

# Caissa Tosun Development (000796 CH)

## Initiating coverage: post-C19 restructure toward new retail; merger integration and duty-free business add to growth

**Caissa benefits directly from an outbound travel market recovery and outlying island tax exemption policies. Its merger with Zhongxin Tourism unifies its outbound and domestic travel business, as it expands its duty-free and other businesses to maximize scale advantages. We initiate coverage with a BUY rating.**

### Results takeaways and segmental perspectives

1H21 revenue fell 35.33% yoy to RMB575m, with net profit at -RMB169m, down 43.74%. Affected by Covid-19, revenue and related cost decreased; as 1H20 revenue reflected normal operations pre-outbreak, revenue growth dropped significantly in 1H21. 1Q revenue fell 68.10% yoy to RMB240m, but 2Q21 revenue rose 145.39% to RMB335m; 1Q/2Q21 had net losses of RMB94m/75m, down 46.52%/40.39% yoy.

**Revenue:** 1H21 revenue was RMB575m, a decrease of 35.33% yoy. The catering business generated RMB268m, up 42.65% yoy; tourism generated RMB239m, down 64.96% yoy; F&B was RMB44m, up 100%; system integration sales, information services and other revenue generated RMB24m, up 19.24%.

**Profit and loss:** 1H21 gross profit was RMB121m, a decrease of 33.17% yoy; gross profit margin was 21.04%, down 0.68ppt, of which catering and services was 28.37%, up 0.53 ppt. In 1Q, gross profit margin was 18.68%, up 2.36ppt; in 2Q, gross profit margin was 22.73%, down 19.10ppt, mainly due to the high base in 2Q20. Total net loss was at RMB1.69bn, down 43.74% yoy, with a net loss margin of 29.43%, down 16.19ppt yoy.

**Expenses:** In 1H21, expense ratio was 54.94%, up 18.42ppt yoy. **Sales:** sales expenses in 1H came to RMB130m, a decrease of 24.95% yoy, and sales expense ratio was 22.51%, up 3.11ppt yoy. The main reason was C19: business recovered and sales investment declined substantially. **Administrative:** management expense was RMB120m in 1H21, up 36.23%, and management expenses ratio was 20.88%, up 10.97ppt yoy, mainly because comparative data in the same period last year did not include expenses of its newly acquired subsidiaries. **Financial:** financial cost was RMB59m in 1H21, down 1.53%, and financial cost ratio was 10.29%, up 3.53ppt yoy. **R&D:** R&D cost was RMB7m in 1H21, up 81.42%, and R&D expense ratio was 1.25%, increasing 0.81ppt yoy.

In 2021, the company's core businesses such as domestic tourism and F&B gradually recovered at the same time, and transformed and underwent upgrades. The tourism sector continues to develop new product lines in domestic tourism and pan-tourism formats; build cross-border IP to enable new formats for destination operations; explore new directions to revive tourism sales, and build a new structure of global traffic operations.

In its new retail sector, it launched two MILOUNGE concept stores, which feature health drinks, such as "Mi Little Coconut". While maintaining leading positions in aviation and railway F&B, Caissa aims to also include cruise ship segment, mass group meals, snack foods and other related fields, to expand its coverage of the food supply chain. The company intends to absorb and merge with Zhongxin Travel, integrating its leading outbound travel resources to raise Caissa's competitive advantages in outbound and domestic travel, and increase its industry footprint. Its duty-free business has increased, and its duty-free transformation is bringing new growth.

### Valuation and risks

Vaccine launches have eased restrictions in outbound travel. During C19, outbound travel companies have restructured under the tax exemption policy to bring in new growth. Caissa benefited directly from the outbound travel recovery business and outlying island tax exemption policy. Its merger with Zhongxin Tourism unifies its outbound travel and domestic travel business, as it expands its duty-free and other businesses to maximize scale advantages. We anticipate that Caissa will continue to grow in the future. We expect a net loss of RMB50m in 2021E and a net profit of RMB80m in 2022E, corresponding to a 79x PE in 2022E. We initiate coverage with a BUY rating. **Risks include:** force majeure (natural catastrophe) risks; promotions of new products less than expected; and the implementation of its merger with Zhongxin Tourism not as smooth as expected.

## Initiation of coverage

## BUY

Share price (27 Aug):	RMB7.57
52wk High (09/21/2020)	19.19
52wk Low (08/02/2021)	6.64

### Company information

P/E (Trailing 12m)	-8.11
Dividend Yield	-
Price to Book Ratio	7.88
Price to Sales Ratio	4.67
EV / Trail 12M EBITDA	-13.40
Shares Outstanding (m)	803.0
Market Cap (RMBm)	6,078.7

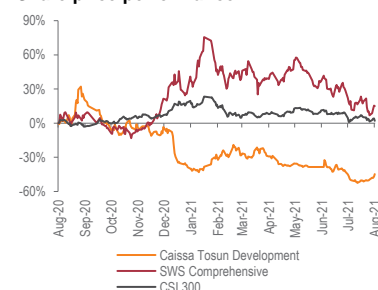
Source: Wind

### Financial summary (RMB)

	21E	22E	23E
Revenue (m)	1,049	1,564	2,658
YoY Growth (%)	-35.00	49.00	70.00
EBITDA (m)	89	275	404
Net profit (m)	-51	80	89
YoY Growth (%)	-92.71	-257.50	10.69
EPS (price/share)	-0.06	0.10	0.11
P/E Ratio (x)	-123.72	78.55	70.96
Price to Book Ratio (x)	2.74	2.65	2.55
Price to Sales Ratio (x)	6.00	4.03	2.37
EV/EBITDA (x)	52.51	19.48	12.61

Source: Tianfeng Securities estimate

### Share price performance



Source: BigData

TFI Asset Management Limited would like to acknowledge the contribution and support provided by **Liu Zhang Ming (刘章明)**, employee of Tianfeng Securities Co., Ltd.

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## Financial forecast summary

Balance Sheet (RMBm)	2019	2020	2021E	2022E	2023E	Income statement (RMBm)	2019	2020	2021E	2022E	2023E
Cash and Cash Equivalents	843.64	708.95	1,239.48	956.43	1,017.55	<b>Revenue</b>	<b>6,035.55</b>	<b>1,614.57</b>	<b>1,049.47</b>	<b>1,563.71</b>	<b>2,658.31</b>
Trade, Notes and Other receivables	1,003.42	635.11	71.97	449.27	889.29	Cost of Sales	4,805.04	1,312.54	802.84	1,188.42	2,046.90
Prepayments	1,591.60	799.90	125.16	535.07	1,212.76	Business Taxes and Surcharges	15.02	9.06	4.72	2.35	3.99
Inventories	25.82	43.80	24.55	25.14	48.96	Operating Expenses	718.50	345.32	178.41	187.65	292.41
Other Current assets	449.89	424.87	256.56	355.45	404.89	Administrative Expenses	237.95	236.97	155.32	82.88	53.17
<b>Total Current Assets</b>	<b>3,914.36</b>	<b>2,612.63</b>	<b>1,717.72</b>	<b>2,321.36</b>	<b>3,573.44</b>	R&D Expenses	15.71	33.34	8.89	16.53	35.17
Long-Term Equity Investments	817.42	831.64	831.64	831.64	831.64	Financial Expense	97.11	96.22	108.90	161.70	249.48
Non-Current Assets	228.04	273.17	284.63	316.15	346.69	Impairment Losses	0.00	0.00	0.00	0.00	0.00
Construction-In-Progress	0.02	0.17	36.10	69.66	71.80	Gain/(loss) of Fair Value Change	0.00	0.00	0.00	0.00	0.00
Intangible Assets	133.21	110.26	95.64	81.02	66.40	Net Investment Income	72.58	(262.62)	162.00	160.00	145.00
Other Current assets	1,421.90	619.42	1,036.98	600.85	813.96	Other Current assets	(131.85)	542.87	(324.00)	(320.00)	(290.00)
<b>Total Non-Current Assets</b>	<b>2,600.59</b>	<b>1,834.66</b>	<b>2,285.00</b>	<b>1,899.31</b>	<b>2,130.49</b>	<b>Operating income</b>	<b>205.50</b>	<b>(699.13)</b>	<b>(47.61)</b>	<b>84.19</b>	<b>122.20</b>
<b>Total Assets</b>	<b>6,514.96</b>	<b>4,447.29</b>	<b>4,002.72</b>	<b>4,220.68</b>	<b>5,703.93</b>	Non-Operating Revenue	2.04	1.74	1.89	1.82	1.85
Short-Term Loan	683.59	690.12	45.70	38.90	40.20	Non-Operating Expenses	4.50	5.99	5.24	5.62	5.43
Trade Payables and Other Payables	985.41	702.79	333.89	128.27	1,121.01	<b>Profit Before Tax</b>	<b>203.04</b>	<b>(703.37)</b>	<b>(50.97)</b>	<b>80.39</b>	<b>118.62</b>
Other Current assets	2,111.33	957.44	864.41	1,230.53	1,622.71	Income Taxes	50.84	2.67	0.00	0.00	29.65
<b>Total Current Liabilities</b>	<b>3,780.34</b>	<b>2,350.35</b>	<b>1,244.00</b>	<b>1,397.70</b>	<b>2,783.92</b>	<b>Net Profit</b>	<b>152.20</b>	<b>(706.04)</b>	<b>(50.97)</b>	<b>80.39</b>	<b>88.96</b>
Long-Term Loan	0.28	607.68	0.00	0.00	0.00	Net Profit Attributable to NCI	26.55	(7.77)	(0.08)	0.25	0.25
Bonds Payable	0.00	115.71	0.00	0.00	0.00	<b>Net Profit Attributable to The Parent</b>	<b>125.65</b>	<b>(698.27)</b>	<b>(50.89)</b>	<b>80.14</b>	<b>88.71</b>
Other Current assets	145.28	80.74	113.01	96.88	104.94	EPS (RMB)	0.16	(0.87)	(0.06)	0.10	0.11
<b>Total Non-Current Liabilities</b>	<b>145.56</b>	<b>804.13</b>	<b>113.01</b>	<b>96.88</b>	<b>104.94</b>						
<b>Total Liabilities</b>	<b>3,925.90</b>	<b>3,154.47</b>	<b>1,357.01</b>	<b>1,494.58</b>	<b>2,888.87</b>	<b>Financial ratio</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Non-Controlling Interest	197.50	350.16	350.08	350.33	350.58	<b>Growth</b>					
Share Capital	803.00	803.00	803.00	803.00	803.00	Revenue	-26.21%	-73.25%	-35.00%	49.00%	70.00%
Capital Reserves	634.20	639.20	1,290.16	1,290.16	1,290.16	Operating income	-32.01%	-440.20%	-93.19%	-276.82%	45.14%
Retained Earnings	1,522.95	892.55	1,492.63	1,572.77	1,661.49	Net Profit Attributable to The Parent	-35.28%	-655.71%	-92.71%	-257.50%	10.69%
Other Current assets	(568.59)	(1,392.10)	(1,290.16)	(1,290.16)	(1,290.16)	<b>Profitability</b>					
<b>Total Equity</b>	<b>2,589.05</b>	<b>1,292.82</b>	<b>2,645.71</b>	<b>2,726.10</b>	<b>2,815.06</b>	Gross Profit Margin	20.39%	18.71%	23.50%	24.00%	23.00%
<b>Total Equity and Liabilities</b>	<b>6,514.96</b>	<b>4,447.29</b>	<b>4,002.72</b>	<b>4,220.68</b>	<b>5,703.93</b>	Net Profit Margin	2.08%	-43.25%	-4.85%	5.13%	3.34%
						ROE	5.25%	-74.07%	-2.22%	3.37%	3.60%
						ROIC	16.96%	-32.38%	3.79%	37.96%	19.29%
						<b>Solvency</b>					
<b>Cash Flow Statement (RMBm)</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	Debt to Asset Ratio	60.26%	70.93%	33.90%	35.41%	50.65%
Net Profit	152.20	(706.04)	(50.89)	80.14	88.71	Net Debt Ratio	21.68%	59.00%	-43.23%	-31.67%	-32.87%
Depreciation & Amortization	57.27	60.78	27.23	29.55	31.94	Current Ratio	1.04	1.11	1.38	1.66	1.28
Financial Expense	110.03	108.98	108.90	161.70	249.48	Quick Ratio	1.03	1.09	1.36	1.64	1.27
Investment Gain/(Loss)	(72.58)	262.62	(162.00)	(160.00)	(145.00)	<b>Operation</b>					
Change of Working Capital	(1,153.31)	1,846.53	586.44	(310.30)	(9.03)	Receivable Turnover Ratio	6.01	1.97	2.97	6.00	3.97
Others	501.43	(1,264.81)	(0.08)	0.25	0.25	Inventory Turnover Ratio	309.02	46.38	30.71	62.94	71.75
<b>Cash Flows from Operating Activities</b>	<b>(404.95)</b>	<b>308.07</b>	<b>509.60</b>	<b>(198.66)</b>	<b>216.36</b>	Asset Turnover Ratio	0.96	0.29	0.25	0.38	0.54
CapEx	796.67	192.58	27.73	96.14	41.93	<b>Indicator Per Share</b>					
Long Term Investments	794.02	14.22	0.00	0.00	0.00	EPS	0.16	-0.87	-0.06	0.10	0.11
Other Current assets	(1,689.83)	(592.10)	74.27	(16.14)	53.07	Operating Cash Flow Per Share	-0.50	0.38	0.63	-0.25	0.27
<b>Cash Flows from Investing Activities</b>	<b>(99.14)</b>	<b>(385.30)</b>	<b>102.00</b>	<b>80.00</b>	<b>95.00</b>	Net Asset Per Share	2.98	1.17	2.86	2.96	3.07
Proceeds from Issuance of Debt	1,404.84	1,471.74	95.70	93.01	92.26	<b>Valuation</b>					
Proceeds from Issuance of Equity	(8.43)	(868.21)	1,336.47	(120.19)	(207.97)	PE	50.10	-9.02	-123.72	78.55	70.96
Other Current assets	(1,579.77)	(598.23)	(1,513.25)	(137.21)	(134.53)	PB	2.63	6.68	2.74	2.65	2.55
<b>Cash flows from financing activities</b>	<b>(183.36)</b>	<b>5.30</b>	<b>(81.08)</b>	<b>(164.39)</b>	<b>(250.24)</b>	EV/EBITDA	17.90	-22.68	52.51	19.48	12.61
Impact of FX	0.00	0.00	0.00	0.00	0.00	EV/EBIT	20.48	-20.66	75.84	21.82	13.69
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(687.44)</b>	<b>(71.94)</b>	<b>530.53</b>	<b>(283.05)</b>	<b>61.12</b>						

Source: Company data, Tianfeng Securities estimate

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		Neutral	Expected relative return over stock price between -10% and 10%
		Sell	Expected relative return over stock price below -10%
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		Neutral	Expected increase of industry index between -5% and 5%
		Underperform	Expected increase of industry index below -5%

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Jurisdictions	Index Used for Ratings Definitions
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