英皇證券 Emperor Securities CROSBY

China | Restaurant

13 March 2026

Mengniu (2319 HK)

Earnings Rebound Masks a Still-Soft Demand Backdrop

Headline Profit Recovery Driven by a Low FY24 Base

FY25 revenue is expected to be 7% to 8% lower YoY while OPM is slightly lower. FY25 NP would be Rmb1.4bn to Rmb1.6bn, vs Rmb104.5m in FY24. The main reason the FY25 profit rebound appears so dramatic is that FY24 was exceptionally depressed by major non-cash impairments and associate losses, including Bellamy's impairment and Modern Dairy's losses. FY25 results showed that Mengniu's earnings are normalizing from a highly abnormal FY24 trough. Last year, the company still took Rmb2.2bn to Rmb2.4bn of impairment provisions (although much lower than FY24), in respect of (i) certain production facilities that have been left idle and with no plan for resumption of usage in short term; and (ii) certain receivables due from customers and entrusted loans with uncertain repayment ability.

Operational Margins Show Resilience Despite Revenue Contraction

A key point is that Mengniu expects FY25 OPM of 7.9% to 8.1%, only slightly below FY24's 8.2%, despite revenue falling 7% to 8% YoY. This suggests that lower raw-milk costs, tighter marketing-spend control, and better fixed-cost discipline have offset a large part of the top-line pressure, but not all of it. The interim results already showed this pattern. In 1H25, Mengniu reported revenue down 6.9% YoY, but GPM rose to 41.7% from 40.3%, and OPM increased to 8.5% from 7.0%. Management attributed the GPM improvement mainly to lower raw-milk prices. However, the full year OPM guidance reflects 2H25 margin was softer than 1H25, which, in our view, likely reflects a more competitive 2H pricing environment and weaker scale benefits as revenue stayed under pressure.

Strategic Diversification Remains Central to the Growth Story

Strategically, Mengniu has not changed course. The company continues to frame its plan as "One Core, Two Wings". That diversification effort is significant because Mengniu is trying to reduce its dependence on commoditized ambient milk. In FY24, Aice delivered strong sales growth in SE Asia, ranking No. 1 in Indonesia and No. 2 in the Filipino snacking ice cream market, while in 1H25 management said overseas business revenue continued to grow rapidly and market coverage broadened. At the same time, Mengniu launched more than 100 new products in 1H25 across room-temperature dairy, chilled yogurt, fresh milk, ice cream, functional milk, and infant formula, which suggests management is trying to defend growth through category segmentation and innovation rather than relying solely on pricing.

A Less Hostile Industry Backdrop Should Benefit Leading Processors

The broader industry backdrop remains challenging but is gradually becoming less hostile. A recent USDA/FAS China dairy report published in Nov 2025 said China's fluid-milk production is expected to stay broadly stable in 2026, after milk prices had fallen continuously since 2022 and pushed many smaller farms out of the market. The same report said farms with more than 1,000 head accounted for more than 68% of production in 2025, and noted that many large farms are supported by vertically integrated processors. In our view, this is broadly consistent with a sector that is still digesting oversupply, but where scale, integration, and purchasing power should increasingly favor leading processors like Mengniu over weaker players.

Valuation Appears Undemanding, with Upcoming Results as a Near-Term Catalyst

Mengniu's current FY25/FY26 PE is at 14.7x/10.9x, vs dairy peers average of 18.0x/11.2x. With a FY25-27 CAGR of 22.9%, FY25PEG is only at 0.64, which we find quite attractive compare to other most consumer stocks. The key items to watch at the 25 Mar 2026 annual results are: (1) the exact breakdown of FY25 impairments; (2) whether dividend policy again looks through one-off items; (3) whether management guides to genuine 2026 revenue stabilization in ambient milk; and (4) whether associate losses, especially from Modern Dairy, begin to narrow.

NON-RATED

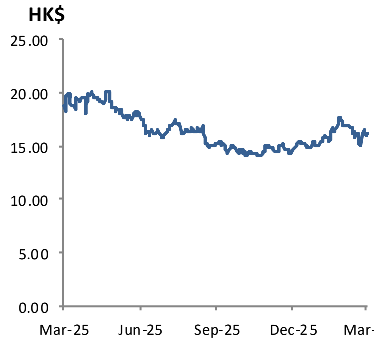
Last Price (HK$)*	16.12
Target Price (HK$)	**N/A**
Upside / (Downside)(%)	N/A
Previous rating	*NON-RATED*
Previous TP	*N/A*
Hang Seng Index*	25,465.60
** Prices as of*	*13-Mar-26*

Key Data

Ticker	2319 HK
Market Cap (HK$m)	62,528
3M avg daily T/O (HK$m)	428.9
52-week High (HK$)	21.00
52-week Low (HK$)	13.88
Free Float (%)	75.0%
Shares O/S (m)	3,878.9

Performance	Absolute	Relative
1 month	-4.4%	-0.3%
3 months	10.2%	12.4%
6 months	6.2%	10.0%

Price Chart



Source: Bloomberg

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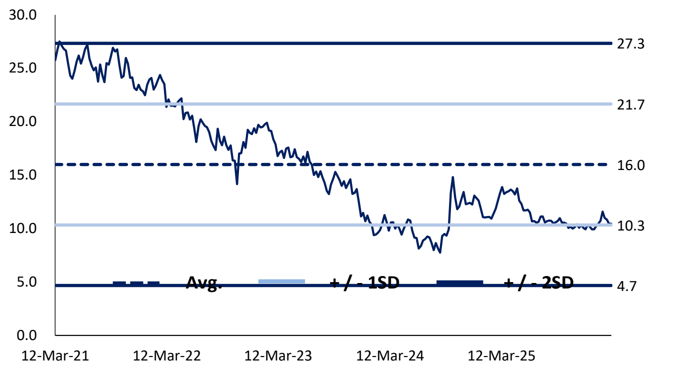
Figure 1 Peer comparison (closing prices as of 13 Mar 2026)

Company	Ticker	Price	Mkt cap (US$m)	3-mth avg t/o (US$m)	P/E (x) FY1	P/E (x) FY2	FY1-FY3 EPS Cagr (%)	FY1 PEG (x)	Div Yld (%) FY1	Div Yld (%) FY2	P/B (x) Hist	P/B (x) FY1	ROE (%) Hist	ROE (%) FY1	ROIC Hist (%)	Share px chg (%) 1-mth	Share px chg (%) 3-mth	Share px chg (%) 12-mth
HSI		25,466			12.7	11.3	12.7	1.01	3.2	3.3	1.38	1.35	10.4	10.3		(4.1)	(2.0)	8.5
HSCEI		8,671			11.4	10.3	12.3	0.93	2.9	3.1	1.25	1.25	11.1	10.8		(4.0)	(4.5)	0.4
CSI300		4,669			17.0	14.5	15.3	1.11	2.3	2.6	1.83	1.80	10.2	10.8		0.2	1.9	19.4
Sector Average					**18.0**	**11.2**	**46.5**	**0.6**	**3.3**	**3.4**	**0.9**	**1.1**	**(4.1)**	**2.9**	**2.3**	**(3.0)**	**8.7**	**34.6**
Sector Median					**13.7**	**10.2**	**19.0**	**0.7**	**3.5**	**4.0**	**0.9**	**1.2**	**0.0**	**4.9**	**1.3**	**(3.2)**	**6.4**	**38.9**
Mengniu Dairy	2319 HK	16.12	7,988	54.8	14.8	11.1	22.8	0.65	3.5	4.3	1.35	1.27	(0.7)	8.3	1.0	(4.4)	10.2	(11.2)
China Feihe Ltd	6186 HK	3.86	4,343	10.9	12.6	10.2	15.3	0.82	6.8	7.8	1.20	1.17	10.5	9.2	10.3	(2.0)	(6.3)	(34.9)
China Youran Dai	9858 HK	4.48	2,399	17.2	34.0	9.5	134.0	0.25	0.0	0.0	1.39	1.29	(5.8)	3.2	1.5	(14.3)	4.2	81.4
China Modern Dai	1117 HK	1.50	1,517	4.6	N/A	16.3	N/A	N/A	0.7	1.1	1.21	1.14	(21.8)	(10.9)	(6.5)	(1.3)	8.7	32.7
Ausnutria	1717 HK	1.94	441	0.0	10.4	9.1	14.2	0.73	5.4	4.0	0.50	0.51	4.6	4.9	3.6	(1.0)	(11.0)	(7.3)
China Shengmu Or	1432 HK	0.34	359	0.7	N/A	N/A	N/A	N/A	N/A	N/A	0.63	N/A	0.8	N/A	0.9	(5.6)	(2.9)	82.1
Austasia Group L	2425 HK	2.18	273	0.0	N/A	N/A	N/A	N/A	N/A	N/A	0.62	N/A	(25.7)	N/A	(9.1)	(12.8)	12.4	88.7
Yuanshengtai Dai	1431 HK	0.37	222	0.1	N/A	N/A	N/A	N/A	N/A	N/A	0.30	N/A	5.7	N/A	16.3	17.5	54.2	45.1

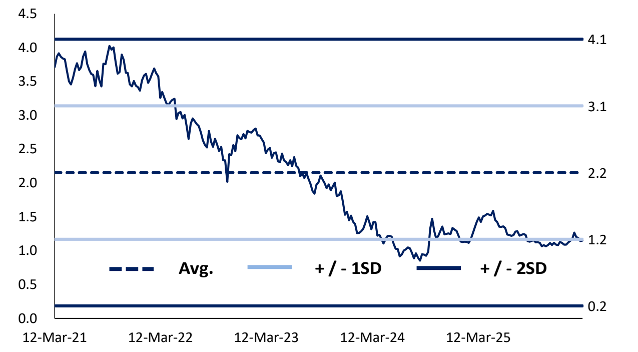
Source: Bloomberg, Crosby Securities

Figure 2 Historical 5-year forward PE range



Source: Bloomberg, Crosby Securities

Figure 3 Historical 5-year forward PB range



Source: Bloomberg, Crosby Securities

Summary financials

Yr ended 31 Dec	FY 2022	FY 2023	FY 2024
Income Statement (CNY'm)			
Revenue	**92,593**	**98,624**	**88,675**
YoY%	*5.1*	*6.5*	*(10.1)*
Gross profit	**32,690**	**36,640**	**35,090**
YoY%	*0.9*	*12.1*	*(4.2)*
EBITDA	**8,757**	**9,492**	**5,355**
YoY%	*20.3*	*8.4*	*(43.6)*
Net profit	**5,303**	**4,809**	**105**
YoY%	*5.5*	*(9.3)*	*(97.8)*
EPS (Fully diluted)	**1.336**	**1.216**	**0.027**
YoY%	*5.4*	*(9.0)*	*(97.8)*
DPS	**0.402**	**0.489**	**0.509**
YoY%	*5.5*	*21.6*	*4.1*
Balance Sheets (CNY'm)			
Cash & Cash Equiv	5,693	7,202	6,199
ST Investments	14,184	14,050	19,382
AR	3,660	3,669	3,262
Inventories	8,073	6,088	4,937
Other current assets	5,166	3,119	1,988
Total Current Assets	**36,777**	**34,128**	**35,768**
PP&E	26,547	26,798	25,768
LT Investments	20,301	20,207	16,263
Other Non-curr assets	34,188	34,087	28,494
Total Non-Current Assets	**81,036**	**81,092**	**70,525**
Payables & Accruals	20,883	20,446	17,420
ST Debts	9,095	9,807	16,662
Othe current Liabilities	3,175	2,341	2,925
Total Current Liabilities	**33,153**	**32,594**	**37,007**
LT Debts	30,014	27,604	17,976
Othe LT Liabilities	4,594	4,370	3,285
Total Long-Term Liabilities	**34,608**	**31,974**	**21,261**
Shareholders' Equity	**40,099**	**44,320**	**41,562**
Minority interests	9,953	6,332	6,463
Total Equity	50,052	50,652	48,025
Total Debts	39,109	37,411	34,637
Net cash / (debts)	(33,415)	(30,209)	(28,438)

Yr ended 31 Dec	FY 2022	FY 2023	FY 2024
Cash Flow Statement (CNY'm)			
Net Income	5,303	4,809	105
Dep & Amort.	2,878	3,301	3,407
Working capital changs	932	429	(889)
Other adjustments	279	1,079	6,419
Cash From Operations (CFO)	**9,392**	**9,618**	**9,042**
YoY%	*4.5*	*2.4*	*(6.0)*
Capex	(5,064)	(4,135)	(3,475)
Other investments	(10,908)	2,513	(1,317)
Cash From Investing Activities	**(15,973)**	**(1,621)**	**(4,792)**
Free Cash Flow (CFO - Capex)	**4,328**	**5,483**	**5,567**
YoY%	*56.2*	*26.7*	*1.5*
Net change in debts	12,076	(1,698)	(2,774)
Shares issue & buyback (net)	(227)	(662)	(284)
Dividends	(1,507)	(1,588)	(1,924)
Others	(6,160)	(2,540)	(270)
Cash from Financing Activities	**4,182**	**(6,488)**	**(5,252)**
Opening cash	8,092	5,693	7,202
Net Changes in Cash	(2,398)	1,508	(1,003)
Closing cash	**5,693**	**7,202**	**6,199**
Ratios			
Gross margin	35.3%	37.2%	39.6%
Ebitda margin	9.5%	9.6%	6.0%
Net margin	5.7%	4.9%	0.1%
Payout	30.0%	40.0%	1908.2%
Effective tax	20.3%	22.6%	77.5%
Ebit margin (%)	8.2	8.0	2.8
Interest burden (x)	0.85	0.80	0.41
Tax budren (x)	0.82	0.76	0.10
Asset turnover (x)	0.86	0.85	0.80
Leverage (x)	2.81	2.76	2.58
ROE	**13.8%**	**11.4%**	**0.2%**
ROIC	**6.1%**	**5.6%**	**0.9%**
Total debts / Total Capital	43.9%	42.5%	41.9%
Net debts / SH Equity	83.3%	68.2%	68.4%

Source: Bloomberg, Crosby Securities

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