

投资决策

买入

伊利股份 (600887.SS)

潜在回报: 19%



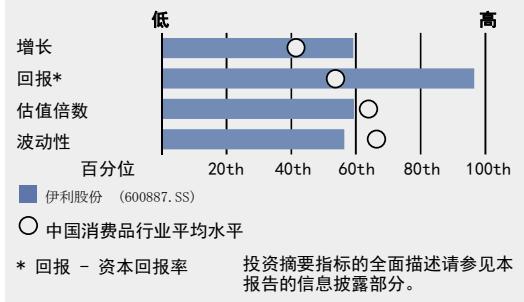
证券研究报告

布局有利形势 - 买入，并加入强力买入名单 (摘要)

建议理由

我们认为未来即将出现两方面明确的信号推动伊利估值向上重估: **1) 公司在过去3个月里加紧了推广,凭借主要高端产品扩大其市场领先地位。我们预计公司销售额在经历了五个表现平平的季度后,将从2017年二季度开始以接近两位数的速度同比增长;** **2) 2017年下半年里,我们预计国内供应削减以及进口下降将推动原奶价格进入上行周期。由于竞争相应放缓,我们认为2017年伊利将能够降低其整体广告促销开支率,抵消成本压力。因此我们目前预计2016-18年营业利润和每股盈利的年均复合增速分别为16%和9%。重申对该股的买入评级,并作为我们在该板块的首选股而加入强力买入名单,12个月目标价格为人民币22.9元,隐含19%的上行空间。**

投资摘要



推动因素

1) 销售额从2017年二季度开始加速增长: 我们预计2017年二/三季度销售额增速为9%,而过去五个季度的增速处于+/-3%。推动销售额加速增长的主要因素在于常温酸奶/高档常温奶进一步强劲增长以及液态奶最近促销力度加大。婴幼儿配方奶业务也在逐步复苏。**2) 控制广告促销开支以及2017年下半年的原奶价格上行周期将抵消毛利率压力:** 我们估测2017年伊利的广告促销开支率将同比下降50个基点。考虑到国内供应削减(因为在当前奶价下,小规模奶农退出无利可图的生产)以及进口下降(因为全球/中国奶价缺口收窄),我们认为2017年下半年中国原奶价格将复苏。在我们看来,这将缓解竞争压力并且下游领先企业将收益最大。**3) 收购并购:** 由于伊利将实现其2020年人民币1000亿元的销售目标,我们预计收购并购将成为对公司未来两年增长愈发重要的来源。我们认为海外高端品牌/非乳业业务可能成为潜在选项,从而令伊利当前的产品结构多元化。

主要数据

	12/16	12/17E	12/18E	12/19E	当前
股价 (Rmb)	0.93	0.96	1.13	1.28	19.31
12个月目标价格 (Rmb)	0.0	0.2	2.6	1.4	22.90
市值 (Rmb mn / US\$ mn)	22.90	117,111.3 / 16,995.3	--	--	
外资持股比例 (%)	--	--	--	--	
每股盈利 (Rmb) 新	0.93	0.96	1.13	1.28	
每股盈利调整幅度 (%)	0.0	0.2	2.6	1.4	
每股盈利增长 (%)	22.2	2.5	17.8	13.3	
每股摊薄盈利 (Rmb) 新	0.93	0.96	1.13	1.28	
市盈率 (X)	17.3	20.2	17.1	15.1	
市净率 (X)	4.2	4.7	4.2	3.9	
EV/EBITDA (X)	12.5	13.8	11.5	10.0	
股息收益率 (%)	3.7	3.2	3.8	4.3	
净资产回报率 (%)	26.3	24.1	25.9	26.8	
CROCI (%)	26.9	27.7	29.1	29.3	

股价走势图



估值

我们将2018-20年每股盈利预测上调至多3%,并将12个月目标价格从人民币22.40元上调至22.90元,基于2018年预期EV/GCI vs. CROCI/WACC(行业现金回报倍数仍为0.9倍)。我们的目标价格隐含20倍的2018年预期市盈率。

主要风险

液态奶销售放缓,毛利率下降,收购并购带来摊薄影响。

* 全文翻译将随后提供

所属投资名单

亚太买入名单

亚太强力买入名单

行业评级: 中性

摩纳哥, CFA 执业证书编号: S1420510120006
+86(21)2401-8902 xufa.liao@ghsl.cn 北京高华证券有限责任公司

北京高华证券有限责任公司及其关联机构与其研究报告所分析的企业存在业务关系,并且继续寻求发展这些关系。因此,投资者应当考虑到本公司可能存在可能影响本报告客观性的利益冲突,不应视本报告为作出投资决策的唯一因素。有关分析师的申明和其他重要信息,见信息披露附录,或请与您的投资代表联系。

伊利股份：财务数据概要

损益表 (Rmb mn)		12/16	12/17E	12/18E	12/19E	资产负债表 (Rmb mn)		12/16	12/17E	12/18E	12/19E
主营业务收入		60,609.2	65,631.7	70,500.4	75,509.4	现金及等价物		13,823.7	15,332.2	17,181.9	18,972.3
主营业务成本		(37,847.5)	(41,277.0)	(43,625.1)	(46,122.5)	应收账款		760.6	823.6	884.7	947.5
销售、一般及管理费用		(17,571.0)	(18,527.9)	(19,851.3)	(21,320.6)	存货		4,325.8	4,491.6	4,747.1	5,271.6
研发费用		0.0	0.0	0.0	0.0	其它流动资产		1,282.7	1,282.7	1,282.7	1,282.7
其它营业收入/ (支出)		(45.7)	(30.0)	(15.0)	(15.0)	流动资产		20,192.7	21,930.1	24,096.3	26,474.1
EBITDA		6,756.8	7,420.9	8,694.3	9,821.5	固定资产净额		14,533.0	14,601.4	15,852.4	17,151.4
折旧和摊销		(1,611.8)	(1,624.0)	(1,685.3)	(1,770.2)	无形资产净额		1,001.6	1,019.1	1,039.0	1,061.2
EBIT		5,145.0	5,796.9	7,009.0	8,051.3	长期投资		2,243.5	2,440.3	2,655.3	2,890.1
利息收入		51.5	66.7	74.0	83.0	其它长期资产		1,291.6	2,620.4	2,746.1	2,880.1
财务费用		(75.4)	(12.0)	(12.0)	(12.0)	资产合计		39,262.3	42,611.3	46,389.1	50,456.9
联营公司		(7.6)	16.3	16.3	16.3	应付账款		10,602.6	11,789.5	12,460.1	13,173.5
其它		1,518.5	964.0	962.7	986.1	短期贷款		150.0	150.0	150.0	150.0
税前利润		6,632.1	6,831.9	8,050.0	9,124.6	其它流动负债		4,154.9	4,245.3	4,911.4	5,499.1
所得税		(963.0)	(1,022.3)	(1,205.1)	(1,366.2)	流动负债		14,907.5	16,184.8	17,521.6	18,822.6
少数股东损益		(7.2)	(7.4)	(8.7)	(9.9)	长期贷款		0.3	0.3	0.3	0.3
优先股股息前净利润		5,661.8	5,802.1	6,836.2	7,748.5	其它长期负债		1,118.6	1,118.6	1,118.6	1,118.6
优先股股息		0.0	0.0	0.0	0.0	负债合计		16,026.4	17,303.7	18,640.5	19,941.5
非经常性项目前净利润		5,661.8	5,802.1	6,836.2	7,748.5	优先股		0.0	0.0	0.0	0.0
税后非经常性损益		0.0	0.0	0.0	0.0	普通股权益		23,081.8	25,146.1	27,578.4	30,335.2
净利润		5,661.8	5,802.1	6,836.2	7,748.5	少数股东权益		154.1	161.5	170.3	180.1
每股基本盈利 (非经常性项目前) (Rmb)		0.93	0.96	1.13	1.28	负债及股东权益合计		39,262.3	42,611.3	46,389.1	50,456.9
每股基本盈利 (非经常性项目后) (Rmb)		0.93	0.96	1.13	1.28	每股净资产 (Rmb)		3.81	4.15	4.55	5.00
每股摊薄盈利 (非经常性项目后) (Rmb)		0.93	0.96	1.13	1.28						
每股股息 (Rmb)		0.60	0.62	0.73	0.82						
股息支付率 (%)		64.4	64.4	64.4	64.4						
自由现金流收益率 (%)		9.6	4.6	4.9	5.5						
增长率和利润率 (%)		12/16	12/17E	12/18E	12/19E	比率		12/16	12/17E	12/18E	12/19E
主营业务收入增长率		0.4	8.3	7.4	7.1	ROCI (%)		26.9	27.7	29.1	29.3
EBITDA增长率		(0.4)	9.8	17.2	13.0	净资产回报率 (%)		26.3	24.1	25.9	26.8
EBIT增长率		2.8	12.7	20.9	14.9	总资产回报率 (%)		14.4	14.2	15.4	16.0
净利润增长率		22.2	2.5	17.8	13.3	平均运用资本回报率 (%)		49.9	58.5	65.2	68.7
每股盈利增长		22.2	2.5	17.8	13.3	存货周转天数		43.3	39.0	38.6	39.6
毛利率		37.6	37.1	38.1	38.9	应收账款周转天数		4.8	4.4	4.4	4.4
EBITDA利润率		11.1	11.3	12.3	13.0	应付账款周转天数		98.6	99.0	101.4	101.4
EBIT利润率		8.5	8.8	9.9	10.7	净负债/股东权益 (%)		(58.8)	(60.0)	(61.4)	(61.7)
						EBIT利息保障倍数 (X)		215.5	NM	NM	NM
现金流量表 (Rmb mn)		12/16	12/17E	12/18E	12/19E	估值		12/16	12/17E	12/18E	12/19E
优先股股息前净利润		5,661.8	5,802.1	6,836.2	7,748.5	基本市盈率 (X)		17.3	20.2	17.1	15.1
折旧及摊销		1,611.8	1,624.0	1,685.3	1,770.2	市净率 (X)		4.2	4.7	4.2	3.9
少数股东权益		7.2	7.4	8.7	9.9	EV/EBITDA (X)		12.5	13.8	11.5	10.0
运营资本增减		5,960.1	958.1	354.1	126.0	企业价值/总投资现金 (X)		3.3	3.7	3.3	2.9
其它		(423.6)	(16.3)	(16.3)	(16.3)	股息收益率 (%)		3.7	3.2	3.8	4.3
经营活动产生的现金流		12,817.3	8,375.4	8,868.0	9,638.2						
资本开支		(3,419.0)	(3,038.8)	(3,081.9)	(3,225.4)						
收购		0.0	0.0	0.0	0.0						
剥离		22.9	0.0	0.0	0.0						
其它		152.9	(180.6)	(198.6)	(218.5)						
投资活动产生的现金流		(3,243.2)	(3,219.4)	(3,280.6)	(3,443.9)						
支付股息的现金 (普通股和优先股)		(2,776.2)	(3,647.4)	(3,737.8)	(4,404.0)						
借款增减		(6,038.0)	0.0	0.0	0.0						
普通股发行 (回购)		0.0	0.0	0.0	0.0						
其它		(0.3)	0.0	0.0	0.0						
筹资活动产生的现金流		(8,814.5)	(3,647.4)	(3,737.8)	(4,404.0)						
总现金流		994.7	1,508.6	1,849.7	1,790.4						

注：最后一个实际年度数据可能包括已公布和预测数据。

资料来源：公司数据、高盛研究预测

对此报告有贡献的人员

廖绩发, CFA

xufa.liao@ghsl.cn

Faster sales from 2Q17; further market share gains

Following five quarters of slower/flattish sales growth, **we now expect acceleration to a high single-digit yoy rate from 2Q17 and sustained growth of 7-8% over the next two years.** Continued liquid milk market share gains from best-selling products, increased promotional intensity and gradual recovery of the infant milk formula (IMF) market will be the main drivers of faster growth, in our view.

Exhibit 1: Yili sales to accelerate to a high-single-digit yoy rate from 2Q17

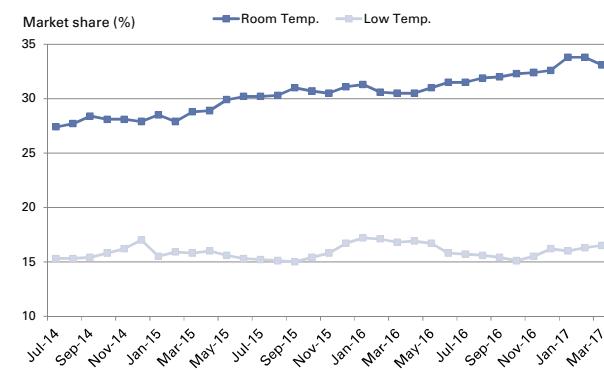
Yili quarterly sales



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 2: Extending dominance in liquid milk share

Yili's China market share



Source: Nielsen.

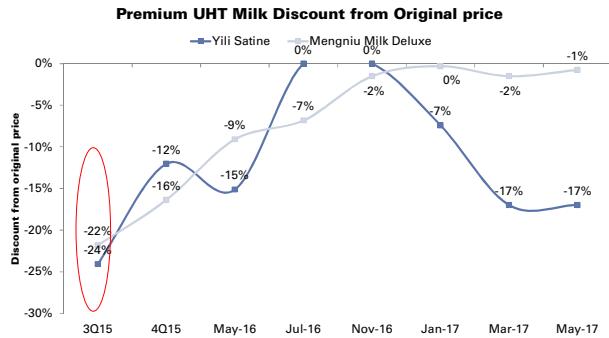
Increasing promotional activity to drive sales

We have seen in the past few months that Yili has started to increase promotional intensity, especially in key product SKUs such as Satine, its premium UHT long-life product.

The data we track from Carrefour supermarket in Shanghai indicate Yili has offered on average 17% price discounts for Satine, vs. almost no price discount for Mengniu's Milk Deluxe in 1Q17. The discount for Satine is larger than in 2H16 (-5% on average) but similar to 1H16's level. We observe similar discounting for Yili's UHT yogurt products as competition remains intense in that category.

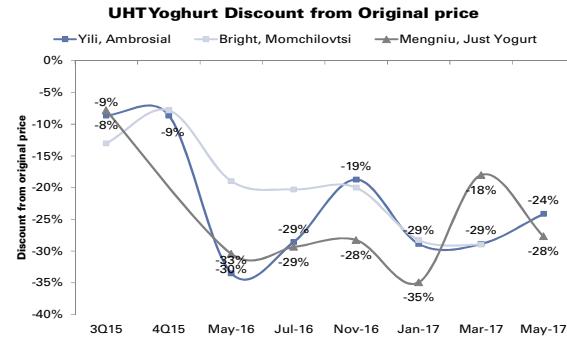
We believe this increased promotion level is consistent with the company's strategy for 2017: to focus more on sales growth and target an 8% increase in organic sales for 2017. We expect Yili's sales to start benefiting from this strategic move from 2Q17 and we see both leaders Yili and Mengniu gaining market share from the small regional players.

Exhibit 3: Yili recently added price discounts for premium UHT milk to stimulate sales
Price discounts – Premium UHT



Source: Carrefour Shanghai.

Exhibit 4: UHT yogurt category competition is still intense in 2017
Price discounts – UHT yogurt



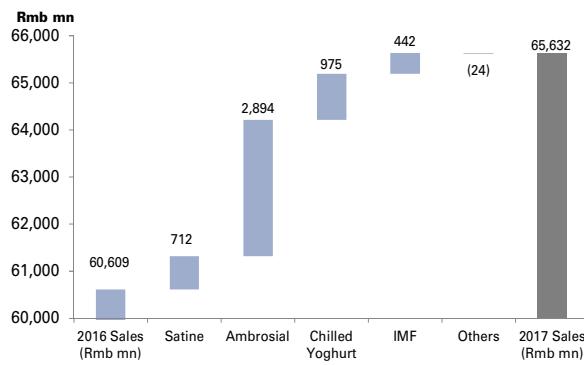
Source: Carrefour Shanghai.

Premium UHT milk and yogurt are key growth drivers

As illustrated in Exhibits 5 and 6, we expect UHT/chilled yogurt and premium UHT milk to contribute the most to Yili's topline, driving the acceleration for 2017.

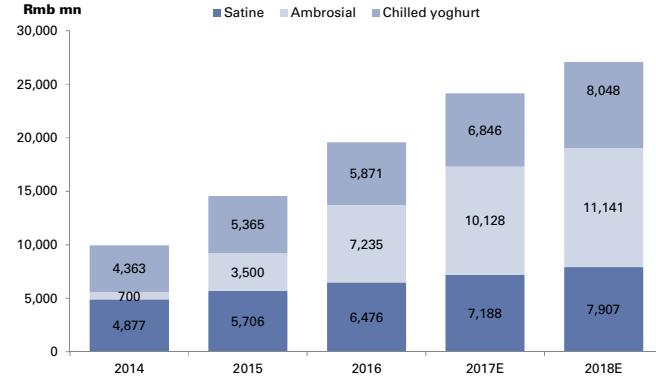
We see the UHT yogurt market continuing to grow at a high-teens yoy rate in 2017 and look for Yili to extend its leadership with a 45% market share (vs less than 30% in 2015). We forecast that Yili's Ambrosial drinkable yoghurt product will record Rmb10bn sales in 2017 (+40% yoy), driven by active marketing campaigns and more product package/taste SKUs.

Exhibit 5: We see UHT and chilled yogurt to contribute the most increase to topline for 2017
Yili sales growth breakdown – 2017



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: Yili Satine, UHT yogurt sales to reach Rmb10bn/7bn level in 2017



Source: Company data, Goldman Sachs Global Investment Research

New products: Yili has recently launched a new bottle-shaped package for Ambrosial. Also, earlier this year the company launched a premium chilled yogurt product Pureday, priced at Rmb9.2/110g. These products cater increasingly to urban consumers who are willing to pay extra for healthy and tasty products. New products contributed about 20% of sales in 2016 and Yili is targeting another 15-20% contribution from new products again in 2017.

**Exhibit 7: Bottle type Ambrosial launched in May...
UHT yogurt SKU**



Source: Company data.

**Exhibit 8: ...following the launch of a new premium product, Pureday, earlier in 2017
Chilled yogurt product**



Source: Company data.

IMF: gradual recovery in 2H17, expect 8% Yili IMF growth

IMF industry sales turned downward yoy in 2016 on a 3% drop in ASP vs. a 2% rise in volume, but Nielsen data indicate a gradual recovery in 1Q17, with 5% growth from ASP and 2% from volume. With a more favorable demographic trend in 2017 (2016 newborns grew over 10% yoy), we expect stronger demand for stage 1-2 products in 2017. Further, we believe stringent regulations, for example on limiting the number of series/formulas per company, will favor larger companies going into 2H17. (Smaller companies typically will offer more series to attract consumers, and their formulas are also less likely to register successfully.)

Our latest price check of mom & baby stores and distributors still indicates a competitive industry for 1H17. However, with smaller brands continuing to exit the market, and with the first batch of registered brands (those for which formulas are registered with the China regulatory authorities) likely to be announced in 3Q17, we expect distributors will become more confident to take on inventory in 2H17.

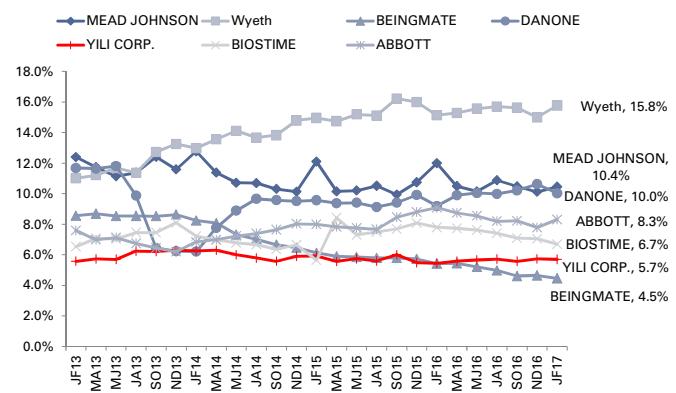
The latest Nielsen data show that Yili maintains a stable market share in offline channels (Exhibit 10), and we expect 8% IMF sales growth in 2017 vs. a 15% decline in 2016.

**Exhibit 9: IMF industry sales recovered in 1Q17
IMF industry volume, ASP yoy**



Source: Company data, Nielsen, Euromonitor.

**Exhibit 10: Yili has maintained a steady share of 5-6%
Nielsen market share data for IMF**



Source: Nielsen.

Product mix, lower A&P ratio to offset gross margin pressure

We believe the market may have concerns about margin pressure on Yili in 2017. In 1Q17, Yili's GPM dropped by 400bps yoy due to rising packaging material costs, while recently added price promotions could also negatively impact GPM for the rest of year.

However, we believe **a better product mix and declining A&P ratio should largely offset the cost pressure.**

1) **We expect steady 4-5% ASP growth from product mix** over 2017-2018E (6.2% in 2016) on stronger growth in flagship products.

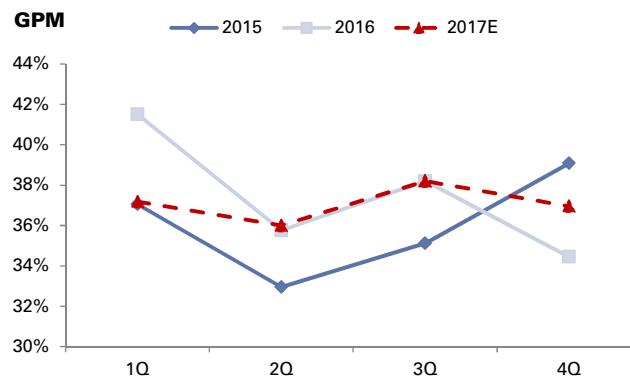
2) We believe Yili will start to **lower its A&P expenses ratio** in 2017, in contrast to the sharp increase over the past three years. In 1Q Yili recorded 400bps yoy lower selling expenses and we expect the full-year SG&A ratio to come in 80bps lower, mainly driven by A&P spending restraint.

Yili's direct peer Mengniu has also commented at result briefings on containing A&P spending and expects a flattish ratio in 2017.

3) **Cost pressures more contained:** The main rising cost for Yili is paper products, which account for less than 5% of total COGS in 2016. The major cost component, raw milk, is likely to stay at a flat level yoy for 2017 as a whole, in our view. In 1H17 we see a continued yoy decline in raw milk cost, while we expect a gradual increase starting from 2H17.

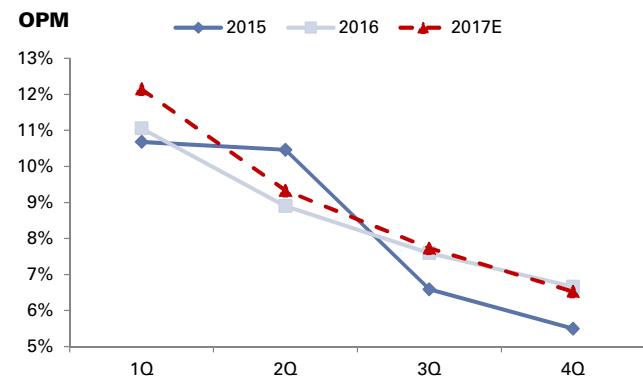
Hence, we expect Yili's gross margin minus selling expenses (i.e. OPM) to remain stable for full-year 2017.

Exhibit 11: 1Q17 GPM was impacted by rising cost and promotions...
Quarterly GPM



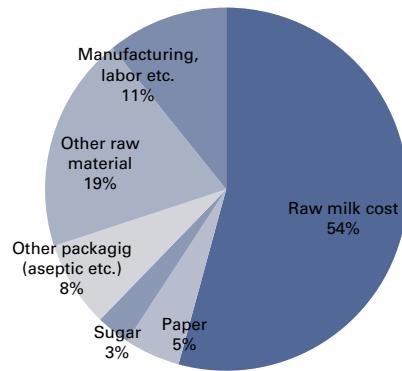
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: ...but we see still stable OPM due to lower SG&A as % of sales
Quarterly OPM



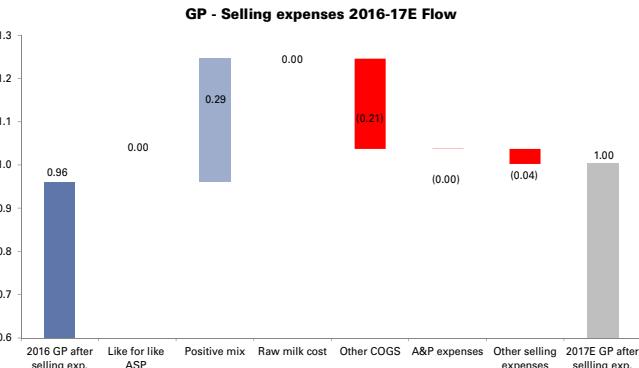
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: Paper and sugar cost rises faster in 2017...
Yili liquid milk COGS breakdown



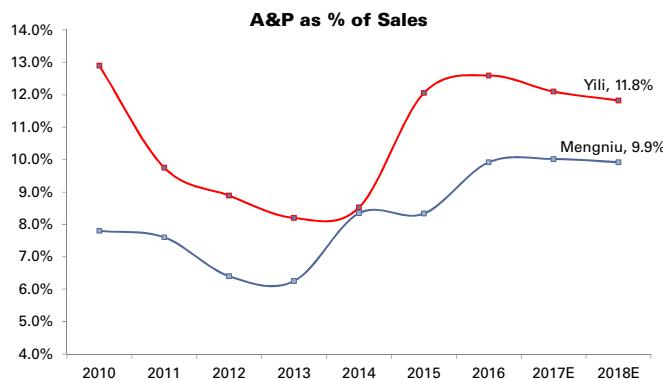
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 14: ...yet Yili further improves product mix, partially offsetting the higher cost
Yili per liter profit breakdown



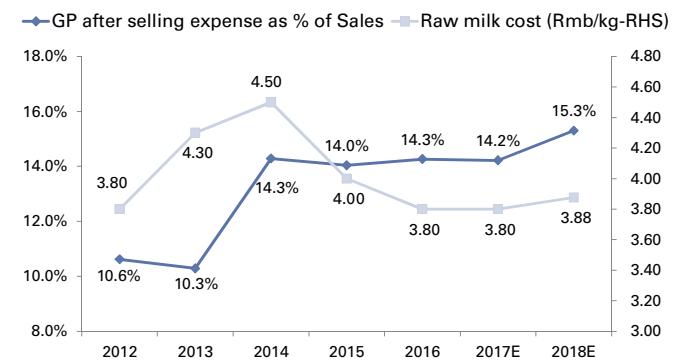
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 15: Yili's A&P level should taper on better supply/demand balance...
A&P ratio



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 16: ...and thus we see a stable OPM trend in 2017-18E
Gross profits after selling expenses vs milk cost



Source: Company data, Goldman Sachs Global Investment Research

Improved balance of milk supply/demand in 2H17 likely to drive milk price uptrend and ease competition

China milk production has continued to shrink since early 2016. The latest Mar-Apr 2017 data indicate milk supply fell back into negative territory after 1Q16's increase (Exhibit 17). The decline has been driven by smaller farmers exiting production due to current milk prices not making profit for them.

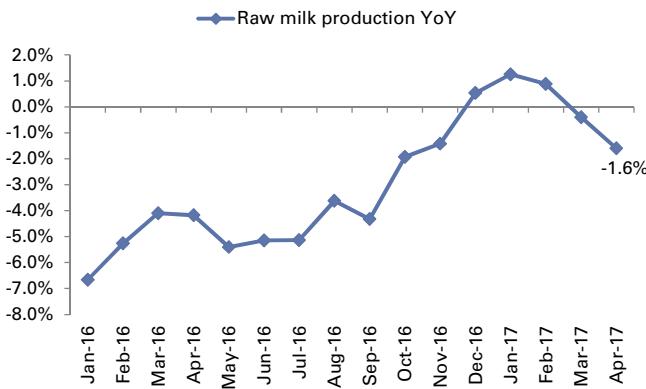
Although the China raw milk price has remained at a weak level over the past 3 months, we highlight that the gap between China and global milk prices has more or less disappeared (China landed cost basis) and hence we expect a continued decline in milk powder imports for the rest of 2017.

We now expect the China raw milk price to bottom out and recover gradually in 2H17. This should reflect balancing supply/demand and less competition/inventory dumping in the market in 2H17. **We believe that industry leaders will benefit most** from a recovery in the supply/demand balance given that an increase in cost will reduce the incentive of smaller players to maintain

price competition in order to clear out inventory or gain market share. Historically, we also see a broad positive correlation for Yili's stock price vs. milk price.

Exhibit 17: China raw milk production still in negative territory

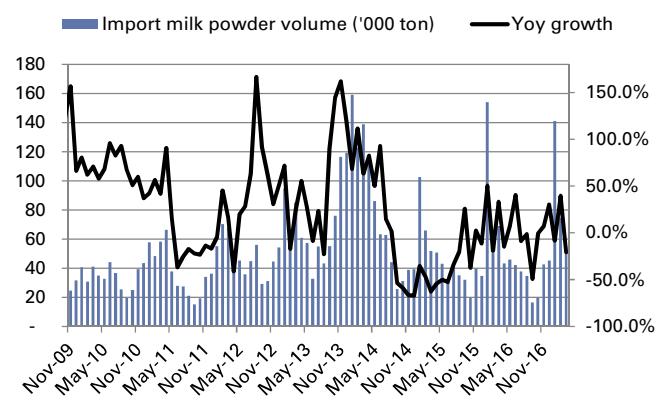
Monthly raw milk production



Source: Ministry of Agriculture of China

Exhibit 18: Import milk powder growth remains subdued

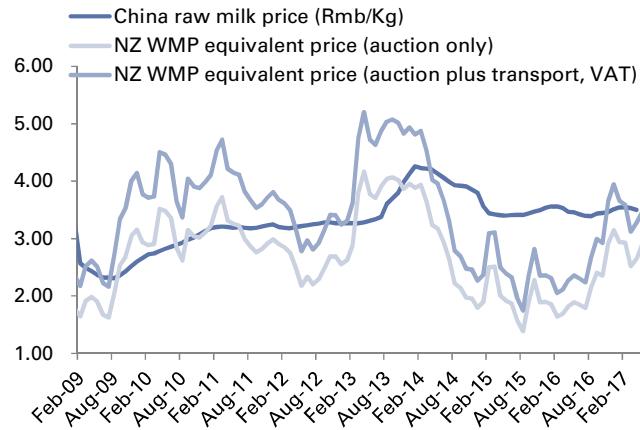
Import milk powder volume yoy



Source: China Dairy Industry Association

Exhibit 19: Gap between Global and China milk price now significantly reduced

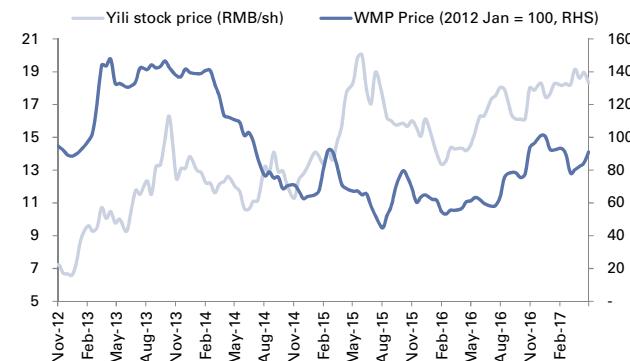
China raw milk vs. WMP prices



Source: hesitan.com, Bloomberg, Datastream.

Exhibit 20: Global milk powder price is broadly correlated with Yili

Yili stock price vs. milk price



Source: Bloomberg, Datastream.

M&A a long term growth engine: 2020 sales target Rmb100bn

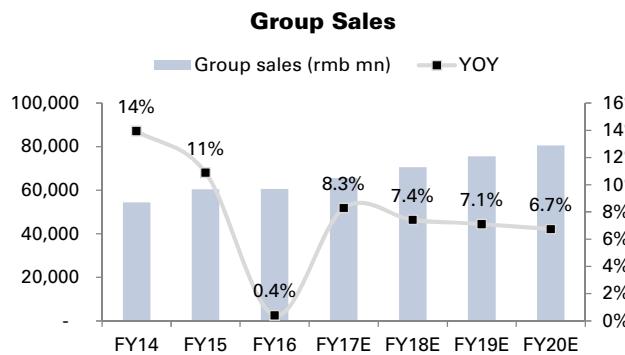
In its 1Q results briefing, Yili reiterated its 2020 sales target of Rmb100bn in 2017. This implies a roughly Rmb20bn gap versus our expectation for organic group sales of Rmb80bn in 2020E.

Accordingly, we believe inorganic M&A will be an important path of growth over the next three years. Yili has taken a prudent approach to M&A in the past and recently canceled the proposed acquisition of Shengmu as both parties mutually agreed not to proceed. Going forward, we expect the premium, overseas brands could be Yili's M&A priority, given it can complement Yili's current product portfolio and extend the premium positioning.

The media (including Bloomberg on May 10, 2017) has recently reported Yili's intention to bid for US organic yogurt brand Stonyfield. While we don't take a view of the accuracy of these reports, we believe that Yili could potentially extend its market leadership if it were to introduce a US brand into China. We believe foreign premium brands have potential to be successful in China, given past precedents such as Meiji, Danone, and Mead Johnson.

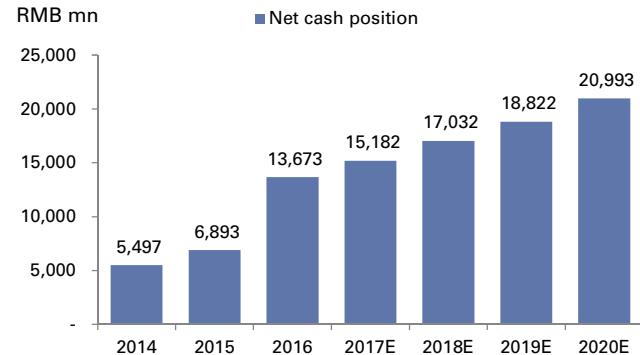
Sufficient cash: Yili had a net cash position of Rmb14bn as of end-2016, and we see it continuing to increase its cash position over the next few years, driven by a stable margin and limited capex needs.

Exhibit 21: We expect Yili to deliver Rmb80bn organic sales by 2020
Group sales and YoY



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 22: While Yili's net cash position is sufficient for potential M&A
Net cash position



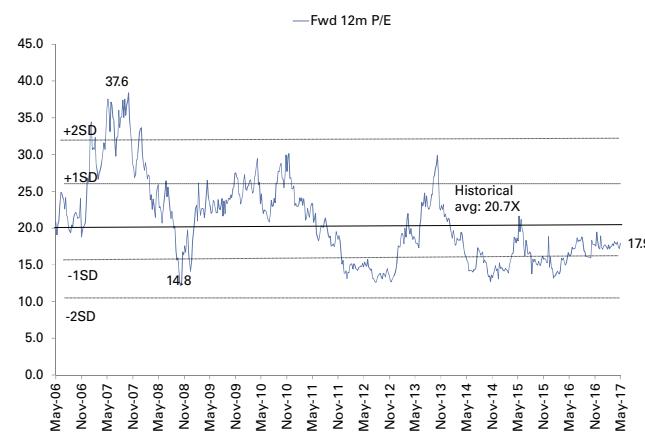
Source: Company data, Goldman Sachs Global Investment Research

Best risk-reward among staples: 16% OP CAGR, 24% ROE, 17X P/E

Reflecting sales acceleration and better margin outlook, we raise our 2018-20E EPS by up to 3%, and with this lift our 12-month target price to Rmb22.90, from Rmb22.40. Yili is now trading at **18X 12m fwd P/E, lower than its 10-year historical average of 21X**, even after outperforming the market (CSI300) since January 2016 by c.26%. We continue to value Yili using **2018E EV/GCI vs CROCI/WACC**, applying a 10% premium to reflect higher returns and growth profile. We believe cash returns have become an increasingly important factor for investors given slower growth in the dairy sector. Our 12-month target price implies a 2018E P/E of 20X, below its historical average of 21X, and offers return potential of 21%, highest in our sector coverage. **We reiterate our Buy rating, adding the shares to our Conviction List as our top pick in the sector.**

Exhibit 23: Yili is now trading at c.18X fwd P/E, below its historical average of 21X

Yili P/E chart



Source: Bloomberg

Exhibit 24: We value Yili based on 2018E CROCI/WACC and EV/GCI

TP calculation (priced as of May 24 close)

Company Name	Yili
Ticker	600887.SS
Pricing/Reporting Currency	Rmb/Rmb
CROCI (2018E)	29.1%
WACC	7.4%
CROCI/WACC (X)	3.94x
Sector Val-ratio	0.9x
Valuation premium/discount	10%
Adjusted Val-ratio (Y)	1.0x
Target EV/GCI (=X*Y)	3.98x
GCI (pricing currency mn, 2018 E)	30,600
Target EV (pricing currency mn, 2018E)	121,892
Less: Net debt (pricing currency mn)	17,032
Less: MI (pricing curr mn 2018E)	(170)
Implied equity value (Pricing Currency)	138,753
Number of shares (mn)	6,065
Director's cut TP (Pricing Currency)	22.9
Current price	18.9
Potential upside / (downside)	21%
Rating	CL-Buy
TP implied 2018E P/E	20.3
Current 2018E P/E	16.7

Source: Goldman Sachs Global Investment Research

Exhibit 25: Yili to deliver close to 30% CROCI in 2018E CROCI quartiling

Ticker	Company name	CROCI 2014	CROCI 2015	CROCI 2016	CROCI 2017E	CROCI 2018E	CROCI 2019E	Avg 2017E-2019E
600887.SS	Inner Mongolia Yili	26.4%	26.2%	26.9%	27.7%	29.1%	29.3%	28.7%
0151.HK	Want Want China Holdings	23.4%	24.2%	37.0%	18.1%	16.0%	14.9%	16.3%
0288.HK	WH Group Ltd.	14.4%	13.7%	17.3%	15.1%	14.8%	14.8%	14.9%
1112.HK	Biostime International Holdings Limited	26.0%	9.0%	18.2%	13.3%	12.8%	12.9%	13.0%
600597.SS	Bright Dairy	13.5%	15.1%	15.9%	13.7%	12.3%	11.6%	12.5%
0220.HK	Uni-President China Holdings Ltd.	7.9%	9.2%	9.1%	8.6%	8.9%	8.8%	8.8%
0322.HK	Tingyi (Cayman Islands) Holdings	9.9%	8.2%	10.2%	9.4%	9.6%	9.8%	9.6%
2319.HK	Mengniu Dairy	11.7%	8.8%	8.0%	9.0%	9.2%	9.3%	9.2%
1117.HK	China Modern Dairy Holdings	17.1%	11.8%	6.5%	8.6%	8.3%	8.6%	8.5%
0168.HK	Tsingtao Brewery (H)	9.9%	7.0%	6.0%	8.0%	8.0%	8.4%	8.1%
291.HK	China Resources Beer	6.7%	8.2%	6.0%	7.6%	8.1%	8.7%	8.1%

Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 26: Yili is trading at 17X 2018E P/E, lower than its Chinese peers' average of 18X
 Comp sheet for Chinese/global consumer staples

BBG Ticker	Name	Mkt Cap	Last Close Price	GS Rating	Target Price L.C.	List Cntry L.C.	Report Cntry L.C.	Price 6M Chg %	EPS 16-18E CAGR %	PE CY17E (X)	PE CY18E (X)	PEG 2Yr CAGR	EV/EBITDA CY17E (X)	EV/EBITDA CY18E (X)	P/B CY17E (X)	Div Yield CY17E %	Div Yield CY18E %	ROE CY17E %	ROE CY18E %	
China Dairy																				
600887 CH	Yili	16,648	18.9	Buy*	22.9	CNY	CNY	(0.2)	9.9	19.7	16.7	2.0	13.4	11.2	4.6	3.3	3.8	23.9	25.8	
2319 HK	Mengniu	8,002	15.9	Buy	17.4	HKD	CNY	1.8	22.9	21.6	17.7	1.2	13.9	12.0	2.4	0.8	1.1	11.0	11.0	
600597 CH	Bright Dairy	2,054	11.5	Neutral	13.4	CNY	CNY	(19.9)	3.3	24.9	23.5	7.5	7.9	8.5	2.6	1.6	1.7	8.9	8.7	
1117 HK	Modern Dairy^	1,141	1.5	Neutral	1.62	HKD	CNY	(25.6)	47.6	17.5	12.1	0.6	11.2	9.6	1.1	-	0.7	(1.7)	3.9	
151 HK	Want Want China	8,644	5.4	Sell	4.1	HKD	CNY	9.8	(7.2)	19.4	20.0	(2.4)	11.6	11.7	4.6	2.6	2.8	24.4	21.8	
Average		7,298								20.3	18.0		1.1	12.7	11.3	3.9	2.4	2.8	19.5	20.0
China IMF																				
1112 HK	Biostime	1,726	21.3	Neutral	25.1	HKD	CNY	(14.0)	7.3	16.3	15.0	2.4	10.4	9.5	3.0	0.6	0.7	20.7	18.8	
1230 HK	Yashili	865	1.4	NC	N/A	HKD	CNY	(11.3)	nmf	na	78.5	na	98.4	22.7	1.1	0.2	0.4	(0.6)	1.4	
002570 CH	Beingmate	2,017	13.6	NC	N/A	CNY	CNY	12.1	nmf	197.0	81.4	na	57.0	38.7	4.6	0.1	0.2	1.9	5.0	
Average		1,536								113.6	56.0		2.4	47.3	24.8	3.3	0.3	0.4	8.5	9.5
Global leaders																				
BN FP	Danone	48,762	66.7	NR	N/A	EUR	EUR	12.8	3.5	21.2	20.1	6.1	12.1	11.8	3.1	2.6	2.7	14.3	14.2	
NESN SW	Nestle	261,151	82.2	Buy	81.0	CHF	CHF	21.1	8.3	23.3	21.7	3.1	15.7	15.2	3.7	2.9	3.1	16.2	17.0	
FSF NZ	Fonterra	6,882	6.1	NC	N/A	NZD	NZD	3.2	5.6	11.6	10.5	2.1	8.1	7.6	1.4	6.7	6.9	11.6	12.5	
ALMARAI AB	Almarai	16,532	78.0	Neutral	71.6	SAR	SAR	19.7	16.6	25.5	22.1	1.8	18.3	16.4	4.7	1.5	1.5	19.0	19.2	
CHR DC	CHR Hansen	9,235	465.7	Neutral	402.0	DKK	EUR	16.6	13.7	36.7	32.4	2.9	23.4	20.7	27.8	2.1	1.6	80.9	69.6	
MJN US	Mead Johnson	16,351	89.1	Not Rated	N/A	USD	USD	23.0	0.5	27.7	25.8	56.5	18.5	17.5	NA	2.1	2.3	(110.5)	(93.5)	
2289 JP	Meiji	12,453	9,120.0	Neutral	10,000.0	JPY	JPY	0.1	6.1	19.7	20.4	3.2	10.8	9.2	3.2	1.4	1.5	13.8	13.9	
Average		53,052								23.3	21.7		5.7	15.4	14.7	4.3	2.8	3.0	11.9	13.0
China F&B/FMCG																				
322 HK	Tingyi	6,865	9.5	Neutral	8.2	HKD	USD	5.1	26.5	25.7	22.6	1.4	7.9	7.3	2.4	1.9	2.2	7.4	7.8	
220 HK	UPC	3,361	6.1	Neutral	4.7	HKD	CNY	11.6	17.7	34.6	27.5	2.1	10.7	9.6	1.8	0.6	0.7	5.4	6.5	
168 HK	Tsingtao	6,038	33.5	Neutral	31.5	HKD	CNY	8.1	12.0	32.8	30.6	3.1	14.2	13.2	2.3	1.4	1.3	6.9	7.2	
600519 CH	Kweichow Moutai	82,098	450.3	Buy*	473.6	CNY	CNY	42.1	24.1	26.7	22.0	1.4	15.8	12.8	6.8	1.9	2.3	25.9	27.0	
288 HK	WH Group	13,205	7.0	Buy	7.9	HKD	USD	13.0	7.1	12.1	11.3	1.8	6.3	5.8	2.0	4.3	4.9	15.2	14.6	
Average		20,018								24.8	19.9		1.9	13.7	10.7	5.2	2.1	2.6	21.9	22.6

[^] Excl. biological FV chg gain / (loss)

Note: Based on May 24, 2017 closing prices. Target prices are on a 12-month timeframe. NC = Not Covered. * denotes stock is on our regional Conviction List. Figures for Not Covered companies are based on Bloomberg consensus forecasts.

Source: Bloomberg, Gao Hua Securities Research, Goldman Sachs Global Investment Research

Key risks: Slower liquid milk sales, lower margin from rising cost and competition, dilutive M&A

We see three key risks to our investment thesis, detailed below.

Slower liquid milk sales: The company could see slower basic UHT milk and chilled yogurt growth from weaker-than-expected demand. More proactive attempts to gain market share by peers could also impact sales growth potential.

Lower margin from rising cost and competition: Commodity costs including paper, sugar and milk costs could move adversely, affecting Yili's margin. Also higher pricing competition from peers and import players could impact Yili's GPM and result in higher A&P spending than we forecast.

Dilutive M&A: Yili is currently seeking potential M&A opportunities. Depending on the price paid and/or performance of any potential acquisition, this could impact Yili's high ROE or EPS.

Exhibit 27: We expect Yili to deliver high-single-digit topline growth and mid-teens OP growth over 2016-2018E
 Financial forecasts

Yili Industrial Group (600887.SS)

Rmb millions

Divisional P/L	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	16-18E 2yr CAGR	16-20E 4yr CAGR
Revenues (external only)										
Liquid milk (inc. Yogurt)	37,116	42,406	47,151	49,522	54,471	58,704	63,013	67,594	8.9%	8.1%
Frozen dairy	4,243	4,284	4,098	4,194	4,362	4,536	4,718	4,859	4.0%	3.7%
Milk powder and products	5,512	6,013	6,447	5,456	5,898	6,325	6,772	7,063	7.7%	6.7%
Mixed feed	583	783	1,058	408	-	-	-	-	-100.0%	-100.0%
Others	325	950	1,605	1,029	901	935	1,007	1,078	-4.7%	1.2%
	47,779	54,436	60,360	60,609	65,632	70,500	75,509	80,595	7.9%	7.4%
Gross Profit										
Liquid milk	9,684	13,071	16,069	17,808	19,411	21,738	23,995	26,371	10.5%	
Forzen dairy	1,391	1,501	1,489	1,806	1,836	1,864	1,939	1,997	1.6%	
Milk powder and products	2,414	2,743	3,609	3,065	3,195	3,363	3,533	3,615	4.8%	
Mixed feed	66	122	212	101	-	-	-	-	-100.0%	
Others	141	599	606	402	400	434	480	526	3.9%	
	13,696	18,036	21,984	23,182	24,842	27,399	29,948	32,509	8.7%	8.8%
YoY Growth (%)										
Revenues (external only)	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E		
Liquid milk	15%	14%	11%	5%	10%	8%	7%	7%		
Frozen dairy	-1%	1%	-4%	2%	4%	4%	4%	4%	3%	
Milk powder and products	23%	9%	7%	-15%	8%	7%	7%	4%		
Mixed feed	-15%	34%	35%	-61%	-100%					
Others	28%	192%	69%	-36%	-12%	4%	8%	7%		
	14%	14%	11%	0.4%	8.3%	7.4%	7.1%	6.7%		
Margins										
Gross Profit	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	ppt	ppt
Liquid milk	26.1%	30.8%	34.1%	36.0%	35.6%	37.0%	38.1%	39.0%	1.1%	0.0%
Forzen dairy	32.8%	35.0%	36.3%	43.1%	42.1%	41.1%	41.1%	41.1%	-2.0%	-2.0%
Milk powder and products	43.8%	45.6%	56.0%	56.2%	54.2%	53.2%	52.2%	51.2%	-3.0%	-5.0%
Mixed feed	11.3%	15.6%	20.1%	24.7%	-	-	-	-		
Others	43.4%	63.0%	37.7%	39.1%	44.3%	46.4%	47.7%	48.7%	7.3%	9.7%
	28.7%	33.1%	36.4%	38.2%	37.9%	38.9%	39.7%	40.3%	0.6%	2.1%
Consolidated P/L (Rmb mn)										
Consolidated P/L (Rmb mn)	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	16-18E 2yr CAGR	16-20E 4yr CAGR
Revenue	47,779	54,436	60,360	60,609	65,632	70,500	75,509	80,595	7.9%	7.4%
COGS	-34,317	-36,585	-38,627	-37,848	-41,277	-43,625	-46,123	-48,685		
GP	13,462	17,851	21,733	22,762	24,355	26,875	29,387	31,910	8.7%	8.8%
SG&A (excl. other rev/exp)	(10,938)	(13,238)	(16,714)	(17,571)	(18,528)	(19,851)	(21,321)	(22,699)		
Selling Exp.	(8,546)	(10,075)	(13,258)	(14,114)	(15,022)	(16,086)	(17,212)	(18,475)		
Admin Exp.	(2,392)	(3,163)	(3,456)	(3,457)	(3,506)	(3,766)	(4,109)	(4,224)		
OP	2,524	4,613	5,019	5,191	5,827	7,024	8,066	9,210	16.3%	15.4%
Other income/expenses	(30)	(176)	(14)	(46)	(30)	(15)	(15)	(15)		
EBIT (reported)	2,495	4,437	5,005	5,145	5,797	7,009	8,051	9,195	16.7%	15.6%
D&A	(1,143)	(1,479)	(1,781)	(1,612)	(1,624)	(1,685)	(1,770)	(1,850)		
EBITDA	3,637	5,916	6,786	6,757	7,421	8,694	9,821	11,045	13.4%	13.1%
Net Finance Exp.	33	-155	-297	-24	55	62	71	80		
Other Non-Op Income	533	504	816	1511	980	979	1002	1007		
Profit Before Tax	3,060	4,786	5,624	6,632	6,832	8,050	9,125	10,282	10.2%	11.6%
Tax	141	-619	-869	-963	-1022	-1205	-1366	-1540		
Minority Interest	-14	-22	-23	-7	-7	-9	-10	-11		
NPAT Attributable to S/holders	3,187	4,144	4,632	5,662	5,802	6,836	7,748	8,731	9.9%	11.4%
WA Shares - Basic	3,642	6,129	6,065	6,065	6,065	6,065	6,065	6,065		
WA Shares - Diluted	3,642	6,129	6,065	6,065	6,065	6,065	6,065	6,065		
EPS - Basic (Rmb/Sh)	0.88	0.68	0.76	0.93	0.96	1.13	1.28	1.44		
EPS - Diluted (Rmb/Sh)	0.88	0.68	0.76	0.93	0.96	1.13	1.28	1.44	9.9%	11.4%
Growth										
Sales	14%	14%	11%	0.4%	8.3%	7.4%	7.1%	6.7%		
GP	10%	33%	22%	5%	7%	10%	9%	9%		
SG&A	3%	21%	26%	5%	5%	7%	7%	6%		
Operating profit (GP less SG&A)	53%	83%	9%	3%	12%	21%	15%	14%		
EBIT	52%	78%	13%	3%	13%	21%	15%	14%		
Reported NPAT	86%	30%	12%	22%	2%	18%	13%	13%		
Margins										
GP margin	28.2%	32.8%	36.0%	37.6%	37.1%	38.1%	38.9%	39.6%	0.6%	2.0%
Operating profit (GP less SG&A)	5.3%	8.5%	8.3%	8.6%	8.9%	10.0%	10.7%	11.4%	1.4%	2.9%
EBIT margin	5.2%	8.2%	8.3%	8.5%	8.8%	9.9%	10.7%	11.4%	1.5%	2.9%
Reported NPAT margin	6.7%	7.6%	7.7%	9.3%	8.8%	9.7%	10.3%	10.8%	0.4%	1.5%
SG&A/Sales	-22.9%	-24.3%	-27.7%	-29.0%	-28.2%	-28.2%	-28.2%	-28.2%	0.8%	0.8%
Effective Tax Rate	5%	-13%	-16%	-15%	-15%	-15%	-15%	-15%		

Source: Company data, Goldman Sachs Global Investment Research

Gao Hua Securities acknowledges the role of Lincoln Kong, CFA and Yuqing Li of Goldman Sachs in the preparation of this product.

信息披露附录

申明

本人, 廖绪发, CFA, 在此申明, 本报告所表述的所有观点准确反映了本人对上述公司或其证券的个人看法。此外, 本人薪金的任何部分不曾与, 不与, 也将不会与本报告中的具体推荐意见或观点直接或间接相关。

投资摘要

投资摘要部分通过将一只股票的主要指标与其行业和市场相比较来评价该股的投资环境。所描述的四个主要指标包括增长、回报、估值倍数和波动性。增长、回报和估值倍数都是运用数种方法综合计算而成, 以确定该股在地区研究行业内所处的百分位排名。

每项指标的准确计算方式可能随着财务年度、行业和所属地区的不同而有所变化, 但标准方法如下:

增长是下一年预测与当前年度预测的综合比较, 如每股盈利、EBITDA 和收入等。**回报**是各项资本回报指标一年预测的加总, 如 CROCI、平均运用资本回报率和净资产回报率。**估值倍数**根据一年预期估值比率综合计算, 如市盈率、股息收益率、EV/FCF、EV/EBITDA、EV/DACF、市净率。**波动性**根据 12 个月的历史波动性计算并经股息调整。

Quantum

Quantum 是提供具体财务报表数据历史、预测和比率的高盛专有数据库, 它可以用于对单一公司的深入分析, 或在不同行业和市场的公司之间进行比较。

GS SUSTAIN

GS SUSTAIN 是侧重于长期做多建议的相对稳定的全球投资策略。GS SUSTAIN 关注名单涵盖了我们认为相对于全球同业具有持续竞争优势和出色的资本回报、因而有望在长期内表现出色的行业领军企业。我们对领军企业的筛选基于对以下三方面的量化分析: 现金投资的现金回报、行业地位和管理水平(公司管理层对行业面临的环境、社会和企业治理方面管理的有效性)。

信息披露

相关的股票研究范围

廖绪发, CFA: A 股传媒、A 股耐用消费品、A 股食品饮料、中国消费品。

A 股耐用消费品: 格力电器、美的集团、青岛海尔。

A 股食品饮料: 古井贡酒、洋河股份、贵州茅台、泸州老窖、青青稞酒、山西汾酒、青岛啤酒(A)、五粮液。

A 股传媒: 奥飞娱乐、光线传媒、歌华有线、华录百纳、蓝色光标、中南传媒、分众传媒、省广股份、华谊兄弟、IMAX 中国、凤凰传媒、东方明珠、掌趣科技、万达电影、华策影视。

中国消费品: 合生元、光明乳业、现代牧业、华润创业、蒙牛乳业、康师傅控股、青岛啤酒(H)、统一企业、中国旺旺、万洲国际、伊利股份。

与公司有关的法定披露

以下信息披露了高盛高华证券有限责任公司(“高盛高华”)与北京高华证券有限责任公司(“高华证券”)投资研究部所研究的并在本研究报告中提及的公司之间的关系。

没有对下述公司的具体信息披露: 伊利股份(Rmb19.31)

公司评级、研究行业及评级和相关定义

买入、中性、卖出: 分析师建议将评为买入或卖出的股票纳入地区投资名单。一只股票在投资名单中评为买入或卖出由其相对于所属研究行业的总体潜在回报决定。任何未获得买入或卖出评级且拥有活跃评级(即不属于暂停评级、暂无评级、暂停研究或没有研究的股票)的股票均被视为中性评级。每个地区投资评估委员会根据 25-35% 的股票评级为买入、10-15% 的股票评级为卖出的全球指导原则来管理该地区的投资名单; 但是, 在某一特定分析师所覆盖行业中买入和卖出评级的分布可能根据地区投资评估委员会的决定而有所不同。此外, 每个地区投资评估委员会管理着地区强力买入或卖出名单, 该名单以总体潜在回报规模和/或实现回报的可能性为主要依据确立各自研究范围内的投资建议。将股票加入或移出此类强力买入或卖出名单并不意味着分析师对这些股票的投资评级发生了改变。

总体潜在回报: 代表当前股价低于或高于一定时间范围内预测目标价格的幅度, 包括所有已付或预期股息。分析师被要求对研究范围内的所有股票给出目标价格。总体潜在回报、目标价格及相关时间范围在每份加入投资名单或重申维持在投资名单的研究报告中都有注明。

研究行业及评级: 每个行业研究的所有股票名单可登陆 <http://www.gs.com/research/hedge.html> 通过主要分析师、股票和行业进行查询。分析师给出下列评级中的其中一项代表其根据行业历史基本面及/或估值对研究对象的投资前景的看法。**具吸引力(A):** 未来 12 个月内投资前景优于研究范围的历史基本面及/或估值。**中性(N):** 未来 12 个月内投资前景相对研究范围的历史基本面及/或估值持平。**谨慎(C):** 未来 12 个月内投资前景劣于研究范围的历史基本面及/或估值。

暂无评级(NR): 在高盛于涉及该公司的一项合并交易或战略性交易中担任咨询顾问时并在某些其他情况下, 投资评级和目标价格已经根据高盛的政策予以除去。

暂停评级(RS): 由于缺乏足够的基础去确定投资评级或价格目标, 或在发表报告方面存在法律、监管或政策的限制, 我们已经暂停对这种股票给予投资评级和价格目标。此前对这种股票作出的投资评级和价格目标(如有的话)将不再有效, 因此投资者不应依赖该等资料。**暂停研究(CS):** 我们已经暂停对该公司的研究。

没有研究(NC): 我们没有对该公司进行研究。**不存在或不适用(NA):** 此资料不存在或不适用。**无意义(NM):** 此资料无意义, 因此不包括在报告内。

一般披露

本报告在中国由高华证券分发。高华证券具备证券投资咨询业务资格。

本研究报告仅供我们的客户使用。除了与高盛相关的披露, 本研究报告是基于我们认为可靠目前已公开的信息, 但我们不保证该信息的准确性和完整性, 客户也不应该依赖该信息是准确和完整的。报告中的信息、观点、估算和预测均截至报告的发表日, 且可能在不事先通知的情况下进行调整。我们会适时地更新我们的研究, 但各种规定可能会阻止我们这样做。除了一些定期出版的行业报告之外, 绝大多数报告是在分析师认为适当的时候不定期地出版。

高盛高华为高华证券的关联机构，从事投资银行业务。高华证券、高盛高华及它们的关联机构与本报告中涉及的大部分公司保持着投资银行业务和其它业务关系。

我们的销售人员、交易员和其它专业人员可能会向我们的客户及自营交易部提供与本研究报告中的观点截然相反的口头或书面市场评论或交易策略。我们的资产管理部门、自营交易部和投资业务部可能会做出与本报告的建议或表达的意见不一致的投资决策。

本报告中署名的分析师可能已经与包括高华证券销售人员和交易员在内的我们的客户讨论，或在本报告中讨论交易策略，其中提及可能会对本报告讨论的证券市场价格产生短期影响的推动因素或事件，该影响在方向上可能与分析师发布的股票目标价格相反。任何此类交易策略都区别于且不影响分析师对于该股的基本评级，此类评级反映了某只股票相对于报告中描述的研究范围内股票的回报潜力。

高华证券及其关联机构、高级职员、董事和雇员，不包括股票分析师和信贷分析师，将不时地对本研究报告所涉及的证券或衍生工具持有多头或空头头寸，担任上述证券或衍生工具的交易对手，或买卖上述证券或衍生工具。

在高盛组织的会议上的第三方演讲嘉宾（包括高华证券或高盛其它部门人员）的观点不一定反映全球投资研究部的观点，也并非高华证券或高盛的正式观点。

在任何要约出售股票或征求购买股票要约的行为为非法的地区，本报告不构成该等出售要约或征求购买要约。本报告不构成个人投资建议，也没有考虑到个别客户特殊的投资目标、财务状况或需求。客户应考虑本报告中的任何意见或建议是否符合其特定状况，以及(若有必要)寻求专家的意见，包括税务意见。本报告中提及的投资价格和价值以及这些投资带来的收入可能会波动。过去的表现并不代表未来的表现，未来的回报也无法保证，投资者可能会损失本金。

某些交易，包括牵涉期货、期权和其它衍生工具的交易，有很大的风险，因此并不适合所有投资者。外汇汇率波动有可能对某些投资的价值或价格或来自这一投资的收入产生不良影响。

投资者可以向高华销售代表取得或通过 <http://www.theocc.com/about/publications/character-risks.jsp> 取得当前的期权披露文件。对于包含多重期权买卖的期权策略结构产品，例如，期权差价结构产品，其交易成本可能较高。与交易相关的文件将根据要求提供。

所有研究报告均以电子出版物的形式刊登在高华客户网上并向所有客户同步提供。高华未授权任何第三方整合者转发其研究报告。有关某特定证券的研究报告、模型或其它数据，请联络您的销售代表。

北京高华证券有限责任公司版权所有 © 2017 年

未经北京高华证券有限责任公司事先书面同意，本材料的任何部分均不得(i)以任何方式制作任何形式的拷贝、复印件或复制品，或(ii)再次分发。