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China Consumer

Cheap but unloved – stay selective while waiting for the earnings floor; top picks Nongfu, Anta, Guming

The MSCI China Consumer weight (including autos and e-commerce) has declined to 29% from 40% at end-2020 after a ~50% price drawdown. Many investors started 2026 looking for a clean “turn”, but momentum faded again after Chinese New Year. Consumer Staples and Discretionary now trade at ~16x and ~13x forward P/E (around 1.5 STD below the 10-year average - Figure 3).

Valuations are undeniably “cheap”: beverage, beer, catering, sportswear, beauty and jewelry sit in the bottom decile of their 10-year ranges (Figure 4), with 5-7% dividend yields. However, EPS downgrades need to bottom before a durable re-rating can take hold. We advise focusing on names with limited downside and earlier earnings stabilization. **Top picks: Nongfu (OW)** for strong brand momentum and a margin buffer; **Anta (OW)** for a well-executed multi-brand portfolio and overseas upside; and **Guming (OW)** for a continued runway for network growth and improving brand equity. We assume coverage of 11 stocks in China specialty retail, baijiu and beer; summary of ratings and price targets on p3.

- **Earnings revisions YTD:** 2026 consensus EPS is down 9% for Staples and 7% for Discretionary, driven by 2-3% revenue cuts and margin compression (Figure 1). About 80% of our coverage is down YTD, led by Baijiu (Yanghe -32%, WLY -24%), beauty (Marubi -27%), and CR Beverage/Chagee/Feihe (c.-23%~26%). Winners on revisions are fewer but real: **Guming (+24%), Laopu (+25%), Li Ning (+8%), and Nongfu (+4%)**. Importantly, margin pressure may still have another leg – cost inflation only started to bite from mid-2026, so “full pricing” may not show up until late 2026.
- **What if the Iran conflict ended now?** Our cost tracker shows packaging and industrial inputs (e.g. PE/PET) are up 20-50% vs the 2025 average. Even if tensions were to ease immediately, the cost hangover would likely last a couple more months. JPM China Economics team forecasts PPI at 3.5%/3.9%/3.5% in 2-4Q26 and CPI at 1.3%/1.4%/1.1%, widening the CPI-PPI gap to -2.9pp. In this tape, Baijiu and beer look more insulated (less cut-throat competition), while beverages are more exposed. Pricing power matters: **Moutai, major brewers, and Haitian** should be better positioned to pass costs through.
- **Alpha comes from operator quality, not beta.** Demand may stay headline-noisy, but the real story is the split underneath. Operator quality – not broad category beta – should be the primary source of alpha. Real brand equity, tight execution, and disciplined unit economics will keep winning share even in a soft tape. Based on our scoring across fundamentals (demand/supply/pricing/margins), returns (dividends), and valuation, sportswear, pop toys, and white appliances stand out over the next 3-5 years. In our coverage, we like **Anta, Pop Mart, and Midea** (Figure 5).
- **Catalysts to watch and strategy:** The 2026 FIFA World Cup (Jun-Jul) is a near-term tailwind for beer. Cost inflation hitting from 3Q26 is a headwind for beverages. Mid-Autumn Festival and October Golden Week are key read-throughs for Baijiu and gold/jewelry. **Positioning:** buy **beer** into FIFA; add FMD after June (**Guming, Luckin, Chagee**); avoid **beverages** (especially crowded dividend trades) in 3Q26. Comps get friendlier over time: **Moutai (N)** from 3Q26, **FMD and Pop Mart (N)** from 4Q26, and beverages from 2Q27.

Consumer

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price CCY	Price	Rating		Price Target			
					Cur	Prev	Cur	End Date	Prev	End Date
Pop Mart - H	9992 HK	27,683	HKD	161.50	N	OW	165.00	Jun-27	350.00	Dec-26
Miniso - ADR	MNSO US	3,846	USD	12.47	OW	n/c	16.00	Jun-27	26.00	Dec-26
Miniso - H	9896 HK	3,804	HKD	24.16	OW	n/c	32.00	Jun-27	51.00	Dec-26
Kweichow Moutai Co - A	600519 CH	236,438	CNY	1,275.98	N	OW	1,420.00	Jun-27	1,930.00	Jun-26
Wuliangye - A	000858 CH	46,659	CNY	81.49	UW	N	74.00	Jun-27	130.00	Dec-26
Luzhou Laojiao - A	000568 CH	19,328	CNY	89.02	N	OW	105.00	Jun-27	155.00	Dec-26
Yanghe - A	002304 CH	9,746	CNY	43.86	UW	n/c	24.00	Jun-27	52.00	Dec-26
China Resources Beer (0291)	291 HK	9,938	HKD	24.00	OW	n/c	34.00	Jun-27	38.00	Dec-26
Budweiser Asia Pacific	1876 HK	11,951	HKD	7.07	N	n/c	8.20	Jun-27	7.90	Dec-26
Tsingtao Brewery - A	600600 CH	12,054	CNY	59.90	N	n/c	70.00	Jun-27	65.00	Dec-26
Tsingtao Brewery - H	168 HK	8,584	HKD	49.30	OW	n/c	67.00	Jun-27	70.00	Dec-26

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 28 May 26 except for MNSO US [27 May 26].

Focus Charts

Figure 1: Earnings revisions and share price performance

Company name	Sub-sector	BBG Ticker	Price (LC)	Mkt Cap (USDmn)	Net profit YoY		NP CAGR 25-27E	FY26 sales revisions			FY26 NP revisions			Share performance		
					2026E	2027E		1Q26	2QTD	YTD	1Q26	2QTD	YTD	1M	3M	YTD
China/HK SAR Staples																
Moutai - A	Baijiu	600519 CH	1,276	235,290	4.3%	6.5%	5.4%	-2%	-6%	-8%	-2%	-10%	-11%	-9%	-12%	-7%
Wuliangye - A	Baijiu	000858 CH	81.5	46,659	133.0%	9.0%	59.3%	-5%	-20%	-24%	-5%	-20%	-24%	-19%	-22%	-23%
Luzhou Laojiao - A	Baijiu	000568 CH	89.0	19,329	-3.1%	8.9%	2.8%	-3%	-11%	-14%	-4%	-12%	-16%	-11%	-19%	-23%
Yanghe - A	Baijiu	002304 CH	43.9	9,746	33.7%	15.3%	24.1%	-3%	-10%	-13%	-12%	-23%	-32%	-11%	-18%	-28%
Budweiser APAC	Beer	1876 HK	7.1	11,951	21.1%	9.6%	15.2%	-3%	-1%	-4%	-15%	-4%	-18%	-7%	-9%	-7%
CRB	Beer	291 HK	24.0	9,938	51.4%	6.5%	27.0%	-2%	-1%	-3%	-2%	-1%	-3%	-6%	-13%	-8%
Tsingtao - A	Beer	600600 CH	59.9	10,388	9.5%	5.6%	7.5%	-1%	0%	-1%	-2%	-1%	-3%	-5%	-4%	-2%
Tsingtao - H	Beer	168 HK	49.3	10,388	9.5%	5.6%	7.5%	-1%	0%	-1%	-2%	-1%	-3%	-7%	-7%	1%
Nongfu Spring	Beverage	9633 HK	42.5	60,978	12.5%	12.6%	12.6%	5%	0%	5%	4%	0%	4%	-9%	-10%	-9%
Eastroc - A	Beverage	605499 CH	141.0	15,019	31.8%	19.0%	25.2%	0%	-1%	-1%	-1%	-2%	-4%	-7%	-24%	-31%
CR Beverage	Beverage	2460 HK	7.6	2,332	12.0%	16.0%	14.0%	-6%	-2%	-8%	-20%	-8%	-26%	-12%	-24%	-24%
Mixue Group	FMD	2097 HK	252.0	12,210	7.4%	13.2%	10.2%	0%	0%	0%	-4%	-1%	-5%	-12%	-29%	-39%
Luckin Coffee	FMD	LKNCY US	32.0	9,170	32.7%	26.8%	29.7%	0%	2%	1%	-7%	1%	-7%	3%	-8%	-4%
Guming	FMD	1364 HK	22.8	6,909	23.6%	20.2%	21.9%	12%	2%	14%	20%	3%	24%	-10%	-20%	-8%
Chagee	FMD	CHA US	10.2	1,940	40.4%	8.1%	23.2%	-2%	-10%	-12%	-4%	-19%	-23%	-7%	-7%	-13%
WH Group	Meat	288 HK	8.8	14,394	-1.6%	2.4%	0.4%	-1%	0%	0%	0%	1%	1%	-17%	-11%	1%
Yum China	QSR/Condiment	YUMC US	44.1	15,344	-1.0%	8.9%	3.8%	0%	-1%	0%	0%	-1%	-1%	-7%	-20%	-8%
Haitian - A	QSR/Condiment	603288 CH	35.3	30,123	14.0%	10.6%	12.3%	1%	0%	1%	0%	0%	1%	-10%	-2%	-4%
Yili - A	Dairy	600887 CH	26.0	24,259	5.2%	8.1%	6.6%	0%	0%	-1%	-1%	2%	0%	2%	0%	-9%
Mengniu	Dairy	2319 HK	16.6	8,213	144.6%	10.8%	64.6%	0%	0%	1%	-7%	0%	-7%	0%	3%	11%
Feihe	Dairy	6186 HK	3.0	3,417	4.7%	6.7%	5.7%	-6%	-2%	-8%	-17%	-6%	-22%	-13%	-20%	-25%
Simple average					28.1%	11.3%	18.4%	-1%	-2%	-3%	-2%	-7%	-9%	-9%	-13%	-10%
China/HK SAR Discretionary																
Midea - A	Home app	000333 CH	79.0	88,033	6.7%	8.4%	7.6%	1%	0%	0%	0%	-3%	-3%	-2%	0%	1%
Haier - H	Home app	6690 HK	19.3	26,154	4.7%	9.0%	6.8%	-2%	-2%	-4%	-6%	-5%	-11%	-11%	-28%	-21%
Haier - A	Home app	600690 CH	20.1	26,154	4.7%	9.0%	6.8%	-2%	-2%	-4%	-6%	-5%	-11%	-6%	-22%	-23%
Gree - A	Home app	000651 CH	37.9	31,299	0.8%	4.3%	2.6%	-2%	-2%	-4%	-2%	-4%	-6%	-1%	1%	-6%
Ecovac - A	Home app	603486 CH	62.3	5,324	27.4%	18.3%	22.8%	-2%	0%	-1%	-4%	-4%	-8%	-7%	-10%	-23%
Supor - A	Home app	002032 CH	44.4	5,239	7.9%	6.8%	7.4%	-1%	-1%	-2%	-3%	-2%	-5%	-6%	0%	1%
Robam - A	Home app	002508 CH	17.1	2,379	17.8%	6.5%	12.0%	-2%	-8%	-10%	-3%	-16%	-18%	-8%	-19%	-12%
Bosideng	Apparel	3998 HK	4.2	6,279	20.3%	1.4%	10.5%	-3%	-1%	-4%	-4%	-1%	-6%	-2%	-13%	-6%
HLA Corp - A	Apparel	600398 CH	5.6	3,982	5.8%	9.1%	7.5%	0%	-1%	-1%	-4%	-5%	-10%	-12%	-13%	-7%
Semir - A	Apparel	002563 CH	5.4	2,150	16.1%	10.9%	13.5%	0%	-2%	-2%	0%	-8%	-8%	-5%	-2%	0%
Peacebird - A	Apparel	603877 CH	12.4	863	58.0%	23.2%	39.5%	0%	-7%	-7%	-7%	-7%	-13%	-13%	-21%	-15%
Botanee - A	Beauty	300957 CH	37.0	2,312	23.6%	16.3%	19.9%	-1%	0%	-1%	-3%	4%	1%	-11%	-21%	-7%
Proya - A	Beauty	603605 CH	57.8	3,373	9.5%	10.0%	9.7%	-3%	-6%	-9%	-4%	-7%	-11%	-6%	-19%	-16%
Jahwa - A	Beauty	600315 CH	17.7	1,756	154.0%	28.1%	80.4%	1%	-1%	0%	-12%	-9%	-20%	-15%	-21%	-21%
Marubi - A	Beauty	603983 CH	22.7	1,342	46.3%	19.3%	32.1%	-1%	-11%	-12%	-3%	-25%	-27%	-8%	-25%	-32%
Chicmax	Beauty	2145 HK	36.8	1,910	18.5%	21.6%	20.1%	4%	1%	4%	-3%	-2%	-5%	-24%	-39%	-50%
CTG Duty Free - A	Duty-free shop	601888 CH	54.8	16,605	42.8%	18.0%	29.8%	0%	-3%	-3%	3%	2%	5%	-15%	-32%	-42%
Pop Mart	Specialty retail	9992 HK	161.5	27,643	12.9%	16.8%	14.8%	-7%	-6%	-13%	-9%	-10%	-18%	5%	-30%	-14%
Miniso - ADR	Specialty retail	MNSO US	12.5	3,862	161.9%	13.6%	72.5%	0%	0%	1%	-1%	-11%	-12%	-15%	-31%	-33%
Miniso - H	Specialty retail	9896 HK	24.2	3,821	161.9%	13.6%	72.5%	0%	0%	1%	-1%	-11%	-12%	-16%	-33%	-34%
Chow Tai Fook^	Jewelry	1929 HK	10.9	13,674	38.3%	-2.8%	16.0%	-8%	-3%	-11%	1%	-1%	0%	0%	-17%	-12%
Laopu Gold	Jewelry	6181 HK	487.4	10,995	70.1%	22.1%	44.1%	16%	5%	23%	17%	6%	25%	-15%	-33%	-21%
Lao Feng Xiang - A	Jewelry	600612 CH	35.4	2,251	-10.1%	7.5%	-1.7%	2%	-9%	-7%	0%	-11%	-11%	-10%	-20%	-20%
Anta	Sportswear	2020 HK	74.5	26,593	6.9%	9.0%	7.9%	0%	1%	1%	-4%	1%	-4%	-9%	-12%	-8%
Li Ning	Sportswear	2331 HK	17.8	5,866	-8.1%	12.4%	1.6%	4%	1%	4%	7%	1%	8%	-11%	-21%	-5%
Xtep	Sportswear	1368 HK	4.1	1,479	-6.3%	13.3%	3.0%	-2%	-2%	-4%	-7%	-9%	-16%	-5%	-23%	-22%
Shenzhou	Textiles	2313 HK	46.2	8,870	3.5%	10.3%	6.8%	-2%	-5%	-8%	-6%	-12%	-17%	-4%	-27%	-24%
Luolai - A	Textiles	002293 CH	9.8	1,202	12.5%	12.4%	12.5%	0%	0%	0%	1%	1%	2%	-11%	-5%	-5%
Luthai - A	Textiles	000726 CH	5.9	641	28.0%	11.0%	19.2%	-4%	-9%	-13%	-2%	-10%	-12%	-10%	-24%	-17%
Best Pacific	Textiles	2111 HK	2.6	348	-1.2%	12.1%	5.2%	-5%	-1%	-5%	-11%	-5%	-15%	-11%	-20%	-20%
Simple average					32.3%	12.9%	20.9%	-1%	-2%	-2%	-3%	-7%	-7%	-5%	-14%	-12%

Note: ^A refers to year end in Mar.

Source: Bloomberg Finance L.P. Prices as of 28 May 2026

Figure 2: China/HK consumer staples – trading at 16x forward P/E, 1.5 STD below 10-year mean



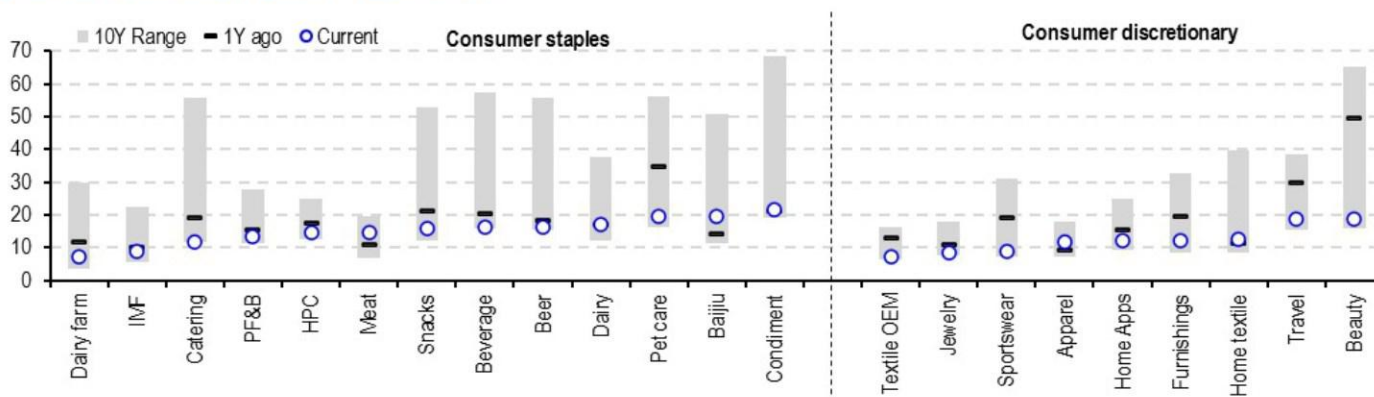
Source: Bloomberg Finance L.P. and J.P. Morgan.

Figure 3: China/HK consumer discretionary – trading at 13x forward P/E, 1.5 STD below 10-year mean



Source: Bloomberg Finance L.P. and J.P. Morgan.

Figure 4: Current P/E multiple vs 10Y range – Beverage, beer, condiments, catering, sportswear, beauty, jewelry and textile OEM are trading in the bottom decile of their respective 10Y valuation ranges



Source: J.P. Morgan estimates.

Figure 5: Scorecard by subsector

Note: Scale ranges from 1 to 10; 10 = best positioned, no competition, favorable pricing and margin trend, high dividend yield, trough valuation, low positioning; 1 = the opposite of 10

Subsectors	Demand	Competition	Price & margin	Dividend	Valuation	Positioning	Sum	Bellwethers
Sportswear	8	7	5	6	7	5	38	Anta
Pop toy	8	8	5	3	6	8	38	Pop Mart
White appliances	3	6	6	10	7	5	37	Midea
Gold & jewelry	7	5	7	6	6	5	36	Laopu
Baijiu	3	9	6	7	2	8	35	Moutai
Catering	7	4	5	7	6	6	35	Yum China
Beer	3	9	3	8	5	6	34	CR Beer
Meat	3	7	5	8	6	5	34	WH Group
Dairy	3	7	5	7	6	5	33	Yili
FMD	8	3	6	3	6	6	32	Guming
Beverage	7	4	3	5	4	5	28	Eastroc
Beauty	7	3	5	3	3	5	26	Mao Geping
Small appliances	5	3	3	3	2	7	23	Supor

Source: J.P. Morgan.

Sector View Updates – we see alpha from operator quality, rather than sector beta

- **Specialty retail – more than just a craze.** We are firmly convinced that the surging demand for pop toys is not a passing fad but represents long-term structural growth, underpinned by deeply rooted neurobiological drivers. **Pop Mart's** global store network remains in its infancy at just 630 stores worldwide (end-2025); our TAM analysis, using both population and GDP benchmarks, suggests a potential store count of 1,000-3,000 - implying 76% to 4x upside from the current base and a 5-year revenue CAGR of 12%-40%.
- **Bubble & Brew – who is still running?** A clear divergence is emerging in expansion: We expect **Luckin** and **Guming** to grow store counts by approximately 31% and 51% respectively through 2027, while **Mixue** (mainly **Lucky Cup**) should decelerate as network saturation sets in. Boundaries between coffee, tea and bakery are blurring as leading chains expand product lines to sustain store productivity – enabled by differentiated city-tier exposure and staggered peak hours that make category extension accretive rather than cannibalistic. Importantly, price competition has eased in 2026 YTD, with players pivoting from aggressive discounting toward higher-ASP product launches to support same-store sales growth (SSSG).
- **RTD beverage – demand thriving while competition intensifying.** Sports drinks stand out as the fastest-growing category within China's soft drinks market, delivering a 2019-25 CAGR of 14.7% and projected to sustain sector-leading growth at 11% through 2030E - more than double the overall market. Competition is intensifying, with **Danone** (OW, covered by Celine Pannuti), **Eastroc - A/H** (N/OW), **Nongfu Spring** (OW), and Chi Forest (not covered), competing head-to-head in a tightly contested landscape (market shares of 13-19% each). Cost pressure from PET price sensitivity remains a key theme into 2H26, with **Nongfu** positioned as the most resilient player given its diversified product mix and superior margin structure (30% NPM in 2025).
- **Baijiu – the dawn is not far off; Moutai DTC under the spotlight.** The baijiu sector's prosperity is shaped by three overlapping cycles – macro (including property), supply-demand (pricing), and policy – and we believe the industry is approaching the **late stages of its downturn and the early innings of recovery**. Property prices in tier-1 cities are showing tentative signs of stabilization, laying the groundwork for a gradual household wealth recovery, complemented by equity market gains. **Moutai's** sweeping DTC reform represents the most significant structural change in its distribution in over a decade, successfully expanding its customer base to mass-market consumers while wholesale prices have stabilized above Rmb1,600 as de-financialization completes.
- **Beer – embracing new channels.** China's beer market has entered volume maturity, with the growth algorithm decisively shifting to premiumization (premium share rising from 10% in 2010 to 37% by 2025E) and a structural channel migration from on-trade to off-trade. **CR Beer** is best positioned with 70% off-trade mix, while **Bud APAC** shows early signs of stabilization and **Tsingtao** gains traction through format innovation. Cost resilience is a key differentiator versus RTD non-alco bev peers: the diversified COGS structure and manageable 3.4% YTD cost inflation position brewers for margin stability or modest expansion in 2026. An early and hot summer and the 2026 FIFA World Cup in June-July could act as catalysts.

Valuation comps

Figure 6: Valuation comps - China consumer staples

Company	BBG ticker	Rating	MCap USDmn	Avg TO USDmn	Price (LC)	TP (LC)	Up/(dn) side	EPS cagr 25-27e	P/E (x) 2026E 2027E	PEG(x) 2026E 2027E	EV/EBITDA(x) 2026E 2027E	Div yield (%) 2026E 2027E
Baijiu												
Kweichow Moutai	600519 CH	N	235,249	834	1,276	1,420	11%	4%	19.7 18.4	25.2 2.7	12.3 11.3	3.8 4.1
Wuliangye	000858 CH	UW	46,651	333	81.49	74.00	-9%	46%	20.2 17.0	0.3 0.9	11.7 9.6	6.1 6.1
Luzhou Laojiao	000568 CH	N	19,325	171	89.02	105.00	18%	2%	13.7 12.8	n.m. 1.9	8.5 7.5	5.6 5.9
Fen Wine	600809 CH	NC	22,701	152	126.17	n.a.	n.a.	2%	12.9 12.1	n.m. 1.8	8.9 8.3	5.0 5.3
Yanghe	002304 CH	UW	9,745	53	43.86	24.00	-45%	10%	29.9 25.6	n.m. 1.4	14.8 12.7	3.3 3.9
Simple average									19.3 17.2	12.7 1.7	11.2 9.9	4.8 5.1
Market cap weighted average									19.3 17.7	17.8 2.3	11.8 10.7	4.3 4.6
Beer												
CR Beer	291 HK	OW	9,939	36	24.00	34.00	42%	19%	11.3 10.4	0.1 1.2	6.5 5.8	5.8 6.7
Budweiser	1876 HK	N	11,952	14	7.07	8.20	16%	17%	18.8 17.3	0.6 2.0	6.3 5.8	6.2 6.2
Tsingtao Brewery - A	600600 CH	N	10,387	47	59.90	70.00	17%	6%	17.2 16.1	3.5 2.4	10.1 9.6	4.1 4.3
Tsingtao Brewery - H	168 HK	OW	10,387	24	49.30	67.00	36%	6%	12.4 11.6	2.6 1.7	10.1 9.6	5.6 6.0
Simple average									14.9 13.9	1.7 1.8	8.3 7.7	5.4 5.8
Market cap weighted average									15.1 14.0	1.7 1.8	8.2 7.7	5.4 5.8
F&B, Dairy												
Want Want	151 HK	NC	6,056	4	4.02	n.a.	n.a.	0%	10.1 9.5	n.m. 1.5	5.6 5.3	5.1 5.5
Tingyi	322 HK	NC	8,548	18	11.88	n.a.	n.a.	6%	12.7 11.8	2.4 1.6	6.5 6.2	7.8 8.3
Uni-President	220 HK	NC	4,262	8	7.73	n.a.	n.a.	9%	12.9 12.1	1.2 1.8	6.4 6.0	7.7 8.2
WH Group	288 HK	OW	14,396	35	8.79	9.60	9%	4%	8.8 8.4	3.2 1.8	5.0 4.9	6.8 7.0
Yili	600887 CH	OW	24,255	208	26.00	33.00	27%	7%	13.4 12.4	2.6 1.5	11.6 10.9	5.5 6.1
Mengniu	2319 HK	OW	8,214	46	16.59	20.00	21%	65%	11.4 10.3	0.1 0.9	6.5 6.1	4.1 4.7
Feihe	6186 HK	OW	3,418	12	3.04	5.40	78%	7%	9.9 9.2	1.7 1.2	4.4 4.3	8.2 7.8
Simple average									11.3 10.5	1.9 1.5	6.6 6.3	6.4 6.8
Market cap weighted average									11.6 10.8	2.0 1.5	7.8 7.4	6.1 6.6
Beverage												
Nongfu Spring	9633 HK	OW	60,983	38	42.48	55.00	29%	13%	23.2 20.6	1.8 1.6	15.1 13.4	2.9 3.3
Eastroc Beverage - A	605499 CH	N	15,017	93	141.01	177.00	26%	22%	17.9 15.1	0.7 0.8	12.0 10.2	3.0 3.4
Eastroc Beverage - H	9980 HK	OW	15,017	13	129.00	205.50	59%	22%	14.1 11.8	0.5 0.6	10.0 8.5	2.8 3.2
CR Beverage	2460 HK	N	2,333	5	7.62	10.00	31%	14%	0.7 0.6	0.1 0.0	4.8 4.2	2.9 3.4
Simple average									14.0 12.0	0.8 0.8	10.5 9.1	2.9 3.3
Market cap weighted average									20.3 17.8	1.4 1.3	13.5 11.9	2.9 3.3
Restaurants												
Yum China	YUMC US	OW	15,344	72	44.06	64.00	45%	11%	15.2 13.6	1.5 1.2	7.7 7.2	2.6 2.9
Haidilao	6862 HK	NC	8,794	42	12.36	n.a.	n.a.	10%	13.0 11.7	1.5 1.1	7.0 6.5	6.3 6.9
Xiaocaiyuan	999 HK	NC	1,066	2	7.10	n.a.	n.a.	1%	11.4 9.8	n.m. 0.6	5.1 4.6	5.3 6.0
Simple average									13.2 11.7	1.5 1.0	6.6 6.1	4.7 5.3
Market cap weighted average									14.2 12.8	1.4 1.1	7.3 6.8	4.0 4.4
FMD												
Mixue	2097 HK	UW	12,211	24	252.00	270.00	7%	10%	13.0 11.4	1.8 0.9	7.9 7.0	0.7 1.3
Luckin	LKNCY US	OW	9,170	66	32.03	45.00	40%	23%	16.4 12.7	0.9 0.4	6.6 5.2	0.0 2.1
Guming	1364 HK	OW	6,909	20	22.76	38.00	67%	38%	14.1 11.6	0.3 0.5	11.4 9.4	3.2 4.2
Chagee	CHA US	OW	1,940	9	10.17	16.00	57%	22%	7.4 6.7	0.2 0.7	2.5 2.3	1.9 7.8
Baicha Baidao	2555 HK	NC	977	2	5.18	n.a.	n.a.	17%	7.3 6.5	0.4 0.5	3.0 2.7	9.4 10.7
Auntea Jenny	2589 HK	NC	1,987	4	148.00	n.a.	n.a.	17%	22.6 19.7	1.2 1.3	13.6 12.0	2.0 1.7
Simple average									13.5 11.4	0.8 0.7	7.5 6.4	2.9 4.7
Market cap weighted average									14.2 11.9	1.1 0.7	8.1 6.9	1.4 2.8
Snack-chains												
BusyMing	1768 HK	NC	9,627	19	346.20	n.a.	n.a.	32%	17.9 14.4	0.4 0.6	11.9 9.5	1.0 1.2
Wanchen	300972 CH	NC	5,239	63	180.00	n.a.	n.a.	55%	14.3 11.2	0.2 0.4	6.3 5.2	1.4 2.0
Simple average									16.1 12.8	0.3 0.5	9.1 7.4	1.2 1.6
Market cap weighted average									16.7 13.3	0.3 0.5	10.0 8.0	1.1 1.5
Condiments												
Angel Yeast Co - A	600298 CH	NC	4,573	47	35.73	n.a.	n.a.	16%	16.8 14.8	0.9 1.1	11.3 10.2	2.0 2.3
Haitian	603288 CH	OW	30,118	90	35.29	48.00	36%	11%	26.2 23.6	2.2 2.1	17.7 16.0	3.1 3.4
Simple average									21.5 19.2	1.5 1.6	14.5 13.1	2.6 2.8
Market cap weighted average									24.9 22.4	2.0 2.0	16.9 15.2	3.0 3.3

Note: Valuation multiples based on JPMe for Moutai, Wuliangye, Luzhou Laojiao, Yanghe, CR Beer, Budweiser, Tsingtao Brewery; and Bloomberg consensus for others. NC=Not Covered. Prices as of 28 May 2026 market close.

Source: Bloomberg Finance L.P., J.P. Morgan.

Figure 7: Valuation comps - China consumer discretionary

Company	BBG ticker	Rating	MCap USDmn	Avg TO USDmn	Price (LC)	TP (LC)	Up/(dn) side	EPS cagr 25-27e	P/E (x) 2026E 2027E	PEG(x) 2026E 2027E	EV/EBITDA(x) 2026E 2027E	Div yield (%) 2026E 2027E
Lifestyle retail												
Pop Mart	9992 HK	N	27,646	462	161.50	165.00	2%	8%	14.8 13.0	n.m. 0.9	8.7 7.1	1.7 1.9
MINISO - ADR	MNSO US	OW	3,862	12	12.47	16.00	28%	8%	10.2 7.7	n.m. 0.2	3.8 3.9	4.9 6.5
MINISO - H	9896 HK	OW	3,821	18	24.16	32.00	32%	8%	10.2 7.7	n.m. 0.2	3.8 3.9	5.0 6.5
Bloks	325 HK	NC	1,592	8	50.30	n.a.	n.a.	27%	13.3 10.4	0.5 0.4	8.0 6.2	0.5 1.0
Simple average									12.1 9.7	0.5 0.5	6.1 5.3	3.0 4.0
Market cap weighted average									13.8 11.8	0.0 0.8	7.7 6.4	2.3 2.8
Home appliance												
Midea	000333 CH	N	88,019	381	78.95	82.00	4%	8%	12.7 11.8	1.7 1.4	10.3 9.5	5.5 6.0
Haier Smart Home - A	600690 CH	N	26,150	160	20.11	30.00	49%	7%	9.1 8.3	1.6 0.9	6.4 6.0	5.9 6.6
Haier Smart Home - H	6690 HK	OW	26,150	51	19.28	32.00	66%	8%	7.5 6.8	1.4 0.6	6.7 6.2	7.2 8.3
Gree	000651 CH	N	31,293	250	37.88	50.00	32%	45%	7.0 6.8	0.1 2.0	4.1 3.9	7.8 8.1
Hisense	000921 CH	NC	4,631	34	24.08	n.a.	n.a.	16%	10.0 9.1	0.4 1.0	4.6 4.2	5.4 5.9
Robam	002508 CH	OW	2,379	21	17.07	23.00	35%	12%	11.4 10.9	0.6 2.3	7.9 7.4	5.3 5.6
Joyoung	002242 CH	NC	1,013	18	9.00	n.a.	n.a.	230%	26.9 24.1	0.0 2.0	29.8 22.9	2.1 2.3
Ecovacs Robotics	603486 CH	N	5,323	68	62.34	82.00	32%	23%	17.0 14.4	0.6 0.8	11.5 9.7	1.7 2.0
Simple average									12.9 11.5	0.7 1.3	10.2 8.6	4.6 5.1
Market cap weighted average									10.7 9.8	1.3 1.3	8.2 7.5	5.9 6.5
Sportswear brand and retailer												
ANTA	2020 HK	OW	26,595	100	74.50	130.00	74%	8%	12.5 11.5	1.7 1.3	7.0 6.4	3.8 4.2
Li Ning	2331 HK	OW	5,866	49	17.78	25.60	44%	2%	12.9 11.4	n.m. 0.9	4.7 4.2	3.8 4.4
Xtep	1368 HK	OW	1,479	6	4.13	6.30	53%	3%	7.9 6.9	n.m. 0.5	4.0 3.5	6.8 8.6
361 Degrees	1361 HK	NC	1,298	5	4.69	n.a.	n.a.	11%	5.7 5.2	0.5 0.5	2.7 2.5	8.3 9.2
Topssports	6110 HK	NC	2,201	5	2.78	n.a.	n.a.	1%	11.7 10.6	n.m. 1.0	6.7 6.2	8.9 10.1
Simple average									10.2 9.1	1.1 0.9	5.0 4.6	6.3 7.3
Market cap weighted average									12.1 11.1	1.2 1.2	6.3 5.8	4.4 4.9
Apparel & footwear OEM												
Shenzhou	2313 HK	OW	8,870	49	46.24	81.00	75%	7%	9.9 9.0	2.1 0.9	5.8 5.3	6.2 6.8
Huali	300979 CH	NC	5,728	18	33.28	n.a.	n.a.	10%	11.5 9.7	3.6 0.5	6.4 5.6	5.6 6.7
Best Pacific	2111 HK	OW	348	0	2.62	3.40	30%	8%	4.7 4.2	1.3 0.3	3.7 3.3	11.5 13.4
Bosideng	3998 HK	OW	6,279	15	4.21	6.30	50%	8%	11.0 10.0	2.0 1.0	5.8 5.4	7.5 8.2
Eclat	1476 TT	N	2,974	14	340.50	455.00	34%	16%	13.6 12.5	0.6 1.4	8.6 7.9	5.2 5.8
Makalot	1477 TT	OW	1,708	15	217.50	380.00	75%	10%	13.4 12.3	1.1 1.5	9.0 8.2	6.9 7.4
Simple average									10.7 9.6	1.8 0.9	6.6 5.9	7.1 8.0
Market cap weighted average									11.1 10.0	2.2 0.9	6.4 5.8	6.4 7.1
Beauty												
Imeik	300896 CH	NC	4,445	69	99.61	n.a.	n.a.	18%	20.3 18.5	0.8 1.9	16.1 14.1	2.2 2.5
Proya	603605 CH	OW	3,373	48	57.75	130.00	125%	9%	13.9 12.7	1.5 1.3	8.9 8.1	2.7 3.0
Giant Biogene	2367 HK	NC	3,662	42	27.02	n.a.	n.a.	7%	12.7 11.4	3.6 1.0	7.1 6.4	4.5 5.4
Yunnan Botanee	300957 CH	OW	2,312	35	37.00	61.00	65%	20%	24.7 21.2	1.0 1.3	13.2 11.4	1.8 2.0
Bloomage	688363 CH	NC	2,528	26	35.59	n.a.	n.a.	48%	38.7 30.2	0.6 1.1	20.1 17.4	0.6 0.8
Mao Geping	1318 HK	OW	3,592	19	57.40	130.00	126%	28%	15.6 12.4	0.5 0.5	9.9 7.9	2.2 2.8
Simple average									21.0 17.7	1.3 1.2	12.5 10.9	2.3 2.8
Market cap weighted average									19.8 16.9	1.4 1.2	12.3 10.7	2.5 2.9
Jewelry / luxury												
Chow Tai Fook	1929 HK	OW	13,675	28	10.86	17.00	57%	29%	12.4 10.9	0.3 0.8	7.4 7.6	6.7 7.4
Laopu Gold	6181 HK	OW	10,996	103	487.40	1,296.0	166%	42%	9.0 7.4	0.1 0.3	7.0 5.9	7.0 8.2
Lao Feng Xiang	600612 CH	UW	2,251	17	35.42	38.00	7%	-1%	11.3 10.4	n.m. 1.3	4.4 4.2	3.0 3.2
Luk Fook	590 HK	NC	1,566	5	20.90	n.a.	n.a.	58%	7.6 6.7	0.1 0.5	5.6 5.2	7.3 8.3
Prada	1913 HK	OW	11,876	12	36.36	65.00	79%	1%	12.9 11.5	n.m. 0.9	6.4 6.1	4.1 4.5
Samsonite	1910 HK	NC	2,532	12	14.43	n.a.	n.a.	0%	9.6 8.6	n.m. 0.8	7.7 6.7	5.0 5.6
Simple average									10.4 9.3	0.2 0.8	6.4 5.9	5.5 6.2
Market cap weighted average									11.3 9.9	0.1 0.7	6.8 6.4	5.8 6.5

Note: Valuation multiples based on JPMe for Pop Mart, Miniso; and Bloomberg consensus for others. NC=Not Covered. Prices as of 28 May 2026 market close.
Source: Bloomberg Finance L.P., J.P. Morgan.

Specialty Retail (pop toy) – quality intact, timing nuanced

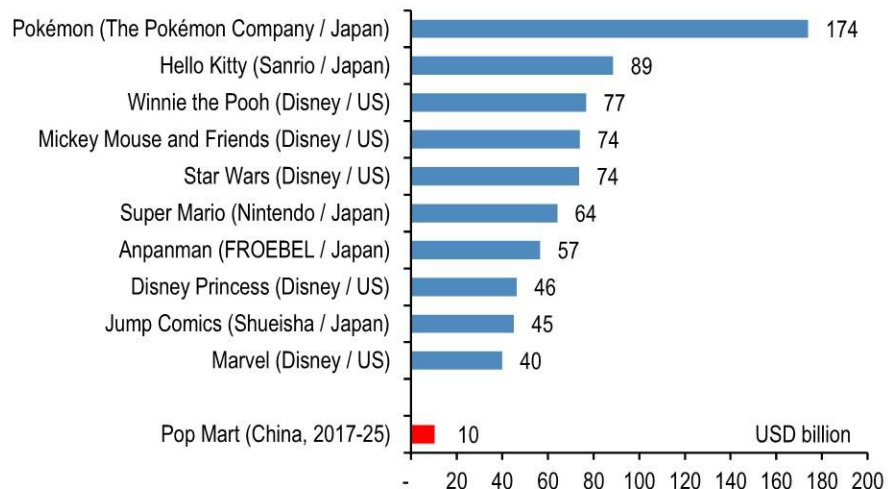
More than a craze: the neurobiological case for lasting “kidult” demand

We are firmly convinced that the surging demand for pop toys during 2024-2025 is not merely a passing fad, but represents long-term structural growth – genuine demand validated and amplified through this cycle, with **Labubu serving as a “booster”**. Urbanization, together with rising levels of stress and loneliness, has catalyzed this demand discovery, and we believe the trend will endure and resonate universally, underpinned by deeply rooted neurobiological drivers.

At a fundamental level, we believe this industry is very experienced at hacking the brain's reward system. We believe the **“blind box” model** transforms a simple purchase into a game of chance, triggering dopamine floods during the anticipation phase far more potent than the joy of ownership itself - creating a “reward trap” that drives repeat purchases. Beyond dopamine, endorphins deliver the deeper comfort of “having”: In our view, buying **“toys for grown-ups”** may function as compensatory consumption, addressing unmet emotional and aesthetic needs. Meanwhile, oxytocin – the bonding hormone – explains the social dimension: We believe that in an atomized urban world where we live on top of each other yet many may remain profoundly alone, **art toys offer a silent, non-judgmental presence and serve as anchors for collector communities**, satisfying a deep craving for attachment.

That these drivers are universal – not culturally specific – is precisely why the opportunity extends far beyond any single market. History has already shown that **great IP knows no borders**.

Figure 8: Japan and the US have proven that the neurobiological drivers are universal and that great IPs know no borders



Note: Pop Mart's total revenue from 2017 to 2025 for comparison.
Source: Fandom, Company data.

Japan and the United States have built franchises worth tens of billions of dollars each – from Pokémon and Hello Kitty to Disney and Star Wars – proving that characters that tap into **fundamental human emotions** can captivate audiences worldwide. The top ten franchises are exclusively split between these two nations, underscoring their decades-long ability to create characters and stories that resonate across cultures. By contrast, **China's Pop Mart** – with roughly \$10 billion in revenue accumulated between 2017 and 2025 – represents **an emerging but still nascent challenger**.

Still “Day One”: Pop Mart’s overseas network in context

To gauge the long-term store expansion opportunity for Pop Mart, we estimate the total addressable market (TAM) for its physical retail network using two complementary approaches: Approach A benchmarks store density against population, while Approach B benchmarks against nominal GDP. We stress-test a range of density assumptions to derive potential store counts, implied upside, and corresponding growth rates.

Table 1: Two approaches to gauge the long-term store expansion upside for Pop Mart

Approach A	Population (bn)	Population mix	Current store # (end-2025)		No. of stores per bn population	
			Pop Mart	Miniso	Pop Mart	Miniso
Mainland China	1.4	10%	410	4,523	291	3,208
Hong Kong, Macao and Taiwan	0.03	0.2%	35	45	1,167	1,500
Overseas:	6.6	45%	185	3,583	28	539
- Asia Pacific	3.3	22%	85	1,793	26	550
- Americas	1.1	7%	64	1,183	60	1,115
- Europe and other regions	2.3	16%	36	607	15	261
TOTAL	14.7	100%	630	8,151	43	553

Approach B	Nominal GDP (USD tn)	GDP mix	Current store # (end-2025)		No. of stores per tn USD GDP	
			Pop Mart	Miniso	Pop Mart	Miniso
Mainland China	19.4	16%	410	4,523	21	233
Hong Kong, Macao and Taiwan	1.4	1%	35	45	25	33
Overseas:	97.4	82%	185	3,583	2	37
- Asia Pacific	18.3	16%	85	1,793	5	98
- Americas	42.0	36%	64	1,183	2	28
- Europe and other regions	37.1	31%	36	607	1	16
TOTAL	118.2	100%	630	8,151	5	69

Source: Company data, United Nations data, IMF, J.P. Morgan estimates.

- **Approach A (population-based)** reveals significant whitespace for Pop Mart's global expansion. As of end-2025, Pop Mart operates just 630 stores worldwide – equivalent to only 43 stores per billion population, with overseas penetration at a mere 28 stores per billion. Under various density assumptions (100-400 stores per billion pop.), Pop Mart's potential global store count ranges from 1.1k to 3.1k – implying 76% to 4x upside from the current base, or a 5-year CAGR of 12%-38% from here.
- **Approach B (GDP-based)** corroborates this conclusion from an economic capacity perspective. Pop Mart currently operates at a density of just 5 stores per trillion USD of GDP globally, with overseas markets at an extremely low 2 stores/trillion. Assuming a target density of 10-30 stores/trillion USD GDP, the potential total store count reaches 1.4k-3.3k, representing 1x-4x upside and a 5-year CAGR of 18-40%.

Both approaches converge on the same structural message: Pop Mart's overseas store network remains in its infancy relative to addressable market size, and the runway for multi-year expansion is substantial regardless of whether one benchmarks against population or economic output.

Table 2: Estimating Pop Mart's long-term store expansion potential

Approach A	Assuming No. of stores per bn population			
	=100	=200	=300	=400
Mainland China	410	410	410	410
Hong Kong, Macao and Taiwan	35	35	35	35
Overseas:	665	1,330	1,995	2,660
- Asia Pacific	326	652	978	1,304
- Americas	106	212	318	424
- Europe and other regions	233	466	698	931
Potential total store count	1,110	1,775	2,440	3,105
Upside (from end-2025)	76%	2x	3x	4x
5-yr CAGR	12%	23%	31%	38%
10-yr CAGR	6%	11%	14%	17%

Approach B	Assuming No. of stores per tn USD GDP			
	=5	=10	=20	=30
Mainland China	410	410	410	410
Hong Kong, Macao and Taiwan	35	35	35	35
Overseas:	487	974	1,948	2,922
- Asia Pacific	92	183	367	550
- Americas	210	420	840	1,260
- Europe and other regions	185	371	742	1,113
Potential total store count	932	1,419	2,393	3,367
Upside (from end-2025)	48%	1x	3x	4x
5-yr CAGR	8%	18%	31%	40%
10-yr CAGR	4%	8%	14%	18%

Source: Company data, United Nations data, IMF, J.P. Morgan estimates.

Bubble & Brew – after the tide recedes, who is still running?

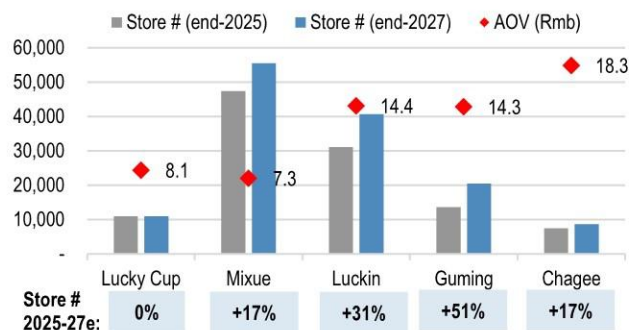
After the tide retreats

After fast growth in 2025, we observe a clear divergence in store expansion trajectories among China's leading beverage chains heading into 2026-2027. We expect **Luckin** and **Guming** to remain in aggressive growth mode, with store counts projected to increase by approximately 31% and 51%, respectively, from end-2025 to end-2027 (JPMe).

Chagee, with the highest AOV at Rmb18.3, is also set to grow its footprint by 17% over the same period, albeit from a smaller base.

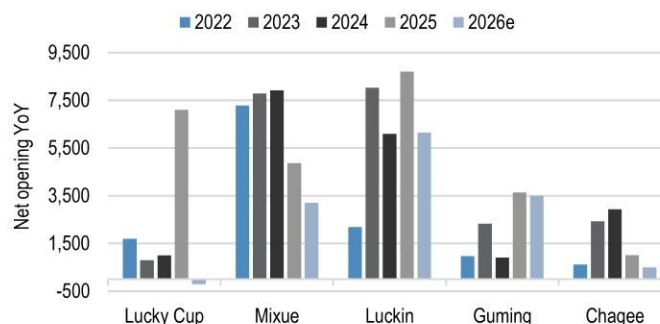
In contrast, **Lucky Cup** and **Mixue** will enter a phase of meaningful deceleration, in our view. Lucky Cup's net store count is expected to remain essentially flat (0% growth through 2027), while Mixue's expansion moderates to +17% – a sharp step-down from the 7k-8k annual net openings seen in 2023-2024, tapering to well below 5,000 by 2026-2027E (JPMe). This slowdown likely reflects network saturation at the lower price tier (AOVs of Rmb 8.1 and Rmb 7.3 for Lucky Cup and Mixue), where addressable whitespace is narrowing after years of hyper-expansion.

Figure 9: We expect Luckin and Guming to further grow store count by c.30-50% in the next two years



Source: J.P. Morgan estimates, Company data.

Figure 10: While Lucky Cup, Mixue and Chagee to slow down stores expansion



Source: J.P. Morgan estimates, Company data.

Blurring boundaries: How category convergence is reshaping the landscape

Boundary becoming blurry: coffee, tea, bakery, and ice cream converge. Product innovation is a critical growth lever in the FMD industry. Over the past half year, leading coffee and tea chains have aggressively expanded their product lines beyond core categories to sustain store productivity amid the unwinding of third-party platform subsidies – blurring the traditional boundaries among tea, coffee, bakery, and ice cream. **Guming's** Peach Gum and Cassava Stewed Milk, launched in November 2025, fused traditional Chinese stewed dessert flavors with milk tea to diversify its consumer appeal; its Vanilla Bean Vienna Coffee, launched in April 2026, marked a direct push into the coffee segment. **Luckin's** Avocado Kale Yogurt Smoothie (April 2026) caters to the rising health-conscious consumption trend. **Chagee** rolled out tea-flavored "Geelato" on May 1 at its Wukang Road flagship in Shanghai, branching into the ice cream market. Meanwhile, **Mixue** – after equipping stores with coffee machines - began offering more flavored freshly brewed coffee from March 2026.

Figure 11: Recent product innovation from China's FMD players

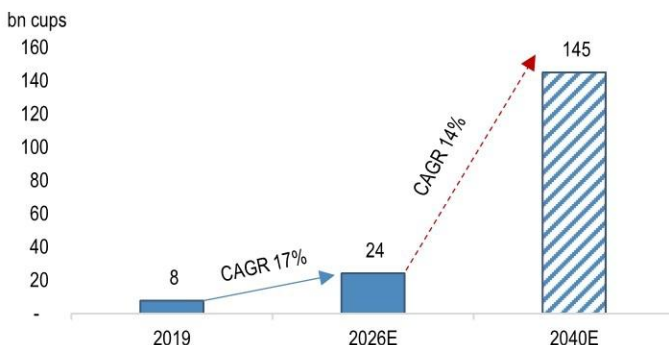


Source: Company social media.

Argument 1: Coffee penetration remains in early innings, offering a long runway for tea brands crossing over

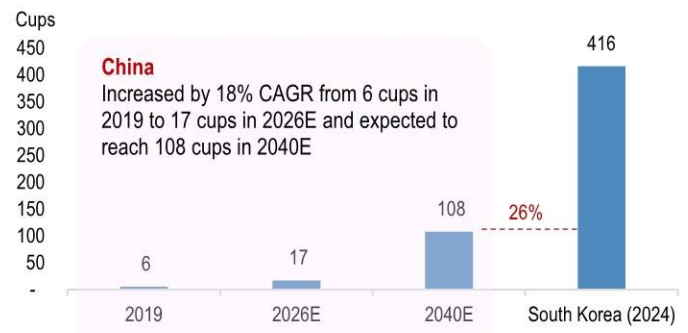
China's total coffee consumption grew at a 17% CAGR from 2019 to 2026E (from 8bn to 24bn cups), and we forecast a further 14% CAGR through 2040, reaching 145bn cups. Even at that level, per capita consumption of 108 cups would represent only 26% of South Korea's current level of 416 cups (2024), underscoring the structural headroom. This vast whitespace explains why tea-centric brands such as **Guming** and **Mixue** are actively adding coffee to their menus - they can leverage existing store networks to capture incremental demand in an under-penetrated category without significant capital outlay.

Figure 12: We forecast China's total coffee consumption to grow at a 14% CAGR from 2026 to 2040 ...



Source: Customs data, Ministry of Agriculture of China, J.P. Morgan.

Figure 13: ... with per capita consumption reaching 108 cups by 2040, which is only equivalent to 26% of South Korea's level in 2024

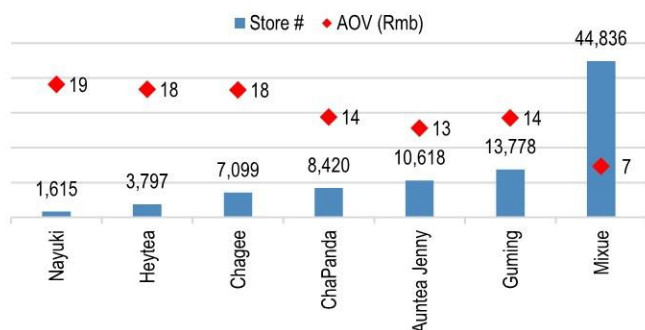


Source: Customs data, Ministry of Agriculture of China, Korea Times, J.P. Morgan.

Argument 2: Differentiated networks and staggered peak hours enable multi-category coexistence

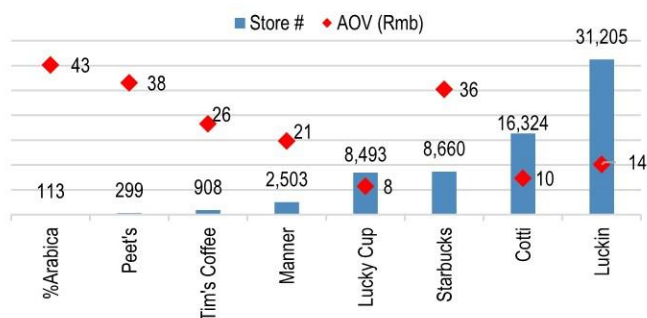
Tea and coffee brands occupy distinct positions in terms of store footprint, city-tier exposure, and operating hours - creating natural complementarity rather than zero-sum competition. Coffee brands such as **Luckin** (31k stores, AOV Rmb 14) and **Cotti** (16k, AOV Rmb 10) skew toward higher-tier cities, with 34–38% of stores in Tier 3 and below, while tea brands like **Mixue** (45k stores, AOV Rmb 7) and **Guming** (14k stores, AOV Rmb 14) have 55-56% penetration in lower-tier markets. Crucially, peak hours diverge: coffee brands typically peak in the morning, while tea and dessert brands peak after lunch – enabling players to branch into adjacent categories to smooth demand across the day and enhance store-level productivity. **Luckin**, for example, is extending into PM sessions via non-coffee beverages and snacks, while **Guming** is adding coffee and desserts to capture morning traffic. This structural differentiation supports our view that category expansion is accretive rather than cannibalistic.

Figure 14: Store count vs average ticket size – tea brand



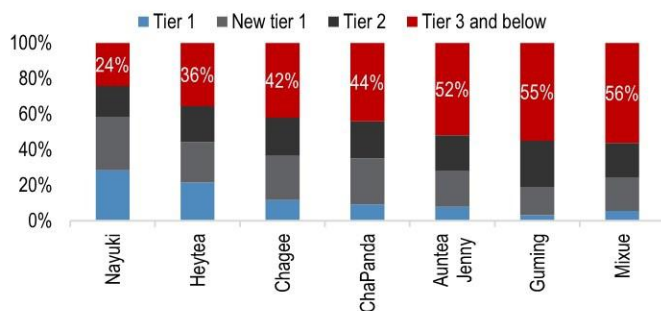
Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

Figure 15: Store count vs average ticket size – coffee brands



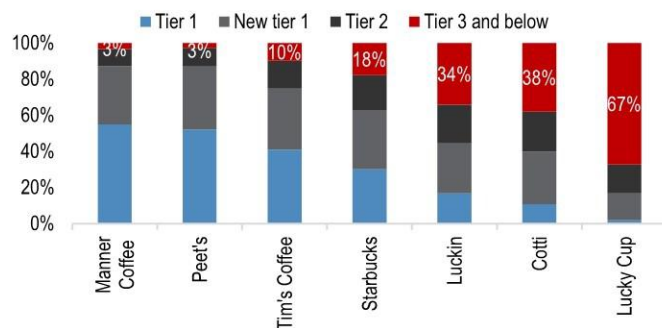
Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

Figure 16: Store distribution by city tier – tea brand



Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

Figure 17: Store distribution by city tier – coffee brands



Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

Figure 18: Leading players branching into new categories to smooth out peak/low hour and enhance store productivity

	Brand perception	Network ----->		Product offerings ----->				Operating hour ----->	
		City tier		Core categories	New category 1	New category 2	New category 3	Peak hour	Increasing
Mixue	Value-for-money	Low-tier	-	Ice cream, tea	Snacks	Coffee		After lunch	Morning
Luckin	Affordable coffee	High-tier	Low-tier	Coffee	Non-coffee bev	Snacks	RTD bev	Morning	PM session
Guming	Value-for-money	Low-tier	-	Fruit tea	Coffee	Desserts	HPP Juice	After lunch	Morning
Chagee	Premium	High-tier	Low-tier	Tea latte	Bubble tea	Ice cream		After lunch	Morning
KFC / K Coffee	Fast food	National	Low-tier	Meal	Coffee	Light meal	Night snack	Lunch/dinner	Morning + late night
Lucky Cup	Value-for-money	Low-tier	-	Coffee	Non-coffee bev			Morning	PM session

Source: Company data, J.P. Morgan.

Competition and ASP: better than feared

Price competition across China's FMD sector has eased meaningfully in 2026 YTD, with leading players **pivoting from aggressive discounting toward higher-ASP product launches to support SSSG**. Most notably, **Cotti Coffee** significantly scaled back its "unlimited Rmb 9.9 promotion" effective February 1 ([link](#)) - currently, only a handful of SKUs remain at the Rmb 9.9 price point, while the majority of its menu has migrated to the Rmb 12–15 range ([link](#)).

Across the broader industry, **leading brands are leaning into premiumization**: **Guming** has introduced grape-flavored tea drinks priced at approximately Rmb 20; **Mixue** is pushing coffee lattes and cheese foam milk teas at around Rmb 10 (a meaningful step-up from its traditional Rmb 7 core); and **Lucky Cup** has launched guava ice smoothies, lychee ice smoothies, and lychee ice lattes in the Rmb 10–15 band. **Luckin**, meanwhile, is driving ticket size through super-large cup formats and combo bundling at higher price points. Collectively, these moves signal a rational shift in industry behavior - from volume-driven market share wars toward margin-conscious growth - which we view as a positive inflection for sector profitability.

Figure 19: High ASP new products from Guming, Mixue, Lucky Cup

Guming

Mixue

Lucky Cup

Source: Company mini programs.

Figure 20: Luckin - super large cup and combo sales bundling at higher price points



Source: Company mini programs.

Figure 21: Key operating metrics and financial comparison - FMD players

Rmb mn	Luckin				Guming				Mixue				Chagee			
	2024	2025	2026e	2027e	2024	2025	2026e	2027e	2024	2025	2026e	2027e	2024	2025	2026e	2027e
Store network																
Total store #	22,340	31,048	37,196	40,696	9,914	13,554	17,054	20,454	46,479	59,823	63,323	68,823	6,440	7,453	7,953	8,683
YoY%	37%	39%	20%	9%	10%	37%	26%	20%	24%	29%	6%	9%	83%	16%	7%	9%
Franchise store #	7,749	10,814	13,229	14,804	9,907	13,546	17,045	20,444	46,462	59,785	63,285	68,785	6,271	6,838	7,318	8,018
Directly-operated store #	14,591	20,234	23,967	25,892	7	8	9	10	17	38	38	38	169	615	635	665
Net open YoY	6,092	8,708	6,148	3,500	913	3,640	3,500	3,400	8,914	13,344	3,500	5,500	2,929	1,013	500	730
Franchise store #	2,129	3,065	2,415	1,575	912	3,639	3,499	3,399	8,946	13,323	3,500	5,500	2,799	567	480	700
Directly-operated store #	3,963	5,643	3,733	1,925	1	1	1	1	-32	21	0	0	130	446	20	30
Store-level operating metrics																
Avg daily cups sold	421	423	406	402	384	456	447	438	590	627	574	572	837	521	469	469
YoY%	-1%	0%	-4%	-1%	-8%	19%	-2%	-2%	-3%	6%	-8%	0%	5%	-38%	-10%	0%
ASP per cup (Rmb)	13.2	13.5	13.5	13.4	16.9	17.1	16.8	16.6	6.4	6.4	6.6	6.5	20.4	21.8	21.8	21.8
YoY%	-7%	2%	0%	-1%	-4%	1%	-2%	-1%	0%	-1%	3%	-1%	1%	7%	0%	0%
Daily GMV (Rmb)	5,545	5,703	5,477	5,368	6,500	7,800	7,529	7,268	3,799	3,985	3,777	3,723	17,057	11,386	10,247	10,247
YoY%	-8%	3%	-4%	-2%	-4%	20%	-3%	-3%	-4%	5%	-5%	-1%	6%	-33%	-10%	0%
SSSG	-16.7%	7.5%			-1.5%	20.0%			not disclosed				2.7%	-22.2%		
Revenue breakdown																
Total revenue	34,475	49,288	60,172	66,836	8,791	12,914	16,312	19,103	24,829	33,560	36,878	39,134	12,406	12,907	13,028	14,054
- Sales of goods	5,539	6,959	8,739	10,040	6,563	9,320	12,138	14,604	23,452	31,439	34,532	36,618	9,891	9,715	8,602	9,320
- Sales of equipment	588	861	612	399	465	949	971	902	756	1,327	1,393	1,421	898	182	154	225
- Franchise management	1,618	3,773	4,877	5,604	1,750	2,628	3,187	3,582	620	794	953	1,096	843	1,520	1,549	1,678
- Revenue from direct-operated stores	26,730	37,694	45,944	50,793	14	16	16	15	-	-	-	-	773	1,490	2,722	2,831
YoY change	38%	43%	22%	11%	15%	47%	26%	17%	22%	35%	10%	6%	167%	4%	1%	8%
- Sales of goods	33%	26%	26%	15%	14%	42%	30%	20%	22%	34%	10%	6%	176%	-2%	-11%	8%
- Sales of equipment	-33%	46%	-29%	-35%	27%	104%	2%	-7%	3%	75%	5%	2%	59%	-80%	-15%	46%
- Franchise management	36%	133%	29%	15%	15%	50%	21%	12%	53%	28%	20%	15%	240%	80%	2%	8%
- Revenue from direct-operated stores	43%	41%	22%	11%	16%	15%	-3%	-3%	-	-	-	-	217%	93%	83%	4%
% of total																
- Sales of goods	16%	14%	15%	15%	75%	72%	74%	76%	94%	94%	94%	94%	80%	75%	66%	66%
- Sales of equipment	2%	2%	1%	1%	5%	7%	6%	5%	3%	4%	4%	4%	7%	1%	1%	2%
- Franchise management	5%	8%	8%	8%	20%	20%	20%	19%	2%	2%	3%	3%	7%	12%	12%	12%
- Revenue from direct-operated stores	78%	76%	76%	76%	0%	0%	0%	0%	-	-	-	-	6%	12%	21%	20%
Margin profile																
Gross margin	59.1%	61.9%	61.1%	60.7%	30.6%	33.0%	33.0%	33.0%	32.5%	31.1%	30.0%	30.0%	49.6%	53.5%	52.5%	52.5%
- yoy chg	2.9%	2.7%	-0.8%	-0.4%	-0.7%	2.4%	0.0%	0.0%	2.9%	-1.3%	-1.1%	0.0%	4.8%	3.9%	-1.0%	0.0%
Total Opex	7,162	12,531	13,187	13,995	1,023	1,291	1,631	1,910	2,459	3,220	3,512	3,688	2,222	3,813	2,855	3,029
Selling & distribution expenses	4,741	9,474	5,234	5,975	479	703	888	1,040	1,599	2,037	2,213	2,309	1,109	1,363	1,259	1,356
Admin expenses	2,420	3,057	7,952	8,020	311	365	461	540	755	1,082	1,188	1,261	1,113	2,450	1,596	1,673
R&D expenses					233	223	282	330	105	101	111	118				
Total Opex as % of revenue	21%	25%	22%	21%	12%	10%	10%	10%	10%	10%	10%	9%	18%	30%	22%	22%
Selling & distribution expenses	14%	19%	9%	9%	5%	5%	5%	5%	6%	6%	6%	6%	9%	11%	10%	10%
Admin expenses	7%	6%	13%	12%	4%	3%	3%	3%	3%	3%	3%	3%	9%	19%	12%	12%
R&D expenses					3%	2%	2%	2%	0%	0%	0%	0%				
Core EBIT	3,570	5,073	5,908	7,385	1,664	2,971	3,753	4,395	5,601	7,232	7,551	8,052	2,887	1,347	1,703	1,956
YoY%	18%	42%	16%	25%	5%	79%	26%	17%	41%	29%	4%	7%	169%	-53%	26%	15%
EBIT margin	10.4%	10.3%	9.8%	11.0%	18.9%	23.0%	23.0%	23.0%	22.6%	21.5%	20.5%	20.6%	23.3%	10.4%	13.1%	13.9%
- yoy chg	-1.8%	-0.1%	-0.5%	1.2%	-1.7%	4.1%	0.0%	0.0%	2.9%	-1.0%	-1.1%	0.1%	0.1%	-12.8%	2.6%	0.8%
Reported net profit	2,956	3,600	4,069	5,083	1,479	3,109	3,304	3,881	4,437	5,887	6,131	6,542	2,516	1,171	1,557	1,757
YoY%	4%	22%	13%	25%	37%	110%	6%	17%	41%	33%	4%	7%	214%	-53%	33%	13%
Net margin	9%	7%	7%	8%	17%	24%	20%	20%	18%	18%	17%	17%	20%	9%	12%	13%
- yoy chg	-3%	-1%	-1%	1%	3%	7%	-4%	0%	2%	0%	-1%	0%	3%	-11%	3%	1%
Adjusted net profit	3,311	4,196	5,167	6,183	1,552	2,706	3,404	3,981	4,519	6,037	6,151	6,561	2,517	1,895	1,857	2,057
YoY%	4%	27%	23%	20%	8%	74%	26%	17%	41%	34%	2%	7%	174%	-25%	-2%	11%
Net margin	9.6%	8.5%	8.6%	9.3%	17.6%	21.0%	20.9%	20.8%	18.2%	18.0%	16.7%	16.8%	20.3%	14.7%	14.3%	14.6%
- yoy chg	-3.1%	-1.1%	0.1%	0.7%	-1.1%	3.3%	-0.1%	0.0%	2.4%	-0.2%	-1.3%	0.1%	0.5%	-5.6%	-0.4%	0.4%

Source: J.P. Morgan estimates, Company data.

RTD Beverages – sports drinks shine, but cost pressure bites

Sports drinks under the spotlight; competition intensifying

Sports drinks stand out as the fastest-growing category within China's soft drinks market. With a retail value of Rmb 27bn (US\$2.9bn) in 2025, the category delivered a 2019-25 CAGR of 14.7% - far outpacing bottled water (3.5%), RTD tea (4.0%), and energy drinks (4.8%). Looking ahead, sports drinks are projected to sustain sector-leading growth at a 2025-30E CAGR of 10.9%, more than double the overall soft drinks market growth of 4.0%. Revenue momentum has visibly inflected since 2023, with year-on-year growth accelerating to approximately 15%, signaling that the category has entered a new phase of expansion.

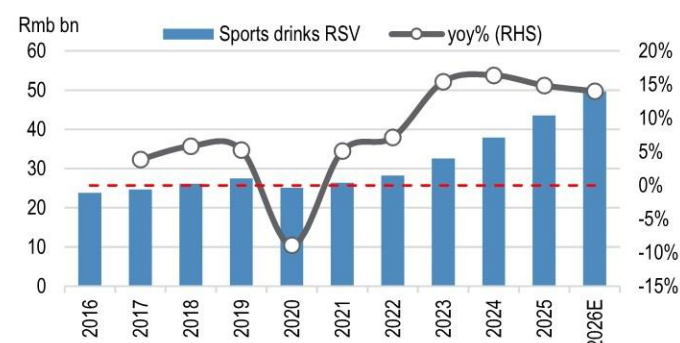
Figure 22: Sports drinks under the spotlight and are set to outperform other categories in the next five years

	Retail value (2025)		CAGR	
	Rmb bn	US\$ bn	2019-25	2025-30e
Bottled Water	252	34.3	3.5%	4.1%
RTD Tea	154	18.9	4.0%	6.1%
Carbonates	117	17.9	4.0%	0.4%
Juice	84	10.8	-0.5%	2.6%
Energy Drinks	63	8.6	4.8%	3.7%
Sports Drinks	27	2.9	14.7%	10.9%
Others	15	2.6	-4.9%	-2.2%
Soft Drinks	713	96	3.3%	4.0%

Source: Euromonitor, J.P. Morgan estimates.

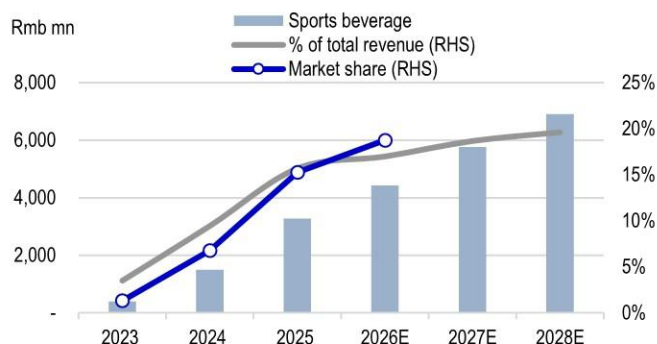
Figure 23: Sports drinks momentum picking up from 2023

Sports drink revenue (Rmb bn) and % of total revenue



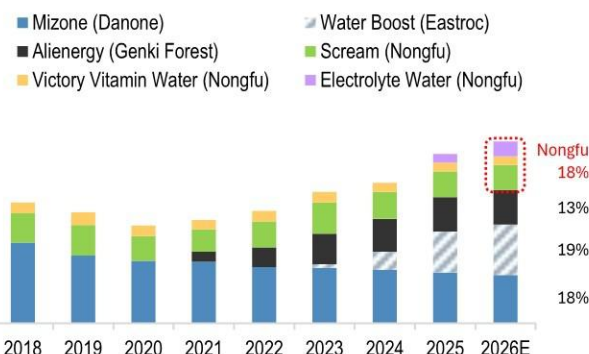
Source: J.P. Morgan estimates, Company data.

Figure 24: Eastroc sports beverage outperformed peers with significant market share gains in the past 3 years



Source: Company data, Euromonitor, J.P. Morgan estimates.

Figure 25: Nongfu promoting new product Electrolyte Water in 2026, aiming to capture more market share



Source: Euromonitor, J.P. Morgan estimates.

This attractive growth profile has drawn aggressive participation from major players, intensifying the competitive landscape. **Eastroc's** "Water Boost" has been the standout performer, scaling its sports beverage revenue from near zero in 2023 to an estimated Rmb 8bn by 2028E, with market share rising rapidly towards 20%. Meanwhile, Nongfu Spring is launching its new Electrolyte Water product in 2026, aiming to capture incremental share alongside its existing Scream and Victory Vitamin Water lines - bringing its combined portfolio share to approximately 18% by 2026E. Chi Forest's Alienergy also continues to build its presence. The net result is a market that was once dominated by Mizone (Danone) - which held 20-30% share from 2018 to 2021 - but is now rapidly fragmenting as domestic challengers deploy new products, refreshed packaging, and gamified promotions (e.g., QR-code lotteries and coupon mechanics) to drive trial and repeat purchases.

Figure 26: Sports drinks - new products and new looks from the major players – Eastroc, Nongfu, Alienergy (Chi Forest)



Source: Company Taobao shops.

Cost pressure a major theme into 2H26; Nongfu most resilient

Our sensitivity test shows that for every 10% PET price increase, Nongfu / Eastroc / CR Beverage's gross profit will be impacted by 1% / 3% / 4%, net earnings will be cut by 3% / 8% / 21% and net margin will decline by 0.8pp / 1.5pp / 1.9pp on an annualized basis. Currently, the PET is priced about 50% higher than 2025 average levels. Most RTD beverage companies have locked in PET supply and prices through 2Q26, and hence will need to renew contracts relatively soon.

Figure 27: EPS sensitivity to PET price hike

2026E	Nongfu	Eastroc	CR Bev
Gross margin	58.3%	43.7%	44.5%
PET as % of COGS	20%	28%	36%
Net margin	28.4%	19.3%	9.4%
Downside per 10% PET price hike:			
Gross profit	-1%	-3%	-4%
Net profit	-3%	-8%	-21%
Net margin	-0.8%	-1.5%	-1.9%

Source: J.P. Morgan estimates.

Figure 28: PET price is about 50% higher than 2025 levels



Source: Bloomberg Finance L.P.

Figure 29: Key operating metrics and key financials comparison – Beverage players

Rmb mn	Nongfu				Eastroc				China Resources Beverage			
	2024A	2025A	2026e	2027e	2024A	2025A	2026e	2027e	2024A	2025A	2026e	2027e
Growth Driver												
Revenue	42,896	52,553	59,199	65,499	15,839	20,875	25,639	30,482	13,521	11,002	11,881	12,622
Water	15,952	18,709	20,606	22,253	-	-	-	-	12,124	9,504	10,090	10,563
Tea	16,745	21,596	24,835	28,064	1,023	1,986	3,085	4,154	1,397	1,499	1,791	2,060
Juice	4,085	5,176	5,797	6,551	-	-	-	-	-	-	-	-
Functional drinks	4,932	5,762	6,454	7,035	13,304	15,599	17,885	20,031	-	-	-	-
Others	1,182	1,309	1,506	1,596	1,512	3,290	4,669	6,297	-	-	-	-
Revenue mix												
Water	37%	36%	35%	34%	-	-	-	-	90%	86%	85%	84%
Tea	39%	41%	42%	43%	6%	10%	12%	14%	10%	14%	15%	16%
Juice	10%	10%	10%	10%	-	-	-	-	-	-	-	-
Functional drinks	11%	11%	11%	11%	84%	75%	70%	66%	-	-	-	-
Others	3%	2%	3%	2%	10%	16%	18%	21%	-	-	-	-
Revenue yoy (%)	0.5%	22.5%	12.6%	10.6%	40.6%	31.8%	22.8%	18.9%	0.0%	-18.6%	8.0%	6.2%
Water	-21.3%	17.3%	10.1%	8.0%	-	-	-	-	-2.6%	-21.6%	6.2%	4.7%
Tea	32.3%	29.0%	15.0%	13.0%	96.7%	94.1%	55.4%	34.6%	30.8%	7.3%	19.5%	15.0%
Juice	15.6%	26.7%	12.0%	13.0%	-	-	-	-	-	-	-	-
Functional drinks	0.6%	16.8%	12.0%	9.0%	28.7%	17.3%	14.7%	12.0%	-	-	-	-
Others	-9.8%	10.8%	15.0%	6.0%	272.0%	117.6%	41.9%	34.9%	-	-	-	-
Margin profile												
Gross profit	24,916	31,808	34,528	38,644	7,097	9,374	11,225	13,340	6,397	5,025	5,286	5,674
Gross margin (%)	58.1%	60.5%	58.3%	59.0%	44.8%	44.9%	43.8%	43.8%	47.3%	45.7%	44.5%	44.9%
Operating Expenses												
Total Opex	(11,136)	(12,253)	(13,802)	(15,271)	(3,169)	(4,048)	(4,867)	(5,664)	(4,407)	(4,194)	(4,182)	(4,367)
Selling & distribution expenses	(9,173)	(9,800)	(11,040)	(12,215)	(2,681)	(3,405)	(4,102)	(4,786)	(4,058)	(3,779)	(3,754)	(3,913)
Admin & R&D	(1,962)	(2,452)	(2,762)	(3,056)	(488)	(643)	(764)	(878)	(349)	(415)	(428)	(454)
Total Opex % of revenue	-26.0%	-23.3%	-23.3%	-23.3%	-20.0%	-19.4%	-19.0%	-18.6%	-32.6%	-38.1%	-35.2%	-34.6%
Selling & distribution expenses	-21.4%	-18.6%	-18.6%	-18.6%	-16.9%	-16.3%	-16.0%	-15.7%	-30.0%	-34.3%	-31.6%	-31.0%
Admin & R&D	-4.6%	-4.7%	-4.7%	-4.7%	-3.1%	-3.1%	-3.0%	-2.9%	-2.6%	-3.8%	-3.6%	-3.6%
Core EBIT	15,013	20,405	21,683	24,432	3,768	5,107	6,089	7,356	1,990	831	1,104	1,307
EBIT yoy (%)	1.5%	35.9%	6.3%	12.7%	60.2%	35.5%	19.2%	20.8%	25.4%	-58.2%	32.8%	18.3%
EBIT margin (%)	35.0%	38.8%	36.6%	37.3%	23.8%	24.5%	23.7%	24.1%	14.7%	7.6%	9.3%	10.4%

Source: J.P. Morgan estimates, Company data.

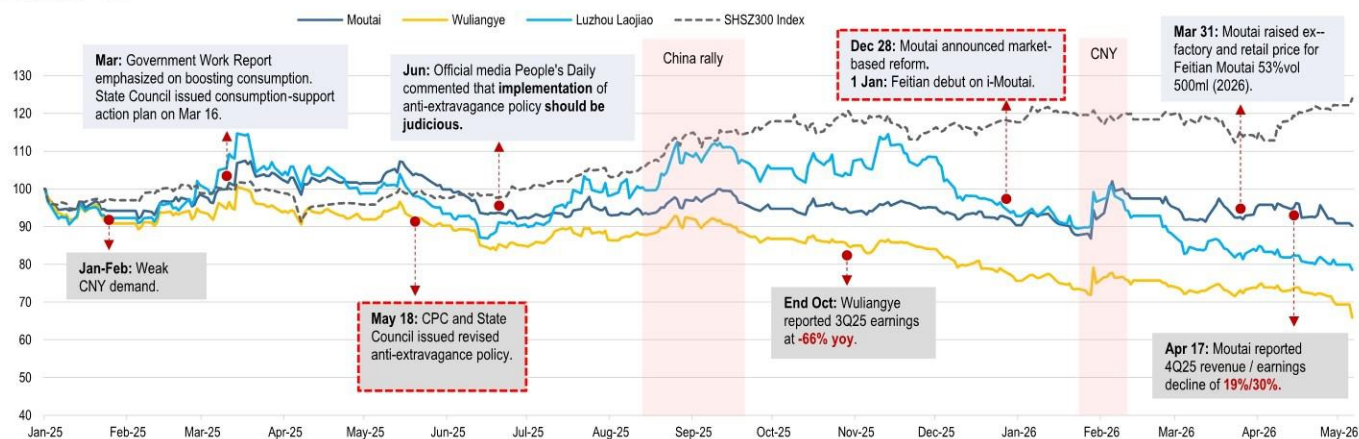
Baijiu – approaching the trough

Where are we in the cycle?

The baijiu sector's prosperity is shaped by the convergence of three overlapping cycles: the macro cycle (including property and household wealth), the supply-demand and pricing cycle, and the policy cycle. We analyze each dimension below to assess where the industry currently stands - and what the path forward looks like.

Figure 30: Recap of recent share price performance and key events for Baijiu stocks

End-2024 = 100

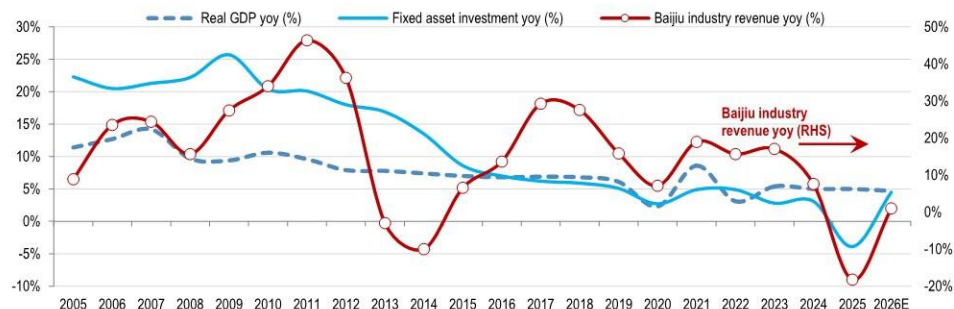


Source: Bloomberg Finance L.P. and J.P. Morgan.

Macro cycle: Baijiu growth decoupling from a slowing economy

China's baijiu industry has historically tracked the broader macroeconomic cycle, moving in tandem with real GDP growth and fixed asset investment. From 2005 to 2012, industry revenue grew at a rapid pace – peaking at nearly 50% yoy in 2011 - buoyed by double-digit GDP growth and a fixed asset investment boom. However, as China's structural growth rate has decelerated (real GDP growth moderating from 10%+ to approximately 5%), baijiu industry revenue growth has also downshifted, turning negative in 2025 at around -18% yoy - the sharpest contraction since the 2013–2014 downturn. With fixed asset investment growth now hovering in the low single digits and GDP growth stabilizing around 4–5%, the macro tailwinds that once propelled the industry have largely dissipated. We expect industry revenue to begin stabilizing in 2026E, though the recovery trajectory will be more muted than in prior cycles given the structurally lower growth backdrop.

Figure 31: China Baijiu sector revenue growth vs. GDP and FAI



Source: NBS, Company data, J.P. Morgan estimates.

Household balance sheets recovering: Property prices showing early signs of stabilization

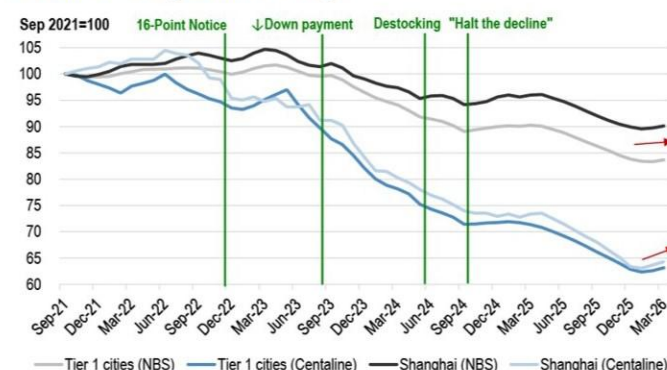
A key macro precondition for baijiu demand recovery is the restoration of household wealth confidence, and early signals are emerging from the property market.

Figure 32: Tier-1 cities - home price M/M growth - showing sequential improvements

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Primary (NBS)												
Beijing	0.1%	-0.4%	-0.3%	0.0%	-0.4%	0.2%	-0.1%	-0.5%	-0.4%	-0.3%	0.2%	0.0%
Shanghai	0.5%	0.7%	0.4%	0.3%	0.4%	0.3%	0.3%	0.1%	0.2%	0.0%	0.2%	0.3%
Guangzhou	-0.2%	-0.8%	-0.5%	-0.3%	-0.2%	-0.6%	-0.8%	-0.5%	-0.6%	-0.6%	0.0%	0.3%
Shenzhen	-0.1%	-0.4%	-0.6%	-0.6%	-0.4%	-1.0%	-0.7%	-0.9%	-0.5%	-0.4%	-0.3%	0.2%
Tier-1 Primary (NBS)	0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%	-0.5%	-0.3%	-0.3%	0.0%	0.2%
Secondary (NBS)												
Beijing	-0.6%	-0.8%	-1.0%	-1.1%	-1.2%	-0.9%	-1.1%	-1.3%	-1.3%	-0.2%	0.3%	0.6%
Shanghai	0.1%	-0.7%	-0.7%	-0.9%	-1.0%	-1.0%	-0.9%	-0.8%	-0.6%	-0.4%	0.2%	0.4%
Guangzhou	0.0%	-0.8%	-0.7%	-1.0%	-0.9%	-0.8%	-0.9%	-1.2%	-1.0%	-0.7%	-0.5%	0.2%
Shenzhen	-0.3%	-0.5%	-0.5%	-0.9%	-0.8%	-1.0%	-0.9%	-1.0%	-0.6%	-0.6%	-0.4%	0.4%
Tier-1 Secondary (NBS)	-0.2%	-0.7%	-0.7%	-1.0%	-1.0%	-0.9%	-0.9%	-1.1%	-0.9%	-0.5%	-0.1%	0.4%
Secondary (Centaline)												
Beijing	-0.5%	-0.9%	-1.6%	-1.5%	-1.8%	-2.1%	-1.9%	-1.9%	-1.9%	-0.5%	1.2%	1.5%
Shanghai	0.2%	-1.4%	-1.4%	-1.7%	-1.7%	-1.5%	-2.2%	-2.8%	-2.8%	-0.5%	0.9%	1.0%
Guangzhou	-1.5%	-1.0%	-1.4%	-1.2%	-1.8%	-1.4%	-2.0%	-1.9%	-1.3%	-0.8%	-1.5%	0.8%
Shenzhen	-0.9%	-1.1%	-0.5%	-1.1%	-1.0%	-1.5%	-0.5%	-1.0%	-1.6%	-1.3%	0.9%	0.1%
Tier-1 Secondary (Centaline)	-0.7%	-1.1%	-1.2%	-1.4%	-1.6%	-1.6%	-1.6%	-1.7%	-1.9%	-0.8%	0.4%	0.9%

Source: NBS, Centaline

Figure 33: Tier-1 cities - secondary home price index with major nationwide easing/narrative change



Source: NBS, Centaline

The JPM China property team notes that secondary home prices in tier-1 cities recorded their first positive MoM growth since 1Q25 in March 2026 ([note](#)) - importantly, this improvement appears organic rather than policy-driven, supported by a decline in secondary listings, stronger transaction volumes (particularly in Shanghai), a delayed wealth effect from stock market strength, natural price discovery after a cumulative 30–40% decline, and confidence spillover from Hong Kong's housing market recovery (+15% from trough). The team forecasts that tier-1 city home prices will see a soft form of stabilization in 2026 (average -1% to 0% YoY), with Shanghai as the key bellwether. May–June data is expected to remain solid, supported by recent local-level easing in Shanghai, Shenzhen, and Guangzhou, though July–August will be the real test of sustainability.

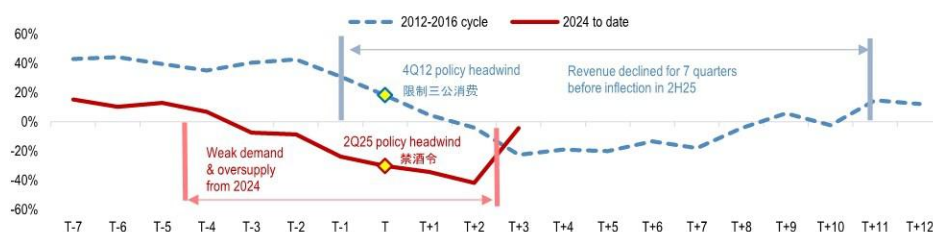
Beyond tier-1 cities, the broader national picture remains more cautious but is approaching a floor. Industry experts expect a mild nationwide price decline of approximately 0.5% per month until 4Q26 ([note](#)), with the bottom likely less than 10% away - most cities may see a further 5–6% decline before troughing. Shanghai home prices could stabilize as early as 2026 in an optimistic scenario (or decline 3% in a pessimistic case), while Beijing and Shenzhen may experience a further mild 3–6% correction. Home prices nationally could potentially stabilize by 2027. For baijiu, this trajectory matters: household balance sheet repair—even if gradual—should begin to alleviate the wealth destruction effect that has weighed on high-end consumption and banquet spending over the past two years.

Supply-demand & policy cycle: Mapping 2024-to-date downcycle against 2012-16

The current downcycle bears notable parallels to the 2012–2016 correction, but with distinct characteristics. In the prior cycle, the trigger was a sudden policy shock - the restriction on government-funded consumption ("限制三公消费") in 4Q12—which abruptly curtailed banquet and gifting demand, sending industry revenue into decline for seven consecutive quarters before an inflection in 2H15.

The current cycle, by contrast, began with a more gradual deterioration: weak end-demand and channel oversupply have weighed on the industry since 2024, with revenue declining for approximately five quarters before a fresh policy headwind - the "alcohol ban (禁酒令)" - arrived in 2Q25, adding further downward pressure. If the 2012–2016 playbook is any guide, the industry may face several more quarters of contraction before bottoming. However, the current downcycle entered its demand weakness phase earlier (T-5 vs. T for the policy shock), suggesting the industry may already be further along in its adjustment process than headline revenue declines imply.

Figure 34: Mapping the latest 2024-to-date downcycle vs the 2012-2016 cycle



Source: Company data, J.P. Morgan.

Our assessment: Approaching the trough, but recovery will be gradual

Synthesizing across all three cycles, we believe the baijiu sector is in **the early innings of recovery**. **On the macro front**, GDP growth has stabilized and property prices are showing tentative signs of bottoming - particularly in tier-1 cities - laying the groundwork for a gradual recovery in household wealth confidence. **On the supply-demand and policy front**, the industry has already absorbed five quarters of revenue decline and the incremental policy shock of the alcohol ban; if the 2012–2016 analog holds, the trough may arrive within the next two to three quarters. However, unlike the V-shaped recovery of 2016–2017, **we expect the rebound to be more L-shaped** - constrained by structurally softer GDP growth, a still-fragile property market outside tier-1 cities, and a more cautious consumer mindset. The setup favors patient positioning in quality names with pricing power and DTC optionality, rather than aggressive cyclical bets on a sharp snapback.

DTC Reform: the next big thing, led by Moutai

A paradigm shift in distribution: From wholesale dependence to direct-to-consumer

Since late 2025, Moutai has embarked on a sweeping DTC transformation - arguably the most significant structural reform in its distribution model in over a decade. The reform unfolded in a series of deliberate steps: in Dec 2025, Moutai held distributor meetings to announce **quota cuts for non-standard products** (Caiyou Zhenpin/Zodiac/15 years/1L reduced by 100%/50%/30%/30%) and outlined a market-oriented pricing strategy with DTC expansion at its core.

On January 1, 2026, **Feitian Moutai 53%vol 500ml debuted on the iMoutai DTC platform**, followed by a formal announcement on January 13 transitioning the distribution model from traditional "direct sales + distribution" to a new "**direct sales + distribution + consignment**" framework. By March, Moutai introduced a **consignment model** for non-standard products - requiring distributors to sell via iMoutai at official retail prices in exchange for a 5% sales commission - and raised the ex-factory price of Feitian Moutai (2026 edition) from Rmb 1,169 to Rmb 1,269, with the DTC retail price lifted from Rmb 1,499 to Rmb 1,539 (see our [first take](#)).

Figure 35: Moutai's YTD share performance and key events of the DTC reform (details in the next table)



Source: Bloomberg Finance L.P. and J.P. Morgan.

Table 3: Moutai - key events of the DTC reform since late-2025

	Date	Event
A	11-Dec-25	Moutai held a distributor meeting and announced measures to support distributors' confidence. Moutai plans to cut 2026 distribution quota of non-standard Moutai: Caiyou Zhenpin / Zodiac / 15 years / 1L by 100% / 50% / 30% / 30%.
B	28-Dec-25	Moutai held its annual distributor meeting and aimed to implement market-oriented reforms: (1) Market-based pricing strategy. (2) DTC transformation; expanding customer base. (3) Better service: simplify online purchase, deepen cooperation with distributors with reasonable profit sharing.
C	1-Jan-26	Feitian Moutai 53%vol 500ml debut on DTC channel iMoutai.
D	13-Jan-26	Announced more detailed market-oriented reforms: (1) Transitioning from traditional "direct sales + distribution" to "direct sales + distribution + consignment" model. (2) Market-oriented pricing system: announced retail prices of several SKUs on iMoutai, including Feitian Moutai 53%vol 500ml (2026 edition) at Rmb1,499.
E	13-Mar-26	Introduced consignment model for non-standard Moutai products, including Moutai 15 years, Jingpin, Zodiac (Classic/Gift-pack), Guyue Feitian, and special SKUs for Feitian53%vol (1L/200ml/100ml/50ml). Distributors need to submit an application and pay a deposit, and all the products must be sold via i-Moutai at official retail prices, and distributors will receive a 5% sales commission.
F	30-Mar-26	Announced a raise in the ex-factory price of Feitian Moutai 53%vol 500ml (2026) from Rmb1,169 to Rmb1,269, and DTC retail price from Rmb1,499 to Rmb1,539, effective 31 Mar 2026.

Source: Company data, J.P. Morgan.

The market has responded positively to each reform milestone. Moutai's share price rallied approximately 4% in the five trading days following both the January Feitian debut on iMoutai and the March consignment model introduction, and gained 3% in the five days after the ex-factory price hike on March 30. This pattern suggests investors are **increasingly pricing in the structural benefits of DTC** - namely, **greater pricing transparency, reduced channel speculation, and a more direct relationship with end consumers.**

Channel check takeaways: DTC gaining traction with mass-market consumers

Feedback from distributor meetings and channel checks indicate that Moutai's DTC pivot is delivering tangible results.

- The strategic rationale is clear: Moutai's traditional business-entertainment customer base has been eroding, necessitating a pivot toward **mass-market consumers** who are more price-sensitive and unwilling to pay significant premiums above official retail. The launch of Feitian on iMoutai at Rmb 1,499 (now Rmb 1,539) was designed precisely to capture this cohort.
- During the 2026 Chinese New Year period, **new customers accounted for approximately 42% of iMoutai purchases**, with a **subsequent repurchase rate of around 35% from January to April** - concentrated among the 18–40 age demographic. Seasonal demand effects (Spring Festival, Mid-Autumn/National Day) remain pronounced for mass-market consumption, confirming that the DTC channel has successfully expanded Moutai's customer base through a volume-for-price trade-off.

Wholesale price outlook: Downside limited, de-financialization complete

Distribution prices for Feitian Moutai have stabilized at the Rmb 1,600+ level, and we see limited downside from here. As of May 25, 2026, case-packed Feitian trades at approximately Rmb 1,670 and single-bottle at Rmb 1,640 - with the price gap between the two narrowing to just Rmb 30. **This convergence is highly significant:** historically, a wide case-packed vs. single-bottle premium reflected speculative and investment demand (case-packed bottles carried a "financial premium" tied to collection, investment, and high-end gifting). The near-elimination of this spread since early 2025 signals that **speculative capital has largely exited the market**, and **prices are now anchored by genuine consumption demand rather than financial speculation.**

Figure 36: Distribution price of case-packed vs single-bottle Feitian Moutai



Note: Latest data as of 25 May 2026.
Source: Daily Spirits Prices, J.P. Morgan.

Figure 37: Distribution price of 100ml Feitian vs 500ml Feitian

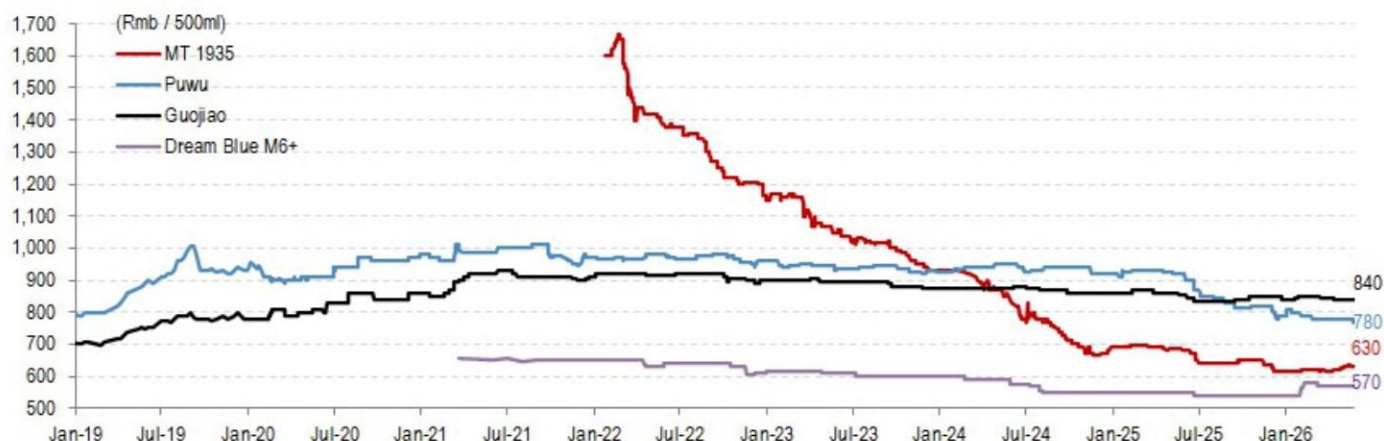


Note: Latest data as of 25 May 2026.
Source: Daily Spirits Prices, J.P. Morgan.

Channel feedback corroborates this view: Distributors assess the probability of Feitian prices falling below Rmb 1,539 as minimal, noting that reform execution has exceeded expectations and that Moutai is actively optimizing its purchase process and leveraging data analytics to stabilize the price system. Looking into 2H26, the company plans to focus consignment sales of Zodiac, Jingpin, 1L, and 15-year editions around key festivals (notably Dragon Boat Festival), providing additional support to the pricing architecture.

In the Rmb 600–1,000 sub-premium segment, pricing trends have also largely stabilized after a prolonged correction. Guojiao is currently trading at approximately Rmb 840, Puwu at Rmb 780, MT 1935 at Rmb 630, and Dream Blue M6+ at Rmb 570 - all well below their 2021–2022 peaks but showing signs of bottoming since late 2025. **The de-financialization of Feitian Moutai pricing is a positive read-through for the broader sector:** As the anchor product's price stabilizes on real demand, it reduces the risk of further cascading price pressure on sub-premium brands.

Figure 38: Distribution prices of key brands in the Rmb600-1k price range



Note: Latest data as of 25 May 2026.
Source: Daily Spirits Prices, J.P. Morgan.

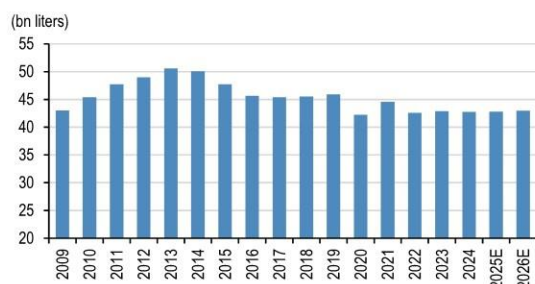
Beer – right side of the channel migration

China's beer market has entered a phase of volume maturity. Total industry production has stabilized at approximately 40-45 bn liters p.a. since the post-Covid normalization, following a structural decline from the peak of around 50 bn liters in 2013-14. We do not expect meaningful volume growth from here - the industry's growth algorithm has decisively shifted **from volume expansion to value extraction through mix upgrade and pricing power**. This backdrop means that for the major brewers - Bud, Tsingtao, and CR Beer - market share gains and premiumization execution are the primary levers for revenue growth, rather than riding an expanding volume tide.

Premiumization: Still playing out, but the pace is moderating

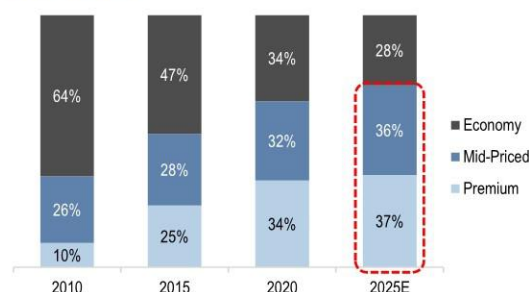
The premiumization trend remains intact but is entering a more gradual phase. Premium and mid-priced segments have steadily gained share from economy beer over the past decade - premium rose from 10% of volume in 2010 to an estimated 37% by 2025E, while economy contracted from 64% to just 28%. However, the rate of mix-up is naturally decelerating as the low-hanging fruit has been harvested: the premium share gain of approximately 3 percentage points from 2020 to 2025E compares to a 15-percentage-point jump in the prior five-year period (2015–2020). Going forward, we expect premiumization to continue but at a more measured pace, with incremental gains increasingly dependent on innovation, occasion-based marketing, and super-premium portfolio development rather than broad-based trade-up from economy.

Figure 39: Total beer volume in China has been stabilizing at 40-45bn liters per annum after Covid



Source: Euromonitor.

Figure 40: Premium and mid-priced beers are taking more share from economy



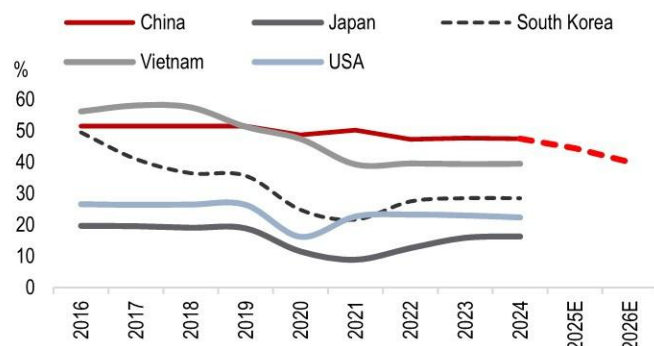
Source: Euromonitor.

Channel mix: The structural shift from on-trade to off-trade

Perhaps the most consequential - and underappreciated - change in China's beer landscape is the ongoing shift in channel mix from on-trade (restaurants, bars, KTV) to off-trade (retail, e-commerce, convenience stores, home consumption, outdoor occasions). China's on-trade mix has historically been significantly higher than its global peers - hovering around 50% of total volume versus 20–30% in the US, Japan, and South Korea. However, this ratio has been declining since 2025 and is projected to fall further toward 35-40% by 2026E (per Euromonitor). The off-trade channel - now accounting for approximately 60% of industry volume (per our channel checks) - has become the core growth engine, driven by expanding consumption occasions including at-home drinking, outdoor barbecues, camping, and family gatherings, while traditional on-trade venues (restaurants, nightclubs, KTV) remain soft.

Figure 41: China's on-trade mix is still higher than other countries but has been declining from 2025

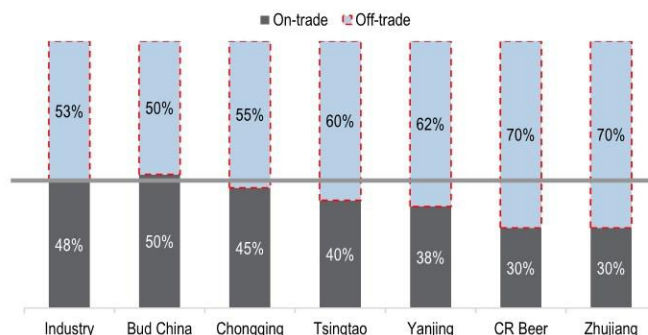
On-trade as % of total volume



Source: Euromonitor, J.P. Morgan estimates.

Figure 42: Off-trade scenario is becoming more important and CR Beer has relatively higher mix than Bud China and Tsingtao

2025 volume breakdown by channel



Source: Company data.

YTD performance: Diverging trajectories among the big three

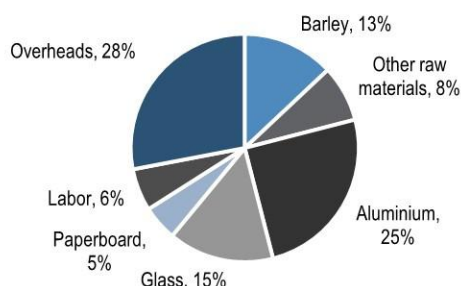
This channel migration has produced differentiated performance among the major brewers YTD. All three brewers are converging on a common playbook: optimizing product portfolios, extending strength in their respective advantaged segments, and building capabilities for the off-trade-dominated future of China's beer market.

- Bud China, historically over-indexed to nightlife and high-end dining channels, has been undergoing a strategic pivot since 2025 - refocusing on the Rmb 6–8 price band with core SKUs including Classic Budweiser, Hoegaarden, and Corona, while accelerating the recovery of the Harbin Beer brand. This transition has come at a cost: organic sales declined 11% in 2025 and remained negative at around -4% in 1Q26. However, early signs of stabilization emerged in April through the May Day holiday (per distributors), with sell-through growth of 1–2% in retail sales and volume growth of approximately 3% - suggesting a nascent recovery.
- CR Beer continues to deliver steady, positive momentum, leveraging its structural advantage in off-trade channels (70% off-trade mix - the highest among major players). The company is driving growth through its core brands - Brave the World, Pure Draft, Marris Green - and the premium Heineken series. Sales grew ~1% in 1Q26 and accelerated to ~2% from April onward, with volume growth of 2–3%, reflecting continued progress on premiumization upgrades (per distributors).
- Tsingtao, with a higher on-trade skew (60% on-trade / 40% off-trade), is navigating the channel shift by centering its strategy on Draft Beer as the hero SKU, targeting the Rmb 6–8 and Rmb 8+ craft segments, and expanding 1-liter formats tailored to family and home-banquet occasions. April sales grew 2.4% with volume up 3–4% (per distributors), indicating that its product structure optimization and format innovation are gaining traction.

Cost resilience: Beer margins better insulated than RTD beverages

Unlike the RTD beverage sector - where PET packaging constitutes a significant portion of COGS and leaves margins highly exposed to oil price volatility - China's beer industry benefits from a more diversified and resilient cost structure. The primary cost components for beer companies are aluminium (25%), overheads (28%), glass (15%), barley (13%), other raw materials (8%), labour (6%), and paperboard (5%). This diversification means no single commodity dominates the cost base to the extent that PET does for RTD players, providing a natural hedge against any one input price spike.

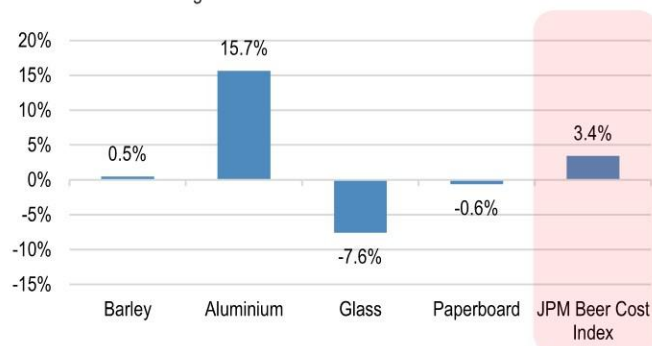
Figure 43: COGS breakdown of China beer companies



Source: J.P. Morgan estimates, Company data.

Figure 44: Our beer cost index shows 2026 YTD cost is slightly trending up with higher aluminum price partially offset by lower glass prices

2026 YTD vs. 2025 average



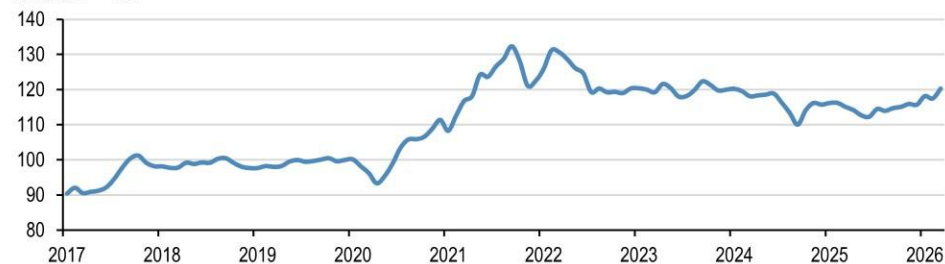
Source: JCI China, Shanghai Changjiang Metals Market, Zhengzhou Commodity Exchange, NBS, J.P. Morgan.

In the current cost inflation cycle, our proprietary JPM Beer Cost Index shows a modest 3.4% YTD increase versus the 2025 average - a manageable headwind rather than a margin-compressing force. The primary pressure point is aluminium (+15.7% YTD vs. 2025 average), but this has been partially offset by declining glass prices (-7.6%) and broadly stable barley (+0.5%) and paperboard (-0.6%). Historically, the beer cost index surged from a base of 100 (Dec 2019) to a peak of approximately 130 in 2022–2023 before moderating back to around 120 currently - a level that remains elevated versus pre-Covid but has stabilized and is well within the range that brewers can absorb through premiumization and operating leverage. In our view, this cost resilience - combined with ongoing ASP uplift from mix improvement - positions the beer sector for margin stability or modest expansion in 2026, in contrast to RTD peers facing more acute input cost headwinds from elevated oil and PET prices.

Figure 45: Beer cost slightly trending up but still at a manageable level

Beer cost index

Dec 2019 = 100



Source: JCI China, Shanghai Changjiang Metals Market, Zhengzhou Commodity Exchange, NBS, J.P. Morgan.

▼ Neutral

Previous: Overweight

9992.HK, 9992 HK

Price (28 May 26): HK\$161.50

▼ **Price Target (Jun-27): HK\$165.00**

Prior (Dec-26): HK\$350.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	13.04	9.02	-30.8%
Adj. EPS - 27E (Rmb)	15.66	10.27	-34.4%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	57	87	90	60	78
Growth	15	1	2	65	2
Momentum	93	2	1	91	53
Quality	5	22	40	72	3
Low Vol	86	77	80	90	97
ESGQ	9	4	2	-	-

Pop Mart - H

Moat intact, timing nuanced; assume coverage at Neutral

We are highly convinced of Pop Mart's leadership advantages and moats in a structurally growing industry: (1) a proven, hard-to-replicate ability to source, operate, and monetize artist IP globally; (2) meaningful pricing power and member loyalty – reflected in profitability (2026E GPM 69% and EBIT margin 39%, per JPMe); and (3) management's strategic consistency, long-term orientation, and market-driven "self-iteration" mindset. That said, at 15x 2026E P/E and 13x 2027E P/E (JPMe), valuation looks broadly fair against a de-rated China consumer benchmark (discretionaries at ~13x on average). While underlying fundamentals remain attractive (c. 30% NPM, ROAE >35%, 7–9% FCF yield, and net cash-to-equity ~80%), we expect meaningful short-term volatility as the market adjusts to the upcoming quarterly cadence over the next 6–9 months. We assume coverage at Neutral with a Jun-27 price target of HK\$165.

- Better setup than 2025.** We view today's setup as improved versus 2025. Since 2H25, management has been actively deflating scalper-driven secondary-market price bubbles through better-planned supply, optimizing the IP matrix for greater diversification and longevity, and investing in experiential infrastructure (prime retail stores and the Beijing theme park). Importantly, reliance on the No.1 IP is lower than in 2025. We estimate revenue reliance will fall to <25% in 2026 versus ~38% in 2025 (and ~60–70% in the US), while other IPs should contribute >70% of total revenue and deliver >30% yoy growth, more than offsetting a 20–30% sales decline in *The Monsters*. Newer hero IPs (*Twinkle Twinkle*, *CryBaby*) took only 1-2 years to exceed RMB2bn in revenue – much faster than the 6-7 years for *Molly*, *Dimoo* and *SkullPanda* (Figure 57) – reinforcing Pop Mart's know-how and moat in IP operation and commercialization on a global basis.
- Where is the next opportunity? (1) Overseas:** It is currently a tale of two cities – the key question is whether China's multi-IP momentum and high-touch customer engagement model can be replicated internationally. In the home market, performance has continued to beat market expectations YTD and we see scope for another 20-30% yoy growth in Mainland China in 2026. More importantly, underlying engagement metrics remain strong: members contributed >90% of sales, the repeat purchase rate reached 56%, and ARPU rose by >50% to Rmb292 in 2025 – and our channel checks suggest the momentum is still building. **(2) Localization:** We see three levers: content (partnering with local artists who understand local history, religion and culture), reach (opening prime-location retail stores), and engagement (offline activations such as exhibitions, signing events, and meet & greet, etc.).
- Where is the debate and what could surprise?** The key debate remains the longevity of the hero IP *The Monsters* and whether tier-2 IPs can offset any normalization. An associated concern is operating deleverage – specifically, whether overseas OPM could undershoot our conservative 2026E ~31% estimate (vs. ~52% in 2H25) (Figure 55). On the potential upside, expectations around incremental catalysts appear low. In Jan-2026, Coca Cola launched its cola products with *Labubu* image on the cans; *Labubu* also showed up in FIFA's *Goals* MV released in May-2026. Any additional breakout exposure could trigger a second wave of popularity, potentially improving sell-through and alleviating some overseas-margin concerns.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

- **Is it a good time to buy?** We think timing is nuanced. Post the 1Q26 update, the range of 2026 earnings forecasts has narrowed but remains wide at Rmb10bn (c. -20% yoy) to Rmb13bn (c. +3% yoy). Bloomberg consensus remains at Rmb14.3bn (c. +11% yoy), which we expect to be revised down (JPMe: Rmb12bn, c. -6% yoy) (Figure 60). Our near-term concern is the cadence: we foresee a downward trendline of ~15% growth in 2Q, followed by a ~17% decline in 3Q, before stabilization in 4Q (Figure 53). To frame entry sensitivity, we ran a stress test (Figure 46): if 2026 earnings were Rmb10bn (bear case), the current valuation implies ~17x 2026E P/E, versus ~15x in our base case and ~13x in a bull case. In our view, this skew supports a Neutral stance: quality is evident, but the near-term risk-reward looks balanced until earnings visibility improves.
- **We assume coverage with a Neutral rating and a Jun-27 price target of HK\$165**, based on 14x 2027E P/E, consistent with Pop Mart's four-year historical average. Our SOTP-based stress test (Figure 65) suggests that applying 15x 2026E P/E to the China business (less than 1x PEG on the back of 17% 2025-28E EPS CAGR) and 8x to the overseas business (a trough multiple for cyclicals) yields a fair value of HK\$140 (on 2026E) or HK\$160 (on 2027E); China alone implies HK\$124 or HK\$138 on 15x 2026E or 2027E P/E, levels at which the share price could find support, we believe. Key risks include delays or failures in new IP launches, challenges in overseas execution, cost inflation, and reputational risks.

Figure 46: Pop Mart – 2-year base case, bull case and bear case scenario analysis

FYE Dec 31 (Rmb mn)	Base case (JPMe)							Bull case			Bear case		
	2025	1Q26	2Q26E	3Q26E	4Q26E	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Total revenue	37,120	9,707	9,625	10,144	11,121	40,598	45,657	37,120	42,572	50,288	37,120	36,821	40,109
YoY	185%	76%	15%	-17%	1%	9%	12%	185%	15%	18%	185%	-1%	9%
* China PRC	20,852	6,610	6,440	6,633	6,954	26,636	28,836	20,852	27,107	31,173	20,852	25,022	27,524
YoY	135%	103%	28%	-1%	18%	28%	8%	135%	30%	15%	135%	20%	10%
* Overseas	16,268	3,098	3,186	3,511	4,167	13,961	16,821	16,268	15,465	19,114	16,268	11,799	12,584
YoY	292%	38%	-5%	-36%	-19%	-14%	20%	292%	-5%	24%	292%	-27%	7%
- Asia Pacific	8,011	1,578	1,595	1,787	2,101	7,060	7,866	8,011	8,011	9,213	8,011	6,409	6,729
YoY	158%	25%	0%	-31%	-19%	-12%	11%	158%	0%	15%	158%	-20%	5%
- Americas	6,806	1,240	1,267	1,368	1,577	5,453	6,733	6,806	5,785	7,232	6,806	4,084	4,288
YoY	748%	55%	-13%	-41%	-29%	-20%	23%	748%	-15%	25%	748%	-40%	5%
- Europe and others	1,451	280	323	356	489	1,448	2,221	1,451	1,669	2,670	1,451	1,306	1,567
YoY	506%	60%	7%	-41%	31%	0%	53%	506%	15%	60%	506%	-10%	20%
Gross profit	26,765					27,873	31,609	26,765	29,375	35,201	26,765	24,670	26,873
Gross margin	72.1%					68.7%	69.2%	72.1%	69.0%	70.0%	72.1%	67.0%	67.0%
Gross margin yoy	5.3%					-3.4%	0.6%	5.3%	-3.1%	1.0%	5.3%	-5.1%	0.0%
D&S cost	(8,082)					(9,865)	(11,095)	(8,082)	(9,366)	(10,560)	(8,082)	(9,205)	(9,626)
% of revenue	21.8%					24.3%	24.3%	21.8%	22.0%	21.0%	21.8%	25.0%	24.0%
G&A cost	(1,770)					(2,192)	(2,465)	(1,770)	(2,043)	(2,414)	(1,770)	(2,025)	(2,086)
% of revenue	4.8%					5.4%	5.4%	4.8%	4.8%	4.8%	4.8%	5.5%	5.2%
EBIT	16,890					15,979	18,233	16,890	18,129	22,412	16,890	13,603	15,345
YoY	307%					-5%	14%	307%	7%	24%	307%	-19%	13%
EBIT margin	45.5%					39.4%	39.9%	45.5%	42.6%	44.6%	45.5%	36.9%	38.3%
EBIT margin yoy	13.6%					-6.1%	0.6%	13.6%	3.2%	2.0%	13.6%	-3.6%	1.3%
Profit before tax	17,037					16,065	18,297	17,037	18,215	22,475	17,037	13,689	15,409
Income tax expense	(4,025)					(3,795)	(4,322)	(4,025)	(4,303)	(5,309)	(4,025)	(3,234)	(3,640)
Profit after tax	13,012					12,270	13,974	13,012	13,912	17,166	13,012	10,455	11,769
Minority interest	(236)					(223)	(254)	(236)	(253)	(312)	(236)	(190)	(214)
Net profit	12,776					12,047	13,721	12,776	13,659	16,854	12,776	10,265	11,555
Net margin	34.4%					29.7%	30.1%	34.4%	32.1%	33.5%	34.4%	27.9%	28.8%
Net profit (adjusted)	12,847					12,119	13,792	12,847	13,731	16,926	12,847	10,337	11,627
YoY	299%					-6%	14%	299%	7%	23%	299%	-20%	12%
Adj net margin	34.6%					29.9%	30.2%	34.6%	32.3%	33.7%	34.6%	28.1%	29.0%
Adj net margin yoy	9.9%					-4.8%	0.4%	9.9%	2.4%	1.4%	9.9%	-4.2%	0.9%
2025-27E Earnings CAGR													
	Base case		4%		Bull case		15%		Bear case		-5%		
Trading P/E multiple	15x		13x		13x		11x		17x		15x		
Target P/E multiple	14x		14x		18x		18x		12x		12x		
Fair value (HK\$)	\$145		\$165		\$210		\$260		\$106		\$120		
Implied up/(down)side	-6%		7%		36%		69%		-31%		-22%		

Note: Price as of 27 May 2026.

Source: Company data, J.P. Morgan estimates.

Price Performance



	YTD	1m	3m	12m
Abs	-14.0%	5.4%	-29.7%	-25.4%
Rel	-11.6%	8.0%	-23.6%	-33.0%

Company Data

Shares O/S (mn)	1,343
52-week range (HK\$)	339.80-140.10
Market cap (\$ mn)	27,683
Exchange rate	7.83
Free float (%)	55.0%
3M ADV (mn)	22.20
3M ADV (\$ mn)	473.1
Volatility (90 Day)	69
Index	HSI
BBG ANR (Buy Hold Sell)	39/5/3

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	37,120	40,598	45,657	50,002
Adj. EBITDA	18,008	17,325	19,808	21,828
Adj. EBIT	16,890	15,979	18,233	20,057
Adj. net income	12,847	12,119	13,792	15,212
Adj. EPS	9.64	9.02	10.27	11.33
BBG EPS	9.59	10.93	12.78	14.75
Cashflow from operations	10,865	13,562	17,070	17,400
FCFF	9,635	12,170	15,659	15,801
Margins and Growth				
Revenue Growth Y/Y (%)	184.7%	9.4%	12.5%	9.5%
Gross margin	72.1%	68.7%	69.2%	69.4%
EBITDA margin	48.5%	42.7%	43.4%	43.7%
EBIT margin	45.5%	39.4%	39.9%	40.1%
Adj. EPS growth	298.6%	(6.4%)	13.8%	10.3%
Ratios				
Adj. tax rate	23.6%	23.6%	23.6%	23.6%
Interest cover	NM	NM	3,241.0	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	99.3%	52.5%	42.2%	34.6%
ROE	78.0%	45.4%	37.8%	31.9%
Valuation				
FCFF yield	5.2%	6.5%	8.3%	8.4%
Dividend yield	1.7%	1.6%	1.8%	2.0%
EV/Revenue	4.3	3.7	3.1	2.6
EV/EBITDA	8.8	8.7	7.1	6.0
Adj. P/E	14.5	15.5	13.6	12.3

Summary Investment Thesis and Valuation

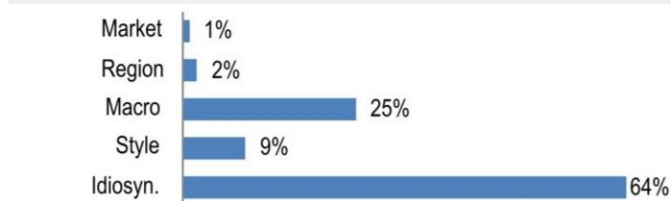
Investment Thesis

We are Neutral on Pop Mart. We are highly convinced of Pop Mart's leadership advantages and moats in a structurally growing industry: 1) a proven, hard-to-replicate ability to source, operate, and monetize artist IP globally; 2) meaningful pricing power and member loyalty; and 3) management's strategic consistency, long-term orientation, and market-driven "self-iteration" mindset. That said, at 15x 2026E P/E and 13x 2027E P/E (JPMe), valuation looks broadly fair against a de-rated China consumer benchmark (discretionaries at ~13x on average). While underlying fundamentals remain attractive, we expect meaningful short-term volatility as the market adjusts to the upcoming quarterly cadence over the next 6–9 months. Bloomberg consensus for 2026 earnings remains at Rmb14.3bn (c. +11% yoy), which we expect to be revised down (JPMe: Rmb12bn, c. -6% yoy). Our near-term concern is the cadence: we foresee a downward trendline of ~15% growth in 2Q, followed by a ~17% decline in 3Q, before stabilization in 4Q. In our view, this skew supports a Neutral stance: quality is evident, but the near-term risk-reward looks balanced until earnings visibility improves.

Valuation

Our Jun-27 PT of HK\$165 is based on 14x target 2027E P/E against 14% earnings growth, in line with its historical average 12-month forward rolling P/E in the past four years. This implies c. 1x PEG, in line with global peers' (including Disney, Mattel, Hasbro, Sanrio and Bandai) average of 1x 2027E PEG (BBG consensus). The stock is currently trading at 14.5x 2026E P/E (vs historical high at close to 30x in Aug 2025).

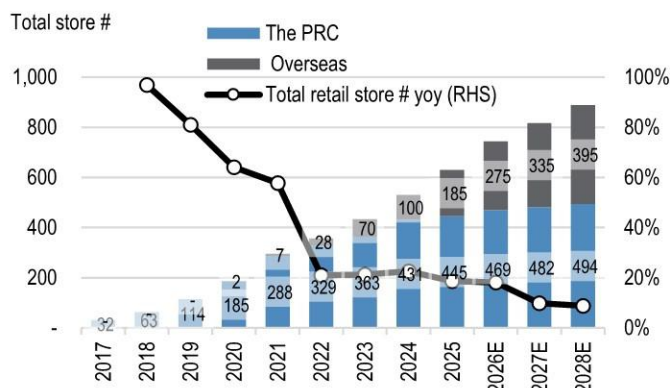
Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.14	0.07
Region: Hong Kong	-0.06	0.14
Macro:		
JP Morgan GBI-EM Global Div	0.41	0.42
JPM EM Currency(EMCI) Fixing	0.28	0.24
Generic 1st 'CO' Future	-0.38	-0.23
Quant Styles:		
LowVol	0.36	0.28
DivYld	0.23	0.22
Value	0.26	0.22

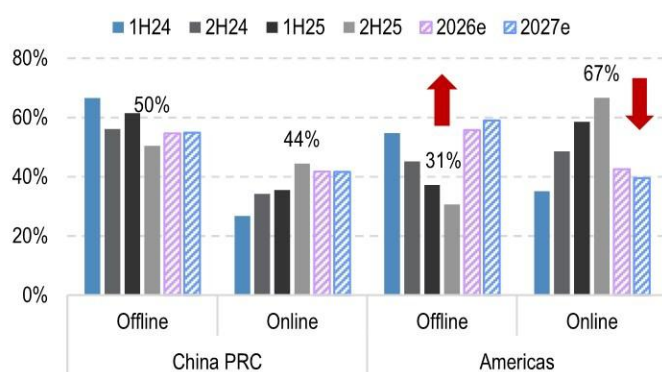
Key charts

Figure 47: Pop Mart is still in an early stage of its overseas expansion with only 185 overseas stores at end-2025 (vs 445 in China)



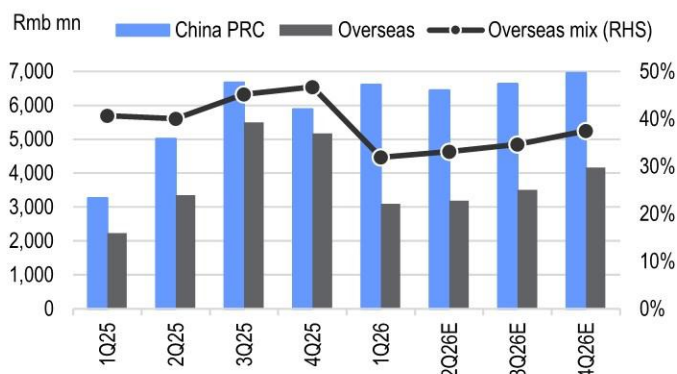
Source: Company data, J.P. Morgan estimates.

Figure 49: Channel mix is more balanced in China, while online channels overshot in the Americas – needs to be addressed in 2026



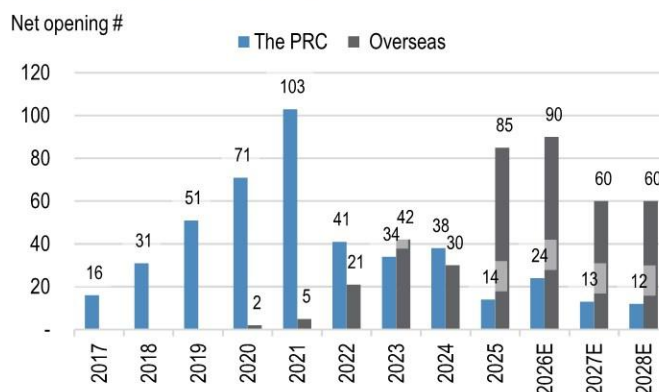
Source: Company data, J.P. Morgan estimates.

Figure 51: We expect overseas and China revenue to sequentially improve in the next few quarters...



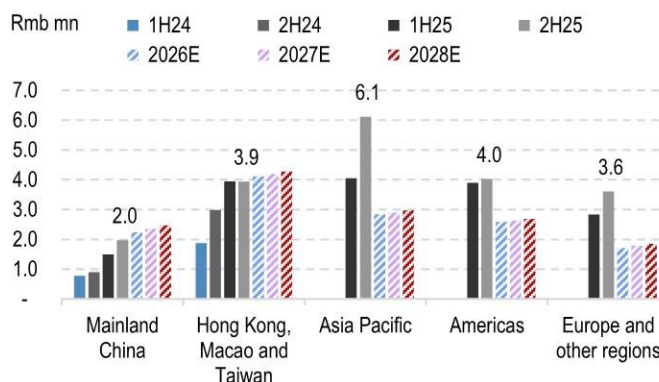
Source: Company data, J.P. Morgan estimates.

Figure 48: 2025 was a booster of overseas demand, and Pop Mart is set to go further by opening more stores



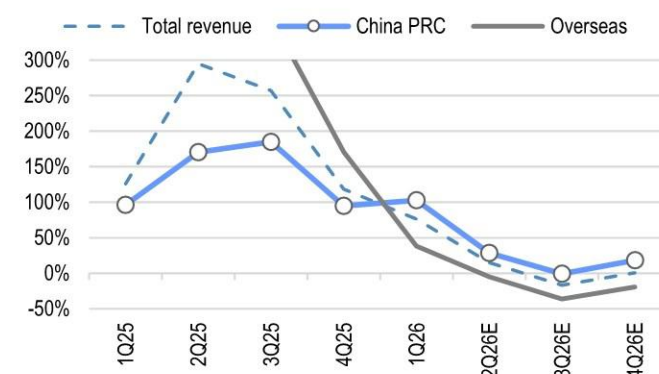
Source: Company data, J.P. Morgan estimates.

Figure 50: Overseas monthly revenue per store should normalize from 2026 after surge in 2025



Source: Company data, J.P. Morgan estimates.

Figure 52: ...and yoy growth to stabilize in 4Q26, after a double-digit yoy sales decline in 3Q26 on a tough base



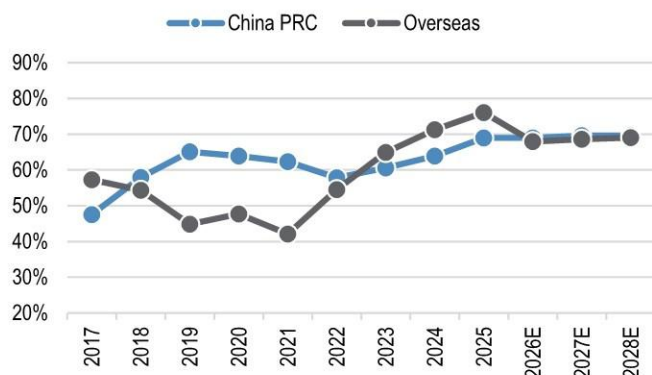
Source: Company data, J.P. Morgan estimates.

Figure 53: Quarterly revenue by channels

FYE Dec 31 (Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E
Revenue YoY (JPMe)								
Total revenue	126%	295%	257%	118%	76%	15%	-17%	1%
China PRC	96%	170%	185%	95%	103%	28%	-1%	18%
Overseas	475%	410%	360%	171%	38%	-5%	-36%	-19%
- Asia Pacific	345%	210%	170%	90%	25%	0%	-31%	-19%
- Americas	895%	1337%	1265%	392%	55%	-13%	-41%	-29%
- Europe and others	600%	610%	735%	273%	60%	7%	-41%	31%
Revenue QoQ (JPMe)								
Total revenue	9%	52%	45%	-9%	-12%	-1%	5%	10%
China	8%	54%	33%	-12%	12%	-3%	3%	5%
Overseas	17%	50%	64%	-6%	-40%	3%	10%	19%
- Asia Pacific	-7%	26%	62%	0%	-39%	1%	12%	18%
- Americas	78%	83%	59%	-5%	-44%	2%	8%	15%
- Europe and others	75%	73%	99%	-38%	-25%	16%	10%	37%
Quarterly run-rate								
Total revenue	15%	23%	33%	30%	24%	24%	25%	27%
China PRC	16%	24%	32%	28%	25%	24%	25%	26%
Overseas	14%	21%	34%	32%	22%	23%	25%	30%
- Asia Pacific	16%	20%	32%	32%	22%	23%	25%	30%
- Americas	12%	22%	34%	33%	23%	23%	25%	29%
- Europe and others	12%	21%	41%	26%	19%	22%	25%	34%

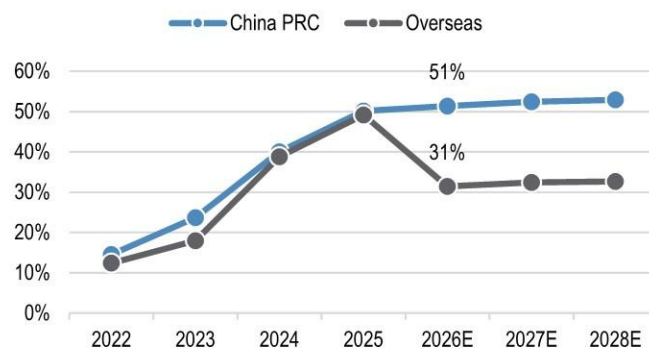
Source: Company data, J.P. Morgan estimates.

Figure 54: We expect China and overseas gross margin to stabilize at 68%-70% in 2026E-28E



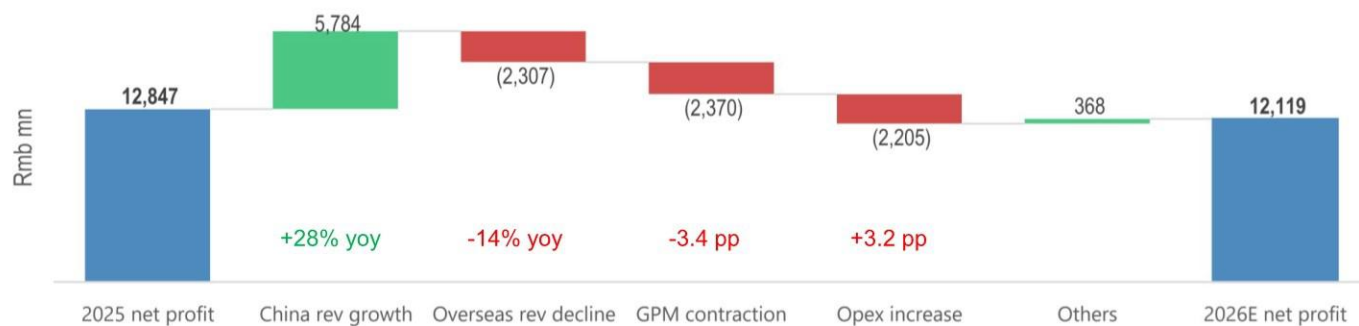
Source: Company data, J.P. Morgan estimates.

Figure 55: While China operating margin will be relatively stable, overseas operating margin will decline to 31% in 2026E from 49% in 2025, and gradually improve afterwards



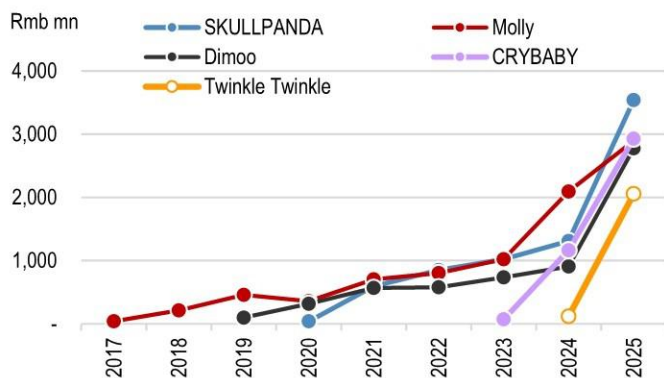
Source: Company data, J.P. Morgan estimates.

Figure 56: Pop Mart – Our base case 2026 net profit waterfall chart



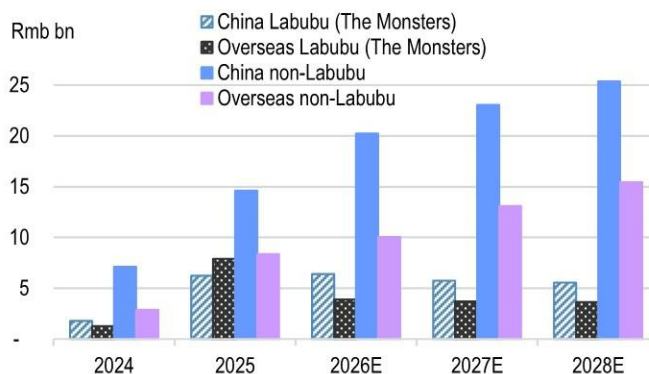
Source: Company data, J.P. Morgan estimates.

Figure 57: Pop Mart has proven its capability in the commercialization of artist IPs, with revenue scale of Molly, Skullpanda and Dimoo reaching historical high in Pop Mart's hands



Source: Company data.

Figure 58: We expect 20% and 23% revenue CAGRs from non-Labubu IPs in China and overseas markets in 2025-28E



Source: Company data, J.P. Morgan estimates.

Earnings forecasts

Figure 59: Pop Mart – Key assumptions and operating metrics

FYE Dec 31 (Rmb mn)	2024	2025	2026E	2027E	2028E	26-28E CAGR	1H25	2H25	1H26E	2H26E
Store count										
Retail store	531	630	744	817	889	9%	571	630	681	744
Mainland China	401	410	430	440	450		409	410	420	430
Hong Kong, Macao and Taiwan	30	35	39	42	44		34	35	37	39
Overseas	100	185	275	335	395		128	185	224	275
Roboshop	2,492	2,637	2,764	2,891	3,018	4%	2,597	2,637	2,690	2,764
Net opening										
Retail store	98	99	114	73	72		40	59	51	63
Mainland China	38	9	20	10	10		8	1	10	10
Hong Kong, Macao and Taiwan	30	5	4	3	2		4	1	2	2
Overseas	30	85	90	60	60		28	57	39	51
Roboshop	203	145	127	127	127		105	40	53	74
Revenue by Region										
The PRC	8,886	20,852	26,636	28,836	30,939	8%	8,283	12,569	13,049	13,587
Overseas	4,151	16,268	13,961	16,821	19,063	17%	5,593	10,675	6,283	7,678
Asia Pacific	3,110	8,011	7,060	7,866	8,478		2,851	5,160	3,173	3,887
Americas	802	6,806	5,453	6,733	7,604		2,265	4,541	2,507	2,946
Europe and other regions	239	1,451	1,448	2,221	2,981		478	973	603	845
Total	13,038	37,120	40,598	45,657	50,002	11%	13,876	23,244	19,332	21,265
YoY change										
The PRC		135%	28%	8%	7%		135%	134%	58%	8%
Overseas		292%	-14%	20%	13%		434%	244%	12%	-28%
Asia Pacific		158%	-12%	11%	8%		258%	123%	11%	-25%
Americas		748%	-20%	23%	13%		1142%	633%	11%	-35%
Europe and other regions		506%	0%	53%	34%		607%	467%	26%	-13%
Total		185%	9%	12%	10%		204%	174%	39%	-9%
FYE Dec 31 (Rmb mn)	2024	2025	2026E	2027E	2028E	26-28E CAGR	1H25	2H25	1H26E	2H26E
Total revenue	13,038	37,120	40,598	45,657	50,002	11%	13,876	23,244	19,332	21,265
YoY %	107%	185%	9%	12%	10%		204%	174%	39%	-9%
Gross margin	66.8%	72.1%	68.7%	69.2%	69.4%		70.3%	73.2%	68.7%	68.7%
Operating profit	4,154	16,890	15,979	18,233	20,057	12%	6,044	10,847	7,456	8,523
YoY %	238%	307%	-5%	14%	10%		437%	258%	23%	-21%
Operating margin	31.9%	45.5%	39.4%	39.9%	40.1%		43.6%	46.7%	38.6%	40.1%
Reported net profit	3,125	12,776	12,047	13,721	15,141	12%	4,574	8,201	5,623	6,424
YoY %	189%	309%	-6%	14%	10%		396%	272%	23%	-22%
Reported net margin	24.0%	34.4%	29.7%	30.1%	30.3%		33.0%	35.3%	29.1%	30.2%
Adj. net profit	3,220	12,847	12,119	13,792	15,212	12%	4,602	8,245	5,659	6,460
YoY %	172%	299%	-6%	14%	10%		372%	267%	23%	-22%
Adj. net margin	24.7%	34.6%	29.9%	30.2%	30.4%		33.2%	35.5%	29.3%	30.4%
Adj. EPS - basic (Rmb)	2.43	9.66	9.02	10.27	11.33	12%	3.46	6.20	4.21	4.81
YoY %	174%	298%	-7%	14%	10%		371%	271%	22%	-22%

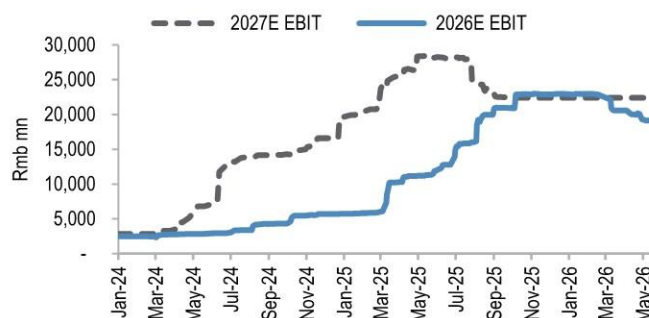
Source: Company data, J.P. Morgan estimates.

Figure 60: Pop Mart – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPMe			Bloomberg consensus			JPMe vs. consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	40,598	45,657	50,002	44,059	51,166	58,200	-7.9%	-10.8%	-14.1%
YoY	9.4%	12.5%	9.5%	18.7%	16.1%	13.7%			
Gross profits	27,873	31,609	34,706	31,148	36,294	41,350	-10.5%	-12.9%	-16.1%
YoY	4.1%	13.4%	9.8%	16.4%	16.5%	13.9%			
<i>Gross margin</i>	<i>68.7%</i>	<i>69.2%</i>	<i>69.4%</i>	<i>70.7%</i>	<i>70.9%</i>	<i>71.0%</i>	<i>-2.0pp</i>	<i>-1.7pp</i>	<i>-1.6pp</i>
Operating profit	15,979	18,233	20,057	19,203	22,504	25,698	-16.8%	-19.0%	-21.9%
YoY	-5.4%	14.1%	10.0%	13.7%	17.2%	14.2%			
<i>Operating margin</i>	<i>39.4%</i>	<i>39.9%</i>	<i>40.1%</i>	<i>43.6%</i>	<i>44.0%</i>	<i>44.2%</i>	<i>-4.2pp</i>	<i>-4.0pp</i>	<i>-4.0pp</i>
Adj. net profit	12,119	13,792	15,212	14,314	16,712	19,196	-15.3%	-17.5%	-20.8%
YoY	-5.7%	13.8%	10.3%	11.4%	16.8%	14.9%			
<i>Adj. net margin</i>	<i>29.9%</i>	<i>30.2%</i>	<i>30.4%</i>	<i>32.5%</i>	<i>32.7%</i>	<i>33.0%</i>	<i>-2.6pp</i>	<i>-2.5pp</i>	<i>-2.6pp</i>
Adj. EPS (Rmb)	9.02	10.27	11.33	10.93	12.78	14.75	-17.5%	-19.6%	-23.2%
YoY	-6.6%	13.8%	10.3%	13.2%	16.9%	15.4%			

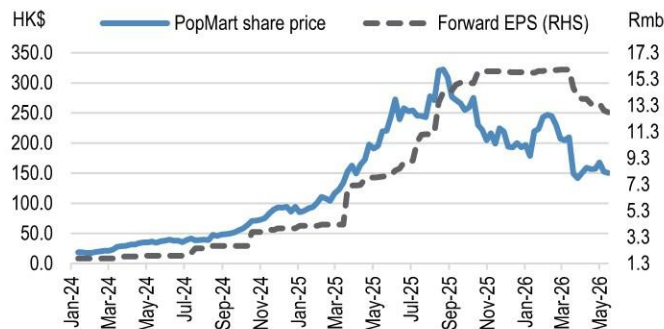
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 61: Pop Mart – Consensus EBIT revisions



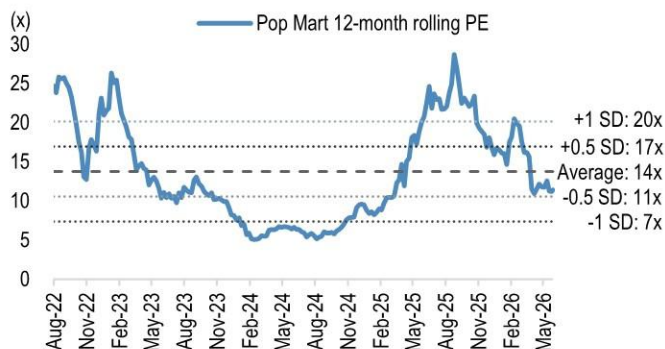
Source: Bloomberg Finance L.P. estimates.

Figure 62: Pop Mart – Share price vs consensus forward EPS



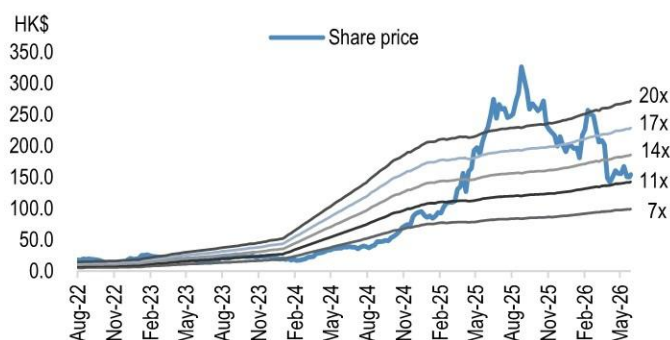
Source: Bloomberg Finance L.P.

Figure 63: Pop Mart 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 64: Pop Mart 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 65: Pop Mart SOTP-based stress valuation test: 15x target 2026E P/E on China business (17% CAGR) and 8x on overseas business (trough valuation for cyclicals) implies a fair value of HK\$140; China alone = HK\$124

FYE Dec 31 (Rmb mn)	2024	2025	2026E	2027E	2028E	25-28E CAGR
Revenue	13,038	37,120	40,598	45,657	50,002	10%
China PRC	8,886	20,852	26,636	28,836	30,939	14%
Overseas	4,151	16,268	13,961	16,821	19,063	5%
* Asia Pacific	3,110	8,011	7,060	7,866	8,478	2%
* Americas	802	6,806	5,453	6,733	7,604	4%
* Europe and other regions	239	1,451	1,448	2,221	2,981	27%
NPM estimates	24.7%	34.6%	29.9%	30.2%	30.4%	
China PRC	24.7%	35.0%	36.3%	37.3%	37.8%	
Overseas	24.7%	34.1%	17.6%	18.1%	18.5%	
* Asia Pacific	24.7%	34.0%	17.3%	18.2%	18.5%	
* Americas	25.0%	34.0%	15.3%	16.2%	16.5%	
* Europe and other regions	23.7%	35.2%	27.7%	23.4%	23.7%	
Estimated core net profit	3,220	12,847	12,119	13,792	15,212	6%
China PRC	2,195	7,298	9,664	10,750	11,689	17%
Overseas	1,025	5,549	2,455	3,042	3,523	
* Asia Pacific	768	2,724	1,220	1,432	1,565	-17%
* Americas	201	2,314	834	1,091	1,251	-19%
* Europe and other regions	57	511	401	519	708	11%
Core net profit yoy%		299%	-6%	14%	10%	
China PRC		232%	32%	11%	9%	
Overseas		441%	-56%	24%	16%	
* Asia Pacific		255%	-55%	17%	9%	
* Americas		1054%	-64%	31%	15%	
* Europe and other regions		802%	-22%	30%	36%	
Target PE multiple (x)		12.0	13.6	13.5		
China PRC		15	15	15		
Overseas		8	8	8		
* Asia Pacific		8	8	8		
* Americas		8	8	8		
* Europe and other regions		8	8	8		
Fair Value (Rmb mn)		153,865	164,596	185,590		
China PRC		109,472	144,959	161,255		
Overseas		44,394	19,637	24,335		
* Asia Pacific		21,790	9,763	11,454		
* Americas		18,513	6,668	8,727		
* Europe and other regions		4,091	3,205	4,154		
Fair Value per share (HK\$)		130	140	160		
China PRC		94	124	138		
Overseas		37.9	16.8	20.8		
* Asia Pacific		18.6	8.3	9.8		
* Americas		15.8	5.7	7.5		
* Europe and other regions		3.5	2.7	3.5		
% of total Fair Value						
China PRC		72%	88%	86%		
Overseas		29%	12%	13%		
* Asia Pacific		14%	6%	6%		
* Americas		12%	4%	5%		
* Europe and other regions		3%	2%	2%		

Note: Our Jun-27 PT of HK\$165 is based on 14x target 2027E P/E. Red text refers to JPMe.
Source: Company data, J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

Pop Mart - H (Neutral; Price Target: HK\$165.00)

Investment Thesis

We are Neutral on Pop Mart. We are highly convinced of Pop Mart's leadership advantages and moats in a structurally growing industry: 1) a proven, hard-to-replicate ability to source, operate, and monetize artist IP globally; 2) meaningful pricing power and member loyalty; and 3) management's strategic consistency, long-term orientation, and market-driven "self-iteration" mindset. That said, at 15x 2026E P/E and 13x 2027E P/E (JPMe), valuation looks broadly fair against a de-rated China consumer benchmark (discretionaries at ~13x on average). While underlying fundamentals remain attractive, we expect meaningful short-term volatility as the market adjusts to the upcoming quarterly cadence over the next 6–9 months. Bloomberg consensus for 2026 earnings remains at Rmb14.3bn (c. +11% yoy), which we expect to be revised down (JPMe: Rmb12bn, c. -6% yoy). Our near-term concern is the cadence: we foresee a downward trendline of ~15% growth in 2Q, followed by a ~17% decline in 3Q, before stabilization in 4Q. In our view, this skew supports a Neutral stance: quality is evident, but the near-term risk-reward looks balanced until earnings visibility improves.

Valuation

Our Jun-27 PT of HK\$165 is based on 14x target 2027E P/E against 14% earnings growth, in line with its historical average 12-month forward rolling P/E in the past four years. This implies c. 1x PEG, in line with global peers' (including Disney, Mattel, Hasbro, Sanrio and Bandai) average of 1x 2027E PEG (BBG consensus). The stock is currently trading at 14.5x 2026E P/E (vs historical high at close to 30x in Aug 2025).

Risks to Rating and Price Target

Key upside risks include: successful launches of new super IP, expansion of licensing business, category expansion, and faster recovery of overseas business.

Key downside risks: include delays or failures in new IP launches, overseas execution challenges, cost inflation, and geopolitical and regulatory risks.



Pop Mart - H: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	13,038	37,120	40,598	45,657	50,002	Cash flow from operating activities	4,954	10,865	13,562	17,070	17,400
COGS	(4,330)	(10,355)	(12,725)	(14,048)	(15,296)	o/w Depreciation & amortization	863	1,118	1,346	1,575	1,771
Gross profit	8,708	26,765	27,873	31,609	34,706	o/w Changes in working capital	253	(3,317)	(282)	1,179	(192)
SG&A	(4,598)	(9,853)	(12,057)	(13,560)	(14,851)	Cash flow from investing activities	9	(989)	(1,414)	(1,457)	(1,601)
Adj. EBITDA	5,017	18,008	17,325	19,808	21,828	o/w Capital expenditure	(517)	(1,172)	(1,380)	(1,415)	(1,550)
D&A	(863)	(1,118)	(1,346)	(1,575)	(1,771)	as % of sales	4.0%	3.2%	3.4%	3.1%	3.1%
Adj. EBIT	4,154	16,890	15,979	18,233	20,057	Cash flow from financing activities	(959)	(1,767)	(4,482)	(4,849)	(5,480)
Net Interest	163	76	16	(6)	63	o/w Dividends paid	(378)	(1,083)	(3,194)	(3,012)	(3,430)
Adj. PBT	4,366	17,037	16,065	18,297	20,190	o/w Shares issued/(repurchased)	(78)	0	0	0	0
Tax	(1,057)	(4,025)	(3,795)	(4,322)	(4,770)	o/w Net debt issued/(repaid)	-	-	-	-	-
Minority Interest	(183)	(236)	(223)	(254)	(280)	Net change in cash	4,031	7,666	7,667	10,764	10,318
Adj. Net Income	3,220	12,847	12,119	13,792	15,212	Adj. Free cash flow to firm	4,314	9,635	12,170	15,659	15,801
Reported EPS	2.35	9.58	8.97	10.22	11.27	y/y Growth	191.2%	123.4%	26.3%	28.7%	0.9%
Adj. EPS	2.42	9.64	9.02	10.27	11.33						
DPS	0.81	2.38	2.24	2.55	2.82						
Payout ratio	34.7%	24.8%	25.0%	25.0%	25.0%						
Shares outstanding	1,332	1,333	1,343	1,343	1,343						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,109	13,775	21,442	32,206	42,524	Gross margin	66.8%	72.1%	68.7%	69.2%	69.4%
Accounts receivable	478	921	1,008	1,133	1,241	EBITDA margin	38.5%	48.5%	42.7%	43.4%	43.7%
Inventories	1,525	5,473	6,143	5,209	5,669	EBIT margin	31.9%	45.5%	39.4%	39.9%	40.1%
Other current assets	4,125	4,745	4,275	4,377	4,464	Net profit margin	24.7%	34.6%	29.9%	30.2%	30.4%
Current assets	12,236	24,915	32,867	42,924	53,898	ROE	34.9%	78.0%	45.4%	37.8%	31.9%
PP&E	739	1,418	1,984	2,489	3,013	ROA	25.9%	54.7%	32.4%	28.1%	24.6%
LT investments	549	485	500	515	530	ROCE	57.2%	99.3%	52.5%	42.2%	34.6%
Other non current assets	1,347	5,284	7,452	9,269	10,815	SG&A/Sales	35.3%	26.5%	29.7%	29.7%	29.7%
Total assets	14,871	32,101	42,803	55,197	68,257	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	-	-	-	-	-	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	1,010	1,858	1,890	2,084	2,268	Sales/Assets (x)	1.0	1.6	1.1	0.9	0.8
Other short term liabilities	2,360	5,310	7,043	7,917	8,627	Assets/Equity (x)	1.3	1.4	1.4	1.3	1.3
Current liabilities	3,370	7,168	8,933	10,001	10,895	Interest cover (x)	NM	NM	NM	3,241.0	NM
Long-term debt	-	-	-	-	-	Operating leverage	222.2%	166.0%	(57.6%)	113.2%	105.1%
Other long term liabilities	616	2,281	2,142	2,505	2,680	Tax rate	24.2%	23.6%	23.6%	23.6%	23.6%
Total liabilities	3,986	9,449	11,074	12,506	13,575	Revenue y/y Growth	106.9%	184.7%	9.4%	12.5%	9.5%
Shareholders' equity	10,684	22,278	31,131	41,840	53,550	EBITDA y/y Growth	164.2%	258.9%	(3.8%)	14.3%	10.2%
Minority interests	201	375	598	851	1,131	EPS y/y Growth	173.7%	298.6%	(6.4%)	13.8%	10.3%
Total liabilities & equity	14,871	32,101	42,803	55,197	68,257						
BVPS	7.96	16.59	23.18	31.16	39.88						
y/y Growth	38.0%	108.5%	39.7%	34.4%	28.0%						
Net debt/(cash)	(3,537)	(3,453)	(3,453)	(3,454)	(3,455)						
						Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	57.8	14.5	15.5	13.6	12.3
						P/BV (x)	17.6	8.4	6.0	4.5	3.5
						EV/EBITDA (x)	33.1	8.8	8.7	7.1	6.0
						Dividend Yield	0.6%	1.7%	1.6%	1.8%	2.0%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

MNSO, MNSO US

Price (27 May 26):\$12.47

▼ **Price Target (Jun-27):\$16.00**

Prior (Dec-26):\$26.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	11.50	8.30	-27.8%
Adj. EPS - 27E (Rmb)	13.73	10.95	-20.3%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	24	41	26	43	83
Growth	26	10	2	51	10
Momentum	87	30	71	1	89
Quality	37	15	13	36	22
Low Vol	89	94	94	97	98

Miniso - ADR

Parkification drives the next growth wave; assume coverage at Overweight

We assume coverage of Miniso with an Overweight rating and a Jun-27 price target of US\$16, as the company enters its third strategic phase –“parkification” – anchored by immersive, large-format stores and a robust, multi-IP platform. Three key drivers underpin our positive view: (1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; (2) resilient SSSG, with China 1Q26 SSSG up HSD% and Overseas SSSG up LSD%; and (3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks. The stock trades at c.10x 2026E P/E, offering an attractive entry point as Miniso pivots from “store count” to “store quality” and global IP monetization.

- **Evolution from 1.0 (rapid global expansion) to 2.0 (IP-driven interest consumption) and now 3.0 (“parkification”/ experiential upgrade)** positions it at the forefront of new retail, in our view. The company is leveraging larger, immersive stores to house more IP categories and drive emotional engagement, with 26 “Miniso Land” stores opened in China in 2025 and the first overseas “Miniso Land” store launched in Thailand. The global store base reached 8,210 by end of 1Q26, with 450-500 net new stores planned for 2026 (60-80 in China, 350 overseas). China’s growth engine is shifting from new store openings to same-store productivity, driven by supply chain efficiency, product innovation, and aggressive store upgrades – 290 stores optimized in 2025, boosting efficiency by 40–50%.
- **1Q26 revenue grew 28% yoy, with Miniso China up 32%, overseas up 22%, and Top Toy up 51%.** Adjusted operating profit (ex FX and other non-core items) rose 14% to Rmb838mn (OPM 14.7%, down 1.8pp yoy). For 2026, management guides for high-teens revenue growth, LSD SSSG for both China and North America. US operations are expected to accelerate, with OPM improvement in 2H26. The company’s IP strategy is scaling: self-developed IPs (e.g., Yoyo 酱) are gaining traction, with 30–40 IPs in reserve and a new business group dedicated to end-to-end IP management.
- **We assume coverage with an Overweight rating and a Jun-27 price target of US\$16,** based on 10x 2027E P/E, at 30% discount to Pop Mart (14x) given less branding and bargaining power and margin visibility. The stock trades at c.10x 2026E P/E, with a 5% dividend yield and ongoing buybacks. Key upside catalysts include: (1) successful global rollout of “Miniso Land” stores; (2) further IP monetization and new product launches; (3) margin inflection in the US and Europe; and (4) a turnaround in Southeast Asia and Mexico. Key risks: (1) slower-than-expected store expansion or SSSG; (2) margin pressure from direct store investments; (3) overseas execution and macro headwinds; and (4) ongoing drag from non-core items (Yonghui, CB-related costs).

Price Performance



	YTD	1m	3m	12m
Abs	-33.5%	-16.5%	-30.8%	-28.4%
Rel	-32.3%	-14.2%	-25.9%	-36.7%

Company Data

Shares O/S (mn)	308
52-week range (\$)	26.74-12.31
Market cap (\$ mn)	3,846
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	0.47
3M ADV (\$ mn)	7.5
Volatility (90 Day)	35
Index	HSI
BBG ANR (Buy Hold Sell)	19 2 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	21,444	25,606	29,443	33,458
Adj. EBITDA	4,509	5,889	5,899	6,460
Adj. EBIT	3,303	4,426	4,376	4,929
Adj. net income	2,898	2,584	3,406	3,792
Adj. EPS	9.40	8.30	10.95	12.19
BBG EPS	9.15	9.74	10.85	12.61
Cashflow from operations	2,578	5,933	5,023	5,543
FCFF	1,580	5,421	4,434	4,874
Margins and Growth				
Revenue Growth Y/Y (%)	26.2%	19.4%	15.0%	13.6%
Gross margin	45.0%	44.5%	44.3%	44.4%
EBITDA margin	21.0%	23.0%	20.0%	19.3%
EBIT margin	15.4%	17.3%	14.9%	14.7%
Adj. EPS growth	7.7%	(11.6%)	31.8%	11.3%
Ratios				
Adj. tax rate	36.8%	25.0%	25.0%	25.0%
Interest cover	13.8	18.4	18.4	18.0
Net debt/Equity	NM	0.1	0.2	0.2
Net debt/EBITDA	NM	0.2	0.4	0.5
ROCE	12.0%	14.5%	12.9%	13.4%
ROE	27.7%	22.5%	26.1%	25.8%
Valuation				
FCFF yield	6.1%	20.6%	16.9%	18.5%
Dividend yield	5.5%	4.9%	6.5%	7.2%
EV/Revenue	0.9	0.9	0.8	0.7
EV/EBITDA	4.3	3.8	3.9	3.7
Adj. P/E	9.0	10.2	7.7	6.9

Summary Investment Thesis and Valuation

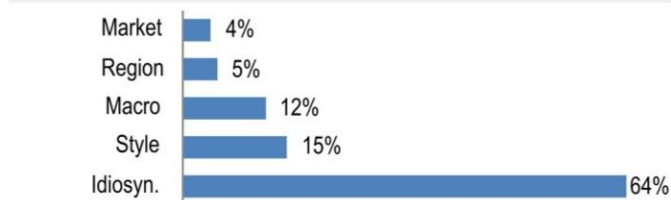
Investment Thesis

We have an OW rating. Miniso is a fast-growing global retailer of lifestyle products (mainly blind boxes, plush toys, fragrance and travel) across 8,485 stores (as of end-2025). The company is entering its third strategic phase, “parkification”, anchored by immersive, large-format stores and a robust, multi-IP platform. Miniso’s 4Q25 results highlight the success of this transition: revenue grew 32.7% yoy, with China up 25%, overseas up 31%, and Top Toy up 112%. Three key drivers underpin our positive view: 1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; 2) resilient SSSG, with China 4Q25 SSSG at 15% and US SSSG over 20%; and 3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks.

Valuation

The stock is trading at 7-8x 2027E P/E, over 1STD below its historical average of 14x and global peers’ average of 13x, which we think is over-punished by the market. With c.10% core 2025-27E EPS growth and 6.5% dividend yield (2027E), Miniso should be able to gradually regain confidence after several quarters of the “Yonghui acquisition”, which we expect to support a P/E mean reversion. Our Jun-27 PT of US\$16 is based on 10x 2027E P/E, in line with 1STD below its historical average 12-month rolling P/E in the past four years, which we consider fair given declining operating margins through DTC transformation in overseas markets and associated uncertainties on margin trends.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.18	0.18
Region: China	0.00	0.27
Macro:		
JPM China A-shares Sentiment	0.39	0.31
Citi Economic Surprise - EM	-0.36	-0.22
JPM Global Equity Sentiment	-0.13	0.18
Quant Styles:		
Momentum	-0.58	-0.24
Size	-0.40	-0.20
Value	0.27	-0.12

Figure 66: Miniso – Key assumptions and operating metrics

FYE Dec 31 (Rmb mn)	2024	2025	2026E	2027E	2028E	25-28E CAGR	1Q25	2Q25	3Q25	4Q25	1Q26
Total store count	7,780	8,485	9,015	9,495	9,925	5%	7,768	7,905	8,138	8,485	8,565
Miniso	7,504	8,151	8,621	9,041	9,411	5%	7,488	7,612	7,831	8,151	8,210
China	4,386	4,568	4,688	4,808	4,928	3%	4,275	4,305	4,407	4,568	4,593
Overseas	3,118	3,583	3,933	4,233	4,483	8%	3,213	3,307	3,424	3,583	3,617
Top Toy	276	334	394	454	514	15%	280	293	307	334	355
YoY change	19%	9%	6%	5%	5%		14%	12%	10%	9%	10%
Miniso	17%	9%	6%	5%	4%		13%	11%	9%	9%	10%
China	12%	4%	3%	3%	2%		6%	5%	4%	4%	7%
Overseas	25%	15%	10%	8%	6%		24%	20%	17%	15%	13%
Top Toy	86%	21%	18%	15%	13%		75%	50%	31%	21%	27%
Net opening	1,219	705	530	480	430		(12)	137	233	347	80
Miniso	1,091	647	470	420	370		(16)	124	219	320	59
China	460	182	120	120	120		(111)	30	102	161	25
Overseas	631	465	350	300	250		95	94	117	159	34
Top Toy	128	58	60	60	60		4	13	14	27	21
Revenue by brand	16,994	21,444	25,606	29,443	33,458	16%	4,427	4,966	5,797	6,254	5,688
Miniso	16,003	19,525	22,745	25,711	28,772	14%	4,086	4,563	5,221	5,654	5,173
Top Toy	983	1,916	2,858	3,728	4,681	35%	340	402	575	599	514
Others	8	3	4	4	4	10%	1	1	1	1	1
YoY change	23%	26%	19%	15%	14%		19%	23%	28%	33%	28%
Miniso	22%	22%	16%	13%	12%		17%	20%	23%	28%	27%
Top Toy	45%	95%	49%	30%	26%		59%	87%	111%	112%	51%
Others	-79%	-58%	10%	10%	10%		-54%	-70%	-56%	-53%	-65%
FYE Dec 31 (Rmb mn)	2024	2025	2026E	2027E	2028E	25-28E CAGR	1Q25	2Q25	3Q25	4Q25	1Q26
Total revenue	16,994	21,444	25,606	29,443	33,458	16%	4,427	4,966	5,797	6,254	5,688
YoY %	23%	26%	19%	15%	14%		19%	23%	28%	33%	28%
Gross margin	44.9%	45.0%	44.5%	44.3%	44.4%		44.2%	44.3%	44.7%	46.4%	43.3%
Adj. operating profit	3,394	3,665	3,884	4,461	5,014	11%	733	839	1,040	1,053	838
YoY %	18%	8%	6%	15%	12%		-5%	7%	18%	10%	14%
Adj. operating margin	20.0%	17.1%	15.2%	15.2%	15.0%		16.6%	16.9%	17.9%	16.8%	14.7%
Reported net profit	2,618	1,205	3,011	3,177	3,648	45%	416	490	441	(142)	1,251
YoY %	16%	-54%	150%	6%	15%		-29%	-17%	-31%	-118%	200%
Reported net margin	15.4%	5.6%	11.8%	10.8%	10.9%		9.4%	9.9%	7.6%	-2.3%	22.0%
Adj. net profit	2,714	2,892	2,832	3,406	3,792	9%	586	679	784	844	633
YoY %	16%	7%	-2%	20%	11%		-4%	9%	16%	5%	8%
Adj. net margin	16.0%	13.5%	11.1%	11.6%	11.3%		13.2%	13.7%	13.5%	13.5%	11.1%
Adj. EPADS - basic (Rmb)	8.78	9.45	8.35	11.01	12.26	9%	1.92	2.24	2.48	2.80	1.80
YoY %	16%	8%	-12%	32%	11%		-2%	12%	13%	9%	-6%

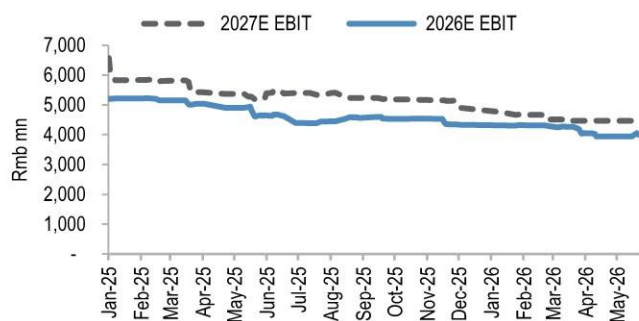
Source: Company data, J.P. Morgan estimates.

Figure 67: Miniso – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg consensus			JPM vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	25,606	29,443	33,458	25,465	29,292	33,296	0.6%	0.5%	0.5%
YoY	19.4%	15.0%	13.6%	18.8%	15.0%	13.7%	0.7pp	0.0pp	0.0pp
Gross profits	11,385	13,046	14,866	11,453	13,251	15,209	-0.6%	-1.5%	-2.3%
YoY	18.0%	14.6%	13.9%	18.7%	15.7%	14.8%	-0.7pp	-1.1pp	-0.8pp
<i>Gross margin</i>	<i>44.5%</i>	<i>44.3%</i>	<i>44.4%</i>	<i>45.0%</i>	<i>45.2%</i>	<i>45.7%</i>	<i>-0.5pp</i>	<i>-0.9pp</i>	<i>-1.2pp</i>
Operating profit	3,884	4,461	5,014	4,032	4,448	5,207	-3.7%	0.3%	-3.7%
YoY	6.0%	14.9%	12.4%	10.0%	10.3%	17.1%	-4.0pp	4.5pp	-4.7pp
<i>Operating margin</i>	<i>15.2%</i>	<i>15.2%</i>	<i>15.0%</i>	<i>15.8%</i>	<i>15.2%</i>	<i>15.6%</i>	<i>-0.7pp</i>	<i>0.0pp</i>	<i>-0.6pp</i>
Adj. net profit	2,832	3,406	3,792	3,059	3,476	4,015	-7.4%	-2.0%	-5.6%
YoY	-2.1%	20.3%	11.3%	5.8%	13.6%	15.5%	-7.9pp	6.7pp	-4.2pp
<i>Non-GAAP net margin</i>	<i>11.1%</i>	<i>11.6%</i>	<i>11.3%</i>	<i>12.0%</i>	<i>11.9%</i>	<i>12.1%</i>	<i>-1.0pp</i>	<i>-0.3pp</i>	<i>-0.7pp</i>
Adj. EPS (Rmb)	8.35	11.01	12.26	9.74	10.85	12.61	-14.2%	1.5%	-2.8%
YoY	-11.6%	31.8%	11.3%	3.0%	11.4%	16.3%	-14.6pp	20.4pp	-4.9pp

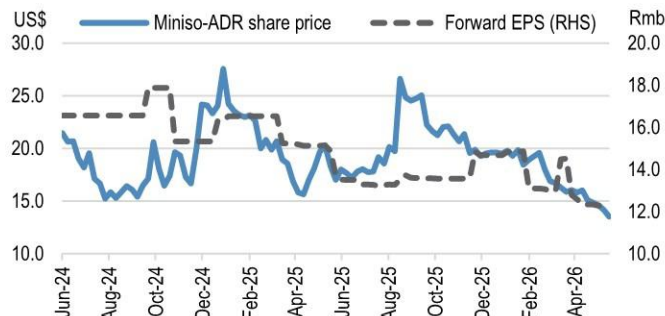
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 68: Consensus EBIT revisions – Miniso



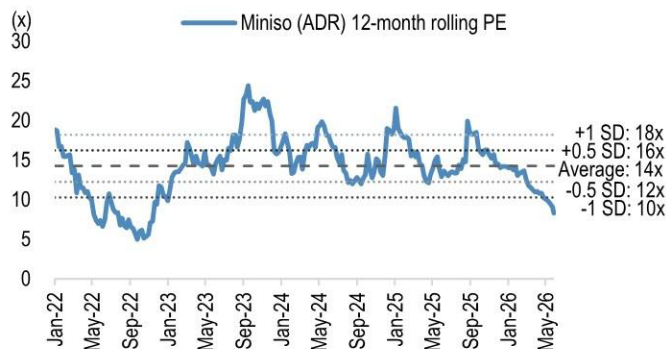
Source: Bloomberg Finance L.P. estimates.

Figure 69: Share price vs consensus forward EPS – Miniso (ADR)



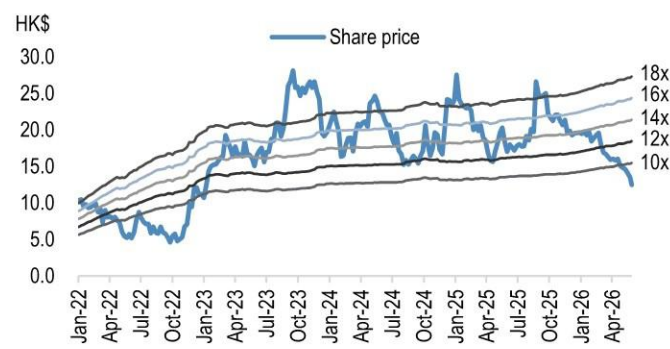
Source: Bloomberg Finance L.P.

Figure 70: Miniso (ADR) 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 71: Miniso (ADR) 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Miniso - ADR (*Overweight; Price Target: \$16.00*)

Investment Thesis

We have an OW rating. Miniso is a fast-growing global retailer of lifestyle products (mainly blind boxes, plush toys, fragrance and travel) across 8,485 stores (as of end-2025). The company is entering its third strategic phase, “parkification”, anchored by immersive, large-format stores and a robust, multi-IP platform. Miniso’s 4Q25 results highlight the success of this transition: revenue grew 32.7% yoy, with China up 25%, overseas up 31%, and Top Toy up 112%. Three key drivers underpin our positive view: (1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; (2) resilient SSSG, with China 4Q25 SSSG at 15% and US SSSG over 20%; and (3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks.

Valuation

The stock is trading at 7-8x 2027E P/E, over 1STD below its historical average of 14x and global peers’ average of 13x, which we think is over-punished by the market. With c.10% core 2025-27E EPS growth and 6.5% dividend yield (2027E), Miniso should be able to gradually regain confidence after several quarters of the “Yonghui acquisition”, which we expect to support a P/E mean reversion. Our Jun-27 PT of US\$16 is based on 10x 2027E P/E, in line with 1STD below its historical average 12-month rolling P/E in the past four years, which we consider fair given declining operating margins through DTC transformation in overseas markets and associated uncertainties on margin trends.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) slower-than-expected store expansion or SSSG; 2) margin pressure from direct store investments; 3) overseas execution and macro headwinds; and 4) ongoing drag from non-core items (Yonghui, CB-related costs).

Miniso - ADR: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	16,994	21,444	25,606	29,443	33,458	Cash flow from operating activities	2,168	2,578	5,933	5,023	5,543
COGS	(9,357)	(11,796)	(14,221)	(16,398)	(18,592)	o/w Depreciation & amortization	809	1,206	1,463	1,523	1,530
Gross profit	7,637	9,648	11,385	13,046	14,866	o/w Changes in working capital	(1,103)	(1,354)	1,021	(157)	(171)
SG&A	(4,451)	(6,491)	(7,925)	(9,687)	(11,008)	Cash flow from investing activities	(533)	(7,020)	(512)	(589)	(669)
Adj. EBITDA	4,124	4,509	5,889	5,899	6,460	o/w Capital expenditure	(763)	(998)	(512)	(589)	(669)
D&A	(809)	(1,206)	(1,463)	(1,523)	(1,530)	as % of sales	4.5%	4.7%	2.0%	2.0%	2.0%
Adj. EBIT	3,316	3,303	4,426	4,376	4,929	Cash flow from financing activities	(1,721)	4,969	(2,721)	(3,524)	(3,985)
Net Interest	26	(327)	(320)	(320)	(359)	o/w Dividends paid	(1,246)	(1,358)	(1,292)	(1,703)	(1,896)
Adj. PBT	3,348	1,913	4,030	4,252	4,884	o/w Shares issued/(repurchased)	(313)	(535)	0	0	0
Tax	(712)	(704)	(1,008)	(1,063)	(1,221)	o/w Net debt issued/(repaid)	563	8,580	0	0	0
Minority Interest	(18)	(5)	(12)	(13)	(14)	Net change in cash	(87)	489	2,700	910	889
Adj. Net Income	2,721	2,898	2,584	3,406	3,792	Adj. Free cash flow to firm	1,406	1,580	5,421	4,434	4,874
Reported EPS	8.40	3.91	9.68	10.21	11.73	y/y Growth	(28.6%)	12.4%	243.1%	(18.2%)	9.9%
Adj. EPS	8.73	9.40	8.30	10.95	12.19						
DPS	4.35	4.68	4.18	5.50	6.13						
Payout ratio	51.9%	119.9%	43.2%	53.9%	52.3%						
Shares outstanding	312	308	311	311	311						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,328	6,817	9,517	10,427	11,315	Gross margin	44.9%	45.0%	44.5%	44.3%	44.4%
Accounts receivable	2,207	3,307	2,817	3,239	3,680	EBITDA margin	24.3%	21.0%	23.0%	20.0%	19.3%
Inventories	2,750	3,691	3,982	4,427	5,020	EBIT margin	19.5%	15.4%	17.3%	14.9%	14.7%
Other current assets	370	271	271	271	271	Net profit margin	16.0%	13.5%	10.1%	11.6%	11.3%
Current assets	11,656	14,086	16,586	18,364	20,286	ROE	27.9%	27.7%	22.5%	26.1%	25.8%
PP&E	1,437	2,109	2,246	2,458	2,739	ROA	16.7%	12.4%	8.5%	10.1%	10.3%
LT investments	140	0	0	0	0	ROCE	21.9%	12.0%	14.5%	12.9%	13.4%
Other non current assets	4,888	12,438	13,461	14,427	15,396	SG&A/Sales	26.2%	30.3%	31.0%	32.9%	32.9%
Total assets	18,120	28,634	32,294	35,248	38,421	Net debt/Equity	0.6	NM	0.1	0.2	0.2
Short term borrowings	567	1,751	1,751	1,751	1,751	Net debt/EBITDA	1.5	NM	0.2	0.4	0.5
Payables	3,944	4,516	5,262	5,903	6,693	Sales/Assets (x)	1.0	0.9	0.8	0.9	0.9
Other short term liabilities	1,216	2,205	2,603	2,875	3,092	Assets/Equity (x)	1.7	2.2	2.7	2.6	2.5
Current liabilities	5,727	8,473	9,616	10,529	11,536	Interest cover (x)	NM	13.8	18.4	18.4	18.0
Long-term debt	4	5,415	5,415	5,415	5,415	Operating leverage	77.2%	(1.5%)	175.1%	(7.5%)	92.7%
Other long term liabilities	2,033	4,026	4,813	5,368	5,766	Tax rate	21.3%	36.8%	25.0%	25.0%	25.0%
Total liabilities	7,765	17,914	19,844	21,312	22,718	Revenue y/y Growth	22.8%	26.2%	19.4%	15.0%	13.6%
Shareholders' equity	10,315	10,619	12,337	13,811	15,563	EBITDA y/y Growth	23.9%	9.3%	30.6%	0.2%	9.5%
Minority interests	41	101	112	125	139	EPS y/y Growth	15.9%	7.7%	(11.6%)	31.8%	11.3%
Total liabilities & equity	18,120	28,634	32,294	35,248	38,421						
BVPS	33.09	34.43	39.65	44.38	50.02						
y/y Growth	12.9%	4.1%	15.1%	11.9%	12.7%						
Net debt/(cash)	6,167	(1,263)	1,437	2,347	3,236						
						Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	9.7	9.0	10.2	7.7	6.9
						P/BV (x)	2.6	2.5	2.1	1.9	1.7
						EV/EBITDA (x)	7.8	4.3	3.8	3.9	3.7
						Dividend Yield	5.2%	5.5%	4.9%	6.5%	7.2%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

9896.HK, 9896 HK

Price (28 May 26):HK\$24.16

▼ **Price Target (Jun-27):HK\$32.00**

Prior (Dec-26):HK\$51.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.87	2.08	-27.8%
Adj. EPS - 27E (Rmb)	3.43	2.74	-20.3%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	49	63	47	77	99
Growth	20	22	3	74	57
Momentum	74	37	71	1	
Quality	31	28	13	56	
Low Vol	85	94	95	96	

Miniso - H

Parkification drives the next growth wave; assume coverage at Overweight

We assume coverage of Miniso with an Overweight rating and a Jun-27 price target of HK\$32, as the company enters its third strategic phase –“parkification” – anchored by immersive, large-format stores and a robust, multi-IP platform. Miniso’s 4Q25 results highlight the success of this transition: revenue grew 32.7% yoy, with China up 25%, overseas up 31%, and Top Toy up 112%. Three key drivers underpin our positive view: (1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; (2) resilient SSSG, with China 1Q26 SSSG up HSD% and Overseas SSSG up LSD%; and (3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks. The stock trades at c.10x 2026E P/E, offering an attractive entry point as Miniso pivots from “store count” to “store quality” and global IP monetization.

- **Evolution from 1.0 (rapid global expansion) to 2.0 (IP-driven interest consumption) and now 3.0 (“parkification”/ experiential upgrade)** positions it at the forefront of new retail, in our view. The company is leveraging larger, immersive stores to house more IP categories and drive emotional engagement, with 26 “Miniso Land” stores opened in China in 2025 and the first overseas “Miniso Land” store launched in Thailand. The global store base reached 8,210 by end of 1Q26, with 450-500 net new stores planned for 2026 (60-80 in China, 350 overseas). China’s growth engine is shifting from new store openings to same-store productivity, driven by supply chain efficiency, product innovation, and aggressive store upgrades – 290 stores optimized in 2025, boosting efficiency by 40–50%.
- **1Q26 revenue grew 28% yoy, with Miniso China up 32%, overseas up 22%, and Top Toy up 51%.** Adjusted operating profit (ex FX and other non-core items) rose 14% to Rmb838mn (OPM 14.7%, down 1.8pp yoy). For 2026, management guides for high-teens revenue growth, LSD SSSG for both China and North America. US operations are expected to accelerate, with OPM improvement in 2H26. The company’s IP strategy is scaling: self-developed IPs (e.g., Yoyo 酱) are gaining traction, with 30–40 IPs in reserve and a new business group dedicated to end-to-end IP management.
- **We assume coverage with an Overweight rating and a Jun-27 price target of HK\$32,** based on 10x 2027E P/E, at a 30% discount to Pop Mart (14x) given less branding and bargaining power and margin visibility. The stock trades at c.10x 2026E P/E, with a 5.0% dividend yield and ongoing buybacks. Key upside catalysts include: (1) successful global rollout of “Miniso Land” stores; (2) further IP monetization and new product launches; (3) margin inflection in the US and Europe; and (4) a turnaround in Southeast Asia and Mexico. Key risks: (1) slower-than-expected store expansion or SSSG; (2) margin pressure from direct store investments; (3) overseas execution and macro headwinds; and (4) ongoing drag from non-core items (Yonghui, CB-related costs).

Price Performance



	YTD	1m	3m	12m
Abs	-33.6%	-15.8%	-33.0%	-29.4%
Rel	-31.2%	-13.1%	-26.9%	-36.9%

Company Data

Shares O/S (mn)	1,234
52-week range (HK\$)	51.95-23.70
Market cap (\$ mn)	3,804
Exchange rate	7.83
Free float (%)	31.1%
3M ADV (mn)	3.22
3M ADV (\$ mn)	12.4
Volatility (90 Day)	39
Index	HSI
BBG ANR (Buy Hold Sell)	30 1 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	21,444	25,606	29,443	33,458
Adj. EBITDA	4,509	5,889	5,899	6,460
Adj. EBIT	3,303	4,426	4,376	4,929
Adj. net income	2,898	2,584	3,406	3,792
Adj. EPS	2.35	2.08	2.74	3.05
BBG EPS	2.29	2.44	2.71	3.15
Cashflow from operations	2,578	5,933	5,023	5,543
FCFF	1,580	5,421	4,434	4,874
Margins and Growth				
Revenue Growth Y/Y (%)	26.2%	19.4%	15.0%	13.6%
Gross margin	45.0%	44.5%	44.3%	44.4%
EBITDA margin	21.0%	23.0%	20.0%	19.3%
EBIT margin	15.4%	17.3%	14.9%	14.7%
Adj. EPS growth	7.7%	(11.6%)	31.8%	11.3%
Ratios				
Adj. tax rate	36.8%	25.0%	25.0%	25.0%
Interest cover	13.8	18.4	18.4	18.0
Net debt/Equity	NM	0.1	0.2	0.2
Net debt/EBITDA	NM	0.2	0.4	0.5
ROCE	12.0%	14.5%	12.9%	13.4%
ROE	27.7%	22.5%	26.1%	25.8%
Valuation				
FCFF yield	6.1%	20.8%	17.0%	18.7%
Dividend yield	5.6%	5.0%	6.6%	7.3%
EV/Revenue	0.9	0.9	0.8	0.7
EV/EBITDA	4.3	3.7	3.9	3.7
Adj. P/E	8.9	10.1	7.6	6.9

Summary Investment Thesis and Valuation

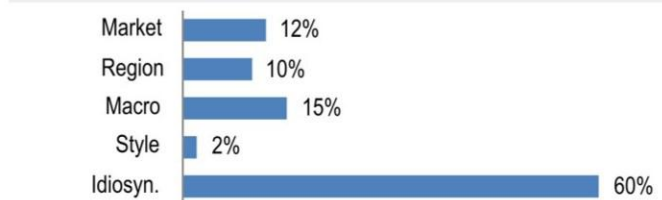
Investment Thesis

We have an OW rating. Miniso is a fast-growing global retailer of lifestyle products (mainly blind boxes, plush toys, fragrance and travel) across 8,485 stores (as of end-2025). The company is entering its third strategic phase, “parkification”, anchored by immersive, large-format stores and a robust, multi-IP platform. Miniso’s 4Q25 results highlight the success of this transition: revenue grew 32.7% yoy, with China up 25%, overseas up 31%, and Top Toy up 112%. Three key drivers underpin our positive view: (1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; (2) resilient SSSG, with China 4Q25 SSSG at 15% and US SSSG over 20%; and (3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks.

Valuation

The stock is trading at 7-8x 2027E P/E, over 1STD below its historical average of 14x and global peers average of 13x which we think is over punished by the market. With c.10% core 2025-27E EPS growth and 6-7% dividend yield (2027E), Miniso should be able to gradually regain confidence after several quarters of the “Yonghui acquisition”, which we expect to support a P/E mean reversion. Our Jun-27 PT of HK\$32 is based on 10x 2027E P/E, in line with 1STD below its historical average 12-month rolling P/E in the past four years, which we consider fair given declining operating margins through DTC transformation in overseas markets and associated uncertainties on margin trends.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.25	0.33
Region: China	0.22	0.37
Macro:		
JPM China A-shares Sentiment	0.55	0.39
Generic 1st 'CO' Future	-0.27	-0.34
Citi Economic Surprise - EM	-0.25	-0.23
Quant Styles:		
Momentum	-0.34	-0.11
Growth	-0.15	0.10
Size	-0.36	-0.10

Investment Thesis, Valuation and Risks

Miniso - H (*Overweight; Price Target: HK\$32.00*)

Investment Thesis

We have an OW rating. Miniso is a fast-growing global retailer of lifestyle products (mainly blind boxes, plush toys, fragrance and travel) across 8,485 stores (as of end-2025). The company is entering its third strategic phase, “parkification”, anchored by immersive, large-format stores and a robust, multi-IP platform. Miniso’s 4Q25 results highlight the success of this transition: revenue grew 32.7% yoy, with China up 25%, overseas up 31%, and Top Toy up 112%. Three key drivers underpin our positive view: (1) the rapid rollout of “Miniso Land” and flagship stores, now 10% of the network and delivering 20% of GMV, with further expansion planned in 2026; (2) resilient SSSG, with China 4Q25 SSSG at 15% and US SSSG over 20%; and (3) a disciplined approach to margin management and capital allocation, with a 50% dividend payout and ongoing buybacks.

Valuation

The stock is trading at 7-8x 2027E P/E, over 1STD below its historical average of 14x and global peers average of 13x which we think is over punished by the market. With c.10% core 2025-27E EPS growth and 6-7% dividend yield (2027E), Miniso should be able to gradually regain confidence after several quarters of the “Yonghui acquisition”, which we expect to support a P/E mean reversion. Our Jun-27 PT of HK\$32 is based on 10x 2027E P/E, in line with 1STD below its historical average 12-month rolling P/E in the past four years, which we consider fair given declining operating margins through DTC transformation in overseas markets and associated uncertainties on margin trends.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) slower-than-expected store expansion or SSSG; 2) margin pressure from direct store investments; (3) overseas execution and macro headwinds; and 4) ongoing drag from non-core items (Yonghui, CB-related costs).

Miniso - H: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	16,994	21,444	25,606	29,443	33,458	Cash flow from operating activities	2,168	2,578	5,933	5,023	5,543
COGS	(9,357)	(11,796)	(14,221)	(16,398)	(18,592)	o/w Depreciation & amortization	809	1,206	1,463	1,523	1,530
Gross profit	7,637	9,648	11,385	13,046	14,866	o/w Changes in working capital	(1,103)	(1,354)	1,021	(157)	(171)
SG&A	(4,451)	(6,491)	(7,925)	(9,687)	(11,008)	Cash flow from investing activities	(533)	(7,020)	(512)	(589)	(669)
Adj. EBITDA	4,124	4,509	5,889	5,899	6,460	o/w Capital expenditure	(763)	(998)	(512)	(589)	(669)
D&A	(809)	(1,206)	(1,463)	(1,523)	(1,530)	as % of sales	4.5%	4.7%	2.0%	2.0%	2.0%
Adj. EBIT	3,316	3,303	4,426	4,376	4,929	Cash flow from financing activities	(1,721)	4,969	(2,721)	(3,524)	(3,985)
Net Interest	26	(327)	(320)	(320)	(359)	o/w Dividends paid	(1,246)	(1,358)	(1,292)	(1,703)	(1,896)
Adj. PBT	3,348	1,913	4,030	4,252	4,884	o/w Shares issued/(repurchased)	(313)	(535)	0	0	0
Tax	(712)	(704)	(1,008)	(1,063)	(1,221)	o/w Net debt issued/(repaid)	563	8,580	0	0	0
Minority Interest	(18)	(5)	(12)	(13)	(14)	Net change in cash	(87)	489	2,700	910	889
Adj. Net Income	2,721	2,898	2,584	3,406	3,792	Adj. Free cash flow to firm	1,406	1,580	5,421	4,434	4,874
Reported EPS	2.10	0.98	2.42	2.55	2.93	y/y Growth	(28.6%)	12.4%	243.1%	(18.2%)	9.9%
Adj. EPS	2.18	2.35	2.08	2.74	3.05						
DPS	1.09	1.17	1.04	1.38	1.53						
Payout ratio	51.9%	119.9%	43.2%	53.9%	52.3%						
Shares outstanding	1,247	1,234	1,245	1,245	1,245						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,328	6,817	9,517	10,427	11,315	Gross margin	44.9%	45.0%	44.5%	44.3%	44.4%
Accounts receivable	2,207	3,307	2,817	3,239	3,680	EBITDA margin	24.3%	21.0%	23.0%	20.0%	19.3%
Inventories	2,750	3,691	3,982	4,427	5,020	EBIT margin	19.5%	15.4%	17.3%	14.9%	14.7%
Other current assets	370	271	271	271	271	Net profit margin	16.0%	13.5%	10.1%	11.6%	11.3%
Current assets	11,656	14,086	16,586	18,364	20,286	ROE	27.9%	27.7%	22.5%	26.1%	25.8%
PP&E	1,437	2,109	2,246	2,458	2,739	ROA	16.7%	12.4%	8.5%	10.1%	10.3%
LT investments	140	0	0	0	0	ROCE	21.9%	12.0%	14.5%	12.9%	13.4%
Other non current assets	4,888	12,438	13,461	14,427	15,396	SG&A/Sales	26.2%	30.3%	31.0%	32.9%	32.9%
Total assets	18,120	28,634	32,294	35,248	38,421	Net debt/Equity	0.6	NM	0.1	0.2	0.2
Short term borrowings	567	1,751	1,751	1,751	1,751	Net debt/EBITDA	1.5	NM	0.2	0.4	0.5
Payables	3,944	4,516	5,262	5,903	6,693	Sales/Assets (x)	1.0	0.9	0.8	0.9	0.9
Other short term liabilities	1,216	2,205	2,603	2,875	3,092	Assets/Equity (x)	1.7	2.2	2.7	2.6	2.5
Current liabilities	5,727	8,473	9,616	10,529	11,536	Interest cover (x)	NM	13.8	18.4	18.4	18.0
Long-term debt	4	5,415	5,415	5,415	5,415	Operating leverage	77.2%	(1.5%)	175.1%	(7.5%)	92.7%
Other long term liabilities	2,033	4,026	4,813	5,368	5,766	Tax rate	21.3%	36.8%	25.0%	25.0%	25.0%
Total liabilities	7,765	17,914	19,844	21,312	22,718	Revenue y/y Growth	22.8%	26.2%	19.4%	15.0%	13.6%
Shareholders' equity	10,315	10,619	12,337	13,811	15,563	EBITDA y/y Growth	23.9%	9.3%	30.6%	0.2%	9.5%
Minority interests	41	101	112	125	139	EPS y/y Growth	15.9%	7.7%	(11.6%)	31.8%	11.3%
Total liabilities & equity	18,120	28,634	32,294	35,248	38,421						
BVPS	8.27	8.61	9.91	11.10	12.50	Valuation					
y/y Growth	12.9%	4.1%	15.1%	11.9%	12.7%		FY24A	FY25A	FY26E	FY27E	FY28E
Net debt/(cash)	6,167	(1,263)	1,437	2,347	3,236	P/E (x)	9.6	8.9	10.1	7.6	6.9
						P/BV (x)	2.5	2.4	2.1	1.9	1.7
						EV/EBITDA (x)	7.8	4.3	3.7	3.9	3.7
						Dividend Yield	5.2%	5.6%	5.0%	6.6%	7.3%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

▼ Neutral

Previous: Overweight

600519.SS, 600519.CH

Price (28 May 26): Rmb1,275.98

▼ **Price Target (Jun-27): Rmb1,420.00**

Prior (Jun-26): Rmb1,930.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P.

Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	81.07	66.25	-18.3%
Adj. EPS - 27E (Rmb)	88.20	70.83	-19.7%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	78	22	27	26	27
Growth	51	17	9	10	21
Momentum	54	73	56	60	37
Quality	6	1	1	2	3
Low Vol	6	9	9	15	14
ESGQ	8	3	5	23	95

Kweichow Moutai Co - A

DTC reform anchors early recovery, while patience and catalysts needed; assume coverage at Neutral

Moutai is leading the baijiu sector through a pivotal shift from cyclical contraction to stabilization. Its direct-to-consumer (DTC) transformation has broadened mass-premium reach, improved pricing transparency, and reinforced brand equity. At 19-20x 2026E P/E, valuation appears fair against a soft macro backdrop and China consumer staples' ~16x average P/E, hence we assume coverage with a Neutral rating. A sustainable re-rating likely requires: (1) continued DTC traction (next key demand window: Mid-Autumn Festival and National Day holidays); and (2) clearer evidence of household wealth recovery, particularly linked to property and equity markets.

- Industry backdrop.** Industry revenue declined ~18% in 2025, per company data, broadly tracking weaker GDP and property markets. That said, early stabilization signals are appearing, including the first MoM gains in tier-1 city home prices since 1Q25 ([note](#)). The sector has already digested five quarters of revenue contraction and a significant policy headwind (the 2Q25 “alcohol ban”), suggesting **the trough may be near; low-base effects should become more supportive from 3Q26**. Unlike the V-shaped rebound of 2016–2017, we expect a more gradual recovery, constrained by softer macro growth and more cautious consumer sentiment.
- DTC reform is unveiling a new chapter.** DTC-led reforms over the past two quarters – reducing non-standard quotas, scaling iMoutai, introducing a more market-based pricing mechanism, and shifting towards consignment – have set a new benchmark for healthier, more sustainable growth. Distributor checks indicate solid 2026 CNY sell-through (+15–20% yoy) and lean channel inventory (<5% of annual sales). Feitian wholesale pricing has stabilized around Rmb1,670 (case-packed) and Rmb1,640 (single bottle), with the spread narrowing to ~Rmb30. This suggests a **fading speculative “financial premium”** and a return to consumption-driven demand.
- What's different today?** (1) For consumers: Moutai is evolving from an ultra-luxury purchase (retail price over Rmb3,000 per bottle) towards a premium-but-accessible product (Rmb1,600+), supporting broader household penetration. (2) For management: the operating framework is becoming more market-oriented, with reduced emphasis on social-responsibility-style burdens (*no growth target set for 2026*). (3) For investors: Moutai (previously a symbolic key holding in China's consumer sector) is gradually shifting from a high-beta macro proxy towards a consumption-led profile.
- Positioning and “what if”.** Positioning appears light already, but absent a meaningful fundamental recovery (we forecast muted revenue and earnings growth in 2026; mid-to high-single-digit CAGR for 2027-28E), we believe the stock (currently trading at 19.5x 2026E P/E) could remain a funding source given its premium to the sector's mid-teens multiple and to other consumer leaders (e.g., CR Beer, Anta, Midea trading at ~13x 2026E P/E). In a flow-driven rally, we believe Moutai would likely still move first, but without earnings support it may face resistance around ~24x 2026E P/E, in our view.
- We assume coverage with a Neutral rating and Jun-27 price target of Rmb1,420**, based on 20x 2027E P/E, 1 SD below Moutai's 20-year historical average. The stock trades at 19.5x 2026E P/E, with a 4% dividend yield. Key risks include weaker-than-expected premium baijiu demand, potential liquor tax increases, and new social responsibility levies on SOEs. Upside catalysts include further DTC penetration, a stronger-than-expected recovery in household wealth and spending in premium baijiu.

Price Performance



	YTD	1m	3m	12m
Abs	-7.4%	-9.2%	-12.3%	-17.0%
Rel	-10.7%	-9.7%	-10.8%	-39.7%

Company Data

Shares O/S (mn)	1,256
52-week range (Rmb)	1,568.00-1,250.10
Market cap (\$ mn)	236,438
Exchange rate	6.78
Free float (%)	37.2%
3M ADV (mn)	3.96
3M ADV (\$ mn)	814.2
Volatility (90 Day)	26
Index	SSE
BBG ANR (Buy Hold Sell)	42 2 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	141,484	142,803	151,940	160,798
Adj. EBITDA	116,092	116,574	124,447	131,719
Adj. EBIT	113,888	114,592	122,361	129,624
Adj. net income	82,320	82,963	88,701	94,020
Adj. EPS	65.74	66.25	70.83	75.08
BBG EPS	71.75	68.47	72.96	77.89
Cashflow from operations	61,522	114,381	91,161	96,679
FCFF	58,395	110,981	88,961	94,479
Margins and Growth				
Revenue Growth Y/Y (%)	(1.7%)	0.9%	6.4%	5.8%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	89.5%	88.1%	88.0%	88.0%
EBITDA margin	82.1%	81.6%	81.9%	81.9%
EBITDA Growth Y/Y (%)	(3.4%)	0.4%	6.8%	5.8%
EBIT margin	80.5%	80.2%	80.5%	80.6%
Net margin	58.2%	58.1%	58.4%	58.5%
Adj. EPS growth	(4.2%)	0.8%	6.9%	6.0%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	34.5%	32.5%	32.1%	31.4%
Valuation				
FCFF yield	3.7%	6.9%	5.6%	5.9%
Dividend yield	4.1%	3.9%	4.2%	4.4%
EV/Revenue	10.4	10.0	9.3	8.6
EV/EBITDA	12.7	12.3	11.3	10.5
Adj. P/E	19.4	19.3	18.0	17.0

Summary Investment Thesis and Valuation

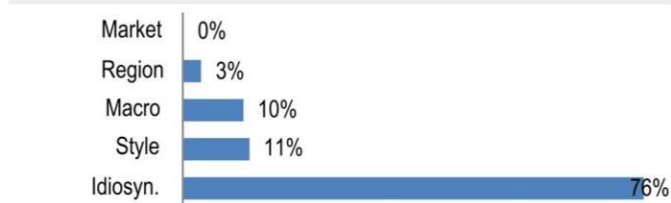
Investment Thesis

We are Neutral on Moutai. Moutai is leading the baijiu sector through a pivotal shift from cyclical contraction to stabilization. Its direct-to-consumer (DTC) transformation has broadened mass-premium reach, improved pricing transparency, and reinforced brand equity. Current valuation appears fair against a soft macro backdrop and China consumer staples' ~16x average P/E. A sustainable re-rating likely requires: 1) continued DTC traction (next key demand window: Mid-Autumn Festival and National Day holidays) and 2) clearer evidence of a household wealth recovery, particularly linked to property and equity markets.

Valuation

Our Jun-27 PT of Rmb1,420 is based on 20x 2027E P/E, 1STD below Moutai's 20-year historical average of 24x. As inventory levels clear and demand gradually stabilizes, we expect Moutai to undergo a mean reversion during 2026-2027. However, as Moutai evolves into a premium consumption brand rather than a pure luxury item, a re-rating to 24x appears unlikely in a weak macro environment. That said, the brand's cultural relevance and social signaling value remain strong across generations. Moutai is still the clear number-one choice for banquets, celebrations, and other high-importance occasions; therefore, we believe its premium to the sector average should be maintained.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.15	-0.07
Region: China	-0.08	0.17
Macro:		
JPM China A-shares Sentiment	0.29	0.31
Generic 1st 'CO' Future	-0.16	-0.24
JPM EM Currency(EMCI) Fixing	0.09	0.16
Quant Styles:		
Momentum	-0.25	-0.22
Quality	0.38	0.22
DivYld	0.36	0.21

Pivotal Questions

Q1: Is Moutai still a good business with deep moats?

Yes. Moutai possesses a rare 3-layer moat structure that remains intact:

- **Geographic & microbiological moat:** The core production zone is limited to ~15 sq. km in Maotai Town, with over 1,000 irreplaceable microbial species essential to fermentation. Even identical raw materials, processes, and personnel cannot replicate Moutai outside this zone, which is a physical, absolute barrier to entry.
- **Brand & cultural moat:** Moutai holds unassailable "national liquor" status, serving as China's diplomatic and state banquet spirit since 1949. It functions as a "hard currency" in business, entertainment and gifting.
- **Business model moat:** Moutai operates on a prepayment model (distributors pay 3–6 months in advance), generating near-zero receivables (<0.2% of revenue) and exceptional cash flow. Gross margin exceeds 93% on Moutai liquor, with net margin ~49% far above global peers' (Coca-Cola ~27%, LVMH ~13%, Apple ~27%, based on the latest company reports).

Q2: Will demand decline as the younger generation drinks less baijiu?

This is a legitimate long-term risk, but Moutai's DTC transformation is directly addressing it:

- China's total baijiu production has declined for 9 consecutive years (from 13.6mn tonnes in 2016 to ~5mn tonnes in 2025), reflecting structural shifts in consumption habits – younger consumers drink less baijiu overall.
- However, Moutai's DTC pivot via iMoutai is specifically designed to capture the 18–40 age demographic. During CNY 2026, new customers accounted for ~42% of iMoutai purchases, with a 35% repurchase rate from January to April, demonstrating that younger, mass-market consumers are willing to buy Moutai at accessible price points (Rmb1,499–1,539).
- The risk is real but manageable, in our view: Moutai is transitioning from reliance on business-entertainment demand (which is structurally shrinking) to mass-market consumption, effectively trading volume for price and broadening its customer base. The brand's cultural relevance and social signaling value remain strong across generations. Moutai also remains the clear, number-one choice for banquets, celebrations, and other high-importance occasions.

Key charts

Figure 72: Moutai – Key operating and financial metrics

P&L, FYE Dec 31 (Rmb mn)	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Gross sales (including Fin Sub)	127,554	150,560	174,144	51,443	39,650	39,810	41,150	172,054	173,704	184,865	195,819
- yoy growth	16.5%	18.0%	15.7%	10.7%	7.3%	0.3%	-19.3%	-1.2%	1.0%	6.4%	5.9%
Gross sales (ex Fin Sub)	124,100	147,694	170,899	50,601	38,788	39,064	40,384	168,838	170,412	181,314	191,884
- Premium liquor	107,834	126,589	145,928	43,557	32,032	34,924	35,986	146,500	153,092	162,400	171,524
- Series liquor	15,939	20,630	24,684	7,022	6,740	4,122	4,390	22,275	17,250	18,837	20,276
- Others (Moutai Hotel & Moutai ice cream)	328	475	287	21	16	19	8	64	70	77	85
Gross sales yoy (%)	16.9%	19.0%	15.7%	10.5%	7.3%	0.6%	-19.4%	-1.2%	0.9%	6.4%	5.8%
- Premium liquor	15.4%	17.4%	15.3%	9.7%	11.0%	7.3%	-19.7%	0.4%	4.5%	6.1%	5.6%
- Series liquor	26.5%	29.4%	19.7%	18.3%	-6.5%	-34.0%	-17.0%	-9.8%	-22.6%	9.2%	7.6%
Sales volume yoy (%)	2.6%	7.5%	13.7%					2.1%	0.1%	4.8%	4.4%
- Premium liquor	4.5%	11.1%	10.2%					0.7%	10.0%	4.0%	4.0%
- Series liquor (incl 1935)	0.3%	2.9%	18.5%					3.9%	-12.0%	6.0%	5.0%
ASP yoy (%)	13.7%	10.7%	1.9%					-3.1%	0.8%	1.5%	1.4%
- Premium liquor	10.4%	5.7%	4.6%					-0.3%	-5.0%	2.0%	1.6%
- Series liquor	26.1%	25.7%	1.0%					-13.1%	-12.0%	3.0%	2.5%
Direct sales channel:											
- % of total revenue	39.9%	45.7%	43.9%					50.1%	56.4%	57.2%	56.2%
- % of total volume	16.4%	21.3%	21.9%					25.0%	33.5%	33.7%	33.2%
Excise tax & surcharge	(18,496)	(22,234)	(26,926)	(7,165)	(6,778)	(6,703)	(6,709)	(27,354)	(27,608)	(29,374)	(31,086)
- % of gross revenue	-14.9%	-15.1%	-15.8%	-14.2%	-17.5%	-17.2%	-16.6%	-16.2%	-16.2%	-16.2%	-16.2%
- margin chg (bps)	(49)	(15)	(70)	157	(6)	(64)	(262)	(45)	0	0	0
Net sales	105,604	125,459	143,973	43,436	32,011	32,361	33,676	141,484	142,803	151,940	160,798
Net sales yoy (%)	16.2%	18.8%	14.8%	12.6%	7.2%	-0.2%	-21.9%	-1.7%	0.9%	6.4%	5.8%
COGS	(10,093)	(11,867)	(13,789)	(4,061)	(3,716)	(3,406)	(3,708)	(14,892)	(17,044)	(18,212)	(19,331)
Gross profit	95,511	113,592	130,184	39,375	28,295	28,955	29,968	126,592	125,759	133,727	141,466
- Gross margin (% net sales)	90.4%	90.5%	90.4%	90.6%	88.4%	89.5%	89.0%	89.5%	88.1%	88.0%	88.0%
- Gross margin (% of gross sales)	91.9%	92.0%	91.9%	92.0%	90.4%	91.3%	90.8%	91.2%	90.0%	90.0%	89.9%
SG&A	(12,445)	(14,535)	(15,173)	(3,442)	(3,587)	(3,066)	(5,669)	(15,764)	(14,285)	(14,743)	(15,602)
- Selling expense	(3,298)	(4,649)	(5,639)	(1,495)	(1,765)	(1,218)	(2,775)	(7,254)	(5,998)	(6,078)	(6,432)
- G&A expense	(9,147)	(9,887)	(9,534)	(1,946)	(1,822)	(1,848)	(2,894)	(8,510)	(8,287)	(8,665)	(9,170)
SG&A / net sales (%)	-11.8%	-11.6%	-10.5%	-7.9%	-11.2%	-9.5%	-16.8%	-11.1%	-10.0%	-9.7%	-9.7%
- Selling expense	-3.1%	-3.7%	-3.9%	-3.4%	-5.5%	-3.8%	-8.2%	-5.1%	-4.2%	-4.0%	-4.0%
- G&A expense	-8.7%	-7.9%	-6.6%	-4.5%	-5.7%	-5.7%	-8.6%	-6.0%	-5.8%	-5.7%	-5.7%
SG&A / gross sales (%)	-10.0%	-9.8%	-8.9%	-6.8%	-9.2%	-7.8%	-14.0%	-9.3%	-8.4%	-8.1%	-8.1%
Operating profits	83,065	99,057	115,010	35,933	24,707	25,888	24,299	110,828	111,475	118,984	125,864
- OP yoy (%)	17.6%	19.3%	16.1%	12.4%	6.6%	2.1%	-29.6%	-3.6%	0.6%	6.7%	5.8%
- OP margin (% of net sales)	78.7%	79.0%	79.9%	82.7%	77.2%	80.0%	72.2%	78.3%	78.1%	78.3%	78.3%
- OP margin (% of gross sales)	66.9%	67.1%	67.3%	71.0%	63.7%	66.3%	60.2%	65.6%	65.4%	65.6%	65.6%
Other income and expenses	(104)	63	18	21	17	(112)	146	72	(21)	(21)	(21)
Moutai Finance Subsidiary P&L	3,348	2,753	3,140	795	818	701	726	3,040	3,117	3,376	3,759
Interest income and expense, net	1,392	1,790	1,470	283	204	148	181	815	1,075	1,305	1,456
Profit before tax	87,701	103,663	119,639	37,031	25,747	26,625	25,352	114,755	115,646	123,644	131,058
Income tax expense	(22,326)	(26,141)	(30,304)	(9,257)	(6,535)	(6,713)	(6,940)	(29,445)	(29,673)	(31,726)	(33,628)
- Effective tax rate (% of PBT)	-25.5%	-25.2%	-25.3%	-25.0%	-25.4%	-25.2%	-27.4%	-25.7%	-25.7%	-25.7%	-25.7%
Minus: P&L attributable to minority interest	2,659	2,787	3,107	927	657	688	718	2,990	3,009	3,217	3,410
Net profits	62,716	74,734	86,228	26,847	18,555	19,224	17,693	82,320	82,963	88,701	94,020
- NP yoy (%)	19.6%	19.2%	15.4%	11.6%	5.2%	0.5%	-30.3%	-4.5%	0.8%	6.9%	6.0%
- NP margin (% of net sales)	59.4%	59.6%	59.9%	61.8%	58.0%	59.4%	52.5%	58.2%	58.1%	58.4%	58.5%
- NP margin (% of gross sales)	50.5%	50.6%	50.5%	53.1%	47.8%	49.2%	43.8%	48.8%	48.7%	48.9%	49.0%
Cash flow quality:											
Cash sales	140,692	163,700	182,645	56,144	38,943	43,705	45,199	183,990			
- yoy growth (%)	17.9%	16.4%	11.6%	21.4%	-4.6%	2.6%	-14.7%	0.7%			
Deferred revenue ("customer advance")	15,472	14,126	9,592	8,788	5,507	7,749	8,007	8,007			
- yoy growth (%)	21.6%	-8.7%	-32.1%	-7.7%	-44.9%	-22.0%	-16.5%	-16.5%			

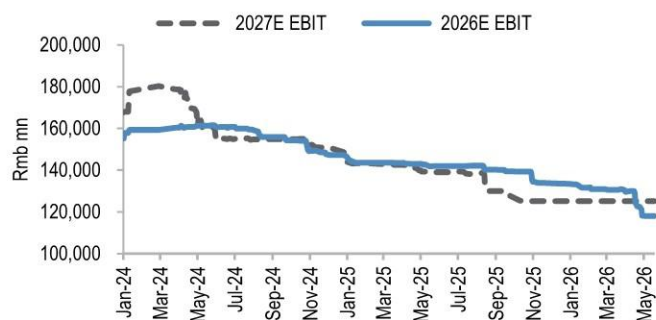
Source: Company data, J.P. Morgan estimates.

Figure 73: Moutai – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPMe			Bloomberg consensus			JPMe vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Gross sales (including Fin Sub)	173,704	184,865	195,819	179,012	189,125	200,977	-3.0%	-2.3%	-2.6%
YoY	1.0%	6.4%	5.9%	4.0%	5.6%	6.3%	-3.1pp	0.8pp	-0.3pp
Gross profit	156,660	166,653	176,487	162,376	171,612	182,473	-3.5%	-2.9%	-3.3%
Gross margin	90.2%	90.1%	90.1%	90.7%	90.7%	90.8%	-0.5pp	-0.6pp	-0.7pp
Operating profit	111,475	118,984	125,864	118,047	125,163	132,925	-5.6%	-4.9%	-5.3%
YoY	0.6%	6.7%	5.8%	6.5%	6.0%	6.2%	-5.9pp	0.7pp	-0.4pp
Operating margin	64.2%	64.4%	64.3%	65.9%	66.2%	66.1%	-1.8pp	-1.8pp	-1.9pp
Net profit	82,963	88,701	94,020	85,749	91,352	97,617	-3.2%	-2.9%	-3.7%
YoY	0.8%	6.9%	6.0%	4.2%	6.5%	6.9%	-3.4pp	0.4pp	-0.9pp
Adj. net margin	58.1%	58.4%	58.5%	47.9%	48.3%	48.6%	10.2pp	10.1pp	9.9pp
EPS (Rmb)	66.25	70.83	75.08	68.48	72.97	77.89	-3.3%	-2.9%	-3.6%
YoY	0.8%	6.9%	6.0%	4.2%	6.6%	6.7%	-3.4pp	0.4pp	-0.7pp

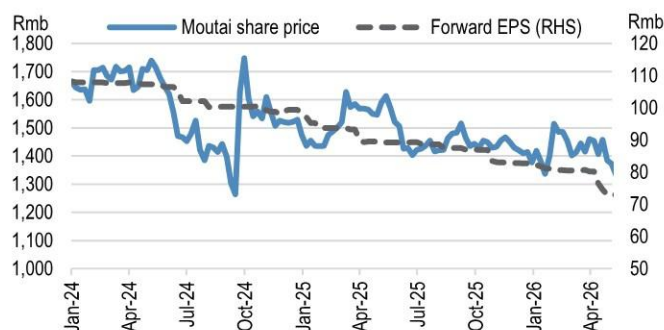
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 74: Consensus EBIT revisions – Moutai



Source: Bloomberg Finance L.P. estimates.

Figure 75: Share price vs consensus forward EPS – Moutai



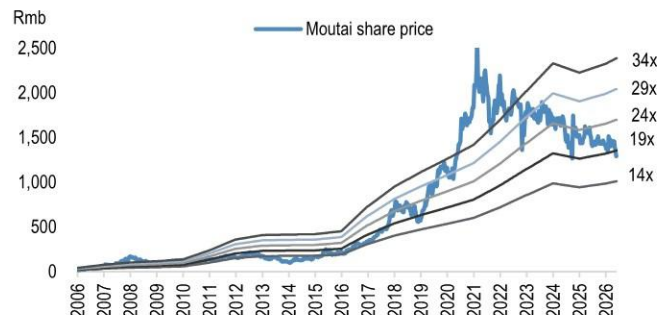
Source: Bloomberg Finance L.P.

Figure 76: Moutai 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 77: Moutai 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Kweichow Moutai Co - A *(Neutral; Price Target: Rmb1,420.00)*

Investment Thesis

We are Neutral on Moutai. Moutai is leading the baijiu sector through a pivotal shift from cyclical contraction to stabilization. Its direct-to-consumer (DTC) transformation has broadened mass-premium reach, improved pricing transparency, and reinforced brand equity. Current valuation appears fair against a soft macro backdrop and China consumer staples' ~16x average P/E. A sustainable re-rating likely requires: 1) continued DTC traction (next key demand window: Mid-Autumn Festival and National Day holidays) and 2) clearer evidence of a household wealth recovery, particularly linked to property and equity markets.

Valuation

Our Jun-27 PT of Rmb1,420 is based on 20x 2027E P/E, 1STD below Moutai's 20-year historical average of 24x. As inventory levels clear and demand gradually stabilizes, we expect Moutai to undergo a mean reversion during 2026-2027. However, as Moutai evolves into a premium consumption brand rather than a pure luxury item, a re-rating to 24x appears unlikely in a weak macro environment. That said, the brand's cultural relevance and social signaling value remain strong across generations. Moutai is still the clear number-one choice for banquets, celebrations, and other high-importance occasions; therefore, we believe its premium to the sector average should be maintained.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) worse-than-expected market demand for premium baijiu due to regulatory tightening/a consumption slowdown; 2) slower-than-expected ex-factory price hikes for Feitian; 3) a potential hike in the liquor tax rate; and 4) a potential social responsibility burden levied by local government on large SOEs.

Upside risks include: 1) further DTC penetration; 2) a stronger-than-expected recovery in household wealth spurring premium demand; and 3) a recovery in spending on premium baijiu.

Kweichow Moutai Co - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	143,973	141,484	142,803	151,940	160,798	Cash flow from operating activities	92,464	61,522	114,381	91,161	96,679
COGS	(12,068)	(12,999)	(15,264)	(16,328)	(17,438)	o/w Depreciation & amortization	2,085	2,259	1,982	2,087	2,095
Gross profit	130,184	126,592	125,759	133,727	141,466	o/w Changes in working capital	1,919	(24,874)	26,258	(3,208)	(3,199)
SG&A	(14,904)	(15,453)	(14,083)	(14,541)	(15,400)	Cash flow from investing activities	(1,785)	(31,642)	(3,399)	(2,199)	(2,199)
Adj. EBITDA	120,118	116,092	116,574	124,447	131,719	o/w Capital expenditure	(4,679)	(3,128)	(3,400)	(2,200)	(2,200)
D&A	(1,991)	(2,204)	(1,982)	(2,087)	(2,095)	as % of sales	3.2%	2.2%	2.4%	1.4%	1.4%
Adj. EBIT	118,127	113,888	114,592	122,361	129,624	Cash flow from financing activities	(71,068)	(73,427)	(62,236)	(66,541)	(70,530)
Net Interest	1,470	815	1,075	1,305	1,456	o/w Dividends paid	(70,951)	(67,242)	(62,236)	(66,541)	(70,530)
Adj. PBT	119,639	114,755	115,646	123,644	131,058	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(30,304)	(29,445)	(29,673)	(31,726)	(33,628)	o/w Net debt issued/(repaid)	0	0	0	0	0
Minority Interest	(3,107)	(2,990)	(3,009)	(3,217)	(3,410)	Net change in cash	19,610	(43,544)	48,745	22,420	23,950
Adj. Net Income	86,228	82,320	82,963	88,701	94,020	Adj. Free cash flow to firm	87,785	58,395	110,981	88,961	94,479
Reported EPS	68.64	65.74	66.25	70.83	75.08	y/y Growth	37.2%	(33.5%)	90.1%	(19.8%)	6.2%
Adj. EPS	68.64	65.74	66.25	70.83	75.08						
DPS	51.48	51.93	49.69	53.12	56.31						
Payout ratio	75.0%	79.0%	75.0%	75.0%	75.0%						
Shares outstanding	1,256	1,252	1,252	1,252	1,252						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	186,483	150,787	199,532	221,952	245,902	Gross margin	90.4%	89.5%	88.1%	88.0%	88.0%
Accounts receivable	2,003	4,460	2,556	2,538	2,686	EBITDA margin	83.4%	82.1%	81.6%	81.9%	81.9%
Inventories	54,343	61,427	66,471	71,029	75,392	EBIT margin	82.0%	80.5%	80.2%	80.5%	80.6%
Other current assets	65,244	101,732	78,001	82,541	87,052	Net profit margin	59.9%	58.2%	58.1%	58.4%	58.5%
Current assets	251,727	252,519	277,533	304,493	332,954	ROE	38.4%	34.5%	32.5%	32.1%	31.4%
PP&E	24,021	24,960	26,380	26,495	26,602	ROA	30.2%	27.3%	26.2%	25.8%	25.3%
LT investments	5,544	8,715	8,715	8,715	8,715	ROCE	39.3%	35.4%	33.4%	32.9%	32.2%
Other non current assets	14,347	17,671	17,671	17,671	17,671	SG&A/Sales	10.4%	10.9%	9.9%	9.6%	9.6%
Total assets	298,945	303,835	330,267	357,340	385,905	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	0	0	0	0	0	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	3,515	4,007	3,920	4,189	4,446	Sales/Assets (x)	0.5	0.5	0.5	0.4	0.4
Other short term liabilities	53,001	45,603	48,373	49,784	51,177	Assets/Equity (x)	1.3	1.3	1.2	1.2	1.2
Current liabilities	56,516	49,610	52,293	53,973	55,624	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	0	0	0	0	0	Operating leverage	108.3%	207.5%	66.2%	106.0%	101.8%
Other long term liabilities	417	265	265	265	265	Tax rate	25.3%	25.7%	25.7%	25.7%	25.7%
Total liabilities	56,933	49,876	52,558	54,238	55,889	Revenue y/y Growth	14.8%	(1.7%)	0.9%	6.4%	5.8%
Shareholders' equity	233,106	244,638	265,379	287,554	311,059	EBITDA y/y Growth	15.8%	(3.4%)	0.4%	6.8%	5.8%
Minority interests	8,905	9,321	12,330	15,548	18,958	EPS y/y Growth	15.4%	(4.2%)	0.8%	6.9%	6.0%
Total liabilities & equity	298,945	303,835	330,267	357,340	385,905						
BVPS	185.56	195.36	211.92	229.63	248.40						
y/y Growth	8.1%	5.3%	8.5%	8.4%	8.2%						
Net debt/(cash)	(186,483)	(150,787)	(199,532)	(221,952)	(245,902)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	18.6	19.4	19.3	18.0	17.0
						P/BV (x)	6.9	6.5	6.0	5.6	5.1
						EV/EBITDA (x)	12.0	12.7	12.3	11.3	10.5
						Dividend Yield	4.0%	4.1%	3.9%	4.2%	4.4%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

▼ Underweight

Previous: Neutral

000858.SZ, 000858 CH

Price (28 May 26):Rmb81.49

▼ **Price Target (Jun-27):Rmb74.00**

Prior (Dec-26):Rmb130.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	8.73	4.14	-52.5%
Adj. EPS - 27E (Rmb)	9.34	4.93	-47.2%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	29	26	30	32	37
Growth	90	52	24	11	10
Momentum	70	84	68	47	32
Quality	51	10	4	2	2
Low Vol	10	21	27	30	33
ESGQ	9	1	9	24	17

Wuliangye - A

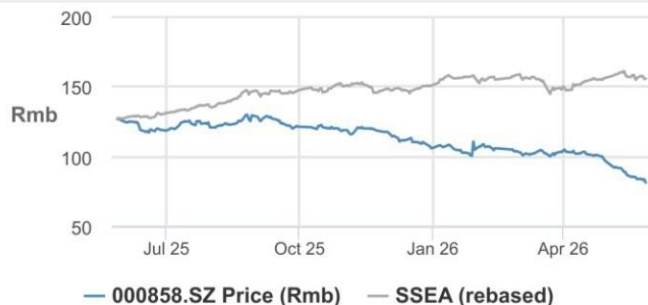
“Accounting error” corrected, while trust needs to be rebuilt; assume coverage at Underweight

We assume coverage of Wuliangye with an Underweight rating and a Jun-27 price target of Rmb74. The company's recent large-scale accounting restatement has undermined investor confidence in its financial reporting and governance, despite being underpinned by shareholder return commitments. We believe this event exposes issues around channel stuffing, the reliability of sell-in, and the opacity of the traditional 2B distribution model. Three key concerns underpin our Underweight stance: (1) the restatement raises questions about earnings quality and the state of end-demand, making it difficult to support a sustainable recovery; (2) unlike Moutai, which has proactively embraced DTC reforms, Wuliangye lacks a comparable structural catalyst; and (3) the stock trades at 20x 2026E P/E – a premium to peers on a risk-adjusted basis – which we view as unjustified given the governance overhang and limited earnings visibility.

- Sector recovery around the corner.** China's baijiu sector is emerging from its sharpest downturn in a decade, shaped by the convergence of macro, supply-demand, and policy cycles. Industry revenue declined ~18% in 2025 per company data, tracking weaker GDP and property markets, but early signs of stabilization are emerging: tier-1 city home prices have posted their first MoM gains since 1Q25 ([note](#)). The sector has already absorbed five quarters of revenue contraction and a major policy headwind (the 2Q25 “alcohol ban”), suggesting the trough may be near. Unlike the V-shaped rebound of 2016–2017, we expect a more gradual recovery, constrained by softer macro growth and a more cautious consumer.
- 2025 restatements weigh on confidence and valuation.** We consider Wuliangye's accounting restatement (Figure 78) the most significant governance event in the sector recently. The correction reveals that a meaningful portion of historical sell-in was not matched by genuine end-consumer demand, but instead accumulated as channel inventory. The implications extend beyond Wuliangye itself, prompting broader investor scrutiny of baijiu sector financials. This raises the valuation floor risk, in our view, since investors may now demand a governance discount for names lacking DTC transparency. We expect regulatory attention to intensify and believe the restatement will weigh on Wuliangye's re-rating potential for multiple quarters, as trust will need to be rebuilt through demonstrated transparency and reform.
- What's next?** The scale and nature of this operation go beyond a routine accounting error, and warranted further explanation and a comprehensive restatement. We think it's possible that the Shenzhen Stock Exchange could issue an inquiry letter to Wuliangye, and the company would be expected to respond and make a public disclosure. On a positive note, Wuliangye has committed to over Rmb20bn in annual cash dividends through 2029, implying a 6.3% dividend yield at the current market cap. We believe some investors view the restatement as a “kitchen sink” moment – a clearing of legacy issues that resets the base for cleaner growth. More broadly, the event may prompt regulators to tighten disclosure requirements around channel inventory, ultimately improving the sector's long-term investability. If so, the restatement could prove to be a powerful catalyst for the industry's structural migration toward DTC models, turning a governance crisis into a turning point for transparency.

- **We assume coverage with an Underweight rating and a Jun-27 price target of Rmb74**, based on 15x 2027E P/E, which is near 0.5 SD below its historical average 12-month forward rolling P/E over the past 20 years. The stock currently trades at 20x 2026E P/E, which we believe overstates the earnings recovery trajectory given the governance overhang, limited near-term catalysts, and structural competitive disadvantages. Key upside risks include: (1) potential reforms under new management that restore reporting credibility; (2) stronger-than-expected consumer sentiment leading to distribution and ex-factory price hikes; and (3) a dividend payout raise. We would revisit our stance on clear evidence of governance reform, sustained channel restocking, and restored investor trust.

Price Performance



	YTD	1m	3m	12m
Abs	-23.1%	-18.7%	-21.7%	-35.8%
Rel	-26.4%	-19.2%	-20.1%	-58.6%

Company Data

Shares O/S (mn)	3,882
52-week range (Rmb)	131.85-81.30
Market cap (\$ mn)	46,659
Exchange rate	6.78
Free float (%)	41.5%
3M ADV (mn)	21.04
3M ADV (\$ mn)	294.8
Volatility (90 Day)	26
Index	SHASHR
BBG ANR (Buy Hold Sell)	26 9 6

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	29,490	46,410	48,986	51,556
Adj. EBITDA	10,079	20,391	24,939	26,726
Adj. EBIT	9,201	19,577	23,860	26,726
Adj. net income	8,954	16,087	19,120	21,217
Adj. EPS	2.31	4.14	4.93	5.47
BBG EPS	6.60	5.29	5.72	5.46
Cashflow from operations	29,706	12,217	20,913	24,042
FCFF	27,739	10,691	19,587	22,716
Margins and Growth				
Revenue Growth Y/Y (%)	(61.3%)	57.4%	5.6%	5.2%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	69.1%	72.3%	73.0%	73.2%
EBITDA margin	34.2%	43.9%	50.9%	51.8%
EBITDA Growth Y/Y (%)	(75.9%)	102.3%	22.3%	7.2%
EBIT margin	31.2%	42.2%	48.7%	51.8%
Net margin	30.4%	34.7%	39.0%	41.2%
Adj. EPS growth	(71.9%)	79.7%	18.9%	11.0%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	7.1%	13.6%	16.5%	18.3%
Valuation				
FCFF yield	8.8%	3.4%	6.2%	7.2%
Dividend yield	6.3%	6.3%	6.3%	6.3%
EV/Revenue	7.8	5.2	4.9	4.6
EV/EBITDA	22.8	11.7	9.6	8.9
Adj. P/E	35.3	19.7	16.5	14.9

Summary Investment Thesis and Valuation

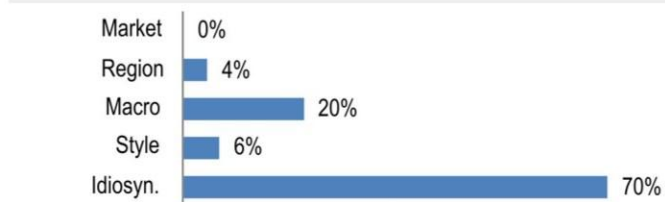
Investment Thesis

We have an Underweight rating on Wuliangye (WLY). Our negative stance rests on three pillars: (1) the recent accounting restatement calls into question the quality of reported earnings and obscures the state of end-consumer demand, making a sustainable recovery difficult to support; (2) unlike Moutai, which has proactively embraced DTC reform, Wuliangye has no comparable structural catalyst to re-rate the stock; and (3) the stock trades at a premium to peers on a risk-adjusted basis — unwarranted, in our view, given the governance overhang and limited earnings visibility. While shareholder return commitments (buybacks and dividends) provide a floor, we think they are insufficient to rebuild trust in financial reporting and the traditional distribution model.

Valuation

Our Jun-27 PT of Rmb74 is based on 15x 2027E P/E, near 0.5 SD below its historical average 12-month forward rolling P/E over the past 20 years, which we consider fair given the governance overhang.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.00	0.02
Region: China	-0.12	0.21
Macro:		
JPM China A-shares Sentiment	0.41	0.47
Generic 1st 'CO' Future	-0.25	-0.18
Emerging Economies CPI(YoY)	-0.22	-0.17
Quant Styles:		
Quality	0.38	0.14
Momentum	-0.05	-0.11
Size	-0.02	-0.11

Figure 78: Wuliangye's accounting error correction and our reading

P&L and balance sheet items were restated, while cash flow statement was not restated

P&L, FYE Dec 31 (Rmb mn)	Restated					Previously				Change				Change %			
	1Q25	2Q25	3Q25	9M25	FY25	1Q25	2Q25	3Q25	9M25	1Q25	2Q25	3Q25	9M25	1Q25	2Q25	3Q25	9M25
Gross sales	17,086	6,424	7,128	30,638	40,529	36,940	15,831	8,174	60,945	(19,855)	(9,406)	(1,047)	(30,308)	-54%	-59%	-13%	-50%
Net sales	11,681	3,978	5,863	21,521	29,490	31,535	13,384	6,910	51,829	(19,855)	(9,406)	(1,047)	(30,308)	-63%	-70%	-15%	-58%
COGS	(3,576)	(1,628)	(2,234)	(7,437)	(9,102)	(8,222)	(4,006)	(3,054)	(15,282)					-57%	-59%	-27%	-51%
Gross profit	8,105	2,350	3,630	14,084	20,388	23,313	9,378	3,856	36,547	(15,209)	(7,028)	(227)	(22,463)	-65%	-75%	-6%	-61%
- Gross margin (% of net sales)	69.4%	59.1%	61.9%	65.4%	69.1%	73.9%	70.1%	55.8%	70.5%								
SG&A	(2,641)	(2,781)	(1,929)	(7,351)	(11,174)	(3,554)	(3,764)	(1,929)	(9,248)	914	983	0	1,897	-26%	-26%	0%	-21%
Operating profits	5,464	(431)	1,700	6,733	9,214	19,759	5,613	1,927	27,300	(14,295)	(6,045)	(227)	(20,567)	-72%	-108%	-12%	-75%
Income tax expense	(1,489)	(9)	(584)	(2,083)	(2,882)	(5,063)	(1,521)	(641)	(7,224)	3,574	1,511	57	5,142	-71%	-99%	-9%	-71%
Minus: Minority interest	230	26	56	312	363	508	136	57	701	(277)	(109)	(1)	(388)	-55%	-81%	-2%	-55%
Net profits	4,416	208	1,851	6,475	8,954	14,860	4,632	2,019	21,511	(10,444)	(4,424)	(169)	(15,037)	-70%	-96%	-8%	-70%
- Net margin (% of net sales)	37.8%	5.2%	31.6%	30.1%	30.4%	47.1%	34.6%	29.2%	41.5%								

BS, as of Dec 31 (Rmb mn)	Restated					Previously				Change				Chg%			
	1Q25	2Q25	3Q25	9M25	FY25	1Q25	2Q25	3Q25	9M25	1Q25	2Q25	3Q25	9M25	1Q25	2Q25	3Q25	9M25
Current assets	178,844	178,499	166,127	166,127	164,752	175,463	170,504	157,724	157,724	3,381	7,995	8,403	8,403	2%	5%	5%	5%
Other current assets	3,499	8,187	8,547	8,547	7,968	118	191	144	144	3,381	7,995	8,403	8,403	2860%	4177%	5833%	5833%
* Input VAT to be deducted					135												
* Prepaid VAT and corp income tax					2,926												
* Supervised goods 监管商品					4,907												
Non-current assets	23,606	24,481	25,054	25,054	25,233	22,517	22,911	23,349	23,349	1,089	1,570	1,705	1,705	5%	7%	7%	7%
Deferred income tax assets	4,165	4,720	4,901	4,901	4,813	3,076	3,150	3,196	3,196	1,089	1,570	1,705	1,705	35%	50%	53%	53%
Total assets	202,450	202,981	191,181	191,181	189,984	197,980	193,415	181,073	181,073	4,470	9,565	10,108	10,108	2%	5%	6%	6%
Current liabilities	60,683	73,497	59,906	59,906	67,352	45,492	48,677	34,373	34,373	15,191	24,820	25,533	25,533	33%	51%	74%	74%
Tax payable	5,683	3,931	1,544	1,544	2,093	8,168	4,540	1,556	1,556	(2,485)	(609)	(12)	(12)	-30%	-13%	-1%	-1%
Other payable	10,616	17,009	7,449	7,449	10,186	11,530	18,905	9,346	9,346	(914)	(1,897)	(1,897)	(1,897)	-8%	-10%	-20%	-20%
Other current liabilities	19,093	27,326	27,827	27,827	27,029	504	423	386	386	18,589	26,903	27,442	27,442	2048%	3378%	3636%	3636%
* Output tax to be transferred					714												
* Payables for supervised goods 应付监管商品款项					26,315												
Total liabilities	61,408	74,104	60,406	60,406	67,804	46,217	49,284	34,873	34,873	15,191	24,820	25,533	25,533	33%	50%	73%	73%
Ownership equity	137,702	125,608	127,459	127,459	119,932	148,146	140,476	142,496	142,496	(10,444)	(14,868)	(15,037)	(15,037)	-7%	-11%	-11%	-11%
Retained earnings	92,073	79,980	81,830	81,830	70,419	102,517	94,848	96,867	96,867	(10,444)	(14,868)	(15,037)	(15,037)	-10%	-16%	-16%	-16%
Minority interest	3,340	3,268	3,317	3,317	2,248	3,617	3,655	3,705	3,705	(277)	(387)	(388)	(388)	-8%	-11%	-10%	-10%
Shareholder equity	141,041	128,876	130,776	130,776	122,181	151,763	144,131	146,200	146,200	(10,721)	(15,255)	(15,425)	(15,425)	-7%	-11%	-11%	-11%

* Supervised goods 监管商品	4,907	Revenue was recognized, but the goods are still sitting in the company's warehouse (valued at production cost)
* Payables for supervised goods 应付监管商品款项	26,315	Payment was received but goods were not shipped, so revenue cannot be recognized (valued at ex-factory price)
* Net payables	21,408	
* Deducted net sales	30,308	Revenue reversed for the portion where goods have not been shipped

Source: Company data, J.P. Morgan.

What happened?

Wuliangye “corrected its financial errors” for the first three quarters of 2025, reducing previously reported revenue by approximately Rmb30bn or 50%. 9M25 net earnings were cut by Rmb15bn or 70% to Rmb6.5bn. On the balance sheet (end-9M25), it now recognizes Rmb27bn in “Other current liabilities” (vs previously Rmb386mn), and recognizes Rmb8bn “Other current assets” (vs previously Rmb144mn).

The root cause lies in the inherent opacity of the traditional 2B distribution model – pushing product into the channel, creating a widening gap between reported sell-in and actual end-consumer demand. The **balance sheet restatement** (revising up “other current liabilities” and “other current assets”) revealed that some distributors had taken on massive volumes of product – prepaid but never physically shipped – artificially inflating reported sales for Wuliangye during 9M25. Revenue was recognized even though the goods remained in the company's warehouses.

Figure 79: Wuliangye – Key operating and financial metrics

P&L, FYE Dec 31 (Rmb mn)	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Gross sales	73,969	83,272	89,175	17,086	6,424	7,128	9,891	40,529	54,418	57,456	60,486
- Premium liquor	55,335	62,804	67,875					27,936	40,878	43,435	45,967
- Series liquor	12,227	13,643	15,251					9,168	10,286	10,702	11,134
- Other business	6,406	6,825	6,048					3,425	3,253	3,318	3,385
Gross sales yoy (%)	11.7%	12.6%	7.1%	-50.9%	-59.4%	-58.7%	-53.5%	-54.6%	34.3%	5.6%	5.3%
- Premium liquor	12.7%	13.5%	8.1%					-58.8%	46.3%	6.3%	5.8%
- Series liquor	-3.1%	11.6%	11.8%					-39.9%	12.2%	4.0%	4.0%
Sales volume yoy (%)	-30.0%	25.1%	1.8%					-30.3%	14.5%	2.6%	2.6%
- Premium liquor	12.2%	18.0%	7.1%					-53.0%	36.0%	5.0%	5.0%
- Series liquor	-38.1%	27.6%	0.1%					-22.5%	10.0%	2.0%	2.0%
ASP yoy (%)	56.5%	-9.6%	6.8%					-36.0%	20.5%	3.1%	2.8%
- Premium liquor	0.4%	-3.8%	0.9%					-12.4%	7.6%	1.2%	0.8%
- Series liquor	56.6%	-12.6%	11.7%					-22.5%	2.0%	2.0%	2.0%
Consumption tax & surcharge	(10,749)	(12,532)	(13,041)	(5,405)	(2,447)	(1,264)	(1,922)	(11,038)	(8,008)	(8,470)	(8,930)
- % of gross sales	-14.5%	-15.0%	-14.6%	-31.6%	-38.1%	-17.7%	-19.4%	-27.2%	-14.7%	-14.7%	-14.8%
Net sales	63,220	70,740	76,134	11,681	3,978	5,863	7,969	29,490	46,410	48,986	51,556
Net sales yoy (%)	12.1%	11.9%	7.6%	-61.0%	-70.5%	-60.1%	-55.6%	-61.3%	57.4%	5.6%	5.2%
COGS	(18,178)	(20,157)	(20,461)	(3,576)	(1,628)	(2,234)	(4,339)	(9,102)	(12,851)	(13,235)	(13,810)
Gross profit	45,041	50,583	55,673	8,105	2,350	3,630	3,630	20,388	33,558	35,751	37,746
- Gross margin (% of net sales)	71.2%	71.5%	73.1%	69.4%	59.1%	61.9%	45.5%	69.1%	72.3%	73.0%	73.2%
- Gross margin (% of gross sales)	75.4%	75.8%	77.1%	79.1%	74.7%	68.7%	56.1%	77.5%	76.4%	77.0%	77.2%
SG&A	(10,148)	(11,438)	(14,653)	(2,641)	(2,781)	(1,929)	(3,823)	(11,174)	(13,981)	(11,892)	(11,020)
- Selling expense	(6,844)	(7,796)	(10,692)	(1,494)	(2,005)	(1,234)	(2,895)	(7,629)	(10,581)	(8,328)	(7,269)
- G&A expense	(3,304)	(3,641)	(3,960)	(1,146)	(776)	(696)	(928)	(3,546)	(3,400)	(3,564)	(3,751)
SG&A / net sales (%)	-16.1%	-16.2%	-19.2%	-22.6%	-69.9%	-32.9%	-48.0%	-37.9%	-30.1%	-24.3%	-21.4%
SG&A / gross sales (%)	-13.7%	-13.7%	-16.4%	-15.5%	-43.3%	-27.1%	-38.7%	-27.6%	-25.7%	-20.7%	-18.2%
Operating profits	34,893	39,146	41,020	5,464	(431)	1,700	(194)	9,214	19,577	23,860	26,726
- OP yoy (%)	14.3%	12.2%	4.8%	-70.8%	-107.1%	-77.0%	-102.2%	-77.5%	112.5%	21.9%	12.0%
- OP margin (% of net sales)	55.2%	55.3%	53.9%	46.8%	-10.8%	29.0%	-2.4%	31.2%	42.2%	48.7%	51.8%
- OP margin (% of gross sales)	47.2%	47.0%	46.0%	32.0%	-6.7%	23.9%	-2.0%	22.7%	36.0%	41.5%	44.2%
Other income and expenses	184	294	310	13	72	18	220	323	263	274	286
Interest income and expense, net	2,026	2,473	2,834	659	603	772	629	2,662	2,419	2,322	2,345
PBT	37,104	41,913	44,163	6,136	243	2,491	655	12,199	22,260	26,456	29,357
Income tax expense	(9,133)	(10,392)	(10,970)	(1,489)	(9)	(584)	(799)	(2,882)	(5,520)	(6,561)	(7,280)
- Effective tax rate	-24.6%	-24.8%	-24.8%	-24.3%	-3.9%	-23.4%	-122.0%	-23.6%	-24.8%	-24.8%	-24.8%
Minus: Minority interest	1,280	1,310	1,340	230	26	56	50	363	652	775	860
Net profits	26,691	30,211	31,853	4,416	208	1,851	(194)	8,954	16,087	19,120	21,217
- NP yoy (%)	14.2%	13.2%	5.4%	-68.6%	-95.9%	-68.5%	-102.8%	-71.9%	79.7%	18.9%	11.0%
- Net margin (% of net sales)	42.2%	42.7%	41.8%	37.8%	5.2%	31.6%	-2.4%	30.4%	34.7%	39.0%	41.2%
- NP margin (% of gross sales)	36.1%	36.3%	35.7%	25.8%	3.2%	26.0%	-2.0%	22.1%	29.6%	33.3%	35.1%
Cash flow quality:											
Cash sales yoy (%)	1%	29%	-3%	76%	12%	-75%	128%				
OpCF yoy (%)	-9%	71%	-19%	n.m.	18%	-118%	-65%				
A/R yoy (%)	14%	-51%	39%	-31%	-80%	-56%	-52%				
Customer advance yoy (%)	-5%	-44%	70%	101%	23%	31%	15%				
Dividend payout	55.0%	60.0%	70.0%					223.5%	124.3%	104.6%	94.3%
Dividend yield								0.0%	5.6%	5.6%	5.6%
ROE	25.1%	24.8%	24.2%					7.1%	13.6%	16.5%	18.3%
Net cash/equity	81.0%	89.1%	95.6%					105.9%	101.5%	101.9%	103.3%

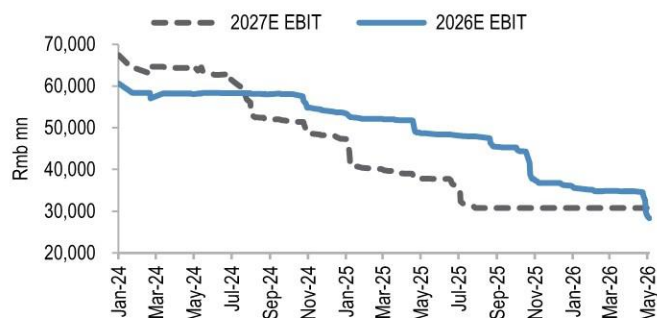
Source: Company data, J.P. Morgan estimates.

Figure 80: Wuliangye – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg consensus			JPM vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Gross sales	54,418	57,456	60,486	60,753	66,671	61,644	-10.4%	-13.8%	-1.9%
YoY	34.3%	5.6%	5.3%	49.9%	9.7%	-7.5%	-15.6pp	-4.2pp	12.8pp
Gross profit	41,566	44,221	46,676	46,189	50,791	48,043	-10.0%	-12.9%	-2.8%
<i>Gross margin</i>	<i>76.4%</i>	<i>77.0%</i>	<i>77.2%</i>	<i>76.0%</i>	<i>76.2%</i>	<i>77.9%</i>	<i>0.4pp</i>	<i>0.8pp</i>	<i>-0.8pp</i>
Operating profit	19,577	23,860	26,726	28,170	30,479	28,066	-30.5%	-21.7%	-4.8%
YoY	112.5%	21.9%	12.0%	205.7%	8.2%	-7.9%	-93.3pp	13.7pp	19.9pp
<i>Operating margin</i>	<i>36.0%</i>	<i>41.5%</i>	<i>44.2%</i>	<i>46.4%</i>	<i>45.7%</i>	<i>45.5%</i>	<i>-10.4pp</i>	<i>-4.2pp</i>	<i>-1.3pp</i>
Net profit	16,087	19,120	21,217	20,843	22,717	21,457	-22.8%	-15.8%	-1.1%
YoY	79.7%	18.9%	11.0%	132.8%	9.0%	-5.5%	-53.1pp	9.9pp	16.5pp
<i>Adj. net margin</i>	<i>34.7%</i>	<i>39.0%</i>	<i>41.2%</i>	<i>34.3%</i>	<i>34.1%</i>	<i>34.8%</i>	<i>0.4pp</i>	<i>5.0pp</i>	<i>6.3pp</i>
EPS (Rmb)	4.14	4.93	5.47	5.29	5.72	5.46	-21.7%	-13.9%	0.2%
YoY	79.7%	18.9%	11.0%	129.4%	8.0%	-4.6%	-49.8pp	10.8pp	15.5pp

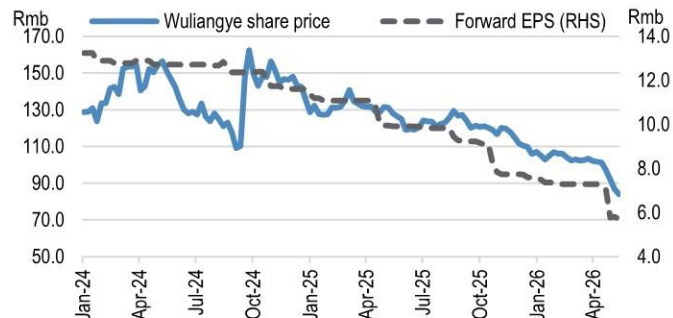
Note: Gross profit includes consumption tax & surcharge, to align with BBG consensus.
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 81: Consensus EBIT revisions – Wuliangye



Source: Bloomberg Finance L.P. estimates.

Figure 82: Share price vs consensus forward EPS – Wuliangye



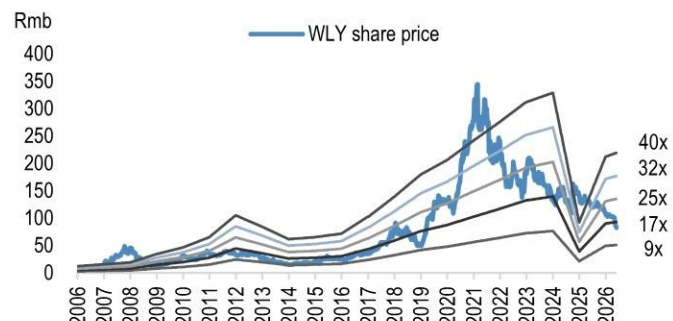
Source: Bloomberg Finance L.P.

Figure 83: Wuliangye 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 84: Wuliangye 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Wuliangye - A (*Underweight; Price Target: Rmb74.00*)

Investment Thesis

We have an Underweight rating on Wuliangye (WLY). Our negative stance rests on three pillars: (1) the recent accounting restatement calls into question the quality of reported earnings and obscures the state of end-consumer demand, making a sustainable recovery difficult to support; (2) unlike Moutai, which has proactively embraced DTC reform, Wuliangye has no comparable structural catalyst to re-rate the stock; and (3) the stock trades at a premium to peers on a risk-adjusted basis — unwarranted, in our view, given the governance overhang and limited earnings visibility. While shareholder return commitments (buybacks and dividends) provide a floor, we think they are insufficient to rebuild trust in financial reporting and the traditional distribution model.

Valuation

Our Jun-27 PT of Rmb74 is based on 15x 2027E P/E, near 0.5 SD below its historical average 12-month forward rolling P/E over the past 20 years, which we consider fair given the governance overhang.

Risks to Rating and Price Target

Key upside risks include: (1) potential reforms and better transparency under new management; (2) stronger-than-expected consumer sentiment leading to distribution price and ex-factory price hikes for liquor products; and (3) a dividend payout raise.

Wuliangye - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	76,134	29,490	46,410	48,986	51,556	Cash flow from operating activities	33,940	29,706	12,217	20,913	24,042
COGS	(19,898)	(8,509)	(12,116)	(12,330)	(13,810)	o/w Depreciation & amortization	783	878	813	1,079	1,216
Gross profit	55,673	20,388	33,558	35,751	37,746	o/w Changes in working capital	541	20,683	(5,289)	(16)	795
SG&A	(14,432)	(10,889)	(13,904)	(11,716)	(11,020)	Cash flow from investing activities	(2,642)	(1,971)	(1,451)	(1,251)	(1,251)
Adj. EBITDA	41,801	10,079	20,391	24,939	26,726	o/w Capital expenditure	(2,666)	(1,967)	(1,526)	(1,326)	(1,326)
D&A	(783)	(878)	(813)	(1,079)	0	as % of sales	3.5%	6.7%	3.3%	2.7%	2.6%
Adj. EBIT	41,017	9,201	19,577	23,860	26,726	Cash flow from financing activities	(19,622)	(28,392)	(20,029)	(20,029)	(20,030)
Net Interest	2,834	2,662	2,419	2,322	2,345	o/w Dividends paid	(19,241)	(28,005)	(20,029)	(20,029)	(20,030)
Adj. PBT	44,163	12,199	22,260	26,456	29,357	o/w Shares issued/(repurchased)	92	139	0	0	0
Tax	(10,970)	(2,882)	(5,520)	(6,561)	(7,280)	o/w Net debt issued/(repaid)	0	0	0	0	0
Minority Interest	(1,340)	(363)	(652)	(775)	(860)	Net change in cash	11,676	(657)	(9,263)	(368)	2,761
Adj. Net Income	31,853	8,954	16,087	19,120	21,217	Adj. Free cash flow to firm	31,273	27,739	10,691	19,587	22,716
Reported EPS	8.21	2.31	4.14	4.93	5.47	y/y Growth	(19.4%)	(11.3%)	(61.5%)	83.2%	16.0%
Adj. EPS	8.21	2.31	4.14	4.93	5.47						
DPS	5.75	5.16	5.15	5.15	5.15						
Payout ratio	70.0%	223.5%	124.3%	104.6%	94.3%						
Shares outstanding	3,882	3,882	3,882	3,882	3,882						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	127,399	127,014	117,752	117,384	120,145	Gross margin	73.1%	69.1%	72.3%	73.0%	73.2%
Accounts receivable	19,614	9,444	17,414	17,237	16,936	EBITDA margin	54.9%	34.2%	43.9%	50.9%	51.8%
Inventories	18,234	20,065	20,562	18,528	17,953	EBIT margin	53.9%	31.2%	42.2%	48.7%	51.8%
Other current assets	38,384	37,737	46,301	44,090	43,214	Net profit margin	41.8%	30.4%	34.7%	39.0%	41.2%
Current assets	165,783	164,752	164,053	161,474	163,359	ROE	24.2%	7.1%	13.6%	16.5%	18.3%
PP&E	13,060	14,675	15,289	15,535	15,644	ROA	18.0%	4.7%	8.5%	10.1%	11.3%
LT investments	2,082	2,234	2,234	2,234	2,234	ROCE	23.5%	5.6%	12.5%	15.5%	17.4%
Other non current assets	6,736	7,881	7,881	7,881	7,881	SG&A/Sales	19.0%	36.9%	30.0%	23.9%	21.4%
Total assets	188,252	189,984	189,900	187,569	189,563	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	0	0	0	0	0	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	9,493	9,887	10,281	10,588	11,048	Sales/Assets (x)	0.4	0.2	0.2	0.3	0.3
Other short term liabilities	41,533	57,465	60,248	57,714	57,173	Assets/Equity (x)	1.3	1.5	1.6	1.6	1.6
Current liabilities	51,027	67,352	70,529	68,302	68,221	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	0	0	0	0	0	Operating leverage	62.8%	126.6%	196.6%	394.1%	228.9%
Other long term liabilities	831	452	452	452	452	Tax rate	24.8%	23.6%	24.8%	24.8%	24.8%
Total liabilities	51,857	67,804	70,981	68,754	68,672	Revenue y/y Growth	7.6%	(61.3%)	57.4%	5.6%	5.2%
Shareholders' equity	133,285	119,932	116,020	115,140	116,356	EBITDA y/y Growth	5.2%	(75.9%)	102.3%	22.3%	7.2%
Minority interests	3,110	2,248	2,900	3,675	4,535	EPS y/y Growth	5.4%	(71.9%)	79.7%	18.9%	11.0%
Total liabilities & equity	188,252	189,984	189,900	187,569	189,563						
BVPS	34.34	30.90	29.89	29.66	29.98						
y/y Growth	2.9%	(10.0%)	(3.3%)	(0.8%)	1.1%						
Net debt/(cash)	(127,399)	(127,014)	(117,752)	(117,384)	(120,145)						
Valuation											
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.9	35.3	19.7	16.5	14.9						
P/BV (x)	2.4	2.6	2.7	2.7	2.7						
EV/EBITDA (x)	5.5	22.8	11.7	9.6	8.9						
Dividend Yield	7.1%	6.3%	6.3%	6.3%	6.3%						

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

▼ Neutral

Previous: Overweight

000568.SZ, 000568 CH

Price (28 May 26):Rmb89.02

▼ Price Target (Jun-27):Rmb105.00

Prior (Dec-26):Rmb155.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	9.32	6.73	-27.8%
Adj. EPS - 27E (Rmb)	10.06	7.05	-30.0%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	26	30	29	43	54
Growth	76	59	57	7	35
Momentum	76	78	79	39	10
Quality	27	9	7	1	12
Low Vol	28	41	46	47	65
ESGQ	21	11	26	90	94

Luzhou Laojiao - A

Mid-end strength meets sector uncertainty; assume coverage at Neutral

We assume coverage of Luzhou Laojiao with a Neutral rating and a Jun-27 price target of Rmb105. The stock trades near historical lows, reflecting both cyclical and structural headwinds in the baijiu sector. Our balanced view is anchored by three key factors: (1) resilient growth in the mid-end segment, which is helping offset decelerating premium sales and supporting stable volumes; (2) a 60-75% dividend payout commitment for 2025-26, implying a 5%-6% yield and providing downside protection; and (3) an undemanding valuation at 13x 2026E P/E, which is well below historical averages and peers. We forecast a -7%/-9% revenue/earnings decline in 2026E and +4%/+5% growth in 2027E, with margin stability underpinned by disciplined cost control and channel management. The next leg of re-rating will likely depend on evidence of sustained volume growth, margin recovery, and successful execution of premiumization and channel strategies.

- **Early signs of sector stabilization.** The baijiu sector is navigating a challenging environment, with industry revenue declining ~18% in 2025, according to company data, and only tentative signs of stabilization in 2026. While premium baijiu faces headwinds from weak macro conditions, policy tightening, and shifting consumption patterns, the mid-end segment is showing greater resilience. Luzhou Laojiao is leveraging its strong brand equity and channel relationships to defend share in the Rmb300-800 price band, even as competition intensifies. The company's focus on product innovation, channel optimization, and regional expansion is helping to offset macro and policy pressures. The key question is: can Laojiao sustain its growth trajectory and margin profile as the sector transitions from cyclical downturn to gradual recovery?
- **Recent channel checks indicate price stabilization.** Laojiao reported a gross sales decline of 62% yoy in 4Q25, which then narrowed to a 14% decline in 1Q26. Retail sales momentum is largely on track, 1Q26 sales accounted for approximately 25% of annual sales target (per distributors) and 2QTD retail sales declined by around 5% yoy (better vs company-reported 1Q26 sales decline of 14%). Although Guojiao 1573 still saw lower wholesale price vs ex-factory price, distributors expect pricing to relatively stabilize going forward. The balance sheet remains strong, with Rmb30bn cash at hand as of end-1Q26.
- **We assume coverage with a Neutral rating and a Jun-27 price target of Rmb105,** based on 15x 2027E P/E, close to 1 SD below the historical average. The stock's current valuation reflects both cyclical and structural headwinds, and we see a balanced risk/reward profile given the company's resilient mid-end franchise, strong balance sheet, and high dividend payout. Key downside risks: (1) worse-than-expected sales growth due to slow demand recovery and demographic change (young people consume less baijiu); (2) potential hikes in liquor tax rates; and (3) potential social responsibility burdens levied by local governments on large SOEs. Key upside risks: (1) stronger-than-expected consumer sentiment leading to distribution price and ex-factory price hikes for liquor products; and (2) a dividend payout raise.

Price Performance



	YTD	1m	3m	12m
Abs	-23.4%	-11.2%	-19.4%	-25.2%
Rel	-26.7%	-11.7%	-17.9%	-48.0%

Company Data

Shares O/S (mn)	1,472
52-week range (Rmb)	145.88-88.30
Market cap (\$ mn)	19,328
Exchange rate	6.78
Free float (%)	44.9%
3M ADV (mn)	8.93
3M ADV (\$ mn)	132.1
Volatility (90 Day)	30
Index	SHASHR
BBG ANR (Buy Hold Sell)	26 8 1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	21,803	20,210	20,948	22,139
Adj. EBITDA	14,771	13,533	14,195	14,455
Adj. EBIT	13,986	12,794	13,428	14,455
Adj. net income	10,831	9,902	10,370	11,199
Adj. EPS	7.36	6.73	7.05	7.61
BBG EPS	7.98	7.12	7.61	7.82
Cashflow from operations	7,123	10,305	12,571	13,560
FCFF	5,190	9,167	11,433	12,422
Margins and Growth				
Revenue Growth Y/Y (%)	(17.5%)	(7.3%)	3.7%	5.7%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	84.2%	82.9%	83.4%	83.8%
EBITDA margin	67.7%	67.0%	67.8%	65.3%
EBITDA Growth Y/Y (%)	(19.9%)	(8.4%)	4.9%	1.8%
EBIT margin	64.1%	63.3%	64.1%	65.3%
Net margin	49.7%	49.0%	49.5%	50.6%
Adj. EPS growth	(19.6%)	(8.6%)	4.7%	8.0%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	22.3%	19.2%	19.0%	19.4%
Valuation				
FCFF yield	4.0%	7.0%	8.7%	9.5%
Dividend yield	5.0%	5.7%	5.9%	6.4%
EV/Revenue	4.8	5.1	4.7	4.3
EV/EBITDA	7.1	7.6	7.0	6.5
Adj. P/E	12.1	13.2	12.6	11.7

Summary Investment Thesis and Valuation

Investment Thesis

We are Neutral on Laojiao. Our balanced view is anchored by three key factors: 1) resilient growth in the mid-end segment, which is helping offset decelerating premium sales and supporting stable volumes; 2) a 60%-75% dividend payout commitment for 2025-26, implying a 5%-6% yield and providing downside protection; and 3) an undemanding valuation, well below historical averages and peers. We forecast a -7%/-9% revenue/earnings decline in 2026E and +4%/+5% growth in 2027E, with margin stability underpinned by disciplined cost control and channel management. The next leg of re-rating will likely depend on evidence of sustained volume growth, margin recovery, and successful execution of premiumization and channel strategies.

Valuation

Our Jun-27 price target of Rmb105 is based on 15x 2027E P/E, approximately 1 STD below its 20-year historical average 12-month forward rolling P/E, consistent with the target multiples we apply to peers Wuliangye and Yanghe. The stock currently trades at 13x 2026E P/E, which we view as fairly valued at this stage. Looking ahead, Laojiao should see a gradual re-rating as the best proxy for the mid-end segment, following the re-rating of the premium segment (Moutai) in the early phase of an industry turnaround.

Performance Drivers

Market	0%
Region	8%
Macro	17%
Style	3%
Idiosyn.	72%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.07	0.02
Region: China	0.00	0.29
Macro:		
JPM China A-shares Sentiment	0.45	0.41
Generic 1st 'CO' Future	-0.41	-0.32
Emerging Economies CPI(YoY)	-0.21	-0.13
Quant Styles:		
Momentum	-0.19	-0.12
Quality	0.26	0.10
DivYld	0.28	0.09

Figure 85: Laojiao – Key operating and financial metrics

P&L (Rmb mn, FYE Dec 31)	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Gross sales	25,124	30,233	31,196	9,352	7,102	6,674	2,604	25,731	23,851	24,722	26,127
- Premium liquor / Guojiao	16,229	20,611	20,817	6,157	4,730	4,472	1,711	17,070	17,619	18,361	19,569
- Mid-end liquor / Tequ	5,904	6,231	6,768	2,228	1,932	1,530	208	5,898	3,524	3,647	3,812
- Economy liquor	2,634	3,236	3,467	950	400	638	650	2,638	2,593	2,593	2,618
- Others	357	156	144	17	39	34	35	125	115	121	127
Gross sales yoy (%)	21.7%	20.3%	3.2%	1.8%	-8.0%	-9.8%	-62.2%	-17.5%	-7.3%	3.7%	5.7%
- Premium liquor	18.0%	27.0%	1.0%	1.7%	-10.5%	-10.0%	-62.0%	-18.0%	3.2%	4.2%	6.6%
- Mid-end liquor	27.1%	5.5%	8.6%	1.7%	14.9%	-9.0%	-82.9%	-12.9%	-40.3%	3.5%	4.5%
- Economy liquor	30.5%	22.9%	7.2%	8.0%	-46.4%	-9.0%	-43.0%	-23.9%	-1.7%	0.0%	1.0%
Sales volume yoy (%)	10.7%	11.7%	7.8%					-17.0%	-13.7%	1.5%	2.3%
- Premium liquor	16.0%	22.0%	3.0%					3.0%	-16.0%	4.0%	4.0%
- Mid-end liquor	17.3%	-7.8%	21.0%					-21.2%	-20.0%	3.5%	4.0%
- Economy liquor	6.5%	19.6%	3.5%					-19.7%	-10.0%	0.0%	1.0%
ASP yoy (%)	9.5%	8.7%	-4.2%					-0.6%	7.4%	2.1%	3.4%
- Premium liquor	1.7%	4.1%	-1.9%					-2.2%	0.0%	0.2%	2.5%
- Mid-end liquor	8.4%	14.5%	-10.2%					-10.2%	-8.0%	0.0%	0.5%
- Economy liquor	22.5%	2.7%	3.5%					3.5%	0.0%	0.0%	0.0%
Consumption tax & surcharge	(3,524)	(4,133)	(4,754)	(1,090)	(1,093)	(618)	(1,127)	(3,928)	(3,641)	(3,774)	(3,988)
- % of gross revenue	-14.0%	-13.7%	-15.2%	-11.7%	-15.4%	-9.3%	-43.3%	-15.3%	-15.3%	-15.3%	-15.3%
Net sales	21,600	26,100	26,442	8,262	6,009	6,056	1,476	21,803	20,210	20,948	22,139
Net sales yoy (%)	21.5%	20.8%	1.3%	2.7%	-11.8%	-9.7%	-69.7%	-17.5%	-7.3%	3.7%	5.7%
COGS	(3,370)	(3,537)	(3,888)	(1,262)	(862)	(856)	(461)	(3,442)	(3,451)	(3,477)	(3,583)
Gross profit	18,230	22,563	22,554	7,001	5,146	5,200	1,015	18,362	16,760	17,471	18,556
- GP margin (% of net sales)	84.4%	86.4%	85.3%	84.7%	85.6%	85.9%	68.7%	84.2%	82.9%	83.4%	83.8%
- GP margin (% of gross sales)	86.6%	88.3%	87.5%	86.5%	87.9%	87.2%	82.3%	86.6%	85.5%	85.9%	86.3%
SG&A	(4,817)	(5,340)	(4,900)	(993)	(1,038)	(1,198)	(1,187)	(4,415)	(3,965)	(4,043)	(4,100)
- Selling expense	(3,449)	(3,974)	(3,538)	(767)	(752)	(901)	(818)	(3,237)	(2,955)	(3,037)	(3,099)
- G&A expense	(1,369)	(1,365)	(1,362)	(226)	(287)	(297)	(369)	(1,178)	(1,011)	(1,006)	(1,001)
SG&A / net sales (%)	-22.3%	-20.5%	-18.5%	-12.0%	-17.3%	-19.8%	-80.4%	-20.3%	-19.6%	-19.3%	-18.5%
SG&A / gross sales (%)	-19.2%	-17.7%	-15.7%	-10.6%	-14.6%	-17.9%	-45.6%	-17.2%	-16.6%	-16.4%	-15.7%
Operating profits	13,413	17,223	17,654	6,008	4,108	4,002	(172)	13,946	12,794	13,428	14,455
- OP yoy growth (%)	33.7%	28.4%	2.5%	0.2%	-13.0%	-13.5%	-107.5%	-21.0%	-8.3%	5.0%	7.7%
- OP margin (% of net sales)	62.1%	66.0%	66.8%	72.7%	68.4%	66.1%	-11.7%	64.0%	63.3%	64.1%	65.3%
- OP margin (% of gross sales)	53.4%	57.0%	56.6%	64.2%	57.9%	60.0%	-6.6%	54.2%	53.6%	54.3%	55.3%
Other income and expenses	156	212	63	(4)	34	54	112	196	91	86	96
Interest income and expense, net	286	371	489	125	139	121	127	512	429	430	506
PBT	13,855	17,806	18,205	6,130	4,281	4,177	66	14,654	13,314	13,944	15,058
Income tax	(3,444)	(4,517)	(4,708)	(1,518)	(1,209)	(1,066)	(1)	(3,794)	(3,382)	(3,542)	(3,825)
Net profit	10,365	13,246	13,473	4,593	3,070	3,099	68	10,831	9,902	10,370	11,199
- NP yoy growth (%)	30.3%	27.8%	1.7%	0.4%	-11.1%	-13.1%	-96.4%	-19.6%	-8.6%	4.7%	8.0%
- Net margin (% of net sales)	48.0%	50.8%	51.0%	55.6%	51.1%	51.2%	4.6%	49.7%	49.0%	49.5%	50.6%
- Net margin (% of gross sales)	41.3%	43.8%	43.2%	49.1%	43.2%	46.4%	2.6%	42.1%	41.5%	41.9%	42.9%
Cash flow quality:											
Cash sales yoy (%)	15%	22%	27%	-7%	-15%	-2%	-84%	-31%			
OpCF yoy (%)	7%	29%	80%	-24%	-29%	-11%	-140%	-63%			
A/R yoy (%)	-4%	30%	-70%	-77%	-65%	-73%	-19%	-19%			
Customer advance yoy (%)	-27%	4%	49%	21%	51%	45%	-15%	-15%			
Dividend payout	60.0%	60.0%	65.0%					60.0%	75.0%	75.0%	75.0%
Dividend yield									5.7%	5.9%	6.4%
ROE	33.3%	35.0%	30.4%					22.3%	19.2%	19.0%	19.4%
Net gearing	-33.6%	-34.7%	-50.7%					-41.5%	-43.7%	-48.4%	-53.2%

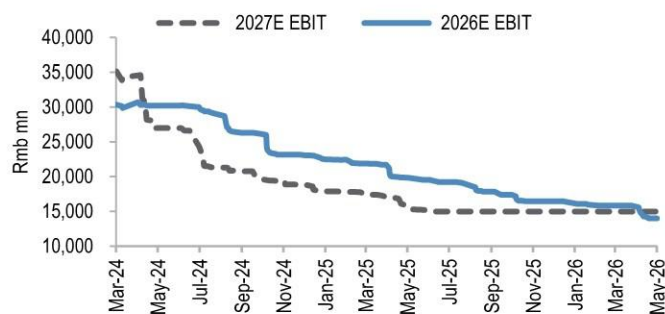
Source: Company data, J.P. Morgan estimates.

Figure 86: Laojiao – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg consensus			JPM vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Gross Revenue	23,851	24,722	26,127	25,314	27,179	27,501	-5.8%	-9.0%	-5.0%
YoY	-7.3%	3.7%	5.7%	-1.6%	7.4%	1.2%	-6pp	-4pp	4pp
Gross profit	20,401	21,245	22,544	21,785	23,433	23,791	-6.4%	-9.3%	-5.2%
Gross margin	85.5%	85.9%	86.3%	86.1%	86.2%	86.5%	-1pp	0pp	0pp
Operating profit	12,794	13,428	14,455	14,046	15,083	15,297	-8.9%	-11.0%	-5.5%
YoY	-8.3%	5.0%	7.7%	0.7%	7.4%	1.4%	-9pp	-2pp	6pp
Operating margin	53.6%	54.3%	55.3%	55.5%	55.5%	55.6%	-2pp	-1pp	0pp
Net profit	9,902	10,370	11,199	10,486	11,424	11,690	-5.6%	-9.2%	-4.2%
YoY	-8.6%	4.7%	8.0%	-3.2%	8.9%	2.3%	-5pp	-4pp	6pp
Adj. net margin	49.0%	49.5%	50.6%	41.4%	42.0%	42.5%	8pp	7pp	8pp
EPS (Rmb)	6.73	7.05	7.61	7.12	7.61	7.82	-5.5%	-7.4%	-2.7%
YoY	-8.6%	4.7%	8.0%	-3.2%	6.9%	2.6%	-5pp	-2pp	5pp

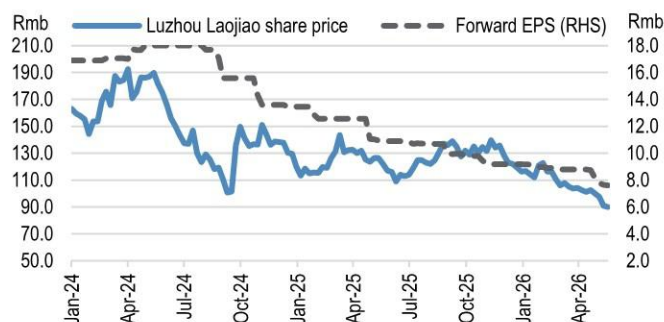
Note: Gross profit includes consumption tax & surcharge, to align with BBG consensus.
Source: Bloomberg Finance L.P. estimates., J.P. Morgan estimates.

Figure 87: Consensus EBIT revisions – Laojiao



Source: Bloomberg Finance L.P. estimates.

Figure 88: Share price vs consensus forward EPS – Laojiao



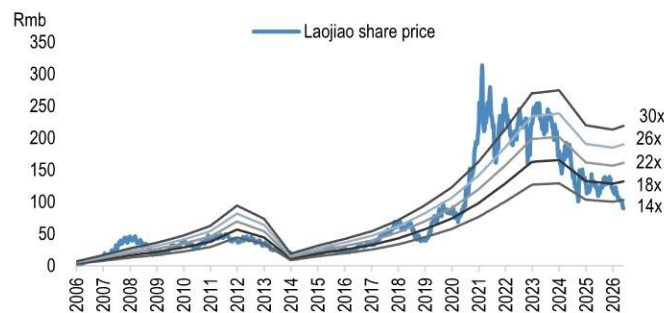
Source: Bloomberg Finance L.P.

Figure 89: Laojiao 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 90: Laojiao 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Luzhou Laojiao - A *(Neutral; Price Target: Rmb105.00)*

Investment Thesis

We are Neutral on Laojiao. Our balanced view is anchored by three key factors: 1) resilient growth in the mid-end segment, which is helping offset decelerating premium sales and supporting stable volumes; 2) a 60%-75% dividend payout commitment for 2025–26, implying a 5%-6% yield and providing downside protection; and 3) an undemanding valuation, well below historical averages and peers. We forecast a -7%/-9% revenue/earnings decline in 2026E and +4%/+5% growth in 2027E, with margin stability underpinned by disciplined cost control and channel management. The next leg of re-rating will likely depend on evidence of sustained volume growth, margin recovery, and successful execution of premiumization and channel strategies.

Valuation

Our Jun-27 price target of Rmb105 is based on 15x 2027E P/E, approximately 1 STD below its 20-year historical average 12-month forward rolling P/E, consistent with the target multiples we apply to peers Wuliangye and Yanghe. The stock currently trades at 13x 2026E P/E, which we view as fairly valued at this stage. Looking ahead, Laojiao should see a gradual re-rating as the best proxy for the mid-end segment, following the re-rating of the premium segment (Moutai) in the early phase of an industry turnaround.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) worse-than-expected sales growth due to a slow demand recovery and demographic change (young people consume less baijiu); 2) potential hikes in liquor tax rates; and 3) potential social responsibility burdens levied by local governments on large SOEs.

Key upside risks: 1) stronger-than-expected consumer sentiment leading to distribution price and ex-factory price hikes for liquor products; and 2) a dividend payout raise.

Luzhou Laojiao - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	26,442	21,803	20,210	20,948	22,139	Cash flow from operating activities	19,182	7,123	10,305	12,571	13,560
COGS	(3,207)	(2,762)	(2,818)	(2,816)	(3,583)	o/w Depreciation & amortization	783	794	739	767	793
Gross profit	22,554	18,362	16,760	17,471	18,556	o/w Changes in working capital	4,498	(4,601)	(450)	1,318	1,450
SG&A	(4,807)	(4,310)	(3,859)	(3,937)	(4,100)	Cash flow from investing activities	(1,383)	(1,736)	(1,088)	(1,088)	(1,088)
Adj. EBITDA	18,431	14,771	13,533	14,195	14,455	o/w Capital expenditure	(1,188)	(1,933)	(1,138)	(1,138)	(1,138)
D&A	(774)	(785)	(739)	(767)	0	as % of sales	4.5%	8.9%	5.6%	5.4%	5.1%
Adj. EBIT	17,657	13,986	12,794	13,428	14,455	Cash flow from financing activities	(10,329)	(11,820)	(6,636)	(7,560)	(7,912)
Net Interest	489	512	429	430	506	o/w Dividends paid	(8,283)	(8,998)	(6,636)	(7,560)	(7,912)
Adj. PBT	18,205	14,654	13,314	13,944	15,058	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(4,708)	(3,794)	(3,382)	(3,542)	(3,825)	o/w Net debt issued/(repaid)	(2,025)	(2,812)	0	0	0
Minority Interest	(25)	(29)	(31)	(32)	(34)	Net change in cash	7,475	(6,443)	2,582	3,923	4,561
Adj. Net Income	13,473	10,831	9,902	10,370	11,199	Adj. Free cash flow to firm	17,993	5,190	9,167	11,433	12,422
Reported EPS	9.15	7.36	6.73	7.05	7.61	y/y Growth	96.7%	(71.2%)	76.6%	24.7%	8.6%
Adj. EPS	9.15	7.36	6.73	7.05	7.61						
DPS	5.95	4.42	5.05	5.28	5.71						
Payout ratio	65.0%	60.0%	75.0%	75.0%	75.0%						
Shares outstanding	1,472	1,472	1,472	1,472	1,472						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	33,578	27,342	29,923	33,846	38,407	Gross margin	85.3%	84.2%	82.9%	83.4%	83.8%
Accounts receivable	1,813	1,473	2,385	2,472	2,613	EBITDA margin	69.7%	67.7%	67.0%	67.8%	65.3%
Inventories	13,393	15,396	15,183	13,909	12,542	EBIT margin	66.8%	64.1%	63.3%	64.1%	65.3%
Other current assets	15,584	17,462	18,161	16,974	15,748	Net profit margin	51.0%	49.7%	49.0%	49.5%	50.6%
Current assets	50,856	46,388	49,669	52,405	55,740	ROE	30.4%	22.3%	19.2%	19.0%	19.4%
PP&E	9,939	10,589	10,994	11,370	11,721	ROA	20.5%	16.3%	14.9%	14.8%	15.3%
LT investments	2,801	2,931	2,931	2,931	2,931	ROCE	24.6%	19.5%	17.6%	17.5%	17.8%
Other non current assets	4,121	4,404	4,404	4,404	4,404	SG&A/Sales	18.2%	19.8%	19.1%	18.8%	18.5%
Total assets	68,335	64,795	68,475	71,582	75,262	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	0	0	0	0	0	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	2,718	2,029	1,979	2,006	2,061	Sales/Assets (x)	0.4	0.3	0.3	0.3	0.3
Other short term liabilities	11,559	9,975	10,274	10,379	10,547	Assets/Equity (x)	1.5	1.4	1.3	1.3	1.3
Current liabilities	14,277	12,004	12,253	12,385	12,609	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	6,280	2,627	2,627	2,627	2,627	Operating leverage	171.4%	118.5%	116.6%	135.6%	134.6%
Other long term liabilities	6,549	2,897	2,897	2,897	2,897	Tax rate	25.9%	25.9%	25.4%	25.4%	25.4%
Total liabilities	20,827	14,901	15,150	15,281	15,505	Revenue y/y Growth	1.3%	(17.5%)	(7.3%)	3.7%	5.7%
Shareholders' equity	47,389	49,780	53,180	56,124	59,546	EBITDA y/y Growth	2.8%	(19.9%)	(8.4%)	4.9%	1.8%
Minority interests	120	114	144	177	210	EPS y/y Growth	1.7%	(19.6%)	(8.6%)	4.7%	8.0%
Total liabilities & equity	68,335	64,795	68,475	71,582	75,262						
BVPS	32.19	33.82	36.13	38.13	40.45						
y/y Growth	14.5%	5.0%	6.8%	5.5%	6.1%						
Net debt/(cash)	(27,298)	(24,714)	(27,296)	(31,219)	(35,780)						
Valuation						Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.7	12.1	13.2	12.6	11.7	P/E (x)	9.7	12.1	13.2	12.6	11.7
P/BV (x)	2.8	2.6	2.5	2.3	2.2	P/BV (x)	2.8	2.6	2.5	2.3	2.2
EV/EBITDA (x)	5.5	7.1	7.6	7.0	6.5	EV/EBITDA (x)	5.5	7.1	7.6	7.0	6.5
Dividend Yield	6.7%	5.0%	5.7%	5.9%	6.4%	Dividend Yield	6.7%	5.0%	5.7%	5.9%	6.4%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Underweight

002304.SZ, 002304 CH
Price (28 May 26):Rmb43.86

▼ **Price Target (Jun-27):Rmb24.00**
Prior (Dec-26):Rmb52.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P.
Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	3.29	1.51	-54.0%
Adj. EPS - 27E (Rmb)	3.63	1.77	-51.3%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	32	35	28	29	29
Growth	95	93	81	16	52
Momentum	85	93	88	53	52
Quality	84	68	18	7	15
Low Vol	16	15	18	27	53
ESGQ	12	5	11	13	4

Yanghe - A

Inventory overhang and weak recovery limit upside, assume coverage at Underweight

We assume coverage of Yanghe with an Underweight rating and a Jun-27 price target of Rmb24. The company continues to face significant headwinds from channel inventory build-up, intensifying competition, and a sluggish macro environment. FY25 results highlight the challenge: revenue fell 34% yoy to Rmb15.8bn and net profit dropped 67% to Rmb2.2bn, with 4Q25 revenue down 16% yoy and net profit still under pressure. Three key factors underpin our cautious stance: (1) persistent inventory risks and weak sell-through, as evidenced by a 16% revenue decline in 4Q25 and only modest sequential improvement; (2) intensifying competition in both Jiangsu and national markets, limiting pricing power and volume recovery; and (3) a demanding valuation at 29x 2026E P/E, despite subpar growth and margin outlook. We forecast 6.8% revenue growth and a 16.7% EPS growth over 2026–27, but see limited near-term catalysts for a re-rating until inventory and governance issues are resolved.

- **The baijiu sector is showing tentative signs of stabilization in 2026**, but Yanghe remains an outlier with ongoing volume and earnings pressure. FY25 revenue declined 34% and 4Q25 revenue was down 16% yoy, reflecting continued channel destocking and weak demand. The company's home market (Jiangsu) faces rising competition, and expansion outside Jiangsu has not offset the drag from inventory and macro headwinds. The sector's shift toward DTC models and premiumization has left Yanghe exposed, as its traditional 2B distribution model and product mix are less competitive. The key question is: can Yanghe accelerate inventory digestion and regain growth momentum as the sector stabilizes?
- **FY25 net profit fell 67% to Rmb2.2bn, with 4Q25 net profit still under pressure.** We forecast a modest recovery, with 2026E/2027E revenue of Rmb13.2bn/Rmb14.1bn and EPS of Rmb1.51/Rmb1.77. We expect gross margin to recover to 63.8% in 2026E and 65.0% in 2027E, but net margins to remain below 20%. ROE is forecast to improve from 4.5% in 2025 to 4.9% in 2026E and 5.7% in 2027E, still well below sector leaders. The company's high payout ratio (100%) supports a 3.4% dividend yield, but capital efficiency and profitability remain weak relative to peers.
- **We assume coverage with an Underweight rating and a Jun-27 price target of Rmb24**, based on 15x 2027E P/E, close to 1 SD below the historical average. The stock's current 29x 2026E P/E is difficult to justify given ongoing inventory and governance risks, as well as subpar growth and margin outlook. Key downside risks: (1) prolonged inventory digestion; (2) intensifying competition in Jiangsu and nationally; (3) further governance or management issues; and (4) macro or policy shocks. Key upside risks: (1) faster-than-expected inventory clearance; (2) successful product innovation or marketing strategy; and (3) sector-wide stimulus or demand recovery. We would turn more constructive on clear evidence of inventory normalization, margin recovery, and improved governance.

Price Performance



	YTD	1m	3m	12m
Abs	-27.8%	-11.4%	-17.6%	-33.2%
Rel	-31.1%	-11.9%	-16.0%	-56.0%

Company Data

Shares O/S (mn)	1,506
52-week range (Rmb)	75.50-43.32
Market cap (\$ mn)	9,746
Exchange rate	6.78
Free float (%)	33.0%
3M ADV (mn)	5.62
3M ADV (\$ mn)	40.8
Volatility (90 Day)	34
Index	SHASHR
BBG ANR (Buy Hold Sell)	20 5 7

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	15,793	13,212	14,111	14,858
Adj. EBITDA	3,797	3,230	3,691	4,293
Adj. EBIT	3,071	2,441	2,912	3,528
Adj. net income	2,206	2,279	2,661	3,157
Adj. EPS	1.46	1.51	1.77	2.10
BBG EPS	2.30	1.98	2.26	2.06
Cashflow from operations	(763)	2,231	3,799	5,679
FCFF	(1,441)	1,506	3,174	5,053
Margins and Growth				
Revenue Growth Y/Y (%)	(34.3%)	(16.3%)	6.8%	5.3%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	65.5%	63.8%	65.0%	66.1%
EBITDA margin	24.0%	24.4%	26.2%	28.9%
EBITDA Growth Y/Y (%)	(59.6%)	(14.9%)	14.3%	16.3%
EBIT margin	19.4%	18.5%	20.6%	23.7%
Net margin	14.0%	17.3%	18.9%	21.3%
Adj. EPS growth	(66.9%)	3.3%	16.7%	18.7%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	4.5%	4.9%	5.7%	6.7%
Valuation				
FCFF yield	(2.2%)	2.3%	4.8%	7.6%
Dividend yield	3.4%	3.4%	4.0%	4.8%
EV/Revenue	3.0	3.6	3.3	3.0
EV/EBITDA	12.5	14.8	12.7	10.4
Adj. P/E	30.0	29.0	24.8	20.9

Summary Investment Thesis and Valuation

Investment Thesis

We are Underweight on Yanghe. The company continues to face significant headwinds from channel inventory build-up, intensifying competition, and a sluggish macro environment. Three key factors underpin our cautious stance: 1) persistent inventory risks and weak sell-through, as evidenced by a 16% yoy revenue decline in 4Q25 and only modest sequential improvement; 2) intensifying competition in both Jiangsu and national markets, limiting pricing power and volume recovery; and 3) a demanding valuation despite subpar growth and margin outlook. We forecast a 6.8% revenue growth and 16.7% EPS growth over 2026–27, but see limited near-term catalysts for a re-rating until inventory and governance issues are resolved.

Valuation

Our Jun-27 PT of Rmb24 is based on 15x 2027E P/E, near 1 SD below its historical average 12-month forward rolling P/E, and consistent with the target multiples we apply to peers Wuliangye and Laojiao. Current valuations are not justified, in our view, based on the subpar growth and margin outlook.

Performance Drivers

Market	0%
Region	1%
Macro	24%
Style	7%
Idiosyn.	67%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.04	-0.02
Region: China	-0.13	0.19
Macro:		
JPM China A-shares Sentiment	0.64	0.45
Citi Economic Surprise - EM	-0.03	-0.27
Emerging Economies CPI(YoY)	-0.09	-0.13
Quant Styles:		
Value	-0.24	-0.24
Size	-0.42	-0.23
DivYld	-0.19	-0.23

Figure 91: Yanghe – Key operating and financial metrics

P&L, FYE Dec 31 (Rmb mn)	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Gross revenue	30,105	33,126	28,876	11,066	3,729	3,295	1,121	19,211	15,973	16,959	17,857
- Mid/high-end liquor	26,227	28,539	24,317					16,542	14,061	14,905	15,650
- Economy liquor	3,273	3,950	3,931					2,234	1,564	1,689	1,824
- Others	605	637	628					435	348	365	383
Gross revenue yoy (%)	18.8%	10.0%	-12.8%	-31.9%	-43.7%	-29.0%	-17.6%	-33.5%	-16.9%	6.2%	5.3%
- Mid/high-end liquor	21.9%	8.8%	-14.8%					-32.0%	-15.0%	6.0%	5.0%
- Economy liquor	5.0%	20.7%	-0.5%					-43.2%	-30.0%	8.0%	8.0%
Sales volume yoy (%)	6.2%	-14.9%	-16.3%					-26.0%	-10.0%	0.0%	5.0%
ASP yoy (%)	13.1%	29.8%	3.9%					-10.1%	-7.5%	6.2%	0.3%
Consumption tax & surcharge	(4,388)	(5,269)	(4,826)	(1,733)	(682)	(652)	(351)	(3,418)	(2,761)	(2,848)	(2,999)
- % of gross revenue	-14.6%	-15.9%	-16.7%	-15.7%	-18.3%	-19.8%	-31.3%	-17.8%	-17.3%	-16.8%	-16.8%
- margin chg (bps)	179	(133)	(81)	35	(602)	(194)	1,162	(108)	51	49	(0)
Net revenue	25,717	27,857	24,050	9,333	3,047	2,643	770	15,793	13,212	14,111	14,858
Net revenue yoy (%)	21.3%	8.3%	-13.7%	-31.6%	-47.5%	-30.7%	-0.8%	-34.3%	-16.3%	6.8%	5.3%
COGS	(7,646)	(8,200)	(7,751)	(2,701)	(995)	(1,531)	(228)	(5,456)	(4,783)	(4,945)	(5,042)
Gross profit	18,071	19,657	16,299	6,632	2,052	1,112	542	10,338	8,429	9,166	9,816
- Gross margin (% of net revenue)	70.3%	70.6%	67.8%	71.1%	67.3%	42.1%	70.4%	65.5%	63.8%	65.0%	66.1%
- Gross margin (% of gross revenue)	74.6%	75.2%	73.2%	75.6%	73.3%	53.5%	79.6%	71.6%	70.1%	70.8%	71.8%
SG&A expense	(6,368)	(7,436)	(7,546)	(1,874)	(1,213)	(1,708)	(2,346)	(7,140)	(5,988)	(6,254)	(6,288)
- Selling expense	(4,179)	(5,387)	(5,516)	(1,370)	(779)	(1,251)	(1,805)	(5,206)	(4,450)	(4,611)	(4,558)
- G&A expense	(2,189)	(2,049)	(2,030)	(504)	(434)	(456)	(540)	(1,935)	(1,538)	(1,643)	(1,730)
SG&A / net revenue (%)	-24.8%	-26.7%	-31.4%	-20.1%	-39.8%	-64.6%	-304.5%	-45.2%	-45.3%	-44.3%	-42.3%
- Selling expense	-16.3%	-19.3%	-22.9%	-14.7%	-25.5%	-47.4%	-234.4%	-33.0%	-33.7%	-32.7%	-30.7%
- G&A expense	-8.5%	-7.4%	-8.4%	-5.4%	-14.2%	-17.3%	-70.1%	-12.2%	-11.6%	-11.6%	-11.6%
SG&A / gross revenue (%)	-21.2%	-22.4%	-26.1%	-16.9%	-32.5%	-51.8%	-209.3%	-37.2%	-37.5%	-36.9%	-35.2%
- Selling expense	-13.9%	-16.3%	-19.1%	-12.4%	-20.9%	-38.0%	-161.1%	-27.1%	-27.9%	-27.2%	-25.5%
- G&A expense	-7.3%	-6.2%	-7.0%	-4.6%	-11.6%	-13.9%	-48.2%	-10.1%	-9.6%	-9.7%	-9.7%
Operating profits	11,703	12,221	8,753	4,758	840	(596)	(1,804)	3,198	2,441	2,912	3,528
- OP yoy (%)	25.6%	4.4%	-28.4%	-39.7%	-64.0%	-226.4%	-7.0%	-63.5%	-23.7%	19.3%	21.2%
- OP margin (% of net revenue)	45.5%	43.9%	36.4%	51.0%	27.6%	-22.6%	-234.1%	20.2%	18.5%	20.6%	23.7%
- OP margin (% of gross revenue)	38.9%	36.9%	30.3%	43.0%	22.5%	-18.1%	-160.9%	16.6%	15.3%	17.2%	19.8%
Financial investment gain/(losses)	108	218	(250)	(9)	157	117	(196)	70	304	319	335
Other income and expenses	57	24	29	31	4	3	(125)	(87)	41	44	46
Interest income/(exp), net	636	755	611	61	87	47	89	284	233	253	280
PBT	12,503	13,218	9,143	4,841	1,087	(429)	(2,036)	3,464	3,019	3,528	4,190
- PBT yoy (%)	25.7%	5.7%	-30.8%	-40.1%	-57.3%	-151.4%	-12.1%	-62.1%	-12.8%	16.8%	18.8%
- PBT margin (% of net revenue)	48.6%	47.4%	38.0%	51.9%	35.7%	-16.2%	-264.2%	21.9%	22.9%	25.0%	28.2%
Income tax expense	(3,114)	(3,197)	(2,477)	(1,208)	(385)	56	264	(1,273)	(755)	(882)	(1,047)
- Effective tax rate (%)	-24.9%	-24.2%	-27.1%	-25.0%	-35.4%	-13.0%	-13.0%	-36.7%	-25.0%	-25.0%	-25.0%
Minus: minority interests	12	5	(7)	(4)	(4)	(4)	(3)	(15)	(15)	(15)	(15)
Net profits	9,378	10,016	6,673	3,637	707	(369)	(1,769)	2,206	2,279	2,661	3,157
- NP yoy (%)	24.9%	6.8%	-33.4%	-39.9%	-62.7%	-158.4%	7.2%	-66.9%	3.3%	16.7%	18.7%
- Net margin (% of net revenue)	36.5%	36.0%	27.7%	39.0%	23.2%	-13.9%	-229.6%	14.0%	17.3%	18.9%	21.3%
- Net margin (% of gross revenue)	31.2%	30.2%	23.1%	32.9%	18.9%	-11.2%	-157.8%	11.5%	14.3%	15.7%	17.7%
Cash flow quality:											
Cash sales	30,888	34,854	30,814	9,805	2,573	4,660	7,718	19,412			
- yoy growth (%)	-16.1%	12.8%	-11.6%	-24.0%	-47.5%	-27.4%	17.3%	-37.0%			
Account & notes receivable	1,194	792	1,513	529	833	358	190	190			
- yoy growth (%)	34.5%	-33.7%	91.2%	-43.3%	-10.1%	-22.7%	-87.4%	-87.4%			
Deferred revenue	13,742	11,105	10,344	7,024	5,878	6,424	7,529	7,529			
- yoy growth (%)	-13.1%	-19.2%	-6.9%	20.8%	49.3%	29.4%	-27.2%	-27.2%			

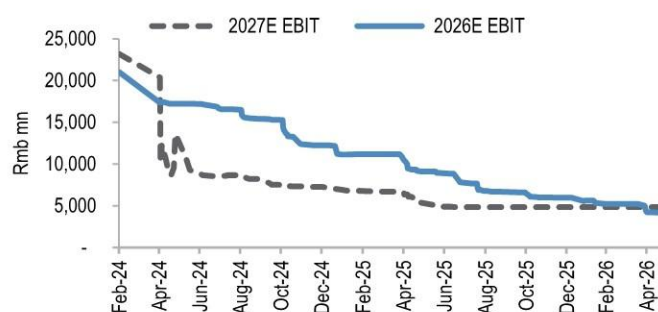
Source: Company data, J.P. Morgan estimates.

Figure 92: Yanghe – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg Consensus			JPM vs Consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Gross revenue	15,973	16,959	17,857	18,441	19,600	19,339	-13.4%	-13.5%	-7.7%
YoY	-16.9%	6.2%	5.3%	-4.0%	6.3%	-1.3%			
Gross profit	11,189	12,014	12,815	12,994	13,897	13,741	-13.9%	-13.6%	-6.7%
Gross margin	70.1%	70.8%	71.8%	70.5%	70.9%	71.1%	-0.4pp	-0.1pp	0.7pp
Operating profit	2,441	2,912	3,528	4,086	4,702	4,512	-40.3%	-38.1%	-21.8%
YoY	-23.7%	19.3%	21.2%	27.8%	15.1%	-4.0%			
Operating margin	15.3%	17.2%	19.8%	22.2%	24.0%	23.3%	-6.9pp	-6.8pp	-3.6pp
Net profit	2,001	2,368	2,850	3,046	3,512	3,144	-34.3%	-32.6%	-9.4%
YoY	-6.3%	18.3%	20.3%	42.7%	15.3%	-10.5%			
Adj. net margin	15.1%	16.8%	19.2%	16.5%	17.9%	16.3%	-1.4pp	-1.1pp	2.9pp
EPS (Rmb)	1.51	1.77	2.10	1.98	2.26	2.06	-23.7%	-21.8%	1.8%
YoY	3.3%	16.7%	18.7%	35.4%	14.0%	-8.9%			

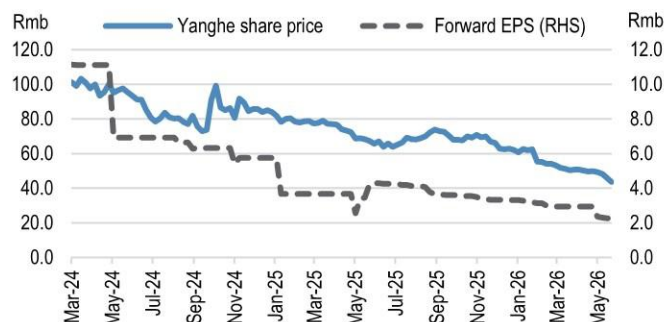
Note: Gross profit includes consumption tax & surcharge, to align with BBG consensus.
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 93: Consensus EBIT revisions – Yanghe



Source: Bloomberg Finance L.P. estimates.

Figure 94: Share price vs consensus forward EPS – Yanghe



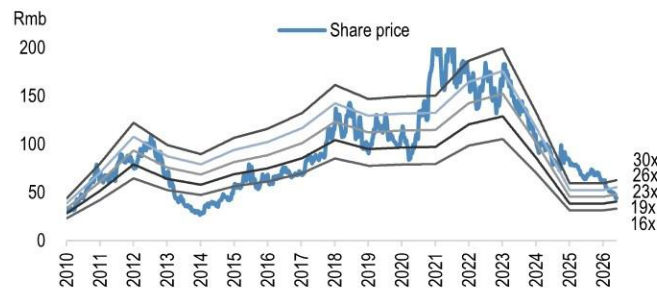
Source: Bloomberg Finance L.P.

Figure 95: Yanghe 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 96: Yanghe 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Yanghe - A (Underweight; Price Target: Rmb24.00)

Investment Thesis

We are Underweight on Yanghe. The company continues to face significant headwinds from channel inventory build-up, intensifying competition, and a sluggish macro environment. Three key factors underpin our cautious stance: 1) persistent inventory risks and weak sell-through, as evidenced by a 16% yoy revenue decline in 4Q25 and only modest sequential improvement; 2) intensifying competition in both Jiangsu and national markets, limiting pricing power and volume recovery; and 3) a demanding valuation despite subpar growth and margin outlook. We forecast a 6.8% revenue growth and 16.7% EPS growth over 2026–27, but see limited near-term catalysts for a re-rating until inventory and governance issues are resolved.

Valuation

Our Jun-27 PT of Rmb24 is based on 15x 2027E P/E, near 1 SD below its historical average 12-month forward rolling P/E, and consistent with the target multiples we apply to peers Wuliangye and Laojiao. Current valuations are not justified, in our view, based on the subpar growth and margin outlook.

Risks to Rating and Price Target

Key upside risks include: 1) faster-than-expected inventory clearance; 2) successful product innovation or marketing strategy; 3) sector-wide stimulus or demand recovery.

Key downside risks: 1) prolonged inventory digestion; 2) intensifying competition in Jiangsu and nationally; 3) further governance or management issues; and 4) macro or policy shocks.

Yanghe - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	24,050	15,793	13,212	14,111	14,858	Cash flow from operating activities	4,629	(763)	2,231	3,799	5,679
COGS	(7,165)	(4,823)	(4,057)	(4,227)	(4,338)	o/w Depreciation & amortization	697	754	789	779	764
Gross profit	16,299	10,338	8,429	9,166	9,816	o/w Changes in working capital	(3,325)	(3,801)	(521)	691	2,105
SG&A	(7,467)	(7,047)	(5,925)	(6,192)	(6,228)	Cash flow from investing activities	(1,302)	(629)	(1,422)	(1,306)	(1,290)
Adj. EBITDA	9,405	3,797	3,230	3,691	4,293	o/w Capital expenditure	(1,454)	(678)	(726)	(626)	(626)
D&A	(665)	(726)	(789)	(779)	(764)	as % of sales	6.0%	4.3%	5.5%	4.4%	4.2%
Adj. EBIT	8,740	3,071	2,441	2,912	3,528	Cash flow from financing activities	(7,050)	(6,931)	(2,282)	(2,664)	(3,160)
Net Interest	611	284	233	253	280	o/w Dividends paid	(7,020)	(7,002)	(2,282)	(2,664)	(3,160)
Adj. PBT	9,143	3,464	3,019	3,528	4,190	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(2,477)	(1,273)	(755)	(882)	(1,047)	o/w Net debt issued/(repaid)	0	98	0	0	0
Minority Interest	7	15	15	15	15	Net change in cash	(3,720)	(8,326)	(1,472)	(170)	1,229
Adj. Net Income	6,673	2,206	2,279	2,661	3,157	Adj. Free cash flow to firm	3,177	(1,441)	1,506	3,174	5,053
Reported EPS	4.43	1.46	1.51	1.77	2.10	y/y Growth	(36.7%)	(145.4%)	(204.5%)	110.8%	59.2%
Adj. EPS	4.43	1.46	1.51	1.77	2.10						
DPS	4.65	1.47	1.51	1.77	2.10						
Payout ratio	104.9%	100.4%	100.0%	100.0%	100.0%						
Shares outstanding	1,506	1,506	1,506	1,506	1,506						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	21,748	13,263	11,791	11,621	12,849	Gross margin	67.8%	65.5%	63.8%	65.0%	66.1%
Accounts receivable	1,513	190	158	168	177	EBITDA margin	39.1%	24.0%	24.4%	26.2%	28.9%
Inventories	19,733	20,375	19,132	18,791	17,143	EBIT margin	36.3%	19.4%	18.5%	20.6%	23.7%
Other current assets	21,286	20,594	19,319	18,987	17,348	Net profit margin	27.7%	14.0%	17.3%	18.9%	21.3%
Current assets	50,325	42,586	40,839	41,337	41,926	ROE	12.9%	4.5%	4.9%	5.7%	6.7%
PP&E	7,484	7,503	7,477	7,359	7,255	ROA	9.7%	3.5%	4.0%	4.7%	5.5%
LT investments	1,235	1,247	1,247	1,247	1,247	ROCE	12.3%	3.9%	3.9%	4.7%	5.6%
Other non current assets	7,456	6,589	6,589	6,589	6,589	SG&A/Sales	31.0%	44.6%	44.8%	43.9%	41.9%
Total assets	67,345	58,596	56,785	57,130	57,580	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	0	10	10	10	10	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	1,265	818	717	741	756	Sales/Assets (x)	0.4	0.3	0.2	0.2	0.3
Other short term liabilities	13,994	10,483	8,788	9,123	9,575	Assets/Equity (x)	1.3	1.3	1.2	1.2	1.2
Current liabilities	15,259	11,311	9,515	9,875	10,340	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	0	81	81	81	81	Operating leverage	208.1%	188.9%	125.5%	283.4%	399.6%
Other long term liabilities	394	392	392	392	392	Tax rate	27.1%	36.7%	25.0%	25.0%	25.0%
Total liabilities	15,652	11,703	9,907	10,266	10,732	Revenue y/y Growth	(13.7%)	(34.3%)	(16.3%)	6.8%	5.3%
Shareholders' equity	51,588	46,797	46,797	46,797	46,797	EBITDA y/y Growth	(27.2%)	(59.6%)	(14.9%)	14.3%	16.3%
Minority interests	105	96	81	66	51	EPS y/y Growth	(33.4%)	(66.9%)	3.3%	16.7%	18.7%
Total liabilities & equity	67,345	58,596	56,785	57,130	57,580						
BVPS	34.25	31.06	31.06	31.06	31.06						
y/y Growth	(0.7%)	(9.3%)	0.0%	0.0%	0.0%						
Net debt/(cash)	(21,748)	(13,172)	(11,700)	(11,530)	(12,758)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)							9.9	30.0	29.0	24.8	20.9
P/BV (x)							1.3	1.4	1.4	1.4	1.4
EV/EBITDA (x)							4.1	12.5	14.8	12.7	10.4
Dividend Yield							10.6%	3.4%	3.4%	4.0%	4.8%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

0291.HK, 291 HK

Price (28 May 26):HK\$24.00

▼ **Price Target (Jun-27):HK\$34.00**

Prior (Dec-26):HK\$38.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.79	1.84	3.1%
Adj. EPS - 27E (Rmb)	1.94	2.01	3.3%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	54	44	57	74	71
Growth	36	42	74	38	66
Momentum	53	54	89	24	34
Quality	23	13	30	17	74
Low Vol	48	68	76	63	29
ESGQ	28	27	12	4	1

China Resources Beer (0291)

Right side of the channel migration; assume coverage at Overweight

We assume coverage of China Resources Beer with an OW rating and a Jun-27 price target of HK\$34. With 70% of sales already in off-trade – the highest among major players – CR Beer is set to benefit from the channel mix change. Three key drivers underpin our positive view: (1) structural channel advantage; (2) proven premiumization execution; and (3) accelerating momentum in 2026 YTD. The stock trades at 11x 2026E P/E, near 1.5 SD below its 39x historical average, offering an attractive entry point for a business delivering 27% reported earnings growth over 2025–28E (3% core earnings CAGR if excluding impairment). We forecast a 3.6% revenue CAGR over 2025–28E backed by 1.1% volume growth and 2.5% ASP growth, with dividend yield rising to 5.8% in 2026E.

- Embracing new channels.** China's beer industry is undergoing a structural channel shift that fundamentally alters the competitive landscape. Historically, China's on-trade mix (~50% of total volume) has been significantly higher than global peers such as the US, Japan, and South Korea (20–30%), based on data from Euromonitor. However, this ratio has been declining since 2025 – driven by weaker restaurant traffic, changing consumer habits, and the rise of instant retail and e-commerce – and is projected to fall further toward 35–40% by 2026E (per Euromonitor). This migration creates a clear winner: CR Beer, whose 70% off-trade mix is the highest among major players, giving it a structural advantage that compounds over time.
- FY25 results recap.** CR Beer reported 37% yoy core net profit growth in 2025. Notably, the core beer business achieved strong 21% EBIT growth in 2025 (2H25: +239% yoy). Looking ahead, CR Beer plans to continue to grow beer revenue/profit via premiumization (sub-premium+), innovation (customized products, instant retail, and sports marketing), and globalization. In 2026 YTD, the company continues to deliver steady, positive momentum following turning positive in 4Q25, leveraging its structural advantage in off-trade channels. Our channel checks confirm strong momentum so far this year: sales rose approximately 1% yoy in 1Q26 and accelerated to around 2% from April onward, with volume growth of 2–3%, reflecting continued progress on premiumization upgrades through core brands (Brave the World, Pure Draft, Marris Green) and the premium Heineken series.
- Assume coverage at Overweight with a Jun-27 price target of HK\$34,** based on 15x 2027E P/E, aligned with our China Baijiu and Beer coverage. We forecast a 3.6% revenue CAGR (backed by 1.1% volume growth and 2.5% ASP growth) and 27% earnings growth over 2025–28E. The stock trades at 11x 2026E P/E, near 1.5SD below its 39x historical average. Key downside risks include:(1) raw material/energy cost inflation; (2) slower-than-expected summer sales; (3) intensifying competition in the beer industry, especially in premium and super-premium segments, where all market leaders are fighting aggressively; (4) challenges in building sales momentum for Heineken China; and (5) uncertainty in baijiu business development.

Price Performance



	YTD	1m	3m	12m
Abs	-8.5%	-6.0%	-13.0%	-7.3%
Rel	-16.5%	-6.0%	-10.7%	-16.4%

Company Data

Shares O/S (mn)	3,244
52-week range (HK\$)	29.40-23.66
Market cap (\$ mn)	9,938
Exchange rate	7.83
Free float (%)	43.9%
3M ADV (mn)	10.17
3M ADV (\$ mn)	33.8
Volatility (90 Day)	31
Index	HSCCI
BBG ANR (Buy Hold Sell)	46 0 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	37,985	39,506	40,752	42,209
Adj. EBITDA	7,701	10,303	11,015	11,454
Adj. EBIT	5,275	7,930	8,677	9,147
Adj. net income	3,371	5,979	6,505	6,893
Adj. EPS	1.04	1.84	2.01	2.12
BBG EPS	1.73	1.78	1.92	2.05
Cashflow from operations	7,127	7,148	8,539	9,092
FCFF	5,614	5,007	6,343	6,853
Margins and Growth				
Revenue Growth Y/Y (%)	(1.7%)	4.0%	3.2%	3.6%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	43.1%	43.3%	44.0%	44.4%
EBITDA margin	20.3%	26.1%	27.0%	27.1%
EBITDA Growth Y/Y (%)	(13.7%)	33.8%	6.9%	4.0%
EBIT margin	13.9%	20.1%	21.3%	21.7%
Net margin	8.9%	15.1%	16.0%	16.3%
Adj. EPS growth	(28.9%)	77.4%	8.8%	6.0%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	10.5%	17.9%	18.2%	18.1%
Valuation				
FCFF yield	8.3%	7.4%	9.4%	10.2%
Dividend yield	4.9%	5.8%	6.8%	7.2%
EV/Revenue	1.8	1.7	1.6	1.4
EV/EBITDA	9.0	6.5	5.8	5.3
Adj. P/E	20.0	11.3	10.4	9.8

Summary Investment Thesis and Valuation

Investment Thesis

We are OW on CR Beer. With 70% of sales already in off-trade – the highest among major players – we believe CR Beer is set to benefit from the channel mix change. Three key drivers underpin our positive view: 1) structural channel advantage; 2) proven premiumization execution; and 3) accelerating momentum in 2026 YTD. We forecast a 3.6% revenue CAGR backed by 1.1% volume growth and 2.5% ASP growth, with dividend yield rising to 5-6% in 2026E.

Valuation

Our Jun-27 PT of HK\$34 is based on 15x 2027E P/E, in line with our China Baijiu and Beer coverage, implying 8.3x 2027E EV/EBITDA. Global beer companies are trading at 14x 2027E P/E on average, or 2x PEG. Our target price for CR Beer implies 1.7x PEG, which we think is justified, given stronger earnings growth momentum.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.33	0.26
Region: China	0.10	0.20
Macro:		
JPM China A-shares Sentiment	0.30	0.28
Emerging Economies CPI(YoY)	-0.14	-0.22
Citi Economic Surprise - EM	-0.01	-0.18
Quant Styles:		
Size	0.02	-0.25
Momentum	0.01	-0.16
LowVol	0.24	0.07

Figure 97: CR Beer – Key operating and financial metrics

P&L (Rmb mn, FYE Dec 31)	2022	2023	2024	1H25	2H25	2025	2026E	2027E	2028E
Total revenue	35,263	38,932	38,635	23,942	14,043	37,985	39,506	40,752	42,209
- Beer		36,865	36,486	23,161	13,328	36,489	38,052	39,269	40,652
- Baijiu		2,067	2,149	781	715	1,496	1,454	1,483	1,557
Total revenue yoy (%)	5.6%	10.4%	-0.8%	0.8%	-5.7%	-1.7%	4.0%	3.2%	3.6%
- Beer revenue yoy (%)	5.6%	4.5%	-1.0%	2.6%	-4.3%	0.0%	4.3%	3.2%	3.5%
* Beer volume	0.4%	0.5%	-2.5%	2.2%	0.4%	1.4%	0.9%	1.1%	1.3%
-- Sub-premium +	12.6%	18.9%	4.3%	6.1%	5.3%	5.7%	7.0%	7.8%	7.9%
-- Mid-end	-1.7%	-1.6%	-3.1%	1.7%	-1.2%	0.4%	-0.4%	1.0%	1.0%
-- Low-end	-2.4%	-5.3%	-5.4%	0.5%	-1.2%	-0.2%	-1.6%	-3.0%	-3.0%
* Beer ASP	5.2%	4.0%	1.5%	0.4%	-4.6%	-1.4%	3.3%	2.1%	2.2%
- Baijiu revenue yoy (%)			4.0%	-33.7%	-26.4%	-30.4%	-2.8%	2.0%	5.0%
Gross profit	13,561	16,103	16,475	11,704	4,656	16,360	17,097	17,932	18,728
- Beer		14,802	15,004	11,178	4,320	15,498	16,151	16,924	17,670
- Baijiu		1,301	1,471	526	336	862	946	1,008	1,059
Gross margin (%)	38.5%	41.4%	42.6%	48.9%	33.2%	43.1%	43.3%	44.0%	44.4%
- Beer		40.2%	41.1%	48.3%	32.4%	42.5%	42.4%	43.1%	43.5%
- Baijiu		62.9%	68.5%	67.3%	47.0%	57.6%	65.1%	68.0%	68.0%
SG&A	(10,070)	(11,427)	(11,681)	(5,556)	(5,331)	(10,887)	(10,707)	(10,814)	(11,183)
SG&A as % of sales	-28.6%	-29.4%	-30.2%	-23.2%	-38.0%	-28.7%	-27.1%	-26.5%	-26.5%
Other income/(expense)	2,183	2,651	1,934	1,000	(1,832)	(832)	1,683	1,719	1,821
Excl: Interest inc (booked in other income)	380	361	169	70	37	107	165	184	244
Share of P&L of associates	(67)	(5)	15	613	128	741	22	24	24
EBIT (IFRS)	5,227	6,961	6,574	7,691	(2,416)	5,275	7,930	8,677	9,147
- EBIT yoy growth (%)	-12.8%	33.2%	-5.6%	20.8%	-1272.8%	-19.8%	50.3%	9.4%	5.4%
- EBIT margin (%)	14.8%	17.9%	17.0%	32.1%	-17.2%	13.9%	20.1%	21.3%	21.7%
Special items * - current year	(235)	(141)	230	586	(2,764)	(2,178)	(134)	(137)	(139)
Special items * - last year	1,339	(235)	796	(15)	(17)	(32)	(2,138)	(134)	(137)
Adj EBIT (IFRS ex-special items) *	5,462	7,102	6,344	7,105	348	7,453	8,065	8,814	9,286
- Beer		7,030	6,277	7,276	678	7,954	8,287	8,795	9,266
- Baijiu		130	116	(152)	(325)	(477)	(194)	45	46
- Unallocated corporate exp		(58)	(49)	(19)	(5)	(24)	(28)	(26)	(26)
Adj EBIT yoy (%) - cur. year vs last year	17.4%	30.0%	2.9%	11.3%	56.1%	12.8%	8.8%	9.3%	5.4%
- Beer		27.5%	2.0%	14.0%	340.3%	21.7%	4.7%	6.1%	5.4%
- Baijiu			72.1%	-416.7%	-545.2%	-494.2%	59.3%	-122.9%	2.3%
Adj EBIT margin (%)	15.5%	18.2%	16.4%	29.7%	2.5%	19.6%	20.4%	21.6%	22.0%
- Beer		19.1%	17.2%	31.4%	5.1%	21.8%	21.8%	22.4%	22.8%
- Baijiu		6.3%	5.4%	-19.5%	-45.5%	-31.9%	-13.4%	3.0%	2.9%
Adj EBITDA (IFRS ex-special items) *	7,024	9,379	8,694	8,336	1,543	9,879	10,437	11,152	11,593
Adj EBITDA yoy (%)	11.6%	33.5%	3.0%	10.7%	8.4%	10.3%	6.1%	6.9%	4.0%
Adj EBITDA margin (%)	19.9%	24.1%	22.5%	34.8%	11.0%	26.0%	26.4%	27.4%	27.5%
Net Profit attributable to shareholders	4,344	5,153	4,739	5,789	(2,418)	3,371	5,979	6,505	6,893
- Beer	4,344	4,961	4,697	5,856	626	6,482	6,067	6,494	6,883
- Baijiu		192	42	(67)	(3,044)	(3,111)	(89)	10	11
Net profit yoy growth (%)	-5.3%	18.6%	-8.0%	23.0%	n.m.	-28.9%	77.4%	8.8%	6.0%
Net margin (%)	12.3%	13.2%	12.3%	24.2%	-17.2%	8.9%	15.1%	16.0%	16.3%
- Beer		13.5%	12.9%	25.3%	4.7%	17.8%	15.9%	16.5%	16.9%
- Baijiu		9.3%	1.9%	-8.6%	-425.8%	-208.0%	-6.1%	0.7%	0.7%
Adjusted net earnings (ex-impairment)	4,520	5,257	4,570	5,789	459	6,248	5,979	6,505	6,893
Adj NP yoy (%)	26.2%	16.3%	-0.9%	22.7%	-408.1%	36.7%	-4.3%	8.8%	6.0%
Adj net margin (%)	12.8%	13.5%	11.8%	24.2%	3.3%	16.4%	15.1%	16.0%	16.3%
Dividend payout (% on reported NP)	40%	59%	52%			53%	65%	70%	70%
Dividend yield (%)							5.6%	6.5%	6.9%

Note: (*) special items = fixed asset impairment expense & staff-layoff compensation related to closure of idle plants + land disposal gain

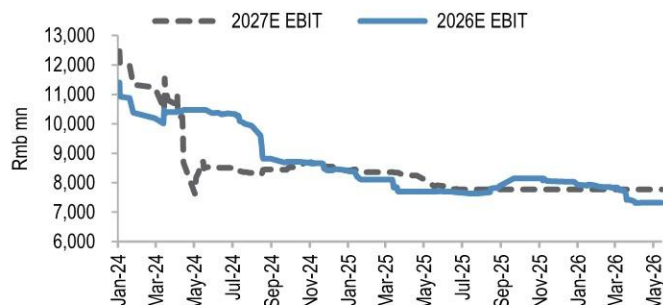
Source: Company data, J.P. Morgan estimates.

Figure 98: CR Beer – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg consensus			JPM vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Total revenue	39,506	40,752	42,209	39,271	40,471	41,669	0.6%	0.7%	1.3%
YoY	4.0%	3.2%	3.6%	3.4%	3.1%	3.0%	0.6pp	0.1pp	0.6pp
Gross profit	17,097	17,932	18,728	17,041	17,753	18,471	0.3%	1.0%	1.4%
Gross margin	43.3%	44.0%	44.4%	43.4%	43.9%	44.3%	-0.1pp	0.1pp	0.0pp
EBIT (IFRS)	7,930	8,677	9,147	7,400	7,872	8,315	7.2%	10.2%	10.0%
YoY	50.3%	9.4%	5.4%	40.3%	6.4%	5.6%	10.1pp	3.0pp	-0.2pp
Adj. EBIT margin	20.1%	21.3%	21.7%	18.8%	19.5%	20.0%	1.2pp	1.8pp	1.7pp
Net profit	5,979	6,505	6,893	5,838	6,216	6,642	2.4%	4.6%	3.8%
YoY	77.4%	8.8%	6.0%	73.2%	6.5%	6.8%	4.2pp	2.3pp	-0.9pp
Net margin	15.1%	16.0%	16.3%	14.9%	15.4%	15.9%	0.3pp	0.6pp	0.4pp
EPS (Rmb)	1.84	2.01	2.12	1.78	1.92	2.05	3.3%	4.3%	3.5%
YoY	77.4%	8.8%	6.0%	71.7%	7.8%	6.8%	5.7pp	1.0pp	-0.8pp

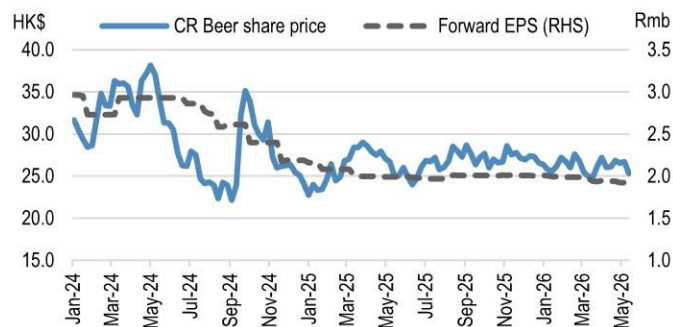
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 99: Consensus EBIT revisions – CR Beer



Source: Bloomberg Finance L.P. estimates.

Figure 100: Share price vs consensus forward EPS – CR Beer



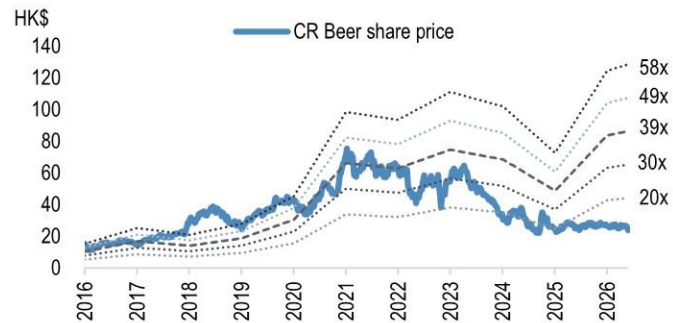
Source: Bloomberg Finance L.P.

Figure 101: CR Beer 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 102: CR Beer 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

China Resources Beer (0291) (*Overweight; Price Target: HK\$34.00*)

Investment Thesis

We are OW on CR Beer. With 70% of sales already in off-trade – the highest among major players – we believe CR Beer is set to benefit from the channel mix change. Three key drivers underpin our positive view: 1) structural channel advantage; 2) proven premiumization execution; and 3) accelerating momentum in 2026 YTD. We forecast a 3.6% revenue CAGR backed by 1.1% volume growth and 2.5% ASP growth, with dividend yield rising to 5-6% in 2026E.

Valuation

Our Jun-27 PT of HK\$34 is based on 15x 2027E P/E, in line with our China Baijiu and Beer coverage, implying 8.3x 2027E EV/EBITDA. Global beer companies are trading at 14x 2027E P/E on average, or 2x PEG. Our target price for CR Beer implies 1.7x PEG, which we think is justified, given stronger earnings growth momentum.

Risks to Rating and Price Target

Key downside risks include: 1) raw material/energy cost inflation; 2) slower-than-expected summer sales; 3) intensifying competition in the beer industry, especially in premium and super-premium segments, where all market leaders are fighting aggressively; 4) challenges in building sales momentum for Heineken China; and 5) uncertainty in baijiu business development.

China Resources Beer (0291): Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	38,635	37,985	39,506	40,752	42,209	Cash flow from operating activities	6,928	7,127	7,148	8,539	9,092
COGS	(19,810)	(19,199)	(20,036)	(20,482)	(21,173)	o/w Depreciation & amortization	2,350	2,426	2,372	2,338	2,307
Gross profit	16,475	16,360	17,097	17,932	18,728	o/w Changes in working capital	106	(465)	(243)	54	314
SG&A	(11,681)	(10,887)	(10,707)	(10,814)	(11,183)	Cash flow from investing activities	(2,135)	(2,289)	(1,477)	(1,444)	(1,369)
Adj. EBITDA	8,924	7,701	10,303	11,015	11,454	o/w Capital expenditure	(2,813)	(1,799)	(2,250)	(2,250)	(2,250)
D&A	(2,350)	(2,426)	(2,372)	(2,338)	(2,307)	as % of sales	7.3%	4.7%	5.7%	5.5%	5.3%
Adj. EBIT	6,574	5,275	7,930	8,677	9,147	Cash flow from financing activities	(6,494)	(1,715)	(6,332)	(4,295)	(4,645)
Net Interest	75	32	110	184	244	o/w Dividends paid	(3,369)	(2,764)	(3,567)	(4,295)	(4,645)
Adj. PBT	6,649	5,307	8,041	8,861	9,390	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(1,890)	(2,133)	(2,126)	(2,339)	(2,479)	o/w Net debt issued/(repaid)	(2,963)	1,166	(2,711)	0	0
Minority Interest	(20)	197	63	(17)	(18)	Net change in cash	(1,704)	3,102	(660)	2,800	3,078
Adj. Net Income	4,739	3,371	5,979	6,505	6,893	Adj. Free cash flow to firm	4,181	5,614	5,007	6,343	6,853
Reported EPS	1.46	1.04	1.84	2.01	2.12	y/y Growth	171.0%	34.3%	(10.8%)	26.7%	8.0%
Adj. EPS	1.46	1.04	1.84	2.01	2.12						
DPS	0.76	1.02	1.20	1.40	1.49						
Payout ratio	52.1%	98.2%	65.0%	70.0%	70.0%						
Shares outstanding	3,244	3,244	3,244	3,244	3,244						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	3,816	6,918	6,258	9,058	12,136	Gross margin	42.6%	43.1%	43.3%	44.0%	44.4%
Accounts receivable	1,646	1,602	1,699	1,752	1,815	EBITDA margin	23.1%	20.3%	26.1%	27.0%	27.1%
Inventories	9,640	9,240	9,560	9,862	10,215	EBIT margin	17.0%	13.9%	20.1%	21.3%	21.7%
Other current assets	11,812	14,293	14,903	15,277	15,714	Net profit margin	12.3%	8.9%	15.1%	16.0%	16.3%
Current assets	15,628	21,211	21,161	24,335	27,850	ROE	15.3%	10.5%	17.9%	18.2%	18.1%
PP&E	18,124	17,969	18,389	18,772	19,123	ROA	6.7%	4.9%	8.7%	9.2%	9.3%
LT investments	-	-	-	-	-	ROCE	13.6%	9.2%	16.8%	17.9%	17.7%
Other non current assets	27,298	21,923	23,017	22,959	22,929	SG&A/Sales	30.2%	28.7%	27.1%	26.5%	26.5%
Total assets	69,308	68,633	69,467	72,393	75,707	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	1,168	1,405	0	0	0	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	24,583	24,028	24,691	25,266	26,169	Sales/Assets (x)	0.5	0.6	0.6	0.6	0.6
Other short term liabilities	303	324	174	177	182	Assets/Equity (x)	2.3	2.2	2.1	2.0	1.9
Current liabilities	26,054	25,757	24,865	25,444	26,351	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	681	1,306	0	0	0	Operating leverage	728.8%	1174.5%	1257.4%	298.4%	151.4%
Other long term liabilities	7,669	6,912	6,290	6,409	6,549	Tax rate	28.4%	40.2%	26.4%	26.4%	26.4%
Total liabilities	33,723	32,669	31,154	31,853	32,900	Revenue y/y Growth	(0.8%)	(1.7%)	4.0%	3.2%	3.6%
Shareholders' equity	31,692	32,262	34,674	36,884	39,132	EBITDA y/y Growth	(3.4%)	(13.7%)	33.8%	6.9%	4.0%
Minority interests	3,893	3,702	3,639	3,656	3,674	EPS y/y Growth	(8.0%)	(28.9%)	77.4%	8.8%	6.0%
Total liabilities & equity	69,308	68,633	69,467	72,393	75,707						
BVPS	9.77	9.94	10.69	11.37	12.06						
y/y Growth	4.6%	1.8%	7.5%	6.4%	6.1%						
Net debt/(cash)	(1,967)	(4,207)	(6,258)	(9,058)	(12,136)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	14.2	20.0	11.3	10.4	9.8
						P/BV (x)	2.1	2.1	1.9	1.8	1.7
						EV/EBITDA (x)	8.0	9.0	6.5	5.8	5.3
						Dividend Yield	3.7%	4.9%	5.8%	6.8%	7.2%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Neutral

1876.HK, 1876 HK
Price (28 May 26):HK\$7.07

▲ **Price Target (Jun-27):HK\$8.20**
Prior (Dec-26):HK\$7.90

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P.
Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (\$)	0.06	0.05	-6.3%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	86	76	80	88	87
Growth	90	92	79	36	88
Momentum	81	86	89	26	82
Quality	65	77	54	29	94
Low Vol	39	50	55	38	33

Budweiser Asia Pacific

Channel migration and early recovery in a shifting beer landscape; assume coverage at Neutral on fair valuation

We assume coverage of Bud APAC with a Neutral rating and a Jun-27 price target of HK\$8.20, as the company navigates a pivotal channel migration and early signs of recovery. The industry is seeing a structural shift: off-trade channels (home, outdoor, BBQ, camping) now account for 60% of sales, while traditional on-trade channels (restaurants, nightlife and KTV) remain soft. Bud APAC, historically focused on nightlife and high-end dining, has pivoted since 2025 to the Rmb6–8 price band with core SKUs (Classic Budweiser, Hoegaarden, Corona) and is accelerating Harbin's recovery. Three key drivers frame our view: (1) the ongoing transition to off-trade channels, which is critical for long-term relevance but has pressured ASP and sales; (2) early signs of stabilization, with April–May Day retail sales up 1–2% and volumes up ~3% (per channel checks) after a 4% sales decline in 1Q26; and (3) disciplined cost management to offset raw material inflation. The stock trades at 17x 2027E P/E (6x EV/EBITDA), reflecting a balanced risk/reward as Bud APAC seeks to rebuild momentum in a competitive landscape. We would turn more constructive on evidence of sustained volume growth, margin recovery, and successful execution of the premiumization strategy.

- **Strategic pivot during channel migration.** China's beer industry is entering a new phase of growth, with distributors expecting sector-wide positive sales growth from 2Q26 onward. The high-end segment continues to expand, with products priced above Rmb8 gaining share through large-can formats. The core driver of industry growth has shifted to off-trade channels (home consumption, outdoor activities, and BBQ), now accounting for c.60% of sales based on our channel checks. Traditional on-trade channels (restaurants, nightlife, KTV) remain subdued, and consumption scenarios are continuously migrating. Bud APAC's strategic pivot since 2025 – refocusing on the Rmb6–8 price band and accelerating Harbin's recovery – aligns with this trend, but the company's legacy exposure to nightlife and high-end dining means the transition is ongoing. The key question is: can Bud APAC capture incremental growth in new channels and regain share as the market structure evolves?
- **Channel checks show early signs of stabilization.** Bud APAC reported a net loss in 4Q25 and a 3% yoy earnings decline in 1Q26. Breakdown by region: (1) APAC East recorded organic sales declines of 0.6% in 4Q25 and 6.1% in 1Q26, and organic EBITDA declines of 1.1% in 4Q25 and 9.4% in 1Q26; (2) APAC West recorded an organic sales decline of 5.6% in 4Q25 and sales growth of 0.7% in 1Q26; it recorded organic EBITDA declines of 44.1% in 4Q25 and 3.3% in 1Q26 (China: -46.7% in 4Q25 and -6.6% in 1Q26). Bud China reported an 11% organic sales decline in 2025 and a 4% decline in 1Q26 as a result of strategic transition. Encouragingly, early signs of recovery emerged in April and early May, with 1%-2% retail sales growth and approximately 3% sales volume growth, suggesting a nascent recovery (per our checks with distributors).
- **Assume coverage with Neutral rating and Jun-27 price target of HK\$8.20,** based on 20x 2027E P/E, implying 6.0x 2027E EV/EBITDA. We forecast a 3.4% revenue CAGR (backed by 1.6% volume growth and 1.9% ASP growth) and 15% earnings growth over 2025-28E. The stock trades near historical lows, reflecting both cyclical and structural headwinds. Key downside risks: (1) intensifying competition in China and Korea; (2) regulatory risk; and (3) adverse FX movements. Key upside risks: (1) continued market share gains in premium/overall segments in China or Korea; (2) res-

restaurant industry recovery; and (3) possible stimulus in China. Pushback from investors centers on the pace of volume recovery and the sustainability of premiumization, but we believe early signs of stabilization in China and India provide a foundation for cautious optimism.

Price Performance



	YTD	1m	3m	12m
Abs	-6.8%	-6.7%	-9.2%	-14.9%
Rel	-4.4%	-4.1%	-3.1%	-22.4%

Company Data

Shares O/S (mn)	13,243
52-week range (HK\$)	9.42-6.95
Market cap (\$ mn)	11,951
Exchange rate	7.83
Free float (%)	12.8%
3M ADV (mn)	13.77
3M ADV (\$ mn)	13.2
Volatility (90 Day)	27
Index	HSI
BBG ANR (Buy Hold Sell)	24 8 0

Key Metrics (FYE Dec)

\$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	5,764	6,018	6,197	6,381
Adj. EBITDA	1,588	1,606	1,685	1,769
Adj. EBIT	986	992	1,063	1,137
Adj. net income	489	638	693	747
Adj. EPS	0.04	0.05	0.05	0.06
BBG EPS	0.05	0.05	0.05	0.06
Cashflow from operations	951	1,356	1,426	1,456
FCFF	644	960	1,021	1,041
Margins and Growth				
Revenue Growth Y/Y (%)	(7.7%)	4.4%	3.0%	3.0%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	50.1%	50.3%	50.5%	50.8%
EBITDA margin	27.6%	26.7%	27.2%	27.7%
EBITDA Growth Y/Y (%)	(12.1%)	1.1%	5.0%	4.9%
EBIT margin	17.1%	16.5%	17.1%	17.8%
Net margin	8.5%	10.6%	11.2%	11.7%
Adj. EPS growth	(32.8%)	30.5%	8.6%	7.7%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	4.8%	6.3%	6.8%	7.4%
Valuation				
FCFF yield	5.4%	8.0%	8.6%	8.7%
Dividend yield	6.3%	6.3%	6.3%	6.3%
EV/Revenue	1.8	1.7	1.6	1.5
EV/EBITDA	6.5	6.3	5.8	5.4
Adj. P/E	24.4	18.7	17.2	16.0

Summary Investment Thesis and Valuation

Investment Thesis

We are Neutral on Bud APAC. The industry is seeing a structural shift: off-trade channels (home, outdoor, BBQ, camping) now account for 60% of sales, while traditional restaurants, nightlife, and KTV remain soft. Bud APAC, historically focused on nightlife and high-end dining, has pivoted since 2025 to the Rmb6–8 price band with core SKUs (Classic Budweiser, Hoegaarden, Corona) and is accelerating Harbin's recovery. Three key drivers frame our view: (1) the ongoing transition to off-trade channels, which is critical for long-term relevance but has pressured ASP and sales; (2) early signs of stabilization, and (3) disciplined cost management to offset raw material inflation.

Valuation

Our Jun-27 PT of HK\$8.20 is based on 20x 2027E P/E (implying 6.0x 2027E EV/EBITDA), in line with our target P/E for Tsingtao Brewery. Given its premium positioning and strong brand equity, Bud APAC should be able to sustain a valuation premium relative to its H-share peers (CR Beer and Tsingtao Brewery-H). Its valuation is also supported by a 6–7% dividend yield.

Performance Drivers

Market	5%
Region	2%
Macro	10%
Style	21%
Idiosyn.	62%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.00	0.28
Region: China	0.19	0.16
Macro:		
JPM China A-shares Sentiment	0.59	0.29
JP Morgan EMBI Global Spread	0.17	-0.13
US 10 Year Yield	-0.01	0.12
Quant Styles:		
Size	-0.40	-0.44
Momentum	-0.45	-0.37
Value	0.34	0.24

Figure 103: Bud APAC – Key operating and financial metrics

P&L, US\$ mn	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Sales volume ('000 HL)	88,491	92,767	84,811	19,741	23,887	22,512	13,518	79,658	81,237	82,515	83,460
- APAC East	11,573	11,539	11,960	2,860	2,846	3,393	2,712	11,811	11,796	12,032	12,273
- APAC West	76,918	81,228	72,851	16,881	21,041	19,119	10,806	67,847	69,441	70,482	71,187
Volume yoy (% organic)	0.7%	4.6%	-8.8%	-6.1%	-6.2%	-8.6%	-0.7%	-6.0%	2.0%	1.6%	1.1%
- APAC East	8.9%	-0.3%	3.6%	11.9%	-10.4%	-0.6%	-3.7%	-1.3%	-0.1%	2.0%	2.0%
- APAC West	-0.4%	5.3%	-10.6%	-8.6%	-5.6%	-9.9%	0.1%	-6.7%	2.4%	1.5%	1.0%
ASP yoy (% organic)	1.7%	6.2%	2.0%	-1.5%	2.4%	0.1%	-3.5%	-0.2%	0.1%	1.4%	1.8%
- APAC East	6.1%	1.5%	8.7%	-0.2%	2.2%	4.5%	3.2%	2.5%	3.0%	2.5%	2.5%
- APAC West	-0.1%	7.7%	-0.9%	-3.4%	3.0%	-2.4%	-5.7%	-1.5%	-0.5%	1.0%	1.5%
Revenue (\$ mn)	6,478	6,856	6,246	1,461	1,675	1,555	1,073	5,764	6,018	6,197	6,381
- APAC East	1,251	1,243	1,352	295	319	392	304	1,310	1,351	1,413	1,477
- APAC West	5,227	5,613	4,894	1,166	1,356	1,163	769	4,454	4,667	4,784	4,904
Revenue yoy (% organic)	2.4%	11.1%	-7.0%	-7.5%	-3.9%	-8.4%	-4.2%	-6.1%	2.1%	3.0%	3.0%
- APAC East	15.5%	1.2%	12.7%	11.7%	-8.4%	3.9%	-0.6%	1.3%	2.9%	4.5%	4.5%
- APAC West	-0.6%	13.4%	-11.4%	-11.7%	-2.7%	-12.0%	-5.6%	-8.2%	1.8%	2.5%	2.5%
Gross margin (%)	50.0%	50.4%	50.4%	51.0%	51.8%	51.4%	44.3%	50.1%	50.3%	50.5%	50.8%
- APAC East	58.0%	56.4%	60.0%	55.6%	62.6%	62.6%	60.2%	60.5%	62.0%	62.6%	63.1%
- APAC West	48.1%	49.0%	47.7%	49.9%	49.3%	47.6%	38.0%	47.0%	46.9%	47.0%	47.1%
SG&A/sales (%)	-32.7%	-32.0%	-33.6%	-30.0%	-32.0%	-35.1%	-43.4%	-34.5%	-35.2%	-34.9%	-34.5%
- APAC East	-37.0%	-37.0%	-36.1%	-35.5%	-41.3%	-36.0%	-36.0%	-37.2%	-36.8%	-36.6%	-36.4%
- APAC West	-31.7%	-30.8%	-32.9%	-28.6%	-29.8%	-34.8%	-46.3%	-33.7%	-34.8%	-34.3%	-33.9%
EBITDA (\$ mn)	1,932	2,023	1,807	485	498	438	167	1,588	1,606	1,685	1,769
- APAC East	346	323	403	96	80	122	82	379	407	434	462
- APAC West	1,587	1,700	1,405	389	418	316	86	1,209	1,199	1,252	1,306
EBITDA yoy (% organic)	-5.2%	10.8%	-6.3%	-11.2%	-4.5%	-6.9%	-24.7%	-9.8%	-0.2%	4.7%	4.8%
- APAC East	23.9%	-10.1%	33.2%	24.4%	-26.5%	8.7%	-5.9%	-1.2%	7.1%	6.6%	6.6%
- APAC West	-10.6%	15.7%	-14.0%	-17.6%	1.4%	-11.9%	-40.0%	-12.4%	-2.6%	4.0%	4.2%
EBITDA margin (%)	29.8%	29.5%	28.9%	33.2%	29.7%	28.2%	15.6%	27.6%	26.7%	27.2%	27.7%
- APAC East	29.2%	26.0%	30.0%	32.5%	25.1%	31.1%	29.9%	29.7%	30.1%	30.7%	31.3%
- APAC West	30.0%	30.3%	28.6%	33.4%	30.8%	27.2%	9.9%	26.9%	25.7%	26.2%	26.6%
EBIT yoy (%)	-11.6%	8.6%	-15.3%	-18.9%	-5.4%	-9.2%	-69.6%	-15.0%	0.6%	7.1%	7.0%
Net profit	913	852	726	234	175	185	(105)	489	638	693	747
NP yoy (%)	-3.9%	-6.7%	-14.8%	-18.5%	-31.1%	-8.0%	-556.3%	-32.6%	30.5%	8.6%	7.7%
Net margin	14.1%	12.4%	11.6%	16.0%	10.4%	11.9%	-9.8%	8.5%	10.6%	11.2%	11.7%
OpCF	1,577	1,811	1,134					951	1,356	1,426	1,456
Capex	(494)	(498)	(379)					(307)	(396)	(406)	(415)
Dividend declared	501	701	750					750	750	750	750
Dividend payout (%)	55%	82%	103%					153%	117%	108%	100%
Dividend yield (on current price)								5.5%	5.5%	5.5%	5.5%

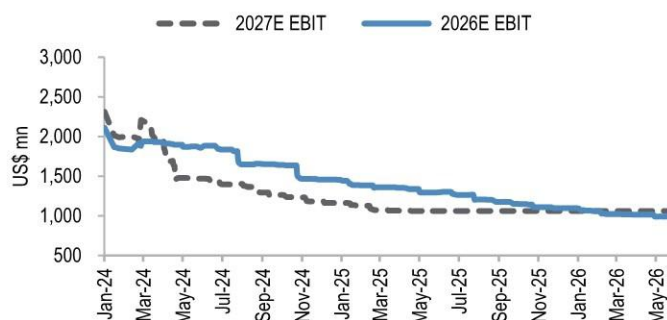
Source: Company data, J.P. Morgan estimates.

Figure 104: Bud APAC – JPM estimates vs Bloomberg consensus

FYE Dec 31 (US\$ mn)	JPMe			Bloomberg consensus			JPMe vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	6,018	6,197	6,381	5,939	6,156	6,368	1.3%	0.7%	0.2%
YoY	4.4%	3.0%	3.0%	3.0%	3.7%	3.4%	1.4pp	-0.7pp	-0.5pp
Gross profit	3,025	3,132	3,244	2,987	3,125	3,253	1.3%	0.2%	-0.3%
Gross margin	50.3%	50.5%	50.8%	50.3%	50.8%	51.1%	0.0pp	-0.2pp	-0.2pp
EBIT	992	1,063	1,137	991	1,070	1,144	0.1%	-0.6%	-0.6%
YoY	0.6%	7.1%	7.0%	0.5%	7.9%	6.9%	0.1pp	-0.8pp	0.0pp
EBIT margin	16.5%	17.1%	17.8%	16.7%	17.4%	18.0%	-0.2pp	-0.2pp	-0.1pp
Net profit	638	693	747	650	711	758	-1.7%	-2.5%	-1.5%
YoY	30.5%	8.6%	7.7%	32.8%	9.5%	6.6%	-2.3pp	-0.9pp	1.1pp
Net margin	10.6%	11.2%	11.7%	10.9%	11.6%	11.9%	-0.3pp	-0.4pp	-0.2pp
Basic EPS (US cents)	4.83	5.25	5.65	4.80	5.30	5.60	0.7%	-1.0%	0.9%
YoY	30.5%	8.6%	7.7%	29.6%	10.4%	5.7%	0.9pp	-1.8pp	2.1pp

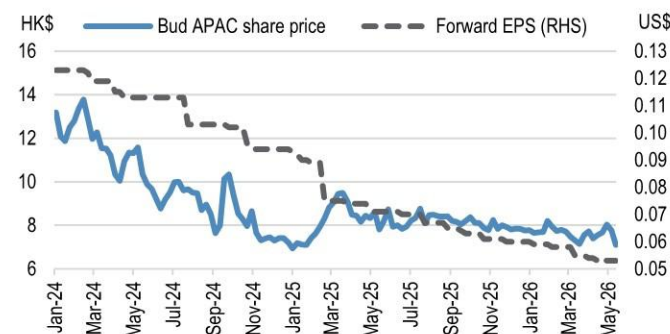
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 105: Consensus EBIT revisions – Bud APAC



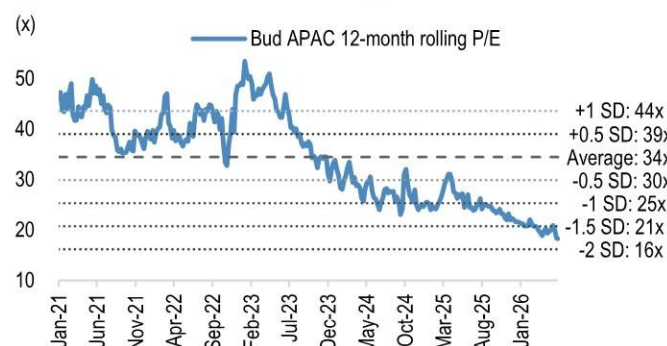
Source: Bloomberg Finance L.P. estimates.

Figure 106: Share price vs consensus forward EPS – Bud APAC



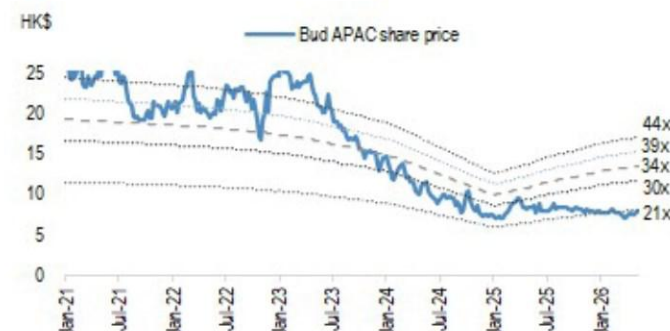
Source: Bloomberg Finance L.P.

Figure 107: BUD APAC 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 108: BUD APAC 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Budweiser Asia Pacific *(Neutral; Price Target: HK\$8.20)*

Investment Thesis

We are Neutral on Bud APAC. The industry is seeing a structural shift: off-trade channels (home, outdoor, BBQ, camping) now account for 60% of sales, while traditional restaurants, nightlife, and KTV remain soft. Bud APAC, historically focused on nightlife and high-end dining, has pivoted since 2025 to the Rmb6–8 price band with core SKUs (Classic Budweiser, Hoegaarden, Corona) and is accelerating Harbin's recovery. Three key drivers frame our view: (1) the ongoing transition to off-trade channels, which is critical for long-term relevance but has pressured ASP and sales; (2) early signs of stabilization, and (3) disciplined cost management to offset raw material inflation.

Valuation

Our Jun-27 PT of HK\$8.20 is based on 20x 2027E P/E (implying 6.0x 2027E EV/EBITDA), in line with our target P/E for Tsingtao Brewery. Given its premium positioning and strong brand equity, Bud APAC should be able to sustain a valuation premium relative to its H-share peers (CR Beer and Tsingtao Brewery-H). Its valuation is also supported by a 6-7% dividend yield.

Risks to Rating and Price Target

Downside risks include: (1) intensifying competition in China and Korea; (2) regulatory risk; and (3) adverse FX movements.

Upside risks include: (1) continued market share gains in the overall/premium segments in China or Korea; (2) restaurant industry recovery; and (3) possible stimulus policy in China.

Budweiser Asia Pacific: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	6,246	5,764	6,018	6,197	6,381	Cash flow from operating activities	1,134	951	1,356	1,426	1,456
COGS	(2,498)	(2,319)	(2,422)	(2,485)	(2,547)	o/w Depreciation & amortization	647	606	614	623	632
Gross profit	3,147	2,887	3,025	3,132	3,244	o/w Changes in working capital	(333)	(242)	82	59	28
SG&A	(2,056)	(1,942)	(2,077)	(2,118)	(2,160)	Cash flow from investing activities	(409)	(324)	(335)	(343)	(350)
Adj. EBITDA	1,807	1,588	1,606	1,685	1,769	o/w Capital expenditure	(379)	(307)	(396)	(406)	(415)
D&A	(647)	(602)	(614)	(623)	(632)	as % of sales	6.1%	5.3%	6.6%	6.5%	6.5%
Adj. EBIT	1,160	986	992	1,063	1,137	Cash flow from financing activities	(903)	(738)	(808)	(808)	(808)
Net Interest	31	10	10	17	22	o/w Dividends paid	(730)	(773)	(750)	(750)	(750)
Adj. PBT	1,160	951	1,019	1,102	1,183	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(410)	(431)	(349)	(377)	(405)	o/w Net debt issued/(repaid)	(145)	40	0	0	0
Minority Interest	(24)	(31)	(31)	(31)	(31)	Net change in cash	(274)	(39)	213	276	298
Adj. Net Income	726	489	638	693	747	Adj. Free cash flow to firm	755	644	960	1,021	1,041
Reported EPS	0.06	0.04	0.05	0.05	0.06	y/y Growth	(42.5%)	(14.7%)	49.0%	6.3%	2.0%
Adj. EPS	0.06	0.04	0.05	0.05	0.06						
DPS	0.06	0.06	0.06	0.06	0.06						
Payout ratio	103.3%	153.4%	117.5%	108.2%	100.4%						
Shares outstanding	13,187	13,212	13,212	13,212	13,212						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	2,867	2,828	3,041	3,316	3,614	Gross margin	50.4%	50.1%	50.3%	50.5%	50.8%
Accounts receivable	496	505	596	613	632	EBITDA margin	28.9%	27.6%	26.7%	27.2%	27.7%
Inventories	376	343	407	417	427	EBIT margin	18.6%	17.1%	16.5%	17.1%	17.8%
Other current assets	965	987	1,142	1,169	1,197	Net profit margin	11.6%	8.5%	10.6%	11.2%	11.7%
Current assets	3,832	3,815	4,182	4,486	4,811	ROE	6.9%	4.8%	6.3%	6.8%	7.4%
PP&E	2,585	2,379	2,165	1,951	1,737	ROA	4.7%	3.3%	4.3%	4.6%	5.0%
LT investments	-	-	-	-	-	ROCE	7.0%	5.2%	6.2%	6.7%	7.2%
Other non current assets	960	972	983	995	1,007	SG&A/Sales	32.9%	33.7%	34.5%	34.2%	33.8%
Total assets	14,778	14,773	14,908	14,980	15,077	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	136	217	217	217	217	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	2,228	2,111	2,349	2,437	2,494	Sales/Assets (x)	0.4	0.4	0.4	0.4	0.4
Other short term liabilities	1,569	1,509	1,509	1,509	1,509	Assets/Equity (x)	1.5	1.4	1.5	1.5	1.5
Current liabilities	3,933	3,837	4,075	4,163	4,220	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	68	60	60	60	60	Operating leverage	171.6%	194.4%	13.3%	240.4%	234.3%
Other long term liabilities	540	541	518	529	541	Tax rate	35.3%	45.3%	34.3%	34.3%	34.2%
Total liabilities	4,538	4,445	4,660	4,759	4,827	Revenue y/y Growth	(8.9%)	(7.7%)	4.4%	3.0%	3.0%
Shareholders' equity	10,184	10,262	10,150	10,094	10,090	EBITDA y/y Growth	(10.7%)	(12.1%)	1.1%	5.0%	4.9%
Minority interests	56	66	97	128	159	EPS y/y Growth	(14.7%)	(32.8%)	30.5%	8.6%	7.7%
Total liabilities & equity	14,778	14,773	14,908	14,980	15,077						
BVPS	0.77	0.78	0.77	0.76	0.76						
y/y Growth	(5.4%)	0.6%	(1.1%)	(0.6%)	(0.0%)						
Net debt/(cash)	(2,663)	(2,551)	(2,764)	(3,039)	(3,337)						
Valuation						Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	16.4	24.4	18.7	17.2	16.0	P/E (x)	16.4	24.4	18.7	17.2	16.0
P/BV (x)	1.2	1.2	1.2	1.2	1.2	P/BV (x)	1.2	1.2	1.2	1.2	1.2
EV/EBITDA (x)	5.6	6.5	6.3	5.8	5.4	EV/EBITDA (x)	5.6	6.5	6.3	5.8	5.4
Dividend Yield	6.3%	6.3%	6.3%	6.3%	6.3%	Dividend Yield	6.3%	6.3%	6.3%	6.3%	6.3%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Neutral

600600.SS, 600600 CH

Price (28 May 26):Rmb59.90

▲ **Price Target (Jun-27):Rmb70.00**

Prior (Dec-26):Rmb65.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	3.76	3.53	-6.1%
Adj. EPS - 27E (Rmb)	4.08	3.76	-7.7%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	47	48	56	55	50
Growth	72	34	55	59	76
Momentum	71	75	35	26	32
Quality	25	8	19	32	45
Low Vol	9	23	31	49	35
ESGQ	19	18	13	15	7

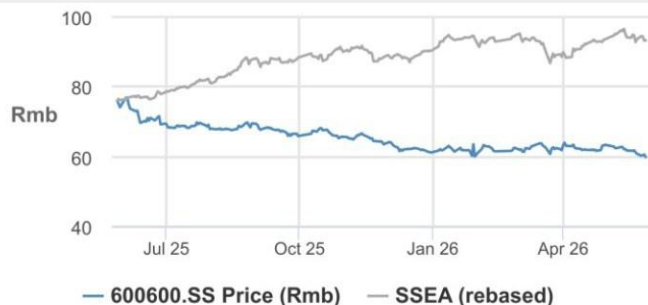
Tsingtao Brewery - A

Margin expansion but upside limited; assume coverage at Neutral

We assume coverage of Tsingtao Brewery - A with a Neutral rating and a Jun-27 price target of Rmb70. FY25 results were resilient, with sales and earnings up 1% and 6% yoy, respectively, and 4Q25 broadly in line with consensus. Three key drivers frame our view: (1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; (2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and (3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 4% yield). The stock trades at 17x 2026E P/E, a discount to Bud APAC. We forecast a 3%/6% sales/EPS CAGR over 2025–27. The next leg of re-rating will likely depend on evidence of sustained premiumization, margin resilience, and sector recovery.

- **China's beer industry is undergoing a structural transition**, with premiumization and channel shifts reshaping the competitive landscape. The sector faced cyclical headwinds in 2025, as weak consumer sentiment and increased promotions led to industry-wide ASP declines in 4Q25. Tsingtao's 4Q25 ASP fell 4% yoy, mirroring the broader market trend. Despite these pressures, beer volumes remained stable, and the premium and sub-premium segments continued to gain share:- Tsingtao's sub-premium+ volume rose 2.1% yoy in 4Q25. The off-trade channel (home, outdoor, and convenience) is now the primary growth engine, as traditional on-trade channels (restaurants, nightlife) remain subdued.
- **2% sales and 5% EPS CAGR over 2025-28E**. Tsingtao delivered a 1% sales increase and 6% yoy earnings growth in FY25, with 1Q26 revenue down 1.6% and net profit up 5.2% yoy. With a higher on-trade skew (60% on-trade / 40% off-trade), Tsingtao is navigating the channel shift by centering its strategy on Draft Beer as the hero SKU, targeting the Rmb 6–8 and Rmb 8+ craft segments, and expanding 1-liter formats tailored to family and home-banquet occasions. 2QTD sales grew 2.4% with volume up 3–4% (per our checks with distributors), indicating that its product structure optimization and format innovation are gaining traction. Dividend payouts are set at 70%, supporting a 4-5% yield.
- **We assume coverage with a Neutral rating and a Jun-27 price target of Rmb70**, based on 20x 2027E P/E. Key upside risks: (1) SG&A/sales reduction from efficiency gains; (2) better-than-expected margin improvement driven by a mix upgrade; (3) market share gains outside stronghold regions. Key downside risks: (1) intensifying competition; (2) sustained raw material cost inflation; (3) further ASP pressure from promotions. We would turn more constructive on evidence of sustained premiumization, margin resilience, and sector recovery.

Price Performance



	YTD	1m	3m	12m
Abs	-2.1%	-5.2%	-4.1%	-21.2%
Rel	-5.4%	-5.6%	-2.6%	-44.0%

Company Data

Shares O/S (mn)	1,364
52-week range (Rmb)	77.92-59.02
Market cap (\$ mn)	12,054
Exchange rate	6.78
Free float (%)	40.5%
3M ADV (mn)	5.54
3M ADV (\$ mn)	50.9
Volatility (90 Day)	20
Index	SHASHR
BBG ANR (Buy Hold Sell)	29 6 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	30,116	30,409	31,223	32,024
Adj. EBITDA	6,845	7,197	7,529	7,791
Adj. EBIT	5,543	5,843	6,177	6,441
Adj. net income	4,612	4,810	5,134	5,363
Adj. EPS	3.38	3.53	3.76	3.93
BBG EPS	3.42	3.55	3.76	3.91
Cashflow from operations	4,593	6,153	6,160	6,453
FCFF	2,191	4,693	4,682	4,961
Margins and Growth				
Revenue Growth Y/Y (%)	1.0%	1.0%	2.7%	2.6%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	37.3%	37.9%	38.0%	38.1%
EBITDA margin	22.7%	23.7%	24.1%	24.3%
EBITDA Growth Y/Y (%)	9.8%	5.2%	4.6%	3.5%
EBIT margin	18.4%	19.2%	19.8%	20.1%
Net margin	15.3%	15.8%	16.4%	16.7%
Adj. EPS growth	5.6%	4.3%	6.7%	4.4%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	15.4%	15.3%	15.6%	15.6%
Valuation				
FCFF yield	2.7%	5.7%	5.7%	6.1%
Dividend yield	3.9%	4.1%	4.4%	4.6%
EV/Revenue	2.4	2.4	2.3	2.2
EV/EBITDA	10.7	10.1	9.6	9.2
Adj. P/E	17.7	17.0	15.9	15.2

Summary Investment Thesis and Valuation

Investment Thesis

We are Neutral on Tsingtao Brewery - A. Three key drivers frame our view: 1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; 2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and 3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 4% yield). We forecast a 3%/6% sales/EPS CAGRs over 2025–27E. The next leg of re-rating will depend on evidence of sustained premiumization, margin resilience, and sector recovery.

Valuation

Our Jun-27 PT of Rmb70 for Tsingtao-A is based on 20x 2027E target P/E, in line with our target P/E for Bud APAC. This implies a 3x PEG for Tsingtao-A vs global beer peers' average 14x 2027E P/E or 2x PEG, considering Tsingtao-A's better upside in per capita spending and premiumization in China, as well as the A-share premium. Our target price implies 11x 2027E EV/EBITDA.

Performance Drivers

Market	4%
Region	1%
Macro	16%
Style	11%
Idiosyn.	68%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.18	-0.32
Region: China	-0.32	0.08
Macro:		
JP Morgan EMBI Global Spread	0.13	0.25
Generic 1st 'CO' Future	0.27	0.16
JPM Forecast Revision EM	-0.40	-0.16
Quant Styles:		
Size	-0.34	-0.29
Growth	-0.10	-0.13
Momentum	0.00	-0.12

Figure 109: Tsingtao – Key operating and financial metrics

P&L (Rmb mn, FYE Dec 31)	2022	2023	2024	1Q25	2Q25	3Q25	4Q25	2025	2026E	2027E	2028E
Sales volume (mn L)	8,072	8,007	7,538	2,261	2,471	2,162	754	7,648	7,628	7,682	7,746
- Core brand (Tsingtao)	4,440	4,560	4,340	1,375	1,338	1,277	504	4,494	4,607	4,752	4,903
- Secondary brand (Laoshan)	3,632	3,447	3,198	886	1,133	885	250	3,154	3,021	2,930	2,842
Sales volume yoy (%)	1.8%	-0.8%	-5.9%	3.5%	1.0%	0.3%	0.1%	1.5%	-0.3%	0.7%	0.8%
- Core brand	2.6%	2.7%	-4.8%	4.0%	3.9%	4.2%	-0.2%	3.5%	2.5%	3.1%	3.2%
- Secondary brand	0.9%	-5.1%	-7.2%	2.8%	-2.2%	-4.8%	0.8%	-1.4%	-4.2%	-3.0%	-3.0%
ASP (Rmb/KL)	3,927	4,172	4,189	4,559	4,009	4,031	3,846	4,162	4,234	4,319	4,406
- Core brand	4,824	5,102	5,088					4,980	5,105	5,232	5,363
- Secondary brand	2,831	2,943	2,969					2,996	2,996	2,996	2,996
Price/mix growth (%)	4.9%	6.2%	0.4%	-0.7%	0.1%	-0.5%	-4.1%	-0.7%	1.7%	2.0%	2.0%
- Core brand	5.5%	5.8%	-0.3%					-2.1%	2.5%	2.5%	2.5%
- Secondary brand	3.2%	4.0%	0.9%					0.9%	0.0%	0.0%	0.0%
Gross sales	32,172	33,937	32,138	10,446	10,046	8,876	3,107	32,473	32,781	33,661	34,607
- Beer	31,697	33,406	31,579	10,307	9,907	8,716	2,900	31,830	32,301	33,181	34,127
* Core brand	21,417	23,263	22,083					22,382	23,519	24,863	26,298
* Secondary brand	10,280	10,143	9,495					9,448	9,050	8,778	8,515
- Other business	474	531	559	139	139	160	207	644	480	480	480
Gross sales yoy (%)	6.6%	5.5%	-5.3%	2.9%	1.3%	-0.2%	-2.3%	1.0%	0.9%	2.7%	2.8%
- Beer	6.8%	5.4%	-5.5%	2.8%	1.1%	-0.2%	-3.9%	0.8%	1.5%	2.7%	2.9%
* Core brand	8.2%	8.6%	-5.1%					1.4%	5.1%	5.7%	5.8%
* Secondary brand	4.1%	-1.3%	-6.4%					-0.5%	-4.2%	-3.0%	-3.0%
Taxes and surcharges	(2,391)	(2,387)	(2,328)	(631)	(768)	(658)	(301)	(2,358)	(2,372)	(2,438)	(2,583)
Net sales	29,781	31,550	29,810	9,814	9,278	8,217	2,806	30,116	30,409	31,223	32,024
Net sales yoy (%)	6.9%	5.9%	-5.5%	2.9%	1.0%	-0.2%	-1.6%	1.0%	1.0%	2.7%	2.6%
Gross margin (%)	31.8%	34.0%	35.6%	37.9%	41.4%	39.0%	16.7%	37.3%	37.9%	38.0%	38.1%
* Core brand	39.5%	40.5%	42.1%					42.9%	45.7%	45.7%	45.7%
* Secondary brand	15.0%	18.1%	19.5%					23.2%	15.8%	13.6%	10.2%
GP margin chg (bps)	30	220	150	120	310	150	(120)	170	60	20	-
SG&A / net sales (%)	-19.3%	-20.1%	-20.5%	-16.9%	-13.5%	-18.6%	-58.1%	-20.2%	-19.9%	-19.5%	-19.2%
- Selling exp / net sales	-14.1%	-14.9%	-15.4%	-13.3%	-9.5%	-14.8%	-38.6%	-14.9%	-15.0%	-14.8%	-14.6%
- G&A exp / net sales	-5.2%	-5.1%	-5.1%	-3.6%	-4.0%	-3.8%	-19.5%	-5.3%	-4.9%	-4.7%	-4.6%
Adjusted EBIT	4,270	4,975	4,994	2,144	2,692	1,770	(1,063)	5,543	5,843	6,177	6,441
- EBIT yoy (%)	22.3%	16.5%	0.4%	11.3%	7.7%	8.0%	0.7%	11.0%	5.4%	5.7%	4.3%
- EBIT margin (%)	14.3%	15.8%	16.8%	21.8%	29.0%	21.5%	-37.9%	18.4%	19.2%	19.8%	20.1%
- EBIT margin chg (bps)	180	140	100	170	180	160	-30	170	80	60	30
Adjusted EBITDA	5,396	6,157	6,235	2,468	3,015	2,097	(735)	6,845	7,197	7,529	7,791
- EBITDA yoy (%)	16.4%	14.1%	1.3%	10.3%	7.3%	7.7%	3.5%	9.8%	5.2%	4.6%	3.5%
- EBITDA margin (%)	18.1%	19.5%	20.9%	25.1%	32.5%	25.5%	-26.2%	22.7%	23.7%	24.1%	24.3%
- EBITDA margin chg (bps)	150	140	140	170	190	190	50	180	90	40	20
Non-recurring items	320	396	307	15	66	29	117	227	299	319	319
Net finance income	421	457	568	107	101	106	88	402	294	324	341
Income from associate/JV	20	16	48	10	17	8	(9)	26	57	60	60
PBT	5,006	5,746	5,881	2,307	2,956	1,910	(883)	6,291	6,486	6,880	7,161
Effective tax rate (%)	-24.0%	-24.3%	-23.6%	-24.7%	-24.4%	-25.2%	-22.4%	-25.0%	-24.4%	-23.9%	-23.6%
Minority interest	(94)	(80)	(147)	(28)	(42)	(58)	(1)	(129)	(94)	(105)	(108)
Net profit	3,711	4,268	4,345	1,710	2,194	1,370	(686)	4,588	4,810	5,134	5,363
- NP yoy (%)	17.6%	15.0%	1.8%	7.1%	7.3%	1.6%	-6.4%	5.6%	4.8%	6.7%	4.4%
- NP margin (%)	12.5%	13.5%	14.6%	17.4%	23.6%	16.7%	-24.5%	15.2%	15.8%	16.4%	16.7%

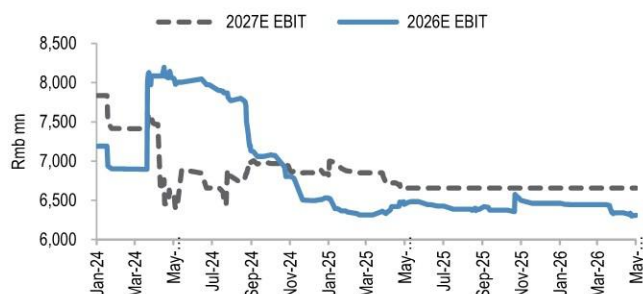
Source: Company data, J.P. Morgan estimates.

Figure 110: Tsingtao – JPM estimates vs Bloomberg consensus

FYE 31-Dec (Rmb mn)	JPM			Bloomberg consensus			JPM vs consensus		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Gross sales	32,781	33,661	34,607	33,148	34,011	34,983	-1.1%	-1.0%	-1.1%
YoY	0.9%	2.7%	2.8%	2.1%	2.6%	2.9%	-1.1pp	0.1pp	-0.1pp
Gross profit	13,884	14,315	14,776	14,009	14,392	14,788	-0.9%	-0.5%	-0.1%
<i>Gross margin (as of gross sales)</i>	<i>42.4%</i>	<i>42.5%</i>	<i>42.7%</i>	<i>42.3%</i>	<i>42.3%</i>	<i>42.3%</i>	<i>0.1pp</i>	<i>0.2pp</i>	<i>0.4pp</i>
Adj. EBIT	5,843	6,177	6,441	6,279	6,698	7,001	-7.0%	-7.8%	-8.0%
YoY	5.4%	5.7%	4.3%	13.3%	6.7%	4.5%	-7.9pp	-0.9pp	-0.3pp
<i>Adj. EBIT margin</i>	<i>17.8%</i>	<i>18.4%</i>	<i>18.6%</i>	<i>18.9%</i>	<i>19.7%</i>	<i>20.0%</i>	<i>-1.1pp</i>	<i>-1.3pp</i>	<i>-1.4pp</i>
Net profit	4,810	5,134	5,363	4,825	5,093	5,325	-0.3%	0.8%	0.7%
YoY	4.8%	6.7%	4.4%	5.2%	5.6%	4.5%	-0.3pp	1.2pp	-0.1pp
<i>Net margin</i>	<i>14.7%</i>	<i>15.3%</i>	<i>15.5%</i>	<i>14.6%</i>	<i>15.0%</i>	<i>15.2%</i>	<i>0.1pp</i>	<i>0.3pp</i>	<i>0.3pp</i>
EPS (Rmb)	3.53	3.76	3.93	3.55	3.76	3.91	-0.7%	0.2%	0.6%
YoY	4.8%	6.7%	4.4%	5.6%	5.8%	4.0%	-0.7pp	0.9pp	0.4pp

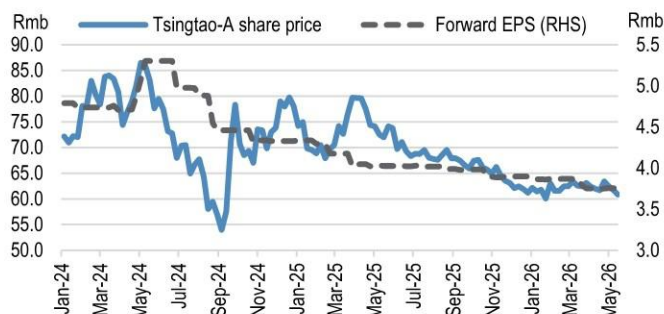
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 111: Consensus EBIT revisions – Tsingtao-A



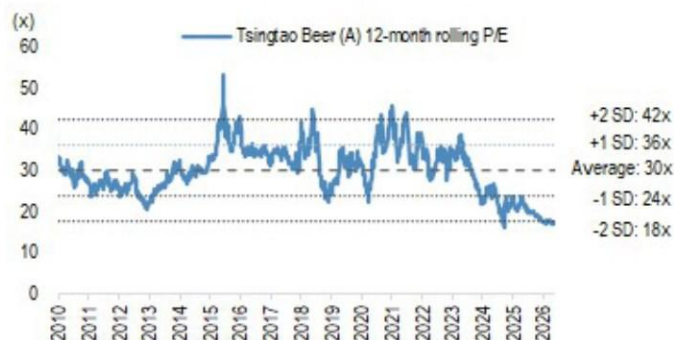
Source: Bloomberg Finance L.P. estimates.

Figure 112: Share price vs consensus forward EPS – Tsingtao-A



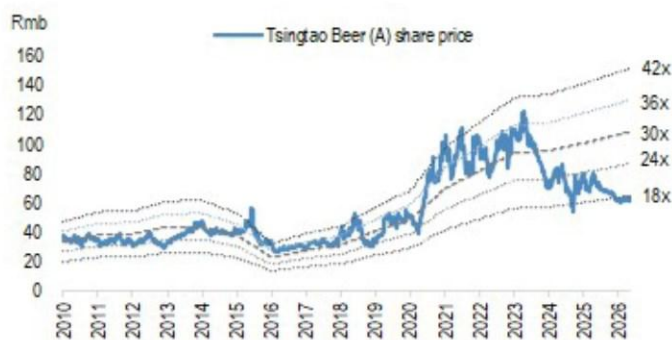
Source: Bloomberg Finance L.P.

Figure 113: Tsingtao-A 12-month rolling P/E



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 114: Tsingtao-A 12-month rolling P/E band chart



Source: J.P. Morgan, Bloomberg Finance L.P.

Investment Thesis, Valuation and Risks

Tsingtao Brewery - A *(Neutral; Price Target: Rmb70.00)*

Investment Thesis

We are Neutral on Tsingtao Brewery - A. Three key drivers frame our view: 1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; 2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and 3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 4% yield). We forecast a 3%/6% sales/EPS CAGRs over 2025–27E. The next leg of re-rating will depend on evidence of sustained premiumization, margin resilience, and sector recovery.

Valuation

Our Jun-27 PT of Rmb70 for Tsingtao-A is based on 20x 2027E target P/E, in line with our target P/E for Bud APAC. This implies a 3x PEG for Tsingtao-A vs global beer peers' average 14x 2027E P/E or 2x PEG, considering Tsingtao-A's better upside in per capita spending and premiumization in China, as well as the A-share premium. Our target price implies 11x 2027E EV/EBITDA.

Risks to Rating and Price Target

Key upside risks to our rating and price target include: 1) SG&A/sales reduction due to efficiency improvements; 2) better-than-expected margin improvement driven by a mix upgrade; and 3) market share gains outside the stronghold regions.

Key downside risks include: 1) intensifying competition in the beer industry; and 2) sustained raw material cost inflation; 3) further ASP pressure from promotions.

Tsingtao Brewery - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	29,810	30,116	30,409	31,223	32,024	Cash flow from operating activities	5,155	4,593	6,153	6,160	6,453
COGS	(17,969)	(17,583)	(17,542)	(17,994)	(18,482)	o/w Depreciation & amortization	1,241	1,302	1,355	1,352	1,349
Gross profit	10,600	11,231	11,512	11,876	12,193	o/w Changes in working capital	475	(349)	411	143	224
SG&A	(6,112)	(6,069)	(6,051)	(6,088)	(6,149)	Cash flow from investing activities	(7,422)	(3,247)	(2,262)	(2,235)	(2,235)
Adj. EBITDA	6,235	6,845	7,197	7,529	7,791	o/w Capital expenditure	(2,141)	(2,253)	(1,435)	(1,435)	(1,435)
D&A	(1,241)	(1,302)	(1,355)	(1,352)	(1,349)	as % of sales	7.2%	7.5%	4.7%	4.6%	4.5%
Adj. EBIT	4,994	5,543	5,843	6,177	6,441	Cash flow from financing activities	(2,983)	(3,104)	(3,135)	(3,332)	(3,474)
Net Interest	568	402	294	324	341	o/w Dividends paid	(3,386)	(3,459)	(3,361)	(3,587)	(3,747)
Adj. PBT	5,610	5,970	6,194	6,561	6,842	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(1,390)	(1,574)	(1,581)	(1,641)	(1,691)	o/w Net debt issued/(repaid)	0	0	0	0	0
Minority Interest	(147)	(129)	(94)	(105)	(108)	Net change in cash	(5,246)	(1,759)	756	593	744
Adj. Net Income	4,369	4,612	4,810	5,134	5,363	Adj. Free cash flow to firm	2,786	2,191	4,693	4,682	4,961
Reported EPS	3.19	3.36	3.53	3.76	3.93	y/y Growth	80.6%	(21.4%)	114.2%	(0.2%)	6.0%
Adj. EPS	3.20	3.38	3.53	3.76	3.93						
DPS	2.20	2.35	2.46	2.63	2.75						
Payout ratio	69.1%	69.9%	69.9%	69.9%	69.9%						
Shares outstanding	1,364	1,364	1,364	1,364	1,364						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	17,979	12,860	13,616	14,208	14,952	Gross margin	35.6%	37.3%	37.9%	38.0%	38.1%
Accounts receivable	102	127	115	118	121	EBITDA margin	20.9%	22.7%	23.7%	24.1%	24.3%
Inventories	3,576	3,237	3,496	3,579	3,669	EBIT margin	16.8%	18.4%	19.2%	19.8%	20.1%
Other current assets	5,188	5,116	5,363	5,449	5,542	Net profit margin	14.7%	15.3%	15.8%	16.4%	16.7%
Current assets	25,189	24,204	26,457	28,386	30,472	ROE	15.5%	15.4%	15.3%	15.6%	15.6%
PP&E	12,449	13,491	13,522	13,550	13,576	ROA	8.7%	8.9%	9.0%	9.3%	9.4%
LT investments	-	-	-	-	-	ROCE	13.3%	13.7%	13.9%	14.1%	14.1%
Other non current assets	9,792	10,534	10,534	10,534	10,534	SG&A/Sales	20.5%	20.2%	19.9%	19.5%	19.2%
Total assets	51,420	52,132	54,333	56,214	58,255	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	42	37	37	37	37	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	3,054	3,050	3,023	3,095	3,173	Sales/Assets (x)	0.6	0.6	0.6	0.6	0.6
Other short term liabilities	14,427	13,514	14,199	14,356	14,595	Assets/Equity (x)	1.8	1.7	1.7	1.7	1.7
Current liabilities	17,522	16,601	17,259	17,488	17,805	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	0	0	0	0	0	Operating leverage	(7.0%)	1069.4%	556.1%	214.0%	166.5%
Other long term liabilities	3,291	3,314	3,314	3,314	3,314	Tax rate	24.8%	26.4%	25.5%	25.0%	24.7%
Total liabilities	21,561	20,619	21,278	21,507	21,824	Revenue y/y Growth	(5.5%)	1.0%	1.0%	2.7%	2.6%
Shareholders' equity	29,060	30,649	32,098	33,645	35,260	EBITDA y/y Growth	1.3%	9.8%	5.2%	4.6%	3.5%
Minority interests	799	863	958	1,062	1,171	EPS y/y Growth	0.4%	5.6%	4.3%	6.7%	4.4%
Total liabilities & equity	51,420	52,132	54,333	56,214	58,255						
BVPS	21.30	22.47	23.53	24.66	25.85						
y/y Growth	5.9%	5.5%	4.7%	4.8%	4.8%						
Net debt/(cash)	(17,937)	(12,823)	(13,579)	(14,172)	(14,915)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	18.7	17.7	17.0	15.9	15.2
						P/BV (x)	2.8	2.7	2.5	2.4	2.3
						EV/EBITDA (x)	10.9	10.7	10.1	9.6	9.2
						Dividend Yield	3.7%	3.9%	4.1%	4.4%	4.6%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

0168.HK, 168 HK

Price (28 May 26):HK\$49.30

▼ **Price Target (Jun-27):HK\$67.00**

Prior (Dec-26):HK\$70.00

Consumer

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	3.76	3.53	-6.1%
Adj. EPS - 27E (Rmb)	4.08	3.76	-7.7%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	35	34	43	44	44
Growth	71	36	47	62	78
Momentum	68	68	35	24	36
Quality	24	8	15	35	52
Low Vol	26	49	54	48	54
ESGQ	19	18	13	15	7

Tsingtao Brewery - H

Attractive valuation and margin expansion; assume coverage at Overweight

We assume coverage of Tsingtao Brewery - H with an Overweight rating and a Jun-27 price target of HK\$67. The H-share trades at a discount to the A-share, offering a more attractive risk/reward profile. FY25 results were resilient, with sales and earnings up 1% and 6% yoy, respectively, and 4Q25 broadly in line with consensus. Three key drivers underpin our positive view: (1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; (2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and (3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 6% yield). The stock trades at 12x 2026E P/E, a significant discount to both the A-share and its peers, and we forecast a 2%/5% sales/EPS CAGR over 2025-28E. The next leg of re-rating will depend on evidence of sustained premiumization, margin resilience, and sector recovery.

- **China's beer industry is undergoing a structural transition**, with premiumization and channel shifts reshaping the competitive landscape. The sector faced cyclical headwinds in 2025, as weak consumer sentiment and increased promotions led to industry-wide ASP declines in 4Q25. Tsingtao's 4Q25 ASP fell 4% yoy, mirroring the broader market trend. Despite these pressures, beer volumes remained stable, and the premium and sub-premium segments continued to gain share: Tsingtao's sub-premium+ volume rose 2.1% yoy in 4Q25. The off-trade channel (home, outdoor, and convenience) is now the primary growth engine, as traditional on-trade channels (restaurants, nightlife) remain subdued.
- **2% sales and 5% EPS CAGR over 2025-28E**. Tsingtao delivered a 1% sales increase and 6% yoy earnings growth in FY25, with 1Q26 revenue down 1.6% and net profit up 5.2% yoy. With a higher on-trade skew (60% on-trade / 40% off-trade), Tsingtao is navigating the channel shift by centering its strategy on Draft Beer as the hero SKU, targeting the Rmb 6-8 and Rmb 8+ craft segments, and expanding 1-liter formats tailored to family and home-banquet occasions. 2QTD sales grew 2.4% with volume up 3-4% (per our checks with distributors), indicating that its product structure optimization and format innovation are gaining traction. Dividend payouts are set at 70%, supporting a 5-6% yield.
- **We assume coverage with an Overweight rating and a Jun-27 price target of HK\$67**, based on a 15% discount to our A-share target multiple of 20x 2027E P/E to reflect lower liquidity. Key upside risks: (1) SG&A/sales reduction from efficiency gains; (2) better-than-expected margin improvement driven by a mix upgrade; (3) market share gains outside stronghold regions. Key downside risks: (1) intensifying competition; (2) sustained raw material cost inflation; (3) further ASP pressure from promotions.

Price Performance



	YTD	1m	3m	12m
Abs	1.2%	-6.5%	-7.0%	-12.3%
Rel	9.0%	-4.0%	-0.0%	-16.3%

Company Data

Shares O/S (mn)	1,364
52-week range (HK\$)	56.80-46.94
Market cap (\$ mn)	8,584
Exchange rate	7.83
Free float (%)	99.9%
3M ADV (mn)	3.26
3M ADV (\$ mn)	21.1
Volatility (90 Day)	27
Index	MXCNX
BBG ANR (Buy Hold Sell)	23 3 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	30,116	30,409	31,223	32,024
Adj. EBITDA	6,845	7,197	7,529	7,791
Adj. EBIT	5,543	5,843	6,177	6,441
Adj. net income	4,612	4,810	5,134	5,363
Adj. EPS	3.38	3.53	3.76	3.93
BBG EPS	3.41	3.55	3.51	3.62
Cashflow from operations	4,593	6,153	6,160	6,453
FCFF	2,191	4,693	4,682	4,961
Margins and Growth				
Revenue Growth Y/Y (%)	1.0%	1.0%	2.7%	2.6%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	37.3%	37.9%	38.0%	38.1%
EBITDA margin	22.7%	23.7%	24.1%	24.3%
EBITDA Growth Y/Y (%)	9.8%	5.2%	4.6%	3.5%
EBIT margin	18.4%	19.2%	19.8%	20.1%
Net margin	15.3%	15.8%	16.4%	16.7%
Adj. EPS growth	5.6%	4.3%	6.7%	4.4%
Ratios				
Net debt/EBITDA	NM	NM	NM	NM
ROIC	-	-	-	-
ROE	15.4%	15.3%	15.6%	15.6%
Valuation				
FCFF yield	3.8%	8.1%	8.0%	8.5%
Dividend yield	5.5%	5.8%	6.2%	6.4%
EV/Revenue	2.4	2.4	2.3	2.2
EV/EBITDA	10.7	10.1	9.6	9.2
Adj. P/E	12.6	12.1	11.3	10.9

Summary Investment Thesis and Valuation

Investment Thesis

We are OW on Tsingtao Brewery - H. The H-share trades at a discount to the A-share, offering a more attractive risk/reward profile. Three key drivers underpin our positive view: (1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; (2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and (3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 5-6% yield). The next leg of re-rating will depend on evidence of sustained premiumization, margin resilience, and sector recovery.

Valuation

The stock trades at 12x 2026E P/E, a discount to Bud APAC. Our Jun-27 PT of HK\$67 for Tsingtao-H is based on a 15% H/A discount to our 20x 2027E target P/E for Tsingtao-A. This implies a 2.5x PEG for Tsingtao-H vs. global beer peers trading at a 2027E P/E of 14x or 2x PEG, and we think the premium is justified considering better upside in per capita spending and premiumization in China. Our target price implies 9x 2027E EV/EBITDA.

Performance Drivers

Market	0%
Region	0%
Macro	12%
Style	18%
Idiosyn.	70%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.07	-0.04
Region: China	-0.09	-0.03
Macro:		
JP Morgan EMBI Global Spread	0.23	0.21
JPM China A-shares Sentiment	0.25	0.21
Markit EM Composite PMI SA	0.09	0.18
Quant Styles:		
Size	-0.37	-0.32
Growth	-0.39	-0.32
Momentum	-0.28	-0.28

Investment Thesis, Valuation and Risks

Tsingtao Brewery - H *(Overweight; Price Target: HK\$67.00)*

Investment Thesis

We are OW on Tsingtao Brewery - H. The H-share trades at a discount to the A-share, offering a more attractive risk/reward profile. Three key drivers underpin our positive view: (1) steady beer volume growth and continued premiumization, with sub-premium+ volume up 2.1% yoy in 4Q25; (2) robust margin expansion, as FY25 EBITDA margin improved 1.8ppt to 22.7%, marking a decade of consecutive improvement; and (3) a rising dividend payout, with FY25 DPS of Rmb2.35/share (70% payout, 5-6% yield). The next leg of re-rating will depend on evidence of sustained premiumization, margin resilience, and sector recovery.

Valuation

The stock trades at 12x 2026E P/E, a discount to Bud APAC. Our Jun-27 PT of HK\$67 for Tsingtao-H is based on a 15% H/A discount to our 20x 2027E target P/E for Tsingtao-A. This implies a 2.5x PEG for Tsingtao-H vs. global beer peers trading at a 2027E P/E of 14x or 2x PEG, and we think the premium is justified considering better upside in per capita spending and premiumization in China. Our target price implies 9x 2027E EV/EBITDA.

Risks to Rating and Price Target

Key upside risks to our rating and price target include: 1) SG&A/sales reduction due to efficiency improvements; 2) better-than-expected margin improvement driven by mix upgrade; and 3) market-share gains outside the stronghold regions.

Key downside risks include: 1) intensifying competition in the beer industry; and 2) sustained raw material cost inflation; 3) further ASP pressure from promotions.

Tsingtao Brewery - H: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	29,810	30,116	30,409	31,223	32,024	Cash flow from operating activities	5,155	4,593	6,153	6,160	6,453
COGS	(17,969)	(17,583)	(17,542)	(17,994)	(18,482)	o/w Depreciation & amortization	1,241	1,302	1,355	1,352	1,349
Gross profit	10,600	11,231	11,512	11,876	12,193	o/w Changes in working capital	475	(349)	411	143	224
SG&A	(6,112)	(6,069)	(6,051)	(6,088)	(6,149)	Cash flow from investing activities	(7,422)	(3,247)	(2,262)	(2,235)	(2,235)
Adj. EBITDA	6,235	6,845	7,197	7,529	7,791	o/w Capital expenditure	(2,141)	(2,253)	(1,435)	(1,435)	(1,435)
D&A	(1,241)	(1,302)	(1,355)	(1,352)	(1,349)	as % of sales	7.2%	7.5%	4.7%	4.6%	4.5%
Adj. EBIT	4,994	5,543	5,843	6,177	6,441	Cash flow from financing activities	(2,983)	(3,104)	(3,135)	(3,332)	(3,474)
Net Interest	568	402	294	324	341	o/w Dividends paid	(3,386)	(3,459)	(3,361)	(3,587)	(3,747)
Adj. PBT	5,610	5,970	6,194	6,561	6,842	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(1,390)	(1,574)	(1,581)	(1,641)	(1,691)	o/w Net debt issued/(repaid)	0	0	0	0	0
Minority Interest	(147)	(129)	(94)	(105)	(108)	Net change in cash	(5,246)	(1,759)	756	593	744
Adj. Net Income	4,369	4,612	4,810	5,134	5,363	Adj. Free cash flow to firm	2,786	2,191	4,693	4,682	4,961
Reported EPS	3.19	3.36	3.53	3.76	3.93	y/y Growth	80.6%	(21.4%)	114.2%	(0.2%)	6.0%
Adj. EPS	3.20	3.38	3.53	3.76	3.93						
DPS	2.20	2.35	2.46	2.63	2.75						
Payout ratio	69.1%	69.9%	69.9%	69.9%	69.9%						
Shares outstanding	1,364	1,364	1,364	1,364	1,364						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	17,979	12,860	13,616	14,208	14,952	Gross margin	35.6%	37.3%	37.9%	38.0%	38.1%
Accounts receivable	102	127	115	118	121	EBITDA margin	20.9%	22.7%	23.7%	24.1%	24.3%
Inventories	3,576	3,237	3,496	3,579	3,669	EBIT margin	16.8%	18.4%	19.2%	19.8%	20.1%
Other current assets	5,188	5,116	5,363	5,449	5,542	Net profit margin	14.7%	15.3%	15.8%	16.4%	16.7%
Current assets	25,189	24,204	26,457	28,386	30,472	ROE	15.5%	15.4%	15.3%	15.6%	15.6%
PP&E	12,449	13,491	13,522	13,550	13,576	ROA	8.7%	8.9%	9.0%	9.3%	9.4%
LT investments	-	-	-	-	-	ROCE	13.3%	13.7%	13.9%	14.1%	14.1%
Other non current assets	9,792	10,534	10,534	10,534	10,534	SG&A/Sales	20.5%	20.2%	19.9%	19.5%	19.2%
Total assets	51,420	52,132	54,333	56,214	58,255	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	42	37	37	37	37	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	3,054	3,050	3,023	3,095	3,173	Sales/Assets (x)	0.6	0.6	0.6	0.6	0.6
Other short term liabilities	14,427	13,514	14,199	14,356	14,595	Assets/Equity (x)	1.8	1.7	1.7	1.7	1.7
Current liabilities	17,522	16,601	17,259	17,488	17,805	Interest cover (x)	NM	NM	NM	NM	NM
Long-term debt	0	0	0	0	0	Operating leverage	(7.0%)	1069.4%	556.1%	214.0%	166.5%
Other long term liabilities	3,291	3,314	3,314	3,314	3,314	Tax rate	24.8%	26.4%	25.5%	25.0%	24.7%
Total liabilities	21,561	20,619	21,278	21,507	21,824	Revenue y/y Growth	(5.5%)	1.0%	1.0%	2.7%	2.6%
Shareholders' equity	29,060	30,649	32,098	33,645	35,260	EBITDA y/y Growth	1.3%	9.8%	5.2%	4.6%	3.5%
Minority interests	799	863	958	1,062	1,171	EPS y/y Growth	0.4%	5.6%	4.3%	6.7%	4.4%
Total liabilities & equity	51,420	52,132	54,333	56,214	58,255						
BVPS	21.30	22.47	23.53	24.66	25.85						
y/y Growth	5.9%	5.5%	4.7%	4.8%	4.8%						
Net debt/(cash)	(17,937)	(12,823)	(13,579)	(14,172)	(14,915)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	13.3	12.6	12.1	11.3	10.9
						P/BV (x)	2.0	1.9	1.8	1.7	1.7
						EV/EBITDA (x)	10.9	10.7	10.1	9.6	9.2
						Dividend Yield	5.2%	5.5%	5.8%	6.2%	6.4%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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