

Tsingtao Brewery (168 HK)

3Q26: Net Profit Down 17%; Sales Volume Down 9%; ASP Up 4%

Highlights

- Tsingtao Brewery's 3Q26 net profit fell 17% yoy, primarily due to a decline in revenue, driven by lower sales volume yet partially offset by ASP increase, as well as gross margin contraction amid rising unit COGS and higher SG&A expenses.
- 3Q26 sales volume was 19.7m hl, down 9% yoy. By brand, sales volume of the Tsingtao brand and secondary brand declined 3% and 18% yoy, respectively. By category, sales volume of mid-range to high-end products increased 1% yoy, while that of other products dropped 17% yoy.
- Maintain BUY, cut target price by 11% to HK\$55.50.

3Q26 & 9M26 Results

Year to 31 Dec (Rmbm)	3Q26	3Q25	yoy chg (%)	9M26	9M25	yoy chg (%)
Total revenue	8,380	8,876	(5.6)	28,035	29,367	(4.5)
Gross profit	3,530	3,866	(8.7)	12,348	12,820	(3.7)
Gross profit margin (%)	42.1	43.6	(1.4)	44.0	43.7	0.4
EBIT	1,254	1,683	(25.5)	6,062	6,324	(4.2)
EBIT margin (%)	15.0	19.0	(4.0)	21.6	21.5	0.1
Attributable net profit	1,135	1,370	(17.1)	5,055	5,274	(4.2)
Attributable net profit margin (%)	13.5	15.4	(1.9)	18.0	18.0	0.1
Core net profit	964	1,290	(25.3)	4,631	4,922	(5.9)
Core net profit margin (%)	11.5	14.5	(3.0)	16.5	16.8	(0.2)
Sales volume (m hl)	19.7	21.6	(9.1)	64.7	68.9	(6.2)
ASP (Rmb/kl)	4,265	4,105	3.9	4,336	4,260	1.8
COGS (Rmb/kl)	2,468	2,317	6.5	2,426	2,400	1.1

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

Source: Tsingtao Brewery (A Share), UOB Kay Hian

Analysis

- 3Q26 net profit fell 17% yoy.** Tsingtao Brewery reported 9M26 revenue of Rmb28,035m (-5% yoy). Gross margin was 44.0% (+0.4ppt yoy). EBIT totalled Rmb6,062m (-4% yoy), and EBIT margin was 21.6% (+0.1ppt yoy). Net profit was Rmb5,055m (-4% yoy), and net margin was 18.0% (+0.1ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	32,138	32,473	31,078	31,238	31,646
EBITDA (adj.)	5,729	6,461	6,418	6,690	6,956
Operating profit (adj.)	4,488	5,161	5,089	5,290	5,483
Net profit (rep./act.)	4,345	4,588	4,452	4,599	4,748
Net profit (adj.)	4,345	4,588	4,452	4,599	4,748
EPS (Fen)	319.1	336.3	326.3	337.1	348.0
PE (x)	10.3	9.8	10.1	9.8	9.5
P/B (x)	1.5	1.5	1.4	1.4	1.3
EV/EBITDA (adj.) (x)	6.9	6.9	7.0	6.7	6.4
Dividend yield (%)	6.7	7.1	7.1	7.3	7.6
Net margin (%)	13.5	14.1	14.3	14.7	15.0
Net debt/(cash) to equity (%)	(61.9)	(41.9)	(39.9)	(39.0)	(38.6)
ROE (%)	15.4	15.4	14.2	14.1	14.0
Consensus net profit	-	-	4,603.6	4,759.6	4,956.9
UOBKH/Consensus (x)	-	-	0.97	0.97	0.96

Source: Tsingtao Brewery, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK\$38.80
Target Price	HK\$55.50
Upside	+43.0%
Previous TP	HK\$62.40

Stock Data

Sector	Consumer Staples
Bloomberg ticker	168 HK
Shares issued (m)	655.1
Market cap (HK\$m)	66,789.6
Market cap (US\$m)	8,513.8
3-mth avg daily t'over (US\$m)	17.1

Price Performance (%)

52-week high/low			HK\$56.00/HK\$38.24	
1mth	3mth	6mth	1yr	YTD
(1.1)	(16.4)	(22.9)	(28.4)	(20.4)

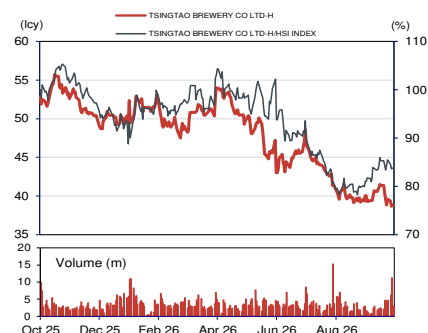
Major Shareholders (%)

TsingTao Brewery Group	57.13
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Balance Sheet Metrics

FY26 NAV/Share (Rmb)	23.38
FY26 Net Cash/Share (Rmb)	9.42

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.

- This implies that in 3Q26, revenue was Rmb8,380m (-6% yoy). Gross margin was 42.1% (-1.4ppt yoy), dragged by a 7% yoy increase in unit COGS, partially offset by a 4% yoy growth in ASP. EBIT was Rmb1,254m (-25% yoy), and EBIT margin was 15.0% (-4.0ppt yoy). The drop in EBIT margin was driven by: a) gross margin decline, and b) a 2.6ppt increase in SG&A and R&D expenses. Net profit was Rmb1,135m (-17% yoy), and net margin was 13.5% (-1.9ppt yoy). The narrow decline in net margin vs EBIT margin was primarily due to: a) higher investment income and non-operating income, which rose 1.4ppt yoy as a percentage of revenue; and b) a lower effective tax rate of 24.3% (vs 25.2% in 3Q25).

Segmental Revenue

Year to 31 Dec	3Q26	3Q25	yoy chg (%)	9M26	9M25	yoy chg (%)
Total shipment (m hl)	19.7	21.6	(9.1)	64.7	68.9	(6.2)
- Tsingtao brand	12.4	12.8	(2.7)	39.5	39.9	(1.0)
- Secondary brand	7.2	8.9	(18.3)	25.2	29.0	(13.4)
- Mid to high-end	9.5	9.4	0.7	29.9	29.4	2.0
- Others	10.2	12.2	(16.7)	34.7	39.6	(12.3)

Source: Tsingtao Brewery (A Share), UOB Kay Hian

- 3Q26 volume decline deepened, primarily driven by cuts in secondary brands.** In 9M26, total beer sales volume was 64.7m hl, down 6% yoy. This implies that total beer sales volume was 19.7m hl in 3Q26, falling 9% yoy. In 3Q26, by brand, sales volume of the Tsingtao brand and secondary brand was 12.4m hl and 7.2m hl, down 3% and 18% yoy, respectively. By category, sales volume of mid-range to high-end products was 9.5m hl, up 1% yoy, while sales volume of other products was 10.2m hl, dropping 17% yoy. Product mix improved on a yoy basis, with the mid-range to high-end segment accounting for 48% of total sales volume in 3Q26 (vs 44% in 3Q25).
- ASP rose 4% yoy in 3Q26 on mix improvement, but unit COGS grew faster.** In 9M26, ASP increased 2% yoy to Rmb4,336/kl, while COGS per unit expanded 1% yoy to Rmb2,426/kl. This implies that in 3Q26, ASP rose 4% yoy to Rmb4,265/kl, while COGS per unit increased 7% yoy to Rmb2,468/kl.

Earnings Revision/Risk

- We lower our 2026/27 earnings forecasts by 4%/5%, respectively.** We cut our 2026/27 revenue forecasts by 3%/4% respectively to reflect a continuous weakness in beer consumption. We trim our 2026/27 gross margin estimates slightly by 0.3ppt/0.1ppt respectively. Thus, our 2026/27 earnings forecasts are lowered by 4%/5% respectively.

Valuation/Recommendation

- Maintain BUY, cut target price by 11% to HK\$55.50.** We roll over our DCF-based target price to 2027 and cut our target price by 11% to HK\$55.50, implying 8.2x 2026 EV/EBITDA and 7.9x 2027 EV/EBITDA. The stock currently trades at 7.0x 2026 EV/EBITDA and 6.7x 2027 EV/EBITDA.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	32,473.5	31,078.1	31,238.2	31,645.5
EBITDA	6,461.2	6,418.0	6,690.4	6,956.0
Deprec. & amort.	1,299.9	1,328.7	1,400.4	1,473.2
EBIT	5,161.3	5,089.3	5,290.0	5,482.8
Total other non-operating income	73.0	73.0	73.0	73.0
Associate contributions	383.0	366.5	368.4	373.2
Net interest income/(expense)	401.6	302.9	302.6	308.8
Pre-tax profit	6,291.1	6,103.9	6,306.3	6,510.1
Tax	(1,573.6)	(1,526.8)	(1,577.5)	(1,628.4)
Minorities	(129.3)	(125.5)	(129.6)	(133.8)
Net profit	4,588.1	4,451.6	4,599.2	4,747.8
Net profit (adj.)	4,588.1	4,451.6	4,599.2	4,747.8

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,592.5	4,893.6	5,161.4	5,473.8
Pre-tax profit	6,291.1	6,103.9	6,306.3	6,510.1
Tax	(1,573.6)	(1,526.8)	(1,577.5)	(1,628.4)
Deprec. & amort.	1,299.9	1,328.7	1,400.4	1,473.2
Associates	(73.0)	(73.0)	(73.0)	(73.0)
Working capital changes	(381.9)	16.4	(47.8)	41.6
Non-cash items	123.7	(632.9)	(632.4)	(630.9)
Other operating cashflows	(1,093.6)	(322.8)	(214.7)	(218.7)
Investing	(3,246.8)	(1,700.4)	(1,700.4)	(1,700.4)
Capex (growth)	(2,253.2)	(2,200.4)	(2,200.4)	(2,200.4)
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)	(3,198.2)	(3,304.2)
Dividend payments	(3,054.3)	(3,205.9)	(3,198.2)	(3,304.2)
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)	(12.7)	262.8	469.3
Beginning cash & cash equivalent	4,046.0	2,287.1	2,274.5	2,537.3
Other monetary funds	10,572.1	10,572.4	10,572.4	10,572.4
Ending cash & cash equivalent	12,859.6	12,846.9	13,109.7	13,579.0

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	12,860.9	14,013.2	15,104.8	16,135.5
Other LT assets	15,066.9	15,204.7	15,331.6	15,446.6
Cash/ST investment	12,859.6	12,846.9	13,109.7	13,579.0
Other current assets	11,344.2	11,416.0	11,434.7	11,482.4
Total assets	52,131.6	53,480.8	54,980.9	56,643.5
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	16,600.6	16,578.6	16,547.9	16,633.2
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	31,894.7	33,295.8	34,739.4
Minority interest	863.2	988.7	1,118.3	1,252.2
Total liabilities & equity	52,131.6	53,480.8	54,980.9	56,643.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin (adj.)	19.9	20.7	21.4	22.0
Pre-tax margin (adj.)	19.4	19.6	20.2	20.6
Net margin (adj.)	14.1	14.3	14.7	15.0
ROA	8.9	8.4	8.5	8.5
ROE	15.4	14.2	14.1	14.0
Growth				
Turnover	1.0	(4.3)	0.5	1.3
EBITDA (adj.)	12.8	(0.7)	4.2	4.0
Pre-tax profit (adj.)	7.0	(3.0)	3.3	3.2
Net profit	5.6	(3.0)	3.3	3.2
Net profit (adj.)	5.6	(3.0)	3.3	3.2
EPS (adj.)	5.4	(3.0)	3.3	3.2
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)	(39.9)	(39.0)	(38.6)

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