

Eastroc Beverage (605499.SS): 1Q25 Results First Take: Sales/NP solid beat, non-energy drinks accelerate; Buy

On Apr 15, Eastroc announced 1Q25 results, delivering revenue/net profits of Rmb4,848mn/980mn, up 39%/48% yoy, a solid beat vs. GSe of Rmb4,527mn/Rmb895mn.

By product segment, Eastroc achieved revenue from energy drinks/Bushuila/other drinks of Rmb3.9bn/0.57bn/0.37bn in 1Q25 (up 26%/261%/73% yoy), with Bushuila (electrolyte water)/other drinks sales mix up by 7.2pp/1.5pp yoy to 11.8%/7.7% of total, respectively. The overall GPM was up 1.7pp yoy to 44.5% in 1Q25 (1.1ppt above GSe of 43.4%), mainly driven by lower raw material prices. SG&A expense ratio was down 0.9ppt yoy to 19.5% in 1Q25, in line with GSe of 19.5%.

Revenue by segment: 1Q25 sales grew by 39%, showing strong sales demand across categories: In 1Q25, the biggest category energy drinks grew 26% yoy to Rmb3.9bn, (vs. 19% yoy in 4Q24). Bushuila (electrolyte water)/other drinks grew by 261%/73% yoy to Rmb0.57bn/0.37bn in 1Q25, vs. 237%/11% yoy in 4Q24.

Profit margins: In 1Q25, company delivered an overall GPM of 44.5%, up 1.7pp yoy. The operating profit was up 54% yoy in 1Q25, with the OPM up 2.4pp. The selling expense ratio was down 0.4pp yoy in 1Q25 on operating leveraging and admin expense ratio declined by 0.4pp yoy respectively.

Net profit grew by 48% in 1Q25, (vs. 61% yoy 4Q24). The NP margin was up 1.1pp yoy in 1Q25, mainly driven by GPM improvement from commodity tailwinds, and savings in opex from operating leveraging. The effective tax rate was 21% in 1Q25, 0.5pp lower yoy, vs. GSe of 20pp.

Customer advance grew by 44% yoy to Rmb3,870mn; cash received from sales grew by 19% to Rmb4,863mn (we note that it recorded a 74% growth yoy in 4Q24); while OCF declined by 27% yoy (up 117% in 4Q24).

The solid result beat echos well with our investment thesis of strong product cycle for energy drinks and continued solid channel penetration for other beverages as we discussed in our 1Q preview. Reiterate Eastroc as Buy in our Beverage/Staple coverage.

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Exhibit 1: Act vs. GSe

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Eastroc Beverage

	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25		
Summary P&L (Rmb mn)	Actual	Actual	Actual	Actual	Actual	GSe	Diff	yoy
Total revenues	3,482	4,391	4,685	3,281	4,848	4,527	7%	39%
COGS	(1,993)	(2,369)	(2,539)	(1,841)	(2,692)	(2,562)	5%	35%
Gross profit	1,489	2,022	2,146	1,440	2,156	1,965	10%	45%
SG&A	(710)	(738)	(970)	(751)	(946)	(883)	7%	33%
Selling expense	(596)	(629)	(837)	(619)	(809)	(751)	8%	36%
Admin expense	(114)	(109)	(134)	(132)	(137)	(131)	4%	20%
Other operating expenses, net	(10)	(61)	(26)	(31)	(23)	(21)	11%	132%
EBIT	770	1,223	1,150	658	1,187	1,061	12%	54%
Depreciation	(81)	(81)	(81)	(81)	(81)	(81)	0%	0%
Amortization	(4)	(4)	(4)	(4)	(4)	(4)	0%	0%
EBITDA	855	1,309	1,236	744	1,273	1,147	11%	49%
Net interest income/(expense)	45	59	30	56	18	40	-55%	-60%
Non-operating income/(loss)	15	30	32	40	28	18	57%	88%
Pre-tax profit	830	1,312	1,212	753	1,233	1,119	10%	49%
Provision for taxes	(166)	(246)	(235)	(134)	(253)	(223)	13%	53%
Minority interest	-	-	-	0	0	-		
Net income	664	1,067	977	619	980	895	9%	48%
YoY Growth %								
Sales	39.8%	47.9%	47.3%	25.1%	39%	30%		
Gross profit	37.4%	59.3%	62.5%	22.3%	45%	32%		
EBIT	26.7%	73.3%	89.6%	43.1%	54%	38%		
EBITDA	30.9%	74.0%	89.3%	46.9%	49%	34%		
NPAT	33.5%	74.6%	78.4%	61.2%	48%	35%		
Margin analysis								
Gross margin	42.8%	46.1%	45.8%	43.9%	44.5%	43.4%	1.1ppt	1.7ppt
EBITDA margin	24.6%	29.8%	26.4%	22.7%	26.2%	25.3%	0.9ppt	1.7ppt
EBIT margin	22.1%	27.8%	24.5%	20.1%	24.5%	23.4%	1.0ppt	2.4ppt
Pre-tax profit margin	23.8%	29.9%	25.9%	23.0%	25.4%	24.7%	0.7ppt	1.6ppt
Net profit margin	19.1%	24.3%	20.8%	18.9%	20.2%	19.8%	0.4ppt	1.1ppt
SG&A	20.4%	16.8%	20.7%	22.9%	19.5%	19.5%	0.0ppt	-0.9ppt
Selling expense ratio	17.1%	14.3%	17.9%	18.9%	16.7%	16.6%	0.1ppt	-0.4ppt
Admin expense ratio	3.3%	2.5%	2.9%	4.0%	2.8%	2.9%	-0.1ppt	-0.4ppt
Effective tax rate	(20%)	(19%)	(19%)	(18%)	(21%)	(20%)	-0.6ppt	-0.5ppt
Customer advance	2,688	2,501	2,380	4,761	3,870			
yoy	59%	35%	24%	83%	44%			
Cash received from sales	4,096	4,789	5,107	6,439	4,863			
yoy	39%	35%	38%	74%	19%			
OCF	860	1,408	768	2,754	631			
yoy	19%	145%	7%	117%	(27%)			

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Eastroc Operating Data Summary

Operation data									
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Revenue									
Energy drinks	2,383	2,752	2,859	2,342	3,103	3,752	3,652	2,797	3,901
yoy %	25%	24%	26%	32%	30%	36%	28%	19%	26%
Non-energy drinks	106	214	320	275	375	632	1,015	496	945
yoy %	14%	193%	325%	253%	255%	195%	217%	81%	152%
As % of total revenue	4.2%	7.2%	10.1%	10.5%	10.8%	14.4%	21.7%	15.1%	19.5%
Major business total	2,489	2,966	3,179	2,617	3,478	4,384	4,667	3,293	4,845
Guangdong	842	1,038	1,060	822	925	1,189	1,312	933	1,125
Other parts of China	1,417	1,671	1,791	1,350	2,139	2,558	2,631	1,681	3,087
Number of distributors	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Offline	2,375	2,328	2,327	2,485	2,410	2,366	2,369	2,536	2,563
DTC & Online	418	468	453	496	502	616	624	657	681
Sales per distributor mn									
Offline		1.11	1.21	0.85	1.27	1.58	1.66	1.03	1.64
DTC & Online		0.80	0.80	1.00	0.82	1.03	1.16	1.03	0.93
Number of POS mn				3.30		3.60		4.00	
Revenue (quarterly)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Energy Drinks	2,383	2,752	2,859	2,342	3,103	3,752	3,652	2,797	3,901
yoy %	25%	24%	26%	32%	30%	36%	28%	19%	26%
Bushuila			184	84	158		735	284	570
yoy %							300%	237%	261%
Other drinks			136	190	217		281	211	375
yoy %							107%	11%	73%
All other drinks			320	275	375		1,016	495	945
							218%	80%	152%
Mix									
Energy Drinks			90%	89%	89%		78%	85%	80%
All other drinks			10%	10%	11%		22%	15%	19%
Bushuila			6%	3%	5%		16%	9%	12%
Other drinks			4%	7%	6%		6%	6%	8%

1Q24 sales of energy drinks and other drinks/Guangdong and other parts of China allocation have been restated by less than 0.1%/0.5%; we include new disclosure of 1Q24 in above table.

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Eastroc Beverage

We are Buy rated on Eastroc with a 12-month TP of Rmb286, based on a 30X 2026E P/E discounted back to end-2025E, with reference to historical average P/E of Monster Beverage in 2017-2019 when Red Bull was losing share in the US.

Key risks: 1) Lower industry growth in energy drinks, 2) worse competitive landscape, 3) failure/slower ramp-up of Eastroc's new product launches, 4) potential capacity shortage with already high utilization ratio, 5) higher increases in raw material costs, 6) slower geographical expansion of Eastroc, 7) slower POS penetration/ deployment of fridges, and 8) reputational risks.

605499.SS	12m Price Target: Rmb286.00	Price: Rmb267.58	Upside: 6.9%
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Buy		GS Forecast			
Market cap: Rmb139.1bn / \$19.1bn Enterprise value: Rmb138.5bn / \$19.0bn 3m ADTV: Rmb654.2mn / \$89.9mn China China Consumer Staples M&A Rank: 3 Leases incl. in net debt & EV?: No	Revenue (Rmb mn)	12/24	12/25E	12/26E	12/27E
	EBITDA (Rmb mn)	15,838.9	20,297.7	24,487.0	28,904.2
	EPS (Rmb)	4,143.1	5,481.9	6,782.8	8,233.0
	P/E (X)	6.40	8.35	10.37	12.44
	P/B (X)	27.5	32.0	25.8	21.5
	Dividend yield (%)	11.9	15.4	13.0	11.0
	N debt/EBITDA (ex lease,X)	2.5	2.2	2.7	3.2
	CROCI (%)	0.2	(0.1)	(0.2)	(0.4)
	FCF yield (%)	42.1	46.0	53.2	59.7
		4.5	2.2	2.9	4.3
	EPS (Rmb)	12/24	3/25E	6/25E	9/25E
		1.19	1.72	2.64	2.42

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 15 Apr 2025 close.

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