11 Feb 2026 05:22:18 ET | 83 pages

China Pet

Scarcity Value amid Humanization-Driven Structural Growth; Initiate on Yantai China Pet (Buy) and Gambol Pet (Neutral)

Deep Dive

Tiffany Feng [AC]
+852-2501-2759
tiffany.feng@citi.com

Xiaopo Wei, CFA
+852-2501-2472
xiaopo.wei@citi.com

Brian Cho
+852-2501-2712
brian.cho@citi.com

CITI'S TAKE

We expect the rising trend of consumers seeking emotional value when they spend to drive long-term structural growth of the pet sector amid increasing humanization of pets. We identify two moving parts of China's pet food industry: domestic own brand business and overseas OEM operations. For the former, a secular growth outlook, premiumization and local brands' share gains from foreign brands are positive theses, while fierce competition and aggressive A&P investment may pressure margins. For overseas OEM operations, tariff impact should continue to weigh on sales and margins in 1H26E. We focus on the leaders among the few listed China pet food stocks. We initiate on **YCP** at Buy for accelerated own brand growth and diversified overseas market and supply chain to mitigate tariff risks. We rate **Gambol** Neutral, recognizing its No.1 domestic position but noting margin pressure from a strategy to prioritize market share and its US-focused OEM business.

Secular Growth in China Pet Food Market — China has the third-largest pet care market globally (Rmb312.6bn in'25; >50% food). Younger, urban & highly educated pet owners willing to spend more on pets' well-being, given the emotional value offered (more on emotional consumption in our China Consumer – 2026 Outlook), are driving strong premiumization. We expect 6% '25-28E sales growth for China pet food sector as it shifts from penetration-led to premiumization-oriented expansion.

The Rise of Local Brands — Collectively, Chinese pet food brands' market share has surpassed foreign brands' since 2023, aided by the proliferation of e-commerce and social media, which enable direct consumer engagement and market insights. Local players are building trust through transparency on ingredient quality and nutritional benefits, particularly in emerging categories such as freeze-dried and fresh food.

Yantai China Pet (YCP): Buy — We believe growth in YCP's own brand business and its diversified overseas market and capacities could help mitigate US tariff risks. Its strategic shift to focus on its own brands has revitalized its domestic sales, for which we forecast a 28% CAGR through 2027E. We estimate a 15% net profit CAGR for the same period, backed by a 17% group revenue CAGR and relatively stable NPM at 8.2-8.5%. We believe there is room for a re-rating given increasing contribution from own-brand sales. Our Rmb57.1 DCF-based target price implies 33x '26E P/E.

Gambol: Neutral — We forecast a 29% rev CAGR in 2025-27E for the own brand business (75% of 2025E group rev). Given management's strategy to prioritize market share with higher A&P spend amid fierce competition, we expect decreasing profitability for its own brands. Impacted by US tariff, Gambol's US-focused OEM operation is likely a drag on topline and GPM before potential stabilization in 2H26E. We estimate a 14% net profit CAGR in 2025-27E on a 22% topline CAGR and NPM contraction from 10.3% in '25E to 9.0% in '27E. Our Rmb69.6 DCF-based target price implies 36.6x '26E P/E.

Key Risks — Key risks to our views include lower profitability of house brands due to intense competition and marketing spend, US import tariffs impacting OEM businesses, and raw material price fluctuations.

Data Summary

																Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price							EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr		Old	New	Old	New
China Pet	002891.SZ	Rmb	49.110	14,948	11 Feb 15:00		1	-	-	57.100	16.3	1.0	17.3	Dec-24		-	1.492	-	1.721
Gambol Pet Group	301498.SZ	Rmb	63.450	25,410	11 Feb 15:00		2	-	-	69.600	9.7	0.9	10.6	Dec-24		-	1.704	-	1.902

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change

Source: Citi Research

^Catalyst Watch

Contents

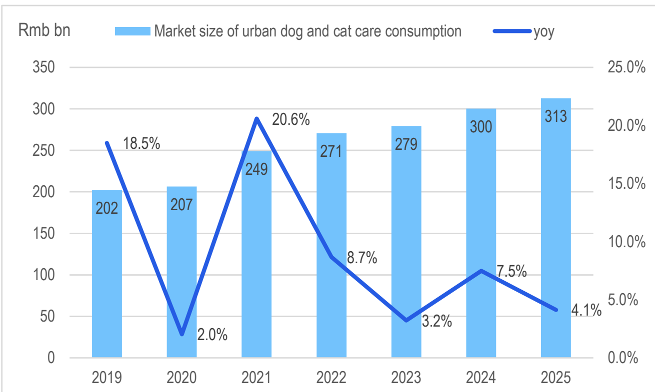
Industry investment thesis

Sizeable market in China

The third-largest market in the world

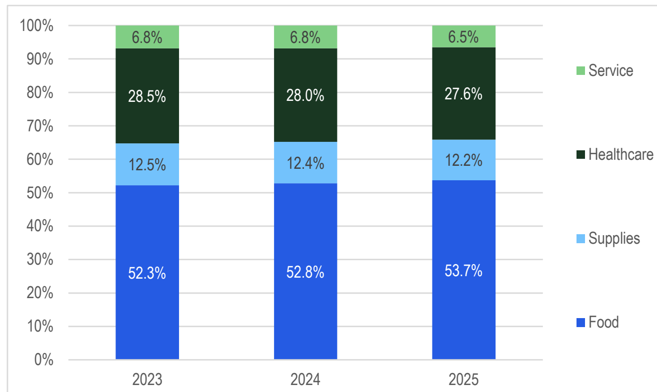
China is the third-largest pet care and pet food market in the world following US and Europe, accounting for 15% of global pet food consumption in 2024. China's pet care consumption market size reached Rmb312.6bn in 2025 with a 3-year CAGR of 4.9%, according to China Pet Industry White Paper. Pet food sales of Rmb167.9bn accounted for 53.7% of the total pet care consumption in 2025, recording a 3-year CAGR of 7.0%.

Figure 1. China pet care consumption market size



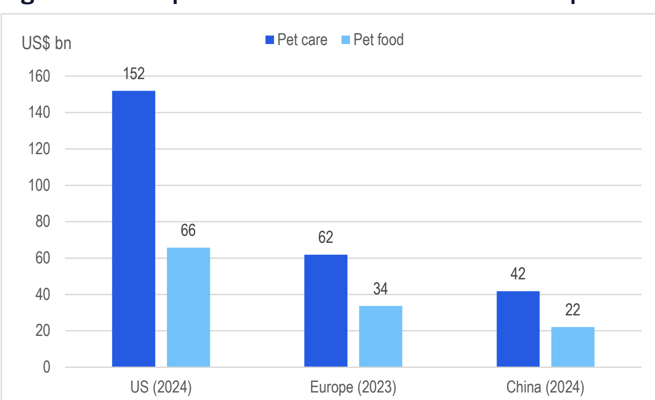
Source: Citi Research, China Pet Industry White Paper

Figure 2. China pet care market breakdown



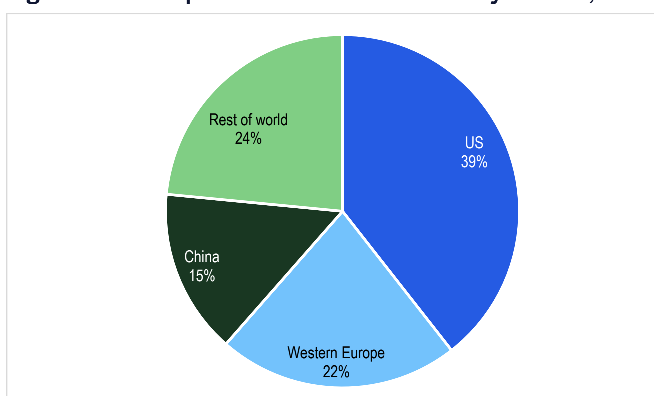
Source: Citi Research, China Pet Industry White Paper

Figure 3. China pet care market size vs. US and Europe



Source: Citi Research, China Pet Industry White Paper, APPA, FEDIAF

Figure 4. Global pet food sales breakdown by market, 2024

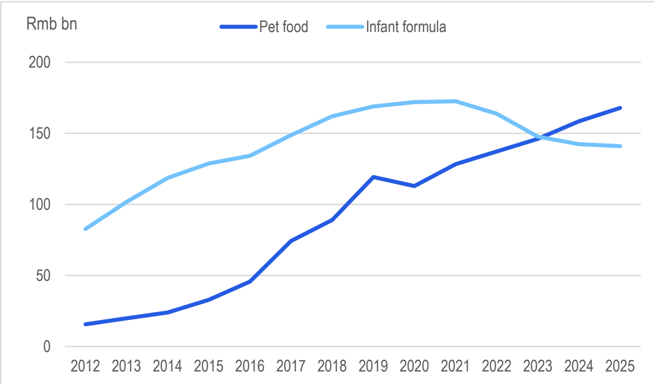


Source: Citi Research, China Pet Industry White Paper, Euromonitor

Exceeded baby food market size

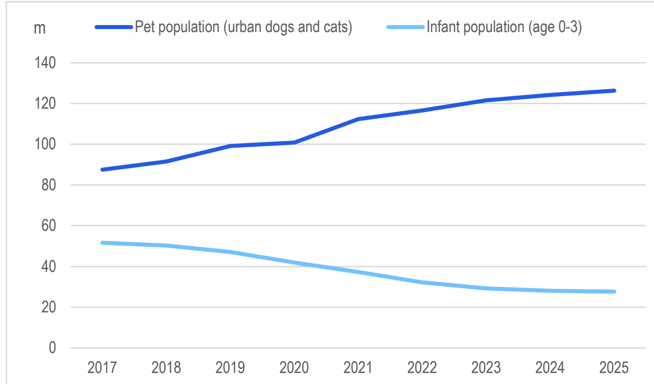
China's pet food market exceeded the infant formula market in 2024 in terms of retail sales value, as the latter peaked in 2021 with a continued b while the pet food market quickly resumed growth after the outb driven by continued pet population expansion. We believe the in number of people taking pets is partially associated with the de having babies.

Figure 5. China pet food vs. infant formula retail sales value



Source: Citi Research, China Pet Industry White Paper, Euromonitor

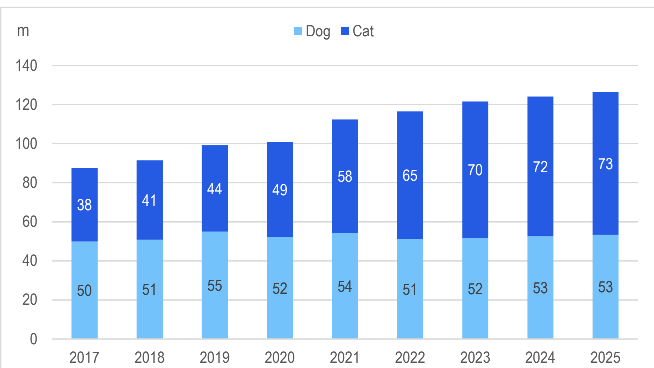
Figure 6. China pet dogs and cats vs. infant population size



Source: Citi Research, China Pet Industry White Paper, Euromonitor

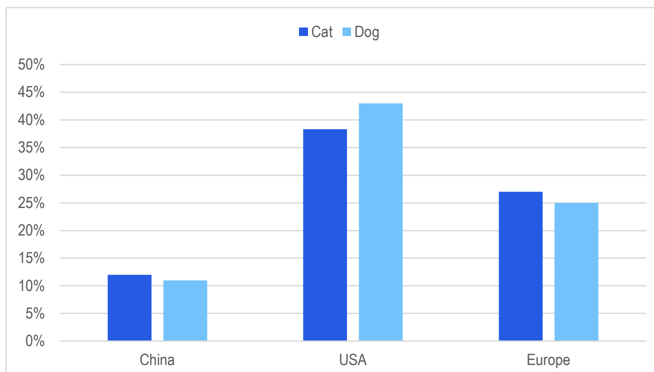
The urban pet cat and dog population grew at a CAGR of 2.7% during 2022-25, vs. 5.5% during 2019-22. The number of dogs has been stabilizing while the number of cats has continued to expand. We estimate about 40m cat owners and 35m dog owners in China in 2024, representing about 12% and 11% of urban households. The penetration looks significantly below the US' 38% and 43%, and Europe's 27% and 25%.

Figure 7. China urban pet population size



Source: Citi Research, China Pet Industry White Paper

Figure 8. China urban pet ownership, 2024



Source: Citi Research, China Pet Industry White Paper, Euromonitor, FEDIAF

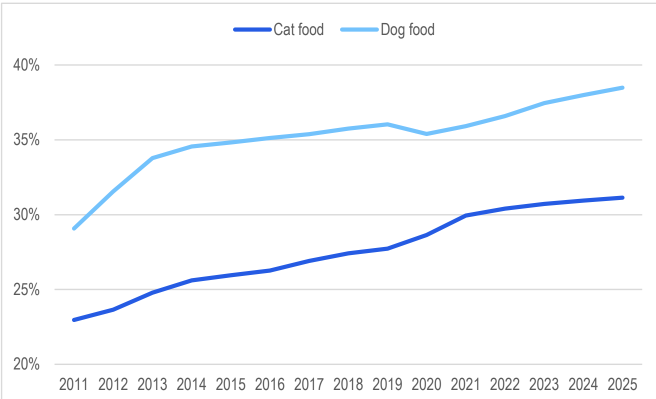
Strong premiumization

Premiumization intact

Despite an economic slowdown and general consumption trade-down, there were a few positive trends showing that premiumization has continued and even accelerated in the pet food market in China. Based on Euromonitor data, premium food as a percentage of total consumption increased from 31% in 2014 to 32% in 2019 and continued to increase to 34% in 2024. In addition, prepared food as a percentage of total consumption increased from 12% in 2014 to 19% in 2019 and continued to increase to 37% in 2024.

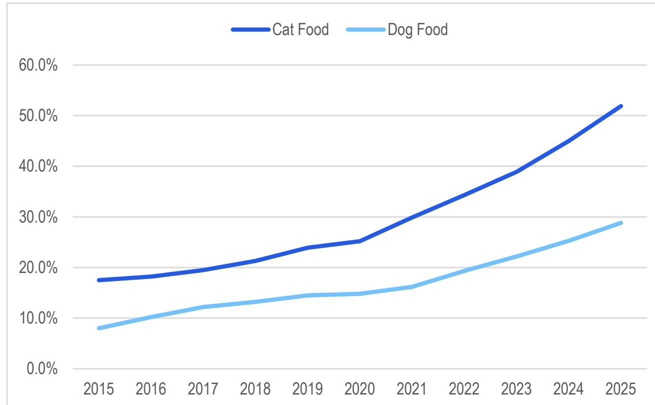
We believe the changing pet owner demographics and emotional value of raising pets drive the secular trend of premiumization in the pet food industry.

Figure 9. China premium pet food as % of pet food value



Source: Citi Research, Euromonitor

Figure 10. China prepared food as % of pet food consumption



Source: Citi Research, Euromonitor

Changing pet owner demographics

We believe the sustained premiumization trend is associated with the shift of the pet owner population towards younger demographics in higher-tier cities with higher spending power and higher education background.

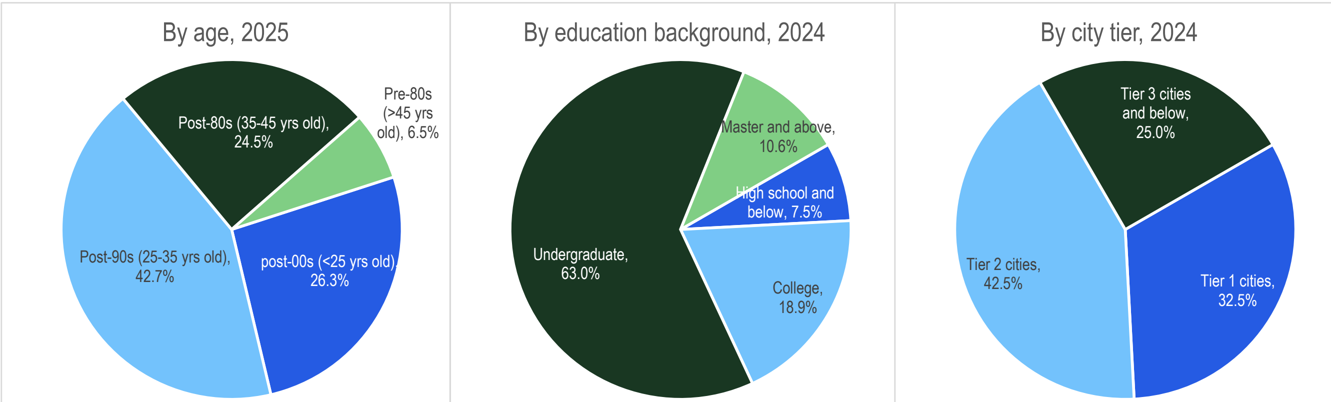
- **Young generation.** According to China Pet Industry White Paper, pet owners born after 1990 (aged below 35) accounted for 69% of total pet owners in 2025, up from 56% in 2022. According to KPMG's 2025 China Pet Industry report, the younger generation of consumers pay more attention to the quality of life and personalized requirements of pets and are willing to invest more money in pet-related consumption, such as clothing, beauty, and IP collaborations, thereby driving the continuous upgrading of pet consumption concepts.

- **Living in higher-tier cities.** Pet owners in tier-1 and tier-2 cities accounted for over 70% of total pet owners during 2020-2024. In particular, the number of pet owners in tier-1 cities has grown at a CAGR of 8.7% from 2022 to 2024 per the KPMG report. As more and more young people in higher-tier cities live alone, raising pets satisfies their need for companionship. In addition, given the fast-living pace and high social pressure in high-tier cities, raising pets has become an important way for many young people to relieve stress.

- **Highly educated.** According to the KPMG report, pet owners with a college degree or above accounted for 92.5% of total pet owners in 2024, significantly above the national average of 23.6% among the working population. As highly educated people generally marry and have children later in life, remain single for a longer period of time, and have more disposable personal income, they are more willing to be emotionally invested in their pets and show a higher willingness and ability to pay for pet consumption.

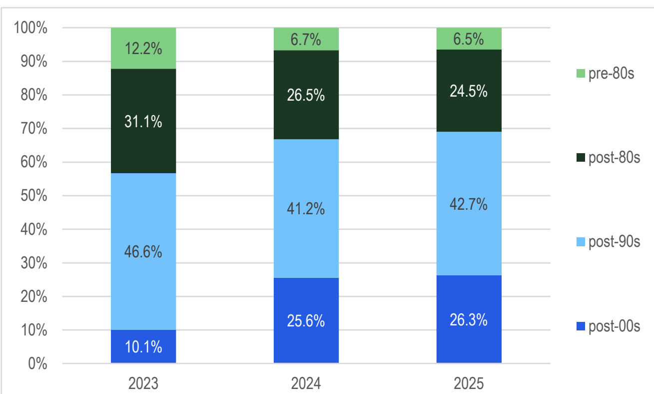
- **High income.** Pet owners with monthly income above Rmb10k accounted for >40% of total pet owners in 2024, up from >20% in 2022. Specifically, pet owners with monthly income above Rmb15k accounted for >20% of total pet owners in 2024, up from >10% in 2022, per the KPMG report.

Figure 11. China pet owner profile



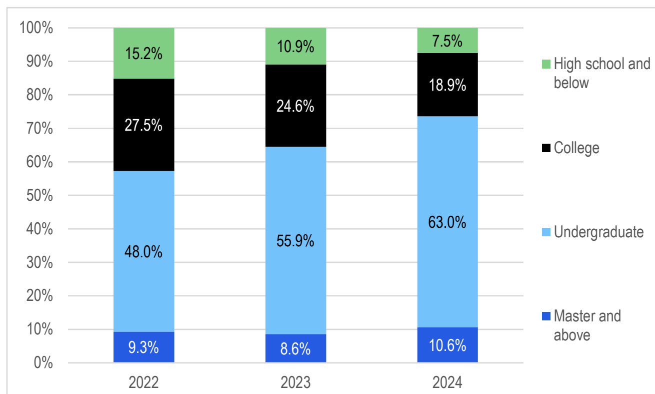
Source: Citi Research, China Pet Industry White Paper from China Pet Annual Report and KPMG report

Figure 12. China pet owner age profile change



Source: Citi Research, China Pet Industry White Paper

Figure 13. China pet owner education background change

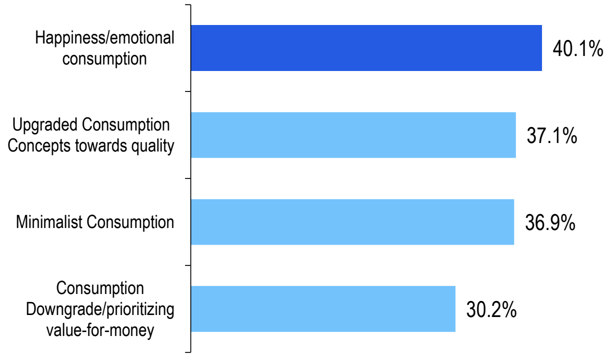


Source: Citi Research, China Pet Industry White Paper

Emotional consumption

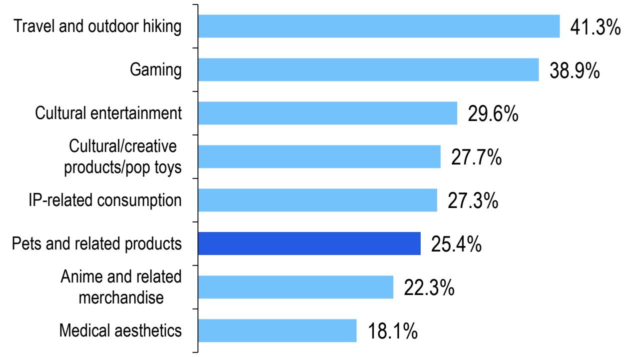
We noted that young consumers have increasingly shifted towards emotional and experiential consumptions. Happiness/emotional consumption was the most preferred consumption for young consumers according to the survey of Just So Soul in 2024. Among the happiness/emotional consumption, 25% of respondents expressed preferences in pets and related products, according to the Just So Soul survey.

Figure 14. 2024 consumption preferences for young consumers



Source: Citi Research, Just So Soul (N=3014)

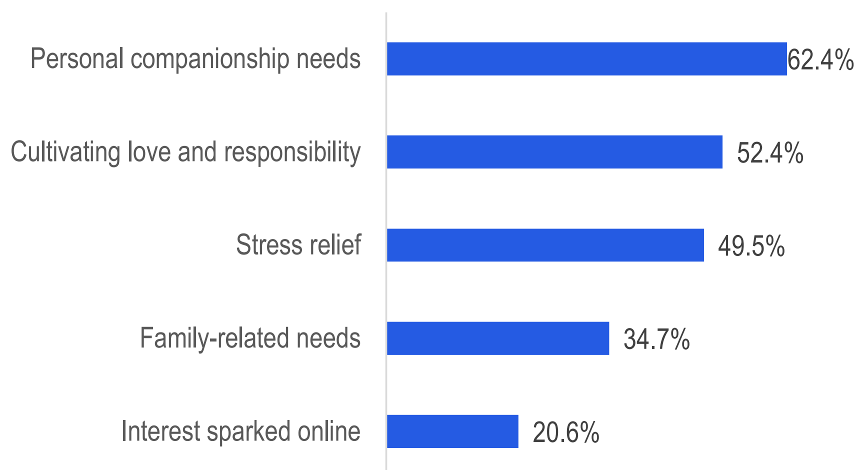
Figure 15. Top emotional/happiness consumption categories for young consumers



Source: Citi Research, Just So Soul (N=3014)

For many young people in cities, especially the 1990s and 2000s generations who are now the main pet owners, their pet is their companion. In a fast-paced world, pets offer unconditional love and help with loneliness and stress. They are not just animals but fur babies. This deep emotional bond suggests that owners are nowadays more willing to spend much more on their pets. Buying premium food becomes a way to show love and care, almost like choosing the best for one's child. It is an emotional purchase, not just a practical one.

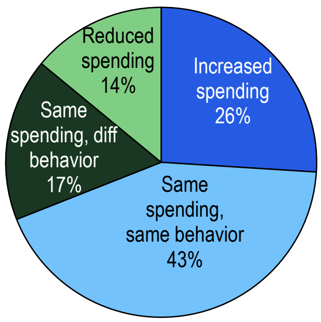
Figure 16. Main needs of pet owners



Source: Citi Research, KuRunData, MobTech

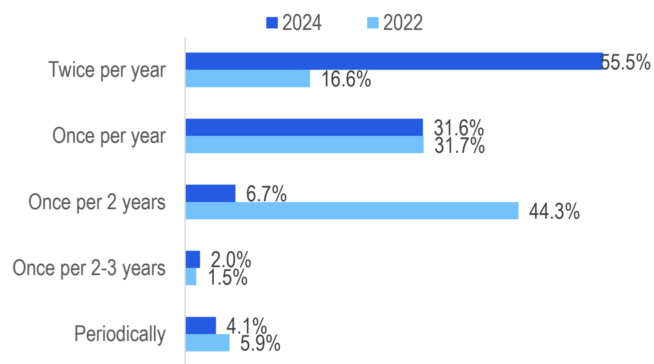
As pets become true family members, people want to feed them better just like consumers are paying more attention to their own food labels now. Many pet owners are looking for high-protein meals, natural ingredients, and fewer artificial additives. They believe better food means a healthier, happier life for their pets. They are more willing to spend on pets and have increased their spending on pets by 1.4% and 1.3% in 2024 and 2025 projected by McKinsey. They also favor more frequent body checks for their pets, with more than half of owners doing body checks twice per year in 2024 as compared to 17% in 2022, per MobTech. This shift is driving the whole market toward more premium, specialized options.

Figure 17. Chinese consumers continue to increase their spending on pets



Source: Citi Research, Mckinsey (N=11,930)

Figure 18. Pet body check frequency in China



Source: Citi Research, KuRunData, MobTech

Therefore, there has been a shift from selling simple products to providing complete solutions for pet parents. Many owners do not just want pet food; they want a trusted partner in raising a healthy pet. They seek out products that promise specific benefits, like a shiny coat or good digestion.

Much room to catch up to developed markets

Based on the data of China Pet Industry White Paper, China's pet food industry sales growth has accelerated to a 3-year CAGR of 7.0% in 2022-2025 from 4.8% in 2019-22. The improvement was driven by the recovery of per pet food consumption from the CAGR of -0.7% during the Covid-19 period to 4.1% after re-opening following the pandemic. This has offset the slowdown of the pet population from a CAGR of 5.5% in 2019-22 to 2.7% in 2022-25.

Looking forward, we believe the changing driver from penetration-led growth to premiumization-oriented growth will continue. We estimate China's pet food sales value CAGR to be 6% from 2025 to 2028E with a 3.5% CAGR of per pet consumption and a 2.5% CAGR of pet population.

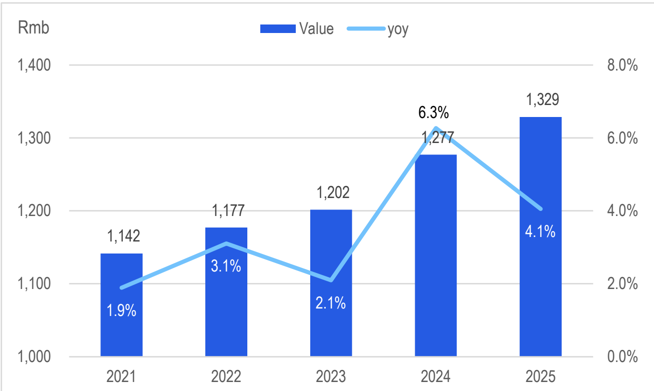
Figure 19. China pet food market growth assumption

3-year CAGR	2019-22	2022-25	2025-28E
Pet food sales	4.8%	7.0%	6.1%
No. of pets	5.5%	2.7%	2.5%
Per pet consumption	-0.7%	4.1%	3.5%

Source: Citi Research estimates, China Pet Industry White Paper

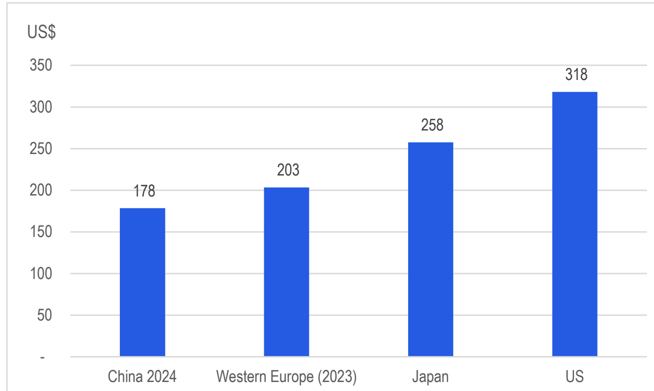
China's per pet food consumption value is 12%, 31% and 43% below that in Western Europe, Japan and the US. Given China's pet consumption is concentrated in high-tier cities, we believe the gap between China and developed markets (DMs) implies further room for premiumization.

Figure 20. Per pet food consumption value in China



Source: Citi Research, China Pet Industry White Paper

Figure 21. Per pet food consumption comparison, 2024

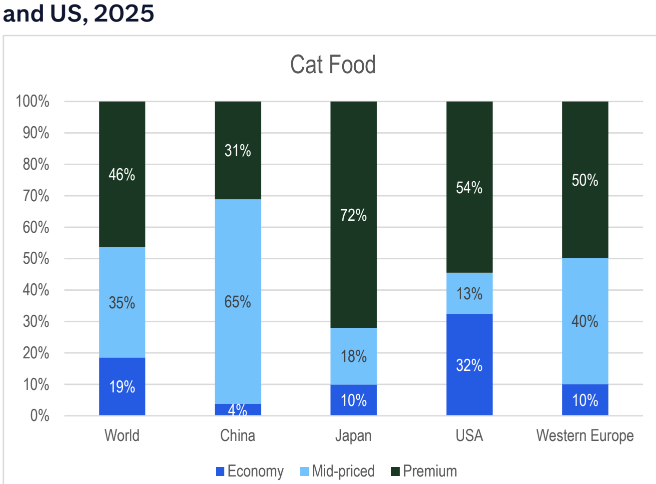


Source: Citi Research, FEDIAF, Euromonitor

- **Room to improve the proportion of premium food.** In China, premium food accounted for 35% of cat and dog food consumption in 2025, below the world's average of 47%, Japan's 76%, US' 57%, and Western Europe's 50%. Due to this reason, China's pet food ASP is also lower. In China, the ASP of premium food is about 3x that of mid-priced food on average.

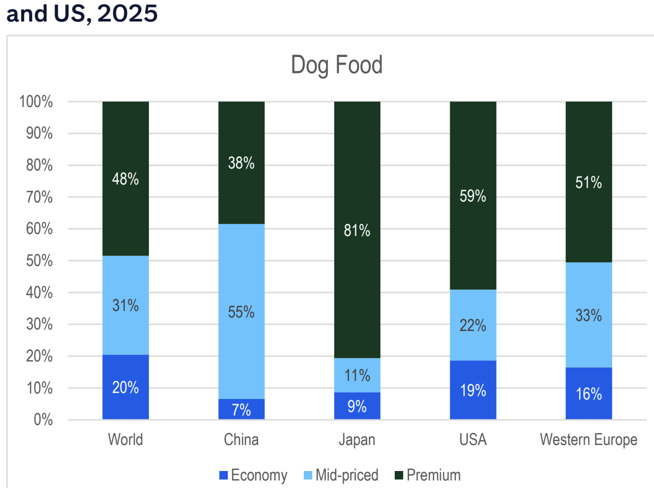
- **Room to increase the proportion of prepared food.** Prepared food accounted for 52% and 29% of the respective total food consumption of cats and dogs in 2025 in China, significantly below the US and Japan's >90%.

Figure 22. Cat food sales mix by price tier in China vs Japan and US, 2025



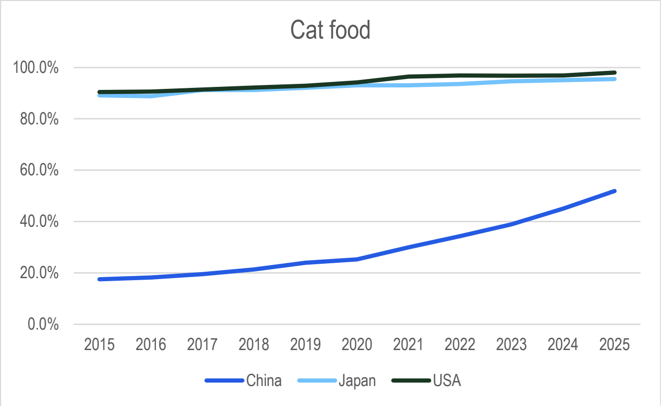
Source: Citi Research, Euromonitor

Figure 23. Dog food sales mix by price tier in China vs Japan and US, 2025



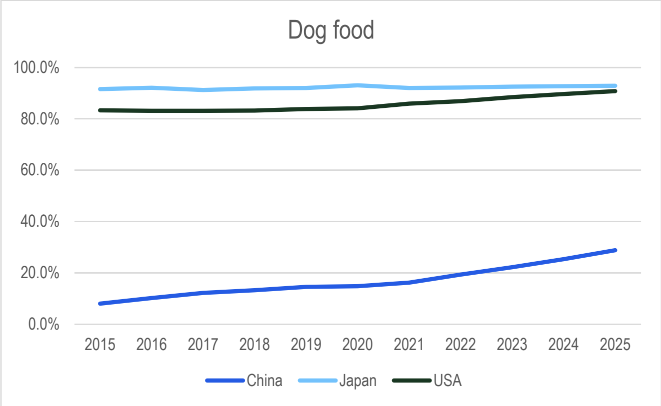
Source: Citi Research, Euromonitor

Figure 24. Prepared cat food as % of total cat food consumption in China vs Japan and US, 2025



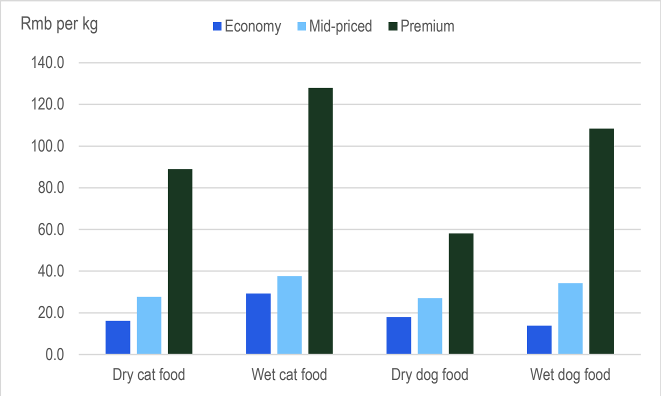
Source: Citi Research, Euromonitor

Figure 25. Prepared dog food as % of total dog food consumption in China vs Japan and US, 2025



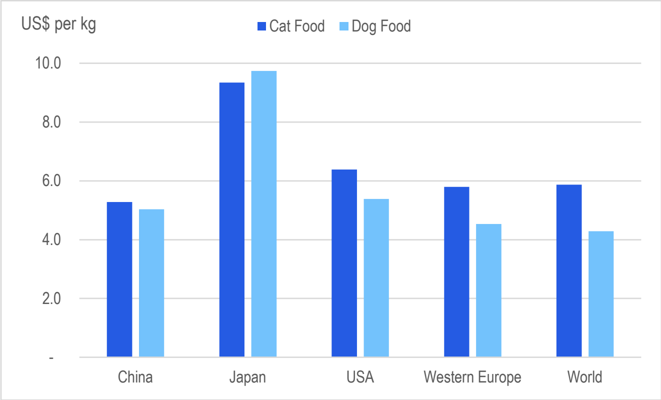
Source: Citi Research, Euromonitor

Figure 26. China pet food ASP by price tier, 2025



Source: Citi Research, Euromonitor

Figure 27. Pet food average price comparison, 2025



Source: Citi Research, Euromonitor

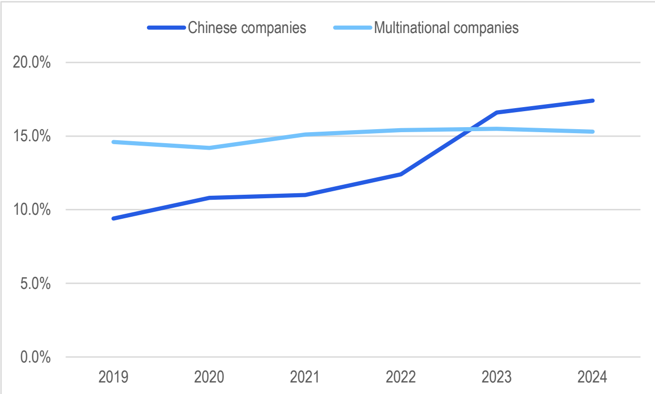
Local brands emerged

Local brands' market share has exceeded foreign brands'

Among the top 10 pet food companies in China, three multinational companies collectively took 14-15% market share during 2019-2024; the remaining seven domestic companies' collective market share has exceeded multinational companies' since 2023 and reached 17% in 2024, according to Euromonitor.

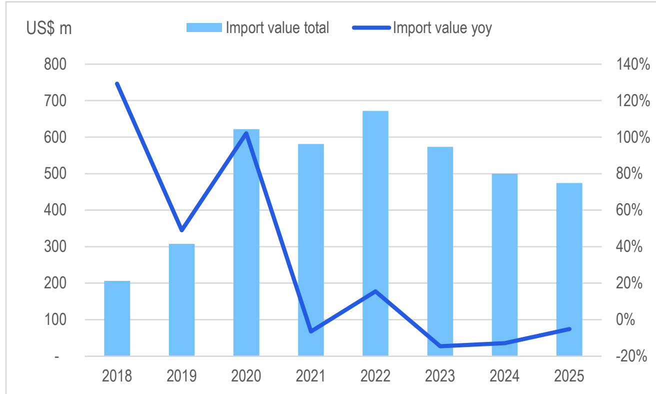
This is in line with the trend of China's pet food import value decline in 2023 (-15%) and 2024 (-13%) for two consecutive years. Although 1H25 had a 6% rebound, we believe it was due to the spike in Mar and Apr before the tariff increase; 2H25 imports returned to a 14% decline yoy.

Figure 28. China pet food market share of top 10 companies



Source: Citi Research, Euromonitor

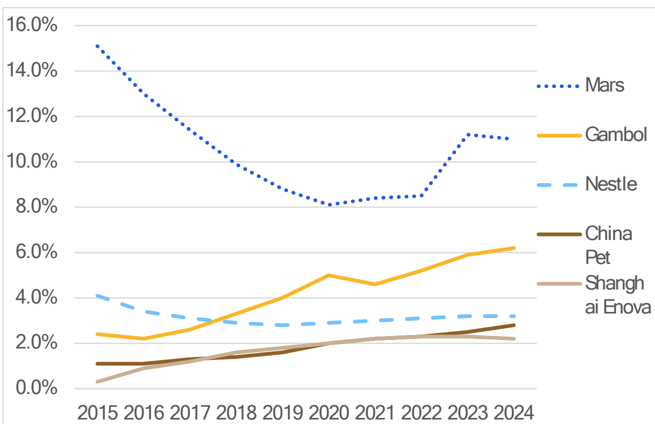
Figure 29. China pet food import value change



Source: Citi Research, Wind

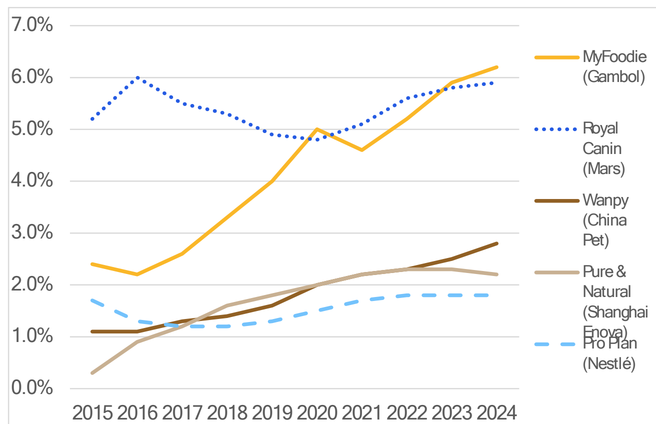
The three multinational companies are Mars Inc (No.1), Nestle SA (No.3), and Agrolimen SA (No.10). Mars Inc operates nine pet food brands in China after acquiring two in 2022 and had 11% market share in 2024; its Royal Canin brand has been surpassed by local player Gambol's MyFoodie brand and dropped from No. 1 to No. 2 ranking since 2023. Nestle SA operates six pet food brands in China with market share of 3.2% in 2024; its Pro Plan brand tied for the 5th ranking with local brand Legend Sandy in 2024.

Figure 30. Top five pet food companies' market share in terms of sales in China



Source: Citi Research, Euromonitor

Figure 31. Top five pet food brands' market share in terms of sales in China



Source: Citi Research, Euromonitor

Figure 32. China pet food market share of top 10 companies

1	Mars Inc	US	8.5%	11.4%	11.2%	11.0%
2	Gambol Pet Group Co Ltd	China	5.2%	5.2%	5.9%	6.2%
3	Nestlé SA	Switzerland	3.1%	3.1%	3.2%	3.2%
4	Yantai China Pet Foods Co Ltd	China	2.3%	2.3%	2.5%	2.8%
5	Shanghai Enova Pet Products Co Ltd	China	2.3%	2.3%	2.3%	2.2%
6	Jiangsu Jijia Pet Product Co Ltd	China	0.6%	0.6%	1.2%	1.8%
7	NetEase Inc	China	1.4%	1.4%	1.6%	1.6%
8	Rongxi Pet Food Co Ltd	China	1.5%	1.5%	1.5%	1.4%
9	Shanghai Bridge Petcare Co Ltd	China	2.0%	2.0%	1.6%	1.4%
10	Agrolimen SA	Spain	0.9%	0.9%	1.1%	1.1%
Top 10 total			**27.8%**	**30.7%**	**32.1%**	**32.7%**
Chinese brands			15.3%	15.3%	16.6%	17.4%
Multinational brands			12.5%	15.4%	15.5%	15.3%

Source: Citi Research, Euromonitor

Figure 33. China pet food market share of top 10 brands

1	MyFoodie (麦富迪)	Gambol	China	5.2%	5.9%	6.2%
2	Royal Canin (皇家)	Mars	US	5.6%	5.8%	5.9%
3	Wanpy (顽皮)	China Pet	China	2.3%	2.5%	2.8%
4	Pure & Natural (伯纳天纯)	Shanghai Enova	China	2.3%	2.3%	2.2%
5	Pro Plan (冠能)	Nestlé	Switzerland	1.8%	1.8%	1.8%
6	Legend Sandy (蓝氏)	Jiangsu Jijia	China	0.6%	1.2%	1.8%
7	Yanxuan (严选)	NetEase	China	1.4%	1.6%	1.6%
8	Acana (爱肯拿)	Mars (acquired rom Champion)	Canada	1.4%	1.4%	1.4%
9	Orijen (原始猎食渴望)	Mars (acquired rom Champion)	Canada	1.5%	1.3%	1.2%
10	Instinct (天然百利)	Agrolimen	Spain	0.9%	1.1%	1.1%
Top 10 total				**23.0%**	**24.9%**	**26.0%**
Chinese brands				11.8%	13.5%	14.6%
Multinational brands				11.2%	11.4%	11.4%

Source: Citi Research, Euromonitor

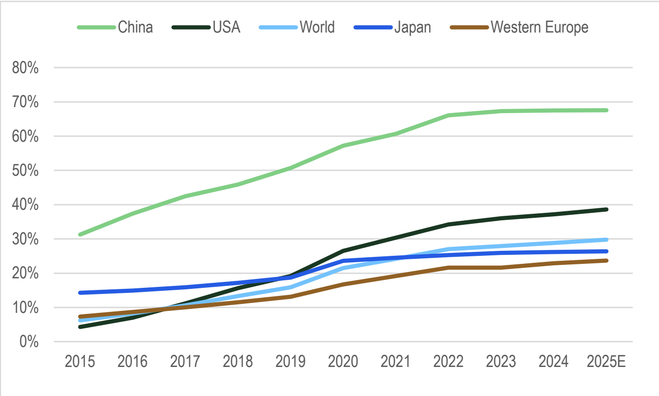
Local brands ride the ecommerce and social media development

We think foreign brands have early-mover advantages in China especially in brand building and offline channel penetration. We believe the rise of local brands as late entrants is facilitated by the fast development of ecommerce in China, particularly direct-to-consumer (DTC) online retail channel. We believe the vast online user base provides rich big data to help local brands quickly access end customers and gain market insights.

According to Euromonitor, e-commerce channel generates 68% of pet food retail sales in China in 2025E, significantly higher than US' 39%, Japan's 26%, Western Europe's 24%, and world average of 30%.

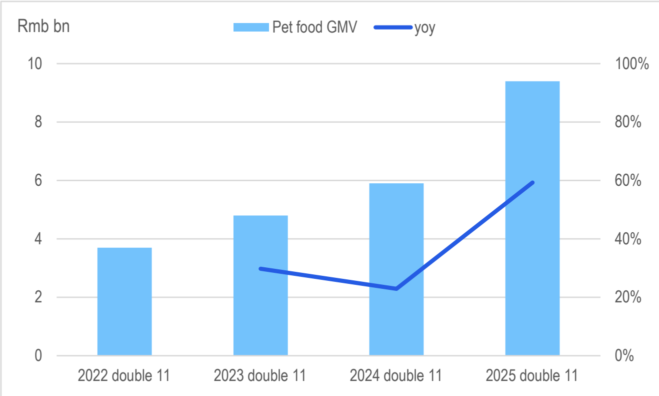
During the Double 11 promotions in the past three years, China's biggest annual sales campaigns, the online GMV of the pet food category recorded 30%, 23% and 59% growth, respectively, according to Syntun data.

Figure 34. E-commerce as % of pet food sales



Source: Citi Research, Euromonitor

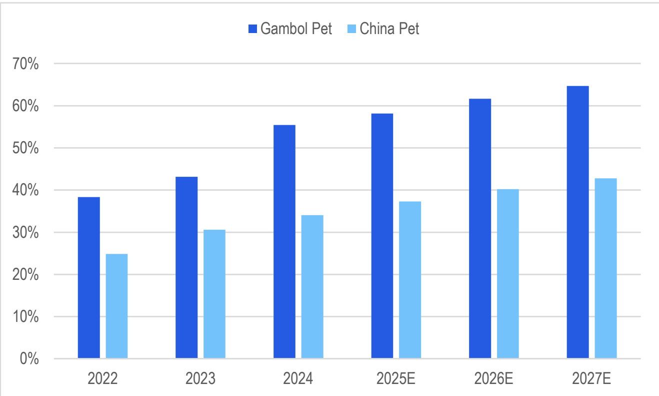
Figure 35. Pet food online GMV during Double 11 promotion



Source: Citi Research, Syntun data

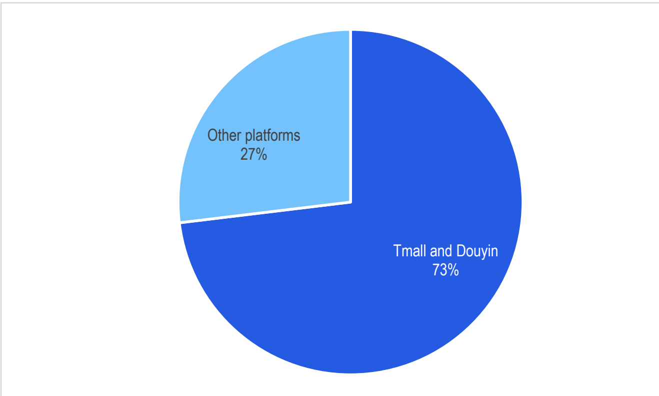
We estimate Gambol's and YCP's online direct sales contributed 57% and 37% of their domestic house brand revenue in 2025E. Among Gambol's online direct sales, Tmall and Douyin contributed over 70%.

Figure 36. Online direct sales as % of China revenue



Source: Citi Research estimates, Company reports

Figure 37. Gambol's online direct sales by platform in 1H25



Source: Citi Research, Company reports

In addition, social media is significantly changing the way pet-raising knowledge is disseminated and reshaping pet owners' consumption decisions. Local players can educate consumers not only about the product itself but also about a lifestyle of delicate and scientific pet feeding and an attitude of respecting pets, hence to build brand. Per the KPMG report, short video platforms (chosen by 73.5% of pet owners), Rednote (66.1%), and Weibo (41.2%) are the main touchpoints with pet owners vs. online marketplace (29.3%), TV, website and building advertisement.

Leveraging the fast development social media, local brands can directly engage with pet owners, efficiently conduct customer education, build brand image and swiftly respond to demand trend. Among the top 10 pet food brands during Tmall's "618" and Double 11 promotions, more than half are domestic brands and their overall ranking has been continuously improving in the past three years.

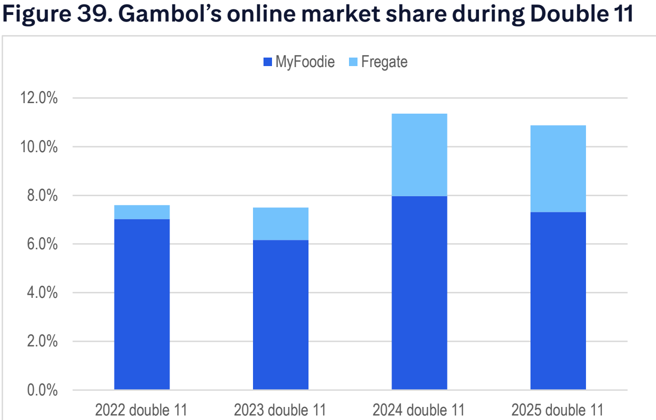
Figure 38. Pet food brand ranking during Tmall promotions

	2022 618	2022 11.11	2023 618	2023 11.11	2024 618	2024 11.11	2025 618	2025 11.11
1	MyFoodie (麦富迪)	MyFoodie (麦富迪)	MyFoodie (麦富迪)	MyFoodie (麦富迪)	MyFoodie (麦富迪)	MyFoodie (麦富迪)	Rosy Fresh (鲜朗)	Rosy Fresh (鲜朗)
2	Royal Canin (皇家)	Royal Canin (皇家)	Royal Canin (皇家)	Royal Canin (皇家)	Royal Canin (皇家)	Rosy Fresh (鲜朗)	MyFoodie (麦富迪)	MyFoodie (麦富迪)
3	Orijen (原始猎食渴望)	Orijen (原始猎食渴望)	Yanxuan (严选)	Legend Sandy (蓝氏)	Rosy Fresh (鲜朗)	Legend Sandy (蓝氏)	Legend Sandy (蓝氏)	Fregate (弗列加特)
4	Nourse (卫仕)	Yanxuan (严选)	Orijen (原始猎食渴望)	Yanxuan (严选)	Legend Sandy (蓝氏)	Fregate (弗列加特)	Royal Canin (皇家)	Legend Sandy (蓝氏)
5	Yanxuan (严选)	Acana (爱肯拿)	Rosy Fresh (鲜朗)	Honest Bite (诚实一口)	Yanxuan (严选)	Honest Bite (诚实一口)	Fregate (弗列加特)	Royal Canin (皇家)
6	ZIWI	Nourse (卫仕)	Honest Bite (诚实一口)	Rosy Fresh (鲜朗)	Honest Bite (诚实一口)	Royal Canin (皇家)	Honest Bite (诚实一口)	Honest Bite (诚实一口)
7	Keres (凯锐思)	Instinct (天然百利)	Acana (爱肯拿)	Instinct (天然百利)	Orijen (原始猎食渴望)	Instinct (天然百利)	Instinct (天然百利)	Orijen (原始猎食渴望)
8	Jiangxiaoao (江小傲)	ZIWI	Instinct (天然百利)	Orijen (原始猎食渴望)	Fregate (弗列加特)	Yanxuan (严选)	Orijen (原始猎食渴望)	Yanxuan (严选)
9	Acana (爱肯拿)	Alfie & Buddy (阿飞和巴弟)	Legend Sandy (蓝氏)	Pure & Natural (伯纳天纯)	Acana (爱肯拿)	Orijen (原始猎食渴望)	Yanxuan (严选)	Acana (爱肯拿)
10	Pure & Natural (伯纳天纯)	Legend Sandy (蓝氏)	Nourse (卫仕)	Nourse (卫仕)	Instinct (天然百利)	Acana (爱肯拿)	Acana (爱肯拿)	Instinct (天然百利)

Source: Citi Research, Tmall

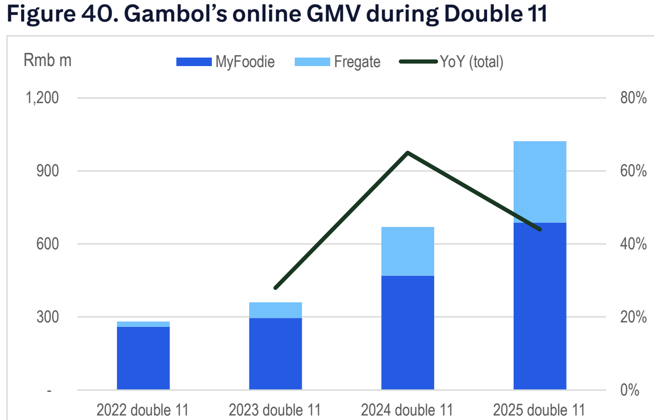
Gambol has achieved 28%, 65% and 44% GMV growth during the past three years' Double 11 promotions. We estimate Gambol's online market share to be 11% during Double 11 promotions in terms of GMV, including MyFoodie and Fregate brands.

Figure 39. Gambol's online market share during Double 11



Source: Citi Research estimates, Syntun data

Figure 40. Gambol's online GMV during Double 11



Source: Citi Research, Company reports

Local brands gaining consumer trust on product quality

The increasing demand for health and quality has driven the pet food preference change. Local brands have gained increasing recognition in emerging categories such as freeze-dried food and lower-temperature baked food, which are replacing the traditional extruded dry food.

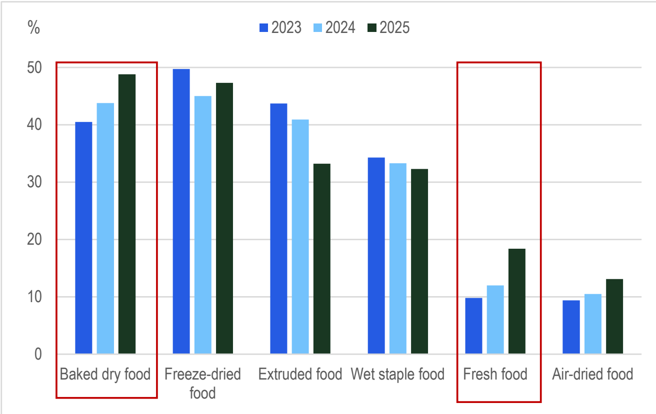
Additionally, local brands have launched fresh food recipes to capture growing demand. Their premium lines emphasize high pure fresh meat content, with no frozen meat or meat powder, aligning with pet owners' focus on freshness and health—the top reason (39.2%) for feeding fresh food, according to the 2026 China Pet Industry White Paper (CCTV.com, 5 Jan). Other key reasons include higher nutritional value/digestibility (29.8%) and better palatability (21.8%).

Figure 41. Fresh meat recipe product examples

Company	Main line	Ingredient	Premium line	Ingredient
China Pet	Wanpy Grain Free Fresh Meat Recipe Cat Food Rmb34/kg 	Fresh chicken 30.5%, fresh duck 15.3%, fresh chicken heart and liver 9.5%, chicken powder 6.5%, duck powder 5.5%, pea, dried sweet potato, chicken fat 5.2%, fish oil 1.2%, alfafa pellets 1.1%, egg yolk powder 0.6%, Chicory root powder 0.4%, cheese powder 0.06%, cranberry powder 0.01%, broccoli powder 0.01%, blueberry powder 0.01%	Toptrees Low Temperature Baked Fresh Meat Recipe Cat Food Rmb80/kg 	Fresh chicken 65%, fresh chicken heart 7%, fresh chicken liver 7%, Hydrolyzed fish protein powder 6%, chicken fat 2%, goat milk powder 1.5%, Anchovy oil 1.5%, egg yolk powder 1%, Chicory root powder 0.4%, pumpkin powder 0.2%,
Gambol Pet	Myfoodie Goat Milk and Fresh Meat Baked Adult Cat Food Rmb60/kg 	Fresh chicken 55%, goat milk 10%, dried chicken 8%, chicken fat 5.5%, frozen chicken liver 2.5%, frozen chicken heart 2.5%, krill meal 1%, egg yolk powder 0.2%, whey powder 0.2%, kale powder	Fregate Lactose Free A2 Milk and Fresh Meat Baked Adult Cat Food Rmb94/kg 	Fresh chicken 68%, lactose free cow milk 10%, fresh chicken leg with bone 10%, salmon fish oil, fresh chicken heart 2%, cranberry powder, blueberry powder, kale powder, chicory root powder

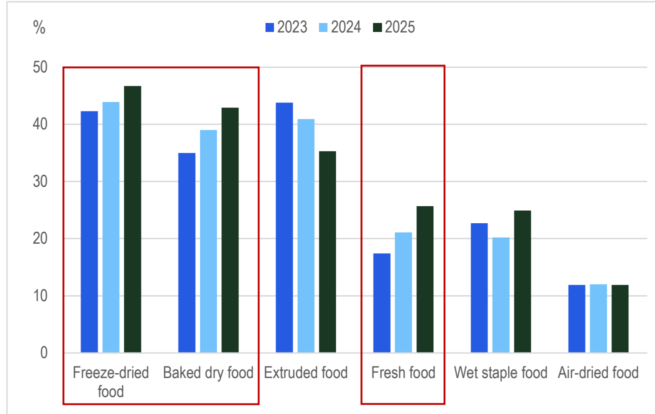
Source: Citi Research, Company websites

Figure 42. Cat staple food purchasing preference in China



Source: Citi Research, China Pet Industry White Paper, KPMG report

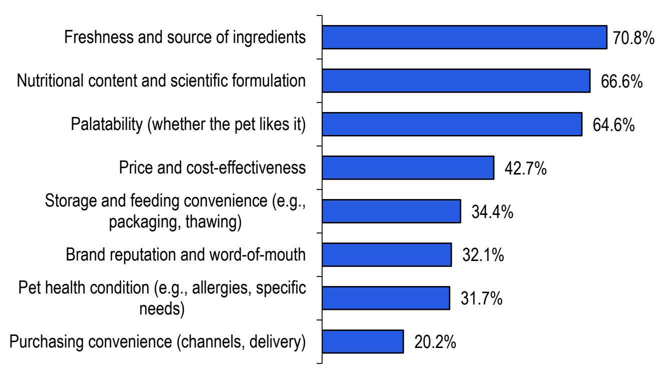
Figure 43. Dog staple food purchasing preference in China



Source: Citi Research, China Pet Industry White Paper, KPMG report

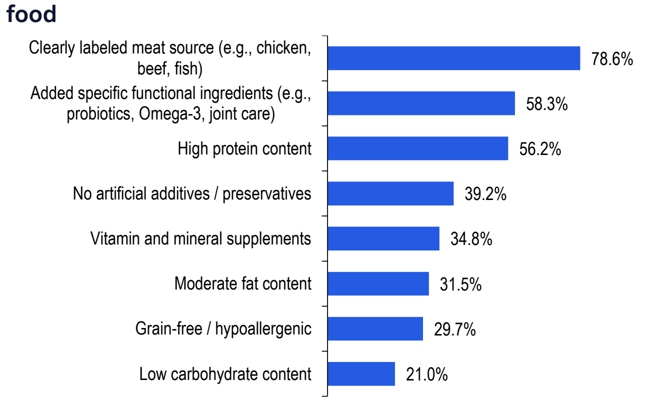
In marketing, local brands highlight advantages such as ingredient quality, traceable suppliers, nutritional benefits, and production technology. This transparency addresses key consumer concerns: when purchasing fresh food, 70.8% of owners focus on ingredient freshness and source, 66.6% on nutrition and scientific formulation, and 64.6% on palatability, according to [2026 China Pet Industry White Paper](). In terms of nutrition factors when purchasing fresh food, 78.6% prioritize meat source, followed by functional ingredients (58.3%) and high protein content (56.2%).

Figure 44. Factors when purchasing fresh pet food



Source: Citi Research, 2026 China Pet Industry White Paper

Figure 45. Nutritional factors when purchasing fresh pet food



Source: Citi Research, 2026 China Pet Industry White Paper

Figure 46. Gambol's product information – MyFoodie Goat Milk and Fresh Meat Baked Adult Cat Food

Source: Citi Research, Company website

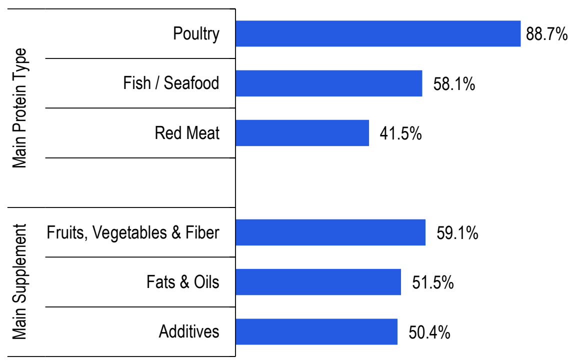
Figure 47. YCP's product information – Wanpy Grain Free Fresh Meat Recipe Dry Cat Food

序号	原料名称	供应商名称	所在地
1	鲜鸡肉	烟台春雪食品	山东烟台
2	鲜鸭肉	新希望六和集团有限公司	山东青岛
3	鲜鸡内脏（鸡心 / 鸡肝）	烟台春雪食品	山东烟台
4	鸡肉粉	烟台金润达动物营养有限公司	山东烟台
5	鸭肉粉	石家庄景迪宠物蛋白饲料有限公司	河北石家庄
6	豌豆	青岛青胜禾农产品有限公司 青岛嘉禾盛通进出口有限公司	山东青岛
7	甘薯干	临沂张义清农产品有限公司	山东临沂
8	马铃薯淀粉	甘肃蓝天马铃薯产业有限公司	甘肃省定西市
9	鸡油	河北龙翔油脂有限公司	河北沧州
10	鱼油	荣成市赤鑫鱼油有限公司	山东威海
11	酵母水解物	潍坊博瑞石商贸有限公司	山东潍坊
12	苜蓿草颗粒	青岛科奈尔饲料有限公司	山东青岛
13	蛋黄粉	大连绿雪蛋品发展有限公司	大连市
14	菊苣根粉	丰喜（上海）贸易公司	上海市
15	纤维素	山东梵蓝生物科技有限公司	山东潍坊
16	丝兰粉	山东华昌动物保健品有限公司	山东济南
17	奶酪粉	弘佳嘉信（天津）食品配料有限公司	天津市
18	乳钙	北京中柏创业化工产品有限公司	北京市
20	蔓越莓粉	西安乐森生物科技有限公司	陕西西安
21	西蓝花粉	兴化市王横食品有限公司	江苏省泰州市
22	蓝莓粉	天津秀谷生物技术发展有限公司	天津市
23	复合维生素矿物质	帝斯曼维生素（山东）有限公司	山东聊城
24	产酶益生菌（嗜酸乳杆菌、枯草芽孢杆菌）	广州市中添生物科技有限公司	广州省广州市

Source: Citi Research, Company website

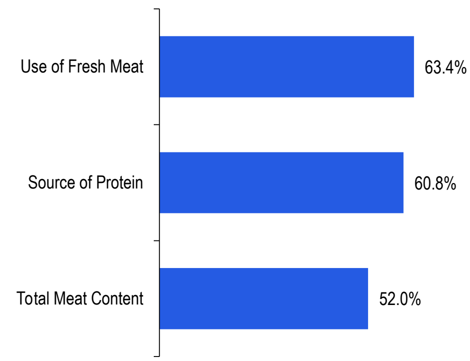
Ingredient preferences are also evolving. Pet owners show strong preference for poultry-based main meals (88.7%), over fish/seafood (58.1%) and red meat (41.5%). In terms of supplements, 59.1% favor fruits, vegetables, and fiber, followed by fats/oils (51.5%) and additives (50.4%). Regarding composition, the top concerns are the use of fresh meat (63.4%), protein source (60.8%), and meat content (52%).

Figure 48. Pet owners' preferences for main ingredients



Source: Citi Research, 2026 China Pet Industry Whitepaper

Figure 49. Pet owners' top concerns in ingredient composition



Source: Citi Research, 2026 China Pet Industry Whitepaper

We believe local brands' rich content and transparency have helped enhance customer perception and build trust, particularly as they respond to detailed preferences around ingredients, formulation, and protein quality.

Key Risks

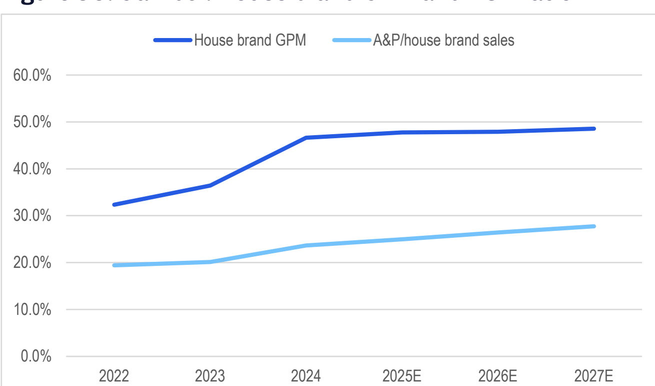
Low profitability of house brands

China's pet food companies mainly originated from OEM businesses for overseas clients. With the fast-growing pet food consumption in the China domestic market, Chinese local players have started their house brand businesses in recent years to ride the industry demand trend. More importantly, developing house brands is a strategic move to strengthen business competitiveness and ensure long-term growth potential.

However, we believe the margin impact of the house brand business in the near term is unfavorable. Despite higher GPM than OEM business, we believe house brand business' OPM is lower given intensive competition and increasing A&P spending through social commerce like Douyin live streaming. Longer term, we expect the OPM of house brand business to improve gradually along with the economies of scale, hence the dilutive impact to diminish over time.

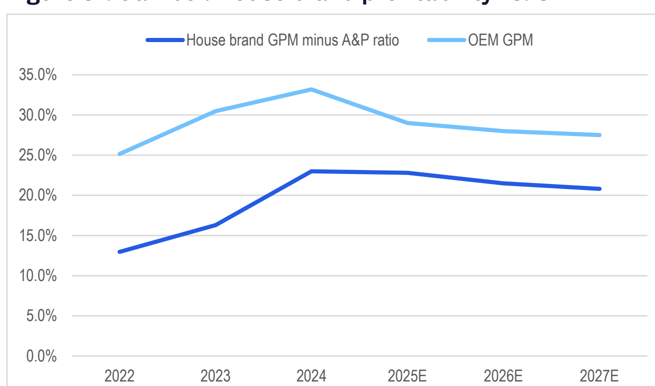
- Gambol's house brand GPM increased from 32.4% in 2022 to 46.6% in 2024, driven by raw material cost declines and channel mix shift from distributor sales to direct sales. OEM business GPM also increased from 25.2% to 33.2% driven by raw material cost declines. In the meantime, A&P as percentage of house brand sales increased from 19.4% to 23.7% along with the channel mix shift as direct sales model requires heavier branding and marketing spending. As a result, house brand business had lower profitability than OEM given no A&P for the latter. Nevertheless, we saw house brand business GPM netting of A&P ratio improved from 13% in 2022 to 23% in 2024. We expect the margin gap to slightly narrow from 10ppts in 2024 to 7ppts in 2027E.

Figure 50. Gambol: House brand GPM and A&P ratio



Source: Company reports and Citi Research Estimates

Figure 51. Gambol: House brand profitability vs. OEM

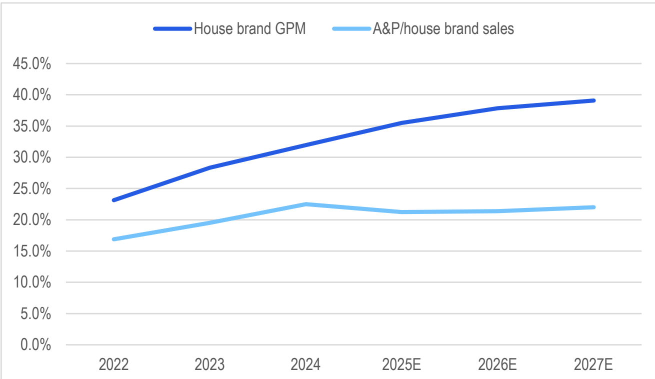


Source: Company reports and Citi Research Estimates

- YCP's house brand GPM increased from 23.1% in 2022 to 31.9% in 2024, driven by raw material cost declines, product mix improvement via cutting long-tail low margin items for distribution channel, and increased contribution of direct sales. OEM business GPM also increased from 18.3% to 27.3% driven by raw material cost decline. In the meantime, A&P as percentage of house brand sales increased from 16.9% to 22.5% along with the channel mix shift from distributor sales to direct sales. As a result, house brand business had lower profitability than OEM given no A&P for the latter. Nevertheless, we saw house brand business GPM netting of A&P ratio improved from 6.3% in2022 to 9.4% in 2024.

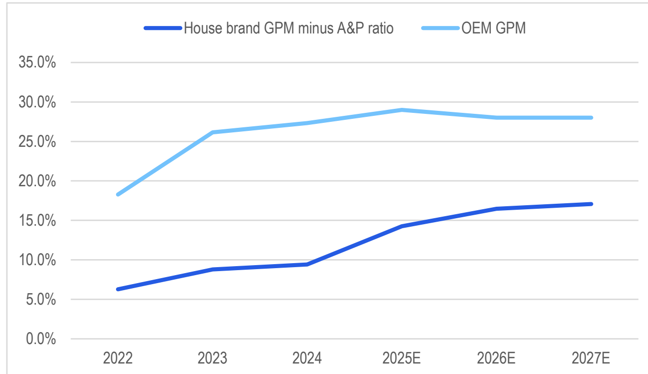
Looking ahead, given the fast ramp-up of the higher margin Little Golden Shield line under the Wanpy brand in 2025, we expect the margin gap to significantly narrow from 18ppts in 2024 to 11ppts in 2027E.

Figure 52. YCP: House brand GPM and A&P ratio



Source: Company reports and Citi Research Estimates

Figure 53. YCP: House brand profitability vs. OEM



Source: Company reports and Citi Research Estimates

US import tariff weighing on OEM business

The US imposed a 10% tariff on Chinese pet food exports in 2018, which rose to 25% in 2019 and 55% in Apr 2025. US tariff resulted in a 39% decline in China's pet food exports to the US during Apr-Dec 2025.

Figure 54. China retail packaged pet food export value yoy to US, Jan-Dec 2025

Source: China Custom, Citi Research

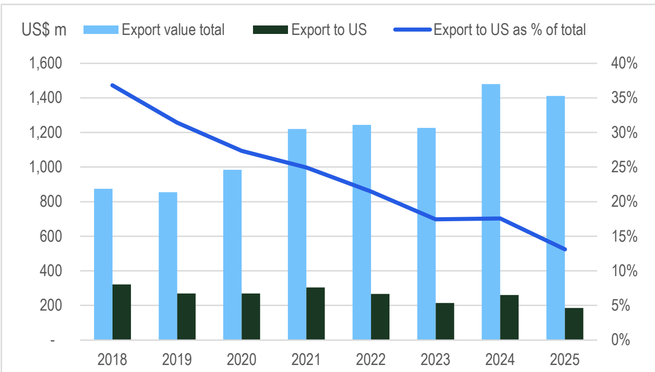
Figure 55. China retail packaged pet food export value yoy, 2018-2025

Source: China Custom, Citi Research

The US also imposed high import tariff on other Asian countries in 2025, including 19% for Thailand and Cambodia, where Gambol and YCP have factories, respectively. With the US as a major export market, the tariff increases have created uncertainty for order volumes, price and GPM of Chinese pet OEM companies' production bases in both China and Asian countries.

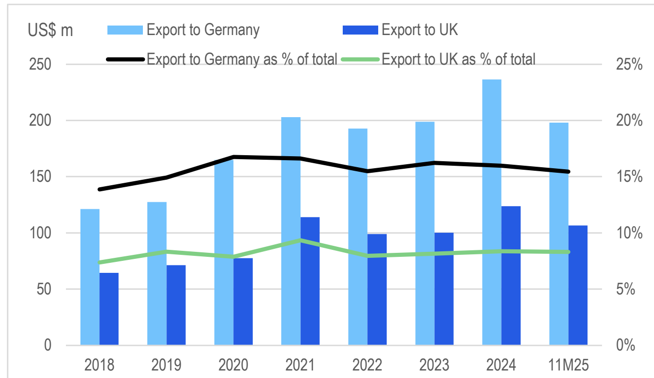
After the sharp declines in export to the US, China pet food manufacturers have been reducing their reliance on the US for pet food export. China's retail packaged pet food export value to the US accounted for 13% of total in 2025, down from 37% in 2018. Meanwhile, China maintains large export exposure to Europe with Germany and the UK the major destinations. In 11M25, Germany and the UK contributed 15% and 8% of China's total export value of retail packaged pet food, respectively. As a result, China's total pet food export value only declined by 5% in 2025, implying a stable non-US export value.

Figure 56. China retail packaged pet food export to US as % of total export value, 2018-2025



Source: China Custom, Citi Research

Figure 57. China retail packaged pet food export to major European countries as % of total export value, 2018-11M25



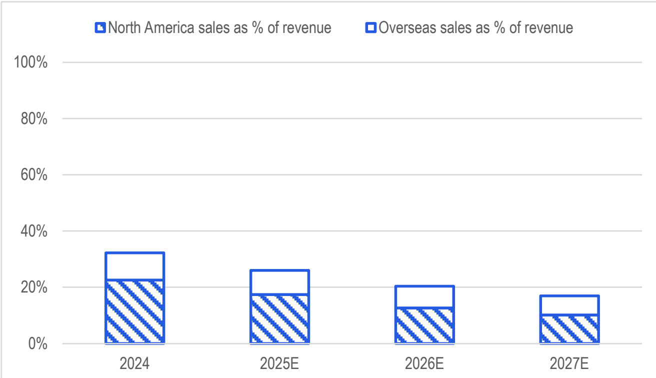
Source: China Custom, Citi Research

To offset potential export disruptions, Chinese pet OEM companies are transferring production to other exporting markets where the tariff imposed by US is still affordable, building local production site in North America, strengthening presence in other international markets and increasing investment in domestic brand sales.

- Gambol's overseas sales accounted for 32% of group revenue in 2024, of which we estimate North America accounted for about 70% and Europe accounted for about 20%. Hence, we estimate North America accounted for about 20% of group revenue. It has transferred all North America exports to its Thailand factory hence further tariff imposed to China will not impact. We estimate overseas sales contribution to gradually reduce to 17% in 2027E and the North America contribution to lower to c.10% by then. In terms of earnings, we estimate North America (mainly US) to account for 18% of 2026E net profit.

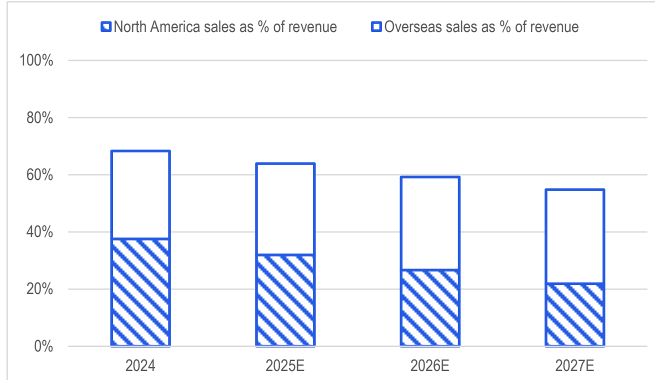
- YCP's overseas sales accounted for 67% of group revenue in 1H25, of which we estimate North America accounted for about 50% and Europe accounted for >30%. Hence, we estimate North America accounted for >30% of group revenue. It exports to North America through its China factory and invested in Cambodia JV factory (49% stake, booked as investment gain below OP line) and is increasingly shifting to Cambodia for lower US tariff. It also has factories in North America including US (with phase two commencing operation in 1Q26), Canada and Mexico (started operation in 4Q25). We estimate overseas sales contribution to gradually reduce to 55% in 2027E and the North America contribution to lower to >20% by then. In terms of earnings, we estimate North America (mainly US) to account for 28% of 2026E net profit, including 19% from North America local factory subsidiaries (limited tariff impact) and 9% from SEA JV factory.

Figure 58. Gambol – sales exposure to North America



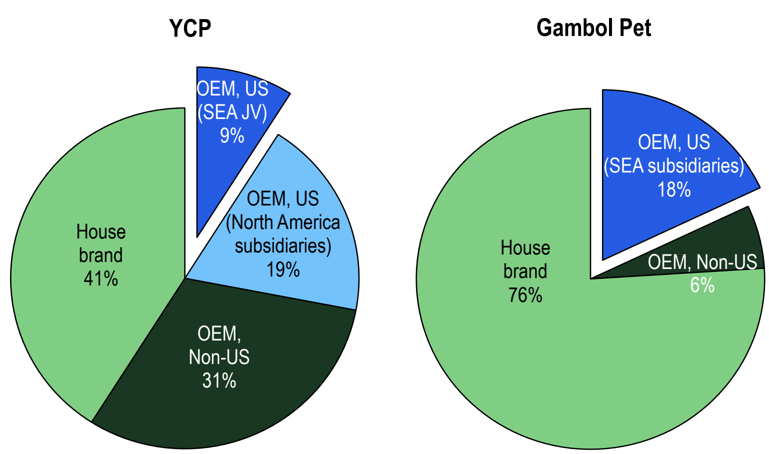
Source: Citi Research Estimates, Company reports

Figure 59. YCP – sales exposure to North America



Source: Citi Research Estimates, Company reports

Figure 60. 2026E earnings breakdown by region and business model (Citi estimates)



Source: Citi Research Estimates

Major raw material cost fluctuation

We estimate raw materials account for 60-80% of pet food producers' COGS, varying with pet food categories. Major raw materials are poultry (mainly chicken breast, as well as duck breast), accounting for about 70% of pet treat raw materials and 10% of pet staple food raw materials by our estimate. Grains (mainly corn, as well as rice and soymeal) are the main ingredients of pet staple food, accounting for 50% of raw materials by our estimates.

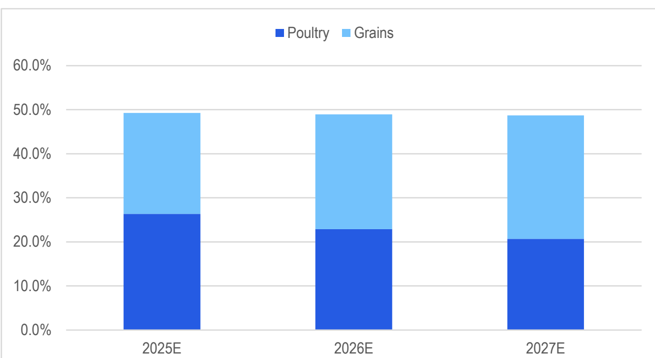
For Gambol Pet, we estimate raw materials accounted for 75-80% of its COGS, of which poultry and grains likely accounted for 26% and 23%, in 2025E. Given the increasing sales proportion of pet staple food, we expect grains to surpass poultry and account for 26% and 28% of COGS in 2026E and 2027E, while poultry could account for 23% and 21% of COGS in respective years.

For YCP, we estimate raw materials accounted for 65-70% of its self-production COGS (excluding outsourced production), of which poultry and grains likely accounted for 33% and 12% of COGS, in 2025E. Given the increasing sales proportion of pet staple food, we estimate that poultry mix to gradually reduce to 30% and 28% of COGS in 2026E and 2027E, while grain mix to gradually increase to 14% and 16% of COGS in respective years.

Chicken breast price increased mildly by about 1% in 9M25 in terms of retail price or consumer living cost in major pet food production markets incl. China, Thailand (Gambol's overseas production site) and US (YCP's overseas production site). Based on our sensitivity analysis, every 10% increase in poultry price would cause 11%/10% drop in Gambol's 2026E/27E net profit, and 18%/16% decline in YCP's 2026E/27E net profit. YCP's higher earnings sensitivity is due to thinner margins and higher proportion of poultry cost given higher sales exposure to pet treats.

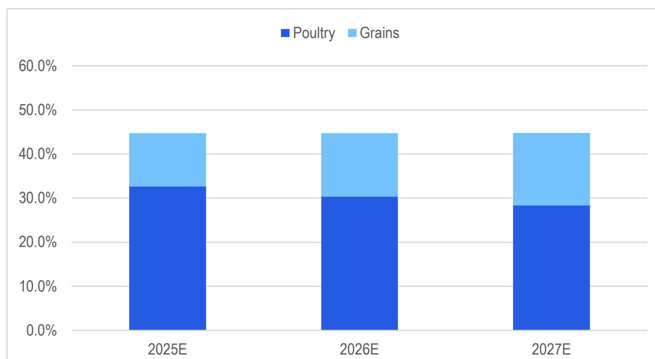
Corn price in China, the major production market of Chinese pet staple food, had a mild decrease of about 3% in 2025 after 16% pullback in 2024 from the peak level in 2021-23. Based on our sensitivity analysis, every 10% increase in grain price would cause 12%/13% decrease in Gambol's 2026E/27E net profits, and 8%/9% decrease in YCP's 2026E/27E net profits.

Figure 61. Gambol – major raw materials as % of COGS



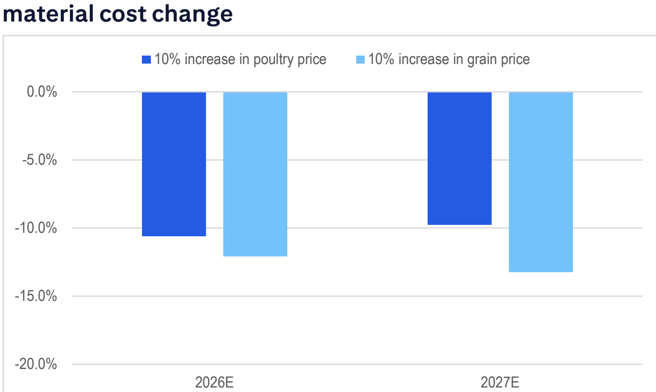
Source: Citi Research Estimates

Figure 62. YCP – major raw materials as % of COGS



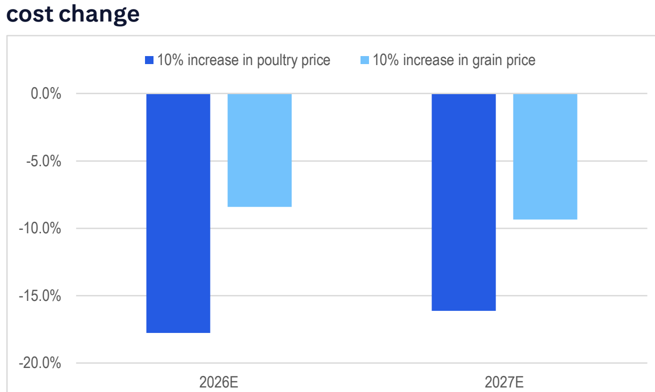
Source: Citi Research Estimates

Figure 63. Gambol – earnings sensitivity on major raw material cost change



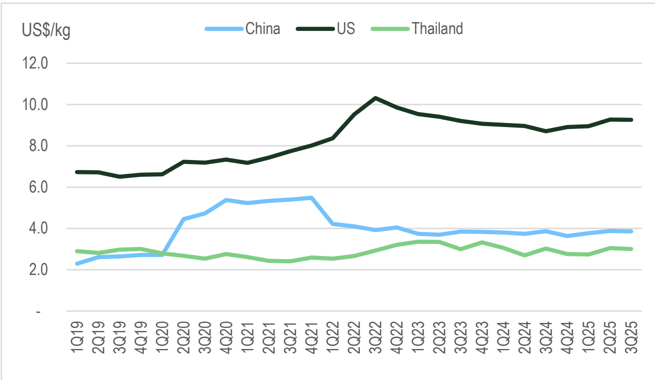
Source: Citi Research Estimates

Figure 64. YCP – earnings sensitivity on major raw material cost change



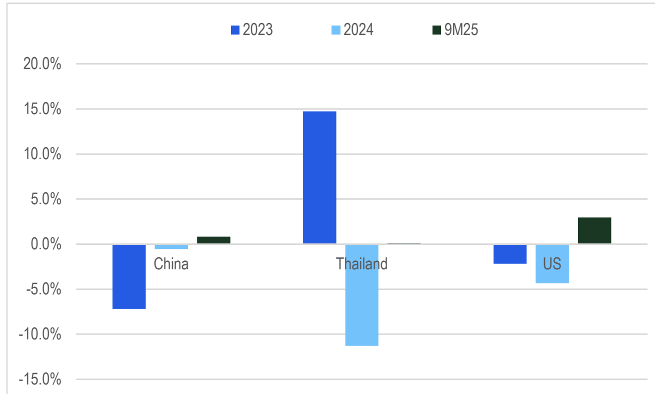
Source: Citi Research Estimates

Figure 65. Chicken breast retail price trend



Source: Wind data, Citi Research

Figure 66. Chicken breast retail price yoy

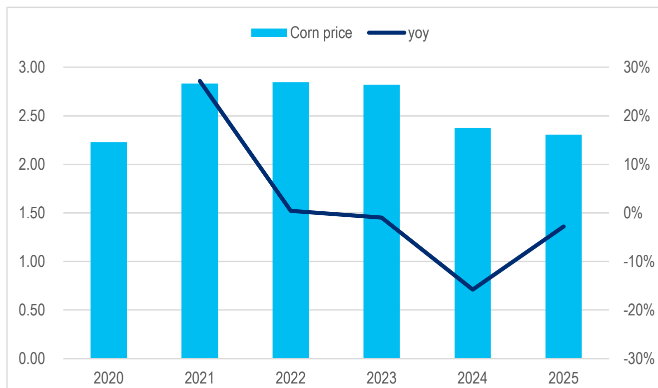


Source: Wind data, Citi Research

Figure 67. Corn price trend in China

Source: Wind data, Citi Research

Figure 68. Corn price yoy in China



Source: Wind data, Citi Research

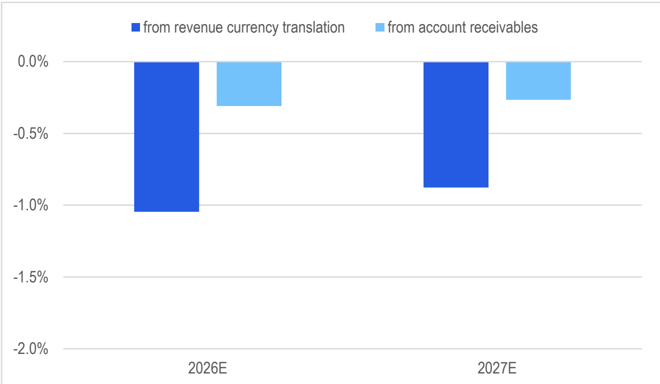
USD depreciation

As the US remains one of the major overseas markets for Chinese pet food manufacturers, USD deprecation brings additional risk to sales revenue and GPM. Our sensitivity analysis considers only currency translation impact and FX gains/losses on USD-denominated account receivables from OEM clients. USD-denominated account receivables accounted for 80% and 67% of Gambol and YCP's total in 2024.

For Gambol Pet, based on our sensitivity analysis, every 1% depreciation of the USD against the RMB would cause 1.3%/1.2% decline in net profit in 2026E/27E, including 1.0/0.9% decline from US revenue currency translation and 0.3%/0.3% FX exchange loss from account receivables.

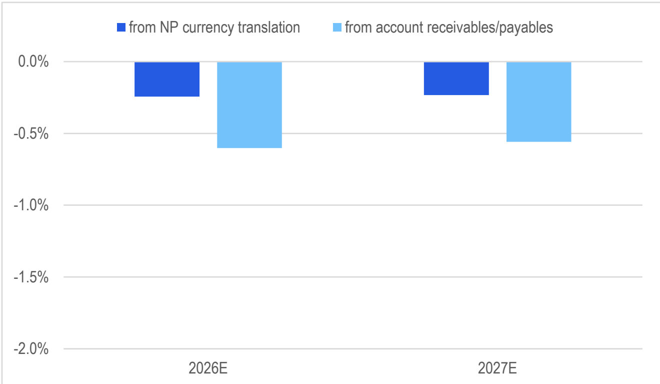
For YCP, we expect it to transfer US export from its own factories in China to Cambodia JV factory and to increase US local capacities to support its US high-end business. So, the FX impact should be limited. Based on our sensitivity analysis, every 1% depreciation of the USD against the RMB would cause 0.8%/0.8% decline in net profit in 2026E/27E, including 0.2%/0.2% decline from US factory profit currency translation and 0.6%/0.6% FX loss from account receivables netting of account payables.

Figure 69. Gambol – earnings sensitivity to 1% USD depreciation against RMB



Source: Citi Research Estimates

Figure 70. YCP – earnings sensitivity to 1% USD depreciation against RMB



Source: Citi Research Estimates

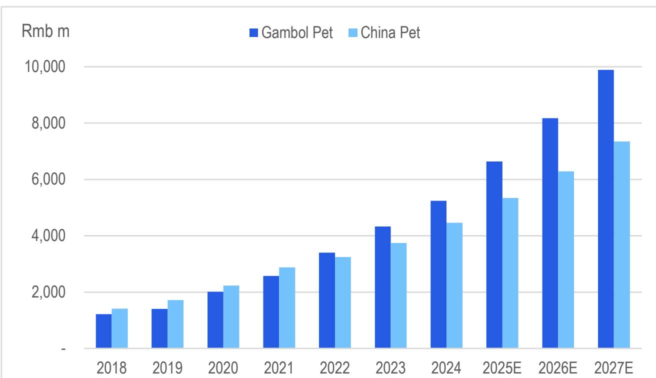
Head-to-head comparison

Revenue scale

Gambol's revenue has exceeded YCP's since 2022, driven by acceleration of house brands and domestic market sales. Gambol had a growth hiccup in 2019 from a US tariff increase, while YCP remained more resilient due to relatively smaller US exposure at that time. Gambol recovered in 2020 with the operational commencement of its Thailand factory.

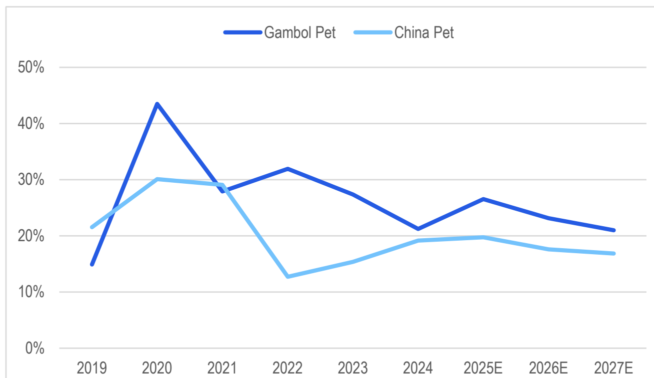
YCP had a slowdown in 2022 due to overseas client destocking in 4Q22 after the pandemic from 6 months to 2-3 months. Its growth in 2023 was still below Gambol's due to the adjustment of the house brand business in the domestic market. YCP aimed to transform its house brand business from distribution-driven to brand-driven. It cut low-margin, low-tail products and streamlined 1/3 of product SKUs, launched online exclusive products to manage the price differences as compared with offline channels, and started to develop higher-end product lines to enhance its brand image. It resumed growth in 2024 after these measures.

Figure 71. Revenue 2018-2027E



Source: Citi Research estimates, Company reports

Figure 72. Revenue growth 2018-2027E



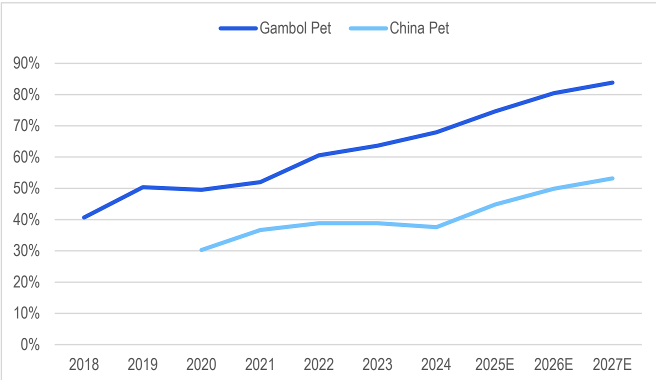
Source: Citi Research estimates, Company reports

Sales drivers

Gambol moved earlier than YCP in driving house brands and China domestic market sales. Gambol's house brand sales contribution increased from 40% in 2018 to 68% in 2024, and we expect it to further increase to 84% in 2027E. Its domestic sales mix also increased from 44% in 2018 to 68% in 2024, and we expect it to further increase to 83% in 2027E.

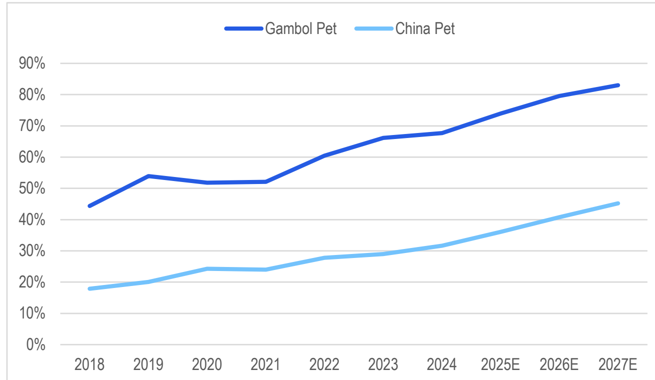
YCP relied more on OEM in the past but planned to boost house brand sales starting from 2025. Its house brand sales contribution increased from 30% in 2020 to 38% in 2024, and we expect it to pick up to 53% in 2027E. Its domestic market sales mix increased from 18% in 2018 to 32% in 2024, and we expect it to improve to 45% in 2027E.

Figure 73. House brand as % of revenue 2018-2027E



Source: Citi Research estimates, Company reports

Figure 74. Domestic market as % of revenue 2018-2027E



Source: Citi Research estimates, Company reports

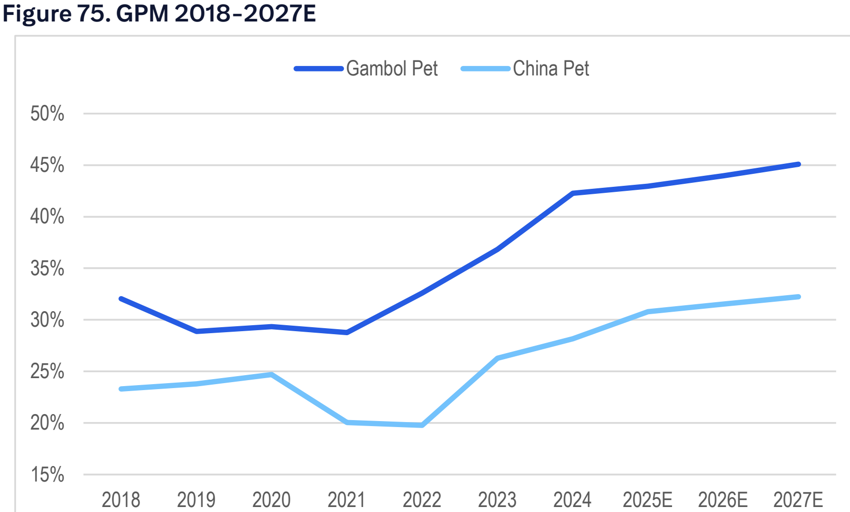
GPM profile

Gambol enjoys higher GPM than YCP in each sales model, geographic market and product category. Gamble also has a better sales mix than YCP with higher sales proportion from its higher-margin business (i.e. house brands) and higher-margin sales model (i.e. direct sales).

Gambol's rapid GPM expansion from 2021 to 2024 was mainly driven by raw material cost decline as well as efforts to enhance profitability, e.g. cutting low-margin clients and improving product mix. We expect milder GPM expansion in 2025E-27E on sales mix improvement.

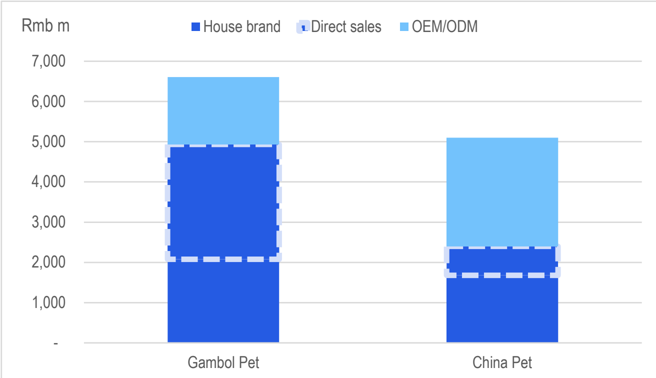
YCP had a GPM contraction in 2021 and 2022 due to raw material cost hike and price promotion, but its GPM has recovered since 2023 with raw material cost pullback. We expect YCP to continue to expand GPM in 2025E-27E more rapidly than Gambol driven by a faster increase of the house brand sales mix.

Figure 75. GPM 2018-2027E



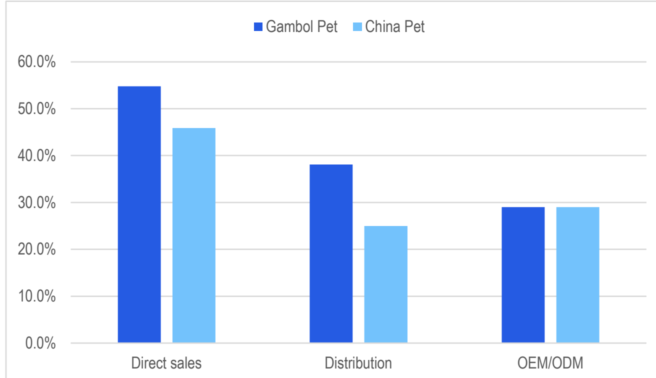
Source: Citi Research estimates, Company reports

Figure 76. Revenue by sales model, 2025E



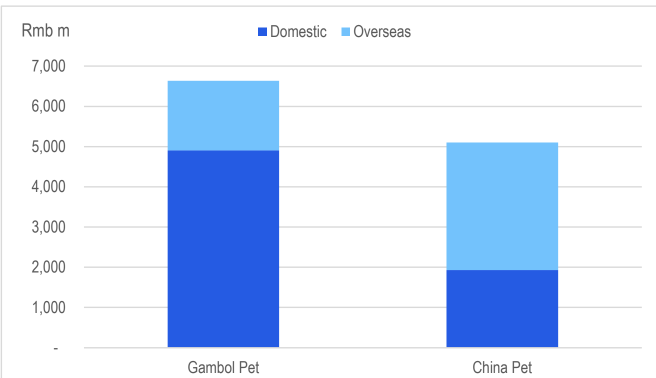
Source: Citi Research estimates, Company reports

Figure 77. GPM by sales model, 2025E



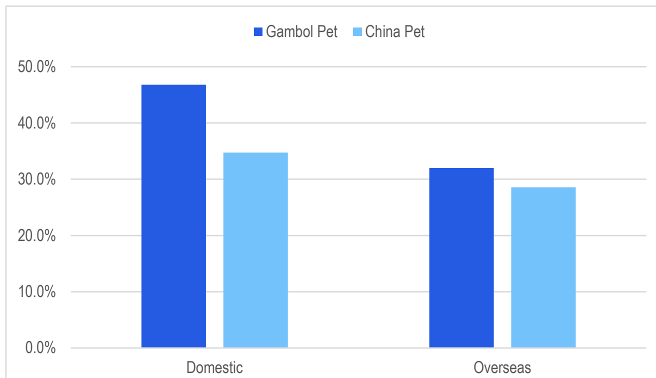
Source: Citi Research estimates, Company reports

Figure 78. Revenue by geographic region, 2025E



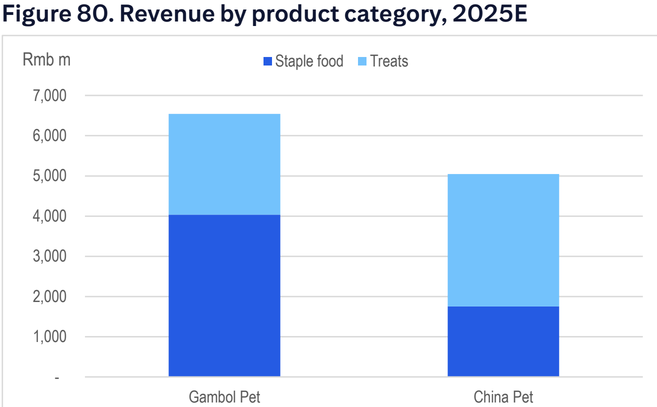
Source: Citi Research estimates, Company reports

Figure 79. GPM by geographic region, 2025E



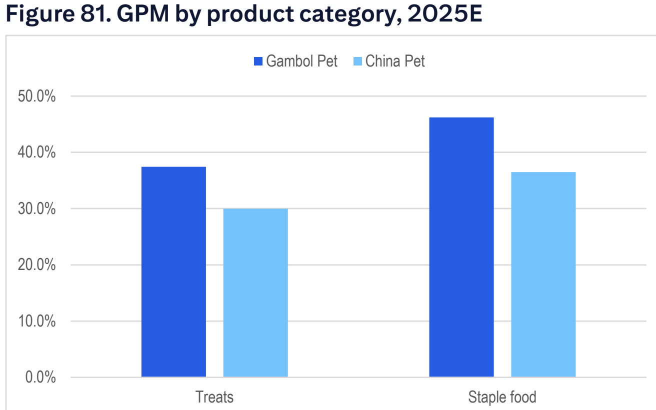
Source: Citi Research estimates, Company reports

Figure 80. Revenue by product category, 2025E



Source: Citi Research estimates, Company reports

Figure 81. GPM by product category, 2025E



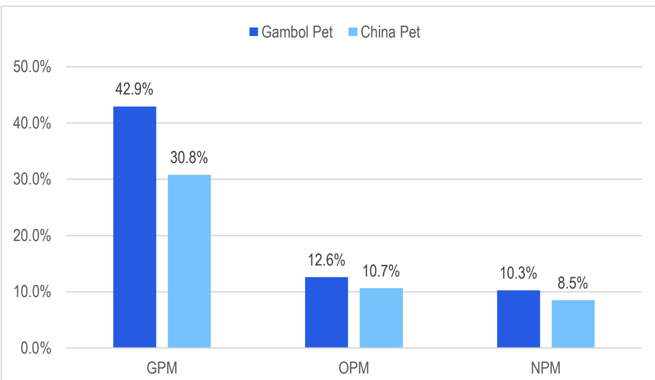
Source: Citi Research estimates, Company reports

Opex and OPM

Gambol's higher house brand sales mix than YCP's leads to the former's 1) higher S&D/sales given higher A&P spending and 2) lower R&D/sales given higher price markup. Gambol still enjoys higher OPM than YCP as higher GPM more than offsets its higher S&D/sales ratio.

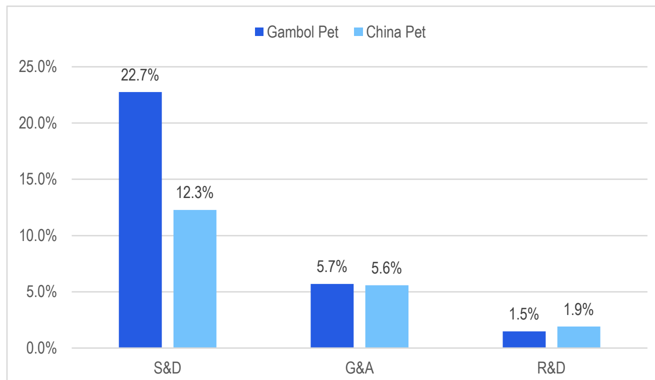
That said, we believe Gambol's OPM has peaked after rapid expansion in 2021-2024, driven mainly by raw material cost decline, and should trend down in 2025E-27E on A&P/sales hike. In contrast, YCP's OPM was flat in 2024 as raw material cost benefit was offset by opex ratio increase; we expect YCP's OPM to be relatively more stable in 2025E-27E with increasing house brand sales contribution.

Figure 82. Margin comparison, 2025E



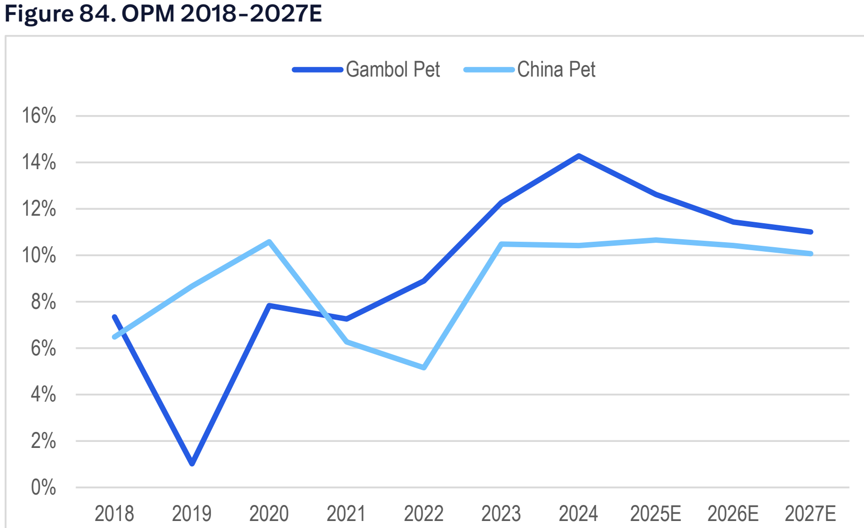
Source: Citi Research estimates, Company reports

Figure 83. Opex ratio comparison, 2025E



Source: Citi Research estimates, Company reports

Figure 84. OPM 2018-2027E



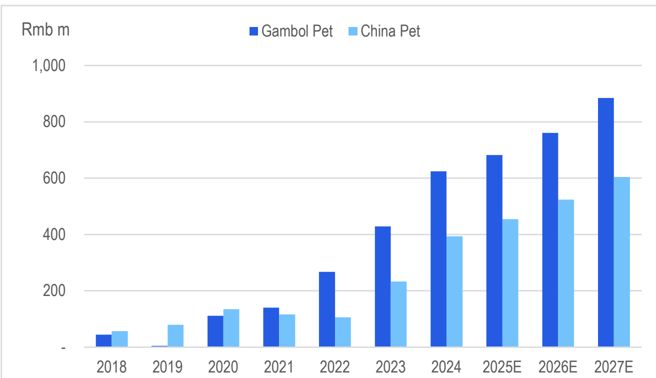
Source: Citi Research estimates, Company reports

Earnings momentum

Gambol had strong earnings growth in 2020-24 with a CAGR of 54%, driven by a 27% revenue CAGR and margin expansion. We expect Gambol to sustain its revenue momentum, with a 24% CAGR in 2024-27E, but its net profit CAGR is likely to slow to 12% during the period, given a potential margin downtrend from its focus on market share gains and the US OEM business.

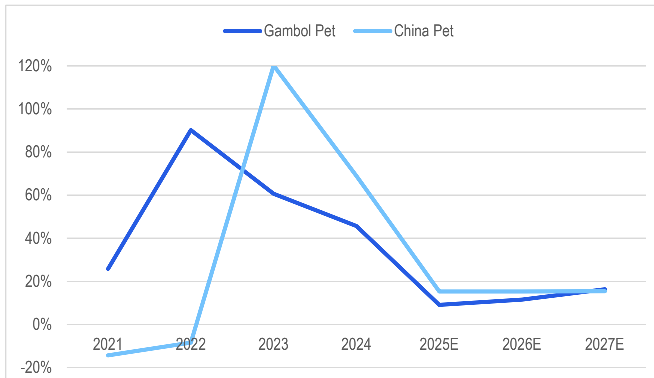
YCP also recorded a robust earnings CAGR in 2020-24, at 31%, driven by a 19% revenue CAGR and margin expansion. It had a strong rebound in 2023 and 2024 after the decline in 2021 and 2022. We expect revenue momentum to slightly decelerate with an 18% CAGR in 2024-27E, and net profit to grow in tandem with revenue. We expect net margin to slightly decline in 2025-27E as a higher S&D/sales ratio should more than offset GPM expansion.

Figure 85. Net profit 2018-2027E



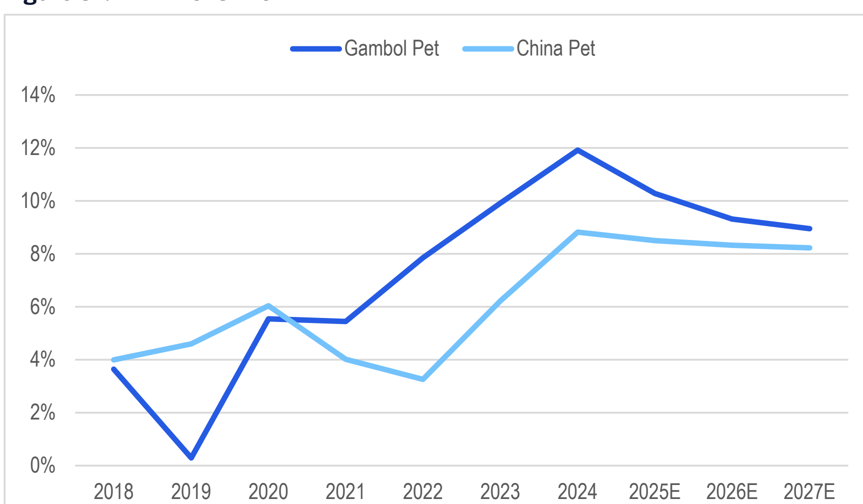
Source: Citi Research estimates, Company reports

Figure 86. Net profit growth 2018-2027E



Source: Citi Research estimates, Company reports

Figure 87. NPM 2018-2027E



Source: Citi Research estimates, Company reports

Stock recommendation

Gambol Pet – Initiate with Neutral. With the No.1 pet food brand in terms of 2024 sales in China (MyFoodie), Gambol should be well positioned to benefit from the secular growth of China's pet care industry. We expect its own brand business, 75% of 2025E group revenue, to grow at a 29% revenue CAGR in 2025E-27E. That said, given mgmt's strategy to prioritize market share with higher A&P investment, coupled with fierce competition, we expect the profitability of its own brand business to remain low. In addition, under US tariff impact, we expect Gambol's OEM business to be a drag on topline and GPM before potential stabilization in 2H26E. We expect a net profit CAGR of 14% in 2025E-27E on a 22% topline CAGR and NPM contraction from 10.3% in 2025E to 9.0% in 2027E. The share price has almost halved in 2H25 due to earnings deterioration since 2Q25 amid margin contraction. The stock trades at 34x 2026E P/E vs. a historical average of 40x, and 2.5x PEG. Valuation still looks unattractive to us considering likely margin pressure. We rate Gambol Neutral with TP of Rmb69.6, which implies 36.6x 2026E P/E.

YCP – Initiate with Buy. With the No.3 pet food brand in terms of 2024 sales in China (Wanpy), YCP's own brand business has accelerated growth after it comprehensively adjusted its brand, product and channel strategies in the past two years. We expect the own brand business to contribute 45% of 2025E revenue and to continue to drive topline with a 28% domestic revenue CAGR in 2025E-27E. Regarding YCP's OEM business, we believe its diversified overseas capacities, particularly those in North America, could help mitigate pressure/uncertainty from US tariff. We expect a net profit CAGR of 15% in 2025E-27E on a 17% topline CAGR and a stable NPM at 8.2-8.5%. The share price declined 35% in 2H25 on a softer earnings outlook. The stock trades at 28x 2026E P/E, below its historical average of 38x. We see room for a re-rating given an increased earnings mix from its own brand business. We rate YCP a Buy with a target price of Rmb57.1, which implies 33x 2026E P/E.

Figure 88. Sector valuations

Company	Ticker	Rating	Price	TP	Price	Mkt Cap	FYE	P/E		P/S		P/B		EV/EBITDA		Div yield		NP growth	
10-Feb-26			Cur	Local	Local	(US$m)		26E	27E	26E	27E	26E	27E	26E	27E	26E	27E	26E	27E
China Pets																			
Gambol Pet	301498.SZ	Neutral	CNY	69.60	63.80	3,691	31 Dec	33.5	28.8	3.1	2.6	5.0	4.5	22.0	18.8	1.0	1.1	12%	16%
Yantai China Pet (YCP)	002891.SZ	Buy	CNY	57.10	48.70	2,141	31 Dec	28.3	24.5	2.4	2.0	4.7	4.1	18.4	16.1	1.1	1.2	15%	15%
Tianjin Yiyi Hygiene Products	001206.SZ	NR	CNY	na	25.51	681	31 Dec	16.5	13.9	2.0	1.7	2.4	2.6	na	na	4.8	7.6	18%	19%
Petpal Pet Nutrition Technology	300673.SZ	NR	CNY	na	17.83	641	31 Dec	21.8	18.0	2.3	2.0	2.1	1.9	11.0	9.2	1.7	1.7	29%	21%
Wenzhou Yuanfei pet toy products	001222.SZ	NR	CNY	na	22.87	631	31 Dec	20.2	16.5	2.0	1.6	2.6	2.3	na	na	0.8	1.0	19%	23%
Average (simple)								**24.1**	**20.4**	**2.4**	**2.0**	**3.4**	**3.1**	**17.1**	**14.7**	**1.9**	**2.5**	**18%**	**19%**
Average (weighted)								**28.6**	**24.5**	**2.7**	**2.2**	**4.3**	**3.8**	**16.4**	**14.1**	**1.4**	**1.8**	**15%**	**17%**
Global Pets																			
J.M. Smucker	SJM.N	NR	USD	na	107.46	11,465	30 Apr	10.9	10.1	1.2	1.2	1.6	1.5	8.5	8.0	4.2	4.4	-11%	11%
Chewy Inc	CHWY.N	Buy	USD	42.00	27.39	11,367	31 Jan	17.3	14.9	0.9	0.8	9.3	6.4	17.7	12.5	na	na	-44%	77%
Freshpet	FRPT.O	NR	USD	na	69.92	3,413	31 Dec	48.9	30.4	2.8	2.6	2.8	2.6	15.3	13.0	0.0	0.0	-27%	35%
Petco Health and Wellness Company	WOOF.O	Neutral	USD	3.50	2.55	814	31 Jan	12.1	na	0.1	na	0.6	na	6.2	na	na	na	nm	nm
Average (simple)								**22.3**	**18.5**	**1.3**	**1.5**	**3.6**	**3.5**	**11.9**	**11.2**	**2.1**	**2.2**	**-27%**	**41%**
Average (weighted)								**18.4**	**14.4**	**1.3**	**1.2**	**5.0**	**3.6**	**13.2**	**10.3**	**1.8**	**1.8**	**-27%**	**41%**

Note: FY26/27 used for companies with Jan and Apr year-end. Thomson Reuters consensus for non-rated stocks.

Source: dataCentral, Citi Research, Citi Research Estimates, Thomson Reuters

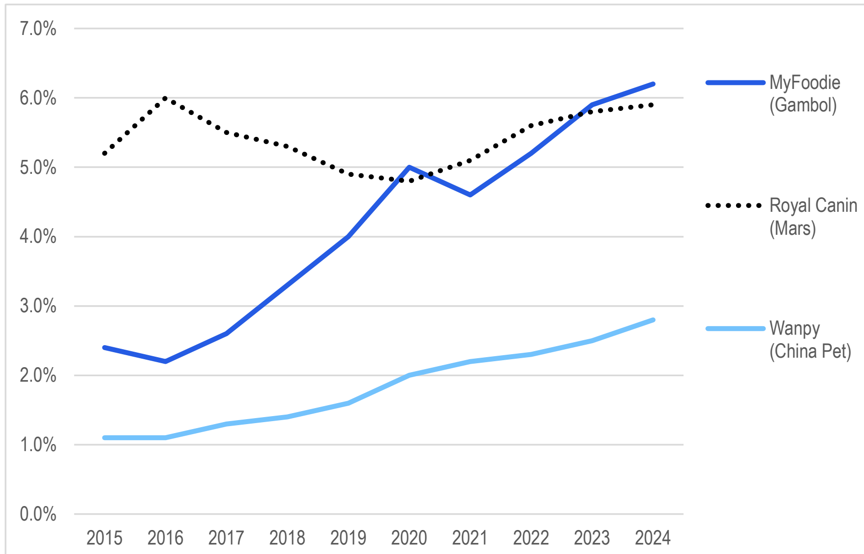
YCP: Initiate with Buy

Investment thesis

Second-largest domestic pet food brand in China

YCP's Wanpy brand became the No.2 domestic pet food brand and No.3 among all pet food brands in China in 2023 (based on retail sales), and further expanded its market share to 2.8% in 2024, per Euromonitor.

Figure 89. Top three pet food brands in China – retail sales market share



Source: Citi Research, Euromonitor

Fast-growing own brand business

YCP has transformed its own brand business since 2023 through several initiatives, including shifting from a sales-oriented mindset to a brand-oriented strategy, streamlining 1/3 of low-margin long-tail SKUs, offering online exclusive products to better manage channel pricing and avoid inconsistent prices, launching higher-end lines focusing on the direct sales model via online flagship stores. Domestic sales growth has accelerated to >30% since 2024 and further sped up in 2025E. We expect domestic sales growth of 37%/33%/30% in 2025E/26E/27E with increasing sales contribution of 36%/41%/45%.

In the overseas market, YCP's Wanpy brand is sold in 73 countries across five continents. Its Zeal brand, established in New Zealand and acquired by YCP in 2018, has also expanded into over 30 countries and regions focusing on the high-end segment.

We expect total own brand business to grow 43%/33%/26% in 2025E/26E/27E and contribute 45%/51%/54% of group revenue.

Figure 90. YCP's global footprint of own brand business

Source: Company Reports

Diversified supply chain in overseas market

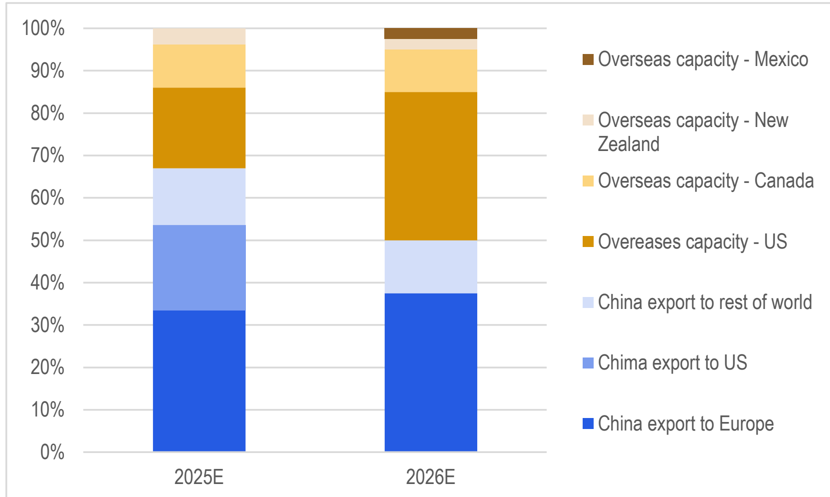
YCP's overseas capacities are located in the US, Canada, Mexico, New Zealand and Cambodia (via a JV company of which YCP holds a 49% stake). Overseas factories supplied 1/3 of the company's overseas sales, while the remaining 2/3 were exported from China in 2025.

For its China exports, Europe and the US accounted for about 50% and 30%. After the US tariff increase, we expect YCP to shift its US export capacity from China factories to its Cambodia JV factory, to which YCP also exports raw materials.

Among its overseas capacities, the North America factories mainly supply the US market focusing on the high-end segment, while the New Zealand factories mainly supply the Asia market. Given the operational commencement of the Mexico factory in 4Q25 and the second US factory in 1H26E, we expect overseas factories' revenue contribution to increase to 50% of YCP's overseas business in 2026E.

We believe YCP's US capacities could help mitigate US tariff's impact on YCP and enable it to benefit from the robust demand in the world's largest pet food market.

Figure 91. YCP's overseas sales breakdown by supply factory



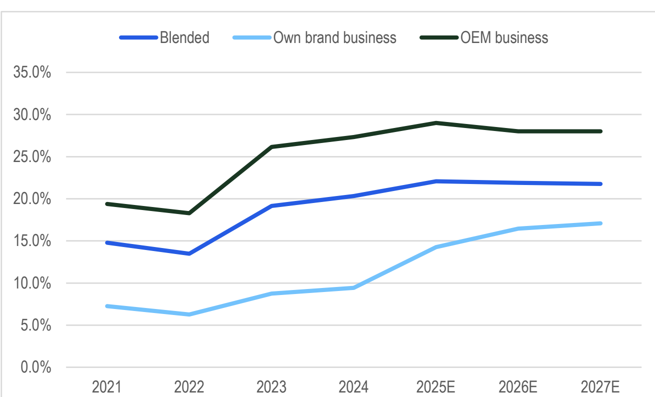
Source: Citi Research Estimates

Relatively stable margin outlook

We believe the OEM business' profitability likely improved in 2025E, given a higher capacity mix towards overseas factories after the US tariff increase and as overseas factories, particularly those in North America, carry higher GPMs than the China exporting capacities. We expect a slight margin decline in 2026E assuming raw material cost hikes.

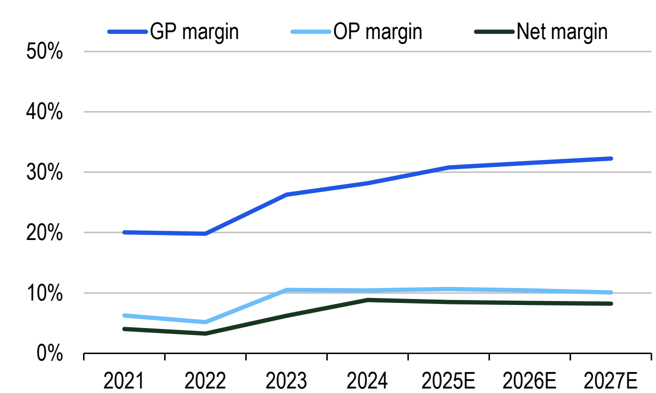
We expect the own brand business' profitability (GPM-A&P/sales) to improve more significantly starting from 2025E, given the successful product mix upgrade and distribution model transformation. With the increasing sales mix of own brands, we expect margin enhancement for the own brand business, which should help offset the slight margin decline of the OEM business; we forecast the group-level blended margin to remain relatively stable.

Figure 92. YCP's profitability (GPM-A&P/sales) by business model



Source: Company reports, Citi Research Estimates

Figure 93. YCP's margin trend



Source: Company reports, Citi Research Estimates

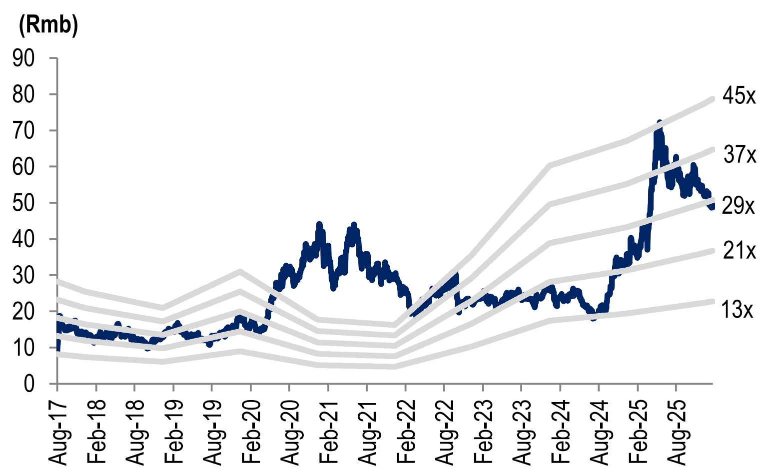
Valuation

YCP is trading at 28x 2026E P/E, above its 3-year average of 25x but below its historical average of 38x.

We expect room for a re-rating from an SOTP perspective. We believe the own brand business deserves a valuation premium over the OEM business given stronger pricing power and a stronger growth outlook in the longer term. Given the faster growth momentum of its own brand business following the company's strategic adjustment, we expect increasing earnings contribution from the own brand business.

We use DCF as our valuation methodology to capture the long-term growth potential. Assigning a perpetual growth rate at 2% and a WACC at 8.0% (based on a 2.0% risk-free rate, 0.6 beta, a 9.0% market risk premium and 100% equity), we derive a target price of Rmb57.1. Our TP implies 33x 2026E P/E.

Figure 94. YCP's forward P/E band



Source: Citi Research Estimates, dataCentral

Financial forecasts

Revenue

YCP recorded revenue growth of 13% in 2022, 15% in 2023, and 19% in 2024. We expect revenue to grow 20% / 18% / 17% YoY in 2025E/26E/27E, with a revenue CAGR at 17% in 2025-27E, driven by both staple food and pet treats.

- **Products:** The company's current main products include pet staple food and pet snacks. Each major category encompasses multiple varieties, including over 10 product series such as fresh meat pet food series, wet pet food series, freeze-dried snack series, baked food series, chicken snack series, duck meat snack series, beef snack series, fish snack series, pet biscuit series, and dental chew series, totaling more than 1,000 varieties.

- **Sales of products:** The company's sales strategy is divided into international and domestic markets, managed by separate marketing centers. Internationally, the focus is on OEM/ODM partnerships with local distributors, supplemented by targeted efforts to promote its own brands. Domestically, the company leverages a multi-channel approach, selling directly to consumers through major online platforms and to businesses via specialty pet stores, veterinary clinics, and a wide network of large national and regional supermarket chains.

- **Sales channel:**
  - Online channels: Tmall, Taobao, JD.com, PDD, Douyin, WeChat Stores, and other comprehensive platforms; also covering well-known pet product sales platforms such as Boqii.com and Epet.com.
  - Specialty channels: those targeting local pet specialty stores & pet hospitals.
  - Supermarket/hypermarket channels: Large chain supermarkets such as Sam's Club, Walmart, RT-Mart, Yonghui, Pang Donglai, Metro, PuPu, Xiao Xiang Supermarket, AEON, CR Ole', CR Vanguard, Suguo, Jiajiayue, Wumart, Hangzhou Lianhua, Guizhou Heli, Tianhong, etc.

Revenue by region

Domestic (32% of 2024 revenue)

For the domestic market, we expect revenue to grow 37% / 33% / 30% YoY in 2025E/26E/27E. We expect house brands (+43% YoY) to lead the growth in 2025E. Revenue grew 31%, 20% and 30% in 2022, 2023 and 2024, respectively, accounting for 28%, 29% and 32% of total revenue.

Overseas (68% of 2024 revenue)

In the overseas market, we expect revenue to grow 12% / 9% / 8% YoY in 2025E/26E/27E. New capacity would only come online in 4Q25/2026 onwards, which limits growth from local factories. Meanwhile, we expect exports from China to decline impacted by US tariff policy. Revenue grew 7%, 13% and 15% in 2022, 2023 and 2024, respectively, accounting for 72%, 71% and 68% of total revenue.

Revenue by product category

Pet treats (70% of 2024 revenue)

For the pet treats business, we expect revenue to grow 5% / 5% / 4% YoY in 2025E/26E/27E. Revenue grew 12% in 2022, 9% in 2023, and 5% in 2024, accounting for 84%, 80% and 70% of total revenue.

Staple food (25% of 2024 revenue)

For the staple food business, we expect revenue to grow 59% / 38% / 32% YoY in 2025E/26E/27E. Revenue grew 18%, 60% and 92% in 2022, 2023 and 2024, respectively, accounting for 11%, 15% and 25% of total revenue.

Other pet products (1% of 2024 revenue)

For other pet products business, we expect revenue to grow 5% / 5% / 4% YoY in 2025E/26E/27E. Revenue grew 71%, 22% and 4% in 2022, 2023 and 2024, respectively, accounting for 1%, 1% and 1% of total revenue.

Revenue by sales channel

OEM (59% of 2024 revenue)

For the OEM channel, we expect revenues to grow 3% / 3% / 5% YoY in 2025E/26E/27E, vs. growth of 9% / 14% / 21% in 2022/2023/2024.

Distribution (27% of 2024 revenue)

For the distribution channel, we expect revenues to grow 41% / 25% / 18% YoY in 2025E/26E/27E, vs. growth of 13% / 9% / 6% in 2022/2023/2024.

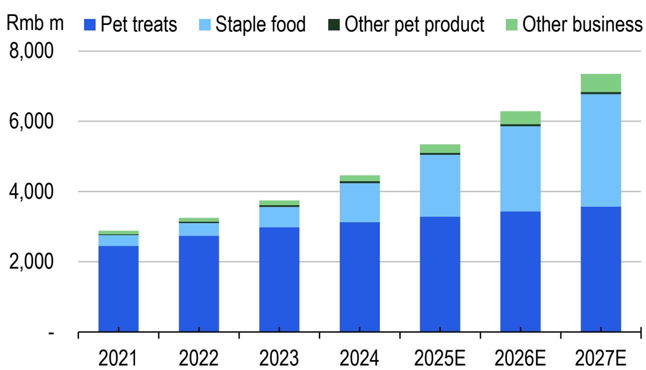
Direct sales (15% of 2024 revenue)

For the DTC channel, we expect revenues to grow 48% / 45% / 38% YoY in 2025E/26E/27E, vs. growth of 40% / 42% / 41% in 2022/2023/2024.

Revenue by brand

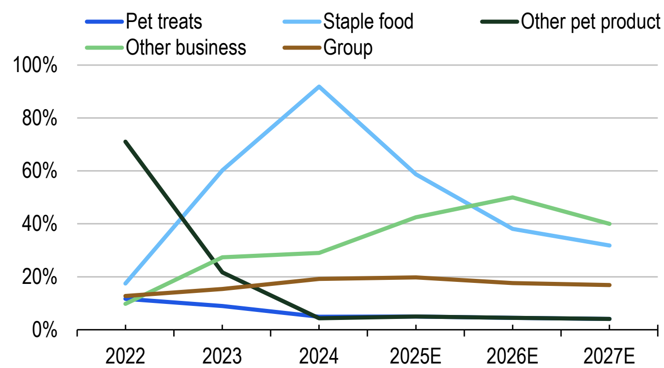
We expect house brand revenue to grow 43% / 31% / 25% YoY in 2025E/26E/27E, vs. growth of 19% / 15% / 15% in 2022/2023/2024.

Figure 95. Revenue by product category



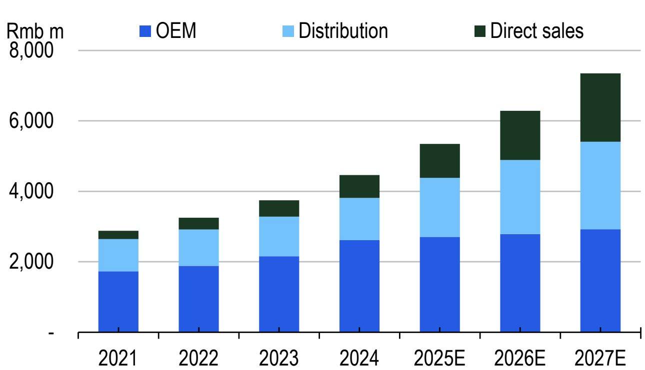
Source: Company data, Citi Research Estimates

Figure 96. Revenue YoY growth by product category



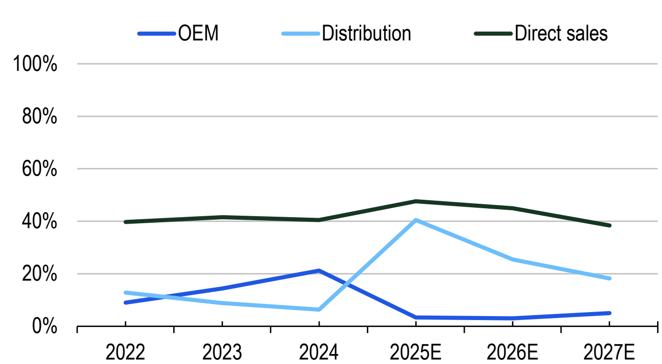
Source: Company data, Citi Research Estimates

Figure 97. Revenue by sales channel



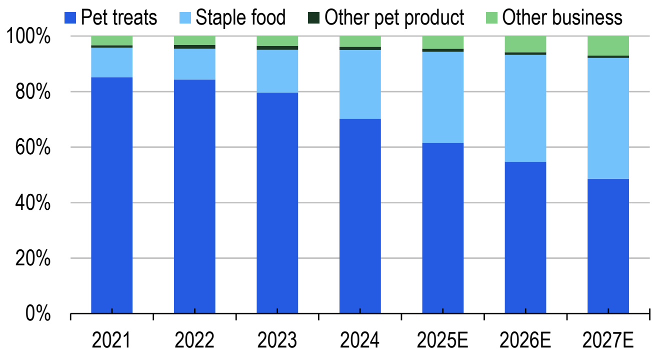
Source: Company data, Citi Research Estimates

Figure 98. Revenue YoY growth by sales channel



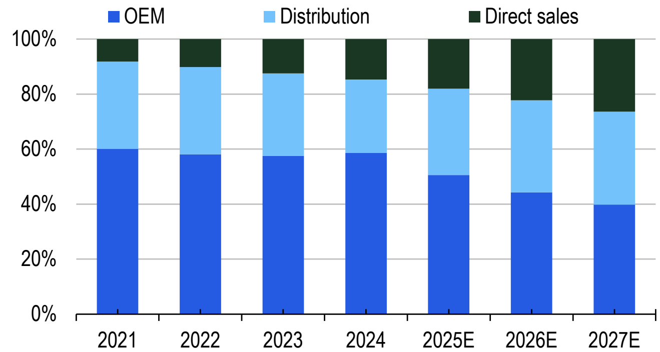
Source: Company data, Citi Research Estimates

Figure 99. Revenue mix by product category



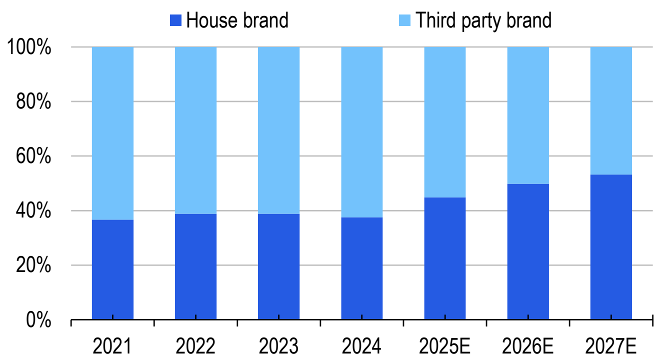
Source: Company data, Citi Research Estimates

Figure 100. Revenue mix by sales channel



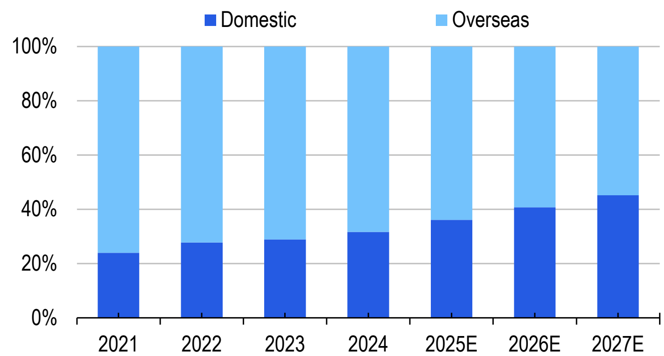
Source: Company data, Citi Research Estimates

Figure 101. Revenue mix by brand



Source: Citi Research Estimates

Figure 102. Revenue mix by region



Source: Company data, Citi Research Estimates

Cost of sales

For pet treats, cost of sales consists of cost of raw material, procurement, labor, production and shipping, which accounted for 51%, 18%, 17%, 12% and 2% of COGS in 2024. Raw materials mainly include meat ingredients e.g. chicken and duck breast.

- **Procurement:** The company employs a centralized procurement model managed by a dedicated procurement center, which sources key raw materials like chicken and duck breast, alongside other auxiliary and packaging materials. Having established a stable and comprehensive supply system, the company manages its suppliers through rigorous control procedure and maintains strategic reserves for high-consumption bulk materials to mitigate cost and supply risks.

- **Production:** Production operates on a dual-model system, where own-brand products are manufactured based on sales forecasts, while OEM and custom products are strictly made-to-order against specific customer contracts. The process is integrated, beginning with the sales department's plans, which generate orders that are then executed by manufacturing departments following strict quality control standards, culminating in inspected products being packaged and stored for shipment.

Margins and profitability

Gross margins: We expect gross margin to improve to 30.8% / 31.5% / 32.2% in 2025E/26E/27E from 19.8% / 26.3% / 28.2% in 2022/23/24, mainly driven by the domestic market or house brands. For the domestic market, we expect gross margin to improve to 34.7% / 37.7% / 39.3% in 2025E/26E/27E from 27.8% / 31.3% / 35.2% in 2022/23/24. The margin expansion in 2023 was due to reduced raw material costs, exit of low-margin channels and continued product mix optimization. For the overseas market, we expect gross margin to improve to 28.6% in 2025E but decline to 27.3% / 26.4% in 2026E/27E, from 17.3% / 25.2% / 24.9% in 2022/23/24. The margin expansion in 2023 was due to an improved product mix, a higher utilization rate, supply chain optimization and stringent cost control.

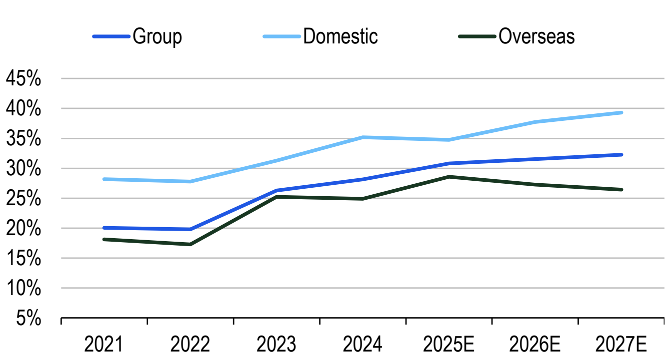
The domestic market enjoys a higher gross margin than the overseas market due to a higher house brand sales mix. In the overseas market, export from China has a lower gross margin due to sales of low-end products while sales from local factories enjoy higher margins on sales of mid-to-high-end products. Other factors affecting gross margin in the overseas market include FX fluctuations (e.g. US$ appreciation) and rising raw material costs. The company is also selling more raw materials to the Cambodia factory that it has invested in to take advantage of lower US tariff, which also takes a toll in gross margin at the group level.

OP margin and net margin: OP margin expanded from 5.2% in 2022 to 10.5% in 2023, due to noticeable GPM expansion partly offset by SG&A/sales. We expect OP margin to remain largely stable at 10.7% / 10.4% / 10.1% in 2025E/26E/27E on a steadily improved GPM offset by higher S&D/sales.

We expect finance costs to remain low in 2025E/26E/27E. The effective tax rate should remain stable at 16.0% in 2025E-27E, from 17.6% in 2024.

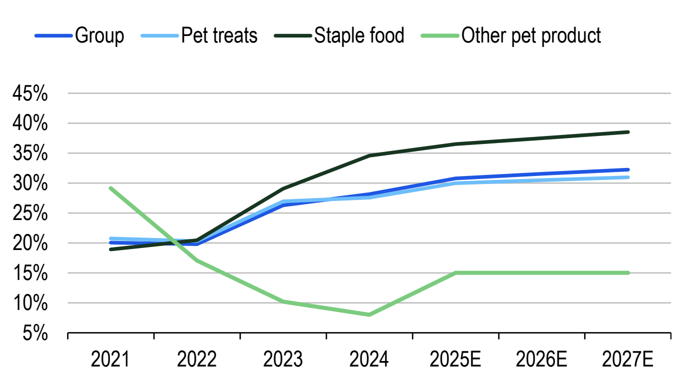
Net margin improved by 2.6ppts to 8.8% in 2024, mainly due to a sizeable investment gain, and we expect a stable net margin at 8.5% / 8.3% / 8.2% in 2025E/26E/27E, in line with the OP margin trend.

Figure 103. GPM by region



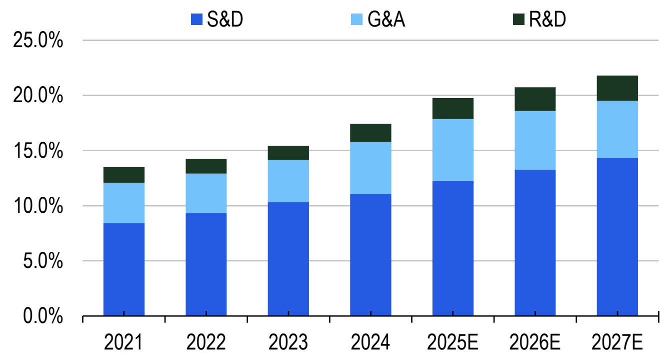
Source: Citi Research Estimates, Company data

Figure 104. GPM by product



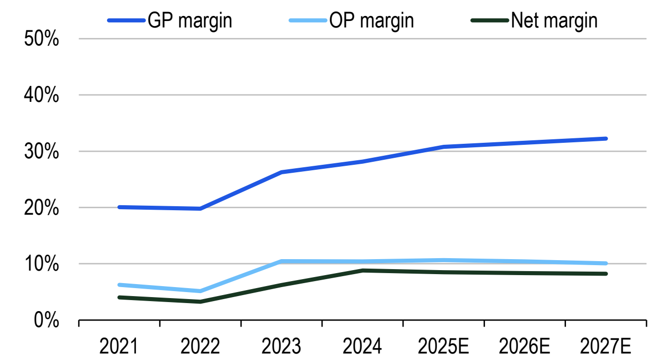
Source: Citi Research Estimates, Company data

Figure 105. Major expenses as % of revenue



Source: Citi Research Estimates, Company data

Figure 106. Profit margins

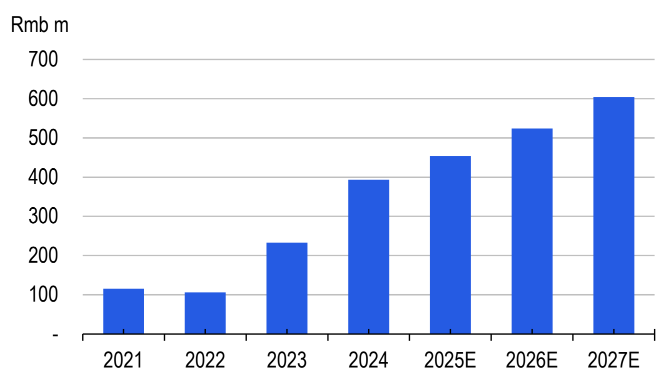


Source: Citi Research Estimates, Company data

Net profit

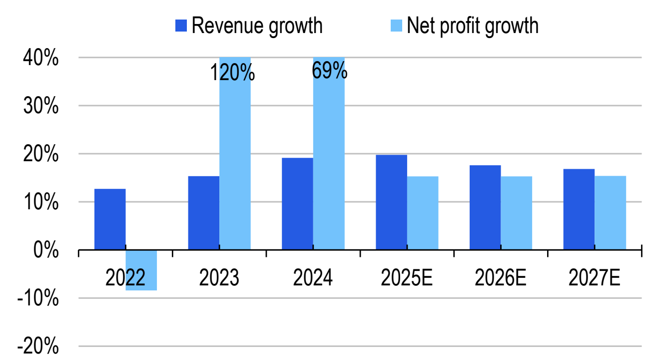
YCP's net profit has grown rapidly in the past few years and reached Rmb394m in 2024. We expect net profit to further grow 15% / 15% / 15% YoY in 2025E/26E/27E, driven by 20% / 18% / 17% revenue growth.

Figure 107. Net profit



Source: Citi Research Estimates, Company data

Figure 108. Revenue and net profit growth



Source: Citi Research Estimates, Company data

Working capital

YCP's trade receivable days increased from 40 days in 2023 to 45 in 2024, which we think is due to an increased sales mix from the OEM business, which generally has slower turnover. We expect turnover to gradually speed up to 40 days in 2027E as sales contribution from OEM recedes.

Inventory days reduced to 66 in 2024 due to higher sales growth. We expect inventory days to further decline to 62 / 62 / 62 in 2025E/26E/27E.

Trade payable days remains stable at 45-50 in 2021-24. We expect trade payable days to slightly improve in 2025E-27E on better settlement efforts.

We expect faster cash conversion from 66-74 days in 2021-24 to 56-63 days in 2025E-27E, due to fewer inventory days, fewer trade receivable days and more trade payable days.

Figure 109. Working capital management

	2021	2022	2023	2024	2025E	2026E	2027E
Trade receivable days	39	40	40	45	45	42	40
Inventory days	84	79	79	66	62	62	62
Trade payable days	50	49	48	45	45	45	46
Cash conversion days	**74**	**69**	**71**	**66**	**63**	**59**	**56**

Source: Citi Research Estimates, Company data

ROE

We expect stronger ROE of >15% in 2025E/26E/27E due to superior profit margins and improved asset turnover, partly offset by lower financial leverage.

Figure 110. DuPont analysis of ROE

	2021	2022	2023	2024	2025E	2026E	2027E
Net margin	4.0%	3.3%	6.2%	8.8%	8.5%	8.3%	8.2%
Asset turnover (x)	1.0	0.9	0.9	1.0	1.1	1.2	1.3
Financial leverage (x)	1.6	1.8	1.9	1.9	1.8	1.8	1.7
Return on equity	**6.5%**	**5.5%**	**10.8%**	**16.9%**	**17.5%**	**17.7%**	**18.0%**

Source: Citi Research Estimates, Company data

Capex and free cash flow

Capex was Rmb284m / Rmb349m / Rmb407m / Rmb242m in 2021/22/23/24, or 9.9% / 10.7% / 10.9% / 5.4% of revenue. The decline in 2024 was due to gradual completion of existing projects. We expect capex on capacity expansion to be Rmb235-271m per year in 2025E-27E.

Figure 111. Free cash flow

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Operating cash flow	213	120	447	496	573	646	730
Capital expenditure	(284)	(349)	(407)	(242)	(271)	(235)	(244)
Free Cash Flow	**(72)**	**(229)**	**40**	**255**	**302**	**411**	**486**

Source: Citi Research Estimates, Company data

Financial statements

Figure 112. Profit & Loss Account

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Total revenue	**2,882**	**3,248**	**3,747**	**4,465**	**5,347**	**6,289**	**7,348**
Change	*29%*	*13%*	*15%*	*19%*	*20%*	*18%*	*17%*
COGS	(2,304)	(2,605)	(2,763)	(3,208)	(3,701)	(4,306)	(4,979)
Change	*37%*	*13%*	*6%*	*16%*	*15%*	*16%*	*16%*
Gross profit	**578**	**643**	**985**	**1,257**	**1,646**	**1,983**	**2,370**
Change	*5%*	*11%*	*53%*	*28%*	*31%*	*20%*	*20%*
GP margin	*20.0%*	*19.8%*	*26.3%*	*28.2%*	*30.8%*	*31.5%*	*32.2%*
Selling expenses	(243)	(303)	(387)	(495)	(656)	(836)	(1,051)
Change	*32%*	*25%*	*28%*	*28%*	*33%*	*27%*	*26%*
% of sales	*8.4%*	*9.3%*	*10.3%*	*11.1%*	*12.3%*	*13.3%*	*14.3%*
Administrative expenses	(105)	(117)	(144)	(210)	(298)	(334)	(382)
Change	*17%*	*11%*	*23%*	*46%*	*42%*	*12%*	*15%*
% of sales	*3.6%*	*3.6%*	*3.8%*	*4.7%*	*5.6%*	*5.3%*	*5.2%*
R&D expenses	(41)	(43)	(48)	(73)	*(102)*	*(134)*	*(169)*
Change	*19%*	*5%*	*10%*	*52%*	*40%*	*32%*	*26%*
% of sales	*1.4%*	*1.3%*	*1.3%*	*1.6%*	*1.9%*	*2.1%*	*2.3%*
EBIT	**181**	**167**	**393**	**465**	**570**	**655**	**739**
Change	*-24%*	*-7%*	*134%*	*18%*	*23%*	*15%*	*13%*
EBIT margin	*6.3%*	*5.2%*	*10.5%*	*10.4%*	*10.7%*	*10.4%*	*10.1%*
	0%	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Asset impairment	(16)	(25)	(19)	(24)	(27)	(29)	(32)
Gain/loss on fair value change	1	(7)	2	1	-	-	-
Investment gain/loss	11	25	21	72	40	58	81
Disposal gain/loss	(0)	4	0	(1)	(1)	(1)	(1)
Other income (mainly govt grant)	8	6	4	12	13	14	16
Non-operating revenue	2	1	1	1	1	1	2
Non-operating expenses	(3)	(0)	(3)	(3)	(4)	(4)	(5)
Financial expenses	**(24)**	**(15)**	**(29)**	**(18)**	**(13)**	**(19)**	**(13)**
-- Interest Expenses	(16)	(24)	(37)	(39)	(37)	(39)	(42)
-- Interest Income	2	3	6	9	15	22	31
Profit before tax	**159**	**156**	**370**	**505**	**581**	**676**	**788**
Tax expenses	(33)	(35)	(78)	(89)	(93)	(108)	(126)
Tax rate	*20.7%*	*22.3%*	*21.1%*	*17.6%*	*16.0%*	*16.0%*	*16.0%*
Net profit before MI	**126**	**121**	**292**	**416**	**488**	**568**	**662**
Change	*-16%*	*-4%*	*142%*	*43%*	*17%*	*16%*	*17%*
Minority interest	11	15	59	23	34	44	58
MI as % of NP before MI	*8.6%*	*12.4%*	*20.1%*	*5.4%*	*7.0%*	*7.8%*	*8.7%*
Net profit attributable to shareholders	**116**	**106**	**233**	**394**	**454**	**524**	**604**
Change	*-14%*	*-8%*	*120%*	*69%*	*15%*	*15%*	*15%*
Net profit margin	*4.0%*	*3.3%*	*6.2%*	*8.8%*	*8.5%*	*8.3%*	*8.2%*

Source: Company data, Citi Research Estimates

Figure 113. Balance Sheet

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Cash and cash equivalent	351	578	527	513	724	1,018	1,359
Held for trading investment	55	100	389	258	258	258	258
Account receivables	345	363	468	627	694	767	844
Prepaid expenses	27	9	17	22	22	22	22
Other receivables	4	32	5	6	6	6	6
Inventory	517	610	580	579	682	790	910
Other current assets	38	53	35	60	60	60	60
CURRENT ASSETS	**1,337**	**1,745**	**2,022**	**2,066**	**2,446**	**2,920**	**3,458**
Financial assets for sales	-	-	-	2	2	2	2
Assets held to maturity	71	73	69	67	67	67	67
Long-term equity investment	133	187	215	250	250	250	250
Property investment	-	1	-	19	19	19	19
PP&E	784	1,015	1,070	1,374	1,474	1,530	1,584
Construction in process	142	219	468	133	152	167	182
ROU assets	56	49	49	41	40	41	43
Intangible assets	98	95	93	92	91	89	88
Goodwill	226	226	226	226	226	226	226
Long-term deferred expenses	83	79	67	76	83	90	96
Deferred tax assets	64	82	80	80	80	80	80
Other non-current assets	22	70	31	25	25	25	25
NON CURRENT ASSETS	**1,678**	**2,096**	**2,369**	**2,385**	**2,509**	**2,586**	**2,663**
Short term borrowing	359	340	666	397	475	559	653
Financial liabilities for trade	-	10	-	-	-	-	-
Accounts payable	349	356	378	411	492	578	676
Prepayment from customers	-	-	-	0	0	0	0
Contract liabilities	16	8	10	13	16	19	22
Wage payable	84	89	76	86	103	121	141
Tax payable	15	6	16	49	59	69	81
Other payables	11	12	8	58	70	82	96
Non-current liability due within 1 yr	35	15	19	23	23	23	23
Other current liability	0	13	12	17	17	17	17
CURRENT LIABILITIES	**868**	**849**	**1,186**	**1,054**	**1,254**	**1,468**	**1,709**
Long-term borrowing	114	45	40	25	25	25	25
Bonds payable	-	652	677	701	701	701	701
Lease liabilities	49	36	33	21	21	21	21
Deferred tax liabilities	3	3	3	1	1	1	1
Deferred income	34	35	32	33	33	33	33
NON CURRENT LIABILITIES	**201**	**771**	**785**	**782**	**782**	**782**	**782**
Share capital	294	294	294	294	294	294	294
Capital reserve	1,038	1,145	1,144	1,096	1,096	1,096	1,096
Reserve	30	44	60	102	102	102	102
Retained earnings	474	554	757	992	1,330	1,712	2,144
Other comprehensive income	(17)	29	(22)	(56)	(56)	(56)	(56)
Equity attributable to equity holders	**1,819**	**2,066**	**2,233**	**2,428**	**2,766**	**3,148**	**3,580**
Minority interest	127	154	187	187	153	108	51
SHAREHOLDER'S EQUITY	**1,946**	**2,221**	**2,419**	**2,615**	**2,919**	**3,257**	**3,631**

Source: Company data, Citi Research Estimates

Figure 114. Cash Flow Statement

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Net income	126	121	292	416	488	568	662
Asset impairment provision	16	25	19	24	27	29	32
Depreciation for PP&E	68	86	101	106	111	121	131
Amortization of intangible asset	2	3	3	3	3	3	3
Amortization of ROU asset	12	16	18	21	14	13	12
Amortization of deferred expenses	16	15	16	17	19	20	21
Loss from disposal of PP&E, intangible asset	0	(4)	(0)	1	-	-	-
Loss from write-off of PP&E	3	0	2	3	-	-	-
Loss from fair value change	(1)	7	(2)	(1)	-	-	-
Financial expenses	21	18	31	20	-	-	-
Loss (gain) from investment	(11)	(25)	(21)	(72)	(40)	(58)	(81)
Change in Working Capital	(39)	(142)	(11)	(42)	(48)	(50)	(51)
Decrease (increase) of deferred tax assets	(26)	(17)	2	(1)	-	-	-
Increase (decrease) of deferred tax liabilities	(0)	(0)	(0)	(2)	-	-	-
Decrease (increase) in inventory	44	(108)	21	(18)	(103)	(108)	(120)
Decrease (increase) of receivables	(53)	22	(112)	(898)	(67)	(72)	(77)
Increase (decrease) of payables	(3)	(39)	79	866	122	130	146
Others	-	-	-	11	-	-	-
Net cash flow from operation	**213**	**120**	**447**	**496**	**573**	**646**	**730**
Proceeds from redemption of investment	1,033	176	1,379	833	-	-	-
Return from investment	3	4	21	40	-	-	-
Proceeds from disposal of PP&E, intangible assets and other long term assets	0	0	2	0	-	-	-
Cash inflow from investing activities	1,036	180	1,402	873	-	-	-
Purchase of PP&E, intangible assets and other long term assets	284	349	407	242	271	235	244
Purchase of investment	934	259	1,668	689	-	-	-
Purchase of subsidiaries	155	6	-	-	-	-	-
Payment for other investment related activities	-	2	7	1	-	-	-
Cash outflow from investing activities	1,373	616	2,082	932	271	235	244
Net cash flow from investing activities	**(337)**	**(436)**	**(680)**	**(59)**	**(271)**	**(235)**	**(244)**
Proceeds from external investment	3	7	4	2	-	-	-
Proceeds from borrowing	814	633	682	704	78	84	94
Proceeds from issuance of bonds	-	755	-	-	-	-	-
Proceeds from other financing activities	7	16	13	150	-	-	-
Cash inflow from financing activities	823	1,411	698	855	78	84	94
Repayment of loan	577	816	366	993	-	-	-
Dividend, profit or interest payment	32	34	55	176	170	201	239
Payment for other financing activities	14	50	193	86	-	-	-
Cash outflow from financing activities	623	900	614	1,255	170	201	239
Net cash flow from financing activities	**201**	**511**	**84**	**(400)**	**(92)**	**(118)**	**(145)**
Effect of foreign exchange rate change	(7)	19	5	13	-	-	-
Increase (decrease) in cash and equivalents	70	214	(144)	51	210	294	341
Cash and cash equivalent at beginning of year	280	350	564	420	471	681	975
Cash and cash equivalent at end of year	**350**	**564**	**420**	**471**	**681**	**975**	**1,316**

Source: Company data, Citi Research Estimates

Risks

Macroeconomic environment

The current complex and unstable international political and economic landscape introduces significant uncertainties to global development. Future macroeconomic trends and shifts in market demand may impact industry sentiment and the company's overseas business expansion. In response, the company aims to closely monitor global political and economic developments, prepare contingency plans, enhance the core competitiveness of its technology and products, and maintain proactive communication with clients to mitigate potential adverse effects from external volatility.

Highly competitive pet industry

With a majority of the company's revenue derived from overseas markets, it faces intensified competition as emerging economies such as Thailand and Vietnam enter the global market with lower labor costs, posing a potential threat to China's pet food exports. To address this, the company aims to diversify its market presence, optimize cost structures, and continuously improve product competitiveness.

Domestically, the rapidly growing pet food market has attracted both new local entrants and established international brands, increasing competitive pressure. This may lead to higher sales expenses for brand promotion and promotional activities, potentially compressing industry-wide profit margins. The company plans to strengthen sales channels, upgrade branding and services, and implement targeted differentiation strategies to mitigate domestic market expansion risks.

Fluctuations in raw material prices

Raw material costs, predominantly poultry products such as chicken and duck, constitute the largest component of the company's cost of goods sold. Price fluctuations may directly impact operating costs: rising prices could compress margins due to delayed price adjustments with clients, while sharp declines may lead to inventory write-downs. The company has established a strategic reserve system, optimized procurement processes, and developed supplier partnerships to mitigate procurement costs and associated risks.

US tariff

The company faces significant exposure to escalating global trade tensions, particularly from the US, which has implemented protective trade policies—including broad tariff increases on imports from China and other surplus economies—aimed at reducing its trade deficit and safeguarding domestic industries. These measures directly threaten the company's export-driven revenue model, potentially diminishing sales and profitability from its US operations. In response, the company is leveraging its globalized production footprint, with existing facilities in the US and Canada and additional capacity under development, to mitigate tariff impact. It is also diversifying into other international markets to reduce dependence on US demand and counteract adverse trade policy effects.

Heavy reliance on key accounts

The company exhibits a high degree of customer concentration, with sales to its top five clients representing a significant proportion of total revenue (44% in 2024). This concentration creates vulnerability to any material adverse changes in the procurement strategy, financial health or operating conditions of one or more of these key large-scale retailers and distributors. It is unlikely that a sudden reduction in orders from a major client could be immediately mitigated, and it would likely result in direct and material negative impact on short-term revenue and earnings.

Food safety issues

Past news articles over pet food safety incidents in China has led to general concerns and alert among consumers. Even though the company was not involved in any incident, its operations may still be impacted as a domestic brand in case of such industry incident. Any similar negative publicity could hurt the company as a major player in the China pet food industry.

Furthermore, future national standards and/or industry standards may be formulated to better regulate the industry. The company may need to comply with new GB (*guobiao*, or national standards), which could affect sales in the short term.

Fluctuations in FX

As a significant proportion of overseas sales are settled in US dollars and other foreign currencies, exchange rate volatility may result in conversion losses, adversely affecting the company's operational performance. While the company's overseas subsidiaries have somewhat diversified this risk, it continues to monitor exchange rate movements closely and implement effective risk management strategies to maintain operational stability.

Company background

History

The company's history can be traced back to 1998 when Mr. Hao Zhongli (the founder) enter the pet food industry from food trading via renting a factory to produce high-end pet treats. It started to manufacture Chicken Jerky, and successfully exported to Japan. In 2002, Yantai Zhongxing (wholly owned by Mr. Hao Zhongli) and Ito Group established Yantai Zhongchong Food Limited (烟台中宠食品有限公司), which is defined as a Sino-Foreign Equity Joint Ventur Enterprise. In 2014, Yantai Zhongxing, together with Yantai Hezheng (ESOP vehicle), Ito Group, Vintage West Enterprises, Ltd., Beiyuan Venture Capital and Yantai Yuanjin established the company as a limited liability corporation on Nov 24, 2014 and named it as Yantai China Pet Foods Co, Ltd. (烟台中宠食品股份有限公司).

YCP has 22 subsidiary factories and advanced R&D centers that focus on new product research, pet nutrition and health research. It owns many in-house brands, e.g. "Wanpy", "Toptrees" and "Zeal", and has a diverse pet product portfolio. It has over 1,000 different items available, including treats, wet food, dry food, freeze dried products, biscuits, rawhide and dental chews. Its products have been exported to five continents and more than 60 countries and regions.

Figure 115. YCP – Company historical milestones

Year	Milestone
1998	Started to manufacture chicken jerky, and successfully exported to Japan.
1999	Started to sell chicken jerky under its own brand - Wanpy, which became synonymous with "Chicken Jerky Treats"
2003	Invested a new factory (factory No. 1) which was built as per the standard of human food factory with first-rate equipment, safety standards, and personnel
2005	The wet food factory (factory No. 2) was built and put into production of wet pet food.
2007	The third factory (pet treats) was built and put into production. For better serving the domestic sales, Yantai Wanpy Pet Product Sales Co. Ltd was founded, and specialized in the China domestic sales.
2008	Built factory No. 4 which was a joint venture with Japanese large-scale enterprise - IRIS, the most advanced high-end pet treats plant settled in Yantai
2012	Built a dry food factory which was a joint venture with Vitakraft. The company was awarded as "China High-Tech Industry". By the end of 2022, the company has 182 patents, including 15 invention patents.
2013	The Wanpy brand was awarded as "China Famous Brand", and it is the first company that won this prize in pet industry
2015	The US factory was built (US$28m investment) and put into production in LA, which is the first Chinese pet company to set up factory in a developed country. It is the largest pet treats factory in US, a major step in the company internationalization process. In 2022, the larger second American factory is underway.
2017	Initiated an IPO and listed on the Shenzhen Stock Exchange. This is the first public offering by an SME in the China pet food industry Attended the 20th Pet Fair Asia in Shanghai with its own brand Wanpy in updated packaging, and achieved "Great reception for the great packaging and the products by customers Worldwide"
2018	The Canada factory was built, which is the largest pet treats factory in Canada. The factory has "Great Jacks's", "Buddy Jack's", etc. The factory owns 3 production lines of organic meat treats, natural dried treats, high-end soft treats, which covers the main varieties in the market with its own brands. The 4.0 version of global largest pet treats factory (factory No. 9) was built and put into operation. The factory occupied an area of 40,000 sqm with annual production capacity of 15,000 tons The modern logistic center was built with the total investment of Rmb100m, which covered an area of 10,000 sqm with shelf height of 21 meters and owned storage capacity of 20,000 pallets The new R&D center was put into operation, which covered 12,000 sqm including: 1) the new product-developing studio; 2) test center; 3) animal health research studio; 4) pet feeding test base Acquired 100% share of New Zealand factory - The Natural Pet Treat Company Limited, which owns brand-Zeal. This made the company's global roadmap and helped with its rapid development of global strategic layout. Became the shareholder of New Ruipeng Pet Healthcare Group Co., Ltd. — a large pet medical company and one-stop pet service platform in China, combining high-quality pet food and high-end pet medicine in China
2019	Invested and built a new wet food factory with funds raised by total investment Rmb400m. It occupied an area of 50,000 sqm with design annual production capacity of 50,000 tons, which is the largest wet food factory in Asia. The Cambodia factory was built with total area of 20,000 sqm and annual production capacity of 6,000 tons, which is the largest pet treats factory in Cambodia. The factory has been put into operation in March 2020. In 2022, the second Cambodia factory is underway. The APA (Asia Pet Alliance) meeting was held in Shanghai. Mr. Hao Zhongli was elected as the chairman of the first session, who would lead the members to contribute to healthy, rapid and continuous development of China pet industry.
2020	Starting from 2020, the company and Jinding Capital jointly established an industrial fund. So far, three phases have been established, focusing on investing in quality companies with high reputation and influence in the pet industry.
2021	Invested Rmb154.5m to acquire 70% of the equity of PetfoodNZ International Limited, which is the largest wet pet food factory in New Zealand Invested Rmb230m to build a high-end pet wet food factory in New Zealand
2022	Invested Rmb400m to build 5.0 Intelligent dry pet food factory with total area of 66,000 sqm with annual production capacity of 100,000 tons, which was put into operation in January 2022 Industrial park of the company is located in Laishan Emerging Ecological Industrial Park, covering an area over 173,000 sqm with a building area of 240,000 sqm. It plans to be built in three phases with wet food, dry food factory, etc. The company and CAU signed a strategic cooperation agreement in Beijing. The two parties will focus on improving the nutrition and health of pet food as the core goal, give full play to their accumulated advantages in their respective fields, and carry out in-depth industry-university-research cooperation. These include strengthening basic research on pet food nutrition, formula improvement and standardized production of pet food, and personnel training in the pet food industry
2023	Established irradiation sterilization center, with a designed annual sterilization capacity of 50,000 tons, which has been put into use in April 2023
2024	Became the first company in the China pet industry to sign strategic cooperation with SAP, and started a new era of digitalization in the industry

Source: Company data

Management profiles

Figure 116. YCP – Management profiles

Name (ENG)	Name (CN)	Position	Experience
HAO Zhongli	郝忠礼	Chairman of the Board of Directors and President	Prior to joining the Group, Mr. Hao served as teacher at Siping First Senior High School, Jilin Province from January 1983 to October 1985; November 1985 to May 1992, deputy director of Yantai Foreign Economic and Technical Exchange Center; June 1992 to October 1993, employee of Yantai Foreign Economic and Trade Company; December 1993 to September 1998, deputy general manager of Yantai International Air Passenger and Cargo Agency General Company; September 1998 to April 2016, executive director and manager of Yantai Zhongli Industrial and Trading Co., Ltd.; July 1999 to July 2011, chairman and manager of Yantai Aisike Food Co., Ltd.; July 2011 to present, executive director and general manager of Yantai Aisike Food Co., Ltd. (Yantai Goodies Pet Food Technology Co., Ltd.); December 2001 to February 2016, executive director and manager of Yantai Zhongxing Biotechnology Co., Ltd.; February 2016 to present, executive director of Yantai Zhongxing Biotechnology Co., Ltd.
ITO Norikazu	伊藤范和	Vice Chairman of the Board of Directors	Mr. Ito served as employee of Japan Ito Corporation from September 2001 to August 2011; July 2012 to present, general manager of Japan Ito Corporation; January 2002 to November 2014, vice chairman of Yantai Zhongchong Food Co., Ltd.; November 2014 to present, vice chairman of the company.
JIANG Yishan	江移山	Executive Director and Vice President of General Affairs	Prior to joining the Group, Mr. Jiang served as employee of Yantai Xingda Biological Engineering Co., Ltd from July 1992 to October 1992; October 1992 to April 1998, technician, workshop director, technology section chief of Yantai Xinqiao Food Factory; May 1998 to May 2000, production technology department head of Yantai Baijia Food Industry Co., Ltd.; June 2000 to March 2002, production technology department head of Yantai Aisike Food Co., Ltd.
DONG Haifeng	董海风	Executive Director and Vice President	Prior to joining the Group, Ms. Dong served as employee development department head, HR administration manager, assistant factory manager of Yantai Xinhe (Shinho) Enterprise Food Co., Ltd. from July 2006 to February 2012; March 2012 to February 2013, HR director of Yantai Jinling Automobile Group Co., Ltd.; March 2013 to June 2018, HR director, management center general manager, director of Haipulian Technology Co., Ltd.
ZHANG Yunnuan	张蕴暖	Executive Director and Vice President	Prior to joining the Group, Ms. Zhang served as export salesperson of Shandong Products Import & Export Yantai Branch from July 1996 to August 1997; September 1997 to April 2000, export department supervisor of Yantai Wuzhou Bee Garden Co., Ltd.; November 2020 to October 2024, director of Shandong Wanpet E-commerce Co., Ltd.
HAO Chenlong	郝宸龙	Executive Director	Mr. Hao Chenlong is the son of Mr. Hao Zhongli. He served multiple position within the company: From May 2014 to August 2018, marketing manager of Canada Jerky Company; September 2018 to May 2019, deputy marketing manager of the company; June 2019 to present, general manager of the company's marketing management center; December 2020 to September 2022, director of Shanghai Zhongchong Network Technology Co., Ltd.; December 2021 to present, executive director of Shanghai Zhongchong Zhenzhi Pet Food Co., Ltd. (formerly "Shanghai Zhongchong Food Technology Co., Ltd."); July 2021 to present, general manager and director of Shanghai Goodies Pet Food Co., Ltd.; November 2020 to present, director of the company; August 2022 to present, director and general manager of Shanghai Zhongchong Brand Management Co., Ltd.; September 2022 to present, general manager of Yantai Wanpi Pet Supplies Sales Co., Ltd
ZHU Hongxin	朱红新	Vice President	Prior to joining the Group, Ms. Zhu served as warehouse keeper, workshop team leader, production management supervisor, chief quality inspector of Yantai Aisike Food Co., Ltd. from September 1999 to December 2002
XIAO Mingyan	肖明岩	Chief Financial Officer	Prior to joining the Group, Mr. Xiao served as financial supervisor at Nanjing Iveco Automobile Co., Ltd.; financial control manager at Torch Group; financial manager and financial director at a subsidiary of Singapore WBL Corporation; general manager of East China Shared Service Center at ABB (China) Ltd.; Asia Pacific finance director and vice president of China company, vice president of Japan company, chairman of supervisory board, supervisor of Taiwan company at Siemens PLM Software; finance and legal director at Grainger (China) Industrial Products Sales Co., Ltd.; financial director at Singapore GMG Global Ltd Co; Asia Pacific, Middle East and Africa finance director at Kohler (China) Investment Co., Ltd.; global finance vice president at Rosewood Hotel Group
LIU Shuqing	刘淑清	Vice President	Prior to joining the Group, Ms. Liu served as accountant of Yantai Taihong Rubber Co., Ltd. from October 1992 to September 2002
JIE Yuanxin	接元昕	Vice President	Ms. Jie held various positions at the company - assistant to the president and project development director of Yantai Zhongchong Food Co., Ltd.; current vice president of Yantai Zhongchong Food Co., Ltd., general manager of Hangzhou Leading Pet Food Co., Ltd., fully responsible for Hangzhou Leading Pet Food Co., Ltd., project development and other post-investment management work
REN Fuzhao	任福照	Board Secretary	Prior to joining the Group, Mr. Ren served as information disclosure supervisor and investor relations manager at Shandong Nanshan Aluminum Co., Ltd. from March 2013 to August 2015; September 2015 to May 2017, general manager assistant of capital market department at Nanshan Group Co., Ltd.; June 2017 to April 2022, securities affairs representative at Shandong Nanshan Zhishang Technology Co., Ltd.

Source: Company data

Shareholders

Figure 117. YCP – List of shareholders and background (as of 1H25)

Name	No. of shares	Stake	Background
Yantai Zhongxing	73,125,750	24.03%	wholly owned by Mr. Hao Zhongli
Yantai Hezheng LP	50,292,094	16.52%	ESOP Vehicle, 74.29% owned by Mr. Hao Zhongli
Ito Group	30,000,000	9.86%	One of the founders
Hong Kong Securities Clearing	21,331,956	7.01%	
Shanghai Tongyi PE Fund	4,560,000	1.50%	Institutional investor
Yantai Zhongchong 2024 ESOP	4,463,858	1.47%	ESOP Vehicle
Aberdeen Investment Equity Fund	1,996,700	0.66%	Institutional investor
Song Yong	1,862,801	0.61%	Individual investor
Morgan Stanley & co. International Plc.	1,861,510	0.61%	Institutional investor
ICBC Equity Fund	1,611,990	0.53%	Institutional investor
Others	113,266,046	37.21%	

Source: Company data

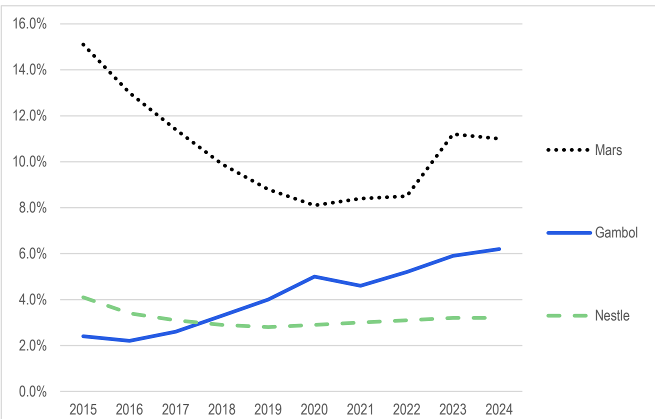
Gambol Pet: Initiate with Neutral

Investment thesis

Owns No. 1 pet food brand in China

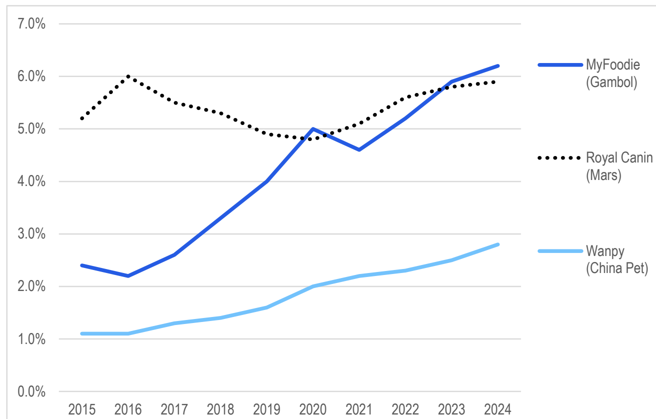
Gambol is the largest domestic pet food company and the second-largest pet food company in China among all players with a market share by retail sales of 6.2% in 2024, per Euromonitor. Its MyFoodie brand became the No. 1 pet food brand in China in 2023 after 10 years' operation. Its high-end brand, Fregate, launched in 2018, became a top-10 pet food brand on Tmall during 618 and Double 11 promotions in 2024.

Figure 118. Top three pet food companies in China – sales market share



Source: Euromonitor, Citi Research

Figure 119. Top three pet food brands in China – sales market share



Source: Euromonitor, Citi Research

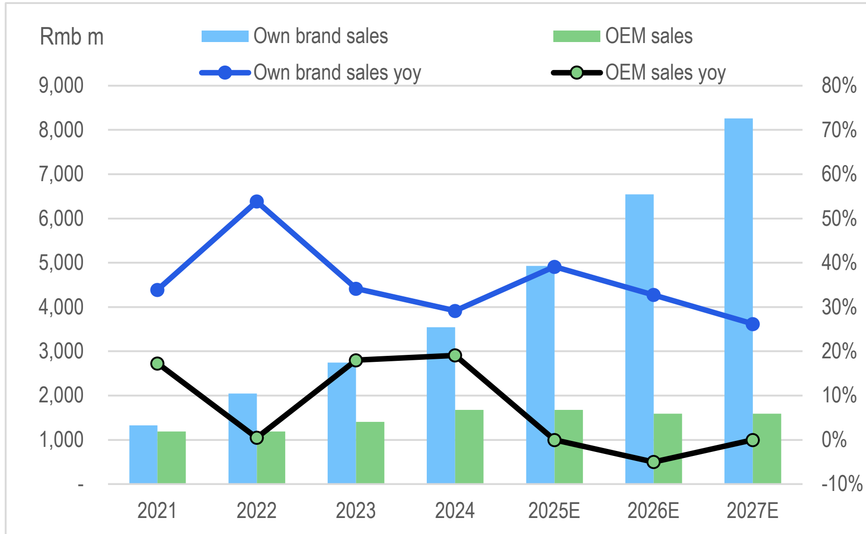
Strong topline driven by own brand business

We expect the own brand business to contribute 75%/80%/84% of Gambol's revenue in 2025E/26E/27E with 39%/33%/26% growth. Within the own brand business, we expect domestic sales, under MyFoodie and Fregate brands, to grow 41%/34%/27% in 2025E/26E/27E. We also expect the Waggin' Train brand's sales, in the overseas market, to resume growth at 15%/5%/5% in 2025E/26E/27E, given better incentives from the new management team.

OEM business a temporary drag

The US tariff increase in 2Q25 has weighed on Gambol's OEM business. Although it has transferred its exporting capacity from China to the Thailand factory, orders from customers have declined nonetheless, as the 19% tariff on Thailand export drives higher cost. We expect the OEM business to continue to decline in 4Q25E and 1Q26E before potential stabilization in 3Q26E off a low base. We expect OEM revenue change to be 0%/-5%/0% in 2025E/26E/27E.

Figure 120. Gambol Pet's revenue trend by business model

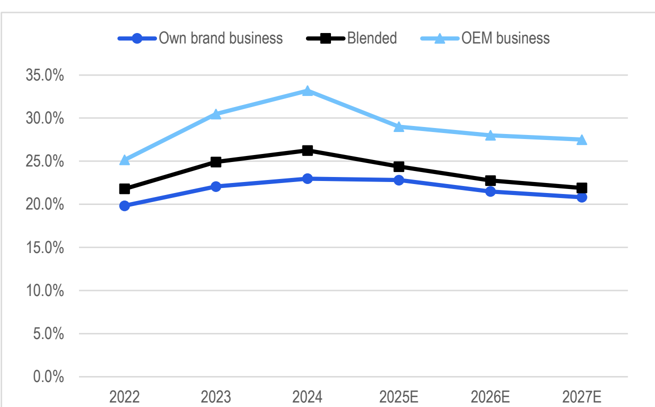


Source: Company reports, Citi Research Estimates

Margin pressure looming

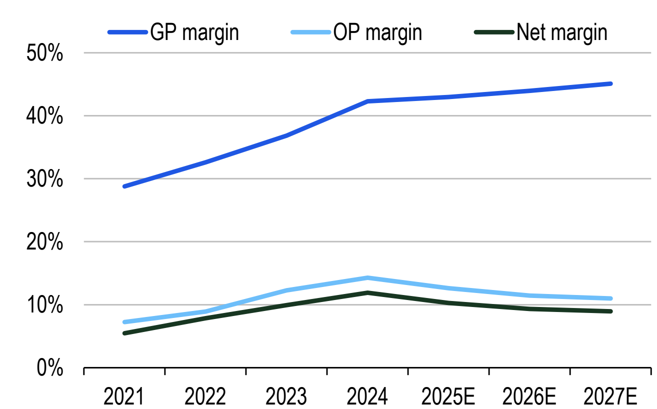
We expect margin pressure on both the own brand business and OEM operations. For the own brand business, mgmt plans to prioritize market share with higher A&P investment under its 2027 group revenue target of c.Rmb10bn (i.e. a 24% 3-year CAGR). Given the strategical focus on topline, fierce competition, as well as increasing traffic acquisition cost on e-commerce and social media platforms, we expect the profitability of the own brand business to remain low. For the OEM business, we expect weaker demand and potentially higher price competition to squeeze GPM by 4ppts and 1ppt in 2025E and 2026E.

Figure 121. Gambol Pet's profitability (GPM-A&P/sales) by business model



Source: Company reports, Citi Research Estimates

Figure 122. Gambol Pet's margin trend



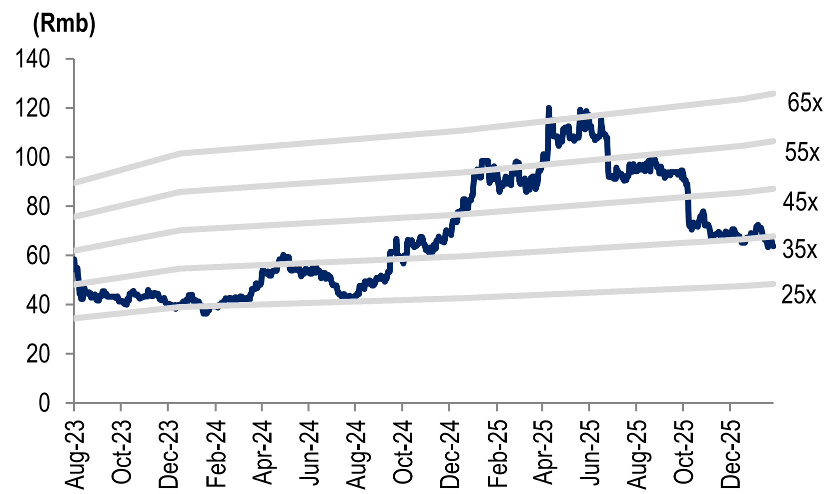
Source: Company reports, Citi Research Estimates

Valuation

Gambol significantly re-rated in 1H25 after its IPO in Aug 2023, leading to an average 40x fwd P/E in its 2.5-year listing history. The rich valuation corrected in 2H25 due to tariff impact and overall A-share market weakness. The stock is trading at 34x 2026E P/E, 12% below its historical average, still not attractive in our view given a 14% EPS CAGR in 2025E-27E. That said, considering investors' strong sentiment on the pet industry's secular growth story and Gambol's No.1 position in China (through its MyFoodie brand), we think the high PEG reflects the scarcity of the stock.

We use DCF as our valuation methodology to capture the long-term growth potential. Assuming a perpetual growth rate at 2% and a WACC of 7.5% (derived from a 2.0% risk-free rate, 0.60 beta, a 9.0% market risk premium and 100% equity), we derive a target price of Rmb69.6. Our target price implies 36.6x 2026E P/E, 7% below its historical average.

Figure 123. Gambol Pet's forward P/E band



Source: Citi Research Estimates, Data Central

Financial forecasts

Revenue

Gambol recorded revenue growth of 32% in 2022, 27% in 2023, and 21% in 2024. We expect its 2025E/26E/27E revenue to grow 27% / 23% / 21% YoY, with a revenue CAGR at 24% in 2024-27E driven by staple food.

- **Products:** The company offers a comprehensive range of pet food for dogs and cats. Its primary offerings include scientifically formulated staple food series, treat series made from high-quality ingredients like poultry, meat and fish, and health supplement series. The company provides a diverse portfolio of over 1,300 product varieties, with its extensive product range featuring categories including reformed meat, rawhide free options, natural meat, natural parts, freeze dried products, biscuits, wet food, vegan selections, rawhide, and special holiday items.

- **Sales of products:** The company's own-brand business is primarily focused on the domestic market and can be categorized into direct sales and distribution models. The direct sales model mainly involves selling products to end consumers through brand flagship stores on e-commerce platforms. The distribution model includes both online and offline channels. Online channels involve sales through distributors on internet platforms, while offline channels utilize regional distributors. In 2H21, after acquiring the "Waggin' Train" brand, the company continued its sales overseas. The overseas sales of its own-brand products primarily consist of supermarket sales and those sold under its distribution models, with supermarkets being the main channel and distribution model revenue accounting for a relatively small proportion. The company's OEM/ODM business primarily accumulates overseas client resources through professional channels such as industry trade shows. It collaborates with internationally renowned companies overseas, producing pet food according to client order requirements. Additionally, the company also engages in OEM/ODM business for domestic brands.

- **Sales channel:**
  - Domestic online channels: Direct and indirect sales through major e-commerce platforms including Tmall, JD.com, Douyin, and PDD, utilizing both brand flagship stores and distributor networks.
  - Domestic offline channels: An extensive national distributor network covering 31 provinces, selling to professional retail outlets such as local pet specialty stores and pet hospitals.
  - International sales: Products sold across over 30 countries and regions. Sales of owned brands primarily through foreign supermarket chains (e.g., Walmart), with a smaller distributor channel. OEM/ODM business partners with major international clients such as Walmart and Spectrum Brands.

Revenue by product category

Staple food (51% of 2024 revenue)

For the staple food business, we expect revenue to grow 50% / 40% / 30% YoY in 2025E/26E/27E. Revenue grew 52%, 50% and 29% in 2022, 2023 and 2024, respectively, accounting for 41%, 48% and 51% of total revenue.

Pet treats (47% of 2024 revenue)

For the pet treats business, we expect revenue to move +1% / -4% / 0% YoY in 2025E/26E/27E. Revenue grew 20% in 2022, 11% in 2023, and 15% in 2024, accounting for 58%, 50% and 47% of total revenue.

Health supplement and other pet products (1% of 2024 revenue)

For the health supplement and other pet products business, we expect revenue to grow 35% / 28% / 22% YoY in 2025E/26E/27E. Revenue changed by +102%, +54% and -19% in 2022, 2023 and 2024 respectively, accounting for 1%, 1% and 1% of total revenue.

Revenue by sales channel

Direct sales (38% of 2024 revenue)

For the DTC channel, we expect revenue to grow 45% / 41% / 32% YoY in 2025E/26E/27E, vs. growth of 57% / 59% in 2023/2024. Direct sales of house brands continued to grow in 3Q25. During Double 11, it recorded Rmb1bn GMV, up >40% YoY.

Distribution (30% of 2024 revenue)

For the distribution channel, we expect revenue to grow 32% / 22% / 16% YoY in 2025E/26E/27E, vs. growth of 19% / -6% in 2023/2024.

OEM (32% of 2024 revenue)

For the OEM channel, we expect revenue to change by 0% / -5% / 0% YoY in 2025E/26E/27E, vs. growth of 18% / 19% in 2023/2024. The OEM business heavily relied on US market in the past, and recent uncertainty stemmed from US tariff policy led to a revenue decline of 6-7% in 3Q25, resulting in only 4-5% sales growth in 9M25. Gambol has since shifted its capacity to Thailand, which is still subject to 19% tariff, affecting client orders and likely leading to loss of some small clients in 4Q25E. Therefore, we expect a 5% sales decline in 2026E on potential market share loss, with pressure from a high base in 1H26E and stabilization starting 3Q26E off a low base.

We expect house brand revenue to grow 39% / 33% / 26% YoY in 2025E/26E/27E, vs. growth of 54% / 34% / 18% in 2022/2023/2024.

Revenue by region

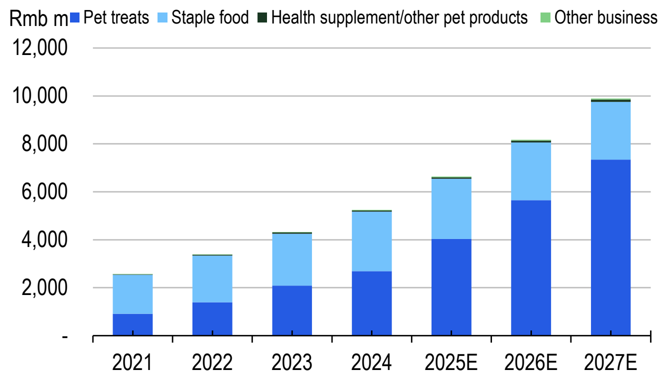
Domestic (68% of 2024 revenue)

For the domestic market, we expect revenue to grow 38% / 33% / 26% YoY in 2025E/26E/27E. Revenue grew 39% and 24% in 2023 and 2024, respectively, accounting for 66% and 68% of total revenue.

Overseas (32% of 2024 revenue)

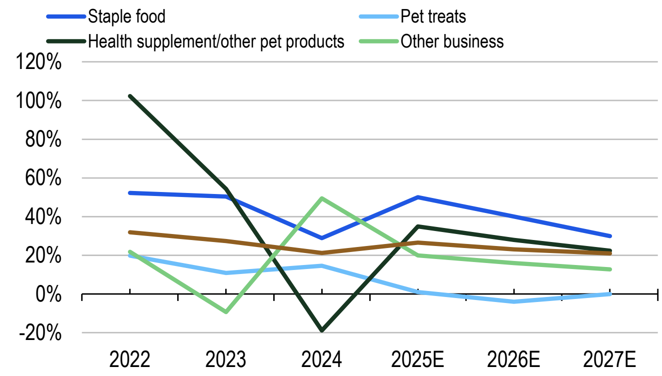
In the overseas market, we expect revenue to change by +2% / -3% / +1% YoY in 2025E/26E/27E. Revenue grew 9% and 16% in 2023 and 2024, respectively, accounting for 34% and 32% of total revenue.

Figure 124. Revenue by product category



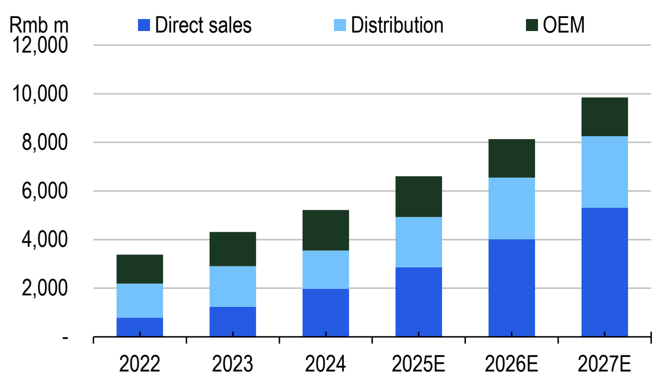
Source: Company data, Citi Research Estimates

Figure 125. Revenue YoY growth by product category



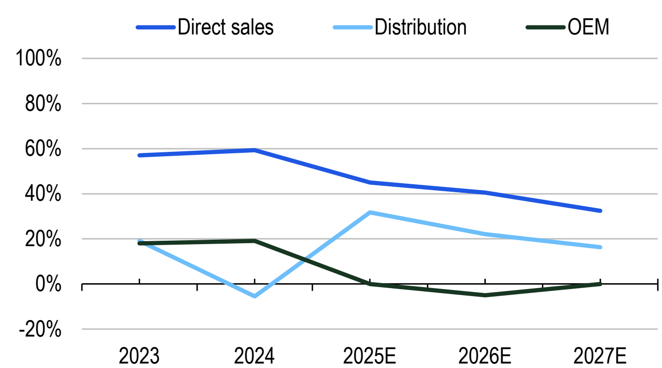
Source: Company data, Citi Research Estimates

Figure 126. Revenue by sales channel



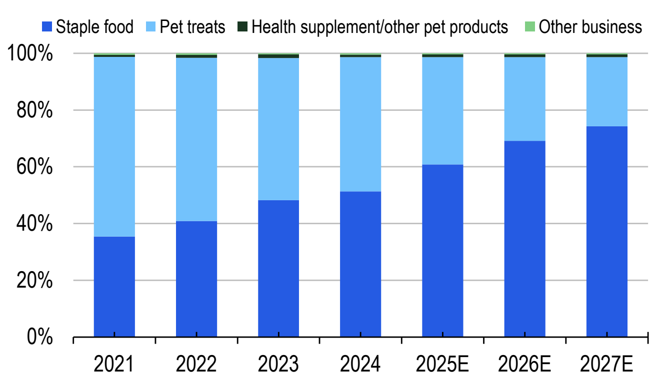
Source: Company data, Citi Research Estimates

Figure 127. Revenue YoY growth by sales channel



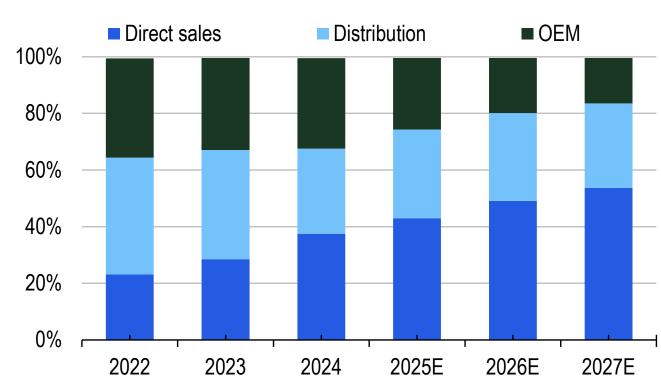
Source: Company data, Citi Research Estimates

Figure 128. Revenue mix by product category



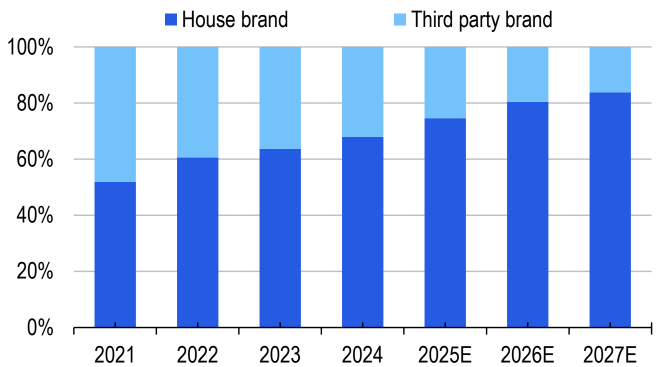
Source: Company data, Citi Research Estimates

Figure 129. Revenue mix by sales channel



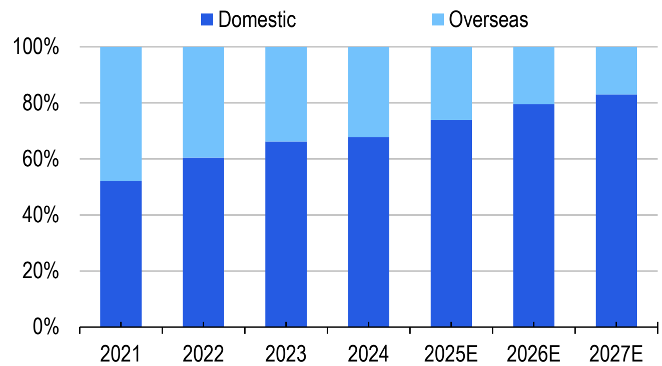
Source: Company data, Citi Research Estimates

Figure 130. Revenue mix by brand



Source: Company data, Citi Research Estimates

Figure 131. Revenue mix by region



Source: Company data, Citi Research Estimates

Cost of sales

For pet treats, cost of sales consists of cost of raw materials, labor, production, shipping and utilities, which accounted for 76%, 7%, 7%, 7% and 3% of COGS in 2024. The main raw materials are categorized into three major types: primary ingredients, auxiliary materials, and packaging materials. The primary ingredients mainly consist of meat products such as chicken breast and duck breast, agricultural products and their derivatives like plant protein, hide rolls, and corn. Auxiliary materials include oils and fats, additives, and core supplements. Packaging materials encompass various types of outer boxes, printed bags, and similar items.

- **Procurement:** The company employs a centralized procurement model managed by a dedicated procurement department, which develops demand plans based on production schedules provided by the production team, while also considering material inventory levels and procurement lead times. The procurement process involves requisition, inquiry, price comparison, contract review, and other steps before finalizing purchase agreements with qualified suppliers.

- Production: Production is operated under a self-manufacturing model, which is further divided based on business type: proprietary brand production and OEM/ODM production. For the proprietary brand business, the sales department generates forecast orders, based on which the production department formulates and organizes production plans. For the OEM/ODM business, production is carried out based on sales orders, following a make-to-order approach.

Margins and profitability

Gross margin: We expect gross margin to improve to 42.9% / 44.0% / 45.1% in 2025E/26E/27E from 32.6% / 36.8% / 42.3% in 2022/23/24, mainly driven by staple food. For staple food, we expect gross margin to improve to 46.2% / 47.2% / 48.2% in 2025E/26E/27E from 34.7% / 36.0% / 44.7% in 2022/23/24. The margin expansion in 2024 was due to continued operation scaling up. For pet treats, we expect gross margin to change to 37.4% / 36.0% / 35.2% in 2025E/26E/27E from 30.8% / 37.2% / 39.5% in 2022/23/24. The margin contraction in 2025-27E is due to lower margins in overseas market due to price competition under higher tariff. For health supplement and other pet products, we expect gross margin to improve to 60.0% / 60.0% / 60.0% in 2025E/26E/27E from 53.9% / 53.6% / 57.4% in 2022/23/24.

For the domestic market, we expect gross margin to improve to 46.8% / 47.5% / 48.4% in 2025E/26E/27E from 38.7% / 39.2% / 45.6% in 2022/23/24. For the overseas market, we expect gross margin to change to 32.0% / 30.0% / 29.0% in 2025E/26E/27E from 23.3% / 32.2% / 35.2% in 2022/23/24. We expect gross margin in overseas market to continue to drop as we view ~30% as still a substantial margin that should offer ample room for price negotiation.

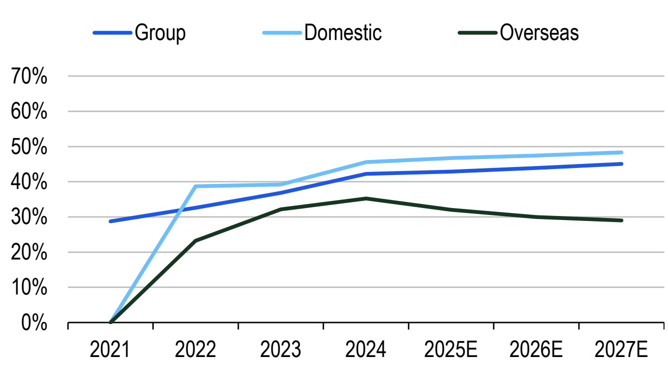
For direct sales, we expect gross margin to improve to 54.8% / 54.8% / 54.8% in 2025E/26E/27E from 48.9% / 50.1% / 53.1% in 2022/23/24. For distribution, we expect gross margin to be 38.1% / 37.0% / 37.3% in 2025E/26E/27E, from 29.9% / 32.3% / 38.6% in 2022/23/24. For OEM, we expect gross margin to be 29.0% / 28.0% / 27.5% in 2025E/26E/27E, from 25.2% / 30.5% / 33.2% in 2022/23/24. OEM gross margin declined 3ppts yoy in 9M25 on US tariff and we expect a 3-4ppts decline in 2025E and a narrower decline in 2026E. According to the company, it is prioritizing KAs with a strategic retreat from small-scale clients.

OP margin and net margin: OP margin expanded from 8.9% in 2022 to 12.3% in 2023 due to noticeable GPM expansion partly offset by SG&A/sales. We expect OP margin to contract to 12.6% / 11.4% / 11.0% in 2025E/26E/27E on an increasing sales mix of house brands, which have a lower OPM than the OEM business.

We expect interest expenses to remain low in 2025E/26E/27E. The effective tax rate should remain stable at 22.7% in 2025E-27E from 22.7% in 2024.

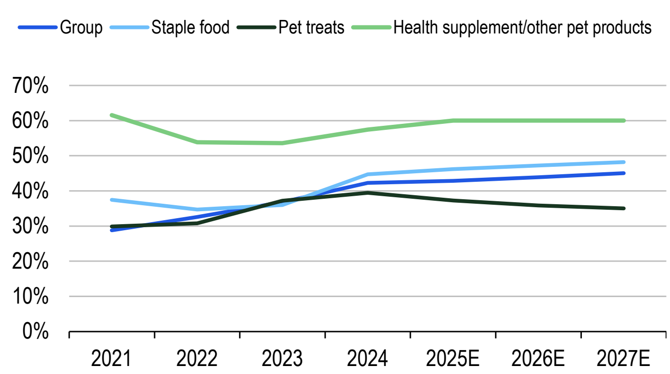
Net margin improved by 2.1ppts / 2.0ppts to 9.9% / 11.9% in 2023/2024 mainly due to a higher OPM, and we expect net margin to be 10.3% / 9.3% / 9.0% in 2025E/26E/27E, in line with the OP margin trend.

Figure 132. GPM by region



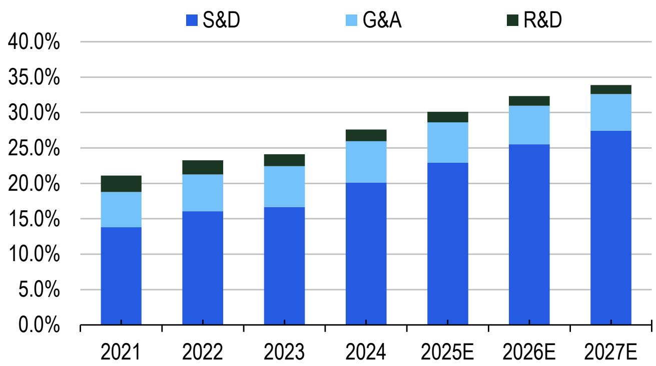
Source: Citi Research Estimates, Company data

Figure 133. GPM by product



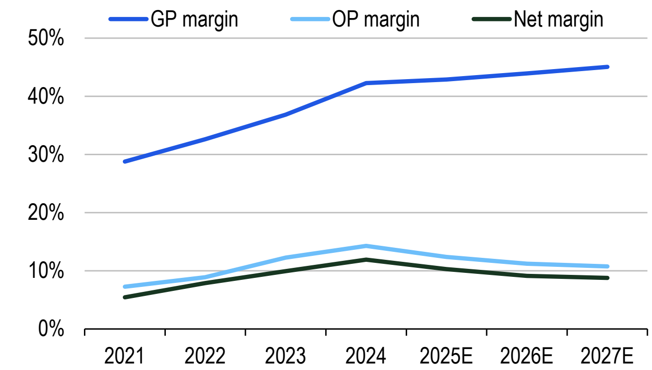
Source: Citi Research Estimates, Company data

Figure 134. Major expenses as % of revenue



Source: Citi Research Estimates, Company data

Figure 135. Profit margins

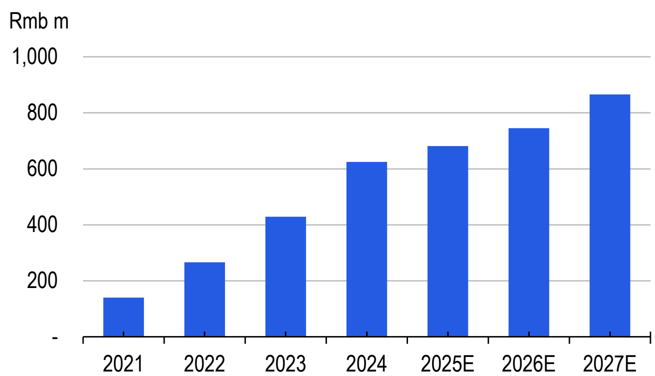


Source: Citi Research Estimates, Company data

Net profit

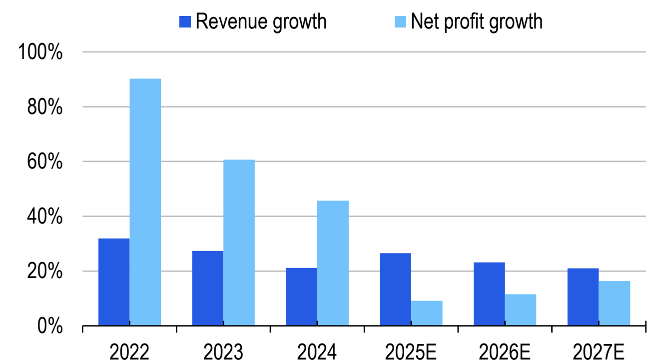
Gambol's net profit has grown rapidly in the past few years and reached Rmb625m in 2024. We expect net profit to further grow 9% / 12% / 16% YoY in 2025E/26E/27E, driven by 27% / 23% / 21% revenue growth.

Figure 136. Net profit



Source: Citi Research Estimates, Company data

Figure 137. Revenue and net profit growth



Source: Citi Research Estimates, Company data

Working capital

Gambol's trade receivable days was largely stable at ~20 days in the past. We expect 23 / 19 / 16 days in 2025E/26E/27E.

Inventory days increased to 105 in 2022 due to higher inventories of the agency brand but declined to 93 days in 2023 as it terminated K9 distribution. It further dropped to 87 days on destocking. We expect inventory days to slightly decline to 84 / 83 / 83 in 2025E/26E/27E.

Trade payable days has remained stable at 20-30 in recent years. We expect trade payable days to remain largely stable in 2025E-27E.

We expect faster cash conversion from 83-94 days in 2021-24 to 69-77 days in 2025E-27E due to fewer inventory days.

Figure 138. Working capital management

	2021	2022	2023	2024	2025E	2026E	2027E
Trade receivable days	20	17	17	24	23	19	16
Inventory days	97	105	93	87	84	83	83
Trade payable days	34	27	22	27	29	29	30
Cash conversion days	**83**	**94**	**89**	**83**	**77**	**73**	**69**

Source: Citi Research Estimates, Company data

ROE

We expect ROE of >15% in 2025E/26E/27E due to improved asset turnover and financial leverage, partly offset by a lower net margin.

Figure 139. DuPont analysis of ROE

	2021	2022	2023	2024	2025E	2026E	2027E
Net margin	5.4%	7.9%	9.9%	11.9%	10.3%	9.3%	9.0%
Asset turnover (x)	1.2	1.5	1.3	1.1	1.2	1.4	1.5
Financial leverage (x)	1.5	1.4	1.2	1.2	1.2	1.2	1.2
Return on equity	**10.0%**	**16.5%**	**15.8%**	**16.0%**	**15.6%**	**15.7%**	**16.5%**

Source: Citi Research Estimates, Company data

Capex and free cash flow

Capex was Rmb98m / Rmb180m / Rmb197m / Rmb680m in 2021/22/23/24, or 3.8% / 5.3% / 4.5% / 13.0% of revenue. The increase in 2024 was due to production capacity expansion. We expect capex to be ~Rmb350m per year in 2025E-27E.

Figure 140. Free cash flow

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Operating cash flow	94	306	617	720	743	861	991
Capital expenditure	(98)	(180)	(197)	(680)	(354)	(361)	(368)
Free Cash Flow	**(4)**	**127**	**420**	**39**	**389**	**499**	**623**

Source: Citi Research Estimates, Company data

Financial statements

Figure 141. Profit & Loss Account

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Total revenue	**2,575**	**3,398**	**4,327**	**5,245**	**6,636**	**8,172**	**9,889**
Change	*28%*	*32%*	*27%*	*21%*	*27%*	*23%*	*21%*
COGS	(1,834)	(2,290)	(2,733)	(3,028)	(3,786)	(4,580)	(5,431)
Change	*29%*	*25%*	*19%*	*11%*	*25%*	*21%*	*19%*
Gross profit	**741**	**1,107**	**1,594**	**2,217**	**2,850**	**3,592**	**4,458**
Change	*25%*	*49%*	*44%*	*39%*	*29%*	*26%*	*24%*
GP margin	*28.8%*	*32.6%*	*36.8%*	*42.3%*	*42.9%*	*44.0%*	*45.1%*
Selling expenses	(356)	(545)	(721)	(1,055)	(1,510)	(2,068)	(2,692)
Change	*35%*	*53%*	*32%*	*46%*	*43%*	*37%*	*30%*
% of sales	*13.8%*	*16.0%*	*16.7%*	*20.1%*	*22.7%*	*25.3%*	*27.2%*
Administrative expenses	(128)	(177)	(250)	(307)	(378)	(444)	(513)
Change	*14%*	*38%*	*41%*	*23%*	*23%*	*18%*	*15%*
% of sales	*5.0%*	*5.2%*	*5.8%*	*5.8%*	*5.7%*	*5.4%*	*5.2%*
R&D expenses	(59)	(68)	(73)	(85)	(98)	(112)	(125)
Change	*35%*	*14%*	*8%*	*17%*	*15%*	*13%*	*12%*
% of sales	*2.3%*	*2.0%*	*1.7%*	*1.6%*	*1.5%*	*1.4%*	*1.3%*
EBIT	**187**	**302**	**531**	**749**	**837**	**934**	**1,088**
Change	*18%*	*62%*	*76%*	*41%*	*12%*	*12%*	*17%*
EBIT margin	*7.3%*	*8.9%*	*12.3%*	*14.3%*	*12.6%*	*11.4%*	*11.0%*
Asset impairment	(6)	(2)	(26)	(15)	(9)	(10)	(11)
Gain/loss on fair value change	-	-	-	-	-	-	-
Investment gain/loss	(0)	(0)	2	26	29	32	35
Disposal gain/loss	0	0	(2)	(2)	(2)	(2)	(2)
Other income (mainly govt grant)	9	9	9	17	18	19	20
Non-operating revenue	18	0	1	5	5	6	7
Non-operating expenses	(2)	(2)	(2)	(4)	(5)	(5)	(6)
Financial expenses	**(28)**	**10**	**13**	**35**	**11**	**14**	**18**
-- Interest Expenses	(19)	(12)	(1)	(1)	(1)	(1)	(2)
-- Interest Income	1	2	9	15	12	15	20
Profit before tax	**179**	**318**	**525**	**811**	**885**	**988**	**1,149**
Tax expenses	(37)	(52)	(95)	(184)	(201)	(224)	(260)
Tax rate	*20.6%*	*16.4%*	*18.1%*	*22.7%*	*22.7%*	*22.7%*	*22.7%*
Net profit before MI	**142**	**266**	**430**	**627**	**685**	**764**	**889**
Change	*27%*	*87%*	*62%*	*46%*	*9%*	*12%*	*16%*
Minority interest	2	(1)	1	3	3	3	4
MI as % of NP before MI	*1.1%*	*-0.5%*	*0.3%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
Net profit attributable to shareholders	**140**	**267**	**429**	**625**	**682**	**761**	**885**
Change	*26%*	*90%*	*61%*	*46%*	*9%*	*12%*	*16%*
Net profit margin	*5.4%*	*7.9%*	*9.9%*	*11.9%*	*10.3%*	*9.3%*	*9.0%*

Source: Company data, Citi Research Estimates

Figure 142. Balance Sheet

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Cash and cash equivalent	357	198	1,009	695	875	1,141	1,492
Held for trading investment	-	-	-	-	-	-	-
Account receivables	181	132	278	400	425	432	452
Prepaid expenses	53	43	28	39	39	39	39
Other receivables	13	23	25	39	39	39	39
Inventory	583	736	657	780	956	1,137	1,327
Non-current asset due within 1 yr	-	-	-	-	-	-	-
Other current assets	28	32	98	63	80	99	120
CURRENT ASSETS	**1,215**	**1,165**	**2,095**	**2,016**	**2,414**	**2,886**	**3,468**
Financial assets	-	-	832	1,137	1,137	1,137	1,137
Long-term investment	1	1	-	-	-	-	-
PP&E	890	921	916	1,077	1,148	1,211	1,268
Construction in process	5	25	34	314	426	541	657
Intangible assets	115	112	131	163	193	223	252
Long-term deferred expenses	25	4	15	26	35	43	49
Deferred tax assets	48	36	37	35	35	35	35
ROU assets	3	3	28	78	82	85	88
Other non-current assets	1	18	57	163	163	163	163
NON CURRENT ASSETS	**1,089**	**1,118**	**2,049**	**2,993**	**3,220**	**3,438**	**3,649**
Short term borrowing	382	165	-	110	139	171	207
Accounts payable	203	142	184	267	334	404	479
Contract liabilities/Prepayment from customers	26	45	57	109	138	170	206
Wage payable	27	43	51	97	122	151	182
Tax payable	23	7	42	67	85	105	127
Other payables	11	10	15	28	36	44	53
Non-current liability due within 1 yr	29	4	5	12	15	18	22
Other current liability	1	3	3	5	6	7	9
CURRENT LIABILITIES	**701**	**419**	**357**	**695**	**875**	**1,070**	**1,286**
Long-term borrowing	50	28	-	-	-	-	-
Long-term payables	4	-	19	19	19	19	19
Expected liabilities	-	1	-	-	-	-	-
Deferred tax liabilities	31	35	42	48	48	48	48
Deferred income	37	38	35	32	32	32	32
Lease liabilities	3	3	21	64	64	64	64
NON CURRENT LIABILITIES	**126**	**105**	**116**	**163**	**163**	**163**	**163**
Share capital	360	360	400	400	400	400	400
Capital reserve	671	673	2,106	2,115	2,115	2,115	2,115
Reserve	8	20	34	54	54	54	54
Retained earnings	448	702	1,117	1,554	2,000	2,499	3,080
Other comprehensive income	(14)	1	8	21	21	21	21
Equity attributable to equity holders	**1,472**	**1,756**	**3,665**	**4,144**	**4,590**	**5,089**	**5,670**
Minority interest	4	3	5	7	5	1	(2)
SHAREHOLDER'S EQUITY	**1,476**	**1,759**	**3,670**	**4,151**	**4,595**	**5,090**	**5,668**

Source: Company data, Citi Research Estimates

Figure 143. Cash Flow Statement

Rmb m	2021	2022	2023	2024	2025E	2026E	2027E
Net income	142	266	430	627	685	764	889
Asset impairment provision	1	2	26	15	9	10	11
Depreciation for PP&E	78	86	94	98	101	112	123
Amortization of ROU assets	0	0	3	7	6	7	8
Amortization of intangible asset	9	6	6	7	9	11	12
Amortization of deferred expenses	15	22	4	8	11	13	15
Loss from disposal of PP&E, intangible asset	(0)	(0)	2	2	-	-	-
Loss from write-off of PP&E	1	0	1	2	-	-	-
Financial expenses	8	23	5	1	-	-	-
Loss (gain) from investment and fair value change	0	0	(2)	(26)	(29)	(32)	(35)
Change in Working Capital	(160)	(99)	47	(21)	(50)	(24)	(32)
Decrease (increase) of deferred tax assets	(12)	12	(0)	1	-	-	-
Increase (decrease) of deferred tax liabilities	9	4	6	8	-	-	-
Decrease (increase) in inventory	(155)	(157)	67	(121)	(176)	(181)	(190)
Decrease (increase) of receivables	(110)	50	(176)	(172)	(25)	(7)	(21)
Increase (decrease) of payables	121	(10)	150	254	147	158	174
Others	(13)	2	1	8	4	5	5
Net cash flow from operation	**94**	**306**	**617**	**720**	**743**	**861**	**991**
Disposal of PP&E, intangible assets and other long term assets	1	0	1	2	-	-	-
Proceeds from other investment	-	-	11	50	-	-	-
Cash inflow from investing activities	1	0	12	52	-	-	-
Purchase of PP&E, intangible assets and other long term assets	98	180	197	680	354	361	368
Purchase of investment	-	-	-	1	17	19	21
Payment for other investment related activities	33	-	890	340	-	-	-
Cash outflow from investing activities	131	180	1,087	1,021	371	380	389
Net cash flow from investing activities	**(130)**	**(180)**	**(1,075)**	**(969)**	**(371)**	**(380)**	**(389)**
Proceeds from external investment	3	-	-	-	-	-	-
Proceeds from borrowing	741	414	98	110	29	32	36
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Proceeds from issuance of shares	-	-	1,600	-	-	-	-
Proceeds from other financing activities	1	34	11	-	-	-	-
Cash inflow from financing activities	745	449	1,709	110	29	32	36
Repayment of loan	562	695	294	-	-	-	-
Dividend, profit or interest payment	19	12	1	168	221	247	287
Payment for other financing activities	10	7	132	37	-	-	-
Cash outflow from financing activities	591	714	427	205	221	247	287
Net cash flow from financing activities	**153**	**(265)**	**1,282**	**(96)**	**(192)**	**(215)**	**(251)**
Effect of foreign exchange rate change	(0)	13	(2)	1	-	-	-
Increase (decrease) in cash and equivalents	117	(126)	822	(344)	180	266	351
Cash and cash equivalent at beginning of year	195	311	186	1,008	664	844	1,110
Cash and cash equivalent at end of year	**311**	**186**	**1,008**	**664**	**844**	**1,110**	**1,461**

Source: Company data, Citi Research Estimates

Risks

Highly competitive pet industry

Competition in the China pet industry is increasingly intense across multinational corporations with established advantages in technology, branding, and distribution, and local manufacturers leveraging late-mover benefits in production and marketing. Failure to accelerate innovation, improve product quality, and expand into new markets may hinder the company's ability to maintain competitiveness. In response, the company aims to focus on R&D-driven innovation, brand building, quality assurance, and channel optimization to sustain growth and customer satisfaction.

Fluctuations in raw material prices

Fluctuations in the prices of key raw materials, including primary ingredients, additives, and packaging materials, may impair profitability if the company cannot transfer cost increases, enhance production efficiency, or manage inventory effectively. The company aims to mitigate this through improving supply chain management, market forecasting, and procurement strategies, maintaining strategic inventory levels to buffer market cycles and reduce procurement costs.

US tariff

With the US as a major export market, tariff increases in 2025 on Chinese goods and on Thai goods have created uncertainty for order volumes at both production bases. The company aims to strengthen its presence in other international markets and increase investment in domestic brand sales to offset potential export disruptions.

Food safety issues

Past news articles over pet food safety incidents in China has led to general concerns and alert among consumers. Even though the company was not involved in any incident, its operations may still be impacted as a domestic brand in case of such industry incident. Any similar negative publicity could hurt the company as a major player in the China pet food industry.

Furthermore, future national standards and/or industry standards may be formulated to better regulate the industry. The company may need to comply with new GB standards, which could affect sales in the short term.

Fluctuations in FX

Gambol settles overseas sales in US dollars, and procurement in Thai baht. This exposes the company to exchange rate volatility, which may affect revenue and material costs. The company aims to enhance risk awareness, monitor exchange rates closely, and employ hedging tools and local currency settlements where feasible to reduce foreign exchange risk.

New project risks

Although Gambol has conducted thorough feasibility studies for its funded projects, changes in market conditions, technology or trends may affect project execution or utilization. It aims to perform detailed risk and ROI assessments, control project timelines and equipment costs, and strengthen strategic coordination to maximize investment returns and minimize operational risks.

Company background

History

The company's history can be traced back to 2006 when Mr. Qin, the co-founder, Chairman and Executive Director; and Ms. Zhang (Mr. Qin's spouse), established Yigeer Food (依戈尔食品) and started the business as an OEM/ODM manufacturer, and has later on grown into a modern pet food company focusing on innovation. In 2020, Mr. Qin, together with certain early investors such as Golden Prosperity Investment S.A.R.L., Beijing Junlian, Liaocheng Haiang, established the company as a limited liability company on May 31, 2020 and named it as Gambol Pet Group Co., Ltd. (乖宝宠物食品集团股份有限公司).

Gambol offers a full range of products for dogs and cats, including dry food, wet food and treats. With three R&D centers and 16 factories across China and Thailand, it achieves annual capacity of over 182,000 tons. Its 1,300 product varieties in three categories are exported to 33 countries, including Europe, North America, Japan, and South Korea.

Shareholders

Figure 144. Gambol – List of shareholders and background (as of 1H25)

Name	No. of shares	Stake	Background
Qin Hua	183,079,018	45.76%	Founder of the group
Golden Prosperity Investment	56,316,784	14.08%	Institutional investor
Liaocheng Haiang LP	27,739,245	6.93%	Institutional investor
Beijing Junlian LP	23,168,168	5.79%	Institutional investor
Hong Kong Securities Clearing	11,901,726	2.98%	
Zhuhai Junlian LP	10,173,922	2.54%	Institutional investor
Liaocheng Huaju LP	7,529,221	1.88%	Institutional investor
Shanghai Yusu LP	6,000,000	1.50%	Institutional investor
Liaocheng Huazhi LP	2,675,097	0.67%	Institutional investor
Guotai Junan Financial Hldings	2,500,000	0.62%	
Others	68,961,319	17.24%	

Source: Company data

Figure 145. Gambol – Company historical milestones

Year	Milestone
2006	Yigeer Food (依戈尔食品) was founded in Liaocheng, Shandong
2013	"MyFoodie" brand marked Gambol's entry into the domestic market Established the first Pet Nutrition Research Center
2014	Built modern production facilities equipped with automated production lines
2018	Implemented ERP and MES systems in factories Collaborated with leading global research institutions
2019	Expanded global production capacity, establishing a production base in Thailand
2021	Acquisition of "Waggin' Train" brand
2022	Focused on the innate nutritional needs of pets, providing tailored solutions
2024	"MyFoodie" brand ranked #1 on Tmall for five consecutive years Established Pet Nutrition Research Center in Shanghai

Source: Company data

Management profiles

Figure 146. Gambol – Management profiles

Name (ENG)	Name (CN)	Position	Experience
QIN Hua	秦华	Founder, Executive Director and chairman of the Board of Directors	Prior to joining the Group, Mr. Qin served as Deputy General Manager, General Manager, and Vice President of Shandong Fengxiang Group from March 1995 to March 2005; during this period, from November 1997 to November 2001, he also served as Deputy Mayor of Anle Town, Yanggu County. From May 1991 to March 1995, he held positions as a clerk and section chief at the Yanggu County Township Enterprise Bureau. From July 1989 to May 1991, he served as a teacher at Yanggu County No. 2 Middle School in Shandong Province.
Du Shifang	杜士芳	Executive Director and President	Prior to joining the Group, Ms. Du served as Research Director at the Beijing Branch of Shanghai United Market Research Co., Ltd. from December 2006 to December 2008. From September 2004 to December 2006, she served as Product Manager in the Liquid Milk Division of Inner Mongolia Mengniu Dairy (Group) Co., Ltd. From July 2002 to September 2004, she served as Product Manager in the Ambient Milk and Chilled Milk divisions at Inner Mongolia Yili Industrial Group Co., Ltd. From July 1998 to July 2002, she served as Product Planner at Shenyang Topjin Food Co., Ltd., a subsidiary of Ting Hsin International Group.
XUN Zhaoyong	寻兆勇	Executive Director and Vice President	Prior to joining the Group, Mr. Xun served as Deputy General Manager of Shandong Zhongke Fengxiang Bioengineering Co., Ltd. from January 2002 to May 2008. From June 1997 to December 2001, he served as Manager of the Technology Center at Shandong Fengxiang Group. From September 1990 to May 1997, he served as Technician and Section Chief at Yanggu County Native Produce & Grocery Company in Shandong Province.
QIN Xuanang	秦轩昂	Executive Director and Employee Representatives	Mr. Qin Xuanang is the son of Mr. Qin. Prior to joining the Group, Mr. Qin joined the Group since 2018 and served multiple positions.
Sun Zheng	孙铮	Executive Director	Mr. Sun joined Golden Prosperity Investment S.A.R.L. in 2007 and currently serves as a Partner.
Wang Chen	王宸	Executive Director	Mr. Wang joined Golden Prosperity Investment S.A.R.L. in 2013 and currently serves as Executive Director and Head of Consumer Sector for Greater China at Golden Prosperity Investment S.A.R.L.
Chen Rui	陈瑞	Executive Director	Mr. Chen joined Legend Capital in 2005 and currently serves as Managing Director of Legend Capital Management Co., Ltd. From 1999 to 2002, he served as Technology Department Manager and Deputy General Manager at Shenzhen Lingke Industrial Co., Ltd.
YUAN Xue	袁雪	Chief Executive Officer	Prior to joining the Group, Ms. Yuan served as Financial Vice President of Beijing Lanli Technology Co., Ltd. from February 2017 to October 2019. From April 2016 to February 2017, she served as Chief Financial Officer of Shangpin. From July 2010 to March 2016, she served as Sales Finance Manager and Sales Finance Director at Mars Food (China) Co., Ltd. From August 2004 to April 2009, she served as Finance Manager at British American Tobacco (China) Company. From September 2000 to August 2004, she served as Audit Assistant and Project Manager at Beijing Zhongyongheng Accounting Firm.
Wang Peng	王鹏	Board Secretary	Prior to joining the Group, Mr. Wang has concurrently served as External Director for Liaocheng High-Tech Holding Group Co., Ltd., Liaocheng High-Tech Finance Holding Co., Ltd., Shandong Jiuzhou High-Tech Construction Co., Ltd., Liaocheng High-Tech Urban Operations Co., Ltd., Liaocheng High-Tech Urban Construction Development Group Co., Ltd., and Liaocheng High-Tech Industrial Holding Group Co., Ltd. since July 2022. From April 2009 to November 2017, he served as Securities Affairs Representative of Dong-E-E-Jiao Co., Ltd. From August 2003 to April 2009, he served as Securities Affairs Manager at Dong-E-E-Jiao Co., Ltd. From July 2000 to August 2003, he served as Cost Supervisor in the Accounting Department of Dong-E-E-Jiao Co., Ltd.

Source: Company data

002891.SZ: Fiscal year end 31-Dec

Price: Rmb49.110; TP: Rmb57.100; Market Cap: Rmb14,948m; Recomm: Buy

Profit & Loss (Rmbm)	2023	2024	2025E	2026E	2027E
Sales revenue	3,747	4,465	5,347	6,289	7,348
Cost of sales	-2,763	-3,208	-3,701	-4,306	-4,979
Gross profit	985	1,257	1,646	1,983	2,370
Gross Margin (%)	26.3	28.2	30.8	31.5	32.2
EBITDA (Adj)	**513**	**591**	**702**	**799**	**895**
EBITDA Margin (Adj) (%)	13.7	13.2	13.1	12.7	12.2
Depreciation	-101	-106	-111	-121	-131
Amortisation	-19	-20	-22	-23	-25
EBIT (Adj)	**393**	**465**	**570**	**655**	**739**
EBIT Margin (Adj) (%)	10.5	10.4	10.7	10.4	10.1
Net interest	-29	-18	-13	-19	-13
Associates	21	72	40	58	81
Non-Op/Except/Other Adj	-15	-15	-17	-18	-20
Pre-tax profit	**370**	**505**	**581**	**676**	**788**
Tax	-78	-89	-93	-108	-126
Extraord./Min.Int./Pref.div.	-59	-23	-34	-44	-58
Reported net profit	**233**	**394**	**454**	**524**	**604**
Net Margin (%)	6.2	8.8	8.5	8.3	8.2
Core NPAT	225	386	454	524	604
Per share data	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Reported EPS (Rmb)	0.793	1.339	1.492	1.721	1.986
Core EPS (Rmb)	0.765	1.314	1.492	1.721	1.986
DPS (Rmb)	0.240	0.150	0.448	0.516	0.596
CFPS (Rmb)	1.520	1.687	1.883	2.123	2.398
FCFPS (Rmb)	0.137	0.866	0.993	1.352	1.596
BVPS (Rmb)	7.592	8.255	9.088	10.344	11.761
Wtd avg ord shares (m)	294	294	304	304	304
Wtd avg diluted shares (m)	294	294	304	304	304
Growth rates	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Sales revenue (%)	15.4	19.1	19.8	17.6	16.9
EBIT (Adj) (%)	134.4	18.5	22.5	14.9	12.9
Core NPAT (%)	147.2	71.7	17.6	15.3	15.4
Core EPS (%)	147.2	71.7	13.6	15.3	15.4
Balance Sheet (Rmbm)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Cash & cash equiv.	916	771	981	1,275	1,616
Accounts receivables	468	627	694	767	844
Inventory	580	579	682	790	910
Net fixed & other tangibles	1,765	1,729	1,854	1,933	2,011
Goodwill & intangibles	319	318	317	315	314
Financial & other assets	341	426	426	426	426
Total assets	**4,390**	**4,450**	**4,955**	**5,506**	**6,121**
Accounts payable	378	411	492	578	676
Short-term debt	666	397	475	559	653
Long-term debt	717	726	726	726	726
Provisions & other liab	210	302	343	386	435
Total liabilities	**1,971**	**1,836**	**2,036**	**2,250**	**2,490**
Shareholders' equity	2,233	2,428	2,766	3,148	3,580
Minority interests	187	187	153	108	51
Total equity	**2,419**	**2,615**	**2,919**	**3,257**	**3,631**
Net debt (Adj)	**466**	**352**	**220**	**10**	**-237**
Net debt to equity (Adj) (%)	19.3	13.5	7.5	0.3	-6.5

Valuation ratios	2023	2024	2025E	2026E	2027E
PE (x)	64.2	37.4	32.9	28.5	24.7
PB (x)	6.5	5.9	5.4	4.7	4.2
EV/EBITDA (x)	29.8	25.8	21.5	18.6	16.3
FCF yield (%)	0.3	1.8	2.0	2.8	3.2
Dividend yield (%)	0.5	0.3	0.9	1.1	1.2
Payout ratio (%)	31	11	30	30	30
ROE (%)	10.8	16.9	17.5	17.7	18.0
Cashflow (Rmbm)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA	513	591	702	799	895
Working capital	-11	-42	-48	-50	-51
Other	-54	-53	-81	-103	-115
Operating cashflow	**447**	**496**	**573**	**646**	**730**
Capex	-407	-242	-271	-235	-244
Net acq/disposals	-1,667	-689	0	0	0
Other	1,393	872	0	0	0
Investing cashflow	**-680**	**-59**	**-271**	**-235**	**-244**
Dividends paid	-55	-176	-170	-201	-239
Financing cashflow	**84**	**-400**	**-92**	**-118**	**-145**
Net change in cash	**-144**	**51**	**210**	**294**	**341**
Free cashflow to s/holders	**40**	**255**	**302**	**411**	**486**

For definitions of the items in this table, please click here.

301498.SZ: Fiscal year end 31-Dec

Price: Rmb63.450; TP: Rmb69.600; Market Cap: Rmb25,410m; Recomm: Neutral

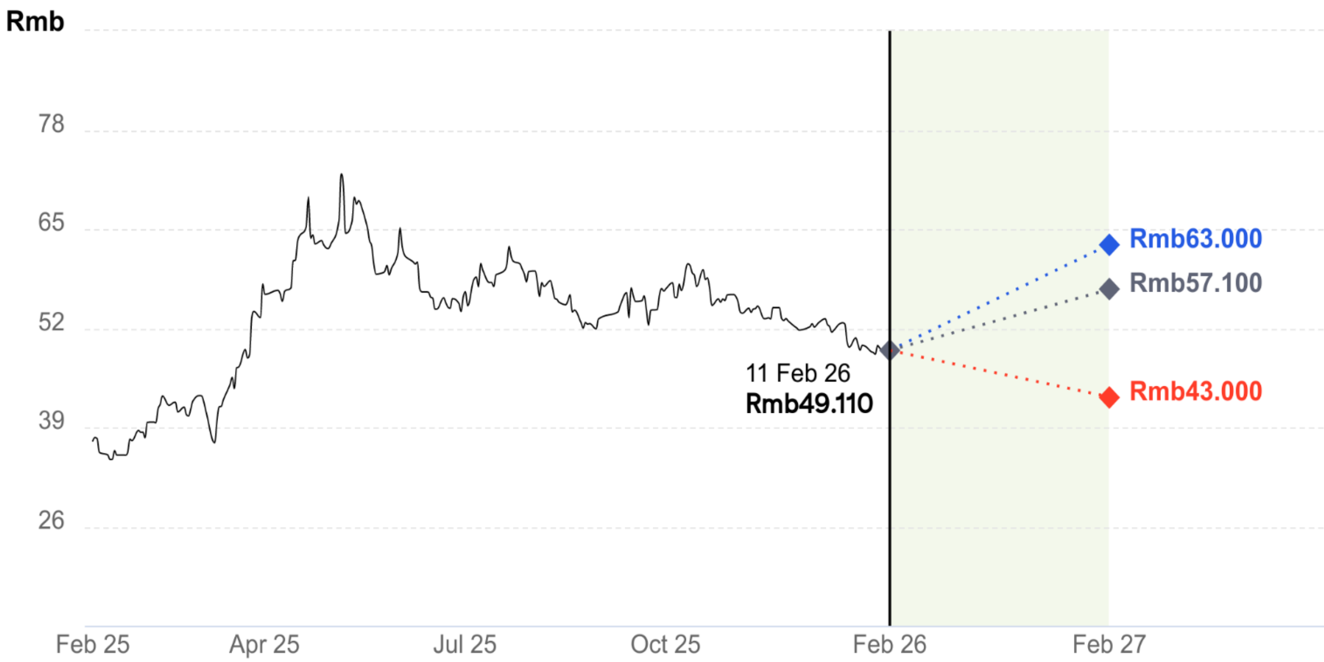
Profit & Loss (Rmbm)	2023	2024	2025E	2026E	2027E
Sales revenue	4,327	5,245	6,636	8,172	9,889
Cost of sales	-2,733	-3,028	-3,786	-4,580	-5,431
Gross profit	1,594	2,217	2,850	3,592	4,458
Gross Margin (%)	36.8	42.3	42.9	44.0	45.1
EBITDA (Adj)	**635**	**862**	**959**	**1,070**	**1,238**
EBITDA Margin (Adj) (%)	14.7	16.4	14.4	13.1	12.5
Depreciation	-94	-98	-101	-112	-123
Amortisation	-10	-15	-20	-24	-27
EBIT (Adj)	**531**	**749**	**837**	**934**	**1,088**
EBIT Margin (Adj) (%)	12.3	14.3	12.6	11.4	11.0
Net interest	13	35	11	14	18
Associates	2	26	29	32	35
Non-Op/Except/Other Adj	-21	1	8	8	8
Pre-tax profit	**525**	**811**	**885**	**988**	**1,149**
Tax	-95	-184	-201	-224	-260
Extraord./Min.Int./Pref.div.	-1	-3	-3	-3	-4
Reported net profit	**429**	**625**	**682**	**761**	**885**
Net Margin (%)	9.9	11.9	10.3	9.3	9.0
Core NPAT	429	625	682	761	885
Per share data	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Reported EPS (Rmb)	1.072	1.562	1.704	1.902	2.213
Core EPS (Rmb)	1.072	1.562	1.704	1.902	2.213
DPS (Rmb)	0.170	0.250	0.546	0.609	0.709
CFPS (Rmb)	1.543	1.799	1.856	2.151	2.478
FCFPS (Rmb)	1.051	0.099	0.971	1.249	1.557
BVPS (Rmb)	9.162	10.359	11.475	12.721	14.174
Wtd avg ord shares (m)	400	400	400	400	400
Wtd avg diluted shares (m)	400	400	400	400	400
Growth rates	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Sales revenue (%)	27.4	21.2	26.5	23.1	21.0
EBIT (Adj) (%)	75.7	41.1	11.8	11.6	16.5
Core NPAT (%)	60.7	45.7	9.1	11.6	16.4
Core EPS (%)	44.6	45.7	9.1	11.6	16.4
Balance Sheet (Rmbm)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Cash & cash equiv.	1,009	695	875	1,141	1,492
Accounts receivables	278	400	425	432	452
Inventory	657	780	956	1,137	1,327
Net fixed & other tangibles	1,086	1,694	1,889	2,078	2,259
Goodwill & intangibles	131	163	193	223	252
Financial & other assets	983	1,278	1,295	1,313	1,334
Total assets	**4,143**	**5,010**	**5,633**	**6,324**	**7,117**
Accounts payable	184	267	334	404	479
Short-term debt	0	110	139	171	207
Long-term debt	19	19	19	19	19
Provisions & other liab	270	462	546	639	743
Total liabilities	**473**	**858**	**1,038**	**1,234**	**1,449**
Shareholders' equity	3,665	4,144	4,590	5,089	5,670
Minority interests	5	7	5	1	-2
Total equity	**3,670**	**4,151**	**4,595**	**5,090**	**5,668**
Net debt (Adj)	**-990**	**-566**	**-716**	**-950**	**-1,265**
Net debt to equity (Adj) (%)	-27.0	-13.6	-15.6	-18.7	-22.3

Valuation ratios	2023	2024	2025E	2026E	2027E
PE (x)	59.2	40.6	37.2	33.4	28.7
PB (x)	6.9	6.1	5.5	5.0	4.5
EV/EBITDA (x)	38.6	27.4	24.7	21.9	18.7
FCF yield (%)	1.7	0.2	1.5	2.0	2.5
Dividend yield (%)	0.3	0.4	0.9	1.0	1.1
Payout ratio (%)	16	16	32	32	32
ROE (%)	15.8	16.0	15.6	15.7	16.5
Cashflow (Rmbm)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA	635	862	959	1,070	1,238
Working capital	47	-21	-50	-24	-32
Other	-65	-121	-166	-185	-216
Operating cashflow	**617**	**720**	**743**	**861**	**991**
Capex	-197	-680	-354	-361	-368
Net acq/disposals	1	1	-17	-19	-21
Other	-879	-290	0	0	0
Investing cashflow	**-1,075**	**-969**	**-371**	**-380**	**-389**
Dividends paid	-1	-168	-221	-247	-287
Financing cashflow	**1,282**	**-96**	**-192**	**-215**	**-251**
Net change in cash	**822**	**-344**	**180**	**266**	**351**
Free cashflow to s/holders	**420**	**39**	**389**	**499**	**623**

For definitions of the items in this table, please click here.

Bull/Bear: China Pet (002891.SZ)

Rmb 63.000 ▲28% Upside	Rmb 57.100 ▲16% Upside	Rmb 43.000 ▼12% Downside



Spread 41pp
Current Price and expected returns (upside/downside) as of 11 Feb 2026

BULL Assumptions

- Revenue growth faster than expected
- EBIT margin higher than expected

BASE Assumptions

- Revenue to grow by 18% in 2026E
- EBIT margin at 10.4% in 2026E

BEAR Assumptions

- Revenue growth slower than expected
- EBIT margin lower than expected

Bull/Bear: Gambol (301498.SZ)

Rmb 76.000	Rmb 69.600	Rmb 59.000
▲20% Upside	▲9.7% Upside	▼7.0% Downside

Spread 27pp
Current Price and expected returns (upside/downside) as of 11 Feb 2026

BULL Assumptions

- Revenue growth faster than expected
- EBIT margin higher than expected

BASE Assumptions

- Revenue to grow by 23% in 2026E
- EBIT margin at 11.4% in 2026E

BEAR Assumptions

- Revenue growth slower than expected
- EBIT margin lower than expected

China Pet

Company description

Yantai China Pet Foods (YCP) produces and sells pet food products for dogs and cats in China. The company offers pet staple food, pet snacks and others pet products under the Wanpy Naughty, Zeal, and Toptrees brand names. It has over 1,000 different items available, including a full range of treats, wet food, dry food, freeze dried products, biscuits, rawhide and dental chews. It also exports its products to more than 60 countries and regions. YCP was founded in 1998 and is based in Yantai, China.

Investment strategy

Owner of the No. 3 pet food brand by sales in China, YCP's own brand business has accelerated growth after it comprehensively adjusted its brand, product and channel strategies in the past two years. We expect the own brand business to contribute 45% of 2025E revenue and to continue to drive group topline with a 28% sales CAGR in 2025E-27E. Regarding YCP's OEM business, we believe its diversified overseas capacities, particularly those in North America, could help mitigate pressure/uncertainty from US tariff. We expect a net profit CAGR of 15% in 2025E-27E on a 17% topline CAGR and stable margins. We expect room for a re-rating given a faster growth outlook and a higher earnings mix of its own brand business.

Valuation

Our target price for YCP of Rmb57.1/share is based on DCF (WACC 8.0%, derived from a 2.0% risk-free rate, 0.6 beta, a 9.0% market risk premium and 100% equity), implying 33x 2026E P/E. We use DCF as our valuation methodology to capture the long-term growth potential.

Risks

Key downside risks that could impede the stock from reaching our target price include: (1) uncertain macroeconomic environment; (2) intensified competition; (3) fluctuations in raw material prices; (4) uncertainties in US tariff; (5) heavy reliance on key KAs; (6) food safety issues; and (7) fluctuation in FX.

Gambol

Company description

Gambol Pet Food offers a full range of pet food for dogs and cats — including dry food, wet food, and treats. With 3 R&D centers and 16 factories in China and Thailand, it produces over 182,000 tons annually. Its 1,300 product varieties are exported to 33 countries across Europe, North America, Japan, and South Korea, making it an international pet food brand. Gambol was founded in 2006 and is based in Liaocheng, China.

Investment strategy

We rate the stock at Neutral. With the No.1 pet food brand in China, Gambol is well positioned to benefit from China's secular growth of the pet care industry. We expect its own brand business, 75% of 2025E group revenue, to drive the topline with a 29% CAGR in 2025E-27E. That said, given mgmt's strategy to prioritize market share with higher A&P investment together with the fierce competition, we expect the profitability of own brand business to remain low. In addition, under US tariff impact, we reckon Gambol's OEM business to drag of topline and GPM before potential stabilization in 2H26E. We expect net profit CAGR at 14% in 2025E-27E on 22% topline CAGR and slight margin contraction.

Valuation

Our target price for Gambol Pet of Rmb69.6/share is based on DCF (WACC 7.5%, derived from a 2.0% risk-free rate, 0.60 beta, a 9.0% market risk premium and 100% equity), implying ~37x 2026E P/E. We use DCF as our valuation methodology to capture the long-term growth potential.

Risks

Key downside risks that could impede the stock from reaching our target price include: (1) intensified competition; (2) fluctuations in raw material prices; (3) uncertainties in US tariff; (4) food safety issues; (5) fluctuation in FX; and (6) new project risks.

Key upside risks that could sustain the stock above our target price include: (1) less intense competition; (2) declines in raw material prices; (3) more clarity/stability in US tariff; (4) stable FX; and (5) better than expected performance of new projects.

Chewy Inc

Valuation

Our $42 target price is based on ~17x EV/FY27E EBITDA. We see a favorable risk/reward based on upside to Street EBITDA estimates for the next 1-2 years and the potential for EV/EBITDA multiple expansion as CHWY's profit margin rate increases to the upper end of the 5-10% range. Our multiple reflects a modest premium to CHWY's average over the past year based on early optimism the pet category is returning to normalized growth and CHWY profitability is improving. Our EBITDA valuation is in line with the high-growth retail peer group average of high teens.

Risks

The primary risks to our Buy rating are prolonged weakness in customer count, a weaker-than-expected pet industry in 2025, and market share losses to larger rivals. In our view, a slower timeline to customer growth may result in slower EBITDA $ growth. This will likely weigh on our future EBITDA estimates and the stock's valuation.

Petco Health and Wellness Company, Inc.

Valuation

Our $3.50 Target Price is based on ~5x EV/FY26 EBITDA. We recognize our valuation is a discount to our Hardlines retail peer group and TSCO, but WOOF's margin profile is underperforming in the near-term based on company specific factors and weakness in discretionary pet categories. We believe the discount on an EV/EBITDA basis is warranted, especially given higher debt leverage than our coverage average.

Risks

The main upside risks to our rating are faster than expected recovery in pet discretionary categories, the overall macro environment performing better than expected putting upward pressure on estimates, and the stock's mutliple receiving a higher multiple on improved margins. We see downside risk to our Rating if consumer spending in the pet category weakens post pandemic, new initiatives ramp slower than expected, gross margin faces greater pressure from vet and e-com sales growth, and competition in the pet care industry intensifies.

If you are visually impaired and would like to speak to a Citi representative regarding the details of the graphics in this document, please call USA 1-888-500-5008 (TTY: 711), from outside the US +1-210-677-3788

Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Petco Health and Wellness Company, Inc. (WOOF)

Ratings and Target Price History
Fundamental Research

Analyst: Steven Zaccone, CFA

	Date	Rating	Target Price	Closing Price
1	13-Mar-23 06:17:52	*2	*11.00	9.59
2	27-Mar-23 06:19:33	2	*8.50	8.02
3	24-Aug-23 12:39:29	2	*5.50	5.19
4	07-Nov-23 03:00:00	2	*4.25	3.68
5	21-Dec-23 22:00:00	2	*3.25	3.05
6	13-Mar-24 20:34:05	2	*2.85	2.52
7	07-May-24 03:00:00	2	*1.75	1.60
8	22-May-24 18:25:30	2	*3.00	2.88
9	19-Jul-24 03:00:00	2	*4.00	3.50
10	12-Sep-24 03:00:00	2	*4.50	4.54
11	06-Dec-24 03:00:00	2	*5.00	5.29
12	18-Mar-25 08:24:17	2	*2.75	2.41
13	27-Mar-25 03:00:00	2	*3.00	3.21
14	28-May-25 16:00:00	2	*4.00	3.49
15	26-Nov-25 07:30:52	2	*3.50	3.40

*Indicates Change

Rating/target price changes above reflect Eastern Time

Chewy Inc (CHWY)

Ratings and Target Price History
Fundamental Research

Analyst: Steven Zaccone, CFA

	Date	Rating	Target Price	Closing Price
1	27-Mar-23 05:11:02	2	*36.00	34.38
2	31-Aug-23 03:00:00	2	*30.00	23.98
3	07-Nov-23 03:00:00	2	*23.00	21.04
4	07-Dec-23 03:00:00	2	*18.00	19.23
5	07-May-24 03:00:00	2	*16.00	15.49
6	19-Jul-24 03:00:00	2	*28.00	25.51
7	08-Nov-24 03:00:00	*1	*40.00	30.67
8	27-Mar-25 03:00:00	1	*42.00	32.69
9	12-Jun-25 03:00:00	1	*49.00	41.21
10	10-Sep-25 11:17:35	1	*48.00	35.11
11	24-Nov-25 03:00:20	1	*42.00	32.51

*Indicates Change

Rating/target price changes above reflect Eastern Time

Gambol (301498.SZ)

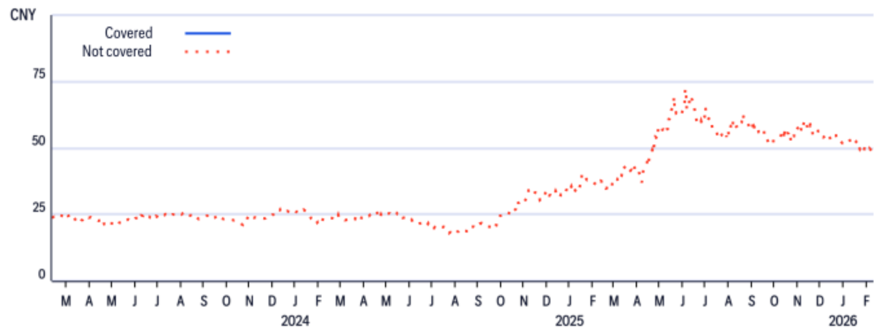
Ratings and Target Price History
Fundamental Research

*Indicates Change

Rating/target price changes above reflect Eastern Time

China Pet (002891.SZ)

Ratings and Target Price History
Fundamental Research



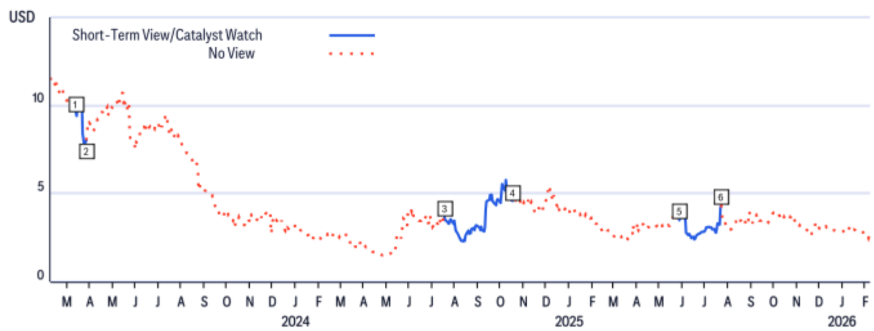
*Indicates Change

Rating/target price changes above reflect Eastern Time

Petco Health and Wellness Company, Inc. (WOOF)

Short-Term View/Catalyst Watch Research

Analyst: Steven Zaccone, CFA



	Date	Action	Expected Direction	Duration	Closing Price
1	13-Mar-23 02:17:52	Add CW	Downside	30 Days	9.59
2	27-Mar-23 02:19:33	Remove CW	Downside	30 Days	8.02
3	18-Jul-24 23:00:00	Add STV	Upside	90 Days	3.65
4	17-Oct-24 12:28:10	Remove STV	Upside	90 Days	4.58
5	28-May-25 12:00:00	Add STV	Upside	90 Days	3.49
6	23-Jul-25 12:00:00	Remove STV	Upside	90 Days	4.36

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Chewy Inc (CHWY)

Short-Term View/Catalyst Watch Research

Analyst: Steven Zaccone, CFA

	Date	Action	Expected Direction	Duration	Closing Price
1	03-Feb-26 22:00:00	Add STV	Upside	90 Days	27.09

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Petco Health and Wellness Company, Inc..

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Chewy Inc,Petco Health and Wellness Company, Inc..

Citigroup Global Markets Inc. or its affiliates received compensation for products and services other than investment banking services from Chewy Inc,China Pet,Gambol,Petco Health and Wellness Company, Inc. in the past 12 months.

Citigroup Global Markets Inc. or its affiliates currently has, or had within the past 12 months, the following as investment banking client(s): Chewy Inc,Petco Health and Wellness Company, Inc..

Citigroup Global Markets Inc. or its affiliates currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Gambol.

Citigroup Global Markets Inc. or its affiliates currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Chewy Inc,China Pet,Gambol,Petco Health and Wellness Company, Inc..

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Chewy Inc,Petco Health and Wellness Company, Inc.. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citiVelocity.com.)

Analysts' compensation is determined by Citi Research management and Citigroup's senior management and is based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates (the "Firm"). Compensation is not linked to specific transactions or recommendations. Like all Firm employees, analysts receive compensation that is impacted by overall Firm profitability which includes investment banking, sales and trading, and principal trading revenues. One factor in equity research analyst compensation is arranging corporate access events between institutional clients and the management teams of covered companies. Typically, company management is more likely to participate when the analyst has a positive view of the company.

For financial instruments recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in such financial instruments (and any underlying instruments) and may act as principal in connection with transactions in such instruments. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Unless stated otherwise neither the Research Analyst nor any member of their team has viewed the material operations of the Companies for which an investment view has been provided within the past 12 months.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 6th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Pursuant to the Market Abuse Regulation a history of all Citi Research recommendations published during the preceding 12-month period can be accessed via Citi Velocity (https://www.citivelocity.com/cv2) or your standard distribution portal. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Research Equity Ratings Distribution

	12 Month Rating			Catalyst Watch		
Data current as of 01 Jan 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage (Neutral=Hold)	60%	32%	8%	37%	47%	16%
% of companies in each rating category that are investment banking clients	36%	40%	28%	40%	34%	35%

Guide to Citi Research Fundamental Research Investment Ratings:
Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.
Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.
Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The target price is based on a 12 month time horizon. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Citi Research may suspend its rating and target price and assign "Rating Suspended" status for regulatory and/or internal policy reasons. Citi Research may also suspend its rating and target price and assign "Under Review" status for other exceptional circumstances (e.g. lack of information critical to the analyst's thesis, trading suspension) affecting the company and/or trading in the company's securities. In both such situations, the rating and target price will show as "—" and "-" respectively in the rating history price chart. Prior to 11 April 2022 Citi Research assigned "Under Review" status to both situations and prior to 11 Nov 2020 only in

exceptional circumstances. As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Catalyst Watch/Short Term Views ("STV") Ratings Disclosure:
Catalyst Watch and STV Upside/Downside calls: Citi Research may also include a Catalyst Watch or STV Upside or Downside call to indicate the analyst expects the share price to rise (fall) in absolute terms over a specified period of 30 or 90 days in reaction to one or more specific near-term catalysts or events impacting the company or the market. A Catalyst Watch will be published when Analyst confidence is high that an impact to share price will occur; it will be a STV when confidence level is moderate. A Catalyst Watch or STV Upside/Downside call will automatically expire at the end of the specified 30/90 day period. The Catalyst Watch will also be automatically removed if share price performance (calculated at market close) exceeds 15% against the direction of the call (unless over-ridden by the analyst). The analyst may also remove a Catalyst Watch or STV call prior to the end of the specified period in a published research note. A Catalyst Watch/STV Upside or Downside call may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of FINRA ratings-distribution-disclosure rules, a Catalyst Watch/STV Upside call corresponds to a buy recommendation and a Catalyst Watch/STV Downside call corresponds to a sell recommendation. Any stock not assigned to a Catalyst Watch Upside, Catalyst Watch Downside, STV Upside, or STV Downside call is considered Catalyst Watch/STV No View. For purposes of FINRA ratings distribution-disclosure rules, we correspond Catalyst Watch/STV No View to Hold in our ratings distribution table for our Catalyst Watch/STV Upside/Downside rating system. However, we reiterate that we do not consider No View to be a recommendation. For all Catalyst Watch/STV Upside/Downside calls, risk exists that the catalyst(s) and associated share-price movement will not materialize as expected.

RESEARCH ANALYST AFFILIATIONS / NON-US RESEARCH ANALYST DISCLOSURES
The legal entities employing the authors of this report are listed below (and their regulators are listed further herein). Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization (but are employed by an affiliate of the member organization) and therefore may not be subject to the FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Citigroup Global Markets Asia Limited	Brian Cho; Xiaopo Wei, CFA; Tiffany Feng

OTHER DISCLOSURES

Any price(s) of instruments mentioned in recommendations are as of the prior day's market close on the primary market for the instrument, unless otherwise stated.

The completion and first dissemination of any recommendations made within this research report are as of the Eastern date-time displayed at the top of the Product. If the Product references views of other analysts then please refer to the price chart or rating history table for the date/time of completion and first dissemination with respect to that view.

Regulations in various jurisdictions require that where a recommendation differs from any of the author's previous recommendations concerning the same financial instrument or issuer that has been published during the preceding 12-month period that the change(s) and the date of that previous recommendation are indicated. For fundamental coverage please refer to the price chart or rating change history within this disclosure appendix or the issuer disclosure summary at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

Citi Research has implemented policies for identifying, considering and managing potential conflicts of interest arising as a result of publication or distribution of investment research. A description of these policies can be found at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

The proportion of all Citi Research research recommendations that were the equivalent to "Buy","Hold","Sell" at the end of each quarter over the prior 12 months (with the % of these that had received investment firm services from Citi in the prior 12 months shown in brackets) is as follows: Q4 2025 Buy 33% (63%), Hold 44% (50%), Sell 23% (46%), RV 0.4% (91%); Q3 2025 Buy 33% (61%), Hold 44% (52%), Sell 23% (50%), RV 0.4% (80%); Q2 2025 Buy 33%(63%), Hold 44% (51%), Sell 23% (49%), RV 0.4% (86%); Q1 2025 Buy 33%(63%), Hold 44% (51%), Sell 23% (49%), RV 0.5% (87%). For the purposes of disclosing recommendations other than for equity (whose definitions can be found in the corresponding disclosure sections), "Buy" means a positive directional trade idea; "Sell" means a negative directional trade idea; and "Relative Value" means any trade idea which does not have a clear direction to the investment strategy.

European regulations require a 5 year price history when past performance of a security is referenced. CitiVelocity's Charting Tool (https://www.citivelocity.com/cv2/#go/CHARTING_3_Equities) provides the facility to create customisable price charts including a five year option. This tool can be found in the Data & Analytics section under any of the asset class menus in CitiVelocity (https://www.citivelocity.com/). For further information contact CitiVelocity support (https://www.citivelocity.com/cv2/go/CLIENT_SUPPORT). The source for all referenced prices, unless otherwise stated, is DataCentral, which sources price information from LSEG Data & Analytics. Past performance is not a guarantee or reliable indicator of future results. Forecasts are not a guarantee or reliable indicator of future performance.

Investors should always consider the investment objectives, risks, and charges and expenses of an ETF carefully before investing. The applicable prospectus and key investor information document (as applicable) for an ETF should contain this and other information about such ETF. It is important to read carefully any such prospectus before investing. Clients may obtain prospectuses and key investor information documents for ETFs from the applicable distributor or authorized participant, the exchange upon which an ETF is listed and/or from the applicable website of the applicable ETF issuer. The value of the investments and any accruing income may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any information on ETFs contained herein is provided strictly for illustrative purposes and should not be deemed an offer to sell or a solicitation of an offer to purchase units of any ETF either explicitly or implicitly. The opinions expressed are those of the authors and do not necessarily reflect the views of ETF issuers, any of their agents or their affiliates.

Citigroup Global Markets India Private Limited and/or its affiliates may have, from time to time, actual or beneficial ownership of 1% or more in the debt securities of the subject issuer.

Please be advised that pursuant to Executive Order 13959 as amended (the “Order”), U.S. persons are prohibited from investing in securities of any company determined by the United States Government to be the subject of the Order. This research is not intended to be used or relied upon in any way that could result in a violation of the Order. Investors are encouraged to rely upon their own legal counsel for advice on compliance with the Order and other economic sanctions programs administered and enforced by the Office of Foreign Assets Control of the U.S. Treasury Department.

This communication is directed at persons who are "Eligible Clients" as such term is defined in the Israeli Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management law, 1995 (the "Advisory Law"). Within Israel, this communication is not intended for retail clients and Citi will not make such products or transactions available to retail clients or to non-Eligible Clients. The presenter is not licensed as investment advisor or investment marketer by the Israeli Securities Authority (“ISA”) and this communication does not constitute investment or marketing advice. The information contained herein may relate to matters that are not regulated by the ISA. Any securities which are the subject of this communication may not be offered or sold to any Israeli person except pursuant to a security offering exemption according to the Israeli Securities Law, 1968and the public offering rules provided thereunder.

Citi Research broadly and simultaneously disseminates its research content to the Firm’s institutional and retail clients via the Firm’s proprietary electronic distribution platforms (e.g., Citi Velocity and various Global Wealth platforms). As a convenience, certain, but not all, research content may be distributed through third party aggregators. Clients may receive published research reports by email, on a discretionary basis, and only after such research content has been broadly disseminated. Certain research is made available only to institutional investors to satisfy regulatory requirements. The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client’s individual preferences as to the frequency and manner of receiving communications from analysts, the client’s risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with the Firm and legal and regulatory constraints.

Pursuant to Comissão de Valores Mobiliários Resolução 20 and ASIC Regulatory Guide 264, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. Statements and views concerning ESG (environmental, social, governance) factors are typically based upon public statements made by the affected company or other public news, which the author may not have independently verified. ESG factors are one consideration that investors may choose to examine when making investment decisions. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental equity or credit research report, it is the intention of Citi Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental research reports, Citi Research may not provide regular updates to the views, recommendations and facts included in the reports. Notwithstanding that Citi Research maintains coverage on, makes recommendations concerning or discusses issuers, Citi Research may be periodically restricted from referencing certain issuers due to legal or policy reasons. Where a component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Product. Upon the lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the analyst continues to support it or it will be officially closed. Citi Research may provide different research products and services to different classes of customers (for example, based upon long-term or short-term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative research product, provided that each is consistent with the rating system for each respective product.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by.

The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. Citigroup Global Markets Australia Pty Limited is not an Authorised Deposit-Taking Institution under the Banking Act 1959, nor is it regulated by the Australian Prudential Regulation Authority.

The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários ("CVM"), BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBIMA – Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais. Av. Paulista, 1111 - 14º andar(parte) - CEP: 01311920 - São Paulo - SP.

This Product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Comisión Para El Mercado Financiero. Enrique Foster Sur, 20, piso 6, Las Condes, Santiago, Chile.

Disclosure for investors in the Republic of Colombia :This communication or message does not constitute a professional recommendation to make investment in the terms of article 2.40.1.1.2 of Decree 2555 de 2010 or the regulations that modify, substitute or complement it. Para la elaboración y distribución de informes de investigación y de comunicaciones generales de que trata este artículo no se requiere ser una entidad vigilada por la Superintendencia Financiera de Colombia.

The Product is made available in **Germany** by Citigroup Global Markets Europe AG ("CGME"), which is regulated by the European Central Bank and the German Federal Financial Supervisory Authority (Bundesanstalt fur Finanzdienstleistungsaufsicht BaFin). Börsenplatz 9, 60313 Frankfurt am Main, Germany.

Unless otherwise specified, if the analyst who prepared this report is based in Hong Kong and it relates to “securities” (as defined in the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)), the report is issued in Hong Kong by Citigroup Global Markets Asia Limited. Citigroup Global Markets Asia Limited is regulated by Hong Kong Securities and Futures Commission. If the report is prepared by a non-Hong Kong based analyst, please note that such analyst (and the legal entity that the analyst is employed by or accredited to) is not licensed/registered in Hong Kong and they do not hold themselves out as such. Please refer to the section “Research Analyst Affiliations / Non-US Research Analyst Disclosures” for the details of the employment entity of the analysts.

The Product is made available in **India** by Citigroup Global Markets India Private Limited (CGM), which is regulated by the Securities and Exchange Board of India (SEBI), as a Research Analyst (SEBI Registration No. INH000000438). CGM is also actively involved in the business of merchant banking (SEBI Registration No. INM000010718) and stock brokerage ((SEBI Registration No. INZ000263033) in India, and is registered with SEBI in this regard. Registration granted by SEBI and certification from National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors. CGM’s registered office is at 1202, 12th Floor, First International Financial Centre (FIFC), G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400098 & registered Tel: +91 22 61759999. Citi maintains robust policies, procedures,controls, and training to ensure continued compliance with all applicable rulesand regulations. All recommendations contained herein are made by dulyqualified research analysts. CGM’s Corporate Identity Number is U99999MH2000PTC126657, and its Compliance Officer [Vishal Bohra] contact details are: Tel:+91-022-61759994, Fax:+91-022-61759851, Email: cgmcompliance@citi.com. The Investor Charter in respect of Research Analysts, the Compliance Audit Report and Complaints information can be found at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. The grievance officer [Niraj Mody] contact details are Tel: +91-22-42775002, Email: EMEA.CR.Complaints@citi.com. Investment in securities market are subject to market risks. Read all the related documents carefully before investing. SEBI prescribed Client Terms & Conditions can be found at
https://www.citivelocity.com/rendition/authfilelinksvcs/eppublic/V1/file?paramData=ZmlsZU5hbWU9L1MzL0dETVMvcHViRGlzY2xvc3VyZUh0bWxzL2dkbV9kaXNfc2ViaV9UZXJtc29mVXNlLmh0bWw

The Product is made available in **Indonesia** through PT Citigroup Sekuritas Indonesia. Citibank Tower 10/F, Pacific Century Place, SCBD lot 10, Jl. Jend Sudirman Kav 52-53, Jakarta 12190, Indonesia. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Services Authority (OJK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations.

The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-8132 Japan. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help.

The product is made available in the **Kingdom of Saudi Arabia** in accordance with Saudi laws through Citigroup Saudi Arabia, which is regulated by the Capital Market Authority (CMA) under CMA license (17184-31). 2239 Al Urubah Rd – Al Olaya Dist. Unit No. 18, Riyadh 12214 – 9597, Kingdom Of Saudi Arabia.

The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd. (CGMK), which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). The address of CGMK is Citibank Center, 50 Saemunan-ro, Jongno-gu, Seoul 03184, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of CGMK. http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystList.xml&divisionId=MDIS03002002000000&serviceId=SDIS03002002000. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Center, 50 Saemunan-ro, Jongno-gu, Seoul 03184, Korea. This research report is intended to be provided only to Professional Investors as defined in the Financial Investment Services and Capital Market Act and its Enforcement Decree in Korea.

The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Registration No. 199801004692 (460819-D)) ("CGMM") to its clients and CGMM takes responsibility for its contents as regards CGMM's clients. CGMM is regulated by the Securities Commission Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product.

The Product is made available in **Mexico** by Citi México Casa de Bolsa, S.A. de C.V., Grupo Financiero Citi México which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Prolongación Reforma 1196, 24 floor, Colonia Santa Fe, Alcaldía Cuajimalpa de Morelos, C.P. 05348, Ciudad de México.

The Product is made available in **Poland** by Biuro Maklerskie Banku Handlowego (DMBH), separate department of Bank Handlowy w Warszawie S.A. a subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Biuro Maklerskie Banku Handlowego (DMBH), ul.Senatorska 16, 00-923 Warszawa.

The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services and Exempt Financial Advisor license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This Product is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act 2001. For Citi Private Bank, the Product is made available in Singapore by Citi Private Bank through Citibank, N.A., Singapore Branch. Citibank N.A., Singapore Branch is a licensed bank in Singapore that is regulated by the Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. The Product is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act 2001. For Citibank Singapore Limited ("CSL"), the Product is distributed in Singapore by CSL to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of the Product. Please contact your Citigold//Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this document. The Product is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289).

Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa.

The Product is made available in the **Republic of China (Taiwan)** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14F, 15F and 16F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the license scope and the applicable laws and regulations in the Republic of China (Taiwan). CGMTS is regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China (Taiwan). No portion of the Product may be reproduced or quoted in the Republic of China (Taiwan) by the press or any third parties [without the written authorization of CGMTS]. Pursuant to the applicable laws and regulations in the Republic of China (Taiwan), the recipient of the Product shall not take advantage of such Product to involve in any matters in which the recipient may have conflicts of interest. If the Product covers securities which are not allowed to be offered or traded in the Republic of China (Taiwan), neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China (Taiwan). The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus.

The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana ,Bangkok 10110, Thailand.

Disclosure for investors in the Republic of Turkey: The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. Under Capital Markets Law of Turkey (Law No: 6362), the investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. Furthermore, Citi Research is a division of Citigroup Global Markets Inc. (the “Firm”), which does and seeks to do business with companies and/or trades on securities covered in this research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report, however investors should also note that the Firm has in place organisational and administrative arrangements to manage potential conflicts of interest of this nature.

In the **U.A.E**, these materials (the "Materials") are communicated byCitigroup Global Markets Limited, DIFC branch ("CGML"), an entityregistered in the Dubai International Financial Center ("DIFC") andlicensed and regulated by the Dubai Financial Services Authority ("DFSA",license #CL0221) to Professional Clients and Market Counterparties, as definedin DFSA regulations, only and should not be relied upon or distributed toRetail Clients. Financial products and/or services to which the Materialsrelate will only be made available to Professional Clients and MarketCounterparties. Citigroup Global Markets Limited DIFC Branch registered addressis Level 3, Gate District Building 02, Dubai International Financial Centre andcan be contacted on +971 4 509 97 90.

The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

The Product is made available in **United States** and **Canada** by Citigroup Global Markets Inc., which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013.

Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Europe AG ("CGME"), which is regulated by the European Central Bank and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht-BaFin).

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested.The yield and average life of CMOs (collateralized mortgage obligations) referenced in this Product will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates. Any government agency backing of the CMO applies only to the face value of the CMO and not to any premium paid. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

Card Insights. Where this report references Card Insights data, Card Insights consists of selected data from a subset of Citi’s proprietary credit card transactions. Such data has undergone rigorous security protocols to keep all customer information confidential and secure; the data is highly aggregated and anonymized so that all unique customer identifiable information is removed from the data prior to receipt by the report’s author or distribution to external parties. This data should be considered in the context of other economic indicators and publicly available information. Further, the selected data represents only a subset of Citi’s proprietary credit card transactions due to the selection methodology or other limitations and should not be considered as indicative or predictive of the past or future financial performance of Citi or its credit card business.

Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes the Firm's estimates, data from company reports and feeds from LSEG Data & Analytics. The source for all referenced prices, unless otherwise stated, is DataCentral. Past performance is not a guarantee or reliable indicator of future results. Forecasts are not a guarantee or reliable indicator of future performance. The printed and printable version of the research report may not include all the information <(e.g. certain financial summary information and comparable company data) that is linked to the