Noe SAULET

Hangzhou Qiandaohu Xunlong Sci-tech (6715 HK)

Expanding growth for Gourmet food industry with margin expansion mix with a leader positioning.

I recommend a BUY on Xunlong with a target price of 62.24 HKD, an upside of +39.9%

KALUGA QUEEN

Thesis Points

- Sturgeon's long maturation cycle and strong demand growth benefits to Xunlong as the global caviar leader with 36% of market share, securitizing its business and industry from peers and new entrants.
- 2026PE 10.6x, in line with the aquaculture peers, but the street is missing the premium experience of Xunlong products and its pricing power
- Net margin expansion leads by higher-margin sales with ASP increase, and operating leverage, with new consumer segments.

Company Overview

Headquartered in Zhejiang, Xunlong operates across sturgeon breeding, farming, caviar processing and sales. It held approximately 36% of global caviar sales volume in 2025 and has ranked first globally by volume since 2015.

The company reaches customers through two complementary businesses: supplying caviar sold under third-party brands, referred to as OEM, and selling products under Kaluga Queen. Its integrated operations provide control over production quality and access to fish inventories, while its commercial relationships connect that production to international distributors and premium consumption channels.

Risks Factors

- **Demand and pricing:** Slower luxury spending or rising caviar supply could weaken volumes and prices, undermining our earnings forecasts
- **Biological risk:** Disease, pollution or extreme weather could destroy sturgeon stocks that take years to replace, disrupting production.
- **Expansion and cash flow:** Capacity delays and higher breeding costs could absorb more cash than expected, reducing returns on investment.

Estimates Summary

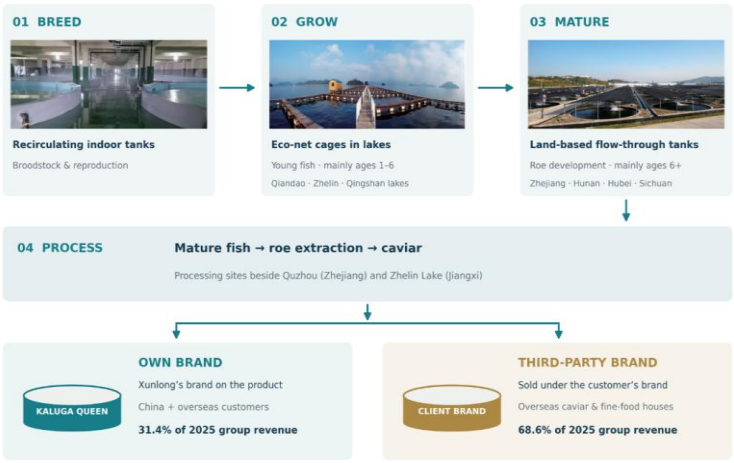
Fiscal Year	2025	2026	2027	2028	2029
Financial Estimates mRmb					
Revenue	769,006	905,754	1,088,639	1,277,751	1,474,732
EBITDA	449,100	531,678	645,563	762,817	883,365
EBIT	411,100	490,678	600,563	716,817	837,365
Net income	363,397	455,928	561,999	667,583	780,248
EPS	4.02	4.19	5.16	6.13	7.17
Growth					
Revenue	14.9%	17.8%	20.2%	17.4%	17.6%
EBITDA	58.4%	58.7%	59.3%	59.7%	59.9%
EBIT	53.5%	54.2%	55.2%	56.1%	56.8%
EPS	17.8%	4.0%	23.3%	18.8%	20.3%
Ratios					
ROE	19.7%	15.4%	15.2%	16.7%	17.6%
ROIC	21.8%	24.5%	28.3%	29.6%	29.7%
Dividend Payout	37.2%	46.1%	48.9%	48.7%	51.3%
Valuation					
P/B	-	1.3x	1.6x	1.6x	1.0x
PE	-	10.6x	8.6x	7.3x	6.2x
EV/EBITDA	-	7.1x	4.8x	4.0x	5.4x
EV/EBIT	-	7.7x	5.2x	4.3x	5.7x

Sources; CIC, company reports, UBS, own estimates

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Business Outlook

- Xunlong operates across the **entire caviar value chain**, from breeding and farming to processing and sales under Kaluga Queen or customers' brands. Its breeding resource bank holds over **100,000 broodstocks**, supporting future production. Locations are **selected for each life stage**: lake cages support early growth, controlled land-based facilities favour roe development, and nearby processing sites enable timely harvesting. This integration strengthens control over supply, product quality, and production costs.



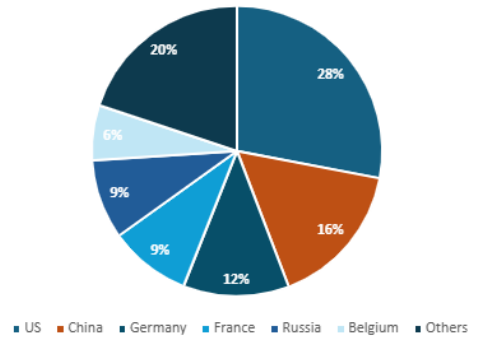
- The company's strengths combine market leadership, production scale, and global reach. According to company disclosures, it held **36.1% of the global caviar market in 2025**, over four times its closest competitor, and sold across **46 countries and regions**. Its **14,000+ tonnes of live fish stock** and annual survival rate above **97%** support supply capacity and farming efficiency. These advantages helped revenue reach **RMB769 million in 2025**, representing **15.4% annual growth since 2023**, the highest among the five largest global players.



Larger product mix (6) than industry (~2)



Geographic mix



- **Russian and hybrid sturgeon caviar remain the main growth drivers**, with combined revenue forecast to rise from **RMB632m in 2025 to RMB1,286m in 2029E**, a **19.5% CAGR**, supported by higher volumes and rising selling prices, particularly for hybrid caviar.

- **Kaluga, Beluga, Amur and Siberian are projected to grow from RMB66m to RMB103m**, driven by recovering Kaluga volumes and continued Beluga expansion, while Amur relies on price increases to offset declining volumes. Other caviar remains marginal at RMB0.5m by 2029E.

- Sturgeon meat revenue is expected to reach **RMB79m**, an **11.2% CAGR**, primarily reflecting higher volumes, with prices held flat after 2026.

Metric	2025	2026	2027	2028	2029
Revenue summary					
Caviar revenue	698,442	817,121	991,167	1,173,919	1,362,432
%YoY	*13.7%*	*17.0%*	*21.3%*	*18.4%*	*16.1%*
% total sales	*90.8%*	*90.2%*	*91.0%*	*91.9%*	*92.4%*
Sturgeon products rev	65,623	80,414	86,684	91,626	97,382
%YoY	*27.3%*	*22.5%*	*7.8%*	*5.7%*	*6.3%*
% total sales	*8.5%*	*8.9%*	*8.0%*	*7.2%*	*6.6%*
Other products revenue	4,941	8,219	10,788	12,206	14,918
Total revenue	769,006	905,754	1,088,639	1,277,751	1,474,732
%YoY	*14.9%*	*17.8%*	*20.2%*	*17.4%*	*15.4%*
Caviar volume (kg)	291,461	335,408	399,543	466,247	532,754
Sturgeon volume (kg)	2,230,883	2,613,510	2,839,734	3,024,261	3,220,920
Total volume (kg)	3,003,336	3,496,868	3,855,721	4,168,596	4,499,570

Sources; CIC, company reports, UBS, own estimates

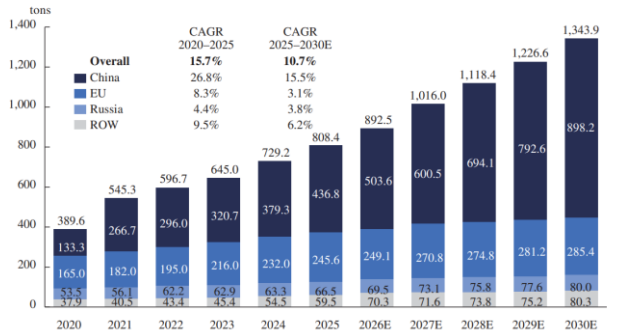
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Industry Outlook

Caviar consists of processed, lightly salted sturgeon roe; eggs from other fish species are substitutes rather than true caviar. Products differ by species, grain size, texture and flavour, with varieties including Beluga, Kaluga, Russian, Siberian and hybrid sturgeon. Historically associated with wild fisheries around the Caspian Sea with a peak at 1,988 tons in 1977, the **industry now relies predominantly on aquaculture**. This transition has **shifted production towards China** who has emerged as a global leader due to large-scale aquaculture and fine processing, while Europe and the US remain established consumption markets.

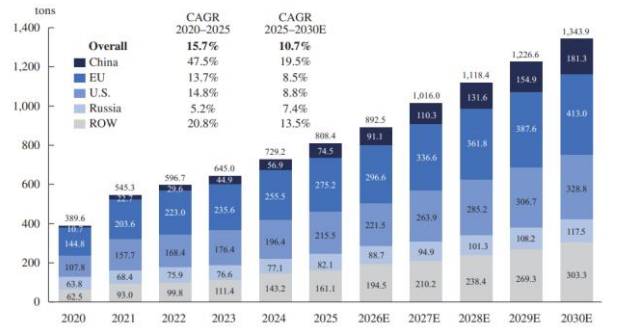
- According to the CIC estimates, **global caviar sales reached 808 tonnes in 2025** and are projected to reach **1,344 tonnes by 2030**, implying **10.7% annual volume growth**. China accounted for approximately **54% of global production in 2025**, making it the industry's principal supply base. These figures measure physical volumes, rather than retail market value.

Global caviar market size by production region, in terms of sales volume, 2020–2030E



- Consumption EU, Russia and the US remains the three biggest consummer of caviar, where demand mean **CAGR 25-30 is above 8%**. However, China per capita consumption at a level of 0.04 for the big three the average is around 0.55. Which mean that **China still have room**. Consumer's caviar perspective is now changing, from a niche luxury product to a refined everyday experience. Boost by diversification of the products and consumptions scenarios.
  Increasing popularization of caviar and economic growth drive the consumptions for Middle East, Japan APAC and South America (ROW) with an average CAGR 20-25 of 20,8%.

Global caviar market size by consumption region, in terms of sales volume, 2020–2030E



- **57,7% of the global caviar industry market share are constrain by the top-five caviar company.** China is leading the podium by taking the first and second place (44,1% total. It represents 357 tons of the 467 tons of the top-five companies production.

Company	Caviar Sales volume, 2025 (tons)	Market share in the global caviar market, 2025	Region
Xunlong Sci-tech - **Kaluga Queen**	292	36,1%	China
Sichuan Runzhao Fisheries - **Frosista**	65	8,0%	China
Antonius Caviar - **Goslawice**	50	6,2%	Poland
Agroittica Lombarda - **Calvisius Caviar**	35	4,3%	Italy
Sturgeon SAS - **Sturia**	25	3,1%	France
Top-five companies	467	57,8%	
Total market 2025	808	100%	

Long production cycles create a substantial barrier to entry. Producers must finance breeding, feed, facilities and specialized husbandry for years before a newly raised cohort generates caviar revenue. Maturity periods ranging from approximately **seven years for Siberian sturgeon to 15 for Kaluga and 20 for Beluga**, with harvesting dependent on roe development and precise timing. Throughout this period, disease, mortality and water-quality failures put accumulated investment at risk. Established producers such as **Xunlong benefit from existing stocks across multiple age groups, supporting successive harvests while new entrants build their production base**. Purchasing older fish can shorten the wait, but requires upfront capital and access to suitable supply.



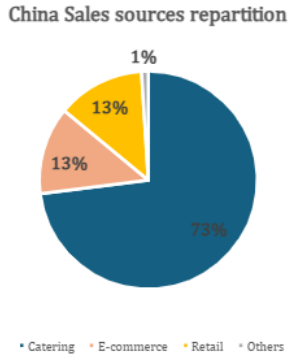
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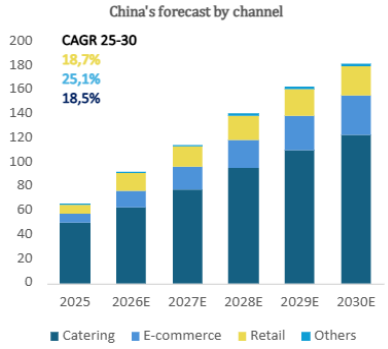
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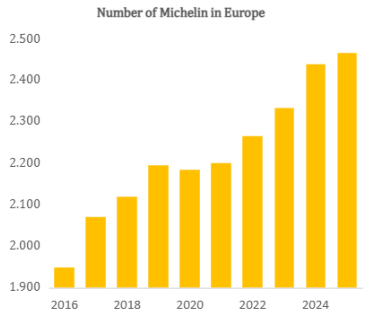
Markets Drivers – The consumption is changing, Luxury hospitality is driving the growth

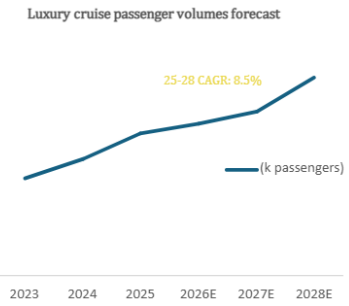
- Beyond product innovation, caviar consumption is **expanding from formal fine dining towards more casual occasions and at-home experiences.** Restaurants introduce new consumers to the category, while premium retail and e-commerce make repeat purchases easier. Online caviar sales volumes grew at **22.9% annually between 2020 and 2025**. McKinsey forecast a CAGR25-30 for ecom is 25,1% and 18,7% for retail. This broader access could increase purchase frequency and gradually **reduce the market's reliance on special occasions and traditional luxury consumers.**

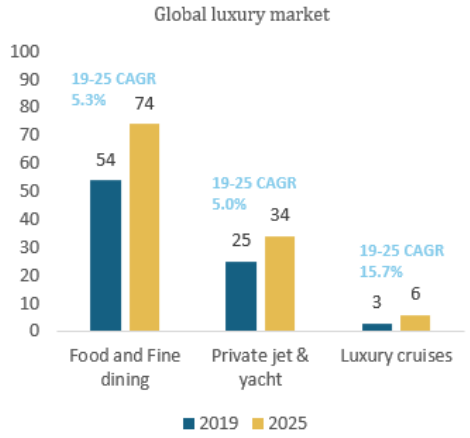




- **Luxury hospitality provides an additional growth** channel for caviar, through fine dining and luxury cruises. These venues introduce consumers to the product while supporting demand for premium ingredients. Michelin-starred restaurants reached in EU 2,460 and 3,932 worldwide in 2025, **up 8.9% year-on-year,** although this partly reflects the Guide's wider geographical coverage.







- As the demand and the customers are expanding altogether, that drives **product diversification**, recently we have seen a new fancy product, such as ice cream, chocolate or moon cake. **These new offers capture both Gen Z and mature consumers.**









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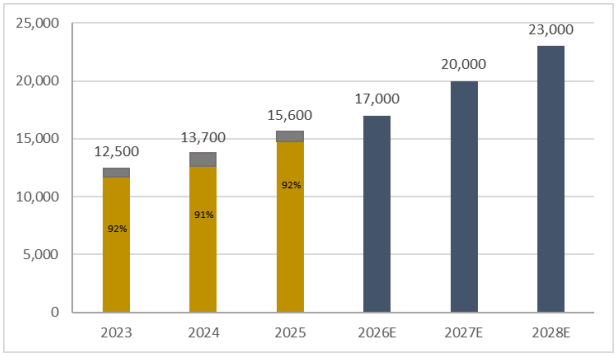
Expertise, Expansion, and Leverage. Perhaps, raw material costs must be followed

- **Xunlong knows and knows better**. Thanks to high investments in the previous years to build its leadership, Xunlong has achieved **key operating metrics** (egg-bearing ratio, survival rate and gender identification cycle) **well above industry average.**

Key metric	Xunlong	Industry average
Egg-bearing ratio	17%	~10%
Survival rate	97%	~90%
Gender identification cycle	~6 months	24-36 months

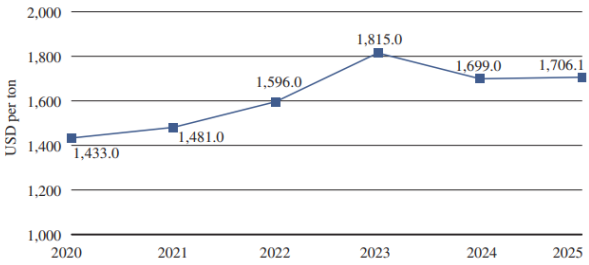
- As of 2025, utilization rates for sturgeon farming and caviar production reached 91.8% and 85.2%, respectively. Looking ahead, **Xunlong plans to open a new facility in Hubei**, it should **add 1,500 tons of farming capacity by Q3 2027**, with construction of three more facilities expected to begin in H2 2026, bringing total capacity to 23,000 tons in 2028. An additional 220 tonnes of caviar production capacity is expected by Q4 2026, providing a clear runway for medium-term volume growth.

Farming capacity utilization



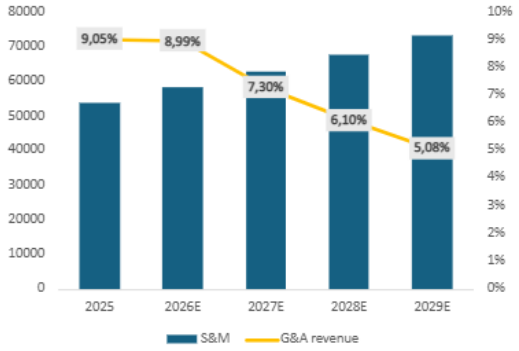
- **Raw material is the main cost.** Climate change and a decline of anchovy quota in Peru, the world's largest fishmeal exporter had impacted the price of fishmeal. But we forecast a flattening in the price, followed by an absorption capacity from Xunlong, due to its **positioning and main customer base that can absorb cost increase.**

Global fishmeal price, 2020–2025



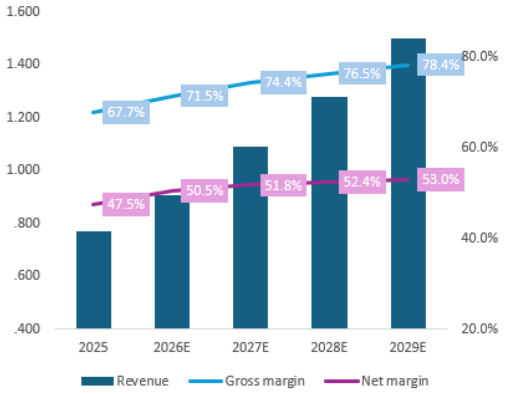
- **SG&A forecasts, operating leverage**. Xunlong's strategic penetration in different sales channels (Douyin +150% sales) requires investments in branding and marketing. In the other hand, due to the scalability of the business, we expect a slowdown in GA expenses.

Mixed impact of expenses



- We forecast gross margin to rise from **67.7% in 2025 to 78.4% in 2029E**, alongside net margin expansion from **47.3% to 53.0%**. Our assumptions reflect higher selling prices, greater contribution from branded products, pricing power, and operating leverage as production scales. Capacity expansion should support revenue growth, although **our forecasts imply stronger margin expansion than the gradual improvement described by the market.**

Margins and Revenues forecasts



Sources; CIC, company reports, UBS, own estimates

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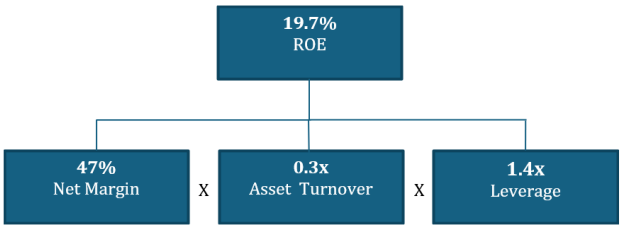
Earnings and Valuation – The market needs to treat Xunlong differently

Since the IPO of Xunlong, **the stock suffers of a -54% loss**. The street estimates the next dividend to be around 1.87 HKD per share.



- **Why the price decreased?** In fact, the market aversion of the global luxury market is the main factor. Additionally, China's consumer sector is slowing down the global economy of the country. But **we believe that Xunlong can be a key player for the sector** and take advantage of the potential rebound

- **What composed the return?** Xunlong's profitability rests on a **business model that takes years to replicate**. Asset turnover of 0.3x reflects capital tied up in long cycle. Once the expertise is established, the net margin rewards.



- **P/E remains low compared to peers, the market doesn't capture the growth**

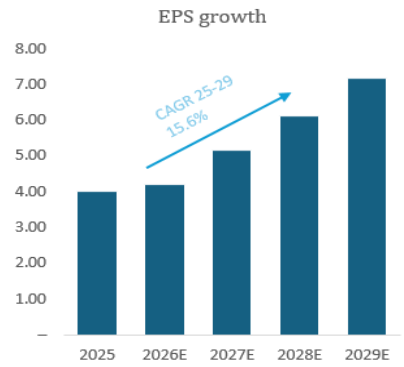
  Xunlong trades at 10.6x 2026E earnings, compared with averages of **16.6x for aquaculture peers,** 23.7x for premium consumer companies and 23.3x for condiment producers. These groups reflect its combination of aquaculture operations and premium food positioning. We believe its integrated production model, strong profitability and barriers to entry support a narrower discount to peers, while biological risks and its developing consumer brand warrant a discount to established premium businesses.

VALUATION	
Total actualised FCFF	1,394,469.0
Terminal value (year 5 end)	6,302,839.4
Terminal Value actualised	3,885,228.8
Entreprise Value	5,279,697.8
Equity Value	6,776,625.8
Equity value per share	**62.24**
Target vs actual	**39.9%**



Our DCF applies a **10.2% WACC**, based on a 6.0% risk-free rate, a 5.2% equity risk premium and a beta of 0.80, with no debt weighting. We also assume terminal growth of 2.5%, to reflect a gradual transition towards a more mature growth profile. The model yields a value of **62.24 per share** and **39.9% upside.**

- **Earnings growth is a key driver of Xunlong's investment case.** We forecast EPS to rise from **RMB 4.02 in 2025 to RMB 7.17 in 2029, representing a 15.6% CAGR.** Higher caviar sales volumes, an improving product mix and operating leverage underpin this growth, although marketing expenditure and capacity expansion could limit margin gains. Delivering these forecasts would strengthen the earnings base supporting our valuation.



Sources; CIC, company reports, UBS, own estimates

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Appendix

Revenue breakdown by product

Fiscal Year	2025	2026	2027	2028	2029
REVENUE BUILD BY PRODUCT					
Hybrid sturgeon caviar					
Sales volume (kg)	87,506	99,753	113,120	126,694	141,898
Average selling price (RMB/kg)	2496.00	2600.00	2714.40	2833.83	2958.52
Revenue (RMB thousands)	**218,397**	**259,358**	**307,053**	**359,031**	**419,807**
%YoY	*13.8%*	*18.8%*	*18.4%*	*16.9%*	*16.9%*
Share of total revenue	*28.4%*	*28.6%*	*28.2%*	*28.1%*	*28.5%*
Russian sturgeon caviar					
Sales volume (kg)	188,221	218,345	267,254	319,102	369,000
Average selling price (RMB/kg)	2196.00	2205.00	2234.00	2256.00	2274.00
Revenue (RMB thousands)	**413,331**	**481,451**	**597,046**	**719,893**	**839,106**
%YoY	*22.0%*	*16.5%*	*24.0%*	*20.6%*	*16.6%*
Share of total revenue	*53.7%*	*53.2%*	*54.8%*	*56.3%*	*56.9%*
Kaluga caviar					
Sales volume (kg)	8,999	10,252	11,754	12,630	13,577
Average selling price (RMB/kg)	3664.00	3769.00	3780.00	3791.34	3802.71
Revenue (RMB thousands)	**32,976**	**38,640**	**44,430**	**47,885**	**51,630**
Share of total revenue	*4.3%*	*4.3%*	*4.1%*	*3.7%*	*3.5%*
Beluga caviar					
Sales volume (kg)	2,980	3,350	3,786	4,221	4,706
Average selling price (RMB/kg)	7486.00	7645.00	7874.35	7953.09	8032.62
Revenue (RMB thousands)	**22,309**	**25,611**	**29,808**	**33,569**	**37,803**
Share of total revenue	*2.9%*	*2.8%*	*2.7%*	*2.6%*	*2.6%*
Amur sturgeon caviar					
Sales volume (kg)	2,703	2,659	2,580	2,541	2,503
Average selling price (RMB/kg)	3283.00	3560.00	3951.60	4267.73	4523.79
Revenue (RMB thousands)	**8,874**	**9,466**	**10,195**	**10,846**	**11,324**
Share of total revenue	*1.2%*	*1.0%*	*0.9%*	*0.8%*	*0.8%*

Fiscal Year	2025	2026	2027	2028	2029
Siberian sturgeon caviar					
Sales volume (kg)	941	923	918	923	928
Average selling price (RMB/kg)	2332.00	2359.00	2382.59	2406.42	2430.48
Revenue (RMB thousands)	**2,194**	**2,177**	**2,188**	**2,221**	**2,254**
Share of total revenue	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Other caviar					
Sales volume (kg)	111	126	131	136	142
Average selling price (RMB/kg)	3246.00	3322.00	3405.05	3490.18	3577.43
Revenue (RMB thousands)	**361**	**419**	**446**	**476**	**507**
Share of total revenue	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Sturgeon meat					
Sales volume (kg)	1,458,505	1,756,365	1,896,874	2,010,687	2,131,328
Average selling price (RMB/kg)	35.00	37.00	37.00	37.00	37.00
Revenue (RMB thousands)	**51,543**	**64,986**	**70,184**	**74,395**	**78,859**
Share of total revenue	*6.7%*	*7.2%*	*6.4%*	*5.8%*	*5.3%*
Processed sturgeon products					
Sales volume (kg)	772,378	857,145	942,860	1,013,574	1,089,592
Average selling price (RMB/kg)	18.00	18.00	17.50	17.00	17.00
Revenue (RMB thousands)	**14,080**	**15,429**	**16,500**	**17,231**	**18,523**
Share of total revenue	*1.8%*	*1.7%*	*1.5%*	*1.3%*	*1.3%*
Others					
Sales volume (kg)	480,992	547,950	616,444	678,088	745,897
Average selling price (RMB/kg)	10.00	15.00	17.50	18.00	20.00
Revenue (RMB thousands)	**4,941**	**8,219**	**10,788**	**12,206**	**14,918**
Share of total revenue	*0.6%*	*0.9%*	*1.0%*	*1.0%*	*1.0%*

Valuation assumptions

HYPOTHESIS	
Risk free rate	6.0%
Premium	5.2%
Beta	0.80
Cost of equity	**10.2%**
Cost of debt	**4.2%**
Weight of Equity	100.0%
Weight of Debt	0.0%
WACC	**10.2%**
Terminal Growth (g)	2.5%
Net Debt	1,577,928.0
Diluted Shares (k)	108,885.6
Stock price	**44.50**
Minority and prefered (+)	81,000.0

COMPARABLES TABLE	P/E 26E
Xunlong	**10.6x**
Mowi	17.1x
Haid	21.6x
SalMar	22.2x
Austevoll Seafood	11.6x
Global Aquaculture mean	**16.6x**
Hermes	28.2x
LVMH	17.5x
Remy Cointreau	29.6x
Richemont	23.4x
Moutai	19.9x
Premium consumer mean	**23.7x**
Heinz Kraft	12.1x
Kikkoman	26.2x
Ajinomoto	39.3x
McCormick	15.6x
Global condiment mean	**23.3x**

Bloomberg consensus

CASH-FLOWS FORECAST	2026E	2027E	2028E	2029E	2030E
EBIT excluding biological asset FV adj	459,277	617,223	777,035	968,568	1,016,996
Tax rate	17.5%	17.5%	17.5%	17.5%	17.5%
Income Tax	80,373.4	108,014.0	135,981.2	169,499.4	177,974.4
NOPAT	378,903.3	509,208.7	641,054.0	799,068.5	839,021.9
D&A (+)	39,000	43,000	46,000	48,000	52,000
Capex (–)	77,000	78,000	76,000	75,000	75,000
NWC change (-)	78,000	123,000	245,000	327,000	345,000
FCFF	**262,903.3**	**351,208.7**	**366,054.0**	**445,068.5**	**471,021.9**
Actualisation Factor	0.908x	0.824x	0.748x	0.679x	0.616x
Actualised FCFF	238,655.9	289,412.6	273,825.2	302,225.5	290,349.8

Sources; CIC, company reports, UBS, own estimates

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