

# China / Hong Kong Company Update

## Jiumaojiu International

Bloomberg: 9922 HK Equity | Reuters: 9922.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Jul 2023

### BUY

Last Traded Price (25 Jul 2023): HK\$13.04 (HSI : 19,434)  
 Price Target 12-mth: HK\$18.30 (40% upside) (Prev HK\$25.70)

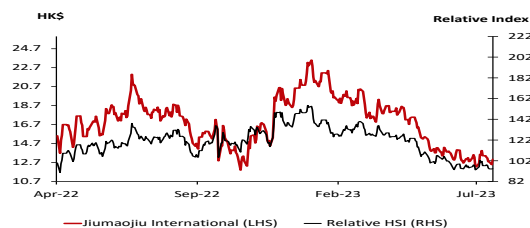
#### Analysts

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#### What's New

- JMJ recently released a positive profit alert in-line with strong earnings rebound as a result of China reopening
- JMJ store count reached 621 as of Jun 23, versus 475 in Jun 22
- Reiterate BUY on steady store expansion, but revised TP to HK\$18.3 on lower valuation multiple to factor in weaker consumer sentiment in recent months

#### Price Relative



#### Forecasts and Valuation

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	4,006	5,525	7,003	8,593
EBITDA	762	1,479	1,728	2,064
Pre-tax Profit	94	724	1,174	1,653
Net Profit	49	508	823	1,159
Net Pft (Pre Ex) (core profit)	49	508	823	1,159
Net Profit Gth (Pre-ex) (%)	(85.5)	930.9	62.1	40.7
EPS (RMB)	0.03	0.35	0.57	0.80
EPS (HK\$)	0.04	0.38	0.62	0.87
Core EPS (RMB)	0.03	0.35	0.57	0.80
Core EPS (HK\$)	0.04	0.38	0.62	0.87
EPS Gth (%)	(85.5)	930.9	62.1	40.7
Core EPS Gth (%)	(85.5)	930.9	62.1	40.7
Diluted EPS (HK\$)	0.04	0.38	0.62	0.87
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	2.39	2.77	3.39	4.27
PE (X)	351.4	34.1	21.0	14.9
CorePE (X)	351.4	34.1	21.0	14.9
P/Cash Flow (X)	26.0	13.8	12.2	10.5
P/Free CF (X)	26.0	13.8	12.2	10.5
EV/EBITDA (X)	22.4	10.8	8.5	6.4
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	5.5	4.7	3.8	3.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	1.6	13.8	18.3	20.5
Earnings Rev (%)		Nil	1	New
Consensus EPS (RMB)		0.41	0.66	0.88
Other Broker Recs:		B:41	S:0	H:2

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

### Positive profit alert

#### Investment Thesis

A fast-growing Chinese cuisine restaurant operator. Originating from Guangzhou, Jiumaojiu International (JMJ) is a fast-growing Chinese cuisine restaurant operator in China with a store unit count of 621 as of Jun 23 (Jun 22: 475) and a diverse brand portfolio including Tai Er, Jiumaojiu, Song Hot Pot, and Lai Meili Grilled Fish. We forecast the group to deliver revenue and earnings CAGRs of 32% and 314%, respectively, in FY22-24E, as a beneficiary of China's reopening and the resumption of on-premise dining.

A beneficiary of China's reopening. Tai Er grew to be the key contributor of the group, accounting for 78% of FY22 sales, followed by the JMJ brand (15%) and other brands (7%). Tai Er recorded the strongest recovery with its table turnover ratio reaching 4.2x in Jun 23 (Jun 22: 3.6x), followed by a Song Hot Pot table turnover ratio of 3.8x (Jun 22: 3.9x), while the JMJ brand table turnover ratio stood flat at 2.9x over the same period.

Sales recovery to drive operating leverage. For FY23E, JMJ has a gross store opening target of 120 Tai Er and 25 Song Hot Pot stores. As of Jun 23, JMJ has opened up to 46 Tai Er stores and 23 Song Hot Pot stores, and recorded a net store closure of one for the JMJ brand.

BUY with target price of HK\$18.3 (vs. HK\$25.7 previously). Our earnings assumptions are unchanged, while we adjust TP downwards to 30x FY24E PE, as a result of the weaker macroeconomic environment and softer consumer sentiment, which has driven down the sector multiples. The Company remains at a slight premium to leading peers on the back of a strong earnings recovery. Our new TP stands at HK\$18.3 (previously: HK\$25.7, based on 40x FY24E PE). Key catalysts include stronger-than-expected performance from Tai Er and Song Hot Pot.

#### Key Risks

Deterioration in macro environment, weak consumer sentiment, and inflationary pressure from raw materials and wages.

#### At A Glance

Issued Capital (m shrs)	1,454
Mkt Cap (HKm/US\$m)	18,960 / 2,428
Major Shareholders (%)	
Guan (Yihong)	37.3
T. Rowe Price International Ltd	5.1
Free Float (%)	57.6
3m Avg. Daily Val. (US\$m)	21.0
GICS Industry: Consumer Discretionary / Consumer Services	

## Jiumaojiu International

### WHAT'S NEW

#### Positive profit alert

**Positive profit alert.** Jiumaojiu International (JMJI) has issued a profit alert, anticipating a substantial increase in revenue and earnings for the first half of 2023. The company expects revenue to surge by 51.7% to reach Rmb2,880m, with a net profit of at least Rmb220m during the same period. This would account for approximately 37%/43% of the consensus/our estimates. The key drivers behind this growth include the expansion of stores from 475 to 621 in the first half of 2023 and an increase in operating days during the period. However, the results were partly offset by the recognition of exchange losses of approximately Rmb45.8m, which were attributed to the depreciation of the Rmb.

**Tai Er: On a recovery path.** In June 2023, Tai Er's table turnover ratio reached 4.2x, showing a m-o-m improvement compared to June 2022 (3.6x). Same-store sales also rose by 5% y-o-y, with same-store sales now back to 81% of the levels seen in 2019. Additionally, the company has opened around 46 stores in June to date, achieving 38% of its 2023 store opening target.

**Song Hot Pot: New brand showing improvement.** The table turnover ratio for Song Hot Pot reached 3.8x in June 2023 (June 2022: 3.9x). Similarly, same-store sales increased by 4% y-o-y, supported by the operation of four stores during 2022. Furthermore, the company has opened approximately 16 stores in June to date, meeting 64% of its 2023 store opening target.

**JMJ: Soft performance.** The table turnover ratio for the MJJ brand remained stagnant at 2.9x during the same period. Same-store sales experienced a decline of 3% y-o-y, with sales amounting to 78% of the levels recorded in 2019. Additionally, the company recorded a net closure of one store in June to date.

**Target price revised to HK\$18.3.** We lower our target multiple from 40x to 30x FY24E PE, as a result of the weaker macroeconomic environment and softer consumer sentiment, which has driven down the sector multiples. Our new target price stands at HK\$18.3/sh, based on 30x FY24E PE, at a slight premium to the leading industry player to account for its stronger earnings rebound.

#### Company Background

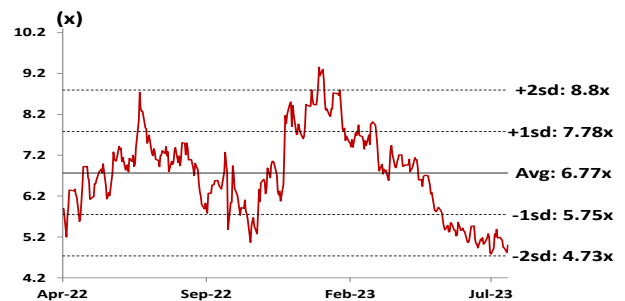
Jiumaojiu International (JMJI) is a leading restaurant brand operator principally engaged in Chinese-style cuisine, including pickled Chinese sauerkraut fish, Northwest-style cuisine, cold-pot skewers, Cantonese cuisines, hotpot, grilled fish, etc. The group operates a total of 621 restaurants covering 85 cities locally and overseas markets as of Jun 23.

### Historical PE and PB band

Forward PE band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

## Jiumaojiu International

### Peer valuation

Company Name	Code	Currency	Target		Mkt Cap US\$m	Fiscal Yr	PE		Yield		P/Bk		EV/EBITDA		ROE	
			Price Local\$	Price Local\$			23F x	24F x	23F %	24F %	23F x	24F x	23F x	24F x	23F %	24F %
<b>Restaurant peers</b>																
Yum China*	YUMC	US	58.56	71.92	24,430	Dec	35.2	25.4	0.9	0.9	3.5	3.2	13.4	10.1	10.4	13.1
Yum China*	9987	HK	463.6	561.00	24,758	Dec	35.7	25.8	0.9	0.9	3.6	3.2	13.6	10.3	10.4	13.1
Xiabuxiabu*	520	HK	3.93	8.00	546	Dec	15.0	9.9	2.7	4.0	2.4	2.4	1.5	1.0	16.6	24.0
Haidilao International*	6862	HK	18.5	27.40	13,200	Dec	35.7	31.2	0.0	0.0	10.9	10.0	12.0	10.5	32.3	33.4
Jiumaojiu International*	9922	HK	13.04	18.30	2,428	Dec	34.1	21.0	0.0	0.0	4.7	3.8	10.8	8.5	13.8	18.3
Cafe De Coral Hdg.*#	341	HK	9.85	14.00	739	Mar	8.8	6.0	11.3	16.5	1.0	1.0	11.8	9.0	23.0	32.4
<b>Average</b>							<b>25.9</b>	<b>18.8</b>	<b>3.0</b>	<b>4.3</b>	<b>4.5</b>	<b>4.1</b>	<b>9.9</b>	<b>7.8</b>	<b>19.2</b>	<b>24.2</b>

Source: Company data, Thomson Reuters

## Jiumaojiu International

### Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
<b>Revenues (RMB m)</b>					
Jiu Mao Jiu	759	605	595	589	583
Tai Er	3,285	3,098	4,305	5,431	6,642
Others	136	303	625	983	1,368
<b>Total</b>	<b>4,180</b>	<b>4,006</b>	<b>5,525</b>	<b>7,003</b>	<b>8,593</b>

Source: Company, DBS HK

### Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	4,180	4,006	5,525	7,003	8,593
Cost of Goods Sold	(1,537)	(1,447)	(1,996)	(2,565)	(3,190)
<b>Gross Profit</b>	<b>2,642</b>	<b>2,559</b>	<b>3,529</b>	<b>4,438</b>	<b>5,403</b>
Other Opng (Exp)/Inc	(2,074)	(2,292)	(2,731)	(3,190)	(3,677)
<b>Operating Profit</b>	<b>569</b>	<b>267</b>	<b>798</b>	<b>1,248</b>	<b>1,726</b>
Other Non Opg (Exp)/Inc	11	(88)	0	0	0
Associates & JV Inc	1	(3)	(3)	(3)	(3)
Net Interest (Exp)/Inc	(75)	(81)	(70)	(70)	(70)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>506</b>	<b>94</b>	<b>724</b>	<b>1,174</b>	<b>1,653</b>
Tax	(134)	(39)	(159)	(258)	(364)
Minority Interest	(32)	(6)	(57)	(93)	(130)
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>340</b>	<b>49</b>	<b>508</b>	<b>823</b>	<b>1,159</b>
Net Profit before Except.	340	49	508	823	1,159
EBITDA	1,064	762	1,479	1,728	2,064
<b>Growth</b>					
Revenue Gth (%)	54.0	(4.2)	37.9	26.8	22.7
EBITDA Gth (%)	97.9	(28.4)	94.2	16.8	19.5
Opg Profit Gth (%)	133.1	(53.1)	199.4	56.4	38.3
Net Profit Gth (%)	174.0	(85.5)	930.9	62.1	40.7
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	63.2	63.9	63.9	63.4	62.9
Opg Profit Margin (%)	13.6	6.7	14.4	17.8	20.1
Net Profit Margin (%)	8.1	1.2	9.2	11.8	13.5
ROAE (%)	11.0	1.6	13.8	18.3	20.5
ROA (%)	6.6	0.9	8.3	11.4	13.3
ROCE (%)	5.6	(0.6)	8.0	11.8	14.1
Div Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Net Interest Cover (x)	7.6	3.3	11.4	17.8	24.6

Source: Company, DBS HK

## Jiumaojiu International

### Interim Income Statement (RMB m)

FY Dec	2H2020	1H2021	2H2021	1H2022	2H2022
Revenue	1,765	2,021	2,158	1,899	2,107
Cost of Goods Sold	(674)	(751)	(786)	(664)	(783)
<b>Gross Profit</b>	<b>1,092</b>	<b>1,270</b>	<b>1,372</b>	<b>1,235</b>	<b>1,323</b>
Other Oper. (Exp)/Inc	(763)	(958)	(1,115)	(1,071)	(1,221)
<b>Operating Profit</b>	<b>328</b>	<b>312</b>	<b>257</b>	<b>164</b>	<b>103</b>
Other Non Opg (Exp)/Inc	11	0	11	(27)	(61)
Associates & JV Inc	(1)	1	0	(2)	(1)
Net Interest (Exp)/Inc	(34)	(37)	(39)	(39)	(42)
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>305</b>	<b>277</b>	<b>229</b>	<b>96</b>	<b>(1)</b>
Tax	(79)	(72)	(62)	(33)	(6)
Minority Interest	(17)	(19)	(13)	(5)	(2)
<b>Net Profit</b>	<b>210</b>	<b>186</b>	<b>154</b>	<b>58</b>	<b>(8)</b>
Net profit bef Except.	210	186	154	58	(8)

### Growth

Revenue Gth (%)	21.7	112.9	22.3	(6.1)	(2.4)
Opg Profit Gth (%)	104.4	(469.2)	(21.8)	(47.5)	(60.0)
Net Profit Gth (%)	192.2	N/A	(26.7)	(69.0)	N/A

### Margins

Gross Margins (%)	61.8	62.8	63.6	65.1	62.8
Opg Profit Margins (%)	18.6	15.4	11.9	8.6	4.9
Net Profit Margins (%)	11.9	9.2	7.1	3.0	(0.4)

Source: Company, DBS HK

### Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	2,016	2,308	1,623	1,139	798
Invts in Associates & JVs	13	10	10	10	10
Other LT Assets	546	504	504	504	504
Cash & ST Invts	2,080	1,962	3,149	4,497	6,075
Inventory	71	118	163	209	260
Debtors	410	505	697	884	1,084
Other Current Assets	0	0	0	0	0
<b>Total Assets</b>	<b>5,136</b>	<b>5,407</b>	<b>6,147</b>	<b>7,244</b>	<b>8,732</b>
ST Debt	391	473	473	473	473
Creditors	370	460	635	816	1,015
Other Current Liab	44	22	22	22	22
LT Debt	1,114	1,207	1,207	1,207	1,207
Other LT Liabilities	79	46	46	46	46
Shareholder's Equity	3,083	3,174	3,682	4,506	5,665
Minority Interests	55	25	82	174	305
<b>Total Cap. &amp; Liab.</b>	<b>5,136</b>	<b>5,407</b>	<b>6,147</b>	<b>7,244</b>	<b>8,732</b>
Non-Cash Wkg. Capital	67	142	203	255	308
Net Cash/(Debt)	575	281	1,469	2,817	4,395
Debtors Turn (avg days)	35.8	46.1	46.1	46.1	46.1
Creditors Turn (avg days)	128.1	195.2	176.7	143.1	130.0
Inventory Turn (avg days)	24.5	50.1	45.3	36.7	33.4
Asset Turnover (x)	0.8	0.7	0.9	1.0	1.0
Current Ratio (x)	3.2	2.7	3.5	4.3	4.9
Quick Ratio (x)	3.1	2.6	3.4	4.1	4.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	21.7	0.0	0.0	0.0	0.0
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

## Jiumaojiu International

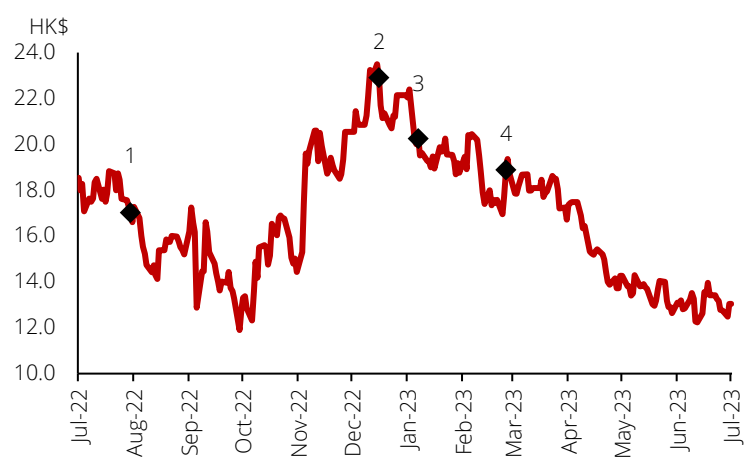
### Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	506	94	724	1,174	1,653
Dep. & Amort.	502	593	685	484	342
Tax Paid	(133)	(39)	(159)	(258)	(364)
Assoc. & JV Inc/(loss)	(1)	0	0	0	0
(Pft)/ Loss on disposal of FAs	2	0	0	0	0
Chg in Wkg.Cap.	(105)	(64)	(62)	(52)	(53)
Other Operating CF	86	81	70	70	70
<b>Net Operating CF</b>	<b>856</b>	<b>666</b>	<b>1,258</b>	<b>1,418</b>	<b>1,648</b>
Capital Exp.(net)	(327)	0	0	0	0
Other Invt.(net)	(63)	0	0	0	0
Invt in Assoc. & JV	(4)	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(91)	0	0	0	0
<b>Net Investing CF</b>	<b>(484)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Div Paid	(56)	(83)	0	0	0
Chg in Gross Debt	(43)	(81)	(70)	(70)	(70)
Capital Issues	(302)	0	0	0	0
Other Financing CF	(387)	52	0	0	0
<b>Net Financing CF</b>	<b>(789)</b>	<b>(112)</b>	<b>(70)</b>	<b>(70)</b>	<b>(70)</b>
Currency Adjustments	(79)	0	0	0	0
Chg in Cash	(496)	554	1,188	1,348	1,578
Opg CFPS (RMB)	0.66	0.50	0.91	1.01	1.17
Free CFPS (RMB)	0.36	0.46	0.87	0.98	1.13

Source: Company, DBS HK

## Jiumaojiu International

### Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	24-Aug-22	HK\$17.32	HK\$21.00	BUY
2	10-Jan-23	HK\$23.50	HK\$29.60	BUY
3	1-Feb-23	HK\$20.00	HK\$25.70	BUY
4	22-Mar-23	HK\$17.72	HK\$25.70	BUY

Source: DBS HK

Analyst: Alison Fok

Mavis Hui

## Jiumaojiu International

DBS HK recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 26 Jul 2023 15:00:38 (HKT)

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Sources for all charts and tables are DBS HK unless otherwise specified.

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## Jiumaojiu International

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