

RELATIVE VALUATION OF TSINGTAO BREWERY CO.,LTD

The seal of Mahidol University is a circular emblem. It features a central blue circle containing a golden Thai-style stupa. Surrounding this is a white ring with Thai script. The outermost ring is gold with more Thai script. The name 'YUNQI ZHANG' is printed in black capital letters across the center of the seal.

YUNQI ZHANG

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Yunqi Zhang

RELATIVE VALUATION OF TSINGTAO BREWERY CO.,LTD

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M.M. (CORPORATE FINANCE)

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ABSTRACT

This thematic paper provides an extensive evaluation of Tsingtao Brewery Co., Ltd., one of China's leading beer producers, through financial and strategic lenses to inform potential investors. Founded in 1903, Tsingtao Brewery has expanded significantly, becoming the second-largest beer producer domestically and sixth globally. The company's products enjoy strong international recognition, being sold in over 100 countries. Our analysis examines Tsingtao Brewery's historical growth trajectory, corporate structure, product diversification, and sustainability initiatives. Using relative valuation methods, including historical band valuation and peer benchmarking, the study determines Tsingtao's investment attractiveness. The forward EV/EBITDA valuation metric emerges as most reliable due to its effectiveness in neutralizing structural and accounting differences. According to this approach, the paper identifies a target price range of RMB 47.83 to RMB 74.09, suggesting substantial potential upside relative to the current market valuation. The analysis also critically reviews macroeconomic, industry-specific, operational, financial, strategic, and ESG risks affecting Tsingtao's future performance. While acknowledging these risks, the paper emphasizes the company's strategic positioning in premium segments, efficient cost management, and brand strength as key drivers of anticipated growth and market appreciation. The findings collectively support maintaining a positive investment outlook, recommending a "BUY" position for Tsingtao Brewery's stock, particularly highlighting its potential to deliver significant shareholder value amid China's evolving consumer market dynamics and ongoing economic recovery.

KEY WORDS: RELATIVE VALUATION/ TSINGTAO/ BREWERY

60 pages

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LIST OF ABBREVIATIONS

Abbreviation	Full Term / Definition
ASP	Average selling price
COGS	Cost of Goods Sold
CNY	Chinese Yuan
EPS	Earnings per Share
EV	Enterprise Value
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
ESG	Environmental, Social, and Governance
HKD	Hong Kong Dollar
HKEX	Hong Kong Stock Exchange
hL	Hectoliter
LTM	Last Twelve Months
PE	Price-to-Earnings Ratio
PS	Price-to-Sales Ratio
PBV	Price-to-Book Value
RPS	Revenue per Share
ROIC	Return on Invested Capital
RMB	Ren Min Bi (People's Currency)
RTDs	Ready-to-drink cocktails
SSE	Shanghai Stock Exchange
STD	Standard Deviation

CHAPTER I

TSINGTAO EXPLORED: INSIDE THE BREWERY

Chapter one provides an overview of Tsingtao Brewery's history, ownership, mission, and market position. Founded in 1903, Tsingtao has evolved into China's second-largest and most internationally recognized beer brand, combining state-backed and private ownership. The company focuses on quality, innovation, and sustainability, operating across diverse sales channels and offering a wide product range from classic lagers to health-oriented beverages. Strong branding, strategic marketing, and continuous investment in research and environmental initiatives position Tsingtao for continued growth both domestically and globally.

1.1 Introduction

Tsingtao Brewery Co., Ltd. is a well-known Chinese beer company in international markets. It has a long history, produces high-quality beer, and sells its products worldwide. Established in 1903 by German and British businesses in Qingdao, it has become the second-largest beer producer in China and sixth-largest in the world (Tsingtao Brewery, 2024a; Statista, 2024a). Tsingtao beer is available for purchase in over 100 countries, making it the most recognized Chinese beer brand internationally (BrandFinance, 2011). The company is focusing on improving the quality of its products, expanding its business globally, and ensuring sustainable practices. It invests in craft beer production, non-alcoholic beverages, and direct sales to consumers. In 2023, Tsingtao's revenue reached RMB 33.94 billion, showing a 5.49% increase, and net profits increased by 15.9% (Tsingtao, 2023). With effective branding, planned growth, and new ideas, Tsingtao Brewery is in a strong position for continued success in the competitive global beer market.



Figure 1.1 The World's Largest Brewing Conglomerates

Source: From Statista "The World's Largest Brewing Conglomerates" by Felix Richter (2024)

1.2 History and Background

Tsingtao Brewery was founded as Germania-Brauerei Tsingtao Co., Ltd. in 1903 when Qingdao was under German control. The brewery introduced European methods of beer production, using high-quality ingredients from China. This made it one of the first modern breweries in China (Tsingtao Brewery Co., Ltd., n.d.). By 1906, Tsingtao had received international awards, including a gold medal at the Munich International Expo (Tsingtao Brewery Co., Ltd., n.d.). This strengthened its reputation for producing excellent products. After World War II, the company was nationalized and operated as a state-owned enterprise for many years. In 1993, Tsingtao became the first Chinese brewery listed on both the Hong Kong and Shanghai Stock Exchanges (Tsingtao Brewery Co., Ltd., n.d.). This allowed it to attract foreign investment and modernize its operations. Today, Tsingtao operates 57 breweries in China, with a total production capacity of 14.2 million kiloliters per year (DBS Bank, 2024).

1.3 Ownership and Corporate Structure

Tsingtao Brewery is a publicly traded company listed on the Hong Kong Stock Exchange (HKEX) and the Shanghai Stock Exchange (SSE) (Tsingtao Brewery Co., Ltd., n.d.). The company has a mixed ownership structure, with both government and private investment. The largest shareholder is HKSCC Nominees Limited, which holds 45.01% of the shares and represents institutional and private investors. The second-largest shareholder is Tsingtao Brewery Group Co., Ltd., a state-controlled company that owns 32.51% of the shares. This allows the Chinese government to maintain strategic oversight. A smaller portion, 1.17%, is held by China Securities Finance Corporation, a financial institution backed by the state (Tsingtao, 2024). This combined ownership structure allows Tsingtao to benefit from government support and financial stability while competing effectively in international markets.

1.4 Mission, Vision, and Values

Tsingtao Brewery's mission is "to create happiness and connect people worldwide through beer" and its vision is to be "a leading global beer company with a strong Chinese heritage and international influence." (Tsingtao Brewery Co., Ltd., n.d.) The company's core values include a commitment to quality, innovation, sustainability, and customer satisfaction. Tsingtao focuses on using high-quality ingredients, utilizing advanced brewing techniques, and continuously improving its product offerings. The company also places a strong emphasis on sustainability, investing in energy-efficient production methods, reducing carbon emissions, and conserving water resources.

1.5 Business Overview

Tsingtao Brewery is a major company in China's beer market and a significant competitor in the global market. It holds 16.7% of the beer market in China, making it the second-largest brewery in the country, after China Resources Beer (Statista, 2024a). Most of its income comes from beer sales, which account for 98.26% of its total revenue (Tsingtao Brewery, 2024). The company has also diversified into health beverages, catering services, and packaging sales to generate additional revenue. In 2024, Tsingtao's

gross profit margin reached 40.2%, due to lower barley prices and more efficient production processes (DBS Bank, 2024). The company plans to continue focusing on expanding its premium beer offerings and increasing its international presence as key strategies.

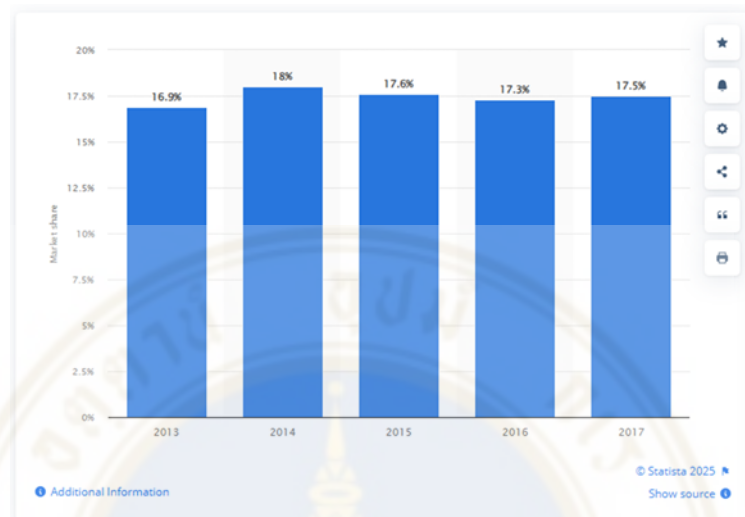


Figure 1.2 Tsingtao’s Market Share

Source: From Statista “Share of Tsingtao Brewery in total beer sales in China from 2013 to 2017” by Ou Xin, 2024

1.6 Geographical Distribution

Tsingtao has a strong presence in both domestic and international markets. Within China, Shandong province is its largest market, generating 69.97% of its total revenue (Tsingtao Brewery, 2024). It has an established distribution network in major cities such as Beijing, Shanghai, Guangzhou, and Shenzhen. Internationally, Tsingtao exports its products to over 100 countries, with key markets in the United States, Japan, South Korea, Australia, and Europe (Wikipedia, n.d.). The company is also actively expanding into Southeast Asia and Africa, regions where beer consumption is growing. This global reach positions Tsingtao as China’s most internationally recognized beer brand.

1.7 Sales Channels

Tsingtao utilizes various sales channels to reach a wide range of customers. The company sells its beer through supermarkets, convenience stores, bars, restaurants, e-commerce platforms, and direct-to-consumer outlets. Additionally, Tsingtao operates TSINGTAO1903 bars and the Fashion Beer Museum, providing customers with unique brand experiences (Tsingtao Brewery Co., Ltd., n.d.). Online sales are also increasing, and Tsingtao is investing significantly in digital distribution through platforms such as JD.com, Tmall, and Taobao (Tsingtao Brewery Co., Ltd., 2019).

1.8 Product Lines

Tsingtao Brewery provides a wide variety of products to meet different consumer needs. Its main product, Tsingtao Lager, is its best-selling beer. It is known for its light, crisp flavor and high-quality ingredients (Le Temps d'une Bière. (n.d.). The company also produces Tsingtao Draft Beer, a fresh, unpasteurized beer with a richer flavor, and Tsingtao Dark Beer, designed for consumers who prefer a stronger, maltier taste.

In addition to its core beer products, Tsingtao has invested in premium and craft beer products, including the Augerta Series, which focuses on small-batch, high-quality brewing techniques (Tsingtao Brewery, 2024). The company has also expanded into non-alcoholic and low-alcohol beverages, responding to increasing consumer demand for healthier options. Tsingtao has introduced fruit-flavored beers and light beers to attract younger consumers, especially in Asian markets (Statista, 2024e). Furthermore, the company has broadened its product range to include functional drinks and mineral water, strengthening its position in the health beverage sector (Tencent News, 2025).

1.9 Brand Positioning

Tsingtao Brewery has developed a strong brand identity, positioning itself as a high-quality beer brand with both Chinese heritage and international appeal. It has maintained a consistent brand image, emphasizing quality, craftsmanship, and tradition while incorporating modern innovations. Tsingtao's branding is supported by its history,

highlighting its German brewing origins and its long-standing reputation for excellence (Tsingtao Brewery Co., Ltd., n.d.). The company has received recognition for its global influence, being ranked as the world's strongest beer brand by Brand Finance in 2024 (Brand Finance, 2024). The brand's visual identity, featuring its distinctive green bottle and red label, is easily recognized worldwide. Tsingtao also uses localized branding strategies in different markets, adapting its marketing messages and product offerings to meet regional consumer preferences.

1.10 Marketing

Tsingtao Brewery has developed a multi-faceted marketing strategy that includes sports sponsorships, digital advertising, and experiential marketing. The company has sponsored major sporting events, including the 2008 Beijing Olympics and the 2022 Winter Olympics, which has increased its brand visibility globally (Tsingtao Brewery Co., Ltd., n.d.). Tsingtao is highly active on social media and digital platforms, engaging with consumers through WeChat, Weibo, Instagram, and TikTok. The company uses influencer collaborations, video advertisements, and livestream events to attract younger audiences (China Beer Competition, n.d.). Additionally, Tsingtao invests in experiential marketing activities, such as beer festivals, pop-up bars, and brewery tours, providing consumers with opportunities to interact with the brand (China Beer Competition, n.d.).

1.11 Operations

Tsingtao Brewery operates one of the most extensive production networks in China, with 57 breweries across 20 provinces (DBS Bank, 2024). The company uses both traditional brewing techniques and modern automation to ensure high production efficiency and consistent product quality. Each brewery follows strict quality control measures, from ingredient sourcing to packaging.

The company has also implemented supply chain improvements, such as sourcing raw materials locally to reduce costs and promote sustainability (Tsingtao Brewery, 2024). Tsingtao continuously invests in upgrading its brewing technology, using high-tech equipment and AI-driven production methods to improve efficiency.

1.12 Research and Development

Innovation is a key priority for Tsingtao Brewery. The company invests significantly in research and development to create new products, focusing on premiumization, craft brewing techniques, and health-conscious beverages. In recent years, Tsingtao has introduced low-alcohol and non-alcoholic beers, targeting health-conscious and younger consumers (Tsingtao Brewery Co., Ltd., n.d.; China Beer Competition, n.d.).

Furthermore, Tsingtao collaborates with global brewing research institutions to explore new fermentation techniques, sustainable packaging options, and advanced brewing methods. The company is also developing AI-driven brewing solutions, aiming to improve ingredient combinations and enhance beer quality (CentricSoftware, 2025).

1.13 Sustainability

Tsingtao Brewery is committed to sustainability by implementing environmentally friendly brewing practices, conserving water, and using energy-efficient production methods. The company has reduced its carbon footprint by investing in renewable energy sources, waste reduction programs, and eco-friendly packaging options (Tsingtao Brewery, 2023). Water conservation is a major focus, as beer production requires significant amounts of water. Tsingtao has implemented advanced water recycling systems to minimize water usage. Additionally, the company has introduced biodegradable and recyclable packaging materials to reduce its environmental impact (Tsingtao Brewery, 2023).

1.14 Strategic Vision

Tsingtao's long-term strategy focuses on premiumization, sustainability, and international expansion. The company aims to increase its share of the premium beer market while continuing to develop innovative beverage products. Digital transformation is also a core strategic focus, with Tsingtao investing heavily in e-commerce platforms, direct-to-consumer sales strategies, and smart retail technologies (CentricSoftware, 2025). On the global stage, Tsingtao is expanding into emerging markets in Southeast

Asia, Latin America, and Africa, where beer consumption is expected to increase (Cai, 2012; Chen 2023). The company is also strengthening its brand partnerships and collaborations with international beverage companies to improve its global distribution networks.



CHAPTER II

INDUSTRY ANALYSIS: MACROECONOMICS AND BENCHMARK

Chapter Two analyzes the global and Chinese beer industries, highlighting intense competition dominated by major players like AB InBev, Heineken, and China Resource Beer. It notes key consumer trends favoring premium, craft, and health-conscious beverages, driving Tsingtao's strategic focus. Economic factors such as commodity price fluctuations and inflation impact profitability, while regulatory environments domestically and abroad present operational challenges. Tsingtao's ability to adapt to evolving market dynamics and navigate macroeconomic pressures is critical to sustaining its growth and competitive edge.

2.1 Industry Overview

The global beer industry is highly competitive, dominated by major companies such as AB InBev, Heineken, and China Resources Beer (Statista, 2024b). China is the largest beer-producing country in the world, accounting for over 25% of global beer production (Statista, 2024c). The industry is currently undergoing a shift toward premiumization, growth in the craft beer segment, and demand for healthier beverage alternatives.

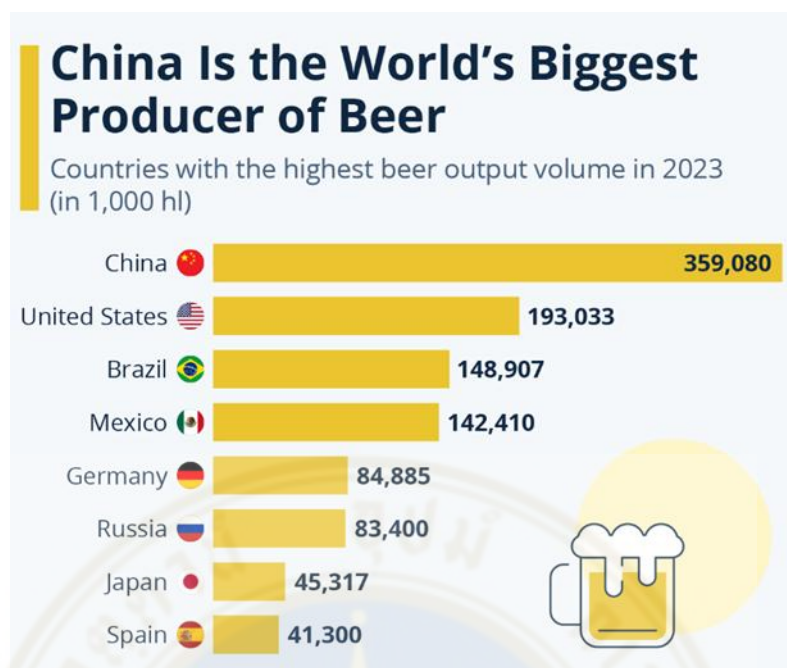


Figure 2.1 World's Biggest Producer of Beer

Source: From Statista "China Is the World's Biggest Producer of Beer" by Anna Fleck (2024)

2.2 Consumer Trends

Current trends in beer consumption show a preference for premium, craft, and non-alcoholic beers. Moreover, beers continue to be the alcoholic beverage of choice (Statista, 2024g). Consumers are willing to pay more for high-quality ingredients and unique flavors, which is driving Tsingtao's focus on premiumization (Statista, 2024e). Health-conscious consumers are also influencing the market, leading to a growing demand for low-calorie and non-alcoholic beer options (Statista, 2024e). In China, younger consumers prefer lighter, fruitier beers, leading Tsingtao to develop flavored and lower-alcohol products (Tsingtao Brewery, 2024; Wang 2025). Meanwhile, in Western markets, the craft beer segment is expanding, prompting Tsingtao to explore more artisanal brewing techniques. E-commerce is also changing how beer is sold, with online purchases growing rapidly, making digital sales a key part of Tsingtao's distribution strategy (DBS Bank, 2024).

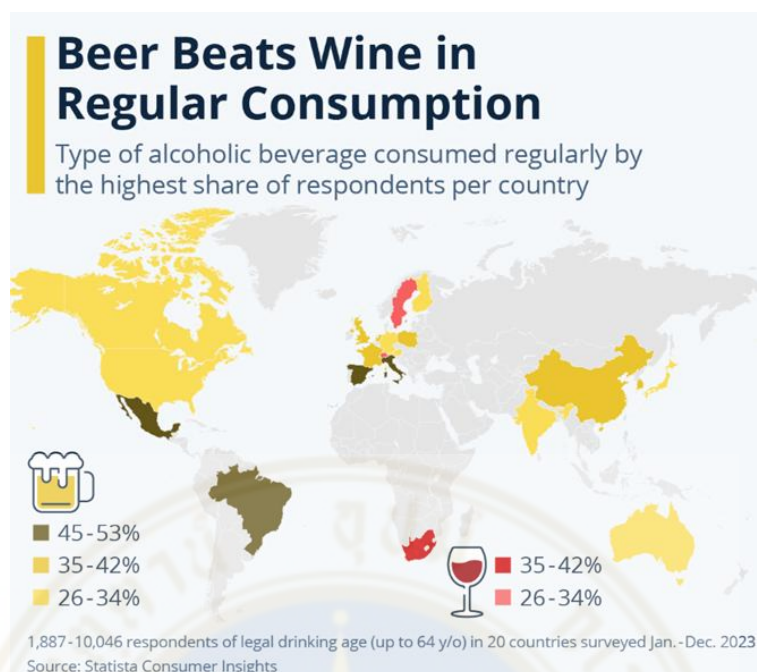


Figure 2.2 Alcoholic Beverage Consumption

Source: From Statista “Latin America and Southern Europe Are Beer Hotspots” by Florian Zandt, 2024

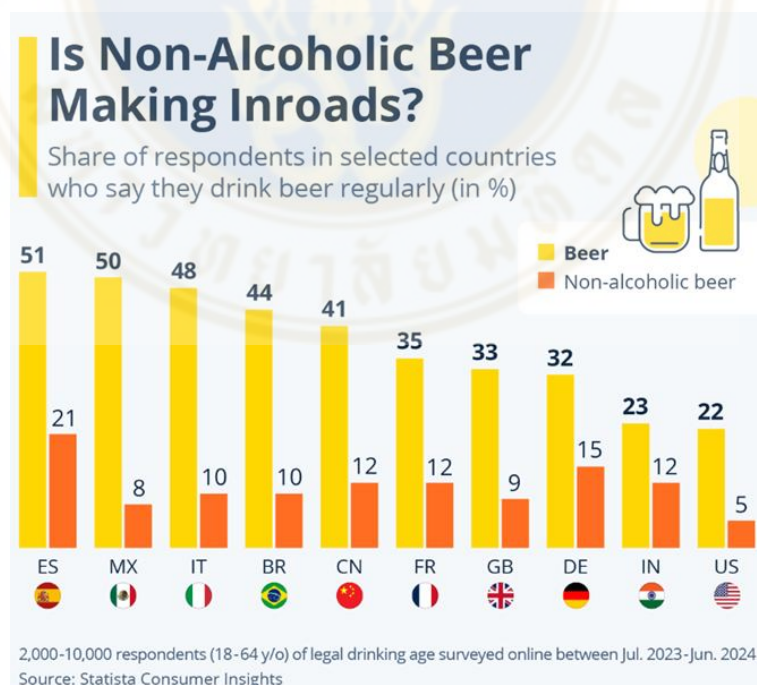


Figure 2.3 Trend of Non-Alcoholic Beer

Source: From Statista “Who’s Drinking (Non-Alcoholic) Beer?” by Anna Fleck, 2024

2.3 Economic Factors

Tsingtao's financial performance is influenced by raw material costs, inflation rates, and global trade conditions. In 2024, the cost of barley, a main ingredient in beer, decreased by 2%, which helped Tsingtao improve its gross profit margin to 40.2% (DBS Bank, 2024). However, changes in commodity prices, particularly for hops and malt, can affect production costs. The global economy also plays a role, as rising inflation can reduce consumer spending on premium beer brands (Bill, 2025). Additionally, Tsingtao benefits from strong domestic consumption in China but relies on global market stability for its exports to over 100 countries (Chinadaily, 2024). Fluctuations in foreign exchange rates also impact profits, as beer prices in USD and Euro markets change with currency fluctuations.

This strategic balancing act gains urgency against China's paradoxical demographic-economic landscape. Since 2013, beer production volumes have contracted at 2.91% CAGR to 35.21 billion liters in 2024 mirroring the population decline that saw 1.4 million fewer consumers in 2024 (Bloomberg, 2025; Ken, 2025). Yet value creation has spectacularly diverged— premium segments now command 37% of market value versus 25% in 2015 (Bloomberg, 2025). Market leader China Resources Beer exemplifies this premiumization wave: its mid-high tier SKUs surpassed 50% volume share in 2024 with 9% YoY growth (CR beer, 2025). Three synergistic drivers fuel this structural shift: urban disposable incomes rising 5.3% annually (NBSC, 2024), Western-inspired consumption occasions proliferating in tier-1 cities, and brewers' annual brand investment. For Tsingtao, this premiumization calculus transforms demographic contraction from existential threat to margin-enhancing opportunity— demonstrating how consumer upgrade cycles can outweigh raw demographic metrics in modern consumption economies.

China's Population Began Shrinking in 2022

That's expected to continue as society ages

■ Births ■ Deaths / Change in total population

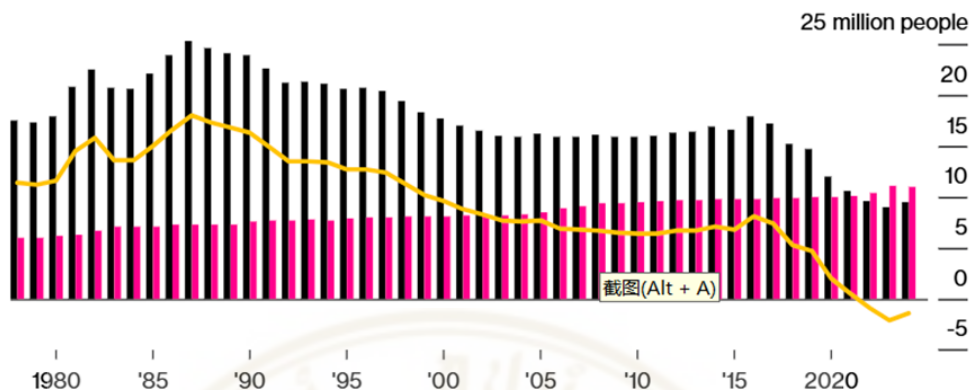


Figure 2.4 China's Population Began Shrinking in 2022

Source: From Bloomberg "China Population Shrinks for Third Year Even With More Babies Born", 2025

2.4 Regulatory Factors

As a major participant in China's alcohol industry, Tsingtao operates under strict government regulations. Alcohol production in China is heavily taxed and monitored, with specific licensing requirements (Guo & Huang, 2014). Also, advertising for alcohol in China is highly regulated, with limitations on promoting beer as a health-related product. Internationally, Tsingtao must comply with different import/export laws, alcohol taxes, and tariffs. In some markets, like the United States and Europe, alcohol brands face marketing restrictions and age-verification requirements. Stricter sustainability laws are also requiring Tsingtao to invest in energy-efficient production and reduce carbon emissions (Tsingtao Brewery, 2023).

CHAPTER III

FINANCIAL ANALYSIS

Chapter Three evaluates Tsingtao Brewery's financial performance over the past five years, showing steady revenue and profit growth despite external challenges. Key highlights include a 22.3% increase in revenue, a significant rise in gross and net profits, improved margins driven by cost control and premiumization strategies, and a strong balance sheet with reduced debt levels. These financial improvements reflect operational resilience, effective management, and strategic investments, strengthening Tsingtao's position for future expansion.

3.1 Financial Analysis

3.1.1 Income Statement

Over the past five years, Tsingtao Brewery has demonstrated steady financial growth, expanding its revenue, improving profitability, and maintaining cost efficiency. Despite challenges such as the COVID-19 pandemic, raw material price fluctuations, and changing consumer trends, the company has successfully navigated these obstacles to strengthen its market position both in China and internationally.

Table 3.1 Price–Volume–Mix Bridge (FY 2019 to FY 2024)

	2018	2019	2020	2021	2022	2023	2024	FY19-FY24
Volume (M hL)	80.3	80.5	78.2	79.3	80.72	80.07	75.38	-5.12
Growth Rate	-	0.25%	-2.86%	1.41%	1.79%	-0.81%	-5.86%	-6.13%
ASP(CNY/hL)	348.44	330.12	354.99	380.45	398.54	423.88	426.37	96.25
Growth Rate	-	-5.26%	7.53%	7.17%	4.75%	6.36%	0.59%	22.37%
Total Revenue (CNY bn)	27.98	26.58	27.76	30.17	32.17	33.94	32.14	5.56
Growth Rate	-	-5.0%	4.5%	8.7%	6.6%	5.5%	-5.3%	19.89%

Source: Own Calculation

According to Table 3.1, during the period from 2018 to 2024, the sales volume of Tsingtao Beer showed a gradual decline, and the sales volume of 2024 decreased by 6.13%. In contrast, the average price per hectoliter had grown to be 22.37% higher, and the total revenue increased by 19.89% from 27.98 billion in 2018 to 32.14 billion in 2024. The most significant revenue growth occurred post-pandemic, with a 8.7% increase in 2021 as global markets recovered. In 2024, revenue decreased by -5.3%, which was probably driven by a softer Chinese beer market, fiercer competition, and a transient reputation hit—rather than evidence of structural pricing weakness or brand fatigue.

Gross profit rose from CNY 9.71 billion in 2019 to CNY 12.84 billion in 2024, driven by better pricing strategies, product premiumization, and cost control efforts. The gross profit margin improved from 35% in 2019 to 40% in 2024, indicating that the company effectively managed production costs while selling higher-margin products. Net profit nearly doubled, increasing from CNY 2.20 billion in 2019 to CNY 4.35 billion in 2024, showing consistent earnings growth. Earnings per share (EPS) also surged from CNY 8.14 to CNY 15.97, reflecting higher profitability and shareholder value creation. Meanwhile, operating income grew by 112%, reaching CNY 4.50 billion in 2024, driven by strong revenue growth and stable operating costs.

Tsingtao has maintained tight cost control, ensuring profitability even as market conditions fluctuated. Total expenses grew moderately from CNY 26.41 billion in 2019 to CNY 27.61 billion in 2024, rising at a slower pace than revenue, which helped improve margins. A key highlight was the decline in cost of revenue (COGS) in 2024, falling from CNY 20.89 billion in 2023 to CNY 19.29 billion in 2024. This suggests that the company optimized its supply chain, managed input costs effectively, or benefited from lower commodity prices. Meanwhile, operating expenses remained stable, ensuring that revenue growth translated into higher profits rather than higher costs. EBITDA rose by 111% over five years, reaching CNY 5.54 billion in 2024, highlighting strong cash flow generation and operational efficiency. Detailed financial statements are provided (see Appendix A).

The above points of evidence serves to confirm that earnings momentum is buttressed by structural price/mix and margin drivers rather than volume growth, which is hugely supportive of the premiumisation of Tsingtao.

3.1.2 Balance Sheet

Over the past five years, Tsingtao Brewery has significantly strengthened its financial position, showing steady growth in assets, increased equity, and a major reduction in debt. Total assets have increased from CNY 41.51 billion in 2020 to CNY 49.26 billion in 2023, reflecting the company's continued expansion and investment in operations. At the same time, total equity has grown from CNY 21.37 billion to CNY 28.25 billion, demonstrating consistent profitability and reinvestment into the business. Similarly, net tangible assets have risen from CNY 16.81 billion to CNY 23.64 billion, reinforcing the company's solid asset base.

Tsingtao has also improved its liquidity and capital efficiency, as seen in its working capital increase from CNY 9.11 billion in 2020 to CNY 12.69 billion in 2023, ensuring strong short-term financial health. Invested capital has also grown from CNY 21.32 billion to CNY 27.44 billion, highlighting the company's commitment to growth and reinvestment. Additionally, total capitalization has increased from CNY 20.62 billion in 2020 to CNY 27.44 billion in 2023, strengthening its overall financial structure.

One of the most notable improvements is Tsingtao's significant debt reduction. The company has reduced total debt from CNY 861.20 million in 2020 to just CNY 113.64 million in 2023, greatly lowering its financial leverage. Capital lease obligations have also decreased, from CNY 115.83 million to CNY 63.93 million, further improving financial flexibility. Detailed financial statements are provided (see Appendix B).

CHAPTER IV

VALUATION – RELATIVE METHOD

In this chapter we will use the relative valuation models to determine the value of Tsingtao Brewery company by comparing it with its peers listed in chapter 1. This approach offers a disciplined, number-based approach to arrive at the fair value of the business and an evaluation of the investment opportunity by benchmarking the financials of the company with the peers and also by considering various what-ifs, that could impact its performance. We will use two main approaches to assess Tsingtao's share price: i) the Historical Band Valuation Method, and ii) the Peers Valuation Method. Peers Valuation Method –This approach will benchmark valuation multiples of comparable companies to derive price of the stock of Tsingtao. Among these, three financial ratios will be considered, which are: Price to Earning per share ratio (PER), Price to Book Value ratio (PBV), and Enterprise Value to EBITDA ratio (EV/EBITDA).

4.1 Historical multiple band valuation

Historical band valuation is a method used to assess the value of a company by examining its historical trading range of price band. This approach helps investors understand how the current price of a company's stock compares to its past performance.

4.1.1 Trailing Price to Earning Ratio Band

Now we use standard deviation bands to trail the PE ratio movement.

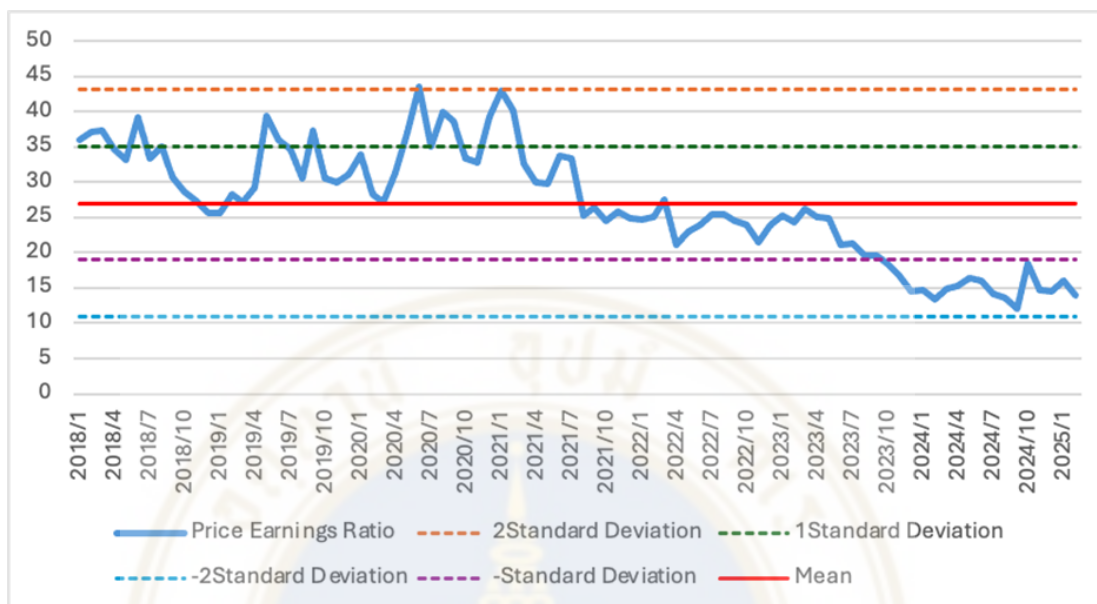


Figure 4.1 Tsingtao's trailing PE Ratio

Source: Own Calculation

The trailing price earnings ratio (PE) is a way to figure out how much a company's stock is worth by comparing its current share price to its past earnings (EPS). This number is one of the easiest ways to tell if a stock is worth more or less than it is. It helps investors figure out how much they are paying for profits. If earnings are steady or going up, a lower P/E could mean that the stock is a good deal. When a company's P/E ratio is high, it usually means it's a growth stock, which means investors are optimistic about the company's future. On the other hand, low P/E ratios could mean that companies are undervalued or that there are good value opportunities. By looking at P/E ratios across an industry, investors can find stocks that are either overvalued or undervalued. You can also see how a company's value and the market's opinion of it have changed over time by looking at its P/E ratio. On the other hand, a very high P/E ratio might mean that the company is at more risk because its earnings are unstable, while a very low P/E ratio might mean that the company is having trouble with its finances or is unsure of its future.

From Figure 4.1, we can see that from 2018 to 2025, the P/E ratio of Tsingtao Brewery shows an overall downward trend. Before July 2021, the P/E ratio was basically maintained above the average (26.994), accompanied by sharp fluctuations. In particular, in the middle of 2020 and the beginning of 2021, the P/E ratio broke through 2 standard deviations twice, indicating that investors showed excessive confidence in the middle and late stages of the COVID-19 pandemic. After July 2021, the P/E ratio was basically below the average. The possible reasons are that after the COVID-19 pandemic, the Chinese economy was severely hit, the stock market performed poorly, and influenced by investor sentiment, the stock price was relatively low. At the same time, the EPS of Tsingtao has been rising continuously, which on one hand benefits from the company's cost control, and on the other hand may stem from the increase in sales volume brought by lockdowns.

4.1.2 Trailing Price-to-Sales Value ratio Band

The Price-to-Sales Value (P/S) ratio compares a company's market capitalization (or stock price) to its sales, reflecting how much investors are paying for each unit of money of a company's revenue. Tsingtao's P/S ratio graph exhibits significant fluctuations over the specified periods.

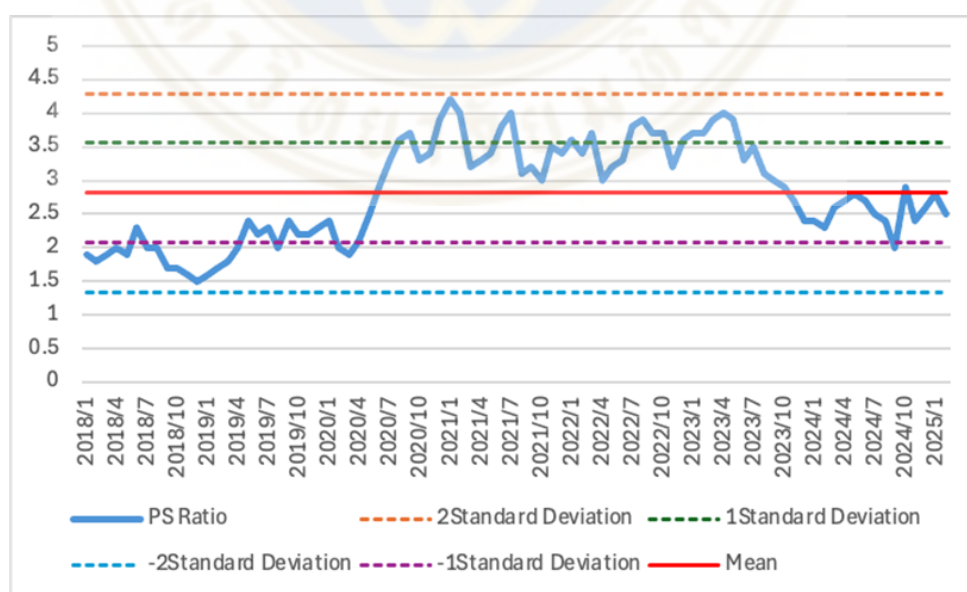


Figure 4.2 Tsingtao's trailing P/S Ratio

Source: Own Calculation

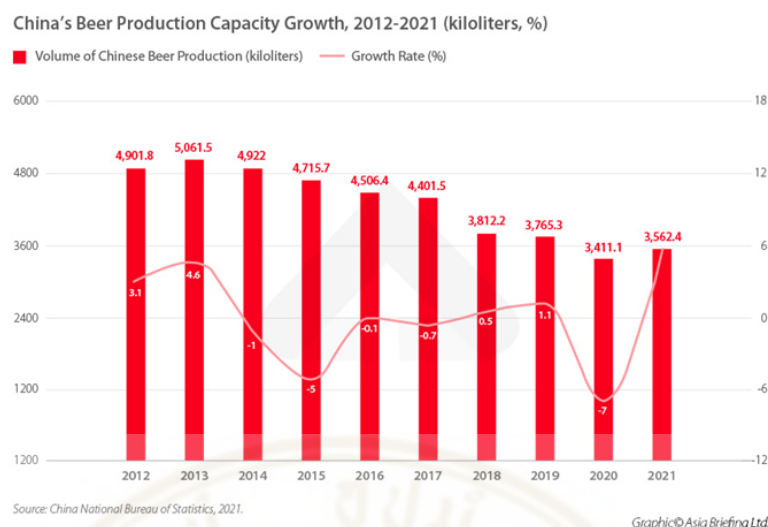


Figure 4.3 China's Beer Production Capacity Growth

Source: From China Briefing "China's Beer Market: Outlook and Opportunities" by Giulia Interesse, 2023

Figure 4.2 displays Tsingtao Brewery's trailing P/S ratio. The line chart reveals three distinct trends:

Before April 2020, the P/S ratio stayed mostly below the average value of 3.024, which means the stock was probably undervalued. During this time, China's beer industry grew at a slow but steady pace. From 2018 to 2019, trade tensions between China and the US made investors even more unsure. A trend toward premiumization started in China's beer industry in the middle to late 2019. Tsingtao Brewery launched its own high-end products, which initially boosted investor confidence in the industry. Consequently, the P/S ratio stayed close to the average value from May 2019 to January 2020.

From April 2020 to January 2021, the P/S ratio rose sharply, reaching +2 STD, which means that the stock price rose a lot compared to the book value. The evidence points to China's recovery from the first COVID-19 lockdown as the cause of this. As the country opened up again, people wanted more beer, especially for home consumption. The Chinese beer market, on the other hand, saw growth as Tsingtao Brewery reported an 18.9% increase in total profits from 2019 to 2020 (Tsingtao Brewery, 2020). These signs of strength probably made investors more confident, which drove the stock price up.

Beginning in September 2023, the P/S ratio appears to have started decreasing, while stabilizing between -1 STD and the mean at 2 to 2.7. This shows a considerable fall from scale peaks suggesting a drop in the stock price as compared to book value. This decline supports the narrative alongside China's economic slowdown in 2023, where GDP growth was 5.2 percent, but there was heightened pessimism over the property market and local government debt worries (WorldBank, 2024). In addition, an unexpected detail came to light during the early part of October 2023 when a viral video surfaced of a staff member seemingly urinating into a beer tank. This went on to spark a major backlash from the consumers especially in South Korea (The Guardian, 2023). This incident most likely worsened Tsingtao's brand image which in turn is said to have reduced its stock price.

4.1.3 Trailing EV/EBITDA Band

The trailing EV/EBITDA ratio is a valuation metric that compares a company's total value (including debt and equity) to its operating earnings.

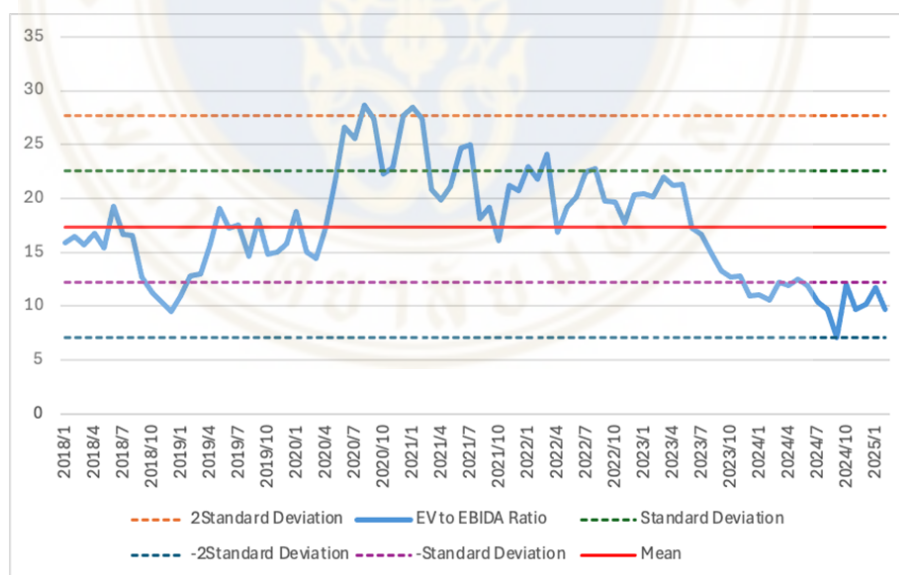


Figure 4.4 Tsingtao's trailing EV/EBITDA Ratio

Source: Own Calculation

From Figure 4.4, it is easy to see that Tsingtao's trailing EV/EBITDA ratio moves in tandem with its P/BV ratio. Despite being both valuation ratios, Tsingtao's trailing

EV/EBITDA and P/BV ratios measure distinct dimensions of a company's finances and market assessment. These dominating trends are a consequence of the ratios' combined responsiveness to changes in stock prices, earnings relative to the book value, and prevailing market sentiments. As it is clear that Tsingtao has consistently outperformed in the rather stagnant brewing industry, these two multiples tend to act in correlation. If there are strong sentiments about the economy, both ratios will surge as the stock price will increase. If there are rising pessimistic sentiments, then both ratios will drop as the stock prices will plummet. This synchronicity illustrates the need for a more integrated approach to valuation as it relates to the emerging market context with respect to Tsingtao.

4.2 Forward Multiple Band Valuation

Forward Multiple Band Valuation is a valuation method used to value a company by applying future valuation multiple, such as P/E, EV/EBITDA, to project financial metrics. Instead of using historical or current-year earnings, we look at forecasted or expected financial figures.

4.2.1 Forward PE Ratio

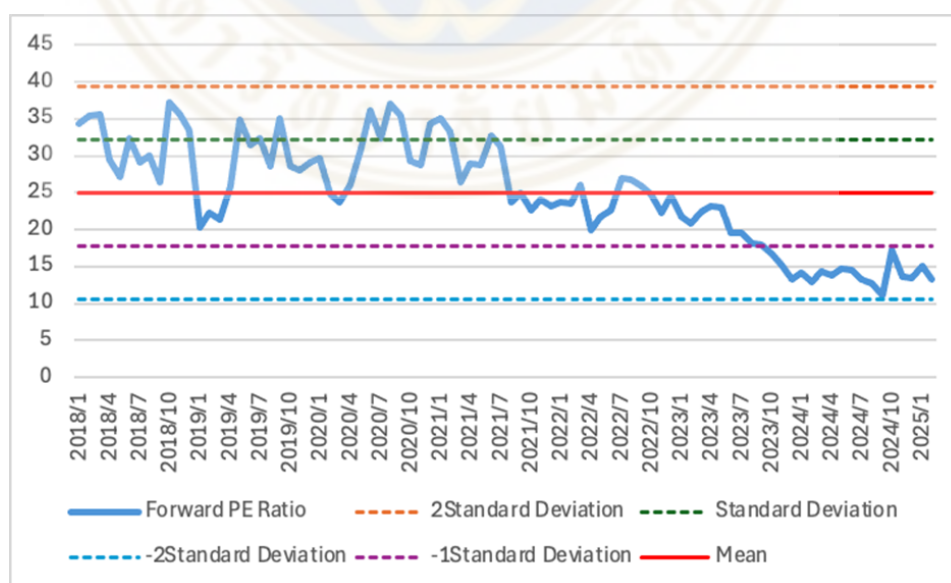


Figure 4.5 Tsingtao's Forward PE Ratio

Source: Own Calculation

Figure 4.4 shows that the trailing and forward PE ratios for Tsingtao Brewery are very similar between 2018 and 2025. Both ratios show a general downward trend, but there are some ups and downs. For instance, both stayed high, between 25 and 42, until the middle of 2021. They started to go down slowly in the middle of 2021. First, they stayed between 20 and 25, and then they went down to between 10 and 17.

4.2.2 Forward PS Ratio

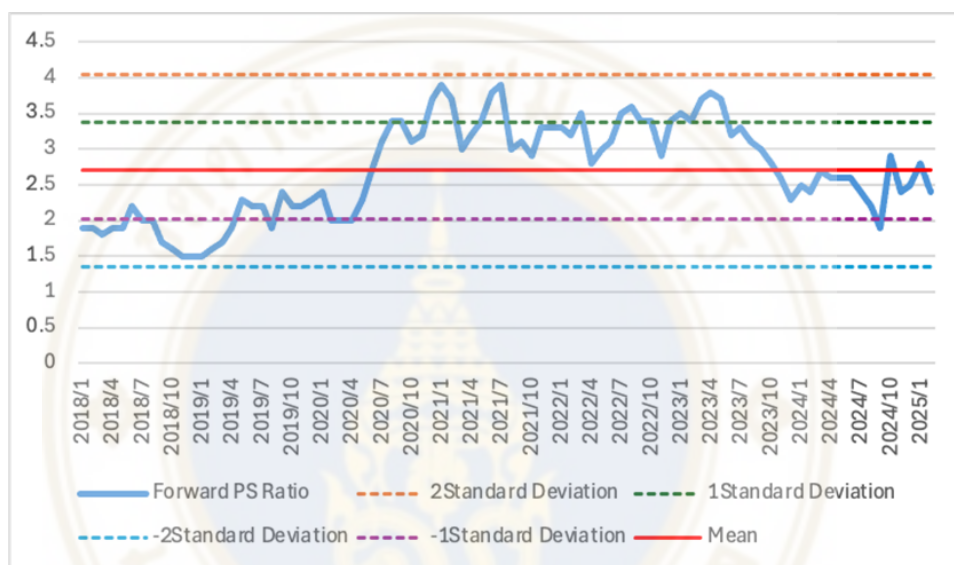


Figure 4.6 Tsingtao's Forward PS Ratio

Source: Own Calculation

Both the trailing and forward PS ratios exhibit a very clear “three-phase” characteristic: prior to June 2020, they were at low levels, generally below the mean; from June 2020 to October 2023, they were above the mean, although there is slight gap of the data, their trends were almost identical; from October 2023 to the present, they have been below the mean and relatively stable.

4.2.3 Forward EV/EBITDA Ratio

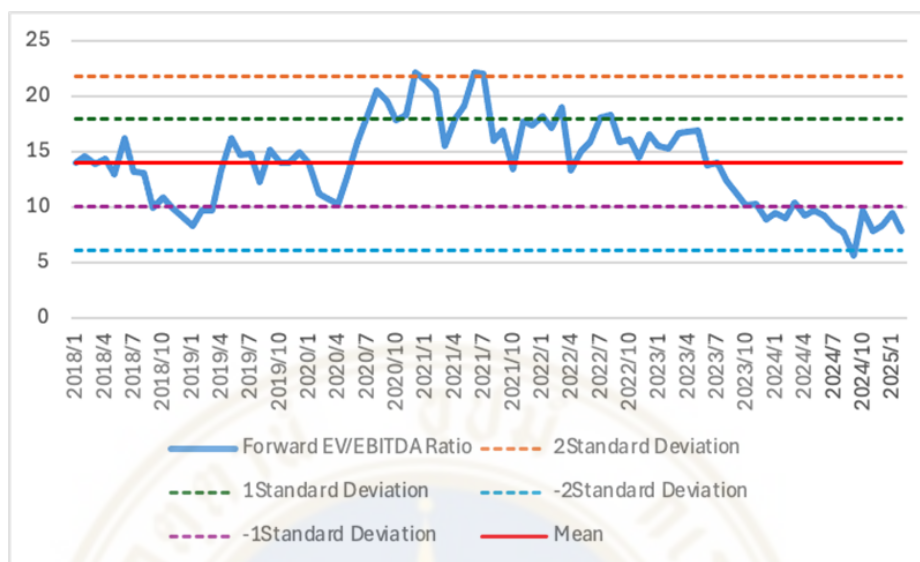


Figure 4.7 Tsingtao's Forward EV/EBITDA Ratio

Source: Own Calculation

The trailing and forward EV/EBITDA ratio also follow comparable patterns, peaking around 30 in 2020 and declining to 5-12 by 2025.



Figure 4.8 Tsingtao's Annual Revenue and Operating Income

Source: From FinChat Charting (In Million U.S. Dollars), n.d.

The parallel is due to the interaction between consistent earnings trends, reliable market expectations and the more “transitional” industry given beer’s mature nature. The beer industry has relatively low volatility of demand to the extent that it is a mature market. Strong brand and distribution can also be why Historical past earnings have been a reliable indicator of future performance for Tsingtao. Market sentiment or macro data driving movements in the stock price influences both trailing and forward ratios (such as PE and PS) in tandem, generating a “dual-track” effect. Yet, without a major game-changing technological transition or a sector-wide shock, the forecasters may extrapolate from the past using linear reasoning which tends to keep future earnings-per-share tightly linked to the past.

The small, steady gap show that the trailing multiples are only slightly higher, representing modest growth prospects on the backdrop of Tsingtao's consistently steady metrics, rather than premiums for aggressive expansion. This correlation effectively reflects how the market views Tsingtao as one of those predictable, low-volatility stocks that commands a premium for its reliability, rather than a volatility play driven by speculation on growth.

4.3 Target price from Band Valuation

Table 4.1 Target price from Band Valuation

Multiple Band Valuation (Base Case) - 2025							
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
Target Price	92.32	68.48	92.47	85.23	65.71	74.09	79.72
Upside/Downside Potential	72.59%	28.02%	72.88%	59.34%	22.84%	38.52%	49.03%

Current Price (25 April 2025) = RMB 53.49 (HKD 56.95)

Source: Own Calculation

When using the PE and PS ratio to calculate the target price, we multiply the average trailing and forward ratios from the past 7 years (2018.1-2025.2) by the estimated EPS and RPS of 2025. When using the EV/EBITDA ratio to calculate the target price, we also use the average ratio from the past 7 years, multiply by the

estimated EBITDA for 2025 to obtain the target EV, then subtract the LTM total liabilities and add the LTM cash and cash equivalents, and finally divide by the total number of shares to get the target price.

4.3.1 Sensitivity Analysis

Table 4.2 Band Valuation - Sensitivity Analysis

Multiple Band Valuation (-20% EPS, S,EBITDA) - 2025							
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
Target Price	73.86	54.78	73.46	68.18	52.57	58.75	63.60
Upside/Downside Potential	38.07%	2.42%	37.32%	27.47%	-1.73%	9.84%	18.90%
Multiple Band Valuation (-10% EPS, S,EBITDA) - 2025							
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
Target Price	83.09	61.63	82.96	76.71	59.14	66.42	71.66
Upside/Downside Potential	55.33%	15.22%	55.10%	43.40%	10.56%	24.18%	33.97%
Multiple Band Valuation (+10% EPS, S,EBITDA) - 2025							
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
Target Price	101.55	75.33	101.98	93.75	72.28	81.77	87.78
Upside/Downside Potential	89.85%	40.82%	90.66%	75.27%	35.13%	52.86%	64.10%
Multiple Band Valuation (+20% EPS, S,EBITDA) - 2025							
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
Target Price	110.78	82.17	111.49	102.28	78.85	89.44	95.84
Upside/Downside Potential	107.11%	53.62%	108.44%	91.20%	47.41%	67.20%	79.17%

Current Price (25 April 2025) = RMB 53.49

Source: Own Calculation

For each scenario, we assess potential positive and negative outcomes relative to the current share price of RMB 53.49 (as of April 25, 2025). Next we conduct a sensitivity analysis of the target price by applying adjustments of -20%, -10%, +10% and +20% to the estimated EPS, RPS and EBITDA.

4.4 Peer Group Multiple Valuation

Peer Group Multiple Valuation is a market-based approach to determining a company's fair value by comparing its financial metrics to those of similar publicly traded companies. In this section, we have selected seven highly representative benchmark companies located in various regions around the world, including Heineken, Asashi, and Thai Beverage.

Table 4.3 Peer Comparison

Ticker	Name	Country	Currency	Market Capital
ABIBR	Anheuser-Busch InBev	Belgium	EUR	114690000000
HEIA.AS	Heineken N.V.	Netherlands	EUR	43460000000
CARL-B.CO	Carlsberg A/S	Denmark	DKK	119110000000
TAP	Molson Coors Beverage	USA	USD	11950000000
TSE-2502	Asahi Group Holdings	Japan	JPY	2930000000000
SGX-Y92	Thai Beverage	Singapore	SGD	12820000000
SEHK-291	China Resources Beer	Hong Kong	HKD	93590000000
SEHK-168	Tsingtao Brewery	Hong Kong	HKD	91820000000

Source: Own Sorting

Table 4.4 Peer Trailing Multiples

	Trailing PE	Trailing PS	Trailing EV/EBITDA
	Mar 2025	Mar 2025	Mar 2025
Peer Average	20.03	1.46	10.64
Peer Median	17	1.49	10.03
Max	45.63	2.08	16.35
Min	11.19	0.96	7.22
Tsingtao	15.78	2.63	10.61

Source: Own Calculation

Tsingtao's PE of 15.78 is below the peer average (20.03) and peer median (17), suggesting that it may be undervalued relative to its peers based on earnings. Its PS of 2.63 is higher than the peer average (1.46), peer median (1.49), and even the maximum (2.08), making it an outlier, which suggests Tsingtao is trading at a premium based on sales, possibly due to market expectations of strong revenue growth or higher profitability. On the other hand, Tsingtao's EV/EBITDA ratio is nearly identical to the peer average (10.64) and slightly above the peer median (10.03), aligning with the peer range, which indicates that Tsingtao's valuation is in line with its peers when considering enterprise value and operation earnings.

Table 4.5 Peer Forward Multiples

	Forward PE	Forward PS	Forward EV/EBITDA
	Mar 2025	Mar 2025	Mar 2025
Peer Average	13.87	1.39	8.74
Peer Median	14.84	1.29	9.22
Max	17.07	2.04	10.47
Min	9.43	0.92	7.06
Tsingtao	14.76	2.57	8.65

Source: Own Calculation

Tsingtao's Forward PE of 14.76 is slightly above the peer average (13.87) but close to the peer median (14.84). This indicated that Tsingtao's valuation based on expected earnings is fairly aligned with its peers. Tsingtao's substantially high Forward PS ratio positions it as an outlier with a significant premium based on expected sales. This high PS ratio could reflect strong market expectations for revenue growth, superior profit margins, or brand strength in the industry. Tsingtao's EV/EBITDA ratio below the peer average (8.74) and peer median (9.22), falling within the lower half of the peer range, which suggests a modest discount when considering the company's overall value relative to its operating profitability.

4.4.1 Target Price from Peers' multiples

Table 4.6 Target Price from Peer Multiples

Tsingtao	2024 Q3	2024 F	2025 F
EPS	3.667	3.24	3.42
EBITDA	6827	6357.89	7464
Revenue	28959.289	32068.26	33,157.00
No of shares	1364200000	1364200000	1364200000
Current Price	RMB 53.49 (HKD 56.95)		

Multiples						
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA
Peer Median	17	1.49	10.03	14.84	1.29	9.22
Max	45.63	2.08	16.35	17.07	2.04	10.47
Min	11.19	0.96	7.22	9.43	0.92	7.06

Upside/Downside Potential						
	Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA
Median	8.69%	-32.30%	-2.30%	-5.12%	-41.38%	-10.59%
Max	191.75%	-5.49%	62.34%	9.14%	-7.31%	2.20%
Min	-28.45%	-56.38%	-31.05%	-39.71%	-58.20%	-32.68%

Source: Own Calculation

Using the median of peer companies as a benchmark, we calculated the corresponding target price based on Tsingtao Brewery's EPS, RPS, and EBITDA. We estimate that the target price range for Tsingtao in 2025 is between 31.35 RMB and 58.14 RMB.

4.5 Valuation Synthesis

A triangulation of historical-band, forward-looking, and peer-referenced multiples paints a nuanced picture of Tsingtao Brewery's equity value:

Table 4.7 Target Price derived

Trailing Multiples						
Trailing PE	Trailing PS	Trailing EV/EBITDA	Average			
92.32	68.48	92.47	84.42			
72.59%	28.02%	72.88%	57.83%			
Forward Multiples						
Forward PE	Forward PS	Forward EV/EBITDA	Average			
85.23	65.71	74.09	75.01			
59.34%	22.84%	38.52%	40.23%			
Peer Multiples						
Trailing PE	Trailing PS	Trailing EV/EBITDA	Forward PE	Forward PS	Forward EV/EBITDA	Average
58.14	36.21	52.26	50.75	31.35	47.83	46.09
8.69%	-32.30%	-2.30%	-5.12%	-41.38%	-10.59%	-13.83%

Source: Own Calculation

Historical band (trailing) multiples translate into a headline target of approximately RMB 84.42 per share, or plus 57.83% relative to the 25 April 2025 spot price of RMB 53.49. While the magnitude of this implied upside is intuitively appealing, it should be interpreted with caution. Trailing bands embed the extraordinary profit rebound and valuation re-rating that accompanied China's post-pandemic reopening in 2020-2021. Those data points still sit in the seven-year look-back window and mechanically inflate the mean and +1SD thresholds. Because the method is backward-looking, it takes no explicit account of slowing beer volume growth in China, input-cost inflation in 2023-2024, or the structural mix-upgrade already captured in the current

share price. Hence, the trailing method is best viewed as an upper-bound scenario rather than central estimate.

Forward multiples yield an average target price of RMB 75.01, representing +40.23% potential appreciation. This approach benefits from explicit earnings and cash-flow projections that already embed analysts' assumptions or raw-material costs, premium-mix expansion and operating-expense discipline. Methodologically, the dispersion across individual metrics is modest, reflecting the comparatively stable economics of a mature, branded-consumer business. Forward multiples therefore provide a fair-value anchor that is forward-looking but still grounded in observable market expectations.

Peer-group multiples, which are constructed from seven global brewers with broadly comparable scale and margin profiles, generate a markedly lower fair-value estimate of RMB 46.09, indicating -13.83% versus spot price. Two factors depress the peer output. First, the sample skews toward developed-market brewers whose volume growth is structurally slower, pulling down the median sales and earnings multiples. Second, Tsingtao commands a justifiable premium to many global peers on ROIC and free-cash-flow yield, traits the simple peer-median methodology does not capture. Consequently, the peer approach serves primarily as a market-reality sense check rather than as a standalone valuation anchor.

Taken together, the three lenses imply the following hierarchy of evidential weight:

Firstly, primary reference point. Forward-consensus multiples (RMB 75.01) incorporate the best available view of near-term fundamentals and industry pricing power. Secondly, corroborative checks. Peer multiples (RMB 46.09) highlights downside if premiumisation stalls or global risk aversion rises. Thirdly, contextual ceiling. Historical bands (RMB 84.42) illustrate full-cycle upside contingent on a return to 2020-2021 valuation conditions. Given the current price of RMB 53.49, the forward-derived target implies a mid-forty percent total-return opportunity, while the peer screen delineates the lower boundary of fair value. On balance, the evidence supports retaining a constructive stance on Tsingtao, but with the important caveat that progress on premium-mix expansion, barley-cost containment and corporate-governance signalling will need to materialise to unlock the forward-multiple upside encapsulated above.

4.5.1 Multiples Selection and target price estimation

Amongst all of the methods, EV/EBITDA is adopted as the anchor multiple because it neutralises capital-structure differences and tax regimes, enabling a consistent comparison between Tsingtao's near net-cash balance sheet and the highly leveraged profiles of peers such as AB InBev. By focusing on enterprise value and pre-depreciation operating cash flows, EV/EBITDA mitigates distortions arising from divergent accounting practices, particularly depreciation policies, which are pronounced in capital-intensive industries like brewing. Moreover, this metric captures the core economics of plant efficiency and operational scale. Given that EV/EBITDA is the prevailing benchmark in global beverage M&A transactions, its use ensures alignment with valuation standards applied by strategic buyers and private equity investors. In addition, within a mature, steady-capex sector, EBITDA correlates closely with free cash flow, reinforcing the reliability of its multiples as a forward indicator of shareholder value. Alternative metrics such as PE are often skewed by non-recurring items and tax effects, while PS disregard profitability. Thus, EV/EBITDA provides the most robust and market-relevant basis for evaluating Tsingtao's relative valuation.

As a result, two target prices for Tsingtao are determined based on forward EV/EBITDA metrics:

1. The historical band valuation method yields a target price of RMB 74.09 per share, reflecting an upside potential of 38.52%.
2. The peer multiple valuation approach produces a target price of RMB 47.83 per share, indicating a downside potential of 10.59%.

4.6 Football Field Valuation

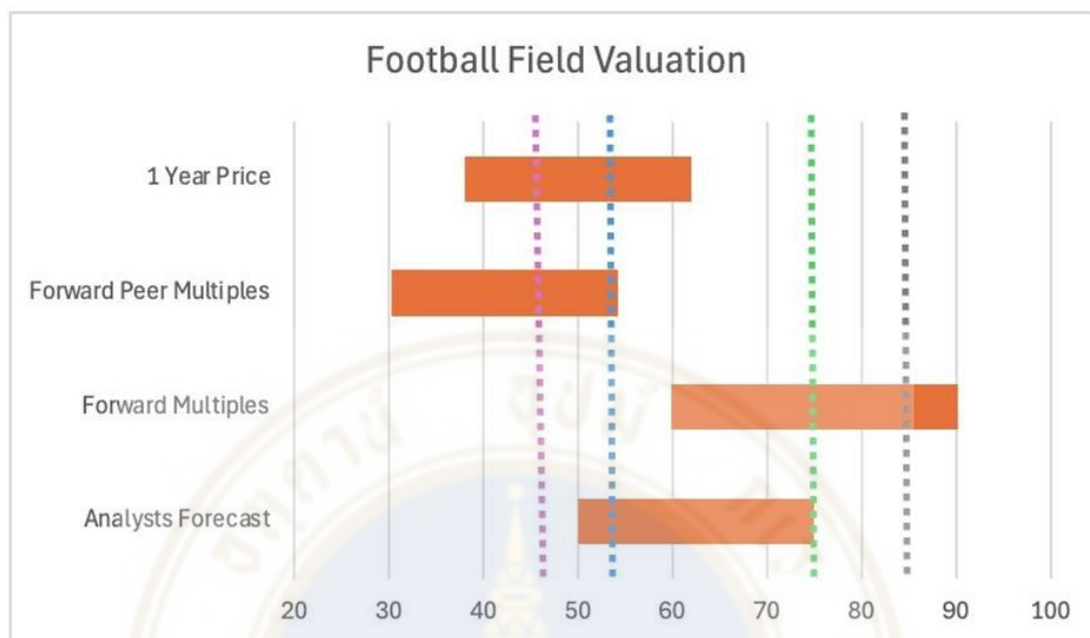


Figure 4.9 Football Field Valuation

Source: Own Calculation

From the football field valuation graph, we can see that the stock traded within a relatively narrow and moderate range over the past year. The current price aligns closely with the forward peer multiples' valuation, indicating that Tsingtao Brewery is fairly valued relative to its industry peers. However, the current price is below the range of forward multiples and the analysts' forecast, suggesting potential undervaluation compared to Tsingtao Brewery's historical trading patterns and optimism about future prospects.

4.6.1 Fundamental Cross-check

To verify that the relative-valuation outputs stand on solid operating ground, we quantify the earnings and valuation sensitivity by modeling a shrinking-population stress case that assumes a -2% volume decrease in 2025, nearly twice the historical pace of decline and a +5% ASP growth in 2025, in line with the 2019-2024 premiumisation trend(4.36%) but 70 bp higher than the company's recent run-rate.

Table 4.8 Tsingtao's Volume Sell from 2018 to 2024

	2018	2019	2020	2021	2022	2023	2024	FY19-FY24	CAGR
Volume (M hL)	80.3	80.5	78.2	79.3	80.72	80.07	75.38	-5.12	-1.05%
Growth Rate	-	0.25%	-2.86%	1.41%	1.79%	-0.81%	-5.86%	-6.36%	-
ASP(CNY/hL)	348.44	330.12	354.99	380.45	398.54	423.88	426.37	96.25	3.42%
Growth Rate	-	-5.26%	7.53%	7.17%	4.75%	6.36%	0.59%	29.16%	-
Total Revenue (CNY bn)	27.98	26.58	27.76	30.17	32.17	33.94	32.14	5.56	2.34%
Growth Rate	-	-5.0%	4.5%	8.7%	6.6%	5.5%	-5.3%	20.94%	-
Gross Margin	37.70%	38.96%	35.33%	36.71%	36.85%	38.66%	40.23%	1.26%	1.09%
EBITDA	3531.0	3835.5	4,412.78	5599.3	6126.4	6919.0	7083.9	3248.4	12.30%
Growth Rate	-	8.62%	15.05%	26.89%	9.41%	12.94%	2.38%	-	-
EBITDA margin	12.62%	14.43%	15.90%	18.56%	19.04%	20.39%	22.04%	1.57%	22.39%
Growth Rate	-	1.81%	1.46%	2.66%	0.48%	1.34%	1.65%	-	9.74%
EPS	1.05	1.3	1.6	2.3	2.7	3.1	3.2	1.85	20.41%

Source: Own Calculation.

Based on the assumptions, Qingdao Beer's sales volume for 2025 is projected to be 73.87 million hectoliters, with an average selling price (ASP) of RMB 447.69 per hectoliter, resulting in a total revenue of RMB 33.07 billion for 2025 (compared to FinChat's forecast of RMB 33.16 billion). We used the average EBITDA margin growth rate from 2018 to 2024 (1.57%) to calculate the EBITDA for FY2025. This gave us a 2025 EBITDA margin of 22.39%. Based on this result, the expected EBITDA for 2025 is RMB 7,403.82 million, leading to a target share price of RMB 76.09 per share.

Table 4.9 Assumption of Tsingtao's Volume Sell in 2025

2025	CAGR	Assumption	Normal
Volume (M hL)	-2.00%	73.87	74.70
ASP (CNY/hL)	5.00%	447.69	438.85
Total Revenue (CNY bn)	-	33.07	32.78
EBITDA (CNY M)	-	7403.82	7339.06
Price per Share (RMB)	-	76.09	75.43
Gross Margin	40.93%		

Source: Own Calculation.

Between 2018 and 2024, Tsingtao's headline revenue grew at a compound annual growth rate (CAGR) of 2.34%, despite a contraction in beer volumes of approximately 1% per annum. The entirety of the top-line expansion was attributable to higher average selling prices (ASP) and a rising contribution from premium products. Over the same period, EBITDA and earnings per share (EPS) registered CAGRs of 12.30% and 20.41%,

respectively, primarily driven by sustained gross margin expansion and operating leverage, rather than increased financial leverage.

At a price of RMB 74.09, the stock would still trade at a 12.23% discount to the price calculated from trailing average multiple of approximately 84.42, offering investors “growth at a reasonable price” rather than overpaying for future potential.

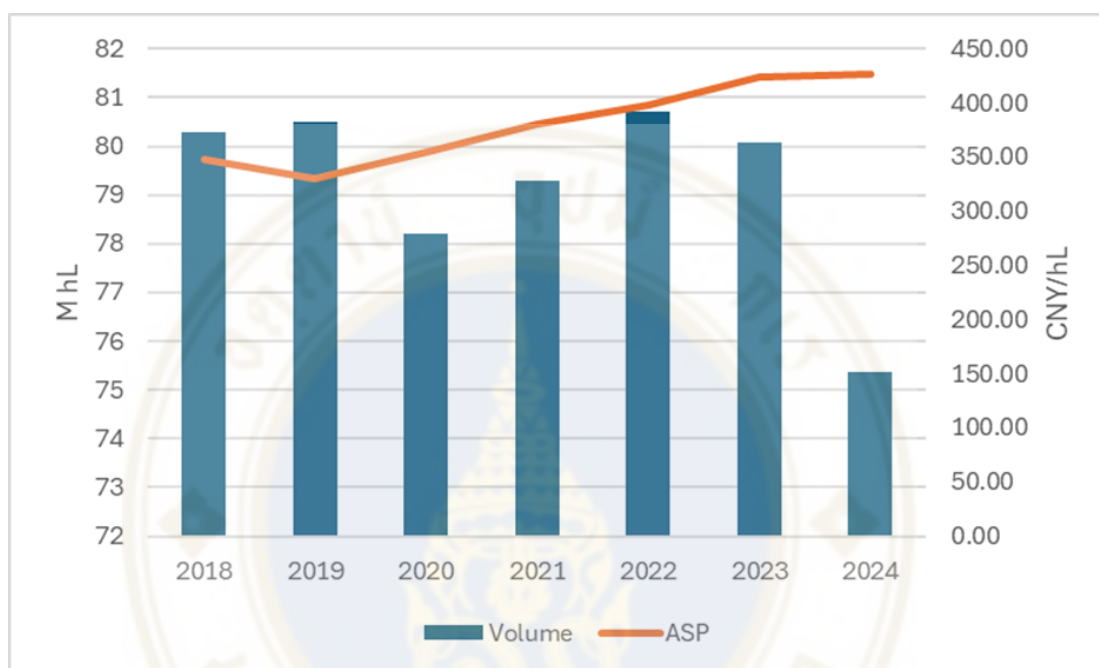


Figure 4.10 Tsingtao's Selling Volume & ASP Trend

Source: Own Calculation

Meanwhile, as shown in the chart above, there is a trend of gradually declining sales volume and a year-on-year increase in unit price, indicating historical revenue growth has been entirely driven by pricing, product mix, and operational efficiency—not by volume expansion. Despite a 2% decline in sales volume, the 5% increase in ASP still results in a 1.75% growth in gross margin (compared to a gross margin of 40.23% in 2024). These same drivers underpin the forward-looking broker models and, by extension, the valuation assumptions herein. No reliance is placed on a demographic rebound or a significant surge in consumption volume.

In conclusion, the RMB 74.09 fair value estimate is based on clear pricing power, continued premiumization, and possible efficiency gains. These drivers have been proven to be true in the past and are also reflected in consensus forecasts. This

directly addresses concerns that Tsingtao's future earnings potential would be limited by China's declining population. Additionally, given that multiple valuation methods indicate upside potential, especially the reliable forward historical multiples and analysts forecasts, the stock appears attractively priced and worth considering for investment. While peer multiples suggest fair valuation, the aggregate picture favors a 'BUY' recommendation, supported by meaningful positive outlook from current trading levels. Additionally, given that multiple valuation methods indicate upside potential, especially the reliable forward historical multiples and analysts forecasts, the stock appears attractively priced and worth considering for investment. While peer multiples suggest fair valuation, the aggregate picture favors a 'BUY' recommendation, supported by meaningful positive outlook from current trading levels.



CHAPTER V

INVESTMENT RISKS

In evaluating the investment case of Tsingtao Brewery, investors need to assess a number of risks that can potentially affect the financial performance and longer-term growth prospects of the company. These risks can be generally classified as macroeconomic, sector specific, operational, financial, strategic positioning and environmental, social, and governance (ESG) risks. The following sections discuss the risks, followed by an analysis on their possible effects on Tsingtao Brewery and possible effects on investor returns.

5.1 Macroeconomic Risks

These risks refer to potential adverse effects arising from broad economic conditions and governmental policies that influence Tsingtao Brewery's market environment.

5.1.1 Economic Growth Risk

Tsingtao Brewery mostly operates in China, which makes it very sensitive to changes in the Chinese economy. An economic slowdown or recession in China would likely result in diminished disposable income amongst consumers. This drop in disposable income could significantly decrease consumer spending, especially on non-essential items such as beer. In terms of operations, drinking less beer would directly lead to lower production levels and worse sales. These kinds of situations could hurt Tsingtao's revenue streams and make operations less efficient. From an investment perspective, falling revenues would lower profit margins and overall profitability, which could lead to lower earnings per share, lower stock prices, and reduced returns for investors.

5.1.2 Inflation and Commodity Price Risk

Tsingtao Brewery is impacted by inflation, particularly due to rising costs of essential raw ingredients such as barley, hops, and packaging materials. If these input costs continue to escalate, they may significantly increase the company's overall manufacturing expenses. If Tsingtao is unable to transfer these increased costs to consumers through price hikes due to industry rivalry, it may adversely affect operational efficiency due to pressure on its cost structure. This scenario may result in diminished profit margins and reduced earnings per share, adversely affecting investor confidence, stock valuations, and ultimately, shareholder returns.

5.1.3 Interest Risk

The variability of loan rates presents a considerable threat to Tsingtao Brewery. An escalation in interest rates will augment the company's borrowing costs, thus affecting profitability due to increased debt servicing expenditures. Increased loan expenses may redirect essential financial resources from operational improvements, innovation, and strategic growth activities. From an investing standpoint, diminished net income and limited growth potential may decrease the appeal of Tsingtao's stock, thereby reducing long-term returns for investors.

5.1.4 Exchange Rate Risk

The main source of exchange rate risk for Tsingtao Brewery is changes in the value of the Chinese yuan. Exchange rate fluctuations have a direct effect on the price of importing raw materials and have an effect on the profitability of the company's international revenue streams. Adverse movements in currency values can elevate production costs or reduce profit margins on international sales, creating operational challenges. This financial volatility arising from exchange rate uncertainties could undermine investor trust, cause fluctuations in stock prices, and negatively influence the overall returns realized by shareholders.

5.1.5 Demographic Risk

Demographic risk presents a strong structural impediment to Tsingtao Brewery. China's fertility rate fell to an all-time low of 1.09 in 2022; it was even lower in 2023 (Reuters, 2023), with the total population expected to steadily decline until 2050, which would jeopardize its consumer base in the journey ahead and, negative for mainstream lager sales. The swift progression of aging—projected to lead to individuals aged 65 and older constituting 25.1% of the population by 2035 (EIU, 2024)—may further suppress per capita beer consumption and compel increased investment in innovative products, such as low-alcohol and functional beverages. Population trends, coupled with the migration of younger-age groups towards megacities and depopulation in secondary cities, ride on the weakening purchasing power in regional markets, thereby taking logistics costs higher and chewing into working-capital efficiency plus ROIC. Further, demographic policy responses, like government subsidies aimed at incentivizing childbirth or imposition of stricter alcohol laws, present resistance to predictability that will directly translate into elevated volatility in earnings and ESG-conscious investors rushing in for bonuses on perceived risks.

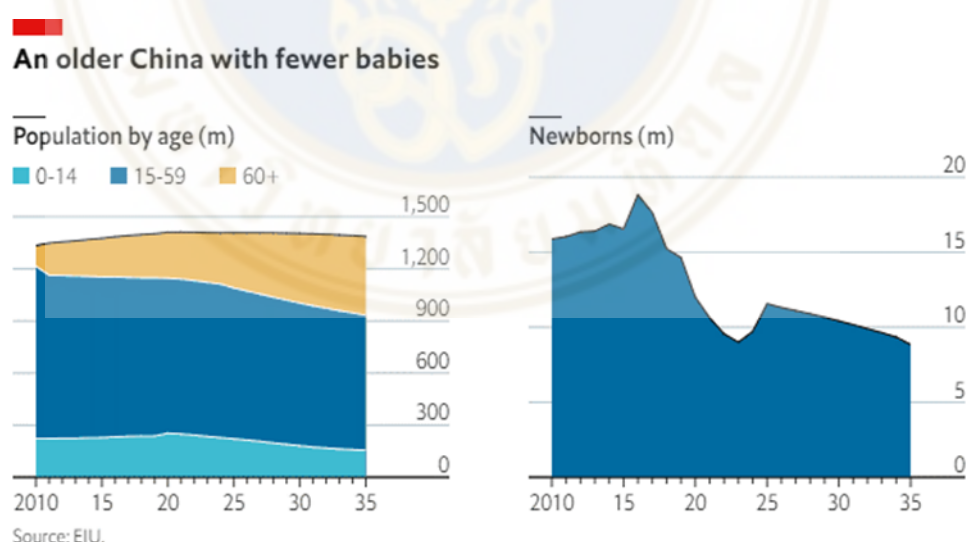


Figure 5.1 China's Population by Age

Source: From EIU "China's demographic outlook and implications for 2035" (2024)

5.2 Industry and Competitive Risks

These risks pertain specifically to the beer industry's competitive landscape and conditions that directly affect Tsingtao Brewery's strategic positioning and operational efficiency.

5.2.1 Competition and Market Share Risk

The operating environment for Tsingtao Brewery is characterized by an intense rivalry that offers profound challenges posed by international majors such as AB InBev and Heineken, as well as strong home-grown contenders like China Resources Beer. Because of the conglomerate rivalry, price wars might erupt, in which case Tsingtao will feel compelled to reduce prices to remain competitive, or it might have to intensify its marketing efforts substantially to defend its standing. Once such pressures come to bear on pricing strategies and marketing expenditures are raised, operating budgets could just bear the worst of it, with operating margins feeling squeezed. For investors, enduring competitive dynamics that erode market share or reduce pricing power may adversely impact revenue and profitability, ultimately leading to diminished financial performance and lower stock prices.

5.2.2 Product Substitution Risk

Consumer preferences in the beverage sector are perpetually changing, increasingly selecting alternatives such as wine, spirits, craft beer, or drinks regarded as healthy, including low-alcohol and non-alcoholic options. As customer preferences diverge from conventional beer offerings, Tsingtao may encounter diminished demand, adversely impacting total sales volumes. At an operative level, this would entail the company rearranging its production strategies or diversifying into other product routes, thereby creating even more operational costs and complexity. From an investment point of view, reduced beer consumption translating into reduced sales volumes would most probably drag along profitability, which could cause share prices to fall and lead to dispersed returns to investors.

5.2.3 Regulatory and Policy Risk

Tsingtao Brewery functions within a regulatory framework that can substantially affect the company's business activities. The implementation of more rigorous government policies — encompassing stricter regulations on alcohol consumption, limitations on the promotion of alcoholic beverages, and elevated excise taxes – may generate significant challenges. These regulatory modifications may increase compliance costs and restrict revenue generation prospects due to diminished sales volumes. Operational disruptions resulting from adjustments to changing regulatory standards may adversely affect the company's operational planning and efficiency. As a result, investors may experience reduced profitability due to these regulatory difficulties, thereby impairing profits performance, decreasing stock appeal, and adversely affecting overall investor sentiment.

5.3 Operational Risks

Operational risks arise directly from Tsingtao Brewery's internal processes, infrastructure, and operational management, encompassing supply chain logistics, quality control, and manufacturing efficiency.

5.3.1 Supply Chain and Logistic Risk

Tsingtao Brewery relies significantly on dependable supply chain management and effective logistics to ensure continuous production and timely distribution. Nonetheless, unexpected disruptions, including transportation strikes, natural catastrophes, or supply shortages, could significantly hinder these operations. These operational disequilibriums shall weigh in heavy magnitude of impact so financially. They stand to lose sales opportunities, incur mounting costs of implementation of emergency measures, as well as reputation damage among consumers and business partners. Persistent supply chain disruptions and instability will certainly lead to decreased profitability for investors, thus compromising Tsingtao's competitiveness in the market, culminating in a dip in stock valuations.

5.3.2 Quality Control and Food Safety Risk

Tsingtao Brewery is a consumer-focused brand that is required to implement strict quality control and food safety for its strong market reputation. However, incidents such as possible product contamination, safety controversies, or major recalls can occur that are the highest risk for possible loss in consumer confidence and brand equity. Deficiencies in product quality or safety may result in repercussions that surpass the immediate resolution, culminating in sustained sales reductions, augmented legal obligations, costly damage control measures, and intensified regulatory scrutiny. These developments may significantly undermine investor confidence, applying downward pressure on Tsingtao's stock price and diminishing long-term investment profits.

5.3.3 Manufacturing Efficiency Risk

Tsingtao Brewery's ability to manage manufacturing efficiency is crucial to its profitability and competitiveness. The existence of old manufacturing machinery or declining labor relations is likely to seriously hinder the production process, increase the cost of production, or reduce overall productivity. Extended manufacturing inefficiencies and disturbances during operation can lead to increased operating expenses, decreased profitability, or undermine the competitiveness of the brewery in the industry. As an investor, extended manufacturing inefficiencies that negatively affect its profitability as well as earnings performance can result in diminished shareholders' returns and reduce the attractiveness of Tsingtao's stock.

5.4 Financial Risks

Financial risks encompass the uncertainties related to Tsingtao Brewery's financial management practices and overall fiscal health, impacting its stability and growth potential.

5.4.1 Liquidity Risk

Liquidity risk refers to the potential difficulty for Tsingtao Brewery in producing sufficient cash flows or effectively managing the working capital needed to meet Tsingtao Brewery's financial obligations over the short term. Poor liquidity

management, and thus poor reserves management, in terms of maintaining an adequate reserve of cash on hand or poor efficiency in converting inventory and receivables to cash to meet funding requirements will limit Tsingtao Brewery's ability to finance its debt obligations or payment for inputs from suppliers or payment for a basic operating requirement. Consequently, this financial strain may impede Tsingtao's ability to finance strategic growth plans, potentially resulting in financial difficulty or operational problems. For investors, ongoing liquidity challenges may erode confidence in the company's management and stability, leading to decreased stock prices and reduced returns.

5.4.2 Credit Risk

Credit risk arises from the possibility that Tsingtao Brewery's customers or distributors may default on their payment obligations, especially during economic downturns or periods of financial instability. Such defaults could directly reduce the company's revenue streams, negatively impacting cash flow and earnings. Increased exposure to credit risk over time may reduce profitability, which would have a detrimental effect on investor confidence, earnings growth, and share price performance.

5.4.3 Capital Structure Risk

Capital structure risk, also known as leverage risk— Tsingtao Brewery's use of debt and sensitivity to economic growth and interest rates. Higher indebtedness and higher financial leverage substantially increases Tsingtao Brewery exposure to economic cycles, and limits its financial flexibility for growth or to support other activities in interest rate increase conditions. Additionally, higher debt and interest risk would translate into higher debt servicing costs, which would place greater constraints on Tsingtao Brewery's working capital budget for expansion and other alternatives. Higher leverage would also have a negative effect on the external credit rating of Tsingtao Brewery, which would negatively affect its future borrowing cost and constrain its financial flexibility. Increased structural risk is signaled to investors by reduced levels of earnings, financial distress and civilization of stock prices in the context of over-levering, or structural risk.

5.5 Strategic and Market Positioning Risks

Strategic and market positioning risks encompass potential threats related to Tsingtao Brewery's strategic direction, brand strength, and competitive positioning within its target markets. These risks significantly affect the company's ability to sustain growth and maintain competitive advantages.

5.5.1 Brand Reputation Risk

Brand reputation is one of Tsingtao Brewery's greatest assets, as it plays a large role in consumer loyalty and pricing power. However, brand reputation is subject to negative publicity as a result of quality issues, marketing issues, or negative events in the public realm. In addition, changing consumer perceptions of Tsingtao's brand appeal could come about as a result of changing social expectations or culture. Any type of damage to Tsingtao's reputation will damage its consumer trust, market shares, pricing power, and ultimately sales volumes. This could result in decreased profitability for investors, slower earnings growth, and a lower stock price.

5.5.2 Innovation and Premiumization Risk

Consumer preferences in the beverage sector are changing rapidly toward premium products, craft beers, different tastes, or beverages with unique characteristics. As such, Tsingtao's strategic success critically depends on its continuing to innovate and competently position its products in a more valuable market. Should Tsingtao fail to keep up with the trends and consumer demand for premium or innovative products, it risks losing its market share to competitors that are better positioned to capitalize on these growing market segments. On an operational basis, this decline in competitiveness would manifest as declining sales revenue and limited growth in profitability. For investors, substantial failure to innovate would yield declining financial results, profitability brought down, and reduced returns on investment.

5.5.3 Geographic Concentration Risk

The vast majority of Tsingtao Brewery's revenues presently derive from the domestic China market, which inherently exposes the company to localized risks from economic or regulatory changes or shifts in consumer purchasing behaviors in the

domestic market. Furthermore, excessive reliance on one geographic market exposes Tsingtao to significant presentation risks from negative developments, such as geo-specific economic declines, increased regulatory measures and controls, or changes in consumer behaviors regarding purchasing driven by local policies or trends. Such adverse events and developments may have a pronounced impact on the earnings, profitability, and operations of the company, as well as represent an increased acronym risk for investors. From an investment perspective, geographic concentration risk may lead to increased volatility in earnings, reduced stock stability, and less than expected total returns to investors.

5.6 Environmental, Social, and Governance Risks

ESG risks encompass challenges arising from environmental compliance, corporate governance standards, and social responsibilities. These risks significantly influence Tsingtao Brewery's sustainability, ethical reputation, and long-term market position.

5.6.1 Environmental and Sustainability Risk

Tsingtao Brewery is facing increased scrutiny from environmental regulations surrounding water usage, carbon emissions, waste treatment, and sustainable packaging. Tighter laws or industry standards to mitigate environmental impacts may result in increased compliance costs associated with sustainability, including the costs of investing in eco-friendly technology, sustainably sourced ingredients, or more efficient use of resources. The increased costs associated with these sustainability programs may negatively alter Tsingtao's cost structure and profitability. Additionally, if Tsingtao fails to comply with the laws related to these environmental regulations, there may be substantial financial penalties, legal liabilities, and detrimental reputational risk with environmentally conscious consumers and investors alike. Consequently, investors may also see deterioration in financial performance and lower stock valuations.

5.6.2 Corporate Governance Risk

The company must adopt good corporate governance mechanisms such as disclosure, accountability and ethical decision-making to assure the shareholders' confidence in Tsingtao Brewery. Failure in weak poor governance can significantly undermine investor confidence and credibility. Investors, as a rule, value companies with good governance and a sense of compromise in governance standard would likely attract negative market reactions (lower valuation multiples, lower investor confidence leading to potential capital outflow). Governance-related issues could adversely impact the financial stability and stock market performance of Tsingtao in the long term.

5.6.3 Social and Labor Relations Risk

The operations of Tsingtao Brewery depend on efficient management of labor and positive societal perceptions about the workforce. Work stoppages or strikes, or public or private labor disputes concerning these or similar matters, could have a material adverse effect on the company's operations and productivity. Moreover, excessively negative media reports or public opinions on negative labor could damage the reputation of Tsingtao and thereby reduce consumer purchasing power or regulatory interventions. There are immediate negative effects in terms of operational disruptions and damage to reputation, all related to poor social/labor practices, which may make a business less profitable, less competitive, and ultimately worth less on the stock market.

5.7 Risk Matrix

The Risk Matrix figure for Tsingtao Brewery, presented below, offers a systematic framework for evaluating potential risks, facilitating the identification and prioritization of critical areas that may necessitate strategic attention or mitigation measures.

Risk Matrix		Risk Level			
Likelihood		Critical	Major	Moderate	Minor
	Very Likely	Economic Growth Risk Competition and Market Share Risk Brand Reputation Risk	Geographic Concentration Risk		
	Likely		Inflation and Commodity Price Risk Product Substitution Risk Supply Chain and Logistic Risk Innovation and Premiumization Risk	Interest/Exchange Rate Risk Credit Risk Capital Structure Risk	
	Moderate		Regulatory and Policy Risk	Liquidity Risk Corporate Governance Risk Environmental and Sustainability Risk	Social and Labor Relations Risk
	Unlikely		Quality Control and Food Safety Risk Manufacturing Efficiency Risk		

Figure 5.2 Tsingtao's Risk Matrix

Source: Own Calculation



CHAPTER VI

CONCLUSIONS

Building on the previous discussion, we will provide investment recommendations in this chapter based on the relative valuation results and related risk analysis of Tsingtao Brewery.



Figure 6.1 Tsingtao's Historical Stock Price

Source: From FinChat (In Hong Kong Dollars), n.d.

As we retrospect, for example, we can observe that post-mid-2023, Tsingtao had fallen significantly from levels exceeding HKD 80 (RMB 75) to somewhere in the HKD 40–50 range (RMB 38–57) and back to around HKD 60 (RMB 56). A variety of intertwined factors went into the sharp slide in Tsingtao's share price, spanning from consumer taste preferences to larger-picture cycles in the economy and challenges facing the company.

Firstly, Tsingtao took a hit from the normalisation in consumer demand post COVID. After an initial surge in dining and drinking following China's policy shift in early 2023, consumer spending dropped and by the middle of the year was back to where it had been before the pandemic. That was followed by a decline in beer sales, a lowering of analyst forecasts for 2024 and downward pressure on Tsingtao's valuation.

Secondly, significant macroeconomic challenges and fluctuations in financial markets impacted investor confidence. During the second half of 2023, economic slowdown in China as a result of structural weakness in the housing sector and high youth unemployment squeezed discretionary consumer spending, including for beer. Simultaneously, major global monetary tightening by central banks like the U.S. Federal Reserve and the European Central Bank led to capital outflows from emerging markets and the Hong Kong-listed equity markets, which contributed to a generalized compression in valuation multiples and downward pressure on the share price of Tsingtao.

Additionally, profit margins faced a final challenge from sustained inflation in input prices. At the same time, prices for key raw materials, including barley and hops, were at a high level globally throughout 2023. Rising expenses for packaging materials like aluminum cans, along with higher energy costs and freight charges, also impacted the company. Against an environment of flat consumer spending, Tsingtao had little room to reflect these higher costs in prices to consumers without risking substantial volume declines. As a result, the push to raise prices northwards actually hit margins rather than profits—and both gross margin prospects and earnings expectations suffered along with it, particularly towards the end of 2023.

Furthermore, Tsingtao is facing strategic challenges from intensifying competition and changes in consumer buying habits. The premium beer and craft beer markets in China have become more crowded, with both imported brands and craft breweries capturing greater market share. This trend forced Tsingtao to escalate spending on marketing initiatives and product innovation, without necessarily achieving immediate gains in market share or pricing power. Continuing further, alternative beverage categories, such as ready-to-drink cocktails (RTDs) and hard seltzers, began to attract younger consumers, which diminished demand for traditional lager beers.

Moreover, the regulatory environment and ESG considerations further influenced investor sentiment and operational performance. Enhanced environmental regulations, especially on water consumption and water discharge in major brewing areas, raised Tsingtao's investment spendings and compliance costs. Additionally, localized government campaigns targeting excessive alcohol consumption, along with continuous discussions about the potential raising of excise taxes have impacted badly on investor confidence. Tsingtao's heavy state-ownership also introduced concerns related to corporate governance, including potential related-party dealings, and issues around sluggish management decision-making.

Lastly, company-specific financial performances and guidance updates also lent downward pressure to the stock. Tsingtao's sales volume and margin for the third and fourth quarters of 2023 were below market expectation. Such disappointing results caused analysts to cut their forward earnings estimates and PE valuation multiples. In addition, when dividend-strategy investors observed either Tsingtao suspending or cutting its dividend payout ratio, they moved funds to other consumer staples that have relatively high dividend yields.

Collectively, the tangled reasons resulted in Tsingtao's forward valuation multiples being substantially re-rated downwards from a scope of approximately 15-18 times PE down to around 10-12 times PE. This technical adjustment in turn led to the lowering of the share price, even though the cash flow for the company was still essentially positive. Moving forward, investors and analysts should closely monitor some key developments, such as a possible upside in earnings revisions, moderation in input-cost inflation, and an accelerated rebound in Chinese consumer spending. Positive turns in these key areas could help prompt a revaluation of Tsingtao's stock.

Although Tsingtao Brewery's share price has languished since mid-2023, the sell-side community continues to assign the stock an unequivocally positive stance.



Figure 6.2 Tsingtao's Target Price and Ratings by Analysts

Source: From TipRanks "Tsingtao Brewery Co (0168) Price & Analysis", n.d.

Tsingtao trades at a forward PE of 15x, below its five-year average (24.46x) and peers like Heineken (45x) and Anheuser-Busch InBev (21x). This discount, combined with strong return on invested capital, suggests potential for multiple expansion and attractive shareholder returns as market sentiment improves. Meanwhile, China's beer market is shifting toward premium, higher-margin products. Nomura estimates that the premium segment still accounts for a relatively lower market share of 12.6% of Chinese beer consumption, suggesting ample headroom (Xiao & Dong, 2024). Tsingtao's innovation, launching the A-series, wheat variants and 0% ABV ranges, aims for premium SKUs to drive over 40% of revenue by 2025, supporting mid-single-digit price growth despite flat volumes. Additionally, DBS research states that (DBS, 2025) Tsingtao's production cost per litre has dropped 2% year-on-year in FY24 (despite an increase in 4Q24), helping the gross margin expand 1.6 percentage points to 40.2%, thanks to the lower barley cost. Analysts expect further margin gains of 50-100 basis points in 2025 without assuming aggressive price increases.

Tsingtao is the world's strongest beer brand (Brand Finance, 2024), with exports to over 100 markets. Strong free-cash-flow generation permits a rising dividend stream: the board declared a final cash dividend of RMB 2.2 per share for FY2024 (Tsingtao, 2025), implying a yield near 2.7 % and signalling confidence in medium-term cash conversion. Moreover, potential fiscal stimulus, increased social activity, and sporting events in 2025 could boost demand.



Figure 6.3 Tsingtao's Brand Ranking

Source: From BrandFinance "Corona's comeback: Corona Extra reclaims the title of the world's most valuable beer brand following a 40% brand value increase", 2024

Our recommendation for Tsingtao Brewery's stock is mainly based on Forward EV/EBITDA multiples, as this most closely reflects anticipated operational efficiency and profitability--and with built-in bias from accounting variations or short-term market experiences. Specifically, the valuation derived from forward multiples provided a target price of approximately RMB 74.09 per share. Incorporating the Peer Forward EV/EBITDA multiple provides an additional reference point at RMB 47.83 per share, resulting in an explicit valuation range of RMB 47.83-74.09. According to the current stock price of RMB 53.49 as of April 25, 2025, this range implies that there is a potential upside of up to 38.52%, while the lower boundary suggests that there is a moderate downside risk of roughly 10.59%.

Regarding analyst optimism, it is evidenced by the elevated forward multiples noted among various analysts, indicating confidence in Tsingtao's strategic shift toward premiumization, effective cost management, and the expected rebound in consumer demand resulting from China's post-pandemic normalization and economic stimulus initiatives. Analysts are concentrating on Tsingtao's innovative premium product offerings, which are solidifying the company's position in the market. Furthermore, they anticipate that this strategic move will boost profits, despite stable

sales volumes. Forward multiples essentially reflect analysts' belief that stocks can effectively absorb these market changes over the coming quarters.

Currently, the stock market does not fully reflect these positive expectations due to prevailing caution regarding macroeconomic uncertainties, regulatory environments, and recent historical volatility. Analysts and this valuation exercise explicitly incorporate more favorable medium-term assumptions about Tsingtao's profitability trajectory, especially margin expansion from lower raw materials costs and sustained premium product growth, which the market has not yet fully appreciated.

Therefore, the BUY position for Tsingtao remains justified. Although a limited downside risk exists based on peer multiples, the robust upside potential, strategic positioning, and anticipated operational improvements strongly support maintaining a BUY recommendation for Tsingtao Brewery. Over a longer horizon, the thesis hinges on Tsingtao's ability to sustain premium-mix momentum, monetise its brand internationally, and pivot towards low- or no-alcohol innovations fast enough to offset demographic and regulatory drags. Investors with a multi-year mandate should therefore pair an overweight position with periodic reassessment of market-share data, ASP progression and policy developments.

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Appendix A

Breakdown	TTM	12/31/2023	12/31/2022	12/31/2021	12/31/2020
✓ Total Revenue	31,917,763.38	33,936,522.74	32,171,565.62	30,166,805.38	27,759,710.93
Cost of Revenue	19,010,923.55	20,816,889.66	20,317,934.82	19,091,130.74	17,951,981.93
Gross Profit	12,906,839.84	13,119,633.09	11,853,630.80	11,075,674.63	9,807,729
✓ Operating Expense	7,993,169.32	8,323,647.70	7,583,272.19	7,583,204.91	6,974,718.61
Operating Income	4,913,670.52	4,795,985.38	4,270,358.61	3,492,469.72	2,833,010.39
✓ Net Non Operating Interest In...	584,613.60	487,141.94	420,423.39	288,622.31	491,772.05
Pretax Income	5,882,070.31	5,746,407.30	5,006,141.29	4,478,975.47	3,239,549.32
Tax Provision	1,402,595.16	1,398,208.38	1,201,419.81	1,222,731.60	912,580.52
✓ Net Income Common Stockh...	4,350,033.48	4,267,851.41	3,710,628.59	3,155,455.81	2,201,323.56
Basic EPS	15.97	15.70	13.68	11.64	8.14
Diluted EPS	15.95	15.66	13.64	11.62	8.13
Basic Average Shares	272,229.11	271,924.27	271,244.78	271,087.27	270,266.86
Diluted Average Shares	272,718.14	272,532.02	272,040.22	271,553.86	270,599.09
Total Operating Income as Repor...	5,874,881.91	5,736,825.88	5,000,925.07	4,454,954.74	3,250,084.52
Rent Expense Supplemental	--	85,233.32	85,371.52	90,947.90	86,649.30
Total Expenses	27,004,092.87	29,140,537.36	27,901,207.01	26,674,335.65	24,926,700.54
Net Income from Continuing & D...	4,350,033.48	4,267,851.41	3,710,628.59	3,155,455.81	2,201,323.56
Normalized Income	4,133,322.85	4,032,015.44	3,604,335.57	2,767,792.84	2,258,134.58
Interest Income	604,964.27	506,376	459,661.66	315,648.31	524,029.34
Interest Expense	25,814.23	16,430.59	9,237.80	22,685.37	13,662.68
Net Interest Income	584,613.60	487,141.94	420,423.39	288,622.31	491,772.05
EBIT	5,907,884.54	5,762,837.89	5,015,379.09	4,501,660.83	3,253,212.01
EBITDA	5,907,884.54	6,903,237.52	6,099,235.88	5,611,394.10	4,398,263.65
Reconciled Cost of Revenue	19,010,923.55	20,816,889.66	20,317,934.82	19,091,130.74	17,951,981.93
Reconciled Depreciation	--	1,140,399.62	1,083,856.80	1,109,733.27	1,145,051.64
Net Income from Continuing Op...	4,350,033.48	4,267,851.41	3,710,628.59	3,155,455.81	2,201,323.56
Total Unusual Items Excluding G...	284,566.18	311,671.47	139,857.26	533,231.85	-79,090.92
Total Unusual Items	284,566.18	311,671.47	139,857.26	533,231.85	-79,090.92
Normalized EBITDA	5,623,318.35	6,591,566.05	5,959,378.63	5,078,162.25	4,477,354.57
Tax Rate for Calcs	0	0	0	0	0
Tax Effect of Unusual Items	67,855.56	75,835.50	33,564.23	145,568.88	-22,279.90

Source: Yahoo Finance

Appendix B

Breakdown	12/31/2023	12/31/2022	12/31/2021	12/31/2020
✓ Total Assets	49,256,011.35	50,311,699.80	46,563,004.49	41,514,185.84
✓ Total Liabilities Net Minority I...	21,001,264.17	24,039,387.26	22,769,313.15	20,146,133.67
✓ Total Equity Gross Minority In...	28,254,747.18	26,272,312.54	23,793,691.34	21,368,052.17
Total Capitalization	27,449,478.22	25,494,821.70	23,001,844.60	20,621,960.52
Common Stock Equity	27,449,478.22	25,494,821.70	23,001,844.60	20,621,960.52
Capital Lease Obligations	63,393.02	98,401.48	112,778.67	115,839.87
Net Tangible Assets	23,649,305.17	21,629,897.38	19,213,992.07	16,811,013.55
Working Capital	12,693,445.84	12,330,694.51	10,699,975.89	9,118,174.08
Invested Capital	27,449,478.22	25,720,233.13	23,247,625.17	21,325,233.57
Tangible Book Value	23,649,305.17	21,629,897.38	19,213,992.07	16,811,013.55
Total Debt	113,643.36	373,076.63	406,987.59	861,202.22
Share Issued	1,364,196.79	1,364,232.79	1,364,354.79	1,364,182.80
Ordinary Shares Number	1,364,196.79	1,364,232.79	1,364,354.79	1,364,182.80

Source: Yahoo Finance

Appendix C

Breakdown	TTM	12/31/2023	12/31/2022	12/31/2021	12/31/2020
✓ Cash Flows from Used in Ope...	3,923,996.17	2,777,567.14	4,878,771.32	6,043,111.46	4,953,422.36
Operating Cash Flow	--	2,777,567.14	4,878,771.32	6,043,111.46	4,953,422.36
Investing Cash Flow	-7,411,544.50	-3,462,971.41	-2,199,108.16	-10,249,763.56	-1,487,738.17
Financing Cash Flow	-2,884,005.45	-2,868,065.88	-1,675,712.53	-1,613,622.64	-356,090.85
✓ End Cash Position	5,219,899.64	9,292,085.27	12,839,870.78	11,813,753.79	17,643,123.42
Capital Expenditure	-2,116,369.46	-1,617,742.85	-1,780,139.66	-1,634,967.83	-1,295,167.06
Issuance of Debt	--	--	228,830	251,370	720,120
Repayment of Debt	--	-219,487.50	-270,961.88	-701,572.47	-270,540
Free Cash Flow	1,807,626.72	1,159,824.29	3,098,631.67	4,408,143.62	3,658,255.30