

Wuliangye Yibin (000858 CH)

3Q26: Net Profit Declines Sharply Declines Despite A Revised Base; Downgrade To SELL

Highlights

- Wuliangye's 3Q26 revenue fell 38% yoy and net profit dropped 48% yoy, despite a revised base, primarily due to weaker-than-expected demand and elevated selling expenses.
- Cash inflow from sales of goods also worsened, reaching Rmb7.2b, up 1% yoy but down 41% qoq, and contract liabilities fell 4% yoy to Rmb8.9b.
- Cut target price by 18% to Rmb64.20; downgrade to SELL.

3Q26 & 9M26 Results

Year to 31 Dec (Rmbm)	3Q26	3Q25	yoy chg (%)	9M26	9M25	yoy chg (%)
Total revenue	4,442	7,128	(37.7)	32,858	30,638	7.2
Gross profit	3,434	4,894	(29.8)	26,252	23,200	13.2
Gross margin (%)	77.3	68.7	8.7	79.9	75.7	4.2
EBIT	718	1,700	(57.8)	11,301	6,733	67.8
EBIT margin (%)	16.2	23.9	(7.7)	34.4	22.0	12.4
Attributable net profit	958	1,851	(48.3)	9,711	6,475	50.0
Attributable net margin (%)	21.6	26.0	(4.4)	29.6	21.1	8.4
Core attributable net profit	957	1,847	(48.2)	9,441	6,458	46.2
Core attributable net margin (%)	21.6	25.9	(4.4)	28.7	21.1	7.7

Source: Wuliangye, UOB Kay Hian

Analysis

- 3Q26 net profit declined sharply a revised base.** Wuliangye Yibin (Wuliangye) reported its 9M26 results. In 9M26, revenue was Rmb32,858m (+7% yoy). Gross profit was Rmb26,252m (+13% yoy), with gross margin of 79.9% (+4.2ppt yoy). EBIT was Rmb11,301m (+68% yoy), with EBIT margin of 34.4% (+12.4ppt yoy). Net profit was Rmb9,711m (+50% yoy), with net margin of 29.6% (+8.4ppt yoy). This implies that in 3Q26, revenue was Rmb4,442m (-38% yoy). Gross profit was Rmb3,434m (-30% yoy), with gross margin of 77.3% (+8.7ppt yoy). EBIT was Rmb718m (-58% yoy), with EBIT margin of 16.2% (-7.7ppt yoy). The decline in EBIT margin was primarily due to higher selling and marketing expenses (+15.9ppt yoy) and higher administrative expenses (+3.0ppt yoy), partially offset by a higher gross margin (+8.7ppt yoy) and lower sales tax (-3.1ppt yoy). Net profit was Rmb958m (-48% yoy), with net margin of 21.6% (-4.4ppt yoy). The narrow drop in net margin vs EBIT margin was primarily driven by lower effective tax rate (19.7% in 3Q26 vs 23.4% in 3Q25).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	89,175	40,529	41,758	42,564	43,466
EBITDA	42,240	10,489	14,627	14,930	15,287
Operating profit	41,020	9,214	13,326	13,604	13,934
Net profit (rep./act.)	31,853	8,954	11,939	12,214	12,426
Net profit (adj.)	31,853	8,954	11,939	12,214	12,426
EPS (Fen)	820.6	230.7	307.6	314.7	320.1
PE (x)	9.2	32.7	24.5	24.0	23.5
P/B (x)	2.2	2.4	2.6	2.7	2.8
EV/EBITDA (x)	4.0	16.0	11.2	11.2	11.1
Dividend yield (%)	7.6	6.8	5.3	5.3	5.3
Net margin (%)	35.7	22.1	28.6	28.7	28.6
Net debt/(cash) to equity (%)	(94.8)	(98.2)	(110.9)	(114.1)	(114.0)
ROE (%)	24.2	7.1	10.3	11.1	11.6
Consensus net profit	-	-	14,721.0	16,844.0	18,189.3
UOBKH/Consensus (x)	-	-	0.81	0.73	0.68

Source: Wuliangye, Bloomberg, UOB Kay Hian

Analyst(s)

Stella Guo

stella.guo@uobkh.com
+852 2236 6798

Ejann Hiew

hejann@uobkh.com
+603 2147 1995

SELL (Downgrade)

Share Price	Rmb75.38
Target Price	Rmb64.20
Upside	-14.8%
Previous TP	Rmb78.50

Stock Data

Sector	Consumer Staples
Bloomberg ticker	000858 CH
Shares issued (m)	3,881.6
Market cap (Rmbm)	292,595.6
Market cap (US\$m)	43,872.7
3-mth avg daily t'over (US\$m)	283.8

Price Performance (%)

52-week high/low			Rmb122.50/Rmb68.67	
1mth	3mth	6mth	1yr	YTD
8.2	2.0	(25.6)	(37.3)	(28.8)

Major Shareholders (%)

Yibin Development Holding Group	34.43
Yibin Wuliangye Group	20.78

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	28.82
FY26 Net Cash/Share (Rmb)	33.83

Price Chart



Source: Bloomberg

Company Description

Wuliangye Yibin Co. is principally engaged in the production and sales of liquors. The primary product, Wuliangye, is a classic strong-flavour Chinese liquor. Additionally, based on different production techniques, the company has developed Wuliang Chun, Wuliang Tetouqu, and Mianrou Jianzhuang with complete categories and unique tastes to meet the diverse needs of different consumers.

- **Cash inflow from sales of goods up 1% yoy but down 41% qoq.** By end-9M26, the company's contract liability was at Rmb8.9b, decreasing 4% yoy. Cash inflow from sales of goods and services was Rmb7.2b in 3Q26, up 1% yoy but down 41% qoq.

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 20%/21% respectively.** We cut our 2026/27 revenue forecasts by 20%/21%, respectively. We raise our 2026/27 gross margin estimates by 1.1ppt/1.0ppt, respectively. We lift our 2026/27 selling expense ratio estimates by 5.5ppt/5.5ppt, respectively, while trimming our 2026/27 administration expenses ratio estimates by 1.6ppt/1.6ppt, respectively. Thus, our 2026/27 earnings forecasts are lowered by 20%/21% respectively.

Valuation/Recommendation

- **Cut target price by 18% to Rmb64.20; downgrade to SELL.** We roll over our DCF-based target price to 2027 and cut our target price by 18% to Rmb64.20. Downgrade to SELL. Our target price implies 20.9x 2026F PE and 20.4x 2027F PE. The stock currently trades at 24.5x 2026F PE and 24.0x 2027F PE.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	40,528.5	41,757.9	42,564.0	43,466.3
EBITDA	10,489.2	14,626.7	14,930.3	15,286.7
Deprec. & amort.	1,275.0	1,300.5	1,326.5	1,353.0
EBIT	9,214.2	13,326.2	13,603.8	13,933.6
Total other non-operating income	225.0	156.5	160.5	165.0
Associate contributions	111.6	111.6	111.6	111.6
Net interest income/(expense)	2,661.6	2,685.0	2,775.6	2,729.8
Pre-tax profit	12,198.9	16,265.8	16,638.0	16,926.5
Tax	(2,881.7)	(3,842.5)	(3,930.4)	(3,998.6)
Minorities	(362.9)	(483.8)	(494.9)	(503.5)
Net profit	8,954.3	11,939.5	12,213.7	12,426.5
Net profit (adj.)	8,954.3	11,939.5	12,213.7	12,426.5

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	29,706.3	26,367.3	15,395.2	14,381.0
Pre-tax profit	12,198.9	16,265.8	16,638.0	16,926.5
Tax	(2,881.7)	(3,842.5)	(3,930.4)	(3,998.6)
Deprec. & amort.	1,275.0	1,300.5	1,326.5	1,353.0
Working capital changes	20,683.3	13,767.0	2,026.0	761.0
Other operating cashflows	(1,569.1)	(1,123.5)	(664.9)	(661.0)
Investing	(1,970.6)	(2,067.8)	(2,044.4)	(2,049.7)
Capex (growth)	(1,967.4)	(2,000.0)	(2,000.0)	(2,000.0)
Investments	0.0	(67.8)	(44.4)	(49.7)
Proceeds from sale of assets	36.8	0.0	0.0	0.0
Others	(40.0)	0.0	0.0	0.0
Financing	(28,391.6)	(20,013.6)	(15,521.3)	(15,510.2)
Dividend payments	(28,005.2)	(20,013.6)	(15,521.3)	(15,510.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	138.6	0.0	0.0	0.0
Others/interest paid	(525.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(655.9)	4,286.0	(2,170.6)	(3,178.9)
Beginning cash & cash equivalent	124,771.3	124,114.7	128,400.7	126,230.1
Other monetary funds	2,899.0	2,899.8	2,899.8	2,899.8
Ending cash & cash equivalent	127,014.4	131,300.4	129,129.9	125,950.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	7,641.2	9,211.5	10,769.7	12,315.5
Other LT assets	17,591.5	17,711.8	17,794.9	17,869.1
Cash/ST investment	127,014.4	131,300.4	129,129.9	125,950.9
Other current assets	37,737.1	23,268.3	22,201.6	22,416.4
Total assets	189,984.3	181,492.0	179,896.0	178,551.9
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	67,351.8	66,449.8	67,667.5	68,905.7
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	451.8	451.8	451.8	451.8
Shareholders' equity	119,932.3	111,858.2	108,549.6	105,463.9
Minority interest	2,248.4	2,732.2	3,227.1	3,730.6
Total liabilities & equity	189,984.3	181,492.0	179,896.0	178,551.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.9	35.0	35.1	35.2
Pre-tax margin	30.1	39.0	39.1	38.9
Net margin	22.1	28.6	28.7	28.6
ROA	4.7	6.4	6.8	6.9
ROE	7.1	10.3	11.1	11.6
Growth				
Turnover	(54.6)	3.0	1.9	2.1
EBITDA	(75.2)	39.4	2.1	2.4
Pre-tax profit	(72.4)	33.3	2.3	1.7
Net profit	(71.9)	33.3	2.3	1.7
Net profit (adj.)	(71.9)	33.3	2.3	1.7
EPS	(71.9)	33.3	2.3	1.7
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	(98.2)	(110.9)	(114.1)	(114.0)

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."