

## Company Report

China Merchants Securities (HK) Co., Ltd.  
Hong Kong Equity Research

# Jiumaojiu International (9922 HK)

## At its turning point

- 2H results in-line; mixed outlook upon muted guidance
- Cost structure stabilizing but sales turn-around remains unseen
- U/G to HOLD; TP based on 48.0x end-25E P/E

### Cost structure stabilizing but sales recovery remains unseen, HOLD

JMJ's 2H results fell in range with the profit alert announced previously in March. During the analyst call, management did not provide clear guidance on store opens for 2025E, citing reasons with an uncertain operating environment and fluid consumer sentiment. On the positive side, management struck a constructive tone towards the direction of its business reform which MJM will continue to take a proactive stance in exploring opportunities in South China where it has a strong foothold and shut down non-profitable stores elsewhere. We estimate a net open of 24 stores for 2025E, predominantly surrounding Tai'Er (10) and Song (8) despite still negative SSSGs. To address the latter, management plans to refresh/refine its product offering/store format, which could facilitate a more notable recovery on good execution. On the cost side, we envisage a more stable cost structure on back of 1) a steady staff cost with 20/40 staff per Tai'er/Song store post restructuring, and 2) a moderately higher raw material cost arising from fresh food offerings to be mitigated by an appropriately higher price. Net-net, the impact of operating leverage will gradually fade into 2025E, in our view, and restaurant margin should have found its bottom in 2024 at 12.3% (vs flattish in 2025E). We think the worst of MJM is already behind us with progress on store reform and cost saving. That said, topline turnaround is yet to be seen and remains uncertain.

### Key conference call takeaway

- **1Q25 operation color.** Daily sales per store have shown some improvement sequentially, despite a weak trail post CNY holiday. The high base from 1H24 will remain a challenge to 1H25 SSSG albeit with a stabilizing ASP. We think the release of 1Q operation data will be a key event to watch for.
- **Brand strategy.** MJM – focus on Guangzhou and Hainan areas with new store outlook to unveil in 2025; Tai'er – Brand revamping in progress with the first upgraded store seen in Guangzhou focusing food freshness and more trendy design; Song – on a 3-year plan to evolve itself to be the “go-to” hotpot in Guangdong.

### 2H results snapshot

- Revenue/net loss came in at RMB3bn/16mn, meeting expectation.
- Tai'er/JMJ/Song revenue saw -5%/-19%/+2% yoy, on +9/-2/+7 net opens.
- Restaurant profits stood at RMB355mn implying an 11.8% margin.

### Earnings forecasts

- We cut our 2025-26E sales/net profits estimates by 6%/11% and 43%/31% to factor in the 2H results.

### Valuation and risks

- Our TP is based on 48.0x end-25E P/E which represents -1sd below average since 2023.
- **Key upside/downside risks:** cost savings; pace of store expansion; policy stimulus.

### Financials

Year ended 31 Dec (RMB mn)	2023	2024	2025E	2026E	2027E
Revenue	5,986	6,074	6,113	6,314	6,640
yoy growth	49.4%	1.5%	0.7%	3.3%	5.2%
Attributable net profit	453	56	88	138	157
Diluted EPS (RMB)	0.31	0.04	0.06	0.10	0.11
yoy growth	933.3%	-87.3%	57.7%	56.3%	14.0%
P/E	9.0x	71.3x	45.2x	28.9x	25.4x
ROE	13.9%	1.7%	2.8%	4.3%	4.9%

Sources: Company data, CMS (HK) estimates; share price as of Apr 1, 2025

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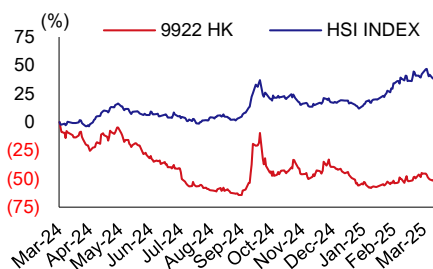
## WHAT'S NEW

The worst likely over but an actual turnaround remains unseen; U/G to HOLD

▲ **HOLD**

Previous	SELL
Price	HKD 3.0
12-month Target Price (Potential up/downside)	HKD3.2 (+6.7%)
Previous	HKD 2.7

### Price Performance



Source: Bloomberg; share price as of Apr 1, 2025

%	1m	6m	12m
9922 HK	(4.4)	(42.6)	(49.4)
HSI	0.1	2.2	35.8

### Sector: Consumer

Hang Seng Index (Apr 1, 2025)	23,206
HSCEI (Apr 1, 2025)	8,537

### Key Data

52-week range (HKD)	2.14 – 9.45
Market cap (HKD mn)	4,542
Avg. daily volume (mn)	103.38
BVPS (RMB)	2.37

### Shareholding Structure

Guan Yihong	38.9%
MX J LIMITED	6.4%
Others	2.2%
No. of shares outstanding (mn)	1,414
Free float	52.5%

Source: Bloomberg

### Related Research

1. Jiumaojiu International (9922 HK) - Amidst of its down-cycle (SELL) (Oct. 21, 2024)
2. Jiumaojiu International (9922 HK) - An inflection remains unseen; D/G to SELL (SELL) (Jul. 22, 2024)

Figure 1: Earnings revision summary

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,113	6,314	6,640	6,486	7,068	n.a	-5.7%	-10.7%	n.a
Gross profit	3,994	4,117	4,328	4,265	4,552	n.a	-6.3%	-9.5%	n.a
Profit before tax	132	206	235	216	279	n.a	-39.0%	-26.2%	n.a
Net profit	88	138	157	155	200	n.a	-43.2%	-31.2%	n.a
Gross Margin	65.3%	65.2%	65.2%	65.8%	64.4%	n.a	-0.4ppt	0.8ppt	n.a
PBT Margin	2.2%	3.3%	3.5%	3.3%	3.9%	n.a	-1.2ppt	-0.7ppt	n.a
Net margin	1.4%	2.2%	2.4%	2.4%	2.8%	n.a	-1ppt	-0.7ppt	n.a

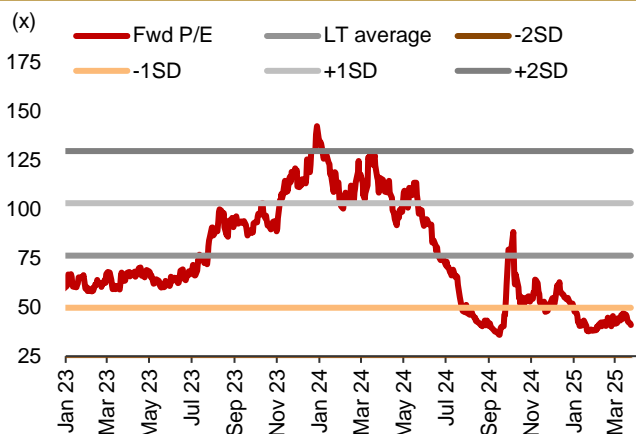
Sources: Company data, CMS (HK) estimates

Figure 2: CMS vs. consensus

RMB mn	CMS			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,113	6,314	6,640	6,207	6,553	6,916	-1.5%	-3.6%	-4.0%
Gross profit	3,994	4,117	4,328	4,000	4,230	4,470	-0.1%	-2.7%	-3.2%
Profit before tax	132	206	235	157	342	445	-16.1%	-39.8%	-47.3%
Net profit	88	138	157	122	251	331	-27.9%	-45.2%	-52.6%
Gross Margin	65.3%	65.2%	65.2%	64.4%	64.6%	64.6%	0.9ppt	0.7ppt	0.5ppt
PBT Margin	2.2%	3.3%	3.5%	2.5%	5.2%	6.4%	-0.4ppt	-2ppt	-2.9ppt
Net margin	1.4%	2.2%	2.4%	2.0%	3.8%	4.8%	-0.5ppt	-1.7ppt	-2.4ppt

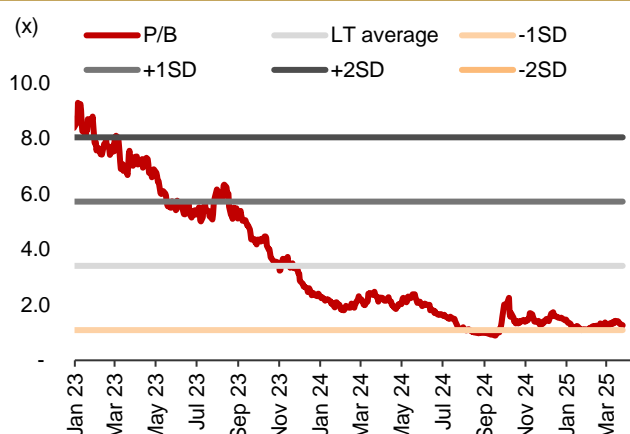
Sources: Company data, Bloomberg, CMS (HK) estimates

Figure 4: Forward P/E band



Sources: Bloomberg, CMS (HK) estimates

Figure 5: P/B band



Sources: Bloomberg, CMS (HK)

## Financial Statement

### Balance Sheet

RMB mn	2023	2024	2025E	2026E	2027E
PP&E	1,129	1,190	1,558	1,679	1,764
Right of use assets	2,008	2,090	2,056	2,127	2,170
Investment in associate/JV	8	29	29	29	29
Deferred tax	116	162	162	162	162
Other non-current assets	454	710	710	710	710
<b>Non-current assets</b>	<b>3,715</b>	<b>4,179</b>	<b>4,514</b>	<b>4,706</b>	<b>4,833</b>
Inventories	132	115	125	130	136
Receivables and prepayments	644	770	745	804	882
Other current assets	703	817	817	817	817
Bank Balances and Cash	1,327	607	462	371	341
<b>Current assets</b>	<b>2,806</b>	<b>2,309</b>	<b>2,149</b>	<b>2,122</b>	<b>2,176</b>
<b>Total assets</b>	<b>6,521</b>	<b>6,489</b>	<b>6,664</b>	<b>6,828</b>	<b>7,010</b>
Trade & other payable	697	623	680	716	766
Lease liabilities	539	602	602	602	602
Bank loan	90	306	406	506	606
Other current liabilities	76	63	63	63	63
<b>Current liabilities</b>	<b>1,403</b>	<b>1,593</b>	<b>1,750</b>	<b>1,887</b>	<b>2,036</b>
Lease Liabilities	1,545	1,582	1,582	1,582	1,582
Bank Borrowing	154	74	74	74	74
Deferred tax liabilities	56	79	79	79	79
Other non-current liabilities	6	10	10	10	10
<b>Non-current liabilities</b>	<b>1,761</b>	<b>1,745</b>	<b>1,745</b>	<b>1,745</b>	<b>1,745</b>
<b>Total liabilities</b>	<b>3,164</b>	<b>3,337</b>	<b>3,495</b>	<b>3,631</b>	<b>3,781</b>
Share Capital	0	0	0	0	0
Reserves	3,336	3,152	3,158	3,169	3,180
Non-controlling interests	21	(1)	11	28	49
<b>Total equity</b>	<b>3,357</b>	<b>3,151</b>	<b>3,169</b>	<b>3,197</b>	<b>3,229</b>
<b>Total equity and liabilities</b>	<b>6,521</b>	<b>6,489</b>	<b>6,664</b>	<b>6,828</b>	<b>7,010</b>

### Cashflow Statement

RMB mn	2023	2024	2025E	2026E	2027E
Net profit	453	56	88	138	157
Depreciation and amortization	712	923	1,000	1,008	1,073
Loss on disposal of PPE	0	0	0	0	0
Minority interest add back	-3	-22	11	18	20
Changes in OWC	84	-184	72	-27	-35
Others	-233	0	0	0	0
<b>CF from operating activities</b>	<b>1,012</b>	<b>773</b>	<b>1,171</b>	<b>1,137</b>	<b>1,215</b>
Payment for purchases of PP&E	-576	-600	-600	-600	-600
Payment for investment	-24	0	0	0	0
Interest received	70	0	0	0	0
Advances to associates	-3	0	0	0	0
Others	384	-837	385	0	0
<b>CF from investing activities</b>	<b>-150</b>	<b>-1,437</b>	<b>-215</b>	<b>-600</b>	<b>-600</b>
Dividend paid	-13	-52	-81	-127	-145
Equity financing	5	0	0	0	0
Debt financing (repaid)	214	0	100	100	100
Others	-853	-525	-600	-600	-600
<b>CF from financing activities</b>	<b>-646</b>	<b>-577</b>	<b>-581</b>	<b>-627</b>	<b>-645</b>

### Profit & Loss

RMB mn	2023	2024	2025E	2026E	2027E
<b>Revenue</b>	<b>5,986</b>	<b>6,074</b>	<b>6,113</b>	<b>6,314</b>	<b>6,640</b>
Other revenue	127	70	70	70	70
Raw material costs	-2,142	-2,162	-2,189	-2,266	-2,382
Staff costs	-1,544	-1,747	-1,620	-1,647	-1,711
Rental costs	-139	-133	-136	-140	-147
D&A costs	-721	-868	-853	-817	-859
Utilities expenses	-219	-253	-464	-479	-497
Other expenses	-594	-679	-620	-639	-671
<b>Operating profit</b>	<b>753</b>	<b>300</b>	<b>302</b>	<b>395</b>	<b>443</b>
Finance costs	-93	-111	-140	-169	-199
Shares of results of JV/associates	-2	-4	0	0	0
Other net income/(losses)	-22	-112	-30	-20	-10
<b>Profit before tax</b>	<b>636</b>	<b>74</b>	<b>132</b>	<b>206</b>	<b>235</b>
Income tax expense	-156	-29	-32	-51	-58
<b>Net profit</b>	<b>480</b>	<b>45</b>	<b>99</b>	<b>155</b>	<b>177</b>
Non-controlling interest	27	-11	11	18	20
<b>Attributable net profit</b>	<b>453</b>	<b>56</b>	<b>88</b>	<b>138</b>	<b>157</b>
Diluted EPS (RMB)	0.31	0.04	0.06	0.10	0.11
Dividend per share (HKD)	0.13	0.04	0.06	0.09	0.10

### Financial Ratio

	2023	2024	2025E	2026E	2027E
<b>yoy growth rate</b>					
Revenue	49.4%	1.5%	0.7%	3.3%	5.2%
Gross Profit	108.5%	-30.5%	1.4%	5.8%	15.4%
Operating profit	305.3%	-60.1%	0.5%	31.0%	12.2%
Net profit	820.2%	-87.7%	57.7%	56.3%	14.0%
EPS	933.3%	-87.3%	57.7%	56.3%	14.0%
<b>Profitability</b>					
Gross margin	18.0%	12.3%	12.4%	12.7%	13.9%
Operating margin	12.3%	4.9%	4.9%	6.2%	6.6%
Net margin	7.6%	0.9%	1.4%	2.2%	2.4%
<b>Liquidity</b>					
AR days	35.0	42.5	44.5	46.5	48.5
Inventory days	21.3	20.9	20.9	20.9	20.9
AP days	98.6	111.4	113.4	115.4	117.4
Cash conversion cycle	-42.2	-48.0	-48.0	-48.0	-48.0
<b>Cash flow &amp; leverage</b>					
Free cash low	-36.8%	-9.6%	-1.8%	4.2%	8.2%
Net debt to equity	43.1%	92.5%	92.5%	92.5%	92.5%
Dividend payout ratio	4.5%	1.2%	1.9%	3.0%	3.4%
<b>Return analysis</b>					
ROE	13.9%	1.7%	2.8%	4.3%	4.9%
Asset turnover	1.0	0.9	0.9	0.9	1.0
Net margin	7.6%	0.9%	1.4%	2.2%	2.4%
Financial leverage	1.8	2.0	2.1	2.1	2.2
ROA	7.0%	0.9%	1.3%	2.0%	2.2%
<b>Valuation ratios</b>					
P/E	9.0x	71.3x	45.2x	28.9x	25.4x
P/B	1.3x	1.4x	1.3x	1.3x	1.3x

Sources: Company data, CMS (HK) estimates

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
HOLD	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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