

# China Beverages: Addressing key debates: Solid product cycle and earnings visibility despite rising competition; Scenario analysis on

Our covered names in China Beverages, our most preferred subsector in the staples space, have rallied 19% YTD, outperforming vs. MSCI China staples index up 8%.

Into 2Q25, we continue to prefer this sub-sector with growth scarcity, positive product cycle and solid earnings visibility amid continued cost benefits; however, we note rising investor concerns on competition and potential S-T disruption from freshly made drinks (FMD) amid delivery subsidies. **We discuss three key investor debates in the beverage space:**

## 1) Gauging impact from FMD volume boost amid intensified food delivery

**subsidies:** we note enhanced commercial investments in both pricing and channels as beverage companies compete for volume growth, while players such as UPC have been commenting on potential competition from heavier discounts in freshly-made tea/coffee amid recently intensified food delivery competition. We observe the volume boost in FMD from elevated subsidies by food delivery platforms since April ([Exhibit 3](#)), and we see potential S-T impact of cannibalizing the share of throat for RTD soft drinks as the heavily subsidized prices of milk tea/ coffee were similar to RTD soft drinks during peak subsidy season in May ([Exhibit 6](#)). That said, given the number of FMD stores (c.510k+) is still significantly below soft drinks' POS (c.6mn+) ([Exhibit 5](#)), we see the impact as limited to the overall beverage industry and mainly affecting the soft drinks POS that are nearby FMD stores. **We also perform a scenario analysis** to gauge the potential volume impact to overall RTD soft drinks; our analysis suggests an overall LSD~MSD% impact on daily volume sold by RTD soft drinks POS ([Exhibit 7](#)), assuming c.50% cannibalization between RTD soft drink and FMD consumption and c.25%~45% daily volume boost to a FMD store on avg driven by the boost from subsidies in the peak season (while likely subdued into slack seasons with limited full-year impact and we have also observed sequentially normalizing delivery subsidies into June). **Furthermore, global comparisons indicate a still visible longer-term growth path for both RTD soft drinks and FMD with per capita in-take and per-store/POS volume notably under-penetrated ([Exhibit 9](#)).**

**2) Product cycle still the key idiosyncratic driver:** As consumers remain focused on value-for-money, prioritizing consumption experience, and health/functional benefits, we note that sugar-free drinks, new tastes, and sport/energy drinks are still in rising product cycle, where Eastroc's Bushuila and Guozhicha, Nongfu's Oriental

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Leaf (newly launched Ice Tea in June 2025), and UPC's sugar-free tea Spring Breeze Green Tea (GSe on Rmb400mn in 2025) and energy drinks Huan Shen (GSe on Rmb300mn) etc are currently under the spotlight given their fast ramp-up. We factor the rising sales contribution into our forecasts and expect these key strong/new products to contribute to 2%~20+% of beverage sales in 2025E.

### 3) Margin resilience – Manageable impact from competition risks thanks to cost benefits continuing into 2H25:

While investors are concerned on promotion/reinvestment risks to ASP, we think the reinvestment level is still manageable with the help from cost buffers. We now revise unit cost deflation to 2.3%~6.3% after factoring in the latest YTD cost trends vs. prior 0.6%~4.0% unit cost deflation yoy for beverage segments across our coverage for 2025E; for the noodles business we are seeing cost inflation YTD, but we expect this to ease sequentially on normalizing palm oil prices mom and an easier comp in 2H25. Our cost analysis suggests a 1.2%~5.3% deflation for the full year if using spot prices, which theoretically should be sufficient to offset a 1.0%~3.2% ASP decline (based on our EBIT analysis; [Exhibit 21](#)). On pricing, while we are seeing rising value offerings for some new SKUs, beverage companies such as Eastroc/Nongfu are also scaling down promotion levels for their classic SKUs (i.e., energy drinks/ bottled water), and Tingyi still sees ASP hike benefits from 2H24 on large pack beverages and noodles.

We continue to favor Beverages as our preferred subsector in staples while we believe the beverage industry will sustain the secular volume growth in the long term and support visible profit growth in 2025. We revise up our NP estimates for F&B companies by up to 9% and change TP by -7% to +25% mainly on cost benefits, product cycle and valuation roll-forward by six months to mid-2026E. Reiterate Buy on Eastroc, Tingyi, CR Beverage and Nongfu.

#### Exhibit 1: TP changes and valuation comparison

Company	Ticker	Market Cap (US\$mn)	Ccy	Share Price 06/13/25	Exit P/E			Discount years		Old TP	New TP	TP Chg	+/- new TP	Trading P/E			TP Implied P/E			2025e-27e CAGR		Div yield 2025E
					Old	New	New vs Old	Old	New					2025e	2026e	2027e	2025e	2026e	2027e	Sales	NP	
China F&B																						
Nongfu Spring	9633.HK	55,378	HKD	39.15	27.0x	30.0x	11%	end-2025E	mid-2026E	36.30	43.60	20%	11%	29X	26X	23X	33X	29X	26X	11.1%	11.0%	2.5%
Tingyi	0322.HK	8,697	HKD	11.76	16.5x	16.5x	0%	end-2025E	mid-2026E	14.40	14.90	3%	27%	14X	12X	11X	18X	16X	14X	2.8%	11.3%	6.9%
Uni-President China	0220.HK	5,602	HKD	10.00	16.5x	16.5x	0%	end-2025E	mid-2026E	9.60	10.30	7%	3%	17X	15X	14X	18X	16X	14X	5.1%	12.1%	5.7%
China Resources Beverage	2460.HK	3,861	HKD	12.18	19.0x	16.5x	-13%	end-2025E	mid-2026E	19.00	17.70	-7%	45%	13X	11X	9X	19X	16X	13X	7.6%	17.3%	3.5%
Eastroc Beverage	605499.SS	24,363	CNY	324.61	30.0x	33.0x	10%	end-2025E	mid-2026E	293.00	367.00	25%	13%	36X	28X	23X	40X	32X	26X	20.1%	23.6%	1.9%

Source: Goldman Sachs Global Investment Research

## Gauging impact from FMD volume boost amid intensified food delivery subsidies

### Scenario analysis on competition pressure from food delivery

The stepped-up competition across food delivery platforms (e.g Meituan, JD, Ele.me) has elevated subsidies to consumers where the post subsidy ASP is attracting customers. The freshly made tea/coffees account for the majority of the order volume on those platforms.

In the near term, our [China Retail analyst Michelle Cheng](#) believes the elevated subsidies could likely slow the store closure pace for FMD underperformers due to

improving profits amid volume boost, and the outperformers can also enjoy consolidation opportunities.

**Volume boost from delivery subsidies in near term:** FMD players saw a recent volume boost from delivery subsidies, e.g. Nayuki saw a **28% sales volume increase yoy in May** supported by delivery subsidies (vs. -7%/3% yoy in Mar/Apr 2025) while ticket size declined by 11% yoy. Our expert call dated Jun 12 highlighted that the daily number of cups sold on avg. grew 50% at the expert's franchised Cotti stores when the subsidy competition started (in April) and accelerated to 50-80% in May, while returning to c.50% yoy with the subsidy normalization in June. For the expert's Luckin stores, the growth rates in respective periods were 10%/15%/5-8% yoy, less significant vs. Cotti.

**Pricing trends under subsidies:** With JD's delivery subsidy (Rmb10bn+ within 1 year), the subsidized prices of a freshly made coffee would be as low as c.Rmb2-5 per cup on JD, trending below retail prices of RTD coffee (e.g. Nestle RTD coffee retail price at Rmb5.5/ 268ml bottle), and the subsidized price of a freshly made tea (e.g., by Guming) would be as low as c.Rmb8 per c.500ml cup on JD, approaching the retail price of RTD tea, e.g., Tingyi's Ice Black Tea/ Nongfu's Oriental Leaf at Rmb3/5 per 500ml bottle. On Jun 9, Starbucks announced it would lower menu prices incl. a Rmb2-6 price reduction on dozens of its drinks incl. Frappuccino, Latte and tea starting Jun 10. Our US Restaurant Analyst Christine Cho believes this is likely also a response to the stepped-up competition from food delivery platforms. During our corporate day, UPC also mentioned that in the near term, the heavy subsidies on food delivery platforms are benefiting freshly-made tea/coffee shops with subsidized prices approaching the range for RTD soft drinks.

Although the heavy subsidies have boosted delivery order volume, we note the state media commented in late May that the delivery platforms need to follow commercial practice and avoid low pricing competition. The experts we interviewed also commented the subsidies have been normalizing in June to date, and are likely to gradually further reduce going forward, where platforms may assess user retention ratios dynamically and adjust subsidy levels ahead. That said, our Internet analyst Ronald Keung still expects the food delivery competition to continue into 2H25.

### Volume impact analysis

Our expert session dated Jun 12 on food delivery highlighted that the number of FMD orders surged on major food delivery platforms (i.e. Meituan, JD, Ele.me/Taobao) amid recent elevated subsidies; meanwhile on a mom basis, as the average order value (AOV) improved on JD in June, sequentially the mix of FMD orders declined and the number of FMD orders is likely normalizing (Exhibit 3).

To gauge the near-term impact on RTD soft drinks, we assess the potential cannibalization impact from the freshly made drinks sold in FMD stores on nearby RTD soft drinks POS, as some soft drink POS have not yet been impacted given the total number of soft drink POS is significantly larger than FMD store counts at the moment. In Exhibit 4, we estimate that on average one FMD shop can sell c.2.6x/1.9x more cups of drink to consumers vs. retail POS of soft drinks as of 2023/2028E.

In our analysis (Exhibit 7) we assume 1) 25% volume boost from delivery subsidy in FMD stores, and 2) 50% of FMD cups sold will mean fewer purchased in nearby POS (cannibalization ratio), and find there could be roughly -3% volume impact to the total number of RTD soft drinks sold on a daily basis. Our sensitivity analysis suggests that if the volume boost reached 45% in FMD stores, and the cannibalization ratio became 90%, the impact would become HSD%, while the impact is likely to fade amid improving AOV on food delivery platforms and normalizing subsidies, where the next timing to watch will be the end of the ongoing 6.18 shopping festivals (by 20 Jun), and therefore on a full-year basis, the impact from boosted daily FMD orders could be less than that at the current stage with still elevated subsidies.

Anecdotally on the positive side, we observed that one potential reason for the booming development of sugar-free tea is the fast growth of freshly-made tea, which has introduced consumers to different tastes of original tea flavored beverages vs. traditional sweetened tea beverages. It has also led to an **acceleration in new product development and launches in the soft drink space.**

**Exhibit 2: Our monthly channel checks in May suggest limited impact from increased food delivery orders recently**

Beverage monthly yoy	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Nongfu - overall	down DD%		up teens%	up DD%	up DD%
UPC - beverage	up SD%	up DD%	positive growth	up nearly 10%	up MSD%
Tingyi - beverage	minor positive growth		SD% decline	Flattish to minor growth	Positive growth in PepsiCo, declines in others
Eastroc - overall	15% yoy	c.50% yoy	30%+ yoy	35% yoy	39% yoy

**Exhibit 3: Per expert's estimates, the number of FMD orders has doubled yoy due to enlarged subsidy, while on a mom basis the FMD orders will likely stabilize sequentially**

Number of FMD orders on major food delivery platforms (channel checks)			
Meituan	Apr-25	May-25	Jun-25
Total number of orders per day (mn)	61-62	63-64	64-65
FMD orders as % of total			c.20%
<b>Number of FMD orders per day(mn)</b>	<b>13.0</b>		
JD	Apr-25	May-25	Jun-25
Total number of orders per day (mn)	14-15	19-20	22-23
FMD orders as % of total	c.55%	c.45%	c.35%
<b>Number of FMD orders per day(mn)</b>	<b>8.0</b>	<b>8.8</b>	<b>8.0</b>
mom %		10%	-9%
Ele.me/ Taobao	Apr-25	May-25	Jun-25
Total number of orders per day (mn)	20	36-37	32-33
FMD orders as % of total	c.40%	c.35%	c.30%
<b>Number of FMD orders per day(mn)</b>	<b>8.0</b>	<b>12.8</b>	<b>10.0</b>
mom %		60%	-22%
Number of FMD orders per day (mn)	Normal subsidies	Current subsidies	
	Jun-24	Jun-25	
Meituan	10.0	13.0	
JD	-	8.0	
Ele.me/ Taobao	4.0	10.0	
<b>Total</b>	<b>14.0</b>	<b>31.0</b>	
yoy %		121%	

Source: Channel checks, Data compiled by Goldman Sachs Global Investment Research

Source: Expert call, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 4: We estimate that on average one FMD shop can sell c.2x the number of cups of drink to consumers vs. retail POS of soft drinks**

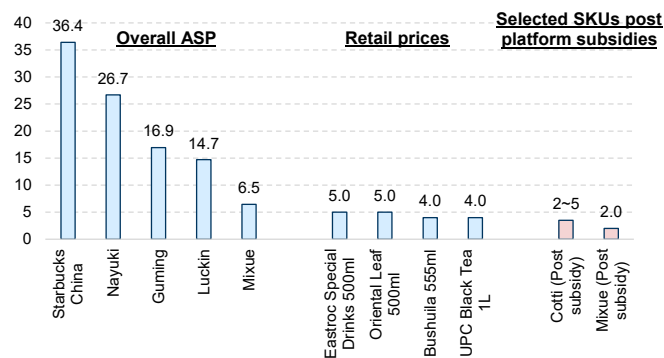
Comparison on intake volume	2023	2028
<b>Freshly made drinks (incl. tea &amp; coffee) - CIC</b>		
Number of FMD Cups (mn)	31,013	71,345
vs. RTD soft drink bottles	16%	29%
FMD cups per capita per year	22	51
vs. RTD soft drink bottles per capita	16%	29%
Population (mn)	1,410	1,399
Total stores ('000)	363	903
vs. RTD soft drink POS	0%	0%
<b>FMD Cups per store p.a. ('000)</b>	<b>85</b>	<b>79</b>
Daily FMD Cups per store	234	216
vs. RTD soft drink bottles per POS	2.6x	1.9x
<b>RTD soft drinks - GSe</b>		
RTD soft drinks volume (mn litre)	136,600	170,863
Number of RTD soft drink bottles (mn)	195,143	244,091
RTD soft drink bottles per capita per year	138	174
Total POS ('000)	6,000.0	6,000.0
<b>RTD soft drink bottles per POS p.a. ('000)</b>	<b>33</b>	<b>41</b>
Daily RTD soft drink bottles per POS	89	111

Assuming avg. bottle volume of soft drinks is 700ml (considering small to large size packaging)

Source: CIC, Goldman Sachs Global Investment Research

**Exhibit 6: ASP of freshly-made tea post subsidies could trend below retail price of RTD soft drinks in May**

ASP (Rmb)

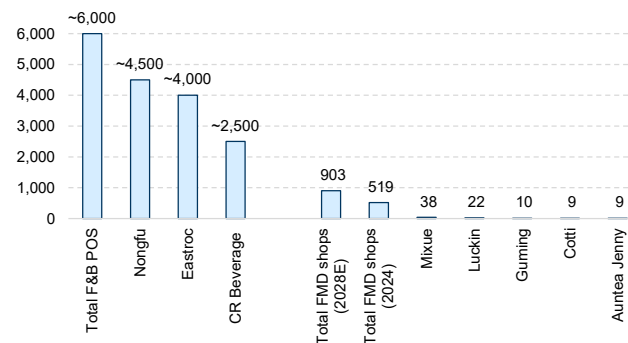


Post subsidy prices refer to lowest ranges across major platforms

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

**Exhibit 5: The number of POS of soft drinks is significantly higher than FMD's store counts currently, while the FMD is expected by CIC to be c.15% of total F&B POS by 2028E**

POS of soft drinks vs. Store count of FMD ('000; as of end-2024)



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

**Exhibit 7: Assuming 1) 25% volume boost from delivery subsidy in FMD stores, and 2) 50% of FMD cups sold will be purchased in nearby POS (cannibalization ratio), there could be LSD% volume impact to total number of RTD soft drinks sold in our analysis**

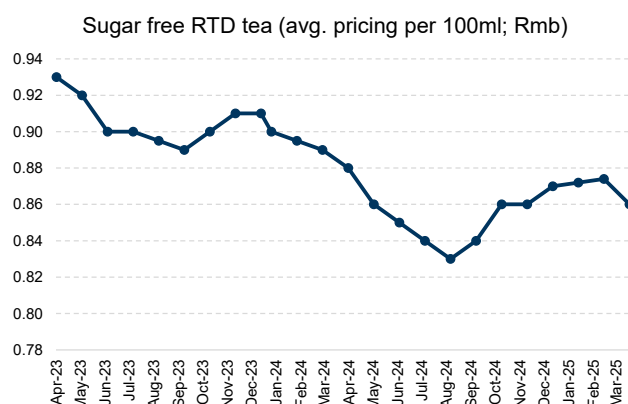
Cannibalization analysis on RTD drinks sales volume from FMD subsidy boost			Formula
Total number of FMD stores ('000; 2024)	519	[a]	
Total number of soft drinks POS ('000; 2024)	6,000	[b]	
Daily number of cups sold per FMD store	234	[c]	
Daily number of bottles sold per soft drinks POS	89	[d]	
Total daily number of cups sold (mn)	122	[e] = [a] x [c]	
Total daily number of bottles sold (mn)	535	[f] = [b] x [d]	
Number of RTD soft drinks POS nearby 1 FMD store			[g]
Number of RTD soft drinks POS nearby FMD stores ('000)	1,558	[h] = [a] x [g]	
Number of RTD soft drinks POS not nearby FMD stores ('000)	4,442	[i] = [b] - [h]	
% more cups sold per FMD store amid subsidy competition	25%	[j]	
# more cups sold per FMD store amid subsidy competition	59	[k] = [c] x [j]	
Daily number of cups sold per FMD store amid subsidy competition	293	[l] = [c] + [k]	
Cannibalization ratio to daily # bottles sold per nearby soft drinks POS			[m]
Daily number of bottles sold per nearby soft drinks POS	79	[n] = [d] - [k] ÷ [g]	
Total daily number of bottles sold amid subsidy competition (mn)	519	[o] = [d] x [i] + [h] x [n]	
% Impact vs. total daily sold without subsidy competition	-2.8%	[p] = [o] ÷ [f] - 1	

Scenarios on impact to # RTD soft drinks sold from FMD subsidy						
Cannibalization ratio	% more cups sold per FMD store amid subsidy competition					
		5%	15%	25%	35%	45%
	10%	-0.1%	-0.3%	-0.6%	-0.8%	-1.0%
	30%	-0.3%	-1.0%	-1.7%	-2.4%	-3.1%
	50%	-0.6%	-1.7%	-2.8%	-4.0%	-5.1%
	70%	-0.8%	-2.4%	-4.0%	-5.6%	-7.2%
	90%	-1.0%	-3.1%	-5.1%	-7.2%	-9.2%

Assumption of 25% more cups sold makes reference to Nayuki's commentary for May volume run-rate

Source: CIC, Frost & Sullivan, Goldman Sachs Global Investment Research

### Exhibit 8: Sugar-free RTD tea noted sequentially lower pricing in the past two years



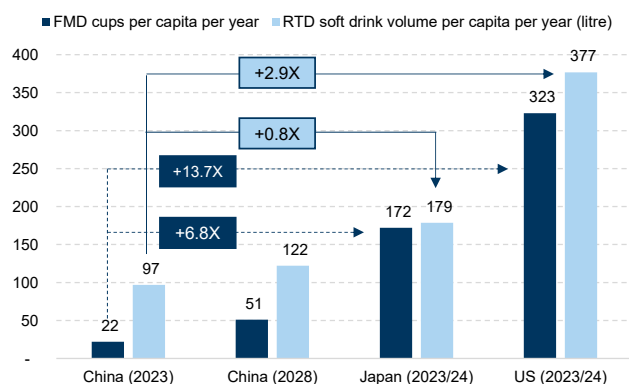
Source: Mashangying

### Longer-term, still ample room for both segments to grow

From a per capita consumption point of view, we see both freshly-made drinks and RTD soft drinks have ample room to grow if compared to the levels of Japan/ US. Mainland China's RTD soft drinks' per capita in-take (ex. bottled water) is still notably below Japan

and the US, and also Taiwan which is the origin of freshly made milk tea; that said, the per-capita in-take in Taiwan also saw positive growth in the past three years.

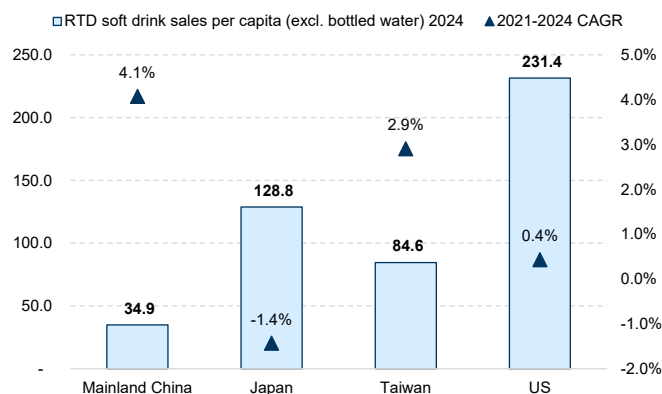
**Exhibit 9: From a per capita in-take point of view, we see both freshly-made drinks and RTD soft drinks have ample room to grow if compared to the levels of Japan/ US**



China data are based on our industry model

Source: CIC, Euromonitor, Goldman Sachs Global Investment Research

**Exhibit 11: Mainland China's RTD soft drinks' per capita in-take (ex. bottled water) is still notably below Japan and the US, and also Taiwan which is the origin of freshly made milk tea; the per-capita in-take in Taiwan also saw positive growth in the past three years**



Source: Euromonitor, Goldman Sachs Global Investment Research

**Exhibit 10: Compared to Taiwan, currently in ML China we see the original FMD prices, e.g., freshly made milk tea sold in Taiwan has a closer pricing gap with RTD milk tea vs. in ML China**

Price comps: FMD vs. RTD	Mainland China	Taiwan	Taiwan
Unit	Rmb	NTD	Rmb
Starbucks latte	30	120	29
Freshly made tea			
Mixue lemonade	4		
Mixue bubble tea	6		
Wushiland jasmine green tea		35	9
Ching Shin Fu Chuan oolong green tea		30	7
RTD drinks			
UPC Assam Milk Tea	4	30-40	7-10
Lipton Honey Black Tea	4	30	7
Coca Cola (regular bottle)	3	35	9
Bottled water (regular bottle)	1-2	15-25	4-6
Mixue bubble tea/ Wushiland vs. UPC Assam	1.7x	0.9x-1.2x	
Mixue lemonade/ CSFC vs. Coca Cola	1.3x	0.9x	

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

## Product Cycle still the key idiosyncratic driver

As consumers remain focused on value-for-money, prioritizing consumption experience, and health/functional benefits, we note that sugar-free drinks, better tastes/ healthy ingredients, and sport/energy drinks are still in rising product cycles. We also note more value offerings in new products with large-sized SKUs.

**Health/ functional benefits remain as a key trend:** Nongfu launched a new sweetened, carbonated RTD tea product Ice Tea in early June, with key selling points of healthy features (e.g. free from potassium sorbate/ sucralose/ tea powder; 100% tea extract; ≥200mg tea polyphenols per bottle) at a suggested retail price of Rmb6 per

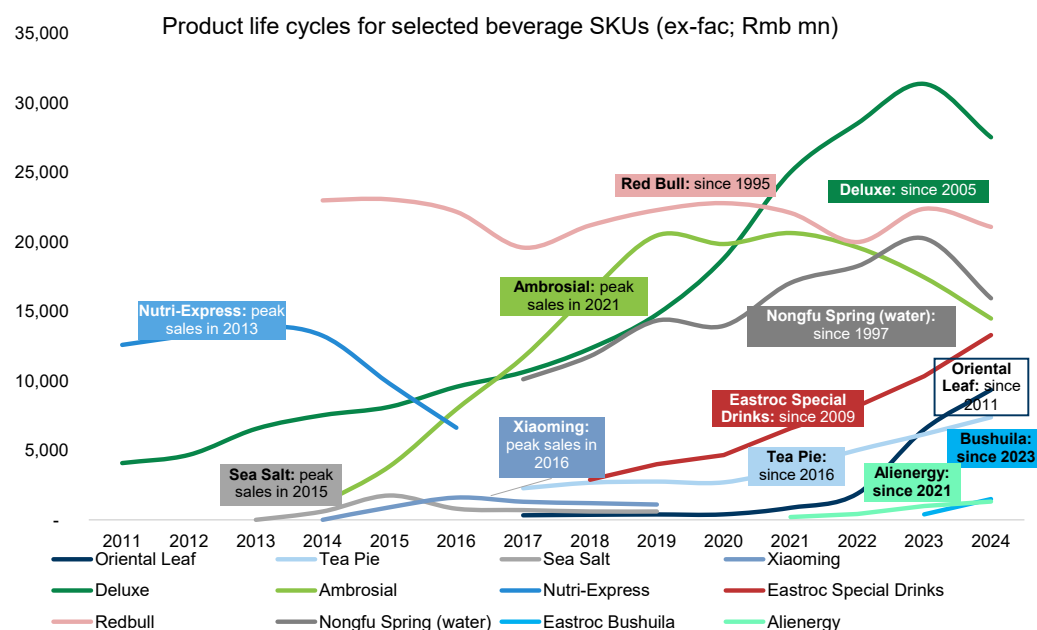


600ml bottle. We also note Eastroc launched RTD tea Guozhicha this year with the concept of “tea extract” rather than tea powder while priced at a lower range (i.e. Rmb5 for 900ml). In 1Q25, the strong product ramp-up of Eastroc’s Electrolyte Water Bushuila gained the most share in the sports drinks category per Mashangying. UPC’s sugar-free tea Spring Breeze Green Tea exceeded Rmb100mn sales in Jan-Apr with the new flavor launch, heading towards its target of doubling sales in 2025 vs. c.Rmb200mn in 2024, and its energy drink Huan Shen achieved sales in Jan-Apr of c.Rmb100mn scale, surpassing the sales scale in 2024.

In our beverage primer, we noted that beverages that serve basic/ functional needs tend to have longer product cycles in China, and some beverage SKUs can reach Rmb1-1.5bn sales within 1-2 years, while we believe that the key to sustaining the trend is strong channel management, investment into consumer education and healthy pricing system among others (while historically UPC’s Xiaoming/ Sea Salt did not sustain the scale after reaching Rmb1bn+ sales). We note that Eastroc’s Bushuila has reached Rmb1.5bn exfactory sales in 2024 (c. 2 years since launch) but still maintained robust trend into 2025 with Eastroc’s strong channel coverage and execution.

**Large-sized products continue to be favored by consumers due to value-for-money nature:** Beverage distributors noted the overall ASP of RTD soft drinks is trending weaker YTD, with more new SKUs launched with larger bottle size but similar prices, e.g. UPC’s energy drink Huan Shen is priced at Rmb6 per 1-litre bottle, vs. Eastroc’s Rmb5 per 500ml bottle. Driven by consumer demand, the major ASP range of new products is down to Rmb3-5 per bottle, vs. previously Rmb5-8. In addition, a number of brands are also increasing bottle size without raising prices, e.g. Tingyi’s offering of 550ml RTD tea this year at the same price as its original 500ml SKU.

**Exhibit 12: Beverages that serve basic/ functional needs tend to have longer product cycles in China**  
Product life cycles for selected beverage SKUs (ex-factory sales, Rmb mn)



Nutri-Express data are sourced from Euromonitor on retail sales basis; the remainder is based on ex-fac sales

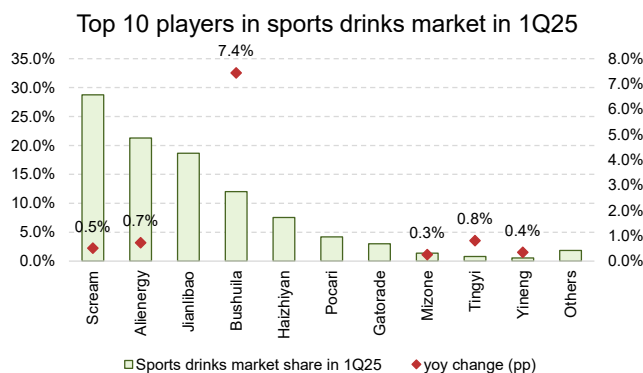
Source: Company data, Goldman Sachs Global Investment Research, Euromonitor



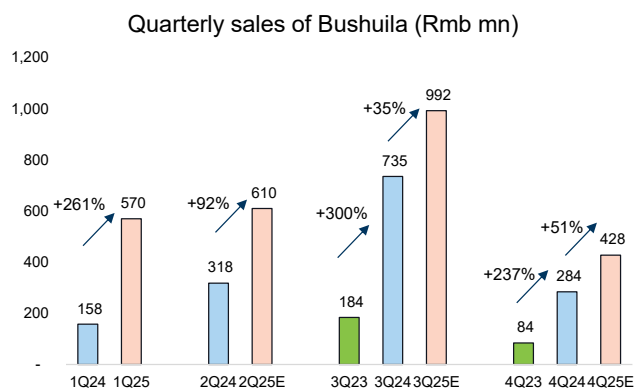
**Exhibit 13: Summary of selected new large-sized beverage product launches recently**

Brand	Product	Product CN	Vol per bottle	Suggested retail price	Launch date
Jinmailang	Vitamin C Water	今麦郎维C水	1-litre	Rmb4	Mar 2025
Eastroc	Guozhicha	东鹏果之茶	1-litre	Rmb5	Feb 2025
Nongfu	Oriental Leaf	东方树叶	1.5-litre	Rmb10.9	Jan-25
UPC	Haizhiyan Electrolyte Water	海之言	900ml	Rmb6	Summer 2024
UPC	Huanshen Energy Drinks	焕神	1-litre	Rmb6	Summer 2024
Chi Forest	Ran Tea	燃茶	900ml	Rmb6	Summer 2024
Eastroc	Bushuila	补水啦	1-litre	Rmb6	Early 2024
Chi Forest	Alienergy Electrolyte Water	外星人	950ml	Rmb8	Jan 2024
Fruit Ripe	Fruit Ripe Tea	果子熟了	970ml	Rmb8	Jan 2024

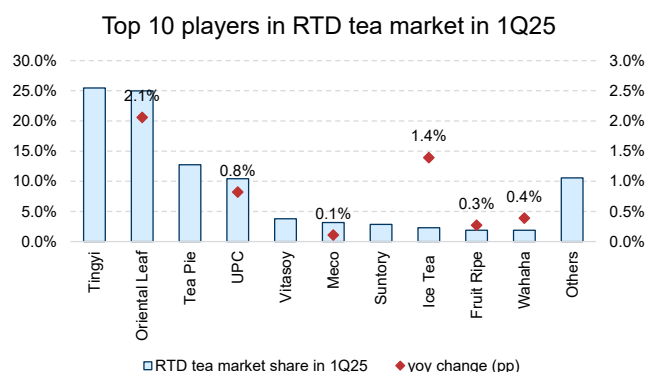
Source: Company data

**Exhibit 15: Eastroc's Bushuila gained the most share yoy in sports drinks category in 1Q25**

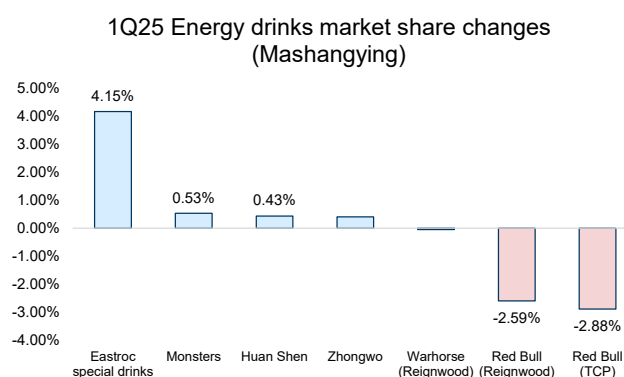
Source: Mashangying

**Exhibit 17: We expect rapid ramp-up of Bushuila's sales with 2025 to reach Rmb610mn**

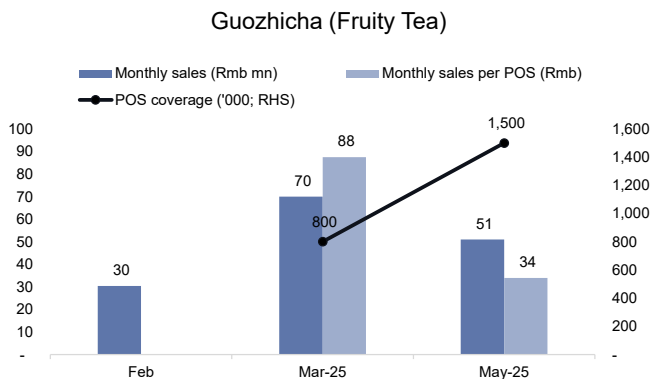
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 14: Oriental Leaf continued to outperform the market in 1Q25**

Source: Mashangying

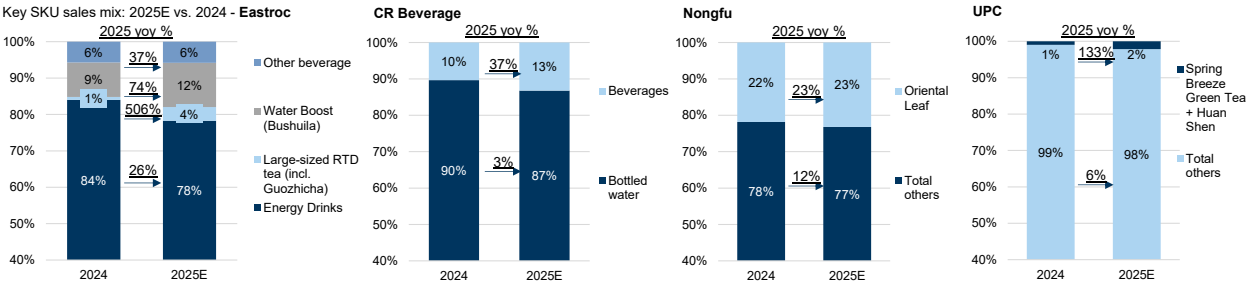
**Exhibit 16: Eastroc's energy drinks continued to gain market shares in 1Q25 mainly from Red Bull**

Source: Mashangying

**Exhibit 18: Eastroc's Guozhicha has been rapidly ramping up POS coverage to 1.5mn POS by end-May 2025 per our channel checks (March as first month for shipment)**

Source: Data compiled by Goldman Sachs Global Investment Research

Exhibit 19: The strong product cycles in emerging products to drive portfolio diversification for beverage players



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: Functional benefits, better taste/ ingredients, value-for-money/large-sized concepts remain as the key themes in recent product launches

Snapshot of select new product launches of our beverage coverage

Company	Nongfu
Category	Carbonated RTD Tea
Product	Ice Tea
Price	Rmb 5/ 600ml
Launch date	Jun-25



Tingyi
RTD Tea
Iced Black Tea High-fiber/ low-sugar
Rmb 3/ 500ml
Jun-25



CR Beverage
Herbal based drinks
Zhi Ben Qing Run Stewed Pear
Rmb 4.5/ 450ml
Mar-25



Company	Eastroc
Category	RTD tea
Product	Guozhicha (Tea of Fruit)
Price	Rmb 5/ 1-litre
Launch date	Feb-25



Nongfu
Sugar-free RTD tea
Oriental Leaf
Rmb 10.9/ 1.5-litre
Jan-25



UPC
Energy drinks
Huan Shen
Rmb 6/ 1-litre
Jul-24



Source: Company data

## Margin resilience - Cost benefits likely to defend margin and continue into 2H25

### Cost benefits mainly from packaging materials prices

We previously factored in 0.6%~4.0% unit cost deflation yoy for beverage segments across our coverage for 2025E, but now revise to 2.3%~6.3% unit cost deflation after factoring in the latest YTD cost trends; for the noodles business we are seeing cost

inflation, but we expect this to ease sequentially due to normalizing palm oil prices in recent months. Our cost analysis suggests a 0.4%~4.5% unit cost deflation benefit to our coverage in 1H25 based on YTD cost trend, and 1.2%~5.3% deflation for the full year if using spot prices, which theoretically should be sufficient to offset a 1.0%~3.2% ASP decline (based on our EBIT analysis; [Exhibit 21](#)). While we are seeing rising value offerings for some new SKUs, companies such as Eastroc/Nongfu are scaling down promotions for their classic SKUs (i.e., energy drinks/ bottled water; Nongfu's small-sized bottled water to see 1% ASP growth in 2025E per GSe vs. DD% decline in 2024), and Tingyi still sees ASP hike benefits from 2H24 on large pack beverages and noodles. Our base case assumption still implies GPM expansion in 2025E.

Our latest cost tracker suggests F&B players still enjoy cost tailwinds, with the prices of PET/ sugar/ paper pulp continuing to decline on a YTD yoy basis, while partially offset by palm oil/ milk powder price increases. Based on the 5M25 and latest spot price trends, we conduct analysis on potential GPM accretion from cost benefits in full year 2025E, where we assume 1) the 2025 full-year cost trends of key items incl. PET, sugar, paper pulp, palm oil and milk powder to be same as the spot price vs. 2024 average, and 2) all other cost items to remain the same yoy. All else being equal, we note that CR Beverage and Eastroc will likely enjoy the most cost benefits of +2.8pp/+2.3pp in GPM for 2025E due to lower costs of PET/sugar. Our sensitivity analysis flexing sugar and PET prices also suggests that, given more exposure to sugar, Eastroc may enjoy more cost benefits if the sugar price declines further, while CR Bev could see more significant tailwinds if PET prices decline further due to its more concentrated product mix.

#### **Half-year cost benefits trend:**

**1H25:** In 5M25, we have observed favorable price trends of PET (-13% yoy), sugar (-7% yoy) and paper pulp (-4% yoy), benefiting beverage players' GPM visibility in 1H25, despite the surging price of milk powder (+24% yoy, an ingredient for milk tea). The elevated palm oil price (+21% yoy in 5M25) is also showing a normalizing trend per our cost tracker, though it will impact noodles' GPM in 1H25.

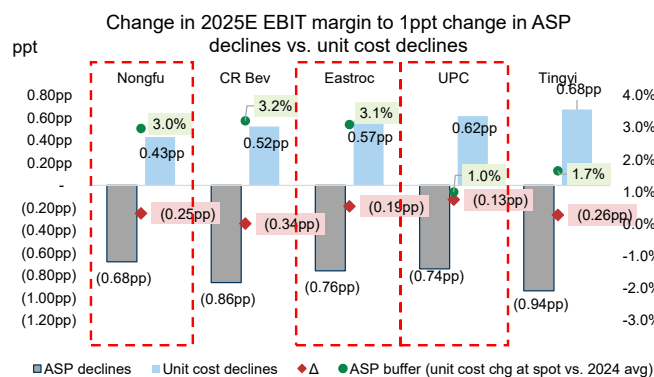
**2H25:** We note that 2H24 saw some price normalization for PET/sugar etc vs. 1H24, hence, while the cost benefits could still last, they are likely to be less significant into 2H if the spot prices stay unchanged. Our base case assumes that into 2H25, PET could still see c.10% price declines yoy if the spot prices persist, while sugar prices could stabilize and give smaller benefits at c.1% 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 2ppt GPM expansion from continued cost benefits for our F&B coverage in the above-mentioned circumstances, which we think provide a buffer for margin expansion visibility amid still intense competition.

**By segment:** For UPC, we raise our OPM expectation for the noodles segment more than for the beverage segments amid a normalizing palm oil price and positive economies of scale with noodles returning to positive growth. For Tingyi, we increase our forecast by 0.8ppt/0.4ppt for beverage/noodles segment GPM in 2025E-27E; however, we expect more re-investment in the beverage segment on increased competition and new product launches, hence net-net we expect 0.1ppt/0.3ppt

increases in OPM of the beverage/noodles segments respectively.

In Exhibit 21, we perform a sensitivity analysis on the EBIT margin evolution by flexing unit cost and ASP declines, where we note that Nongfu, Eastroc and UPC can better leverage cost benefits to offset potential pressure from deflation or ASP declines, as Nongfu/Eastroc has higher GP margin that protects EBIT more from ASP volatility, and UPC more sensitive to cost benefits.

**Exhibit 21: Our sensitivity analysis on EBIT margin changes suggests that Nongfu, Eastroc and UPC can better leverage cost benefits to offset potential pressure from deflation/ ASP declines**



Assuming 1% ASP decline does not change SG&A spending amount

Source: Goldman Sachs Global Investment Research

**Exhibit 22: COGS breakdown for food and 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.
Flour (% of COGS)	8%	4%				-2%
Sugar	5%	11%	5%	1%	29%	-3%
Palm Oil	3%	4%				13%
Milk powder		4%	4%	1%		20%
Raw milk			2%			-7%
Cocoa			1%			21%
PET	10%	8%	29%	26%	18%	-10%
Paper Pulp	15%	15%	29%	35%	8%	-2%
Glass				1%		-2%
Aluminum					3%	2%
Others (PPI)	59%	54%	30%	36%	42%	-2%
Sunflower seeds						7%
2025E raw materials contribution to unit COGS	-2.3%	-1.1%	-3.3%	-3.8%	-3.5%	
YoY changes in GPM	1.5%	0.8%	1.4%	2.0%	1.9%	
GS estimate GPM change 2025	1.5%	1.2%	1.2%	2.2%	1.2%	

Source: Wind, Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 23: Eastroc and CR Bev are likely to benefit most from cost tailwinds of sugar and PET YTD**

Cost benefit analysis for F&amp;B coverage

Cost benefit analysis for F&B (Assuming all other COGS unchanged)					
Key raw materials (as % of COGS)	PET	Sugar	Paper Pulp	Palm Oil	Milk Powder
Tingyi	10%	5%	15%	3%	
UPC	8%	11%	15%	4%	4%
Nongfu	29%	5%	29%		4%
CR Beverage	28%	1%	35%		1%
Eastroc	18%	29%	8%		0%

GPM	GPM
2024	2025E
33.1%	34.6%
32.5%	33.8%
58.1%	59.3%
47.3%	49.5%
44.8%	46.1%

Implied impact on unit COGS					
	5M25 vs. 5M24	5M25 vs. 2024 average	Spot vs. 2024 average	Spot vs. 1H24 average	Spot vs. 2H24 average
Tingyi	-1.5%	-1.0%	-2.3%	-2.7%	-1.9%
UPC	-0.4%	-0.1%	-1.2%	-1.5%	-0.8%
Nongfu	-4.1%	-2.8%	-4.7%	-5.9%	-3.4%
CR Beverage	-4.5%	-3.1%	-5.3%	-6.5%	-4.1%
Eastroc	-4.4%	-2.8%	-4.1%	-5.6%	-2.6%

Price changes	PET	Sugar	Paper Pulp	Palm Oil	Milk Powder
5M25 vs. 5M24	-13%	-7%	-4%	21%	24%
5M25 vs. 2024 avg	-10%	-3%	-2%	13%	20%
Spot vs. 2024 avg	-13%	-4%	-6%	3%	27%
Spot vs. 1H24 avg	-16%	-7%	-7%	10%	30%
Spot vs. 2H24 avg	-10%	-1%	-5%	-3%	23%

Implied GPM yoy change in 2025E					
	5M25 vs. 5M24	5M25 vs. 2024 average	Spot vs. 2024 average	Spot vs. 1H24 average	Spot vs. 2H24 average
Tingyi	+1.0pp	+0.7pp	+1.6pp	+1.8pp	+1.2pp
UPC	+0.3pp	+0.0pp	+0.8pp	+1.0pp	+0.5pp
Nongfu	+1.7pp	+1.2pp	+2.0pp	+2.5pp	+1.4pp
CR Beverage	+2.4pp	+1.7pp	+2.8pp	+3.4pp	+2.1pp
Eastroc	+2.5pp	+1.5pp	+2.3pp	+3.1pp	+1.4pp

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

**Exhibit 24: Assuming the trend of spot price vs. full-year 2024 continues for the rest of 2025E, Eastroc and CR Bev are also more sensitive to PET price movements**

Sensitivity analysis on implied GPM yoy changes in 2025E (pp)

Eastroc - Sensitivity analysis on implied GPM yoy changes in 2025E (pp)						
If PET price for 2025E declined yoy at:						
If sugar price for 2025E declined yoy at:	-23%	-18%	-13%	-8%	-3%	
-13%	+4.7pp	+4.2pp	+3.7pp	+3.2pp	+2.7pp	
-10%	+4.2pp	+3.7pp	+3.2pp	+2.7pp	+2.2pp	
-7%	+3.8pp	+3.3pp	+2.8pp	+2.3pp	+1.8pp	
-4%	+3.3pp	+2.8pp	+2.3pp	+1.8pp	+1.3pp	
-1%	+2.8pp	+2.3pp	+1.8pp	+1.3pp	+0.8pp	

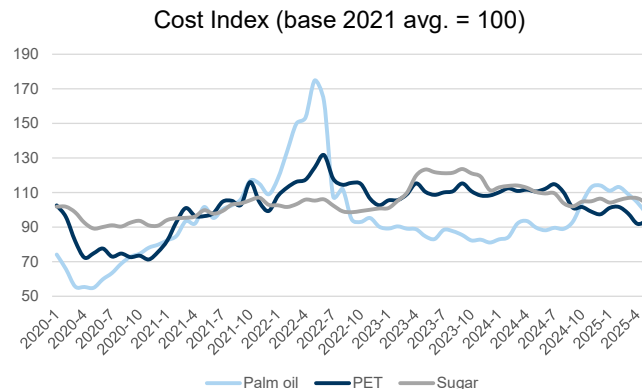
Tingyi - Sensitivity analysis on implied GPM yoy changes in 2025E (pp)						
If PET price for 2025E declined yoy at:						
If sugar price for 2025E declined yoy at:	-23%	-18%	-13%	-8%	-3%	
-13%	+2.5pp	+2.2pp	+1.9pp	+1.5pp	+1.2pp	
-10%	+2.4pp	+2.1pp	+1.8pp	+1.4pp	+1.1pp	
-7%	+2.3pp	+2.0pp	+1.7pp	+1.3pp	+1.0pp	
-4%	+2.2pp	+1.9pp	+1.6pp	+1.2pp	+0.9pp	
-1%	+2.1pp	+1.8pp	+1.5pp	+1.1pp	+0.8pp	

CR Bev - Sensitivity analysis on implied GPM yoy changes in 2025E (pp)						
If PET price for 2025E declined yoy at:						
If sugar price for 2025E declined yoy at:	-23%	-18%	-13%	-8%	-3%	
-13%	+4.2pp	+3.5pp	+2.8pp	+2.2pp	+1.5pp	
-10%	+4.2pp	+3.5pp	+2.8pp	+2.1pp	+1.4pp	
-7%	+4.2pp	+3.5pp	+2.8pp	+2.1pp	+1.4pp	
-4%	+4.2pp	+3.5pp	+2.8pp	+2.1pp	+1.4pp	
-1%	+4.2pp	+3.5pp	+2.8pp	+2.1pp	+1.4pp	

UPC - Sensitivity analysis on implied GPM yoy changes in 2025E (pp)						
If PET price for 2025E declined yoy at:						
If sugar price for 2025E declined yoy at:	-23%	-18%	-13%	-8%	-3%	
-13%	+2.0pp	+1.7pp	+1.5pp	+1.2pp	+1.0pp	
-10%	+1.8pp	+1.5pp	+1.2pp	+1.0pp	+0.7pp	
-7%	+1.5pp	+1.3pp	+1.0pp	+0.8pp	+0.5pp	
-4%	+1.3pp	+1.1pp	+0.8pp	+0.5pp	+0.3pp	
-1%	+1.1pp	+0.8pp	+0.6pp	+0.3pp	+0.1pp	

Nongfu - Sensitivity analysis on implied GPM yoy changes in 2025E (pp)						
If PET price for 2025E declined yoy at:						
If sugar price for 2025E declined yoy at:	-23%	-18%	-13%	-8%	-3%	
-13%	+3.4pp	+2.8pp	+2.2pp	+1.6pp	+0.9pp	
-10%	+3.3pp	+2.7pp	+2.1pp	+1.5pp	+0.9pp	
-7%	+3.3pp	+2.6pp	+2.0pp	+1.4pp	+0.8pp	
-4%	+3.2pp	+2.6pp	+2.0pp	+1.4pp	+0.8pp	
-1%	+3.1pp	+2.5pp	+1.9pp	+1.3pp	+0.7pp	

Source: Goldman Sachs Global Investment Research

**Exhibit 25: PET and sugar prices are pulling back from recent peak in 2022/2023 respectively**

Source: Wind

## TP and Earnings Revision

We revise up our NP estimates for F&B companies by up to 9% and change TPs by -7% to +25% mainly on cost benefits, product cycle and valuation roll-forward by six months to mid-2026E. We revise up NP estimates for Nongfu by 3-4% and Eastroc by 6-9% in 2025-27E, and for UPC by 4-5% in 2026E-27E. We slightly revise up CR Beverage's NP by less than 1% and retain bottom-line estimates for Tingyi largely unchanged.

- **Tingyi:** We trim our top-line estimates by up to 3% in 2025-27E, mainly due to still intense competition and the continued market share pressure in beverage post price hikes last year. With continued cost benefits and agile opex spending, we maintain our bottom-line estimates largely unchanged. Our 12m TP is revised up slightly to HK\$14.9 from HK\$14.4 as we roll forward our valuation base year to mid-2026E from end-2025E. We now look for -2%/0% sales growth yoy in noodles/ beverage in 1H25, and 18% net profit growth yoy.
- **CR Beverage:** We fine-tune CR Beverage's water sales with reference to recent channel checks, while remaining positive on its beverage product roll-out ahead from a relatively small base. We slightly revise up NP for 2025-27E by less than 1% on cost benefits. We now look for 2%/33% sales growth in the packaged water/ beverage segment, and 20% NP growth yoy in 1H25 amid continued cost benefits and rising self-production ratio. With the estimate revision, a lowered target P/E to 16.5x (from 19.0x) to be in line with our F&B names Tingyi/ UPC, and roll-forward to mid-2026E, we lower our 12m TP for CR Bev to HK\$17.7 from HK\$19.0. Maintain Buy.
- **UPC:** We fine-tune our topline estimates by less than 1% while factoring in stabilizing palm oil prices and the company's focus on improving noodles segment profitability. We revise up our NP estimates by 4-5% in 2026E-27E while remaining largely unchanged for 2025E. We now look for 9.0%/7.5% beverage/ noodles sales growth yoy in 1H25, and 27% net profit growth yoy driven by operating leveraging, cost benefits and product mix etc. Our 12m TP is revised up slightly to HK\$10.3 from \$9.6 as we roll forward our valuation base year to mid-2026E from end-2025E.

### Exhibit 26: TP changes and valuation comparison

Company	Ticker	Market Cap (US\$mn)	Ccy	Share Price 06/13/25	Exit P/E			Discount years		Old TP				Trading P/E	TP Implied P/E			2025e-27e CAGR		Div yield 2025E			
					Old	New	New vs Old	Old	New	Old TP	New TP	TP Chg	+/- new TP		2025e	2026e	2027e	2025e	2026e		2027e	Sales	NP
China F&B																							
Nongfu Spring	9633.HK	55,378	HKD	39.15	27.0x	30.0x	11%	end-2025E	mid-2026E	36.30	43.60	20%	11%	29x	26x	23x	33x	29x	26x	11.1%	11.0%	2.5%	
Tingyi	0322.HK	8,897	HKD	11.76	16.5x	16.5x	0%	end-2025E	mid-2026E	14.40	14.90	3%	27%	14x	12x	11x	18x	16x	14x	2.8%	11.3%	6.9%	
Uni-President China	0226.HK	5,802	HKD	10.00	16.5x	16.5x	0%	end-2025E	mid-2026E	9.80	10.30	7%	3%	17x	15x	14x	18x	16x	14x	5.1%	12.1%	5.7%	
China Resources Beverage	2460.HK	3,051	HKD	12.18	19.0x	16.5x	-13%	end-2025E	mid-2026E	19.00	17.70	-7%	45%	13x	11x	9x	18x	16x	13x	7.6%	17.3%	3.5%	
Eastroc Beverage	605499.SS	24,363	CNY	324.61	30.0x	33.0x	10%	end-2025E	mid-2026E	293.00	367.00	25%	13%	36x	28x	23x	40x	32x	26x	20.1%	23.6%	1.9%	

Source: Goldman Sachs Global Investment Research

### Exhibit 27: Estimate change summary

Company	Revenue changes			NI changes			Revenue (mn, new)			Net Income (mn, new)		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
China F&B												
Nongfu Spring	1.0%	0.3%	-0.3%	3.2%	3.5%	3.2%	49,578	55,558	61,198	14,052	15,719	17,324
Tingyi	-2.6%	-2.7%	-2.8%	0.0%	-0.4%	-0.6%	81,680	84,007	86,310	4,331	4,920	5,366
Uni-President China	0.0%	0.4%	0.7%	-0.3%	3.5%	4.9%	32,581	34,293	35,993	2,305	2,583	2,895
China Resources Beverage	-1.1%	-1.4%	-1.5%	0.2%	0.8%	0.6%	14,446	15,605	16,722	2,067	2,439	2,844
Eastroc	5.0%	6.7%	6.2%	6.2%	9.1%	9.0%	21,367	26,203	30,804	4,737	6,032	7,232

Source: Goldman Sachs Global Investment Research



Exhibit 28: Summary of half-year/ quarterly financial data of our beverage coverage

Half-year	2025E		1H25E		2025E		1H25E		2025E		1H25E	
Rmb mn / % / pp	Sales	Sales yoy	Sales	Sales yoy	OPM	OPM yoy	OPM	OPM yoy	NP	NP yoy	NPM	NPM yoy
Nongfu	49,578	16%	25,443	15%	36%	0.6pp	34.8%	0.3pp	14,095	16%	28%	0.2pp
Packaged drinking water	18,496	16%	9,810	15%	36%	5.2pp	35.0%	2.8pp				
Tea beverage	19,491	16%	9,821	17%	44%	(1.3pp)	46.0%	1.9pp				
Functional beverage	5,594	13%	2,805	10%	43%	0.8pp	43.0%	1.8pp				
Juice beverage	4,756	16%	2,431	15%	24%	(0.6pp)	25.0%	1.4pp				
CR Beverage	14,446	7%	8,014	5%	18%	2.4pp	22.9%	2.5pp	2,067	26%	14%	2.2pp
Packaged drinking water	12,534	3%	6,963	2%					1,456	20%	18%	2.3pp
Beverage	1,911	37%	1,051	33%								
Tingyi	81,680	1%	40,992	-1%	9%	1.0pp	8.9%	1.4pp	4,331	16%	5%	0.7pp
Beverage	52,360	1%	27,129	0%	8%	1.5pp	9.4%	2.1pp	2,217	18%	5%	0.8pp
Noodles	28,699	1%	13,538	-2%	9%	0.2pp	7.7%	0.1pp				
UPC	32,581	7%	16,760	8%	9%	1.2pp	9.2%	1.2pp	2,305	25%	7%	1.0pp
Beverage	20,814	8%	10,926	9%	14%	1.7pp	14.3%	2.0pp	1,230	27%	7%	1.1pp
Noodles	10,587	6%	5,318	8%	3%	(0.0pp)	2.5%	(0.5pp)				
Eastroc	21,367	35%	10,776	37%	26%	2.0pp	27.5%	2.3pp	4,737	42%	22%	1.2pp
Energy drinks	16,727	26%	8,703	27%					2,503	45%	23%	1.2pp
Electrolyte water	2,600	74%	1,180	148%								
Other beverage	2,017	97%	890	68%								
Quarterly	1Q25		2Q25E		1Q25		2Q25E		1Q25		2Q25E	
Rmb mn / % / pp	Sales	Sales yoy	Sales	Sales yoy	OPM	OPM yoy	OPM	OPM yoy	NP	NP yoy	NPM	NPM yoy
Eastroc	4,848	39%	5,928	35%	24%	2.7pp	30%	2.2pp	980	48%	20%	1.1pp
Energy drinks	3,901	26%	4,802	28%					1,523	43%	26%	1.4pp
Electrolyte water	570	261%	610	92%								
Other beverage	375	73%	516	64%								

Source: Company data, Goldman Sachs Global Investment Research

CR Beverage

2460.HK	12m Price Target: HK\$17.7	Price: HK\$12.18	Upside: 45.3%			
Buy	GS Forecast					
		12/24	12/25E	12/26E	12/27E	
	Market cap: HK\$28.6bn / \$3.6bn	Revenue (Rmb mn) New	13,521.2	14,445.5	15,604.6	16,722.1
	Enterprise value: HK\$18.1bn / \$2.3bn	Revenue (Rmb mn) Old	13,521.2	14,606.7	15,819.5	16,969.3
	3m ADTV :HK\$79.9mn/ \$10.3mn	EBITDA (Rmb mn)	2,633.9	3,292.4	4,016.2	4,671.6
	China	EPS (Rmb) New	0.79	0.88	1.04	1.21
	China Consumer Staples	EPS (Rmb) Old	0.79	0.88	1.03	1.20
		P/E (X)	15.6	12.7	10.7	9.2
	M&A Rank: 3	P/B (X)	2.4	2.0	1.8	1.6
	Leases incl. in net debt & EV?: Yes	Dividend yield (%)	14.4	3.6	4.2	4.9
		CROCI (%)	NM	25.4	25.7	26.6
			6/24	12/24	6/25E	12/25E
		EPS (Rmb)	0.60	0.18	0.62	0.26

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 13 Jun 2025 close.

Tingyi

0322.HK	12m Price Target: HK\$14.9	Price: HK\$11.76	Upside: 26.7%			
Buy	GS Forecast					
		12/24	12/25E	12/26E	12/27E	
	Market cap: HK\$66.2bn / \$8.4bn	Revenue (Rmb mn) New	80,650.9	81,680.1	84,006.5	86,309.6
	Enterprise value: HK\$75.9bn / \$9.7bn	Revenue (Rmb mn) Old	80,650.9	83,835.6	86,305.8	88,780.4
	3m ADTV :HK\$195.3mn/ \$25.1mn	EBITDA (Rmb mn)	9,628.1	10,493.9	11,287.7	12,121.3
	China	EPS (Rmb) New	0.66	0.77	0.87	0.95
	China Consumer Staples	EPS (Rmb) Old	0.66	0.77	0.88	0.96
		P/E (X)	13.4	14.0	12.3	11.3
	M&A Rank: 3	P/B (X)	3.5	4.1	3.9	3.8
	Leases incl. in net debt & EV?: Yes	Dividend yield (%)	7.5	7.1	8.1	8.9
		CROCI (%)	8.3	13.2	13.5	13.9
			6/24	12/24	6/25E	12/25E
	EPS (Rmb)	0.33	0.33	0.39	0.38	

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 13 Jun 2025 close.



## Uni-President China

0220.HK	12m Price Target: HK\$10.3	Price: HK\$10	Upside: 3%		
Neutral	GS Forecast				
		12/24	12/25E	12/26E	12/27E
Market cap: HK\$43.2bn / \$5.5bn	Revenue (Rmb mn) New	30,331.5	32,580.9	34,293.3	35,993.2
Enterprise value: HK\$39.2bn / \$5.0bn	Revenue (Rmb mn) Old	30,331.5	32,591.8	34,149.9	35,741.7
3m ADTV :HK\$86.4mn/ \$11.1mn	EBITDA (Rmb mn)	3,327.4	3,936.1	4,294.7	4,746.8
China	EPS (Rmb) New	0.43	0.53	0.60	0.67
China Consumer Staples	EPS (Rmb) Old	0.43	0.54	0.58	0.64
	P/E (X)	13.8	17.1	15.3	13.7
M&A Rank: 3	P/B (X)	1.9	2.9	2.8	2.7
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	7.2	5.8	6.5	7.3
	CROCI (%)	16.7	12.1	12.6	13.4
		6/24	12/24	6/25E	12/25E
	EPS (Rmb)	0.22	0.20	0.28	0.25

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 13 Jun 2025 close.

## Eastroc: YTD solid performance in both energy drinks and new product launches; potential beneficiary of food delivery competition

For Eastroc, the strong product roll-out momentum of Guozhicha and Bushuila continues per our channel checks, amid actively expanding fridge coverage into the peak season. Hence we revise up our top-line/NP estimates by 5%-7%/6%-9% in 2025-27E, and now look for total ex-fac sales of sweetened tea (mainly Guozhicha)/electrolyte water in 2025E to reach Rmb800mn/2,600mn respectively. We now look for 35% top-line growth yoy in 2Q25E, driven by 28%/78% growth in energy drinks/other beverages. Considering cost benefits (e.g. sugar/PET) and operating leveraging, we look for 43% NP growth yoy in 2Q25E. To reflect a faster growth pace ahead and product diversification pathways, we revise up our target 2026E P/E from 30x to 33x, now set in line with the 2024-to-1H25 average fwd P/E of its fast growing global beverage peers Monster, Celsius and Vita Coco (vs. prior 30x with ref. to historical avg P/E of Monster). We also roll forward our base year by six months from end-2025E to mid-2026E, arriving at a 12m TP of Rmb367 (from Rmb293). Maintain Buy.

### Retail momentum remains solid for Energy Drink

- **Solid enhancement in per-POS sales:** we think the per-POS sales growth has become the primary growth driver of Eastroc's energy drinks as we estimate that the total number of POS of Eastroc Special Drinks to grow 8% to c.4.3mn by end 2025 given an already large base, while our channel checks suggested 25%+ yoy growth in Apr/May. As we noted in our [initiation](#), the per-POS sales still have ample room to grow, where the sales per POS outside Guangdong are still very low, and we think the cross-sell across Special Drinks' mature POS would also offer upside for non-energy drinks' roll-out.
- **Likely positive for hydration/ revitalization demand from higher number of riders/ orders:** Our [Internet analyst Ronald Keung](#) estimates the incremental

subsidies across JD, Meituan and Alibaba's Ele.me have stimulated food delivery industry volume growth from MSD% to 30% yoy, lifting services consumption and creating hundreds of thousands of new daily rider job opportunities. We think this is directionally positive for energy drink consumption demand as we note longer working hours have probably been a key driver of energy drink industry growth in recent years.

### Product diversification - fast POS coverage expansion

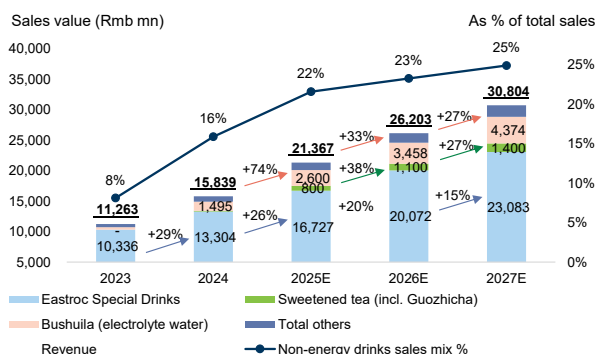
- The number of POS for electrolyte water and fruity tea has continued to ramp up rapidly: we observed significant POS coverage ramp-up for fruity tea to 1.5mn within 3 months since its launch in Feb; also for Bushuila, which has reached 3.18mn POS vs. Eastroc Special Drinks' 4mn+.

### Exhibit 29: Monthly tracking data of Eastroc

Monthly operating data tracker for Eastroc based on our channel checks															
	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
Monthly sales															
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	26% yoy
Bushuila		Rmb110mn		Rmb100mn+	c.Rmb165mn				c.Rmb170mn	c.Rmb190mn	c.Rmb100mn	c.Rmb130mn		c.100% yoy	85% yoy
Total									90%		15%	50%	30%+	35%	39%
Number of PoS (mn; by end of each month)															
Bushuila		1.3			2.0					2.65			3.0		3.18
Guozhicha													0.8		1.5+
Total PoS					3.8										

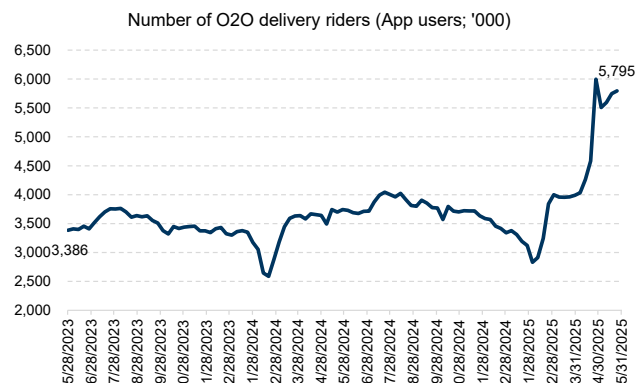
Source: Channel checks, data compiled by Goldman Sachs Global Investment Research

### Exhibit 30: Bushuila and Guozhicha primarily drive the product mix diversification



Source: Company data, Goldman Sachs Global Investment Research

### Exhibit 31: The intensified food delivery competition results in more riders' activity YTD



Data based on number of daily active users of Meituan Rider, Meituan Crowdsourcing, and Dada NOW Rider

Source: QuestMobile

Exhibit 32: Eastroc Beverage: New vs. Old

Eastroc Beverage (605499.SS)									
Summary P&L (Rmb mn)	New			Old			%		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Total revenues</b>	<b>21,367</b>	<b>26,203</b>	<b>30,804</b>	<b>20,350</b>	<b>24,556</b>	<b>28,993</b>	<b>5.0%</b>	<b>6.7%</b>	<b>6.2%</b>
Energy drinks	16,727	20,072	23,083	16,331	19,206	22,087	2.4%	4.5%	4.5%
Other beverage	4,617	6,098	7,675	3,994	5,317	6,861	15.6%	14.7%	11.9%
Bushuila	2,600	3,458	4,374	2,362	3,165	4,036	10.1%	9.2%	8.4%
Other beverages	2,017	2,640	3,301	1,632	2,152	2,825	23.6%	22.7%	16.9%
COGS	11,526	13,986	16,338	11,084	13,263	15,588	4.0%	5.5%	4.8%
<b>GP</b>	<b>9,841</b>	<b>12,216</b>	<b>14,465</b>	<b>9,266</b>	<b>11,293</b>	<b>13,405</b>	<b>6.2%</b>	<b>8.2%</b>	<b>7.9%</b>
Energy drinks	8,412	10,144	11,654	8,077	9,547	10,967	4.2%	6.3%	6.3%
Other beverage	1,413	2,049	2,779	1,173	1,724	2,406	20.5%	18.9%	15.5%
SG&A	4,320	5,167	5,966	4,088	4,859	5,651	5.7%	6.3%	5.6%
Other operating expenses, net	(35)	(39)	(43)	(35)	(39)	(43)	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>5,967</b>	<b>7,585</b>	<b>9,232</b>	<b>5,624</b>	<b>6,954</b>	<b>8,435</b>	<b>6.1%</b>	<b>9.1%</b>	<b>9.4%</b>
Depreciation	387	463	646	388	449	595	-0.1%	3.3%	8.6%
Amortization	24	33	43	24	32	42	0.6%	2.1%	3.3%
<b>EBIT (Operating profit)</b>	<b>5,556</b>	<b>7,088</b>	<b>8,542</b>	<b>5,213</b>	<b>6,473</b>	<b>7,797</b>	<b>6.6%</b>	<b>9.5%</b>	<b>9.5%</b>
Interest income	292	359	387	292	356	396	0.0%	0.8%	-2.3%
Interest expense	131	131	131	131	131	131	0.0%	0.0%	0.0%
<b>Net interest income/(expense)</b>	<b>(161)</b>	<b>(228)</b>	<b>(256)</b>	<b>(161)</b>	<b>(225)</b>	<b>(265)</b>	<b>0.0%</b>	<b>1.2%</b>	<b>-3.4%</b>
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%
<b>Pre-tax profit (Income before tax)</b>	<b>5,849</b>	<b>7,448</b>	<b>8,929</b>	<b>5,505</b>	<b>6,829</b>	<b>8,194</b>	<b>6.2%</b>	<b>9.1%</b>	<b>9.0%</b>
Provision for taxes	1,112	1,416	1,698	1,047	1,298	1,558	6.2%	9.1%	9.0%
Effective tax rate	19%	19%	19%	19%	19%	19%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>4,737</b>	<b>6,032</b>	<b>7,232</b>	<b>4,459</b>	<b>5,531</b>	<b>6,636</b>	<b>6.2%</b>	<b>9.1%</b>	<b>9.0%</b>
<b>Basic EPS (Rmb)</b>	<b>9.11</b>	<b>11.60</b>	<b>13.91</b>	<b>8.57</b>	<b>10.64</b>	<b>12.76</b>	<b>6.2%</b>	<b>9.1%</b>	<b>9.0%</b>
YoY	42%	27%	20%	34%	24%	20%			
<b>Growth analysis</b>									
Total revenues	35%	23%	18%	28%	21%	18%			
Energy drinks	26%	20%	15%	23%	18%	15%			
Other beverage	83%	32%	26%	59%	33%	29%			
GP	39%	24%	18%	31%	22%	19%			
Energy drinks	31%	21%	15%	26%	18%	15%			
Other beverage	110%	45%	36%	74%	47%	40%			
OP	46%	28%	21%	37%	24%	20%			
NP	42%	27%	20%	34%	24%	20%			
<b>Margin analysis</b>									
Gross margin	46.1%	46.6%	47.0%	45.5%	46.0%	46.2%	0.5%	0.6%	0.7%
Energy drinks	50.3%	50.5%	50.5%	49.5%	49.7%	49.7%	0.8%	0.8%	0.8%
Other beverage	30.6%	33.6%	36.2%	29.4%	32.4%	35.1%	1.2%	1.2%	1.1%
EBITDA margin	27.9%	28.9%	30.0%	27.6%	28.3%	29.1%	0.3%	0.6%	0.9%
SG&A	20.1%	19.6%	19.2%	19.9%	19.6%	19.3%	0.1%	-0.1%	-0.1%
Operating profit margin	26.0%	27.1%	27.7%	25.6%	26.4%	26.9%	0.4%	0.7%	0.8%
Pre-tax profit margin	27.4%	28.4%	29.0%	27.1%	27.8%	28.3%	0.3%	0.6%	0.7%
Net profit margin	22.2%	23.0%	23.5%	21.9%	22.5%	22.9%	0.3%	0.5%	0.6%

Source: Goldman Sachs Global Investment Research

## Nongfu: Strong product power to drive earnings visibility

For Nongfu, we have seen the more disciplined shipment of its Purified water (Green bottle) YTD mitigate the competition and lead to bottled water sales recovery to DD% growth since March based on our channel checks. We mainly factor in cost benefits for margin - we expect cost benefits and continued operating leveraging will contribute to

Nongfu's margin expansion this year, where we look for a 1.2ppt GPM improvement in 2025.

- **Water:** Nongfu has reduced its promotions from elevated level last year on bottled water (mainly shifting investment from Green Bottle to Red Bottle), and the wholesale prices of Nongfu Spring Water have continued to recover YTD. We note Nongfu has delivered steady growth in water at DD% yoy since March despite a low base, suggesting stabilizing competition with still solid product power.
- **RTD tea: Sugar-free tea:** Following years of fast growth, the sugar-free tea industry is trending at a more normalized rate amid a large base and intense competition in 2025. However, per Mashangying, Nongfu is still gaining share YTD, suggesting resilient sales momentum in the tea beverage segment. **New products:** The company launched a new carbonated RTD tea product named Ice Tea in June, priced at Rmb5/600ml.
- **Juice:** The company launched 17.5° Orange Juice in Nov 2024, which has made a strong debut with Rmb80mn sales within 60 days of launch in Sam's Club, per [news reports](#).
- **Functional drinks:** We look for 10% yoy growth in the functional drinks sales segment in 1H25, partly helped by two new flavors of Scream launched in Apr 2024.

Net-net, we revise Nongfu's topline by up to 1%, and revise up EPS by c.3% in 2025-27E to factor in the above-mentioned factors. We now look for 15%/13% yoy topline/NP growth yoy in 1H25E. To reflect the faster EPS growth, we revise up our target 2026E P/E from 27x to 30x, now in line with the last year average fwd P/E of global peers Coca Cola, PepsiCo, Vita Coco and Monster as Nongfu has a similarly wide spectrum of product offerings (vs. prior 27x based on 3 year avg of the same peer group). We also roll forward our base year by six months from end-2025E to mid-2026E and discount back using an 8.7% CoE, arriving at a 12m TP of HK\$43.6 (from HK\$36.3). Maintain Buy.

## Exhibit 33: Nongfu Spring: New vs. Old

Nongfu Spring (9633.HK)												
RMB mn	2022	2023	2024	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Consolidated P&L				New			Old			% Change		
<b>Revenue</b>												
Packaged drinking water product:	18,263	20,262	15,952	18,496	19,966	21,449	17,633	19,296	20,922	4.9%	3.5%	2.5%
Tea beverage products	6,906	12,659	16,745	19,491	22,610	25,549	20,020	23,424	26,703	(2.6%)	(3.5%)	(4.3%)
Functional beverage products	3,838	4,902	4,932	5,594	6,210	6,707	5,496	6,046	6,530	1.8%	2.7%	2.7%
Juice beverage products	2,879	3,534	4,085	4,756	5,469	6,125	4,674	5,329	5,862	1.7%	2.6%	4.5%
Other products	1,354	1,311	1,182	1,241	1,303	1,368	1,241	1,303	1,368	0.0%	0.0%	0.0%
<b>Total</b>	<b>33,239</b>	<b>42,667</b>	<b>42,896</b>	<b>49,578</b>	<b>55,558</b>	<b>61,198</b>	<b>49,065</b>	<b>55,397</b>	<b>61,385</b>	<b>1.0%</b>	<b>0.3%</b>	<b>(0.3%)</b>
<b>YOY Growth %</b>												
<b>Revenue</b>												
Packaged drinking water product:	7%	11%	-21%	16%	8%	7%	11%	9%	8%			
Tea beverage products	51%	83%	32%	16%	16%	13%	20%	17%	14%			
Functional beverage products	4%	28%	1%	13%	11%	8%	11%	10%	8%			
Juice beverage products	10%	23%	16%	16%	15%	12%	14%	14%	10%			
Other products	-23%	-3%	-10%	5%	5%	5%	5%	5%	5%			
<b>Total</b>	<b>12%</b>	<b>28%</b>	<b>1%</b>	<b>16%</b>	<b>12%</b>	<b>10%</b>	<b>14%</b>	<b>13%</b>	<b>11%</b>			
<b>Operating profit</b>												
Packaged drinking water product:	6,443	7,347	4,971	6,727	7,406	8,039	5,901	6,822	7,569	14.0%	8.6%	6.2%
Tea beverage products	2,753	5,622	7,563	8,545	9,894	11,129	9,184	10,769	12,301	(7.0%)	(8.1%)	(9.5%)
Functional beverage products	1,534	2,068	2,082	2,407	2,696	2,933	2,338	2,622	2,874	2.9%	2.8%	2.1%
Juice beverage products	580	946	1,017	1,157	1,311	1,446	1,150	1,309	1,421	0.6%	0.2%	1.7%
Other products	280	396	392	410	438	468	414	442	473	(1.0%)	(1.0%)	(1.0%)
<b>Margin</b>												
Packaged drinking water product:	35%	36%	31%	36%	37%	37%	33%	35%	36%	2.9%	1.7%	1.3%
Tea beverage products	40%	44%	45%	44%	44%	44%	46%	46%	46%	(2.0%)	(2.2%)	(2.5%)
Functional beverage products	40%	42%	42%	43%	43%	44%	43%	43%	44%	0.5%	0.1%	(0.3%)
Juice beverage products	20%	27%	25%	24%	24%	24%	25%	25%	24%	(0.3%)	(0.6%)	(0.6%)
Other products	21%	30%	33%	33%	34%	34%	33%	34%	35%	(0.3%)	(0.3%)	(0.3%)
Consolidated P&L	2022	2023	2024	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Actual	Actual	Actual										
<b>Total Sales</b>	<b>33,239</b>	<b>42,667</b>	<b>42,896</b>	<b>49,578</b>	<b>55,558</b>	<b>61,198</b>	<b>49,065</b>	<b>55,397</b>	<b>61,385</b>	<b>1.0%</b>	<b>0.3%</b>	<b>-0.3%</b>
COGS	-14,144	-17,260	-17,980	-20,173	-22,403	-24,697	-20,152	-22,568	-25,021	0.1%	-0.7%	-1.3%
<b>Gross Profit</b>	<b>19,095</b>	<b>25,407</b>	<b>24,916</b>	<b>29,405</b>	<b>33,155</b>	<b>36,502</b>	<b>28,912</b>	<b>32,829</b>	<b>36,364</b>	<b>1.7%</b>	<b>1.0%</b>	<b>0.4%</b>
SG&A	-9,656	-11,446	-11,136	-12,642	-14,084	-15,504	-12,716	-14,434	-16,039	-0.6%	-2.4%	-3.3%
Other operating income/(expense)	1,063	836	1,233	869	868	868	869	868	868	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>10,503</b>	<b>14,797</b>	<b>15,013</b>	<b>17,632</b>	<b>19,938</b>	<b>21,865</b>	<b>17,064</b>	<b>19,263</b>	<b>21,192</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.2%</b>
Depreciation	-2,478	-2,620	-2,863	-3,345	-3,801	-4,246	-3,345	-3,801	-4,246	0.0%	0.0%	0.0%
Amortization	-9	-11	-11	-12	-12	-13	-12	-12	-13	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>12,990</b>	<b>17,428</b>	<b>17,888</b>	<b>20,988</b>	<b>23,752</b>	<b>26,124</b>	<b>20,421</b>	<b>23,077</b>	<b>25,451</b>	<b>2.8%</b>	<b>2.9%</b>	<b>2.6%</b>
Net finance costs	547	892	775	724	588	750	724	570	726	0.0%	3.2%	3.3%
Other non-op. rev/ (exp)	-	-	-0	-	-	-	-	-	-			
<b>Pretax income</b>	<b>11,050</b>	<b>15,688</b>	<b>15,788</b>	<b>18,356</b>	<b>20,527</b>	<b>22,615</b>	<b>17,789</b>	<b>19,833</b>	<b>21,918</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.2%</b>
Provisions for taxes	-2,555	-3,609	-3,665	-4,261	-4,765	-5,249	-4,129	-4,604	-5,087	3.2%	3.5%	3.2%
Minority interest (I/S item)	-	-	-	-	-	-	-	-	-			
<b>Reported NPAT</b>	<b>8,495</b>	<b>12,079</b>	<b>12,123</b>	<b>14,095</b>	<b>15,762</b>	<b>17,366</b>	<b>13,660</b>	<b>15,230</b>	<b>16,831</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.2%</b>
Less: net one-off's	246	6	40	44	43	42	44	43	42			
<b>EPS (Adj., diluted, RMB/Sh)</b>	<b>0.73</b>	<b>1.07</b>	<b>1.07</b>	<b>1.25</b>	<b>1.40</b>	<b>1.54</b>	<b>1.21</b>	<b>1.35</b>	<b>1.49</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.2%</b>
<b>YoY Growth %</b>												
Sales	11.9%	28.4%	0.5%	15.6%	12.1%	10.2%	14.4%	12.9%	10.8%			
GP	8.2%	33.1%	-1.9%	18.0%	12.8%	10.1%	16.0%	13.5%	10.8%			
SG&A	7.5%	18.5%	-2.7%	13.5%	11.4%	10.1%	14.2%	13.5%	11.1%			
EBIT	15.7%	40.9%	1.5%	17.4%	13.1%	9.7%	13.7%	12.9%	10.0%			
EBITDA	13.4%	34.2%	2.6%	17.3%	13.2%	10.0%	14.2%	13.0%	10.3%			
NPAT	18.6%	42.2%	0.4%	16.3%	11.8%	10.2%	12.7%	11.5%	10.5%			
<b>Margins (on total sales)</b>										ppt	ppt	ppt
GP	57.4%	59.5%	58.1%	59.3%	59.7%	59.6%	58.9%	59.3%	59.2%	0.4%	0.4%	0.4%
SG&A	29.0%	26.8%	26.0%	25.5%	25.4%	25.3%	25.9%	26.1%	26.1%	-0.4%	-0.7%	-0.8%
EBIT	31.6%	34.7%	35.0%	35.6%	35.9%	35.7%	34.8%	34.8%	34.5%	0.8%	1.1%	1.2%
EBITDA	39.1%	40.8%	41.7%	42.3%	42.8%	42.7%	41.6%	41.7%	41.5%	0.7%	1.1%	1.2%
NPAT	25.6%	28.3%	28.3%	28.4%	28.4%	28.4%	27.8%	27.5%	27.4%	0.6%	0.9%	1.0%
Recurring NPAT	24.8%	28.3%	28.2%	28.3%	28.3%	28.3%	27.8%	27.4%	27.3%	0.6%	0.9%	1.0%

Source: Company data, Goldman Sachs Global Investment Research

## Price Target Risks and Methodology - China Resources Beverage

We are Buy rated on China Resources Beverage with a 12-month TP of HK\$17.7, based

on a 16.5x 2026E P/E referring to the same target P/E as F&B players Tingyi/ UPC, and discounted back to mid-2026E using 12.0% COE.

Key risks: 1) More intensified competition than expected in the bottled water market; 2) Slower than expected development of the beverage business; 3) Raw material price movements; 4) Uncertainty over channel/distribution management; 5) Reputational risks/ food security issues.

### Price Target Risks and Methodology - Nongfu Spring

We are Buy rated on Nongfu. Our 12-m TP of HK\$43.6 is based on a 30X 2026E P/E in line with global peers in the last year, discounted back to mid-2026E using an 8.7% CoE.

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

### Price Target Risks and Methodology - Tingyi

**Valuation methodology:** We are Buy rated on Tingyi. Our 12-month TP of HK\$14.9 is based on a 16.5X 2026E P/E discounted back to mid-2026E using 7.7% COE.

**Key risks:** 1) Higher-than-expected raw material cost pressures; 2) More intense competition in noodles/beverages; 3) Weaker premiumization trends in instant noodle/beverage

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

**Valuation methodology:** We are Neutral rated on UPC. Our 12-m TP of HK\$10.3 is based on a 16.5X 2026E P/E, discounted back to mid-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; 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/beverage; 3) Food quality issues.

### Price Target Risks and Methodology - Eastroc Beverage

We are Buy rated on Eastroc with a 12-month TP of Rmb367, 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.

# Disclosure Appendix

## Reg AC

We, Leaf Liu, Hongda Zhong, Christina 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 (DACF) (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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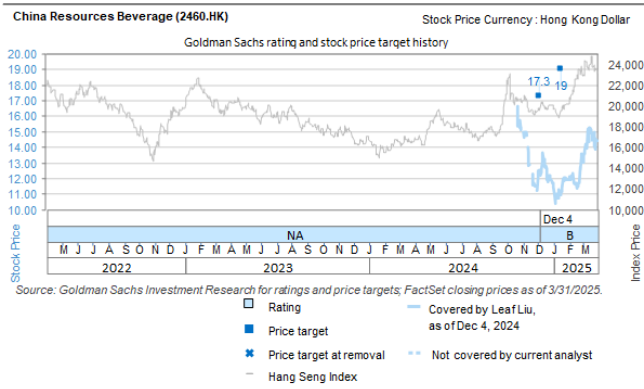
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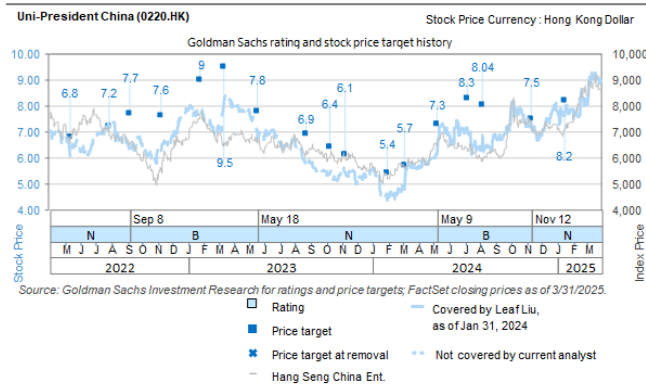


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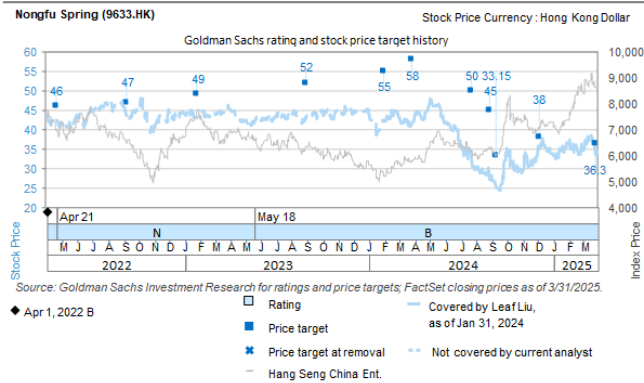
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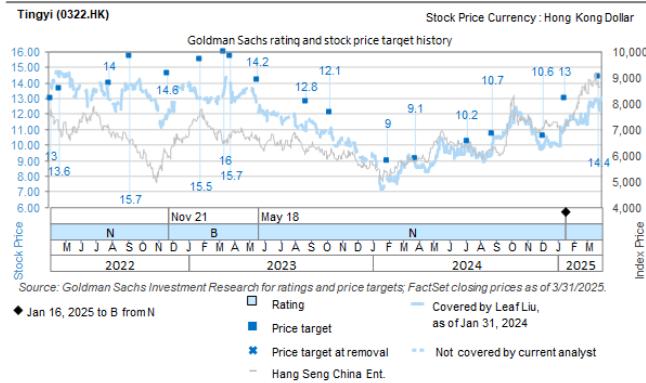
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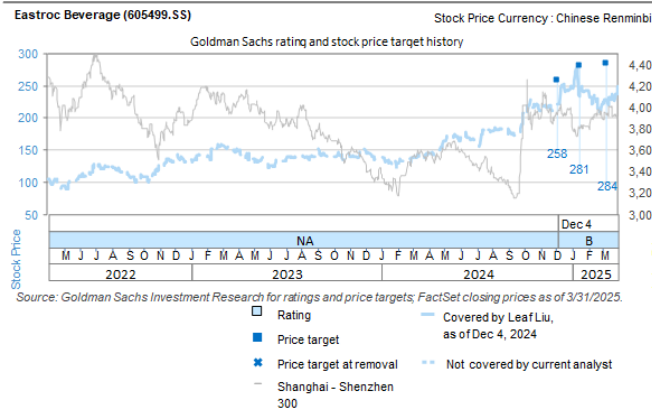
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