27 Aug 2026

CMB International Global Markets | Equity Research | Company Update

Nongfu Spring (9633 HK)

Tea biz fuelled growth; 2H26 key variable lies in cost

Nongfu Spring's 1H26 revenue/NP rose 16.0%/16.6% YoY to RMB29.7bn/RMB8.9bn, 2%/4% above Bloomberg consensus respectively, on better-than-expected gross margin expansion against cost headwinds. Both engines fired—tea biz revenue surged 30% and now generates over half of group operating profit, while water biz grew 2.1%, clawing back share in a shrinking market. Gross margin edged up 0.6ppt to 60.9% despite dearer PET, though the cost picture turns two-way into 2H26, with elevated PET and jasmine costs set against a favourable mix from rising tea biz contribution. Management reiterated FY26 double-digit revenue and profit growth guidance but again withheld margin guidance. We maintain BUY with TP inched up 0.1% to HK$60.93 on earnings revisions, still based on an unchanged 32x target 2026E P/E, with weighted EPS of four months in 2026E and eight months in 2027E.

- **Growth engines intact: tea biz momentum sustained, water biz share repair on track**. Tea biz revenue jumped 30% YoY to RMB13.1bnin 1H26 (vs. 20% in 1H25), with utilisation gains from rapid growth absorbing jasmine inflation and lifting segment OPM 0.5ppt to 48.8%. Oriental Leaf holds over 80% market share of sugar-free tea; with sugar-free tea's penetration rising and management seeing "no ceiling for tea biz", we expect sustained fast growth for tea segment. Water biz rose 2.1% against falling industry volumes, extending market share recovery though still below the 2023 peak; management sees headroom (per-capita consumption ~1/3 of Western levels) in the long run, but we expect water growth to stay under pressure in 2H26.
- **Costs are the swing factor into 2H26**. In 1H26, product structure improvement and cheaper juice and sugar material prices offset PET inflation, lifting gross margin by 0.6ppt YoY, though segment-level pressure remains: water OPM fell 1.7ppt YoY to 33.8%, and the 30th-anniversary discount campaign, extended to functional beverage, cut segment OPM by 2.4ppt. Into 2H26, PET is off its 2Q26 spike but still above pre-conflict levels, and inflated jasmine costs may normalize but could still be higher than pre-flood levels, while the upside is that the contribution of high-margin tea biz keeps climbing. That two-way uncertainty is why management reaffirmed double-digit top- and bottom-line growth yet withheld margin guidance, in our view.
- **Maintain BUY with TP inched up 0.1% to HK$60.93**, still based on 32x target P/E, with weighted EPS of four months in 2026E and eight months of 2027E. Nongfu remains a quality name in the sector: multiple growth curves, sector-leading profitability (30% net margin) and self-funded expansion, with two new water sources (17 nationwide) strengthening the cost edge. Catalysts: PET price retreat, jasmine cost normalisation, promotion roll-off and further share gains in water biz. Risks: food-safety incidents, raw-material price volatility and intensified competition, etc..

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	42,896	52,553	58,583	64,534	71,029
YoY growth (%)	0.5	22.5	11.5	10.2	10.1
Net profit (RMB mn)	12,123.3	15,868.3	17,687.6	19,491.2	21,547.5
YoY growth (%)	0.4	30.9	11.5	10.2	10.6
EPS (Reported) (RMB)	1.08	1.41	1.57	1.73	1.92
Consensus EPS (RMB)	na	na	1.59	1.79	2.02
P/E (x)	35.1	26.8	24.0	21.8	19.7
P/B (x)	13.2	10.8	9.2	8.0	7.0
Yield (%)	2.0	2.6	2.9	3.2	3.6
ROE (%)	39.8	44.2	41.4	39.4	37.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$60.93**
(Previous TP	HK$60.88)
Up/Downside	**38.2%**
Current Price	**HK$44.08**

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Stock Data

Mkt Cap (HK$ mn)	221,929.6
Avg 3 mths t/o (HK$ mn)	304.0
52w High/Low (HK$)	56.10/39.62
Total Issued Shares (mn)	5034.7

Source: FactSet

Shareholding Structure

Zhong Shanshan	38.3%
Yangshengtang Co.	25.9%

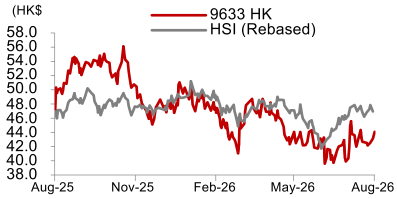
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.5%	7.5%
3-mth	0.1%	-0.1%
6-mth	-5.8%	-3.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 9633 HK results summary- 1H26

RMB mn	1H25	2H25	1H26	1H25 YoY	2H25 YoY	1H26 YoY	1H25 HoH	2H25 HoH	1H26 HoH
Revenue	**25,622**	**26,931**	**29,718**	15.6%	30.0%	16.0%	23.6%	5.1%	10.3%
Packaged drinking water products	9,443	9,266	9,641	11%	25%	2%	27%	-2%	4%
Tea beverage products	10,089	11,507	13,122	20%	38%	30%	21%	14%	14%
Functional beverage products	2,898	2,864	3,348	14%	20%	16%	22%	-1%	17%
Juice beverage products	2,564	2,612	2,922	21%	33%	14%	30%	2%	12%
Other products	629	680	684	15%	7%	9%	-1%	8%	1%
Gross Profit	**15,456**	**16,352**	**18,098**	18.6%	37.6%	17.1%	30.1%	5.8%	10.7%
Operating Profit	**10,622**	**11,696**	**12,423**	30.0%	48.9%	17.0%	35.2%	10.1%	6.2%
Packaged drinking water products	3,347	3,654	3,257	22%	64%	-3%	50%	9%	-11%
Tea beverage products	4,879	5,496	6,406	31%	43%	31%	27%	13%	17%
Functional beverage products	1,364	1,332	1,497	30%	29%	10%	32%	-2%	12%
Juice beverage products	803	974	1,054	61%	88%	31%	55%	21%	8%
Other products	229	241	210	44%	3%	-8%	-2%	5%	-13%
Net profit	**7,622**	**8,246**	**8,887**	22.2%	40.2%	16.6%	29.5%	8.2%	7.8%
EPS (RMB)	0.68	0.73	0.790	22.0%	40.3%	16.7%	29.4%	8.4%	7.6%
DPS (RMB)									
Dividend payout ratio									
Gross Margin	**60%**	**61%**	**60.9%**	1.5 ppt	3.4 ppt	0.6 ppt	3.0 ppt	0.4 ppt	0.2 ppt
SG&A ratio	-23.7%	-22.9%	-23.4%	2.8 ppt	2.4 ppt	0.3 ppt	1.6 ppt	0.8 ppt	-0.5 ppt
OP Margin	**41%**	**43%**	**41.8%**	4.6 ppt	5.5 ppt	0.3 ppt	3.5 ppt	2.0 ppt	-1.6 ppt
Packaged drinking water products	35.4%	39.4%	33.8%	3.3 ppt	9.4 ppt	-1.7 ppt	5.4 ppt	4.0 ppt	-5.7 ppt
Tea beverage products	48.4%	47.8%	48.8%	4.3 ppt	1.5 ppt	0.5 ppt	2.1 ppt	-0.6 ppt	1.1 ppt
Functional beverage products	47.1%	46.5%	44.7%	5.9 ppt	3.2 ppt	-2.4 ppt	3.8 ppt	-0.6 ppt	-1.8 ppt
Juice beverage products	31.3%	37.3%	36.1%	7.7 ppt	11.0 ppt	4.8 ppt	5.0 ppt	6.0 ppt	-1.2 ppt
Other products	36.4%	35.4%	30.7%	7.4 ppt	-1.4 ppt	-5.7 ppt	-0.5 ppt	-1.0 ppt	-4.7 ppt
Net Margin	**30%**	**31%**	**30%**	1.6 ppt	2.2 ppt	0.2 ppt	1.4 ppt	0.9 ppt	-0.7 ppt
Operating profit mix %									
Packaged drinking water products	31.5%	31.2%	26.2%	-2.1 ppt	2.9 ppt	-5.3 ppt	3.2 ppt	-0.3 ppt	-5.0 ppt
Tea beverage products	45.9%	47.0%	51.6%	0.4 ppt	-2.0 ppt	5.6 ppt	-3.0 ppt	1.1 ppt	4.6 ppt
Functional beverage products	12.8%	11.4%	12.0%	0.0 ppt	-1.7 ppt	-0.8 ppt	-0.3 ppt	-1.5 ppt	0.7 ppt
Juice beverage products	7.6%	8.3%	8.5%	1.4 ppt	1.7 ppt	0.9 ppt	1.0 ppt	0.8 ppt	0.2 ppt
Other products	2.2%	2.1%	1.7%	0.2 ppt	-0.9 ppt	-0.5 ppt	-0.8 ppt	-0.1 ppt	-0.4 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	58,583	64,534	71,029	58,585	64,534	71,029	0.0%	0.0%	0.0%
Gross profit	35,590	39,177	43,165	35,530	39,177	43,165	0.2%	0.0%	0.0%
EBIT	22,723	24,916	27,383	22,662	24,916	27,383	0.3%	0.0%	0.0%
Net profit	17,688	19,491	21,548	17,641	19,491	21,548	0.3%	0.0%	0.0%
Gross margin	60.8%	60.7%	60.8%	60.6%	60.7%	60.8%	0.1ppt	0ppt	n.a.
EBIT margin	38.8%	38.6%	38.6%	38.7%	38.6%	38.6%	0.1ppt	0ppt	n.a.
Net margin	30.2%	30.2%	30.3%	30.1%	30.2%	30.3%	0.1ppt	0ppt	n.a.

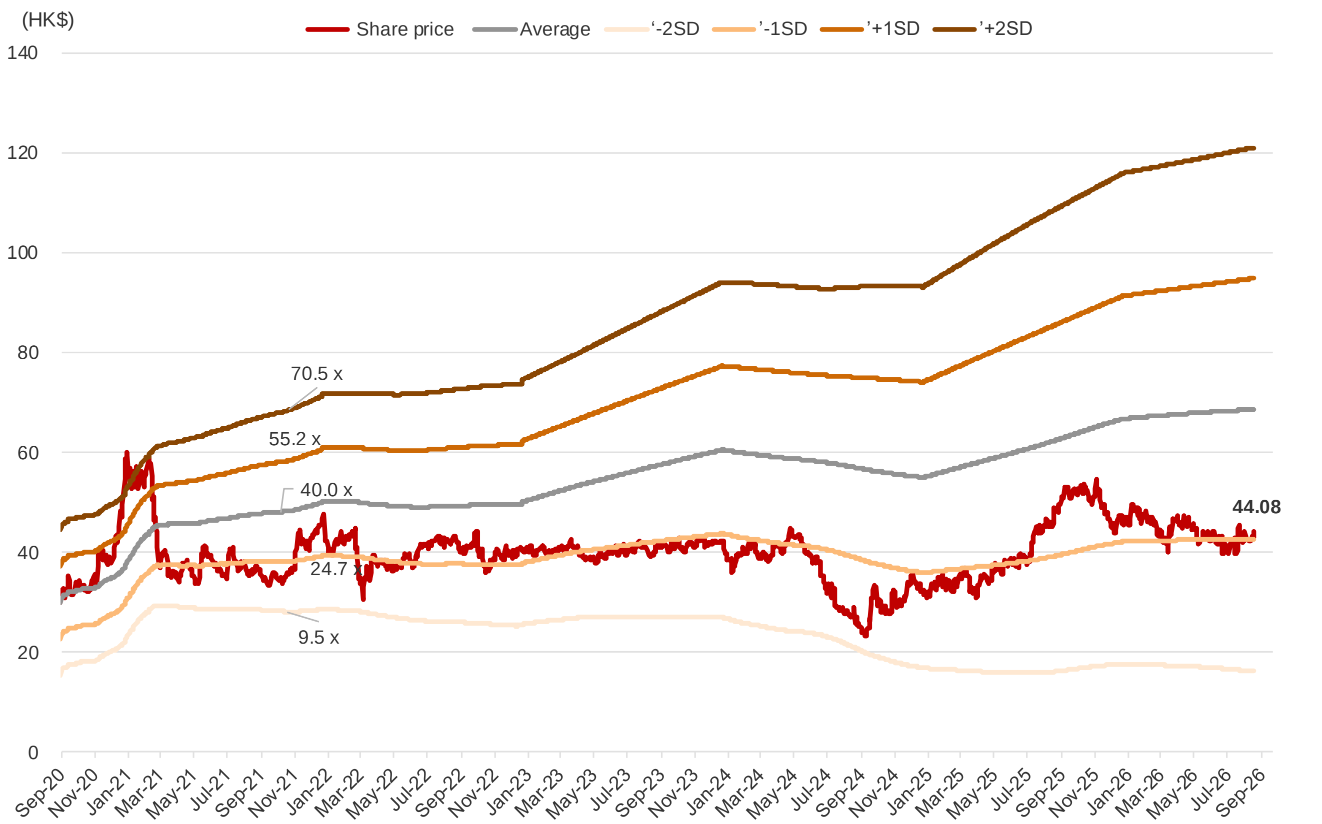
Source: CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	58,583	64,534	71,029	60,019	67,486	75,110	-2.4%	-4.4%	-5.4%
Gross profit	35,590	39,177	43,165	35,899	40,396	45,148	-0.9%	-3.0%	-4.4%
EBIT	22,723	24,916	27,383	22,613	25,494	28,538	0.5%	-2.3%	-4.0%
Net profit	17,688	19,491	21,548	17,879	20,149	22,667	-1.1%	-3.3%	-4.9%
Gross margin	60.8%	60.7%	60.8%	59.8%	59.9%	60.1%	0.9ppt	0.9ppt	0.7ppt
EBIT margin	38.8%	38.6%	38.6%	37.7%	37.8%	38.0%	1.1ppt	0.8ppt	0.6ppt
Net margin	30.2%	30.2%	30.3%	29.8%	29.9%	30.2%	0.4ppt	0.3ppt	0.2ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: P/E band – Nongfu Spring



Source: Company data, Wind, CMBIGM estimates (as of 26 Aug 2026)

Figure 5: Valuation comps

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Rev. growth (%)			NP growth (%)			GPM (%)	NPM (%)	Payout ratio	Div yield	
		(LC)	(USD mn)	26E	27E	28E	26E	27E	28E	26E	27E	28E	25A	25A	25A	25A	26E
Nongfu Spring	9633.HK	44.08	63,237	24.0 x	21.7 x	19.7 x	11.5	10.2	10.1	11.5	10.2	10.6	60.5	30.2	72%	2.6%	2.9%
Eastroc	9980.HK	112.80	12,927	13.5 x	11.7 x	10.0 x	19.4	18.0	14.9	20.1	15.5	16.8	44.1	21.2	30%	2.5%	5.2%
Cr Beverage	2460.HK	7.55	2,308	14.2 x	12.2 x	10.6 x	5.9	7.1	7.6	12.1	17.0	14.7	45.7	9.2	92%	5.6%	7.1%
Tingyi	0322.HK	13.11	9,428	13.8 x	13.0 x	12.3 x	2.0	2.4	2.0	3.0	6.3	5.5	34.8	6.5	104%	7.0%	7.4%
U-Presid China	0220.HK	7.66	4,218	13.1 x	12.2 x	11.3 x	4.0	4.5	4.9	6.3	7.7	8.0	33.2	6.5	105%	7.2%	7.9%
Yangyuan	603156.SH	41.59	7,728	35.6 x	32.7 x	30.7 x	14.8	6.1	5.6	12.9	8.9	6.5	42.4	23.8	150%	3.6%	NA
Lolo	000848.SZ	8.56	1,287	12.4 x	11.6 x	10.8 x	10.0	5.8	6.0	11.6	6.9	7.3	44.2	20.0	83%	5.8%	5.6%
Lzy	605337.SH	9.26	529	21.9 x	19.5 x	17.7 x	4.3	9.8	8.7	1.0	12.7	9.9	38.4	15.3	90%	5.1%	5.0%
Average				**21.7 x**	**19.7 x**	**17.9 x**	**11.4**	**9.8**	**9.3**	**11.6**	**10.4**	**10.5**	**52.9**	**24.7**	**78%**	**3.4%**	**3.8%**

Source: Company data, Wind, CMBIGM (as of 26 Aug 2026)

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**42,667**	**42,896**	**52,553**	**58,583**	**64,534**	**71,029**
Cost of goods sold	(17,260)	(17,980)	(20,745)	(22,992)	(25,357)	(27,864)
Gross profit	**25,407**	**24,916**	**31,808**	**35,590**	**39,177**	**43,165**
Operating expenses	**(11,446)**	**(11,136)**	**(12,253)**	**(13,717)**	**(15,110)**	**(16,631)**
Selling expense	(9,284)	(9,173)	(9,800)	(10,984)	(12,099)	(13,317)
Admin expense	(2,162)	(1,962)	(2,452)	(2,733)	(3,011)	(3,314)
Operating profit	**14,797**	**15,013**	**20,405**	**22,723**	**24,916**	**27,383**
Other income	850	1,263	1,140	1,140	1,140	1,140
Other expense	(14)	(30)	(291)	(291)	(291)	(291)
EBITDA	**16,592**	**16,655**	**22,948**	**26,152**	**28,934**	**31,988**
Depreciation	(2,620)	(2,863)	(3,374)	(4,260)	(4,850)	(5,441)
Other amortisation	(11)	(11)	(19)	(19)	(16)	(14)
EBIT	**13,960**	**13,780**	**19,556**	**21,873**	**24,067**	**26,534**
Net Interest income/(expense)	**892**	**775**	**513**	**593**	**777**	**1,021**
Pre-tax profit	**15,688**	**15,788**	**20,918**	**23,316**	**25,693**	**28,404**
Income tax	(3,609)	(3,665)	(5,049)	(5,628)	(6,202)	(6,856)
Minority interest	0	0	0	0	0	0
Net profit	**12,079**	**12,123**	**15,868**	**17,688**	**19,491**	**21,548**
Core net profit	**12,079**	**12,123**	**15,868**	**17,688**	**19,491**	**21,548**
Gross dividends	8,435	8,547	11,134	12,411	13,676	15,119

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**28,461**	**19,072**	**26,564**	**29,037**	**33,956**	**40,266**
Cash & equivalents	24,125	10,722	11,178	13,787	18,196	23,831
Account receivables	547	581	598	262	289	317
Inventories	3,092	5,013	5,846	6,047	6,530	7,176
Prepayment	695	1,218	1,378	1,378	1,378	1,378
Other current assets	3	1,529	7,555	7,555	7,555	7,555
Non-current assets	**20,676**	**34,088**	**38,606**	**41,544**	**43,894**	**45,656**
PP&E	17,180	21,083	24,719	27,527	29,782	31,485
Right-of-use assets	947	1,027	1,262	1,440	1,580	1,681
Deferred income tax	921	1,088	1,347	1,347	1,347	1,347
Intangibles	74	72	81	34	(11)	(53)
Other non-current assets	1,554	10,819	11,196	11,196	11,196	11,196
Total assets	**49,137**	**53,160**	**65,169**	**70,581**	**77,850**	**85,922**
Current liabilities	**19,877**	**19,985**	**24,823**	**23,733**	**23,921**	**24,121**
Short-term borrowings	3,121	3,625	4,390	3,121	3,121	3,121
Account payables	1,770	1,499	1,654	1,833	2,022	2,222
Tax payable	2,054	1,695	2,560	2,560	2,560	2,560
Other current liabilities	9,289	9,544	11,962	11,962	11,962	11,962
Lease liabilities	58	56	62	62	62	62
Contract liabilities	3,585	3,566	4,195	4,195	4,195	4,195
Non-current liabilities	**690**	**888**	**876**	**876**	**876**	**876**
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	31	66	41	41	41	41
Deferred income	na	319	359	359	359	359
Other non-current liabilities	658	503	476	476	476	476
Total liabilities	**20,566**	**20,873**	**25,699**	**24,609**	**24,798**	**24,997**
Share capital	1,125	1,125	1,125	1,125	1,125	1,125
Capital surplus	0	0	0	0	0	0
Retained earnings	27,446	31,163	38,345	44,899	51,980	59,851
Other reserves	0	0	0	(52)	(52)	(52)
Total shareholders equity	**28,571**	**32,287**	**39,470**	**45,972**	**53,053**	**60,924**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**49,137**	**53,160**	**65,169**	**70,581**	**77,850**	**85,922**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**15,688**	**15,788**	**20,918**	**23,316**	**25,693**	**28,404**
Depreciation & amortization	(2,631)	(2,875)	(3,393)	(4,279)	(4,867)	(5,455)
Change in working capital	2,835	(2,935)	2,198	315	(321)	(474)
Others	1,413	1,044	(3,684)	2,929	3,531	4,053
Net cash from operations	**17,305**	**11,022**	**16,040**	**22,281**	**24,037**	**26,528**
Investing						
Capital expenditure	(4,714)	(6,461)	(7,217)	(7,217)	(7,217)	(7,217)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	27	14,184	(259)	0	0	0
Others	(9,596)	3,388	(377)	0	0	0
Net cash from investing	**(14,284)**	**(4,502)**	**(7,853)**	**(7,217)**	**(7,217)**	**(7,217)**
Financing						
Dividend paid	(7,646)	(8,435)	(8,547)	(11,134)	(12,411)	(13,676)
Net borrowings	615	370	765	(1,269)	0	0
Share repurchases	0	0	0	0	0	0
Others	120	3	0	0	0	0
Net cash from financing	**(7,022)**	**(8,062)**	**(7,783)**	**(12,403)**	**(12,411)**	**(13,676)**
Net change in cash						
Cash at the beginning of the year	7,821	3,876	2,416	2,820	5,481	9,890
Exchange difference	56	82	0	0	0	0
Cash at the end of the year	**3,876**	**2,416**	**2,820**	**5,481**	**9,890**	**15,525**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	28.4%	0.5%	22.5%	11.5%	10.2%	10.1%
Gross profit	33.1%	(1.9%)	27.7%	11.9%	10.1%	10.2%
Operating profit	40.9%	1.5%	35.9%	11.4%	9.7%	9.9%
EBITDA	39.1%	0.4%	37.8%	14.0%	10.6%	10.6%
EBIT	47.9%	(1.3%)	41.9%	11.9%	10.0%	10.2%
Net profit	42.2%	0.4%	30.9%	11.5%	10.2%	10.6%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	59.5%	58.1%	60.5%	60.8%	60.7%	60.8%
Operating margin	34.7%	35.0%	38.8%	38.8%	38.6%	38.6%
EBITDA margin	38.9%	38.8%	43.7%	44.6%	44.8%	45.0%
Return on equity (ROE)	45.9%	39.8%	44.2%	41.4%	39.4%	37.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Current ratio (x)	1.4	1.0	1.1	1.2	1.4	1.7
Receivable turnover days	4.7	4.9	4.2	4.2	4.2	4.2
Inventory turnover days	65.4	101.8	102.9	96.0	94.0	94.0
Payable turnover days	37.4	30.4	29.1	29.1	29.1	29.1

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	35.2	35.1	26.8	24.0	21.8	19.7
P/E (diluted)	35.2	35.1	26.8	24.0	21.8	19.7
P/B	14.9	13.2	10.8	9.2	8.0	7.0
Div yield (%)	2.0	2.0	2.6	2.9	3.2	3.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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Analyst Certification

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