

## Hong Kong

### ADD (no change)

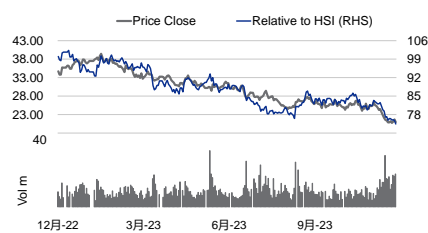
Consensus ratings\*: Buy 39 Hold 1 Sell 0

Current price: HK\$20.95  
 Target price: ▼ HK\$35.70  
 Previous target: HK\$43.00  
 Up/downside: 70.4%  
 CGI / Consensus: -5.7%

Reuters: 2319.HK  
 Bloomberg: 2319 HK  
 Market cap: US\$10,573m  
 HK\$82,444m  
 Average daily turnover: US\$29.49m  
 HK\$230.5m  
 Current shares o/s: 3,951m  
 Free float: 68.7%  
 \*Source: Bloomberg

#### Key changes in this note

- FY23F EPS decreased by 9.2%.
- FY24F EPS decreased by 8.8%.
- FY25F EPS decreased by 8.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-14.5	-21.4	-39.5
Relative (%)	-9.8	-14.1	-25

Major shareholders	% held
COFCO	16.3
Danone	9.9
Arla	5.3

#### Analyst(s)

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# China Mengniu Dairy

## Positive margin outlook in 2024F

- We attended Mengniu's global partner conference on 17 Dec 2023.
- In an analyst meeting during the event, Mengniu retained its guidance of 30-50bp FY23F OPM expansion, driven by a better product mix and lower raw milk costs.
- Management reiterated its mid- to high-single digit yoy revenue growth guidance for FY23F (including the consolidation of Milkground).
- Reiterate Add as we believe Mengniu has further room to improve its margins. We lower our forecasts for FY23-25F and derive a lower DCF-based TP of HK\$35.7.

### FY23F results likely to reach low end of management's guidance

Excluding the consolidation of Milkground (consolidated end-FY22), Mengniu guided for organic revenue growth of low-single digits in FY23F, instead of mid-single digit growth it guided in the interim results conference, due to weaker-than-expected sales during the Mid-Autumn Festival and National Day holiday (29 Sep-6 Oct). Including the consolidation of Milkground, it expects FY23F revenue growth to reach mid- to high-single digits. By category, Mengniu expects its high-end UHT brands such as Milk Deluxe to maintain double-digit sales growth in FY23F, while its basic white milk sales grow at a high-single digit rate. It expects sales of its milk beverage products to improve in FY23F, with 'Fruit Milk Drink' and 'Suan Suan Ru' still posting positive sales growth. It guided for sales of room-temperature yogurt products to stay weak, with a 10%+ decline yoy in FY23F, but sales of chilled yogurt products to improve yoy in FY23F. So far, its sales growth of ice cream has slowed down hoh in 2H23F, but management still expects yoy positive sales growth for FY23F. Sales of its ice cream overseas remained solid and it expects 20% growth for FY23F. We lower our FY23F revenue growth forecast to 6% (7.5% previously), factoring in the lower-than-expected sales over the Mid-Autumn Festival and National Day holiday, and likely no uplift from pre-Chinese New Year (CNY) purchases given the later CNY in 2024 at 10 Feb vs. 21 Jan in 2023.

### Lower raw milk costs benefiting margins in FY23-24F

Management said in the analyst meeting that its raw milk cost may decline a further 3-5% in FY24F due to the oversupply of raw milk in China. Management also maintains its OPM guidance of 30-50bp expansion for FY23F. We expect Mengniu's overall adjusted FY23F OPM to reach 6.2% (1H23: 6.4%, 2H23F: 6.1%), up 0.3% pt yoy. For FY24-25F, management targets to expand its OPM by 30-50bp p.a., driven by margin expansion through lower raw milk costs and a favourable product mix.

### Inventory impairment to impact net profit in 2H23F

Management said in the analyst meeting that due to the weak dairy demand in FY23, the company incurred a non-material inventory impairment which it expects to impact the net profit in 2H23F. Starting from 2Q23, it had to sell some of its milk powder (converted from liquid milk for better storage) at a lower price to digest its excess milk powder inventory, which caused a non-material impact to its net profit. We project net profit of Rmb55.5bn for FY23F, up 4.6% yoy (1H23: -19.5%; 2H23F: 63%), factoring in an inventory impairment loss of Rmb400m for FY23F.

### Reiterate Add with a lower DCF-based TP of HK\$35.7

We lower our TP to HK\$35.7 as we cut our FY23-25F EPS forecasts by 8.7-9.2% to reflect a weak net profit. We reiterate Add, as we believe Mengniu has room to improve its margins in over the next 3-5 years, driven by a favourable product mix and improved operating efficiency. Re-rating catalysts include stronger topline growth in 1H24F. Downside risks include 1) higher-than-expected raw material costs, and 2) weak macro, which would impact the demand for its dairy products. Our TP is derived from a DCF valuation with 8.8% WACC and a 3% terminal growth rate.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rmbm)	88,141	92,593	98,138	104,211	112,715
Operating EBITDA (Rmbm)	6,801	6,928	8,351	8,936	10,184
Net Profit (Rmbm)	5,026	5,303	5,545	6,462	7,462
Core EPS (Rmb)	1.27	1.34	1.41	1.65	1.90
Core EPS Growth	42.8%	4.9%	5.6%	16.5%	15.5%
FD Core P/E (x)	15.05	14.34	13.58	11.65	10.09
DPS (Rmb)	0.38	0.40	0.42	0.49	0.57
Dividend Yield	1.99%	2.10%	2.21%	2.58%	2.97%
EV/EBITDA (x)	12.07	14.73	11.34	9.91	7.99
P/FCFE (x)	NA	13.02	10.17	10.16	8.81
Net Gearing	40.7%	52.8%	36.9%	23.9%	11.1%
P/BV (x)	2.05	1.89	1.69	1.52	1.36
ROE	14.4%	13.8%	13.1%	13.7%	14.2%
% Change In Core EPS Estimates			(9.17%)	(8.76%)	(8.69%)
CGI/consensus EPS (x)			0.95	0.95	0.96

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Positive margin outlook in 2024F

**Figure 1: Results review and outlook**

(Rmb m)	1H22	1H23	yoy	2H22	2H23F	yoy	2022	2023F	yoy
<b>Turnover</b>	<b>47,722.3</b>	<b>51,118.5</b>	<b>7.1%</b>	<b>44,871.0</b>	<b>47,019.4</b>	<b>4.8%</b>	<b>92,593.3</b>	<b>98,138.0</b>	<b>6.0%</b>
Cost of sales	-30,263.5	-31,488.3	4.0%	-29,640.0	-30,459.3	2.8%	-59,903.5	-61,947.5	3.4%
<b>Gross profit</b>	<b>17,458.8</b>	<b>19,630.2</b>	<b>12.4%</b>	<b>15,231.0</b>	<b>16,560.2</b>	<b>8.7%</b>	<b>32,689.8</b>	<b>36,190.4</b>	<b>10.7%</b>
<b>Gross margin</b>	<b>36.6%</b>	<b>38.4%</b>	<b>1.8ppt</b>	<b>33.9%</b>	<b>35.2%</b>	<b>1.3ppt</b>	<b>35.3%</b>	<b>36.9%</b>	<b>1.6ppt</b>
Other operating income	1,475.2	502.6	-65.9%	664.4	1,637.0	146.4%	2,139.6	2,139.6	0.0%
Distribution costs	-12,710.2	-13,906.2	9.4%	-9,637.1	-10,662.6	10.6%	-22,347.3	-24,568.7	9.9%
Distribution costs as % of sales	26.6%	27.2%	0.6ppt	21.5%	22.7%	1.2ppt	24.1%	25.0%	0.9ppt
General and administrative expenses	-1,980.8	-2,184.5	10.3%	-2,461.0	-2,621.5	6.5%	-4,441.8	-4,806.0	8.2%
G & A expenses as % of sales	4.2%	4.3%	0.1ppt	5.5%	5.6%	0.1ppt	4.8%	4.9%	0.1ppt
Other operating expenses	-574.5	-564.3	-1.8%	-1,632.4	-1,774.9	8.7%	-2,207.0	-2,339.1	6.0%
Other operating expenses as % of sales	1.2%	1.1%	-0.1ppt	3.6%	3.8%	0.1ppt	2.4%	2.4%	0.0ppt
<b>Operating profit</b>	<b>3,668.5</b>	<b>3,477.9</b>	<b>-5.2%</b>	<b>1,754.7</b>	<b>3,138.2</b>	<b>78.8%</b>	<b>5,423.2</b>	<b>6,616.2</b>	<b>22.0%</b>
<b>Operating margin</b>	<b>7.7%</b>	<b>6.8%</b>	<b>-0.9ppt</b>	<b>3.9%</b>	<b>6.7%</b>	<b>2.8ppt</b>	<b>5.9%</b>	<b>6.7%</b>	<b>0.9ppt</b>
Share of profits of associates	371.7	111.3	-70.0%	37.3	302.5	711.2%	408.9	413.8	1.2%
Net finance charges	1,196.3	676.2	-43.5%	1,069.0	657.2	-38.5%	1,081.0	804.6	-25.6%
<b>Profit before tax</b>	<b>4,147.7</b>	<b>3,703.3</b>	<b>-10.7%</b>	<b>1,944.5</b>	<b>3,223.3</b>	<b>65.8%</b>	<b>6,092.3</b>	<b>6,926.5</b>	<b>13.7%</b>
Tax	-504.6	-644.3	27.7%	-812.9	-437.2	-46.2%	-1,317.5	-1,081.5	-17.9%
<b>Profit after tax before minority interest</b>	<b>3,643.1</b>	<b>3,059.0</b>	<b>-16.0%</b>	<b>1,541.7</b>	<b>2,386.1</b>	<b>54.8%</b>	<b>5,184.8</b>	<b>5,445.1</b>	<b>5.0%</b>
Minority interest	108.3	-38.5	-135.6%	9.9	138.5	1303.9%	118.2	100.0	-15.4%
<b>Net profit</b>	<b>3,751.4</b>	<b>3,020.5</b>	<b>-19.5%</b>	<b>1,551.6</b>	<b>2,524.6</b>	<b>62.7%</b>	<b>5,303.0</b>	<b>5,545.1</b>	<b>4.6%</b>

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

**Figure 2: Earnings revision**

Key assumptions	FY23F			FY24F			FY25F		
	Old	New	% change	Old	New	% change	Old	New	% change
Sales (Rmbm)	99,548	98,138	-1.4%	108,108	104,211	-3.6%	116,610	112,715	-3.3%
Overall gross margin	37.0%	36.9%	-0.1%	37.3%	36.7%	-0.5%	37.5%	37.0%	-0.5%
Overall operating margin	6.8%	6.7%	-0.1%	7.2%	6.8%	-0.4%	7.8%	7.3%	-0.5%
Share of profits from CMD	289	289	0.0%	510	510	0.0%	642	642	0.0%
Overall reported net profit	6,105	5,545	-9.2%	7,083	6,462	-8.8%	8,172	7,462	-8.7%
EPS (Rmb)	1.55	1.41	-9.2%	1.80	1.65	-8.8%	2.08	1.90	-8.7%

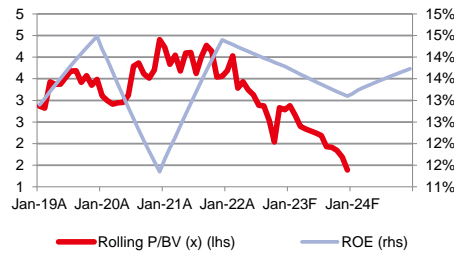
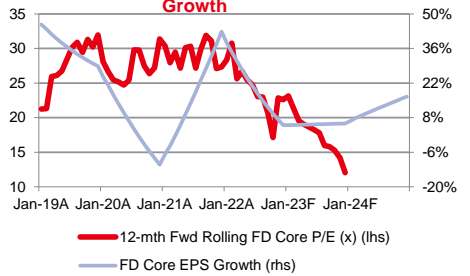
SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

**Figure 3: DCF valuation**

DCF valuation (Rmb m)	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	
<b>EBIT</b>	<b>5,423.2</b>	<b>6,616.2</b>	<b>7,075.9</b>	<b>8,199.1</b>	<b>9,183.0</b>	<b>10,284.9</b>	<b>11,519.1</b>	<b>12,901.4</b>	<b>14,449.6</b>	<b>16,183.5</b>	<b>18,125.6</b>	<b>20,300.6</b>	<b>22,736.7</b>	
Taxes	-1,289.7	-1,081.5	-1,177.2	-1,362.1	-1,525.6	-1,708.7	-1,913.7	-2,143.4	-2,400.6	-2,688.6	-3,011.3	-3,372.6	-3,777.3	
<b>NOPAT</b>	<b>4,133.4</b>	<b>5,534.7</b>	<b>5,898.7</b>	<b>6,837.0</b>	<b>7,657.4</b>	<b>8,576.3</b>	<b>9,605.4</b>	<b>10,758.1</b>	<b>12,049.0</b>	<b>13,494.9</b>	<b>15,114.3</b>	<b>16,928.0</b>	<b>18,959.4</b>	
<b>NOPAT growth</b>	<b>4.8%</b>	<b>33.9%</b>	<b>6.6%</b>	<b>15.9%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	
D&A	1,504.6	1,735.3	1,860.3	1,985.3	2,005.1	2,025.2	2,045.4	2,065.9	2,086.5	2,107.4	2,128.5	2,149.7	2,171.2	
<b>Funds from operation</b>	<b>5,638.0</b>	<b>7,270.0</b>	<b>7,758.9</b>	<b>8,822.2</b>	<b>9,662.5</b>	<b>10,601.4</b>	<b>11,650.8</b>	<b>12,823.9</b>	<b>14,135.6</b>	<b>15,602.3</b>	<b>17,242.8</b>	<b>19,077.8</b>	<b>21,130.6</b>	
Change in net working Capital	-989.2	992.7	1,678.6	1,690.8	1,707.7	1,724.7	1,742.0	1,759.4	1,777.0	1,794.8	1,812.7	1,830.8	1,849.2	
<b>Cash flow from operation</b>	<b>4,648.8</b>	<b>8,262.7</b>	<b>9,437.6</b>	<b>10,513.0</b>	<b>11,370.2</b>	<b>12,326.2</b>	<b>13,392.8</b>	<b>14,583.3</b>	<b>15,912.6</b>	<b>17,397.1</b>	<b>19,055.5</b>	<b>20,908.6</b>	<b>22,979.8</b>	
Capex	-2,500.0	-2,500.0	-2,500.0	-2,500.0	-2,525.0	-2,550.3	-2,575.8	-2,601.5	-2,627.5	-2,653.8	-2,680.3	-2,707.1	-2,734.2	
<b>Free cash flow from operation</b>	<b>2,148.8</b>	<b>5,762.7</b>	<b>6,937.6</b>	<b>8,013.0</b>	<b>8,845.2</b>	<b>9,775.9</b>	<b>10,817.1</b>	<b>11,981.8</b>	<b>13,285.0</b>	<b>14,743.3</b>	<b>16,375.2</b>	<b>18,201.5</b>	<b>20,245.6</b>	
<b>FCF growth</b>	<b>43.6%</b>	<b>168.2%</b>	<b>20.4%</b>	<b>15.5%</b>	<b>10.4%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.2%</b>	<b>11.2%</b>	
Terminal free cash flow	358,469.3										<b>Assumptions</b>			
Total discounted free cash flow	75,329.0										Equity Beta			0.95
Present value of terminal free cash flow	121,540.8										Risk Free Rate			4.0%
											Market Risk Premium			6.8%
<b>Total present value of forecasted free cash flows</b>	<b>196,869.8</b>										<b>Cost of Equity</b>			<b>10.5%</b>
Less: Net Debt / (Cash)	26,427.7										Cost of Debt			3.0%
<b>Equity Value</b>	<b>170,442.1</b>										Effective Tax Rate			24.5%
No. of outstanding shares (millions)	3,967.9										Target Gearing			20.0%
<b>Per share Equity Value (Rmb)</b>	<b>43.0</b>										<b>WACC</b>			<b>8.8%</b>
Exchange rate	0.8										Terminal growth rate			3.0%
<b>Target price (HK\$)</b>	<b>35.70</b>													

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**


### Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>88,141</b>	<b>92,593</b>	<b>98,138</b>	<b>104,211</b>	<b>112,715</b>
<b>Gross Profit</b>	<b>32,390</b>	<b>32,690</b>	<b>36,190</b>	<b>38,296</b>	<b>41,682</b>
<b>Operating EBITDA</b>	<b>6,801</b>	<b>6,928</b>	<b>8,351</b>	<b>8,936</b>	<b>10,184</b>
Depreciation And Amortisation	-1,939	-1,505	-1,735	-1,860	-1,985
<b>Operating EBIT</b>	<b>4,862</b>	<b>5,423</b>	<b>6,616</b>	<b>7,076</b>	<b>8,199</b>
Financial Income/(Expense)	313	670	-103	-171	-242
Pretax Income/(Loss) from Assoc.	693	409	414	635	767
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>5,868</b>	<b>6,502</b>	<b>6,927</b>	<b>7,540</b>	<b>8,724</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,868</b>	<b>6,502</b>	<b>6,927</b>	<b>7,540</b>	<b>8,724</b>
Taxation	-905	-1,318	-1,481	-1,177	-1,362
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>4,964</b>	<b>5,185</b>	<b>5,445</b>	<b>6,362</b>	<b>7,362</b>
Minority Interests	62	118	100	100	100
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>5,026</b>	<b>5,303</b>	<b>5,545</b>	<b>6,462</b>	<b>7,462</b>
Recurring Net Profit	5,026	5,303	5,545	6,462	7,462
<b>Fully Diluted Recurring Net Profit</b>	<b>5,026</b>	<b>5,303</b>	<b>5,545</b>	<b>6,462</b>	<b>7,462</b>

### Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>6,801</b>	<b>6,928</b>	<b>8,351</b>	<b>8,936</b>	<b>10,184</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,459	-989	993	1,679	1,691
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	989	-7,711	422	643	775
Net Interest (Paid)/Received	-801	-1,125	-1,350	-1,418	-1,489
Tax Paid	-903	-1,318	-1,081	-1,177	-1,362
<b>Cashflow From Operations</b>	<b>7,545</b>	<b>-4,215</b>	<b>7,335</b>	<b>8,663</b>	<b>9,800</b>
Capex	-6,220	-2,500	-2,500	-2,500	-2,500
Disposals Of FAs/subsidiaries	113	0	0	0	0
Acq. Of Subsidiaries/investments	-5,869	5,522	0	0	0
Other Investing Cashflow	-3,464	-5,113	2,569	1,247	1,247
<b>Cash Flow From Investing</b>	<b>-15,440</b>	<b>-2,091</b>	<b>69</b>	<b>-1,253</b>	<b>-1,253</b>
Debt Raised/(repaid)	4,013	12,149	0	0	0
Proceeds From Issue Of Shares	99	0	0	0	0
Shares Repurchased					
Dividends Paid	-1,077	-712	-1,058	-1,506	-1,590
Preferred Dividends					
Other Financing Cashflow	3,738	-175	0	0	0
<b>Cash Flow From Financing</b>	<b>6,773</b>	<b>11,262</b>	<b>-1,058</b>	<b>-1,506</b>	<b>-1,590</b>
Total Cash Generated	-1,123	4,956	6,345	5,904	6,956
<b>Free Cashflow To Equity</b>	<b>-3,883</b>	<b>5,843</b>	<b>7,403</b>	<b>7,410</b>	<b>8,546</b>
<b>Free Cashflow To Firm</b>	<b>-7,095</b>	<b>-5,181</b>	<b>8,754</b>	<b>8,828</b>	<b>10,035</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	11,217	12,766	19,111	25,015	31,971
Total Debtors	4,162	3,665	4,332	4,629	5,038
Inventories	6,485	8,073	7,182	7,732	8,430
Total Other Current Assets	9,156	12,273	13,622	14,713	16,252
<b>Total Current Assets</b>	<b>31,020</b>	<b>36,777</b>	<b>44,247</b>	<b>52,089</b>	<b>61,691</b>
Fixed Assets	19,955	23,764	23,207	23,846	24,361
Total Investments	30,092	30,698	30,823	30,947	31,072
Intangible Assets	12,857	21,262	21,129	20,996	20,862
Total Other Non-Current Assets	4,178	5,312	5,312	5,312	5,312
<b>Total Non-current Assets</b>	<b>67,081</b>	<b>81,036</b>	<b>80,471</b>	<b>81,102</b>	<b>81,608</b>
Short-term Debt	4,265	9,095	9,095	9,095	9,095
Current Portion of Long-Term Debt					
Total Creditors	8,804	10,201	9,864	10,587	11,506
Other Current Liabilities	16,003	13,858	16,311	19,207	22,623
<b>Total Current Liabilities</b>	<b>29,072</b>	<b>33,153</b>	<b>35,271</b>	<b>38,888</b>	<b>43,224</b>
Total Long-term Debt	24,060	30,099	30,099	30,099	30,099
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,970	4,509	4,509	4,509	4,509
<b>Total Non-current Liabilities</b>	<b>27,030</b>	<b>34,608</b>	<b>34,608</b>	<b>34,608</b>	<b>34,608</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>56,102</b>	<b>67,761</b>	<b>69,879</b>	<b>73,496</b>	<b>77,832</b>
Shareholders' Equity	36,826	40,099	44,586	49,542	55,414
Minority Interests	5,174	9,953	9,853	9,753	9,653
<b>Total Equity</b>	<b>41,999</b>	<b>50,052</b>	<b>54,439</b>	<b>59,295</b>	<b>65,067</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	15.9%	5.1%	6.0%	6.2%	8.2%
Operating EBITDA Growth	39.3%	1.9%	20.6%	7.0%	14.0%
Operating EBITDA Margin	7.72%	7.48%	8.51%	8.58%	9.04%
Net Cash Per Share (Rmb)	-4.34	-6.69	-5.11	-3.61	-1.84
BVPS (Rmb)	9.34	10.15	11.35	12.61	14.11
Gross Interest Cover	6.54	4.82	4.90	4.99	5.51
Effective Tax Rate	15.4%	20.3%	21.4%	15.6%	15.6%
Net Dividend Payout Ratio	25.4%	24.0%	23.7%	25.4%	25.4%
Accounts Receivables Days	14.81	15.43	14.87	15.74	15.65
Inventory Days	39.27	44.35	44.94	41.41	41.52
Accounts Payables Days	54.91	57.90	59.11	56.78	56.76
ROIC (%)	13.4%	13.2%	10.3%	11.4%	13.5%
ROCE (%)	9.36%	9.05%	8.60%	8.66%	9.32%
Return On Average Assets	6.29%	5.54%	5.78%	5.95%	6.45%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total sales volume growth (%)	14.0%	6.1%	-2.8%	3.8%	5.0%
Overall average selling price growth (%)	1.5%	0.1%	13.6%	2.3%	3.0%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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634 companies under coverage for quarter ended on 30 Sep 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**

**China Mengniu Dairy (2319 HK)**

— Price Close



## Recommendation Framework

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Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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The analyst who is primarily responsible for the content of this report, in whole or in part, certifies that with respect to the securities or issuer covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject, securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by the analyst in this report.

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#11