

## China Consumer Staples

# Three key debates post results; Margin focus and product cycles amid lingering demand/deflation headwinds

Top-down, we note consumption demand sequentially stabilizing YTD (CCI stabilized in 1Q25, catering/retail sales improved in 1Q). **For results**, we observed a sequentially steadier 1Q25 growth (mostly in-line) at 4%/5% sales/NP growth vs. 3%/2% in 4Q24 and 2%/9% in 2024. The largely steady 1Q25 results and unexciting April-to-date trend for our staples coverage suggests that it will take time to see a structured recovery. The companies generally remained **prudent on forward guidance** amid policy stimulus implementation and tariff uncertainties. We continue to observe a scarcity of secular volume growth and lingering deflation/value-focus trend coming out of results. Therefore, we see **margin resilience, idiosyncratic product cycles**, and **shareholder returns** continuing to be the key themes for consumer staples amongst investors for the rest of 2025.

Our staples coverage is currently trending at 20x fwd P/E (mkt cap weighted avg.) vs. 13% 25-27E earnings CAGR (simple average), with our staples coverage delivering a 3.4% yield on average. Meanwhile, our staples coverage stock prices are up 3% YTD on average, with widening divergence in sub-sectors, led by F&B (+22%)/ pet care (+27%), which saw a clean results beat in 1Q, and dragged by condiments (-8%)/spirits (-4%). **We highlight three key debates as below:**

- **1) Rotation to Value vs. Growth with widening valuation gap?** (ie. Pet foods trades at 37x 2025 P/E with 31% 2025-27E NP CAGR vs. dairy at 14x with 8% NP CAGR post results on average). **We think investors are still willing to pay a premium for sectors with secular growth**, as we observe that retail demand recovery is still in a gradual curve for traditional categories such as beer/dairy, despite that shipment/sell-in will sequentially improve on easier comp base and healthier inventory cycle in 2Q25. Staples companies still remain prudent on 2H25 while sell-in comp base sequentially normalizes, leading to a potential lack of N-T catalyst for re-rating/rotation for value stocks. Meanwhile, shareholder returns are still a key focus area for investors in the staples space and have provided support for stocks with commitment on high payout/guaranteed amount (i.e., Wuliangye/Bud APAC/Yili/Tingyi/WH Group).
- **2) Will evolving competition impact Margin focus trend?** We expect that competition intensity will not fade in growing consumer sectors (esp.

**Leaf Liu**

+852-3966-4169 | leaf.liu@gs.com  
Goldman Sachs (Asia) L.L.C.

**Valerie Zhou**

+852-2978-0820 | valerie.zhou@gs.com  
Goldman Sachs (Asia) L.L.C.

**Hongda Zhong**

+852-2978-2300 |  
hongda.zhong@gs.com  
Goldman Sachs (Asia) L.L.C.

**Julia Mu**

+852-2978-1219 | julia.mu@gs.com  
Goldman Sachs (Asia) L.L.C.

**Christina Liu**

+852-2978-6983 | christina.liu@gs.com  
Goldman Sachs (Asia) L.L.C.

beverage/snacks) and have noted more value offerings (i.e., large pack beverages/core++ beer). **Meanwhile, we note continued self-help efficiency measures and cost benefits to support margins despite competition**, and beverage/beer/dairy companies still remain focused on their margin expansion/resilient targets leveraging agile promotion cuts and opex control to buffer their investment for topline.

- **3) Consolidation or deconsolidation?** Top players have outperformed in the results season (Moutai/Yili solid results, CR Beer more resilient in volume) with strong channel execution (greater penetration into existing distribution/channel networks) and compelling brand powers, which indicate an **accelerating market concentration into top players amid a weak macro environment and warrant a valuation premium for leading players**. Meanwhile, we also look for opportunities as selective smaller players can drive stronger sales growth from a relatively smaller scale (i.e., Yanker/regional beer/pet foods) with product cycle/strong home markets.

#### **Key observations from results and looking ahead:**

- **1) Retail demand recovery is still in a gradual curve while basic consumer goods seeing normalizing shipment/improving inventory cycle into 2Q:** Beer/dairy volume trend is normalizing in 1Q25, while demand is still relatively soft with turnaround taking time to inflect; Beer/spirits/liquid milk/bottled water is lapping lower base comp, with channel inventory levels also relatively healthier yoy, however, we note a relatively weaker run-rate for dairy in April amid the low base (on dairy/beer), awaiting demand to pick up further. Per Kantar's survey in April, consumers tend to shift their consumption choices towards more value-focused domestic brands amid US tariff uncertainties, and staples categories e.g., snacks, dairy products, beer and soft drinks were ranked better when considering a shift in demand to the domestic market.
- **2) Value-Focus/Deflation headwinds still lingering :** Our economists still look for 0% CPI yoy for 2025 (1Q25: -0.1% / April: -0.1%), and we also note conservative ASP trends YTD across staples sub-sectors. Spirits wholesale price remained flattish/slightly lower YTD on still muted demand; Beer names reported flattish/slightly declined ASP in 1Q despite product mix improvement, likely impacted by unfavorable channel mix (rising in-home); Dairy companies noted stable retail pricing in 1Q but will offer value-for-money products to digest excessive milk (despite seasonally balanced S/D in 2Q); Beverages remained value-focused, where bottled water ASP saw sequential stabilization YTD, but promotional levels of beverages rising with more launch of good value-for-money large pack SKUs.
- **3) Idiosyncratic product cycle to support secular growth:** Pet foods/beverage/selective snacks still ride on positive product cycles to increase regional penetration/ channel coverage in 1Q25, resulting in both sales growth and margin improvement on operating leverage. We expect the strong product cycles to continue to support 2Q growth outlook: **Eastroc's** Bushuila is on track to grow 89% in 2Q25 (doubling sales in April) to reach c. Rmb2.3bn sales in 2025 while its newly launched Fruity tea Guozhicha also has strong momentum in April to reach c. 1mn POS. **On pet foods**, the self-owned brands continued to record strong upward trend

pointing 19%/20%/78% yoy growth (Tmall+Douyin) for Wanpy/Myfoodie/Fregate in April. **For Yanker**, in Mar 2025 alone, the sesame sauce flavor Konjac recorded gross sales of over Rmb100mn (60%~70% of total Konjac category sales).

- **4) Guidance generally more broader/ prudent, more associated with evolving macro:** Spirits companies mostly aim at slower/broader targets for 2025 amid prolonged industry downturns, dairy expects LSD% sales growth in 2025 but better profitability outlook amid improving industry cycles; Brewers mostly remain conservative in industry volume, while more focused on agile investment and market share this year.
- **5) FCF and shareholder returns remains a key focus area for industries in transition/ more mature cycles:** Spirits/ dairy/ diversified F&Bs, among others, have made a commitment for shareholders' returns enhancement in 2025-26, and we see share buybacks likely a next potential focus area after higher dividend payout levels devoted in the past two years. We also initiate WH Group with a Buy rating on its steady performance/defensiveness and strong shareholder returns.

**Sector preference:** We continue to prefer Beverage (secular growth, on 26x P/E vs 21% NP CAGR), followed by Pet foods (penetration), Dairy (S-D rebalancing/cost benefits) and Beer (sequential recovery in growth). **Stock ideas into 2Q:** Tingyi/CR beverage on visible margin expansion path, Eastroc/Yanker/China Pet on continued strong product cycle driving topline; Mengniu/Tsingtao-H on low comp base and cost benefits. **Our preferred picks within our staples coverage on a 12m basis:** Moutai/Mengniu/Tsingtao-H/CR Beer/ CR Beverage/ Feihe/Tingyi/ Eastroc/Yanker/China Pet Foods/WH Group (all Buy rated).

#### Relevant reports:

[China Consumer Staples: Pork: more visible shareholder return on attractive valuation; Initiate WH at Buy, Shuanghui at Neutral \(13 May\)](#)

[China Consumer Staples: Follow-up series \(part II\): Assessing Share Buyback potential for further enhancement of shareholder returns \(13 May\)](#)

[China Spirits: 2024/1Q25 Wrap: Prudent 2025 guidance and strengthening shareholder returns; Demand yet to pick \(5 May\)](#)

[China Consumer Staples: Pet food: 1Q wrap: Scarce capacity for wallet share gain; upbeat domestic; d/g Gambol to Neutral on valuation \(25 Apr\)](#)

[China Consumer Staples: Self help and defensiveness as key; Look for a steadier 1Q25 \(16 April\)](#)

**Relevant results reads:** **China Spirits:** Spirits Wrap (Fen Wine/ Laojiao); **Beer:** Tsingtao/ Chongqing Brewery/ Budweiser APAC/ CR Beer; **Beverage:** Eastroc, UPC; **Dairy:** Yili; **Condiments:** Jonjee; **Prepared food:** Ligao/Angel Yeast/Qianwei; **Snacks:** Chacha/Three Squirrels/Yankershop; **Pet foods:** 1Q wrap/ China Pet/ Gambol

# Staples 2024/1Q25 results review summary

## Exhibit 1: Staples investment framework

	Super premium liquor	Non super premium liquor	Beer	Dairy	Beverage	Condiment	Pet food	Snacks	Prepared food	Pork	Other F&B
<b>Growth opportunity - sales outlook</b>											
2025E Industry - Secular volume/penetration growth	4.0%	-3.3%	0.5%	0.9%	5.7%	4.2%	4.2%	2.7%	5.0%	Stable	Beverage: 5.7% Beverage: 0.1%
2025E Industry - ASP growth	1.8%	5.5%	1.5%	-0.1%	0.1%		6.0%			Stable	
2025E sales yoy (coverage weighted avg.)	7%	3%	3%	3%	16%	8%	21%	11%	8%	8%	5%
Bottom out/acceleration: 25E - 24 sales yoy	Down	Up	Up	Up	Up	Up	Down	Up	Up	Up	Up
<b>Defensive play - resilience and return</b>											
2025E NPV yoy	9%	4%	11%	17%	18%	11%	19%	-2%	13%	5%	19%
Bottom out/acceleration: 25E - 24 sales yoy	Down	Up	Up	Up	Up	Up	Down	Up	Up	Up	Up
<b>Investment cycle</b>											
Sales 24-25E CAGR	8%	6%	3%	3%	15%	8%	22%	11%	8%	5%	4%
Capex 22-25E CAGR	-2%	7%	2%	-14%	24%	3%	-20%	12%	-9%	-21%	5%
Diff (- oversupply/+under supply)	10.2ppt	(0.8ppt)	1.1ppt	17.7ppt	(9.3ppt)	4.2ppt	41.6ppt	(1.0ppt)	17.2ppt	25.8ppt	(0.9ppt)
2025E Capex as % of sales	3%	10%	7%	3%	14%	9%	3%	5%	8%	2%	4%
Capex ratio delta: +/- in 25E-24	(0.4ppt)	0.4ppt	(4.2ppt)	(0.6ppt)	0.2ppt	1.5ppt	(5.6ppt)	(1.8ppt)	(4.2ppt)	(0.6ppt)	0.1ppt
<b>Cash conversion ability</b>											
2025E OPM	56.8%	30.6%	20.3%	15.1%	25.9%	19.8%	12.6%	14.2%	10.1%	10.2%	8.5%
2025E OPM yoy	(0.0ppt)	2.9ppt	1.4ppt	3.2ppt	1.2ppt	0.6ppt	0.3ppt	(1.8ppt)	0.5ppt	(0.2ppt)	1.0ppt
2025E OCF as % of sales	45.7%	26.7%	19.9%	15.0%	27.8%	20.9%	10.0%	14.5%	11.3%	9.5%	10.3%
OCF improvement: 2025E OCF as % of sales yoy	(5.2ppt)	7.4ppt	1.9ppt	1.2ppt	5.7ppt	1.3ppt	(5.7ppt)	(4.4ppt)	(3.2ppt)	(2.4ppt)	(2.1ppt)
2025E FCF as % of sales	42.9%	16.4%	13.1%	11.8%	13.5%	11.8%	7.2%	9.8%	3.5%	7.7%	6.7%
FCF improvement: 2025E FCF as % of sales yoy	(4.8ppt)	7.0ppt	6.2ppt	1.8ppt	5.5ppt	(0.2ppt)	0.2ppt	(2.7ppt)	0.9ppt	(1.8ppt)	(2.1ppt)
2025E FCF yield %	6.2%	3.9%	5.7%	7.6%	1.9%	3.0%	2.3%	4.3%	1.1%	11.2%	7.0%
Net cash/debt as % total equity	76%	40%	32%	-10%	33%	36%	-4%	14%	1%	3%	-5%
<b>Shareholder return viability</b>											
2025E Dividend yield %	4.5%	3.0%	4.0%	4.9%	2.2%	3.8%	0.8%	3.6%	1.8%	5.8%	6.3%
Dividend yield improvement: 2025E - 2024	0.4ppt	(0.1ppt)	0.4ppt	0.7ppt	0.4ppt	0.3ppt	(0.4ppt)	(0.7ppt)	0.1ppt	(0.2ppt)	1.0ppt
<b>Valuation - Eikon</b>											
Current 12M PE	16	17	20	14	25	24	40	19	21	12	17
2022 avg PE	29	29	33	16	44	38	29	22	31	11	16

Source: LSEG Data & Analytics, Company data, Goldman Sachs Global Investment Research

## Summary of key surprise from results

**Upside surprise/Beat:** **1) Pet foods** delivered clean beat on top/bottom line (China Pet/Gambol) in 1Q25 on solid ramp up of overseas factories/robust domestic sales; **2) Beverage** continued to see secular volume growth (Eastroc) together with continued margin expansion (UPC) by leading players; **3) Dairy:** Yili's effective operating spending management with continued cost benefits drove the strong profitability beat in 1Q25 with full year guidance slightly moved up (target sales/PBT up 2.8%/24% yoy in 2025).

**Miss:** **1) Upper-mid-end spirits:** We noted regional spirits e.g., Yanghe/ Jiugui continued to deliver major misses amid deep channel adjustment amid market downturns; **2) Frozen foods:** Weak demand and higher discount led to a below-expectation NP delivery across most frozen foods names in 1Q; **3) Selected Snacks:** The intensified competition and higher procurement costs for Chacha led to NP misses, in contrast, Yanker saw solid topline growth with margin contraction as expected. **3)**

**Smaller condiments:** smaller players in soy sauce and compound condiments space are also facing competition from lower-end players and pressure on pricing/topline continues; we have not seen much improvement in April/1Q25 vs. 4Q24, with rising channel inventory.

**In-line:** **1) Super-premium spirits:** Strong channel power and relatively more resilient demand for Moutai still supported a

healthy growth pace in 1Q, and Wuliangye/Laojiao spent more efforts in helping distributors; **2) Beer:** A steady quarter as expected, while more focus has shifted towards in-home channels, partly leading to the flat/mildly declining ASP yoy;

### Exhibit 2: Summary of Act vs. GSe for staples names that reported in April

Ticker	Company	1Q25A				2024A			
		Sales	Sales yoy	Net profit	NP yoy	Sales	Sales yoy	Net profit	NP yoy
<b>Spirits</b>									
600519.SS	Kweichow Moutai	51,443	11%	26,847	12%	174,144	16%	86,228	15%
000858.SZ	Wuliangye Yibin	36,940	6%	14,860	6%	89,175	7%	31,853	5%
600809.SS	Shanxi Xinghuacun Fen Wine	16,523	8%	6,648	6%	36,011	13%	12,243	17%
000568.SZ	Luzhou Laojiao	9,352	2%	4,593	0%	31,196	3%	13,473	2%
002304.SZ	Jiangsu Yanghe	11,066	-32%	3,637	-40%	28,876	-13%	6,673	-33%
000596.SZ	Anhui Gujing Distillery Co.	9,146	10%	2,330	13%	23,578	16%	5,517	20%
600779.SS	Sichuan Swellfun Co.	959	3%	190	2%	5,217	5%	1,341	6%
603369.SS	Jiangsu King's Luck Brewery	5,099	9%	1,644	7%	11,546	14%	3,413	9%
<b>Weighted Avg.</b>	<b>Super premium spirits</b>	<b>8%</b>	<b>8%</b>			<b>12%</b>		<b>11%</b>	
<b>Weighted Avg.</b>	<b>Non super premium spirits</b>	<b>-6%</b>	<b>-10%</b>			<b>3%</b>		<b>-2%</b>	
<b>Beer</b>									
600600.SS	Tsingtao Brewery	10,446	3%	1,710	7%	32,138	-5%	4,345	2%
600132.SS	Chongqing Brewery	4,355	1%	473	5%	14,645	-1%	1,115	-17%
002568.SZ	Shanghai Bairun	737	-8%	181	7%	3,048	-7%	719	-11%
1876.HK	Budweiser APAC	1,461	-11%	234	-18%	6,246	-9%	726	-15%
<b>Weighted Avg.</b>		<b>-3%</b>		<b>-5%</b>		<b>-4%</b>		<b>-8%</b>	
<b>Condiments</b>									
600872.SS	Jonjee Hi-Tech	1,102	-26%	181	-24%	5,519	7%	893	70%
002507.SZ	Fuling Zhacai	713	-5%	272	0%	2,387	-3%	799	-3%
600305.SS	Jiangsu Hengshun Vinegar	626	36%	57	2%	2,196	4%	127	47%
603317.SS	Sichuan Teway Food Group	642	-25%	75	-58%	3,476	10%	625	37%
<b>Weighted Avg.</b>		<b>3%</b>		<b>2%</b>		<b>9%</b>		<b>10%</b>	
<b>Dairy</b>									
600887.SS	Yili Industrial	33,018	1%	4,629	24%	115,780	-8%	9,087	-9%
<b>Weighted Avg.</b>		<b>1%</b>		<b>24%</b>		<b>-9%</b>		<b>-2%</b>	
<b>Beverage</b>									
605499.SS	Eastroc	4,848	39%	980	48%	15,839	41%	3,327	63%
<b>Snacks</b>									
002557.SZ	Chacha Food Co.	1,571	-14%	77	-68%	7,131	5%	849	6%
002847.SZ	Yankershop Food	1,537	26%	178	12%	5,304	29%	640	27%
300783.SZ	Three Squirrels	3,723	2%	239	-22%	10,622	49%	408	86%
<b>Weighted Avg.</b>		<b>2%</b>		<b>-30%</b>		<b>12%</b>		<b>10%</b>	
<b>Frozen Food</b>									
001215.SZ	Qianweiyangchu	470	1%	21	-38%	1,868	-2%	84	-38%
300973.SZ	Ligao Foods	1,046	14%	88	15%	3,835	10%	268	267%
605089.SS	Weizhixiang	173	4%	20	3%	672	-16%	88	-35%
002216.SZ	Sanquan Foods	2,218	-2%	209	-9%	6,632	-6%	542	-28%
600298.SS	Angel Yeast	3,794	9%	370	16%	15,197	12%	1,325	4%
<b>Weighted Avg.</b>		<b>8%</b>		<b>-1%</b>		<b>6%</b>		<b>-3%</b>	
<b>Pet Care</b>									
002891.SZ	China Pet Foods	1,101	25%	91	62%	4,465	19%	394	69%
301498.SZ	Gambol Pet Group	1,480	35%	204	38%	5,245	21%	625	46%
300673.SZ	Petpal Pet Nutrition Technology	329	-14%	22	-47%	1,659	18%	182	n.m.
<b>Weighted Avg.</b>		<b>23%</b>		<b>29%</b>		<b>20%</b>		<b>54%</b>	
<b>Pork</b>									
000895.SZ	Shuanghui Dev	14,295	0%	1,137	-11%	59,715	-1%	4,989	-1%

Source: Company data, Goldman Sachs Global Investment Research

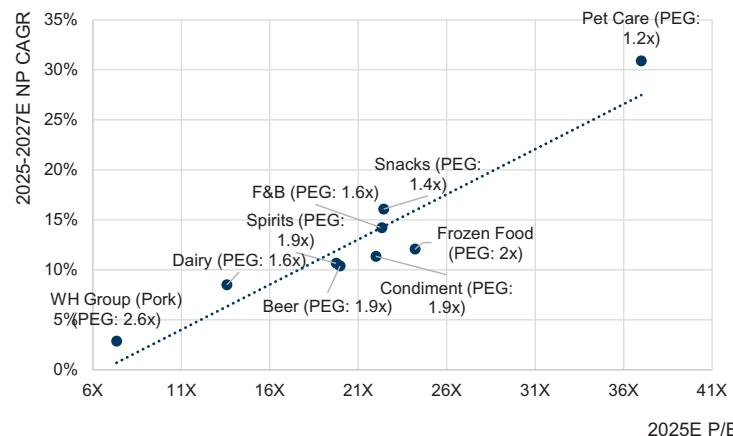
Act vs. Gse							
1Q25				2024			
Sales	Sales yoy	Net profit	NP yoy	Sales	Sales yoy	Net profit	NP yoy
1.1%	1.2%	1.5%	1.7%	0.0%	0.0%	0.0%	0.0%
1.0%	1.1%	1.2%	1.3%	2.9%	3.1%	2.0%	2.0%
-0.3%	-0.3%	0.3%	0.3%	-0.3%	-0.4%	0.7%	0.8%
1.8%	1.8%	0.9%	0.9%	2.1%	2.1%	0.1%	0.1%
-19.9%	-16.9%	-24.4%	-19.4%	-1.4%	-1.2%	-13.8%	-10.7%
2.2%	2.4%	3.6%	3.9%	0.0%	0.0%	0.1%	0.1%
2.7%	2.7%	4.6%	4.5%	0.0%	0.0%	0.0%	0.0%
1.1%	1.2%	-1.0%	-1.1%	-2.0%	-2.4%	-5.2%	-6.0%
<b>Condiments</b>							
-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%
0.1%	0.1%	2.7%	2.8%	0.0%	0.0%	0.0%	0.0%
-3.3%	-3.1%	8.2%	8.1%	1.8%	1.6%	3.6%	3.1%
-2.2%	-2.0%	-4.3%	-3.7%	0.0%	0.0%	0.0%	0.0%
<b>Dairy</b>							
-21.9%	-20.8%	-19.9%	-18.8%	0.0%	0.0%	0.0%	0.0%
-9.3%	-9.8%	-5.3%	-5.6%	0.0%	0.0%	0.0%	0.0%
21.4%	24.0%	25.8%	21.0%	7.3%	7.1%	-13.5%	-22.8%
-28.4%	-29.8%	-58.5%	-59.8%	0.0%	0.0%	0.0%	0.0%
<b>Beverage</b>							
4.3%	4.2%	26.5%	26.0%	-0.6%	-0.5%	-7.1%	-6.9%
7.1%	9.2%	9.4%	9.8%	0.0%	0.0%	0.0%	0.0%
-7.2%	-6.6%	-49.9%	-32.0%	0.0%	0.0%	-0.5%	-0.5%
8.9%	10.2%	4.2%	4.5%	-0.3%	-0.4%	-1.4%	-1.8%
-14.9%	-17.9%	-18.8%	-18.0%	0.0%	0.0%	0.0%	0.0%
<b>Snacks</b>							
3.6%	3.5%	-27.0%	-23.0%	-2.3%	-2.3%	-26.3%	-22.3%
3.8%	4.1%	16.7%	16.5%	-0.3%	-0.4%	-3.7%	-14.3%
1.0%	1.0%	-1.2%	-1.2%	-0.8%	-0.7%	3.2%	2.0%
-4.4%	-4.6%	3.7%	3.2%	-1.2%	-1.1%	6.2%	4.2%
0.5%	0.6%	-6.9%	-8.7%	0.0%	0.0%	-4.2%	-4.6%
<b>Frozen Food</b>							
10.8%	12.2%	7.9%	11.8%	0.0%	-0.1%	3.5%	5.8%
13.2%	15.8%	15.0%	17.9%	1.2%	1.5%	1.2%	1.8%
-22.3%	-24.5%	-55.0%	-65.2%	-9.6%	-12.4%	-2.8%	n.m.

**Exhibit 3: Earnings revisions 1Q25 pre-results vs. post results**

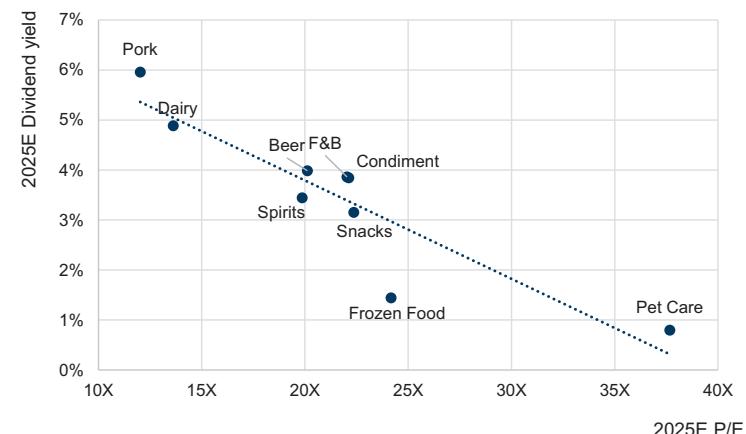
Ticker	Company	Sales: GSe post results vs. pre-results			Net profits: GSe post results vs. pre-results		
		2025E	2026E	2027E	2025E	2026E	2027E
<b>Spirits</b>							
600519.SS	Kweichow Moutai	0.0%	0.0%	-0.2%	0.0%	0.0%	-0.2%
000858.SZ	Wuliangye Yibin	2.4%	2.4%	2.4%	2.3%	2.6%	2.6%
600809.SS	Shanxi Xinghuacun Fen Wine	-0.8%	-0.7%	-0.1%	0.4%	-0.2%	0.6%
000568.SZ	Luzhou Laojiao	1.6%	1.1%	1.0%	0.1%	-0.7%	-0.9%
002304.SZ	Jiangsu Yanghe	-10.6%	-7.4%	-7.4%	-23.1%	-14.0%	-12.8%
000596.SZ	Anhui Gujing Distillery Co.	-0.4%	-0.4%	-0.4%	-0.2%	-0.6%	-0.5%
600779.SS	Sichuan Swellfun Co.	-1.8%	-1.9%	-2.0%	-1.6%	-1.7%	-2.6%
603369.SS	Jiangsu King's Luck Brewery	-2.9%	-2.8%	-2.7%	-7.6%	-5.8%	-5.2%
<b>Weighted Avg.</b>		<b>Super premium spirits</b>					
<b>Weighted Avg.</b>		<b>Non super premium spirits</b>					
<b>Beer</b>							
600600.SS	Tsingtao Brewery	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
600132.SS	Chongqing Brewery	0.5%	0.5%	0.5%	3.6%	4.1%	4.7%
002568.SZ	Shanghai Bairun	0.8%	0.6%	0.6%	3.2%	2.8%	2.6%
1876.HK	Budweiser APAC	-1.8%	-1.3%	-1.3%	-4.0%	-2.4%	-2.4%
<b>Weighted Avg.</b>							
<b>Condiments</b>							
600872.SS	Jonjee Hi-Tech	-6.2%	-8.1%	-9.4%	-5.5%	-6.9%	-7.8%
002507.SZ	Fuling Zhacai	-1.6%	-1.6%	-1.6%	-1.4%	-1.4%	-1.4%
600305.SS	Jiangsu Hengshun Vinegar	6.0%	5.7%	5.5%	10.6%	6.1%	2.8%
603317.SS	Sichuan Teway Food Group	-4.3%	-4.3%	-4.3%	-7.3%	-6.6%	-6.9%
<b>Weighted Avg.</b>							
<b>Dairy</b>							
600887.SS	Yili Industrial	0.4%	0.5%	0.5%	4.1%	3.5%	3.8%
<b>Weighted Avg.</b>							
<b>F&amp;B</b>							
605499.SS	Eastroc	0.3%	0.3%	0.3%	2.7%	2.6%	2.6%
0220.HK	Uni-president China	1.2%	1.1%	1.1%	9.5%	6.9%	6.8%
<b>Snacks</b>							
002557.SZ	Chacha Food Co.	-5.0%	-7.2%	0.0%	-31.1%	-25.2%	0.0%
002847.SZ	Yankershop Food	8.7%	14.6%	0.0%	4.5%	11.9%	0.0%
300783.SZ	Three Squirrels	-1.5%	-3.1%	-3.1%	-6.9%	-6.3%	-6.6%
<b>Weighted Avg.</b>							
<b>Frozen Food</b>							
001215.SZ	Qianweiyangchu	-3.2%	-3.4%	0.0%	-4.6%	-4.7%	0.0%
300973.SZ	Ligao Foods	0.0%	0.4%	0.8%	8.6%	2.8%	-1.1%
605089.SS	Weizhixiang	0.5%	-0.5%	-0.7%	-1.9%	-2.5%	-0.9%
002216.SZ	Sanquan Foods	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
600298.SS	Angel Yeast	-1.6%	-1.6%	0.0%	-1.4%	-3.8%	0.0%
<b>Weighted Avg.</b>							
<b>Pet Care</b>							
002891.SZ	China Pet Foods	6.6%	11.6%	0.0%	9.5%	11.2%	0.0%
301498.SZ	Gambol Pet Group	5.5%	10.0%	0.0%	3.6%	15.6%	0.0%
300673.SZ	Petpal Pet Nutrition Technology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The earnings revisions shown in this chart include both earning changes in our earnings notes on individual companies and the changes in this wrap-up report.

Source: Company data, Goldman Sachs Global Investment Research

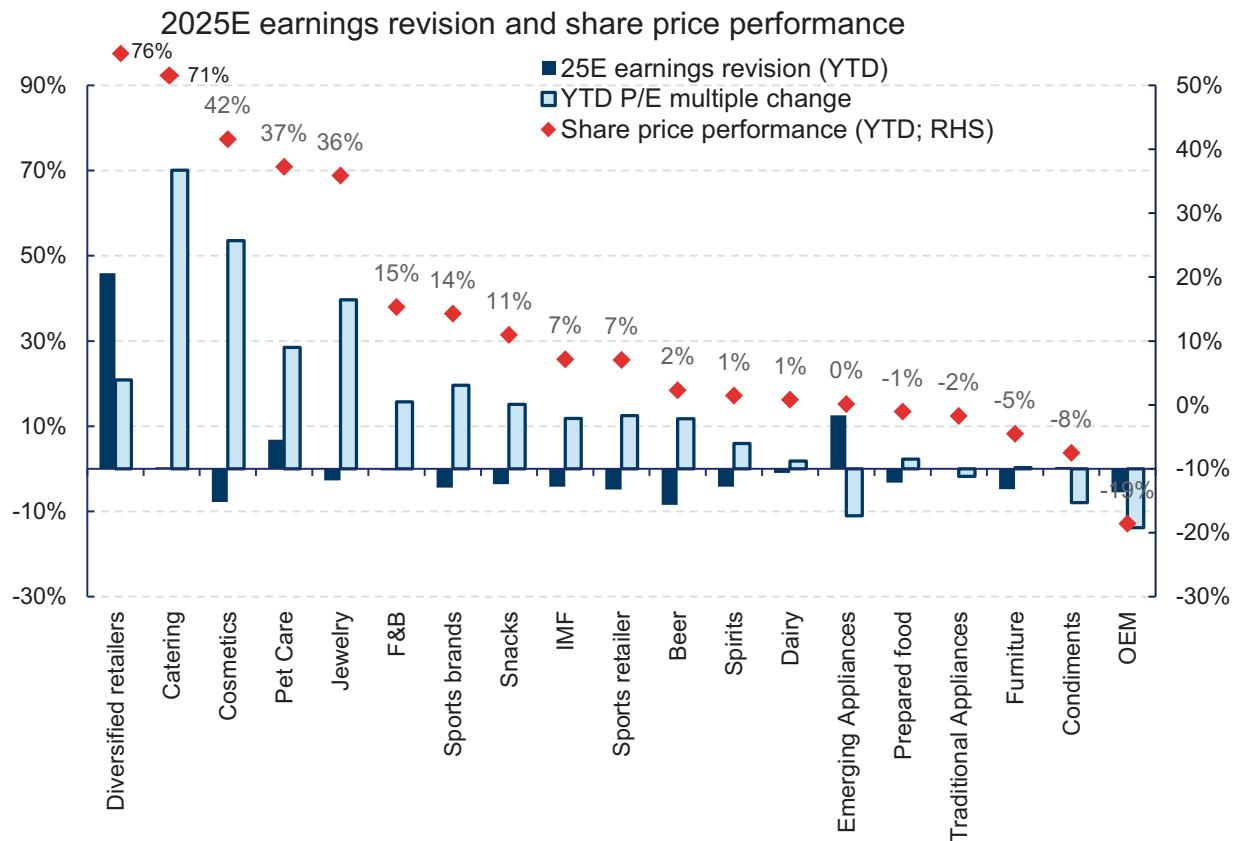
**Exhibit 4: NP Growth vs. P/E by sub-sector**

Source: LSEG Data &amp; Analytics, Goldman Sachs Global Investment Research

**Exhibit 5: Dividend yield vs. P/E by sub-sector**

Source: LSEG Data &amp; Analytics, Goldman Sachs Global Investment Research

**Exhibit 6: Most staples sub-sectors saw valuation re-rating but not yet estimate upward revisions**



As of May 8, 2025

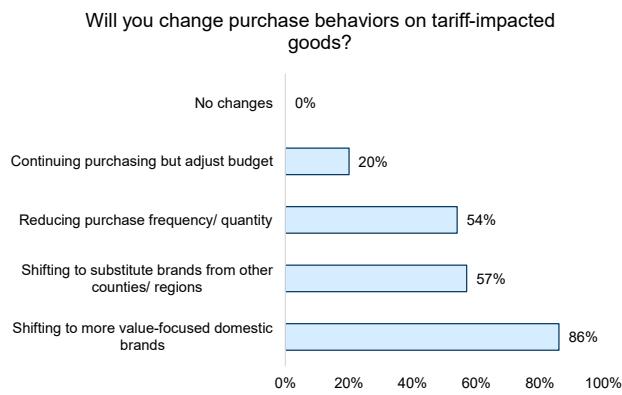
Source: LSEG Data & Analytics, Goldman Sachs Global Investment Research

# Key observations on consumption sentiment

## Consumer sentiment check in on trade tension impact

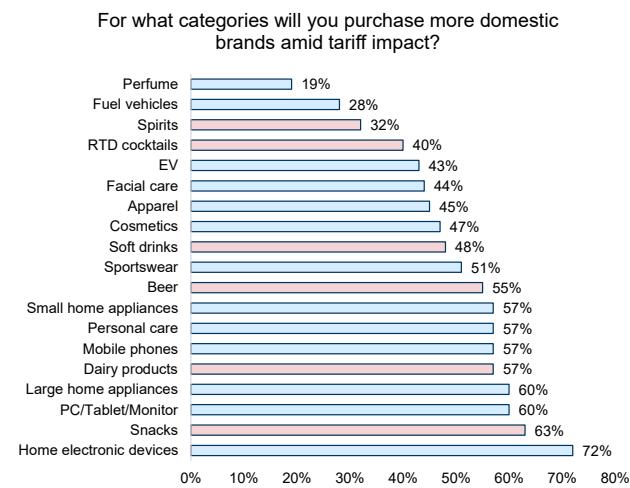
Per Kantar's survey in April, consumers intend to shift their consumption choices towards more value-focused domestic brands amid US tariff uncertainties, and staples categories e.g., snacks, dairy products, beer and soft drinks were ranked better when considering demand shift to domestic demand. Nevertheless, with China and US announcing substantially lower additional tariffs (additional 30% on China imports from 145% prior) on May 12, which beat expectation, we expect concerns around the impact of tariff uncertainty on domestic consumer sentiment to alleviate to some extent.

**Exhibit 7: A recent consumer questionnaire by Kantar in China suggested that Chinese consumers are likely shifting the demand for US products to more value-focused domestic brands amid heightened trade tension against the US**



Source: Kantar

**Exhibit 8: Consumer staples goods, e.g., snacks, dairy, beer, etc were amongst top categories that consumers would shift demand to amid tariff impact, according to Kantar**



Source: Kantar

## YTD consumption sentiment check in: sequentially steadier but deflation lingering

The retail sales growth picked up sequentially in 1Q25, where growth in restaurant sales improved to +5.6% yoy from Jan/Feb's 4.3% yoy, and foods/Tobacco & Liquor categories continued to pick up in 1Q. We note the consumer confidence index gradually improved in 1Q25, while mildly edged down in March. The consumption willingness index in 1Q25 also saw mild improvement sequentially.

Our latest pulse check highlighted that the retail and consumer sector data we collected during the Labor Day holiday this year suggests sequentially improving holiday spending growth despite a high base, which looks better than expected especially amid the US tariff-fueled pessimism in April.

However, CPI remains weak at -0.1% yoy in April following -0.1% in March, as the rise in food inflation was offset by lower prices of fuel and core goods. In month-on-month terms, headline CPI inflation fell to +0.7% (annualized, seasonally adjusted) in April (vs. +4.3% mom s.a. ann in March). Headline PPI inflation declined to -2.5% in March (vs. -2.3% yoy in February) primarily on falling commodity prices.

### Exhibit 9: Monthly macro data

Macro monthly data		Jan-Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan-Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan-Feb 2025	Mar 2025	Apr 2025
Total retail sales	%YoY	4.1%	4.8%	3.5%	3.5%	4.0%	3.1%	3.2%	3.9%	4.0%	3.1%	2.9%	4.4%	4.4%	3.2%	3.6%	3.0%	3.0%	3.8%	4.2%	3.1%	3.1%	4.3%	4.7%		
Total F&B+T&L	%YoY	9.9%	10.0%	9.7%	9.7%	9.9%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	
Food	%YoY	9.4%	11.0%	8.7%	8.3%	10.1%	7.9%	6.6%	8.4%	7.8%	7.6%	8.9%	9.3%	11.0%	8.7%	8.5%	10.2%	7.9%	7.3%	9.0%	8.3%	8.1%	9.1%	9.7%	11.4%	
Beverage	%YoY	10.8%	9.0%	10.4%	9.2%	10.4%	9.2%	11.1%	9.0%	9.2%	9.2%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	
Tobacco & Liquor	%YoY	10.0%	11.8%	9.6%	9.7%	11.4%	8.7%	7.7%	11.2%	10.8%	9.5%	8.6%	10.7%	11.3%	10.2%	9.6%	10.2%	6.9%	8.7%	8.5%	8.6%	7.5%	9.8%	10.8%		
Catering	%YoY	3.4%	1.9%	2.9%	2.3%	3.2%	3.8%	2.0%	2.9%	2.6%	2.7%	2.3%	5.2%	2.8%	3.2%	3.7%	3.8%	2.3%	2.9%	2.7%	3.0%	2.4%	5.0%	5.0%	3.3%	
Total sales - YoY	%YoY	3.5%	10.6%	18.4%	12.7%	3.1%	2.9%	4.6%	5.5%	7.6%	10.1%	7.4%	5.9%	3.1%	2.3%	3.7%	2.0%	2.7%	2.1%	3.2%	4.8%	3.0%	3.7%	4.0%	5.9%	
Total F&B+T&L	%YoY	8.0%	4.2%	2.8%	0.9%	6.0%	5.9%	4.0%	1.2%	6.0%	6.8%	6.5%	9.8%	10.1%	8.3%	9.5%	8.6%	7.5%	7.9%	7.2%	6.9%	5.8%	6.1%	8.7%	11.8%	
Food	%YoY	8.0%	-5.1%	-3.4%	-0.7%	3.6%	3.1%	0.8%	8.0%	6.2%	6.3%	7.7%	6.9%	9.8%	6.4%	6.5%	1.7%	6.1%	2.7%	-0.7%	-0.9%	-4.3%	-8.9%	-2.6%	4.4%	
Beverage	%YoY	9.2%	-5.1%	-3.4%	-0.7%	3.6%	3.1%	0.8%	8.0%	6.2%	6.3%	7.7%	6.9%	9.8%	6.4%	6.5%	1.7%	6.1%	2.7%	-0.7%	-0.9%	-4.3%	-8.9%	-2.6%	4.4%	
Tobacco & Liquor	%YoY	9.2%	-26.3%	-43.8%	-35.1%	16.1%	15.8%	12.4%	13.8%	17.1%	25.8%	30.0%	12.5%	9.9%	4.4%	5.0%	5.4%	3.0%	3.3%	3.1%	3.2%	4.0%	2.7%	4.3%	5.6%	
Catering	%YoY	1.9%	-1.4%	-2.7%	-2.0%	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	
Macro indicators - YoY	%YoY	11.0%	5.9%	8.3%	7.4%	3.9%	6.9%	3.9%	9.9%	8.4%	11.6%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		
Electricity consumption yoy	%YoY	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		
Housing new completion yoy	%YoY	-9.4%	-29.3%	-28.3%	-28.5%	-31.4%	-26.5%	-23.0%	-15.2%	-21.3%	-4.7%	-11.6%	-30.5%	-28.6%	-28.6%	-28.6%	-28.6%	-22.8%	-22.8%	-36.5%	-31.3%	-39.0%	-28.0%	-29.6%	-24.4%	
Housing price yoy	%YoY	-9.4%	-29.3%	-28.3%	-28.5%	-31.4%	-26.5%	-23.0%	-15.2%	-21.3%	-4.7%	-11.6%	-30.5%	-28.6%	-28.6%	-28.6%	-28.6%	-22.8%	-22.8%	-36.5%	-31.3%	-39.0%	-28.0%	-29.6%	-24.4%	
Macro indicators - MoM	%MoM	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan-Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan-Feb 2025	Mar 2025	Apr 2025
UPI yoy	%MoM	-1.4%	-2.5%	-3.6%	-4.6%	-5.4%	-4.4%	-3.0%	-2.5%	-2.6%	-3.0%	-2.7%	-2.7%	-2.8%	-2.5%	-1.4%	-0.8%	-0.8%	-1.8%	-2.8%	-2.9%	-2.5%	-2.3%	-2.5%	-7.3%	
PPI yoy	%MoM	-3.4%	-2.9%	-2.7%	-2.9%	-2.8%	-3.1%	-3.2%	-3.4%	-3.7%	-4.1%	-5.1%	-6.9%	-6.8%	-7.5%	-7.9%	-8.2%	-8.6%	-9.0%	-8.9%	-8.5%	-8.1%	-7.5%	-7.3%	-7.3%	
70 city house price - secondary yoy	%MoM	-1.9%	-1.4%	-2.7%	-2.0%	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	
70 city house price - primary yoy	%MoM	-1.9%	-1.4%	-2.7%	-2.0%	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	

Source: Wind, NBS

### Exhibit 10: Retail sales monthly growth yoy: Foods retail sales more resilient



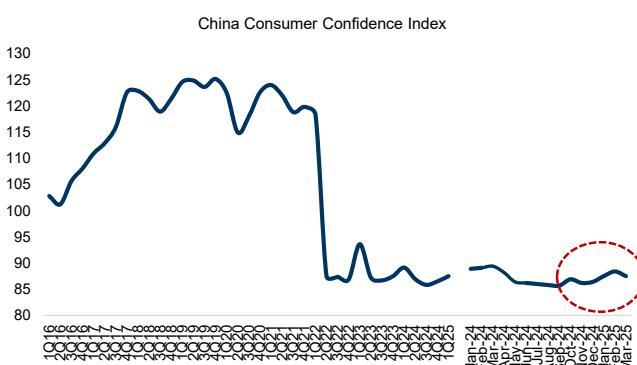
Source: Wind , NBS

### Exhibit 11: Retail sales' monthly CAGR vs. 2019 picked up YTD: Foods and Tobacco & Liquor picking up in retail sales CAGR mom vs. 2019



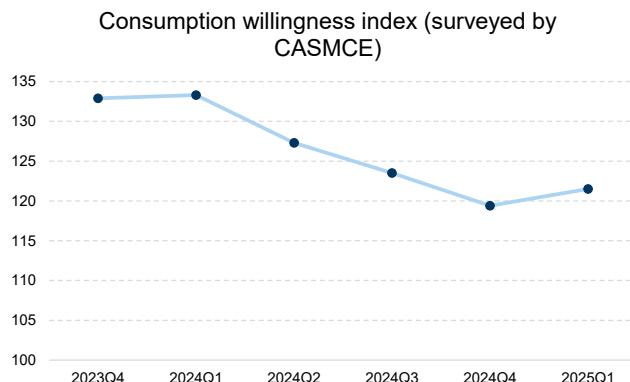
Source: Wind, NBS

**Exhibit 12: Consumer confidence index gradually improved sequentially YTD but edged down in March**



Source: Wind

**Exhibit 13: The consumption willingness index also edged up for the first time in the past four quarters in 1Q25**



Source: CASMCE, Lisien Data, Data compiled by Goldman Sachs Global Investment Research

## What to look for in 2Q and key observations on staples volume/ASP/product cycle YTD

### What to look for in 2Q

**We expect: 1) Easier base into 2Q25 but demand recovery still in a gradual curve with some volatility.** Post a steady 1Q25, we look for an easier base comp for staples categories incl. beer/liquid milk/bottled water, with channel inventory levels also relatively healthier yoy. However, demand recovery is still in a gradual curve. **We expect shipment to improve sequentially in 2Q25 for beer/dairy vs. 1Q with lapping effect,** but a strong rebound is unlikely due to which the **retail demand remained muted** for liquid milk, on-trade beer, and upper mid-end liquor. **2) Competition a mixed bag into the peak season amid manageable margin support:** Beer/ beverage players have been working on market share gain including direct consumer promotion (QR code scan), focused POS penetration, more product launches targeting respective channels/ customer groups (i.e., large pack SKUs), among others, where we see companies with higher profitability and proven execution could have better protection/ probability of success in the process (Eastroc/Tingyi/CR Beverage); **3) Self-help efficiency measures and cost benefits to continue to support margin despite competition,** we note opex saving in beer/dairy/condiments with cost tailwinds (Yili/UPC margin beat) and Yanker/Ligao focusing on operating efficiency to offset cost headwinds. We think opex control will remain a key focus while companies are cautious about macro uncertainty/demand trend.

### Early color into April/May: Shipment trend still relatively steady despite the low base in 2Q25

- **Beverages growing positively into peak season, while competition intensifies with large-pack launches:** For bottled water, it recovered sequentially led by **Nongfu's DD% water sales growth in April per our channel checks lapping a low base,** and CR Beverage maintained bottled water growth largely steady yoy in April

with reduced promotion (margin is a key focus for the company). Besides bottled water, beverage segment continued to see solid performance driven by positive product cycles, e.g **CR Bev/Eastroc** achieved strong growth YTD for its beverage segment and **UPC** saw c.10% level beverage growth in April following teens% in 1Q. **Tingyi** still saw headwinds for its beverage sales in 1Q25 post price hikes and is seeing sequential improvement into April (turning into flattish to slightly positive in April).

- **Beer: April Monthly trend:** the industry volume changes were relatively mild in Apr continuing the steady trend in 1Q, with CRB and Chongqing leading with slightly positive growth yoy. Bud APAC still faces pressure in April despite a low base, indicating still weak on-trade contribution. Industry wise, we do note sequential improvement in volume with March volume up 1.9% vs. 1Q volume decline in 2.2%.
- **Spirits:** Our regional channel checks suggest a yoy improvement in numbers of residential banquets mainly from wedding banquets. However, consumption volume per table and open-bottle ratio (especially in the mid to upper mid end) has not improved yoy per our checks (more details in our latest spirits tracker).
- **Snacks:** We have seen a divergent trend among companies/categories. Competition has been intensified for nuts, and rising costs add to margin pressure for Chacha and Three Squirrels. Chacha is lapping a low base in Apr and both sunflower seeds and nuts sales are up 30%~40% yoy; Three Squirrels is ramping up its dairy drinks/beverage sales (reached Rmb30~40mn in Apr 2025 alone). Yankershop has benefited from a strong momentum of the Konjac category, looking to expand existing capacity of Konjac by up to 50% in this stage (before Aug when new capacity will commence production).
- **Pets:** Tariffs have been a key concern. The companies shared that overall US demand is still growing; and players have shifted some overseas orders to their overseas production bases (e.g., Southeast Asia). Petpal is expecting contribution from New Zealand factory from 2Q25 and order visibility is high towards 3Q. China Pet market also has a high visibility of orders for both US and Canadian factories, meanwhile speeding up ramp up pace in SEA factories.
- **Condiments:** Demand still remains muted overall for most small players, and competition has not shown signs of easing. Jonjee narrowed sales decline in Apr to c.10% vs. 1Q25. Yihai has restored 3rd party sales growth in Apr per our channel checks, attributable to compound condiment sales.
- **Prepared food:** 2C channel has seen some recovery/stabilization while 2B remains fluid for players incl. Sanquan, with traditional products still under competition and a lack of innovative products. Companies are seeing more opportunities in collaborations with KAs (including membership KAs like Sam's Club, as well as traditional KA undergoing reforms e.g. Yonghui). Qianwei has seen small sales growth yoy in 1Q25, and Apr has continued the trend in Mar, stabilizing yoy. Ligao remains on the trajectory towards its annual target with support from its light cream products/new capacity.

**Exhibit 14: Beverage Monthly Tracker**

		Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	
Nongfu	Water yoy %		19%			down DD%	down DD%	down DD%	down 41%					down DD%	positive growth	teens%+	up DD%	
Beverage yoy % (Oriental Leaf)								c.50%	down 5.3% (OL flat)	OL up 60%+							positive growth	
Water : green water portion %								c.50%	down to below 50%	down to 20%+								
Water AC Nielsen market									30.20%	31.20%								
Overall yoy %									down DD%	down 18%	up nearly 10%	up 13%	decline	down DD%	up teens%	up DD%		
CR Bev	Water yoy %														up 12%		Steady yoy	
Beverage yoy %															up 50%		up 30%-40%	
Tingyi	Beverage sales yoy %								down SD%	down SD%	positive growth	positive (better than Sep)	positive growth	minor positive growth	SD% decline	Flattish to minor growth		
Noodles sales yoy %									down LSD%	down LSD%	down positive growth	positive growth	minor positive growth	SD% decline	Slight decline			
UPC	Beverage sales yoy %	up DD%	up DD%		up MSD-HSD%	up MSD-HSD%	up LSD%	up MSD%	up low teens%	up DD%	up DD%	up DD%	up SD%	up DD%	positive growth	up nearly 10%		
Noodles sales yoy %		up SD%	up SD%			down SD%	down LSD%	flatish	up LSD%	up LSD%	up DD%	up DD%	up DD%	up DD%	positive growth	up HSD%		
Eastroc	Overall yoy %	46% yoy	28% yoy	32% yoy	38% yoy	40%+ yoy	30%+ yoy		25% yoy		35%+ yoy	85% yoy	18% yoy	15% yoy	c.50% yoy	30%+ yoy	35% yoy	

Source: Channel checks, Goldman Sachs Global Investment Research

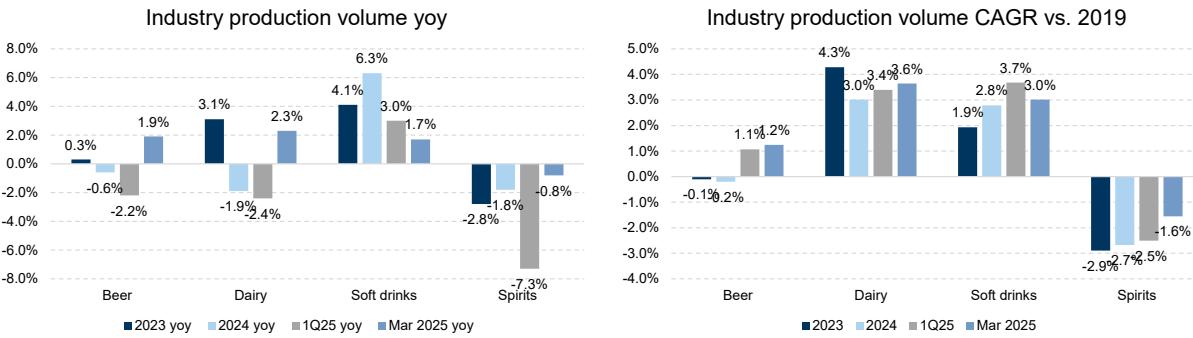
**Exhibit 15: Monthly volume table 2024-2025 based on GSE**

Beer	Jan	Feb	Mar	Apr	2024E Beer companies' volume change yoy										2025E			
					May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April		
CRB	up c.9%	roughly flatish	down HSD%	down LSD%	down LSD%	down LSD%	down LSD%	down LSD%	down LSD%	positive growth	positive growth	flattish to minor growth	likely flattish	CRB	up MSD%	positive growth	positive growth, slightly faster than 1Q	
Bud APAC China	total volume under pressure while Premium continued growth, but SP declined.	total volume decline, with SP down on a high base	decline	down LSD-MSD%	down LSD-MSD%	down LSD%-10%	down DD%	down HSD%	down Mid-High teens-%	down low teens-%	down DD%	down DD%	Bud APAC China	down MSD%	decline	down LSD%		
Tsingtao	up c.1%	down high teens%	down HSD%	down LSD%	down LSD%	down DD%	down LSD%	down LSD%	down LSD%	down HSD%	up LSD%	up LSD%	Tsingtao	down MSD%	up MSD%	up DD%	down LSD%	
Chongqing	likely up mid-to high single digit % on low base	moderation in growth mom	decline	flatish	slightly decline LSD%	flat to slight growth	down SD%	down SD%	down low SD%	Down LSD%	down SD%	decline	Chongqing	positive growth	up LSD%	largely steady		
Industry	12.10%	-6.50%	-9.10%	-4.50%	-1.70%	-10.00%	-3.30%	1.40%	-2.30%	5.70%	12.20%	Industry	-4.90%	1.90%				

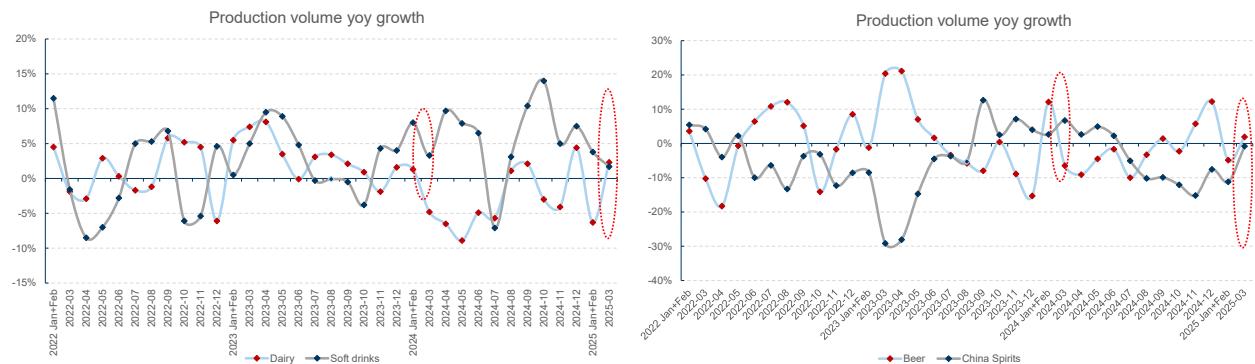
Source: Channel checks, Goldman Sachs Global Investment Research

**Sequentially improving volume trend in traditional F&B categories**

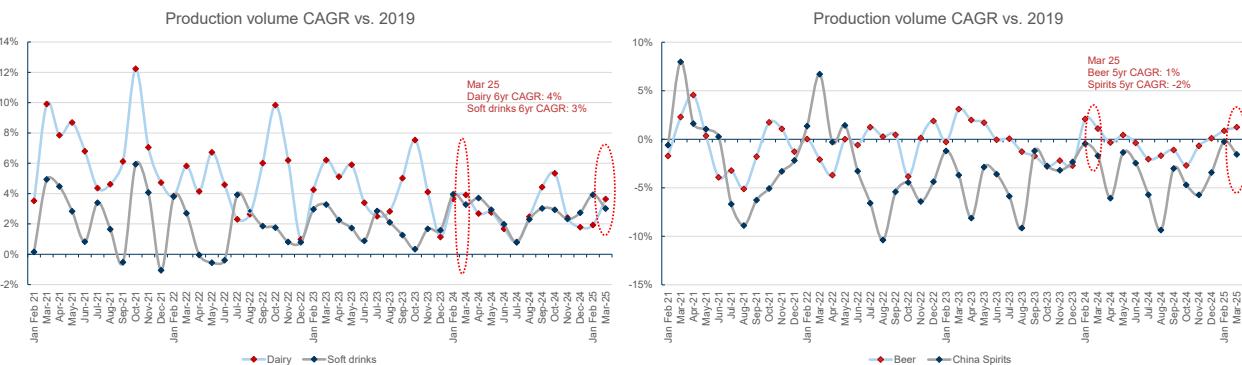
Per NBS, the industry-level production volume of dairy/beer/spirits saw sequential improvement in March 2025 vs. 2024, where beer and dairy delivered positive volume growth yoy vs declines in 2024/1Q25. Soft drinks' volume growth yoy normalized in March to 1.7%, vs. fast 4.1%/6.3% yoy in 2023/24. Regarding CAGR vs. 2019, the dairy production volume edged up in March, and soft drinks volume also remained at a 3% CAGR in March.

**Exhibit 16: Industry production volume: sequential improvement for yoy trend in beer/dairy/spirits**

Source: NBS

**Exhibit 17: Monthly production volume growth of dairy, soft drinks, beer and spirits products yoy**


Source: Wind, NBS

**Exhibit 18: Regarding CAGR vs. 2019, the dairy production volume edged up in March, and soft drinks volume also remained at a 3% CAGR in March**


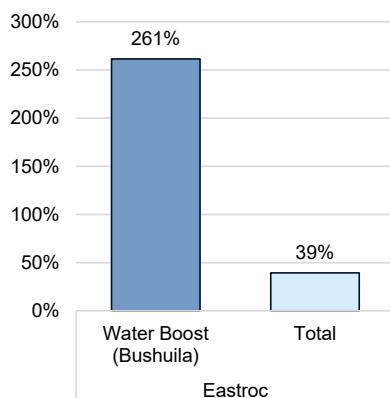
Source: Wind , NBS

**Product Cycle as a bright spot into 2025 for Beverages/Pet Foods/Snacks**

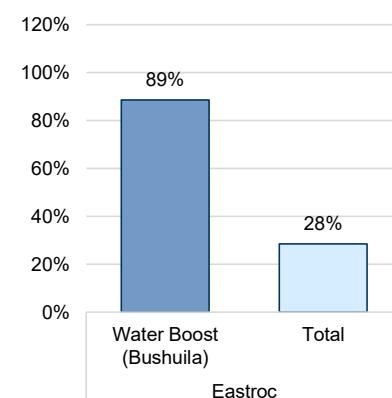
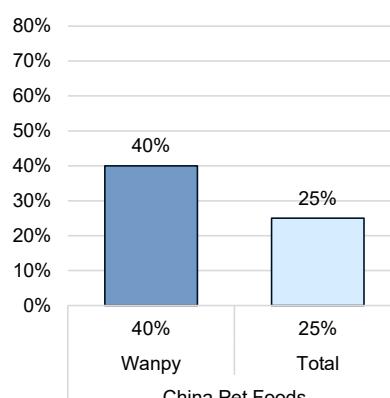
We continue to observe rising product cycles in beverage, pet foods and snacks to drive overall sales growth in 2025. **Eastroc** achieved strong sales ramp-up of the electrolyte water Bushuila (Water Boost), and expect Bushuila to grow 89% in 2Q25 (doubling sales in April)/58% in 2025 on track to reach c.Rmb2.3bn sales as c.12% of total sales in 2025 vs. 9% in 2024; its newly launched Fruity tea Guozhicha also has strong momentum in April to reach c. 1mn POS. **On pet foods**, while we note the self owned brands continued to record strong upward trend, our monthly tracker (Tmall Taobao and Douyin combined) pointed 19%/20%/78% yoy growth for Wanpy/Myfoodie/Fregate in April. China Pet Foods growth rates have remained steady for Douyin and Tmall channel combined at 13% yoy in Apr 25 vs. 12% in Mar yoy. **On snack foods**, for Yanker, in Mar 2025 alone, the sesame sauce flavor Konjac recorded gross sales of over Rmb100mn (60%~70% of total Konjac category sales). For Konjac in particular, the company has set a sales target of Rmb1.8bn (challenging target at Rmb2bn, including VAT) in 2025 as roughly 23%~25% of Yankershop 2025 sales on GSe (excl. VAT).

**Exhibit 19: In 1Q25, selected staples players commented on strong new product segment growth**

1Q25 Key SKU growth yoy



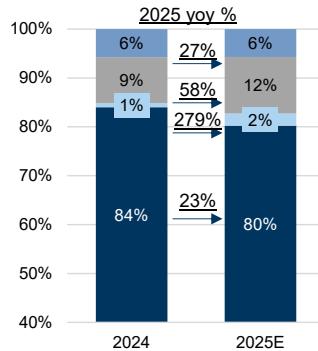
2Q25E Key SKU growth yoy



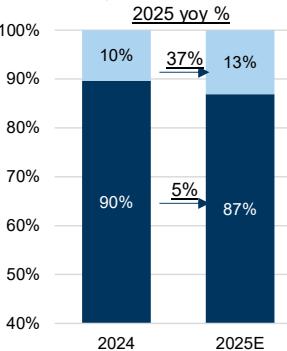
Source: Company data

**Exhibit 20: Beverage/ pet foods/ selective snacks is capturing rising product cycles to drive overall sales growth in 2024/2025E**

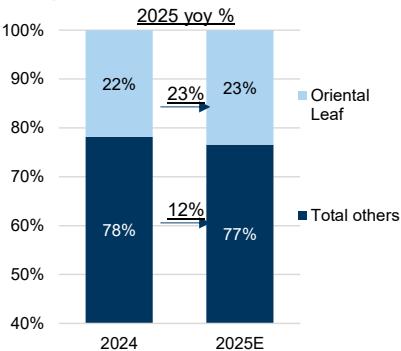
Key SKU sales mix: 2025E vs. 2024 - Eastroc



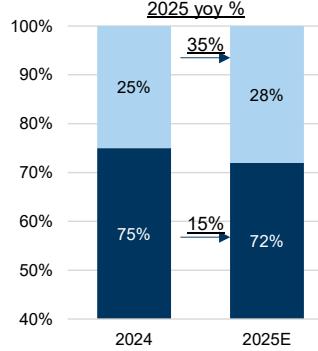
CR Beverage



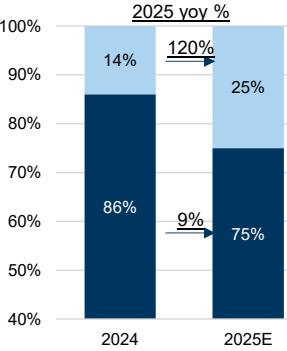
Nongfu



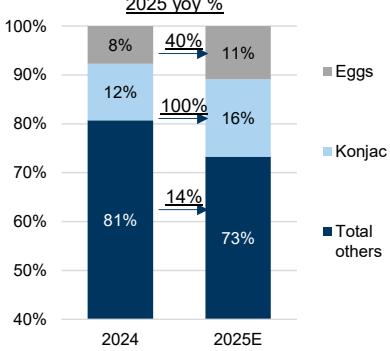
China Pet Foods



Gambol



Yankershop



Source: Company data, Goldman Sachs Global Investment Research

**ASP stability as a key focus amid continued deflation headwinds/value focus trend**

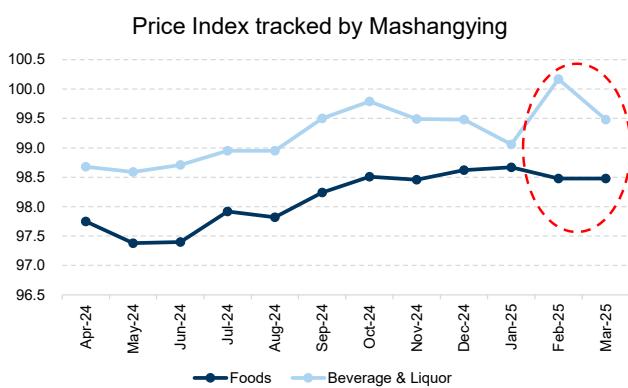
We observed fewer mentions of ASP hikes across staples categories for 2025, while more discussion on ASP stability, e.g., in spirits, beer, and F&B space. Staples companies also work on large pack SKUs/good value-for-money offerings/ loose pack sales etc. to cope with the continued value focus trend in consumption, but less aggressive discount in the channels given healthier channel inventory vs. last year.

In the F&B space, driven by continued value-for-money trends, beverage producers released more large-sized SKUs (e.g., **Eastroc**'s 1-litre Fruity Tea Guozhicha; per Mashangying, the average bottle size of sugar-free RTD tea has reached 620ml in Mar 2025, from 550ml two years ago (+13%), with per-bottle ASP up to Rmb5.40 from Rmb5.15 (+5%). We think the secular growth of beverage market in 2025 will still be mostly driven by volume growth (+5.7% yoy), with ASP largely flattish yoy. **UPC** commented that they do not have near-term price hike plans, and **Tingyi** also mentioned they will only continue execution of price hikes announced last year, rather than initiating additional plans in 2025, but both emphasized promotion reduction continuously. Our channel checks suggest **Nongfu** has mitigated the promotion strategy on bottled water (mainly shifting investment from Green Bottle to Red Bottle), and the wholesale prices of Nongfu Spring Water continued to recover YTD ([Exhibit 23](#)).

**Beer** companies have shifted focus to in-home channels (Bud APAC adding tier 2 wholesalers to cover off-premise sales POSs) but also working on premiumization of in-home consumption (Chongqing seeing DD% in canned Wusu/1664 beer SKUs in 1Q25). Average ASP largely stabilized in 1Q25 (Tsingtao/Chongqing/Zhujiang reported -0.6%/-0.3%/-0.6% yoy; CRB's at mildly positive yoy) with product mix to offset unfavorable channel mix, but we also note beer companies are shifting from branding investment for high-end/new products to direct channels promotions to gain market share.

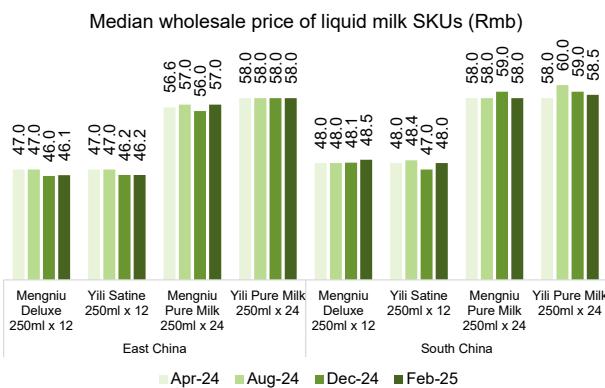
**For spirit companies**, further heightened focus is on the wholesale price stability amid the prolonged industry downturns, where increasing number of companies decided to suspend order-taking/shipment YTD. The wholesale prices of super premium players were facing some volatility amid slack season, while upper mid-end brands were discounting for banquet scenario amid weak open-bottle ratio.

**Exhibit 21: Both foods and beverage & liquor categories were still below the indexed level of 100, with mild decline into March 2025**



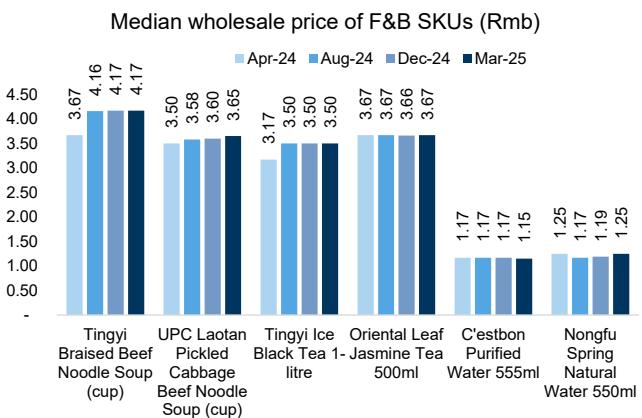
Source: Mashangying

**Exhibit 22: The wholesale prices of both Mengniu/Yili's premium milk saw improvement sequentially in Feb 2025 in the Southern region, but basic milk was trending down**



Source: Mashangying

**Exhibit 23: Nongfu Spring Water continued to recover its average wholesale prices into 2025**



Due to data availability, wholesale price of Tingyi's products is based on the East China region, that of bottled water/ UPC noodles is based on South China, and that of Oriental Leaf is based on Central China; Nov data is applied to the Braised Beef Noodle Soup.

Source: Mashangying

### Self-help and Margin Resilience are still the key

We think opex control will remain as a key focus by staples companies amid volatility in demand recovery, while players focuses on internal operating efficiency (i.e., headcount optimization/digitalization) as well as return on commercial investment. We favor names with self-help ability for margin resilience including Yili/Mengniu/Tingyi/CR Beverages who have a clear road map on operating optimization for margin expansion targets.

**For the cost trend,** our latest cost tracker suggests that most staples players to see cost tailwinds although likely at smaller magnitudes YTD vs. 2024, e.g., spot price of soybean/SPI/bean pulp/vegetables/oil/pork/shrimp/duck/molasses/raw milk/pulp/PET/rawhide is down by 5-17% vs. 2024 average. Hence, we expect soy sauce, dairy, beverage, beer, hot pot ingredients, frozen flour & rice, prepared meal to have scope for cost benefits in 2025. QTD, the bean pulp/PET/aluminum/palm oil prices continued declined by 8%/6%/4%/4%, while molasses/barley prices were up 9%/7%.

For condiments/pork, tariff uncertainties remain a potential swing factor on raw materials.

### Key observations from results:

- **Margin upside surprise:** We see positive margin surprise from dairy/ pet care/beverage, where the latter two were mainly driven by scale effect and Yili (dairy) has been focused on operating efficiency improvement with continued cost benefits.
- **On the negative margin surprise,** non-super-premium spirits, snacks and frozen foods are seeing a drop in NP yoy in 1Q25, where non-super-premium spirits were challenged by muted demand and still high channel inventories, frozen foods noted weak demand and lower ASP, and snacks' miss is mainly due to fierce competition and higher raw material cost.

**Exhibit 24: Pet care outperformed in 1Q25; Beverage (Eastroc) also presented strong results on product up cycles**

	2024A		2025E		2026E		1Q25A	
	Sales yoy	NP yoy						
Super premium spirits	12%	11%	7%	9%	9%	10%	8%	8%
Non super premium spirits	3%	-2%	3%	4%	9%	12%	-6%	-10%
Beer	-4%	-8%	3%	11%	4%	13%	-3%	-5%
Condiments	8%	10%	8%	11%	9%	11%	2%	1%
Dairy	-9%	-2%	3%	17%	3%	9%	1%	24%
Frozen Food	6%	-3%	8%	13%	9%	15%	8%	-1%
Snacks	12%	10%	11%	-2%	11%	8%	2%	-30%
Pet Care	20%	54%	21%	19%	22%	35%	23%	29%
Foods	2%	17%	5%	19%	3%	12%	15%	48%
Beverage	7%	10%	16%	18%	14%	15%	39%	0%
Pork	0%	66%	8%	5%	2%	0%	0%	-11%
Total	2%	9%	6%	9%	6%	10%	4%	5%

1Q25 industry avg. growth is only based on companies with quarterly disclosures

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 25: Quarterly cost index (did not factor in cost lock-in benefits for beer)**

Cost index yoy by quarter	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E
Beer	-2%	1%	1%	1%	0%	-1%
Soy Sauce	-3%	-7%	-13%	-13%	-8%	-9%
Compound condiments	-6%	-4%	-1%	0%	-1%	1%
Dairy	-5%	-6%	-7%	-7%	-6%	-6%
Beverage	2%	-2%	-3%	-4%	-3%	-5%
Hot pot ingredients	-5%	-2%	0%	4%	1%	-2%
Prepared meal	-6%	-8%	-5%	-3%	-7%	-3%
Frozen bakery	1%	5%	6%	18%	14%	10%
Frozen flour & rice	-2%	4%	7%	4%	1%	-2%
Pet	-2%	-3%	-4%	-4%	-7%	-7%

Source: Wind, Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 26: YTD soy sauce, dairy, and prepared meals saw costs easing significantly vs. 2024**

Cost index yoy by quarter	2019	2020	2021	2022	2023	2025 YTD
Beer	0%	-3%	10%	5%	-7%	0%
Soy Sauce	-5%	-5%	17%	9%	0%	-9%
Compound condiments	0%	-3%	12%	4%	-9%	-3%
Dairy	-3%	-3%	16%	1%	-7%	-6%
Beverage	-6%	-10%	15%	6%	-3%	-2%
Hot pot ingredients	9%	7%	19%	0%	-8%	-1%
Prepared meal	13%	14%	6%	-2%	-7%	-6%
Frozen bakery	1%	4%	29%	12%	-18%	7%
Frozen flour & rice	15%	26%	-19%	-4%	-4%	3%
Pet	-2%	-9%	17%	4%	-3%	-3%

Source: Wind, Bloomberg, Goldman Sachs Global Investment Research

## Continued enhancement in shareholder returns

### Upside surprise from shareholder returns enhancement

**FCF and shareholder returns remain a key focus for industries in transition/ more mature cycles:** Spirits/ dairy/ diversified F&Bs, among others, have made commitment into shareholder returns enhancement in 2025-26 (in terms of guaranteed amount or guaranteed payout ratio), and we see share buybacks likely a next topic after higher dividend payout levels in the past two years.

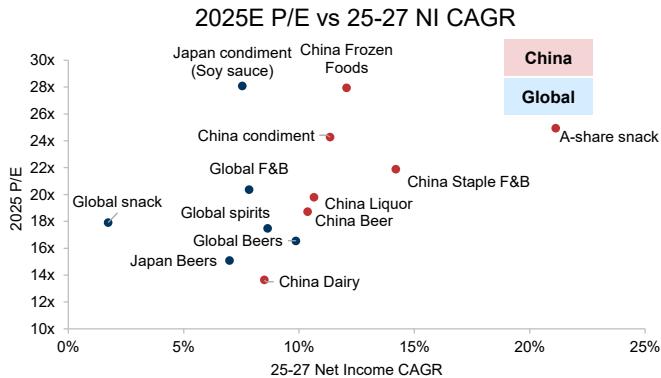
We note the dividend payout ratios to continue rising in 2024, with a still more positive outlook with management's commitment of either fixed amount of DPS/ cash dividend, or of certain payout ratio in future years, esp. in China spirits, dairy, beer, and F&B sub-sectors.

Except F&B (mainly beverage) players which are ramping up capex due to product upcycles, we note most staples sub-sectors are looking for flat/ declining capex spending in the following years, driving ahead the improvement of FCF in our view. We expect Yanghe, Yihai, Feihe, WH Group to lead the dividend yield levels (at 6%+) across our China staples coverage in 2025E.

**Besides cash dividends, we see ample potential for staples companies to conduct share buybacks from a very low base**, backed by solid FCF and net cash positions. In the companion report, we summarize the list of companies that are more likely to do share buybacks by assessing the financial capability and conduct scenarios to understand the potential accretion to EPS for our staples coverage ([link here](#)).

**Valuation wise**, Our staples coverage is trading at **20x (mkt cap weighted average) 2025 P/E**, against an average of **8%/13% topline/bottom line 2025-27E CAGR**, and vs global peers 17x 2025 P/E against an average of 3%/8% 2025-27E topline/bottom line CAGR. Our Buy rated names are trading at **20.3x 2025 P/E on average**, against an average **9%/14% topline and bottom line 2025-27E CAGR**. Meanwhile, China staples space is also improving shareholder returns with strong cash flow and B/S positions.

**Exhibit 27: We note generally China staples names have traded largely at par with global peers but with higher EPS growth in the coming years**



Source: Goldman Sachs Global Investment Research, LSEG Data & Analytics

**Exhibit 28: Summary of dividend payout commitment of staples companies**

Commitment of fixed amount of DPS/ cash dividend	
Company	Details
<b>Wuliangye</b>	Not lower than 70% dividend payout ratio and not lower than Rmb20bn cash dividend in 2024-2026
<b>Yanghe</b>	Not lower than 70% dividend payout ratio and not lower than Rmb7bn cash dividend in 2024-2026
<b>Laojiao</b>	Not lower than 65%/70%/75% payout ratio and not lower than Rmb8.5bn cash dividend in 2024/25/26
<b>Budweiser APAC</b>	Maintaining dividend payout amount flat/ growing ahead
<b>Mengniu</b>	DPS to grow every year
<b>Feihe</b>	Targeting to have 10% DPS growth yoy ahead

Commitment of certain payout ratios	
Company	Details
<b>Moutai</b>	Dividend payout twice a year, and annual dividend payout ratio not lower than 75% in 2024-2026
<b>CR Beverage</b>	Not lower than 45% dividend payout ratios in future years
<b>Tingyi</b>	Targeting 100% dividend payout ratio for 2025
<b>CR Beer</b>	Targeting 60%+ payout ratios in future years
<b>Yili</b>	Targeting 70%+ payout ratios in future years

Source: Company data

**Exhibit 29: We expect Yanghe, UPC, Feihe, etc, to lead the dividend yield levels (at 6%+) across our China staples coverage in 2025E**

Company name	Dividend payout ratio		Dividend yield		FCF yield		FCF as % of sales		Net cash to equity		NP CAGR 2025-27E
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	
<b>High dividend yield (&gt;4%)</b>											
<b>Jiangsu Yanghe</b>	105%	118%	6.8%	6.7%	3.1%	6.1%	11%	25%	42%	41%	13%
<b>UPC</b>	100%	100%	5.1%	6.4%	10.1%	6.5%	12%	7%	23%	26%	9%
<b>Feihe</b>	64%	65%	5.5%	6.2%	4.3%	8.6%	10%	19%	30%	37%	7%
<b>Tingyi</b>	100%	100%	5.4%	6.2%	6.7%	7.4%	6%	6%	-34%	-24%	12%
<b>Yihai International</b>	89%	89%	5.3%	6.1%	3.7%	7.7%	7%	13%	45%	49%	10%
<b>Shuanghui</b>	98%	98%	5.7%	5.8%	8.3%	6.3%	12%	9%	5%	7%	-2%
<b>WH Group</b>	46%	46%	6.2%	5.8%	15.7%	16.1%	7%	7%	-9%	-1%	3%
<b>Want Want China</b>	77%	80%	5.4%	5.5%	7.5%	7.2%	18%	17%	22%	27%	1%
<b>Yili Industrial</b>	85%	91%	4.1%	5.4%	9.4%	6.6%	15%	10%	-27%	-19%	8%
<b>Budweiser APAC</b>	97%	95%	5.3%	5.4%	5.3%	7.1%	12%	16%	26%	28%	14%
<b>Luzhou Laojiao</b>	65%	70%	4.7%	5.2%	9.7%	7.0%	58%	41%	57%	61%	9%
<b>Chongqing Brewery</b>	104%	100%	4.2%	5.0%	5.3%	10.8%	10%	20%	42%	75%	9%
<b>Sichuan Teway</b>	94%	94%	4.9%	4.9%	5.6%	0.2%	19%	1%	5%	24%	10%
<b>Tsingtao-H</b>	69%	68%	4.4%	4.9%	3.7%	5.4%	8%	11%	60%	58%	10%
<b>Qianhe Condiment</b>	100%	100%	4.4%	4.7%	-0.1%	3.0%	-1%	11%	38%	35%	12%
<b>Wuliangye Yibin</b>	70%	70%	4.4%	4.6%	6.1%	7.1%	35%	39%	93%	96%	9%

Source: Goldman Sachs Global Investment Research, LSEG Data &amp; Analytics

**Exhibit 30: Net cash, FCF, dividend yield and capex positions for China staples coverage**

Sub-sector average	Net cash / (debt) as % of			FCF as % of total sales			Capex as % of total sales			FCF yield %			Dividend yield %		
	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E
Super premium spirits	76%	79%	82%	48%	43%	44%	3.2%	2.7%	2.7%	6.8%	6.2%	6.9%	4.1%	4.5%	5.1%
Non super premium spirits	40%	41%	42%	9%	16%	18%	9.9%	10.3%	9.0%	1.7%	3.9%	4.3%	3.0%	3.0%	3.4%
Beer	32%	39%	44%	7%	13%	17%	11.0%	6.8%	6.2%	3.4%	5.7%	7.0%	3.5%	4.0%	4.4%
Condiment	36%	39%	38%	12%	12%	14%	7.6%	9.1%	9.1%	2.6%	3.0%	4.0%	3.5%	3.8%	4.3%
Dairy	-10%	-1%	7%	10%	12%	13%	3.8%	3.3%	3.1%	6.5%	7.6%	8.6%	4.2%	4.9%	5.8%
F&B	17%	22%	28%	8%	11%	14%	9.9%	10.0%	7.6%	3.2%	3.9%	5.7%	3.6%	4.0%	4.5%
Other F&B	-5%	1%	9%	9%	7%	8%	3.4%	3.5%	2.7%	8.4%	7.0%	8.5%	5.3%	6.3%	7.0%
Beverages	33%	37%	40%	8%	13%	17%	14.1%	14.4%	10.9%	-0.2%	1.9%	3.8%	1.9%	2.5%	2.9%
Snacks	14%	15%	17%	12%	10%	11%	6.5%	4.7%	4.6%	5.5%	4.3%	5.0%	4.3%	3.6%	4.0%
Frozen Food	1%	0%	5%	3%	4%	8%	10.0%	7.8%	6.5%	0.7%	1.1%	4.3%	1.7%	1.8%	2.1%
Pet Care	-4%	4%	13%	7%	7%	9%	8.7%	2.8%	2.3%	2.7%	2.3%	3.5%	1.2%	0.8%	1.0%
Pork	-2%	3%	8%	9%	8%	8%	2.4%	1.8%	1.8%	12.0%	11.2%	11.5%	6.0%	5.8%	6.0%

Source: Goldman Sachs Global Investment Research, Company data

**Earnings Forecast into the rest of the year****Estimate changes**

For Hengshun, we factor in FY24/1Q25 results and revise up total sales/NP by 6% on avg./3%~11% for 25-27E on better-than-expected sales momentum although taking into account more channel investments and higher selling expenses ratio%. Our 12m TP is

now Rmb6.4 vs. prior Rmb5.7 based on 32x 2025E P/E (methodology and multiple unchanged).

For Laojiao, Yanghe and Teway, we change our FY27 EPS estimates within 1% due to updated dividend payout ratio estimates. Our TPs remain unchanged and there are no change to our investment theses.

### Exhibit 31: Snacks and Pet Care remain as fast growing sub-sectors in the staples sector

Quarterly sales yoy growth by sector

Sector	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E
Frozen food	50.4%	21.1%	24.7%	24.3%	15.5%	25.9%	18.5%	16.9%	24.2%	19.4%	14.5%	-5.8%	9.1%	-1.2%	-0.1%	3.9%	8.1%	7.8%
Beer	56.2%	7.5%	2.3%	9.8%	3.6%	3.3%	7.1%	-13.0%	9.5%	8.2%	-0.3%	3.0%	-2.9%	-8.4%	-7.6%	-3.3%	-3.5%	1.1%
Spirits	21.4%	23.2%	15.0%	13.6%	20.7%	14.5%	16.9%	17.7%	17.5%	19.3%	14.8%	17.6%	17.1%	14.8%	9.5%	4.5%	7.7%	6.9%
Condiments	23.8%	-10.0%	-0.2%	20.1%	1.9%	22.0%	5.2%	-4.3%	1.9%	-3.9%	4.2%	-7.4%	8.5%	5.2%	8.3%	18.4%	6.1%	10.3%
Dairy	29.7%	12.2%	8.9%	10.4%	10.9%	9.3%	6.5%	12.3%	7.5%	2.7%	3.5%	0.3%	-5.3%	-15.5%	-6.9%	-7.2%	0.5%	5.2%
IMF	32.6%		13.6%		-16.2%			3.6%		0.6%		-15.8%		3.7%		8.7%		7.3%
F&B	39.3%	28.3%	23.5%	54.9%	10.9%	15.9%	16.1%	31.3%	20.7%	30.0%	28.0%	40.9%	14.4%	47.9%	6.8%	25.1%	17.0%	14.3%
Snacks	20.9%	-7.4%	8.5%	21.0%	-4.2%	15.4%	13.4%	19.4%	17.4%	30.7%	33.9%	15.4%	49.8%	17.2%	20.0%	24.4%	10.1%	35.0%
Pet Care	47.0%	13.5%	6.9%	33.4%	35.1%	16.9%	38.5%	-4.8%	10.5%	19.1%	24.3%	32.0%	29.4%	13.9%	19.8%	24.2%	29.4%	29.0%
Pork	4.1%	-11.7%	-16.8%	-13.3%	-24.7%	-14.6%	3.4%	14.8%	13.9%	4.5%	-5.1%	-24.0%	-8.9%	-9.8%	3.9%	13.5%	-0.1%	16.2%
<b>Average</b>	<b>35.7%</b>	<b>14.7%</b>	<b>11.5%</b>	<b>18.9%</b>	<b>8.7%</b>	<b>11.3%</b>	<b>14.0%</b>	<b>7.1%</b>	<b>12.2%</b>	<b>13.0%</b>	<b>11.9%</b>	<b>7.5%</b>	<b>13.8%</b>	<b>4.9%</b>	<b>6.5%</b>	<b>8.9%</b>	<b>9.2%</b>	<b>13.3%</b>
China real GDP growth	18.7%	8.3%	5.2%	4.3%	4.8%	0.4%	3.9%	2.9%	4.5%	6.3%	4.9%	5.2%	5.3%	4.7%	4.6%	5.4%	5.4%	5.0%
China retail sales growth	33.9%	13.9%	5.0%	3.5%	3.3%	-4.6%	3.5%	-2.7%	5.7%	10.7%	4.2%	8.3%	4.7%	2.6%	2.7%	3.5%	4.6%	
Urban household disposable income growth	12.2%	10.4%	5.9%	4.1%	5.4%	1.5%	5.6%	2.9%	4.0%	7.1%	4.7%	5.3%	5.3%	3.7%	4.2%	4.4%	4.9%	

The aggregate growth for each sector is weighted by latest market cap; F&B includes Nongfu, Tingyi, and UPC.

Source: Company data, Goldman Sachs Global Investment Research

### Exhibit 32: Summary of annual sales growth by subsector

Sector	Annual sales yoy growth									Annual sales CAGR vs 2019			Annual sales CAGR vs 2021		
	2018	2019	2020	2021	2022	2023	2024	2025E	2023	2024	2025E	2023	2024	2025E	
Frozen food	21.3%	19.4%	22.9%	28.8%	18.7%	11.2%	2.7%	7.9%	20.2%	16.5%	15.0%	14.9%	10.7%	10.0%	
Beer	6.2%	22.3%	-6.4%	10.8%	3.7%	9.1%	-4.3%	2.6%	4.1%	2.4%	2.4%	6.4%	2.7%	2.7%	
Spirits	28.7%	18.1%	9.6%	18.2%	17.9%	17.6%	11.2%	6.6%	15.8%	14.8%	13.4%	17.8%	15.5%	13.2%	
Condiments	17.7%	15.3%	13.5%	4.7%	4.7%	-2.6%	7.8%	0.5%	4.9%	5.5%	4.6%	1.0%	3.2%	2.5%	
Dairy	16.3%	13.7%	4.4%	14.6%	9.7%	3.5%	-8.7%	3.4%	8.0%	4.4%	4.2%	6.6%	1.2%	1.7%	
IMF	32.0%	35.5%	22.5%	-6.4%	-8.3%	6.2%	7.3%		9.2%	8.6%	8.4%	9.2%	-7.4%	-3.1%	-0.6%
F&B	14.2%	14.1%	-2.3%	25.7%	11.2%	22.8%	0.9%	12.5%	13.8%	11.1%	11.3%	16.8%	11.3%	11.6%	
Snacks	36.7%	22.6%	29.8%	15.4%	22.9%	27.8%	20.9%	20.4%	23.8%	23.2%	22.8%	25.3%	23.8%	22.9%	
Pet Care	38.8%	16.7%	39.3%	26.2%	27.2%	21.4%	20.5%	22.9%	28.4%	26.7%	26.1%	24.3%	23.0%	23.0%	
Pork	-3.3%	23.3%	22.5%	-9.7%	-6.1%	-4.2%	-0.6%	5.7%	-0.1%	-0.2%		-5.1%	-3.7%	-1.4%	
<b>Average</b>	<b>22.5%</b>	<b>19.4%</b>	<b>16.3%</b>	<b>18.6%</b>	<b>12.2%</b>	<b>11.4%</b>	<b>6.3%</b>	<b>9.3%</b>	<b>14.2%</b>	<b>12.6%</b>	<b>12.0%</b>	<b>11.7%</b>	<b>9.8%</b>	<b>9.7%</b>	
China real GDP growth	6.0%	6.0%	2.2%	8.5%	3.0%	5.2%	4.9%	4.6%	4.7%	4.7%	4.7%	4.1%	4.4%	4.4%	
China retail sales growth	8.0%	8.0%	-4.8%	12.5%	-0.2%	12.9%	3.5%		4.8%	7.0%		6.1%	5.2%		
Urban household disposable income growth	7.9%	7.9%	3.5%	8.2%	3.9%	5.1%	4.6%		5.2%	5.1%		4.5%	4.6%		

Source: NBS, Company data, Goldman Sachs Global Investment Research

# Valuation methodologies and risks

Exhibit 33: Comp table for China consumer staples

Company	Rating	Mkt cap US\$ mm	Price 5/9/2025	12-m TP	+/-	PE		TP Implied PE		25-27E		25-27E		EV/EBITDA		ROE 2025E	Div yield 2025E	YTD perf %						
						2025E	2026E	2027E	2025E	2026E	2027E	Rev CAGR	NP CAGR	2025E	2026E	2027E								
<b>Spirits</b>																								
600519.SS	Kweichow Moutai	Buy	279,381	CNY	1591.18	2017.00	27%	21X	19X	17X	27X	24X	22X	9%	11%	14X	12X	11X	37%	3.5%	4%			
000656.SZ	Wuliangye Yibin	Buy	71,553	CNY	131.58	170.00	29%	15X	14X	13X	19X	18X	16X	7%	9%	9X	7X	7X	24%	4.8%	-6%			
6979.HK	ZJLD	Buy	2,754	HKD	6.80	8.08	19%	13X	11X	10X	15X	14X	12X	11%	12%	7X	6X	5X	11%	2.8%	0%			
600809.SS	Shanxi Xinghecun Fen Wine	Buy	34,848	CNY	203.32	234.00	15%	19X	17X	16X	22X	20X	18X	10%	11%	14X	12X	11X	34%	3.2%	10%			
000568.SZ	Luzhou Lajiao	Buy	25,702	CNY	126.36	150.00	19%	13X	12X	11X	16X	14X	13X	7%	9%	8X	7X	7X	28%	5.3%	1%			
002304.SZ	Jiangsu Yanghe	Sell	14,411	CNY	68.80	52.00	-24%	17X	15X	14X	13X	11X	10X	6%	13%	11X	9X	9X	12%	6.7%	-18%			
000596.SZ	Anhui Gujing Distillery Co.	Neutral	12,154	CNY	164.65	183.00	11%	14X	13X	11X	16X	14X	13X	9%	11%	8X	7X	6X	22%	2.8%	-5%			
007799.SZ	Jiugui Liquor	Sell	1,995	CNY	43.95	27.20	-38%	51X	28X	21X	32X	17X	13X	24%	n.m.	35X	18X	13X	6%	0.8%	-21%			
600779.SS	Sichuan Swellfun Co.	Sell	3,154	CNY	46.79	32.80	-30%	17X	16X	15X	12X	11X	10X	6%	5%	9X	9X	8X	24%	2.1%	-13%			
603369.SS	Jiangsu King's Luck Brewery	Neutral	8,406	CNY	48.65	41.00	-16%	17X	15X	14X	14X	13X	12X	9%	11%	11X	10X	9X	22%	2.6%	8%			
<b>Avg.</b>						<b>20X</b>		<b>16X</b>		<b>14X</b>		<b>10X</b>		<b>11%</b>		<b>13X</b>		<b>10X</b>		<b>22.1%</b>	<b>3.4%</b>	<b>-4%</b>		
DGE.L	Diageo	Sell	65,072	GBP	2179.00	2100.00	-4%	17X	17X	16X	16X	16X	15X	3%	5%	13X	13X	12X	29%	3.5%	-14%			
PERP.PA	Pernod Ricard	Buy	28,829	EUR	96.68	120.00	24%	14X	14X	13X	17X	17X	16X	1%	4%	11X	11X	10X	10%	4.4%	-11%			
RCOP.PA	Remy Cointreau	Buy	2,916	EUR	48.50	65.00	34%	21X	18X	16X	28X	24X	21X	6%	16%	13X	12X	11X	6%	3.9%	-17%			
<b>Avg.</b>						<b>17X</b>		<b>16X</b>		<b>15X</b>		<b>10%</b>		<b>9%</b>		<b>12X</b>		<b>12X</b>		<b>15.1%</b>	<b>3.9%</b>	<b>-14%</b>		
<b>Brewer</b>																								
1876.HK	Budweiser APAC	Buy	14,538	HKD	8.33	9.20	10%	19X	16X	14X	21X	17X	16X	6%	15%	6X	6X	5X	7%	5.4%	11%			
0291.HK	China Resources Beer	Buy	11,677	HKD	27.10	33.50	24%	16X	14X	13X	19X	17X	16X	2%	11%	9X	8X	7X	14%	3.6%	7%			
0168.HK	Tsingtao Brewery (H)	Buy	9,439	HKD	53.55	60.00	12%	14X	13X	11X	16X	14X	13X	4%	10%	8X	7X	6X	16%	5.0%	-6%			
600600.SS	Tsingtao Brewery (A)	Neutral	13,904	CNY	74.17	68.00	-8%	21X	19X	17X	19X	17X	16X	4%	10%	13X	11X	10X	16%	3.3%	-8%			
600132.SS	Chongqing Brewery	Neutral	3,844	CNY	57.21	53.60	-6%	20X	18X	17X	19X	17X	16X	3%	9%	7X	6X	44%	5.0%	-9%				
002568.SZ	Shanghai Bairun	Neutral	3,709	CNY	25.90	18.20	-30%	31X	27X	24X	22X	19X	17X	10%	13%	21X	18X	16X	17%	1.6%	-8%			
<b>Avg.</b>						<b>20X</b>		<b>18X</b>		<b>16X</b>		<b>10%</b>		<b>11X</b>		<b>9X</b>		<b>8X</b>		<b>19%</b>	<b>4.0%</b>	<b>-2%</b>		
ABIBR	Anheuser-Busch InBev	Buy	134,996	EUR	59.84	78.00	30%	17X	15X	13X	22X	19X	17X	4%	7%	10X	9X	8X	10%	1.9%	24%			
CARLB.CO	Carlsberg	Buy	19,084	DKK	910.80	1000.00	10%	15X	13X	12X	17X	15X	13X	3%	12%	11X	10X	9X	23%	2.7%	32%			
HEIN.AS	Heineken	Buy	50,433	EUR	79.30	95.00	20%	16X	15X	13X	19X	18X	16X	4%	7%	9X	9X	8X	12%	2.3%	15%			
2502.T	Asahi Group	Buy	20,380	JPY	1992.00	2550.00	28%	16X	15X	13X	21X	19X	17X	2%	7%	10X	9X	9X	7%	2.5%	20%			
2503.T	Kirin Holdings	Sell	11,722	JPY	2147.00	1950.00	-9%	12X	11X	11X	10X	10X	10X	1%	5%	9X	9X	8X	9%	3.3%	5%			
2587.T	Suntory Beverage & Food Ltd	Buy	10,382	JPY	4970.00	6300.00	27%	17X	14X	14X	21X	18X	17X	2%	11%	6X	5X	5X	7%	2.3%	-1%			
<b>Avg.</b>						<b>15X</b>		<b>14X</b>		<b>13X</b>		<b>8%</b>		<b>9X</b>		<b>8X</b>		<b>11%</b>		<b>2.5%</b>	<b>16%</b>			
<b>Condiment</b>																								
600972.SS	Jonjee Hi-Tech	Neutral	2,105	CNY	19.20	15.90	-17%	20X	18X	16X	17X	15X	13X	7%	11%	14X	12X	11X	12%	1.7%	-13%			
002507.SZ	Fuling Zhaizi	Neutral	2,108	CNY	13.14	11.70	-11%	18X	17X	16X	16X	15X	14X	6%	7%	13X	12X	11X	10%	3.4%	-7%			
1579.HK	Yihai International Holding	Neutral	1,710	HKD	13.58	14.20	5%	15X	13X	12X	15X	14X	12X	6%	10%	7X	7X	6X	17%	6.1%	-10%			
600305.SS	Jiangsu Hengshun Vinegar	Sell	1,206	CNY	7.84	6.40	-18%	39X	33X	28X	32X	27X	23X	12%	16%	29X	24X	21X	7%	2.2%	-2%			
603027.SS	Qianhe Condiment and Food	Sell	1,670	CNY	11.48	8.80	-23%	21X	19X	17X	16X	15X	13X	10%	12%	14X	13X	12X	15%	4.7%	-5%			
603317.SS	Sichuan Teway Food Group	Sell	1,686	CNY	11.52	9.90	-14%	19X	17X	16X	16X	15X	13X	7%	10%	14X	13X	12X	14%	4.9%	-14%			
<b>Avg.</b>						<b>22X</b>		<b>19X</b>		<b>17X</b>		<b>15X</b>		<b>8%</b>		<b>11X</b>		<b>10X</b>		<b>11.6%</b>	<b>3.8%</b>	<b>-8%</b>		
<b>Dairy</b>																								
600887.SS	Yili Industrial	Buy	26,470	CNY	29.52	33.40	13%	17X	15X	14X	19X	17X	16X	3%	8%	12X	11X	10X	20%	5.4%	-2%			
2319.HK	Mengniu Dairy	Buy	9,433	HKD	18.68	23.00	23%	13X	11X	10X	17X	13X	12X	4%	10%	8X	7X	6X	12%	3.0%	6%			
6196.HK	China Feile Ltd.	Buy	6,677	HKD	5.83	7.40	27%	11X	10X	9X	13X	12X	12X	4%	7%	5X	4X	4X	16%	6.2%	7%			
<b>Avg.</b>						<b>14X</b>		<b>12X</b>		<b>11X</b>		<b>4%</b>		<b>8%</b>		<b>9X</b>		<b>7X</b>		<b>15.8%</b>	<b>4.9%</b>	<b>4%</b>		
<b>F&amp;B</b>																								
9633.HK	Nongfu Spring	Buy	57,075	HKD	38.20	36.30	-5%	30X	26X	24X	28X	25X	23X	12%	11%	20X	17X	15X	39%	2.4%	13%			
0322.HK	Tingyi	Buy	9,555	HKD	13.34	14.40	8%	16X	14X	13X	18X	15X	14X	3%	12%	7X	7X	6X	24%	6.2%	32%			
0220.HK	Uni-President China	Neutral	5,260	HKD	9.84	9.60	-2%	17X	16X	14X	17X	15X	14X	5%	9%	9X	8X	7X	17%	5.8%	26%			
605499.SS	Eastroc Beverage	Buy	19,498	CNY	281.50	293.00	4%	33X	26X	22X	34X	28X	23X	19%	22%	25X	20X	16X	53%	2.1%	13%			
2460.HK	China Resources Beverage	Buy	4,338	HKD	14.88	19.00	28%	16X	13X	11X	20X	17X	15X	8%	17%	7X	5X	4X	17%	2.8%	n.a.			
KO	Coca-Cola Co.	Neutral	300,886	USD	70.52	70.00	-1%	24X	22X	20X	24X	22X	20X	6%	8%	20X	19X	17X	46%	2.9%	13%			
PEP	PepsiCo Inc.	Buy	181,149	USD	130.44	160.00	23%	16X	15X	14X	20X	19X	17X	4%	8%	13X	12X	11						

**Exhibit 34: Condiments**

Ticker	Company	Valuation Methodology	Key Risks
002507.SZ	Fuling Zhacai	16x P/E applied to 2026E avg. EPS, which is broadly in line with US peers' trading P/E in the downturn around 2018 when facing private-label competition, discounted back to 2025YE using 7.5% COE	Downside/upside risks: 1) Better/worse-than-expected demand recovery, amid the current consumption backdrop; 2) Slower/faster expansion into new products/categories: Fuling has attempted to diversify its product portfolio and allocate resources to developing products aside from its main sales driver Zhacai; 3) Slower/faster expansion into channels & more/less efficient use of expenses
600872.SS	Jonjee Hi-Tech	16x P/E applied to 2026E avg. EPS, which is broadly in line with US peers' trading P/E in the downturn around 2018 when facing private-label competition, discounted back to 2025YE using 10.3% COE	1) Faster-/slower-than-expected distributor recruitment; 2) More/less efficient and targeted channel investments; 3) Better-/worse-than-expected consumer demand recovery and mix; 4) Better-/worse-than-expected margin from internal changes in operation efficiency; 5) Better-/worse than expected competition landscape in the soy sauce market.
603027.SS	Qianhe Condiment and Food	16x P/E applied to 2026E avg. EPS, which is broadly in line with US peers' trading P/E in the downturn around 2018 when facing private-label competition, discounted back to 2025YE using 9.9% COE	Upside risks: 1) Higher margin on expansion of high-end product lines; 2) Margin improvement on cost deflation; 3) Penetration increase in wholesale channels; 4) More efficient marketing investments
600305.SS	Jiangsu Hengshun Vinegar	32x P/E applied to 2025E avg. EPS, on SOE reform potential benefits	Upside risks: 1) Stronger-than-expected volume growth, 2) Better-than-expected return from enhanced marketing investment.
1579.HK	Yihai International Holding	15x P/E applied to 2026E avg. EPS discounted back to 2025YE using 12.0% COE	Downside risks: 1) Intensifying competition in the compound condiments market; 2) further slowdown in related parties sales; 3) food-safety related issues: potential hazards involved in the supply chain, incl. in the transportation and production of products. Upside risks: 1) Faster-than-expected roll-out of new products; 2) Faster-than-expected development of large 2B clients; 3) Less intensive industry competition.
603317.SS	Sichuan Teway Food Group	16x P/E applied to 2026E avg. EPS, which is broadly in line with US peers' trading P/E in the downturn around 2018 when facing private-label competition, discounted back to 2025YE using 9.5% COE	Upside risks: 1) Utilization ramp-up; 2) More efficient brand building; 3) Penetration into 2B markets.

All methodologies unchanged unless stated otherwise in the valuation and TP change section.

Source: Goldman Sachs Global Investment Research

**Exhibit 35: Spirits**

Ticker	Company	Valuation Methodology	Key Risks
600519.SS	Kweichow Moutai	Our 12-m TP is based on 26.5x 2026E P/E discounted back to end-2025E using a 9.5% COE	Downside: 1) Potential regulation changes such as a consumption tax rate hike; 2) Environmental pollution; 3) A slower-than-expected macroeconomic recovery; 4) Capacity constraints; 5) More volatility in US rate hikes given the negative correlation between Moutai's P/E and the US 10-yr bond yield.
000858.SZ	Wuliangye Yibin	Our 12-m TP is based on 19.5x 2026E P/E discounted back to end-2025E using a 10.3% COE	Downside: 1) Potential Consumption tax rate hike, 2) Potential threats from Moutai-flavor brands, 3) Intensifying competition in high-end spirits.
6979.HK	ZJLD	Our 12-m TP is based on 14.5x 2026E P/E discounted back to end-2025E using an 8.2% COE	Downside: 1) Regulations risks on spirits sector may have adverse business impacts; 2) Intensified competition may deteriorate profitability; 3) Macroeconomic and industry uncertainties may lead to channel destocking and decrease in wholesale prices; 4) Environmental pollution of key production regions and potential natural disasters may impose business risks; 5) Potential conflict of interests.
600809.SS	Shanxi Xinghuacun Fen Wine	Our 12-m TP is based on 21.8x 2026E P/E discounted back to end-2025E using an 10.3% COE	Downside: 1) Consumption tax reform, 2) Economic slowdown.
000568.SZ	Luzhou Laojiao	Our 12-m TP is based on 15.6x 2026E P/E discounted back to end-2025E using a 8.4% COE	Downside: 1) Potential Consumption tax rate hike, 2) Potential threats from Moutai-flavor brands, 3) Intensifying competition in high-end spirits.
000596.SZ	Anhui Gujing Distillery Co.	Our 12-m TP is based on 15.5x 2026E P/E discounted back to end-2025E using an 8.3% COE	Downside: 1) Higher-than expected competition in Anhui province, 2) Further economic slowdown, 3) Greater channel inventory amid weaker retail sell-through. Upside: 1) Stronger-than-expected management execution for national expansion, 2) Better-than-expected product upgrade
603369.SS	Jiangsu King's Luck Brewery	Our 12-m TP is based on 14.0x 2026E P/E discounted back to end-2025E using a 10.6% COE	Upside: 1) Better-than-expected competitive landscape in Jiangsu province; 2) Stronger-than-expected management execution for national expansion; 3) Better-than-expected product upgrade Downside: 1) More intensified competition/ worsened demand in Jiangsu; 2) Weaker distributors' confidence and channel inventory situation
002304.SZ	Jiangsu Yanghe	Our 12-m TP is based on 12.4x 2026E P/E discounted back to end-2025E using a 10.8% COE	Upside: 1) Stronger-than-expected policy stimulus execution; 2) Better-than expected competitive landscape in Jiangsu province; 3) Stronger-than-expected performance outside Jiangsu province
000799.SZ	Jiugui Liquor Co.	Our 12-m TP is based on 19.3x 2026E P/E discounted back to end-2025E using a 13.2% COE	Upside: 1) Significant improvement on channel inventory level; 2) Stabilization of wholesale prices, especially Neican; 3) Better-than-expected commercial banquet demand recovery.
600779.SS	Sichuan Swellfun Co.	Our 12-m TP is based on 12.4x 2026E P/E discounted back to end-2025E using an 11.5% COE	Upside: 1) Expansion of Diancang series, 2) Faster than expected penetration of Tianhaochen in the mass market, 3) Better than expected inventory digestion

All methodologies unchanged unless stated otherwise in the valuation and TP change section.

Source: Goldman Sachs Global Investment Research

**Exhibit 36: Beer**

Ticker	Company	Valuation Methodology	Key Risks
0291.HK	China Resources Beer	19.0x 2026E P/E, in line with global peers' full cycle average in the last five years, discounted back to end-2025E using a 10.1% COE	1) Slower-than-expected premium volume growth; 2) Intense competition in the premium segment; 3) Higher-than-expected cost pressure.
1876.HK	Budweiser APAC	19.0x 2026E P/E, in line with global peers' full cycle average in the last five years, discounted back to end-2025E using a 8.8% COE	1) Weaker-than-expected premium channel recovery; 2) More intense China competition; 3) Cost inflation.
0168.HK	Tsingtao Brewery - H	15.2X 2026E P/E, in line with global peers' full cycle avg in the past 5 years applying a historical average of A-H premium at 25%, discounted back to end-2025E using a 9.6% COE	1) Slower-than-expected premium volume growth; 2) Intense competition from higher marketing and channel investments by peers; 3) Unsuccessful national scale price hikes.
600600.SS	Tsingtao Brewery - A	19.0x 2026E P/E, in line with global peers' full cycle average in the last five years, discounted back to end-2025E using a 9.9% COE	1) Slower-/faster-than-expected premium volume growth; 2) Intense competition from higher marketing and channel investments by peers; 3) Successful/unsuccessful national scale price hikes.
600132.SS	Chongqing Brewery	19.0x 2026E P/E, in line with global peers' full cycle average in the last five, discounted back to end-2025E using a 10.8% COE	1) Slower-/faster-than-expected Wusu brand growth; 2) Higher ASP increase; 3) Unfavorable cost trend.
002568.SZ	Shanghai Bairun	21.0x 2026E P/E with reference to the last FY's average trading P/E, discounted back to end-2025E using a 9.9% COE	Faster/slower demand growth, more/less intense competition, higher/lower-than-expected selling expense, raw material risk.

All methodologies unchanged unless stated otherwise in the valuation and TP change section.

Source: Goldman Sachs Global Investment Research

**Exhibit 37: Prepared food, snacks**

Prepared food	Company	Valuation Methodology	Risks
300973.SZ	Ligao Foods	Our Price Target is based on 17x P/E (benchmarked to global peers trading P/E) applied to our 2026 EPS, discounted back to mid-2026 at COE of 8.4%.	Key downside risks: 1) Weaker-than-expected fresh bakery recovery; 2) Weaker-than-expected KA (supermarket) client sales; 3) Shareholding reduction by major shareholders; 4) Raw material costs; and 5) Intensifying competition in the frozen bakery market; 6) Food safety.
001215.SZ	Qianweiyangchu	Our Price Target is based on 15x P/E applied to 2026E EPS discounted to mid-2026 at COE 8.6%.	Key upside risks: 1) more SKUs supplied to top clients; 2) faster-than-expected pace of new clients development; 3) easing competition; Key downside risks: 1) top client (e.g. YUMC) concentration risks; 2) related party risks; 3) food safety
002216.SZ	Sanquan Foods	Our Price Target is based on 15x P/E (broadly in line with global peers' last 1-year PE) applied to 2026E EPS discounted back 1 year at COE 8.6%.	Key risks: 1) higher/lower than expected foodservice channel growth; 2) higher/lower than expected performances of new products; 3) raw material costs; 4) shareholding structure; and 5) food safety.
605089.SS	Weizhixiang	Our Price Target is based on 20x P/E (broadly in line with global peers' last 2-year PE) applied to 2026E EPS, discounted back to mid-2026 at COE of 9.3%	Key upside risks: 1) Successful store rollout in new regions; 2) Better aligned management incentives; 3) Easier competitive landscape; and 4) Raw material costs.
600298.SS	Angel Yeast	Our 12-month TP is based on a 20X P/E (past avg 3-year P/E) applied to our 2026E EPS, discounted back to mid-2026 at 8.1% COE.	Key downside risks: 1) Faster-than-expected capacity expansion pace leading to oversupply pressure on pricing/sales; 2) Cost headwinds leading to margin contraction; 3) Worse-than-expected baking yeast demand in the domestic market.
Snacks	Company	Valuation Methodology	Risks
002847.SZ	Yankershop	Our 12-m TP is based on a 27x P/E (in line with Yankershop's 3-year average P/E) and 2027E EPS discounted back 1.5 year to mid-2026 at a COE of 7.0%.	Key risks: More intense competition in the snacking industry; snack discounters roll-out private label products; higher-than-expected raw material cost; slower distributor expansion
002557.SZ	Chacha food	Our 12-m TP is based on a 13X P/E (peer Want Want's 2 yr avg P/E) on our 2026E EPS discounted back to mid-2026.	Key upside risks: 1) Downstream demand is less value-focus; 2) Successful launch of new blockbuster SKUs; 3) Faster-than-expected margin improvement on cost deflation
0151.HK	Wang Want China	Our 12-m TP is based on a 10X P/E on our 2026E EPS discounted back 1 year to 2025 end at a COE of 5.8%.	Key upside risks: Better-than-expected dairy recovery, faster-than-expected new products/channel sales contribution, stronger margin recovery from favorable costs.
300783.SZ	Three Squirrels	Our 12-m TP is based on a 23x 2026E P/E (company's past 2-year average PE) discounted back to mid-2026 at COE of 7.6%.	Key risks: 1) More effective/ineffective initiatives for reviving offline channel; 2) Faster/slower-than-expected ramping up of capacity; 3) Larger-than-expected raw material prices tailwind/headwind.

All methodologies unchanged unless stated otherwise in the valuation and TP change section.

Source: Goldman Sachs Global Investment Research

**Exhibit 38: Pet food and pork**

Pet food	Company	Valuation Methodology	Risks
002891.SZ	China Pet	Our 12m SOTP-based target price is based on 25X FY26E P/E for the overseas business (against Shenzhou Int'l's average PE during 2018-22 when it was gaining wallet share due to its global production presence) and 30X FY27E P/E for the domestic business discounted back to mid-2026 at 7.9% COE.	Key downside risks: Slower than expected domestic revenue growth, food safety issues, fluctuation in exchange rates, and freight and raw material costs.
300673.SZ	Petpal	Our 12-m TP is based on SOTP, with 16X FY25E P/E for the overseas business and 26X FY26E P/E discounted back 1 year with 6.9% COE for the domestic business.	Key risks: More/less intense competition in the overseas business; risks of order change/receivable collection from large clients; better-/worse-than-expected execution of domestic brand building and channel expansion.
301498.SZ	Gambol Pet	Our 12m TP is based on a SOTP, with 1) the domestic business valued at a 37X 2027E P/E discounted back to mid-2026 at a 7.0% COE, and 2) the overseas business at 18X P/E on 2025E earnings.	Key risks: More favourable/less favourable exchange rates, freight and input prices impacting overseas business; Less/more intense competition in online channel; Better-/worse-than-expected execution of domestic brand building and channel expansion;
Pork	Company	Valuation Methodology	Risks
0288.HK	WH Group	Our 12m TP is based on SOTP, with 1) the US business Smithfield using US team valuation based on risk-reward framework with target downside/base/upside EV/EBITDA of 7.0x/8.5x/10.5x; 2) China business P/E valuation at 17x; 3) European business with 2025E P/E at 7x, and applying a NAV discount of 35%.	Key downside risks: 1) US business: □ Topline: □ A slowdown in economic activity resulting in lower demand; shifts in consumption trends; lower-than-expected demand for US pork in the global market; □ Margin pressure from increased promotional spending; higher raw material costs; changes in regulation; labor shortages or wage cost pressure; retaliatory tariffs; and loss of sales or higher costs related to an outbreak of food-borne illnesses or diseases among livestock. 2) China business: Volatility in live hog prices, higher-than-expected corn prices; □ potential inflation risks with US/China imposing tariffs on imports. 3) Food safety issues.
000895.SZ	Shuanghui	Based on 17X 2025PE.	Key Risks: 1) □ Less □ intense/more intense □ competition in packaged meat; □ 2) Stronger/weaker demand for fresh □ pork/packaged meat from end markets; □ 3) Faster/slower progress of upstream business ramp up.

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 39: F&B, Dairy**

F&B	Company	Valuation methodology	Risks
9633.HK	Nongfu Spring	Our 12-m TP is based on 25X 2026E P/E in line with global peers in the past five years, discounted back to 2025 year-end using an 8.7% COE	Key risks: 1) Lower-than-expected tea/water sales momentum; 2) Higher-than-expected cost inflation; 3) More intense beverage industry competition.
0322.HK	Tingyi	Our 12-m TP is based on a 15X 2026E P/E based on the average of past 2 year P/E of Tingyi/UPC, discounted back to 2025 year-end using an 7.7% COE	Key risks: 1) Higher-than-expected raw material cost pressures; weaker premiumization trends in instant noodle/beverage.
0220.HK	Uni-President China	Our 12-m TP is based on a 15X 2026E P/E based on the average of past 2 year P/E of Tingyi/UPC, discounted back to 2025 year-end using an 8.1% COE	Key upside risks: 1) More favorable raw material price movements; 2) Better-than-expected performance of convenience food driven by demand recovery or new product launch; 3) Better-than-expected competition in instant noodles/beverage Key downside risks: 1) Higher-than-expected raw material cost pressures; 2) More intense competition in instant noodles/beverage; 3) Food quality issues.
605499.SS	Eastroc	Our 12-m TP is based on a 30X 2026E P/E discounted back to end-2025E using an 8.9% COE, with reference to historical average P/E of Monster Beverage in 2017-2019 when Red Bull was losing share in the US	Key risks: 1) Lower industry growth in energy drinks, 2) worse competitive landscape, 3) failure/slower ramp-up of Eastroc's new product launches, 4) potential capacity shortage with already high utilization ratio, 5) higher increases in raw material costs, 6) slower geographical expansion of Eastroc, 7) slower POS penetration/ deployment of fridges, and 8) reputational risks.
2460.HK	CR Beverage	Our 12-m TP is based on a 15X 2026E P/E based on a 19.0x 2025E P/E referring to the avg. P/E of Tingyi/UPC during 2018-2024YTD given similar growth stages.	Key risks: 1) More intensified competition than expected in the bottled water market; 2) Slower than expected development of the beverage business; 3) Raw material price movements; 4) Uncertainty over channel/distribution management; 5) Reputational risks/ food security issues.
Dairy	Company	Valuation methodology	Risks
600887.SS	Yili	Our 12-month TP is based on 2026E P/E of 18.9x (20% A/H premium to the target level of 1STD below prior downcycle P/E in 2015-16), discounted back to 2025 year-end using an 8.8% COE	Key risks: Slower-than-expected liquid milk premium demand, slower dairy demand recovery, more intense competition
2319.HK	Mengniu	Our 12-month TP is based on 2026E P/E of 15.1x (1STD below prior downcycle P/E in 2015-16), discounted back to 2025 year-end using a 9.6% COE	Key risks: Slower-than-expected premium demand, slower than expected dairy demand recovery, more intense dairy industry competition, wider losses in new categories.
6186.HK	Feihe	Our 12-m TP is based on a 13.5x 2026E P/E (35% discount to 1 STD below the historical 5-year avg. P/E of global IMF names), discounted back to 2025 year-end using an 11.3% COE.	Key risks: 1) lower-than-expected new birth rates; 2) more intense competition; 3) slower premium segment growth; 4) industry-wide food safety issues; 5) lower-than-expected incremental policy support.

All methodologies unchanged unless stated otherwise in the valuation and TP change section.

Source: Goldman Sachs Global Investment Research

*Unless otherwise mentioned, this report is priced as of May 9, 2025 close.*

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