

# Jiumaojiu (9922 HK)

## A resilient Tai Er and an uprising Song Hot Pot

**Maintain BUY but cut TP to HK\$ 17.83**, based on unchanged 40x FY22E P/E. We have factored in the last Covid-19 outbreak and still maintain BUY because Tai Er's is still leading the industry with significant long-term potential. It is trading at 35x FY22E P/E, vs 5 years average of 50x and 42% FY21-24E NP CAGR.

- FY21 result inline.** Sales grew by 54% YoY to RMB 4.2bn, inline. Net profit surged by 174% to RMB 340mn, missing CMBI est. by 6%, due to GP margin beat and slight miss in opex. Tai Er's seat turnover declined to 3.4x in FY21 (vs 3.8x in FY20) while ASP stayed flattish at RMB 80 (vs RMB79 in FY20), with a 5.7% SSSG in FY21. Tai Er's store level operating profit margin even improved to 21.8% (vs 18.5% in FY20), thanks to: 1) mindful store opening and being rental terms cautious, 2) further expansion into lower tier cities, 3) more precise staff scheduling and 4) investments in supply chain.
- Covid-19 is still the largest swing factor for FY22E.** We believe the recovery rate (vs 2019) was strong in Jan 2022, at about 89%/ 91% for Tai Er/ JMJ. However, such trend had deteriorated after covid-19 outbreak in Shenzhen since Feb 2022, and we cut our FY22E net profit forecast by 10%. As long as the situation can ease before the 5-1 golden weeks, the trend of bottoming out is likely, given the low base for 2H22E.
- Target to add 150 new Tai Er stores in FY22E, with more stores' format differentiation.** Even during 4Q21, Tai Er is still one of the top selling restaurant brands in the shopping malls with decent margins, and therefore management is still confident on its store opening plan in FY22E. It will further penetrate into the lower tier cities (T2/ T3 cities accounted for ~30%/ 40% of new stores while current stores mix by T1/ T2/ T3 cities are ~40%/ 50%/ 10%), which generally have better OP margins. Moreover, Tai Er is now rolling out more store formats, which can serve various kind of demand, such as: 1) larger sized store in lower tier cities, 2) transportation hub stores with a simplified menu, 3) store equipping with tea drinks shop and 4) store with more SKUs like the Tai Er Legend, etc.
- More confident on Song Hot Pot while it is still early for Lai Mei Li.** Management believes Song Hot Pot's product quality, brand image and store format are now more certain after series of testing and confident on its attractiveness towards the young customers. And the next step is to refine its profit margin, supply chain management and the staff training mechanism. For Lai Mei Li, management is still perfecting its product quality.
- Maintain BUY and cut TP to HK\$ 17.83.** We revised down FY22E/ 23E EPS estimates by 10%/ 10% to factor in: 1) COVID-19 outbreak in 1Q22E and 2) greater operating deleverage. We maintain BUY but cut TP to HK\$ 17.83, based on 40x FY22E P/E (unchanged).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	2,715	4,180	5,792	7,646	9,450
YoY growth (%)	1.0	54.0	38.6	32.0	23.6
Net income (RMB mn)	124	340	536	773	973
EPS (RMB)	0.090	0.234	0.369	0.532	0.670
YoY growth (%)	(24.5)	160.8	57.8	44.1	25.9
Consensus EPS (RMB)	n/a	n/a	0.410	0.617	n/a
P/E (x)	145.3	54.8	34.7	24.1	19.1
P/B (x)	5.9	5.5	4.7	3.8	3.1
Yield (%)	0.1	0.4	0.6	0.9	1.1
ROE (%)	7.7	10.5	14.5	17.4	17.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$17.83
(Previous TP)	HK\$19.67)
Up/Downside	+15.2%
Current Price	HK\$15.48

### China Catering Sector

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### Stock Data

Mkt Cap (HK\$ mn)	22,499
Avg 3 mths t/o (HK\$ mn)	241.20
52w High/Low (HK\$)	34.18/10.82
Total Issued Shares (mn)	1,453.4

Source: Bloomberg

### Shareholding Structure

Mr. Guan Yi Hong	40.66%
Shanghai Ling Yu	4.47%
MT BVI	5.25%
MX BVI	4.31%
Free Float	45.31%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-13.2%	-9.5%
3-mth	14.7%	21.3%
6-mth	-32.3%	-25.3%
12-mth	-45.9%	-31.1%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: KPMG

### Related Reports

- Jiumaojiu (9922 HK, BUY) – Still hindered by industry down-cycle – 19 Jan 2022
- Jiumaojiu (9922 HK, BUY) – Slightly more cautious after a bumpy Jul-Aug – 26 Aug 2021
- Jiumaojiu (9922 HK, BUY) – Profit inline despite drags from mini outbreak – 29 Jul 2021

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,792	7,646	9,450	5,790	7,761	n/a	0.0%	-1.5%	n/a
Gross profit	3,688	4,903	6,066	3,593	4,853	n/a	2.6%	1.0%	n/a
EBIT	911	1,311	1,640	1,042	1,505	n/a	-12.5%	-12.9%	n/a
Net profit att.	536	773	973	593	860	n/a	-9.6%	-10.1%	n/a
Diluted EPS (RMB)	0.369	0.532	0.670	0.408	0.592	n/a	-9.6%	-10.1%	n/a
Gross margin	63.7%	64.1%	64.2%	62.1%	62.5%	n/a	1.6ppt	1.6ppt	n/a
EBIT margin	15.7%	17.2%	17.4%	18.0%	19.4%	n/a	-2.3ppt	-2.2ppt	n/a
Net profit att. margin	9.3%	10.1%	10.3%	10.2%	11.1%	n/a	-1ppt	-1ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,792	7,646	9,450	6,325	8,955	n/a	-8.4%	-14.6%	n/a
Gross profit	3,688	4,903	6,066	3,978	5,644	n/a	-7.3%	-13.1%	n/a
EBIT	911	1,311	1,640	950	1,456	n/a	-4.1%	-9.9%	n/a
Net profit att.	536	773	973	606	923	n/a	-11.5%	-16.3%	n/a
Diluted EPS (RMB)	0.369	0.532	0.670	0.410	0.617	n/a	-10.0%	-13.8%	n/a
Gross margin	63.7%	64.1%	64.2%	62.9%	63.0%	n/a	0.8ppt	1.1ppt	n/a
EBIT margin	15.7%	17.2%	17.4%	15.0%	16.3%	n/a	0.7ppt	0.9ppt	n/a
Net profit att. margin	9.3%	10.1%	10.3%	9.6%	10.3%	n/a	-0.3ppt	-0.2ppt	n/a

Source: Company data, CMBIGM estimates

## Results Summary

Figure 3: Results review – Half Year

Half yearly / Full yearly (RMB mn)	1H20	2H20	1H21	2H21	1H21 YoY	2H21 YoY	2H21E CMBI GM	Actual vs CMBI GM
Revenue	950	1,765	2,021	2,158	113%	22%	2,044	6%
COGS	(372)	(674)	(751)	(786)			(775)	
Gross profit	577	1,092	1,270	1,372	120%	26%	1,270	8%
<b>GP margins</b>	<b>60.8%</b>	<b>61.8%</b>	<b>62.8%</b>	<b>63.6%</b>			<b>62.1%</b>	
Other income & gains	27	57	30	34			36	-4%
Staff costs	(327)	(421)	(506)	(550)	55%	31%	(477)	15%
<b>Staff costs / sales</b>	<b>-34.5%</b>	<b>-23.8%</b>	<b>-25.1%</b>	<b>-25.5%</b>			<b>-23.3%</b>	
Dep. of right-of-use assets expenses	(114)	(129)	(161)	(181)	41%	41%	(144)	26%
<b>Dep. of ROU assets exp / sales</b>	<b>-12.1%</b>	<b>-7.3%</b>	<b>-8.0%</b>	<b>-8.4%</b>			<b>-7.0%</b>	
Other rentals expenses	(14)	(36)	(50)	(46)	261%	30%	(42)	11%
<b>Other rentals exp / sales</b>	<b>-1.5%</b>	<b>-2.0%</b>	<b>-2.5%</b>	<b>-2.2%</b>			<b>-2.0%</b>	
D & A of other assets	(51)	(59)	(71)	(88)	38%	49%	(97)	-9%
<b>D &amp; A of other assets exp / sales</b>	<b>-5.4%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-4.1%</b>			<b>-4.8%</b>	
Utilities expenses	(38)	(57)	(65)	(68)	71%	19%	(71)	-4%
<b>Utilities exp / sales</b>	<b>-4.0%</b>	<b>-3.2%</b>	<b>-3.2%</b>	<b>-3.1%</b>			<b>-3.5%</b>	
Travelling & related expenses	(6)	(11)	(10)	(14)	65%	28%	(10)	32%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.6%</b>			<b>-0.5%</b>	
A & P expenses	(11)	(10)	(17)	(31)	53%	196%	(16)	96%
<b>A &amp; P exp / sales</b>	<b>-1.2%</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>-1.4%</b>			<b>-0.8%</b>	
Delivery service fees	(25)	(24)	(38)	(22)	55%	-6%	(16)	44%
<b>Delivery service fees / sales</b>	<b>-2.6%</b>	<b>-1.4%</b>	<b>-1.9%</b>	<b>-1.0%</b>			<b>-0.8%</b>	
Other opex	-74	-102	-70	-148	-6%	45%	-101	47%
<b>Other opex / sales</b>	<b>-7.8%</b>	<b>-5.8%</b>	<b>-3.4%</b>	<b>-6.9%</b>			<b>-4.9%</b>	
Operating profit (EBIT)	-56	300	312	257	-659%	-14%	332	-23%
<b>OP margins</b>	<b>-5.9%</b>	<b>17.0%</b>	<b>15.4%</b>	<b>11.9%</b>			<b>16.2%</b>	
Other items	(39)	48	0	11			(8)	
Net finance income	(26)	(41)	(37)	(39)			(34)	14%
<b>Net finance income / sales</b>	<b>-2.7%</b>	<b>-2.3%</b>	<b>-1.8%</b>	<b>-1.8%</b>			<b>-1.7%</b>	
Profit after financing costs	-121	306	275	229			289	
Associated coms	(8)	(1)	1	(0)			(5)	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	-129	305	277	229	-315%	-25%	284	-19%
Tax	40	(79)	(72)	(62)			(75)	-17%
<b>Tax / sales</b>	<b>4.2%</b>	<b>-4.5%</b>	<b>-3.5%</b>	<b>-2.9%</b>			<b>-3.7%</b>	
<b>Effective tax rate</b>	<b>-31.2%</b>	<b>-25.8%</b>	<b>-25.9%</b>	<b>-27.1%</b>			<b>-26.5%</b>	
Minority interests	(3)	17	19	13			31	-58%
<b>Net profit att.</b>	<b>(86)</b>	<b>210</b>	<b>186</b>	<b>154</b>	<b>-317%</b>	<b>-27%</b>	<b>177</b>	<b>-13%</b>
<b>NP margins</b>	<b>-9.0%</b>	<b>11.9%</b>	<b>9.2%</b>	<b>7.1%</b>			<b>8.7%</b>	

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results preview – Full Year

Half yearly / Full yearly (RMB mn)	FY20	FY21	FY22E	FY21 YoY	FY22E YoY	FY21E CMBIGM	Actual vs CMBIGM
<b>Revenue</b>	<b>2,715</b>	<b>4,180</b>	<b>5,792</b>	<b>54%</b>	<b>39%</b>	<b>4,066</b>	<b>3%</b>
COGS	(1,046)	(1,537)	(2,104)			(1,526)	
Gross profit	1,669	2,642	3,688	58%	40%	2,540	4%
<b>GP margins</b>	<b>61.5%</b>	<b>63.2%</b>	<b>63.7%</b>			<b>62.5%</b>	
Other income & gains	84	64	80			66	-2%
Staff costs	(748)	(1,057)	(1,409)	41%	33%	(983)	7%
<b>Staff costs / sales</b>	<b>-27.5%</b>	<b>-25.3%</b>	<b>-24.3%</b>			<b>-24.2%</b>	
Dep. of right-of-use assets expenses	(243)	(343)	(449)	41%	31%	(305)	12%
<b>Dep. of ROU assets exp / sales</b>	<b>-9.0%</b>	<b>-8.2%</b>	<b>-7.8%</b>			<b>-7.5%</b>	
Other rentals expenses	(50)	(97)	(142)	95%	46%	(92)	5%
<b>Other rentals exp / sales</b>	<b>-1.8%</b>	<b>-2.3%</b>	<b>-2.4%</b>			<b>-2.3%</b>	
D & A of other assets	(111)	(159)	(231)	44%	45%	(168)	-5%
<b>D &amp; A of other assets exp / sales</b>	<b>-4.1%</b>	<b>-3.8%</b>	<b>-4.0%</b>			<b>-4.1%</b>	
Utilities expenses	(95)	(132)	(182)	40%	37%	(135)	-2%
<b>Utilities exp / sales</b>	<b>-3.5%</b>	<b>-3.2%</b>	<b>-3.1%</b>			<b>-3.3%</b>	
Travelling & related expenses	(17)	(24)	(35)	42%	47%	(20)	16%
<b>Travelling &amp; related exp / sales</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.6%</b>			<b>-0.5%</b>	
A & P expenses	(21)	(48)	(66)	123%	39%	(33)	47%
<b>A &amp; P exp / sales</b>	<b>-0.8%</b>	<b>-1.1%</b>	<b>-1.1%</b>			<b>-0.8%</b>	
Delivery service fees	(49)	(61)	(82)	25%	36%	(54)	13%
<b>Delivery service fees / sales</b>	<b>-1.8%</b>	<b>-1.5%</b>	<b>-1.4%</b>			<b>-1.3%</b>	
Other opex	-176	-218	-261	24%	20%	-171	28%
<b>Other opex / sales</b>	<b>-6.5%</b>	<b>-5.2%</b>	<b>-4.5%</b>			<b>-4.2%</b>	
Operating profit (EBIT)	244	569	911	133%	60%	644	-12%
<b>OP margins</b>	<b>9.0%</b>	<b>13.6%</b>	<b>15.7%</b>			<b>15.8%</b>	
Other items	8	11	16			(8)	
Net finance income	(67)	(75)	(77)			(71)	7%
<b>Net finance income / sales</b>	<b>-2.5%</b>	<b>-1.8%</b>	<b>-1.3%</b>			<b>-1.7%</b>	
Profit after financing costs	185	505	850			565	
Associated coms	(8)	1	1			(4)	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	177	506	851	186%	68%	561	-10%
Tax	(39)	(134)	(221)			(147)	-9%
<b>Tax / sales</b>	<b>-1.4%</b>	<b>-3.2%</b>	<b>-3.8%</b>			<b>-3.6%</b>	
<b>Effective tax rate</b>	<b>-21.9%</b>	<b>-26.4%</b>	<b>-26.0%</b>			<b>-26.2%</b>	
Minority interests	14	32	94			50	-36%
<b>Net profit att.</b>	<b>124</b>	<b>340</b>	<b>536</b>	<b>174%</b>	<b>58%</b>	<b>364</b>	<b>-6%</b>
<b>NP margins</b>	<b>4.6%</b>	<b>8.1%</b>	<b>9.3%</b>			<b>8.9%</b>	

Source: Bloomberg, Company data, CMBIGM estimates

## Valuation

**Figure 5: Peers valuation**

Company	Ticker	Rating	12M TP	Price	Up/dow	Mkt cap	Year	PER (x)		PBR (x)		ROE	ROE	3yrs	Yield	YTD perf.	
			HK\$/LC	HK\$/LC	n-side (%)	HK\$ mn	End	FY1	FY2	FY1	FY2	(%)	(%)	PEG(x)	(%)		
<b>Leading Greater China Catering</b>																	
Jiumaojiu	9922 HK	BUY	17.83	15.48	15%	22,499	Dec-21	34.7	24.1	4.7	3.8	10.5	20.2	0.8	0.6	13.0	
Haidilao	6862 HK	BUY	21.56	14.48	49%	80,712	Dec-20	30.3	18.6	5.9	4.7	14.3	27.6	0.2	0.7	(17.7)	
Nayuki	2150 HK	HOLD	7.83	5.02	56%	8,610	Dec-20	n/a	31.9	1.8	1.7	n/a	8.6	n/a	n/a	(41.4)	
Helens	9869 HK	NR	n/a	14.08	n/a	17,838	Dec-20	159.2	25.7	8.7	6.2	56.2	24.5	n/a	0.0	(25.4)	
Cafe De Coral	341 HK	BUY	19.05	12.48	53%	7,310	Mar-21	31.7	19.3	2.4	2.3	9.6	12.1	2.6	1.8	(10.2)	
Xiabuxiabu	520 HK	NR	n/a	4.00	n/a	4,344	Dec-20	49.3	10.1	1.5	1.4	9.6	12.1	0.1	1.6	(34.3)	
Tam Jai	2217 HK	NR	n/a	2.62	n/a	3,512	Mar-21	12.8	9.9	2.1	1.8	62.4	19.6	1.9	5.4	(21.6)	
Yihai	1579 HK	BUY	108.52	21.70	400%	22,718	Dec-21	17.8	14.8	3.7	3.1	21.6	22.4	1.2	1.5	(39.8)	
Yum China	9987 HK	HOLD	343.43	334.20	3%	142,232	Dec-21	26.7	20.3	2.3	2.1	14.9	11.5	13.0	1.1	(12.7)	
Gourmet Master	2723 TT	NR	n/a	93.40	n/a	4,597	Dec-21	16.1	13.2	1.4	1.3	12.0	10.3	n/a	4.4	(17.0)	
								<b>Avg.</b>	<b>42.1</b>	<b>18.8</b>	<b>3.4</b>	<b>2.8</b>	<b>23.5</b>	<b>16.9</b>	<b>2.8</b>	<b>1.9</b>	<b>(20.7)</b>
								<b>Med.</b>	<b>30.3</b>	<b>18.9</b>	<b>2.4</b>	<b>2.2</b>	<b>14.3</b>	<b>15.9</b>	<b>1.2</b>	<b>1.5</b>	<b>(19.6)</b>
<b>Other Greater China Catering</b>																	
Fairwood	52 HK	NR	n/a	15.00	n/a	1,943	Mar-21	n/a	n/a	n/a	n/a	19.1	n/a	n/a	n/a	(3.2)	
Tai Hing	6811 HK	NR	n/a	1.17	n/a	1,174	Dec-20	n/a	n/a	n/a	n/a	14.3	n/a	n/a	n/a	(14.0)	
Hop Hing	47 HK	NR	n/a	n/a	n/a	n/a	Dec-20	n/a	n/a	n/a	n/a	(1.6)	n/a	n/a	n/a	n/a	
Ajisen	538 HK	NR	n/a	1.13	n/a	1,233	Dec-21	9.3	n/a	n/a	n/a	2.6	n/a	n/a	5.4	(10.3)	
								<b>Avg.</b>	<b>9.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>2.6</b>	<b>n/a</b>	<b>n/a</b>	<b>5.4</b>	<b>(9.2)</b>
								<b>Med.</b>	<b>9.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>2.6</b>	<b>n/a</b>	<b>n/a</b>	<b>5.4</b>	<b>(10.3)</b>
<b>Greater China Catering</b>																	
								<b>Avg.</b>	<b>38.8</b>	<b>18.8</b>	<b>3.4</b>	<b>2.8</b>	<b>18.9</b>	<b>16.9</b>	<b>2.8</b>	<b>2.3</b>	<b>(18.0)</b>
								<b>Med.</b>	<b>28.5</b>	<b>18.9</b>	<b>2.4</b>	<b>2.2</b>	<b>14.3</b>	<b>15.9</b>	<b>1.2</b>	<b>1.6</b>	<b>(17.0)</b>
<b>International Catering</b>																	
Yum! Brands	YUM US	NR	n/a	118.48	n/a	267,858	Dec-21	24.3	21.4	n/a	n/a	n/a	(12.1)	1.0	1.9	(14.7)	
Mcdonald'S	MCD US	NR	n/a	238.50	n/a	1,387,423	Dec-21	23.7	21.5	n/a	n/a	n/a	(146.7)	4.1	2.3	(11.0)	
Starbucks	SBUX US	NR	n/a	86.31	n/a	776,716	Oct-21	25.9	22.1	n/a	n/a	n/a	(41.9)	1.4	2.3	(26.2)	
Restaurant Brands	QSR US	NR	n/a	56.78	n/a	202,024	Dec-21	19.0	17.0	10.3	10.2	38.1	52.6	1.7	3.8	(6.4)	
Chipotle Mexican	CMG US	NR	n/a	1539.0	n/a	337,498	Dec-21	48.8	37.1	16.1	13.0	30.2	37.8	1.6	n/a	(12.0)	
Darden	DRI US	NR	n/a	133.69	n/a	133,586	May-21	17.8	15.9	6.7	6.3	36.9	40.4	0.7	3.3	(11.3)	
Domino'S Pizza	DPZ US	NR	n/a	390.22	n/a	110,003	Jan-22	27.1	23.6	n/a	n/a	n/a	(0.4)	2.5	1.1	(30.9)	
Wendy'S	WEN US	NR	n/a	21.60	n/a	36,362	Jan-22	24.0	20.0	14.9	13.2	40.6	(11.0)	0.9	2.3	(9.5)	
Shake Shack	SHAK US	NR	n/a	70.76	n/a	23,286	Dec-21	n/a	250.9	7.0	6.9	(2.1)	1.7	n/a	n/a	(1.9)	
Wingstop	WING US	NR	n/a	112.05	n/a	26,156	Dec-21	69.4	55.0	n/a	n/a	n/a	(18.9)	1.1	0.7	(32.9)	
Jollibee Foods	JFC PM	NR	n/a	213.00	n/a	35,377	Dec-21	40.2	29.1	3.5	3.5	n/a	12.9	4.6	0.9	(1.6)	
								<b>Avg.</b>	<b>32.0</b>	<b>46.7</b>	<b>9.8</b>	<b>8.9</b>	<b>28.7</b>	<b>(7.8)</b>	<b>2.0</b>	<b>2.1</b>	<b>(14.4)</b>
								<b>Med.</b>	<b>25.1</b>	<b>22.1</b>	<b>8.6</b>	<b>8.6</b>	<b>36.9</b>	<b>(0.4)</b>	<b>1.5</b>	<b>2.3</b>	<b>(11.3)</b>
<b>A-shares Greater China Catering</b>																	
Foshan Haitian	603288 CH	NR	n/a	90.00	n/a	465,791	Dec-21	47.1	39.8	12.4	10.1	33.0	28.8	2.7	1.1	(14.4)	
Fujian Sunner	002299 CH	NR	n/a	19.25	n/a	29,420	Dec-20	39.0	18.0	2.6	2.3	5.9	12.4	4.7	1.3	(20.4)	
Angel Yeast	600298 CH	NR	n/a	43.54	n/a	44,551	Dec-20	26.5	21.9	5.2	4.3	22.4	20.2	1.7	1.2	(27.9)	
Meihua	600873 CH	NR	n/a	9.00	n/a	34,262	Dec-21	10.2	8.7	2.3	2.1	23.9	23.5	0.6	n/a	17.3	
Guangzhou Restaurant	603043 CH	NR	n/a	20.69	n/a	14,418	Dec-20	21.4	17.3	4.0	3.3	20.5	19.5	0.9	1.8	(14.0)	
China Quanjude	002186 CH	NR	n/a	8.80	n/a	3,335	Dec-20	n/a	n/a	n/a	n/a	(10.5)	n/a	n/a	n/a	(9.2)	
Xi'An Catering	000721 CH	NR	n/a	4.66	n/a	3,286	Dec-20	n/a	n/a	n/a	n/a	(1.9)	n/a	n/a	n/a	15.6	
								<b>Avg.</b>	<b>28.9</b>	<b>21.2</b>	<b>5.3</b>	<b>4.4</b>	<b>13.3</b>	<b>20.9</b>	<b>2.1</b>	<b>1.3</b>	<b>(7.5)</b>
								<b>Med.</b>	<b>26.5</b>	<b>18.0</b>	<b>4.0</b>	<b>3.3</b>	<b>20.5</b>	<b>20.2</b>	<b>1.7</b>	<b>1.2</b>	<b>(14.0)</b>
<b>H-shares Consumer Staples</b>																	
UPC	220 HK	NR	n/a	7.11	n/a	30,710	Dec-21	16.4	14.6	1.8	1.8	10.9	12.9	1.6	6.4	(6.0)	
Tingyi	322 HK	NR	n/a	13.76	n/a	77,494	Dec-20	16.7	14.8	3.0	3.0	19.7	20.5	2.1	7.6	(14.1)	
Want Want	151 HK	NR	n/a	7.23	n/a	86,034	Mar-21	16.4	15.4	4.2	4.0	29.5	27.8	1.8	3.9	1.0	
Mengniu Dairy	2319 HK	NR	n/a	46.55	n/a	184,025	Dec-20	28.7	23.7	4.0	3.5	16.4	15.5	0.9	1.0	5.3	
Vitasoy	345 HK	NR	n/a	13.80	n/a	14,766	Mar-21	n/a	38.3	4.5	4.1	(2.6)	10.4	n/a	0.1	(12.3)	
Budweiser Brewing	1876 HK	NR	n/a	20.90	n/a	276,787	Dec-21	30.7	26.7	3.0	2.8	8.3	10.7	1.8	1.2	2.2	
Tsingtao Brewery	168 HK	NR	n/a	61.65	n/a	112,138	Dec-20	24.0	21.6	3.1	2.8	12.7	13.5	1.2	1.9	(15.5)	
CR Beer	291 HK	NR	n/a	47.95	n/a	155,558	Dec-21	28.7	22.9	4.8	4.2	20.1	18.3	2.3	1.4	(24.9)	
Dali Foods	3799 HK	NR	n/a	4.05	n/a	55,461	Dec-20	11.8	11.1	2.4	2.2	22.8	20.0	1.5	4.4	(0.7)	
								<b>Avg.</b>	<b>21.7</b>	<b>21.0</b>	<b>3.4</b>	<b>3.2</b>	<b>15.3</b>	<b>16.6</b>	<b>1.6</b>	<b>3.1</b>	<b>(7.2)</b>
								<b>Med.</b>	<b>20.4</b>	<b>21.6</b>	<b>3.1</b>	<b>3.0</b>	<b>16.4</b>	<b>15.5</b>	<b>1.7</b>	<b>1.9</b>	<b>(6.0)</b>

Source: Bloomberg, Company data, CMBIGM estimates

## Assumptions

Figure 6: Major assumptions

Major assumptions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales by brand (RMB mn)</b>						
Jiu Mao Jiu	1,372	716	760	795	993	1,134
Tai Er	1,277	1,962	3,292	4,825	6,429	8,026
Other brands	39	38	127	172	223	290
<b>Total</b>	<b>2,687</b>	<b>2,715</b>	<b>4,180</b>	<b>5,792</b>	<b>7,646</b>	<b>9,450</b>
<b>Sales growth by brand (%)</b>						
Jiu Mao Jiu	2.8%	-47.8%	6.3%	4.6%	24.9%	14.2%
Tai Er	136.4%	53.6%	67.8%	46.6%	33.2%	24.8%
Other brands	107.9%	-2.7%	238.8%	35.0%	30.0%	30.0%
<b>Total</b>	<b>42.0%</b>	<b>1.0%</b>	<b>54.0%</b>	<b>38.6%</b>	<b>32.0%</b>	<b>23.6%</b>
<b>Sales by segment growth (%)</b>						
Restaurant operations	44.6%	-9.3%	59.2%	40.1%	32.1%	23.8%
Delivery business	13.1%	121.6%	31.2%	30.5%	32.0%	23.0%
Sales of specialties	278.9%	-14.6%	416.4%	30.0%	20.0%	15.0%
Others	102.0%	-15.8%	-26.9%	20.0%	15.0%	10.0%
<b>Total</b>	<b>42.0%</b>	<b>1.0%</b>	<b>54.0%</b>	<b>38.6%</b>	<b>32.0%</b>	<b>23.6%</b>
<b>Number of restaurants by brand</b>						
Jiu Mao Jiu	143	98	83	84	97	108
Tai Er	126	233	350	491	618	759
Other brands	67	50	37	50	65	334
<b>Total</b>	<b>336</b>	<b>381</b>	<b>470</b>	<b>625</b>	<b>780</b>	<b>1,201</b>
<b>GP margins by segment (%)</b>						
Jiu Mao Jiu	67.5%	67.0%	61.0%	59.0%	59.0%	59.0%
Tai Er	59.0%	59.5%	63.8%	64.5%	65.0%	65.0%
Other brands	58.0%	60.0%	62.0%	62.0%	62.0%	62.0%
<b>Total</b>	<b>63.3%</b>	<b>61.5%</b>	<b>63.2%</b>	<b>63.7%</b>	<b>64.1%</b>	<b>64.2%</b>
<b>Opex breakdown (%)</b>						
Staff costs	-25.9%	-27.5%	-25.3%	-24.3%	-23.7%	-23.6%
Depreciation of right-of-use assets	-8.1%	-9.0%	-8.2%	-7.8%	-7.6%	-7.7%
Other rentals & related expenses	-1.6%	-1.8%	-2.3%	-2.4%	-2.7%	-2.9%
D & A of other assets	-3.6%	-4.1%	-3.8%	-4.0%	-3.6%	-3.4%
Utilities expenses	-4.0%	-3.5%	-3.2%	-3.1%	-3.0%	-3.0%
Others	-8.2%	-9.7%	-8.4%	-7.7%	-7.6%	-7.6%
<b>EBIT margins (%)</b>						
Effective tax rate	12.2%	9.0%	13.6%	15.7%	17.2%	17.4%
	28.5%	20.9%	26.5%	26.0%	26.0%	26.0%
<b>NP att. margins (%)</b>						
	6.1%	4.6%	8.1%	9.3%	10.1%	10.3%
<b>NP att. growth (%)</b>						
	136.1%	-24.5%	174.0%	57.8%	44.1%	25.9%

Source: Company data, CMBIGM estimates



## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>2,687</b>	<b>2,715</b>	<b>4,180</b>	<b>5,792</b>	<b>7,646</b>	<b>9,450</b>
Jiu Mao Jiu	1,37	716	760	795	993	1,13
Tai Er	1,27	1,96	3,29	4,82	6,42	8,02
Other brands	39	38	127	172	223	290
						-
<b>Cost of goods sold</b>	<b>(985)</b>	<b>(1,046)</b>	<b>(1,537)</b>	<b>(2,104)</b>	<b>(2,742)</b>	<b>(3,384)</b>
<b>Gross profit</b>	<b>1,702</b>	<b>1,669</b>	<b>2,642</b>	<b>3,688</b>	<b>4,903</b>	<b>6,066</b>
<b>Other income</b>	<b>12</b>	<b>84</b>	<b>64</b>	<b>80</b>	<b>102</b>	<b>128</b>
<b>Operating expenses</b>	<b>(1,385)</b>	<b>(1,509)</b>	<b>(2,138)</b>	<b>(2,857)</b>	<b>(3,694)</b>	<b>(4,554)</b>
Staff costs	(697)	(748)	(1,057)	(1,409)	(1,810)	(2,235)
Rental & ROUA depre.	(263)	(293)	(439)	(591)	(790)	(997)
D & A expenses	(97)	(111)	(159)	(231)	(277)	(321)
Utilities expenses	(108)	(95)	(132)	(182)	(233)	(286)
Other opex	(220)	(263)	(350)	(444)	(584)	(715)
<b>EBIT</b>	<b>329</b>	<b>244</b>	<b>569</b>	<b>911</b>	<b>1,311</b>	<b>1,640</b>
Finance costs	(67)	(67)	(75)	(77)	(88)	(99)
JVs & associates	2	(8)	1	1	2	2
Exceptional	(5)	8	11	16	21	25.82
<b>Pre-tax profit</b>	<b>259</b>	<b>177</b>	<b>506</b>	<b>851</b>	<b>1,246</b>	<b>1,569</b>
Income tax	(73)	(39)	(134)	(221)	(323)	(407)
Less: Minority interests	21	14	32	94	149	188
<b>Net profit att.</b>	<b>164</b>	<b>124</b>	<b>340</b>	<b>536</b>	<b>773</b>	<b>973</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>1,271</b>	<b>1,945</b>	<b>2,090</b>	<b>2,159</b>	<b>2,199</b>	<b>2,221</b>
Fixed asset	323	445	590	658	698	719
Intangible assets & GW	808	1,228	1,227	1,226	1,225	1,224
Prepaid lease payments	66	129	129	129	129	129
Interest in joint ventures	8	3	4	6	8	10
Other non-current	66	140	140	140	140	140
<b>Current assets</b>	<b>383</b>	<b>2,862</b>	<b>3,185</b>	<b>3,948</b>	<b>5,091</b>	<b>6,537</b>
Cash and cash	127	1,844	2,030	2,637	3,601	4,873
Inventories	75	51	63	86	113	139
Trade and other	12	15	31	43	57	70
Prepayments	122	203	313	433	572	707
Other current assets	47	749	749	749	749	749
<b>Current liabilities</b>	<b>794</b>	<b>749</b>	<b>833</b>	<b>979</b>	<b>1,148</b>	<b>1,320</b>
Bank loans	220	43	43	43	43	43
Trade payables	97	138	118	150	188	232
Accruals & payables	200	192	296	410	542	670
Tax payables	23	37	37	37	37	37
others	253	339	339	339	339	339
<b>Non-current liabilities</b>	<b>690</b>	<b>997</b>	<b>997</b>	<b>997</b>	<b>997</b>	<b>997</b>
Bank loans	-	-	-	-	-	-
Deferred income	27	27	27	27	27	27
Deferred tax	-	3	3	3	3	3
Others	663	967	967	967	967	967
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>126</b>	<b>275</b>	<b>464</b>
<b>Total net assets</b>	<b>171</b>	<b>3,060</b>	<b>3,413</b>	<b>4,005</b>	<b>4,869</b>	<b>5,977</b>
<b>Shareholders' equity</b>	<b>171</b>	<b>3,060</b>	<b>3,413</b>	<b>4,005</b>	<b>4,869</b>	<b>5,977</b>

Source: Company data, CMBIGM estimates

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EBIT</b>	<b>329</b>	<b>244</b>	<b>569</b>	<b>911</b>	<b>1,311</b>	<b>1,640</b>
D & A	97	111	159	-	-	-
Chg. in working capital	(9)	3	(53)	(10)	(9)	(3)
Income tax paid	(67)	(48)	(134)	(221)	(323)	(407)
Others	227	236	10	222	267	311
<b>NC from operating</b>	<b>577</b>	<b>546</b>	<b>551</b>	<b>903</b>	<b>1,246</b>	<b>1,540</b>
Capex & investments	(184)	(280)	(313)	(290)	(306)	(331)
Associated companies	(2)	(97)	-	-	-	-
Interest received	2	27	-	-	-	-
Others	(6)	(733)	-	-	-	-
<b>NC from investing</b>	<b>(190)</b>	<b>(1,084)</b>	<b>(313)</b>	<b>(290)</b>	<b>(306)</b>	<b>(331)</b>
Equity raised	-	2,885	-	-	-	-
Net change in bank	171	(178)	-	-	-	-
Dividend paid	(36)	(58)	24	71	112	161
Others	(455)	(259)	(75)	(77)	(88)	(99)
<b>NC from financing</b>	<b>(320)</b>	<b>2,390</b>	<b>(51)</b>	<b>(6)</b>	<b>24</b>	<b>62</b>
<b>Net change in cash</b>	<b>67</b>	<b>1,852</b>	<b>186</b>	<b>607</b>	<b>964</b>	<b>1,272</b>
Beginning cash	60	127	1,844	2,030	2,637	3,601
Exchange difference	0	(136)	-	-	-	-
<b>Cash at end of year</b>	<b>127</b>	<b>1,844</b>	<b>2,030</b>	<b>2,637</b>	<b>3,601</b>	<b>4,873</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>						
Jiu Mao Jiu	51.0	26.4	18.2	13.7	13.0	12.0
Tai Er	47.5	72.3	78.8	83.3	84.1	84.9
Other brands	1.4	1.4	3.0	3.0	2.9	3.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>						
Gross margin	63.3	61.5	63.2	63.7	64.1	64.2
EBIT margin	12.2	9.0	13.6	15.7	17.2	17.4
Pre-tax margin	9.6	6.5	12.1	14.7	16.3	16.6
Net margin	6.1	4.6	8.1	9.3	10.1	10.3
Effective tax rate	28.5	20.9	26.5	26.0	26.0	26.0
<b>Balance sheet ratios</b>						
Current ratio (x)	0.5	3.8	3.8	4.0	4.4	5.0
Quick ratio (x)	0.4	3.8	3.7	3.9	4.3	4.8
Cash ratio (x)	0.2	2.5	2.4	2.7	3.1	3.7
Inventory turnover	21	22	15	15	15	15
Trade receivables	3	3	3	3	3	3
Trade payables days	31	41	28	26	25	25
Total debt / total equity ratio (%)	277	12	11	9	8	6
Net debt / equity ratio (%)	188	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>						
ROE	96.3	4.1	10.0	13.4	15.9	16.3
ROA	9.9	2.6	6.4	8.8	10.6	11.1
<b>Per share</b>						
EPS (RMB)	0.12	0.09	0.23	0.37	0.53	0.67
DPS (RMB)	-	0.02	0.05	0.08	0.11	0.14
BVPS (RMB)	0.12	2.21	2.35	2.76	3.35	4.11

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