

Nayuki Holdings Limited (2150 HK)

Structural improvements are still on track

Maintain BUY and raised TP to HK\$ 17.10, based on our DCF model which implies a ~60x FY22E P/E and ~3.6x FY22E P/S. Despite the negatives in Jul-Aug 2021, this strong set of 1H21 results has boosted our confidence in Nayuki's long-term growth story. Current valuation of ~2.3x FY22E P/S (industry average at 2.3x) is still attractive, in our view, given a 56% FY19-23E NP CAGR.

- 1H21 results beat.** Nayuki's sales grew by 80% YoY to RMB 2.1bn while registered adj. net profit of RMB 48mn (adj. NPM at 2.3%), compared to losses of RMB 62mn (adj. NPM at -5.3%) in 1H19. Robust sales growth was driven by store expansions and successful product launches (e.g. the emblic/ 油柑 series) while beat in GP margin was due to higher sales mix from the higher margin classic products and reduction of sourcing costs.
- Quick recovery after the bumpy Jul-Aug 2021.** Overall sales was disrupted by COVID-19 outbreak but it is already rebounding since early Aug 2021. Moreover, negative impact by hygiene issues was short-lived, as store traffic already normalized quickly and no long-term damage on brand equity at all.
- Store openings target could be raised.** Management is highly confident on beating the store target of 300 in FY21E, therefore we raised our forecast to 331 (from 296), because: 1) it is much easier to open a PRO store (vs regular) and 2) locations were all identified and contracts have all been signed in 1H21.
- Type 1 PRO stores are fine while Type 2 PRO stores will likely ramp up.** Restaurant level OP margin for Type 1 PRO stores was high at 21.7% (vs regular stores' 19.9%), while that of Type 2 PRO stores was low at 15.3%. But management is confident on further improvement, because: 1) only the initial stores for testing were underperforming while the newly opened ones did very well, 2) breakeven sales for Type 2 PRO stores is much lower, at ~RMB 200-300K sales per month, compared to ~RMB 400K for Type 1 PRO stores.
- Margins improvement on track.** Nayuki brand's restaurant level OP margin (one-off pre-opening costs included) already surged to 19.2% (vs 5.8%/ 16.3% in 1H20/ 2H20), and we see more rooms for improvement, thanks to: 1) ramp up of stores in SH and BJ, as they are still far from mature and profitability could surge once it has a more sizeable network, 2) leverages on staff costs, from higher PRO store mix and greater adoption of automation in stores.
- Maintain BUY and revised up TP to HK\$ 17.10.** We revised up our FY21E/ 22E/ 23E net profit estimates by 4%/ 2%/ 4%. Our TP is based on DCF method (8.1% WACC and 3.5% terminal growth), which implied a ~3.6x FY22E P/S, due to faster than industry sales CAGR during FY20-23E. It is trading at 2.3x FY22E P/S and 39x FY22E P/E, vs China peers' average of 2.3x and 26x.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,502	3,057	4,975	6,798	8,787
YoY growth (%)	130.2	22.2	62.7	36.6	29.3
EBITDA (RMB mn)	143	227	376	841	1,202
NP att. (RMB mn)	(39)	(202)	60	380	576
Adj. NP (RMB mn)	(11)	26	122	407	594
Adj. EPS (RMB)	n/a	n/a	0.071	0.237	0.346
YoY growth (%)	n/a	n/a	376.5	233.1	45.9
Consensus EPS (RMB)	n/a	n/a	0.058	0.187	0.352
Adjusted P/E (x)	n/a	n/a	128.7	38.6	26.5
P/S (x)	6.8	5.2	3.2	2.3	1.8
ROE (%)	n/a	n/a	1.6	8.9	11.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price HK\$17.10
 (Previous TP) HK\$16.68
Up/Downside +54.9%
Current Price HK\$11.04

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	18,935
Avg 3 mths t/o (HK\$ mn)	n/a
52w High/Low (HK\$)	18.98/9.10
Total Issued Shares (mn)	1,715.1
Source: Bloomberg	

Shareholding Structure

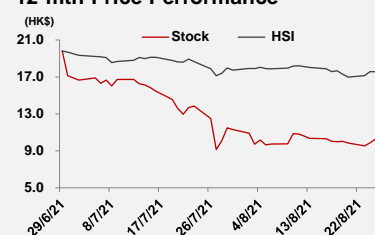
Mr. Zhao Lin & Ms. Peng Xin	56.98%
Tiantu Capital	11.09%
Employee incentive platform	5.35%
PAGAC Nebula	5.28%
Shenzhen Capital Group	2.82%
Free Float	18.47%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-25.7%	-21.0%
3-mth	n/a	n/a
6-mth	n/a	n/a
12-mth	n/a	n/a

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

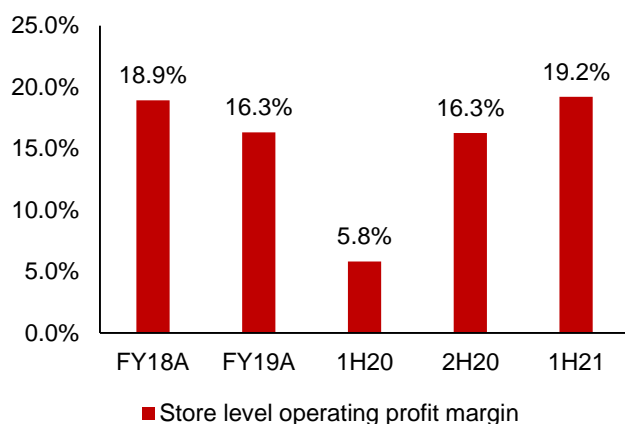
Auditor: KPMG

Related Reports

Nayuki Holdings (2150 HK, BUY) – A prestigious teahouse brand in the marking – 10 Aug 2021

Focus Charts and Tables

Figure 1: Nayuki brand restaurant level OP margin



Source: Company data, CMBIS

Figure 2: Operating numbers, by store type

Type of stores	Number of stores	Sales per store	Restaurant level OP margin
Regular store	492	21.9	19.9%
Type 1 PRO store	20	21.1	21.7%
Type 2 PRO store	12	11.9	15.3%

Source: Company data, CMBIS

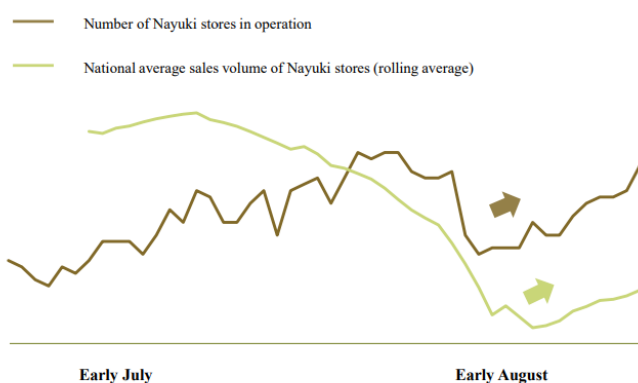
Figure 3: Operating numbers, by cities

	6 months ended June 30				
	2020	2021	2020	2021	
	Number of same-stores ⁽¹⁾	Average daily sales per store (RMB'000)	Store-level operating margin ⁽²⁾ (%)		
Shenzhen	75	20.1	27.5	10.3	25.3
Shanghai	23	19.9	22.1	6.6	16.3
Guangzhou	21	16.6	25.9	7.7	22.4
Xi'an	19	15.1	22.3	2.8	20.6
Wuhan	19	20.8	26.6	1.8	22.7
Beijing	16	18.6	29.9	0.0	14.7

Source: Company data, CMBIS estimates

Figure 4: Sales and number of store trend

COVID-19 hits short-term performance, but not our operations



Since mid-2021, the COVID-19 outbreak has had several relapses in South China and East China

The pandemic has a certain impact on the Company's short-term performance

However, it has not affected our business activities such as opening stores, marketing and developing new product

Source: Company data, CMBIS estimates

Results Summary

Figure 5: Results review – Half Year

Half yearly (USD mn)	1H20	2H20	1H21	2H21E	1H21 YoY	2H21E YoY
Revenue	1,180	1,878	2,126	2,849	80%	52%
COGS	(466)	(693)	(669)	(1,033)		
Gross profit	714	1,184	1,457	1,816	104%	53%
GP margins	60.5%	63.1%	68.5%	63.7%		
Other income & gains	76	130	9	44		
Staff costs	(368)	(552)	(670)	(831)	82%	51%
Staff costs / sales	-31.2%	-29.4%	-31.5%	-29.2%		
Dep. of ROU assets expenses	(166)	(187)	(202)	(261)	21%	40%
Dep. of ROU assets exp / sales	-14.1%	-9.9%	-9.5%	-9.2%		
Other rentals expenses	(26)	(74)	(94)	(121)	256%	63%
Other rentals exp / sales	-2.2%	-4.0%	-4.4%	-4.3%		
D & A of other assets	(70)	(84)	(95)	(130)	36%	55%
D & A of other assets exp / sales	-6.0%	-4.5%	-4.5%	-4.6%		
A & P expenses	(22)	(60)	(37)	(87)	68%	45%
A & P exp / sales	-1.9%	-3.2%	-1.8%	-3.0%		
Delivery service fees	(65)	(102)	(112)	(114)	71%	12%
Delivery service fees / sales	-5.5%	-5.4%	-5.3%	-4.0%		
Utilities expenses	(27)	(40)	(39)	(60)	45%	51%
Utilities exp / sales	-2.3%	-2.1%	-1.8%	-2.1%		
Logistic & storage fees	(23)	(34)	(42)	(48)	80%	42%
Logistic & storage fees / sales	-2.0%	-1.8%	-2.0%	-1.7%		
Other opex	(47)	(76)	(84)	(110)		
Operating profit (EBIT)	-26	106	91	97	-456%	-8%
OP margins	-2.2%	5.6%	4.3%	3.4%		
Other items	(4)	(137)	(12)	(3)		
Net finance income	(60)	(71)	(46)	(56)		
Net finance income / sales	-5.1%	-3.8%	-2.2%	-1.9%		
Profit after financing costs	(89)	(101)	34	38		
Associated coms	0	0	0	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-89	-101	34	38	-138%	-138%
Tax	13	(26)	(26)	15		
Tax / sales	1.1%	-1.4%	-1.2%	0.5%		
Effective tax rate	-14.7%	26.0%	-76.7%	38.8%		
Minority interests	(1)	0	0	1		
Net profit att.	(74)	(127)	8	53	-110%	-141%
NP margins	-6.3%	-6.8%	0.4%	1.8%		
Adjusted Net profit att.	(62)	88	48	74	-178%	-16%
Adjusted NP att. margin	-5.3%	4.7%	2.3%	2.6%		

Source: Company data, CMBIS estimates

Figure 6: Results review - Full Year

Full yearly (USD mn)	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
Revenue	3,057	4,975	6,798	22%	63%	37%
COGS	(1,159)	(1,702)	(2,308)			
Gross profit	1,898	3,274	4,490	20%	72%	37%
GP margins	62.1%	65.8%	66.0%			
Other income & gains	206	53	86			
Staff costs	(919)	(1,501)	(1,910)	22%	63%	27%
Staff costs / sales	-30.1%	-30.2%	-28.1%			
Dep. of ROU assets expenses	(353)	(463)	(587)	35%	31%	27%
Dep. of ROU assets exp / sales	-11.5%	-9.3%	-8.6%			
Other rentals expenses	(101)	(215)	(263)	-21%	114%	22%
Other rentals exp / sales	-3.3%	-4.3%	-3.9%			
D & A of other assets	(154)	(225)	(318)	67%	46%	41%
D & A of other assets exp / sales	-5.0%	-4.5%	-4.7%			
A & P expenses	(82)	(124)	(170)	22%	51%	37%
A & P exp / sales	-2.7%	-2.5%	-2.5%			
Delivery service fees	(167)	(226)	(278)	160%	35%	23%
Delivery service fees / sales	-5.5%	-4.5%	-4.1%			
Utilities expenses	(67)	(100)	(129)	30%	49%	30%
Utilities exp / sales	-2.2%	-2.0%	-1.9%			
Logistic & storage fees	(57)	(90)	(116)	42%	58%	29%
Logistic & storage fees / sales	-1.9%	-1.8%	-1.7%			
Other opex	(124)	(194)	(218)	54%	57%	12%
Operating profit (EBIT)	80	189	588	44%	135%	211%
OP margins	2.6%	3.8%	8.7%			
Other items	(140)	(15)	(7)			
Net finance income	(130)	(102)	(129)			
Net finance income / sales	-4.3%	-2.0%	-1.9%			
Profit after financing costs	(190)	72	452			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	-190	72	452	345%	-138%	528%
Tax	(13)	(11)	(68)			
Tax / sales	-0.4%	-0.2%	-1.0%			
Effective tax rate	6.9%	-15.0%	-15.0%			
Minority interests	(1)	1	5			
Net profit att.	(202)	60	380	424%	-130%	528%
NP margins	-6.6%	1.2%	5.6%			
Adjusted Net profit att.	26	122	407	-345%	370%	233%
Adjusted NP att. margin	0.9%	2.5%	6.0%			

Source: Company data, CMBIS estimates

Earnings revision

Figure 7: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,975	6,798	8,787	4,804	6,620	8,601	3.6%	2.7%	2.2%
Gross profit	3,274	4,490	5,822	3,072	4,249	5,537	6.6%	5.7%	5.1%
EBIT	189	588	846	186	578	820	1.3%	1.8%	3.2%
Adjusted NP att.	122	407	594	118	398	572	3.5%	2.2%	3.8%
Adjusted EPS (RMB)	0.071	0.237	0.346	0.069	0.232	0.333	3.5%	2.2%	3.8%
Gross margin	65.8%	66.0%	66.3%	63.9%	64.2%	64.4%	1.8ppt	1.9ppt	1.9ppt
EBIT margin	3.8%	8.7%	9.6%	3.9%	8.7%	9.5%	-0.1ppt	-0.1ppt	0.1ppt
Net profit att. margin	2.5%	6.0%	6.8%	2.5%	6.0%	6.6%	0ppt	0ppt	0.1ppt

Source: Company data, CMBIS estimates

Figure 8: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,975	6,798	8,787	5,194	7,471	9,753	-4.2%	-9.0%	-9.9%
Gross profit	3,274	4,490	5,822	3,337	4,847	6,342	-1.9%	-7.4%	-8.2%
EBIT	189	588	846	224	513	876	-15.5%	14.8%	-3.5%
Adjusted NP att.	122	407	594	89	325	612	36.6%	25.2%	-2.9%
Adjusted EPS (RMB)	0.071	0.237	0.346	0.058	0.187	0.352	23.5%	27.1%	-1.7%
Gross margin	65.8%	66.0%	66.3%	64.3%	64.9%	65.0%	1.5ppt	1.2ppt	1.2ppt
EBIT margin	3.8%	8.7%	9.6%	4.3%	6.9%	9.0%	-0.5ppt	1.8ppt	0.6ppt
Net profit att. margin	2.5%	6.0%	6.8%	1.7%	4.3%	6.3%	0.7ppt	1.6ppt	0.5ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 9: Major assumptions 1

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by brand (RMB mn)						
Nayuki	910	2,291	2,871	4,731	6,527	8,483
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Total	1,087	2,502	3,057	4,975	6,798	8,787
Sales growth by brand segment						
Nayuki		151.9%	25.3%	64.8%	38.0%	30.0%
Tai Gai		18.9%	-17.4%	11.7%	11.3%	13.3%
Others		15.3%	34.1%	120.0%	10.0%	10.0%
Total		130.2%	22.2%	62.7%	36.6%	29.3%
Sales by tier city, Tai Gai & others (RMB mn)						
Tier 1 cities	578	1,028	1,157	1,747	2,349	3,045
New Tier 1 cities	285	859	961	1,653	2,170	2,794
Tier 2 cities	47	379	617	1,069	1,523	1,930
Other cities	0	25	136	263	486	714
Tai Gai and others	177	210	186	244	271	304
Total	1,087	2,502	3,057	4,975	6,798	8,787
Sales by tier city, Tai Gai & others growth						
Tier 1 cities		77.8%	12.5%	51.0%	34.5%	29.6%
New Tier 1 cities		201.8%	11.8%	72.0%	31.3%	28.8%
Tier 2 cities		715.5%	62.7%	73.3%	42.5%	26.7%
Other cities			445.2%	92.8%	84.9%	47.0%
Tai Gai and others		18.5%	-11.3%	31.1%	10.9%	12.3%
Total		130.2%	22.2%	62.7%	36.6%	29.3%
Sales by channel (RMB mn)						
In-store cashier & others	1,001	1,745	961	840	923	1,010
WeChat/ Alipay & Nayuki app	-	317	1,222	3,005	4,575	6,285
3rd party online ordering platforms	86	439	874	1,131	1,300	1,491
Total	1,087	2,502	3,057	4,975	6,798	8,787
Sales by channel growth						
In-store cashier & others		74.3%	-45.0%	-12.6%	9.9%	9.5%
WeChat/ Alipay & Nayuki app			285.3%	145.8%	52.3%	37.4%
3rd party online ordering platforms		412.6%	99.2%	29.3%	15.0%	14.7%
Total		130.2%	22.2%	62.7%	36.6%	29.3%

Source: Company data, CMBIS estimates

Figure 10: Major assumptions 2

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Nayuki brands' sales per store (RMB mn)						
Tier 1 cities	6.6	7.5	6.8	6.1	5.8	5.7
New Tier 1 cities	4.9	7.2	5.7	5.9	5.6	5.5
Tier 2 cities	4.7	6.1	5.1	5.4	5.4	5.2
Other cities	-	3.1	4.7	4.6	5.1	5.2
Total	5.9	7.0	5.8	5.8	5.6	5.5
Nayuki brand's average sales per order (RMB)						
Tier 1 cities	41.7	42.5	44.2	44.0	44.6	45.0
New Tier 1 cities	44.6	42.7	42.5	43.5	44.2	44.6
Tier 2 cities	48.7	45.5	41.5	45.2	46.1	46.6
Other cities	-	47.5	43.7	45.5	46.1	46.8
Total	42.9	43.1	43.0	44.2	44.9	45.4
Nayuki brand's average orders per day						
Tier 1 cities	694	608	471	475	447	423
New Tier 1 cities	739	642	455	468	440	413
Tier 2 cities	949	754	470	453	391	371
Other cities	-	785	604	471	427	381
Total	716	642	470	465	429	403
Nayuki brand's store network						
Tier 1 cities	87	138	170	288	406	534
New Tier 1 cities	58	119	170	280	385	505
Tier 2 cities	10	62	122	197	282	372
Other cities	-	8	29	57	95	138
Total	155	327	491	822	1,168	1,549
GP margins	64.7%	63.4%	62.1%	65.8%	66.0%	66.3%
Opex breakdown						
Staff costs	-31.3%	-30.0%	-30.1%	-30.2%	-28.1%	-27.7%
Depreciation of right-of-use assets	-11.1%	-10.5%	-11.5%	-9.3%	-8.6%	-8.2%
Other rentals & related expenses	-6.7%	-5.1%	-3.3%	-4.3%	-3.9%	-3.5%
D & A of other assets	-3.7%	-3.7%	-5.0%	-4.5%	-4.7%	-4.8%
Advertising & promotion expenses	-3.6%	-2.7%	-2.7%	-2.5%	-2.5%	-2.5%
Delivery service fees	-1.0%	-2.6%	-5.5%	-4.5%	-4.1%	-4.3%
Utilities expenses	-2.2%	-2.1%	-2.2%	-2.0%	-1.9%	-1.9%
Logistic and storage fees	-1.1%	-1.6%	-1.9%	-1.8%	-1.7%	-1.6%
EBIT margins	0.1%	2.2%	2.6%	3.8%	8.7%	9.6%
Effective tax rate	-47.1%	7.1%	-6.9%	15.0%	15.0%	15.0%
NP att. margins	-6.1%	-1.5%	-6.6%	1.2%	5.6%	6.6%
NP att. growth (%)		-41.6%	423.7%	-129.9%	528.1%	51.8%
Adj. NP margins	-5.2%	-0.5%	0.8%	2.5%	6.1%	6.8%
Adj. NP growth (%)		-79.3%	-309.4%	400.1%	234.8%	46.0%

Source: Company data, CMBIS estimates

Our DCF method assumes

- 34% sales CAGR in FY20-25E
- 56% EBITDA CAGR in FY20-25E
- 15.8% EBITDA margin in FY25 (from 7.4% in FY20)
- 8.1% WACC (Lower than International peers avg. of 10.1% and Greater China leading peers avg. of 13.6%), based on 3.0% costs of debt, 10.0% risk premium, Beta of 0.7x, 10.0% cost of equity, Optimal debt/ equity ratio of 25%/ 75%.
- 3.5% terminal growth.

Figure 11: DCF-based valuation

DCF	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
EBITDA	39	143	227	376	841	1,202	1,688	2,067
Chg in working cap	43	29	(9)	619	46	92	103	97
Adjusted tax	(1)	(4)	(4)	(26)	(87)	(126)	(186)	(236)
Capex & product dev	(209)	(290)	(243)	(448)	(510)	(545)	(551)	(525)
Unleveraged FCF	(128)	(121)	(30)	521	290	624	1,055	1,404
YoY%								
DCF (21E-25E)				2,944				
PV (Terminal value)				21,186				
EV (End-21E)				24,130				
Cash from options/w warrants conv				0				
Yer-end net cash/(debts)				218				
Fully diluted equity value (End-21E)				24,348				
Fully diluted no. of shares (m)				1,715				
Minority interests (End-21E)				0				
Market cap (End-21E)				24,348				
Exchange rate				1.20				
Fully diluted equity value/share (HK\$)				17.10				
Risk-free rate				3.0%				
Risk premium				10.0%				
Beta				0.70				
Cost of equity				10.0%				
Cost of debt				3.0%				
Tax rate				15.0%				
After-tax cost of debt				2.6%				
Debt to total capital				25.0%				
WACC				8.1%				
Terminal growth				3.5%				
FY22E EV/EBITDA				29.0				
FY22E adj. P/E				59.8				
FY22E P/S				3.6				

Source: Bloomberg, Company data, CMBIS estimates

Figure 12: DCF-based valuation - sensitivity test

Terminal growth (%)	WACC (%)						
	6.6%	7.1%	7.6%	8.1%	8.6%	9.1%	9.6%
2.0%	18.05	16.16	14.60	13.30	12.20	11.26	10.44
2.5%	20.04	17.73	15.87	14.35	13.07	11.99	11.06
3.0%	22.57	19.68	17.41	15.59	14.09	12.84	11.78
3.5%	25.91	22.17	19.33	17.10	15.32	13.85	12.62
4.0%	30.52	25.44	21.77	18.98	16.80	15.05	13.61
4.5%	37.28	29.97	24.99	21.38	18.65	16.51	14.79
5.0%	48.18	36.60	29.42	24.54	21.00	18.32	16.22

Source: Bloomberg, Company data, CMBIS estimates

Valuation

Figure 13: Peers valuation

Company	Ticker	Rating	12M TP	Price	Up/do	Mkt cap	Year	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD
			HK\$/LC	HK\$/LC	wn-side (%)			FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)	perform
Leading Greater China Catering and Food Ingredients															
Nayuki Holdings	2150 HK	BUY	17.10	11.04	55%	18,935	Dec-20	128.7	38.6	4.1	3.7	n/a	(0.5)	0.0	n/a
Jiumaojiu Int'l	9922 HK	BUY	30.47	25.00	22%	36,335	Dec-20	63.8	40.0	8.4	7.0	14.3	0.6	0.4	6.0
Haidilao Int'l	6862 HK	BUY	40.11	27.35	47%	149,304	Dec-20	50.6	28.1	9.6	7.3	14.3	0.3	0.5	(54.2)
Cafe De Coral	341 HK	BUY	19.05	14.10	35%	8,258	Mar-21	23.0	18.1	2.5	2.4	12.6	1.7	2.6	(15.6)
Xiabuxiabu	520 HK	NR	n/a	6.21	n/a	6,741	Dec-20	16.3	10.1	2.2	1.8	0.1	0.0	2.0	(64.7)
Yihai Int'l	1579 HK	BUY	108.52	39.20	177%	41,038	Dec-20	32.8	26.3	8.1	6.5	26.9	1.5	0.8	(65.7)
Yum China	9987 HK	BUY	597.92	480.00	25%	202,025	Dec-20	31.4	26.6	3.8	3.4	20.5	3.2	0.8	8.0
Gourmet Master	2723 TT	NR	n/a	143.50	n/a	7,203	Dec-20	21.7	19.1	2.2	2.0	11.4	1.2	2.8	1.8
Avg.							Avg.	46.0	25.9	5.1	4.3	14.3	1.0	1.2	(26.4)
Med.							Med.	32.1	26.5	3.9	3.5	14.3	0.9	0.8	(15.6)
Other Greater China Catering and Food Ingredients															
Tenfu	6868 HK	NR	n/a	5.26	n/a	5,771	Dec-20	n/a	n/a	n/a	n/a	20.8	n/a	n/a	(13.5)
Sunjuice	1256 TT	NR	n/a	446.00	n/a	4,209	Dec-20	n/a	n/a	n/a	n/a	40.0	n/a	n/a	51.7
Fairwood	52 HK	NR	n/a	17.36	n/a	2,249	Mar-21	n/a	n/a	n/a	n/a	20.5	n/a	n/a	(1.9)
Tai Hing Group	6811 HK	NR	n/a	1.67	n/a	1,676	Dec-20	9.5	8.1	1.5	1.4	11.6	0.3	6.9	13.6
Hop Hing Group	47 HK	NR	n/a	0.05	n/a	463	Dec-20	n/a	n/a	n/a	n/a	(17.5)	n/a	n/a	(6.1)
Ajisen China	538 HK	NR	n/a	1.37	n/a	1,495	Dec-20	n/a	n/a	n/a	n/a	2.6	n/a	n/a	4.6
Tao Heung	573 HK	NR	n/a	0.96	n/a	976	Dec-20	n/a	n/a	n/a	n/a	1.5	n/a	n/a	17.1
Avg.							Avg.	9.5	8.1	1.5	1.4	11.4	0.3	6.9	9.3
Med.							Med.	9.5	8.1	1.5	1.4	11.6	0.3	6.9	4.6
Greater China Catering and Food Ingredients															
							Avg.	31.1	22.1	4.8	4.0	12.8	1.1	2.1	(8.5)
							Med.	27.2	22.7	3.2	2.9	13.4	0.9	1.4	(0.1)
International Catering and Food Ingredients															
Yum! Brands	YUM US	NR	n/a	134	n/a	309,492	Dec-20	29.6	27.1	n/a	n/a	n/a	1.3	1.5	23.8
Mcdonald's Corp	MCD US	NR	n/a	239	n/a	1,388,802	Dec-20	26.4	24.2	n/a	n/a	n/a	1.4	2.2	11.3
Starbucks Corp	SBUX US	NR	n/a	116	n/a	1,061,069	Sep-20	35.7	31.0	n/a	n/a	n/a	0.5	1.6	8.0
Restaurant Brands	QSR US	NR	n/a	64	n/a	230,929	Dec-20	23.0	20.1	9.0	9.7	27.8	0.7	3.3	4.9
Chipotle Mexican Grill	CMG US	NR	n/a	1925	n/a	421,010	Dec-20	75.6	57.7	23.6	19.6	30.2	1.5	0.0	38.8
Darden Restaurants	DRI US	NR	n/a	150	n/a	152,375	May-21	20.1	17.9	6.5	5.9	24.5	0.8	2.9	26.1
Domino's Pizza	DPZ US	NR	n/a	512	n/a	146,968	Jan-21	37.4	32.4	n/a	n/a	n/a	3.0	0.7	33.6
Wendy's Co	WEN US	NR	n/a	23	n/a	40,541	Jan-21	28.6	25.6	9.1	10.4	35.2	1.1	1.8	6.6
Shake Shack	SHAK US	NR	n/a	87	n/a	28,445	Dec-20	n/a	249.6	9.2	8.6	(5.2)	n/a	n/a	2.5
Wingstop	WING US	NR	n/a	169	n/a	39,067	Dec-20	112.7	87.9	n/a	n/a	n/a	2.6	0.4	27.3
Avg.							Avg.	43.3	57.4	11.5	10.8	22.5	1.4	1.6	18.3
Med.							Med.	29.6	29.1	9.1	9.7	27.8	1.3	1.6	17.6
A-shares Greater China Catering and Food Ingredients															
Foshan Haitian Flavouring	603288 CH	NR	n/a	106.75	n/a	540,125	Dec-20	59.4	46.9	17.6	14.2	33.5	2.5	0.9	(30.8)
Fujian Sunner	002299 CH	NR	n/a	18.59	n/a	27,786	Dec-20	21.1	11.8	2.3	2.1	9.9	1.4	1.8	(30.0)
Angel Yeast	600298 CH	NR	n/a	43	n/a	43,415	Dec-20	23.4	20.1	4.9	4.1	25.0	1.4	1.4	(15.0)
Meihua Holdings Group	600873 CH	NR	n/a	6.68	n/a	24,861	Dec-20	11.3	9.4	2.2	2.2	15.0	0.3	8.4	43.3
Guangzhou Restaurant	603043 CH	NR	n/a	23.45	n/a	15,930	Dec-20	23.1	19.2	4.5	3.8	20.8	1.0	1.8	(15.2)
Xiangpiaopiao Food	603711 CH	NR	n/a	15.02	n/a	7,513	Dec-20	15.7	13.6	2.0	1.7	16.7	1.0	n/a	(28.9)
China Quanjude	002186 CH	NR	n/a	9.68	n/a	3,586	Dec-20	138.3	46.1	n/a	n/a	(17.3)	(0.8)	n/a	(4.0)
Avg.							Avg.	41.8	23.9	5.6	4.7	14.8	1.0	2.8	(11.5)
Med.							Med.	23.1	19.2	3.4	3.0	16.7	1.0	1.8	(15.2)
H-shares Consumer Staples															
Uni-President China	220 HK	NR	n/a	7.15	n/a	30,883	Dec-20	17.2	14.8	1.9	1.8	10.6	2.1	5.8	(9.4)
Tingyi (Cayman Isln)	322 HK	NR	n/a	14.12	n/a	79,461	Dec-20	17.5	15.5	3.1	3.0	19.7	2.3	6.7	9.9
Want Want China	151 HK	NR	n/a	5.25	n/a	62,918	Mar-21	12.5	11.7	3.3	3.0	27.6	1.7	5.3	(6.4)
China Mengniu Dairy	2319 HK	NR	n/a	45.35	n/a	179,061	Dec-20	28.8	23.8	4.0	3.5	16.4	0.9	0.9	(2.4)
Vitasoy Intl Holdings	345 HK	NR	n/a	19.54	n/a	20,908	Mar-21	43.2	32.8	5.7	5.2	16.3	4.4	1.5	(35.3)
Nongfu Spring	9633 HK	NR	n/a	39.95	n/a	449,296	Dec-20	59.0	50.7	18.6	14.7	42.6	3.0	0.6	(27.2)
Budweiser Brewing	1876 HK	NR	n/a	19.34	n/a	256,127	Dec-20	34.5	28.2	2.9	2.7	8.3	1.0	1.2	(24.5)
Tsingtao Brewery	168 HK	NR	n/a	66.00	n/a	119,658	Dec-20	26.3	23.1	3.4	3.1	13.1	1.2	1.5	(18.7)
China Resources Beer	291 HK	NR	n/a	63.70	n/a	206,654	Dec-20	41.5	36.9	7.1	6.4	18.4	1.0	1.0	(10.8)
Dali Foods Group	3799 HK	NR	n/a	4.15	n/a	56,831	Dec-20	11.8	10.8	2.4	2.2	22.8	1.3	4.6	(6.3)
Avg.							Avg.	29.2	24.8	5.2	4.6	19.6	1.9	2.9	(13.1)
Med.							Med.	27.6	23.4	3.3	3.1	17.4	1.5	1.5	(10.1)

Source: Bloomberg, Company data, CMBIS estimates

Figure 14: Peers valuation

Company	Ticker	Rating	Market Cap	EV	EV/EBITDA			3 yrs EBITDA			3 yrs Sales CAGR (%)			PSG
			HK\$ mn	HK\$ mn	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1
Leading Greater China Catering and Food Ingredients														
Nayuki Holdings	2150 HK	BUY	16,722	19,423	43.3	19.5	13.8	73.5	2.9	2.1	1.6	41.8	0.07	
Jiumaojiu Int'l	9922 HK	BUY	34,736	34,175	25.9	17.3	12.0	67.1	5.7	4.0	2.9	57.3	0.10	
Haidilao Int'l	6862 HK	BUY	158,857	169,804	17.2	11.8	9.6	53.5	2.6	1.9	1.6	46.3	0.06	
Cafe De Coral	341 HK	BUY	8,809	9,951	12.0	10.3	10.0	(14.0)	1.1	1.0	0.9	12.1	0.09	
Xiabuxiabu	520 HK	NR	7,555	8,635	5.0	3.9	3.4	25.8	0.8	0.7	0.5	31.1	0.03	
Yihai Int'l	1579 HK	BUY	52,397	50,219	25.0	19.6	15.7	27.7	6.2	5.0	4.0	29.8	0.21	
Yum China	9987 HK	BUY	202,109	189,069	14.7	12.8	11.7	3.5	2.5	2.3	2.1	15.1	0.17	
Gourmet Master	2723 TT	NR	6,646	6,577	4.7	4.3	4.0	8.2	1.1	1.1	1.0	7.6	0.15	
Avg.			60,979	60,981	18.5	12.4	10.0	30.7	2.9	2.3	1.8	30.1	0.11	
Med.			25,729	26,799	15.9	12.3	10.8	26.8	2.6	2.0	1.6	30.5	0.09	
Other Greater China Catering and Food Ingredients														
Tenfu	6868 HK	NR	5,710	6,274	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sunjuice	1256 TT	NR	4,293	4,069	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Fairwood	52 HK	NR	2,257	2,853	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tai Hing Group	6811 HK	NR	1,837	2,943	6.9	6.0	5.3	(8.5)	0.5	0.4	0.4	17.8	0.0	
Hop Hing Group	47 HK	NR	473	835	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Ajisen China	538 HK	NR	1,484	477	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tao Heung	573 HK	NR	1,027	1,494	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Avg.			2,440	2,707	6.9	6.0	5.3	(8.5)	0.5	0.4	0.4	17.8	0.03	
Med.			1,837	2,853	6.9	6.0	5.3	(8.5)	0.5	0.4	0.4	17.8	0.03	
Greater China Catering and Food Ingredients														
			34,871	34,813	13.9	10.8	9.0	20.4	2.6	2.0	1.7	27.1	0.10	
			6,178	6,426	13.3	11.0	9.8	17.0	1.8	1.5	1.3	23.8	0.09	
International Catering and Food Ingredients														
Yum! Brands	YUM US	NR	309,492	394,357	21.3	20.1	18.5	16.7	6.0	5.7	5.3	10.1	0.60	
Mcdonald'S Corp	MCD US	NR	1,388,802	1,747,717	19.0	17.8	16.7	8.5	7.8	7.3	7.0	10.0	0.78	
Starbucks Corp	SBUX US	NR	1,061,069	1,205,623	23.7	20.8	18.8	21.1	4.7	4.3	3.9	14.2	0.33	
Restaurant Brands	QSR US	NR	230,929	326,216	18.5	16.6	15.4	27.6	5.1	4.8	4.6	9.6	0.54	
Chipotle Mexican Grill	CMG US	NR	421,010	439,322	47.2	36.8	29.9	30.1	7.2	6.3	5.6	17.1	0.42	
Darden Restaurants	DRI US	NR	152,375	187,636	15.3	14.3	13.6	8.8	2.1	1.9	1.8	14.2	0.15	
Domino'S Pizza	DPZ US	NR	146,968	185,952	26.3	24.2	22.3	8.8	4.2	3.9	3.6	8.1	0.52	
Wendy'S Co	WEN US	NR	40,541	65,848	17.9	16.9	15.5	3.9	2.7	2.7	2.6	5.4	0.51	
Shake Shack	SHAK US	NR	28,445	30,488	69.3	37.1	27.7	41.8	4.9	3.8	3.1	31.0	0.16	
Wingstop	WING US	NR	39,067	42,377	63.3	51.3	43.9	22.8	17.0	14.4	12.4	17.6	0.96	
Avg.			381,870	462,554	32.2	25.6	22.2	19.0	6.2	5.5	5.0	13.7	0.50	
Med.			191,652	256,926	22.5	20.5	18.7	18.9	5.0	4.5	4.2	12.1	0.51	
A-shares Greater China Catering and Food Ingredients														
Foshan Haitian Flavouring	603288 CH	NR	540,125	515,031	47.6	40.3	34.3	19.7	17.0	14.6	12.6	18.7	0.91	
Fujian Sunner	002299 CH	NR	27,786	31,630	12.1	8.2	6.1	12.5	1.5	1.2	1.1	19.3	0.08	
Angel Yeast	600298 CH	NR	43,415	46,912	16.9	14.8	13.0	13.0	3.5	3.1	2.7	16.3	0.22	
Meihua Holdings Group	600873 CH	NR	24,861	30,039	n/a	n/a	n/a	n/a	1.0	0.9	0.7	20.5	0.05	
Guangzhou Restaurant	603043 CH	NR	15,930	15,074	16.6	14.1	12.0	21.6	3.2	2.7	2.4	21.9	0.15	
Xiangpiaopiao Food	603711 CH	NR	7,513	6,306	9.3	8.1	7.0	11.8	1.4	1.2	1.0	19.7	0.1	
China Quanjude	002186 CH	NR	3,586	3,369	n/a	n/a	n/a	n/a	2.3	1.9	1.7	33.6	0.1	
Avg.			94,745	92,623	20.5	17.1	14.5	15.7	4.3	3.7	3.2	21.4	0.22	
Med.			24,861	30,039	16.6	14.1	12.0	13.0	2.3	1.9	1.7	19.7	0.08	
H-shares Consumer Staples														
Uni-President China	220 HK	NR	30,883	29,494	7.6	7.0	6.6	5.7	1.0	1.0	0.9	9.1	0.11	
Tingyi (Cayman Isln)	322 HK	NR	79,461	74,726	6.9	6.4	6.0	6.5	0.9	0.9	0.8	7.8	0.12	
Want Want China	151 HK	NR	62,918	55,866	7.1	6.8	6.4	4.3	2.3	2.2	2.1	6.4	0.35	
China Mengniu Dairy	2319 HK	NR	179,061	195,597	21.7	18.3	15.9	24.5	1.7	1.5	1.3	16.0	0.11	
Vitasoy Intl Holdings	345 HK	NR	20,908	20,614	18.5	15.1	13.7	4.7	2.8	2.5	2.2	8.1	0.34	
Nongfu Spring	9633 HK	NR	449,296	436,100	34.8	30.6	26.7	16.9	13.5	11.5	9.9	20.6	0.65	
Budweiser Brewing	1876 HK	NR	256,127	247,763	14.8	13.5	12.1	19.0	4.9	4.5	4.3	11.5	0.43	
Tsingtao Brewery	168 HK	NR	119,658	91,575	17.6	15.4	13.7	15.2	3.3	3.1	2.9	9.6	0.34	
China Resources Beer	291 HK	NR	206,654	192,809	21.8	19.8	16.9	28.1	4.9	4.5	4.2	11.6	0.43	
Dali Foods Group	3799 HK	NR	56,831	42,745	6.3	5.8	5.5	8.8	2.1	2.0	1.9	9.0	0.23	
Avg.			146,180	138,729	15.7	13.9	12.3	13.4	3.7	3.4	3.1	11.0	0.31	
Med.			99,560	83,151	16.2	14.3	12.9	12.0	2.5	2.3	2.1	9.4	0.34	

Source: Bloomberg, Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1,087	2,502	3,057	4,975	6,798	8,787
Nayuki	910	2,291	2,871	4,731	6,527	8,483
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Cost of goods sold	(384)	(916)	(1,159)	(1,702)	(2,308)	(2,965)
Gross profit	703	1,586	1,898	3,274	4,490	5,822
Other income	3	6	206	53	86	91
Operating expenses	(704)	(1,536)	(2,024)	(3,138)	(3,988)	(5,068)
Staff costs	(340)	(751)	(919)	(1,501)	(1,910)	(2,430)
Rental & ROUA depre.	(194)	(389)	(453)	(678)	(850)	(1,029)
D & A expenses	(40)	(93)	(154)	(225)	(318)	(421)
Utilities expenses	(39)	(67)	(82)	(124)	(170)	(220)
Other opex	(91)	(236)	(415)	(609)	(740)	(968)
EBIT	1	56	80	189	588	846
Finance costs	(46)	(96)	(130)	(102)	(129)	(151)
JVs & associates	-	-	-	-	-	-
Exceptional	(3)	(2)	(140)	(15)	(7)	(9)
Pre-tax profit	(47)	(43)	(190)	72	452	686
Income tax	(22)	3	(13)	(11)	(68)	(103)
Less: Minority interests	(4)	(1)	(1)	1	5	7
Net profit att.	(66)	(39)	(202)	60	380	576
Adj. net profit	(57)	(12)	25	123	411	601
Adj. net profit att.	(53)	(11)	26	122	407	594

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,059	1,756	1,984	2,207	2,399	2,524
Fixed asset	254	451	587	810	1,002	1,127
Intangible assets & goodwill	0	1	1	1	1	1
Prepaid lease payments	16	4	2	2	2	2
Interest in joint ventures	0	0	0	0	0	0
Other non-current assets	789	1,300	1,394	1,394	1,394	1,394
Current assets	285	295	1,330	5,694	6,081	6,796
Cash and cash equivalents	186	81	502	5,302	5,547	6,107
Inventories	38	78	103	117	158	203
Trade and other receivables	2	1	1	1	2	2
Prepayments	0	1	0	0	0	0
Other current assets	59	135	724	274	374	483
Current liabilities	850	1,226	2,728	2,911	3,100	3,347
Bank loans	2	55	283	283	283	283
Trade payables	104	202	226	294	379	487
Accruals & other payables	108	167	258	373	476	615
Tax payables	14	7	21	21	21	21
others	622	796	1,940	1,940	1,940	1,940
Non-current liabilities	603	974	1,010	1,110	1,110	1,110
Bank loans	0	0	0	100	100	100
Deferred income	0	0	0	0	0	0
Deferred tax	1	1	4	4	4	4
Others	603	973	1,006	1,006	1,006	1,006
Minority Interest	0	0	0	1	5	12
Total net assets	(110)	(149)	(424)	3,879	4,265	4,850
Shareholders' equity	(110)	(149)	(424)	3,879	4,265	4,850

Source: Company data, CMBIS estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	1	56	80	189	588	846
D & A	40	93	154	225	318	421
Change in working capital	43	29	(9)	619	46	92
Income tax paid	(8)	(30)	6	(11)	(68)	(103)
Others	125	269	343	-	0	-
Operating cash flow	201	416	574	1,022	884	1,256
Capex & investments	(209)	(291)	(243)	(448)	(510)	(545)
Associated companies	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Others	0	(0)	(0)	-	-	-
Investing cash flow	(209)	(291)	(244)	(448)	(510)	(545)
Equity raised	300	-	-	4,228	-	-
Net change in bank loans	2	53	222	100	-	-
Dividend paid	-	-	-	-	-	-
Others	(121)	(282)	(130)	(102)	(129)	(151)
Financing cash flow	181	(229)	92	4,226	(129)	(151)
Net change in cash	172	(104)	422	4,801	245	560
Beginning cash balance	13	186	81	502	5,302	5,547
Exchange difference	-	(0)	(2)	-	-	-
Cash at the end of the year	186	81	502	5,302	5,547	6,107

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)						
Nayuki	83.7	91.6	93.9	95.1	96.0	96.5
Tai Gai	14.3	7.4	5.0	3.4	2.8	2.5
Others	2.0	1.0	1.1	1.5	1.2	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	64.7	63.4	62.1	65.8	66.0	66.3
EBIT margin	0.1	2.2	2.6	3.8	8.7	9.6
Pre-tax margin	(4.4)	(1.7)	(6.2)	1.4	6.6	7.8
Net margin	(6.1)	(1.5)	(6.6)	1.2	5.6	6.6
Effective tax rate	(47.1)	7.1	(6.9)	15.0	15.0	15.0
Adj. net margin	(5.2)	(0.5)	0.8	2.5	6.1	6.8
Balance sheet ratios						
Current ratio (x)	0.3	0.2	0.5	2.0	2.0	2.0
Quick ratio (x)	0.3	0.2	0.4	1.9	1.9	2.0
Cash ratio (x)	0.2	0.1	0.2	1.8	1.8	1.8
Inventory turnover days	18	23	28	25	25	25
Trade receivables days	0	0	0	0	0	0
Trade payables days	49	61	67	63	60	60
Total debt / total equity ratio (%)	(1)	(36)	(67)	10	9	8
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	n/a	n/a	n/a	1.6	8.9	11.9
ROA	(4.9)	(1.9)	(6.1)	0.8	4.5	6.2
Per share						
EPS (RMB)	(0.03)	(0.01)	0.02	0.07	0.24	0.35
DPS (RMB)	-	-	-	-	-	-
BVPS (RMB)	(0.06)	(0.09)	(0.25)	2.26	2.49	2.83

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