

买入

CL

贵州茅台 (600519.SS)

冻结经销商数量和经销商配额；重申买入评级 (位于强力买入名单) (摘要)

600519.SS 12个月目标价格: Rmb842.00 股价: Rmb686.98 上涨空间: 22.6%

2018年年底，贵州茅台在其年度经销商大会上宣布对销售渠道进行重大调整，引起投资者的广泛关注。我们将在本文中分析贵州茅台将如何向直销渠道加大投放、渠道改革可能对销售均价/盈利产生何样影响，并解答其他一些问题。

为何现在改革？为减少寻租机会和潜在腐败空间，贵州茅台冻结了经销商数量和经销商配额。此外，2016年推出的“新零售”线上经销模式的进展不及预期，主要归因于未能消除线上/线下套利机会（尽管这种模式可帮助公司更深入地了解客户）。公司转而将致力于加大直销渠道投放，增开新店、并提高商超和线上零售等第三方的销售力度。需要说明的是，经销商渠道仍将占主导地位、但占比将大幅下降，在2019年茅台酒总销量中的占比预计将从2018年的80%降至56%，直销渠道的重要地位将上升。

重获利润：我们认为上述调整将加速推进渠道改革，其目的不仅是提升定价能力，还旨在通过加大直销投放、在价值链上重获利润份额。总体而言，我们积极看待贵州茅台的渠道改革，并将2019-2021年收入预测上调1.2%-3.8%，将2019-2021年每股盈利预测上调3.5%-6.6%，以主要反映销售渠道结构调整带动的销售均价上升。我们还推出了2022年预测，并将12个月目标价格从人民币708元上调至842元，仍基于22倍市盈率（但延展至2022年）并以10%的行业股权成本贴现回2019年计算得出。鉴于贵州茅台的市场领先地位和明确的增长潜力，我们维持对该股的买入评级（位于强力买入名单）。

* 全文翻译随后提供

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主要数据

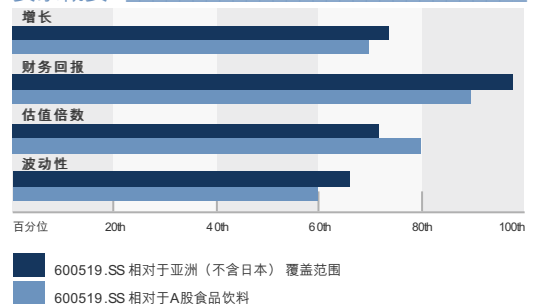
市值: Rmb863.0bn / \$127.5bn
企业价值: Rmb759.3bn / \$112.4bn
3个月日均成交量: Rmb2.7bn / \$388.5mn
中国
A股食品饮料
并购概率: 3
AEJ强力买入/卖出名单
GS Sustain 50关注名单

预测

	12/17	12/18 E	12/19 E	12/20 E
主营业务收入 (Rmb mn) 新	61,062.8	75,347.5	87,968.9	102,048.3
主营业务收入 (Rmb mn) 旧	61,062.8	75,823.3	86,919.7	98,347.8
EBITDA (Rmb mn)	40,010.1	50,145.6	59,311.7	69,384.1
每股盈利 (Rmb) 新	21.56	27.15	32.21	37.76
每股盈利 (Rmb) 旧	21.56	26.97	31.12	35.42
市盈率 (X)	22.2	25.3	21.3	18.2
市净率 (X)	6.6	8.0	6.7	5.7
股息收益率 (%)	2.3	2.0	2.3	2.7
CROCI (%)	33.4	33.6	33.1	32.4

	9/18	12/18 E	3/19 E	6/19 E
每股盈利 (Rmb)	7.14	7.46	7.69	6.98

要素概要



资料来源：公司数据、高盛研究预测

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买入

贵州茅台 (600519.SS)

评级自2013年12月3日

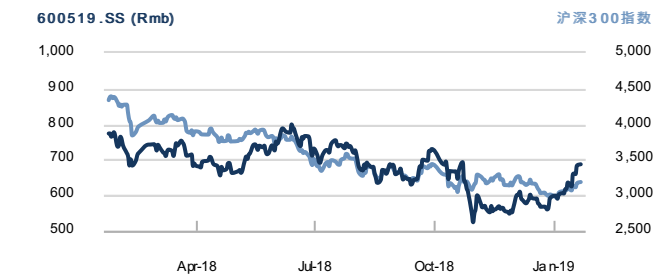
比率和估值

	12/17	12/18 E	12/19 E	12/20E
市盈率 (X)	22.2	25.3	21.3	18.2
市净率 (X)	6.6	8.0	6.7	5.7
自由现金流收益率 (%)	3.5	4.2	5.0	5.8
EV/EBITDA (X)	19.5	15.1	12.4	10.2
CROCI (%)	33.4	33.6	33.1	32.4
净资产回报率 (%)	33.0	34.1	34.1	33.7
净负债/股东权益 (%)	(91.5)	(95.9)	(99.0)	(101.4)
利息保障倍数 (X)	7,831.6	NM	NM	NM
存货销售天数	127.6	112.2	105.7	100.2
应收账款周转天数	14.2	12.2	12.5	12.9
应付账款周转天数	1,632.7	1,696.9	1,783.4	1,793.0
杜邦净资产回报率 (%)	28.2	29.5	29.2	28.6
周转率 (X)	0.5	0.5	0.5	0.4
杠杆比率 (X)	1.4	1.4	1.4	1.4

增长率和利润率 (%)

	12/17	12/18 E	12/19 E	12/20E
主营业务收入增长率	52.1	23.4	16.8	16.0
EBITDA增长率	59.0	25.3	18.3	17.0
每股盈利增长	62.0	25.9	18.6	17.2
每股股息增速	62.1	23.4	18.6	17.2
EBIT利润率	63.7	64.9	65.9	66.6
EBITDA利润率	65.5	66.6	67.4	68.0
净利润率	44.3	45.3	46.0	46.5

股价走势图



	3个月	6个月	12个月
绝对	2.5%	(7.3)%	(8.4)%
相对于沪深300指数	0.9%	1.6%	23.2%

资料来源: 公司数据、高盛研究预测、FactSet (股价为2019年1月21日收盘价)

损益表 (Rmb mn)

	12/17	12/18 E	12/19 E	12/20E
主营业务收入	61,062.8	75,347.5	87,968.9	102,048.3
主营业务成本	(6,075.7)	(6,500.5)	(7,112.8)	(8,136.2)
销售、一般及管理费用	(16,110.8)	(19,912.0)	(22,847.8)	(25,943.3)
研发费用	(11.2)	(15.1)	(17.6)	(20.4)
其它营业收入/(费用)	8.1	-	-	-
EBITDA	40,010.1	50,145.6	59,311.7	69,384.1
折旧和摊销	(1,125.8)	(1,210.6)	(1,303.4)	(1,415.3)
EBIT	38,884.3	48,935.0	58,008.3	67,968.8
净利息收入/(支出)	55.7	8.8	11.1	13.7
联营公司损益	-	-	-	-
税前利润	38,740.1	48,703.8	57,779.3	67,742.5
税项拨备	(9,733.6)	(12,175.9)	(14,444.8)	(16,935.6)
少数股东损益	(1,927.1)	(2,422.7)	(2,874.1)	(3,369.7)
优先股息	-	-	-	-
非经常性项目前净利润	27,079.4	34,105.1	40,460.4	47,437.1
税后非经常性损益	-	-	-	-
非经常性项目后净利润	27,079.4	34,105.1	40,460.4	47,437.1
EPS (基本, 扣非前) (Rmb)	21.56	27.15	32.21	37.76
EPS (摊薄, 扣非前) (Rmb)	21.56	27.15	32.21	37.76
EPS (基本, 扣非后) (Rmb)	21.56	27.15	32.21	37.76
EPS (摊薄, 扣非后) (Rmb)	21.56	27.15	32.21	37.76
每股股息 (Rmb)	11.00	13.57	16.10	18.88
股息支付率 (%)	51.0	50.0	50.0	50.0

资产负债表 (Rmb mn)

	12/17	12/18 E	12/19 E	12/20E
现金及等价物	87,868.9	110,718.3	137,172.8	167,985.5
应收账款	2,285.3	2,742.4	3,290.8	3,949.0
存货	22,057.5	24,263.2	26,689.6	29,358.5
其它流动资产	37.5	43.2	49.6	57.1
流动资产	112,249.2	137,767.1	167,202.8	201,350.1
固定资产净额	17,262.5	18,403.3	19,837.0	21,588.1
无形资产净额	3,458.6	3,667.7	3,869.7	4,064.7
投资总额	29.0	89.0	149.0	209.0
其它长期资产	1,610.8	1,610.8	1,610.8	1,610.8
资产合计	134,610.1	161,537.9	192,669.2	228,822.7
应付账款	28,112.3	32,329.2	37,178.5	42,755.3
短期债务	0.0	0.0	0.0	0.0
其它流动负债	10,462.6	13,698.3	16,875.9	20,364.3
流动负债	38,574.9	46,027.4	54,054.4	63,119.6
长期债务	-	-	-	-
其它长期负债	15.6	15.6	15.6	15.6
长期负债	15.6	15.6	15.6	15.6
负债合计	38,590.5	46,043.0	54,070.0	63,135.1
优先股	-	-	-	-
普通股权益	91,451.5	108,504.1	128,734.3	152,452.8
少数股东损益	4,568.1	6,990.8	9,864.9	13,234.7
负债及股东权益合计	134,610.1	161,537.9	192,669.2	228,822.7
总现金投资, 名义 (剔除现金)	102,005.8	122,691.7	147,099.4	175,603.1
调整后净负债	(87,868.9)	(110,718.3)	(137,172.8)	(167,985.5)
平均已动资本	8,597.2	6,463.7	3,101.5	(435.8)
每股净资产 (Rmb)	72.80	86.38	102.48	121.36

现金流量表 (Rmb mn)

	12/17	12/18 E	12/19 E	12/20E
净利润	27,079.4	34,105.1	40,460.4	47,437.1
折旧及摊销加回	1,125.8	1,210.6	1,303.4	1,415.3
少数股东权益加回	1,927.1	2,422.7	2,874.1	3,369.7
运营资本增减净额	(8,318.2)	1,554.0	1,874.6	2,249.7
其它经营性现金流	339.0	(5.6)	(6.5)	(7.4)
经营活动产生的现金流	22,153.0	39,286.8	46,506.0	54,464.4
资本开支	(1,125.0)	(2,560.4)	(2,939.1)	(3,361.4)
收购	-	-	-	-
剥离	0.0	-	-	-
其它	4.4	(60.0)	(60.0)	(60.0)
投资活动产生的现金流	(1,120.6)	(2,620.4)	(2,999.1)	(3,421.4)
支付的股息 (普通股和优先股)	(8,525.8)	(13,816.9)	(17,052.6)	(20,230.2)
借款增减	-	-	-	-
其它融资性现金流	1,666.5	0.0	0.0	0.0
筹资活动产生的现金流	(6,859.3)	(13,816.9)	(17,052.6)	(20,230.2)
总现金流	14,173.1	22,849.5	26,454.4	30,812.8
自由现金流	21,028.0	36,726.4	43,567.0	51,103.0

资料来源: 公司数据、高盛研究预测

Reforms will boost direct sales, allowing capture of more margin

As we highlighted in our report earlier this month ([2018 results and 2019 guidance in line, structural reform debut](#)), Moutai announced its reform plan for sales and marketing on Dec 28, which we consider the start of structural reforms.

Key focus of the reform was to address internal corruption.

In May 2018, Moutai announced a change of its chairman, followed by other key management changes at the parent group to listco and all the way down to subsidiaries like Moutai E-com Company and Moutai Marketing Company. The company said that the reason behind the extensive management changes was to address corruption within the firm.

Given the juicy margins available, trade companies are very keen to be awarded a distribution license and existing distributors want to grab more supply and merchants lobby for “written-notes” that allow them to purchase lower priced product. So, the gap between ex-factory price and retail price has allowed opportunities for rent-seeking behavior among certain Moutai employees on the back of the wide arbitrage opportunities.

The local government in Guizhou, where Moutai is headquartered, published a legislation on Jan 17th forbidding government officers and their relatives (including spouse, children and children’s spouses) to carry out business with Moutai directly. Per the legislation, the officers or their families are also not allowed to influence the operation of the Moutai company or any of its affiliated stores, distributors etc. We believe this action taken by the Guizhou government illustrates that Moutai’s reform is not only important for the company but is also highly valued by the government (which owns 100% of the parent group of Moutai).

No new distributors, supply to shift to direct channels

In order to cut out the opportunities for rent seeking, the company decided to freeze the number of distributor numbers and distribution quotas. According to management, there will be no additional contract plan increases for distributors, and the company will not increase the number of distributors or franchised stores going forward. As a result of this policy, we expect to see considerable restructuring of the sales channels with more volume shifting from distributors to the direct sales channel.

For pure numbers, the company guided to 31,000 tons of supply volume for Moutai spirits in 2019 with 17,000 tons to distributors, based on equivalent quotas of 2017 planned volume for current compliant distributors. In order to achieve this, management has said it will increase direct sales.

Distributor channel will still dominate, but direct sales to rise in importance

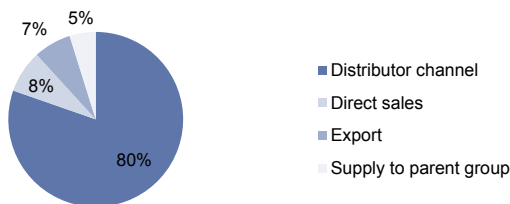
In our view, the distributor channel will remain the dominant sales channel for Moutai spirits in the near-term with the direct sales channel becoming more pivotal. Until 2018, sales volume through distributor channel accounted for over 80% of total Moutai spirits

sales volume. We expect this to shrink to 56% in 2019E, and decline further to c.50% in 2021E.

Exports and supply to the parent group has generally increased with total volume supply, with volume share to these markets up from c.6% five years ago to c.11% in 2017. Going forward, we expect the percentage of export volume and supply to parent group in total volume of Moutai spirits to remain largely stable at 12%-15%.

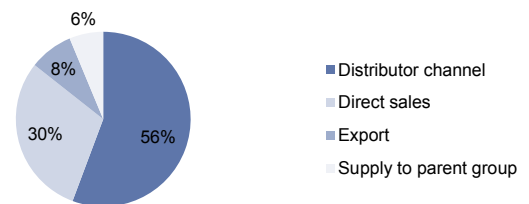
On the other hand, we estimate sales volume through the direct sales channel to more than triple in 2019 vs. 2018 to account for c.30% total sales volume of Moutai spirits. We also expect the structure of direct sales channels to change. Within direct sales channels, self-owned stores and large supermarkets are most controllable and it's relatively easy for Moutai to build new stores or pass on products to supermarkets, in our view. As a consequence, we expect sales volume through these two channels to increase significantly in the coming years (we expect the combined volume share in direct sales to increase from 21% in 2018 to 60% in 2019). Sales of customized products are mainly driven by demand from corporates, and we expect growth to largely remain stable. For sales through written-notes, we expect it to decrease significantly as the company continues to focus on addressing corruption issues.

图表 1: 2018E Moutai spirits sales channel (by volume)
Distributor channel dominates



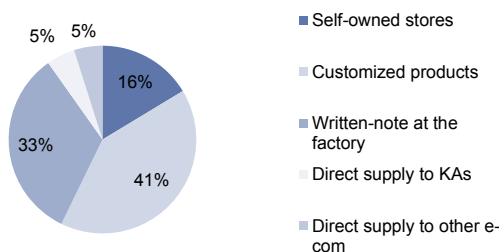
资料来源: Company data, Gao Hua Securities Research

图表 2: 2019E Moutai spirits sales channel (by volume)
Direct sales expected to gain volume share



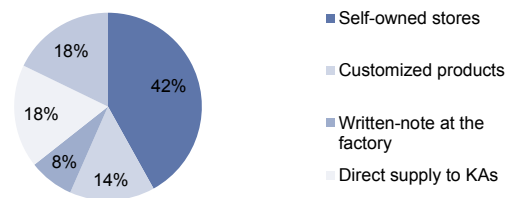
资料来源: Company data, Gao Hua Securities Research

图表 3: 2018 direct sales channel breakdown by volume



资料来源: Company disclosure, Gao Hua Securities Research

图表 4: 2019 direct sales channel breakdown by volume



资料来源: Company disclosure, Gao Hua Securities Research

Challenges to the execution of reform plans

The sales channel reform guided by the company is quite drastic. The planned shift of more than 20% of total supply of Moutai spirits from distributors to direct sales channel will not be easy given the following considerations:

Pricing and distribution in direct sales channels

According to the management, 17,000 tons out of 31,000 tons of Moutai spirits will be signed to distributors in 2019. Although actual shipments to distributors and total supply may be higher than guided numbers, we believe sales through distributors in 2019 will be significantly lower vs. our estimated c.25,000 tons in 2018, implying sales through direct channels will have to make up the difference.

We believe the most feasible and straightforward way for Moutai is to push product sales through self-owned stores but the key question is - will the company look to open new stores or just increase the supply to each store? Opening new stores would take time and also increase CAPEX (the company opened 34 self-owned stores in 2012 at CAPEX of Rmb850mn), while increasing supply to existing stores can also lead to inventory pile up and therefore lead to price pressure, in our view.

Supermarkets - price balance needed to incentivize sales

For direct sales through supermarkets, there is still uncertainty on how it may proceed. It could potentially look to build joint-ventures with large supermarket groups or just sign contract to deliver products, where we believe pricing could be an issue. Theoretically, the ex-factory price to supermarkets should be higher than the price to distributors and lower than retail price. If the price is set high, supermarkets will not have strong incentive to sell and this may affect volumes; but if the price is set low, the company's gross margin will narrow.

E-Commerce - potential for conflict with parent; Cloud platform did not perform as expected

For direct sales through e-com, the main issue is the conflict of interest with the parent group, in our view. Moutai company sold 4%-5% of Moutai spirits to its parent group in the past several years, according to our estimates, but both Moutai company and its parent group also sell Moutai spirits online. The parent company sells Moutai spirits to Moutai E-com Company (25% owned by Moutai and 73% by the parent group), who then sells them to third party e-com platforms like Tmall/Taobao or directly to end customers through Moutai Cloud Store.

Moutai E-com Company is the operator of brand online flagship stores on third party e-coms. Compared with c.1000 tons sold via Moutai E-com Company in 2018, Moutai company only sold c.120 tons directly to third party e-platforms according to our estimates.

Since Moutai only owns 25% stake of Moutai E-com Company, we believe there is the possibility of business competition and conflict of interest with the parent. It still remains

to be seen whether the parent company will cede control of Moutai E-com Company to Moutai to reconcile this conflict.

Moutai Cloud E-com Platform, as a strategic e-commerce platform developed by Moutai E-com Company, was officially launched in 2016. Moutai aimed to alleviate short-term rising pressure on Moutai spirits' retail price and tap a larger chunk of the profit pool by pushing product sales onto this platform at a company guided price. However, due to the price gap between guided price and market price (company guided price is lower than market retail price), arbitrage opportunities arose. Scalpers tried to take advantage of this arbitrage opportunity by buying as much Moutai spirits as they could through Moutai Cloud E-com Platform at a lower price, and then selling to individual consumers at the market retail price. As a result, Moutai started controlling sales through its Cloud E-com Platform and only allowed limited purchase per capita. However, its efforts did not have the desired results as speculators managed to circumvent the system.

Taking 2018 CNY as an example, the market price for 53% vol Feitian Moutai was Rmb 1800/bottle in retail stores while the guided price offered by Cloud Platform was Rmb 1499/bottle. Some speculators used software to automatically place orders on Moutai Cloud E-com Platform and snapped up quotas as soon as the company released any. This squeezed out actual consumers who were not able to buy even one bottle, even after sometimes waiting for hours. Even after Moutai added advanced technologies like ID identification/face identification to its Cloud Platform to prevent speculation in Sep 2018, scalpers still devised ways to find arbitrage opportunities (such as hiring people, often students or senior citizens, to buy the products instead). As a consequence, the company withdrew its plans of selling 30% of distributors' allocated product through the Cloud E-com platform, which was proposed by the company on Nov 2017, and sales through this channel is relative constrained nowadays (30-40% of distributors' allocated volume in 2017 vs c.10% in 2018, according to our estimates). In many ways, the reforms announced in December 2018 supersede the 2017 online plan.

Written notes and Customized - not moving the dial

For the remaining direct sales channels including written-note and customized products, we believe there are two key concerns. First, will it be possible for the company to completely stop sales through written-note? As mentioned earlier, the company's focus on stamping out corruption is the main reason for the current sales channel reform, and management has noted its intention to get rid of the written-note channel. This channel represents c.33% of direct sales volume in 2018 according to our estimates, but we expect this to fall to c.8% in 2019.

Second, the ex-factory price of customized product is still low (Rmb 1299/bottle for 53% Vol Feitian Moutai) compared to the retail price of standard products (Rmb 1800/bottle for 53% Vol Feitian Moutai). Since customized products cannot be readily resold, there is no arbitrage opportunity, but still, we believe Moutai will need to think of pricing and keep a balance between price and volume for customized product.

Price gap is the key to success in direct sales channels

In our view, price gap is the overriding factor that affects the direct sales volume. In 2012, Moutai had an aggressive plan to open 100+ self-owned stores but this did not materialize. The price gap between retail price and ex-factory price of Feitian Moutai peaked at the end of 2011 and Moutai wanted to take this profit by opening self-owned stores.

However, the price gap narrowed swiftly in 2012 due to the fall in retail prices post the implementation of the government's anti-corruption campaign. As a result, operating self-owned stores became less profitable and Moutai discarded the plan for rapid increase of its direct stores. Historically, we have seen that opening self-owned stores has been a good strategy for Moutai, where it could offer appealing retail price on products sold through its self owned stores - especially when retail prices at third party distributors are high. Nevertheless, during low consumption cycles when distributor margins are already thin, self owned stores may not be able to offer a better price given the market price is already close to ex-factory price, in which case sales volume through self-owned stores may decrease sharply.

Can direct sales fully substitute for distributors? No, but we expect the share to normalise at 50%

Although company intends to increasingly focus on direct sales channel to replace part of the distributor channel, we do not believe that the distributor channel can be completely replaced. Distributors, especially big distributors, have their unique sales networks and relationships with buyers, which we think makes it very unlikely that Moutai could or would want to completely eliminate them from its sales structure. Hence, going forward, we expect the distributor channel to still contribute ~50% of total sales volume for Moutai.

Will a change in sales channel structure likely solve corruption issues?

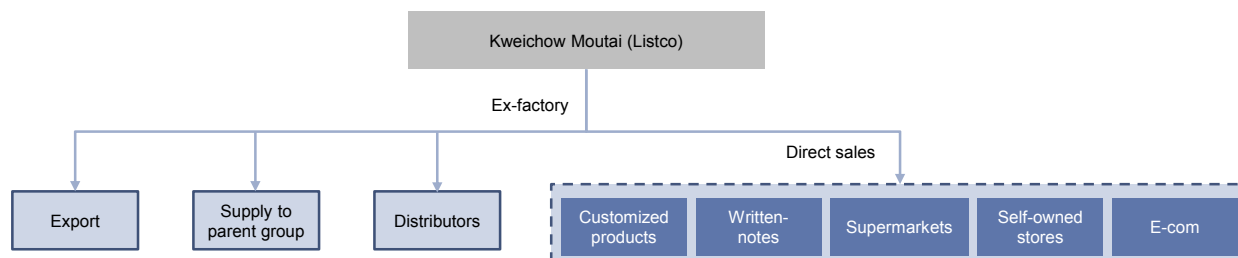
In our view, the key reason for the change in the sales channel structure is that direct sales is less likely to give rise to rent-seeking opportunities and corruption within Moutai.

We note that Moutai has been tackling issues inside the company as recently as Nov, 2018, when the chairman of Moutai E-com Company was removed after "internal inspections" were carried out. The new management team acknowledged, in its letter to distributors, that illegal operations, rent-seeking problems, connected transactions and information leakage have long existed at Moutai E-com Company but it is resolute in working to eradicate these issues. Based on recent steps by the management, including the change in its sales structure, we are increasingly confident on the company making progress on this front. However, it remains to be seen how much these reforms will meet their aims and effect earnings. That said, we give credit to the company for embarking on these reforms, which we expect to be most visible in higher ASPs (see below).

What's the current sales channel at the ex-factory level?

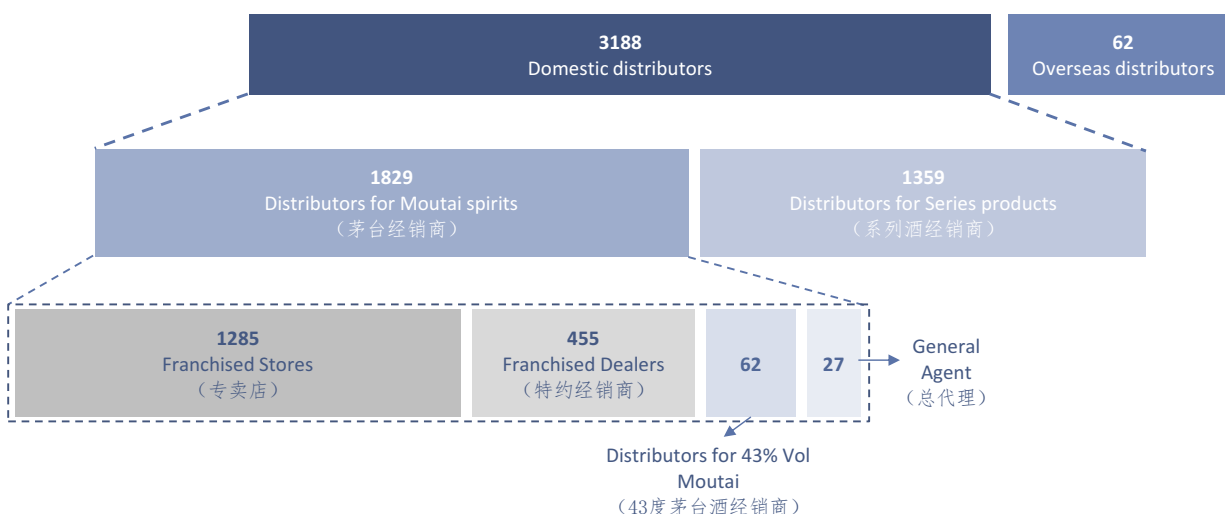
Currently, at the ex-factory level, Moutai has four sales channels: (1) Domestic Distributor channel; (2) Export channel; (3) Supply to parent group; and (4) Direct sales channel.

图表 5: Four ex-factory sales channels of Moutai



资料来源: Gao Hua Securities Research, Company data

图表 6: Statistics of Moutai distributors

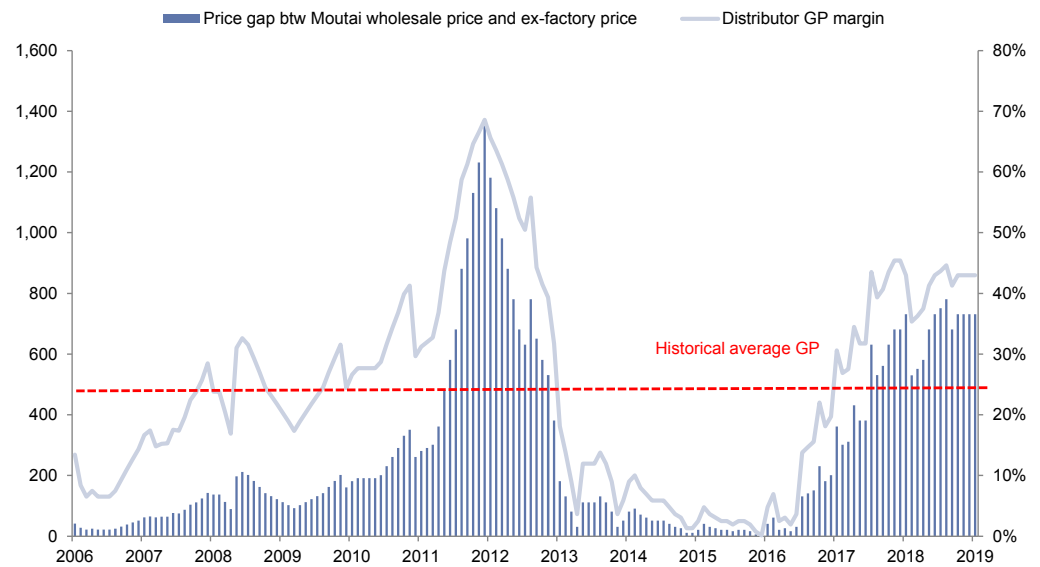


资料来源: Company website, Gao Hua Securities Research

1) Domestic Distributor channel: There are a total of 1,829 domestic distributors for Moutai spirits according to the company website, including 455 Franchised Dealers, and 1285 Franchised Stores. In the past five years, distributor channel has been the dominant sales channel, taking 80%+ of annual its supply. For the brand's flagship product Feitian Moutai, the company now supplies to Franchised Dealers and Franchised Stores at the ex-factory price of Rmb969/bottle, and, according to our channel check, the current wholesale price at which these distributors sell to lower-tier distributors or retail channels is over Rmb1700/bottle, implying c.43% gross margin(much higher than historical average of 25%). We note that these distributors could also choose to sell directly to consumers/group buyers at a retail price of over Rmb1800/bottle, in which case the actual gross margin for distributors could be even higher than 43%.

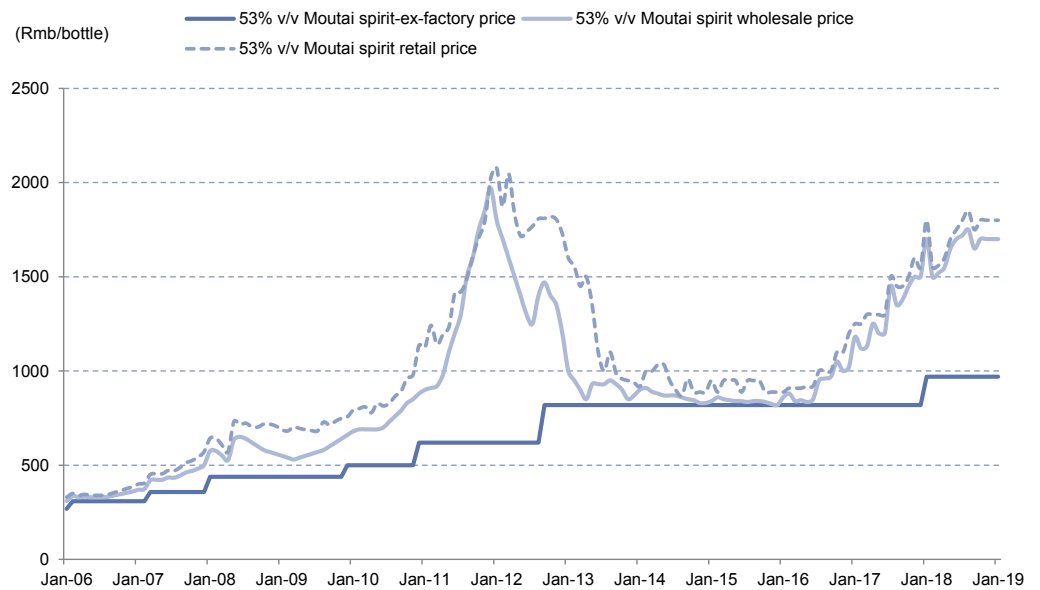
The company's franchised stores have been positioned in the form of retail stores in various city centres to provide better access to consumers, and we highlight that there are new forms of Franchised Stores launched in recent years, including stores in airports and high speed railway stations. However, according to the company website, there are only 18 Flagship Franchised Stores in airports/high speed railway stations across the region, accounting for a relative small portion among its 1,285 Franchised Stores.

图表 7: GP margin of Moutai distributors is currently at 43%, higher than historical average



资料来源: Gao Hua Securities Research, Company data

图表 8: The gap between retail price and ex-factory price is still large for Feitian Moutai



资料来源: Gao Hua Securities Research

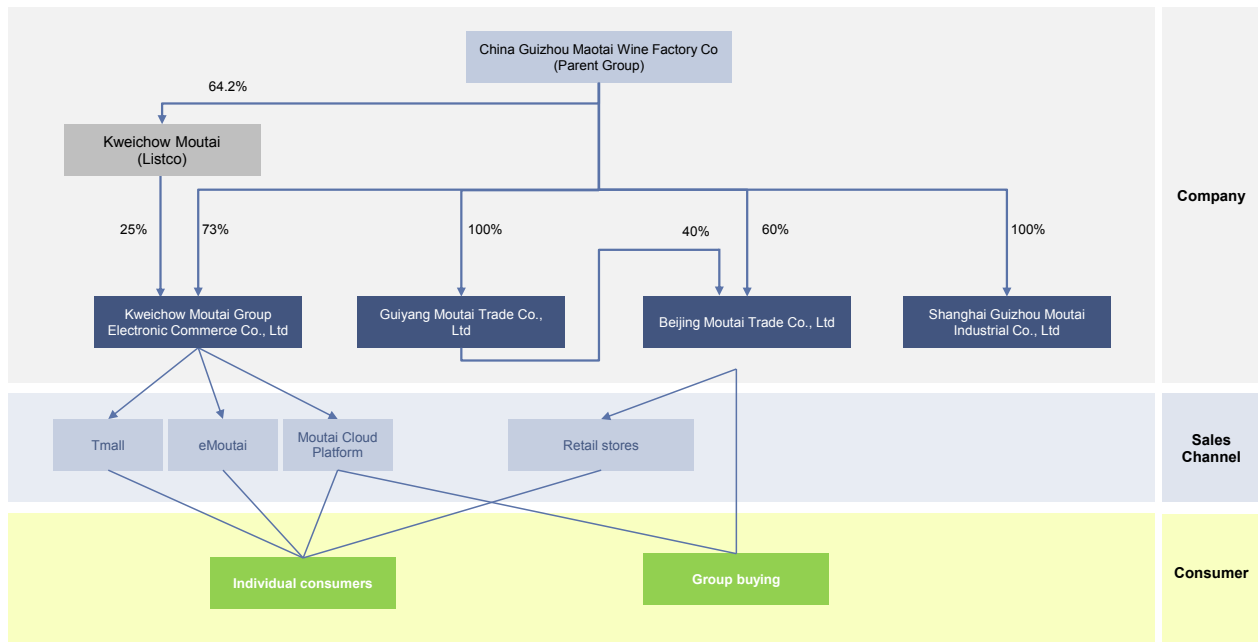
2) Export channel: There are currently 62 overseas distributors for Moutai spirits. In 2017, export revenue including sales of Moutai spirits and series products accounted for 4% of total sales. In 2018, we estimate the export volume of Moutai spirits at c.2,150 tons, c.7% of total Moutai spirits sales volume.

3) Connected-transaction sales to parent group. In 2018, the listco is expected to record a sale of Rmb3.8bn (incl-VAT) to its parent group at the same ex-factory price as it sells to domestic distributors (e.g. Feitian Moutai at the ex-factory price of Rmb969), according to the guidance from the company. We estimate that the supply volume of Moutai spirits to the parent group would be c.1500 tons in 2018, accounting for 5% of total sales volume.

Currently, the parent group, together with its other subsidiaries, holds 73% of Moutai E-com Company (Kweichow Moutai Group Electronic Commerce Co., Ltd), which sells Moutai spirits at Tmall, and its self-owned e-commerce platform eMoutai.cn. It also sells directly through its Moutai Cloud-Platform to its end customers. According to Moutai's connected transaction disclosures, we estimate the sales volume of Moutai spirits from Moutai E-com Company at c.1000 tons.

Besides, the parent group also operates three direct-owned trade companies in Guiyang, Beijing and Shanghai, which could engage in wholesaling and group selling. We estimate these three stores to have a combined annual sales volume of 200-300 tons in 2018.

图表 9: Sales channels under parent group



资料来源: Gao Hua Securities Research, Company data

4) Direct sales. The company has disclosed its direct sales volume and revenue on a quarterly basis in the last couple of years. For 9M18, revenue from direct sales was Rmb3.87bn, 7.4% of its operating revenue. We estimate the 2018 revenue and sales

volume of direct sales of Moutai spirits at Rmb7.05bn (11% of total operating revenue)/2447 tons (7.9% of total volume).

There are a few of approaches that the company adopts for direct sales, including:

—Self-owned stores: Currently there are 36 self-owned stores, which were built during 2012 with a total expenditure of Rmb850mn. Basically the company has one self-owned store in each province, with more than one store in big cities like Beijing and Shanghai. Each store has c.10 tons of volume quota on average per year with differentiation between big stores and small stores. Self-owned stores sell directly to end customers at the officially guided price(e.g. for Feitian Moutai at Rmb1499/bottle).

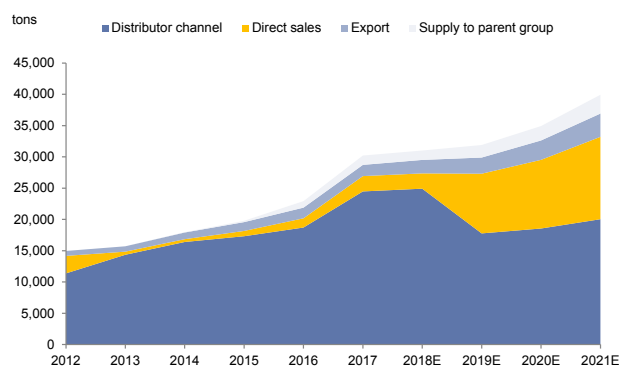
—Customized products sold to group accounts: In 2014, Moutai founded the Customized Marketing Company (with 70% stake), which specializes in providing customized products for celebrities or corporates. After five years of operation, we expect this subsidiary to sell c.1000 tons customized products and generate Rmb2.1bn in 2018, accounting for only 3% of total revenue, still far from the initial target of 10% (of total volume) set in 2014, and much lower than the Rmb5bn revenue target set for 2017.

—Written-notes: Consumers can buy products directly from the company at a lower-than-retail price (Rmb 1499/bottle for Feitian Moutai) through a written note once approved by management or senior executives. We estimate sales volume through this channel to be c. 800 tons in 2018, accounting for 33%/2.6% of direct sales volume/total volume, but for this to decrease in the coming years as the company puts increasing emphasis on addressing misuse of this channel.

—Large supermarkets: In 2014, Moutai, Yonghui Superstores and Shenzhen Guomaoyuan Trade Company co-founded a trade company responsible for selling Moutai spirits to large supermarkets including Yonghui Superstores, Carrefour, Walmart etc. This sales channel is still lagging behind others, accounting for c.5% of direct sales volume, but we believe it will likely become the company's key focus from this year based on its guidance on a supply shift from distributors to direct sales.

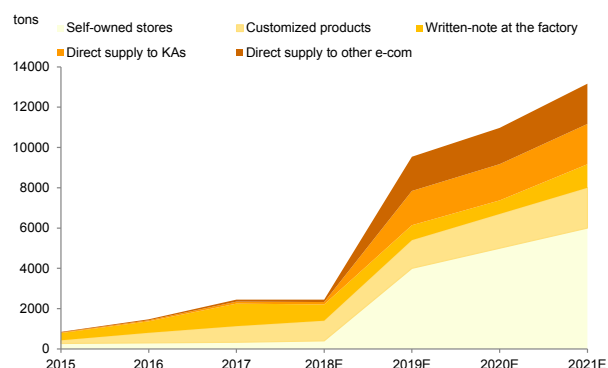
—E-com: Moutai company's direct sales through e-com is limited compared to parent group's sales through this channel. As we mentioned before, Moutai supplied c.1500 tons to parent group in 2018 and parent group leveraged Moutai E-com Company to sell c. 1000 tons, according to our estimates. However, we estimate sale of c. 120 tons by Moutai company directly to some large e-com platforms, such as JD.com in 2018.

图表 10: Moutai spirits volume distribution through four ex-factory sales channels



资料来源: Company data, Gao Hua Securities Research

图表 11: Volume breakdown of Moutai spirits across various direct sales channels



资料来源: Company data, Gao Hua Securities Research

A boost to both revenues and margins

We estimate that the sales channel change will have an impact on blended ASP for Moutai spirits and thus affect revenue, margins and earnings. Moutai's blended ASP can be affected through 3 channels: (1) Price hike which is guided by the company; (2) product mix change; (3) sales channel change.

Moutai implemented a price hike on Jan. 1, 2018 and management noted in Jan 2019 that they would not implement any price hikes this year. However, due to the pre-sale procedure, part of the products sold in 1Q18 were sold at the old price before the price hike took effect. As a result, we estimate 1% ASP increase in 2019. For product mix upgrade, management hoped to direct incremental sales volume to premium products, so we think Moutai may provide more Jingpin Moutai, Vintage Moutai and Zodiac Moutai, and accordingly drive 5% ASP increase in 2019.

Incorporating the change in sales channel mix, we estimate a 7% increase in ASP considering higher ex-factory price through direct sales channel. Overall, we estimate 13% ASP increase for Moutai spirits in 2019.

图表 12: Moutai blended ASP waterfall
Sales channel change drive 7% ASP increase in 2019



资料来源: Gao Hua Securities Research

图表 13: Ex-factory price of 53% Vol Feitian Moutai for different channels

Sales Channel	Ex-factory price (Rmb/bottle)	
Distributors	969	
Export	969	
Supply to parent group	969	
Direct sales	Self-owned stores	1,499
	Customized products	1,299
	Written-note at the factory	1,499
	Direct supply to KAs	969
	Direct supply to other e-com	969

资料来源: Gao Hua Securities Research

For Feitian Moutai, the mainstream Moutai spirit, gross profit margin was c.92% in 2018 for non-direct sales channels including distributor channels, supply to parent group and exports per our estimates. For direct sales channels, the overall gross margin is higher than non-direct sales but also depends on distributions among various types of direct sales channel. The most profitable channels have been self-owned stores and written-note, which have managed to achieve c.95% gross profit margin historically. We estimate the gross margin of Moutai spirits to increase 0.5ppt, from 93.8% in 2018 to 94.3% in 2019 and company EBIT margin/NP margin to increase 0.9ppt/0.7ppt to 65.9%/46% in 2019E.

We also conducted scenario analysis for this sales channel change and analyzed blended ASP of Moutai spirits by direct sales on revenue and net profit. In our base case, we have Rmb 1366/bottle for Moutai spirits blended ASP through direct sales in 2019, which is based on our sales channel breakdown. In the bear case/bull case, we assume -10%/10% change on direct sales ASP. As a result, our revenue changes by -3.0%/2.6% and net profit by -3.4%/3.0% respectively accordingly to our estimates.

图表 14: Scenario Analysis on sales channel change for 2019E

	Bear case	Base case	Bull case
ASP or direct sales (Rmb/bottle)	1,229	1,366	1,503
ASP of non-direct sales (Rmb/bottle)	1,006	1,006	1,006
direct sales price premium	22%	36%	49%
Aggregated ASP (Rmb/bottle)	1,135	1,176	1,212
Revenue (Rmb mn)	85,355	87,969	90,297
NP (Rmb mn)	39,100	40,460	41,664
TP (Rmb)	814	842	867

资料来源: Company data, Gao Hua Securities Research

What could be the other impacts beyond earnings?

As discussed in our previous report ([2018 results and 2019 guidance in line, structural reform debut](#)), we think there are additional benefits besides earnings improvement if the company can stick to planned sales channel reform and implement it smoothly. First, the

company will have better control on pricing. The reality is Moutai does not have direct control over retail price to end consumers given it sells vast majority of products to distributors. So if it can shift more volume to direct sales especially to self-owned stores, it will be able to interfere in market price through adjusting retail price in self-owned stores, and as a consequence, price volatility and market risk will be reduced. Second, closing doors for new distributors and cutting non-compliant distributors can help reduce potential corruption behavior and enhance channel management.

Estimates and valuation

We revise up our 2019E-2021E revenue estimates by 1.2%-3.8% and 2019E-2021E EPS by 3.5%-6.6% mainly to reflect greater ASP increase of Moutai spirits due to sales channel changes. We introduce 2022E estimates and raise our 12-month target price to Rmb 842(from Rmb 708) still based on 22x PE, but rolled over to 2022E, and discounted back to 2019E (using 10% sector COE). Previously we used 22x 2021E PE, discounted back to 2018. Maintain Buy (on CL) on its market leading position and visible growth potential.

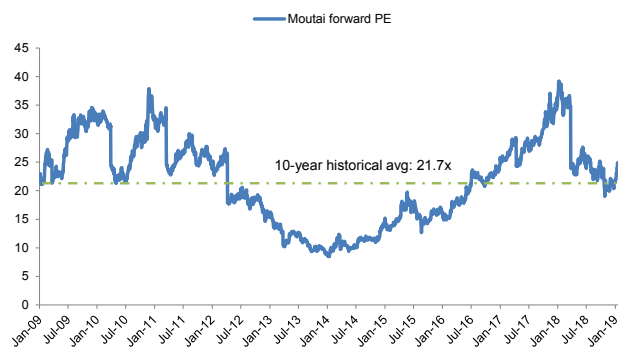
Key risks: Consumption slowdown driven by worsening macro environment, corporate governance problems due to management changes, and slower than expected sales channel shift from distributors to direct sales.

图表 15: Key financial metrics of Moutai

Rmb mn	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Total revenue	33,447	40,155	61,063	75,347	87,969	102,048	120,008	135,841
Moutai	31,546	36,714	52,394	64,541	74,984	86,765	101,820	114,332
Sales Volume (tons)	19,776	22,918	30,206	31,007	31,889	34,920	39,920	44,519
YoY	10%	16%	32%	3%	3%	10%	14%	12%
ASP(Rmb/bottle)	798	801	867	1,041	1,176	1,242	1,275	1,284
YoY	-7%	0%	8%	20%	13%	6%	3%	1%
Series products	1,108	2,127	5,774	7,333	8,470	9,866	11,686	13,708
Sales Volume (tons)	7,742	14,027	29,903	29,903	32,893	36,840	42,366	48,721
YoY	25%	81%	113%	0%	10%	12%	15%	15%
ASP(Rmb/bottle)	72	76	97	123	129	134	138	141
YoY	-5%	6%	27%	27%	5%	4%	3%	2%
YoY - total revenue	3.8%	20.1%	52.1%	23.4%	16.8%	16.0%	17.6%	13.2%
Moutai	3%	16%	43%	23%	16%	16%	17%	12%
series products	18%	92%	172%	27%	16%	16%	18%	17%
Total COGS	2,538	3,410	6,005	6,334	6,918	7,910	9,369	10,932
Moutai	2,012	2,386	3,764	4,018	4,298	4,894	5,819	6,749
series p products	522	988	2,151	2,216	2,510	2,896	3,430	4,063
Gross profit	30,909	36,745	55,058	69,014	81,051	94,138	110,639	124,910
Moutai	29,534	34,329	48,631	60,523	70,686	81,870	96,002	107,583
series products	586	1,139	3,623	5,118	5,960	6,970	8,256	9,645
YoY - gross profit	3%	19%	50%	25%	17%	16%	18%	13%
Gross margin	92.4%	91.5%	90.2%	91.6%	92.1%	92.2%	92.2%	92.0%
Moutai	93.6%	93.5%	92.8%	93.8%	94.3%	94.4%	94.3%	94.1%
series products	52.9%	53.5%	62.7%	69.8%	70.4%	70.6%	70.6%	70.4%
Sales tax and add-on	3,449	6,509	8,404	10,863	12,770	14,712	17,181	19,312
as % of revenue	10.3%	16.2%	13.8%	14.4%	14.5%	14.4%	14.3%	14.2%
Sales expense	1,485	1,681	2,986	3,763	4,174	4,587	4,914	5,562
as % of revenue	4.4%	4.2%	4.9%	5.0%	4.7%	4.5%	4.1%	4.1%
Administrative expense	3,813	4,187	4,721	5,286	5,904	6,645	7,334	8,166
as % of revenue	11.4%	10.4%	7.7%	7.0%	6.7%	6.5%	6.1%	6.0%
Net financial expenses	-67	-33	-56	-9	-11	-14	-17	-21
Pre-tax profit (income before tax)	22,002	23,958	38,740	48,704	57,779	67,743	80,721	91,349
Income taxes	5,547	6,027	9,734	12,176	14,445	16,936	20,180	22,837
Net income	16,455	17,931	29,006	36,528	43,335	50,807	60,541	68,512
Minority interests	952	1,212	1,927	2,423	2,874	3,370	4,015	4,544
Net income attributable to parent shareholders	15,503	16,718	27,079	34,105	40,460	47,437	56,525	63,968
YoY	1%	8%	62%	25.9%	19%	17%	19%	13%
EPS	12.34	13.31	21.56	27.15	32.21	37.76	45.00	50.92

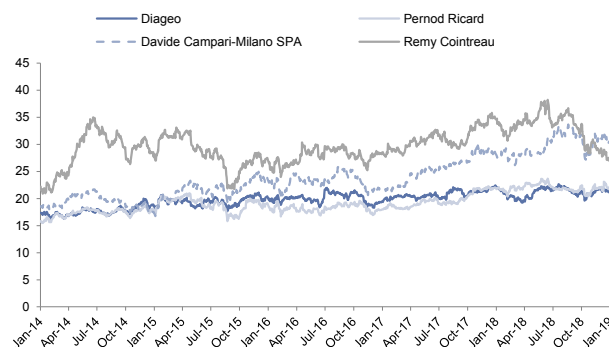
资料来源: Company data, Gao Hua Securities Research

图表 16: Moutai historical one year forward PE



资料来源: Wind Financial, Gao Hua Securities Research

图表 17: Global peers one year forward PE



资料来源: Bloomberg, Gao Hua Securities Research

高华证券感谢高盛分析师马云帆对本报告的贡献。

信息披露附录

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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：

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