

Wuliangye Yibin (000858.SZ): First Take: Solid delivery in 4Q24/1Q25 amid channel reform; 2025 growth target in line with macro growth;

Wuliangye reported FY24 and 1Q25 results on Apr 25th. **In 2024**, the company reported revenue of Rmb89.2bn, up 7.1% yoy, and net profit of Rmb31.9bn, up 5.4% yoy, above GSe of 4%/3% yoy, with an implied NPM of 35.7%, down -0.6ppt yoy, with margin contraction mainly from enhanced investments offsetting GPM expansion. **Implied 4Q24** sales were Rmb21.3bn, up 2.5% yoy, and net profit was Rmb6.9bn, down 6.2% yoy, with an NPM of 32.6%, better than lowered expectation of sales declines in 4Q24 (GSe of -10%/-15% sales/NP declines in 4Q24). **1Q25 sales** came in at Rmb36.9bn, up 6.1% yoy, and net profit was Rmb14.9bn, up 5.8% yoy, both slightly higher than GSe of 5%/5% yoy. The implied 1Q25 NPM was 40.2%, -0.1ppt yoy. **Combined 4Q24 + 1Q25** sales/NP growth was +4.7%/+1.7% yoy, +5%/+4% vs. GSe, respectively. **Customer advance at end-1Q25 was Rmb10.2bn**, up strongly 101% yoy. **Cash from selling goods** was at Rmb38.2bn, up 76% yoy in 1Q25. **Dividend:** The company announced final cash dividend of Rmb3.169 per share (pre-tax) in 2024. Considering an interim dividend distributed for 2024 of Rmb2.576 per share, the total payout ratio reached 70% (vs. 60% in 2023) and dividend yield of 4.5%.

2025 guidance: The company **aims to achieve total sales growth yoy in line with the growth of macro economic indicators in 2025** (GSe GDP growth of 4.0% yoy for 2025), and improve both brand value and market shares.

Our view: We see this result as a solid delivery amid the industry transition period, where company managed to achieve above GSe growth in both 2024/1Q25. **We maintain Buy-rating with compelling risk-reward in Wuliangye** (trading at c.15x 2025 P/E, towards the lower bound of our China spirits coverage, with a c.5% dividend yield in 2025).

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2024 results highlight:

- **Sales:** Spirits sales were up 8.7% yoy, on 1.8% volume growth and 6.8% ASP expansion, mainly on product mix improvement in series spirits segment.
 - **By product, for 2024, Wuliangye spirits sales were up 8.1% yoy** with volume growth of 7.1% and 1.0% in ASP. **Series spirits sales were up 11.8% yoy** with volume pickup 0.1% while ASP up 11.7%, mainly driven by continued streamlining of low-end SKUs. Wuliangye spirits accounted for 81.7% of total spirits sales in 2024, down -0.5ppt yoy. For 2H24, Wuliangye spirits sales were up 3.8% yoy with volume growth of 0.7% and 3.0% in ASP. Series spirits sales were up 6.0% yoy with volume pickup 35% while ASP down 21% yoy.
 - **By channel,** direct sales grew by 12.9% yoy and accounted for 41.4% of total spirits sales, up 1.5ppt yoy. Sales in wholesale channels grew by 6.0% yoy.
 - **By region,** sales in east/south region grew by 9.8%/12.7% yoy in 2024, while north region saw 4.0% yoy sales decline.
 - **Distributors and specialty stores:** The number of distributors was up 327 yoy to 3,711 (including 2,652 Wuliangye distributors and 1,059 series spirits distributors), and the number of specialty stores was up 124 yoy to 1,786 in end-2024.
- **Margin:** GPM was up 1.3ppt yoy at 77.1%, on ASP increases, product mix improvement and active cost control initiatives. Selling expense ratio was up 2.6ppt to 12.0% due to higher channel spending to enhance distributors' confidence, and admin expense ratio was slightly up 0.1ppt yoy at 4.4%. Sales tax as % of revenue was down -0.4ppt yoy to 14.6%. NPM was down -0.6ppt to 35.7% in 2024.
- **Implied 4Q24** sales were up 2.5% yoy while net profit was down -6.2% yoy, with an implied NPM of 32.6%, down -3.0ppt yoy mainly due to a 6.1ppt selling expense ratio increase yoy, partly offset by lower sales tax yoy and higher GPM in the quarter.
- **Customer advances** stood at Rmb11.7bn in end of 2024, up 70% yoy. Cash from selling goods in 2024 was Rmb24.0bn, down -38% yoy.

1Q25 results:

- Sales reached Rmb36.9bn, up 6.1% yoy and net profit was Rmb14.9bn, up 5.8%.
- **Margin:** 1Q25 GPM was at 77.7%, down -0.7ppt yoy. Selling expense ratio was down -1.0ppt yoy to 6.5%, and admin expense ratio was down -0.2ppt yoy to 3.1%. NPM was at 40.2%, slightly down -0.1ppt yoy.
- **Cash flow and B/S: Customer advances** stood at Rmb10.2bn in end of 1Q25, up 101% yoy, accounting for 61% of our 2Q25E sales estimates. Note receivables was at Rmb19.3bn, down -31% yoy, indicating higher cash proportion in the prepayment. Adjusted sales (factoring in customer advances) were up 7% yoy. **Cash from selling goods** were at Rmb38.2bn, up 76% yoy on lower portion of note receivables in the prepayment.

Recent update: The wholesale price of the 8th Common Wuliangye recently weakened

and lowered to Rmb925~930 per bottle from previous c.Rmb940 with shipment resuming post the strict shipment control during LNY period. Company's key growth target is to drive Common Wuliangye's growth in white space regions/markets and further develop its 1618 and low degree 39C Wuliangye SKUs esp. in banquet scenarios. Wuliangye's prepayment pace is tracking at roughly 50% and channel inventory is c.1 month.

Operating and financial data summary

Exhibit 1: Half-year analysis of operating data

Half-year analysis of operating data (added)	1H22	2H22	1H23	2H23	1H24	2H24
COGS						
Overall	9,514	8,664	10,568	9,589	11,466	8,995
High-end Wuliangye	4,356	3,079	4,642	3,747	5,217	3,594
Low-to-mid-end Wuliangye	2,632	2,177	2,642	2,794	2,986	2,990
Others	2,527	3,409	3,284	3,048	3,263	2,411
Unit COGS						
Liquor	97,248	95,018	78,556	98,532	104,698	78,728
High-end Wuliangye	233,692	217,893	215,027	219,505	215,635	209,003
Low-to-mid-end Wuliangye	49,458	52,857	37,137	56,658	55,137	45,009
yoy						
Liquor	72%	10%	-19%	4%	33%	-20%
High-end Wuliangye	1%	-15%	-8.0%	0.7%	0.3%	-4.8%
Low-to-mid-end Wuliangye	72%	24%	-24.9%	7.2%	48.5%	-20.6%
GP						
Overall	31,708	24,082	34,938	28,176	39,182	29,532
High-end Wuliangye	27,617	20,283	30,537	23,878	33,988	25,076
Low-to-mid-end Wuliangye	3,908	3,511	4,072	4,136	4,920	4,355
Others	183	287	330	162	274	100
% Overall						
High-end Wuliangye	87%	84%	87%	85%	87%	85%
Low-to-mid-end Wuliangye	12%	15%	12%	15%	13%	15%
Others	1%	1%	1%	1%	1%	0%
yoy						
Overall	15%	8%	10%	17%	12%	5%
High-end Wuliangye	18%	9%	11%	18%	11%	5%
Low-to-mid-end Wuliangye	-3%	1%	4%	18%	21%	5%
Others	45%	45%	81%	-44%	-17%	-38%
GPM						
Overall	76.9%	73.5%	76.8%	74.6%	77.4%	76.7%
High-end Wuliangye	86.4%	86.8%	86.8%	86.4%	86.7%	87.5%
Low-to-mid-end Wuliangye	59.8%	61.7%	60.7%	59.7%	62.2%	59.3%
Others	6.8%	7.8%	9.1%	5.1%	7.8%	4.0%
Liquor only	81.9%	81.9%	82.6%	81.1%	82.6%	81.7%
GP by channel						
GP						
Wholesale	17,768	14,022	19,329	16,866	21,992	16,423
Direct sales	13,757	9,773	15,279	11,146	16,916	13,006
% Liquor						
Direct sales	44%	41%	44%	40%	43%	44%
Wholesale	56%	59%	56%	60%	57%	56%
yoy						
Wholesale	25%	-5%	9%	20%	14%	-3%
Direct sales	5%	31%	11%	14%	11%	17%
GPM						
Wholesale	78.3%	78.8%	79.5%	77.8%	79.7%	77.7%
Direct sales	86.9%	86.9%	86.9%	86.5%	86.7%	87.5%

Source: Company data

Exhibit 2: Wuliangye - Act vs. Est

Wuliangye Rmb mn	2021	2022	2023	2024	2024	2024		1Q23	1Q24	2Q24	3Q24	4Q24	4Q24	4Q24	1Q25	1Q25	1Q25+4Q24	1Q25+4Q24
	Actual	Actual	Actual	Actual	Estimate	Diff	yoy	Actual	Actual	Actual	Actual	Estimate	Estimate	Diff	yoy	Diff	yoy	vs GSe
Total revenue	66,269	73,969	83,272	89,175	86,632	3%	7%	31,139	34,833	15,816	17,268	21,260	16,171	74%	3%			
Total Spirits	61,322	67,563	76,441	81,127	79,261	5%	9%											
High end Spirit	49,112	55,335	62,804	67,875	64,680	5%	8%											
Mid and low end Spirit	12,020	12,227	13,637	13,252	14,581	8%	12%											
Others	4,477	6,400	6,802	6,000	7,371	-18%	-11%											
High end Spirit Volume (tons)	29,203	32,768	38,659	41,390	39,162	6%	7%											
High end Spirit ASP (Rmb/bottle)	YoY	4%	18%	7%	1%													
YoY	7%	0%	-4%	1%	2%													
Series spirit volume (tons)	152,572	94,393	120,447	120,594	102,982	17%	0%											
YoY	15%	-38%	28%	0%	-15%													
Series spirit ASP (Rmb/bottle)	YoY	41	65	57	63	71	-11%	12%										
YoY	31%	57%	-13%	12%	25%													
Gross profit	48,990	55,790	63,115	68,714	66,191	4%	9%											
Gross margin	75%	75%	76%	77%	76%	0.7ppt	1.3ppt											
Sales tax and add-on	9,760	10,749	12,532	13,041	12,973	0%	4%											
as % of revenue	14.6%	14.5%	15.0%	14.6%	15.0%	-0.4ppt	-0.4ppt											
Sales expense	6,504	6,844	7,796	10,892	9,410	14%	37%											
as % of revenue	9.8%	9.3%	9.4%	12.0%	10.9%	1.1ppt	2.6ppt											
Administrative expense	3,077	3,304	3,641	3,960	3,707	7%	9%											
as % of revenue	4.6%	4.5%	4.4%	4.4%	4.3%	0.2ppt	0.1ppt											
Core OP	30,520	34,893	39,148	41,929	40,094	2%	8%											
YoY	17%	14%	12%	5%	2%													
Core OP Margin	46.1%	47.2%	47.0%	46.0%	46.3%	-0.3ppt	-1.0ppt											
Other operating expenses	10	28	5	(9)	0	n.m.	n.m.											
Net financial expenses	(1732)	(2000)	(2473)	(3344)	(2566)	-4%	15%											
Investment gain/(losses)	97	93	58	75	58	31%	31%											
Non-operating income	266	229	377	311	377	-18%	-18%											
Non-operating expenses	154	110	136	77	150	-49%	-44%											
Pre-tax profit (income before tax)	32,450	37,104	41,913	44,163	43,335	2%	5%											
Income tax	7,843	9,133	10,392	10,970	10,745	2%	6%											
Net income	24,607	27,971	31,521	33,193	32,590	2%	5%											
Minority interests	1,130	1,280	1,310	1,340	1,355	-1%	2%											
Net income attributable to parent	23,377	26,691	30,211	31,853	31,235	2%	5%											
YoY	17%	14%	13%	5%	3%	-0.3ppt	-0.6ppt											
NPM	35%	36%	36%	35.7%	36.1%	1%	1%											
EPS (Rmb)	6.0	6.9	7.8	8.2	8.0	2%	5%											
Key B/S & CFS Items	2021	2022	2023	2024	2024	1Q23	1Q24	2Q24	3Q24	4Q24	1Q25							
Customer Advance	13,059	12,379	6,864	11,890		5,536	5,047	8,158	7,072	11,690	10,168							
As % of next quarter sales						36%	32%	47%	47%	33%	32%							
Calculated adjusted total sales						25,083	33,225	18,567	16,307	25,348	35,592							
Cash from selling goods	80,953	81,771	105,350	101,869		28,637	21,769	27,879	28,211	24,009	38,234							
Note receivables + receivables financing						26,671	28,109	19,580	7,590	19,577	19,312							
Inventory	14,015	15,961	17,388	18,234		16,065	16,286	16,847	17,538	18,234	17,035							
YoY																		
Customer Advance	52%	-5%	-45%	70%		53%	-9%	124%	79%	70%	101%							
Calculated adjusted total sales						31%	32%	46%	-6%	9%	7%							
Cash from selling goods	29%	1%	29%	-3%		108%	-24%	93%	19%	-38%	76%							
Note receivables + receivables financing						-8%	5%	-23%	-63%	39%	-31%							
Inventory	6%	14%	9%	5%		16%	1%	5%	12%	5%	5%							

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Wuliangye Yibin

Valuation methodology: Our 12m TP of Rmb166 is based on a 19.5x 2026E P/E discounted back to end-2025. Our target P/E is benchmarked to the company's full cycle average P/E in 2012-2023. We are Buy-rated.

Key downside risks: 1) A potential consumption tax rate hike; 2) Potential threats from Moutai-flavor brands; 3) Intensifying competition in high-end spirits.

000858.SZ	12m Price Target: Rmb166.00	Price: Rmb129.05	Upside: 28.6%			
Buy	GS Forecast					
		12/23	12/24E	12/25E	12/26E	
	Market cap:	Revenue (Rmb mn)	83,272.1	86,632.1	91,482.2	98,641.9
	Rmb500.9bn / \$68.7bn	EBITDA (Rmb mn)	39,731.2	41,026.2	43,548.6	47,605.5
	Enterprise value:	EPS (Rmb)	7.78	8.05	8.57	9.39
	Rmb375.6bn / \$51.5bn	P/E (X)	22.1	16.0	15.0	13.7
	3m ADTV: Rmb2.8bn / \$381.2mn	P/B (X)	5.1	3.6	3.4	3.1
	China	Dividend yield (%)	2.7	4.4	4.7	5.1
	China Consumer Staples	N debt/EBITDA (ex lease,X)	(2.9)	(3.2)	(3.3)	(3.3)
	M&A Rank: 3	CROCI (%)	24.5	23.1	22.8	23.0
	Leases incl. in net debt & EV?: No	FCF yield (%)	5.8	6.4	7.0	7.6
		9/24	12/24E	3/25E	6/25E	
EPS (Rmb)	1.51	1.62	3.78	1.37		

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 25 Apr 2025 close.

Disclosure Appendix

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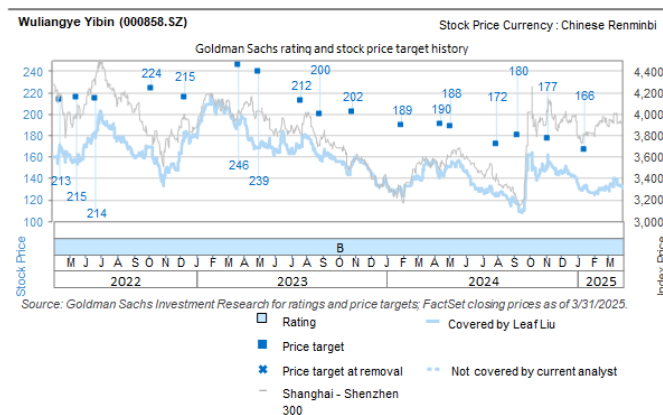
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