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Original Paper

H Tea Company's Path to Listing: A Study on Financing Strategies, Business Models, and Market Performance

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Abstract

This study focuses on H Tea Beverage Industry Co., Ltd., examining its entire IPO process through three core dimensions: financing strategy, business model, and market performance. Findings reveal that H Tea achieved rapid expansion via its asset-light franchise model and completed its listing through differentiated financing approaches. While the IPO optimized its financial structure and brand influence, the company must continue addressing challenges posed by its high price-to-earnings ratio and intense competition within the saturated industry. By integrating exchange announcements, the company's prospectus, and authoritative industry data, this paper provides a case study and practical insights for new consumer enterprises pursuing public listings.

Keywords

Tea Beverage Company, IPO, Financing Strategy, Business Model, Market Performance

1. Company Profile

H Tea was founded in 2013 and ranks among China's leading fresh-brewed tea beverage companies. Positioned as a provider of “high-value fresh-brewed drinks,” its products span a price range from RMB 2 to RMB 23, with core offerings concentrated between RMB 7 and RMB 22. This strategy precisely targets lower-tier markets and mass consumption scenarios. By the end of 2024, the company operated 9,176 stores globally, with over half located in third-tier and lower cities. Its store count in northern China ranks first in the industry. The current new tea beverage sector features a competitive landscape where “premiumization and mass-market appeal coexist.” H Tea's expansion into lower-tier markets aligns with industry growth trends (Jiang, 2021), while the high annual store growth rate in third-tier and below cities offers substantial room for expansion (2025 China Coffee and Tea Beverage Market Panorama Report, 2025).

In terms of operational performance, as shown in Figure 1, the company achieved revenues of RMB 2.199 billion, RMB 3.348 billion, and RMB 3.285 billion in 2022-2024, respectively, with a compound annual growth rate of 14.3%. During the same period, adjusted net profits reached RMB 154 million, RMB 416 million, and RMB 418 million, respectively, with an impressive average annual growth rate of 39.49%, significantly outperforming the industry average. Gross merchandise volume surged from RMB 6.068 billion in 2022 to RMB 10.736 billion in 2024, achieving a year-on-year growth rate of 60.4% in 2023, demonstrating robust market penetration capabilities.

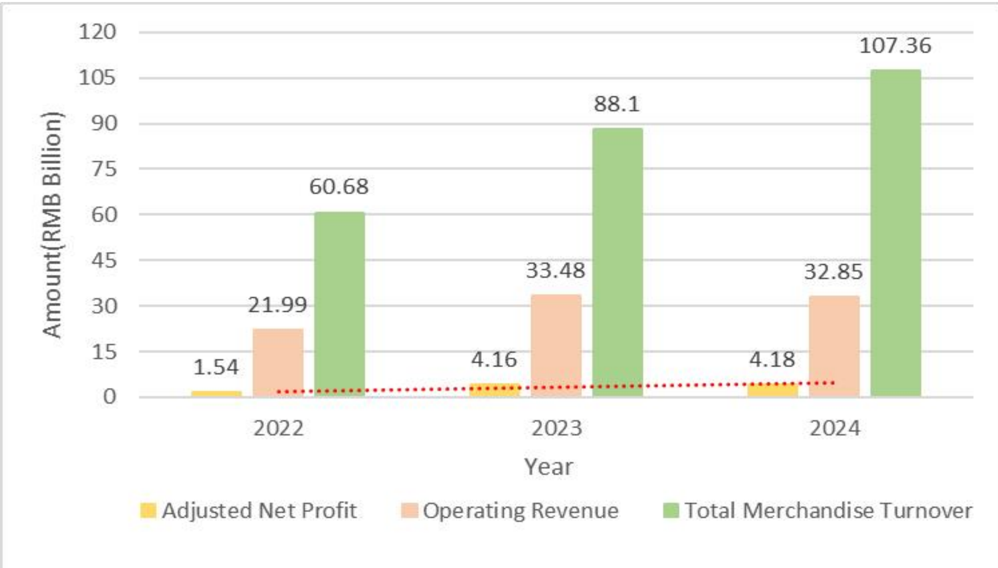

Figure 1. Core Operating Data of H Tea, 2022-2024

In terms of profitability, the company's gross profit margin has continued to improve, reaching 26.66%, 30.39% and 31.28% in 2022, 2023 and 2024 respectively. This growth primarily stems from enhanced supply chain efficiency and realized economies of scale, though it remains below the M tea beverage company's 2024 gross profit margin of 32.5%. From an income structure perspective, franchise-related revenue serves as the core source of earnings. Franchise income grew from RMB 2.072 billion in 2022 to RMB 3.169 billion in 2024, increasing its share of total revenue from 94.3% to 96.5%. Within this, ingredient sales contributed 56.46% of gross profit, while franchise service fees accounted for 39.67%, reflecting the company's high dependence on its franchise model.

Notably, the company faced operational pressures in 2024. New store openings totaled 1,387, marking a year-on-year decline of over 40% compared to 2,482 in 2023. The franchise closure rate surged from 4.77% to 10.78%. Average GMV per store decreased by 12.1% year-on-year to RMB 1.37 million, while daily GMV per store declined to RMB 3,753.

2. The Journey to Listing

2.1 Rejected Initial IPO Application

H Tea's initial public offering attempt began on February 14, 2024, when the company formally submitted its prospectus to the exchange, seeking a main board listing through H-shares. Z Securities, H International, and D Securities International served as joint sponsors. This filing coincided with an IPO boom in the new tea beverage sector, where leading companies like M Tea Company and G Tea Company were also advancing their listing processes, accelerating the industry's competitive differentiation.

The core reason for the initial filing failure was the company's inability to pass the listing hearing within the exchange's stipulated six-month validity period. According to the exchange's listing rules, the hearing must be completed within six months after the prospectus submission; otherwise, the application automatically lapses. H Tea Company's initial prospectus officially lapsed on August 14, 2024. While the specific reasons for failing the hearing were not disclosed, analysis of industry context and regulatory requirements suggests it primarily involved compliance issues with equity changes. During the company's Series B financing, a share transfer price 25% lower than the capital increase price raised regulatory concerns about pricing fairness. Additionally, the company's financial data exhibited insufficient stability. In the first half of 2024, revenue reached RMB 1.658 billion with a net profit of RMB 168 million. While maintaining profitability, growth rates slowed compared to 2023. During the IPO process, financial compliance and the fairness of equity pricing are core focuses of regulatory review. Such issues are also the primary reasons for most companies' IPO rejections (Dong & Hu, 2025).

This setback has not dampened the company's determination to go public. During this period, it has continued optimizing its financial structure and franchise management system in preparation for a second filing.

2.2 Failed Attempt at Secondary Listing

On December 27, 2024, H Tea Company resubmitted its listing application after updating its prospectus. This resubmission occurred just four months after the initial prospectus expired, with the company supplementing financial data for the first half of 2024, store expansion details, and franchise management optimization measures.

The immediate cause of the failed second listing attempt was the failure to pass the CSRC's overseas listing filing review. On January 10, 2025, the CSRC's Department of International Cooperation issued a filing notice requiring the company to provide supplementary explanations on six major issues, including the compliance of equity changes, tax and environmental compliance, and the rationality of acquiring equity at low prices. These issues constitute substantial obstacles to the listing. The underlying cause stemmed from the convergence of intensified industry regulation and the company's own operational challenges. On one hand, the new tea beverage sector entered a phase of saturated competition, with heightened regulatory scrutiny on franchise model compliance and food safety controls. On the other hand, operational pressures such as increased store closure rates and declining GMV per store in 2024 raised regulatory concerns about the company's profitability sustainability. Doubts about sustainable operations remain a frequent reason for IPO rejections (Dong & Hu, 2025).

Following the second filing, the company proactively supplemented materials in response to regulatory requirements, implementing targeted rectifications for issues like franchise store management and supply chain compliance. Concurrently, it introduced cornerstone investors to bolster market confidence, laying the groundwork for a third listing attempt.

2.3 Third Successful Listing

On April 23, 2025, H Tea successfully passed its listing hearing. The IPO process advanced rapidly, with the subscription period completed from April 28 to May 2. The offering price range was set at RMB 95.57 to RMB 113.12 per share, with the final issue price determined at RMB 113.12. The global offering raised approximately RMB 1.95 billion net.

Market subscription response was enthusiastic, with applications exceeding RMB 91.1 billion. The frozen capital scale set a new high for tea beverage IPOs during the same period, reflecting the capital market's recognition of the leading tea beverage brand in lower-tier markets. On May 8, 2025, H Tea officially listed on the main board of the exchange. The opening price reached RMB 190.6 per share, surging 68% from the issue price. During trading, the stock peaked at RMB 197.6 per share, marking an intraday gain of 74.68%. By the close, the stock settled at RMB 158.4 per share, marking a 40% gain. With a market capitalization of RMB 16.6 billion and a price-to-earnings ratio of 47.62 times, it significantly outperformed peers like M tea beverage company and G tea beverage company. Key factors for the successful third listing attempt included the company's supplementary compliance materials meeting regulatory requirements and the recognition of its equity structure and financing pricing as compliant. Huabao's participation as a raw material supplier bolstered market confidence in the company's supply chain stability. Concurrently, adjusted net profit growth maintained momentum in 2024, demonstrating robust earnings resilience and alleviating market concerns over operational pressures.

3. Financing Analysis

3.1 Financing Scale and Valuation Analysis

On April 23, 2025, H Tea successfully passed its listing hearing. The IPO process advanced rapidly, with the subscription period completed from April 28 to May 2. The offering price range was set at RMB 95.57 to RMB 113.12 per share, with the final issue price determined at RMB 113.12. The global offering raised approximately RMB 1.95 billion net.

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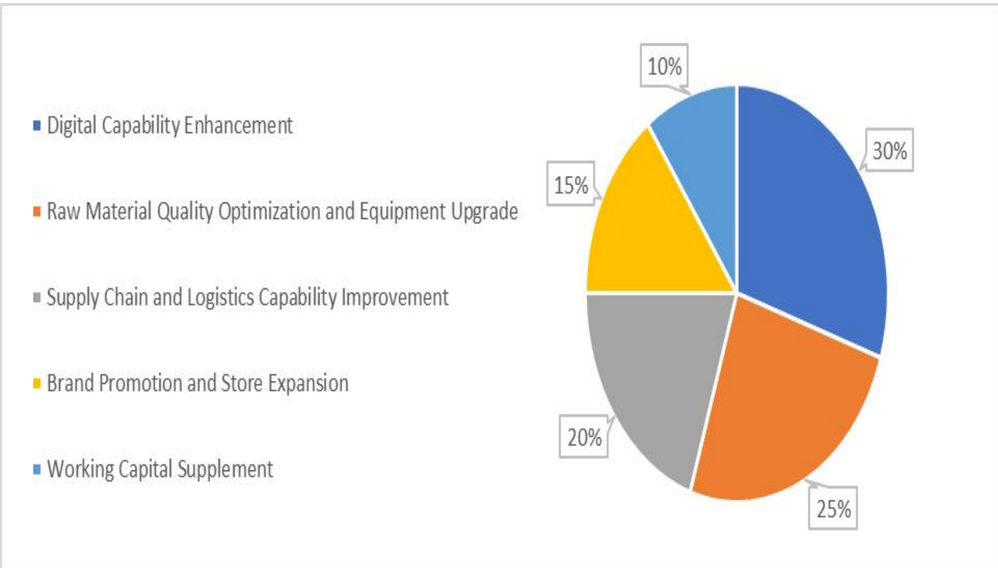

Figure 2. H Tea IPO Proceeds Allocation

The core drivers supporting the high valuation include its leading position in lower-tier markets. By the end of 2024, the company's stores in third-tier and below cities accounted for 50.4% of its total, making it the mid-tier tea beverage brand with the widest city coverage. This aligns with the high growth trend in lower-tier markets and demonstrates outstanding profit resilience. From 2022 to 2024, its adjusted net profit grew at an average annual rate of 39.49%. Against the backdrop of intensifying industry differentiation, this significantly outperformed peers such as C tea beverage company and N tea beverage company.

However, the high valuation carries certain risks. Single-store profitability is showing signs of decline, with average GMV per store falling 12.1% year-on-year in 2024. The store closure rate rose from 4.77% to 10.78%. Franchise store profitability requires improvement, and supply chain autonomy remains limited. Beyond core ingredients, raw materials rely on external procurement, with some warehousing and logistics outsourced to third parties. This results in a gross margin lower than that of self-built supply chain tea beverage companies like M Tea. The sustainability of the high valuation is questionable. The post-IPO price-to-earnings ratio stands at 47.62 times, significantly above the industry average. Should future profit growth slow, the company may face valuation correction pressure amid intensifying industry competition.

3.2 IPO Method and Per-Share Pricing

H Tea adopted a combined offering structure comprising a public offering, international placement, and cornerstone investment. The public offering accounted for 10% of the total, with the international placement accounting for 90%. An over-allotment option of 15% was granted to the underwriters. Due to overwhelming demand in the public offering, the reallocation mechanism was triggered, ultimately adjusting the public offering and international placement ratios to 50:50, each comprising 1.2057 million shares. This adjustment reflects the company's emphasis on the local capital market in the offering location.

For cornerstone investments, the company secured Y Holdings and B Co. as cornerstone investors. They subscribed for 685,200 H-shares at the mid-point issue price of RMB 103.37, representing 28.42% of the offered shares, with a six-month lock-up period. This not only bolstered market confidence but also secured supply chain resources. As a supplier of popping beads, B Co. will provide stable raw material support, mitigating supply chain risks.

The per-share pricing adopts a model combining the indicative price range with market feedback adjustments. The initial offering price range is set at RMB 95.57–113.12, corresponding to a market capitalization of RMB 10–11.8 billion and a price-to-earnings ratio of 28.2–33.58 times. The pricing range was determined based on two primary factors. First, the company's fundamentals: adjusted net profit for 2024 reached RMB 418 million. Calculated at a 33.58x P/E ratio, this corresponds to a reasonable market capitalization of RMB 11.86 billion. Second, industry valuation levels: referencing the 30-38x P/E range of contemporary new tea beverage companies, combined with the company's competitive advantage in lower-tier markets, a valuation premium was applied. IPO pricing requires comprehensive consideration of company value, market sentiment, and industry benchmarks. A reasonable price attracts investors while mitigating the risk of a post-IPO price drop (Yan, 2025).

The final pricing of RMB 113.12 was primarily driven by strong market demand. The public offering was oversubscribed 3,339.5 times, freezing RMB 91.1 billion in capital, with robust market demand supporting the upward pricing. Regarding pricing rationality: Based on 2024 EPS of RMB 3.37, the issue price corresponds to a P/E ratio of 33.58 times. This places it at the upper end of the industry valuation range, reflecting the company's competitive strengths while remaining within reasonable industry parameters. This approach avoids the risk of a post-IPO price drop caused by excessive pricing.

4. Business Model

4.1 Pre-IPO Business Model

Prior to its IPO, H Tea adopted a light-asset model centered on franchising with direct operations as a supplement. By the end of 2024, 9,152 out of its 9,176 stores were franchises, achieving a franchise rate of 99.7% — one of the highest among leading new-style tea brands. The core logic of this model is to rapidly capture lower-tier markets by exporting brand identity, product recipes, operational standards, and supply chain support, thereby reducing the capital pressure and operational risks associated with building company-owned stores. Relatively low franchise fees are a key driver of its rapid store expansion. The franchise fee, previously requiring a one-time payment of 30,000 yuan, can now be paid in three annual installments of 10,000 yuan each, significantly lower than competitors.

Regarding supply chain, prior to its IPO, the company had established 12 large warehousing and logistics bases, 4 equipment warehouses, 8 fresh agricultural product warehouses, and 15 front-end cold chain warehouses. However, 3 of the large warehousing and logistics bases and all front-end cold chain warehouses are operated by third parties. Raw materials beyond core ingredients primarily rely on external procurement, resulting in insufficient control over the supply chain. This leads to a lower gross profit margin compared to tea beverage companies, which have self-built supply chains. The low-price strategy in the new tea beverage industry requires robust supply chain support; otherwise, it risks falling into a vicious cycle of “low price, low quality.” (Zhao, Zhang, & Wu, 2025)

4.2 Post-IPO Business Model

Following its IPO, the company's core business model shifted to “intensive cultivation,” transitioning from pursuing store expansion to enhancing per-store profitability and operational quality. Specific measures include strengthening franchisee oversight, establishing a digital inspection system, and reducing closure rates. with the franchise closure rate declining by 2.3 percentage points quarter-on-quarter in Q1 2025. The company is also optimizing its supply chain system, planning to expand production capacity at its Zhejiang factory, developing semi-finished tea beverage production lines, enhancing automation and standardization levels, reducing reliance on third-party suppliers, and focusing on deepening its presence in core regions. Key expansion efforts target lower-tier markets in northern China, leveraging the existing store network to increase market share. In 2025, 60% of new stores will be concentrated in third-tier and below cities in northern China. By 2025, the tea beverage market's downward trend is pronounced, with made-to-order tea shops in tier-3 and below cities accounting for 45.2% of the market, becoming a must-win territory for brands. (2025 China Coffee and Tea Beverage Market Panorama Report, 2025)

Regarding supply chain management, the company established two new supply chain management companies in Tianjin and Guangdong, expanded logistics and warehousing space, and enhanced logistics automation. Concurrently, it optimized its supplier roster, expanded its pool of alternative suppliers, and strengthened its bargaining power. In the first half of 2025, core ingredient procurement costs decreased by 3.2% year-over-year, demonstrating initial effectiveness of supply chain optimization. Leading tea beverage brands generally achieve cost control through supply chain integration, such as establishing self-owned production bases and building efficient logistics networks. (Zhao, Zhang, & Wu, 2025)

4.3 Impact of the IPO on the Financial Structure of H Tea

The IPO equity financing significantly optimized the company's financial structure and reduced debt repayment pressure. Table 1 presents a comparison of core debt-servicing capability metrics before and after the IPO, alongside industry benchmarks. The data reveals substantial improvements in both the current ratio and quick ratio, indicating significantly enhanced short-term debt repayment capacity—primarily attributable to increased cash reserves from IPO proceeds. The debt-to-equity ratio decreased from 58.32% to 34.67%, falling below the industry average and substantially reducing financial risk, thereby creating room for future debt financing.

Table 1. Comparison of Debt Repayment Capacity Indicators for H Tea Before and After IPO

Financial Indicators	Pre-IPO (End of 2024)	Post-IPO (End of June 2025)	Industry Average (End of June 2025)	Percentage of Change
Current Ratio (times)	1.86	3.24	2.58	74.19%
Quick Ratio (times)	1.32	2.76	1.92	109.09%
Asset-Liability Ratio (%)	58.32	34.67	42.85	-23.65%

Following the IPO, the company's profitability metrics demonstrated a “stable yet upward” trend, with specific data comparisons shown in Table 2. The increase in gross profit margin primarily resulted from supply chain optimization and economies of scale, with core ingredient procurement costs decreasing by 3.2%. The growth in net profit margin stemmed from digital management reducing the operating expense ratio from 18.2% in 2024 to 16.7% in mid-2025. The rise in return on equity resulted from both net profit growth and an expansion in net asset scale, reflecting improved capital utilization efficiency. In 2025, the beverage industry faced pressure from rising raw material costs, making supply chain optimization crucial for enhancing corporate profitability. (Tong, 2023)

Table 2. Changes in Profitability Indicators for H Tea Before and After IPO

Profitability Indicators	Pre-IPO (End of 2024)	Post-IPO (End of June 2025)	Industry Average (End of June 2025)	Percentage of Change
Gross Profit Margin (%)	31.28	32.65	31.82	1.37%

Net Profit Margin (%)	9.99	10.83	9.67	0.84%
Return on Equity (%)	28.65	32.41	27.35	3.76%

Following the IPO, the company's cash flow structure has become more robust, with cash flows from operating, investing, and financing activities achieving a virtuous cycle. In the first half of 2025, net cash flow from operating activities reached RMB 238 million, representing an 8.9% year-over-year increase. This growth was primarily driven by improved collection efficiency for ingredient purchases from franchise stores, with accounts receivable turnover days decreasing from 4.3 days in 2024 to 3.1 days. Net cash flow from investing activities in the first half of 2025 was -RMB 126 million, primarily allocated to supply chain base construction and digital system investments, aligning with the company's long-term development strategy. Net cash flow from financing activities in the first half of 2025 reached RMB 178 million, primarily derived from net proceeds of the initial public offering. This provided ample financial support for the company's business upgrades. The optimized cash flow structure has strengthened the company's resilience against industry cyclical fluctuations, laying a solid foundation for sustained future growth.

5. Conclusion

H Tea's journey to listing involved three attempts and continuous refinement. After two failed filings, the company specifically addressed core regulatory concerns—including equity compliance, financial stability, and franchise management—by introducing cornerstone investors, supplementing compliance materials, and optimizing operational data. These measures ultimately secured its listing, establishing a “problem-oriented” remediation pathway for new consumer companies seeking overseas listings.

H Tea Company's listing experience offers multiple insights for peers pursuing public offerings. For other companies in the same industry planning to go public, H Tea's journey holds significant reference value. First, it is crucial to prioritize regulatory compliance requirements, proactively identify potential issues in equity, finance, and operational controls, and establish a problem-oriented rectification mechanism to prevent compliance flaws from disrupting the listing process. Second, financing strategies must be meticulously planned based on the company's equity structure and competitive market needs, balancing control protection with funding efficiency. Leveraging cornerstone investors facilitates synergies between capital and industrial resources. Third, companies should manage business development pace, transitioning from scale expansion to refined operations at the appropriate time. Enhancing core competitiveness through supply chain upgrades and digital management lays the groundwork for sustained post-IPO growth. Finally, fully recognize the positive impact of listing on optimizing financial structures and enhancing brand value. Develop post-listing growth plans in advance to maximize the enabling effects of capital markets.

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