

Haidilao (6862 HK)

Awaiting positives to come after reforms

Maintain BUY but revised down TP to HK\$ 34.06, based on 41x FY22E P/E (down from 45x) and our forecasted 21% NP att. CAGR during FY19-23E. We believe the negatives in 1H21 result should have been fully reflected and the positives from the new reforms might be muted by COVID-19 outbreak in 3Q21. Therefore, if the traffic improves onwards, we believe overall profit margin should recover quickly.

- 1H21 results inline.** Haidilao's reported a net profit of RMB 95mn in 1H21, inline with its profit alert. Sales growth was fast at 106% YoY, driven by new store expansions to 1,597 (vs 1,298 in FY20) while NP margin was still under pressure at 0.5%, due to decline in table turnover (3.0x, vs 3.3x in 1H20), traffic cannibalization by new stores and recurrence of COVID-19.
- Sales per store would have been improving during Jun-Aug 2021, if no COVID-19 disruption.** Management highlighted that sales trend was improving gradually during Jun and early Jul 2021, and this trend had already resumed since mid Aug 2021. Therefore we estimated sales per store recovery to be 70-80% in Jun - Aug 2021 (vs 2019 level) and could be better if there was no COVID-19 outbreak.
- Sequential improvement in 2H21E is still likely.** We expect sales per store to perform better in 2H21E, thanks to series of reforms started in Jun 2021, including: 1) new system imposed for more micro management in 5 large and many small regions (large/ small regions will be headed by coaches and the most experienced family heads/ other family heads), 2) more KPIs on store operation on top of customer satisfaction, 3) more on-site inspections, coaching, and guidance to be provided by experienced family heads and 4) new product launches or localization will be more encouraged.
- Store expansion shall continue but at a slower pace (~300 to 400 stores per year).** While expansion pace slowed down, store numbers will still be growing, because: 1) there are still restaurants with 5x or above table turnover and 2) hot pot industry is still fast growing and clearly taking more market shares. Management believes the target of 3,000 stores will be achievable and the reserved store managers will certainly have their opportunities. We now forecast 300-400 new stores per year in FY21E-22E and many of those will be located in tier-3 or below cities.
- Maintain BUY and cut TP to HK\$ 34.06.** We cut our FY21E/ 22E/ 23E EPS by 29%/ 7%/ 7% to factor in 1) lower sales per store, 2) slower store expansion but 3) lower depreciation expenses. We cut TP to HK\$ 34.06 but maintain BUY, based on 41x FY22E P/E (from 45x). It is trading at 35x FY22E P/E, vs China/ Int'l peers median of 26x/ 31x, given a 21% 3 years NP CAGR.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	26,556	28,614	43,798	56,106	66,597
YoY growth (%)	56.5	7.8	53.1	28.1	18.7
Net income (RMB mn)	2,345	309	1,927	3,655	5,048
EPS (RMB)	0.44	0.06	0.36	0.69	0.95
YoY growth (%)	42.4	(86.8)	523.2	89.6	38.1
Consensus EPS	n/a	n/a	0.43	0.79	1.09
P/E (x)	59.7	424.1	67.1	35.4	25.6
P/B (x)	13.2	12.8	10.1	7.6	5.6
Yield (%)	0.2	0.5	0.4	0.8	1.2
ROE (%)	24.4	3.0	16.7	24.4	25.0
Net gearing (%)	Net cash	16.1	9.9	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$34.06**
 (Previous TP **HK\$40.11**)
 Up/Downside **+15.9%**
 Current Price **HK\$29.40**

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	160,495
Avg 3 mths t/o (HK\$ mn)	583.53
52w High/Low (HK\$)	85.8/26.1
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%

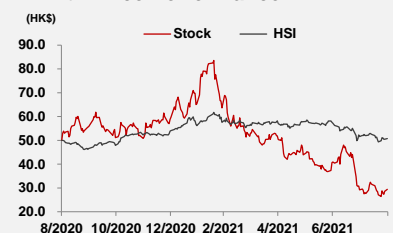
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.1%	-3.8%
3-mth	-34.9%	-25.3%
6-mth	-55.1%	-48.7%
12-mth	-45.5%	-45.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte Touche Tohmatsu

Related Reports

- Haidilao (6862 HK, BUY) – Profit missed but all eyes on future reforms – 27 Jul 2021
- 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

Results preview

Figure 1: Result preview – Half Year

	1H20	2H20	1H21	2H21E	1H19 YoY	2H19 YoY	1H20 YoY	2H20E YoY
Revenue	9,761	18,854	20,094	23,704	-17%	27%	106%	26%
COGS	(4,348)	(7,913)	(8,502)	(9,845)				
Gross profit	5,412	10,940	11,592	13,859	-20%	28%	114%	27%
GP margins	55.5%	58.0%	57.7%	58.5%				
Other income & gains	180	180	195	178				
Staff costs	(4,074)	(5,602)	(7,162)	(8,005)	12%	29%	76%	43%
Staff costs / sales	-41.7%	-29.7%	-35.6%	-33.8%				
Property rent & related exp.	(88)	(148)	(199)	(146)	-8%	3%	125%	-1%
Property rent & related exp. / sales	-0.9%	-0.8%	-1.0%	-0.6%				
Utilities exp.	(360)	(618)	(693)	(840)	-18%	31%	93%	36%
Utilities exp. / sales	-3.7%	-3.3%	-3.4%	-3.5%				
Depreciation & amortization	(1,297)	(1,737)	(2,169)	(1,113)	56%	64%	67%	-36%
Depreciation & amortization / sales	-13.3%	-9.2%	-10.8%	-4.7%				
Travelling & related exp.	(79)	(107)	(119)	(232)	-16%	-15%	50%	116%
Travelling & related exp. / sales	-0.8%	-0.6%	-0.6%	-1.0%				
Other opex	(511)	(741)	(801)	(995)	11%	38%	57%	34%
Operating profit (EBIT)	-816	2,167	644	2,706	-161%	9%	-179%	25%
OP margins	-8.4%	11.5%	3.2%	11.4%				
Other items	33	(278)	(85)	55				
Net finance income	(183)	(263)	(304)	(375)				
Net finance income / sales	-1.9%	-1.4%	-1.5%	-1.6%				
Profit after financing costs	-966	1,627	255	2,386				
Associated coms	42	33	40	(30)				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	-924	1,660	295	2,356	-174%	-17%	-132%	42%
Tax	(40)	(386)	(198)	(517)				
Tax / sales	-0.4%	-2.0%	-1.0%	-2.2%				
Effective tax rate	4.3%	-23.2%	-67.3%	-22.0%				
Minority interests	0	0	2	6				
Net profit att.	(965)	1,274	95	1,833	-206%	-11%	-110%	44%
NP margins	-9.9%	6.8%	0.5%	7.7%				

Source: Company data, CMBIS estimates

Figure 2: Result preview – Full Year

	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
Revenue	28,614	43,798	56,106	8%	53%	28%
COGS	(12,261)	(18,347)	(23,335)			
Gross profit	16,353	25,451	32,771	7%	56%	29%
GP margins	57.1%	58.1%	58.4%			
Other income & gains	361	372	489			
Staff costs	(9,677)	(15,167)	(18,388)	21%	57%	21%
Staff costs / sales	-33.8%	-34.6%	-32.8%			
Property rent & related exp.	(236)	(345)	(442)	-2%	46%	28%
Property rent & related exp. / sales	-0.8%	-0.8%	-0.8%			
Utilities exp.	(978)	(1,533)	(1,964)	7%	57%	28%
Utilities exp. / sales	-3.4%	-3.5%	-3.5%			
Depreciation & amortization	(3,034)	(3,282)	(4,097)	60%	8%	25%
Depreciation & amortization / sales	-10.6%	-7.5%	-7.3%			
Travelling & related exp.	(186)	(350)	(449)	-15%	88%	28%
Travelling & related exp. / sales	-0.7%	-0.8%	-0.8%			
Other opex	(1,252)	(1,796)	(2,244)	25%	43%	25%
Operating profit (EBIT)	1,351	3,350	5,677	-59%	148%	69%
OP margins	4.7%	7.6%	10.1%			
Other items	(245)	(31)	(39)			
Net finance income	(446)	(678)	(656)			
Net finance income / sales	-1.6%	-1.5%	-1.2%			
Profit after financing costs	660	2,641	4,981			
Associated coms	0	0	0			
Jointly controlled coms	75	10	11			
Pre-tax profit	735	2,651	4,993	-77%	261%	88%
Tax	(426)	(716)	(1,323)			
Tax / sales	-1.5%	-1.6%	-2.4%			
Effective tax rate	-57.9%	-27.0%	-26.5%			
Minority interests	0	8	15			
Net profit att.	309	1,927	3,655	-87%	523%	90%
NP margins	1.1%	4.4%	6.5%			

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	43,798	56,106	66,597	47,334	61,830	75,528	-7.5%	-9.3%	-11.8%
Gross profit	25,451	32,771	38,899	27,505	36,115	44,116	-7.5%	-9.3%	-11.8%
EBIT	3,306	5,608	7,430	4,370	5,952	7,890	-24.3%	-5.8%	-5.8%
Net profit att.	1,927	3,655	5,048	2,719	3,921	5,411	-29.1%	-6.8%	-6.7%
Diluted EPS (RMB)	0.364	0.690	0.952	0.513	0.740	1.021	-29.1%	-6.8%	-6.7%
Gross margin	58.1%	58.4%	58.4%	58.1%	58.4%	58.4%	0ppt	0ppt	0ppt
EBIT margin	7.5%	10.0%	11.2%	9.2%	9.6%	10.4%	-1.7ppt	0.4ppt	0.7ppt
Net profit att. margin	4.4%	6.5%	7.6%	5.7%	6.3%	7.2%	-1.3ppt	0.2ppt	0.4ppt

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	43,798	56,106	66,597	47,238	64,708	80,647	-7.3%	-13.3%	-17.4%
Gross profit	25,451	32,771	38,899	27,192	37,629	46,977	-6.4%	-12.9%	-17.2%
EBIT	3,306	5,608	7,430	3,226	5,788	7,504	2.5%	-3.1%	-1.0%
Net profit att.	1,927	3,655	5,048	2,007	3,934	5,725	-4.0%	-7.1%	-11.8%
Diluted EPS (RMB)	0.364	0.690	0.952	0.432	0.794	1.091	-15.8%	-13.2%	-12.7%
Gross margin	58.1%	58.4%	58.4%	57.6%	58.2%	58.3%	0.5ppt	0.3ppt	0.2ppt
EBIT margin	7.5%	10.0%	11.2%	6.8%	8.9%	9.3%	0.7ppt	1.1ppt	1.9ppt
Net profit att. margin	4.4%	6.5%	7.6%	4.2%	6.1%	7.1%	0.2ppt	0.4ppt	0.5ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 5: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
Number of restaurants					
China T1 cities	190	255	305	355	400
China T2 cities	332	499	639	779	899
China T3 and below	194	451	661	876	1,066
Outside PRC	52	93	114	140	176
Total	768	1,298	1,719	2,150	2,541
Number of restaurants growth (YoY %)					
China T1 cities	79.2%	34.2%	19.6%	16.4%	12.7%
China T2 cities	60.4%	50.3%	28.1%	21.9%	15.4%
China T3 and below	65.8%	132.5%	46.6%	32.5%	21.7%
Outside PRC	44.4%	78.8%	22.6%	22.8%	25.7%
Total	64.8%	69.0%	32.4%	25.1%	18.2%
Sales per restaurants (RMB mn)					
China T1 cities	34	23	26	26	26
China T2 cities	34	23	26	27	27
China T3 and below	30	18	23	23	23
Outside PRC	44	24	27	28	28
Total	33	21	25	25	25
Sales per restaurants growth (YoY %)					
China T1 cities	-10.4%	-31.8%	10.5%	3.0%	-0.1%
China T2 cities	-10.9%	-32.7%	15.8%	3.0%	1.0%
China T3 and below	3.2%	-39.4%	24.9%	3.0%	0.6%
Outside PRC	19.0%	-45.3%	14.8%	2.2%	0.4%
Total	-5.8%	-36.6%	16.7%	2.6%	0.4%
Average spending per guest (RMB)					
China T1 cities	110	116	115	117	120
China T2 cities	99	106	105	108	111
China T3 and below	95	100	99	101	103
Outside PRC	185	193	189	193	194
Overall	105	110	111	113	116
Average spending per guest growth (YoY %)					
China T1 cities	3.8%	5.5%	-1.0%	2.0%	2.0%
China T2 cities	4.9%	6.3%	-1.0%	3.0%	3.0%
China T3 and below	3.0%	5.6%	-1.0%	2.0%	2.0%
Outside PRC	-7.0%	3.9%	-2.0%	2.0%	1.0%
Overall	4.1%	4.7%	0.8%	1.9%	2.4%
GP margins	57.7%	57.1%	58.1%	58.4%	58.4%
Staff costs/ sales	-30.1%	-33.8%	-34.6%	-32.8%	-31.6%
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%	-7.5%	-7.3%	-7.2%
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)
Leading Greater China Restaurants and Food Ingredients															
Haidilao	6862 HK	BUY	34.06	29.40	16%	160,495	Dec-20	67.1	35.4	10.1	7.6	16.7	0.4	0.5	
Cafe De Coral	341 HK	BUY	19.05	13.88	37%	8,130	Mar-21	22.6	17.8	2.5	2.4	11.4	1.7	2.6	
Jiumaojiu	9922 HK	BUY	30.47	25.95	17%	37,716	Dec-20	66.5	41.7	9.0	7.5	14.0	0.6	0.4	
Xiabuxiabu	520 HK	NR	n/a	6.47	n/a	7,023	Dec-20	16.9	10.5	2.3	1.9	13.5	0.0	1.9	
Yihai	1579 HK	BUY	108.52	40.80	166%	42,714	Dec-20	34.9	28.3	8.4	6.8	25.2	1.7	0.8	
Yum China	9987 HK	BUY	597.92	469.60	27%	197,647	Dec-20	30.7	25.8	3.7	3.3	12.8	3.0	0.8	
Gourmet Master	2723 TT	NR	n/a	146.50	n/a	7,395	Dec-20	20.9	19.5	2.2	2.1	11.2	1.2	2.8	
								Avg.	37.1	25.6	5.5	4.5	15.0	1.2	1.4
								Med.	30.7	25.8	3.7	3.3	13.5	1.2	0.8
Other H-shares Restaurants and Food Ingredients															
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	
Tai Hing	6811 HK	NR	n/a	1.63	n/a	1,636	Dec-20	9.3	8.0	1.4	1.3	15.8	0.3	7.1	
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	
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	
Ajisen China	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	
Tao Heung	573 HK	NR	n/a	0.95	n/a	966	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tang Palace	1181 HK	NR	n/a	0.74	n/a	796	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
								Avg.	9.3	8.0	1.4	1.3	15.8	n/a	7.1
								Med.	9.3	8.0	1.4	1.3	15.8	n/a	7.1
Leading Greater China Restaurants and Food Ingredients															
Yum	YUM US	NR	n/a	131.70	n/a	303,223	Dec-20	29.0	26.5	n/a	n/a	(20.2)	1.3	1.5	
Mcdonald'S	MCD US	NR	n/a	237.48	n/a	1,381,129	Dec-20	26.3	24.1	n/a	n/a	(132.4)	1.4	2.2	
Starbucks	SBUX US	NR	n/a	115.12	n/a	1,057,073	Sep-20	35.5	30.9	n/a	n/a	(56.0)	0.5	1.7	
Rest. Brands	QSR US	NR	n/a	64.61	n/a	232,953	Dec-20	23.2	20.3	9.0	9.8	33.5	0.7	3.3	
Wingstop	WING US	NR	n/a	171.86	n/a	39,811	Dec-20	114.9	89.6	n/a	n/a	(13.7)	2.6	0.4	
Shake Shack	SHAK US	NR	n/a	88.03	n/a	28,832	Dec-20	n/a	253.0	9.3	8.8	(0.2)	n/a	n/a	
Chipotle Mexican	CMG US	NR	n/a	1919.0	n/a	419,850	Dec-20	75.0	57.5	23.5	19.6	31.7	1.5	0.0	
Darden Rest.	DRI US	NR	n/a	153.08	n/a	155,358	May-21	20.5	18.3	6.6	6.0	36.5	0.9	2.9	
Domino'S Pizza	DPZ US	NR	n/a	511.87	n/a	146,910	Jan-21	37.4	32.4	n/a	n/a	(13.6)	3.0	0.7	
Wendy'S	WEN US	NR	n/a	23.34	n/a	40,494	Jan-21	28.6	25.6	9.1	10.3	30.8	1.1	1.8	
Jollibee Foods	JFC PM	NR	n/a	199.60	n/a	34,636	Dec-20	65.3	36.1	3.8	3.5	6.6	(0.3)	0.7	
								Avg.	45.6	55.8	10.2	9.7	(8.8)	1.3	1.5
								Med.	32.3	30.9	9.1	9.3	(0.2)	1.2	1.6
H-shares Consumer Staples															
UPC	220 HK	NR	n/a	7.30	n/a	31,531	Dec-20	17.5	15.1	1.9	1.9	10.9	2.1	5.7	
Tingyi	322 HK	NR	n/a	13.74	n/a	77,323	Dec-20	17.0	15.1	3.0	3.0	18.3	2.3	6.9	
Want Want China	151 HK	NR	n/a	5.28	n/a	63,278	Mar-21	12.5	11.7	3.3	3.1	27.2	1.7	5.2	
China Mengniu	2319 HK	NR	n/a	46.20	n/a	182,417	Dec-20	28.9	24.0	4.0	3.6	14.4	0.9	0.9	
Vitasoy	345 HK	NR	n/a	20.05	n/a	21,453	Mar-21	44.4	33.6	5.8	5.3	13.1	4.5	1.5	
Tsingtao Brewery	168 HK	NR	n/a	63.05	n/a	113,516	Dec-20	25.3	22.3	3.2	3.0	12.7	1.2	1.6	
CR Beer	291 HK	NR	n/a	62.60	n/a	203,085	Dec-20	40.3	36.2	6.9	6.3	18.3	1.0	1.1	
Dali Foods	3799 HK	NR	n/a	4.29	n/a	58,748	Dec-20	12.2	11.2	2.5	2.3	21.3	1.3	4.4	
								Avg.	24.8	21.2	3.8	3.5	17.0	1.9	3.4
								Med.	21.4	18.7	3.2	3.0	16.4	1.5	3.0

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	26,556	28,614	43,798	56,106	66,597
China & loyalty program	23,336	25,228	39,289	50,510	59,664
Overseas	2,274	2,226	3,133	3,930	4,960
Delivery business	449	718	824	1,030	1,242
Condiment & food	498	442	553	636	731
Cost of goods sold	(11,239)	(12,261)	(18,347)	(23,335)	(27,698)
Gross profit	15,317	16,353	25,451	32,771	38,899
Other income	119	320	328	421	499
Operating expenses	(12,256)	(15,363)	(22,473)	(27,584)	(31,968)
D & A	(1,891)	(3,034)	(3,282)	(4,097)	(4,818)
Staff costs	(7,993)	(9,677)	(15,167)	(18,388)	(21,021)
S & D costs (ex-staff, D&A)	(240)	(236)	(345)	(442)	(536)
Admin exp. (ex-staff, D&A)	(912)	(978)	(1,533)	(1,964)	(2,331)
Other operating expenses	(1,220)	(1,438)	(2,146)	(2,693)	(3,263)
EBIT	3,180	1,310	3,306	5,608	7,430
Finance costs, net	(93)	(404)	(635)	(588)	(500)
JVs & associates	65	75	10	11	13
Exceptional	95	(245)	(31)	(39)	(47)
Pre-tax profit	3,247	735	2,651	4,993	6,896
Income tax	(900)	(426)	(716)	(1,323)	(1,827)
Less: Minority interests	2	0	8	15	21
Net profit	2,345	309	1,927	3,655	5,048

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	3,180	1,310	3,306	5,608	7,430
D & A	1,891	3,034	3,282	4,097	4,818
Change in working capital	368	(704)	125	163	142
Income tax paid	(874)	(657)	(716)	(1,323)	(1,827)
Others	15	(61)	1,012	664	1,661
Net cash from operating	4,580	2,921	7,010	9,209	12,223
Capex & investments	(4,881)	(6,070)	(5,256)	(5,050)	(4,662)
Associated companies	-	-	-	-	-
Interest received	70	113	-	-	-
Others	(215)	1,265	-	-	-
Net cash from investing	(5,026)	(4,691)	(5,256)	(5,050)	(4,662)
Equity raised	-	-	-	-	-
Net change in bank loans	(291)	3,891	-	-	-
Dividend paid	(473)	(703)	(703)	(578)	(1,096)
Others	(726)	(848)	(678)	(656)	(634)
Net cash from financing	(1,490)	2,340	(1,382)	(1,235)	(1,731)
Net change in cash	(1,936)	570	373	2,925	5,830
Beginning cash balance	4,119	2,222	2,683	3,055	5,980
Exchange difference	39	(109)	-	-	-
Cash at the end of the year	2,222	2,683	3,055	5,980	11,811

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	13,414	20,934	23,355	24,881	25,404
Fixed asset	7,690	12,064	14,503	16,045	16,578
Intangible assets & goodwill	112	92	64	36	13
Prepaid lease payments	274	357	357	357	357
Interest in joint ventures	226	301	311	322	336
Other non-current assets	5,112	8,120	8,120	8,120	8,120
Current assets	7,200	6,593	8,688	13,025	20,070
Cash and cash equivalents	2,222	2,683	3,055	5,980	11,811
Inventories	1,200	1,154	1,761	2,240	2,659
Trade receivables	204	275	366	469	557
Prepayments	1,412	1,930	2,954	3,785	4,492
Other current assets	2,163	551	551	551	551
Current liabilities	5,664	9,868	11,715	13,290	14,646
Bank loans	122	3,721	3,721	3,721	3,721
Trade payables	1,406	1,583	2,236	2,844	3,376
Accruals & other payables	1,577	2,249	3,442	4,409	5,234
Tax payables	224	201	201	201	201
Others	2,334	2,114	2,114	2,114	2,114
Non-current liabilities	4,324	7,422	7,422	7,422	7,422
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
Minority Interest	3	3	42	96	163
Total net assets	10,623	10,234	12,865	17,097	23,242
Shareholders' equity	10,623	10,234	12,865	17,097	23,242

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
China & loyalty program	87.9	88.2	89.7	90.0	89.6
Overseas	8.6	7.8	7.2	7.0	7.4
Delivery business	1.7	2.5	1.9	1.8	1.9
Condiment & food	1.9	1.5	1.3	1.1	1.1
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	57.7	57.1	58.1	58.4	58.4
Operating margin	12.0	4.6	7.5	10.0	11.2
Pre-tax margin	12.2	2.6	6.1	8.9	10.4
Net margin	8.8	1.1	4.4	6.5	7.6
Effective tax rate	28.3	64.5	27.0	26.5	26.5
Balance sheet ratios					
Current ratio (x)	1.3	0.7	0.7	1.0	1.4
Quick ratio (x)	1.1	0.6	0.6	0.8	1.2
Cash ratio (x)	0.4	0.3	0.3	0.4	0.8
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	34	26	19
Net debt / equity ratio (%)	Net cash	16	10	Net cash	Net cash
Returns (%)					
ROE	22.1	3.0	15.0	21.4	21.7
ROA	11.4	1.1	6.0	9.6	11.1
Per share					
EPS (RMB)	0.44	0.06	0.36	0.69	0.95
DPS (RMB)	0.07	0.13	0.11	0.21	0.29
BVPS (RMB)	2.00	1.93	2.43	3.23	4.39

Source: Company data, CMBIS estimates

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