

Consumer	Last Close HK\$ 4.79	Target Price HK\$ 9.90↓	Upside +106.7%
----------	-------------------------	----------------------------	-------------------

19 February 2024

Jiumaojiu International (9922 HK)

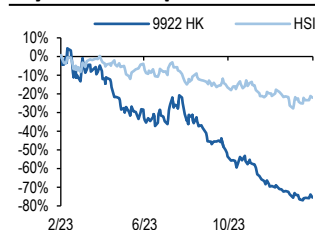
2023 Preview: Cut EPS on Fierce Competition, Franchise Model Roll-Out

- ⊖ **2023 Preview: Expect sales/net profit rebound of 49%/759% YoY:** We expect Jiumaojiu (JMJ) to post 2023 sales/attribution net profit growth of 49%/759% YoY to Rmb5,962mn/423mn respectively (4%/7% below consensus). We cut 2023 net profit by 18% due to likely more back-end loaded restaurant openings that raised costs but contribute minimal sales, and weak SSSG that hurt TaiEr's margins.
- ⊖ **TaiEr – Low-hanging fruits mostly gone; expect slower openings, lower returns going forward:** We expect TaiEr, which accounted for the majority of JMJ's operating profit in the past (78% in 1H23), to see slower new restaurant openings (mostly lower tier cities) with lower profit per store going forward. Company guided to open 105 new restaurants (plus 13 planned openings from 2022) in 2023, while we expect only 80-100 openings in 2024E. TaiEr has been extending growth via [overseas expansion](#) (guided 15 openings in 2023, we expect another 15-20 in 2024) and recently [rolled out a franchise model](#) to tap into faraway provinces, which if proven successful, could accelerate store opening especially in lower tier cities, but could come at the expense of lower sales-per-store (vs. self-operated stores) despite higher % margin (given minimal costs). Typically, franchised stores contribute via paying royalty on sales, raw material procurement in addition to a one-off joining fee. As such, we lower our medium-term sales estimates for TaiEr.
- ⊖ **Song Hot Pot – Expansion continues amid fierce competition:** We expect Song to open 35-40 restaurants in 2024, off a small base (est. 62 restaurants by end-2023), similar to the pace in 2023. However, Song likely faces fierce competition in the hot pot segment, given its weak SSSG for most months in 2H23. Interestingly, JMJ recently launched a [new concept ShanWaiShan Hot Pot](#), which will be run fully on "cooperative model" (a joint-venture similar to a franchised store). This represents a new trial with much to gain if successful, but little to lose if not, in our view.
- ⊖ **Cut EPS and TP to HK\$9.9; Stay Buy:** We cut 2023-25E EPS by 18%-28% due to [intensified competition in the catering market](#) as we underestimated its impact on ASP and margins given operating deleverage. The stock underperformed YTD (-15.7% vs HSI -3.8%) as market sentiment soured on the restaurant sub-sector that led to P/E multiple compression. With that said, JMJ remains a high growth company even with our revised 38% 2024-26 EPS CAGR, which stands out among Chinese consumer stocks. We cut TP to HK\$9.9 (from HK\$20.5), based on 19x 2024E P/E (from 29x 2023-24E P/E) and an unchanged 0.5x PEG. JMJ is set to release 2023 results on 22 March (post-market).

Stock Rating

BUY

1-year stock performance



Source: FactSet

Stock data

52w high (HK\$)	20.45
52w low (HK\$)	4.50
Market cap (HK\$ m)	6,881.17
Avg daily vol (m)	23.59
YTD change (%)	(21.48)
200d MA (HK\$)	8.79

Source: FactSet

Edward Lui, CFA, CESGA

edward.lui@bocomgroup.com
(852) 3766 1809

Kay Tan, FRM

kay.tan@bocomgroup.com
(852) 3766 1856

Financial highlights

Y/E 31 Dec	2021	2022	2023E	2024E	2025E
Revenue (RMB m)	4,180	4,006	5,962	7,959	9,742
YoY growth (%)	54.0	-4.2	48.8	33.5	22.4
Net profit (RMB m)	340	49	423	702	931
EPS (RMB)	0.23	0.03	0.29	0.48	0.64
YoY growth (%)	162.7	-85.5	758.6	66.0	32.6
Previous EPS (RMB)			0.36	0.65	0.89
Change (%)			-18.2	-26.0	-28.1
P/E (x)	18.8	130.0	15.1	9.1	6.9
BVPS (RMB)	2.12	2.18	2.47	2.89	3.43
P/B (x)	2.08	2.02	1.79	1.52	1.28

Source: Company data, BOCOM Int'l estimates

Analyst certifications, disclosures and disclaimer at the back forms part of this report and must be read.

Download our reports from Bloomberg: BOCM or <https://research.bocomgroup.com>

Figure 1: Jiumaojiu: 2023 results preview

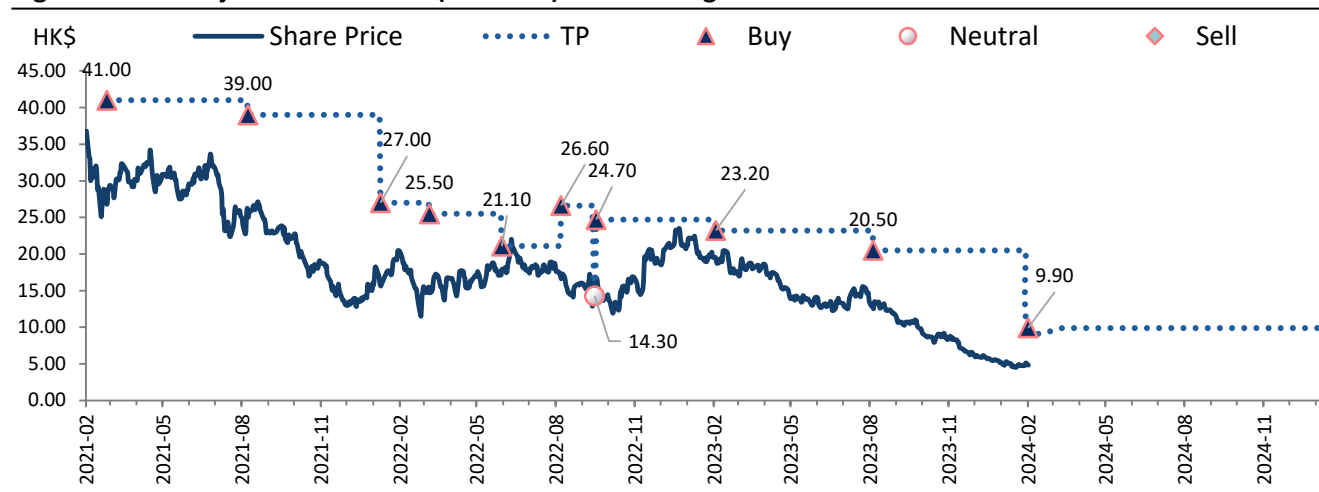
Period ended 31 December	(RMB m)			(% YoY)	
	2021	2022	2023E	2022	2023E
Sales	4180	4006	5962	-4.2%	48.8%
TaiEr	3292	3108	4558	-5.6%	46.6%
Song Hot Pot	87	259	680	196.8%	162.2%
Jiumaojiu	760	606	660	-20.4%	9.0%
Others	40	32	64	-18.1%	97.0%
Gross profit	2642	2559	3756	-3.2%	46.8%
Operating expenses	1833	2042	2759	11.4%	35.1%
Operating profit	809	517	997	-36.2%	93.0%
Profit before tax	506	94	611	-81.4%	547.2%
Net profit for shareholders	340	49	423	-85.5%	758.6%
% margin				ppt change	
Gross margin	63.2%	63.9%	63.0%	+0.7	-0.9
Opex-to-sales	43.9%	51.0%	46.3%	+7.1	-4.7
Operating margin	19.4%	12.9%	16.7%	-6.5	+3.8
Pretax margin	12.1%	2.4%	10.2%	-9.7	+7.9
Net margin	8.1%	1.2%	7.1%	-6.9	+5.9

Source: Company data, BOCOM Int'l estimates

Figure 2: Jiumaojiu: 2H23 results preview

	(RMB m)				(% YoY)			
	1H22	2H22	1H23	2H23E	1H22	2H22	1H23	2H23E
Sales	1899	2107	2879	3082	(6.1%)	(2.4%)	51.6%	46.3%
TaiEr	1486	1623	2188	2369	(7.3%)	(4.0%)	47.3%	46.0%
Song Hot Pot	82	178	352	328	366.9%	154.4%	331.2%	84.4%
Jiumaojiu	312	293	318	342	(18.2%)	(22.6%)	1.8%	16.6%
Others	20	13	21	43	(0.2%)	(36.2%)	7.6%	235.3%
Gross profit	1235	1323	1837	1919	(2.7%)	(3.6%)	48.7%	45.0%
Operating expenses	948	1094	1239	1520	5.2%	17.4%	30.6%	39.0%
Operating profit	287	229	598	399	(22.1%)	(47.9%)	108.4%	73.8%
Profit before tax	96	-1	325	285	(65.5%)	(100.5%)	240.7%	n.m.
Net profit for shareholders	58	-8	222	201	(69.0%)	(105.5%)	285.1%	n.m.
% margin					ppt change			
Gross margin	65.1%	62.8%	63.8%	62.3%	+2.2	-0.8	-1.3	-0.6
Opex-to-sales	49.9%	51.9%	43.0%	49.3%	+5.3	+8.8	-6.9	-2.6
Operating margin	15.1%	10.9%	20.8%	12.9%	-3.1	-9.5	+5.7	+2.0
Pretax margin	5.0%	-0.1%	11.3%	9.3%	-8.7	-10.7	+6.3	+9.3
Net margin	3.0%	-0.4%	7.7%	6.5%	-6.2	-7.5	+4.7	+6.9

Source: Company data, BOCOM Int'l estimates

Figure 3: Jiumaojiu International (9922 HK) TP & Rating

Source: Factset, BOCOM Int'l estimates

Figure 4: BOCOM Int'l Consumer sector coverage

Stock code	Company name	Rating	CP (local ccy)	TP (local ccy)	Last TP/rating		Sub-sector
					Upside	publication date	
1876 HK	Budweiser Brewing APAC	Buy	13.08	15.20	16.2%	2 Feb 2024	Beer
291 HK	China Resources Beer	Buy	30.35	62.00	104.3%	21 Aug 2023	Beer
600597 CH	Bright Dairy & Food	Buy	9.13	12.30	34.7%	5 Sep 2023	Dairy
2319 HK	China Mengniu Dairy	Buy	18.44	34.70	88.2%	4 Sep 2023	Dairy
600887 CH	Inner Mongolia Yili	Buy	28.33	33.20	17.2%	30 Aug 2023	Dairy
6186 HK	China Feihe	Neutral	3.77	4.40	16.7%	30 Aug 2023	Dairy
600882 CH	Milkground Food Tech	Neutral	13.31	17.60	32.2%	30 Aug 2023	Dairy
1112 HK	H&H Int'l	Neutral	10.76	10.40	-3.3%	24 Aug 2023	Dairy
9633 HK	Nongfu Spring	Buy	43.55	51.80	18.9%	30 Aug 2023	Food & Beverage
2313 HK	Shenzhou International	Buy	69.20	95.50	38.0%	31 Aug 2023	Garment OEM
6690 HK	Haier Smart Home	Buy	23.25	30.97	33.2%	11 Jan 2024	Home Appliance
000333 CH	Midea Group	Buy	60.60	85.50	41.1%	11 Jan 2024	Home Appliance
000651 CH	Gree Electric Appliances	Neutral	36.98	37.63	1.8%	11 Jan 2024	Home Appliance
1044 HK	Hengan International	Buy	24.75	37.60	51.9%	25 Aug 2023	Household & Personal Care
3331 HK	Vinda Int'l	Neutral	23.25	19.20	-17.4%	21 Jul 2023	Household & Personal Care
9922 HK	Jiumaojiu International	Buy	4.79	9.90	106.7%	19 Feb 2024	Restaurant
2020 HK	Anta Sports	Buy	75.80	129.00	70.2%	23 Aug 2023	Sportswear Brand
2331 HK	Li Ning Co	Neutral	19.42	16.70	-14.0%	22 Jan 2024	Sportswear Brand
6110 HK	Topsports International	Buy	5.38	7.20	33.8%	24 Oct 2023	Sportswear Distributor
3813 HK	Pou Sheng International	Buy	0.58	1.46	151.7%	15 Aug 2023	Sportswear Distributor

Source: FactSet, BOCOM Int'l estimates, as of 19 Feb 2024

Financial Statements

Income statement (RMB m)					
Y/E 31 Dec	2021	2022	2023E	2024E	2025E
Revenue	4,180	4,006	5,962	7,959	9,742
COGS	(1,537)	(1,447)	(2,206)	(2,929)	(3,556)
Gross profit	2,642	2,559	3,756	5,030	6,186
SG&A	(1,833)	(2,042)	(2,759)	(3,581)	(4,314)
Operating profit	809	517	997	1,449	1,873
Net finance expenses	(75)	(81)	(101)	(125)	(144)
Income from JCEs and asso.	1	(3)	(3)	(3)	(3)
Other non-op. income, net	(229)	(338)	(282)	(306)	(382)
Pre-tax profit	506	94	611	1,014	1,344
Tax	(134)	(39)	(140)	(233)	(309)
Non-controlling interests	(32)	(6)	(47)	(78)	(103)
Net profit	340	49	423	702	931
Net profit for EPS calculation	340	49	423	702	931

Balance sheet (RMB m)					
As of 31 Dec	2021	2022	2023E	2024E	2025E
Cash & cash equiv	1,342	1,099	2,107	2,367	3,620
Acc & bills receivable	409	505	465	836	757
Inventories	71	118	131	200	202
Other current assets	738	863	863	863	863
Total current assets	2,559	2,585	3,566	4,265	5,442
PPE	572	737	949	1,086	1,173
Intangible assets	1,463	1,596	1,826	2,094	2,404
Other non-current assets	541	490	490	490	490
Total non-current assets	2,576	2,822	3,265	3,669	4,067
Total assets	5,135	5,407	6,831	7,934	9,508
Short-term loans	0	30	30	30	30
Trade and other payables	370	460	805	875	1,165
Other current liabilities	435	465	493	562	642
Total current liabilities	805	955	1,328	1,467	1,837
Other non-current liabilities	1,193	1,253	1,847	2,115	2,425
Total non-current liabilities	1,193	1,253	1,847	2,115	2,425
Total liabilities	1,998	2,208	3,175	3,582	4,262
Share capital	0	0	0	0	0
Reserves & other capital items	3,083	3,174	3,585	4,202	4,993
Shareholders' equity	3,083	3,174	3,585	4,202	4,993
Non-controlling interests	55	25	72	150	253
Total equity	3,138	3,199	3,656	4,352	5,247

Source: Company data, BOCOM Int'l estimates

Cash flow (RMB m)					
Y/E 31 Dec	2021	2022	2023E	2024E	2025E
Pre-tax profit	506	94	611	1,014	1,344
Depreciation & amortisation	502	593	735	880	1,009
Change in working capital	(104)	9	372	(369)	366
Tax paid	(133)	(88)	(140)	(233)	(309)
Other operating cashflow	86	75	33	33	33
Cash flow from operation	856	684	1,609	1,325	2,443
Capex	(343)	(381)	(500)	(500)	(500)
Other investing cashflow	(148)	(207)	0	0	0
Cash flow from investing	(490)	(588)	(500)	(500)	(500)
Net chg in interest-bearing debt	(430)	(411)	(88)	(480)	(549)
Net change in equity	0	0	0	0	0
Dividends paid	(49)	(71)	(13)	(85)	(140)
Other financing cashflow	(310)	2	0	0	0
Cash flow from financing	(789)	(481)	(101)	(565)	(690)
Exchange gain/loss	(79)	141	0	0	0
Cash & cash equiv. at year start	1,844	1,342	1,099	2,107	2,367
Cash & cash equiv. at year end	1,342	1,099	2,107	2,367	3,620

Financial ratio					
Y/E 31 Dec	2021	2022	2023E	2024E	2025E
Per share data (RMB)					
Core EPS	0.234	0.034	0.291	0.483	0.641
Fully-diluted EPS	0.234	0.034	0.291	0.483	0.641
BVPS	2.121	2.184	2.466	2.891	3.435
Margin analysis (%)					
Gross margin	63.2	63.9	63.0	63.2	63.5
EBITDA margin	23.2	17.6	21.1	22.5	23.2
EBIT margin	19.4	12.9	16.7	18.2	19.2
Net margin	8.1	1.2	7.1	8.8	9.6
Profitability analysis (%)					
ROA	6.6	0.9	6.2	8.9	9.8
ROE	10.8	1.5	11.6	16.1	17.8
Others					
Current ratio (x)	3.2	2.7	2.7	2.9	3.0
Inventory turnover (days)	22.0	22.0	22.0	22.0	22.0
Acc receivable turnover (days)	1.7	1.8	1.8	1.8	1.8
Acc payable turnover (days)	41.0	41.0	41.0	41.0	41.0

BOCOM International

10/F, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong

Main: (852) 3766 1899 Fax: (852) 2107 4662

Rating System

Analyst Stock Rating:

Buy: The stock's total return is expected to **exceed** that of the corresponding industry over the next 12 months.

Neutral: The stock's total return is expected to be **in line with** that of the corresponding industry over the next 12 months.

Sell: The stock's total return is expected to be **below** that of the corresponding industry over the next 12 months.

Not-Rated: The analyst **does not have conviction** regarding the outlook of the stock's total return relative to that of the corresponding industry over the next 12 months.

Analyst Industry Views:

Outperform: The analyst expects the industry coverage universe to be **attractive** relative to the relevant broad market benchmark over the next 12 months.

Market perform: The analyst expects the industry coverage universe to be **in line with** the relevant broad market benchmark over the next 12 months.

Underperform: The analyst expects the industry coverage universe to be **unattractive** relative to the relevant broad market benchmark over the next 12 months.

Broad market benchmark for Hong Kong is the **Hang Seng Composite Index**, for China A-shares is the **MSCI China A Index**, for US-listed Chinese companies is **S&P US Listed China 50 (USD) Index**.

19 February 2024

Jiumaojiu International (9922 HK)



Analyst certification

The authors of this report, hereby declare that: (i) all of the views expressed in this report accurately reflect their personal views about any and all of the subject securities or issuers; and (ii) no part of any of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report; (iii) no insider information/ non-public price-sensitive information in relation to the subject securities or issuers which may influence the recommendations were being received by the authors.

The authors of this report further confirm that (i) neither they nor their respective associates (as defined in the Code of Conduct issued by the Hong Kong Securities and Futures Commission) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of the report; (ii) neither they nor their respective associates serve as an officer of any of the Hong Kong listed companies covered in this report; and (iii) neither they nor their respective associates have any financial interests in the stock(s) covered in this report except for one coverage analyst who is holding shares of Shimao Property Holdings Limited.

Disclosure of relevant business relationships and financial interests

BOCOM International Securities Limited and/or its affiliated companies, has investment banking relationship with Bank of Communications, Guolian Securities Co. Ltd., BOCOM International Holdings Company Limited, Sichuan Energy Investment Development Co., Ltd, Light Year Holdings Limited, Qingdao Holdings International Limited, Edding Group Company Limited, Qiniu Ltd., Chief Financial Group Limited, Huzhou Gas Co., Ltd., Leading Star (Asia) Holdings Limited, Xing Yuan Power Holdings Company Limited, Best Wellness Innovation Group Limited, Wuhan Youji Holdings Ltd., Loto Interactive Limited, Buyang International Holding Inc, Sunshine Insurance Group Company Limited, Cryofocus Medtech (Shanghai) Co., Ltd, Guanze Medical Information Industry (Holding) Co., Ltd, AustAsia Group Ltd, Fenbi Ltd, Runhua Living Service Group Holdings Limited, Huaibei GreenGold Industry Investment Co., Ltd, Seacon Shipping Group Holdings Limited, Star Plus Legend Holdings Limited, Beijing Luzhu Biotechnology Co., Ltd, Zhongtian Construction (Hunan) Group Limited, Anhui Expressway Company Limited, Easy Smart Group Holdings Limited, Horizon Construction Development Limited, Shanghai XNG Holdings Limited, Sincere Watch (Hong Kong) Limited, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd, New Media Lab Limited, LC Logistics, Inc., TUHU Car Inc., Beijing Fourth Paradigm Technology Co., Ltd, Tian Tu Capital Co., Ltd, Maiyue Technology Limited, J&T Global Express Limited, Shanxi Installation Group Co., Ltd, Fujing Holdings Co., Limited, Central Power Group Limited, JIA Group Holdings Limited, Persistence Resources Group Limited, HighTide Therapeutics, Inc, Tianjin Construction Development Group Co., Ltd and Changjiu Holdings Limited within the preceding 12 months.

BOCOM International Securities Limited and/or its group of companies currently holds more than 1% of the equity securities of Orient Securities Company Limited, Everbright Securities Company Limited and Interra Acquisition Corp.

Disclaimer

By accepting this report (which includes any attachment hereto), the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

This report is strictly confidential and is for private circulation only to clients of BOCOM International Securities Ltd. This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of BOCOM International Securities Ltd.

BOCOM International Securities Ltd, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be interested in, any such securities. Further, BOCOM International Securities Ltd, its affiliates and its related companies may do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking, advisory, underwriting, financing or other services for or relating to such company(ies) as well as solicit such investment, advisory, financing or other services from any entity mentioned in this report. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

The information contained in this report is prepared from data and sources believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require and may be subject to late delivery, interruption and interception. BOCOM International Securities Ltd does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither BOCOM International Securities Ltd nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst BOCOM International Securities Ltd's clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

The views, recommendations, advice and opinions in this report may not necessarily reflect those of BOCOM International Securities Ltd or any of its affiliates, and are subject to change without notice. BOCOM International Securities Ltd has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation, rule or other registration or licensing requirement. The intended recipients of this report do not include investors who are physically located in Mainland China. The recipient hereof undertakes to inform BOCOM International Securities Ltd as soon as possible if the recipient knows that accepting or distribution of this report may constitute non-compliance of any law, regulation or rule of the domestic jurisdiction.

BOCOM International Securities Ltd is a subsidiary of Bank of Communications Co Ltd.