



# 合興集團控股有限公司

HOP HING GROUP HOLDINGS LIMITED

Stock Code: 47

2019 Interim Results Announcement

Corporate Presentation

29 August 2019



# Disclaimer

This presentation and the accompanying slides (the “Presentation”) which have been prepared by Hop Hing Group Holdings Limited (“Hop Hing” or the “Company”) do not constitute any offer or invitation to purchase or subscribe for any securities, and shall not form the basis for or be relied on in connection with any contract or binding commitment whatsoever. They are only being furnished to you and may not be photocopied, reproduced or distributed to any other persons at any time without the prior written consent of the Company. This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of or any omission from this Presentation is expressly excluded.

Certain matters discussed in this presentation may contain statements regarding the Company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third-party statements and projections.



# Business Review

# 1H2019 Operational Update

◀ H | H | G ▶ ◀



**Hop Hing Continued to Deliver Satisfactory Results Despite Challenging Environment**

## Revenue

**+5.9%** to  
**RMB1,028 million**

## Net Profit

**RMB56.8 million**

## Store EBITDA

**maintained stable**  
**at 19.6%\***

## Gross Profit & GP Margin

**RMB645m**  
with stable GPM  
at **62.8%**

## SSSG

**Overall +1.5%**

 **+0.7%**

 **+9.7%**

## No. of CRM Members

**over 7 Million**

\* The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

# Steadily Expanding Store Network



**Total: 576 Stores** (As of 30 Jun 2019)

**Expand our Store Network According to Plan**

## No. of Store Open (Net)

 : 369  
 : 175  
 Others : 32  
 Distribution Centers : 6



**Net Store: +17**

**Beijing**

 : 185  
 : 83  
 Others : 24  
 Distribution Center : 1

					Others		<u>Total</u>	
	As of 30 Jun 2019	As of 31 Dec 2018	As of 30 Jun 2019	As of 31 Dec 2018	As of 30 Jun 2019	As of 31 Dec 2018	As of 30 Jun 2019	As of 31 Dec 2018
Beijing, Tianjin & Hebei	241	230	130	124	30	27	401	381
Northeast China & Inner Mongolia	126	125	45	49	2	2	173	176
Henan, Shanxi and Shaanxi*	2	2	N/A				2	2
<b>Total</b>	<b>369</b>	<b>357</b>	<b>175</b>	<b>173</b>	<b>32</b>	<b>29</b>	<b>576</b>	<b>559</b>

\* Operating by the JV

# Leverage Technology to expand Base & enhance Customer Analysis



秒变会员  立享特权



## No. CRM members

**吉野家** > 6 million  
YOSHINOYA

**DQ 香港 芳叔** ~ 1 million  
Dairy Queen HONG KONG

- CRM membership system supported **cross-brand promotions** to enhance sales and cultivate precise marketing

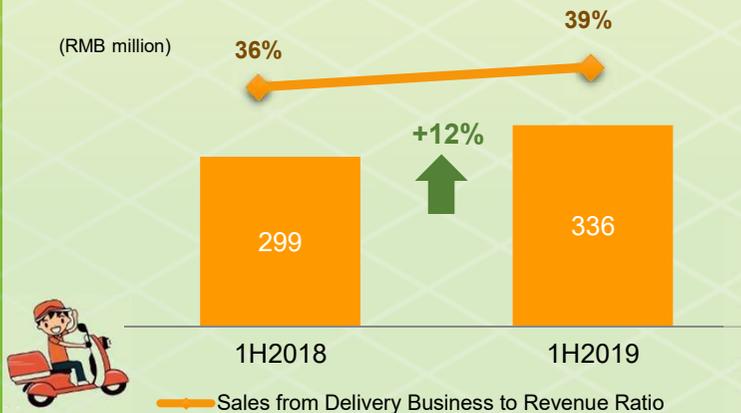
**Total over 7 Million**  
as at 30 June 2019





## Delivery Business Continued to Grow

- Continued to widen store network for greater service coverage to support faster delivery
- Exclusive promotions on the Group's **self-owned ordering platform** with exclusive products to attract more customers and command higher profitability



## Overall Business Strategies

### Brand Upgrade

- Provide self-service ordering machines in most stores to increase efficiency
- Open “dine-in focused store” and “delivery focused store” to cater different customers’ needs



### Expand Product Portfolio

- Continued to **enrich product portfolio** to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuations





# Dairy Queen – Delivery Business Becomes New Growth Driver

◀ H | H | G ▶ ◀



Revenue from Delivery business

**+54%** to RMB 15.3 million

Turnover **+13.5%** to RMB122.4 million

Average Spending Per Customer RMB14

SSSG **+9.7%**

## Delivery Business Experienced Huge Surge

- Same-store-sales and revenue grew positively due to significant growth of delivery business
- Leverage cross-branding membership system and boost promotions during festive seasons to attract more customers and increase sales



## Upcoming Strategies

### Brand Upgrade

- Continue to open new stores in “DQ 2.0” with stylish design and renovate old stores with more innovative and trendy elements to attract younger generation

### New Products

- Continue to launch various types of products including light refreshment and add new elements to existing products to stimulate target customers' taste buds



# Other Brands – Growing Steadily & Healthily



Continue to Expand the New Brands with High Growth Potential

## HK Snacks



- Continue expand product portfolio under “Uncle Fong” brand to offer authentic HK snacks and extend foothold in other regions in Northern China

## Healthy Products



- Continue to extend product line to include healthy products and Asian authentic food by either opening new stores or introducing these new products in existing store network to increase income stream with better ROI

## Asian authentic food



# Future Growth Strategies



1

# Business Strategies – Uplift Customer Satisfaction and hence increase sales



## Introduction of popular “Value For Money” food products

- Continue to provide “Value for Money” food products, such as special lunch set during weekdays, group purchase special package etc.
- Introduce tea sets and light refreshment etc., to increase sales during **non-peak hours**
- Strengthen product lines by launching healthy food products in online sales channels



## Brand upgrade for better dining experience

- Continue to open new stores, e.g. **Yoshinoya 4.0** or **DQ 2.0**, with stylish design and renovate stores with more innovative and trendy elements to attract customers



- Install of our automatic ordering machine in most stores



1

# Business Strategies – Uplift Customer Satisfaction and hence increase sales (Con't)



## Leverage technology for precise marketing and timely responding to customers' needs

- Leveraging our **CRM platform**, the customer feedbacks are received at real time, which enhances customer satisfaction effectively
- Utilize expanding CRM membership to support **cross-brand promotion**, achieve **precise marketing**, cultivate and strengthen online sales



## Refinement of “New Retail Model”

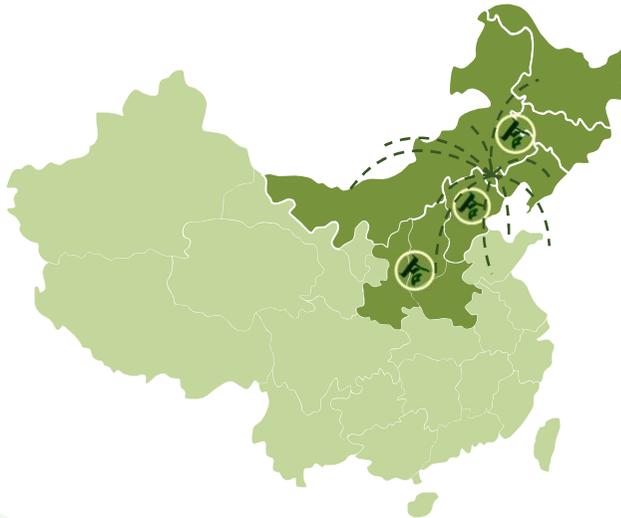
- Growing smart vending machine network with **175** point-of-sales as at 30 Jun 2019 for selling pre-packaged food
- Continue to grow ready-to-serve food, salad and pre-packed products business



## Business Strategies – Expand foothold in Northern China

### Continue to expand store network steadily

- Extend the foothold of Yoshinoya, Dairy Queen and other brands by steadily expanding store network in Northern China



### Add new stores in new provinces

- The two Henan stores opened in 2H2018 received positive feedbacks
- The Group will continue to open more Yoshinoya stores in the new franchise region
- The Group will continue to increase the coverage of our Yoshinoya store network in “**8 provinces and 2 cities**” riding on over 400 million customer base in these franchise regions



## Business Strategies – Refinement of Business Model



### Increase Store Operational Productivity

- Continue to open small size store in order to increase operational productivity
- Open stores at different locations to cater for various customers' needs and bring them satisfying dining experience



### Incentive Employee Scheme

- Continue to implement employee incentive schemes to motivate staff to be an owner of his / her store, in order to raise operational efficiency



### Continue to Expand O2O and Delivery Business with Better Cost Control

- Promote the Group's **self-owned ordering platform** leveraging the Group's increasing membership and **improved CRM system**
- Continue to work with third-parties' ordering platforms to capture business opportunities
- Broaden our store network so as to support faster delivery



### Reform of Procurement

- Launching new **popular** and **value for money** products by joining the efforts of procurement and sales & marketing teams which starts from raw materials sourcing



# Our Commitments

< H | H | G > <



## Strives to Transform & Innovate





## Financial highlights

# Key Financial Figures

◀ H | H | G ▶ ◀



(RMB million) ^	For the six month ended 30 June	
	2019	2018
Turnover	1,027.6	970.8
Gross Profit	645.1	620.5
Store EBITDA	201.4 <sup>#</sup>	207.9
Operating Profit <sup>1</sup>	76.2	86.0
Net Profit for the Period	56.8	61.6
Basic EPS (RMB cents)	0.58	0.63
<b>Key Financial Ratio</b>		
GP Margin (%)	62.8%	63.9%
Store EBITDA Margin (%)	19.6% <sup>#</sup>	21.4%
OP Margin (%) <sup>1</sup>	7.4%	8.9%
NP Margin (%)	5.5%	6.3%
<b>Expenses</b>		
Selling and distribution expenses <sup>2</sup>	(443.7) <sup>#</sup>	(412.6)
<i>Selling and distribution expenses (%)<sup>2</sup></i>	43.2% <sup>#</sup>	42.5%
General and administrative costs <sup>2</sup>	(83.8) <sup>#</sup>	(81.2)
<i>General and administrative costs (%)<sup>2</sup></i>	8.2% <sup>#</sup>	8.4%
Depreciation	(40.8) <sup>*</sup>	(40.6)
<i>Depreciation (%)</i>	4.0% <sup>*</sup>	4.2%

<sup>^</sup> Hop Hing started reporting financial figures in RMB in FY2019 to better reflect its business performance as its major business is principally in mainland China

<sup>#</sup> The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

<sup>\*</sup> The lease related depreciation was excluded

# Revenue

◀ H | H | G ▶ ◀



## Revenue

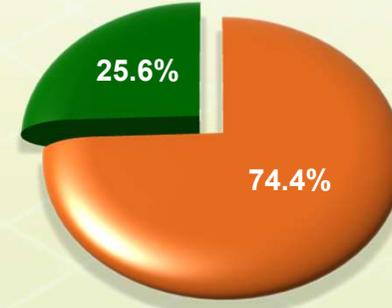
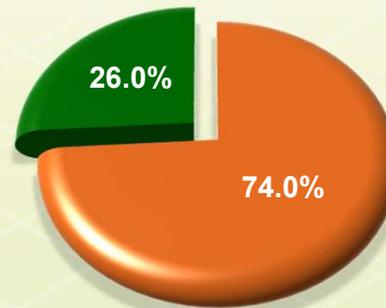
(RMB million)



## Revenue by Region

1H 2019

1H 2018

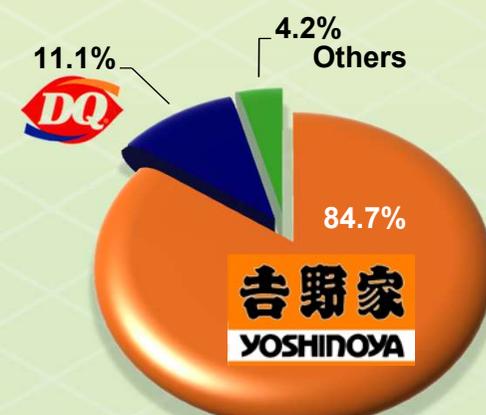
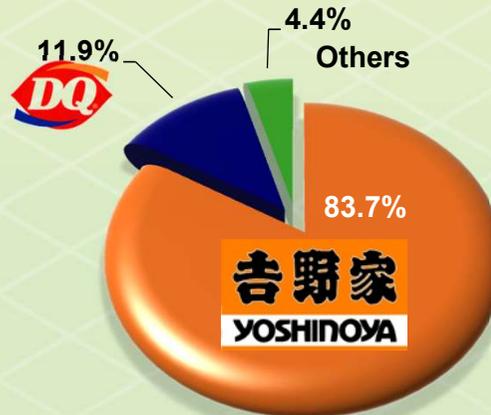


■ Beijing-Tianjin-Hebei metropolitan region ■ Northeast China

## Revenue by Major Brands

1H 2019

1H 2018



# Stable Cost & Expense Structure

✔ Strived to maintain stable food cost amidst the rising meat cost

✔ Constantly strives to motivate staff with the effective incentive scheme

✔ Maintained rental related expense at a reasonable level



## Cost of Sales

(RMB million)

36.1% → 37.2%



1H 2018      1H 2019

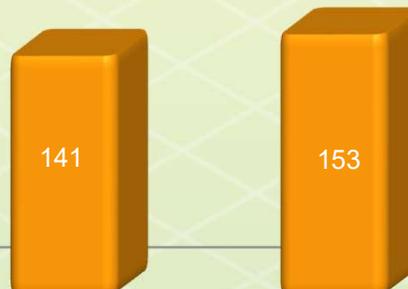
■ Cost of Sales

◆ Cost of Sales as % of turnover

## Labour Costs

(RMB million)

14.5% → 14.9%



1H 2018      1H 2019

■ Labour Costs

◆ Labour Costs as % of Turnover

## Rental Related Expenses\*

(RMB million)

12.8% → 12.1%



1H 2018      1H 2019\*

■ Rental Related Expenses

◆ Rental Related Expenses as % of Turnover

\* The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

## Sound Working Capital Management



(Days)	As of 30 Jun 2019	As of 31 Dec 2018
Receivable Turnover Days	3.7	2.9
Inventory Turnover Days	46.8	46.0
Payable Turnover Days	57.7	58.8
Cash Conversion Cycle	(7.2)	(9.9)

**Active Cash Management Results in a Healthy Cash Conversion Cycle**

# Our Mission

◀ H | H | G ▶ ◀



**Leading Multi-brand QSR Operator in the PRC**



# Q&A



## Contact Us

◀ H | H | G ▶ ◀



## IR Contacts

### Hop Hing Group Holdings Limited

Company Secretary  
Flats E & F, 2/F, Hop Hing Building  
9 Ping Tong Street East  
Tong Yan San Tsuen, Yuen Long  
New Territories  
Hong Kong

Tel: 852-2785 2681  
Fax: 852-2786 2155  
Email: [ir@hopping.com](mailto:ir@hopping.com)

### Public Relations Consultant

Strategic Financial Relations Limited  
24/F, Admiralty Centre I,  
18 Harcourt Road,  
Hong Kong

Tel: 852-2111 8468  
Fax: 852-2527 1196  
Email: [hopping@sprg.com.hk](mailto:hopping@sprg.com.hk)



# Follow Us