China / Hong Kong Industry Focus

Restaurants & Retail Beverage Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity 25 Feb 2025

Thriving for scale and value

- Major players in the catering and retail beverage industry are expediting expansion to seize better market share in China. These include the latest IPOs of Guming and Mixue to speed progress
- We believe winning business models should ride on stronger digital transformation, asset-light expansion, and value-for-money offerings to suit changing customer preference
- In our evaluation of peers by segment on digitalisation, scalability, positioning and profitability, major fast-food chains lead the way, followed by top retail beverage plays. In terms of rankings, YUM China stands the best and forms our top pick, closely followed by McDonald's that we also prefer given its accelerating China expansion. Mixue ranked third, and with its IPO underway, we appraise its market cap. at HK80-90bn (18-20x FY24E PE) for c.5-15% upside from IPO price.

Diverse performance. The Chinese restaurant industry is facing intensifying competition amid dynamic consumer preference. While certain restaurant plays registered significant y/y decline in same-store sales (SSS), especially for full-service restaurants, such as Xiabu Xiabu's Coucou (-43% in 1H24), and Jiumaojiu's Tai Er (-24.6% in 4Q24), attributable to weaker table turnover rates and average selling prices. Selected fast food and retail beverage plays are seeing better business resilience, hence we try to nail down companies will better prospects in this report.

Winning business models. Leading operators leverage on digital capabilities for seamless online ordering, better customer experience and cost management. More affordable price offerings successfully capture the rising amount of cost-conscious consumers. Asset-light expansions (e.g., franchisees) also speed store openings for market share. Overall, indicators like digital integration, mass-market appeal, and sustainable scalability are crucial in evaluating business performance. Under the current environment, our assessments point to fast-food model being relatively more prominent, followed by the mass-positioned retail beverage model, and then full-service model (e.g., hotpot).

Large gets larger. Biggest plays in each sub-segment possess an obvious edge over their close peers amid better economies of scale. In particular, we prefer YUM China and McDonald's, especially given the more resilient fast-food segment. Following Guming's listing to raise HKD1.8bn at 15x FY23 PE, Mixue, the largest retail beverage play, has launched its IPO aiming to raise c.HKD3.6bn at c.17x FY24E PE. We still see a good room for large, mass-positioned plays to penetrate the lower-tier cities given the growing amount of thrifty consumers. We believe Mixue's IPO could offer c.5-15% upside from its IPO price (HKD202.50).

HSI: 23,342

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Recommendation & valuation

Company Name		Price Local$	Target Price Local$	Recom	Mkt Cap US$m	PE 25F x
Yum China (9987 HK)	HKD	359.80	496.00	BUY	17,473	17.4
YUM China (YUMC US)	USD	46.81	63.60	BUY	17,694	17.6
Mcdonalds (MCD US)	USD	307.57	339.00	BUY	220,411	25.0
Cafe De Coral Hldgs (341 HK)	HKD	7.46	9.90	BUY	556	11.4
Haidilao International (6862 HK)	HKD	15.84	18.00	BUY	11,343	15.9
Starbucks (SBUX US)	USD	113.19	77.00	FV	128,573	38.3

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")

Closing price as of 24 Feb 2025

DBS Insights Direct

Watchlist the stock on Insights Direct to receive prompt updates

Comparative Analysis

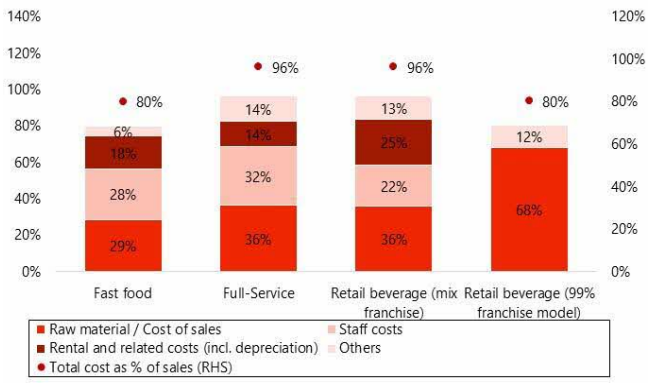
China's restaurants and retail beverage industry is one of the most dynamic and competitive in the world, driven by rapid digitalization and changing consumer preferences. We compare major operators to try and assess their potentials over the medium-term, by ranking them according to their digitalisation, e-commerce capabilities and takeaway / delivery services, price positioning, scalability, and overall profitability. Major operators that we explore include fast-food plays like YUM China, McDonald's and Café de Coral; full service / hotpot chains including Haidilao, Xiabu Xiabu and JiuMaoJiu, and retail beverage operators such as Starbucks, Luckin Coffee, Mixue, Guming, Nayuki and Chabaidao.

i) Digitalisation & e-commerce capabilities

Digital solutions and online sales are crucial for the sector to grow, as they cater more effectively to changing consumer preference, improve customer experience, expand market reach, and boost revenue and store efficiencies. For instance, digitalization has significantly enhanced store-level efficiency through automation and big data analysis. Leading companies in the restaurant and retail beverage industry have implemented sophisticated ordering systems and delivery platforms, and adopt mobile payment gateways to boost customer engagement and expedite services. Some of them also embrace self-service kiosks for quicker transactions and reduced wait times. Digital menus and smart kitchen technologies to streamline food preparation also improve cost control and operating efficiency. With more data available on daily consumption patterns, they leverage on data analytics to optimize inventory management and personalize marketing strategies.

In terms of business models, we compare cost structure across fast food chains, full service restaurants and the beverage retail segment for their 2024E performance, and believe that digitalization has assisted both fast food and retail beverage plays (with high proportion of franchised stores) better on general cost management to enhance operating efficiencies versus full service / hotpot restaurants.

Blended cost structure amongst major peers



Source: Company data, DBS HK

In terms of online order placements, major players also sustain strong agility by enhancing partnerships with third-party platforms to increase adaptability. Leading fast food chains like YUM China (KFC) and McDonald's China have embraced digital transformation, with a majority of their sales being digitally enabled. These companies have integrated their digital ecosystems with popular platforms like WeChat and Alipay, offering seamless online ordering, delivery, loyalty rewards, and personalized promotions. YUM China, in particular, stands out with its strong digital capabilities, having over 400mn loyalty program members and using big data to optimize operations. Separately, Café de Coral is Hong Kong-based and has also increasingly adopted digital tools for online ordering and delivery, primarily through partnerships with third-party platforms like Foodpanda and Deliveroo, while its digital capabilities could be relatively less advanced versus the mainland competitors as partnerships could limit its control over delivery quality and speed.

In the hotpot / full service restaurant and retail beverage segments, Haidilao and Xiabu Xiabu have developed their own digital platforms for online reservations, takeaway, and delivery to offer full hotpot sets with portable stoves and utensils. JiuMaoJiu that offers Chinese-style cuisines partners with third-party delivery platforms in China and develops its own app, although its digital ecosystem is still in early phases. Luckin Coffee, a pioneer in digital-first strategies, sees over 90% of its orders being placed digitally. Mixue also embraces digital transformation through partnerships with Meituan and Ele.me, while its low price point, small-format stores and extensive network make the company a popular choice for delivery. Starbucks China integrate global digital strategies with local platforms like Alibaba's Taobao and Ele.me, while others like Chabaidao and Guming develop their digital platform for online ordering and delivery through partnerships with third-party

platforms. Nayuki has also invested in its digital ecosystem, including a user-friendly app and mini-programs on WeChat, focusing on premium products to align with its tech-savvy, younger demographic.

On the whole, most key operators in fast food and retail beverage segments have achieved a high level of digital sales, while full service / hotpot restaurants might lag behind in this respect to limit benefits of digital commerce.

Takeaways and deliveries

	Nayuki 1H24	Guming 9M24	Yum China 2024	Mixue* 9M24	Chabaidao 2023
- Delivery	41%	42%	40%	53%	59%
- Pick up / takeaway	46%	n.a.	29%	47%	n.a.
Delivery & pick up /	87%	n.a.	69%	n.a.	n.a.
Order at counter/ Dine in	13%	n.a.	31%	minimal	n.a.

** Mixue: % of sales split between delivery and pick up / takeaway*

Source: Company data, DBS HK

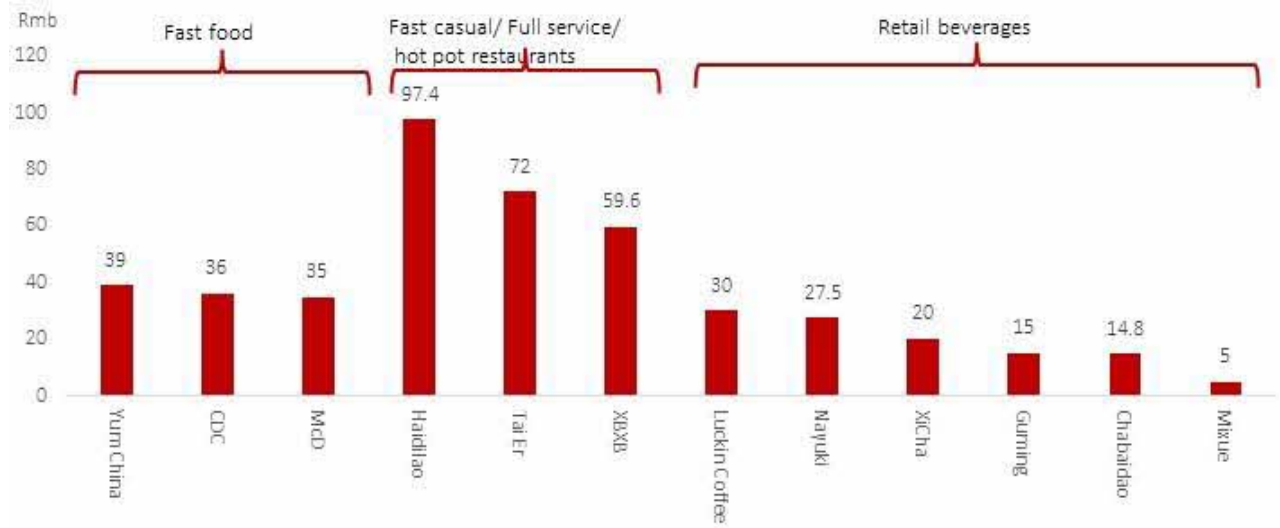
ii) Market Positioning: focus on mass segment for resilience

In recent year, China has witnessed a notable trend of consumption downgrade to prioritize value-for-money purchases. As competition also intensifies, mass-market positioning has become a good strategy for catering business to thrive as it aligns better with cost-conscious consumers to capture larger market share and sustain resilience. YUM China, McDonald's China and Café de Coral mainly target the mass market and budget-conscious consumers, with affordable pricing in their fast-food chains and offering value meals and frequent promotions. Average prices of their meal sets range from RMB30 to RMB40.

Amongst hotpot plays, Haidilao is positioned as a premium hotpot chain, with higher prices compared to competitors. Xiabuxiabu is known for its low prices, making it a good option for mass-market consumers, albeit the company also operates a Cou Cou hotpot chain that target at a higher-end positioning. JiuMaoJiu, running restaurant chains including Jiumaojiu Northwest Cuisine, TAI ER Suancai & Fish, Song Hotpot and SHANWAIMIAN Hotpot, focuses on Chinese cuisines and offers competitive pricing to target at price-sensitive customers.

For retail beverage plays, Starbucks China maintains a premium pricing strategy, with prices approximately 20-30% higher than Luckin Coffee. Mixue is the leader in mass-market positioning for the China market, with most products priced below RMB10. Guming also offers fairly competitive pricing that is relatively higher than Mixue's, while Nayuki and Chabaidao position themselves as relatively more premium brands, with average price ranges that could top at RMB24-26 while selected products could reach c.RMB35.

Average spending per customer



Source: Company data, DBS HK (9M24: Guming, Mixue)
(Average spending per customer: 1H24: XBXB, Haidilao; 2024: Tai-Er (Jiumaojiu), 3Q24: Luckin Coffee); Estimate: CDC)
(Average cheque estimate: McD's)
(Average selling price: Chabaidao) (Source: prospectus)
(Average pricing per item: Mixue (Source: prospectus), Guming (Source: prospectus)
(Average sales value per order: Nayuki (1H24); Xicha (Source: new sources)

iii) Size and scalability matter

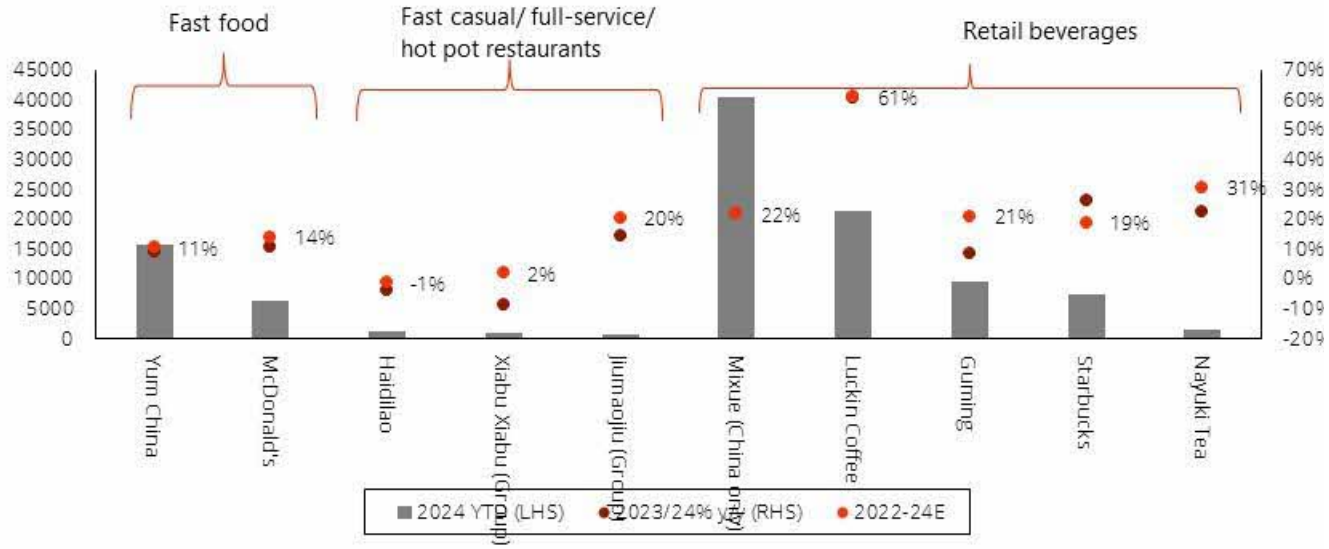
The existing operating scale, the opening of self-operated stores, as well as franchisees' significant role in steering the expansion pace of companies help fending off rivalry. In terms of store numbers, leading players like YUM China and McDonald's in the fast-food segment, as well as Mixue in the retail beverage segment ride on better brand visibility and accessibility to engage customers, in turn driving higher market penetration and sales. Better economies of scale in procurement, supply chain, marketing and operations help crowding out competitors for a more dominant presence in key regions. A larger store network could also provide more valuable data and insights into consumer preferences and regional trends. For franchise-heavy business models, opening more stores allow companies to grow rapidly with minimal capex.

% of stores under franchising

Source: Company data, DBS HK

YUM China has increasingly leveraged on franchising to drive growth, currently with c.13% of its stores being franchise-operated; the company plans to lift it to 30%+ over the medium-term, as it rolls out more franchised stores across the lower-tier cities and rural areas using smaller store models. McDonald's China has over 6,000 stores and it has been leveraging much more on franchisees to expand sales network. Café de Coral sustains a dominant position in Hong Kong, while the company still possesses limited scalability in mainland China. Full-service restaurants like the hotpot players of Haidilao and Xiabu Xiabu have been expanding cautiously, while Jiumaojiu tries beefing up top-line growth via store openings albeit deteriorating same-store performance. For major retail beverage operators, Mixue, Guming and Chabaidao predominantly ride on franchisees for expansion, while Starbucks, Nayuki and Luckin Coffee aim at a mid to high-end market positioning and focus comparatively more on self-operated stores, limiting their scalability.

China store no. and expansion



Mixue and Guming: 2024 = 9M24; Luckin Coffee: group level data

Mixue: 4,792 overseas (Sep'30), Haidilao: 23 in HK, Macau, Taiwan (Jun'24); XBXB: 21 (Jun'24), JMJ: 6 (Jun'24)

Source: Visible Alpha, Company, DBS HK

iv) Profitability highlights model competence

On the whole, as we focus on 2025 margin expectations across major restaurant and retail beverage operators in China, we found that bigger players in their specific sub-segments, including fast food, hotpot and freshly made beverage retail chains, are still leading the way in profitability terms as they benefit substantially from rising economies of scale and brand visibility. So far, companies relying more on a franchise business model also speed expansion at relatively low costs and ride on better operating efficiencies. Operations that are more feasible for online delivery / takeaway orders also provide better convenience for customers while enhancing store productivity by reducing store workforce. A high EBIT margin could also denote brand strength, efficiency cost and inventory control, as well as strong supply chain management, all of which could further support business agility and resilience.

EBIT margin trends (2023-2025F)

Starbucks Corp.: 2023=FYOct24; 2024E=FYOct25E; 2025E=FYOct26E

Café de Coral: 2023=FYMar24; 2024E=FYMar25E: 2025E=FYMar26E

Chaibaidao: 2024E=1H24 (no consensus estimates)

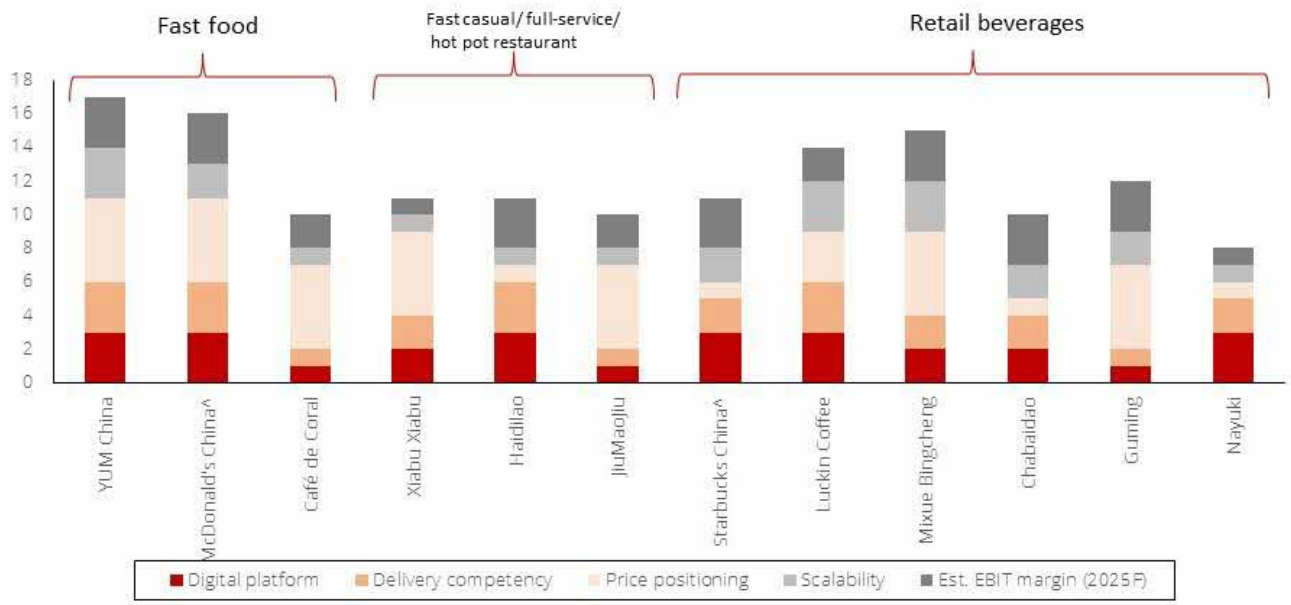
Mixue; Guming: 2024E=9M24 (no consensus estimates)

Source: Refinitiv, Company data, DBS HK

v) DBS Ranking

Following our comparative analysis, we rank key restaurant and retail beverage plays in China according to our criteria to gauge the successful model under current operating environment. These include strong digitalisation & online capacities, mass-market positioning, sizeable network and high scalability, as well as sound profitability. On the whole, leaders of fast food chains are ranked better relative to top retail beverage plays, while full service / hotpot restaurants seem to face more headwinds. YUM China, McDonald's and Mixue emerge as the top three performers, driven by their advanced digital platforms, strong delivery networks, mass-market alignment, good scalability and decent EBIT margins. These companies have successfully adapted to China's dynamic F&B market, leveraging technology and operational efficiency to maintain their competitive edge.

DBS ranking: restaurant & retail beverage plays

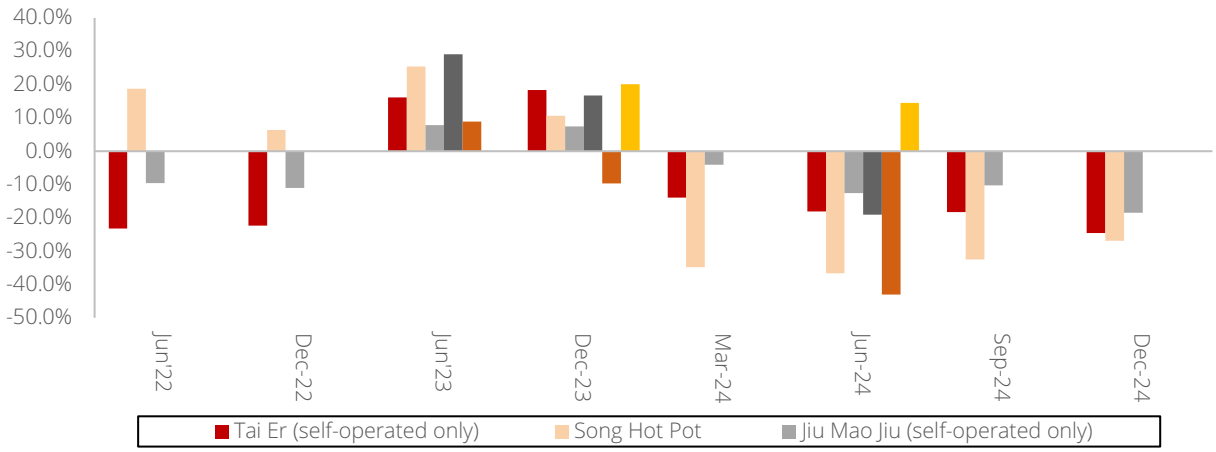


Source: DBS HK

Fierce competition pressure on full-service category

As highlighted earlier, full-service restaurant chains saw extremely intense market competition and most of their same-store sales (SSS) trends appear to remain under pressure. (JMJ)'s Tai Er saw steeper y/y decline in 4Q24 at 24.6% (3Q24: 18.3%). Hotpot brands such as Song Hotpot sustained strong SSS decline at 26.9% since 1Q24; a similar trend to Xiabu Xiabu's Coucou that recorded the steepest SSS decline at 43% in 1H24. Haidilao (HDL) recorded 14% SSS growth in 1H24, thanks to strong performance in China's Tier 3 and below markets (+19% y/y).

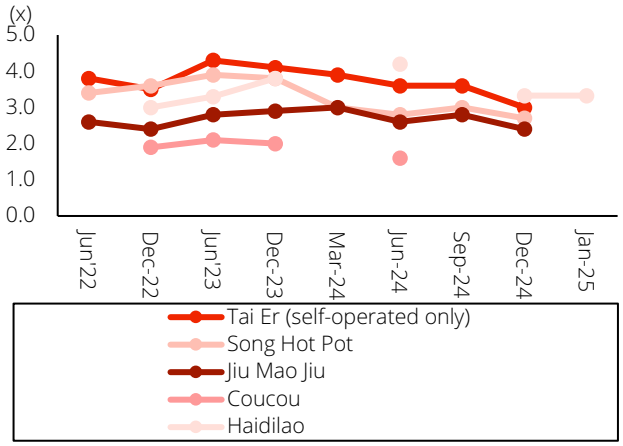
Full-Service/ Hot Pot Restaurants: Same store average daily sales % y/y by brands



Source: Company data

The key drag on SSS came from weaker table turnover rates. By brand, JMJ, Song Hot Pot, and Xiabu Xiabu recorded steep y/y declines of 27%, 29%, and 17%, respectively, in their table turnover rates to 3.0x, 4.2x, and 2.7x in 4Q24. HDL also recorded a table turnover drop of 10-15% y/y in Dec 2024, with mild m/m improvement in Jan 2025. Overall turnover of HDL averaged at 5x during the Spring Festival holiday, albeit a slight drop of <5% y/y.

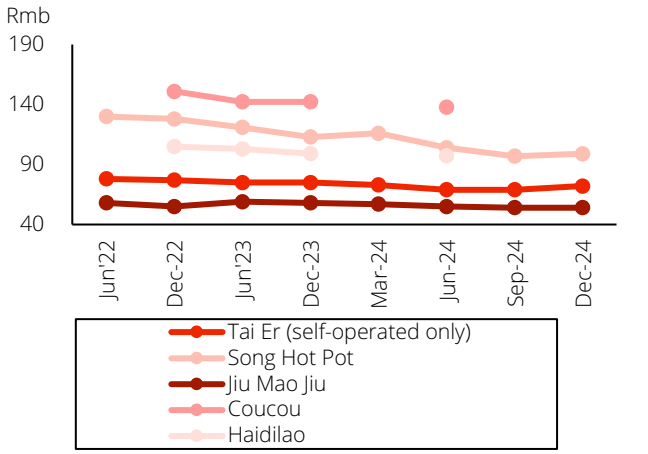
Table turnover rate of major brands



Source: Company data, DBS HK

Average selling prices have also been on a downtrend across the board. By brands: Tai Er, Song Hot Pot, and JMJ recorded a 4%, 12%, and 7% y/y contraction to Rmb72, Rmb99, and Rmb54, respectively in 4Q24. Xiabu Xiabu (XBXB) recorded a 2% rise to Rmb60 in 1H24, thanks to stabilization in Tier 3 and below regions. Coucou, at the premium end, recorded a 3% drop to Rmb138 in 1H24. The company recorded declines across all regions, including overseas. HDL recorded a 5% decline to Rmb97.4 in 1H24, with declines across all regions.

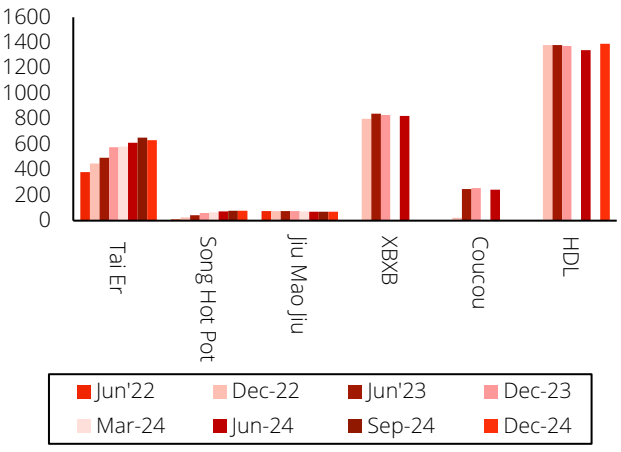
Average selling price trend



Source: Company data, DBS HK

By store numbers, JMJ recorded a stable 11% y/y increase to 807 stores, mainly driven by Song Hotpot (+29%) and Tai Er (+10%), while the core JMJ brand recorded an 8% drop in store number. HDL recorded a mild 4% increase in store number to 1,392, driven by the introduction of franchise stores (+13 stores), and the addition of 14 grilled barbeque stores.

Store number by brand

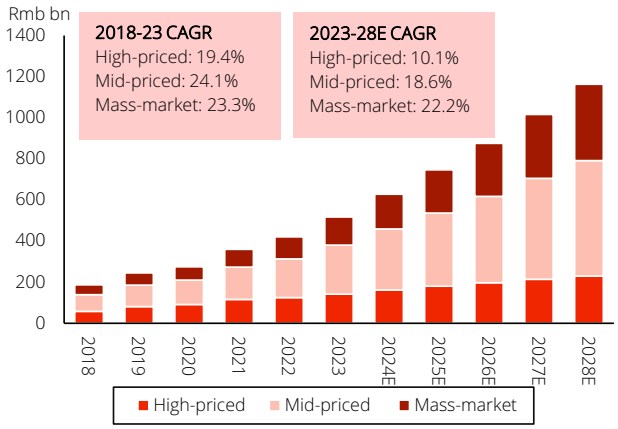


Source: Company data, DBS HK

Fast food & retail beverage to see more opportunities

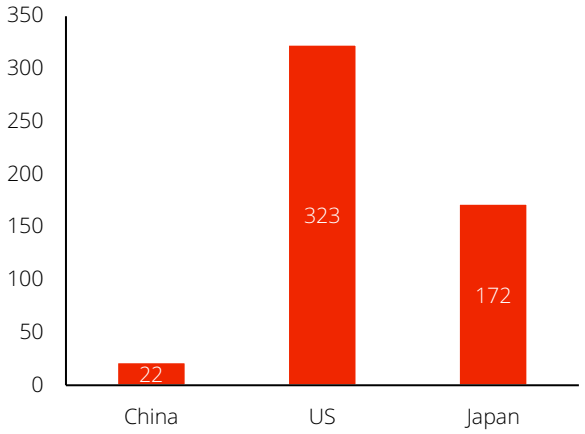
a) **Retail beverage segment:** Despite high competition, China's freshly-made beverage market is rapidly evolving, and according to CIC, the industry is expected to deliver a sales CAGR of 17.6% to reach RMB1,163bn in 2024-28E (2018-23: 22.5%), driven by rising per capita disposable income, evolving consumer habits, and product innovation. In 2023, there were 66,000 stores in this segment, with its top-5 players altogether capturing c.35% market share. Per capita consumption of freshly made beverages stood at 22 cups, versus 323 cups in the US, and 172 cups in Japan, suggesting ample room for further expansion of the segment. In terms of pricing, mass-market drinks (below Rmb10) are expected to grow the fastest at 22.2% CAGR in 2023-28E, followed by mid-priced (Rmb10-20) at 18.6% and high-priced (>Rmb20) at 10.1%.

Market size of freshly-made drinks in GMV terms



Source: CIC, National Bureau of Statistics of the PRC, International Monetary Fund

Freshly made beverage per cup annual consumption

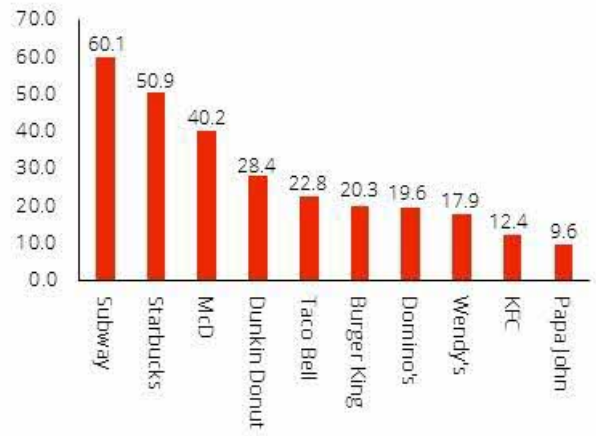


Source: CIC, World Bank World Health Organisation, Chinese Nutrition Society (2023)

b) Fast food segment:

By comparing the US fast food industry to China's, and looking at store number per million population, we still expect a good room for key operators to expand further in the Chinese market. For instance, in 2024, there were an estimate of >12 KFC stores per million population in the US, versus c.8 KFC stores in China; there were >40 McDonald's stores per million population in the US, versus merely c.4 McDonald's stores in China. Generally speaking, the penetration rate of China's fast food segment still offer opportunities for competent players to grow their sales network ahead.

No. of outlets per million population – US market

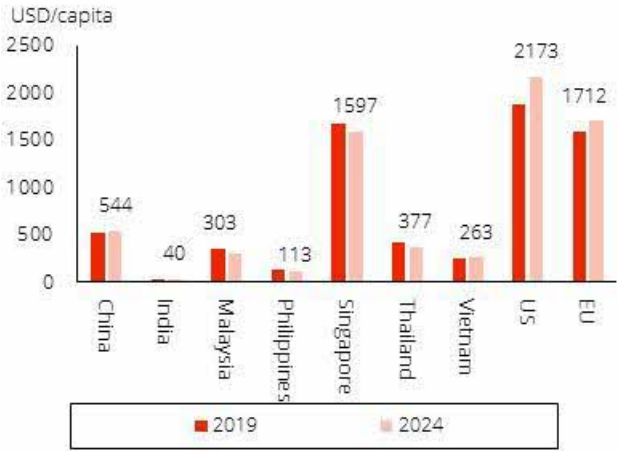


Source: Company data, news sources, DBS HK

1QFY25: Starbucks; 4Q24: KFC; 2023: McDonald's, Subway, Dunkin Donut, Taco Bell, Burger King, Domino's Wendy's, Papa John

Overall, while China's market recorded a slowdown in 2024 as operators competed for the best locations, franchisees and consumers, leading to underperformed stores and pricing pressure as competition intensified, we expect large players with strong scalability and mass-market positioning should continue to stand out and ride on decent industry growth over the medium-term. Comparing China's consumer foodservice sales per capita of USD544 in 2024 to developed markets such as the US (USD2,173), EU (USD1,712) and Singapore (USD1,597), China still offers an abundant room for selected catering segments to blossom.

Consumer foodservice per capita



Source: Euromonitor, Globaldata, DBS HK

Recent IPOs – go for the leader

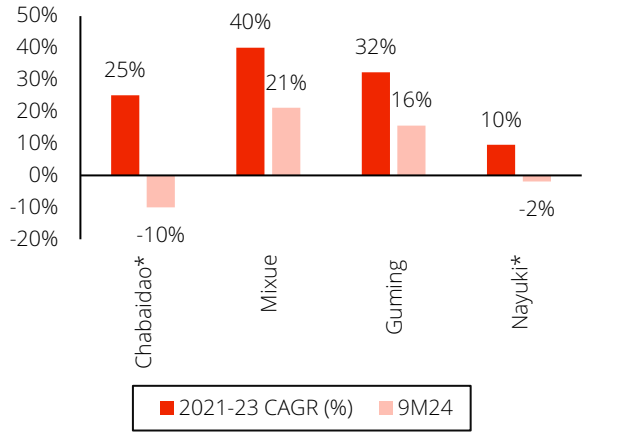
Let's explore further into the latest IPOs in the industry in 1Q25.

More reasonable pricing. Lately, retail beverage chains' listings return in a frenzy, with the recent listing of Guming at the upper end of its listing price range, at HKD9.94 per share to raise HKD1.8bn, translating into a market cap. of HKD23.2bn, equivalent to 15x FY23 PE on adjusted profits, attracted >15x / 195x the number of shares allocated to institutional / retail investors, with its 5 cornered investors included Tencent's Huang River Investment (>10% stake) to commit to c.31% of shares offered.

The IPO of Mixue is also underway. Its offer size was scaled back from USD1bn to USD440m, as the company is not in desperate need of cash to grow its operations, according to news sources. Mixue plans to use its net IPO proceeds on expanding supply chain capacity (66%), brand building and marketing (12%), and advancing digitalization efforts (12%), with the remaining 10% for working capital and general corporate purposes.

Store expansion - a key driver. By store count, Guming recorded a store expansion of 9% y/y (Nov-24 vs. 2023), Mixue at 22% y/y (9M24 vs. 2023) versus Nayuki at 14% y/y (1H24). The sustainability of these retail beverage chains could be dependent on their ability to expand and operate their store networks.

Store number growth % y/y



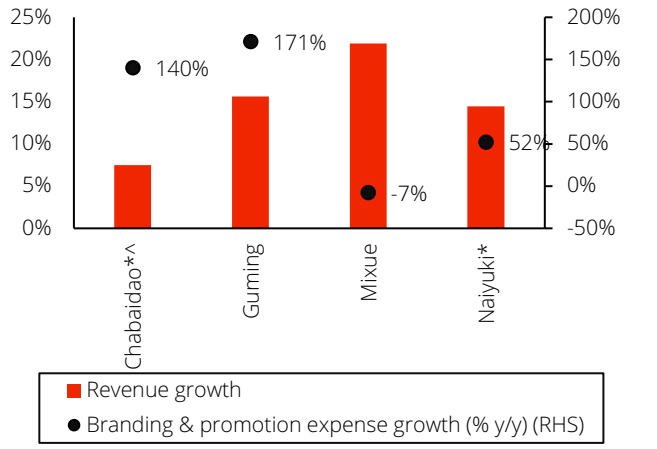
*Source: Company, DBS HK (*1H24 %y/y)*

High marketing spends to support scale. Guming's average number of orders per store per day declined by 2.9% to 234

in 9M24, with average GMV per order declining 1.8% to RMB27.7. In 9M24, Guming's advertising and promotion spend rose 171% y/y versus GMV growth of 20% y/y or revenue growth of 9% y/y, which is reflective of increasing competition that had required higher promotion spend and could be evidence of market saturation. Nayuki's average sales value per order declined by 14% to Rmb29.6, while average orders per store declined by 1% to 344.3. Nayuki also recorded a 52% y/y increase in advertising & promotion spending, versus its revenue decline of 2% y/y in 1H24.

Mixue's average number of orders per day per store rose 4.8% to 367 in 9M24 (vs. 2023), while average GMV per order declined by 3.4% to Rmb11.4 (9M24 vs. 2023). Given Mixue's initial franchisee fees are below market averages, the company requires franchisees to collaborate on standardized advertising and promotional campaigns, while Mixue's marketing spend dropped 0.3ppt y/y to just 0.9% of sales in 9M24. Comparing to its peers that expanded their marketing spend y/y to a range of 1.8% to as much as 4.4% of sales last year, it seems that Mixue's dominant sales network has helped to generate a better scale effect and operating leverage for the company to attain more competitive unit marketing costs.

9M24 revenue growth vs. marketing spend (% y/y)



Marketing spend in terms of sales: Mixue (-0.3ppt y/y to 0.9%); Guming (+1ppt to 1.8%); Nayuki (+1.6ppt to 4.4%); Chabaidao* (+2.7ppt to 4.4%)*

*Source: Company, DBS HK (*1H24 %y/y)*

"Cheaper the better" mentality. We believe it is too early to tell which retail beverage chain will be a true winner in the China market at this stage, given the level of market saturation in selected cities that may place continued pricing pressure. Mixue's product offerings provide the highest value-for-money so far, and even see room to initiated price increases since Dec 2024 across selective Tier 1 cities including Shenzhen, Guangzhou, and Beijing. The company's extensive sales network and the right market positioning for expansion under the current consumption downgrade environment, especially into more lower-tier cities of China could strengthen its chance for business sustainability over the medium-term.

Peers table

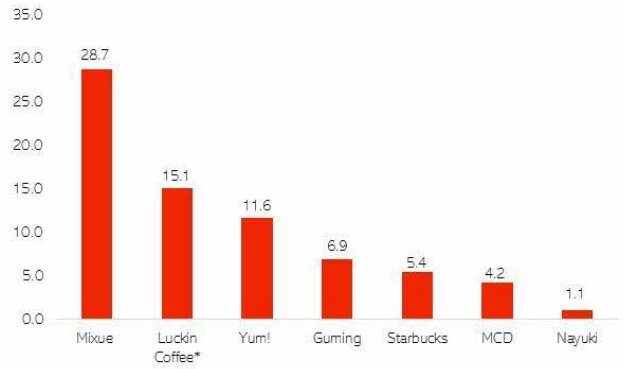
Company Name	Code		Price Local$	Target Price Local$	Mkt Cap US$m	Fiscal Yr	PE 24F x	PE 25F x	Yield 24F %	Yield 25F %	P/Bk 24F x	P/Bk 25F x	EV/EBITDA 24F x	EV/EBITDA 25F x	ROE 24F %	ROE 25F %
Fast-food																
Yum China*	YUMC US	USD	46.81	63.60	17,694	Dec	19.5	17.6	1.4	2.1	3.1	3.3	10.2	12.9	15.0	18.0
Yum China*	9987 HK	HKD	359.8	496.00	17,473	Dec	19.2	17.4	1.4	2.1	3.1	3.2	10.2	12.9	15.0	18.0
Mcdonalds	MCD US	USD	307.57	339.00	220,411	Dec	26.6	25.0	2.0	2.3	n.a.	(58.1)	19.1	17.8	n.a.	(231.3)
Cafe De Coral Hdg.*#	341 HK	HKD	7.46	9.90	556	Mar	12.9	11.4	7.8	8.8	1.5	1.5	5.1	4.7	11.6	13.1
Average							**19.5**	**17.8**	**3.1**	**3.8**	**2.6**	**(12.5)**	**11.1**	**12.1**	**13.9**	**(45.5)**
Hotpot																
Xiabuxiabu	520 HK	HKD	0.91	n.a.	127	Dec	n.a.	n.a.	5.4	6.2	1.1	1.2	1.3	1.0	(21.8)	(9.3)
Haidilao International*	6862 HK	HKD	15.84	18.00	11,343	Dec	17.4	15.9	2.3	2.5	7.8	7.0	7.7	6.8	42.2	46.6
Jiumaojiu International	9922 HK	HKD	3.06	n.a.	549	Dec	26.2	14.4	1.4	2.7	0.9	0.9	3.5	2.8	5.0	8.4
Average							**21.8**	**15.1**	**3.0**	**3.8**	**3.3**	**3.0**	**4.1**	**3.5**	**8.5**	**15.2**
Retail beverage																
Starbucks	SBUX US	USD	113.19	77.00	128,573	Sep	36.6	38.3	2.1	2.2	n.a.	(18.4)	19.8	20.8	n.a.	(40.9)
Luckin Coffee Adr 1:8	LK US	USD	29.99	n.a.	8,390	Dec	23.6	20.8	0.0	n.a.	7.3	4.4	80.7	53.1	42.8	24.7
Sichuan Baicha Baidao 'H'	2555 HK	HKD	9.36	n.a.	1,777	Dec	17.5	12.5	n.a.	n.a.	2.9	2.8	n.a.	n.a.	28.3	22.9
Guming Holdings	1364 HK	HKD	10.14	n.a.	3,039	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nayuki Holdings	2150 HK	HKD	1.35	n.a.	296	Dec	n.a.	n.a.	0.0	0.0	0.5	0.5	(128.6)	7.1	(12.3)	(3.9)
Average								**23.8**	**0.7**	**1.1**	**3.6**	**(2.7)**	**(9.3)**	**27.0**	**19.6**	**0.7**

Source: Refinitiv, DBS HK

#FY24: FY25; FY25: FY26

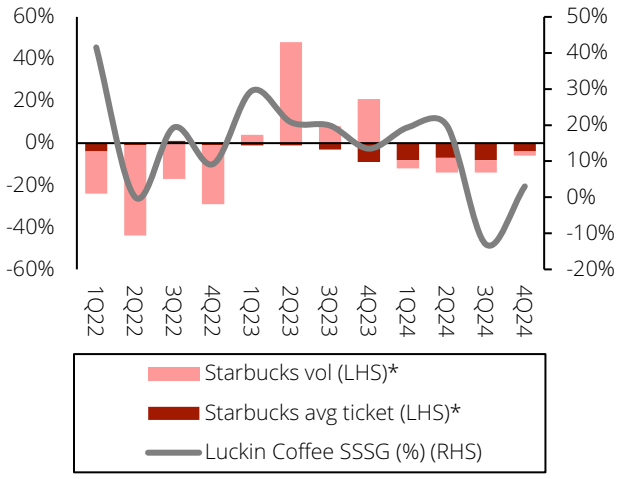
Appendix

No. of outlets per million population - China



Jun'24: Nayuki
Sep'24: Mixue, Luckin Coffee, Guming,
Dec'24: Yum!
Jan'25: Starbucks
Est.: McD's
Source: Company data, DBS HK

Quarterly comparable sales growth: McDonald's Corp. vs. Starbucks Corp.



**Starbucks: 1QFY25: 4Q24; 4QFY24: 3Q24*

Source: Company data, DBS HK

Key ranking: Key metric comparison

Company	Digital platform	Delivery competency	Price positioning	Scalability	Estimated EBIT margin (2025F)
Fast-food:					
YUM China	Excellent	Excellent	Mass	12,000+	11%
McDonald's China^	Excellent	Excellent	Mass	6,000+	48%
Café de Coral	Moderate	Moderate	Mass	500+	5%
Hotpot:					
Xiabu Xiabu	Good	Good	Mass	1,000+	2%
Haidilao	Excellent	Excellent	Premium	1,300+	14%
JiuMaoJiu	Moderate	Moderate	Mass	500+	8%
Retail beverage:					
Starbucks China^	Excellent	Good	Premium	6,000+	15%
Luckin Coffee	Excellent	Excellent	Mid	10,000+	9%
Mixue Bingcheng*	Good	Good	Mass	45,000+	25%
Chabaidao*	Good	Good	Mid	8,000+	13%
Guming*	Moderate	Moderate	Mass	9,000+	21%
Nayuki	Excellent	Good	Premium	1,500+	-4%

Source: Company, DBS HK

**According to latest financial reports available; ^Only EBIT margin at group level are available*

Peers' comparison – Retail Beverage

	Chabaidao (茶百道)	Guming (古茗)	Mixue Group (蜜雪冰城)	Naiyuki Tea (奈雪的茶)
Ticker code	2555.HK	1364.HK	2097.HK	2150.HK
HQ	Sichuan	Zhejiang	Zhengzhou	Shenzhen
Established in	2008	2010	1997	2015
IPO market size	HKD25,858.6m	HKD23,185m	HKD76,355m	HKD33.9bn
Net proceeds	HKD2.5bn	HKD1.7bn	USD440m	HKD4.8bn
Valuation	18.5x FY23 PE	15.9x FY23 PE	17x FY24E PE	n.m. (2022: lossmaking)
Current share price versus IPO	-47%	2%	n.m.	-93%
IPO price (HKD)	17.5	9.9	202.5	19.8
Current price (HKD)	9.4	10.1	n.m.	1.4
Controlling shareholder	LIU Weihong, WANG Xiaokun (82.73%) (Lockup period: 22 April 2025)	Mr. Wang, Mr. Qi. Mr. Ruan: 73.35%; Other shareholders under lockup period: 21% (1st lockup period ends: 11 August 2025; 2nd lockup period ends 11 Feb 2026)	Zhang Hongchao (through Qingchun Wuwei, Zhang Hongfu, Shiyu Zuxia) control 82.54%; Pre-IPO investors (Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue: 9.55%); free float 4.52%	Peng Xin (Founder) (58.99%), Forth Wisdom (5.35%)
Price range	ASP: Rmb14.8 Between Rmb6-26	Between Rmb10-18	Mixue (Rmb2-8) Lucky Cup (Rmb5-10)	Rmb27.5 Rmb8-23.8
Freshly made drinks by no of cups sold, & number of stores (2023) market share (%)	5.7%	9.0%	32.7%	(2-3%)(est)
Ranking	4	3	1	Post 5

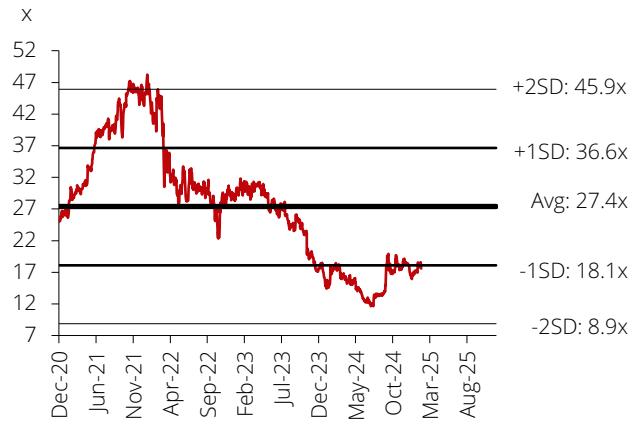
Source: IPO Prospectuses, DBS HK

Peers' comparison – Retail Beverage

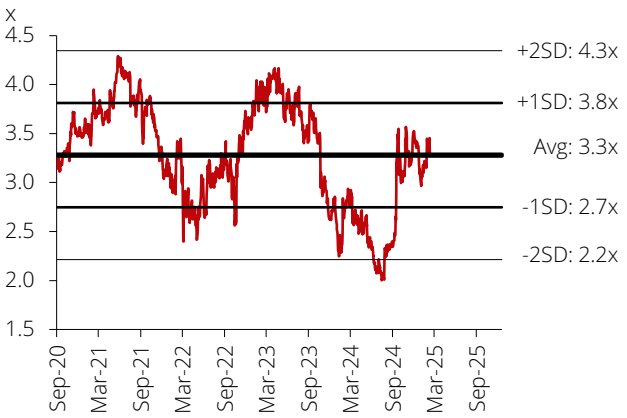
	Chabaidao (茶百道)	Guming (古茗)	Mixue Group (蜜雪冰城)	Naiyuki Tea (奈雪的茶)
Latest store count	8,385 (1H24)	9,823 (end-Nov)	45,302 (9M24)	1,894 (1H24) (incl. franchise store)
1H/9M24 % y/y	7%	-100%	22%	14%
2021-23 CAGR (%)	24%	26%	37%	39%
Revenue	1H24/1H23			1H24/1H23
9M24	2,396	6,441	18,660	2,544
9M23	2,661	5,571	15,393	2,594
% y/y	-10%	16%	21%	-2%
2021-23 CAGR (%)	25%	32%	40%	32%
Net profit (adjusted)	1H24/1H23			1H24/1H23
9M24	391	1,149	3,486	(440)
9M23	591	1,045	2,401	65
% y/y	-34%	10%	45%	broke even
2021-23 CAGR (%)	27%	38%	29%	turned loss
GP margin (%)	1H24/1H23			1H24/1H23
9M24	32%	30%	32%	63%
9M23	35%	31%	30%	68%
OP margin (%)	1H24/1H23			1H24/1H23
9M24	13%	21%	25%	-12%
9M23	27%	23%	21%	5%
Best selling items	- Mango Pomelo Sago, Soy Cream Yu Qilin, Taro Bubble Tea, Jasmine Milk Green Tea, Watermelon Bobo	Superb Grape and Cheese (>180m cups) Superb Peach and Cheese Fragrant Lemon Full of Waxberries Good me milk Tea (>436m cups in 2021-23) All-in-one Milk Tea Longjing with Qingtuan	Freshly Squeezed Lemonade (Rmb4), Fresh Ice cream (Rmb2), Bubble tea (Rmb6), Peachy Spring Oolong tea (Rmb7), Bountiful Passion Fruit (Rmb7)	Supreme Cheese Strawberry Tea, Supreme Orange Tea, Supreme Cheese Grape Tea
Wholly operated & franchise store mix (%)	99% franchised	100% franchised	99% franchised	84% wholly owned 16% franchise
Key competitive advantage	Industry leading franchise system and sustainable franchisee base; rigorous franchisee onboarding process	Target Tier 2 & below cities (79% of store mix)	Chinas largest, or worlds second largest freshly-made drinks company with IP Mixue & Snow King. Plans to solidify China leadership and expand overseas in young populations such as Vietnam, Indonesia; Tier 2 & below c.76% of store mix	Primarily Tier 1 and New Tier 1 cities (70%)
Average store sizes	Average store range: 30-100sqm 44.3% - 30-49sqm 42.8% - 50-100sqm	Small: 30-50sqm Large: 70-80sqm	15-60sqm	90-170 sqm

Source: IPO Prospectuses, DBS HK

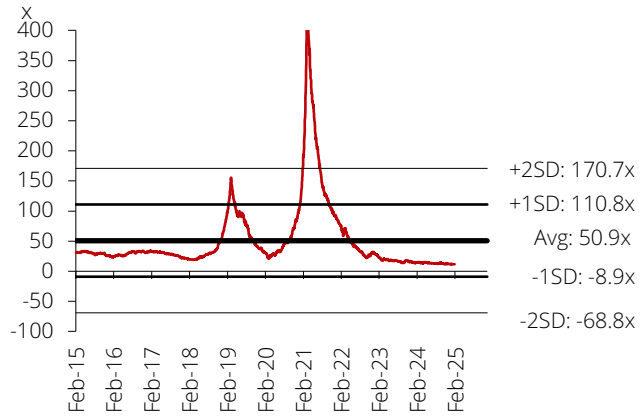
Yum China (9987 HK) PE chart



Yum China (9987 HK) PB chart

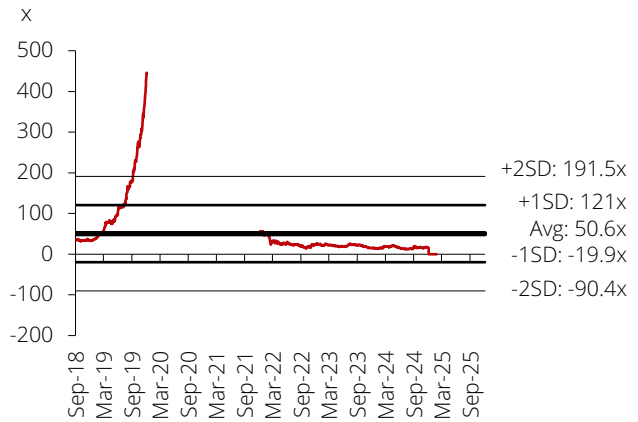


Cafe de Coral (341 HK) PE chart

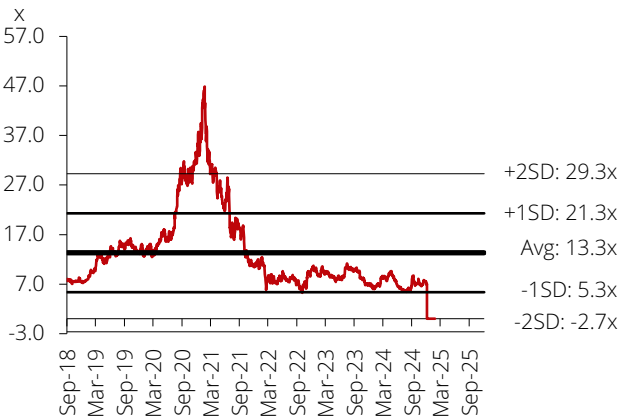


Cafe de Coral (341 HK) PB chart

Haidilao (6862 HK) PE chart

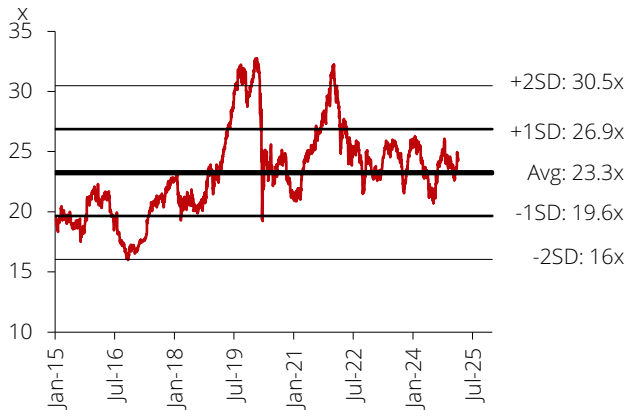


Haidilao (6862 HK) PB chart

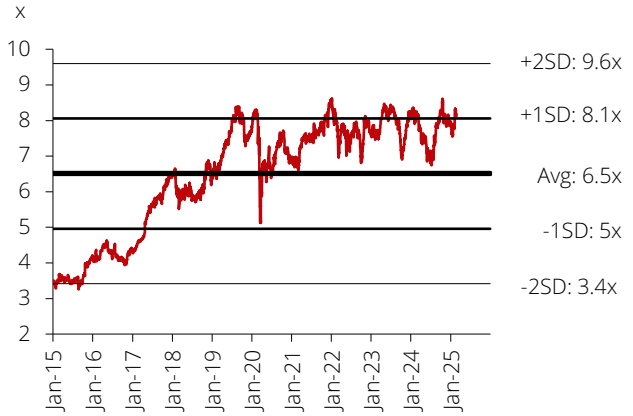


Source: Thomson Reuters, DBS HK

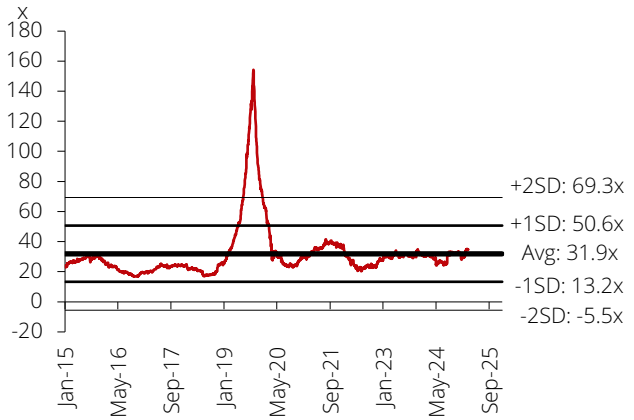
McDonald's (MCD US) PE chart



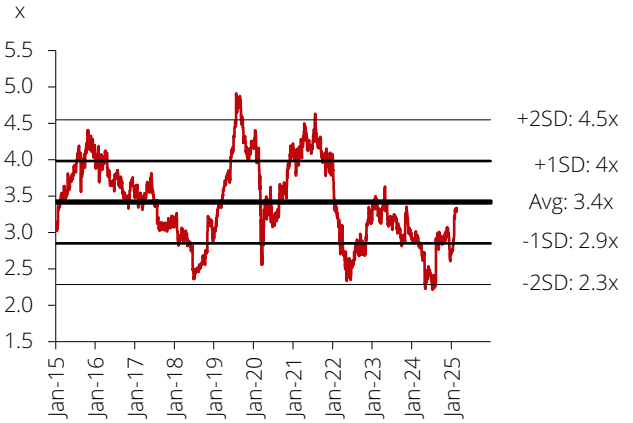
McDonald's (MCD US) PS chart



Starbucks (SBUX US) PE chart



Starbucks (SBUX US) PS chart



Source: Thomson Reuters, DBS HK

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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: 25 Feb 2025 09:29:38 (HKT)
Dissemination Date: 25 Feb 2025 20:25:42 (HKT)

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