

## CHINA BEVERAGES

## Cautious on competition and our thoughts on recent market dynamics; Buy Eastroc (on CL)

After a relative outperformance for China Beverages, our most preferred subsector in the staples space (our covered China Beverages names up c.20% YTD on average, vs. MSCI China Staples Index up 17% YTD), **we now adopt a more selective stance in beverages amid rising competition (within RTD and from FMD) and are cautious on pricing trends** into 2026 (more promotions/value offerings and large-pack mix into end-2025) while still expecting cost benefits/disciplined opex/efficiency gains to support beverage margins in 2H25. **We highlight Eastroc as our top pick (added to the APAC Conviction List in Sep) in the beverage sector** given its long-term market share gain and portfolio expansion potential, underpinned by strong channel execution and resilience against FMD competition (with its high exposure to functional drinks). In this report, we analyze previous brand dispute cases in the beverage industry, and note potential changes in water market share dynamics from the Wahaha brand dispute. We remain constructive on Nongfu through 2025, expecting higher visibility of share recovery in packaged water alongside its strong, diversified and health-focused beverage portfolio, although we believe the sustainability of momentum in sugar-free tea remains the key to watch (we estimate Nongfu to take c.80%+ of share in the sugar-free tea market by end of this year vs. c.65%-70% in 2024). **With this note, we adjust UPC/Tingyi earnings down by 3%-8%/1%-3% respectively in 2025E-27E** to reflect a slower sales growth trend into end-2025 with rising competition/promotion impact while maintaining Tingyi at Buy on its c.8% 2026E div. yield/13x 2026E P/E with room for operation efficiency improvement. **We revise up Nongfu earnings by 0.2%-1.7% in 2025E-27E to reflect stronger water business momentum.** We currently expect 29%/35%/7%/17% yoy earnings growth for Nongfu/Eastroc/Tingyi/UPC in 2H25 while expecting a 49% earnings decline for CR Beverage in 2H25 with continued channel reform/marketing investment.

- **Heightened FMD competition in peak season:** We note intensifying pressure on RTD names into 3Q vs. 2Q as FMD brands (covered by Michelle Cheng) continue to benefit from subsidies. The impact on RTD in 3Q-to-date is more pronounced than we expected in June (i.e., full year c.3% FY25 volume hit to bottled beverages), driven by stronger subsidy-boosted volume uplift to FMD volume, longer duration, and faster store expansion vs. expectations. Pricing has also weakened recently as promotions rose and the price gap with mass-market FMD

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narrowed; also, beverage companies have added promotions in 3Q to drive retail sales/destocking. We expect UPC to face the most pressure due to its high exposure to milk tea/tea and higher-tier segments (beverage sales turned SD% negative in Jul-Aug), followed by Tingyi with similar sizeable tea exposure. We view Nongfu/Eastroc as resilient to FMD competition on their distinguished taste profiles and health-oriented/functional offerings, which accelerated momentum in Jul/Aug on base comps (Nongfu) and new product roll-out (Eastroc).

- **Market dynamics change benefiting water players:** We analyze previous cases of brand disputes (i.e. Red Bull and Wong Lo Kat/JDB), and note that brands under trademark/ownership disputes have usually seen long-lasting negative impacts, which change the category competition dynamics and given their major competitors the opportunity to gain market share. **Scenario analysis:** We also present a scenario analysis of potential market share movements from 2025E-27E in the bottled water segment. Under current market dynamics, our beverage industry model estimates that each 1ppt water volume share gain for Nongfu equates to c.Rmb1bn/Rmb0.3bn incremental sales/NP in 2025E (c.6%/>5% of 2024 water segment sales/OP).
- **Cost benefits continue on packaging material but moderate:** We now expect 3%~6% unit cost deflation in full year 2025 after factoring in the latest YTD cost trends across our F&B names, translating into 2.0-3.3ppt GPM expansion in 2025E. We note that PET/sugar saw some cost benefits normalization in 2H25 (-9%/-3% avg. in Jul-Aug vs. 2H24 avg.) vs. 1H25 (-13%/-7% yoy respectively). Nevertheless, **2H25 could still see up to 1.8ppt GPM expansion** from continued cost benefits for our China Beverages coverage, which we believe would increase visibility for margin expansion amid still intense competition.

*The authors would like to thank Lily Qi for her contribution to this report.*

## Heightened FMD competition vs. Beverage monthly tracker

**Competition from freshly-made drinks (FMD) remains elevated into 3Q, which brings intensified pressure to RTD beverage names vs. 2Q.** As noted by our Internet team on Aug 10 and Retail team on Sep 11, FMD drinks names have continued to benefit meaningfully from persistent subsidies in 3Q to date, even though the intensity of subsidies across platforms has been reduced sequentially since mid July with the removal of zero priced offerings. As a consequence, **we are seeing a more pronounced impact from FMD drinks on RTD drinks than our forecast in June** (c.-3% volume impact on full year 2025), likely due to: **1)** Higher-than-expected volume boost of FMD stores from delivery subsidies: We calculate that our Internet team's estimates imply 29%/61% yoy food delivery avg. daily volume increase in 2Q/3Q25 with the subsidy boost, significantly elevated compared to 8% in 1Q, where FMD has been a key beneficiary of the subsidy; this indicates likely higher volume boost to FMD in 3Q vs. our base case assumption of 25% in June; **2)** subsidies have remained elevated for longer than expected though have gradually normalized, with platforms' consent to bear a higher proportion of total incentives offered; and **3)** FMD leaders' store expansion in 1H is tracking ahead of earlier expectation. Aside from volume, we also expect some pricing pressure for RTD drinks as promotion levels heightened amid volume pressure and

narrowed pricing gaps between RTD drinks and mass-market FMD, together with more value offerings and large pack products in RTD drinks. According to Mashangying, the market saw multiple new SKUs at Rmb3-4 launched in Aug (e.g., Pan Pan sugar-free Jasmine Oolong tea at Rmb3.0), and some large-pack sweetened tea beverages have reduced prices to Rmb3.5-4.0.

In Jul-Aug, we see UPC’s beverage run-rates turned to yoy declines (Exhibit 1), vs. +8% yoy in 1H25 and up MSD%–HSD% in 2Q, and Tingyi’s non-carbonated beverages also continued declining. **We expect UPC to face the most pressure from FMD competition** because of its larger exposure to milk tea and tea (representing 32%/45% of total beverage sales in 1H25), **followed by Tingyi** with tea contributing 40% of beverage sales in 1H25. By contrast, **we believe Nongfu/Eastroc are more resilient against FMD competition**. Nongfu continued strong DD% sales growth in sugar-free tea in Jul-Aug, likely reflecting its differentiated taste profile and health-oriented offerings, and Eastroc sees limited impact as functional drinks serve distinct customer groups and consumption occasions with its retail momentum monthly run-rate further accelerating in Sep vs. Jul-Aug.

Exhibit 1: Beverage monthly tracker

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Nongfu																					
Beverage yoy %	19%			down DD%	down DD%	down DD%	down strong DD%	down 41%		down DD%			down DD%	positive growth	teens%+	up DD%		up DD%	up strong DD% on low base	up strong DD% on low base	
Beverage yoy % (Oriental Leaf)								down 5.3% (OL flat)		OL up 60%+				up DD%		positive growth		up DD%	Sugar free tea up strong DD%	Sugar free tea up strong DD% on low base	
Water - green water portion %							c.50%	c.50%	down to below 50%	down to 20%+											
Water AC									30.20%	31.20%											
Nutrient market									up nearly 10%	up 13%		decline	down DD%		up teens%	up DD%	up DD%	up DD%	up DD%	up DD%	
Overall yoy %							down DD%	down 18%	up nearly 10%	up 13%											
CR Bev																					
Water yoy %																					
Volume yoy %																					
Beverage yoy %																					
Volume yoy %																					
Tingyi																					
Beverage sales yoy %							down SD%	down SD%	positive growth	positive (better than Sep)	positive growth		minor positive growth	SD% decline	SD% decline	PepsiCo: positive growth; others: HSD% decline	PepsiCo: positive growth; others: HSD% decline	PepsiCo: positive growth; others: HSD% decline	PepsiCo: LSD+MSD% positive growth; Others: MSD+HSD% decline	PepsiCo: LSD+MSD% positive growth; Others: MSD+HSD% decline	
Noodles sales yoy %							down LSD%	down LSD%	down LSD%	positive growth	positive growth		minor positive growth	SD% decline	Slight decline	LSD% decline	down MSD%	up LSD%	SD% positive (raised price to mid-range noodles in Aug)	SD% positive (raised price to mid-range noodles in Aug)	
UPC																					
Beverage sales yoy %	up DD%	up DD%		up MSD+HSD%	up MSD+HSD%	up LSD%	up MSD%	up low teens%	up low teens%	up DD%	up DD%		up SD%	up DD%	positive growth	up nearly 10%	up MSD%	up MSD%	Decline	Decline	
Noodles sales yoy %	up SD%	up SD%		down SD%	down SD%	flat	flat	up LSD%	up LSD%	up MSD+HSD%	up DD%		up SD%	up DD%	positive growth	up HSD%	up HSD%	Positive	Positive	Positive	
Eastroc	48% yoy	28% yoy	32% yoy	38% yoy	40%+ yoy	30%+ yoy	25% yoy	35%+ yoy	85% yoy	18% yoy	15% yoy	c.50% yoy	30%+ yoy	35% yoy	38% yoy	Energy drink: 30% yoy	Retail momentum up c.50%	Retail momentum up c.50%	Retail momentum up c.50%+	Retail momentum up c.50%+	

Source: Company data and industry participants, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: Eastroc monthly tracker

Monthly operating data tracker for Eastroc based on our channel checks																				
Monthly sales	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Aug-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	
Eastroc Special Drink	46% yoy	28% yoy	32% yoy	38% yoy	40%+ yoy	30%+ yoy	25% yoy	35%+ yoy	85% yoy	6% yoy		30% yoy		25% yoy	28% yoy	30% yoy	retail momentum up c.30%+	retail momentum up c.30%	retail momentum up c.30%	
Bushulla		Rmb110mn		Rmb100mn+	c.Rmb165mn				c.Rmb170mn	c.Rmb190mn	c.Rmb100mn	c.Rmb130mn		c.100% yoy	85% yoy					
Total									90%		15%	50%	30%+	35%	39%		retail momentum up c.50%	retail momentum up c.50%+	retail momentum up c.55%+	retail momentum up c.55%+
Number of PoS (mn; by end of each month)																				
Special Drink										4									4.3	
Bushulla		1.3			2.0					2.65			3.0		3.18		2.0	3.3	3.3	
Guozhicha										0.8			1.5+		1.5+		2.1	2.0	2.0	

Source: Company data and industry participants, Data compiled by Goldman Sachs Global Investment Research

Historical cases of brand disputes and scenario analysis on market share dynamics

**Historical brand/trademark disputes have usually led to long-term impact:** We have reviewed historical cases of brand disputes in the beverage space (including ownership/trademark/winding-up petition conflicts) over the past 1.5 decades (Exhibit 3), and see that following such disputes sales have declined during and after the event and led to **changes in market share dynamics**. For example:

- Red Bull (China) sales declined by SD% yoy in 2016 and by teens% yoy in 2017 following the licensing rights legal dispute, leading to LSD% CAGR from 2017-24 based on our energy drinks industry model. In contrast, direct competitor Eastroc

demonstrated its strong share gain ability from mid-teens% in 2018 to over 30% in 2024 (see our case study in [Eastroc initiation](#)).

- The herbal tea brand JDB (Jia Duo Bao) experienced sales decline for RTD tea of mid-teen% yoy in 2016-17 when the [JDB vs. Wong Lo Kat](#) trademark dispute started between JDB Group and Guangzhou Pharmaceutical Holdings (owner of the Wong Lo Kat trademark). The Wong Lo Kat brand's value share continued to decrease, from 30% in 2016 to c.14%-15% in 2024, per Euromonitor.

Historically, brand performances have normalized quickly post a publicity issue being resolved/mitigated. For example:

- Nongfu's sales by water volume declined by c.6% yoy in 2014 and stayed flattish in 2015 after [Beijing Times](#) reports questioning its water quality in 2013; its volume growth recovered to 30% yoy in 2016. This volume weakness only led to c.1ppt-2ppt volume share decrease in 2013-15 (from 10% in 2012 to 8% in 2015) and Nongfu maintained its share gain trajectory subsequently with its volume share in 2016 recovering to 2012 levels (10%) in 2016, based on our industry model.

#### **How Wahaha brand changes could affect dynamics in the bottled water market**

[According to United Daily News](#), Hongsheng Group is planning to launch a new brand "Wa Xiao Zong" in 2026 to replace its current brand "Wahaha" (contract year starting from Nov 2025) in response to trademark complexities arising around the Wahaha brand name (owned by Wahaha Group). Hongsheng Group has [registered the "Wa Xiao Zong" trademark](#) (pending approval). Hongsheng Group is owned by Kelly Zong since 2007 and is an OEM of Wahaha; it is independent of Wahaha Group while [holding important production capacity and distributor contracts in some provinces](#) for "Wahaha" branded beverage products. Given this situation, [we see potential opportunities](#) for market share shifts and change in market dynamics, especially in the water business. **For water specifically**, based on Mashangying data, Wahaha's bottled water POS coverage rose from 34% in Feb 2024 to c.75% in Feb 2025, and its market share improved from c.SD% at the beginning of 2024 to c.10%+ at the beginning of 2025 ([news link](#)).

**Nongfu's active competition strategy on-the-ground check:** As we noted in our [Aug check in report](#), Nongfu water sales were up by DD% to strong DD% yoy from Jun to Aug 2025. Per our channel checks with industry participants, the strong sales momentum was mainly attributed to Nongfu's quick reactions on market dynamics via agile channel policies, including more distribution promotions on water products (**Rmb1-3 promotion per case**) and structural incentives like **additional year-end bonus for distributors who exceed sales targets** to encourage both front-loading purchases and retail-end promotions. We expect these strategies to help Nongfu sustain volume momentum in the water segment and support its continued share gain in the near term. However, we believe Nongfu is well-placed to benefit from the dynamic market share environment, and while it is early to see how the Wahaha/[Wa Xiao Zong](#) brands will perform, we conduct a scenario analysis, for illustration purposes, to see potential impacts.

**Scenario analysis:** Under current market dynamics, our beverage industry model estimates that each 1ppt volume share gain for Nongfu equates to Rmb2.5bn of retail value or c.Rmb1bn revenue (equivalent to c.6% of Nongfu's water sales in 2024), and incremental Rmb0.3bn net profit for Nongfu (assuming water segment NPM on par with

group level) in 2025E (>5% of Nongfu's water segment OP in 2024). Also, for CR Beverage, each 1ppt volume share gain equates to incremental Rmb70mn net profit for CR Beverage in 2025E (assuming water segment NPM on par with group level).

In our Case 1 scenario, we benchmark to Red Bull's case in 2016-17 where competitors saw gradual market share benefits. We assume Nongfu could gain extra c.0.5ppt/1.0ppt volume share from potential Wahaha volume share loss in 2025E/26E vs. our base case, implying 0.9%/1.6% NP upside vs. current GSe, respectively. We assume CR Beverage could gain c.0.5ppt/0.5ppt volume share in 2025E/26E vs. our base case, implying 3.2%/3.2% NP upside vs. current GSe.

In our Case 2 scenario, we benchmark to the market dynamics of the JDB case in 2017-18 where competitors enjoyed tailwinds from materially eased competition. We assume Nongfu could gain extra c.1.0ppt/2.5ppt volume share from potential Wahaha volume share loss in 2025E/26E, implying 3.5%/5.8% NP upside vs. current GSe. We assume CR Beverage could gain c.0.5ppt/1.0ppt volume share in 2025E/26E vs. our base case, implying a 3.2%/6.3% NP upside vs. current GSe.

### Exhibit 3: Historical cases of brand disputes

Cases	Details	Timeline	Sales trend movements
Danone vs Wahaha trademark dispute	Ownership conflicts of "Wahaha" brand within JV of Danone and Wahaha group	Lawsuit in 2007 and agreement settled in 2009	Danone water segment sales decreased by 10%/19%/10% yoy in 2007/2008/2009
Red Bull vs TCP licensing dispute	Legal battle on licensing rights and the use of Red Bull trademark in China between Red Bull and TCP	Lawsuit dispute in 2016	Group sales declined by c.4%-12% yoy in 2016-2017, and maintained low growth at 1% CAGR to 2024 vs. 20%+ growth in 2010-2015
Jiaduobao vs Guangzhou Pharmaceutical Group (GP) franchising dispute	Trademark infringement lawsuits between Jiaduobao and Wong Lo Kat (GP)	Franchising dispute in 2017	Retail sales of RTD tea declined by 14%-15% yoy in 2017-2018 (by Euromonitor), maintained a decline of -1% CAGR from 2018 to 2024

Source: Euromonitor, Company data, Data compiled by Goldman Sachs Global Investment Research

## Exhibit 4: Illustrative scenario analysis on potential impact on Nongfu/CR Beverage from changes in Wahaha market share

Case 1 benchmarked to Red Bull's case in 2016-17; Case 2 benchmarked to the market dynamics of Jiaduobao's case in 2017-18

Scenario analysis for market share dynamics in water business						Nongfu's financial upside				CR Beverage's financial upside			
Industry size	2023	2024	2025E	2026E	2027E	Market shares - volume (K tonnes)				Market shares - volume (K tonnes)			
<b>Sales value (Rmb bn)</b>						<b>Bottled Water</b>				<b>Bottled Water</b>			
Soft drinks	711.77	742.55	787.08	830.44	873.87	2025E	20.6%	21.1%	21.6%	2025E	13.6%	14.1%	14.1%
Bottled water	230.20	232.07	246.59	259.98	274.12	2026E	22.8%	23.8%	25.3%	2026E	13.3%	13.8%	14.3%
Non-water soft drinks	481.57	510.48	540.49	570.45	599.75	2027E	23.9%	24.9%	26.4%	2027E	12.9%	13.4%	13.9%
RTD tea	125.71	136.44	146.00	154.76	165.74								
<b>Sales volume (mn ton)</b>						<b>ASP (Rmb/tonne) - bottled water</b>				<b>ASP (Rmb/tonne) - bottled water</b>			
Soft drinks	137.48	142.64	151.13	158.83	166.45	2025E	928	928	928	2025E	753	753	753
Bottled water	89.25	91.93	97.45	102.32	107.44	2026E	930	930	930	2026E	781	781	781
Non-water soft drinks	48.23	50.70	53.68	56.51	59.01	2027E	932	932	932	2027E	792	792	792
RTD tea	13.55	14.64	15.67	16.61	17.44								
<b>Base case</b>						<b>Implied value (Rmb mn) - bottled water</b>				<b>Implied value (Rmb mn) - bottled water</b>			
Nongfu	23%	19%	20.6%	22.8%	23.9%	2025E	18,623	19,075	19,526	2025E	9,961	10,328	10,328
CR Beverage	15%	15%	13.6%	13.3%	12.9%	2026E	21,647	22,598	24,024	2026E	10,666	11,066	11,466
						2027E	23,961	24,962	26,464	2027E	11,019	11,445	11,871
<b>Case 1 Wahaha to lose LSD% volume share in 2025 and regain half in 2026; expect Nongfu to gain more share vs CR Bev</b>						<b>Implied total revenue</b>				<b>Implied total revenue</b>			
Nongfu	23%	19%	21.1%	23.8%	24.9%	non-water revenue				non-water revenue			
CR Beverage	15%	15%	14.1%	13.8%	13.4%	2025E	32,074	32,074	32,074	2025E	1,616	1,616	1,616
						2026E	36,807	36,807	36,807	2026E	1,932	1,932	1,932
						2027E	41,160	41,160	41,160	2027E	2,295	2,295	2,295
						<b>Total revenue</b>				<b>Total revenue</b>			
Nongfu			+0.5pp	+1.00pp	+1.00pp	2025E	50,696	51,148	51,600	2025E	11,577	11,944	11,944
CR Beverage			+0.5pp	+0.50pp	+0.50pp	2026E	58,453	59,404	60,831	2026E	12,598	12,998	13,397
						2027E	65,121	66,122	67,624	2027E	13,314	13,740	14,165
<b>Case 2 Wahaha to lose half volume share in 2025 and continues to lose in 2026; expect Nongfu to gain more share vs CR Bev</b>						<b>2024-2027 CAGR</b>	<b>14.9%</b>	<b>15.5%</b>	<b>16.4%</b>	<b>2024-2027 CAGR</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>1.6%</b>
Nongfu	23%	19%	21.6%	25.3%	26.4%	<b>Net profit - reported</b>				<b>Net profit</b>			
CR Beverage	15%	15%	14.1%	14.3%	13.9%	2025E	15,227	15,363	15,757	2025E	1,082	1,116	1,116
						2026E	17,878	18,169	18,910	2026E	1,372	1,415	1,459
						2027E	20,008	20,316	21,115	2027E	1,635	1,687	1,740
						<b>Net margin</b>				<b>Net margin</b>			
						2025E	30%	30%	31%	2025E	9%	9%	9%
						2026E	31%	31%	31%	2026E	11%	11%	11%
						2027E	31%	31%	31%	2027E	12%	12%	12%
						<b>Potential net profit change vs. Gse</b>				<b>Potential net profit change vs. Gse</b>			
						2025E		0.9%	3.5%	2025E		3.2%	3.2%
						2026E		1.6%	5.8%	2026E		3.2%	6.3%
						2027E		1.5%	5.5%	2027E		3.2%	6.4%

\*Note base case forecasts are based on our industry outlook in the absence of any impact from the Wahaha brand dispute.

Source: Euromonitor, Company data, Goldman Sachs Global Investment Research

## Mildly moderated cost tailwinds persist into 2H25

We expect **3%-6% unit cost deflation in full year 2025** after factoring in the latest YTD cost trends ([Exhibit 5](#)) across our F&B names mainly on tailwinds in PET/sugar, partially offset by palm oil/milk powder price increases, which translate into **2.0-3.3ppt GPM expansion in 2025E**. Into **2026E**, we expect likely 0.5%-1.5% unit cost deflation based on spot prices vs. 2025YTD avg. trends.

**2H25 cost benefits trend ([Exhibit 6](#)):** Our cost analysis suggests a 1.0%-3.4% yoy unit cost deflation for our beverage coverage in 2H25 based on 2H-to-date cost trends, and 0.5%-3.6% deflation for the full year if using 2025YTD avg. vs. 2024 avg. costs. We note that PET/sugar saw some cost benefit normalization in 2H25 (-9%/-3% avg. in Jul-Aug vs. 2H24 avg.) vs. 1H25 (-13%/-7% yoy respectively). Our analysis of spot prices vs. 2H24 avg. indicates that PET could still see a c.9% price decline yoy if spot prices were to persist, while sugar prices could stabilize and provide cost benefits of c.5% yoy. On the other hand, the normalizing pricing levels of palm oil could lead to better GPM performance of Tingyi/UPC in 2H25. Nevertheless, 2H25 could still see up to 1.8ppt GPM expansion from continued cost benefits for our beverage coverage in the above-mentioned circumstances, which we believe would increase visibility for margin expansion amid still intense competition.

**2026 outlook:** We expect 0.5%-1.5% unit cost deflation into 2026E based on spot prices vs. 2025YTD average cost trend. We note normalizing price trends for palm oil and continued lower PET costs (although the decline narrowed) which may lead to better GPM for Tingyi/UPC in 2026E. Overall, we see 0.3ppt-0.8ppt GPM yoy expansion potential for our China beverage coverage, as implied by the spot vs. 2025YTD average cost trend.

**Exhibit 5: COGS breakdown for our beverage coverage (unit cost change is based on 2025YTD average price vs. 2024 average price, while spot price is mostly lower than 2025YTD average price)**

COGS structure (%)	Tingyi	UPC	Nongfu	CR Beverage	Eastroc	YTD avg. vs. 2024 avg.	Spot price vs. 2024 avg.	Spot price vs. 2025 avg.
Flour (% of COGS)	8%	4%				-2%	-2%	-0.1%
Sugar	5%	11%	5%	1%	29%	-4%	-8%	-4%
Palm Oil	3%	4%				11%	12%	1%
Milk powder		4%	4%	1%		18%	15%	-3%
Raw milk			2%			-8%	-9%	-2%
Cocoa			1%			16%	2%	-12%
PET	10%	8%	29%	26%	18%	-11%	-12%	-2%
Paper Pulp	15%	15%	29%	35%	8%	-3%	-3%	-1%
Glass				1%		-2%	-1%	0%
Aluminum					3%	2%	4%	1%
Others (PPI)	59%	54%	30%	36%	42%	-2%	-3%	-1%
Sunflower seeds						8%	11%	3%
2025E raw materials contribution to unit COGS	-3.8%	-3.0%	-5.5%	-5.6%	-6.0%			
YoY changes in GPM	2.5%	2.0%	2.3%	2.9%	3.3%			
GS estimate GPM change 2025	1.6%	0.5%	2.1%	-2.7%	0.2%			
Cost implied GPM yoy change 2026	0.3%	0.5%	0.4%	0.5%	0.8%			

UPC procurement price was carried from last year.

Source: Company data, Goldman Sachs Global Investment Research, NBS, Bloomberg, Wind

**Exhibit 6: Eastroc and CR Bev are likely to benefit most from cost tailwinds of sugar and PET YTD**

Cost benefit analysis for beverage coverage

Cost benefit analysis for F&B (Assuming all other COGS unchanged)							Implied impact on unit COGS						
Key raw materials (as % of COGS)	PET	Sugar	Paper Pulp	Palm Oil	Milk Powder		8M25 vs. 8M24	8M25 vs. 2024 average	2H25 to-date vs. 2H24 average	Spot vs. 8M25 average	Spot vs. 2024 average	Spot vs. 2H24 average	
Tingyi	10%	5%	15%	3%		33.1%	-1.6%	-1.4%	-1.5%	-0.5%	-1.8%	-1.4%	
UPC	8%	11%	15%	4%	4%	32.5%	-0.5%	-0.5%	-1.0%	-0.7%	-1.2%	-0.9%	
Nongfu	29%	5%	29%		4%	58.1%	-4.3%	-3.4%	-3.3%	-1.1%	-4.4%	-3.1%	
CR Beverage	26%	1%	35%		1%	47.3%	-4.6%	-3.6%	-3.4%	-0.9%	-4.4%	-3.2%	
Eastroc	18%	29%	8%		0%	44.8%	-4.5%	-3.4%	-2.9%	-1.5%	-4.7%	-3.2%	

Price changes							Implied GPM yoy change in 2025E						
	PET	Sugar	Paper Pulp	Palm Oil	Milk Powder		8M25 vs. 8M24	8M25 vs. 2024 average	2H25 to-date vs. 2H24 average	Spot vs. 8M25 average	Spot vs. 2024 average	Spot vs. 2H24 average	
8M25 vs. 8M24	-14%	-6%	-3%	18%	22%		+1.1pp	+0.9pp	+1.0pp	+0.3pp	+1.2pp	+0.9pp	
8M25 vs. 2024 avg	-11%	-4%	-3%	11%	18%		+0.4pp	+0.3pp	+0.7pp	+0.5pp	+0.8pp	+0.6pp	
2H25 to-date vs. 2H24 avg	-9%	-3%	-3%	2%	11%		+1.8pp	+1.4pp	+1.4pp	+0.4pp	+1.9pp	+1.3pp	
Spot vs. 8M25 average	-2%	-4%	-1%	1%	-3%		+2.4pp	+1.9pp	+1.8pp	+0.5pp	+2.3pp	+1.7pp	
Spot vs. 2024 avg	-12%	-8%	-3%	12%	15%		+2.5pp	+1.9pp	+1.6pp	+0.8pp	+2.6pp	+1.8pp	
Spot vs. 2H24 avg	-9%	-5%	-2%	5%	12%								

We only include key raw material items for the analysis, assuming all other COGS items remaining unchanged

Source: Company data, Goldman Sachs Global Investment Research

## Earnings and TP revision

## Exhibit 7: Summary of half-year/quarterly financial data for our beverage coverage

Half year	2025E		1H25A		2H25E		2025E		1H25A		2H25E		2025E		1H25A		2H25E	
	Rmb mn / % / pp	Sales Sales yoy	Sales Sales yoy	Sales Sales yoy	OPM OPM yoy	OPM OPM yoy	OPM OPM yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	NP NP yoy	
Nongfu	50,606	18%	25,622	16%	25,074	21%	38%	3.2pp	38.1%	3.6pp	38.3%	2.7pp	15,227	26%	30%	1.8pp	7,622	22%
Packaged drinking water	18,623	23%	9,443	11%	9,180	24%	35%	4.0pp	35.4%	3.3pp	35.0%	0.1pp						
Tea beverage	20,102	15%	10,089	20%	10,014	20%	48%	3.0pp	48.4%	4.3pp	48.0%	0.2pp						
Functional beverage	5,643	21%	2,898	14%	2,745	15%	46%	3.5pp	47.1%	5.9pp	44.2%	0.2pp						
Juice beverage	4,992	13%	2,564	21%	2,428	23%	39%	5.0pp	31.3%	7.7pp	28.3%	0.1pp						
CR Beverage (GSe)	11,577	14%	6,206	19%	5,371	9%	10%	(5.0pp)	14.7%	(5.3pp)	5.1%	(3.7pp)	1,082	-34%	9%	(2.8pp)	823	-29%
Packaged drinking water	9,961	-18%	5,251	-23%	4,711	-11%												
Beverage	1,616	16%	965	21%	661	8%												
Tingyi	78,993	-2%	40,092	-3%	38,900	-1%	8%	0.9pp	9.2%	1.7pp	7.7%	(0.0pp)	4,254	14%	5%	0.8pp	2,271	20%
Beverage	49,957	-3%	26,359	-3%	23,599	-4%	8%	0.8pp	9.1%	1.8pp	5.7%	(0.4pp)						
Noodles	28,414	0%	13,465	-3%	14,948	2%	10%	0.9pp	8.7%	1.1pp	11.2%	0.7pp						
UPC	32,192	6%	17,087	11%	15,105	1%	9%	1.1pp	9.6%	1.7pp	7.8%	1.0pp	2,316	25%	7%	1.1pp	1,287	33%
Beverage	19,691	2%	10,739	-3%	8,903	-3%	13%	13.2pp	14.3%	2.0pp	11.9%	0.4pp						
Noodles	10,588	6%	6,382	3%	5,206	3%	4%	3.5pp	3.5%	0.6pp	3.5%	1.0pp						
Eastroc	21,258	34%	10,737	36%	10,521	32%	25%	1.2pp	25.8%	0.6pp	25.8%	0.6pp	4,526	36%	21%	0.3pp	2,375	37%
Energy drinks	16,200	22%	8,361	22%	7,839	22%												
Electrolyte water	3,020	102%	1,493	214%	1,527	50%												
Other beverage	2,014	97%	877	65%	1,137	131%												
Quarterly	1Q25		2Q25		3Q25E		4Q25E		1Q25		2Q25		3Q25E		4Q25E		1Q25	
Rmb mn / % / pp	Sales	Sales yoy	Sales	Sales yoy	Sales	Sales yoy	Sales	Sales yoy	OPM	OPM yoy	OPM	OPM yoy	OPM	OPM yoy	OPM	OPM yoy	NP	NP yoy
Eastroc	4,848	39%	5,889	34%	6,372	36%	4,150	26%	24%	2.7pp	27%	(1.0pp)	25%	1.2pp	22%	2.4pp	980	48%
Energy drinks	3,901	26%	4,460	19%	4,492	23%	3,347	20%										
Electrolyte water	570	251%	923	190%	1,150	56%	377	33%										
Other beverage	375	73%	503	60%	730	160%	407	93%										

NP refers to reported net profit.

Source: Company data, Goldman Sachs Global Investment Research

With this note, we adjust Nongfu's earnings up by 0.2%-1.7% for 2025E-27E to reflect more resilient sales growth in the water segment, especially into 2026E driven by future market share gain. We adjust UPC/Tingyi earnings down by 3%-8%/1%-3% for 2025E-27E to reflect a slower sales growth trend into end-2025 with rising competition/promotion impact, while keeping our estimates unchanged for Eastroc/CR Beverage; we also roll forward our valuation by six months to end-2026E for UPC and Tingyi.

- **Nongfu:** We revise up our 2025E-27E sales estimates for Nongfu by 0.2%-2.2% driven by more resilient sales growth potential in the water segment amid market dynamics movements. We revise up our 2025-27E earnings estimates by 0.2%-1.7% despite slightly increased SG&A ratio. We currently look for 17% yoy sales growth in 2025E in the water segment for Nongfu with 24% yoy sales growth in 2H25E. We raise our 12-month TP to HK\$60.5 from HK\$53.2 prior, due to our: **1)** earnings estimates revision; and **2)** higher target P/E from 30x to 33.5x applied to 2027E EPS, discounted back to end-2026E with an 8.5% COE. The 33.5x target 2027E P/E refers to Nongfu's last 3-year trading P/E.
- **Tingyi:** We revise down our 2025E-27E sales estimates for Tingyi by within 1% due to lower expectation on the beverage segment (sales estimates down by 0.7%-1.4% in 2025E-27E), which reflects weaker volume trends amid rising concerns on competition and some weather impact on beverage volumes. We expect lower overall GPM, down by 0.2ppt-0.4ppt in 2025E-27E, with lower beverage GPM on topline weakness despite PET cost tailwind, and higher GPM for noodles despite continued cost headwind for palm oil. We revise down our 2025E-27E earnings estimates by c. 1%-3% with slightly decreased SG&A spending. We currently look for -4% yoy sales decline for beverages and +2% yoy sales growth for noodles into 2H25, leading to -3.2%/flattish yoy sales for beverages/noodles in 2025E. We also look for 1.6%/1.8% yoy group sales growth in 2026E/2027E with positive growth in both segments. We cut our 12-month TP to HK\$12.7 from HK\$13.8 prior mainly on our: **1)** earnings estimates revision; and **2)** lowered target P/E from 16.5x to 15.0x applied to 2027E EPS (vs. 2026E EPS prior), discounted back to end-2026E (vs. mid-2026E prior) with a 7.7% COE. The 15.0x target 2027E P/E refers to Tingyi/UPC 3-year average trading P/E; the lower target multiple mainly reflects weak pricing

trends and rising concerns regarding the head-to-head competition between Tingyi and UPC.

- **UPC:** We revise down our 2025E-27E sales estimates for UPC by 2%-3%, with c.3% lower beverage sales factoring in volume decline amid FMD competition and the company's disciplined channel investment (i.e. distributor promotions), together with weakened pricing due to less promotion cut. We revise down our 2025E-27E earnings estimates by 3%-8% on operating deleveraging, potentially less cost tailwinds in noodles considering the recent palm oil price rebound, and reduced expense savings. Currently, we look for -3% beverage sales decline and +3% noodle sales growth in 2H25, leading to 2%/6% sales growth in the beverage/food segment in 2025E. We look for +5% sales recovery in 2026E with FMD competition normalizing. We expect the beverage segment to see mild OPM improvement in 2H (sequentially smaller scale vs. 1H) with cost benefits offset by operating deleveraging, while the food segment will continue to see c.1.0ppt OPM expansion on efficiency gains with normalizing palm oil cost base since Sep. We cut our 12-month TP to HK\$9.3 from HK\$10.6 prior, mainly on our: **1)** earnings estimates revision; and **2)** lowered target P/E from 16.5x to 15.0x applied to 2027E EPS (vs. 2026E EPS prior), discounted back to end-2026E (vs. mid-2026E prior) with an 8.1% COE. The 15.0x target 2027E P/E refers to Tingyi/UPC 3-year average trading P/E; the lower target multiple reflects weak pricing trends and rising concerns regarding the head-to-head competition between Tingyi and UPC.

## Exhibit 8: Nongfu - New vs. Old

Nongfu Spring (9633.HK)									
RMB mn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Consolidated P&L	New			Old			% Change		
<b>Revenue</b>									
Packaged drinking water products	18,623	21,647	23,961	18,532	20,908	22,583	0.5%	3.5%	6.1%
Tea beverage products	20,102	23,319	26,350	20,102	23,319	26,350	0.0%	0.0%	0.0%
Functional beverage products	5,643	6,264	6,765	5,643	6,264	6,765	0.0%	0.0%	0.0%
Juice beverage products	4,992	5,741	6,487	4,992	5,741	6,487	0.0%	0.0%	0.0%
Other products	1,336	1,483	1,557	1,336	1,483	1,557	0.0%	0.0%	0.0%
<b>Total</b>	<b>50,696</b>	<b>58,453</b>	<b>65,121</b>	<b>50,606</b>	<b>57,715</b>	<b>63,743</b>	<b>0.2%</b>	<b>1.3%</b>	<b>2.2%</b>
<b>YOY Growth %</b>									
<b>Revenue</b>									
Packaged drinking water products	17%	16%	11%	16%	13%	8%			
Tea beverage products	20%	16%	13%	20%	16%	13%			
Functional beverage products	14%	11%	8%	14%	11%	8%			
Juice beverage products	22%	15%	13%	22%	15%	13%			
Other products	13%	11%	5%	13%	11%	5%			
<b>Total</b>	<b>18%</b>	<b>15%</b>	<b>11%</b>	<b>18%</b>	<b>14%</b>	<b>10%</b>			
<b>Operating profit</b>									
Packaged drinking water products	6,556	7,858	8,662	6,462	7,343	7,974	1.5%	7.0%	8.6%
Tea beverage products	9,690	11,274	12,688	9,690	11,274	12,780	0.0%	0.0%	(0.7%)
Functional beverage products	2,577	2,876	3,126	2,577	2,876	3,126	0.0%	0.0%	0.0%
Juice beverage products	1,491	1,703	1,903	1,491	1,740	1,986	0.0%	(2.1%)	(4.2%)
Other products	488	550	587	488	550	587	0.0%	0.0%	0.0%
<b>Margin</b>									
Packaged drinking water products	35.2%	36.3%	36.1%	34.9%	35.1%	35.3%	0.3%	1.2%	0.8%
Tea beverage products	48.2%	48.3%	48.2%	48.2%	48.3%	48.5%	0.0%	0.0%	(0.3%)
Functional beverage products	45.7%	45.9%	46.2%	45.7%	45.9%	46.2%	0.0%	0.0%	0.0%
Juice beverage products	29.9%	29.7%	29.3%	29.9%	30.3%	30.6%	0.0%	(0.6%)	(1.3%)
Other products	36.5%	37.1%	37.7%	36.5%	37.1%	37.7%	0.0%	0.0%	0.0%
<b>Consolidated P&amp;L</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Total Sales</b>	<b>50,696</b>	<b>58,453</b>	<b>65,121</b>	<b>50,606</b>	<b>57,715</b>	<b>63,743</b>	<b>0.2%</b>	<b>1.3%</b>	<b>2.2%</b>
COGS	-20,145	-23,162	-25,845	-20,149	-22,985	-25,258	0.0%	0.8%	2.3%
<b>Gross Profit</b>	<b>30,551</b>	<b>35,291</b>	<b>39,276</b>	<b>30,457</b>	<b>34,729</b>	<b>38,485</b>	<b>0.3%</b>	<b>1.6%</b>	<b>2.1%</b>
SG&A	-12,039	-13,597	-14,937	-11,990	-13,342	-14,563	0.4%	1.9%	2.6%
Other operating income/(expense)	844	952	901	844	952	901	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>19,356</b>	<b>22,645</b>	<b>25,240</b>	<b>19,311</b>	<b>22,339</b>	<b>24,823</b>	<b>0.2%</b>	<b>1.4%</b>	<b>1.7%</b>
Depreciation	-3,358	-3,839	-4,288	-3,358	-3,839	-4,288	0.0%	0.0%	0.0%
Amortization	12	12	13	12	12	13	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>22,702</b>	<b>26,472</b>	<b>29,516</b>	<b>22,657</b>	<b>26,166</b>	<b>29,098</b>	<b>0.2%</b>	<b>1.2%</b>	<b>1.4%</b>
Net finance costs	500	667	850	500	666	839	0.0%	0.2%	1.2%
Other non-op. rev/ (exp)	0	-0	-	0	-0	-			
<b>Pretax income</b>	<b>19,856</b>	<b>23,313</b>	<b>26,090</b>	<b>19,811</b>	<b>23,005</b>	<b>25,662</b>	<b>0.2%</b>	<b>1.3%</b>	<b>1.7%</b>
Provisions for taxes	-4,629	-5,434	-6,082	-4,618	-5,363	-5,982	0.2%	1.3%	1.7%
Minority interest (I/S item)	-	-	-	-	-	-			
<b>Reported NPAT</b>	<b>15,227</b>	<b>17,878</b>	<b>20,008</b>	<b>15,193</b>	<b>17,643</b>	<b>19,680</b>	<b>0.2%</b>	<b>1.3%</b>	<b>1.7%</b>
Less: net one-offs	43	42	42	43	43	42			
<b>Recurring NPAT</b>	<b>15,184</b>	<b>17,836</b>	<b>19,967</b>	<b>15,149</b>	<b>17,600</b>	<b>19,638</b>	<b>0.2%</b>	<b>1.3%</b>	<b>1.7%</b>
<b>EPS (Adj., diluted, RMB/Sh)</b>	<b>1.35</b>	<b>1.59</b>	<b>1.78</b>	<b>1.35</b>	<b>1.57</b>	<b>1.75</b>	<b>0.2%</b>	<b>1.3%</b>	<b>1.7%</b>
<b>YoY Growth %</b>									
Sales	18.2%	15.3%	11.4%	18.0%	14.0%	10.4%			
GP	22.6%	15.5%	11.3%	22.2%	14.0%	10.8%			
SG&A	8.1%	12.9%	9.9%	7.7%	11.3%	9.2%			
EBIT	28.9%	17.0%	11.5%	28.6%	15.7%	11.1%			
EBITDA	27.1%	16.6%	11.5%	26.8%	15.5%	11.2%			
NPAT	25.6%	17.4%	11.9%	25.3%	16.1%	11.5%			
<b>Margins (on total sales)</b>							ppt	ppt	ppt
GP	60.3%	60.4%	60.3%	60.2%	60.2%	60.4%	0.1%	0.2%	-0.1%
SG&A	23.7%	23.3%	22.9%	23.7%	23.1%	22.8%	0.1%	0.1%	0.1%
EBIT	38.2%	38.7%	38.8%	38.2%	38.7%	38.9%	0.0%	0.0%	-0.2%
EBITDA	44.8%	45.3%	45.3%	44.8%	45.3%	45.6%	0.0%	0.0%	-0.3%
NPAT	30.0%	30.6%	30.7%	30.0%	30.6%	30.9%	0.0%	0.0%	-0.1%
Recurring NPAT	29.9%	30.5%	30.7%	29.9%	30.5%	30.8%	0.0%	0.0%	-0.1%

Source: Company data, Goldman Sachs Global Investment Research

## Exhibit 9: Tingyi - New vs. Old

Tingyi Holding Corp. (0322.HK)									
RMB mn									
	New			Old			New vs. Old		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Revenues</b>									
Instant Noodles	28,414	28,870	29,014	28,414	28,870	29,014	0.0%	0.0%	0.0%
Beverages	49,957	50,792	52,114	50,317	51,293	52,836	-0.7%	-1.0%	-1.4%
Others	622	628	634	622	628	634	0.0%	0.0%	0.0%
<b>Total revenue</b>	<b>78,993</b>	<b>80,289</b>	<b>81,762</b>	<b>79,353</b>	<b>80,791</b>	<b>82,485</b>	<b>-0.5%</b>	<b>-0.6%</b>	<b>-0.9%</b>
<b>Gross profit</b>									
Instant Noodles	8,386	8,738	8,979	8,288	8,641	8,883	1.2%	1.1%	1.1%
Beverages	18,486	18,972	19,663	18,904	19,494	20,320	-2.2%	-2.7%	-3.2%
Others	350	354	357	350	354	357	0.0%	0.0%	0.0%
<b>Total GP</b>	<b>27,222</b>	<b>28,064</b>	<b>29,000</b>	<b>27,542</b>	<b>28,489</b>	<b>29,560</b>	<b>-1.2%</b>	<b>-1.5%</b>	<b>-1.9%</b>
<b>EBIT</b>									
Instant Noodles	2,846	3,080	3,321	2,832	3,069	3,312	0.5%	0.3%	0.3%
Beverages	3,748	3,887	4,186	4,060	4,337	4,707	-7.7%	-10.4%	-11.1%
Others	80	77	76	80	77	76	0.0%	0.0%	0.0%
<b>Segment Total</b>	<b>6,673</b>	<b>7,044</b>	<b>7,583</b>	<b>6,972</b>	<b>7,483</b>	<b>8,095</b>	<b>-4.3%</b>	<b>-5.9%</b>	<b>-6.3%</b>
Unallocated	0	0	0	0	0	0	nmf	nmf	nmf
<b>Group EBIT</b>	<b>6,673</b>	<b>7,044</b>	<b>7,583</b>	<b>6,972</b>	<b>7,483</b>	<b>8,095</b>	<b>-4.3%</b>	<b>-5.9%</b>	<b>-6.3%</b>
<b>YoY Growth (%)</b>									
<b>Revenues</b>									
Instant Noodles	0.0%	1.6%	0.5%	0.0%	1.6%	0.5%			
Beverages	(3.2%)	1.7%	2.6%	(2.5%)	1.9%	3.0%			
<b>Total</b>	<b>(2.1%)</b>	<b>1.6%</b>	<b>1.8%</b>	<b>(1.6%)</b>	<b>1.8%</b>	<b>2.1%</b>			
<b>EBIT</b>									
Instant Noodles	10.0%	8.2%	7.9%	9.5%	8.4%	7.9%			
Beverages	8.4%	3.7%	7.7%	17.4%	6.8%	8.6%			
<b>Total</b>	<b>8.9%</b>	<b>5.5%</b>	<b>7.7%</b>	<b>13.8%</b>	<b>7.3%</b>	<b>8.2%</b>			
<b>Margins</b>									
<b>GPM</b>							<b>ppt</b>	<b>ppt</b>	<b>ppt</b>
Instant Noodles	29.5%	30.3%	30.9%	29.2%	29.9%	30.6%	0.3%	0.3%	0.3%
Beverages	37.0%	37.4%	37.7%	37.6%	38.0%	38.5%	-0.6%	-0.7%	-0.7%
<b>Total</b>	<b>34.5%</b>	<b>35.0%</b>	<b>35.5%</b>	<b>34.7%</b>	<b>35.3%</b>	<b>35.8%</b>	<b>-0.2%</b>	<b>-0.3%</b>	<b>-0.4%</b>
<b>EBIT</b>							<b>ppt</b>	<b>ppt</b>	<b>ppt</b>
Instant Noodles	10.0%	10.7%	11.4%	10.0%	10.6%	11.4%	0.0%	0.0%	0.0%
Beverages	7.5%	7.7%	8.0%	8.1%	8.5%	8.9%	-0.6%	-0.8%	-0.9%
<b>Total</b>	<b>8.4%</b>	<b>8.8%</b>	<b>9.3%</b>	<b>8.8%</b>	<b>9.3%</b>	<b>9.8%</b>	<b>-0.3%</b>	<b>-0.5%</b>	<b>-0.5%</b>
<b>Consolidated P/L</b>									
<b>Rmb mn</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Sales	78,993	80,289	81,762	79,353	80,791	82,485	-0.5%	-0.6%	-0.9%
COGS	-51,770	-52,226	-52,763	-51,811	-52,303	-52,924	-0.1%	-0.1%	-0.3%
<b>Gross profit</b>	<b>27,222</b>	<b>28,064</b>	<b>29,000</b>	<b>27,542</b>	<b>28,489</b>	<b>29,560</b>	<b>-1.2%</b>	<b>-1.5%</b>	<b>-1.9%</b>
SG&A	-21,091	-21,397	-21,908	-21,187	-21,531	-22,102	-0.5%	-0.6%	-0.9%
Other operating income/expense	392	224	336	467	372	480	-16.0%	-39.6%	-30.0%
<b>Operating Profit</b>	<b>6,523</b>	<b>6,891</b>	<b>7,428</b>	<b>6,821</b>	<b>7,329</b>	<b>7,939</b>	<b>-4.4%</b>	<b>-6.0%</b>	<b>-6.4%</b>
Other income/(expense)	150	153	155	151	154	157	-0.5%	-0.6%	-0.9%
<b>EBIT</b>	<b>6,673</b>	<b>7,044</b>	<b>7,583</b>	<b>6,972</b>	<b>7,483</b>	<b>8,095</b>	<b>-4.3%</b>	<b>-5.9%</b>	<b>-6.3%</b>
D&A	-3,469	-3,426	-3,534	-3,469	-3,426	-3,534	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>10,143</b>	<b>10,470</b>	<b>11,117</b>	<b>10,441</b>	<b>10,909</b>	<b>11,629</b>	<b>-2.9%</b>	<b>-4.0%</b>	<b>-4.4%</b>
Finance cost	52	107	127	52	107	127	0.0%	0.0%	0.0%
Share of profit/(loss) of associates	130	130	130	130	130	130	0.0%	0.0%	0.0%
<b>Profit before tax</b>	<b>6,705</b>	<b>7,128</b>	<b>7,684</b>	<b>7,003</b>	<b>7,566</b>	<b>8,195</b>	<b>-4.3%</b>	<b>-5.8%</b>	<b>-6.2%</b>
Income taxes	-1,809	-1,915	-2,065	-2,001	-2,154	-2,334	-9.6%	-11.1%	-11.5%
<b>Profit after tax</b>	<b>4,897</b>	<b>5,212</b>	<b>5,619</b>	<b>5,002</b>	<b>5,412</b>	<b>5,862</b>	<b>-2.1%</b>	<b>-3.7%</b>	<b>-4.1%</b>
Minority interest	-643	-666	-714	-694	-739	-800	-7.3%	-9.9%	-10.7%
<b>Net income</b>	<b>4,254</b>	<b>4,547</b>	<b>4,905</b>	<b>4,308</b>	<b>4,673</b>	<b>5,062</b>	<b>-1.3%</b>	<b>-2.7%</b>	<b>-3.1%</b>
Less: One-Offs	173	90	90	173	90	90			
<b>Recurring income</b>	<b>4,081</b>	<b>4,457</b>	<b>4,815</b>	<b>4,136</b>	<b>4,583</b>	<b>4,972</b>	<b>-1.3%</b>	<b>-2.7%</b>	<b>-3.2%</b>
<b>Diluted EPS</b>	<b>0.72</b>	<b>0.79</b>	<b>0.85</b>	<b>0.73</b>	<b>0.81</b>	<b>0.88</b>	<b>-1.3%</b>	<b>-2.7%</b>	<b>-3.2%</b>
<b>YoY Growth %</b>									
Sales	(2.1%)	1.6%	1.8%	(1.6%)	1.8%	2.1%			
GP	2.0%	3.1%	3.3%	3.2%	3.4%	3.8%			
SG&A	1.1%	1.5%	2.4%	1.5%	1.6%	2.7%			
OP (GP less SG&A)	5.2%	8.7%	6.4%	9.1%	9.5%	7.2%			
Reported EBIT	8.9%	5.5%	7.7%	13.8%	7.3%	8.2%			
Reported Net Income	13.9%	6.9%	7.9%	15.4%	8.5%	8.3%			
Recurring Net Income	9.3%	9.2%	8.0%	10.7%	10.8%	8.5%			
<b>Margins</b>							<b>ppt</b>	<b>ppt</b>	<b>ppt</b>
GP	34.5%	35.0%	35.5%	34.7%	35.3%	35.8%	(0.2%)	(0.3%)	(0.4%)
SG&A	(26.7%)	(26.7%)	(26.8%)	(26.7%)	(26.7%)	(26.8%)	0.0%	0.0%	0.0%
<b>Reported EBIT</b>	<b>8.4%</b>	<b>8.8%</b>	<b>9.3%</b>	<b>8.8%</b>	<b>9.3%</b>	<b>9.8%</b>	<b>(0.3%)</b>	<b>(0.5%)</b>	<b>(0.5%)</b>
<b>Recurring income</b>	<b>5.2%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>5.2%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>(0.0%)</b>	<b>(0.1%)</b>	<b>(0.1%)</b>
Effective Tax Rate %	27.0%	26.9%	26.9%	28.6%	28.5%	28.5%	(1.6%)	(1.6%)	(1.6%)

Source: Company data, Goldman Sachs Global Investment Research

## Exhibit 10: UPC - New vs. Old

Uni-President China (220.HK)									
RMB mn									
Divisional P/L	New			Old			Change%		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Revenues</b>									
Beverages	19,691	20,700	21,611	20,306	21,253	22,197	(3.0%)	(2.6%)	(2.6%)
Instant Noodles	10,588	10,955	11,227	10,786	11,214	11,549	(1.8%)	(2.3%)	(2.8%)
Others	1,912	2,199	2,419	1,803	2,164	2,590	6.1%	1.6%	(6.6%)
<b>Total</b>	<b>32,192</b>	<b>33,854</b>	<b>35,257</b>	<b>32,894</b>	<b>34,631</b>	<b>36,336</b>	<b>(2.1%)</b>	<b>(2.2%)</b>	<b>(3.0%)</b>
<b>EBIT</b>									
Beverages	2,602	2,804	2,899	2,707	2,831	2,969	(3.9%)	(1.0%)	(2.3%)
Instant Noodles	371	378	484	390	562	714	(5.0%)	(32.7%)	(32.3%)
Group charge + OEM	-153	-123	-104	-185	-143	-76	(17.2%)	(13.5%)	37.1%
<b>Segment Total</b>	<b>2,820</b>	<b>3,059</b>	<b>3,279</b>	<b>2,912</b>	<b>3,251</b>	<b>3,607</b>	<b>(3.2%)</b>	<b>(5.9%)</b>	<b>(9.1%)</b>
<b>Group Total</b>	<b>2,820</b>	<b>3,059</b>	<b>3,279</b>	<b>2,912</b>	<b>3,251</b>	<b>3,607</b>	<b>(3.2%)</b>	<b>(5.9%)</b>	<b>(9.1%)</b>
<b>YoY Growth %</b>									
<b>Revenues</b>									
Beverages	2.3%	5.1%	4.4%	5.5%	4.7%	4.4%			
Instant Noodles	5.9%	3.5%	2.5%	7.9%	4.0%	3.0%			
Others	75.0%	15.0%	10.0%	65.0%	20.0%	19.7%			
<b>Total</b>	<b>6.1%</b>	<b>5.2%</b>	<b>4.1%</b>	<b>8.4%</b>	<b>5.3%</b>	<b>4.9%</b>			
<b>EBIT</b>									
Beverages	13.8%	7.7%	3.4%	18.4%	4.6%	4.9%			
Instant Noodles	37.2%	2.1%	27.8%	44.5%	44.0%	27.0%			
Others	6.1%	(1.5%)	(2.3%)	1.3%	(0.3%)	0.3%			
<b>Total</b>	<b>25.7%</b>	<b>8.5%</b>	<b>7.2%</b>	<b>29.8%</b>	<b>11.6%</b>	<b>11.0%</b>			
<b>Margins</b>									
<b>GP margin</b>							ppt	ppt	ppt
Beverages	37.9%	38.5%	38.5%	37.7%	38.2%	38.7%	0.2%	0.2%	(0.2%)
Instant Noodles	26.5%	26.9%	28.0%	26.5%	28.3%	29.7%	(0.0%)	(1.4%)	(1.7%)
Others	18.9%	19.0%	19.0%	18.9%	19.0%	19.5%	0.0%	0.0%	(0.5%)
<b>Total</b>	<b>33.0%</b>	<b>33.5%</b>	<b>33.8%</b>	<b>33.0%</b>	<b>33.8%</b>	<b>34.5%</b>	<b>0.0%</b>	<b>(0.4%)</b>	<b>(0.6%)</b>
<b>EBIT margin</b>									
Beverages	13.2%	13.5%	13.4%	13.3%	13.3%	13.4%	(0.1%)	0.2%	0.0%
Instant Noodles	3.5%	3.5%	4.3%	3.6%	5.0%	6.2%	(0.1%)	(1.6%)	(1.9%)
Others - OEM	11.6%	11.7%	11.8%	11.6%	11.7%	12.3%	0.0%	0.0%	(0.5%)
<b>Total</b>	<b>8.8%</b>	<b>9.0%</b>	<b>9.3%</b>	<b>8.9%</b>	<b>9.4%</b>	<b>9.9%</b>	<b>(0.1%)</b>	<b>(0.4%)</b>	<b>(0.6%)</b>
<b>Consolidated P/L</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Sales	32,192	33,854	35,257	32,894	34,631	36,336	(2%)	(2%)	(3%)
COGS	(21,566)	(22,523)	(23,327)	(22,028)	(22,917)	(23,814)	(2%)	(2%)	(2%)
<b>Gross Profit</b>	<b>10,635</b>	<b>11,331</b>	<b>11,930</b>	<b>10,866</b>	<b>11,714</b>	<b>12,522</b>	<b>(2%)</b>	<b>(3%)</b>	<b>(5%)</b>
SG&A	(8,026)	(8,479)	(8,856)	(8,162)	(8,667)	(9,116)	(2%)	(2%)	(3%)
<b>Operating profit</b>	<b>2,609</b>	<b>2,852</b>	<b>3,073</b>	<b>2,704</b>	<b>3,047</b>	<b>3,406</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(10%)</b>
Other Income	211	207	206	208	204	201	1%	2%	2%
<b>EBIT</b>	<b>2,820</b>	<b>3,059</b>	<b>3,279</b>	<b>2,912</b>	<b>3,251</b>	<b>3,607</b>	<b>(3%)</b>	<b>(6%)</b>	<b>(9%)</b>
D&A	(1,134)	(1,134)	(1,173)	(1,134)	(1,134)	(1,173)	0%	0%	0%
<b>EBITDA</b>	<b>3,954</b>	<b>4,194</b>	<b>4,452</b>	<b>4,046</b>	<b>4,385</b>	<b>4,780</b>	<b>(2%)</b>	<b>(4%)</b>	<b>(7%)</b>
Net Interest Expense	236	246	246	236	246	246	0%	0%	0%
Share of Associate Profit	59	59	59	59	59	59	0%	0%	0%
Share of JCE Profit	0	0	0	0	0	0			
<b>Profit Before Tax</b>	<b>3,115</b>	<b>3,364</b>	<b>3,584</b>	<b>3,207</b>	<b>3,556</b>	<b>3,912</b>	<b>(3%)</b>	<b>(5%)</b>	<b>(8%)</b>
Tax Expense	(799)	(863)	(919)	(823)	(912)	(1,004)	(3%)	(5%)	(8%)
Minority Interest	0	0	0	0	0	0			
<b>Net Profit After Tax</b>	<b>2,316</b>	<b>2,501</b>	<b>2,665</b>	<b>2,384</b>	<b>2,644</b>	<b>2,909</b>	<b>(3%)</b>	<b>(5%)</b>	<b>(8%)</b>
Net One-offs	0	0	0	0	0	0			
<b>Recurring NPAT</b>	<b>2,316</b>	<b>2,501</b>	<b>2,665</b>	<b>2,384</b>	<b>2,644</b>	<b>2,909</b>	<b>(3%)</b>	<b>(5%)</b>	<b>(8%)</b>
Recurring EPS (RMB/share)	0.536	0.579	0.617	0.552	0.612	0.673	(3%)	(5%)	(8%)
<b>YoY Growth %</b>									
Sales	6.1%	5.2%	4.1%	8.4%	5.3%	4.9%			
Operating Profit	29.1%	9.3%	7.8%	33.8%	12.7%	11.8%			
Reported EBIT	25.7%	8.5%	7.2%	29.8%	11.6%	11.0%			
Reported NPAT	25.2%	8.0%	6.5%	28.9%	10.9%	10.0%			
Recurring NPAT	25.2%	8.0%	6.5%	28.9%	10.9%	10.0%			
<b>Margins</b>							ppt	ppt	ppt
Gross Profit	33.0%	33.5%	33.8%	33.0%	33.8%	34.5%	0.0%	(0.4%)	(0.6%)
Operating Profit	8.1%	8.4%	8.7%	8.2%	8.8%	9.4%	(0.1%)	(0.4%)	(0.7%)
EBITDA	12.3%	12.4%	12.6%	12.3%	12.7%	13.2%	(0.0%)	(0.3%)	(0.5%)
Recurring NPAT	7.2%	7.4%	7.6%	7.2%	7.6%	8.0%	(0.1%)	(0.2%)	(0.4%)
Effective Tax Rate	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	0.0%	0.0%	0.0%
SG&A	24.9%	25.0%	25.1%	24.8%	25.0%	25.1%	0.1%	0.0%	0.0%
Depreciation	3.5%	3.4%	3.3%	3.4%	3.3%	3.2%	0.1%	0.1%	0.1%

Source: Company data, Goldman Sachs Global Investment Research

## Valuation comps

### Exhibit 11: Valuation comp table - China Beverages

Company		Rating	Mkt cap US\$ mn	Ccy	Price 9/24/2025	12-m TP	+/-	PE			TP Implied PE			25-27E Rev CAGR	25-27E NP CAGR	EV/EBITDA			ROE	Div yield	YTD perf
								2025E	2026E	2027E	2025E	2026E	2027E			2025E	2026E	2027E	2025E	2026E	%
F&B																					
9633.HK	Nongfu Spring	Buy	75,315	HKD	53.00	60.50	14%	36X	31X	27X	41X	35X	31X	13%	15%	23X	20X	17X	43%	2.0%	56%
0322.HK	Tingyi	Buy	7,479	HKD	10.38	12.70	22%	13X	12X	11X	16X	15X	14X	2%	9%	6X	6X	6X	22%	7.9%	3%
0220.HK	Uni-President China	Neutral	4,603	HKD	8.37	9.30	11%	14X	13X	12X	16X	15X	14X	5%	7%	7X	7X	6X	17%	7.0%	7%
605499.SS	Eastroc Beverage	Buy*	20,886	CNY	288.72	351.00	22%	33X	26X	22X	40X	32X	26X	21%	24%	26X	20X	16X	54%	2.1%	16%
2460.HK	China Resources Beverage	Neutral	3,329	HKD	11.21	10.50	-6%	23X	18X	15X	21X	16X	14X	7%	23%	8X	6X	5X	9%	2.0%	-5%

Eastroc is on the APAC Conviction List; priced as of Sep 24 close.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

## Price Target Risks and Methodology - Eastroc Beverage

We are Buy rated (on the APAC Conviction List) 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.

## Price Target Risks and Methodology - China Resources Beverage

We are Neutral rated on China Resources Beverage with a 12-month TP of HK\$10.5 based on a 16.5x 2026E P/E, and discounted back to end-2026E using a 12.0% COE.

Key downside/upside risks: 1) More/less intensified competition than expected in the bottled water market; 2) slower-/faster-than-expected development of the beverage business; 3) less-/more-than-expected raw material price benefits; 4) uncertainty over channel/distribution management; and 5) reputational risks/food security issues.

## Price Target Risks and Methodology - Nongfu Spring

We are Buy rated on Nongfu. Our 12-month TP of HK\$60.5 is based on a 33.5x 2027E P/E based on Nongfu's last 3-year trading P/E, discounted back to end-2026E using an 8.5% CoE.

Key risks: Lower-than-expected tea/water sales momentum; higher-than-expected cost inflation; and more intense beverage industry competition.

## Price Target Risks and Methodology - Tingyi

We are Buy rated on Tingyi. Our 12-month TP of HK\$12.7 is based on a 15x 2027E P/E

(average P/E of past 3 years for Tingyi/UPC), discounted back to end-2026E using a 7.7% COE.

Key risks: 1) Higher-than-expected raw material cost pressures; 2) more intense competition in instant noodles/beverages; and 3) weaker premiumization trends in instant noodles/beverages.

## Price Target Risks and Methodology - Uni-President China

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We are Neutral rated on UPC. Our 12-month TP of HK\$9.3 is based on a 15x 2027E P/E (average P/E of past 3 years for Tingyi/UPC), discounted back to end-2026E using an 8.1% COE.

Key upside risks: 1) More favorable raw material price movements; 2) better-than-expected performance of convenience food driven by demand recovery or new product launch; and 3) better-than-expected competition in instant noodles/beverages.

Key downside risks: 1) Higher-than-expected raw material cost pressures; 2) more intense competition in instant noodles/beverages; and 3) food quality issues.

## Disclosure Appendix

### Reg AC

We, Leaf Liu, Christina Liu 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.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

### GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

**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 (DAFCF) (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).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

### M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

### Quantum

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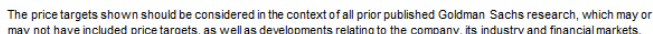
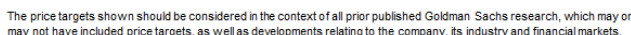
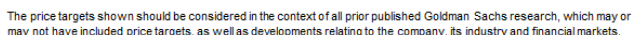
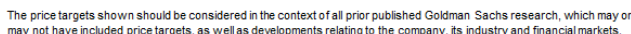
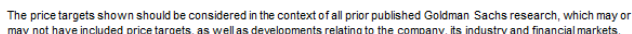
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