

Hong Kong

ADD (no change)

Consensus ratings*: Buy 39 Hold 2 Sell 1

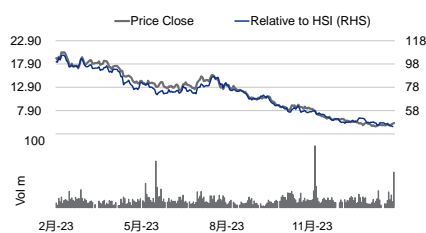
Current price: HK\$5.24
 Target price: ▼ HK\$15.00
 Previous target: HK\$26.00
 Up/downside: 186.3%
 CGI / Consensus: 46.7%

Reuters: 9922.HK
 Bloomberg: 9922 HK
 Market cap: US\$962.4m
 HK\$7,528m
 Average daily turnover: US\$9.44m
 HK\$76.84m
 Current shares o/s: 1,454m
 Free float: 46.2%

*Source: Bloomberg

Key changes in this note

- FY23F EPS increased by 0.94%.
- FY24F EPS decreased by 4.80%.
- FY25F EPS decreased by 7.13%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.8	-38.7	-72.7
Relative (%)	-5.2	-32.2	-55

Major shareholders	% held
Guan Yihong	40.7

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Jiumaojiu

New store openings to drive topline growth

- JMJ announced that its FY23F revenue rose 49.4% yoy to c.Rmb5,985.9m and net profit soared 812.8% yoy to c.Rmb450m, largely in line with our estimates.
- In FY24F, JMJ plans to open: 1) 80-100 Taier stores, of which 15-20 stores would be overseas, and 2) 35-40 Song Hotpot stores.
- On 3 Feb 2024, JMJ announced the company will open the franchise cooperation for Taier stores to facilitate brand and store expansion.
- We reiterate our Add call, with a lower DCF-based TP of HK\$15.

FY23F headline numbers largely in line

On 22 Feb 2024, Jiumaojiu (JMJ) announced that its FY23F revenue rose 49.4% yoy to c.Rmb5,985.9m (slightly above our estimate) and net profit soared 812.8% yoy to c.Rmb450m in its preliminary results, largely in line with our estimates. The strong net profit growth was mainly driven by: 1) expansion of its store network, with the total number of restaurants rising from 556 stores to 726 stores (+30.6% yoy) in FY23F, 2) SSSG driven by China's reopening policy and offline catering demand recovery, and 3) improved operating efficiency. According to the announcement, 2H23F revenue rose 47% yoy to Rmb3,106.5m, while JMJ's bottomline turned from a net loss of Rmb8.4m in 2H22 to a net profit of Rmb227.8m in 2H23F. We expect the FY23F revenue exceeded FY19's by 123%, while net profit surpassed FY19's by 174%, mainly due to store network expansion and operating efficiency improvement.

Maintain strong new store opening plan in FY24F

JMJ closed 6 underperforming Taier stores and opened 134 new Taier stores in FY23F (of which 12 are located overseas); this was faster than management's previous guidance of 120 new Taier stores in FY23F. Meanwhile, JMJ also opened 35 new Song Hotpot stores in FY23F. JMJ plans to open 80-100 Taier stores (including 15-20 stores overseas) and 35-40 Song Hotpot stores in FY24F. The company sees good growth potential in the overseas market and in further increasing store density in higher tier cities for Song Hotpot. For FY24F, we forecast revenue to rise 30.5% yoy to Rmb7,813m and net profit to rise 38.4% yoy to Rmb623m, driven by new store openings and operating margin expansion. We expect OPM to widen 0.3% pt yoy to 13% in FY24F due to lower raw material costs and improved operating efficiency.

To open Taier franchise stores for lower tier cities

JMJ announced on 3 Feb 2024 that it will open franchise cooperation for Taier stores in: 1) Xinjiang, Tibet and Taiwan, 2) domestic transportation hubs, like airports and railway stations, and 3) overseas markets in Australia and New Zealand. Management said it has received good feedback, thus far, from franchise partners. We view this new strategy as positive for long-term growth, since the main purpose includes: 1) facilitating brand and store expansion, 2) capitalising on the franchise partners' local knowledge, relationship and capital, and 3) reduce capex required by JMJ.

Reiterate Add with a lower DCF-based TP of HK\$15

We largely maintain our FY23F EPS forecast and reduce our FY24F-25F EPS forecasts by 4.8-7.1%, as we expect labour cost to rise along with JMJ's aggressive new store opening plan. We therefore reduce our DCF-based TP to HK\$15 (WACC: 17.6%, terminal growth rate: 3%). We reiterate our Add rating as we believe the net new opening stores would drive topline growth. Re-rating catalysts include stronger SSSG and margin expansion in 1Q24F. Key downside risks are: 1) weaker macro dampening catering demand, and 2) higher labour and rental expenses ratio affecting margins.

Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rmbm)	4,180	4,006	5,986	7,814	9,566
Operating EBITDA (Rmbm)	1,089	621	1,178	1,500	1,837
Net Profit (Rmbm)	339.9	49.3	450.0	622.9	808.7
Normalised EPS (Rmb)	0.23	0.03	0.31	0.43	0.56
Normalised EPS Growth	163%	(86%)	813%	38%	30%
FD Normalised P/E (x)	20.2	142.1	15.6	11.2	8.7
DPS (Rmb)	0.06	0.01	0.10	0.14	0.18
Dividend Yield	1.25%	0.20%	2.12%	2.93%	3.81%
EV/EBITDA (x)	5.23	9.57	4.46	2.99	1.94
P/FCFE (x)	21.25	NA	22.44	13.26	9.15
Net Gearing	(42.8%)	(33.7%)	(50.1%)	(64.1%)	(76.5%)
P/BV (x)	2.27	2.21	2.01	1.78	1.56
ROE	11.1%	1.6%	13.5%	16.8%	19.2%
CGI/consensus EPS (x)			0.89	0.81	0.80
% Change In Normalised EPS Estimates			0.94%	(4.80%)	(7.13%)
Normalised EPS/consensus EPS (x)			0.89	0.81	0.80

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

New store openings to drive topline growth

Figure 1: Preliminary financial results and our forecasts

(RMB m)	2023F	1H23	2H23F
Revenue	5,986.1	2,879.4	3,106.6
yoy growth	49.4%	51.6%	47.5%
Raw materials and consumables used	(2,162.6)	(1,042.4)	(1,120.2)
Gross profit	3,823.5	1,837.0	1,986.5
Gross margin	63.9%	63.8%	63.9%
Yoy change	0.0%	-1.2%	1.1%
Segment profit	1,142.8	615.2	527.5
Segment profit margin	19.1%	21.4%	17.0%
Operating profit	763.1	428.5	334.6
yoy growth	178.8%	161.3%	205%
Operating profit margin	12.7%	14.9%	10.8%
Yoy change	5.9%	6.2%	5.6%
Net profit attributable to equity shareholders of the Company	450.0	222.2	227.8
Margin	7.5%	7.7%	7.3%
Yoy change	6.3%	4.7%	7.7%
yoy growth	813.2%	285.1%	2805.7%
Adjusted net profit attributable to equity shareholders of the Company	450.0	231.7	218.3
Margin	7.5%	8.0%	7.0%
yoy growth	813.2%	260.4%	-2693.0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY DATA

Figure 2: Earnings revision

	FY23F			FY24F			FY25F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue (Rmbm)	5,800.8	5,986.1	3.2%	7,684.2	7,813.6	1.7%	9,364.7	9,566.0	2.2%
Gross margin	63.9%	63.9%	0.0ppt	64.0%	64.0%	0.0ppt	64.1%	64.1%	0.0ppt
Operating margin	13.1%	12.7%	-0.3ppt	13.8%	13.0%	-0.8ppt	14.6%	13.5%	-1.2ppt
Net profit (Rmbm)	445.8	450.0	0.9%	654.3	622.9	-4.8%	870.8	808.7	-7.1%
EPS (Rmb)	0.307	0.310	0.9%	0.450	0.428	-4.8%	0.599	0.556	-7.1%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY DATA

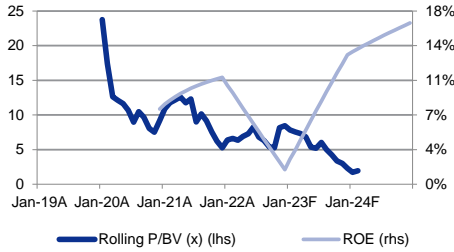
Figure 3: DCF valuation

9922 HK Jiumaojiu (RMB m)	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
EBIT	274	763	1,018	1,476	1,993	2,690	3,632	4,721	6,138	7,979	10,372
Add: Depreciation & amortisation	347	415	482	487	492	497	502	507	512	517	522
Less: Tax	39	150	208	301	406	549	741	963	1,252	1,627	2,116
Less: Capex	710	710	710	717	724	732	739	746	754	761	769
Less: Net change in working capital	54	(157)	(133)	(134)	(135)	(137)	(138)	(140)	(141)	(142)	(144)
Unlevered FCF	(182)	475	715	1,079	1,489	2,044	2,792	3,659	4,785	6,250	8,154
Terminal value											57,658
DCF	(155)	344	440	664	780	910	1,057	1,178	1,311	1,457	1,616
Assumptions											
Risk-free Rate of Return	3.0%						9,603				
Equity Risk Premium	10.0%						11,430				
Company Beta	1.6						21,033				
Cost of Equity	19.0%						634				
Pre-tax Cost of Debt	5.2%						20,399				
Tax Rate	41%						1,454				
After-tax Cost of Debt	3.1%						14.0				
Target debt to total capital	9%						0.91				
WACC	17.6%						15.0				
Terminal growth ("g")	3%						5.2				
							187.9%				
							26				
							-42.3%				
							413.94				
							6.38				

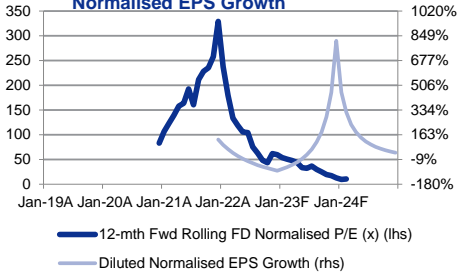
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY DATA

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	4,180	4,006	5,986	7,814	9,566
Gross Profit	2,642	2,559	3,824	4,999	6,129
Operating EBITDA	1,089	621	1,178	1,500	1,837
Depreciation And Amortisation	-502	-347	-415	-482	-550
Operating EBIT	588	274	763	1,018	1,287
Financial Income/(Expense)	-75	-81	-103	-127	-149
Pretax Income/(Loss) from Assoc.	1	-3	-3	-3	-3
Non-Operating Income/(Expense)	-7	-95	-57	-57	-57
Profit Before Tax (pre-EI)	506	94	600	831	1,078
Exceptional Items					
Pre-tax Profit	506	94	600	831	1,078
Taxation	-134	-39	-150	-208	-270
Exceptional Income - post-tax					
Profit After Tax	372	56	450	623	809
Minority Interests	-32	-6	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	340	49	450	623	809
Normalised Net Profit	372	56	450	623	809
Fully Diluted Normalised Profit	340	49	450	623	809

Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	1,089	621	1,178	1,500	1,837
Cash Flow from Inv. & Assoc.	-1	0	0	0	0
Change In Working Capital	-105	-54	157	133	116
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	82	-98	-60	-60	-60
Net Interest (Paid)/Received	-75	-81	-103	-127	-149
Tax Paid	-133	-39	-150	-208	-270
Cashflow From Operations	856	349	1,022	1,238	1,475
Capex	-333	-710	-710	-710	-710
Disposals Of FAs/subsidiaries	673	0	0	0	0
Acq. Of Subsidiaries/investments	-842	3	0	0	0
Other Investing Cashflow	11	0	0	0	0
Cash Flow From Investing	-490	-707	-710	-710	-710
Debt Raised/(repaid)	-43	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	-49	-13	-135	-187	-243
Preferred Dividends	-8	0	0	0	0
Other Financing Cashflow	-689	182	451	430	401
Cash Flow From Financing	-789	169	316	244	158
Total Cash Generated	-423	-189	628	772	923
Free Cashflow To Equity	323	-358	312	528	765
Free Cashflow To Firm	441	-277	415	655	914

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,344	1,109	1,792	2,564	3,487
Total Debtors	409	505	556	612	673
Inventories	71	118	130	143	157
Total Other Current Assets	736	852	852	852	852
Total Current Assets	2,559	2,585	3,330	4,170	5,169
Fixed Assets	2,016	2,308	2,599	2,824	2,983
Total Investments	334	164	164	164	164
Intangible Assets	18	25	28	30	31
Total Other Non-Current Assets	207	326	334	343	353
Total Non-current Assets	2,576	2,822	3,125	3,361	3,531
Short-term Debt	0	30	30	30	30
Current Portion of Long-Term Debt					
Total Creditors	766	907	1,271	1,597	1,906
Other Current Liabilities	38	17	17	17	17
Total Current Liabilities	805	955	1,318	1,644	1,954
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,114	1,207	1,577	1,892	2,185
Total Non-current Liabilities	1,114	1,207	1,577	1,892	2,185
Total Provisions	79	46	46	46	46
Total Liabilities	1,998	2,208	2,941	3,581	4,184
Shareholders' Equity	3,083	3,174	3,489	3,925	4,491
Minority Interests	55	25	25	25	25
Total Equity	3,138	3,199	3,514	3,950	4,516

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	54.0%	(4.2%)	49.4%	30.5%	22.4%
Operating EBITDA Growth	75.4%	(43.0%)	89.8%	27.4%	22.5%
Operating EBITDA Margin	26.1%	15.5%	19.7%	19.2%	19.2%
Net Cash Per Share (Rmb)	0.92	0.74	1.21	1.74	2.38
BVPS (Rmb)	2.12	2.18	2.40	2.70	3.09
Gross Interest Cover	7.80	3.37	7.43	8.01	8.66
Effective Tax Rate	26.4%	41.0%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	20.9%	26.0%	30.0%	30.0%	30.0%
Accounts Receivables Days	30.66	41.66	32.36	27.35	24.50
Inventory Days	14.46	23.82	20.93	17.74	15.94
Accounts Payables Days	85.1	104.7	96.9	103.1	106.1
ROIC (%)	26.9%	10.3%	23.8%	31.7%	40.4%
ROCE (%)	18.7%	8.5%	22.5%	27.0%	30.1%
Return On Average Assets	9.0%	2.6%	9.3%	10.7%	11.8%

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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%

Spitzer Chart for stock being researched (2 year data)

Jiumaojiu (9922 HK)

— Price Close



RECOMMENDATION FRAMEWORK

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% 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.

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Definition:

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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.

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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.
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