This material is neither intended to be distributed to Mainland China investors nor to provide securities investment consultancy services within the territory of Mainland China. This material or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.

# China Consumer

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

**Consumer**

**Jessie Xu** AC
(852) 2800-8590
jessie.j.xu@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

**Sylvia Hu**
(86-21) 6106-6284
sylvia.hu@jpmorgan.com
SAC Registration Number: S1730526010001
J.P. Morgan Securities (China) Company Limited

**Yibo Wu**
(852) 2800-8559
yibo.wu@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

**Qian Yao**
(86-21) 6106 6277
qian.q.yao@jpmorgan.com
SAC Registration Number: S1730521050001
J.P. Morgan Securities (China) Company Limited

**DS Kim**
(852) 2800-8597
ds.kim@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

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.

**See page 101 for analyst certification and important disclosures, including non-US analyst disclosures.**

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Table Of Contents

Focus Charts ..... 4
Sector View Updates – we see alpha from operator quality, rather than sector beta ..... 6
Valuation comps ..... 7
Specialty Retail (pop toy) – quality intact, timing nuanced ..... 9
More than a craze: the neurobiological case for lasting "kidult"demand ..... 9
Still "Day One": Pop Mart's overseas network in context ..... 10
Bubble & Brew – after the tide recedes, who is still running? 12
After the tide retreats ..... 12
Blurring boundaries: How category convergence is reshaping the landscape ..... 12
Competition and ASP: better than feared ..... 15
RTD Beverages – sports drinks shine, but cost pressure bites ..... 18
Sports drinks under the spotlight; competition intensifying ..... 18
Cost pressure a major theme into 2H26; Nongfu most resilient ..... 19
Baijiu – approaching the trough ..... 21
Where are we in the cycle? ..... 21
DTC Reform: the next big thing, led by Moutai ..... 24
Beer – right side of the channel migration ..... 27
Pop Mart - H ..... 30
Key charts ..... 33
Earnings forecasts ..... 36
Miniso - ADR ..... 41
Miniso - H ..... 47
Kweichow Moutai Co - A ..... 51
Pivotal Questions ..... 53
Key charts ..... 54
Wuliangye - A ..... 58
Luzhou Laojiao - A ..... 66
Yanghe - A ..... 72
China Resources Beer (0291) ..... 78
Budweiser Asia Pacific ..... 84
Tsingtao Brewery - A ..... 91
Tsingtao Brewery - H ..... 97

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## Equity Ratings and Price Targets

| Company | Ticker | Mkt Cap ($ mn) | Price CCY | Price | Rating Cur | Rating Prev | Price Target Cur | Price Target End Date | Price Target Prev | Price Target 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].

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Focus Charts

Figure 1: Earnings revisions and share price performance

| Company name | Sub-sector | BBG Ticker | Price (LC) | Mkt Cap (USDmn) | Net profit YoY 2026E | Net profit YoY 2027E | NP CAGR 25-27E | FY26 sales revisions 1Q26 | FY26 sales revisions 2QTD | FY26 sales revisions YTD | FY26 NP revisions 1Q26 | FY26 NP revisions 2QTD | FY26 NP revisions YTD | Share performance 1M | Share performance 3M | Share performance 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% |

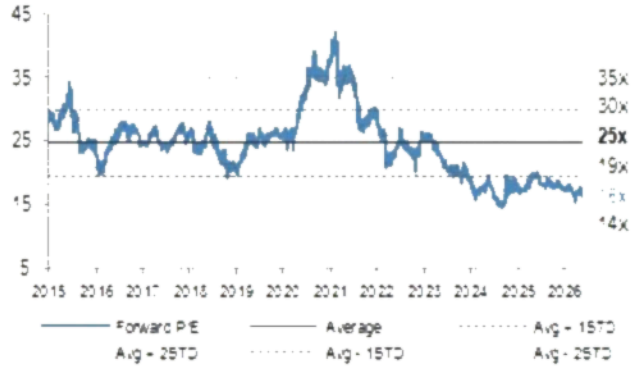
Note: ^ refers to year end in Mar.
Source: Bloomberg Finance L.P. Prices as of 28 May 2026

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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



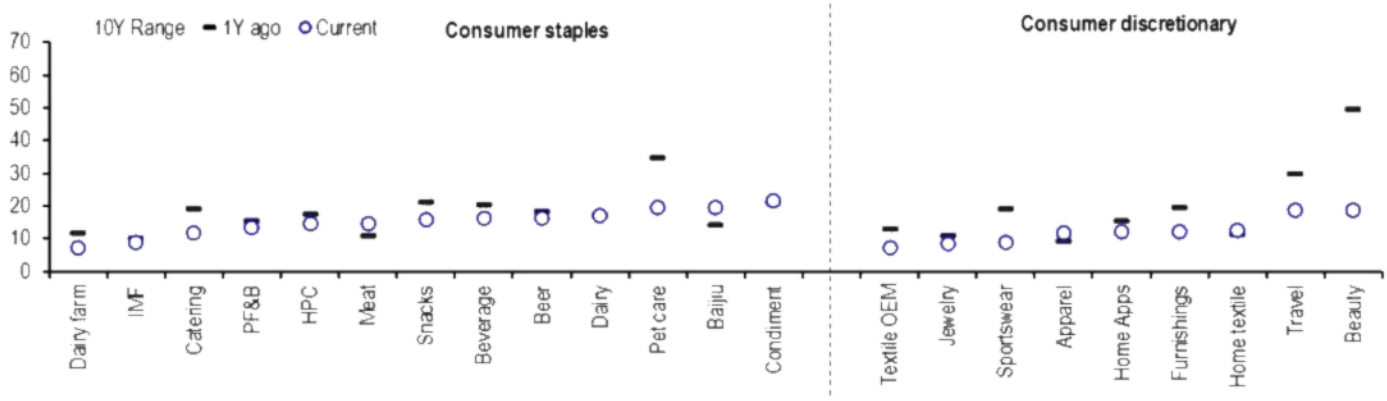

Source: Bloomberg Finance L.P. and J.P. Morgan.

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 | [illegible] | [illegible] | 6 | 7 | 2 | [illegible] | [illegible] | Moutai |
| Catering | [illegible] | 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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 | P/E (x) 2027E | PEG(x) 2026E | PEG(x) 2027E | EV/EBITDA(x) 2026E | EV/EBITDA(x) 2027E | Div yield (%) 2026E | Div yield (%) 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



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 | P/E (x) 2027E | PEG(x) 2026E | PEG(x) 2027E | EV/EBITDA(x) 2026E | EV/EBITDA(x) 2027E | Div yield (%) 2026E | Div yield (%) 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 |
| Topsports | 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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

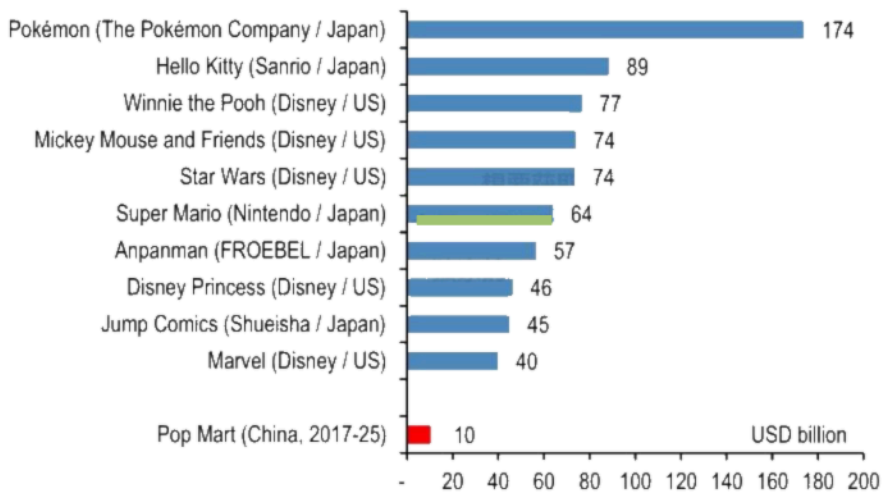
## More than a craze: the neurobiological case for lasting "kidult"demand

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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%.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





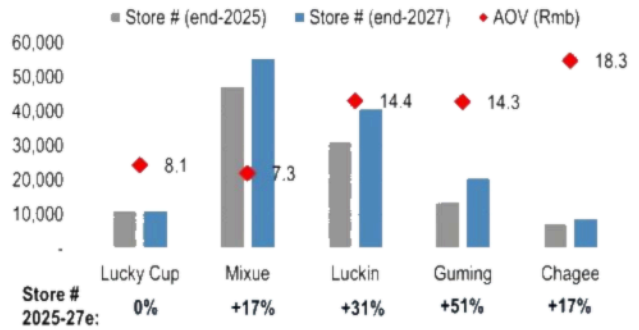
# Bubble & Brew – after the tide recedes, who is still running?

## 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.

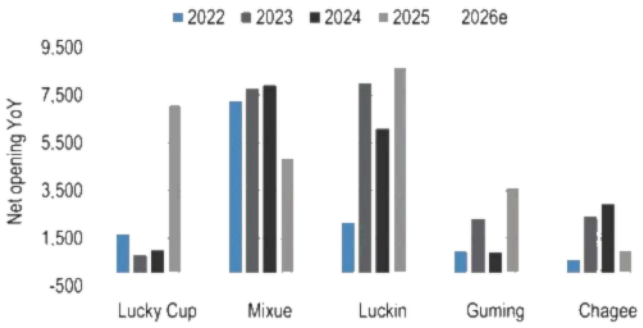
In contrast, **Lucky Cup** and **Mixue** will enter a phase of meaningful deceleration, in our view. Lucky Cup's net store count is expected to remain essentially flat (0% growth through 2027), while Mixue's expansion moderates to +17% – a sharp step-down from the 7k-8k annual net openings seen in 2023-2024, 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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

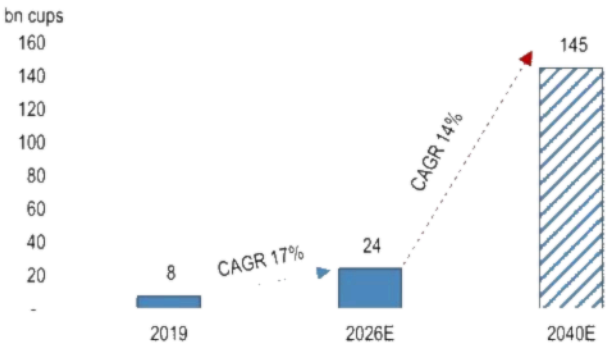



Source: Company social media.

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

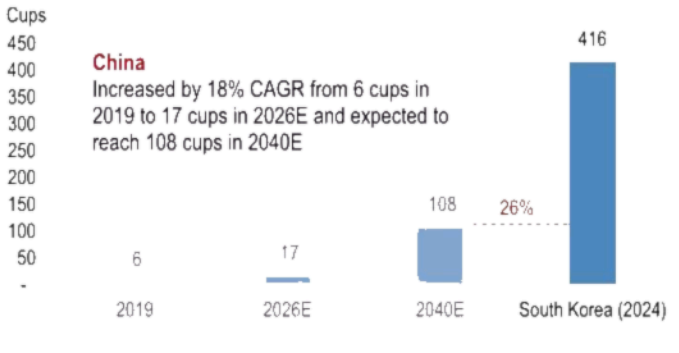
China's total coffee consumption grew at a 17% CAGR from 2019 to 2026E (from 8bn to 24bn cups), and we forecast a further 14% CAGR through 2040, reaching 145bn cups. Even at that level, per capita consumption of 108 cups would represent only 26% of South Korea's current level of 416 cups (2024), underscoring 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com

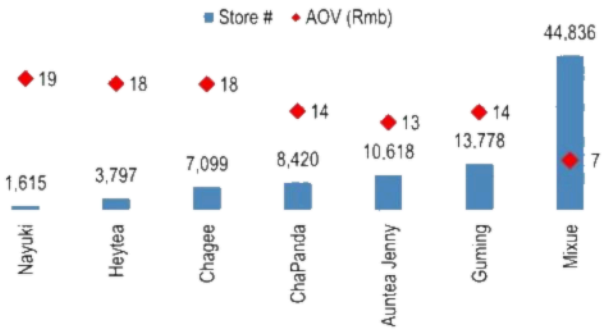




**Argument 2: Differentiated networks and staggered peak hours enable multi-category coexistence**

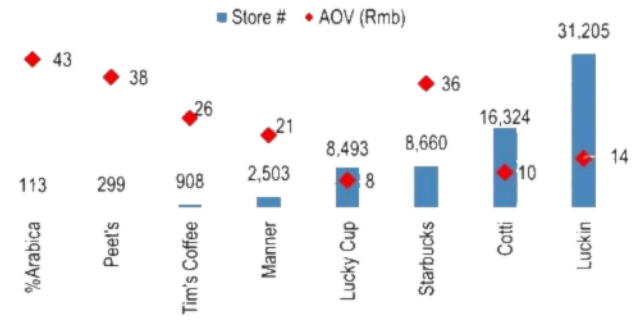
Tea and coffee brands occupy distinct positions in terms of store footprint, city-tier exposure, and operating hours - creating natural complementarity rather than zero-sum competition. Coffee brands such as **Luckin** (31k stores, AOV Rmb 14) and **Cotti** (16k, AOV Rmb 10) skew toward higher-tier cities, 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



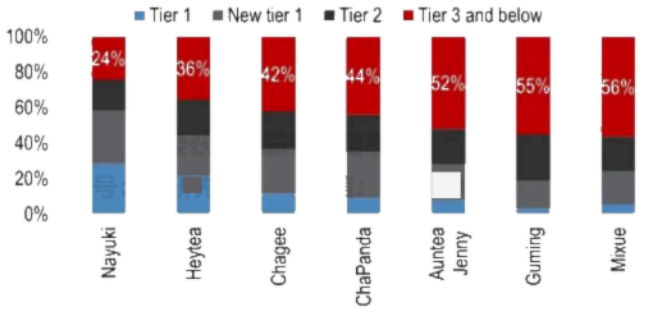

Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

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



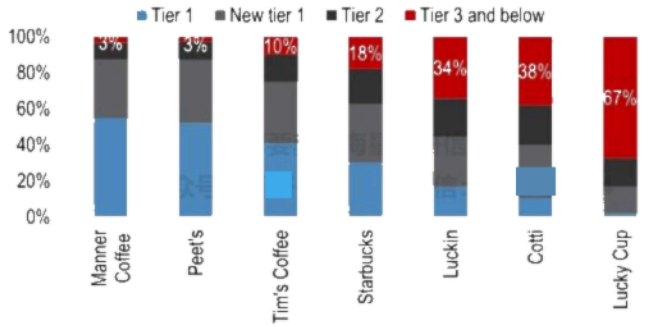

Note: As of end-Apr 2026.
Source: Zhaimen, J.P. Morgan.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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

| | | Network -----> | | Product offerings -----> | | | | Operating hour -----> | |
|---|---|---|---|---|---|---|---|---|---|
| | Brand perception | 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 |

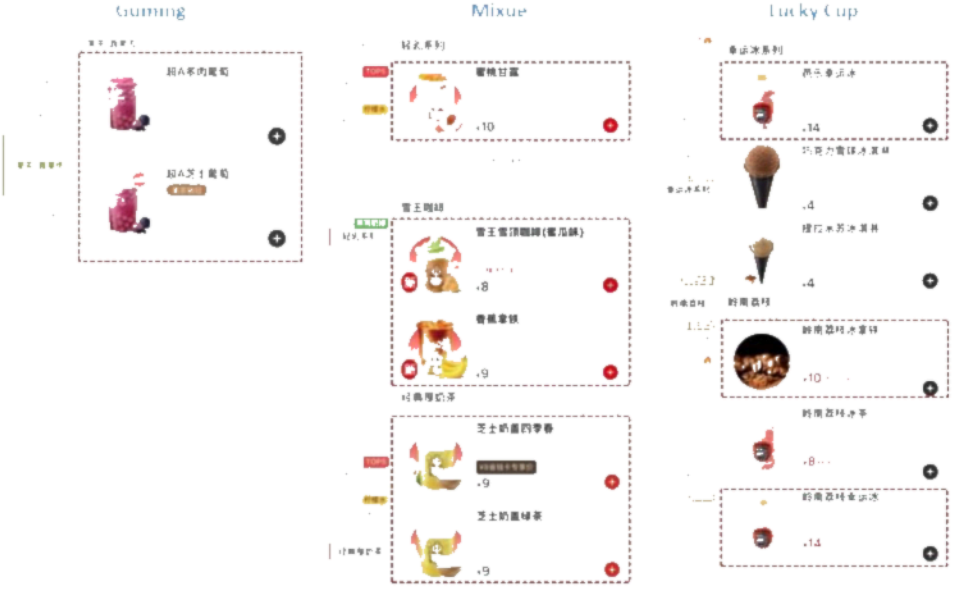
Source: Company data, J.P. Morgan.

## 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




Source: Company mini programs.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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




Source: Company mini programs.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

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

| | Luckin | | | | Guming | | | | Mixue | | | | Chagee | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rmb mn | 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 # | 7,745 | 10,814 | 13,229 | 14,804 | 9,907 | 13,546 | 17,045 | 20,444 | 46,462 | 59,785 | 63,285 | 68,785 | 6,277 | 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 # | 2,125 | 3,069 | 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% | -19% | 1% | -4% | -1% | -28% | 19% | -2% | -2% | -25% | 6% | -8% | 0% | 41% | -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% | 2% | -1% | 3% | -1% | 11% | 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% | -26% | 3% | -4% | -2% | -4% | 20% | -3% | -3% | -4% | 5% | -5% | -1% | 71% | -33% | -10% | 0% |
| SSSG | -16.7% | 7.5% | | | -1.5% | 20.0% | | | | | | | 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 | 9,854 | 9,715 | 8,602 | 9,320 |
| - Sales of equipment | 588 | 864 | 612 | 399 | 465 | 949 | 971 | 902 | 756 | 1,327 | 1,393 | 1,421 | 898 | 782 | 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% | 175% | -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% | - | - | - | - | 277% | 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% | 6% | 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 | 1.4% | 2.7% | -0.8% | -0.4% | -0.7% | 2.4% | 0.0% | 0.0% | 1.2% | -1.3% | -1.1% | 0.0% | 4.3% | 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% | -1.2% | -1.0% | -1.1% | 0.1% | 11.1% | -12.9% | 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 | -2% | -1% | -1% | 1% | 1% | 7% | -4% | 1% | 1% | 0% | -1% | 1% | 11% | -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 | -1.1% | -1.1% | 0.1% | 0.7% | -1.1% | 3.3% | -0.1% | 0.0% | 1.2% | -1.2% | -1.3% | 0.1% | 4.1% | -5.6% | -0.4% | 0.4% |

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

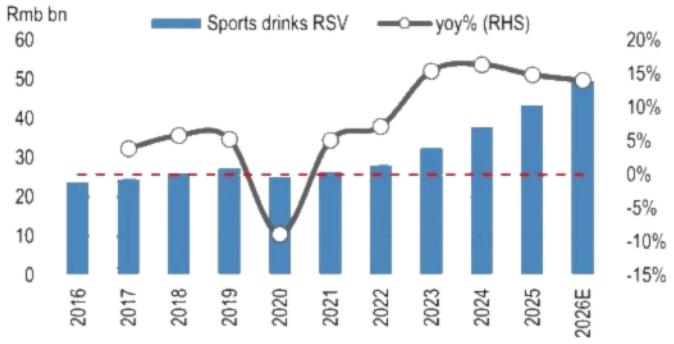
Figure 22: Sports drinks under the spotlight and are set to outperform other categories in the next five years

| | 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.

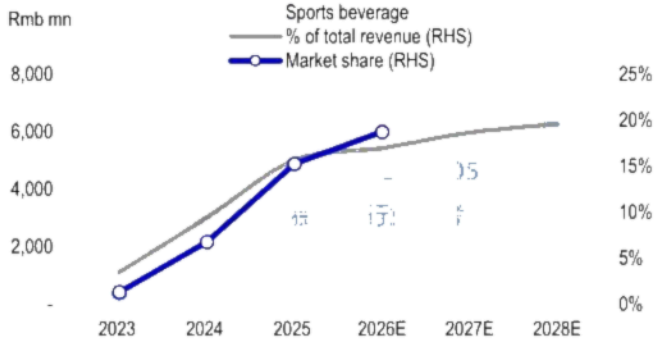
Figure 23: Sports drinks momentum picking up from 2023

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



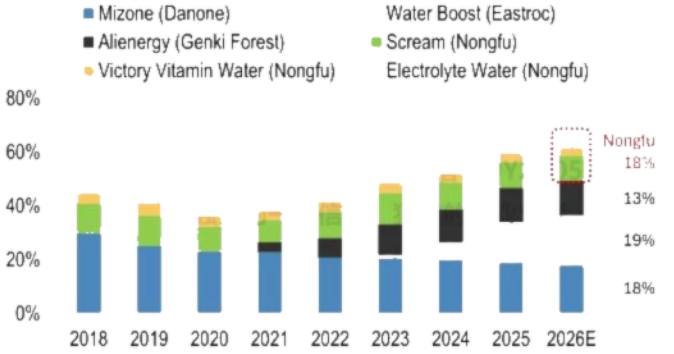

Source: J.P. Morgan estimates. Company data.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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

| | Nongfu | | | | Eastroc | | | | China Resources Beverage | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rmb mn | 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** |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





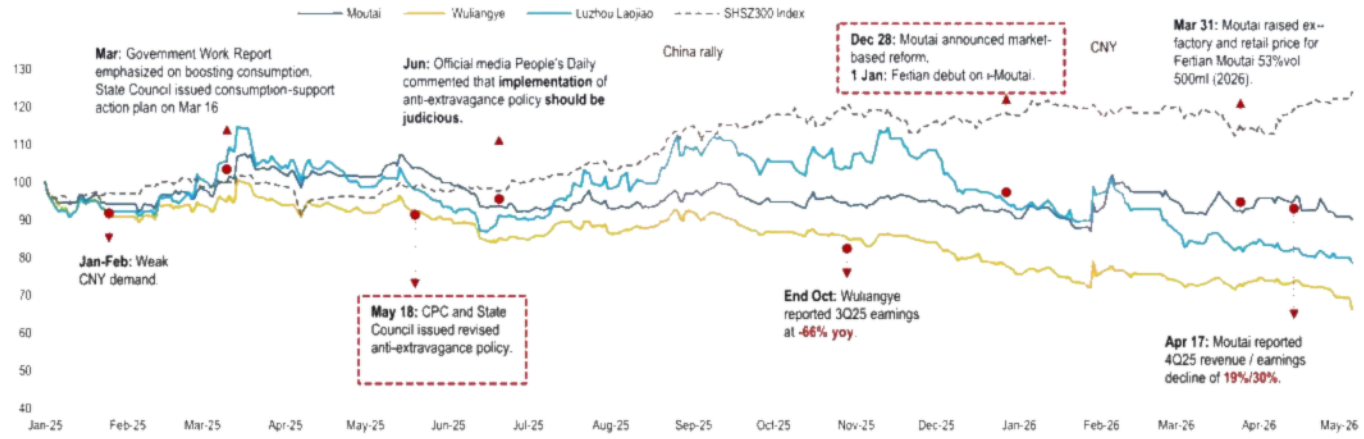
# Baijiu – approaching the trough

## 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

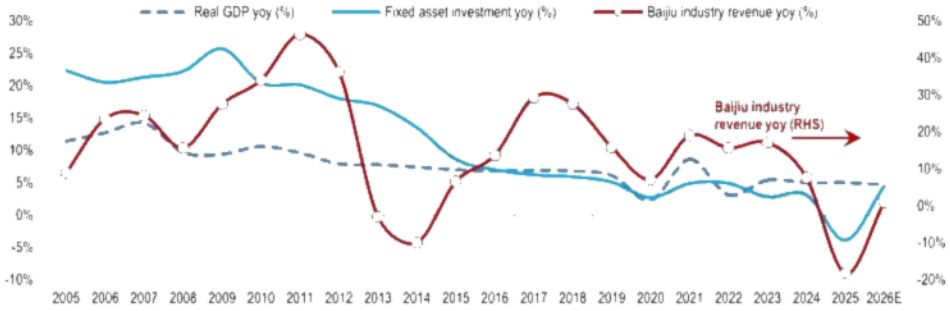
China's baijiu industry has historically tracked the broader macroeconomic cycle, moving in tandem with real GDP growth and fixed asset investment. From 2005 to 2012, industry revenue grew at a rapid pace peaking at nearly 50% yoy in 2011 - buoyed by double-digit GDP growth and a fixed asset investment 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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**

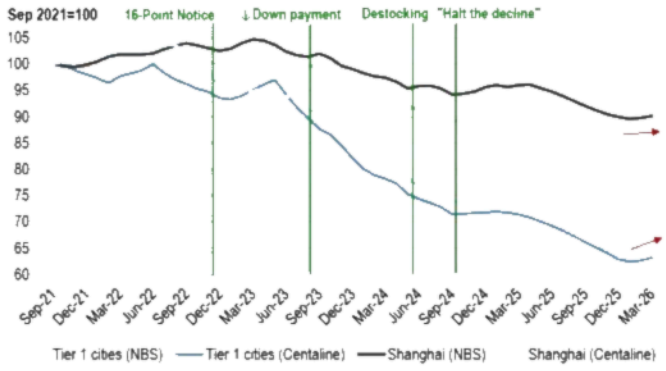
A key macro precondition for baijiu demand recovery is the restoration of household wealth confidence, and early signals are emerging from the property market.

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% | -0.8% | -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% | -0.6% | -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% | -0.6% | -0.1% | 0.4% |
| **Secondary (Centaline)** | | | | | | | | | | | | |
| Beijing | -0.5% | -0.9% | -1.8% | -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% | -2.0% | -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% | -1.8% | -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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





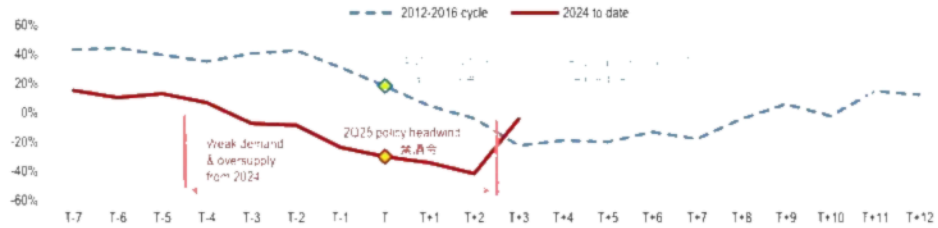
Beyond tier-1 cities, the broader national picture remains more cautious but is approaching a floor. Industry experts expect a mild nationwide price decline of approximately 0.5% per month until 4Q26 (note), with the bottom likely less than 10% away - most cities may see a further 5–6% decline before 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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:<br>(1) Market-based pricing strategy.<br>(2) DTC transformation; expanding customer base.<br>(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:<br>(1) Transitioning from traditional "direct sales + distribution" to "direct sales + distribution + consignment" model.<br>(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**.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



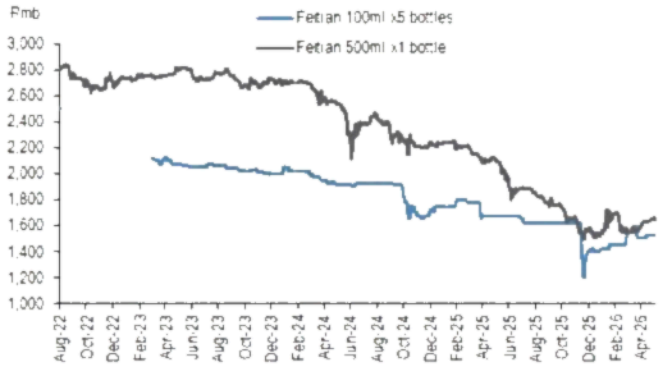


Figure 36: Distribution price of case-packed vs single-bottle Feitian Moutai




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

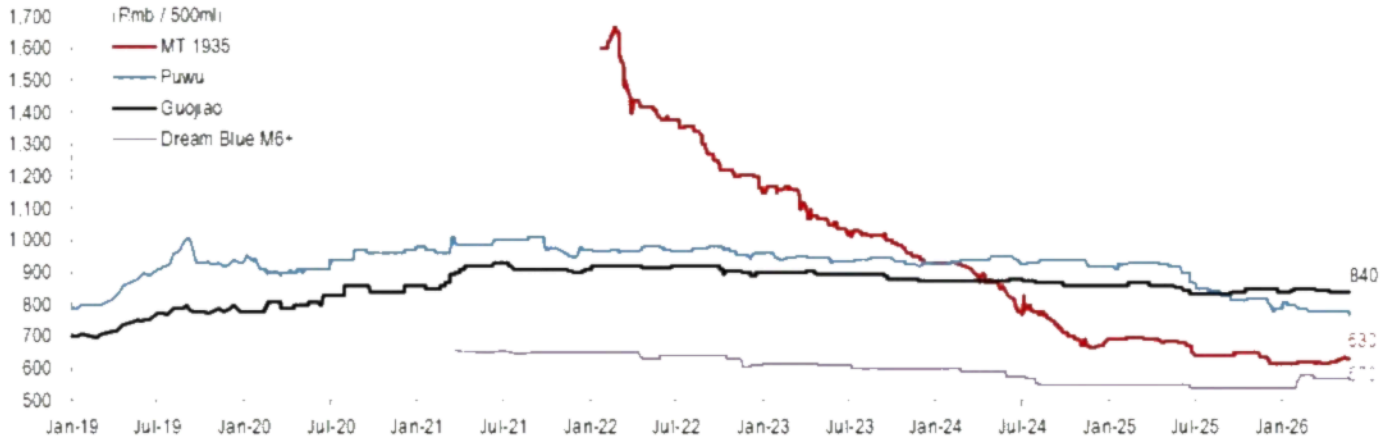



Note: Latest data as of 25 May 2026.
Source: Daily Spirits Prices, J.P. Morgan.

**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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





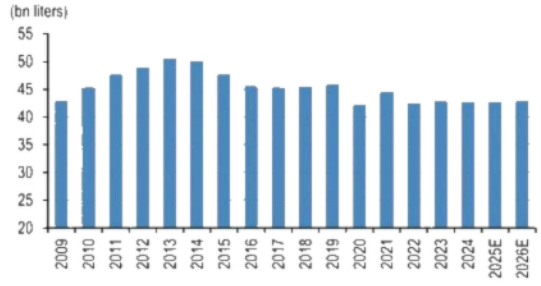
# Beer – right side of the channel migration

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**

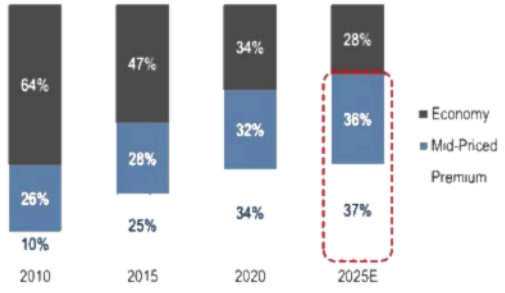
The premiumization trend remains intact but is entering a more gradual phase. Premium and mid-priced segments have steadily gained share from economy beer over the past decade - premium rose from 10% of volume in 2010 to an estimated 37% by 2025E, while economy contracted from 64% to just 28%. However, 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.

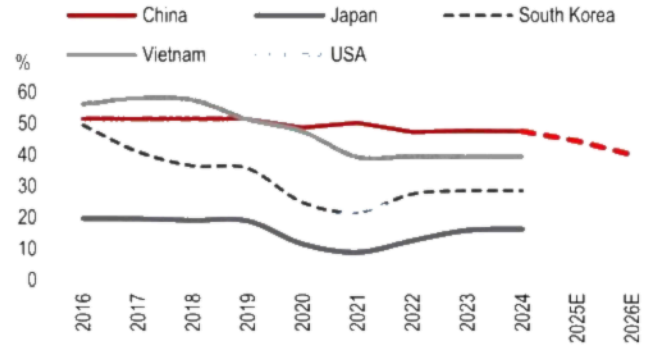
Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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

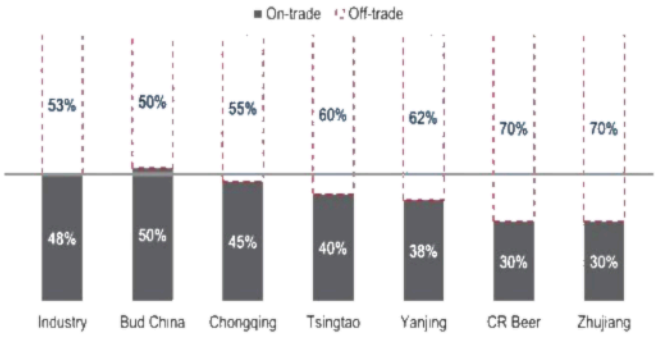
On-trade as % of total volume




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, Marrs 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**

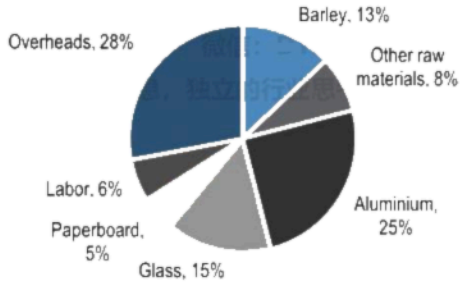
Unlike the RTD beverage sector - where PET packaging constitutes a significant portion of COGS and leaves margins highly exposed to oil price volatility - China's beer industry benefits from a more diversified and resilient cost structure. The primary cost components for beer companies are aluminium (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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





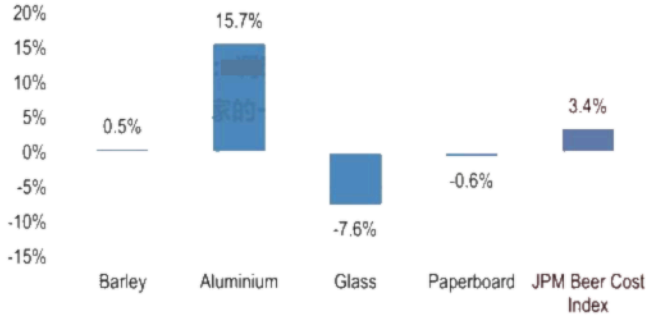
Figure 43: COGS breakdown of China beer companies




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



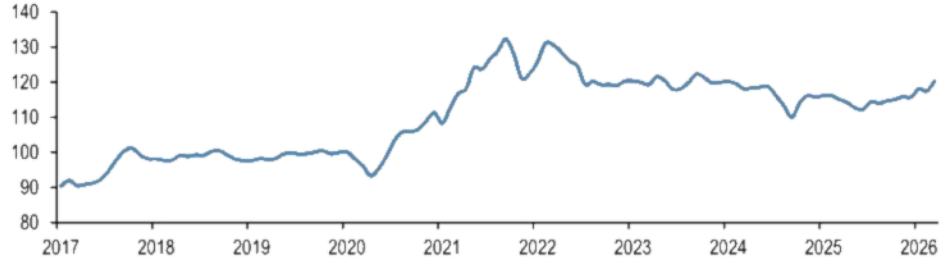

Source: JCI China, Shanghai Changjiang Metals Market, Zhengzhou Commodity Exchange, NBS, J.P. Morgan.

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 managable level

Beer cost index

Dec 2019 = 100




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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# ▼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**

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %Rank | 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





- **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

| | Base case (JPMe) | | | | | | | Bull case | | | Bear case | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FYE Dec 31 (Rmb mn) | 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 | | | | -17% | | | | | | | | -1% | |
| * 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 | | | | -1% | | | | | | | | | |
| * Overseas | 16,268 | 3,098 | 3,186 | 3,511 | 4,167 | 13,961 | 16,821 | 16,268 | 15,466 | 19,114 | 16,268 | 11,799 | 12,584 |
| YoY | | | -5% | -36% | -19% | -14% | | | -5% | | | -27% | |
| - 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 | | | | -31% | -19% | -12% | | | | | | -20% | |
| - 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 | | | -13% | -41% | -29% | -20% | | | -15% | | | -40% | |
| - 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 | | | | -41% | | 0% | | | | | | -10% | |
| Gross profit | 26,765 | | | | | 27,873 | 31,609 | 26,765 | 29,375 | 35,201 | 26,765 | 24,670 | 26,873 |
| D&S cost | (8,082) | | | | | (9,865) | (11,095) | (8,082) | (9,366) | (10,560) | (8,082) | (9,205) | (9,626) |
| G&A cost | (1,770) | | | | | (2,192) | (2,465) | (1,770) | (2,043) | (2,414) | (1,770) | (2,025) | (2,086) |
| 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% |
| 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% |

| 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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

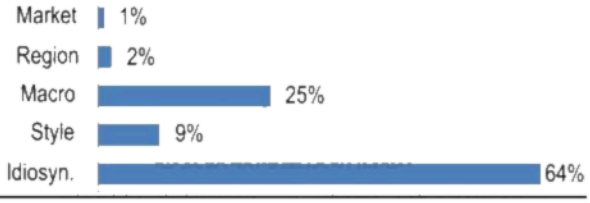
### Investment Thesis

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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

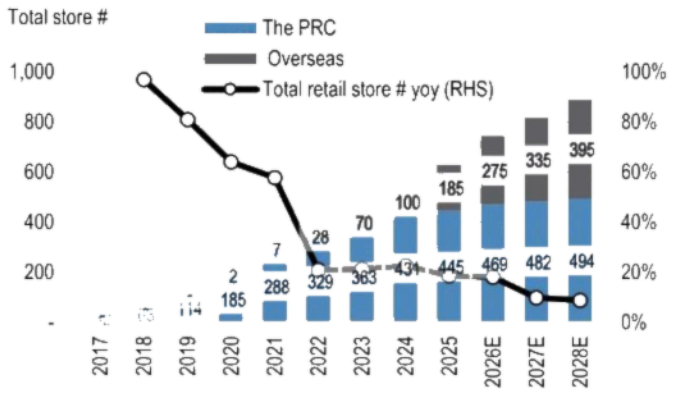
Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





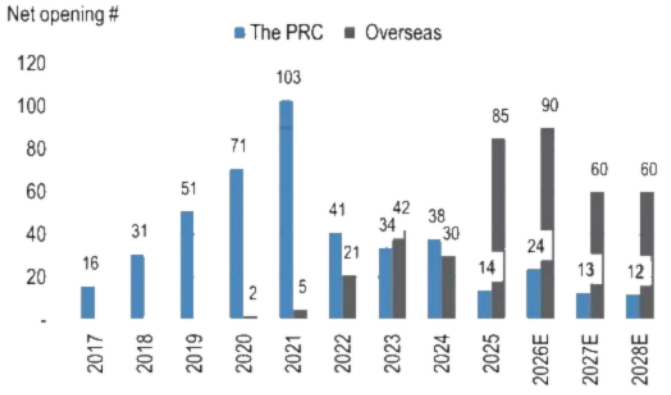
## Key charts

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)



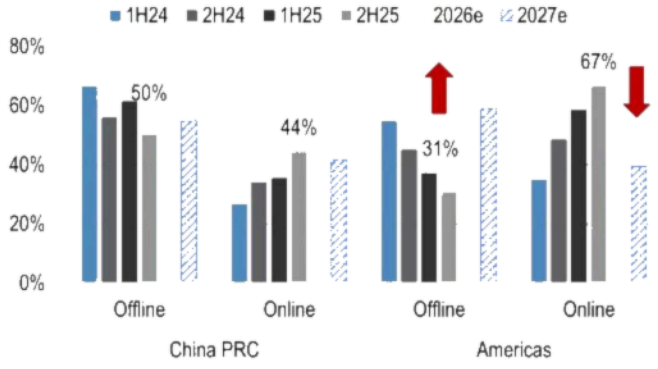

Source: Company data, J.P. Morgan estimates

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



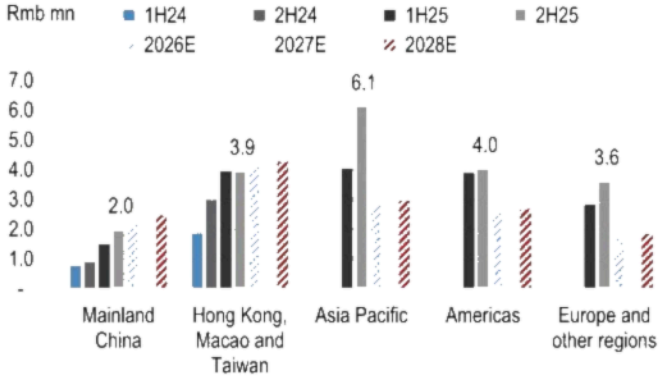

Source: Company data, J.P. Morgan estimates

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



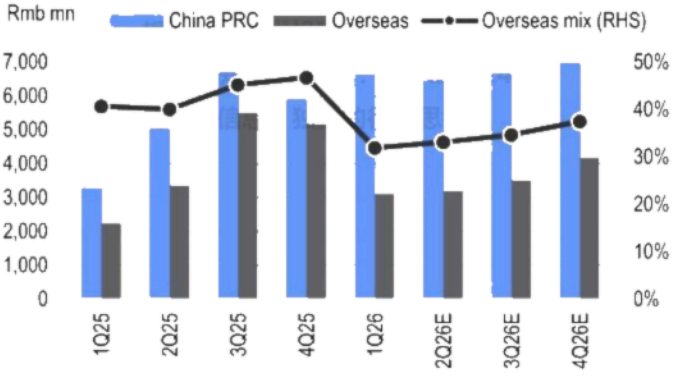

Source: Company data, J.P. Morgan estimates.

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



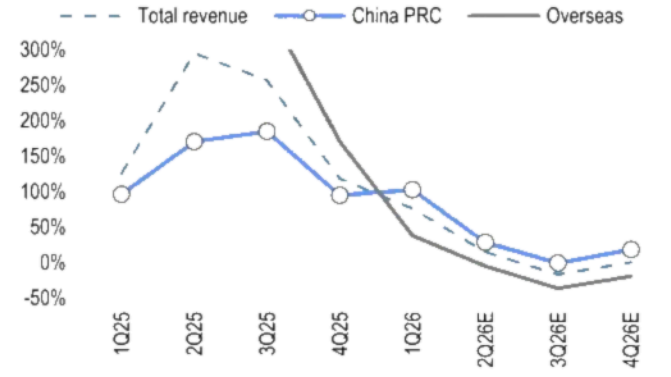

Source: Company data, J.P. Morgan estimates.

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




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

Figure 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



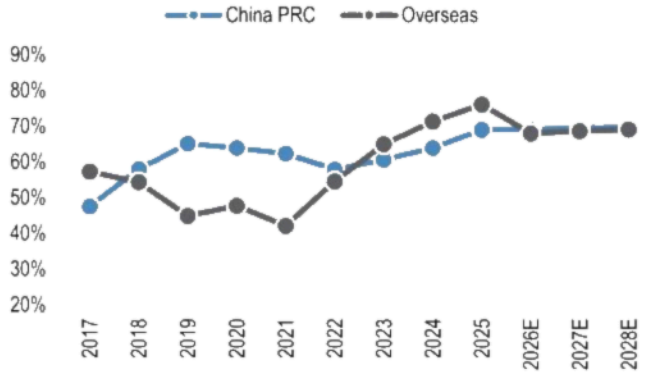


Figure 53: Quarterly revenue by channels

| 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% |
| Overseaas | 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** | **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% |

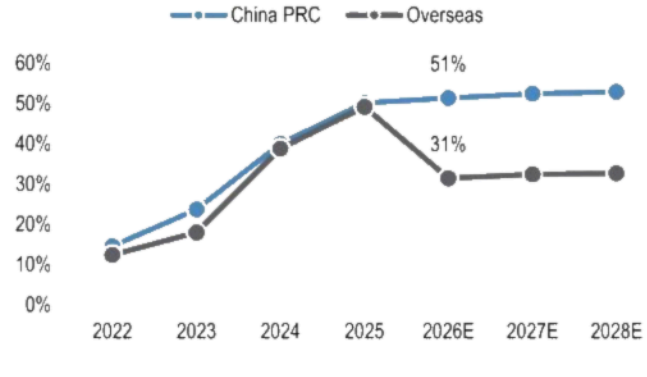
Source: Company data, J.P. Morgan estimates.

Figure 54: We expect China and overseas gross margin to stablize 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



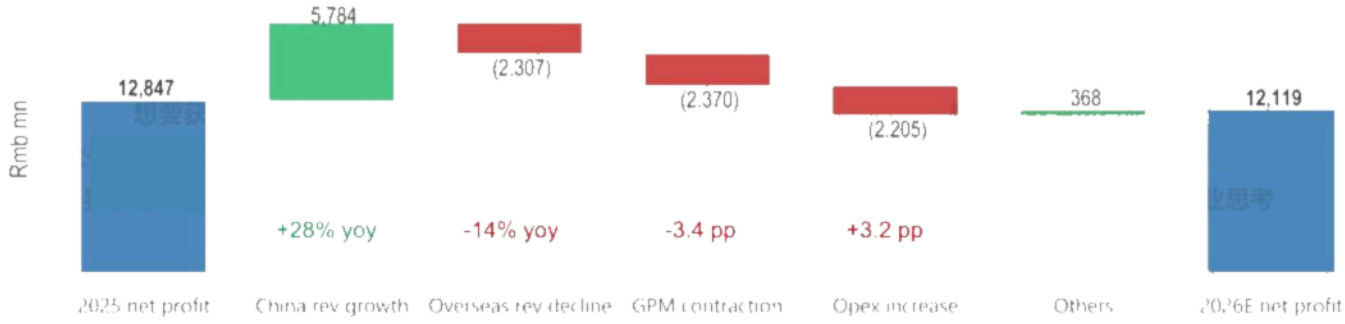

Source: Company data, J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



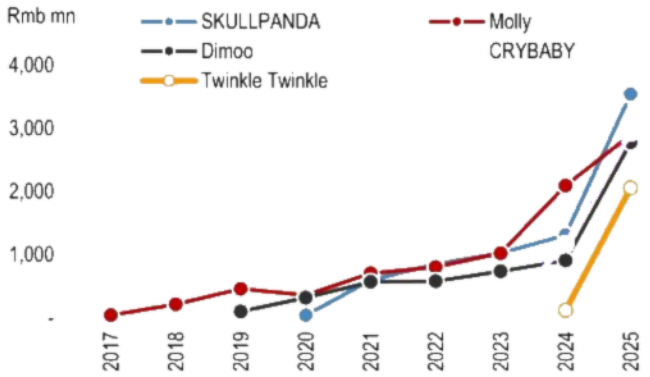


Figure 56: Pop Mart – Our base case 2026 net profit waterfall chart



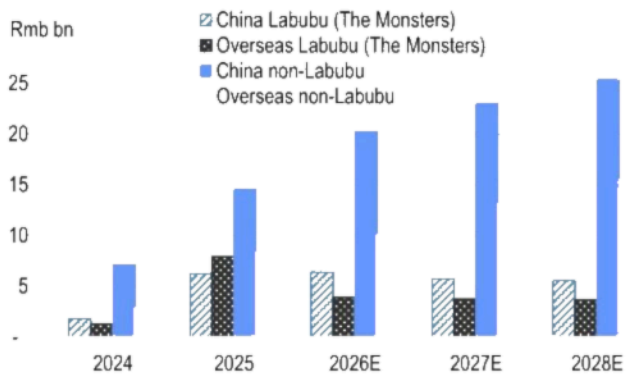

Source: Company data, J.P. Morgan estimates.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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** |
| Gross margin | 66.8% | 72.1% | 68.7% | 69.2% | 69.4% | | 70.2% | 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** |
| 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** |
| 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** |
| 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** |

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



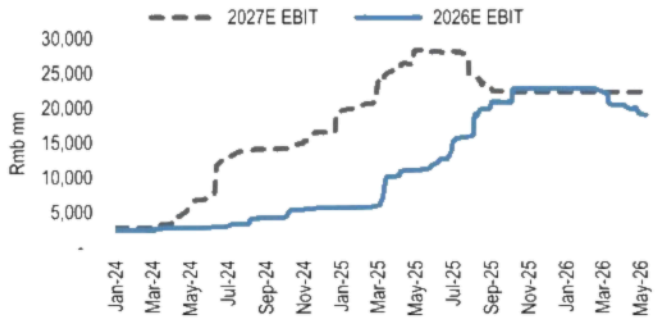


Figure 60: Pop Mart – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs. consensus 2026E | JPMe vs. consensus 2027E | JPMe vs. consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **40,598** | **45,657** | **50,002** | **44,059** | **51,166** | **58,200** | **-7.9%** | **-10.8%** | **-14.1%** |
| Y-Y | 9.2 | 12.5 | 9.5 | 14.7 | 16.1 | 13.7% | | | |
| **Gross profits** | **27,873** | **31,609** | **34,706** | **31,148** | **36,294** | **41,350** | **-10.5%** | **-12.9%** | **-16.1%** |
| Y-Y | 4.1 | 13.4 | 9.8 | 16.4% | 16.5% | 13.9% | | | |
| *Gross margin* | *68.7%* | *69.2%* | *69.4%* | *70.7%* | *70.9%* | *71.0%* | *-2.0pp* | *-1.7pp* | *-1.6pp* |
| **Operating profit** | **15,979** | **18,233** | **20,057** | **19,203** | **22,504** | **25,698** | **-16.8%** | **-19.0%** | **-21.9%** |
| Y-Y | 5.4 | 14.1 | 10.0 | 13.7 | 17.2 | 14.2 | | | |
| *Operating margin* | *39.4%* | *39.9%* | *40.1%* | *43.6%* | *44.0%* | *44.2%* | *-4.2pp* | *-4.0pp* | *-4.0pp* |
| **Adj. net profit** | **12,119** | **13,792** | **15,212** | **14,314** | **16,712** | **19,196** | **-15.3%** | **-17.5%** | **-20.8%** |
| Y-Y | 5.7 | 13.8 | 10.3 | 11.4% | 16.8 | 14.9 | | | |
| *Adj. net margin* | *29.9%* | *30.2%* | *30.4%* | *32.5%* | *32.7%* | *33.0%* | *-2.6pp* | *-2.5pp* | *-2.6pp* |
| **Adj. EPS (Rmb)** | **9.02** | **10.27** | **11.33** | **10.93** | **12.78** | **14.75** | **-17.5%** | **-19.6%** | **-23.2%** |
| Y-Y | 5.0 | 13.8 | 10.3 | 13.2 | 16.9 | 15.4 | | | |

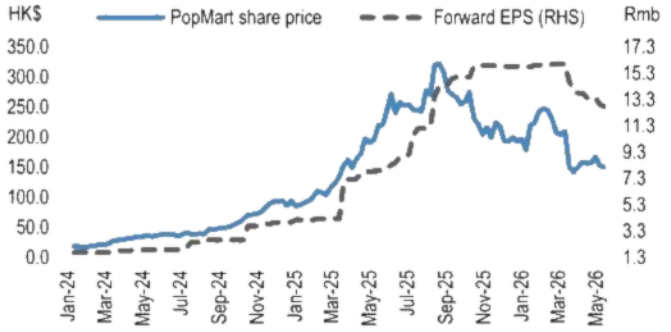
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 61: Pop Mart – Consensus EBIT revisions




Source: Bloomberg Finance L.P. estimates.

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



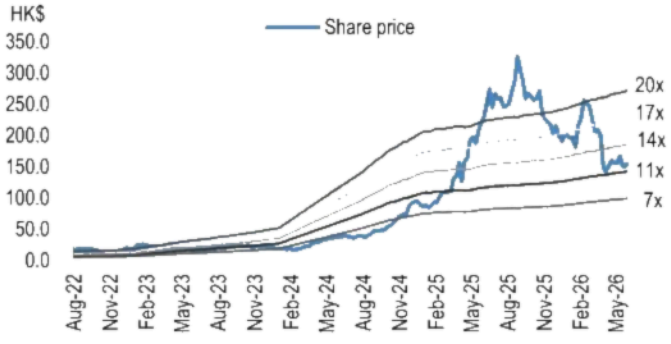

Source: Bloomberg Finance L.P.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Pop Mart - H: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **13,038** | **37,120** | **40,598** | **45,657** | **50,002** |
| COGS | (4,330) | (10,355) | (12,725) | (14,048) | (15,296) |
| **Gross profit** | **8,708** | **26,765** | **27,873** | **31,609** | **34,706** |
| SG&A | (4,598) | (9,853) | (12,057) | (13,560) | (14,851) |
| **Adj. EBITDA** | **5,017** | **18,008** | **17,325** | **19,808** | **21,828** |
| D&A | (863) | (1,118) | (1,346) | (1,575) | (1,771) |
| **Adj. EBIT** | **4,154** | **16,890** | **15,979** | **18,233** | **20,057** |
| Net Interest | 163 | 76 | 16 | (6) | 63 |
| **Adj. PBT** | **4,366** | **17,037** | **16,065** | **18,297** | **20,190** |
| Tax | (1,057) | (4,025) | (3,795) | (4,322) | (4,770) |
| Minority Interest | (183) | (236) | (223) | (254) | (280) |
| **Adj. Net Income** | **3,220** | **12,847** | **12,119** | **13,792** | **15,212** |
| Reported EPS | 2.35 | 9.58 | 8.97 | 10.22 | 11.27 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 6,109 | 13,775 | 21,442 | 32,206 | 42,524 |
| Accounts receivable | 478 | 921 | 1,008 | 1,133 | 1,241 |
| Inventories | 1,525 | 5,473 | 6,143 | 5,209 | 5,669 |
| Other current assets | 4,125 | 4,745 | 4,275 | 4,377 | 4,464 |
| **Current assets** | **12,236** | **24,915** | **32,867** | **42,924** | **53,898** |
| PP&E | 739 | 1,418 | 1,984 | 2,489 | 3,013 |
| LT investments | 549 | 485 | 500 | 515 | 530 |
| Other non current assets | 1,347 | 5,284 | 7,452 | 9,269 | 10,815 |
| **Total assets** | **14,871** | **32,101** | **42,803** | **55,197** | **68,257** |
| | | | | | |
| Short term borrowings | - | - | - | - | - |
| Payables | 1,010 | 1,858 | 1,890 | 2,084 | 2,268 |
| Other short term liabilities | 2,360 | 5,310 | 7,043 | 7,917 | 8,627 |
| **Current liabilities** | **3,370** | **7,168** | **8,933** | **10,001** | **10,895** |
| Long-term debt | - | - | - | - | - |
| Other long term liabilities | 616 | 2,281 | 2,142 | 2,505 | 2,680 |
| **Total liabilities** | **3,986** | **9,449** | **11,074** | **12,506** | **13,575** |
| Shareholders' equity | 10,684 | 22,278 | 31,131 | 41,840 | 53,550 |
| Minority interests | 201 | 375 | 598 | 851 | 1,131 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **4,954** | **10,865** | **13,562** | **17,070** | **17,400** |
| o/w Depreciation & amortization | 863 | 1,118 | 1,346 | 1,575 | 1,771 |
| o/w Changes in working capital | 253 | (3,317) | (282) | 1,179 | (192) |
| | | | | | |
| **Cash flow from investing activities** | **9** | **(989)** | **(1,414)** | **(1,457)** | **(1,601)** |
| o/w Capital expenditure | (517) | (1,172) | (1,380) | (1,415) | (1,550) |
| *as % of sales* | *4.0%* | *3.2%* | *3.4%* | *3.1%* | *3.1%* |
| | | | | | |
| **Cash flow from financing activities** | **(959)** | **(1,767)** | **(4,482)** | **(4,849)** | **(5,480)** |
| o/w Dividends paid | (378) | (1,083) | (3,194) | (3,012) | (3,430) |
| o/w Shares issued/(repurchased) | (78) | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | - | - | - | - | - |
| **Net change in cash** | **4,031** | **7,666** | **7,667** | **10,764** | **10,318** |
| | | | | | |
| **Adj. Free cash flow to firm** | **4,314** | **9,635** | **12,170** | **15,659** | **15,801** |
| *y/y Growth* | *191.2%* | *123.4%* | *26.3%* | *28.7%* | *0.9%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 66.8% | 72.1% | 68.7% | 69.2% | 69.4% |
| EBITDA margin | 38.5% | 48.5% | 42.7% | 43.4% | 43.7% |
| EBIT margin | 31.9% | 45.5% | 39.4% | 39.9% | 40.1% |
| Net profit margin | 24.7% | 34.6% | 29.9% | 30.2% | 30.4% |
| | | | | | |
| ROE | 34.9% | 78.0% | 45.4% | 37.8% | 31.9% |
| ROA | 25.9% | 54.7% | 32.4% | 28.1% | 24.6% |
| ROCE | 57.2% | 99.3% | 52.5% | 42.2% | 34.6% |
| SG&A/Sales | 35.3% | 26.5% | 29.7% | 29.7% | 29.7% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 1.0 | 1.6 | 1.1 | 0.9 | 0.8 |
| Assets/Equity (x) | 1.3 | 1.4 | 1.4 | 1.3 | 1.3 |
| Interest cover (x) | NM | NM | NM | 3,241.0 | NM |
| Operating leverage | 222.2% | 166.0% | (57.6%) | 113.2% | 105.1% |
| Tax rate | 24.2% | 23.6% | 23.6% | 23.6% | 23.6% |
| Revenue y/y Growth | 106.9% | 184.7% | 9.4% | 12.5% | 9.5% |
| EBITDA y/y Growth | 164.2% | 258.9% | (3.8%) | 14.3% | 10.2% |
| EPS y/y Growth | 173.7% | 298.6% | (6.4%) | 13.8% | 10.3% |

| Valuation | 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Miniso - ADR

## Overweight

**MNSO, MNSO US**
Price (27 May 26):$12.47

▼ **Price Target (Jun-27):$16.00**
Prior (Dec-26):$26.00

### Consumer

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 |

## 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).

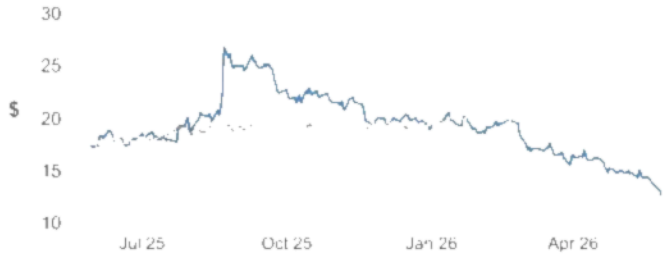
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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

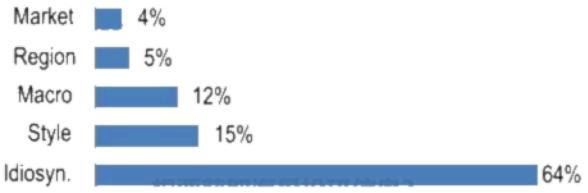
### Investment Thesis

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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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** |
| *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** |
| *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** |
| *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** |
| *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** |

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



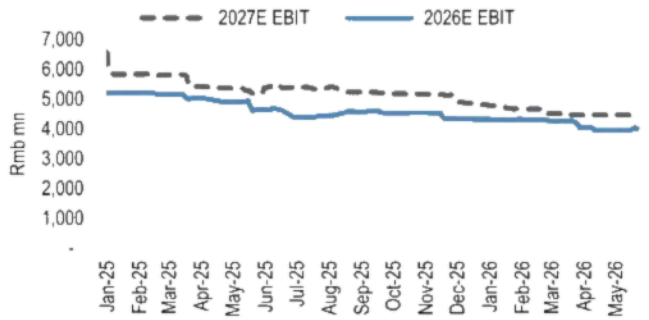


Figure 67: Miniso – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | 25,606 | 29,443 | 33,458 | 25,465 | 29,292 | 33,296 | 0.6% | 0.5% | 0.5% |
| **Gross profits** | 11,385 | 13,046 | 14,866 | 11,453 | 13,251 | 15,209 | -0.6% | -1.5% | -2.3% |
| *Gross margin* | *44.5%* | *44.3%* | *44.4%* | *45.0%* | *45.2%* | *45.7%* | *-0.5pp* | *-0.9pp* | *-1.2pp* |
| **Operating profit** | 3,884 | 4,461 | 5,014 | 4,032 | 4,448 | 5,207 | -3.7% | 0.3% | -3.7% |
| *Operating margin* | *15.2%* | *15.2%* | *15.0%* | *15.8%* | *15.2%* | *15.6%* | *-0.7pp* | *0.0pp* | *-0.6pp* |
| **Adj. net profit** | 2,832 | 3,406 | 3,792 | 3,059 | 3,476 | 4,015 | -7.4% | -2.0% | -5.6% |
| *Non-GAAP net margin* | *11.1%* | *11.6%* | *11.3%* | *12.0%* | *11.9%* | *12.1%* | *-1.0pp* | *-0.3pp* | *-0.7pp* |
| **Adj. EPS (Rmb)** | 8.35 | 11.01 | 12.26 | 9.74 | 10.85 | 12.61 | -14.2% | 1.5% | -2.8% |

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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).

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Miniso - ADR: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **16,994** | **21,444** | **25,606** | **29,443** | **33,458** |
| COGS | (9,357) | (11,796) | (14,221) | (16,398) | (18,592) |
| **Gross profit** | **7,637** | **9,648** | **11,385** | **13,046** | **14,866** |
| SG&A | (4,451) | (6,491) | (7,925) | (9,687) | (11,008) |
| **Adj. EBITDA** | **4,124** | **4,509** | **5,889** | **5,899** | **6,460** |
| D&A | (809) | (1,206) | (1,463) | (1,523) | (1,530) |
| **Adj. EBIT** | **3,316** | **3,303** | **4,426** | **4,376** | **4,929** |
| Net Interest | 26 | (327) | (320) | (320) | (359) |
| **Adj. PBT** | **3,348** | **1,913** | **4,030** | **4,252** | **4,884** |
| Tax | (712) | (704) | (1,008) | (1,063) | (1,221) |
| Minority Interest | (18) | (5) | (12) | (13) | (14) |
| **Adj. Net Income** | **2,721** | **2,898** | **2,584** | **3,406** | **3,792** |
| Reported EPS | 8.40 | 3.91 | 9.68 | 10.21 | 11.73 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 6,328 | 6,817 | 9,517 | 10,427 | 11,315 |
| Accounts receivable | 2,207 | 3,307 | 2,817 | 3,239 | 3,680 |
| Inventories | 2,750 | 3,691 | 3,982 | 4,427 | 5,020 |
| Other current assets | 370 | 271 | 271 | 271 | 271 |
| **Current assets** | **11,656** | **14,086** | **16,586** | **18,364** | **20,286** |
| PP&E | 1,437 | 2,109 | 2,246 | 2,458 | 2,739 |
| LT investments | 140 | 0 | 0 | 0 | 0 |
| Other non current assets | 4,888 | 12,438 | 13,461 | 14,427 | 15,396 |
| **Total assets** | **18,120** | **28,634** | **32,294** | **35,248** | **38,421** |
| | | | | | |
| Short term borrowings | 567 | 1,751 | 1,751 | 1,751 | 1,751 |
| Payables | 3,944 | 4,516 | 5,262 | 5,903 | 6,693 |
| Other short term liabilities | 1,216 | 2,205 | 2,603 | 2,875 | 3,092 |
| **Current liabilities** | **5,727** | **8,473** | **9,616** | **10,529** | **11,536** |
| Long-term debt | 4 | 5,415 | 5,415 | 5,415 | 5,415 |
| Other long term liabilities | 2,033 | 4,026 | 4,813 | 5,368 | 5,766 |
| **Total liabilities** | **7,765** | **17,914** | **19,844** | **21,312** | **22,718** |
| Shareholders' equity | 10,315 | 10,619 | 12,337 | 13,811 | 15,563 |
| Minority interests | 41 | 101 | 112 | 125 | 139 |
| **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 |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **2,168** | **2,578** | **5,933** | **5,023** | **5,543** |
| o/w Depreciation & amortization | 809 | 1,206 | 1,463 | 1,523 | 1,530 |
| o/w Changes in working capital | (1,103) | (1,354) | 1,021 | (157) | (171) |
| | | | | | |
| **Cash flow from investing activities** | **(533)** | **(7,020)** | **(512)** | **(589)** | **(669)** |
| o/w Capital expenditure | (763) | (998) | (512) | (589) | (669) |
| *as % of sales* | *4.5%* | *4.7%* | *2.0%* | *2.0%* | *2.0%* |
| | | | | | |
| **Cash flow from financing activities** | **(1,721)** | **4,969** | **(2,721)** | **(3,524)** | **(3,985)** |
| o/w Dividends paid | (1,246) | (1,358) | (1,292) | (1,703) | (1,896) |
| o/w Shares issued/(repurchased) | (313) | (535) | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 563 | 8,580 | 0 | 0 | 0 |
| **Net change in cash** | **(87)** | **489** | **2,700** | **910** | **889** |
| | | | | | |
| **Adj. Free cash flow to firm** | **1,406** | **1,580** | **5,421** | **4,434** | **4,874** |
| *y/y Growth* | *(28.6%)* | *12.4%* | *243.1%* | *(18.2%)* | *9.9%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 44.9% | 45.0% | 44.5% | 44.3% | 44.4% |
| EBITDA margin | 24.3% | 21.0% | 23.0% | 20.0% | 19.3% |
| EBIT margin | 19.5% | 15.4% | 17.3% | 14.9% | 14.7% |
| Net profit margin | 16.0% | 13.5% | 10.1% | 11.6% | 11.3% |
| | | | | | |
| ROE | 27.9% | 27.7% | 22.5% | 26.1% | 25.8% |
| ROA | 16.7% | 12.4% | 8.5% | 10.1% | 10.3% |
| ROCE | 21.9% | 12.0% | 14.5% | 12.9% | 13.4% |
| SG&A/Sales | 26.2% | 30.3% | 31.0% | 32.9% | 32.9% |
| Net debt/Equity | 0.6 | NM | 0.1 | 0.2 | 0.2 |
| Net debt/EBITDA | 1.5 | NM | 0.2 | 0.4 | 0.5 |
| | | | | | |
| Sales/Assets (x) | 1.0 | 0.9 | 0.8 | 0.9 | 0.9 |
| Assets/Equity (x) | 1.7 | 2.2 | 2.7 | 2.6 | 2.5 |
| Interest cover (x) | NM | 13.8 | 18.4 | 18.4 | 18.0 |
| Operating leverage | 77.2% | (1.5%) | 175.1% | (7.5%) | 92.7% |
| Tax rate | 21.3% | 36.8% | 25.0% | 25.0% | 25.0% |
| Revenue y/y Growth | 22.8% | 26.2% | 19.4% | 15.0% | 13.6% |
| EBITDA y/y Growth | 23.9% | 9.3% | 30.6% | 0.2% | 9.5% |
| EPS y/y Growth | 15.9% | 7.7% | (11.6%) | 31.8% | 11.3% |

| Valuation | 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Miniso - H

## 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

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 | |

## 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).

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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

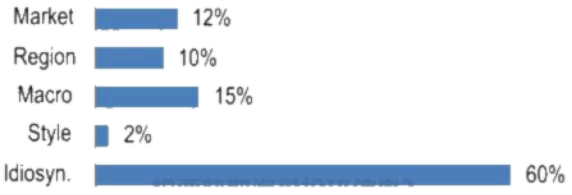
### Investment Thesis

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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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).

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Miniso - H: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **16,994** | **21,444** | **25,606** | **29,443** | **33,458** |
| COGS | (9,357) | (11,796) | (14,221) | (16,398) | (18,592) |
| **Gross profit** | **7,637** | **9,648** | **11,385** | **13,046** | **14,866** |
| SG&A | (4,451) | (6,491) | (7,925) | (9,687) | (11,008) |
| **Adj. EBITDA** | **4,124** | **4,509** | **5,889** | **5,899** | **6,460** |
| D&A | (809) | (1,206) | (1,463) | (1,523) | (1,530) |
| **Adj. EBIT** | **3,316** | **3,303** | **4,426** | **4,376** | **4,929** |
| Net Interest | 26 | (327) | (320) | (320) | (359) |
| **Adj. PBT** | **3,348** | **1,913** | **4,030** | **4,252** | **4,884** |
| Tax | (712) | (704) | (1,008) | (1,063) | (1,221) |
| Minority Interest | (18) | (5) | (12) | (13) | (14) |
| **Adj. Net Income** | **2,721** | **2,898** | **2,584** | **3,406** | **3,792** |
| Reported EPS | 2.10 | 0.98 | 2.42 | 2.55 | 2.93 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 6,328 | 6,817 | 9,517 | 10,427 | 11,315 |
| Accounts receivable | 2,207 | 3,307 | 2,817 | 3,239 | 3,680 |
| Inventories | 2,750 | 3,691 | 3,982 | 4,427 | 5,020 |
| Other current assets | 370 | 271 | 271 | 271 | 271 |
| **Current assets** | **11,656** | **14,086** | **16,586** | **18,364** | **20,286** |
| PP&E | 1,437 | 2,109 | 2,246 | 2,458 | 2,739 |
| LT investments | 140 | 0 | 0 | 0 | 0 |
| Other non current assets | 4,888 | 12,438 | 13,461 | 14,427 | 15,396 |
| **Total assets** | **18,120** | **28,634** | **32,294** | **35,248** | **38,421** |
| | | | | | |
| Short term borrowings | 567 | 1,751 | 1,751 | 1,751 | 1,751 |
| Payables | 3,944 | 4,516 | 5,262 | 5,903 | 6,693 |
| Other short term liabilities | 1,216 | 2,205 | 2,603 | 2,875 | 3,092 |
| **Current liabilities** | **5,727** | **8,473** | **9,616** | **10,529** | **11,536** |
| Long-term debt | 4 | 5,415 | 5,415 | 5,415 | 5,415 |
| Other long term liabilities | 2,033 | 4,026 | 4,813 | 5,368 | 5,766 |
| **Total liabilities** | **7,765** | **17,914** | **19,844** | **21,312** | **22,718** |
| Shareholders' equity | 10,315 | 10,619 | 12,337 | 13,811 | 15,563 |
| Minority interests | 41 | 101 | 112 | 125 | 139 |
| **Total liabilities & equity** | **18,120** | **28,634** | **32,294** | **35,248** | **38,421** |
| **BVPS** | **8.27** | **8.61** | **9.91** | **11.10** | **12.50** |
| *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 |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **2,168** | **2,578** | **5,933** | **5,023** | **5,543** |
| o/w Depreciation & amortization | 809 | 1,206 | 1,463 | 1,523 | 1,530 |
| o/w Changes in working capital | (1,103) | (1,354) | 1,021 | (157) | (171) |
| | | | | | |
| **Cash flow from investing activities** | **(533)** | **(7,020)** | **(512)** | **(589)** | **(669)** |
| o/w Capital expenditure | (763) | (998) | (512) | (589) | (669) |
| *as % of sales* | *4.5%* | *4.7%* | *2.0%* | *2.0%* | *2.0%* |
| | | | | | |
| **Cash flow from financing activities** | **(1,721)** | **4,969** | **(2,721)** | **(3,524)** | **(3,985)** |
| o/w Dividends paid | (1,246) | (1,358) | (1,292) | (1,703) | (1,896) |
| o/w Shares issued/(repurchased) | (313) | (535) | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 563 | 8,580 | 0 | 0 | 0 |
| **Net change in cash** | **(87)** | **489** | **2,700** | **910** | **889** |
| | | | | | |
| **Adj. Free cash flow to firm** | **1,406** | **1,580** | **5,421** | **4,434** | **4,874** |
| *y/y Growth* | *(28.6%)* | *12.4%* | *243.1%* | *(18.2%)* | *9.9%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 44.9% | 45.0% | 44.5% | 44.3% | 44.4% |
| EBITDA margin | 24.3% | 21.0% | 23.0% | 20.0% | 19.3% |
| EBIT margin | 19.5% | 15.4% | 17.3% | 14.9% | 14.7% |
| Net profit margin | 16.0% | 13.5% | 10.1% | 11.6% | 11.3% |
| | | | | | |
| ROE | 27.9% | 27.7% | 22.5% | 26.1% | 25.8% |
| ROA | 16.7% | 12.4% | 8.5% | 10.1% | 10.3% |
| ROCE | 21.9% | 12.0% | 14.5% | 12.9% | 13.4% |
| SG&A/Sales | 26.2% | 30.3% | 31.0% | 32.9% | 32.9% |
| Net debt/Equity | 0.6 | NM | 0.1 | 0.2 | 0.2 |
| Net debt/EBITDA | 1.5 | NM | 0.2 | 0.4 | 0.5 |
| | | | | | |
| Sales/Assets (x) | 1.0 | 0.9 | 0.8 | 0.9 | 0.9 |
| Assets/Equity (x) | 1.7 | 2.2 | 2.7 | 2.6 | 2.5 |
| Interest cover (x) | NM | 13.8 | 18.4 | 18.4 | 18.0 |
| Operating leverage | 77.2% | (1.5%) | 175.1% | (7.5%) | 92.7% |
| Tax rate | 21.3% | 36.8% | 25.0% | 25.0% | 25.0% |
| Revenue y/y Growth | 22.8% | 26.2% | 19.4% | 15.0% | 13.6% |
| EBITDA y/y Growth | 23.9% | 9.3% | 30.6% | 0.2% | 9.5% |
| EPS y/y Growth | 15.9% | 7.7% | (11.6%) | 31.8% | 11.3% |

| Valuation | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Kweichow Moutai Co - A

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

**▼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**

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 |

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.

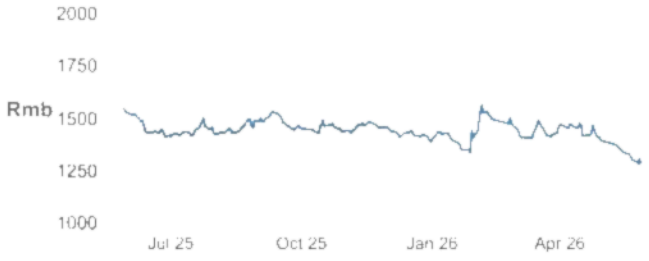
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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

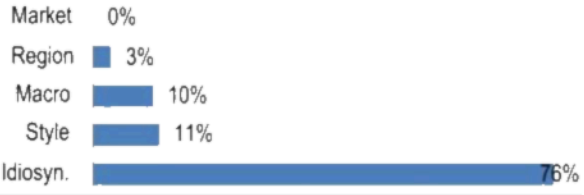
### Investment Thesis

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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

## 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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** |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 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% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



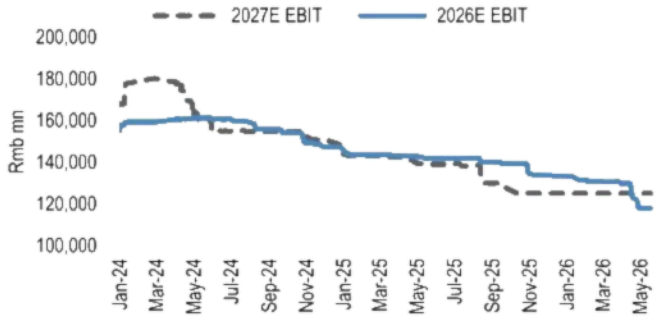


Figure 73: Moutai – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross sales (including Fin Sub)** | | **173,704** | **184,865** | **195,819** | **179,012** | **189,125** | **200,977** | **-3.0%** | **-2.3%** | **-2.6%** |
| **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%** |
| | *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%** |
| | *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%** |

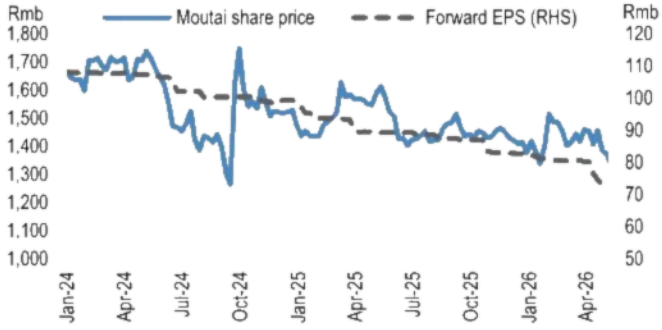
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 74: Consensus EBIT revisions – Moutai




Source: Bloomberg Finance L.P. estimates.

Figure 75: Share price vs consensus forward EPS – Moutai



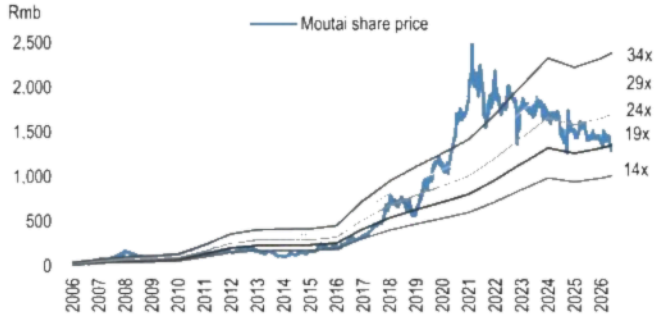

Source: Bloomberg Finance L.P.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Kweichow Moutai Co - A: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **143,973** | **141,484** | **142,803** | **151,940** | **160,798** |
| COGS | (12,068) | (12,999) | (15,264) | (16,328) | (17,438) |
| **Gross profit** | **130,184** | **126,592** | **125,759** | **133,727** | **141,466** |
| SG&A | (14,904) | (15,453) | (14,083) | (14,541) | (15,400) |
| **Adj. EBITDA** | **120,118** | **116,092** | **116,574** | **124,447** | **131,719** |
| D&A | (1,991) | (2,204) | (1,982) | (2,087) | (2,095) |
| **Adj. EBIT** | **118,127** | **113,888** | **114,592** | **122,361** | **129,624** |
| Net Interest | 1,470 | 815 | 1,075 | 1,305 | 1,456 |
| **Adj. PBT** | **119,639** | **114,755** | **115,646** | **123,644** | **131,058** |
| Tax | (30,304) | (29,445) | (29,673) | (31,726) | (33,628) |
| Minority Interest | (3,107) | (2,990) | (3,009) | (3,217) | (3,410) |
| **Adj. Net Income** | **86,228** | **82,320** | **82,963** | **88,701** | **94,020** |
| Reported EPS | 68.64 | 65.74 | 66.25 | 70.83 | 75.08 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 186,483 | 150,787 | 199,532 | 221,952 | 245,902 |
| Accounts receivable | 2,003 | 4,460 | 2,556 | 2,538 | 2,686 |
| Inventories | 54,343 | 61,427 | 66,471 | 71,029 | 75,392 |
| Other current assets | 65,244 | 101,732 | 78,001 | 82,541 | 87,052 |
| **Current assets** | **251,727** | **252,519** | **277,533** | **304,493** | **332,954** |
| PP&E | 24,021 | 24,960 | 26,380 | 26,495 | 26,602 |
| LT investments | 5,544 | 8,715 | 8,715 | 8,715 | 8,715 |
| Other non current assets | 14,347 | 17,671 | 17,671 | 17,671 | 17,671 |
| **Total assets** | **298,945** | **303,835** | **330,267** | **357,340** | **385,905** |
| | | | | | |
| Short term borrowings | 0 | 0 | 0 | 0 | 0 |
| Payables | 3,515 | 4,007 | 3,920 | 4,189 | 4,446 |
| Other short term liabilities | 53,001 | 45,603 | 48,373 | 49,784 | 51,177 |
| **Current liabilities** | **56,516** | **49,610** | **52,293** | **53,973** | **55,624** |
| Long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 417 | 265 | 265 | 265 | 265 |
| **Total liabilities** | **56,933** | **49,876** | **52,558** | **54,238** | **55,889** |
| Shareholders' equity | 233,106 | 244,638 | 265,379 | 287,554 | 311,059 |
| Minority interests | 8,905 | 9,321 | 12,330 | 15,548 | 18,958 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **92,464** | **61,522** | **114,381** | **91,161** | **96,679** |
| o/w Depreciation & amortization | 2,085 | 2,259 | 1,982 | 2,087 | 2,095 |
| o/w Changes in working capital | 1,919 | (24,874) | 26,258 | (3,208) | (3,199) |
| | | | | | |
| **Cash flow from investing activities** | **(1,785)** | **(31,642)** | **(3,399)** | **(2,199)** | **(2,199)** |
| o/w Capital expenditure | (4,679) | (3,128) | (3,400) | (2,200) | (2,200) |
| *as % of sales* | *3.2%* | *2.2%* | *2.4%* | *1.4%* | *1.4%* |
| | | | | | |
| **Cash flow from financing activities** | **(71,068)** | **(73,427)** | **(62,236)** | **(66,541)** | **(70,530)** |
| o/w Dividends paid | (70,951) | (67,242) | (62,236) | (66,541) | (70,530) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 0 | 0 | 0 | 0 | 0 |
| **Net change in cash** | **19,610** | **(43,544)** | **48,745** | **22,420** | **23,950** |
| | | | | | |
| **Adj. Free cash flow to firm** | **87,785** | **58,395** | **110,981** | **88,961** | **94,479** |
| *y/y Growth* | *37.2%* | *(33.5%)* | *90.1%* | *(19.8%)* | *6.2%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 90.4% | 89.5% | 88.1% | 88.0% | 88.0% |
| EBITDA margin | 83.4% | 82.1% | 81.6% | 81.9% | 81.9% |
| EBIT margin | 82.0% | 80.5% | 80.2% | 80.5% | 80.6% |
| Net profit margin | 59.9% | 58.2% | 58.1% | 58.4% | 58.5% |
| | | | | | |
| ROE | 38.4% | 34.5% | 32.5% | 32.1% | 31.4% |
| ROA | 30.2% | 27.3% | 26.2% | 25.8% | 25.3% |
| ROCE | 39.3% | 35.4% | 33.4% | 32.9% | 32.2% |
| SG&A/Sales | 10.4% | 10.9% | 9.9% | 9.6% | 9.6% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 |
| Assets/Equity (x) | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 108.3% | 207.5% | 66.2% | 106.0% | 101.8% |
| Tax rate | 25.3% | 25.7% | 25.7% | 25.7% | 25.7% |
| Revenue y/y Growth | 14.8% | (1.7%) | 0.9% | 6.4% | 5.8% |
| EBITDA y/y Growth | 15.8% | (3.4%) | 0.4% | 6.8% | 5.8% |
| EPS y/y Growth | 15.4% | (4.2%) | 0.8% | 6.9% | 6.0% |

| 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

## ▼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**

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %Rank | 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 |

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

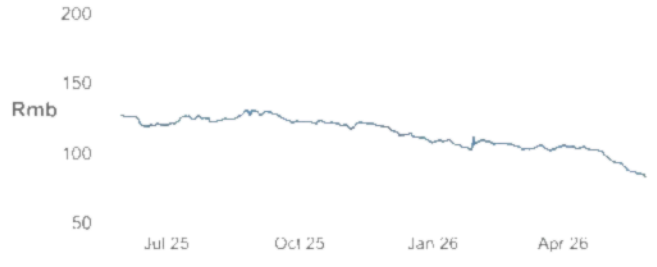
- **We assume coverage with an Underweight rating and a Jun-27 price target of Rmb74**, based on 15x 2027E P/E, which is near 0.5 SD below its historical average 12-month forward rolling P/E over the past 20 years. The stock currently trades at 20x 2026E P/E, which we believe overstates the earnings 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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

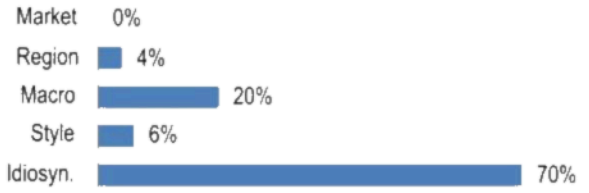
### Investment Thesis

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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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%** |
| 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%** |

| 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 earning | 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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** |
| [illegible] | | | | | | | | | | | |
| **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% |
| [illegible] | | | | | | | | | | | |
| 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% |
| [illegible] | | | | | | | | | | | |
| **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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



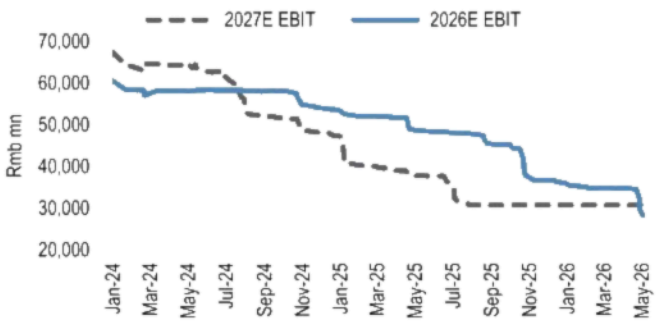


Figure 80: Wuliangye – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Gross sales** | **54,418** | **57,456** | **60,486** | **60,753** | **66,671** | **61,644** | **-10.4%** | **-13.8%** | **-1.9%** |
| **Gross profit** | **41,566** | **44,221** | **46,676** | **46,189** | **50,791** | **48,043** | **-10.0%** | **-12.9%** | **-2.8%** |
| *Gross margin* | *76.4%* | *77.0%* | *77.2%* | *76.0%* | *76.2%* | *77.9%* | *0.4pp* | *0.8pp* | *-0.8pp* |
| **Operating profit** | **19,577** | **23,860** | **26,726** | **28,170** | **30,479** | **28,066** | **-30.5%** | **-21.7%** | **-4.8%** |
| *Operating margin* | *36.0%* | *41.5%* | *44.2%* | *46.4%* | *45.7%* | *45.5%* | *-10.4pp* | *-4.2pp* | *-1.3pp* |
| **Net profit** | **16,087** | **19,120** | **21,217** | **20,843** | **22,717** | **21,457** | **-22.8%** | **-15.8%** | **-1.1%** |
| *Adj. net margin* | *34.7%* | *39.0%* | *41.2%* | *34.3%* | *34.1%* | *34.8%* | *0.4pp* | *5.0pp* | *6.3pp* |
| **EPS (Rmb)** | **4.14** | **4.93** | **5.47** | **5.29** | **5.72** | **5.46** | **-21.7%** | **-13.9%** | **0.2%** |

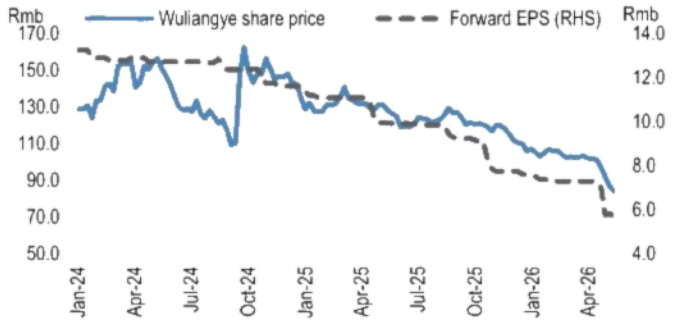
Note: Gross profit includes consumption tax & surcharge, to align with BBG consensus.
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Wuliangye - A: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **76,134** | **29,490** | **46,410** | **48,986** | **51,556** |
| COGS | (19,898) | (8,509) | (12,116) | (12,330) | (13,810) |
| **Gross profit** | **55,673** | **20,388** | **33,558** | **35,751** | **37,746** |
| SG&A | (14,432) | (10,889) | (13,904) | (11,716) | (11,020) |
| **Adj. EBITDA** | **41,801** | **10,079** | **20,391** | **24,939** | **26,726** |
| D&A | (783) | (878) | (813) | (1,079) | 0 |
| **Adj. EBIT** | **41,017** | **9,201** | **19,577** | **23,860** | **26,726** |
| Net Interest | 2,834 | 2,662 | 2,419 | 2,322 | 2,345 |
| **Adj. PBT** | **44,163** | **12,199** | **22,260** | **26,456** | **29,357** |
| Tax | (10,970) | (2,882) | (5,520) | (6,561) | (7,280) |
| Minority Interest | (1,340) | (363) | (652) | (775) | (860) |
| **Adj. Net Income** | **31,853** | **8,954** | **16,087** | **19,120** | **21,217** |
| Reported EPS | 8.21 | 2.31 | 4.14 | 4.93 | 5.47 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 127,399 | 127,014 | 117,752 | 117,384 | 120,145 |
| Accounts receivable | 19,614 | 9,444 | 17,414 | 17,237 | 16,936 |
| Inventories | 18,234 | 20,065 | 20,562 | 18,528 | 17,953 |
| Other current assets | 38,384 | 37,737 | 46,301 | 44,090 | 43,214 |
| **Current assets** | **165,783** | **164,752** | **164,053** | **161,474** | **163,359** |
| PP&E | 13,060 | 14,675 | 15,289 | 15,535 | 15,644 |
| LT investments | 2,082 | 2,234 | 2,234 | 2,234 | 2,234 |
| Other non current assets | 6,736 | 7,881 | 7,881 | 7,881 | 7,881 |
| **Total assets** | **188,252** | **189,984** | **189,900** | **187,569** | **189,563** |
| | | | | | |
| Short term borrowings | 0 | 0 | 0 | 0 | 0 |
| Payables | 9,493 | 9,887 | 10,281 | 10,588 | 11,048 |
| Other short term liabilities | 41,533 | 57,465 | 60,248 | 57,714 | 57,173 |
| **Current liabilities** | **51,027** | **67,352** | **70,529** | **68,302** | **68,221** |
| Long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 831 | 452 | 452 | 452 | 452 |
| **Total liabilities** | **51,857** | **67,804** | **70,981** | **68,754** | **68,672** |
| Shareholders' equity | 133,285 | 119,932 | 116,020 | 115,140 | 116,356 |
| Minority interests | 3,110 | 2,248 | 2,900 | 3,675 | 4,535 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **33,940** | **29,706** | **12,217** | **20,913** | **24,042** |
| o/w Depreciation & amortization | 783 | 878 | 813 | 1,079 | 1,216 |
| o/w Changes in working capital | 541 | 20,683 | (5,289) | (16) | 795 |
| | | | | | |
| **Cash flow from investing activities** | **(2,642)** | **(1,971)** | **(1,451)** | **(1,251)** | **(1,251)** |
| o/w Capital expenditure | (2,666) | (1,967) | (1,526) | (1,326) | (1,326) |
| *as % of sales* | *3.5%* | *6.7%* | *3.3%* | *2.7%* | *2.6%* |
| | | | | | |
| **Cash flow from financing activities** | **(19,622)** | **(28,392)** | **(20,029)** | **(20,029)** | **(20,030)** |
| o/w Dividends paid | (19,241) | (28,005) | (20,029) | (20,029) | (20,030) |
| o/w Shares issued/(repurchased) | 92 | 139 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 0 | 0 | 0 | 0 | 0 |
| **Net change in cash** | **11,676** | **(657)** | **(9,263)** | **(368)** | **2,761** |
| | | | | | |
| **Adj. Free cash flow to firm** | **31,273** | **27,739** | **10,691** | **19,587** | **22,716** |
| *y/y Growth* | *(19.4%)* | *(11.3%)* | *(61.5%)* | *83.2%* | *16.0%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 73.1% | 69.1% | 72.3% | 73.0% | 73.2% |
| EBITDA margin | 54.9% | 34.2% | 43.9% | 50.9% | 51.8% |
| EBIT margin | 53.9% | 31.2% | 42.2% | 48.7% | 51.8% |
| Net profit margin | 41.8% | 30.4% | 34.7% | 39.0% | 41.2% |
| | | | | | |
| ROE | 24.2% | 7.1% | 13.6% | 16.5% | 18.3% |
| ROA | 18.0% | 4.7% | 8.5% | 10.1% | 11.3% |
| ROCE | 23.5% | 5.6% | 12.5% | 15.5% | 17.4% |
| SG&A/Sales | 19.0% | 36.9% | 30.0% | 23.9% | 21.4% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.4 | 0.2 | 0.2 | 0.3 | 0.3 |
| Assets/Equity (x) | 1.3 | 1.5 | 1.6 | 1.6 | 1.6 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 62.8% | 126.6% | 196.6% | 394.1% | 228.9% |
| Tax rate | 24.8% | 23.6% | 24.8% | 24.8% | 24.8% |
| Revenue y/y Growth | 7.6% | (61.3%) | 57.4% | 5.6% | 5.2% |
| EBITDA y/y Growth | 5.2% | (75.9%) | 102.3% | 22.3% | 7.2% |
| EPS y/y Growth | 5.4% | (71.9%) | 79.7% | 18.9% | 11.0% |

| Valuation | 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Luzhou Laojiao - A

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

**▼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**

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %Rank | 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 |

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.

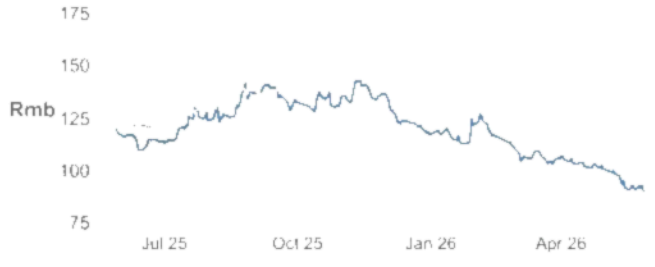
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## Price Performance




— 000568.SZ Price (Rmb) SSEA (rebased)

| | 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

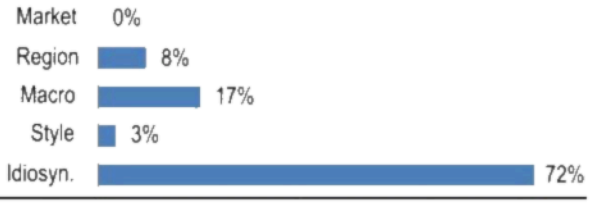
### Investment Thesis

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




| 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu AC
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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% | -40.2% | 3.5% | 4.5% |
| - Economy liquor | 30.5% | 22.9% | 7.2% | 8.0% | -46.4% | -9.0% | -42.0% | -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** |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| **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% |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 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% |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| **Cash flow quality:** | | | | | | | | | | | |
| Cash sales yoy (%) | 15% | 22% | 27% | -7% | -15% | -2% | -84% | -31% | | | |
| OpCF yoy (%) | 7% | 29% | 80% | -24% | -29% | -11% | -140% | -82% | | | |
| 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



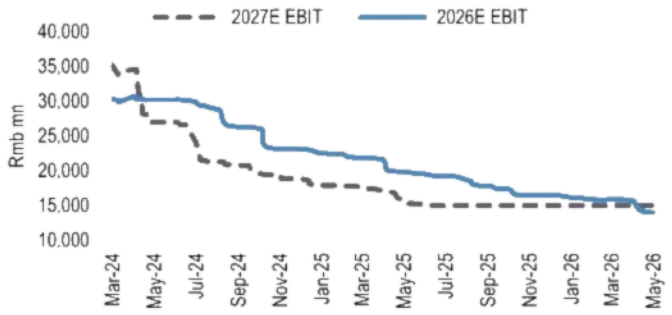


Figure 86: Laojiao – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | **23,851** | **24,722** | **26,127** | **25,314** | **27,179** | **27,501** | **-5.8%** | **-9.0%** | **-5.0%** |
| **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%** |
| *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%** |
| *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%** |

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Luzhou Laojiao - A: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **26,442** | **21,803** | **20,210** | **20,948** | **22,139** |
| COGS | (3,207) | (2,762) | (2,818) | (2,816) | (3,583) |
| **Gross profit** | **22,554** | **18,362** | **16,760** | **17,471** | **18,556** |
| SG&A | (4,807) | (4,310) | (3,859) | (3,937) | (4,100) |
| **Adj. EBITDA** | **18,431** | **14,771** | **13,533** | **14,195** | **14,455** |
| D&A | (774) | (785) | (739) | (767) | 0 |
| **Adj. EBIT** | **17,657** | **13,986** | **12,794** | **13,428** | **14,455** |
| Net Interest | 489 | 512 | 429 | 430 | 506 |
| **Adj. PBT** | **18,205** | **14,654** | **13,314** | **13,944** | **15,058** |
| Tax | (4,708) | (3,794) | (3,382) | (3,542) | (3,825) |
| Minority Interest | (25) | (29) | (31) | (32) | (34) |
| **Adj. Net Income** | **13,473** | **10,831** | **9,902** | **10,370** | **11,199** |
| Reported EPS | 9.15 | 7.36 | 6.73 | 7.05 | 7.61 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 33,578 | 27,342 | 29,923 | 33,846 | 38,407 |
| Accounts receivable | 1,813 | 1,473 | 2,385 | 2,472 | 2,613 |
| Inventories | 13,393 | 15,396 | 15,183 | 13,909 | 12,542 |
| Other current assets | 15,584 | 17,462 | 18,161 | 16,974 | 15,748 |
| **Current assets** | **50,856** | **46,388** | **49,669** | **52,405** | **55,740** |
| PP&E | 9,939 | 10,589 | 10,994 | 11,370 | 11,721 |
| LT investments | 2,801 | 2,931 | 2,931 | 2,931 | 2,931 |
| Other non current assets | 4,121 | 4,404 | 4,404 | 4,404 | 4,404 |
| **Total assets** | **68,335** | **64,795** | **68,475** | **71,582** | **75,262** |
| | | | | | |
| Short term borrowings | 0 | 0 | 0 | 0 | 0 |
| Payables | 2,718 | 2,029 | 1,979 | 2,006 | 2,061 |
| Other short term liabilities | 11,559 | 9,975 | 10,274 | 10,379 | 10,547 |
| **Current liabilities** | **14,277** | **12,004** | **12,253** | **12,385** | **12,609** |
| Long-term debt | 6,280 | 2,627 | 2,627 | 2,627 | 2,627 |
| Other long term liabilities | 6,549 | 2,897 | 2,897 | 2,897 | 2,897 |
| **Total liabilities** | **20,827** | **14,901** | **15,150** | **15,281** | **15,505** |
| Shareholders' equity | 47,389 | 49,780 | 53,180 | 56,124 | 59,546 |
| Minority interests | 120 | 114 | 144 | 177 | 210 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **19,182** | **7,123** | **10,305** | **12,571** | **13,560** |
| o/w Depreciation & amortization | 783 | 794 | 739 | 767 | 793 |
| o/w Changes in working capital | 4,498 | (4,601) | (450) | 1,318 | 1,450 |
| | | | | | |
| **Cash flow from investing activities** | **(1,383)** | **(1,736)** | **(1,088)** | **(1,088)** | **(1,088)** |
| o/w Capital expenditure | (1,188) | (1,933) | (1,138) | (1,138) | (1,138) |
| *as % of sales* | *4.5%* | *8.9%* | *5.6%* | *5.4%* | *5.1%* |
| | | | | | |
| **Cash flow from financing activities** | **(10,329)** | **(11,820)** | **(6,636)** | **(7,560)** | **(7,912)** |
| o/w Dividends paid | (8,283) | (8,998) | (6,636) | (7,560) | (7,912) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | (2,025) | (2,812) | 0 | 0 | 0 |
| **Net change in cash** | **7,475** | **(6,443)** | **2,582** | **3,923** | **4,561** |
| | | | | | |
| **Adj. Free cash flow to firm** | **17,993** | **5,190** | **9,167** | **11,433** | **12,422** |
| *y/y Growth* | *96.7%* | *(71.2%)* | *76.6%* | *24.7%* | *8.6%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 85.3% | 84.2% | 82.9% | 83.4% | 83.8% |
| EBITDA margin | 69.7% | 67.7% | 67.0% | 67.8% | 65.3% |
| EBIT margin | 66.8% | 64.1% | 63.3% | 64.1% | 65.3% |
| Net profit margin | 51.0% | 49.7% | 49.0% | 49.5% | 50.6% |
| | | | | | |
| ROE | 30.4% | 22.3% | 19.2% | 19.0% | 19.4% |
| ROA | 20.5% | 16.3% | 14.9% | 14.8% | 15.3% |
| ROCE | 24.6% | 19.5% | 17.6% | 17.5% | 17.8% |
| SG&A/Sales | 18.2% | 19.8% | 19.1% | 18.8% | 18.5% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| Assets/Equity (x) | 1.5 | 1.4 | 1.3 | 1.3 | 1.3 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 171.4% | 118.5% | 116.6% | 135.6% | 134.6% |
| Tax rate | 25.9% | 25.9% | 25.4% | 25.4% | 25.4% |
| Revenue y/y Growth | 1.3% | (17.5%) | (7.3%) | 3.7% | 5.7% |
| EBITDA y/y Growth | 2.8% | (19.9%) | (8.4%) | 4.9% | 1.8% |
| EPS y/y Growth | 1.7% | (19.6%) | (8.6%) | 4.7% | 8.0% |

| Valuation | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| 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 |
| 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% |

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# Yanghe - A

## Underweight

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

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

### Consumer

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 |

## 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.

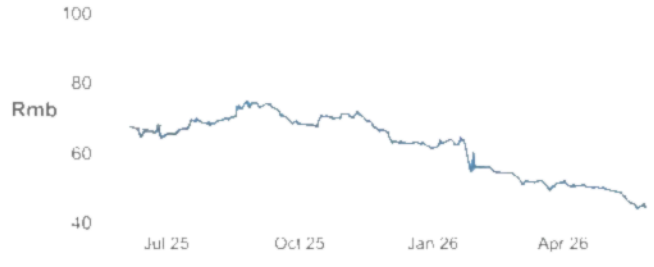
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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

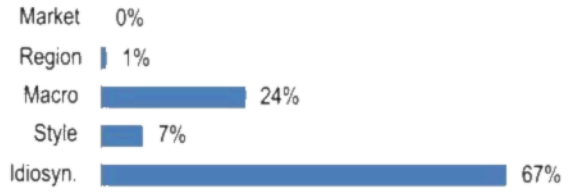
### Investment Thesis

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




| 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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** |
| **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% |
| 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% |
| 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% | -82.7% | -158.4% | 7.2% | -66.9% | 3.3% | 16.7% | 18.7% |
| **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% | -27.0% | | | |
| Account & notes receivable | 1,194 | 792 | 1,513 | 529 | 833 | 358 | 190 | 190 | | | |
| - yoy growth (%) | 34.5% | -33.7% | 91.2% | -42.3% | -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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



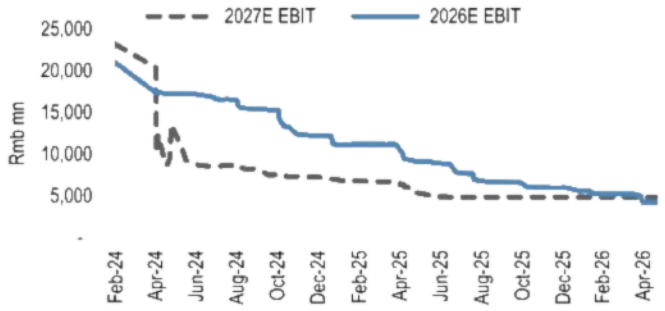


Figure 92: Yanghe – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg Consensus 2026E | Bloomberg Consensus 2027E | Bloomberg Consensus 2028E | JPMe vs Consensus 2026E | JPMe vs Consensus 2027E | JPMe vs Consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| Gross revenue | 15,973 | 16,959 | 17,857 | 18,441 | 19,600 | 19,339 | -13.4% | -13.5% | -7.7% |
| 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% |
| *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% |
| *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% |

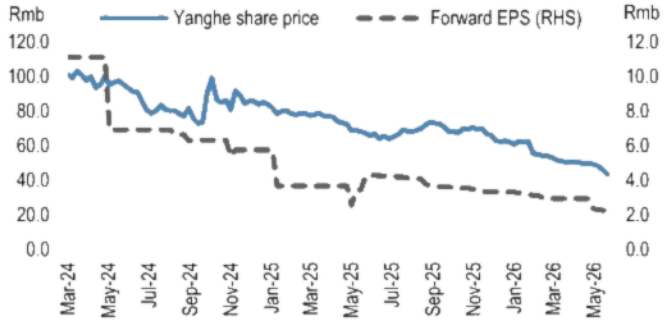
Note: Gross profit includes consumption tax & surcharge, to align with BBG consensus.
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Yanghe - A: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **24,050** | **15,793** | **13,212** | **14,111** | **14,858** |
| COGS | (7,165) | (4,823) | (4,057) | (4,227) | (4,338) |
| **Gross profit** | **16,299** | **10,338** | **8,429** | **9,166** | **9,816** |
| SG&A | (7,467) | (7,047) | (5,925) | (6,192) | (6,228) |
| **Adj. EBITDA** | **9,405** | **3,797** | **3,230** | **3,691** | **4,293** |
| D&A | (665) | (726) | (789) | (779) | (764) |
| **Adj. EBIT** | **8,740** | **3,071** | **2,441** | **2,912** | **3,528** |
| Net Interest | 611 | 284 | 233 | 253 | 280 |
| **Adj. PBT** | **9,143** | **3,464** | **3,019** | **3,528** | **4,190** |
| Tax | (2,477) | (1,273) | (755) | (882) | (1,047) |
| Minority Interest | 7 | 15 | 15 | 15 | 15 |
| **Adj. Net Income** | **6,673** | **2,206** | **2,279** | **2,661** | **3,157** |
| Reported EPS | 4.43 | 1.46 | 1.51 | 1.77 | 2.10 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 21,748 | 13,263 | 11,791 | 11,621 | 12,849 |
| Accounts receivable | 1,513 | 190 | 158 | 168 | 177 |
| Inventories | 19,733 | 20,375 | 19,132 | 18,791 | 17,143 |
| Other current assets | 21,286 | 20,594 | 19,319 | 18,987 | 17,348 |
| **Current assets** | **50,325** | **42,586** | **40,839** | **41,337** | **41,926** |
| PP&E | 7,484 | 7,503 | 7,477 | 7,359 | 7,255 |
| LT investments | 1,235 | 1,247 | 1,247 | 1,247 | 1,247 |
| Other non current assets | 7,456 | 6,589 | 6,589 | 6,589 | 6,589 |
| **Total assets** | **67,345** | **58,596** | **56,785** | **57,130** | **57,580** |
| | | | | | |
| Short term borrowings | 0 | 10 | 10 | 10 | 10 |
| Payables | 1,265 | 818 | 717 | 741 | 756 |
| Other short term liabilities | 13,994 | 10,483 | 8,788 | 9,123 | 9,575 |
| **Current liabilities** | **15,259** | **11,311** | **9,515** | **9,875** | **10,340** |
| Long-term debt | 0 | 81 | 81 | 81 | 81 |
| Other long term liabilities | 394 | 392 | 392 | 392 | 392 |
| **Total liabilities** | **15,652** | **11,703** | **9,907** | **10,266** | **10,732** |
| Shareholders' equity | 51,588 | 46,797 | 46,797 | 46,797 | 46,797 |
| Minority interests | 105 | 96 | 81 | 66 | 51 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **4,629** | **(763)** | **2,231** | **3,799** | **5,679** |
| o/w Depreciation & amortization | 697 | 754 | 789 | 779 | 764 |
| o/w Changes in working capital | (3,325) | (3,801) | (521) | 691 | 2,105 |
| | | | | | |
| **Cash flow from investing activities** | **(1,302)** | **(629)** | **(1,422)** | **(1,306)** | **(1,290)** |
| o/w Capital expenditure | (1,454) | (678) | (726) | (626) | (626) |
| *as % of sales* | *6.0%* | *4.3%* | *5.5%* | *4.4%* | *4.2%* |
| | | | | | |
| **Cash flow from financing activities** | **(7,050)** | **(6,931)** | **(2,282)** | **(2,664)** | **(3,160)** |
| o/w Dividends paid | (7,020) | (7,002) | (2,282) | (2,664) | (3,160) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 0 | 98 | 0 | 0 | 0 |
| **Net change in cash** | **(3,720)** | **(8,326)** | **(1,472)** | **(170)** | **1,229** |
| | | | | | |
| **Adj. Free cash flow to firm** | **3,177** | **(1,441)** | **1,506** | **3,174** | **5,053** |
| *y/y Growth* | *(36.7%)* | *(145.4%)* | *(204.5%)* | *110.8%* | *59.2%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 67.8% | 65.5% | 63.8% | 65.0% | 66.1% |
| EBITDA margin | 39.1% | 24.0% | 24.4% | 26.2% | 28.9% |
| EBIT margin | 36.3% | 19.4% | 18.5% | 20.6% | 23.7% |
| Net profit margin | 27.7% | 14.0% | 17.3% | 18.9% | 21.3% |
| | | | | | |
| ROE | 12.9% | 4.5% | 4.9% | 5.7% | 6.7% |
| ROA | 9.7% | 3.5% | 4.0% | 4.7% | 5.5% |
| ROCE | 12.3% | 3.9% | 3.9% | 4.7% | 5.6% |
| SG&A/Sales | 31.0% | 44.6% | 44.8% | 43.9% | 41.9% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.4 | 0.3 | 0.2 | 0.2 | 0.3 |
| Assets/Equity (x) | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 208.1% | 188.9% | 125.5% | 283.4% | 399.6% |
| Tax rate | 27.1% | 36.7% | 25.0% | 25.0% | 25.0% |
| Revenue y/y Growth | (13.7%) | (34.3%) | (16.3%) | 6.8% | 5.3% |
| EBITDA y/y Growth | (27.2%) | (59.6%) | (14.9%) | 14.3% | 16.3% |
| EPS y/y Growth | (33.4%) | (66.9%) | 3.3% | 16.7% | 18.7% |

| 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# China Resources Beer (0291)

## 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

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %Rank | 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 |

## 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, Marrs 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.

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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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 | | [illegible] | 41.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - Baijiu | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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 (%) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 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 (%) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - Beer | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - Baijiu | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - Baijiu | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



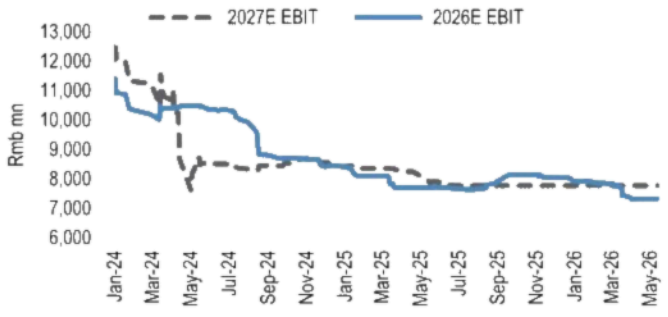


Figure 98: CR Beer – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| Total revenue | 39,506 | 40,752 | 42,209 | 39,271 | 40,471 | 41,669 | 0.6% | 0.7% | 1.3% |
| 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% |
| *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% |
| *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% |

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



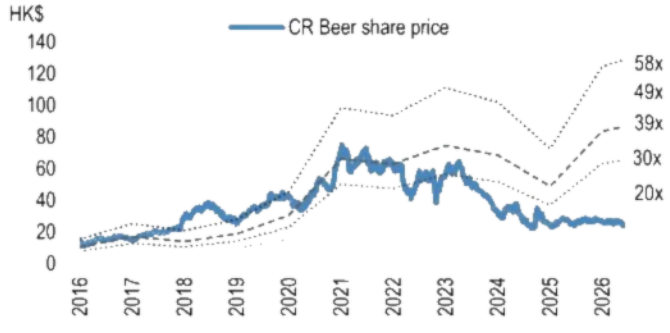

Source: Bloomberg Finance L.P.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# China Resources Beer (0291): Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **38,635** | **37,985** | **39,506** | **40,752** | **42,209** |
| COGS | (19,810) | (19,199) | (20,036) | (20,482) | (21,173) |
| **Gross profit** | **16,475** | **16,360** | **17,097** | **17,932** | **18,728** |
| SG&A | (11,681) | (10,887) | (10,707) | (10,814) | (11,183) |
| **Adj. EBITDA** | **8,924** | **7,701** | **10,303** | **11,015** | **11,454** |
| D&A | (2,350) | (2,426) | (2,372) | (2,338) | (2,307) |
| **Adj. EBIT** | **6,574** | **5,275** | **7,930** | **8,677** | **9,147** |
| Net Interest | 75 | 32 | 110 | 184 | 244 |
| **Adj. PBT** | **6,649** | **5,307** | **8,041** | **8,861** | **9,390** |
| Tax | (1,890) | (2,133) | (2,126) | (2,339) | (2,479) |
| Minority Interest | (20) | 197 | 63 | (17) | (18) |
| **Adj. Net Income** | **4,739** | **3,371** | **5,979** | **6,505** | **6,893** |
| Reported EPS | 1.46 | 1.04 | 1.84 | 2.01 | 2.12 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 3,816 | 6,918 | 6,258 | 9,058 | 12,136 |
| Accounts receivable | 1,646 | 1,602 | 1,699 | 1,752 | 1,815 |
| Inventories | 9,640 | 9,240 | 9,560 | 9,862 | 10,215 |
| Other current assets | 11,812 | 14,293 | 14,903 | 15,277 | 15,714 |
| **Current assets** | **15,628** | **21,211** | **21,161** | **24,335** | **27,850** |
| PP&E | 18,124 | 17,969 | 18,389 | 18,772 | 19,123 |
| LT investments | - | - | - | - | - |
| Other non current assets | 27,298 | 21,923 | 23,017 | 22,959 | 22,929 |
| **Total assets** | **69,308** | **68,633** | **69,467** | **72,393** | **75,707** |
| | | | | | |
| Short term borrowings | 1,168 | 1,405 | 0 | 0 | 0 |
| Payables | 24,583 | 24,028 | 24,691 | 25,266 | 26,169 |
| Other short term liabilities | 303 | 324 | 174 | 177 | 182 |
| **Current liabilities** | **26,054** | **25,757** | **24,865** | **25,444** | **26,351** |
| Long-term debt | 681 | 1,306 | 0 | 0 | 0 |
| Other long term liabilities | 7,669 | 6,912 | 6,290 | 6,409 | 6,549 |
| **Total liabilities** | **33,723** | **32,669** | **31,154** | **31,853** | **32,900** |
| Shareholders' equity | 31,692 | 32,262 | 34,674 | 36,884 | 39,132 |
| Minority interests | 3,893 | 3,702 | 3,639 | 3,656 | 3,674 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **6,928** | **7,127** | **7,148** | **8,539** | **9,092** |
| o/w Depreciation & amortization | 2,350 | 2,426 | 2,372 | 2,338 | 2,307 |
| o/w Changes in working capital | 106 | (465) | (243) | 54 | 314 |
| | | | | | |
| **Cash flow from investing activities** | **(2,135)** | **(2,289)** | **(1,477)** | **(1,444)** | **(1,369)** |
| o/w Capital expenditure | (2,813) | (1,799) | (2,250) | (2,250) | (2,250) |
| *as % of sales* | *7.3%* | *4.7%* | *5.7%* | *5.5%* | *5.3%* |
| | | | | | |
| **Cash flow from financing activities** | **(6,494)** | **(1,715)** | **(6,332)** | **(4,295)** | **(4,645)** |
| o/w Dividends paid | (3,369) | (2,764) | (3,567) | (4,295) | (4,645) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | (2,963) | 1,166 | (2,711) | 0 | 0 |
| **Net change in cash** | **(1,704)** | **3,102** | **(660)** | **2,800** | **3,078** |
| | | | | | |
| **Adj. Free cash flow to firm** | **4,181** | **5,614** | **5,007** | **6,343** | **6,853** |
| *y/y Growth* | *171.0%* | *34.3%* | *(10.8%)* | *26.7%* | *8.0%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 42.6% | 43.1% | 43.3% | 44.0% | 44.4% |
| EBITDA margin | 23.1% | 20.3% | 26.1% | 27.0% | 27.1% |
| EBIT margin | 17.0% | 13.9% | 20.1% | 21.3% | 21.7% |
| Net profit margin | 12.3% | 8.9% | 15.1% | 16.0% | 16.3% |
| | | | | | |
| ROE | 15.3% | 10.5% | 17.9% | 18.2% | 18.1% |
| ROA | 6.7% | 4.9% | 8.7% | 9.2% | 9.3% |
| ROCE | 13.6% | 9.2% | 16.8% | 17.9% | 17.7% |
| SG&A/Sales | 30.2% | 28.7% | 27.1% | 26.5% | 26.5% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Assets/Equity (x) | 2.3 | 2.2 | 2.1 | 2.0 | 1.9 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 728.8% | 1174.5% | 1257.4% | 298.4% | 151.4% |
| Tax rate | 28.4% | 40.2% | 26.4% | 26.4% | 26.4% |
| Revenue y/y Growth | (0.8%) | (1.7%) | 4.0% | 3.2% | 3.6% |
| EBITDA y/y Growth | (3.4%) | (13.7%) | 33.8% | 6.9% | 4.0% |
| EPS y/y Growth | (8.0%) | (28.9%) | 77.4% | 8.8% | 6.0% |

| 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Budweiser Asia Pacific

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

**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**

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 |

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-

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

taurant 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## 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

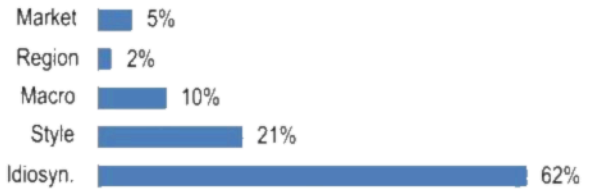
### Investment Thesis

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




| 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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% | -3.6% | -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 | -3.6% | 13.4% | -11.4% | -11.7% | -2.7% | -12.3% | -5.6% | -8.2% | 1.8% | 2.5% | 2.5% |
| Gross margin (%) | 50.3% | 50.4% | 50.4% | 51.0% | 51.8% | 51.4% | 44.3% | 50.1% | 50.3% | 50.5% | 50.8% |
| - APAC East | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - APAC West | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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% | -14.3% | -17.6% | 1.4% | -11.9% | -40.3% | -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 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| - APAC West | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 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% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -9.8% | [illegible] | [illegible] | [illegible] |
| **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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



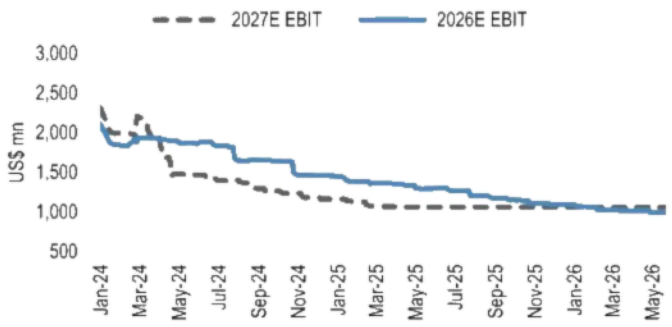


Figure 104: Bud APAC – JPM estimates vs Bloomberg consensus

| FYE Dec 31 (US$ mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | 6,018 | 6,197 | 6,381 | 5,939 | 6,156 | 6,368 | 1.3% | 0.7% | 0.2% |
| **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% |
| *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% |
| *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% |

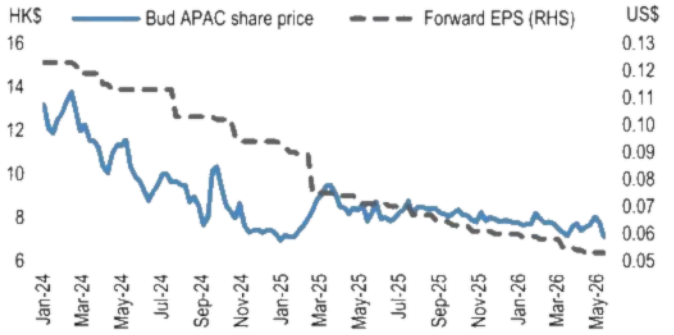
Source: Bloomberg Finance L.P. estimates, J.P. Morgan estimates.

Figure 105: Consensus EBIT revisions – Bud APAC



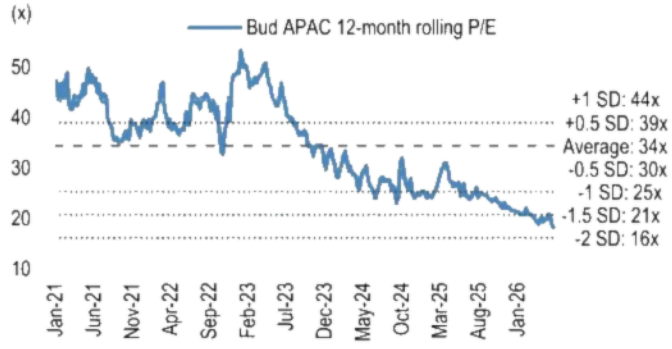

Source: Bloomberg Finance L.P. estimates.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Budweiser Asia Pacific: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **6,246** | **5,764** | **6,018** | **6,197** | **6,381** |
| COGS | (2,498) | (2,319) | (2,422) | (2,485) | (2,547) |
| **Gross profit** | **3,147** | **2,887** | **3,025** | **3,132** | **3,244** |
| SG&A | (2,056) | (1,942) | (2,077) | (2,118) | (2,160) |
| **Adj. EBITDA** | **1,807** | **1,588** | **1,606** | **1,685** | **1,769** |
| D&A | (647) | (602) | (614) | (623) | (632) |
| **Adj. EBIT** | **1,160** | **986** | **992** | **1,063** | **1,137** |
| Net Interest | 31 | 10 | 10 | 17 | 22 |
| **Adj. PBT** | **1,160** | **951** | **1,019** | **1,102** | **1,183** |
| Tax | (410) | (431) | (349) | (377) | (405) |
| Minority Interest | (24) | (31) | (31) | (31) | (31) |
| **Adj. Net Income** | **726** | **489** | **638** | **693** | **747** |
| Reported EPS | 0.06 | 0.04 | 0.05 | 0.05 | 0.06 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 2,867 | 2,828 | 3,041 | 3,316 | 3,614 |
| Accounts receivable | 496 | 505 | 596 | 613 | 632 |
| Inventories | 376 | 343 | 407 | 417 | 427 |
| Other current assets | 965 | 987 | 1,142 | 1,169 | 1,197 |
| **Current assets** | **3,832** | **3,815** | **4,182** | **4,486** | **4,811** |
| PP&E | 2,585 | 2,379 | 2,165 | 1,951 | 1,737 |
| LT investments | - | - | - | - | - |
| Other non current assets | 960 | 972 | 983 | 995 | 1,007 |
| **Total assets** | **14,778** | **14,773** | **14,908** | **14,980** | **15,077** |
| | | | | | |
| Short term borrowings | 136 | 217 | 217 | 217 | 217 |
| Payables | 2,228 | 2,111 | 2,349 | 2,437 | 2,494 |
| Other short term liabilities | 1,569 | 1,509 | 1,509 | 1,509 | 1,509 |
| **Current liabilities** | **3,933** | **3,837** | **4,075** | **4,163** | **4,220** |
| Long-term debt | 68 | 60 | 60 | 60 | 60 |
| Other long term liabilities | 540 | 541 | 518 | 529 | 541 |
| **Total liabilities** | **4,538** | **4,445** | **4,660** | **4,759** | **4,827** |
| Shareholders' equity | 10,184 | 10,262 | 10,150 | 10,094 | 10,090 |
| Minority interests | 56 | 66 | 97 | 128 | 159 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **1,134** | **951** | **1,356** | **1,426** | **1,456** |
| o/w Depreciation & amortization | 647 | 606 | 614 | 623 | 632 |
| o/w Changes in working capital | (333) | (242) | 82 | 59 | 28 |
| | | | | | |
| **Cash flow from investing activities** | **(409)** | **(324)** | **(335)** | **(343)** | **(350)** |
| o/w Capital expenditure | (379) | (307) | (396) | (406) | (415) |
| *as % of sales* | *6.1%* | *5.3%* | *6.6%* | *6.5%* | *6.5%* |
| | | | | | |
| **Cash flow from financing activities** | **(903)** | **(738)** | **(808)** | **(808)** | **(808)** |
| o/w Dividends paid | (730) | (773) | (750) | (750) | (750) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | (145) | 40 | 0 | 0 | 0 |
| **Net change in cash** | **(274)** | **(39)** | **213** | **276** | **298** |
| | | | | | |
| **Adj. Free cash flow to firm** | **755** | **644** | **960** | **1,021** | **1,041** |
| *y/y Growth* | *(42.5%)* | *(14.7%)* | *49.0%* | *6.3%* | *2.0%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 50.4% | 50.1% | 50.3% | 50.5% | 50.8% |
| EBITDA margin | 28.9% | 27.6% | 26.7% | 27.2% | 27.7% |
| EBIT margin | 18.6% | 17.1% | 16.5% | 17.1% | 17.8% |
| Net profit margin | 11.6% | 8.5% | 10.6% | 11.2% | 11.7% |
| | | | | | |
| ROE | 6.9% | 4.8% | 6.3% | 6.8% | 7.4% |
| ROA | 4.7% | 3.3% | 4.3% | 4.6% | 5.0% |
| ROCE | 7.0% | 5.2% | 6.2% | 6.7% | 7.2% |
| SG&A/Sales | 32.9% | 33.7% | 34.5% | 34.2% | 33.8% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Assets/Equity (x) | 1.5 | 1.4 | 1.5 | 1.5 | 1.5 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | 171.6% | 194.4% | 13.3% | 240.4% | 234.3% |
| Tax rate | 35.3% | 45.3% | 34.3% | 34.3% | 34.2% |
| Revenue y/y Growth | (8.9%) | (7.7%) | 4.4% | 3.0% | 3.0% |
| EBITDA y/y Growth | (10.7%) | (12.1%) | 1.1% | 5.0% | 4.9% |
| EPS y/y Growth | (14.7%) | (32.8%) | 30.5% | 8.6% | 7.7% |

| Valuation | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| 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 |
| 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% |

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Tsingtao Brewery - A

## Margin expansion but upside limited; assume coverage at Neutral

**Neutral**

**600600.SS, 600600 CH**
Price (28 May 26):Rmb59.90

▲ **Price Target (Jun-27):Rmb70.00**
Prior (Dec-26):Rmb65.00

**Consumer**

**Jessie Xu** [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 |

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.

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



Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





## 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

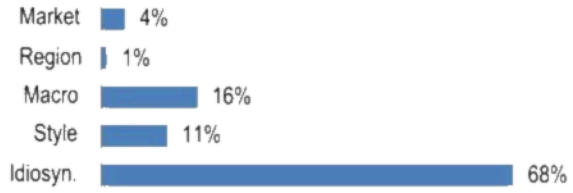
### Investment Thesis

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




| 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





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 surchages** | **(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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



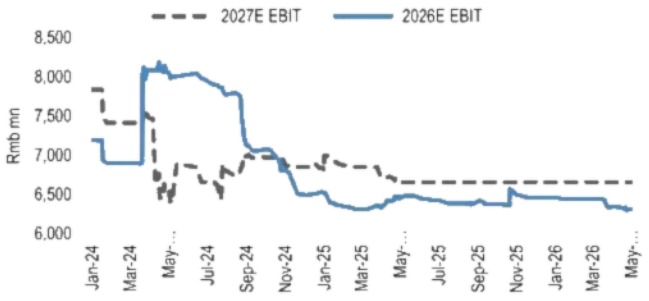


Figure 110: Tsingtao – JPM estimates vs Bloomberg consensus

| FYE 31-Dec (Rmb mn) | JPMe 2026E | JPMe 2027E | JPMe 2028E | Bloomberg consensus 2026E | Bloomberg consensus 2027E | Bloomberg consensus 2028E | JPMe vs consensus 2026E | JPMe vs consensus 2027E | JPMe vs consensus 2028E |
|---|---|---|---|---|---|---|---|---|---|
| **Gross sales** | **32,781** | **33,661** | **34,607** | **33,148** | **34,011** | **34,983** | **-1.1%** | **-1.0%** | **-1.1%** |
| **Gross profit** | **13,884** | **14,315** | **14,776** | **14,009** | **14,392** | **14,788** | **-0.9%** | **-0.5%** | **-0.1%** |
| *Gross margin (as of gross sales)* | *42.4%* | *42.5%* | *42.7%* | *42.3%* | *42.3%* | *42.3%* | *0.1pp* | *0.2pp* | *0.4pp* |
| **Adj. EBIT** | **5,843** | **6,177** | **6,441** | **6,279** | **6,698** | **7,001** | **-7.0%** | **-7.8%** | **-8.0%** |
| *Adj. EBIT margin* | *17.8%* | *18.4%* | *18.6%* | *18.9%* | *19.7%* | *20.0%* | *-1.1pp* | *-1.3pp* | *-1.4pp* |
| **Net profit** | **4,810** | **5,134** | **5,363** | **4,825** | **5,093** | **5,325** | **-0.3%** | **0.8%** | **0.7%** |
| *Net margin* | *14.7%* | *15.3%* | *15.5%* | *14.6%* | *15.0%* | *15.2%* | *0.1pp* | *0.3pp* | *0.3pp* |
| **EPS (Rmb)** | **3.53** | **3.76** | **3.93** | **3.55** | **3.76** | **3.91** | **-0.7%** | **0.2%** | **0.6%** |

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

Figure 111: Consensus EBIT revisions – Tsingtao-A



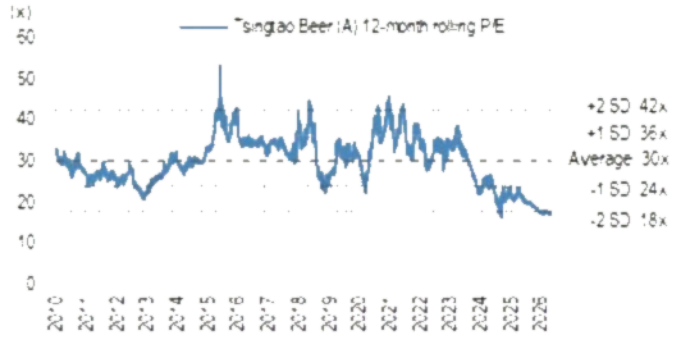

Source: Bloomberg Finance L.P. estimates.

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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Tsingtao Brewery - A: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **29,810** | **30,116** | **30,409** | **31,223** | **32,024** |
| COGS | (17,969) | (17,583) | (17,542) | (17,994) | (18,482) |
| **Gross profit** | **10,600** | **11,231** | **11,512** | **11,876** | **12,193** |
| SG&A | (6,112) | (6,069) | (6,051) | (6,088) | (6,149) |
| **Adj. EBITDA** | **6,235** | **6,845** | **7,197** | **7,529** | **7,791** |
| D&A | (1,241) | (1,302) | (1,355) | (1,352) | (1,349) |
| **Adj. EBIT** | **4,994** | **5,543** | **5,843** | **6,177** | **6,441** |
| Net Interest | 568 | 402 | 294 | 324 | 341 |
| **Adj. PBT** | **5,610** | **5,970** | **6,194** | **6,561** | **6,842** |
| Tax | (1,390) | (1,574) | (1,581) | (1,641) | (1,691) |
| Minority Interest | (147) | (129) | (94) | (105) | (108) |
| **Adj. Net Income** | **4,369** | **4,612** | **4,810** | **5,134** | **5,363** |
| Reported EPS | 3.19 | 3.36 | 3.53 | 3.76 | 3.93 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 17,979 | 12,860 | 13,616 | 14,208 | 14,952 |
| Accounts receivable | 102 | 127 | 115 | 118 | 121 |
| Inventories | 3,576 | 3,237 | 3,496 | 3,579 | 3,669 |
| Other current assets | 5,188 | 5,116 | 5,363 | 5,449 | 5,542 |
| **Current assets** | **25,189** | **24,204** | **26,457** | **28,386** | **30,472** |
| PP&E | 12,449 | 13,491 | 13,522 | 13,550 | 13,576 |
| LT investments | - | - | - | - | - |
| Other non current assets | 9,792 | 10,534 | 10,534 | 10,534 | 10,534 |
| **Total assets** | **51,420** | **52,132** | **54,333** | **56,214** | **58,255** |
| | | | | | |
| Short term borrowings | 42 | 37 | 37 | 37 | 37 |
| Payables | 3,054 | 3,050 | 3,023 | 3,095 | 3,173 |
| Other short term liabilities | 14,427 | 13,514 | 14,199 | 14,356 | 14,595 |
| **Current liabilities** | **17,522** | **16,601** | **17,259** | **17,488** | **17,805** |
| Long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 3,291 | 3,314 | 3,314 | 3,314 | 3,314 |
| **Total liabilities** | **21,561** | **20,619** | **21,278** | **21,507** | **21,824** |
| Shareholders' equity | 29,060 | 30,649 | 32,098 | 33,645 | 35,260 |
| Minority interests | 799 | 863 | 958 | 1,062 | 1,171 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **5,155** | **4,593** | **6,153** | **6,160** | **6,453** |
| o/w Depreciation & amortization | 1,241 | 1,302 | 1,355 | 1,352 | 1,349 |
| o/w Changes in working capital | 475 | (349) | 411 | 143 | 224 |
| | | | | | |
| **Cash flow from investing activities** | **(7,422)** | **(3,247)** | **(2,262)** | **(2,235)** | **(2,235)** |
| o/w Capital expenditure | (2,141) | (2,253) | (1,435) | (1,435) | (1,435) |
| *as % of sales* | *7.2%* | *7.5%* | *4.7%* | *4.6%* | *4.5%* |
| | | | | | |
| **Cash flow from financing activities** | **(2,983)** | **(3,104)** | **(3,135)** | **(3,332)** | **(3,474)** |
| o/w Dividends paid | (3,386) | (3,459) | (3,361) | (3,587) | (3,747) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 0 | 0 | 0 | 0 | 0 |
| **Net change in cash** | **(5,246)** | **(1,759)** | **756** | **593** | **744** |
| | | | | | |
| **Adj. Free cash flow to firm** | **2,786** | **2,191** | **4,693** | **4,682** | **4,961** |
| *y/y Growth* | *80.6%* | *(21.4%)* | *114.2%* | *(0.2%)* | *6.0%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 35.6% | 37.3% | 37.9% | 38.0% | 38.1% |
| EBITDA margin | 20.9% | 22.7% | 23.7% | 24.1% | 24.3% |
| EBIT margin | 16.8% | 18.4% | 19.2% | 19.8% | 20.1% |
| Net profit margin | 14.7% | 15.3% | 15.8% | 16.4% | 16.7% |
| | | | | | |
| ROE | 15.5% | 15.4% | 15.3% | 15.6% | 15.6% |
| ROA | 8.7% | 8.9% | 9.0% | 9.3% | 9.4% |
| ROCE | 13.3% | 13.7% | 13.9% | 14.1% | 14.1% |
| SG&A/Sales | 20.5% | 20.2% | 19.9% | 19.5% | 19.2% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Assets/Equity (x) | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | (7.0%) | 1069.4% | 556.1% | 214.0% | 166.5% |
| Tax rate | 24.8% | 26.4% | 25.5% | 25.0% | 24.7% |
| Revenue y/y Growth | (5.5%) | 1.0% | 1.0% | 2.7% | 2.6% |
| EBITDA y/y Growth | 1.3% | 9.8% | 5.2% | 4.6% | 3.5% |
| EPS y/y Growth | 0.4% | 5.6% | 4.3% | 6.7% | 4.4% |

| 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

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Tsingtao Brewery - H

## 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

**Jessie Xu [AC]**
(852) 2800-8590
jessie.j.xu@jpmorgan.com
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 | Current | Hist %Rank (1=Top) | | | |
|---|---|---|---|---|---|
| Factors | %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 |

## 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.

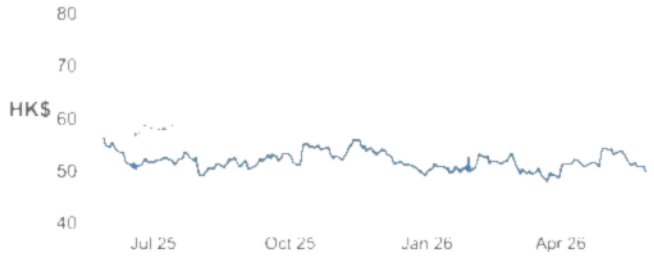
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

## Price Performance




— 0168.HK Price (HK$) MSCI-Cnx (rebased)

| | 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

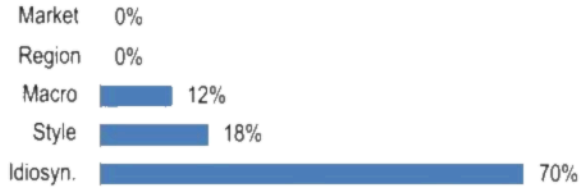
### Investment Thesis

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




| 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 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com





# 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**

TThe 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.

Jessie Xu [AC]
(852) 2800-8590
jessie.j.xu@jpmorgan.com



J.P.Morgan

# Tsingtao Brewery - H: Summary of Financials

| Income Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **29,810** | **30,116** | **30,409** | **31,223** | **32,024** |
| COGS | (17,969) | (17,583) | (17,542) | (17,994) | (18,482) |
| **Gross profit** | **10,600** | **11,231** | **11,512** | **11,876** | **12,193** |
| SG&A | (6,112) | (6,069) | (6,051) | (6,088) | (6,149) |
| **Adj. EBITDA** | **6,235** | **6,845** | **7,197** | **7,529** | **7,791** |
| D&A | (1,241) | (1,302) | (1,355) | (1,352) | (1,349) |
| **Adj. EBIT** | **4,994** | **5,543** | **5,843** | **6,177** | **6,441** |
| Net Interest | 568 | 402 | 294 | 324 | 341 |
| **Adj. PBT** | **5,610** | **5,970** | **6,194** | **6,561** | **6,842** |
| Tax | (1,390) | (1,574) | (1,581) | (1,641) | (1,691) |
| Minority Interest | (147) | (129) | (94) | (105) | (108) |
| **Adj. Net Income** | **4,369** | **4,612** | **4,810** | **5,134** | **5,363** |
| Reported EPS | 3.19 | 3.36 | 3.53 | 3.76 | 3.93 |
| **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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 17,979 | 12,860 | 13,616 | 14,208 | 14,952 |
| Accounts receivable | 102 | 127 | 115 | 118 | 121 |
| Inventories | 3,576 | 3,237 | 3,496 | 3,579 | 3,669 |
| Other current assets | 5,188 | 5,116 | 5,363 | 5,449 | 5,542 |
| **Current assets** | **25,189** | **24,204** | **26,457** | **28,386** | **30,472** |
| PP&E | 12,449 | 13,491 | 13,522 | 13,550 | 13,576 |
| LT investments | - | - | - | - | - |
| Other non current assets | 9,792 | 10,534 | 10,534 | 10,534 | 10,534 |
| **Total assets** | **51,420** | **52,132** | **54,333** | **56,214** | **58,255** |
| | | | | | |
| Short term borrowings | 42 | 37 | 37 | 37 | 37 |
| Payables | 3,054 | 3,050 | 3,023 | 3,095 | 3,173 |
| Other short term liabilities | 14,427 | 13,514 | 14,199 | 14,356 | 14,595 |
| **Current liabilities** | **17,522** | **16,601** | **17,259** | **17,488** | **17,805** |
| Long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 3,291 | 3,314 | 3,314 | 3,314 | 3,314 |
| **Total liabilities** | **21,561** | **20,619** | **21,278** | **21,507** | **21,824** |
| Shareholders' equity | 29,060 | 30,649 | 32,098 | 33,645 | 35,260 |
| Minority interests | 799 | 863 | 958 | 1,062 | 1,171 |
| **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) |

| Cash Flow Statement | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | **5,155** | **4,593** | **6,153** | **6,160** | **6,453** |
| o/w Depreciation & amortization | 1,241 | 1,302 | 1,355 | 1,352 | 1,349 |
| o/w Changes in working capital | 475 | (349) | 411 | 143 | 224 |
| | | | | | |
| **Cash flow from investing activities** | **(7,422)** | **(3,247)** | **(2,262)** | **(2,235)** | **(2,235)** |
| o/w Capital expenditure | (2,141) | (2,253) | (1,435) | (1,435) | (1,435) |
| *as % of sales* | *7.2%* | *7.5%* | *4.7%* | *4.6%* | *4.5%* |
| | | | | | |
| **Cash flow from financing activities** | **(2,983)** | **(3,104)** | **(3,135)** | **(3,332)** | **(3,474)** |
| o/w Dividends paid | (3,386) | (3,459) | (3,361) | (3,587) | (3,747) |
| o/w Shares issued/(repurchased) | 0 | 0 | 0 | 0 | 0 |
| o/w Net debt issued/(repaid) | 0 | 0 | 0 | 0 | 0 |
| **Net change in cash** | **(5,246)** | **(1,759)** | **756** | **593** | **744** |
| | | | | | |
| **Adj. Free cash flow to firm** | **2,786** | **2,191** | **4,693** | **4,682** | **4,961** |
| *y/y Growth* | *80.6%* | *(21.4%)* | *114.2%* | *(0.2%)* | *6.0%* |

| Ratio Analysis | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Gross margin | 35.6% | 37.3% | 37.9% | 38.0% | 38.1% |
| EBITDA margin | 20.9% | 22.7% | 23.7% | 24.1% | 24.3% |
| EBIT margin | 16.8% | 18.4% | 19.2% | 19.8% | 20.1% |
| Net profit margin | 14.7% | 15.3% | 15.8% | 16.4% | 16.7% |
| | | | | | |
| ROE | 15.5% | 15.4% | 15.3% | 15.6% | 15.6% |
| ROA | 8.7% | 8.9% | 9.0% | 9.3% | 9.4% |
| ROCE | 13.3% | 13.7% | 13.9% | 14.1% | 14.1% |
| SG&A/Sales | 20.5% | 20.2% | 19.9% | 19.5% | 19.2% |
| Net debt/Equity | NM | NM | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM | NM | NM |
| | | | | | |
| Sales/Assets (x) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Assets/Equity (x) | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 |
| Interest cover (x) | NM | NM | NM | NM | NM |
| Operating leverage | (7.0%) | 1069.4% | 556.1% | 214.0% | 166.5% |
| Tax rate | 24.8% | 26.4% | 25.5% | 25.0% | 24.7% |
| Revenue y/y Growth | (5.5%) | 1.0% | 1.0% | 2.7% | 2.6% |
| EBITDA y/y Growth | 1.3% | 9.8% | 5.2% | 4.6% | 3.5% |
| EPS y/y Growth | 0.4% | 5.6% | 4.3% | 6.7% | 4.4% |

| 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