

Nongfu Spring (9633 HK)

FY25: Strong tea & juice biz; facing challenges to maintain high growth

Nongfu Spring's FY25 revenue was up 22.5% YoY to RMB 52.6bn, 4% above Bloomberg consensus, and net profit was up 30.9% YoY to RMB 15.9bn, beat Bloomberg consensus by 6%, supported by recovery in water biz, stronger-than-expected tea and juice results especially in 2H25, and significant SG&A decline post the Olympic year. The company retained its FY26 double-digit revenue growth target but offered no gross margin or net profit guidance amid uncertain conditions. We forecast its 3-year forward (2026-28E) revenue and earnings CAGR at around 11%. Maintain BUY and raise TP by 5% to HK\$60.88 based on: 1) valuation base rolled forward to 2026E from 2025E; 2) target P/E multiple cut 20% to 32x reflecting concerns over intensified competition and geopolitically driven raw material price hikes; sentiment-wise, we believe positive results may be fully priced in, with weak sector sentiment likely weighing on shares in FY26.

- Two cornerstone businesses showed strong growth amid intensifying competition.** 1) Tea biz: Strong growth, deepening competition. Segment FY25 revenue +29% YoY (2H25 +38% vs. 1H25's 20%, notably accelerating), driven by sugar-free tea's scale expansion. Segment OP margin +2.9ppt to 48.0% in FY25, but 2H25 margin down 0.6ppt vs. 1H25, indicating ongoing market competition intensification. 2) Water biz: Further recovery in 2H. Full-year revenue +17% to RMB18.7bn (2H25 +25%, notably faster than 1H25). Full-year OP margin +6.3ppt to 37.4%; 2H25 up 4ppt from 1H25's 35.4% to 39.4%, signalling further recovery in 2H.
- Juice business is scaling up.** Juice biz revenue grew 27% YoY to RMB 5.2bn, with 2H25 growth accelerating to 33% from 21% in 1H25, driven by rising consumer health awareness. Segment OP margin rose 9.4ppt to 34.3% in FY25 (driven by mix shift and scale effects), with 2H25 up from 1H25's 31.3% to 37.3%. As consumer pursuit of dietary health grows, the company's deep cultivation in the segment may continue to unlock the scale effect of juice business, in our view.
- Maintain BUY.** TP raised 5% to HK\$60.88 given 1) valuation base change to 2026E from 2025E; 2) target P/E multiple cut by 20% to 32x to reflect post-strong-performance concerns on fundamentals, including 1) intensified competition in packaged water/beverage sector in 2026, and 2) potential cost pressure from PET/raw material price volatility due to geopolitics, posing challenges to sustaining high growth post stellar FY25 results; as well as trading sentiment: 1) 9.4% post-earnings stock surge may have fully priced in positives; 2) potentially sluggish 2026 consumer environment could weaken sector sentiment and drag shares performance. Given the company is the absolute industry leader and one of the few investable names in the sector, it may attract liquidity concentration; thus we maintain BUY rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	42,896	52,553	58,585	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	17,641.3	19,491.2	21,547.5
YoY growth (%)	0.4	30.9	11.2	10.5	10.6
EPS (Reported) (RMB)	1.08	1.41	1.57	1.73	1.92
Consensus EPS (RMB)	na	na	1.55	1.75	1.99
P/E (x)	37.9	28.9	26.0	23.6	21.3
P/B (x)	14.2	11.6	10.0	8.7	7.5
Yield (%)	1.9	2.4	2.7	3.0	3.3
ROE (%)	39.8	44.2	41.3	39.4	37.8
Net gearing (%)	(22.0)	(17.2)	(23.1)	(28.4)	(34.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$60.88
(Previous TP)	HK\$57.75)
Up/Downside	31.1%
Current Price	HK\$46.42

China Consumer Staples

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Stock Data

Mkt Cap (HK\$ mn)	233,710.8
Avg 3 mths t/o (HK\$ mn)	270.9
52w High/Low (HK\$)	56.10/32.45
Total Issued Shares (mn)	5034.7

Source: FactSet

Shareholding Structure

Zhong Shanshan	38.3%
Yangshengtang Co.	25.9%

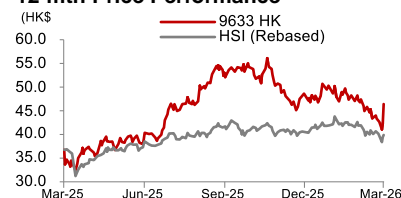
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.3%	3.2%
3-mth	-4.5%	-2.7%
6-mth	-10.9%	-6.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 9633 HK results summary- FY25

RMB mn	2024	2025	YoY	1H25	2H25	1H YoY	2H YoY	HoH
Revenue	42,896	52,553	22.5%	25,622	26,931	15.6%	30.0%	5.1%
Packaged drinking water products	15,952	18,709	17%	9,443	9,266	11%	25%	-2%
Tea beverage products	16,745	21,596	29%	10,089	11,507	20%	38%	14%
Functional beverage products	4,932	5,762	17%	2,898	2,864	14%	20%	-1%
Juice beverage products	4,085	5,176	27%	2,564	2,612	21%	33%	2%
Other products	1,182	1,309	11%	629	680	15%	7%	8%
Gross Profit	24,916	31,808	27.7%	15,456	16,352	18.6%	37.6%	5.8%
Operating Profit	16,024	22,318	39.3%	10,622	11,696	30.0%	48.9%	10.1%
Packaged drinking water products	4,971	7,001	41%	3,347	3,654	22%	64%	9%
Tea beverage products	7,563	10,374	37%	4,879	5,496	31%	43%	13%
Functional beverage products	2,082	2,696	29%	1,364	1,332	30%	29%	-2%
Juice beverage products	1,017	1,777	75%	803	974	61%	88%	21%
Other products	392	470	20%	229	241	44%	3%	5%
Net profit	12,123	15,868	30.9%	7,622	8,246	22.2%	40.2%	8.2%
EPS (RMB)	1.08	1.41	30.9%	0.677	0.734	22.0%	40.3%	8.4%
DPS (RMB)	0.76	0.99	30.3%					
Dividend payout ratio	70.5%	70.2%						
Gross Margin	58%	61%	2.4 ppt	60.3%	60.7%	1.5 ppt	3.4 ppt	0.4 ppt
SG&A ratio	-26.0%	-23.3%	2.6 ppt	-23.7%	-22.9%	2.8 ppt	2.4 ppt	0.8 ppt
OP Margin	37%	42%	5.1 ppt	41.5%	43.4%	4.6 ppt	5.5 ppt	2.0 ppt
Packaged drinking water products	31%	37%	6.3 ppt	35.4%	39.4%	3.3 ppt	9.4 ppt	4.0 ppt
Tea beverage products	45%	48%	2.9 ppt	48.4%	47.8%	4.3 ppt	1.5 ppt	-0.6 ppt
Functional beverage products	42%	47%	4.6 ppt	47.1%	46.5%	5.9 ppt	3.2 ppt	-0.6 ppt
Juice beverage products	25%	34%	9.4 ppt	31.3%	37.3%	7.7 ppt	11.0 ppt	6.0 ppt
Other products	33%	36%	2.7 ppt	36.4%	35.4%	7.4 ppt	-1.4 ppt	-1.0 ppt
Net Margin	28%	30%	1.9 ppt	30%	31%	1.6 ppt	2.2 ppt	0.9 ppt
Operating profit mix %								
Packaged drinking water products	31.0%	31.4%	0.4 ppt	31.5%	31.2%	-2.1 ppt	2.9 ppt	-0.3 ppt
Tea beverage products	47.2%	46.5%	-0.7 ppt	45.9%	47.0%	0.4 ppt	-2.0 ppt	1.1 ppt
Functional beverage products	13.0%	12.1%	-0.9 ppt	12.8%	11.4%	0.0 ppt	-1.7 ppt	-1.5 ppt
Juice beverage products	6.3%	8.0%	1.6 ppt	7.6%	8.3%	1.4 ppt	1.7 ppt	0.8 ppt
Other products	2.4%	2.1%	-0.3 ppt	2.2%	2.1%	0.2 ppt	-0.9 ppt	-0.1 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

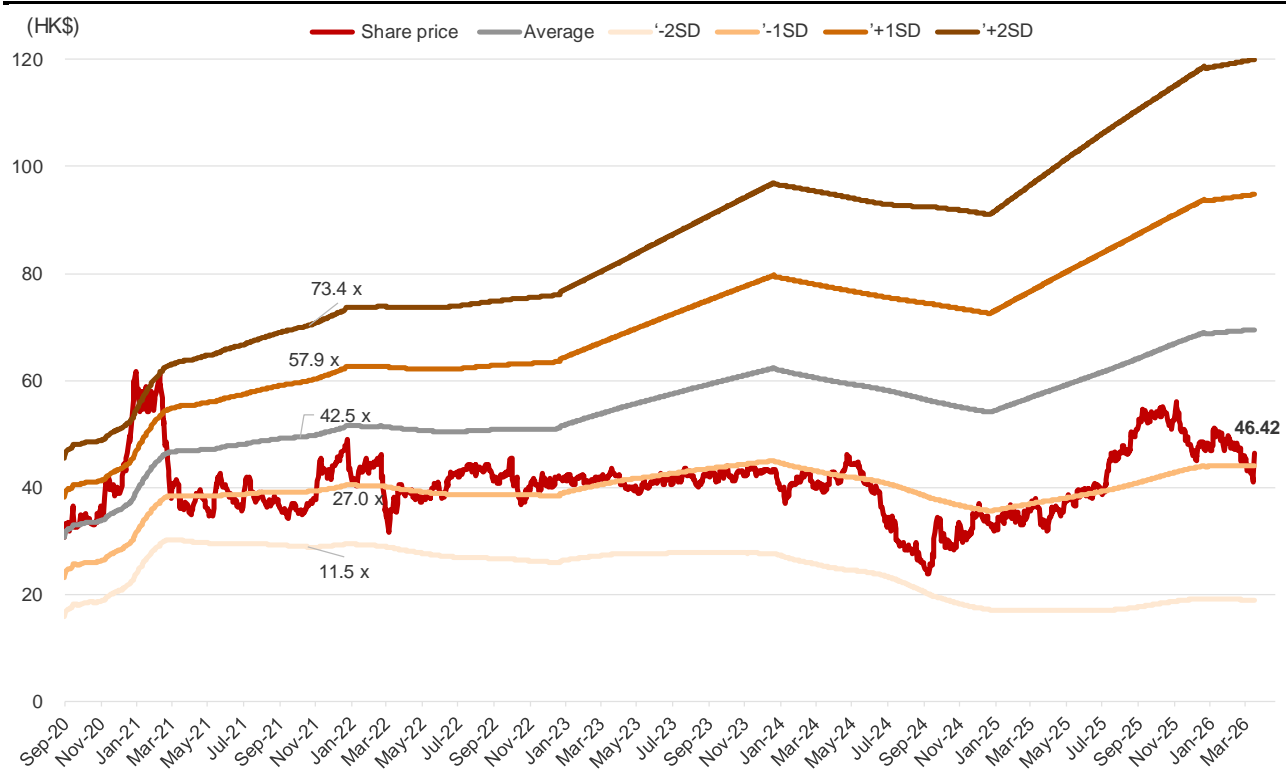
RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	58,585	64,534	71,029	55,106	60,518	n.a.	6.3%	6.6%	n.a.
Gross profit	35,530	39,177	43,165	32,547	35,791	n.a.	9.2%	9.5%	n.a.
EBIT	22,662	24,916	27,383	19,640	21,495	n.a.	15.4%	15.9%	n.a.
Net profit	17,641	19,491	21,548	15,458	16,962	n.a.	14.1%	14.9%	n.a.
Gross margin	60.6%	60.7%	60.8%	59.1%	59.1%	n.a.	1.6ppt	1.6ppt	n.a.
EBIT margin	38.7%	38.6%	38.6%	35.6%	35.5%	n.a.	3ppt	3.1ppt	n.a.
Net margin	30.1%	30.2%	30.3%	28.1%	28.0%	n.a.	2.1ppt	2.2ppt	n.a.

Source: CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	58,585	64,534	71,029	58,447	65,598	72,849	0.2%	-1.6%	-2.5%
Gross profit	35,530	39,177	43,165	34,902	39,324	43,542	1.8%	-0.4%	-0.9%
EBIT	22,662	24,916	27,383	21,921	24,757	28,136	3.4%	0.6%	-2.7%
Net profit	17,641	19,491	21,548	17,456	19,712	22,368	1.1%	-1.1%	-3.7%
Gross margin	60.6%	60.7%	60.8%	59.7%	59.9%	59.8%	0.9ppt	0.8ppt	1ppt
EBI margin	38.7%	38.6%	38.6%	37.5%	37.7%	38.6%	1.2ppt	0.9ppt	-0.1ppt
Net margin	30.1%	30.2%	30.3%	29.9%	30.0%	30.7%	0.2ppt	0.2ppt	-0.4ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: P/E band – Nongfu Spring

Source: Company data, Wind, CMBIGM estimates (as of 25 Mar 2026)

Figure 5: Valuation comps

Company	Ticker	Last Price (LC)	Mkt Cap (USD mn)	P/E (x)		Rev. growth (%)			NP growth (%)			GPM (%)	NPM (%)	Payout ratio	Div yield		PEG
				26E	27E	25A/E	26E	27E	25A/E	26E	27E				24A	25E	
Nongfu Spring	9633.HK	46.42	66,737	26.0 x	23.6 x	22.5	11.5	10.2	30.9	11.2	10.5	60.5	30.2	72%	1.9%	2.4%	2.3
Eastroc Beverage	605499.SH	228.90	18,629	22.6 x	18.6 x	32.5	24.3	19.7	35.9	26.5	21.6	44.1	21.0	78%	2.2%	2.0%	0.9
Tingyi	0322.HK	13.11	9,446	13.5 x	12.0 x	2.3	2.2	1.9	-0.3	7.3	12.3	34.8	6.5	103%	6.9%	6.7%	1.8
Want Want China	0151.HK	4.60	6,941	10.9 x	10.1 x	3.1	3.0	1.7	-5.7	7.8	7.7	47.6	18.4	40%	5.7%	5.9%	1.4
Cr Beverage	2460.HK	9.08	2,784	14.8 x	12.9 x	-17.2	8.4	7.6	-33.3	20.4	14.8	47.3	12.3	62%	5.8%	2.2%	0.7
U-Prisid China	0220.HK	7.89	4,357	12.3 x	11.7 x	5.3	4.5	4.2	11.3	7.1	4.7	33.2	6.5	103%	6.8%	7.6%	1.7
Yangyuan	603156.SH	29.61	5,415	25.4 x	23.5 x	-12.8	7.5	7.1	-23.2	11.3	8.1	46.0	28.7	100%	4.6%	3.5%	2.3
lfbh	6603.HK	11.40	389	10.5 x	8.4 x	11.9	27.8	21.3	-31.7	62.0	26.2	25.5	12.9	28%	1.8%	1.2%	0.2
Lzy	605337.SH	10.75	609	18.4 x	16.9 x	-7.8	6.6	5.0	-7.1	10.1	8.4	38.4	16.0	86%	4.7%	3.7%	1.8
Average				22.6 x	20.2 x	17.8	11.8	10.1	21.7	13.4	12.1	52.7	24.5	76%	3.0%	3.2%	1.7

Source: Company data, Wind, CMBIGM (as of 25 Mar 2026)

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	42,667	42,896	52,553	58,585	64,534	71,029
Cost of goods sold	(17,260)	(17,980)	(20,745)	(23,055)	(25,357)	(27,864)
Gross profit	25,407	24,916	31,808	35,530	39,177	43,165
Operating expenses	(11,446)	(11,136)	(12,253)	(13,718)	(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)	(2,734)	(3,011)	(3,314)
Operating profit	14,797	15,013	20,405	22,662	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	26,091	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	21,812	24,067	26,534
Net Interest income/(expense)	892	775	513	593	777	1,021
Pre-tax profit	15,688	15,788	20,918	23,255	25,693	28,404
Income tax	(3,609)	(3,665)	(5,049)	(5,614)	(6,202)	(6,856)
Minority interest	0	0	0	0	0	0
Net profit	12,079	12,123	15,868	17,641	19,491	21,548
Core net profit	12,079	12,123	15,868	17,641	19,491	21,548
Gross dividends	8,435	8,547	11,134	12,378	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	28,996	33,942	40,252
Cash & equivalents	24,125	10,722	11,178	13,728	18,182	23,817
Account receivables	547	581	598	262	289	317
Inventories	3,092	5,013	5,846	6,064	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	70,540	77,836	85,908
Current liabilities	19,877	19,985	24,823	23,738	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	1,838	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	24,614	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	44,853	51,966	59,837
Other reserves	0	0	0	(52)	(52)	(52)
Total shareholders equity	28,571	32,287	39,470	45,926	53,039	60,910
Minority interest	0	0	0	0	0	0
Total equity and liabilities	49,137	53,160	65,169	70,540	77,836	85,908

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	15,688	15,788	20,918	23,255	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	303	(309)	(474)
Others	1,413	1,044	(3,684)	2,944	3,531	4,053
Net cash from operations	17,305	11,022	16,040	22,222	24,049	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)	(12,378)	(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)	(12,378)	(13,676)
Net change in cash						
Cash at the beginning of the year	7,821	3,876	2,416	2,820	5,422	9,876
Exchange difference	56	82	0	0	0	0
Cash at the end of the year	3,876	2,416	2,820	5,422	9,876	15,512
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%	11.7%	10.3%	10.2%
Operating profit	40.9%	1.5%	35.9%	11.1%	9.9%	9.9%
EBITDA	39.1%	0.4%	37.8%	13.7%	10.9%	10.6%
EBIT	47.9%	(1.3%)	41.9%	11.5%	10.3%	10.2%
Net profit	42.2%	0.4%	30.9%	11.2%	10.5%	10.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	59.5%	58.1%	60.5%	60.6%	60.7%	60.8%
Operating margin	34.7%	35.0%	38.8%	38.7%	38.6%	38.6%
EBITDA margin	38.9%	38.8%	43.7%	44.5%	44.8%	45.0%
Return on equity (ROE)	45.9%	39.8%	44.2%	41.3%	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	38.0	37.9	28.9	26.0	23.6	21.3
P/E (diluted)	38.0	37.9	28.9	26.0	23.6	21.3
P/B	16.1	14.2	11.6	10.0	8.7	7.5
Div yield (%)	1.8	1.9	2.4	2.7	3.0	3.3

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

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CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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