

# Jiumaojiu (9922 HK)

## Slightly more cautious after a bumpy Jul-Aug

**Maintain BUY and fine-tuned TP to HK\$ 30.47**, based on an unchanged 50x FY22E P/E. Given a bumpy recovery, we turned more conservative but still expect Tai Er to perform in FY22E, esp. after loads of effort on improving store efficiency, IT system and supply chain, etc. Current valuation of 43x FY22E P/E (industry average at 24x) is still attractive, in our view, given a 55% FY19-23E NP CAGR.

- 1H21E results inline.** Group's net profit of RMB 186mn in 1H21 (vs RMB 86mn net losses in 1H20) was inline with the previous profit alert. That was driven by: 1) Tai Er's store expansion, 2) Tai Er's impressive restaurant level OP margin at 23.4% (vs 23.3% in 1H19), even though its same store sales was still 2% below 1H19's level (but staff costs as % of sales improved to 25.1% in 1H21, vs 25.9% in 1H19) and 3) improvement in JMJ's restaurant level OP margin at 7.8% (vs -17.2% in 1H20).
- Sales recovery was under pressure in Jun-Aug 2021 and we are cautious on future trend.** Sales per store recovery rate (vs 2019 level) for Tai Er and JMJ were 80%+/ 90%+ and 60%+/ 80%+ in Jun/ Jul 2021 and we believe the numbers would still be weak in Aug 2021, due to the NJ COVID-19 outbreak. We now forecast sales per store for Tai Er and JMJ to be ~100%/ ~85-90% in 2H21E and ~106%/ ~102% in FY22E (vs 2019) due to weaker-than-expected industry level shopping mall traffic recovery.
- FY21E store opening target of 120 maintained while store quality is the priority.** Tai Er had opened 53 new stores and reached 286 in 1H21, the management believe the target of 120 is totally achievable (even if disruption by COVID-19), but they tend not to be aggressive and would focus more on quality of the stores (e.g. locations, rental terms).
- New brands are still in the early stage.** Song hot pot recorded a 2.2x table turn with 2 stores in 1H21, GZ store did well while Haikou store underperformed due to lack of brand power and higher than average ASP, hence more time is needed to refine business model before large scale expansions (6 new stores in tier 1 cities in 2H21E). A new brand "Lai Mei Li" which serves grilled fish was launched and management is positive on its potential, because: 1) the category is sizeable (hot pot and grill), 2) it is a very additive spicy cuisine and 3) it can be highly standardized (even more than Tai Er).
- Maintain BUY and fine-tuned TP to HK\$ 30.47.** We revised down FY21E/ 22E/ 23E EPS estimates by -5%/ -1%/ -2%, to factor in: 1) COVID-19 outbreak in Jul-Aug 2021, but 2) lower staff costs. We maintain BUY but trimmed TP to HK\$ 30.47, based on 50x FY22E P/E (unchanged). Current valuation is at 43x FY22E P/E with a 55% FY19-23E NP CAGR.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,687	2,715	4,540	6,544	8,706
YoY growth (%)	42.0	1.0	67.2	44.1	33.0
Net income (RMB mn)	164	124	449	735	953
EPS (RMB)	0.119	0.090	0.309	0.506	0.655
YoY growth (%)	136.1	(24.5)	244.3	63.9	29.6
Consensus EPS (RMB)	n/a	n/a	0.331	0.519	0.761
P/E (x)	197.5	246.4	70.6	43.1	33.2
P/B (x)	190.2	10.0	8.9	7.2	5.7
Yield (%)	0.0	0.1	0.3	0.5	0.6
ROE (%)	34.2	96.3	4.1	12.6	16.7
Net gearing (%)	187.9	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$30.47
(Previous TP)	HK\$30.74)
Up/Downside	+16.1%
Current Price	HK\$26.25

### China Catering Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	38,152
Avg 3 mths t/o (HK\$ mn)	206.57
52w High/Low (HK\$)	38.67/15.57
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%

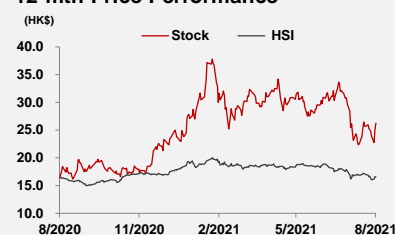
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-15.8%	-10.6%
3-mth	-18.2%	-9.6%
6-mth	-16.7%	-3.7%
12-mth	49.5%	48.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: KPMG

#### Related Reports

- Jiumaojiu (9922 HK, BUY) – Profit inline despite drags from mini outbreak – 29 Jul 2021
- 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

## Results Summary

Figure 1: Results review – Half Year

Half yearly / Full yearly (RMB mn)	1H20	2H20	1H21	2H21E	1H21E YoY	2H21E YoY
Revenue	950	1,765	2,021	2,519	113%	43%
COGS	(372)	(674)	(751)	(917)		
Gross profit	577	1,092	1,270	1,602	120%	47%
<b>GP margins</b>	<b>60.8%</b>	<b>61.8%</b>	<b>62.8%</b>	<b>63.6%</b>		
Other income & gains	27	57	30	27		
Staff costs	(327)	(421)	(506)	(569)	55%	35%
<b>Staff costs / sales</b>	<b>-34.5%</b>	<b>-23.8%</b>	<b>-25.1%</b>	<b>-22.6%</b>		
Dep. of right-of-use assets expenses	(114)	(129)	(161)	(155)	41%	20%
<b>Dep. of ROU assets exp / sales</b>	<b>-12.1%</b>	<b>-7.3%</b>	<b>-8.0%</b>	<b>-6.1%</b>		
Other rentals expenses	(14)	(36)	(50)	(52)	261%	45%
<b>Other rentals exp / sales</b>	<b>-1.5%</b>	<b>-2.0%</b>	<b>-2.5%</b>	<b>-2.1%</b>		
D & A of other assets	(51)	(59)	(71)	(100)	38%	69%
<b>D &amp; A of other assets exp / sales</b>	<b>-5.4%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-4.0%</b>		
Utilities expenses	(38)	(57)	(65)	(75)	71%	31%
<b>Utilities exp / sales</b>	<b>-4.0%</b>	<b>-3.2%</b>	<b>-3.2%</b>	<b>-3.0%</b>		
Travelling & related expenses	(6)	(11)	(10)	(17)	65%	62%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.7%</b>		
A & P expenses	(11)	(10)	(17)	(29)	53%	174%
<b>A &amp; P exp / sales</b>	<b>-1.2%</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>-1.1%</b>		
Delivery service fees	(25)	(21)	(38)	(23)	55%	12%
<b>Delivery service fees / sales</b>	<b>-2.6%</b>	<b>-1.2%</b>	<b>-1.9%</b>	<b>-0.9%</b>		
Other opex	-74	-106	-70	-121	-6%	14%
<b>Other opex / sales</b>	<b>-7.8%</b>	<b>-6.0%</b>	<b>-3.4%</b>	<b>-4.8%</b>		
Operating profit (EBIT)	-56	300	312	488	-659%	63%
<b>OP margins</b>	<b>-5.9%</b>	<b>17.0%</b>	<b>15.4%</b>	<b>19.4%</b>		
Other items	(39)	48	0	(18)		
Net finance income	(26)	(41)	(37)	(36)		
<b>Net finance income / sales</b>	<b>-2.7%</b>	<b>-2.3%</b>	<b>-1.8%</b>	<b>-1.4%</b>		
Profit after financing costs	-121	306	275	434		
Associated coms	(8)	(1)	1	(15)		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-129	305	277	419	-315%	37%
Tax	40	(79)	(72)	(113)		
<b>Tax / sales</b>	<b>4.2%</b>	<b>-4.5%</b>	<b>-3.5%</b>	<b>-4.5%</b>		
<b>Effective tax rate</b>	<b>-31.2%</b>	<b>-25.8%</b>	<b>-25.9%</b>	<b>-26.9%</b>		
Minority interests	(3)	17	19	44		
<b>Net profit att.</b>	<b>(86)</b>	<b>210</b>	<b>186</b>	<b>263</b>	<b>-317%</b>	<b>25%</b>
<b>NP margins</b>	<b>-9.0%</b>	<b>11.9%</b>	<b>9.2%</b>	<b>10.4%</b>		

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
<b>Revenue</b>	<b>2,687</b>	<b>2,715</b>	<b>4,540</b>	<b>6,544</b>	<b>67%</b>
COGS	(985)	(1,046)	(1,668)	(2,411)	
Gross profit	1,702	1,669	2,872	4,133	72%
<b>GP margins</b>	<b>63.3%</b>	<b>61.5%</b>	<b>63.3%</b>	<b>63.2%</b>	
Other income & gains	12	84	57	88	
Staff costs	(697)	(748)	(1,075)	(1,521)	44%
<b>Staff costs / sales</b>	<b>-25.9%</b>	<b>-27.5%</b>	<b>-23.7%</b>	<b>-23.2%</b>	
Dep. of right-of-use assets expenses	(219)	(243)	(316)	(439)	30%
<b>Dep. of ROU assets exp / sales</b>	<b>-8.1%</b>	<b>-9.0%</b>	<b>-7.0%</b>	<b>-6.7%</b>	
Other rentals expenses	(44)	(50)	(102)	(150)	106%
<b>Other rentals exp / sales</b>	<b>-1.6%</b>	<b>-1.8%</b>	<b>-2.3%</b>	<b>-2.3%</b>	
D & A of other assets	(97)	(111)	(171)	(220)	54%
<b>D &amp; A of other assets exp / sales</b>	<b>-3.6%</b>	<b>-4.1%</b>	<b>-3.8%</b>	<b>-3.4%</b>	
Utilities expenses	(108)	(95)	(139)	(190)	47%
<b>Utilities exp / sales</b>	<b>-4.0%</b>	<b>-3.5%</b>	<b>-3.1%</b>	<b>-2.9%</b>	
Travelling & related expenses	(16)	(17)	(27)	(39)	63%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.6%</b>	
A & P expenses	(20)	(21)	(45)	(65)	112%
<b>A &amp; P exp / sales</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-1.0%</b>	<b>-1.0%</b>	
Delivery service fees	(32)	(45)	(61)	(36)	35%
<b>Delivery service fees / sales</b>	<b>-1.2%</b>	<b>-1.7%</b>	<b>-1.3%</b>	<b>-0.5%</b>	
Other opex	(152)	(180)	(191)	(255)	6%
<b>Other opex / sales</b>	<b>-5.7%</b>	<b>-6.6%</b>	<b>-4.2%</b>	<b>-3.9%</b>	
Operating profit (EBIT)	329	244	800	1,306	228%
<b>OP margins</b>	<b>12.2%</b>	<b>9.0%</b>	<b>17.6%</b>	<b>20.0%</b>	
Other items	(5)	8	(18)	(26)	
Net finance income	(67)	(67)	(72)	(84)	
<b>Net finance income / sales</b>	<b>-2.5%</b>	<b>-2.5%</b>	<b>-1.6%</b>	<b>-1.3%</b>	
Profit after financing costs	257	185	710	1,195	
Associated coms	2	(8)	(14)	(20)	
Jointly controlled coms	0	0	0	0	
Pre-tax profit	259	177	696	1,175	294%
Tax	(73)	(39)	(184)	(311)	
<b>Tax / sales</b>	<b>-2.7%</b>	<b>-1.4%</b>	<b>-4.1%</b>	<b>-4.7%</b>	
<b>Effective tax rate</b>	<b>-28.3%</b>	<b>-21.9%</b>	<b>-26.5%</b>	<b>-26.4%</b>	
Minority interests	21	14	63	129	
<b>Net profit att.</b>	<b>164</b>	<b>124</b>	<b>449</b>	<b>735</b>	<b>262%</b>
<b>NP margins</b>	<b>6.1%</b>	<b>4.6%</b>	<b>9.9%</b>	<b>11.2%</b>	

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	4,540	6,544	8,706	4,643	6,683	8,904	-2.2%	-2.1%	-2.2%
Gross profit	2,872	4,133	5,531	2,937	4,220	5,656	-2.2%	-2.1%	-2.2%
EBIT	800	1,306	1,706	838	1,317	1,736	-4.5%	-0.8%	-1.7%
Net profit att.	449	735	953	473	742	971	-5.1%	-0.9%	-1.9%
Diluted EPS (RMB)	0.309	0.506	0.655	0.325	0.510	0.668	-5.1%	-0.9%	-1.9%
Gross margin	63.3%	63.2%	63.5%	63.2%	63.1%	63.5%	0ppt	0ppt	0ppt
EBIT margin	17.6%	20.0%	19.6%	18.0%	19.7%	19.5%	-0.4ppt	0.3ppt	0.1ppt
Net profit att. margin	9.9%	11.2%	10.9%	10.2%	11.1%	10.9%	-0.3ppt	0.1ppt	0ppt

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	4,540	6,544	8,706	5,066	7,258	9,882	-10.4%	-9.8%	-11.9%
Gross profit	2,872	4,133	5,531	3,179	4,565	6,234	-9.7%	-9.5%	-11.3%
EBIT	800	1,306	1,706	809	1,237	1,759	-1.1%	5.6%	-3.0%
Net profit att.	449	735	953	481	743	1,058	-6.7%	-1.0%	-10.0%
Diluted EPS (RMB)	0.309	0.506	0.655	0.331	0.519	0.761	-6.7%	-2.5%	-13.9%
Gross margin	63.3%	63.2%	63.5%	62.8%	62.9%	63.1%	0.5ppt	0.3ppt	0.5ppt
EBIT margin	17.6%	20.0%	19.6%	16.0%	17.0%	17.8%	1.7ppt	2.9ppt	1.8ppt
Net profit att. margin	9.9%	11.2%	10.9%	9.5%	10.2%	10.7%	0.4ppt	1ppt	0.2ppt

Source: Company data, CMBIS estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by brand (RMB mn)</b>						
Jiu Mao Jiu	1,334	1,372	716	764	971	1,185
Tai Er	540	1,277	1,962	3,723	5,502	7,429
Other brands	19	39	38	53	71	92
<b>Total</b>	<b>1,893</b>	<b>2,687</b>	<b>2,715</b>	<b>4,540</b>	<b>6,544</b>	<b>8,706</b>
<b>Sales growth by brand (%)</b>						
Jiu Mao Jiu	10.8%	2.8%	-47.8%	6.8%	27.0%	22.0%
Tai Er	121.4%	136.4%	53.6%	89.8%	47.8%	35.0%
Other brands	-14.1%	107.9%	-2.7%	40.0%	35.0%	30.0%
<b>Total</b>	<b>28.8%</b>	<b>42.0%</b>	<b>1.0%</b>	<b>67.2%</b>	<b>44.1%</b>	<b>33.0%</b>
<b>Sales by segment growth (%)</b>						
Restaurant operations	24.9%	44.6%	-9.3%	73.9%	63.1%	33.5%
Delivery business	80.3%	13.1%	121.6%	38.6%	-65.9%	24.7%
Sales of specialties	-44.5%	278.9%	-14.6%	200.0%	30.0%	20.0%
Others	40.5%	102.0%	-15.8%	5.0%	20.0%	15.0%
<b>Sales by region growth (%)</b>						
Tier 1 cities	31.3%	26.4%	-5.5%	57.7%	40.7%	30.8%
New tier 1 cities	37.4%	113.3%	27.1%	87.4%	58.1%	24.7%
Tier 2 cities	26.5%	101.4%	28.7%	97.9%	46.0%	49.5%
Tier 3 cities and below	20.5%	18.0%	-24.6%	25.4%	22.9%	29.6%
<b>GP margins by segment (%)</b>						
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%
<b>Total</b>	<b>64.5%</b>	<b>63.3%</b>	<b>61.5%</b>	<b>63.3%</b>	<b>63.2%</b>	<b>63.5%</b>
<b>Opex breakdown (%)</b>						
Staff costs	-27.7%	-25.9%	-27.5%	-23.7%	-23.2%	-24.3%
Depreciation of right-of-use assets	-8.2%	-8.1%	-9.0%	-7.0%	-6.7%	-6.8%
Other rentals & related expenses	-1.5%	-1.6%	-1.8%	-2.3%	-2.3%	-2.3%
D & A of other assets	-4.3%	-3.6%	-4.1%	-3.8%	-3.4%	-3.1%
Utilities expenses	-5.0%	-4.0%	-3.5%	-3.1%	-2.9%	-2.8%
Others	-9.4%	-8.2%	-9.7%	-7.1%	-6.0%	-6.0%
<b>EBIT margins (%)</b>						
Effective tax rate	8.6%	12.2%	9.0%	17.6%	20.0%	19.6%
<b>NP att. margins (%)</b>						
Effective tax rate	28.7%	28.5%	20.9%	26.0%	26.0%	26.0%
<b>NP att. margins (%)</b>						
NP att. margins (%)	3.7%	6.1%	4.6%	9.9%	11.2%	10.9%
<b>NP att. growth (%)</b>						
NP att. growth (%)	4.2%	136.1%	-24.5%	261.7%	63.9%	29.6%

Source: Company data, CMBIS estimates

## Valuation

**Figure 6: Peers valuation**

Company	Ticker	Rating	12M TP	Price	Up/dow	Mkt cap	Year	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD
			HK\$/LC	HK\$/LC	n-side (%)	HK\$ mn	End	FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)	
<b>Leading Greater China Catering</b>															
Jiumaojiu Int'l	9922 HK	BUY	30.47	26.25	16%	38,152	Dec-20	70.6	43.1	8.9	7.2	18.9	0.8	0.1	11.3
Haidilao Int'l	6862 HK	BUY	40.11	27.95	44%	152,579	Dec-20	41.6	25.3	9.4	7.1	31.0	0.2	0.6	(53.2)
Cafe De Coral	341 HK	BUY	19.05	14.24	34%	8,340	Mar-21	23.2	18.3	2.6	2.4	13.9	1.8	2.5	(14.7)
Xiabuxiabu	520 HK	NR	n/a	6.14	n/a	6,665	Dec-20	16.1	9.9	2.2	1.8	18.9	0.0	2.0	(65.4)
Yihai Int'l	1579 HK	BUY	108.52	41.60	161%	43,551	Dec-20	33.2	26.3	8.3	6.6	32.7	1.3	0.8	(63.7)
Yum China	9987 HK	BUY	596.58	477.60	25%	201,014	Dec-20	31.2	26.5	3.7	3.3	13.8	3.2	0.8	7.4
Gourmet Master	2723 TT	NR	n/a	144.50	n/a	7,252	Dec-20	21.8	19.2	2.2	2.0	11.2	1.2	2.7	2.5
<b>Avg.</b>								<b>34.0</b>	<b>24.1</b>	<b>5.3</b>	<b>4.4</b>	<b>20.1</b>	<b>1.2</b>	<b>1.4</b>	<b>(25.1)</b>
<b>Med.</b>								<b>31.2</b>	<b>25.3</b>	<b>3.7</b>	<b>3.3</b>	<b>18.9</b>	<b>1.2</b>	<b>0.8</b>	<b>(14.7)</b>
<b>Other Greater China Catering</b>															
Fairwood	52 HK	NR	n/a	17.30	n/a	2,241	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2.3)
Tai Hing	6811 HK	NR	n/a	1.67	n/a	1,676	Dec-20	9.5	8.1	1.5	1.4	17.5	0.6	6.9	13.6
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	0.28	n/a	395	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.7
Ajisen	538 HK	NR	n/a	1.36	n/a	1,484	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.8
Tao Heung	573 HK	NR	n/a	0.94	n/a	955	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	14.6
Tang Palace	1181 HK	NR	n/a	0.71	n/a	764	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(22.0)
<b>Avg.</b>								<b>9.5</b>	<b>8.1</b>	<b>1.5</b>	<b>1.4</b>	<b>17.5</b>	<b>0.6</b>	<b>6.9</b>	<b>1.1</b>
<b>Med.</b>								<b>9.5</b>	<b>8.1</b>	<b>1.5</b>	<b>1.4</b>	<b>17.5</b>	<b>0.6</b>	<b>6.9</b>	<b>3.8</b>
<b>Greater China Catering</b>															
<b>Avg.</b>								<b>30.9</b>	<b>22.1</b>	<b>4.8</b>	<b>4.0</b>	<b>19.7</b>	<b>1.1</b>	<b>2.1</b>	<b>(12.0)</b>
<b>Med.</b>								<b>27.2</b>	<b>22.3</b>	<b>3.2</b>	<b>2.9</b>	<b>18.2</b>	<b>1.0</b>	<b>1.4</b>	<b>0.1</b>
<b>International Catering</b>															
Yum! Brands	YUM US	NR	n/a	133.54	n/a	307,309	Dec-20	29.6	27.0	n/a	n/a	(18.1)	1.6	1.5	23.0
Mcdonald'S	MCD US	NR	n/a	238.43	n/a	1,385,978	Dec-20	26.4	24.2	n/a	n/a	(118.7)	1.4	2.2	11.1
Starbucks	SBUX US	NR	n/a	115.08	n/a	1,056,190	Sep-20	35.7	30.9	n/a	n/a	(65.3)	2.2	1.7	7.6
Restaurant Brands	QSR US	NR	n/a	63.88	n/a	229,695	Dec-20	23.0	20.1	8.9	9.7	36.2	0.7	3.3	4.5
Chipotle Mexican	CMG US	NR	n/a	1920.5	n/a	419,989	Dec-20	75.6	57.8	23.5	19.6	34.7	1.6	0.0	38.5
Darden	DRI US	NR	n/a	145.87	n/a	147,969	May-21	19.5	17.4	6.3	5.7	39.1	0.8	3.0	22.5
Domino'S Pizza	DPZ US	NR	n/a	501.58	n/a	143,886	Jan-21	36.8	31.9	n/a	n/a	(0.7)	3.0	0.8	30.8
Wendy'S	WEN US	NR	n/a	23.26	n/a	40,336	Jan-21	28.6	25.6	9.1	10.3	38.4	1.4	1.8	6.1
Shake Shack	SHAK US	NR	n/a	87.24	n/a	28,559	Dec-20	n/a	250.7	9.2	8.7	12.6	n/a	n/a	2.9
Wingstop	WING US	NR	n/a	168.88	n/a	39,101	Dec-20	112.9	88.1	n/a	n/a	(18.6)	2.0	0.4	27.4
Jollibee Foods	JFC PM	NR	n/a	205.00	n/a	35,524	Dec-20	66.7	37.0	3.9	3.6	9.9	18.7	0.7	5.0
<b>Avg.</b>								<b>45.5</b>	<b>55.5</b>	<b>10.2</b>	<b>9.6</b>	<b>(4.6)</b>	<b>3.3</b>	<b>1.5</b>	<b>16.3</b>
<b>Med.</b>								<b>32.6</b>	<b>30.9</b>	<b>9.0</b>	<b>9.2</b>	<b>9.9</b>	<b>1.6</b>	<b>1.6</b>	<b>11.1</b>
<b>A-shares Greater China Catering</b>															
Foshan Haitian	603288 CH	NR	n/a	109.29	n/a	553,196	Dec-20	60.9	48.1	18.0	14.5	30.4	2.5	0.9	(29.2)
Fujian Sunner	002299 CH	NR	n/a	19.14	n/a	28,619	Dec-20	21.8	12.2	2.4	2.1	16.6	1.4	1.7	(27.9)
Angel Yeast	600298 CH	NR	n/a	46.46	n/a	46,495	Dec-20	25.1	21.5	5.2	4.4	21.2	1.5	1.3	(9.0)
Meihua	600873 CH	NR	n/a	6.49	n/a	24,164	Dec-20	11.0	9.1	2.1	2.1	22.9	0.3	8.6	39.3
Guangzhou Restaurant	603043 CH	NR	n/a	23.44	n/a	15,930	Dec-20	23.0	19.2	4.5	3.8	19.7	1.0	1.8	(15.3)
China Quanjude	002186 CH	NR	n/a	9.62	n/a	3,566	Dec-20	137.4	45.8	n/a	n/a	4.9	(0.8)	n/a	(4.6)
Xi'An Catering	000721 CH	NR	n/a	4.08	n/a	2,447	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4.7)
<b>Avg.</b>								<b>46.5</b>	<b>26.0</b>	<b>6.4</b>	<b>5.4</b>	<b>19.3</b>	<b>1.0</b>	<b>2.9</b>	<b>(7.3)</b>
<b>Med.</b>								<b>24.1</b>	<b>20.3</b>	<b>4.5</b>	<b>3.8</b>	<b>20.4</b>	<b>1.2</b>	<b>1.7</b>	<b>(9.0)</b>
<b>H-shares Consumer Staples</b>															
UPC	220 HK	NR	n/a	7.13	n/a	30,797	Dec-20	17.1	14.8	1.9	1.8	12.5	2.1	5.8	(9.6)
Tingyi	322 HK	NR	n/a	14.20	n/a	79,912	Dec-20	17.6	15.6	3.1	3.1	20.4	2.3	6.7	10.5
Want Want	151 HK	NR	n/a	5.28	n/a	63,278	Mar-21	12.5	11.7	3.3	3.1	26.9	1.7	5.2	(5.9)
Mengniu Dairy	2319 HK	NR	n/a	43.80	n/a	172,941	Dec-20	28.0	23.1	3.8	3.4	15.5	0.9	1.0	(5.7)
Vitasoy	345 HK	NR	n/a	19.54	n/a	20,908	Mar-21	43.2	32.8	5.7	5.2	16.5	4.4	1.5	(35.3)
Budweiser Brewing	1876 HK	NR	n/a	19.74	n/a	261,425	Dec-20	35.2	28.8	3.0	2.8	9.7	1.0	1.1	(22.9)
Tsingtao Brewery	168 HK	NR	n/a	66.30	n/a	119,398	Dec-20	26.7	23.2	3.4	3.1	13.4	1.3	1.5	(18.3)
CR Beer	291 HK	NR	n/a	63.55	n/a	206,167	Dec-20	41.7	36.9	7.1	6.4	16.9	1.0	1.0	(11.0)
Dali Foods	3799 HK	NR	n/a	4.08	n/a	55,872	Dec-20	11.6	10.6	2.4	2.1	20.7	1.3	4.7	(7.9)
<b>Avg.</b>								<b>26.0</b>	<b>22.0</b>	<b>3.7</b>	<b>3.4</b>	<b>16.9</b>	<b>1.8</b>	<b>3.2</b>	<b>(11.8)</b>
<b>Med.</b>								<b>26.7</b>	<b>23.1</b>	<b>3.3</b>	<b>3.1</b>	<b>16.5</b>	<b>1.3</b>	<b>1.5</b>	<b>(9.6)</b>

Source: Bloomberg, Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,893</b>	<b>2,687</b>	<b>2,715</b>	<b>4,540</b>	<b>6,544</b>	<b>8,706</b>
Jiu Mao Jiu	1,334	1,372	716	764	971	1,185
Tai Er	540	1,277	1,962	3,723	5,502	7,429
Other brands	19	39	38	53	71	92
<b>Cost of goods sold</b>	<b>(672)</b>	<b>(985)</b>	<b>(1,046)</b>	<b>(1,668)</b>	<b>(2,411)</b>	<b>(3,175)</b>
<b>Gross profit</b>	<b>1,221</b>	<b>1,702</b>	<b>1,669</b>	<b>2,872</b>	<b>4,133</b>	<b>5,531</b>
<b>Other income</b>	<b>3</b>	<b>12</b>	<b>84</b>	<b>57</b>	<b>88</b>	<b>115</b>
<b>Operating expenses</b>	<b>(1,060)</b>	<b>(1,385)</b>	<b>(1,509)</b>	<b>(2,128)</b>	<b>(2,915)</b>	<b>(3,941)</b>
Staff costs	(523)	(697)	(748)	(1,075)	(1,521)	(2,112)
Rental & ROUA depre.	(184)	(263)	(293)	(419)	(589)	(790)
D & A expenses	(81)	(97)	(111)	(171)	(220)	(269)
Utilities expenses	(94)	(108)	(95)	(139)	(190)	(248)
Other opex	(178)	(220)	(263)	(325)	(395)	(522)
<b>EBIT</b>	<b>163</b>	<b>329</b>	<b>244</b>	<b>800</b>	<b>1,306</b>	<b>1,706</b>
Finance costs	(58)	(67)	(67)	(72)	(84)	(97)
JVs & associates	(2)	2	(8)	(14)	(20)	(26)
Exceptional	1	(5)	8	(18)	(26)	(35)
<b>Pre-tax profit</b>	<b>104</b>	<b>259</b>	<b>177</b>	<b>696</b>	<b>1,175</b>	<b>1,548</b>
Income tax	(31)	(73)	(39)	(184)	(311)	(409)
Less: Minority interests	4	21	14	63	129	186
<b>Net profit att.</b>	<b>70</b>	<b>164</b>	<b>124</b>	<b>449</b>	<b>735</b>	<b>953</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>960</b>	<b>1,271</b>	<b>1,945</b>	<b>2,018</b>	<b>2,094</b>	<b>2,122</b>
Fixed asset	268	323	445	533	630	685
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	(10)	(30)	(57)
Other non-current	54	66	140	140	140	140
<b>Current assets</b>	<b>227</b>	<b>383</b>	<b>2,862</b>	<b>3,461</b>	<b>4,551</b>	<b>6,042</b>
Cash and cash	60	127	1,844	2,271	3,165	4,447
Inventories	36	75	51	69	99	130
Trade and other	17	12	15	34	48	64
Prepayments	88	122	203	340	489	651
Other current assets	26	47	749	749	749	749
<b>Current liabilities</b>	<b>440</b>	<b>794</b>	<b>749</b>	<b>869</b>	<b>1,054</b>	<b>1,253</b>
Bank loans	49	220	43	43	43	43
Trade payables	72	97	138	128	172	217
Accruals & payables	145	200	192	322	464	617
Tax payables	12	23	37	37	37	37
others	162	253	339	339	339	339
<b>Non-current liabilities</b>	<b>543</b>	<b>690</b>	<b>997</b>	<b>997</b>	<b>997</b>	<b>997</b>
Bank loans	-	-	-	-	-	-
Deferred income	21	27	27	27	27	27
Deferred tax	-	-	3	3	3	3
Others	522	663	967	967	967	967
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>192</b>	<b>378</b>
<b>Total net assets</b>	<b>204</b>	<b>171</b>	<b>3,060</b>	<b>3,551</b>	<b>4,402</b>	<b>5,536</b>
<b>Shareholders' equity</b>	<b>204</b>	<b>171</b>	<b>3,060</b>	<b>3,551</b>	<b>4,402</b>	<b>5,536</b>

Source: Company data, CMBIS estimates

### Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>EBIT</b>	<b>163</b>	<b>329</b>	<b>244</b>	<b>800</b>	<b>1,306</b>	<b>1,706</b>
D & A	81	97	111	171	-	-
Chg. in working capital	(1)	(9)	3	(53)	(9)	(10)
Income tax paid	(40)	(67)	(48)	(184)	(311)	(409)
Others	168	227	236	(8)	211	259
<b>NC from operating</b>	<b>373</b>	<b>577</b>	<b>546</b>	<b>725</b>	<b>1,197</b>	<b>1,546</b>
Capex & investments	(150)	(184)	(280)	(250)	(308)	(313)
Associated companies	(2)	(2)	(97)	-	-	-
Interest received	1	2	27	-	-	-
Others	(1)	(6)	(733)	-	-	-
<b>NC from investing</b>	<b>(152)</b>	<b>(190)</b>	<b>(1,084)</b>	<b>(250)</b>	<b>(308)</b>	<b>(313)</b>
Equity raised	-	-	2,885	-	-	-
Net change in bank	29	171	(178)	-	-	-
Dividend paid	(25)	(36)	(58)	23	90	147
Others	(218)	(455)	(259)	(72)	(84)	(97)
<b>NC from financing</b>	<b>(214)</b>	<b>(320)</b>	<b>2,390</b>	<b>(49)</b>	<b>5</b>	<b>50</b>
<b>Net change in cash</b>	<b>7</b>	<b>67</b>	<b>1,852</b>	<b>427</b>	<b>895</b>	<b>1,282</b>
Beginning cash	52	60	127	1,844	2,271	3,165
Exchange difference	-	0	(136)	-	-	-
<b>Cash at end of year</b>	<b>60</b>	<b>127</b>	<b>1,844</b>	<b>2,271</b>	<b>3,165</b>	<b>4,447</b>

### Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>						
Jiu Mao Jiu	70.5	51.0	26.4	16.8	14.8	13.6
Tai Er	28.5	47.5	72.3	82.0	84.1	85.3
Other brands	1.0	1.4	1.4	1.2	1.1	1.1
<b>Total</b>	<b>100.0</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	64.5	63.3	61.5	63.3	63.2	63.5
EBIT margin	8.6	12.2	9.0	17.6	20.0	19.6
Pre-tax margin	5.5	9.6	6.5	15.3	18.0	17.8
Net margin	3.7	6.1	4.6	9.9	11.2	10.9
Effective tax rate	28.7	28.5	20.9	26.0	26.0	26.0
<b>Balance sheet ratios</b>						
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 ratio (%)	103	277	12	11	9	7
Net debt / equity ratio (%)	71	188	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>						
ROE	34.2	96.3	4.1	12.6	16.7	17.2
ROA	5.9	9.9	2.6	8.2	11.1	11.7
<b>Per share</b>						
EPS (RMB)	0.05	0.12	0.09	0.31	0.51	0.66
DPS (RMB)	0.04	-	0.02	0.06	0.10	0.13
BVPS (RMB)	0.15	0.12	2.21	2.44	3.03	3.81

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