Haidilao International Holding (6862 HK)

1H26: Operating Profit Beats But Net Profit Misses; Dividend A Surprise; Main Brand Steady Expansion And Sub-Brand Enters Replication Stage

Highlights

- **Haidilao's 1H26 operating profit beat,** driven by expense savings but net profit missed consensus due to non-operating items. The company raising the dividend payout to 100% was a surprise.
- **Looking ahead,** the Haidilao brand will maintain a steady store opening pace at mid-single-digit growth this year, while new brands, food stall hot pot and sushi, will enter the replication stage. The delivery business is expected to sustain rapid growth at a high double-digit rate in 2H26, but its profitability is lower than that of dine-in. Maintain BUY, cut target price by 9**%** to HK$16.70**.**

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy chg (%)	hoh chg (%)
Total revenue	22,337	22,522	20,703	7.9	(0.8)
Gross profit	13,048	13,239	12,460	4.7	(1.4)
Gross margin (%)	58.4	58.8	60.2	(1.8)	(0.4)
Operating profit	2,457	2,778	2,203	11.5	(11.6)
Operating profit margin (%)	11.0	12.3	10.6	0.4	(1.3)
Core operating profit	2,513	2,995	2,408	4.4	(16.1)
Core operating profit margin (%)	11.3	13.3	11.6	(0.4)	(2.0)
Attributable net profit	1,767	2,291	1,759	0.5	(22.9)
Attributable net margin (%)	7.9	10.2	8.5	(0.6)	(2.3)

Source: Haidilao, UOB Kay Hian

Analysis

- **1H26 operating profit beat but net profit missed due to non-operating items; raised dividend payout to 100% a surprise.** Haidilao International Holding (Haidilao) reported its 1H26 results. In 1H26, revenue was Rmb22,337m (+8% yoy, -1% hoh), missing VA consensus by 1%. Gross profit was Rmb13,048m (+5% yoy, -1% hoh), with a gross margin of 58.4% (-1.8ppt yoy, -0.4ppt hoh), primarily due to: a) higher revenue contribution from businesses with lower gross margin, and b) impact of various consumer promotional concessions aimed at enhancing customer experience. Operating profit was Rmb2,457m (+12% yoy, -12% hoh), 5% above VA consensus, with an operating margin of 11.0% (+0.4 ppt yoy, -1.3ppt hoh). The yoy improvement in operating margin was driven by: a) lower labour costs (-2.0ppt yoy); and b) reduced depreciation and amortisation expenses (-1.5ppt yoy), which more than offset gross margin contraction and rising other expenses, primarily from increased charges by delivery platforms (+1.5ppt yoy). Core operating profit was Rmb2,513m (+4% yoy, -16% hoh), with a core operating margin of 11.3% (-0.4ppt yoy, -2.0 ppt hoh). Net profit was Rmb1,767m (+0.5% yoy, -23% hoh), missing VA consensus by 3%, with a net margin of 7.9% (-0.6ppt yoy, -2.3 ppt hoh).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	42,755	43,225	46,405	50,033	53,795
EBITDA	8,418	7,163	7,722	8,426	9,167
Operating profit (adj.)	5,859	4,981	5,493	5,965	6,475
Net profit (rep./act.)	4,708	4,050	4,154	4,619	4,991
Net profit	4,708	4,050	4,154	4,619	4,991
EPS (Fen)	86.9	74.8	74.5	82.9	89.5
PE (x)	12.1	14.0	14.1	12.7	11.7
P/B (x)	5.6	5.8	5.6	5.4	5.2
EV/EBITDA (x)	6.3	7.6	7.0	6.3	5.8
Dividend yield (%)	7.6	6.1	6.7	7.5	8.1
Net margin (%)	11.0	9.4	9.0	9.2	9.3
Net debt/(cash) to equity (%)	(51.8)	(42.0)	(45.3)	(48.5)	(53.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	42.9	39.6	40.6	43.3	44.9
Consensus net profit	-	-	4,350.3	4,780.7	5,289.5
UOBKH/Consensus (x)	-	-	0.95	0.97	0.94

Source: Haidilao, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$12.25
Target Price	HK$16.70
Upside	+36.3%
Previous TP	HK$18.30

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	6862 HK
Shares issued (m)	5,574.0
Market cap (HK$m)	68,281.5
Market cap (US$m)	8,710.2
3-mth avg daily t'over (US$m)	21.7

Price Performance (%)

52-week high/low				HK$17.86/HK$10.58
1mth	3mth	6mth	1yr	YTD
8.8	(3.2)	(27.3)	(17.7)	(14.0)

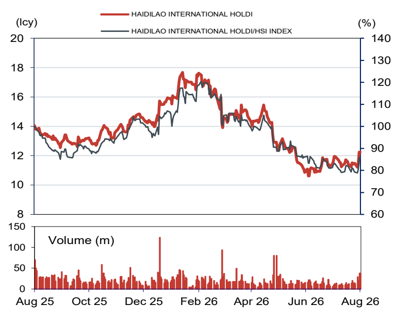
Major Shareholders (%)

NP United	32.33
ZY NP Ltd.	20.61

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	1.87
FY26 Net Cash/Share (Rmb)	0.83

Price Chart



Source: Bloomberg

Company Description

Haidilao mainly operates hotpot restaurants in the Mainland China and Hong Kong, Macau and Taiwan regions. In addition to Haidilao restaurants, the company also owns brands such as "HAILAO HUOGUO", "Brother Miao Dry Pot", "Five Grains Three Meals", "YEAH QING BBQ", "Madam Zhu's Kitchen", running diverse business operations such as fast food, barbecue and Chinese cuisine.

- Below the operating profit line: a) a Rmb149m increase in net loss from asset disposal and impairment loss related to closed or underperforming restaurants; b) a Rmb141m decrease in net gain from the disposal of certain restaurant business to franchisees; and c) Rmb40m from forex and wealth management items weighed on net profit growth, resulting in slower growth compared with operating profit.
  The company declared an interim dividend of HK$0.377 per share, implying a payout ratio of approximately 100% (vs 95% in 1H25).
- **Maintains full-year mid-single-digit percentage new store openings target.** The Haidilao main brand opened 38 new stores and closed 32 in 1H26, taking the total to 1,389. For self-operated restaurants, average table turnover was 3.9x (vs 3.8x in 1H25) and ASP was Rmb97.0 (vs Rmb97.9 in 1H25). Same-store sales fell 1% yoy, with same-store table turnover stable yoy at 3.9x. Looking ahead, management continues to target a mid-single-digit percentage growth rate in full-year new openings. For future store expansion, the company is scouting and piloting formats better suited to lower-tier cities and premium vacant sites in higher-tier cities, with dozens of potential lower-tier locations already in the pipeline.
- **Red Pomegranate shifting to focused replication, prioritising food stall hot pot and sushi.** In 1H26, revenue from operations of other restaurants amounted to Rmb1,271m, increasing 113% yoy, with its proportion of total revenue rising to 6% (vs 3% in 1H25). The number of active sub-brands fell to 21, with restaurants down to 183 (vs 20 brands and 207 restaurants at end-25). The two business formats: food stall hot pot and sushi, have developed relatively mature models and began to enter the stage of large-scale replication. As of end-July, food stall hot pot had 12 stores, with average store turnover of around Rmb5m and average table turnover of 4.7x. The payback period is less than three years, though gross margin remains relatively low given the high proportion of fresh seafood. Management aims for a triple-digit store count by 2027. Sushi had three stores, and management targets a double-digit store count by end-27.
- **Delivery business to sustain rapid growth, but profitability is lower than that of dine-in.** In 1H26, the delivery business achieved revenue of Rmb2,051m, up 121% yoy, with its proportion of total revenue rising to 9% (vs 4% in 1H25). Looking ahead, management expects the delivery business to sustain rapid growth at a high double-digit rate in 2H26. In terms of profitability, gross margin is lower than that of dine-in, given the lower ASP of delivery orders. Although labour costs are also lower, platform fees drag the operating profitability, marking it weaker than that of the dine-in business.

Earnings Revision/Risk

- **We cut our 2026/27 earnings forecasts both by 8%.** We raise our 2026/27 revenue forecasts by 1%/2% respectively to reflect rapid revenue growth from segments outside of Haidilao restaurant operations. We trim our 2026/27 gross margin estimates both by 1.2ppt to reflect a changing revenue mix, driven by rising contribution from lower gross margin businesses. We lower our 2026/27 opex estimates by 1.3ppt/1.0ppt respectively to reflect the lower opex in 1H26. We also cut our other income gains estimates. Thus, our 2026/27 earnings forecasts are both lowered by 8%.

Valuation/Recommendation

- **Maintain BUY but cut target price by 9% to HK$16.70.** We cut our DCF-based target price by 9% to HK$16.70, implying 20.0x 2026F PE and 18.0x 2027F PE. The stock currently trades at 14.1x 2026F PE and 12.7x 2027F PE.

Overall Operational Performances

Number of restaurants	1H26	1H25	yoy chg (%)
Tier 1 cities	220	218	2
Tier 2 cities	479	512	(33)
Tier 3 cities and below	568	569	(1)
Mainland China	1,267	1,299	(32)
HK, Macao, and Taiwan region	23	23	0
Total	1,290	1,322	(32)
Table turnover rate (times/day)			
Tier 1 cities	3.9	3.8	2.6
Tier 2 cities	3.9	3.8	2.6
Tier 3 cities and below	3.9	3.9	0.0
Mainland China	3.9	3.8	2.6
HK, Macao, and Taiwan region	4.5	4.3	4.7
Newly-opened restaurants	4.2	4.1	2.4
Existing restaurants	3.9	3.8	2.6
Overall	3.9	3.8	2.6
Average spending per guest (Rmb)			
Tier 1 cities	104.2	105.2	(1.0)
Tier 2 cities	96.0	96.9	(0.9)
Tier 3 cities and below	90.9	91.6	(0.8)
Mainland China	95.0	95.8	(0.8)
HK, Macao, and Taiwan region	196.6	205.8	(4.5)
Overall	97.0	97.9	(0.9)

Source: Haidilao, UOB Kay Hian

Same-Store Performances

Table turnover rate (times/day)	1H26	1H25	yoy chg (%)
Tier 1 cities	3.9	3.8	2.6
Tier 2 cities	3.8	3.9	(2.6)
Tier 3 cities and below	3.9	3.9	0.0
HK, Macao, and Taiwan region	4.5	4.3	4.7
Overall	3.9	3.9	0.0
Average SSS per day (thousands Rmb)			
Tier 1 cities	81.6	81.2	0.5
Tier 2 cities	74.2	76.1	(2.5)
Tier 3 cities and below	75.3	76.2	(1.2)
HK, Macao, and Taiwan region	176.8	177.4	(0.3)
Overall	77.8	78.9	(1.4)

Source: Haidilao, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	43,225.4	46,404.7	50,033.0	53,794.6
EBITDA	7,162.6	7,722.3	8,426.1	9,167.2
Deprec. & amort.	2,182.1	2,229.4	2,461.1	2,692.7
EBIT	4,980.6	5,492.8	5,965.1	6,474.5
Total other non-operating income	749.3	209.8	309.8	309.8
Associate contributions	49.3	49.3	49.3	49.3
Net interest income/(expense)	32.5	90.3	172.2	186.8
Pre-tax profit	5,811.7	5,842.3	6,496.4	7,020.5
Tax	(1,769.8)	(1,696.7)	(1,886.7)	(2,038.9)
Minorities	7.9	8.1	9.1	9.8
Net profit	4,049.8	4,153.7	4,618.8	4,991.4
Net profit (adj.)	4,049.8	4,153.7	4,618.8	4,991.4

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	3,511.3	4,007.3	4,359.2	4,567.2
Other LT assets	6,151.6	5,959.3	5,679.3	5,311.8
Cash/ST investment	6,602.3	7,185.3	6,900.6	7,318.1
Other current assets	5,824.9	6,014.7	6,231.3	6,455.9
Total assets	22,090.2	23,166.6	23,170.5	23,653.0
ST debt	2,428.1	1,317.4	820.5	625.7
Other current liabilities	6,895.9	7,328.2	7,692.7	8,067.6
LT debt	0.0	1,349.8	1,029.3	903.6
Other LT liabilities	2,761.1	2,761.1	2,761.1	2,761.1
Shareholders' equity	10,013.9	10,427.1	10,893.0	11,330.8
Minority interest	(8.8)	(16.9)	(26.0)	(35.8)
Total liabilities & equity	22,090.2	23,166.6	23,170.5	23,653.0

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	5,664.2	6,399.7	6,919.0	7,510.4
Pre-tax profit	5,811.7	5,842.3	6,496.4	7,020.5
Tax	(1,769.8)	(1,696.7)	(1,886.7)	(2,038.9)
Deprec. & amort.	2,182.1	2,229.4	2,461.1	2,692.7
Working capital changes	6.8	(49.3)	(49.3)	(49.3)
Non-cash items	(115.8)	242.5	147.9	150.4
Other operating cashflows	(409.2)	(168.5)	(250.4)	(264.9)
Investing	(3,030.0)	(2,155.4)	(2,133.9)	(2,144.4)
Capex (growth)	(1,672.6)	(1,800.0)	(1,800.0)	(1,800.0)
Investments	(753.4)	0.0	0.0	0.0
Proceeds from sale of assets	(604.1)	(355.4)	(333.9)	(344.4)
Others	(4,945.9)	(3,661.3)	(5,069.8)	(4,948.5)
Financing	(4,133.3)	(3,740.6)	(4,152.9)	(4,553.6)
Dividend payments	9.4	0.0	0.0	0.0
Proceeds from borrowings	400.0	0.0	0.0	0.0
Loan repayment	(142.9)	239.1	(817.4)	(320.5)
Others/interest paid	(1,079.2)	(159.9)	(99.4)	(74.4)
Net cash inflow (outflow)	(2,311.7)	583.0	(284.7)	417.5
Beginning cash & cash equivalent	6,406.9	6,602.3	7,185.3	6,900.6
Changes due to forex impact	(144.2)	0.0	0.0	0.0
Ending cash & cash equivalent	3,950.9	7,185.3	6,900.6	7,318.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.6	16.6	16.8	17.0
Pre-tax margin	13.4	12.6	13.0	13.1
Net margin	9.4	9.0	9.2	9.3
ROA	18.1	18.4	19.9	21.3
ROE	39.6	40.6	43.3	44.9
Growth				
Turnover	1.1	7.4	7.8	7.5
EBITDA	(14.9)	7.8	9.1	8.8
Pre-tax profit	(12.3)	0.5	11.2	8.1
Net profit	(14.0)	2.6	11.2	8.1
Net profit (adj.)	(14.0)	2.6	11.2	8.1
EPS	(14.0)	(0.4)	11.2	8.1
Leverage				
Debt to total capital	19.4	20.9	14.3	11.9
Debt to equity	23.7	26.1	17.4	13.8
Net debt/(cash) to equity	(42.0)	(45.3)	(48.5)	(53.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.