

Jiumaojiu (9922 HK)

Profit inline despite drags from mini outbreak

Maintain BUY and trimmed TP to HK\$ 30.74, based on 50x FY22E P/E (changed from 15x FY22E P/E for JMJ and 1.1x FY19-25E PEG for Tai Er, to reflect sector de-rating). Given bumpy recovery, we think 1H21E result was already satisfactory. Thanks to rapid store growth, GP margin expansion and operating leverage, we stay positive on 2H21E. Current valuation of 42x FY22E P/E (industry average at 24x) is still attractive, in our view, given a 56% FY19-23E NP CAGR.

- 1H21E results inline.** Jiumaojiu expects its net profit to reach at least RMB 185mn in 1H21E, vs RMB 86mn net losses in 1H20. It attributed this result to: 1) Tai Er's store expansion (from 161 stores in 1H20 to 286 stores in 1H21E) and 2) post COVID-19 sales recovery and increase in effective operating days. This is an inline result, compared to our estimates.
- Sales per store recovery was gradual but far better than the industry.** Based on 286 Tai Er branded stores and our estimated sales of RMB 1.7bn in 1H21E, sales per store should have reached 104% of 1H19 sales, which is fairly impressive as catering industry recovery was slower than expected and dragged by mini COVID-19 outbreak in SZ and GZ in Jun 2021 (only 85% recovery rate in Jun 2021 for Tai Er).
- GP margin to improve in 1H21E**, thanks to ASP hike (around RMB 10 per dish of sauerkraut fish since Apr 2021, inline with the industry-wise raw material inflation, while Tai Er's average food costs were actually reduced as it benefits from the supply chain investments. However, at the same time, per head staff costs should have been revised up by MSD YoY to retain talents.
- Remained positive on 2H21E.** Margin improvements since Apr 2021 should flow through into 2H21E, while store expansions should stay fast with resilient sales per store and hopefully no more COVID-19 outbreaks again.
- Recent price weakness was due to industry de-rating but not its core competency.** The recent share price weakness, in our view, was mostly due to industry de-rating (down from ~30x FY22E P/E in May to 23x in Jul 2021), mainly driven by Haidilao's earning miss and profit-taking of other consumer stocks, but not related to its core competency and fundamentals.
- Maintain BUY and revised down TP to HK\$ 30.74.** We fine-tuned FY21E/22E/23E EPS estimates by -8%/ -2%/ -1%, to factor in: 1) some Jiumaojiu store closures, 2) slightly slower sales recovery, but 3) better GP margin. We maintain BUY but cut TP to HK\$ 30.74, based on 50x FY22E P/E (changed from 15x FY22E P/E for JMJ and 1.1x FY19-25E PEG for Tai Er). Current valuation is at 42x FY22E P/E with a 56% FY19-23E NP CAGR.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,687	2,715	4,643	6,683	8,904
YoY growth (%)	42.0	1.0	71.0	43.9	33.2
Net income (RMB mn)	164	124	473	742	971
EPS (RMB)	0.119	0.090	0.325	0.510	0.668
YoY growth (%)	136.1	(24.5)	262.7	56.9	30.9
Consensus EPS (RMB)	n/a	n/a	0.335	0.522	0.771
P/E (x)	196.7	245.5	66.7	42.5	32.5
P/B (x)	189.5	10.0	8.8	7.1	5.6
Yield (%)	0.0	0.1	0.3	0.5	0.6
ROE (%)	96.3	4.1	13.2	16.7	17.4
Net gearing (%)	187.9	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$30.74
(Previous TP)	HK\$40.07
Up/Downside	+24.8%
Current Price	HK\$26.15

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	38,007
Avg 3 mths t/o (HK\$ mn)	195.38
52w High/Low (HK\$)	38.67/12.59
Total Issued Shares (mn)	1,453.4

Source: Bloomberg

Shareholding Structure

Mr. Guan Yi Hong	40.66%
Shanghai Ling Yu	4.47%
MT BVI	5.25%
MX BVI	4.31%
Free Float	45.31%

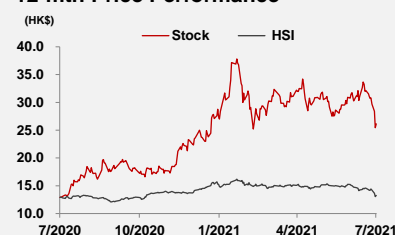
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-17.6%	-3.8%
3-mth	-21.0%	-8.8%
6-mth	-7.3%	8.3%
12-mth	99.5%	95.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Jiumaojiu (9922 HK, BUY) – Gradual recovery with margin enhancements – 25 Mar 2021
- China catering sector (Outperform) – Leaders to benefit even more during recovery – 12 Mar 2021

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Results preview

Figure 1: Results preview – Half Year

Half yearly / Full yearly (RMB mn)	1H20	2H20	1H21E	2H21E	1H21E YoY	2H21E YoY
Revenue	950	1,765	2,011	2,632	112%	49%
COGS	(372)	(674)	(748)	(958)		
Gross profit	577	1,092	1,263	1,674	119%	53%
GP margins	60.8%	61.8%	62.8%	63.6%		
Other income & gains	27	57	30	27		
Staff costs	(327)	(421)	(483)	(625)	47%	49%
Staff costs / sales	-34.5%	-23.8%	-24.0%	-23.7%		
Dep. of right-of-use assets expenses	(114)	(129)	(157)	(169)	37%	31%
Dep. of ROU assets exp / sales	-12.1%	-7.3%	-7.8%	-6.4%		
Other rentals expenses	(14)	(36)	(44)	(49)	217%	36%
Other rentals exp / sales	-1.5%	-2.0%	-2.2%	-1.9%		
D & A of other assets	(51)	(59)	(76)	(95)	49%	60%
D & A of other assets exp / sales	-5.4%	-3.4%	-3.8%	-3.6%		
Utilities expenses	(38)	(57)	(62)	(77)	65%	35%
Utilities exp / sales	-4.0%	-3.2%	-3.1%	-2.9%		
Travelling & related expenses	(6)	(11)	(10)	(18)	65%	68%
Travelling & related exp / sales	-0.6%	-0.6%	-0.5%	-0.7%		
A & P expenses	(11)	(10)	(22)	(24)	102%	132%
A & P exp / sales	-1.2%	-0.6%	-1.1%	-0.9%		
Delivery service fees	(25)	(21)	(24)	(26)	-2%	25%
Delivery service fees / sales	-2.6%	-1.2%	-1.2%	-1.0%		
Other opex	-74	-106	-70	-125	-5%	18%
Other opex / sales	-7.8%	-6.0%	-3.5%	-4.7%		
Operating profit (EBIT)	-56	300	344	494	-716%	65%
OP margins	-5.9%	17.0%	17.1%	18.8%		
Other items	(39)	48	(16)	(2)		
Net finance income	(26)	(41)	(34)	(38)		
Net finance income / sales	-2.7%	-2.3%	-1.7%	-1.5%		
Profit after financing costs	-121	306	294	453		
Associated coms	(8)	(1)	(12)	(2)		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-129	305	282	451	-319%	48%
Tax	40	(79)	(76)	(118)		
Tax / sales	4.2%	-4.5%	-3.8%	-4.5%		
Effective tax rate	-31.2%	-25.8%	-27.1%	-26.1%		
Minority interests	(3)	17	23	43		
Net profit att.	(86)	210	183	290	-313%	38%
NP margins	-9.0%	11.9%	9.1%	11.0%		

Source: Bloomberg, Company data, CMBIS estimates

Figure 2: Results preview – Full Year

Half yearly / Full yearly (RMB mn)	FY20	FY21E	FY22E	FY21E YoY	FY22E YoY
Revenue	2,715	4,643	6,683	71%	44%
COGS	(1,046)	(1,706)	(2,463)		
Gross profit	1,669	2,937	4,220	76%	44%
GP margins	61.5%	63.2%	63.1%		
Other income & gains	84	58	89		
Staff costs	(748)	(1,108)	(1,596)	48%	44%
Staff costs / sales	-27.5%	-23.9%	-23.9%		
Dep. of right-of-use assets expenses	(243)	(326)	(452)	34%	39%
Dep. of ROU assets exp / sales	-9.0%	-7.0%	-6.8%		
Other rentals expenses	(50)	(93)	(136)	87%	46%
Other rentals exp / sales	-1.8%	-2.0%	-2.0%		
D & A of other assets	(111)	(171)	(222)	55%	30%
D & A of other assets exp / sales	-4.1%	-3.7%	-3.3%		
Utilities expenses	(95)	(139)	(190)	47%	36%
Utilities exp / sales	-3.5%	-3.0%	-2.8%		
Travelling & related expenses	(17)	(28)	(40)	67%	44%
Travelling & related exp / sales	-0.6%	-0.6%	-0.6%		
A & P expenses	(21)	(46)	(67)	117%	44%
A & P exp / sales	-0.8%	-1.0%	-1.0%		
Delivery service fees	(45)	(50)	(30)	10%	-40%
Delivery service fees / sales	-1.7%	-1.1%	-0.4%		
Other opex	-180	-195	-261	8%	34%
Other opex / sales	-6.6%	-4.2%	-3.9%		
Operating profit (EBIT)	244	838	1,317	243%	57%
OP margins	9.0%	18.0%	19.7%		
Other items	8	(19)	(27)		
Net finance income	(67)	(72)	(84)		
Net finance income / sales	-2.5%	-1.6%	-1.3%		
Profit after financing costs	185	747	1,206		
Associated coms	(8)	(14)	(20)		
Jointly controlled coms	0	0	0		
Pre-tax profit	177	733	1,186	315%	62%
Tax	(39)	(194)	(314)		
Tax / sales	-1.4%	-4.2%	-4.7%		
Effective tax rate	-21.9%	-26.5%	-26.4%		
Minority interests	14	66	130		
Net profit att.	124	473	742	281%	57%
NP margins	4.6%	10.2%	11.1%		

Source: Bloomberg, 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	4,643	6,683	8,904	4,809	6,736	8,914	-3.5%	-0.8%	-0.1%
Gross profit	2,937	4,220	5,656	2,991	4,175	5,555	-1.8%	1.1%	1.8%
EBIT	838	1,317	1,736	905	1,342	1,752	-7.4%	-1.9%	-0.9%
Net profit att.	473	742	971	514	757	981	-8.0%	-2.0%	-1.0%
Diluted EPS (RMB)	0.325	0.510	0.668	0.354	0.521	0.675	-8.0%	-2.0%	-1.0%
Gross margin	63.2%	63.1%	63.5%	62.2%	62.0%	62.3%	1.1ppt	1.2ppt	1.2ppt
EBIT margin	18.0%	19.7%	19.5%	18.8%	19.9%	19.7%	-0.8ppt	-0.2ppt	-0.2ppt
Net profit att. margin	10.2%	11.1%	10.9%	10.7%	11.2%	11.0%	-0.5ppt	-0.1ppt	-0.1ppt

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	4,643	6,683	8,904	5,083	7,254	9,874	-8.7%	-7.9%	-9.8%
Gross profit	2,937	4,220	5,656	3,179	4,547	6,205	-7.6%	-7.2%	-8.8%
EBIT	838	1,317	1,736	828	1,256	1,784	1.3%	4.8%	-2.7%
Net profit att.	473	742	971	490	754	1,072	-3.5%	-1.6%	-9.4%
Diluted EPS (RMB)	0.325	0.510	0.668	0.335	0.522	0.771	-2.8%	-2.2%	-13.3%
Gross margin	63.2%	63.1%	63.5%	62.5%	62.7%	62.8%	0.7ppt	0.5ppt	0.7ppt
EBIT margin	18.0%	19.7%	19.5%	16.3%	17.3%	18.1%	1.8ppt	2.4ppt	1.4ppt
Net profit att. margin	10.2%	11.1%	10.9%	9.6%	10.4%	10.9%	0.5ppt	0.7ppt	0ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 5: Major assumptions

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by brand (RMB mn)						
Jiu Mao Jiu	1,334	1,372	716	779	971	1,185
Tai Er	540	1,277	1,962	3,812	5,641	7,627
Other brands	19	39	38	53	71	92
Total	1,893	2,687	2,715	4,643	6,683	8,904
Sales growth by brand (%)						
Jiu Mao Jiu	10.8%	2.8%	-47.8%	8.9%	24.7%	22.0%
Tai Er	121.4%	136.4%	53.6%	94.3%	48.0%	35.2%
Other brands	-14.1%	107.9%	-2.7%	40.0%	35.0%	30.0%
Total	28.8%	42.0%	1.0%	71.0%	43.9%	33.2%
Sales by segment growth (%)						
Restaurant operations	24.9%	44.6%	-9.3%	84.5%	58.1%	33.6%
Delivery business	80.3%	13.1%	121.6%	11.0%	-64.8%	25.2%
Sales of specialties	-44.5%	278.9%	-14.6%	20.0%	20.0%	20.0%
Others	40.5%	102.0%	-15.8%	25.0%	20.0%	15.0%
Sales by region growth (%)						
Tier 1 cities	31.3%	26.4%	-5.5%	60.7%	41.0%	31.0%
New tier 1 cities	37.4%	113.3%	27.1%	92.0%	57.9%	24.8%
Tier 2 cities	26.5%	101.4%	28.7%	103.2%	45.5%	49.7%
Tier 3 cities and below	20.5%	18.0%	-24.6%	29.6%	20.8%	29.7%
GP margins by segment (%)						
Jiu Mao Jiu		67.5%	67.0%	67.0%	67.0%	67.0%
Tai Er		59.0%	59.5%	62.5%	62.5%	63.0%
Other brands		58.0%	60.0%	62.0%	62.0%	62.0%
Total	64.5%	63.3%	61.5%	63.2%	63.1%	63.5%
Opex breakdown (%)						
Staff costs	-27.7%	-25.9%	-27.5%	-23.9%	-23.9%	-24.8%
Depreciation of right-of-use assets	-8.2%	-8.1%	-9.0%	-7.0%	-6.8%	-6.8%
Other rentals & related expenses	-1.5%	-1.6%	-1.8%	-2.0%	-2.0%	-2.1%
D & A of other assets	-4.3%	-3.6%	-4.1%	-3.7%	-3.3%	-3.1%
Utilities expenses	-5.0%	-4.0%	-3.5%	-3.0%	-2.8%	-2.8%
Others	-9.4%	-8.2%	-9.7%	-6.9%	-5.9%	-5.9%
EBIT margins (%)	8.6%	12.2%	9.0%	18.0%	19.7%	19.5%
Effective tax rate	28.7%	28.5%	20.9%	26.0%	26.0%	26.0%
NP att. margins (%)	3.7%	6.1%	4.6%	10.2%	11.1%	10.9%
NP att. growth (%)	4.2%	136.1%	-24.5%	281.0%	56.9%	30.9%

Source: Company data, CMBIS estimates

Valuation

Figure 6: Peers valuation

Company	Ticker	Rating	12M TP		Up/dow n-side (%)	Mkt cap HK\$ mn	Year End	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD perf. (%)	
			HK\$/ LC	HK\$/ LC				FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)		
Leading Greater China Catering																
Jiumaoju Int'l	9922 HK	BUY	30.74	26.15	18%	38,007	Dec-20	66.7	42.5	8.8	7.1	19.0	0.7	0.1	10.9	
Haidilao Int'l	6862 HK	BUY	40.11	30.70	31%	167,591	Dec-20	39.9	25.9	10.2	7.5	32.1	0.2	0.7	(48.6)	
Cafe De Coral	341 HK	BUY	19.05	15.24	25%	8,926	Mar-21	24.8	19.5	2.8	2.6	13.9	1.9	2.4	(8.7)	
Xiabuxiabu	520 HK	NR	n/a	6.97	n/a	7,566	Dec-20	13.4	10.5	2.3	1.9	19.7	0.0	2.4	(60.4)	
Yihai Int'l	1579 HK	BUY	108.52	43.70	148%	45,750	Dec-20	33.5	26.2	8.6	6.7	33.8	1.2	0.8	(61.8)	
Yum China	9987 HK	BUY	596.58	480.00	24%	201,887	Dec-20	30.5	26.2	3.8	3.4	13.9	3.1	0.8	8.0	
Gourmet Master	2723 TT	NR	n/a	152.50	n/a	7,628	Dec-20	21.5	18.6	2.3	2.1	11.9	1.0	3.0	8.2	
								Avg.	32.9	24.2	5.5	4.5	20.6	1.2	1.4	(21.8)
								Med.	30.5	25.9	3.8	3.4	19.0	1.0	0.8	(8.7)
Other Greater China Catering																
Fairwood	52 HK	NR	n/a	17.40	n/a	2,254	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1.7)	
Tai Hing	6811 HK	NR	n/a	1.79	n/a	1,796	Dec-20	10.2	8.7	1.6	1.5	17.5	0.7	6.4	21.8	
Hop Hing	47 HK	NR	n/a	0.05	n/a	463	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(6.1)	
Tsui Wah	1314 HK	NR	n/a	0.29	n/a	402	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.5	
Ajisen	538 HK	NR	n/a	1.37	n/a	1,495	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.6	
Tao Heung	573 HK	NR	n/a	0.98	n/a	996	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19.5	
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	(9.9)	
								Avg.	10.2	8.7	1.6	1.5	17.5	0.7	6.4	5.1
								Med.	10.2	8.7	1.6	1.5	17.5	0.7	6.4	4.6
Greater China Catering																
								Avg.	30.1	22.3	5.0	4.1	20.2	1.1	2.1	(8.3)
								Med.	27.7	22.7	3.3	3.0	18.2	0.9	1.6	1.4
International Catering																
Yum! Brands	YUM US	NR	n/a	125.48	n/a	290,889	Dec-20	29.6	26.6	n/a	n/a	(17.6)	1.8	1.6	15.6	
Mcdonald'S	MCD US	NR	n/a	246.35	n/a	1,430,451	Dec-20	28.5	25.7	n/a	n/a	(66.7)	1.6	2.1	14.8	
Starbucks	SBUX US	NR	n/a	126.03	n/a	1,156,391	Sep-20	40.6	34.5	n/a	n/a	(60.1)	2.8	1.5	17.8	
Restaurant Brands	QSR US	NR	n/a	64.92	n/a	234,046	Dec-20	24.6	21.0	10.3	10.7	36.4	0.9	3.3	6.2	
Chipotle Mexican	CMG US	NR	n/a	1835.1	n/a	401,210	Dec-20	72.2	55.3	22.7	18.8	34.7	1.5	0.0	32.3	
Darden	DRI US	NR	n/a	149.51	n/a	152,137	May-21	20.0	17.9	6.5	5.9	38.9	0.8	2.9	25.5	
Domino'S Pizza	DPZ US	NR	n/a	538.01	n/a	154,297	Jan-21	39.5	34.3	n/a	n/a	(0.7)	3.3	0.7	40.3	
Wendy'S	WEN US	NR	n/a	23.42	n/a	40,343	Jan-21	31.7	27.6	9.6	11.0	38.1	1.8	1.7	6.8	
Shake Shack	SHAK US	NR	n/a	103.09	n/a	33,714	Dec-20	n/a	233.8	10.3	9.7	13.0	n/a	n/a	21.6	
Wingstop	WING US	NR	n/a	169.92	n/a	39,321	Dec-20	118.2	91.6	n/a	n/a	(17.2)	2.2	0.4	28.2	
Jollibee Foods	JFC PM	NR	n/a	190.50	n/a	32,633	Dec-20	53.9	34.3	3.7	3.3	10.0	17.9	0.7	(2.4)	
								Avg.	45.9	54.8	10.5	9.9	0.8	3.5	1.5	18.8
								Med.	35.6	34.3	9.9	10.2	10.0	1.8	1.6	17.8
A-shares Greater China Catering																
Foshan Haitian	603288 CH	NR	n/a	112.70	n/a	568,738	Dec-20	62.1	49.6	18.6	14.9	30.4	2.6	0.8	(26.9)	
Fujian Sunner	002299 CH	NR	n/a	18.34	n/a	27,340	Dec-20	15.9	10.2	2.3	2.0	20.0	0.7	1.5	(30.9)	
Angel Yeast	600298 CH	NR	n/a	45.69	n/a	45,586	Dec-20	24.6	21.3	5.2	4.4	21.5	1.5	1.3	(10.5)	
Meihua	600873 CH	NR	n/a	5.96	n/a	22,124	Dec-20	11.5	9.9	1.9	1.9	19.5	0.4	7.2	27.9	
Guangzhou Restaurant	603043 CH	NR	n/a	21.82	n/a	14,784	Dec-20	21.3	17.6	4.1	3.5	19.7	0.9	1.9	(21.1)	
China Quanjude	002186 CH	NR	n/a	9.26	n/a	3,422	Dec-20	132.3	44.1	n/a	n/a	4.9	(0.8)	n/a	(8.1)	
Xi'An Catering	000721 CH	NR	n/a	3.89	n/a	2,326	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(9.1)	
								Avg.	44.6	25.4	6.4	5.3	19.3	0.9	2.6	(11.3)
								Med.	23.0	19.5	4.1	3.5	19.8	0.8	1.5	(10.5)
H-shares Consumer Staples																
UPC	220 HK	NR	n/a	7.60	n/a	32,827	Dec-20	16.0	14.6	2.0	1.9	13.3	1.5	6.1	(3.7)	
Tingyi	322 HK	NR	n/a	14.12	n/a	79,455	Dec-20	17.1	15.7	3.1	2.9	19.7	2.5	6.0	9.9	
Want Want	151 HK	NR	n/a	5.31	n/a	63,764	Mar-21	12.7	11.9	3.3	3.1	26.9	1.8	5.2	(5.3)	
Mengniu Dairy	2319 HK	NR	n/a	41.85	n/a	165,241	Dec-20	26.7	22.1	3.7	3.2	15.5	0.9	1.0	(9.9)	
Vitasoy	345 HK	NR	n/a	22.50	n/a	24,017	Mar-21	38.1	30.5	6.2	5.7	19.6	2.2	1.7	(25.5)	
Budweiser Brewing	1876 HK	NR	n/a	23.00	n/a	304,598	Dec-20	39.4	32.8	3.5	3.2	10.1	1.0	0.9	(10.2)	
Tsingtao Brewery	168 HK	NR	n/a	67.25	n/a	120,912	Dec-20	27.7	23.8	3.4	3.2	13.7	1.3	1.4	(17.2)	
CR Beer	291 HK	NR	n/a	61.90	n/a	200,815	Dec-20	45.4	36.3	7.0	6.3	17.0	1.1	0.9	(13.3)	
Dali Foods	3799 HK	NR	n/a	4.26	n/a	58,337	Dec-20	12.1	11.1	2.5	2.3	20.7	1.4	4.5	(3.8)	
								Avg.	26.1	22.1	3.9	3.5	17.4	1.5	3.1	(8.8)
								Med.	26.7	22.1	3.4	3.2	17.0	1.4	1.7	(9.9)

Source: Bloomberg, Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1,893	2,687	2,715	4,643	6,683	8,904
Jiu Mao Jiu	1,334	1,372	716	779	971	1,185
Tai Er	540	1,277	1,962	3,812	5,641	7,627
Other brands	19	39	38	53	71	92
Cost of goods sold	(672)	(985)	(1,046)	(1,706)	(2,463)	(3,248)
Gross profit	1,221	1,702	1,669	2,937	4,220	5,656
Other income	3	12	84	58	89	117
Operating expenses	(1,060)	(1,385)	(1,509)	(2,156)	(2,993)	(4,038)
Staff costs	(523)	(697)	(748)	(1,108)	(1,596)	(2,207)
Rental & ROUA depre.	(184)	(263)	(293)	(419)	(588)	(786)
D & A expenses	(81)	(97)	(111)	(171)	(222)	(272)
Utilities expenses	(94)	(108)	(95)	(139)	(190)	(248)
Other opex	(178)	(220)	(263)	(319)	(397)	(525)
EBIT	163	329	244	838	1,317	1,736
Finance costs	(58)	(67)	(67)	(72)	(84)	(96)
JVs & associates	(2)	2	(8)	(14)	(20)	(27)
Exceptional	1	(5)	8	(19)	(27)	(36)
Pre-tax profit	104	259	177	733	1,186	1,578
Income tax	(31)	(73)	(39)	(194)	(314)	(417)
Less: Minority interests	4	21	14	66	130	189
Net profit att.	70	164	124	473	742	971

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	960	1,271	1,945	2,023	2,103	2,135
Fixed asset	268	323	445	538	640	699
Intangible assets & GW	578	808	1,228	1,227	1,226	1,225
Prepaid lease payments	57	66	129	129	129	129
Interest in joint ventures	4	8	3	(11)	(31)	(58)
Other non-current	54	66	140	140	140	140
Current assets	227	383	2,862	3,494	4,596	6,113
Cash and cash	60	127	1,844	2,294	3,197	4,499
Inventories	36	75	51	70	101	133
Trade and other	17	12	15	34	49	66
Prepayments	88	122	203	347	500	666
Other current assets	26	47	749	749	749	749
Current liabilities	440	794	749	879	1,068	1,272
Bank loans	49	220	43	43	43	43
Trade payables	72	97	138	131	175	222
Accruals & payables	145	200	192	329	474	631
Tax payables	12	23	37	37	37	37
others	162	253	339	339	339	339
Non-current liabilities	543	690	997	997	997	997
Bank loans	-	-	-	-	-	-
Deferred income	21	27	27	27	27	27
Deferred tax	-	-	3	3	3	3
Others	522	663	967	967	967	967
Minority Interest	-	-	-	66	196	386
Total net assets	204	171	3,060	3,575	4,438	5,593
Shareholders' equity	204	171	3,060	3,575	4,438	5,593

Source: Company data, CMBIS estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	163	329	244	838	1,317	1,736
D & A	81	97	111	171	-	-
Chg. in working capital	(1)	(9)	3	(53)	(10)	(10)
Income tax paid	(40)	(67)	(48)	(194)	(314)	(417)
Others	168	227	236	(8)	213	262
NC from operating	373	577	546	754	1,207	1,571
Capex & investments	(150)	(184)	(280)	(255)	(314)	(321)
Associated companies	(2)	(2)	(97)	-	-	-
Interest received	1	2	27	-	-	-
Others	(1)	(6)	(733)	-	-	-
NC from investing	(152)	(190)	(1,084)	(255)	(314)	(321)
Equity raised	-	-	2,885	-	-	-
Net change in bank	29	171	(178)	-	-	-
Dividend paid	(25)	(36)	(58)	23	95	148
Others	(218)	(455)	(259)	(72)	(84)	(96)
NC from financing	(214)	(320)	2,390	(49)	11	52
Net change in cash	7	67	1,852	450	903	1,303
Beginning cash	52	60	127	1,844	2,294	3,197
Exchange difference	-	0	(136)	-	-	-
Cash at end of year	60	127	1,844	2,294	3,197	4,499

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)						
Jiu Mao Jiu	70.5	51.0	26.4	16.8	14.5	13.3
Tai Er	28.5	47.5	72.3	82.1	84.4	85.7
Other brands	1.0	1.4	1.4	1.1	1.1	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	64.5	63.3	61.5	63.2	63.1	63.5
EBIT margin	8.6	12.2	9.0	18.0	19.7	19.5
Pre-tax margin	5.5	9.6	6.5	15.8	17.7	17.7
Net margin	3.7	6.1	4.6	10.2	11.1	10.9
Effective tax rate	28.7	28.5	20.9	26.0	26.0	26.0
Balance sheet ratios						
Current ratio (x)	0.5	0.5	3.8	4.0	4.3	4.8
Quick ratio (x)	0.4	0.4	3.8	3.9	4.2	4.7
Cash ratio (x)	0.1	0.2	2.5	2.6	3.0	3.5
Inventory turnover	19	21	22	15	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	34	31	41	28	26	25
Total debt / total equity	103	277	12	11	9	7
Net debt / equity	71	188	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	34.2	96.3	4.1	13.2	16.7	17.4
ROA	5.9	9.9	2.6	8.6	11.1	11.8
Per share						
EPS (RMB)	0.05	0.12	0.09	0.33	0.51	0.67
DPS (RMB)	0.04	-	0.02	0.07	0.10	0.13
BVPS (RMB)	0.15	0.12	2.21	2.46	3.05	3.85

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