

Eastroc Beverage (605499.SS): Earnings Review: Investing for growth with robust momentum of new products and regional expansion; Buy

On July 25, Eastroc announced **1H25 results** with sales/NP growing at +34%/+31% yoy in 2Q, in line with the mid-point of its preliminary results. We attended the results briefing on July 29, and **key takeaways include:** **1) 1H25 Review:** For product diversification, Guozhicha has reached c.1.8mn+ PoS, as 40%+ of total PoS coverage (c.4.2mn as of end-2Q), riding on the organic growth trend with little advertising push. For channels, the company has already completed the full-year refrigerator addition target (adding 80-100k, net) within 1H25 (installation base increased to c.400k vs. c.300k at end-2024) to capitalize on peak season demand given observed better-than-expected performance of new products in 1H25. **2)**

Growth outlook: Company will continue doubling down on scale driven by energy drink's regional expansion (esp. in north China)/new customer groups penetration (white collar/students) and beverage's growth leveraging channel cross-selling, per the mgmt. **Company emphasizes that the top priority is driving healthy retail momentum for energy drink, Bushuila and new products while expecting a relatively stable margin profile.** Into 2H25, the company expects to maintain branding investment, i.e. continued advertising/sponsorship for Bushuila and potentially rising marketing for Guozhicha, with help from sugar cost tailwinds (despite missing PET benefits on full-year price locks) and lighter refrigerator investments (front-loaded to 1H25). **3) International expansion** as a growth lever targeting the next 3-5 years and beyond: Southeast Asia (esp. Indonesia) stands out as the flagship market with local plant site selection underway. The company has made notable progress in pivoting to deeper partnerships with local distributors/conglomerates in Southeast Asia.

Key corporate strategies:

- **Response to heightened competition in beverage landscape:** Mgmt views the intensified competition in beverage market as an accepted normal for the company. Mgmt is confident in the company's steady, disciplined expansion of energy drinks underpinned by its established market position, complemented by new product cultivation.
- **Regional expansion:** Northern China is emerging as a growth engine (sales growing by 70%+ yoy off a relatively low base), with the company expanding PoS coverage and local production. Company takes Tianjin and Beijing as the core markets and launched intensified sales campaigns that drive significant

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share gains. The company looks to replicate the approach (deepen channels and regional-specific marketing) in core markets to more adjacent regions. By product, energy drinks are leading the charge in enhancing national footprints outside Guangdong, with Bushuila and Guozhicha to add diversity. Guozhicha is currently promoted nationwide, seeing notable momentum in Guangdong and Guangxi. The company has also launched capacity expansion plans for four existing factories (in Anhui/Nanning/Chongqing/Changsha) to meet rising demand and ensure more cost-effective distribution to make inroads nationwide.

- **New products:** Management sees significant headroom for Guozhicha to scale, citing robust organic growth since its Feb launch despite minimal advertising spend. Mgmt attributes this momentum to stronger channel profitability and targeted customer promotions, together with its strong value-for-money & packaging differentiation vs. incumbents that helps it both take share from incumbents and generate incremental demand. Mgmt is confident that Guozhicha is well-positioned to unlock even greater upside given increased marketing investment and broader PoS coverage in the future.

Earnings revisions: We fine-tune our topline estimates by within 1% in 2025-27E factoring in slower growth in energy drinks vs. our expectation, offset by stronger momentum in Bushuila. We cut our SG&A expense ratio estimates by c.1pp in 2025-27E considering lower-than-expected expense ratio in 1H25 even including front-loaded refrigerator investments. Consequently, our earnings estimates are largely unchanged, considering the GPM drag on lifted beverage growth offsets expense savings. **Our 12-m TP is unchanged at Rmb351** as our estimate revisions are minor, with other assumptions unchanged. The stock is trading at 33x/26x 2025E/26E P/E vs. 28% 2024-27E NP growth. Reiterate Buy.

Exhibit 1: Quarterly financial summary

Consolidated P/L (Rmb mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E
Revenue	8,505	11,263	15,839	21,258	26,219	30,918	3,482.2	4,391.1	4,685.0	3,280.6	4,848.1	5,888.6	6,371.6	4,149.6
COGS	-4,905	-6,412	-8,742	-11,688	-14,275	-16,728	-1,992.8	-2,368.9	-2,539.0	-1,840.8	-2,692.2	-3,197.2	-3,459.8	-2,338.6
GP	3,600	4,851	7,097	9,570	11,943	14,191	1,489.3	2,022.2	2,146.0	1,439.8	2,155.9	2,691.3	2,911.8	1,811.0
SG&A (excl. other rev/exp)	(1,841)	(2,500)	(3,329)	(4,260)	(5,123)	(5,933)	-746.5	-785.6	-1,009.9	-787.2	-992.5	-1,089.8	-1,292.9	-884.7
Selling Exp.	(1,449)	(1,956)	(2,681)	(3,464)	(4,168)	(4,838)	-595.9	-629.1	-836.9	-619.2	-808.8	-872.8	-1,083.2	-699.8
Admin Exp.	(299)	(423)	(488)	(581)	(690)	(783)	-113.7	-109.1	-133.5	-131.9	-136.9	-154.5	-152.9	-136.6
OP	1,759	2,351	3,768	5,310	6,820	8,258	743	1,237	1,136	653	1,163	1,602	1,619	926
Other income/expenses	12	28	32	55	39	43	26.7	-13.8	13.9	5.2	23.3	54.0	-1.4	-20.9
EBIT (reported)	1,771	2,379	3,800	5,365	6,859	8,300	769.5	1,222.8	1,149.9	657.8	1,186.8	1,655.5	1,617.5	905.4
D&A	(224)	(254)	(343)	(417)	(510)	(744)								
EBITDA	1,995	2,633	4,143	5,782	7,369	9,045	769.5	1,222.8	1,149.9	657.8	1,186.8	1,655.5	1,617.5	905.4
Net Finance Exp.	-41	-2	191	161	216	238	45.1	59.4	30.5	55.6	18.1	46.2	25.5	71.4
Other Non-Op Income	106	202	117	131	131	131	15	30	32	40	28	67	35	2
Profit Before Tax	1,836	2,579	4,107	5,658	7,207	8,670	829.7	1,312.2	1,212.0	753.3	1,233.2	1,768.4	1,677.6	978.5
Tax	-395	-539	-781	-1,132	-1,441	-1,734	-165.8	-245.5	-235.2	-134.3	-253.2	-373.8	-328.8	-175.7
Minority Interest	0	0	0	0	0	0	0.0	0.0	0.0	0.3	0.1	0.2	0.0	0.0
NPAT to shareholders	1,441	2,040	3,327	4,526	5,766	6,936	663.9	1,066.7	976.8	619.3	980.0	1,394.7	1,348.8	802.8
One-off's after tax														
Recurring NPAT	1,441	2,040	3,327	4,526	5,766	6,936	663.9	1,066.7	976.8	619.3	980.0	1,394.7	1,348.8	802.8
EPS - Basic (Rmb/Sh)	2.77	3.92	6.40	8.70	11.09	13.34	1.28	2.05	1.88	1.19	1.88	2.68	2.59	1.54
EPS - Diluted (Rmb/Sh)	2.77	3.92	6.40	8.70	11.09	13.34	1.28	-	1.88	1.19	1.88	2.68	2.59	1.54
Growth														
Sales	22%	32%	41%	34%	23%	18%	40%	48%	47%	25%	39%	34%	36%	26%
GP	16%	35%	46%	35%	25%	19%	37%	59%	63%	22%	45%	33%	36%	26%
SG&A	6%	36%	33%	28%	20%	16%	47%	30%	44%	15%	33%	39%	28%	12%
Selling Exp.	6%	35%	37%	29%	20%	16%	53%	33%	50%	16%	36%	39%	29%	13%
Admin Exp.	2%	41%	15%	19%	19%	13%	25%	11%	19%	9%	20%	42%	15%	4%
Operating profit (GP less SG&A)	30%	34%	60%	41%	28%	21%	29%	86%	84%	32%	57%	30%	43%	42%
EBIT	20%	34%	60%	41%	28%	21%	27%	73%	90%	43%	54%	35%	41%	38%
Reported NPAT	21%	42%	63%	36%	27%	20%	34%	75%	78%	61%	48%	31%	38%	30%
Recurring NPAT	21%	42%	63%	36%	27%	20%								
Margins														
GP margin	42.3%	43.1%	44.8%	45.0%	45.6%	45.9%	42.8%	46.1%	45.8%	43.9%	44.5%	45.7%	45.7%	43.6%
Operating profit (GP less SG&A)	20.7%	20.9%	23.8%	25.0%	26.0%	26.7%	21.3%	28.2%	24.2%	19.9%	24.0%	27.2%	25.4%	22.3%
EBIT margin	20.8%	21.1%	24.0%	25.2%	26.2%	26.8%	22.1%	27.8%	24.5%	20.1%	24.5%	28.1%	25.4%	21.8%
Reported NPAT margin	16.9%	18.1%	21.0%	21.3%	22.0%	22.4%	19.1%	24.3%	20.8%	18.9%	20.2%	23.7%	21.2%	19.3%
Selling expense/Sales	-17.0%	-17.4%	-16.9%	-16.3%	-15.9%	-15.6%	-17.1%	-14.3%	-17.9%	-18.9%	-16.7%	-14.8%	-17.0%	-16.9%
Admin expense/Sales	-3.5%	-3.8%	-3.1%	-2.7%	-2.6%	-2.5%	-3.3%	-2.5%	-2.9%	-4.0%	-2.8%	-2.6%	-2.4%	-3.3%
SG&A/Sales	-21.6%	-22.2%	-21.0%	-20.0%	-19.5%	-19.2%	-21.4%	-17.9%	-21.6%	-24.0%	-20.5%	-18.5%	-20.3%	-21.3%
Effective Tax Rate	-22%	-21%	-19%	-20%	-20%	-20%	-20%	-19%	-19%	-18%	-21%	-20%	-18%	-18%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Quarterly sales breakdown summary

Revenue (quarterly)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E
Energy Drinks	2,383	2,752	2,859	2,342	3,103	3,752	3,652	2,797	3,901	4,460	4,492	3,347
yo% %	25%	24%	26%	32%	30%	36%	28%	19%	26%	19%	23%	20%
Bushuila		184	84	158	318	735	284	570	923	1,150	377	
yo %												
Other drinks		136	190	217	314	281	211	375	503	730	407	
yo %												
All other drinks		320	275	375	632	1,016	495	945	1,425	1,880	784	
Mix												
Energy Drinks		90%	89%	89%	85%	78%	85%	80%	76%	70%	81%	
All other drinks		10%	10%	11%	14%	22%	15%	19%	24%	30%	19%	
Bushuila		6%	3%	5%	7%	16%	9%	12%	16%	18%	9%	
Other drinks		4%	7%	6%	7%	6%	6%	8%	9%	11%	10%	

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Earnings Revision

New vs. Old

Eastroc Beverage (605499.SS)									
Summary P&L (Rmb mn)	New			Old			% Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Total revenues	21,258	26,219	30,918	21,367	26,203	30,804	-0.5%	0.1%	0.4%
Energy drinks	16,200	19,440	22,356	16,727	20,072	23,083	-3.1%	-3.1%	-3.1%
Other beverage	5,034	6,746	8,517	4,617	6,098	7,675	9.0%	10.6%	11.0%
Bushuila	3,020	4,077	5,157	2,600	3,458	4,374	16.2%	17.9%	17.9%
Other beverages	2,014	2,669	3,360	2,017	2,640	3,301	-0.1%	1.1%	1.8%
COGS	11,688	14,275	16,728	11,603	14,080	16,448	0.7%	1.4%	1.7%
GP	9,570	11,943	14,191	9,764	12,123	14,356	-2.0%	-1.5%	-1.2%
Energy drinks	8,240	9,936	11,415	8,351	10,071	11,570	-1.3%	-1.3%	-1.3%
Other beverage	1,313	1,984	2,743	1,396	2,028	2,754	-5.9%	-2.2%	-0.4%
SG&A	4,260	5,123	5,933	4,500	5,387	6,225	-5.3%	-4.9%	-4.7%
Other operating expenses, net	(55)	(69)	(43)	(55)	(69)	(43)	56.0%	-0.8%	-0.6%
EBITDA	5,782	7,369	9,045	5,710	7,274	8,864	1.3%	1.3%	2.0%
Depreciation	393	477	701	387	463	646	1.5%	2.9%	8.5%
Amortization	24	33	43	24	33	43	-0.1%	-0.1%	-0.1%
EBIT (Operating profit)	5,365	6,859	8,300	5,299	6,774	8,174	1.2%	1.2%	1.5%
Interest income	292	348	370	292	353	378	0.0%	-1.6%	-2.1%
Interest expense	131	131	131	131	131	131	0.0%	0.0%	0.0%
Net interest income/(expense)	(161)	(216)	(238)	(161)	(222)	(246)	0.0%	-2.5%	-3.2%
Investment gains/losses	110	110	110	110	110	110	0.0%	0.0%	0.0%
Non-operating income/(loss)	(37)	(37)	(37)	(37)	(37)	(37)	0.0%	0.0%	0.0%
Pre-tax profit (Income before tax)	5,658	7,207	8,670	5,592	7,128	8,552	1.2%	1.1%	1.4%
Provision for taxes	1,132	1,441	1,734	1,063	1,355	1,626	6.4%	6.4%	6.7%
Effective tax rate	20%	20%	20%	19%	19%	19%	5.2%	5.2%	5.2%
Net income	4,526	5,766	6,936	4,529	5,773	6,926	-0.1%	-0.1%	0.1%
Basic EPS (Rmb)	8.70	11.09	13.34	8.71	11.10	13.32	-0.1%	-0.1%	0.1%
YoY	36%	27%	20%	36%	27%	20%			
Growth analysis									
Total revenues	34%	23%	18%	35%	23%	18%			
Energy drinks	22%	20%	15%	26%	20%	15%			
Other beverage	100%	34%	26%	83%	32%	26%			
GP	35%	25%	19%	38%	24%	18%			
Energy drinks	28%	21%	15%	30%	21%	15%			
Other beverage	95%	51%	38%	108%	45%	36%			
OP	41%	28%	21%	39%	28%	21%			
NP	36%	27%	20%	36%	27%	20%			
Margin analysis									
Gross margin	45.0%	45.6%	45.9%	45.7%	46.3%	46.6%	-0.7%	-0.7%	-0.7%
Energy drinks	50.5%	51.1%	51.1%	49.9%	50.2%	50.1%	0.9%	0.9%	0.9%
Other beverage	26.1%	23.4%	27.2%	30.2%	33.3%	35.9%	-4.2%	-3.8%	-3.7%
EBITDA margin	27.2%	28.1%	29.3%	26.7%	27.7%	28.8%	0.5%	0.4%	0.5%
SG&A	19.8%	18.4%	19.1%	20.9%	20.4%	20.1%	-1.1%	-1.0%	-1.0%
Operating profit margin	25.2%	26.2%	26.8%	24.8%	25.9%	26.5%	0.4%	0.3%	0.3%
Pre-tax profit margin	36.8%	27.5%	28.0%	26.2%	27.2%	27.8%	0.4%	0.3%	0.3%
Net profit margin	21.3%	22.0%	22.4%	21.2%	22.0%	22.5%	0.1%	0.0%	-0.1%

Source: Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Eastroc Beverage

We are Buy rated on Eastroc with a 12-month TP of Rmb351, based on a 33X 2026E P/E discounted back to mid-2026E at a CoE of 8.9%, with reference to 2024-to-1H25 average P/E of its global fast-growing beverage peers Monster Beverage, Celsius, and Vita Coco.

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: Rmb351.00	Price: Rmb286.72	Upside: 22.4%
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Buy	GS Forecast	12/24	12/25E	12/26E	12/27E
Market cap: Rmb149.1bn / \$20.8bn	Revenue (Rmb mn) New	15,838.9	21,257.8	26,218.7	30,918.2
Enterprise value: Rmb148.4bn / \$20.7bn	Revenue (Rmb mn) Old	15,838.9	21,367.1	26,202.8	30,803.7
3m ADTV: Rmb630.6mn / \$87.7mn	EBITDA (Rmb mn)	4,143.1	5,782.3	7,368.6	9,044.6
China China Consumer Staples	EPS (Rmb) New	6.40	8.70	11.09	13.34
M&A Rank: 3	EPS (Rmb) Old	6.40	8.71	11.10	13.32
Leases incl. in net debt & EV?: No	P/E (X)	27.5	32.9	25.9	21.5
	P/B (X)	11.9	16.4	13.7	11.5
	Dividend yield (%)	2.5	2.1	2.7	3.2
	CROCI (%)	42.1	48.0	55.9	58.0
		3/25	6/25	9/25E	12/25E
	EPS (Rmb)	1.88	2.68	2.59	1.54

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 29 Jul 2025 close.

Disclosure Appendix

Reg AC

We, Leaf Liu, Julia Mu and Valerie Zhou, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACP) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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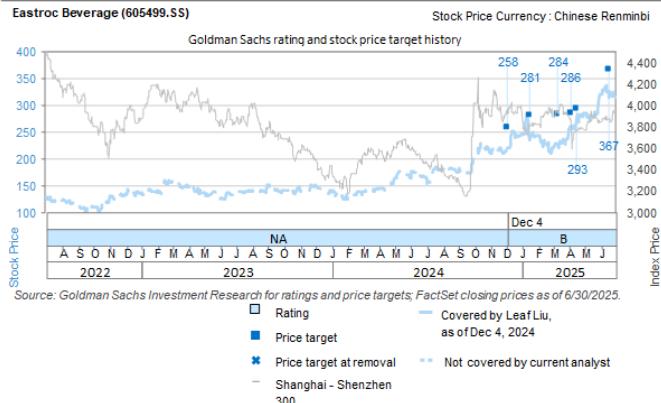
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