

CR Beverage (2460 HK)

FY24: Pleasant surprises from special dividends and target hike

CR Beverage's FY24 revenue was flat YoY at RMB13.5bn, missing CMBI's forecast by 6% due to stiffer packaged water competition and headwinds from the consumption climate, extreme weather in core areas and capacity limits of beverage products. Net profit rose 23.1% YoY to RMB1.6bn, or 25% excluding listing costs, beating CMBI's estimate by 4%, as gross margin rose 3pct to 47.3% on a higher proportion of self-owned capacity. The company has lifted its 2025 self-owned capacity proportion target to 70% from 60%, which should support sustained high growth in profit in our view. We like the company's solid position in the packaged water market and the growth potential of its beverage business. We project the company's revenue/net profit CAGR in FY25-27E to reach 9%/17%. Maintain BUY with TP of HK\$18.61, based on 18x 2025E PE. Catalysts: hero products or M&A in beverage segment. Risks: Consumer sentiment plunges, price war, product quality/safety issues, raw material price hikes etc.

- **Revenue slightly missed, NP in line.** FY24 revenue was flat YoY, dragged by packaged water segment, which booked a 4.5% growth in retail sales, outpacing the industry's 2.5% (mkt share +0.4ppt to 18.8%), but ended up the year with a 3% decline in revenue due to both competitive pressures and network expansion necessitating price concessions to channels and outlets. Beverage revenue rose 31%, shy of the 40% guidance, impacted by weak consumer sentiment and capacity constraints. Net profit rose 23%, or 25% ex-listing costs, as self-owned capacity and lower raw material prices boosted gross margin by 2.7ppt to 47.3%.
- **Lifted self-owned capacity target to 70% by 2025.** The company's self-owned capacity proportion surged from 36% in FY23 to 50% in FY24. It aims to raise this to 70% by the end of the 14th Five-Year Plan period (2021-2025), up from the prior target of 60%. This signals a faster gross margin ramp-up in 2025 and sustained high capital expenditure.
- **Surprise in shareholder returns.** The company offers a 40% dividend payout ratio and has surprised the market with a 20% special dividend, contrary to expectations of prioritizing capital expenditure over dividend payout during the expansion stage. The company stated to maintain a stable dividend payout ratio going forward.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	13,515	13,521	14,414	15,538	16,989
YoY growth (%)	7.1	0.0	6.6	7.8	9.3
Net profit (RMB mn)	1,329.3	1,636.7	2,028.7	2,405.8	2,783.7
YoY growth (%)	34.3	23.1	23.9	18.6	15.7
EPS (Reported) (RMB)	0.66	0.79	0.98	1.16	1.34
Consensus EPS (RMB)	na	na	0.82	0.94	0.90
P/E (x)	21.1	17.7	14.3	12.1	10.4
P/B (x)	3.8	2.4	2.2	2.0	1.8
Yield (%)	0.0	3.4	2.8	3.3	3.8
ROE (%)	21.3	18.0	17.2	18.3	18.8
Net gearing (%)	(30.1)	(50.4)	(49.0)	(49.9)	(51.6)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$18.61**
 (Previous TP) **HK\$18.84**
Up/Downside **23.9%**
Current Price **HK\$15.02**

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Stock Data

Mkt Cap (HK\$ mn)	36,021.0
Avg 3 mths t/o (HK\$ mn)	56.7
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	2398.2

Source: FactSet

Shareholding Structure

CRH Beverage Ltd.	50.0%
Plateau Consumer Ltd.	33.4%

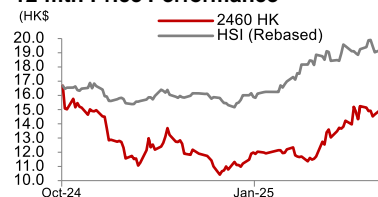
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.9%	15.1%
3-mth	23.3%	3.7%
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Results summary

RMB mn	2023	2024	YoY	2024E	vs. est.	1H24	2H24	1H YoY	2H YoY
Revenue	13,515	13,521	0.0%	14,344	-5.7%	7,616	5,905	5.6%	-6.3%
Water products	12,447	12,124	-3%	12,838	-6%	6,829	5,295	3%	-9%
Beverage products	1,068	1,397	31%	1,506	-7%	787	610	40%	20%
Gross Profit	6,035	6,397	6.0%	6,757	-5.3%	3,753	2,645	13.2%	-2.8%
Selling and distribution expense	-4,087	-4,058	-0.7%	-4,337	-6.4%	-2,090	-1,968	8.4%	-8.8%
Administrative expense	-301	-296	-1.6%	-319	-7.3%	-145	-151	0.1%	-3.2%
R&D expense	-62	-53	-13.3%	-80	-33.3%	-18	-35	30.8%	-25.9%
EBIT	1,742	2,096	20.3%	2,021	3.7%	1,537	559	17.5%	28.8%
Net profit	1,329	1,637	23.1%	1,618	1.2%	1,182	455	21.5%	27.5%
Core net profit (excl. listing fee)	1,344	1,674	24.6%	1,618	3.5%				
EPS (RMB)	0.66	0.79	18.9%	0.67	17.1%				
DPS (RMB)	NA	0.48		0.27	79.0%				
Dividend payout ratio		61%		40%	21.1 ppt				
Gross Margin	44.7%	47.3%	2.7 ppt	43.5%	3.8 ppt	49.3%	44.8%	3.3 ppt	1.6 ppt
OP Margin	12.9%	15.5%	2.6 ppt	14.1%	1.4 ppt	20.2%	9.5%	2.0 ppt	2.6 ppt
Net Margin	9.8%	12.1%	2.3 ppt	11.3%	0.8 ppt	15.5%	7.7%	2.0 ppt	2.0 ppt
Selling and distribution expense ratio	30.2%	30.0%	-0.2 ppt	30%	-0.2 ppt				
Administrative expense ratio	2.2%	2.2%	0.0 ppt	2%	0.0 ppt				
R&D expense ratio	0.5%	0.4%	-0.1 ppt	1%	-0.2 ppt				

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,414	15,538	16,989	15,334	16,644	n.a.	-6.0%	-6.6%	n.a.
Gross Profit	7,054	7,829	8,686	7,382	8,075	n.a.	-4.4%	-3.1%	n.a.
EBIT	2,542	3,043	3,537	2,511	2,954	n.a.	1.3%	3.0%	n.a.
Net profit	2,029	2,406	2,784	1,932	2,256	n.a.	5.0%	6.6%	n.a.
Gross Margin	48.9%	50.4%	51.1%	48.1%	48.5%	n.a.	0.8ppt	1.9ppt	n.a.
EBIT Margin	17.6%	19.6%	20.8%	16.4%	17.8%	n.a.	1.3ppt	1.8ppt	n.a.
Net Margin	14.1%	15.5%	16.4%	12.6%	13.6%	n.a.	1.5ppt	1.9ppt	n.a.

Source: Company data, CMBIGM estimates

Figure 3: CMBI estimates vs. consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,414	15,538	16,989	15,262	16,664	17,241	-5.6%	-6.8%	-1.5%
Gross Profit	7,054	7,829	8,686	7,436	8,216	8,669	-5.1%	-4.7%	0.2%
EBIT	2,542	3,043	3,537	2,608	3,055	3,483	-2.5%	-0.4%	1.5%
Net profit	2,029	2,406	2,784	2,008	2,324	3,012	1.0%	3.5%	-7.6%
Gross Margin	48.9%	50.4%	51.1%	48.7%	49.3%	50.3%	0.2ppt	1.1ppt	0.8ppt
EBIT Margin	17.6%	19.6%	20.8%	17.1%	18.3%	20.2%	0.5ppt	1.3ppt	0.6ppt
Net Margin	14.1%	15.5%	16.4%	13.2%	13.9%	17.5%	0.9ppt	1.5ppt	-1.1ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Results summary and valuation

P/E	2022	2023	2024	2025E	2026E	2027E
Revenue (RMB mn)	12,623	13,515	13,521	14,414	15,538	16,989
yoy	11.3%	7.1%	0.0%	6.6%	7.8%	9.3%
Gross margin	43.8%	41.7%	44.7%	47.3%	48.9%	50.4%
NPAT (RMB mn)	990	1,344	1,674	2,029	2,406	2,784
yoy	15.3%	35.8%	24.6%	21.2%	18.6%	15.7%
P/E (x)				18x		
Equity Value (RMB mn)				35,502		
Shares issued (mn)				2,073		
Implied value per share (RMB)				17.1		
CNY/HKD				1.09		
Implied value per share (HK\$)				18.61		
Upside				24%		

Source: Company data, CMBIGM estimates

Note: Data as of 24 Mar 2025

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	25E	26E	24E	25E	26E	24E	25E	26E	23A	23A	23A	23A	24E
Nongfu Spring	9633.HK	36.95	53,463	26.4 x	23.2 x	8.4	17.1	13.2	2.1	17.7	14.2	59.5	28.1	69%	2.2%	2.3%
Eastroc Beverage*	605499.SH	233.17	16,892	27.7 x	21.9 x	40.6	29.4	23.3	63.1	31.5	26.6	44.2	21.2	78%	2.1%	2.4%
Tingyi*	0322.HK	12.84	9,308	16.3 x	14.4 x	-0.2	5.7	3.5	19.8	9.9	12.9	33.1	5.4	100%	5.6%	5.4%
Want Want China	0151.HK	4.97	7,547	12.7 x	12.3 x	2.6	2.8	3.9	18.4	7.1	3.2	46.6	16.6	69%	5.2%	5.4%
Cr Beverage*	2460.HK	15.02	4,634	14.3 x	12.0 x	0.0	9.5	7.7	23.1	23.9	18.6	47.3	12.3	61%	3.5%	2.8%
U-Presid China*	0220.HK	9.12	5,068	17.5 x	15.8 x	6.1	7.0	5.9	10.9	12.6	10.7	32.5	6.1	100%	5.1%	6.4%
Yangyuan	603156.SH	22.14	3,887	18.3 x	16.2 x	6.1	7.2	8.8	-6.9	11.8	12.9	45.1	24.1	138%	7.2%	NA
Chengdelolo	000848.SZ	8.66	1,270	12.6 x	11.3 x	7.8	7.6	7.8	-1.6	15.5	11.1	41.0	21.8	66%	4.6%	4.3%
Lzy	605337.SH	13.40	736	20.7 x	18.5 x	1.7	9.0	9.2	-3.0	13.0	12.2	35.1	17.0	83%	3.7%	2.9%
Average				23.2 x	20.1 x	11.8	15.6	12.4	15.9	18.2	15.2	50.9	22.0	77%	3.2%	3.0%

Source: Company data, Wind, CMBIGM

Note: * denotes company with FY24 data in GPM/NPM/Payout ratio. Data as of 24 Mar 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	12,623	13,515	13,521	14,414	15,538	16,989
Cost of goods sold	(7,364)	(7,480)	(7,124)	(7,360)	(7,709)	(8,302)
Gross profit	5,259	6,035	6,397	7,054	7,829	8,686
Operating expenses	(4,192)	(4,449)	(4,407)	(4,619)	(4,894)	(5,257)
Selling expense	(3,878)	(4,087)	(4,058)	(4,254)	(4,508)	(4,844)
Admin expense	(265)	(301)	(296)	(308)	(324)	(346)
R&D expense	(49)	(62)	(53)	(57)	(61)	(67)
Operating profit	188	159	108	108	108	108
Other income	191	174	121	108	108	108
Other expense	(3)	(15)	(14)	0	0	0
EBITDA	1,554	2,206	2,671	3,324	3,965	4,600
Depreciation	(326)	(464)	(575)	(782)	(923)	(1,063)
EBIT	1,228	1,742	2,096	2,542	3,043	3,537
Interest income	149	194	168	216	228	248
Interest expense	(2)	(43)	(2)	(2)	(2)	(2)
Pre-tax profit	1,375	1,878	2,224	2,756	3,269	3,782
Income tax	(387)	(547)	(563)	(698)	(827)	(957)
After tax profit	989	1,331	1,661	2,059	2,441	2,825
Minority interest	1	(2)	(24)	(30)	(35)	(41)
Net profit	990	1,329	1,637	2,029	2,406	2,784
Adjusted net profit	990	1,344	1,674	2,029	2,406	2,784

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	7,630	5,558	11,961	11,974	12,959	14,244
Cash & equivalents	2,508	2,075	5,701	6,050	6,953	8,123
Account receivables	564	683	668	274	287	310
Inventories	588	377	504	561	630	724
ST bank deposits	292	2,297	4,947	4,947	4,947	4,947
Other current assets	3,679	126	141	141	141	141
Non-current assets	2,974	7,444	6,734	7,901	8,728	9,615
PP&E	2,008	4,810	5,924	7,037	7,815	8,658
Right-of-use assets	464	518	579	632	681	726
Other non-current assets	503	539	232	232	232	232
Total assets	10,605	13,002	18,694	19,875	21,687	23,859
Current liabilities	4,329	5,188	6,322	6,445	6,627	6,937
Short-term borrowings	0	0	6	6	6	6
Account payables	4,029	5,022	3,719	3,842	4,024	4,334
Tax payable	33	8	19	19	19	19
Other current liabilities	3	1	0	0	0	0
Lease liabilities	17	16	14	14	14	14
Contract liabilities	247	139	193	193	193	193
Non-current liabilities	380	441	511	511	511	511
Long-term borrowings	0	0	0	0	0	0
Deferred income	369	421	486	486	486	486
Total liabilities	4,709	5,629	6,833	6,956	7,138	7,448
Share capital	0	0	0	0	0	0
Capital surplus	5,574	6,903	11,300	11,300	11,300	11,300
Retained earnings	0	0	0	1,027	2,622	4,443
Other reserves	0	0	0	0	0	0
Total shareholders equity	5,574	6,903	11,300	12,328	13,922	15,743
Minority interest	322	470	561	591	626	667
Total equity and liabilities	5,896	7,373	11,861	12,919	14,548	16,411

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,375	1,878	2,224	2,756	3,269	3,782
Depreciation & amortization	326	464	575	782	923	1,063
Tax paid	(366)	(420)	(563)	0	0	0
Change in working capital	(275)	21	1,007	460	100	194
Others	144	318	9	0	0	0
Net cash from operations	845	1,718	2,690	3,300	3,464	4,081
Investing						
Capital expenditure	(723)	(2,251)	(1,750)	(1,950)	(1,750)	(1,950)
Net proceeds from disposal of short-term investments	10,347	5,864	(765)	0	0	0
Others	(9,622)	(5,703)	(16)	0	0	0
Net cash from investing	1	(2,090)	(2,530)	(1,950)	(1,750)	(1,950)
Financing						
Dividend paid	0	0	0	(1,001)	(811)	(962)
Net borrowings	(2)	(43)	6	0	0	0
Proceeds from share issues	na	na	3,395	na	na	na
Share repurchases	0	0	na	0	0	0
Others	(20)	(18)	65	0	0	0
Net cash from financing	(21)	(61)	3,466	(1,001)	(811)	(962)
Net change in cash						
Cash at the beginning of the year	1,683	2,508	2,075	5,701	6,050	6,953
Exchange difference	(0)	(0)	0	0	0	0
Cash at the end of the year	2,508	2,075	5,701	6,050	6,953	8,123
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.3%	7.1%	0.0%	6.6%	7.8%	9.3%
Gross profit	5.8%	14.8%	6.0%	10.3%	11.0%	11.0%
Operating profit	77.1%	(15.5%)	(32.4%)	0.2%	0.0%	0.0%
EBITDA	19.5%	41.9%	21.1%	24.4%	19.3%	16.0%
EBIT	19.5%	41.8%	20.3%	21.3%	19.7%	16.2%
Net profit	15.3%	34.3%	23.1%	23.9%	18.6%	15.7%
Adj. net profit	15.3%	35.8%	24.6%	21.2%	18.6%	15.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	41.7%	44.7%	47.3%	48.9%	50.4%	51.1%
Operating margin	1.5%	1.2%	0.8%	0.7%	0.7%	0.6%
EBITDA margin	12.3%	16.3%	19.8%	23.1%	25.5%	27.1%
Adj. net profit margin	7.8%	9.9%	12.4%	14.1%	15.5%	16.4%
Return on equity (ROE)	19.5%	21.3%	18.0%	17.2%	18.3%	18.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)
Current ratio (x)	1.8	1.1	1.9	1.9	2.0	2.1
Receivable turnover days	17.0	10.2	13.6	13.6	13.6	13.6
Inventory turnover days	29.2	18.4	25.8	27.8	29.8	31.8
Payable turnover days	199.7	245.1	190.5	190.5	190.5	190.5
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	28.3	21.1	17.7	14.3	12.1	10.4
P/E (diluted)	28.3	21.1	17.7	14.3	12.1	10.4
P/B	4.8	3.8	2.4	2.2	2.0	1.8
Div yield (%)	0.0	0.0	3.4	2.8	3.3	3.8

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

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