

# Haidilao (6862 HK)

## Reforms on track but pandemic still matters

Maintain BUY but cut TP to HK\$ 15.59, based on 42x FY22E P/E (unchanged). We are still confident that the reforms will drive product and service quality improvement, and hence the table turnover, after factored in recent Covid-19 outbreaks. The stock is trading at 36x FY22E P/E, slightly higher than 5-year historical average of 32x and China peers' average of 23x, vs its 120% FY20-24E NP CAGR.

- FY21 results missed slightly.** Haidilao's sales grew by 44% YoY to RMB 41.1bn, inline with CMBI est. but recorded net losses of RMB 4.2bn, missing CMBI est. by 7%, mainly due to lower than expected GP margin, higher than expected staff costs. According to management, domestic/ overseas segments were largely break-even/ generating operating losses. ASP dropped to RMB 104.7 in FY21 (vs RMB 110.1 in FY20) while table turnover fell to 3.0x in FY21 (vs 3.5x in FY20). Number of restaurants in mainland China/ overseas were 1,329/ 114, increased by 10%/ 23% YoY in FY21.
- 1Q22E was inevitably affected by Covid-19 outbreak.** Management highlighted that the table turnover in Jan - Feb 2022 were better than last year. We estimated that sales recovery rate (vs 2019 level) for Jan/ Feb 2022 were about 85%/ 88%, vs 75%/ 85% in Jan/ Feb 2021 and 70% / 69% in Nov / Dec 2021. However, due to lockdowns in SZ and SH recovery may fall to only 50%-60% in Mar 2022, based on our est. and we have cut our FY22E net profit by 24%.
- Encouraging development yielded by the Woodpecker programme.** Management pointed out that the reception of the new products launched for FY22E were great, following certain integrations of the sourcing, R&D and marketing departments. Also, staff morale and service level, as well as the scores achieved by many restaurants during the internal quality assessment were all improved, while a certain amount of stores and the associated managers were punished during this process.
- Haidilao is now more appealing and relevant to the millennials or Gen-Z.** Haidilao understands the importance of the youth, as they made up ~50% of its customer base (31%/ 44% of members in its official wechat account were 18-25/ 26-35 years old, 21%/ 26% of Ali-pay users were <21/ 21-24 years old). Going forward, Haidilao will boost the engagement by strengthening the depth, plating, creativity of the dishes. Also, management are all young enough (36/ 38 years old for the 2 new COOs and over 160 restaurant managers were 95s) to understand the needs of customers.
- Maintain BUY but revised down TP to HK\$ 15.59.** We cut our FY22E/ 23E net profit by 24%/ 5% to factor in :1) higher table turnover, 2) lower GP margin and 3) higher staff costs. We cut TP to HK\$15.59 based on 42x FY22E P/E (unchanged). It is trading at 36x FY22E P/E, vs China peers average of 23x and 120% FY20-24E NP CAGR.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	28,614	41,112	47,715	55,366	59,551
YoY growth (%)	7.8	43.7	16.1	16.0	7.6
Net income (RMB mn)	309	(4,163)	1,717	3,273	4,310
EPS (RMB)	0.06	(0.75)	0.31	0.59	0.77
YoY growth (%)	(86.8)	(1,380.0)	(141.3)	90.6	31.7
Consensus EPS	n/a	n/a	0.36	0.60	0.72
P/E (x)	192.7	(14.8)	36.0	18.9	14.3
P/B (x)	5.8	7.1	5.9	4.4	3.2
Yield (%)	1.2	0.2	0.4	1.6	2.1
ROE (%)	3.0	(47.8)	16.3	23.3	22.3
Net gearing (%)	16.1	11.0	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$15.59
(Previous TP)	HK\$21.56)
Up/Downside	16.7%
Current Price	HK\$13.36

### China Catering Sector

#### Walter Woo

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

#### Raphael Tse

(852) 3900 0856  
raphaeltse@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	74,469
Avg 3 mths t/o (HK\$ mn)	307.20
52w High/Low (HK\$)	55.20/10.00
Total Issued Shares (mn)	5,574.0

Source: Bloomberg

#### Shareholding Structure

Mr. Zhang Yong	57.44%
Ms. Shu Ping	7.37%
Mr. Shi Yong Hong	7.79%
Ms. Li Hai Yan	6.03%
Other management	7.00%
Free Float	14.37%

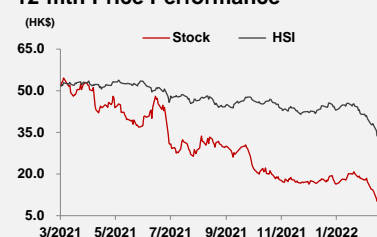
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-27.6%	-23.0%
3-mth	-21.5%	-14.8%
6-mth	-55.3%	-49.5%
12-mth	-75.0%	-66.8%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte Touche Tohmatsu

#### Related Reports

- Haidilao (6862 HK, BUY) - The worst should be gone as reforms continue – 28 Feb 2022
- Haidilao (6862 HK, HOLD) - Reforms on track, but hindered by pandemic – 27 Jan 2022

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	47,715	55,366	59,551	47,133	52,667	n/a	1.2%	5.1%	n/a
Gross profit	27,393	31,785	34,248	27,530	30,762	n/a	-0.5%	3.3%	n/a
EBIT	2,931	4,979	6,297	3,720	5,258	n/a	-21.2%	-5.3%	n/a
Net profit att.	1,717	3,273	4,310	2,258	3,459	n/a	-24.0%	-5.4%	n/a
Diluted EPS (RMB)	0.308	0.587	0.773	0.426	0.653	n/a	-27.7%	-10.0%	n/a
Gross margin	57.4%	57.4%	57.5%	58.4%	58.4%	n/a	-1ppt	-1ppt	n/a
EBIT margin	6.1%	9.0%	10.6%	7.9%	10.0%	n/a	-1.7ppt	-1ppt	n/a
Net profit att. margin	3.6%	5.9%	7.2%	4.8%	6.6%	n/a	-1.2ppt	-0.7ppt	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	47,715	55,366	59,551	49,314	57,407	61,171	-3.2%	-3.6%	-2.6%
Gross profit	27,393	31,785	34,248	28,315	33,171	35,635	-3.3%	-4.2%	-3.9%
EBIT	2,931	4,979	6,297	2,708	4,374	5,425	8.2%	13.8%	16.1%
Net profit att.	1,717	3,273	4,310	1,907	3,138	4,184	-9.9%	4.3%	3.0%
Diluted EPS (RMB)	0.308	0.587	0.773	0.355	0.597	0.720	-13.3%	-1.6%	7.4%
Gross margin	57.4%	57.4%	57.5%	57.4%	57.8%	58.3%	0ppt	-0.4ppt	-0.7ppt
EBIT margin	6.1%	9.0%	10.6%	5.5%	7.6%	8.9%	0.7ppt	1.4ppt	1.7ppt
Net profit att. margin	3.6%	5.9%	7.2%	3.9%	5.5%	6.8%	-0.3ppt	0.4ppt	0.4ppt

Source: Company data, CMBIGM estimates

## Valuation

**Figure 3: 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)
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Haidilao	6862 HK	BUY	15.59	13.36	17%	74,469	Dec-21	36.0	18.9	5.9	4.4	17.9	(0.2)	0.4	
Jiumaojiu	9922 HK	BUY	17.83	14.70	21%	21,365	Dec-21	31.1	20.2	4.5	3.7	15.7	0.6	0.7	
Nayuki	2150 HK	HOLD	7.83	4.86	61%	8,336	Dec-20	n/a	30.9	1.8	1.7	(28.1)	n/a	n/a	
Cafe De Coral	341 HK	BUY	19.05	12.42	53%	7,274	Mar-21	31.5	19.2	2.4	2.2	7.6	2.6	1.8	
Xiabuxiabu	520 HK	NR	n/a	3.85	n/a	4,181	Dec-20	47.4	9.8	1.4	1.3	4.5	0.1	1.7	
Helens	9869 HK	NR	n/a	13.80	n/a	17,483	Dec-20	155.9	25.2	8.5	6.0	3.3	n/a	0.0	
Tam Jai	2217 HK	NR	n/a	2.55	n/a	3,418	Mar-21	12.4	9.6	2.0	1.7	21.1	1.9	5.6	
Yihai	1579 HK	BUY	108.52	20.25	436%	21,200	Dec-21	17.8	15.0	3.5	2.9	20.9	1.3	1.6	
Yum China	9987 HK	HOLD	343.43	326.00	5%	138,742	Dec-21	26.1	19.8	2.3	2.1	9.5	12.7	1.1	
Gourmet Master	2723 TT	NR	n/a	93.30	n/a	4,592	Dec-21	16.3	13.6	1.4	1.3	8.8	1.6	4.3	
								<b>Avg.</b>	<b>41.6</b>	<b>18.2</b>	<b>3.4</b>	<b>2.8</b>	<b>8.1</b>	<b>2.6</b>	<b>1.9</b>
								<b>Med.</b>	<b>31.1</b>	<b>19.0</b>	<b>2.3</b>	<b>2.2</b>	<b>9.1</b>	<b>1.5</b>	<b>1.6</b>
<b>Other H-shares Restaurants and Food Ingredients</b>															
Fairwood	52 HK	NR	n/a	14.90	n/a	1,930	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Tai Hing	6811 HK	NR	n/a	1.14	n/a	1,144	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Ajisen China	538 HK	NR	n/a	1.19	n/a	1,299	Dec-21	9.8	n/a	n/a	n/a	n/a	n/a	5.2	
Tao Heung	573 HK	NR	n/a	0.92	n/a	933	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
								<b>Avg.</b>	<b>9.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.2</b>
								<b>Med.</b>	<b>9.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.2</b>
<b>Leading Greater China Restaurants and Food Ingredients</b>															
Yum	YUM US	NR	n/a	119.62	n/a	270,604	Dec-21	24.5	21.6	n/a	n/a	(16.0)	4.3	1.9	
Mcdonald'S	MCD US	NR	n/a	241.58	n/a	1,406,220	Dec-21	24.0	21.8	n/a	n/a	(49.6)	4.2	2.3	
Starbucks	SBUX US	NR	n/a	87.45	n/a	787,468	Oct-21	26.2	22.4	n/a	n/a	(54.1)	3.4	2.2	
Rest. Brands	QSR US	NR	n/a	57.28	n/a	203,795	Dec-21	19.2	17.1	10.4	10.3	42.4	1.7	3.8	
Wingstop	WING US	NR	n/a	108.81	n/a	25,416	Dec-21	67.4	53.4	n/a	n/a	(14.0)	3.1	0.7	
Shake Shack	SHAK US	NR	n/a	69.39	n/a	22,850	Dec-21	n/a	246.1	6.8	6.8	(2.0)	n/a	n/a	
Chipotle Mexican	CMG US	NR	n/a	1556.4	n/a	341,529	Dec-21	49.4	37.5	16.3	13.2	34.1	1.6	n/a	
Darden Rest.	DRI US	NR	n/a	129.80	n/a	129,780	May-21	17.6	15.7	7.1	6.6	36.6	0.7	3.4	
Domino'S Pizza	DPZ US	NR	n/a	394.74	n/a	111,347	Jan-22	27.5	23.9	n/a	n/a	(0.8)	2.6	1.1	
Wendy'S	WEN US	NR	n/a	21.92	n/a	36,932	Jan-22	24.4	20.3	15.1	13.4	60.3	2.1	2.3	
Jollibee Foods	JFC PM	NR	n/a	214.00	n/a	35,659	Dec-21	40.4	29.3	3.5	3.5	9.4	2.4	0.9	
								<b>Avg.</b>	<b>32.0</b>	<b>46.3</b>	<b>9.9</b>	<b>9.0</b>	<b>4.2</b>	<b>2.6</b>	<b>2.1</b>
								<b>Med.</b>	<b>25.4</b>	<b>22.4</b>	<b>8.8</b>	<b>8.6</b>	<b>(0.8)</b>	<b>2.5</b>	<b>2.2</b>
<b>H-shares Consumer Staples</b>															
UPC	220 HK	NR	n/a	6.95	n/a	30,019	Dec-21	16.0	14.3	1.8	1.8	11.4	1.6	6.5	
Tingyi	322 HK	NR	n/a	13.82	n/a	77,832	Dec-20	16.7	14.9	3.0	3.0	18.1	2.1	7.6	
Want Want China	151 HK	NR	n/a	7.33	n/a	87,224	Mar-21	16.6	15.6	4.3	4.1	27.6	1.8	3.8	
China Mengniu	2319 HK	NR	n/a	44.15	n/a	174,537	Dec-20	27.2	22.5	3.8	3.4	14.4	0.8	1.0	
Vitasoy	345 HK	NR	n/a	14.06	n/a	15,044	Mar-21	n/a	39.3	4.5	4.1	(0.2)	n/a	0.1	
Tsingtao Brewery	168 HK	NR	n/a	59.55	n/a	108,864	Dec-20	23.2	20.9	2.9	2.7	13.4	1.1	1.9	
CR Beer	291 HK	NR	n/a	46.75	n/a	151,665	Dec-21	28.9	23.2	4.6	4.1	16.5	2.5	1.4	
Dali Foods	3799 HK	NR	n/a	4.03	n/a	55,187	Dec-20	11.7	11.0	2.4	2.1	20.8	1.5	4.5	
								<b>Avg.</b>	<b>20.1</b>	<b>20.2</b>	<b>3.4</b>	<b>3.2</b>	<b>15.2</b>	<b>1.6</b>	<b>3.4</b>
								<b>Med.</b>	<b>16.7</b>	<b>18.2</b>	<b>3.4</b>	<b>3.2</b>	<b>15.5</b>	<b>1.6</b>	<b>2.9</b>

Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 4: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Number of restaurants</b>					
China T1 cities	255	248	253	258	262
China T2 cities	499	522	527	537	545
China T3 and below	451	559	569	579	589
Outside PRC	93	114	124	149	174
Total	1,298	1,443	1,473	1,523	1,570
<b>Number of restaurants growth (YoY %)</b>					
China T1 cities	34.2%	-2.7%	2.0%	2.0%	1.6%
China T2 cities	50.3%	4.6%	1.0%	1.9%	1.5%
China T3 and below	132.5%	23.9%	1.8%	1.8%	1.7%
Outside PRC	78.8%	22.6%	8.8%	20.2%	16.8%
Total	69.0%	11.2%	2.1%	3.4%	3.1%
<b>Sales per restaurants (RMB mn)</b>					
China T1 cities	23	31	35	40	42
China T2 cities	23	29	32	36	38
China T3 and below	18	25	29	32	33
Outside PRC	24	24	30	33	35
Total	21	27	31	35	36
<b>Sales per restaurants growth (YoY %)</b>					
China T1 cities	-31.8%	34.0%	12.6%	13.3%	4.5%
China T2 cities	-32.7%	26.4%	12.6%	13.3%	4.5%
China T3 and below	-39.4%	41.0%	12.7%	10.2%	3.8%
Outside PRC	-45.3%	-0.3%	24.3%	12.7%	4.5%
Total	-36.6%	29.9%	13.4%	12.1%	4.2%
<b>Average spending per guest (RMB)</b>					
China T1 cities	116.2	111.8	112.9	115.2	117.5
China T2 cities	105.7	101.7	102.7	104.8	106.9
China T3 and below	100.2	95.7	94.7	95.7	96.6
Outside PRC	192.6	197.9	197.9	199.9	201.9
Overall	110.1	104.7	109.5	112.6	115.6
<b>Average spending per guest growth (YoY %)</b>					
China T1 cities	5.5%	-3.8%	1.0%	2.0%	2.0%
China T2 cities	6.3%	-3.8%	1.0%	2.0%	2.0%
China T3 and below	5.6%	-4.5%	-1.0%	1.0%	1.0%
Outside PRC	3.9%	2.8%	0.0%	1.0%	1.0%
Overall	4.7%	-4.9%	4.6%	2.8%	2.6%
<b>GP margins</b>					
Staff costs/ sales	57.1%	56.3%	57.4%	57.4%	57.5%
Rental expenses /sales	-33.8%	-36.2%	-32.4%	-31.0%	-30.5%
Utilities expenses/ sales	-0.8%	-0.8%	-0.6%	-0.3%	-0.3%
Depreciation and amortization/ sales	-3.4%	-3.5%	-3.5%	-3.5%	-3.5%
Depreciation of right-of-use assets/ sales	-7.5%	-8.3%	-7.7%	-6.5%	-5.9%
Travelling fees/ sales	-3.1%	-2.7%	-2.8%	-2.8%	-2.8%
Other opex/ sales	-0.7%	-0.6%	-0.8%	-0.8%	-0.8%
Other opex/ sales	-4.4%	-4.5%	-4.0%	-4.2%	-4.1%
Effective tax rate	-57.9%	4.7%	-26.5%	-26.5%	-26.5%

Source: Company data, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY23A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>28,614</b>	<b>41,112</b>	<b>47,715</b>	<b>55,366</b>	<b>59,551</b>
China & loyalty program	25,228	36,940	42,222	48,217	51,075
Overseas	2,226	2,722	3,681	4,983	6,080
Delivery business	718	706	843	962	1,019
Condiment & food	442	745	969	1,203	1,376
<b>Cost of goods sold</b>	<b>(12,261)</b>	<b>(17,977)</b>	<b>(20,322)</b>	<b>(23,581)</b>	<b>(25,304)</b>
<b>Gross profit</b>	<b>16,353</b>	<b>23,135</b>	<b>27,393</b>	<b>31,785</b>	<b>34,248</b>
<b>Other income</b>	<b>320</b>	<b>446</b>	<b>262</b>	<b>415</b>	<b>506</b>
<b>Operating expenses</b>	<b>(15,363)</b>	<b>(23,319)</b>	<b>(24,724)</b>	<b>(27,221)</b>	<b>(28,457)</b>
D & A	(3,034)	(4,548)	(5,005)	(5,175)	(5,156)
Staff costs	(9,677)	(14,875)	(15,457)	(17,157)	(18,141)
Property rent & related	(236)	(339)	(302)	(183)	(158)
Utilities expenses	(978)	(1,457)	(1,670)	(1,938)	(2,084)
Other operating expenses	(1,438)	(2,100)	(2,290)	(2,768)	(2,918)
<b>EBIT</b>	<b>1,310</b>	<b>262</b>	<b>2,931</b>	<b>4,979</b>	<b>6,297</b>
Finance costs, net	(404)	(612)	(561)	(480)	(379)
JVs & associates	75	81	10	11	12
Exceptional	(245)	(3,707)	(33)	(39)	(42)
<b>Pre-tax profit</b>	<b>735</b>	<b>(3,976)</b>	<b>2,346</b>	<b>4,472</b>	<b>5,889</b>
Income tax	(426)	(185)	(622)	(1,185)	(1,560)
Less: Minority interests	0	2	7	13	18
<b>Net profit</b>	<b>309</b>	<b>(4,163)</b>	<b>1,717</b>	<b>3,273</b>	<b>4,310</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EBIT</b>	<b>1,310</b>	<b>262</b>	<b>2,931</b>	<b>4,979</b>	<b>6,297</b>
D & A	2,146	3,421	3,669	3,625	3,488
Change in working capital	(704)	108	79	106	56
Income tax paid	(657)	(185)	(622)	(1,185)	(1,560)
Others	827	(570)	247	636	2,164
<b>Net cash from operating</b>	<b>2,921</b>	<b>3,035</b>	<b>6,304</b>	<b>8,161</b>	<b>10,445</b>
Capex & investments	(6,070)	(4,933)	(954)	(830)	(596)
Associated companies	-	-	-	-	-
Interest received	113	-	-	-	-
Others	1,265	2,000	-	-	-
<b>Net cash from investing</b>	<b>(4,691)</b>	<b>(2,933)</b>	<b>(954)</b>	<b>(830)</b>	<b>(596)</b>
Equity raised	-	1,940	-	-	-
Net change in bank loans	3,891	-	-	-	-
Dividend paid	(703)	(703)	(93)	(258)	(982)
Others	(848)	(645)	(623)	(601)	(579)
<b>Net cash from financing</b>	<b>2,340</b>	<b>592</b>	<b>(715)</b>	<b>(858)</b>	<b>(1,561)</b>
<b>Net change in cash</b>	<b>570</b>	<b>694</b>	<b>4,635</b>	<b>6,472</b>	<b>8,289</b>
Beginning cash balance	2,222	2,683	3,376	8,011	14,483
Exchange difference	(109)	-	-	-	-
<b>Cash at the end of the year</b>	<b>2,683</b>	<b>3,376</b>	<b>8,011</b>	<b>14,483</b>	<b>22,772</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>20,934</b>	<b>22,537</b>	<b>19,833</b>	<b>17,050</b>	<b>14,169</b>
Fixed asset	12,064	13,614	10,928	8,156	5,273
Intangible assets & goodwill	92	64	36	13	4
Prepaid lease payments	357	357	357	357	357
Interest in joint ventures	301	382	392	403	415
Other non-current assets	8,120	8,120	8,120	8,120	8,120
<b>Current assets</b>	<b>6,593</b>	<b>8,770</b>	<b>14,130</b>	<b>21,495</b>	<b>30,267</b>
Cash and cash equivalents	2,683	3,376	8,011	14,483	22,772
Inventories	1,154	1,726	1,951	2,263	2,429
Trade receivables	275	344	399	463	498
Prepayments	1,930	2,773	3,219	3,735	4,017
Other current assets	551	551	551	551	551
<b>Current liabilities</b>	<b>9,868</b>	<b>11,459</b>	<b>12,263</b>	<b>13,262</b>	<b>13,801</b>
Bank loans	3,721	3,721	3,721	3,721	3,721
Trade payables	1,583	2,191	2,477	2,874	3,084
Accruals & other payables	2,249	3,231	3,750	4,351	4,680
Tax payables	201	201	201	201	201
Others	2,114	2,114	2,114	2,114	2,114
<b>Non-current liabilities</b>	<b>7,422</b>	<b>7,422</b>	<b>7,422</b>	<b>7,422</b>	<b>7,422</b>
Bank loans	268	268	268	268	268
Deferred income	-	-	-	-	-
Deferred tax	21	21	21	21	21
Others	7,132	7,132	7,132	7,132	7,132
<b>Minority Interest</b>	<b>3</b>	<b>3,713</b>	<b>3,753</b>	<b>3,805</b>	<b>3,865</b>
<b>Total net assets</b>	<b>10,234</b>	<b>8,714</b>	<b>10,524</b>	<b>14,055</b>	<b>19,348</b>
<b>Shareholders' equity</b>	<b>10,234</b>	<b>8,714</b>	<b>10,524</b>	<b>14,055</b>	<b>19,348</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
China & loyalty program	88.2	89.9	88.5	87.1	85.8
Overseas	7.8	6.6	7.7	9.0	10.2
Delivery business	2.5	1.7	1.8	1.7	1.7
Condiment & food	1.5	1.8	2.0	2.2	2.3
<b>Total</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	57.1	56.3	57.4	57.4	57.5
Operating margin	4.6	0.6	6.1	9.0	10.6
Pre-tax margin	2.6	(9.7)	4.9	8.1	9.9
Net margin	1.1	(10.1)	3.6	5.9	7.2
Effective tax rate	64.5	(4.6)	26.5	26.5	26.5
<b>Balance sheet ratios</b>					
Current ratio (x)	0.7	0.8	1.2	1.6	2.2
Quick ratio (x)	0.6	0.6	1.0	1.5	2.0
Cash ratio (x)	0.3	0.3	0.7	1.1	1.7
Inventory turnover days	35	35	35	35	35
Trade receivables days	3	3	3	3	3
Trade payables days	44	44	44	44	44
Total debt / equity ratio (%)	43	50	42	31	23
Net debt / equity ratio (%)	16	11	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	3.0	(47.8)	16.3	23.3	22.3
ROA	1.1	(13.3)	5.1	8.5	9.7
<b>Per share</b>					
EPS (RMB)	0.06	(0.75)	0.31	0.59	0.77
DPS (RMB)	0.13	0.02	0.05	0.18	0.23
BVPS (RMB)	1.93	1.56	1.89	2.52	3.47

Source: Company data, CMBIGM estimates

# 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.

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

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM
<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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

**CMB International Global Markets Limited ("CMBIGM") 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. CMBIGM 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. CMBIGM 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 CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM 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 CMBIGM 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. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM 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. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM 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 CMBIGM 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 CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM 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 CMBIGM.

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 CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM 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.