

# HDL Earnings Call Transcript

**Date: 2025-11-26**

**Quarter: 3**

Operator: Dear investors and analysts, good afternoon. Thank you for attending Super Hi International's Q3 2025 Earnings Call. Today, the company's Executive present on the call are Ms. Yang Lijuan, Executive Director and CEO; and Ms. Qu Cong, CFO and Board Secretary. Today's conference call may include forward-looking statements such as the company's strategies, business plans and performance outlook. The content of this earnings call, along with management's comments and Q&A, reflects their views as of today. Please consult the latest safe harbor statement in the earnings press release, which is applicable to this call. This session was -- will be conducted in Chinese with simultaneous English translation provided by an external agency. If there is any discrepancy, the Chinese version shall take precedence. The presentation materials will be uploaded to the company's IR page for your review. Ms. Yang Lijuan, CEO and Executive Director of Super Hi International, please?

Lijuan Yang: Thank you. Dear investors and analysts, hello, everyone. I am Yang Lijuan, CEO and Executive Director of Super Hi International. Coming up, I will be highlighting the main development of Super Hi International's Q3 2025 performance. This year, thanks to our ongoing investment in customer and employee benefits and our strategy of prioritizing customer satisfaction, we are pleased to see significant progress in store management quality and restaurant operating results this quarter. Overall table turnover rate in Q3 was 3.9x and our same-store table turnover rate was 4x, both increasing by 0.1x compared to last year. Q3 revenue reached USD 214 million, a year-over-year increase of 7.8% and our Haidilao same-store revenue grew by 2.3%. As we continue to implement the customer and employee benefit policies and share benefit policy introduced in the first half of the year, we achieved an operating profit of USD 12.64 million this quarter, a decrease of USD 2.3 million or 15.4% compared to the same period last year. The operating profit margin was 5.9%, down 1.6 percentage points year-over-year. However, we were able to balance benefits for customers with operational improvement, adjusted some ineffective strategies and enhanced efficiency in areas such as product output and staff scheduling as a result. Our operating profit increased by USD 8.9 million or 240.5% compared to Q2. And also the OP profit margin rose by 4 percentage points from Q2, demonstrating significant quarter-over-quarter growth. Additional year-on-year gap in the third quarter has also been notably narrowed year-over-year. Let's review Q3's key initiatives. First of all, we focus on store operation. This quarter, we continued to reduce headquarters oversight of stores and eliminated performance ranking for individual tap. Our focus shifted to support, guidance and improved communication, allowing frontline stores and regional offices to better concentrate on the market customers and employees. During this process, our regional offices and stores actually generated many excellent service cases and management practices. At the same time, we have around 90 potential key personnel, building strong talent pool for our overseas management and development. Second, this quarter in creating a different Haidilao, we concentrated on the fresh cut scene or scenario. Fresh-cut meat is relatively fresh and new for overseas consumers and offers a better consumption upgrade experience. Currently, over 60% of our stores have launched these products and overall the take rate or the adoption rate has been increasing month by month and now surpassing 11%, which led to higher per table consumption. Overall feedback has been very positive. Additionally, some stores in Southeast Asia have completed the nightclub style theme renovation and compared to

stores in other regions, the table turnover rate during late night hours has increased more significantly. Moving forward, we will continue to expand the scenario aiming to provide customers with richer and more unique dining experience. Third, regarding the store network expansion, we opened 2 new Haidilao stores this quarter located in Malaysia and Indonesia. Also, we discontinued a Singapore Haidilao restaurant. Also we are going to adjust 1 store in Thailand to a secondary brand based on changes in the surrounding business district and customer base. As of the end of Q3, we operated a total of 126 Haidilao restaurants overseas with 10 new restaurants opened and 6 stores discontinued this year. We have signed contracts for more than 10 Haidilao stores that are not yet open. Given the ongoing construction and time line, we anticipating -- we are anticipating opening a few stores in the fourth quarter, which will result in a total of over 10 new stores opened this year. Fourth, under the Pomegranate plan, our second international brand is steadily advancing in Q3, our malatang brand, Hi Bowl launched in Canada and quickly became profitable at the store level. The next step, we're going to work on refining customer flow, products and operations, where we're exploring the strategy internally. Currently, we aim to use information technology and smart middle office system to support management, which will make it easier to expand and roll it out to different regions gradually avoiding over extension. Additionally, other opportunities in various sectors identified earlier are also underway. In November, we opened a Sparkora BBQ store in Indonesia and also an Izakaya in Japan, both showing consistent growth and ramping up through ongoing adjustments and innovations, we have gained greater confidence in tackling challenges in the global market. We will persist in our management philosophy of connecting interest and securing management, making necessary adjustments to incentive policies and fully leveraging the mentorship system to attract and retain employees from various countries. Additionally, we aim to pass on and develop Haidilao's culture and management practices. We will focus on advancing the Pomegranate plan and also implement the Woodpecker plan for stores that underperformed. Moreover, we'll actively adopt new technologies and integrate AI to boost organizational efficiency. That concludes my overview of the business performance this quarter. Now Ms. Qu Cong will present the financial performance.

Cong Qu: Thank you, Ms. Yang. Hi, everyone. I am the CFO of the company. My name is Qu Cong. Next, I'll introduce the Q3 financial performance. In Q3, the company generated a total of USD 214 million in revenue, a 7.8% increase from last year the same period. Haidilao restaurant operating revenue was USD 201 million, up 5.1% year-over-year due to ongoing business expansion, including a net addition of 5 Haidilao restaurants year-over-year. Additionally, increased customer traffic led to more table turnover rate year-over-year with our focus on takeaway business resulting, we saw increased multiple stores launching actually takeaway menu items, we are able to generate better results. Takeaway revenue reached USD 4.4 million, 69.2% rise from the previous year. Plus other business revenue stood at USD 8.9 million, 74.5% increase. Regarding costs and expenses, raw material costs totaled USD 71.2 million with a gross profit margin of 66.7%, down 0.3 percentage points year-over-year. Employee costs was USD 71 million, representing 33.2% of revenue, increase of 0.1 percentage points year-over-year. Since applying the discount strategy this year, these primary cost items have been optimized this quarter. Customer traffic driven by previous investment has continued to expand, continue to expand our revenue while ongoing management efficiency improvement during strategy implementation have helped. Compared to last year, our employee cost ratio remained similar. Efficiency gains and supply chain enhancement have partially offset the gross profit margin impact from customer discounts. Rent and related expenses reached USD 612 million (sic) [ USD 6.12 million ], 2.9% of revenue, up 0.2 percentage points year-over-year. Our depreciation and amortization totaled USD 21 million, about 10% of revenue, a decline of 0.3 percentage points last year -- from last year. Our utility expense were USD 778 million (sic) [ USD 7.8 million ], a 3.6% of revenue, a 0.2 percentage point decrease year-over-year. Operating expenses, including travel and other costs was USD 23.7 million, up 11.1%, an increase of 1.7 percentage points year-over-year. Among the operating expense mentioned earlier, we followed the same trend as last quarter. The other expenses showed the largest increase in revenue compared to last year. This includes customer -- sorry, higher outsourcing service fees, professional consulting fees and brand marketing costs in some countries. And the Pomegranate project and brand building resulting in higher expense year-over-year. The second largest increase was rental costs amounting for 2.9% of revenue. It was mainly due to company's increased number of

leased properties this year, including Haidilao and second brand stores under renovation as well as short-term warehouse leases. In the third quarter, the company's operating profit was USD 12.6 million, down USD 2.29 million from the same period last year. The operating profit margin was 5.9%, dropping 1.6 percentage points from 7.5% last year. This aligns with our expectations for the profit sharing strategy, but indicates room for improvement in our management during dynamic operations. In the third quarter, net profit after tax was USD 3.59 million, a sharp decline from USD 37.6 million last year. This was because of the exchange rate fluctuation of the Japanese yen, Singapore dollar and British pound against U.S. dollars, causing a foreign exchange loss of USD 5.8 million after we have -- revaluation compared to a gain of USD 25.8 million in the same period last year. Regarding the operating cash flow, Q3 was USD 34.1 million down USD 6.5 million from last year. It was because of the cyclical fluctuation in operating receivables affecting by holidays and weekends, the fact that operating profit was lower than last year's same period and also because of our profit-sharing scheme. Regarding restaurant key performance in the same -- in Q3, we serve approximately 8.1 million customers representing 9.5% rise year-over-year. Haidilao has a daily table turnover rate of 3.9 rounds, which is 0.1 rounds higher than last year, where average order value was USD 24.6 down USD 1.2 from USD 25.8 last year because of strategic adjustment in menu pricing and marketing. The average daily revenue per restaurant reached USD 18,000, a USD 300 increase from last year, driven by a higher number of diners per table. Our 4 regions show a slight improvement year-over-year. East Asia remained a top performer, serving 1.2 million customers, 50% increase from last year. This basically was 0.6 rounds in rise -- increase in the table turnover rate, reaching 4.9. And the average spending per person in East Asia was USD 28.9. The average daily revenue per restaurant was USD 20,300, 14.7% increase. North America, the table turnover rate was 4 rounds up by 0.1 from last year. The average transaction value decreased by \$4.4 compared to last year, but higher restaurant traffic and more customer per table resulting in a 2.8% increase in average daily revenue per restaurant, which was USD 22,100. Southeast Asia's table turnover rate was 3.7, increased by 0.1. It -- mainly due to increased investment in customer rewards and offering more cost-effective products. Other regions show a 3.7 round average table turn over rate. It was mainly because of new stores in the UAE that are still ramping up. Our same-store revenue grew by 2.7%. The average table turnover rate across 107 stores was up 4 rounds daily, an increase of 0.1 year-over-year. The average transaction value per customer -- average spending per customer decreased by \$1.1. Regional performance trends within the same stores basically aligned with the overall results that I mentioned before, so I will not repeat. That's all for our performance review. We're now ready for your questions. Please feel free to ask questions.

Operator: [Operator Instructions] The first question comes from Zeng Jun with Huatai Securities.

Jun Zeng: So my first question is that what are the strategic plans for operations and expansion in each region next year? What will be the focus and pace of operation in different regions? And the second question is I understand that business development takes time but how should we project profit margins? And what kind of metrics can indicate a tipping point or an inflection point before starting full-scale acceleration? That's all for my 2 questions.

Lijuan Yang: Thank you Zeng Jun from Huatai for your questions. Let me try to address your first question. Basically, different regions have distinct development strategies based on their unique environment and situations. As mentioned earlier, Southeast Asia and East Asia now shows strong overall growth. We aim to increase the local customer base by opening more high-quality stores. We also trust regional managers judgment to develop new business formats tailored to local preferences. For example, a Japanese Izakaya store has already opened in Japan and South Korea is planning to launch its own Korean BBQ restaurant as well. North America is a large market, especially in the U.S.. We focus on internal improvement, management enhancement and developing leadership talent. At the same time, we're actively expanding into the market. Many upcoming projects right now are in North America. So management and talent development are definitely a priority. Southeast Asia comprises many countries with very diverse conditions. Indonesia has experienced relatively stable growth. And we're applying a similar strategy to East Asia by expanding new stores and exploring new business models. On the other hand, Thailand needs to improve its management, focusing on internal development, including product quality, service and customer experience. Internationally, each country

has a unique condition that require us to adapt. We emphasize customer and employee focus while embracing technological advancement and AI to gradually strengthen our mid- platform or middle office kind of management, easing the pressure on frontline staff. That's the first part of your question. And the second question is that first of all, we do not set short-term profit target for each store. I think relying on numerical goals for operation can lead to deviations and potentially harm customers and employees, outcomes that we aim to avoid. So instead, we prioritize the efforts of managers at each country and store level along with the health of their management practices. Our evaluation criteria are multilevel and multifaceted taking into account customer satisfaction, employee efforts and reasonableness of store performance figures. Sometimes this requires offering discounts, other times, focusing on internal enhancement and ultimately, good table turn over and profit margins will follow naturally. All of our store openings, whether under the Haidilao brand or Pomegranate Project are driven from bottom up. We don't rush the process. We emphasize the quality of each store we launch. I hope I answered your question.

Operator: The next question comes from [indiscernible].

Lijuan Yang: All right. Thank you for the 2 questions. The first question is about the profit forecast for 2025 full year and the coming 3 years. In 2025, the company total revenue reached USD 610 million with an operating profit of \$24.45 million resulting in an operating profit margin of 4% from January to September. And Q3 is typically the peak season. Usually, the operating margin will be slightly higher, but we are waiting for the end of the year before we can announce the official figures. As of the operating profit margin over the next 2 years, this involves projections and it's very difficult to project. Nonetheless, the company will continue efforts to enhance store management, open high-quality new stores and also explore initiatives -- innovative business models for our Pomegranate initiatives. Regarding localization, I think we have been increasing the localization rate. I mean -- but the different regions, things are different. For example -- internally, we have done the calculation, for example, in Asia and South Korea, Indonesia and Vietnam have a localization rate above 90%, while in North America, the United States, Canada and U.K. the rates are around 40% to 50%. Other countries are in between, but Singapore is a unique case because it's dominant kind of ethnicity is Chinese immigrants, making it very hard to define what local means. So that's basically an overview of the localization rates.

Operator: The next question comes from Lai Shengwei with CICC.

Lijuan Yang: All right. Thank you for the 2 questions. Mr. Lai. So regarding the plans for store inventory and also future store opening strategies, 10 Haidilao hot pot restaurants have already been opened this year with a few more expected to open in Q4. Currently nearly 20 projects in the pipeline are underway, including those that we have signed and also are about to be signed. However, due to varying property handover time and overseas construction periods, especially for longer time lines in Europe and in the United States, there will be an inevitable kind of cycle before opening. The company's overall store opening principle remains bottomed out prioritizing the quality of new locations over space. And as we mentioned, we have done some adjustment according to the Woodpecker initiatives. We will continue to monitor the store performance for timely adjustment. And the second question is basically about the current status of overseas employee satisfaction and turnover rate and how store manager performance ratings distributed over time. This year, initiatives to cut employee costs and improve employee care across different regions have shown positive outcomes. The average monthly employee turnover rate has actually dropped by 1 percentage point from same period last year, which was usually above 8%. The latest Q3 figure was just over 7%. Store performance has also seen improvement with a greater number of stores earning A ranking or A ratings or B ratings in management reviews. Going forward, our focus will remain on the 2 areas of retaining customers and developing employees. That's all for my answer.

Operator: The next question will come from [indiscernible] with [ Founder Securities ].

Unknown Analyst: So what has been the trend of table turnover rate since Q4? What are the expectations for store performance during the upcoming peak season? Also are there any further plans or construction projects regarding overseas supply chain? And how are the new overseas brands progressing? Are there any operational data that you can share? Are there any differences in the synergy between the new overseas brands and Haidilao compared to the domestic ones or landscape besides incubating brands to yourself, are you considering acquiring promising projects?

Lijuan Yang: Thank you for the 3 questions. The first one is about the Q4 table turnover rate forecast. Q4 is typically the usual peak season for hot pots. Based on the current situation, the demand for gatherings on both weekdays and holidays have significantly increased compared to Q3 and also year-over-year. So we can see that, as we mentioned, our profitability or margin was about 4% from Q1 to Q3 and Q4 should usually would be higher than that, but we will wait for the official figures to become available to disclose. The second question is about construction projects or plans for supply chain building. There are currently no plans for large-scale investment in building new supply chains. We will continue to promote localized procurement of raw materials, enrich and optimize our cooperation channels or partnership with importers in various countries and establish small localized R&D; labs based on business needs. But we're not going to invest heavily in asset-light factories. And the last question is about new overseas or international brands. As was mentioned, we launched our Hi Bowl malatang in Canada in Q3. In November, we also opened Sparkora BBQ in Indonesia and Vietnam, along with an Izakaya Japanese pub in Japan, all are in very stable kind of growth phase with malatang already profitable. Regarding other brands, we are evaluating our current management capacity and aim to empower stores through an information and also smart platform, making it easier to manage and replicate the business across regions, we will proceed cautiously rather than rationally. The synergy between the second brands and Haidilao stores involve sourcing sharing such as property negotiations and also procurement because of our economy of scale. And also management efficiency can be achieved and improved through proximity. However, new brands target different customer groups and has different products and positioning. It requires managers with innovation and strategic thinking. Therefore, we're not going to adopt a dual management model blindly. Also, you talked about potential M&A.; Apart from developing our business organically, we are also open to external partnership. Currently though, we have no specific targets or plans. We welcome suggestions of any promising opportunities that you may know of.

Operator: The next question comes from [indiscernible].

Unknown Analyst: Since the beginning of this year, we have been offering discounts to customers such as more reasonable pricing, more affordable portions and more diverse dining options. In some areas, the average order value has decreased year-over-year. Could you provide further forecast in trends regarding average order value and also menu pricing? How does management balance this discount strategy with long-term profitability. And my next question is that how can effectiveness of employee incentive plans be quantified and evaluated? Is there any data showing a correlation with performance?

Lijuan Yang: Thank you so much for the question. The first one is about our menu pricing and also discounts to customers. This year, we did optimize our pricing and portion sizes in some markets. So make more consumable -- consumers feel like they're getting good value for money. In the short term, the average transaction or the average value per table decreased slightly in some regions, but table turnover rate remained stable with slight increase. In the long term, we focus more on the overall operational quality rather than a single metric. The core of our profit sharing strategy is to improve customer satisfaction and repeat business, which ultimately lays the foundation for long-term profitability. So the long-term profit will come from our efficiency of management, of our customer and also employee and also the waste control, et cetera. The second question is about to quantify and evaluate the effectiveness of employee incentive plans. It's actually difficult to directly quantify and link employee incentives to operational metrics such as table turnover rate and profit. However, in terms of management, improving employee salaries and benefits and implementing more reasonable incentive schemes will enhance team morale and also our color coding management system, which will, in turn, improve the customer experience. With the implementation of this year's profit sharing measures, the overall table turnover rate and same-store table turnover rate both increased year-over-year in Q3. The profit margin also rebounded compared to Q2, which was in line with the company's expectation. As was mentioned by one of the previous questions, our churn rate of employee actually reduced by 1 percentage point, which was really rare in the industry. And that says a lot about our effectiveness of the employee. So that's my answer for your second question.

Operator: [Operator Instructions] The next question comes from [ Wei Jaba ] with Citic.

Unknown Analyst: My question are as below. What are the reasons for the changes in average order

value? And how do you predict future trends to be? And also besides Singapore, Vietnam and Malaysia, both have a relatively large number of stores in the Southeast Asian market. What effective measures have been taken? What are your views on future store expansion potential?

Lijuan Yang: Thank you so much for your questions. Let me address your second question first. Actually, the number of stores across different countries and regions depend on different factors, including local customers eating habits, acceptance of hot pot population, consumption levels, economic development, et cetera. It also is closely linked to our management, our branding, brand awareness in the region. In the countries that you mentioned, we enter early, established our brands for a long time, and hot pot is generally more accepted. That's why we have more stores, more present and we will keep exploring lower tier cities in these countries and regions, but only after thorough research, site selection and market preparation our approach will be steady and solid and deliberate to ensure the opening of high-quality stores.

Operator: Thank you all for your questions. This is the end of today's earnings call. Thank you so much for your participation. See you next time. [Statements in English on this transcript were spoken by an interpreter present on the live call.]