

Nayuki Holdings Limited (2150 HK)

SSSG recover in 4Q21, but we remain cautious

Maintain HOLD and lower TP to HK\$ 7.83, based on our DCF model which implies a ~59x FY22E P/E and ~1.9x FY22E P/S. Despite the impressive recovery in 4Q21, we remain cautious about sales trend and margins in FY22E, given that weakening macro environment and operating deleverage is still in place. Current valuation of ~1.7x FY22E P/S (industry average at 2.0x) is only fair, in our view.

- **4Q21 (esp. Dec 2021) SSSG better than expected.** Nayuki announced that its SSSG continued to recover in 4Q21 and even returned to same level last year in Dec 2021, a meaningful improvement vs high double-digit decline in Aug-Sep 2021. It attributed this resilient performance to: 1) successful product launches (warm drinks such as “Phoenix Oolong Milk Tea/ 鴨屎香寶藏茶”) and 2) step-up on promotions to draw traffic. However, we remain cautious because the catering industry demand is still very weak in 4Q21, evidenced by sharp drop in shopping mall traffic.
- **Operating deleverage less than expected in 4Q21 despite lower GP margin and higher staff costs.** We believe the pressure on COGS and staff costs had increased in 4Q21 due to more promotions and industry-wide pay raise. However, thanks to the better-than-expected SSSG and operating leverage, we revised up our OP margin forecast in 4Q21 and onwards.
- **But we stay cautious about FY22E.** Even though recovery is stronger than we thought, we prefer to stay cautious given the high uncertainty of COVID-19 outbreak. In our view, it is likely that Shenzhen area’s business might be dragged for at least 1 week due to recent outbreak. We expect more store level automations to kick-in in FY22E to reduce staff costs but part of the benefits might have already been factored in our model.
- **FY21 store openings missed slightly but plan for FY22E should still be intact.** Nayuki’s total number of stores reached 817 in FY21E and the net openings was only 326, which is below the Company’s previous target of 350+. We believe such delay was due to the recent covid outbreak (esp. Beijing in Oct and Shanghai in Nov 2021). We expect Nayuki’s stores opening target to remain unchanged at 350-400 in FY22E.
- **Maintain HOLD and revised down TP to HK\$ 7.83.** We revised down our FY21E net losses est. by 18% and raised 22E/ 23E net profit est. by 12%/ 5% to factor in: 1) better SSSG, 2) delay in store openings and 3) higher promotions and staff costs. Our TP is based on DCF method (10.3% WACC, cut from 8.7%, and 3.0% terminal growth), which implies a ~1.9x FY22E P/S. It is trading at 1.7x FY22E P/S vs China peers’ average of 2.0x.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,502	3,057	4,225	5,897	7,719
YoY growth (%)	130.2	22.2	38.2	39.6	30.9
EBITDA (RMB mn)	143	227	98	553	870
NP att. (RMB mn)	(39)	(202)	(169)	167	337
Adj. NP (RMB mn)	(11)	26	(117)	190	353
Adj. EPS (RMB)	(0.006)	0.015	(0.068)	0.111	0.206
YoY growth (%)	n/a	n/a	n/a	n/a	85.5
Consensus EPS (RMB)	n/a	n/a	(0.002)	0.144	0.312
Adjusted P/E (x)	n/a	n/a	n/a	51.8	27.9
P/S (x)	4.2	3.3	2.3	1.7	1.3
ROE (%)	n/a	n/a	(4.6)	4.3	8.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

HOLD (Maintain)

Target Price **HK\$7.83**
 (Previous TP **HK\$10.15**)
Up/Downside **13.2%**
Current Price **HK\$6.92**

China Catering Sector

Walter Woo

(852) 3761 8776
 walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	11,869
Avg 3 mths t/o (HK\$ mn)	20.08
52w High/Low (HK\$)	18.98/6.83
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%

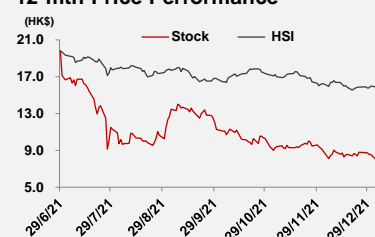
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-19.3%	-17.6%
3-mth	-38.8%	-35.3%
6-mth	-56.8%	-50.1%
12-mth	n/a	n/a

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Nayuki Holdings (2150 HK, HOLD) – Softening demand and operating deleverage – 1 Nov 2021
- 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	2,099	80%	12%
COGS	(466)	(693)	(669)	(770)		
Gross profit	714	1,184	1,457	1,330	104%	12%
GP margins	60.5%	63.1%	68.5%	63.3%		
Other income & gains	76	130	9	37		
Staff costs	(368)	(552)	(670)	(747)	82%	35%
Staff costs / sales	-31.2%	-29.4%	-31.5%	-35.6%		
Dep. of ROU assets expenses	(166)	(187)	(202)	(214)	21%	15%
Dep. of ROU assets exp / sales	-14.1%	-9.9%	-9.5%	-10.2%		
Other rentals expenses	(26)	(74)	(94)	(99)	256%	34%
Other rentals exp / sales	-2.2%	-4.0%	-4.4%	-4.7%		
D & A of other assets	(70)	(84)	(95)	(123)	36%	47%
D & A of other assets exp / sales	-6.0%	-4.5%	-4.5%	-5.9%		
A & P expenses	(22)	(60)	(37)	(72)	68%	21%
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%	-4.4%		
Utilities expenses	(27)	(40)	(39)	(58)	45%	46%
Utilities exp / sales	-2.3%	-2.1%	-1.8%	-2.8%		
Logistic & storage fees	(23)	(34)	(42)	(43)	80%	27%
Logistic & storage fees / sales	-2.0%	-1.8%	-2.0%	-2.0%		
Other opex	(47)	(76)	(84)	(94)		
Operating profit (EBIT)	-26	106	91	-176	-456%	-266%
OP margins	-2.2%	5.6%	4.3%	-8.4%		
Other items	(4)	(137)	(12)	(14)		
Net finance income	(60)	(71)	(46)	(46)		
Net finance income / sales	-5.1%	-3.8%	-2.2%	-2.2%		
Profit after financing costs	(89)	(101)	34	(235)		
Associated coms	0	0	0	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	-89	-101	34	-235	-138%	132%
Tax	13	(26)	(26)	56		
Tax / sales	1.1%	-1.4%	-1.2%	2.7%		
Effective tax rate	-14.7%	26.0%	-76.7%	-23.8%		
Minority interests	(1)	0	0	(2)		
Net profit att.	(74)	(127)	8	(177)	-110%	39%
NP margins	-6.3%	-6.8%	0.4%	-8.4%		
Adjusted Net profit att.	(62)	88	48	(165)	-178%	-287%
Adjusted NP att. margin	-5.3%	4.7%	2.3%	-7.8%		

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	4,225	5,897	22%	38%	40%
COGS	(1,159)	(1,439)	(1,988)			
Gross profit	1,898	2,787	3,909	20%	47%	40%
GP margins	62.1%	66.0%	66.3%			
Other income & gains	206	46	80			
Staff costs	(919)	(1,417)	(1,823)	22%	54%	29%
Staff costs / sales	-30.1%	-33.5%	-30.9%			
Dep. of ROU assets expenses	(353)	(416)	(507)	35%	18%	22%
Dep. of ROU assets exp / sales	-11.5%	-9.8%	-8.6%			
Other rentals expenses	(101)	(193)	(228)	-21%	92%	18%
Other rentals exp / sales	-3.3%	-4.6%	-3.9%			
D & A of other assets	(154)	(218)	(297)	67%	42%	36%
D & A of other assets exp / sales	-5.0%	-5.2%	-5.0%			
A & P expenses	(82)	(110)	(147)	22%	34%	34%
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)	(97)	(112)	30%	45%	15%
Utilities exp / sales	-2.2%	-2.3%	-1.9%			
Logistic & storage fees	(57)	(85)	(100)	42%	49%	19%
Logistic & storage fees / sales	-1.9%	-2.0%	-1.7%			
Other opex	(124)	(177)	(195)	54%	44%	10%
Operating profit (EBIT)	80	-84	318	44%	-205%	-478%
OP margins	2.6%	-2.0%	5.4%			
Other items	(140)	(25)	(6)			
Net finance income	(130)	(92)	(114)			
Net finance income / sales	-4.3%	-2.2%	-1.9%			
Profit after financing costs	(190)	(201)	198			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	-190	-201	198	345%	6%	-198%
Tax	(13)	30	(30)			
Tax / sales	-0.4%	0.7%	-0.5%			
Effective tax rate	6.9%	-15.0%	-15.0%			
Minority interests	(1)	(2)	2			
Net profit att.	(202)	(169)	167	424%	-16%	-198%
NP margins	-6.6%	-4.0%	2.8%			
Adjusted Net profit att.	26	(117)	190	-345%	-548%	-263%
Adjusted NP att. margin	0.9%	-2.8%	3.2%			

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	4,225	5,897	7,719	4,271	5,888	7,638	-1.1%	0.1%	1.1%
Gross profit	2,787	3,909	5,136	2,854	3,953	5,146	-2.4%	-1.1%	-0.2%
EBIT	(84)	318	542	(115)	297	525	n/a	7.0%	3.1%
Adjusted NP att.	(117)	190	353	(142)	170	336	n/a	11.7%	5.1%
Adjusted EPS (RMB)	(0.068)	0.111	0.206	(0.083)	0.099	0.196	n/a	11.7%	5.1%
Gross margin	66.0%	66.3%	66.5%	66.8%	67.1%	67.4%	-0.9ppt	-0.9ppt	-0.8ppt
EBIT margin	-2.0%	5.4%	7.0%	-2.7%	5.0%	6.9%	0.7ppt	0.3ppt	0.1ppt
Net profit att. margin	-2.8%	3.2%	4.6%	-3.3%	2.9%	4.4%	0.6ppt	0.3ppt	0.2ppt

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	4,225	5,897	7,719	4,883	7,329	9,612	-13.5%	-19.5%	-19.7%
Gross profit	2,787	3,909	5,136	3,231	4,859	6,394	-13.7%	-19.6%	-19.7%
EBIT	(84)	318	542	11	433	748	n/a	-26.6%	-27.6%
Adjusted NP att.	(117)	190	353	(10)	290	576	n/a	-34.4%	-38.8%
Adjusted EPS (RMB)	(0.068)	0.111	0.206	(0.002)	0.144	0.312	n/a	-22.9%	-34.1%
Gross margin	66.0%	66.3%	66.5%	66.2%	66.3%	66.5%	-0.2ppt	0ppt	0ppt
EBIT margin	-2.0%	5.4%	7.0%	0.2%	5.9%	7.8%	-2.2ppt	-0.5ppt	-0.8ppt
Net profit att. margin	-2.8%	3.2%	4.6%	-0.2%	4.0%	6.0%	-2.5ppt	-0.7ppt	-1.4ppt

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	3,981	5,626	7,414
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Total	1,087	2,502	3,057	4,225	5,897	7,719
Sales growth by brand segment						
Nayuki		151.9%	25.3%	38.7%	41.3%	31.8%
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%	38.2%	39.6%	30.9%
Sales by tier city, Tai Gai & others (RMB mn)						
Tier 1 cities	578	1,028	1,157	1,422	1,961	2,576
New Tier 1 cities	285	859	961	1,372	1,827	2,377
Tier 2 cities	47	379	617	919	1,354	1,754
Other cities	0	25	136	268	485	708
Tai Gai and others	177	210	186	244	271	304
Total	1,087	2,502	3,057	4,225	5,897	7,719
Sales by tier city, Tai Gai & others growth						
Tier 1 cities		77.8%	12.5%	22.9%	37.9%	31.4%
New Tier 1 cities		201.8%	11.8%	42.8%	33.1%	30.1%
Tier 2 cities		715.5%	62.7%	49.0%	47.3%	29.6%
Other cities			445.2%	96.7%	80.8%	46.0%
Tai Gai and others		18.5%	-11.3%	31.1%	10.9%	12.3%
Total		130.2%	22.2%	38.2%	39.6%	30.9%
Sales by channel (RMB mn)						
In-store cashier & others	1,001	1,745	961	1,155	814	904
WeChat/ Alipay & Nayuki app	-	317	1,222	1,940	3,782	5,324
3rd party online ordering platforms	86	439	874	1,131	1,300	1,491
Total	1,087	2,502	3,057	4,225	5,897	7,719
Sales by channel growth						
In-store cashier & others		74.3%	-45.0%	20.2%	-29.5%	11.0%
WeChat/ Alipay & Nayuki app			285.3%	58.7%	94.9%	40.8%
3rd party online ordering platforms		412.6%	99.2%	29.3%	15.0%	14.7%
Total		130.2%	22.2%	38.2%	39.6%	30.9%

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	4.9	4.7	4.7
Tier 2 cities	4.7	6.1	5.1	4.9	4.8	4.6
Other cities	#DIV/0!	3.1	4.7	3.9	4.4	4.5
Total	5.9	7.0	5.8	4.9	4.8	4.7
Nayuki brand's average sales per order (RMB)						
Tier 1 cities	41.7	42.5	44.2	43.3	43.5	43.8
New Tier 1 cities	44.6	42.7	42.5	42.9	43.3	43.6
Tier 2 cities	48.7	45.5	41.5	44.4	45.0	45.5
Other cities	-	47.5	43.7	45.7	45.6	46.1
Total	42.9	43.1	43.0	43.6	44.0	44.4
Nayuki brand's average orders per day						
Tier 1 cities	694	608	471	412	390	373
New Tier 1 cities	739	642	455	398	376	358
Tier 2 cities	949	754	470	426	381	336
Other cities	-	785	604	411	399	333
Total	716	642	470	408	383	355
Nayuki brand's store network						
Tier 1 cities	87	138	170	280	398	526
New Tier 1 cities	58	119	170	282	387	507
Tier 2 cities	10	62	122	187	282	382
Other cities	-	8	29	68	111	159
Total	155	327	491	817	1,178	1,574
GP margins	64.7%	63.4%	62.1%	66.0%	66.3%	66.5%
Opex breakdown						
Staff costs	-31.3%	-30.0%	-30.1%	-33.5%	-30.9%	-30.3%
Depreciation of right-of-use assets	-11.1%	-10.5%	-11.5%	-9.8%	-8.6%	-8.0%
Other rentals & related expenses	-6.7%	-5.1%	-3.3%	-4.6%	-3.9%	-3.5%
D & A of other assets	-3.7%	-3.7%	-5.0%	-5.2%	-5.0%	-5.0%
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%	-2.0%	5.4%	7.0%
Effective tax rate	-47.1%	7.1%	-6.9%	15.0%	15.0%	15.0%
NP att. margins	-6.1%	-1.5%	-6.6%	-4.0%	2.8%	4.4%
NP att. growth (%)		-41.6%	423.7%	-16.2%	-198.4%	102.5%
Adj. NP margins	-5.2%	-0.5%	0.8%	-2.8%	3.3%	4.6%
Adj. NP growth (%)		-79.3%	-309.4%	-582.4%	-262.1%	85.7%

Source: Company data, CMBIS estimates

Our DCF method assumes

- 31% sales CAGR in FY20-25E
- 48% EBITDA CAGR in FY20-25E
- 13.6% EBITDA margin in FY25 (from 7.4% in FY20)
- 10.3% WACC (Lower than International peers avg. of 10.3% and Greater China leading peers avg. of 12.1%), based on 3.0% costs of debt, 12.3% risk premium, Beta of 0.8x, 12.8% 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	98	553	870	1,295	1,600
Chg in working cap	43	29	(9)	577	44	84	96	90
Adjusted tax	(1)	(4)	(4)	16	(47)	(80)	(133)	(173)
Capex & product dev	(209)	(290)	(243)	(380)	(442)	(479)	(490)	(470)
Unleveraged FCF	(128)	(121)	(30)	311	109	395	768	1,047
YoY%								
DCF (21E-25E)				1,828				
PV (Terminal value)				9,102				
EV (End-21E)				10,930				
Cash from options/w warrants conv				0				
Yer-end net cash/(debts)				218				
Fully diluted equity value (End-21E)				11,148				
Fully diluted no. of shares (m)				1,715				
Minority interests (End-21E)				0				
Market cap (End-21E)				11,148				
Exchange rate				1.20				
Fully diluted equity value/share (HK\$)				7.83				
Risk-free rate				3.0%				
Risk premium				12.3%				
Beta				0.80				
Cost of equity				12.8%				
Cost of debt				3.0%				
Tax rate				15.0%				
After-tax cost of debt				2.6%				
Debt to total capital				25.0%				
WACC				10.3%				
Terminal growth				3.0%				
FY22E EV/EBITDA				20.1				
FY22E adj. P/E				58.6				
FY22E P/S				1.9				

Source: Bloomberg, Company data, CMBIS estimates

Figure 8: DCF-based valuation - sensitivity test

Terminal growth (%)	WACC (%)						
	8.8%	9.3%	9.8%	10.3%	10.8%	11.3%	11.8%
1.5%	8.25	7.65	7.12	6.66	6.25	5.88	5.54
2.0%	8.78	8.11	7.52	7.00	6.55	6.14	5.78
2.5%	9.40	8.63	7.97	7.39	6.88	6.44	6.04
3.0%	10.13	9.24	8.48	7.83	7.26	6.77	6.33
3.5%	11.00	9.95	9.08	8.34	7.70	7.14	6.65
4.0%	12.04	10.80	9.78	8.92	8.19	7.57	7.02
4.5%	13.33	11.83	10.61	9.61	8.77	8.05	7.44

Source: Bloomberg, Company data, CMBIS estimates

Valuation

Figure 9: Peers valuation

Company	Ticker	Rating	12M TP		Price	Up/do	Mkt cap	Year	PER (x)		PBR (x)		ROE (%)	3yrs PEG(x)	Yield (%)	YTD performance (%)
			HK\$/LC	HK\$/LC					FY1	FY2	FY1	FY2				
Leading Greater China Catering and Food Ingredients																
Nayuki Holdings	2150 HK	HOLD	7.83	6.92	13%	11,869	Dec-20	(84.5)	51.8	2.7	2.6	n/a	0.4	0.0	(19.2)	
Jiumaojiu Int'l	9922 HK	BUY	30.47	14.02	117%	20,377	Dec-20	35.9	22.2	4.8	4.0	14.3	0.3	0.8	2.3	
Haidilao Int'l	6862 HK	HOLD	18.30	16.76	9%	93,420	Dec-20	204.6	25.7	6.7	5.5	14.3	1.4	0.3	(4.8)	
Cafe De Coral	341 HK	BUY	19.05	13.66	39%	8,001	Mar-21	31.5	19.7	2.6	2.5	9.6	2.4	1.7	(1.7)	
Xiabuxiabu	520 HK	NR	n/a	4.90	n/a	5,321	Dec-20	30.6	10.5	1.8	1.6	9.6	0.1	1.7	(19.5)	
Helens	9869 HK	NR	n/a	18.84	n/a	23,868	Dec-20	208.2	33.1	13.6	8.8	56.2	n/a	0.0	(0.2)	
Tam Jai	2217 HK	NR	n/a	3.04	n/a	4,075	Mar-21	n/a	n/a	n/a	n/a	62.4	n/a	n/a	(9.0)	
Yihai Int'l	1579 HK	BUY	108.52	34.70	213%	36,327	Dec-20	32.3	26.8	7.2	5.9	26.9	2.0	0.8	(3.7)	
Yum China	9987 HK	HOLD	438.86	379.40	16%	162,431	Dec-20	31.4	22.8	3.1	2.7	10.6	3.7	1.0	(0.8)	
Gourmet Master	2723 TT	NR	n/a	110.00	n/a	5,576	Dec-20	17.0	15.7	1.7	1.7	12.0	1.1	3.7	(2.2)	
Avg.							Avg.	56.3	25.4	4.9	3.9	24.0	1.4	1.1	(5.9)	
Med.							Med.	31.5	22.8	3.1	2.7	14.3	1.2	0.8	(3.0)	
Other Greater China Catering and Food Ingredients																
Tenfu	6868 HK	NR	n/a	5.43	n/a	5,947	Dec-20	n/a	n/a	n/a	n/a	20.8	n/a	n/a	(3.0)	
Sunjuice	1256 TT	NR	n/a	332.00	n/a	3,164	Dec-20	n/a	n/a	n/a	n/a	32.4	n/a	n/a	4.2	
Fairwood	52 HK	NR	n/a	15.20	n/a	1,969	Mar-21	n/a	n/a	n/a	n/a	19.1	n/a	n/a	(1.9)	
Tai Hing Group	6811 HK	NR	n/a	1.28	n/a	1,285	Dec-20	n/a	n/a	n/a	n/a	14.3	n/a	n/a	(5.9)	
Hop Hing Group	47 HK	NR	n/a	0.08	n/a	796	Dec-20	n/a	n/a	n/a	n/a	(1.6)	n/a	n/a	0.0	
Ajisen China	538 HK	NR	n/a	1.25	n/a	1,364	Dec-20	15.3	10.3	n/a	n/a	2.6	n/a	4.9	(0.8)	
Tao Heung	573 HK	NR	n/a	0.87	n/a	884	Dec-20	n/a	n/a	n/a	n/a	1.5	n/a	n/a	(4.4)	
Avg.							Avg.	n/a	n/a	n/a	n/a	12.7	n/a	n/a	(1.7)	
Med.							Med.	n/a	n/a	n/a	n/a	14.3	n/a	n/a	(1.9)	
Greater China Catering and Food Ingredients																
Avg.							Avg.	67.4	20.8	5.2	4.1	19.1	1.6	1.7	(3.2)	
Med.							Med.	31.5	22.2	3.9	3.4	14.3	1.4	1.0	(2.1)	
International Catering and Food Ingredients																
Yum! Brands	YUM US	NR	n/a	135	n/a	309,398	Dec-20	29.8	27.3	n/a	n/a	n/a	1.3	1.5	(2.5)	
Mcdonald'S Corp	MCD US	NR	n/a	267	n/a	1,556,204	Dec-20	28.3	26.4	n/a	n/a	n/a	1.4	2.0	(0.4)	
Starbucks Corp	SBUX US	NR	n/a	108	n/a	984,142	Oct-21	31.2	27.0	n/a	n/a	n/a	3.6	1.8	(8.0)	
Restaurant Brands	QSR US	NR	n/a	58	n/a	208,581	Dec-20	21.1	19.3	8.6	12.0	30.9	0.8	3.6	(3.9)	
Chipotle Mexican Grill	CMG US	NR	n/a	1598	n/a	350,568	Dec-20	63.4	48.6	19.4	16.3	34.5	1.3	0.0	(8.6)	
Darden Restaurants	DRI US	NR	n/a	146	n/a	145,080	May-21	19.2	17.2	7.3	6.8	36.9	0.8	3.0	(3.3)	
Domino'S Pizza	DPZ US	NR	n/a	508	n/a	144,268	Jan-21	37.3	33.1	n/a	n/a	n/a	3.2	0.7	(9.9)	
Wendy'S Co	WEN US	NR	n/a	24	n/a	41,414	Jan-21	29.7	27.1	10.8	12.5	35.1	1.2	1.8	0.9	
Shake Shack	SHAK US	NR	n/a	70	n/a	22,816	Dec-20	n/a	621.1	7.1	7.1	(4.4)	n/a	n/a	(3.6)	
Wingstop	WING US	NR	n/a	164	n/a	38,086	Dec-20	115.3	87.6	n/a	n/a	n/a	2.7	0.4	(5.2)	
Avg.							Avg.	41.7	93.4	10.6	10.9	26.6	1.8	1.6	(4.5)	
Med.							Med.	29.8	27.2	8.6	12.0	34.5	1.3	1.8	(3.8)	
A-shares Greater China Catering and Food Ingredients																
Foshan Haitian Flavouring	603288 CH	NR	n/a	109.29	n/a	562,926	Dec-20	68.6	57.7	18.2	15.1	33.0	4.0	0.8	4.0	
Fujian Sunner	002299 CH	NR	n/a	22.92	n/a	34,874	Dec-20	44.6	20.7	3.1	2.8	5.9	4.8	1.1	(5.2)	
Angel Yeast	600298 CH	NR	n/a	55	n/a	56,040	Dec-20	33.5	27.8	6.4	5.4	22.4	2.1	0.9	(8.8)	
Meihua Holdings Group	600873 CH	NR	n/a	7.18	n/a	27,203	Dec-20	11.4	7.8	2.2	1.7	16.2	0.2	4.2	(6.4)	
Guangzhou Restaurant	603043 CH	NR	n/a	24.75	n/a	17,116	Dec-20	25.8	20.7	4.6	4.0	20.5	1.1	1.7	2.9	
Xiangpiaopiao Food	603711 CH	NR	n/a	16.41	n/a	8,329	Dec-20	16.6	14.5	2.1	1.9	13.3	1.0	n/a	0.1	
China Quanjude	002186 CH	NR	n/a	10.46	n/a	3,945	Dec-20	n/a	n/a	n/a	n/a	(10.5)	n/a	n/a	7.9	
Avg.							Avg.	33.4	24.9	6.1	5.1	14.4	2.2	1.7	(0.8)	
Med.							Med.	29.6	20.7	3.8	3.4	16.2	1.6	1.1	0.1	
H-shares Consumer Staples																
Uni-President China	220 HK	NR	n/a	7.47	n/a	32,265	Dec-20	17.8	15.7	1.9	1.9	10.6	2.3	5.7	(1.2)	
Tingyi (Cayman Isl)	322 HK	NR	n/a	16.28	n/a	91,672	Dec-20	19.8	17.5	3.6	3.6	19.7	2.4	6.5	1.6	
Want Want China	151 HK	NR	n/a	7.67	n/a	91,269	Mar-21	17.5	16.5	4.5	4.3	29.5	1.9	3.5	7.1	
China Mengniu Dairy	2319 HK	NR	n/a	46.20	n/a	182,637	Dec-20	28.3	23.5	4.0	3.5	16.4	0.9	0.9	4.5	
Vitasoy Intl Holdings	345 HK	NR	n/a	15.40	n/a	16,478	Mar-21	n/a	36.0	4.8	4.4	(2.6)	n/a	0.1	(2.2)	
Nongfu Spring	9633 HK	NR	n/a	46.45	n/a	522,398	Dec-20	62.3	55.1	20.7	16.2	42.6	2.7	0.6	(9.7)	
Budweiser Brewing	1876 HK	NR	n/a	21.40	n/a	283,409	Dec-20	39.2	32.7	3.3	3.0	8.3	1.1	1.0	4.6	
Tsingtao Brewery	168 HK	NR	n/a	69.00	n/a	129,054	Dec-20	27.3	23.9	3.4	3.1	12.7	1.3	1.6	(5.5)	
China Resources Beer	291 HK	NR	n/a	59.80	n/a	194,002	Dec-20	37.3	34.4	6.5	5.9	18.4	0.9	1.1	(6.3)	
Dali Foods Group	3799 HK	NR	n/a	4.23	n/a	57,926	Dec-20	11.8	11.1	2.5	2.2	22.8	1.2	4.4	3.7	
Avg.							Avg.	29.1	26.6	5.5	4.8	17.8	1.6	2.5	(0.3)	
Med.							Med.	27.3	23.7	3.8	3.6	17.4	1.3	1.4	0.2	

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	11,869	7,654	65.0	11.5	7.3	57.2	2.3	1.7	1.3	36.8	0.06
Jiumaoju Int'l	9922 HK	BUY	20,377	19,347	14.1	9.2	6.5	70.0	3.4	2.3	1.7	58.1	0.06
Haidilao Int'l	6862 HK	BUY	93,420	107,332	17.1	10.3	8.1	39.8	1.8	1.4	1.2	35.6	0.05
Cafe De Coral	341 HK	BUY	8,001	9,231	13.7	10.3	10.6	(17.8)	1.0	0.9	0.9	11.8	0.09
Xiabuxiabu	520 HK	NR	5,321	6,041	4.2	3.2	2.5	22.9	0.6	0.5	0.4	26.3	0.02
Helens	9869 HK	NR	23,868	24,890	58.3	19.9	12.0	91.3	9.7	4.2	2.5	116.9	0.08
Tam Jai	2217 HK	NR	4,075	4,339	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Yihai Int'l	1579 HK	BUY	36,327	35,295	21.0	17.1	13.9	18.2	4.7	3.9	3.2	23.9	0.20
Yum China	9987 HK	HOLD	162,431	149,959	13.4	10.6	9.3	3.4	2.1	1.8	1.6	15.8	0.13
Gourmet Master	2723 TT	NR	5,576	5,082	3.8	4.0	3.6	3.2	1.0	0.9	0.9	7.0	0.14
Avg.			37,127	36,917	23.4	10.7	8.2	32.0	3.0	2.0	1.5	36.9	0.09
Med.			16,123	14,289	14.1	10.3	8.1	22.9	2.1	1.7	1.3	26.3	0.08
Other Greater China Catering and Food Ingredients													
Tenfu	6868 HK	NR	5,947	6,234	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sunjuice	1256 TT	NR	3,164	3,002	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fairwood	52 HK	NR	1,969	2,354	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tai Hing Group	6811 HK	NR	1,285	2,367	n/a	n/a	n/a	n/a	0.4	0.3	0.3	14.5	0.0
Hop Hing Group	47 HK	NR	796	1,067	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ajisen China	538 HK	NR	1,364	285	0.8	0.8	n/a	n/a	0.5	0.5	n/a	n/a	n/a
Tao Heung	573 HK	NR	884	1,372	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Avg.			2,201	2,383	n/a	n/a	n/a	n/a	0.5	0.4	0.3	14.5	0.03
Med.			1,364	2,354	n/a	n/a	n/a	n/a	0.5	0.4	0.3	14.5	0.03
Greater China Catering and Food Ingredients													
			23,425	23,637	16.3	9.5	8.3	28.9	2.5	1.7	1.4	34.4	0.09
			5,449	5,562	13.7	10.3	8.7	20.5	1.4	1.2	1.2	23.9	0.08
International Catering and Food Ingredients													
Yum! Brands	YUM US	NR	309,398	389,183	21.4	20.0	18.5	16.2	6.0	5.6	5.3	10.1	0.59
Mcdonald'S Corp	MCD US	NR	1,556,204	1,902,579	20.1	19.0	17.9	9.1	8.6	8.1	7.7	10.8	0.79
Starbucks Corp	SBUX US	NR	984,142	1,116,338	20.3	18.1	16.3	3.4	3.9	3.6	3.3	9.9	0.39
Restaurant Brands	QSR US	NR	208,581	303,854	17.3	15.9	15.0	25.8	4.7	4.4	4.2	9.0	0.52
Chipotle Mexican Grill	CMG US	NR	350,568	369,739	41.1	31.3	25.8	29.0	6.0	5.2	4.6	17.8	0.33
Darden Restaurants	DRI US	NR	145,080	184,791	14.9	13.8	13.1	9.5	1.9	1.8	1.7	15.0	0.13
Domino'S Pizza	DPZ US	NR	144,268	183,180	26.5	24.4	22.3	8.2	4.2	3.9	3.6	7.4	0.57
Wendy'S Co	WEN US	NR	41,414	66,654	18.3	17.4	16.0	3.3	2.8	2.8	2.6	5.5	0.52
Shake Shack	SHAK US	NR	22,816	25,138	65.1	35.7	25.5	36.7	4.0	3.0	2.5	31.9	0.12
Wingstop	WING US	NR	38,086	41,344	60.4	50.1	42.2	23.3	17.2	14.4	12.3	16.9	1.02
Avg.			380,056	458,280	30.5	24.6	21.3	16.5	5.9	5.3	4.8	13.4	0.50
Med.			176,830	244,322	20.8	19.5	18.2	12.8	4.5	4.2	3.9	10.5	0.52
A-shares Greater China Catering and Food Ingredients													
Foshan Haitian Flavouring	603288 CH	NR	562,926	537,854	55.8	46.0	38.8	16.5	18.7	16.2	14.0	16.1	1.16
Fujian Sunner	002299 CH	NR	34,874	39,059	19.2	12.6	9.0	5.8	1.9	1.6	1.3	19.7	0.10
Angel Yeast	600298 CH	NR	56,040	59,512	23.0	19.6	16.5	12.8	4.4	3.8	3.3	18.7	0.23
Meihua Holdings Group	600873 CH	NR	27,203	31,446	7.1	5.6	5.1	26.4	1.0	0.9	0.9	18.5	0.06
Guangzhou Restaurant	603043 CH	NR	17,116	15,025	17.5	14.3	12.3	20.5	3.5	3.0	2.6	21.8	0.16
Xiangpiaopiao Food	603711 CH	NR	8,329	7,130	n/a	n/a	n/a	n/a	1.6	1.4	1.2	18.6	0.1
China Quanjude	002186 CH	NR	3,945	3,707	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Avg.			101,490	99,105	24.5	19.6	16.3	16.4	5.2	4.5	3.9	18.9	0.30
Med.			27,203	31,446	19.2	14.3	12.3	16.5	2.7	2.3	1.9	18.7	0.13
H-shares Consumer Staples													
Uni-President China	220 HK	NR	32,265	30,876	8.1	7.5	7.0	4.9	1.1	1.0	0.9	10.1	0.10
Tingyi (Cayman Isln)	322 HK	NR	91,672	86,937	7.9	7.3	6.8	7.2	1.0	1.0	0.9	8.9	0.12
Want Want China	151 HK	NR	91,269	84,909	10.5	10.0	9.4	5.7	3.1	3.0	2.9	8.3	0.38
China Mengniu Dairy	2319 HK	NR	182,637	198,862	21.8	18.1	15.6	26.1	1.7	1.5	1.3	17.6	0.10
Vitasoy Intl Holdings	345 HK	NR	16,478	16,468	32.9	16.5	14.2	(4.2)	2.4	2.1	2.0	2.7	0.91
Nongfu Spring	9633 HK	NR	522,398	509,202	38.0	34.2	29.6	18.9	14.9	12.7	11.0	22.8	0.65
Budweiser Brewing	1876 HK	NR	283,409	275,044	17.2	15.3	13.7	18.3	5.5	5.1	4.7	11.3	0.49
Tsingtao Brewery	168 HK	NR	129,054	109,061	20.4	17.9	15.8	16.4	3.5	3.3	3.1	10.4	0.33
China Resources Beer	291 HK	NR	194,002	180,157	20.1	18.7	15.9	27.8	4.6	4.2	3.9	11.8	0.39
Dali Foods Group	3799 HK	NR	57,926	41,527	5.7	5.3	4.9	12.1	2.1	2.0	1.9	9.7	0.22
Avg.			160,111	153,304	18.3	15.1	13.3	13.3	4.0	3.6	3.3	11.4	0.37
Med.			110,363	97,999	18.7	15.9	14.0	14.3	2.8	2.5	2.4	10.3	0.36

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	4,225	5,897	7,719
Nayuki	910	2,291	2,871	3,981	5,626	7,414
Tai Gai	156	185	153	171	190	215
Others	22	25	33	73	81	89
Cost of goods sold	(384)	(916)	(1,159)	(1,439)	(1,988)	(2,583)
Gross profit	703	1,586	1,898	2,787	3,909	5,136
Other income	3	6	206	46	80	83
Operating expenses	(704)	(1,536)	(2,024)	(2,917)	(3,671)	(4,677)
Staff costs	(340)	(751)	(919)	(1,417)	(1,823)	(2,339)
Rental & ROUA depre.	(194)	(389)	(453)	(609)	(735)	(888)
D & A expenses	(40)	(93)	(154)	(218)	(297)	(387)
Utilities expenses	(39)	(67)	(82)	(110)	(147)	(193)
Other opex	(91)	(236)	(415)	(562)	(668)	(870)
EBIT	1	56	80	(84)	318	542
Finance costs	(46)	(96)	(130)	(92)	(114)	(133)
JVs & associates	-	-	-	-	-	-
Exceptional	(3)	(2)	(140)	(25)	(6)	(8)
Pre-tax profit	(47)	(43)	(190)	(201)	198	402
Income tax	(22)	3	(13)	30	(30)	(60)
Less: Minority interests	(4)	(1)	(1)	(2)	2	4
Net profit att.	(66)	(39)	(202)	(169)	167	337
Adj. net profit	(57)	(12)	25	(119)	192	357
Adj. net profit att.	(53)	(11)	26	(117)	190	353

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,059	1,756	1,984	2,146	2,291	2,383
Fixed asset	254	451	587	749	894	986
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	5,431	5,635	6,118
Cash and cash equivalents	186	81	502	5,099	5,173	5,514
Inventories	38	78	103	99	136	177
Trade and other receivables	2	1	1	1	2	2
Prepayments	0	1	0	0	0	0
Other current assets	59	135	724	232	324	425
Current liabilities	850	1,226	2,728	2,810	2,984	3,209
Bank loans	2	55	283	283	283	283
Trade payables	104	202	226	248	327	425
Accruals & other payables	108	167	258	317	413	540
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)	(0)	4
Total net assets	(110)	(149)	(424)	3,660	3,832	4,177
Shareholders' equity	(110)	(149)	(424)	3,660	3,832	4,177

Source: Company data, CMBIS estimates

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	1	56	80	(84)	318	542
D & A	40	93	154	218	297	387
Change in working capital	43	29	(9)	577	44	84
Income tax paid	(8)	(30)	6	30	(30)	(60)
Others	125	269	343	-	-	-
Operating cash flow	201	416	574	741	630	952
Capex & investments	(209)	(291)	(243)	(380)	(442)	(479)
Associated companies	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Others	0	(0)	(0)	-	-	-
Investing cash flow	(209)	(291)	(244)	(380)	(442)	(479)
Equity raised	300	-	-	4,228	-	-
Net change in bank loans	2	53	222	100	-	-
Dividend paid	-	-	-	-	-	-
Others	(121)	(282)	(130)	(92)	(114)	(133)
Financing cash flow	181	(229)	92	4,236	(114)	(133)
Net change in cash	172	(104)	422	4,597	74	341
Beginning cash balance	13	186	81	502	5,099	5,173
Exchange difference	-	(0)	(2)	-	-	-
Cash at the end of the year	186	81	502	5,099	5,173	5,514

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)						
Nayuki	83.7	91.6	93.9	94.2	95.4	96.1
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	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	64.7	63.4	62.1	66.0	66.3	66.5
EBIT margin	0.1	2.2	2.6	(2.0)	5.4	7.0
Pre-tax margin	(4.4)	(1.7)	(6.2)	(4.8)	3.4	5.2
Net margin	(6.1)	(1.5)	(6.6)	(4.0)	2.8	4.4
Effective tax rate	(47.1)	7.1	(6.9)	15.0	15.0	15.0
Adj. net margin	(5.2)	(0.5)	0.8	(2.8)	3.3	4.6
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	1.9
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)	10	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	(4.6)	4.3	8.1
ROA	(4.9)	(1.9)	(6.1)	(2.2)	2.1	4.0
Per share						
EPS (RMB)	(0.03)	(0.01)	0.02	(0.07)	0.11	0.21
DPS (RMB)	-	-	-	-	-	-
BVPS (RMB)	(0.06)	(0.09)	(0.25)	2.13	2.23	2.44

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

CMBIS Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIS

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.