

Kweichow Moutai (600519 CH)

1Q came in slightly higher than we expected

- Moutai released its 1Q preliminary financial data that beat expectation with revenue/ net profits growing by 18/19%, respectively. The data tracked above the 15% management guidance given for the numbers for the full year of 2023. We attribute the strength mainly to the incremental sales growth from iMoutai and a strong premiumization effort.
- We view this positively, and we think this shall help dispel concern on a weak March sales momentum that spread out from the recent Wine Fair (糖酒会). Of note, the news triggered sector share prices to down by c.3% last Monday (10 April).
- Our recent channel check with distributors indicated that wholesales pricing for sealed Feitian Moutai per bottle has recovered to about RMB2,950 (from the low of RMB2,900 in March). Going forward, we see scope for pricing to recover further as channel inventory should ease over a more festive 2Q which clusters with the 5.1 and the Dragon Boat Festival.
- **Earnings change.** We maintain our forecasts for now.
- Moutai is our strong Buy that benefits from China's reopening theme within our F&B coverage universe.
- **Valuation.** Our TP is based on 41.0x end-23E P/E, which 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) that Moutai is one of the core beneficiaries standing at the forefront of China's reopening with high certainty in earnings support.

Earnings summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	97,993	109,464	127,215	149,786	172,710
YoY growth (%)	10.3	11.7	16.2	17.7	15.3
Net income (RMB mn)	46,697	52,460	62,593	74,579	86,626
EPS (RMB)	37.2	41.8	49.8	59.4	69.0
YoY growth (%)	13.3	12.3	19.3	19.1	16.2
Consensus EPS (RMB)	na	na	50.0	62.0	70.0
P/E (x)	na	na	34.4	28.9	24.7
P/B (x)	na	na	9.6	9.2	7.6
Div Yield (%)	na	na	2.7	1.6	1.9
ROE (%)	29.1	27.7	27.9	31.9	30.7
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (maintain)

Target Price **RMB2,440**

Up/Downside **+42.3%**
Current Price **RMB1,713**

China Consumer Staples -
Food and Beverage

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Stock Data

Mkt Cap (RMB bn)	2,152.9
Avg 3 mths t/o (RMB mn)	4,364.5
52w High/Low (RMB)	2,050/1,316
Total Issued Shares (mn)	1,256

Source: Wind

Shareholding Structure

Kweichow Moutai Winery	54.0%
HK Securities Clearing	7.3%
Guizhou State Own Capital	4.5%

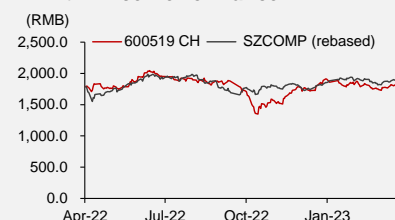
Source: BBG

Share Performance

	Absolute	Relative
1-mth	-1.6%	-5.2%
3-mth	-10.2%	-11.9%
6-mth	-0.3%	-6.8%

Source: BBG

12-mth Price Performance



Source: BBG

Related Reports

1. [China Consumer – Positive takeaway from F&B distributors: but sector's bull-run could take a breather from here](#) – 31 Jan 2023
2. [CR Beer \(291 HK\) – Another positive year for 2023: our preferred pick for China's re-opening](#) – 22 Jan 2023
3. [China Feihe \(6186 HK\) – Looks to be a beta play within 1H23, when birth rate likely starts inflecting post 3Q](#) – 3 Jan 2023

Figure 1: Earnings revisions

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	127,215	149,786	172,710	127,215	149,786	172,710	0.0%	0.0%	0.0%
Gross Profit	117,734	139,270	161,021	117,734	139,270	161,021	0.0%	0.0%	0.0%
EBIT	87,989	104,098	120,466	87,989	104,098	120,466	0.0%	0.0%	0.0%
Net profit	62,593	74,579	86,626	62,593	74,579	86,626	0.0%	0.0%	0.0%
Gross Margin	92.5%	93.0%	93.2%	92.5%	93.0%	93.2%	0.0ppt	0.0ppt	0.0ppt
EBIT Margin	69.2%	69.5%	69.8%	69.2%	69.5%	69.8%	0.0ppt	0.0ppt	0.0ppt
Net Margin	49.2%	49.8%	50.2%	49.2%	49.8%	50.2%	0.0ppt	0.0ppt	0.0ppt

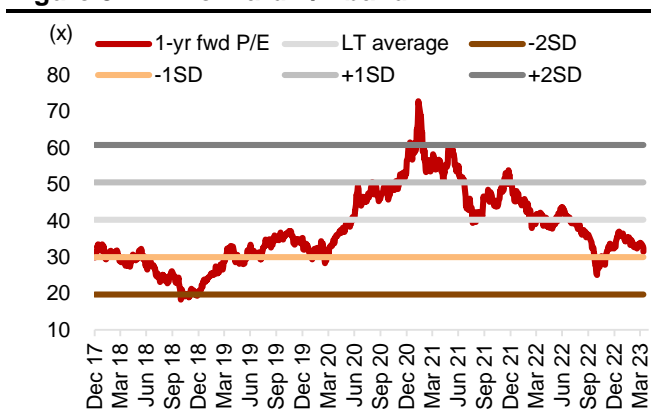
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	127,215	149,786	172,710	127,215	147,570	170,019	0.0%	1.5%	1.6%
Gross Profit	117,734	139,270	161,021	117,734	139,852	161,548	0.0%	-0.4%	-0.3%
Operating Profit	87,989	104,098	120,466	87,989	103,142	119,888	0.0%	0.9%	0.5%
Net profit	62,593	74,579	86,626	62,716	73,635	86,031	-0.2%	1.3%	0.7%
Gross Margin	92.5%	93.0%	93.2%	92.5%	94.8%	95.0%	0ppt	-1.8ppt	-1.8ppt
Operating Margin	69.2%	69.5%	69.8%	69.2%	69.9%	70.5%	0ppt	-0.4ppt	-0.7ppt
Net Margin	49.2%	49.8%	50.2%	49.3%	49.9%	50.6%	-0.1ppt	-0.1ppt	-0.4ppt

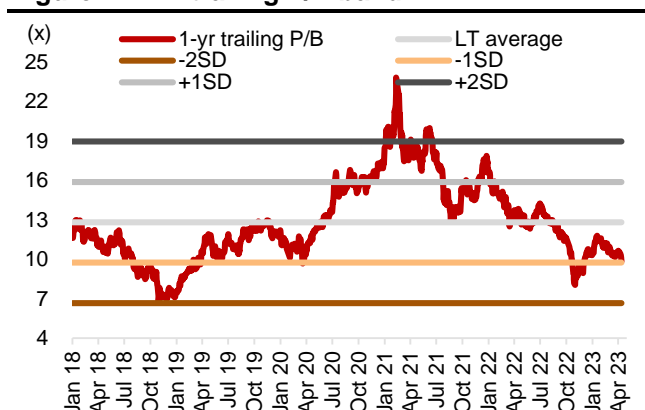
Source: Company data, CMBIGM estimate

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

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	97,993	109,464	127,215	149,786	172,710
Moutai spirit	84,831	93,465	107,657	125,571	143,754
Series spirit	9,991	12,595	15,711	20,059	24,469
Financial and fee income	3,171	3,405	3,848	4,155	4,488
Gross profits	89,728	100,307	117,734	139,270	161,021
Selling expense	(2,548)	(2,737)	(3,053)	(3,745)	(4,318)
Administration expenses	(6,840)	(8,512)	(8,905)	(10,485)	(12,090)
Sales tax and other op exp	(13,887)	(15,304)	(17,786)	(20,942)	(24,147)
EBIT	66,387	73,738	87,989	104,098	120,466
EBITDA	67,704	75,217	89,469	105,757	122,340
Finance costs, net	235	935	1,144	1,379	1,456
Investment gains/loss	(44)	3	-	-	-
Non-operating income/(expense)	(425)	(144)	(210)	(210)	(210)
Pre-tax profit	66,197	74,528	88,923	105,267	121,712
Income tax	(16,674)	(18,808)	(22,440)	(26,565)	(30,715)
Less: Minority interests	(2,826)	(3,260)	(3,890)	(4,124)	(4,371)
Net profit (reported)	46,697	52,460	62,593	74,579	86,626

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	46,697	52,460	62,593	74,579	86,626
D&A	1,317	1,480	1,480	1,659	1,874
Change in working capital	857	7,860	1,753	2,178	2,684
Others	2,798	2,229	3,890	4,124	4,371
Net cash fr. operating act.	51,669	64,029	69,715	82,539	95,555
Capex & investments	(2,090)	(3,409)	(3,962)	(4,664)	(5,378)
Acquisition	0	2	-	-	-
Others	284	(2,156)	(200)	(200)	(200)
Net cash fr. investing act.	(1,805)	(5,562)	(4,162)	(4,864)	(5,578)
Equity raised	-	-	-	-	-
Change of Debts	-	-	-	-	-
Dividend paid	(21,390)	(24,236)	(27,228)	(65,096)	(38,781)
Others	(4,813)	(1,642)	-	-	-
Net cash fr. financing act.	(26,203)	(25,877)	(27,228)	(65,096)	(38,781)
Net change in cash	23,661	32,589	38,326	12,579	51,195
Cash at the beginning of the year	130,630	154,291	186,878	225,203	237,782
Exchange difference	0	(2)	-	-	-
Cash at the end of the year	154,291	186,878	225,203	237,782	288,977
Less: pledged cash	-	-	-	-	-

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	27,744	34,403	37,084	40,290	43,995
PP&E/Fixed assets	18,673	19,794	22,411	25,553	29,195
Intangibles	4,817	6,208	6,274	6,337	6,400
Investments	-	5	5	5	5
Other non-current assets	4,254	8,395	8,395	8,395	8,395
Current assets	185,652	220,766	262,515	278,868	334,226
Cash	154,291	186,878	225,203	237,782	288,977
Account receivable	2,466	422	507	608	730
Inventory	28,869	33,394	36,734	40,407	44,448
Other current assets	27	72	72	72	72
Current liabilities	45,674	57,914	63,091	69,044	75,890
Borrowings	-	-	-	-	-
Account payables	29,822	34,510	39,687	45,640	52,486
Other payables	15,852	23,404	23,404	23,404	23,404
Non-current liabilities	1	296	296	296	296
Borrowings	-	-	-	-	-
Other non-current liabilities	1	296	296	296	296
Common stock	1,256	1,256	1,256	1,256	1,256
Retained earnings	157,769	185,860	221,224	230,707	278,552
Minority Interest	6,398	7,418	11,308	15,432	19,803
Total net assets	167,721	196,958	236,212	249,818	302,035
Shareholders' equity	161,323	189,539	224,904	234,386	282,232

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Moutai spirit	86.6	85.4	84.6	83.8	83.2
Series spirit	10.2	11.5	12.3	13.4	14.2
Financial interests and fees	3.2	3.1	3.0	2.8	2.6
P&L ratios (%)					
Gross margin	91.6	91.6	92.5	93.0	93.2
Operating margin	67.7	67.4	69.2	69.5	69.8
Pre-tax margin	67.6	68.1	69.9	70.3	70.5
Net margin	47.7	47.9	49.2	49.8	50.2
Effective tax rate	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)
Balance sheet analysis					
Current ratio (x)	0.8	0.8	0.9	0.9	0.9
Net receivable days	9.2	1.4	1.4	1.4	1.4
Inventory turnover days	1,274	1,331	1,331	1,331	1,331
Net payable days	1,317	1,375	1,375	1,375	1,375
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Returns (%)					
ROE	29.1	27.7	27.9	31.9	30.7
Dividend yield	na	na	2.7	1.6	1.9
Per share					
EPS - reported (RMB)	37.2	41.8	49.8	59.4	69.0
DPS (RMB)	19.3	21.7	51.8	30.9	35.9
BVPS (RMB)	128.4	150.9	179.0	186.6	224.7

Source: Company data, CMBIGM estimates

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