

Nayuki Holdings Limited (2150 HK)

Softening demand and operating leverage

Downgrade to HOLD and cut TP to HK\$ 10.15, based on our DCF model which implies a ~85x FY22E P/E and ~2.5x FY22E P/S. We now become conservative on sales after weak recovery in Sep and Oct 2021, and expect meaningful subsequent operating leverage after together with FY21E profit warning. Current valuation of ~2.5x FY22E P/S (industry average at 2.1x) is only fair, in our view.

- 3Q21 update and FY21E profit warning.** Nayuki's numbers in 3Q21 was significantly and negatively impacted (likely worse than Yumc and Starbucks's -7% SSSG). It also expects an adj. net losses in FY21E, due to: 1) numerous covid-19 outbreak (vs smooth recovery in 2H20), 2) weakening consumer demand and prudent attitude towards travelling, 3) operating leverage and 4) investments and expenses related to faster-than-expected store expansion.
- Sales growth was hit in 3Q21E and we are cautious about 4Q21E.** According to management, sales growth was still strong in Jul, but pandemic and food safety issues were drags for Aug and meaningful recovery was not seen in Sep. Some improvement is likely in Oct but we still expect pressure to persist and sales per stores could still be declining. Even though we estimate 169 stores to be opened in 4Q21E (vs 90 in 3Q21 and 87 in 1H21) the sales contribution is negligible in FY21E. We now forecast a 33% YoY drop in sales per store in 2H21E, vs 16% YoY growth in 1H21.
- Margin pressure may persist into 4Q21E.** GP margin of 68.5% was decent in 1H21, thanks to: 1) greater sales from classic products and 2) refinement of supply chain and sourcing costs. Management believes these positives will continue and a GP margin of 65%+ in 2H21E is likely. However, due to: 1) significant operating leverage (esp. staff costs), 2) limited costs saving from automation and digitalization as those are still under testing, 3) new store expenses and initial losses and 4) slow ramp up of PRO stores (type I stores did not outperform regular much while type II stores remain weak).
- FY21E store openings target will increase to 350+.** There are 668 stores in 3Q21 (474 regular, 108 Type I PRO and 86 Type II PRO), implying a net increase of 90 in the quarter (17 regular stores were converted into RPO stores). We think new target is achievable and revise up estimates to 346 (from 331), where PRO stores will make up 87% of total. FY22E expansion plan is key, in our view, but that is highly dependent on sales per stores trend.
- Downgrade to HOLD and revised down TP to HK\$ 10.15.** We revised down our FY21E/ 22E/ 23E net profit estimates by 216%/ 58%/ 43%. Our TP is based on DCF method (8.7% WACC and 3.0% terminal growth, cut from 8.1% and 3.5%), which implies a ~2.5x FY22E P/S, due to faster than industry sales CAGR. It is trading at 2.5x FY22E P/S vs China peers' average of 2.1x.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,502	3,057	4,271	5,888	7,638
YoY growth (%)	130.2	22.2	39.7	37.9	29.7
EBITDA (RMB mn)	143	227	67	534	854
NP att. (RMB mn)	(39)	(202)	(195)	147	320
Adj. NP (RMB mn)	(11)	26	(142)	170	336
Adj. EPS (RMB)	(0.006)	0.015	(0.083)	0.099	0.196
YoY growth (%)	n/a	n/a	n/a	n/a	97.2
Consensus EPS (RMB)	n/a	n/a	0.061	0.172	0.336
Adjusted P/E (x)	n/a	n/a	n/a	86.1	43.7
P/S (x)	6.3	4.9	3.4	2.5	1.9
ROE (%)	n/a	n/a	(5.4)	3.9	7.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

HOLD (D/G)

Target Price HK\$10.15
 (Previous TP) HK\$17.10
Up/Downside -1.4%
Current Price HK\$10.30

China Catering Sector

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Stock Data

Mkt Cap (HK\$ mn)	17,666
Avg 3 mths t/o (HK\$ mn)	32.12
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%

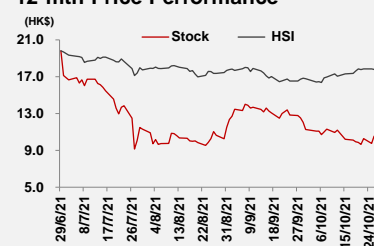
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.5%	-11.4%
3-mth	-8.8%	-6.8%
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) – Structural improvement are still on track – 27 Aug 2021
- Nayuki Holdings (2150 HK, BUY) – A prestigious teahouse brand in the marking – 10 Aug 2021

Results preview

Figure 1: Results preview – Half Year

Half yearly (USD mn)	1H20	2H20	1H21	2H21E	1H21 YoY	2H21E YoY
Revenue	1,180	1,878	2,126	2,145	80%	14%
COGS	(466)	(693)	(669)	(748)		
Gross profit	714	1,184	1,457	1,397	104%	18%
GP margins	60.5%	63.1%	68.5%	65.1%		
Other income & gains	76	130	9	37		
Staff costs	(368)	(552)	(670)	(845)	82%	53%
Staff costs / sales	-31.2%	-29.4%	-31.5%	-39.4%		
Dep. of ROU assets expenses	(166)	(187)	(202)	(211)	21%	13%
Dep. of ROU assets exp / sales	-14.1%	-9.9%	-9.5%	-9.8%		
Other rentals expenses	(26)	(74)	(94)	(98)	256%	32%
Other rentals exp / sales	-2.2%	-4.0%	-4.4%	-4.5%		
D & A of other assets	(70)	(84)	(95)	(123)	36%	47%
D & A of other assets exp / sales	-6.0%	-4.5%	-4.5%	-5.8%		
A & P expenses	(22)	(60)	(37)	(74)	68%	23%
A & P exp / sales	-1.9%	-3.2%	-1.8%	-3.4%		
Delivery service fees	(65)	(102)	(112)	(92)	71%	-10%
Delivery service fees / sales	-5.5%	-5.4%	-5.3%	-4.3%		
Utilities expenses	(27)	(40)	(39)	(59)	45%	48%
Utilities exp / sales	-2.3%	-2.1%	-1.8%	-2.7%		
Logistic & storage fees	(23)	(34)	(42)	(44)	80%	30%
Logistic & storage fees / sales	-2.0%	-1.8%	-2.0%	-2.0%		
Other opex	(47)	(76)	(84)	(96)		
Operating profit (EBIT)	-26	106	91	-207	-456%	-295%
OP margins	-2.2%	5.6%	4.3%	-9.6%		
Other items	(4)	(137)	(12)	(14)		
Net finance income	(60)	(71)	(46)	(45)		
Net finance income / sales	-5.1%	-3.8%	-2.2%	-2.1%		
Profit after financing costs	(89)	(101)	34	(266)		
Associated coms	0	0	0	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-89	-101	34	-266	-138%	163%
Tax	13	(26)	(26)	61		
Tax / sales	1.1%	-1.4%	-1.2%	2.8%		
Effective tax rate	-14.7%	26.0%	-76.7%	-22.8%		
Minority interests	(1)	0	0	(2)		
Net profit att.	(74)	(127)	8	(203)	-110%	59%
NP margins	-6.3%	-6.8%	0.4%	-9.5%		
Adjusted Net profit att.	(62)	88	48	(190)	-178%	-316%
Adjusted NP att. margin	-5.3%	4.7%	2.3%	-8.9%		

Source: Company data, CMBIS estimates

Figure 2: Results preview - Full Year

Full yearly (USD mn)	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
Revenue	3,057	4,271	5,888	22%	40%	38%
COGS	(1,159)	(1,417)	(1,935)			
Gross profit	1,898	2,854	3,953	20%	50%	39%
GP margins	62.1%	66.8%	67.1%			
Other income & gains	206	46	79			
Staff costs	(919)	(1,515)	(1,867)	22%	65%	23%
Staff costs / sales	-30.1%	-35.5%	-31.7%			
Dep. of ROU assets expenses	(353)	(412)	(522)	35%	17%	26%
Dep. of ROU assets exp / sales	-11.5%	-9.7%	-8.9%			
Other rentals expenses	(101)	(192)	(234)	-21%	90%	22%
Other rentals exp / sales	-3.3%	-4.5%	-4.0%			
D & A of other assets	(154)	(219)	(298)	67%	42%	36%
D & A of other assets exp / sales	-5.0%	-5.1%	-5.1%			
A & P expenses	(82)	(111)	(147)	22%	35%	33%
A & P exp / sales	-2.7%	-2.6%	-2.5%			
Delivery service fees	(167)	(203)	(261)	160%	21%	29%
Delivery service fees / sales	-5.5%	-4.8%	-4.4%			
Utilities expenses	(67)	(98)	(112)	30%	47%	14%
Utilities exp / sales	-2.2%	-2.3%	-1.9%			
Logistic & storage fees	(57)	(85)	(100)	42%	51%	17%
Logistic & storage fees / sales	-1.9%	-2.0%	-1.7%			
Other opex	(124)	(179)	(194)	54%	45%	8%
Operating profit (EBIT)	80	-115	297	44%	-243%	-358%
OP margins	2.6%	-2.7%	5.0%			
Other items	(140)	(26)	(6)			
Net finance income	(130)	(91)	(116)			
Net finance income / sales	-4.3%	-2.1%	-2.0%			
Profit after financing costs	(190)	(232)	175			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	-190	-232	175	345%	22%	-175%
Tax	(13)	35	(26)			
Tax / sales	-0.4%	0.8%	-0.4%			
Effective tax rate	6.9%	-15.0%	-15.0%			
Minority interests	(1)	(2)	2			
Net profit att.	(202)	(195)	147	424%	-3%	-175%
NP margins	-6.6%	-4.6%	2.5%			
Adjusted Net profit att.	26	(142)	170	-345%	-645%	-220%
Adjusted NP att. margin	0.9%	-3.3%	2.9%			

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	4,271	5,888	7,638	4,975	6,798	8,787	-14.2%	-13.4%	-13.1%
Gross profit	2,854	3,953	5,146	3,274	4,490	5,822	-12.8%	-12.0%	-11.6%
EBIT	(115)	297	525	189	588	846	-161.0%	-49.5%	-37.9%
Adjusted NP att.	(142)	170	336	122	407	594	-216.0%	-58.2%	-43.5%
Adjusted EPS (RMB)	(0.083)	0.099	0.196	0.071	0.237	0.346	-216.0%	-58.2%	-43.5%
Gross margin	66.8%	67.1%	67.4%	65.8%	66.0%	66.3%	1ppt	1.1ppt	1.1ppt
EBIT margin	-2.7%	5.0%	6.9%	3.8%	8.7%	9.6%	-6.5ppt	-3.6ppt	-2.7ppt
Net profit att. margin	-3.3%	2.9%	4.4%	2.5%	6.0%	6.8%	-5.8ppt	-3.1ppt	-2.4ppt

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	4,271	5,888	7,638	5,122	7,414	9,688	-16.6%	-20.6%	-21.2%
Gross profit	2,854	3,953	5,146	3,388	4,903	6,430	-15.8%	-19.4%	-20.0%
EBIT	(115)	297	525	207	557	886	-155.6%	-46.7%	-40.7%
Adjusted NP att.	(142)	170	336	110	331	595	-229.4%	-48.5%	-43.6%
Adjusted EPS (RMB)	(0.083)	0.099	0.196	0.061	0.172	0.336	-235.2%	-42.3%	-41.8%
Gross margin	66.8%	67.1%	67.4%	66.1%	66.1%	66.4%	0.7ppt	1ppt	1ppt
EBIT margin	-2.7%	5.0%	6.9%	4.0%	7.5%	9.1%	-6.7ppt	-2.5ppt	-2.3ppt
Net profit att. margin	-3.3%	2.9%	4.4%	2.1%	4.5%	6.1%	-5.5ppt	-1.6ppt	-1.8ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 5: Major assumptions 1

Major assumptions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by brand (RMB mn)						
Nayuki	910	2,291	2,871	4,027	5,617	7,334
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Total	1,087	2,502	3,057	4,271	5,888	7,638
Sales growth by brand segment						
Nayuki		151.9%	25.3%	40.3%	39.5%	30.6%
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%	39.7%	37.9%	29.7%
Sales by tier city, Tai Gai & others (RMB mn)						
Tier 1 cities	578	1,028	1,157	1,479	1,999	2,593
New Tier 1 cities	285	859	961	1,394	1,835	2,362
Tier 2 cities	47	379	617	924	1,351	1,738
Other cities	0	25	136	230	432	641
Tai Gai and others	177	210	186	244	271	304
Total	1,087	2,502	3,057	4,271	5,888	7,638
Sales by tier city, Tai Gai & others growth						
Tier 1 cities		77.8%	12.5%	27.8%	35.2%	29.7%
New Tier 1 cities		201.8%	11.8%	45.1%	31.6%	28.7%
Tier 2 cities		715.5%	62.7%	49.7%	46.2%	28.7%
Other cities			445.2%	69.0%	87.7%	48.2%
Tai Gai and others		18.5%	-11.3%	31.1%	10.9%	12.3%
Total		130.2%	22.2%	39.7%	37.9%	29.7%
Sales by channel (RMB mn)						
In-store cashier & others	1,001	1,745	961	1,200	813	895
WeChat/ Alipay & Nayuki app	-	317	1,222	1,940	3,774	5,251
3rd party online ordering platforms	86	439	874	1,131	1,300	1,491
Total	1,087	2,502	3,057	4,271	5,888	7,638
Sales by channel growth						
In-store cashier & others		74.3%	-45.0%	24.9%	-32.2%	10.1%
WeChat/ Alipay & Nayuki app			285.3%	58.7%	94.5%	39.1%
3rd party online ordering platforms		412.6%	99.2%	29.3%	15.0%	14.7%
Total		130.2%	22.2%	39.7%	37.9%	29.7%

Source: Company data, CMBIS estimates

Figure 6: 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	5.1	4.9	4.9
New Tier 1 cities	4.9	7.2	5.7	5.0	4.8	4.7
Tier 2 cities	4.7	6.1	5.1	4.5	4.5	4.3
Other cities	-	3.1	4.7	3.7	4.1	4.2
Total	5.9	7.0	5.8	4.8	4.7	4.6
Nayuki brand's average sales per order (RMB)						
Tier 1 cities	41.7	42.5	44.2	43.1	43.3	43.5
New Tier 1 cities	44.6	42.7	42.5	42.6	43.0	43.3
Tier 2 cities	48.7	45.5	41.5	44.3	44.8	45.2
Other cities	-	47.5	43.7	44.9	45.0	45.6
Total	42.9	43.1	43.0	43.3	43.7	44.0
Nayuki brand's average orders per day						
Tier 1 cities	694	608	471	418	392	372
New Tier 1 cities	739	642	455	410	383	360
Tier 2 cities	949	754	470	387	356	319
Other cities	-	785	604	394	381	317
Total	716	642	470	404	378	349
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	207	302	402
Other cities	-	8	29	62	105	153
Total	155	327	491	837	1,198	1,594
GP margins	64.7%	63.4%	62.1%	66.8%	67.1%	67.4%
Opex breakdown						
Staff costs	-31.3%	-30.0%	-30.1%	-35.5%	-31.7%	-30.7%
Depreciation of right-of-use assets	-11.1%	-10.5%	-11.5%	-9.7%	-8.9%	-8.4%
Other rentals & related expenses	-6.7%	-5.1%	-3.3%	-4.5%	-4.0%	-3.6%
D & A of other assets	-3.7%	-3.7%	-5.0%	-5.1%	-5.1%	-5.1%
Advertising & promotion expenses	-3.6%	-2.7%	-2.7%	-2.6%	-2.5%	-2.5%
Delivery service fees	-1.0%	-2.6%	-5.5%	-4.8%	-4.4%	-4.6%
Utilities expenses	-2.2%	-2.1%	-2.2%	-2.3%	-1.9%	-1.9%
Logistic and storage fees	-1.1%	-1.6%	-1.9%	-2.0%	-1.7%	-1.6%
EBIT margins	0.1%	2.2%	2.6%	-2.7%	5.0%	6.9%
Effective tax rate	-47.1%	7.1%	-6.9%	15.0%	15.0%	15.0%
NP att. margins	-6.1%	-1.5%	-6.6%	-4.6%	2.5%	4.2%
NP att. growth (%)		-41.6%	423.7%	-3.4%	-175.2%	118.5%
Adj. NP margins	-5.2%	-0.5%	0.8%	-3.4%	2.9%	4.4%
Adj. NP growth (%)		-79.3%	-309.4%	-686.2%	-219.4%	97.5%

Source: Company data, CMBIS estimates

Our DCF method assumes

- 30% sales CAGR in FY20-25E
- 47% EBITDA CAGR in FY20-25E
- 13.7% EBITDA margin in FY25 (from 7.4% in FY20)
- 8.7% WACC (Lower than International peers avg. of 9.9% and Greater China leading peers avg. of 13.9%), based on 3.0% costs of debt, 11.0% risk premium, Beta of 0.7x, 10.0% cost of equity, Optimal debt/ equity ratio of 25%/ 75%.
- 3.0% terminal growth.

Figure 7: DCF-based valuation

DCF	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
EBITDA	39	143	227	67	534	854	1,264	1,576
Chg in working cap	43	29	(9)	576	40	79	89	85
Adjusted tax	(1)	(4)	(4)	21	(44)	(78)	(128)	(170)
Capex & product dev	(209)	(290)	(243)	(384)	(442)	(474)	(481)	(460)
Unleveraged FCF	(128)	(121)	(30)	280	89	382	744	1,031
YoY%								
DCF (21E-25E)				1,845				
PV (Terminal value)				12,385				
EV (End-21E)				14,230				
Cash from options/w arrants conv				0				
Yer-end net cash/(debts)				218				
Fully diluted equity value (End-21E)				14,448				
Fully diluted no. of shares (m)				1,715				
Minority interests (End-21E)				0				
Market cap (End-21E)				14,448				
Exchange rate				1.20				
Fully diluted equity value/share (HK\$)				10.15				
Risk-free rate				3.0%				
Risk premium				11.0%				
Beta				0.70				
Cost of equity				10.7%				
Cost of debt				3.0%				
Tax rate				15.0%				
After-tax cost of debt				2.6%				
Debt to total capital				25.0%				
WACC				8.7%				
Terminal growth				3.0%				
FY22E EV/EBITDA				27.1				
FY22E adj. P/E				84.9				
FY22E P/S				2.5				

Source: Bloomberg, Company data, CMBIS estimates

Figure 8: DCF-based valuation - sensitivity test

Terminal growth (%)	WACC (%)						
	7.2%	7.7%	8.2%	8.7%	9.2%	9.7%	10.2%
1.5%	10.71	9.75	8.93	8.23	7.62	7.09	6.62
2.0%	11.65	10.52	9.57	8.77	8.08	7.49	6.97
2.5%	12.79	11.44	10.33	9.40	8.62	7.94	7.36
3.0%	14.20	12.56	11.24	10.15	9.24	8.47	7.81
3.5%	16.01	13.95	12.34	11.04	9.97	9.08	8.32
4.0%	18.38	15.72	13.70	12.12	10.84	9.80	8.92
4.5%	21.64	18.05	15.44	13.46	11.90	10.65	9.63

Source: Bloomberg, Company data, CMBIS estimates

Valuation

Figure 9: Peers valuation

Company	Ticker	Rating	12M TP HK\$/ LC	Price HK\$/ LC	Up/do wn- side (%)	Mkt cap HK\$ mn	Year End	PER (x)		PBR (x)		ROE (%)	3yrs PEG(x)	Yield (%)	YTD perform ance (%)
								FY1	FY2	FY1	FY2	FY0	FY1	FY1	FY1
Leading Greater China Catering and Food Ingredients															
Nayuki Holdings	2150 HK	HOLD	10.15	10.30	-1%	17,666	Dec-20	(103.5)	86.1	4.0	3.9	n/a	0.5	0.0	n/a
Jiumaojiu Int'l	9922 HK	BUY	30.47	19.50	56%	28,341	Dec-20	49.3	30.9	6.7	5.6	14.3	0.5	0.5	(17.3)
Haidilao Int'l	6862 HK	BUY	34.06	21.80	56%	119,006	Dec-20	74.2	29.4	8.5	6.7	14.3	0.5	0.3	(63.5)
Cafe De Coral	341 HK	BUY	19.05	14.20	34%	8,317	Mar-21	23.2	18.3	2.6	2.4	12.6	1.8	2.5	(15.0)
Xiabuxiabu	520 HK	NR	n/a	5.70	n/a	6,187	Dec-20	30.5	11.9	2.1	1.8	9.6	0.1	1.6	(67.5)
Yihai Int'l	1579 HK	BUY	108.52	45.75	137%	47,896	Dec-20	39.6	34.6	9.6	7.8	26.9	2.4	0.6	(60.0)
Yum China	9987 HK	HOLD	438.86	456.00	-4%	193,344	Dec-20	35.9	26.9	3.7	3.3	10.6	4.2	0.8	2.6
Gourmet Master	2723 TT	NR	n/a	131.00	n/a	6,599	Dec-20	18.5	17.0	2.0	1.9	13.2	1.0	3.1	(7.1)
Avg.							Avg.	21.0	31.9	4.9	4.2	14.5	1.4	1.2	(32.5)
Med.							Med.	33.2	28.1	3.9	3.6	13.2	0.7	0.7	(17.3)
Other Greater China Catering and Food Ingredients															
Tenfu	6868 HK	NR	n/a	5.60	n/a	6,137	Dec-20	n/a	n/a	n/a	n/a	20.8	n/a	n/a	(7.9)
Sunjuice	1256 TT	NR	n/a	371.50	n/a	3,518	Dec-20	n/a	n/a	n/a	n/a	42.9	n/a	n/a	26.4
Fairwood	52 HK	NR	n/a	16.54	n/a	2,143	Mar-21	n/a	n/a	n/a	n/a	20.5	n/a	n/a	(6.6)
Tai Hing Group	6811 HK	NR	n/a	1.53	n/a	1,536	Dec-20	n/a	n/a	n/a	n/a	14.3	n/a	n/a	4.1
Hop Hing Group	47 HK	NR	n/a	0.08	n/a	755	Dec-20	n/a	n/a	n/a	n/a	(1.6)	n/a	n/a	53.1
Ajisen China	538 HK	NR	n/a	1.35	n/a	1,474	Dec-20	n/a	n/a	n/a	n/a	2.6	n/a	n/a	3.1
Tao Heung	573 HK	NR	n/a	0.88	n/a	894	Dec-20	n/a	n/a	n/a	n/a	1.5	n/a	n/a	7.3
Avg.							Avg.	n/a	n/a	n/a	n/a	14.4	n/a	n/a	11.3
Med.							Med.	n/a	n/a	n/a	n/a	14.3	n/a	n/a	4.1
Greater China Catering and Food Ingredients															
							Avg.	38.7	24.1	5.0	4.2	14.5	1.5	1.4	(10.6)
							Med.	35.9	26.9	3.7	3.3	13.8	1.0	0.8	(6.8)
International Catering and Food Ingredients															
Yum! Brands	YUM US	NR	n/a	125	n/a	287,345	Dec-20	27.5	25.2	n/a	n/a	n/a	1.2	1.6	15.1
Mcdonald'S Corp	MCD US	NR	n/a	246	n/a	1,426,504	Dec-20	26.0	24.3	n/a	n/a	n/a	1.3	2.1	14.4
Starbucks Corp	SBUX US	NR	n/a	106	n/a	973,652	Oct-21	29.9	26.3	n/a	n/a	n/a	3.3	1.9	(0.9)
Restaurant Brands	QSR US	NR	n/a	57	n/a	202,560	Dec-20	20.4	18.6	9.7	9.6	30.9	0.7	3.7	(7.3)
Chipotle Mexican Grill	CMG US	NR	n/a	1779	n/a	389,373	Dec-20	70.6	54.2	22.1	18.2	34.5	1.5	0.0	28.3
Darden Restaurants	DRI US	NR	n/a	144	n/a	145,525	May-21	18.8	17.0	6.5	5.9	32.1	0.8	3.0	21.0
Domino'S Pizza	DPZ US	NR	n/a	489	n/a	138,406	Jan-21	35.8	31.7	n/a	n/a	n/a	3.1	0.8	27.5
Wendy'S Co	WEN US	NR	n/a	22	n/a	38,648	Jan-21	27.3	24.5	8.6	9.8	35.2	1.0	1.9	1.7
Shake Shack	SHAK US	NR	n/a	69	n/a	22,630	Dec-20	n/a	202.3	7.3	6.9	(5.2)	n/a	n/a	(18.4)
Wingstop	WING US	NR	n/a	172	n/a	39,908	Dec-20	113.8	88.9	n/a	n/a	n/a	2.5	0.4	30.1
Avg.							Avg.	41.1	51.3	10.8	10.1	25.5	1.7	1.7	11.2
Med.							Med.	27.5	25.7	8.6	9.6	32.1	1.3	1.9	14.8
A-shares Greater China Catering and Food Ingredients															
Foshan Haitian Flavouring	603288 CH	NR	n/a	117.02	n/a	598,656	Dec-20	70.5	58.0	20.0	16.5	33.0	3.6	0.8	(24.1)
Fujian Sunner	002299 CH	NR	n/a	22.44	n/a	33,912	Dec-20	33.6	17.2	2.9	2.6	5.9	2.9	1.1	(15.4)
Angel Yeast	600298 CH	NR	n/a	56	n/a	56,267	Dec-20	33.0	27.8	6.4	5.5	22.4	2.1	1.0	8.9
Meihua Holdings Group	600873 CH	NR	n/a	6.08	n/a	22,879	Dec-20	10.3	8.6	2.0	2.0	16.2	0.3	9.2	30.5
Guangzhou Restaurant	603043 CH	NR	n/a	22.74	n/a	15,619	Dec-20	22.8	18.6	4.3	3.4	20.5	1.0	1.9	(17.8)
Xiangpiaopiao Food	603711 CH	NR	n/a	14.85	n/a	7,510	Dec-20	16.0	13.5	2.0	1.8	13.3	1.1	n/a	(29.8)
China Quanjude	002186 CH	NR	n/a	8.95	n/a	3,353	Dec-20	n/a	n/a	n/a	n/a	(10.5)	n/a	n/a	(11.2)
Avg.							Avg.	31.0	23.9	6.3	5.3	14.4	1.8	2.8	(8.4)
Med.							Med.	27.9	17.9	3.6	3.0	16.2	1.6	1.1	(15.4)
H-shares Consumer Staples															
Uni-President China	220 HK	NR	n/a	6.64	n/a	28,680	Dec-20	16.2	13.9	1.7	1.7	10.6	2.0	6.2	(15.8)
Tingyi (Cayman Isln)	322 HK	NR	n/a	14.56	n/a	81,945	Dec-20	17.8	15.9	3.2	3.2	19.7	2.2	6.8	13.3
Want Want China	151 HK	NR	n/a	6.03	n/a	71,891	Mar-21	14.2	14.1	3.7	3.5	27.6	1.8	4.6	7.5
China Mengniu Dairy	2319 HK	NR	n/a	49.55	n/a	195,874	Dec-20	30.4	25.1	4.3	3.8	16.4	0.9	0.9	6.7
Vitasoy Intl Holdings	345 HK	NR	n/a	18.72	n/a	20,031	Mar-21	53.6	36.1	5.6	5.1	16.3	9.2	1.2	(38.0)
Nongfu Spring	9633 HK	NR	n/a	39.45	n/a	443,673	Dec-20	54.1	47.9	17.8	14.0	42.6	2.5	0.7	(28.1)
Budweiser Brewing	1876 HK	NR	n/a	21.45	n/a	284,071	Dec-20	40.0	32.8	3.3	3.0	8.3	1.2	1.0	(16.2)
Tsingtao Brewery	168 HK	NR	n/a	67.65	n/a	134,154	Dec-20	27.9	24.3	3.4	3.2	12.7	1.4	1.5	(16.7)
China Resources Beer	291 HK	NR	n/a	64.50	n/a	209,249	Dec-20	40.0	36.5	7.0	6.4	18.4	0.9	1.1	(9.7)
Dali Foods Group	3799 HK	NR	n/a	4.33	n/a	59,296	Dec-20	12.3	11.4	2.6	2.3	22.8	1.3	4.3	(2.3)
Avg.							Avg.	30.6	25.8	5.3	4.6	19.5	2.3	2.8	(9.9)
Med.							Med.	29.1	24.7	3.6	3.3	17.4	1.6	1.3	(12.8)

Source: Bloomberg, Company data, CMBIS estimates

Figure 10: Peers valuation

Company	Ticker	Rating	Market Cap	EV	EV/EBITDA			3 yrs EBITDA	P/S			3 yrs Sales CAGR (%)	PSG
			HK\$ mn	HK\$ mn	FY1	FY2	FY3	FY1	FY1	FY2	FY3	FY1	FY1
Leading Greater China Catering and Food Ingredients													
Nayuki Holdings	2150 HK	HOLD	17,666	13,451	151.2	20.9	13.1	56.3	3.4	2.5	1.9	36.3	0.09
Jiumaojiu Int'l	9922 HK	BUY	28,341	27,312	19.6	12.8	9.1	70.1	4.8	3.3	2.4	57.5	0.08
Haidilao Int'l	6862 HK	BUY	119,006	132,918	19.0	11.7	9.1	44.2	2.2	1.6	1.3	41.6	0.05
Cafe De Coral	341 HK	BUY	8,317	9,459	11.6	9.9	9.6	(14.5)	1.0	1.0	0.9	11.7	0.09
Xiabuxiabu	520 HK	NR	6,187	6,908	4.8	3.6	3.0	21.6	0.7	0.6	0.5	25.8	0.03
Yihai Int'l	1579 HK	BUY	47,896	46,864	27.4	22.1	18.2	18.8	6.1	4.9	4.0	25.7	0.24
Yum China	9987 HK	HOLD	193,344	177,306	15.6	12.3	10.9	3.7	2.5	2.2	1.9	16.1	0.16
Gourmet Master	2723 TT	NR	6,599	6,421	4.7	4.8	4.4	4.1	1.1	1.1	1.0	7.5	0.15
Avg.			53,420	52,580	31.7	12.3	9.7	25.5	2.7	2.1	1.7	27.8	0.11
Med.			23,004	20,382	17.3	12.0	9.4	20.2	2.3	1.9	1.6	25.7	0.09
Other Greater China Catering and Food Ingredients													
Tenfu	6868 HK	NR	6,137	6,424	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sunjuice	1256 TT	NR	3,518	3,286	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fairwood	52 HK	NR	2,143	2,739	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tai Hing Group	6811 HK	NR	1,536	2,618	n/a	n/a	n/a	n/a	0.4	0.4	0.4	14.5	0.0
Hop Hing Group	47 HK	NR	755	1,027	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ajisen China	538 HK	NR	1,474	394	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tao Heung	573 HK	NR	894	1,382	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Avg.			2,351	2,553	n/a	n/a	n/a	n/a	0.4	0.4	0.4	14.5	0.03
Med.			1,536	2,618	n/a	n/a	n/a	n/a	0.4	0.4	0.4	14.5	0.03
Greater China Catering and Food Ingredients													
			30,439	30,361	14.7	11.1	9.2	21.1	2.4	1.9	1.5	25.0	0.10
			6,162	6,423	15.6	11.7	9.1	18.8	1.7	1.3	1.2	20.9	0.09
International Catering and Food Ingredients													
Yum! Brands	YUM US	NR	287,345	367,158	20.2	18.8	17.4	16.4	5.6	5.3	4.9	10.1	0.56
Mcdonald'S Corp	MCD US	NR	1,426,504	1,785,391	19.0	17.9	16.9	8.9	7.9	7.4	7.1	10.5	0.75
Starbucks Corp	SBUX US	NR	973,652	1,105,937	19.9	18.0	16.2	11.2	3.9	3.5	3.3	9.9	0.39
Restaurant Brands	QSR US	NR	202,560	297,852	17.1	15.6	14.6	26.0	4.6	4.2	4.0	9.2	0.50
Chipotle Mexican Grill	CMG US	NR	389,373	408,574	45.5	34.8	28.6	28.9	6.6	5.8	5.2	17.5	0.38
Darden Restaurants	DRI US	NR	145,525	183,680	14.8	13.8	13.1	9.4	2.0	1.8	1.7	14.6	0.13
Domino'S Pizza	DPZ US	NR	138,406	177,332	25.7	23.6	21.6	8.2	4.0	3.8	3.5	7.4	0.55
Wendy'S Co	WEN US	NR	38,648	63,953	17.4	16.5	15.1	3.8	2.6	2.6	2.5	5.3	0.49
Shake Shack	SHAK US	NR	22,630	24,673	56.8	30.1	22.5	41.5	3.9	3.0	2.5	31.1	0.13
Wingstop	WING US	NR	39,908	43,218	63.8	51.8	44.1	23.3	17.3	14.7	12.7	17.8	0.98
Avg.			366,455	445,777	30.0	24.1	21.0	17.8	5.8	5.2	4.7	13.3	0.49
Med.			174,043	240,766	20.0	18.4	17.1	13.8	4.3	4.0	3.8	10.3	0.50
A-shares Greater China Catering and Food Ingredients													
Foshan Haitian Flavouring	603288 CH	NR	598,656	573,634	57.5	48.2	41.1	16.7	19.6	16.7	14.5	17.3	1.13
Fujian Sunner	002299 CH	NR	33,912	38,100	16.9	11.3	8.3	8.0	1.8	1.5	1.3	19.2	0.10
Angel Yeast	600298 CH	NR	56,267	59,744	22.7	19.6	16.7	12.5	4.5	3.9	3.4	17.7	0.25
Meihua Holdings Group	600873 CH	NR	22,879	27,125	n/a	n/a	n/a	n/a	0.9	0.8	0.7	20.5	0.04
Guangzhou Restaurant	603043 CH	NR	15,619	13,530	15.5	12.5	10.7	21.7	3.2	2.7	2.3	21.6	0.15
Xiangpiaopiao Food	603711 CH	NR	7,510	6,312	n/a	n/a	n/a	n/a	1.4	1.2	1.0	20.3	0.1
China Quanjude	002186 CH	NR	3,353	3,115	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Avg.			105,457	103,080	28.2	22.9	19.2	14.7	5.2	4.5	3.9	19.5	0.29
Med.			22,879	27,125	19.8	16.1	13.7	14.6	2.5	2.1	1.8	19.8	0.12
H-shares Consumer Staples													
Uni-President China	220 HK	NR	28,680	27,291	7.2	6.6	6.2	5.2	0.9	0.9	0.9	9.6	0.10
Tingyi (Cayman Isln)	322 HK	NR	81,945	77,210	7.1	6.6	6.1	6.7	0.9	0.9	0.8	8.6	0.11
Want Want China	151 HK	NR	71,891	64,838	8.1	7.8	7.4	4.7	2.5	2.4	2.3	6.8	0.37
China Mengniu Dairy	2319 HK	NR	195,874	212,099	23.1	19.2	16.5	26.4	1.8	1.6	1.4	17.7	0.10
Vitasoy Intl Holdings	345 HK	NR	20,031	19,737	17.7	14.5	13.1	4.7	2.8	2.5	2.3	4.9	0.57
Nongfu Spring	9633 HK	NR	443,673	430,477	32.6	29.3	25.3	18.5	12.9	10.9	9.4	22.3	0.58
Budweiser Brewing	1876 HK	NR	284,071	275,706	17.5	15.3	13.9	18.0	5.6	5.1	4.8	11.1	0.50
Tsingtao Brewery	168 HK	NR	134,154	114,160	21.6	19.0	16.8	15.8	3.6	3.4	3.2	10.0	0.36
China Resources Beer	291 HK	NR	209,249	195,405	21.5	19.9	17.0	28.5	4.9	4.6	4.2	11.8	0.42
Dali Foods Group	3799 HK	NR	59,296	42,896	6.0	5.5	5.1	11.8	2.2	2.0	1.9	9.5	0.23
Avg.			152,886	145,982	16.2	14.4	12.7	14.0	3.8	3.4	3.1	11.2	0.33
Med.			108,049	95,685	17.6	14.9	13.5	13.8	2.7	2.5	2.3	9.8	0.37

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	4,271	5,888	7,638
Nayuki	910	2,291	2,871	4,027	5,617	7,334
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Cost of goods sold	(384)	(916)	(1,159)	(1,417)	(1,935)	(2,491)
Gross profit	703	1,586	1,898	2,854	3,953	5,146
Other income	3	6	206	46	79	82
Operating expenses	(704)	(1,536)	(2,024)	(3,015)	(3,736)	(4,703)
Staff costs	(340)	(751)	(919)	(1,515)	(1,867)	(2,346)
Rental & ROUA depre.	(194)	(389)	(453)	(604)	(756)	(916)
D & A expenses	(40)	(93)	(154)	(219)	(298)	(387)
Utilities expenses	(39)	(67)	(82)	(111)	(147)	(191)
Other opex	(91)	(236)	(415)	(566)	(668)	(862)
EBIT	1	56	80	(115)	297	525
Finance costs	(46)	(96)	(130)	(91)	(116)	(136)
JVs & associates	-	-	-	-	-	-
Exceptional	(3)	(2)	(140)	(26)	(6)	(8)
Pre-tax profit	(47)	(43)	(190)	(232)	175	381
Income tax	(22)	3	(13)	35	(26)	(57)
Less: Minority interests	(4)	(1)	(1)	(2)	2	4
Net profit att.	(66)	(39)	(202)	(195)	147	320
Adj. net profit	(57)	(12)	25	(144)	172	340
Adj. net profit att.	1,087	2,502	3,057	4,271	5,888	7,638

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,059	1,756	1,984	2,150	2,294	2,380
Fixed asset	254	451	587	753	897	983
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	5,401	5,578	6,037
Cash and cash equivalents	186	81	502	5,068	5,119	5,444
Inventories	38	78	103	97	133	171
Trade and other receivables	2	1	1	1	2	2
Prepayments	0	1	0	0	0	0
Other current assets	59	135	724	235	324	420
Current liabilities	850	1,226	2,728	2,809	2,975	3,189
Bank loans	2	55	283	283	283	283
Trade payables	104	202	226	245	318	410
Accruals & other payables	108	167	258	320	412	535
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	(2)	(1)	3
Total net assets	(110)	(149)	(424)	3,634	3,787	4,115
Shareholders' equity	(110)	(149)	(424)	3,634	3,787	4,115

Source: Company data, CMBIS estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	1	56	80	(115)	297	525
D & A	40	93	154	219	298	387
Change in working capital	43	29	(9)	576	40	79
Income tax paid	(8)	(30)	6	35	(26)	(57)
Others	125	269	343	-	-	(0)
Operating cash flow	201	416	574	714	609	934
Capex & investments	(209)	(291)	(243)	(384)	(442)	(474)
Associated companies	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Others	0	(0)	(0)	-	-	-
Investing cash flow	(209)	(291)	(244)	(384)	(442)	(474)
Equity raised	300	-	-	4,228	-	-
Net change in bank loans	2	53	222	100	-	-
Dividend paid	-	-	-	-	-	-
Others	(121)	(282)	(130)	(91)	(116)	(136)
Financing cash flow	181	(229)	92	4,237	(116)	(136)
Net change in cash	172	(104)	422	4,566	51	325
Beginning cash balance	13	186	81	502	5,068	5,119
Exchange difference	-	(0)	(2)	-	-	-
Cash at the end of the year	186	81	502	5,068	5,119	5,444

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)						
Nayuki	83.7	91.6	93.9	94.3	95.4	96.0
Tai Gai	14.3	7.4	5.0	4.0	3.2	2.8
Others	2.0	1.0	1.1	1.7	1.4	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	64.7	63.4	62.1	66.8	67.1	67.4
EBIT margin	0.1	2.2	2.6	(2.7)	5.0	6.9
Pre-tax margin	(4.4)	(1.7)	(6.2)	(5.4)	3.0	5.0
Net margin	(6.1)	(1.5)	(6.6)	(4.6)	2.5	4.2
Effective tax rate	(47.1)	7.1	(6.9)	15.0	15.0	15.0
Adj. net margin	(5.2)	(0.5)	0.8	(3.4)	2.9	4.4
Balance sheet ratios						
Current ratio (x)	0.3	0.2	0.5	1.9	1.9	1.9
Quick ratio (x)	0.3	0.2	0.4	1.9	1.8	1.8
Cash ratio (x)	0.2	0.1	0.2	1.8	1.7	1.7
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)	11	10	9
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	n/a	n/a	n/a	(5.4)	3.9	7.8
ROA	(4.9)	(1.9)	(6.1)	(2.6)	1.9	3.8
Per share						
EPS (RMB)	(0.03)	(0.01)	0.02	(0.08)	0.10	0.20
DPS (RMB)	-	-	-	-	-	-
BVPS (RMB)	(0.06)	(0.09)	(0.25)	2.12	2.21	2.40

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