

# Yum China (YUMC US)

## A more cautious FY25E after 1Q25 sales miss

1Q25 net profit was roughly inline but sales miss was still notable. We are certainly impressed by the market share gains as well as the successful reforms carried out by Pizza Hut. However, the higher-than-expected franchised store opening mix and store closures will still affect the net profit growth forecast in FY25E meaningfully. Hence, we trim our TP but maintain BUY due to the massive capital return program.

- **2Q25E outlook should be better than 1Q25, but we have become more cautious.** Management mentioned that numbers in Apr 2025 were inline with their targets, but also flagged the risk of high base in Jun 2024. On one hand, some negative factors (drop in calendar day and temporary store closures) in 1Q25 will not carry forward, but others (more-than-expected store closures and franchised store openings mix) will still exist in 2Q25E. Therefore, all in all, we do expect the system sales growth in 2Q25E to accelerate but the speed would be limited (to around 5%, from 1% in 1Q25).
- **FY25E guidance maintained.** The Company still targets for: 1) MSD (definition: 4% to 6%) system sales growth, 2) commodity price to be favorable (food costs/ sales to be at around 31% to 32%), 3) a LSD to MSD wage inflation (e.g. higher rider costs and delivery fees) and 4) flattish (or slightly improved) core OP margin (flattish/ increase for KFC/ Pizza Hut).
- **Yum China is still gaining market share with loads of growth drivers, but there are still some drags that we have underestimated.** Evidenced by Yum China's ability to gain market share (through rapid volume growth and delivery sales growth) in 1Q25, we still find various growth drivers impressive. For KFC, these include: 1) ramp-up of K-coffee, 2) delivery sales growth (reduced delivery fees and an increased number of small-size orders as price range expand) and 3) product innovations (e.g., introduced the spicy original recipe chicken). For Pizza Hut, these include: 1) ramp-up of the WOW stores (capex is now 50% lower vs a regular store), 2) new menu (more value-for-money products with solid profit margin, this strategy is well-proven, as sales of Pizza priced under RMB 50 continued to surge), and 3) product category expansion (e.g. products like burger, pasta and rice). However, we have also underestimated some negative factors like higher franchised store openings mix, higher small sized store mix and more store closures, and hence we have cut our FY25E-27E net profit forecasts by 5% to 14%.
- **Maintain BUY but trim TP to US\$ 53.53, based on 20x FY25E P/E (cut from 22x), vs 5-year average of 25x.** We cut FY25E/ 26E/ 27E net profit forecasts by 5%/ 8%/ 14% to factor in slower sales growth and less interest income (despite a higher GP margin). The stock is trading at 16.2x FY25E P/E, not particularly attractive, but we still maintain BUY, just because of the massive capital return program (around 9% of market cap).

### Earnings Summary

| (YE 31 Dec)                | FY23A   | FY24A   | FY25E   | FY26E   | FY27E   |
|----------------------------|---------|---------|---------|---------|---------|
| Revenue (US\$ mn)          | 10,978  | 11,303  | 11,623  | 12,160  | 12,851  |
| YoY growth (%)             | 14.7    | 3.0     | 2.8     | 4.6     | 5.7     |
| Operating profit (US\$ mn) | 1,106.0 | 1,162.0 | 1,279.5 | 1,387.4 | 1,534.8 |
| Net profit (US\$ mn)       | 827.0   | 911.0   | 931.5   | 989.4   | 1,080.1 |
| EPS (Reported) (US\$)      | 1.97    | 2.34    | 2.68    | 2.83    | 3.09    |
| YoY growth (%)             | 89.3    | 18.6    | 14.6    | 5.6     | 9.2     |
| P/E (x)                    | 22.0    | 18.5    | 16.2    | 15.3    | 14.0    |
| P/B (x)                    | 2.6     | 2.3     | 2.5     | 2.6     | 2.8     |
| Yield (%)                  | 1.2     | 1.7     | 2.2     | 2.3     | 2.5     |
| ROE (%)                    | 11.6    | 13.5    | 14.9    | 16.8    | 19.4    |

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

**Target Price** **US\$53.53**  
(Previous TP US\$62.06)  
**Up/Downside** **23.5%**  
**Current Price** **US\$43.33**

### China Consumer Discretionary

#### Walter WOO

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#### Stock Data

|                          |             |
|--------------------------|-------------|
| Mkt Cap (US\$ mn)        | 14,992.2    |
| Avg 3 mths t/o (US\$ mn) | 100.2       |
| 52w High/Low (US\$)      | 53.69/29.24 |
| Total Issued Shares (mn) | 346.0       |

Source: FactSet

#### Shareholding Structure

|                      |       |
|----------------------|-------|
| JPMorgan Chase & Co. | 11.2% |
| BlackRock            | 4.9%  |

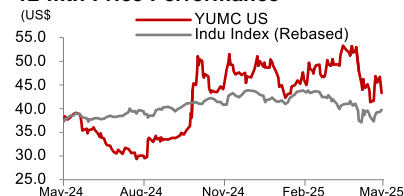
Source: HKEx

#### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -18.7%   | -15.6%   |
| 3-mth | -6.3%    | 2.6%     |
| 6-mth | -3.9%    | -0.6%    |

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Recent reports:

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- **FY25E new store openings target remain unchanged, but again, we have turned more conservative.** Management is still targeting 1,600 to 1,800 net new stores in FY25E, but we have revised down our numbers in model (from 1,800+ to around 1,700), after the slower opening pace and store closures in 1Q25. Moreover, we have also changed our assumptions for direct-operated/ franchised stores (franchised stores accounted for 41%/ 33% of new stores in 1Q25, vs guidance of 40%+/ 20%+ in FY25E). Management has revised up the total number of K-Coffee stores to 1,500 in FY25E (from 1,300), as the growth is still very impressive (coffee product sales grew by 20%+ and boost to SSSG was at around LSD). Star products like Soda expresso were still very hot-selling and the Company has also rolled out some more premium products (priced at RMB 12.9) and even tea drink products.
- **1Q25 sales missed while net profit was inline.** In 1Q25, sales increased by 1% YoY to US\$ 3.0bn, missing BBG/ CMBI est. by 4%/ 5%, likely due to: 1) 1 calendar day less vs last year, 2) more temporary store closures than last year and 3) higher-than-expected franchised store opened (esp. for Pizza Hut). Noted that the SSSG was flattish and inline with CMBI est.. Net profit increased by 2% YoY to US\$ 292mn in 1Q25, only 2%/ 3% less than BBG/ CMBI est.. Therefore, we can tell the profitability was, in fact, still rather decent. OP margin was at 13.4% (vs CMBI est. of 13.3%) in 1Q25, improved from 12.6% in 1Q24, and this is slightly ahead of company guidance of flattish or a slight increase. Restaurant level OP margin was at 18.6% (21.1%/ 16.0% for KFC/ Pizza Hut), improved by 1ppt, vs 17.6% last year (20.6%/ 13.6% for KFC/ Pizza Hut). This was a result of: 1) better-than-expected GP margin (at 70.7%, ahead of CMBI est. of 70.0%), thanks to the favorable commodity prices, benefits yield from the Project Redeye and the delay in promotion and menu upgrades for Pizza Hut, 2) higher-than-expected labour costs, due to higher rider costs and delivery fees (as dine-in was weak but the delivery sales growth was strong) and 3) higher-than-expected admin costs, perhaps due to higher store closures and the associated impairments.

## Earnings revision

Figure 1: Earnings revision

| US\$ mn                | New    |        |        | Old    |        |        | Diff (%) |         |         |
|------------------------|--------|--------|--------|--------|--------|--------|----------|---------|---------|
|                        | FY25E  | FY26E  | FY27E  | FY25E  | FY26E  | FY27E  | FY25E    | FY26E   | FY27E   |
| Revenue                | 11,623 | 12,160 | 12,851 | 12,144 | 12,930 | 14,072 | -4.3%    | -6.0%   | -8.7%   |
| Gross profit           | 8,193  | 8,598  | 9,110  | 8,539  | 9,098  | 9,911  | -4.0%    | -5.5%   | -8.1%   |
| EBIT                   | 1,279  | 1,387  | 1,535  | 1,322  | 1,425  | 1,624  | -3.2%    | -2.6%   | -5.5%   |
| Net profit att.        | 931    | 989    | 1,080  | 982    | 1,079  | 1,251  | -5.1%    | -8.3%   | -13.7%  |
| Diluted EPS (USD)      | 2.677  | 2.827  | 3.086  | 2.821  | 3.082  | 3.574  | -5.1%    | -8.3%   | -13.7%  |
| Gross margin           | 70.5%  | 70.7%  | 70.9%  | 70.3%  | 70.4%  | 70.4%  | 0.2ppt   | 0.3ppt  | 0.5ppt  |
| EBIT margin            | 11.0%  | 11.4%  | 11.9%  | 10.9%  | 11.0%  | 11.5%  | 0.1ppt   | 0.4ppt  | 0.4ppt  |
| Net profit att. margin | 8.0%   | 8.1%   | 8.4%   | 8.1%   | 8.3%   | 8.9%   | -0.1ppt  | -0.2ppt | -0.5ppt |

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| US\$ mn                | CMBIGM |        |        | Consensus |        |        | Diff (%) |        |        |
|------------------------|--------|--------|--------|-----------|--------|--------|----------|--------|--------|
|                        | FY25E  | FY26E  | FY27E  | FY25E     | FY26E  | FY27E  | FY25E    | FY26E  | FY27E  |
| Revenue                | 11,623 | 12,160 | 12,851 | 11,894    | 12,673 | 13,560 | -2.3%    | -4.0%  | -5.2%  |
| Gross profit           | 8,193  | 8,598  | 9,110  | 8,306     | 8,627  | 9,225  | -1.4%    | -0.3%  | -1.2%  |
| EBIT                   | 1,279  | 1,387  | 1,535  | 1,305     | 1,437  | 1,583  | -2.0%    | -3.5%  | -3.0%  |
| Net profit att.        | 931    | 989    | 1,080  | 961       | 1,034  | 1,135  | -3.1%    | -4.4%  | -4.9%  |
| Diluted EPS (USD)      | 2.677  | 2.827  | 3.086  | 2.565     | 2.906  | 3.270  | 4.4%     | -2.7%  | -5.6%  |
| Gross margin           | 70.5%  | 70.7%  | 70.9%  | 69.8%     | 68.1%  | 68.0%  | 0.7ppt   | 2.6ppt | 2.9ppt |
| EBIT margin            | 11.0%  | 11.4%  | 11.9%  | 11.0%     | 11.3%  | 11.7%  | 0ppt     | 0.1ppt | 0.3ppt |
| Net profit att. margin | 8.0%   | 8.1%   | 8.4%   | 8.1%      | 8.2%   | 8.4%   | -0.1ppt  | 0ppt   | 0ppt   |

Source: Bloomberg, CMBIGM estimates

## Results review

Figure 3: Results review – Quarterly

| Half yearly<br>(RMB mn)              | 3Q24          | 4Q24          | 1Q25          | 2Q25E         | 3Q25E         | 4Q25E         | 1Q25E<br>YoY | 2Q25E<br>YoY | 3Q25<br>E YoY | 4Q25<br>E YoY | 1Q25E<br>CMBI | Actual<br>vs<br>CMBI |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|----------------------|
| <b>Revenue</b>                       | <b>3,071</b>  | <b>2,595</b>  | <b>2,981</b>  | <b>2,795</b>  | <b>3,162</b>  | <b>2,685</b>  | <b>1%</b>    | <b>4%</b>    | <b>3%</b>     | <b>3%</b>     | <b>3,133</b>  | <b>-5%</b>           |
| Food and paper                       | -918          | -776          | -874          | -816          | -939          | -800          |              |              |               |               | -940          |                      |
| Gross profit                         | 2,153         | 1,819         | 2,107         | 1,979         | 2,223         | 1,885         | 2%           | 5%           | 3%            | 4%            | 2,193         | -4%                  |
| <b>GP margins</b>                    | <b>70.1%</b>  | <b>70.1%</b>  | <b>70.7%</b>  | <b>70.8%</b>  | <b>70.3%</b>  | <b>70.2%</b>  |              |              |               |               | <b>70.0%</b>  |                      |
| Other income & gains                 | 0             | 0             | 0             | 0             | 0             | 1             |              |              |               |               | 0             | #DIV/0!              |
| Payroll & benefits                   | -728          | -685          | -719          | -699          | -752          | -718          | 2%           | 5%           | 3%            | 5%            | -743          | -3%                  |
| <b>Payroll &amp; benefits/ sales</b> | <b>-23.7%</b> | <b>-26.4%</b> | <b>-24.1%</b> | <b>-25.0%</b> | <b>-23.8%</b> | <b>-26.8%</b> |              |              |               |               | <b>-23.7%</b> |                      |
| Rent & other opex                    | -755          | -672          | -688          | -702          | -771          | -690          | -1%          | 4%           | 2%            | 3%            | -733          | -6%                  |
| <b>Rent &amp; other opex/ sales</b>  | <b>-24.6%</b> | <b>-25.9%</b> | <b>-23.1%</b> | <b>-25.1%</b> | <b>-24.4%</b> | <b>-25.7%</b> |              |              |               |               | <b>-23.4%</b> |                      |
| Admin expenses                       | -259          | -262          | -266          | -235          | -256          | -258          | 5%           | 0%           | -1%           | -1%           | -260          | 2%                   |
| <b>Admin exp / sales</b>             | <b>-8.4%</b>  | <b>-10.1%</b> | <b>-8.9%</b>  | <b>-8.4%</b>  | <b>-8.1%</b>  | <b>-9.6%</b>  |              |              |               |               | <b>-8.3%</b>  |                      |
| Other opex                           | -40           | -49           | -35           | -39           | -41           | -45           |              |              |               |               | -41           |                      |
| Operating profit (EBIT)              | 371           | 151           | 399           | 305           | 402           | 174           | 7%           | 15%          | 8%            | 15%           | 417           | -4%                  |
| <b>OP margins</b>                    | <b>12.1%</b>  | <b>5.8%</b>   | <b>13.4%</b>  | <b>10.9%</b>  | <b>12.7%</b>  | <b>6.5%</b>   |              |              |               |               | <b>13.3%</b>  |                      |
| Investment gain (loss)               | 36            | -12           | 7             | -6            | -6            | -7            |              |              |               |               | -6            |                      |
| Net finance income                   | 31            | 29            | 26            | 28            | 32            | 0             |              |              |               |               | 25            | 4%                   |
| <b>Net finance income / sales</b>    | <b>1.0%</b>   | <b>1.1%</b>   | <b>0.9%</b>   | <b>1.0%</b>   | <b>1.0%</b>   | <b>0.0%</b>   |              |              |               |               | <b>0.8%</b>   |                      |
| Profit after financing costs         | 438           | 168           | 432           | 327           | 427           | 168           |              |              |               |               | 436           |                      |
| Associated coms                      | 0             | 0             | 0             | 0             | 0             | 0             |              |              |               |               | 0             |                      |
| Jointly controlled coms              | 0             | 0             | 0             | 0             | 0             | 0             |              |              |               |               | 0             |                      |
| Pre-tax profit                       | 438           | 168           | 432           | 327           | 427           | 168           | 3%           | 7%           | -3%           | 0%            | 436           | -1%                  |
| Tax                                  | -119          | -42           | -119          | -82           | -111          | -40           |              |              |               |               | -118          |                      |
| <b>Tax / sales</b>                   | <b>-3.9%</b>  | <b>-1.6%</b>  | <b>-4.0%</b>  | <b>-2.9%</b>  | <b>-3.5%</b>  | <b>-1.5%</b>  |              |              |               |               | <b>-3.8%</b>  |                      |
| <b>Effective tax rate</b>            | <b>-27.2%</b> | <b>-25.0%</b> | <b>-27.5%</b> | <b>-25.0%</b> | <b>-26.0%</b> | <b>-24.0%</b> |              |              |               |               | <b>-27.0%</b> |                      |
| Minority interests                   | 22            | 11            | 21            | 17            | 20            | 11            |              |              |               |               | 17            | 21%                  |
| <b>Net profit att.</b>               | <b>297</b>    | <b>115</b>    | <b>292</b>    | <b>228</b>    | <b>295</b>    | <b>116</b>    | <b>2%</b>    | <b>8%</b>    | <b>-1%</b>    | <b>1%</b>     | <b>301</b>    | <b>-3%</b>           |
| <b>NP margins</b>                    | <b>9.7%</b>   | <b>4.4%</b>   | <b>9.8%</b>   | <b>8.2%</b>   | <b>9.3%</b>   | <b>4.3%</b>   |              |              |               |               | <b>9.6%</b>   |                      |

Source: Company data, CMBIGM estimates

## Assumptions

Figure 4: CMBIGM's assumptions

| Major assumptions                          | FY23A        | FY24A        | FY25E       | FY26E       | FY27E       |
|--|--------------|--------------|-------------|-------------|-------------|
| <b>Sales by segment (US\$ mn)</b>          |              |              |             |             |             |
| KFC - dine in sales                        | 5,278        | 5,129        | 4,925       | 4,901       | 5,030       |
| KFC - delivery sales                       | 2,962        | 3,380        | 3,820       | 4,201       | 4,580       |
| PH - dine in sales                         | 1,412        | 1,381        | 1,334       | 1,369       | 1,414       |
| PH- delivery sales                         | 834          | 879          | 985         | 1,074       | 1,159       |
| Others                                     | 492          | 534          | 559         | 615         | 668         |
| Total                                      | 10,978       | 11,303       | 11,623      | 12,160      | 12,851      |
| <b>Sales by segment growth (%)</b>         |              |              |             |             |             |
| KFC - dine in sales                        | 18.4%        | -2.8%        | -4.0%       | -0.5%       | 2.6%        |
| KFC - delivery sales                       | 7.2%         | 14.1%        | 13.0%       | 10.0%       | 9.0%        |
| PH - dine in sales                         | 25.5%        | -2.2%        | -3.4%       | 2.6%        | 3.3%        |
| PH- delivery sales                         | -0.1%        | 5.4%         | 12.0%       | 9.0%        | 8.0%        |
| Others                                     | 26.2%        | 8.5%         | 4.7%        | 10.0%       | 8.6%        |
| Total                                      | 14.7%        | 3.0%         | 2.8%        | 4.6%        | 5.7%        |
| <b>Sales network by brand</b>              |              |              |             |             |             |
| KFC  | 10,296       | 11,648       | 13,048      | 14,498      | 16,048      |
| Pizza Hut                                  | 3,312        | 3,724        | 4,124       | 4,524       | 4,924       |
| Others                                     | 1,036        | 1,023        | 898         | 898         | 898         |
| Total                                      | 14,644       | 16,395       | 18,070      | 19,920      | 21,870      |
| <b>Restaurant profit margin by brand</b>   |              |              |             |             |             |
| KFC  | 17.5%        | 16.6%        | 16.8%       | 17.0%       | 17.4%       |
| Pizza hut                                  | 11.7%        | 11.9%        | 12.3%       | 12.3%       | 12.4%       |
| Others                                     | -2.6%        | -0.6%        | 0.5%        | 0.6%        | 0.8%        |
| Total                                      | 16.3%        | 15.8%        | 16.0%       | 16.3%       | 16.7%       |
| <b>Costs breakdown</b>                     |              |              |             |             |             |
| Food and paper/ sales                      | 29.4%        | 30.0%        | 29.5%       | 29.3%       | 29.1%       |
| Payroll and employee benefits/ sales       | 24.8%        | 24.7%        | 24.9%       | 24.7%       | 24.5%       |
| Rental and other operating expenses/ sales | 25.1%        | 24.8%        | 24.5%       | 24.0%       | 23.6%       |
| G & A expenses/ sales                      | 5.8%         | 5.0%         | 4.7%        | 4.7%        | 4.7%        |
| Franchisees expenses/ sales                | 3.2%         | 3.6%         | 3.6%        | 4.0%        | 4.2%        |
| Effective tax rate                         | 26.5%        | 26.4%        | 26.0%       | 26.0%       | 26.0%       |
| <b>NP att. margin</b>                      | <b>7.5%</b>  | <b>8.1%</b>  | <b>8.0%</b> | <b>8.1%</b> | <b>8.4%</b> |
| <b>NP att. growth (%)</b>                  | <b>87.1%</b> | <b>10.2%</b> | <b>2.2%</b> | <b>6.2%</b> | <b>9.2%</b> |

Source: Company data, CMBIGM estimates

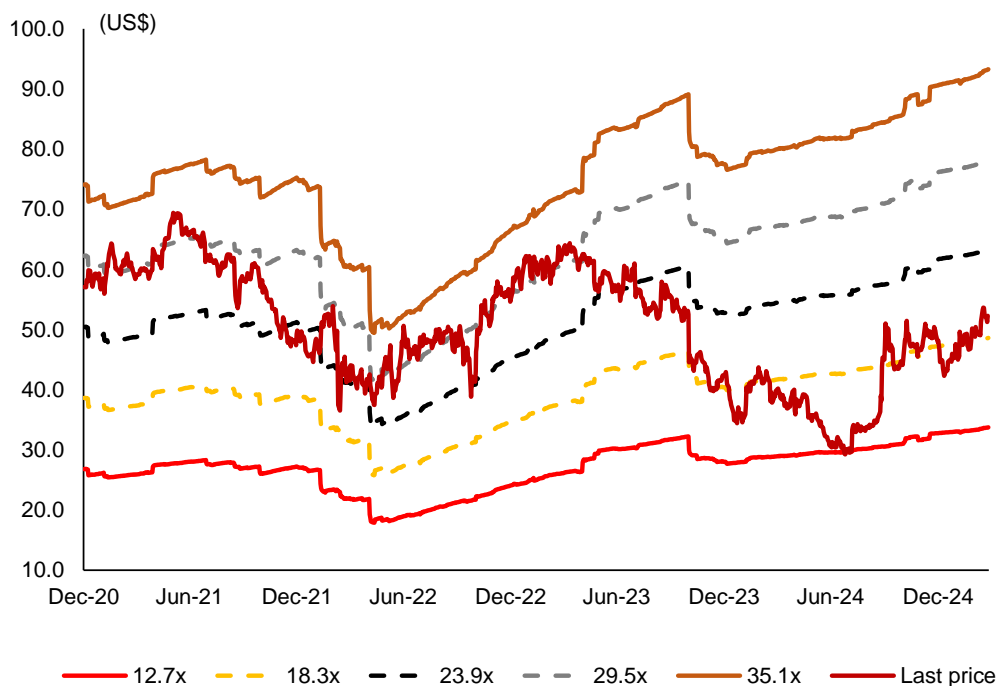
## Valuation

Figure 5: Peers valuation table

|                                |          |        | 12m<br>TP | Price  | Up/<br>Down- | Mkt. Cap  | Year   | P/E (x) |      | P/B<br>(x) | ROE<br>(%) | 3yrs<br>PEG<br>(x) | Yield<br>(%) | YTD<br>perf.<br>(%) |
|--------------------------------|----------|--------|-----------|--------|--------------|-----------|--------|---------|------|------------|------------|--------------------|--------------|---------------------|
| Company                        | Ticker   | Rating | (LC)      | (LC)   | side         | (HK\$mn)  | End    | FY1E    | FY2E | FY2E       | FY0        | FY1E               | FY1E         | FY1E                |
| Leading Greater China Catering |          |        |           |        |              |           |        |         |      |            |            |                    |              |                     |
| Yum China                      | YUMC US  | BUY    | 53.53     | 43.33  | 24%          | 125,661   | Dec-24 | 16.2    | 15.3 | 2.6        | 13.5       | 1.7                | 2.2          | (10.0)              |
| Jiumaojiu                      | 9922 HK  | HOLD   | 2.56      | 2.55   | 0%           | 3,564     | Dec-24 | 19.6    | 13.2 | 1.0        | 1.7        | 0.3                | 2.8          | (25.7)              |
| Haidilao                       | 6862 HK  | BUY    | 20.20     | 17.96  | 12%          | 100,109   | Dec-24 | 17.7    | 16.0 | 5.5        | 42.9       | 2.0                | 5.0          | 13.0                |
| DPC Dash                       | 1405 HK  | BUY    | 118.57    | 99.95  | 19%          | 13,079    | Dec-24 | 81.3    | 47.3 | 4.7        | 2.5        | 0.9                | 0.0          | 28.1                |
| Nayuki                         | 2150 HK  | BUY    | 3.43      | 1.28   | 168%         | 2,182     | Dec-24 | n/a     | 41.4 | 0.5        | (21.0)     | n/a                | 0.0          | (5.9)               |
| Luckin Coffee                  | LKNCY US | BUY    | 40.61     | 33.50  | 21%          | 73,591    | Dec-24 | 154.2   | 59.9 | 7.0        | 34.7       | (11.0)             | 0.1          | 30.5                |
| Mixue Group                    | 2097 HK  | NR     | n/a       | 495.80 | n/a          | 188,215   | Dec-24 | 33.7    | 28.4 | 6.5        | 34.8       | 2.3                | 0.9          | n/a                 |
| Guming                         | 1364 HK  | NR     | n/a       | 26.35  | n/a          | 62,665    | Dec-24 | 29.8    | 25.0 | 9.7        | 111.6      | 1.9                | 3.8          | n/a                 |
| Baicha Baidao                  | 2555 HK  | NR     | n/a       | 8.82   | n/a          | 13,033    | Dec-24 | 17.2    | 14.5 | 3.0        | 20.0       | 0.7                | 5.2          | (19.0)              |
| Helens                         | 9869 HK  | NR     | n/a       | 1.69   | n/a          | 2,139     | Dec-24 | 10.3    | 9.9  | 2.7        | (5.3)      | (0.0)              | 11.4         | (33.5)              |
| Tam Jai                        | 2217 HK  | NR     | n/a       | 1.48   | n/a          | 1,993     | Mar-24 | n/a     | n/a  | 1.2        | 7.8        | n/a                | n/a          | 89.7                |
| Cafe De Coral                  | 341 HK   | BUY    | 9.30      | 7.19   | 29%          | 4,170     | Mar-24 | 15.1    | 13.6 | 1.4        | 9.8        | 10.5               | 7.0          | (7.9)               |
| Xiabuxiabu                     | 520 HK   | BUY    | 4.89      | 0.74   | 561%         | 804       | Dec-24 | n/a     | n/a  | 1.7        | (40.6)     | n/a                | 4.3          | (26.0)              |
| Yihai                          | 1579 HK  | NR     | n/a       | 13.66  | n/a          | 14,161    | Dec-24 | 15.1    | 13.6 | 2.4        | 15.8       | 1.5                | 5.8          | (9.4)               |
| Gourmet Master                 | 2723 TT  | NR     | n/a       | 92.80  | n/a          | 4,177     | Dec-24 | 17.5    | 13.4 | 1.4        | 5.3        | 0.6                | 4.7          | (4.1)               |
| Avg.                           |          |        |           |        |              |           |        | 35.6    | 24.0 | 3.4        | 15.6       | 0.9                | 3.8          | 1.5                 |
| Med.                           |          |        |           |        |              |           |        | 17.6    | 15.3 | 2.6        | 9.8        | 1.2                | 4.1          | (7.9)               |
| International Catering         |          |        |           |        |              |           |        |         |      |            |            |                    |              |                     |
| Yum! Brands                    | YUM US   | NR     | n/a       | 148.60 | n/a          | 320,958   | Dec-24 | 24.6    | 22.2 | n/a        | n/a        | 2.0                | 1.9          | 10.8                |
| Mcdonald's                     | MCD US   | NR     | n/a       | 313.64 | n/a          | 1,739,344 | Dec-24 | 25.4    | 23.6 | n/a        | n/a        | 3.0                | 2.3          | 8.2                 |
| Starbucks Corp                 | SBUX US  | NR     | n/a       | 82.01  | n/a          | 722,774   | Sep-24 | 32.1    | 26.1 | n/a        | n/a        | 8.5                | 3.0          | (10.1)              |
| Rest' Brands                   | QSR US   | NR     | n/a       | 65.25  | n/a          | 230,571   | Dec-24 | 17.5    | 16.1 | 5.7        | 34.2       | 1.6                | 3.8          | 0.1                 |
| Chipotle                       | CMG US   | NR     | n/a       | 50.3   | n/a          | 525,811   | Dec-24 | 41.1    | 34.7 | 14.5       | 45.6       | 2.7                | 0.0          | (16.6)              |
| Darden                         | DRI US   | NR     | n/a       | 199.86 | n/a          | 181,390   | May-24 | 21.0    | 18.6 | 9.7        | 48.1       | 2.1                | 2.8          | 7.1                 |
| Domino's Pizza                 | DPZ US   | NR     | n/a       | 481.39 | n/a          | 127,836   | Dec-24 | 27.3    | 25.0 | n/a        | n/a        | 3.5                | 1.4          | 14.7                |
| Wendy's Co                     | WEN US   | NR     | n/a       | 12.49  | n/a          | 19,008    | Dec-24 | 12.6    | 11.2 | 33.9       | 68.3       | 1.4                | 5.4          | (23.4)              |
| Shake Shack                    | SHAK US  | NR     | n/a       | 88.71  | n/a          | 29,354    | Dec-24 | 68.4    | 54.4 | 5.9        | 2.2        | 0.7                | n/a          | (31.7)              |
| Wingstop Inc                   | WING US  | NR     | n/a       | 259.67 | n/a          | 56,192    | Dec-24 | 67.3    | 52.9 | n/a        | n/a        | 3.6                | 0.4          | (8.6)               |
| Jollibee Foods                 | JFC PM   | NR     | n/a       | 228.00 | n/a          | 35,605    | Dec-24 | 20.9    | 17.9 | 2.7        | 12.6       | 1.0                | 1.5          | (15.2)              |
| Avg.                           |          |        |           |        |              |           |        | 32.6    | 27.5 | 12.1       | 35.2       | 2.7                | 2.3          | (5.9)               |
| Med.                           |          |        |           |        |              |           |        | 25.4    | 23.6 | 7.8        | 39.9       | 2.1                | 2.1          | (8.6)               |

Source: Bloomberg, Company data, CMBIGM estimates

Note: Data as of 1 May 2025

**Figure 6: Forward 12M P/E valuation band**

Source: Bloomberg, CMBIGM estimates

## Financial Summary

| INCOME STATEMENT                           | 2022A          | 2023A          | 2024A          | 2025E          | 2026E          | 2027E          |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (US\$ mn)                        |                |                |                |                |                |                |
| <b>Revenue</b>                             | <b>9,569</b>   | <b>10,978</b>  | <b>11,303</b>  | <b>11,623</b>  | <b>12,160</b>  | <b>12,851</b>  |
| Cost of goods sold                         | (2,836)        | (3,224)        | (3,387)        | (3,429)        | (3,562)        | (3,741)        |
| <b>Gross profit</b>                        | <b>6,733</b>   | <b>7,754</b>   | <b>7,916</b>   | <b>8,193</b>   | <b>8,598</b>   | <b>9,110</b>   |
| <b>Operating expenses</b>                  | <b>(6,010)</b> | <b>(6,648)</b> | <b>(6,755)</b> | <b>(6,915)</b> | <b>(7,212)</b> | <b>(7,576)</b> |
| Selling expense                            | 0              | 0              | 0              | 0              | 0              | 0              |
| Admin expense                              | (704)          | (779)          | (729)          | (707)          | (739)          | (781)          |
| Staff costs                                | (2,389)        | (2,725)        | (2,787)        | (2,888)        | (3,008)        | (3,146)        |
| Other rental related expenses              | (884)          | (935)          | (937)          | (928)          | (930)          | (941)          |
| Others                                     | (1,431)        | (1,756)        | (1,683)        | (1,731)        | (1,830)        | (1,945)        |
| <b>Operating profit</b>                    | <b>629</b>     | <b>1,106</b>   | <b>1,162</b>   | <b>1,279</b>   | <b>1,387</b>   | <b>1,535</b>   |
| Other income                               | (94)           | 0              | 1              | 1              | 1              | 1              |
| Share of (losses)/profits of associates/JV | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>EBITDA</b>                              | <b>1,231</b>   | <b>1,559</b>   | <b>1,781</b>   | <b>1,940</b>   | <b>2,092</b>   | <b>2,297</b>   |
| Depreciation                               | (582)          | (423)          | (558)          | (617)          | (688)          | (756)          |
| Other amortisation                         | (20)           | (30)           | (61)           | (44)           | (17)           | (6)            |
| Interest income                            | 84             | 169            | 129            | 86             | 62             | 48             |
| Interest expense                           | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Net Interest income/(expense)</b>       | <b>84</b>      | <b>169</b>     | <b>129</b>     | <b>86</b>      | <b>62</b>      | <b>48</b>      |
| Other income/expense                       | (26)           | (49)           | 40             | (12)           | (12)           | (13)           |
| <b>Pre-tax profit</b>                      | <b>687</b>     | <b>1,226</b>   | <b>1,331</b>   | <b>1,354</b>   | <b>1,438</b>   | <b>1,570</b>   |
| Income tax                                 | (209)          | (325)          | (351)          | (352)          | (374)          | (408)          |
| <b>After tax profit</b>                    | <b>478</b>     | <b>901</b>     | <b>980</b>     | <b>1,002</b>   | <b>1,064</b>   | <b>1,162</b>   |
| Minority interest                          | (36)           | (74)           | (69)           | (70)           | (75)           | (81)           |
| <b>Net profit</b>                          | <b>442</b>     | <b>827</b>     | <b>911</b>     | <b>931</b>     | <b>989</b>     | <b>1,080</b>   |

| BALANCE SHEET                       | 2022A         | 2023A         | 2024A         | 2025E         | 2026E         | 2027E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| YE 31 Dec (US\$ mn)                 |               |               |               |               |               |               |
| <b>Current assets</b>               | <b>3,940</b>  | <b>3,431</b>  | <b>2,694</b>  | <b>2,263</b>  | <b>1,874</b>  | <b>1,790</b>  |
| Cash & equivalents                  | 1,130         | 1,128         | 723           | 270           | (155)         | (289)         |
| Restricted cash                     | 2,022         | 1,472         | 1,121         | 1,121         | 1,121         | 1,121         |
| Account receivables                 | 64            | 68            | 79            | 76            | 79            | 84            |
| Inventories                         | 417           | 424           | 405           | 420           | 436           | 458           |
| Prepayment                          | 307           | 339           | 366           | 376           | 394           | 416           |
| Other current assets                | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Non-current assets</b>           | <b>7,886</b>  | <b>8,600</b>  | <b>8,427</b>  | <b>8,548</b>  | <b>8,634</b>  | <b>8,514</b>  |
| PP&E                                | 2,118         | 2,310         | 2,407         | 2,546         | 2,649         | 2,535         |
| Right-of-use assets                 | 2,219         | 2,217         | 2,146         | 2,146         | 2,146         | 2,146         |
| Investment in JVs & assos           | 266           | 332           | 368           | 368           | 368           | 368           |
| Intangibles                         | 159           | 150           | 144           | 100           | 84            | 77            |
| Goodwill                            | 1,988         | 1,932         | 1,880         | 1,906         | 1,906         | 1,906         |
| Other non-current assets            | 1,136         | 1,659         | 1,482         | 1,482         | 1,482         | 1,482         |
| <b>Total assets</b>                 | <b>11,826</b> | <b>12,031</b> | <b>11,121</b> | <b>10,811</b> | <b>10,508</b> | <b>10,304</b> |
| <b>Current liabilities</b>          | <b>2,166</b>  | <b>2,422</b>  | <b>2,283</b>  | <b>2,319</b>  | <b>2,377</b>  | <b>2,453</b>  |
| Short-term borrowings               | 0             | 0             | 0             | 0             | 0             | 0             |
| Account payables                    | 727           | 786           | 766           | 786           | 816           | 857           |
| Tax payable                         | 68            | 90            | 76            | 76            | 76            | 76            |
| Other current liabilities           | 1,371         | 1,546         | 1,441         | 1,457         | 1,485         | 1,520         |
| <b>Non-current liabilities</b>      | <b>2,500</b>  | <b>2,490</b>  | <b>2,411</b>  | <b>2,411</b>  | <b>2,411</b>  | <b>2,411</b>  |
| Long-term borrowings                | 0             | 0             | 0             | 0             | 0             | 0             |
| Other non-current liabilities       | 2,500         | 2,490         | 2,411         | 2,411         | 2,411         | 2,411         |
| <b>Total liabilities</b>            | <b>4,666</b>  | <b>4,912</b>  | <b>4,694</b>  | <b>4,730</b>  | <b>4,788</b>  | <b>4,864</b>  |
| Share capital                       | 4,291         | 4,095         | 3,639         | 3,639         | 3,639         | 3,639         |
| Retained earnings                   | 2,191         | 2,310         | 2,089         | 2,448         | 3,095         | 3,802         |
| Other reserves                      | 678           | 714           | 699           | (7)           | (1,014)       | (2,001)       |
| <b>Total shareholders equity</b>    | <b>7,160</b>  | <b>7,119</b>  | <b>6,427</b>  | <b>6,081</b>  | <b>5,720</b>  | <b>5,440</b>  |
| Minority interest                   | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Total equity and liabilities</b> | <b>11,826</b> | <b>12,031</b> | <b>11,121</b> | <b>10,811</b> | <b>10,508</b> | <b>10,304</b> |



| CASH FLOW                                | 2022A        | 2023A        | 2024A          | 2025E          | 2026E          | 2027E          |
|--|--------------|--------------|----------------|----------------|----------------|----------------|
| <b>YE 31 Dec (US\$ mn)</b>               |              |              |                |                |                |                |
| <b>Operating</b>                         |              |              |                |                |                |                |
| Profit before taxation                   | 687          | 1,226        | 1,331          | 1,354          | 1,438          | 1,570          |
| Depreciation & amortization              | 602          | 453          | 619            | 660            | 704            | 763            |
| Tax paid                                 | (20)         | (10)         | (7)            | (352)          | (374)          | (408)          |
| Change in working capital                | 0            | 49           | (43)           | 14             | 21             | 27             |
| Others                                   | 144          | (245)        | (481)          | (26)           | 0              | 0              |
| <b>Net cash from operations</b>          | <b>1,413</b> | <b>1,473</b> | <b>1,419</b>   | <b>1,651</b>   | <b>1,789</b>   | <b>1,952</b>   |
| <b>Investing</b>                         |              |              |                |                |                |                |
| Capital expenditure                      | (679)        | (710)        | (705)          | (755)          | (790)          | (643)          |
| Acquisition of subsidiaries/ investments | (23)         | (20)         | 0              | 0              | 0              | 0              |
| Others                                   | 180          | (13)         | 527            | 0              | 0              | 0              |
| <b>Net cash from investing</b>           | <b>(522)</b> | <b>(743)</b> | <b>(178)</b>   | <b>(755)</b>   | <b>(790)</b>   | <b>(643)</b>   |
| <b>Financing</b>                         |              |              |                |                |                |                |
| Dividend paid                            | (202)        | (216)        | (248)          | (248)          | (324)          | (342)          |
| Net borrowings                           | 2            | 164          | (39)           | 0              | 0              | 0              |
| Proceeds from share issues               | 0            | 0            | 0              | 0              | 0              | 0              |
| Share repurchases                        | (466)        | (613)        | (1,249)        | (1,100)        | (1,100)        | (1,100)        |
| Others                                   | (178)        | (51)         | (100)          | 0              | 0              | 0              |
| <b>Net cash from financing</b>           | <b>(844)</b> | <b>(716)</b> | <b>(1,636)</b> | <b>(1,348)</b> | <b>(1,424)</b> | <b>(1,442)</b> |
| <b>Net change in cash</b>                |              |              |                |                |                |                |
| Cash at the beginning of the year        | 1,136        | 1,130        | 1,128          | 723            | 270            | (155)          |
| Exchange difference                      | (53)         | (16)         | (10)           | 0              | 0              | 0              |
| Others                                   | 47           | 14           | (395)          | (453)          | (426)          | (133)          |
| <b>Cash at the end of the year</b>       | <b>1,130</b> | <b>1,128</b> | <b>723</b>     | <b>270</b>     | <b>(155)</b>   | <b>(289)</b>   |
| GROWTH                                   | 2022A        | 2023A        | 2024A          | 2025E          | 2026E          | 2027E          |
| <b>YE 31 Dec</b>                         |              |              |                |                |                |                |
| Revenue                                  | (2.9%)       | 14.7%        | 3.0%           | 2.8%           | 4.6%           | 5.7%           |
| Gross profit                             | (4.4%)       | 15.2%        | 2.1%           | 3.5%           | 4.9%           | 5.9%           |
| Operating profit                         | (54.6%)      | 75.8%        | 5.1%           | 10.1%          | 8.4%           | 10.6%          |
| EBITDA                                   | (35.3%)      | 26.6%        | 14.2%          | 8.9%           | 7.8%           | 9.8%           |
| Net profit                               | (55.4%)      | 87.1%        | 10.2%          | 2.2%           | 6.2%           | 9.2%           |
| PROFITABILITY                            | 2022A        | 2023A        | 2024A          | 2025E          | 2026E          | 2027E          |
| <b>YE 31 Dec</b>                         |              |              |                |                |                |                |
| Gross profit margin                      | 70.4%        | 70.6%        | 70.0%          | 70.5%          | 70.7%          | 70.9%          |
| Operating margin                         | 6.6%         | 10.1%        | 10.3%          | 11.0%          | 11.4%          | 11.9%          |
| EBITDA margin                            | 12.9%        | 14.2%        | 15.8%          | 16.7%          | 17.2%          | 17.9%          |
| Return on equity (ROE)                   | 5.9%         | 11.6%        | 13.5%          | 14.9%          | 16.8%          | 19.4%          |
| GEARING/LIQUIDITY/ACTIVITIES             | 2022A        | 2023A        | 2024A          | 2025E          | 2026E          | 2027E          |
| <b>YE 31 Dec</b>                         |              |              |                |                |                |                |
| Current ratio (x)                        | 1.8          | 1.4          | 1.2            | 1.0            | 0.8            | 0.7            |
| Receivable turnover days                 | 2.5          | 2.2          | 2.4            | 2.4            | 2.4            | 2.4            |
| Inventory turnover days                  | 54.6         | 47.6         | 44.7           | 44.7           | 44.7           | 44.7           |
| Payable turnover days                    | 100.2        | 85.6         | 83.6           | 83.6           | 83.6           | 83.6           |
| VALUATION                                | 2022A        | 2023A        | 2024A          | 2025E          | 2026E          | 2027E          |
| <b>YE 31 Dec</b>                         |              |              |                |                |                |                |
| P/E                                      | 41.7         | 22.0         | 18.5           | 16.2           | 15.3           | 14.0           |
| P/E (diluted)                            | 41.7         | 22.0         | 18.5           | 16.2           | 15.3           | 14.0           |
| P/B                                      | 2.4          | 2.6          | 2.3            | 2.5            | 2.6            | 2.8            |
| P/CFPS                                   | 13.0         | 12.4         | 11.9           | 9.1            | 8.5            | 7.8            |
| Div yield (%)                            | 1.2          | 1.2          | 1.7            | 2.2            | 2.3            | 2.5            |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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