Haitian Flavouring (603288 CH/3288 HK)

A/H: Hold/Hold: Margins under pressure amid cost headwinds

Equities
Food Products

China

- 3Q26 results: revenue largely in line, net profit missed
- With weak recovery in catering and cost pressure, we cut our 2026-28 earnings estimates by 12-14%
- Maintain Hold rating on A/H shares; lower A-share TP to RMB31.30 (from RMB39.70) and H-share TP to HKD28.70 (from HKD37.00)

3Q26 results: Revenue largely in line, net profit missed: Haitian's 3Q26 revenue grew 0.1% y-o-y, representing a sequential slowdown vs 1Q26 and 2Q26. This was likely due to muted shipments, especially in the catering channel, as domestic consumption and catering are still recovering (9M26 retail sales and catering revenue grew 1.1% and 2.4% y-o-y, respectively (source: Bureau of Statistics). Haitian has also been more focused on maintaining healthy inventory levels. 3Q26 net profit declined 15.4%, with GPM down 2.3ppt to 37.3% and NPM down 3.4ppt to 18.6%, mainly due to higher raw material prices (the average price of soybeans/PET rose 8%/31% y-o-y in 3Q26, source:Wind). Haitian's A/H shares have declined 7%/22% over the past three months (vs CSI 300/HSI, down 12%/9% over the same period), driven by weak sentiment towards consumer stocks and market concerns over the company's earnings. A-share's outperformce vs the index is likely due to the company's A-share valuation beign at a historical trough level.

Lower earnings estimates: We cut our 2026-28e revenue by 4%, 6.5%, and 6%, mainly due to weak domestic consumption. We lower our 2026-28e GPM by 1.5ppt, 2.1ppt, and 1.8ppt, respectively, mainly because we expect cost pressures to persist (HSBC GIR raised its Brent forecast to USD90/b for 2026 and USD85/b for 2027; see *Oil Markets: Raising forecasts on disrupted Hormuz new normal*, Kim Fustier). Overall, we lower our 2026-28e net profit estimates by 12%, 14%, and 12%, respectively. We now expect Haitian's 4Q26 revenue and net profit to decline by 1% y-o-y and 8.5% y-o-y, implying 2026e full-year revenue and net profit growth of 2.9% and -1.3%, respectively. However, we expect 2027e revenue growth to rise to 5.1%, likely driven by lower inventory at end-2026e and, hence, higher restocking demand from downstream.

Improved shareholder returns provide downside support. Haitian has announced share buyback plans for both its A-shares (RMB1-2bn) and H-shares (no more than HKD500m). A- and H-shares are now trading at dividend yields of 3.6% and 3.9%, respectively, for 2026e, and 5.8% and 6.1%, respectively, for 2027e.

Maintain Hold rating on A/H shares; lower A-share TP to RMB31.30 (from RMB39.70) and H-share TP to HKD28.70 (from HKD37.00). We continue to use a DCF model to value Haitian, with unchanged key assumptions including a WACC of 8.1% and a terminal growth rate of 3.5%. We cut our 2028-35 EBIT CAGR estimate from 5% to 4% and, hence, our 2028-35 FCF CAGR estimate from 4% to 3% in our DCF model, as we are more cautious about the recovery in domestic consumption. With our updated 2026-28 earnings estimates and the rolling forward of the valuation base year from 2026 to 2027, we lower our A-share TP to RMB31.30 (from RMB39.70). We use Haitian's historical average A-H share price premium of 29.0% (previously 26.2%) and our FX team's end-2027 RMB/HKD forecast of 1.19 (previously our end-2026 forecast was 1.17) to derive our H-share TP of HKD28.70 (previously HKD37.00). Our A/H TPs imply c9% downside and c13% upside from current levels, respectively. We maintain our Hold rating on both share classes as we haven't seen a meaningful pivot in domestic consumption and expect cost pressure to weigh on the company's margins. In addition, Haitian's A-share valuation has already reached a historical trough level and we see limited further downside from here. See key upside and downside risks on *page 3*.

A: MAINTAIN HOLD

TARGET PRICE (RMB)	PREVIOUS TARGET (RMB)
31.30	39.70
SHARE PRICE (RMB)	**UPSIDE/DOWNSIDE**
34.53	-9.4%

(as of 29 Oct 2026)

H: MAINTAIN HOLD

TARGET PRICE (HKD)	PREVIOUS TARGET (HKD)
28.70	37.00
SHARE PRICE (HKD)	**UPSIDE/DOWNSIDE**
25.50	+12.5%

(as of 29 Oct 2026)

MARKET DATA

BBG / RIC(A / H)	603288.SS/3288.HK
Market cap (HKDm / USDm)	233,229/29,727
Free float (A / H)	26%/0%
3m ADTV (USDm) (A / H)	80/8

FINANCIALS AND RATIOS (RMB)

Year to	12/2025a	12/2026e	12/2027e	12/2028e
HSBC QH EPS	1.20	1.19	1.27	1.39
HSBC QH EPS prev	1.20	1.35	1.48	1.58
Change (%)	0.1	-11.7	-14.3	-12.2
Consensus EPS	1.22	1.31	1.43	1.55

Source: LSEG IBES, HSBC Qianhai Securities estimates

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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Qianhai Securities Limited

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Financials & valuation

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (RMBm)				
Revenue	28,873	29,725	31,245	33,366
EBITDA	8,900	9,189	9,513	10,290
Depreciation & amortisation	-808	-795	-783	-750
Operating profit/EBIT	8,092	8,395	8,730	9,540
Net interest	504	-19	190	229
PBT	8,595	8,376	8,920	9,769
HSBC Qianhai PBT	8,595	8,376	8,920	9,769
Taxation	-1,550	-1,424	-1,516	-1,661
Net profit	7,038	6,950	7,402	8,106
HSBC Qianhai net profit	7,038	6,950	7,402	8,106
Cash flow summary (RMBm)				
Cash flow from operations	7,746	8,643	7,664	10,357
Capex	-1,284	-500	-500	-500
Cash flow from investment	-13,730	-500	-500	-500
Dividends	-8,356	-7,305	-7,780	-8,521
Change in net debt	2,222	-195	-216	-2,457
FCF equity	6,462	8,143	7,164	9,857
Balance sheet summary (RMBm)				
Intangible fixed assets	866	837	809	781
Tangible fixed assets	6,873	6,607	6,352	6,130
Current assets	37,984	38,120	38,024	40,914
Cash & others	9,545	9,741	9,957	12,415
Total assets	52,184	52,025	51,646	54,287
Operating liabilities	10,126	10,965	10,132	12,066
Gross debt	219	219	219	219
Net debt	-9,327	-9,522	-9,739	-12,196
Shareholders' funds	41,330	40,329	40,781	41,486
Invested capital	26,051	24,858	25,095	23,344

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	7.3	2.9	5.1	6.8
EBITDA	12.7	3.2	3.5	8.2
Operating profit	15.4	3.7	4.0	9.3
PBT	14.4	-2.6	6.5	9.5
HSBC Qianhai EPS	10.9	-1.3	6.5	9.5
Ratios (%)				
Revenue/IC (x)	1.3	1.2	1.3	1.4
ROIC	29.3	27.4	29.0	32.7
ROE	19.5	17.0	18.3	19.7
ROA	15.2	13.4	14.3	15.3
EBITDA margin	30.8	30.9	30.4	30.8
Operating profit margin	28.0	28.2	27.9	28.6
EBITDA/net interest (x)		485.2		
Net debt/equity	-22.3	-23.3	-23.6	-29.0
Net debt/EBITDA (x)	-1.0	-1.0	-1.0	-1.2
CF from operations/net debt				
Per share data (RMB)				
EPS reported (diluted)	1.20	1.19	1.27	1.39
HSBC Qianhai EPS (diluted)	1.20	1.19	1.27	1.39
DPS	1.43	1.25	1.33	1.46
Book value	7.07	6.90	6.98	7.10

Valuation data: 3288 HK

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	6.3	6.1	5.8	5.4
EV/EBITDA	20.5	19.8	19.1	17.4
EV/IC	7.0	7.3	7.3	7.7
PE*	18.0	18.2	17.1	15.6
PB	3.1	3.1	3.1	3.1
FCF yield (%)	3.3	4.1	3.6	5.0
Dividend yield (%)	6.6	5.8	6.1	6.7

* Based on HSBC Qianhai EPS (diluted)

Valuation data: 603288 CH

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	6.3	6.1	5.8	5.4
EV/EBITDA	20.5	19.8	19.1	17.4
EV/IC	7.0	7.3	7.2	7.7
PE*	28.7	29.1	27.3	24.9
PB	4.9	5.0	5.0	4.9
FCF yield (%)	3.3	4.1	3.6	5.0
Dividend yield (%)	4.1	3.6	3.9	4.2

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

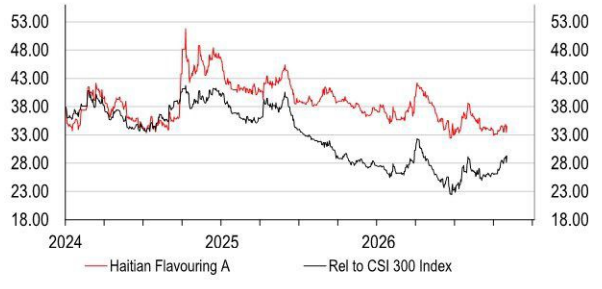
Environmental Indicators	12/2024a
GHG emission intensity*	115.7
Energy intensity*	339.2
CO_2 reduction policy	Yes
Social Indicators	**12/2024a**
Employee costs as % of revenues	7
Employee turnover (%)	n/a
Diversity policy	Yes

Governance Indicators	12/2025a
No. of board members	9
Average board tenure (years)	n/a
Female board members (%)	11.1
Board members independence (%)	33.3

Source: Company data, HSBC Qianhai Securities

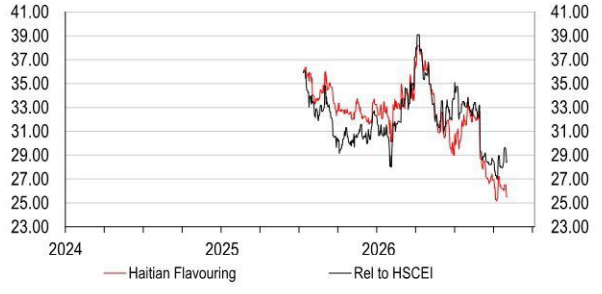
* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Price relative: 603288 CH



Source: HSBC Qianhai Securities

Price relative: 3288 HK



Source: HSBC Qianhai Securities
Note: Priced at close of 29 Oct 2026

Estimate changes

Exhibit 1. Estimate changes

	2026e			2027e			2028e		
(RMBm)	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	31,108	29,725	-4.4%	33,410	31,245	-6.5%	35,636	33,366	-6.4%
Gross margin	41.2%	39.8%	-1.5ppt	41.1%	39.0%	-2.1ppt	41.0%	39.2%	-1.8ppt
Selling expense	2,053	1,917	-6.6%	2,071	1,937	-6.5%	2,174	2,035	-6.4%
Selling expenses-to-sales ratio	6.6%	6.5%	-0.2ppt	6.2%	6.2%	0.0ppt	6.1%	6.1%	0.0ppt
Administrative expenses	1695	1783	5.2%	1803	1821	1.0%	1870	1795	-4.0%
Administrative expenses-to-sales ratio	5.4%	6.0%	0.6ppt	5.4%	5.8%	0.4ppt	5.2%	5.4%	0.1ppt
Income tax rate	17.0%	17.0%	0.0ppt	16.0%	17.0%	1.0ppt	16.0%	17.0%	1.0ppt
Net profit	7,876	6,950	-11.8%	8,649	7,402	-14.4%	9,246	8106	-12.3%
Net profit margin	25.3%	23.4%	-1.9ppt	25.9%	23.7%	-2.2ppt	25.9%	24.3%	-1.6ppt

Source: Company data, HSBC Qianhai Securities estimates

Exhibit 2. Sensitivity analysis of 2027e net profit

	2027e GPM				
	37.5%	38.5%	39.0%	39.5%	40.5%
2027e net profit (RMBm)	7,013	7,272	7,402	7,531	7,791
Change in net profit	-5.3%	-1.8%	0.0%	1.8%	5.3%

Source: HSBC Qianhai Securities estimates

Our 2026-28e earnings estiamtes are 9-11% below VA consensus, mainly because we are more cautious on Haitian's margins amid cost headwinds.

Exhibit 3. HSBC Qianhai estimates vs consensus

(RMBm)	HSBC Qianhai estimates			VA consensus			Diff.		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue	29,725	31,245	33,366	30,740	32,823	35,019	-3.3%	-4.8%	-4.7%
Net profit	6,950	7,402	8,106	7,636	8,351	9,012	-9.0%	-11.4%	-10.0%

Source: HSBC Qianhai Securities estimates, Visible alpha consensus

Valuation and risks

We continue to use a DCF model to value Haitian, with unchanged key assumptions including a WACC of 8.1% and a terminal growth rate of 3.5%. With our updated 2026-28 earnings estimates and the roll-forward of the valuation base year to 2027 (from 2026), we lower our A-share TP to RMB31.30 (from RMB39.70). We use Haitian's historical average A-H share price premium of 29.0% (previously 26.2%) and our FX team's end-2027 RMB/HKD forecast of 1.19 (previously our end-2026 forecast was 1.17) to derive our H-share TP of HKD28.70 (previously HKD37.00). Our A/H TPs imply c9% downside and c13% upside from current levels, respectively. We maintain our Hold rating on both share classes as we haven't seen a meaningful pivot in domestic consumption and expect cost pressure to weigh on the company's margins. In addition, Haitian's A-share valuation has already reached a historical trough level and we see limited further downside from here.

Key upside risks: Lower-than-expected raw material costs, better-than-expected development of small product categories, faster-than-expected channel expansion, faster-than-expected recovery of catering demand, and faster-than-expected recovery in domestic consumer spending.

Key downside risks: Macro-economic slowdown, slower-than-expected recovery in catering demand, rising raw material costs, slower-than-expected business expansion, and food safety risks.

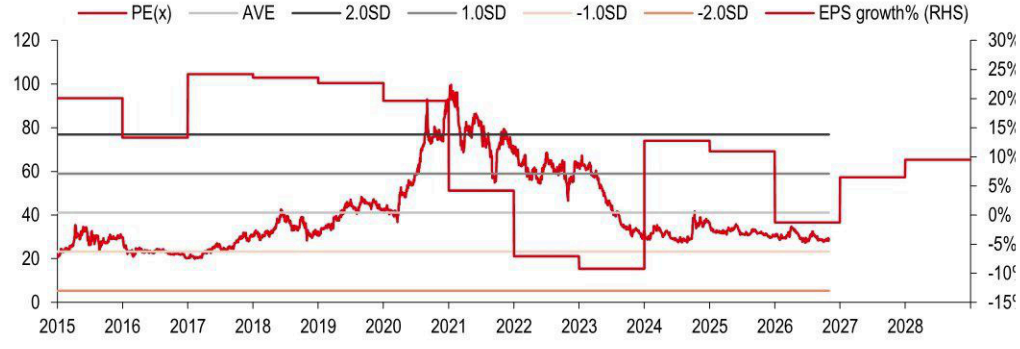
Exhibit 4. Haitian: DCF model

(RMBm)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e
EBIT	8,395	8,730	9,540	10,017	10,518	10,938	11,376	11,831	12,304	12,735	13,181
Y-o-y change (%)	4%	4%	9%	5%	5%	4%	4%	4%	4%	4%	4%
Free cash flow	6,721	7,967	8,035	7,623	7,992	8,502	8,824	9,159	9,507	9,823	10,150
Y-o-y change (%)	-9%	19%	1%	-5%	5%	6%	4%	4%	4%	3%	3%
Old EBIT	9,099	9,919	10,591	11,227	11,900	12,495	13,120	13,645	14,190	14,687	
Y-o-y change (%)	12%	9%	7%	6%	6%	5%	5%	4%	4%	4%	
Old Free cash flow	7,795	8,760	10,209	9,841	10,462	11,210	11,785	12,269	12,772	13,228	
Y-o-y change (%)	6%	12%	17%	-4%	6%	7%	5%	4%	4%	4%	

Perpetual growth rate	3.5%	Discounted free cash flow	61,903
WACC	8.1%	Discounted terminal value	111,782
Cost of debt after tax	3.6%	Enterprise value	173,685
Cost of equity	8.1%	Net cash (debt)	9,739
Risk-free rate	4.25%	Equity value	183,425
Risk premium	4.75%		
Beta coefficient	0.82		
		A-H share price premium	29.0%
		RMB-HKD assumption	1.19
		Target price A (RMB)	**31.30**
		Target price H (HKD)	**28.70**

Source: HSBC Qianhai Securities estimates

Exhibit 5. Haitian A-share: 12-month forward PE band (x) and EPS growth (%)



Note: 2026-28e EPS growth are HSBC Qianhai Securities estimates.
Source: Wind, HSBC Qianhai Securities estimates

Exhibit 6. Haitian H-share: 12-month forward PE band (x) and EPS growth (%)



Note: 2026-28e EPS growth are HSBC Qianhai Securities estimates.
Source: Wind, HSBC Qianhai Securities estimates

Exhibit 7. Valuation comp table

Company	Ticker	Mkt cap	ADTV	Price	TP	Rating	PE (x)		PB (x)		ROE (%)		EPS growth	PEG	Dividend yield (%)	
		USDm	USDm	LC	LC		2026e	2027e	2026e	2027e	2026e	2027e	2025-28e	2026e	2026e	2027e
Haitian A*	603288 CH	29,723	78	34.53	31.30	Hold	29.1	27.3	5.0	5.0	17.0	18.3	4.8	6.0	3.6	3.9
Haitian H*	3288 HK	29,727	8	25.50	28.70	Hold	18.2	17.1	3.1	3.1	17.0	18.3	4.8	3.8	5.8	6.1
Angel Yeast	600298 CH	4,646	56	35.95		NR	17.1	14.3	2.3	2.1	13.6	14.5	17.4	1.0	1.9	2.3
Hengshun	600305 CH	1,099	8	6.68		NR	45.6	40.9	2.2	2.1	4.8	5.3	10.8	4.2	1.7	1.9
Jonjee Hi-Tech	600872 CH	2,207	29	19.22		NR	20.8	18.0	2.4	2.2	11.5	12.3	20.2	1.0	2.4	2.8
Qianhe	603027 CH	1,445	14	7.29		NR	21.6	18.8	2.8	2.7	13.0	14.5	18.7	1.2	3.7	4.9
Teway	603317 CH	2,002	19	12.66		NR	17.9	15.7	2.9	2.8	16.1	18.0	19.3	0.9	5.0	5.7
Fuling Zhacai	002507 CH	1,935	17	11.26		NR	17.1	16.4	1.4	1.4	8.3	8.2	2.3	7.4	4.0	4.1
Yihai International	1579 HK	1,907	6	14.43		NR	13.0	11.7	2.5	2.3	19.3	20.1	11.2	1.2	5.9	5.9
Average							**22.3**	**20.0**	**2.7**	**2.6**	**13.4**	**14.4**	**12.2**	**3.0**	**3.8**	**4.2**
Median							**18.2**	**17.1**	**2.5**	**2.3**	**13.6**	**14.5**	**11.2**	**1.2**	**3.7**	**4.1**

Note: ADTV is the 3-month average as of 29 October 2026. Priced as of 29 October 2026.
Source: Wind (for Not Rated stocks), HSBC Qianhai Securities estimates (for HSBC Qianhai Securities covered stocks only)

Disclosure appendix

Analyst Certification

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HSBC assigns ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Rating distribution for long-term investment opportunities

As of 30 September 2026, the distribution of all independent ratings published by HSBC is as follows:

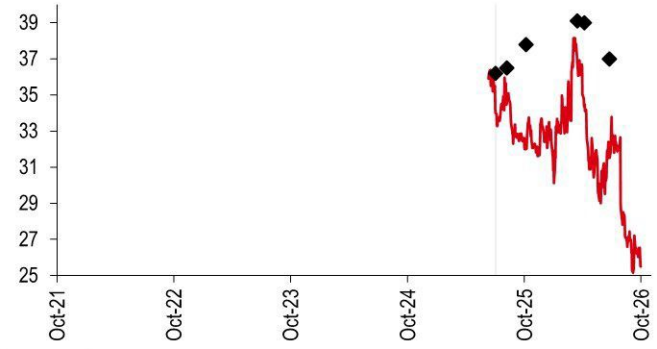
Buy	60%	(12% of these provided with Investment Banking Services in the past 12 months)
Hold	35%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	4%	(10% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions please see "Stock ratings and basis for financial analysis" above.

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Share price and rating changes for long-term investment opportunities

Haitian Flavouring (3288.HK) share price performance HKD Vs HSBC rating history



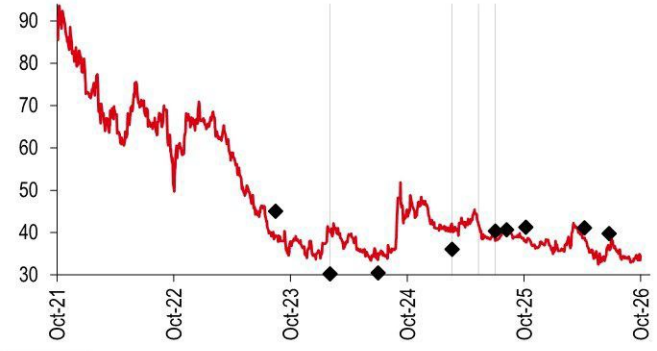
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Hold	01 Aug 2025	Kathy Song
Target price	**Value**	**Date**	**Analyst**
Price 1	36.20	01 Aug 2025	Kathy Song
Price 2	36.50	05 Sep 2025	Kathy Song
Price 3	37.80	04 Nov 2025	Kathy Song
Price 4	39.10	14 Apr 2026	Kathy Song
Price 5	39.00	06 May 2026	Kathy Song
Price 6	37.00	23 Jul 2026	Kathy Song

Source: HSBC

Haitian Flavouring A (603288.SS) share price performance CNY Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Hold	18 Feb 2019	Kathy Song
Reduce	Reduce	01 Mar 2024	Kathy Song
Hold	Hold	18 Mar 2025	Kathy Song
Restricted	Restricted	09 Jun 2025	
Hold	Hold	01 Aug 2025	Kathy Song
Target price	**Value**	**Date**	**Analyst**
Price 1	45.00	13 Sep 2023	Kathy Song
Price 2	30.20	01 Mar 2024	Kathy Song
Price 3	30.40	30 Jul 2024	Kathy Song
Price 4	36.00	18 Mar 2025	Kathy Song
Price 5	Restricted	09 Jun 2025	
Price 6	40.30	01 Aug 2025	Kathy Song
Price 7	40.60	05 Sep 2025	Kathy Song
Price 8	41.20	04 Nov 2025	Kathy Song
Price 9	41.10	06 May 2026	Kathy Song
Price 10	39.70	23 Jul 2026	Kathy Song

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
HAITIAN FLAVOURING	3288.HK	25.50	29 Oct 2026	5
HAITIAN FLAVOURING A	603288.SS	34.53	29 Oct 2026	5

Source: HSBC

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