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China Consumer

China Marketing Feedback

We have returned from a seven-day Mainland China marketing trip,meeting with over 50 investors(60%/40%LO/HF).Consensus feedback is that consumer demand remains weak,visibility is low,and broad sector beta is still difficult to underwrite.As aresult,most investors prefer to stay selective on both the long and short sides-focusing on resilient category leaders and high-yield names on the long side,and on names facing earnings-reset or valuation-reset risk on the short side.Atavery high level,sector feedback was consistent across accounts:earnings risk remains elevated;valuation discipline is high given weak demand visibility; regulatory and policy risks are looming;and meaningful consumption stimulus is largely outside most investors'base-case expectations.The most frequently cited company-level views were: **Midea** (crowded defensive long),**Nongfu** (high quality but valuation-sensitive),**Luckin** (constructive/improving),**Guming** (good company but needs expectation reset),**Eastroc** (cautious/show me first), **Mixue**(too early to turn long), **and Pop Mart**(cautious/waiting on the sidelines). *More stock-levelfeedback is availablefrompage 3 onward.*

- **Consumer demand &outlook.**The prevailing view was that China consumer demand remains weak,with poor visibility and limited catalysts.Several investors noted that stocks could rally on trading flows given very light positioning(e.g.,baijiu positioning cited as near historic lows since 2010),but emphasized that fundamentals still appear fragile.Adverse weather may have contributed to weakness in June and July,although many questioned whether it masked other underlying drivers.Investors also questioned whether policy messaging around boosting consumption would translate into meaningful support,given repeated disappointments in prior cycles.
- **Earnings and regulatory/policy risk**.Many clients believe consensus earnings expectations still require downward revisions across consumer-particularly in areas where revenue growth is deceleratingand margin pressure has not yet fully manifested.On the policy and regulatory side,key concerns included social-security back payments,a potential tightening of preferential tax rates,and increased personal-income-tax scrutiny of offshore trusts-each of which could weigh on business profitability,employment,consumption, and potentially create incremental selling pressure.Some investors asked whether any increase in government revenues would be recycled back into the economy through subsidies,but expectations for that outcome remain low.
- **Strategy /positioning**.Investors remain cautious about paying growth multiples when demand visibility is weak.In the context of sector rotation and rebalancing,most PMs and generalists suggested healthcare,select financials, and cyclicals as preferred relative to consumer.Both LOs and HFs favor leaders with resilient earnings,high-dividend names,and companies with clearer alpha drivers and/or overseas expansion,while remaining reluctant to underwrite broad consumer beta. **Long ideas** most commonly cited included Midea,Mengniu/dairy,Luckin,and select high-dividend names(e.g.,YUMC, Midea,Bosideng). **Short ideas** most commonly cited included Pop Mart, Mixue,Eastroc,and other "new consumption"names.

Consumer

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See also:
China Home Appliance-China marketing feedback (13 Aug 2026)

See page 10 for analyst certification and important disclosures,including non-US analyst disclosures.

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Table 1:Most repeated company-level views

Company	Aggregated investor tone	Repeated view
Luckin Coffee	Constructive /improving	Still viewed as one of the clearest improving consumer names due to standardization, expansion, product innovation, and profit-upgrade potential, but debate also emerged around category ceiling, 80k-store feasibility, store-level economics, and US relisting/HK dual-listing timing.
Eastroc Beverage	Cautious/show me first	YTD margins have held up and outperformed peers, but concerns are: growth is slowing with three straight quarterly misses, weak core-product momentum, and a seemingly shrinking blue-collar customer base-creating downside risk to estimates and valuation. Investors will likely need a clear beat before re-engaging.
Midea	Positive but valuation-sensitive	Consensus defensive long and still one of the preferred consumer exposures. Investors valued Midea's earnings stability, cash flow and shareholder return. Some noted its ability to smooth earnings and maintain stable performance through cycles. But the position is crowded and 14-15x P/E may cap upside unless B2B proves stronger.
Pop Mart	Cautious /waiting on the sidelines	Though its leadership in the IP sector remains intact, an earnings downgrade and cyclicality risk make it a favoured short. Investors said it was difficult to trade the stock from the left side of the pivot point and many preferred to wait for new-product momentum next year before considering a long position.
Guming	Cautious /waiting for reset	Investors generally saw Guming as a good company but not necessarily a good stock at current expectations/ current price. Many wanted a clearer reset in earnings and store-opening expectations before revisiting the stock. Concens centered on the high 2H26 margin base(2H26 growth could slow sharply), and risk that 2027 expectations remain too high.
Mixue	Bearish /structurally challenged	Mixue was repeatedly discussed as a structurally challenged name. Some investors argued valuation may become more reasonable after enough expectation cuts, but sentiment remained cautious. An interim cash dividend could be a positive surprise, but would not be compelling enough in Hong Kong if earnings visibility remains weak.
Nongfu Spring	Quality but valuation-sensitive	Many still like the company's quality/position; some expect ongoing share gains and low-to-mid teens growth. Valuation was seen as high and sensitive to Oriental Leaf momentum, with worries that Oriental Leaf could slow and trigger a valuation de-rating.
Anta /sportswear	Neutral to cautious	Anta is still best-in-class in sportswear, but the sector beta is weakening and investors are cautious. The key debate is whether smaller brands and Amer can sustain growth if ANTA/FILA slow. Concerns are rising-deeper destocking, heavier promos, and a potential price war-after Nike's split with local China retailers.
Mengniu /dairy	Mixed-to-constructive	YTD, consensus is long and relatively constructive versus other consumer sub-sectors, anchored on a supply-side-led turnaround. Bulls point to raw milk price recovery and product upgrades; skeptics see LMSD growth and valuation capped around a mid-teens P/E.
Laopu /jewelry	Cautious/mixed	Laopu is now viewed as a leveraged gold-price trade rather than a luxury name. Long-only investors are largely staying on the sidelines; some hedge funds say it's no longer an attractive short after the post-2Q drop, although it still screens expensive versus gold miners. Some investors are more positive on Chow Tai Fook given a business model that's better balanced across gold-price scenarios.

Source: J.P.Morgan

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Investor Feedback by Sector

Freshly-Made Drinks Sector

Industry-level

- **Sector questions** - Investors asked whether the sector's weakness is structural or due to delivery-subsidy rollback,how franchisee economics are evolving,and whether coffee and tea are converging into one "freshly made beverage"category.
- **Sector concerns**-Several investors said sector beta is poor.They asked whether brands can still open stores profitably and whether franchisees are earning more even if GMV is down.
- **Feedback/views**- Luckin was consistently seen as the clearest improving name; Guming and Mixue were viewed as facing expectation-reset pressure;Chagee was seen as a potential turnaround/overseas story.

Luckin Coffee

- **Investor questions**-Clients focused on store-count ceiling,store-opening pace, SSS trend,margin sustainability,full-year profit expectations,potential U.S.main-board listing/Hong Kong listing,shareholder-base diversification,and valuation upside.
- **Key concerns**- Main concerns were rapid store openings,possible future SSS dilution,valuation cap as a China ADR/OTC name,and whether some investors simply trade in before results and exit after results.
- **Feedback/views**- Feedback was broadly constructive.Investors have repeatedly viewed Luckin as one of the few improving consumer names,with strong operations,product cadence,delivery capability and potential for profit upgrades. Several noted investor interest increased significantly after Q2.
- **Store runway** - Investors debated whether Luckin's store-count ceiling could be 50k,60k,or even 80k.Some viewed store openings as a competitive advantage; others worried that excessive density could pressure SSS.
- **Valuation and listing**-Several investors said Luckin's valuation may be constrained while it remains OTC/China concept stock,but could potentially receive a higher multiple if listed on a major exchange as a category leader.

Guming

- **Investor questions**-Clients asked about 2026 profit expectations,current same-store sales,pace of store openings,northern China expansion,coffee business,and potential earnings inflection.
- **Key concerns** -Concerns centered on slowing SSS,downgraded store-opening guidance,high 2H margin base,and risk that 2027 expectations remain too high.
- **Feedback/views** - Investors generally saw Guming as a good company but not necessarily a good stock at current expectations.Many wanted a clearer reset in earnings and store-opening expectations before revisiting.
- **Earnings trajectory** - Feedback suggested 1H profit growth was strong,but 2H earnings growth could slow sharply.Some investors felt that one quarterly SSS improvement would not be enough to restore confidence.

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Mixue

- **Investor questions** -Clients asked whether Mixue can still be shorted,whether earnings can grow in 2026,whether a 10%2026 profit decline is already reflected in consensus,and whether Mixue is the top short idea in the sector.
- **Key concerns** -Main concerns were weak brand momentum,mismatch between current franchisee locations and management's higher-tier-city ambitions,domestic ceiling risk,SSS pressure,and mediocre overseas expansion/long-awaited overseas turnaround.
- **Feedback/views-** Mixue was repeatedly discussed as a short candidate or structurally challenged name.Some investors argued valuations may become more reasonable after enough expectation cuts,but sentiment remained cautious.
- **Dividend** -An interim cash dividend could be a positive surprise and act as a catalyst for share price support.One view is that even a 60%dividend payout and a 4%dividend yield would not be compelling enough in Hong Kong if earnings visibility remains weak.

Chagee

- **Investor questions** -Clients asked why the stock is being recommended now,what signs of a turnaround exist,whether China operations are stabilizing,how overseas markets are performing,and whether adjusted net profit willbe flat this year.
- **Key concerns**-Concerns included management focus,founder style,operational execution,SSS recovery timing,and whether a market cap below net cash could happen if operations remain problematic.
- **Feedback/views-** Feedback was more balanced-to-constructive than for other tea names.The key positive was expectation divergence:China stabilizing while overseas markets show breakthroughs.
- **Overseas expansion**-Korea,Singapore,North America,Malaysia,and the US were discussed.Overseas cup volumes were viewed as encouraging in some markets,particularly Korea and Singapore (over 1,000 cups per day).
- **Valuation** - Some investors noted the share price had fallen sharply since listing, making valuation easier to digest if operations improve.

Soft Beverage Sector

Industry-level

- **Sector questions**-Investors asked why beverage growth slowed abruptly in Q2, whether weather alone explains weakness,how PET pressure differs across companies,and whether sugary beverage consumption is structurally declining.
- **Sector concerns** -Concerns centered on weak demand,raw-material cost pressures, lack of pricing power,aging sugary-drink consumers,and competition across categories.
- **Feedback/views-** Investors generally felt beverage forecasts may still need to come down,especially where revenue pressure and cost pressure have not both been reflected.

Nongfu Spring

- **Investor questions-** Investors asked about Oriental Leaf growth,July sell-through, 1H26 expectations,medium-term growth anchor,valuation,shareholder returns,and bear arguments.
- **Key concerns** -Key concern was whether Oriental Leaf could slow down and trigger a valuation de-rating.Investors also asked whether packaged water growth could slow to MSD and whether sugar-free tea growth may step down once scale becomes large.
- **Feedback/views** -Views were mixed.Many still liked the company's quality and competitive position,but the valuation was viewed as high and sensitive to Oriental Leaf momentum.
- **Growth framework-**Some investors stillsee the company steadily gaining share with potential for revenue growth around low-to-mid teens,but others question whether growth could slow to SD over the medium term.
- **Competitive moat** -Investors have debated whether Oriental Leaf has a real moat in taste/quality and why other large beverage players have not continued investing more aggressively in sugar-free tea.

Eastroc Beverage

- **Investor questions** -Investors asked why growth slowed sharply,whether Eastroc has entered maturity,what the fair valuation floor is,whether 3Q can improve,how PET costs affect margins,and what full-year profit expectations are.
- **Key concerns-**Eastroc drew some of the broadest caution.Concerns included revenue slowdown,unclear explanation for weak special-drink growth,rebate fulfillment,sugar-tax risk,social-security /tax uncertainties,and risk that next year growth falls to single digits.
- **Feedback/views-** Most investors were cautious or bearish,though a few saw emerging dividend-yield support after the selloff.Several said they would rather wait 1-2 quarters for clarity than buy on hope.
- **Growth vs value debate** - A recurring concern has been that if the energy drink growth slows to single digits,the market may stop treating Eastroc as a growth stock and value it more like a mature beverage company.
- **Competition** -Some compared Eastroc with Monster Beverage and asked whether underperformance is company-specific rather than category-driven.

Tingyi/Uni-President China

- **Investor questions-**Investors asked how to think about Uni-President China and Tingyi for the rest of the year,and whether cost pressures(PET,palm oil)would lead to profit cuts.
- **Key concerns-** Questions focused on cost pressures,margin resilience,and whether investors have stopped reacting to PET/oil price movements.
- **Feedback/views-** Both Tingyi and Uni-President China were discussed as part of the high-dividend"muscle memory"basket.Some investors see stable payouts as attractive,but it's not enough to drive broad excitement.

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Dairy Sector

Mengniu

- **Investor questions** -Investors asked about 1H26 expectations,2026 net profit expectations for Mengniu and Yili,long-term valuation centers,raw milk price recovery,infant formula potential,and remaining growth runway.
- **Key concerns** - Concerns included low long-term growth,whether Mengniu's rally has already priced in improvement,and whether the stock could become a short after the significant outperformance.
- **Feedback/views** -Views were mixed but relatively more constructive than many consumer subsectors.Some investors were bullish on dairy due to raw milk price recovery and product upgrading,while others viewed growth as low-to-mid single digits with valuation unlikely to exceed mid-teens P/E.
- **Upstream dairy farms**- Some investors were bullish on upstream dairy farms due to an expected raw milk price rebound;others warned the trade may already be crowded.
- **Product upgrade**- One interesting positive thesis was that higher-protein products could increase raw milk usage even if liquid milk demand is not growing as quickly.

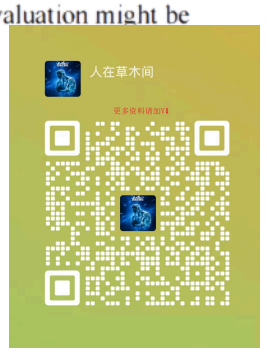
Alcoholic Beverage

Baijiu/Moutai

- **Key questions**-Investors asked about 2H low-base recovery,baijiu consumption tax,mutual-fund positioning,Moutai distribution price,and whether Moutai is a long or short at current levels.
- **Key concerns**- Main concerns were weak industry beta,possible consumption-tax adjustment,capital rotation out of Moutai,and limited demand visibility.
- **Feedback/views**- Moutai is still viewed as a relative outperformer within baijiu, but trading at 20x 2026 P/E,upside seems limited.Some investors were considering it as a funding source.

Beer

- **Key questions** -Investors asked about the current sell-through decline,July industry performance,and whether Budweiser fundamentals are bottoming out or will get worse.
- **Key concerns** -Beer industry beta was described as poor,with July especially weak except for Yanjing Beer.
- **Feedback/views** -Yanjing was viewed more positively;CRB is also one of the outperformers among peers due to favorable channel mix.But valuation might be capped at mid-to-high teens,similar to global beers.



Restaurant Sector

- **Key questions-** Investors asked why Yum China is preferred within restaurants, long-term store runway,SSS outlook for Q3-Q4,value campaigns,margin impact, and Pizza Hut ownership.
- **Key concerns** - Concerns included weak early-July trading,limited SSS growth in 3QTD,value-campaign margin drag,and whether acquiring Pizza Hut exposure adds leverage to a negative-beta asset.
- **Feedback/views-** Yum China was viewed relatively favourably due to high shareholder returns and positive SSS (rare within China consumer &retail space), but investors remain cautious on margins and long-term store ceiling.

IP Toy Sector

Pop Mart

- **Key questions-** Investors asked about 1H26 and 2026 profit expectations, sustainable OPM,sustainable net profit,US weakness,Labubu momentum,store openings versus SSS,and whether Duan Yongping-related activity supported sentiment
- **Key concerns-**Pop Mart was one of the most frequently discussed names. Concerns included valuation de-rating,earnings downgrade risk,U.S.consumer interest fading,SSS pressure,and cyclicality.
- **Feedback/views-** Fundamentally,its leading industry position remains intact. YTD,performance is more about its own reflexivity and cyclicality.Several investors said Pop Mart cannot be traded from the left side and that investors should wait for new-product momentum next year before considering a long position.
- **Valuation/expectations-** Investors debated whether Rmb10-12bn profit expectations are stilltoo optimistic and whether more bearish expectations below Rmb10bn are possible(current buyside expectation Rmb10-11bn).

Miniso

- **Key questions -Investors** asked about Q2 updates,U.S.OPM improvement, Mexico pressure,comparable peers,and whether the stock is a value trap.
- **Key concerns-** Corporate governance issues and lack of investor attention were recurring negatives.Some investors said valuation looks cheap,but struggle to find a reason to buy now.
- **Feedback/view** s-At current levels,investors generally did not see a strong short case,but also did not see a compelling long case.

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Home Appliance Sector

Midea

- **Key questions -** Investors asked about domestic demand,Europe opportunity, HVAC demand,Kuka,B2B profit contribution and valuation,commodity cost, subsidy cliff,and whether 15xP/E is a valuation hurdle.
- **Key concerns -** Concerns included whether B2B is already priced in,whether Kuka /industrial businesses deserve a higher multiple,whether liquid cooling advantages exist,whether overseas demand is under pressure,and whether valuation upside is capped around 14-15x.
- **Feedback/views-** Midea was a consensus long/defensive leader,but many investors questioned how much upside remains after the rally.Several said B2B diversification supports stability but may not justify further re-rating without stronger segment leadership.
- **Earnings stability -** Investors repeatedly valued Midea's earnings stability,cash flow,and shareholder return.Some noted its ability to deliver resilient earnings through cycles.
- **B2B-** While investors appreciate B2B's diversification and stability in the current weak consumer environment,most remained skeptical of a blanket B2B re-rating. Investors wanted segment-level proof,particularly leadership in specific verticals or fundamental breakthroughs.Kuka was viewed as weaker;HVAC was viewed as better.
- **Valuation-**14-15x P/E was repeatedly described as a potential hurdle;some noted that without B2B stability,Midea might trade closer to Haier's multiple.

Haier

- **Key questions -** Investors asked whether Haier is worth considering now,how to think about overseas performance,U.S.margin recovery,Whirlpool price increases, shareholder returns,and whether Haier can catch up ifMidea continues to rally.
- **Key concerns -** Concerns included weaker earnings stability versus Midea through cycles,domestic sales pressure,overseas margin trough,and limited financial resources for buyback.
- **Feedback/views-** Haier was generally viewed as a possible recovery/catch-up trade,but investors wanted clearer evidence ofU.S.OPM recovery and better fundamentals.

Robot vacuum industry

- **Key questions -** Investors asked about the new US FCC regulation impact,storage/ memory cost increases,gross-margin trajectory,and guidance outlook.
- **Key concerns -** Cost inflation were noted as issues for robot-vacuum names.

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Gold Sector

Laopu/Chow Tai Fook

- **Key questions -** Investors asked where the bottom is for shorting Laopu,whether expectations have reset,and how gold-price moves will affect jewelry demand.
- **Key concerns-**For Laopu,some thought investors entered too early before expectations had fully bottomed;others said the stock may no longer be attractive to short after the recent decline.
- **Feedback/views** -Chow Tai Fook was discussed more positively by some investors because its business model has better balance across gold-price scenarios.
- **Relative view -** Compared with gold miners at lower multiples,Laopu was stillseen by some as expensive.

Sportswear Sector

Industry-level

- **Key questions -** Investors asked what happens to channel inventory if Nike stops using distributors and needs to take inventory back.
- **Key concerns-**Questions reflected concern about channel disruption and inventory management after Nike's recent split with local Chinese retailers,widely seen as a lose-lose-lose for Nike,retailers,and other brands.
- Feedback **/views-** Bosideng was mentioned as part of the high-dividend "muscle memory"group.Shenzhou was raised as a possible industry consolidation/clean-up narrative,and the negative news is largely fully priced in.

Anta

- **Key questions -** Investors asked why Anta rebounded,whether the core brand is under pressure,FILA's growth runway,Descente revenue ceiling,Amer growth, Salomon momentum,and whether acquiring Puma China would be positive or negative.
- **Key concerns -**Concerns included risk of earnings downgrades,brand revenue ceilings around Rmb20bn revenue,whether Salomon's store-opening pace can be sustained,and whether Anta is currently just a beta play.
- **Feedback/views** - Investor interest was present but cautious.The debate centered on whether smaller brands and Amer could sustain group growth if core ANTA/ FILA growth slows.