UBS Finance Challenge – Pair Trade
Long-Short Strategy in ** Industry:

Long A
Short B

Thesis: Long A, Short B

- **A: The domestic B-side PF leader tends to remain high profitability in the long run.**
  - The B-side PF industry is benefiting from the rapid development of domestic chain restaurants. It has **lower risks from the entry of big companies with its high entry thresholds and thus a better landscape.**
  - **Channel + Product strengths** are A's main competitive advantage, as its **customer resource + pop-up promoting ability** has built its moat that enhances certainty of its profit growth.
  - Valuation: **XXX yuan** price target is based on **XXX** 2025E PE and XX% discount (ann).

- **B: The domestic C-side PF leader is susceptible to the competition risks.**
  - The C-side PF industry is growing rapidly while there is **high risk of deterioration in the competitive landscape with the low entry thresholds.**
  - B only has brand and channel first-mover advantage, which requires continuous expense investment to maintain. It has to **trade-off between profit rate and revenue**, making it hard to maintain high profit growth in the future.
  - Valuation: **XXX yuan** price target is based on **XXX** 2025E PE and XX% discount (ann).

Highlights (millions CNY)	FY21	FY22E	FY23E	FY24E	FY25E
Revenue	XX	XX	XX	XX	XX
EBIT	XX	XX	XX	XX	XX
Net profits	XX	XX	XX	XX	XX
EPS diluted(CNY)	XX	XX	XX	XX	XX
ROE	XX	XX	XX	XX	XX
ROIC	XX	XX	XX	XX	XX
EBIT margin	XX	XX	XX	XX	XX

Highlights (millions CNY)	FY21	FY22E	FY23E	FY24E	FY25E
Revenue	XX	XX	XX	XX	XX
EBIT	XX	XX	XX	XX	XX
Net profits	XX	XX	XX	XX	XX
EPS diluted(CNY)	XX	XX	XX	XX	XX
ROE	XX	XX	XX	XX	XX
ROIC	XX	XX	XX	XX	XX
EBIT margin	XX	XX	XX	XX	XX

Overall Brief:
Preprocessed ** Industry is growing fast, where B-side owns a better landscape than C-side

Market Size of PF: xxx

- **[Overall market introduction]**

- **[B-side introduction]**

- **[C-side introduction]**

PF Supply & Demand Analysis: xxx

B-side vs C-side → Conclusion

- **B-side** competitive factors

- **C-side** competitive factors

- **Conclusion:** xxx

Source: Tianyancha

A:
B-side PF leader with moats resulting from customer resource + pop-up promoting ability

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Company overview: B-side PF leader

- **[Company basic information]**

- **[Core advantage]**

Source: xxx

Core competency: xxx

	Competitive elements	Industry's core competitive point?	A's advantages
Core competency analysis of B-side PF market and A	**Channel**	**?**	• xxx • xxx
	Product	**?**	• xxx • xxx
	Branding	**?**	• xxx • xxx

➡ [Conclusion]
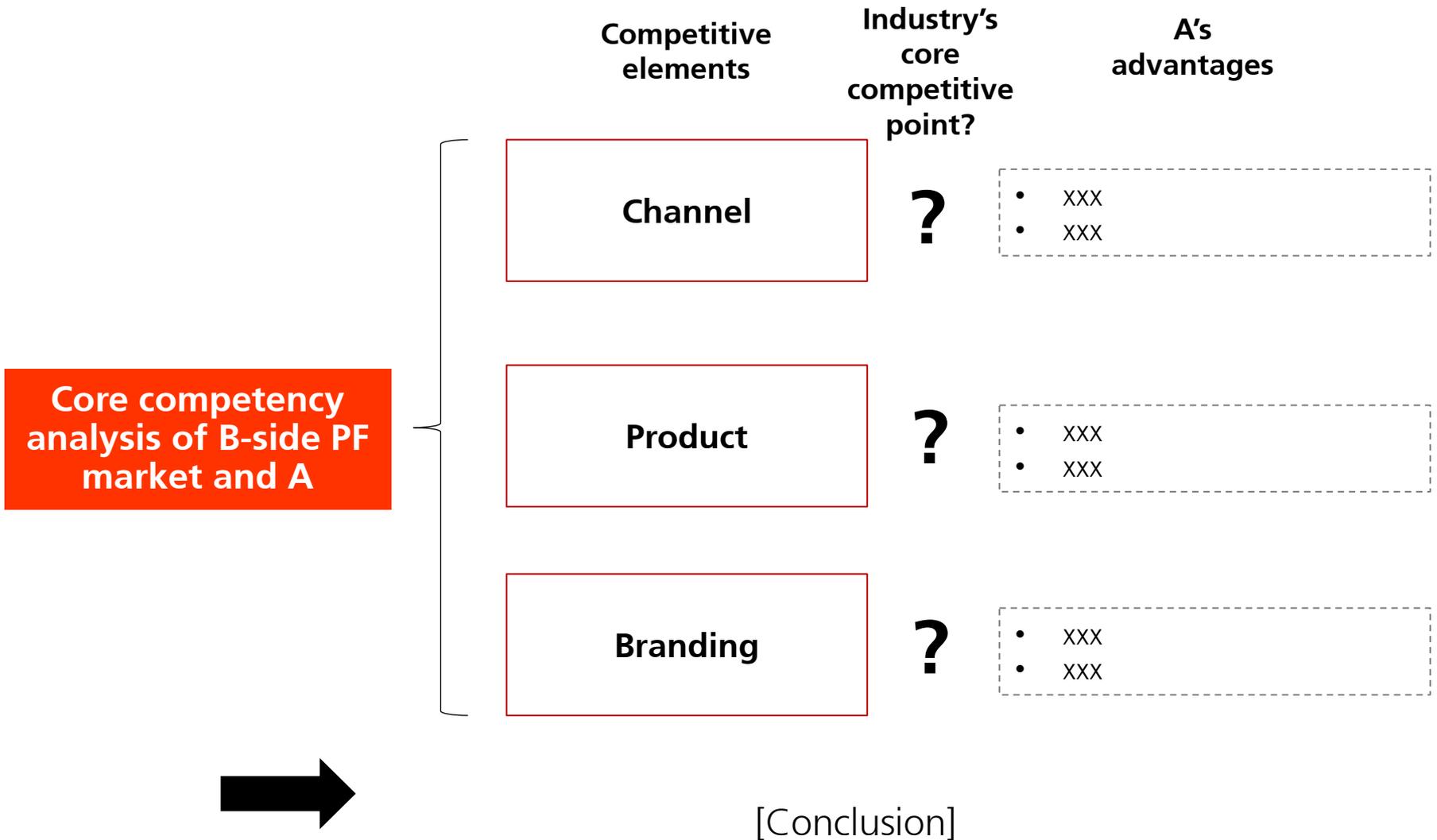
Core competency: xxx

[Core competency elaboration]

Core competency: xxx

[Core competency elaboration]

B:
Without core competency in C-side PF market, the high risk of deterioration in competitive landscape will result in the difficulty in its high profit growth

Company overview: C-side PF leader

- **[Company basic information]**

- **[Core advantage]**

Main Bearish Point: xxx

	Competitive elements	Industry's core competitive point?	B's situation
Core competency analysis of C-side PF market and B	**Channel**	**?**	• xxx • xxx
	Product	**?**	• xxx • xxx
	Branding	**?**	• xxx • xxx

➡ [Conclusion]
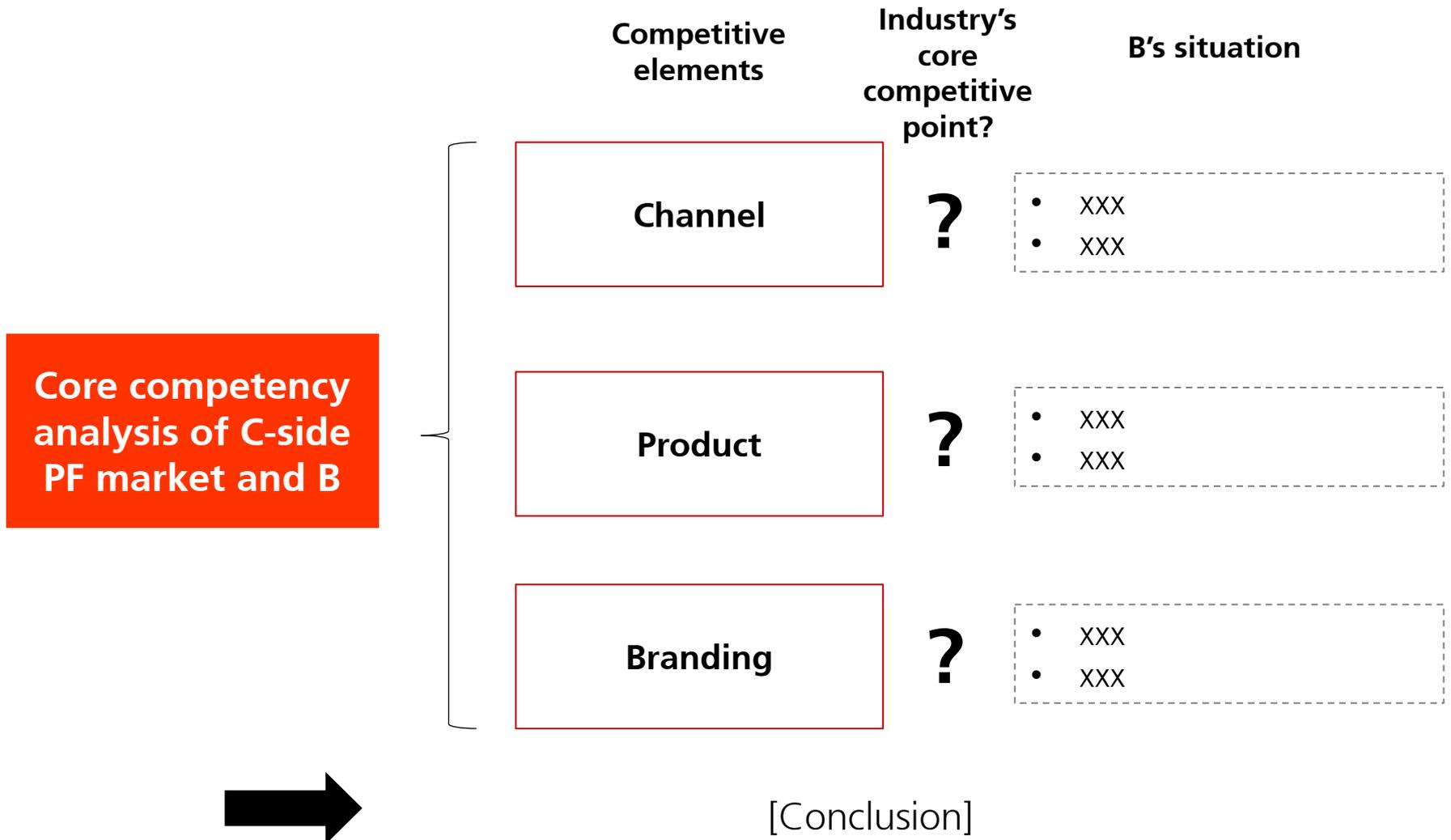
Main Bearish Point: xxx

[Main Bearish Point elaboration]

Main Bearish Point: xxx

[Main Bearish Point elaboration]

Comparison & Catalyst:
Key difference between two companies and
the potential upside of the strategy

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Comparison: xxx

[Comparison elaboration]

Comparison: xxx

[Comparison elaboration]

Comparison: xxx

[Comparison elaboration]

Comparison: xxx

[Comparison elaboration]

Comparison: Earnings Forecast & Valuation - A

- [Growth estimation]
- [PE and target price estimation]

Chart: Future Earnings Forecast

Million CNY	2020A	2021A	2022E	2023E	2024E	2025E
Revenue	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Costs	XX	XX	XX	XX	XX	XX
Gross Margin	XX	XX	XX	XX	XX	XX
Deep-Fried	XX	XX	XX	XX	XX	XX
Bakery	XX	XX	XX	XX	XX	XX
Steamed	XX	XX	XX	XX	XX	XX
Dishes & Others	XX	XX	XX	XX	XX	XX
Net profit attr. To S/Hs	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX

Chart: A's stock value interval using DCF method

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX

Source: Wind , Self-prediction

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Comparison: Earnings Forecast & Valuation - B

- [Growth estimation]
- [PE and target price estimation]

Chart: Future Earnings Forecast

Millions CNY	2020	2021	2022E	2023E	2024E	2025E
Revenue	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Costs	XX	XX	XX	XX	XX	XX
Meat & Poultry	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Aquaculture	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Others	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Gross profit	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
EBIT	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX
Net profit attributed to S/H	XX	XX	XX	XX	XX	XX
yoy	XX	XX	XX	XX	XX	XX

Chart: B's stock value interval using DCF method

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
		XX	XX	XX	XX	XX	XX
		XX	XX	XX	XX	XX	XX
WACC		XX	XX	XX	XX	XX	XX
		XX	XX	XX	XX	XX	XX
		XX	XX	XX	XX	XX	XX

Comparison: Earnings Forecast & Valuation

Chart: Comparable Company Valuation Tables

Date	xxx	Close	Total market	EPS			PE		
Code	Chinese name	Price(Yuan)	value (billion)	22E	23E	24E	22E	23E	24E
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX	XX	XX	XX

[Conclusion]

Catalyst: xxx

[Catalyst elaboration]

Catalyst: xxx

[Catalyst elaboration]

Thank you!