HONG KONG MARKET | CONSUMER

GUOQUAN FOOD (2517 HK)

Bringing Restaurant-Quality Dining to Your Home Table

Initiation: BUY

Target Price: HK$5.17

China's dominant one-stop provider of at-home meal solutions

The company's retail store count reached 10,150 by the end of 2024. Leading the nearly RMB 400 billion market with a 3% share, the company differentiate itself from the most extensive and decentralized network, including a significant presence in township markets (around 2,000 stores). Its robust supply chain benefits from scale-driven procurement and increasing self-production (currently 25% from seven factories). While hot pot remains a primary offering (80%), the product portfolio is expanding to include BBQ, Chinese, and Western options, supported by a brand image focusing on approachability and neighbourhood community.

Extensive offline stores complemented by online

After a restruction of sales network, the company's store count has stabilized at over 10,000, with renewed growth in late 2024, and we expected a net increase of 780 stores in 2025. While previously balanced across city tiers, future strategy will prioritize lower-tier markets for expansion. Single-store revenue, impacted by reduced at-home demand in 2023, saw its decline significantly narrow in 2024. Online presence includes the Guoquan APP, WeChat mini-programs, Douyin, and partnerships with delivery platforms like Meituan and Ele.me for broad consumer access.

Build strong supply chain moat

Leveraging its self-owned production facilities, Guoquan pioneered a 'single product, single factory' upstream supply chain cooperation model. This combined with the nationwide logistics network, creates an integrated supply and production chain. The company currently holds interests in seven factories across the country and plans further upstream supply chain investments in 2025.

Initiation coverage with "BUY" rating, target price HK$5.17

We forecast a revenue CAGR of 22.2% from 2025 to 2027E. Following supply chain integration, gross margin is expected to improve, while economies of scale will reduce overall operating expenses. We anticipate net profit growth to outpace revenue growth. Using a DCF valuation model with a beta of 1.2 and a WACC of 11.0%, we derive a target price of HK$5.17; initiate with "BUY" rating.

Fig 1: Key financials (RMB mn)

Year-end: 31 Dec.	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	6,094	6,470	7,809	9,412	11,661
YoY (%)	(15.0)	6.2	20.7	20.5	23.9
Net profit	240	231	423	535	681
YoY (%)	(96.7)	(3.8)	83.6	26.4	27.3
Diluted EPS (RMB)	0.089	0.084	0.154	0.195	0.248
ROA (%)	14.7	7.2	13.0	15.5	18.8
PE (X)	35.8	38.1	20.7	16.4	12.9
PB (X)	2.6	2.8	2.6	2.5	2.4
Dividend yield (%)	1.6	2.3	4.3	5.4	6.9
DPS (RMB)	0.052	0.075	0.137	0.173	0.220

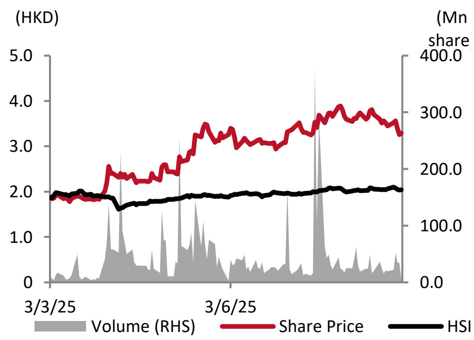
Source: Company data, Zhongtai International Research

Stock Data

Current Price	3.26	HKD
Mkt Cap	8,734	HKD mn
Free Float	52.7	%
Total Issued Shares	2,655	Mn
52w High/Low	1.65 – 6.09	HKD
Avg 3 mths t/o	143.5	HKD mn
Major Shareholders	Yang Mingchao	47.3%

Source: Bloomberg, Zhongtai International Research

Share Price & Turnover Trend



Source: Bloomberg, Zhongtai International Research

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Company Background

The company is a leading and rapidly growing brand in China's at-home meal solutions market, offering ready-to-eat, ready-to-heat, ready-to-cook, and prepared ingredients - with a dedicated focus on home hotpot and barbecue products. Through a well-curated product portfolio and an extensive network of community stores, it provides consumers with high-quality offerings that enable convenient, affordable, and delicious meals at home. Supported by robust supply chain and production capabilities, the company had established a nationwide network of 10,400 retail stores as of June 30, 2025, under the brand "Guoquan Food Hub (锅圈食汇)", delivering a wide range of at-home dining products tailored to diverse meal occasions.

The company currently holds over 3% market share in the at-home meal segment, ranking first in the industry. Its product mix is dominated by hotpot items, which accounted for over 90% of revenue in 2022. The barbecue category has been growing steadily, increasing from 4% to 22% by 2025, and has gradually emerged as the company's second growth driver, and accounted for about 20% of revenue in 2024. Building on these two core categories, the company has further expanded into complementary segments such as beverages, prepared stir-fry dishes, western-style cuisines, and snacks, forming a diversified portfolio of eight product lines, all deepening its focus on at-home dining services.

Fig 2: Management profile

Name	Position	Experience and responsible
Mingchao Yang	Chairman	Mr. Yang is primarily responsible for the Group's overall business strategy and operations. He founded the Group in January 2015 and has held various positions within the Group and several of our subsidiaries, including: Chairman of Henan Guoquan Supply Chain Management Co., Ltd. since January 2015; Director of the Company since July 2019; Director of Shanghai Guoquan Food Hub Commercial Management Co., Ltd. since June 2020; Chairman of Luyi Heyi Meat Industry Co., Ltd. since August 2021; Chairman of Luyi Chengming Food Co., Ltd. since November 2022; and Chairman of Guoquan Huanhuan Food (Hubei) Co., Ltd. since January 2024. Mr. Yang graduated with a bachelor's degree in Chinese Language and Literature from Zhengzhou University, China in June 1994.
Xianjin Meng	Executive Director & Executive Vice President	Mr. Meng is primarily responsible for the Group's market expansion and store operations. He co-founded the Group with Mr. Yang in January 2015 and has held multiple positions within the Group and several subsidiaries, including: Vice President of Henan Guoquan Supply Chain Management Co., Ltd. since January 2015; Director of Zhengzhou Guoquan Food Hub Network Technology Co., Ltd. since February 2017; Director of Shaanxi Guoquan Food Hub Commercial Management Co., Ltd. since August 2019; Supervisor of Beijing Guoquan Food Hub Commercial Management Co., Ltd. and Nanjing Guoquan Food Hub Commercial Management Co., Ltd. since August 2019; and Director of the Company since October 2019.
Haolei	Executive Director & Vice President	Mr. An is primarily responsible for the development and management of the Group's new online sales channels. He joined the Group in July 2018 as Vice President and has been serving as Executive Director and Vice President since March 2020. He also currently holds directorship positions in a number of the Group's subsidiaries.
Na Luo	Executive Director & Vice President	Ms. Luo is primarily responsible for managing the Group's product-related supply chain operations. She has held various roles within the Company and a number of its subsidiaries since March 2017, including: Head of the Product Center at Henan Guoquan Supply Chain Management Co., Ltd. since March 2017, and at the Company since July 2020; Director of Luyi Wanlaiwanqu Food Co., Ltd. and Luyi Heyi Meat Industry Co., Ltd. since August 2021; and Director of Guoquan Huanhuan Food (Hubei) Co., Ltd. since January 2024.
Hui Wang	Chief Financial Officer & Board Secretary	Mr. Wang is primarily responsible for the Group's overall financial management and capital market-related activities. He joined the Group in September 2020. Prior to this, Mr. Wang worked at PricewaterhouseCoopers Zhong Tian LLP from September 2006 to August 2014, where his last held position was Audit Manager. From August 2014 to May 2015, he was employed at Bayer (China) Co., Ltd. He then worked at Covestro Polymers (China) Co., Ltd. from June 2015 to August 2016. From September 2016 to September 2020, Mr. Wang served as Chief Financial Officer at Yang's Fry-Dumpling Enterprise Management and Development (Shanghai) Co., Ltd. Mr. Wang has been a Certified Public Accountant (non-practicing) registered with the Chinese Institute of Certified Public Accountants (CICPA) since December 2009. He obtained a bachelor's degree in mathematics and Applied Mathematics from East China University of Science and Technology in July 2006.

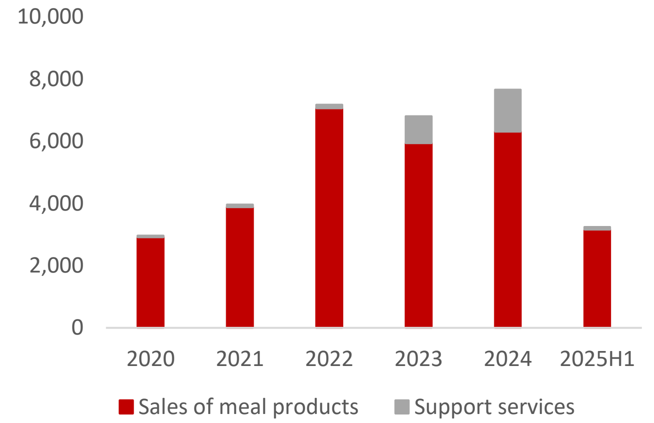
Source: Company data, Zhongtai International Research

Fig 3: Company's development milestone

Date	Milestones
2015	Henan Guoquan Supply Chain Management Co. was established in Zhengzhou, which subsequently became one of the company's subsidiary
2017	First store opened in Zhengzhou, Henan Province
2018	Expanded to over 100 retail stores
2019	Expanded retail store network to over 500 stores.
2020	Launched Guoquan APP. Customers can order from their mobile phone.
2022	Accumulated the number of contracted stores exceeded 10000
2023	Listed on the main board of the Hong Kong stock exchange

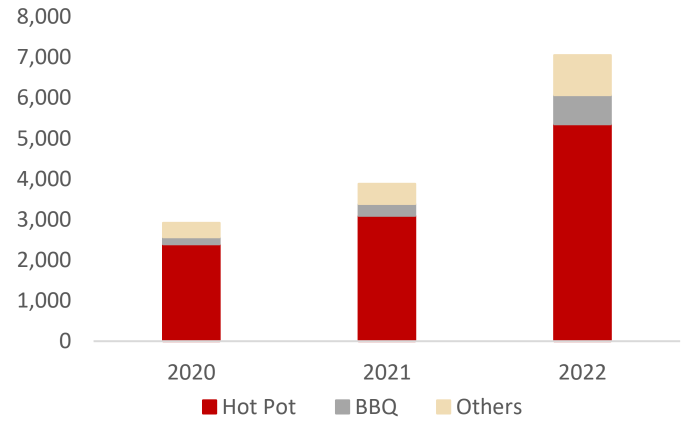
Source: Company data, Zhongtai International Research

Fig 4: Revenue breakdown by structure (RMB mn)



Source: Company data, Zhongtai International Research

Fig 5: Revenue breakdown by products (RMB mn)



Source: Company data, Zhongtai International Research

Fig 6: Company's business model

Source: Company data, Zhongtai International Research

Industry Perspective

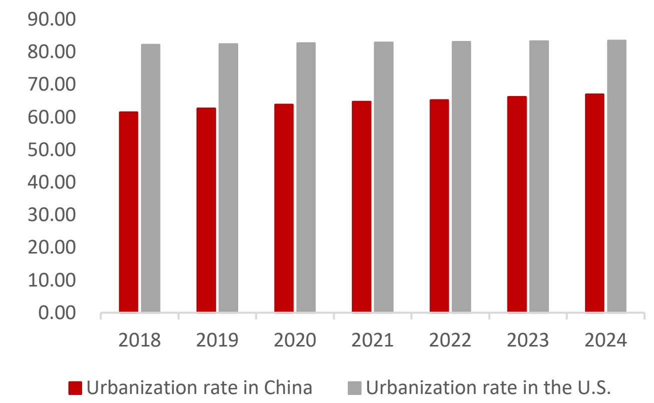
China's dining sector sets to a strong growth due to rising income

Supported by factors such as increasing urbanization, evolving lifestyles, and growing disposable income, China' s dining market has experienced robust growth over the years. The country' s urbanization rate has steadily risen from 61% in 2018 to 67%, continuing to fuel expansion in the dining sector. Compared to the United States, where the urbanization rate exceeds 83%, China still possesses significant growth potential. Furthermore, the consistent increase in annual per capita disposable income and per capita food expenditure has further accelerated the development of the dining industry.

The market size of China's dining sector grew steadily from RMB4,903.7 billion in 2018 to RMB6,615.1 billion in 2022, representing a compound annual growth rate (CAGR) of 7.8%. It is projected that the market will reach RMB9,683.8 billion by 2027, achieving a CAGR of 7.9% from 2022.

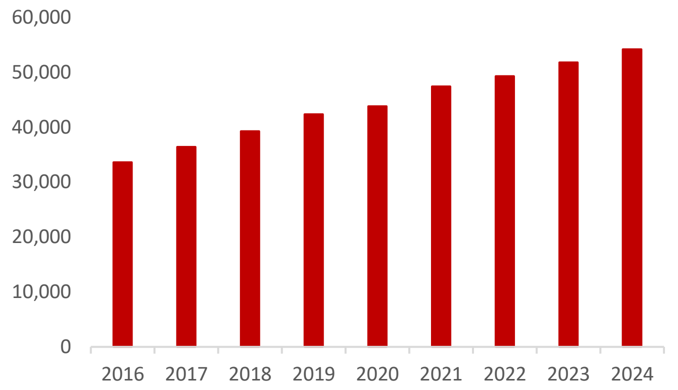
Currently, consumers primarily fulfill their dining needs through four main channels: purchasing groceries to cook at home; dining at restaurants; Using food delivery services; and opting for at-home dining products.

Fig 7: 2018-2024 urbanization rate in China and U.S.



Source: Wind, Zhongtai International Research

Fig 8: Per capita disposable income of urban households in China (RMB)



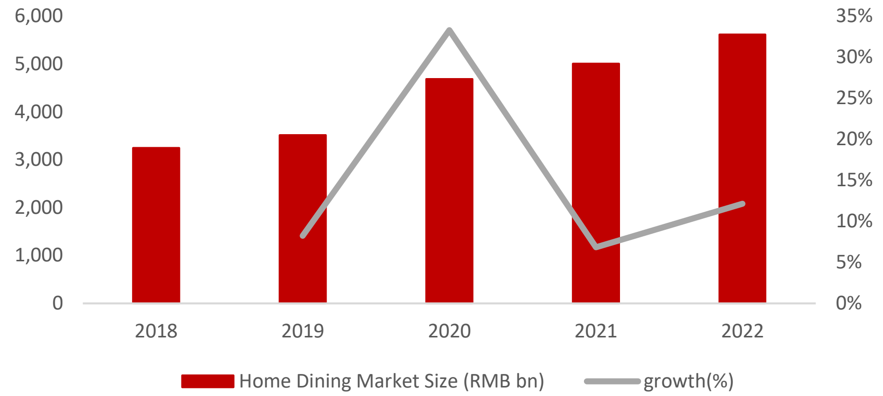
Source: Wind, Zhongtai International Research

Home dining market on the fast-growing track

The share of at-home dining within the overall dining market increased from 47.1% in 2018 to 60.3% in 2022, further consolidating its position as the largest segment. Driven by consumer preferences for convenience, minimal cooking effort, higher efficiency, and a growing desire for meal variety and innovation, at-home dining products have become the fastest-growing category within the at-home dining market.

From 2018 to 2022, this segment achieved a compound annual growth rate (CAGR) of 14.7%, with its market size exceeding RMB 5 trillion in 2022. This reflects not only substantial expansion potential but also considerable long-term capacity within the sector.

Fig 9: At-home dining market size and growth



Source: Company data, Zhongtai International Research

In China, the at-home dining market is primarily divided into three categories:

Prepared at-home meal products, fresh ingredients for home cooking, and food delivery services.

Among these, prepared at-home meal products — consisting of pre-made or semi-finished dishes — significantly reduce cooking time and skill requirements compared to preparing meals entirely from scratch. As a result, they are increasingly favored by consumers in fast-paced lifestyles. Furthermore, they offer greater variety and cost advantages over delivered restaurant meals.

Driven by consumer demand for convenience, minimal cooking effort, higher efficiency, and a growing desire for diverse and innovative meal options, the prepared at-home meal product segment is expected to be the fastest-growing category within the at-home dining market. It is projected to achieve a compound annual growth rate (CAGR) of 20.7% from 2022 to 2027.

Fig 10: Three Major Categories of At-Home Dining Products

Category	Definition
Prepared At-Home Meal Products	1. Prepared at-home meal products refer to ready-to-eat, ready-to-heat, ready-to-cook foods, c portioned ingredients. These products cater to the specific needs and pain points of consumers the younger generation, working professionals, and dual-income families) pursuing a balanced l today's fast-paced world. 2. Sales channels for prepared at-home meal products include offline retail channels and online platforms.
Fresh Ingredients for Home Cooking	1. One of the traditional Chinese dining methods, where consumers purchase fresh ingredients markets, grocery stores, supermarkets, or fresh food e-commerce platforms and cook at home. common among Chinese households, where consumers responsible for purchasing ingredients preparation often have more free time and place higher requirements on ingredient freshness. 2. Sales channels for this category include offline retail channels and online e-commerce platfor
Food Delivery Services	1. An increasingly popular option among younger consumers, where meals are delivered either restaurants themselves or through third-party delivery platforms.

Source: Company data, Zhongtai International Research

Fig 11: Growth of individual at-home dining product categories

Category	CAGR 2018-2022	CAGR 2022-2027E
At-Home Dining Market	14.70%	4.80%
Prepared At-Home Meal Products	25.50%	20.70%
Food Delivery Services	12.80%	1.60%
Fresh Ingredients for Home Cooking	27.40%	13.70%

Source: Company data, Zhongtai International Research

Hot pot and BBQ as the mainstream category of at-home dinging

At-home meal products refer to four types of food offerings - ready-to-eat, ready-to-heat, ready-to-cook, and pre-portioned ingredients—designed to improve cooking efficiency in daily home meal preparation. Among these, a mainstream sub-category includes at-home hot pot and barbecue products, which refer to ready-to-eat, ready-to-heat, or ready-to-cook items and pre-prepared ingredients intended for hot pot or barbecue meals at home. Examples include beef and lamb products, meatballs, seafood balls/pastes, hot pot broths, condiments, and barbecue sauces.

Fig 12: Four major types of at-home meal products

Category	Definition	Representative Products
Ready-to-Eat (RTE) Food	Pre-cooked and packaged food requires no further preparation or cooking before consumption.	Canned food, packaged pasta products, pre-packaged salads, etc.
Ready-to-Heat (RTH) Food	Pre-prepared food that only requires heating before consumption, using methods such as microwave, oven, boiling, or steaming.	Instant food (instant noodles & rice, self-heating meals), frozen food (frozen noodles & rice, frozen meat, frozen seafood), steam/sauce packets, etc.
Ready-to-Cook (RTC) Food	Semi-prepared ingredients that are pre-cut, seasoned, mixed, or even partially cooked (e.g., pre-fried, pre-grilled) and require final cooking.	Pre-made meal kits, fried/grilled items (seasoned steaks, fried chicken, sausages, bacon), bean products, etc.
Ready-to-Prepare (RTP) Ingredients	Raw cooking ingredients that have undergone preliminary processing such as washing and cutting.	

Source: Company data, Zhongtai International Research

The at-home meal products market is highly fragmented

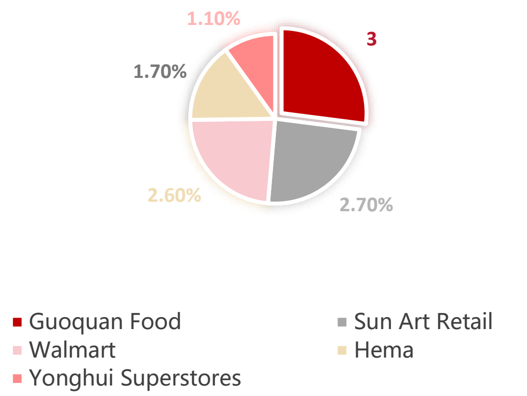
From an industry sales perspective, the competitive landscape of the at-home meal products market is very fragmented. Among all retailers in China, the top five players accounted for only 11.1% of the total market share in 2022, indicating low industry concentration.

Guoquan reported sales of RMB11.1 billion in 2022, capturing a 3.0% market share—surpassing the second-ranked player, Gojiao Retail, which held only 0.3%. The fifth - largest player, Yonghui Superstores, achieved just 38% of Guoquan's sales volume, underscoring Guoquan's clear leadership in the sector.

In terms of private label products, Guoquan Food was the largest retailer of at-home meal products under its own brand in 2022. Its sales exceeded the combined total of the second, third, and fourth largest retailers - Hema, Walmart, and Gaoxin Retail - which together generated RMB9.4 billion in revenue.

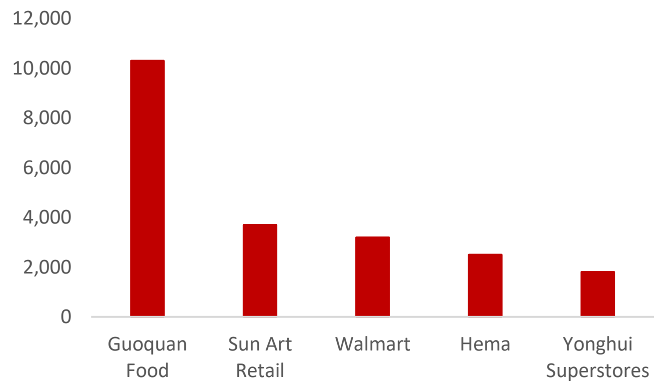
Additionally, Guoquan’s brand building efforts continue to lead the segment, further consolidating its competitive edge.

Fig 13: Competitive landscape of the at-hone dining market in 2022



Source: Company data, Zhongtai International Research

Fig 14: Revenue of own brand at-home dining products (RMB mn) in 2022



Source: Company data, Zhongtai International Research

Investment Thesis

Rapid sales channel expansion leads to improved profitability

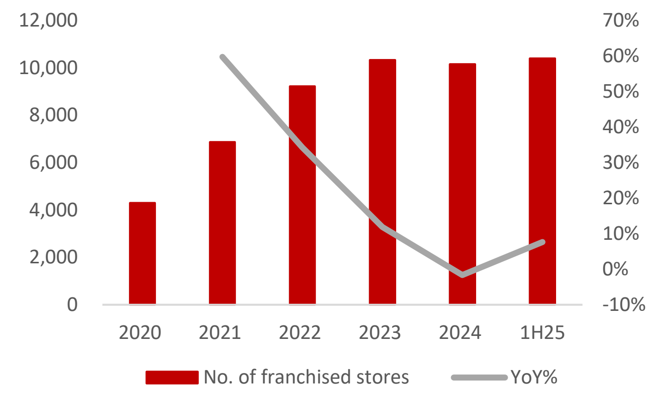
The company has achieved rapid asset-light expansion through its franchise model and has returned to a fast growth track after a period of adjustment during 2023-2024.

From 2020 to 2023, the company entered a phase of rapid store network expansion, increasing its store count from 4,300 to 10,340, representing a compound annual growth rate (CAGR) of over 34%. This growth was driven primarily by a franchise-based strategy, with 99.9% of stores operated by franchisees. The number of stores declined slightly by 1.6% in 2024 due to closure of some stores with low efficiency and profitability. And following a period of fluctuation due to upgrades of traditional stores and the transition to new store formats, the company resumed its expansion momentum. As of 1H 2025, the total number of stores reached 10,400, with a net addition of 740 stores year-on-year and 250 stores quarter-on-quarter. After two years of strategic adjustments, the company has reinitiated store network expansion and is accelerating new store openings.

Despite rapid store expansion leading to a high base effect, revenue per store experienced only minor fluctuations. During the fast-expansion periods of 2021 and 2022, revenue per store still showed an upward trend. In 2021, despite a 59.7% increase in number of stores, average revenue per store declined by only 19.8%. In 2022, while maintaining rapid expansion, average store revenue grew by 29.4% to RMB702,384, reflecting a maturing store-level economic model and continuously improving revenue generation capability.

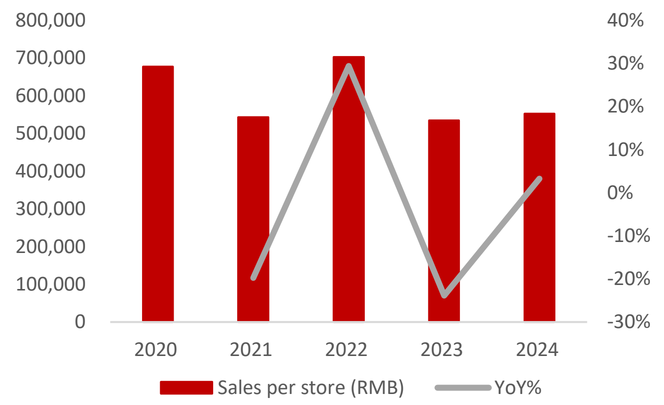
Even after the intensive expansion phase, average store revenue remained robust at RMB552,020 in 2024 and annualized RMB499,045 in 1H25, demonstrating sustained stability in per-store performance.

Fig 15: Number of franchised stores



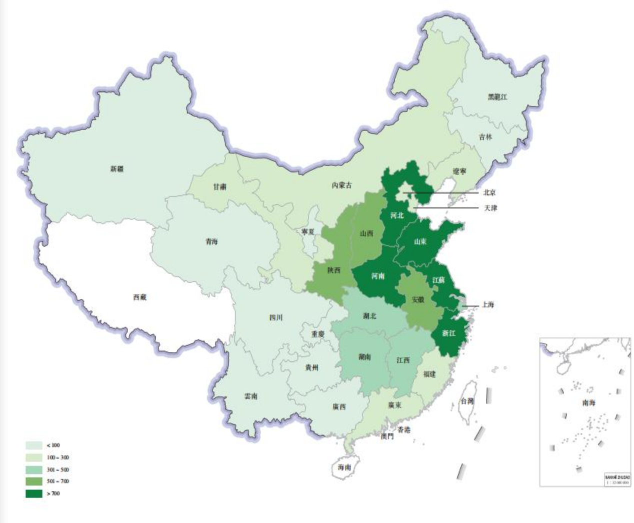
Source: Company data, Zhongtai International Research

Fig 16: Average revenue per store (RMB)



Source: Company data, Zhongtai International Research

Fig 17: Company's stores network



Source: Company data, Zhongtai International Research

Membership ecosystem forms a stable revenue base

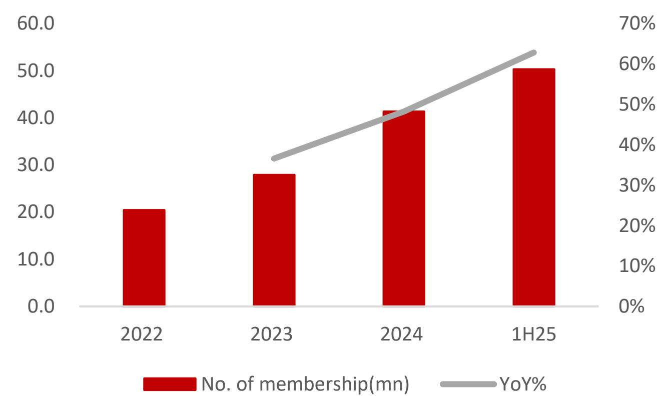
Strong increase in membership and sales

The company has established a membership system to target and retain its core customer base, supporting rapid growth in member numbers. To improve consumer stickiness and enhance customer experience, the company has launched a tiered membership program. Consumers can register as a member for free via in-store POS systems, WeChat Mini Programs, or third-party delivery platforms. Members are categorized into four tiers based on cumulative spending, earning points redeemable for product coupons. A digital membership system supported by an integrated database serves all online and offline customers. According to Frost & Sullivan, customer satisfaction reached 96% in 2022, with 95% of consumers expressing willingness to repurchase.

Membership growth has remained strong and consistent. While membership stood at 20.4 million in 2022, the number of registered members increased significantly to 50.3 million as of June 30, 2025, achieving a compound annual growth rate (CAGR) of 56.5% over just 2.5 years.

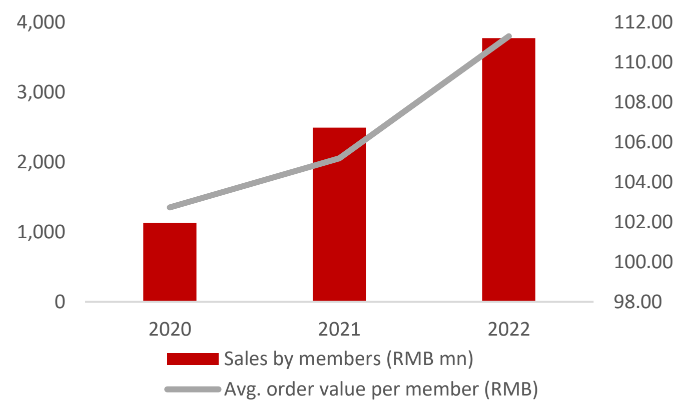
In terms of member spending, the number of orders placed by members rose from approximately 11 million in 2020 to 23.7 million in 2021, and further to 33.9 million in 2022. Cumulative sales revenue generated by members over the same period reached RMB 1.13 billion, RMB 2.493 billion, and RMB 3.773 billion, respectively. Average spending per member continued to climb, increasing from RMB 102.73 in 2020 to RMB 111.3 in 2022.

Fig 18: Number of memberships in 2022-2024



Source: Company data, Zhongtai International Research

Fig 19: Sales by members and order value per member in 2020-2022

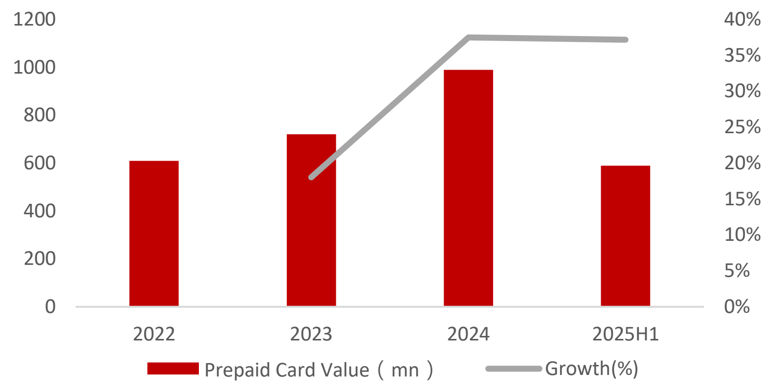


Source: Company data, Zhongtai International Research

Prepaid programs enhance membership loyalty

To strengthen customer retention, the company offers prepaid cards—rechargeable virtual cards for members and fixed-value physical cards for non-members. Members enjoy exclusive benefits such as cash rebates or gifts upon recharge, incentivizing continued card usage and repeat purchases. Prepaid balances can be used both online and offline across all stores. Prepaid recharge volume has grown rapidly, reaching RMB 990 million in 2024 (up 37.5% YoY) and RMB 590 million in 1H 2025 (up 37.2% YoY). The prepaid model effectively locks in member spending and further enhances loyalty.

Fig 20: Amount of prepaid card value and growth



Source: Company data, Zhongtai International Research

Continuous enhancing product mix

The company has established hot pot as its core category and successfully developed BBQ-prepared products as its second largest segment. Within four years, the contribution of BBQ products grew from less than 5% to 22% (as of 1H 2025), becoming the company's second largest revenue driver.

To further meet diverse consumer needs and preferences in at-home dining, the company has adopted a "Hot Pot +" and "BBQ +" combinatorial strategy - such as pairing hot pot with Sichuan dishes like "Hot Pot + Pickled Fish," or creating BBQ and camping-themed product sets. This approach has enabled continuous expansion into six additional categories, including beverages, single-serving meals, ready-to-cook kits, fresh ingredients, Western-style foods, and snacks. Together with the core hot pot and BBQ lines, these form a comprehensive portfolio of eight product categories, fully addressing various at-home dining occasions and positioning the brand as the go-to "community kitchen" for households.

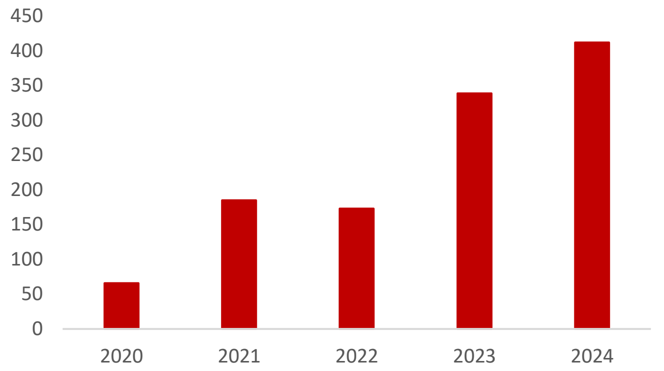
Additionally, the company has enhanced its beverage offerings by launching multiple NFC juice products and expanding its craft beer lineup. Beyond existing German-style wheat, passionfruit, and hawthorn-flavored beers, three new tea-infused craft beer varieties have been introduced, enriching consumers' purchase options.

Through product combinations and occasion-based innovations, the company continues to broaden its category reach. The number of SKUs has grown significantly each year, rising from 66 new SKUs in 2020 to 412 in 2024—a more than six-fold increase. Notably, 95% of products are self-developed, demonstrating high in-house R&D capability.

Fig 21: The company's product portfolio

Source: Company data, Zhongtai International Research

Fig 22: Number of new SKUs added



Source: Company data, Zhongtai International Research

Vertical integration to drive gross margin

The company has strategically secured in-house food ingredient production capabilities to enhance control over key manufacturing and supply processes. It continues to deepen its "single product per plant" strategy and currently operates seven self-owned factories, with plans to establish a new food ingredient production base in Danzhou, Hainan. By integrating upstream resources and increasing self-supply ratios, the company continues to strengthen its supply chain advantages and enhance profitability.

As of December 31, 2024, the Group operated six ingredient production facilities:

Hemei Factory (beef products)

Wanlaiwanqu Factory (meatball products)

Chengming Factory (hot pot base and condiments)

Huanhuan Factory (aquatic products)

Daixiaji Factory (shrimp-based products)

Taijiang Factory (specialty sour soup base)

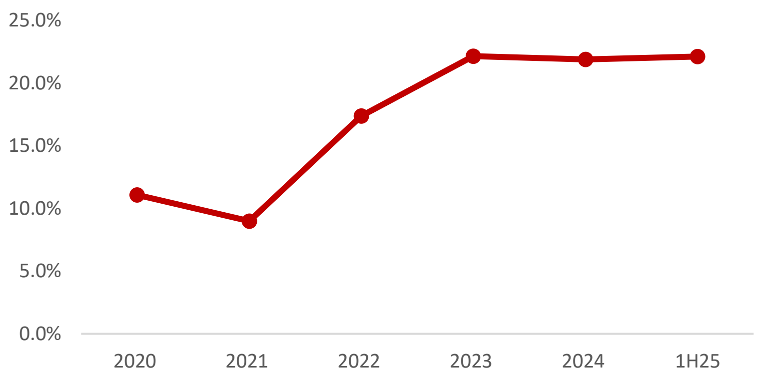
Through strategic vertical integration and industrial layout, the Group has continuously strengthened its bargaining power in upstream procurement while achieving greater economies of scale in production. This has led to ongoing optimization of production costs and support for improved gross margins.

Fig 23: Supply chain which the company owned or invested

Affiliated Company	Relationship	Ownership (%)	Registered Capital (RMB'000)
Taijiang Miaomiao Sour Soup Food Co., Ltd.	Grandchild Company	39.42	2,000.00
Sichuan Chengming Food Co., Ltd.	Grandchild Company	77.29	100
Luyi Wanlaiwanqu Food Co., Ltd.	Grandchild Company	51	5,000.00
Luyi Heyi Meat Industry Co., Ltd.	Grandchild Company	51	-
Luyi Chengming Food Co., Ltd.	Controlled Subsidiary	74.79	5,555.56
Luyi Chengming Business Management Co., Ltd.	Grandchild Company	77.29	100
Guoquan Huanhuan Food (Hubei) Co., Ltd.	Grandchild Company	60	1,500.00
Guangyuan Chengming Food Co., Ltd.	Grandchild Company	77.29	2,000.00
Hokkaido Xiaji Food Co., Ltd.	Associated Company	51	3,333.33

Source: Company data, Zhongtai International Research

Fig 24: Trend of gross margin during 2020 to 1H25



Source: Company data, Zhongtai International Research

Penetration in lower-tier cities provides more growth potential

Store innovation and expansion into lower-tier markets drive new growth

Through store format innovation, the company is tapping into the vast potential of lower-tier markets. In addition to conventional community stores, it has launched 24-hour unmanned retail stores, township stores, and farmers' market stores to serve diverse consumption scenarios. With a presence across all 31 provinces, autonomous regions, and municipalities in China, the company opened 270 township stores in the first half of 2025 and plans to further accelerate its penetration into underserved markets.

Fig 25: The offline store layout exhibition

Source: Company data, Zhongtai International Research

Fig 26: 24-hour automatic store layout exhibition

Source: Company data, Zhongtai International Research

Deepening presence in Chinese restaurant-like food makes the company differentiate

In the second half of the year, the company will launch the "Wok-Stirred Delights" brand, partnering with "Yaoyao Fresh" to penetrate the prepared Chinese full-service meal category. Following the success of BBQ, this move aims to establish a third major growth pillar.

Launched in 2024, Yaoyao Fresh specializes in prepared Chinese full-service dishes and targets wet markets by offering convenient meal solutions such as quick-cook dishes — pre-washed, cut, seasoned, and preserved ingredients that simplify home cooking. The brand offers two main categories: semi-prepared and pre-packaged dishes, covering seven series including homestyle stir-fries and nutritious breakfasts, with nearly 30 quick-cook varieties and 120–150 SKUs. The subsidiary plans to open 200 stores, marking the Group’s formal entry into the Chinese full-service meal segment.

In the latter half of the year, the company will further introduce robotic wok stations under “Guoquan Wok-Stirred Delights,” transitioning from pre-made to freshly cooked Chinese meals and fully addressing at-home dining needs. Rooted in local communities, this new format tackles common consumer pain points such as lack of cooking skills, inconsistent results, hassle, and high cost of dining out.

Leveraging Yaoyao Fresh’s standardized ingredient supply chain and smart cooking equipment and digital recipes co-developed with Xiong Miao Master, Guoquan Wok-Stirred Delights can prepare dishes fresh within five minutes at roughly half the price of conventional restaurants. The menu will include 200 homestyle dishes, covering breakfast, lunch, dinner, and late-night snacks. Customers can either order in-store for robot-cooked dine-in or takeaway options or purchase standardized ingredients and sauce kits to cook at home.

Membership Activities and Brand IP to Deepen Engagement and Increase Average Spending

Registered membership is expected to exceed 60 million in the second half of the year. To strengthen loyalty, the company is adopting a multi-pronged approach: enriching membership benefits and the points mall, launching initiatives such as “Member Days” and “Neighborhood Festivals” to drive store traffic, and developing content around its brand IP “Guobao” to enhance emotional connection.

This integrated strategy — combining user acquisition with deep community operations - effectively transforms large-scale users into highly engaged loyal customers, fostering a fandom-like community that delivers steady footfall to stores nationwide. These efforts are also increasing average spending per member and elevating overall store level profitability.

Valuation

Projected net profit to achieve a CAGR of 43.5% in 2024 – 2027E

Driven by store expansion into lower-tier markets and the rollout of unmanned stores, coupled with a deepening membership model and volume growth from new product categories, average store revenue is expected to stabilize and gradually increase. We forecast the company’s revenue to grow steadily from RMB6,470mn to RMB11,661 from 2024 to 2027E, achieving a CAGR of 21.7%.

Fig 27： Revenue Forecast

Year-end Dec.	2023	2024	2025E	2026E	2027E
Revenus (mn)	6,094	6,470	7,809	9,412	11,661
Number of Stores	10,320	10,150	10,930	12,430	14.930
Growth(%)	*11.9*	*-1.6*	*7.7*	*13.7*	*20.1*
Sales per store	534,787	552,020	576,861	597,051	614,962
Growth(%)	*-23.9*	*3.2*	*4.5*	*3.5*	*3.0*

Source: Company data, Zhongtai International Research

Gross margins improve steadily; economies of scale to reduce expense ratio

The company’s gross margin reached 22% in 2023. Driven by the deepened “single product per factory” strategy, increased proportion of self-developed supply chain products, and digitalization of the supply chain, further integration is expected to enhance gross margin. The gross margin is projected to exceed reach 22.2% in 2025E, with further improvements to 22.4%, 22.5% during 2026E - 2027E.

On the expense side, the deployment of unmanned stores is expected to reduce operating costs and improve efficiency. Deepened digital operations will further drive cost optimization, and continued business scaling will unlock additional economies of scale. As a result, the company’ s expense ratio is forecast to decline. While net profit is expected to deliver a strong growth of 86.6% in 2025E and 26.4% in 2026E, thanks to significant number of new stores opening. Its net profit is going to achieve a CAGR 43.5% in 2024-2027E.

Initiating coverage with a "Buy" rating; target price of HK$5.17

We assign a "Buy" rating with a target price of HK$5.17, based on a DCF valuation methodology. Our assumptions include a beta of 1.2 and a weighted average cost of capital (WACC) of 11.0%, reflecting the company’s stabilized business model and ability to generate sustainable cash flows from its store network.

Fig 28： DCF valuation

Year end: Dec (RMB mn)	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**
EBITDA	343	599	750	954	1,132	1,295	1,462	1,621	1,780	1,956
Chg working cap	167	(10)	(15)	(22)	(149)	(79)	(63)	109	213	515
Adjusted tax	(79)	(145)	(183)	(232)	(274)	(312)	(349)	(385)	(421)	(462)
Capex & product dev.	(123)	(149)	(179)	(222)	(261)	(298)	(331)	(359)	(385)	(413)
FCF	307	295	373	477	448	606	719	986	1,186	1,596
DCF 26-33	3,572									
Terminal growth	2.5%									
Terminal value	16,583									
Net cash/(debt)	2,134									
Enterprise Value	12,901									

		Risk-free rate	3.0%	Pre-tax cost of debt	3.5%
Total shares	2,743	Beta	1.20	Tax rate	24.5%
Value/share (RMB)	4.70	Risk premium	9.0%	After-tax cost of debt	2.5%
HKD/RMB	1.10	Cost of equity	13.8%	Debt to capital	30%
Value / share (HKD)	**5.17**	**WACC**	**11.0%**		

Source: Zhongtai International Research

Fig 29：Sensitivity Analysis of Equity Value per Share

		WACC					
HKD		9.0%	10.0%	11.0%	12.0%	13.0%	14.0%
Growth rate (%)	0.5%	5.69	5.07	4.57	4.17	3.83	3.55
	1.5%	6.16	5.42	4.84	4.38	4.00	3.68
	2.5%	6.78	5.86	5.17	4.62	4.19	3.83
	3.5%	7.62	6.44	5.58	4.93	4.42	4.02
	4.5%	8.83	7.23	6.13	5.32	4.71	4.24

Source: Company data, Zhongtai International Research

Risk Factors

Overreliance on franchise model

The company is heavily dependent on its franchise model. However, a significant number of franchisees are operating at a loss, leading to a wave of store closures that threatens the stability of the store network.

Cash flow pressure from expansion

The company’s operating cash flow has continued to deteriorate. Profitability has not kept pace with the speed of expansion, placing strain on its funding chain.

Food safety risks

Frequent food safety complaints and negative publicity pose potential threats to brand reputation and consumer trust.

Business model sustainability risks

The sustainability of the rapid-expansion business model is in doubt amid challenges such as persistent unprofitability and the loss of franchisees.

Fig 30：Financial statement (Year-end Dec, RMB mn)

Income Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Turnover	6,094	6,470	7,809	9,412	11,661
YoY%	(15)	6	21	21	24
COGS	(4,743)	(5,053)	(6,075)	(7,303)	(9,037)
Gross profit	1,351	1,417	1,734	2,108	2,624
Gross margin	22.2%	21.9%	22.2%	22.4%	22.5%
Other income	105	26	69	79	87
S&D	(579)	(664)	(726)	(866)	(1,061)
Admin	(497)	(454)	(484)	(574)	(700)
R&D	0	0	0	0	0
Other opex	(9)	(1)	(1)	(2)	(2)
Total opex	(1,085)	(1,120)	(1,212)	(1,442)	(1,763)
EBIT	371	323	591	746	948
EBIT margin	6.1%	5.0%	7.6%	7.9%	8.1%
Provisions	(2)	1	0	0	0
Finance costs	(5)	(4)	(4)	(4)	(4)
Profit after financing	363	320	587	741	943
Associated	0	0	0	0	0
Pre-tax profit	363	320	587	741	943
Tax	(100)	(78)	(144)	(182)	(231)
Minority interests	(24)	(11)	(20)	(25)	(32)
Net profit	240	231	423	535	681
YoY%	(97)	(4)	84	26	27
Net margin	3.9%	3.6%	5.4%	5.7%	5.8%
EBITDA	386	343	599	750	954
EBITDA margin	6.3%	5.3%	7.7%	8.0%	8.2%
EPS (RMB)	0.089	0.084	0.154	0.195	0.248
YoY%	2	(6)	84	26	27
DPS (RMB)	0.052	0.075	0.137	0.173	0.220

Balance Sheet	FY23A	FY24A	FY25E	FY26E	FY27E
Fixed assets	441	494	594	723	891
Intangible assets	196	189	182	177	173
Associated	2	302	302	302	302
Long-term	136	151	151	151	151
Other assets	1,002	348	348	348	348
Non-current assets	1,776	1,483	1,577	1,701	1,864
Inventories	720	692	849	1,040	1,287
AR	54	234	282	340	421
Prepayments & deposits	409	324	391	471	584
Other current assets	211	0	0	0	0
Cash	1,482	2,019	2,257	2,341	2,468
Current assets	2,875	3,268	3,780	4,193	4,761
AP	457	647	778	935	1,157
Tax	43	40	144	182	231
Accruals & payables	577	637	769	927	1,149
Bank loans & leases	90	80	80	80	80
CB & other debts	0	0	0	0	0
Others	0	0	0	0	0
Current liabilities	1,168	1,404	1,771	2,124	2,617
Bank loans & leases	20	23	19	19	19
CB & deferred income	18	25	25	25	25
Deferred tax & others	66	35	35	35	35
MI	117	120	140	165	196
Non-current	222	203	218	243	275
Total net assets	3,262	3,144	3,367	3,527	3,733
Shareholder's	3,262	3,144	3,367	3,527	3,733
Share capital	2,747	2,747	2,747	2,747	2,747
Reserves	515	397	620	779	985

Cash Flow	FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA	386	343	599	750	954
Chg in working cap	298	167	(10)	(15)	3
Others	9	102	0	0	0
Operating cash	693	612	589	735	956
Interests paid	(5)	(3)	(4)	(4)	(4)
Tax	(24)	(95)	(40)	(144)	(182)
Operation cashflow	664	514	544	587	770
Capex	(133)	(123)	(149)	(179)	(222)
Investments	(2)	(247)	0	0	0
Dividends received	0	0	0	0	0
Sales of assets	3	4	0	0	0
Interests received	9	14	47	51	53
Others	(416)	246	0	0	0
Investing cash	(539)	(106)	(101)	(128)	(169)
FCF	126	408	443	459	602
Issue of shares	424	0	0	0	0
Buy-back	0	0	0	0	0
Minority interests	0	0	0	0	0
Dividends paid	0	(143)	(200)	(376)	(475)
Net change in bank	(15)	(13)	(4)	0	0
Others	(49)	(106)	0	0	0
Financing cash	360	(262)	(204)	(376)	(475)
Net change in cash	486	146	239	83	127

Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
Gross margin (%)	22.2	21.9	22.2	22.4	22.5
Operating margin	6.1	5.0	7.6	7.9	8.1
Net margin (%)	3.9	3.6	5.4	5.7	5.8
S&D /Sales (%)	9.5	10.3	9.3	9.2	9.1
Admin /Sales (%)	8.2	7.0	6.2	6.1	6.0
Payout ratio (%)	53.0	80.7	80.7	80.7	80.7
Effective tax (%)	27.5	24.5	24.5	24.5	24.5
Total debt/equity	3.9	4.1	3.7	3.5	3.3
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	2.5	2.3	2.1	2.0	1.8
Quick ratio (x)	1.8	1.8	1.7	1.5	1.3
Inventory T/O	55	50	51	52	52
AR T/O (days)	3	13	13	13	13
AP T/O (days)	35	47	47	47	47
Cash conversion cycle	23	16	17	18	18
Asset turnover (x)	2.6	1.4	1.5	1.7	1.9
Financial leverage	1.4	1.5	1.6	1.6	1.7
EBIT margin (%)	6.1	5.0	7.6	7.9	8.1
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
Tax burden (x)	0.7	0.7	0.7	0.7	0.7
Return on equity	14.7	7.2	13.0	15.5	18.8
ROIC (%)	26.6	14.3	32.5	39.5	46.8

Source: Company data, Zhongtai International Research

Historical Rating and Target Price

Guoquan (2517 HK) target price and rating

Source: Bloomberg, Zhongtai International Research

	Date	Closing Price	Rating Change	Target Price
1	29-08-2025	3.26	Buy	HK$5.17

Source: Bloomberg, Zhongtai International Research

Rating Definitions

Rating Definitions for Company：

Potential returns on share price over the next 12 months after the publication date of this report；

Buy： Potential return of over 20%

Accumulate： Potential return of more than 10% but less than 20%

Neutral： Potential return between -10% and 10%

Sell： Potential loss of over 10%

Rating Definitions for Sector：

Fundamental outlook of the sector over the next 12 months after the publication date of this report；

Positive: The fundamental outlook of the sector is favourable

Neutral: The fundamental outlook of the sector is stable

Cautious: The fundamental outlook of the sector is unfavourable

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