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JIUMAOJIU GROUP

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Tenebrist Global, LP

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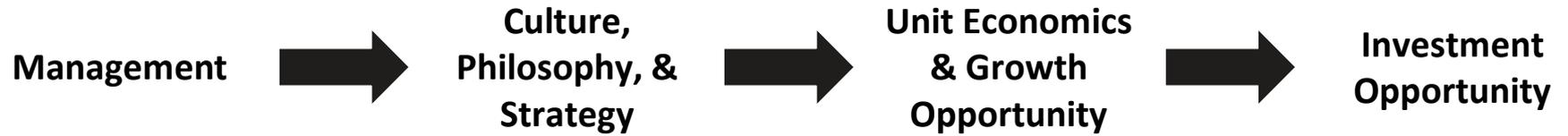
Founder, CIO - Tenebrist Global, LP (March 2020 - Present) - Hyperconcentrated, long/short, focused on innovative global hypergrowth businesses. +87% net since mid June 2020 Launch.



Head of Investment Research - ShawSpring Partners (2015-2020) - \$2B Concentrated Internet Fund. Led investments in Carvana (CVNA), Sea Limited (SE), Match Group (MTCH) and authored quarterly letters 2017-2019. 30%+ CAGR since inception.



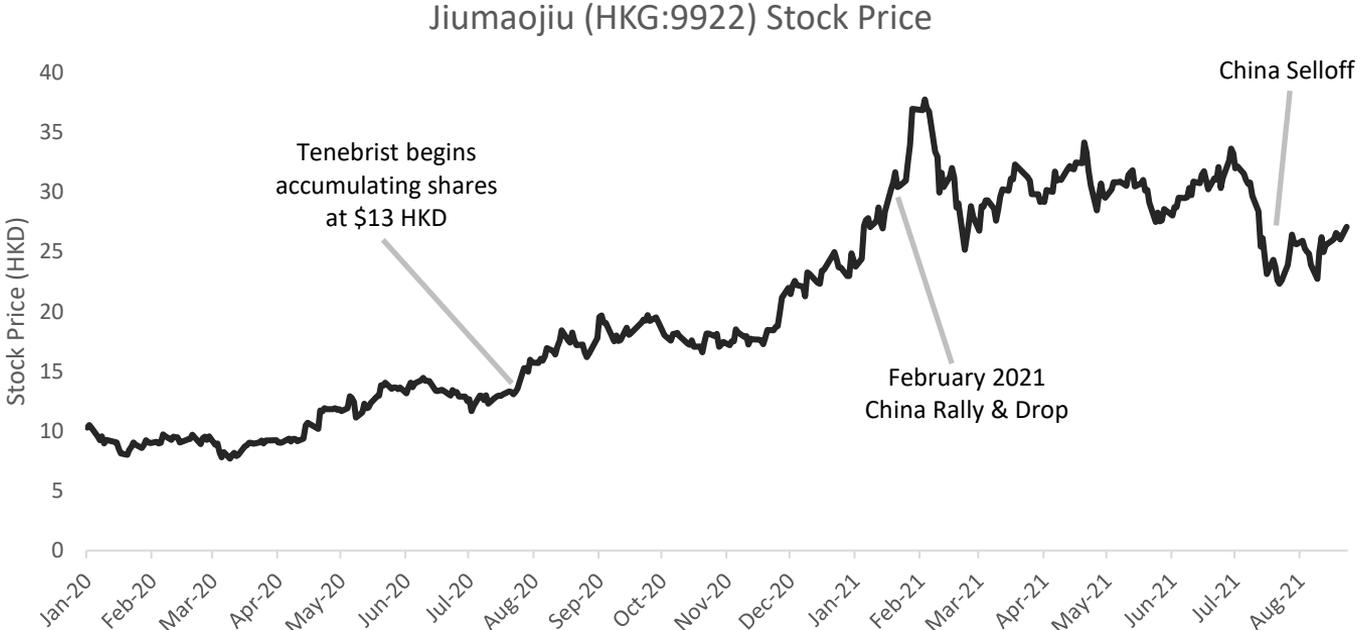
B.A. / M.A. - Boston University (2011-2015)



- **1995** - Founder Guan Yihong (right) starts first restaurant: “Shanxi Noodle House.”
- **2003** - Guan Yihong launches Jiumaojiu brand.
- **2015** - Jiumaojiu launches Tai Er concept
- **2017** - Jiumaojiu hits 100th store.
- **2019** - Tai Er hits 100th store.
- **2020** - Hong Kong IPO raises \$270m USD.



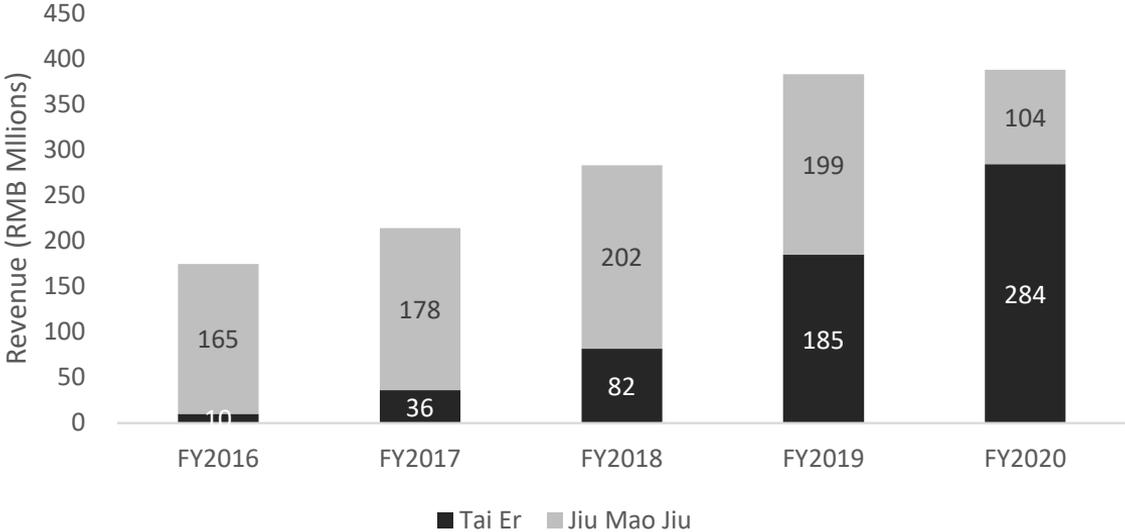
CFO Li Zhuoguang, and Founder Guan Yihong



- **Ownership & Alignment** - Guan Yihong owns 46% of JMJ, Store Managers own 15%.
- **McDonald's DNA** - Many former McDonalds employees bringing simplification, standardization, and customer knowledge to fuel expansion.
- **Innovation** - Company is always testing new brands like Song Hotpot and reviving underperforming concepts.
- **Young & Empowered** - Tai Er hires fresh college graduates for store manager positions. Rapid growth and internal hiring means rapid promotion and responsibility.



Revenue Breakdown



Tai Er: Rapid Growth Enabled by The Most Ridiculous Unit Economics in the Restaurant Industry.



太二

Chinese Sauerkraut Fish

老坛子酸菜鱼

- Very clean, contemporary aesthetics. Engraved wood, black/white imagery, waiters more brand ambassadors than waiters since customers order with QR codes.
- Millennial brand - Tai Er great at social media marketing and gathering customer feedback via social media channels like WeChat.



- Tai Er only provides limited SKUs to suit the fast-paced lifestyle of its young customers
- **Pickled / Sauerkraut Fish Soup (120 RMB)** - Bass, chiles, sauerkraut pickled cabbage.
- **Two Appetizers** - 25 RMB Each
- **Three Teas** - 15 RMB Each.
- **Rice** - 10 RMB
- **Total** - 225 RMB or \$34.



- **No Waiters or Chefs = Low Labor Costs** - QR code ordering means no need for dedicated waiters. Kitchen used to prep food not create from scratch because of central kitchens means no need for expensive, experienced chefs.
- **High Table Turnover** - These factors lead to quick ordering (5-10 mins) and quick preparation/serving (10 mins) so tables can be done in less than one hour.
- **Best in Class UE** - Tai Er has better table turnover, labor productivity, and thus unit economics than the China restaurant blue-chip stock Haidilao (HKG:6862).



- Tai Er has a simple menu with few ingredients that it can buy in bulk. It has created JVs with its suppliers to control price, quality, food safety, and quantity.
- Tai Er is vertically integrated into fresh bass farming (top right) and cabbage pickling (bottom right) and wants to launch JVs with rice and chile suppliers soon.
- Tai Er leverages central kitchens which consolidate and prepare ingredients for the restaurants. Sauerkraut fish is hard to prepare so its better done centrally.

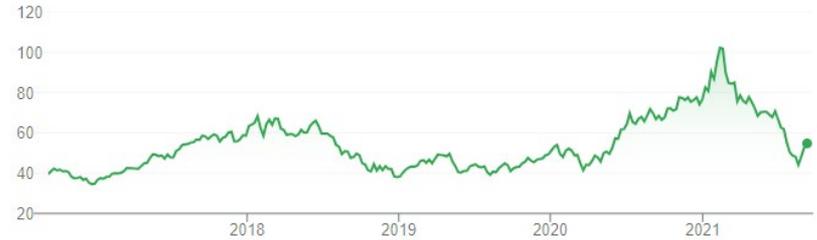


Tai Er Unit Economics	RMB	USD
Opening CapEx	2,250,000 RMB	\$335,000
Tables per Restaurant	33	
Table Turnover	5x	
Tables Served	165	
Customers per Table	3	
Customers per Day	500	
(x) Avg Ticket	75 RMB	\$11.25
(=) Revenue per Day	37,500 RMB	\$5,625
(x) 365 Days		
(=) Revenue per Year	13,687,500 RMB	\$2,053,125
(-) Food Costs	5,475,000 RMB	\$821,250
(=) Gross Profit	8,212,500 RMB	\$1,231,875
(-) Labor	2,000,000 RMB	\$300,000
(-) Rent & Utilities	1,700,000 RMB	\$255,000
(-) Taxes (25% rate)	1,125,000 RMB	\$170,000
Contribution Profits	3,387,500 RMB	\$506,875
Contribution Margin	25%	25%
Payback Period (Months)	7.9	7.9

- **Low Mall Penetration** - There are 13,000 malls in China & 3,000 are considered premium. We and management think the concept will work outside malls as well. Haidilao has 1,600 stores growing 70%, Tai Er has 350.
- **Menu Expansion** - Tai Er recently rolled out a second spicy beef entree. Additional pricier dishes will drive increased average tickets .
- **New Concepts** - JMJ is testing a hotpot restaurant concept which could be the next growth engine.



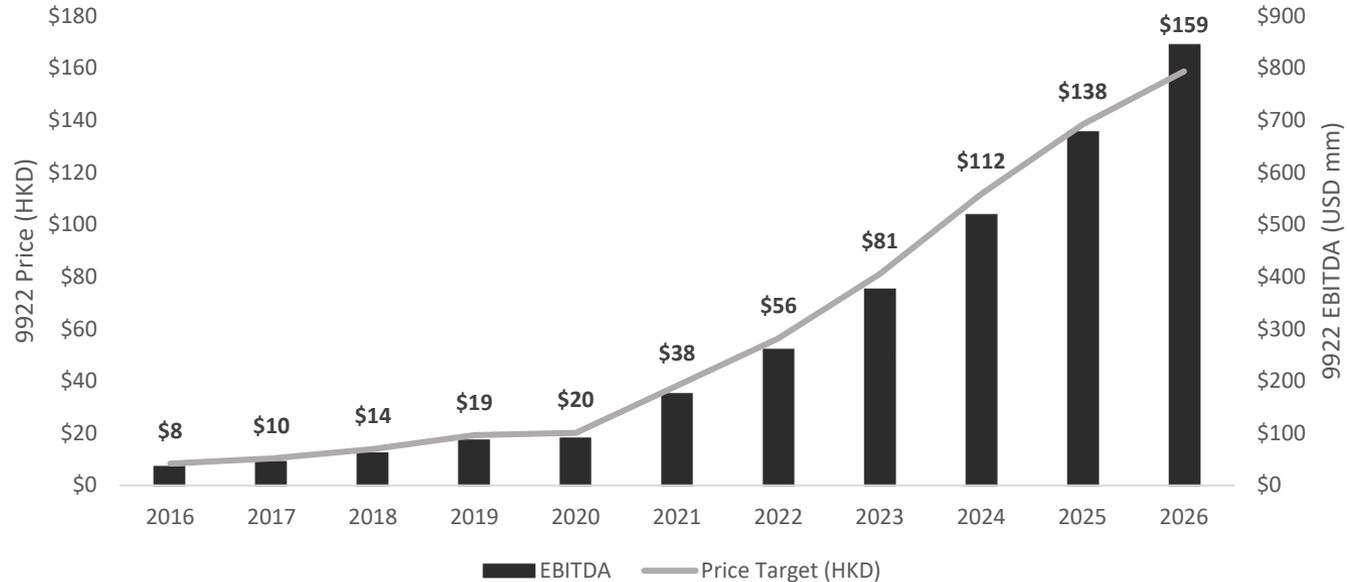
- **Broad China Selloff** - Our take is to invest in companies that are outside the CCP microscope like consumer discretionary (eg. Jiumaojiu). KWEB ETF to the right.
- **CV-19 Delta Variant** - Unpredictable, but ultimately not impactful long-term to the Business' prospects. 2020 was amazing opportunity to invest in 9922 and seems like the summer spike is dying down.



Jiumaojiu - Valuation

Valuation Comps		2021	2022	2023	CAGR
EBITDA	Jiumaojiu	\$179	\$263	\$379	46%
	Haidilao	\$1,057	\$1,638	\$2,109	41%
	Nayuki	\$124	\$168	\$238	39%
	Yum China	\$1,657	\$1,909	\$2,095	12%
	Wingstop	\$88	\$107	\$125	19%
	Domino's Pizza	\$905	\$985	\$1,084	9%
	Kura Sushi	\$5	\$9	\$14	67%
				Enterprise Value	
EV / EBITDA	Jiumaojiu	27.4x	18.6x	12.9x	\$4,900
	Haidilao	22.6x	14.6x	11.3x	\$23,850
	Nayuki	21.0x	15.5x	10.9x	\$2,600
	Yum China	13.4x	11.6x	10.6x	\$22,200
	Wingstop	64.8x	53.3x	45.6x	\$5,700
	Domino's Pizza	26.1x	24.0x	21.8x	\$23,600
	Kura Sushi	92.0x	51.1x	32.9x	\$460
Peer Group Average	38.2x	26.9x	20.9x		

Jiumaojiu (HKG:9922) Forecast



Q&A

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