

Eastroc Beverage (605499.SS): 2Q25 First Take: Sales/NP in line with midpoint of pre-results; Strong run-rate for Bushuila/other drinks; Buy

On Jul 25, Eastroc announced 1H25 results, delivering total revenue/net profits of Rmb10.7bn/Rmb2.4bn, up 36%/37% yoy, largely in line with the mid-point of revenue range of Rmb10.63~10.84bn/NP range of Rmb2.31~2.45bn released in its preliminary results. In 2Q25, the company achieved revenue/net profits of Rmb5,889mn/Rmb1,395mn, +34%/+31% yoy (vs. 1Q25's 39%/48% yoy), largely in line with GSe at Rmb5,884mn/Rmb1,403mn. Recurring NP was at Rmb1.31bn in 2Q25, up 21% yoy (gap vs. reported NP was mainly from higher other income (net gains from fair value) at Rmb57mn gains in 2Q25 vs. Rmb13mn losses in 2Q24). We expect better sales leveraging ahead into 3Q25E with further ramp up of retail sales for new products.

By product segment, Eastroc achieved revenue from energy drinks/electrolyte water/other drinks of Rmb8.4bn/Rmb1.5bn/Rmb0.88bn in 1H25 (+22%/+214%/+65% yoy), with electrolyte water/other drinks sales mix changed by +7.9pp/+1.4pp yoy to 13.9%/8.2% of total, respectively. In 2Q25, the biggest category energy drinks grew 19% yoy to Rmb4.5bn (vs. 26% yoy in 1Q25). Electrolyte water, one of the fastest growth products, was up 190% yoy to Rmb923mn in 2Q25 (vs. +261% yoy in 1Q25), as c.16% of total sales. Other drinks grew 60% yoy to Rmb503mn in 2Q25, with contribution increased to 9% of total sales. Product mix for energy drink/Bushuila/other drinks stood at 76%/16%/9% in 2Q25 vs. 80%/12%/8% in 1Q25.

Margins and expenses: Overall **GPM** was up 0.5pp yoy to 45.2% in 1H25, below GSe 45.6%, mainly driven by 3.2pp/2.5pp GPM expansion in energy drinks/electrolyte water, mainly on raw material tailwinds (PET/sugar prices down 13%/7% yoy for 1H25 avg. vs. 1H24 avg. per our cost tracks), per the company. 2Q25 GPM was down 0.3pp yoy to 45.7%, 0.8ppt below GSe at 46.5%, likely on mix of increased sales contribution from Bushuila/other drinks at (lower GPM at 32.1%/15.4% vs. energy drinks at 50.6% in 1H25) and increased promotion for new products ("Guozhicha"), offsetting continued raw material cost benefits yoy. **SG&A expense ratio** was up 0.6ppt yoy to 17.4% in 2Q25 with +0.5pp yoy higher selling expense ratio, below GSe at 18.8%, increasing yoy mainly on enhanced refrigerator investments, enlarging sales force, and increased marketing expense, per the company. **Operating profit** was up 43%/35% yoy in 1H25/2Q25, with the **OPM** up 1.2pp/0.3pp yoy (vs. 1Q25's +2.4pp yoy) to 26.5%/28.1%, 0.2pp/0.3pp above GSe,

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with higher other income (net gains from fair value) at Rmb57mn gains in 2Q25 vs. Rmb13mn losses in 2Q24. **Effective tax rate** increased by 2.4ppt to 21.1%, above GSe by 2.5ppt. **Net profit** grew by 37% in 1H25, implying 31% yoy in 2Q25 (vs. 48% yoy 1Q25). NP margin was down 0.6pp yoy in 2Q25 to 23.7% vs. 24.3% in 2Q24, contracting yoy mainly on lower GPM, increased selling expense ratio, and increased effective tax rate, partially offset by higher other income.

Operating updates: The company has grown the number of PoS to over 4.2mn vs. c.4mn at end-2024. **By region**, outside Guangdong sales were up 39% in 2Q25 while Guangdong continued solid growth at 20% yoy, with non-Guangdong region contributing 60% of sales in 2Q25. We note north China region recorded +74% yoy sales growth in 2Q25 and contributed 14% of total sales, continuing the strong momentum in 1Q25 at +73% yoy. Online channels grew by +54% yoy in both 1H25/2Q25 despite still limited contribution.

Cash generation: Customer advances grew by 47% yoy to Rmb3,667mn as of end-2Q, vs. +44% yoy as of end-1Q at Rmb3,870mn; cash received from sales grew by 30% yoy to Rmb6.2bn in 2Q25 vs. +19% in 1Q25; while OCF declined by 21% yoy (vs. down -27% in 1Q24) to Rmb1,109mn, as 19% of sales.

The company will host an investor briefing on July 29 (Tue) at 10am HKT. Key focus areas are: 1) sales/margin outlook for 2H25 lapping a solid base delivered last year; 2) industry trends and competitive landscape ahead, 3) geographical/channel expansion strategies for energy drinks/electrolyte water and PoS penetration for "Guozhicha," 4) new product pipeline and product strategy, 5) capacity expansion and global expansion updates, among others.

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

Results Summary

Exhibit 1: Act vs. GSe

605499.SS
Eastroc Beverage

Summary P&L (Rmb mn)	1Q24 Actual	2Q24 Actual	3Q24 Actual	4Q24 Actual	1Q25 Actual	2Q25 Actual	GSe	Diff	yoY
Total revenues	3,482	4,391	4,685	3,281	4,848	5,889	5,884	0%	34%
COGS	(1,993)	(2,369)	(2,539)	(1,841)	(2,692)	(3,197)	(3,148)	2%	35%
Gross profit	1,489	2,022	2,146	1,440	2,156	2,691	2,736	-2%	33%
SG&A	(710)	(738)	(970)	(751)	(946)	(1,027)	(1,106)	-7%	39%
Selling expense	(596)	(629)	(837)	(619)	(809)	(873)	(971)	-10%	39%
Admin expense	(114)	(109)	(134)	(132)	(137)	(154)	(135)	14%	42%
Other operating expenses, net	(10)	(61)	(26)	(31)	(23)	(9)	6	-233%	n.m.
EBIT	770	1,223	1,150	658	1,187	1,656	1,636	1%	35%
Depreciation	(81)	(81)	(81)	(81)	(81)	(81)	(81)	0%	0%
Amortization	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0%	0%
EBITDA	855	1,309	1,236	744	1,273	1,741	1,722	1%	33%
Interest income									
Interest expense									
Net interest income/(expense)	45	59	30	56	18	46	54	-15%	-22%
Non-operating income/(loss)	15	30	32	40	28	67	33	102%	122%
Pre-tax profit	830	1,312	1,212	753	1,233	1,768	1,724	3%	35%
Provision for taxes	(166)	(246)	(235)	(134)	(253)	(374)	(321)	17%	52%
Minority interest	-	-	-	0	0	0	-		
Exceptionals (including preference dividend)									
Net income	664	1,067	977	619	980	1,395	1,403	-1%	31%
YoY Growth %									
Sales	39.8%	47.9%	47.3%	25.1%	39.2%	34%	34%		
Gross profit	37.4%	59.3%	62.5%	22.3%	44.8%	33%	35%		
EBIT	26.7%	73.3%	89.6%	43.1%	54.2%	35%	34%		
EBITDA	30.9%	74.0%	89.3%	46.9%	48.8%	33%	32%		
NPAT	33.5%	74.6%	78.4%	61.2%	47.6%	31%	32%		
Margin analysis									
Gross margin	42.8%	46.1%	45.8%	43.9%	44.5%	45.7%	46.5%	-0.8ppt	-0.3ppt
EBITDA margin	24.6%	29.8%	26.4%	22.7%	26.2%	29.6%	29.3%	0.3ppt	-0.2ppt
EBIT margin	22.1%	27.8%	24.5%	20.1%	24.5%	28.1%	27.8%	0.3ppt	0.3ppt
Pre-tax profit margin	23.8%	29.9%	25.9%	23.0%	25.4%	30.0%	29.3%	0.7ppt	0.1ppt
Net profit margin	19.1%	24.3%	20.8%	18.9%	20.2%	23.7%	23.8%	-0.2ppt	-0.6ppt
SG&A	20.4%	16.8%	20.7%	22.9%	19.5%	17.4%	18.8%	-1.4ppt	0.6ppt
Selling expense ratio	17.1%	14.3%	17.9%	18.9%	16.7%	14.8%	16.5%	-1.7ppt	0.5ppt
Admin expense ratio	3.3%	2.5%	2.9%	4.0%	2.8%	2.6%	2.3%	0.3ppt	0.1ppt
Effective tax rate	(20%)	(19%)	(19%)	(18%)	(21%)	(21%)	(19%)	2.5ppt	2.4ppt
Customer advance	2,688	2,501	2,380	4,761	3,870	3,667			
_{yoY}	59%	35%	24%	83%	44%	47%			
Cash received from sales	4,096	4,789	5,107	6,439	4,863	6,209			
_{yoY}	39%	35%	38%	74%	19%	30%			
OCF	860	1,408	768	2,754	631	1,109			
_{yoY}	19%	145%	7%	117%	(27%)	(21%)			

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Eastroc Operating Data Summary

Operation data										
Revenue	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Energy drinks	2,383	2,752	2,859	2,342	3,103	3,752	3,652	2,797	3,901	4,460
yoY %	25%	24%	26%	32%	30%	36%	28%	19%	26%	19%
Non-energy drinks	106	214	320	275	375	632	1,015	496	945	1,425
yoY %	14%	193%	325%	253%	255%	195%	217%	81%	152%	125%
As % of total revenue	4.2%	7.2%	10.1%	10.5%	10.8%	14.4%	21.7%	15.1%	19.5%	24.2%
Major business total	2,489	2,966	3,179	2,617	3,478	4,384	4,667	3,293	4,845	5,885
Guangdong	842	1,038	1,060	822	925	1,185	1,316	933	1,125	1,421
Other parts of China	1,417	1,671	1,791	1,350	2,139	2,553	2,636	1,681	3,087	3,555
Number of distributors	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Offline	2,375	2,328	2,327	2,485	2,410	2,366	2,369	2,536	2,563	2,558
DTC & Online	418	468	453	496	502	616	624	657	681	721
Sales per distributor mn										
Offline	1.11	1.21	0.85	1.27	1.58	1.67	1.03	1.64	1.95	
DTC & Online	0.80	0.80	1.00	0.82	0.74	1.45	1.03	0.93	0.86	
Number of POS mn										
Sales of energy drink per POS			3.30		3.60		4.00		4.20	
					1,987		1,697			
Revenue (Half year)	1H23	2H23			1H24		2H24		1H25	
Energy Drinks	5,135		5,201		6,855		6,449		8,361	
yoY %	25%		28%		33%		24%		22%	
Bushuila	125		268		476		1,019		1,493	
yoY %					281%		280%		214%	
Other drinks	195		326		531		492		877	
yoY %					172%		51%		65%	
All other drinks	320		594		1,007		1,511		2,370	
					215%		154%		135%	
GPM (Half year)	1H23	2H23			1H24		2H24		1H25	
Energy Drinks					47%		49%		51%	
yoY %									3.2pt	
Bushuila					30%		30%		32%	
yoY %									2.5pt	
Other drinks					22%		22%		15%	
yoY %										
All other drinks					26%		27%		26%	
									0.2pt	
Sales volume (k tons)	1H23	2H23			1H24		2H24		1H25	
Energy drinks	1,207		1,178		1,605		1,479		1,966	
yoY %	28%		26%		33%		26%		23%	
Bushuila	47		127		209		451		666	
yoY %					342%		256%		227%	
Other drinks	126		173		238		234		398	
yoY %					90%		35%		67%	
All other drinks	173		299		448		685		1,083	
	98%		175%		159%		129%		142%	
ASP/kg	1H23	2H23			1H24		2H24		1H25	
Energy drinks	4.25		4.42		4.27		4.36		4.25	
yoY %					0%		-1%		0%	
Bushuila	2.63		2.12		2.27		2.26		2.18	
yoY %					-14%		7%		-4%	
Other drinks	1.55		1.89		2.23		2.11		2.21	
yoY %					44%		12%		-1%	
All other drinks	1.85		1.99		2.25		2.21		2.19	
					22%		11%		-3%	
Revenue (quarterly)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Energy Drinks	2,383	2,752	2,859	2,342	3,103	3,752	3,652	2,797	3,901	4,460
yoY %	25%	24%	26%	32%	30%	36%	28%	19%	26%	19%
Bushuila		184	84	158	318	735	284	570	923	
yoY %						300%	237%	261%	190%	
Other drinks		136	190	217	314	281	211	375	503	
yoY %						107%	11%	73%	60%	
All other drinks	320	275	375	632	1,016	495	945	1,425		
Mix										
Energy Drinks		90%	89%	89%	85%	78%	85%	80%	76%	
All other drinks		10%	10%	11%	14%	22%	15%	19%	24%	
Bushuila		6%	3%	5%	7%	16%	9%	12%	16%	
Other drinks		4%	7%	6%	7%	6%	6%	8%	9%	
Number of distributors	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Total distributors	2793	2796	2780	2981	2912	2982	2993	3193	3244	3279
Guangdong	252	253	267	288	271	256	251	264	262	260
Central China	440	418	398	409	390	387	386	429	433	426
Guangxi	139	128	127	132	118	119	122	126	122	120
East China	290	281	280	299	295	287	289	303	304	299
Southwest	468	460	446	458	445	444	446	487	491	502
North China	786	788	809	899	891	873	875	927	951	951
DTC & online	418	468	453	496	502	616	624	657	681	721
Sales by region	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Total	2,489	2,966	3,179	2,617	3,478	4,195	4,857	3,292	4,845	5,595
Guangdong	842	1,016	1,081	822	925	1,185	1,316	933	1,125	1,421
Central China	345	359	414	282	532	536	655	351	684	692
Guangxi	282	231	255	215	286	276	373	219	378	362
East China	338	416	448	314	501	657	644	399	656	880
Southwest	230	295	293	298	385	532	449	359	623	659
North China	222	273	323	191	435	552	516	353	746	961
DTC & online	230	375	364	496	413	456	905	677	633	620
In which: online direct sales	34	62	58	52	67	121	139	118	104	186
	196	313	306	445	346	335	766	559	529	433

2023 annual sales/volume of energy drinks and other drinks have been restated by less than 0.2% as of sales/volume of 2023 numbers implied by disclosed yoY growth rates in 2024 results; we do not adjust 2023 quarterly data manually in above summary table as the impact is minor.

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Eastroc Beverage

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: Rmb299.93	Upside: 17.0%		
Buy	GS Forecast	12/24	12/25E	12/26E	12/27E
Market cap: Rmb156.0bn / \$21.8bn	Revenue (Rmb mn)	15,838.9	21,367.1	26,202.8	30,803.7
Enterprise value: Rmb155.1bn / \$21.6bn	EBITDA (Rmb mn)	4,143.1	5,710.3	7,270.7	8,863.6
3m ADTV: Rmb618.8mn / \$86.1mn	EPS (Rmb)	6.40	8.71	11.10	13.32
China China Consumer Staples M&A Rank: 3	P/E (X)	27.5	34.4	27.0	22.5
Leases incl. in net debt & EV?: No	P/B (X)	11.9	17.2	14.4	12.0
	Dividend yield (%)	2.5	2.0	2.6	3.1
	N debt/EBITDA (ex lease,X)	0.2	(0.2)	(0.2)	(0.4)
	CROCI (%)	42.1	48.4	56.9	61.6
	FCF yield (%)	4.5	2.1	2.5	3.7
	EPS (Rmb)	1.88	2.70	2.60	1.52
	3/25	6/25E	9/25E	12/25E	

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 25 Jul 2025 close.

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.

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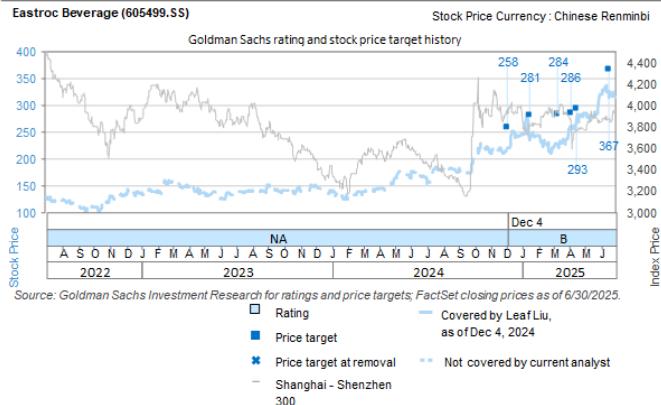
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