

Kweichou Moutai (600519 CH)

3Q rev/np +13%/16%; mixed near-term outlook

3Q net profit grew 16.0% YoY to RMB16.9bn. The growth momentum sequentially decelerated from 20.8% in 1H, as revenue of the quarter slowed in tandem to 13.1% from 19.4% in 1H. The 17% 9M revenue growth still largely tracks to consensus estimates; however, an unchanged 15% full year revenue growth guidance could imply 4Q revenue growth to dip further to HSD%, the lowest we note since 3Q20. In fact, the trend looks to go hand-in-hand with distributors' reluctance to restock after the Golden Week Holiday, when consumers have been increasingly trading down, and when sentiment to consume has been languishing. On the contrary, as a positive note, price fluctuations for the flagship Feitian remained in-range and wholesale price (seal case) settled at around RMB2,900 per bottle, about RMB100 lower than what we saw last month. These in aggregate put together a relatively mixed near-term outlook for Moutai, in our view. That said, in the medium term, we are still hopeful of seeing Moutai's brand premium, product scarcity and efforts in diversification (crossovers with other F&B brands) could shield the company from exposing to any risk of malignant pricing and irrational destocking, especially when the odds of a prolonged demand recovery has become more alarming.

■ **Sales mix.** 3Q/9M sales revenue recorded RMB33.5bn/102.9bn, +13.1%/+18.3% YoY. Moutai spirit sales in 3Q grew +15% YoY/+10% QoQ to RMB27.9bn, when sales contribution was sequentially flattish at 83.5%. Direct channel sales of the quarter inflated +35% YoY/+9% QoQ to RMB14.8bn, with "iMoutai" platform showing major growth at +37% YoY/+25% QoQ, contributing RMB5.5bn revenue. Meanwhile, wholesale channel's revenue was RMB18.7bn, up +2% YoY/+10% QoQ

■ **Cashflows.** OCF of the quarter grew +432% YoY to RMB50bn, thanks to a RMB42bn cash received from sales activity. Cash on hand raised to RMB159.3bn with a RMB9.6bn net increase. These were in line with a higher contract liability which went up by RMB4.1bn in the quarter to RMB11.4 bn.

■ **Earnings change.** We moderately trim our 2023-25E revenue and net profit by -0.9% to -2.9%/-1.4% to -3.5% to reflect the results.

■ **Valuation.** Our TP is based on an updated 39.0x (from previously 41.0x) end-23E P/E, which still represents long-term average since 2019. Our methodology reflects our relative optimism (vis-a-vis other F&B diversified of which target multiples are based on -1sd below long term average) on Moutai that it could outperform its peers thanks to its brand premium and product scarcity.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	109,464	127,554	148,629	170,234	191,336
YoY growth (%)	11.7	16.5	16.5	14.5	12.4
Net profit (RMB mn)	52,460.1	62,716.2	73,415.6	84,786.0	95,893.7
EPS (Reported) (RMB)	41.76	49.93	58.44	67.49	76.34
YoY growth (%)	12.3	19.6	17.1	15.5	13.1
Consensus EPS (RMB)	na	na	59.14	69.38	80.58
P/E (x)	47.2	36.0	28.1	24.4	21.5
P/B (x)	13.1	11.4	8.6	7.2	6.1
Yield (%)	1.1	1.2	1.5	1.8	2.0
ROE (%)	29.9	32.4	33.6	32.2	30.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB2,279.0

(Previous TP RMB2,440.0)

Up/Downside 48.4%

Current Price RMB1,643.9

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Stock Data

Mkt Cap (RMB mn)	2,065,167.7
Avg 3 mths t/o (RMB mn)	4,032.2
52w High/Low (RMB)	1912.90/1350.00
Total Issued Shares (mn)	1256.2

Source: FactSet

Shareholding Structure

China Kweichow Moutai	54.1%
Winery Group	
HKSC	7.3%

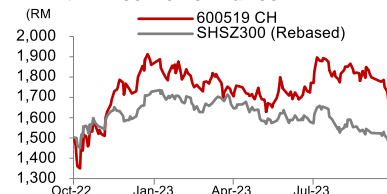
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.1%	-5.3%
3-mth	-7.2%	1.0%
6-mth	-4.7%	9.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. Budweiser APAC (1876 HK) – 3Q preview: flattish rev/EBITDA growth – Oct 19, 2023

2. Mengniu Dairy (2319 HK) – 1H core rev/np +3%/10%: a surprising beat – Sep 1, 2023

3. Nongfu Spring (9633 HK) – 1H rev/np +23%/25%: a neat beat on tea beverage – Aug 31, 2023

4. CR Beer (291 HK) – 1H rev/EBIT +13%/26%: Heineken grew 60% – Aug 21, 2023

5. Kweichou Moutai (600519 CH) – 2Q Rev/NP +20.4/21.0% as pre-announced – Aug 3, 2023

Figure 1: Earnings revisions

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	148,629	170,234	191,336	150,035	173,305	197,151	-0.9%	-1.8%	-2.9%
Gross Profit	137,492	157,962	177,924	138,903	160,972	183,605	-1.0%	-1.9%	-3.1%
EBIT	101,120	116,303	131,100	102,509	118,933	135,782	-1.4%	-2.2%	-3.4%
Net profit	73,416	84,786	95,894	74,451	86,750	99,392	-1.4%	-2.3%	-3.5%
Gross Margin	92.5%	92.8%	93.0%	92.6%	92.9%	93.1%	-0.1ppt	-0.1ppt	-0.1ppt
EBIT Margin	68.0%	68.3%	68.5%	68.3%	68.6%	68.9%	-0.3ppt	-0.3ppt	-0.4ppt
Net Margin	49.4%	49.8%	50.1%	49.6%	50.1%	50.4%	-0.2ppt	-0.3ppt	-0.3ppt

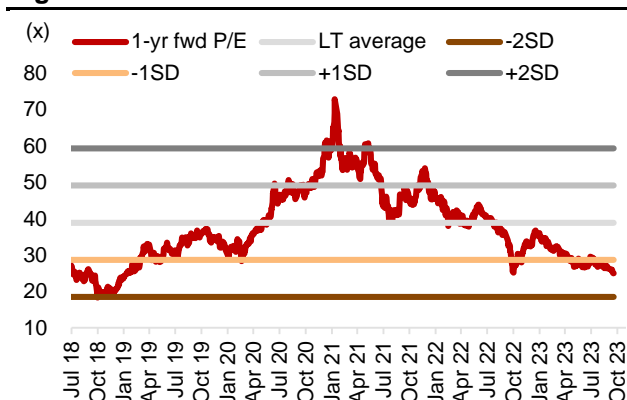
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	148,629	170,234	191,336	149,503	172,891	199,085	-0.6%	-1.5%	-3.9%
Gross Profit	137,492	157,962	177,924	138,141	160,393	185,087	-0.5%	-1.5%	-3.9%
EBIT	101,120	116,303	131,100	104,324	122,000	141,672	-3.1%	-4.7%	-7.5%
Net profit	73,416	84,786	95,894	74,359	87,232	101,185	-1.3%	-2.8%	-5.2%
Gross Margin	92.5%	92.8%	93.0%	92.4%	92.8%	93.0%	0.1ppt	0ppt	0ppt
EBIT Margin	68.0%	68.3%	68.5%	69.8%	70.6%	71.2%	-1.7ppt	-2.2ppt	-2.6ppt
Net Margin	49.4%	49.8%	50.1%	49.7%	50.5%	50.8%	-0.3ppt	-0.6ppt	-0.7ppt

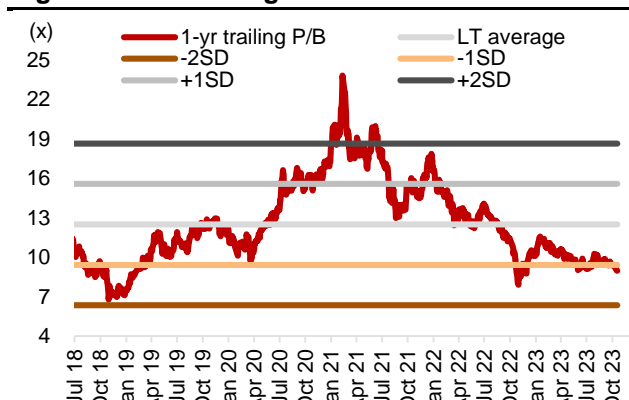
Source: Company data, Bloomberg, CMBIGM estimate

Figure 3: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM

Figure 4: 12M trailing P/B band



Source: Company data, Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	97,993	109,464	127,554	148,629	170,234	191,336
Cost of goods sold	(8,265)	(9,157)	(10,199)	(11,137)	(12,272)	(13,412)
Gross profit	89,728	100,307	117,355	137,492	157,962	177,924
Operating expenses	(23,275)	(26,554)	(30,941)	(36,372)	(41,659)	(46,823)
Selling expense	(16,434)	(18,042)	(21,794)	(25,713)	(29,451)	(33,102)
Admin expense	(6,840)	(8,512)	(9,147)	(10,659)	(12,208)	(13,721)
Gain/loss on financial assets at FVTPL	5	(2)	0	0	0	0
Other gains/(losses)	(71)	(13)	(15)	0	0	0
EBITDA	67,704	75,217	88,010	102,738	118,235	133,379
Depreciation	(1,196)	(1,345)	(1,444)	(1,618)	(1,932)	(2,279)
Other amortisation	(121)	(135)	(168)	0	0	0
EBIT	66,387	73,738	86,399	101,120	116,303	131,100
Interest income	279	945	1,475	1,377	1,679	2,027
Interest expense	0	(14)	(12)	0	0	0
Foreign exchange gain/loss	0	0	0	0	0	0
Other income/expense	(425)	(144)	(90)	(154)	(154)	(154)
Others	(44)	3	(72)	(75)	(79)	(83)
Pre-tax profit	66,197	74,528	87,701	102,269	117,749	132,890
Income tax	(16,674)	(18,808)	(22,326)	(26,035)	(29,976)	(33,830)
Minority interest	(2,826)	(3,260)	(2,659)	(2,818)	(2,987)	(3,167)
Net profit	46,697	52,460	62,716	73,416	84,786	95,894
Core net profit	47,015	52,568	62,783	73,530	84,900	96,008
Gross dividends	24,236	27,228	27,227	31,872	36,808	41,630

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	185,652	220,766	216,611	258,512	307,092	361,623
Cash & equivalents	154,291	186,878	174,447	212,604	256,684	306,700
Account receivables	2,466	422	1,056	1,230	1,409	1,583
Inventories	28,869	33,394	38,824	42,393	46,714	51,055
Other current assets	27	72	2,284	2,284	2,284	2,284
Non-current assets	27,744	34,403	37,753	43,349	49,530	56,242
PP&E	18,673	19,794	21,951	26,516	31,666	37,347
Intangibles	4,817	6,208	7,083	8,114	9,145	10,176
Other non-current assets	4,254	8,400	8,719	8,719	8,719	8,719
Total assets	213,396	255,168	254,365	301,861	356,622	417,865
Current liabilities	45,674	57,914	49,066	52,200	55,996	59,809
Short-term borrowings	0	0	0	0	0	0
Account payables	29,822	34,510	34,103	37,238	41,034	44,846
Other current liabilities	15,852	23,404	14,963	14,963	14,963	14,963
Non-current liabilities	1	296	334	334	334	334
Long-term borrowings	1	296	334	334	334	334
Total liabilities	45,675	58,211	49,400	52,535	56,331	60,143
Share capital	1,256	1,256	1,256	1,256	1,256	1,256
Retained earnings	157,769	185,860	193,825	235,368	283,346	337,609
Other reserves	2,297	2,423	2,426	2,426	2,426	2,426
Total shareholders equity	161,323	189,539	197,507	239,050	287,028	341,291
Minority interest	6,398	7,418	7,458	10,276	13,264	16,430
Total equity and liabilities	213,396	255,168	254,365	301,861	356,622	417,865

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	66,197	74,528	87,701	102,269	117,749	132,890
Depreciation & amortization	1,317	1,480	1,611	1,618	1,932	2,279
Tax paid	(16,674)	(18,808)	(22,326)	(26,035)	(29,976)	(33,830)
Change in working capital	857	7,860	(29,127)	(608)	(704)	(702)
Others	(29)	(1,032)	(1,163)	0	0	0
Net cash from operations	51,669	64,029	36,699	77,244	89,001	100,637
Investing						
Capital expenditure	(2,090)	(3,409)	(5,307)	(6,183)	(7,082)	(7,960)
Acquisition of subsidiaries/ investments	0	2	0	0	0	0
Net proceeds from disposal of short-term investments	(20)	(2,150)	(210)	0	0	0
Others	304	(6)	(21)	(1,031)	(1,031)	(1,031)
Net cash from investing	(1,805)	(5,562)	(5,537)	(7,214)	(8,113)	(8,991)
Financing						
Dividend paid	(24,236)	(27,228)	(27,227)	(31,872)	(36,808)	(41,630)
Share repurchases	0	0	0	0	0	0
Others	108	664	(30,197)	0	0	0
Net cash from financing	(24,128)	(26,564)	(57,425)	(31,872)	(36,808)	(41,630)
Net change in cash						
Cash at the beginning of the year	121,004	146,741	178,641	152,379	190,536	234,616
Exchange difference	0	(2)	1	0	0	0
Others	25,737	31,900	(26,262)	38,157	44,080	50,015
Cash at the end of the year	146,741	178,641	152,379	190,536	234,616	284,631
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	10.3%	11.7%	16.5%	16.5%	14.5%	12.4%
Gross profit	10.4%	11.8%	17.0%	17.2%	14.9%	12.6%
EBITDA	12.3%	11.1%	17.0%	16.7%	15.1%	12.8%
EBIT	12.5%	11.1%	17.2%	17.0%	15.0%	12.7%
Net profit	13.3%	12.3%	19.6%	17.1%	15.5%	13.1%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	91.6%	91.6%	92.0%	92.5%	92.8%	93.0%
EBITDA margin	69.1%	68.7%	69.0%	69.1%	69.5%	69.7%
Return on equity (ROE)	31.4%	29.9%	32.4%	33.6%	32.2%	30.5%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	4.1	3.8	4.4	5.0	5.5	6.0
Receivable turnover days	9.2	1.4	3.0	3.0	3.0	3.0
Inventory turnover days	1,274.9	1,331.0	1,389.4	1,389.4	1,389.4	1,389.4
Payable turnover days	1,317.0	1,375.5	1,220.4	1,220.4	1,220.4	1,220.4
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	39.6	47.2	36.0	28.1	24.4	21.5
P/E (diluted)	39.6	47.2	36.0	28.1	24.4	21.5
P/B	11.5	13.1	11.4	8.6	7.2	6.1
Div yield (%)	1.3	1.1	1.2	1.5	1.8	2.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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