

# Yum China (9987 HK)

## The best-in-class costs management in 2Q24

Sales growth was indeed a miss in 2Q24, but the net profit was a significant beat. For 2H24E, we are still very cautious about the demand and so as the level of competition. However, thanks to various efforts like Project Fresh Eye, Project Red Eye, rationalizing number of SKUs, more direct sourcing, and ramp up of more profitable store formats (e.g. K-coffee and Pizza Hut's WOW model) etc., we are confident on a turnaround in 4Q24E. Maintain BUY with TP of HK\$294.91, based on 15x FY25E P/E. The stock is now trading at 13x FY25E P/E.

■ **We are still conservative about the topline growth in 2H24E.** We believe the growth will still be hindered by high base and weak macro environment, and therefore our SSSG assumptions for KFC/ Pizza Hut are -3%/ -6% in 3Q24E and +4%/ +2% in 4Q24E. In fact, these numbers have already considered many positive factors like 1) expanding price range in order to tap into a large group of customers (e.g. the sales of entry price pizzas in Pizza Hut has experienced double-digit growth in 2Q24), 2) launches of more innovation new products, as well as more one person meals, 3) ramp-up of new store formats such as K-coffee (targeting 500-600 stores by FY24E, from 300 in Jul 2024) and Pizza Hut's WOW model (targeting 200 stores by FY24E, from 100 in Jul 2024), etc..

■ **But relatively more comfortable on bottom-line growth in 2H24E.** Even with the potential operating deleverage, we still think the OP margin can be at least stable in FY24E (vs FY23), because of various costs saving initiatives: 1) Project Red Eye (started in late 1Q24), which targets to improve supply chain efficiency by spending better, from the customer point of view, such as simplifying the number of SKUs, or reducing unnecessary items provided to the customers in the past (e.g. ingredients like syrups for coffee, different packaging items, etc.), 2) sourcing more directly with the farmers, 3) Project Fresh Eye (started in 4Q23), which is aiming to improve the operational efficiency, by reducing the complexity of operational process, from the store manager's point of view, hence they are able to focus more on other tasks, 4) greater use of AI and automations, by rolling out systems like Pizza Hut's i-kitchen, which is able to enhance food quality, safety and operational efficiency, also, more than 80%/ 50% of Pizza Hut stores have equipped with automated fried rice machines and robotic servers, 5) minimal labour costs inflation (e.g. at around LSD in FY24E), 6) rigid control over G&A expenses, targeting 5% of sales (vs 5.8% in FY23), and 7) reduced A&P expenses, as % of total sales. All in all, we are now expecting sales/ OP/ NP growth to be at around 2%/ 8%/ 7% in 3Q24E and +1%/ 30%/ 13% in 4Q24E.

■ **Maintain BUY but trim TP to HK\$ 294.91.** Our new TP is based on 15x FY25E P/E (rolled over from 23x FY24E to factor in the sector de-rating). We fine-tuned FY24E/ 25E/ 26E net profit by +3%/ -1%/ -1% to reflect the 2Q24 results beat. It is now trading at an undemanding valuation at 13x FY25E P/E.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	9,569	10,978	11,129	12,138	13,189
YoY growth (%)	(2.9)	14.7	1.4	9.1	8.7
Operating profit (US\$ mn)	629.0	1,106.0	1,131.5	1,248.4	1,416.8
Net profit (US\$ mn)	442.0	827.0	869.2	943.2	1,078.7
EPS (Reported) (US\$)	1.04	1.97	2.11	2.54	3.22
YoY growth (%)	(54.4)	89.3	7.0	20.4	26.9
P/E (x)	31.2	16.5	15.4	12.8	10.1
P/B (x)	1.8	2.0	1.6	1.3	1.1
Yield (%)	1.5	1.6	1.8	2.2	2.8
ROE (%)	5.9	11.6	11.6	11.5	11.9

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>HK\$294.91</b>
(Previous TP)	HK\$348.13)
<b>Up/Downside</b>	<b>16.7%</b>
<b>Current Price</b>	<b>HK\$252.80</b>

### China Consumer Discretionary

#### Walter WOO

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#### Stock Data

Mkt Cap (HK\$ mn)	97,833.6
Avg 3 mths t/o (HK\$ mn)	107.9
52w High/Low (HK\$)	453.40/228.40
Total Issued Shares (mn)	387.0

Source: FactSet

#### Shareholding Structure

JPMorgan Chase & Co.	10.5%
Invesco Advisers, Inc.	8.0%

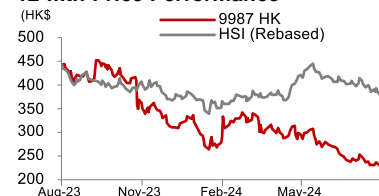
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	4.3%	11.5%
3-mth	-14.3%	-4.4%
6-mth	-12.8%	-15.5%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Recent reports:

[Jiumaojiu \(9922 HK\) - We see risks in 2H24E after the miss in 2Q24](#)  
(22 Jul 24)

[Haidilao \(6862 HK\) - Our view on management changes](#)  
(25 Jun 24)

[Cafe De Coral \(341 HK\) - Gaining market share under a weak macro](#)  
(18 Jun 24)

[Yum China \(9987 HK\) - 2Q24E is tough but turnaround is still possible](#)  
(02 May 24)

[Haidilao \(6862 HK\) - Looking for expansion opportunities with downside protection](#)  
(8 Apr 24)

- 2Q24 net profit was a significant beat.** Yum China's sales rose by just 1% to US\$ 2.68bn in 2Q24, and missed BBG/ CMBI est. by 3%/ 4%, mainly due to the weak SSSG (-3%/ -8% for KFC/ Pizza Hut) and increased mix of smaller sized stores. However, Yum China's net profit increased by 8% to US\$ 212mn in 2Q24, 12%/ 21% higher than BBG/ CMBI est., thanks to: 1) resilient GP margin (esp. for Pizza Hut), at 70.3%, vs BBG/ CMBI est. of 68.9%/ 69.9%, 2) stable labour costs and rental expenses (both are flattish YoY), 3) increased focus on operational efficiency (hence G&A expenses fell by 13% YoY), etc. Moreover, the EPS growth was even more impressive at 17% in 2Q24, mostly driven by the massive amount of shares buyback. In terms of segment, the delivery sales growth was rather robust at 11% while the dine-in sales has dropped by 3%. KFC's SSS was resilient, dropped only by 3% in 2Q24 (vs -2% in 1Q24) while Pizza Hut's SSS decline was as high as 8% (vs -% in 1Q24). However, Pizza Hut's profitability has outperformed KFC, as the restaurant level OP margins for KFC/ Pizza Hut were at 16.2%/ 13.2%, -1.1ppt/ +0.8ppt vs last year.
- Store opening plan in FY24E remained intact.** Yum China is maintaining its net new stores target of 1,500 to 1,700 (so as the capex target of US\$ 700mn to 850mn) in FY24E. But we do think this is totally adjustable if the macro environment becomes much less friendly. The mix of franchise stores has reached about 25% for KFC in 2Q24, which is a beat vs the mix of 15% to 20% mentioned in the 3 years target (FY24E-26E). We are not only confident that the franchisees can secure excellent locations for store expansions (by leveraging their local wisdom) but also deliver a decent operation quality, thanks to the highly digitalized system and modernized management method.
- Change of CFO.** Andy Yeung (CFO since 2019) will depart from Yum China from Oct 2024, but will be appointed as an advisor to the CEO from Oct 2024 to Feb 2025. He is leaving the Company to pursue another professional opportunity. Adrian Ding, the current CIO of Yum China and previously the GM of the Lavazza JV, will become the acting CFO.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,129	12,138	13,189	11,422	12,459	13,540	-2.6%	-2.6%	-2.6%
Gross profit	7,788	8,540	9,275	8,013	8,764	9,520	-2.8%	-2.6%	-2.6%
EBIT	1,132	1,248	1,417	1,073	1,253	1,419	5.5%	-0.3%	-0.2%
Net profit att.	869	943	1,079	848	953	1,083	2.5%	-1.1%	-0.4%
Diluted EPS (USD)	2.107	2.538	3.221	1.954	2.197	2.495	7.8%	15.5%	29.1%
Gross margin	70.0%	70.4%	70.3%	70.2%	70.3%	70.3%	-0.2ppt	0ppt	0ppt
EBIT margin	10.2%	10.3%	10.7%	9.4%	10.1%	10.5%	0.8ppt	0.2ppt	0.3ppt
Net profit att. margin	7.8%	7.8%	8.2%	7.4%	7.7%	8.0%	0.4ppt	0.1ppt	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	11,129	12,138	13,189	11,683	12,797	13,923	-4.7%	-5.2%	-5.3%
Gross profit	7,788	8,540	9,275	7,860	7,862	8,835	-0.9%	8.6%	5.0%
EBIT	1,132	1,248	1,417	1,150	1,300	1,448	-1.6%	-3.9%	-2.2%
Net profit att.	869	943	1,079	862	946	1,054	0.9%	-0.3%	2.3%
Diluted EPS (USD)	2.107	2.538	3.221	2.182	2.449	2.790	-3.4%	3.6%	15.5%
Gross margin	70.0%	70.4%	70.3%	67.3%	61.4%	63.5%	2.7ppt	8.9ppt	6.9ppt
EBIT margin	10.2%	10.3%	10.7%	9.8%	10.2%	10.4%	0.3ppt	0.1ppt	0.3ppt
Net profit att. margin	7.8%	7.8%	8.2%	7.4%	7.4%	7.6%	0.4ppt	0.4ppt	0.6ppt

Source: Bloomberg, CMBIGM estimates

**Focus charts**

Figure 3: Yum China’s strategy to save costs and boost efficiency



Source: Company data, CMBIGM estimates

Figure 4: Image of K-coffee



Source: Company data, CMBIGM estimates



Figure 5: Image of the Pizza Hut WOW store



Source: Company data, CMBIGM estimates

Figure 6: Pizza Hut WOW store's product offerings

**WOW Model Features Simpler Operations, Good Variety and Excellent Value-for-money**

- Fast casual format with lighter service
- Targeting solo diners, young and value-conscious consumers
- Promising initial results, driving incremental sales and profit

Drinks from RMB 6, appetizer from RMB 9, pasta from RMB 15 and pizza from RMB 19

Source: Company data, CMBIGM estimates

## Results Review

Figure 7: Results review – Quarterly

Half yearly (RMB mn)	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	1Q24 YoY	2Q24 YoY	3Q24 E YoY	4Q24 E YoY	2Q24E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>2,914</b>	<b>2,493</b>	<b>2,958</b>	<b>2,679</b>	<b>2,976</b>	<b>2,516</b>	1%	1%	2%	1%	<b>2,763</b>	<b>-3%</b>
Food and paper	-858	-758	-896	-797	-878	-770					-832	
Gross profit	2,056	1,735	2,062	1,882	2,098	1,745	-1%	0%	2%	1%	1,931	-3%
<b>GP margins</b>	<b>70.6%</b>	<b>69.6%</b>	<b>69.7%</b>	<b>70.3%</b>	<b>70.5%</b>	<b>69.4%</b>					<b>69.9%</b>	
Other income & gains	0	1	1	0	0	-1					0	
Payroll & benefits	-699	-678	-708	-666	-747	-693	4%	0%	7%	2%	-718	-7%
<b>Payroll &amp; benefits/ sales</b>	<b>-24.0%</b>	<b>-27.2%</b>	<b>-23.9%</b>	<b>-24.9%</b>	<b>-25.1%</b>	<b>-27.5%</b>					<b>-26.0%</b>	
Rent & other opex	-732	-654	-697	-674	-729	-661	1%	0%	0%	1%	-710	-5%
<b>Rent &amp; other opex/ sales</b>	<b>-25.1%</b>	<b>-26.2%</b>	<b>-23.6%</b>	<b>-25.2%</b>	<b>-24.5%</b>	<b>-26.3%</b>					<b>-25.7%</b>	
Admin expenses	-273	-247	-254	-234	-241	-219	-4%	-5%	-12%	-11%	-243	-4%
<b>Admin exp / sales</b>	<b>-9.4%</b>	<b>-9.9%</b>	<b>-8.6%</b>	<b>-8.7%</b>	<b>-8.1%</b>	<b>-8.7%</b>					<b>-8.8%</b>	
Other opex	-29	-47	-30	-42	-33	-29					-41	
Operating profit (EBIT)	323	110	374	266	348	143	-10%	4%	8%	30%	218	22%
<b>OP margins</b>	<b>11.1%</b>	<b>4.4%</b>	<b>12.6%</b>	<b>9.9%</b>	<b>11.7%</b>	<b>5.7%</b>					<b>7.9%</b>	
Investment gain (loss)	-2	-18	8	8	-9	-7					-3	
Net finance income	46	45	38	31	33	17					30	2%
<b>Net finance income/ sales</b>	<b>1.6%</b>	<b>1.8%</b>	<b>1.3%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>0.7%</b>					<b>1.1%</b>	
Profit after financing costs	367	137	420	305	372	154					246	
Associated coms	0	0	0	0	0	0					0	
Jointly controlled coms	0	0	0	0	0	0					0	
Pre-tax profit	367	137	420	305	372	154	-4%	7%	1%	12%	246	24%
Tax	-100	-30	-113	-77	-93	-36					-59	
<b>Tax / sales</b>	<b>-3.4%</b>	<b>-1.2%</b>	<b>-3.8%</b>	<b>-2.9%</b>	<b>-3.1%</b>	<b>-1.4%</b>					<b>-2.1%</b>	
<b>Effective tax rate</b>	<b>-27.2%</b>	<b>-21.9%</b>	<b>-26.9%</b>	<b>-25.2%</b>	<b>-25.0%</b>	<b>-23.4%</b>					<b>-24.0%</b>	
Minority interests	23	10	20	16	19	8					12	30%
<b>Net profit att.</b>	<b>244</b>	<b>97</b>	<b>287</b>	<b>212</b>	<b>260</b>	<b>110</b>	<b>-1%</b>	<b>8%</b>	<b>7%</b>	<b>13%</b>	<b>175</b>	<b>21%</b>
<b>NP margins</b>	<b>8.4%</b>	<b>3.9%</b>	<b>9.7%</b>	<b>7.9%</b>	<b>8.8%</b>	<b>4.4%</b>					<b>6.3%</b>	

Source: Company data, CMBIGM estimates

## Assumptions

Figure 8: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by segment (US\$ mn)</b>					
KFC - dine in sales	4,457	5,278	5,111	5,525	6,028
KFC - delivery sales	2,762	2,962	3,229	3,455	3,662
PH - dine in sales	1,125	1,412	1,342	1,548	1,774
PH- delivery sales	835	834	918	991	1,061
Others	390	492	530	619	665
Total	9,569	10,978	11,129	12,138	13,189
<b>Sales by segment growth (%)</b>					
KFC - dine in sales	-7.5%	18.4%	-3.2%	8.1%	9.1%
KFC - delivery sales	26.4%	7.2%	9.0%	7.0%	6.0%
PH - dine in sales	-16.1%	25.5%	-5.0%	15.4%	14.6%
PH- delivery sales	8.6%	-0.1%	10.0%	8.0%	7.0%
Others	-47.4%	26.2%	7.8%	16.7%	7.4%
Total	-2.9%	14.7%	1.4%	9.1%	8.7%
<b>Sales network by brand</b>					
KFC	9,094	10,296	11,446	12,596	13,746
Pizza Hut	2,903	3,312	3,852	4,392	4,932
Others	950	1,036	1,086	1,166	1,246
Total	12,947	14,644	16,384	18,154	19,924
<b>Restaurant profit margin by brand</b>					
KFC	15.5%	17.5%	16.6%	16.8%	17.4%
Pizza hut	9.1%	11.7%	10.6%	10.8%	11.0%
Others	-4.6%	-2.6%	0.4%	0.5%	0.6%
Total	14.1%	16.3%	15.4%	15.6%	16.1%
<b>Costs breakdown</b>					
Food and paper/ sales	29.6%	29.4%	30.0%	29.6%	29.7%
Payroll and employee benefits/ sales	25.0%	24.8%	25.3%	25.4%	25.2%
Rental and other operating expenses/ sales	27.2%	25.1%	24.8%	24.6%	24.4%
G & A expenses/ sales	6.2%	5.8%	5.0%	5.0%	5.0%
Franchisees expenses/ sales	2.9%	3.2%	3.2%	3.4%	3.3%
Effective tax rate	30.4%	26.5%	25.5%	25.0%	25.0%
<b>NP att. margin</b>	<b>4.6%</b>	<b>7.5%</b>	<b>7.8%</b>	<b>7.8%</b>	<b>8.2%</b>
<b>NP att. growth (%)</b>	<b>-55.4%</b>	<b>87.1%</b>	<b>5.1%</b>	<b>8.5%</b>	<b>14.4%</b>

Source: Company data, CMBIGM estimates

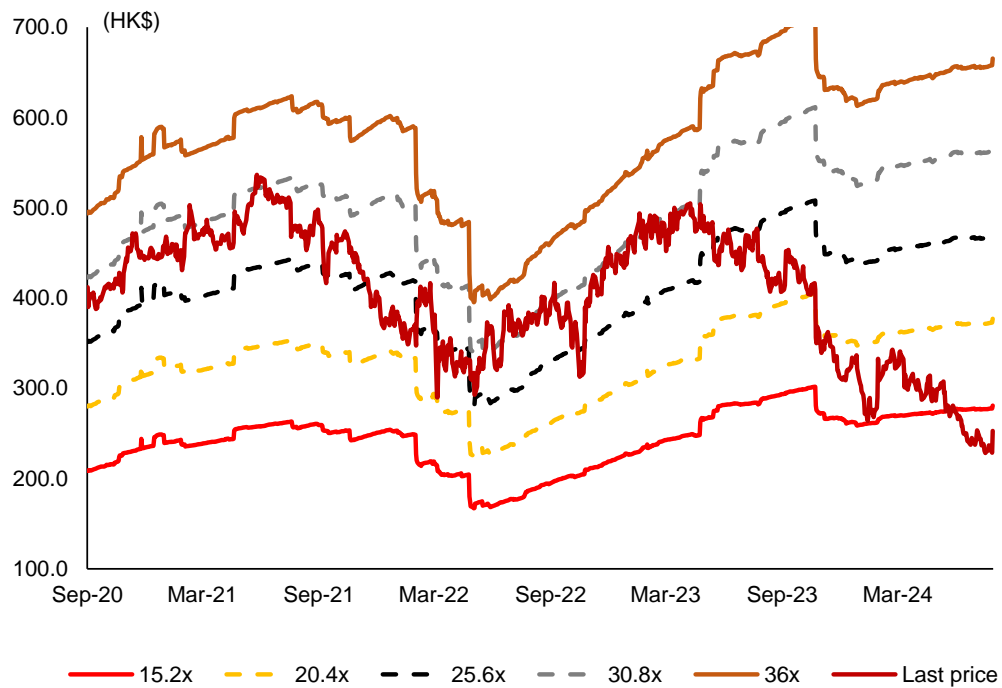
## Valuation

Figure 9: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.	
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E	
<b>Leading Greater China Catering</b>															
Yum China	9987 HK	BUY	294.91	252.80	17%	97,449	Dec-23	15.5	12.9	1.6	11.6	0.9	1.8	(23.9)	
Jiumaojiu	9922 HK	HOLD	3.59	2.68	34%	3,789	Dec-23	8.0	6.1	1.0	13.9	0.5	4.3	(56.1)	
Haidilao	6862 HK	BUY	21.52	12.22	76%	68,114	Dec-23	12.3	11.0	4.4	47.4	1.2	4.9	(16.0)	
DPC Dash	1405 HK	BUY	81.20	68.00	19%	8,870	Dec-23	188.7	57.6	4.1	(1.9)	(0.6)	n/a	9.8	
Nayuki	2150 HK	BUY	3.43	1.50	129%	2,569	Dec-23	20.3	9.6	0.5	0.3	0.1	2.6	(52.7)	
Helens	9869 HK	NR	n/a	2.02	n/a	2,556	Dec-23	8.9	7.1	1.3	9.9	0.3	7.0	(41.7)	
Tam Jai	2217 HK	NR	n/a	1.00	n/a	1,347	Mar-24	10.5	9.7	1.5	7.8	1.0	8.7	(20.6)	
Cafe De Coral	341 HK	BUY	11.15	8.01	39%	4,646	Mar-24	12.4	10.5	1.6	11.6	0.7	8.7	(11.1)	
Xiabuxiabu	520 HK	BUY	4.89	1.11	341%	1,206	Dec-23	12.6	5.4	0.6	(15.0)	(0.1)	4.8	(54.2)	
Yihai	1579 HK	NR	n/a	11.18	n/a	11,590	Dec-23	11.2	9.9	2.0	18.7	1.3	7.0	(9.8)	
Gourmet Master	2723 TT	NR	n/a	75.70	n/a	3,247	Dec-23	16.3	12.2	1.1	6.0	0.9	5.0	(25.4)	
								<b>Avg.</b>	<b>28.8</b>	<b>13.8</b>	<b>1.8</b>	<b>10.0</b>	<b>0.6</b>	<b>5.5</b>	<b>(27.4)</b>
								<b>Med.</b>	<b>12.4</b>	<b>9.9</b>	<b>1.5</b>	<b>9.9</b>	<b>0.7</b>	<b>5.0</b>	<b>(23.9)</b>
<b>International Catering</b>															
Yum! Brands	YUM US	NR	n/a	137.02	n/a	300,745	Dec-23	24.2	21.6	n/a	n/a	3.1	1.9	4.9	
Mcdonald's	MCD US	NR	n/a	271.02	n/a	1,522,220	Dec-23	23.0	21.3	n/a	n/a	4.0	2.5	(8.6)	
Starbucks Corp	SBUX US	NR	n/a	75.50	n/a	666,491	Oct-23	21.1	19.0	n/a	n/a	2.9	3.0	(21.4)	
Rest' Brands	QSR US	NR	n/a	71.41	n/a	255,095	Dec-23	21.1	18.4	6.7	44.4	5.1	3.2	(8.6)	
Chipotle	CMG US	NR	n/a	54.8	n/a	584,774	Dec-23	50.2	42.2	19.8	43.5	2.6	0.0	19.8	
Darden	DRI US	NR	n/a	143.73	n/a	135,393	May-24	15.1	13.7	7.2	46.2	1.6	3.9	(12.5)	
Domino's Pizza	DPZ US	NR	n/a	435.67	n/a	118,748	Dec-23	27.0	24.5	n/a	n/a	2.7	1.4	5.7	
Wendy's Co	WEN US	NR	n/a	16.93	n/a	26,809	Dec-23	17.1	15.8	14.0	60.7	2.3	6.0	(13.1)	
Shake Shack	SHAK US	NR	n/a	100.31	n/a	33,445	Dec-23	139.7	97.6	8.3	6.1	3.3	n/a	35.3	
Wingstop Inc	WING US	NR	n/a	367.20	n/a	83,863	Dec-23	97.7	79.9	n/a	n/a	2.8	0.3	43.1	
Jollibee Foods	JFC PM	NR	n/a	226.00	n/a	34,224	Dec-23	27.3	23.2	3.2	11.7	1.5	1.3	(10.1)	
								<b>Avg.</b>	<b>42.1</b>	<b>34.3</b>	<b>9.9</b>	<b>35.4</b>	<b>2.9</b>	<b>2.4</b>	<b>3.1</b>
								<b>Med.</b>	<b>24.2</b>	<b>21.6</b>	<b>7.8</b>	<b>44.0</b>	<b>2.8</b>	<b>2.2</b>	<b>(8.6)</b>

Source: Bloomberg, Company data, CMBIGM estimates

Figure 10: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
<b>Revenue</b>	<b>9,853</b>	<b>9,569</b>	<b>10,978</b>	<b>11,129</b>	<b>12,138</b>	<b>13,189</b>
Cost of goods sold	(2,812)	(2,836)	(3,224)	(3,341)	(3,598)	(3,914)
<b>Gross profit</b>	<b>7,041</b>	<b>6,733</b>	<b>7,754</b>	<b>7,788</b>	<b>8,540</b>	<b>9,275</b>
<b>Operating expenses</b>	<b>(6,298)</b>	<b>(6,010)</b>	<b>(6,648)</b>	<b>(6,656)</b>	<b>(7,291)</b>	<b>(7,858)</b>
Selling expense	0	0	0	0	0	0
Admin expense	(663)	(704)	(779)	(690)	(765)	(831)
Staff costs	(2,258)	(2,389)	(2,725)	(2,814)	(3,083)	(3,325)
Other rental related expenses	(959)	(884)	(935)	(928)	(985)	(1,047)
Others	(1,902)	(1,431)	(1,756)	(1,603)	(1,793)	(1,939)
<b>Operating profit</b>	<b>1,386</b>	<b>629</b>	<b>1,106</b>	<b>1,132</b>	<b>1,248</b>	<b>1,417</b>
Other income	643	(94)	0	0	0	0
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
<b>EBITDA</b>	<b>1,902</b>	<b>1,231</b>	<b>1,559</b>	<b>1,753</b>	<b>1,914</b>	<b>2,133</b>
Depreciation	(505)	(582)	(423)	(560)	(622)	(700)
Other amortisation	(11)	(20)	(30)	(61)	(44)	(17)
Interest income	60	84	169	119	148	177
Interest expense	0	0	0	0	0	0
<b>Net Interest income/(expense)</b>	<b>60</b>	<b>84</b>	<b>169</b>	<b>119</b>	<b>148</b>	<b>177</b>
Other income/expense	(54)	(26)	(49)	0	(49)	(53)
<b>Pre-tax profit</b>	<b>1,392</b>	<b>687</b>	<b>1,226</b>	<b>1,251</b>	<b>1,347</b>	<b>1,541</b>
Income tax	(369)	(209)	(325)	(319)	(337)	(385)
<b>After tax profit</b>	<b>1,023</b>	<b>478</b>	<b>901</b>	<b>932</b>	<b>1,011</b>	<b>1,156</b>
Minority interest	(33)	(36)	(74)	(63)	(67)	(77)
<b>Net profit</b>	<b>990</b>	<b>442</b>	<b>827</b>	<b>869</b>	<b>943</b>	<b>1,079</b>

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
<b>Current assets</b>	<b>4,716</b>	<b>3,940</b>	<b>3,431</b>	<b>4,203</b>	<b>4,938</b>	<b>5,823</b>
Cash & equivalents	1,136	1,130	1,128	1,885	2,549	3,354
Restricted cash	2,860	2,022	1,472	1,472	1,472	1,472
Account receivables	67	64	68	67	73	79
Inventories	432	417	424	436	469	511
Prepayment	221	307	339	344	375	407
Other current assets	0	0	0	0	0	0
<b>Non-current assets</b>	<b>8,507</b>	<b>7,886</b>	<b>8,600</b>	<b>8,535</b>	<b>8,685</b>	<b>8,825</b>
PP&E	2,251	2,118	2,310	2,473	2,640	2,798
Right-of-use assets	2,612	2,219	2,217	2,217	2,217	2,217
Investment in JVs & assos	292	266	332	332	332	332
Intangibles	272	159	150	89	46	29
Goodwill	2,142	1,988	1,932	1,765	1,791	1,791
Other non-current assets	938	1,136	1,659	1,659	1,659	1,659
<b>Total assets</b>	<b>13,223</b>	<b>11,826</b>	<b>12,031</b>	<b>12,739</b>	<b>13,623</b>	<b>14,649</b>
<b>Current liabilities</b>	<b>2,383</b>	<b>2,166</b>	<b>2,422</b>	<b>2,428</b>	<b>2,541</b>	<b>2,670</b>
Short-term borrowings	0	0	0	0	0	0
Account payables	830	727	786	784	844	918
Tax payable	51	68	90	90	90	90
Other current liabilities	1,502	1,371	1,546	1,554	1,607	1,662
<b>Non-current liabilities</b>	<b>2,918</b>	<b>2,500</b>	<b>2,490</b>	<b>2,490</b>	<b>2,490</b>	<b>2,490</b>
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,918	2,500	2,490	2,490	2,490	2,490
<b>Total liabilities</b>	<b>5,301</b>	<b>4,666</b>	<b>4,912</b>	<b>4,918</b>	<b>5,031</b>	<b>5,160</b>
Share capital	4,967	4,291	4,095	4,095	4,095	4,095
Retained earnings	2,892	2,191	2,310	2,710	3,394	4,176
Other reserves	63	678	714	1,016	1,103	1,217
<b>Total shareholders equity</b>	<b>7,922</b>	<b>7,160</b>	<b>7,119</b>	<b>7,821</b>	<b>8,592</b>	<b>9,488</b>
Minority interest	0	0	0	0	0	0
<b>Total equity and liabilities</b>	<b>13,223</b>	<b>11,826</b>	<b>12,031</b>	<b>12,739</b>	<b>13,623</b>	<b>14,649</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>1,392</b>	<b>687</b>	<b>1,226</b>	<b>1,251</b>	<b>1,347</b>	<b>1,541</b>
Depreciation & amortization	516	602	453	621	665	717
Tax paid	160	(20)	(10)	(319)	(337)	(385)
Change in working capital	53	0	49	(9)	42	49
Others	(990)	144	(245)	167	(26)	0
<b>Net cash from operations</b>	<b>1,131</b>	<b>1,413</b>	<b>1,473</b>	<b>1,710</b>	<b>1,693</b>	<b>1,922</b>
<b>Investing</b>						
Capital expenditure	(689)	(679)	(710)	(723)	(789)	(857)
Acquisition of subsidiaries/ investments	(115)	(23)	(20)	0	0	0
Others	(51)	180	(13)	0	0	0
<b>Net cash from investing</b>	<b>(855)</b>	<b>(522)</b>	<b>(743)</b>	<b>(723)</b>	<b>(789)</b>	<b>(857)</b>
<b>Financing</b>						
Dividend paid	(203)	(202)	(216)	(230)	(239)	(259)
Net borrowings	0	2	164	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(75)	(466)	(613)	0	0	0
Others	(35)	(178)	(51)	0	0	0
<b>Net cash from financing</b>	<b>(313)</b>	<b>(844)</b>	<b>(716)</b>	<b>(230)</b>	<b>(239)</b>	<b>(259)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,158	1,136	1,130	1,128	1,885	2,549
Exchange difference	15	(53)	(16)	0	0	0
Others	(37)	47	14	757	664	805
<b>Cash at the end of the year</b>	<b>1,136</b>	<b>1,130</b>	<b>1,128</b>	<b>1,885</b>	<b>2,549</b>	<b>3,354</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	19.2%	(2.9%)	14.7%	1.4%	9.1%	8.7%
Gross profit	18.9%	(4.4%)	15.2%	0.4%	9.7%	8.6%
Operating profit	44.2%	(54.6%)	75.8%	2.3%	10.3%	13.5%
EBITDA	34.8%	(35.3%)	26.6%	12.4%	9.2%	11.5%
Net profit	26.3%	(55.4%)	87.1%	5.1%	8.5%	14.4%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	71.5%	70.4%	70.6%	70.0%	70.4%	70.3%
Operating margin	14.1%	6.6%	10.1%	10.2%	10.3%	10.7%
EBITDA margin	19.3%	12.9%	14.2%	15.7%	15.8%	16.2%
Return on equity (ROE)	13.8%	5.9%	11.6%	11.6%	11.5%	11.9%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	2.0	1.8	1.4	1.7	1.9	2.2
Receivable turnover days	3.1	2.5	2.2	2.2	2.2	2.2
Inventory turnover days	53.9	54.6	47.6	47.6	47.6	47.6
Payable turnover days	99.8	100.2	85.6	85.6	85.6	85.6
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	14.2	31.2	16.5	15.4	12.8	10.1
P/E (diluted)	14.2	31.2	16.5	15.4	12.8	10.1
P/B	1.8	1.8	2.0	1.6	1.3	1.1
P/CFPS	12.5	9.8	9.3	7.8	7.1	5.7
Div yield (%)	1.4	1.5	1.6	1.8	2.2	2.8

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

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