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CHINA PROPERTY: BUILDING MATERIALS

3Q26 Preview: persistent demand weakness, divergent ASP outlook and cost inflation pressure

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We expect our BM coverage to deliver on average 1%/-5% yoy revenue and net profit growth in 3Q. We see ASP trends and raw material cost inflation pressure slightly diverging for Yuhong, BNBM, Skshu and Vasen, albeit with shared volume challenges due to persistent demand weakness. Channel deepening, product premiumization, volume-price rebalancing (mainly BNBM) and overseas expansion (mainly Yuhong) are still the main buffers for earnings downside for our Buy rated names, in our view. Fiscal stimulus and FAI acceleration are the key areas of focus to gauge the potential demand improvement into 4Q and next year. We revise our 2026E-28E EPS forecasts by an average -4%/-5%/-3%. We retain our Buy ratings on Yuhong, BNBM and Skshu, and Neutral rating on Vasen.

What's in common

- **Underlying demand remained weak**: following a sluggish Jul-Aug, our channel checks suggest no meaningful underlying demand improvement in Sep across BM sectors. Any sequential order improvement will be mainly driven by catch-up from projects delayed in the summer due to poor weather conditions in July/Aug, the traditional "Golden Sep and Silver Oct" seasonal pattern, and some preemptive stocking by customers ahead of anticipated cost-driven price hikes. On a brighter side, sequentially heightened fiscal stimulus might help to restore project-channel demand in 2H of 4Q and next year (and Vasen already noted sequentially narrowing yoy decline in its municipal business entering Sep), but the actual execution intensity and implementation pace remain keys to watch.
- **Rising raw material prices and unit production costs pressuring margins**: alongside petrochemical price uncertainties, we expect waterproofing manufacturers to face downward margin pressure from the record-high bitumen prices (above Rmb6,000/ton, up c.50% qoq, Exhibit 4) and architectural paint/PP-R producers to be also adversely impacted by crude oil-linked raw material cost inflation (Exhibit 4 and Exhibit 5); to-protect against this, the ability of companies to raise prices, cost pass-throughs and channel mix remain key to watch, and we expect different BM sectors to perform distinctively (more discussion below). On the top of that, we also see unfavorable cost trends stemming from insufficient capacity utilization and high fixed costs amid the weak demand profile, especially for gypsum board.

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What's different

- **Different competitive landscape leading to divergent pricing/cost pass-through ability**: 1) our channel checks reveal potentially more benign pricing dynamics among waterproofing manufacturers with high market concentrations (CR3, i.e. Yuhong, BNBM and Keshun (300737.SZ, NC), stands at 60%-70% total market share as of 26E for project channel) and greater inclination for a new round of coordinated price hikes (which already played out effectively in Mar-Apr this year). Companies also expect limited push-backs from end-customers on price increases given the well-recognized surging bitumen prices by the project-side and the low share of waterproofing-related spending among total decoration expenditure by the retail side. On the other hand, 2) our last trip to Guangzhou as well as channel checks point to persistent price competition among architectural paint players in a more fragmented market (CR2 stands at less than 1/3 as of 26E, both in the project and the retail channel (with the entry of lower-priced, previously-project-focused competitors); 3) strong product positioning and unique service-oriented edge support Vasen to slightly widen its price premium against peers while still gaining market share, though the weak demand profile prevented full pass-through of cost inflation.

Individual company highlights for 3Q

- **Yuhong:** we expect: **1)** sequentially accelerated yoy topline growth in 3Q26E (esp. in Sep), on the back of pent-up shipment from Jul-Aug weather-induced delays, pre-stocking from end-customers, yoy higher ASP and ongoing volume share gain; **2)** sequential GPM deterioration to 24% level in 3Q/4QE (vs. 27.4% in 1H26), undermined by high-rising bitumen price (1/3 of total raw material cost) and time needed for coordinated price hikes, though retail-channel GPM is likely to remain resilient.
- **BNBM**: we estimate **1)** broadly flat total revenue yoy in 3Q, with growth in waterproofing and coatings offsetting a modest decline in gypsum board. Net margin is likely to contract yoy, reflecting continued fixed-cost absorption pressure in gypsum board amid sluggish demand, alongside rising raw material costs in waterproofing and coatings; **2)** gypsum board GPM to remain broadly stable in 3Q despite weak industry demand, supported by sustained pricing gains following 1H price hikes, broadly stable market share trends, and proactive measures to improve capacity utilization and mitigate fixed-cost pressure; **3)** modest waterproofing revenue growth yoy, supported by volume gains and coordinated price hikes among leading players. These should help partially offset elevated bitumen costs, with GPM likely to remain broadly flat yoy but decline sequentially; **4)** solid yoy volume growth for coatings, led by stronger volume and pricing performance in industrial coatings. Architectural and furniture coatings, however, continue to face prici
higher raw material costs, likely weighing on GPM yoy change.
- **Skshu**: we see **1)** a continuously tough outlook for project-channel
2H26E, to which we expect 13% yoy volume contraction for project
focusing on fast-growing retail segments, i.e. repaint demand for ag
housing and "stone-effect" exterior wall coating for rural self-built h



still DD% yoy volume growth of retail wall paint in 3Q/4Q26E, sending overall topline contributions from these two emerging segments to 38% for full-year 26E (+7pp yoy); **3)** margin to remain under pressure on oil price volatility and intense competition (both from major peers and aforementioned lower-priced competitors), and we forecast GPM of 29.8% in 3Q26E, down 3.8pp yoy and 0.1pp qoq.

- **Vasen**: We expect **1)** 3Q topline down 3% yoy (slightly below prior GSe), under a combination of i) still sluggish PP-R demand in 3Q due to weak consumer confidence, ii) narrowed yoy decline pace of 2B building construction (mainly due to already low base) and municipal business (on the back of improved LGSB-backed local government funding) in 3Q, coupled with iii) steady growth of concentric waterproofing and purification business; **2)** GPM to slightly weaken on yoy basis in 3Q/4Q, given competition intensified and raw material prices fluctuating at high levels, despite Vasen's strong retail positioning and above-peers cost pass-through ability.

Updating estimates and TPs while keeping our ratings unchanged

Reflecting 3Q26 trends, we revise our 2026E-28E EPS forecasts by average -4%/-5%/-3% across our coverage BM companies, including: we revise **1)** Yuhong's 26E-28E topline and net profit by an average of +2% and -5% respectively, mainly driven by average MSD% higher waterproofing membrane ASP and 0.7pp lower GPM due to raw material cost inflation; **2)** BNBM's 2026–28E revenue and EPS estimates slightly down by -0.3% and -0.5%, respectively, to reflect a potentially more prolonged bottoming-out of gypsum board demand through 2026–27 and continued GPM pressure from weaker fixed-cost absorption, partially offset by growth in waterproofing and coatings; **3)** Skshu's 2026E-28E EPS estimates by -10%/-10%/-9%, mainly to reflect an LSD% lower revenues and 0.5pp GPM cut to 30.4%/32.7%/33.7% in 26E-28E, vs. 33.8% in FY25, dragged by unfavorable competitive landscape; **4)** Vasen's 2026E-28E earnings largely intact. Correspondingly, we make changes to our 12-m TPs for Yuhong and Skshu by -5% and -10%, implying average 31% upside for our three Buy-rated names against the latest closing.

Key to watch

- **Yuhong:** 1) bitumen price trends, and whether Yuhong could increase ASP promptly with sufficient magnitude to pass through Bitumen price hikes without losing market share; 2) whether the sequentially recovered shipment momentum since Sep would be sustainable or purely seasonality driven; 3) any disruptions to the planned overseas factory launches; 4) whether mortar business ramp-up is on-track; 5) if lingering asset impairments/potential positive reversion would result in bumpy bottom lines;
- **BNBM**: 1) whether BNBM can maintain its gypsum board market share and improve fixed-cost absorption amid potential competitive pressure from existing players and new entrants; 2) sales traction of new high-end gypsum board products and whether BNBM can sustain the ASP gains achieved earlier this year without sacrificing market share; 3) timing, magnitude, and execution of further waterproofing price hikes relative to rising bitumen costs, and their implications for

profitability and market share; 4) the execution of 'share-first' strategy for coating business and the margin trend amid price pressure and cost rise especially for architecture coatings.

- **Skshu:** 1) execution in retail business expansions, especially in terms of the store count and unit store productivity of Mashangzhu, and township penetration progress of Beautiful Rural business, and whether the company's relative outperformance over Nippon Paint China'S TUC segment could sustain; 2) upcoming pricing strategies by Skshu and Nippon, and impact on margins/market shares; 3) whether SG&A cost optimization (mainly via headcount reduction) is on-track.
- **Vasen**: 1) raw material cost volatility and how management balances between margin and market share gain, especially given price premium of Vasen's product over mass market peers had further enlarged YTD and the intensifying competition from previously project-channel-focused suppliers; 2) signals of recovery in consumer confidence that could drive up retail channel sales of PP-R and cross-selling products; 3) acceleration (and the sustainability) of government's funding supports for municipal products.

Exhibit 1: We overall revise our 2026E-28E EPS forecasts by average -4%/-5%/-3% for the four companies to average 33% CAGR, and make changes to our 12-m TPs Yuhong and Skshu by -5%-10% , implying average 31% upside for our three Buy-rated names against the latest closing.
Summary of earnings revisions and GS estimates vs. Wind consensus

	Target Price	Revenue (Rmb mn)			Net profit (Rmb mn)			EPS (Rmb)		
	(Rmb/share)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Oriental Yuhong (002271.SZ)	*42% upside*									
GSe (New)	**15.4**	**31,086**	**33,989**	**36,707**	**1,393**	**2,404**	**3,115**	**0.58**	**1.01**	**1.30**
GSe (Old)	16.2	30,542	33,323	36,039	1,461	2,559	3,253	0.61	1.07	1.36
% diff	*-5%*	*2%*	*2%*	*2%*	*-5%*	*-6%*	*-4%*	*-5%*	*-6%*	*-4%*
Wind Consensus		30,892	33,720	36,868	1,621	2,317	2,916	0.68	0.97	1.22
% diff		*1%*	*1%*	*0%*	*-14%*	*4%*	*7%*	*-14%*	*4%*	*7%*
BNBM (000786.SZ)	*22% upside*									
GSe (New)	**20.1**	**24,376**	**25,535**	**27,246**	**2,364**	**3,090**	**3,795**	**1.40**	**1.83**	**2.25**
GSe (Old)	20.1	24,376	25,617	27,416	2,364	3,104	3,831	1.40	1.84	2.27
% diff	*0%*	*0%*	*0%*	*-1%*	*0%*	*0%*	*-1%*	*0%*	*0%*	*-1%*
Wind Consensus		25,347	26,761	28,627	2,891	3,329	3,834	1.70	1.96	2.25
% diff		*-4%*	*-5%*	*-5%*	*-18%*	*-7%*	*-1%*	*-18%*	*-6%*	*0%*
Skshu Paint (603737.SS)	*27% upside*									
GSe (New)	**28.4**	**12,942**	**13,872**	**15,065**	**637**	**1,201**	**1,478**	**0.72**	**1.36**	**1.67**
GSe (Old)	31.5	13,229	14,294	15,567	709	1,339	1,617	0.80	1.51	1.83
% diff	*-10%*	*-2%*	*-3%*	*-3%*	*-10%*	*-10%*	*-9%*	*-10%*	*-10%*	*-9%*
Wind Consensus		13,455	14,721	16,179	846	1,145	1,365	0.96	1.29	1.54
% diff		*-4%*	*-6%*	*-7%*	*-25%*	*5%*	*8%*	*-25%*	*5%*	*8%*
Vasen (002372.SZ)	*1% upside*									
GSe (New)	**9.0**	**5,161**	**5,268**	**5,475**	**831**	**853**	**921**	**0.52**	**0.54**	**0.58**
GSe (Old)	9.0	5,204	5,313	5,486	834	866	921	0.52	0.54	0.58
% diff	*0%*	*-1%*	*-1%*	*0%*	*0%*	*-1%*	*0%*	*0%*	*-1%*	*0%*
Wind Consensus		5,309	5,578	5,933	798	855	942	0.50	0.54	0.59
% diff		*-3%*	*-6%*	*-8%*	*4%*	*0%*	*-2%*	*4%*	*0%*	*-2%*

Share prices as of Oct 12.

Source: Wind, Goldman Sachs Global Investment Research

Exhibit 2: For 3Q26E, we expect our BM coverage to on average deliver 1%/-5% yoy revenue and net profit growth.
Previewing 3Q26 results for our China building materials coverage companies

Rmb mn	2025 1Q25	2025 2Q25	2025 3Q25	2025 4Q25	2025 FY25	2026 1Q26	2026 2Q26	2026 3Q26E	2026 4Q26E	2026 FY26E
Oriental Yuhong										
Sales	5,955	7,614	7,032	6,978	27,579	7,190	7,677	7,735	8,484	31,086
yoy chg%	*-17%*	*-6%*	*9%*	*10%*	*-2%*	*21%*	*1%*	*10%*	*22%*	*13%*
GPM (%)	23.7%	26.7%	24.8%	23.7%	24.8%	27.0%	27.7%	23.8%	24.1%	25.6%
EBIT	210	486	320	-652	364	511	367	379	460	1,716
yoy chg%	*-55%*	*-36%*	*-15%*	*-32%*	*-44%*	*143%*	*-24%*	*18%*	*-171%*	*371%*
EBIT margin (%)	3.5%	6.4%	4.6%	-9.3%	1.3%	7.1%	4.8%	4.9%	5.4%	5.5%
Net profit	192	372	245	-696	113	402	212	342	437	1,393
yoy chg%	*-45%*	*-38%*	*-27%*	*-40%*	*5%*	*109%*	*-43%*	*40%*	*-163%*	*1129%*
Net margin (%)	3.2%	4.9%	3.5%	-10.0%	0.4%	5.6%	2.8%	4.4%	5.1%	4.5%
BNBM										
Sales	6,246	7,312	6,347	5,375	25,280	6,164	6,468	6,324	5,421	24,376
yoy chg%	*5%*	*-4%*	*-6%*	*-2%*	*-2%*	*-1%*	*-12%*	*0%*	*1%*	*-4%*
GPM (%)	28.9%	31.5%	27.8%	26.2%	28.8%	29.6%	28.0%	29.0%	28.6%	28.8%
EBIT	891	1,210	667	265	3,034	860	629	705	420	2,614
yoy chg%	*4%*	*-19%*	*-33%*	*-38%*	*-20%*	*-3%*	*-48%*	*6%*	*58%*	*-14%*
EBIT margin (%)	14.3%	16.6%	10.5%	4.9%	12.0%	14.0%	9.7%	11.2%	7.7%	10.7%
Net profit	842	1,087	657	320	2,906	804	572	630	358	2,364
yoy chg%	*2%*	*-22%*	*-29%*	*-36%*	*-20%*	*-5%*	*-47%*	*-4%*	*12%*	*-19%*
Net margin (%)	13.5%	14.9%	10.3%	6.0%	11.5%	13.0%	8.8%	10.0%	6.6%	9.7%
Skshu										
Sales	2,130	3,686	3,575	3,136	12,527	2,436	3,603	3,520	3,383	12,942
yoy chg%	*3%*	*0%*	*6%*	*6%*	*3%*	*14%*	*-2%*	*-2%*	*8%*	*3%*
GPM (%)	31.0%	33.1%	33.6%	36.7%	33.8%	30.8%	29.9%	29.8%	31.3%	30.4%
EBIT	5	425	361	39	830	55	248	201	186	690
yoy chg%	*-107%*	*179%*	*53%*	*-129%*	*348%*	*978%*	*-41%*	*-44%*	*376%*	*-17%*
EBIT margin (%)	0.2%	11.5%	10.1%	1.2%	6.6%	2.2%	6.9%	5.7%	5.5%	5.3%
Net profit	106	330	308	31	775	107	194	182	154	637
yoy chg%	*125%*	*103%*	*54%*	*-141%*	*133%*	*1%*	*-41%*	*-41%*	*390%*	*-18%*
Net margin (%)	5.0%	9.0%	8.6%	1.0%	6.2%	4.4%	5.4%	5.2%	4.5%	4.9%
Vasen										
Sales	895	1,183	1,289	2,015	5,382	813	1,084	1,250	2,014	5,161
yoy chg%	*-10%*	*-12%*	*-10%*	*-19%*	*-14%*	*-9%*	*-8%*	*-3%*	*0%*	*-4%*
GPM (%)	40.5%	40.5%	43.0%	40.2%	41.0%	41.4%	41.9%	42.5%	40.6%	41.4%
EBIT	127	168	248	243	786	99	152	229	289	769
yoy chg%	*-13%*	*-23%*	*-17%*	*-30%*	*-22%*	*-22%*	*-10%*	*-8%*	*19%*	*-2%*
EBIT margin (%)	14.2%	14.2%	19.2%	12.1%	14.6%	12.2%	14.0%	18.3%	14.4%	14.9%
Net profit	114	157	268	201	741	119	271	229	212	831
yoy chg%	*-26%*	*-16%*	*-5%*	*-39%*	*-22%*	*5%*	*72%*	*-15%*	*5%*	*12%*
Net margin (%)	12.7%	13.3%	20.8%	10.0%	13.8%	14.7%	25.0%	18.3%	10.5%	16.1%

Source: Company data, Goldman Sachs Global Investment Research

Global building material comp sheet and cost tracker

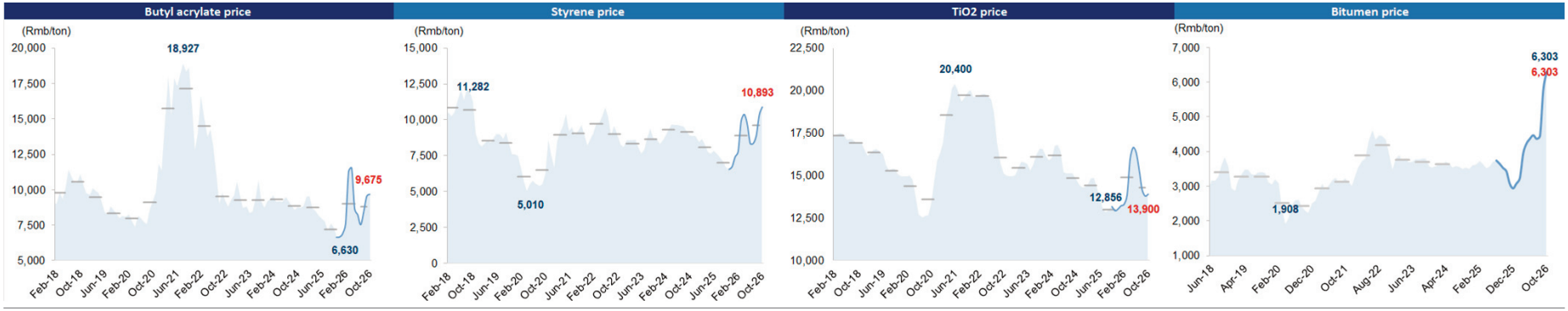
Exhibit 3: Global building material comp sheet

Building materials		MV	GS rating	Analyst name	Price on	12m TP	Potential upside/ downside	Absolute performance (%)		Trading P/E (x)				Revenue (USD mn)					Net profit (USD mn)					Net margin				Dividend yield			
		($bn)			Oct-12			YTD	1-yr	25	26E	27E	28E	25	26E	27E	28E	CAGR 26E-28E	25	26E	27E	28E	CAGR 26E-28E	25	26E	27E	28E	26E	27E	28E	Avg 26E-28E
China																															
Waterproof																															
Oriental Yuhong	**002271.SZ**	**3.8**	**Buy**	**Yi Wang, CFA**	**10.8**	**15.4**	**42%**	**-20%**	**-17%**	**228**	**19**	**11**	**8**	**3,854**	**4,782**	**5,456**	**6,108**	**9**	**16**	**214**	**386**	**518**	**50**	**0%**	**4%**	**7%**	**8%**	**5%**	**6%**	**6%**	**6%**
Keshun	300737.SZ	0.7	NC		4.6	n.a.	n.a.	-17%	-10%	(10)	19	12	9	845	983	1,119	1,259	9	-75	38	59	78	38	-9%	4%	5%	6%	n.a.	n.a.	n.a.	n.a
Canlon	300715.SZ	0.8	NC		13.7	n.a.	n.a.	31%	15%	228	48	31	25	337	395	448	491	7	3	17	27	34	38	1%	4%	6%	7%	n.a.	n.a.	n.a.	n.a
Paint																															
Skshu Paint	**603737.SS**	**2.9**	**Buy**	**Yi Wang, CFA**	**22.3**	**28.4**	**27%**	**-42%**	**-43%**	**25**	**31**	**16**	**13**	**1,751**	**1,991**	**2,227**	**2,507**	**8**	**108**	**98**	**193**	**246**	**52**	**6%**	**5%**	**9%**	**10%**	**2%**	**4%**	**4%**	**3%**
Asia Cuanon	603378.SS	0.3	NC		4.4	n.a.	n.a.	-36%	-27%	(1)	n.a.	n.a.	n.a.	65	n.a.	n.a.	n.a.	n.a	-193	n.a.	n.a.	n.a.	n.a	-299%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Gypsum board																															
BNBM	**000786.SZ**	**4.1**	**Buy**	**Yi Wang, CFA**	**16.5**	**20.1**	**22%**	**-34%**	**-32%**	**10**	**12**	**9**	**7**	**3,533**	**3,750**	**4,099**	**4,533**	**6**	**406**	**364**	**496**	**631**	**27**	**11%**	**10%**	**12%**	**14%**	**3%**	**4%**	**5%**	**4%**
Pipe																															
Vasen	**002372.SZ**	**2.1**	**Neutral**	**Yi Wang, CFA**	**8.9**	**9.0**	**1%**	**-14%**	**-11%**	**19**	**17**	**17**	**15**	**752**	**794**	**846**	**911**	**3**	**104**	**128**	**137**	**153**	**5**	**14%**	**16%**	**16%**	**17%**	**5%**	**5%**	**5%**	**5%**
Era	002641.SZ	0.7	NC		3.8	n.a.	n.a.	-12%	-12%	76	43	21	14	863	n.a.	n.a.	n.a.	6	9	n.a.	n.a.	n.a.	74	1%	2%	3%	5%	n.a.	n.a.	n.a.	n.a
Xiongsu	300599.SZ	0.7	NC		14.2	n.a.	n.a.	74%	84%	(62)	n.a.	n.a.	n.a.	127	n.a.	n.a.	n.a.	n.a	-11	n.a.	n.a.	n.a.	n.a	-9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Lesso	2128.HK	1.2	NC		3.1	n.a.	n.a.	-33%	-33%	8	7	6	5	3,398	3,753	4,152	4,579	6	176	220	305	325	17	5%	6%	7%	7%	n.a.	n.a.	n.a.	n.a
Median (4 companies)								**-26%**	**-27%**	**22**	**18**	**14**	**11**					**7**					**38**	**9%**	**7%**	**10%**	**12%**	**4%**	**5%**	**5%**	**5%**
APAC (excl. China)																															
Paint & Waterproof																															
Asian Paint	ASPN.BO	24.2	Sell	Arnab Mitra	2339.1	2,725.0	16%	-16%	0%	61	52	43	40	3,890	3,707	4,352	4,648	11	421	451	552	603	14	11%	12%	13%	13%	1%	1%	1%	1%
Nippon paint	4612.T	18.5	Buy	Atsushi Ikeda	1243.0	1,460.0	17%	19%	19%	16	14	13	12	11,854	11,265	12,852	14,501	3	1,197	1,257	1,485	1,720	7	10%	11%	12%	12%	1%	2%	2%	2%
Sanitary ware																															
Toto	5332.T	6.3	Buy	Sachiko Okada	6068.0	11,100.0	83%	40%	55%	85	25	20	15	4,840	4,469	5,377	6,384	9	81	244	340	497	30	2%	5%	6%	8%	2%	2%	3%	2%
LIXIL Group	5938.T	3.0	Neutral	Sachiko Okada	1684.0	2,000.0	19%	-11%	-4%	242	59	38	27	10,053	9,156	10,487	11,718	3	13	49	86	131	49	0%	1%	1%	1%	3%	5%	5%	4%
Others																															
Sanwa Holdings	5929.T	4.8	Buy	Sachiko Okada	3485.0	4,300.0	23%	-15%	-16%	13	12	12	12	4,426	4,004	4,605	5,107	3	384	362	394	448	1	9%	9%	9%	9%	4%	4%	4%	4%
Reliance Worldwide	RWC.AX	2.5	Not Rated	Niraj Shah	4.7		n.a.	21%	20%	17	20	18	15	907	966	1,063	1,143	6	102	93	105	131	16	11%	10%	10%	11%	0%	0%	0%	0%
US																															
Paint & Waterproof																															
Sherwin-Williams	SHW	77.5	Buy	Duffy Fischer	319.4	410.0	28%	-1%	-4%	28	26	23	21	23,574	24,935	26,393	27,847	6	2,569	2,867	3,358	3,735	14	11%	11%	13%	13%	1%	1%	1%	1%
PPG Industries	PPG	23.1	Buy	Duffy Fischer	104.0	128.0	23%	1%	5%	14	13	12	10	15,875	16,649	17,313	17,932	4	1,721	1,761	1,924	2,044	8	11%	11%	11%	11%	3%	3%	3%	3%
Masco	MAS	13.6	Buy	Susan Maklari	68.8	89.0	29%	8%	4%	17	15	15	13	7,562	7,663	7,824	8,032	2	832	912	884	929	1	11%	12%	11%	12%	2%	2%	2%	2%
Sanitary ware																															
Fortune Brands	FBIN	4.7	Buy	Susan Maklari	39.0	58.0	49%	-22%	-19%	11	11	11	10	4,463	4,349	4,442	4,598	3	435	407	399	459	6	10%	9%	9%	10%	3%	3%	3%	3%
Others																															
Home Depot	HD	290.1	Buy	Kate McShane, CFA	290.7	377.0	30%	-16%	-23%	19	20	19	18	159,514	164,683	171,397	177,357	4	15,130	14,619	14,937	15,812	4	9%	9%	9%	9%	3%	3%	3%	3%
Carlisle Companies*	CSL	12.7	Buy	Susan Maklari	320.4	464.0	45%	0%	-2%	17	15	13	11	5,020	5,232	5,448	5,645	4	839	841	909	980	8	17%	16%	17%	17%	1%	2%	2%	2%
Owens Corning	OC	9.0	Neutral	Susan Maklari	114.2	128.0	12%	2%	-9%	10	12	11	8	10,103	9,914	10,333	10,694	4	1,012	781	795	993	13	10%	8%	8%	9%	3%	3%	3%	3%
Europe																															
Waterproof																															
Sika	SIKA.S	35.3	Buy	Ben Rada Martin	173.8	225.0	29%	7%	1%	27	23	21	18	14,179	15,832	16,447	17,334	5	1,322	1,626	1,838	2,099	14	9%	10%	11%	12%	2%	2%	3%	2%
Sanitary ware																															
Geberit Holdings	GEBN.S	22.3	Buy	Daniela Costa	528.6	652.0	23%	-15%	-12%	28	27	24	22	4,004	4,465	4,638	4,889	5	787	875	961	1,040	10	20%	20%	21%	21%	3%	3%	3%	3%
Others																															
Saint-Gobain	SGOB.PA	37.4	Neutral	Ben Rada Martin	64.9	85.0	31%	-25%	-27%	10	10	10	9	52,553	52,374	54,210	56,137	2	3,741	3,549	3,686	4,135	7	7%	7%	7%	7%	4%	4%	4%	4%
Assa Abloy B	ASSAb.ST	39.5	Neutral	Daniela Costa	348.7	387.0	11%	-3%	5%	26	22	19	17	15,712	18,044	20,644	23,026	9	1,516	2,027	2,409	2,738	12	10%	11%	12%	12%	2%	2%	3%	2%
Median (all global peers)								**-3%**	**-4%**	**21**	**17**	**15**	**13**					**5**					**11**	**10%**	**10%**	**11%**	**10%**	**2%**	**3%**	**3%**	**2%**

* Denotes stock is on the APAC Conviction List. Estimates for not covered (NC) companies based on Wind/Datastream.

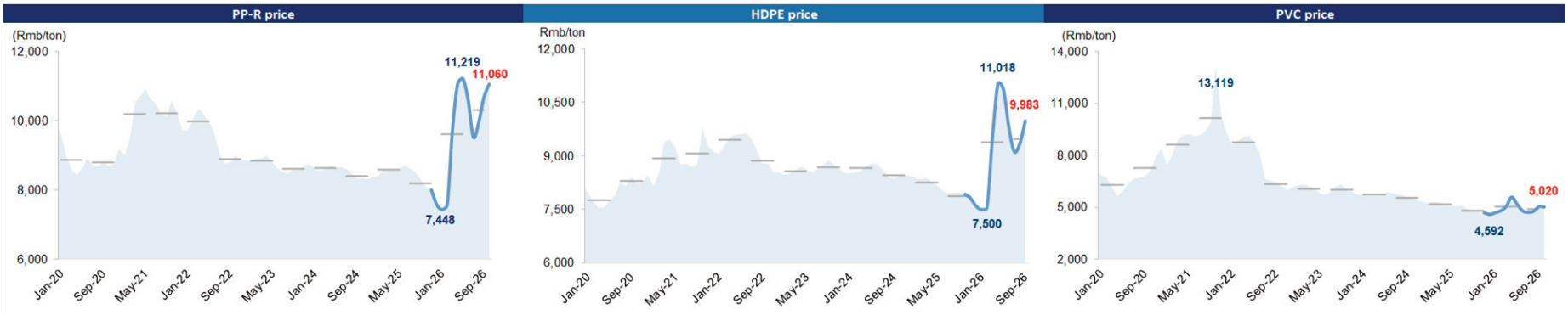
Source: Datastream, Wind, Company data, Goldman Sachs Global Investment Research

Exhibit 4: Summary of major raw material prices for waterproofing and paint



Source: Wind, Data compiled by Goldman Sachs Global Investment Research

Exhibit 5: Summary of raw material prices for plastic pipes



Source: Wind, Data compiled by Goldman Sachs Global Investment Research

Investment theses

Oriental Yuhong

Investment Thesis: As China's leading waterproofing materials producer by revenue, Oriental Yuhong is well-positioned to navigate a consolidating but plateauing domestic TAM by capturing structural growth through overseas expansion and reinforcing its domestic leadership via low-tier retail penetration. For the near-term, while the market remains focused on the prolonged weakness in domestic property and infrastructure new-builds, we believe Yuhong will demonstrate resilience driven by accelerated overseas ramp-up (production bases approaching optimal utilization and production/sales ratios, and incremental M&As), its "3515 Plan" execution (points of sale expansion and improving same-store economics), and cross-selling progress (specifically paint and mortar). In the longer-term, we see sector-leading CROCI and FCF expansion potential to underpin valuation upgrades given Yuhong currently trades below global peers average. We are Buy rated on the company.

Price Target Risks and Methodology

Valuation: Our 12-m 9.1X EV/GCI vs. CROCI-based target price is Rmb15.4.

Key risks: 1) Below-expectation overseas expansion due to miss in production capacity launch, distribution channel developments, and M&A integration synergies; 2) Below-expectation waterproof demand or execution slips in penetrating lower-tier markets; 3) Weaker-than-expected nationwide construction activities; 4) Higher-or-more-prolonged-than-expected increase in raw material prices; 5) Slower-than-expected growth of non-waterproofing businesses; 6) Larger-than-expected impairment losses relating to receivables due from risky developers customers and property collateral assets.

Exhibit 6: Yuhong

002271.SZ	12m Price Target: Rmb15.4	Price: Rmb10.9	Upside: 41.3%

Buy

Market cap: Rmb26.0bn / $3.9bn
Enterprise value: Rmb28.5bn / $4.3bn
3m ADTV :Rmb522.4mn/ $77.6mn
China
China Property Services
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**27,578.7**	**31,085.6**	**33,988.7**	**36,706.8**
Revenue (Rmb mn) Old	27,578.7	30,542.1	33,323.3	36,039.0
EBITDA (Rmb mn)	1,551.9	3,030.5	4,404.4	5,293.4
EPS (Rmb) New	**0.05**	**0.58**	**1.01**	**1.30**
EPS (Rmb) Old	0.05	0.61	1.07	1.36
P/E (X)	NM	18.7	10.8	8.4
P/B (X)	1.5	1.3	1.2	1.1
Dividend yield (%)	7.5	5.3	5.5	6.0
CROCI (%)	10.8	11.2	15.7	17.6
	3/26	**6/26**	**9/26E**	**12/26E**
EPS (Rmb)	0.17	0.09	0.14	0.18

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 09 Oct 2026 close.

Beijing New Building Materials

Investment Thesis: BNBM is the world's largest producer of gypsum boards in terms of production and sales volume, a material used to make suspended ceilings and drywall.

While the gypsum board industry faces near-term volume pressure from weak property completions and intensified regional competition from low-end brands, we see a path to top-line stabilization and bottom-line recovery from 2H26E, driven by management's pivot to volume-price rebalancing, lower-tier city channel penetration, and high-end new product (GF board) ramp-up, with operating leverage on underutilized capacity amplifying the margin recovery. We believe the company's strength in its diversified multi-brand portfolio, clear operational optimization roadmap, and tangible medium-term margin recovery trajectory are underappreciated at current valuations, with the cyclical trough largely priced in. Beyond the core business, the non-gypsum segments (waterproofing, coatings) are entering an earnings normalization phase as legacy impairment charges decline and Carpoly integration progresses, providing an additional recovery lever. We are Buy rated on the stock.

Price Target Risks and Methodology

Valuation: Our 12-m 6.8X EV/GCI vs. CROCI-based target price is Rmb20.1.

Key downside risks: 1) lower-than-expected domestic property completions, further compressing gypsum board demand; 2) stronger-than-expected regional penetration or nationwide capacity expansion by new entrants, leading to fiercer price and volume competition; 3) worse-than-expected execution of the internal realignment of gypsum board brands, in terms of coordinated price hikes and cost efficiency improvements; 4) lower-than-expected revenue growth and margins delivered by other business verticals (waterproofing, coatings, metal framing), due to weaker-than-expected cross-selling opportunity capture; 5) higher-than-expected raw material and energy costs, especially facing paper which accounts for ~35%–40% of BNBM's gypsum board COGS, and coal and power which together make up ~15%–20% of segment COGS; 6) worse-than-expected operational synergies from M&A integrations (especially the Carpoly integration).

BNBM

000786.SZ	12m Price Target: Rmb20.1	Price: Rmb16.65	Upside: 20.7%

Buy

Market cap: Rmb28.1bn / $4.2bn
Enterprise value: Rmb27.4bn / $4.1bn
3m ADTV :Rmb395.5mn/ $58.7mn
China
China Property Services
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**25,280.3**	**24,376.4**	**25,534.9**	**27,245.5**
Revenue (Rmb mn) Old	25,280.3	24,376.4	25,617.0	27,415.8
EBITDA (Rmb mn)	4,152.4	3,827.9	4,809.0	5,689.1
EPS (Rmb) New	**1.72**	**1.40**	**1.83**	**2.25**
EPS (Rmb) Old	1.72	1.40	1.84	2.27
P/E (X)	15.8	11.9	9.1	7.4
P/B (X)	1.7	1.0	0.9	0.9
Dividend yield (%)	2.5	3.4	4.4	5.4
CROCI (%)	11.9	9.5	10.8	11.8
	3/26	**6/26**	**9/26E**	**12/26E**
EPS (Rmb)	0.48	0.34	0.37	0.21

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 09 Oct 2026 close.

Skshu Paint Co.

Investment Thesis: Skshu Paint is China's largest local supplier of architectural paint. We believe sector TAM likely bottomed-out in 2027E, supported by the retail revenue pool expanding steadily. After several years of retail-focused restructuring and business

incubation, we think Skshu is positioned strongly to leverage its new retail growth engines, namely urban housing repaint and rural housing upgrading, to offset the adversity from the property market decline and restore topline growth momentum. We also view constructively the impacts of rising retail exposure on products' pricing power, margin and cash turnover. Coupled with headcount-reduction-driven SG&A expense optimization and limited lingering impairments from property developers, we expect Skshu's net margin and EPS to expand at an above-peer level. Skshu currently trades below global peers average EV/DACF despite robust FCF generation visibility and faster CROCI recovery pathway in upcoming years. We are Buy rated on the company.

Price Target Risks and Methodology

Valuation: Our 12-m 14.7X EV/GCI vs. CROCI-based target price is Rmb28.4.

Key risks: 1) Weaker-than-expected execution in new retail business development, especially in Mashangzhu store count expansion and deepening Beautiful Rural penetration; 2) weaker-than-expected product ASP and margins due to intensified competition; 3) slower-than-expected SG&A expense optimization progress due to missteps in headcount reduction and higher expenditure in promoting fast-growing retail segments; 4) an unexpected surge in raw material (over 80% of Skshu's COGS) prices, leading to margin squeeze.

Skshu

603737.SS	12m Price Target: Rmb28.4	Price: Rmb23.21	Upside: 22.4%

Buy

Market cap: Rmb20.5bn / $3.1bn
Enterprise value: Rmb22.3bn / $3.3bn
3m ADTV :Rmb247.6mn/ $36.8mn
China
China Property Services
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**12,527.5**	**12,942.4**	**13,871.6**	**15,064.7**
Revenue (Rmb mn) Old	12,527.5	13,229.3	14,294.0	15,567.3
EBITDA (Rmb mn)	1,357.7	1,263.3	1,937.3	2,348.5
EPS (Rmb) New	**0.88**	**0.72**	**1.36**	**1.67**
EPS (Rmb) Old	0.88	0.80	1.51	1.83
P/E (X)	37.2	32.2	17.1	13.9
P/B (X)	10.0	6.5	5.6	4.8
Dividend yield (%)	0.2	1.7	3.4	4.3
CROCI (%)	25.9	18.4	23.7	27.1
	3/26	**6/26**	**9/26E**	**12/26E**
EPS (Rmb)	0.12	0.22	0.21	0.17

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 09 Oct 2026 close.

Vasen

Investment Thesis: Vasen is a leading producer of plastic piping systems in China, with a niche focus on residential indoor pipes. With PP-R pipe TAM likely to continue contracting in the coming years and competition from project-channel-focused players intensifying, we expect Vasen to continuously focus on retail channel reinforcement and service-based product cross-selling that could differentiate the company from peers. Meanwhile, the company has been exploring topline opportunities in lower-tier markets and regions beyond traditional areas of strength. That said, we think it will take time for these efforts to eventually work out and to support its revenue growth momentum back to prior property-down cycle level, with SG&A expenses pressure likely to remain above peers. In the near-to-mid-term, we expect only moderate margin recovery and gradual CROCI improvement trajectory amid weak consumer confidence. Overall, we see

balanced risk-reward and are Neutral rated on the stock.

Price Target Risks and Methodology

Valuation: Our 12-m 12.3X EV/GCI vs. CROCI-based target price is Rmb9.0.

Key risks: 1) Faster/weaker-than-expected cross-selling of waterproof coating and other new products due to successful/weak execution of Vasen's "product + service" strategy; 2) confidence recovery which accelerates home renovation, or prolonged consumer sentiment weakness resulting in further postponement of pipe replacement; 3) stronger/weaker-than-expected expansion in areas outside and lower-tier markets surrounding Vasen's traditionally strong regions due to above/below-expectation sales campaigns and channel expansion.4) an unexpected drop/surge in raw material (60% of Vasen's COGS, including PP/PE/PVC) prices.

Vasen

002372.SZ	12m Price Target: Rmb9	Price: Rmb8.98	Upside: 0.2%

Neutral	GS Forecast				
		12/25	12/26E	12/27E	12/28E
Market cap: Rmb14.3bn / $2.1bn	**Revenue (Rmb mn) New**	**5,382.0**	**5,160.6**	**5,268.3**	**5,475.3**
Enterprise value: Rmb13.1bn / $2.0bn	Revenue (Rmb mn) Old	5,382.0	5,204.1	5,312.7	5,485.6
3m ADTV :Rmb110.3mn/ $16.4mn	EBITDA (Rmb mn)	977.9	976.3	1,140.2	1,245.1
China	**EPS (Rmb) New**	**0.47**	**0.52**	**0.54**	**0.58**
China Property Services	EPS (Rmb) Old	0.47	0.52	0.54	0.58
	P/E (X)	24.0	17.2	16.8	15.5
M&A Rank: 3	P/B (X)	3.6	2.9	2.8	2.7
Leases incl. in net debt & EV?: No	Dividend yield (%)	4.0	5.1	4.8	4.8
	CROCI (%)	14.0	12.6	14.4	14.7
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	0.08	0.17	0.14	0.13

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 09 Oct 2026 close.