

Jiumaojiu (9922 HK)

Multiple positive signs suggest a turnaround

Tai Er's SSS decline has already stabilized and its restaurant OP margin has started to improve HoH in 1H25. Backed by an array of positive signs in 2H25E, including Tai Er's store revamp, improved breakeven point, less impairment losses, launch of Song hotpot's new store format and a new brand, we believe the turnaround is near. Hence, we raise our rating to BUY with TP of HK\$ 3.18.

■ **The number of store closures in 2H25E may be a miss, in our view.** As the management highlighted in the results call that they will close another 40 to 50 Tai Er stores in 2H25E, the total store closures of the group in FY25E should reach around 100 and account for 13% of total sales, which is worse than management's previous guidance of 10%. This may lead to a cut in sales estimates in the next few years.

■ **But we have turned more positive about the group in 2H25E and onwards.** Apart from the miss in store count, there are quite a number of positive signs that make us turn more optimistic on the group as a whole, namely:

1) Tai Er's SSS decline may have stabilized (where table turnover was at 3.1x in 2Q25, same as that in 1Q25, while it should have dropped due to the seasonality). In fact, the SSS recovery rate (vs 2019) in 2Q25 has also stabilized vs that in 1Q25), and noted that positive of the new store format has not been kicked in yet, as there are only about 20 revamped stores (vs 566 in total). Noted that SSS decline had narrowed to SD in Jul 2025.

2) Tai Er's new store format has been a success (where SSS may increase by at least 15% after revamp). Such positive may start to kick in and lead to positive SSSG in 4Q25E (as the number of new format stores will reach about 150 vs 524 in total).

3) Tai Er's restaurant level OP margin seems to have bottomed in 1H25 and may further rebound in 2H25E, because it can still manage to stay rather flat at 13.4% in 1H25 (vs 13.8% in 1H24) even when the SSS was falling by about 19% YoY. This was mainly helped by closures of those non-performing stores and reduction in staffs per store.

4) Impairment losses associated with store closures should diminish in 2H25E as the provision done in 1H25 are mostly for stores closures in 2H25E and there might not be too many closures going forward in FY26E.

5) Song hot pot will roll out a new store format in 2H25E, which has an emphasis of more fresh ingredients, healthier soup bases with zero-additive and a happy dining atmosphere.

And 6) the group will launch a new brand (with a brand positioning of delicious, fun and good-looking) in 4Q25E, which is believed to be scalable, have a good synergy with current supply chain and infrastructure and in a large industry which is full of potential.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------------------|-------|--------|--------|-------|-------|
| Revenue (RMB mn) | 5,986 | 6,074 | 5,384 | 6,066 | 6,279 |
| YoY growth (%) | 49.4 | 1.5 | (11.4) | 12.7 | 3.5 |
| Operating profit (RMB mn) | 701.8 | 209.8 | 285.9 | 492.4 | 535.7 |
| Net profit (RMB mn) | 480.0 | 44.8 | 137.4 | 261.6 | 304.3 |
| EPS (Reported) (RMB cents) | 31.18 | 3.88 | 9.82 | 18.70 | 21.75 |
| YoY growth (%) | 819.7 | (87.5) | 152.8 | 90.4 | 16.3 |
| P/E (x) | 8.0 | 63.9 | 25.3 | 13.3 | 11.4 |
| P/B (x) | 1.1 | 1.1 | 1.1 | 0.9 | 0.8 |
| Yield (%) | 5.4 | 1.4 | 2.0 | 3.8 | 4.4 |
| ROE (%) | 14.6 | 1.4 | 4.2 | 7.3 | 7.4 |
| Net gearing (%) | 41.8 | 26.7 | 38.1 | 50.6 | 61.3 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Up)

| | |
|---------------|----------|
| Target Price | HK\$3.18 |
| (Previous TP) | HK\$2.99 |
| Up/Downside | 18.0% |
| Current Price | HK\$2.70 |

China Consumer Discretionary

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Stock Data

| | |
|--------------------------|-----------|
| Mkt Cap (HK\$ mn) | 3,926.4 |
| Avg 3 mths t/o (HK\$ mn) | 76.8 |
| 52w High/Low (HK\$) | 5.54/2.19 |
| Total Issued Shares (mn) | 1454.2 |

Source: FactSet

Shareholding Structure

| | |
|------------------------|-------|
| Mr. Guan Yi Hong | 39.2% |
| T.Rowe Price Hong Kong | 5.0% |

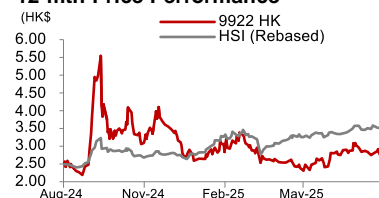
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -10.9% | -12.4% |
| 3-mth | 14.9% | 3.6% |
| 6-mth | -4.9% | -15.2% |

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Upgrade to BUY with TP of HK\$ 3.18, based on 16x FY26E P/E (rolled over from 13x FY25E P/E).** We have revised down our FY25E/ 26E/ 27E net profit forecasts by 4%/ 13%/ 16% in order to factor in: 1) worse-than-expected store counts and expansion, but 2) better-than-expected opex control. Despite the small miss in 1H25, we have turned more bullish on the Company, supported by the initial success of Tai Er's store revamp, potential inflection of store closures and stronger-than-expected restaurant level OP margin. Therefore, we upgrade our rating to BUY with a new TP of HK\$ 3.18, based on 16x FY26E P/E (rolled over from 13x FY26E P/E). The stock is now trading at just 14x FY26E P/E, still far below 5-year average of 20x.
- **1H25 results slightly below expectations.** In 1H25, Jiumaojiu's sales dropped by 10% YoY to RMB 2.75bn, 3% below BBG estimates. During the period, net profit also fell by 16% YoY to RMB 61mn, missing BBG estimates by 5%. We believe this small miss was due to the higher-than-expected staff costs and other opex (despite the better-than-expected effective tax). But the operating numbers in 1H25 have started to improve, vs 4Q24, in general. Even though JMJ's same store sales decline worsened slightly to 20% in 1H25, vs 18% drop in 4Q24, Tai Er's and Song's same store sales drop were at 19%/ 20% in 1H25, both improving from -25%/ 27% in 4Q24. JMJ/ Tai Er/ Song's table turnover were at about 2.5x/ 3.1x/ 3.8x in 1H25, down by 11%/ 18%/ 16% YoY, but has started to stabilize vs 2.4x/ 3.0x/ 4.2x in 4Q24. In terms of store network, JMJ/ Tai Er/ Song were at 68/ 566/ 76 in 1H25, down by 6%/ 17%/ 16% YoY. Most of these should be well expected as the Company has already reported its 2Q25 operating numbers a month ago.

Earnings revision

Figure 1: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|-------|-------|-------|-------|-------|-------|----------|---------|---------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 5,384 | 6,066 | 6,279 | 6,140 | 6,911 | 7,088 | -12.3% | -12.2% | -11.4% |
| Gross profit | 3,466 | 3,907 | 4,044 | 3,949 | 4,446 | 4,555 | -12.3% | -12.1% | -11.2% |
| EBIT | 335 | 551 | 619 | 379 | 596 | 683 | -11.5% | -7.5% | -9.4% |
| Net profit att. | 141 | 269 | 313 | 148 | 310 | 372 | -4.3% | -13.2% | -16.0% |
| Diluted EPS (RMB) | 0.098 | 0.187 | 0.218 | 0.103 | 0.216 | 0.259 | -4.3% | -13.2% | -16.0% |
| Gross margin | 64.4% | 64.4% | 64.4% | 64.3% | 64.3% | 64.3% | 0ppt | 0.1ppt | 0.1ppt |
| EBIT margin | 6.2% | 9.1% | 9.9% | 6.2% | 8.6% | 9.6% | 0.1ppt | 0.5ppt | 0.2ppt |
| Net profit att. margin | 2.6% | 4.4% | 5.0% | 2.4% | 4.5% | 5.2% | 0.2ppt | -0.1ppt | -0.3ppt |

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|------------------------|--------|-------|-------|-----------|-------|-------|----------|---------|---------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 5,384 | 6,066 | 6,279 | 6,109 | 6,599 | 7,134 | -11.9% | -8.1% | -12.0% |
| Gross profit | 3,466 | 3,907 | 4,044 | 3,946 | 4,272 | 4,627 | -12.2% | -8.5% | -12.6% |
| EBIT | 335 | 551 | 619 | 343 | 479 | 576 | -2.2% | 15.1% | 7.5% |
| Net profit att. | 141 | 269 | 313 | 163 | 252 | 326 | -13.7% | 6.7% | -4.2% |
| Diluted EPS (RMB) | 0.098 | 0.187 | 0.218 | 0.115 | 0.176 | 0.234 | -14.5% | 6.2% | -7.1% |
| Gross margin | 64.4% | 64.4% | 64.4% | 64.6% | 64.7% | 64.9% | -0.2ppt | -0.3ppt | -0.4ppt |
| EBIT margin | 6.2% | 9.1% | 9.9% | 5.6% | 7.3% | 8.1% | 0.6ppt | 1.8ppt | 1.8ppt |
| Net profit att. margin | 2.6% | 4.4% | 5.0% | 2.7% | 3.8% | 4.6% | -0.1ppt | 0.6ppt | 0.4ppt |

Source: Bloomberg, CMBIGM estimates

Results Summary

Figure 3: Results review – half year

| Half yearly / Full yearly (RMB mn) | 1H24 | 2H24 | 1H25 | 2H25E | 1H25 YoY | 2H25E YoY | 1H25E CMBIGM | Actual vs CMBI |
|---------------------------------------------|---------------|---------------|---------------|---------------|-------------|--------------|---------------|----------------|
| Revenue | 3,064 | 3,009 | 2,753 | 2,630 | -10% | -13% | 2,645 | 4% |
| COGS | -1,097 | -1,065 | -980 | -938 | | | -939 | |
| Gross profit | 1,967 | 1,945 | 1,773 | 1,692 | -10% | -13% | 1,706 | 4% |
| GP margins | 64.2% | 64.6% | 64.4% | 64.3% | | | 64.5% | |
| Other income & gains | 33 | 36 | 27 | 37 | | | 29 | -8% |
| Staff costs | -894 | -853 | -829 | -677 | -7% | -21% | -741 | 12% |
| Staff costs / sales | -29.2% | -28.3% | -30.1% | -25.7% | | | -28.0% | |
| Dep. of right-of-use assets expenses | -287 | -290 | -268 | -269 | -6% | -7% | -246 | 9% |
| Dep. of ROU assets exp / sales | -9.4% | -9.6% | -9.7% | -10.2% | | | -9.3% | |
| Other rentals expenses | -66 | -67 | -55 | -63 | -17% | -6% | -58 | -6% |
| Other rentals exp / sales | -2.2% | -2.2% | -2.0% | -2.4% | | | -2.2% | |
| D&A of other assets | -140 | -152 | -147 | -116 | 5% | -24% | -172 | -15% |
| D&A of other assets exp / sales | -4.6% | -5.0% | -5.3% | -4.4% | | | -6.5% | |
| Utilities expenses | -123 | -130 | -111 | -151 | -10% | 16% | -119 | -7% |
| Utilities exp / sales | -4.0% | -4.3% | -4.0% | -5.7% | | | -4.5% | |
| Travelling & related expenses | -14 | -16 | -9 | -18 | -36% | 14% | -16 | -45% |
| Travelling & related exp / sales | -0.4% | -0.5% | -0.3% | -0.7% | | | -0.6% | |
| A&P expenses | -47 | -57 | -36 | -56 | -24% | -1% | -48 | -24% |
| A&P exp / sales | -1.5% | -1.9% | -1.3% | -2.1% | | | -1.8% | |
| Delivery service fees | -40 | -89 | -55 | -65 | 38% | -26% | -53 | 4% |
| Delivery service fees / sales | -1.3% | -3.0% | -2.0% | -2.5% | | | -2.0% | |
| Other opex | -177 | -276 | -135 | -134 | -24% | -51% | -106 | 27% |
| Other opex / sales | -5.8% | -9.2% | -4.9% | -5.1% | | | -4.0% | |
| Operating profit (EBIT) | 212 | 52 | 156 | 180 | -27% | 247% | 177 | -12% |
| OP margins | 6.9% | 1.7% | 5.7% | 6.8% | | | 6.7% | |
| Other items | -69 | -6 | -20 | -23 | | | -40 | |
| Net finance income | -53 | -58 | -55 | -49 | | | -48 | 16% |
| Net finance income / sales | -1.7% | -1.9% | -2.0% | -1.9% | | | -1.8% | |
| Profit after financing costs | 90 | -12 | 81 | 107 | | | 90 | |
| Associated coms | -2 | -2 | -3 | -0 | | | -3 | |
| Jointly controlled coms | 0 | 0 | 0 | 0 | | | 0 | |
| Pre-tax profit | 88 | -14 | 78 | 107 | -11% | -865% | 87 | -11% |
| Tax | -20 | -9 | -19 | -28 | | | -26 | -27% |
| Tax / sales | -0.7% | -0.3% | -0.7% | -1.1% | | | -1.0% | |
| Effective tax rate | -22.7% | 66.5% | -24.6% | -26.1% | | | -30.0% | |
| Minority interests | -4 | -7 | -2 | -2 | | | -3 | -25% |
| Net profit att. | 72 | -16 | 61 | 80 | -16% | -588% | 64 | -5% |
| NP margins | 2.4% | -0.5% | 2.2% | 3.1% | | | 2.4% | |

Source: Bloomberg, Company data, CMBIGM estimates

Figure 4: Results review – full year

| Half yearly / Full yearly (RMB mn) | FY24 | FY25E | FY26E | FY25E YoY | FY26E YoY |
|---------------------------------------------|---------------|---------------|---------------|-------------|------------|
| Revenue | 6,074 | 5,384 | 6,066 | -11% | 13% |
| COGS | -2,162 | -1,918 | -2,159 | | |
| Gross profit | 3,912 | 3,466 | 3,907 | -11% | 13% |
| GP margins | 64.4% | 64.4% | 64.4% | | |
| Other income & gains | 70 | 64 | 75 | | |
| Staff costs | -1,747 | -1,506 | -1,519 | -14% | 1% |
| Staff costs / sales | -28.8% | -28.0% | -25.0% | | |
| Dep. of right-of-use assets expenses | -576 | -537 | -515 | -7% | -4% |
| Dep. of ROU assets exp / sales | -9.5% | -10.0% | -8.5% | | |
| Other rentals expenses | -133 | -118 | -133 | -11% | 13% |
| Other rentals exp / sales | -2.2% | -2.2% | -2.2% | | |
| D&A of other assets | -292 | -262 | -337 | -10% | 28% |
| D&A of other assets exp / sales | -4.8% | -4.9% | -5.5% | | |
| Utilities expenses | -253 | -261 | -245 | 3% | -6% |
| Utilities exp / sales | -4.2% | -4.9% | -4.0% | | |
| Travelling & related expenses | -30 | -27 | -36 | -9% | 35% |
| Travelling & related exp / sales | -0.5% | -0.5% | -0.6% | | |
| A&P expenses | -104 | -92 | -115 | -11% | 25% |
| A&P exp / sales | -1.7% | -1.7% | -1.9% | | |
| Delivery service fees | -129 | -120 | -138 | -6% | 14% |
| Delivery service fees / sales | -2.1% | -2.2% | -2.3% | | |
| Other opex | -454 | -269 | -394 | -41% | 46% |
| Other opex / sales | -7.5% | -5.0% | -6.5% | | |
| Operating profit (EBIT) | 264 | 335 | 551 | 27% | 64% |
| OP margins | 4.3% | 6.2% | 9.1% | | |
| Other items | -75 | -43 | -91 | | |
| Net finance income | -111 | -104 | -102 | | |
| Net finance income / sales | -1.8% | -1.9% | -1.7% | | |
| Profit after financing costs | 78 | 188 | 359 | | |
| Associated coms | -4 | -3 | -4 | | |
| Jointly controlled coms | 0 | 0 | 0 | | |
| Pre-tax profit | 74 | 184 | 355 | 149% | 92% |
| Tax | -29 | -47 | -93 | | |
| Tax / sales | -0.5% | -0.9% | -1.5% | | |
| Effective tax rate | -39.5% | -25.5% | -26.3% | | |
| Minority interests | -11 | -4 | -7 | | |
| Net profit att. | 56 | 141 | 269 | 153% | 90% |
| NP margins | 0.9% | 2.6% | 4.4% | | |

Source: Bloomberg, Company data, CMBIGM estimates

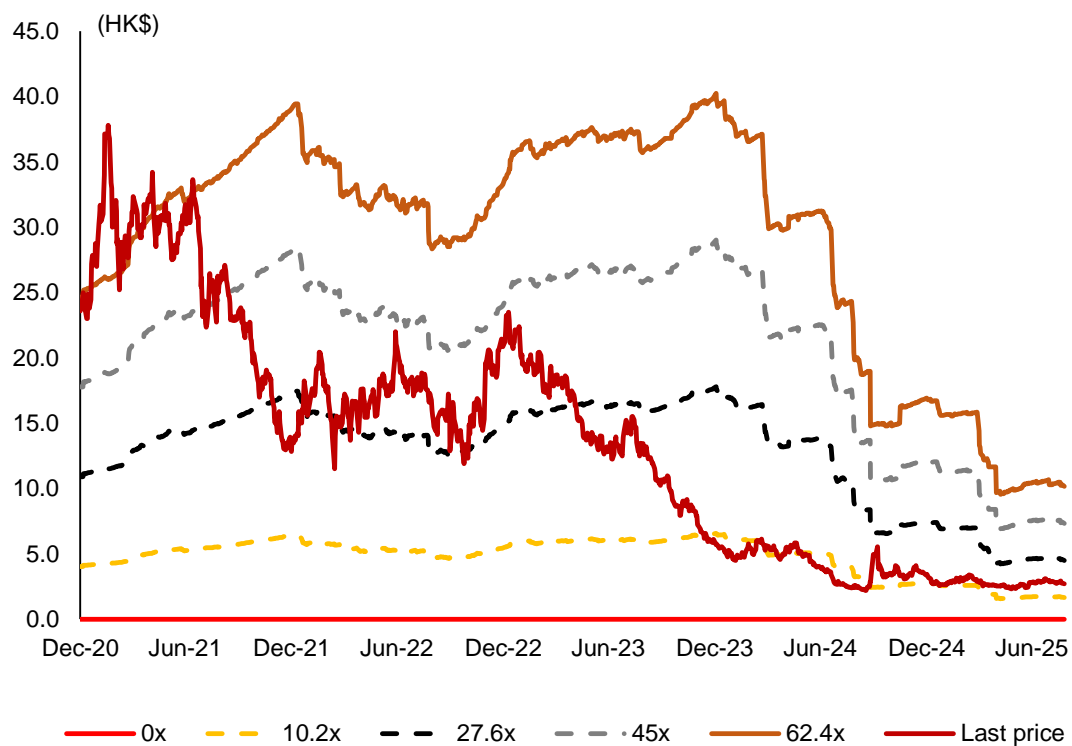
Valuation

Figure 5: Peers valuation table

| | | | 12m TP | Price | Up/ Down- | Mkt. Cap | Year | P/E (x) | | P/B (x) | ROE (%) | 3yrs PEG (x) | Yield (%) | YTD perf. |
|--------------------------------|-------------|--------|-----------|--------|--------------|-----------|--------|---------|------|------------|------------|--------------------|--------------|--------------|
| Company | Ticker | Rating | (LC) | (LC) | side | (HK\$mn) | End | FY1E | FY2E | FY2E | FY0 | FY1E | FY1E | FY1E |
| Leading Greater China Catering | | | | | | | | | | | | | | |
| Jiumaojiu | 9922 HK | BUY | 3.18 | 2.70 | 18% | 3,774 | Dec-24 | 25.8 | 13.6 | 1.0 | 1.7 | 0.3 | 1.9 | (20.7) |
| Haidilao | 6862 HK | BUY | 20.20 | 14.88 | 36% | 82,941 | Dec-24 | 15.1 | 13.7 | 4.7 | 42.9 | 2.0 | 5.6 | (6.4) |
| DPC Dash | 1405 HK | BUY | 118.57 | 88.85 | 33% | 11,634 | Dec-24 | 72.9 | 43.6 | 4.1 | 2.5 | 0.9 | 0.0 | 13.9 |
| Luckin | LKNCY US | BUY | 44.95 | 37.88 | 19% | 83,812 | Dec-24 | 25.1 | 17.8 | 4.0 | 26.5 | 1.1 | 0.0 | 47.6 |
| Green Tea | 6831 HK | BUY | 10.54 | 7.77 | 36% | 5,233 | Dec-24 | 9.9 | 8.1 | 3.0 | 59.1 | n/a | 3.6 | n/a |
| Nayuki | 2150 HK | BUY | 3.43 | 1.65 | 108% | 2,813 | Dec-24 | n/a | n/a | 0.7 | (21.0) | n/a | 0.0 | 21.3 |
| Helens | 9869 HK | NR | n/a | 1.36 | n/a | 1,721 | Dec-24 | 7.0 | 9.2 | 2.1 | (5.3) | (0.0) | 14.4 | (42.3) |
| Cafe De Coral | 341 HK | HOLD | 6.52 | 7.03 | -7% | 4,077 | Mar-25 | 13.8 | 11.9 | 1.3 | 8.3 | 1.2 | 5.7 | (10.0) |
| Xiabuxiabu | 520 HK | BUY | 4.89 | 0.81 | 504% | 880 | Dec-24 | n/a | n/a | 0.9 | (40.6) | n/a | 4.0 | (19.0) |
| Tam Jai | 2217 HK | NR | n/a | 1.57 | n/a | 2,114 | Mar-25 | n/a | n/a | n/a | 5.4 | n/a | n/a | 101.3 |
| Yihai | 1579 HK | NR | n/a | 14.78 | n/a | 15,322 | Dec-24 | 16.2 | 14.6 | 2.6 | 15.8 | 1.5 | 5.5 | (2.0) |
| Yum China | 9987 HK | BUY | 437.04 | 365.20 | 20% | 134,575 | Dec-24 | 18.5 | 16.3 | 2.9 | 15.8 | 1.7 | 1.9 | (2.4) |
| Yum China | YUMC US | BUY | 55.94 | 45.90 | 22% | 132,120 | Dec-24 | 18.1 | 16.0 | 2.9 | 15.8 | 1.6 | 2.0 | (4.7) |
| Gourmet Master | 2723 TT | NR | n/a | 79.30 | n/a | 3,662 | Dec-24 | 17.9 | 13.6 | 1.2 | 6.4 | 0.6 | 4.8 | (18.1) |
| Avg. | | | | | | | | 21.8 | 16.2 | 2.4 | 9.5 | 1.1 | 3.8 | 4.5 |
| Med. | | | | | | | | 17.9 | 13.7 | 2.6 | 7.3 | 1.2 | 3.6 | (4.7) |
| International Catering | | | | | | | | | | | | | | |
| Yum! Brands | YUM US | NR | n/a | 147.87 | n/a | 320,570 | Dec-24 | 24.6 | 22.2 | n/a | n/a | 2.0 | 1.9 | 10.2 |
| Mcdonald's | MCD US | NR | n/a | 314.07 | n/a | 1,750,682 | Dec-24 | 25.5 | 23.5 | n/a | n/a | 3.0 | 2.3 | 8.3 |
| Starbucks Corp | SBUX US | NR | n/a | 88.38 | n/a | 784,735 | Sep-24 | 40.1 | 33.0 | n/a | n/a | 152.0 | 2.8 | (3.1) |
| Rest' Brands | QSR US | NR | n/a | 63.40 | n/a | 225,195 | Dec-24 | 17.3 | 15.8 | 5.3 | 26.9 | 1.6 | 3.9 | (2.7) |
| Chipotle | CMG US | NR | n/a | 43.6 | n/a | 457,088 | Dec-24 | 35.9 | 30.8 | 13.2 | 42.6 | 2.5 | 0.0 | (27.6) |
| Darden | DRI US | NR | n/a | 208.58 | n/a | 189,966 | May-25 | 19.5 | 18.2 | 9.4 | 46.1 | 1.6 | 2.9 | 11.7 |
| Domino's Pizza | DPZ US | NR | n/a | 450.99 | n/a | 119,596 | Dec-24 | 25.6 | 23.1 | n/a | n/a | 3.0 | 1.5 | 7.4 |
| Wendy's Co | WEN US | NR | n/a | 10.64 | n/a | 15,838 | Dec-24 | 12.1 | 11.1 | 41.1 | 99.3 | 2.8 | 6.5 | (34.7) |
| Shake Shack | SHAK US | NR | n/a | 103.98 | n/a | 34,672 | Dec-24 | 75 | 60 | 6.8 | 4.2 | 0.7 | n/a | (19.9) |
| Wingstop Inc | WING US | NR | n/a | 332.19 | n/a | 72,458 | Dec-24 | 83.0 | 64.6 | n/a | n/a | 3.8 | 0.3 | 16.9 |
| Jollibee Foods | JFC PM | NR | n/a | 234.20 | n/a | 36,185 | Dec-24 | 23.5 | 19.3 | 2.9 | 13.6 | 1.3 | 1.5 | (12.9) |
| Avg. | | | | | | | | 34.8 | 29.2 | 13.1 | 38.8 | 15.9 | 2.4 | (4.2) |
| Med. | | | | | | | | 25.5 | 23.1 | 8.1 | 34.8 | 2.5 | 2.1 | (2.7) |

Source: Bloomberg, Company data, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 4,006 | 5,986 | 6,074 | 5,384 | 6,066 | 6,279 |
| Cost of goods sold | (1,447) | (2,142) | (2,162) | (1,918) | (2,159) | (2,234) |
| Gross profit | 2,559 | 3,844 | 3,912 | 3,466 | 3,907 | 4,044 |
| Operating expenses | (2,363) | (3,207) | (3,718) | (3,194) | (3,431) | (3,525) |
| Staff costs | (1,134) | (1,544) | (1,747) | (1,506) | (1,519) | (1,584) |
| Other rental related expenses | (83) | (139) | (133) | (118) | (133) | (138) |
| Others | (553) | (803) | (969) | (770) | (928) | (958) |
| Operating profit | 241 | 702 | 210 | 286 | 492 | 536 |
| Other income | 46 | 65 | 16 | 15 | 16 | 17 |
| Share of (losses)/profits of associates/JV | (3) | (2) | (4) | (3) | (4) | (4) |
| EBITDA | 834 | 1,423 | 1,078 | 1,086 | 1,344 | 1,381 |
| Depreciation | (190) | (236) | (292) | (262) | (337) | (313) |
| Depreciation of ROU assets | (403) | (485) | (576) | (537) | (515) | (532) |
| Interest income | 26 | 62 | 54 | 50 | 59 | 83 |
| Interest expense | (81) | (93) | (111) | (104) | (102) | (108) |
| Other income/expense | (88) | (32) | (75) | (43) | (91) | (94) |
| Pre-tax profit | 94 | 636 | 74 | 184 | 355 | 413 |
| Income tax | (39) | (156) | (29) | (47) | (93) | (108) |
| Minority interest | (6) | (27) | 11 | 4 | 7 | 8 |
| Net profit | 56 | 480 | 45 | 137 | 262 | 304 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 2,585 | 2,806 | 2,309 | 2,669 | 3,400 | 4,166 |
| Cash & equivalents | 1,099 | 1,327 | 607 | 1,056 | 1,700 | 2,439 |
| Account receivables | 21 | 38 | 57 | 42 | 47 | 49 |
| Inventories | 118 | 132 | 115 | 110 | 124 | 128 |
| Prepayment | 392 | 533 | 614 | 544 | 613 | 634 |
| ST bank deposits | 11 | 231 | 307 | 307 | 307 | 307 |
| Other current assets | 945 | 545 | 610 | 610 | 610 | 610 |
| Non-current assets | 2,822 | 3,715 | 4,179 | 3,980 | 3,742 | 3,529 |
| PP&E | 737 | 1,129 | 1,190 | 996 | 762 | 555 |
| Investment in JVs & assos | 10 | 8 | 29 | 25 | 21 | 17 |
| Intangibles | 25 | 26 | 26 | 25 | 24 | 23 |
| Other non-current assets | 2,051 | 2,552 | 2,935 | 2,935 | 2,935 | 2,935 |
| Total assets | 5,407 | 6,521 | 6,489 | 6,648 | 7,141 | 7,696 |
| Current liabilities | 955 | 1,403 | 1,593 | 1,520 | 1,590 | 1,612 |
| Short-term borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Account payables | 188 | 209 | 213 | 187 | 211 | 218 |
| Tax payable | 17 | 68 | 43 | 43 | 43 | 43 |
| Other current liabilities | 749 | 1,125 | 1,337 | 1,290 | 1,336 | 1,350 |
| Non-current liabilities | 1,253 | 1,761 | 1,745 | 1,741 | 1,734 | 1,726 |
| Long-term borrowings | 0 | 154 | 74 | 74 | 74 | 74 |
| Other non-current liabilities | 1,253 | 1,607 | 1,671 | 1,667 | 1,660 | 1,652 |
| Total liabilities | 2,208 | 3,164 | 3,337 | 3,262 | 3,324 | 3,337 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 0 | 0 | 0 | 263 | 666 | 1,135 |
| Other reserves | 3,199 | 3,357 | 3,151 | 3,124 | 3,151 | 3,223 |
| Total shareholders equity | 3,199 | 3,357 | 3,151 | 3,387 | 3,817 | 4,358 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity and liabilities | 5,407 | 6,521 | 6,489 | 6,648 | 7,141 | 7,696 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 94 | 636 | 74 | 184 | 355 | 413 |
| Depreciation & amortization | 190 | 236 | 292 | 262 | 337 | 313 |
| Tax paid | (88) | (107) | (100) | (47) | (93) | (108) |
| Change in working capital | 9 | (102) | (21) | 18 | (18) | (6) |
| Others | 478 | 350 | 731 | 111 | 155 | 164 |
| Net cash from operations | 684 | 1,012 | 976 | 529 | 735 | 776 |
| Investing | | | | | | |
| Capital expenditure | (370) | (576) | (528) | (27) | (61) | (63) |
| Acquisition of subsidiaries/ investments | (11) | (10) | (13) | 0 | 0 | 0 |
| Others | (207) | 436 | (257) | 0 | 0 | 0 |
| Net cash from investing | (588) | (150) | (798) | (27) | (61) | (63) |
| Financing | | | | | | |
| Dividend paid | (83) | (66) | (202) | 52 | 71 | 134 |
| Net borrowings | 30 | 214 | 135 | 0 | 0 | 0 |
| Proceeds from share issues | 13 | 5 | 0 | 0 | 0 | 0 |
| Share repurchases | 0 | (137) | (126) | 0 | 0 | 0 |
| Others | (441) | (662) | (711) | (104) | (102) | (108) |
| Net cash from financing | (481) | (646) | (905) | (53) | (31) | 26 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 1,342 | 1,099 | 1,327 | 607 | 1,056 | 1,700 |
| Exchange difference | 141 | 12 | 7 | 0 | 0 | 0 |
| Others | (384) | 216 | (726) | 449 | 643 | 739 |
| Cash at the end of the year | 1,099 | 1,327 | 607 | 1,056 | 1,700 | 2,439 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | (4.2%) | 49.4% | 1.5% | (11.4%) | 12.7% | 3.5% |
| Gross profit | (3.2%) | 50.2% | 1.8% | (11.4%) | 12.7% | 3.5% |
| Operating profit | (56.7%) | 191.4% | (70.1%) | 36.3% | 72.2% | 8.8% |
| EBITDA | (21.2%) | 70.6% | (24.2%) | 0.7% | 23.7% | 2.8% |
| Net profit | (85.1%) | 763.2% | (90.7%) | 206.7% | 90.4% | 16.3% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 63.9% | 64.2% | 64.4% | 64.4% | 64.4% | 64.4% |
| Operating margin | 6.0% | 11.7% | 3.5% | 5.3% | 8.1% | 8.5% |
| EBITDA margin | 20.8% | 23.8% | 17.8% | 20.2% | 22.2% | 22.0% |
| Return on equity (ROE) | 1.8% | 14.6% | 1.4% | 4.2% | 7.3% | 7.4% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | 0.3 | 0.4 | 0.3 | 0.4 | 0.5 | 0.6 |
| Current ratio (x) | 2.7 | 2.0 | 1.4 | 1.8 | 2.1 | 2.6 |
| Receivable turnover days | 1.5 | 1.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Inventory turnover days | 23.8 | 21.3 | 20.9 | 20.9 | 20.9 | 20.9 |
| Payable turnover days | 41.5 | 33.9 | 35.7 | 35.7 | 35.7 | 35.7 |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | 73.2 | 8.0 | 63.9 | 25.3 | 13.3 | 11.4 |
| P/E (diluted) | 73.2 | 8.0 | 63.9 | 25.3 | 13.3 | 11.4 |
| P/B | 1.1 | 1.1 | 1.1 | 1.1 | 0.9 | 0.8 |
| P/CFPS | 5.3 | 3.6 | 3.7 | 6.7 | 4.9 | 4.6 |
| Div yield (%) | 0.4 | 5.4 | 1.4 | 2.0 | 3.8 | 4.4 |
| EV | 2,814.8 | 2,522.2 | 3,038.9 | 2,589.4 | 1,946.3 | 1,207.0 |
| EV/Sales | 0.7 | 0.4 | 0.5 | 0.5 | 0.3 | 0.2 |
| EV/EBITDA | 3.4 | 1.8 | 2.8 | 2.4 | 1.4 | 0.9 |

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

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