature/ emerging markets) and total number has reached 914, representing 36% YoY growth.

■ **Our view: Extremely solid SSSG, supported by resilient/ healthy performance in mature/ emerging markets, we do not rule out more upsides in the near future.**

1) SSSG in 2Q24 was still a positive, which is the 28th consecutive quarter that DPC has achieved positive SSSG, highly impressive, esp. given the macro conditions. The figure was way better than many of its peers (+15% for HDL (CMBI est.), -MSD to -HSD for YUMC (CMBI est.), -18% for Tai Er, -14% for Starbucks, -21% for Luckin Coffee),

2) we do find the growth in mature/ emerging markets are resilient/ fast and healthy, because based on the prelim. numbers, the group's sales per store could be at around 8% (hence we expect a MSD to LSD SSSG), and thanks to limited new stores for mature market, decent rebound in delivery demand, plus the improved adj. NP margin, we believe the sales per store for mature/ emerging markets could still be at 0% to LSD/ 15%+,

3) we see some potential for an upward guidance revision, on one hand, the growth of net new store openings has been accelerated (from 31% in FY23 to 36% in 1H24), which has achieved 85%+ of the FY24E target, and on the other hand, the adj. NP margin was already at 2.4%, which is ahead of the company's FY24E guidance of 1% to 1.5%.

■ While we are highly cautious about the catering sector in 2H24E, we have no doubt that DPC can continue to outperform and deliver decent results. Noted that the number of loyalty members has reached 19.4m in 1H24, increased by 78%, even faster than the 70% in FY23. Therefore, we are still LONG on DPC and also suggest investors to take advantages of the pair trade strategy here. It is trading at 1.4x FY25E P/S, still have a premium over peers' average of 0.9x FY25E P/S, but it is totally justifiable given its rapid sales growth and solid market share gains.

■ **Raise TP to HK\$81.20, based on 1.7x FY25E P/S (rolled over from 2.1x FY24E).** We revised up FY24E/ 25E/ 26E net profit by 249%/ 12%/ 10% to factor in the resilient SSSG (in both mature/ emerging markets) and faster-than-expected store expansion. The counter is trading at 1.4x FY25E P/S, 54% higher than peers' average of 0.9x. But it is still attractive, in our view, given the 34% sales CAGR during FY23-26E.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,021	3,051	4,268	5,654	7,339
YoY growth (%)	25.4	51.0	39.9	32.5	29.8
Operating profit (RMB mn)	(109.2)	(42.6)	155.5	298.9	518.2
Net profit (RMB mn)	(222.6)	(26.6)	53.1	185.5	402.7
EPS (Reported) (RMB cents)	(233.78)	(23.57)	40.75	142.40	309.18
YoY growth (%)	na	na	na	249.5	117.1
P/E (x)	ns	ns	154.5	44.2	20.4
P/B (x)	8.0	3.9	3.8	3.5	3.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(26.0)	(1.9)	2.5	8.3	15.9
Net gearing (%)	26.6	9.5	9.3	8.6	7.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$81.20
 (Previous TP) HK\$73.05
Up/Downside 19.3%
Current Price HK\$68.05

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	8,844.4
Avg 3 mths t/o (HK\$ mn)	8.6
52w High/Low (HK\$)	74.70/43.00
Total Issued Shares (mn)	130.0

Source: FactSet

Shareholding Structure

Ocean Investments Limited	33.5%
Domino's Pizza, Inc.	14.1%

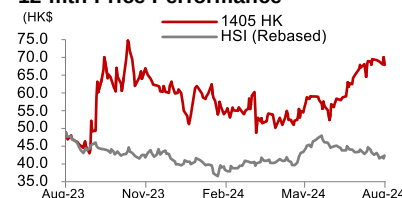
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.3%	7.9%
3-mth	22.2%	25.4%
6-mth	23.7%	11.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Earnings forecasts

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	4,268	5,654	7,339	4,118	5,407	6,967	3.7%	4.6%	5.3%
Gross profit	3,097	4,103	5,326	2,988	3,924	5,056	3.7%	4.6%	5.3%
EBIT	156	299	518	118	276	473	32.2%	8.3%	9.7%
Net profit att.	53	185	403	15	165	366	249.0%	12.4%	10.1%
Diluted EPS (RMB)	0.407	1.424	3.092	0.117	1.267	2.808	249.0%	12.4%	10.1%
Gross margin	72.6%	72.6%	72.6%	72.6%	72.6%	72.6%	0ppt	0ppt	0ppt
EBIT margin	3.6%	5.3%	7.1%	2.9%	5.1%	6.8%	0.8ppt	0.2ppt	0.3ppt
Net profit att. margin	1.2%	3.3%	5.5%	0.4%	3.1%	5.2%	0.9ppt	0.2ppt	0.2ppt

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	4,268	5,654	7,339	4,028	5,220	6,635	5.9%	8.3%	10.6%
Gross profit	3,097	4,103	5,326	2,925	3,797	4,820	5.9%	8.1%	10.5%
EBIT	156	299	518	69	211	362	124.3%	41.9%	43.1%
Net profit att.	53	185	403	38	129	255	38.0%	43.9%	58.1%
Diluted EPS (RMB)	0.407	1.424	3.092	0.208	1.018	2.013	96.4%	39.9%	53.6%
Gross margin	72.6%	72.6%	72.6%	72.6%	72.7%	72.7%	0ppt	-0.2ppt	-0.1ppt
EBIT margin	3.6%	5.3%	7.1%	1.7%	4.0%	5.5%	1.9ppt	1.3ppt	1.6ppt
Net profit att. margin	1.2%	3.3%	5.5%	1.0%	2.5%	3.8%	0.3ppt	0.8ppt	1.6ppt

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 3: CMBIGM's assumptions

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by segment (RMB mn)						
Beijing and Shanghai	1,147	1,279	1,545	1,688	1,841	2,014
New growth markets	464	742	1,506	2,580	3,813	5,324
Total	1,611	2,021	3,051	4,268	5,654	7,339
Sales growth by segment (%)						
Beijing and Shanghai	32.0%	11.5%	20.8%	9.3%	9.1%	9.4%
New growth markets	97.7%	59.8%	102.9%	71.3%	47.8%	39.6%
Total	45.9%	25.4%	51.0%	39.9%	32.5%	29.8%
Average daily sales per store by market (RMB)						
Beijing and Shanghai	12,781	13,576	12,881	12,497	12,496	12,621
New growth markets	7,617	9,009	12,285	13,378	13,646	13,919
All markets	10,692	11,445	12,580	13,015	13,249	13,537
Sales growth by dine-in and delivery (%)						
Delivery	43.5%	23.7%	23.9%	25.0%	33.0%	30.0%
Non-delivery	53.1%	30.2%	121.4%	61.6%	31.9%	29.6%
Total	45.9%	25.4%	51.0%	39.9%	32.5%	29.8%
Sales network by segment						
Beijing and Shanghai	267	312	351	386	421	456
New growth markets	201	276	417	622	887	1,177
Total	468	588	768	1,008	1,308	1,633
Restaurant profit margin by segment						
Beijing and Shanghai	18.5%	18.3%	15.5%	15.2%	15.0%	15.0%
New growth markets	-2.6%	6.4%	12.0%	13.3%	13.1%	13.6%
Total	8.9%	10.1%	13.8%	14.1%	13.7%	14.0%
Costs breakdown						
Staff costs/ sales	43.7%	38.8%	38.6%	36.1%	35.4%	33.9%
Rental and related expenses/ sales	11.2%	10.7%	10.1%	9.3%	9.4%	9.5%
D&A of other assets/ sales	8.8%	8.3%	6.9%	6.5%	6.0%	5.6%
Utilities expenses/ sales	4.4%	4.1%	3.8%	3.7%	3.6%	3.6%
A&P expenses/ sales	7.6%	5.8%	5.2%	5.0%	4.9%	4.9%
Other expenses/ sales	9.9%	12.5%	10.5%	9.4%	9.0%	9.0%
Effective tax rate	1.5%	-10.8%	1269.4%	39.2%	17.6%	10.0%
NP att. margin	-29.2%	-11.0%	-0.9%	1.2%	3.3%	5.5%
Adj. NP margin	-8.9%	-5.6%	0.3%	2.7%	4.1%	5.9%
Adj. NP growth (%)	-28.3%	-20.6%	-107.7%	1235.6%	96.6%	89.2%

Source: Company data, CMBIGM estimates

Valuation

Figure 4: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%))
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
Leading Greater China Catering														
DPC Dash	1405 HK	BUY	81.20	68.05	19%	8,877	Dec-23	150.7	43.1	3.4	11.9	(0.4)	0.0	9.8
Nayuki	2150 HK	BUY	3.43	1.79	92%	3,065	Dec-23	24.4	11.6	0.5	0.3	0.1	2.2	(43.5)
Jiumaojiu	9922 HK	HOLD	3.59	2.76	30%	3,902	Dec-23	8.3	6.4	0.8	13.9	0.6	4.1	(54.8)
Haidilao	6862 HK	BUY	21.52	12.20	76%	68,003	Dec-23	12.4	11.1	3.6	47.4	1.2	4.9	(16.1)
Cafe De Coral	341 HK	BUY	11.15	8.04	39%	4,663	Mar-24	12.5	10.6	1.6	11.6	0.7	8.6	(10.8)
Xiabuxiabu	520 HK	BUY	4.89	1.26	288%	1,369	Dec-23	14.4	5.8	0.7	(15.0)	(0.1)	4.0	(48.0)
Helens	9869 HK	NR	n/a	2.01	n/a	2,544	Dec-23	9.0	7.1	1.1	9.9	0.3	7.0	(42.0)
Yihai	1579 HK	NR	n/a	11.50	n/a	11,922	Dec-23	11.6	10.3	1.9	18.7	1.4	6.8	(7.3)
Yum China	9987 HK	BUY	348.13	235.00	48%	90,643	Dec-23	13.8	12.3	1.7	13.2	1.2	2.1	(29.3)
Yum China	YUMC US	BUY	49.59	30.24	64%	91,159	Dec-23	13.9	12.4	1.7	13.2	1.2	2.1	(28.7)
Gourmet Master	2723 TT	NR	n/a	83.10	n/a	3,568	Dec-23	17.5	13.4	1.2	6.0	1.0	4.5	(18.1)
Avg.								26.2	13.1	1.6	11.9	0.7	4.2	(26.2)
Med.								13.8	11.1	1.6	11.9	0.7	4.1	(28.7)
International Catering														
Yum! Brands	YUM US	NR	n/a	133	n/a	292,368	Dec-23	23.4	20.9	n/a	n/a	3.0	2.0	1.7
McDonald's	MCD US	NR	n/a	265	n/a	1,494,843	Dec-23	22.4	20.8	n/a	n/a	3.8	2.5	(10.5)
Starbucks	SBUX US	NR	n/a	78	n/a	690,053	Oct-23	21.7	19.4	n/a	n/a	2.9	2.9	(18.8)
Rest. Brands	QSR US	NR	n/a	70	n/a	251,253	Dec-23	20.7	18.0	6.1	44.4	5.0	3.3	(10.4)
Chipotle	CMG US	NR	n/a	54	n/a	581,387	Dec-23	49.8	41.9	16.5	43.5	2.5	0.0	18.8
Darden Rest.	DRI US	NR	n/a	146	n/a	135,898	May-24	15.4	14.0	6.8	46.2	1.6	3.8	(11.0)
Domino's	DPZ US	NR	n/a	429	n/a	117,176	Dec-23	26.5	24.1	n/a	n/a	2.6	1.4	4.0
Wendy's Co	WEN US	NR	n/a	17	n/a	27,142	Dec-23	17.0	15.6	30.7	57.9	2.1	6.0	(13.1)
Shake Shack	SHAK US	NR	n/a	88	n/a	29,060	Dec-23	119	87	6.7	5.7	2.9	n/a	18.2
Wingstop	WING US	NR	n/a	374	n/a	85,628	Dec-23	102	83	n/a	n/a	3.0	0.3	45.7
Jubilant Food.	JUBI IN	NR	n/a	601	n/a	37,009	Mar-24	106	75	13.4	19.0	6.3	0.3	6.4
Domino's Group	DOM LN	NR	n/a	325	n/a	13,007	Dec-23	16	14	n/a	n/a	(16.0)	3.4	(13.8)
Domino's Ent.	DMP AU	NR	n/a	33	n/a	15,110	Jul-23	24	21	4.8	5.9	0.4	3.2	(44.7)
Alsea Sab De	ALSEA* MM	NR	n/a	56	n/a	19,170	Dec-23	17.2	12.3	4.4	35.4	1.1	2.1	(12.3)
Avg.								41.5	33.3	11.2	32.3	1.5	2.4	(2.9)
Med.								22.9	20.8	6.7	39.5	2.8	2.5	(10.5)

Source: Bloomberg, company data

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,611	2,021	3,051	4,268	5,654	7,339
Cost of goods sold	(426)	(550)	(837)	(1,171)	(1,551)	(2,013)
Gross profit	1,186	1,471	2,214	3,097	4,103	5,326
Operating expenses	(1,378)	(1,622)	(2,291)	(2,984)	(3,861)	(4,881)
Selling expense	(264)	(285)	(370)	(492)	(618)	(773)
Admin expense	(72)	(83)	(115)	(156)	(201)	(262)
Staff costs	(703)	(785)	(1,179)	(1,542)	(2,001)	(2,491)
Other rental related expenses	(180)	(216)	(308)	(395)	(531)	(694)
Others	(159)	(253)	(320)	(399)	(509)	(660)
Operating profit	(187)	(109)	(43)	156	299	518
Other income	4	42	34	43	57	73
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	(46)	59	168	434	639	931
Depreciation	(142)	(168)	(210)	(278)	(340)	(412)
Other amortisation	0	0	0	0	0	0
Interest income	2	3	16	21	24	31
Interest expense	(90)	(82)	(71)	(73)	(76)	(73)
Other income/expense	(203)	(13)	100	(17)	(23)	(29)
Pre-tax profit	(478)	(201)	2	87	225	447
Income tax	7	(22)	(29)	(34)	(40)	(45)
Minority interest	0	0	0	0	0	0
Net profit	(471)	(223)	(27)	53	185	403
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	784	689	1,215	1,361	1,657	2,223
Cash & equivalents	657	544	587	661	869	1,329
Account receivables	5	8	10	13	17	22
Inventories	37	67	73	98	130	169
Prepayment	84	69	113	158	209	271
ST bank deposits	2	0	432	432	432	432
Other current assets	0	0	0	0	0	0
Non-current assets	2,379	2,581	2,931	3,108	3,321	3,551
PP&E	427	496	626	809	1,025	1,259
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,254	1,242	1,229	1,223	1,219	1,215
Other non-current assets	698	842	1,077	1,077	1,077	1,077
Total assets	3,163	3,270	4,146	4,469	4,978	5,773
Current liabilities	849	795	1,017	1,287	1,611	2,003
Short-term borrowings	180	0	0	0	0	0
Account payables	125	127	154	196	260	338
Tax payable	22	17	18	18	18	18
Other current liabilities	523	652	845	1,073	1,333	1,648
Non-current liabilities	1,356	1,721	1,030	1,030	1,030	1,030
Long-term borrowings	0	200	200	200	200	200
Other non-current liabilities	1,356	1,521	830	830	830	830
Total liabilities	2,205	2,516	2,047	2,317	2,640	3,033
Share capital	1,782	1,804	3,132	3,132	3,132	3,132
Retained earnings	(869)	(1,091)	(1,122)	(1,069)	(884)	(481)
Other reserves	44	40	89	89	89	89
Total shareholders equity	958	753	2,099	2,152	2,338	2,740
Minority interest	0	0	0	0	0	0
Total equity and liabilities	3,163	3,270	4,146	4,469	4,978	5,773

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(478)	(201)	2	87	225	447
Depreciation & amortization	142	168	210	278	340	412
Tax paid	(6)	(35)	(44)	(34)	(40)	(45)
Change in working capital	39	(32)	18	198	236	287
Others	636	398	349	(23)	(58)	(98)
Net cash from operations	332	298	536	506	704	1,004
Investing						
Capital expenditure	(171)	(195)	(288)	(360)	(420)	(472)
Acquisition of subsidiaries/ investments	(14)	(15)	(29)	0	0	0
Others	3	3	(416)	0	0	0
Net cash from investing	(182)	(207)	(732)	(360)	(420)	(472)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(30)	20	0	0	0	0
Proceeds from share issues	317	0	549	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(44)	(245)	(332)	(73)	(76)	(73)
Net cash from financing	243	(225)	217	(73)	(76)	(73)
Net change in cash						
Cash at the beginning of the year	257	657	544	587	661	869
Exchange difference	6	21	22	0	0	0
Others	393	(134)	21	74	209	460
Cash at the end of the year	657	544	587	661	869	1,329
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	45.9%	25.4%	51.0%	39.9%	32.5%	29.8%
Gross profit	49.4%	24.1%	50.5%	39.9%	32.5%	29.8%
Operating profit	na	na	na	na	92.2%	73.4%
EBITDA	na	na	184.6%	158.6%	47.4%	45.6%
Net profit	na	na	na	na	249.5%	117.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	73.6%	72.8%	72.6%	72.6%	72.6%	72.6%
Operating margin	(11.6%)	(5.4%)	(1.4%)	3.6%	5.3%	7.1%
EBITDA margin	(2.8%)	2.9%	5.5%	10.2%	11.3%	12.7%
Return on equity (ROE)	(46.4%)	(26.0%)	(1.9%)	2.5%	8.3%	15.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.2	0.3	0.1	0.1	0.1	0.1
Current ratio (x)	0.9	0.9	1.2	1.1	1.0	1.1
Receivable turnover days	4.6	8.3	9.8	12.6	16.7	21.7
Inventory turnover days	26.7	34.3	30.6	30.6	30.6	30.6
Payable turnover days	85.1	83.5	61.2	61.2	61.2	61.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	154.5	44.2	20.4
P/E (diluted)	ns	ns	ns	154.5	44.2	20.4
P/B	5.7	8.0	3.9	3.8	3.5	3.0
P/CFPS	16.5	20.1	13.3	16.2	11.6	8.2
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV	5,392.6	6,088.5	7,960.2	7,886.6	7,677.9	7,218.2
EV/Sales	3.3	3.0	2.6	1.8	1.4	1.0
EV/EBITDA	(118.0)	103.3	47.5	18.2	12.0	7.8

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

Disclosures & Disclaimers

Analyst Certification

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