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CHAGEE
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Company Overview

- Chinese milk tea chain associating its brand with luxury and quality of products



Figure 7: Wikipedia (2024). GD 廣東 Guangdong 東莞 Dongguan 規劃二路 Guihua 2nd Road 中天中央廣場 ZhongTian Central Square night



Figure 8: Alvin Chow (2025.). Chagee: The Premium Milk Tea Brand That Could Be the Next Pop Mart or Laopu Gold

Market Overview

Figure 1: China's freshly-made tea store market is projected to continue grow by 19.2% CAGR 2024E-2028E

- GMV of China's freshly-made tea store market, breakdown by segment, 2018-2028E

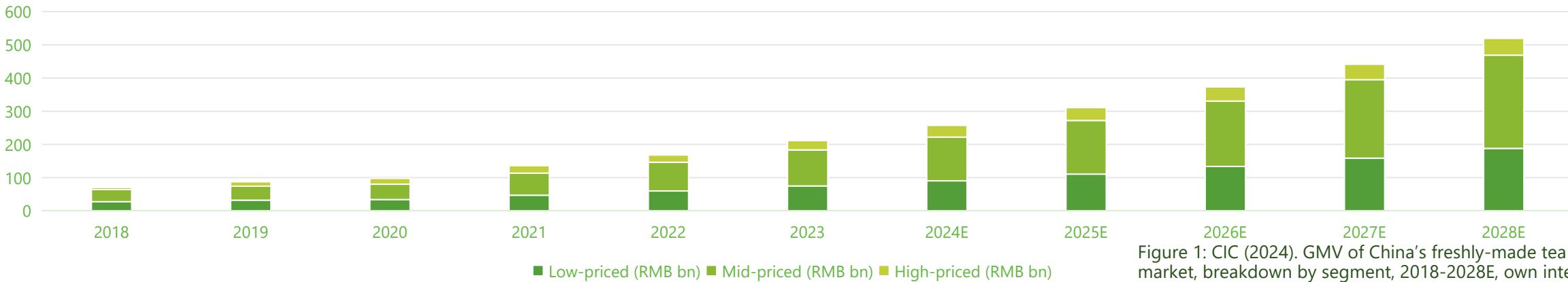


Figure 1: CIC (2024). GMV of China's freshly-made tea store market, breakdown by segment, 2018-2028E, own interpretation

- The entire wider **freshly made beverage market** is projected to grow as well by 16.7% CAGR 2024E-2028E

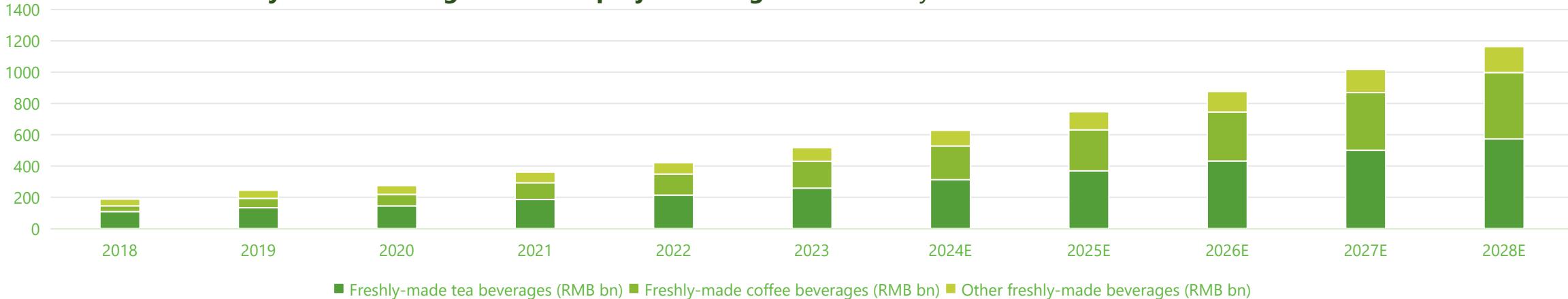


Figure 10: CIC (2024). GMV of China's freshly-made beverage market, breakdown by major segments, 2018-2028E, own interpretation

Consumer Overview

- Focused on **eco-friendly & health conscious** modern **consumer**



Figures 4, 5 & 6: Zheng Qinwen Becomes CHAGEE's First "Health Ambassador"



Figure 3: Chagee (2023). The First "Tea Drink Product ID Card" Is Released!



Figures 4, 5 & 6



Figures 4, 5 & 6



Figure 2: Evelyne Chang (2024): Image: @霸王茶姬CHAGEE on RED and Weibo

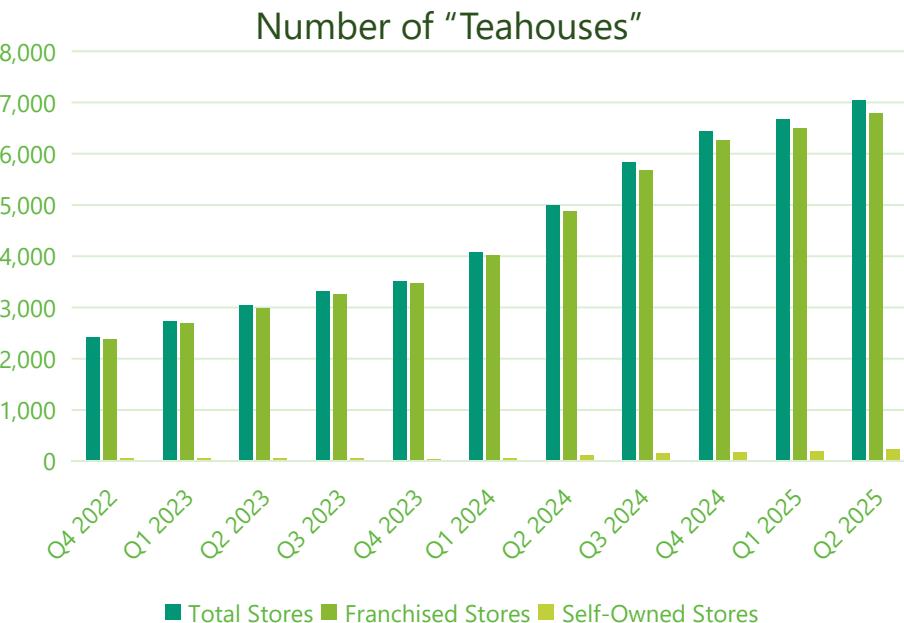
Investment Thesis & Market Price

- **Investment Thesis:** Chagee is a **category-defining leader** in the **high-growth, high-margin premium tea market**. Its superior **asset-light franchise model enables capital-efficient growth** with **best-in-class unit economics**.
- **Recent NASDAQ IPO** on April 17, 2025
- **Free Float:** 21.06%.
- **Insider Ownership:** 41.34%
- **Current Macro:**
 - **Price war in food delivery** spill over effect
 - **Current market environment attracts** mainly **budget consumers**, Chagee does not partake in heavy discounting to maintain Brand in LR



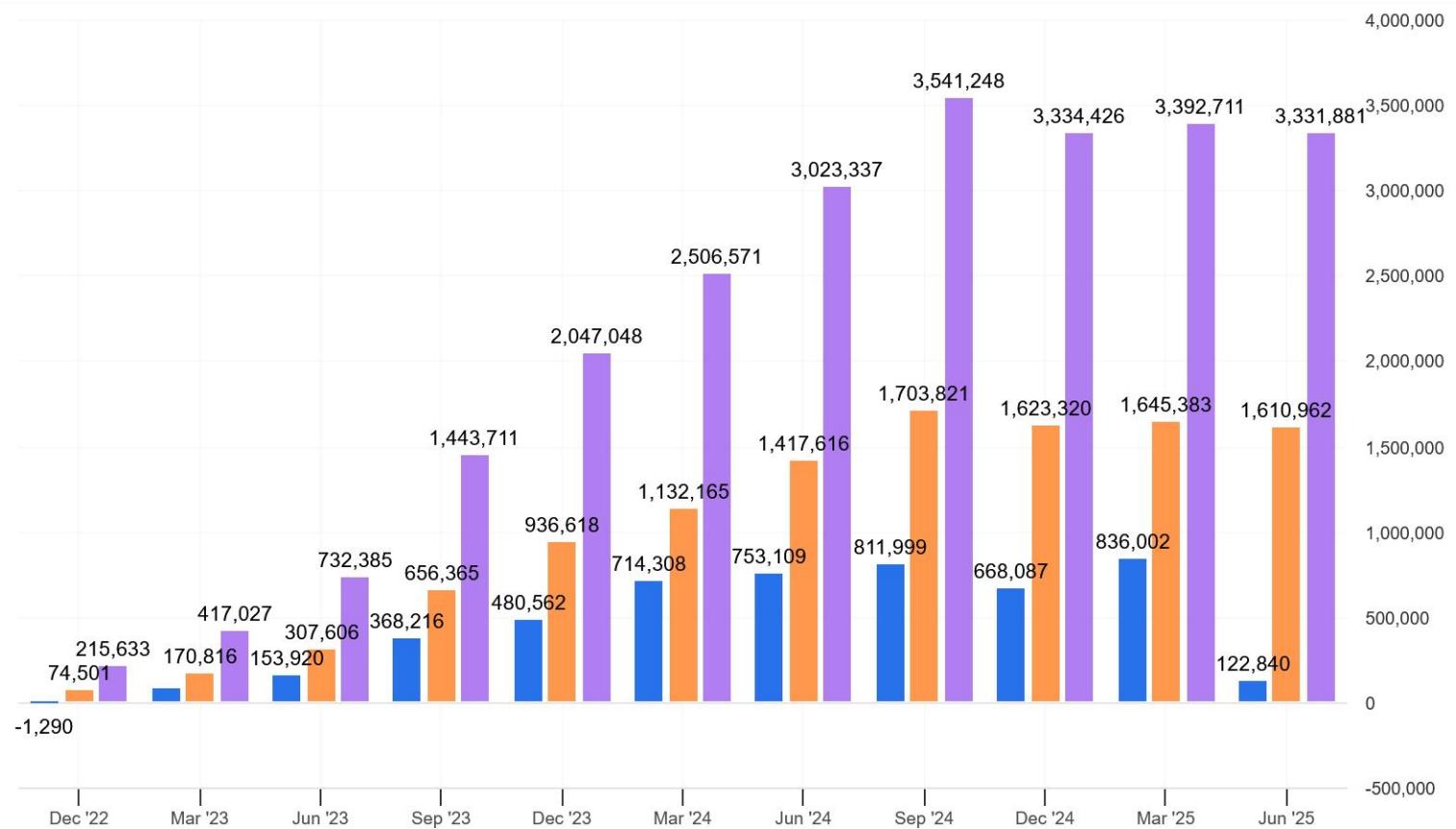
Company Overview

- **Founded in 2017**, Chagee has achieved an astonishing rise, **growing** its annual Gross Merchandise Value (**GMV**) **by over 22 times from 2020 to 2024**.
- Chagee **operates in China** (2017), **Malaysia** (2019), **Singapore** (2019), **Tahiland** (2021), **Hong Kong** (2024) (May 2025), **Vietnam** (late 2025)



Source: Chagee quarterly earnings; own interpretation

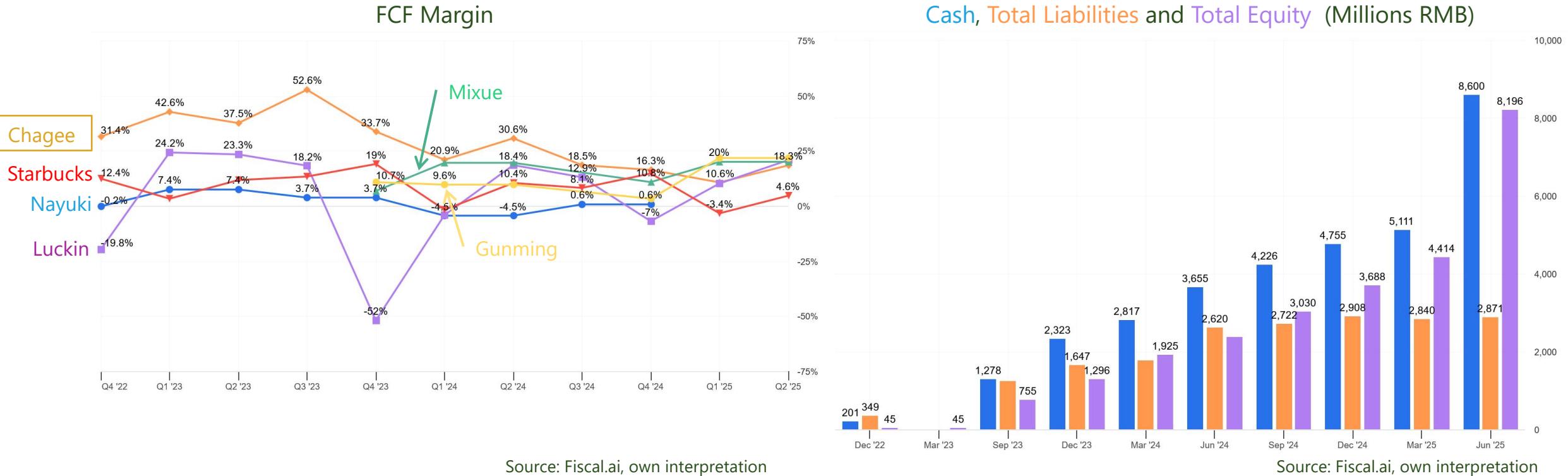
EBITDA, Gross Profit and Total Revenues (Thousands RMB)



Source: Fiscal.ai, own interpretation

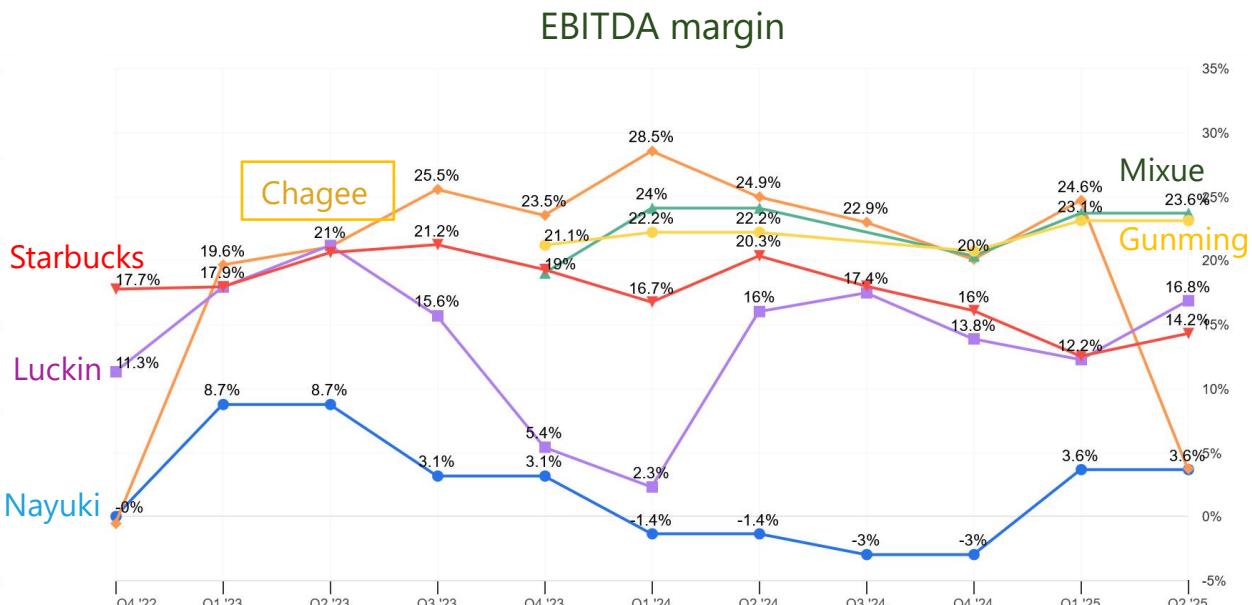
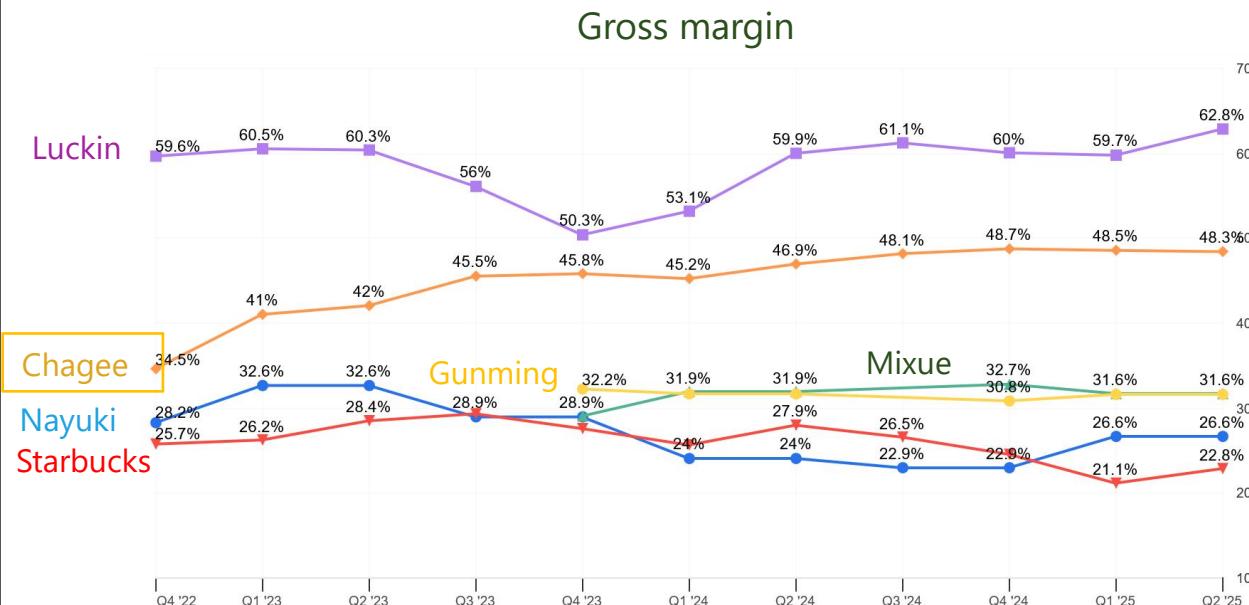
Company Overview

- Chagee has very **good cash position for global expansion**.
- Top-down growth model. From richest cities down to smaller ones.



Company Overview

- Stellar margins only beat by Luckin Coffee due to majority Self-Owned stores and being favored by price war attracted budget consumer.
In Q2 EBITDA margin is lower due to costs of its recent IPO and talent hires for global expansion



Source: Fiscal.ai, own interpretation

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Management

- **Founder-Led Vision:** Junjie Zhang (**CEO**) is the visionary founder with **13+ years of ground-up QSR experience**. He holds the **majority of the total voting power** in the company, ensuring stable, decisive, and consistent leadership.
- **Hongfei Huang (**CFO**):** A 28-year McDonald's veteran, previously **CFO for McDonald's Greater China**, bringing world-class financial and supply chain scale experience.
- **Strategic Board Director:** Includes **Yong Zhang, Co-founder of Haidilao**, providing over 30 years of large-scale restaurant operational expertise.
- **Emily Chang (**CCO, North America**):** Former **CMO of Starbucks China**, specializing in international brand strategy.
- **Aaron Harris (**CDO, North America**):** Former Senior VP of Development at **Dutch Bros Coffee**, focused on rapid QSR network expansion

What Market Sees

- **Market sees decreasing same store GMV growth** due to current market condition, however **does not value long term vision.**
- **Chagee is focused on LR market positioning and location growth.**
- Chagee does not take part in current price war and heavy discounting to protect the Brand.

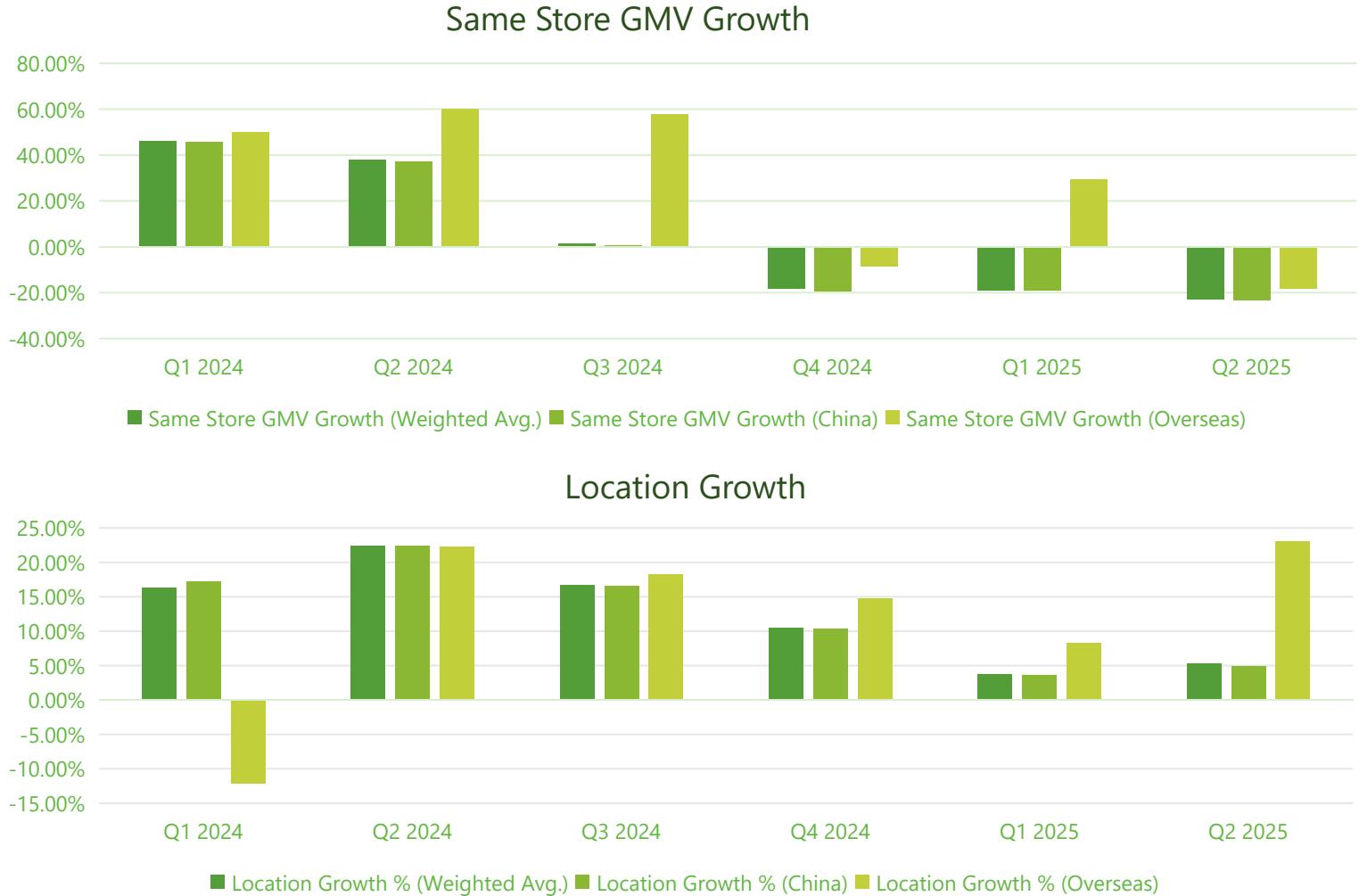


Figure 9: Chagee quarterly earnings; own interpretation

Valuation

Investment Thesis Recap

- Chagee undervalued at ~\$17 USD, priced as if Bear scenario (stalled expansion, eroding margins) unfolds.
- Strong brand, asset-light franchise, and global growth potential suggest significant upside.

Assumptions

- WACC: 13% | Terminal Growth: 3.5% | Net Cash: 9,083 mil. RMB
- Shares: 184 mil. | RMB/USD: 7.20 | 2025E Revenue: 15,373 mil. RMB
- Projections: 2026E–2030E + Terminal Value

Scenario Overviews

Scenario	Growth (2026E–2030E)	EBIT Margin (Avg.)	CapEx (% Rev)
Bull	45% → 25%	~25%	5.5%
Base	30% → 10%	~20%	6.0%
Bear	15% → 3%	~16%	7.0%

DCF Valuation Summary (mil. RMB unless noted)

Metric	Bull	Base	Bear
Sum PV(FCFF) 2026–30	22,674	10,973	5,633
PV of TV	62,861	24,666	8,962
Enterprise Value	85,535	35,639	14,596
+ Net Cash	9,083	9,083	9,083
Equity Value	94,618	44,722	23,679
Target Price (RMB)	515.3	243.6	129.0
Target Price (USD)	\$71.58	\$33.83	\$17.91
Upside vs. \$17	+321.0%	+99.0%	+5.4%

- **Bull:** Global success. Price war winner, untarnished premium brand, superior growth, maintained high margins.
- **Base:** Solid execution. Robust growth from domestic expansion, strong market share, slightly lower operating margins.
- **Bear:** Underperforming expansion. Price war drives margin erosion, slowed growth, market saturation/pressure.

Sources

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- Figure 2: **Evelyne Chang (2024, Mar 18)**. ChinaSkinny. *The first official nutrition grading for milk tea drinks is here! CHAGEE has already taken the lead.* [image]. Available online: <https://chinaskinny.com/blog/healthy-milk-tea-shanghai>
- Figure 3: **Chagee (2023, Aug 11)**. *The First "Tea Drink Product ID Card" Is Released!* [image]. Available online: <https://www.chagee.us/media-center/article/e3ae0e61-f2b2-4e99-b544-01d56eb75c84>
- Figure 4, 5 & 6: **Chagee (2024, Apr 25)**. Zheng Qinwen Becomes CHAGEE's First "Health Ambassador." [image]. Available online: <https://www.chagee.us/media-center/article/78352638-8446-4796-b23c-41530409e780>
- Figure 7: **Wikipedia (2024, Dec)**. GD 廣東 Guangdong 東莞 Dongguan 規劃二路 Guihua 2nd Road 中天中央廣場 ZhongTian Central Square night. [image]. Available online: <https://en.wikipedia.org/wiki/Chagee>
- Figure 8: **Alvin Chow (2025, Aug 13)**. Growth Dragons. *Chagee: The Premium Milk Tea Brand That Could Be the Next Pop Mart or Laopu Gold* [image]. Available online: <https://growthdragons.substack.com/p/chagee-the-premium-milk-tea-brand>
- Figure 9: **Chagee (n.d.)**. Investor relations. Available online: <https://investor.chagee.com/>
- Figure 10: **CIC (2024)**. GMV of China's freshly-made beverage market, breakdown by major segments, 2018-2028E. Available online: <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0212/11535838/sehk25011200063.pdf>
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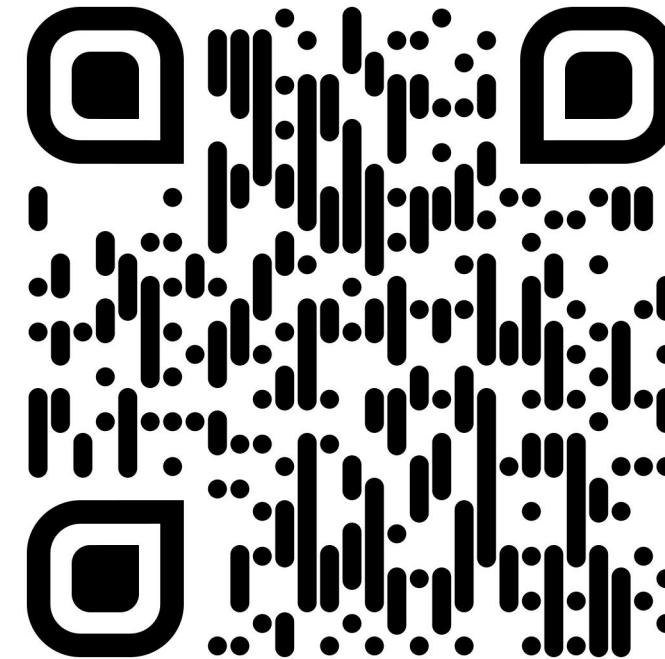
Q&A



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