

February 18, 2026

TH INTERNATIONAL LIMITED

(NasdaqCM: THCH)

TH International Ltd. (Tims China) is the parent company of the exclusive master franchisee of Tim Hortons coffee shops for Restaurant Brands International Inc. (RBI) in mainland China, Hong Kong, and Macau. Tims China offers freshly brewed coffee, tea, and other beverages; freshly baked goods; and meals and sides. The company launched its first coffee shop in China in February 2019 and has grown to more than 1,000 stores. The company utilizes an operating model that includes company-owned stores and franchise-operated locations.

COMPANY HIGHLIGHTS

- * **Poised to Accelerate Net Location Growth:** As of September 2025, there were 1,030 Tims China locations across 91 cities in China. Over the past few years, Tims China has been pruning underperforming company-owned stores, consistent with its long-term planning, and recently cited more than 8,400 subfranchise applications. While we expect store growth in 2025 to have been modest compared with previous years, we expect this rate to accelerate in 2026 and see much of future new store growth coming from subfranchises under the “asset light” operating model, with many of these in high-traffic special channels, including high-speed railway stations, airports, highway rest areas, and hospitals. Tims China expects to open around 150-200 new locations annually over the next few years, and we think this figure could accelerate over time.
- * **Differentiated Product Offering:** We think that Tims China is well positioned to fill the role of a differentiated player in the market by providing strong value for the money compared with premium players, while offering a locally adapted, freshly prepared food menu. In recent years, Tims China has launched around 100 new products annually, nearly evenly split between food and beverages. We view favorably its expansion of food orders to more than 50% of transactions and note that food comprised 36.5% of total revenues in 3Q25. New products and strategic initiatives,

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KEY STATISTICS

Key Stock Statistics

Recent price (2/17/26)	\$1.75
Fair Value Estimate	\$3.50
52 week high/low	\$3.50/\$1.70
Shares outstanding (M)	32.5
Market cap (\$)	\$56.9
Dividend	NA
Yield	NA

Sector Overview

Sector	Consumer Discretionary
Sector % of S&P 500	10.4%

Financials (as of 9/30/25, RMB)

Cash & Mkt Securities (M)	159.3
Debt (M)	1,357.0
Working Capital (M)	-1,220.0
Current Ratio	0.25
Total Debt/Equity (%)	NM
Payout ratio	NA
Revenue (M, TTM)	1,340.4
Net Income (M)	NM
Net Margin (%)	NM

Risk

Beta	0.55
Inst. ownership	73%

Valuation

P/E forward EPS	NA
Price/Sales (TTM)	0.3
Price/Book (TTM)	NM

Top Holders

Cartesian Capital Group LLC
Tencent Holdings Limited
HongShan

Management

Chairman	Mr. Peter Yu
CEO	Mr. Yongchen Lu
CFO	Mr. Dong Li
Company website	https://ir.timschina.com

PRICE CHART



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including celebrity partnerships, supported a return to positive same-store-sales growth for company-owned stores in 3Q25.

- * **Investment Phase Largely Completed:** THCH has completed much of its investment toward building an infrastructure, including a scalable supply chain and technology system that can support the target footprint in an efficient and economically optimized manner. As of September 30, 2025, the company had renovated more than 700 stores to a made-to-order format, allowing guests to see their fresh food being prepared in open kitchens. In our view, Tims China is managing variable costs across multiple categories, which led to the achievement of positive corporate-level positive EBITDA in two quarters of 2024. We expect positive corporate-level EBITDA in 2026.
- * **Loyalty Program’s Continuing Strong Growth:** As of September 30, 2025, Tims China had 27.9 million registered loyalty club members. This program has been growing by 20%-30% annually. Given that loyalty club members are more likely to be repeat customers, we see this growth having a “multiplier effect” for future revenue growth. Thus, we see room for additional growth among its registered customer base as the company continues to scale its operations.
- * **Balance Sheet:** As of September 30, 2025, THCH had RMB159.3 million (\$22.4 million) in cash and deposits, compared with RMB184.2 million as of December 31, 2024. Net debt was RMB1.198 billion (around \$168 million). Subsequently, THCH issued \$89.9 million in senior secured convertible notes (due September 2029), which enabled the repurchase of approximately \$69.6 million in notes that were due in 2026 and also extended the maturity date on notes due in 2027 to September 2029. The company has received financing support from its controlling shareholder, Cartesian Capital Group LLC, and its brand owner, Restaurant Brands International, underscoring their strategic focus in China, the world’s largest market outside of North America.
- * **Fair Value:** Based on our enterprise value (EV)/revenue analysis, we see a fair value of \$3.50 per share.

COMPANY/INDUSTRY BACKGROUND

THCH is the parent company of the master franchisee and licensed operator of Tim Hortons coffee shops, one of the largest coffee and tea restaurant chains in the world, in mainland China, Hong Kong, and Macau. The company opened its first coffee shop in February 2019 and had 1,030 total stores in 91 cities as of September 2025, consisting of company-owned and -operated and franchised Tims China stores. We see THCH as well positioned for growth, as the only international coffee brand that can offer subfranchising opportunities to individuals in China.

Over the past few years, the company has pruned underperforming company-owned stores while opening most of its new locations under its franchise model. These actions have moderated total store growth (eight net store openings in 2025 through 3Q). We expect expansion to accelerate in 2026, noting that THCH expects to open between 150-200 locations annually over the next few years. In 2024, the company added 120 net locations. As a result, the percentage of company-operated stores declined to 56.4% as of December 31, 2024, compared with 68.6% at the end of 2023. For the third quarter ended September 30, 2025, that figure declined further, to 53.5%.

The company has cited more than 8,400 applications received as of 3Q25, which we see suggesting robust demand among potential subfranchisees. We expect expansion of the footprint to feature locations smaller in format and with open kitchens. We also expect Tims China to focus on the densification of established areas while continuing to enter new cities across China.

THCH has partnered with leading franchise groups in the convenience store and real estate sectors. In our view, partnering with well-established and vetted groups can lower its execution risk and promote location success. We expect many new store locations in high-traffic locations and special channels, including high-speed railway stations, airports, highway rest areas, and hospitals, all of which will utilize its supply chain, technology systems, and menu boards and benefit from lower labor burdens. As of September 2025, Tims China estimated having more than 60 stores in those channels.

We view the subfranchise strategy favorably, given the limited capital investment required and the enhanced profitability due to the scalability and higher margin of the franchising model. We see favorable economics for small-format stores, with capital expenditures of approximately RMB450,000-RMB500,000 (around \$63,000-\$70,000), store contribution margins in the mid-high teens, and a payback period around two years supporting subfranchisee interest.

In our view, underpinning the opportunity for THCH is a market that is undergoing a generational shift in consumer preferences to coffee drinking from what was historically only a tea-drinking culture. According to the International Coffee Organization, China’s coffee consumption has grown at a compound annual growth rate of 21% since 2010-11, which compares favorably to the average annual growth rate for the world of 1.8%. In its “China Coffee Industry Report 2024,” the World Federation of Chinese Catering Industry cited coffee consumption in China that has more than doubled (167% growth) over the past decade, with demand outpacing domestic supply, spurring 20% growth in coffee imports in 2023.

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PEER COMPARISON

Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt. Cap (\$MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1-yr EPS Growth (%)	P/E Ratio	Beta	Yield (%)
TH INTERNATIONAL LTD	NASDAQ: THCH	1.75	3.50	1.70	57	-44	NM	NM	NM	0.55	NA
STARBUCKS CORP	NASDAQ: SBUX	95.39	117.46	75.50	108678	-13	3	NM	58.5	0.94	2.6
LUCKIN COFFEE INC	OTCPK: LKNCY	37.96	43.64	23.18	10773	26	38	3	28.5	-0.35	NA

Despite this growth, we see the market as still being in its early stages of development and offering white space for future growth. We are encouraged by initiatives of the Chinese government to support this expanding development. In October 2022, coffee cultivation and production were included in the government's Catalogue of Encouraged Industries for Foreign Investment. Starbucks Corp. entered the Chinese market in 1999 and had around 6,500 locations in China as of 3Q-2025, mostly in larger formats.

As of September 2025, Starbucks had more than 8,000 locations in China. Over the past decade, Luckin Coffee Inc. has surpassed Starbucks, citing more than 29,000 stores in its 3Q25 earnings report. Cotti Coffee currently has close to 15,000 locations, as it executes on an aggressive franchisee-driven expansion strategy.

Since 2024, however, the industry has seen pricing pressures, as the local players, including Luckin and Cotti, have sacrificed margin for revenue and unit growth expansion. We expect this pricing trend to be transient in nature, given the impact on corporate profitability, but see potential for this to accelerate the overall customer expansion of the category.

Under this scenario, we see Tims China's product differentiation — driven by a higher level of orders including food items compared with its peers, while Starbucks has signaled simplifying their menus — to drive customer adoption and market share growth. Despite the pricing challenges in the market, we note that Tims China returned to system sales growth in 2Q25 and achieved same-store-sales growth for company-owned stores in 3Q, which we see signaling an easing of this overhang.

In our view, the pricing environment for the industry has compounded general weakness in China's macroeconomy, which has been increasingly volatile since the COVID-19 pandemic and has led to a period of deflation amid soft consumer spending and housing market weakness.

We are encouraged by recent stimulus efforts by the Chinese government supporting expanding consumption and boosting growth through enhancing demand, rather than through reducing oversupply in many sectors. In March 2025, a government stimulus policy was introduced that was positively received by economists and that we think has improved the consumer sector's market outlook and investor sentiment. We think such actions could help to normalize coffee market trends and provide a longer-term tailwind to Tims China's growth strategy.

In June 2024, Tims China sold its Popeyes restaurant business to RBI, which had licensed the brand in China in early 2023. Since opening its first store in August 2023, THCH had opened 14 locations. Despite our positive long-term demand outlook for the Popeyes brand in China, we see the decision to divest as financially prudent, given signals of increased competition in the local market and the company's prioritization on driving profitability in the core Tims China business.

INVESTMENT THESIS

We think that Tims China is well positioned to fill the role of a differentiated player in the market by providing strong value for the money compared with premium players, while offering a locally adapted, freshly prepared food menu.

We view positively that THCH's supply chain focuses on sourcing fresh ingredients from local suppliers that have a Global Food Safety Initiative certificate, a widely recognized food safety standard. In addition, we think that the near-shore and local sourcing of its coffee beans should support stability in its supply chain (where coffee beans are the only category still imported from outside China), as well as its ability to more effectively contain operating costs, including food and packaging (an expense line item that totals approximately 30% of its revenues). In 2024 and the first nine months of 2025, food and packaging costs as a percentage of revenues from company-owned and -operated stores declined by 3.5 percentage points and 1.1 percentage points, respectively, compared with the prior-year periods.

In our view, the company has completed much of its investment toward building an infrastructure that can support the current and future footprint, including a scalable supply chain and technology system that can support the target footprint in an efficient and economically optimized manner.

The Tims China brand was established primarily through the opening of a base of larger-scale company-owned stores and the building out of a scalable infrastructure that could accommodate additional store growth and brand additions over time. However, as mentioned earlier, Tims China has been pruning underperforming stores, amid higher operating cost burdens and declining profitability fundamentals, which we attribute to the impacts of China's economic slowdown after a period of overexpansion. We estimate that a majority of closed locations were in large commercial complexes, including in department stores and within residential or office buildings.

We expect that THCH will announce that it substantially completed this effort by the end of 2025, having closed more than 150 of its lowest-performing company-owned stores since 4Q23 (most recently a total of 38 for 2025). Moving forward, we expect most of the remaining stores to be profitable, which should support improving operating margins and EBITDA profitability.

We see THCH benefiting from investments in developing locally relevant and product-tested menus, which we believe have been key for Western brands to achieve success in China. These menus focus on innovation. In recent years, THCH has introduced approximately 100 new products annually, nearly evenly split between food and beverage categories. In our view, its Coffee Plus Fresh Food strategy represents a differentiation to its peers and helps it to mitigate pricing pressures across the category. In 3Q25, food revenues increased 24.2%, and food as a percentage of sales reached a historical high of 36.5%, up 5 percentage points, over the same period in 2024. More than 50% of transactions have contained a food item since late 2023. We see this supporting Tims China's goal to increase average revenue per transaction.

In our view, freshly prepared food on the menu represents another area of differentiation compared with peers. To that end, we are encouraged by recently completed renovations of more than 700 locations that enable customers to see their made-to-order, fresh food being prepared in open kitchens. We also see the variety of store formats enabling smaller locations with varied food and seating options, in contrast to chains such as Starbucks, which is largely concentrated in larger store footprints.

Recent new offerings have included low-sugar, high-fiber, and plant-based options, focused on healthy and fresh products, retained nutrition, and flavor. Tims China also launched bagel options with fewer than 400 calories, as well as beverage offerings with “Five Zeros”—containing no nondairy creamers, coffee whiteners, hydrogenated vegetable oils, trans fats, or instant tea powders. The company has also introduced seasonal beverages for both the coffee and noncoffee categories, to directly compete for tea drinkers’ wallet share, aimed at capturing incremental share among targeted younger consumers.

Tims China has also leveraged the use of mobile and digital technologies to support its growth. Since 2020, digital ordering has increased from 64% to 91% of all transactions, as of September 30, 2025, including delivery and mobile ordering for self-pickup, partly attributable to the subsidies war among delivery aggregators including Meituan, Alibaba Group Holding Ltd.’s Taobao Shangou, and JD.com Inc.’s JD Takeaway. We expect the company to develop new pricing structures to control costs amid increasing demand for delivery and takeaway services. Delivery costs were 13% of revenues in 3Q25, up from 10% in 2024.

The company has leveraged its strong information technology and customer relationship management capabilities, which are prominently featured across the digital ecosystem, to facilitate this trend for increased digital ordering and marketing on vertical service platforms, including Taobao Shangou and Tmall, and social media platforms, including WeChat, Weibo, Weixin, Xiaohongshu, and TikTok.

The company has utilized key influencers and cultural icons to elevate brand awareness and drive engagement by targeted promotions to encourage repeat visits on marketing campaigns around the September Tims Bagel Festival. Over the past two years, Tims China has partnered with panda Meng Lan and Gen Z celebrity Lars Huang, respectively, which generated millions of media exposures. In September 2025, the annual Bagel Festival saw double-digit same-store sales growth (and positive same-store sales growth for the full quarter as well), significantly outperforming the broader market.

As of September 30, 2025, Tims China had 27.9 million registered loyalty club members. This program has been growing by 20%-30% annually over the past few years. This compares with just 2 million loyalty club members at the end of 2020. Additionally, overall monthly average transacting customers reached 3.85 million in 3Q25, a 16.7% increase from the same period in 2024. Given that loyalty club members are more likely to be repeat customers, we see this growth having a “multiplier effect” for future revenue growth. We see room for additional growth among its registered customer base as the company continues to scale its operations.

In addition, the company recently introduced a Chibaobao Card, which allows guests to purchase food and drink combos at a 40% discount for a one-time fee, which we see enhancing near-term revenues and cash flows. Since its launch in late 2023, through September 30, 2025, the company had sold approximately 1.5 million of these cards, providing incremental revenues of approximately \$10 million.

Lastly, we view positively THCH’s commitment to global corporate sustainability under its Tims for Good platform. The

company promotes responsible sourcing through its Coffee for Communities program, which provides direct training and support to coffee farmers. It has also opened a Green Innovation Lab Store in Shenzhen, centered around the concept of coffee-grounds recycling, using composite boards made from coffee grounds and straw fibers throughout its seating, wall décor, condiment stations, and booth areas.

In December 2025, Tims China launched an innovative ecofriendly straw codeveloped with Tencent Holdings Ltd.’s CarbonXmade program under a carbon capture utilization technology, which captures industrial carbon dioxide emissions and converts them into polypropylene carbonate polyols and ultimately into a biodegradable material that meets Chinese regulatory requirements. The product has been introduced in stores across Beijing, Shanghai, and Shenzhen. Previously, Tims China has launched initiatives including “Bring Your Own Cup — Save RMB 8” to limit the use of disposable materials.

RECENT DEVELOPMENTS

Tims China shares trade on the Nasdaq Capital Market under the symbol “THCH”. In 2025, the shares declined by 30%, compared with a 17% increase for the S&P 500.

In December 2025, THCH reported 3Q25 results, which saw a 0.4% decline in total revenues to RMB358 million (\$50.3 million) but a 12.8% increase in system sales, 3.3% same store sales growth among company owned stores, and net new store openings of 15, after several quarters of net closures. Revenues from its franchise and retail business increased by 25%, year over year, while profits from this business increased 58.2%. Net loss per share was RMB2.24 (\$0.31), compared with RMB2.75 (\$0.38) in the same period in 2024.

In December 2025, Tims China announced the launch of an innovative ecofriendly straw developed together with Tencent’s CarbonXmade program. The product has been introduced in stores across Beijing, Shanghai, and Shenzhen.

In October 2025, Tims China entered into a definitive agreement for the issuance of \$89.9 million in senior secured convertible notes due in 2029. The company used the proceeds to repurchase the entire debt that was coming due in 2026. Additionally, THCH announced amendments to existing 2024 unsecured convertible notes, moving their maturity to 2029 from 2027. The transaction was closed in December 2025.

In May 2025, THCH announced that Tims China has been included in the 2025 China Restaurant Franchise Brand Top 100 list by the China Chain-Store & Franchise Association and was cited for excellence in franchise system development, operational management, and sustainable growth.

EARNINGS & GROWTH ANALYSIS

We forecast that THCH will post revenues of RMB1.366 billion (approximately \$192 million at recent exchange rates) for 2025 and RMB1.47 billion (\$206 million) for 2026, which would represent a decline of 2% and 8% growth, respectively. We expect near-term revenue growth to stabilize, as THCH completes the planned closure of underperforming stores and continues to transition toward a majority of new stores falling under the franchise model.

As early as 2026, we see subfranchised stores surpassing company-owned stores for a majority of its total footprint. Although we see company-operated stores declining as a contributor of total revenue, we still see company-owned stores contributing 80% of revenues in 2025 and 77% in 2026, compared with 85% in 2024. We view positively the focus on new store openings in attractive, high-traffic locations, while also closing higher-rent and less-profitable company-owned stores. Although company-owned and -operated store revenues declined by 5.5% in 3Q25, this was partially offset by 3.3% same-store-sales growth.

In our view, Tims China is managing variable costs across multiple categories. For 2025, we expect operating expenses to comprise 98% of company-owned store revenues, compared with 100% in 2024. We expect this figure to decline further, to 95% of revenues in 2026, as THCH focuses on optimizing its operational efficiencies and supply chain to reduce its cost burden as a percentage of revenues. We expect these initiatives to be supported by the introduction of new, higher-margin product launches that can increase average ticket prices and promote increased frequency in purchases among its growing loyalty member base.

We expect company-owned-store sales to become more profitable as its fixed costs are spread across a wider corporate footprint.

We are encouraged by THCH's management of food and packaging costs, its primary cost driver, which accounts for around 30% of company-owned store revenues. We expect the company to focus on moderating costs related to delivery, as higher demand has resulted in higher expense growth in that category, to the high end of its recent 10%-12% range. As THCH successfully leverages its digital capabilities and loyalty programs, we expect marketing expenses to remain below 5% of total revenues. In our view, THCH has maintained relatively stable labor costs, rental and property management fees, and other store operating expenses as a percentage of revenues from company-owned and -operated stores.

Given these favorable fundamentals as THCH scales operations, we expect the company to realize improvements in its EBITDA margins, both at the in-store level and corporate-wide. At the store level, adjusted EBITDA margin reached an all-time high of 13.3% in 3Q24 but has been volatile as the company has managed its store count and navigated pricing pressures in the China coffee market.

For 9M25, this margin was 8.1%. For the full-year 2025 and for 2026, we forecast store-level EBITDA margin of 8.7% and 11%, respectively, up from 7.4% in 2024. We see potential for this margin to approach mid-teen levels in 2027, supported by increasing and more frequent consumption and the inclusion of higher priced foods to drive higher average ticket prices. Corporate-wide, 9M25 adjusted EBITDA margin was a negative 4.2%. We project an adjusted EBITDA margin of negative 2.3% for the full-year 2025, but a positive 3.5% for 2026, compared with a negative 6.9% margin for 2024.

We project a diluted net loss per share of RMB7.68 (\$1.08) in 2025, representing a 40% narrowing compared with 2024. We project a net loss per share of RMB4.72 (\$0.66) in 2026. Both estimates reflect a recent renminbi-to-dollar exchange rate of 0.14. On an adjusted basis, we forecast a net loss per share of RMB5.95 (\$0.83) in 2025 and RMB3.75 (\$0.52) in 2026.

FINANCIAL STRENGTH & DIVIDENDS

Our financial strength rating for THCH is Low. As of September 30, 2025, the company had cash and deposits of RMB159.3 million (approximately \$22.4 million), down from RMB184.2 million at the end of 2024. It had a negative working capital position of RMB1.22 billion (\$171 million), which translates into a current ratio of 0.25. THCH had approximately RMB1.36 billion (~\$190 million) in debt, approximately 70% of which is in convertible notes. Around 65% of its debt was classified as current. When factoring in its cash and deposits, net debt was RMB1.198 billion (around \$168 million).

Subsequent to the end of 3Q25, Tims China entered into a definitive agreement for the issuance of \$89.9 million in senior secured convertible notes due in 2029. These funds will enable the repayment of the notes (approximately \$69.9 million) that were to come due in 2026. Additionally, THCH amended its existing 2024 unsecured convertible notes that had been due in 2027, extending their maturity to 2029. The transaction was closed in December 2025.

While we see this providing runway to execute on its expansion strategy, we expect the company to require additional funding prior to achieving sustainable profitability. We note that the company has received financing support from its controlling shareholder, Cartesian Capital Group LLC, and its brand owner, Restaurant Brands International, underscoring their strategic focus in China, the world's largest market outside of North America.

In June 2024, Tims China secured up to \$65 million in aggregate operating capital funding from its founding shareholders, Cartesian Capital Group and RBI, which included \$50 million in three-year convertible notes (\$40 million issued at closing). As part of the transaction, Tims China sold its Popeyes business to RBI for cash consideration of \$9 million, reflecting an enterprise value of \$15 million, and Tims China extinguished the deferred consideration due to former shareholders of Popeyes China via issuance of a \$15 million convertible note. Previously, in March 2024, Tims China entered into new promissory note borrowing agreements for \$20 million with Cartesian Capital. (These notes were tendered in consideration for \$20 million of the new three-year convertible notes mentioned above.)

With the divestiture of the Popeyes business, which was at an early stage and would have required significant operating capital over the coming years, we expect THCH's balance sheet to improve moving forward.

Net cash used in operating activities in 2024 was RMB39.7 million (\$5.4 million), which is approximately 80% narrower than the net cash used of RMB196.1 million in 2023. In 2024, net cash used by investing activities was RMB8 million (\$1.1 million), compared with net cash provided by investing activities of RMB60 million in 2023. Net cash provided by financing activities in 2024 was RMB26 million (\$3.6 million), compared with net cash provided by financing activities in 2023 of RMB80.8 million.

THCH does not pay a dividend, and we do not expect the company to initiate such a program in the foreseeable future.

MANAGEMENT

Yongchen Lu has been THCH's CEO since its 2018 inception and a director since September 2022. Mr. Lu served as the CFO

of Burger King China from November 2012 to April 2018 and previously was China representative for Cartesian Capital Group, a global private equity firm. Mr. Lu is a certified Six Sigma Black Belt and holds a bachelor's degree in international finance from Shanghai Jiaotong University and an MBA from Tuck School of Business at Dartmouth College.

Peter Yu has been THCH's chairman since its 2018 inception and is a managing partner of Cartesian Capital Group. He was previously the founder, president, and CEO of private equity firm AIG Capital Partners Inc. (AIGCP), which became a leading international private equity firm, with more than \$4.5 billion in committed capital, under his leadership. Prior to founding AIGCP, Mr. Yu served President Bill Clinton as director of the National Economic Council, the White House office responsible for developing and coordinating economic policy. Mr. Yu is a graduate of Harvard Law School and served as president of the *Harvard Law Review* and as a law clerk on the U.S. Supreme Court.

As of May 2025, affiliates of Cartesian Capital Group owned approximately 50% of the outstanding ordinary shares.

As of December 2025, THCH's board of directors consisted of eight members.

RISKS

Risks to an investment in THCH include intense competition and the potential for pricing dynamics impacting sales and margins in China's coffee shop and food and beverage industries; sensitivity of inflation rates to the prices of commodity inputs to its products, labor, and transportation; reliance on continued favorable macroeconomic trends toward consumer discretionary spending on the out-of-home coffee and food categories; the need to continually develop new products that are accepted by its customers; and disruptions to its supply chain and technology systems, though we note that THCH has established a largely local supply chain. We also anticipate equity dilution over the coming years as recently issued convertible notes are converted to common shares. We also see Tims China requiring additional operating capital before achieving sustainable profitability.

VALUATION

With a recent market capitalization below \$60 million, representing a decline of more than 40% over the past 52 weeks, we do not see THCH's valuation accurately reflecting its long-term growth potential in China's coffee market.

In our view, the near-term valuation has been pressured by the current market dynamics in China, which have resulted in unfavorable same-store-sales trends and declining revenues for THCH amid a price war and soft macroeconomic trends. Moving forward, we see the expansion of the total footprint, which has surpassed 1,000 locations, with most of the new locations coming from subfranchises, many being smaller in format and with open kitchens, promoting an accelerated path to profitability. We think that the expansion of its loyalty programs and robust franchise interest from 8,400 applicants as of 3Q25 are underappreciated by investors.

Further, we view THCH's narrowing cash burn positively, as it has largely completed the investment phase of its infrastructure build. We think that its improving store-level EBITDA and our outlook for corporate-level adjusted EBITDA profitability in 2026, after achieving the milestone twice in 2024, are likely to improve THCH's financial results and, in turn, investor sentiment over time.

Moving forward, although we see revenue growth challenged over the near term due to unfavorable market dynamics in China, we expect operating margins, operating cash flows, and profitability to all improve, supporting a more sustainable growth trajectory.

We value THCH in comparison with the leading public coffee companies operating in China. Primary players Starbucks (EV/2026 consensus revenue of 3.2-times) and Luckin Coffee (1.2-times) average close to 2.2-times as a group.

Since we expect THCH to grow at an attractive rate moving forward as it implements its subfranchise model with a prioritization on profitability, we value the company at a discount to this average, given the balance sheet overhang and the more moderate near-term outlook for footprint expansion.

As such, we apply a discount to the peer multiple of 1.7-times our 2026 revenue estimate of RMB1.47 billion. After adjusting for net debt and a fully diluted share count around 92 million, we arrive at a fair value of \$3.50 per share.

Steve Silver,
Argus Research Analyst

INCOME STATEMENT

	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025E	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Revenue	1011.1	1575.8	1391.2	300.7	349.0	358.0	358.3	1366.0	319.9	375.9	387.5	386.9	1470.2
Operating Costs	1602.8	2277.0	1740.2					1604.3					1610.6
Operating Income	-591.7	-701.2	-348.1					-238.3					-140.4
Other Expense	163.5	171.6	109.2					-13.7					-15.2
Pretax Income	-755.2	-872.8	-458.3					-251.6					-155.6
Tax Rate (%)	NA	NA	NA					NA					NA
Net Income Attributable to THCH	-753.1	-876.2	-409.0					-250.3					-155.6
Weighted Diluted Shares	25.6	30.5	32.5					32.5					33.0
EPS (RMB)	-28.99	-28.41	-12.70	-1.78	-2.33	-2.24	-1.33	-7.68	-1.44	-1.23	-1.02	-1.03	-4.72
EPS (USD)	-4.06	-3.98	-1.78	-0.25	-0.33	-0.31	-0.19	-1.08	-0.20	-0.17	-0.14	-0.14	-0.66
Dividend	NA	NA	NA					NA					NA
Growth Rates (%)													
Revenue	57	56%	-12%					-2%					8%
Operating Income	NM	NM	NM					NM					NM
Net Income	NM	NM	NM					NM					NM
EPS	NM	NM	NM					NM					NM
Valuation Analysis													
Price (\$): High	52.75	33.6	9.05					3.80					NA
Price (\$): Low	12.70	7.15	2.78					1.95					NA
PE: High	NA	NA	NA					NA					NA
PE: Low	NA	NA	NA					NA					NA
PS: High	NA	NA	NA					NA					NA
PS: Low	NA	NA	NA					NA					NA
Yield: High	NA	NA	NA					NA					NA
Yield: Low	NA	NA	NA					NA					NA
Financial & Risk Analysis (MIL, RMB)													
Cash & Securities	614.9	227.0	184.2					NA					NA
Working Capital	-521.5	-937.2	-1118.8					NA					NA
Current Ratio	0.6	0.3	0.3					NA					NA
LTDebt/Equity (%)	NA	NA	NA					NA					NA
Total Debt/Equity (%)	NA	NA	NA					NA					NA
Ratio Analysis													
Store Level Adjusted EBITDA	-4.3%	4.9%	7.4%					8.7%					11.0%
Corporate Adjusted EBITDA	-31.4%	-15.6%	-6.9%					-2.3%					3.5%
Adjusted EPS (RMB)	-17.59	-13.50	-8.79	-2.10	-1.22	-1.63	-1.00	-5.95	-1.20	-0.99	-0.77	-0.79	-3.75
Return on Assets (%)	NM	NM	NM					NM					NM
Return on Equity (%)	NM	NM	NM					NM					NM
Op Inc/Int Exp	NM	NM	NM					NM					NM
Div Payout	NA	NA	NA					NA					NA

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