



# MINISO (9896.HK)

January 2025

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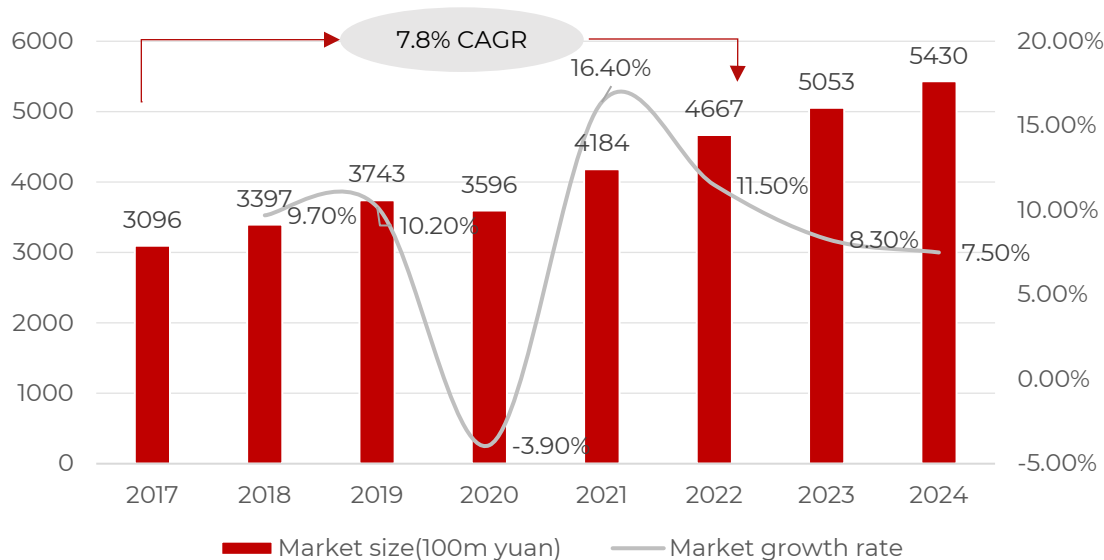
(in the order of this presentation)

# Industry Analysis: Home lifestyle retail

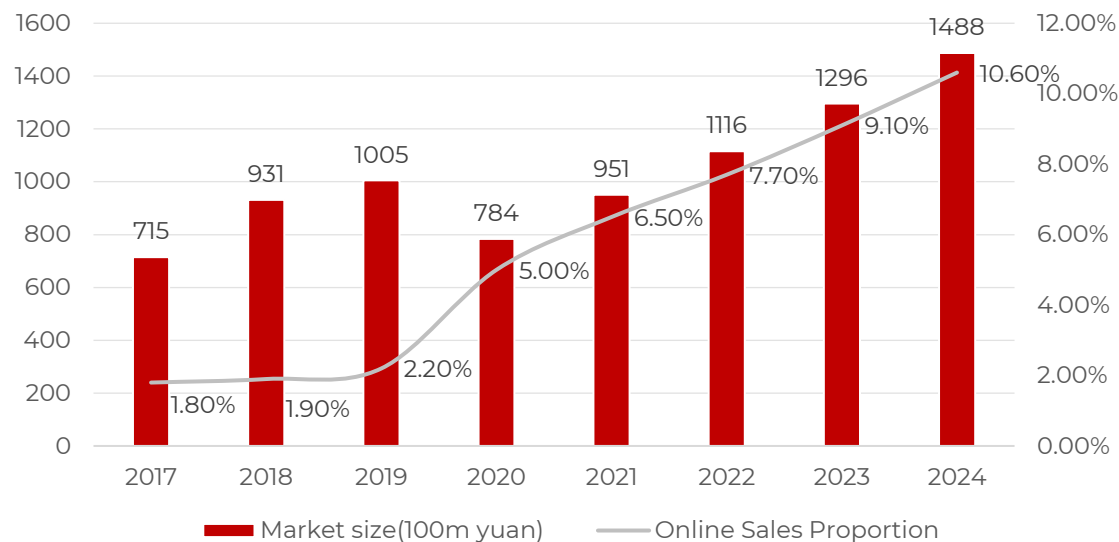


- The market size of China's home living products increased from **3.1 trillion yuan** in 2017 to **4.6 trillion yuan** in 2022, with a **CAGR of 7.8%**.
- Over 50%** of the GMV for various home and lifestyle products comes from **private labels**.
- By 2022, the retail scale of private labels had reached **111.6 billion yuan**, and it is expected to reach **148.8 billion yuan** by 2024.

## Market size of Home lifestyle retail in China(GMV)



## Market size of private label retail in China(GMV)



# Industry Analysis: Private label retail

## ① Global Private Label Retail Market Competition

- The **CR5** of the world's top five private label comprehensive retailers is only **20.3%**, indicating a relatively fragmented competitive landscape.
- MINISO ranking first with a market share of **6.7%**.

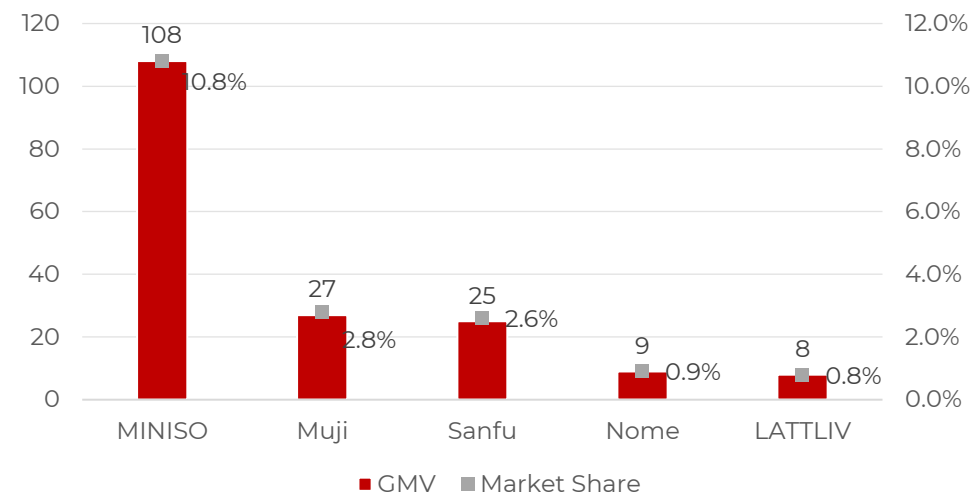
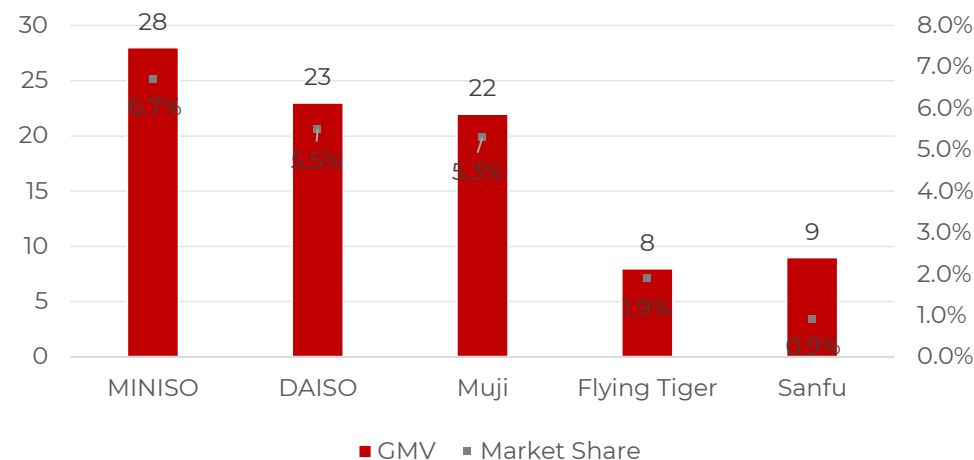
## ② China Private Label Retail Market Competition

- The domestic market exhibits a distribution pattern of "**one dominant player and multiple strong competitors**"
- MINISO ranking first with an **11.4%** market share and a GMV exceeding **10 billion yuan**.

### Differentiation Advantage

- For traditional supermarkets, MINISO's products **combine a sense of trendiness and unique design** while maintaining cost-effectiveness.
- Competitors with similar product categories (such as Sanfu and NOME) have significantly fewer stores compared to MINISO.
- "**711 Weekly Update with 100 New Products**" strategy

	MINISO	Muji	DAISO	Flying Tiger	Sanfu	NOME	LATTLIV
Number of store	5791	1241	5050	842	1060	650	543



# Industry Analysis: IP-Driven

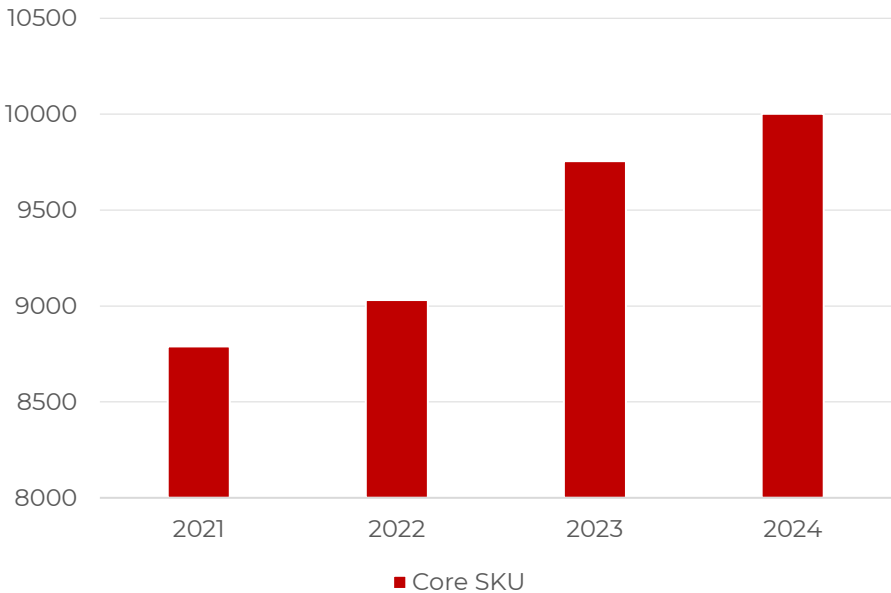


2024

2023

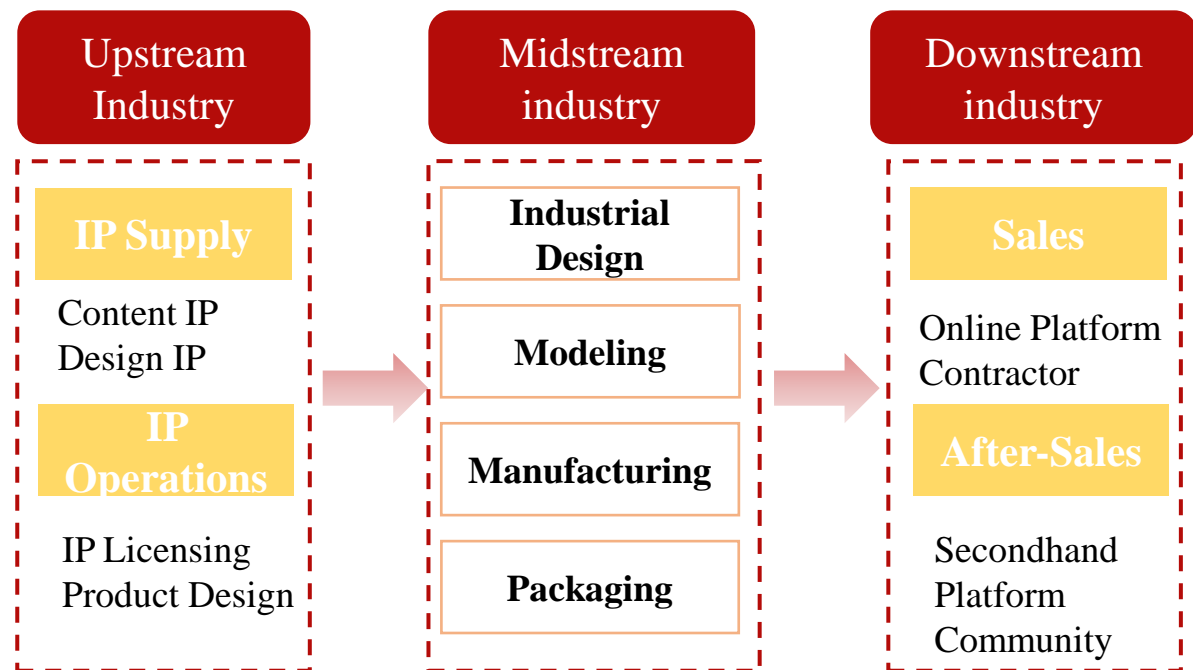


MINISO SKU From 2021 to 2024



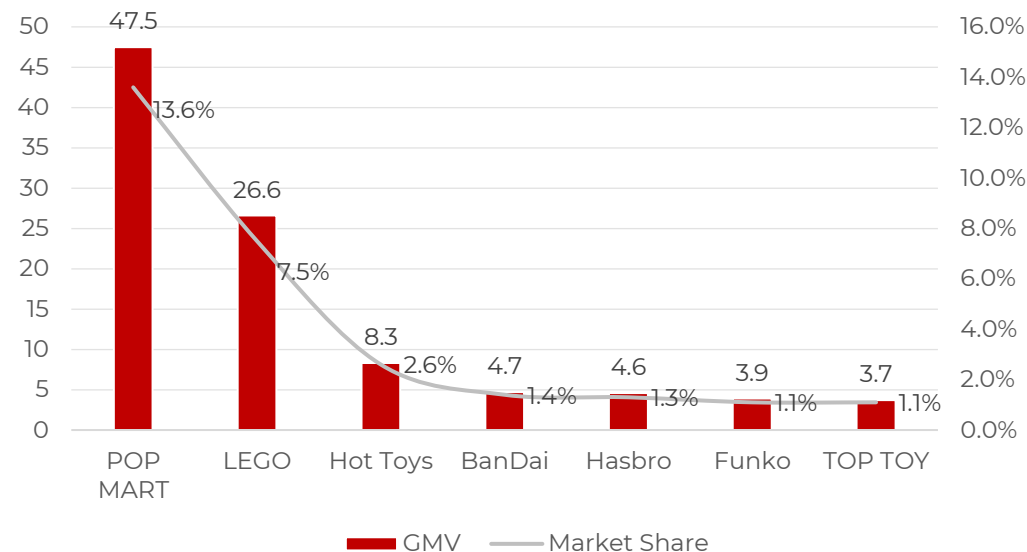
- Miniso's "711 strategy" requires selecting **100 new products** from **10,000 design proposals** every **7 days** in response to dynamic consumer demand in the global market.
- Multiple cross-border characteristics can realize the connection of interest and emotional consumption, and drive the average product sales price and gross profit margin

# Business analysis:Trendy Toy



Industry Chain	Brand	Channel	Competitiveness
Integrated Industry Chain	POP MART	328 Stores	Exclusive IP
	TOP TOY	234 Stores	IP Collaboration
Upstream IP Operations	Rolife	Online	Chinese IP
Downstream Retail	M&G shop	618 Stores	Extensive Offline channel

## Competition in China's Trendy Toy Market



- In 2021, the top five companies in the trend toy market (CR5) accounted for 26.4%.
- **POP MART**, leveraging its blind box model, led the market with a GMV of 4.7 billion yuan.
- **TOPTOY** captured a 1.1% market share within just one year, ranking among the **top seven**.
- **Pop Mart** focuses on the development and management of intellectual property (IP), building high-quality IPs.
- **TOPTOY** emphasizes multi-category integration, using a diverse range of trendy toys to cater to all age groups and price segments.

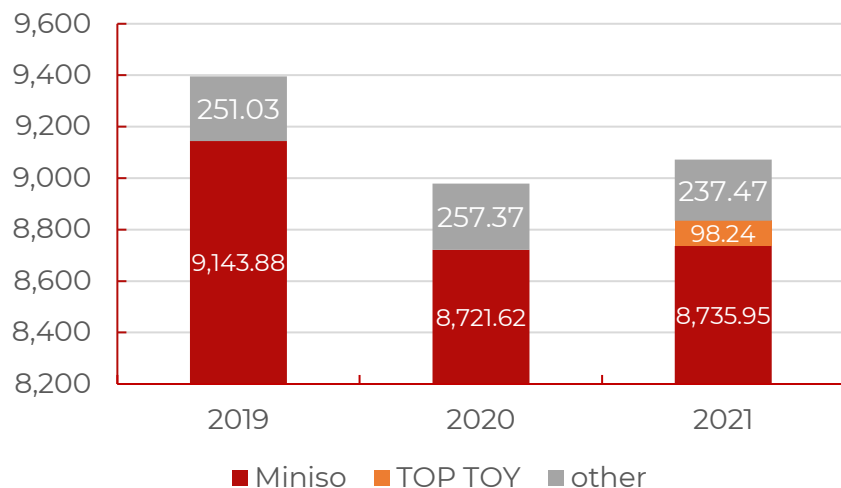


# Business analysis: Miniso & TOP TOY

- The flagship brand "**Miniso**" offers an extensive range of innovative lifestyle products.
- In **December 2020**, they introduced a new brand, "**TOP TOY**" aimed at building a dynamic platform for trendy toys.

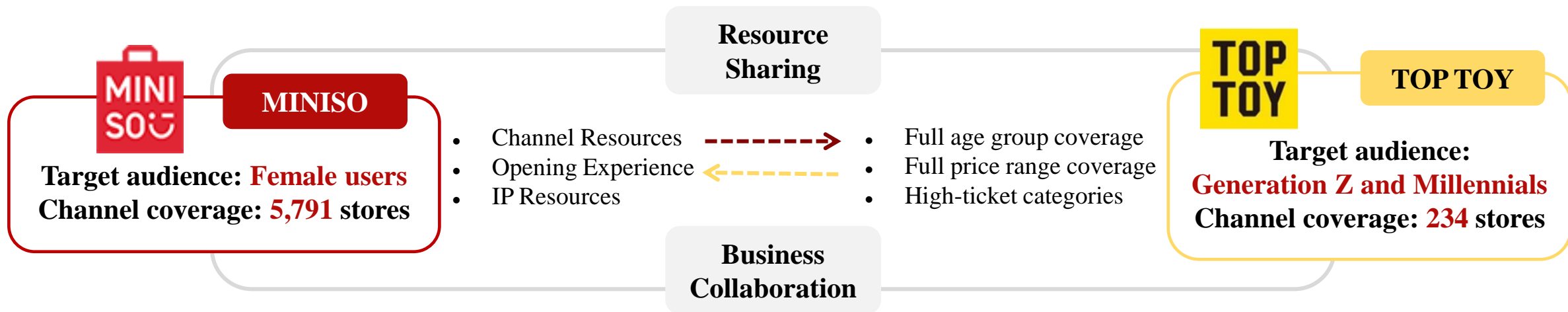


Revenue by Product (in millions yuan)



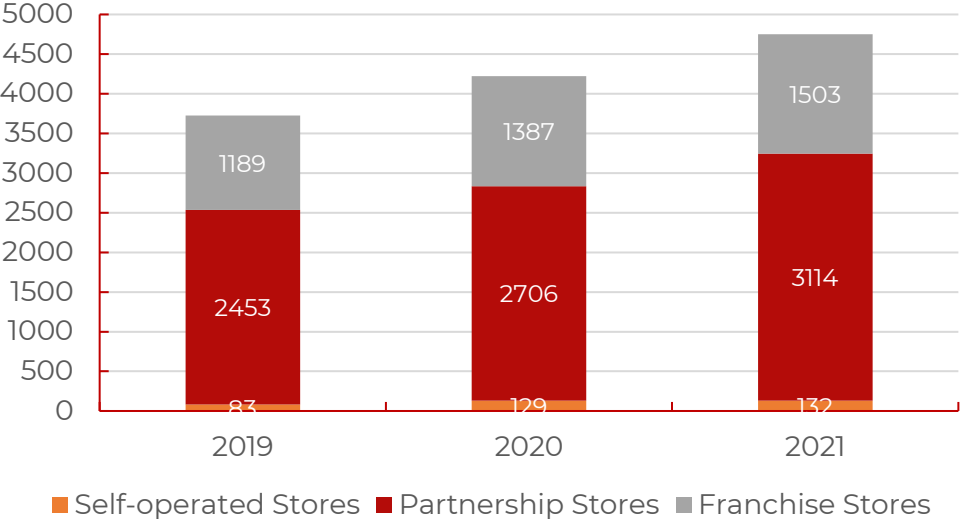
- In **2019**, the company's global **GMV** reached **19 billion RMB**, with the **Chinese market** contributing **11 billion RMB**.
- Currently, **MINISO** has expanded into **over 90 overseas markets**, offering products across **11 categories**.
- The core product lineup includes approximately **8,800 SKUs**.

SKU: Stock Keeping Unit

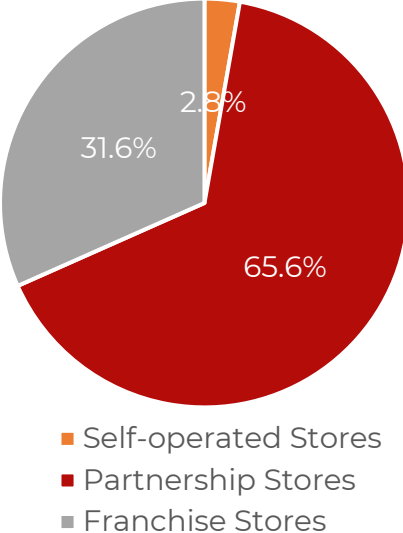


# Business analysis: Store Expansion

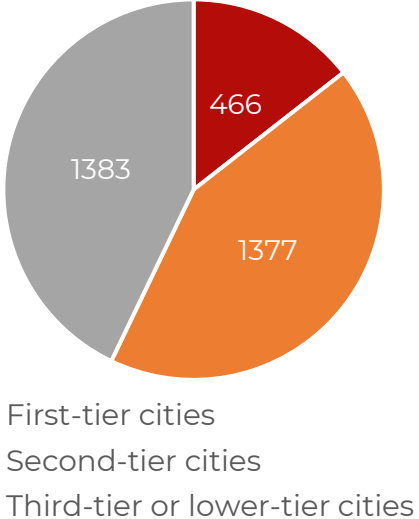
Miniso Stores counted by categories



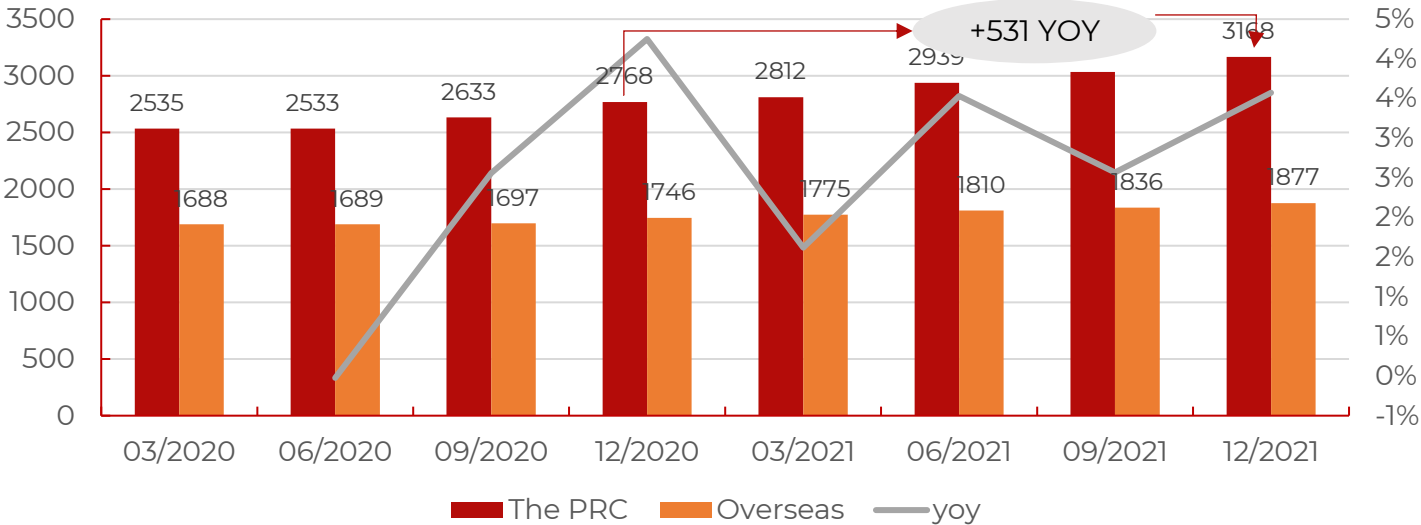
Store Type Proportion (June 30, 2024)



Store city distribution (June 30, 2024)



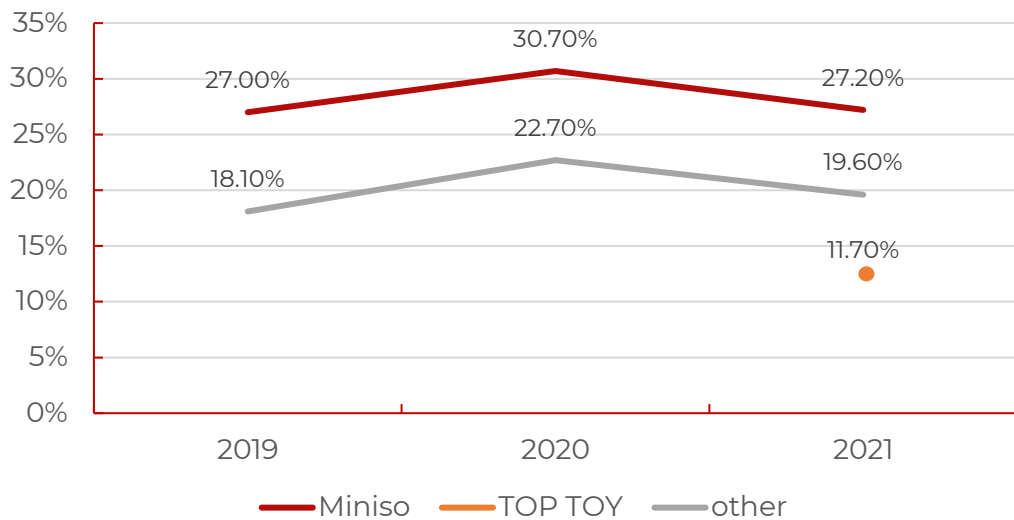
Number of stores counted by district



- In China, MINISO stores mainly follow the **partner model**, while overseas stores primarily follow the **agent model**.
- From 2018 to the present, the company has been in a phase of **rapid development**, driven by innovation and efficiency improvements.

# Business analysis: IP & supply chain

Gross margin by product

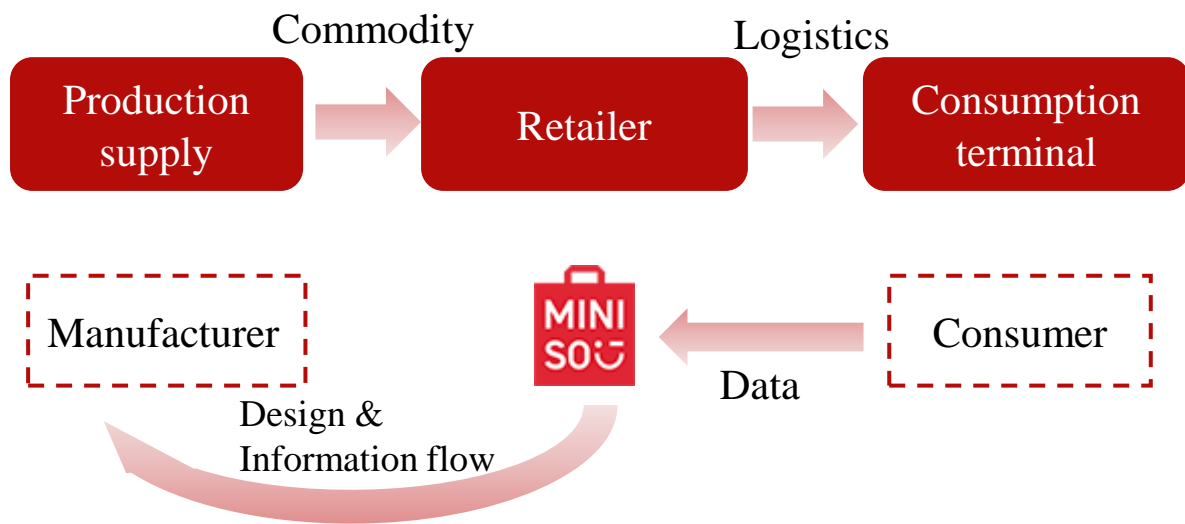
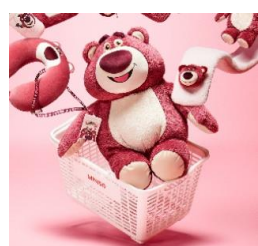


2019

2022

2020

2021

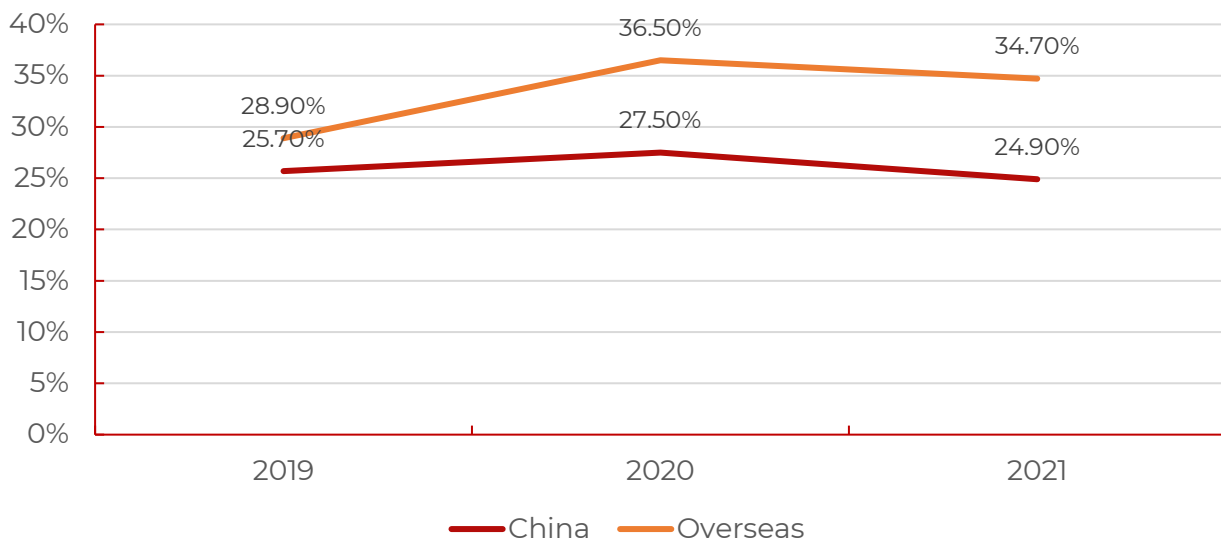


- The retail market for IP products is enormous, creating a **business barrier** for the company and enhancing its revenue gross margin.
- The upgraded supply chain management system has significantly improved MINISO's operational efficiency, maintaining its inventory **turnover days** consistently between **60 and 70**, much lower than similar companies such as MUJI, UNIQLO, and Pop Mart.

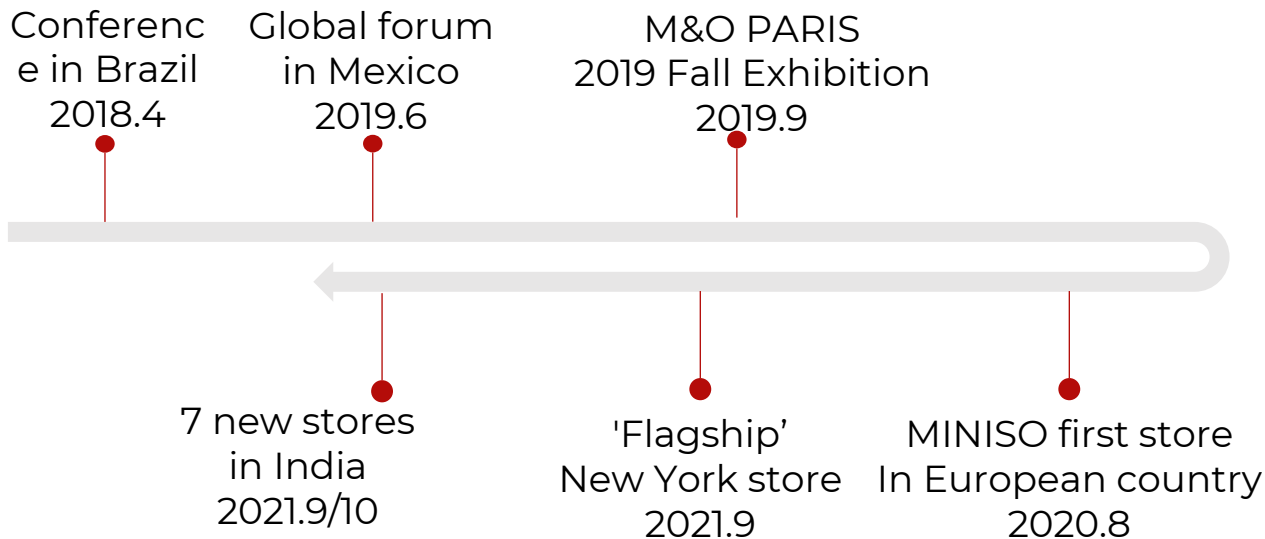
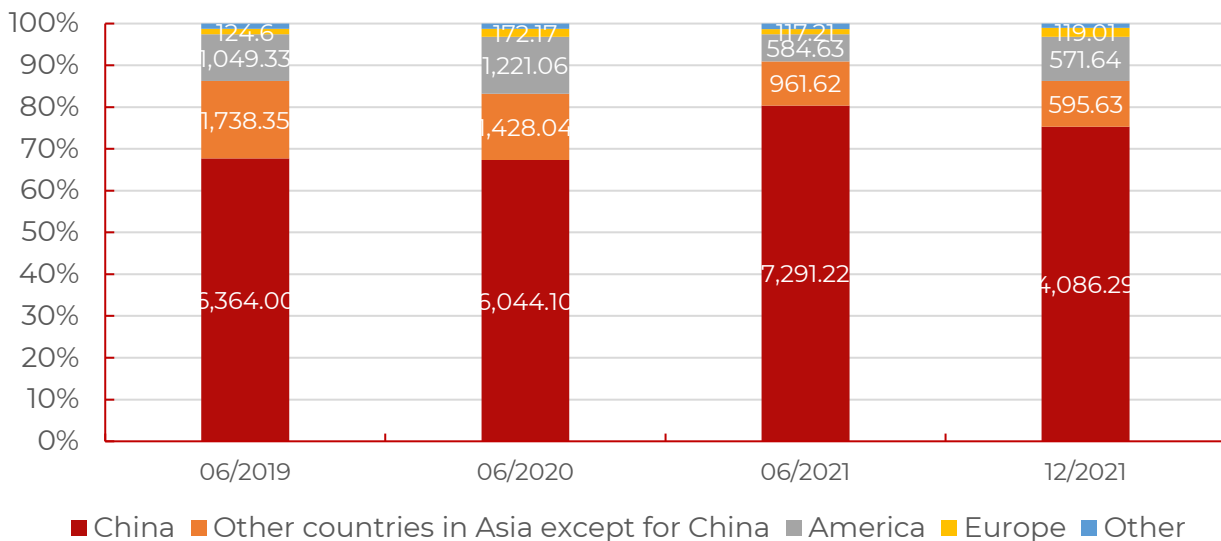


# Business analysis: Overseas business

Gross profit rate by Region



Revenue by Region (in millions yuan)



- The company began its overseas expansion in **2015**, opening its first international store in **Singapore**.
- In 2016, it gradually expanded into Southeast Asia, Oceania, and Latin American markets, and entered the North American market for the first time in 2017.
- Since 2022, overseas stores have also adhered to the **"Super Store"** concept, entering prime commercial districts and establishing flagship stores in key locations such as Times Square in New York, Manhattan in the U.S.

# Financial Analysis



## ① Revenue Growth Without Profit Increase

- Based on the operating revenue data, MINISO's revenues for 2019, 2020, and 2021 were ¥9.395 billion, ¥8.979 billion, and ¥9.072 billion respectively.
- Although **revenue slightly increased** year-over-year in 2021, the **adjusted gross profit further decreased**.

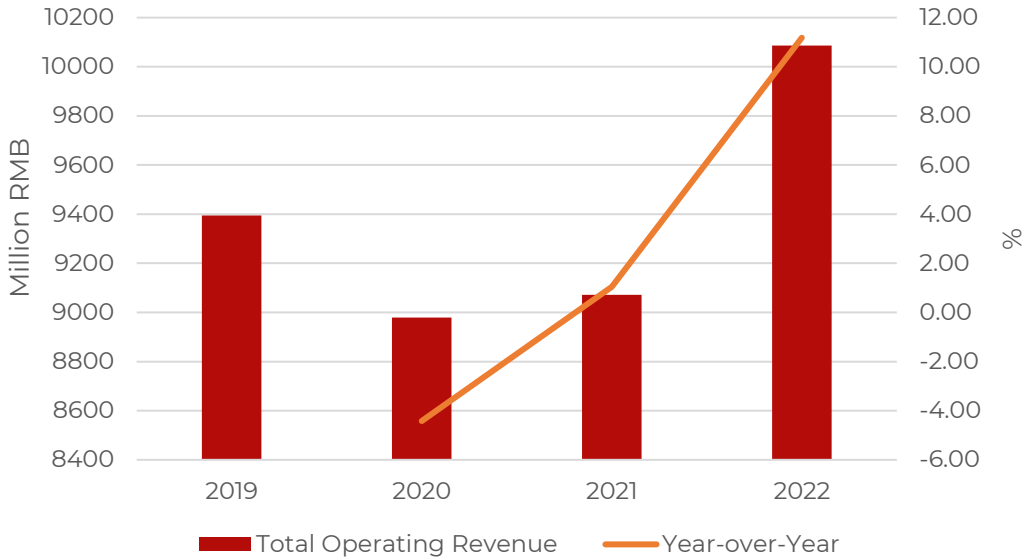
## ② Decline in Revenue per Store

Year	Revenue per Store (10000)	Year-over-Year
2019	270	
2020	220	-18.52%
2021	190	-13.64%

### Why IPO?

- If revenue per store cannot be increased, MINISO can only continue to **open new stores** to maintain high growth in performance.
- The funds raised from this Hong Kong listing will primarily be used to **expand the domestic and international store network** and **deepen penetration in second- and third-tier cities in China**.

Total Operating Revenue



Gross Profit Margin



### ③ Cost Optimization and Main Business Driving Turnaround to Profitability

In the FY2022 Q2 results, MINISO **swiftly recovered** from the loss state in 2022, achieving a **gross profit margin and adjusted net profit margin** of 31.1% and 7.7% respectively, year-over-year increases of 3.1 percentage points and 4.0 percentage points.

#### Why profit rare increase?

- Recovery from the pandemic
- Higher-margin overseas operations
- A greater share of co-branded products
- Cost optimization

### ④ Uncertainty Risks in the US Stock Market and Market Capitalization Erosion

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1天 5天 1个月 6个月 YTD 1年 5年 [最大范围](#)



Year	Profit(Million RMB)
2019	-294.409
2020	-260.176
2021	-1429.447

### ⑤ Sufficient Cash Flow and Low Debt Pressure

- As of December 31, 2021, the company held **cash and cash equivalents** of 5.151 billion yuan, with total operating expenses of 8.659 billion yuan in 2021, indicating **sufficient cash flow**.

Year	Current Ratio	Quick Ratio	Debt to Assets Ratio (%)	Interest-Bearing Debt / Total Invested Capital
2019	1.39	0.99	102.18	-6.90
2020	1.51	1.09	105.54	522.05
2021	2.64	2.21	37.86	0.31
2022	2.13	1.82	37.71	0.10

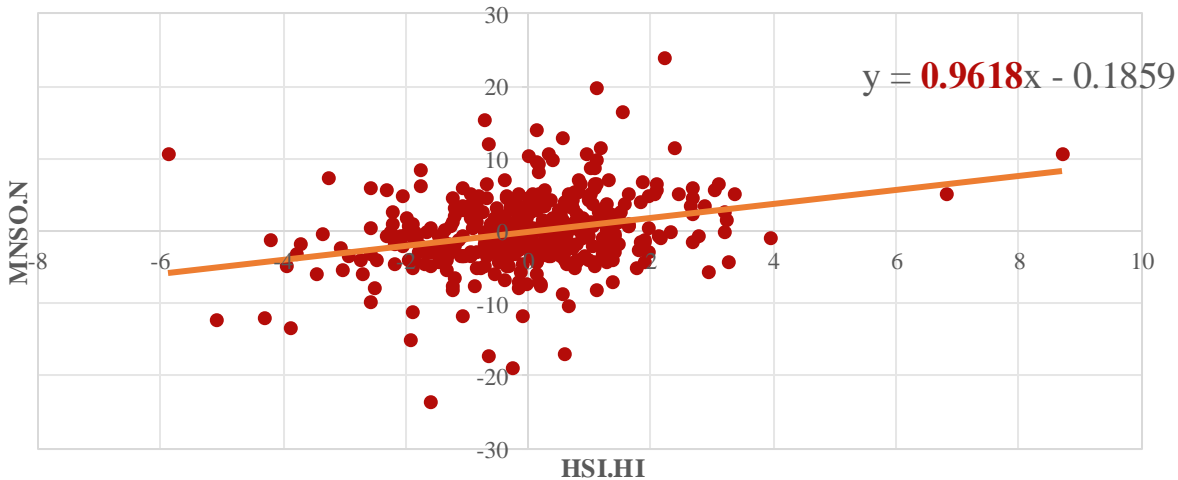
#### Why IPO?

- Expand and upgrade its supply chain.
- Developing more high-margin products.
- Proactively address potential delisting risks in the United States while simultaneously improving current stock liquidity.
- Enhance its total market capitalization once again, thereby increasing the equity of its respective shareholders.

# Cost of capital: Cost of equity $r_e$

Variable	
$r_f$	US 10-year treasury bond yield
$E(r_m)$	Hang Seng Index
Effective tax rate $\tau$	29.45%
Data time span	2020.10.15 (IPO in U.S.) - 2022.06.30

## Method1: Regression for HSI.HI and MNSO.N



## Cost of equity $r_e$

- $E(r_e) = r_f + \beta_e \times (E(r_m) - r_f)$
- Method 1:  $\beta_e = 0.9618 \rightarrow r_e = 9.77\%$
- Method 2:  $\beta_e = 1.1 \rightarrow r_e = 10.77\%$

Source: Wind

- Using **CAPM**:  $E(r_e) = r_f + \beta_e \times (E(r_m) - r_f)$
- Key question: How to find  $\beta_e$ ?**
- Two methods:
  - (1) Method 1: Regression  $\rightarrow \beta_e = 0.9618$
  - (2) Method 2: Adjust Industry Unlevered  $\beta$   
 $\rightarrow \beta_e = \beta_{Ind\_unlevered} \times (1 + \frac{D}{E} \times (1 - \tau)) = 1.1$

## Method 2: Comparable Companies - Unlevered Beta

Hong Kong Stock Market WIND Industry - Discretionary Consumption - Discretionary Retail - Multi-category Retail

Stock code	Stock name	Unlevered $\beta$
9988.HK	Alibaba Group Holding Limited	1.2000
9961.HK	Trip.com Group Limited	1.0478
1797.HK	East Buy Holding Limited	0.9994
9618.HK	JD.com, Inc.	0.9910
8079.HK	Wisdomcome Group Holdings Limited	0.6730
1137.HK	Hong Kong Technology Explorer	0.6162
0400.HK	KIC Innovation	0.5440
8473.HK	Life Style International Holdings Limited	0.4663
2136.HK	Lifestyle China Holdings Limited	0.4243
<b><math>\beta_{Ind\_unlevered}</math></b>		<b>0.77</b>

# Cost of capital: Cost of debt $r_d$ & WACC

Variable	
Short-term Debt $S$	258.44
Long-term Debt $L$	399.57
Debt ( <b>with interest</b> ) $D_i=S+L$	658.013
Equity $E$	7027.4
Preferred equity	0
Effective tax rate $\tau$	29.45%
Mid-term Bond Rate $r_m$	1.5%
Bond Rate $r_L$	1.7%
Debt Ratio Adjustment Factor $f$	1.38

Note: Millions of CNY per share/unit

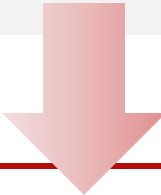
## Cost of debt $r_d$

- **Following Bloomberg:**
- $r_d = (r_m \times \frac{S}{S+L} + r_L \times \frac{L}{S+L}) \times f = 2.3\%$
- **$r_d$  after tax**  $= r_d \times (1 - \tau) = 2.24\%$

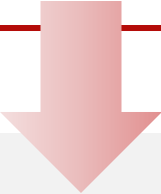
Source: Bloomberg


## Recall: Cost of equity $r_e$

- Method 1:  $\beta_e = 0.9618 \rightarrow r_e = 9.77\%$
- Method 2:  $\beta_e = 1.1 \rightarrow r_e = 10.77\%$



$$WACC = r_d \times (1 - \tau) \times \frac{D_i}{D_i + E} + r_e \times \frac{E}{D_i + E}$$





**WACC = 9.59%**

Method 1 (Regression): WACC = 10.04%

Method 2 (Adjust from Industry): WACC = 9.13%

13



# Revenue forecast and DCF valuation: Optimistic (31.1-50.3)

Million RMB		2022CY	2023E	2024E	2025E	2026E	2027E
1. Miniso China mainland							
Operating revenue		7442.00	8840.00	10275.20	11811.07	13453.37	15208.16
	YoY	2.07%	18.79%	16.24%	14.95%	13.90%	13.04%
Number of stores		2977	3400	3800	4200	4600	5000
Average yearly stores revenue		2.50	2.60	2.70	2.81	2.92	3.04
	YoY	0.77%	4.00%	4.00%	4.00%	4.00%	4.00%
Operating cost		5368.40	6188.00	6987.14	7795.31	8744.69	9885.30
Gross profit		2073.60	2652.00	3288.06	4015.76	4708.68	5322.86
Gross margin		27.86%	30.00%	32.00%	34.00%	35.00%	35.00%
2. Miniso overseas							
Operating revenue		2643.65	3698.75	5232.68	7195.08	9130.58	11381.24
	YoY	48.48%	39.91%	41.47%	37.50%	26.90%	24.65%
Operating cost		1647.49	2237.74	3087.28	4173.14	5295.74	6601.12
Gross profit		996.16	1461.01	2145.40	3021.93	3834.84	4780.12
Gross margin		37.68%	39.50%	41.00%	42.00%	42.00%	42.00%
(1)Income in the Americas		1199.85	1770.18	2619.76	3738.36	4766.31	5962.46
Store num in the Americas		523	643	793	943	1093	1243
Average yearly revenue		2.29	2.75	3.30	3.96	4.36	4.80
	YoY	91.18%	20.00%	20.00%	20.00%	10.00%	10.00%
(2)Income in Europe		263.90	441.48	716.98	1085.01	1440.62	1856.49
Store num in Europe		203	283	383	483	583	683
Average yearly revenue		1.30	1.56	1.87	2.25	2.47	2.72
	YoY	8.33%	20.00%	20.00%	20.00%	10.00%	10.00%
(3)Income in Asia (except China)		1054.90	1305.59	1635.80	2018.99	2462.47	2974.45
Store num in Asia (except China)		959	1079	1229	1379	1529	1679
Average yearly revenue		1.10	1.21	1.33	1.46	1.61	1.77
	YoY	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
(3)Income in other districts		125.00	181.50	260.15	352.72	461.19	587.84
Store num in other districts		250	330	430	530	630	730
Average yearly revenue		0.50	0.55	0.61	0.67	0.73	0.81
	YoY	-16.67%	10.00%	10.00%	10.00%	10.00%	10.00%

## Key assumptions

- Covid-19’s effects on supply chain and consumptions will cease, the company will open 400 and 500 stores separately in China and overseas.
- Brand upgrading strategy is successfully implemented, gross margin increase steadily.

## DCF valuation

NPV of FCF	9473.50
Terminal value	60147.49
Perpetual growth rate	3.00%
PV of terminal value	38033.36
Enterprise value	47506.87
Net Cash/(Debt), Minority interests	1094.10
Equity value	48600.97
Total shares	1266.67
Per share value	38.37

# Revenue forecast and DCF valuation: Pessimistic (12.3-18.2)

Million RMB		2022CY	2023E	2024E	2025E	2026E	2027E
1. Miniso China mainland							
Operating revenue		7442.00	8000.00	8500.00	9000.00	9500.00	10000.00
	YoY	2.07%	7.50%	6.25%	5.88%	5.56%	5.26%
Number of stores		2977	3200	3400	3600	3800	4000
Average yearly stores revenue		2.50	2.50	2.50	2.50	2.50	2.50
	YoY	0.77%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating cost		5368.40	5720.00	6035.00	6345.00	6650.00	7000.00
Gross profit		2073.60	2280.00	2465.00	2655.00	2850.00	3000.00
	Gross margin	27.86%	28.50%	29.00%	29.50%	30.00%	30.00%
2. Miniso overseas							
Operating revenue		2643.65	3111.88	3616.36	4159.48	4743.76	5371.89
	YoY	48.48%	17.71%	16.21%	15.02%	14.05%	13.24%
Operating cost		1647.49	1929.36	2224.06	2537.28	2893.69	3276.85
Gross profit		996.16	1182.51	1392.30	1622.20	1850.07	2095.04
	Gross margin	37.68%	38.00%	38.50%	39.00%	39.00%	39.00%
(1)Income in the Americas		1199.85	1440.51	1702.23	1986.53	2295.00	2629.35
Store num in the Americas		523	598	673	748	823	898
Average yearly revenue		2.29	2.41	2.53	2.66	2.79	2.93
	YoY	91.18%	5.00%	5.00%	5.00%	5.00%	5.00%
(2)Income in Europe		263.90	345.35	434.27	531.23	636.80	751.60
Store num in Europe		203	253	303	353	403	453
Average yearly revenue		1.30	1.37	1.43	1.50	1.58	1.66
	YoY	8.33%	5.00%	5.00%	5.00%	5.00%	5.00%
(3)Income in Asia (except China)		1054.90	1171.52	1294.19	1423.17	1558.72	1701.12
Store num in Asia (except China)		959	1034	1109	1184	1259	1334
Average yearly revenue		1.10	1.13	1.17	1.20	1.24	1.28
	YoY	10.00%	3.00%	3.00%	3.00%	3.00%	3.00%
(3)Income in other districts		125.00	154.50	185.66	218.55	253.24	289.82
Store num in other districts		250	300	350	400	450	500
Average yearly revenue		0.50	0.52	0.53	0.55	0.56	0.58
	YoY	-16.67%	3.00%	3.00%	3.00%	3.00%	3.00%

## Key assumptions

- Covid-19’s effects on supply chain and consumptions will continue, the company will open 200 and 250 stores separately in China and overseas.
- Brand upgrading strategy failed, gross margin have little increase.

## DCF valuation

NPV of FCF	4246.97
Terminal value	20879.93
Perpetual growth rate	2.00%
PV of terminal value	13203.11
Enterprise value	17450.08
Net Cash/(Debt), Minority interests	1094.10
Equity value	18544.18
Total shares	1266.67
Per share value	14.64

# Comparable Company Valuation: EV/EBITDA, P/E

## Comparable Companies -Discount Retailers

### Top-tier Listed Companies in Japan and the United States

Stock code	Stock name
2782.T	Seria Co., Ltd.
7453.T	Ryohin Keikaku Co., Ltd.
DG.NYSE	Dollar General
FIVE.NASDAQ	Five Below

### Key Assumptions and Equations

#### Using Enterprise Value:

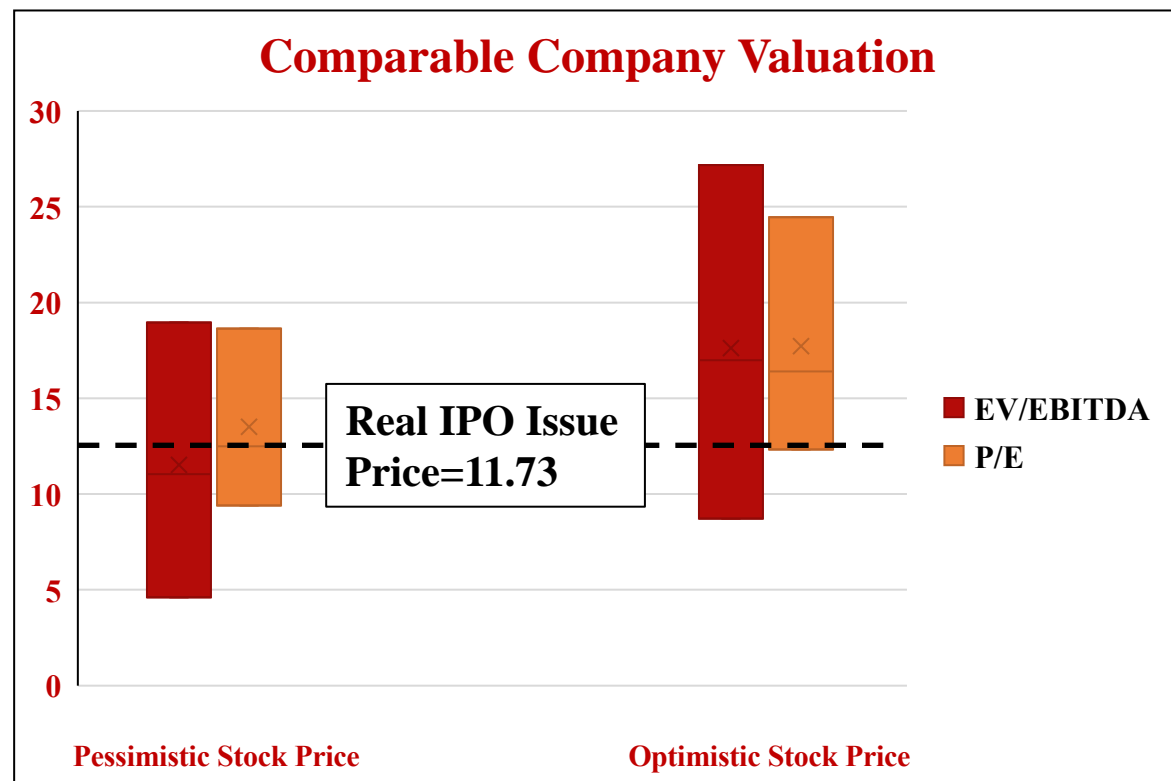
$EV = \text{Market Capitalization} + \text{Total Debt} - \text{Cash and Cash Equivalents}$

#### Using EV/EBITDA and P/E:

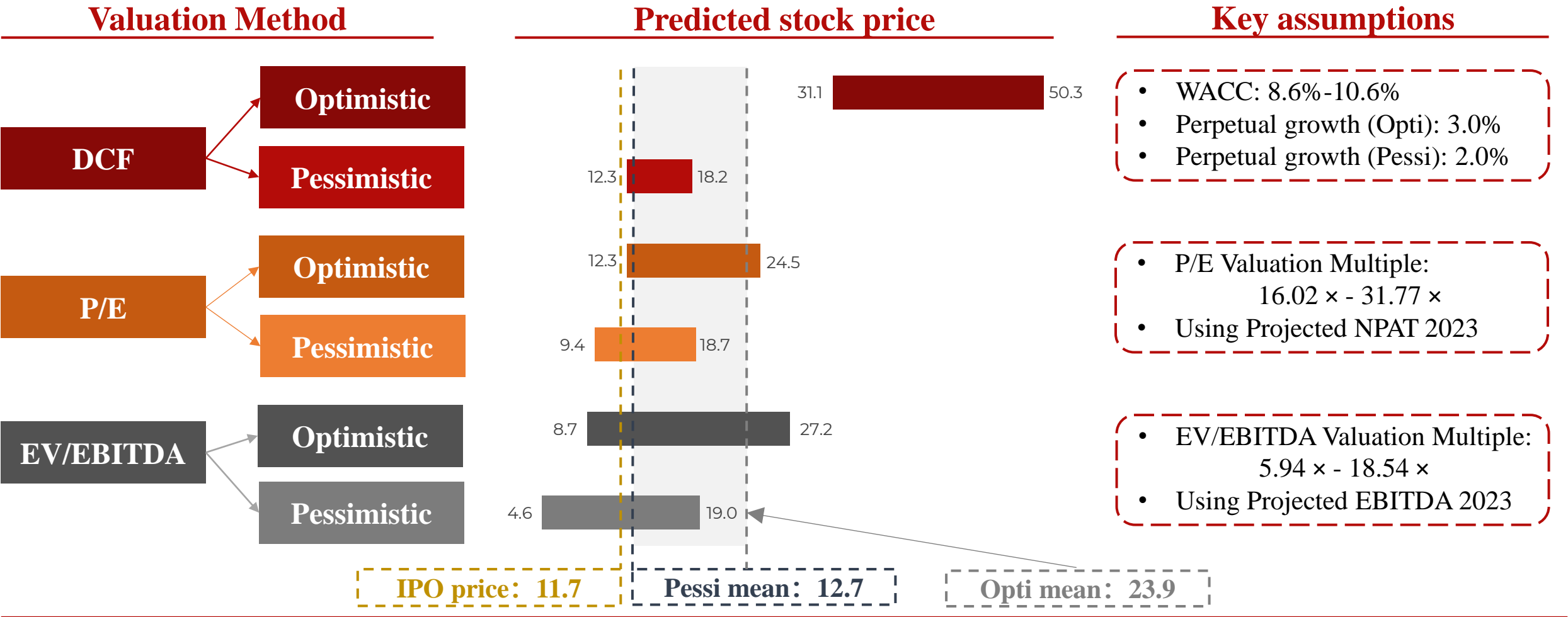
$EV/EBITDA \text{ multiple} = EV / \text{Expected EBITDA}$

$P/E \text{ multiple} = \text{Stock Price} / \text{Expected EPS}$

Conclusion/ million CNY MNSO	EV/EBITDA(2022)			P/E(2022)		
	min	mean	max	min	mean	max
Valuation Multiple	5.94	11.58	18.54	16.02	21.30	31.77
Pessimistic EPS				0.59	0.59	0.59
Pessimistic EBITDA	1421.12	1421.12	1421.12			
Optimistic EPS				0.77	0.77	0.77
Optimistic EBITDA	1827.36	1827.36	1827.36			
Pessimistic EV	8442.17	16458.53	26340.69			
Optimistic EV	10855.45	21163.35	33870.42			
Total Liabilities	4254.39	4254.39	4254.39			
Cash and Cash Equivalents	1546.28	1546.28	1546.28			
Outstanding Shares	1246.37	1246.37	1246.37	1246.37	1246.37	1246.37
Pessimistic Stock Price	4.60	11.03	18.96	9.40	12.50	18.65
Optimistic Stock Price	8.71	16.98	27.18	12.33	16.40	24.45



# Valuation: profit would have a significant increase if pandemic recovers, the company has a high safety margin, we suggest buy in



- Comparing all valuation methods above, we suggest MNSO’s reasonable price is **12.72-23.92**.
  - The market was quite pessimistic on the consumer stocks, the IPO price is lower than our expectation. We suggest buy in.
- 17

# Appendix 1: Extensions

## Reason and timing

### 1. Why did this IPO happen? What was the motivation behind this event?

Address increasing revenue without profit growth and declining revenue per store. Raise funds to:

- Expand domestic and international store networks.
- Deepen penetration in second- and third-tier Chinese cities.
- Upgrade supply chains and develop high-margin products.

### 2. Why did this happen at that time and not earlier or later?

March 14, 2022: MINISO's U.S. stock price hit a historic low of \$6.18.

- Timely IPO to mitigate U.S. delisting risks.
- As global economy recovered from covid-19, consumer confidence improved, and market demand rebounded.
- This allowed retail companies like MINISO to showcase their growth potential and attract investor interest.

## Transaction

### 3. Do you think the transaction price is fair?

Yes, the transaction price is fair and attractive.

- If we believe covid-19's impact on the offline retail market, the transaction price is fair.
- If we believe covid-19's impact on the offline retail market would gradually easing, the transaction price is lower than its value.

### 4. Do you think this is a good or bad deal from the existing/new investors' perspective?

- Yes, this is a good deal from existing investors' perspective, as it ensures the liquidity of the company's stock.
- Although the transaction price is quite low, the cash inflow ensures the security of the company's cash flow amid the worsening pandemic situation in China mainland.



# Appendix 2: Predicted income statement and FCF

Million RMB	2022/6/30	2023/6/30	2024/6/30	2025/6/30	2026/6/30	2027/6/30
Operating Revenue	10085.65	12538.75	15507.88	19006.15	22583.96	26589.40
Operating Cost	(7015.89)	(8425.74)	(10074.42)	(11968.45)	(14040.43)	(16486.42)
Gross Profit	3069.76	4113.01	5433.46	7037.70	8543.53	10102.98
Other Income - Other	25.93	0.00	0.00	0.00	0.00	0.00
Selling Expenses	(1442.34)	(1623.03)	(1940.61)	(2305.46)	(2704.58)	(3175.74)
General and Administrative Expenses	(816.23)	(1027.76)	(1228.86)	(1459.89)	(1712.63)	(2010.99)
Other Income - Non-operating	87.31	0.00	0.00	0.00	0.00	0.00
Other Income - Operating						
Impairment of A\R and Other Receivables		(28.92)	0.00	0.00	0.00	0.00
Impairment Loss of Fixed Assets and Intangible Assets	(13.48)	0.00	0.00	0.00	0.00	0.00
Operating Profit	882.03	1462.21	2263.99	3272.35	4126.32	4916.24
Net Finance Income/(Cost)	32.95	53.81	74.68	95.55	116.42	137.29
Finance Income	66.34	92.25	118.16	144.07	169.98	195.89
Finance Cost	(33.40)	(38.44)	(43.48)	(48.52)	(53.56)	(58.60)
Changes in Fair Value of Redeemable Preferred Shares and Warrant Liabilities		0.00	0.00	0.00	0.00	0.00
Share of Profit or Loss of Equity Investments			(8.16)	0.00	0.00	0.00
Profit Before Tax	906.82	1516.02	2338.67	3367.90	4242.74	5053.53
Income Tax	(267.07)	(540.88)	(908.94)	(1171.69)	(1553.48)	(1861.65)
Net Profit from Continuing Operations	639.74	975.14	1429.72	2196.21	2689.26	3191.89
Net Profit from Discontinued Operations						
Net Profit (Including Minority Interests)	639.74	975.14	1429.72	2196.21	2689.26	3191.89
Profit or Loss Attributable to Minority Interests	1.57	0.00	0.00	0.00	0.00	0.00
Net Profit (Excluding Minority Interests)	638.17	975.14	1429.72	2196.21	2689.26	3191.89

## FCF (Optimistic)

Million RMB	2022A	2023E	2024E	2025E	2026E	2027E
CFO	1,448.07	1,305.35	2,201.07	2,936.15	3,517.61	4,070.30
Net Profit	638.17	975.14	1,429.72	2,196.21	2,689.26	3,191.89
D&A	389.87	365.14	344.87	331.19	320.51	308.96
Changes in Non-Cash Working Capital	-420.03	34.93	-426.48	-408.76	-507.83	-569.46
CapEx	-1,234.21	-175.79	-215.39	-227.10	-206.09	-216.19
FCF	213.86	1,129.56	1,985.68	2,709.06	3,311.51	3,854.11

## FCF (Pessimistic)

Million RMB	2022A	2023E	2024E	2025E	2026E	2027E
CFO	1,448.07	863.83	1,339.67	1,493.60	1,659.76	1,771.95
Net Profit	638.17	719.17	828.18	1,047.40	1,174.88	1,294.12
D&A	389.87	365.14	344.87	331.19	320.51	308.96
Changes in Non-Cash Working Capital	-420.03	220.49	-166.62	-115.00	-164.36	-168.87
CapEx	-1,234.21	-175.79	-215.39	-227.10	-206.09	-216.19
FCF	213.86	688.04	800.00	1,266.50	1,453.67	1,555.76