

# Haidilao (6862 HK)

## Profit missed but all eyes on future reforms

Maintain BUY and adjusted TP to HK\$ 40.11, based on 45x FY22E P/E and our forecasted 23% NP att. CAGR during FY19-23E (vs prior 2.2x FY19-25E PEG and implied 61.1x FY22E P/E). The result preview is actually a profit warning as the net profit is still a miss, even though the market is fairly pessimistic already. But for 2H21E, we expect HDL's traffic to gradually improve, thanks to more micro management and slowdown in new store expansion.

- 1H21 results missed consensus.** Haidilao expected net profit of RMB 80-100mn in 1H21E (vs net losses of RMB 965mn in 1H20) and sales of RMB 20bn in 1H21E (+104% YoY). The Company attributed this result to: 1) expenses associated with new stores opened in 2H20 and 1H21E, 2) longer than usual breakeven (ramp up) period for new stores, 3) weak performance of overseas stores due to COVID-19. We estimate 1H21E sales/ net profit missed by 11%/ 93% vs consensus.
- Weaker-than-expected sales per store recovery.** Based on ~RMB 200bn sales and ~1,600 stores in 1H21E, average sales per store only reached 62% of that in 1H19 (implying a table turn of 2.9x, in our view), which is lower than management's comment of 70%+ recovery rate. We estimate table turn of 2.8x/ 3.1x/ 3.1x in Apr/ May/ Jun 2021.
- Greater-than-expected operating leverage and staff costs increase.** When traffic underperforms, many staff are getting close to base pay and that would become a drag on margins (such issues are enlarged for the new stores given a longer ramp up time). On top of that, the salary and profit sharing method were revised in May 2021 to retain employees and boost incentives, but that also led to greater margin pressure.
- New measures are imposed to boost store productivity.** Management is fully aware of the issues and is dealing with this underperformance, by 1) slowing down store expansion (200/ 100 new stores opened in 1Q21E/ 2Q21E) and 2) upgrading management quality (e.g. more micro management by promoting some clan leaders to be regional managers, imposing new KPIs on table turn for both old and new stores). Hence we do expect table turn and per store profitability to improve gradually in 2H21E.
- Maintain BUY and cut TP to HK\$ 40.11.** We cut our FY21E/ 22E/ 23E EPS by 36%/ 31%/ 21% to factor in 1) lower sales per store, 2) slower store expansion and 3) higher staff cost. We cut TP to HK\$ 40.11 but maintain BUY, based on 45x FY22E P/E (vs prior 2.2x FY19-25E PEG and implied 61.1x FY22E P/E). It is trading at 39x FY22E P/E, vs Int'l catering/ consumer staple peers median of 34x/ 19x, given a 23% 3 years NP CAGR.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	26,556	28,614	47,334	61,830	75,528
YoY growth (%)	56.5	7.8	65.4	30.6	22.2
Net income (RMB mn)	2,345	309	2,719	3,921	5,411
EPS (RMB)	0.44	0.06	0.51	0.74	1.02
YoY growth (%)	42.4	(86.8)	779.1	44.2	38.0
Consensus EPS	n/a	n/a	0.79	1.15	1.44
P/E (x)	70.5	500.6	56.1	38.9	28.2
P/B (x)	15.6	15.1	11.2	8.3	6.1
Yield (%)	0.2	0.5	0.5	0.8	1.1
ROE (%)	24.4	3.0	22.8	24.5	25.0
Net gearing (%)	Net cash	16.1	9.3	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price **HK\$40.11**  
 (Previous TP **HK\$78.40**)  
 Up/Downside **+15.6%**  
 Current Price **HK\$34.70**

### China Catering Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	189,425
Avg 3 mths t/o (HK\$ mn)	557.35
52w High/Low (HK\$)	85.8/33.0
Total Issued Shares (mn)	5,459.0

Source: Bloomberg

#### Shareholding Structure

Mr. Zhang Yong	42.83%
Ms. Shu Ping	13.29%
Mr. Shi Yong Hong	13.29%
Ms. Li Hai Yan	13.29%
Other management	7.00%
Free Float	10.30%

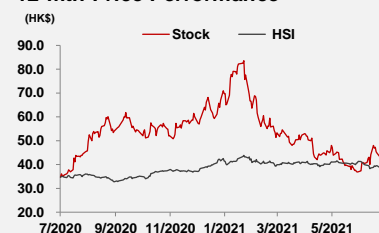
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	12.7%	20.8%
3-mth	-20.4%	-15.3%
6-mth	-41.3%	-35.2%
12-mth	18.7%	7.3%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte Touche Tohmatsu

#### Related Reports

- Haidilao (6862 HK, BUY) - Gradual recovery and store expansion intact – 29 Mar 2021
- China catering sector (Outperform) – Leaders to benefit even more during recovery – 12 Mar 2021

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<https://euromoney.com/brokers>

## Results preview

Figure 1: Result preview – Half Year

	1H20	2H20	1H21E	2H21E	1H19 YoY	2H19 YoY	1H20 YoY	2H20E YoY
Revenue	9,761	18,854	20,110	27,224	-17%	27%	106%	44%
COGS	(4,348)	(7,913)	(8,547)	(11,282)				
Gross profit	5,412	10,940	11,563	15,942	-20%	28%	114%	46%
<b>GP margins</b>	<b>55.5%</b>	<b>58.0%</b>	<b>57.5%</b>	<b>58.6%</b>				
Other income & gains	180	180	121	196				
Staff costs	(4,074)	(5,602)	(7,561)	(8,576)	12%	29%	86%	53%
<b>Staff costs / sales</b>	<b>-41.7%</b>	<b>-29.7%</b>	<b>-37.6%</b>	<b>-31.5%</b>				
Property rent & related exp.	(88)	(148)	(181)	(178)	-8%	3%	105%	21%
<b>Property rent &amp; related exp. / sales</b>	<b>-0.9%</b>	<b>-0.8%</b>	<b>-0.9%</b>	<b>-0.7%</b>				
Utilities exp.	(360)	(618)	(784)	(872)	-18%	31%	118%	41%
<b>Utilities exp. / sales</b>	<b>-3.7%</b>	<b>-3.3%</b>	<b>-3.9%</b>	<b>-3.2%</b>				
Depreciation & amortization	(1,297)	(1,737)	(1,408)	(1,501)	56%	64%	9%	-14%
<b>Depreciation &amp; amortization / sales</b>	<b>-13.3%</b>	<b>-9.2%</b>	<b>-7.0%</b>	<b>-5.5%</b>				
Travelling & related exp.	(79)	(107)	(161)	(218)	-16%	-15%	103%	103%
<b>Travelling &amp; related exp. / sales</b>	<b>-0.8%</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>-0.8%</b>				
Other opex	(511)	(741)	(1,066)	(875)	11%	38%	109%	18%
Operating profit (EBIT)	-816	2,167	523	3,918	-161%	9%	-164%	81%
<b>OP margins</b>	<b>-8.4%</b>	<b>11.5%</b>	<b>2.6%</b>	<b>14.4%</b>				
Other items	33	(278)	(201)	168				
Net finance income	(183)	(263)	(201)	(477)				
<b>Net finance income / sales</b>	<b>-1.9%</b>	<b>-1.4%</b>	<b>-1.0%</b>	<b>-1.8%</b>				
Profit after financing costs	-966	1,627	121	3,608				
Associated coms	42	33	4	7				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	-924	1,660	125	3,615	-174%	-17%	-113%	118%
Tax	(40)	(386)	(35)	(975)				
<b>Tax / sales</b>	<b>-0.4%</b>	<b>-2.0%</b>	<b>-0.2%</b>	<b>-3.6%</b>				
<b>Effective tax rate</b>	<b>4.3%</b>	<b>-23.2%</b>	<b>-28.0%</b>	<b>-27.0%</b>				
Minority interests	0	0	0	11				
<b>Net profit att.</b>	<b>(965)</b>	<b>1,274</b>	<b>89</b>	<b>2,629</b>	<b>-206%</b>	<b>-11%</b>	<b>-109%</b>	<b>106%</b>
<b>NP margins</b>	<b>-9.9%</b>	<b>6.8%</b>	<b>0.4%</b>	<b>9.7%</b>				

Source: Company data, CMBIS estimates

Figure 2: Result preview – Full Year

	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
<b>Revenue</b>	<b>28,614</b>	<b>47,334</b>	<b>61,830</b>	<b>8%</b>	<b>65%</b>	<b>31%</b>
COGS	(12,261)	(19,828)	(25,716)			
Gross profit	16,353	27,505	36,115	7%	68%	31%
<b>GP margins</b>	<b>57.1%</b>	<b>58.1%</b>	<b>58.4%</b>			
Other income & gains	361	316	413			
Staff costs	(9,677)	(16,137)	(21,032)	21%	67%	30%
<b>Staff costs / sales</b>	<b>-33.8%</b>	<b>-34.1%</b>	<b>-34.0%</b>			
Property rent & related exp.	(236)	(359)	(486)	-2%	52%	35%
<b>Property rent &amp; related exp. / sales</b>	<b>-0.8%</b>	<b>-0.8%</b>	<b>-0.8%</b>			
Utilities exp.	(978)	(1,657)	(2,164)	7%	69%	31%
<b>Utilities exp. / sales</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-3.5%</b>			
Depreciation & amortization	(3,034)	(2,908)	(3,833)	60%	-4%	32%
<b>Depreciation &amp; amortization / sales</b>	<b>-10.6%</b>	<b>-6.1%</b>	<b>-6.2%</b>			
Travelling & related exp.	(186)	(379)	(495)	-15%	103%	31%
<b>Travelling &amp; related exp. / sales</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-0.8%</b>			
Other opex	(1,252)	(1,941)	(2,473)	25%	55%	27%
Operating profit (EBIT)	1,351	4,440	6,044	-59%	229%	36%
<b>OP margins</b>	<b>4.7%</b>	<b>9.4%</b>	<b>9.8%</b>			
Other items	(245)	(33)	(43)			
Net finance income	(446)	(678)	(656)			
<b>Net finance income / sales</b>	<b>-1.6%</b>	<b>-1.4%</b>	<b>-1.1%</b>			
Profit after financing costs	660	3,729	5,344			
Associated coms	0	0	0			
Jointly controlled coms	75	11	12			
Pre-tax profit	735	3,740	5,357	-77%	409%	43%
Tax	(426)	(1,010)	(1,419)			
<b>Tax / sales</b>	<b>-1.5%</b>	<b>-2.1%</b>	<b>-2.3%</b>			
<b>Effective tax rate</b>	<b>-57.9%</b>	<b>-27.0%</b>	<b>-26.5%</b>			
Minority interests	0	11	16			
<b>Net profit att.</b>	<b>309</b>	<b>2,719</b>	<b>3,921</b>	<b>-87%</b>	<b>779%</b>	<b>44%</b>
<b>NP margins</b>	<b>1.1%</b>	<b>5.7%</b>	<b>6.3%</b>			

Source: Company data, CMBIS estimates

## Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	47,334	61,830	75,528	51,960	68,100	82,310	-8.9%	-9.2%	-8.2%
Gross profit	27,505	36,115	44,116	30,194	39,777	48,077	-8.9%	-9.2%	-8.2%
EBIT	4,370	5,952	7,890	6,284	8,129	9,638	-30.5%	-26.8%	-18.1%
Net profit att.	2,719	3,921	5,411	4,229	5,649	6,845	-35.7%	-30.6%	-20.9%
Diluted EPS (RMB)	0.513	0.740	1.021	0.798	1.066	1.291	-35.7%	-30.6%	-20.9%
Gross margin	58.1%	58.4%	58.4%	58.1%	58.4%	58.4%	0ppt	0ppt	0ppt
EBIT margin	9.2%	9.6%	10.4%	12.1%	11.9%	11.7%	-2.9ppt	-2.3ppt	-1.3ppt
Net profit att. margin	5.7%	6.3%	7.2%	8.1%	8.3%	8.3%	-2.4ppt	-2ppt	-1.2ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	47,334	61,830	75,528	53,927	73,497	90,464	-12.2%	-15.9%	-16.5%
Gross profit	27,505	36,115	44,116	31,267	42,653	52,537	-12.0%	-15.3%	-16.0%
EBIT	4,370	5,952	7,890	6,149	8,661	10,646	-28.9%	-31.3%	-25.9%
Net profit att.	2,719	3,921	5,411	4,130	5,775	7,508	-34.2%	-32.1%	-27.9%
Diluted EPS (RMB)	0.513	0.740	1.021	0.793	1.146	1.440	-35.3%	-35.4%	-29.1%
Gross margin	58.1%	58.4%	58.4%	58.0%	58.0%	58.1%	0.1ppt	0.4ppt	0.3ppt
EBIT margin	9.2%	9.6%	10.4%	11.4%	11.8%	11.8%	-2.2ppt	-2.2ppt	-1.3ppt
Net profit att. margin	5.7%	6.3%	7.2%	7.7%	7.9%	8.3%	-1.9ppt	-1.5ppt	-1.1ppt

Source: Company data, CMBIS estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Number of restaurants</b>					
China T1 cities	190	255	305	355	400
China T2 cities	332	499	699	899	1,079
China T3 and below	194	451	731	1,016	1,276
Outside PRC	52	93	114	140	176
Total	768	1,298	1,849	2,410	2,931
<b>Number of restaurants growth (YoY %)</b>					
China T1 cities	79.2%	34.2%	19.6%	16.4%	12.7%
China T2 cities	60.4%	50.3%	40.1%	28.6%	20.0%
China T3 and below	65.8%	132.5%	62.1%	39.0%	25.6%
Outside PRC	44.4%	78.8%	22.6%	22.8%	25.7%
Total	64.8%	69.0%	42.4%	30.3%	21.6%
<b>Sales per restaurants (RMB mn)</b>					
China T1 cities	34	23	26	26	26
China T2 cities	34	23	26	26	27
China T3 and below	30	18	23	23	23
Outside PRC	44	24	30	31	31
Total	33	21	25	25	25
<b>Sales per restaurants growth (YoY %)</b>					
China T1 cities	-10.4%	-31.8%	10.5%	0.0%	-0.1%
China T2 cities	-10.9%	-32.7%	15.8%	1.0%	1.0%
China T3 and below	3.2%	-39.4%	24.9%	0.6%	0.6%
Outside PRC	19.0%	-45.3%	26.7%	2.2%	0.3%
Total	-5.8%	-36.6%	17.4%	0.4%	0.5%
<b>Average spending per guest (RMB)</b>					
China T1 cities	110	116	120	124	129
China T2 cities	99	106	110	115	121
China T3 and below	95	100	103	105	108
Outside PRC	185	193	198	202	204
Overall	105	110	116	119	123
<b>Average spending per guest growth (YoY %)</b>					
China T1 cities	3.8%	5.5%	3.5%	3.5%	3.5%
China T2 cities	4.9%	6.3%	4.5%	4.5%	4.5%
China T3 and below	3.0%	5.6%	2.5%	2.5%	2.5%
Outside PRC	-7.0%	3.9%	3.0%	2.0%	1.0%
Overall	4.1%	4.7%	5.2%	2.8%	3.2%
<b>GP margins</b>	<b>57.7%</b>	<b>57.1%</b>	<b>58.1%</b>	<b>58.4%</b>	<b>58.4%</b>
Staff costs/ sales	-30.1%	-33.8%	-34.1%	-34.0%	-33.0%
Property rent and related expenses/ sales	-0.9%	-0.8%	-0.8%	-0.8%	-0.8%
Utilities expenses / sales	-3.4%	-3.4%	-3.5%	-3.5%	-3.5%
Depreciation and amortization/ sales	-7.1%	-10.6%	-6.1%	-6.2%	-6.2%
Travelling and related expenses/ sales	-0.8%	-0.7%	-0.8%	-0.8%	-0.8%
Other expenses/ sales	-3.8%	-4.4%	-4.1%	-4.0%	-4.1%
Effective tax rate	-27.7%	-57.9%	-27.0%	-26.5%	-26.5%

Source: Company data, CMBIS estimates

## Valuation

Figure 6: Peers' valuation

Company	Ticker	Rating	12m TP	Price	Up/Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE	3yrs	Yield	
			(LC)	(LC)	side			(HK\$ mn)	End	FY1E	FY2E	FY1E	FY2E	(%)	PEG (x)
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Haidilao	6862 HK	BUY	40.11	34.70	16%	189,427	Dec-20	56.1	38.9	11.2	8.3	22.8	0.4	0.5	
Cafe De Coral	341 HK	BUY	19.05	15.54	23%	9,102	Mar-21	25.3	19.9	2.8	2.6	11.4	1.9	2.3	
Jiumaojiu	9922 HK	BUY	40.07	28.40	41%	41,277	Dec-20	70.7	45.4	9.5	7.9	14.4	0.6	0.4	
Xiabuxiabu	520 HK	NR	n/a	6.76	n/a	7,338	Dec-20	12.9	10.2	2.2	1.9	17.9	0.0	2.4	
Yihai	1579 HK	BUY	108.52	45.50	139%	47,634	Dec-20	34.8	27.3	9.0	7.0	27.8	1.3	0.8	
Yum China	9987 HK	BUY	596.58	505.50	18%	212,613	Dec-20	32.0	27.5	4.0	3.6	13.2	3.2	0.8	
Gourmet Master	2723 TT	NR	n/a	157.50	n/a	7,853	Dec-20	22.2	19.2	2.3	2.2	11.3	1.0	2.9	
								<b>Avg.</b>	<b>36.3</b>	<b>26.9</b>	<b>5.9</b>	<b>4.8</b>	<b>17.0</b>	<b>1.2</b>	<b>1.4</b>
								<b>Med.</b>	<b>32.0</b>	<b>27.3</b>	<b>4.0</b>	<b>3.6</b>	<b>14.4</b>	<b>1.0</b>	<b>0.8</b>
<b>Other H-shares Restaurants and Food Ingredients</b>															
Fairwood	52 HK	NR	n/a	17.52	n/a	2,270	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Hop Hing	47 HK	NR	n/a	0.05	n/a	514	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tsui Wah	1314 HK	NR	n/a	0.29	n/a	409	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Ajisen China	538 HK	NR	n/a	1.39	n/a	1,517	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tao Heung	573 HK	NR	n/a	1.02	n/a	1,037	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tang Palace	1181 HK	NR	n/a	0.82	n/a	882	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
								<b>Avg.</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
								<b>Med.</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Yum	YUM US	NR	n/a	122.79	n/a	284,433	Dec-20	29.1	26.1	n/a	n/a	(17.7)	1.4	1.6	
Mcdonald'S	MCD US	NR	n/a	242.96	n/a	1,409,679	Dec-20	28.1	25.4	n/a	n/a	(139.6)	1.6	2.2	
Starbucks	SBUX US	NR	n/a	125.97	n/a	1,154,166	Sep-20	42.0	35.0	n/a	n/a	(47.4)	0.6	1.5	
Rest. Brands	QSR US	NR	n/a	65.93	n/a	236,869	Dec-20	24.9	21.3	10.4	10.8	31.1	0.9	3.2	
Wingstop	WING US	NR	n/a	169.84	n/a	39,272	Dec-20	118.2	91.6	n/a	n/a	(12.9)	2.9	0.4	
Shake Shack	SHAK US	NR	n/a	101.02	n/a	33,011	Dec-20	n/a	229.1	10.1	9.5	0.8	n/a	n/a	
Chipotle Mexican	CMG US	NR	n/a	1830.9	n/a	399,983	Dec-20	72.0	55.1	22.6	18.7	29.2	1.5	0.0	
Darden Rest.	DRI US	NR	n/a	144.52	n/a	146,946	May-21	19.4	17.3	6.2	5.7	36.7	0.8	3.0	
Domino'S Pizza	DPZ US	NR	n/a	525.45	n/a	150,579	Jan-21	38.7	33.6	n/a	n/a	(13.6)	3.2	0.7	
Wendy'S	WEN US	NR	n/a	22.82	n/a	39,279	Jan-21	30.9	26.9	9.3	10.7	28.1	1.3	1.7	
Jollibee Foods	JFC PM	NR	n/a	193.60	n/a	33,166	Dec-20	54.8	34.8	3.7	3.4	7.0	(0.3)	0.7	
								<b>Avg.</b>	<b>45.8</b>	<b>54.2</b>	<b>10.4</b>	<b>9.8</b>	<b>(8.9)</b>	<b>1.4</b>	<b>1.5</b>
								<b>Med.</b>	<b>34.8</b>	<b>33.6</b>	<b>9.7</b>	<b>10.1</b>	<b>0.8</b>	<b>1.4</b>	<b>1.6</b>
<b>H-shares Consumer Staples</b>															
UPC	220 HK	NR	n/a	7.39	n/a	31,920	Dec-20	15.5	14.1	1.9	1.9	12.2	1.4	6.3	
Tingyi	322 HK	NR	n/a	14.46	n/a	81,368	Dec-20	17.5	16.0	3.1	3.0	18.2	2.5	5.9	
Want Want China	151 HK	NR	n/a	5.36	n/a	64,364	Mar-21	12.8	12.0	3.3	3.1	27.2	1.8	5.1	
China Mengniu	2319 HK	NR	n/a	42.80	n/a	168,992	Dec-20	27.4	22.7	3.7	3.3	14.3	0.9	0.9	
Vitasoy	345 HK	NR	n/a	22.60	n/a	24,124	Mar-21	38.3	30.6	6.3	5.8	16.7	2.2	1.7	
Tsingtao Brewery	168 HK	NR	n/a	68.00	n/a	123,440	Dec-20	27.9	24.1	3.5	3.2	12.7	1.3	1.4	
CR Beer	291 HK	NR	n/a	62.25	n/a	201,950	Dec-20	46.0	36.8	7.1	6.3	15.5	1.1	0.9	
Dali Foods	3799 HK	NR	n/a	4.38	n/a	59,980	Dec-20	12.5	11.4	2.6	2.3	21.3	1.4	4.4	
								<b>Avg.</b>	<b>24.7</b>	<b>21.0</b>	<b>3.9</b>	<b>3.6</b>	<b>17.2</b>	<b>1.6</b>	<b>3.3</b>
								<b>Med.</b>	<b>22.5</b>	<b>19.4</b>	<b>3.4</b>	<b>3.2</b>	<b>16.1</b>	<b>1.4</b>	<b>3.0</b>

Source: Bloomberg, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>26,556</b>	<b>28,614</b>	<b>47,334</b>	<b>61,830</b>	<b>75,528</b>
China & loyalty program	23,336	25,228	42,437	55,701	67,893
Overseas	2,274	2,226	3,458	4,338	5,472
Delivery business	449	718	886	1,155	1,433
Condiment & food	498	442	553	636	731
<b>Cost of goods sold</b>	<b>(11,239)</b>	<b>(12,261)</b>	<b>(19,828)</b>	<b>(25,716)</b>	<b>(31,413)</b>
<b>Gross profit</b>	<b>15,317</b>	<b>16,353</b>	<b>27,505</b>	<b>36,115</b>	<b>44,116</b>
<b>Other income</b>	<b>119</b>	<b>320</b>	<b>246</b>	<b>322</b>	<b>393</b>
<b>Operating expenses</b>	<b>(12,256)</b>	<b>(15,363)</b>	<b>(23,381)</b>	<b>(30,484)</b>	<b>(36,618)</b>
D & A	(1,891)	(3,034)	(2,908)	(3,833)	(4,717)
Staff costs	(7,993)	(9,677)	(16,137)	(21,032)	(24,946)
S & D costs (ex-staff, D&A)	(240)	(236)	(359)	(486)	(610)
Admin exp. (ex-staff, D&A)	(912)	(978)	(1,657)	(2,164)	(2,643)
Other operating expenses	(1,220)	(1,438)	(2,319)	(2,968)	(3,701)
<b>EBIT</b>	<b>3,180</b>	<b>1,310</b>	<b>4,370</b>	<b>5,952</b>	<b>7,890</b>
Finance costs, net	(93)	(404)	(608)	(565)	(460)
JVs & associates	65	75	11	12	15
Exceptional	95	(245)	(33)	(43)	(53)
<b>Pre-tax profit</b>	<b>3,247</b>	<b>735</b>	<b>3,740</b>	<b>5,357</b>	<b>7,392</b>
Income tax	(900)	(426)	(1,010)	(1,419)	(1,959)
Less: Minority interests	2	0	11	16	22
<b>Net profit</b>	<b>2,345</b>	<b>309</b>	<b>2,719</b>	<b>3,921</b>	<b>5,411</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>EBIT</b>	<b>3,180</b>	<b>1,310</b>	<b>4,370</b>	<b>5,952</b>	<b>7,890</b>
D & A	1,891	3,034	2,908	3,833	4,717
Change in working capital	368	(704)	173	193	185
Income tax paid	(874)	(657)	(1,010)	(1,419)	(1,959)
Others	15	(61)	1,477	1,723	2,527
<b>Net cash from operating</b>	<b>4,580</b>	<b>2,921</b>	<b>7,919</b>	<b>10,281</b>	<b>13,361</b>
Capex & investments	(4,881)	(6,070)	(6,153)	(7,420)	(6,042)
Associated companies	-	-	-	-	-
Interest received	70	113	-	-	-
Others	(215)	1,265	-	-	-
<b>Net cash from investing</b>	<b>(5,026)</b>	<b>(4,691)</b>	<b>(6,153)</b>	<b>(7,420)</b>	<b>(6,042)</b>
Equity raised	-	-	-	-	-
Net change in bank loans	(291)	3,891	-	-	-
Dividend paid	(473)	(703)	(703)	(816)	(1,176)
Others	(726)	(848)	(678)	(656)	(634)
<b>Net cash from financing</b>	<b>(1,490)</b>	<b>2,340</b>	<b>(1,382)</b>	<b>(1,472)</b>	<b>(1,811)</b>
<b>Net change in cash</b>	<b>(1,936)</b>	<b>570</b>	<b>384</b>	<b>1,390</b>	<b>5,508</b>
Beginning cash balance	4,119	2,222	2,683	3,066	4,456
Exchange difference	39	(109)	-	-	-
<b>Cash at the end of the year</b>	<b>2,222</b>	<b>2,683</b>	<b>3,066</b>	<b>4,456</b>	<b>9,964</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>13,414</b>	<b>20,934</b>	<b>24,190</b>	<b>27,789</b>	<b>29,129</b>
Fixed asset	7,690	12,064	15,337	18,951	20,299
Intangible assets & goodwill	112	92	64	36	13
Prepaid lease payments	274	357	357	357	357
Interest in joint ventures	226	301	312	324	339
Other non-current assets	5,112	8,120	8,120	8,120	8,120
<b>Current assets</b>	<b>7,200</b>	<b>6,593</b>	<b>9,110</b>	<b>12,163</b>	<b>19,257</b>
Cash and cash equivalents	2,222	2,683	3,066	4,456	9,964
Inventories	1,200	1,154	1,903	2,468	3,015
Trade receivables	204	275	396	517	632
Prepayments	1,412	1,930	3,193	4,171	5,095
Other current assets	2,163	551	551	551	551
<b>Current liabilities</b>	<b>5,664</b>	<b>9,868</b>	<b>12,173</b>	<b>14,030</b>	<b>15,801</b>
Bank loans	122	3,721	3,721	3,721	3,721
Trade payables	1,406	1,583	2,417	3,134	3,829
Accruals & other payables	1,577	2,249	3,720	4,859	5,936
Tax payables	224	201	201	201	201
Others	2,334	2,114	2,114	2,114	2,114
<b>Non-current liabilities</b>	<b>4,324</b>	<b>7,422</b>	<b>7,422</b>	<b>7,422</b>	<b>7,422</b>
Bank loans	-	268	268	268	268
Deferred income	-	-	-	-	-
Deferred tax	47	21	21	21	21
Others	4,277	7,132	7,132	7,132	7,132
<b>Minority Interest</b>	<b>3</b>	<b>3</b>	<b>48</b>	<b>107</b>	<b>182</b>
<b>Total net assets</b>	<b>10,623</b>	<b>10,234</b>	<b>13,656</b>	<b>18,393</b>	<b>24,980</b>
<b>Shareholders' equity</b>	<b>10,623</b>	<b>10,234</b>	<b>13,656</b>	<b>18,393</b>	<b>24,980</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
China & loyalty program	87.9	88.2	89.7	90.1	89.9
Overseas	8.6	7.8	7.3	7.0	7.2
Delivery business	1.7	2.5	1.9	1.9	1.9
Condiment & food	1.9	1.5	1.2	1.0	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	57.7	57.1	58.1	58.4	58.4
Operating margin	12.0	4.6	9.2	9.6	10.4
Pre-tax margin	12.2	2.6	7.9	8.7	9.8
Net margin	8.8	1.1	5.7	6.3	7.2
Effective tax rate	28.3	64.5	27.0	26.5	26.5
<b>Balance sheet ratios</b>					
Current ratio (x)	1.3	0.7	0.7	0.9	1.2
Quick ratio (x)	1.1	0.6	0.6	0.7	1.0
Cash ratio (x)	0.4	0.3	0.3	0.3	0.6
Inventory turnover days	27	35	35	35	35
Trade receivables days	2	3	3	3	3
Trade payables days	35	44	44	44	44
Total debt / equity ratio (%)	11	43	32	24	18
Net debt / equity ratio (%)	Net cash	16	9	Net cash	Net cash
<b>Returns (%)</b>					
ROE	22.1	3.0	19.9	21.3	21.7
ROA	11.4	1.1	8.2	9.8	11.2
<b>Per share</b>					
EPS (RMB)	0.44	0.06	0.51	0.74	1.02
DPS (RMB)	0.07	0.13	0.15	0.22	0.31
BVPS (RMB)	2.00	1.93	2.58	3.47	4.71

Source: Company data, CMBIS estimates



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