UOBKayHian

Company – Results | Greater China

Friday, 28 August 2026

China Mengniu Dairy (2319 HK)

1H26: Results Beat; Raises Full-Year Revenue Target To High Single Digits; Maintains Flat OPM Target

Highlights

- **Mengniu's 1H26 results** beat on both top-line and bottom line. Excluding the tax adjustment impact, net profit would have increased by around 30%.
- **3Q-to-date, all business segments sustained solid growth momentum,** leading management to raise its full-year revenue growth target to high single-digits from mid-single-digits. Regarding profitability, while the rising raw material prices may continue to weigh on gross margin, the company's strengthened expense control could support operating margin expansion in 2H26. Therefore, for the full year, the company still targets to achieve at least a yoy flat operating margin.
- **Regarding the income tax adjustment,** management expects an additional tax amount of Rmb500m this year. Going forward, an annual increase of Rmb200m is expected under the new taxation criteria.
- **Maintain BUY and raise target price by 5% to HK$24.40.**

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy chg (%)	hoh chg (%)
Total revenue	44,795	40,678	41,567	7.8	10.1
Gross profit	18,258	15,456	17,352	5.2	18.1
Gross profit margin (%)	40.8	38.0	41.7	(1.0)	2.8
Operating profit	3,676	3,026	3,538	3.9	21.5
Operating margin (%)	8.2	7.4	8.5	(0.3)	0.8
Core net profit	2,371	1,914	2,046	15.9	23.9
Core net margin (%)	5.3	4.7	4.9	0.4	0.6

Source: Mengniu, UOB Kay Hian

Analysis

- **1H26 results beat; net profit should have increased 30% excluding tax adjustment impact.** China Mengniu Dairy (Mengniu) reported revenue of Rmb44,795m (+8% yoy), beating VA consensus by 4%. Gross profit was Rmb18,258m (+5% yoy), with gross margin at 40.8% (-1.0ppt yoy). The decline in gross margin can be attributed to: a) price adjustments made for certain basic products in 2H25 to cope with market competition, and b) a significant increase in the costs of raw and auxiliary materials. Operating profit was Rmb3,676m (+4% yoy), with operating margin at 8.2% (-0.3ppt yoy). The decline in operating margin was primarily due to gross margin contraction, partially offset by a 0.7ppt SG&A expense savings. Net profit was Rmb2,371m (+16% yoy), beating VA consensus by 4%, with net margin at 5.3% (+0.4ppt yoy). During the period, the company made an income tax adjustment payment amounting to Rmb320m, bringing the effective tax rate to 31.5% from 24.1% in 1H25. Excluding the tax adjustment impact, net would have increased by around 30%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	88,675	82,245	87,848	92,372	97,333
EBITDA	10,664	11,040	10,092	10,468	10,791
Operating profit	7,257	6,564	6,985	7,464	7,875
Net profit (rep./act.)	105	1,545	5,034	5,636	6,042
Net profit (adj.)	4,435	3,960	5,034	5,636	6,042
EPS (Fen)	112.9	101.4	128.4	143.8	154.2
PE (x)	14.3	15.9	12.5	11.2	10.5
P/B (x)	1.5	1.6	1.5	1.4	1.3
EV/EBITDA (x)	8.1	7.4	7.6	6.9	6.3
Dividend yield (%)	3.1	3.2	4.1	4.5	4.9
Net margin (%)	5.0	4.8	5.7	6.1	6.2
Net debt/(cash) to equity (%)	(14.5)	(23.9)	(32.9)	(39.4)	(45.2)
Interest cover (x)	191.1	85.7	n.a.	n.a.	n.a.
ROE (%)	10.3	9.6	12.0	12.5	12.5
Consensus net profit	-	-	4,932.9	5,495.4	6,021.8
UOBKH/Consensus (x)	-	-	1.02	1.03	1.00

Source: Mengniu, Bloomberg, UOB Kay Hian

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BUY (Maintained)	
Share Price	HK$18.79
Target Price	HK$24.40
Upside	+29.9%
Previous TP	HK$23.20

Stock Data

Sector	Consumer Staples
Bloomberg ticker	2319 HK
Shares issued (m)	3,871.2
Market cap (HK$m)	72,739.7
Market cap (US$m)	9,279.6
3-mth avg daily t'over (US$m)	55.7

Price Performance (%)

52-week high/low: HK$19.67/HK$13.88

1mth	3mth	6mth	1yr	YTD
3.2	14.2	16.3	11.5	26.0

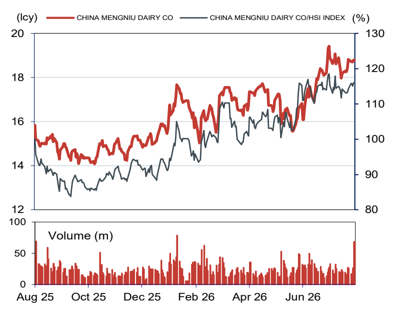
Major Shareholders (%)

COFCO Corp	24.14

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	11.11
FY26 Net Cash/Share (Rmb)	4.10

Price Chart



Source: Bloomberg

Company Description

China Mengniu Dairy (Mengniu) is a leading dairy product manufacturer in China, with MENGNIU as its core brand. It offers diversified products including liquid milk products, ice cream, milk formula and cheese, under well-known brands such as Milk Deluxe, Just Yoghurt, and Bellamy's. Mengniu continues to expand and build its omni-channel operations to establish long-term relationships with consumers.

Key Operational Data

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy chg (%)	hoh chg (%)
Revenue by product					
Liquid milk products	33,865	32,748	32,192	5.2	3.4
Ice cream products	4,207	1,515	3,879	8.5	177.7
Milk powder products	2,058	1,968	1,676	22.8	4.6
Cheese products	3,148	2,892	2,374	32.6	8.9
Others	1,517	1,556	1,447	4.8	(2.5)

Source: Mengniu, UOB Kay Hian

- **2026 revenue target raised to high single-digits.** By segment, liquid milk/ice cream/milk powder/cheese/others recorded revenue growth of 5%/8%/23%/33%/5%, respectively, with growth primarily driven by volume, while ASPs were largely flat. In the liquid milk segment, Deluxe achieved high single-digit growth, while fresh milk delivered over 30% growth. 3Q-to-date, all business segments sustained solid growth momentum, leading management to raise the full-year revenue growth target to high single-digits from mid-single-digits.
- **Maintains flat operating margin target.** Regarding profitability, while the rising raw material prices may continue to weigh on gross margin, the company's strengthened expense control could support operating margin expansion in 2H26. Furthermore, management believes that raw milk price stabilisation will drive industry competition rationalisation, enabling the company to reduce promotions. Therefore, for the full year, the company still targets to achieve at least a yoy flat operating margin.
- **Expect non-operating items to contribute positively to net profit in 2H26;** annual tax increase of Rmb200m due to new criteria. Below the operating profit line, in 1H26, share of associate (primarily China Modern Dairy) contributed a profit of Rmb40m (vs a loss of Rmb585m in 1H25). Write-down of inventories amounted to Rmb166m (vs Rmb222m in 1H25). With raw milk prices already stabilising and projected to gradually trend up in 2H26, we anticipate these non-operating items contributing positively to net profit in 2H26. Regarding the income tax adjustment, management foresees an increase of additional tax amount of Rmb500m this year (Rmb320m in 1H26). Going forward, an annual increase of Rmb200m is expected under the new taxation criteria.

Earnings Revision/Risk

- **We lower our 2026 earnings forecast by 1.4%, while raising our 2027 earnings forecast by 0.4%.** We raise our 2026/27 revenue forecasts by 2.3%/3.3%, respectively. We cut our 2026/27 gross margin estimates by 0.3ppt/0.2ppt respectively. We also trim our 2026/27 selling and marketing expense ratio forecasts both by 0.3ppt. We lift our 2026/27 estimates of non-operating items. We raise our 2026/27 effective tax rate estimates to reflect changes in the taxation criteria. Thus, our 2026 earnings forecast is lowered by 1.4%, while our 2027 earnings forecast is raised slightly by 0.4%.

Valuation/Recommendation

- **Maintain BUY and raise target price by 5% to HK$24.40.** Our DCF-based target price is raised by 5% to HK$24.40, implying 17.0x 2026F PE and 15.1x 2027F PE. The stock currently trades at 12.5x 2026F PE and 11.2x 2027F PE.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	82,244.9	87,847.5	92,371.7	97,332.6
EBITDA	11,039.9	10,091.9	10,468.2	10,790.8
Deprec. & amort.	4,475.5	3,106.9	3,004.7	2,916.0
EBIT	6,564.4	6,985.0	7,463.5	7,874.8
Total other non-operating income	(2,723.0)	440.7	650.5	661.3
Associate contributions	(804.0)	269.9	440.3	554.4
Net interest income/(expense)	(128.8)	27.4	92.0	178.2
Pre-tax profit	2,908.5	7,722.9	8,646.3	9,268.7
Tax	(1,284.6)	(2,432.7)	(2,723.6)	(2,919.6)
Minorities	(78.6)	(256.1)	(286.7)	(307.4)
Net profit	1,545.4	5,034.1	5,636.0	6,041.7
Net profit (adj.)	3,960.0	5,034.1	5,636.0	6,041.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	18,118.9	17,418.0	16,811.2	16,285.8
Other LT assets	43,691.6	43,629.2	43,574.9	43,527.8
Cash/ST investment	13,254.5	14,202.2	19,650.5	25,118.6
Other current assets	21,513.3	22,324.2	22,961.4	23,661.1
Total assets	96,578.3	97,573.6	102,998.0	108,593.3
ST debt	13,874.1	9,151.5	9,250.7	9,340.0
Other current liabilities	20,752.9	22,205.5	23,279.2	24,503.2
LT debt	11,514.6	12,506.8	13,399.7	14,203.3
Other LT liabilities	3,255.1	3,255.1	3,255.1	3,255.1
Shareholders' equity	40,518.9	43,535.9	46,607.8	49,778.8
Minority interest	6,662.7	6,918.8	7,205.5	7,512.9
Total liabilities & equity	96,578.3	97,573.6	102,998.0	108,593.3

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	8,750.5	9,038.8	9,363.9	9,789.4
Pre-tax profit	2,908.5	7,722.9	8,646.3	9,268.7
Tax	(1,284.6)	(2,432.7)	(2,723.6)	(2,919.6)
Deprec. & amort.	4,475.5	3,106.9	3,004.7	2,916.0
Working capital changes	267.0	641.7	436.5	524.3
Other operating cashflows	2,350.3	(0.0)	0.0	0.0
Investing	3,335.2	(2,343.6)	(2,343.6)	(2,343.6)
Capex (growth)	(2,453.0)	(2,343.6)	(2,343.6)	(2,343.6)
Investments	(7,049.2)	0.0	0.0	0.0
Proceeds from sale of assets	102.3	0.0	0.0	0.0
Others	12,735.1	0.0	0.0	0.0
Financing	(11,713.9)	(5,747.5)	(1,572.0)	(1,977.8)
Dividend payments	(1,991.2)	(2,017.0)	(2,564.1)	(2,870.7)
Proceeds from borrowings	26,391.0	10,143.6	10,143.6	10,143.6
Loan repayment	(31,737.1)	(13,874.1)	(9,151.5)	(9,250.7)
Others/interest paid	(4,376.5)	0.0	0.0	0.0
Net cash inflow (outflow)	371.8	947.7	5,448.3	5,468.0
Beginning cash & cash equivalent	6,199.4	13,254.5	14,202.2	19,650.5
Changes due to forex impact	(535.1)	0.0	0.0	0.0
Ending cash & cash equivalent	6,036.0	14,202.2	19,650.5	25,118.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.4	11.5	11.3	11.1
Pre-tax margin	3.5	8.8	9.4	9.5
Net margin	4.8	5.7	6.1	6.2
ROA	3.9	5.2	5.6	5.7
ROE	9.6	12.0	12.5	12.5
Growth				
Turnover	(7.3)	6.8	5.2	5.4
EBITDA	3.5	(8.6)	3.7	3.1
Pre-tax profit	191.1	165.5	12.0	7.2
Net profit	(10.7)	27.1	12.0	7.2
Net profit (adj.)	(10.7)	27.1	12.0	7.2
EPS	(10.2)	26.6	12.0	7.2
Leverage				
Debt to total capital	35.7	33.0	33.7	33.0
Debt to equity	61.9	51.5	50.3	48.9
Net debt/(cash) to equity	(23.9)	(32.9)	(39.4)	(45.2)
Interest cover (x)	85.7	n.a.	n.a.	n.a.