

# DPC Dash (1405 HK)

## Prudence guidance with solid fundamentals

1H24 results were inline, but the underlying is good (positive SSSG, OP margin improvement, etc.). Going into 2H24E, while the NP margin guidance has been raised to about 2%, we are slightly more optimistic, supported by: 1) positive SSSG in Jul 2024, 2) a surge in the number of members, 3) robust dine-in sales in the new growth markets, 4) accelerated store expansion, 5) more machines for store-level automation, and 6) more targeted and efficient marketing, etc.

■ **The old markets were slightly under pressure, but more than offset by the robust new markets, hence the margins continued to improve.** SSSG was a small negative in Beijing and Shanghai, which might lead to certain operating deleverage. However, we need not to be worried because the SSSG is still very robust in the new markets. In fact, average monthly sales per store in new markets reached RMB 380k in 1H24, which has already surpassed the level in Beijing and Shanghai. Moreover, according to management, out of the 42 stores recently opened, more than 18 stores have already achieved breakeven, where their payback period is less than 9 months. Therefore, overall restaurant-level OP margin increased to 14.5% in 1H24, from 14.0% in 2H23 and 13.5% in 1H23.

■ **Management has raised its FY24E NP margin target, but we are relatively more confident.** Despite the tough industry environment, we are still confident that DPC Dash can continue to deliver solid sales growth in 2H24E, supported by: 1) positive SSSG in Jul 2024 and the positive guidance (management expects SSSG to stay positive in both 3Q24E/4Q24E), 2) a surge in the number of loyalty members by 78% YoY to 19.4mn in 1H24, which could further drive volume growth as these members all have a higher purchase frequency, 3) non-delivery mix is low in the new markets and delivery services can be re-opened whenever certain growth is needed, and 4) store expansion acceleration in 1H24. By expecting a similar level of NP margin in 2H24, vs in 1H24, management is actually raising its NP margin target in FY24E to around 2% (up from 1% to 1.5%), but we are slightly more confident as we see various positives like: 1) further ramp up of the new stores in new markets, 2) excellent staff cost control in 1H24, even with extra hiring and training of staff for all the new stores in FY24E, 3) introduction of more automation machines at the store level, and 4) more precise and targeted marketing already in place.

■ **Maintain TP of HK\$ 81.20, based on 1.7x FY25E P/S (unchanged).** 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. As the stock is going to be included in the stock connect programme since Sep 2024, the broadening of the investor base should be a benefit to the Company, and hence we have turned more optimistic.

### 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	154.7	44.3	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  
**Up/Downside** 17.7%  
**Current Price** HK\$69.00

### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	8,967.9
Avg 3 mths t/o (HK\$ mn)	7.2
52w High/Low (HK\$)	74.70/48.85
Total Issued Shares (mn)	130.0

Source: FactSet

#### Shareholding Structure

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

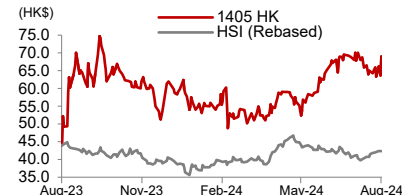
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	1.5%	-1.7%
3-mth	31.7%	36.8%
6-mth	21.5%	12.8%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

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- **Store expansion in FY24E remains on track.** The growth of net new store openings has been accelerated (from 31% in FY23 to 36% in 1H24), and the company has already achieved 95%+ of the 240 new stores target in FY24E. For FY25E/ 26E, management is guiding a 300 to 350 new stores target.
- **1H24 results inline with positive profit alert but the underlying is solid.** Sales increased by 48% YoY to RMB 2.04bn while net profit rose by 25% YoY to RMB 11mn, both inline with the pre-announced profit alert. The increase in staff costs (+30% YoY) was better than CMBI est. but that was kind of offset by higher-than-expected rental expenses (+40% YoY). SSSG was at 3.6% in 1H24, which is still an impressive number as it was achieved under a high base (+8.8% in 1H23) and already outperformed peers by a mile. The daily sales per store was at RMB 13,515, up 10% YoY in 1H24, and continued to improve from the RMB 12,842 in 2H23 and RMB 12,275 in 1H23. Noted that some investors might be worried by the 5% drop in ASP to RMB 83.6 in 1H24. However, this was only due to the increase in non-delivery sales contribution, to 46% (vs 64% in 1H23), as many of the new stores were too busy to cope with the dine-in orders and had suspended the delivery services. In fact the level of promotion was limited and under control as GP margin remained fairly stable, at 72.7% in 1H24 (vs 72.4% in 1H23).

## 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	4,268	5,654	7,339	0.0%	0.0%	0.0%
Gross profit	3,097	4,103	5,326	3,097	4,103	5,326	0.0%	0.0%	0.0%
EBIT	156	299	518	156	299	518	0.0%	0.0%	0.0%
Net profit att.	53	185	403	53	185	403	0.0%	0.0%	0.0%
Diluted EPS (RMB)	0.407	1.424	3.092	0.407	1.424	3.092	0.0%	0.0%	0.0%
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%	3.6%	5.3%	7.1%	0ppt	0ppt	0ppt
Net profit att. margin	1.2%	3.3%	5.5%	1.2%	3.3%	5.5%	0ppt	0ppt	0ppt

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	4,143	5,330	6,772	3.0%	6.1%	8.4%
Gross profit	3,097	4,103	5,326	3,007	3,874	4,917	3.0%	5.9%	8.3%
EBIT	156	299	518	92	230	381	68.7%	29.8%	36.0%
Net profit att.	53	185	403	92	154	267	-42.3%	20.1%	50.8%
Diluted EPS (RMB)	0.407	1.424	3.092	0.535	1.145	2.091	-23.8%	24.3%	47.9%
Gross margin	72.6%	72.6%	72.6%	72.6%	72.7%	72.6%	0ppt	-0.1ppt	0ppt
EBIT margin	3.6%	5.3%	7.1%	2.2%	4.3%	5.6%	1.4ppt	1ppt	1.4ppt
Net profit att. margin	1.2%	3.3%	5.5%	2.2%	2.9%	3.9%	-1ppt	0.4ppt	1.5ppt

Source: Bloomberg, CMBIGM estimates

## Results Summary

Figure 3: Results review – half year

Half yearly / Full yearly (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24E YoY	1H24E CMBIG M	Actual vs CMBI
Revenue	1,376	1,674	2,041	2,227	51%	51%	48%	33%	2,016	1%
COGS	-380	-456	-558	-613					-554	
Gross profit	996	1,218	1,484	1,614	51%	50%	49%	32%	1,462	2%
<b>GP margins</b>	<b>72.4%</b>	<b>72.7%</b>	<b>72.7%</b>	<b>72.5%</b>					<b>72.5%</b>	
Other income & gains	13	21	9	34					20	-55%
Staff costs	-546	-633	-712	-830	62%	41%	30%	31%	-732	-3%
<b>Staff costs / sales</b>	<b>-39.7%</b>	<b>-37.8%</b>	<b>-34.9%</b>	<b>-37.3%</b>					<b>-36.3%</b>	
Dep. of right-of-use assets expenses	-108	-128	-146	-146	19%	29%	34%	14%	-137	6%
<b>Dep. of ROU assets exp / sales</b>	<b>-7.9%</b>	<b>-7.7%</b>	<b>-7.1%</b>	<b>-6.6%</b>					<b>-6.8%</b>	
Other rentals expenses	-31	-40	-56	-47	118%	243%	81%	19%	-44	26%
<b>Other rentals exp / sales</b>	<b>-2.3%</b>	<b>-2.4%</b>	<b>-2.7%</b>	<b>-2.1%</b>					<b>-2.2%</b>	
D & A of other assets	-98	-113	-126	-153	22%	28%	28%	36%	-135	-7%
<b>D &amp; A of other assets exp / sales</b>	<b>-7.1%</b>	<b>-6.7%</b>	<b>-6.1%</b>	<b>-6.9%</b>					<b>-6.7%</b>	
Utilities expenses	-49	-66	-72	-84	32%	44%	46%	29%	-67	8%
<b>Utilities exp / sales</b>	<b>-3.6%</b>	<b>-3.9%</b>	<b>-3.5%</b>	<b>-3.8%</b>					<b>-3.3%</b>	
A & P expenses	-81	-78	-109	-105	50%	24%	35%	34%	-107	2%
<b>A &amp; P exp / sales</b>	<b>-5.9%</b>	<b>-4.7%</b>	<b>-5.4%</b>	<b>-4.7%</b>					<b>-5.3%</b>	
Store operation & main. exp	-85	-104	-129	-123	47%	44%	52%	18%	-117	10%
<b>Store op. &amp; main. exp / sales</b>	<b>-6.2%</b>	<b>-6.2%</b>	<b>-6.3%</b>	<b>-5.5%</b>					<b>-5.8%</b>	
Other opex	-68	-63	-67	-80	50%	-19%	-1%	27%	-77	-13%
<b>Other opex / sales</b>	<b>-4.9%</b>	<b>-3.8%</b>	<b>-3.3%</b>	<b>-3.6%</b>					<b>-3.8%</b>	
Operating profit (EBIT)	-57	15	76	79	65%	-120%	-233%	436%	67	15%
<b>OP margins</b>	<b>-4.2%</b>	<b>0.9%</b>	<b>3.7%</b>	<b>3.6%</b>					<b>3.3%</b>	
Other items	115	-15	-8	-9					-6	
Net finance income	-29	-25	-28	-23					-30	-8%
<b>Net finance income / sales</b>	<b>-2.1%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-1.0%</b>					<b>-1.5%</b>	
Profit after financing costs	28	-26	41	46					30	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	28	-26	41	46	-133%	-78%	46%	-279%	30	35%
Tax	-19	-10	-30	-4					-20	49%
<b>Tax / sales</b>	<b>-1.4%</b>	<b>-0.6%</b>	<b>-1.5%</b>	<b>-0.2%</b>					<b>-1.0%</b>	
<b>Effective tax rate</b>	<b>-68.9%</b>	<b>36.9%</b>	<b>-73.3%</b>	<b>-9.0%</b>					<b>-66.7%</b>	
Minority interests	0	0	0	0					0	
<b>Net profit att.</b>	<b>9</b>	<b>-35</b>	<b>11</b>	<b>42</b>	<b>-109%</b>	<b>-72%</b>	<b>25%</b>	<b>-219%</b>	<b>10</b>	<b>8%</b>
<b>NP margins</b>	<b>0.6%</b>	<b>-2.1%</b>	<b>0.5%</b>	<b>1.9%</b>					<b>0.5%</b>	
<b>Adj. net profit att.</b>	<b>-17</b>	<b>26</b>	<b>51</b>	<b>66</b>	<b>-79%</b>	<b>-185%</b>	<b>-392%</b>	<b>153%</b>	<b>10</b>	<b>405%</b>
<b>Adj. NP margins</b>	<b>-1.3%</b>	<b>1.6%</b>	<b>2.5%</b>	<b>3.0%</b>					<b>0.5%</b>	

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

Half yearly / Full yearly (RMB mn)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY
Revenue	3,051	4,268	5,654	40%	32%
COGS	-837	-1,171	-1,551		
Gross profit	2,214	3,097	4,103	40%	32%
<b>GP margins</b>	<b>72.6%</b>	<b>72.6%</b>	<b>72.6%</b>		
Other income & gains	34	43	57		
Staff costs	-1,179	-1,542	-2,001	31%	30%
<b>Staff costs / sales</b>	<b>-38.6%</b>	<b>-36.1%</b>	<b>-35.4%</b>		
Dep. of right-of-use assets expenses	-237	-292	-394	23%	35%
<b>Dep. of ROU assets exp / sales</b>	<b>-7.8%</b>	<b>-6.8%</b>	<b>-7.0%</b>		
Other rentals expenses	-71	-103	-137	46%	32%
<b>Other rentals exp / sales</b>	<b>-2.3%</b>	<b>-2.4%</b>	<b>-2.4%</b>		
D & A of other assets	-210	-278	-340	32%	22%
<b>D &amp; A of other assets exp / sales</b>	<b>-6.9%</b>	<b>-6.5%</b>	<b>-6.0%</b>		
Utilities expenses	-115	-156	-201	36%	29%
<b>Utilities exp / sales</b>	<b>-3.8%</b>	<b>-3.7%</b>	<b>-3.6%</b>		
A & P expenses	-159	-214	-278	35%	30%
<b>A &amp; P exp / sales</b>	<b>-5.2%</b>	<b>-5.0%</b>	<b>-4.9%</b>		
Store operation & main. exp	-189	-252	-322	33%	28%
<b>Store op. &amp; main. exp / sales</b>	<b>-6.2%</b>	<b>-5.9%</b>	<b>-5.7%</b>		
Other opex	-131	-147	-187	12%	27%
<b>Other opex / sales</b>	<b>-4.3%</b>	<b>-3.5%</b>	<b>-3.3%</b>		
Operating profit (EBIT)	-43	156	299	-465%	92%
<b>OP margins</b>	<b>-1.4%</b>	<b>3.6%</b>	<b>5.3%</b>		
Other items	100	-17	-23		
Net finance income	-55	-51	-51		
<b>Net finance income / sales</b>	<b>-1.8%</b>	<b>-1.2%</b>	<b>-0.9%</b>		
Profit after financing costs	2	87	225		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	2	87	225	3733%	158%
Tax	-29	-34	-40		
<b>Tax / sales</b>	<b>-0.9%</b>	<b>-0.8%</b>	<b>-0.7%</b>		
<b>Effective tax rate</b>	<b>-1269%</b>	<b>-39.2%</b>	<b>-17.6%</b>		
Minority interests	0	0	0		
<b>Net profit att.</b>	<b>-27</b>	<b>53</b>	<b>185</b>	<b>-299%</b>	<b>249%</b>
<b>NP margins</b>	<b>-0.9%</b>	<b>1.2%</b>	<b>3.3%</b>		
<b>Adj. net profit att.</b>	<b>-27</b>	<b>53</b>	<b>185</b>	<b>-299%</b>	<b>249%</b>
<b>Adj. NP margins</b>	<b>-0.9%</b>	<b>1.2%</b>	<b>3.3%</b>		

Source: Bloomberg, Company data, CMBIGM estimates

## Assumptions

Figure 5: CMBIGM's assumptions

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by segment (RMB mn)</b>						
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
<b>Sales growth by segment (%)</b>						
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%
<b>Average daily sales per store by market (RMB)</b>						
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
<b>Sales growth by dine-in and delivery (%)</b>						
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%
<b>Sales network by segment</b>						
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
<b>Restaurant profit margin by segment</b>						
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%
<b>Costs breakdown</b>						
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%
<b>NP att. margin</b>	<b>-29.2%</b>	<b>-11.0%</b>	<b>-0.9%</b>	<b>1.2%</b>	<b>3.3%</b>	<b>5.5%</b>
<b>Adj. NP margin</b>	<b>-8.9%</b>	<b>-5.6%</b>	<b>0.3%</b>	<b>2.7%</b>	<b>4.1%</b>	<b>5.9%</b>
<b>Adj. NP growth (%)</b>	<b>-28.3%</b>	<b>-20.6%</b>	<b>-107.7%</b>	<b>1235.6%</b>	<b>96.6%</b>	<b>89.2%</b>

Source: Company data, CMBIGM estimates

## Valuation

Figure 6: 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\$m)	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, CMBIGM

## 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



<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 (RMB mn)</b>						
<b>Operating</b>						
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)
<b>Net cash from operations</b>	<b>332</b>	<b>298</b>	<b>536</b>	<b>506</b>	<b>704</b>	<b>1,004</b>
<b>Investing</b>						
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
<b>Net cash from investing</b>	<b>(182)</b>	<b>(207)</b>	<b>(732)</b>	<b>(360)</b>	<b>(420)</b>	<b>(472)</b>
<b>Financing</b>						
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)
<b>Net cash from financing</b>	<b>243</b>	<b>(225)</b>	<b>217</b>	<b>(73)</b>	<b>(76)</b>	<b>(73)</b>
<b>Net change in cash</b>						
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
<b>Cash at the end of the year</b>	<b>657</b>	<b>544</b>	<b>587</b>	<b>661</b>	<b>869</b>	<b>1,329</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	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%
<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	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%
<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>						
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
<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	ns	ns	ns	154.7	44.3	20.4
P/E (diluted)	ns	ns	ns	154.7	44.3	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	11.7	8.2
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV	5,518.7	6,226.6	8,148.7	8,075.1	7,866.3	7,406.6
EV/Sales	3.4	3.1	2.7	1.9	1.4	1.0
EV/EBITDA	(120.8)	105.7	48.6	18.6	12.3	8.0

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



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