Tsingtao Brewery (168 HK)

2Q26: Net Profit In Line; Sales Volume Down 7% With Flat ASP

Highlights

- Tsingtao Brewery's 2Q26 earnings were in line with consensus estimates.
- In 2Q26, beer sales volume was 23.0m hl (-7% yoy). By brand, sales volume of the Tsingtao brand/secondary brand was 13.3m hl/9.7m hl (-1%/-14% yoy), respectively. By category, sales volume of mid-range to high-end/other products was 10.0m hl/13.0m hl (+2%/-13% yoy), respectively.
- Product mix continued to improve yoy, with mid-range to high-end products accounting for 44% of 2Q26 sales volume (vs 40% in 2Q25). However, ASP remained largely flat yoy**.** Maintain BUY, cut target price by 6% to HK$62.40.

2Q26 & 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	2Q25	yoy chg (%)	1H26	1H25	yoy chg (%)
Total revenue	9,370	10,046	(6.7)	19,655	20,491	(4.1)
Gross profit	4,422	4,605	(4.0)	8,818	8,954	(1.5)
Gross profit margin (%)	47.2	45.8	1.4	44.9	43.7	1.2
EBIT	2,605	2,584	0.8	4,808	4,641	3.6
EBIT margin (%)	27.8	25.7	2.1	24.5	22.7	1.8
Attributable net profit	2,120	2,194	(3.4)	3,920	3,904	0.4
Attributable net profit margin (%)	22.6	21.8	0.8	19.9	19.1	0.9
Core net profit	1,962	2,029	(3.3)	3,667	3,632	1.0
Core net profit margin (%)	20.9	20.2	0.7	18.7	17.7	0.9
Sales volume (m hl)	23.0	24.7	(7.0)	45.0	47.3	(4.9)
ASP (Rmb/kl)	4,077	4,065	0.3	4,368	4,330	0.9
COGS (Rmb/kl)	2,153	2,202	(2.2)	2,408	2,438	(1.2)

Note: ASP and unit COGS is calculated based on total revenue

Source: Tsingtao Brewery, UOB Kay Hian

Analysis

- **2Q26 net profit in line.** Tsingtao Brewery reported 1H26 revenue of Rmb19,655m (-4% yoy). Gross margin was 44.9% (+1.2ppt yoy). EBIT totalled Rmb4,808m (+4% yoy), and EBIT margin was 24.5% (+1.8ppt yoy). Net profit was Rmb3,920m (flat yoy), in line with VA consensus. Net margin was 19.9% (+0.9ppt yoy).
- This implies that in 2Q26, revenue was Rmb9,370m (-7% yoy). Gross margin was 47.2% (+1.4ppt yoy), supported by a 2% yoy decline in unit COGS. EBIT was Rmb2,605m (+1% yoy), and EBIT margin was 27.8% (+2.1ppt yoy), driven by: a) gross margin expansion; and b) a 0.9ppt decline in selling expenses, partially offset by a 0.2ppt increase in administrative and R&D expenses. Net profit was Rmb2,120m (-3% yoy), and net margin was 22.6% (+0.8ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	32,138	32,473	32,084	32,677	34,000
EBITDA (adj.)	5,729	6,461	6,696	7,016	7,456
Operating profit (adj.)	4,488	5,161	5,347	5,575	5,922
Net profit (rep./act.)	4,345	4,588	4,648	4,818	5,082
Net profit (adj.)	4,345	4,588	4,648	4,818	5,082
EPS (Fen)	319.1	336.3	340.7	353.1	372.5
PE (x)	11.5	10.9	10.8	10.4	9.9
P/B (x)	1.7	1.6	1.6	1.5	1.4
EV/EBITDA (adj.) (x)	7.6	7.5	7.3	7.0	6.5
Dividend yield (%)	6.0	6.4	6.7	6.9	7.3
Net margin (%)	13.5	14.1	14.5	14.7	14.9
Net debt/(cash) to equity (%)	(61.9)	(41.9)	(39.5)	(37.6)	(37.1)
ROE (%)	15.4	15.4	14.8	14.7	14.8
Consensus net profit	-	-	4,762.4	5,032.5	5,327.0
UOBKH/Consensus (x)	-	-	0.98	0.96	0.95

Source: Tsingtao Brewery, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$42.86
Target Price	HK$62.40
Upside	+45.6%
Previous TP	HK$66.70

Stock Data

Sector	Consumer Staples
Bloomberg ticker	168 HK
Shares issued (m)	655.1
Market cap (HK$m)	70,700.3
Market cap (US$m)	9,018.9
3-mth avg daily t'over (US$m)	19.8

Price Performance (%)

52-week high/low: HK$56.00/HK$42.2

1mth	3mth	6mth	1yr	YTD
(5.8)	(15.2)	(16.9)	(18.0)	(12.0)

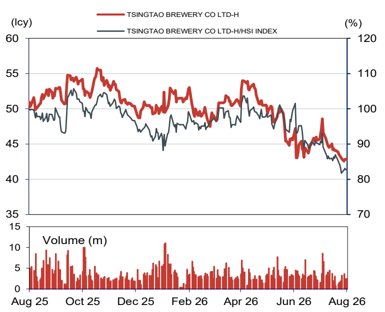
Major Shareholders (%)

TsingTao Brewery Group	57.13

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	23.52
FY26 Net Cash/Share (Rmb)	9.3

Price Chart



Source: Bloomberg

Company Description

Tsingtao Brewery is one of the earliest breweries in China. Its product portfolio includes Tsingtao Beer, Laoshan Beer, Centennial Journey, etc.

Segmental Revenue

Year to 31 Dec	2Q26	2Q25	yoy chg (%)	1H26	1H25	yoy chg (%)
Total shipment (m hl)	23.0	24.7	(7.0)	45.0	47.3	(4.9)
- Tsingtao brand	13.3	13.4	(0.8)	27.1	27.1	(0.2)
- Secondary brand	9.7	11.3	(14.3)	17.9	20.2	(11.2)
- Mid to high-end	10.0	9.8	2.1	20.4	19.9	2.6
- Others	13.0	14.9	(13.0)	24.6	27.4	(10.4)

Source: Tsingtao Brewery, UOB Kay Hian

- **2Q26 volume declined, primarily driven by cut in secondary brands.** In 1H26, total beer sales volume was 45.0m hl (-5% yoy). This implies that total beer sales volume was 23.0m hl (-7% yoy) in 2Q26. In 2Q26, by brand, sales volume of the Tsingtao brand/secondary brand was 13.3m hl/9.7m hl (-1%/-14% yoy), respectively. By category, sales volume of mid-range to high-end/other products was 10.0m hl/13.0m hl (+2%/-13% yoy), respectively. Product mix improved on a yoy basis, with the mid-range to high-end segment accounting for 44% of total sales volume in 2Q26 (vs 40% in 2Q25).
- **ASP remained largely flat yoy in 2Q26 despite mix improvement.** In 1H26, ASP slightly increased 1% yoy to Rmb4,368/kl, while COGS per unit dropped 1% yoy to Rmb2,408/kl. This implies that in 2Q26, ASP remained largely flat yoy at Rmb4,077/kl but COGS per unit declined 2% yoy to Rmb2,153/kl.

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 4%/6%, respectively.** We cut our 2026/27 revenue forecasts by 4%/5% respectively to reflect a tepid recovery in beer consumption. We trim our 2026/27 gross margin estimates slightly both by 0.1ppt. Thus, our 2026/27 earnings forecasts are lowered by 4%/6% respectively.

Valuation/Recommendation

- **Maintain BUY, cut target price by 6% to HK$62.40.** We trim our DCF-based target price by 6% to HK$62.40, implying 9.6x 2026 EV/EBITDA and 9.2x 2027 EV/EBITDA. The stock currently trades at 7.3x 2026 EV/EBITDA and 7.0x 2027 EV/EBITDA.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	32,473.5	32,083.7	32,676.8	34,000.3
EBITDA	6,461.2	6,696.2	7,016.0	7,456.1
Deprec. & amort.	1,299.9	1,349.0	1,440.9	1,534.0
EBIT	5,161.3	5,347.2	5,575.0	5,922.1
Total other non-operating income	73.0	73.0	73.0	73.0
Associate contributions	383.0	378.4	385.4	401.0
Net interest income/(expense)	401.6	302.9	300.2	300.5
Pre-tax profit	6,291.1	6,373.7	6,605.8	6,968.9
Tax	(1,573.6)	(1,594.3)	(1,652.4)	(1,743.2)
Minorities	(129.3)	(131.0)	(135.8)	(143.2)
Net profit	4,588.1	4,648.4	4,817.7	5,082.4
Net profit (adj.)	4,588.1	4,648.4	4,817.7	5,082.4

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	12,860.9	14,493.0	16,044.0	17,513.8
Other LT assets	15,066.9	15,204.7	15,331.6	15,446.6
Cash/ST investment	12,859.6	12,744.3	12,758.3	13,186.7
Other current assets	11,344.2	11,533.8	11,603.2	11,758.2
Total assets	52,131.6	53,975.7	55,737.2	57,905.4
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	16,600.6	16,871.2	17,018.7	17,422.4
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	4,018.8	4,018.8	4,018.8	4,018.8
Shareholders' equity	30,648.9	32,091.5	33,569.6	35,190.9
Minority interest	863.2	994.3	1,130.0	1,273.3
Total liabilities & equity	52,131.6	53,975.7	55,737.2	57,905.4

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,592.5	5,290.9	5,554.0	6,089.9
Pre-tax profit	6,291.1	6,373.7	6,605.8	6,968.9
Tax	(1,573.6)	(1,594.3)	(1,652.4)	(1,743.2)
Deprec. & amort.	1,299.9	1,349.0	1,440.9	1,534.0
Associates	(73.0)	(73.0)	(73.0)	(73.0)
Working capital changes	(381.9)	201.4	84.1	262.1
Non-cash items	123.7	(632.9)	(632.4)	(630.9)
Other operating cashflows	(1,093.6)	(333.0)	(219.1)	(228.0)
Investing	(3,246.8)	(2,200.4)	(2,200.4)	(2,200.4)
Capex (growth)	(2,253.2)	(2,700.4)	(2,700.4)	(2,700.4)
Investments	(22,661.1)	0.0	0.0	0.0
Proceeds from sale of assets	20,841.8	500.0	500.0	500.0
Others	825.7	0.0	0.0	0.0
Financing	(3,104.2)	(3,205.9)	(3,339.5)	(3,461.1)
Dividend payments	(3,054.3)	(3,205.9)	(3,339.5)	(3,461.1)
Proceeds from borrowings	0.7	0.0	0.0	0.0
Loan repayment	(50.6)	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(1,758.5)	(115.3)	14.1	428.4
Beginning cash & cash equivalent	4,046.0	2,287.1	2,171.8	2,185.9
Other monetary funds	10,572.1	10,572.4	10,572.4	10,572.4
Ending cash & cash equivalent	12,859.6	12,744.3	12,758.3	13,186.7

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin (adj.)	19.9	20.9	21.5	21.9
Pre-tax margin (adj.)	19.4	19.9	20.2	20.5
Net margin (adj.)	14.1	14.5	14.7	14.9
ROA	8.9	8.8	8.8	8.9
ROE	15.4	14.8	14.7	14.8
Growth				
Turnover	1.0	(1.2)	1.8	4.1
EBITDA (adj.)	12.8	3.6	4.8	6.3
Pre-tax profit (adj.)	7.0	1.3	3.6	5.5
Net profit	5.6	1.3	3.6	5.5
Net profit (adj.)	5.6	1.3	3.6	5.5
EPS (adj.)	5.4	1.3	3.6	5.5
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	(41.9)	(39.5)	(37.6)	(37.1)