China Consumer Staples: 2025 Outlook: A year of valued growth, Four key themes through the cycle

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Consumer staples have gone through deflation and weak demand in 2024 lapping a high base from Covid-period in-home consumption, while margin resilience/shareholder return also remains a key focus area for investors, as discussed in our in-depth sector report. **Looking into 2025**, while we think more execution of policy push is needed to drive consumption (income and confidence level), our high-frequency pricing trackers and investment cycle analysis showed that corporate earnings could be stabilizing/bottoming in 2025. **We focus on four key themes for investment in 2025:**

1- Scarcity in secular volume growth: We perform volume correlation analysis vs. demographic trends to gauge the different impact across staples sectors in case of demographic shift. We expect beverages, snacks and pet foods to continue to see penetration growth with low correlation vs. demographic shift, while channel reshuffle brings volume growth opportunities with lower tier penetration (although mixed impact on pricing).

2- Reflation analysis: We developed an analysis framework to evaluate how inflation scenarios in 2025 will affect consumer subsectors' topline/margin. As the inflation trend is a major swing factor to earnings, we performed margin sensitivity to the gap between CPI/PPI by staple sectors. Meanwhile, the select categories pricing recovery trend will be the key focus for 2025: our high-frequency pricing trackers showed sequential pick up in 4Q pricing trend for beverage/UHT milk/Noodles after a distressful 2024.

3-Investment cycle and Supply/Demand: We refresh our comparison of different investment cycles against the sector sales growth trajectory. We note that beer, dairy and prepared foods have entered a significant Capex cut cycle for 2023-25E vs. stabilizing sales trend, while snacks are still investing for growth. We also expect the Dairy supply-demand cycle to improve in 2025.

4-White space with overseas expansion as an emerging new TAM: While the overseas portion is still quite low for the staples space vs. discretionary, F&B names are stepping up on exports/supply chain/M&A potential. Although the active overseas expansion is still at an early stage, we do see the potential of a new TAM, especially from ASEAN regions (non-dairy F&B TAM at US$63bn as 34% of China, CR5 ranging from 30%~87% across sectors in Exhibit 30).

In this report, we refresh our demographic model for China and perform scenarios on fertility rates towards 2035E (a potential focus in policy scope). For 2024E, our bull/base/bear case suggests 9.00/8.82/8.75mn new births. Our bull case suggests a modest new birth rate recovery going forward, while under the base case, the number of new births is set to remain flattish towards 2035E. Our base case points to sequentially a much less steep decline for Age 0~4 population, at -4% CAGR in 2024-2027E vs. over -HSD% yoy in 2021-2023.

Updated sector ranking: We highlight beverage (secular growth), dairy (supply-demand/margin bottom out) as our most preferred sectors, followed by pet foods (penetration), condiments (consolidation)/(upgraded), and beer/super premium spirits (shareholder return and potential policy beneficiary).

For stocks, we highlight Moutai, Tsingtao-H, Mengniu, Tingyi (new upgrade), CR Beverage, Nongfu, Yanker, China Pet Foods and Ligao as key picks with valued growth. **Four rating changes within the report**: Tingyi/Angel Yeast to Buy, King's Luck to Neutral and Yanghe to Sell. Within, we update our earnings forecasts (-20%~+6% in 2024E) and 12m TPs (-21% -+31%) for our China Staple coverage and introduce our 2027E estimates.

2025 Investment framework

Investment framework for our staple coverage - assess growth opportunities, resilience and return.

Exhibit 1: Staples investment framework

	Super premium liquor	Non super premium liquor	Beer	Dairy	Beverage	Condiment	Pet food	Snacks	Prepared food	Other F&B
Growth opportunity - sales outlook										
2025E Industry - Secular volume/penetration growth	4.0%	-3.3%	0.5%	0.9%	5.7%	4.2%	4.2%	2.7%	5.0%	Beverage: 5.7%
2025E Industry - ASP growth	1.8%	5.5%	1.4%	-0.1%	0.1%		6.0%			Beverage: 0.1%
2024E sales yoy (coverage weighted avg.)	*12%*	*5%*	*-4%*	*-8%*	*12%*	*8%*	*21%*	*13%*	*6%*	*2%*
2025E sales yoy (coverage weighted avg.)	*7%*	*6%*	*4%*	*2%*	*17%*	*9%*	*17%*	*11%*	*9%*	*4%*
Bottom out/acceleration: 25E - 24E sales yoy	↓	↑	↑	↑	↑	↑	↓	↓	↑	↑
Defensive play - resilience and return										
2024E NP yoy	*12%*	*3%*	*-3%*	*-2%*	*11%*	*11%*	*48%*	*13%*	*-1%*	*17%*
2025E NP yoy	*9%*	*7%*	*9%*	*9%*	*19%*	*12%*	*16%*	*5%*	*10%*	*15%*
Bottom out/acceleration: 25E - 24E sales yoy	↓	↑	↑	↑	↑	↑	↓	↓	↑	→
Investment cycle										
Sales 24-26E CAGR	7%	7%	3%	3%	16%	8%	17%	12%	9%	4%
Capex 22-25E CAGR	-2%	11%	-7%	-19%	19%	3%	4%	9%	-10%	1%
Diff (- oversupply /+under supply)	*9.7ppt*	*(4.4ppt)*	*9.8ppt*	*21.7ppt*	*(2.9ppt)*	*5.4ppt*	*13.4ppt*	*2.7ppt*	*18.6ppt*	*3.0ppt*
2024E Capex as % of sales	3%	11%	8%	2%	13%	7%	7%	4%	8%	3%
Capex ratio delta: +/- in 25E-24E	*(0.3ppt)*	*0.4ppt*	*(2.7ppt)*	*(0.1ppt)*	*(0.1ppt)*	*0.5ppt*	*(1.0ppt)*	*(0.1ppt)*	*(0.2ppt)*	*(0.1ppt)*
Cash conversion ability										
2024E OPM	**57.3%**	**30.7%**	**19.3%**	**14.8%**	**23.6%**	**19.6%**	**12.5%**	**16.7%**	**9.7%**	**7.4%**
25E-24E OPM yoy	*0.2ppt*	*1.1ppt*	*0.9ppt*	*1.3ppt*	*0.9ppt*	*0.9ppt*	*0.3ppt*	*(0.3ppt)*	*0.4ppt*	*0.7ppt*
2024E OCF as % of sales	**45.3%**	**24.5%**	**20.0%**	**13.8%**	**26.4%**	**20.9%**	**9.7%**	**16.8%**	**12.1%**	**9.5%**
OCF improvement: 25E-24E OCF as % of sales yoy	*1.3ppt*	*3.1ppt*	*2.0ppt*	*1.4ppt*	*1.4ppt*	*2.3ppt*	*0.6ppt*	*(0.4ppt)*	*0.3ppt*	*0.5ppt*
2024E FCF as % of sales	**42.3%**	**14.0%**	**12.0%**	**11.3%**	**13.5%**	**13.7%**	**2.8%**	**12.8%**	**3.7%**	**6.1%**
FCF improvement: 25E-24E FCF as % of sales yoy	*1.7ppt*	*2.7ppt*	*4.7ppt*	*1.5ppt*	*1.4ppt*	*1.8ppt*	*1.6ppt*	*(0.3ppt)*	*0.5ppt*	*0.6ppt*
2024E FCF yield %	**6.3%**	**2.9%**	**5.5%**	**7.1%**	**1.1%**	**3.2%**	**0.5%**	**5.9%**	**1.9%**	**7.2%**
2025E FCF yield %	**6.7%**	**3.9%**	**7.2%**	**8.9%**	**2.5%**	**3.9%**	**1.3%**	**6.1%**	**1.5%**	**8.2%**
Net cash/debt as % total equity	**72%**	**45%**	**40%**	**-6%**	**58%**	**44%**	**3%**	**27%**	**14%**	**-10%**
Shareholder return visibility										
2024E Dividend yield %	**4.3%**	**2.8%**	**4.0%**	**4.7%**	**1.9%**	**3.2%**	**0.7%**	**4.4%**	**2.1%**	**6.6%**
2025E Dividend yield %	**4.5%**	**2.9%**	**4.3%**	**5.5%**	**2.3%**	**3.6%**	**0.8%**	**4.6%**	**2.3%**	**7.4%**
Dividend yield improvement: 25E - 24E	*0.2ppt*	*0.2ppt*	*0.2ppt*	*0.8ppt*	*0.4ppt*	*0.4ppt*	*0.1ppt*	*0.3ppt*	*0.2ppt*	*0.8ppt*
Valuation -Eikon										
Current 12M PE	15	17	18	12	23	23	32	15	20	14
2022 avg PE	29	29	33	16	44	38	29	22	31	16

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 2: Comp sheet of preferred stocks

Company	Ticker	Rating	Mkt cap (US$mn)	3m Ave. daily turnover (US$mn)	12m TP (LLC)	Current price (LLC)	(+/-) vs TP	Net income (yoy)			PE (x)			EV/EBITDA (x)			ROE			Dividend yield			FCF yield		
						15-Jan		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
China consumer staples																									
Kweichow Moutai	600519.SS	Buy	252,081	715.8	2,017.00	1,471.27	37%	15%	10%	11%	22	20	18	14.0	12.5	11.1	38%	38%	38%	3%	4%	4%	5%	5%	6%
Tsingtao H-Share	0168.HK	Buy	8,900	26.2	59.00	51.30	15%	4%	11%	7%	15	13	12	7.9	6.9	6.2	16%	16%	16%	4%	5%	5%	5%	6%	7%
Tingyi	0322.HK	Buy	8,029	11.5	13.00	11.10	17%	19%	16%	11%	16	14	12	7.7	6.9	6.4	26%	29%	31%	6%	7%	8%	8%	9%	9%
Mengniu	2319.HK	Buy	7,554	49.8	21.80	14.88	47%	-47%	94%	19%	22	11	9	12.0	8.7	7.3	6%	10%	12%	3%	4%	6%	5%	10%	12%
Nongfu Spring	9633.HK	Buy	50,912	51.0	38.00	35.25	8%	2%	15%	12%	30	26	24	19.3	16.5	14.4	40%	40%	39%	2%	3%	3%	3%	4%	5%
China Resources Beverage	2460.HK	Buy	3,347		19.00	11.10	71%	19%	22%	22%	14	13	10	5.9	5.4	4.0	18%	17%	18%	n.m.	2%	3%	-3%	1%	8%
Yankershop Food	002847.SZ	Buy	2,131	22.5	68.90	56.92	21%	30%	23%	14%	24	19	17	19.1	15.8	13.5	42%	43%	41%	3%	3%	4%	2%	3%	4%
China Pet Foods	002891.SZ	Buy	1,455	29.7	42.00	36.26	16%	63%	11%	32%	28	25	19	18.9	15.0	11.3	16%	16%	18%	1%	1%	2%	0%	2%	3%
Ligao	300973.SZ	Buy	862	23.0	40.50	37.33	8%	41%	42%	29%	21	17	14	12.6	10.3	8.4	12%	14%	16%	3%	4%	4%	0%	1%	5%

Price as of Jan 15, 2025

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

PM Summary

2024 in review

The share price of overall China consumer staples sector underperformed in 2024 (-6% by weighted average) vs. MSCI China (+16%) in the midst of continued pressure from deflation and prolonged macro softness through the year. The share price performance was led by Pet Foods (up c.55% in 2024), beverages (led by Eastroc up 77%) while spirits, beer and frozen foods under-performed but had sharp rebound post policy push on 24 Sept. The top performers in the sector in 2024 are featured as 1) solid market share gainers in categories with secular growth (e.g Eastroc/Gambol/Haitian/Yanker/Three Squirrel up c. 19~100%); and 2) high visibility in shareholder returns with stable fundamentals (e.g Yihai/UPC/Feihe up c.18~22%).

What were the bright spots in 2024: 1) Solid volume growth and rising focus on health/functional benefits especially in beverage industry, e.g Nongfu's sugar-free tea continued to deliver fast volume growth, and Eastroc seized the opportunities to push forward nationwide channel penetration amid favorable competitive landscape and expanded new products in sports drinks through strong distribution network; **2) Channel reshuffling** (e.g discounter, wechat gifting, etc.) and **lower-tier city penetration** in snack foods industry, where Three Squirrels managed to grow topline faster by lowering price points and adapting to value-for-money trends; **3) More shareholder return commitment** and enhancement were announced by spirits and beer companies in 4Q; **4) Domestic premiumization and market consolidation in pet foods** industry, where Gambol/ China Pet Foods led the trends.

What went wrong: Looking in rear view mirror, we found that **1) the worse/ longer than expected deflation** period in 2024 hurt both consumption confidence, leading to wider trade down trends and more value-focused consumer behaviors and slowed down premiumization progress across beer/spirits/dairy etc; **2) deconsolidation** was seen in beer and dairy industries, where competition became more intense and smaller/local players turned out to gain shares in 2024 (e.g small dairy producers tend to have lower procurement costs from dairy farms).

What consumption-related policies are desired: 1) more straightforward consumption demand stimulus, e.g higher ticket size and widely covered consumption vouchers for service and catering; 2) more meaningful subsidies to families with new births; 3) more concrete measures to stimulate Dairy consumption; 4) government consumption proxies on recovery of (local) government spending which likely benefit spirits consumption.

4Q24 Preview (Exhibit 44): We see the topline as still weak across most staples sub-sectors following a largely in line set of 3Q prints and many companies in the coverage have shifted focuses to a better start in 1Q25, whereas we do expect some highlights in specific sub-sectors. For example, on the positive side, condiments/pets/snacks would likely see fast growth yoy, beverage continued solid sales growth momentum in 4Q, instant noodles gradually picked up. Nevertheless, we expect spirits to slow down sequentially as companies are more focused on channel healthiness, and beer was still muted on catering channel weakness. Dairy sales was yet to improve significantly in 4Q, while the normalization of raw milk prices and channel inventory levels could point to a potential bottom out time frame in sight in 2025.

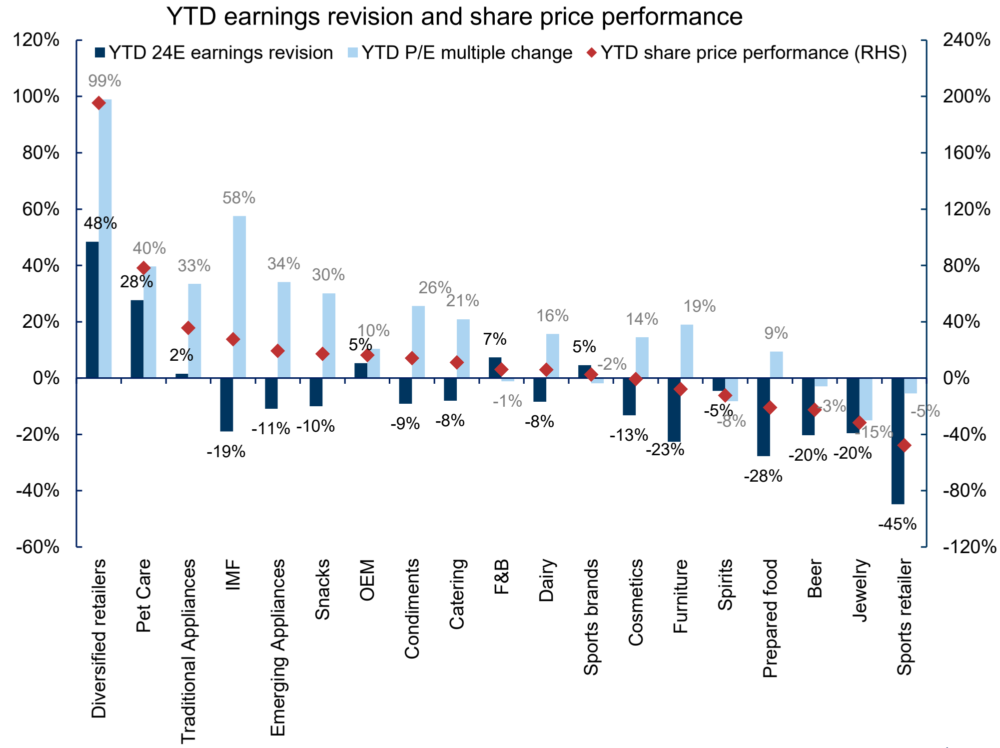
For 1Q25, we note tough comp base across the space. Recall that China consumption had a better than expected 2024 LNY in Jan 2024 against a very cautious outlook by the market in the same time last year, we are entering 2025 LNY with cautious expectations by the market again lapping a tough comp from Jan 2024 (2024 LNY Early color for Jan 2024 sales momentum here: Snacks up DD%~100%+, Frozen Foods/Condiment up HSD~30%, Beer up SD~teens% and Dairy up SD% in Jan 2024). Given the tough comp for 1Q25 and a cautious stance from the channels, staples companies prefer to concentrate the shipment into Jan 2025 pre LNY.

Exhibit 3: 2024 in review

2024 in review for China consumer staples			
What have worked	*Subsectors*	**What went wrong**	*Subsectors*
Penetration to direct B2B business as a secular growth driver for frozen/prepared foods and condiments amid choppy recovery of catering sales	*Frozen/ prepared foods, Condiments*	The worse/ longer than expected deflation period in 2024 hurt both consumption confidence and slowed down premiumization progress across beer/spirits/dairy etc, leading to wider trade down trends and more value-focused consumer behaviors	*Beer, Dairy, Spirits*
Rising online penetration and livesream commerce elevated fragmented demand for sub sectors with less concentrated market share; Channel reshuffles e.g snack discounters led to further shrinking of the industry profit pool and an increasing threat to brands from private labels	*Condiments, Foods, Snacks*	Deconsolidation amid muted industry-level growth was seen, where competition became more intense and smaller/local players turned out to gain shares in 2024 (e.g small dairy producers tended to have lower procurement costs from dairy farms)	*Beer, Dairy*
Secular volume growth from consumer appetite on health and wellness awareness which has been enhanced since Covid	*Beverage*		

Source: Goldman Sachs Global Investment Research

Exhibit 4: Share price performance has been largely driven by earnings revisions in 2024 YTD



Both earnings revisions/share price performance are weighted on latest market cap (as of Jan 13, 2025).

Source: Eikon datastream, Data compiled by Goldman Sachs Global Investment Research

2025 outlook -Four key themes

#1 Scarcity in secular volume growth: We performed volume correlation analysis vs. demographic shift (population growth and median age across countries) to gauge the different impact across staple sectors in case of demographic shift. We think there is scarcity of finding secular volume growth opportunity amid deflation cycle (beverage/ pets/ snacks), while the volume growth opportunities in 2025 ahead could mainly come from increasing penetration (e.g per-capita consumption for beverage/pets), channel reshuffles with value focus trend (e.g snacks discounters, condiments B2B procurement), in-home consumption for beer, and potential upside from policy implementation (e.g normalizing/improving demographic structure).

#2 Gradual improvement in ASP likely to remain soft, but eyes on upside potential: We maintain a more conservative view as the inflation expectation is still weak (GSe moderate CPI pick up to 0.4% yoy in 2025), while it is a critical swing factor to improve staples companies' earnings and household expectations for future income, and if and when the reflation arrived, we are positive on the upside potential brought by the pricing/ consumption elasticity of consumer staples products.

- We developed an analysis framework to evaluate how inflation scenarios in 2025 will affect consumer subsectors' topline/margin.
- We also performed margin sensitivity to the gap between CPI/PPI by staple sectors: Across our coverage, our sensitivity to reflation analysis suggests 1) that ASP

growth of Beer/Dairy could be benefited from reflation cycle as they appear strong positive correlation with CPI; 2) profitability of staple F&B (beverage/Condiment/Snacks/prepared food) could also be benefited as they are strongly positively correlated with CPI-PPI historically, while alcoholic drinks i.e beer/ spirits presented relatively independent profit growth pathway vs. CPI.

- Meanwhile, **the select categories pricing recovery trend will be the key focus for 2025**: our high-frequency pricing channel check showed sequential pick up in 4Q pricing trend for beverage/UHT milk/Noodles(picking up post price hike in Oct) which had suffered from promotion activity in 2024, indicating bottoming out into 2025 (Exhibit 16).

#3 Investment Cycles & Shareholder returns still top of mind: We believe China consumer staples sector will continue to focus on margin resilience whilst entering a more mature investment cycle and bearing a more prudent growth outlook. We observed multiple staples categories (beer/dairy/frozen foods) have been cutting/ postponing the capex guidance in 2024 and prioritize shareholder return, and we refresh our comparison of different investment cycles against the sector sales growth trajectory, indicating an improving cycle into 2025-26E.

- Along the investment cycle, we noted staples subsectors are featured with different development stages, and we generally favor those subsectors that are more agile in adjusting capex spending amid elevated uncertainties as it enhances cash flow visibility. **With good inflections**: Dairy, beer and frozen foods companies had seen capex over-spending in 2015-2023 vs lower sales growth, while we expect them to reduce capex significantly buffering demand evolution going forward. **Continued healthy investment cycle:** Pet foods have been also trending healthily with sales growth consistently higher than capex growth since 2021. **On the contrary,** the non-high-end spirits category was under capacity in 2018-23 with less spending on capex in 2015-20, consequently the aggressive plans of capacity expansion announced in the last five years encountered with fluid demand during Covid, and we expect capex projects to continue towards 2025E, leading to pressures from over capacity concerns.
- For shareholder return enhancement, most SOE spirits companies have announced interim dividends in 2H24 that support the return visibility. We see cash flow quality being prioritized, and expect defensive play to continue amid heightened tariff risks, hence rising shareholder return discussion in domestic consumer staples industry will likely continue ahead.

#4- Overseas - a potential new TAM for China staples: With the demand pick-up pathway still taking time, we believe China consumer staples sector will take constructive efforts to explore overseas white space. Overseas markets have become increasingly important for staples companies, and we observed more covered companies (e.g condiments, snacks and beverages) announced greater exposures to overseas markets e.g South East Asia, mainly focused on establishing supply chains, exports, distributor network and/or sales teams, to invest and grow. We expect some initial operating progress to be seen in 2025 especially for condiments players such as

Yihai, while it would take longer to scale up/ monetize comparatively vs. their domestic businesses.

We refresh our demographic model for China and perform scenarios on fertility rate towards 2035E - a potential key focus in Policy Scope: Multiple regions across China have introduced subsidy policies to encourage families to have more kids since 2021 funded by the local government funds (Exhibit 31)*, which has accelerated since 2024 (although our summary of local policy still showed a small scale). Our demographic models point out that the drop in new births in recent years is mainly due to: 1) number of childbearing age women peaked in 2012 and has been decreasing afterwards due to aged population, and assume that it will continue decreasing till 2035E; 2) total fertility rate sharply dropped from 1.5 to 1.1 from 2019 to 2022 partially due to Covid effects. China's birth rate for mothers in 20~24 year old group is still significantly below pre-covid level, and birth rates in 30~44 year old range have potential to increase when compared with USA/Japan/South Korea. **Hence we expect fertility rate to gradually edge up with our bear/base/bull case assuming 1.00/1.20/1.45 in 2035E.** Our bull base leads to modest new birth rate recovery going forward, while under the base case, number of new births will remain flattish towards 2035E. In our base case, we are seeing sequentially much less steeper decline for Age 0~3, indicating less pressure on IMF industry volume starting from 2025E (Exhibit 43).

Stock preferences

We highlight Moutai, Tsingtao-H, Mengniu, Tingyi, Nongfu, CR Beverage, Yanker, China Pet Foods and Ligao as top picks with valued growth.

- Scarcity of secular volume growth: Nongfu, CR Beverage, Yanker, China Pet Foods
- Margin resilience and shareholder return: Moutai, Tsingtao-H, Tingyi
- Valuation overdone and potentially bottoming out: Mengniu, Ligao

Four rating changes with the report: Tingyi to Buy from Neutral on effective promotion cuts, efficiency enhancements and execution on price hike to drive solid earnings growth, backed by solid shareholder return; Angel Yeast to Buy on lower pressure to digest excess capacity, and further price cuts being less likely, King's Luck to Neutral on its solid momentum of market share gain in Jiangsu and Yanghe to Sell on unfavorable competitive landscape and relatively low visibility of operating recovery.

Exhibit 5: Industry scenario anaysis summary

Sector	Scenario	Industry Growth (YoY)			Assumptions	
		2024E	2025E	2026E	Volume	ASP
Spirits	Base	4.3%	3.8%	2.6%		
	Bull		10.7%	8.4%	Assume upper-mid-end/high-end spirits sales yoy at 2.5x/3.0x vs. China's GDP yoy growth and 1.5% bull-case CPI	
	Bear		0.0%	0.6%	Assume upper-mid-end/high-end spirits sales yoy to similar growth in the broad anti-graft period of 2012-2016	
Beer	Base	-1.8%	1.9%	2.2%		
	Bull		8.1%	7.1%	On-trade in line with bull-case catering sales growth; 2.0% yoy for off-trade at avg. growth in 2021-2023	Factoring in 1.5% bull-case CPI (1.1%/0.1% higher vs. base case) for both on-trade/off-trade
	Bear		-2.7%	-0.3%	One-year delay of off-trade/on-trade volume	No inflation assumed for off-trade, no recovery in ASP for on-trade
Condiments	Base	4.4%	4.2%	4.2%	Assume catering sales growth at 4.8%/5.2% yoy in 2025/2026E	
	Bull		5.2%	5.0%	Assume catering sales growth at 7.1%/6.9% yoy in 2025/2026E	
	Bear		3.4%	3.3%	Assume catering sales growth at 3.1%/3.1% yoy in 2025/2026E	
Dairy	Base	-4.3%	0.9%	3.1%		
	Bull		2.0%	3.7%	Liquid milk volume at 5.5% bull-case GSe real household consumption growth	Liquid milk ASP at 1.5% bull-case CPI
	Bear		-1.0%	1.3%	Simiar competition for liquid milk in 2025 vs. 2024 then gradually recovers in 2026: -7%/-5% yoy in 2025/26E	Simiar competition for liquid milk in 2025 vs. 2024 then gradually recovers in 2026: -2%/-1% yoy in 2025/26E
Prepared food	Base	3.9%	5.0%	5.8%		
	Bull		9.6%	7.1%	Higher frozen food penetration in both 2B and 2C channels and higher catering sales growth	
	Bear		-0.2%	2.2%	Lower frozen food penetration in both 2B and 2C channels and lower catering sales growth	
Pet	Base	9.8%	10.4%	11.3%	Assume 0.6x/1.5x dog/cat food ASP vs. PCE growth in 2025E; assume 0.6x/1.5x in 2026E (both largely in line with 2024E); subject to various PCE cases	
	Bull		12.3%	12.0%		
	Bear		5.8%	6.6%		
Snacks	Base	2.0%	2.7%	3.1%	Assume 0.5x/0.5x industry growth vs. PCE growth in 2025/2026E (in line with 2024E); subject to various PCE cases	
	Bull		3.5%	3.4%		
	Bear		0.7%	1.1%		

Source: Goldman Sachs Global Investment Research

Exhibit 6: Key debates/catalysts

Sub Sector	Key Debates	Key Catalysts
	Spirits	
1	What scope of policy stimulus on consumption and property market is sufficient to drive the cycle bottom out?	**Value-focus:** (-) upper mid end products are more vulnerable vs. super-premium/mass-products as weaker macro to weigh on SME commercial spending; **Sentiment on property market:** (+/-) Property policy stimulus to revitalize commercial demand **Cost/expense:** (+) high margin profile and resilient cost structure (-) enhanced promotion within upper mid end segment amid weaker demand **Growing global footprint:** (+) Global market expansion, but relatively limited
2	How the long-term demographic shift and young consumer's preference changes impact the volume and mix shifts?	
	Beer	
1	On-trade recovery pathway especially in night-life/catering channels	**In-home channel premiumization:** (+) Rising trends of consumption upgrade e.g in canned beers in in-home channels **Product cycle:** (+) New product launches in the comprehensive product portfolio
2	In-home premiumization as a new battlefield; eyes on execution	
	Diversified F&B	
1	Will small-packaged water see easier price competition in 2025 leading to ASP/volume recovery?	**Value-focus:** (-) Weaker spending power to drag overall market growth/premiumization. (-) continued price competition in water/tea. (+) Brands that have value-for-money product offering could be benefited **Cost/expense:** (+) Raw material price correction (e.g.sugar/PET). **Price hike:** (+) Benefits GPM if successfully implemented. **Weather:** (+/-) Weather in summer impacts beverage peak-season demand, hot weather benefits demand/cold and rainy weather negatively impacts demand.
2	Will the strong momentum in RTD tea/functional drinks be sustainable if consumer sentiments remains muted?	
	Dairy	
1	Timing for raw milk cycle turnaround	**Cost/expense:** (+) Raw milk price remains relatively low; rational competition from Yili/Mengniu; (-) prolonged demand weakness could lead to non-operating losses e.g further goodwill/ inventory impairment **Policy execution:** (+) any concrete measures by local governments may help to drive sentiments
2	Competition dynamics and impact on ASP/ profits	
3	Potential upside from policy stimulus if any	

Source: Goldman Sachs Global Investment Research

Exhibit 7: Key debates/catalysts (continued)

Sub Sector	Key Debates	Key Catalysts
	Snacks	
1	Will discounters' high growth be sustained in 2025?	**Value-trend:** (-): pressure on pricing with consumers' preference for value **Channel shift:** (+) Online expansion: e.g. Douyin, WeChat gifting; (+/-) discounters supporting topline while putting pressure on pricing **Product cycle:** (+) Companies with successful launch of innovative/premium SKU/product category to drive penetration **Raw material costs:** (-/+) higher/lower input costs, for companies without diversified product portfolio in particular eg Chacha to face rising sunflower seed cost; (+) Supply chain build-up
2	How to think of the competition dynamics in 2025 and pricing trend	
	Condiments	
1	Will consolidation continue or will more long-tail players emerge with channel shift and easing costs?	**Value-focus:** (-) Premium products are less attractive **Regional expansion:** (+) Expanding to overseas markets by building factories and enhance collaboration with local distributors/restaurants **Cost/expense:** (+) Easing commodities prices of soy bean and other raw materials
2	How much contribution will overseas business make to Haitian/Yihai's sales/margin?	
	Prepared/Frozen food	
1	How is the competition dynamic evolving?	**Raw material cost and ASP trend**:(+/-)higher/lower raw material hike to impact margin profile/bring further competition and companies usually could do price hike in the late **inflation cycle** **Product cycle:** (+) Companies with successful launch of new SKU/product category to drive penetration, especially SKUs on major KA channels
2	How will raw material cost impact margins and companies pricing strategy?	
	Pet food	
1	What would be the key strength of pet food players and how to gauge LT upside?	**Product cycle:** (+) Companies with successful launch of innovative/premium SKU/product category to drive penetration (baked food etc) **Market competition:** (+) Increased tariff on overseas brands to favor China-chic trend; (+) higher consumer consciousness to favor leading brands with high product quality **New clients development:** (+) new overseas orders from European/non-US clients or Northern American local-to-local factories ramping up **Channel mix:** (+) More favourable channel development from distributor to DTC model **Cost/expense:** (+) higher customer retention rate; (+/-) raw material costs; (+/-) tariff/FX remain uncertain
2	What is the margin potential upside given channel/product mix change?	
3	How much impact will US tariff have on pet companies if they are imposed?	

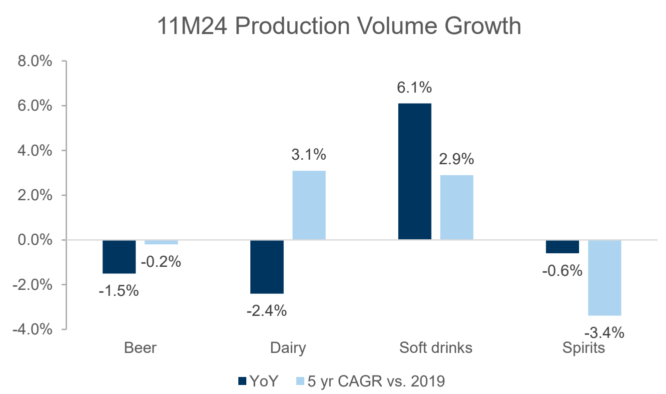
Source: Goldman Sachs Global Investment Research

Key theme #1 - Scarcity of secular volume growth

Production volume

In 11M24, soft drink production volume outperformed other staples categories with strong growth yoy. Beer and spirits showed subdued momentum with a decline on both a yoy and 5-yr CAGR basis. Dairy production volume decreased yoy lapping a relatively high base during Covid (2021-22) while it still recorded positive growth on a 5-yr CAGR basis vs. the pre-Covid period.

Exhibit 8: In 11M24, soft drink production volume delivered strong growth yoy, while beer and spirits recorded declines on both a yoy and 5-yr CAGR basis



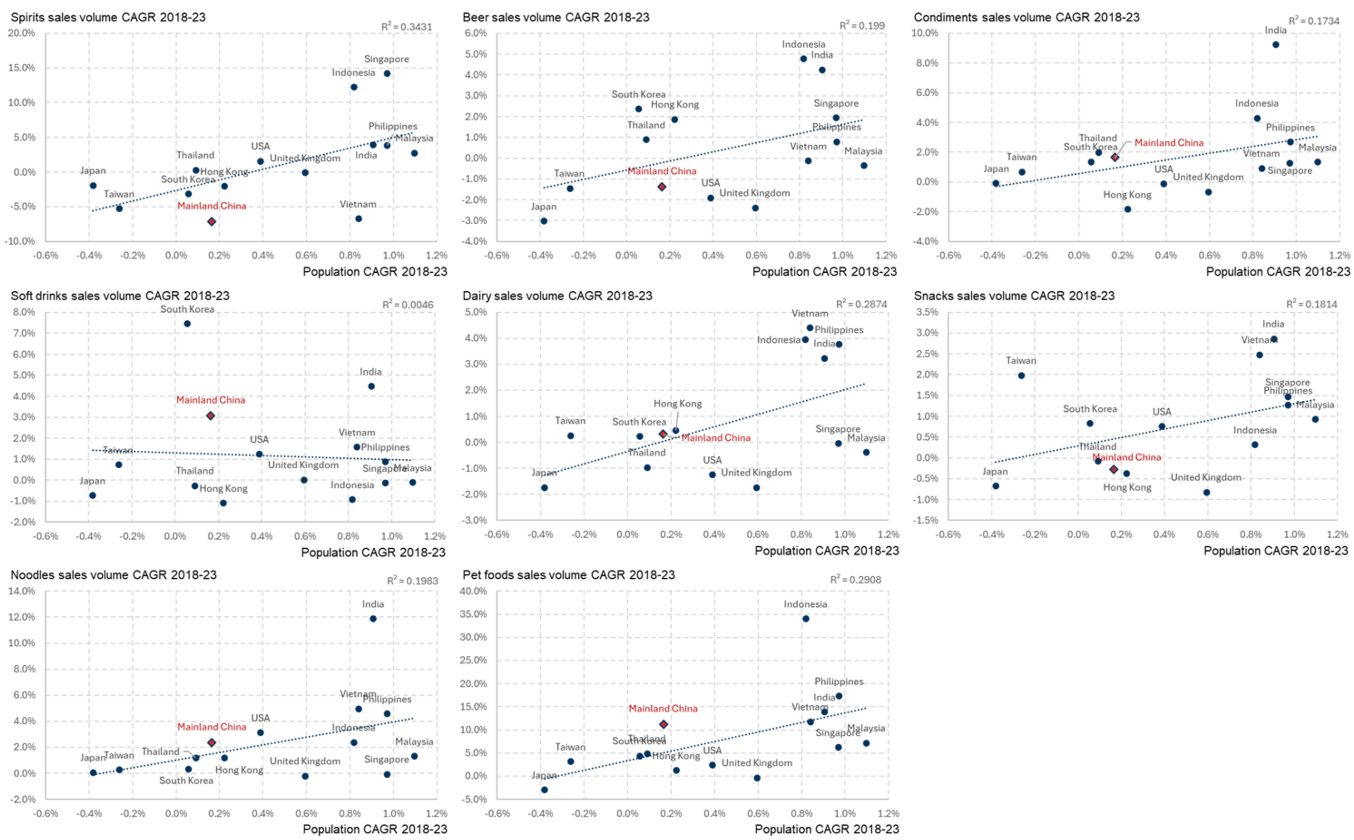
Source: NBS, Wind, Goldman Sachs Global Investment Research

Demographic shift impact on volume

The demographic structure evolution towards an aging population is having an impact on consumption trends in staples categories, for which we have performed the below correlation analysis across global markets. We note that spirits sales volume showed a stronger correlation with population growth in 2018-2023, while soft drink's growth shows more independence (Exhibit 9), and snack/condiments/beer are not significantly related to population growth. However, as the population ages, all staples categories demonstrate decreasing volume growth to some extent, esp. for condiments and beer (Exhibit 10). Beer/condiments' volume growth is highly correlated with demographic shift (ie. most adversely impacted by an aging population), while spirits/noodles/soft drinks' growth shows lower correlation and is hence less pressured by the demographic shifts.

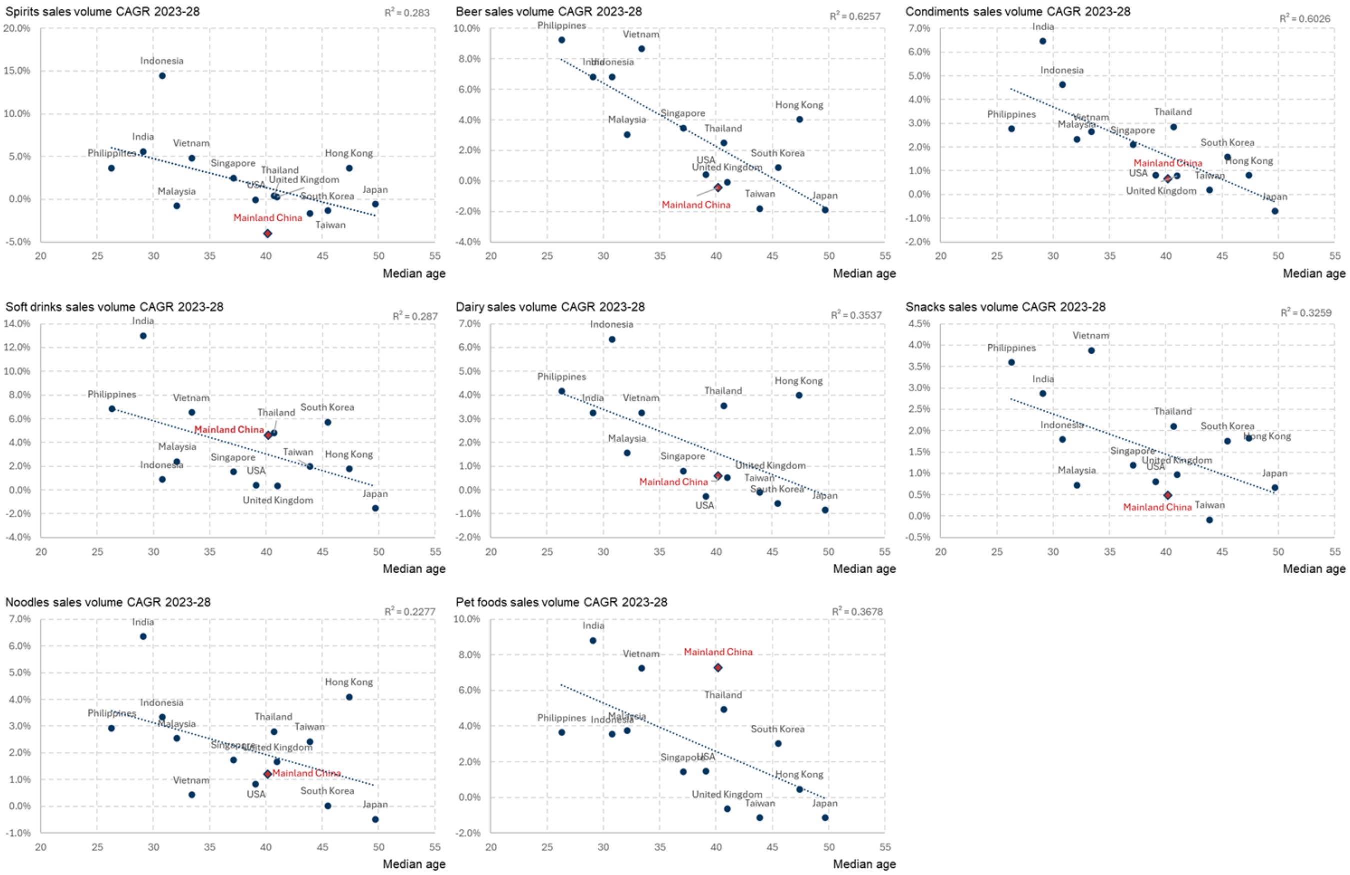
Exhibit 9: Soft drinks present less correlated scattered plot against population growth across countries markets

Sales volume growth vs. population growth by category



Source: Euromonitor, Goldman Sachs Global Investment Research

Exhibit 10: However, all staples categories appear to be negatively correlated with median age

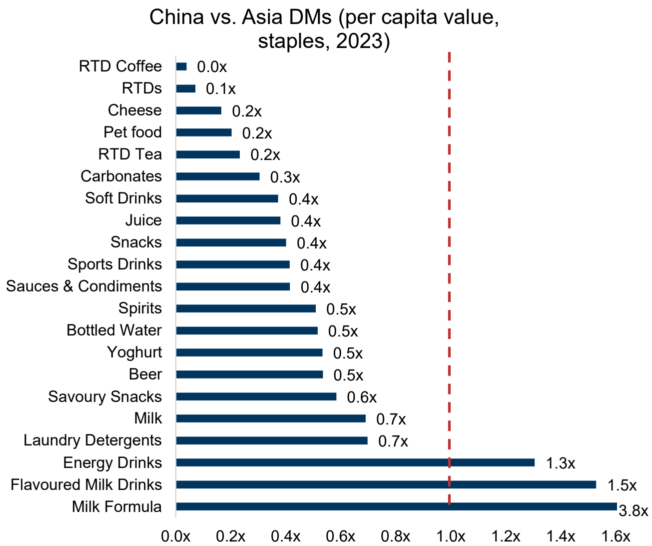


Source: Euromonitor, Goldman Sachs Global Investment Research

Penetration level

Most staples categories in China continue to show relatively low per capita consumption value. Penetration functions as a key driver for categories including soft drinks, pet foods and snacks with further help from relatively higher affordability compared to Asia DMs, per Euromonitor data.

Exhibit 11: Most staples categories in China have relatively lower per capita consumption value vs. in Asia DMs...



Per capita figures are based on urban population only

Source: Euromonitor, Goldman Sachs Global Investment Research

Diversifying Consumer demand and lower-tier penetration supported by Channel Reshuffle

We see channel reshuffle (across online/offline, city tiers, shop scales) presenting continued challenges and opportunities, with online continuing to penetrate the offline F&B market via better consumer engagement and higher channel efficiency, while offline continues value-chain reforms to cut channel layers amid the value-for-money trend.

Lower-tier region penetration likely to continue in 2025

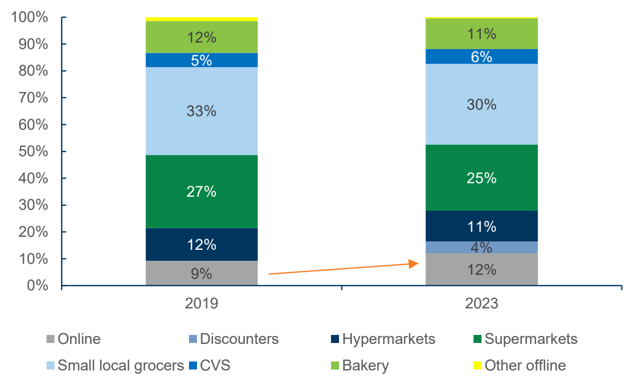
In 2024, the consumption activity for FMCG tended to be more resilient in lower-tier cities (tier-3/4) vs. higher-tier ones (tier-1/2) in terms of volume per Bain's report, though ASP across cities saw similar pressure in 9M24. We also noted similar trends in the yoy growth of outlet numbers by city tier, where lower-tier cities saw higher growth in retail terminals across modern trade and grocery stores, and also smaller declines in mom-and-baby stores according to Nielsen IQ. We think the overhang from greater income uncertainties and wealth effect in top-tier cities partly led to consumption weakness, and we believe the trends are likely to continue in 2025 if the current macro backdrop persists.

Continuing trends: 1) We continue to expect an increasing number of leading discounters to largely sustain their store opening pace, given the attractive payback period amid the soft macro backdrop and discounters' value-for-money positioning on top of fast product launches. Into 2025, we expect wider impacts from the channel given several discounters' intention to broaden product categories from snacks to overall staple foods, ultimately leading to a discounter & KA integrated business model. 2) We see continuing Sam's Club momentum, with 53 stores as of end-2024 and 6~7 new-adds to be rolled out in 2025.

Online/O2O gained share from traditional hyper/supermarkets for FMCG

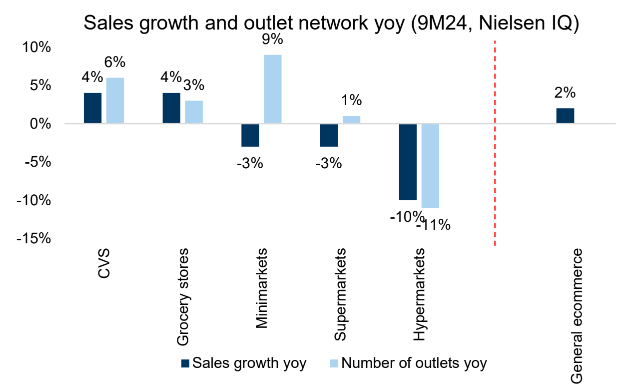
Per Nielsen IQ, the online channels for FMCG likely took some customer traffic from traditional offline channels (e.g. hyper/super markets) in 2023-24. However, the offline channels also saw divergence. In 9M24, some offline channels (e.g. CVS, grocery store) delivered higher sales growth vs. e-commerce, while traditional offline channels (e.g mini/super/hypermarkets) continued to lose share per Nielsen IQ. We think the rising demand for convenience/ closer locations reflected in the sales run-rate, which is similar to what we observed in Japan in the 1990s (more discussion in our beverage primer).

Exhibit 12: Offline traditional channels accounted for the majority of sales mix while continuing to lose share to online and discounter channels before 2023



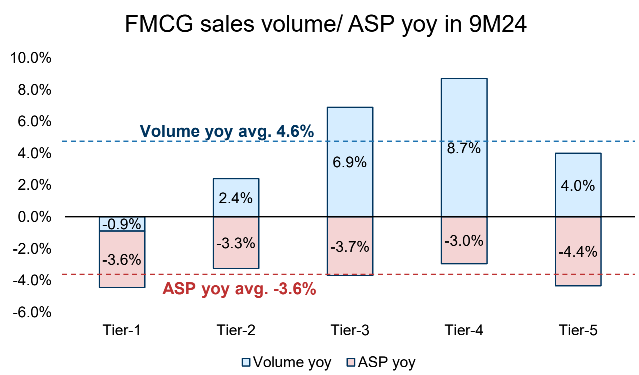
Source: Euromonitor, Goldman Sachs Global Investment Research

Exhibit 13: In 9M24, some offline channels (e.g. CVS, grocery store) delivered higher sales growth vs. e-commerce, while traditional offline channels e.g mini/super/hypermarkets continued to lose share



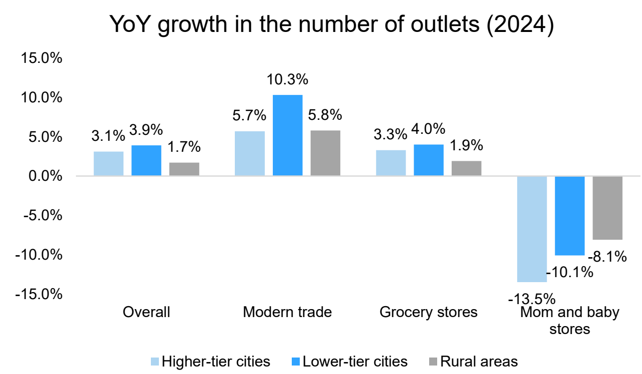
Source: Nielsen IQ, Data compiled by Goldman Sachs Global Investment Research

Exhibit 14: According to Bain, the FMCG sales in lower-tier regions (esp. Tier-3/4) delivered higher volume growth vs. weak run-rate in Tier-1/2 cities, though ASP across cities saw similar pressure in 9M24



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

Exhibit 15: The number of outlets for FMCG also grew faster in lower-tier cities in 2024, implying continued lower-tier penetration momentum



Source: Nielsen IQ, Data compiled by Goldman Sachs Global Investment Research

Key theme #2 - Reflation analysis and pricing power framework

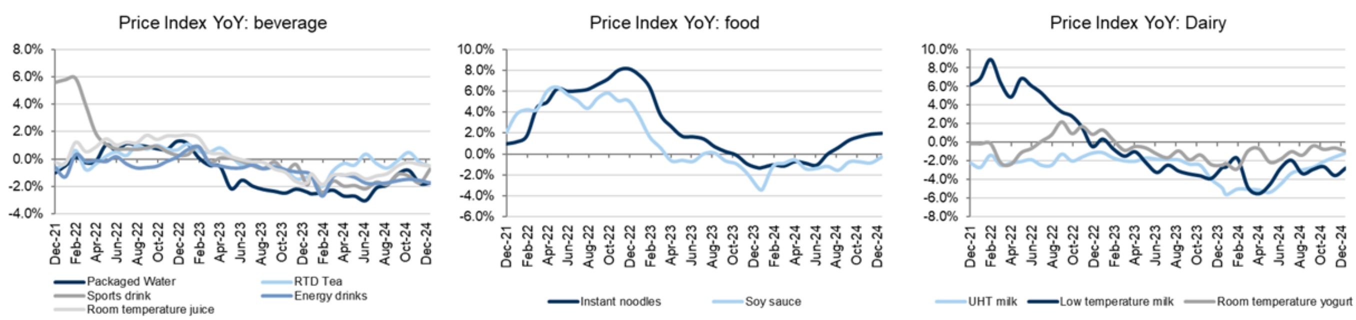
Pricing factor was key for general F&B categories which were also under pressure of deflation in 2023-2024. We believe that normalizing price and an end to the deflationary cycle will raise household expectations for future income and hence help to improve corporate earnings.

High frequency price tracker

Prices of beverage/dairy saw declines yoy in 2Q23-2Q24 likely on increased promotions amid intensified competition and an unfavorable deflationary consumption environment, esp. bottled water and low-temperature yogurt. According to Mashangying, entering 2024, **bottled water**'s price continued to decline due to intensified price competition in 1H24 but has seen a significantly narrower sequential decline yoy since 3Q24; meanwhile the price of **RTD tea** was more resilient and has started to stabilize since 2Q24, mainly thanks to easier price competition. **Instant noodles** have seen steady price increases yoy in 2H24 likely due to Tingyi's effective HSD% price hikes (six pricing tracker showed in Exhibit 16).

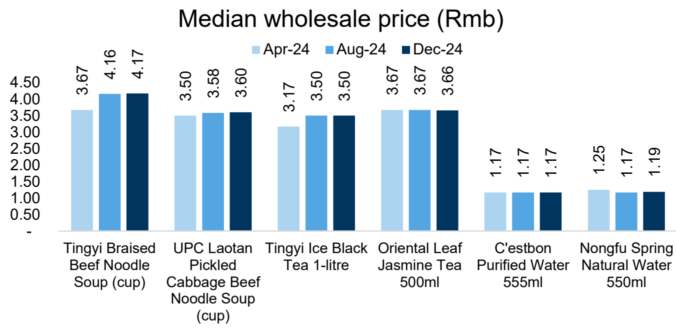
While the market had concerns on whether Tingyi's price hikes in both 1-litre tea and noodles could be successful, we think the pricing hike of noodles is more likely to bear fruit in 2025 (an upward trend for both Tingyi and UPC noodles's median wholesale prices in 4Q24 as showed by Mashangying in Exhibit 17). While the market is concerned on the pricing pressure on bottled water due to competition, we noted that C'estbon's was more stable while Nongfu's natural water ASP was impacted by the pricing competition but slightly recovered in 4Q24.

Exhibit 16: Mashangying Retail Price Index YoY: prices of beverage and dairy have seen consistent price pressure since 2Q23, with a narrowed sequential decline in 2H24; instant noodles saw price increases yoy in 2H24 likely due to price hike actions



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

Exhibit 17: We observed Tingyi's price hikes in both 1-litre tea and noodles were partly effective in 2024; Nongfu's natural water ASP was impacted by the pricing competition, while C'estbon's was more stable



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, Data compiled by Goldman Sachs Global Investment Research

Pricing Power Analysis Framework

We have developed an analysis framework to evaluate how inflation scenarios in 2025 would affect staples subsectors' topline/margin. We believe four aspects are influencing pricing power: **1) Price sensitivity to CPI and margin sensitivity to the gap between CPI/PPI.** Stronger correlation between ASP and CPI indicates the ability to hike prices relies more on a favorable inflationary environment, while ASP and mix are pressured more in deflationary cycles. Subsectors showing lower price dependence on CPI tend to be more resilient in a deflationary environment. Significant correlation of gross margin with the CPI-PPI gap may indicate cost tailwinds when PPI lags CPI, and this gap has remained positive since 2H22 and has kept expanding in 2H24. **2)** Investment cycles: excess supply makes companies less resilient under an unfavorable consumer sentiment and inflation environment due to more intense competition entailing increased promotions. **3)** Cost structure: lower GPM, higher % of raw material/pure commodity in COGS indicate greater sensitivity of margins to the macroeconomic backdrop (i.e. PPI changes). **4)** Consolidation: deconsolidation trends will decrease the pricing power of leading companies.

- We highlight the strong pricing power of super-premium spirits characterized by a low dependence of price hikes on CPI and high GPM profiles bolstered by strong channel power, disciplined supply, and relatively healthy channel inventory level. Despite the wholesale price downtrend in the past year, super-premium spirits players have managed to maintain the strong bargaining power facing distributors, following Feitian Moutai/Common Wuliangye's ex-factory prices hikes in 2023/24.
- **Pet** also benefits from a low correlation of ASP to CPI and a healthy S&D balance further helped by the continued consolidation trend. Pricing power for **beverage** is relatively moderate with help from higher GPM and low % of raw materials in COGS but pressured by a high correlation of ASP/margin with CPI/PPI.

- By contrast, pricing power for leading players in **beer** has historically been relatively robust thanks to a solid premiumization strategy and favorable competition landscape, moderate % of raw materials in COGS, and robust margin profile despite high sensitivity of price hikes to CPI, but was notably diminished by recent industry de-consolidation (see our industry outlook).
- Dairy's pricing power is relatively weak due to thinner profitability, a de-consolidation trend amid the prolonged raw milk down cycle, and ASP's moderate correlation with CPI. Pricing power for frozen food players is also weak due to margins' high sensitivity to CPI/PPI, relatively lower margins, higher % of raw materials in COGS, and the de-consolidation trend in the segmented market.

As we mentioned in our 2024 Staples outlook, CPI (reflation) is the top cyclical factor that we watch for, given the **Correlation of earnings/margin vs. CPI and valuation level vs. CPI-PPI gap.**

For prices, a higher correlation between ASP and CPI indicates the ability to hike prices is more dependent on a favorable inflationary environment, while ASP and mix shift will be pressured more in deflationary cycles. ASP growth of Beer/Dairy/Snacks shows a strong positive correlation with CPI and hence should benefit from a potential reflation.

The CPI-PPI gap has been positive throughout 2023-24 and widened in 2H24 due to sluggish PPI despite a small pickup in CPI. An improving CPI-PPI gap extended into 1H24 with more cost deflation, reflected in relatively resilient margins amid soft top lines in 1H24 results. Should the inflation level turnaround kick in in 2025 with effective execution and further fiscal policy support, we think the above-mentioned sectors' earnings/margin outlook will likely benefit. GPM-selling exp. ratio expansion of F&B/Condiment/Snacks/Frozen food/Pet food has been strongly positively correlated with CPI-PPI historically. On the other side, GPM-selling exp. ratio expansion of leading Spirits players has typically shown a weaker correlation in the past decade mainly on strengthened pricing power on brand equity and channel capabilities. Similarly, we see a milder correlation in Beer in the past five years, likely due to mix upgrades on intact premiumization strategies.

Scenario:

Under a bull case scenario of a pick-up in CPI while PPI trends slower than CPI, staple F&B (beverage/Condiment/Snacks/prepared food) may significantly benefit from price hike opportunities and high sensitivity to CPI-PPI cycles, while spirits and beer may also benefit from mix shift back to upgrade. Under our base case of moderately better CPI vs. 2024 with PPI improving at a similar pace (GSe CPI/PPI yoy at +0.4%/-0.9% for 2025), pet/condiments may outperform due to lower promotion and solid/resilient demand. On the cost side, beer/beverages should still benefit from raw material costs lock-in at the currently favorable prices going into 2025. Should inflation descend into a bear case of still muted CPI but notably quicker PPI, dairy and prepared food would suffer from potential cost headwinds, unfavorable mix and higher promotions.

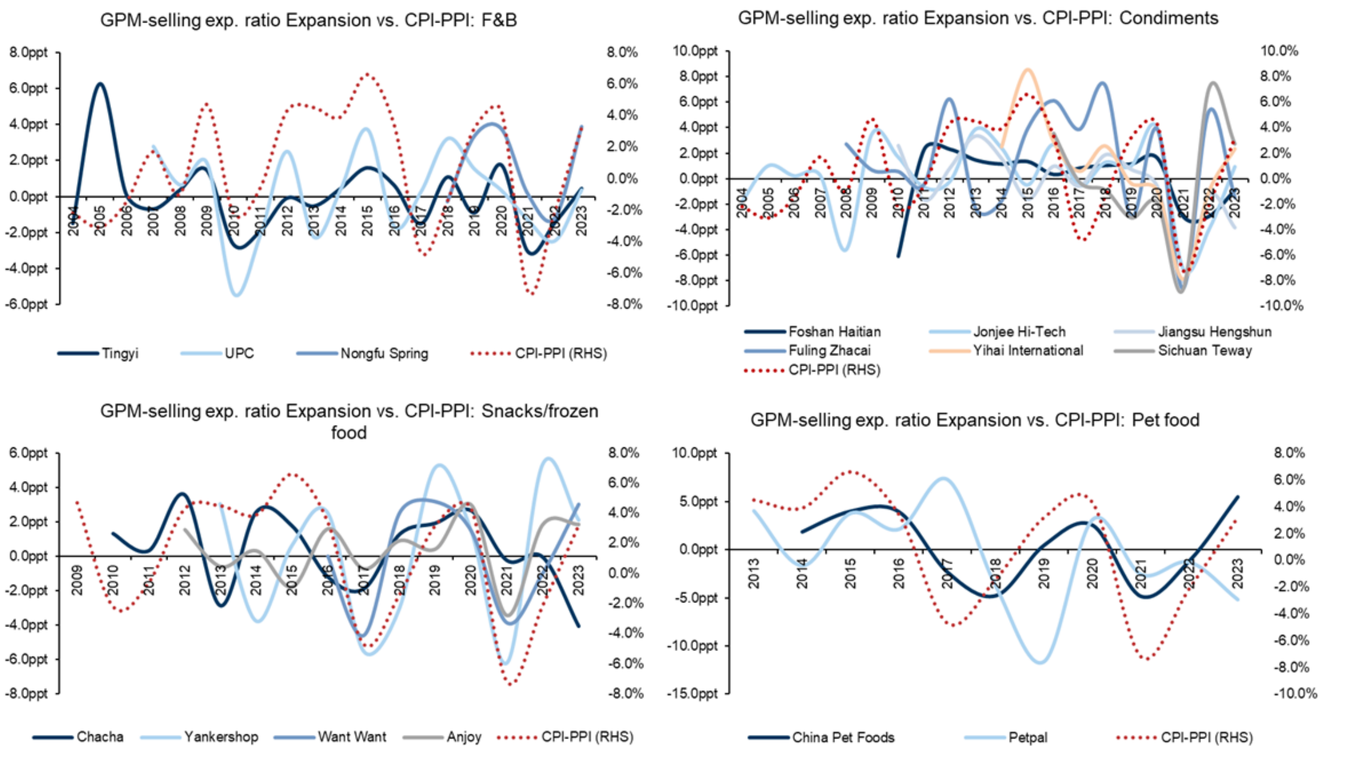
Exhibit 18: Pricing power analysis framework

Pricing power framework

	Spirits	Beer	Condiments	Dairy	F&B	Snacks	Pet care	Prepared food
Three Scenarios of 2025 inflation (CPI/PPI)								
Bull case: CPI pick up, PPI slower	(+) Benefit from favorable mix shift	(+) Benefit from favorable mix shift and price hikes (+) Barley cost benefits	(+) Benefit from price hikes and cost tailwinds	(+) Benefit from price hikes and lower promotions	(+) Benefit from favorable mix shift, price hikes, and cost tailwinds	(+/-) Benefit from cost tailwind but with diversified product mix (-) slower like-for-like ASP hike on competition	(+) Lower pricing promotions (+) More favourable products mix (+) cost tailwind	(+) Benefit from cost tailwinds (-) ASP hike usually lag behind
Base case: CPI still moderate but better than 2024, PPI at similar pace	(+) Relatively resilient cost and ASP (+) Favourable mix	(+) Lower promotions (+) Favourable mix (+) Barley cost benefits	(+) Lower promotions (+) Favourable mix	(+) Lower promotions	(+) Lower promotions	(-) Continued competition and promotions	(+) Lower promotions (+) Favourable mix	(-) Continued competition and promotions
Bear case: CPI still muted but PPI pick up	(+) Relatively resilient cost and ASP (-) Unfavorable mix	(-) Pressured by cost headwinds (-) Unfavorable mix shift	(-) More value products; (-) Relatively more defensive in pricing due to inelastic demand	(-) Pressured by cost headwinds	(-) Pressured by cost headwinds	(-) Pressure by cost headwinds but smaller magnitude if with diversified product mix	(+) Favourable mix (-) cost headwinds	(-) Pressured by cost headwinds (+) faster exit of smaller players
Pricing Power Metrics								
Pricing Power Assessment (total scroes)	4	-2	-1	-3	-1	-1	2	-4
ASP trend - sensitivity to CPI/disposable income								
Sector Correlation to CPI	-14%	46%	44%	39%	24%	65%	-1%	-35%
Sector Correlation to disposable income	-19%	74%	38%	59%	28%	66%	-35%	-43%
Score	1	-1	0	0	0	-1	1	0
Margin sensivity to CPI-PPI gap								
"GPM-Selling ratio" vs. "CPI - PPI" (sensitivity low to high)	Low	Low to Medium	High	Low to Medium	High	High	Medium	High
Score	1	0	-1	0	-1	-1	0	-1
Investment cycle / Suppy vs. Demand								
Sales CAGR (21-26E) vs. Capex CAGR (18-25E) Gap	0ppt (high-end) -20ppt (non-high end)	-1ppt	-6ppt	7ppt	-4ppt(F&B-Tingyi/UPC) 1ppt (Beverage)	n.a.	16ppt	Mixed
Score	-1	0	-1	0	0	1	1	0
Cost structure								
Raw material as % of COGS	c.50~70%	60~65%	70~90%	70%+	40%~70%	Various cost structures	70~80%	Mostly 45~65%
Raw material as % of Sales	<15%	30~35%	45~55%	c.40%	25~35%		50~55%	30~50%
Pure Commodity as % of Sales		c.30%	c.15% (compound) 30~35% (soy sauce)	c.40%	20~35%		Pet treats c.30%; staple food diversified	20~40%
Key raw material		Aluminum/Glass	Soybean/Glass	Raw milk	Sugar/PET/Palm oil		Chicken	Meat (avg.)/Flour
Spot price (Dec 2024) vs. 2024 avg.		1% / -3%	-10% / -3%	-6%	-2% / -10% / +21%		1%	+1% / -1%
Score	1	0	0	-1	1	0	-1	-1
Absolute margin level (2024E, simple avg.)								
GPM %	78%	48%	39%	36%	43%	36%	33%	25%
EBITDA %	41%	26%	24%	10%	22%	20%	16%	13%
OPM %	39%	20%	20%	7%	17%	17%	12%	10%
Score	1	0	0	-1	0	0	0	-1
Competition dynamics								
Consolidation vs. Deconsolidation (2024E)								
CR5 trend	↑	↓	↑	→	↓	→	↑	↓
CR3 trend	↑	↓	↑	↓	↓	→	↑	↑
Consolidation level	High	High	Medium	High	Medium	Low	Low	Low
Online exposure (2023)	10% (volume)	8% (volume)	10% (volume)	17% (value)	11% (value)	12% (value)	67% (value)	
Online exposure-trend	→	↑	↑	→	→	↑	↑	
Score	1	-1	1	-1	-1	0	1	-1

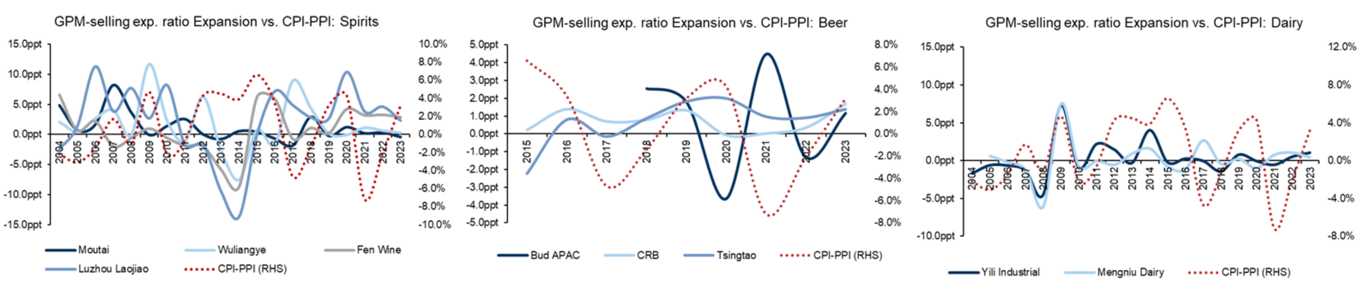
Source: Company data, Wind, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 19: GPM-selling exp. ratio expansion of F&B/Condiment/Snacks/Frozen food/Pet food shows positive correlation with CPI-PPI



Source: Wind

Exhibit 20: GPM-selling exp. ratio expansion of Spirits/Beer/Dairy showed a weaker correlation with CPI-PPI in recent years



Source: Wind

Key theme #3 - Investment Cycle and Supply/Demand

Capex implied growth vs. sales growth

Following our in-depth analysis of investment cycles last Sep, we update the capex estimates for our coverage, and categorize the staples sub-sectors into groups with different investment cycles by comparing their capex growth rates across cycles (2015-2020/2018-2022/2022-2025E capex cycles) against their sales growth trajectory. **Looking forward, we observe three categories of investment cycles: 1) mature stage:** dairy, frozen foods and beer categories would trend into a more mature stage of investments, where they would generally start reducing capex (capex CAGR down HSD% to DD% in 2022-25) and focusing on optimizing operating efficiency, which we see as a favorable stage for cash flow generation and higher visibility of shareholder returns; **2) balanced stage:** high-end spirits, condiments, F&B and pets are more rational in capital expenditure (capex CAGR within +/- LSD%), and the sales growth is also stable ahead, indicating a balanced input/output cycle and relatively stable industry dynamics growth outlook; and **3) expanding stage:** beverage, non-high-end spirits, snacks are still increasing their capex (capex CAGR up HSD% to DD%), leading to higher demand for cash and requiring a promising business outlook to sustain profitability. We believe the beverage and snacks industries, driven by rising penetration, would still enjoy secular volume growth and the sales/capex gap is relatively small; however, the non-high-end spirits could face greater pressure from the earlier started capacity expansion projects amid prolonged tough industry cycles in the current macro environment.

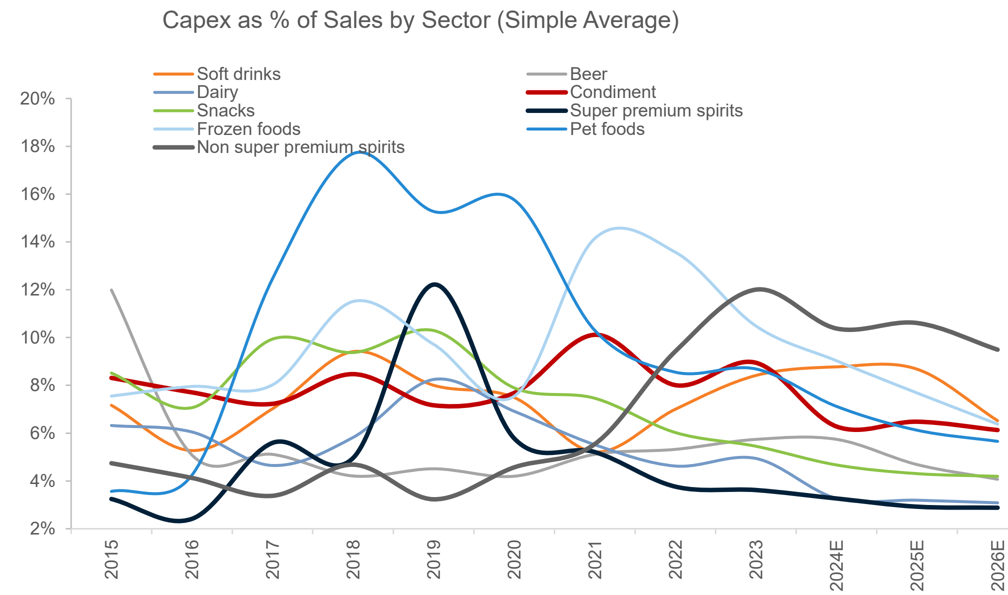
Looking into the full cycle in 2018-26E, beer/dairy/prepared food/other F&B radically expanded in 2018-22, but demand growth didn't accelerate in 2021-24. Therefore, these categories suffered in the cycle of 2021-2024 but have started to see more disciplined capex in 2022-25E vs. steady growth outlook in 2024-2026E, leading to a relatively more balanced S&D. In contrast, snacks/beverage's increased investments in 2018-22 successfully translated into sales growth acceleration in 2021-24E; hence, companies even further sped up investment in 2022-25E looking for continued robust growth in 2024-26E and we still see healthy S&D in the full cycle in 2018~2025E capex vs. 2021-2026E sales. However, we expect non high-end spirits will suffer from the continued capex expansion in 2022-25E following the radical investments in 2018-22 against a slowdown in sales growth.

Exhibit 21: Capex growth vs. sales CAGR summary for China staples

CAGR - Aggregate average by sub-sector	2015-2020 Capex CAGR	2018-2023 Sales CAGR	Diff (pp)	2018-2022 Capex CAGR	2021-2024E Sales CAGR	Diff (pp)	2022-2025E Capex CAGR	2024E-2026E Sales CAGR	Diff (pp)	2018-2025 Capex CAGR	2021-2026E Sales	Diff (pp)
Beverage	n.a.	23.5%	n.a	11.8%	16.4%	4.6pp	18.7%	15.7%	(3.0pp)	14.7%	16.1%	1.4pp
Other F&B	5.4%	5.7%	0.3pp	13.2%	3.8%	(9.4pp)	0.6%	3.7%	3.0pp	7.6%	3.7%	(3.9pp)
Beer	0.0%	7.0%	7.0pp	13.3%	3.4%	(10.0pp)	-7.2%	2.6%	9.8pp	4.0%	3.1%	(1.0pp)
Dairy	13.2%	9.0%	(4.2pp)	6.5%	0.8%	(5.7pp)	-18.8%	2.9%	21.7pp	-5.2%	1.6%	6.8pp
High-end spirits	15.6%	15.2%	(0.4pp)	23.8%	14.5%	(9.3pp)	-2.4%	7.3%	9.7pp	11.8%	11.6%	(0.2pp)
Non-high-end spirits	8.6%	17.1%	8.5pp	47.8%	13.8%	(34.0pp)	10.7%	6.7%	(4.0pp)	30.6%	10.9%	(19.6pp)
Condiments	10.6%	9.3%	(1.3pp)	19.9%	4.4%	(15.6pp)	2.9%	8.4%	5.4pp	12.3%	6.0%	(6.4pp)
Snacks	-6.3%	4.7%	11.1pp	2.8%	3.7%	0.9pp	8.9%	11.6%	2.7pp	5.4%	6.8%	1.4pp
Pet	79.3%	22.0%	(57.3pp)	1.2%	19.6%	18.5pp	3.8%	17.4%	13.6pp	2.3%	18.7%	16.4pp
Frozen food	20.8%	16.6%	(4.2pp)	23.3%	11.1%	(12.2pp)	-9.8%	8.8%	18.6pp	7.8%	10.1%	2.3pp

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 22: Investment cycles of staples sector trended more disciplined



Source: Company data, Goldman Sachs Global Investment Research

Dairy industry supply-demand cycle

Our latest supply/demand model for the dairy industry suggests that the supply surplus in 2024E was attributed to both demand weakness and relatively slower supply side adjustments. Although we estimate a 400k cut in the cow herd size through the year (i.e., c.6% decline yoy), the unit yield was also up by SD%. We look for continued declining herd size in 2025, while the swing factor would be demand resilience/recovery, pending implementation of further policy stimulus if any. In Oct/Nov, the dairy product supply continued to be streamlined with yoy production volume declining at 3%/4% vs. the cow milk production volume declined by 6% in 3Q24.

Taking dairy farm Modern Dairy (1117.HK, Not Covered, the subsidiary of Mengniu) as an example, we note that large-scale dairy farms may act slower in supply streamlining due to more favorable cost levels and above-industry-level ASP, while it would be harder for smaller scale farms to survive longer if raw milk prices further weakened. As the raw milk price has stabilized recently, we do not expect the cow herd size cut to accelerate in 2025; however, as the channel inventory has been more healthy in 1H25 vs. 1H24, we see the demand decline downside as also relatively limited. Net-net, we continue to look for a more balanced supply/demand trend in 2H25.

Exhibit 23: Our industry model looks for more balanced supply/demand dynamics in 2025 as the base case

China S/D model	2021	2022	2023	2024E	2025E	2026E	2027E
S/D summary	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2026E**
Total supply (K ton)	**48,736**	**49,117**	**49,467**	**47,147**	**45,224**	**46,123**	**47,331**
yoy growth	*10.6%*	*0.8%*	*0.7%*	*-4.7%*	*-4.1%*	*2.0%*	*2.6%*
Total demand (K ton)	**48,761**	**48,614**	**48,231**	**46,019**	**45,138**	**46,171**	**47,421**
yoy growth	*10.5%*	*-0.3%*	*-0.8%*	*-4.6%*	*-1.9%*	*2.3%*	*2.7%*
Total Supply Excess/(Shortage)	**(25)**	**503**	**1,236**	**1,128**	**86**	**(48)**	**(90)**

Source: NBS, Goldman Sachs Global Investment Research

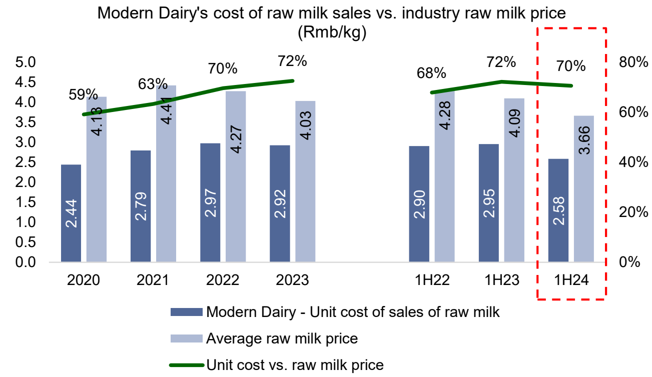
Exhibit 24: Our sensivity analysis suggests that balanced supply/demand dynamics would require the domestic demand to narrow yoy decline to within -2% in 2025 (vs. c.-5% in 2024E, all else being equal), with similar proactive adjustments in the raw milk production as in 2024E

Dairy supply surplus/ (shortage) 2025 (k ton)		Demand growth yoy					
		4.0%	2.0%	0.0%	-2.0%	-4.0%	-6.0%
Number of cows in milk yoy %	-12.0%	(4,979)	(4,059)	(3,138)	(2,218)	(1,297)	(377)
	-9.0%	(3,712)	(2,792)	(1,871)	(951)	(30)	890
	-6.0%	(2,445)	(1,525)	(604)	316	1,237	2,157
	-3.0%	(1,178)	(257)	663	1,583	2,504	3,424
	0.0%	89	1,010	1,930	2,850	3,771	4,691

Dairy supply surplus/ (shortage) 2025 (k ton)		Demand growth yoy					
		4.0%	2.0%	0.0%	-2.0%	-4.0%	-6.0%
Unit yield of cow in milk yoy	5.0%	(1,868)	(947)	(27)	893	1,814	2,734
	4.0%	(2,251)	(1,331)	(411)	510	1,430	2,351
	3.0%	(2,635)	(1,715)	(794)	126	1,047	1,967
	2.0%	(3,019)	(2,098)	(1,178)	(257)	663	1,583
	1.0%	(3,402)	(2,482)	(1,561)	(641)	279	1,200

Source: Goldman Sachs Global Investment Research

Exhibit 25: Comparing Modern Dairy's raw milk production costs with its raw milk selling price, we think large scale dairy farms are still able to maintain relatively stable economic profits amid softened raw milk prices for some time



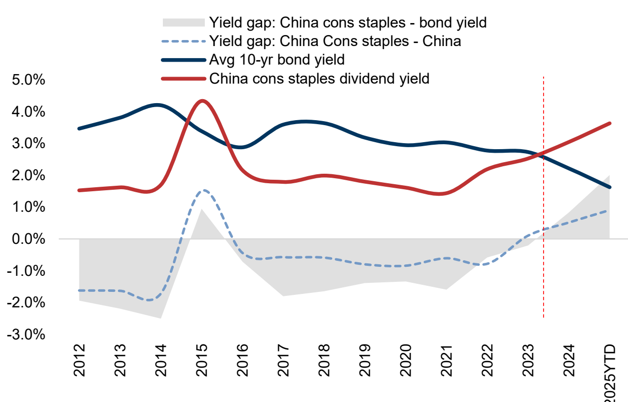
Source: Company data

Shareholder returns (dividend yield) remain attractive; meanwhile falling rates should be supportive for sector valuations

2025E FCF yield and dividend yield are 4.8%/3.6% (simple average) for our Staples coverage. This compares to the 1.7% 10Y China bond yield, and 4.8% 10Y US Treasury Bond yield. 2024 is the first year after 2015 when MSCI China Staple index dividend yield % reached higher than the 10Y China bond yield. We expect Feihe, UPC, Tingyi and Yihai to lead dividend yield levels (at 7%+) across our China Staples coverage in 2025E.

Exhibit 26: We note that the dividend yield of China consumer staples has surpassed the 10-year bond yield and China average dividend yield since 2024

Yield gaps: China 10-year bonds, China consumer staples, and all China



Dividend yields are based on MSCI China consumer staples index and MSCI China index

Source: MSCI, Refinitiv Eikon, Goldman Sachs Global Investment Research

Exhibit 27: F&B (Tingyi/UPC) and Dairy (Yili/Mengniu/Feihe) rank top in terms of the FCF and dividend yields amongst our staples coverage

Sub-sector average	FCF yield %			Dividend yield %		
	2024E	2025E	2026E	2024E	2025E	2026E
Super premium spirits	6.2%	6.7%	7.2%	4.3%	4.5%	4.9%
Non super premium spirits	2.9%	3.9%	4.6%	2.7%	2.9%	3.3%
Beer	5.5%	7.1%	8.0%	4.0%	4.2%	4.7%
Condiment	3.2%	3.9%	4.3%	3.2%	3.6%	4.0%
Dairy	7.0%	8.9%	9.7%	4.6%	5.5%	6.3%
Other F&B	7.3%	8.3%	9.0%	6.7%	7.5%	8.3%
Beverages	1.0%	2.5%	5.4%	1.9%	2.3%	2.7%
Snacks	5.9%	6.0%	6.4%	4.3%	4.6%	4.8%
Frozen Food	1.9%	1.5%	4.7%	2.1%	2.3%	2.7%
Pet Care	0.4%	1.2%	2.3%	0.7%	0.8%	1.1%

Source: Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 28: We expect Feihe, UPC, Tingyi and Yihai to lead dividend yield levels (at 7%+) across our China Staples coverage in 2025E

Company name	Dividend payout ratio		Dividend yield		FCF yield		FCF as % of sales		Net cash to equity	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
High dividend yield (>4%)										
Feihe	64%	68%	6.9%	7.7%	10.3%	11.6%	21%	23%	39%	44%
UPC	110%	110%	6.8%	7.6%	6.4%	7.1%	6%	7%	11%	12%
Tingyi	100%	100%	6.5%	7.4%	8.2%	9.4%	6%	7%	-31%	-21%
Yihai International	95%	95%	5.9%	7.0%	6.6%	8.0%	12%	14%	57%	59%
Want Want China	77%	80%	6.2%	6.2%	8.6%	8.2%	18%	17%	22%	27%
Budweiser APAC	90%	80%	6.1%	5.9%	6.9%	9.1%	13%	16%	27%	30%
Jiangsu Yanghe	91%	91%	5.9%	5.8%	7.1%	6.4%	29%	27%	54%	57%
Luzhou Laojiao	60%	60%	4.9%	5.0%	7.6%	7.8%	42%	43%	43%	48%
Chongqing Brewery	100%	100%	4.8%	5.0%	8.1%	11.0%	15%	20%	71%	82%
CR Beer	58%	64%	4.2%	4.8%	6.6%	8.2%	12%	15%	5%	12%
Wuliangye Yibin	70%	70%	4.5%	4.7%	6.5%	7.2%	37%	39%	91%	93%
Tsingtao-H	63%	63%	4.3%	4.7%	6.3%	7.1%	13%	14%	68%	69%
Qianhe Condiment	97%	97%	4.3%	4.6%	3.0%	2.8%	11%	10%	39%	35%
Chacha Food Co.	60%	60%	4.2%	4.4%	6.0%	6.4%	11%	12%	48%	49%
Mengniu Dairy	36%	48%	3.0%	4.4%	3.9%	8.2%	2%	5%	-44%	-32%
Yili Industrial	73%	73%	4.1%	4.3%	6.9%	7.0%	11%	11%	-11%	-2%

Priced as of Jan 14, 2025 close; Company names in blue refer to our Buy-rated names.

Source: Goldman Sachs Global Investment Research, FactSet

Key Theme #4 - Overseas expansion as an emerging opportunities

Overseas markets have become increasingly important for our F&B names amid the soft macroeconomic backdrop. Some companies export their products to overseas markets e.g. to Southeast Asia, while some are stepping up supply chain efforts to build factories overseas, supporting their expansion of global footprint. **For Condiments -** we saw initial progress made by Yihai in penetrating to local 2C/2B channels. For SEA condiment markets, 23-28E retail sales CAGR range from MSD%~HSD% indicating room for growth by new players, while condiment market concentration levels are at 50%+ CR3 level for Indonesia, Vietnam and Philippines. **For Snacks,** Chacha was one of the early movers with category expansion potential to supplying more products in addition to sunflower seeds. Want Want is also looking to expand its capacity in Vietnam (now sufficient to support c.US$100mn sales) along with category expansion (e.g. dairy products and beverages) on top of its rice crackers (70%) and snacks (30%), **For beverages,** it is in very early cycle but we note a larger TAM for soft drinks than other categories, where we see MNC players thriving (e.g. Danone with 24% market share in soft drinks in Indonesia). Eastroc has announced to invest up to c. US$200mn in Indonesia to build factories and tap into the market.

We summarize a few key companies strategy and corporate actions below. Although the active overseas expansion are still in early stage, we do see the potential of a new TAM especially from ASEAN regions (non-dairy F&B TAM at US$63bn as 34% of China, CR5 ranging from 30%~87% across sectors).

Exhibit 29: Key overseas strategy summary: revenue contribution still at SD% for most countries; all companies have/plan to set up production facilities overseas

	Overseas Revenue %	Exports	Supply Chain build up	M&A	Comments
Haitian	n.a.	Y	Y		Per websites, 200+ condiments & other products (e.g. luncheon meat) of Haitian are available for export to SEA countries, both 2B and 2C
Yihai	c.5%	Y	Y		Thailand factory with 15k tons capacity in hot-pot condiments and compound condiments combined
Mengniu	c.50% of ice cream in 2024E		Y	Y	Aice in South East Asia retains strong momentum with top 1 market shares in Indonesia and top 2 in the Philippines.
Yili	c.5%	Y	Y	Y	Sales grew at DD% yoy in 2023, operating in markets incl. Southeast Asia, Africa and North America, incl ice-cream, milk, butter, etc.
Eastroc	n.a.		Y	Potential	Dec 2024, Eastroc announced the plan of setting up a subsidiary in Indonesia with total investment up to US$200mn, previously mainly leveraged export distributors
Chacha	8.5% (1H24)	Y	Y		Chacha still enjoys product/channel expansion potential, with 90%+ of its overseas sales generated from sunflower seeds□(FY23)
Want Want	HSD% (1HFY24)	Y	Y		Sales grew at mid-to-high DD% yoy in FY23; factory in Vietnam with capacity sufficient to support c. US$100mn sales p.a., potentially expanding

Source: Company announcements, Alibaba, Goldman Sachs Global Investment Research

Exhibit 30: Comparison between Southeast Asia markets in soft drinks, condiments, dairy and snacks

	Indonesia	Thailand	Vietnam	Phillippines	Singapore	Malaysia	China
Soft drinks							
Total retail value 2023 (US$ mn)	**9,805**	**8,761**	**5,396**	**9,239**	**1,198**	**1,539**	**96,352**
Retail sales 5-yr CAGR (18-23)	1.4%	2.5%	3.7%	4.2%	1.1%	1.1%	3.6%
Retail sales 5-yr CAGR (23-28)	6.2%	7.9%	10.7%	10.3%	5.3%	5.8%	4.8%
Total volume 2023 (mn litres)	18,193	10,073	5,660	9,328	504	1,980	136,600
Total retail ASP (US$/litre)	0.5	0.9	1.0	1.0	2.4	0.8	0.7
Volume CAGR (18-23)	-0.9%	-0.3%	1.6%	0.9%	-0.1%	-0.1%	3.1%
RSP CAGR (18-23)	2.3%	2.8%	2.1%	3.3%	1.3%	1.2%	0.5%
Consumption volume per capita (liter/year)	**64.7**	**140.5**	**56.4**	**81.2**	**85.2**	**59.3**	**96.8**
CR3 market share	46%	49%	57%	72%	63%	57%	27%
CR5 market share	55%	64%	70%	87%	73%	70%	37%
Condiments							
Retail value 2023 (US$ mn)	**2,567**	**1,621**	**1,565**	**1,181**	**115**	**430**	**21,916**
Retail sales 5-yr CAGR (18-23)	7.9%	5.6%	5.4%	9.0%	4.5%	5.2%	4.4%
Retail sales 5-yr CAGR (23-28)	8.1%	5.6%	5.4%	7.1%	3.8%	3.9%	3.6%
Total volume 2023 (k tons)	1,454	632	814	452	33	201	16,448
Retail ASP 2023 (US$/kg)	3.2	3.4	2.5	3.1	8.9	3.7	3.1
Retail volume CAGR (18-23)	2.9%	2.4%	2.0%	4.5%	2.9%	1.9%	1.6%
RSP CAGR (18-23)	4.9%	3.2%	3.4%	4.3%	1.6%	3.3%	2.7%
Consumption volume per capita 2023 (kg/year)	**5.2**	**8.8**	**8.1**	**3.9**	**5.6**	**6.0**	**11.7**
CR3 market share	53%	41%	55%	63%	23%	29%	17%
CR5 market share	69%	53%	63%	76%	33%	43%	21%
Dairy							
Retail value 2023 (US$ mn)	**5,006**	**2,525**	**4,093**	**2,941**	**500**	**1,155**	**67,161**
Retail sales 5-yr CAGR (18-23)	9.2%	0.9%	7.3%	8.8%	4.3%	5.6%	2.5%
Retail sales 5-yr CAGR (23-28)	9.1%	5.8%	6.8%	7.7%	5.0%	3.2%	1.5%
Total volume 2023 (k tons)	2,594	1,605	2,072	996	167	1,084	32,597
Retail ASP (US$/kg)	2.3	1.9	2.1	3.5	4.5	2.3	2.1
Retail Volume CAGR (18-23)	5.0%	-1.0%	4.7%	5.9%	0.4%	1.8%	0.4%
RSP CAGR (18-23)	4.0%	2.0%	2.4%	2.8%	3.9%	3.7%	2.1%
Consumption volume per capita (liter/year)	**9.2**	**22.4**	**20.6**	**8.7**	**28.3**	**32.5**	**23.1**
CR3 market share	53%	49%	64%	76%	69%	62%	64%
CR5 market share	71%	66%	77%	84%	84%	86%	71%
Snacks							
Retail value 2023 (US$ mn)	**7,681**	**3,085**	**2,325**	**3,821**	**865**	**1,405**	**65,697**
Retail sales 5-yr CAGR (18-23)	4.4%	1.6%	7.7%	4.1%	4.3%	4.2%	2.3%
Retail sales 5-yr CAGR (23-28)	5.1%	5.7%	8.2%	7.9%	3.7%	4.7%	2.0%
Total volume 2023 (k tons)	1,363	297	399	677	63	193	10,138
Retail ASP (US$/ton)	6.2	11.3	6.2	5.9	16.2	8.2	6.7
Retail volume CAGR (18-23)	0.8%	-0.1%	2.9%	1.6%	2.2%	1.0%	-0.4%
RSP CAGR (18-23)	3.5%	1.7%	4.7%	2.4%	2.0%	3.2%	2.7%
Consumption volume per capita (kg/year)	**4.8**	**4.1**	**4**	**5.9**	**10.6**	**5.8**	**7.2**
CR3 market share	31%	25%	27%	44%	24%	35%	11%
CR5 market share	42%	30%	34%	56%	33%	45%	16%

China soft drinks and dairy are based on GSe. Other data are based on Euromonitor.

Source: Euromonitor, Goldman Sachs Global Investment Research

Demographic shifts scenario analysis in the next decade

Policy Stimulus

Multiple regions across China have introduced subsidy policies for maternity and child-raising/education to encourage families to have more kids since 2021 funded by the local governments, which has accelerated since 2024 (Exhibit 31). According to GS Economists team, if monthly allowance of RMB 800 per child is given to each "second or more" child aged under 3/6 years old, 16/40 million children will receive the allowance and the total amount of subsidy would be RMB 150/390billion (12/30 bp of GDP) per year. Given the c.30% household savings rate in China, the net impact of these subsidies on GDP would be 10-20bp. If the allowance only applies to each "third or more child" who were born after 2016, 10 million children will be qualified to receive the allowance, and we estimate the total amount would be RMB 95billion (7 bp of GDP) per year.

Currently the public pension spending burden on GDP is relatively moderate. Public pension expenditure takes 5.3% of GDP vs. c.10% for Japan in 2024E, at a median level vs. major DMs and below OECD level, and we expect age-dependency ratio will also stay below major DM towards 2035E. The government has been working towards elevating the social expenditure in pension spending in recent years, e.g. increasing the average monthly base pension for retirees by 3% in June 2024.

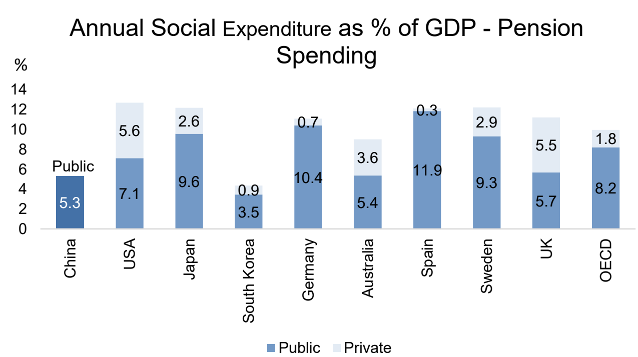
Exhibit 31: Summary of some typical regional policies pertaining to subsidies for 2nd/3rd child (not exhaustive)

Province/City	2nd/3rd Child Subsidies: Maternity grant	2nd/3rd Child Subsidies: Child-raising/Education	Total Subsidies (k Rmb)	Effective since
Yulin, Shaanxi	Rmb5k/10k for 2nd/3rd child	Rmb3k/10k for 2nd/3rd child until reaching 2/3 yr old	11~40	2025.1
Shuangya, Heilongjiang		Rmb0.5k/1k per month for 2nd/3rd child for 3 years	18~36	2024.12
Gaoping, Shangxi	Rmb5k/10k for 2nd/3rd child	Child-raising: up to Rmb6k for 2nd/3rd child; Education: up to Rmb6k/yr for 1-3yr old, c.Rmb2k/yr for 4-6yr old for 2nd and 3rd child	35~40	2024.8
Yunnan	Rmb2k/5k for 2nd/3rd child	Rmb0.8k per year for 0~3yr old for 2nd/3rd child	5~8	2024.4
Wuxi, Jiangsu	up to Rmb5k/10k for 2nd/3rd child	up to Rmb10k/30k for 2nd/3rd child	15~40	2024.3
Changchun, Jilin	Rmb10k for 3rd child		10	2023.10
Shenyang, Liaoning		Rmb0.5k per month for 3rd child until reaching 3yr old	18	2023.3
Hangzhou, Zhejiang	Rmb2k/5k for 2nd/3rd child	Rmb5k/20k for 2nd/3rd child	7~25	2023.8
Changsha, Hunan	Rmb10k for 3rd child		10	2022.8
Shanghai	Rmb4.5k for all new births (rasied from Rmb4.2k)		4.2	2022.1/2024.6(raised)

Note: 1) Eligibility for subsidies is contingent upon a variety of factors including residency, social security coverage, marital status, and additional criteria that may vary across different regions. 2) Total subsidies refer to the theoretical highest possible benefits in lifetime

Source: Regional Governtment Announcement, Data compiled by Goldman Sachs Global Investment Research

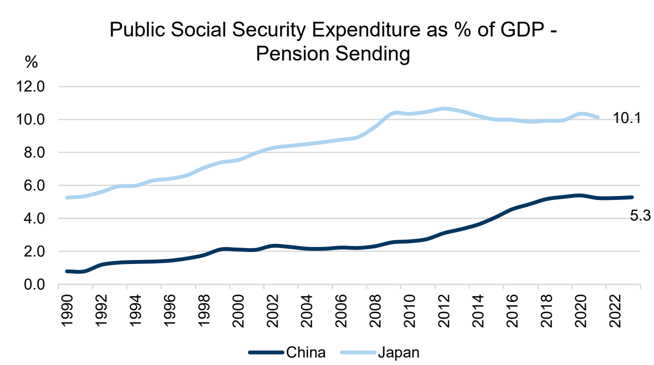
Exhibit 32: Pension expenditure as of GDP (2019)



Note: 1) China's data per NBS/Ministry of Human Resources and Social Security; data of other countries per OECD; 2) Scope of private expenditure may differ between China and other countries: China's private expenditure mainly refers to enterprise annuity spending, which is of a small scale at c.Rmb49bn in 2019; for other countries per OECD, private pension spending includes payments made to private pension plan members, or dependants after retirement and covers persons working in both the public and private sectors.

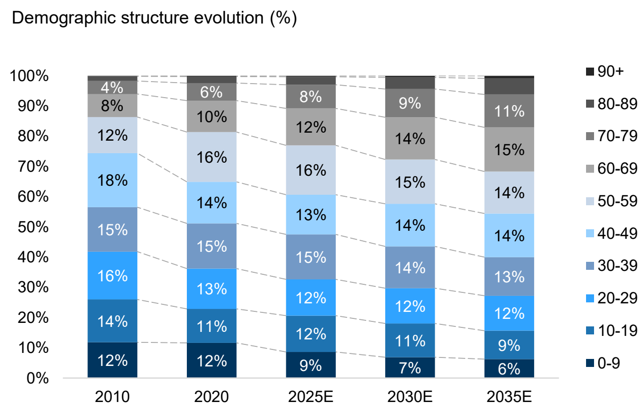
Source: OECD, NBS, Ministry of Human Resources and Social Security, Data compiled by Goldman Sachs Global Investment Research

Exhibit 33: China's public social security expenditure on pension as % of GDP increased quickly in the past decade and tend to stablize at c.5% in recent years vs. Japan stablized at c.10% in the past decade.



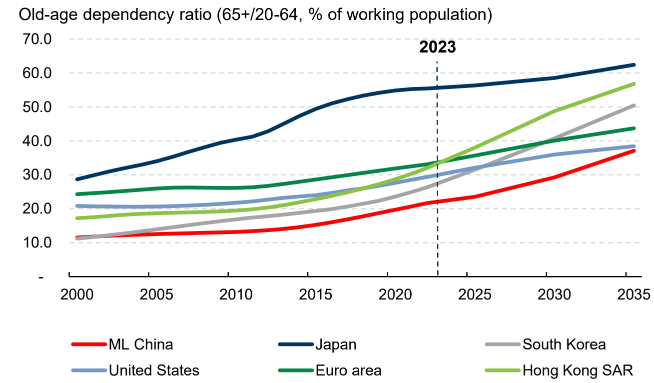
Source: NBS, Wind, Ministry of Human Resources and Social Security, National Institue of Population and Social Security Research of Japan, Data compiled by Goldman Sachs Global Investment Research

Exhibit 34: Age structure moves towards a more aged population



Source: NBS, Euromonitor, Goldman Sachs Global Investment Research

Exhibit 35: Old-age dependency ratio will gradually increase but still relevantly below major DMs till 2035E



Source: NBS, Euromonitor, World Bank, Goldman Sachs Global Investment Research

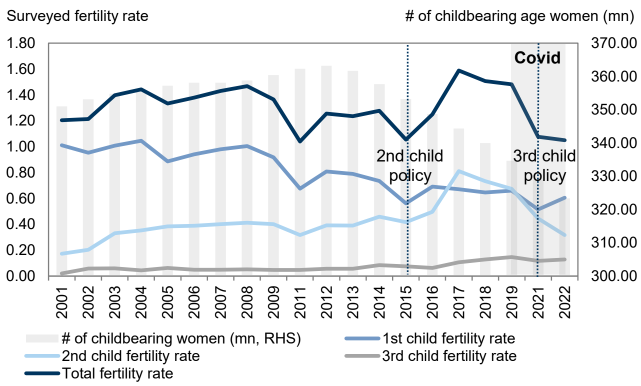
New Births Outlook

We see positive incremental growth in the number of new borns in 1H24 in some regions. Per public news, Guangdong as the province has been contributing the most to new births since 2018 saw +1.4% yoy growth in the number of new births in 1H24, and Shandong Qingdao recorded a more encouraging +5.9% yoy growth.

We see the drop in new births in 2019-2022 mainly originates from three reasons: 1) decrease in the number of childbearing women due to age structural shifts; 2) declining fertility rates due to decreasing marriage registration rate and lower willingness to give birth: 1st child fertility rate has trended down in the past two decades, while 2nd child fertility rate started normalizing since 2017; 3) Covid effects in 2020-2022: birth rates for mothers in 20~24/25~29 year old group dramatically dropped during 2021-2022 vs. 2019 (2020 data unavailable) and are still significantly below its pre-Covid levels, mainly due to lower 1st/2nd child birth rate for 20~24 year old women at c.1/2 and 1/4 of 2019 level, along with notably declined 2nd child birth rate for 25~29 year old women.

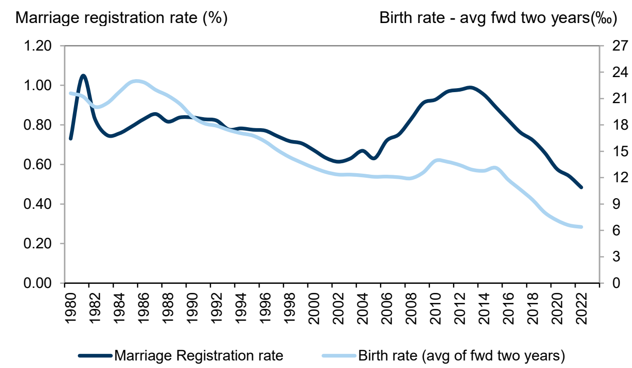
We see China's current fertility rate (based on 2022 data) still has room to increase in the next decade considering: 1) birth rate for mothers in 20~24 year old will see some gradual recovery considering the pre-Covid level and current level is only c.1/2 that of USA. 2) birth rates in 30~44 year old range are still notably below Japan/South Korea's levels.

Exhibit 36: Number of childbearing women peaked in 2012 and has been decreasing afterwards, but fertility rate rose after policymakers relaxed the one-child policy which then mildly edged down as 2nd-child fertility rate stablized, until the sharp decline during Covid period



Source: NBS, Euromonitor, Data compiled by Goldman Sachs Global Investment Research

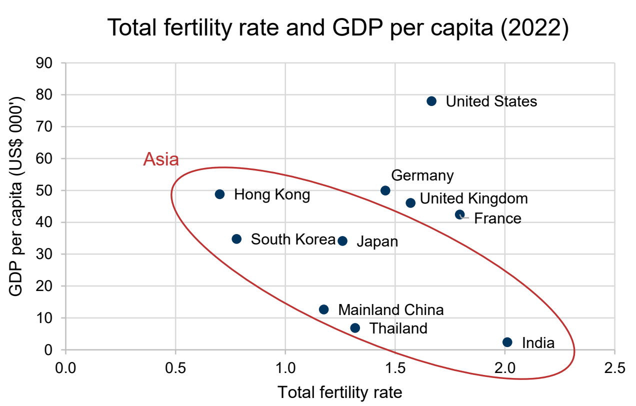
Exhibit 37: Birth rate of forward two-year average moves together with the marriage registration rate, which has been decreasing in the past decade



Marriage registration rate: number of marriage registration per 100 persons

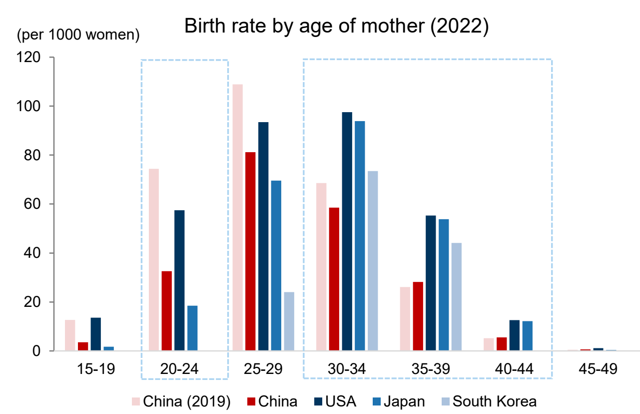
Source: NBS, Euromonitor, Goldman Sachs Global Investment Research

Exhibit 38: Fertility rate is generally negatively correlated with GDP per capita, while Asia's fertility rates are significantly lower than western countries at similar GDP per capita levels



Source: OECD, Euromonitor, Data compiled by Goldman Sachs Global Investment Research

Exhibit 39: China's birth rate for mothers in 20~24 year old group is still significantly below pre-covid level, and birth rates in 30~44 year old range have potential to increase when compared with to USA/Japan/South Korea



Note: Birth rates for 15~24/40~49 year old for Korea are not disclosed

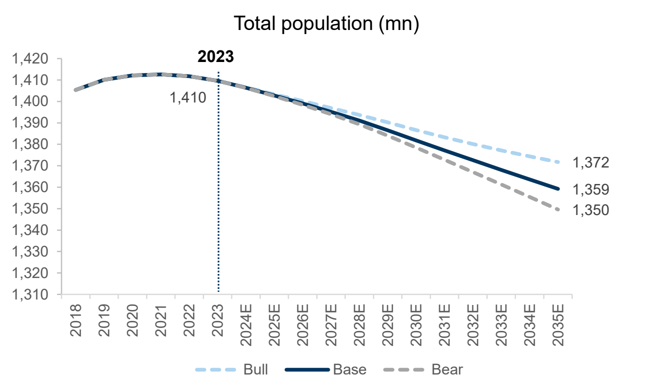
Source: NBS, Statistics Korea, Japan Statistics Bureau, USA National Center for Health Statistics, Data compiled by Goldman Sachs Global Investment Research

We refresh our demographic model for China and perform scenarios analysis on the fertility rate towards 2035E considering: 1) the number of women in childbearing age will continue to decrease towards 2035E; and **assuming** 2) we expect fertility rate to gradually edge up. Our bull/base/bear case assumes 1.45/1.20/1.00 fertility rate (number of new births per childbearing age women in the lifetime) in 2035E vs. c.1.05 in 2022. Our base case looks for sequential recovery in 1st child fertility rate to return close to 0.6 in 2035E (slightly below pre-covid level), mainly driven by recovery in 20~29 year old mothers' willingness to give birth to the 1st child in the post-Covid period and mild increase in 2nd/3rd+ child fertility rate. Our bull case assumes 1st child fertility rate will return 2015 level at c.0.7 in 2035E, with a greater increase in the fertility rate of 2nd child (at 1/2 of 2017 peak level)/3rd+ child fertility rate. Our bear case tests when

1st/2nd/3rd+ child fertility rates all remain flattish or slightly edge down vs. 2022.

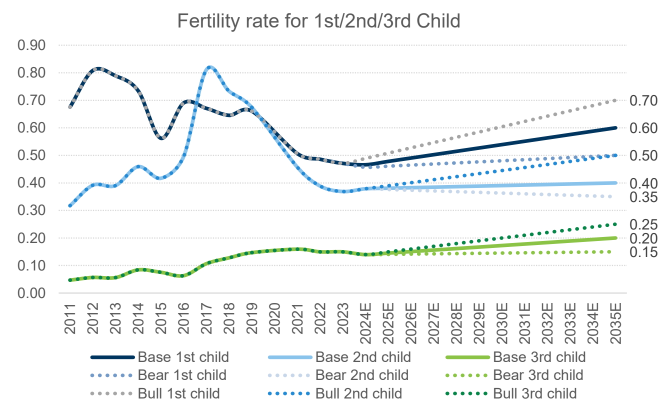
For 2024E, our bull/base/bear case expects 9.00/8.82/8.75mn new births. Our bull base leads to modest new birth rate recovery going forward, while under the base case, number of new births will remain flattish towards 2035E. In our base case, we see much less steep decline for population in the Age group 0~4 years, which may return to positive growth territory in 2035E, indicating less pressure on infant formula industry volume.

Exhibit 40: We see population in China will still continue to be in a declining trend in our three scenarios



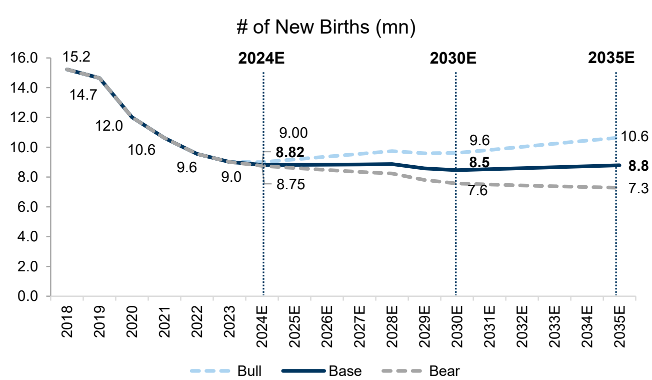
Source: Euromonitor, Goldman Sachs Global Investment Research

Exhibit 41: ...driven by the assumption variation in fertility rate



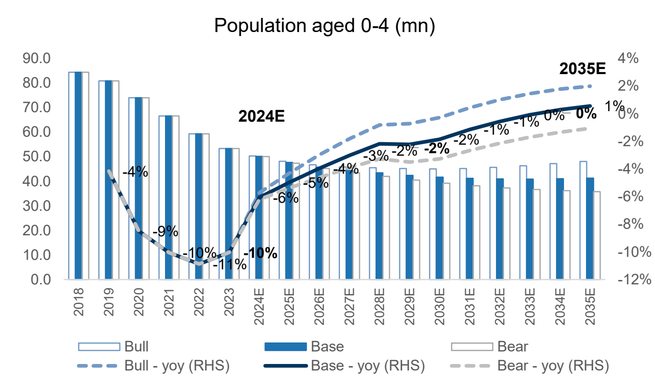
Source: NBS, Euromonitor, Goldman Sachs Global Investment Research

Exhibit 42: Our bull base would lead to modest new birth rate recovery going forward, while the base case sees roughly flat new births towards 2035E



Source: Euromonitor, Goldman Sachs Global Investment Research

Exhibit 43: Our base case suggests sequentially narrowed declines in the age group of 0-4



Source: Euromonitor, Goldman Sachs Global Investment Research

4Q24 and FY24 Preview

Exhibit 44: 2024 growth summary

Ticker	Company	4Q24E				2024E				2025E				2026E			
		Sales	Sales yoy	Net profit	NP yoy	Sales	Sales yoy	Net profit	NP yoy	Sales	Sales yoy	Net profit	NP yoy	Sales	Sales yoy	Net profit	NP yoy
Spirits																	
600519.SS	Kweichow Moutai	50,684	12%	24,856	14%	173,806	15%	85,683	15%	188,740	9%	94,577	10%	205,822	9%	104,725	11%
000858.SZ	Wuliangye Yibin	21,528	4%	7,594	3%	89,443	7%	32,524	8%	94,438	6%	34,600	6%	99,853	6%	37,087	7%
600809.SS	Shanxi Xinghuacun Fen Wine	5,639	9%	1,012	1%	36,996	16%	12,362	18%	40,037	8%	13,444	9%	43,434	8%	14,692	9%
000568.SZ	Luzhou Laojiao	7,288	-12%	2,414	-10%	31,592	4%	14,007	6%	32,271	2%	14,557	4%	34,014	5%	15,696	8%
002304.SZ	Jiangsu Yanghe	1,771	-38%	(836)	n.m.	29,288	-12%	7,743	-23%	29,032	-1%	7,727	0%	29,885	3%	8,083	5%
000596.SZ	Anhui Gujing Distillery Co.	4,252	-1%	750	-3%	23,320	15%	5,497	20%	25,551	10%	6,105	11%	27,800	9%	6,766	11%
000799.SZ	Jiugui Liquor	456	n.m.	165	n.m.	1,647	-42%	222	-60%	1,991	21%	337	52%	2,392	20%	522	55%
600779.SS	Sichuan Swellfun Co.	1,366	0%	258	5%	5,154	4%	1,383	9%	5,417	5%	1,431	3%	5,719	6%	1,477	3%
603369.SS	Jiangsu King's Luck Brewery	1,915	10%	535	7%	11,856	17%	3,620	15%	13,093	10%	4,022	11%	14,378	10%	4,410	10%
Weighted Avg.	**Super premium spirits**		**7%**		**9%**		**12%**		**12%**		**7%**		**9%**		**8%**		**10%**
Weighted Avg.	**Non super premium spirits**		**-4%**		**-22%**		**5%**		**3%**		**6%**		**7%**		**7%**		**9%**
Beer																	
600600.SS	Tsingtao Brewery	3,083	4%	(535)	n.m.	32,043	-6%	4,455	4%	32,679	2%	4,924	11%	33,574	3%	5,267	7%
600132.SS	Chongqing Brewery	1,741	-3%	(6)	n.m.	14,804	0%	1,326	-1%	15,219	3%	1,407	6%	15,725	3%	1,522	8%
002568.SZ	Shanghai Bairun	985	n.m.	257	n.m.	3,371	3%	831	3%	3,686	9%	908	9%	4,036	10%	1,012	11%
1876.HK	Budweiser APAC	1,182	-9%	19	n.m.	6,286	-8%	761	-11%	6,568	4%	832	9%	6,849	4%	933	12%
Weighted Avg.			**-4%**		**n.m.**		**-4%**		**-3%**		**4%**		**9%**		**3%**		**10%**
Condiments																	
603288.SS	Foshan Haitian Flavouring & Food	7,095	20%	1,566	21%	27,494	12%	6,381	13%	30,204	10%	7,098	11%	33,135	10%	7,873	11%
600872.SS	Jonjee Hi-Tech	1,602	35%	487	n.m.	5,548	8%	1,064	103%	5,569	0%	901	-15%	6,056	9%	995	11%
002507.SZ	Fuling Zhacai	516	4%	206	23%	2,478	1%	876	6%	2,617	6%	957	9%	2,770	6%	1,017	6%
600305.SS	Jiangsu Hengshun Vinegar	515	10%	27	n.m.	2,046	-3%	147	69%	2,209	8%	199	35%	2,473	12%	245	23%
603027.SS	Qianhe Condiment and Food	797	-9%	146	2%	3,086	-4%	497	-6%	3,309	7%	540	9%	3,626	10%	602	11%
603317.SS	Sichuan Teway Food Group	1,051	15%	193	41%	3,415	8%	625	37%	3,672	8%	683	9%	3,919	7%	743	9%
Weighted Avg.			**15%**		**26%**		**8%**		**11%**		**9%**		**12%**		**9%**		**11%**
Dairy																	
600887.SS	Yili Industrial	28,049	-3%	1,467	32%	117,089	-7%	9,976	-1%	120,503	3%	10,814	8%	123,632	3%	11,685	8%
Weighted Avg.			**-3%**		**32%**		**-8%**		**-2%**		**2%**		**9%**		**3%**		**9%**
605499.SS	Eastroc	3,771	44%	599	56%	16,329	45%	3,306	62%	20,726	27%	4,291	30%	24,959	20%	5,300	24%
Snacks																	
002557.SZ	Chacha Food Co.	2,766	19%	369	24%	7,523	11%	995	24%	7,963	6%	1,062	7%	8,527	7%	1,128	6%
002847.SZ	Yankershop Food	1,491	34%	166	51%	5,351	30%	659	30%	6,510	22%	809	23%	7,527	16%	921	14%
300783.SZ	Three Squirrels	3,514	39%	60	20%	10,683	50%	402	83%	14,131	32%	513	28%	17,813	26%	676	32%
Weighted Avg.			**24%**		**32%**		**13%**		**13%**		**11%**		**5%**		**11%**		**6%**
Frozen Food																	
001215.SZ	Qianweiyangchu	608	6%	46	14%	1,972	4%	127	-5%	2,114	7%	127	0%	2,249	6%	145	14%
603345.SS	Fu Jian Anjoy Foods Co.	4,057	8%	367	3%	15,134	8%	1,415	-4%	16,663	10%	1,520	7%	18,362	10%	1,781	17%
300973.SZ	Ligao Foods	1,087	19%	92	n.m.	3,804	9%	295	n.m.	4,389	15%	371	26%	4,765	9%	453	n.m.
605089.SS	Weizhixiang	169	-6%	17	-38%	679	-15%	85	-37%	709	4%	93	9%	752	6%	104	12%
002216.SZ	Sanquan Foods	1,586	-3%	116	-41%	6,711	-5%	511	-32%	6,843	2%	487	-5%	7,045	3%	533	9%
600298.SS	Angel Yeast	4,282	9%	430	20%	15,194	12%	1,383	9%	16,694	10%	1,618	17%	18,291	10%	1,876	16%
Weighted Avg.			**7%**		**19%**		**6%**		**-1%**		**9%**		**10%**		**9%**		**16%**
Pet Care																	
002891.SZ	China Pet Foods	1,278	24%	98	74%	4,467	19%	380	63%	5,018	12%	423	11%	5,777	15%	558	32%
301498.SZ	Gambol Pet Group	1,510	24%	147	28%	5,181	20%	617	44%	6,203	20%	755	22%	7,423	20%	947	25%
300673.SZ	Petpal Pet Nutrition Technology	547	11%	38	108%	1,870	33%	192	n.m.	2,266	21%	206	7%	2,667	18%	261	27%
Weighted Avg.			**22%**		**50%**		**21%**		**51%**		**17%**		**16%**		**18%**		**28%**
H share	**Company**	**2H24E**				**2024E**				**2025E**				**2026E**			
Ticker		**Sales**	**Sales yoy**	**Net profit**	**NP yoy**	**Sales**	**Sales yoy**	**Net profit**	**NP yoy**	**Sales**	**Sales yoy**	**Net profit**	**NP yoy**	**Sales**	**Sales yoy**	**Net profit**	**NP yoy**
1579.HK	Yihai International Holding	3,531	0%	434	-12%	6,458	5%	742	-13%	6,922	7%	896	21%	7,372	7%	991	11%
2319.HK	Mengniu Dairy	44,154	-7%	2,105	4%	88,824	-10%	4,739	-5%	90,134	1%	5,157	9%	93,513	4%	5,803	13%
6186.HK	China Feihe Ltd.	10,993	12%	2,399	18%	21,088	8%	4,611	9%	22,068	5%	4,942	7%	23,130	5%	5,176	5%
9633.HK	Nongfu Spring	23,133	4%	6,040	-6%	45,306	6%	12,260	2%	52,783	17%	14,135	15%	59,830	13%	15,876	12%
0322.HK	Tingyi	39,387	0%	1,815	23%	80,588	0%	3,701	19%	83,054	3%	4,309	16%	85,503	3%	4,798	11%
0220.HK	Uni-President China	15,059	7%	921	16%	30,508	7%	1,887	13%	32,318	6%	2,130	13%	33,852	5%	2,331	9%
2460.HK	CR Beverage	6,481	n.m.	395	n.m.	14,097	4%	1,601	19%	15,250	8%	1,947	22%	16,639	9%	2,377	22%
0151.HK	Want Want China	12,423	1%	2,125	-6%	23,354	0%	3,986	4%	23,684	1%	3,953	-1%	24,514	4%	3,993	1%
0291.HK	China Resources Beer	14,837	-1%	282	-44%	38,581	-1%	4,987	-3%	39,147	1%	5,332	7%	39,877	2%	5,944	11%
6979.HK	ZJLD	2,883	-18%	624	-24%	7,016	0%	1,642	1%	7,042	0%	1,647	0%	7,699	9%	1,860	13%

Figures for Want Want China have been calendarized. Jonjee is excluded from condiments sector sales/NP growth calculation in 4Q24, 2024 and 2025 due to one-off gain from land disposal in 2024.

Source: Company data, Goldman Sachs Global Investment Research

Earnings and TP/Rating Change

Earnings and TP changes

We refresh our TPs for all staple names by -21% -+31% on 1) EPS revision, 2) selected target multiple updates, and 3) rolling forward our valuation base year to 2026 discount back, and upgrade ratings accordingly. We also introduce 2027E estimates for companies in the table (Exhibit 45).

- **EPS revision:** We update the estimates for select names across our staples coverage to reflect recent cost trends, further heightened companies' cost control commitment, retail sell-through situation and distributors' sentiment based on our channel checks and still fluid macro backdrop. We look for sequential recovery in dairy/snacks/condiments in 2025 post channel adjustments and maintain positive on F&B with favorable competitive landscape and cost trends, while maintain a relatively conservative view on growth trajectory of other staples categories in 2025 (e.g expecting slowdown in spirits and a slow recovery in beer) due to prolonged macro headwinds, while the upside risk could also come from potentially better than expected results from policy stimulus implementation if any.

- **Valuation:** We maintain most of our target P/E unchanged across the staples coverage, while we roll forward the valuation base year to 2026E discount back to end-2025E, from previously 2025E-based or 2024/25-average-based. For ZJLD, we update the target P/E to 14.5x (from 12.7x), as its growth profile vs other upper mid end peers amid a tough cycle actually indicates a continued growth premium and margin resilience, therefore we raise the target P/E referring to Swellfun's through-the-cycle average PE. For Eastroc we update the target P/E to 30x (from 32x prior) referring to 2017-2019 average P/E of Monster, when Red Bull was losing shares in the US per Euromonitor; Eastroc's TP is up due to valuation base year rolling forward to 2026 discount back.

- **Rating changes**
  - **Tingyi up from Neutral to Buy, TP HKD13.0 (+23% from HKD10.6), 19% upside: What's different now**: we expect its effective price hike implementation/ benefits, continued cost control, and improving competitive CDESA:will contribute to 2025 earnings outlook, leading to positive momentum in margin growth (GSe 14% NP CAGR in 2024-26E) and maintain a high visibility in absolute level of shareholder returns (at 100% payout for next 3 years).
  - **King's Luck up from Sell to Neutral, TP Rmb44.5 (+15% from Rmb38.8), 2% upside: What's different now**: We see King's Luck is capable of delivering higher visibility in market share gains with the structured product portfolio nd distribution system amid a still weak macro backdrop, leading to est. 12%/12% sales/NP CAGR in 2023-26E, outpacing its direct competitor Yanghe's 1%/2% CAGR, also the industry upper-mid-end segment growth of 4% in the same period.
  - **Yanghe down from Neutral to Sell, TP Rmb60 (-21% from Rmb76), -25% downside**: Echoing to what's mentioned above, Yanghe is losing momentum in its home market Jiangsu with competition from King's Luck and is facing more challenges for market share gain in outside Jiangsu market due to low distributors' confidence (presented by declining customer advances yoy) amid weaker retail sales. We now look for sales/ NP CAGR of 1%/2% in 2024E-26E, while we see it challenging to re-gain shares rapidly in near-term in Jiangsu.
  - **Upgrade Angel Yeast to Buy from Sell, TP Rmb39.9, +31% revision, 21% upside: What's different now?** Into 2025, the molasses cost has dropped further by c.10% MoM (early Jan vs. early Dec) and we now expect the company's pricing power in 2025 to be stronger than our previous expectations, **which has yet to be factored in by the market:** Our 2024-26E NP estimates are 1%~3% higher than Wind consensus given: 1) in terms of supply/demand of yeast, the company will have lower pressure to digest excess capacity in 2025 vs. in 2024, with no new capacity expansion for the yeast business domestically planned in 2025E vs 10-12% in 2024; and 2)

peers' reduced intention to cut prices further based on our channel checks, given margin pressure from the last round of pricing cuts and higher unit costs than Angel Yeast's, per GSe. We now expect the company to deliver 10% topline/17% NP yoy growth in 2025E (vs. 10%/13% prior) thanks to strong overseas and stabilized domestic demand, margin benefits from an easier molasses cycle and pricing pressure and operating benefits. As a result of our earnings forecast changes and the roll-forward of our valuation base year, we revise our TP to Rmb39.9 (Rmb30.50 prior) based on 20x 2026E P/E (from 18x P/E 2025E prior), based on past avg 3-year P/E and discounted back 1 year at 8.1% COE.

Exhibit 45: Summary of target/ trading valuation of consumer staples coverage

Company	Ticker	Old Rating	Rating	Market Cap (US$mn)	Ccy	Share Price 01/13/25	Exit P/E			Discount years		Old TP	New TP	TP Chg	+/-% new TP	Trading P/E			TP implied P/E			2024e-26e CAGR		2024e-26e CAGR (Old)		Div yield 2024E
							Old	New	New vs Old	Old	New					2024e	2025e	2026e	2024e	2025e	2026e	Sales	NP	Sales	NP	
China Spirits																										
Kweichow Moutai	600519.SS	Buy	Buy	252,081	CNY	1443.98	26.5x	26.5x	0.0%	2025	2026 exit	2017.00	2,017.00	0%	40%	21X	19X	17X	30X	27X	24X	8.8%	10.6%	8.8%	10.6%	3.5%
Wuliangye Yibin	000858.SZ	Buy	Buy	70,291	CNY	129.20	19.5x	19.5x	0.0%	2025	2026 exit	177.00	166.00	-6%	28%	15X	14X	14X	20X	19X	17X	5.7%	6.8%	6.1%	7.8%	4.5%
Luzhou Laojiao	000568.SZ	Buy	Buy	23,816	CNY	116.29	15.6x	15.6x	0.0%	2025	2026 exit	162.00	152.00	-6%	31%	12X	12X	11X	16X	15X	14X	3.8%	5.9%	4.9%	6.9%	4.9%
Jiangsu Yanghe	002304.SZ	Neutral	Sell	16,437	CNY	78.62	12.4x	12.4x	0.0%	2025	2026 exit	76.00	60.00	-21%	-24%	15X	15X	15X	12X	12X	11X	1.0%	2.2%	3.6%	5.7%	6.0%
Fen Wine	600809.SS	Buy	Buy	29,995	CNY	173.56	21.8x	21.8x	0.0%	2025	2026 exit	242.00	235.00	-3%	35%	17X	16X	14X	23X	21X	20X	8.4%	9.0%	8.9%	9.7%	2.9%
Anhui Gujing	000596.SZ	Neutral	Neutral	12,657	CNY	169.70	15.5x	15.5x	0.0%	2025	2026 exit	190.00	183.00	-4%	8%	16X	15X	13X	18X	16X	14X	9.2%	10.9%	9.8%	14.1%	2.4%
King's Luck	603369.SS	Sell	Neutral	7,510	CNY	42.47	12.4x	14.0x	12.9%	2025	2026 exit	38.80	44.50	15%	5%	15X	13X	12X	15X	14X	13X	10.1%	10.4%	7.0%	7.4%	2.7%
Sichuan Swellfun	600779.SS	Sell	Sell	3,150	CNY	45.82	12.4x	12.4x	0.0%	2025	2026 exit	36.30	33.70	-7%	-26%	16X	16X	15X	12X	12X	11X	5.3%	3.4%	5.3%	3.4%	2.1%
Jiugui Liquor	000799.SZ	Sell	Sell	2,135	CNY	46.24	19.3x	19.3x	0.0%	2025	2026 exit	26.90	27.40	2%	-41%	68X	45X	29X	40X	26X	17X	20.5%	53.5%	20.9%	55.1%	0.6%
ZJLD	6979.HK	Buy	Buy	2,665	HKD	6.40	12.7x	14.5x	14.2%	2025	2026 exit	10.40	8.20	-21%	28%	12X	12X	11X	15X	16X	14X	4.8%	6.4%	19.0%	23.1%	2.6%
China Dairy																										
Mengniu Dairy	2319.HK	Buy	Buy	7,554	HKD	15.16	15.1x	15.1x	0.0%	2024/25 avg	2026 exit	19.90	21.80	10%	44%	22X	11X	10X	31X	17X	14X	2.6%	10.7%	3.8%	12.9%	3.1%
Yili Industrial	600887.SS	Buy	Buy	24,842	CNY	28.45	18.9x	18.9x	0.0%	2024/25 avg	2026 exit	31.30	31.90	2%	12%	18X	17X	15X	20X	19X	17X	2.8%	8.2%	4.0%	12.2%	4.1%
China Feihe Ltd.	6186.HK	Neutral	Neutral	6,005	HKD	5.07	8.0x	8.0x	0.0%	2024/25 avg	2026 exit	4.40	4.50	2%	-11%	9X	9X	8X	8X	8X	7X	4.7%	5.9%	2.9%	3.0%	6.8%
China Condiments																										
Yihai Int'l	1579.HK	Buy	Buy	1,616	HKD	12.64	15.0x	15.0x	0.0%	2024/25 avg	2026	14.40	14.80	3%	17%	15X	13X	12X	18X	15X	14X	6.8%	15.6%	7.3%	12.9%	6.1%
Foshan Haitian	603288.SS	Neutral	Neutral	32,203	CNY	42.28	31.0x	31.0x	0.0%	2026	2026	35.00	40.20	15%	-5%	37X	33X	30X	35X	31X	28X	9.8%	11.1%	8.8%	10.1%	1.7%
Jonjee Hi-Tech	600872.SS	Neutral	Neutral	2,274	CNY	21.28	16.0x	16.0x	0.0%	2024/25 avg	2026	17.30	18.40	6%	-14%	16X	19X	17X	14X	16X	15X	4.5%	-3.3%	9.0%	13.7%	1.9%
Fuling Zhacai	002507.SZ	Neutral	Neutral	2,117	CNY	13.21	16.0x	16.0x	0.0%	2024/25 avg	2026	12.80	13.10	2%	-1%	17X	16X	15X	17X	16X	15X	5.7%	7.7%	5.8%	7.7%	2.4%
Jiangsu Hengshun	600305.SS	Sell	Sell	1,128	CNY	7.31	32.0x	32.0x	0.0%	2024/25 avg	2025	5.00	5.70	14%	-22%	55X	41X	33X	43X	32X	26X	9.9%	29.1%	9.9%	29.1%	1.6%
Qianhe Condiment	603027.SS	Sell	Sell	1,564	CNY	10.91	16.0x	16.0x	0.0%	2024/25 avg	2026	8.10	8.50	5%	-22%	23X	21X	19X	18X	16X	15X	8.4%	10.0%	8.4%	10.0%	4.3%
Sichuan Teway	603317.SS	Sell	Sell	1,904	CNY	12.86	23.0x	23.0x	0.0%	2024/25 avg	2026	9.20	10.20	11%	-21%	22X	20X	18X	17X	16X	15X	7.1%	9.0%	7.1%	8.2%	3.2%
China F&B																										
Nongfu Spring	9633.HK	Buy	Buy	50,912	HKD	33.45	27.0x	27.0x	0.0%	2026 exit	2026 exit	38.00	38.00	0%	14%	28X	25X	22X	32X	28X	25X	14.9%	13.8%	14.9%	13.8%	2.4%
Tingyi	0322.HK	Neutral	Buy	8,029	HKD	10.94	15.0x	15.0x	0.0%	2024/25 avg	2026 exit	10.60	13.00	23%	19%	15X	13X	12X	18X	16X	14X	3.0%	13.9%	3.3%	5.8%	6.4%
Uni-President China	0220.HK	Neutral	Neutral	4,243	HKD	7.71	15.0x	15.0x	0.0%	2024/25 avg	2026 exit	7.50	8.20	9%	6%	16X	15X	13X	17X	16X	14X	5.3%	11.2%	5.2%	10.2%	6.8%
China Resources Beverage	2460.HK	Buy	Buy	3,347	HKD	11.32	19.0x	19.0x	0.0%	2025	2026 exit	17.30	19.00	10%	68%	14X	13X	11X	23X	22X	18X	8.6%	21.9%	9.0%	23.0%	n.m.
Eastroc Beverage	605499.SS	Buy	Buy	16,741	CNY	267.01	32.0x	30.0x	-6.3%	2025	2026 exit	258.00	281.00	9%	5%	42X	32X	26X	44X	34X	28X	23.6%	26.6%	23.2%	26.1%	1.5%
China Frozen Food																										
Fu Jian Anjoy Foods	603345.SS	Buy	Buy	3,072	CNY	75.40	16.0x	16.0x	0.0%	2025	2026	92.00	89.00	-3%	18%	16X	15X	12X	18X	17X	15X	10.1%	12.2%	10.3%	11.3%	3.2%
Ligao Foods	300973.SZ	Buy	Buy	862	CNY	35.79	16.0x	16.0x	0.0%	next 12m	2026	34.00	40.50	19%	13%	21X	16X	13X	23X	18X	15X	11.9%	24.0%	12.0%	22.2%	2.9%
Sanquan Foods	002216.SZ	Neutral	Neutral	1,366	CNY	11.12	15.0x	15.0x	0.0%	next 12m	2026	9.00	8.50	-6%	-24%	19X	20X	18X	15X	15X	14X	2.5%	2.2%	3.5%	1.4%	3.0%
Qianweiyangchu	001215.SZ	Neutral	Neutral	331	CNY	27.53	15.1x	15.1x	0.0%	next 12m	2026	24.50	23.20	-5%	-16%	19X	19X	16X	16X	16X	14X	6.8%	6.6%	7.0%	6.1%	0.7%
Angel Yeast	600298.SS	Sell	Buy	3,999	CNY	33.08	18.0x	20.0x	n.a.	2024/25 avg	2026	30.50	39.90	31%	21%	21X	18X	15X	25X	21X	18X	9.7%	16.5%	9.4%	12.4%	1.2%
Weizhixiang	605089.SS	Sell	Sell	455	CNY	23.06	20.0x	20.0x	0.0%	next 12m	2026	13.90	13.80	-1%	-40%	37X	34X	31X	22X	20X	18X	5.2%	10.5%	9.0%	15.3%	1.9%
China Pet Care																										
China Pet Foods	002891.SZ	Buy	Buy	1,455	CNY	33.34	26/18	26/18	0.0%	sotp	sotp	33.00	42.00	27%	26%	26X	23X	18X	32X	29X	22X	13.7%	21.1%	12.4%	18.5%	1.1%
Petpal Pet Nutrition	300673.SZ	Neutral	Neutral	634	CNY	16.54	26/16	26/16	0.0%	sotp	sotp	15.90	17.10	8%	3%	22X	20X	16X	23X	21X	17X	19.4%	16.5%	19.4%	16.4%	0.6%
Gambol Pet	301498.SZ	Buy	Buy	4,602	CNY	82.41	37/18	37/18	0.0%	sotp	sotp	70.00	96.00	37%	16%	53X	44X	35X	62X	51X	41X	19.7%	23.9%	19.1%	21.3%	0.3%

Source: Refinitiv Eikon, Goldman Sachs Global Investment Research

Exhibit 46: Summary of estimate changes in consumer staples coverage

Company	Revenue changes			NI changes			Revenue (mn, new)			Net Income (mn, new)			Revenue (mn, old)			Net Income (Rmb mn, old)		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
China Spirits																		
Kweichow Moutai	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	173,806	188,740	205,822	85,683	94,577	104,725	173,806	188,740	205,822	85,683	94,577	104,725
Wuliangye Yibin	0.0%	-0.5%	-0.9%	0.0%	-1.7%	-1.8%	89,443	94,438	99,853	32,524	34,600	37,087	89,443	94,941	100,749	32,524	35,182	37,770
Luzhou Laojiao	-3.3%	-5.5%	-5.4%	-2.6%	-4.6%	-4.5%	31,592	32,271	34,014	14,007	14,557	15,696	32,679	34,141	35,970	14,374	15,261	16,434
Jiangsu Yanghe	-3.6%	-8.3%	-8.3%	-9.8%	-16.2%	-15.7%	29,288	29,032	29,885	7,743	7,727	8,083	30,373	31,651	32,577	8,584	9,224	9,585
Fen Wine	0.0%	-0.5%	-1.0%	0.0%	-0.7%	-1.2%	36,996	40,037	43,434	12,362	13,444	14,692	36,996	40,257	43,857	12,362	13,534	14,866
Anhui Gujing	-2.1%	-2.5%	-3.2%	-2.4%	-5.9%	-7.7%	23,320	25,551	27,800	5,497	6,105	6,766	23,830	26,203	28,729	5,630	6,488	7,329
King's Luck	0.0%	2.5%	5.8%	0.0%	2.4%	5.6%	11,856	13,093	14,378	3,620	4,022	4,410	11,856	12,772	13,585	3,620	3,928	4,176
Sichuan Swellfun	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5,154	5,417	5,719	1,383	1,431	1,477	5,154	5,417	5,719	1,383	1,431	1,477
Jiugui Liquor	-26.0%	-26.5%	-26.4%	-24.1%	-25.6%	-25.6%	1,647	1,991	2,392	222	337	522	2,225	2,707	3,251	292	453	702
ZJLD	-16.5%	-29.9%	-35.3%	-19.5%	-35.0%	-39.9%	7,016	7,042	7,699	1,642	1,647	1,860	8,403	10,042	11,901	2,041	2,533	3,092
China Dairy																		
Mengniu Dairy	-3.2%	-5.2%	-5.3%	-3.0%	-7.9%	-6.8%	88,824	90,134	93,513	4,739	5,157	5,803	91,740	95,085	98,758	4,884	5,598	6,228
China Feihe Ltd.	2.9%	3.6%	6.6%	2.7%	4.0%	8.7%	21,088	22,068	23,130	4,611	4,942	5,176	20,490	21,301	21,688	4,488	4,752	4,762
Yili Industrial	-1.5%	-3.7%	-4.0%	1.7%	-3.9%	-5.3%	117,089	120,503	123,632	9,976	10,814	11,685	118,914	125,079	128,736	9,808	11,252	12,340
China Condiments																		
Yihai Int'l	-3.2%	-3.6%	-4.0%	-10.2%	-3.6%	-5.9%	6,458	6,922	7,372	742	896	991	6,671	7,179	7,679	827	930	1,053
Foshan Haitian	2.7%	3.9%	4.5%	3.6%	4.7%	5.4%	27,494	30,204	33,135	6,381	7,098	7,873	26,780	29,062	31,697	6,161	6,777	7,469
Jonjee Hi-Tech	6.6%	-2.1%	-2.0%	36.1%	-1.4%	-1.5%	5,548	5,569	6,056	1,064	901	995	5,206	5,689	6,182	782	914	1,010
Fuling Zhacai	-1.2%	-1.2%	-1.2%	-0.9%	-0.9%	-0.9%	2,478	2,617	2,770	876	957	1,017	2,507	2,649	2,805	884	966	1,027
Jiangsu Hengshun	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2,046	2,209	2,473	147	199	245	2,046	2,209	2,473	147	199	245
Qianhe Condiment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3,086	3,309	3,626	497	540	602	3,086	3,309	3,626	497	540	602
Sichuan Teway	1.6%	1.6%	1.6%	6.4%	7.3%	7.9%	3,415	3,672	3,919	625	683	743	3,363	3,616	3,859	587	636	688
China F&B																		
Nongfu Spring	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	45,306	52,783	59,830	12,260	14,135	15,876	45,306	52,783	59,830	12,260	14,135	15,876
Tingyi	-0.1%	-0.7%	-0.7%	3.3%	11.4%	19.7%	80,588	83,054	85,503	3,701	4,309	4,798	80,647	83,627	86,096	3,581	3,867	4,008
Uni-President China	0.4%	0.6%	0.6%	1.7%	2.1%	3.4%	30,508	32,318	33,852	1,887	2,130	2,331	30,401	32,110	33,635	1,855	2,086	2,254
China Resources Beverage	-1.2%	-1.8%	-1.9%	-0.1%	-1.7%	-1.9%	14,097	15,250	16,639	1,601	1,947	2,377	14,263	15,531	16,953	1,602	1,980	2,424
Eastroc	1.7%	2.4%	2.4%	1.5%	2.3%	2.3%	16,329	20,726	24,959	3,306	4,291	5,300	16,055	20,240	24,372	3,258	4,196	5,181
China Frozen Food																		
Anjoy Foods	-1.6%	-1.7%	-1.8%	-4.7%	-8.0%	-3.2%	15,134	16,663	18,362	1,415	1,520	1,781	15,376	16,952	18,693	1,485	1,652	1,840
Ligao Foods	-0.8%	-0.6%	-0.9%	0.2%	-2.2%	3.2%	3,804	4,389	4,765	295	371	453	3,836	4,416	4,809	294	380	439
Sanquan Foods	-3.4%	-4.4%	-5.4%	-3.0%	-9.3%	-1.5%	6,711	6,843	7,045	511	487	533	6,946	7,160	7,445	526	537	541
Qianweiyangchu	-0.3%	-0.9%	-0.7%	-4.5%	-12.3%	-3.6%	1,972	2,114	2,249	127	127	145	1,978	2,133	2,265	133	145	150
Angel Yeast	-2.7%	-2.9%	-2.2%	0.3%	3.6%	7.7%	15,194	16,694	18,291	1,383	1,618	1,876	15,624	17,186	18,706	1,380	1,562	1,742
Weizhixiang	0.0%	-4.5%	-6.9%	0.0%	-5.4%	-8.2%	679	709	752	85	93	104	679	742	808	85	98	113
China Pet Care																		
China Pet Foods	0.0%	0.1%	2.3%	5.8%	9.6%	10.5%	4,467	5,018	5,777	380	423	558	4,467	5,014	5,645	359	386	505
Petpal Pet Nutrition	0.0%	0.0%	0.0%	-1.3%	-1.0%	-1.1%	1,870	2,266	2,667	192	206	261	1,870	2,266	2,667	195	208	264
Gambol Pet	0.0%	0.4%	1.0%	1.3%	12.1%	5.8%	5,181	6,203	7,423	617	755	947	5,181	6,176	7,353	609	674	896

Source: Goldman Sachs Global Investment Research

Valuation Comp Tables

Exhibit 47: Coverage Valuation

	Company	Rating	Mkt cap US$ mn	Ccy	Price 1/15/2025	12-m TP	+/-	PE 2024E	PE 2025E	PE 2026E	TP Implied PE 2024E	TP Implied PE 2025E	TP Implied PE 2026E	24-26E Rev CAGR	24-26E NP CAGR	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	ROE 2024E	Div yield 2024E	YTD perf %	LST week perf %
Spirits																						
600519.SS	Kweichow Moutai	Buy	252,081	CNY	1471.27	2017.00	37%	22X	20X	18X	30X	27X	24X	9%	11%	14X	12X	11X	36%	3.6%	-3%	2%
000858.SZ	Wuliangye Yibin	Buy	70,291	CNY	132.77	166.00	25%	16X	15X	14X	20X	19X	17X	6%	7%	9X	8X	7X	24%	4.6%	-5%	2%
6979.HK	ZJLD	Buy	2,665	HKD	6.66	8.20	23%	12X	13X	11X	15X	16X	14X	5%	6%	7X	7X	6X	12%	3.3%	-2%	3%
600809.SS	Shanxi Xinghuacun Fen Wine	Buy	29,995	CNY	180.25	235.00	30%	18X	16X	15X	23X	21X	20X	8%	9%	13X	12X	10X	39%	3.1%	-2%	5%
000568.SZ	Luzhou Laojiao	Buy	23,816	CNY	119.21	152.00	28%	13X	12X	11X	16X	15X	14X	4%	6%	8X	8X	7X	31%	5.3%	-5%	3%
002304.SZ	Jiangsu Yanghe	Sell	16,437	CNY	79.97	60.00	-25%	16X	16X	15X	12X	12X	11X	1%	2%	9X	9X	9X	15%	6.1%	-4%	0%
000596.SZ	Anhui Gujing Distillery Co.	Neutral	12,657	CNY	175.55	183.00	4%	17X	15X	14X	18X	16X	14X	9%	11%	10X	9X	7X	23%	2.6%	1%	4%
000799.SZ	Jiugui Liquor	Sell	2,135	CNY	48.17	27.40	-43%	71X	46X	30X	40X	26X	17X	20%	53%	52X	32X	20X	5%	0.8%	-13%	1%
600779.SS	Sichuan Swellfun Co.	Sell	3,150	CNY	47.29	33.70	-29%	17X	16X	16X	12X	12X	11X	5%	3%	10X	9X	9X	28%	2.2%	-12%	2%
603369.SS	Jiangsu King's Luck Brewery	Neutral	7,510	CNY	43.89	44.50	1%	15X	14X	12X	15X	14X	13X	10%	10%	10X	9X	8X	25%	2.8%	-3%	1%
Avg.								**22X**	**18X**	**16X**	**20X**	**18X**	**16X**	**8%**	**8%**	**14X**	**11X**	**9X**	**23.9%**	**3.4%**	**-5%**	**2%**
DGE.L	Diageo	Sell	65,512	GBP	2360.50	2400.00	2%	17X	18X	17X	17X	18X	17X	0%	-1%	13X	13X	13X	34%	3.6%	-7%	-7%
PERP.PA	Pernod Ricard	Buy	27,972	EUR	102.80	140.00	36%	13X	14X	13X	18X	19X	17X	2%	1%	11X	11X	10X	12%	4.5%	-6%	-5%
RCOP.PA	Remy Cointreau	Buy	2,808	EUR	52.80	101.00	91%	14X	15X	14X	26X	28X	26X	-3%	0%	9X	10X	9X	11%	3.8%	-10%	-9%
Avg.								**14X**	**16X**	**14X**	**20X**	**22X**	**20X**	**-1%**	**0%**	**11X**	**11X**	**11X**	**18.8%**	**4.0%**	**-7%**	**-7%**
Beer																						
1876.HK	Budweiser APAC	Buy	11,834	HKD	6.97	9.60	38%	16X	14X	13X	21X	20X	18X	4%	11%	5X	4X	4X	7%	6.1%	-7%	0%
0291.HK	China Resources Beer	Buy	9,770	HKD	23.45	33.80	44%	14X	13X	12X	20X	19X	17X	2%	9%	8X	8X	7X	14%	3.9%	-7%	1%
0168.HK	Tsingtao Brewery (H)	Buy	8,900	HKD	51.30	59.00	15%	14X	13X	12X	17X	15X	14X	2%	9%	8X	7X	6X	15%	4.4%	-10%	-4%
600600.SS	Tsingtao Brewery (A)	Neutral	13,787	CNY	74.82	69.00	-8%	23X	21X	19X	21X	19X	18X	2%	9%	14X	12X	11X	15%	2.9%	-8%	-2%
600132.SS	Chongqing Brewery	Neutral	3,796	CNY	57.50	53.90	-6%	21X	20X	18X	20X	19X	17X	3%	7%	8X	7X	7X	31%	4.9%	-9%	0%
002568.SZ	Shanghai Bairun	Neutral	3,369	CNY	23.52	16.40	-30%	30X	27X	24X	21X	19X	17X	9%	10%	21X	18X	16X	19%	1.7%	-16%	-8%
Avg.								**20X**	**18X**	**17X**	**20X**	**18X**	**17X**	**4%**	**9%**	**10X**	**9X**	**9X**	**17%**	**4.0%**	**-9%**	**-2%**
ABI.BR	Anheuser-Busch InBev	Neutral	94,885	EUR	45.20	61.00	35%	16X	13X	12X	21X	17X	16X	2%	13%	9X	8X	8X	6%	2.1%	-6%	-5%
CARLb.CO	Carlsberg	Buy	13,228	DKK	684.80	1100.00	61%	13X	12X	11X	21X	19X	17X	2%	9%	9X	8X	8X	27%	4.0%	-1%	0%
HEIN.AS	Heineken	Buy	38,073	EUR	64.16	90.00	40%	14X	13X	12X	19X	18X	16X	3%	10%	9X	8X	7X	11%	2.8%	-7%	-5%
2502.T	Asahi Group	Buy	15,359	JPY	1606.00	2400.00	49%	13X	12X	11X	20X	18X	16X	2%	9%	9X	8X	8X	7%	3.0%	-3%	2%
2503.T	Kirin Holdings	Sell	9,931	JPY	1975.00	2000.00	1%	15X	13X	12X	15X	13X	12X	3%	12%	9X	8X	8X	7%	3.7%	-4%	-1%
2587.T	Suntory Beverage & Food Ltd	Buy*	9,366	JPY	4802.00	7100.00	48%	17X	15X	14X	25X	22X	21X	3%	9%	6X	5X	5X	7%	2.4%	-4%	-1%
Avg.								**15X**	**13X**	**12X**	**20X**	**18X**	**16X**	**3%**	**10%**	**8X**	**8X**	**7X**	**11%**	**3.0%**	**-4%**	**-2%**
Condiment																						
603288.SS	Foshan Haitian Flavouring & Food	Neutral	32,203	CNY	42.46	40.20	-5%	37X	33X	30X	35X	31X	28X	10%	11%	27X	24X	21X	21%	1.6%	-7%	0%
600872.SS	Jonjee Hi-Tech	Neutral	2,274	CNY	21.23	18.40	-13%	16X	19X	17X	14X	16X	15X	4%	-3%	11X	13X	11X	18%	1.9%	-4%	1%
002507.SZ	Fuling Zhacai	Neutral	2,117	CNY	13.45	13.10	-3%	18X	16X	15X	17X	16X	15X	6%	8%	12X	10X	9X	10%	2.5%	-5%	-1%
1579.HK	Yihai International Holding	Buy	1,616	HKD	12.92	14.80	15%	16X	13X	12X	18X	15X	14X	7%	16%	7X	6X	5X	14%	6.8%	-14%	1%
600305.SS	Jiangsu Hengshun Vinegar	Sell	1,128	CNY	7.43	5.70	-23%	56X	42X	34X	43X	32X	26X	10%	29%	35X	27X	22X	4%	1.7%	-7%	-1%
603027.SS	Qianhe Condiment and Food	Sell	1,564	CNY	11.16	8.50	-24%	23X	21X	19X	18X	16X	15X	8%	10%	15X	14X	13X	14%	4.4%	-8%	0%
603317.SS	Sichuan Teway Food Group	Sell	1,904	CNY	13.22	10.20	-23%	23X	21X	19X	17X	16X	15X	7%	9%	17X	16X	14X	14%	3.1%	-1%	1%
Avg.								**27X**	**24X**	**21X**	**23X**	**20X**	**18X**	**7%**	**11%**	**18X**	**16X**	**14X**	**13.6%**	**3.1%**	**-7%**	**0%**
Dairy																						
600887.SS	Yili Industrial	Buy	24,842	CNY	28.46	31.90	12%	18X	17X	16X	20X	19X	17X	3%	8%	13X	11X	10X	17%	4.0%	-6%	-2%
2319.HK	Mengniu Dairy	Buy	7,554	HKD	14.88	21.80	47%	21X	11X	9X	31X	17X	14X	3%	11%	11X	8X	7X	9%	3.5%	-15%	-8%
6186.HK	China Feihe Ltd.	Neutral	6,005	HKD	5.23	4.50	-14%	9X	9X	9X	8X	8X	7X	5%	6%	5X	4X	4X	17%	6.7%	-4%	3%
Avg.								**16X**	**12X**	**11X**	**20X**	**14X**	**13X**	**3%**	**8%**	**10X**	**8X**	**7X**	**14.3%**	**4.7%**	**-8%**	**-2%**
F&B																						
9633.HK	Nongfu Spring	Buy	50,912	HKD	35.25	38.00	8%	30X	26X	24X	32X	28X	25X	15%	14%	19X	16X	14X	40%	2.5%	4%	8%
0322.HK	Tingyi	Buy	8,029	HKD	11.10	13.00	17%	16X	14X	12X	18X	16X	14X	3%	14%	7X	7X	6X	21%	6.3%	10%	11%
0220.HK	Uni-President China	Neutral	4,243	HKD	7.65	8.20	7%	16X	15X	13X	17X	16X	14X	5%	11%	8X	8X	7X	14%	6.6%	-2%	3%
605499.SS	Eastroc Beverage	Buy	16,741	CNY	236.03	281.00	19%	37X	29X	23X	44X	34X	28X	24%	27%	28X	21X	17X	47%	1.3%	-5%	-12%
2460.HK	China Resources Beverage	Buy	3,347	HKD	11.10	19.00	71%	13X	13X	10X	23X	22X	18X	9%	22%	7X	5X	4X	17%	n.m.	n.a.	4%
KO	Coca-Cola Co.	Neutral	266,145	USD	61.77	64.00	4%	22X	21X	19X	22X	22X	20X	5%	5%	19X	18X	16X	44%	3.2%	-1%	0%
PEP	PepsiCo Inc.	Buy	199,555	USD	144.78	189.00	31%	18X	17X	16X	23X	22X	20X	4%	7%	13X	13X	12X	57%	3.6%	-5%	-1%
Avg.								**22X**	**19X**	**17X**	**26X**	**23X**	**20X**	**9%**	**14%**	**15X**	**13X**	**11X**	**34.4%**	**3.9%**	**0%**	**2%**
Snacks																						
002557.SZ	Chacha Food Co.	Sell	1,938	CNY	28.12	27.10	-4%	14X	13X	13X	14X	13X	12X	6%	6%	9X	9X	8X	17%	4.4%	-3%	-1%
002847.SZ	Yankershop Food	Buy	2,131	CNY	56.92	68.90	21%	24X	19X	17X	29X	23X	21X	19%	18%	19X	16X	13X	41%	2.5%	-9%	-6%
0151.HK	Want Want China	Sell	6,851	HKD	4.49	3.50	-22%	12X	13X	13X	10X	10X	10X	3%	0%	7X	7X	7X	23%	6.3%	-2%	0%
2229.T	Calbee Inc	Sell	2,436	JPY	3038.00	3050.00	0%	19X	19X	19X	19X	19X	19X	5%	1%	9X	8X	8X	10%	2.0%	-4%	-2%
Avg.								**17X**	**16X**	**15X**	**18X**	**16X**	**15X**	**8%**	**7%**	**11X**	**10X**	**9X**	**25.4%**	**2.0%**	**-4%**	**-2%**
Frozen Food																						
001215.SZ	Qianweiyangchu	Neutral	331	CNY	28.00	23.20	-17%	19X	19X	17X	16X	16X	14X	7%	7%	10X	9X	8X	10%	0.7%	-9%	0%
603345.SS	Fu Jian Anjoy Foods Co.	Buy	3,072	CNY	76.79	89.00	16%	16X	15X	13X	18X	17X	15X	10%	12%	8X	8X	6X	11%	3.5%	-6%	-1%
300973.SZ	Ligao Foods	Buy	862	CNY	37.33	40.50	8%	21X	17X	14X	23X	18X	15X	12%	24%	12X	10X	8X	12%	3.1%	-4%	4%
605089.SS	Weizhixiang	Sell	455	CNY	24.17	13.80	-43%	39X	36X	32X	22X	20X	18X	5%	10%	25X	22X	20X	7%	2.0%	-3%	3%
002216.SZ	Sanquan Foods	Neutral	1,366	CNY	11.39	8.50	-25%	20X	21X	19X	15X	15X	14X	2%	2%	16X	16X	14X	11%	3.2%	-5%	0%
600298.SS	Angel Yeast	Buy	3,999	CNY	33.75	39.90	18%	21X	18X	16X	25X	21X	18X	10%	16%	14X	12X	10X	12%	1.2%	-6%	-3%
Avg.								**23X**	**21X**	**18X**	**20X**	**18X**	**16X**	**8%**	**12%**	**14X**	**13X**	**11X**	**10.4%**	**2.3%**	**-6%**	**1%**
Pet Care																						
002891.SZ	China Pet Foods	Buy	1,455	CNY	36.26	42.00	16%	28X	25X	19X	32X	29X	22X	14%	21%	19X	15X	11X	15%	1.1%	2%	6%
300673.SZ	Petpal Pet Nutrition Technology	Neutral	634	CNY	18.33	17.10	-7%	24X	23X	18X	23X	21X	17X	19%	16%	14X	12X	10X	10%	0.7%	3%	2%
301498.SZ	Gambol Pet Group Co.	Buy	4,602	CNY	84.35	96.00	14%	55X	45X	36X	62X	51X	41X	20%	24%	38X	31X	24X	16%	0.3%	8%	7%
Avg.								**36X**	**31X**	**24X**	**39X**	**34X**	**26X**	**18%**	**21%**	**24X**	**19X**	**15X**	**13.3%**	**0.7%**	**4%**	**5%**

Priced as of Jan 14.

Source: Datastream, Goldman Sachs Global Investment Research

Tingyi (0322.HK): Effective price hikes, promotion cuts, and efficiency enhancements to drive solid earnings growth with high visibility; Upgrade

to Buy

0322.HK	12m Price Target: HK$13	Price: HK$10.96	Upside: 18.6%

Buy	GS Forecast				
		12/23	12/24E	12/25E	12/26E
Market cap: HK$61.7bn / $7.9bn	**Revenue (Rmb mn) New**	**80,418.1**	**80,587.9**	**83,053.8**	**85,502.8**
Enterprise value: HK$71.9bn / $9.2bn	Revenue (Rmb mn) Old	80,418.1	80,646.6	83,627.3	86,095.7
3m ADTV :HK$93.7mn/ $12.1mn	EBITDA (Rmb mn)	8,209.4	9,184.4	10,003.8	10,733.4
China	**EPS (Rmb) New**	**0.55**	**0.66**	**0.76**	**0.85**
China Consumer Staples	EPS (Rmb) Old	0.55	0.64	0.69	0.71
	P/E (X)	19.3	15.7	13.5	12.1
M&A Rank: 3	P/B (X)	4.3	4.0	3.9	3.7
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	5.2	6.4	7.4	8.3
	CROCI (%)	15.5	12.1	12.4	12.7
		6/24	**12/24E**	**6/25E**	**12/25E**
	EPS (Rmb)	0.33	0.32	0.40	0.36

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2025 close.

We upgrade Tingyi to Buy on high earnings growth visibility based on solid margin expansion potential bolstered by solid initiatives and financial profile in the mid-term driven by: 1) Benefits from effective price hike implementation: Our high-frequency channel checks on pricing trends suggest that its price hikes in instant noodles and beverage have been effectively executed by the sales channels, in contrast to our previous concerns that the price hike could face resistance together with notable market share loss to UPC. We see encouraging volume recovery with noodles segment seeing a narrowed decline in 4Q, and the volume pressure of 1L large-pack tea being offset by the increase in 500ml regular pack, per the mgmt. **2)** Continued cost control to improve production efficiency, cut promotions, and optimize overhead expenses; **3)** Improving competitive landscape in instant noodles/water: We see the price competition in water notably eased since Sep and expect an industry-wide sequential improvement in 2025. With sequential palm oil price pressure, major instant noodle competitors are also cutting promotions for margin stability. **4)** Cost benefits: We believe Tingyi's higher GPM/EBIT margin profile for instant noodles vs. major competitor could be more defensive amid the upward palm oil price trend. Per mgmt, 4Q continued to see cost benefits helped by sequential/yoy decline in flour price. **5)** Mix upgrade: the company continues to focus on ensuring higher margins for any new product launches. We are also positive on Tingyi's commitment towards robust shareholder returns as management intends to sustain a dividend payout ratio of 100% for the next three years. The stock is currently trading at 15X/13X 2024E/25E P/E against 2024/26E CAGR at 3%/14%, below the avg. of our H-share F&B coverage at 19X/18X. With 17% upside potential to our 12m TP of HK$13.0 vs. 29% avg. upside for our Buy-rated diversified F&B coverage, we upgrade Tingyi to Buy from Neutral.

Earnings Revision: We expect net profits to grow at 14% CAGR in 2024-26E vs. 5% prior. Our earnings estimates are 4~12% higher than BBG consensus in 2024-26E with largely in-line sales forecasts (1~2% below consensus) mainly on more positive outlook on margin expansion. We revise up our 12m TP by 23% to HK$13.0 from HK$10.6 prior still based on 15X 2026E P/E (from 2025E prior) discounted back to end-2025E, with NP estimates up 3~20% in 2024~26E on better-than-expected execution in price hikes and cost control/raw material benefits. We also introduce our 2027E estimates with this report.

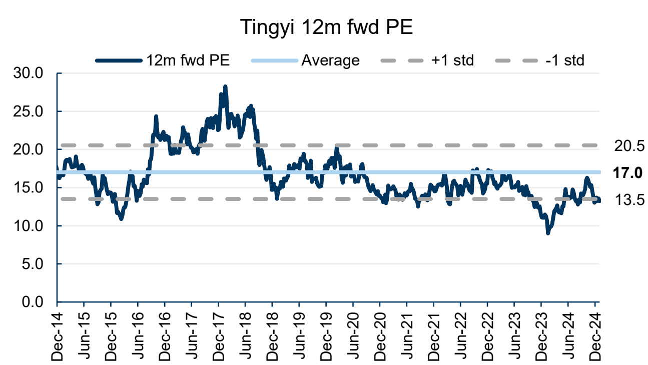
Key downside risks:

1) Higher-than-expected raw material cost pressures: Significant upward trend in prices of key raw materials including PET, Palm Oil, Sugar, and flour will have meaningful adverse impact on the company's margin expansion. Despite cost benefits yoy in 2024 thanks to palm oil and sugar, palm oil spot price started to spike in 4Q24 and has increased 41% yoy in Dec, up 21% vs. 2024 average. A continued price increase in palm oil price would pressure margins of instant noodles in 2025.

2) Heightened competition in noodles/beverage: Intensified competition from major competitors may hinder the company's instant noodles market share recovery post the price hikes and squeeze room for further promotion cuts. Should the price competition that pressured the company's beverage sales in 2024 continue in 2025, topline pressure may affect margins through operating deleveraging.

3) Weaker trends in instant noodles/beverage if consumption sentiments remain muted or the strong momentum of RTD tea in recent years cannot persist.

Exhibit 48: Tingyi is currently trading at -1 STD of 10-year average fwd P/E



Source: Refinitiv Eikon, Data compiled by Goldman Sachs Global Investment Research

Exhibit 49: GSe vs. aConsensus

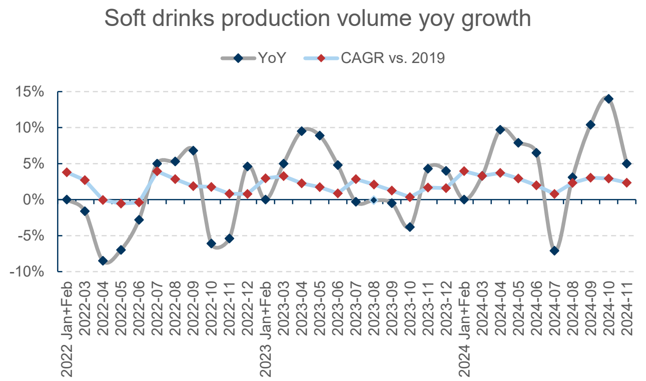
Tingyi - GSe vs. Consensus

		Sales	
Rmb mn	2024	2025	2026
GSe	80,588	83,054	85,503
Consensus	81,732	84,672	87,528
GSe vs. Con	-1.4%	-1.9%	-2.3%
		NP	
Rmb mn	2024	2025	2026
GSe	3,701	4,309	4,798
Consensus	3,552	3,921	4,286
GSe vs. Con	4.2%	9.9%	11.9%

As of Jan 13

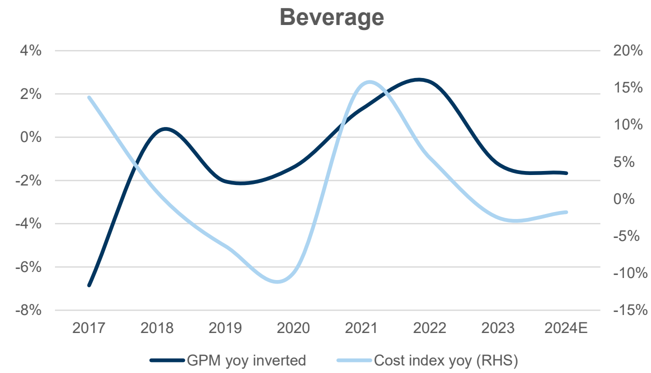
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 50: Soft drinks production volume yoy growth and 5-yr CAGR picked up in 2H24, showing signs of recovery; Nov lapped a relatively higher base yoy but still recorded encouraging 5-yr CAGR



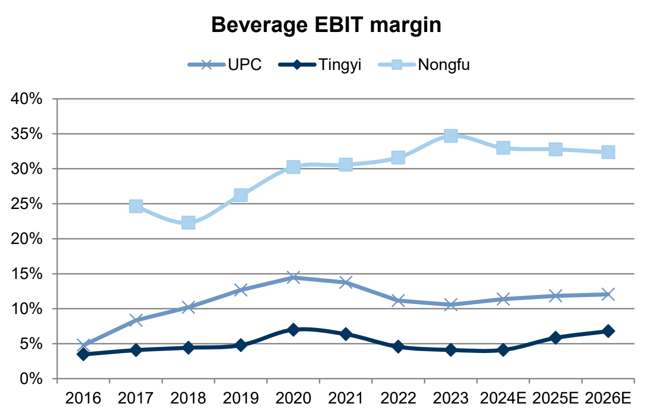
Source: NBS, Wind, Data compiled by Goldman Sachs Global Investment Research

Exhibit 51: The cost index for beverage kept trending down yoy in 2024, which should bring cost benefits in 2025



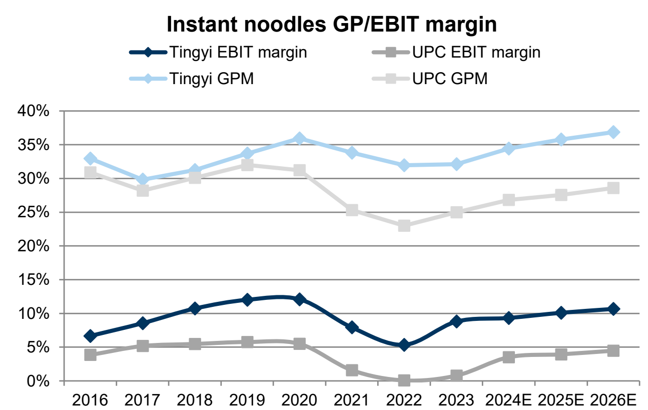
Source: Company data, Wind, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 52: Tingyi's beverage EBIT margin has much room for expansion compared to UPC and Nongfu, and shows solid expansion momentum in 2024



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 53: Tingyi's instant noodle's GPM/EBIT margin is higher than UPC, and we expect it to further improve in 2024-26E as the effects of price hikes phase in



Source: Company data, Goldman Sachs Global Investment Research

Tingyi Financial Summary

Profit model (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Total revenue	80,587.9	83,053.8	85,502.8	87,956.5
Cost of goods sold	(54,573.8)	(55,181.8)	(55,944.0)	(56,916.5)
SG&A	(20,630.5)	(21,510.9)	(22,316.2)	(23,132.6)
R&D	0.0	0.0	0.0	0.0
Other operating profit/(expense)	392.0	299.7	191.7	127.0
EBITDA	9,184.4	10,003.8	10,733.4	11,455.7
Depreciation & amortization	(3,408.7)	(3,343.0)	(3,299.2)	(3,421.3)
EBIT	5,775.6	6,660.8	7,434.2	8,034.4
Interest income	360.0	400.0	420.0	420.0
Interest expense	(411.9)	(370.7)	(370.7)	(370.7)
Income/(loss) from uncons. subs.	117.0	117.0	117.0	117.0
Others	0.0	0.0	0.0	0.0
Pretax profits	5,840.7	6,807.0	7,600.5	8,200.7
Income tax	(1,522.7)	(1,779.0)	(1,989.2)	(2,148.0)
Minorities	(617.4)	(719.2)	(813.4)	(890.8)
Net income pre-preferred dividends	3,700.7	4,308.9	4,797.9	5,161.8
Preferred dividends				
Net income (pre-exceptionals)	3,700.7	4,308.9	4,797.9	5,161.8
Post-tax exceptionals	0.0			
Net income	3,700.7	4,308.9	4,797.9	5,161.8
EPS (basic, pre-except) (Rmb)	0.7	0.8	0.9	0.9
EPS (basic, post-except) (Rmb)	0.7	0.8	0.9	0.9
EPS (diluted, post-except) (Rmb)	0.7	0.8	0.9	0.9
DPS (Rmb)	0.7	0.8	0.9	0.9
Dividend payout ratio (%)	100%	100%	100%	100%
Free cash flow yield (%)	7%	9%	9%	10%

Balance sheet (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Cash & equivalents	8,302.4	10,050.7	11,682.5	13,340.1
Accounts receivable	1,583.3	1,631.8	1,679.9	1,728.1
Inventory	4,277.3	4,325.0	4,384.7	4,460.9
Other current assets	7,753.9	7,753.9	7,753.9	7,753.9
Total current assets	21,916.9	23,761.3	25,501.0	27,283.0
Net PP&E	20,880.1	20,378.0	19,929.8	19,372.5
Net intangibles	3,777.9	3,879.2	4,014.8	4,185.9
Total investments	1,104.7	1,104.7	1,104.7	1,104.7
Other long-term assets	6,406.7	6,406.7	6,406.7	6,406.7
Total assets	54,086.3	55,529.9	56,956.9	58,352.7
Accounts payable	8,361.7	8,454.9	8,571.7	8,720.7
Short-term debt	8,481.5	8,481.5	8,481.5	8,481.5
Other current liabilities	12,060.5	12,208.1	12,344.2	12,468.1
Total current liabilities	29,049.9	29,290.7	29,543.6	29,816.5
Long-term debt	5,247.2	5,247.2	5,247.2	5,247.2
Other long-term liabilities	1,306.8	1,306.8	1,306.8	1,306.8
Total long-term liabilities	6,734.4	6,734.4	6,734.4	6,734.4
Total liabilities	35,784.3	36,025.1	36,278.0	36,550.9
Preferred shares				
Total common equity	14,477.8	15,086.0	15,575.0	15,939.0
Minority interest	3,824.1	4,418.8	5,103.9	5,862.8
Total liabilities & equity	54,086.3	55,529.9	56,956.9	58,352.7
BVPS (Rmb)	2.6	2.7	2.8	2.8

Growth & margins (%)	12/24E	12/25E	12/26E	12/27E
Sales growth	0%	3%	3%	3%
EBITDA growth	12%	9%	7%	7%
EBIT growth	21%	15%	12%	8%
Net income growth	19%	16%	11%	8%
EPS growth	19%	16%	11%	8%
Gross margin	32%	34%	35%	35%
EBITDA margin	11%	12%	13%	13%
EBIT margin	7%	8%	9%	9%

Ratios	12/24E	12/25E	12/26E	12/27E
CROCI (%)	12%	12%	13%	13%
ROE (%)	26%	29%	31%	33%
ROA (%)	7%	8%	9%	9%
ROACE (%)	18%	21%	24%	26%
Inventory days	29.0	28.4	28.4	28.4
Receivables days	7.2	7.1	7.1	7.1
Payable days	56.6	55.6	55.5	55.4
Net debt/equity (%)	31%	21%	11%	3%
Interest cover - EBIT (X)	111.4			

Cash flow statement (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Net income pre-preferred dividends	3,700.7	4,308.9	4,797.9	5,161.8
D&A add-back	3,408.7	3,343.0	3,299.2	3,421.3
Minorities interests add-back	617.4	719.2	813.4	890.8
Net (inc)/dec working capital	(38.5)	144.7	145.0	148.5
Other operating cash flow	(120.9)	(124.6)	(128.3)	(131.9)
Cash flow from operations	7,567.4	8,391.2	8,927.2	9,490.5
Capital expenditures	(2,902.0)	(2,942.2)	(2,986.5)	(3,035.1)
Acquisitions				
Divestitures				
Others				
Cash flow from investments	(2,902.0)	(2,942.2)	(2,986.5)	(3,035.1)
Dividends paid (common & pref)	(3,301.1)	(3,915.2)	(4,568.6)	(5,099.2)
Inc/(dec) in debt				
Common stock issuance (repurchase)				
Other financing cash flows	183.6	214.6	259.7	301.4
Cash flow from financing	(3,117.5)	(3,700.7)	(4,308.9)	(4,797.9)
Total cash flow	1,547.9	1,748.3	1,631.9	1,657.6

Valuation	12/24E	12/25E	12/26E	12/27E
P/E (analyst) (X)	15.9	13.7	12.3	11.4
P/B (X)	4.1	3.9	3.8	3.7
EV/EBITDA (X)	7.5	6.7	6.2	5.7
EV/GCI (X)	1.0	0.9	0.9	0.8
Dividend yield (%)	6%	7%	8%	9%

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Source: Company data, Goldman Sachs Global Investment Research

King’s Luck (603369.SS): Solid market share gainer in Jiangsu, and we

expect the momentum to continue; Up to Neutral

603369.SS	12m Price Target: Rmb44.5	Price: Rmb42.07	Upside: 5.8%

Neutral	GS Forecast				
		12/23	12/24E	12/25E	12/26E
Market cap: Rmb52.8bn / $7.2bn	**Revenue (Rmb mn) New**	**10,100.4**	**11,856.1**	**13,092.6**	**14,377.8**
Enterprise value: Rmb46.0bn / $6.3bn	Revenue (Rmb mn) Old	10,100.4	11,856.1	12,771.6	13,584.9
3m ADTV :Rmb405.0mn/ $56.1mn	EBITDA (Rmb mn)	4,016.2	4,765.2	5,327.1	5,900.9
China	**EPS (Rmb) New**	**2.50**	**2.89**	**3.21**	**3.52**
China Consumer Staples	EPS (Rmb) Old	2.50	2.89	3.13	3.33
	P/E (X)	23.1	14.6	13.1	12.0
M&A Rank: 3	P/B (X)	5.5	3.3	2.9	2.5
Leases incl. in net debt & EV?: No	Dividend yield (%)	1.7	2.7	3.0	3.3
	CROCI (%)	23.1	24.3	23.3	22.3
		9/24	**12/24E**	**3/25E**	**6/25E**
	EPS (Rmb)	0.50	0.43	1.34	0.82

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2025 close.

We expect King's Luck to continue its momentum of 9M24 and outperform the China spirits industry in 2024/25E, driven by its solid execution in the Jiangsu market and continued premiumization pathway.

In Jiangsu province, we expect King's Luck to deliver 16% sales CAGR in 2019-26E (revised from 15% prior), while Yanghe will only deliver 2% CAGR due to market share losses per our estimates. We think the strong momentum in Jiangsu will help to strengthen brand equity and distributors' confidence, which in turn should enhance the growth visibility in the prolonged tough cycle. By product, we expect King's Luck's major SKUs 2K/ 4K to have surpassed Yanghe's in 2024 in Jiangsu. The outside Jiangsu market is relatively new and contributes 8% of King's Luck's total sales in 2024E, and we see good potential to ramp up from the current low base.

In this prolonged cycle amid the still gradual macro recovery path, we believe King's Luck is capable of delivering higher visibility in market share gains with its structured product portfolio (led by 4K/2K) and distribution system, leading to est. 12%/12% sales/NP CAGR in 2023-26E, outpacing both its direct competitor Yanghe's 1%/2% CAGR and the industry's sales/upper-mid-end segment growth of 4%/4% in the same period. Currently King's Luck is trading at 13x 2025E P/E, below Yanghe's 15x and with a relatively more attractive growth profile. We think the share price now largely reflects the estimated growth trend, hence we upgrade King's Luck to Neutral from Sell with a new 12m TP of Rmb44.5 (from Rmb38.8), which reflects 1) our updated earnings estimates (NP estimates revised up by 2-6% in 2025-26E to reflect solid momentum in gaining share in Jiangsu), 2) higher target P/E multiple of 14.0x (revised from 12.4x, based on a c.15% premium to Yanghe's target multiple), and 3) base year rolling forward to 2026E, discounted back. In deriving our target P/E multiple, we now apply a 15% premium to Yanghe's target multiple (vs. previously in line with Yanghe's avg trading P/E in 2013-15) as we now refer to King's Luck's average valuation premium vs. Yanghe in 2019-2020, when Yanghe saw yoy sales declines for two consecutive years similar to our current outlook. Since we added King's Luck to our Sell list on 23 November 2021, the stock has declined 27% vs. CSI 300 -23%. We mainly attribute this to the fact that

King's Luck managed to seize growth opportunities amid a more favorable competitive environment in Jiangsu than we expected for King's Luck due to continued market share losses by Yanghe. In this note, we also introduce our 2027 estimates.

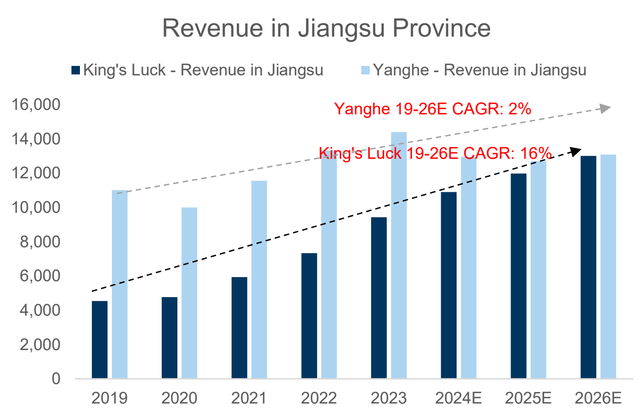
We see the current valuation as fair though our estimates are still slightly below BBG consensus by 3-5% in both sales/NP in 2025E-26E.

Key upside/downside risks:

Upside risks: 1) Better-than-expected competitive landscape in Jiangsu province: we expect King's Luck to approach Yanghe's market share level by 2025E; stronger-than-expected momentum could lead to stronger market share gains amid Yanghe's business adjustments; **2) Stronger-than-expected execution of national expansion**, which would offer upside to sales growth given a still low base; **3) Better-than-expected product upgrade**: the company has made progress in gaining share in the RSP>Rmb600 segment in Jiangsu, and we think a better-than-expected run-rate could deliver further upside to the company's sales growth and profitability.

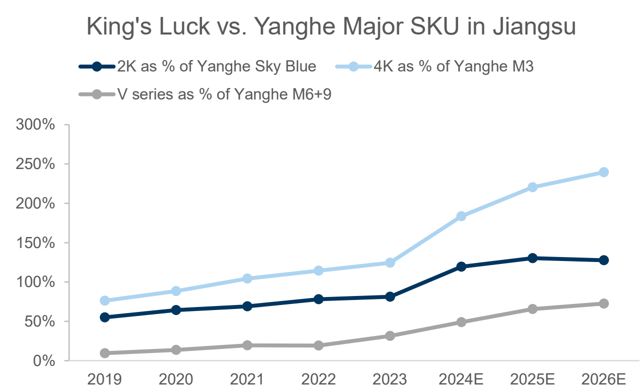
Downside risks: 1) More intensified competition/ worsened demand in Jiangsu, which accounts for 90%+ of King's Luck's total sales; **2) Weaker distributor confidence and channel inventory situation**: King's Luck saw a 59% decline yoy in customer advances in 3Q24, partly a reflection of the company's increasing focus on channel health but this could lead to a softer sales outlook if continued.

Exhibit 54: In Jiangsu province, we expect King's Luck to deliver 16% sales CAGR in 2019-26E, while Yanghe only delivers 2% CAGR (Rmb mn)



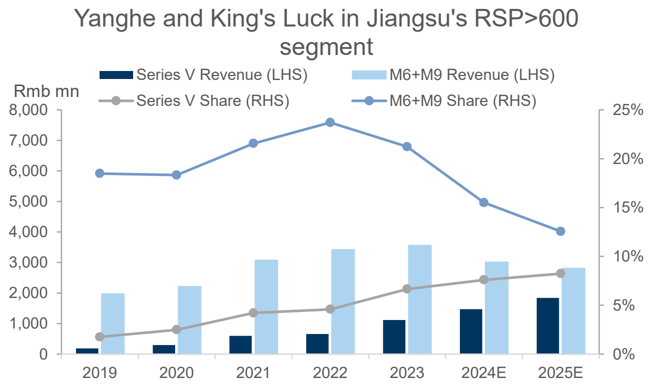
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 55: We expect King's Luck's major SKUs 2K/ 4K to have surpassed Yanghe's in 2024 in Jiangsu



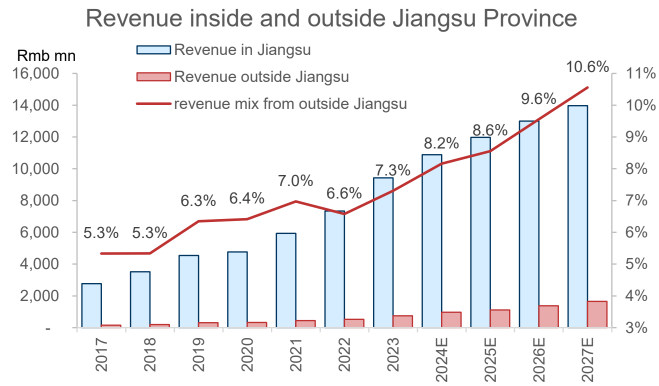
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 56: King's Luck continued its momentum to gain share from Yanghe in Jiangsu in the segment of RSP>600



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 57: We look for higher revenue mix from outside Jiangsu from a relatively low base



Source: Company data, Goldman Sachs Global Investment Research

King's Luck

Profit model (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Total revenue	11,856.1	13,092.6	14,377.8	15,616.4
Cost of goods sold	(2,922.3)	(3,119.9)	(3,351.8)	(3,560.3)
SG&A	(4,421.4)	(4,957.1)	(5,498.3)	(6,000.1)
R&D	(56.3)	(62.1)	(68.2)	(74.1)
Other operating profit/(expense)	100.0	100.0	100.0	100.0
EBITDA	4,765.2	5,327.1	5,900.9	6,494.0
Depreciation & amortization	(209.0)	(273.6)	(341.5)	(412.1)
EBIT	4,556.2	5,053.5	5,559.4	6,081.9
Interest income	187.3	221.2	229.3	241.2
Interest expense	(54.0)	(54.0)	(54.0)	(54.0)
Income/(loss) from uncons. subs.				
Others	117.8	119.3	121.0	122.8
Pretax profits	4,807.3	5,340.0	5,855.7	6,391.9
Income tax	(1,186.8)	(1,318.3)	(1,445.6)	(1,578.0)
Minorities				
Net income pre-preferred dividends	3,620.5	4,021.7	4,410.1	4,813.9
Preferred dividends				
Net income (pre-exceptionals)	3,620.5	4,021.7	4,410.1	4,813.9
Post-tax exceptionals				
Net income	3,620.5	4,021.7	4,410.1	4,813.9
EPS (basic, pre-except) (Rmb)	2.9	3.2	3.5	3.8
EPS (basic, post-except) (Rmb)	2.9	3.2	3.5	3.8
EPS (diluted, post-except) (Rmb)	2.9	3.2	3.5	3.8
DPS (Rmb)	1.1	1.3	1.4	1.5
Dividend payout ratio (%)	40%	40%	40%	40%
Free cash flow yield (%)	4%	3%	4%	4%

Balance sheet (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Cash & equivalents	7,627.2	7,907.3	8,317.1	8,851.7
Accounts receivable	104.1	115.0	126.3	137.1
Inventory	6,675.4	7,126.7	7,656.4	8,132.8
Other current assets	1,371.9	1,371.9	1,371.9	1,371.9
Total current assets	15,778.7	16,520.9	17,471.7	18,493.6
Net PP&E	7,257.0	9,743.8	12,359.6	15,079.8
Net intangibles	388.0	367.4	346.8	326.2
Total investments	41.4	41.4	41.4	41.4
Other long-term assets	3,302.2	3,302.2	3,302.2	3,302.2
Total assets	26,767.3	29,975.7	33,521.8	37,243.2
Accounts payable	9,260.7	9,886.7	10,621.6	11,282.4
Short-term debt	900.0	900.0	900.0	900.0
Other current liabilities	504.1	663.6	818.1	978.6
Total current liabilities	10,664.8	11,450.3	12,339.7	13,161.0
Long-term debt				
Other long-term liabilities	201.3	201.3	201.3	201.3
Total long-term liabilities	201.3	201.3	201.3	201.3
Total liabilities	10,866.1	11,651.7	12,541.0	13,362.4
Preferred shares				
Total common equity	15,901.2	18,324.0	20,980.8	23,880.8
Minority interest				
Total liabilities & equity	26,767.3	29,975.7	33,521.8	37,243.2
BVPS (Rmb)	12.7	14.6	16.7	19.0

Growth & margins (%)	12/24E	12/25E	12/26E	12/27E
Sales growth	17%	10%	10%	9%
EBITDA growth	19%	12%	11%	10%
EBIT growth	18%	11%	10%	9%
Net income growth	15%	11%	10%	9%
EPS growth	15%	11%	10%	9%
Gross margin	75%	76%	77%	77%
EBITDA margin	40%	41%	41%	42%
EBIT margin	38%	39%	39%	39%

Ratios	12/24E	12/25E	12/26E	12/27E
CROCI (%)	24%	23%	22%	21%
ROE (%)	25%	24%	22%	21%
ROA (%)	15%	14%	14%	14%
ROACE (%)	42%	38%	34%	32%
Inventory days	728.9	807.4	804.9	809.3
Receivables days	3.0	3.1	3.1	3.1
Payable days	1,011.2	1,120.0	1,116.6	1,122.8
Net debt/equity (%)	-42%	-38%	-35%	-33%
Interest cover - EBIT (X)				

Cash flow statement (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Net income pre-preferred dividends	3,620.5	4,021.7	4,410.1	4,813.9
D&A add-back	209.0	273.6	341.5	412.1
Minorities interests add-back				
Net (inc)/dec working capital	635.0	163.9	193.9	173.6
Other operating cash flow				
Cash flow from operations	4,464.5	4,459.2	4,945.5	5,399.6
Capital expenditures	(2,481.0)	(2,739.7)	(2,936.7)	(3,111.7)
Acquisitions				
Divestitures				
Others				
Cash flow from investments	(2,481.0)	(2,739.7)	(2,936.7)	(3,111.7)
Dividends paid (common & pref)	(1,246.8)	(1,439.4)	(1,598.9)	(1,753.3)
Inc/(dec) in debt				
Common stock issuance (repurchase)				
Other financing cash flows	433.3			
Cash flow from financing	(813.5)	(1,439.4)	(1,598.9)	(1,753.3)
Total cash flow	1,170.0	280.1	409.8	534.6

Valuation	12/24E	12/25E	12/26E	12/27E
P/E (analyst) (X)	15.2	13.7	12.5	11.4
P/B (X)	3.5	3.0	2.6	2.3
EV/EBITDA (X)	10.1	9.0	8.1	7.2
EV/GCI (X)	2.8	2.4	2.0	1.8
Dividend yield (%)	3%	3%	3%	3%

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Yanghe (002304.SZ): Recovery remains uncertain amid unfavorable competitive landscape; Down to Sell

002304.SZ	12m Price Target: Rmb60	Price: Rmb78.32	Downside: 23.4%

Sell	GS Forecast				
		12/23	12/24E	12/25E	12/26E
Market cap: Rmb118.0bn / $16.1bn	**Revenue (Rmb mn) New**	**33,126.3**	**29,287.6**	**29,031.8**	**29,885.0**
Enterprise value: Rmb89.6bn / $12.2bn	Revenue (Rmb mn) Old	33,126.3	30,373.0	31,651.3	32,577.2
3m ADTV :Rmb676.6mn/ $94.0mn	EBITDA (Rmb mn)	12,884.0	9,919.3	9,866.9	10,326.2
China	**EPS (Rmb) New**	**6.65**	**5.14**	**5.13**	**5.37**
China Consumer Staples	EPS (Rmb) Old	6.65	5.70	6.12	6.36
	P/E (X)	21.3	15.2	15.3	14.6
M&A Rank: 3	P/B (X)	4.1	2.2	2.2	2.2
Leases incl. in net debt & EV?: No	Dividend yield (%)	3.3	6.0	6.0	6.2
	CROCI (%)	18.6	14.2	13.9	14.1
		9/24	12/24E	3/25E	6/25E
	EPS (Rmb)	0.42	(0.55)	3.41	1.27

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2025 close.

Yanghe delivered a significant miss in 3Q24 vs. our prior forecasts with -45%/-73% sales/NP decline yoy, which in our view was due to more extensive shipment control than we expected, and lower distributor confidence (indicated by its declining customer advances yoy) amid weaker retail sales.

We downgrade Yanghe to Sell from Neutral on relatively limited visibility on its recovery pathway: 1) We think the disruption from the above-mentioned shipment control will take time to normalize and this could enable direct competitor King's Luck to gain share in the Jiangsu market. We now look for sales/NP CAGR of 1%/2% in 2024E-26E (vs. 9%/11% prior), while we expect it to be challenging for the company to re-gain share rapidly in the near term in Jiangsu, against King's Luck's strong momentum ahead. **2)** The current valuation of 15X 2025E P/E suggests potential downside vs 10X in its 2013-14 average (previous downcycle due to anti-graft disruption), and also compared to King's Luck (13X) which is running at a higher growth rate, despite Yanghe having announced a 3-year commitment to shareholder returns of no less than Rmb7bn/70% dividend payout, likely offering some cushion to the share price, in our view. **3)** The company faces heavier pressure from the yet to improve LNY seasonal sales, where the pre-LNY prepayment run-rate per our recent channel checks also suggests a relatively weak prepayment collection level (at 15% by 15 Jan vs. 20%+ same time last year) and no notable improvement in retail sales momentum, while the first quarter has historically been the largest quarter (accounting for c.40%-50%+ of full-year sales in prior years) with 1Q24 being a relatively high base for Yanghe (1Q +8% topline yoy vs. full year -12% per GSe).

Earnings and target price revision: We lower our 12m TP to Rmb60 (from Rmb76), implying 23% downside (vs. 3% average upside for our coverage universe), as a result of 1) downward revision to our NP estimates of 10-16% in 2024-26E to reflect the longer time needed for the shipment and channel adjustments attributed to weaker distributors and retail demand during this prolonged cycle, and 2) rolling forward our valuation base year to 2026, discounted back, while our target P/E multiple is unchanged at 12.4X (still based on its avg. trading P/E in the 2013-2015 downcycle). Our estimates remain below BBG consensus by 6-10%/13-15% in sales/NP in 2024-26E, reflecting our cautious view on its recovery path visibility.

Key upside risks/ what could make us turn more positive:

- **Stronger-than-expected policy stimulus execution:** this would lead to faster-than-expected commercial activity recovery and improvement in consumer confidence, which would strengthen Yanghe's fundamentals more significantly than we expect, esp. in meeting commercial banquet demand;
- **Better-than-expected competitive landscape in Jiangsu province:** more benign competition in Yanghe's home market of Jiangsu, which accounted for 44% of its total sales in 2023, could lead to a greater-than-expected growth rate and share gains;
- **Stronger-than-expected performance outside Jiangsu province:** Yanghe has been expanding its national footprint outside Jiangsu province, and it has added 415 distributors in ex-Jiangsu regions vs. cutting 43 in Jiangsu in 1H24 yoy. The upside risk would come from better-than-expected performance from out-of-Jiangsu sales.

Yanghe Financial Summary

Profit model (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Total revenue	29,287.6	29,031.8	29,885.0	31,692.2
Cost of goods sold	(8,013.4)	(7,987.6)	(8,157.8)	(8,465.3)
SG&A	(11,804.4)	(11,629.4)	(11,851.6)	(12,473.2)
R&D	(210.9)	(209.0)	(215.2)	(228.2)
Other operating profit/(expense)	(100.0)	(100.0)	(100.0)	(100.0)
EBITDA	9,919.3	9,866.9	10,326.2	11,199.8
Depreciation & amortization	(760.4)	(761.1)	(765.8)	(774.3)
Interest income	770.5	805.0	822.4	845.9
Interest expense	0.0	0.0	0.0	0.0
Income/(loss) from uncons. subs.	(2.1)	(2.1)	(2.1)	(2.1)
Others	292.4	290.7	288.3	
Pretax profits	10,219.8	10,199.4	10,669.0	11,554.6
Income tax	(2,472.0)	(2,467.1)	(2,580.7)	(2,794.8)
Minorities	(4.8)	(4.8)	(4.8)	(4.8)
Net income pre-preferred dividends	7,742.9	7,727.5	8,083.5	8,754.9
Preferred dividends				
Net income (pre-exceptionals)	7,742.9	7,727.5	8,083.5	8,754.9
Post-tax exceptionals				
Net income	7,742.9	7,727.5	8,083.5	8,754.9
EPS (basic, pre-except) (Rmb)	5.1	5.1	5.4	5.8
EPS (basic, post-except) (Rmb)	5.1	5.1	5.4	5.8
EPS (diluted, post-except) (Rmb)	5.1	5.1	5.4	5.8
DPS (Rmb)	4.7	4.7	4.8	5.2
Dividend payout ratio (%)	91%	91%	90%	90%
Free cash flow yield (%)	7%	6%	7%	

Balance sheet (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Cash & equivalents	28,580.7	30,331.0	31,929.2	33,410.5
Accounts receivable	750.9	744.4	766.3	812.6
Inventory	18,522.3	18,462.7	18,856.2	19,566.9
Other current assets	5,616.5	4,604.5	4,007.5	3,851.0
Total current assets	53,470.4	54,142.6	55,559.2	57,641.0
Net PP&E	6,802.0	6,831.7	6,878.0	6,961.0
Net intangibles	1,880.9	1,815.9	1,750.9	1,685.9
Other long-term assets	7,215.7	7,215.7	7,215.7	7,215.7
Total assets	70,596.7	71,231.5	72,627.3	74,725.1
Accounts payable	15,979.7	15,928.2	16,267.7	16,880.8
Short-term debt				
Other current liabilities	1,298.8	1,284.8	1,527.9	2,132.2
Total current liabilities	17,278.5	17,213.0	17,795.6	19,013.1
Long-term debt	0.0	0.0	0.0	
Other long-term liabilities	566.6	566.6	566.6	566.6
Total long-term liabilities	566.6	566.6	566.6	566.6
Total liabilities	17,845.1	17,779.6	18,362.3	19,579.7
Preferred shares				
Total common equity	52,635.4	53,330.8	54,139.2	55,014.7
Minority interest	116.2	121.0	125.9	130.7
Total liabilities & equity	70,596.7	71,231.5	72,627.3	74,725.1
BVPS (Rmb)	34.9	35.4	35.9	36.5

Growth & margins (%)	12/24E	12/25E	12/26E	12/27E
Sales growth	-12%	-1%	3%	6%
EBITDA growth	-23%	-1%	5%	8%
EBIT growth	-25%	-1%	5%	9%
Net income growth	-23%	0%	5%	8%
EPS growth	-23%	0%	5%	8%
Gross margin	73%	72%	73%	73%
EBITDA margin	34%	34%	35%	35%
EBIT margin	31%	31%	32%	33%

Ratios	12/24E	12/25E	12/26E	12/27E
CROCI (%)	14%	14%	14%	
ROE (%)	15%	15%	15%	16%
ROA (%)	11%	11%	11%	12%
ROACE (%)	28%	30%	33%	
Inventory days	853.5	845.0	834.9	828.3
Receivables days	10.0	9.4	9.2	9.1
Payable days	726.1	729.0	720.3	714.6
Net debt/equity (%)	-54%	-57%	-59%	-61%
Interest cover - EBIT (X)				

Cash flow statement (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Net income pre-preferred dividends	7,742.9	7,727.5	8,083.5	8,754.9
D&A add-back	760.4	761.1	765.8	774.3
Minorities interests add-back	4.8	4.8	4.8	4.8
Net (inc)/dec working capital	607.0	14.7	(75.9)	(143.9)
Other operating cash flow	2.1	2.1	2.1	2.1
Cash flow from operations	9,117.2	8,510.2	8,780.3	9,392.2
Capital expenditures	(732.2)	(725.8)	(747.1)	(792.3)
Acquisitions				
Divestitures				
Others	1,402.9	1,012.0	596.9	156.5
Cash flow from investments	670.7	286.2	(150.2)	(635.8)
Dividends paid (common & pref)	(7,020.0)	(7,046.0)	(7,032.0)	(7,275.1)
Inc/(dec) in debt				
Common stock issuance (repurchase)				
Other financing cash flows				
Cash flow from financing	(7,020.0)	(7,046.0)	(7,032.0)	(7,275.1)
Total cash flow	2,767.9	1,750.4	1,598.1	1,481.3

Valuation	12/24E	12/25E	12/26E	12/27E
P/E (analyst) (X)	15.5	15.6	14.9	13.7
P/B (X)	2.3	2.3	2.2	2.2
EV/EBITDA (X)	9.2	9.1	8.6	
EV/GCI (X)	1.5	1.4	1.4	
Dividend yield (%)	6%	6%	6%	7%

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Angel Yeast (600298.SS): Easier input cost and healthier investment cycle for margin expansion; Upgrade to Buy from Sell

600298.SS	12m Price Target: Rmb39.9	Price: Rmb33.08	Upside: 20.6%

Buy	GS Forecast				
		12/23	12/24E	12/25E	12/26E
Market cap: Rmb28.7bn / $3.9bn	**Revenue (Rmb mn) New**	**13,581.1**	**15,194.1**	**16,694.4**	**18,291.3**
Enterprise value: Rmb32.5bn / $4.4bn	Revenue (Rmb mn) Old	13,581.1	15,623.6	17,185.9	18,706.1
3m ADTV :Rmb291.3mn/ $40.4mn	EBITDA (Rmb mn)	2,078.5	2,317.7	2,674.9	3,033.4
China	**EPS (Rmb) New**	**1.46**	**1.59**	**1.86**	**2.16**
China Consumer Staples	EPS (Rmb) Old	1.46	1.59	1.80	2.01
	P/E (X)	25.6	20.8	17.8	15.3
M&A Rank: 3	P/B (X)	3.1	2.4	2.2	2.0
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	1.3	1.2	1.4	1.6
	CROCI (%)	14.3	11.5	11.9	12.5
		9/24	12/24E	3/25E	6/25E
	EPS (Rmb)	0.32	0.50	0.46	0.45

Source: Company data, Goldman Sachs Global Investment Research

Upgrade Angel Yeast to Buy from Sell on lower input costs and stronger-than-expected pricing power; TP Rmb39.9, +31% revision, 21% upside: What's different now? Into 2025, the molasses cost has dropped further by c.10% MoM (early Jan vs. early Dec) and we now expect the company's pricing power in 2025 to be stronger than our previous expectations, **which has yet to be factored in by the market:** Our 2024-26E NP estimates are 1%~3% higher than Wind consensus given: 1) in terms of supply/demand of yeast, the company will have lower pressure to digest excess capacity in 2025 vs. in 2024, with no new capacity expansion for the yeast business domestically planned in 2025E vs 10-12% in 2024; and 2) peers' reduced intention to cut prices further based on our channel checks, given margin pressure from the last round of pricing cuts and higher unit costs than Angel Yeast's, per GSe (see Exhibit 62).

We now expect the company to deliver 10% topline/17% NP yoy growth in 2025E (vs. 10%/13% prior) thanks to strong overseas and stabilized domestic demand, margin benefits from an easier molasses cycle and pricing pressure and operating benefits. As a result of our earnings forecast changes and the roll-forward of our valuation base year, we revise our TP to Rmb39.9 (Rmb30.50 prior) based on 20x 2026E P/E (from 18x P/E 2025E prior), based on past avg 3-year P/E and discounted back 1 year at 8.1% COE.

Since we added Angel Yeast to our Sell list on 22 April 2024, the stock has risen 16% vs. the CSI 300 up 8%. We attribute the outperformance to its strong overseas segment growth and larger-than-expected cost benefits, as well as limited impact from its pricing cut in Apr 2024. For 2024, we also saw **1)** better-than-expected volume share gain from the domestic bakery market at c.HSD-10% yoy in 9M24 amid soft market demand (vs Ligao's flattish growth for major SKUs in the bakery channel in 2024 and other bakery peers' 1-8% yoy in 9M24); **2)** lower-than-expected price cuts and a smaller-than-expected range of products that were affected, and **3)** strong overseas sales at c.20%+.

Earnings revision: We revise down 2024-26E topline growth by 2%~3% on continued streamlining of its non-core business, raising GPM by 0.7ppt to 1.3ppt on an easier raw material cost (molasses) trend. All in, our NP estimates for 2024-2026E are up 0%~8% vs. prior estimates and NPM 0.3ppt~0.9ppt higher than prior estimates, mainly on higher GPM.

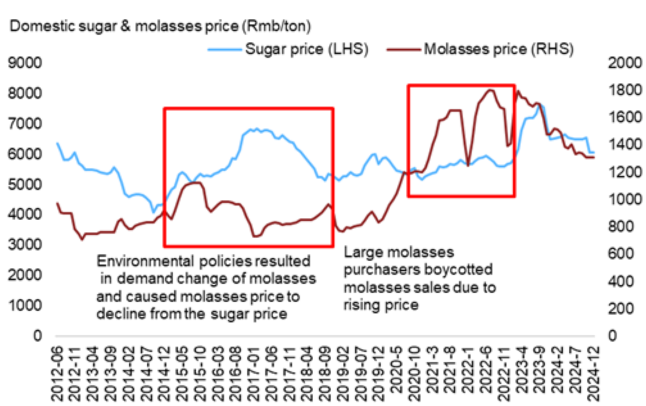
Key risks:

1) Faster-than-expected capacity expansion pace leading to oversupply pressure on pricing/sales: While the company has guided for no yeast capacity expansion in China in 2025, a faster-than-expected capacity expansion pace could lead to more yeast supply and put more pressure on prices/sales. However, we believe that this is unlikely as it usually takes at least 1~2 years for new capacity projects to be constructed before commencing production.

2) Cost headwinds leading to margin contraction: Larger-than-expected spikes in molasses prices could also cause us to revisit our thesis, although we believe that the molasses supply/demand dynamic is favourable and prices have already been trending downwards since late 2023 and now the company estimates a c.10% decline in molasses procurement prices for 2025.

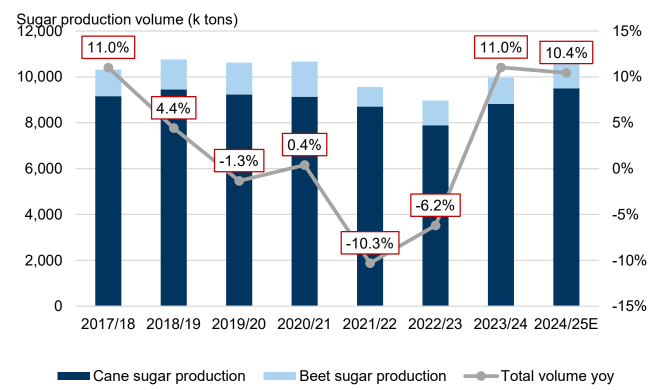
3) Worse-than-expected baking yeast demand in the domestic market. In 2024, domestic baking yeast demand showed signs of stabilization with recovery of in-home consumption to some extent. If in-home consumption deteriorates in 2025, it could contribute to a more prolonged and slower demand recovery and would result in downside to our forecast.

Exhibit 58: Molasses price trend largely in line with Sugar price trend



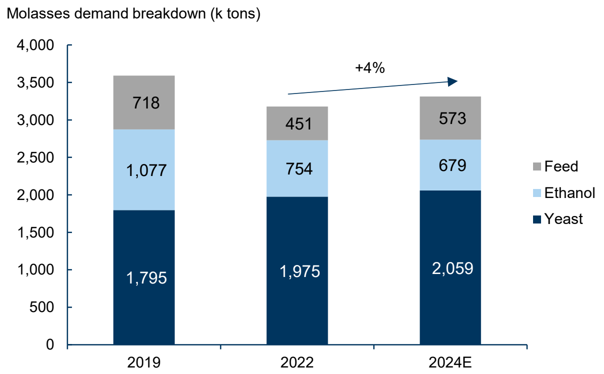
Source: Wind, Ethanol Industry News Account

Exhibit 59: Sugar production volume up 10%+ yoy in 2023~25E



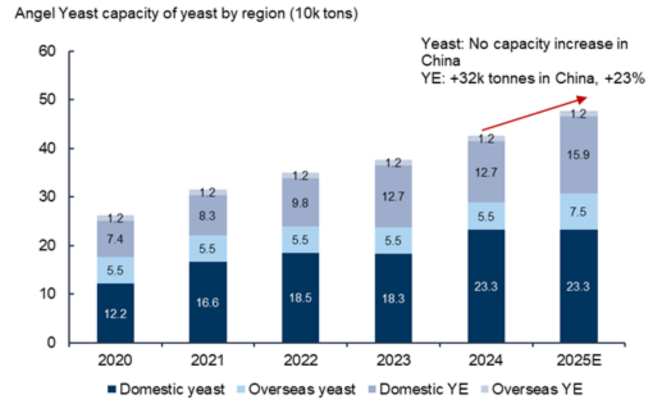
Source: China Ministry of Agriculture and Rural Affairs

Exhibit 60: Molasses demand breakdown, total demand only +4% per GSe in 22-24E



Source: Wind, Goldman Sachs Global Investment Research

Exhibit 61: No domestic yeast capacity expansion in 2025; Yeast Extract capacity expansion outpacing yeast for domestic and overseas combined



Assume capacity ramp-up first year 60% for Russia project.

Source: Company announcements, Goldman Sachs Global Investment Research

Exhibit 62: Angel Yeast large pack yeast product GPM higher than peers due to lower raw material costs; thin margins suggest low chance of peers initiating further pricing cuts

Angel Yeast - large pack yeast	2023	2024E	2025E
Molasses price (Rmb/ton)	1,465	1,318	1,186
Yoy		*-10.0%*	*-10.0%*
ASP (Rmb/ton)	22,000	20,900	19,855
Yoy		*-5.0%*	*-5.0%*
Unit COGS (Rmb/ton)	18,915	18,154	17,468
Raw material	11,584	10,823	10,137
Labor cost	849	849	849
Fuel cost	3,089	3,089	3,089
Manufacturing cost	3,393	3,393	3,393
GP (Rmb/ton)	3,085	2,746	2,387
GPM	*14.0%*	*13.1%*	*12.0%*
Peers products	**2023**	**2024E**	**2025E**
ASP (Rmb/ton)	22,000	20,900	19,855
Yoy		*-5.0%*	*-5.0%*
Unit COGS (Rmb/ton)	20,415	19,654	18,968
Raw material	13,084	12,323	11,637
Labor cost	849	849	849
Fuel cost	3,089	3,089	3,089
Manufacturing cost	3,393	3,393	3,393
GP (Rmb/ton)	1,585	1,246	887
GPM	*7.2%*	*6.0%*	*4.5%*

1) The above table is for illustrative purposes and does not correspond to any independent segment disclosed by the company. 2) Large pack yeast price has been cut by 5% per Angel Yeast in 2024 and the product is under the yeast & YE segment. 3) Higher raw material costs for peer products reflects higher costs incurred from further travel distance from production base to raw material origins.

Source: Goldman Sachs Global Investment Research

Profit model (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Total revenue	15,194.1	16,694.4	18,291.3	20,138.4
Cost of goods sold	(11,564.8)	(12,592.4)	(13,685.1)	(15,127.3)
SG&A	(2,025.7)	(2,198.1)	(2,389.9)	(2,590.8)
R&D				
Other operating profit/(expense)	(75.7)	(76.7)	(77.7)	(85.5)
EBITDA	2,317.7	2,674.9	3,033.4	3,258.8
Depreciation & amortization	(789.9)	(847.7)	(894.8)	(924.1)
EBIT	1,527.8	1,827.2	2,138.5	2,334.7
Interest income	17.9	16.5	23.2	37.8
Interest expense	(97.5)	(96.5)	(96.5)	(96.5)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	
Others	220.6	198.2	198.2	198.2
Pretax profits	1,668.8	1,945.4	2,263.5	2,474.3
Income tax	(242.0)	(282.1)	(339.5)	(371.1)
Minorities	(43.6)	(45.8)	(48.1)	(50.5)
Net income pre-preferred dividends	1,383.2	1,617.6	1,875.9	2,052.7
Preferred dividends				
Net income (pre-exceptionals)	1,383.2	1,617.6	1,875.9	2,052.7
Post-tax exceptionals				
Net income	1,383.2	1,617.6	1,875.9	2,052.7
EPS (basic, pre-except) (Rmb)	1.6	1.9	2.2	2.4
EPS (basic, post-except) (Rmb)	1.6	1.9	2.2	2.4
EPS (diluted, post-except) (Rmb)	1.6	1.9	2.2	2.4
DPS (Rmb)	0.4	0.5	0.5	0.6
Dividend payout ratio (%)	25%	25%	25%	25%
Free cash flow yield (%)	1%	3%	5%	5%

Balance sheet (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Cash & equivalents	1,101.8	1,547.6	2,520.2	3,502.0
Accounts receivable	2,289.5	2,515.6	2,756.2	3,089.7
Inventory	4,256.7	4,600.4	4,962.2	5,443.7
Other current assets	1,258.1	1,278.1	1,298.1	1,318.1
Total current assets	8,906.1	9,941.8	11,536.7	13,353.5
Net PP&E	10,116.1	10,598.5	10,733.9	10,840.2
Net intangibles	670.1	640.8	611.5	582.2
Total investments	26.2	26.2	26.2	26.2
Other long-term assets	1,009.8	1,059.8	1,109.9	1,160.0
Total assets	20,728.3	22,267.1	24,018.2	25,962.1
Accounts payable	2,879.1	3,100.4	3,331.9	3,641.6
Short-term debt	2,904.2	2,904.2	2,904.2	2,904.2
Other current liabilities	658.7	717.3	781.9	826.1
Total current liabilities	6,442.0	6,721.9	7,018.1	7,372.0
Long-term debt	1,920.2	1,920.2	1,920.2	1,920.2
Other long-term liabilities	416.5	416.5	416.5	416.5
Total long-term liabilities	2,336.7	2,336.7	2,336.7	2,336.7
Total liabilities	8,778.8	9,058.7	9,354.8	9,708.7
Preferred shares				
Total common equity	11,383.5	12,596.6	14,003.6	15,543.0
Minority interest	566.0	611.8	659.9	710.4
Total liabilities & equity	20,728.3	22,267.1	24,018.2	25,962.1
BVPS (Rmb)	13.8	15.2	16.9	18.7

Growth & margins (%)	12/24E	12/25E	12/26E	12/27E
Sales growth	12%	10%	10%	10%
EBITDA growth	12%	15%	13%	7%
EBIT growth	14%	20%	17%	9%
Net income growth	9%	17%	16%	9%
EPS growth	9%	17%	16%	9%
Gross margin	24%	25%	25%	25%
EBITDA margin	15%	16%	17%	16%
EBIT margin	10%	11%	12%	12%

Ratios	12/24E	12/25E	12/26E	12/27E
CROCI (%)	12%	12%	12%	13%
ROE (%)	13%	13%	14%	14%
ROA (%)	7%	8%	8%	8%
ROACE (%)	10%	11%	12%	12%
Inventory days	127.4	128.4	127.5	125.5
Receivables days	51.0	52.5	52.6	53.0
Payable days	86.3	86.7	85.8	84.1
Net debt/equity (%)	31%	25%	16%	8%
Interest cover - EBIT (X)	19.2	22.9	29.2	39.8

Cash flow statement (Rmb mn)	12/24E	12/25E	12/26E	12/27E
Net income pre-preferred dividends	1,383.2	1,617.6	1,875.9	2,052.7
D&A add-back	789.9	847.7	894.8	924.1
Minorities interests add-back	43.6	45.8	48.1	50.5
Net (inc)/dec working capital	(480.2)	(348.5)	(370.8)	(505.3)
Other operating cash flow	(70.0)	(70.0)	(70.0)	(70.0)
Cash flow from operations	1,666.5	2,092.6	2,378.0	2,451.9
Capital expenditures	(1,500.9)	(1,300.9)	(1,001.0)	(1,001.1)
Acquisitions				
Divestitures				
Others				
Cash flow from investments	(1,500.9)	(1,300.9)	(1,001.0)	(1,001.1)
Dividends paid (common & pref)	(428.9)	(345.8)	(404.4)	(469.0)
Inc/(dec) in debt	(100.0)	0.0	0.0	
Common stock issuance (repurchase)				
Other financing cash flows				
Cash flow from financing	(256.7)	(345.8)	(404.4)	(469.0)
Total cash flow	(91.1)	445.9	972.6	981.8

Valuation	12/24E	12/25E	12/26E	12/27E
P/E (analyst) (X)	21.2	18.1	15.6	14.3
P/B (X)	2.5	2.2	2.0	1.8
EV/EBITDA (X)	14.3	12.2	10.4	9.4
EV/GCI (X)	1.6	1.5	1.4	1.2
Dividend yield (%)	1%	1%	2%	2%

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Appendix - Price Target Risks and Methodology

Exhibit 63: Valuation Methodology and Key Risks- 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 12.4% 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 11.6% 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 9.6% 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

Source: Goldman Sachs Global Investment Research

Exhibit 64: Valuation Methodology and Key Risks- 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 an 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	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	Faster/slower demand growth, more/less intense competition, higher/lower-than-expected selling expense, raw material risk.

Source: Goldman Sachs Global Investment Research

Exhibit 65: Valuation Methodology and Key Risks- F&B and Dairy

F&B			
Ticker	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 risks: 1) Higher-than-expected raw material cost pressures; 2) more intense competition in instant noodles/beverage; 3) food quality issue.
Dairy			
Ticker	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 an 8x 2026E P/E (60% 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) Higher-/lower-than-expected new birth rates; 2) less/more intense competition; 3) faster/slower premium segment growth; 4) industry-wide food safety issues; 5) incremental policy support.

Source: Goldman Sachs Global Investment Research

Exhibit 66: Valuation Methodology and Key Risks- Condiments

Ticker	Company	Valuation Methodology	Key Risks
603288.SS	Foshan Haitian Flavouring & Food	31x P/E applied to 2026E EPS and discounted back to 2025YE using 9.1% COE, benchmarked to the global soy sauce leader Kikkoman at last yr avg	Downside risks: 1) Intensifying competition in soy sauce market; 2) Industry-wide destocking; 3) Continued disruption on catering channels. Upside risks: 1) Faster than expected successful business reform to drive sales growth; 2) Stronger-than-expected 2B growth; 3) Cost deflation benefits.
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 improvment 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; and 2) a further slowdown in related party sales.
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. Downside risk: 1) Cost pressure weighs on margins.

Source: Goldman Sachs Global Investment Research

Exhibit 67: Valuation Methodology and Key Risks - Prepared food, Snacks, Pet

Ticker	Company	Valuation Methodology	Risks
Prepared food			
603345.SS	Anjoy Foods	Our Price Target is based on 16x P/E applied to 2026E EPS discounted back 1 year at COE 9.8%.	Key downside risks: 1) Lower-than-expected frozen meal business growth; 2) Rising raw material costs; and 3) Food safety.
300973.SZ	Ligao Foods	Our Price Target is based on 16x P/E applied to 2026E EPS discounted back 1 year at COE 8.4%.	Key downside risks: 1) Weaker-than-expected fresh bakery recovery; 2) Weaker-than-expected KA 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 15.1x P/E applied to 2026E EPS discounted back 1 year 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 applied to 2026E EPS discounted back 1 year at COE 7.3%.	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 applied to 2026E EPS discounted back 1 year at COE 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 applied to our□2026E EPS, discounted back 1 year 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			
002847.SZ	Yankershop	Our 12-m TP is based on a 22x P/E and 2026E EPS discounted back 1 year to 2025 end 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 on our 2026E EPS discounted back 1 year to 2025 end at a COE of 7.1%.	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 24x 2026E P/E discounted back to 2025E at 7.6% COE.	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.
Pet food			
002891.SZ	China Pet	Our 12m SOTP-based target price is based on 18X FY25E P/E for the overseas business and 26X FY27E P/E for the domestic business discounted back 2 years 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 end-2025 at a 7.0% COE, and 2) the overseas business at 18X P/E on 2025E earnings.	Downside risks: Food safety issues; stock overhang from pre-IPO investors' exit; overseas: fluctuation of exchange rates, freight and input prices, potential tariff on export.

Source: Goldman Sachs Global Investment Research

Investment Thesis - Tingyi

Tingyi is a leading instant noodle and beverages player with dominant positioning in China in terms of market share (No.1 in Instant Noodles, No.3 in Beverages in 2023) as per Euromonitor. We are Buy-rated on Tingyi as we expect higher earnings visibility driven by margin expansion in 2024-26E driven by effective price hikes, improved competitive landscape, and robust cost control/efficiency enhancement initiatives, based on attractive shareholder's return commitment (100% payout ratio in the next three years) and fair valuation.

Price Target Risks and Methodology - Tingyi

Valuation methodology: We are Buy rated on Tingyi. Our 12-month TP of HK$13.0 is based on a 15X 2026E P/E discounted back to 2025 year-end using 7.7% COE.

Key risks: 1) Higher-than-expected raw material cost pressures; 2) More intense competition in noodles/beverages; 3) Weaker premiumization trends in instant noodle/beverage

Investment Thesis - Angel Yeast

Angel Yeast is the No. 1 player in China's yeast industry, with a c.60% market share as of 2023, and the 2nd largest player in the global yeast industry. Although the company's core business, baking yeast, has entered a mature growth stage in China (SD% volume CAGR), we see growth drivers including: 1) overseas expansion, 2) yeast extract (YE) for condiments and food; and 3) other yeast derived products. Our positive view on revenue growth is built on Angel Yeast's strong competitive moat, including: 1) first-mover advantage and the high entry barriers of the industry; 2) pricing power over downstream; and 3) consistent investment into R&D. We are Buy-rated on the name. For 2025, we believe that costs will remain favourable for Angel Yeast and the company will have lower pressure to digest excess capacity or cut prices.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.

Price Target Risks and Methodology - Angel Yeast

We are Buy-rated on Angel Yeast with a 12m TP of Rmb39.9. Our 12-month target price is based on a 20X P/E applied to our 2026E EPS, discounted back 1 year 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.

Investment Thesis - Jiangsu Yanghe

Yanghe owns two core spirits brands, Yanghe and Shuanggou, that are listed among the top eight notable spirits brands in China ("The Legendary Eight Well-Known Spirits Brands"). Over the long term, we still look for continued mix upgrade of Dream Blue and rising sales contribution of M6 & M9 to be the main topline drivers for the company. However, in the near-term following a -45% revenue decline yoy in 3Q24 due to channel/shipment adjustments, we perceive a relatively low visibility for operational recovery as the demand and macro situation remains muted pending further policy stimulus if any. On the competitive landscape, we expect Yanghe is facing continued head-to-head, intensifying competition with King's Luck in Jiangsu, while regions outside Jiangsu (c.55-60% of total sales) may offer relatively positive support but leverage a less premium mix. We are Sell rated as we see it would still take time for Yanghe to re-enhance distributors' confidence and re-gain growth momentum and shares in Jiangsu, with a less attractive valuation vs. its direct competitor King's Luck.

Price Target Risks and Methodology - Jiangsu Yanghe

Valuation methodology: We are Sell rated on Yanghe with a 12-m TP of Rmb60, derived by applying a 12.4X 2026E P/E based on the company's 2013-2015 downcycle average P/E, and discounted back to end-2025E.

Key upside risks: 1) Stronger-than-expected policy stimulus execution; 2) Better-than expected competitive landscape in Jiangsu province; 3) Stronger-than-expected performance outside Jiangsu province.

King's Luck is the second-largest spirits player in Jiangsu province with a province market share of approximately 16%, second to Yanghe's approximate 24% share (in terms of 2023 sales), and it has surpassed Yanghe on market share in the upper-mid-end segment (up 3ppt to 8% in the last five years, vs Yanghe's slight decline to 5% by 2024E). We expect the company's near-term growth to continue to be driven by consumption upgrade in the Jiangsu market and market share gains by its mass premium and super premium 4K and V3 brands, and we believe the market expansion outside of Jiangsu could be an upside in the longer term. We look for continued momentum of market share gains, while our valuation target suggests a relatively fair valuation reflecting the estimated growth pathways. Thus we are Neutral rated.

Price Target Risks and Methodology - Jiangsu King's Luck Brewery

Valuation: We are Neutral rated on King's Luck with a 12-m TP of Rmb44.5, based on 14x 2025E P/E, a 15% premium to Yanghe's target multiple referring to the 2019-2020 historical average premium, when King's Luck gained share vs. Yanghe as the latter saw sales declines.

Upside risks: 1) Better-than-expected competitive landscape in Jiangsu province; 2) Stronger-than-expected execution for national expansion; 3) Better-than-expected product upgrade.

Downside risks: 1) More intensified competition/ worsened demand in Jiangsu; 2) Weaker distributors' confidence and channel inventory situation.

Disclosure Appendix

Reg AC

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