

**RELATIVE VALUATION OF INNER MONGOLIA YILI  
INDUSTRIAL GROUP CO., LTD.**




**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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entitled  
**RELATIVE VALUATION OF  
INNER MONGOLIA YILI INDUSTRIAL GROUP CO., LTD.**

was submitted to the College of Management, Mahidol University  
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**RELATIVE VALUATION OF YILI GROUP**

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**ABSTRACT**

This study evaluates the valuation of Yili (Inner Mongolia Yili Industrial) using peer multiple valuation and discounted cash flow (DCF) analysis, comparing it with Mengniu, Bright Dairy, Danone, Feihe, Nestlé, and Meiji. The peer multiple valuation suggests a target price of 35.17 CNY. This indicates that Yili's valuation is reasonable but may be affected by industry competition, raw material costs, and market sentiment. Although Yili remains a leading company in the dairy industry, growth potential depends on revenue expansion and cost efficiency. Given its moderate risk level, this study assigns Yili a HOLD rating.

**KEY WORDS:** RELATIVE VALUATION/ YILI

36 pages

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**LIST OF ABBREVIATIONS**

BPS	Book Value per Share
BV	Book Value
CHF	Swiss Franc
CNY	Chinese Yuan
COVID-19	Coronavirus disease starting in 2019
DCF	Discounted Cash Flow
DFA	Dairy Farmers of America
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EPS	Earnings per Share
ESG	Environmental, Social, and Governance
EV	Enterprise Value
FAO	Food and Agriculture Organization
PB	Price to Book Ratio
PBV	Price to Book Value
PE	Price to Earnings
PEG	Price / Earnings to Growth Ratio
PS	Price to Sales Ratio
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SD	Standard Deviation

## **CHAPTER I**

### **YILI GROUP OVERVIEW**

In the first chapter, we will give a comprehensive introduction to Yili Group, finding out the performance and strategic advantages of Yili Group as a leading international dairy company in the past five years.

The contents will be included in the first chapter as below:

Yili Group's Profile (1.1), Business Operations (1.2), Industry and Market Landscape (1.3), Financial Highlights (1.4), Benchmarking Summary (1.5). Through description and analysis, provide information about the current situation of Yili Group and understand its existing problems.

#### **1.1 Company Profile**

In the first chapter, we will introduce the company background and do the business overview mainly based on the general information combined with industry current situations.

##### **1.1.1 Company Introduction**

According to Tonghuashun Financial Research Center (2024), Yili Group (full name: Inner Mongolia Yili Industrial Group) is the most well-known dairy product manufacturer in mainland China. The company originated from the Hohhot Hui Minority District Cattle Raising Cooperative, which was established in 1956. Founded formally in 1993, it is one of China's largest dairy companies with a variety of product lines. Yili's multiple business units include liquid milk, yogurt, milk powder, cold drinks, etc., and main products including pure milk, milk drinks, ice cream, milk powder, yogurt, cheese, etc. It is the largest and highest-revenue dairy company in China.

Yili Group not only occupies a leading position in the domestic market, but its business has also expanded to many regions around the world. Yili focuses on the development of the dairy industry and insists on the layout of the dairy industry chain. It is the largest dairy company in Asia and has been ranked first in the Asian dairy industry for many years. According to Rabobank's 2023 Global Dairy Top 20 list, Yili ranked among the top 5 in the global dairy industry, and it was the only Chinese dairy industry to enter the top 5. (Yili firmly holds its position in top 5 global dairy giants, says Rabobank). This position reflected Yili's leading position and market effect in the Chinese dairy industry and even in the Asian dairy industry.

The Yili Group has critical strategies for globalization and its R&D. This organization not only owns the largest high-quality milk source base in China, but also has established dairy bases around the world. Besides these, it has cooperated on innovative platforms, has promoted industry innovation, has integrated global high-quality resources as well. The company has put into place a network comprising a global resource system from 2013. Their new goal in 2025 is to enter the top 3 of the global Dairy enterprises.

### **1.1.2 General Information & Milestones (Yili Group, 2023)**

Name: Inner Mongolia Yili Industrial Group Co., Ltd

Listing on: Shanghai Stock Exchange (600887) from 1996

Registered Capital: CNY 6.36 billion

Industry: Dairy Processing

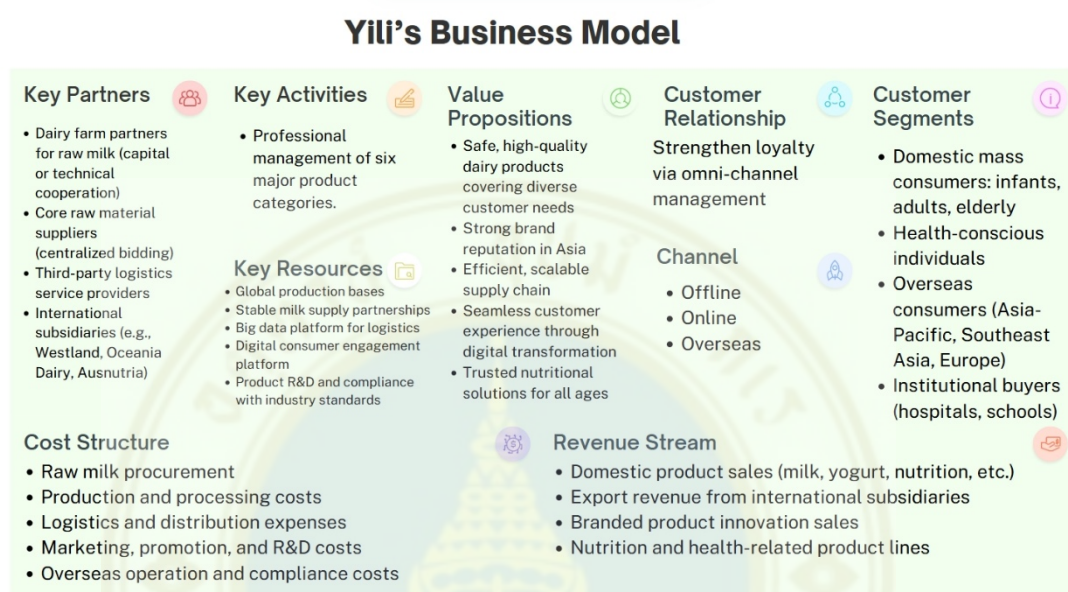
Established: June 1993

Number of Employees: Approximately 64,000 (2023)

Ownership: According to Sina Finance and Yili annual report of 2023, Yili Group has no absolute controlling shareholder or actual controller (Finance Sina), The company's largest shareholder is Hong Kong Securities Clearing Company Limited (Stock Connect) holds a 10.67% stake, and a total of 64.58% shares are held by public investors. Yili Company's own strategy has limitations the shares will not concentrate in the control of a high-level certain manager. In this way, the company's management

can manage the company better, and more public shareholders can participate in the management of the company.

### 1.1.3 Business Model & Strategy



**Figure 1.1: Yili's Business Canvas**

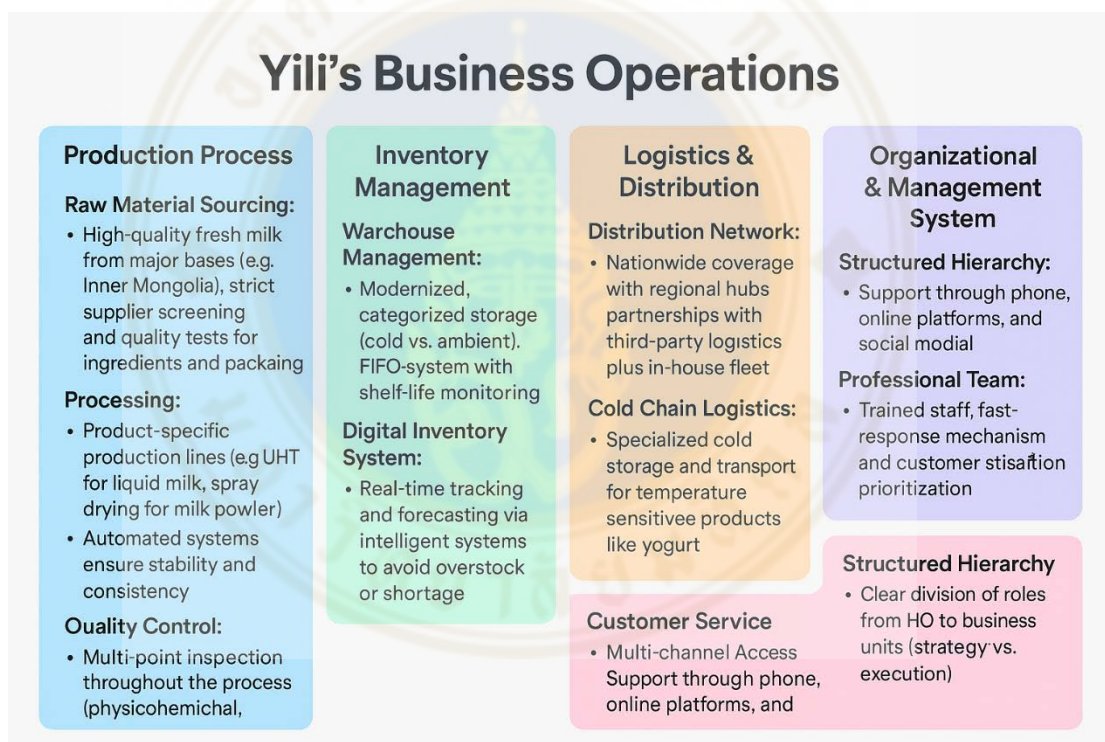
Source: Yili Group Annual Report 2023, IIDE 2023

In Yili's business strategy, it follows the two main ways of globalization and R&D and wins more consumers' trust with diversified products which are high quality and high-tech content. Yili Group has the slogan of "no innovation, no future". By building a "global smart chain", integrating global innovation resources, and focusing on the construction of a green and low-carbon industrial chain, it has achieved an internal growth model driven by high-tech development.

Yili's innovation team envisioned the development of a drinkable ambient yogurt, which opened a difficult development path. After the product development project was established, Yili's R&D team made a lot efforts to break the conventional theory of ambient yogurt production technology, established a new product technology theory, obtained 8 invention patents in China, and launched Yili's world-first PET drinkable ambient yogurt and drinkable fruit particle ambient yogurt products, creating a precedent for international dairy innovation and achieving huge market success.

Data shows that as of the end of December 2023, Yili's total number of global patent applications and total number of invention applications ranked 2 among the top 10 dairy companies in the world and first in China's dairy industry. In addition, Yili has always attached great importance to the research and application of inspection and testing technologies. As of 2023, the cumulative investment in inspection equipment is 888 million CNY, and the total investment in inspection costs in 2023 is 569 million CNY. More details will be demonstrated in the financial analysis content.

## 1.2 Business Operations



**Figure 1.2: Yili's Business Canvas**

Source: Yili Group Annual Report 2023



## 1.3 Global Economic Trends and Their Impact

Evidently, the macroeconomy has a significant impact on the dairy industry. The following discussions will explore this in greater depth.

### 1.3.1 Fast Growth of China's Dairy Industry

China's dairy industry has been growing steadily. In 2023, the market size reached 5738.6 billion CNY, with an annual growth rate of 5.3% from 2016 to 2021 (Du Kaiyu, 2024). By 2029, the market is expected to grow at 4-5% per year, exceeding 1 trillion CNY (Liu, 2021). This growth is mainly due to higher incomes, better health awareness, and faster urbanization. As a leading company, Yili is expanding its products and improving its supply chain to take advantage of this trend.

#### 1.3.1.1 Government Support or Health and Wellness.

The Chinese government promotes healthy food and functional dairy products under the Healthy China 2030 Plan. Policies encourage people to buy low-fat, high-protein, and probiotic dairy products. As a result, products like probiotic yogurt and lactose-free milk are becoming more popular. Yili is following this trend by introducing more health-focused products and strengthening its market position.

#### 1.3.1.2 Growth of Digital Marketing and E-Commerce.

Online shopping has changed the way people buy dairy products. In 2023, over 30% of dairy sales in China came from e-commerce (Qianzhan Industry Research Institute, 2023). Yili is investing in digital marketing, using social media, live-streaming, and influencer promotions to attract customers. Sales increase significantly during shopping festivals like 11 November. In the future, e-commerce will be a key driver for Yili's growth.

#### 1.3.1.3 Focus on Environmental, Social, and Governance.

Consumers and investors are paying more attention to sustainability. Yili is taking steps in renewable energy, carbon emission reduction, and rural development. These actions improve Yili's brand image and follow global sustainability trends (Food and Agriculture Organization: FAO, 2023). According to the Wind (2024), the ESG rating of Yili ranks 13th in China's food industry and has been awarded an A-level badge.

### **1.3.2 The Impact of Global Economic Growth and Consumer Income on China's Dairy Industry**

#### **1.3.2.1 Impact of Global Economic Growth on the Dairy Industry.**

The global dairy industry experienced significant fluctuations during 2020-2023 due to the COVID-19 pandemic and subsequent economic recovery. In 2020, the pandemic disrupted supply chains, reduced consumer spending, and caused a temporary decline in demand for dairy products, particularly in the foodservice sector. However, as economies began to recover in 2021 and 2022, the dairy industry rebounded strongly. Global dairy trade increased by 4.5% in 2022, driven by rising demand from emerging markets such as Southeast Asia and the Middle East (FAO, 2023).

In China, the dairy industry showed resilience during this period. Despite initial challenges, domestic demand for dairy products grew steadily, supported by government policies promoting health and nutrition. For example, the "Healthy China 2030" initiative encouraged higher consumption of dairy products as part of a balanced diet. By 2023, China's dairy market had recovered fully, with annual growth rates returning to pre-pandemic levels of 5-6% (China Dairy Association, 2023).

However, global economic uncertainties, such as rising inflation and geopolitical tensions, have continued to pose challenges for the dairy industry. Fluctuations in currency exchange rates and trade barriers have impacted the cost of imported dairy products, particularly milk powder and cheese. Despite these challenges, the industry has adapted by focusing on cost efficiency and diversifying supply chains.

#### **1.3.2.2 Influence of Consumer Income on China's Dairy Market.**

Consumer income is a critical driver of dairy consumption in China. As disposable incomes have risen, particularly in urban areas, consumers have shifted from basic dairy products to higher-value items such as organic milk, probiotic yogurt, and specialty cheeses. According to the National Bureau of Statistics, China's per capita disposable income increased by 6.3% annually from 2020 to 2023, reaching CNY 36,883 in 2023 (National Bureau of Statistics of China, 2023).

This income growth has led to a significant increase in dairy consumption. For example, the per capita consumption of liquid milk in urban areas rose from 22 kg in 2020 to 25 kg in 2023, while rural areas saw an increase from 10 kg to 12 kg during the same period (China Dairy Association, 2023). Despite this growth, China's per capita dairy consumption remains well below the global average, indicating substantial room for further expansion.

The rising middle class, particularly in tier-2 and tier-3 cities, has become a key target market for dairy companies. These consumers are more willing to pay a premium for high-quality, functional dairy products that offer health benefits. Companies like Yili have capitalized on this trend by launching innovative products tailored to the preferences of higher-income consumers.

#### 1.3.2.3 Effect of Inflation on Raw Material Costs.

Inflation has had a significant impact on the cost of raw materials in the dairy industry, particularly milk powder and grassland maintenance. From 2020 to 2023, global milk powder prices increased by 20-30%, driven by rising feed costs, labor shortages, and supply chain disruptions (FAO, 2023). In China, the cost of raw milk also rose due to higher demand and limited domestic supply.

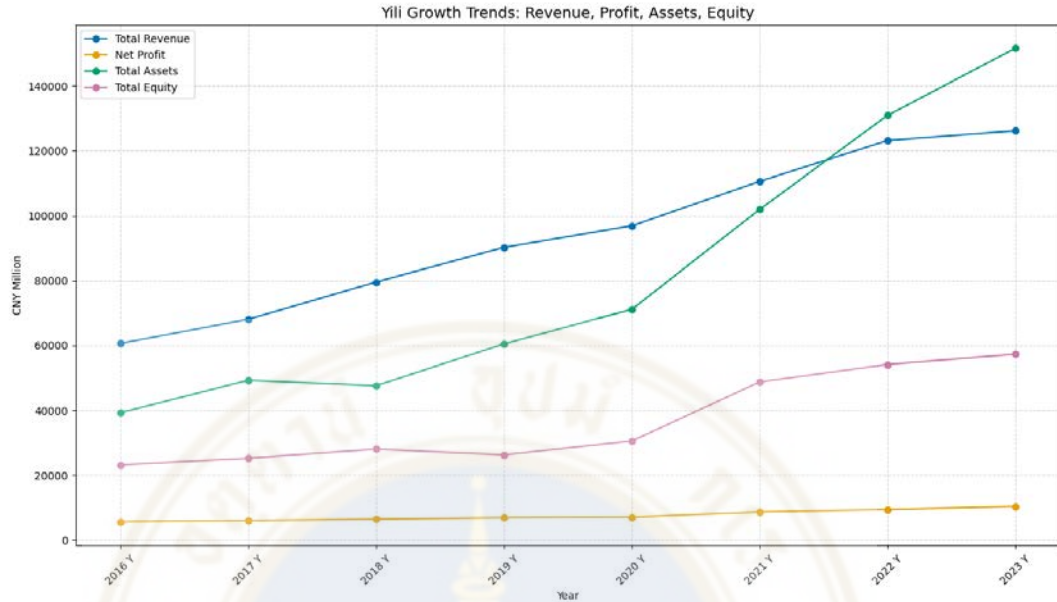
Grassland maintenance costs have also increased due to inflation. The price of fertilizers, seeds, and irrigation equipment has risen by 15-20% since 2020, putting additional pressure on dairy farmers (China Dairy Association, 2023). These rising costs have forced dairy companies to either absorb the higher expenses or pass them on to consumers through price increases.

## 1.4 Financial Highlights

To understand the overall financial situation of Yili Group, we will study the trends of some basic financial indicators over the past five years. Then we will select two domestic and global competitors of Yili Group to conduct a comparative analysis of some key financial indicators to better understand the market position and prospects of this company.



### 1.4.1 Growth Analysis



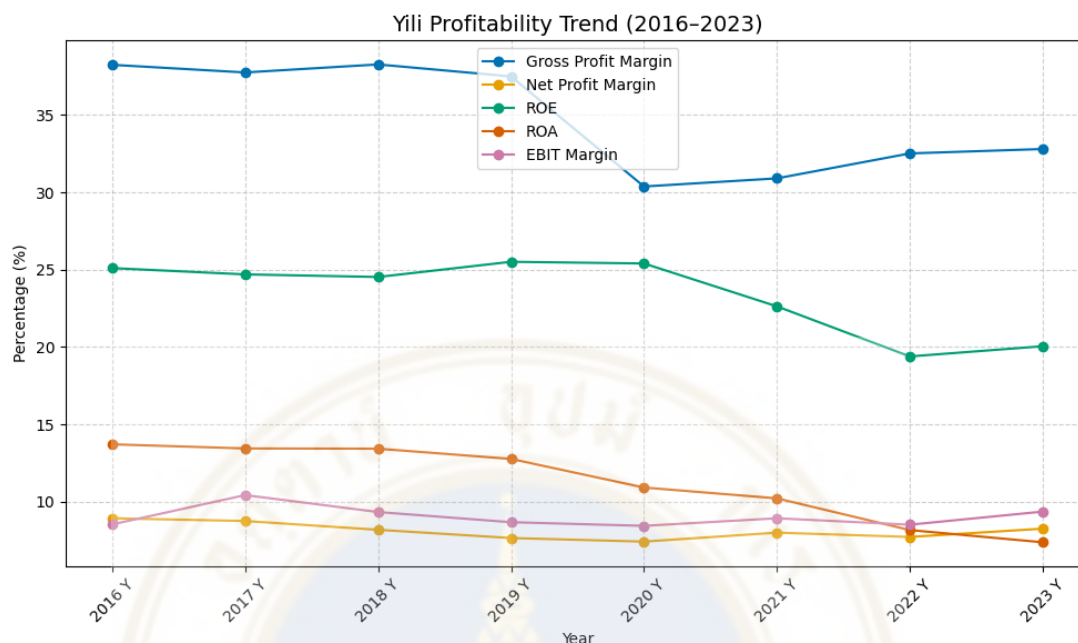
**Figure 1.3: Yili's Growth Trends**

Source: Own Calculation

This chart indicates the growth of Yili's business from 2016 to 2023. It includes four key financial items: total revenue, net profit, total assets, and total equity.

From the chart, we can see that total revenue increased steadily every year. This means the company sold more products and earned more money over time. Net profit also grew year by year, especially after 2020. This shows that the company was not only selling more but also making more money after paying all costs. Total assets had a big jump after 2021. This may be because Yili invested in more equipment, buildings, or other businesses. Total equity also went up slowly, showing that shareholders' value became stronger.

### 1.4.2 Profitability Trend



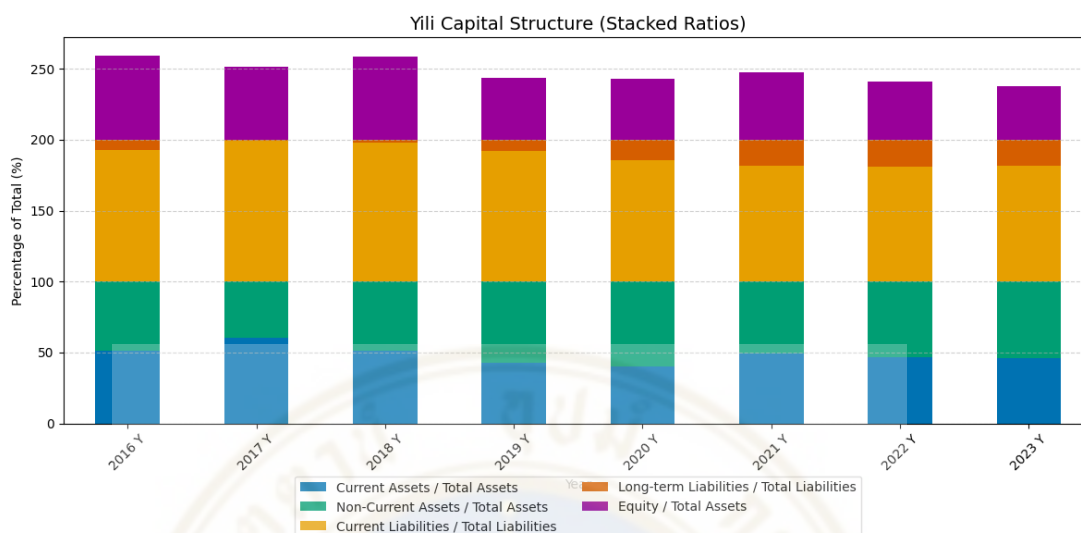
**Figure 1.4: Yili's Profitability Trends**

Source: Own Calculation

This chart presents five important profitability ratios of Yili from 2016 to 2023. These include Gross Profit Margin, Net Profit Margin, ROE, ROA, and EBIT Margin.

Gross Profit Margin stayed quite stable during the period. This means the company kept good control over its cost of goods. Net Profit Margin had some small changes, but overall, it was also stable. It shows that the company was able to keep a good level of profit after all expenses. ROE was the highest among all the ratios. This means that Yili gave a good return to its shareholders. ROA was lower than ROE, but still at a healthy level. It shows that the company used its assets efficiently. EBIT Margin moved in a similar way as net margin. It shows the company's ability to make profit from its main business.

### 1.4.3 Capital Structure



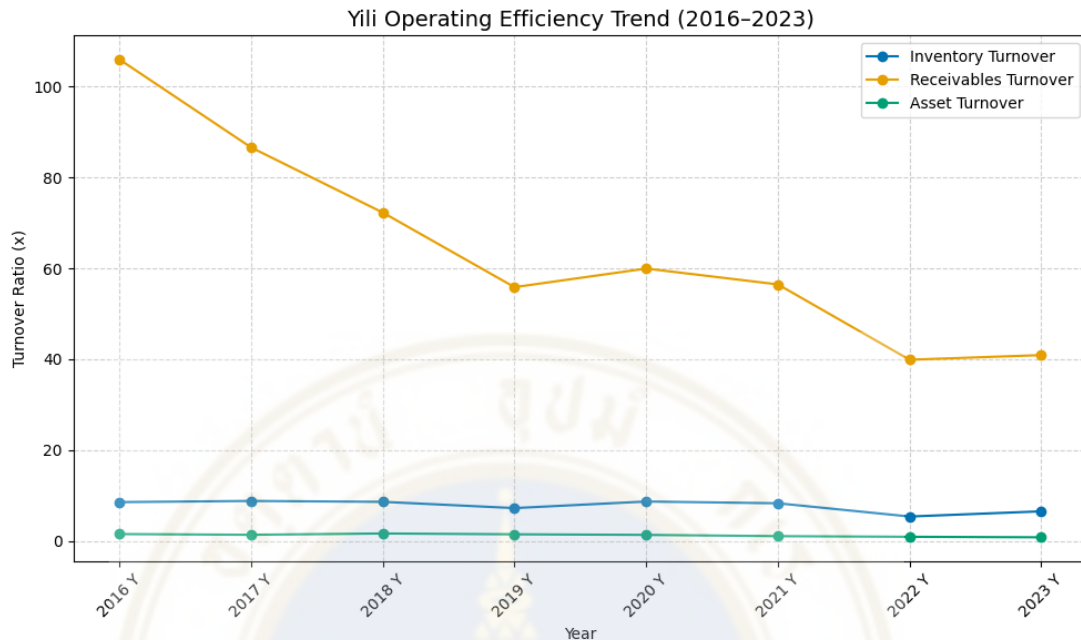
**Figure 1.5: Yili's Capital Structure**

Source: Own Calculation

This bar chart displays the structure of Yili's assets, liabilities, and equity from 2016 to 2023. It helps us understand how the company uses its money and how it is financed.

We can see that current assets made up a large part of total assets. Non-current assets were also important, but a bit smaller than current assets. For liabilities, current liabilities were bigger than long-term liabilities. This means the company had more short-term payments. Shareholders' equity took up a good part of the structure. It shows that the company was not too dependent on debt, and the owners had strong support in the company.

### 1.4.4 Operating Efficiency Trend



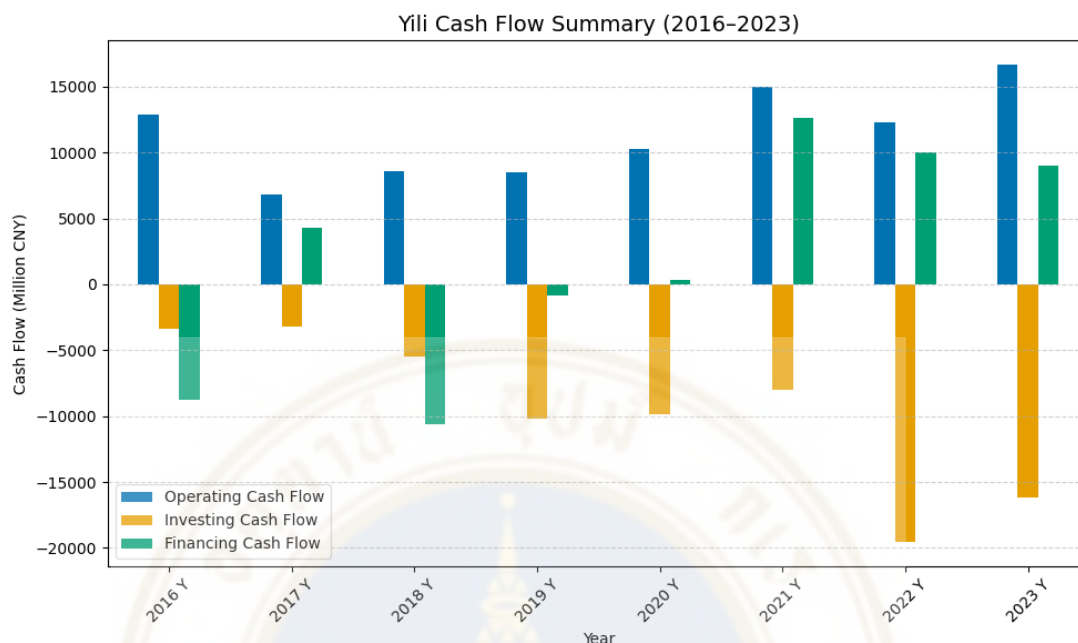
**Figure 1.6: Yili's Operating Efficiency Trend**

Source: Own Calculation

This chart suggests three efficiency ratios from 2016 to 2023: Inventory Turnover, Receivables Turnover, and Asset Turnover.

Inventory Turnover went up and down over the years. This means the speed of selling and replacing inventory was not always the same. In some years, the company may have sold products faster, and in other years, slower. Receivables Turnover stayed quite stable. It shows that Yili was good at collecting money from customers after selling products. Asset Turnover was lower than the other two ratios and slowly went down. This means the company used more assets but didn't grow its revenue at the same speed.

### 1.4.5 Cash Flow



**Figure 1.7: Yili's Cash Flow Summary**

Source: Own Calculation

This chart demonstrates Yili's three main types of cash flow from 2016 to 2023: Operating Cash Flow, Investing Cash Flow, and Financing Cash Flow.

Operating Cash Flow was always positive. This means the company made enough money from its main business to pay for daily costs and other needs. Investing Cash Flow was mostly negative. This is normal for a growing company because it spends money on buying machines, factories, or new businesses. Financing Cash Flow changed a lot. In some years, the company borrowed money or sold shares, so the cash flow was positive. In other years, it paid back loans or gave dividends, so the cash flow was negative.

The net cash flow generated by activities shows that Yili belongs to the "positive, negative, positive" type.

## 1.5 Benchmarking Summary

After knowing the basic situations and issues of the industry and macroeconomic environment, the key criteria for finding Yili Group benchmark companies we select:

Similar age (Yili was founded in 1993, 32 years) and size (market cap of \$44.56 billion in 2023) in the same industry, and the geographical range is international. Main direct competitors with almost the same product range, the operating situation and profitability are relatively stable, and revenue of 2023 did not have a huge gap.

Through searching for relevant information in the industry, we select six companies. They are Danone (BN), Mengniu Dairy, Bright Dairy, China Feihe, Meiji Holdings and Nestlé.

### 1.5.1 Peer Comparison

#### 1.5.1.1 Danone (BN.PA)

Found in 1919, market cap was \$35.59 billion in 2023. Danone is a French multinational food-products corporation and a global company with operations in various regions around the world. Its business includes fresh dairy and plant-based products (accounting for about 50% of total revenue), specialty nutrition products (infant milk powder, etc., accounting for about 30%), and drinking water and beverages (about 20%). In 2023, Danone achieved revenue of about 27.6 billion euros, an increase of 7% from 2022 (Danone, 2024). Its Net profit was 953 million Euro. (Danone net income 2023 | Statista), the net interest rate was about 3%. Danone's profitability is in the middle of its global peers, and its ambient yogurts (such as Actimel's Yakult range) and infant milk powder (such as Aptamil) are global market leaders. As a mature market company, Danone has slow revenue growth but steady cash flow([PDF] Strong full-year results Consistently delivering on Renew Danone). As the international comparable company of Yili, Yili is superior in growth but not as internationalized as Danone. Comparison between the two is helpful to evaluate the space for Yili's future growth and valuation.

#### 1.5.1.2 Mengniu Dairy(HK02319)



Founded in 1999, also a leading dairy company headquartered in the same place with YILI, is the main direct competitor of Yili Group in China with diversified products range and the strategy of globalization and innovation. Market capitalization was \$32.59 billion in 2023. In 2022, Mengniu achieved an operating income of about 92.5 billion CNY (Eastmoney, 2024). It is comparable in size to Yili. Net profit of about 3 billion CNY, net interest rate of about 3% slightly lower than Yili. Mengniu's P/E was low, at about 13 times earnings (see Figure 1.11). Mengniu's P/E has averaged about 20 times over the past few years, the price-to-book ratio is about 1.5 times (Financial Intelligence Network, 2024). All were lower than Yili's valuation in the same period, reflecting the market's relatively lower profit level for Mengniu.

#### 1.5.1.3 Bright Dairy(600597.SH)

Bright dairy is the top 3 dairy companies in China starting from 1949 and formally founded in 1996 in Shanghai. Before 2003, the company had the top revenue and market cap in China. It also offers liquid milk, modulated milk, and many types of milk products. The company provides a comprehensive logistics and distribution network reaching the UK, Hong Kong, US. The market cap of 2023 was CNY 11.36 billion. The company's volume is significantly smaller than that of Yili, and its operating income in 2023 was about 26.49 billion CNY, down 6.1% year-on-year; Net profit attributable to shareholders of the parent was approximately RMB 970 million, an increase of 168% year-on-year (mainly due to one-time gain on disposal of assets) (21st Century Business Herald, 2024). In fact, the profit base of Bright dairy was weak, and the net interest rate was hovering around 2% for many years. As a regional company, Bright Dairy is not as diversified as Yili or Mengniu in terms of market scale and product structure, but as a comparable company, it reflects the operating conditions of Chinese traditional dairy enterprises in the regional market.

#### 1.5.1.4 China Feihe(6186.HK)

Feihe is a leading enterprise in the field of infant formula milk powder in China. The company focuses on high-end infant milk powder products, with the highest gross and net profit margin in the industry (net profit rate was above 15% all year round). In 2023, Flying Crane achieved revenue of about 19.53 billion CNY, down 8.3% year-on-year, and net profit of about 3.29 billion CNY (China Feihe: annual revenue 2023 - Statista) (China Feihe net income 2023 | Statista). Although the income

has declined due to the declining birth rate in China (National Bureau of Statistics of China, 2024), the profitability of Feihe was still outstanding, and the profit margin was far higher than that of comprehensive dairy enterprises such as Yili. The revenue of Feihe mainly came from the business model of a single category of milk powder, which was different from Yili. However, as it belongs to the dairy industry and has a relatively large scale, we believe that Feihe and Yili are comparable to a certain extent.

#### 1.5.1.5 Meiji Holdings (2269.T)

Meiji is one of the largest dairy and food companies in Japan, specializing in dairy products (milk, yogurt, ice cream, etc.) as well as functional nutrition foods and pharmaceuticals. In 2023, Meiji Holdings achieved revenue of about 1.105 trillion yen (about 55 billion CNY), net profit of about 67.6 billion yen (about 3.3 billion CNY), and net interest rate of about 6% (Meiji Holdings Third Quarter 2025 Earnings: Beats Expectations). Meiji holdings is a leading position in the Japanese market, with a wide range of products such as liquid milk and chocolate. The selection of Meiji as a comparable company can be contrasted with the difference in profitability and valuation between Yili and its peers in mature Asian markets. Yili's growth and scale have surpassed Meiji, so it should have a higher valuation multiple to reflect its stronger growth momentum.

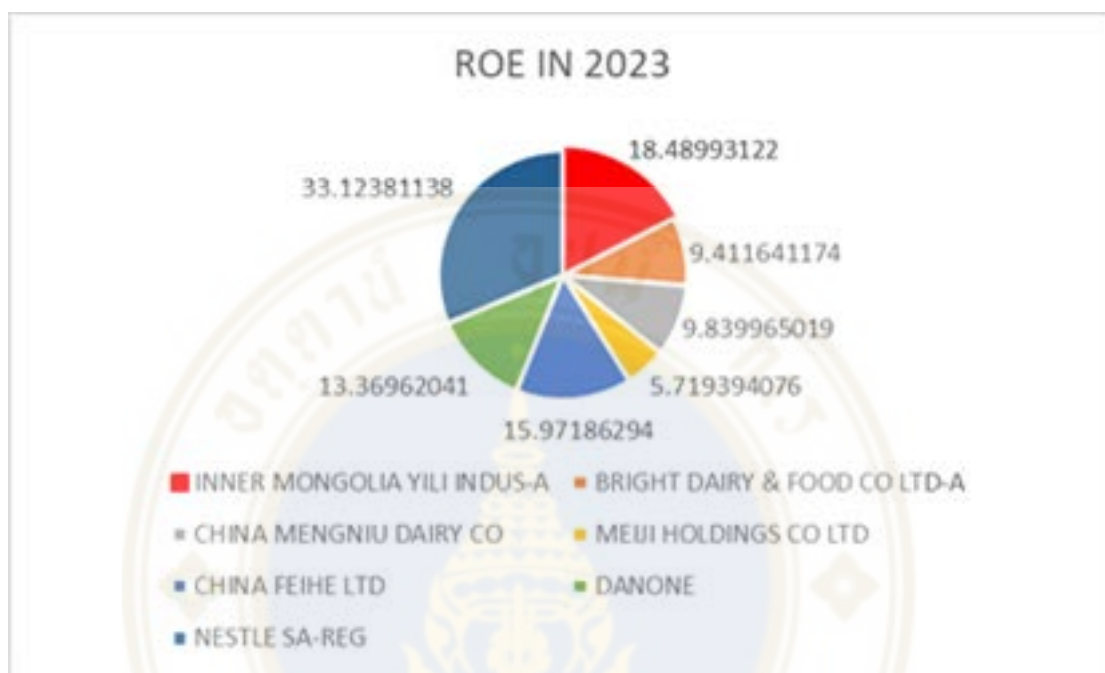
#### 1.5.1.6 Nestlé(NESM.SW)

Found in 1866 and it is one of the largest food and beverage companies in the world. The headquarter of Nestlé is in Switzerland. Nestlé offers a wide range of products, including milk, yogurt, cheese, and infant food in the dairy industry. The company is playing an important role as it is known for its high-quality dairy products. In 2023, its market cap was about \$234.85 billion. It's ranked the top 1 in this industry. Nestlé's revenue was about CHF 92.298 billion (That is about CNY 757.78 billion) (The Wall Street Journal, 2024), its net profit was CHF 11.2 billion, with a net profit margin of about 12.1%(Nestlé reports full-year results for 2023). We have chosen Nestlé as one of our comparable companies. It is good for us to value the scale and the valuation of Yili Group from a global benchmark perspective. In 2023, Yili's revenue was CNY 126.18 billion (Financial Statement), which was approximately 16.65% of Nestlé's. According to the previous ROE and net profit margin of Yili, Yili's net profit



rate was lower than Nestlé's, but Yili's growth rate was faster. Yili's valuation thus falls somewhere between an established giant and an emerging market champion.

### 1.5.2 Industry Position



**Figure 1.9: Peer's ROE**

Source: Own Calculation

This is a pie chart showing the ROE of several dairy companies in 2023.

The red part represents Inner Mongolia Yili Industrial Group, with an ROE of 18.49%. This is one of the higher ROE values in the chart, meaning Yili is quite efficient in using its equity to make profits.



**Figure 1.10: Peer's PE in 2023**

Source: Own Calculation

This is a radar chart showing the P/E ratio of peer dairy companies.

The P/E ratio shows how much investors are willing to pay for 1 dollar of earnings. A higher P/E usually means higher growth expectations.

Inner Mongolia Yili Industrial Group has a P/E ratio higher than the median, meaning investors have positive expectations for Yili's future performance.

## **CHAPTER II**

### **RELATIVE METHOD**

The relative valuation method will be used to predict whether Yili's stock price is overvalued or undervalued. It includes five types: P/E, P/B, P/S, PEG, and EV/EBITDA. The stock price of Yili was CNY 29.75 per share on April 21, 2025.

This chapter will include in content as below:

Historical Multiple Band Valuation (2.1), Forward Multiple Band Valuation(2.2), Target Price Estimation (2.3) which includes a sensitivity analysis. Peer Group Multiple Valuation(2.4).

Through these analyses, we aim to gain a clearer understanding of Yili Group's market valuation from different perspectives and provide a data-driven basis for investment decisions.

#### **2.1 Historical Multiple Band Valuation**

Historical Multiple Band Valuation is a relative valuation method based on historical valuation levels used to assess a reasonable valuation range for a stock or company.

### 2.1.1 Trailing Price to Earning Ratio Band



**Figure 2.1: PE Ratio Trend**

Source: Own Calculation

The P/E Ratio over the past six years can be calculated by dividing the current stock price by the earnings per share in each quarter. In general, the P/E ratio demonstrates how much the stock price exceeds the company's actual earnings. In other words, a higher P/E ratio means investors are more confident about the company's future growth. It also indicates how long it will take to recover the investment. For example, a P/E ratio of 2 means it will take 2 years to break even.

As of the beginning 2025, Yili's P/E ratio is around 16.0, which is lower than the six-year average of 22. Looking at the trend, the P/E ratio peaked in 2021, then started to decline and reached its lowest point in 2023. This trend may suggest adjustments in market expectations about the company's earnings or external market influences. However, in 2024, the P/E ratio showed a short-term rebound, reflecting a recovery in investor sentiment. After the third-quarter earnings report in 2024, the P/E ratio increased, indicating that the market was reassessing the company's profitability.

Overall, the current P/E ratio may suggest that Yili is undervalued, meaning the market is still cautious about the company's future growth. However, if its earnings continue to improve, the P/E ratio may rise, which could push the stock price higher.

### 2.1.2 Trailing P/BV Band



**Figure 2.2: PBV Ratio Trend**

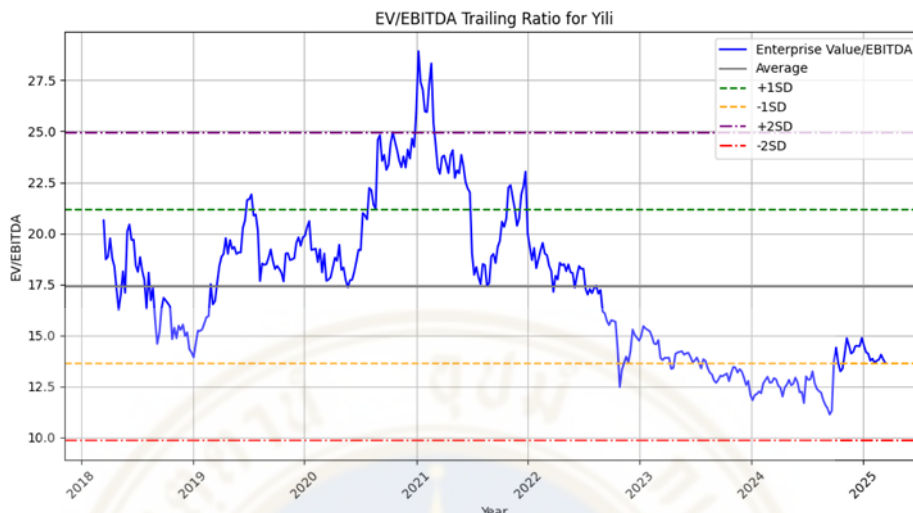
Source: Own Calculation

This picture visualizes the trailing PBV per share, obtained by dividing the share price by the book value per share. Notably, Yili's recent PBV has returned to the average level of 4.0 (as of 2025), after fluctuating significantly over the past six years.

From 2019 to 2020, the PBV ratio surged, reaching its peak above 7.0, exceeding the +2 SD threshold, indicating strong investor confidence during that period. However, from 2021 to 2023, the PBV ratio experienced a significant decline, falling close to -1SD, suggesting a reduction in valuation due to market adjustments because of the outbreak of COVID-19.

Since 2024, the PBV ratio has shown signs of recovery, returning to its historical average. This upward movement reflects a potential improvement in investor sentiment and confidence in Yili's asset value and profitability.

### 2.1.3 Trailing EV/EBITDA Band



**Figure 2.3: EV/EBITDA Trailing**

Source: Own Calculation

This chart suggests the EV/EBITDA ratio, which represents Yili's operating performance. EV is the total value of the company, considering both debt and cash, while EBITDA represents the company's operating profit, excluding interest, tax, and amortization. A higher EV/EBITDA suggests that the stock might be overvalued, meaning its market value is higher compared to its operating profit.

As of April 2025, Yili's latest trailing EV/EBITDA is around 13, which is close to the -1 standard deviation level. This indicates that the stock might be undervalued compared to its historical average.

In summary, the historical EV/EBITDA trend suggests that Yili was overvalued in 2021, with a peak above 25, but has since declined. The recent values indicate a more reasonable or slightly undervalued stock price, which means investors have value opportunities.



## 2.2 Forward Multiple Band Valuation

Based on the analysis of trailing multiple bands, this part explores forward multiples. These are calculated using ratios derived from projected financial metrics, such as EPS, BPS, and EBITDA, providing insight into Yili's future valuation.

Before we look at the charts, we should know why we use these three ratios: Forward PE, Forward P/BV, and Forward EV/EBITDA. These help us understand how expensive or cheap a stock is.

Forward PE shows how much people pay for one unit of the company's future earnings. It tells us how the market feels about the company's future profit.

Forward P/BV compares the stock price with the book value of the company. It helps us know if the stock is cheap or expensive based on its real value.

Forward EV/EBITDA includes both the company's value and its earnings before costs like tax or interest. It is useful when we compare companies in the same industry.

### 2.2.1 Forward PE Ratio



**Figure 2.4: Forward PE Ratio Trend**

Source: Own Calculation

In the forward P/E ratio chart, we observe that Yili's valuation has experienced notable fluctuations over the years. Unlike the trailing PE ratio, the forward PE ratio provides a more stable assessment of the company's valuation based on projected earnings.

From 2019 to early 2021, Yili's forward PE ratio remained relatively stable, fluctuating within one standard deviation above and below the average. However, during the mid-2020 to early 2021 period, the ratio surged significantly, peaking above the +2 SD threshold, indicating a phase of heightened optimism among investors. This could be attributed to market expectations of strong earnings growth during that period.

After 2021, the forward PE ratio exhibited a downward trend, reflecting potential earnings pressure or valuation adjustments in line with investor sentiment. By mid-2022, the ratio had dropped to levels near the -1SD threshold, suggesting a period of relative undervaluation. The ratio then remained in a compressed range until late 2023, when it started to recover slightly.

This pattern indicates that while investors had high expectations for Yili's future earnings in earlier years, more recent data suggests a re-evaluation of growth prospects. The overall range of fluctuations implies that the stock has seen periods of both optimism and cautious sentiment, driven by macroeconomic conditions, industry performance, and earnings revisions.



### 2.2.2 Forward P/BV Band



**Figure 2.5: Forward PBV Trend**

Source: Own Calculation

In this graph, the trend of Yili's forward PBV ratio closely follows its historical PBV movement. This suggests that the current book value and the estimated book value do not differ significantly, making the forward PBV a reliable indicator of valuation trends.

Between 2019 and 2021, Yili's PBV ratio remained mostly within one standard deviation above and below the average. However, from mid-2020 to early 2021, there was a notable surge, with the PBV ratio exceeding the +2SD level, indicating heightened investor optimism and a premium valuation.

By 2022, the PBV ratio declined sharply, reflecting a market correction and shifting investor sentiment. The ratio fell below the -1SD level and remained in a downtrend. This decline coincided with broader market adjustments and potential changes in earnings expectations.

Currently, the PBV ratio is hovering around the -1SD range, suggesting that Yili's valuation is relatively lower compared to its historical average. However, it has not yet reached the -2SD level, which would indicate deep undervaluation. If the stock

continues trading in this lower range, investors may perceive it as an attractive entry point for long-term value.

### 2.2.3 Forward EV/EBITDA Band



**Figure 2.6: Forward EV/EBITDA Trend**

Source: Own Calculation

This chart illustrates the movement of Yili's forward EV/EBITDA ratio over time. Unlike the trailing EV/EBITDA, the forward ratio reflects expectations of future earnings, which can result in notable deviations due to variations in estimated EBITDA.

Between 2019 and 2021, Yili's forward EV/EBITDA fluctuated around the average level, staying mostly within one standard deviation above and below the mean. However, from mid-2020 to early 2021, the ratio surged, surpassing +2SD, indicating heightened investor optimism and potentially overvalued conditions.

Following 2022, the ratio experienced a significant decline, falling below the -1SD threshold and maintaining a downward trajectory. This suggests that the market reassessed growth expectations, leading to a more conservative valuation. Presently, the EV/EBITDA ratio remains within the -1SD range, reflecting a period of relative undervaluation compared to historical trends.

If the ratio continues in this lower range, it may present potential value investment opportunities, provided that the company's earnings stabilize or improve. However, further deviations from historical norms should be analyzed alongside fundamental business conditions.

## 2.3 Target Price from Band Valuation

**Table 2.1: Multiple Band Valuation**

Multiple Band Valuation-Yili							Average
	Trailing PER	Trailing PBV	Trailing EV/EBITDA	Forward PER	Forward PBV	Forward EV/EBITDA	
<b>Target Price</b>	37.40	27.91	34.02	38.40	37.95	30.86	<b>34.42</b>
<b>Upside/Downside Potential</b>	25.71%	-6.18%	14.35%	29.08%	27.56%	3.72%	15.71%

Source: Own Calculation

The table presents the valuation of Yili based on multiple band methods, using both trailing and forward valuation metrics. The target prices are derived by multiplying the average multiples: PER, PBV, and EV/EBITDA over the past 6 years with estimated future financials such as EPS, book value, and EBITDA.

As shown in Table, the calculated average target price is CNY 34.42, which suggests a potential upside of 15.71% compared to the current market price of CNY 29.75 as of April 21, 2025. Among the different multiples, the Forward PER and Forward PBV offer the highest upside potentials of 29.08% and 27.56%, respectively, indicating that earnings and book value-based expectations remain strong. Meanwhile, the lowest upside comes from the Forward EV/EBITDA multiple, suggesting more conservative valuation from a cash flow perspective. Overall, the blended average implies moderate growth potential, supporting a cautiously optimistic view on Yili's valuation outlook.

### 2.3.1 Sensitivity Analysis

**Table 2. 2: Sensitivity Analysis**

Multiple Band Valuation(-20%)-Yili							
	Trailing PER	Trailing PBV	Trailing EV/EBITDA	Forward PER	Forward PBV	Forward EV/EBITDA	Average
Target Price	29.92	22.33	27.21	30.72	30.36	24.69	27.54
Upside/Downside Potential	0.57%	-24.94%	-8.52%	3.26%	2.05%	-17.02%	-7.43%
Multiple Band Valuation(-10%)-Yili							
	Trailing PER	Trailing PBV	Trailing EV/EBITDA	Forward PER	Forward PBV	Forward EV/EBITDA	Average
Target Price	33.66	25.12	30.62	34.56	34.16	27.77	30.98
Upside/Downside Potential	13.14%	-15.56%	2.91%	16.17%	14.81%	-6.65%	4.14%
Multiple Band Valuation(+10%)-Yili							
	Trailing PER	Trailing PBV	Trailing EV/EBITDA	Forward PER	Forward PBV	Forward EV/EBITDA	Average
Target Price	41.14	30.70	37.42	42.24	41.75	33.94	37.87
Upside/Downside Potential	38.29%	3.20%	25.78%	41.98%	40.32%	14.10%	27.28%
Multiple Band Valuation(+20%)-Yili							
	Trailing PER	Trailing PBV	Trailing EV/EBITDA	Forward PER	Forward PBV	Forward EV/EBITDA	Average
Target Price	44.88	33.49	40.82	46.08	45.54	37.03	41.31
Upside/Downside Potential	50.86%	12.59%	37.22%	54.89%	53.08%	24.47%	38.85%

Source: Own Calculation

For above tables, they were evaluated potential positive and negative scenarios with respect to the share price of 29.75 CNY. Sensitivity analysis of the target price for each scenario is conducted by applying adjustments of -20%, -10%, +10%, and +20% to EPS, BV, and EBITDA.

## 2.4 Peer Group Multiple Valuation

Peer group multiple analysis involves assessing a company's valuation by comparing valuation multiples with other companies operating in the same industry. In this article, we evaluate Yili's valuation by comparing it with Mengniu, Bright Dairy, Meiji, China Feihe, Danone, and Nestlé to assess its stock price.

**Table 2.3: Peer Group Multiple Valuation**

Ticker	Name	Mkt Cap (CNY Billion)	Close Price	Trailing EV/EBITDA	P/E	PBV
			End of 2024	End of 2024	End of 2024	End of 2024
600887 CH Equity	INNER MONGOLIA YILI INDUS-A	189.39	28.17	11.82	14.88	2.89
600597 CH Equity	BRIGHT DAIRY & FOOD CO LTD-A	12.49	9.23	-	14.72	1.32
2319 HK Equity	CHINA MENGNIU DAIRY CO	72.19	18.13	10.09	15.95	1.52
2269 JP Equity	MEIJI HOLDINGS CO LTD	45.31	165.54	7.14	17.64	1.20
6186 HK Equity	CHINA FEIHE LTD	57.88	3.44	8.16	13.31	1.23
BN FP Equity	DANONE	384.62	468.81	14.11	22.49	1.90
NESN SW Equity	NESTLE SA-REG	1900.00	782.09	14.75	21.04	6.23
			Peer Average	10.85	17.53	2.23
			Peer Median	10.09	17.64	1.52
			Min	7.14	13.31	1.20
			Max	14.75	22.49	6.23

Source: Own Calculation

Yili's PE ratio is 14.88, which is close to the industry median of 17.64. This suggests that Yili's valuation is reasonable but slightly lower than the industry average of 17.53. Looking at the PB ratio, Yili has a PBV of 2.89, which is higher than the peer median of 1.52 but still within the peer range. This indicates that Yili's stock price is relatively stable. Additionally, Yili's EV/EBITDA ratio is 11.82, which is higher than the peer average of 10.85, showing that its valuation is at a moderately high level among competitors. Overall, Yili's valuation is stable. While its P/E ratio is slightly below the peer median, its PBV and EV/EBITDA suggest strong market recognition.

**Table 2. 4: Peer Group Forward Multiple Valuation**

Ticker	Name	Mkt Cap (CNY Billion)	Close Price	Forward EV/EBITDA	Forward P/E	Forward PBV
			End of 2024	End of 2024	End of 2024	End of 2024
600887 CH Equity	INNER MONGOLIA YILI INDUS-A	189.39	28.17	11.02	15.61	3.37
600597 CH Equity	BRIGHT DAIRY & FOOD CO LTD-A	12.49	9.23	-	13.23	1.43
2319 HK Equity	CHINA MENGNIU DAIRY CO	72.19	18.13	9.25	13.24	1.62
2269 JP Equity	MEIJI HOLDINGS CO LTD	45.31	165.54	6.39	15.36	1.20
6186 HK Equity	CHINA FEIHE LTD	57.88	3.44	6.02	11.08	2.26
BN FP Equity	DANONE	384.62	468.81	11.29	17.04	2.61
NESN SW Equity	NESTLE SA-REG	1900	782.09	14.52	18.18	6.35
			Peer Average	9.49	14.69	2.58
			Peer Median	9.25	14.30	1.94
			Min	6.02	11.08	1.20
			Max	14.52	18.18	6.35

Source: Own Calculation

In addition to analyzing historical valuation multiples, we also assess the forward valuation indicators of Yili and its industry peers.

For the forward PE ratio, which is based on earnings estimates for the next 12 months, Yili's forward P/E is 15.61, higher than the peer median of 14.30. This



suggests that Yili's valuation is slightly higher than its peers but still within a reasonable range.

Regarding the forward EV/EBITDA, Yili's EV/EBITDA is 11.02, which is above the peer median of 9.25 but lower than Nestlé's highest value of 14.52. Compared to the peer average of 9.49, Yili's EV/EBITDA is slightly higher, indicating that its profitability and operational efficiency are at a moderately high level among competitors.

For the forward PB ratio, Yili's PBV is 3.37, significantly higher than the peer median of 1.94 and close to the highest value of 6.35. This suggests that Yili has a high book value premium, and the market recognizes its asset quality and brand value. Compared to the peer average of 2.23, Yili's PBV is relatively high, which may indicate that investors have a positive outlook on its future growth and profitability.

In all valuation scenarios, we calculate Yili's target stock price using its competitors' median, minimum, and maximum values, excluding Yili itself. Since Nestlé has a much higher valuation, which may affect the peer average, we rely on the median, minimum, and maximum values for a more reasonable valuation assessment.

### 2.4.1 Target Price from Peers' Multiples

**Table 2.5: Target Price from Peer Multiples**

Price of Yili (End of 2024)	28.17		
	2024 Q3	2024 F	2025F
EPS	0.52	2.19	2.19
BVS	8.83	8.81	8.50
EBITDA(Billion)	16.75	17.33	17.49
Num of Shares(Billion)	6.366	6.366	6.366

Peer Multiples						
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	Forward P/E	Forward P/BV	Forward EV/EBITDA
Peer Median	17.64	1.52	10.09	14.30	1.94	9.25
Min	13.31	1.20	7.14	11.08	1.20	6.02
Max	22.49	6.23	14.75	18.18	6.35	14.52

Target Price of 2025				
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	Forward P/E
Median	38.60	12.92	27.72	31.29
Min	29.12	10.20	19.62	24.24
Max	49.21	52.96	40.52	39.78

Upside/Downside Potential				
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	Forward P/E
Median	37.01%	-54.14%	-1.59%	11.07%
Min	3.38%	-63.79%	-30.36%	-13.94%
Max	74.68%	87.98%	43.86%	41.21%

Source: Own Calculation

Using the median multiple of industry peers as a benchmark, we calculate Yili's target price based on EPS, BVS, EBITDA, and the number of shares, combined with the relevant multiples of its peers. The analysis shows that Yili's target price for 2025 ranges from 10.20 CNY to 52.96 CNY.

### 2.4.2 Selecting Multiples and Target Price Estimation

When selecting valuation multiples, we use both band valuation analysis and peer multiple valuation, as both methods are important. From historical valuation, we can refer to Yili's own past data, which is crucial for understanding its long-term valuation levels. At the same time, peer valuation is also valuable because Yili's competitors, such as Mengniu, Bright Dairy, and Danone, are highly comparable and have been competing in the dairy industry for a long time. Therefore, by combining historical valuation and peer valuation, we can better assess Yili's fair value.

**Table 2. 6: Target Price Summary**

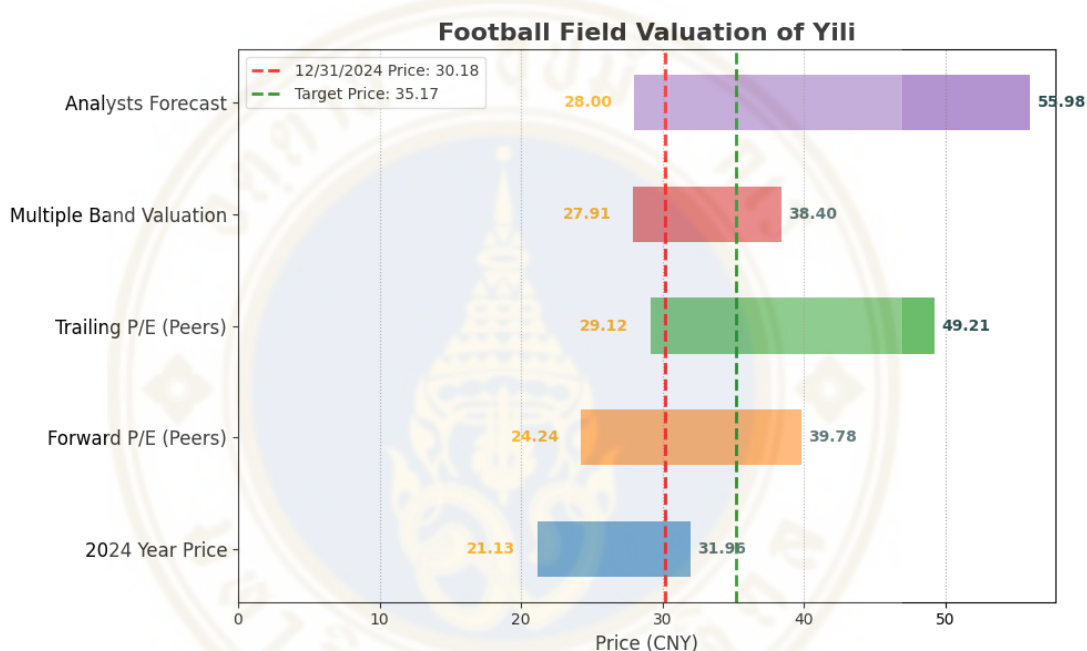
	Target Price of 2025						AVG P/E and EV/EBITDA
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	Forward P/E	Forward P/BV	Forward EV/EBITDA	
Peer Median Valuation	38.63	12.92	27.72	31.32	16.49	25.42	30.77
Multiple Band Valuation	37.4	27.91	34.02	38.40	37.95	30.86	35.17

Source: Own Calculation

In the valuation analysis, we use band valuation and peer multiple valuation to calculate Yili's target price.

Among these valuation indicators, this study selects the AVG P/E and EV/EBITDA under the multiple band valuation method as the primary basis for determining Yili's fair value. We believe that the current market valuations of peer companies (such as Mengniu, Bright, Feihe, and Danone) are somewhat underestimated, especially against the backdrop of an uncertain overall economic environment and a sluggish consumption recovery. The market has been rather conservative in valuing dairy enterprises. Therefore, if the simple average market valuation is directly used as the target valuation for Yili, it may not truly reflect its stable growth potential and brand advantages as the leading dairy enterprise in China.

To enhance the rationality and robustness of the valuation, this study adopted the Multiple Band Valuation method, integrating the historical valuation range of peer enterprises and current market expectations. Furthermore, by averaging P/E and EV/EBITDA, it took into account the two core dimensions of profitability and operational efficiency, thereby reducing the risk of valuation deviation caused by a single indicator. Ultimately, a comprehensive valuation multiple of 35.17 times was selected, which is a reasonable reflection of Yili's intrinsic value under a relatively conservative premise.



**Figure 2.7: Football Field Valuation**

Source: Own Calculation

The football field analysis demonstrates that the current stock price (CNY 30.18) is lower than most target prices derived from peer multiples and valuation bands. This suggests that the stock is currently undervalued. Furthermore, the alignment between analysts' forecasts and the selected valuation method reinforces the investment case for considering a hold recommendation.



## CHAPTER III

### CONCLUSION

In this chapter, we want to combine two different valuation methods to understand the estimated stock price while consider risks. Then combined with the risks, we can reflect on the potential and investment prospects of Yili.

Risk Matrix		Acceptable	Moderate	Intolerable	
Risk Level	Unlikely	R&D Risk: Investment may not lead to sales growth. Tech edge is hard to sustain.	Consumer Demand Risk: Trends favor plant-based & low-sugar options. Yili may lag behind.	Regulatory Risk: Strict safety regulations. Past incidents hurt brand trust.	
	Possible	Supply Chain Risk: Short shelf life & high logistics demand. COVID disruptions affect supply.	Market Competition Risk: Mengniu pricing wars; Nestlé global pressure. Margin compression likely.	Macroeconomic Risk: Slow income growth & inflation. Premium product demand weakened.	
	Probable	Raw Material Risk: Milk/feed/packaging cost volatility. Hard to fully hedge even with own farms.	Equity Control Risk: Dispersed shares risk takeover. Weak internal control hurts governance.	Policy Change Risk: New tax/ad/antitrust laws. Higher cost and strategy disruption.	

**Figure 3.1: Risk Matrix for Yili**

Source: Own Calculation

For the discounted cash flow method, by assuming the terminal growth rate of Yili of about 3.44%, our estimated stock price was 32.2 CNY per share, which is slightly higher than the current market price. The investment prospects are relatively optimistic, but due to the slowdown in revenue growth, fierce competition in the same industry, and the fact that milk is not easy to preserve, risks are also obvious.

For the relative valuation method, we can see that based on P/E and EV/EBITDA valuation, Yili has some upside potential, with a target price reaching

35.17 CNY. The dairy industry remains stable, and Yili benefits from strong branding, market share, and international expansion, making it a good long-term investment.

Overall, Yili is suitable for long-term investment, but its short-term valuation is high. Investors may consider buying when the price falls to a reasonable range.

Our target price is determined by the discounted cash flow method based on historical financial data and growth trends. As a result, our target price is around 32.2 CNY per share. With the price of around 29.75 CNY per share on March 14th, 2025(Bloomberg), the price of December 31st, 2024, of 30.81, and 28.97 CNY per share on April 26th, 2025. Our valuation thinks the current price is still undervalued. This implies an opportunity for an upward trend.

If earnings grow as expected, the stock could exceed 40 CNY, but if the market adjusts its valuation, the price may decline further. Investors should make careful decisions based on their risk tolerance.

To improve competitive advantages and reduce the risks of R&D and market demand, we believe that in the future we can pay attention to Yili's layout in emerging categories (health, low sugar, plant-based and other trends) , forecast and analyze consumer trends, ensure that its technology and product innovation can effectively meet market demand, which can also improve brand differentiation and enhance the competitive advantage of Yili. It is also possible to consider cooperating with other industries or scientific research institutions to develop new technologies and products and increase the success probability of technological innovation success while sharing research and development costs. At the same time, we need to keep an eye on Yili's internationalization strategy and performance in the international market.

So, our recommendation is that if you already have the Yili group stocks, you can HOLD them. And if you are considering their potential and growth situation to decide whether to invest or not, our valuation methods both show an optimistic investment environment, so you can HOLD it while elective small-position buying under controlled risk.

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