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China Consumer

Pulse check: 1Q25 wrap-up: Consistent trends vs. 4Q earnings season; volatility remains in recovery path

Our takeaways from companies' 1Q25 results are largely consistent with 4Q24: 1) **consumption has bottomed out (1Q25 NBS retail sales growth improved to +4.6% yoy and our coverage companies reported 14% average growth in 1Q25 vs. 12%/8% in 4Q24/3Q24; Labor Day consumption growth accelerated) but we are yet to see meaningful demand rebound** and companies remain prudent on the outlook; 2) **volatility remains in the recovery path, and several companies/categories noted softness in Mar-Apr** with weather as a headwind, and the impact on consumer confidence from US-China tariff development also needs to be watched; 3) **margin remains a mixed bag in 1Q25**, with positive surprises coming from favorable raw material price and cost control, while downside risks could come from upfront marketing investment and market share competition; 4) **companies generally maintained a disciplined pricing strategy** and healthier inventory/supply-demand relationship, but recently delivery platforms stepped up subsidies. Categories with demand or inventory pressure (e.g. spirits, sportswear) still face some challenges. 5) **companies with idiosyncratic growth opportunities (e.g. "new consumption" names) continue to deliver strong performance, or even acceleration, but also note that investors' expectations have been moving up**.

The tariff impact on companies' earnings and consumer sentiment have been on top of investors' minds. On the earnings side, while 1Q25 US sales growth has been on track and some companies benefited from front-loading shipment (e.g. appliance, which is consistent with 1Q export data), we find companies are relatively cautious on the outlook into 2H25 amid tariff uncertainties, though the ones that can enjoy white space/market share gain opportunities may prove more resilient. On the consumer side, our tracker suggests limited direct correlation between Chinese consumer sentiment towards US brands and the US's tariff policy; but the impact on consumer confidence from economic growth headwinds still needs to be watched.

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With China and US announcing substantially lower additional tariffs (additional 30% on China imports from 145% prior) on May 12, which beat macro team's expectation, we expect the concerns on US demand outlook and domestic consumer sentiment to be alleviated to some extent.

Our sector preference is unchanged. Within our consumer coverage, our **most preferred sub-sectors are** sports brands, diversified retailer, dairy, beverage and restaurants. Our **least preferred sectors** remain apparel/footwear OEM, furniture, projectors, discretionary small kitchen appliances, jewelry and non-super-premium spirits. At the stock level, we still prefer the idiosyncratic opportunities for sectors/companies that can take advantage of the white space (e.g. market share gain, penetration, product upcycle)

Stock preference (Buy names): Anta (on CL), Midea, Eastroc, MIXUE, YUMC, Laopu, Mengniu, Giant Biogene, Guming, China Resources Beverage, China Pet Foods, Yankershop

Relevant reports:

China Consumer Staples: Three key debates post results; Margin focus and product cycles amid lingering demand/deflation headwinds

China Consumer Durables: 2024/1Q25 Wrap: Prefer companies with domestic market visibility and overseas resilience; Buy Midea

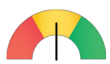
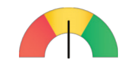
China Cosmetics: 2024/1Q25 wrap: Stabilizing demand and competition; YTD rerating priced in mid-cycle; Buy Giant, Jahwa

China Consumer Staples: Pet food: 1Q wrap: Scarce capacity for wallet share gain; upbeat domestic; d/g Gambol to Neutral on valuation

China Consumer Connections: Pulse Check: Labor Day holiday consumption wrap-up: better-than-expected and accelerated retail sales growth

China Consumer: Pulse check: Tracking Chinese consumer sentiment on US brands

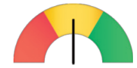
Exhibit 1: Summary of category momentum (Consumer discretionary and durables)

	Sports brands	OEM	Diversified retailers	Catering	Cosmetics	Jewelry	Traditional Appliances	Emerging Appliances	Furniture
2025 revenue yoy	10%	9%	70%	13%	23%	1%	9%	25%	5%
2025 NP yoy	10%	4%	82%	14%	35%	13%	10%	26%	33%
YTD sector share price chg. (as of May 8)	14%	-19%	76%	71%	42%	36%	-2%	0%	-5%
1Q25 results snapshot									
Overall beat/miss/in line									
Revenue growth (yoy)	7%	10%	123%	1%	18%	-20%	16%	42%	0%
OPM trend (yoy)	↓	↓	↓	↑	↓	↑	↓	↓	↓
1Q25 vs. Market expectation:									
Sales	↑	→	↑	→	↓	↓	↑	↑	→
Margin	→	↓	→	↑	↓	↑	↑	→	→
ASP / promotion / discount	Most players saw yoy deeper/stable discount except Li Ning; Li Ning delivered yoy discount improvement though trended in Q1 though trended weaker in Mar-May	Mild ASP growth driven by product mix	Pricing remains solid supported by IP popularity. Price hike action/plan for US market	Brands continued to have disciplined promotion strategy. JD offered aggressive delivery subsidy	Relatively stable discount during Women's day vs. last year Double 11/Women's day	ASP increased due to gold price surge	Healthy ASP/promotion offline, but more intense competition online for lower-end products	Healthy ASP in RVC; ASP in projectors and small kitchen appliances remain under pressure but sequentially improved	Promotions sequentially improved, but value-for-money products remain more popular
Inventory	Inventory level in general are in a healthy shape (except Nike); Nike accelerated destocking efforts						Healthy channel inventory		
Monthly trend	2M25 demand strong, Mar trended weaker	1Q production schedule was unchanged on the eve of "reciprocal" tariff	Pop Mart growth accelerated in 1Q; Miniso China SSSG improved	Volatility remains with divergent brand performance	Accelerating Mar vs. Jan+Feb stimulated by Women's Day	Narrowing yoy SSS decline while net store closures accelerated	Generally resilient growth momentum YTD with AC momentum picking up since March	Continued robust growth for RVC YTD; boost to other small appliances remain limited though improved vs pre trade-in	Sequentially improved esp. in retail channel, though developer channel is still under pressure
Outlook									
Guidance	Unchanged, brands and retailers continued to call for prudent topline growth for 2025	Generally more cautious view on 25 order/margin outlook given tariff/demand uncertainty	Maintained. Pop Mart tracking ahead of full year target	Prudent expansion plan/outlook for restaurant players. But Guming targets store expansion re-acceleration	Maintained	Expect store closure to continue while gradually mitigated; improved confidence in witness of narrowing of SSS decline	Similar as last year; maintained post 1Q results		Generally cautious though improved from last year's trough level
Demand outlook	Companies' outlook comments reflect the concerns on demand uncertainty/sustainability as well as macro headwinds from trade tension	OEMs 1H orders are mostly confirmed, while there are still uncertainty in 2H/4Q. That said, larger-than-expected tariff rollbacks come as a positive surprise	Remain constructive on IP demand	Prudent outlook and subject to overall demand recovery	Overall still soft demand with initial signs of bottoming as 2025 YTD online GMV accelerated yet divergent trends with select local leaders outperforming	Expect some easing if gold price becomes more stable	Relatively healthy domestic growth supported by trade-in program yet with base pressure esp. in 4Q25; overseas share gain to drive growth yet with rising demand uncertainties on tariff disruption	Solid growth for structurally growing categories; recovery of most small appliances is limited and will largely dependent on macro conditions	Demand pressure sequentially eased since 4Q, but not yet encouraging
Margin outlook	Unchanged, brands continue to plan on investments to drive brand momentum, which may temper the potential margin recovery post Olympic year	Less operating leverage from weaker demand, reduced production efficiency due to new factories ramp-up / order allocation between different factories / shorter lead time bring headwinds to margin	Operating leverage/cost control; tariff impact on US business a swing factor	Raw material price remained favorable in the near term, cost control efforts	Margin pressure remained but likely will stabilize as brands become more disciplined on promotions and prioritize ROI and brands are putting increasing emphasis on Tmall	Margin expansion with the increase of revenue mix of fixed-price products, while partially offset by sales deleveraging and potentially less gold price uptrend support	Consistent guidance for mild margin expansion; still faster growth of premium products, easing commodity prices, and efficiency gains to drive margin expansion while rising competition on lower-end products and tariff costs emerge as a downside risk	Stable margins in small appliances; continued marketing/branding investment in RVC to pose downward pressure on margins	More emphasis on efficiencies to maintain healthy margins, though it might be still impacted by property related impairment losses
Catalysts	Nike's destocking progress update from distributors, 618 shopping festival, 2Q25 operational update in early July	Tariff policy update post the 90-day pause, key brand's results	IP/new product series launch. Miniso to launch S level IP from May	Policy support, summer holiday consumption	618 shopping festival	FY3/25 earnings in mid-Jun for HK jewelers	Trade-in/tariff policy development, weekly/monthly sales data, 618 pricing/demand	New product launches, trade-in/tariff policy development, 618 pricing/demand	Property market policy, housing data

Revenue/NP/OP yoy growth are based on market cap weighted average of GS covered companies.

Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Exhibit 2: Summary of category momentum (Consumer staples)

	Spirits	Beer	Condiments	Dairy	F&B	Snacks	Pet care	Prepared food
2025 revenue yoy	7%	2%	7%	3%	16%	11%	23%	8%
2025 NP yoy	17%	11%	10%	19%	19%	3%	23%	15%
YTD sector share price chg. (as of May 8)	1%	2%	-8%	1%	15%	11%	37%	-1%
1Q25 results snapshot								
Overall beat/miss/in line								
Revenue growth (yoy)	8%	-4%	5%	0%	15%	10%	29%	9%
OPM trend (yoy)	↑	↓	↓	↑	n.a.	↓	↑	↓
1Q25 vs. Market expectation:								
Sales	→	→	↓	→	↑	→	↑	↓
Margin	→	↑	↓	↑	↑	↓	↑	↓
ASP / promotion / discount	(-) Wholesale prices weakening during slack season; (+) shipment control across brands to support prices	(-) ASP still under pressure of weak on-trade channel (+) Efforts on in-home channel mix upgrades	Still fierce competition	ASP sequentially improved on more disciplined promotions, but still under pressure from demand side	Mixed bag with beverage launching large pack	(+) New products contribute to margin accretion (incl. new category products e.g. beverage) (-) promotions and value positioning	Healthy product upgrade trend; more innovations in products	Still fierce competition for traditional products in particular
Inventory	Higher than normal, esp for upper mid end	Maintained at disciplined level, healthier yoy		Healthy level	Normal level	Healthy turnover		
Monthly trend	Wholesale price weakening during slack season	Lower base in 2Q	Weak on-trade trend	Lower base in 2Q	Still strong	Recovery/reaccelerating on easier base and new product contribution	Industry GMV growth moderated on Pet Fair/618 shopping festivals; overseas ramping up	More encouraging for Ligao, low visibility for the rest
Outlook								
Guidance	Look for steady, disciplined sales growth in 2025	Look for sequential recovery in 2025	Look for sequential recovery in 2025 (especially in topline)	Look for disciplined growth in 2025	Maintained, look for healthy growth in 2025	Divergent outlook mainly by channel	Strong sales growth outlook for domestic	Potential topline recovery
Demand outlook	Cautious awaiting more concrete signals for potential improvement from stimulus	Look for continued solid in-home growth, while on-trade consumption still lags	Looking for opportunities from 2B channel; 2C still soft with some focus on healthy trend	Look for improvement in raw milk supply/demand balance in 2H25	Significant sequential recovery in water; bright spot remain in tea and energy drinks	Strong demand for new products	Overseas still growing; domestic demand for new/innovative products	2B fluid; 2C stabilizing; membership KA remains bright spot
Margin outlook	Generally stable for super premium players; intensified pressure on upper-mid-end products	cost tailwinds	cost tailwinds, competition a swing	cost tailwinds; operating efficiency measures	cost tailwinds, competition a swing	(-) Nuts pricing and cost pressure (+) New products/categories margin accretive	Domestic still improving; overseas with upside from UT rate increase	Look for stabilizing margins
Catalysts	Pickup in banquet demand during Dragon Boat Festival; Shipment control stabilizing wholesale prices	Consumption stimulus; recovery in catering/nightlife channels; front-loaded shipment for LNY; new product launches	Core regions sell-in data improvements	Supply side improvement; potential policy stimulus	Easing price war in beverage; new product launches; refrigerator investments	Shopping festivals; new product launches; distributor conferences	618, new product/brand development	Production ramping up in new factories; new clients development

Revenue/NP/OP yoy growth are based on market cap weighted average of GS covered companies.

Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Key findings from the 1Q25 results

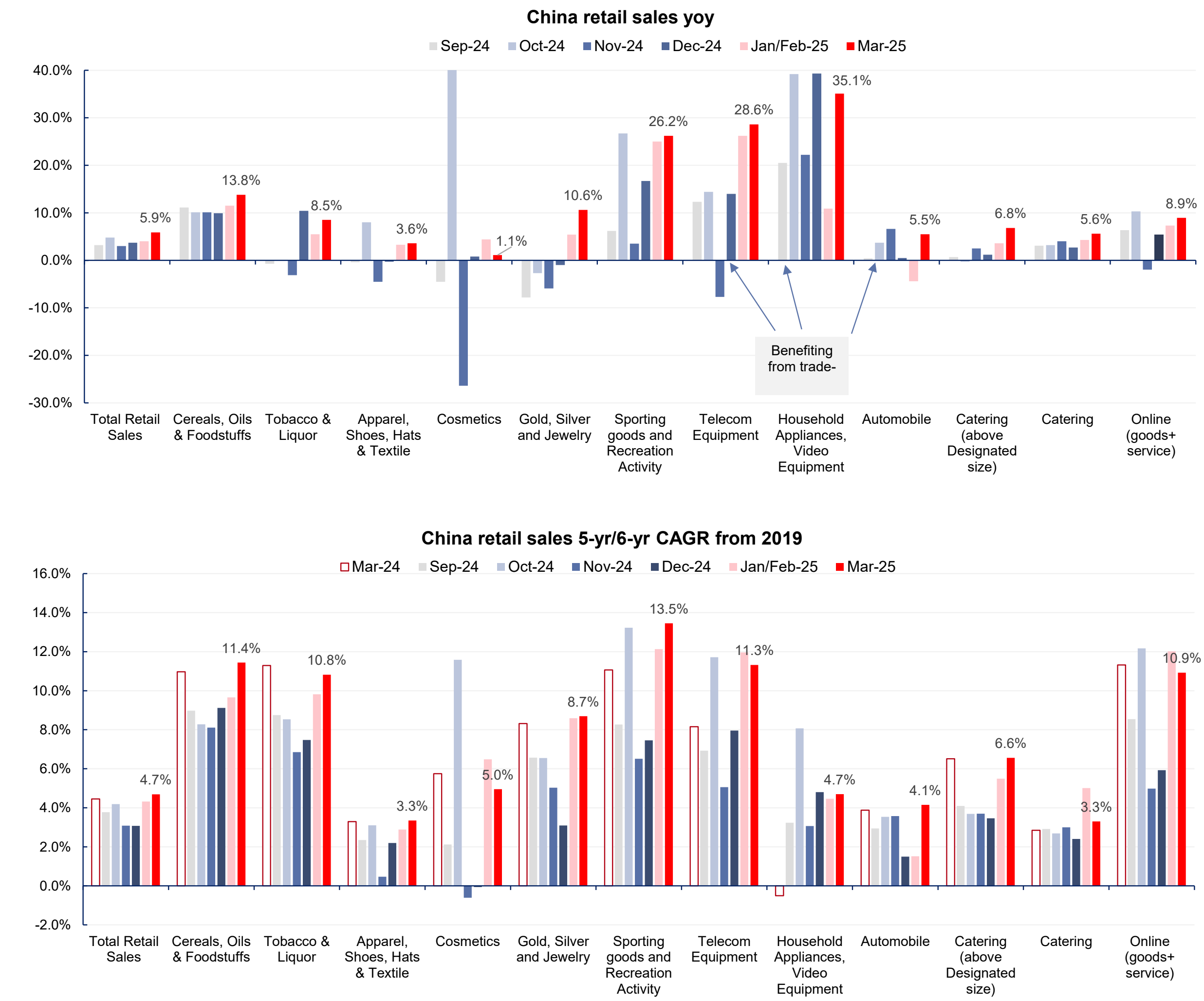
Domestic demand bottomed out yet volatility remained; margin still brought positive surprises for some, but need to watch competition trends

The NBS retail sales growth was at 4.6% in 1Q25, sequentially improved from 3.8% in 4Q24 and echoing our view of consumption bottoming out. At company level, the healthy CNY performance contributed to the better yoy growth — average sales growth for the companies we cover was at 14% in 1Q25 compared to 12%/8% in 4Q24/3Q24.

That being said, management's comments on outlook during the result briefings remain prudent, and we continue to see demand volatility. While the post CNY holiday pullback has been better than feared and Labor Day holiday spending was solid, into Mar-Apr, some brands noted growth deceleration with unfavorable weather condition, and the consumer sentiment/employment amid the tariff uncertainties also needs to be watched. In **restaurants**, Haidilao's table turn yoy decline expanded in Mar and Apr; in **sportswear**, recent sales trends are on track with guidance though Mar-April were weaker vs 2M25; in **staples**, spirits/beer/condiment/dairy demand remained relatively soft. **However, categories/brands with idiosyncratic growth opportunity continued to see strong growth or even acceleration**, e.g. pet foods saw robust domestic growth with penetration opportunities and star products/category expansion; Guming delivered HSD% SSSG in 1Q with acceleration in Mar-Apr from an easier base; Pop Mart had 95%-100% yoy growth in ML China which accelerated from 2H24. In durables, 2M25 growth saw volatility due to trade-in policy transition, but in Mar-Apr growth picked up with policy in place.

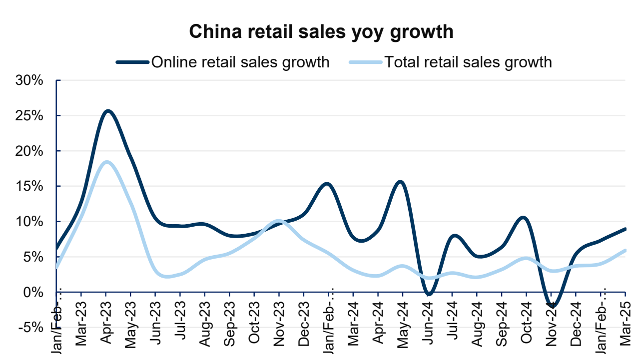
Margin was a mix bag. On the one hand, we continue to see positive surprises on margin across categories (e.g. Yili/Ligao in staples, YUMC in restaurants, Shanghai Jahwa/Proya in cosmetics, Midea in durables), with raw material prices remaining favorable and more disciplined OPEX spending/efficiency gains. That being said, companies with upfront investment and/or more marketing efforts or lower ROI are still facing margin headwinds. Meanwhile, **for categories that have growth opportunities (e.g. beverage, RVC), we note competition for market share may intensify**. For companies that already enjoy margin improvement from favorable raw material prices and efficiency gains, there could be downside risk to margins if they allocate excess profits back to marketing and stepped up competitive measures.

Exhibit 3: Retail sales growth in Jan-Feb sequentially improved from 4Q, and Mar saw a significant improvement in automobile and home appliance sales thanks to the ongoing consumer goods trade-in program.



Source: NBS

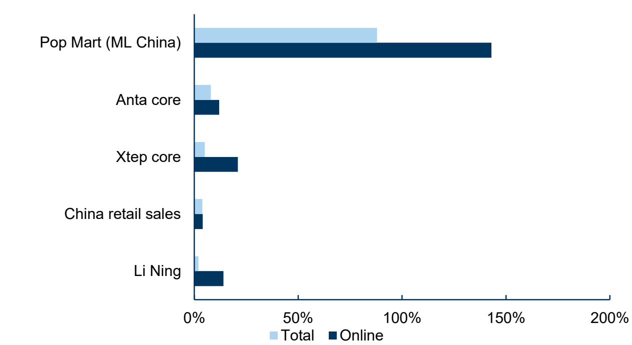
Exhibit 4: Online retail sales have been outpacing total retail sales in recent months



Source: NBS

Exhibit 5: At the company level, we also see online generally outperforming vs. offline in 1Q25

Selective companies' online vs overall growth



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

Pricing: Disciplined pricing strategy from company side, but still subject to demand/inventory

While the continued value-for-money preference persists into 1Q25, we generally see the promotion level improving or stabilizing (i.e., no escalation in price competition), thanks to brands' more rational pricing strategy, efforts in product upgrade, healthier inventory level/supply-demand relationship etc. We see clear signs of disciplined promotions in the **restaurant** space, where we see Haidilao/Jiumaojiu continuing to execute a disciplined promotion strategy, Guming hiking the price on delivery platforms from 2H24 and net revenue/profit for stores improving YTD; that said, we note that subsidies from delivery platforms have stepped up recently. The **China beauty sector** saw competition becoming more rational as companies become more disciplined on promotions and prioritize ROI, while overall demand is still soft with initial signs of bottoming as 2025 YTD online GMV accelerated despite divergent trends with select local leaders outperforming. **In the F&B space,** producers released more value-for-money large-sized SKUs recently and no further price hike plan, but still emphasized continuous promotion reduction. In **dairy**, Yili sees stable retail pricing trends and healthy inventory level during CNY, and expects raw milk supply/demand to improve in 2H25.

On the flip side, 1) **Sportswear** space still experienced discount pressures in 1Q25 (as in 4Q24) considering Nike's accelerated destocking efforts and players' active measures to ensure inventory health, but we expect improving trends into 2H25. 2) **Beer** names reported flattish/slightly declined ASP in 1Q despite product mix improvement, likely impacted by unfavorable channel mix (rising in-home); 3) for **spirits companies**, there is heightened focus on wholesale price stability amid the prolonged industry downturn.

Exhibit 6: We see a stabilized pricing trend, and select categories have seen ASP improvement/price hike actions

Sector	Metrics	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25 to date	2Q25E momentum	2025E momentum
Sportswear	Discount yoy change (positive number -> discount improvement)	-2.2pp	0.6pp	0.4pp	0.4pp	0.9pp	1.5pp	-0.4pp	-1.5pp	-1.5pp	Discount trend were mixed; Nike's inventory clearance pressure should persist in 2Q25	↓	→
Restaurant	ASP yoy (market cap weighted average of YUMC, Haidilao, Jiumaojiu, Nayuki)	-1%	-4%	-7%	-10%	-6%	-6%	-2%	-2%	-3%	Relatively disciplined on promotion	→	↑
Cosmetics	Skincare+Color makeup ASP on Tmall+Taobao (upward/downward arrow measure QoQ momentum)	96	107	80	110	81	93	77	109	98	Relatively disciplined on promotion	↑	↓
Pet care	Pet food ASP yoy on Tmall+Taobao	2%	-6%	-7%	-15%	-20%	-19%	-15%	-6%	11%	Higher pricing for new products	↑	↑
Spirits	53% v/v Feitian Moutai wholesale price (original case)	2,953	2,930	2,977	2,948	2,950	2,708	2,496	2,286	2,236	Wholesale price weakened during slack season	↓	→
Beer	ASP yoy (market cap weighted average of CRB, BUD APAC, Tsingtao Brewery, Chongqing Brewery)	4%	6%	6%	6%	3%	-1%	-1%	-1%	0%	Focus on in-home channel mix upgrades	→	↑

Cosmetics ASP qoq upward trend expected to be driven by 618 promotion

Source: AVC, Moojing, Company data, Daily Spirits Price, Goldman Sachs Global Investment Research

Tariff uncertainties impact overseas outlook; the US-China trade deal has alleviated concerns to some extent

In 1Q25, overseas sales growth was generally solid, and front-loaded orders have also provided support to some companies. That said, looking ahead especially into 2H25, companies are more cautious on the order outlook ahead given the tariff uncertainties; and the front-loaded order delivery to 1Q would also imply growth moderation in upcoming quarters (e.g. white goods/furnitures). **Apparel/footwear OEM** companies are the most vulnerable sector among our coverage due to high-US exposure and discretionary nature. Apr orders were largely unaffected as 1H orders were placed and confirmed, and we see positive surprise from US-China trade deal. For **diversified retailers**, toys have a relatively high reliance on China's supply chain. Miniso largely suspended shipping from China to the US market in the past month to wait for more clarity on tariffs; the company increased local sourcing and plans to consider potential measures including price hikes if the high tariffs continue. **On the bright side, companies with white space penetration and market share gain opportunities** could be more resilient. **White goods** saw strong growth in Europe and emerging markets supported by share gain; our covered **pet food** companies' high quality client portfolios and the US's reliance on imports for pet treats, as well as their global supply chain to support US orders; for **IP products** with solid demand, brands enjoy strong pricing power.

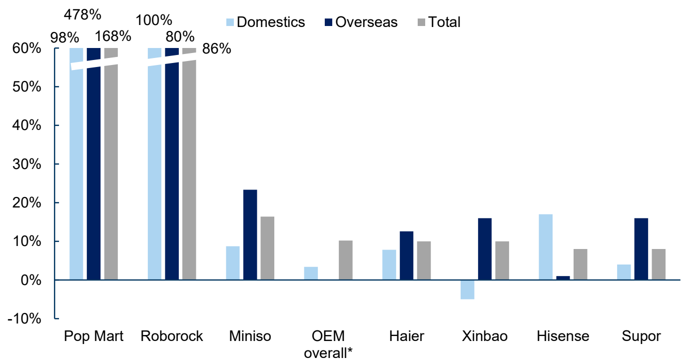
On May 12, China and US announced a substantial reduction in tariffs (US lowered additional tariffs on Chinese imports to 30% for 90 days from 145% prior), which we believe will help alleviate concerns on US demand outlook and domestic consumer sentiment to some extent, despite uncertainty still remaining. Following the larger-than-expected tariff cut, GS macro team revised up GDP forecast to 4.6% (from 4.0% prior) in China in 2025E; and in US, GDP growth forecast was revised up by 0.5pp to 1%, and 12-month recession odds were revised down to 35% (from 45% prior).

Exhibit 7: Apparel/footwear OEM, pet foods and home appliances have the highest exposure to the US market

Source: Company data

Exhibit 8: For appliances, domestic sales were benefited by trade-in; while for other companies, overseas growth generally outperformed vs. domestic growth

Selective companies' domestics/overseas vs overall growth (1Q25)



For OEM, domestic represents overall apparel retail sales in China; total represents mkt cap weighted sector growth avg

Source: Company data, Goldman Sachs Global Investment Research

Leading local brands generally outperform MNC, although we believe product cycles play a more critical role

In **sportswear**, while local brands marginally outperformed large MNCs on average, we continue to see product cycle as the key determinant for brands' divergent performance. In 1Q25, the outperformers were Anta brand (+HSD% yoy, thanks to augmented mass-market position) and adidas (reported sales +13% yoy, thanks to brand momentum picking up on easy base); the underperformers were Li Ning (+LSD) and Nike (decline), both of which were dragged by less trendy lifestyle and basketball categories. Similarly, in **cosmetics**, local share gain remains intact into 1Q25 but share gainers are shifting to emerging leaders on products/brand upcycles.

Exhibit 9: Local brands performed generally better vs. their 2019 levels than MNC brands; but individual brands' performance have diverged further

Local vs. MNC quarterly sales growth

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Sportswear																	
Growth - yoy																	
MNC	42%	-4%	-7%	-24%	-22%	-28%	-20%	-22%	-4%	21%	9%	23%	2%	2%	-2%	1%	-2%
Local	66%	49%	19%	20%	23%	-1%	14%	-10%	9%	15%	10%	25%	6%	5%	1%	8%	4%
Growth/CAGR since 2019																	
MNC	6%	5%	4%	1%	-2%	-5%	-3%	-5%	-2%	0%	0%	0%	-2%	0%	-1%	0%	-2%
Local	22%	25%	19%	21%	22%	18%	17%	13%	19%	17%	16%	15%	17%	15%	13%	14%	15%
Cosmetics																	
Growth - yoy																	
MNC	42%	24%	4%	1%	-11%	-31%	-17%	-17%	-11%	12%	-14%	-27%	-2%	-13%	-8%	1%	0%
Local	62%	45%	33%	41%	40%	23%	18%	16%	19%	28%	12%	13%	27%	16%	15%	5%	-9%
Growth/CAGR since 2019																	
MNC	20%	23%	14%	23%	11%	6%	5%	11%	7%	7%	1%	2%	5%	4%	-1%	2%	0%
Local	27%	33%	31%	38%	30%	31%	28%	32%	28%	30%	25%	28%	28%	28%	23%	24%	21%
Major White Goods																	
Growth - yoy																	
MNC	31%	9%	-13%	-7%	-18%	16%	3%	-18%	-8%	-12%	-14%	5%	-3%	10%	6%	6%	7%
Local	55%	21%	7%	19%	15%	5%	6%	-8%	6%	11%	9%	12%	8%	0%	-8%	8%	8%
Growth/CAGR since 2019																	
MNC	2%	-7%	-2%	-2%	-3%	-1%	-1%	-6%	-4%	-4%	-3%	-4%	-4%	-2%	-2%	-3%	-2%
Local	6%	12%	11%	15%	8%	10%	10%	9%	8%	10%	10%	9%	8%	9%	6%	9%	8%

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

What surprised us the most in 1Q25?

Positive surprises: 1) **"new consumption"** names continued to generate strong alpha, Pop Mart growth sequentially accelerated in both China and overseas; Guming had HSD% SSSG in 1Q followed by acceleration in Apr with easier base; 2) **Margin beat** from Yili, Shanghai Jahwa, Gree, Hisense (more disciplined expenses/efficiency gains), Proya (cost optimization), 3) In **Sportswear**, we see leading player Anta delivered solid growth in 1Q despite relatively high base, with positive surprises from Fila/smaller brands, 4) Midea beat on both revenue (both 2B and 2C) and margin (higher overseas/2B mix and efficiency gains), 5) **Pet foods** companies had a clean beat, thanks to the ramp up of overseas factories/robust domestic sales; 6) **Beverage names** like Eastroc posted a solid beat with favorable raw material price/operating leverage supporting better margin, while non-energy drinks accelerated.

Negative surprises: 1) **footwear/apparel OEMs** miss on margin (Yue Yuen on production efficiency/slower-than-expected new capacity ramp up and labor cost increase, Huali on new capacity ramp up); **2) Jewlery:** CTS/LFX miss on weaker sales mainly driven by weak store productivity and CTF and LF saw qoq improvement into 1Q25 (or 4QFY25) with narrowing of SSS decline, though partially offset by GPM expansion due to gold price hike and increasing mix of fixed-price product; while store closures remain aggressive across jewelry names 3) **Selected upper-mid-end spirits:** regional spirits e.g Yanghe/ Jiugui continued to deliver major misses amid deep channel adjustment amid market downturns; **4) Frozen foods:** weak demand and higher discount led to a below-expectation NP delivery across most frozen foods names in 1Q; **5) Snacks:** The intensified competition and higher raw material costs for Chacha led to NP misses; **6) Condiments:** similar to 4Q24, smaller players in soy sauce and compound condiments space are also facing competition from lower-end players while pressure on pricing/topline continues; **7) Highly property-correlated categories** (e.g. major kitchen appliances) remained under pressure.

What to expect into 2Q25 vs. earnings revision cycles

For most categories, while the growth has bottomed out from 4Q24, the **outlook remains prudent and we do not expect meaningful growth acceleration in 2Q25** considering the volatility in consumption recovery (some companies from restaurant, sportswear categories noted deceleration in Mar-Apr; spirits/beer/condiment/dairy demand remained relatively soft) and the US tariff-fueled pessimism in April, though solid Labor Day growth provides some support and the reduction of additional tariff announced on May 12 could improve sentiment to some extent. We expect growth to be more back-end loaded to 2H this year for most of the categories considering base and gradual policy support (exception include durables which was benefited by trade-in policy in 2H24).

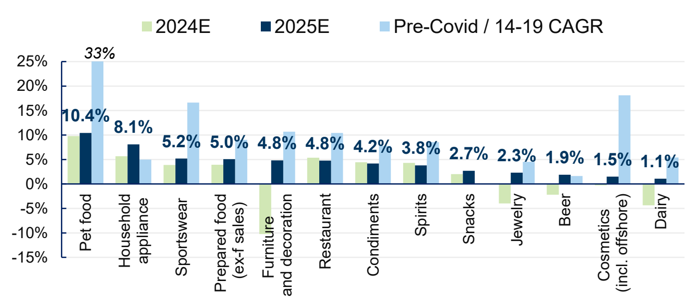
By category, within **staples,** challenges persist with remaining soft demand, except for pet foods which has idiosyncratic growth opportunities. For beer and dairy, we expect shipment to improve sequentially in 2Q25 for beer/dairy vs. 1Q with lapping effect, but a strong rebound is unlikely, while company guidance remains prudent.
Beverage/selective snacks still ride on positive product cycles to increase regional penetration / channel coverage in 1Q25, resulting in both sales growth and margin

improvement on operating leverage. Within **discretionary**, for restaurants, we expect overall demand to be sequentially stable, though companies with easier base (e.g. Guming, Jiumaojiu) or notable benefits from delivery subsidies (mainly FMD) should see growth acceleration in 2Q; for sportswear, similarly, we look for largely stable growth compared to 1Q. For diversified retailers, IP momentum/product launch continues to drive fast growth, and Miniso should have an easier base than 1Q. For cosmetics, 618 is the key to watch; our channel checks suggest a 10%-low teens% growth outlook for the shopping festival on Taobao&Tmall/Douyin/JD combined and we expect local leaders to continue to gain shares. For **appliances**, we expect domestic market growth momentum to pick up in 2Q-3Q supported by trade-in stimulus, 618 shopping festival and peak season on a low base; for overseas, while we expect growth moderation due to front-loaded demand in 1Q, the share gain story would still support growth.

On the upcoming **618 shopping festival** which starts from mid-May, we expect a mixed outcome for various sectors. 1) On cosmetics, Top tier KOL Austin Li's livestreaming is planned to start on May 13, earlier than May 19 last year, and our latest check shows heightened discounts at the platform level and relatively stable discounts at the brand level, although with more gifts vs. last year. Based on our conversation with companies during New Consumption Tour, companies are generally disciplined on discounts; but channel mix shift (i.e. Douyin has a higher expense ratio and is expected to grow faster) and investments in new products/brand marketing (e.g. Shanghai Jahwa) should impact expense ratio, offset by companies' efficiency gain; 2) on sportswear, we see some discount pressure for domestic players considering 618 will be important for Nike's inventory clearance, and we will watch for the length of the promotion period.

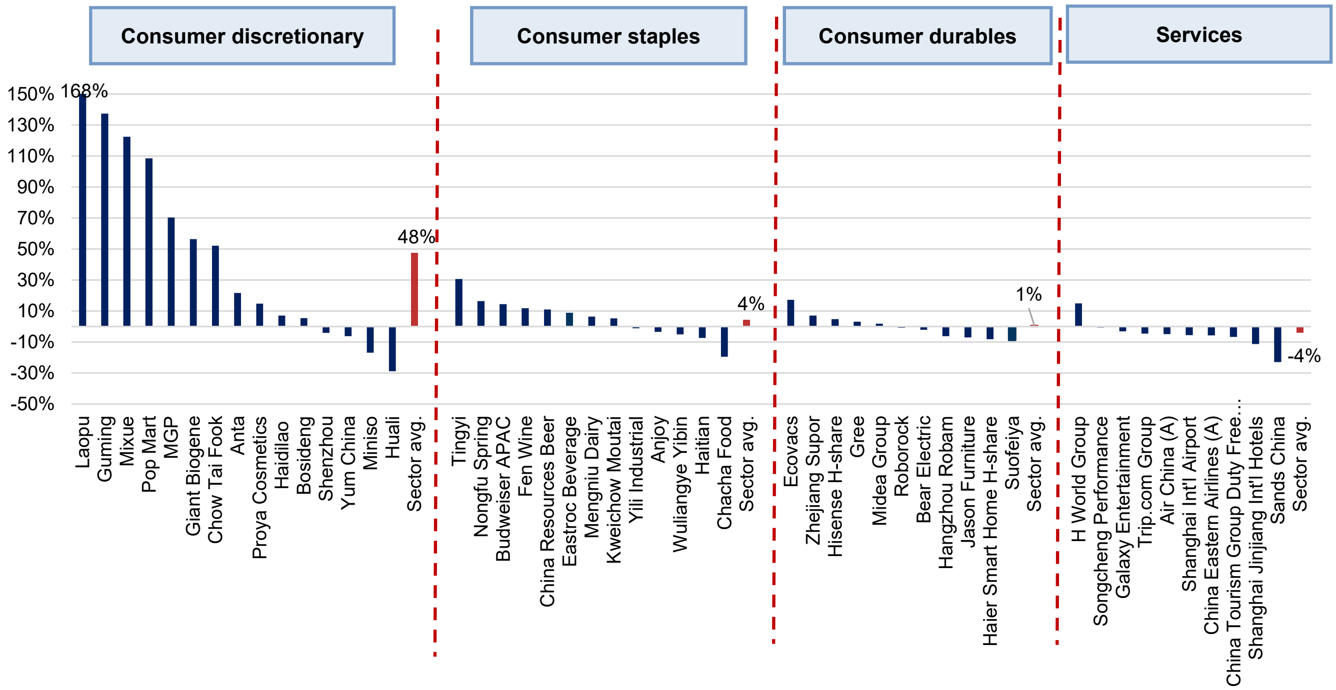
Exhibit 10: We expect pet food and household appliance to lead the growth recovery in 2025E

Consumption growth breakdown by category



Source: Goldman Sachs Global Investment Research, Euromonitor

Exhibit 11: YTD share price performance: Consumer discretionary led the growth while consumer durables underperformed within consumer goods



As of May 12

Source: Datastream

Exhibit 12: Diversified retailers, Pet care, and Emerging appliances delivered highest yoy growth in 1Q25

GS Consumer coverage forecasts - quarterly yoy growth

Sector	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E
Sports brands	15.0%	-3.0%	11.1%	-9.8%	6.2%	15.5%	10.3%	27.9%	12.2%	7.2%	3.0%	7.8%	6.6%	5.0%	6.4%	7.4%
Sports retailer	-18.8%	-27.5%	-3.0%	-18.3%	-9.7%	20.5%	-1.9%	12.1%	-0.4%	-5.7%	-12.7%	-4.8%	-5.4%	-5.0%	3.0%	7.4%
OEM	16.7%	21.9%	33.4%	6.0%	-15.9%	-12.5%	-10.4%	3.0%	16.0%	13.7%	15.7%	11.4%	10.2%	8.5%	7.8%	8.8%
Catering	-6.8%	-14.7%	-1.0%	-6.3%	20.9%	29.3%	25.4%	29.6%	9.4%	7.8%	-0.3%	-0.2%	0.8%	2.9%	5.6%	6.8%
Prepared food	15.1%	23.6%	20.4%	20.5%	19.5%	15.1%	9.2%	-2.7%	6.6%	3.9%	10.9%	6.1%	8.5%	8.8%	7.7%	7.4%
Diversified retailers	41.2%	-1.4%	-0.3%	-15.7%	12.7%	37.3%	33.8%	63.7%	56.6%	80.3%	97.7%	126.2%	122.7%	76.6%	54.7%	55.0%
Jewelry	27.3%	5.7%	19.8%	-13.4%	21.0%	25.4%	4.9%	37.3%	12.0%	-17.1%	-26.0%	-23.8%	-20.3%	11.0%	10.6%	14.2%
Traditional Appliances	9.6%	2.7%	3.7%	-8.0%	4.2%	8.5%	7.9%	11.7%	7.9%	5.5%	0.2%	8.0%	16.2%	10.9%	9.7%	-1.6%
Emerging Appliances	24.6%	15.2%	9.6%	10.5%	2.0%	23.1%	30.5%	14.9%	29.2%	15.7%	16.2%	42.6%	42.1%	38.9%	26.9%	9.4%
Beer	3.8%	3.7%	7.7%	-12.5%	10.0%	8.2%	-0.5%	3.0%	-2.9%	-8.4%	-7.7%	-3.4%	-3.6%	1.1%	5.4%	8.7%
Spirits	20.6%	14.6%	16.8%	17.4%	17.4%	19.0%	14.8%	17.6%	17.1%	14.8%	9.6%	4.6%	7.7%	6.9%	9.6%	8.1%
Condiments	2.1%	21.9%	5.6%	-4.3%	1.9%	-3.9%	4.2%	-7.4%	8.5%	5.2%	8.3%	10.5%	4.6%	8.3%	7.6%	8.8%
Dairy	11.2%	9.5%	6.6%	12.6%	7.6%	2.5%	3.4%	0.2%	-5.2%	-15.5%	-6.9%	-7.1%	0.5%	5.3%	4.9%	3.2%
Cosmetics	41.0%	32.4%	37.6%	38.7%	30.9%	38.1%	18.7%	25.6%	37.1%	33.8%	27.9%	20.8%	18.2%	26.2%	22.2%	27.2%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	9.1%	9.1%	13.5%	13.5%	20.0%	20.0%	26.6%	26.6%	15.1%	15.1%	4.1%	4.1%	15.4%	15.4%	15.8%	15.8%
Snacks	-4.8%	9.3%	6.8%	12.5%	5.9%	22.6%	30.5%	15.5%	49.7%	17.2%	20.0%	24.4%	10.2%	35.0%	28.8%	24.7%
Pet Care	31.2%	18.6%	54.0%	-3.3%	9.8%	17.1%	23.5%	32.0%	29.4%	13.9%	19.8%	24.2%	29.4%	29.0%	19.3%	16.8%
Furniture	20.4%	9.3%	1.7%	-2.5%	-12.1%	10.2%	4.4%	5.9%	6.0%	-14.5%	-16.4%	-14.6%	-0.5%	8.0%	7.9%	5.4%
Luxury	0.2%	-27.2%	0.6%	-12.4%	17.8%	48.5%	9.9%	15.6%	-8.2%	-13.1%	-17.3%	-7.9%	-3.8%	-2.1%	5.8%	6.7%
Average	**14%**	**7%**	**13%**	**1%**	**9%**	**18%**	**13%**	**17%**	**16%**	**8%**	**8%**	**12%**	**14%**	**15%**	**14%**	**13%**
Macro																
China real GDP growth	4.8%	0.4%	3.9%	2.9%	4.5%	6.3%	4.9%	5.2%	5.3%	4.7%	4.6%	5.4%	5.4%	5.0%	4.4%	3.7%
China retail sales growth	3%	-5%	4%	-3%	6%	11%	4%	8%	5%	3%	3%	4%	5%			
Household Cash Flow																
Disposable income growth	6%	3%	7%	4%	5%	8%	6%	6%	6%	4%	5%	6%	5%			
Saving rate	38%	34%	33%	28%	38%	32%	30%	26%	37%	31%	31%	27%	37%			
Home purchase growth	-26%	-36%	-21%	-27%	6%	-8%	-23%	-20%	-33%	-22%	-16%	4%	4%			
Adj. discretionary cash flow growth	-20%	-22%	-12%	-32%	3%	19%	10%	42%	15%	9%	1%	9%	1%			
Household Consumption growth	7%	-2%	5%	-2%	5%	12%	11%	9%	8%	5%	3%	5%	5%			

As of May 12, 2025; the aggregate growth for each sector is weighted by the latest market cap

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: Diversified retailers, emerging appliances, cosmetics and pet care are expected to deliver highest yoy growth in 2025

GS Consumer coverage forecasts, vs. 2019 and 2024

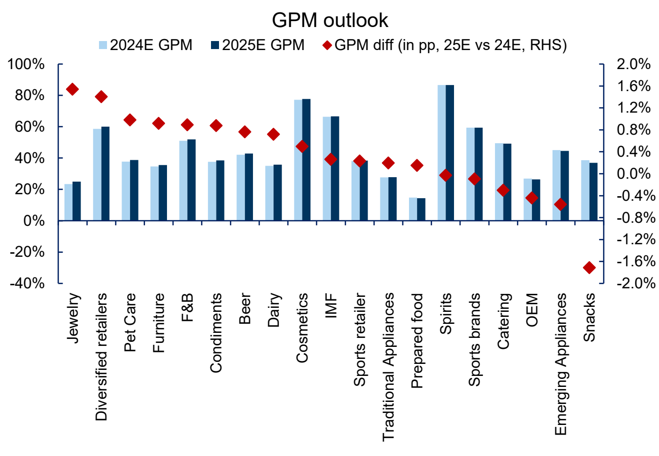
	Quarterly sales CAGR vs 2019							
Sector	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E
Sports brands	14%	12%	10%	17%	13%	11%	9%	15%
Sports retailer	-2%	-5%	-7%	-6%	-2%	-5%	-5%	-4%
OEM	4%	6%	7%	7%	5%	7%	7%	7%
Catering	10%	9%	7%	7%	8%	8%	7%	7%
Prepared food	19%	17%	17%	14%	17%	15%	15%	13%
Diversified retailers	25%	24%	29%	34%	37%	31%	33%	37%
Jewelry	9%	10%	12%	8%	3%	10%	11%	9%
Traditional Appliances	6%	6%	6%	7%	7%	7%	6%	6%
Emerging Appliances	18%	21%	26%	28%	22%	24%	26%	25%
Beer	4%	1%	1%	0%	3%	1%	1%	1%
Spirits	17%	16%	14%	13%	15%	14%	13%	13%
Condiments	8%	7%	7%	6%	8%	7%	7%	7%
Dairy	6%	4%	4%	4%	5%	4%	4%	4%
Cosmetics	32%	34%	28%	34%	30%	32%	27%	33%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	13%	13%	13%	13%	13%	13%	14%	14%
Snacks	17%	14%	16%	14%	16%	17%	18%	16%
Pet Care	25%	22%	26%	20%	26%	23%	25%	19%
Furniture	11%	9%	7%	5%	9%	9%	7%	5%
Luxury	13%	10%	7%	8%	10%	8%	7%	7%
Average	**13%**	**12%**	**12%**	**12%**	**13%**	**12%**	**12%**	**12%**
Macro								
China real GDP growth	5.0%	4.5%	4.7%	4.8%	5.0%	4.6%	4.6%	4.7%
China retail sales growth	4%	3%	3%	3%	4%			
Household Cash Flow								
Disposable income growth	6%	6%	6%	6%				
Saving rate	38%	32%	33%	26%				
Home purchase growth	-4%	-10%	-12%	-10%				
Adj. discretionary cash flow growth	-1%	0%	0%	1%				
Household Consumption growth	6%	6%	6%	5%				

	Annual sales yoy growth								
Sector	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Sports brands	36%	5%	37%	10%	16%	13%	10%	9%	9%
Sports retailer	7%	5%	-9%	-15%	3%	-5%	-1%	4%	4%
OEM	10%	-4%	17%	15%	-11%	14%	9%	8%	7%
Catering	25%	-1%	26%	10%	35%	11%	13%	13%	12%
Prepared food	18%	21%	25%	20%	9%	6%	8%	9%	8%
Diversified retailers		45%	67%	3%	51%	91%	70%	23%	16%
Jewelry	-3%	7%	36%	7%	15%	-11%	1%	5%	7%
Traditional Appliances	6%	4%	20%	3%	9%	6%	9%	4%	6%
Emerging Appliances	23%	28%	42%	14%	17%	26%	25%	10%	11%
Beer	20%	-7%	14%	2%	7%	-5%	2%	4%	4%
Spirits	18%	10%	18%	18%	18%	11%	7%	9%	8%
Condiments	18%	17%	8%	5%	-1%	8%	7%	9%	8%
Dairy	14%	4%	15%	10%	4%	-9%	3%	3%	3%
Cosmetics	38%	24%	38%	44%	55%	29%	23%	20%	15%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	19%	2%	29%	13%	24%	9%	16%	13%	11%
Snacks	11%	12%	10%	4%	8%	13%	11%	9%	8%
Pet Care	17%	39%	25%	28%	21%	20%	23%	23%	22%
Furniture	14%	12%	35%	2%	2%	-10%	5%	3%	3%
Luxury	12%	6%	50%	-15%	12%	-20%	-2%	11%	7%
Average	**18%**	**13%**	**26%**	**8%**	**14%**	**10%**	**12%**	**10%**	**9%**
Macro									
China real GDP growth	6.0%	2.2%	8.5%	3.0%	5.2%	5.0%	4.6%	3.8%	4.0%
China retail sales growth	8%	-5%	12%	0%	7%	3%			
Household Cash Flow									
Disposable income growth	9%	5%	9%	5%	6%	5%	5%		
Saving rate	30%	34%	31%	33%	32%	32%	31%		
Home purchase growth	10%	11%	5%	-30%	-9%	-18%	-9%		
Adj. discretionary cash flow growth	2%	1%	13%	-22%	18%	8%	7%		
Household Consumption growth	9%	-1%	14%	2%	9%	5%	5%		

As of May 12, 2025; the aggregate growth for each sector is weighted by the latest market cap

Source: Company data, Goldman Sachs Global Investment Research

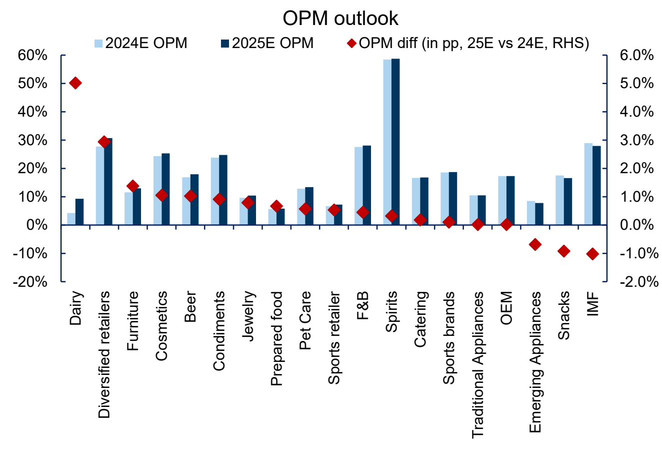
Exhibit 14: GPM outlook by sector



As of May 12

Source: Company data, Goldman Sachs Global Investment Research

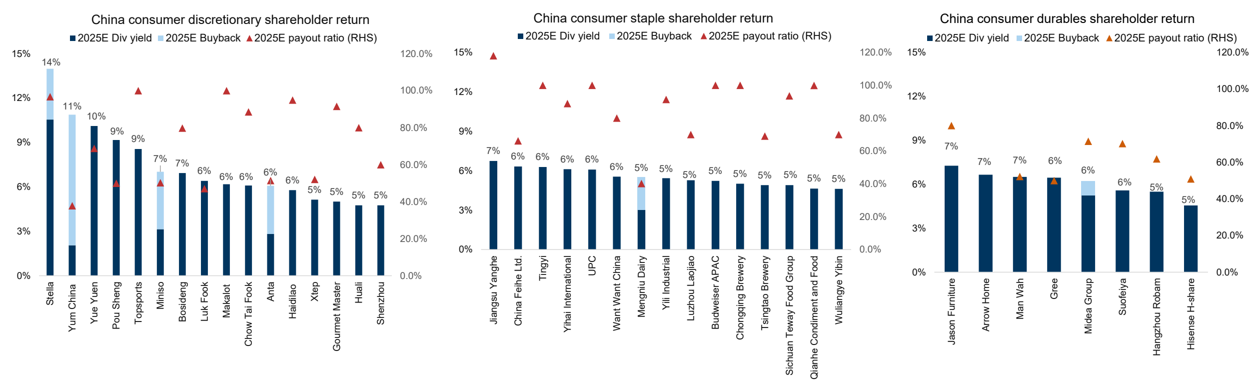
Exhibit 15: OPM outlook by sector



As of May 12

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 16: China consumer shareholder returns

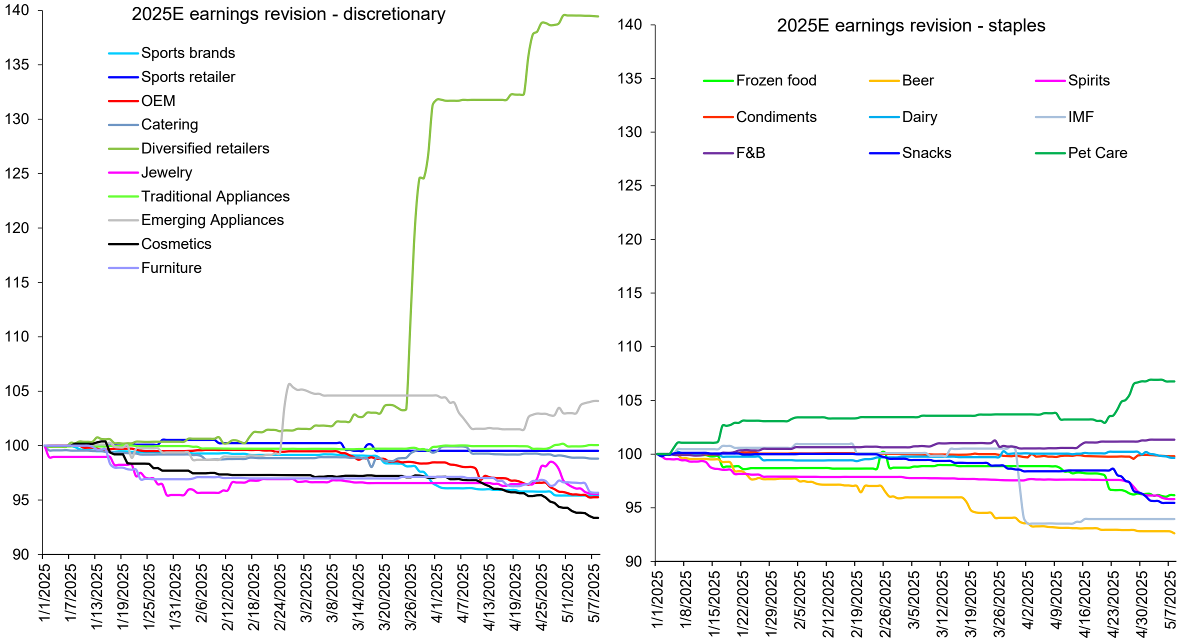


As of May 12; share buyback is adjusted to 2025E horizon

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 17: YTD, diversified retailers and pet care earnings have been revised up the most; while most other sectors see a relatively resilient trend

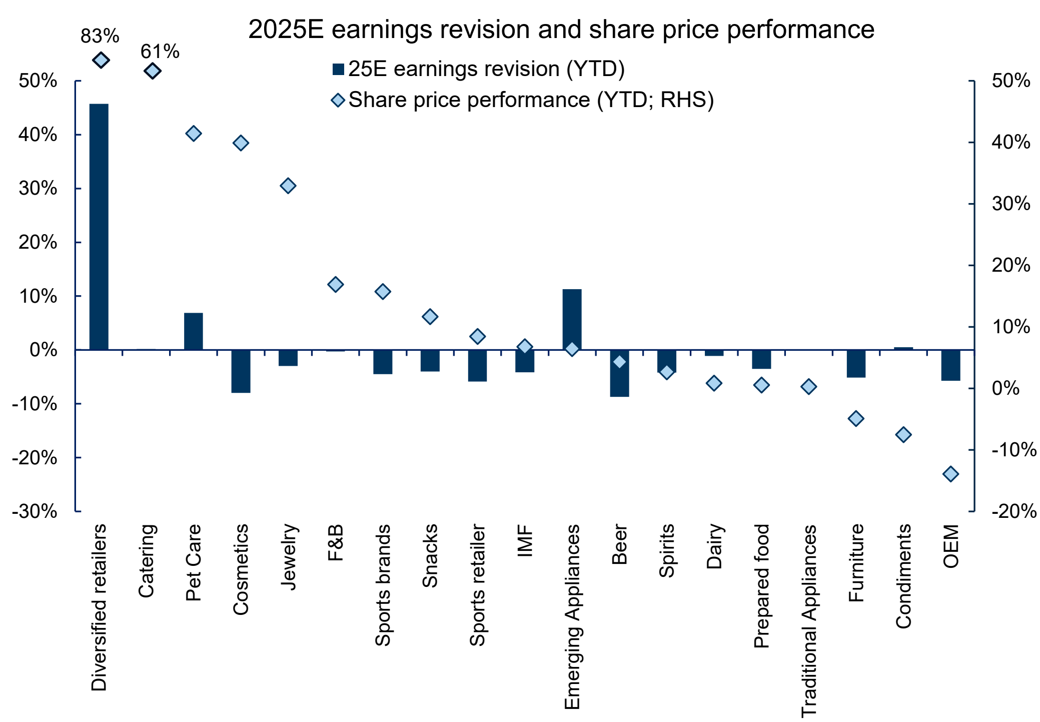
Consensus revisions



As of May 8

Source: Bloomberg

Exhibit 18: 2025E earnings revisions and price performance by sector



As of May 12

Source: Refinitiv Eikon

GS sector/stock preferences

Our sector preference (Exhibit 19) is unchanged vs our earlier preference in early Apr for the next 3-6 months. 1) We continue to **prefer diversified retailers** (resilient IP demand in domestic market along with overseas expansion opportunity), **selective sportswear brands** (certain companies see product cycle/category momentum benefits, undemanding valuation), **dairy** (turnaround story; support on new birth to benefit IMF), **beverage** (penetration opportunity), and **restaurants** (improving pricing trend, beneficiary if consumption/traffic recovers). 2) Apparel OEM, furniture, projectors, discretionary small kitchen appliances, jewelry and non super-premium spirits remain our least preferred sectors.

Exhibit 19: Sector preference

	Sector
Preferred	Sports brands, Diversified retailer, Dairy, Beverage, Restaurants (incl freshly-made tea)
Neutral	Condiment, Cosmetics, Snacks, Beer, Major/small kitchen appliances, RVC, Pet food, Super premium spirits, Prepared food, Sports retailer, Leading white goods
Least preferred	Furniture, Projectors, Discretionary small kitchen appliances, Jewelry, Spirits (non super-premium), Apparel/footwear OEM

As of May 9, 2025

Source: Goldman Sachs Global Investment Research

Exhibit 20: 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		
						12-May		2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
China consumer discretionary																									
Anta	2020.HK	Buy*	34,421	156.2	117.00	94.70	24%	13%	16%	14%	18	16	14	15	13	10	21%	22%	22%	3%	3%	4%	7%	6%	8%
Mixue	2097.HK	Buy	21,940	n.a.	484.00	450.40	7%	17%	22%	19%	30	25	21	21	16	13	27%	25%	24%	1%	1%	1%	2%	4%	4%
Yum China	YUMC	Buy	17,002	152.9	57.00	46.11	24%	2%	11%	9%	18	15	14	8	7	6	17%	21%	24%	2%	2%	3%	5%	6%	7%
Laopu Gold	6181.HK	Buy	13,945	109.3	976.00	645.50	51%	153%	48%	25%	27	18	15	20	13	10	69%	61%	50%	1%	2%	2%	1%	4%	6%
Giant Biogene	2367.HK	Buy	10,298	54.6	82.60	78.05	6%	29%	25%	17%	28	23	20	23	19	15	32%	31%	29%	1%	1%	2%	3%	4%	5%
Guming	1364.HK	Buy	7,202	n.a.	21.00	23.60	-11%	29%	21%	16%	27	23	20	20	16	14	44%	33%	32%	4%	2%	3%	3%	4%	6%
China consumer staples																									
Eastroc Beverage	605499.SS	Buy	19,498	89.7	293.00	270.51	8%	34%	24%	20%	32	25	21	25	20	16	53%	56%	56%	2%	3%	3%	2%	3%	4%
Mengniu	2319.HK	Buy	9,433	78.9	23.00	18.68	23%	n.m.	22%	14%	13	11	10	9	7	6	12%	13%	14%	3%	4%	5%	8%	10%	12%
China Resources Beverage	2460.HK	Buy	4,338	11.8	19.00	14.40	32%	26%	17%	17%	15	13	11	7	5	4	18%	19%	19%	3%	3%	4%	1%	5%	8%
Yankershop Food	002847.SZ	Buy	3,330	36.5	110.10	88.07	25%	32%	22%	19%	28	23	20	24	19	16	45%	48%	49%	2%	3%	3%	1%	2%	3%
China Pet Foods	002891.SZ	Buy	2,336	45.3	63.00	57.29	10%	18%	34%	30%	36	27	21	23	18	13	18%	21%	23%	1%	1%	1%	2%	3%	5%
China durables																									
Midea Group	000333.SZ	Buy	81,267	385.5	91.00	76.58	19%	12%	7%	10%	14	13	12	10	9	8	19%	20%	20%	5%	6%	7%	8%	7%	8%

* denotes stocks on the APAC Conviction List

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

1Q25 macro data points solid, to watch tariff developments and policy support

Our macro team noted that 1Q25 macro data points remained solid, thanks to holiday boost and some front-loading efforts on US reciprocal tariff, and raised GDP forecasts on larger-than-expected tariff rollbacks. More specifically, **1) GDP forecast raised on higher exports growth: Macro team** raised real GDP growth forecast to 4.6% in 2025 and 3.8% in 2026 (vs. 4.0% and 3.5%, respectively, previously) thanks to larger-than-expected tariff rollbacks. 2025 h**ousehold consumption growth were modestly revised up to 4.8% yoy** (prior: 4.5% yoy), though government consumption growth was tweaked to +5.0% yoy (prior:+ 5.5% yoy) to reflect less need for domestic policy easing as Chinese policymakers have opted for a "reactive" approach. Macro team noted **risks** to the new 2025-26 GDP forecasts **as largely balanced**, mainly around US-China trade relations. Upside risks may stem up further reductions to US tariffs on China, more significant trade re-routing to detour US tariffs, and more aggressive domestic policy easing. Downside risks may be related to further re-escalation in US-China trade tensions, tariff increases post the 90-day US-China negotiation window (due 12 August), and more delayed policy easing. **2) Exports:** Chinese exports remained solid in Q1 in part due to exporters' front-loading efforts, registering 10.1% yoy growth in real terms, though lower export prices continued to drag nominal growth (+5.6% yoy in Q1). Our Macro team raised their forecasts for 2025 export volume growth to 0% from -5% previously and -10% when the US effective tariffs on China were rapidly hiked to above 100% in mid-April (vs. +13%). **3) Labor market:** The labor market was stable in Q1, with urban surveyed unemployment rates ticking up especially in large cities, roughly stable QoQ weighted avg of employment sub-indexes under various PMIs etc. Looking ahead, macro team noted policymakers may prioritize employment stability over GDP growth in the near term.

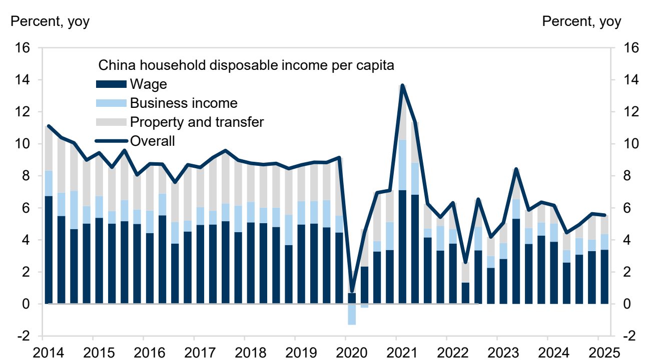
Exhibit 21: GS economists raised the 2025 and 2026 full-year real GDP growth forecasts to 4.6% and 3.8%, respectively

China real GDP growth forecast

		New YoY%	Previous YoY%	New QoQ%, SAAR	Previous QoQ%, SAAR
2023		5.4	5.4		
2024		5.0	5.0		
2025		4.6	4.0		
2026		3.8	3.5		
2024	Q1	5.3	5.3	5.3	5.3
	Q2	4.7	4.7	4.1	4.1
	Q3	4.6	4.6	5.7	5.7
	Q4	5.4	5.4	6.6	6.6
2025	Q1	5.4	5.4	4.9	4.9
	Q2	5.0	4.5	3.0	0.8
	Q3	4.4	3.5	3.0	2.0
	Q4	3.7	2.8	4.0	3.5
2026	Q1	3.5	2.6	4.0	4.0
	Q2	3.7	3.4	4.0	4.0
	Q3	4.0	3.9	4.0	4.0
	Q4	4.0	4.0	4.0	4.0

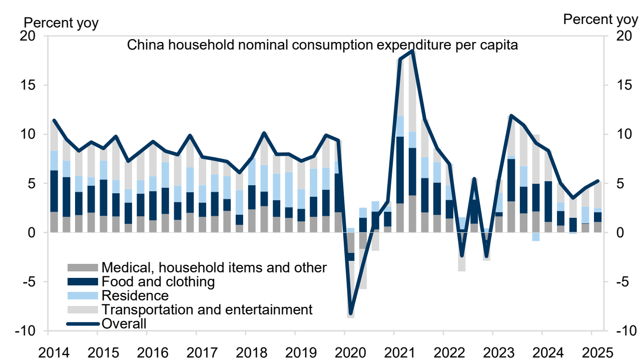
Source: Goldman Sachs Global Investment Research

Exhibit 22: Year-over-year growth in household disposable income per capita edged down in Q1 2025



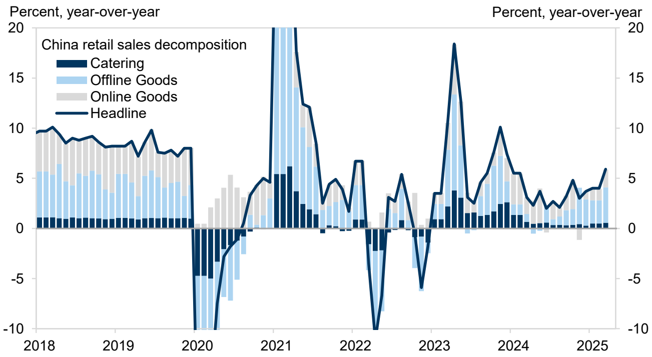
Source: NBS

Exhibit 23: Year-over-year growth in household consumption per capita accelerated in Q1 2025



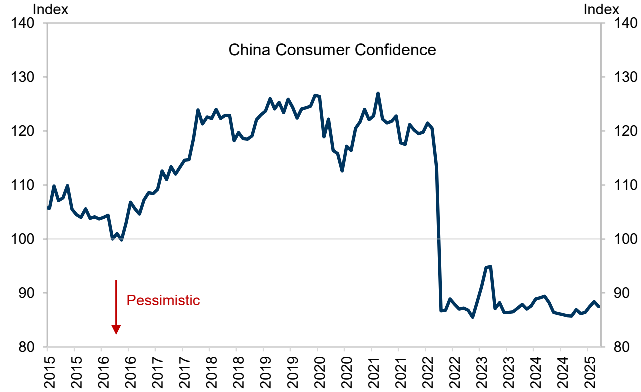
Source: Goldman Sachs Global Investment Research, CEIC

Exhibit 24: Retail sales growth improved in Q1 on stronger offline goods sales



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

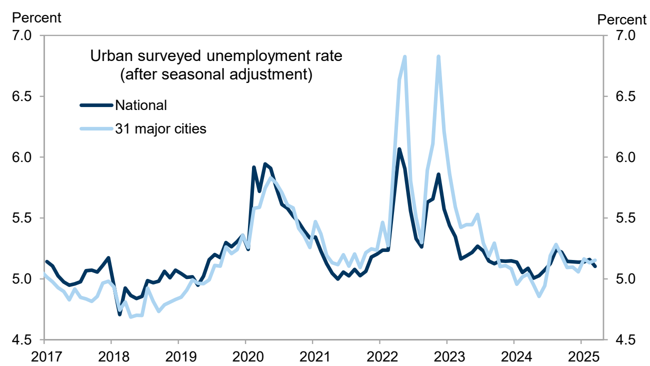
Exhibit 25: Consumer confidence ticked down in Mar and remained muted



Mar is the latest data available.

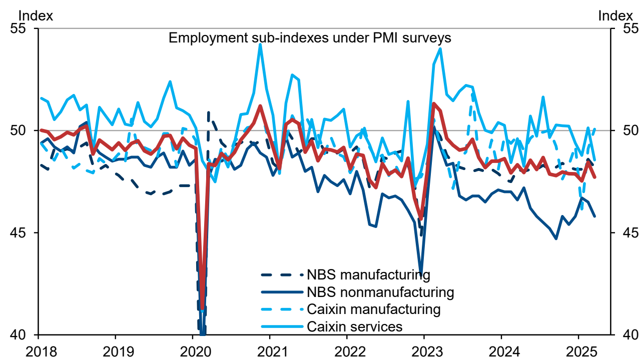
Source: NBS

Exhibit 26: Nationwide urban unemployment rates inched up in Q1 vs. Q4



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 27: The weighted average of PMI employment sub-indexes roughly stable in Q1 vs. Q4

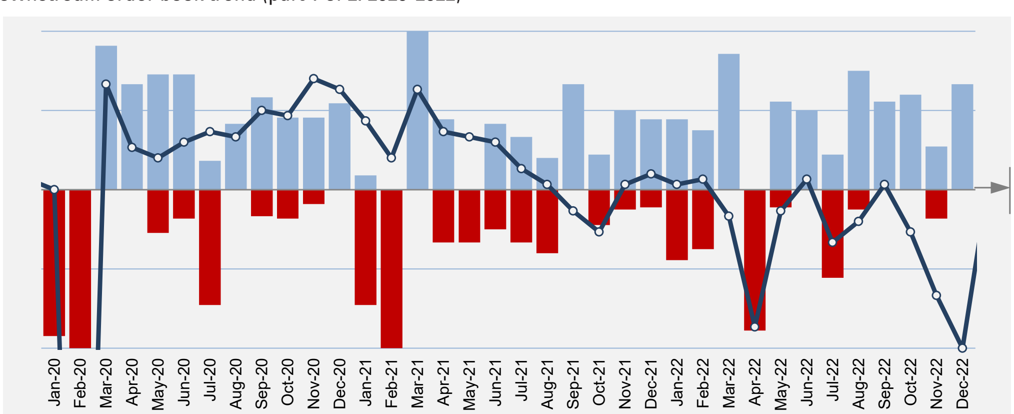


NBS nonmanufacturing PMI covers both services and construction sectors.

Source: NBS, Caixin

Exhibit 28: Feedback from producers as of mid-April suggests softening of end-user orderbook, with the MoM trend sitting at the low end of the historical range...

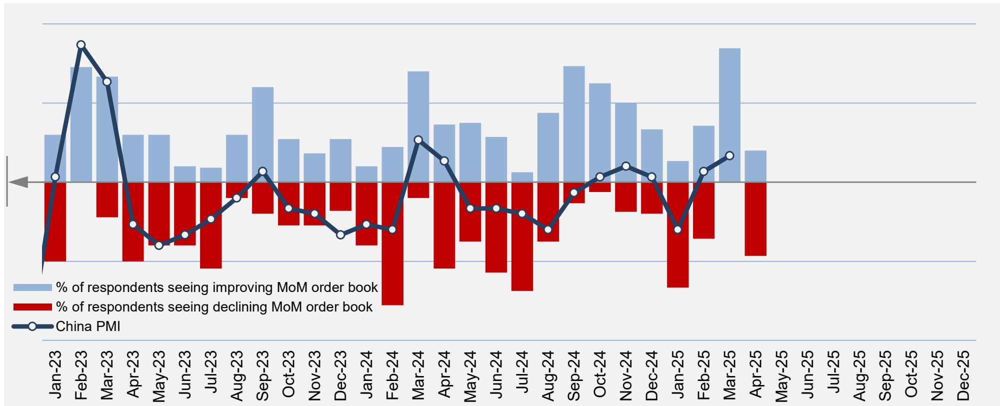
Downstream order book trend (part 1 of 2: 2020-2022)



Source: CEIC, Goldman Sachs Global Investment Research (proprietary survey)

Exhibit 29: ...dragged by lack of incremental pickups in most downstream sectors including the new threes (solar, EV and battery).

Downstream order book trend (part 2 of 2: 2023-2025)



Source: CEIC, Goldman Sachs Global Investment Research (proprietary survey)

Valuation methodology and risks

Exhibit 30: Valuation Methodology and Key Risks

Company name	Ticker	Rating	Valuation methodology	Key risks
Midea	000333.SZ/0300.HK	Buy	Our 12-m TP of (A/H-share) Rmb91/HK$91 is based on a 16X exit multiple applied to our 2027E EPS, discounted backed to 2026E using a 9.5% cost of equity.	1) Worse-than-expected disruption on white goods demand from weaker macro globally; 2) Rising material costs affecting product margins; 3) Execution risk of its premiumization strategy; and 4) Rising competition in the low-to-mid-end segment.
Anta	2020.HK	Buy (on CL)	Our TP is HK$117 based on 21x 2027E PE discounted back to 2025E	Weaker Fila growth, lower retail sales growth of the core Anta brand and opex control.
Mixue Group	2097.HK	Buy	We are Buy rated on Mixue with a 12-m TP of HK$484, based on 26X 2026E P/E.	1) store network management; 2) competition, 3) food cost inflation/operating costs, 4) food safety, 5) overseas expansion.
Eastroc Beverage	605499.SS	Buy	We are Buy rated on Eastroc.TP is based on a 30X 2026E P/E discounted back to end-2025E, with reference to historical average P/E of Monster Beverage in 2017-2019 when Red Bull was losing share in the US.	1) Lower industry growth in energy drinks, 2) worse competitive landscape, 3) failure/slower ramp-up of Eastroc's new product launches, 4) potential capacity shortage with already high utilization ratio, 5) higher increases in raw material costs, 6) slower geographical expansion of Eastroc, 7) slower POS penetration/ deployment of fridges, and 8) reputational risks.
YUMC	YUMC/9987.HK	Buy	We are Buy rated on YUMC with 12-m SOTP-based target prices of US$57/HK$447 for the ADR/H-share. Our target multiples are 12x 2025E EV/EBITDA for KFC China and 7x for Pizza Hut China.	1) weaker-than-expected SSSG; 2) higher-than-expected commodity costs; 3) stronger-than-expected competition; and 4) lower-than-expected execution efficiency.
Laopu	6181.HK	Buy	We derive our 12-m TP of HK$976 for Laopu Gold, based on 25x 2027E target PE and discount back to mid-2026E at 9.6% COE.	1) potential gold price slump, 2) tough regulatory environment over luxury consumption, 3) regional concentration, and 4) potential sell-off of IPO shares post lock-up expiry.
Giant Biogene	2367.HK	Buy	Our 12-month TP of HK$82.6 is based on a 24x 2027E P/E discounted back to mid-2026E using a 9.6% COE.	Slower-than-expected growth/intensified competition in the professional skin treatment market; inability to develop successful products; regulatory risk.
Yankershop	002847.SZ	Buy	Our 12-m TP of Rmb110.1 is based on a 27x P/E and 2027E EPS discounted back 1.5 year to mid-2026 at a COE of 7.0%.	1) More intense competition in the snacking industry, especially from private labels; 2) Slower-than-expected snack discounters opening pace; 3) Higher-than-expected raw material cost.
Mengniu	2319.HK	Buy	We are Buy rated on Mengniu. Our 12-month TP of HK$23.0 is based on a target P/E of 15.1x (1STD below prior downcycle P/E in 2015-16) applied to 2026E EPS and discounted back to end-2025E.	1) Slower-than-expected premium demand; 2) A slower-than-expected dairy demand recovery; 3) More intense dairy industry competition; 4) Wider losses in new categories.
Guming	1364.HK	Buy	We are Buy rated on Guming with a 12-m TP of HK$21, based on 20X 2026E P/E.	1) Unable to manage the large store network; 2) Lower-than-expected store expansion; 3) Underperformed store productivity; 4) Intensified competition, fashion risk and price war; 5) Increase in store level cost; 6) Larger-than-expected subsidies to franchisees; 7) Lower scale economy with geographical expansion; and 8) Food safety issues.
CR Beverage	2460.HK	Buy	We are Buy rated on China Resources Beverage with a 12-month TP of HK$19.0, based on a 19.0x 2025E P/E referring to the avg. P/E of Tingyi/UPC during 2018-2024 given similar growth stages.	1) More intensified competition than expected in the bottled water market; 2) Slower than expected development of the beverage business; 3) Raw material price movements; 4) Uncertainty over channel/distribution management; 5) Reputational risks/ food security issues.
China Pet Foods	002891.SZ	Buy	We are Buy rated on China Pet Foods. Our 12m SOTP-based target price of Rmb63.0 is based on 25X FY26E P/E for the overseas business and 30X FY27E P/E for the domestic business discounted back to mid-2026 at 7.9% COE.	1) Slower-than-expected domestic revenue growth; 2) Food safety issues; 3) Forex fluctuations; 3) Freight and raw material costs; 4) Additional tariffs on pet food exports from China to the US.

Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Michelle Cheng, Leaf Liu, Nicolas Yi, Cathy Chen, CFA and Valerie Zhou, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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