

What's Hot Today:

► Kweichow Moutai (600519 SH, RMB1375.00, RMB1.72tn)

Moutai Reclaims Value

During 4Q25 to 1Q26, Moutai's results broke its stable growth trend. On a combined seasonal peak basis, revenue fell 6.3% YoY from RMB102bn to RMB95.9bn, while net profit declined 14% YoY from RMB54.1bn to RMB46.6bn, showing deeper margin pressure. It is believed to be the results of Moutai's legacy distributor-led business model amid weaker demand. Near-term earnings may remain volatile during channel and pricing reform, but Moutai's products' scarcity and high-quality cash flow remain intact.

Moutai is actively expanding direct sales channels. The company has been bundling the sales of core product Feitian Moutai with other non-core products for higher margins. For the distributors, to secure the supply of Feitian, they are very willing to accept the bundle sales and in some cases, provide advance payments. To Moutai, the practice yields highly visible revenue trend and strong cash flow. However, the reliance on distributors also resulted in a loss of control of the end-market pricing. As such, the company is gradually reforming its sales channels by adding more direct sales. The proportion of wholesale went from around 92% of Moutai's liquor revenue in 2019 to only 50% by 2025.

China & HK Indices	CLOSE	1D	YTD
HSI	26,213	1.2%	2.3%
HSCEI	8,800	0.8%	-1.3%
HSCCI	4,487	1.8%	11.8%
CSI300	4,877	1.5%	5.3%
Shanghai A	4,362	1.2%	12.7%
Shanghai B	286	1.7%	12.7%
Shenzhen A	2,970	2.2%	12.2%
Shenzhen B	1,177	-0.4%	-6.9%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	49,910	1.2%	3.8%
S&P 500	7,365	1.5%	7.6%
Nasdaq	25,838	2.0%	11.2%
NIKKEI Index	61,846	3.9%	22.9%
FTSE Index	10,438	2.1%	5.1%
CAC Index	8,299	2.9%	1.8%
DA-X Index	24,918	2.1%	1.7%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,691	3.0%	8.6%
STEEL (US\$/oz.)	3,306	7.0%	30.0%
SILVER (US\$/oz.)	77	6.2%	7.8%
CRUDE OIL (US\$/bbl)	95	-7.0%	67.7%
COPPER (US\$/oz.)	13,392	3.0%	7.8%
ALUMINIUM (US\$/oz.)	3,522	0.0%	17.6%
PLATINUM (US\$/oz.)	2,063	5.4%	0.6%
ZINC (US\$/oz.)	3,399	1.6%	9.0%
WHEAT (US\$/bu)	606	-3.7%	19.5%
CORN (US\$/bu)	468	-2.4%	3.0%
SUGAR (US\$/lb)	110	-4.6%	-
SOYBEAN (US\$/bu)	1,194	-1.4%	11.2%
PVC (US\$/t)	5,306	0.2%	58.3%
CRB	388	-3.3%	3.0%
BDI	-	-	50.9%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD	-	7.836	0.851	156.390	0.779	6.813
HKD	0.128	-	0.109	19.959	9.939	0.870
EUR	1.175	9.205	-	183.730	1.093	8.005
JPY	0.006	5.010	0.544	-	0.498	0.044
CHF	1.284	10.062	1.093	200.840	-	8.750
RMB	0.147	1.150	0.125	22.956	0.114	-

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y	-	-
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VX	17	-7.5%

Source: Bloomberg

Fig 1: Revenue and YoY Change (RMB'bn)

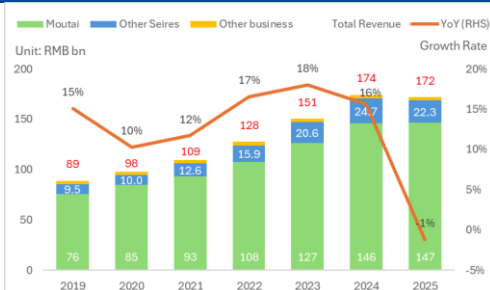
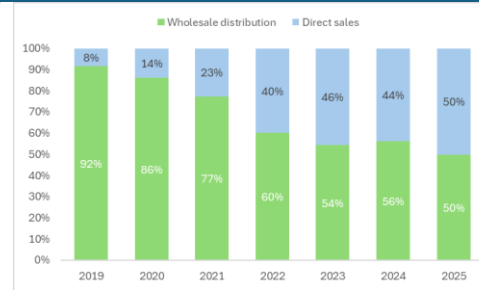


Fig 2: Sales Model



Source: Company Data, Sunwah Kingsway Research

Fig 3: Gross Profit Margin

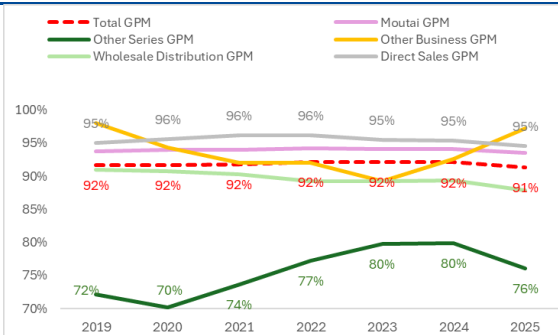
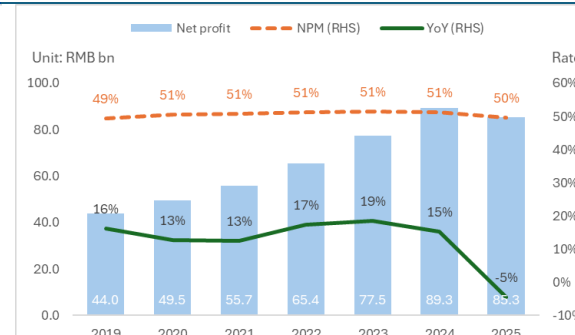


Fig 4: Net profit (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

The distributor business model becomes a drag during weak markets. Weak high-end consumption and the sluggish economy reduced overall demand and in turn had affected distributors' profitability. Their mounting inventory and funding pressures have resulted in price pressure at the end-market. This is creating a vicious cycle to which distributors are now less willing to hold on to inventory and making pre-payments. This effect became most apparent in 4Q25, where revenue fell by 19% YoY to RMB41.2bn. The drop was largely due to reduced shipment to distributors and the suspension of non-core products in December. Accordingly, the proportion of direct sales jumped to 70% of total revenue during the quarter although some of the sales were conducted by distributors. As there were less bundling sales in the direct sales channel, GPM edged down to 90.6%. Meanwhile, selling expenses surged by 93% YoY due to more marketing expenses driving the OPEX ratio up to 14%. As a result, net profit dropped 30% YoY to RMB18.4bn, and NPM declined to 45%.

1Q26 recovery was driven by sales of Feitian. Revenue rose 6% YoY to RMB54.7bn in 1Q26, with Moutai liquor up 6%, mainly driven by Feitian products. By channel, wholesale revenue fell nearly 11% YoY to RMB24.4bn, while direct sales grew 27% and reached 54% of total revenue. The direct sales increase came mainly from iMoutai, which contributed RMB21.6bn (73% of direct sales) and with most transactions coming from Feitian. GPM declined further to around 90% due to lower non-core product sales and price adjustments. OPEX ratio returned to a normal level while NP inched up by 1% YoY to RMB28.2bn with NPM recovering to 51%.

Fig 5: : Revenue and YoY Change (RMB'bn)

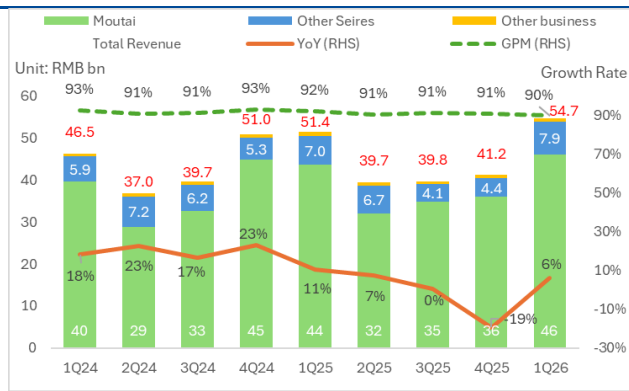
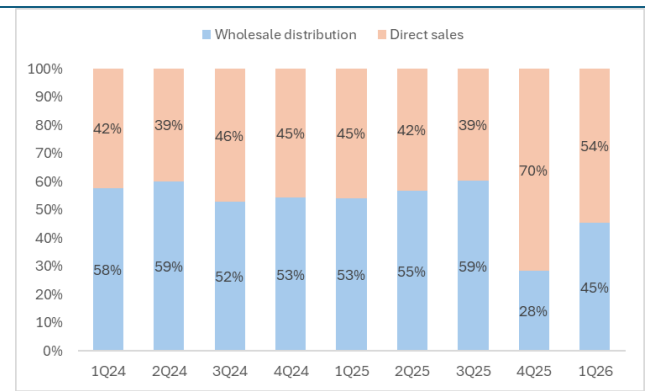


Fig 6: Sales Model



Source: Company Data, Sunwah Kingsway Research

Fig 7: Breakdown of OPEX (RMB'bn)

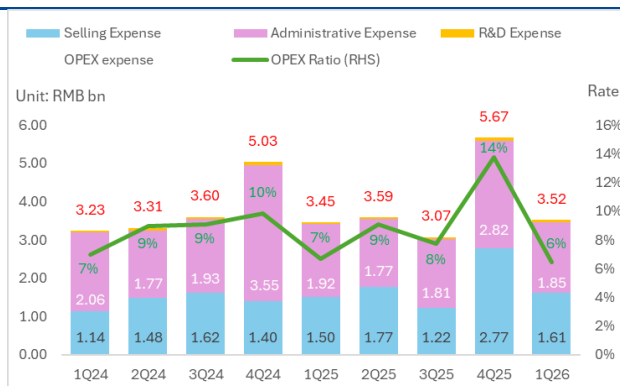
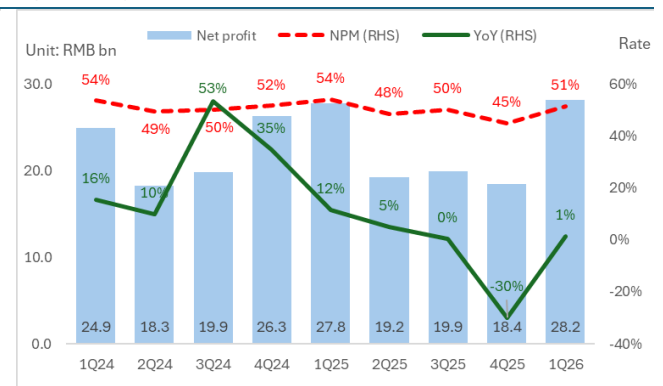


Fig 8: Net profit (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

Since 1Q26, Moutai began rebuilding its distribution model with three key changes:

First, removing bundling returns products to genuine demand. Non-core products are no longer linked to Feitian quotas. As such, Moutai will have more control over the pricing of the non-core products based on market acceptance.

Second, Moutai is revamping its pricing model on Feitian products. Instead of setting a suggested retail price and ex-factory price, Moutai will now set an official retail price and then determine the ex-factory price at a certain discount to the official retail price based on latest market condition. The adjustment ensures Moutai benefits the most from market uptrend.

Thirdly, iMoutai turns distributors into selling agents. Under the new arrangement, distributors will no longer be holding inventories. Product ownership stays with Moutai, while consumers pay through the iMoutai platform. The new arrangement will pay the selling agent a service fee of around 5% of the selling price, which is determined by the iMoutai platform. The selling agent is required to make a deposit for the products put at their selling point. And they are only allowed to replenish the inventory after selling 70% of the goods given. That is to avoid stock piling and reduce working capital for the selling agent. Since all transactions are tracked, that would reduce the risk of customers buying counterfeit products.

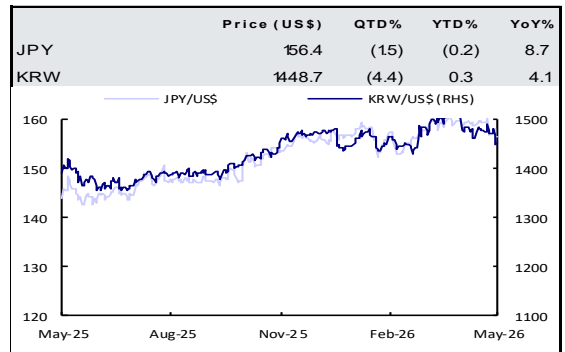
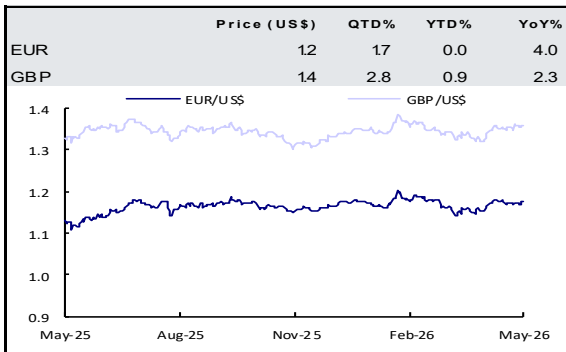
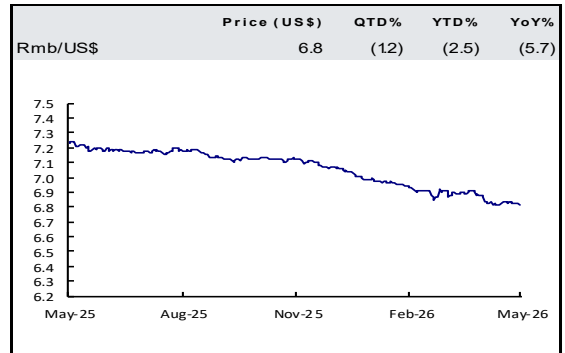
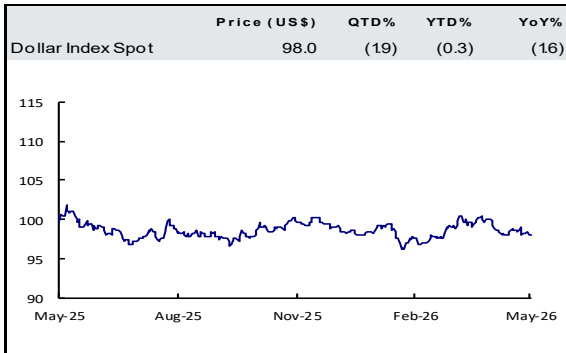
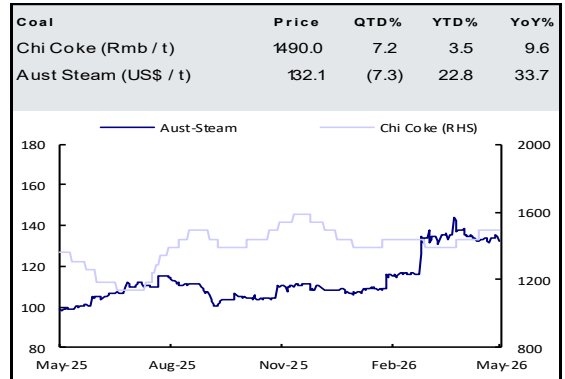
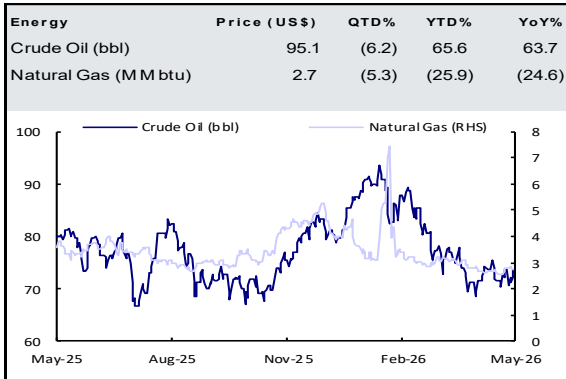
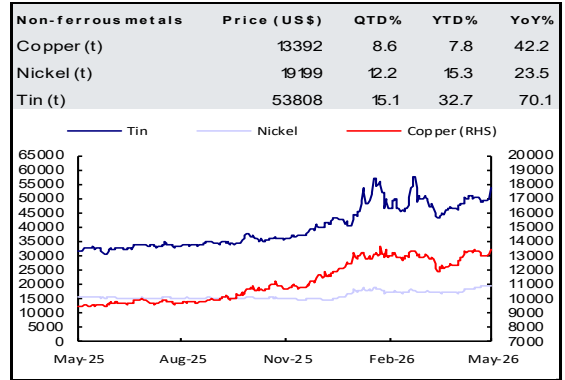
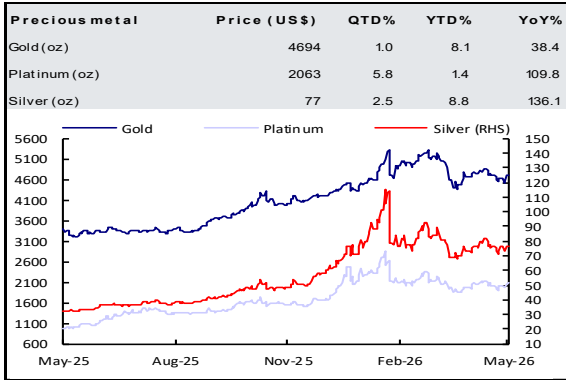
Our view: The recent revision of Wuliangye's revenue exposed the flaws of channel stuffing. For Moutai, the market has two concerns, namely whether the shortage is created by capacity constraints or large distributors hoarding Feitian products; and an aging consumer base with demand tied to traditional economic activity. These are the factors likely dragging on Moutai's share price. However, the implementation of iMoutai may have provided some answers to these questions. In 1Q26 iMoutai data shows that about 30% of the new registered users were first-time buyers and nearly 60% were below the age of 40, suggesting broader and younger consumer demand.

Near term, Moutai still faces weak demand and stock accumulated in the market. Channel feedback suggests distributor inventory has fallen to a healthy level of less than one month, but mainly due to active volume control rather than end demand recovery. The inventory stocked up by speculators is another uncertainty which would trigger price pressure in the secondary market.

We believe the key signal for real demand recovery is whether Feitian's market price can stay above the official price and remain resilient as iMoutai supply increases. Currently, a bottle of Feitian is selling at RMB1,539 on iMoutai compared to the above RMB2k level for quite some time in recent history.

On shareholder returns, Moutai's payout ratio steadily rose to 79% in 2025, yielding about 3.7%. Supported by stable earnings, relatively small capex needs and debt free position, the dividend should be sustainable. As 10-year bond yield in China is below 2%, the 3.7% dividend yield offers a significant spread, attracting yield-focused investors. The counter is trading at 20x FY26E P/E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		7-May-26
Wholesale Inventories	MoM		8-May-26
Employment Report	MoM		8-May-26
Existing Home Sales	MoM		11-May-26
CPI	MoM		12-May-26
PPI	MoM		13-May-26
Retail Sales	MoM		14-May-26
Business Inventories	MoM		14-May-26
Industrial Production	MoM		15-May-26
Housing Starts / Building Permits	MoM		21-May-26
Consumer Confidence	MoM		26-May-26
Personal Income & Spending	MoM		28-May-26
Durable Goods Orders	MoM		28-May-26
GDP	QoQ		28-May-26
New home Sales	MoM		28-May-26
ISM Manufacturing PMI	MoM		1-Jun-26
Factory Orders	MoM		3-Jun-26
Trade Balance	MoM		9-Jun-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Exchange Reserves	QoQ		7-May-26
Money Supply - M2	MoM		9-May-26
Trade Balance	MoM		9-May-26
PPI	MoM		11-May-26
CPI	MoM		11-May-26
Retail Sales	MoM		18-May-26
Industrial Production	MoM		18-May-26
PMI Manufacturing	MoM		31-May-26
GDP	YoY		15-Jul-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Currency Reserve	MoM		7-May-26
GDP	QoQ		15-May-26
Unemployment Rate	MoM		19-May-26
CPI	MoM		21-May-26
Trade Balance	MoM		28-May-26
Money Supply - M2	MoM		29-May-26
Retail Sales	MoM		2-Jun-26
PMI	MoM		3-Jun-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Composite Interest Rate	MoM		

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