

Jiumaojiu (9922 HK)

SSS recovery and store revamp on track

We are delighted to see SSS decline to narrow in 2Q25E with some initial success in the store format upgrades. However, while the turnaround is still on track in general and fairly constructive, it is just kind of inline with the market's expectation. What is more important is the sustainability into 2H25E and FY26E and potential beat on top of that. We will monitor this closely going forward. Maintain HOLD but raise TP to HK\$ 2.99.

■ SSS has trended better in 2Q25E, potential turnaround is still on track.

According to the management, Tai Er brand's SSS decline has started to narrow, to double digit/ low double digit/ single digit in Apr/ May/ Jun 2025, after a 21.2% drop in 1Q25. With the policy change on cutting back discounts and promotion late last year, ASP has become more stable, and hence the SSS decline in 2Q25E is mostly related to volume. However, in terms of absolute level, the table turnover should have bottomed out since 4Q24 and improved QoQ into 2Q25E. We estimate Tai Er's table turnover to be at around 3.3x in 2Q25E, compared to 3.1x in 1Q25. The reasons behind such improvement were: 1) low base last year, 2) reduction in level of competition, resulting in much lower drag on the ASP, 3) extended holidays, inducing higher tourism and catering related demand, 4) spillover effect from the home appliances subsidies, where overall consumer sentiment was also improved.

■ **Positive progress was made in the transformation.** One important reform carried out by the Tai Er brand is the upgrade in store format, which is now emphasizing more on the fresh slaughter and freshness of food ingredients, and we believe the performance is so far so good. For the larger-sized ones, namely those 3 stores opened in Guangzhou, the upgrades will be more thorough, and the capex and time needed will also be higher (around RMB 1.8-2mn per store and 45 days). But the traffic, in return, is very encouraging, where the table turn could be as high as 4-5x/ 6-8x during weekdays/ weekend. For the smaller-sized ones, Tai Er has upgraded about 20 stores so far, and the capex and time needed are much less (around RMB 200-300k and just a few days), but the SSS can still experience about 30% boost after the revamp. Margin-wise, we do find it positive because the management did mention that a 12% increase in sales will be able to cover all the additional costs (higher raw material costs and D&A expenses). All in all, we do think that the revamp is positive and believe the program will extend to many other stores (or even to another brand like Song hot pot). Tai Er initially plans to revamp about 50 stores by 1H25E, 70+ by Jul 2025, and they are targeting for 100-150 more stores in 2H25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	5,986	6,074	6,140	6,911	7,088
YoY growth (%)	49.4	1.5	1.1	12.6	2.6
Operating profit (RMB mn)	701.8	209.8	327.3	532.6	592.9
Net profit (RMB mn)	480.0	44.8	142.0	298.0	358.1
EPS (Reported) (RMB cents)	31.18	3.88	10.28	21.58	25.93
YoY growth (%)	819.7	(87.5)	164.6	109.9	20.2
P/E (x)	7.9	63.2	23.9	11.4	9.5
P/B (x)	1.1	1.1	1.0	0.9	0.8
Yield (%)	5.5	1.5	2.1	4.4	5.3
ROE (%)	14.6	1.4	4.3	8.1	8.5
Net gearing (%)	41.8	26.7	41.2	53.9	64.8

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	HK\$2.99
(Previous TP)	HK\$2.56
Up/Downside	11.4%
Current Price	HK\$2.68

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	3,897.3
Avg 3 mths t/o (HK\$ mn)	57.0
52w High/Low (HK\$)	5.54/2.19
Total Issued Shares (mn)	1454.2

Source: FactSet

Shareholding Structure

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

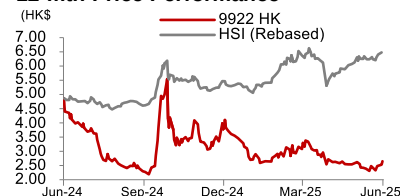
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.9%	-2.5%
3-mth	-18.8%	-20.7%
6-mth	-31.1%	-43.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **We think Jiumaojiu group is on track to achieve a bottom out in margin in 1H25E, vs 2H24.** While the macro environment and the catering industry itself are the biggest swing factors, we have become slightly more positive about Jiumaojiu group, esp. on its margin, because: 1)the table turnover may still be falling YoY in 1H25E, but it is highly likely to improve HoH, even though the Company plans to close another 70 stores in 1H25E, but the associated impairment costs have all been incurred last year, 2)the unit economics are still improving (e.g. number of staffs, rental expenses and the overall efficiency), therefore the breakeven level of table turnover is also trending down.
- **Shares repurchase program unveiled by broad, which is independent from the regular dividend payout.** On 6 Jun, the broad has passed the right to repurchase up to RMB 200mn worth of shares in the open market. Based on the last closing price of HK\$ 2.68, that is equivalent to about 6% of the current market cap of HK\$ 3.75bn. And we also believe that this share repurchase program is independent from regular dividend policy, where Jiumaojiu always intends to pay out at least 40% of the net profit. We have assumed a 50% payout for FY25E in our model, and that will imply a dividend yield of about 2%.
- **Maintain HOLD but fine-tune our TP to HK\$ 2.99.** We have revised up our FY25E/ 26E/ 27E net profit forecasts by 9,042%/ 33%/ 22%, in order to factor in lower store closure related impairment losses and slightly better OP margins (thanks to the initial success in the store revamp). On one hand, we did pay attention to the large amount of net cash (around RMB 1.0bn, RMB 1.4bn cash minus RMB 400mn debts) the Company has on hand. But on the other hand, the ex-cash FY25E P/E is still at around 16.5x, not particularly attractive. Therefore, we still have a HOLD rating on Jiumaojiu, but raise TP to HK\$ 2.99, based on 13x FY25E P/E (down from 15x, due to more store closures and slower expansion).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,140	6,911	7,088	6,225	7,133	7,703	-1.4%	-3.1%	-8.0%
Gross profit	3,949	4,446	4,555	4,006	4,591	4,957	-1.4%	-3.2%	-8.1%
EBIT	379	597	683	191	605	740	98.5%	-1.3%	-7.7%
Net profit att.	148	310	372	2	233	304	9,041.8%	33.1%	22.4%
Diluted EPS (RMB)	0.103	0.216	0.259	0.001	0.160	0.209	9154.1%	34.7%	23.9%
Gross margin	64.3%	64.3%	64.3%	64.4%	64.4%	64.4%	0ppt	0ppt	-0.1ppt
EBIT margin	6.2%	8.6%	9.6%	3.1%	8.5%	9.6%	3.1ppt	0.2ppt	0ppt
Net profit att. margin	2.4%	4.5%	5.3%	0.0%	3.3%	3.9%	2.4ppt	1.2ppt	1.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,140	6,911	7,088	6,290	6,788	7,370	-2.4%	1.8%	-3.8%
Gross profit	3,949	4,446	4,555	4,062	4,396	4,784	-2.8%	1.1%	-4.8%
EBIT	379	597	683	362	497	581	4.9%	20.1%	17.5%
Net profit att.	148	310	372	175	284	349	-15.8%	9.3%	6.8%
Diluted EPS (RMB)	0.103	0.216	0.259	0.121	0.179	0.224	-14.7%	20.8%	15.8%
Gross margin	64.3%	64.3%	64.3%	64.6%	64.8%	64.9%	-0.3ppt	-0.4ppt	-0.6ppt
EBIT margin	6.2%	8.6%	9.6%	5.8%	7.3%	7.9%	0.4ppt	1.3ppt	1.8ppt
Net profit att. margin	2.4%	4.5%	5.3%	2.8%	4.2%	4.7%	-0.4ppt	0.3ppt	0.5ppt

Source: Bloomberg, CMBIGM estimates

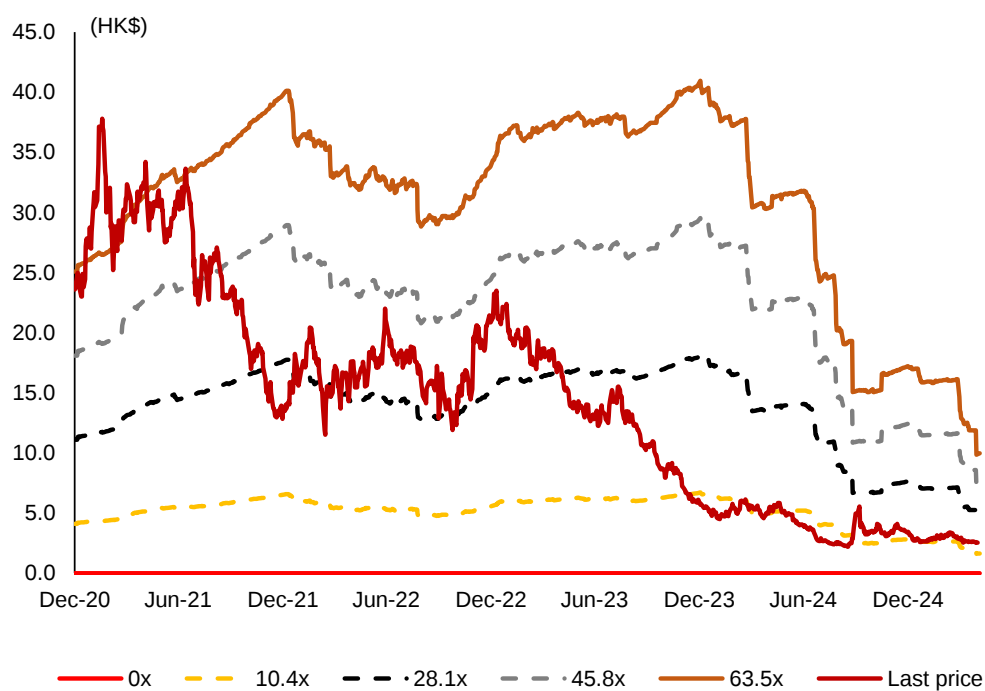
Valuation

Figure 3: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mnn)	End	FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
Leading Greater China Catering														
Jiumaojiu	9922 HK	HOLD	2.99	2.68	11%	3,704	Dec-24	24.5	11.7	0.9	1.7	0.3	2.0	(22.7)
Haidilao	6862 HK	BUY	20.20	15.58	30%	86,843	Dec-24	15.0	13.7	4.8	42.9	1.6	5.7	(2.0)
DPC Dash	1405 HK	BUY	118.57	87.90	35%	11,505	Dec-24	74.1	42.7	4.1	2.5	0.9	0.0	12.7
Luckin	LKNCY US	BUY	40.61	35.96	13%	79,943	Dec-24	168.8	138.9	7.1	34.7	(16.7)	0.0	40.1
Nayuki	2150 HK	BUY	3.43	1.25	174%	2,131	Dec-24	n/a	n/a	0.5	(21.0)	n/a	0.0	(8.1)
Helens	9869 HK	NR	n/a	1.46	n/a	1,848	Dec-24	5.1	8.4	2.3	(5.3)	(0.0)	13.5	(38.0)
Cafe De Coral	341 HK	BUY	9.30	7.13	30%	4,135	Mar-24	15.0	13.5	1.4	9.8	10.4	7.1	(8.7)
Xiabuxiabu	520 HK	BUY	4.89	0.66	641%	717	Dec-24	n/a	n/a	1.5	(40.6)	n/a	5.0	(34.0)
Tam Jai	2217 HK	NR	n/a	1.44	n/a	1,939	Mar-25	n/a	n/a	n/a	5.4	n/a	n/a	84.6
Yihai	1579 HK	NR	n/a	14.34	n/a	14,866	Dec-24	15.5	14.0	2.5	15.8	1.4	5.7	(4.9)
Yum China	9987 HK	BUY	418.25	352.80	19%	131,450	Dec-24	17.7	15.6	2.8	15.7	1.5	2.0	(5.7)
Yum China	YUMC US	BUY	53.53	44.24	21%	129,370	Dec-24	17.5	15.4	2.7	15.7	1.5	2.1	(8.2)
Gourmet Master	2723 TT	NR	n/a	89.70	n/a	4,231	Dec-24	17.9	14.2	1.3	5.6	0.5	4.8	(7.3)
Avg.								37.1	28.8	2.7	6.4	0.1	4.0	(0.2)
Med.								17.6	14.1	2.4	5.6	1.1	3.4	(7.3)
International Catering														
Yum! Brands	YUM US	NR	n/a	143.14	n/a	312,275	Dec-24	23.7	21.3	n/a	n/a	1.9	2.0	6.7
Mcdonald's	MCD US	NR	n/a	304.78	n/a	1,710,405	Dec-24	24.8	23.0	n/a	n/a	2.9	2.4	5.1
Starbucks Corp	SBUX US	NR	n/a	90.67	n/a	808,689	Sep-24	37.1	30.4	n/a	n/a	13.5	2.7	(0.6)
Rest' Brands	QSR US	NR	n/a	69.75	n/a	248,851	Dec-24	18.8	17.3	5.9	31.2	1.7	3.6	7.0
Chipotle	CMG US	NR	n/a	51.1	n/a	540,689	Dec-24	42.1	35.3	14.8	45.6	2.7	0.0	(15.2)
Darden	DRI US	NR	n/a	219.70	n/a	201,790	May-24	23.1	20.5	10.8	48.1	2.3	2.6	17.7
Domino's Pizza	DPZ US	NR	n/a	467.95	n/a	125,759	Dec-24	26.4	24.2	n/a	n/a	3.2	1.5	11.5
Wendy's Co	WEN US	NR	n/a	11.46	n/a	17,271	Dec-24	12.1	10.9	36.4	90.4	1.8	6.0	(29.7)
Shake Shack	SHAK US	NR	n/a	124.50	n/a	41,691	Dec-24	94	74	8.4	2.7	0.9	n/a	(4.1)
Wingstop Inc	WING US	NR	n/a	376.13	n/a	82,371	Dec-24	96.0	76.1	n/a	n/a	4.9	0.3	32.3
Jollibee Foods	JFC PM	NR	n/a	226.00	n/a	35,579	Dec-24	21.7	18.4	2.7	13.8	1.0	1.5	(16.0)
Avg.								38.2	31.9	13.2	38.6	3.4	2.2	1.3
Med.								24.8	23.0	9.6	38.4	2.3	2.2	5.1

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	4,006	5,986	6,074	6,140	6,911	7,088
Cost of goods sold	(1,447)	(2,142)	(2,162)	(2,190)	(2,465)	(2,532)
Gross profit	2,559	3,844	3,912	3,949	4,446	4,555
Operating expenses	(2,363)	(3,207)	(3,718)	(3,639)	(3,932)	(3,982)
Staff costs	(1,134)	(1,544)	(1,747)	(1,633)	(1,779)	(1,780)
Other rental related expenses	(83)	(139)	(133)	(134)	(151)	(154)
Others	(553)	(803)	(969)	(895)	(1,010)	(1,043)
Operating profit	241	702	210	327	533	593
Other income	46	65	16	17	19	19
Share of (losses)/profits of associates/JV	(3)	(2)	(4)	(4)	(4)	(5)
EBITDA	834	1,423	1,078	1,304	1,525	1,597
Depreciation	(190)	(236)	(292)	(370)	(360)	(334)
Depreciation of ROU assets	(403)	(485)	(576)	(607)	(632)	(670)
Interest income	26	62	54	52	64	90
Interest expense	(81)	(93)	(111)	(109)	(108)	(113)
Other income/expense	(88)	(32)	(75)	(75)	(85)	(87)
Pre-tax profit	94	636	74	191	399	479
Income tax	(39)	(156)	(29)	(49)	(101)	(121)
Minority interest	(6)	(27)	11	6	12	14
Net profit	56	480	45	142	298	358

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	2,585	2,806	2,309	2,887	3,676	4,520
Cash & equivalents	1,099	1,327	607	1,177	1,867	2,687
Account receivables	21	38	57	48	54	55
Inventories	118	132	115	125	141	145
Prepayment	392	533	614	620	698	716
ST bank deposits	11	231	307	307	307	307
Other current assets	945	545	610	610	610	610
Non-current assets	2,822	3,715	4,179	3,876	3,622	3,397
PP&E	737	1,129	1,190	892	644	424
Investment in JVs & assos	10	8	29	25	20	16
Intangibles	25	26	26	25	24	23
Other non-current assets	2,051	2,552	2,935	2,935	2,935	2,935
Total assets	5,407	6,521	6,489	6,763	7,299	7,917
Current liabilities	955	1,403	1,593	1,598	1,677	1,695
Short-term borrowings	0	0	0	0	0	0
Account payables	188	209	213	214	241	247
Tax payable	17	68	43	43	43	43
Other current liabilities	749	1,125	1,337	1,341	1,393	1,405
Non-current liabilities	1,253	1,761	1,745	1,739	1,727	1,713
Long-term borrowings	0	154	74	74	74	74
Other non-current liabilities	1,253	1,607	1,671	1,665	1,653	1,639
Total liabilities	2,208	3,164	3,337	3,337	3,404	3,408
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	273	738	1,297
Other reserves	3,199	3,357	3,151	3,153	3,157	3,212
Total shareholders equity	3,199	3,357	3,151	3,426	3,895	4,509
Minority interest	0	0	0	0	0	0
Total equity and liabilities	5,407	6,521	6,489	6,763	7,299	7,917

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	94	636	74	191	399	479
Depreciation & amortization	190	236	292	370	360	334
Tax paid	(88)	(107)	(100)	(49)	(101)	(121)
Change in working capital	9	(102)	(21)	(2)	(21)	(5)
Others	478	350	731	149	156	162
Net cash from operations	684	1,012	976	659	793	849
Investing						
Capital expenditure	(370)	(576)	(528)	(31)	(69)	(71)
Acquisition of subsidiaries/ investments	(11)	(10)	(13)	0	0	0
Others	(207)	436	(257)	0	0	0
Net cash from investing	(588)	(150)	(798)	(31)	(69)	(71)
Financing						
Dividend paid	(83)	(66)	(202)	52	74	155
Net borrowings	30	214	135	0	0	0
Proceeds from share issues	13	5	0	0	0	0
Share repurchases	0	(137)	(126)	0	0	0
Others	(441)	(662)	(711)	(109)	(108)	(113)
Net cash from financing	(481)	(646)	(905)	(58)	(35)	42
Net change in cash						
Cash at the beginning of the year	1,342	1,099	1,327	607	1,177	1,867
Exchange difference	141	12	7	0	0	0
Others	(384)	216	(726)	570	690	821
Cash at the end of the year	1,099	1,327	607	1,177	1,867	2,687
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(4.2%)	49.4%	1.5%	1.1%	12.6%	2.6%
Gross profit	(3.2%)	50.2%	1.8%	1.0%	12.6%	2.5%
Operating profit	(56.7%)	191.4%	(70.1%)	56.0%	62.8%	11.3%
EBITDA	(21.2%)	70.6%	(24.2%)	21.0%	16.9%	4.7%
Net profit	(85.1%)	763.2%	(90.7%)	216.9%	109.9%	20.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	63.9%	64.2%	64.4%	64.3%	64.3%	64.3%
Operating margin	6.0%	11.7%	3.5%	5.3%	7.7%	8.4%
EBITDA margin	20.8%	23.8%	17.8%	21.2%	22.1%	22.5%
Return on equity (ROE)	1.8%	14.6%	1.4%	4.3%	8.1%	8.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.4	0.3	0.4	0.5	0.6
Current ratio (x)	2.7	2.0	1.4	1.8	2.2	2.7
Receivable turnover days	1.5	1.8	2.8	2.8	2.8	2.8
Inventory turnover days	23.8	21.3	20.9	20.9	20.9	20.9
Payable turnover days	41.5	33.9	35.7	35.7	35.7	35.7
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	72.4	7.9	63.2	23.9	11.4	9.5
P/E (diluted)	72.4	7.9	63.2	23.9	11.4	9.5
P/B	1.1	1.1	1.1	1.0	0.9	0.8
P/CFPS	5.2	3.5	3.6	5.4	4.4	4.2
Div yield (%)	0.4	5.5	1.5	2.1	4.4	5.3
EV	2,742.1	2,449.5	2,967.0	2,396.8	1,707.2	886.6
EV/Sales	0.7	0.4	0.5	0.4	0.2	0.1
EV/EBITDA	3.3	1.7	2.8	1.8	1.1	0.6

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

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CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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