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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

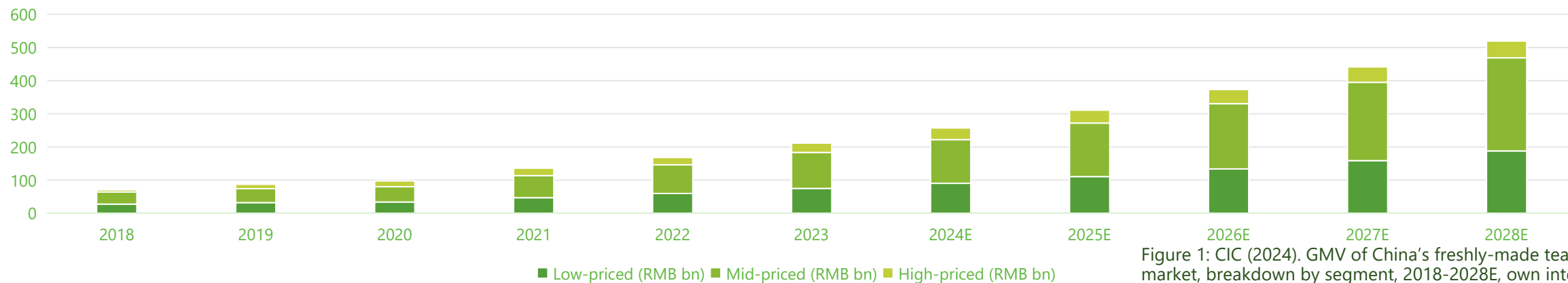


Figure 1: CIC (2024). GMV of China's freshly-made tea store market, breakdown by segment, 2018-2028E, own interpretation

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

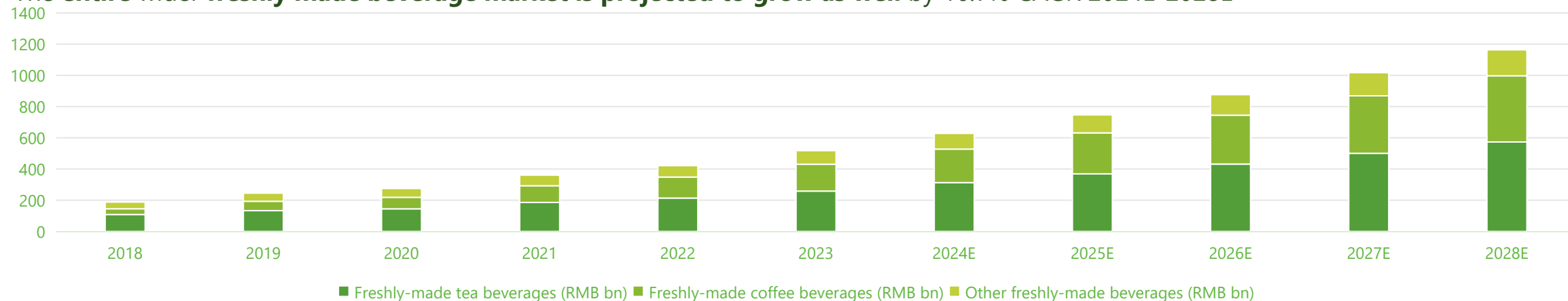


Figure 10: CIC (2024). GMV of China's freshly-made beverage market, breakdown by major segments, 2018-2028E, own interpretation



# Consumer Overview

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



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



Figures 4, 5 & 6



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



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

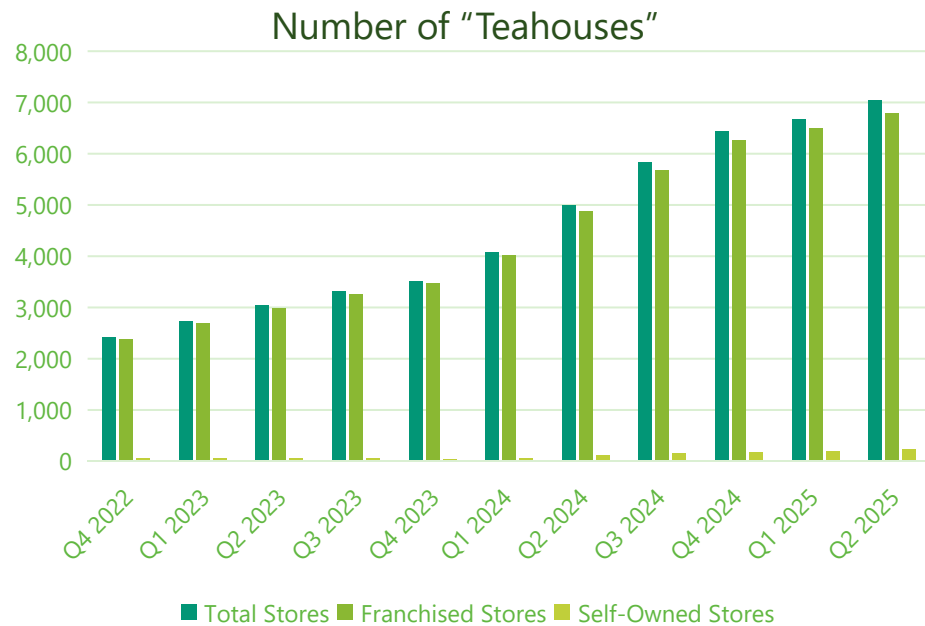
# Investment Thesis & Market Price

- **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



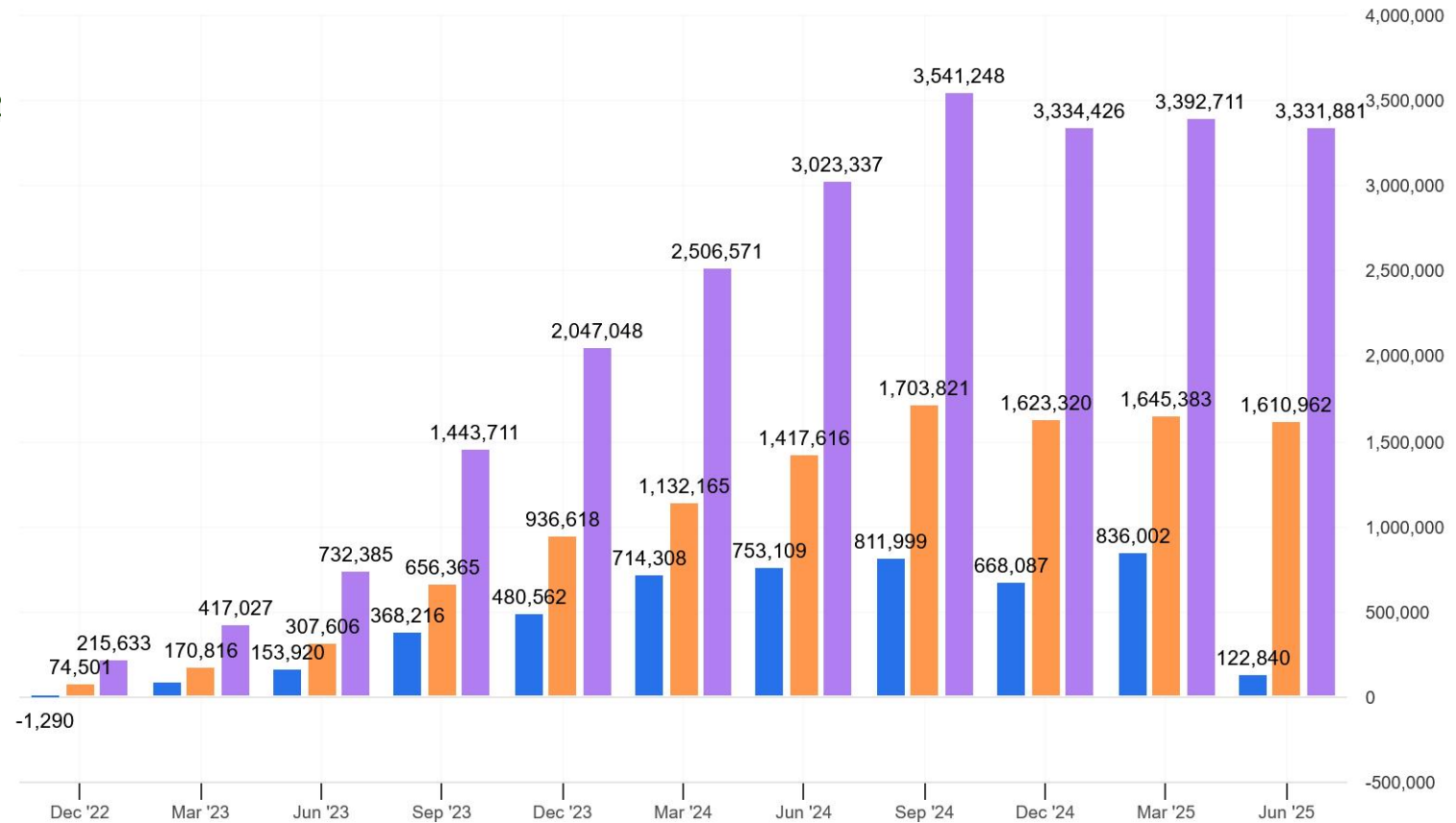
# Company Overview

- **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), **Tailand** (2021), **Hong Kong** (2024 (May 2025), **Vietnam** (late 2025)



Source: Chagee quarterly earnings; own interpretation

EBITDA, Gross Profit and Total Revenues (Thousands RMB)

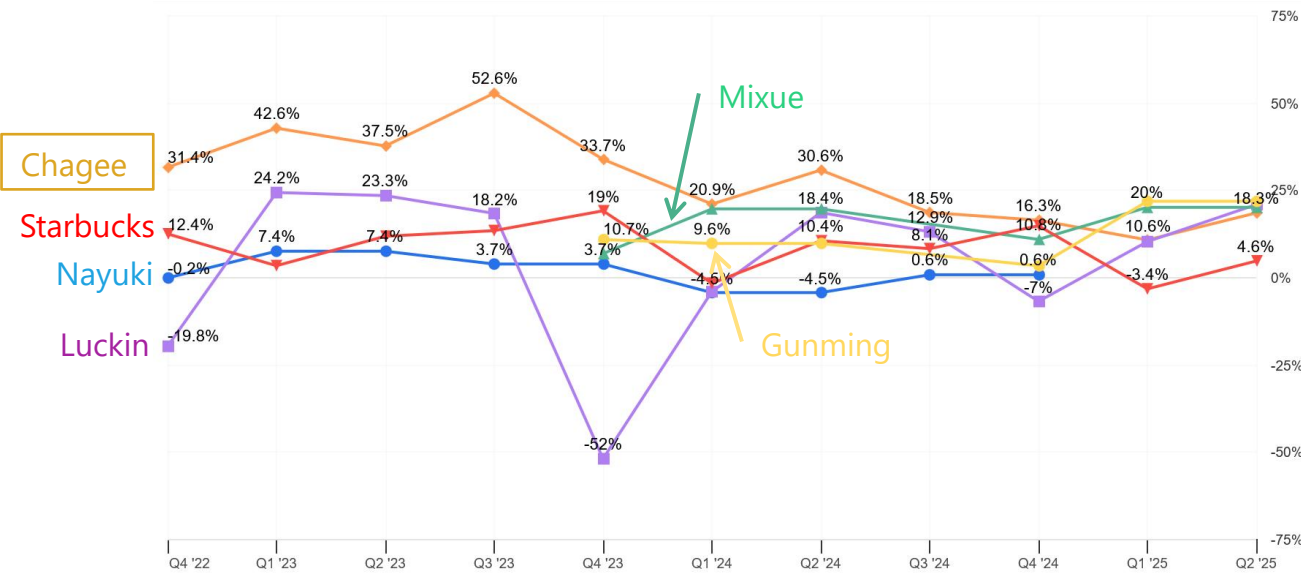


Source: Fiscal.ai, own interpretation

# Company Overview

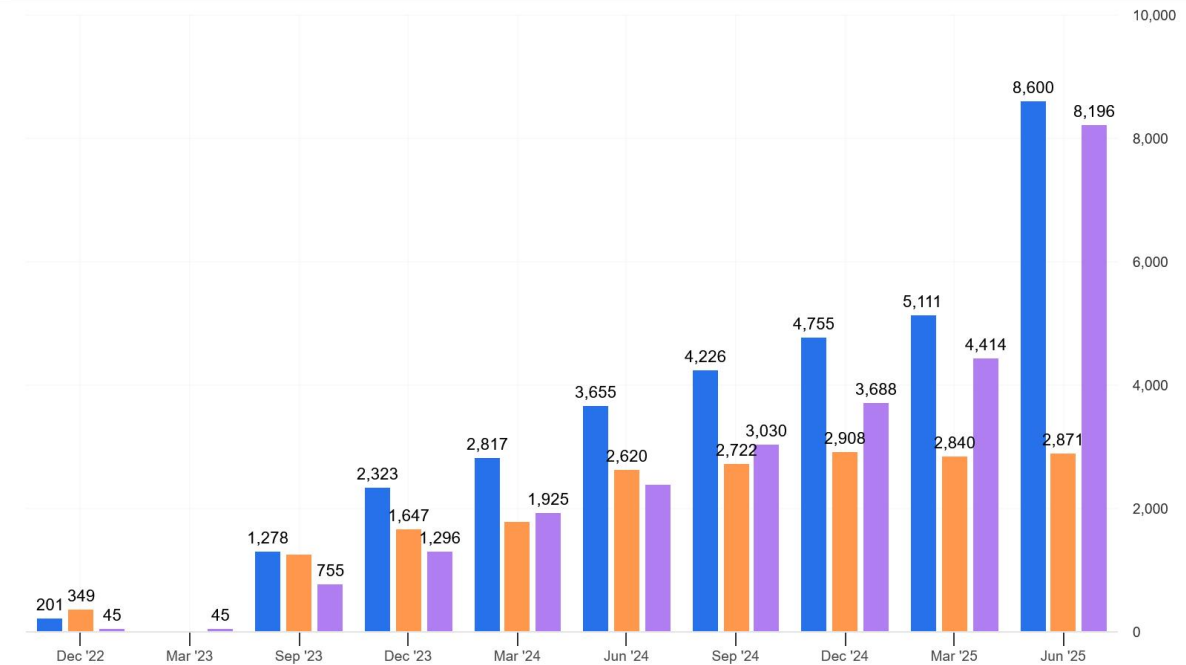
- Chagee has very **good cash position for global expansion**.
- Top-down growth model. From richest cities down to smaller ones.

FCF Margin



Source: Fiscal.ai, own interpretation

Cash, Total Liabilities and Total Equity (Millions RMB)



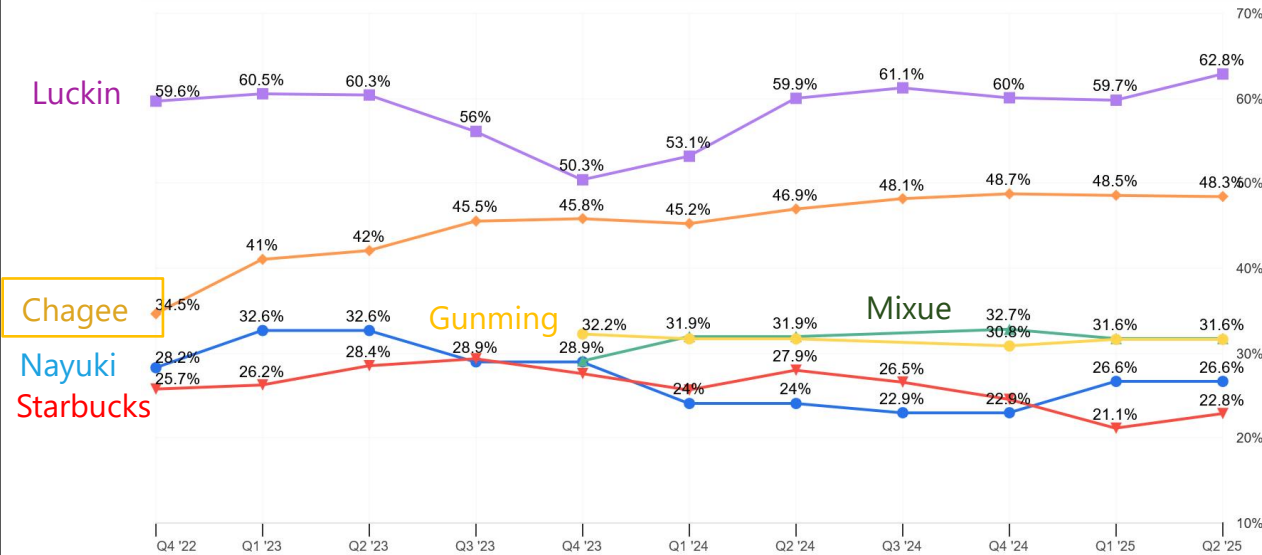
Source: Fiscal.ai, own interpretation



# Company Overview

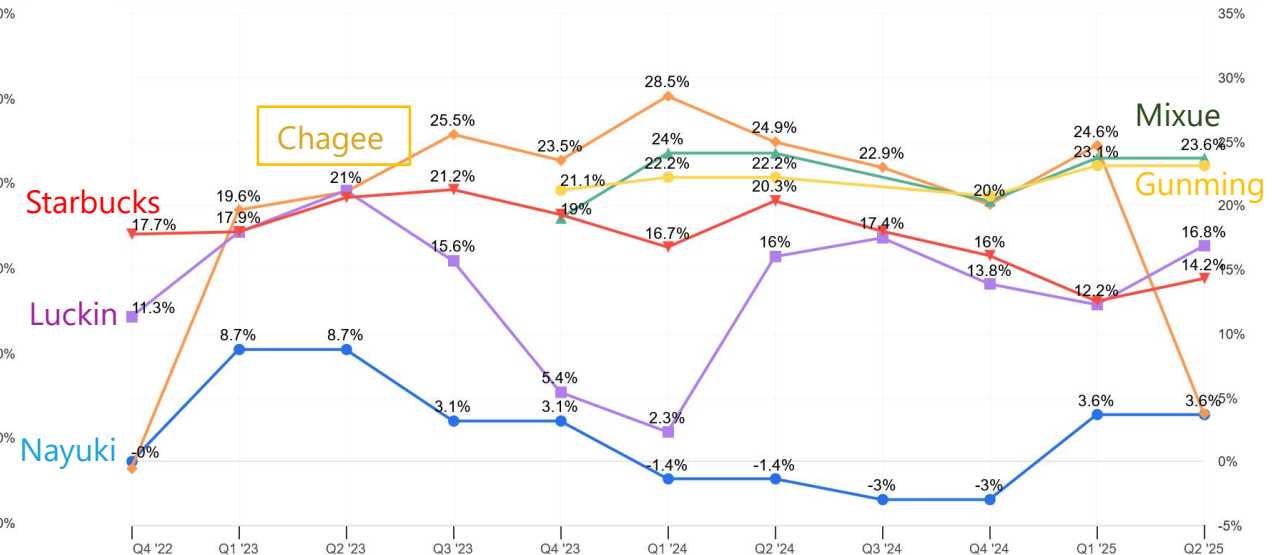
- Stellar margins only beat by Luckin Coffee due to majority Self-Owned stores and being favored by price war attracted budget consumer. In **Q2 EBITDA margin is lower due to costs of its recent IPO and talent hires for global expansion**

Gross margin



Source: Fiscal.ai, own interpretation

EBITDA margin



Source: Fiscal.ai, own interpretation



# Management

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- **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.

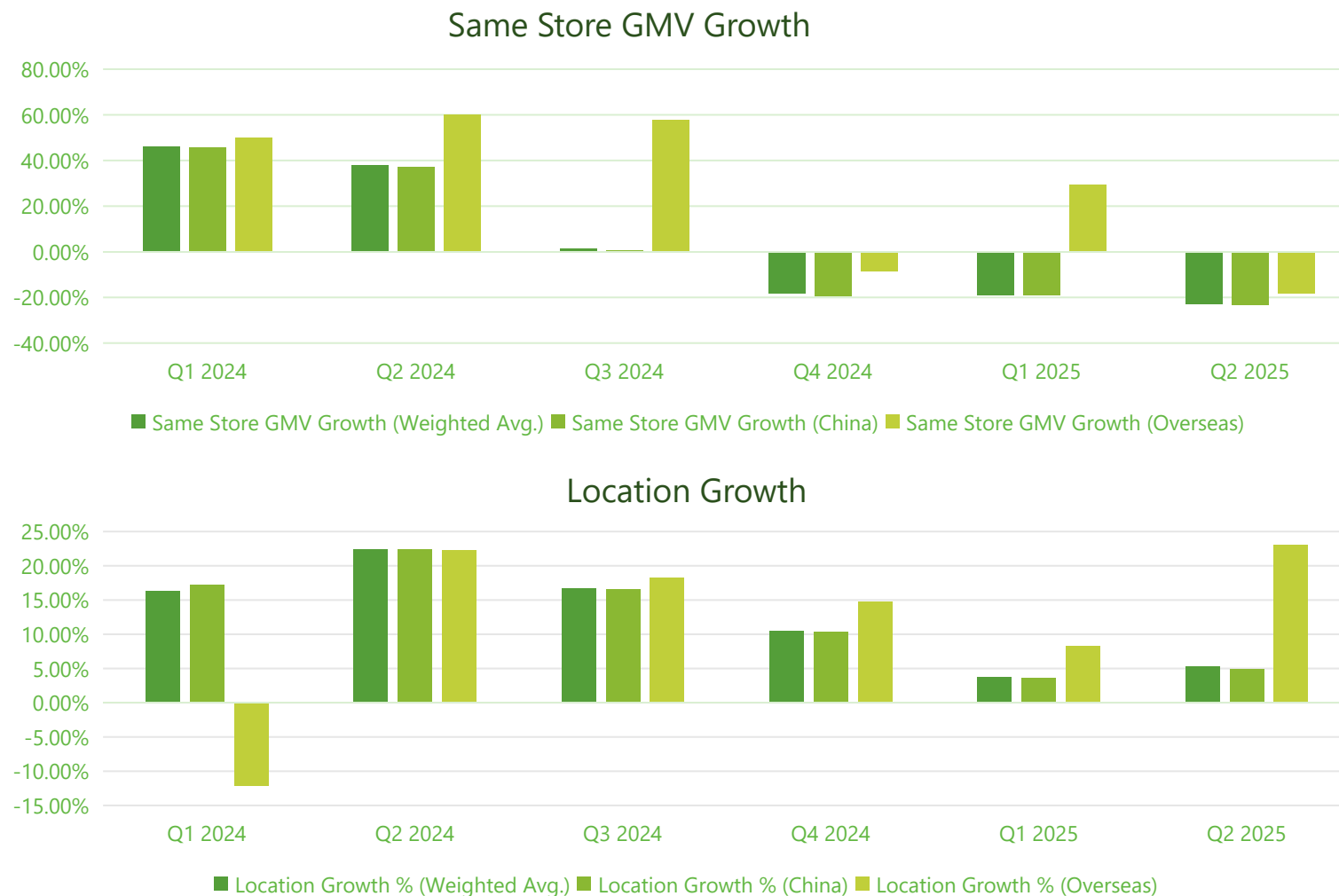


Figure 9: Chagee quarterly earnings; own interpretation

# 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.

- Figure 1: **CIC (2024)**. *GMV of China's freshly-made tea store market, breakdown by segment, 2018-2028E*. Available online: <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0212/11535838/sehk25011200063.pdf>
- 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>
- Fiscal.ai **(2025, Nov 7)**. *Chagee Holdings Limited. Financials.* [data]. Available online: <https://fiscal.ai/company/NasdaqGS-CHA/>





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