

China

Overweight (no change)

Highlighted companies

Haidilao

ADD, TP HK\$30.00, HK\$13.32 close

We reiterate our Add rating on Haidilao as we believe it has ample room to improve its table-turnover rate and OPM. A positive catalyst would be a better-than-expected table turnover rate in 2H23F. Key risks include: 1) higher cost pressures hurting margins, 2) slower recovery of traffic volume hampering its revenue growth, and 3) intensifying competition, which may result in lower ASP.

Jiumaojiu

ADD, TP HK\$26.00, HK\$5.46 close

We reiterate our Add rating on Jiumaojiu as we believe it has room to open new stores and improve store profitability. A key positive catalyst would be better margin recovery in 2H23F. Key downside risks are: 1) a weak macro economy, which would reduce dine-out frequency and offline traffic to its stores, and 2) fluctuating raw material prices impacting margins.

Summary valuation metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
Haidilao	16.50	13.60	11.34
Jiumaojiu	16.32	11.12	8.36

P/BV (x)	Dec-23F	Dec-24F	Dec-25F
Haidilao	6.45	4.84	3.73
Jiumaojiu	2.09	1.84	1.60

Dividend Yield	Dec-23F	Dec-24F	Dec-25F
Haidilao	1.82%	2.21%	2.65%
Jiumaojiu	2.02%	2.96%	3.95%

Lifestyles

Catering sales growth likely improved in 4Q23F

- We expect solid growth numbers for China's catering players over the New Year Day holidays from 30 Dec 2023 to 1 Jan 2024.
- We believe catering players' same-store-sales growth and table turnover rates improved qoq/yoy in 4Q23F, driven by holiday consumption and last year's low base.
- Haidilao said its Dec 2023 table turnover rate improved by 10% mom and jumped by more than 100% yoy to almost Dec 2019's level.
- We reiterate Overweight on China's catering sector, with Haidilao as our top pick.

Solid catering growth over New Year Day holidays

According to the China Catering Association, catering sales grew by 27.9%, 9.4%, 43.7%, 28.8% yoy in Beijing, Chongqing, Sichuan, and Qingdao, respectively, during the New Year Day holidays from 30 Dec 2023 to 1 Jan 2024. Meituan also reported that the gross transaction value (GTV) for its online catering business grew by 230% yoy during the New Year Day holidays, with Shanghai, Beijing, Chengdu, Shenzhen, and Guangzhou as the five highest growth locations. Many restaurants launched new menus during the holidays to attract customers. For FY24F, we expect major catering players to continue to focus on improving store efficiency and margins, rather than accelerating store opening plans.

Haidilao's table turnover rates improved mom from Oct to Dec 2023

Haidilao said its table turnover rates improved mom from Oct to Dec 2023, given the greater popularity of hotpot consumption during the cold winter months. For the New Year Day holidays (30 Dec 2023 to 1 Jan 2024), its table turnover rate improved 60% yoy to reach the level it attained pre-pandemic in 2019 — overall table turnover rate on 31 Dec reached 8 times, according to management. For FY23, Haidilao opened nine new stores and resumed operations of 30 stores that had been temporarily closed earlier. However, it also shuttered some underperforming stores; we estimate 5-10 net store openings in FY23F. For FY24F, we do not expect the company to accelerate new store openings given macroeconomic uncertainties, but instead continue to focus on improving store efficiency, services and menus to attract customer volume and drive up margins.

Jiumaojiu saw solid improvements in Dec 2023

In Dec 2023, Jiumaojiu's Taier brand saw its same-store-sales (SSS) grow by 42% yoy to 80% of its 2019 level (vs. 76% in Nov 23, 77% in Oct 23, and 75% in Sep 23). Taier's table turnover rate reached 4.0x in Dec 23 (+71% yoy) (vs. 3.7x in Nov 23, 4.0x in Oct 23, and 3.6x in Sep 23). Song Hotpot's SSS returned to positive growth in Dec 23 at +8% yoy (vs -20% in Nov 23, -23% in Oct 23, and -16% in Sep 23). Song Hotpot's table turnover rate reached 3.6x in Dec (+18% yoy). We also saw good mom progress in Dec 23, driven by various efforts to launch new menus, improve services and store efficiency. Jiumaojiu opened 134 Taier and 35 Song Hotpot stores in FY23, higher than its previous guidance of 120 new Taier stores. Of the 134 new Taier stores, 12 were in overseas locations, slightly lower than its previous guidance of 15 stores due to the more complicated nature of doing business in foreign markets.

Reiterate Overweight on China's catering sector

We maintain our Overweight rating on China's catering sector as we expect catering sales growth to continue to lead overall retail sales growth in FY24F. In 11M23, China's catering sales grew by 19.4% (vs. 7.2% for overall social retail sales), according to the National Bureau of Statistics. In addition, we think China's catering sector has solid long-term growth potential, given its relatively low restaurant chain rate of 18.1% in 2022 (vs. 58% in the US, 56% in Japan, and 48% in South Korea). The valuations of China's catering players are also undemanding, in our view, with Haidilao and Jiumaojiu trading at 13.6x and 11.1x FY24F P/E, respectively. Key downside risks to our Overweight sector rating are: 1) weaker-than-expected catering sales in FY24F, and 2) higher-than-expected rental and labour costs. Potential re-rating catalysts include a better recovery in table turnover and operating margins.

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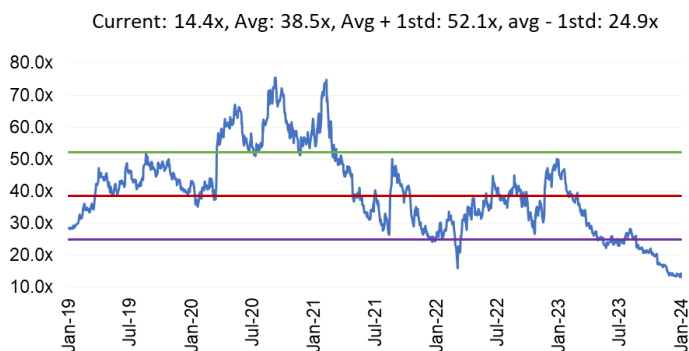
Figure 1: China's monthly catering sales growth and social retail sales growth for 2023

yoy	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
National retail sales	3.5%	3.5%	10.6%	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%	7.6%	10.1%
Catering	9.2%	9.2%	26.3%	43.8%	35.1%	16.1%	15.8%	12.4%	13.8%	17.1%	25.8%

SOURCES: CGIS RESEARCH, COMPANY DATA, NATIONAL BUREAU OF STATISTICS

Catering sales growth likely improved in 4Q23F

Figure 2: P/E band for Haidilao



SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Figure 3: P/E band for Jiumaojiu



SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Figure 4: Peer comparison

Company Name	Ticker	Recom	TP	Last price	Currency	Market cap (US\$, bn)	PE (X)		PS (X)		EV/EBITDA (X)		ROE (%)	
							2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Yum China	9987.HK	NR	NA	304.6	HKD	15.9	20.2	17.9	1.5	1.3	8.4	7.5	11.9	12.5
Haidilao	6862.HK	ADD	30	14.44	HKD	10.3	16.5	13.6	1.9	1.6	11.7	9.7	45.3	40.7
Jiumaojiu	9922.HK	ADD	26	5.52	HKD	1.0	16.3	11.1	1.3	0.9	7.1	5.4	13.4	17.6
Helens	9869.HK	NR	NA	3.35	HKD	0.5	12.5	10.1	2.6	2.4	7.9	6.0	15.2	17.2
Nayuki	2150.HK	NR	NA	3.4	HKD	0.7	26.9	12.1	0.9	0.6	6.7	4.9	3.8	8.6
Xiabu	520.HK	NR	NA	2.31	HKD	0.3	22.3	8.8	0.4	0.3	3.2	2.6	8.3	16.4
Yum brands	GIS.US	NR	NA	64.38	USD	36.6	15.2	14.4	1.8	1.8	12.2	11.7	24.2	25.4
McDonald	MCD.US	NR	NA	290.87	USD	211.0	24.7	23.2	8.3	7.8	17.6	16.6	NA	NA
Chipotle	CMG.US	NR	NA	2232	USD	61.3	50.6	42.0	6.2	5.5	32.1	26.8	45.0	44.2
Restaurant Brands	QSR.US	NR	NA	77.91	USD	36.0	24.2	22.8	5.1	4.9	18.7	17.5	33.2	33.4
Domino's Pizza	DPZ.US	NR	NA	410.14	USD	14.3	28.3	26.1	3.2	3.0	21.4	19.8	NA	NA
Avg							23.4	18.4	3.0	2.7	13.4	11.7	22.3	24.0

DATA AS OF 10 JAN

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA, BLOOMBERG

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2023		
636 companies under coverage for quarter ended on 31 Dec 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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