UOBKayHian

Country Daily | Greater China

Monday, 17 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53732.4	(0.2)	(0.6)	3.0	11.8
S&P 500	7785.8	(0.2)	0.4	4.4	13.7
FTSE 100	10750.1	(0.2)	(1.4)	1.4	8.2
AS30	9313.2	(0.7)	(1.4)	3.7	3.3
CSI 300	4665.9	0.0	(0.6)	3.0	0.8
FSSTI	5743.6	0.4	1.9	4.3	23.6
HSCEI	8340.8	(1.0)	(2.2)	2.5	(6.4)
HSI	25116.9	(1.1)	(2.1)	2.3	(2.0)
JCI	6401.9	1.6	(0.1)	3.7	(26.0)
KLCI	1727.4	(0.4)	(0.5)	(0.2)	2.8
KOSPI	6977.9	2.4	11.5	2.3	65.6
Nikkei 225	68713.8	0.6	4.6	7.1	36.5
SET	1609.1	(0.3)	(0.3)	(1.8)	27.7
TWSE	45811.0	(0.5)	3.6	7.4	58.2
BDI	2863	0.7	(7.3)	4.0	52.5
CPO (RM/mt)	4520	0.0	0.1	1.2	14.9
Brent Crude (US$/bbl)	89	0.2	1.1	0.7	45.8

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Meeting on Indonesia Economic Outlook by Mr. Enrico Tanuwidjaja	Indonesia	19 Aug	19 Aug
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Jul Retail Sales	China	17 Aug
Jul Industrial Production	China	17 Aug
Jul Fixed Assets Ex Rural	China	17 Aug
Jul Surveyed Jobless Rate	China	17 Aug
Jul Unemployment Rate 3Mths	Hong Kong	20 Aug
Jul CPI Composite	Hong Kong	20 Aug
Jul Trade Balance, Exports, Imports	Hong Kong	25 Aug
Jul Industrial Profits	China	27 Aug

Top Stories

Economics | Money Supply Page 2 →

- Jul 26's M1 growth held at 4.0% yoy, marginally above consensus, while M2 growth eased to 7.7% yoy (-0.3ppt mom), missing expectations. New bank loans turned negative at -Rmb0.34t (-Rmb1.95t mom), a record low, although new TSF of Rmb1.40t (-Rmb1.97t mom) beat forecasts on stronger bond issuance. Outstanding bank loans growth slipped to 5.1% yoy (-0.1ppt mom), another record low, while outstanding TSF growth held at 7.4% yoy. The contraction in bank credit warns of persistent demand weakness.

Company Results | Huizhou Desay SV (002920 CH/**BUY**/Rmb90.64/Target: Rmb135.00) Page 4 →

- DSV's 2Q26 net profit rose 22.3% yoy to Rmb783m, beating our estimate as R&D and selling expenses fell, though 2Q26 revenue grew only 7.0% yoy. We cut 2026-28 revenue growth to 5%/12%/12% respectively. We also reduce impairment charges, raise 2026 net profit by 3.9% and trim 2027-28 forecasts by 4.0%/7.5% respectively. Maintain BUY. Target price: Rmb135.00.

Company Results | Kweichow Moutai (600519 CH/**HOLD**/Rmb1,341.99/Target: Rmb1,295.00) Page 7 →

- Moutai's 2Q26 revenue declined 5% yoy and net profit dropped 7% yoy, missing consensus by 8% and 9% respectively. By channel, direct sales rose 34% yoy, while wholesale channel sales declined 35% yoy. i-Moutai sales grew 283% yoy to Rmb18.7b in 2Q26, driven by its continued DTC transformation. As of end-2Q26, stated-owned investors, including Central Huijin Asset Management and China Securities Finance Corporation, no longer appear among Moutai's top 10 shareholders. Maintain HOLD; cut target price by 7% to Rmb1,295.00.

Technical Analysis

Hang Seng Index And Hang Seng Tech Index Outlook Page 10 →

- Weekly Chart And Daily Chart

Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.

Economics

Money Supply

New Loans Turn Negative, New TSF Lifted By Bond Issuance

- July's M1 growth held flat at 4.0% yoy, marginally above Bloomberg's consensus estimate of 3.9% yoy, while M2 growth eased to 7.7% yoy (-0.3ppt mom), below consensus of 7.9% yoy and the slowest M2 pace since Mar 25.
- New bank loans turned negative at -Rmb0.34t, the largest monthly net repayment on record and below consensus estimate of -Rmb0.1t. New TSF of Rmb1.40t beat the Rmb1.09t consensus estimate, but was driven by government and corporate bond issuance rather than bank credit.
- Outstanding bank loans growth slipped to 5.1% yoy (-0.1ppt mom), a record low, while outstanding TSF growth held at 7.4% yoy. With bank credit contracting and non-bank channels carrying the load, the government must look beyond monetary easing to lift domestic demand.

Our View

- **M2 growth eased further by 0.3ppt to 7.7% yoy in Jul 26,** below Bloomberg's consensus forecast of 7.9% yoy. M1 money supply growth held at 4.0% yoy, marginally above market expectations of 3.9% yoy, while M0 growth moderated to 11.6% yoy (-0.2ppt mom). The narrowing gap between M1 and M2 growth reflects slower broad money expansion rather than a pick-up in transactional demand for money, which remains subdued.
- **Banks recorded a net reduction of Rmb0.34t in new loans in Jul 26,** reversing Jun 26's Rmb1.61t and missing Bloomberg's consensus estimate of -Rmb0.10t. This marks the largest monthly contraction on record. New household loans fell to -Rmb0.46t (-Rmb0.72t mom), with both short-term and long-term borrowings in negative territory. New corporate & government loans turned negative at -Rmb0.10t (-Rmb1.46t mom), dragged by short-term (-Rmb1.07t mom) and medium-to-long term (-Rmb0.79t mom) loans. Bills financing rose to Rmb0.38t (+Rmb0.26t mom) and provided the only meaningful support.

Key Monetary Indicators

(yoy % chg)	Jul 26	Consensus	Jun 26	May 26
M0 Money Supply	11.6	-	11.8	11.9
M1 Money Supply	4.0	3.9	4.0	5.5
M2 Money Supply	7.7	7.9	8.0	8.6
Outstanding Bank Loans	5.1	-	5.2	5.5
Outstanding Total Social Financing	7.4	-	7.4	7.7
New Bank Loans (Rmbt)	-0.34	-0.1	1.61	0.52
New Total Social Financing (Rmbt)	1.40	1.09	3.37	2.03

Source: Wind, PBOC, UOB Kay Hian

- **Jul 26's new TSF fell to Rmb1.40t from Jun 26's Rmb3.37t,** but beat Bloomberg's consensus of Rmb1.09t. The beat was driven by non-bank channels, as renminbi loans within TSF contracted Rmb0.59t. New government bond issuance rose to Rmb1.32t (+Rmb0.55t mom), though on a stock basis, its growth edged lower to 14.1% yoy (-0.1ppt mom). Corporate bond growth accelerated to 9.2% yoy (+0.3ppt mom) and equity issuance rose to 5.5% yoy (+0.5ppt mom), while bank acceptances turned positive at 2.7% yoy (+5.5ppt mom), consistent with the continued substitution away from bank credit.
- **Outstanding bank loans growth slipped to 5.1% yoy (-0.1ppt mom) in Jul 26,** marking another record low, while outstanding TSF growth was unchanged at 7.4% yoy, with the widening gap reflecting greater reliance on government led issuance. The PBOC left the one-year and five-year LPRs unchanged at 3.00% and 3.50% on 20 Jul 26, its 14th consecutive hold.

Analyst(s)

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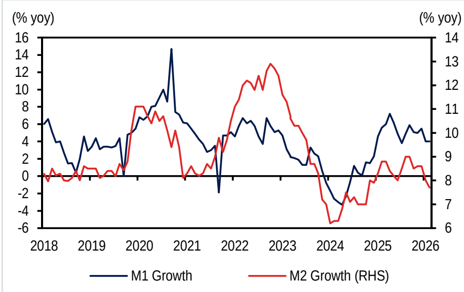
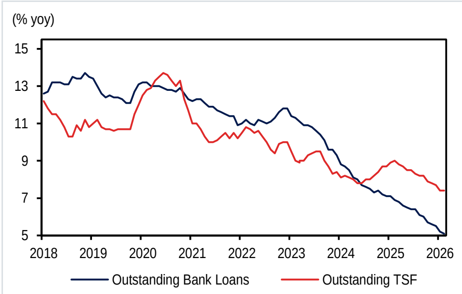
M1 And M2 Growth



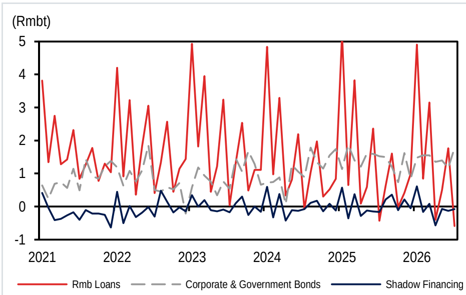
Source: PBOC, UOB Kay Hian

Outstanding Credit Growth



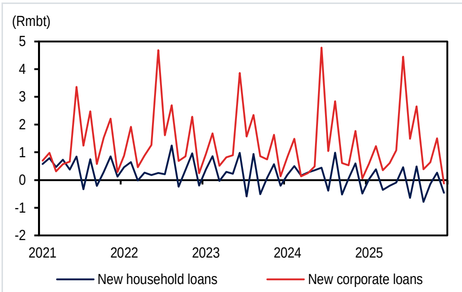
Source: PBOC, UOB Kay Hian

New TSF



Source: PBOC, UOB Kay Hian

New Bank Loans



Source: PBOC, UOB Kay Hian

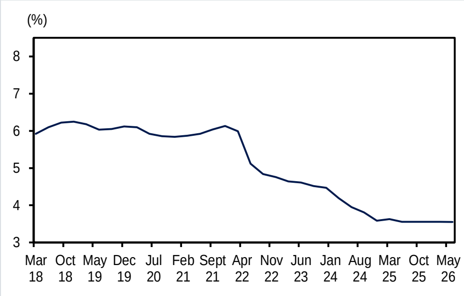
Going forward, with credit demand rather than funding costs the binding constraint, the government must look beyond monetary easing to lift domestic demand.

Outstanding TSF

(yoy % chg)	Jul 26	Jun 26	May 26	Apr 26
Renminbi Loans	5.2	5.3	5.5	5.6
Forex Loans	-1.7	-2.9	-4.3	-3.8
Entrusted Loans	0.7	0.5	0.0	-0.1
Trust Loans	3.2	4.0	7.1	7.4
Bank Acceptances	2.7	-2.8	-6.2	-7.9
Corporate Bond	9.2	8.9	8.4	8.3
Government Bond	14.1	14.2	15.1	15.6
Equity Issuance	5.5	5.0	4.7	4.6

Source: Wind, PBOC, UOB Kay Hian

Mortgage Loan



Source: PBOC, UOB Kay Hian

Huizhou Desay SV (002920 CH)

2Q26: Net Profit Up 22.3% yoy, Beating Our Estimate On Cost Control

Highlights

- DSV's 2Q26 net profit rose 22.3% yoy and 69.7% qoq to Rmb783m, beating our estimate.
- Overseas revenue rose 55.7% yoy and is now the only source of group growth.
- Growth drivers include over Rmb22b of new annualised orders and the Chengdu and Spanish plants.
- We raise 2026 net profit forecast by 3.9% to Rmb2,555m and cut 2027-28 by 4.0%/7.5% respectively.
- Maintain BUY and reduce target price from Rmb150.00 to Rmb135.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	Old 2026F	yoy %	Comment
Revenue	8,406	7.0	29.4	14,901	1.8	37,441	15.0	Miss
Gross profit	1,635	3.3	35.3	2,843	(4.5)	6,927	11.6	Miss
Gross margin (%)	19.4	(0.7)	0.9	19.1	(1.2)	18.5	(0.6)	Beat
EBIT	899	16.2	77.9	1,404	1.0	3,178	7.0	In line
EBIT margin (%)	10.7	0.8	2.9	9.4	(0.1)	8.5	(0.6)	Beat
Net profit	783	22.3	69.7	1,245	1.8	2,461	0.3	Beat
Net profit – adj	749	14.3	57.5	1,225	6.3	2,461	2.0	Beat
Net margin (%)	9.3	1.2	2.2	8.4	0.0	6.6	(1.0)	Beat
Net margin – adj (%)	8.9	0.6	1.6	8.2	0.4	6.6	(0.8)	Beat

Source: Huizhou Desay SV, UOB Kay Hian

Analysis

- **2Q26 net profit beat our estimate but missed consensus.** Huizhou Desay SV's (DSV) 2Q26 net profit rose 22.3% yoy/69.7% qoq to Rmb783m. 1H26 net profit of Rmb1,245m accounts for 50.6% of our 2026 forecast (vs 49.8% a year ago), a beat, but made up just 44.1% of 2026 consensus estimate, a miss, on weak revenue.
- **Revenue missed; cut 2026-28 revenue growth estimates to 5%/12%/12% respectively.** Revenue rose 7.0% yoy/29.4% qoq to Rmb8,406m in 2Q26 and 1.75% yoy in 1H26 – this accounts for 39.8% of our Rmb37.44b estimate, vs 45.0% for 1H25. We cut 2026-28 revenue growth estimates from 15%/15%/15% to 5%/12%/12% respectively, resulting in revenue of Rmb34.19b/Rmb38.27b/Rmb42.88b, vs 1H26 revenue of Rmb14,901m. Our new 2026 revenue estimate implies 2H26 revenue of Rmb19,284m, up 8% yoy and 29% hoh.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	27,618	32,557	34,185	38,287	42,882
EBITDA	3,476	3,752	3,970	4,383	4,964
Operating profit	2,807	2,971	3,087	3,362	3,786
Net profit (rep./act.)	2,005	2,454	2,555	2,780	3,144
Net profit (adj.)	1,946	2,414	2,555	2,780	3,144
EPS (Fen)	361.1	411.1	428.1	465.8	526.8
PE (x)	25.1	22.0	21.2	19.5	17.2
P/B (x)	5.2	3.5	3.1	2.8	2.5
EV/EBITDA (x)	15.5	14.3	12.9	11.5	9.8
Dividend yield (%)	1.2	1.4	1.4	1.5	1.7
Net margin (%)	7.0	7.4	7.5	7.3	7.3
Net debt/(cash) to equity (%)	4.9	(0.4)	(14.2)	(19.1)	(23.9)
Interest cover (x)	17.8	140.7	n.a.	n.a.	n.a.
ROE (%)	22.1	19.3	15.7	15.2	15.4
Consensus net profit	-	-	2,826	3,287	3,868
UOBKH/Consensus (x)	-	-	0.90	0.85	0.81

Source: Huizhou Desay SV, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Rmb90.64
Target Price	Rmb135.00
Upside	48.9%
Previous TP	Rmb150.00

Stock Data

Sector	Auto Parts
Bloomberg ticker	002920 CH
Shares issued (m)	596.8
Market cap (Rmbm)	54,098
Market cap (US$m)	7,462
3-mth avg daily t'over (US$m)	147.0

Price Performance (%)

52-week high/low: Rmb154.17/Rmb76.93

1mth	3mth	6mth	1yr	YTD
9.3	(13.7)	(26.1)	(17.0)	(24.7)

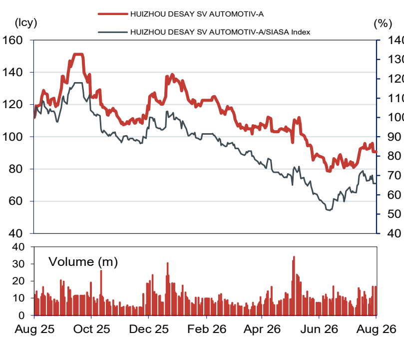
Major Shareholders (%)

Guangdong Desai Group Ltd.	26.3
Huizhou Innovation Investment Ltd.	20.2

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	27.2
FY26 Net Cash/Share (Rmb)	4.1

Price Chart



Source: Bloomberg

Company Description

Huizhou Desay SV manufactures and distributes automotive parts. The company produces vehicle infotainment systems, air conditioning controllers, driver information displays, driver assistance systems, and other products. It markets its products throughout China.

- **Overseas is the only source of growth.** Overseas revenue grew 55.7% yoy to Rmb1,617m in 1H26 at a 31.3% gross margin (+2.4ppt yoy), while domestic revenue dipped 2.4% yoy to Rmb13.28b during the period with gross margin of 17.6% (-2.1ppt yoy).
- **Revenue growth set to reaccelerate in 2027 on orders and overseas capacity.** New orders won in 1H26 carry annualised sales of over Rmb22b, up over 20% yoy. The fifth-generation AI cockpit platform is in volume production at Li Auto, with body zone controllers to reach volume delivery in 2H26, and the Chengdu and Spanish plants having opened in June and July.
- **Margins beat as R&D and selling expenses fell.** Gross margin slipped 0.7ppt yoy but rose 0.9ppt qoq to 19.4% in 2Q26, taking 1H26 gross margin to 19.1%, above our 18.5% gross margin assumption for full-year 2026. We keep 2026-28 gross margin assumption at 18.5%, as 2H is seasonally weaker (2H25: 18.0%). The beat came below the gross profit line - 2Q26 R&D expense fell 14.9% yoy to Rmb571m (6.8% of revenue against 8.5% in 2Q25), and 2Q26 selling expenses fell 37.6% yoy to Rmb61m (0.7% of revenue against 1.3% in 2Q25), lifting EBIT margin by 0.8ppt yoy/2.9ppt qoq to 10.7%. We cut 2026-28 R&D/revenue to 7.7%/8.0%/8.0% respectively and raise administrative expenses/revenue to 2.2%/2.1%/2.1%. The R&D cut is alarming, as R&D is crucial to competitiveness.
- **Impairment losses dragged 2Q26 earnings.** DSV booked a credit impairment loss of Rmb104m in 2Q26, up 311.8% yoy and against a Rmb153m write-back in 1Q26, plus an asset impairment loss of Rmb77m, up 2.9% yoy/80.0% qoq. The company registered Rmb49m in reversal of credit impairment loss and Rmb120m in asset impairment loss in 1H26, smaller than our estimate. We cut our 2026-28 estimates on credit impairment loss to Rmb10m/Rmb60m/Rmb65m and asset impairment loss to Rmb390m/Rmb400m/Rmb450m respectively.

Earnings Revision/Risk

- **We raise our 2026 net profit forecast by 3.9% to Rmb2,555m and cut our 2027-28 forecasts by 4.0%/7.5% to Rmb2,780m/Rmb3,144m respectively. The l**ower revenue growth in 2026 is more than offset by a lower impairment charge. Our 2026 net profit forecast implies 2H26 net profit of Rmb1,311m (+6.5% yoy/+5.3% hoh).
- **Risks:** A slower 2H26 domestic recovery, further OEM price pressure, and slippage in the Spanish plant ramp-up.

Valuation/Recommendation

- **Maintain BUY and cut target price from Rmb150.00 to Rmb135.00,** as we roll over the base year from 2026 to 2027 and lower our target PE multiple from 36x (1SD above historic mean) to 29x (on par with historic mean). The stock trades at 19.5x 2027F PE.

Share Price Catalyst

- Ramp-up of the Spain and Chengdu plants, new overseas orders, body zone controller deliveries, and 3Q26 results.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	32,557	34,185	38,287	42,882
EBITDA	3,752	3,970	4,383	4,964
Deprec. & amort.	(781)	(883)	(1,022)	(1,178)
EBIT	2,971	3,087	3,362	3,786
Total other non-operating income	(6)	0	0	0
Associate contributions	58	58	58	58
Net interest income/(expense)	(21)	(5)	18	36
Pre-tax profit	2,570	2,739	2,978	3,366
Tax	(97)	(164)	(179)	(202)
Minorities	(19)	(19)	(19)	(19)
Net profit	2,454	2,555	2,780	3,144
Net profit (adj.)	2,414	2,555	2,780	3,144

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	3,006	3,710	4,285	4,721
Other LT assets	3,406	3,410	3,404	3,380
Cash/ST investment	1,416	3,800	5,026	6,504
Other current assets	22,016	20,389	21,971	23,743
Total assets	29,845	31,310	34,686	38,348
ST debt	687	687	687	687
Other current liabilities	12,898	12,527	13,870	15,203
LT debt	255	255	255	255
Other LT liabilities	444	444	444	444
Shareholders' equity	15,418	17,234	19,248	21,558
Minority interest	145	164	183	203
Total liabilities & equity	29,845	31,310	34,686	38,348

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,884	4,629	3,474	3,777
Pre-tax profit	2,570	2,739	2,978	3,366
Tax	(97)	(164)	(179)	(202)
Deprec. & amort.	781	883	1,022	1,178
Associates	(58)	(58)	(58)	(58)
Working capital changes	(714)	855	(699)	(954)
Non-cash items	402	374	409	447
Other operating cashflows	0	0	0	0
Investing	(5,573)	(1,466)	(1,442)	(1,425)
Capex (growth)	(1,803)	(1,500)	(1,500)	(1,500)
Investments	(11,178)	-0	-0	-0
Others	7,408	34	58	75
Financing	3,374	(779)	(806)	(874)
Dividend payments	(693)	(779)	(806)	(874)
Proceeds from borrowings	1,303	400	400	400
Loan repayment	(1,171)	(400)	(400)	(400)
Others/interest paid	3,934	0	0	0
Net cash inflow (outflow)	695	2,384	1,225	1,478
Beginning cash & cash equivalent	721	1,416	3,800	5,026
Changes due to forex impact	11	0	0	0
Ending cash & cash equivalent	1,416	3,800	5,026	6,504

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.5	11.6	11.4	11.6
Pre-tax margin	7.7	7.7	7.3	7.4
Net margin	7.4	7.5	7.3	7.3
ROA	9.4	8.4	8.4	8.6
ROE	19.3	15.7	15.2	15.4
Growth				
Turnover	17.9	5.0	12.0	12.0
EBITDA	7.9	5.8	10.4	13.3
Pre-tax profit	22.4	6.6	8.7	13.0
Net profit	22.4	4.1	8.8	13.1
Net profit (adj.)	24.1	5.9	8.8	13.1
EPS	13.9	4.1	8.8	13.1
Leverage				
Debt to total capital	4.5	4.3	3.9	3.5
Debt to equity	8.8	7.9	7.0	6.3
Net debt/(cash) to equity	8.8	7.9	7.0	6.3
Interest cover (x)	140.7	589.8	(184.4)	(105.8)

Kweichow Moutai (600519 CH)

2Q26: Results Missed; Stated-owned Investors Disposed Shares

Highlights

- Moutai's 2Q26 revenue declined 5% yoy and net profit dropped by 7% yoy, missing consensus by 8% and 9%, respectively.
- By channel, direct sales rose 34% yoy, accounting for 61% of liquor revenue in 2Q26, while wholesale channel sales declined 35% yoy. i-Moutai sales came in at Rmb18.7b in 2Q26, up 283% yoy, driven by its continued DTC transformation.
- As of end-2Q26, stated-owned investors, including Central Huijin Asset Management and China Securities Finance Corporation, no longer appear among Moutai's top 10 shareholders. By comparison, as of end-1Q26, the two held 0.83% and 0.32% of total shares, respectively. Maintain HOLD; cut target price by 7% to Rmb1,295.00.

2Q26 / 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	1Q26	2Q25	yoy chg (%)	1H26	1H25	yoy chg (%)
Total revenue	37,575	54,703	39,650	(5.2)	92,278	91,094	1.3
Operating revenue	36,794	53,909	38,788	(5.1)	90,703	89,389	1.5
Operational gross profit	32,841	48,389	35,072	(6.4)	81,229	81,612	(0.5)
Operational gross margin (%)	89.3	89.8	90.4	(1.2)	89.6	91.3	(1.7)
EBIT	23,694	37,395	25,526	(7.2)	61,089	62,253	(1.9)
EBIT margin (%)	63.1	68.4	64.4	(1.3)	66.2	68.3	(2.1)
Attributable net profit	17,274	27,243	18,555	(6.9)	44,517	45,403	(2.0)
Attributable profit margin (%)	46.0	49.8	46.8	(0.8)	48.2	49.8	(1.6)
Core attributable net profit	17,224	27,240	18,540	(7.1)	44,464	45,390	(2.0)
Core attributable profit margin (%)	45.8	49.8	46.8	(0.9)	48.2	49.8	(1.6)

Source: Moutai, UOB Kay Hian

Analysis

- **2Q26 results missed.** Kweichow Moutai (Moutai) reported 1H26 revenue of Rmb92,278m (+1% yoy). Gross profit (operational) was Rmb81,229m (-0.5% yoy), and operational gross margin was 89.6% (-1.7ppt yoy). EBIT totalled Rmb61,089m (-2% yoy), and EBIT margin was 66.2% (-2.1ppt yoy). Net profit was Rmb44,517m (-2% yoy), and net margin was 48.2% (-1.6ppt yoy). Core net profit was Rmb44,464m (-2% yoy), and core net margin was 48.2% (-1.6ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	174,144	172,054	170,343	174,733	181,556
EBITDA	120,235	116,128	113,300	116,178	120,462
Operating profit	118,150	113,868	111,074	113,926	118,185
Net profit (rep./act.)	86,228	82,320	80,073	82,320	85,455
Net profit (adj.)	86,228	82,320	80,073	82,320	85,455
EPS (Fen)	6,864.2	6,573.7	6,394.2	6,573.6	6,824.0
PE (x)	19.6	20.4	21.0	20.4	19.7
P/B (x)	7.2	6.9	6.5	6.0	5.6
EV/EBITDA (x)	12.7	13.6	13.4	12.9	12.2
Dividend yield (%)	3.8	3.9	3.8	3.9	4.0
Net margin (%)	49.5	47.8	47.0	47.1	47.1
Net debt/(cash) to equity (%)	(80.1)	(60.8)	(81.4)	(84.7)	(87.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	38.4	34.5	31.7	30.5	29.6
Consensus net profit	-	-	85,436.0	90,937.0	96,929.6
UOBKH/Consensus (x)	-	-	0.94	0.91	0.88

Source: Moutai, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	Rmb1,341.99
Target Price	Rmb1,295.00
Upside	-3.5%
Previous TP	Rmb1,395.00

Stock Data

Sector	Consumer Staples
Bloomberg ticker	600519 CH
Shares issued (m)	1,250.1
Market cap (Rmbm)	1,677,597.0
Market cap (US$m)	248,731.9
3-mth avg daily t'over (US$m)	870.1

Price Performance (%)

52-week high/low				Rmb1,569.00/Rmb1,151.01
1mth	3mth	6mth	1yr	YTD
7.3	0.7	(9.7)	(6.0)	(2.6)

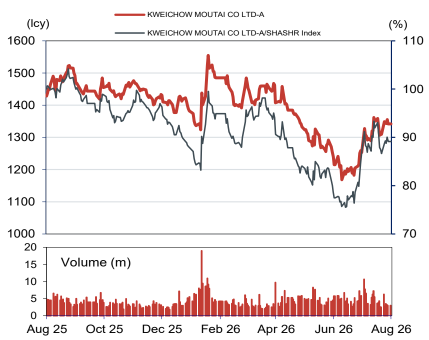
Major Shareholders (%)

Kweichow Moutai Group	54.50
Guizhou Province State-owned Capital Operation Co., Ltd.	4.56

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	208.02
FY26 Net Cash/Share (Rmb)	171.20

Price Chart



Source: Bloomberg

Company Description

Kweichow Moutai is principally engaged in the production and sales of Moutai liquor and a series of liquors. The leading product "Kweichow Moutai" is one of the three famous distilled liquors in the world.

- This implies that 2Q26 revenue was Rmb37,575m (-5% yoy), missing Visible Alpha (VA) consensus by 8%. Gross profit (operational) was Rmb32,841m (-6% yoy), and operational gross margin was 89.3% (-1.2ppt yoy). EBIT totalled Rmb23,694m (-7% yoy), and EBIT margin was 63.1% (-1.3ppt yoy). The yoy contraction in EBIT margin was mainly due to the lower gross margin (-1.2ppt yoy) and higher total operating expenses, driven by a higher administrative expense ratio (+0.3ppt yoy) and a higher tax and surcharges. ratio (+0.1ppt yoy), but partially offset by a lower selling and marketing expense ratio (-0.2ppt yoy). Net profit was Rmb17,274m (-7% yoy), missing VA consensus by 9%, with net margin at 46.0% (-0.8ppt yoy). Core net profit was Rmb17,224m (-7% yoy), and core net margin was 45.8% (-0.9ppt yoy).

Key Operational Data

(Rmbm)	2Q26	2Q25	yoy chg (%)	1H26	1H25	yoy chg (%)
Liquor revenue by product						
- Moutai	31,720	32,032	(1.0)	77,724	75,590	2.8
- Non-Moutai	5,053	6,740	(25.0)	12,934	13,763	(6.0)
Liquor revenue by channel						
- Direct sales channel	22,503	16,789	34.0	52,007	40,010	30.0
- Wholesale channel	14,315	21,983	(34.9)	38,697	49,343	(21.6)
Liquor revenue by region						
- Domestic	35,932	36,998	(2.9)	89,666	86,459	3.7
- Overseas	885	1,774	(50.1)	1,037	2,893	(64.2)

Source: Moutai, UOB Kay Hian

- **Direct sales increased 34% yoy and i-Moutai sales rose 283% yoy on continued DTC transformation.** By product, in 2Q26, revenue of Moutai liquor was down 1% yoy, accounting for 86% of liquor revenue (vs 83% in 2Q25), while revenue of the non-Moutai series declined 25% yoy. By channel, direct sales rose 34% yoy, accounting for 61% of liquor revenue in 2Q26 (vs 43% in 2Q25), while wholesale channel sales declined 35% yoy. i-Moutai sales came in at Rmb18.7b in 2Q26, up 283% yoy and contributing 83% of direct sales (vs 29% in 2Q25), driven by its continued direct-to-consumer (DTC) transformation.
- **Contract liabilities decreased 42% yoy but rose 5% qoq.** As at end-2Q26, the company's contract liabilities were Rmb3,178m, down 42% yoy but up 5% qoq. Cash inflow from sales of goods and services was Rmb42.0b in 2Q26, up 8% yoy but down 25% qoq.
- **State-owned investors disposed shares.** As of end-2Q26, stated-owned investors, including Central Huijin Asset Management and China Securities Finance Corporation, no longer appear among Moutai's top-10 shareholders. By comparison, as of end-1Q26, the two held 0.83% and 0.32% of total shares, respectively.

Earnings Revision/Risk

- **Lower our 2026/27 earnings forecasts by 3%/2% respectively.** We lower our 2026 revenue forecast by 1% to reflect the tepid demand, but keep our 2027 revenue forecast unchanged. We also raise both our 2026-27 opex estimates by 0.7ppt. Thus, our 2026/27 earnings forecasts are trimmed by 3%/2% respectively.

Valuation/Recommendation

- **Maintain HOLD and cut target price by 7% to Rmb1,295.00.** We cut our DCF-based target price by 7% to Rmb1,295.00. Our target price implies 20.3x 2026F PE and 19.7x 2027F PE. The stock currently trades at 21.0x 2026F PE and 20.4x 2027F PE.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	172,054.2	170,342.9	174,733.1	181,555.5
EBITDA	116,127.5	113,299.6	116,178.0	120,462.2
Deprec. & amort.	2,259.4	2,225.6	2,251.6	2,277.6
EBIT	113,868.1	111,074.0	113,926.4	118,184.5
Total other non-operating income	(53.7)	0.0	0.0	0.0
Associate contributions	28.5	0.0	0.0	0.0
Net interest income/(expense)	815.2	653.9	941.4	1,057.5
Pre-tax profit	114,755.3	111,727.9	114,867.8	119,242.1
Tax	(29,444.9)	(28,668.1)	(29,473.8)	(30,596.2)
Minorities	(2,990.3)	(2,986.5)	(3,074.2)	(3,191.3)
Net profit	82,320.1	80,073.2	82,319.8	85,454.6
Net profit (adj.)	82,320.1	80,073.2	82,319.8	85,454.6

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	22,488.1	21,069.3	19,626.3	18,159.1
Other LT assets	28,828.1	28,469.2	28,342.8	28,307.9
Cash/ST investment	110,664.7	174,271.2	199,960.8	226,008.8
Other current assets	141,853.9	110,687.4	109,011.3	109,173.9
Total assets	303,834.8	334,497.2	356,941.3	381,649.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	49,610.5	61,427.4	62,554.5	64,792.4
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	265.1	265.1	265.1	265.1
Shareholders' equity	244,637.8	260,496.6	278,739.5	298,018.7
Minority interest	9,321.4	12,308.0	15,382.2	18,573.4
Total liabilities & equity	303,834.8	334,497.2	356,941.3	381,649.6

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	61,522.2	128,334.5	90,280.2	92,737.1
Pre-tax profit	114,755.3	111,727.9	114,867.8	119,242.1
Tax	(29,444.9)	(28,668.1)	(29,473.8)	(30,596.2)
Deprec. & amort.	2,259.4	2,225.6	2,251.6	2,277.6
Working capital changes	(24,874.4)	41,732.1	3,200.1	2,476.5
Other operating cashflows	(1,173.1)	1,317.1	(565.5)	(662.9)
Investing	(31,641.9)	(513.7)	(513.7)	(513.7)
Capex (growth)	(3,127.6)	(513.7)	(513.7)	(513.7)
Investments	(9.0)	0.0	0.0	0.0
Proceeds from sale of assets	33,566.8	0.0	0.0	0.0
Others	(62,072.1)	0.0	0.0	0.0
Financing	(73,427.1)	(64,214.4)	(64,076.9)	(66,175.4)
Dividend payments	(67,241.7)	(64,214.4)	(64,076.9)	(66,175.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(6,185.3)	0.0	0.0	0.0
Net cash inflow (outflow)	(43,546.8)	63,606.5	25,689.6	26,048.0
Beginning cash & cash equivalent	154,209.2	110,664.7	174,271.2	199,960.8
Other monetary funds	40,122.1	40,122.1	40,122.1	40,122.1
Ending cash & cash equivalent	150,784.5	214,393.3	240,082.9	266,130.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	67.5	66.5	66.5	66.4
Pre-tax margin	66.7	65.6	65.7	65.7
Net margin	47.8	47.0	47.1	47.1
ROA	27.3	25.1	23.8	23.1
ROE	34.5	31.7	30.5	29.6
Growth				
Turnover	(1.2)	(1.0)	2.6	3.9
EBITDA	(3.4)	(2.4)	2.5	3.7
Pre-tax profit	(4.1)	(2.6)	2.8	3.8
Net profit	(4.5)	(2.7)	2.8	3.8
Net profit (adj.)	(4.5)	(2.7)	2.8	3.8
EPS	(4.2)	(2.7)	2.8	3.8
Leverage				
Debt to total capital	n.a.	n.a.	n.a.	n.a.
Debt to equity	n.a.	n.a.	n.a.	n.a.
Net debt/(cash) to equity	(60.8)	(81.4)	(84.7)	(87.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

HSI and HS Tech Index Outlook

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Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Index

Last close:	25,116.85
Expected moving range:	22,520 -26,200

Technical View:

Weekly Chart: Price has printed a lower high, signalling an early breakdown in market structure and deteriorating upward momentum. This loss of buy-side conviction is confirmed by momentum parameters, as the RSI has slipped below its neutral 50-midline and continues to trend downward. This points toward a corrective phase, with price likely sliding back to test its primary support zone below.

Daily Chart: Price has formed a lower swing low, confirming a breakdown in upward momentum and completing a classical double-top reversal pattern. A decisive close below the neckline level confirms the structural shift from bullish to bearish. Consequently, the multi-timeframe chart structure points toward further downside expansion, with a corrective retest of the broken neckline - now acting as overhead resistance - offering a favourable setup for continued weakness.

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Tech Index

Last close:	4,707.62
Expected moving range:	4,230-4,950

Technical View:

Weekly Chart: Price encountered strong overhead supply and was capped at its gap resistance zone, forming a Doji that signalled initial buying exhaustion before being followed immediately by a decisive bearish candle. Technical momentum fully supports this downward rotation, as the RSI remains suppressed below its neutral 50-midline and continues to slope downward. This structural rejection points toward further downside pressure, with price likely extending its decline to test the primary support zone below.

Daily Chart: Price action is currently holding within its structural support zone, maintaining the integrity of this local demand floor to set up a potential rebound. The MACD remains bullish, signalling underlying buy-side strength. We might see a continuation move higher towards overhead targets as long as this support line holds. Conversely, a confirmed breakdown beneath this critical demand shelf would accelerate a markdown phase back towards the major low support.