CHINA DAIRY

Navigating the S/D inflection and IMF divergence; Buy Mengniu/Yili on attractive risk reward

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We believe the China dairy sector is approaching a supply-demand (S/D) cycle re-balance, with an inflection point expected in 2H26 (our views in 2026 outlook), echoing Mengniu/Yili mgmt's comments and indicated by our dairy S/D model. We observe demand has picked up (Mengniu/Yili liquid milk sales up HSD%/2% in 1Q26, outperforming the steady liquid milk market per Brand CT data) with new channel development/product launches, and look for MSD% recovery in liquid milk sales in 2026E, vs. ongoing upstream downsizing (herd size down 1.5% vs. Dec 2025 in 1Q26); we also expect excess supply to be further absorbed by growing B2B consumption/imports substitution while both Mengniu and Yili progress in deep-processed dairy production (noting reduced milk powder import volume at -5% in 4M26).

- **We think liquid milk is entering an early-stage recovery phase in 2026:** We look for MSD% recovery in liquid milk sales in 2026E with faster growth in chilled milk at HSD%, with volume driven by product innovation and penetration into emerging channels like B2B/F&B value retailers/high-momentum supermarkets, while price improves on premium milk recovery and disciplined promotions. Aside from UHT milk recovery, chilled fresh milk remains a growth lever with rising penetration (at c.Rmb4bn sales for Mengniu, c.Rmb2bn for Yili in 2025, both maintaining DD% growth trend from 2025). Meanwhile, the drag from UHT yogurt/milk beverage has largely come to an end (more elastic-demand categories with low base under negative impact of FMD food delivery subsidy in 2H25).
- **IMF segment a continued growth lever/profit contributor:** With **wider divergence for IMF brands' performance in 2026 YTD (Exhibit 21) following the Arachidonic Acid (ARA) related recall in earlier this year,** we expect Mengniu/Yili to be the key market share gainers. **In particular, we expect Mengniu's IMF business (from a small scale) to accelerate in 2026 with 1Q at c.30%+ growth** including Bellamy's up 60~70% yoy in 1Q26 (in line with 70% online growth per our online tracker), together with profitability improvement set for 2026. **We expect Mengniu's IMF business to contribute 6%/7% sales and EBIT by 2028E vs 4%/2% in 2025.** For Yili, we expect it to maintain its #1 position and continue gaining market share in IMF, with company targeting its

Pro-kido single brand to take the #1 position in 2026. We also see further growth potential for both companies if they can successfully leverage and expand their overseas presence with Ausnutria/Bellamy's network to accelerate growth in the international market.

- **Deep-processed products as key L-T strategic growth pillars with significant runways,** including cheese/butter/whey powder, etc. While both companies have started with bulk milk powder for the processed-dairy business to absorb excessive raw milk supply, they are building up their capacity for more value-added categories as domestic production technologies mature and raw milk costs become more favorable structurally (i.e. high efficiency/yield) which we believe is a significant opportunity for import substitution. We think Yili's L-T target of Rmb10bn+ domestic 2B business sales and Mengniu's DD% revenue growth in cheese demonstrate growth momentum in these segments.

Earnings estimates and stock preference: We reiterate our positive view on Mengniu (with the highest TP upside among our China Dairy coverage) and Yili based on liquid milk recovery visibility and market re-consolidation. **We raise our 12-m TP for Mengniu to HK$24.0 from HK$21.4** with 1~3% higher 2026-28E sales/earnings estimates on better momentum in liquid milk recovery (expect HSD% growth in 1Q26) and IMF growth. We now look for 7.8% full-year FY26 sales growth and adjusted core NP at Rmb5.2bn (up 8% yoy). The stock is trading at 11x/10x 2026E/27E P/E, well below its 5yr/3yr avg. of 16x/12x, with 4.4% 2026E dividend yield. We revise down our 12-m TP for **Feihe** to HK$3.43 from HK$4.00 on up to 7%/13% lower sales/earnings in 2026-28E to reflect IMF competition.

The authors would like to thank Lily Qi for her contribution to this report.

Exhibit 1: Summary of valuation and TP changes

Company	Rating	Market Cap	Share Price	Old TP	New TP	TP Chg	+/-% new TP	Trading P/E			TP implied P/E			2026e-28e CAGR		Div yield 2026E
		(US$mn)	05/22/26					2026e	2027e	2028e	2026e	2027e	2028e	Sales	NP	
China Dairy																
Mengniu Dairy	Buy	8,388	16.73	21.40	24.00	12%	43%	11X	10X	9X	16X	14X	13X	5.5%	8.9%	4.4%
Yili Industrial	Buy	25,035	26.20	35.00	35.00	0%	34%	14X	13X	12X	19X	17X	15X	3.2%	10.4%	5.1%
China Feihe Ltd.	Neutral	3,572	3.11	4.00	3.43	-14%	10%	10X	10X	9X	11X	11X	10X	1.5%	3.4%	7.8%

Source: Company data, Goldman Sachs Global Investment Research

Dairy S/D to bottom out in 2H26

We expect supply/demand to re-balance in 2H26 driven by continued herd downsizing and demand recovery. **We look for a c.2% yoy decrease in total supply in 2026E** (following -0.7% yoy in 2025) vs. a modest 2% demand recovery, with: **1) c.1% lower domestic supply** with continued herd downsizing partially offset by higher unit yield. 1Q26 raw milk production volume was up 3.4% yoy (Exhibit 6) on unit yield improvement, and herd size was down 1.5% in 1Q26 vs. Dec 2025. We look for 4.0% herd size cut in 2026E partially offsetting a 3.5% unit yield growth. **2) Continued decrease in net imports esp. driven by lower dry powder imports in 2026E** (GSe: -10%), with 4M26 imported volume at -5% yoy (as c.1/3 of total imports, raw milk equivalent), despite likely slowing exports growth this year with decelerating YTD momentum. **3) A modest 2% recovery in total demand in 2026E**, driven by liquid milk recovery at +6%. We expect 2027-28E S/D to remain balanced with stabilizing total supply on a slight recovery in herd size offsetting continued modest improvement in unit yield, and close to 1% steady growth in demand.

Liquid milk: Early signs of demand recovery

We see early signs of liquid milk demand recovery with Yili/Mengniu liquid milk sales up LSD%/HSD% in 1Q. Per Brand CT data, tracked sales of total liquid milk (UHT/chilled milk and yogurt combined) were up c.1% yoy in 1Q26 vs. down HSD% in 2025. We look for MSD% recovery in liquid milk sales in 2026E with faster chilled milk at HSD%, with **volume** driven by product innovation and penetration into emerging channels like B2B/F&B value retailers, while **price** improves on premium milk recovery (Mengniu Deluxe back to DD% growth in 1Q26/Yili driven by new Satine product launches) and disciplined promotions. **We think chilled milk remains a growth lever with rising penetration where leaders have sustained share gains** despite intensifying competition - Yili sustaining 20~30% growth in recent years.

S/D Forecast

Exhibit 2: Domestic Dairy S/D Summary: we look for notable S/D improvement in 2026E moving towards rebalance in 2H26, and 2027-28E remain balanced

Dairy Domestic S/D Summary (k ton)	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Total supply	**40,000**	**43,287**	**45,485**	**49,834**	**50,227**	**50,317**	**47,746**	**47,397**	**46,312**	**46,201**	**46,529**
YoY			*5.1%*	*9.6%*	*0.8%*	*0.2%*	*-5.1%*	*-0.7%*	*-2.3%*	*-0.2%*	*0.7%*
Domestic raw milk production	30,746	32,012	34,400	36,830	39,320	41,970	40,790	40,910	40,546	40,715	41,225
Imports - Raw Milk Equivalent	9,363	11,366	11,168	13,105	11,017	8,536	7,246	7,231	6,695	6,858	7,075
Exports - Raw Milk Equivalent	(109)	(91)	(82)	(101)	(110)	(189)	(289)	(744)	(928)	(1,372)	(1,771)
Total Demand	**38,669**	**41,907**	**44,147**	**48,761**	**48,614**	**48,231**	**46,136**	**44,752**	**45,873**	**46,234**	**46,573**
YoY			*5.3%*	*10.5%*	*-0.3%*	*-0.8%*	*-4.3%*	*-3.0%*	*2.5%*	*0.8%*	*0.7%*
Supply Excess/(Shortage)	**1,331**	**1,380**	**1,339**	**1,072**	**1,613**	**2,086**	**1,610**	**2,645**	**440**	**(33)**	**(44)**

Source: Wind, China Custom, Euromonitor, Ministry of Agriculture and Rural Affairs, Goldman Sachs Global Investment Research

Exhibit 3: 2026E: Required YoY change in key swing factors to reach S/D balance flexing -1%~+3% demand growth

2026E S/D Test		Demand growth yoy				
		3.0%	2.0%	1.0%	0.0%	-1.0%
Required YoY change to reach S/D Balance (single factor)	% dry powder imports	-14%	-24%	-33%	-42%	-51%
	% Herd size cut	-3.7%	-4.8%	-5.9%	-7.0%	-8.1%

Source: Goldman Sachs Global Investment Research

Exhibit 4: Sensitivity analysis for dairy supply surplus/ (shortage) in China based on our industry model for 2027 (k tonnes) on demand growth vs. key supply swing factors incl. herd downsize% / unit yield growth / dry dairy product exports decline

Dairy supply surplus/ (shortage) 2027 (k ton)		Demand growth yoy				
		3.0%	2.0%	1.0%	0.0%	-1.0%
Number of cows in milk yoy %	2.0%	(845)	(386)	72	531	990
	1.5%	(947)	(488)	(29)	430	888
	1.0%	(1,048)	(589)	(130)	328	787
	0.5%	(1,149)	(690)	(232)	227	686
	0.0%	(1,250)	(792)	(333)	126	585

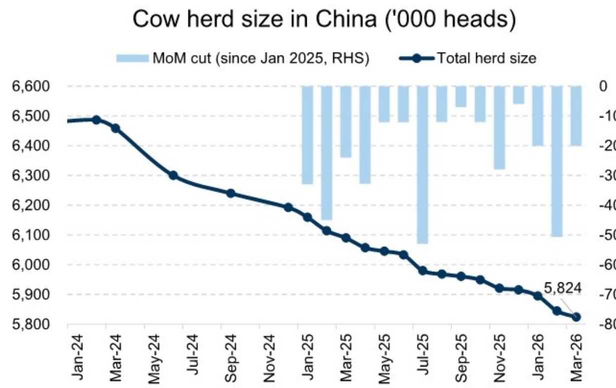
Dairy supply surplus/ (shortage) 2027 (k ton)		Demand growth yoy				
		3.0%	2.0%	1.0%	0.0%	-1.0%
Unit yield of cowin milk yoy	3.0%	(649)	(190)	269	728	1,186
	2.5%	(848)	(389)	69	528	987
	2.0%	(1,048)	(589)	(130)	328	787
	1.5%	(1,247)	(789)	(330)	129	588
	1.0%	(1,447)	(988)	(529)	(71)	388

Dairy supply surplus/ (shortage) 2027 (k ton)		Demand growth yoy				
		3.0%	2.0%	1.0%	0.0%	-1.0%
% increase in dry dairy exports	20.0%	(786)	(328)	131	590	1,049
	30.0%	(874)	(415)	44	503	961
	40.0%	(961)	(502)	(43)	416	874
	50.0%	(1,048)	(589)	(130)	328	787
	60.0%	(1,135)	(676)	(217)	241	700
	70.0%	(1,222)	(763)	(305)	154	613

Source: Goldman Sachs Global Investment Research

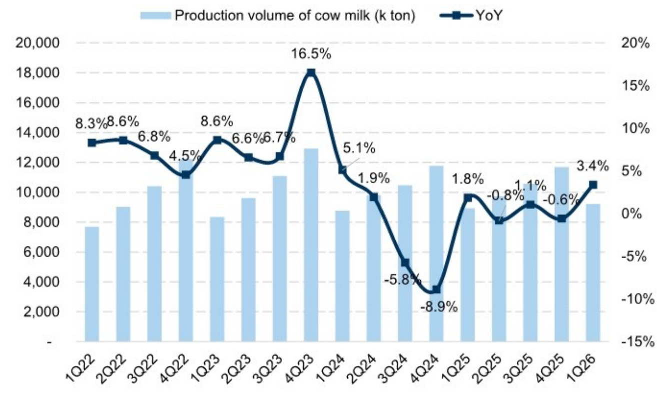
S/D Dynamics

Exhibit 5: Cow herd size continued to reduce in Mar, and recorded 1.5% decline in Jan-Mar



Source: Ministry of Agriculture and Rural Affairs

Exhibit 6: Cow milk production yoy grew at 3.4% yoy in 1Q26

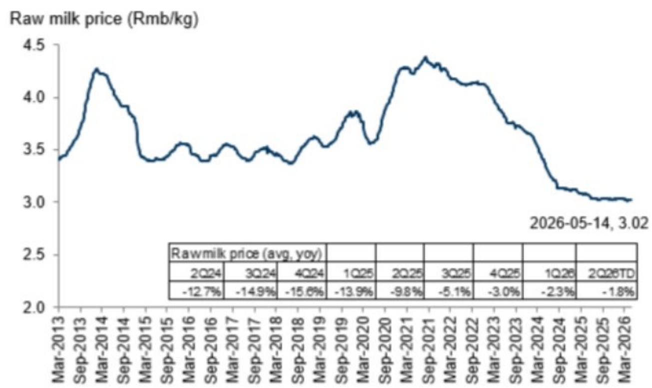


Source: Ministry of Agriculture and Rural Affairs

Exhibit 7: Production of dairy products in China increased in Apr by 0.8% yoy

Source: NBS

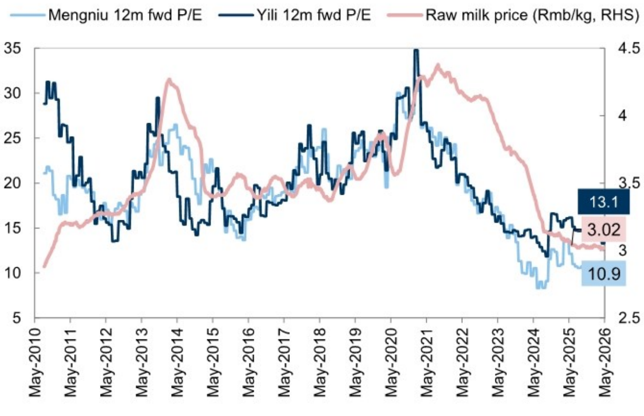
Exhibit 8: Raw milk price has stabilized at around Rmb3.0/kg since mid-June 2025; 2Q26QTD avg. raw milk price yoy decline sequentially narrowed to LSD%



Latest price on May 14

Source: Ministry of Agriculture and Rural Affairs

Exhibit 9: We noted historical correlation between valuation of dairy names and raw milk prices

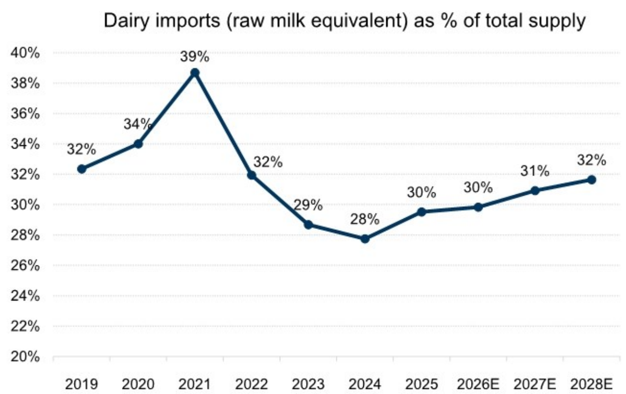


Price as of May 14

Source: NBS, Refinitiv Eikon

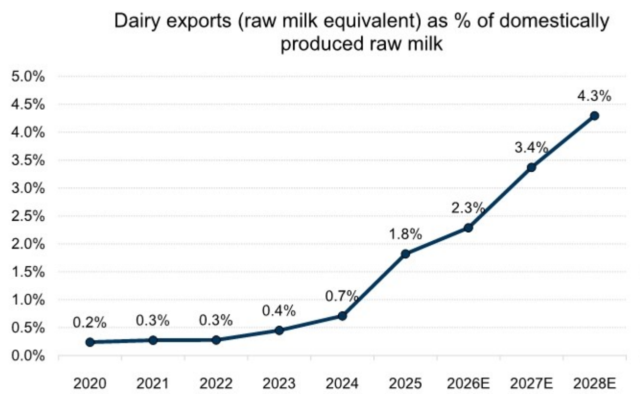
Exports/Imports Dynamics

Exhibit 10: Dairy product imports (raw milk equivalent) as % of total supply was 30% in 2025 after a continued fall to 28% in 2024, and we expect a gradual increase to 31% in 2027-28



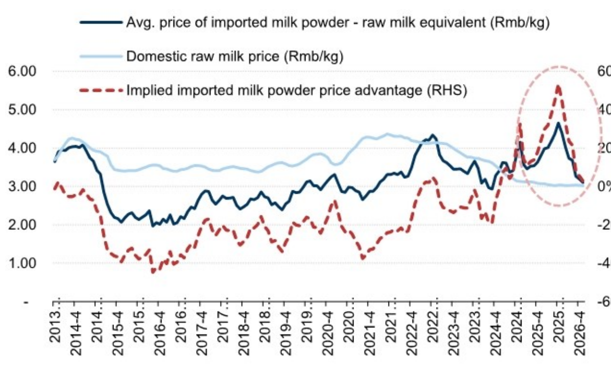
Source: China Customs, Wind, Goldman Sachs Global Investment Research

Exhibit 11: We expect dairy product exports (raw milk equivalent) as % of domestic production to keep increasing in 2026-27E on the back of domestic raw milk price competitiveness



Source: China Customs, Wind, Goldman Sachs Global Investment Research

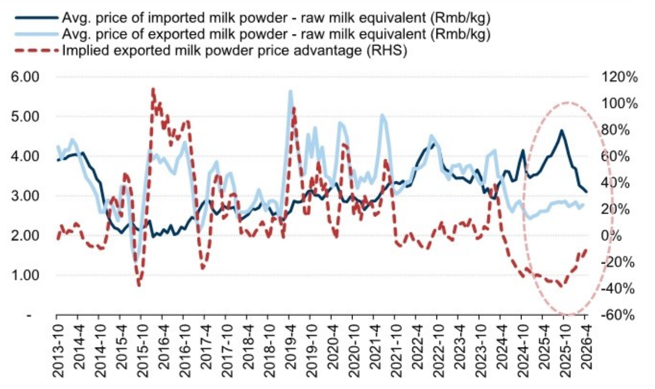
Exhibit 12: Domestic raw milk price advantage vs. imported milk powder is narrowing



Using 7.7x conversion rate to convert imported milk powder price to implied raw milk price; CNY/USD FX rates on monthly average

Source: China Customs, Wind

Exhibit 13: Export price advantage is narrowing due to continued lower imported milk price



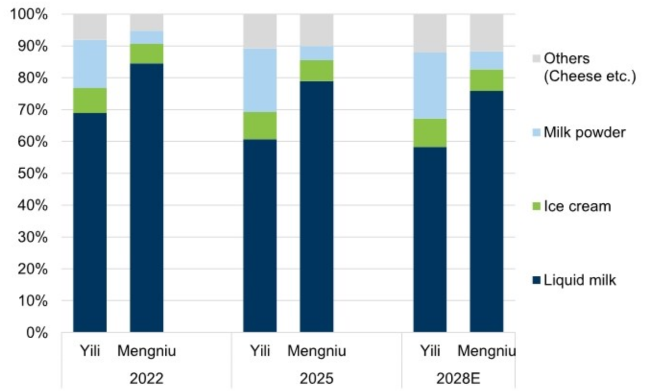
Export prices calculated by 3-month moving average; CNY/USD FX rates on monthly average; Using 7.7x conversion rate to convert imported milk powder price to implied raw milk price

Source: China Customs, Wind

Category Expansion

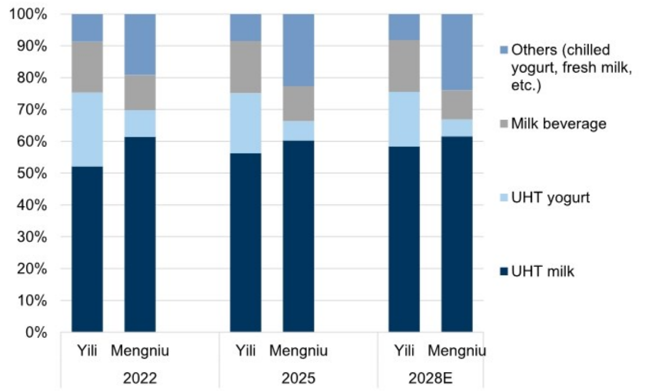
We expect strong growth in chilled milk and category expansion beyond liquid milk to be strong growth levers in 2026-28E. Within liquid milk, we expect Mengniu to receive greater support from Deluxe's sequential recovery (as c.40% of total liquid milk sales) and chilled milk (as c.6%/8% of total liquid milk sales in 2025/28E), while Yili should see relief from Satine's re-acceleration with this year's successful new product launches and a gradual stabilization in UHT yogurt onwards. **Beyond liquid milk**, **we expect Mengniu's other categories to contribute c.24% of sales in 2028E, up from 21% in 2025, mainly driven by a re-acceleration in cheese and infant formula.** We expect infant formula to become a more meaningful sales contributor for Mengniu in 2028E at 6% mix vs. 4% in 2025E, and for Yili to grow to 21% in 2028E from c.20% in 2025 post a rapid scale-up from 9% in 2021. Meanwhile, we see cheese and other deep-processed dairy products as incremental growth drivers for both Mengniu/Yili. In particular, we expect Mengniu's cheese business to recover steadily over 2026-28E and contribute c.12% of total sales by 2028E vs. 10% in 2025. Meanwhile, we also see **category expansion as an earnings growth lever for Mengniu** as business profit abilities ramp up to yield scale effects. We note milk powder/other dairy EBIT margins turned positive in 2025 vs. both at loss back to 2023, and we expect category expansion beyond liquid milk to contribute more meaningfully to EBIT in 2026-28E. We expect Mengniu's IMF business to contribute to 6%/7% sales and EBIT by 2028E vs 4%/2% in 2025. Of note, we expect Bellamy's to return to teens% EBIT margin in 2027-28E as revenue scales back to approach Rmb2bn+, considering its OPM at c.14% back in 2019 at c.Rmb1.3bn sales.

Exhibit 14: Yili/Mengniu total sales breakdown by category



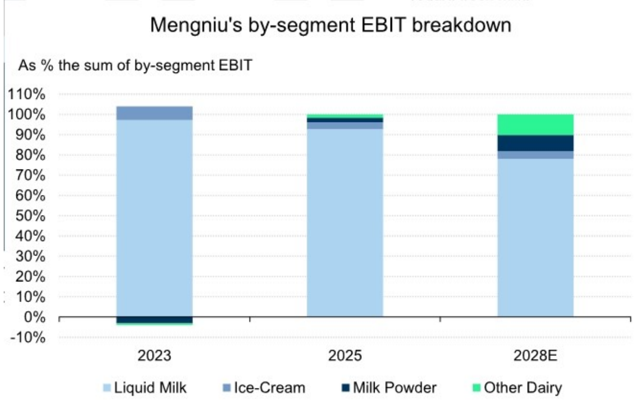
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 15: Yili/Mengniu liquid milk sales breakdown by category



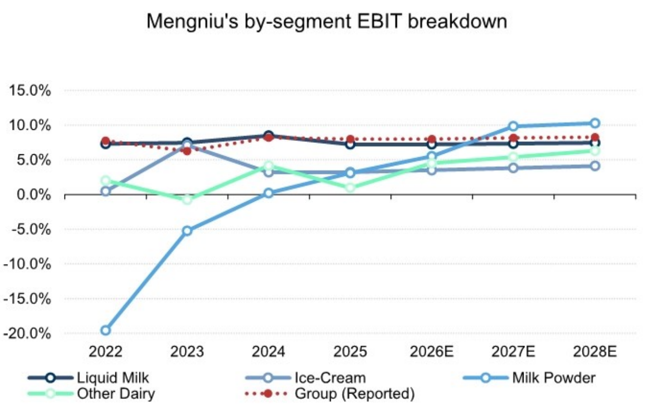
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 16: Mengniu: We note milk powder/other dairy EBIT margin turned positive in 2025 vs. both at loss back to 2023, and we expect category expansion beyond liquid milk to contribute more meaningfully to EBIT in 2026-28E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 17: We expect EBIT margin ramp-up in infant formula for Mengniu in 2026-28E and to contribute more meaningfully to group-level margin, as Bellamy's momentum recovers



Milk powder EBIT added back goodwill/intangible assets impairment losses in 2022/24

Source: Company data, Goldman Sachs Global Investment Research

IMF has seen widening divergence YTD - Mengniu/Bellamy as key beneficiary

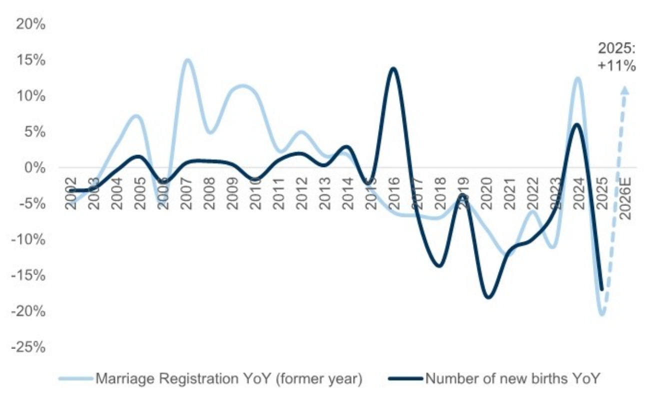
Industry: 2026-27E pressured by volume though premiumization continued, with more meaningful stabilization in 2028E
We expect deeper volume declines in the China IMF industry into 2026E due to lower-than-expected new births in 2025, but look for narrower volume decline into 2028E following a sequential recovery of new births in 2027E. For China's IMF industry, we expect volume decline at MSD% in 2026-27E due to the notable new birth decline in 2025 (-17% yoy) but factor in 2026/27E birth rate improvement that leads to a more meaningful volume decline narrowing in 2028E. Meanwhile, **we look for continued 1~2% ASP improvement in 2026-28E on premiumization, sustaining the 2025 trend** (offline ASP maintaining 1~2% improvement trend). We now expect about 4%/3%/1% value size contraction in the IMF industry in 2026/27/28E. We continue to highlight the incrementally elevated competition into 2026 as the industry contracts.

New births: We continue to anticipate a moderate sequential recovery in 2026 birth rates lapping a low base, underpinned by an 11% YoY increase in marriage registrations during 2025. However, we expect the rebound of new births to be at a much smaller magnitude vs. marriage registrations YoY given it takes time to convert to new birth increase (Exhibit 19).

Exhibit 18: We expect deeper declines in China IMF industry into 2026E due to lower-than-expected new births in 2025, but look for narrower volume decline into 2028E on sequential recovery of new births in 2027E
China IMF Industry growth

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 19: New birth number YoY appears to have moved together with the prior-year marriage registrations YoY during the past decade



Source: NBS, Goldman Sachs Global Investment Research

Competition landscape: Premium domestic players see most tailwinds since ARA issue
Post the IMF recalls in early 2026 (Exhibit 20), we observed that selected MNC brands saw weaker sales momentum and market share pressure across both online and offline channels, while some leading domestic brands improved sequentially and gained market share: **Mengniu's Bellamy's brand (gained 0.5pp+ market share in Apr vs Jan-25) outperformed among these brands: Bellamy maintained strong DD% yoy growth every month in 2026 (similar to in 2025, except for Dec possibly due to LNY calendar shift), outperforming MNC/domestic brands.**

By-brand performance divergence since IMF recalls in early 2026 (Exhibit 21 and Exhibit 22):

- **(-) Among MNCs, Nestle's Wyeth was the most impacted brand,** with China online GMV declining by 30-40% in Jan-Apr and offline GMV declining c.50% YoY in Jan-Feb 26 after the ARA issue, and online/offline market share continuing to fall since Jan-26.
- **(-) Danone's Nutrilon/Aptamil also experienced some online market share decline i**n China in Apr-26 post the IMF recall (-0.06pp/-3.3pp vs Jan-26), suggesting softer consumer sentiment toward imported brands following the recall events. More specifically, Aptamil turned to a -9% yoy decline in the online channel in Mar after sequentially decelerating to teens% yoy growth in Feb vs DD% growth in Jan-26.
- **(-) A2 Milk**: While A2's growth momentum moderated following its recall announcement in May-26, it has still remained relatively more resilient vs other MNC peers (online market share improved by 0.7pp in Apr-26 vs Jan-25, offline market share improved by 0.3pp in Jan-Feb 26 vs Nov-Dec 25). IMF sales on Douyin have sequentially decelerated by 16% in the past 30 days (announced recall on May 2), per Chanmama data.

Outperformers:

- Bellamy maintained strong DD% growth YTD and further accelerated to 80% growth in April for online sales, though no longer on an easy base.
- Biostime saw +21% yoy online GMV growth in 1Q26 and a further acceleration of +68% in Apr 2026.

Exhibit 20: IMF recall summary table - 2026

Company	Primary brands affected	Timing of IMF actions	Key regions affected
Nestle	Lactogen, Beba Supreme, NAN Infini pro, Wyeth Illuma	Dec-2025 - Jan 2026	Europe (France, Germany, Austria, Denmark, Sweden, Italy, Switzerland, the UK), Turkey, Argentina, Brazil, Singapore, China etc
Danone	Aptamil, Cow&Gate, Gallia, Bledina, Dumex, Nutrilon	Jan 2026 - Feb 2026	Major markets in Europe, Asia, Africa and the Americas, incl. the UK, Ireland, France, Germany, Austria, Switzerland, Singapore, Mexico and Nigeria etc
A2 milk	A2 Platinum Premium (USA label)	May-26	United States

Source: BBC, Reuters, Google

Exhibit 21: China online GMV monthly sales trend by brand - Bellamy's mantained strong momentum in 2025 and 2026 TD

Brands - online	Company	IMF recall date	Market share		Sales yoy															
			Tmall/Taobao/JD		Tmall/Taobao+JD															
			Trend	Apr-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25
Baby products																				
Infant Formula																				
Aptamil	Danone	Jan-26	↑	22.5%	2%	-9%	15%	24%	56%	34%	19%	30%	5%	20%	27%	26%	12%	9%	34%	5%
Feihe	Feihe	n.a.	↓	14.5%	-47%	-47%	-40%	-22%	-25%	-9%	-17%	-13%	-22%	-12%	-20%	35%	73%	42%	39%	7%
A2	A2 Milk	May-26	↑	8.2%	27%	17%	14%	28%	31%	20%	28%	10%	20%	24%	36%	21%	-18%	5%	35%	-11%
Wyeth	Nestle	Jan-26	↓	4.5%	-32%	-27%	-33%	-41%	-38%	-23%	-22%	-18%	-14%	4%	-12%	47%	6%	-14%	25%	5%
Bellamy's	Mengniu	n.a.	↑	1.1%	80%	68%	60%	73%	-19%	38%	26%	49%	28%	48%	34%	119%	38%	30%	179%	30%
Nutrilon	Danone	Jan-26	↓	0.7%	-45%	-44%	-50%	-42%	-74%	-47%	-48%	-26%	-37%	9%	-27%	46%	-22%	-46%	6%	-34%

Market share movement was from Apr 26 vs Jan 25.

Source: Moojing

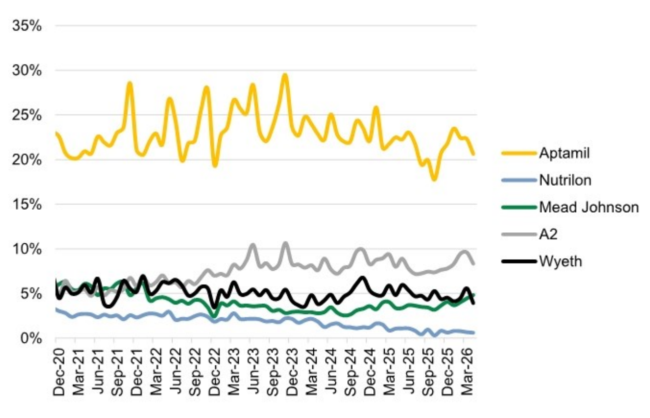
Exhibit 22: China offline GMV monthly sales trend by brand - Offline remained weak while A2/Danone maintained growth

Brands - offline	Company	IMF recall date	Market share		Sales yoy						
					Modern Trade + M&B						
			Trend	JF26	JF26	ND25	SO25	JA25	MJ25	MA25	JF25
Baby products											
Infant Formula											
Feihe	Feihe	n.a.	↓	20.7%	-16%	-19%	-23%	-14%	-7%	-2%	-6%
Yili	Yili	Jan-26	↑	17.3%	-2%	-2%	-1%	-2%	1%	5%	5%
Danone (Dumex + Nutrica)	Danone	Jan-26	↑	5.5%	3%	2%	8%	5%	5%	-3%	-9%
A2	A2 Milk	May-26	↑	4.0%	2%	4%	3%	12%	18%	8%	9%
Wyeth	Nestle	Jan-26	↓	1.4%	-50%	-41%	-40%	-39%	-37%	-29%	-34%

Market share movement was from Jan-Feb 26 vs Jan-Feb 25.

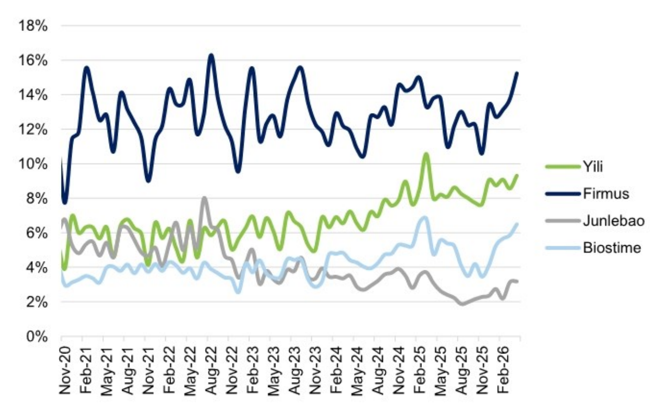
Source: Nielsen IQ

Exhibit 23: Aptamil maintained its No.1 position with market share loss of 1.7ppt mom to 21%; A2 lost 0.7ppt market share in Apr sequentially
International IMF value Market share (Tmall+Taobao)



Source: Moojing

Exhibit 24: Feihe/Yili's Market share on Tmall/Taobao was 15%/9% in Apr
Domestic IMF value Market share (Tmall+Taobao)



Source: Moojing

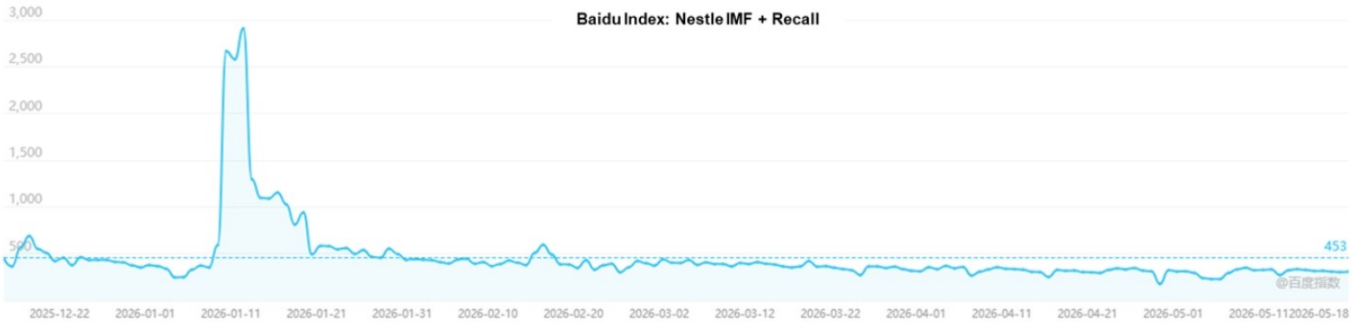
IMF: Tracking consumer sentiment since the ARA recall

In early 2026, the global IMF industry experienced broad-based precautionary voluntary recalls of specific batches of products due to food safety concerns, starting with Nestle in Dec-2025-Jan 2026 due to a potential quality issue with the ingredient Arachidonic Acid (ARA) oil. Danone also initiated precautionary recalls across the UK, EU, and various international markets in Feb 2026 for specific batches of infant and follow-on formulas (incl. Aptamil, Cow & Gate, Dumex and Nutrilon) due to the possible presence of cereulide. In early May A2 Milk (US market only) voluntarily recalled three specific batches of its imported a2 Platinum Premium USA label IMF for the same reason. The Nestle and Danone IMF recall actions have affected 50-60 countries and regions globally across Europe, Asia, Africa and Americas.

We have updated our sentiment tracker (using Baidu Index data) to gauge consumer sentiment trends post the ARA and cereulide related issues as reported by multiple media platforms in China.

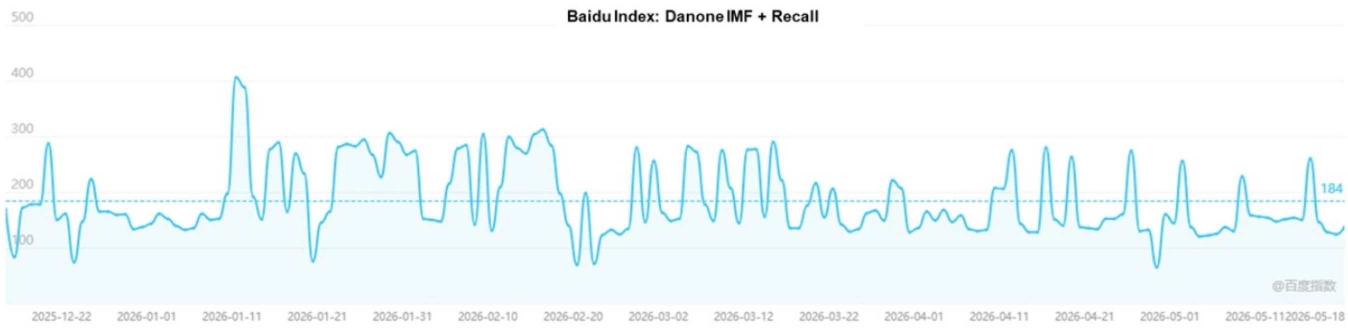
- **Baidu index** data shows that the increase in key word searches on Nestlé IMF recall, Cabio and ARA only lasted for c.12 days following the Nestlé announcement on Jan 6 2026, and cooled down after end-Jan. The Danone IMF recall did not trigger a hike in key word searches, while key word searches related to the A2 Milk IMF recall sharply increased after the US Food & Drug administration shared the company's announcement, and then cooled down within less than 20 days.

Exhibit 25: Baidu search index shows the high level of searches related to the ARA incident lasted for fewer than 15 days



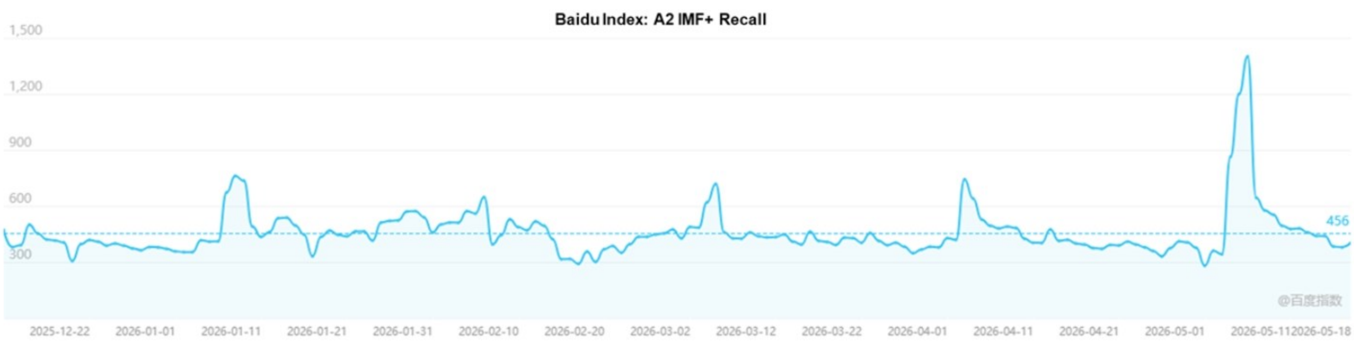
Source: Baidu Index

Exhibit 26: Danone IMF recall search remained low per Baidu Index



Source: Baidu Index

Exhibit 27: Baidu search index shows searches related to A2 IMF recall surged in mid-May and cooled down afterwards



Source: Baidu Index

Earnings revision and TP change

- **Mengniu:** We revise up our 2026-28E sales estimates by 2~3% on better momentum in liquid milk recovery (expect HSD% growth in 1Q26) and IMF growth (Bellamy's maintaining strong DD% GMV growth in 2026TD per our IMF tracker). **We now look for 7.8% full-year sales growth (ahead of company guidance of MSD% growth in 2026E), Operating profit growth at 7.8% and Adjusted core NP at Rmb5.2bn (up 8% yoy).** Our earnings estimates are up 1~2% in 2026-28E on improved OP for liquid milk after better S/D balance visibility and IMF and other dairy contributing better earnings. **We raise our 12-month TP to HK$24.0 from HK$21.4 prior,** due to: **1)** higher earnings estimates; **2)** rolling forward the discount year to mid-2027E from end-2026E prior; and **3)** updated FX assumption to 1.14 CNY/HK$, with other assumptions unchanged. Our target 15.1x 2027E P/E is unchanged, discounted back to mid-2027E with a 9.6% CoE.
- **Feihe:** We revise down our 2026-28E sales estimates by 4~7% due to deteriorating momentum in IMF considering that competition is likely to remain fierce, and also factoring in its sales decline in 4M26 based on our IMF tracker, despite an easing comp into 2H26. Our earnings estimates are down 7~13% in 2026-28E on lowered GPM forecasts with mix upgrades yet to expand meaningfully on scale. **We revise down our 12-month TP to HK$3.43 from HK$4.0 prior,** due to: **1)** lower earnings estimates; 2) target P/E multiple lowered to 11x vs prior 12x, in line with Feihe's historical 1.5-year avg. P/E; **3)** rolling forward the discount year to mid-2027E from end-2026E prior; and **4)** updated FX assumption to 1.14 CNY/HK$. Our CoE assumption of 10.3% is unchanged.
- **Yili**: no change to our estimates/TP.

Exhibit 28: Mengniu New vs Old table

Mengniu (2319.HK)
RMB mn

Divisional P/L	2026E New	2027E New	2028E New	2026E Old	2027E Old	2028E Old	2026E % Chg	2027E % Chg	2028E % Chg
Revenue									
Liquid Milk	68,892	71,848	74,875	67,197	69,995	72,997	2.5%	2.6%	2.6%
Ice-Cream	5,722	6,162	6,725	5,704	6,247	6,847	0.3%	-1.3%	-1.8%
Infant Formula	4,520	5,146	5,555	4,044	4,352	4,637	11.8%	18.3%	19.8%
Other Dairy	9,540	10,619	11,541	9,337	10,330	11,230	2.2%	2.8%	2.8%
Total Revenue	**88,673**	**93,775**	**98,696**	**86,280**	**90,924**	**95,711**	**2.8%**	**3.1%**	**3.1%**
yoy growth									
Liquid Milk	6.1%	4.3%	4.2%	3.5%	4.2%	4.3%			
Ice-Cream	6.1%	7.7%	9.1%	5.8%	9.5%	9.6%			
Infant Formula	24.1%	13.9%	7.9%	11.0%	7.6%	6.6%			
Other Dairy	15.4%	11.3%	8.7%	12.9%	10.6%	8.7%			
Total Revenue	**7.8%**	**5.8%**	**5.2%**	**4.9%**	**5.4%**	**5.3%**			
OP									
Liquid Milk	4,977	5,269	5,574	4,854	5,134	5,434	2.5%	2.6%	2.6%
Ice-Cream	201	235	276	212	251	295	-5.1%	-6.3%	-6.3%
Infant Formula	249	505	571	158	399	427	57.3%	26.5%	33.7%
Other Dairy	429	573	727	196	310	438	118.9%	85.0%	66.0%
Total Segment	**5,856**	**6,583**	**7,148**	**5,420**	**6,093**	**6,594**	**8.0%**	**8.0%**	**8.4%**
Unallocated	1,223	1,078	1,004	1,502	1,406	1,486	-18.6%	-23.3%	-32.4%
Group OP	**7,079**	**7,661**	**8,152**	**6,922**	**7,499**	**8,080**	**2.3%**	**2.2%**	**0.9%**
Margin									
Liquid Milk	7.2%	7.3%	7.4%	7.2%	7.3%	7.4%	0.0%	0.0%	0.0%
Ice-Cream	3.5%	3.8%	4.1%	3.7%	4.0%	4.3%	-0.2%	-0.2%	-0.2%
Infant Formula	5.5%	9.8%	10.3%	3.9%	9.2%	9.2%	1.6%	0.6%	1.1%
Other Dairy	4.5%	5.4%	6.3%	2.1%	3.0%	3.9%	2.4%	2.4%	2.4%
Group OP	**8.0%**	**8.2%**	**8.3%**	**8.0%**	**8.2%**	**8.4%**	**0.0%**	**-0.1%**	**-0.2%**

Consolidated P&L	2026E New	2027E New	2027E New	2026E Old	2027E Old	2027E Old	2026E % Chg	2027E % Chg	2027E % Chg
Sales	**88,673**	**93,775**	**98,696**	**86,280**	**90,924**	**95,711**	**2.8%**	**3.1%**	**3.1%**
COGS	(53,500)	(56,508)	(59,385)	(52,046)	(54,764)	(57,551)	2.8%	3.2%	3.2%
Gross Profit	35,173	37,267	39,310	34,234	36,159	38,160	2.7%	3.1%	3.0%
SG&A	(27,564)	(29,047)	(30,571)	(26,924)	(28,346)	(29,838)	2.4%	2.5%	2.5%
Selling expenses	(23,119)	(24,440)	(25,771)	(22,598)	(23,878)	(25,183)	2.3%	2.4%	2.3%
Admin expenses	(4,445)	(4,607)	(4,800)	(4,326)	(4,467)	(4,655)	2.8%	3.1%	3.1%
Operating profit (GS)	**7,608**	**8,220**	**8,739**	**7,310**	**7,814**	**8,322**	**4.1%**	**5.2%**	**5.0%**
Other operating income	(530)	(559)	(587)	(388)	(314)	(242)	36.5%	77.6%	142.5%
Reported operating pr	**7,079**	**7,661**	**8,152**	**6,922**	**7,499**	**8,080**	**2.3%**	**2.2%**	**0.9%**
Other expense	(1,080)	(943)	(953)	(1,080)	(935)	(938)	0.0%	0.9%	1.6%
Other revenue	663	663	663	663	663	663	0.0%	0.0%	0.0%
Associates/JCE	116	381	447	116	381	447	n.m.	0.0%	0.0%
Other income/expense	**(300)**	**102**	**158**	**(300)**	**110**	**172**	0.0%	-7.6%	-8.5%
EBIT	**6,778**	**7,763**	**8,310**	**6,622**	**7,609**	**8,252**	**2.4%**	**2.0%**	**0.7%**
D&A	(3,306)	(3,233)	(3,145)	(3,306)	(3,233)	(3,145)	0.0%	0.0%	0.0%
Net finance costs	59	160	397	59	152	374	0.0%	5.5%	6.0%
Pretax income	**6,837**	**7,923**	**8,707**	**6,681**	**7,761**	**8,626**	**2.3%**	**2.1%**	**0.9%**
Provisions for taxes	(1,680)	(1,981)	(2,177)	(1,641)	(1,940)	(2,156)	2.4%	2.1%	0.9%
Minority interest (I/S iter	(84)	(125)	(166)	(79)	(117)	(156)	6.6%	7.2%	6.8%
Reported NPAT	**5,073**	**5,817**	**6,363**	**4,961**	**5,704**	**6,313**	**2.3%**	**2.0%**	**0.8%**
Less: Net Non-Recurrin	(139)	136	185	(139)	136	185			
Adjusted NPAT	**5,211**	**5,681**	**6,178**	**5,099**	**5,568**	**6,128**	**2.2%**	**2.0%**	**0.8%**
Reported EPS (basic)	1.294	1.484	1.624	1.27	1.46	1.61	2.3%	2.0%	0.8%
Reported EPS (diluted)	1.290	1.479	1.618	1.26	1.45	1.60	2.3%	2.0%	0.8%
YoY Growth %									
Sales	7.8%	5.8%	5.2%	4.9%	5.4%	5.3%			
COGS	8.2%	5.6%	5.1%	5.3%	5.2%	5.1%			
GP	7.2%	6.0%	5.5%	4.3%	5.6%	5.5%			
SG&A	6.9%	5.4%	5.2%	4.5%	5.3%	5.3%			
Operating profit (GS)	**8.2%**	**8.0%**	**6.3%**	**4.0%**	**6.9%**	**6.5%**			
Reported OP (compa	**7.8%**	**8.2%**	**6.4%**	**5.5%**	**8.3%**	**7.7%**			
EBIT	123.2%	14.5%	7.1%	118.0%	14.9%	8.4%			
Reported NPAT	**228.3%**	**14.7%**	**9.4%**	**221.0%**	**15.0%**	**10.7%**			
Adjusted NPAT	8.0%	9.0%	8.8%	5.7%	9.2%	10.1%			
Margins							**ppt**	**ppt**	**ppt**
GP	39.7%	39.7%	39.8%	39.7%	39.8%	39.9%	0.0%	0.0%	0.0%
SG&A/Sales	-31.1%	-31.0%	-31.0%	-31.2%	-31.2%	-31.2%	-0.1%	-0.2%	-0.2%
Operating profit (GS)	**8.6%**	**8.8%**	**8.9%**	**8.5%**	**8.6%**	**8.7%**	**0.1%**	**0.2%**	**0.2%**
Reported OP (compa	**8.0%**	**8.2%**	**8.3%**	**8.0%**	**8.2%**	**8.4%**	**0.0%**	**-0.1%**	**-0.2%**
Effective tax rate (%)	-24.6%	-25.0%	-25.0%	-24.6%	-25.0%	-25.0%	0.0%	0.0%	0.0%
Reported NPAT	**5.7%**	**6.2%**	**6.4%**	**5.7%**	**6.3%**	**6.6%**	**0.0%**	**-0.1%**	**-0.1%**
Recurring NPAT	5.9%	6.1%	6.3%	5.9%	6.1%	6.4%	0.0%	-0.1%	-0.1%
Margin expansion									
GP	-0.23%	0.07%	0.09%	-0.21%	0.09%	0.10%			
SG&A/Sales	0.26%	0.11%	0.00%	0.14%	0.03%	0.00%			
Operating profit (GS)	**0.03%**	**0.18%**	**0.09%**	**-0.08%**	**0.12%**	**0.10%**			
Reported OP (compa	**0.00%**	**0.19%**	**0.09%**	**0.04%**	**0.22%**	**0.19%**			
Effective tax rate (%)	19.6%	-0.4%	0.0%	19.6%	-0.4%	0.0%			
Reported NPAT	3.84%	0.48%	0.24%	3.87%	0.52%	0.32%			
Recurring NPAT	0.01%	0.18%	0.20%	0.04%	0.21%	0.28%			

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 29: Feihe New vs Old table

China Feihe (6186.HK) RMB mn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Consolidated P&L	**New**	**New**	**New**	**Old**	**Old**	**Old**	**% Chg**	**% Chg**	**% Chg**
Sales	17,677	17,874	18,197	18,352	18,919	19,511	(3.7%)	(5.5%)	(6.7%)
COGS	-6,247	-6,260	-6,385	-6,402	-6,485	-6,660	(2.4%)	(3.5%)	(4.1%)
Gross Profit	11,430	11,614	11,812	11,951	12,433	12,850	(4.4%)	(6.6%)	(8.1%)
SG&A	-8,715	-8,754	-8,811	-8,982	-9,174	-9,320	(3.0%)	(4.6%)	(5.5%)
Core OP	**2,715**	**2,860**	**3,001**	**2,969**	**3,259**	**3,530**	**(8.6%)**	**(12.3%)**	**(15.0%)**
Other operating income/(expense)	890	891	886	892	893	889	(0.2%)	(0.3%)	(0.3%)
EBIT	**3,605**	**3,750**	**3,887**	**3,861**	**4,152**	**4,419**	**(6.6%)**	**(9.7%)**	**(12.0%)**
Depreciation	-530	-560	-592	-519	-544	-571	2.2%	2.9%	3.7%
Amortization	-2	-2	-2	-2	-2	-2	n.m.	n.m.	n.m.
EBITDA	**4,137**	**4,312**	**4,482**	**4,382**	**4,698**	**4,992**	**(5.6%)**	**(8.2%)**	**(10.2%)**
Net finance costs	110	123	138	110	123	138	0.0%	0.0%	0.0%
Non-operating income (expense)	-374	-274	-244	-324	-244	-244	15.4%	12.3%	0.0%
Pretax income	**3,341**	**3,599**	**3,781**	**3,646**	**4,031**	**4,313**	**(8.4%)**	**(10.7%)**	**(12.3%)**
Provisions for taxes	-1,154	-1,236	-1,291	-1,259	-1,384	-1,472	(8.4%)	(10.7%)	(12.3%)
Minority interest (I/S item)	-50	-50	-50	-50	-50	-50			
Reported NPAT	**2,137**	**2,313**	**2,440**	**2,367**	**2,627**	**2,820**	**(9.7%)**	**(11.9%)**	**(13.5%)**
Non-recurring	-350	-250	-220	-300	-220	-220	16.7%	13.6%	0.0%
Adjusted NPAT	**2,487**	**2,563**	**2,660**	**2,667**	**2,847**	**3,040**	**(6.8%)**	**(10.0%)**	**(12.5%)**
YoY Growth %									
Sales	-2.4%	1.1%	1.8%	1.3%	3.1%	3.1%			
GP	-2.9%	1.6%	1.7%	1.5%	4.0%	3.4%			
Core OP	-7.4%	5.3%	4.9%	1.3%	9.8%	8.3%			
EBIT	-5.8%	4.0%	3.6%	0.9%	7.6%	6.4%			
EBITDA	-4.7%	4.2%	3.9%	1.3%	7.2%	6.3%			
NPAT	10.2%	8.3%	5.5%	22.0%	11.0%	7.4%			
Adjusted NPAT	0.2%	3.1%	3.8%	7.5%	6.8%	6.8%			
Margins							Ppt	Ppt	Ppt
GP	64.7%	65.0%	64.9%	65.1%	65.7%	65.9%	-0.5%	-0.7%	-0.9%
EBIT	20.4%	21.0%	21.4%	21.0%	21.9%	22.6%	-0.6%	-1.0%	-1.3%
NPAT	14.1%	14.3%	14.6%	14.5%	15.0%	15.6%	-0.5%	-0.7%	-1.0%
Adjusted NPAT	14.1%	14.3%	14.6%	14.5%	15.0%	15.6%	-0.5%	-0.7%	-1.0%
D&A/Sales	-3.0%	-3.1%	-3.3%	-2.8%	-2.9%	-2.9%	0.2%	0.3%	0.3%
SG&A/Sales	-49.3%	-49.0%	-48.4%	-48.9%	-48.5%	-47.8%	0.4%	0.5%	0.7%
Selling exp/sales	-40.2%	-39.9%	-39.6%	-39.9%	-39.6%	-39.2%	0.3%	0.3%	0.4%
Admin exp/sales	-9.1%	-9.0%	-8.8%	-9.0%	-8.9%	-8.6%	0.1%	0.2%	0.3%
Effective tax rate (%)	-35%	-34%	-34%	-35%	-34%	-34%	0.0%	0.0%	0.0%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Mengniu Dairy

Valuation methodology: We are Buy rated on Mengniu. Our 12-month TP of HK$24.0 is based on a 15.1x 2027E P/E discounted back to mid-2027 with a 9.6% COE.

Key downside risks:1) Slower-than-expected premium demand; 2) Slower-than-expected dairy demand recovery; 3) More intense dairy industry competition; 4) Wider losses in new categories.

Price Target Risks and Methodology - China Feihe Ltd.

Valuation methodology: We are Neutral-rated on Feihe. Our 12-m TP of HK$3.43 is based on a 11.0x 2026E P/E referencing to Feihe's historical 1.5-year avg. P/E, discounted back to mid-2027 using a 10.3% COE.

Key risks: 1) Higher/Lower-than-expected new birth rates; 2) More/Less intense competition; 3) Quicker/Slower premium segment growth; 4) Industry-wide food safety issues; 5) Higher/Lower-than-expected incremental policy support.

Price Target Risks and Methodology - Yili Industrial

Valuation methodology: Our 12-month Rmb35.0 TP is based on 2026E P/E of 18.9x (20% A/H premium to the target level of 1STD below prior downcycle P/E in 2015-16).

Key risks: 1) Slower-than-expected liquid milk premium demand; 2) A slower dairy demand recovery; 3) More intense competition.

Disclosure Appendix

Reg AC

We, Leaf Liu, Christina Liu and Valerie Zhou, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
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As of April 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,074 equity securities. Goldman Sachs assigns stocks as

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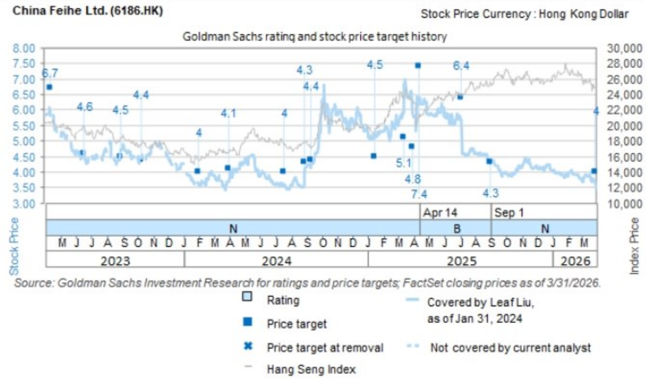
Price target and rating history chart(s)



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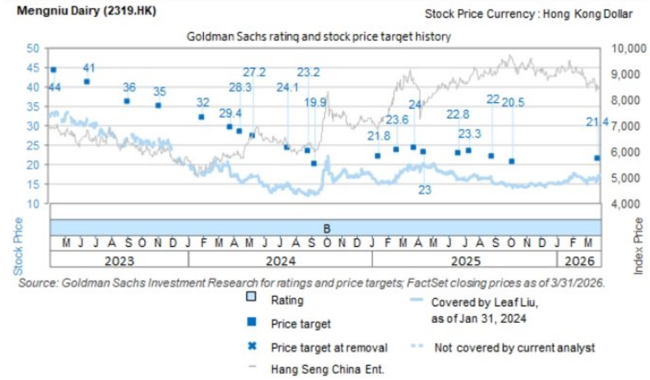

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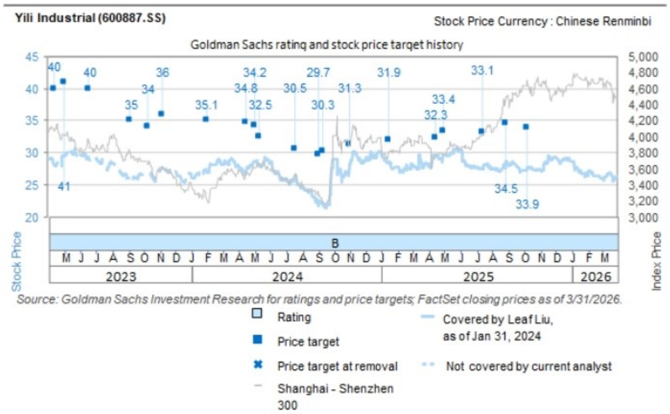

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Target price history table(s)

China Feihe Ltd. (6186.HK)

Date of report	Target price (HK$)	Closing price (HK$)
29-Mar-26	4.00	3.68
01-Sep-25	4.30	4.29
06-Jul-25	6.40	5.70
14-Apr-25	7.40	6.29
31-Mar-25	4.80	5.87
15-Mar-25	5.10	6.86
16-Jan-25	4.50	5.11
10-Sep-24	4.40	4.14
29-Aug-24	4.30	4.04
19-Jul-24	4.00	3.60
31-Mar-24	4.10	3.68
31-Jan-24	4.00	3.58
10-Oct-23	4.40	4.49
30-Aug-23	4.50	4.67
19-Jun-23	4.60	4.63

Mengniu Dairy (2319.HK)

Date of report	Target price (HK$)	Closing price (HK$)
26-Mar-26	21.40	16.32
08-Oct-25	20.50	14.24
28-Aug-25	22.00	15.84
14-Jul-25	23.30	16.36
22-Jun-25	22.80	16.32
16-Apr-25	23.00	19.76
27-Mar-25	24.00	19.50
20-Feb-25	23.60	16.58
16-Jan-25	21.80	14.98
10-Sep-24	19.90	12.42
29-Aug-24	23.20	13.18
19-Jul-24	24.10	14.50
12-May-24	27.20	16.96
15-Apr-24	28.30	15.80
27-Mar-24	29.40	17.08
31-Jan-24	32.00	17.24
06-Nov-23	35.00	26.75
06-Sep-23	36.00	26.65

China Feihe Ltd. (6186.HK)

Date of report	Target price (HK$)	Closing price (HK$)

Mengniu Dairy (2319.HK)

Date of report	Target price (HK$)	Closing price (HK$)
19-Jun-23	41.00	31.45

Yili Industrial (600887.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-Apr-26	35.00	27.46
08-Oct-25	33.90	-
29-Aug-25	34.50	28.57
14-Jul-25	33.10	27.49
01-May-25	33.40	29.76
16-Apr-25	32.30	29.70
16-Jan-25	31.90	28.33
31-Oct-24	31.30	27.91
10-Sep-24	30.30	21.95
01-Sep-24	29.70	22.63
19-Jul-24	30.50	26.40
12-May-24	32.50	27.95
02-May-24	34.20	28.61
15-Apr-24	34.80	27.04
31-Jan-24	35.10	27.09
06-Nov-23	36.00	27.55
10-Oct-23	34.00	26.79
06-Sep-23	35.00	26.19
19-Jun-23	40.00	29.05

Price targets shown in table(s) are unadjusted for corporate actions.

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