

CR Beverage (2460 HK)

1H25 earnings under ST pressure, LT gains from capacity expansion and channel reform

The Company's 1H25 revenue/NP dropped 18.5/29% YoY, in line with the profit warning. The weakness was attributable to a 23% YoY decline in the water biz (hit by weak demand, fierce competition and channel reform) and moderated beverage growth (+21% YoY) driven by volume growth but price decline. We expect full-year revenue decline to narrow given low 2H24 base and positive sales in Jul-Aug. Capacity expansion proceeds as planned, while positive impacts are muted by sales pressure. Since in-depth channel reform is ongoing which is expected to be completed by 2026, we anticipate the combined benefits of both to materialize in FY26 or beyond. We cut our TP by 41% to HK\$12.85 to reflect earnings pressure. The new TP implies 18x 2026E P/E, as we believe 2026 will be the year when the impacts of reform gradually ease and its business shifts to steady-state operation. Meanwhile, as a central SOE, the Company's business plan will be incorporated into the Five-Year Plan, and it is reasonable to clear earnings drags before the new phase, in our view. Maintain BUY.

- **Water biz under ST pressure, Beverage biz growth moderates.** Water biz revenue declined 23% YoY to RMB 5,251mn in 1H25, with small-sized/medium-to-large sized /barreled water down 26.2%/19.4%/1.5% YoY respectively, due to weak demand, fierce competition and the company's channel reform. Beverage grew 21% YoY to RMB955mn (vs. 40%/31% in 1H24/FY24) as promotion spending weighed on ASP even though 14 new SKUs were launched in 1H25. Looking into 2H25: 1) the Company noted water biz decline has narrowed since peak season, with both water and beverage posting positive YoY growth in Jul-Aug; 2) late launches (Jun-Jul) of competitive beverages may deliver positive impacts in 2H; 3) low 2H24 base. We expect water rev. decline to narrow and beverage rev. growth to expand slightly in FY25.
- **Capacity expansion on track, payback period may extend.** The Company is executing its capacity expansion plan as scheduled: Wuyishan large-size production line commenced operations in 1H25, with two factories to come online in 2H25. The 2025 target of 60% self-owned capacity remains unchanged. We previously calculated that a 10% higher self-owned capacity ratio could drive a 1.5-2ppt GP margin improvement ([report](#)), but this benefit was muted by soft sales in 1H25. We believe that as consumption sentiment recovers and capacity expansion is implemented on track, positive impacts will gradually emerge over a longer horizon.
- **Channel reform weighs on ST earnings, benefits to emerge post FY26.** The Company has launched in-depth channel reforms, including: 1) flattening distribution channels in tier-1 cities from 4 to 3 levels; 2) adding over 100 distributors dedicated for beverage products; 3) setting specialized distributors for e-commerce, careering, and emerging channels; and 4) dedicated distributors for lower-tier markets (counties/towns/villages). These initiatives, scheduled for completion by FY26, will deliver compounded benefits alongside ongoing capacity expansion, in our view.
- **Maintain Buy.** We slash our TP by 41% to HK\$12.85 to reflect earnings pressure. The new TP is equivalent to 18x 2026E P/E, as we view 2026 as the year when the company's reform impacts gradually ease with operation shifting from transformation stage to a steady state. **Risks:** 1) greater-than-expected economic downturn; 2) slower-than-planned capacity expansion; 3) underwhelming channel reform results; 4) food safety incidents; 5) raw material price hikes, etc.

BUY (Maintain)

Target Price	HK\$12.85
(Previous TP)	HK\$18.61)
Up/Downside	15.0%
Current Price	HK\$11.17

China Consumer Staples

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Stock Data

Mkt Cap (HK\$ mn)	26,787.9
Avg 3 mths t/o (HK\$ mn)	136.6
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	-1.0%	-5.3%
3-mth	-14.9%	-22.6%
6-mth	-14.3%	-23.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

1. [Nongfu Spring \(9633 HK\) - Solid 1H25 fuelled by strong non-water biz](#)
2. [Proya Cosmetics \(603605 CH\) - 1H25 earnings saved by sub-brands: Maintain BUY](#)

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	13,515	13,521	11,460	12,417	13,841
YoY growth (%)	7.1	0.0	(15.2)	8.3	11.5
Net profit (RMB mn)	1,329.3	1,636.7	1,201.9	1,400.0	1,580.5
YoY growth (%)	34.3	23.1	(26.6)	16.5	12.9
EPS (Reported) (RMB)	0.66	0.79	0.58	0.68	0.76
Consensus EPS (RMB)	na	na	0.70	0.82	0.93
P/E (x)	15.4	12.9	17.6	15.1	13.4
P/B (x)	2.8	1.8	1.8	1.6	1.5
Yield (%)	0.0	4.7	2.0	2.3	2.6
ROE (%)	21.3	18.0	10.5	11.7	12.1
Net gearing (%)	(30.1)	(50.4)	(41.0)	(40.0)	(40.5)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: 2460 HK results summary- 1H25

RMB mn	2023	2024	YoY	1H24	2H24	1H25	YoY	HoH
Revenue	13,515	13,521	0.0%	7,616	5,905	6,206	-18.5%	5.1%
Water products	12,447	12,124	-3%	6,829	5,295	5,251	-23.1%	-1%
Small-sized water	7,716	7,028	-9%	4,330	2,699	3,194	-26.2%	18%
Medium to large-sized water	4,243	4,607	9%	2,268	2,339	1,829	-19.4%	-22%
Barreled water	488	489	0%	231	258	228	-1.5%	-12%
Beverage products	1,068	1,397	31%	787	610	955	21.3%	57%
Gross Profit	6,035	6,397	6.0%	3,753	2,645	2,896	-22.8%	9.5%
Selling and distribution expense	4,087	4,058	-0.7%	2,090	1,968	1,884	-9.9%	-4.3%
Administrative expense	301	296	-1.6%	145	151	144	-0.3%	-4.2%
R&D expense	62	53	-13.3%	18	35	15	-17.7%	-58.3%
EBIT	1,742	2,096	20.3%	1,537	559	912	-40.7%	63.0%
Net profit	1,329	1,637	23.1%	1,128	509	805	-28.6%	58.3%
Core net profit (excl. listing fee)	1,344	1,674	24.6%	1,147	527	805	-29.8%	52.7%
EPS (RMB)	0.66	0.79	18.9%	0.56		0.34	-40.5%	
DPS (RMB)	n.a.	0.48	n.a.	n.a.		0.12		
Dividend payout ratio	n.a.	61%	n.a.	n.a.		35%		
Gross Margin	44.7%	47.3%	2.7 ppt	49.3%	44.8%	46.7%	-2.6 ppt	1.9 ppt
Selling and distribution expense ratio	30.2%	30.0%	-0.2 ppt	27.4%	33.3%	30.4%	2.9 ppt	-3.0 ppt
Administrative expense ratio	2.2%	2.2%	0.0 ppt	1.9%	2.6%	2.3%	0.4 ppt	-0.2 ppt
R&D expense ratio	0.5%	0.4%	-0.1 ppt	0.2%	0.6%	0.2%	0.0 ppt	-0.4 ppt
OP Margin	12.9%	15.5%	2.6 ppt	20.2%	9.5%	14.7%	-5.5 ppt	5.2 ppt
Net Margin	9.8%	12.1%	2.3 ppt	14.8%	8.6%	13.0%	-1.8 ppt	4.4 ppt
Trade receivables	683	668	-2.2%	781	668	885	13.3%	32.6%
Cash (incl. deposits)	5,949	10,647	78.97%	7,312	10,647	12,451	70.3%	16.9%

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,460	12,417	13,841	14,414	15,538	16,989	-20.5%	-20.1%	-18.5%
Gross profit	5,125	5,699	6,336	7,054	7,829	8,686	-27.3%	-27.2%	-27.1%
EBIT	1,371	1,642	1,878	2,542	3,043	3,537	-46.1%	-46.0%	-46.9%
Net profit	1,202	1,400	1,581	2,029	2,406	2,784	-40.8%	-41.8%	-43.2%
Gross margin	44.7%	45.9%	45.8%	48.9%	50.4%	51.1%	-4.2ppt	-4.5ppt	-5.4ppt
EBIT margin	12.0%	13.2%	13.6%	17.6%	19.6%	20.8%	-5.7ppt	-6.4ppt	-7.2ppt
Net margin	10.5%	11.3%	11.4%	14.1%	15.5%	16.4%	-3.6ppt	-4.2ppt	-5ppt

Source: CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,460	12,417	13,841	13,695	14,730	15,961	-16.3%	-15.7%	-13.3%
Gross profit	5,125	5,699	6,336	6,554	7,204	7,963	-21.8%	-20.9%	-20.4%
EBIT	1,371	1,642	1,878	2,068	2,461	2,886	-33.7%	-33.3%	-34.9%
Net profit	1,202	1,400	1,581	1,800	2,071	2,497	-33.2%	-32.4%	-36.7%
Gross margin	44.7%	45.9%	45.8%	47.9%	48.9%	49.9%	-3.1ppt	-3ppt	-4.1ppt
EBI margin	12.0%	13.2%	13.6%	15.1%	16.7%	18.1%	-3.1ppt	-3.5ppt	-4.5ppt
Net margin	10.5%	11.3%	11.4%	13.1%	14.1%	15.6%	-2.7ppt	-2.8ppt	-4.2ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: Valuation comps

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Rev. growth (%)			NP growth (%)			GPM (%)	NPM (%)	Payout ratio	Div yield	
		(LC)		25E	26E	27E	25E	26E	27E	25E	26E	27E	24A	24A	24A	24A	25E
Nongfu Spring	9633.HK	50.20	72,426	38.0 x	34.1 x	31.1 x	15.3	11.4	9.8	14.7	11.2	9.7	58.1	28.3	70%	1.6%	1.8%
Eastroc Beverage	605499.SH	314.94	23,043	36.4 x	28.5 x	23.2 x	31.5	24.6	20.7	35.4	27.5	23.2	44.1	21.0	78%	1.6%	1.7%
Tingyi	0322.HK	11.17	8,077	13.4 x	12.2 x	11.4 x	0.4	2.7	2.4	14.3	9.8	7.2	33.1	5.4	101%	6.5%	7.6%
Want Want China	0151.HK	5.46	8,267	13.7 x	13.0 x	12.4 x	4.8	2.9	NA	4.5	4.4	NA	47.6	18.4	40%	4.8%	4.9%
Cr Beverage	2460.HK	11.17	3,436	17.9 x	15.4 x	13.6 x	-15.2	8.3	11.5	-26.6	16.5	12.9	47.3	12.3	62%	4.6%	2.0%
U-Presid China	0220.HK	9.63	5,336	16.8 x	15.0 x	13.7 x	7.6	6.0	5.8	22.2	11.6	9.8	32.5	6.1	101%	4.8%	6.0%
Yangyuan	603156.SH	21.88	3,880	20.5 x	19.6 x	18.1 x	-15.7	2.5	5.4	-22.0	4.8	8.4	46.0	28.7	100%	6.2%	NA
Lolo	000848.SZ	8.67	1,284	13.3 x	12.1 x	11.2 x	0.4	8.6	6.8	5.3	10.0	8.3	40.4	20.4	47%	3.5%	3.7%
Lzy	605337.SH	14.30	785	22.3 x	20.0 x	18.3 x	6.4	7.9	6.6	14.0	11.2	9.4	38.4	16.0	86%	3.5%	3.3%
Average				32.2 x	28.3 x	25.3 x	14.3	12.0	10.4	15.7	13.6	11.4	51.2	23.3	74%	2.5%	2.5%

Source: Company data, Wind, CMBIGM estimates

Note: Data as of 1 Sep 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	12,623	13,515	13,521	11,460	12,417	13,841
Cost of goods sold	(7,364)	(7,480)	(7,124)	(6,335)	(6,718)	(7,505)
Gross profit	5,259	6,035	6,397	5,125	5,699	6,336
Operating expenses	(4,192)	(4,449)	(4,407)	(3,862)	(4,164)	(4,566)
Selling expense	(3,878)	(4,087)	(4,058)	(3,554)	(3,839)	(4,210)
Admin expense	(265)	(301)	(296)	(262)	(276)	(301)
R&D expense	(49)	(62)	(53)	(45)	(49)	(55)
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	2,655	2,153	2,565	2,941
Depreciation	(326)	(464)	(559)	(782)	(923)	(1,063)
EBIT	1,228	1,742	2,096	1,371	1,642	1,878
Interest income	149	194	168	202	189	189
Interest expense	(2)	(43)	(2)	(2)	(2)	(2)
Pre-tax profit	1,375	1,878	2,224	1,570	1,829	2,064
Income tax	(387)	(547)	(563)	(350)	(408)	(461)
After tax profit	989	1,331	1,661	1,220	1,421	1,604
Minority interest	1	(2)	(24)	(18)	(21)	(23)
Net profit	990	1,329	1,637	1,202	1,400	1,581
Adjusted net profit	990	1,344	1,674	1,202	1,400	1,581

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	7,630	5,558	11,961	10,600	10,973	11,611
Cash & equivalents	2,508	2,075	5,701	4,716	5,004	5,498
Account receivables	564	683	668	313	332	371
Inventories	588	377	504	483	549	655
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	18,501	19,701	21,225
Current liabilities	4,329	5,188	6,322	5,910	6,110	6,521
Short-term borrowings	0	0	6	6	6	6
Account payables	4,029	5,022	3,719	3,307	3,507	3,918
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	6,421	6,621	7,032
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	201	1,180	2,270
Other reserves	0	0	0	0	0	0
Total shareholders equity	5,574	6,903	11,300	11,501	12,480	13,571
Minority interest	322	470	561	579	599	623
Total equity and liabilities	10,605	13,002	18,694	18,501	19,701	21,225

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,375	1,878	2,224	1,570	1,829	2,064
Depreciation & amortization	326	464	559	782	923	1,063
Tax paid	(366)	(420)	(535)	0	0	0
Change in working capital	(275)	21	(679)	(36)	115	266
Others	144	318	373	0	0	0
Net cash from operations	845	1,718	1,393	1,966	2,458	2,933
Investing						
Capital expenditure	(723)	(2,251)	1,981	(1,950)	(1,750)	(1,950)
Net proceeds from disposal of short-term investments	10,347	5,864	(11,850)	0	0	0
Others	(9,622)	(5,703)	6,895	0	0	0
Net cash from investing	1	(2,090)	(2,974)	(1,950)	(1,750)	(1,950)
Financing						
Dividend paid	0	0	0	(1,001)	(421)	(490)
Net borrowings	(2)	(43)	24	0	0	0
Proceeds from share issues	na	na	5,298	na	na	na
Share repurchases	0	0	na	0	0	0
Others	(20)	(18)	(163)	0	0	0
Net cash from financing	(21)	(61)	5,160	(1,001)	(421)	(490)
Net change in cash						
Cash at the beginning of the year	1,683	2,508	2,075	5,701	4,716	5,004
Exchange difference	(0)	(0)	46	0	0	0
Cash at the end of the year	2,508	2,075	5,654	4,716	5,004	5,498
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.3%	7.1%	0.0%	(15.2%)	8.3%	11.5%
Gross profit	5.8%	14.8%	6.0%	(19.9%)	11.2%	11.2%
Operating profit	77.1%	(15.5%)	(32.4%)	0.2%	0.0%	0.0%
EBITDA	19.5%	41.9%	20.4%	(18.9%)	19.1%	14.7%
EBIT	19.5%	41.8%	20.3%	(34.6%)	19.8%	14.4%
Net profit	15.3%	34.3%	23.1%	(26.6%)	16.5%	12.9%
Adj. net profit	15.3%	35.8%	24.6%	(28.2%)	16.5%	12.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	41.7%	44.7%	47.3%	44.7%	45.9%	45.8%
Operating margin	1.5%	1.2%	0.8%	0.9%	0.9%	0.8%
EBITDA margin	12.3%	16.3%	19.6%	18.8%	20.7%	21.3%
Adj. net profit margin	7.8%	9.9%	12.4%	10.5%	11.3%	11.4%
Return on equity (ROE)	19.5%	21.3%	18.0%	10.5%	11.7%	12.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)
Current ratio (x)	1.8	1.1	1.9	1.8	1.8	1.8
Receivable turnover days	16.3	18.4	18.0	18.0	18.0	18.0
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	20.7	15.4	12.9	17.6	15.1	13.4
P/E (diluted)	20.7	15.4	12.9	17.6	15.1	13.4
P/B	3.5	2.8	1.8	1.8	1.6	1.5
Div yield (%)	0.0	0.0	4.7	2.0	2.3	2.6

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

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