

Green Tea Group (6831 HK)

A casual Chinese cuisine leader of great value

- **Green Tea Group is a leading casual Chinese cuisine restaurant group in China.** Green Tea is the 4th largest brand in the casual Chinese cuisine industry, with 0.7% market share in 2023. It mainly sells Jiangzhe style fusion cuisine at accessible price points with a decent dining experience at the restaurant with distinct decoration inspired by Chinese traditional culture. It generated RMB 3.6bn sales from 360 stores in FY23 and recorded a 20%/29% sales/ store CAGR during FY19-23 despite the pandemic.
- **Benefiting from decent price quality and unique decor, Green Tea's sales per store recovery outpaces peers.** Green Tea has outperformed in sales per store recovery rate (at 94%, FY23 vs FY19, ahead of competitors like Haidilao's 87%, KFC's 87% and JMJ's 77%), thanks to its: 1) outstanding price to product quality and 2) distinctive and immersive store environment, making it a popular choice for group dining and gatherings.
- **High potential in delivery business, the likely future growth driver.** We see strong potential in Green Tea's delivery business as a future growth driver, with delivery sales mix at just 14% in FY23, vs average of 32%, due to its past focus on dine-in experiences. However, with a strategic shift underway, the brand is now leveraging competitively priced delivery menus (about 5% cheaper for similar items, average price per item for delivery/ dine-in is at around RMB 28/ 42) and introducing exclusive delivery-only dishes to expand its customer base and attract more new customers.
- **We forecast 18% sales and 25% adj. net profit att. CAGR during FY23-26E.** We project 18% sales CAGR in FY23-26E, driven by 32% store CAGR and -10% sales per store CAGR (a mixture of -2% ASP CAGR, 7% for delivery sales per store CAGR, -12% for dine-in sales per store CAGR, opening of more smaller-sized stores and expansion to more lower-tier cities). We also expect the adj.net profit to grow by 25% CAGR during FY23-26E, thanks to: 1) further menu adjustment, 2) supply chain improvements (more direct and standardized sourcing and use of central kitchen), 3) greater sales from smaller-sized stores, and 4) economies of scale from the relatively flattish other opex (e.g. headquarters cost, logistics and others). **We also foresee 20%+ sales and 30%+ net profit att. growth in 1H25E.**
- **Initiate at BUY with TP of HK\$ 9.73, based on 12x FY25E adj. P/E.** We apply a 12.0x FY25E adj. P/E for Green Tea, a 30% discount to China peers' median of 17.1x (or 45% discount to average P/E of 22.0x, compared to Xiaocaiyuan's 15.1x, Haidilao's 14.0x, Yum China's 17.4x, Jiumaojiu's 18.0x), based on a few discounting factors: 1) smaller size of business, and 2) its Chinese casual dining nature, which tends to be less standardized; and also a few positives, such as: 1) better-than-peers SSS recovery (FY23 vs FY19), 2) better-than-peers OP margin, 3) faster-than-peers sales CAGR. It is trading at just 8.5x P/E or 8.1 adj. P/E and has an 11.1% forward 12M yield.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	3,589	3,838	4,752	5,924	7,422
YoY growth (%)	51.1	6.9	23.8	24.7	25.3
Operating profit (RMB mn)	425.5	452.9	578.8	737.1	968.3
Net profit (RMB mn)	295.5	350.2	449.2	578.3	768.1
Adjusted net profit (RMB mn)	303.3	360.9	468.2	590.1	768.1
EPS (Reported) (RMB)	0.53	0.63	0.73	0.86	1.14
YoY growth (%)	1,682.6	18.5	16.0	17.5	32.8
P/E (x)	11.3	9.6	8.2	7.0	5.3
P/B (x)	8.1	4.3	3.9	3.0	2.2
Yield (%)	10.5	5.4	6.1	7.1	9.5
ROE (%)	67.0	59.1	49.6	48.0	47.7
Net gearing (%)	79.9	32.1	43.0	48.1	51.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price **HK\$9.73**
Up/Downside **47.9%**
Current Price **HK\$6.58**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	4,431.3
Avg 3 mths t/o (HK\$ mn)	42.1
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	673.5

Source: FactSet

Shareholding Structure

Mr. Wang & Ms. Lu	54.3%
Partners Gourmet	15.8%

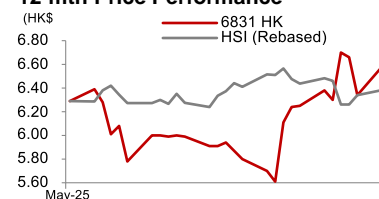
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	13.8%	11.9%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

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Investment Thesis

■ Green Tea is a leading casual Chinese restaurant group in China.

Green Tea Group is the 4th largest casual Chinese restaurant operator in China, with a 0.7% market share in 2023. It mainly sells Jiangzhe style fusion cuisine at accessible price points with a decent dining experience at the restaurant with distinct decoration inspired by Chinese traditional culture. The founder Mr. Wang Qinsong/ 王勤松 founded his first Green Tea restaurant in 2008 by the beautiful West Lake in Hangzhou. In FY23, it generated RMB 3.6bn sales from 360 stores and registered a 22% store count CAGR, 20% sales CAGR and a 29% net profit CAGR during FY19 to FY23.

■ Benefiting from decent price quality and unique decor, Green Tea's sales per store recovery outpaces peers.

Green Tea has outperformed peers in store-level sales recovery despite rapid expansion, reaching 360 stores by FY23 with a 94% sales per store recovery rate versus FY19, well ahead of competitors like Tai Er, Haidilao, and KFC. Its strong performance is driven by a compelling price-to-quality proposition, with an average ticket size of RMB 67, lower than most casual dining peers, while maintaining solid customer ratings (4.36/5). Green Tea's distinctive and immersive store décor, inspired by traditional Chinese aesthetics, is a key differentiator, earning high environment ratings (4.44/5) and making it a popular choice for group dining and gatherings.

■ High potential in delivery business, the likely future growth driver.

Green Tea sees strong potential in its delivery business as a future growth driver, with current delivery sales mix at just 14% in FY23, well below the peer average of 32%, due to its past focus on dine-in experiences. However, with a strategic shift underway, the brand is now leveraging competitively priced delivery menus (about 5% cheaper for similar items, average price per item for delivery/ dine-in is at around RMB 28/ 42) and introducing exclusive delivery-only dishes to attract new customers. By carefully managing product overlap and maintaining dine-in appeal, Green Tea aims to expand its customer base while boosting sales through high-quality delivery offerings.

■ Ample room for store expansion (density per city, lower-tier cities and overseas) and margin enhancement (more smaller-sized stores and use of central kitchen).

Green Tea still has ample room for expansion and margin improvement. Domestically, while it has entered a relatively high number of cities, its store density per city remains far below peers, offering significant potential, especially through smaller-sized stores that offer better margins and flexibility. Lower-tier cities also present opportunities, given its affordable pricing, localized menus, and cost-efficient formats. Overseas, the brand has expanded into Hong Kong and plans to enter Southeast Asia and North America, though margins may remain low due to high costs. Overall, the strategic shift toward smaller-sized stores and central kitchens should support rapid expansion and higher profitability.

■ **Standardization may reduce chef numbers, time and kitchen size.**

Even though Green Tea is not hotpot- or fast food-focused, it is highly dedicated to standardization (to effectively reduce the dependency on chefs,), covering areas from: 1) raw material sourcing, 2) food preparation at central kitchen, to 3) adopting more semi-processed products from the central kitchen or 3rd-party food processing companies, which have made it fairly leading amongst all the casual Chinese dining brands. The benefits, in our view, are manifold, such as guaranteeing food safety and taste, reduction of food preparation time, simplifying cooking processes, reduction of staff numbers and size of kitchens, etc. Green Tea's new direct procurement centre has already started operation in FY21 while its central kitchen will be launched in FY26E, according to the company.

■ **Industry supply may stabilize while consolidation may continue.**

According to data from shangquanshow/ 辰智大数据, since peaking in 2020, China catering industry has undergone a 12% supply contraction but appears to have stabilized by 4Q24, with signs of recovery and rising investor interests as store opening rate has finally balanced the store closure rate, at about 18% in 2H24. The chain restaurant penetration in China has risen from 13% in 2019 to 24% in 2024, but yet remains low compared to many more developed markets, signaling ample room for growth. Both Green Tea and various regional Chinese cuisine restaurants should also benefit from this trend, as the standardization is improving through greater digitalization and automation.

■ **Consumption trade-down is still severe but upgrade still exists.**

Despite signs of long-term consumption upgrade in China's catering industry, with the sales mix gradually shifting from low-priced meals (RMB 20 or below) to mid- and high-priced segments (RMB 21-50 and RMB 51 or above), consumption trade-down remains a dominant trend. According to the data from canyin88/ 红餐大数据, from 2022 to 2024, average selling prices (ASP) dropped by 8%, with steep declines across tea drinks, snacks, fast food, hot pot, and Chinese dining. The overall ASP also fell 7% YoY in 2024, highlighting affordability pressure. While lower-ticket formats like Chinese fast food and light meals showed some price resilience or growth, higher-end categories such as hot pot and Western dining saw notable declines.

■ **Overseas expansion is still a good growth driver worth putting efforts on.**

Overseas expansion remains a promising growth driver for Chinese catering brands, with strong potential even when focusing only on the ~53 million overseas Chinese population, who sometimes possess higher spending power. Successful cases like Haidilao, Cou Cou, and Tai Er show rapid international scaling, with overseas sales contributing up to 15-19% of mainland China sales by 2024. Therefore we would not be surprised to see Green Tea's overseas sales mix to eventually reach as much as 20%. Key success factors include brand positioning, food quality, store ambiance, and pricing. Brands like Green Tea have excelled by combining localized menus, authentic Chinese-style interiors, and strong value-for-money offerings, helping them stand out and attract premium-paying customers abroad.

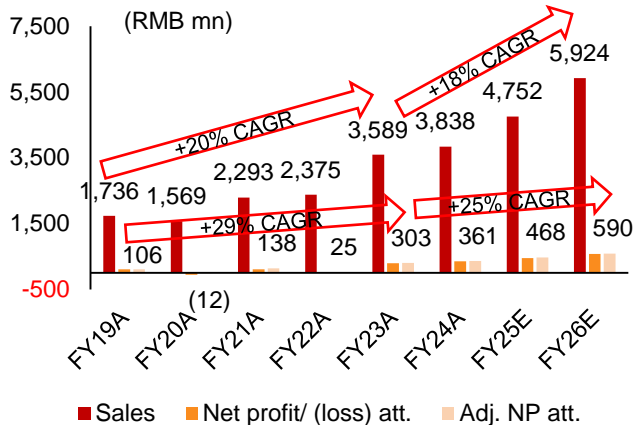
■ **We forecast 18% sales and 25% adjusted net profit att. CAGR during FY23-26E.**

We project 18% sales CAGR in FY23-26E, which is driven by 32% store CAGR and -10% sales per store CAGR (a mixture of -2% ASP CAGR, 7% for delivery sales per store CAGR, -12% for dine-in sales per store CAGR, opening of more smaller-sized stores and expansion to more lower-tier cities). We also expect the adjusted net profit to grow by 25% CAGR during FY23-26E, thanks to: 1) further menu adjustment, 2) supply chain improvements (more direct and standardized sourcing and use of central kitchen), 3) greater sales from smaller-sized stores, and 4) economies of scale from the relatively flattish other opex (e.g. headquarters cost, logistics and others).

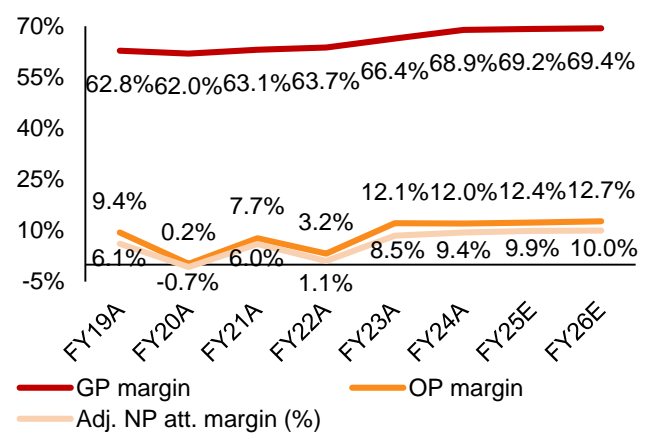
■ **Initiate at BUY with TP of HK\$ 9.73, based on 12x FY25E adj. P/E.**

We apply a 12.0x FY25E adj. P/E for Green Tea, a 30% discount to China peers' median of 17.1x (or 45% discount to average P/E of 22.0x, compared to Xiaocaiyuan's 14.7x, Haidilao's 14.0x, Yum China's 17.43, Jiumaojiu's 18.1x), based on a few discounting factors like: 1) smaller size of business, and 2) its Chinese casual dining nature, which tends to be less standardized; and also a few positives, such as: 1) better-than-peers SSS recovery (FY23 vs FY19), 2) better-than-peers OP margin, 3) faster-than-peers sales CAGR. Note that we can also cross check the valuation based on the DCF method (9.6% WACC, 2% terminal growth), its TP could be as high as HK\$ 9.76, which also implies a 12.0x FY25E adj. P/E, at a 29% discount to China peers' median of 17.1x. The company is now trading at 8.5x FY25E P/E or 8.1x FY25E adj. P/E. Also considering the delayed dividend payout for FY24, the effective yield for the next 12 months could be as high as 11.1%; hence the stock looks fairly attractive, in our view.

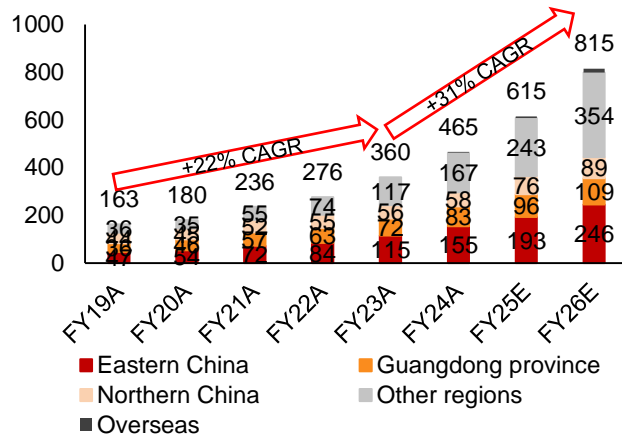
Focus Charts

Figure 1: Sales, net profit att. and adj. net profit


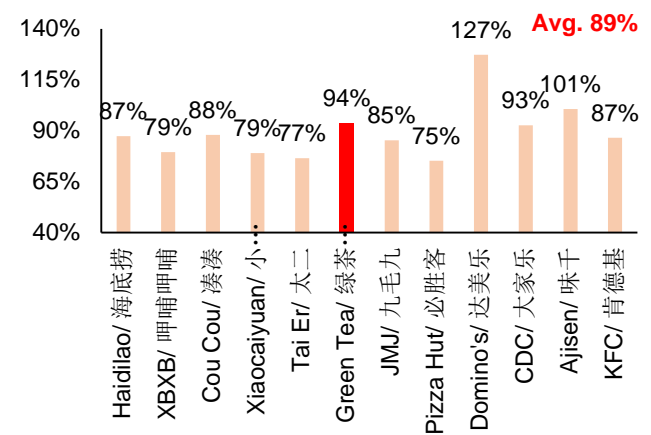
Source: Company data, CMBIGM estimates

Figure 2: GP/ OP/ adj. NP margin


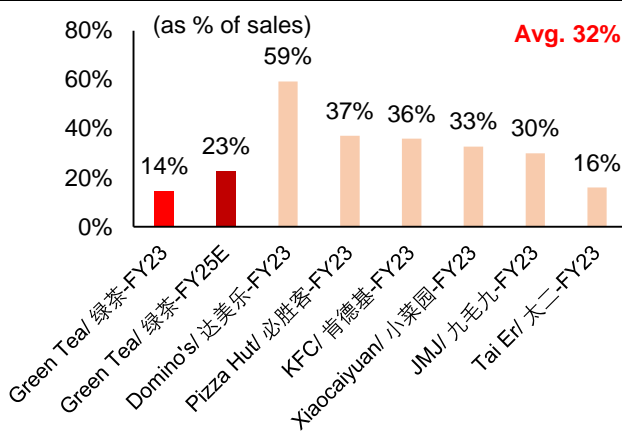
Source: Company data, CMBIGM estimates

Figure 3: Number of Green Tea stores, by region


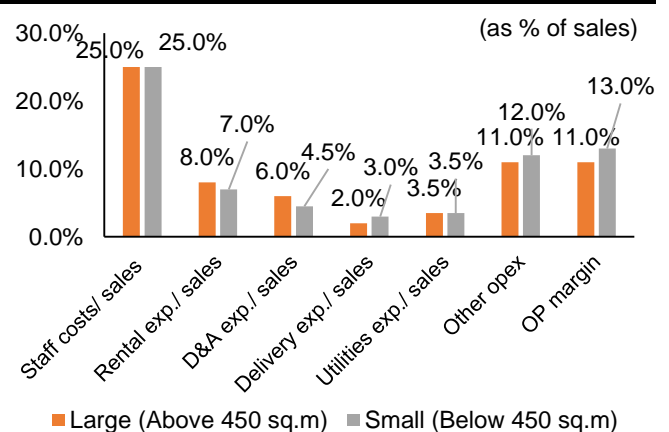
Source: Company data, CMBIGM estimates

Figure 4: Sales per store* recovery, by brand, FY23


Source: Company data, CMBIGM estimates. *Sales per store = full year sales/ number of stores at year end

Figure 5: Sales mix from delivery, by brand


Source: Company data, CMBIGM estimates

Figure 6: Opex/ sales and OP margin, by store size, FY23


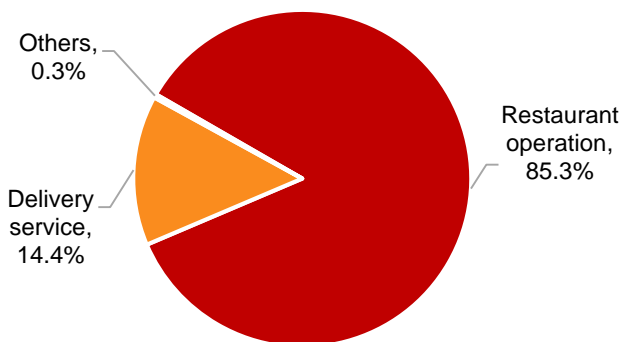
Source: Company data, CMBIGM estimates

Company Background

Green Tea is a leading casual Chinese restaurant group in China

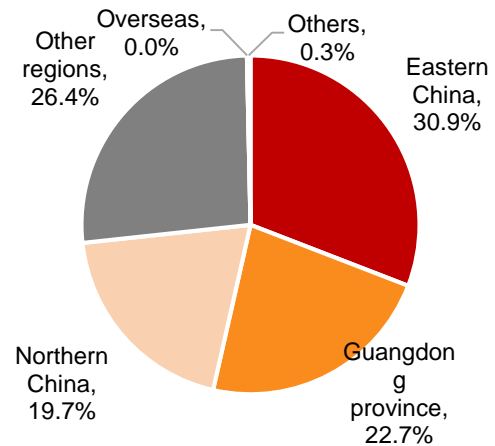
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Figure 7: Group sales, by segment, FY23



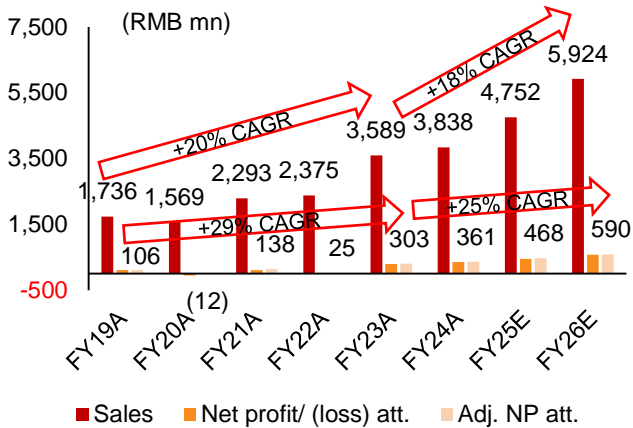
Source: Company data, CMBIGM

Figure 8: Sales mix, by region, FY23



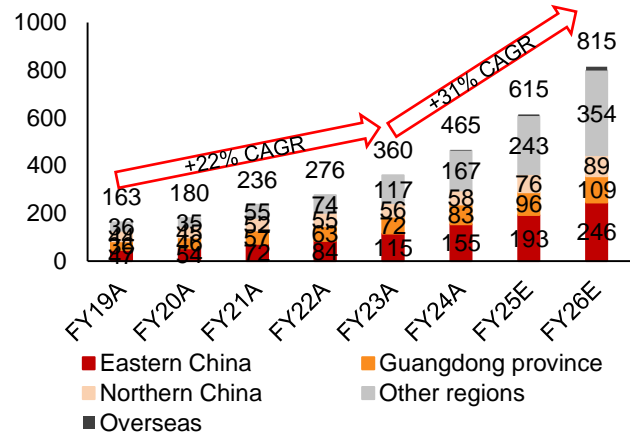
Source: Company data, CMBIGM

Figure 9: Sales, net profit att. and adj. net profit



Source: Company data, CMBIGM estimates

Figure 10: Number of Green Tea stores, by region



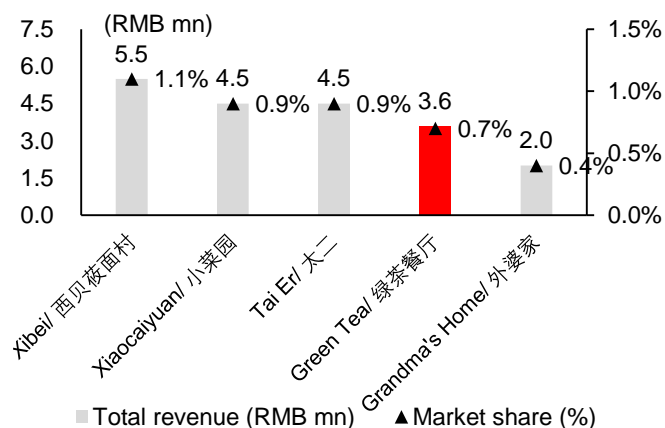
Source: Company data, CMBIGM

Figure 11: Details of top 5 brands in casual Chinese cuisine industry in Mainland China in 2023

Ranking	Brand	Year Founded	Headquarters	Types of cuisine	Average spending per guest (RMB)	Number of restaurants	Total revenue (RMB mn)	Market share (%)
1	Xibei/ 西北莜面村	1988	Beijing	Northwestern cuisine	90-100	355	5.5	1.1%
2	Xiaocaiyuan/ 小菜园	2013	Tongling City, Anhui	Anhui cuisine	60-70	542	4.5	0.9%
3	Tai Er/ 太二	2015	Guangzhou, Guangdong	Chinese pickled sauerkraut fish	70-80	578	4.5	0.9%
4	Green Tea/ 绿茶餐厅	2008	Hangzhou City, Zhejiang	Chinese fusion, inspired by hangzhou cuisine	50-70	360	3.6	0.7%
5	Grandma's Home/ 外婆家	1998	Hangzhou City, Zhejiang	Zhejiang cuisine	70-80	103	2.0	0.4%

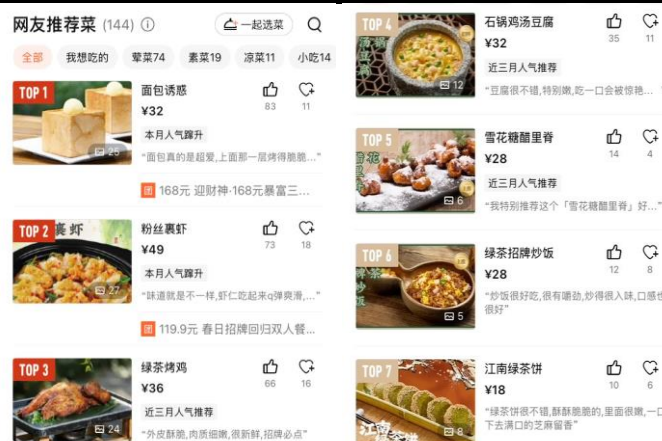
Source: www.dianping.com, CIC report, Company data, CMBIGM estimates

Figure 12: Sales and market share, by brand in 2023



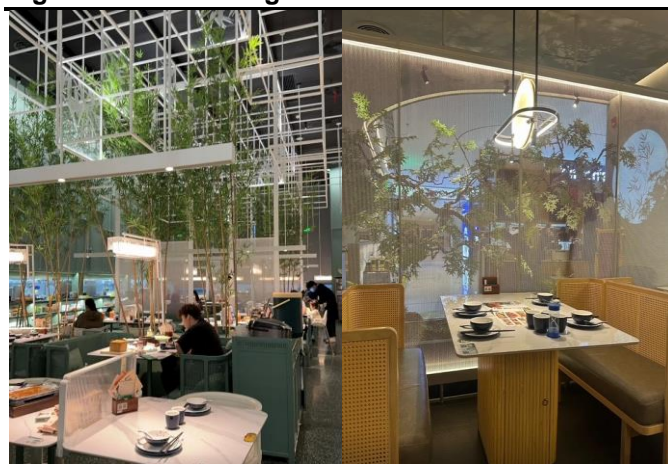
Source: CIC report, Company data, CMBIGM

Figure 13: Product images at Green Tea restaurants



Source: www.dianping.com, CMBIGM

Figure 14: Store image of Green Tea restaurant



Source: www.dianping.com, CMBIGM

Figure 15: Store image of Green Tea restaurant



Source: www.dianping.com, CMBIGM

Figure 16: Key milestones

Year	The following sets forth certain key business milestones of Green Tea Group
2008	Green Tea Group established the first Green Tea restaurant in Hangzhou, Zhejiang province
2009	Green Tea restaurant was awarded 2009 Top 50 Most Popular Restaurant (2009年度最受歡迎餐廳Top 50) by Dianping.com (大眾點評)
2010	Opened the first Green Tea restaurant in Beijing, China and started building the presence in tier one cities of China
2011	Opened the first Green Tea restaurant in Shanghai, China
2013	Opened the first Green Tea restaurant in Shenzhen, China
2015	Green Tea restaurant was awarded 2015 Top 10 Creative Culture Restaurants (2015年度(「中國服務」)十佳創意文化餐廳) by Chinese Culinary Association
2018	Opened the 100th Green Tea restaurant in China
2020	"Green Tea" brand was recognized as "Top 50 Most Influential Chain Brand in China" (中國連鎖品牌影響力50強) by Committee of Development of China Brand Chain Conference (中國品牌連鎖發展大會委員會)
2021	Green Tea Group were recognized as Dianping's "Must-Eat List" Restaurants (大眾點評“必吃榜”餐廳) by Dianping.com (大眾點評)
2023	<ul style="list-style-type: none"> — Green Tea Group were awarded Meituan Waimai Best Category Innovation Award of the Year of 2022 (美團外賣年度最佳品類創新獎) by Meituan Waimai (美團外賣) — Were also recognized as "Consumer's Favorite Brand" (消費者青睞品牌) by Meituan (美團)
2024	<ul style="list-style-type: none"> — Green Tea Group were awarded Red Eagle Award– Top 100 Catering Brands in 2024 (紅鷹獎2024年度餐飲品牌力百強) by Hong Can Industry Research Institute (紅餐產業研究院) — Were also recognized as "Annual Influential Brand" (年度影響力品牌) by Meituan (美團)

Source: Company data, CMBIGM

Company's key positives and growth drivers

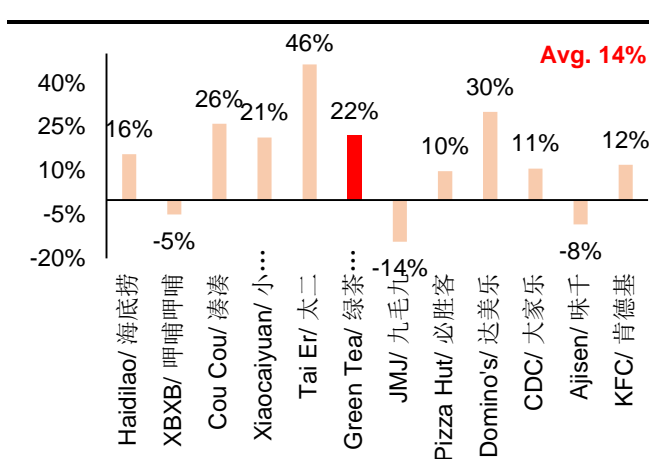
1) Benefiting from decent price quality and unique decor, Green Tea's sales per store recovery outpaces peers.

Green Tea has outperformed peers in store-level sales recovery despite rapid expansion, reaching 360 stores by FY23 with a 94% sales per store recovery rate versus FY19, well ahead of competitors like Tai Er, Haidilao, and KFC. Its strong performance is driven by a compelling price-to-quality proposition, with an average ticket size of RMB 67, lower than most casual dining peers, while maintaining solid customer ratings (4.36/5). Green Tea's distinctive and immersive store décor, inspired by traditional Chinese aesthetics, is a key differentiator, earning high environment ratings (4.44/5) and making it a popular choice for group dining and gatherings.

■ 1.1 Despite rapid store expansion in recent years, SSS recovery remains stronger than peers.

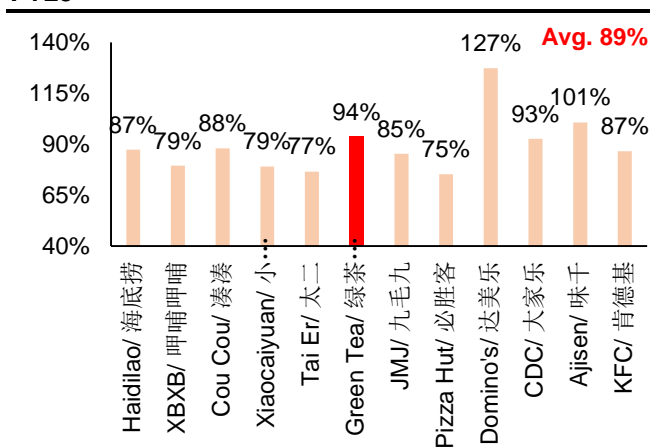
Green Tea has opened about 200 net new stores in the last 4 years, and the total number reached 360 stores in FY23, representing a 22% store count CAGR, which is much faster than the peers' average of 14%. Despite such a rapid expansion, Green Tea's sales per store recovery still achieved a 94% level in FY23 (vs FY19), which is once again highly industry leading and much better than peers like Xiaocaiyuan's 79%, Tai Er's 77%, Haidilao's 87% as well as KFC's 87%.

Figure 17: Store count CAGR, by brand, FY19-23



Source: Company data, CMBIGM estimates

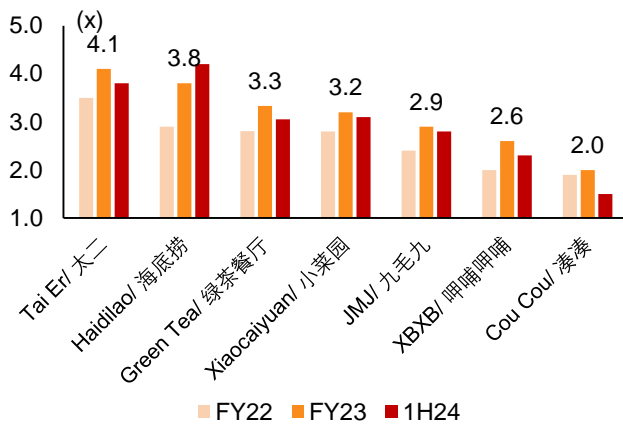
Figure 18: Sales per store* recovery, by brand, FY23



Source: Company data, CMBIGM estimates. *Sales per store = full year sales/ number of stores at year end

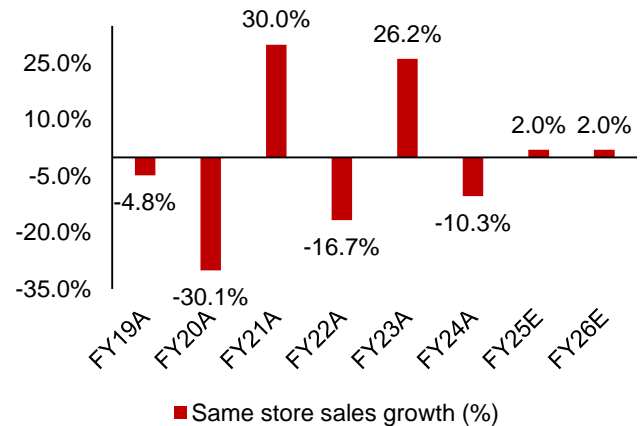
In terms of dine-in customer traffic, Green Tea's seat turnover was fairly high at 3.3x in FY23, which is better than Xiaocaiyuan's 3.2x and Jiumaojiu's 2.9x. We also expect the SSSG to return to positive in FY25E and FY26E, after an about 10% drop in FY24.

Figure 19: Seat or table turnover, by brand



Source: Company data, CMBIGM estimates. *Table turnover is used for XBBX and Cou Cou while seat turnover is used for all others

Figure 20: Green tea's same store sales growth

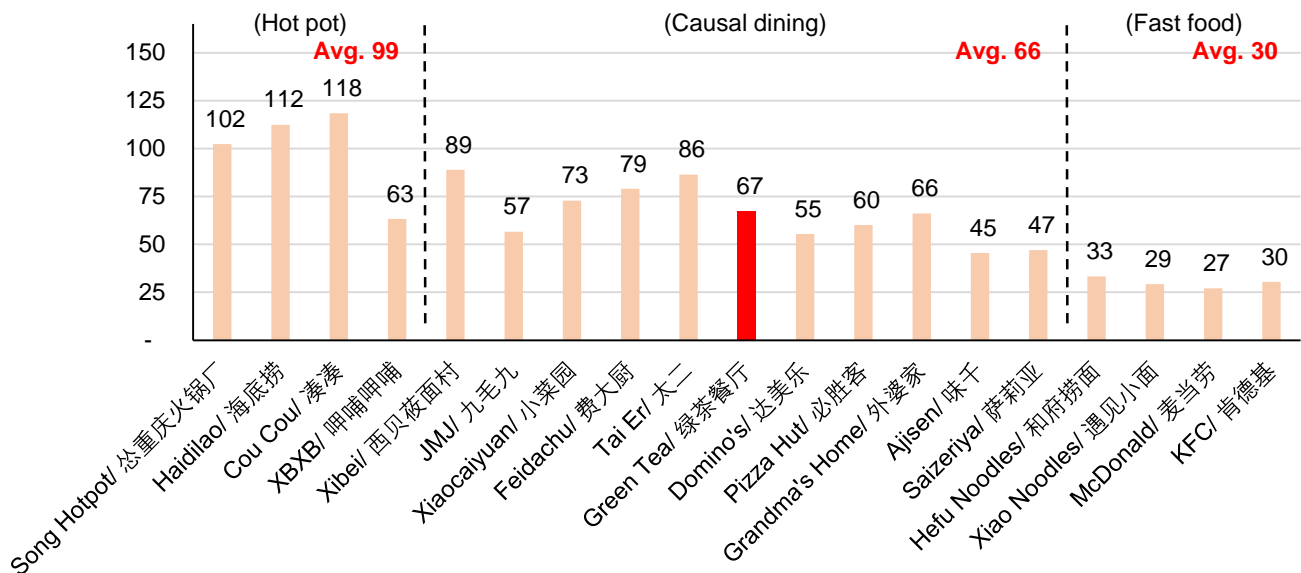


Source: Company data, CMBIGM estimates

1.2 Green Tea has a relatively low price point compared to its Chinese casual dining peers while its dianping customer rating is at the average.

Based on data from dianping.com, Green Tea's average ticket size is at about RMB 67, which is similar to the casual dining average of RMB 66, but it is still slightly lower than peers such as Xibei's RMB 89, Tai Er's RMB 86, and Xiaocaiyuan's RMB 73.

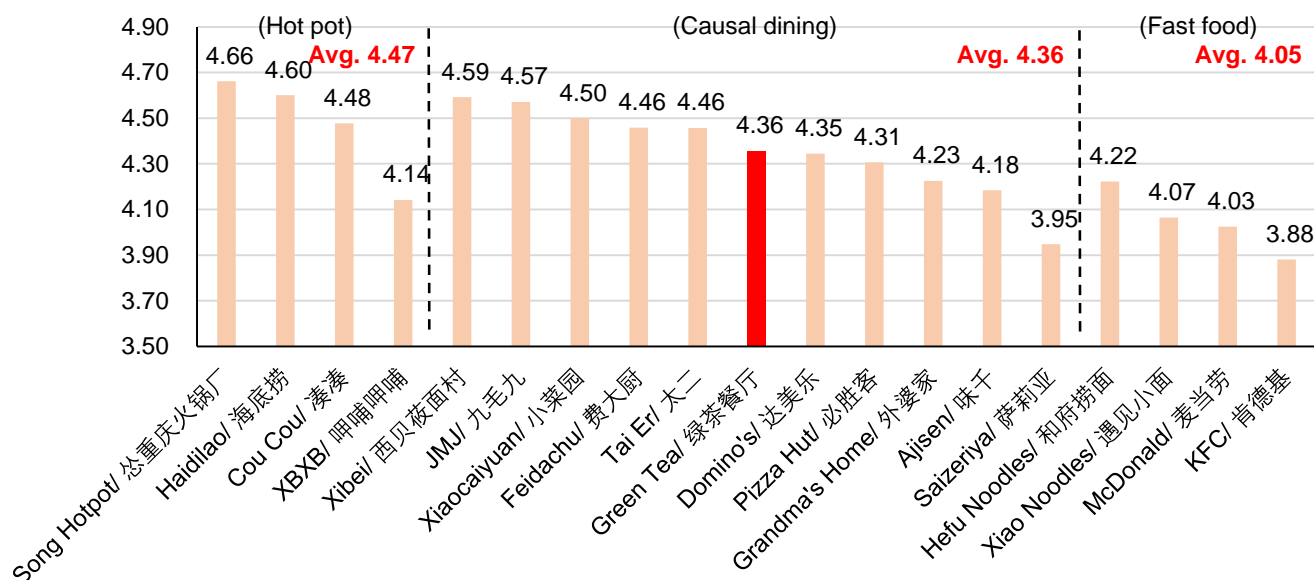
Figure 21: Average ticket size or average selling price (ASP), by brand



Source: www.dianping.com, Company data, CMBIGM estimates

It is true that Green Tea has a more entry-level pricing, but in terms of customer ratings on dianping.com, it is also slightly lower vs its Chinese casual dining peers. But within the entire casual dining segment, Green Tea's customer rating is at 4.36 (out of 5.00), which equals the peers' average of 4.36.

Figure 22: Overall dianping customer ratings, by brand, average in tier-1 cities



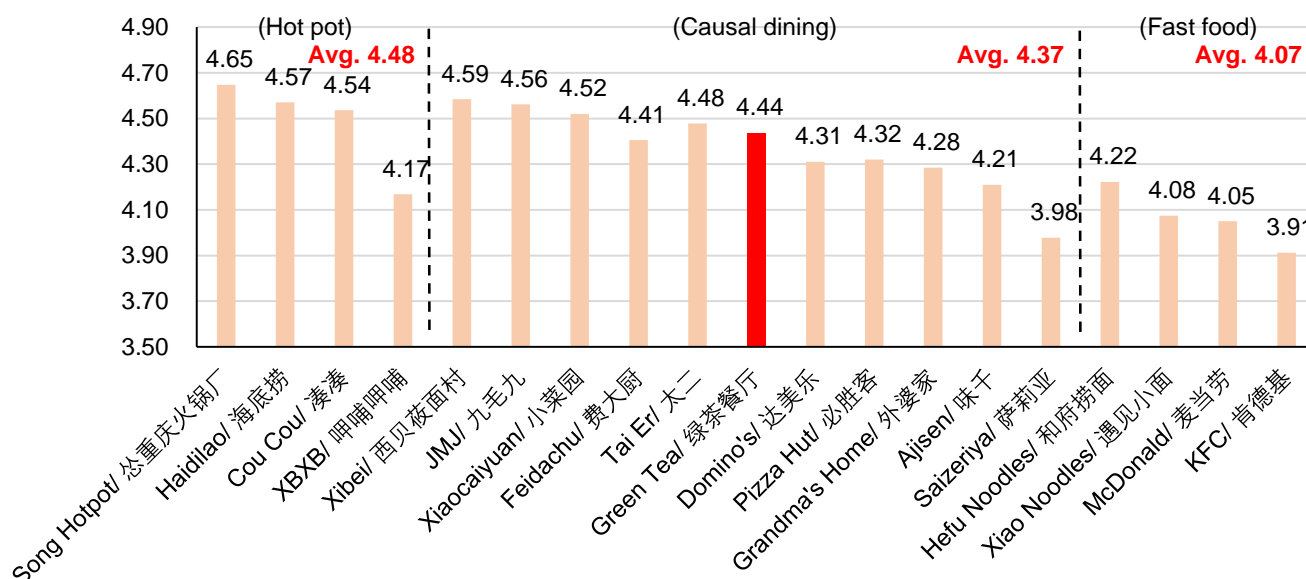
Source: www.dianping.com (average score of restaurants in BJ, SH, SZ and GZ (max 10 restaurants counted per city, ranked by number of comments), as of Mar 2025), company data, CMBIGM estimates

■ 1.3 Green Tea's decor is distinctive, making it an appealing choice for various types of gatherings.

According to dianping.com, the customer rating about the interior design/ store environment of Green Tea was at 4.44 (out of 5.00), which is higher than casual dining peers' average of 4.37 and it is even comparable to peers like Tai Er's 4.48, Xiaocaiyuan's 4.52 and better than Grandma's Home's 4.28.

We believe one of Green's core competency is its price to quality, where the customers can have a very pleasant dining experience (to enjoy the comfortable ambience in the restaurants with a very authentic Chinese-style store decoration) with a fairly low price, vs all its peers.

Figure 23: Dianping customer ratings – environment, by brand, average in tier-1 cities



Source: www.dianping.com (average score of restaurants in BJ, SH, SZ and GZ (max 10 restaurants counted per city, ranked by number of comments), as at Mar 2025), company data, CMBIGM estimates

Typically speaking, Green Tea has the following 3 design templates for its restaurants. 1) *Bamboo Breeze* template/ 清風竹影 which was inspired by the elegant bamboo forest in spring. It resembles the tranquil scenery of dappled morning light which shines through Hangzhou bamboo groves abounding in breeze, and creates an immersive yet refreshing dining experience. 2) *Longjing Boat Banquet* template/ 龍井船宴 which features iconic elements of a beautiful Jiangnan water town, such as boats, waterways and bridges. The design reminds our guests of their soothing trips to Jiangnan water towns. 3) *West Lake Banquet* template/ 西湖盛宴 which was inspired by the iconic natural sceneries of the West Lake of Hangzhou. The design features traditional Chinese landscape paintings as wall decorations, as well as classic-style furniture and lamps.

Figure 24: Store formats and style

Format/ 模板	Bamboo Breeze/ 清風竹影	Longjing Boat Banquet/ 龍井船宴
Image/ 圖片		
Remarks/ 資料	Inspired by the elegant bamboo forest in spring. It resembles the tranquil scenery of dappled morning light which shines through Hangzhou bamboo groves abounding in breeze, and creates an immersive yet refreshing dining experience/ 清風竹影的靈感來自春天優雅的竹林，彷彿斑駁的晨光在微風中穿過杭州竹林的寧靜景色，營造出身臨其境而又清新的用餐體驗。	Features the iconic elements of a beautiful Jiangnan water town, such as boats, waterways and bridges. The design reminds our guests of their soothing trips to Jiangnan water towns/ 龍井船宴，處處綴有烏篷船和小橋流水，盡顯江南水鄉之美的設計，喚起顧客徜徉在江南水鄉的靜謐時光。
Format/ 模板	West Lake Banquet/ 西湖盛宴	
Image/ 圖片		
Remarks/ 資料	Inspired by the iconic natural sceneries of the West Lake of Hangzhou. The design features traditional Chinese landscape paintings as wall decorations, as well as classic style furniture and lamps./ 西湖盛宴的設計靈感源自杭州西湖的標誌性自然風光，以中國傳統山水畫作為牆面裝飾，搭配古典風格的家具及燈具。	

Source: Company data, CMBIGM

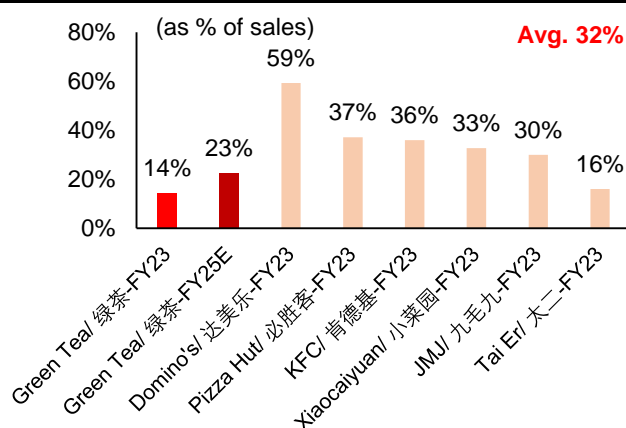
2) High potential in delivery business, the likely future growth driver.

Green Tea sees strong potential in its delivery business as a future growth driver, with current delivery sales mix at just 14% in FY23, well below the peer average of 32%, due to its past focus on dine-in experiences. However, with a strategic shift underway, the brand is now leveraging competitively priced delivery menus (about 5% cheaper than dine-in for similar items) and introducing exclusive delivery-only dishes to attract new customers. By carefully managing product overlap and maintaining dine-in appeal, Green Tea aims to expand its customer base while boosting incremental sales through high-quality delivery offerings.

■ 2.1 Green Tea's sales mix from delivery is still relatively low vs peers.

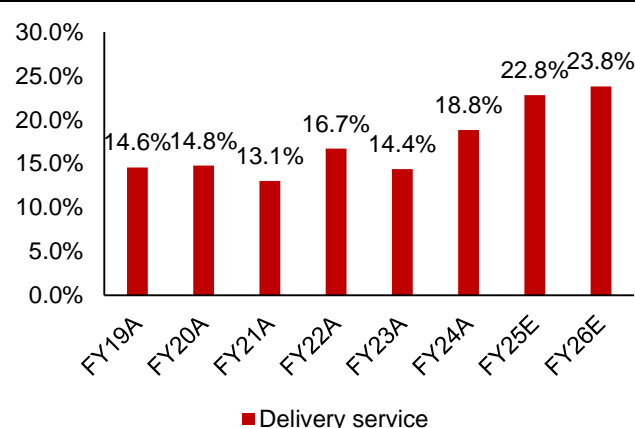
In our view, the reason that Green Tea did not aggressively expand its delivery business previously was its strategic focus on the dine-in business, as it thinks its core advantage should be its beautiful store environment. The sales mix from delivery in FY23 was only at 14%, much lower than peers' average of 32% and Xiaocaiyuan's 33%. Going forward, after the shift in policy and strategy, Green Tea delivery services may become a new growth driver in the next few years.

Figure 25: Sales mix from delivery, by brand



Source: Company data, CMBIGM estimates

Figure 26: Green Tea's delivery services sales mix

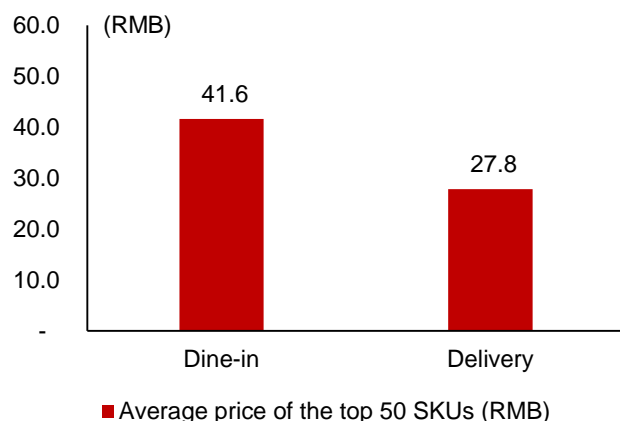


Source: Company data, CMBIGM estimates

■ 2.2 Delivery products have more value than dine-in products, which might help attract more new orders effectively.

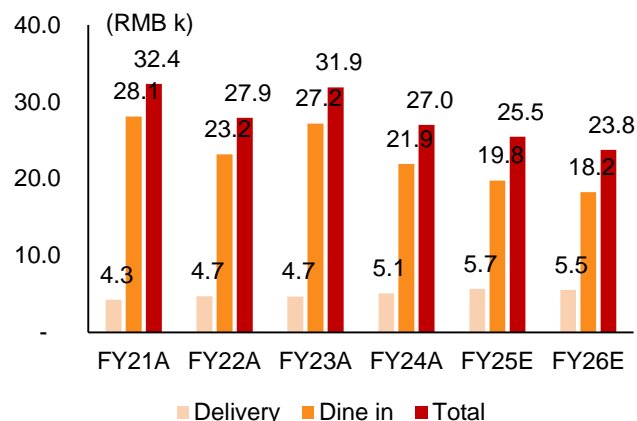
Based on our data collected from dianping.com and meituan.com about Green Tea's Futian C Future City store in Shenzhen, the average price of the top 50 SKUs on delivery menu is at about RMB 28, which is much lower than the RMB 42 for dine-in menu. Moreover, if we compare only the similar items, prices on the delivery menu could even be slightly cheaper vs the dine-in menu (5% discount on average, even though the portion might be re-adjusted), and in our view, this has made the delivery business fairly appealing to the customers.

Figure 27: Average price per item, dine-in vs delivery



Source: www.dianping.com, Company data, CMBIGM

Figure 28: Average daily sales per store, by segment



Source: Company data, CMBIGM estimates

Figure 29: Products and prices that are both available on the dine-in and delivery menus, at the Futian C Future City store in Shenzhen

Numbers	Dine-in product name	Price (RMB)	Delivery product name	Price (RMB)
1	粉丝裹虾	49.0	招牌粉丝裹虾 (小份)	29.0
			粉丝裹虾单人餐	35.0
2	面包诱惑	32.0	面包诱惑	32.0
3	石锅西施豆腐	35.0	石锅西施豆腐	35.0
4	绿茶烤鸡	36.0	绿茶烤鸡 (半只)	36.0
			(直播专享) 绿茶烤鸡 (半只) 不可免辣	36.0
			绿茶烤鸡 (整只)	68.0
5	江南绿茶饼	28.0	江南绿茶饼	18.0
6	东坡仔排	58.0	东坡仔排	58.0
7	小锅土豆	25.0	小锅土豆	25.0
8	客家茄子煲	28.0	客家茄子煲	32.0
9	铁板包浆豆腐	28.0	铁板包浆豆腐	28.0
10	临安定胜糕	16.0	临安定胜糕	16.0
11	黄豆焖猪脚	48.0	黄豆焖猪脚	48.0
12	杭风香锅卷心菜	26.0	杭风香锅卷心菜	26.0
13	龙井烤鸡	58.0	(直播专享) 龙井烤鸡 (整只)	58.0
14	酸菜鱼	78.0	(直播专享) 酸菜鱼 (黑鱼) 1+2 超 OK 单人餐	48.9
15	渔家豆豉花蛤	35.0	渔家豆豉花蛤	35.0
16	绿茶招牌炒饭	28.0	绿茶招牌炒饭	28.0
17	东北大米饭	3.0	东北大米饭	3.0
	一品锅米饭	24.0		
18	冰粉	n/a	解暑清凉小冰粉	6.6
Average price		35.3	Average price	33.4

Source: www.dianping.com, www.meituan.com, as of 25 Feb 2025, CMBIGM estimates

Figure 30: Top 50 items and their prices on the dine-in and delivery menus, at the Futian C Future City store in Shenzhen

By popularity	Dine-in			By monthly sales volume	Delivery		
	Product name	Price (RMB)	Number of likes		Product name	Price (RMB)	Monthly sales volume
1	粉丝裹虾	49.0	72	1	东北大米饭	3.0	2000+
2	面包诱惑	32.0	63	2	(直播专享) 酸菜鱼(黑鱼) 1+2 超 OK 单人餐	48.9	500+
3	石锅西施豆腐	35.0	43	3	爆款单人随心配	41.8	400+
4	绿茶烤鸡	36.0	35	4	绿茶烤鸡(半只)	36.0	300+
5	江南绿茶饼	28.0	22	5	粉丝裹虾单人餐	35.0	300+
6	东坡仔排	58.0	18	6	(直播专享) 绿茶烤鸡(半只) 不可免辣	36.0	300+
7	小锅土豆	25.0	11	7	招牌粉丝裹虾(小份)	29.0	200+
8	客家茄子煲	28.0	9	8	绿茶必点烤鸡单人餐	42.8	200+
9	豆瓣扒通菜	n/a	4	9	番茄鸡蛋盖码饭	19.8	200+
10	花蟹烧年糕	58.0	3	10	解暑清凉小冰粉	6.6	100+
11	铁板包浆豆腐	28.0	3	11	面包诱惑	32.0	100+
12	椒麻大白条	69.0	3	12	石锅西施豆腐	35.0	100+
13	龙井柠檬茶	9.9	2	13	干锅纸片笋(小份菜)	18.0	100+
14	临安定胜糕	16.0	2	14	蒜苔肉丝	23.9	100+
15	酱爆石锅蛙	58.0	2	15	肉末青椒炒鸡蛋	16.0	100+
16	香锅扁豆丝	n/a	2	16	小锅土豆	25.0	100+
17	江南东坡肉	25.0	1	17	干锅扁豆丝	28.0	100+
18	老绍兴喉口包	12.8	1	18	客家茄子煲	32.0	100+
19	黄豆焖猪脚	48.0	1	19	杭风香锅卷心菜	26.0	100+
20	牛肉诱惑	58.0	1	20	绿茶招牌炒饭	28.0	100+
21	杭风香锅卷心菜	26.0	1	21	东坡仔排	58.0	98
22	龙井烤鸡	58.0	1	22	蒜苔肉丝单人餐	37.0	97
23	西湖醋鱼	n/a	1	23	番茄炒蛋	18.0	94
24	川府毛血旺	58.0	n/a	24	酸辣土豆丝	18.0	90
25	绿茶蛋蒸肉	22.0	n/a	25	辣椒炒肉(小份)	28.0	85
26	酸菜鱼	78.0	n/a	26	红糖馒头	3.5	82
27	广式多宝鱼	138.0	n/a	27	油淋脆菜心	18.0	79
28	牛软萝卜汤	42.0	n/a	28	鱼头诱惑(半只)	49.0	76
29	家烧黄鱼	118.0	n/a	29	凉瓜炒牛肉	29.0	76
30	豌豆肥肠	48.0	n/a	30	(直播专享) 辣椒炒肉 1+2 超 OK 单人餐	48.9	75
31	鲍汁萝卜	25.0	n/a	31	肉碎鲜椒藕丁单人餐	32.0	73
32	渔家豆豉花蛤	35.0	n/a	32	桂花米糕	12.0	73
33	湾湾饼	9.9	n/a	33	桂花米糕	12.0	73
34	绿茶招牌炒饭	28.0	n/a	34	茶茶椒香鸡腿(不可免辣)	8.0	67
35	东北大米饭	3.0	n/a	35	肉碎花菜	18.0	67
36	铁板香辣鱿鱼	42.0	n/a	36	铁板包浆豆腐	28.0	60
37	小炒花石香干	25.0	n/a	37	农家一碗香	29.0	57
38	香辣紫苏蛙	58.0	n/a	38	辣椒炒肉	48.0	56
39	海带苗排骨汤	38.0	n/a	39	香锅花菜	29.0	56
40	一品锅米饭	24.0	n/a	40	麻婆豆腐	20.0	52
41	椒麻脆黄瓜	18.0	n/a	41	黄豆焖猪脚	48.0	52
42	红烧羊肉煲	88.0	n/a	42	渔家弯弯饼	9.9	48
43	吴韵上汤时蔬	26.0	n/a	43	蚝油生菜	22.0	47
44	三色鸡丝凉面	22.0	n/a	44	渔家豆豉花蛤	35.0	37
45	伊人荔枝虾丸子	28.0	n/a	45	江南绿茶饼	18.0	37
46	酸菜土豆炖牛腩	68.0	n/a	46	农家一碗香盖码饭	33.8	35
47	鲜汤腐竹	32.0	n/a	47	辣椒炒肉盖码饭	32.8	34
48	冰粉	n/a	n/a	48	干锅纸片笋	32.0	34
49	糖醋排骨	n/a	n/a	49	田舍干叶豆腐	25.0	34
50	田舍干页豆腐	n/a	n/a	50	外婆菜炒鸡蛋	28.0	33

Source: www.dianping.com, CMBIGM estimates

■ **2.3 Green Tea aims to focus on high-quality delivery, attracting new customers while maintaining the dine-in demand.**

The delivery menu will retain popular bestsellers to preserve brand identity while also introducing exclusive delivery-only items. Only 20% to 30% of the items are overlapping between the dine-in and delivery offerings, and therefore the cannibalization should be under control or limited in our view. Besides, Green Tea has introduced many new items such as combo meals for individuals/ gatherings or home-made style dishes, which should be effective in driving additional growth in the delivery segment.

Figure 31: Items (and the prices) that are only available on the delivery menu

Delivery Only	Product name	Price (RMB)
单人餐	(直播专享) 酸菜鱼 (黑鱼) 1+2 超 OK 单人餐	48.9
	(直播专享) 辣椒炒肉 1+2 超 OK 单人餐	48.9
	肉碎鲜椒藕丁单人餐	32.0
	爆款单人随心配	41.8
	绿茶必点烤鸡单人餐	42.8
	蒜苔肉丝单人餐	37.0
	Price range	32~49
多人餐	(品质甄选) 双人套餐	68.8
	(招牌必点) 双人套餐	78.8
	绿茶·干饭双人餐	88.0
	(绿茶打卡美食) 2 到3人餐	130.8
	Price range	68.8~130.8
单点菜品	番茄炒蛋	18.0
	酸辣土豆丝	18.0
	麻婆豆腐	20.0
	蒜苔肉丝	23.9
	辣椒炒肉 (小份)	28.0
	番茄鸡蛋盖码饭	19.8
	农家一碗香盖码饭	33.8
	辣椒炒肉盖码饭	32.8
	Price range	18~34

Source: Company data, CMBIGM estimates

3) Ample room for store expansion (density per city, lower-tier cities and overseas) and margin enhancement (more smaller-sized stores and use of central kitchen).

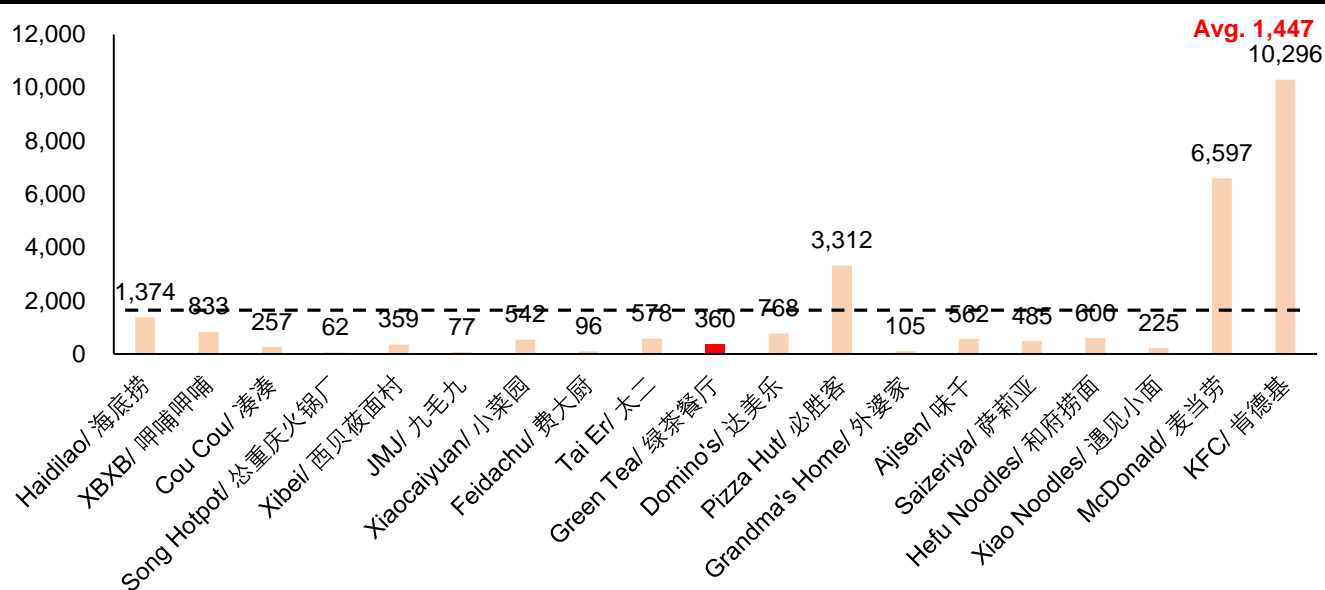
Green Tea still has ample room for expansion and margin improvement, both in China and overseas. Domestically, while it has entered a relatively high number of cities, its store density per city remains far below peers, offering significant potential for growth, especially through smaller-sized stores that offer better margins and flexibility. Lower-tier cities also present opportunities, given Green Tea's affordable pricing, localized menus, and cost-efficient formats. Overseas, the brand has begun expanding into Hong Kong and plans to enter Southeast Asia and North America, though margins may remain low due to high costs. Overall, the strategic shift toward smaller-sized stores and central kitchens is likely to support both rapid expansion and higher profitability.

■ 3.1 We think there is still room for expansion in China, based on store count and store density per city.

Firstly, we may refer to China catering sector (including hot pot, casual dining and fast food). The estimated market capacity of Green Tea stores in China can be as high as 1,447, based on the simple average.

Secondly, we may compare its store count to different peers' like Haidilao's 1,374, XBBX's 833, Tai Er's 542, Domino's 768 and even Pizza Hut's 3,312. We are still confident on Green Tea's store expansion in the next 3 years (about 105/ 150/ 200 net new stores in FY24/ 25E/ 26E) and the total store count may reached around 830 by FY26E.

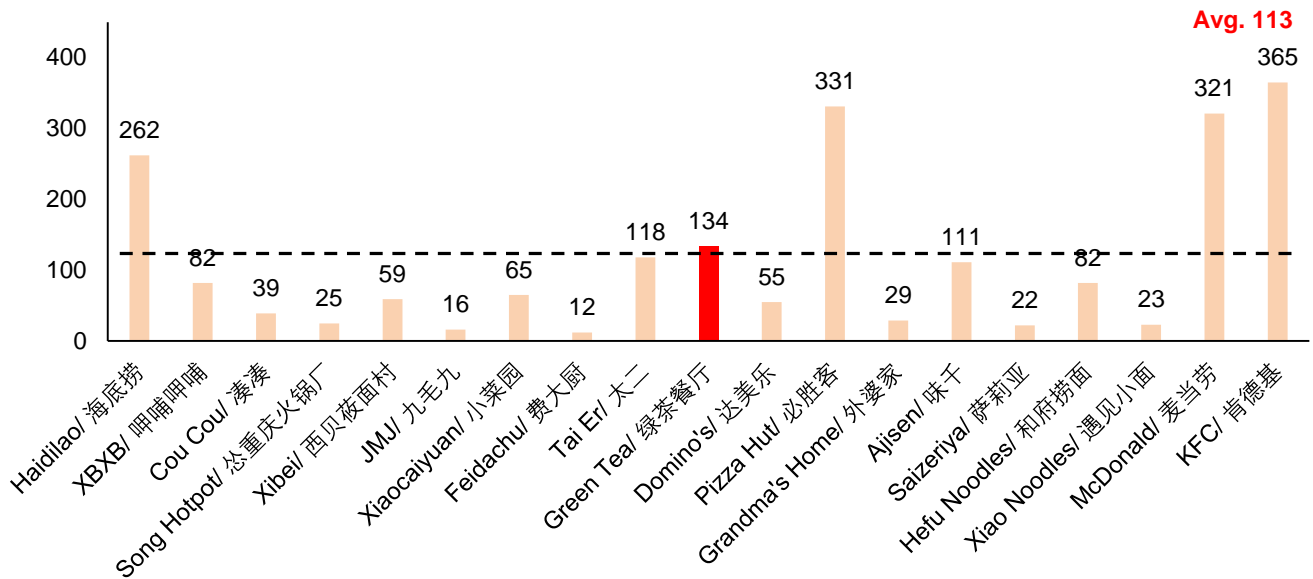
Figure 32: Number of stores, by brand, as of 2023



Source: Company data, CMBIGM estimates

If we look at number of cities penetrated by Green Tea, it was at 134 in 2023, which is not low given the average number was just 113, and also not low when we compare it to Xibei's 59, Xiaocaiyuan's 65 and even Tai Er's 134.

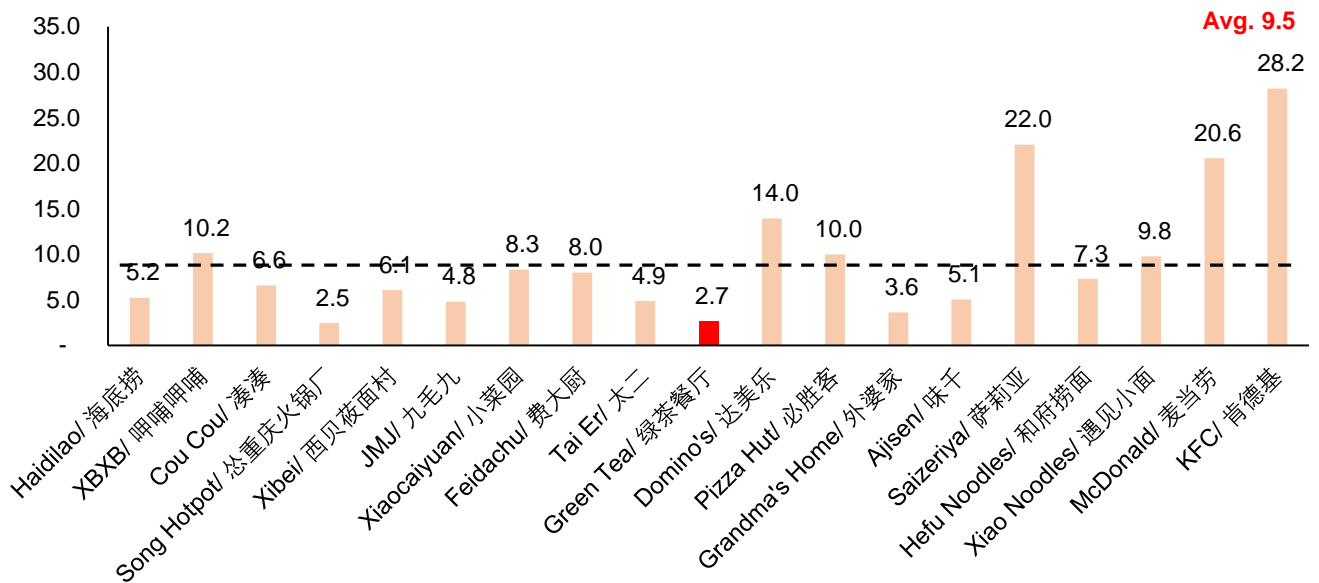
Figure 33: Number of cities penetrated, by brand as of 2023



Source: Company data, CMBIGM estimates

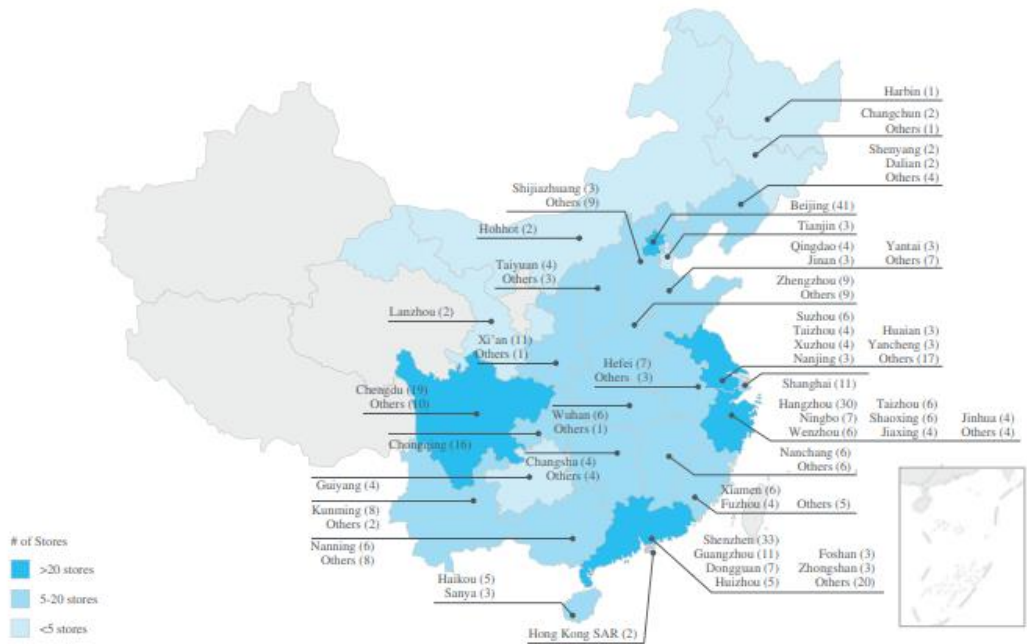
However, in terms of store density per city, the number of Green Tea is fairly low, at just 2.7x, which is substantially lower than the industry average of 9.5x and peers like Xibei's 6.1x, Xiaocaiyuan's 8.3x, Tai Er's 4.9x and even Ajisen's 5.1x.

Figure 34: Number of stores per city, by brand, as of 2023



Source: Company data, CMBIGM estimates

Figure 35: Green Tea Group’s store network, by region



Source: Company data as of 10 Dec 2024, CMBIGM

■ 3.2 Expansion opportunities exist in lower-tier cities, where the brand's attributes are well-suited.

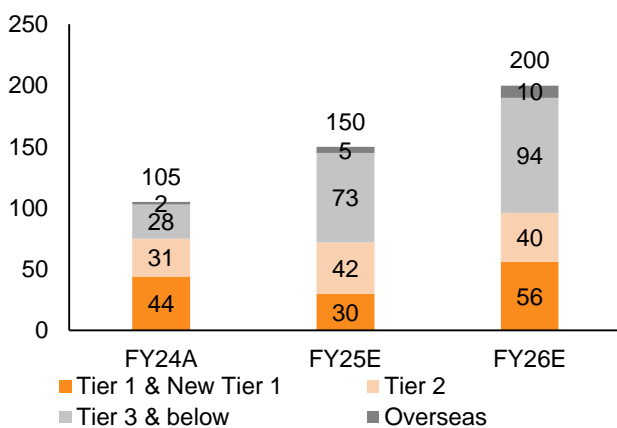
In terms of store mix, we think Green Tea's presence in the lower-tier cities is already higher than average (about 25% of stores are located in Tier 3 or below vs industry average of 16%). However, if we compare it to peers like Haidilao/ XBXB/ JMJ/ Xiaocaiyuan/ Pizza Hut/ KFC, where their mix are at 30%/ 26%/ 31%/ 31%/ 30%/ 36%, we see chances for Green Tea to further expand into the lower-tier cities. In fact, we do find that very likely, because of the following advantages: 1) Green Tea has a slightly lower ASP, which should fit the purchasing power in the lower-tier cities better, 2) Green Tea has a menu which is innovative (about 20% of the items will be updated every year) and able to fit a wide range of tastes (many items are localized based on the local tastes of different regional markets in China), and 3) the smaller-sized store format introduced by Green Tea has a lower capex (vs the pervious larger-sized version) and a faster cash investment payback period, which is very suitable for the lower-tier markets.

Figure 36: Store mix by different city tiers, by brand

Store mix by brand	T1	New T1	T2	T3	T4	T5	Others
Haidilao/ 海底捞	17%	30%	23%	17%	9%	4%	0%
XBXB/ 呷哺呷哺	42%	17%	15%	17%	6%	2%	0%
Cou Cou/ 凑凑	39%	37%	22%	2%	0%	0%	0%
Song Hotpot/ 怱重庆火锅厂	55%	12%	23%	7%	2%	0%	0%
Xibei/ 西贝莜面村	44%	33%	17%	5%	1%	0%	0%
JMJ/ 九毛九	56%	7%	7%	26%	3%	1%	0%
Xiaocaiyuan/ 小菜园	16%	29%	24%	25%	5%	1%	0%
Feidachu/ 费大厨	63%	35%	0%	2%	0%	0%	0%
Tai Er/ 太二	32%	22%	26%	15%	4%	1%	1%
Green Tea/ 绿茶餐厅	21%	29%	24%	16%	9%	1%	0%
Domino's/ 达美乐	48%	36%	14%	2%	0%	0%	0%
Pizza Hut/ 必胜客	18%	30%	23%	16%	9%	4%	1%
Grandma's Home/ 外婆家	26%	46%	19%	6%	2%	0%	0%
Ajisen/ 味千	33%	24%	27%	13%	3%	1%	0%
Saizeriya/ 萨莉亚	71%	22%	7%	0%	0%	0%	0%
Hefu Noodles/ 和府捞面	41%	29%	19%	9%	2%	0%	0%
Xiao Noodles/ 遇见小面	73%	15%	8%	2%	0%	0%	0%
McDonald/ 麦当劳	28%	28%	21%	14%	7%	3%	0%
KFC/ 肯德基	17%	25%	23%	19%	11%	5%	1%

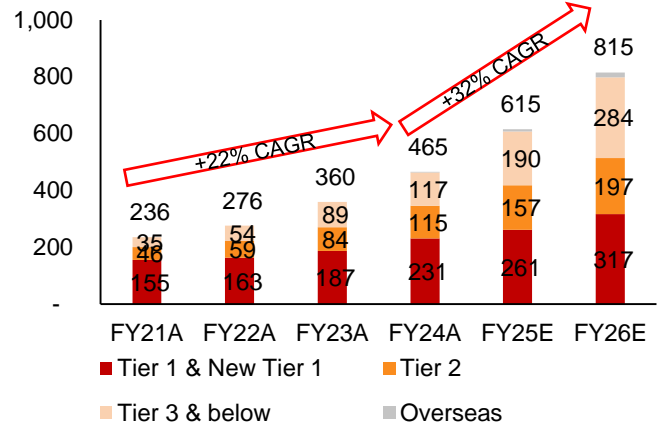
Source: Company data, www.canyandata.com, CMBIGM

Figure 37: Store opening target, by city tier



Source: Company data, CMBIGM estimates

Figure 38: Number of Green Tea stores, by city tier

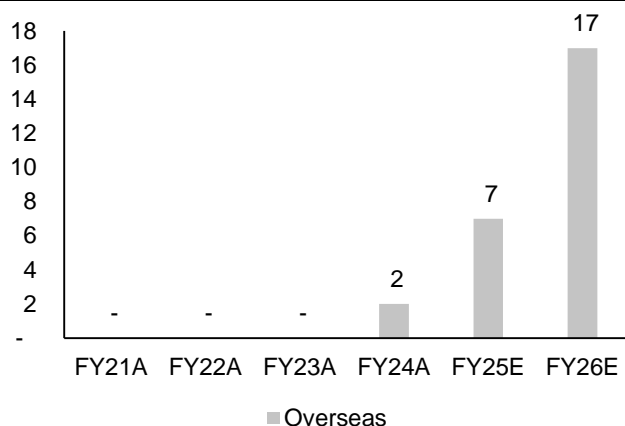


Source: Company data, CMBIGM estimates

3.3 There is still room for expansion in overseas markets but we are prudent about margins.

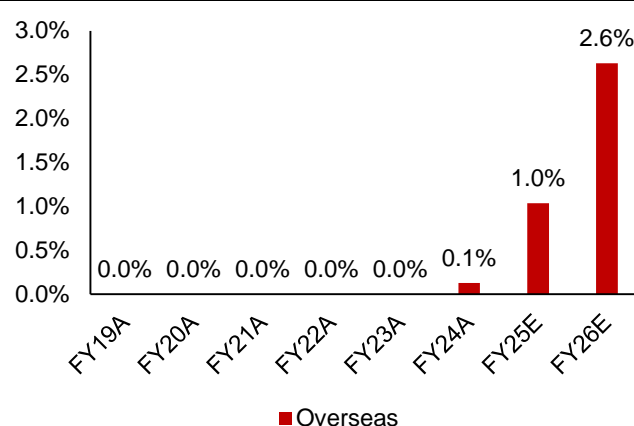
Green Tea has a plan to expand overseas in the next few years. It has already opened 2 restaurants in FY24 and another 2 in FY25 in Hong Kong. Going forward, apart from Hong Kong, it will also open stores in Southeast Asia and North America (total numbers in the overseas markets may reach 17 by FY26E, based on our estimate).

Figure 39: Number of Green Tea's overseas stores



Source: Company data, CMBIGM estimates

Figure 40: Sales mix from overseas



Source: Company data, CMBIGM estimates

In terms of store economics, the store size tends to be smaller in Hong Kong (mostly are at 200 sq.m to 250 sq.m, except the one in The Wai) while the ASP in Hong Kong will be 1.8x (at max) vs that in mainland China. Based on our channel checks, table turnover in Hong Kong seems to be quite decent (higher than mainland China's). But given the far greater operating expenses (capex is about 2x to 3x higher, both rental expense and staff cost ratios are also higher), we may only assume a much lower margin for the store OP margin and a barely breakeven profitability for the entire overseas business in the near future.

Figure 41: Some of Green Tea's stores in Hong Kong



Source: www.openrice.com, CMBIGM

Figure 42: Comparison between store economics in Mainland vs Hong Kong

	Mainland China	Overseas
Capex per store (RMB mn)	2.1 to 3.6	6.0 to 15.0
Store size (sq.m)	350 to 500	200 to 400
Average spending per person	RMB 50 to 100	HK\$ 100 to 200
Price of longjing grilled chicken	RMB 58	HK\$ 138

Source: Company data, CMBIGM estimates

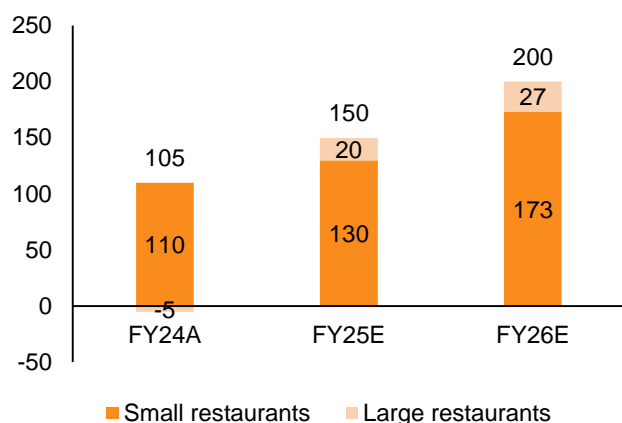
■ 3.4 Green Tea plans to open more smaller-sized stores, facilitating expansion while improving profit margins.

For Green Tea, we believe the adoption of more smaller-sized stores is highly favourable for future expansion and development, because of the high suitability, where smaller-sized stores are useful for increasing store density in existing markets (it can take more delivery orders) and for penetrating into the lower-tier cities (since it has a lower ASP, while the rental and staff costs are also lower). Moreover, the smaller-sized stores tend to have a better operating profit margin, thanks to not only the lower rent (size is smaller) but also greater efficiency (the area may be 30% lower vs larger-sized stores but the number of seats only drops by 26%), as well as the lower D&A expenses (because the capex required is also less, aided by lower decoration and interior design costs). Hence, all in all, we can expect the OP margin for smaller-sized stores to be 2ppt higher than that of the larger-sized stores.

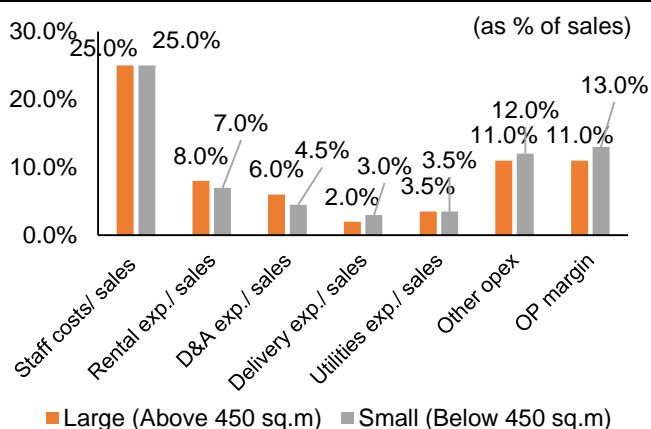
Figure 43: Store economics of large and small-size restaurants

Restaurants by store size	Large (Above 450 sq.m)	Small (Below 450 sq.m)
Average store size	~500	~350
Number of tables	45 to 48	33 to 35
Number of guests per table	~3.3	~3.3
Average table turn per restaurant per day (x)	~3.3	~3.3
Average spending per guest (RMB)	~62	~61
Average dine-in sales per store per day (RMB)	~30,000	~23,000
Annual sales per store (RMB mn)	~11.2	~9.1
GP margin	66.5%	68.0%
Number of staffs	20 full-time + 16 part-time	12 full-time + 16 part-time
Staff costs/ sales	25.0%	25.0%
Rental exp./ sales	8.0%	7.0%
Capex per store (RMB mn)	~3.7	~2.3
Capex per sq.m (RMB)	7000 to 8000	6500 to 7000
D&A exp./ sales	6.0%	4.5%
Delivery sales mix	~15%	~20%
Delivery exp./ sales	2.0%	3.0%
Utilities exp./ sales	3.5%	3.5%
Other opex	11.0%	12.0%
OP margin	11.0%	13.0%

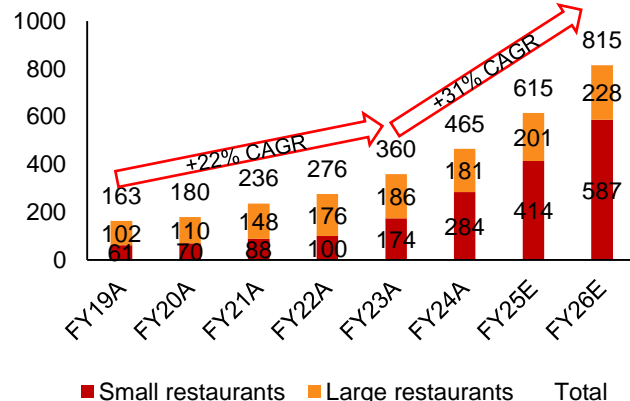
Source: Company data, CMBIGM estimates

Figure 44: Store opening target, by store size

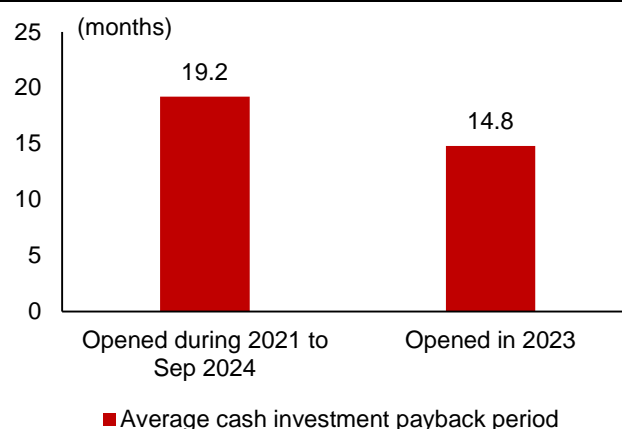
Source: Company data, CMBIGM estimates

Figure 46: Opex/ sales and OP margin, by store size, FY23

Source: Company data, CMBIGM estimates

Figure 45: Number of Green Tea stores, by store size

Source: Company data, CMBIGM estimates

Figure 47: Cash payback period*, by time of opening

Source: Company data, CMBIGM estimates, *Among the restaurants which have already achieved cash investment payback

4) Standardization may reduce chef numbers, time and kitchen size.

Even though Green Tea is not hotpot- or fast food-focused, it is highly dedicated to standardization (to effectively reduce the dependency on chefs), covering areas from: 1) raw material sourcing, 2) food preparation at central kitchen, to 3) adopting more semi-processed products from the central kitchen or 3rd-party food processing companies, which have made it fairly leading amongst all the casual Chinese dining brands. The benefits, in our view, are manifold, such as guaranteeing food safety and taste, reduction of food preparation time, simplifying cooking processes, reduction of staff numbers and size of kitchens, etc. Green Tea's new direct procurement centre already started operation in FY21 while its central kitchen will be launched in FY26E, according to the company.

■ 4.1 Standardization of supply chain and raw material sourcing.

In order to boost operating efficiency of its supply chain, Green Tea established a direct procurement centre in Jan 2021 and will increase the amounts of direct procurement from local suppliers, for fresh ingredients, at a more competitive price. On top of further cost optimization, it will also reduce risk of food spoilage. And moreover, the Company will continuously identify and engage new suppliers (at least 3 different independent suppliers for any type of raw material) to ensure the stable supply of fresh ingredients and discover room for further margin improvements.

Figure 48: Green Tea's plan to further standardize production, supply chain and restaurants

	Types of standardization	Method	Original locations	New locations	Benefits	Financial impacts
Up-stream	Raw materials and supply chain	Establishing a direct procurement centre, commenced operation in Jan 2021.	Middlemen suppliers	Local suppliers and procurement centre	1. Improve food safety 2. More stable food supply 3. Enhancing economies of scales	1. Higher GP margin
Mid-stream	Food processing	Building centralized facilities, which are equipped with many automated machines to clean, wash and cut various types of raw materials, etc., will commence operation in FY26E.	Kitchens at stores	Central kitchen	1. Guaranteeing product tastes and quality 2. Reducing staffs' workload at stores 3. Reducing size of kitchens 4. Increasing scalability of store expansion	1. Higher GP margin 2. Lower staff costs 3. Reducing rent
Down-stream	Products and presentation	Sourcing more semi-processed food (including different pork, chicken, aquatic or bakery products).	Kitchens at stores, or smaller-sized food processing companies	Central kitchen, or large third-party food processing companies	1. Guaranteeing product tastes and quality 2. Improve food safety 3. More stable food supply 4. Reducing staffs' workload at stores 5. Reducing food preparation time	1. Higher GP margin 2. Lower staff costs 3. Increasing store efficiency

Source: Company data, CMBIGM estimates

■ 4.2 Standardization of food preparation by building more central kitchens.

Green Tea will establish its own centralized food processing facility (e.g. central kitchen) in Zhejiang province, which is expected to be completed by FY26E. This facility will be equipped with many state-of-the-art food processing equipment, including machines that can automatically wash, cut and marinate various types of raw materials.

We believe the mix of products being supplied from this self-owned central kitchen will go up after the commencement of the self-owned food processing plant in FY26E, and this should be able to: 1) better guarantee food safety and product quality, 2) reduce food preparation time, 3) reduce the number of staff and staff workload, 4) reduce kitchen size, 5) enhance product research and development, and 6) explore more new retail product offerings. And financially speaking, it should improve GP margin, and reduce staff costs and rental expenses.

■ 4.3 Standardization of food processing by using more semi-processed products (different pork, chicken, aquatic or bakery products).

Green Tea will continue to refine the food preparation procedures at its restaurants by developing menu items that require fewer steps of cooking before serving them to the customers.

Another way to refine the food preparation process is by adopting more semi-processed food, by sourcing more from the self-owned central kitchen or from the large third-party food processing companies.

These could bring various benefits such as: 1) higher food safety, 2) more stable food quality, 3) more automation in the kitchen, 4) lower input costs given greater economies of scale, and 5) greater leverage on the R&D resources.

Industry Analysis

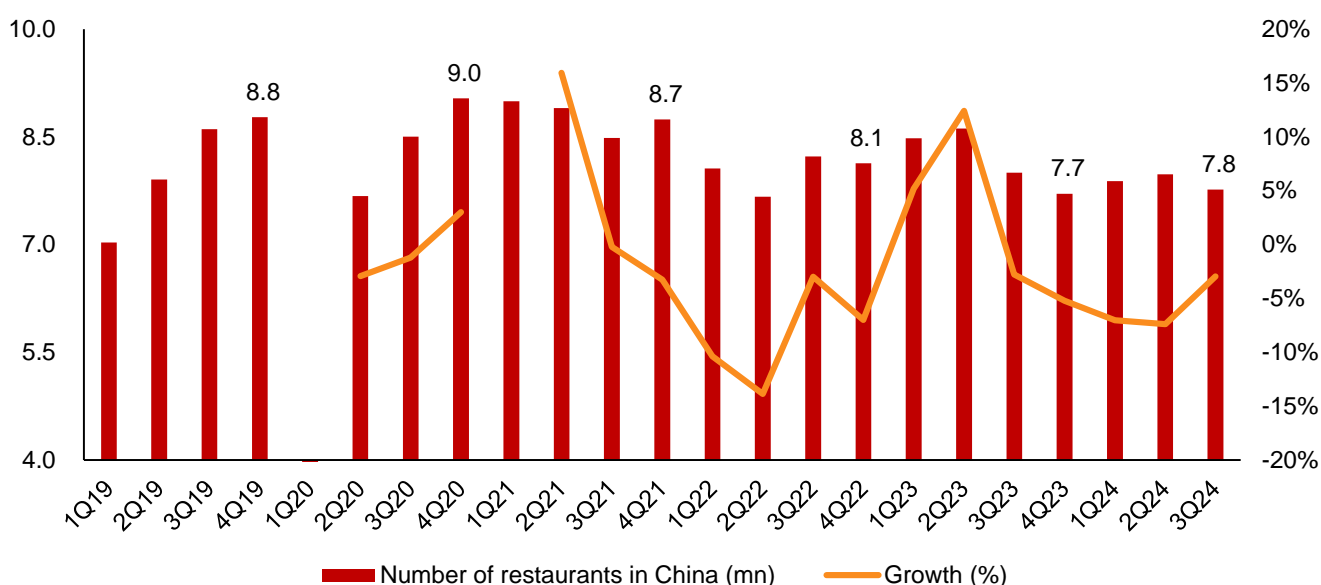
1) Industry supply may stabilize while consolidation may continue

According to data from shangquanshow/ 辰智大数据, since peaking in 2020, China catering industry has undergone a 12% supply contraction but appears to have stabilized by 4Q24, with signs of recovery and rising investor interests as store opening rate has finally balanced the store closure rate, at about 18% in 2H24. The chain restaurant penetration in China has risen from 13% in 2019 to 24% in 2024, yet remains low compared to many more developed markets, signaling ample room for growth. Both Green Tea and various regional Chinese cuisine brands should also benefit from this trend, as the standardization is improving through greater digitalization and automation.

■ 1.1 Industry supply has decreased by 12% since the peak and seems to have stabilized recently.

According to data from shangquanshow/ 辰智大数据, the number of restaurants in China peaked in 2020 and then decreased by 12% till 3Q24. The number of restaurants improved both QoQ and YoY in 4Q24 vs 3Q24, which may be a sign of bottoming out. The consolidation is clearly beneficial to the leading brands, where the number of stores for Green Tea has increased by about 67% in the same period. We believe the consolidation will continue in the future.

Figure 49: Number of restaurants in China and growth

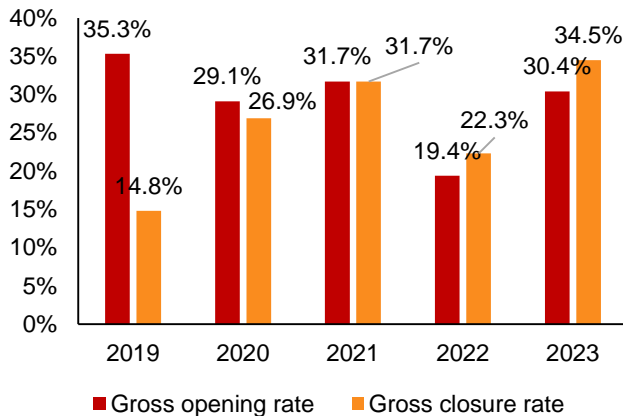


Source: www.shangquanshow.com, CMBIGM estimates

■ 1.2 Industry store openings and closures seem to have reached a balance.

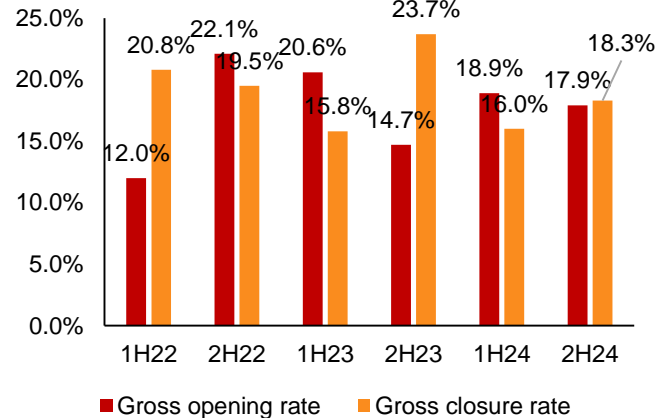
According to data from shangquanshow/ 辰智大数据, the store opening rate has been lower than the store closure rate since 2021, indicating a state of oversupply. But fortunately, these two parameters seem to have reached a balance starting from 2H24. For store opening rate, it fell to only 30% in 2023, from 35% in 2019, but improved to 18% in 2H24, compared to the 15% in 1H23. This is indicating investor interests have finally rebounded. For store closure rate, it rocketed from just 15% in 2019 to about 35% in 2023, but also improved to 18% in 2H24, compared to around 24% in 1H23, pointing to a state of easing of industry consolidation.

Figure 50: Gross opening and closure rate (yearly)



Source: www.shangquanshow.com, CMBIGM estimates

Figure 51: Gross opening and closure rate (half-yearly)

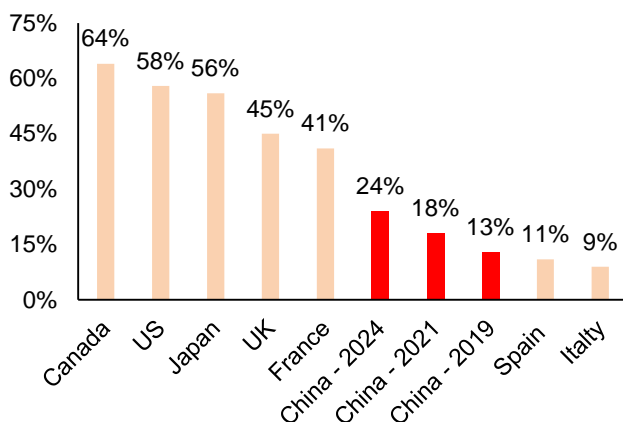


Source: www.shangquanshow.com, CMBIGM estimates

■ 1.3 Chain restaurants rate (market share owned by the chain restaurants) continues to rise but there is still room for more growth.

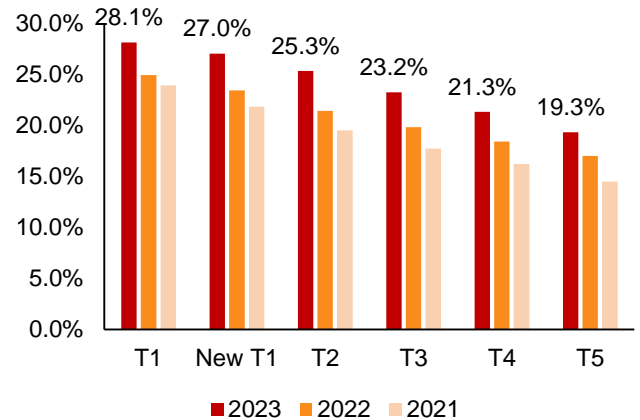
Since the beginning of the COVID-19 pandemic, the consolidation of the China catering industry has accelerated, because chain restaurants tend to have advantages in branding, products and capital, and the chain restaurant rate has gone up from 13% in 2019 to about 24% in 2024. Compared to overseas regions like the US (58%), Japan (56%), and the UK (45%), China is still low in terms of chain restaurant rate. Even for tier-1 cities in China (28%), we believe there is still room for the chain restaurant rate to climb in the future.

Figure 52: Chain restaurant rate, by region



Source: Euromonitor, Meituan, CMBIGM estimates

Figure 53: Chain restaurant rate, by city tier in China



Source: Meituan, CMBIGM estimates

We see some room for the chain restaurant rate to go up, in terms of different cuisines. The chain restaurant rate for the 8 major Chinese regional cuisines was only at 21% in 2023, which is still low vs tea drinks (49%), dessert and bakery products (30%), international cuisine (28%), hotpot (24%) and snacks and fast food (25%). Historically, the chain restaurant rate for the 8 major Chinese regional cuisines was lower vs others, because of the huge variety in cooking styles and SKUs, as well as the heavy reliance on chef quality. However, due to continual improvements in digitalization and automation, the level of standardization has been improving.

Figure 54: Chain restaurant rate, by cuisine

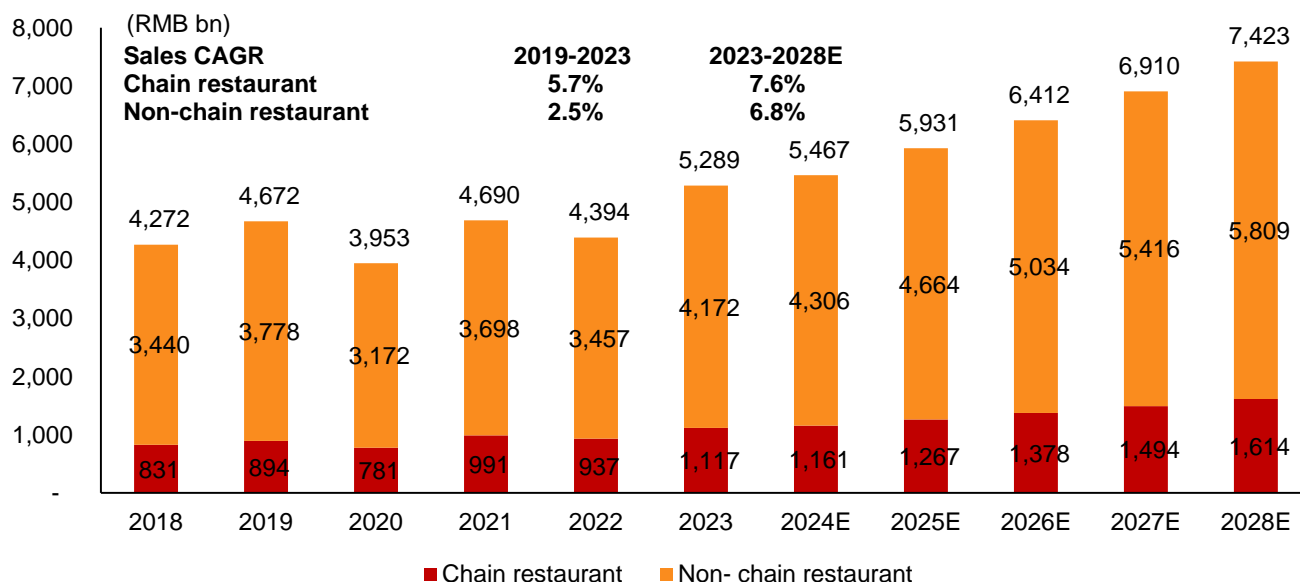


数据来源：美团

Source: Meituan, CMBIGM

According to Frost & Sullivan, industry sales CAGRs for chain/ non-chain restaurants during 2019-2023 were at 5.7%/ 2.5%; going forward in 2023-2028E, the numbers may accelerate to about 7.6%/ 6.8% respectively.

Figure 55: China catering industry sales, by chain and non-chain restaurants



Source: Frost & Sullivan, CMBIGM

2) Consumption trade-down is still severe but upgrade still exists.

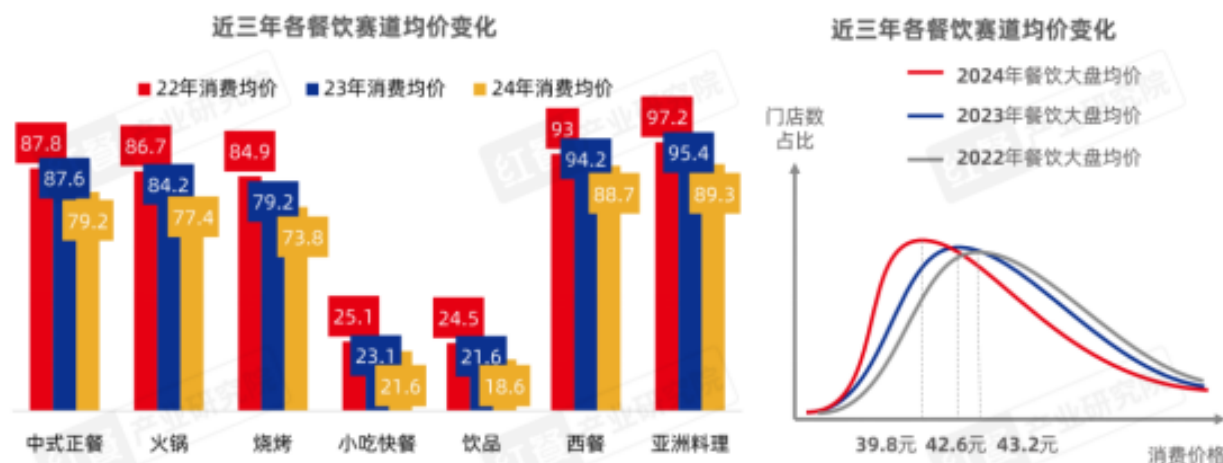
Despite signs of long-term consumption upgrade in China's catering industry, with the sales mix gradually shifting from low-priced meals (RMB 20 or below) to mid- and high-priced segments (RMB 21 to 50 and RMB 51 or above), consumption trade-down remains a dominant trend. From 2022 to 2024, average selling prices (ASP) dropped by 8%, with steep declines across tea drinks, snacks, fast food, hot pot, and Chinese dining. The overall ASP also fell 7% YoY in 2024, highlighting affordability pressure. While lower-ticket formats like Chinese fast food and light meals showed some price resilience or growth, higher-end categories such as hot pot and Western dining saw notable declines.

■ 2.1 Consumption trade-down is still ongoing.

Based on data from canyin88/ 红餐大数据, ASP of the catering industry in China has fallen by 8%, from RMB 43.2 in 2022 to RMB 39.8 in 2024.

ASP for tea drinks has gone down the most, by 24%, from RMB 25.1 in 2022 to only RMB 21.6 in 2024, which in our view is likely due to the surge in store numbers and extensive price wars; ASP for snacks and fast food/ hot pot/ BBQ/ Chinese dining all decreased by 14%/ 13%/ 11%/ 10% during the same period.

Figure 56: China catering industry ASP, by cuisine



Source: www.top.canyin88.com, CMBIGM

According to data from shangquanshow/ 辰智大数据, ASP of the catering industry in China has gone up from RMB 32.6 in 2019 to RMB 36.5 in 2024, implying an annual inflation of about 2%. However, if we just compare the numbers in 2024 vs 2023, the drop in ASP was significant, by 7%, which also echoes the trend of consumption trade-down.

In terms of segments, those with a lower ticket price, such as Chinese fast food/ western fast food/ light restaurants, not only face limited price pressure, but also manage to enjoy a 10%/ 0%/ 10% increase in prices in 2024, vs 2022. However, the hot pot/ Chinese casual/ western dining experienced a 12%/ 5%/ 5% price decline, during the same period.

Figure 57: ASP, by cuisine



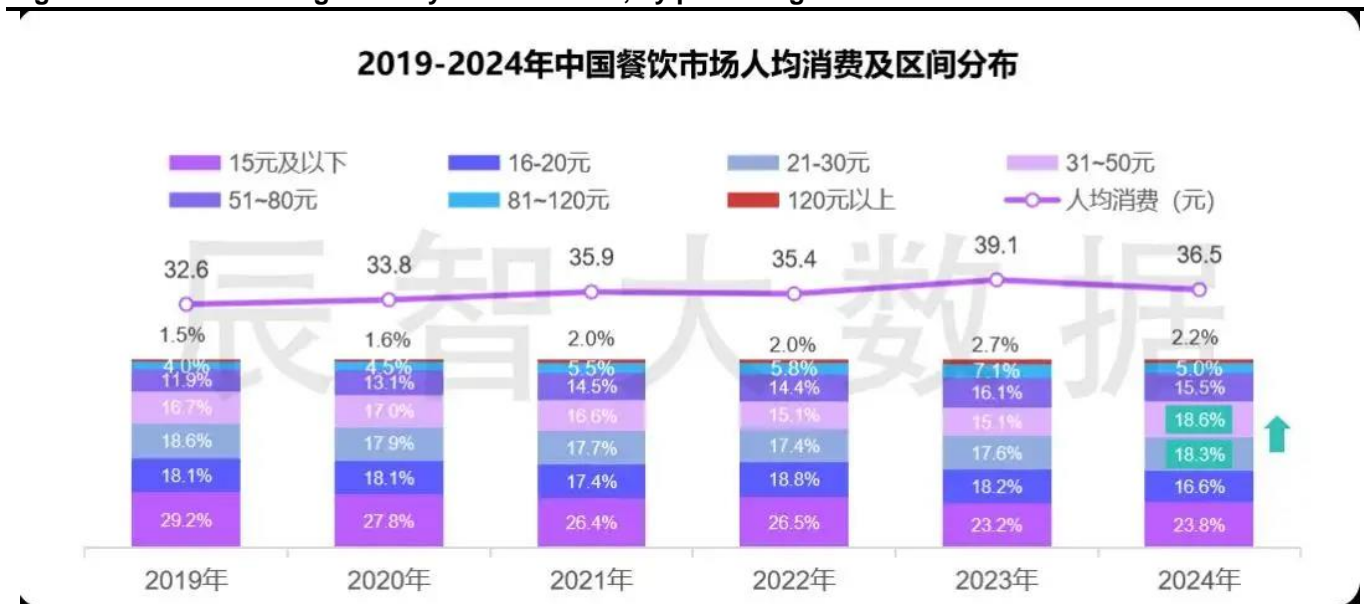
Source: www.shangquanshow.com, CMBIGM

2.2 But consumption upgrade still exists and preferred price range nowadays is at RMB 21 to 50.

Referring to data from shangquanshow/ 辰智大数据 once again, the trend of consumption upgrade is still valid in the long run, as the sales mix from the price range of RMB 20 or below has been falling, from 47% in 2019 to about 40% in 2024, while that from the price range of RMB 21 to 50 has gone up from 35% to 37% and that from the price range of RMB 51 or above has also increased from 17% to 23%.

However, from a short-run prospective, the sales mix from the price range of RMB 51 or above started to stabilize at 22% in 2021 and 2022, and dropped sharply from 26% in 2023 to 23% in 2024.

Figure 58: China catering industry customer mix, by price range of ASP



Source: www.shangquanshow.com, CMBIGM

3) Overseas expansion is still a good growth driver worth putting efforts on.

Overseas expansion remains a promising growth driver for Chinese catering brands, with strong potential even when focusing only on the ~53 million overseas Chinese population, who often possess higher spending power. Successful cases like Haidilao, Cou Cou, and Tai Er show rapid international scaling, with overseas sales making up to 15-19% of total sales by 2024. Therefore, we would not be surprised to see Green Tea's overseas sales mix to eventually reach 20% of its mainland China sales. Key success factors include brand positioning, food quality, store ambiance, and pricing. Brands like Green Tea have excelled by combining localized menus, authentic Chinese-style interiors, and strong value-for-money offerings, helping them stand out and attract premium-paying customers abroad.

■ 3.1 There is still room for overseas expansion.

One of the major trends in recent years for the China catering industry is to expand overseas. In our view, this is a reasonable move, because even though the demand is not totally comparable to China, overseas regions represent a sizable market likely to contribute positively to the future growth. If we consider the population and purchasing power from all regions and population groups, market potential is huge vs China. But even if we stay conservative and only consider the population of overseas Chinese (around 53mn and equal to about 4% of China's population), many of those (e.g. from the US, Canada, Australia, Singapore and Hong Kong) tend to have higher spending power vs the consumers in mainland China. Hence, we still see growth potential in such regions.

Figure 59: Population of overseas Chinese, by region (2022)



Source: Statistics bureaus in different regions, KPMG, CMBIGM estimates

Figure 60: Number of Chinese students studying abroad

Source: China Ministry of Education, KPMG, CMBIGM

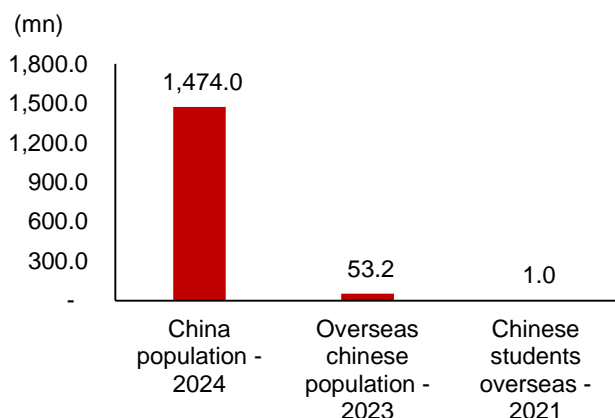
Figure 61: Chinese cuisine industry sales in the international market

Source: Frost & Sullivan, KPMG, CMBIGM

■ 3.2 Scale of overseas sales may go up to as high as 20% of the mainland China sales.

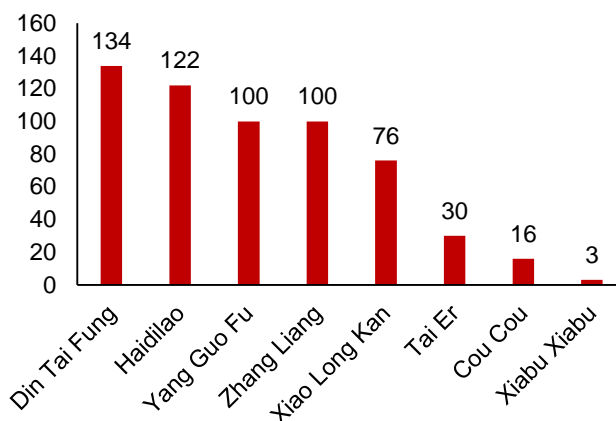
We can also see quite a number of successful cases (Din Tai Fung, Haidilao, Yang Guo Fu, Zhang Liang, for example), where the store counts in overseas markets have all exceeded 100.

Figure 62: China population, overseas Chinese population and Chinese students studying overseas



Source: Statistics Bureau in different regions, China Ministry of Education, KPMG, CMBIGM estimates

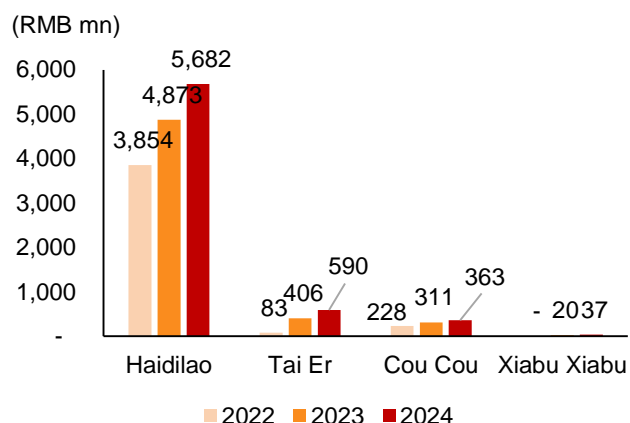
Figure 63: Number of stores outside of mainland China, by different brands



Source: Company data, CMBIGM estimates

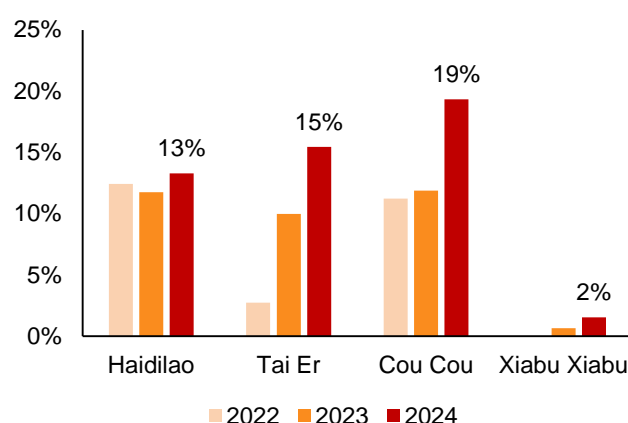
Also, data from many listed catering companies show their overseas expansion is fairly rapid and overseas sales contribution is becoming more and more meaningful. Tai Er's number of overseas stores was at 6 and sales mix from overseas was at just 3% vs mainland China sales in 2022, but quickly surged to 30 and 15% by 2024, respectively. Cou Cou had 11 stores and sales mix from overseas was 11% in 2022 but these jumped to 16 and 19% by 2024. Haidilao had about 111 overseas stores and sales mix from overseas was 12% in 2022 and these climbed to 122 and 13% by 2024.

Figure 64: Overseas sales, by various brands



Source: Company data, CMBIGM estimates

Figure 65: Overseas sales as % of mainland China sales, by various brands



Source: Company data, CMBIGM estimates

■ **3.3 We believe overall brand positioning (including tastes of food, interior design, etc.) and price to quality are the keys for success in overseas markets.**

We believe the keys for success in the overseas markets are manifold and Green Tea, in our view is well-positioned to tap into these markets.

Firstly, the branding and tastes of food should fit in with the local markets. For Green Tea, they have successfully avoided the stereotype of many Chinese brands (low price and low quality, which is not really helpful in those markets with a higher standard of living), by presenting a nice store environment, a decent quality of food, at a mid- to low-end pricing but with great value for money (the ASP is at around HK\$ 150, having an around 15% to 25% discount to the competitors).

Secondly, their distinctive interior design/ store environment (authentic Chinese style, and some employees may play live Chinese music from time to time) is unique in Hong Kong and many overseas markets, and we believe that the customers in Hong Kong are both enjoying the atmosphere and willing to pay a premium for such an experience. In fact, Green Tea's competitor Cou Cou has also spent a lot on the decor of the store and has achieved success in the Hong Kong market.

Thirdly, Green Tea does have a strategy to localize part of the menu items (about 30% to 40% of the total SKUs) while keeping their core hot-selling SKUs. This strategy has worked very well in expanding the customer base and welcoming more family-type customers.

Assumptions

Figure 66: Major assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)						
Restaurant operation	1,977	3,060	3,099	3,650	4,495	5,611
Delivery service	397	517	723	1,085	1,410	1,791
Others	2	12	16	18	19	20
Total	2,375	3,589	3,838	4,752	5,924	7,422
Sales by region (RMB mn)						
Eastern China	710	1,108	1,264	1,534	1,937	2,300
Guangdong province	622	815	762	802	847	903
Northern China	517	708	627	731	772	945
Other regions and other sales	526	958	1,185	1,685	2,369	3,274
Total	2,375	3,589	3,838	4,752	5,924	7,422
Sales growth by region						
Eastern China	14.9%	56.0%	14.2%	21.3%	26.2%	18.8%
Guangdong province	-4.1%	31.0%	-6.5%	5.2%	5.6%	6.6%
Northern China	-14.7%	37.0%	-11.5%	16.7%	5.5%	22.5%
Other regions and other sales	25.1%	82.1%	23.6%	42.2%	40.6%	38.2%
Total	3.6%	51.1%	6.9%	23.8%	24.7%	25.3%
Store network						
Eastern China	84	115	155	193	246	308
Guangdong province	63	72	83	96	109	119
Northern China	55	56	58	76	89	108
Other regions and other sales	74	117	167	243	354	463
Total	276	360	465	615	815	1,028
Sales per store* (RMB mn)						
Eastern China	8.5	9.6	8.2	7.9	7.9	7.5
Guangdong province	9.9	11.3	9.2	8.3	7.8	7.6
Northern China	9.4	12.7	10.8	9.6	8.7	8.8
Other	7.1	8.1	7.0	6.7	6.2	6.3
Total	8.6	9.9	8.2	7.7	7.2	7.2
Sales per store* growth						
Eastern China	-1.5%	13.9%	-15.3%	-2.6%	-1.0%	-5.1%
Guangdong province	-13.2%	14.6%	-18.9%	-9.1%	-7.0%	-2.4%
Northern China	-19.3%	34.6%	-14.6%	-11.0%	-9.9%	0.9%
Other	-7.1%	14.1%	-13.9%	-4.4%	-6.9%	1.7%
Total	-11.4%	15.5%	-17.3%	-6.3%	-5.9%	-0.6%

Source: Company data, CMBIGM estimates. *Sales per store = full year sales/ number of stores at year end

Figure 67: Major assumptions (continued)

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Daily sales per store (RMB k) - delivery						
Eastern China	3.7	4.8	5.3	5.9	5.8	5.7
Guangdong province	5.7	5.4	5.3	5.8	5.7	5.6
Northern China	7.0	6.1	6.9	7.5	7.3	7.2
Other	3.0	3.4	4.2	4.9	4.8	4.8
Total	4.7	4.7	5.1	5.7	5.5	5.5
Daily sales per store (RMB k) - dine in						
Eastern China	23.9	27.2	21.9	19.7	18.1	16.9
Guangdong province	24.5	28.6	20.8	18.7	17.1	16.0
Northern China	21.7	28.9	25.1	22.5	20.6	19.3
Other	22.4	25.0	21.0	18.9	17.3	16.2
Total	23.2	27.2	21.9	19.8	18.2	17.2
Average spending per guest (RMB)						
Eastern China	62.6	63.0	57.5	56.9	56.4	56.4
Guangdong province	63.5	61.8	53.1	52.6	52.0	52.0
Northern China	62.7	61.8	57.3	56.7	56.2	56.2
Other	62.8	60.4	56.2	55.6	55.1	55.1
Total	62.9	61.8	56.2	56.0	56.0	56.6
Table turnover rate (times/day) - dine in						
Eastern China	2.7	3.1	2.8	2.7	2.7	2.6
Guangdong province	3.1	3.4	2.9	2.8	2.8	2.7
Northern China	2.8	3.5	3.4	3.2	3.2	3.1
Other	2.7	3.3	3.0	2.9	2.9	2.8
Total	2.8	3.3	3.0	2.9	2.8	2.8
GP margins	63.7%	66.4%	68.9%	69.2%	69.4%	69.5%
Opex breakdown						
Staff costs	-26.4%	-25.4%	-25.8%	-25.2%	-25.5%	-25.8%
Depreciation of right-of-use assets	-6.8%	-4.9%	-5.3%	-5.3%	-5.2%	-5.1%
Other rentals & related expenses	-2.4%	-2.2%	-2.0%	-1.9%	-1.8%	-1.7%
D & A of other assets	-6.9%	-5.4%	-5.7%	-5.5%	-5.1%	-4.6%
Delivery service fees	-2.6%	-2.3%	-3.2%	-3.8%	-4.0%	-4.0%
Utilities expenses	-3.8%	-3.4%	-3.7%	-3.7%	-3.7%	-3.7%
Other expenses	-13.0%	-11.7%	-12.2%	-12.2%	-12.0%	-11.8%
Total	-61.8%	-55.4%	-57.7%	-57.6%	-57.4%	-56.9%
EBIT margins	3.2%	12.1%	12.0%	12.4%	12.7%	13.3%
Effective tax rate*	61.6%	23.8%	16.4%	17.0%	17.0%	17.0%
NP att. margins	0.7%	8.2%	9.1%	9.5%	9.8%	10.3%
NP att. growth (%)	-85.4%	1682.6%	18.5%	28.3%	28.7%	32.8%
Adj. NP margins	1.1%	8.5%	9.4%	9.9%	10.0%	10.3%
Adj. NP growth (%)	-81.8%	1102.8%	19.0%	29.7%	26.1%	30.2%

Source: Company data, CMBIGM estimates

Financial Analysis

We forecast sales growth of 7%/ 24%/ 25% YoY in FY24/ 25E/ 26E

■ **Sales growth reached 7% YoY in FY24, which is a mixture of store expansion and drop in sales per store.**

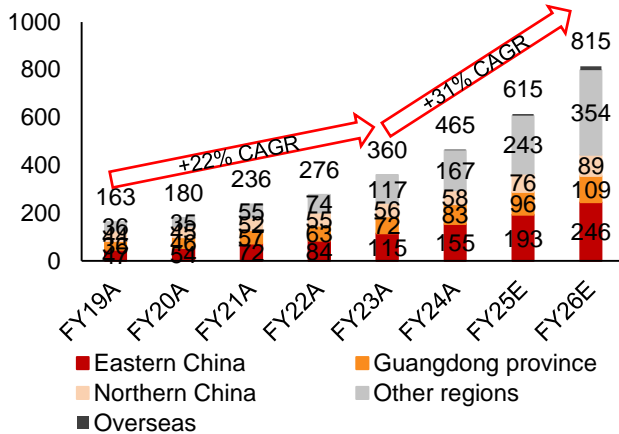
Green Tea Group's sales reached RMB 3,383mn in FY24, driven by:

1) 29% number of stores growth, 17% sales per store decline (a 9% decrease in average spending per guest, a 7% drop in dine-in table turnover but an 8% delivery sales per store growth) OR

2) 14%/ -7%/ -11%/ 23% sales growth in Eastern China/ Guangdong province/ Northern China/ other regions and 41% growth for other sales, OR

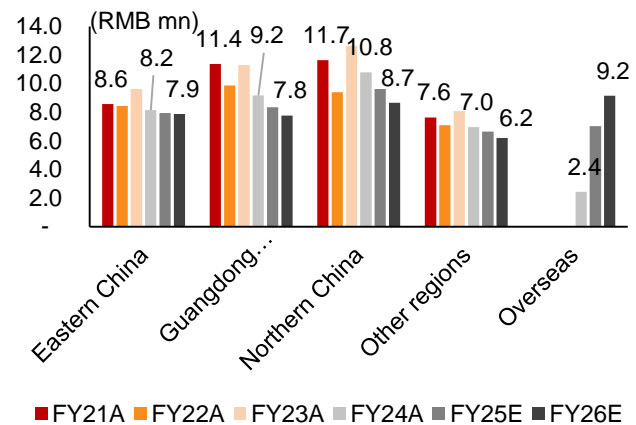
3) 1% growth for restaurant operation, 40% growth for delivery service and 33% growth for other sales.

Figure 68: Number of Green Tea stores, by region



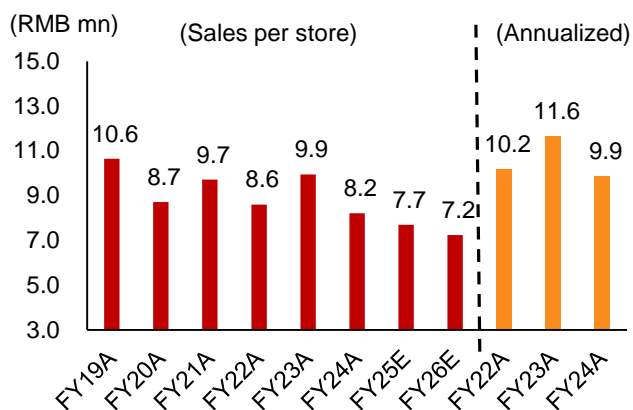
Source: Company data, CMBIGM estimates

Figure 69: Sales per store*, by region



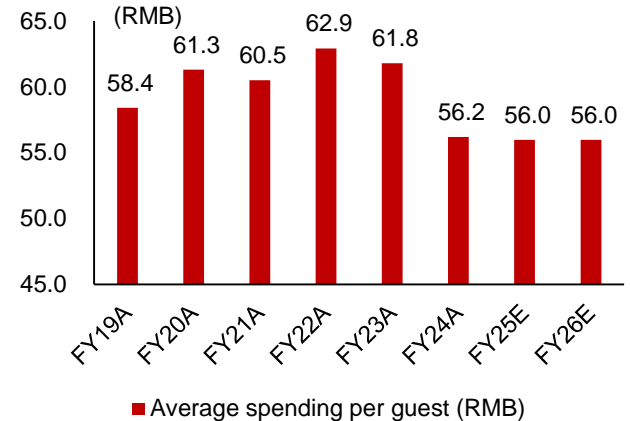
Source: Company data, CMBIGM estimates. *Sales per store = full year sales/ number of stores at year end

Figure 70: Sales per store*, simple vs annualized



Source: Company data, CMBIGM estimates

Figure 71: Average spending per customer



Source: Company data, CMBIGM estimates. *Spending per customer in FY21 is an estimate by CMBI

■ **We project Green Tea Group's sales to grow at an 18% CAGR in FY23-26E, assuming:**

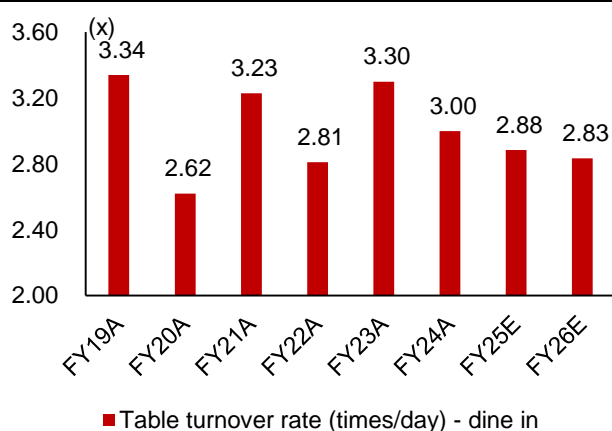
1) 31% number of stores CAGR and -10% sales per store CAGR (consisting of -3% spending per guest CAGR, -5% dine-in table turnover CAGR but a 6% delivery sales per store CAGR), OR

2) 20%/ 1%/ 3%/ 32% sales CAGR in Eastern China/ Guangdong province/ Northern China / other regions, OR

3) 14% CAGR for restaurant operation sales, 40% CAGR for delivery service sales and 16% CAGR for other sales.

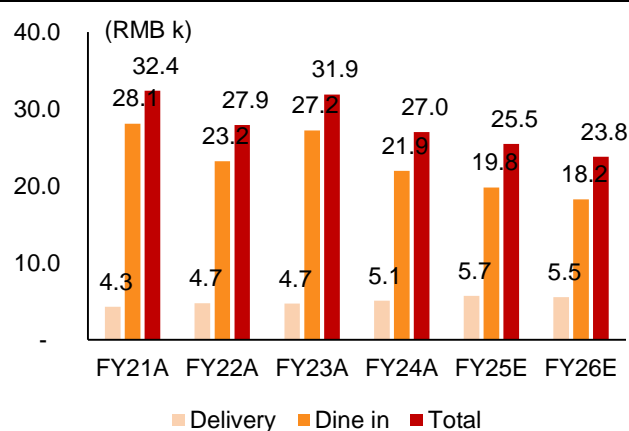
We believe the sales per store will gradually fall during FY23-26E, driven by: 1) opening of more smaller-sized stores, 2) opening of more stores located in lower-tier cities, and 3) potential cannibalization with the older stores in existing areas.

Figure 72: Table turnover rate – dine-in



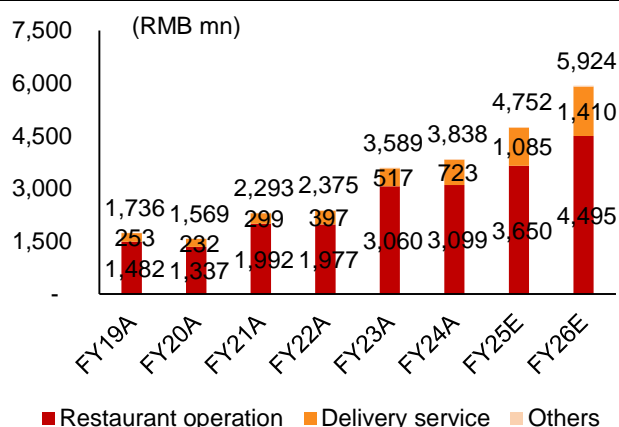
Source: Company data, CMBIGM estimates

Figure 73: Average daily sales per store, by segment



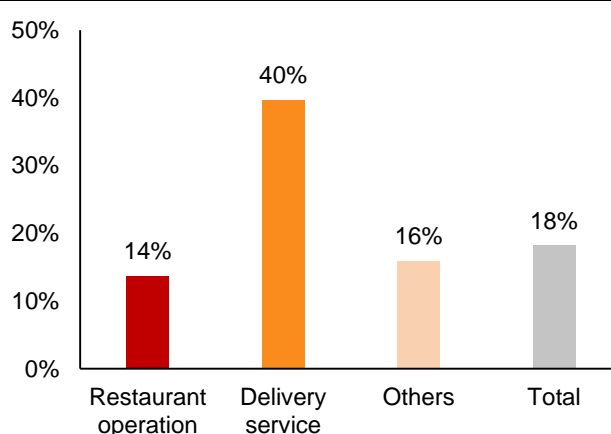
Source: Company data, CMBIGM estimates

Figure 74: Sales by segment



Source: Company data, CMBIGM estimates

Figure 75: Sales CAGR by segment, FY23-26E



Source: Company data, CMBIGM estimates

We forecast adj. NP growth of 19%/ 30%/ 26% YoY in FY24/ 25E/ 26E

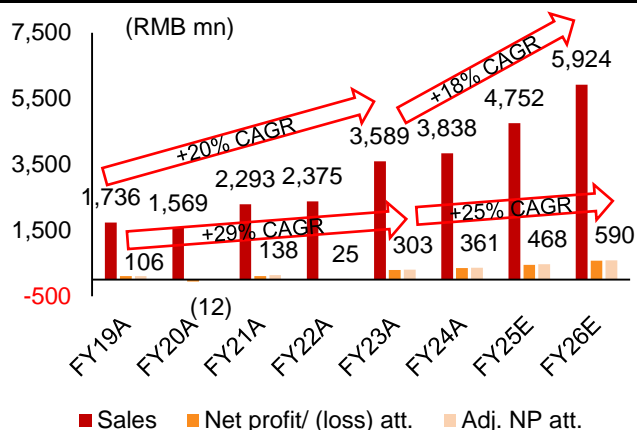
■ GP margin increased strongly in FY24.

GP margin jumped by 2.5ppt YoY to 68.9% (from 66.4%) in FY24, thanks to: 1) menu adjustment, where the Company tries to sell more higher-margin SKUs, 2) more direct and standardized sourcing of raw materials and fresh ingredients, 3) increased sales contribution from the smaller-sized stores, and 4) reduction in discounts and promotions.

■ GP margin should steadily increase in FY25E and onwards.

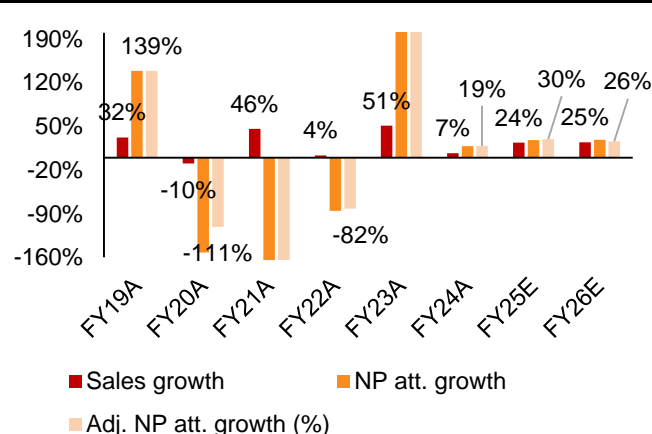
We expect GP margin to increase mildly to 69.2%/ 69.4% in FY25E/ 26E, driven by: 1) the use of central kitchen (located in Zhejiang and will commence operation in late 2H26E) which are equipped with many state-of-the-art food processing machines and should achieve cost savings in both the supply chain and at the restaurants, and 2) increased sales contribution from the smaller-sized stores.

Figure 76: Sales, net profit att. and adj. net profit



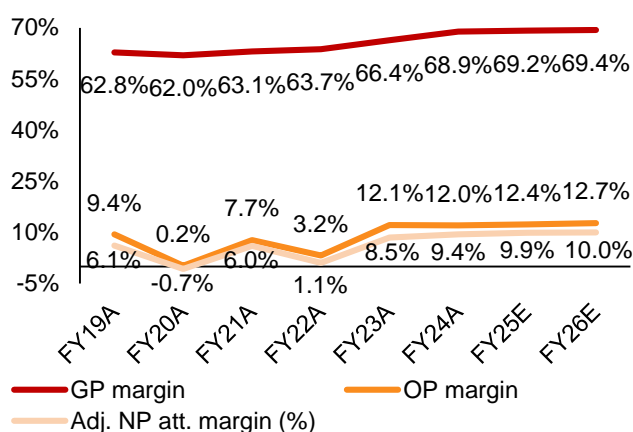
Source: Company data, CMBIGM estimates

Figure 77: Sales, NP att. and adj. NP growth



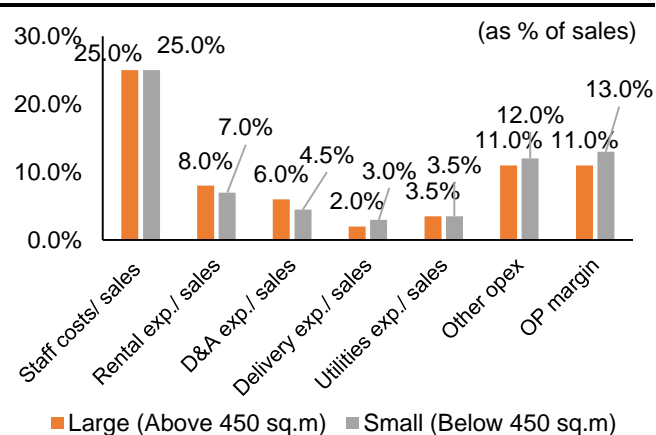
Source: Company data, CMBIGM estimates

Figure 78: GP/ OP/ adj. NP att. margin



Source: Company data, CMBIGM estimates

Figure 79: Opex/ sales and OP margin, by store size, FY23



Source: Company data, CMBIGM estimates

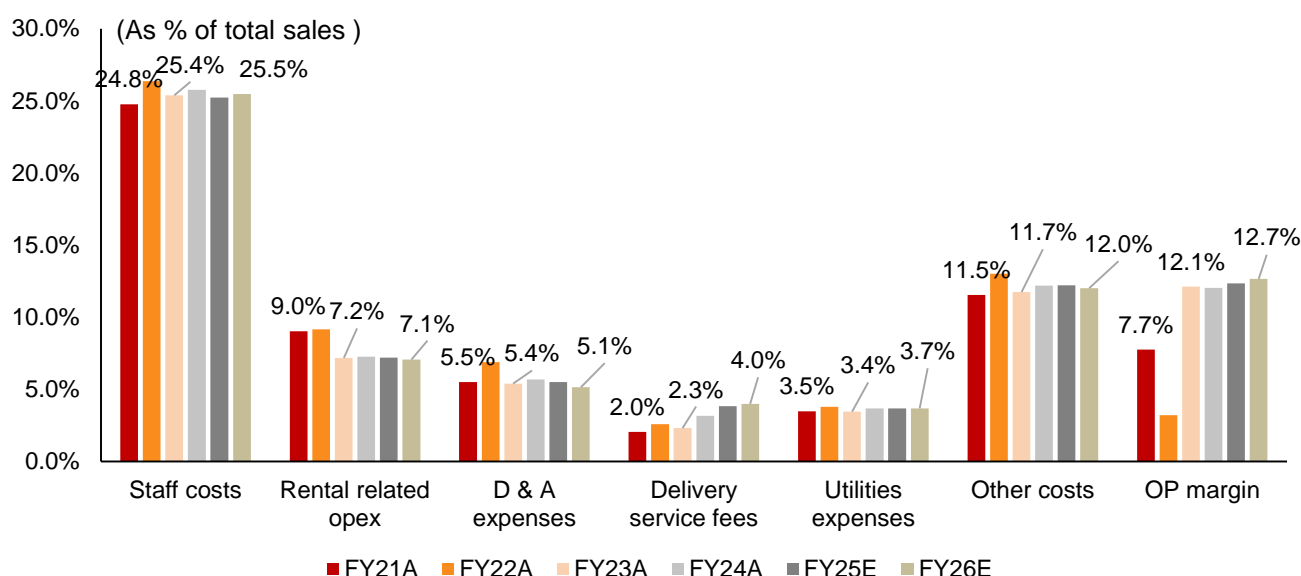
■ OP margin was quite stable in FY24.

OP margin stayed at about 12.0% in FY24 (vs 12.1% in FY23), on the mixed impact of a meaningful increase in the GP margin and the surge in delivery services related fees and potential professional services expenses, with the latter offsetting most of the benefits from the former.

■ But still, it is likely for OP margin to rebound strongly in FY25E and FY26E.

We see potential improvement in OP margin to 12.3% in FY25E and 12.7% in FY26E, thanks to: 1) the absence of professional services expenses and 2) an increase in sales mix from the smaller-sized stores where the rental and D&A expenses tend to be much lower (the rental to sales ratio should be 8% for larger-sized stores but 7% for smaller-sized ones, while the D&A to sales ratio should be 6% and 4.5% respectively, based on our estimates).

Figure 80: Opex breakdown and OP margin



Source: Company data, CMBIGM estimates

■ The adjusted NP margin should be at 9.4%/ 9.8%/ 10.0% in FY24/ 25E/ 26E.

We believe the adjusted NP margin will continue to rise, similar to that of NP margin, while the only difference will be from the equity-based staff costs and potential professional fees in FY24-26E (about RMB11-19mn per year).

Figure 81: Income statement, full year

Fiscal Year, Dec YE (RMB mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	2,293	2,375	3,589	3,838	4,752	5,924
Raw materials and consumables used	-846	-862	-1,205	-1,193	-1,464	-1,813
Gross profit	1,447	1,513	2,384	2,645	3,288	4,111
Other income	23	31	39	32	37	37
Staff costs	-568	-626	-911	-989	-1,199	-1,509
Depreciation of right-of-use assets	-143	-161	-177	-203	-251	-310
Other rentals and related expenses	-64	-57	-80	-76	-91	-108
D & A of other assets	-126	-164	-193	-218	-261	-304
Delivery service expenses	-47	-61	-83	-121	-181	-236
Utilities expenses	-79	-90	-124	-141	-175	-218
Other expenses	-265	-309	-421	-467	-580	-712
Operating profit	177	76	435	462	587	750
Other net (losses)/income	-1	8	-4	2	0	0
Financial costs	-37	-42	-43	-45	-46	-54
Pre-tax income	140	43	388	419	541	697
Income tax	-26	-27	-92	-68	-92	-118
Net profit/ (loss)	114	17	296	350	449	578
Minority interest	0	0	0	0	0	0
Net profit/ (loss) att.	114	17	296	350	449	578
Equity-settled share-based payment expenses	11	-1	1	5	0	0
Professional services expenses	17	11	9	6	19	12
Impact on tax	-3	-2	-2	-1	0	0
Adj. net profit/ (loss)	138	25	303	361	468	590
Margin Analysis						
GP margin	63.1%	63.7%	66.4%	68.9%	69.2%	69.4%
Staff costs/ sales	-24.8%	-26.4%	-25.4%	-25.8%	-25.2%	-25.5%
Depreciation of right-of-use assets/ sales	-6.2%	-6.8%	-4.9%	-5.3%	-5.3%	-5.2%
Other rentals & related expenses/ sales	-2.8%	-2.4%	-2.2%	-2.0%	-1.9%	-1.8%
D & A of other assets/ sales	-5.5%	-6.9%	-5.4%	-5.7%	-5.5%	-5.1%
Delivery service fees/ sales	-2.0%	-2.6%	-2.3%	-3.2%	-3.8%	-4.0%
EBIT margin	7.7%	3.2%	12.1%	12.0%	12.4%	12.7%
NP att. margin	5.0%	0.7%	8.2%	9.1%	9.5%	9.8%
Adjusted NP margin	6.0%	1.1%	8.5%	9.4%	9.9%	10.0%
Growth Analysis (YoY)						
Sales	46%	4%	51%	7%	24%	25%
Gross profit	49%	5%	58%	11%	24%	25%
EBIT	6449%	-57%	469%	6%	27%	28%
Net profit att.	-306%	-85%	1683%	18%	28%	29%
Adjusted net profit	-1291%	-82%	1103%	19%	30%	26%

Source: Company data, CMBIGM estimates

Figure 82: Balance sheet

Fiscal Year, Dec YE (RMB mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
NON-CURRENT ASSETS						
Fixed assets	481	519	649	725	820	960
Right-of-use assets	724	755	822	967	967	967
Intangible assets (Incl. product dev. costs)	2	2	2	3	3	3
Associates & jointly controlled companies	0	0	0	0	0	0
L-T deposits, prepayments & other receivables	59	64	70	83	83	83
Others	1	0	0	13	13	13
Non-current assets	1,267	1,340	1,544	1,791	1,886	2,026
CURRENT ASSETS						
Inventories	47	56	60	67	78	96
Accts & bills receivable	16	18	36	23	36	45
Prepayments & deposits	189	222	278	310	383	478
Due from related parties	0	0	0	0	0	0
Pledge deposit & fixed deposits	0	0	25	0	0	0
Other current assets	40	43	122	26	26	26
Cash	131	134	356	247	447	659
Current assets	423	474	877	673	971	1,305
CURRENT LIABILITIES						
Trade payable	210	193	248	221	288	357
Tax	8	6	8	0	0	0
Accruals & other payables	129	139	245	241	298	372
Bank loans	1	31	50	0	0	0
Finance leases	184	182	214	257	257	257
Other current liabilities	8	11	412	19	19	19
Current liabilities	540	562	1,178	738	862	1,005
NON-CURRENT LIABILITIES						
Bank loans	0	0	0	0	0	0
Provisions	30	35	43	52	52	52
Finance leases	563	606	659	846	846	846
Other non-current liabilities	106	142	126	57	57	57
Non-current liabilities	699	783	829	955	955	955
SHAREHOLDER'S EQUITY						
Minority interest	0	0	0	0	0	0
Shareholder's equity	452	468	415	771	1,040	1,372
DEBT ANALYSIS						
Total debt	1	31	50	0	0	0
Total equity	452	468	415	771	1,040	1,372
D/E ratio	0.1%	6.6%	12.1%	0.0%	0.0%	0.0%
D/A ratio	0.0%	1.7%	2.1%	0.0%	0.0%	0.0%
Net debt	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIGM estimates

Figure 83: Cash Flow Statement

Fiscal Year, Dec YE (RMB mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
CASH FLOW						
Operating cash flow	377	348	793	734	782	956
Capex	-191	-220	-306	-336	-356	-444
Investment	0	0	0	0	0	0
Acquisition of intangible assets	-2	0	-1	-2	0	0
Sale of assets	0	0	0	1	0	0
Others	-38	4	-73	89	0	0
Investing cash flow	-231	-216	-380	-248	-356	-444
Net change in bank loans	-5	31	-6	-25	0	0
Net change in other non-curr liabilities	-153	-155	-182	-218	0	0
Issue of shares	0	0	0	0	0	0
Others	-5	-3	-2	-352	-226	-300
Financing cash flow	-163	-128	-191	-595	-226	-300
Exchange rate or other adjustments	0	-1	-0	0	0	0
Cash at period end	131	134	356	247	447	659
WORKING CAPITAL TURNOVER						
Inventory days	17	22	18	19	19	19
Receivable days	2	3	3	3	3	3
Payable days	85	85	67	72	72	72
Cash conversion cycle (days)	-66	-61	-47	-50	-50	-50

Source: Company data, CMBIGM estimates

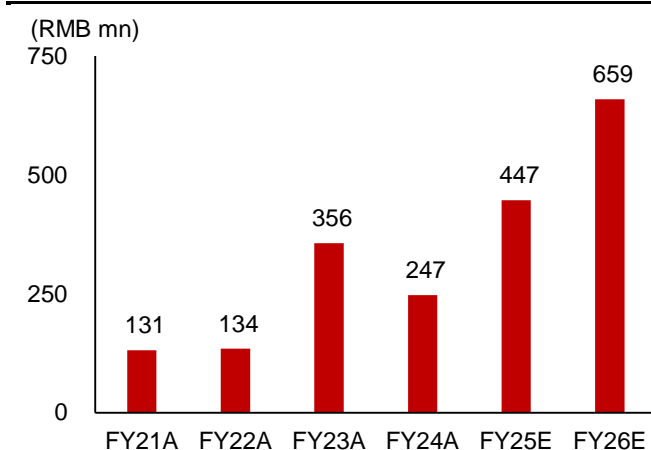
Balance sheet and cash flow

■ Cash flow has been steady and healthy; will likely improve meaningfully overtime.

Green Tea's cash level has been quite steady from FY21 to FY23, which is rather impressive considering the drags from COVID-19 (therefore net profit was under pressure) and the speed-up in store expansion (therefore capex has jumped a bit). It recorded strong operating cash flow with a significant YoY increase in FY23.

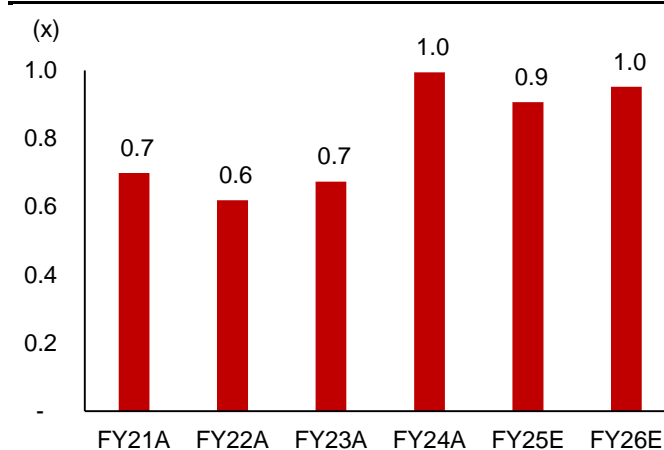
Going forward, while capex should still be high (due to rapid store expansion and construction of central kitchen/ food processing plant) in FY25E/ 26E, we believe the cash level should still improve notably (in a similar trend with net profit).

Figure 84: Closing cash balance



Source: Company data, CMBIGM estimates

Figure 85: Net operating cash flow ratio



Source: Company data, CMBIGM estimates. Net operating cash flow ratio = dividing net operating cash flow by current liabilities

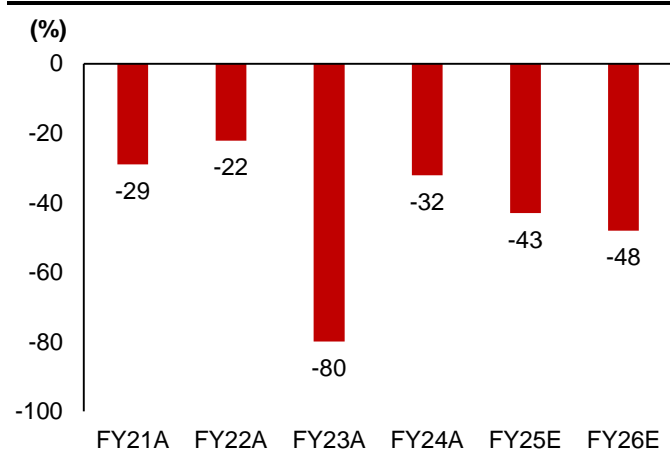
■ **We expect cash conversion cycle to be steady at around 50 days in FY24 and onwards.**

The inventory days increased slightly in FY22, mainly due to the outbreak of COVID-19, but normalized in FY23. We expect the metric to be steady going forward.

Payables decreased substantially in FY23, as Green Tea increased procurement from suppliers which have shorter payment terms but generally offer lower prices. We expect payables to remain stable onwards.

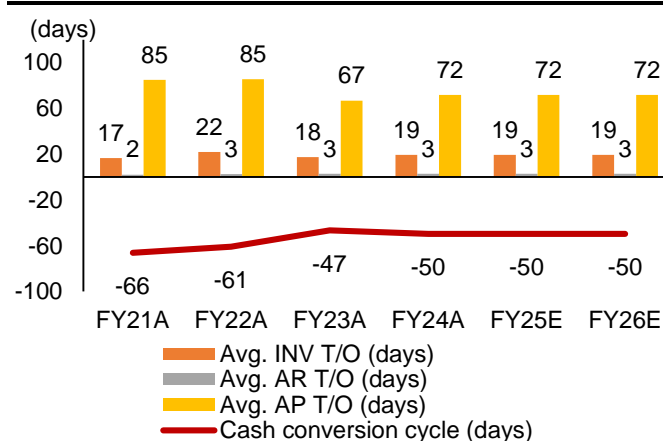
The receivable days have been low (including the few days long of settlement period with payment platforms such as Alipay and Wechat Pay), as the majority of the customers are retail customers and this nature is likely to continue in the foreseeable future.

Figure 86: Total debt or (cash) to equity



Source: Company data, CMBIGM estimates

Figure 87: Working capital (days)



Source: Company data, CMBIGM estimates

Valuation

Figure 88: Peers valuation

Company	Ticker	Rating	12M TP	Price	Up/down-side	Mkt cap	Year	PER (x)		PBR (x)	ROE (%)	3yrs PEG(x)	Yield (%)	YTD performance
			HK\$/LC	HK\$/LC	(%)	HK\$ mn	End	FY1	FY2	FY2	FY0	FY1	FY1	(%)
Greater China Catering														
Green Tea	6831 HK	BUY	9.73	6.58	48%	4,431	Dec-24	8.5	7.2	3.0	59.1	0.4	5.9	n/a
Mixue	2097 HK	NR	n/a	531.50	n/a	201,767	Dec-24	34.9	29.3	6.8	34.8	2.1	0.6	n/a
Guming	1364 HK	NR	n/a	23.50	n/a	55,887	Dec-24	26.0	21.6	8.1	111.6	1.4	4.2	n/a
Sichuan Baicha Baidao	2555 HK	NR	n/a	8.88	n/a	13,121	Dec-24	14.8	12.8	2.4	n/a	0.5	5.3	(18.4)
Nayuki	2150 HK	BUY	3.43	1.15	198%	1,961	Dec-24	n/a	n/a	0.5	(21.0)	n/a	0.0	(15.4)
Haidilao	6862 HK	BUY	20.20	14.54	39%	81,046	Dec-24	14.0	12.8	4.5	42.9	1.5	6.1	(8.6)
Super Hi	9658 HK	NR	n/a	14.86	n/a	9,663	Dec-24	27.0	22.8	2.7	n/a	0.7	0.0	(32.5)
Xiabuxiabu	520 HK	BUY	4.89	0.69	609%	749	Dec-24	n/a	n/a	1.5	(40.6)	n/a	4.7	(31.0)
Dpc Dash	1405 HK	BUY	118.57	99.40	19%	13,010	Dec-24	76.7	45.5	4.6	2.5	0.9	0.0	27.4
Xiaocaiyuan	999 HK	NR	n/a	9.55	n/a	11,236	Dec-24	14.7	12.2	3.0	38.9	0.9	3.5	4.6
Jiumaojiu	9922 HK	HOLD	2.56	2.43	5%	3,396	Dec-24	18.1	12.1	0.9	1.7	0.2	3.0	(28.6)
Helens	9869 HK	NR	n/a	1.30	n/a	1,645	Dec-24	4.5	7.4	2.0	(5.3)	(0.0)	15.1	(44.8)
Cafe De Coral	341 HK	HOLD	6.52	6.79	-4%	3,938	Mar-25	17.2	14.9	1.3	8.3	1.6	5.9	(13.1)
Gourmet Master	2723 TT	NR	n/a	82.20	n/a	3,905	Dec-24	16.6	13.0	1.2	5.6	0.5	5.2	(15.1)
Yum China - H	9987 HK	BUY	484.83	344.20	41%	127,843	Dec-24	17.3	15.3	2.7	15.7	1.5	2.1	(8.0)
Yum China - ADR	YUMC US	BUY	62.06	42.83	45%	124,876	Dec-24	16.9	14.9	2.7	15.7	1.4	2.1	(11.1)
Avg.							Avg.	22.0	17.3	3.0	19.3	1.0	4.0	(15.0)
Med.							Med.	17.1	14.0	2.7	12.0	0.9	3.9	(15.1)
International Catering														
Yum! Brands	YUM US	NR	n/a	139	n/a	303,428	Dec-24	23.0	20.7	n/a	n/a	1.8	2.0	3.7
Mcdonald'S Corp	MCD US	NR	n/a	287	n/a	1,613,494	Dec-24	23.4	21.7	n/a	n/a	2.7	2.5	(0.8)
Starbucks Corp	SBUX US	NR	n/a	93	n/a	830,689	Sep-24	37.8	31.0	n/a	n/a	14.1	2.6	2.0
Restaurant Brands	QSR US	NR	n/a	66	n/a	235,592	Dec-24	18.0	16.4	5.6	31.2	1.7	3.8	1.4
Wingstop Inc	WING US	NR	n/a	350	n/a	76,662	Dec-24	89.2	70.7	n/a	n/a	4.5	0.3	23.2
Shake Shack	SHAK US	NR	n/a	133	n/a	44,549	Dec-24	100.9	79.6	9.0	2.7	1.0	n/a	2.5
Chipotle Mexican Grill	CMG US	NR	n/a	53	n/a	558,237	Dec-24	43.5	36.4	15.2	45.6	2.8	0.0	(12.5)
Darden Restaurants	DRI US	NR	n/a	226	n/a	207,412	May-25	21.1	19.7	10.0	46.1	1.7	2.7	20.9
Domino'S Pizza	DPZ US	NR	n/a	447	n/a	120,225	Dec-24	25.2	23.1	n/a	n/a	3.1	1.5	6.6
Dutch Bros	BROS US	NR	n/a	68	n/a	87,296	Dec-24	114.4	82.6	11.5	8.6	2.5	n/a	29.1
Wendy'S	WEN US	NR	n/a	12	n/a	18,104	Dec-24	12.6	11.4	38.1	90.4	1.9	5.8	(26.3)
Avg.							Avg.	46.3	37.6	14.9	37.4	3.4	2.4	4.5
Med.							Med.	25.2	23.1	10.8	38.4	2.5	2.5	2.5

Source: Bloomberg, Company data, CMBIGM estimates. Data as of 23 Jun 2025

Initiate BUY on Green Tea with TP of HK\$ 9.73 (based on 12x FY25E adj. P/E).

Our primary valuation methods for Green Tea Group are the comparable Price to Earnings (P/E) and Discounted Cash Flow (DCF) method.

Figure 89: Our Primary valuation method and cross-checking

	Target price (HK\$)	Valuation (RMB mn)	EV (RMB mn)	Method	Target ratio (x) or (%)	Method	Implied FY25E P/S (x)	Implied FY25E EV/EBITDA (x)	Implied FY25E P/E (x)	Implied 4 years PEG (FY25E vs FY23-27E NP CAGR)	FY25E sales (RMB mn, CMBI est.)	FY25E EBITDA (RMB mn, CMBI est.)	FY25E NP att. (RMB mn, CMBI est.)	FY25E Debt (RMB mn, CMBI est.)	FY25E Cash (RMB mn, CMBI est.)	Remarks
Primary	9.73	5,618	5,088	P/E	12.0	FY25E adj. P/E	1.2	6.1	12.0	0.46	4,752	840	468	0	530	45% discounts to Greter China peers' average FY25E P/E of 22.0x OR 30% discount to the median P/E of 17.1x
Cross-check	9.76	5,634	5,531	DCF	9.6% 2%	WACC (DCF) Terminal growth (DCF)	1.2	6.6	12.0	0.46	4,752	840	468	0	530	45% discounts to Greter China leading peers' average FY25E P/E of 22.0x OR 29% discount to the median P/E of 17.1x

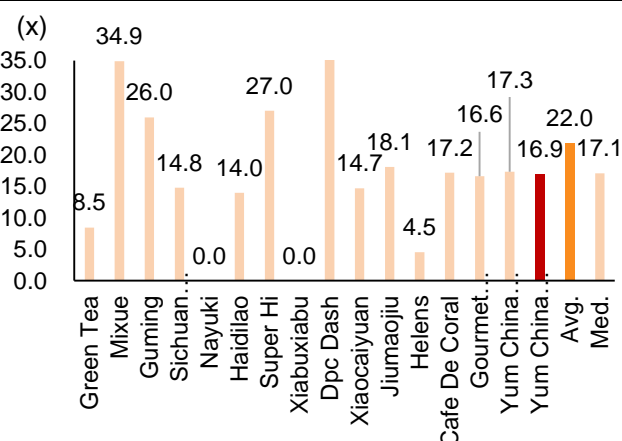
Source: Bloomberg, Company data, CMBIGM estimates

■ Initiate BUY with HK\$ 9.73, based on 12x FY25E adj. P/E.

We apply a 12x FY25E adj. P/E for Green Tea, which has a 30% discount to industry median P/E of 17.1x, because of: 1) its relatively smaller size (in terms of sales, net profit as well as number of stores) and 2) its Chinese casual dining nature, which tends to be less standardized vs the hotpot and fast food categories. Meanwhile, there are a few factors that we find positive for Green Tea's valuation, namely: 1) better-than-peers SSS recovery (FY23 vs FY19), despite rapid store expansion during the period, 2) better-than-peers OP margin (at 12% in FY23 vs peers' average of 9%) and 3) faster sales CAGR (at about 20% during FY19-23 vs peers' average of 10%).

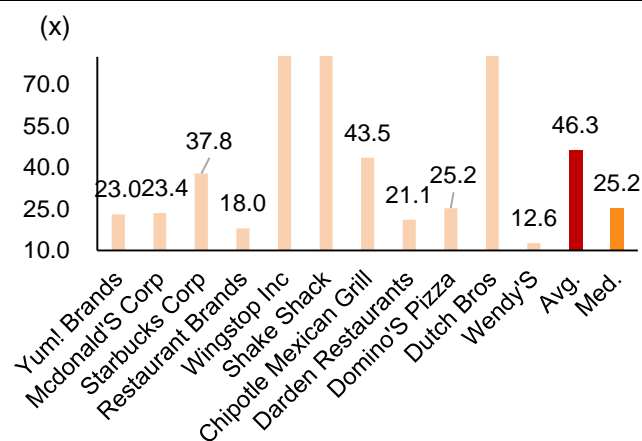
We also compare such valuation to selected peers. For example, we think Green Tea's valuation could be slightly lower vs Xiaocaiyuan's (999 HK) 14.7x, due to smaller business size and less investments in supply chain (but Green Tea has nation-wide coverage). We also think Green Tea should trade lower vs Haidilao's (6862 HK) 14.0x and Yum China's (9987 HK) 17.3x, because of its smaller scale and the less standardized nature.

Figure 90: China catering leaders sector FY1E P/E



Source: Bloomberg, CMBIGM estimates

Figure 91: Global catering peers sector FY1E P/E



Source: Bloomberg, CMBIGM estimates

■ **Valuation could be as high as RMB 5,634mn for Green Tea Group, based on DCF method, also implying a 10.0x FY25E adj. P/E.**

Our cross-checking of is derived from the DCF method and we are assuming

- 20% sales CAGR in FY23-28E
- 21% EBITDA CAGR in FY23-28E
- 17.9% EBITDA margin in FY28E (from 17.2% in FY23)
- 9.6% WACC (Higher than Int'l peers average of 8.3% but lower than Greater China peers median of 11.7%), based on 3% cost of debt, 9.0% risk premium, beta of 0.75x, 9.8% cost of equity, optimal debt/ equity ratio of 15%/ 85%
- 2.0% terminal growth.

The DCF valuation is at RMB 5,634mn, also implying a 12.0x FY25E adj. P/E, at a 29% discount to industry median of 17.1x.

Figure 92: DCF-based valuation (in RMB mn)

DCF	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
EBITDA	299	234	618	671	840	1,042	1,313	1,598
Chg in w orking cap	-42	-33	56	-42	26	20	27	26
Adjusted tax	-33	-52	-103	-76	-100	-128	-168	-208
Capex & product dev	-191	-220	-306	-336	-356	-444	-557	-626
Unleveraged FCF	34	-71	266	216	410	490	615	791
YoY%								
DCF (24E-28E)				1,836				
PV (Terminal value)				3,467				
EV (End-24E)				5,303				
Cash from options/w warrants conv				0				
Yer-end net cash/(debts)				331				
Fully diluted equity value (End-20E)				5,634				
Minority interests (End-20E)				0				
Market cap (End-20E)				5,634				
Exchange rate				1.06				
Risk-free rate				3.0%				
Risk premium				10.5%				
Beta				0.75				
Cost of equity				10.9%				
Cost of debt				3.0%				
Tax rate				17.0%				
After-tax cost of debt				2.5%				
Debt to total capital				15.0%				
WACC				9.6%				
Terminal growth				2.0%				

Source: Company data, Bloomberg, CMBIGM estimates

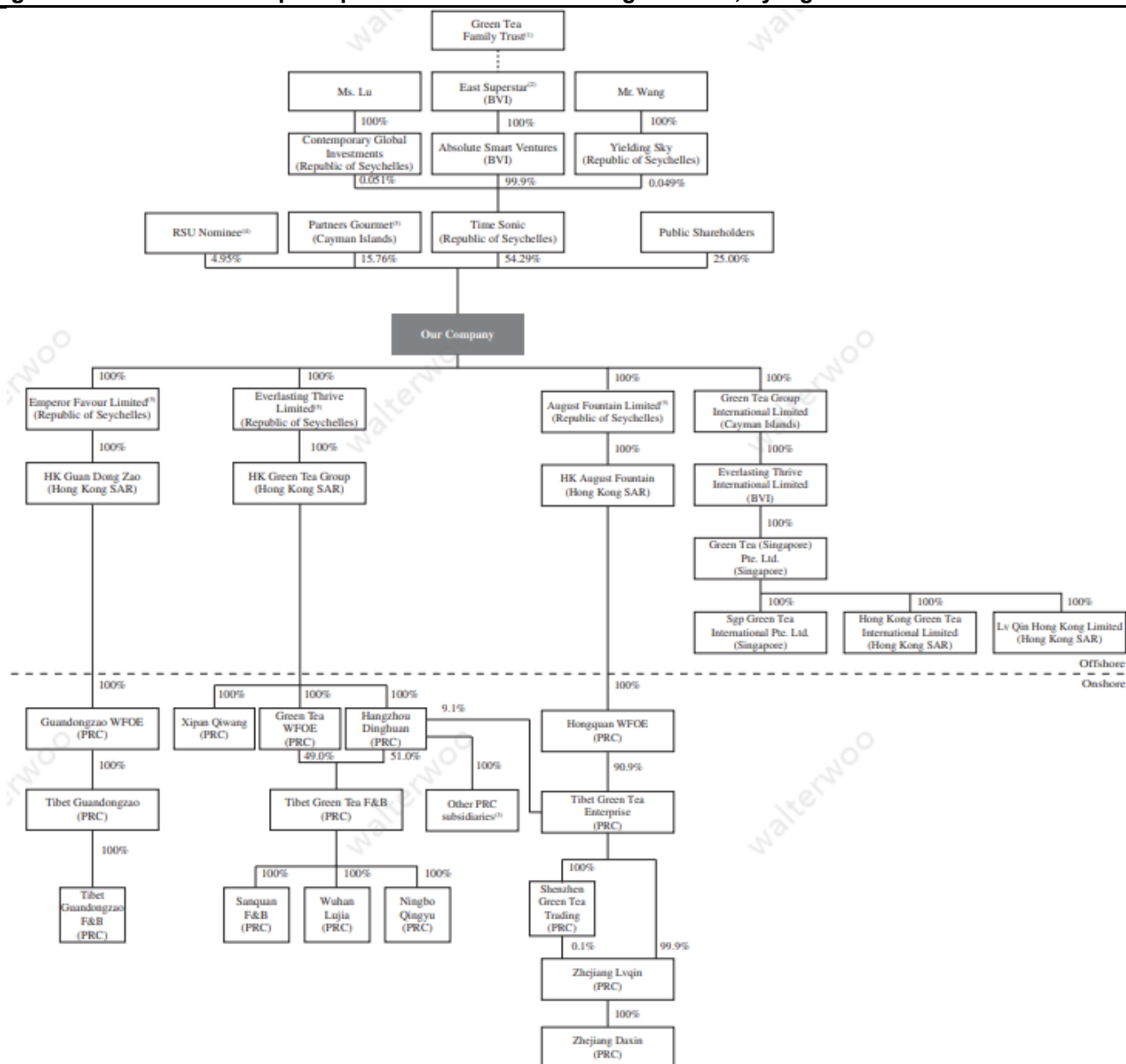
Figure 93: DCF-based valuation - sensitivity test

		WACC (%)						
		8.1%	8.6%	9.1%	9.6%	10.1%	10.6%	11.1%
Terminal growth (%)	0.5%	5,915	5,581	5,285	5,021	4,784	4,570	4,375
	1.0%	6,191	5,819	5,492	5,202	4,943	4,710	4,500
	1.5%	6,510	6,091	5,726	5,405	5,120	4,867	4,638
	2.0%	6,880	6,403	5,992	5,634	5,320	5,041	4,792
	2.5%	7,317	6,767	6,299	5,896	5,545	5,236	4,963
	3.0%	7,838	7,196	6,656	6,198	5,802	5,458	5,155
	3.5%	8,473	7,708	7,077	6,548	6,098	5,710	5,372

Source: Company data, Bloomberg, CMBIGM estimates

Shareholding Structure

Figure 94: Green Tea Group' corporate structure after reorganization, by legal entities



Source: Company data, CMBIGM

Figure 95: Green Tea Group' corporate structure after reorganization, by actual owners

Employee Incentive Scheme	Mr. Wang & Ms. Lu	Partners Gourmet	Others free floats
5.0%	54.3%	28.2%	28.2%

Source: Company data, CMBIGM estimates

Management Profile

Figure 96: Green Tea Group's management profile

Name	Age	Joined the group since	Date of appointment	Position	Responsibility
Mr. Wang Qinsong (王勤松)	52 years old	Oct-08	Jul-15	Chief executive officer, chairman of our Board and executive Director	<p>— Overseeing the overall management and business operation, board affairs, formulating strategies and operational plans, and making major business decision of our Group.</p> <p>— He served as a general manager at Hangzhou Green Tea Food & Beverage Management Company Limited (杭州綠茶餐飲管理有限公司) ("Hangzhou Green Tea F&B") from Oct 2008 to Dec 2016, which was the predecessor of Tibet Green Tea F&B. Prior to founding our Group, he established Green Tea Youth Hostel (綠茶青年旅舍) at Nov 2004 and served as the general manager from Dec 2004 to Sep 2007. Mr. Wang was admitted to Executive Education Program at the Cheung Kong Graduate School of Business (長江商學院) in Apr 2019, in the PRC.</p>
Ms. Yu Liying (于麗影)	37 years old	Oct-08	May-17	Executive Director and vice president	<p>— Responsible for the management of supply chain, construction projects and public relations and the expansion of restaurant network.</p> <p>— She has been serving as a vice president at Tibet Green Tea F&B since Jan 2017. She managed stores between Oct 2008 to Dec 2011 for Hangzhou Green Tea F&B, which was the predecessor of Tibet Green Tea F&B. She was later promoted and successively served as a regional manager, then a regional general manager and then a vice president in charge of brand operation and COO at Hangzhou Green Tea F&B until Dec 2016. Ms. Yu is pursuing an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC.</p>
Mr. Wang Jiawei (王佳偉)	41 years old	May-13	May-17	Executive Director, financial director and board secretary	<p>— Overseeing the development, day-to-day management and financial and capital management of our Group.</p> <p>— Prior to joining our Group, he was a project manager of BDO China Shu Lun Pan Certified Public Accountants LLP, Zhejiang Branch (立信會計師事務所(特殊普通合夥)浙江分所) from May 2010 to April 2013.</p>
Mr Zhang Li (張立)	40 years old	Aug-20	Aug-20	Chief Financial Officer	<p>— Overseeing the finance, strategic investments and investors' relationship of our Group.</p> <p>— Prior to joining our Group, he was the CFO at Hangzhou Runxian Finery Co., Ltd. between Jul 2019 - May 2020. Before that, he worked at Zhejiang Ronghe Network Technology Limited (浙江融合網絡技術有限公司), a website application developer and internet promotion marketing company as the CFO between Jan 2017 - Jun 2019. From Sep 2015 to Dec 2016, Mr. Zhang served as a joint company secretary and board secretary at JNBY Design Limited. From Jul 2014 to Sep 2015, he worked as the financial controller at JNBY Finery Co., Ltd. (江南布衣服飾有限公司), an indirectly wholly-owned subsidiary of JNBY Design Limited. Mr. Zhang started his career at Ernst & Young Hua Ming LLP, Shanghai Branch from Oct 2006 to Apr 2014, where he last served as an auditing manager.</p>
Ms. Tai Fang (鄧芳)	49 years old	Jan-19	Jan-19	Vice president	<p>— Responsible for business operation and management of our Group.</p> <p>— Prior to joining our Group, she served as a store general manager, regional operation manager, senior operation director and vice president successively at South Beauty (Beijing) Enterprise Management Co., Ltd. (俏江南(北京)企業管理有限公司), an F&B service management company in the PRC between 2004 to 2018.</p>
Ms. Lu Changmei (路長梅)	44 years old	Oct-08	Jul-15	Non-executive Director	<p>— Responsible for providing strategic advice and recommendations on the operations and management of our Group.</p> <p>— Prior to joining our Group, she established Green Tea Youth Hostel with Mr. Wang and served as the deputy general manager from Dec 2004 to Sep 2007.</p>
Mr. Liu Sheng (劉盛)	42 years old	May-17	May-17	Non-executive Director	<p>— Responsible for providing strategic advice and recommendations on the operations and management of our Group.</p> <p>— Since 2013, he has been with Partners Group and has 20 years of experience in finance and investment industry. He is managing director, head of greater China and a member of the Private Equity Direct Co-Investment in Health and Life Investment Committee in Partners Group and also a director in Partners Gourmet. Prior to joining Partners Group, he worked as an investment director at Cathay Capital Investment Consulting (Shanghai) Co., Ltd. from Jan 2007 - Mar 2013. He started his career at KPMG Hua Zhen LLP, Shanghai Branch, where he worked as an auditor from Aug 2004 - Aug 2006. Mr. Liu has extensive experience in managing public and private companies. He has served as a director at Shanghai Aiyingshi Co., Ltd. (上海愛嬰室商務服務股份有限公司) (Stock Code: 603214) since its listing in Mar 2018. He has also served as a director in Moda Solution Limited, a leading store fixture solution service provider and in Antute (Hong Kong) Limited, an information technology service provider since Sep 2019 and Feb 2021, respectively.</p>
Ms. Xu Ruijie (徐睿婕)	35 years old	Dec-23	Dec-23	Non-executive Director	<p>— Responsible for providing strategic advice and recommendations on the operations and management of our Group</p> <p>— She joined Partners Group in August 2016 and is currently a member of management for private equity Asia in Partners Group (Shanghai) Co. Ltd. Prior to joining Partners Group, Ms. Xu served as a senior consultant in consulting department at Booz & Company from July 2011 to July 2014.</p>
Mr. Shao Xiaodong (邵曉東)	53 years old	TBC	TBC	Independent nonexecutive Director	<p>— Providing independent judgment and advice to the Board.</p> <p>— He is a vice president of Ant Group Co., Ltd. (螞蟥科技集團股份有限公司) (the "Ant Group"). He joined the Ant Group in Jul 2014 and has successively undertaken different roles including the deputy general manager of Alipay.com Co., Ltd, a leading third party payment platform provider and the general manager of safety management department and Xianghubao (相互寶). Prior to joining the Ant Group, he worked as a policeman for more than 23 years in Hangzhou Public Security Bureau (杭州市公安局) and was the head of the criminal investigation division when he left the Hangzhou Public Security Bureau in Mar 2014.</p>
Mr. Bruno Robert Mercier	65 years old	TBC	TBC	Independent nonexecutive Director	<p>— Providing independent judgment and advice to the Board.</p> <p>— He is currently an independent non-executive director of Blue Moon Group Holdings Limited (stock code: 6993), and a director of Gramona SA, a family-owned Spanish premium winery and a non-executive member of the Supervisory Board of City Holdings Limited, a leading consumer products retailer and distributor in Myanmar, since Feb 2022.</p> <p>— He is also serving as an advisor to several other companies, including Driscoll's, a leading berries producer as well as a number of private equity and venture capital funds such as Nexus Point Capital. He is a member of the Bain Advisors Network, and an investor in tech start-ups focusing on retail and consumer goods. He also has provided one-off industry advice to Partners Group on three potential investment opportunities in 2015, 2018 and 2019.</p>
Mr. Fan Yongkui (范永奎)	40 years old	TBC	TBC	Independent nonexecutive Director	<p>— Providing independent judgment and advice to the Board.</p> <p>— He has been the chief financial officer of JNBY Design Limited (江南布衣有限公司) (stock code: 3306) since Sep 2015. Prior to joining JNBY Design Limited (江南布衣有限公司), he worked as a financial analysis manager in (浙江大華技術股份有限公司) (stock code: 002236) from Jul 2010 to Sep 2015. Between May 2008 - Jun 2010, he was a project manager of BDO China Shu Lun Pan Certified Public Accountants LLP, Zhejiang Branch. He started his career in Zhejiang Zhongcheng Certified Public Accountants LLP (浙江中誠會計師事務所) in Sep 2006 and worked there until Apr 2008.</p>

Source: Company data, CMBIGM

Key Risks

- Outbreak of diseases that might adversely reduce customer traffic;
- Involvement in lethal or other severe food safety scandals;
- Unfavourable shift in consumer tastes;
- Faster-than-expected increase in raw material costs;
- Level of competition intensifies, or competitors successfully catch up on products, service and brand quality;
- Decrease in customer satisfaction, product or service quality, due to too much focus on short-term profits, at the expense of long-term brand benefits;
- Failure to keep up with store expansion plan or new stores' popularity is not as good as expected;
- Involvement in fraud or other misconduct committed by employees or third parties;
- Labour shortage or faster-than-expected increase in staff costs;
- Chances of further capital support required.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	2,375	3,589	3,838	4,752	5,924	7,422
Cost of goods sold	(862)	(1,205)	(1,193)	(1,464)	(1,813)	(2,264)
Gross profit	1,513	2,384	2,645	3,288	4,111	5,158
Operating expenses	(1,468)	(1,989)	(2,215)	(2,738)	(3,398)	(4,220)
Staff costs	(626)	(911)	(989)	(1,199)	(1,509)	(1,916)
Other rental related expenses	(57)	(80)	(76)	(91)	(108)	(128)
Others	(460)	(627)	(730)	(937)	(1,166)	(1,449)
Operating profit	70	425	453	579	737	968
Other income	25	30	23	29	24	30
EBITDA	395	795	874	1,091	1,352	1,694
Depreciation	(164)	(193)	(218)	(261)	(304)	(344)
Depreciation of ROU assets	(161)	(177)	(203)	(251)	(310)	(382)
Interest income	6	9	9	8	13	19
Interest expense	(42)	(43)	(45)	(46)	(54)	(62)
Other income/expense	8	(4)	2	0	0	0
Pre-tax profit	43	388	419	541	697	925
Income tax	(27)	(92)	(68)	(92)	(118)	(157)
Minority interest	0	0	0	0	0	0
Net profit	17	296	350	449	578	768
Adjusted net profit	25	303	361	468	590	768

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	474	877	673	971	1,305	1,754
Cash & equivalents	134	356	247	447	659	952
Account receivables	18	36	23	36	45	57
Inventories	56	60	67	78	96	120
Prepayment	222	278	310	383	478	599
ST bank deposits	0	25	0	0	0	0
Other current assets	43	122	26	26	26	26
Non-current assets	1,340	1,544	1,791	1,886	2,026	2,239
PP&E	519	649	725	820	960	1,172
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	2	2	3	3	3	3
Other non-current assets	819	893	1,063	1,063	1,063	1,063
Total assets	1,814	2,421	2,464	2,857	3,331	3,993
Current liabilities	562	1,178	738	862	1,005	1,187
Short-term borrowings	31	50	0	0	0	0
Account payables	193	248	221	288	357	446
Tax payable	6	8	0	0	0	0
Other current liabilities	332	872	517	574	648	742
Non-current liabilities	783	829	955	955	955	955
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	783	829	955	955	955	955
Total liabilities	1,346	2,006	1,693	1,817	1,960	2,143
Share capital	0	0	0	0	0	0
Retained earnings	0	0	0	23	312	696
Other reserves	468	414	771	1,017	1,059	1,154
Total shareholders equity	468	415	771	1,039	1,371	1,850
Minority interest	0	0	0	0	0	0
Total equity and liabilities	1,814	2,421	2,464	2,857	3,331	3,993

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	43	388	419	541	697	925
Depreciation & amortization	164	193	218	261	304	344
Tax paid	(17)	(60)	(105)	(92)	(118)	(157)
Change in working capital	(33)	56	(42)	26	20	27
Others	190	216	244	46	53	62
Net cash from operations	348	793	734	782	956	1,201
Investing						
Capital expenditure	(220)	(306)	(336)	(356)	(444)	(557)
Acquisition of subsidiaries/ investments	0	(1)	(2)	0	0	0
Others	4	(73)	90	0	0	0
Net cash from investing	(216)	(380)	(248)	(356)	(444)	(557)
Financing						
Dividend paid	0	0	(350)	(180)	(246)	(289)
Net borrowings	31	(6)	(25)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(158)	(185)	(220)	(46)	(54)	(62)
Net cash from financing	(128)	(191)	(595)	(226)	(300)	(351)
Net change in cash						
Cash at the beginning of the year	131	134	356	247	447	659
Exchange difference	(1)	(0)	0	0	0	0
Others	4	222	(109)	199	212	293
Cash at the end of the year	134	356	247	447	659	952
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	3.6%	51.1%	6.9%	23.8%	24.7%	25.3%
Gross profit	4.6%	57.6%	11.0%	24.3%	25.0%	25.5%
Operating profit	(59.4%)	505.1%	6.4%	27.8%	27.4%	31.4%
EBITDA	(10.7%)	101.4%	9.8%	24.9%	23.9%	25.3%
Net profit	(85.4%)	1,682.6%	18.5%	28.3%	28.7%	32.8%
Adj. net profit	(81.8%)	1,102.8%	19.0%	29.7%	26.1%	30.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	63.7%	66.4%	68.9%	69.2%	69.4%	69.5%
Operating margin	3.0%	11.9%	11.8%	12.2%	12.4%	13.0%
EBITDA margin	16.6%	22.2%	22.8%	23.0%	22.8%	22.8%
Adj. net profit margin	1.1%	8.5%	9.4%	9.9%	10.0%	10.3%
Return on equity (ROE)	3.6%	67.0%	59.1%	49.6%	48.0%	47.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.2	0.8	0.3	0.4	0.5	0.5
Current ratio (x)	0.8	0.7	0.9	1.1	1.3	1.5
Receivable turnover days	2.6	2.8	2.8	2.8	2.8	2.8
Inventory turnover days	21.9	17.6	19.4	19.4	19.4	19.4
Payable turnover days	85.4	66.9	71.9	71.9	71.9	71.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	201.8	11.3	9.6	8.2	7.0	5.3
P/E (diluted)	201.8	11.3	9.6	8.2	7.0	5.3
P/B	7.1	8.1	4.3	3.9	3.0	2.2
P/CFPS	9.6	4.2	4.6	4.7	4.2	3.4
Div yield (%)	0.0	10.5	5.4	6.1	7.1	9.5
EV	3,552.4	3,324.7	3,408.7	3,984.7	3,772.4	3,479.4
EV/Sales	1.5	0.9	0.9	0.8	0.6	0.5
EV/EBITDA	9.0	4.2	3.9	3.7	2.8	2.1

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

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