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Wuliangye reported a 48.25% drop in third-quarter profit after weak demand hit baijiu sales

Revenue fell 37.68% to 4.44 billion yuan, overshadowing stronger nine-month results boosted by Lunar New Year sales

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Wuliangye, one of China’s largest baijiu producers, reported a sharp drop in third-quarter profit and revenue after weaker market demand reduced sales of its products, according to the company’s unaudited quarterly report released late Tuesday.

Revenue for the three months ended Sept. 30 fell 37.68% from a year earlier to 4.44 billion yuan, while net profit attributable to shareholders dropped 48.25% to 957.7 million yuan. Wuliangye said the declines were mainly due to soft market demand and lower sales volume for related products during the quarter.

Profit excluding non-recurring items also fell 48.16% in the quarter to 957.4 million yuan. Basic and diluted earnings per share both declined 48.11% to 0.2475 yuan. The company’s weighted average return on equity for the quarter was 0.81%, down 0.5 percentage point from a year earlier.

The weaker quarter contrasted with the company’s performance over the first nine months of the year. For the January-to-September period, revenue rose 7.25% to 32.86 billion yuan and net profit attributable to shareholders increased 49.98% to 9.71 billion yuan. Net profit excluding non-recurring items climbed 46.18% to 9.44 billion yuan, while basic and diluted earnings per share each rose 50.14% to 2.5043 yuan.

Wuliangye said the stronger nine-month profit growth was affected by a low profit base in the same period last year and by effective sales measures during the Lunar New Year selling season, when core products posted solid sales. That helped offset the much weaker third quarter and suggests demand conditions were uneven across the year.

Cash flow showed a much sharper deterioration. Net cash generated from operating activities in the first nine months fell 99.83% to 46.7 million yuan from 28.25 billion yuan a year earlier. The company said the drop reflected a high comparison base, changes to its cash collection policy in response to market conditions, lower cash receipts, and a year-over-year decline in the amount of bank acceptance bills reaching maturity.

On the balance sheet, total assets stood at 171.96 billion yuan as of Sept. 30, down 9.49% from the end of last year. Equity attributable to shareholders slipped 1.25% to 118.44 billion yuan. Cash and cash equivalents at the end of the period were 108.63 billion yuan, down from 124.11 billion yuan at the start of the year. Inventory rose to 24.20 billion yuan from 20.07 billion yuan at year-end, while contract liabilities fell to 8.93 billion yuan from 13.46 billion yuan.

For the first nine months, Wuliangye’s total operating revenue was 32.86 billion yuan, compared with 30.64 billion yuan a year earlier. Total operating costs were 20.03 billion yuan, down from 21.87 billion yuan. Within that, selling expenses increased to 7.80 billion yuan from 4.73 billion yuan, while taxes and surcharges declined to 4.86 billion yuan from 9.12 billion yuan. Operating profit for the nine-month period rose to 13.21 billion yuan from 8.91 billion yuan.

The report also showed that government grants booked in profit and loss reached 292.2 million yuan in the first nine months, while non-recurring gains for the period totaled about 270.0 million yuan. Minority-interest profit was 258.6 million yuan, compared with 312.4 million yuan a year earlier.

Wuliangye remains closely watched because of its position in China’s premium baijiu market. A slowdown at a producer of its size can also provide a broader reading on Chinese consumer demand and pricing pressure across beverage alcohol, with possible implications for spirits suppliers and for the wider wine, beer, and liquor market.

The company’s top shareholder at the end of the reporting period was Yibin Development Holding Group, with a 34.43% stake, followed by Sichuan Province Yibin Wuliangye Group with 20.78%. Wuliangye also said its repurchase-dedicated securities account held 16.13 million shares, equal to 0.42% of total share capital. The third-quarter financial statements were not audited.