

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

On July 25, Eastroc announced 1H25 results with sales/NP growing at +34%/+31% yoy in 2Q, in line with the mid-point of its preliminary results. We attended the results briefing on July 29, and **key takeaways include:** **1) 1H25 Review:** For product diversification, Guozhicha has reached c.1.8mn+ PoS, as 40%+ of total PoS coverage (c.4.2mn as of end-2Q), riding on the organic growth trend with little advertising push. For channels, the company has already completed the full-year refrigerator addition target (adding 80-100k, net) within 1H25 (installation base increased to c.400k vs. c.300k at end-2024) to capitalize on peak season demand given observed better-than-expected performance of new products in 1H25. **2) Growth outlook: Company will continue doubling down on scale** driven by energy drink's regional expansion (esp. in north China)/new customer groups penetration (white collar/students) and beverage's growth leveraging channel cross-selling, per the mgmt. **Company emphasizes that the top priority is driving healthy retail momentum for energy drink, Bushuila and new products while expecting a relatively stable margin profile.** Into 2H25, the company expects to maintain branding investment, i.e. continued advertising/sponsorship for Bushuila and potentially rising marketing for Guozhicha, with help from sugar cost tailwinds (despite missing PET benefits on full-year price locks) and lighter refrigerator investments (front-loaded to 1H25). **3) International expansion** as a growth lever targeting the next 3-5 years and beyond: Southeast Asia (esp. Indonesia) stands out as the flagship market with local plant site selection underway. The company has made notable progress in pivoting to deeper partnerships with local distributors/conglomerates in Southeast Asia.

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Key corporate strategies:

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

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

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

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

Exhibit 1: Quarterly financial summary

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

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Quarterly sales breakdown summary

| Revenue (quarterly) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25E | 4Q25E |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Energy Drinks | 2,383 | 2,752 | 2,859 | 2,342 | 3,103 | 3,752 | 3,652 | 2,797 | 3,901 | 4,460 | 4,492 | 3,347 |
| yoy % | 25% | 24% | 26% | 32% | 30% | 36% | 28% | 19% | 26% | 19% | 23% | 20% |
| Bushuila | | | 184 | 84 | 158 | 318 | 735 | 284 | 570 | 923 | 1,150 | 377 |
| yoy % | | | | | | | 300% | 237% | 261% | 190% | 56% | 33% |
| Other drinks | | | 136 | 190 | 217 | 314 | 281 | 211 | 375 | 503 | 730 | 407 |
| yoy % | | | | | | | 107% | 11% | 73% | 60% | 160% | 93% |
| All other drinks | | | 320 | 275 | 375 | 632 | 1,016 | 495 | 945 | 1,425 | 1,880 | 784 |
| | | | | | | | 218% | 80% | 152% | 125% | 85% | 59% |
| Mix | | | | | | | | | | | | |
| Energy Drinks | | | 90% | 89% | 89% | 85% | 78% | 85% | 80% | 76% | 70% | 81% |
| All other drinks | | | 10% | 10% | 11% | 14% | 22% | 15% | 19% | 24% | 30% | 19% |
| Bushuila | | | 6% | 3% | 5% | 7% | 16% | 9% | 12% | 16% | 18% | 9% |
| Other drinks | | | 4% | 7% | 6% | 7% | 6% | 6% | 8% | 9% | 11% | 10% |

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Earnings Revision**New vs. Old**

| Eastroc Beverage (605499.SS) | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Summary P&L (Rmb mn) | | | | | | | | | |
| | New | | | Old | | | % | | |
| | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E |
| Total revenues | 21,258 | 26,219 | 30,918 | 21,367 | 26,203 | 30,804 | -0.5% | 0.1% | 0.4% |
| Energy drinks | 16,200 | 19,440 | 22,356 | 16,727 | 20,072 | 23,083 | -3.1% | -3.1% | -3.1% |
| Other beverage | 5,034 | 6,748 | 8,517 | 4,617 | 6,098 | 7,675 | 9.0% | 10.6% | 11.0% |
| Bushuila | 3,020 | 4,077 | 5,157 | 2,600 | 3,458 | 4,374 | 16.2% | 17.9% | 17.9% |
| Other beverages | 2,014 | 2,669 | 3,360 | 2,017 | 2,640 | 3,301 | -0.1% | 1.1% | 1.8% |
| COGS | 11,688 | 14,275 | 16,728 | 11,503 | 14,080 | 16,448 | 0.7% | 1.4% | 1.7% |
| GP | 9,570 | 11,943 | 14,191 | 9,764 | 12,123 | 14,356 | -2.0% | -1.5% | -1.2% |
| Energy drinks | 8,240 | 9,936 | 11,415 | 8,351 | 10,071 | 11,570 | -1.3% | -1.3% | -1.3% |
| Other beverage | 1,313 | 1,984 | 2,743 | 1,396 | 2,028 | 2,754 | -5.9% | -2.2% | -0.4% |
| SG&A | 4,260 | 5,123 | 5,933 | 4,500 | 5,387 | 6,225 | -5.3% | -4.9% | -4.7% |
| Other operating expenses, net | (55) | (39) | (43) | (35) | (39) | (43) | 56.0% | -0.8% | -0.8% |
| EBITDA | 5,782 | 7,369 | 9,045 | 5,710 | 7,271 | 8,864 | 1.3% | 1.3% | 2.0% |
| Depreciation | 393 | 477 | 701 | 387 | 463 | 646 | 1.5% | 2.9% | 8.5% |
| Amortization | 24 | 33 | 43 | 24 | 33 | 43 | -0.1% | -0.1% | -0.1% |
| EBIT (Operating profit) | 5,365 | 6,859 | 8,300 | 5,299 | 6,774 | 8,174 | 1.2% | 1.2% | 1.5% |
| Interest income | 292 | 348 | 370 | 292 | 353 | 378 | 0.0% | -1.6% | -2.1% |
| Interest expense | 131 | 131 | 131 | 131 | 131 | 131 | 0.0% | 0.0% | 0.0% |
| Net interest income/(expense) | (161) | (216) | (239) | (161) | (222) | (246) | 0.0% | -2.8% | -3.2% |
| Investment gains/losses | 110 | 110 | 110 | 110 | 110 | 110 | 0.0% | 0.0% | 0.0% |
| Non-operating income/(loss) | (37) | (37) | (37) | (37) | (37) | (37) | 0.0% | 0.0% | 0.0% |
| Pre-tax profit (Income before tax) | 5,658 | 7,207 | 8,670 | 5,692 | 7,128 | 8,552 | 1.2% | 1.1% | 1.4% |
| Provision for taxes | 1,132 | 1,441 | 1,734 | 1,063 | 1,355 | 1,628 | 6.4% | 6.4% | 6.7% |
| Effective tax rate | 20% | 20% | 20% | 19% | 19% | 19% | 5.2% | 5.2% | 5.2% |
| Net income | 4,526 | 5,766 | 6,936 | 4,629 | 5,773 | 6,926 | -0.1% | -0.1% | 0.1% |
| Basic EPS (Rmb) | 8.70 | 11.09 | 13.34 | 8.71 | 11.10 | 13.32 | -0.1% | -0.1% | 0.1% |
| YoY | 36% | 27% | 20% | 36% | 27% | 20% | | | |
| Growth analysis | | | | | | | | | |
| Total revenues | 34% | 23% | 18% | 35% | 23% | 18% | | | |
| Energy drinks | 22% | 20% | 15% | 26% | 20% | 15% | | | |
| Other beverage | 100% | 34% | 26% | 83% | 32% | 26% | | | |
| GP | 35% | 25% | 19% | 38% | 24% | 18% | | | |
| Energy drinks | 28% | 21% | 15% | 30% | 21% | 15% | | | |
| Other beverage | 95% | 51% | 38% | 108% | 45% | 36% | | | |
| OP | 41% | 28% | 21% | 39% | 26% | 21% | | | |
| NP | 36% | 27% | 20% | 36% | 27% | 20% | | | |
| Margin analysis | | | | | | | | | |
| Gross margin | 45.0% | 45.6% | 45.9% | 45.7% | 46.3% | 46.6% | -0.7% | -0.7% | -0.7% |
| Energy drinks | 50.9% | 51.1% | 51.1% | 49.9% | 50.2% | 50.1% | 0.9% | 0.9% | 0.9% |
| Other beverage | 26.1% | 29.4% | 32.2% | 30.2% | 33.3% | 35.9% | -4.2% | -3.8% | -3.7% |
| EBITDA margin | 27.2% | 28.1% | 29.3% | 26.7% | 27.7% | 28.8% | 0.5% | 0.4% | 0.5% |
| SG&A | 19.8% | 19.4% | 19.1% | 20.9% | 20.4% | 20.1% | -1.1% | -1.0% | -1.0% |
| Operating profit margin | 25.2% | 26.2% | 26.8% | 24.8% | 25.9% | 26.5% | 0.4% | 0.3% | 0.3% |
| Pre-tax profit margin | 26.6% | 27.5% | 28.0% | 26.2% | 27.2% | 27.8% | 0.4% | 0.3% | 0.3% |
| Net profit margin | 21.3% | 22.0% | 22.4% | 21.2% | 22.0% | 22.5% | 0.1% | 0.0% | -0.1% |

Source: Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Eastroc Beverage

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

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

| | | | | | |
|--|-----------------------------|------------------|---------------|----------|----------|
| 605499.SS | 12m Price Target: Rmb351.00 | Price: Rmb286.72 | Upside: 22.4% | | |
| Buy | GS Forecast | | | | |
| Market cap: Rmb149.1bn / \$20.8bn Enterprise value: Rmb148.4bn / \$20.7bn 3m ADTV: Rmb630.6mn / \$87.7mn China China Consumer Staples M&A Rank: 3 Leases incl. in net debt & EV?: No | Revenue (Rmb mn) New | 12/24 | 12/25E | 12/26E | 12/27E |
| | Revenue (Rmb mn) Old | 15,838.9 | 21,257.8 | 26,218.7 | 30,918.2 |
| | EBITDA (Rmb mn) | 4,143.1 | 5,782.3 | 7,368.6 | 9,044.6 |
| | EPS (Rmb) New | 6.40 | 8.70 | 11.09 | 13.34 |
| | EPS (Rmb) Old | 6.40 | 8.71 | 11.10 | 13.32 |
| | P/E (X) | 27.5 | 32.9 | 25.9 | 21.5 |
| | P/B (X) | 11.9 | 16.4 | 13.7 | 11.5 |
| | Dividend yield (%) | 2.5 | 2.1 | 2.7 | 3.2 |
| | CROCI (%) | 42.1 | 48.0 | 55.9 | 58.0 |
| | | 3/25 | 6/25 | 9/25E | 12/25E |
| | EPS (Rmb) | 1.88 | 2.68 | 2.59 | 1.54 |

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

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Disclosure Appendix

Reg AC

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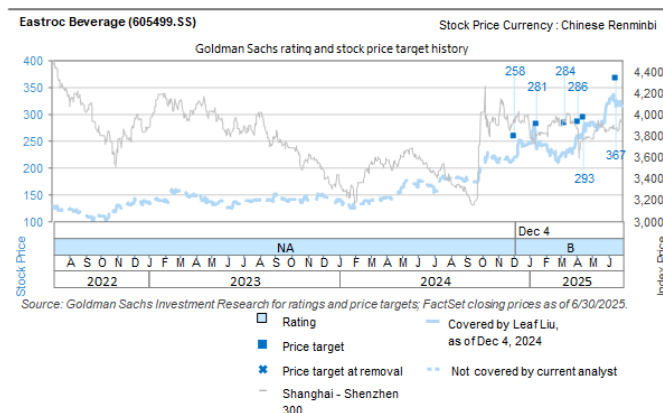
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