

# Nongfu Spring (9633 HK)

## Flat FY24 earnings, with FY25 set for double-digit growth

The company's FY24 revenue/net profit stood flat YoY at RMB 42.9bn/RMB 16bn, 10%/3% below CMBI estimates, mainly due to public-opinion-related headwinds, fiercer competition, and weak consumer sentiment hitting its packaged water market share. Growth in tea and juice segments partially offset the impact. The company projects a recovery for packaged water in FY25E, with tea biz set to keep >20% growth, driving double-digit overall revenue growth. Juice may emerge as the third growth driver in recent years. Overseas expansion began in Hong Kong and will continue. We like the company's leading role in packaged water and growth potential in beverage biz. Maintain BUY with TP of HK\$46.7, based on 35x 2025E PE, a lower TP as we cut down earnings forecast and the sector may face more listing peers which is likely to weaken the liquidity concentration on the company. Risks: weak consumer sentiment, food safety issues, intensified competition, rising raw-material costs, etc.

- **FY24 earnings dragged by water segment.** Revenue grew 0.5% YoY to RMB42.9bn, dragged by water biz (-21% YoY to RMB16bn) due to public opinion impact, fiercer competition and consumer sentiment. Tea and juice products filled the gap with revenues increasing by 32%/16% YoY to RMB16.7bn/RMB4.1bn. Tea biz surpassed water for the first time to become the primary revenue source. Net profit went up 0.4% YoY to RMB12.1bn, as margin expansion in juice and tea products offset the margin contraction in water segment.
- **The company expects double-digit rev. growth in FY25**, driven by: 1) gradual recovery in water biz given the company has seen market share recovery in 2025 YTD, and paper-packaged water is set for launch. 2) Tea biz to sustain >20% revenue growth, though growth may moderate in the future due to the large scale. 3) Juice beverage is expected to emerge as the third growth driver in recent years. We project FY25 revenue/net profit +15% YoY, with a slight gross margin uptick from a partial withdrawal of subsidies for green-bottle water.
- **Overseas expansion kicked off in Hong Kong.** The company has rolled out some products in Hong Kong market and will use it as a springboard for further expansion. It plans to keep FY25 Capex in line with FY24 but is open to increasing spending on promising overseas projects.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	42,667	42,896	49,474	55,106	60,518
YoY growth (%)	28.4	0.5	15.3	11.4	9.8
Net profit (RMB mn)	12,079.5	12,123.3	13,907.0	15,458.3	16,962.1
YoY growth (%)	42.2	0.4	14.7	11.2	9.7
EPS (Reported) (RMB)	1.07	1.08	1.24	1.37	1.51
Consensus EPS (RMB)	na	na	1.26	1.48	1.48
P/E (x)	29.3	29.2	25.5	22.9	20.9
P/B (x)	12.4	11.0	9.4	8.2	7.2
Yield (%)	2.4	2.4	2.7	3.1	3.4
ROE (%)	45.9	39.8	39.8	38.2	36.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price	HK\$46.74
(Previous TP)	HK\$50.38)
Up/Downside	38.7%
Current Price	HK\$33.70

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### Stock Data

Mkt Cap (HK\$ mn)	169,669.4
Avg 3 mths t/o (HK\$ mn)	305.7
52w High/Low (HK\$)	47.95/24.35
Total Issued Shares (mn)	5034.7

Source: FactSet

### Shareholding Structure

Zhong Shanshan	38.3%
Yangshengtang Co.	25.9%

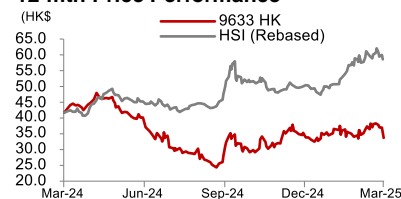
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-6.6%	-5.4%
3-mth	-4.5%	-18.3%
6-mth	8.4%	-8.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related reports:

1. [CR Beverage \(2460 HK\) - FY24: Pleasant surprises from special dividends and target hike](#)
2. [Consumer Staples - Cosmetics monthly: Mao Geping & Giant Bio surged, Marubi & Jahwa had a strong start](#)

Figure 1: Results summary

RMB mn	2023	2024	YoY	2024E	vs. est.	1H24	YoY	2H24	YoY	HoH
<b>Revenue</b>	<b>42,667</b>	<b>42,896</b>	<b>0.5%</b>	<b>47,853</b>	<b>-10.4%</b>	<b>22,173</b>	<b>8.4%</b>	<b>20,723</b>	<b>-6.7%</b>	<b>-6.5%</b>
Packaged drinking water products	20,262	15,952	-21%	20,652	-22.8%	8,531	-18%	7,422	-24%	-13%
Tea beverage products	12,659	16,745	32%	17,005	-1.5%	8,430	59%	8,314	13%	-1%
Functional beverage products	4,902	4,932	1%	5,050	-2.3%	2,550	4%	2,382	-3%	-7%
Juice beverage products	3,533	4,085	16%	3,925	4.1%	2,114	25%	1,971	7%	-7%
Other products	1,311	1,182	-10%	1,221	-3.2%	548	-7%	634	-12%	16%
<b>Gross Profit</b>	<b>25,407</b>	<b>24,916</b>	<b>-1.9%</b>	<b>27,610</b>	<b>-9.8%</b>	<b>13,032</b>	<b>5.9%</b>	<b>11,883</b>	<b>-9.3%</b>	<b>-8.8%</b>
<b>Operating Profit</b>	<b>16,379</b>	<b>16,024</b>	<b>-2.2%</b>	<b>17,212</b>	<b>-6.9%</b>	<b>8,169</b>	<b>5.8%</b>	<b>7,856</b>	<b>-9.2%</b>	<b>-3.8%</b>
Packaged drinking water products	7,347	4,971	-32%	6,642	-25.2%	2,743	-28%	2,227	-37%	-19%
Tea beverage products	5,622	7,563	35%	7,319	3.3%	3,717	63%	3,845	15%	3%
Functional beverage products	2,068	2,082	1%	2,050	1.6%	1,050	6%	1,032	-5%	-2%
Juice beverage products	946	1,017	8%	861	18.1%	499	0%	518	16%	4%
Other products	396	392	-1%	340	15.3%	159	0%	234	-2%	47%
<b>Net profit</b>	<b>12,079</b>	<b>12,123</b>	<b>0.4%</b>	<b>12,534</b>	<b>-3.3%</b>	<b>6,240</b>	<b>8.0%</b>	<b>5,884</b>	<b>-6.7%</b>	<b>-5.7%</b>
EPS (RMB)	1.07	1.08	0.4%	1.11	-3.3%	0.55	7.8%	0.53	-6.4%	-4.0%
DPS (RMB)	0.75	0.76	1.3%	0.78	-2.4%					
Dividend payout ratio	69.8%	70.5%		69.8%						
<b>Gross Margin</b>	<b>60%</b>	<b>58.1%</b>	<b>-1.5 ppt</b>	<b>58%</b>	<b>0.4 ppt</b>	<b>58.8%</b>	<b>-1.4 ppt</b>	<b>57.3%</b>	<b>-1.6 ppt</b>	<b>-1.4 ppt</b>
<b>OP Margin</b>	<b>38%</b>	<b>37.4%</b>	<b>-1.0 ppt</b>	<b>36%</b>	<b>1.4 ppt</b>	<b>36.8%</b>	<b>-0.9 ppt</b>	<b>37.9%</b>	<b>-1.1 ppt</b>	<b>1.1 ppt</b>
Packaged drinking water products	36%	31%	-5.1 ppt	32%	-1.0 ppt	32.2%	-4.2 ppt	30%	-6.1 ppt	-2.2 ppt
Tea beverage products	44%	45%	0.8 ppt	43%	2.1 ppt	44.1%	1.0 ppt	46%	0.9 ppt	2.2 ppt
Functional beverage products	42%	42%	0.0 ppt	41%	1.6 ppt	41.2%	1.0 ppt	43%	-0.9 ppt	2.1 ppt
Juice beverage products	27%	25%	-1.9 ppt	22%	3.0 ppt	23.6%	-5.9 ppt	26%	2.0 ppt	2.7 ppt
Other products	30%	33%	3.0 ppt	28%	5.3 ppt	28.9%	2.1 ppt	37%	3.8 ppt	7.9 ppt
<b>Net Margin</b>	<b>28%</b>	<b>28%</b>	<b>0.0 ppt</b>	<b>26%</b>	<b>2.1 ppt</b>	<b>28.1%</b>	<b>-0.1 ppt</b>	<b>28%</b>	<b>0.0 ppt</b>	<b>0.3 ppt</b>
<b>Operating profit mix %</b>										
Packaged drinking water products	44.9%	31.0%	-13.8 ppt	38.6%	-7.6 ppt	33.6%	-15.6 ppt	28.4%	-12.6 ppt	-5.2 ppt
Tea beverage products	34.3%	47.2%	12.9 ppt	42.5%	4.7 ppt	45.5%	16.0 ppt	48.9%	10.3 ppt	3.4 ppt
Functional beverage products	12.6%	13.0%	0.4 ppt	11.9%	1.1 ppt	12.9%	0.1 ppt	13.1%	0.6 ppt	0.3 ppt
Juice beverage products	5.8%	6.3%	0.6 ppt	5.0%	1.3 ppt	6.1%	-0.3 ppt	6.6%	1.4 ppt	0.5 ppt
Other products	2.4%	2.4%	0.0 ppt	2.0%	0.5 ppt	1.9%	-0.1 ppt	3.0%	0.2 ppt	1.0 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	49,474	55,106	60,518	55,402	63,554	n.a.	-10.7%	-13.3%	n.a.
Gross Profit	29,144	32,547	35,791	31,833	36,394	n.a.	-8.4%	-10.6%	n.a.
EBITDA	17,682	19,640	21,495	17,605	20,001	n.a.	0.4%	-1.8%	n.a.
Net profit	13,907	15,458	16,962	14,357	16,361	n.a.	-3.1%	-5.5%	n.a.
Gross Margin	58.9%	59.1%	59.1%	57.5%	57.3%	n.a.	1.4ppt	1.8ppt	n.a.
EBITDA Margin	35.7%	35.6%	35.5%	31.8%	31.5%	n.a.	4ppt	4.2ppt	n.a.
Net Margin	28.1%	28.1%	28.0%	25.9%	25.7%	n.a.	2.2ppt	2.3ppt	n.a.

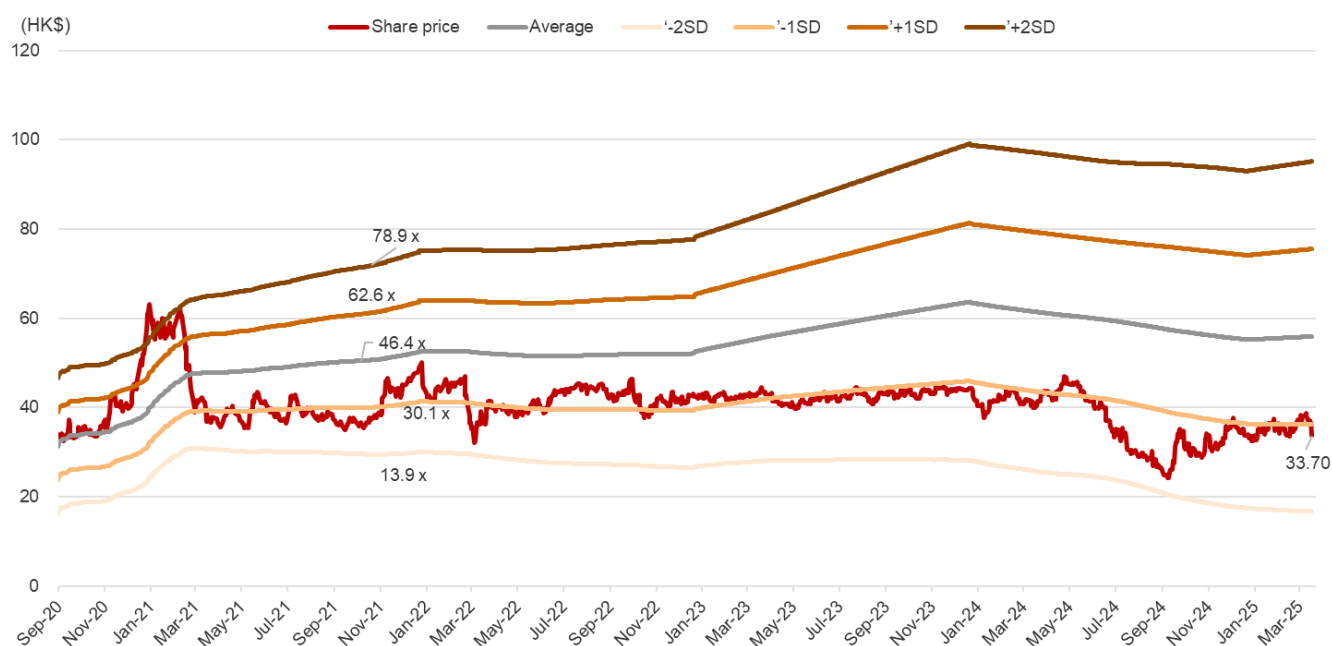
Source: CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	49,474	55,106	60,518	55,102	62,427	62,428	-10.2%	-11.7%	-3.1%
Gross Profit	29,144	32,547	35,791	32,846	37,472	37,472	-11.3%	-13.1%	-4.5%
EBITDA	17,682	19,640	21,495	18,202	20,837	20,837	-2.9%	-5.7%	3.2%
Net profit	13,907	15,458	16,962	14,329	16,745	16,745	-2.9%	-7.7%	1.3%
Gross Margin	58.9%	59.1%	59.1%	59.6%	60.0%	60.0%	-0.7ppt	-1ppt	-0.9ppt
EBITDA Margin	35.7%	35.6%	35.5%	33.0%	33.4%	33.4%	2.7ppt	2.3ppt	2.1ppt
Net Margin	28.1%	28.1%	28.0%	26.0%	26.8%	26.8%	2.1ppt	1.2ppt	1.2ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: PE band – Nongfu Spring (9963 HK)



Source: Company data, CMBIGM estimates

Note: Data as of 27 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)		25E	26E	27E	25E	26E	27E	25E	26E	27E	24A	24A	24A	24A	25E
Nongfu Spring	9633.HK	33.70	48,746	25.5 x	22.9 x	20.9 x	15.3	11.4	9.8	14.7	11.2	9.7	58.1	28.3	71%	2.4%	2.7%
Eastroc Beverage	605499.SH	232.25	16,832	27.5 x	21.8 x	17.9 x	29.5	23.3	19.1	31.8	26.6	21.7	44.2	21.2	78%	2.2%	2.2%
Tingyi	0322.HK	12.24	8,870	15.4 x	13.8 x	12.9 x	3.6	3.3	1.8	9.9	11.7	7.3	33.1	5.4	100%	5.9%	6.3%
Want Want China	0151.HK	4.85	7,363	12.4 x	12.0 x	11.5 x	2.8	3.8	3.3	7.1	3.2	4.1	46.6	16.6	69%	5.4%	5.6%
Cr Beverage	2460.HK	13.90	4,287	13.2 x	11.1 x	9.6 x	6.6	7.8	9.3	23.9	18.6	15.7	47.3	12.3	61%	3.7%	3.0%
U-Presid China	0220.HK	8.90	4,944	17.1 x	15.4 x	14.3 x	7.0	5.9	5.2	12.3	10.7	7.6	32.5	6.1	100%	5.2%	6.0%
Average				22.8 x	20.0 x	17.9 x	14.9	11.7	9.9	17.1	13.7	11.4	50.3	21.8	76%	3.2%	3.4%

Source: Company data, Wind, CMBIGM

Note: Data as of 27 Mar 2025

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	33,239	42,667	42,896	49,474	55,106	60,518
Cost of goods sold	(14,144)	(17,260)	(17,980)	(20,330)	(22,560)	(24,728)
Gross profit	19,095	25,407	24,916	29,144	32,547	35,791
Operating expenses	(9,656)	(11,446)	(11,136)	(12,695)	(14,140)	(15,529)
Selling expense	(7,821)	(9,284)	(9,173)	(10,432)	(11,619)	(12,760)
Admin expense	(1,835)	(2,162)	(1,962)	(2,263)	(2,521)	(2,769)
Operating profit	10,503	14,797	15,013	17,682	19,640	21,495
Other income	1,086	850	1,263	1,263	1,263	1,263
Other expense	(22)	(14)	(30)	(30)	(30)	(30)
EBITDA	11,926	16,592	16,426	19,203	21,470	23,475
Depreciation	(2,478)	(2,620)	(2,623)	(2,731)	(3,043)	(3,195)
Other amortisation	(9)	(11)	(23)	(23)	(20)	(18)
EBIT	9,440	13,960	13,780	16,449	18,406	20,262
Net Interest income/(expense)	547	892	775	428	491	594
Pre-tax profit	11,050	15,688	15,788	18,111	20,131	22,089
Income tax	(2,555)	(3,609)	(3,665)	(4,204)	(4,673)	(5,127)
Minority interest	0	0	0	0	0	0
Net profit	8,495	12,079	12,123	13,907	15,458	16,962
Core net profit	8,743	12,079	12,123	13,907	15,458	16,962
Gross dividends	7,648	8,435	8,547	9,735	10,821	11,873

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	18,361	28,461	19,072	20,290	24,103	28,478
Cash & equivalents	15,211	24,125	10,722	11,801	15,109	19,020
Account receivables	479	547	581	276	306	335
Inventories	2,108	3,092	5,013	5,459	5,934	6,368
Prepayment	560	695	1,218	1,218	1,218	1,218
Other current assets	3	3	1,537	1,537	1,537	1,537
Non-current assets	20,893	20,676	34,088	37,921	40,017	41,964
PP&E	15,398	17,180	21,083	24,898	26,985	28,934
Right-of-use assets	853	947	1,027	1,088	1,136	1,172
Deferred income tax	433	921	1,088	1,088	1,088	1,088
Intangibles	58	74	72	29	(11)	(49)
Other non-current assets	4,151	1,554	10,819	10,819	10,819	10,819
Total assets	39,255	49,137	53,160	58,211	64,120	70,443
Current liabilities	14,601	19,877	19,985	19,676	19,862	20,043
Short-term borrowings	2,425	3,121	3,625	3,121	3,121	3,121
Account payables	1,425	1,770	1,499	1,695	1,881	2,062
Tax payable	1,500	2,054	1,695	1,695	1,695	1,695
Other current liabilities	6,506	9,289	9,544	9,544	9,544	9,544
Lease liabilities	69	58	56	56	56	56
Contract liabilities	2,677	3,585	3,566	3,566	3,566	3,566
Non-current liabilities	569	690	888	888	888	888
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	31	31	66	66	66	66
Other non-current liabilities	538	658	823	823	823	823
Total liabilities	15,171	20,566	20,873	20,564	20,750	20,931
Share capital	1,125	1,125	1,125	1,125	1,125	1,125
Capital surplus	0	0	0	0	0	0
Retained earnings	22,959	27,446	31,163	36,522	42,246	48,387
Other reserves	0	0	0	0	0	0
Total shareholders equity	24,084	28,571	32,287	37,647	43,370	49,512
Minority interest	0	0	0	0	0	0
Total equity and liabilities	39,255	49,137	53,160	58,211	64,120	70,443

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	11,050	15,688	15,788	18,111	20,131	22,089
Depreciation & amortization	(2,487)	(2,631)	(2,646)	(2,754)	(3,064)	(3,213)
Change in working capital	2,335	2,839	(2,517)	56	(319)	(283)
Others	1,143	1,409	(267)	1,304	1,455	1,298
<b>Net cash from operations</b>	<b>12,042</b>	<b>17,305</b>	<b>10,359</b>	<b>16,717</b>	<b>18,203</b>	<b>19,892</b>
<b>Investing</b>						
Capital expenditure	(4,193)	(4,714)	(6,564)	(6,586)	(5,160)	(5,160)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	80	27	(167)	0	0	0
Others	(5,313)	(9,596)	(9,266)	0	0	0
<b>Net cash from investing</b>	<b>(9,426)</b>	<b>(14,284)</b>	<b>(15,996)</b>	<b>(6,586)</b>	<b>(5,160)</b>	<b>(5,160)</b>
<b>Financing</b>						
Dividend paid	(5,059)	(7,646)	(8,435)	(8,547)	(9,735)	(10,821)
Net borrowings	(157)	615	505	(505)	0	0
Share repurchases	0	0	0	0	0	0
Others	16	120	164	0	0	0
<b>Net cash from financing</b>	<b>(5,370)</b>	<b>(7,022)</b>	<b>(7,766)</b>	<b>(9,052)</b>	<b>(9,735)</b>	<b>(10,821)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	10,188	7,821	3,876	(9,527)	(8,449)	(5,141)
Exchange difference	388	56	0	0	0	0
<b>Cash at the end of the year</b>	<b>7,821</b>	<b>3,876</b>	<b>(9,527)</b>	<b>(8,449)</b>	<b>(5,141)</b>	<b>(1,230)</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	11.9%	28.4%	0.5%	15.3%	11.4%	9.8%
Gross profit	8.2%	33.1%	(1.9%)	17.0%	11.7%	10.0%
Operating profit	15.7%	40.9%	1.5%	17.8%	11.1%	9.4%
EBITDA	7.9%	39.1%	(1.0%)	16.9%	11.8%	9.3%
EBIT	8.8%	47.9%	(1.3%)	19.4%	11.9%	10.1%
Net profit	18.6%	42.2%	0.4%	14.7%	11.2%	9.7%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	57.4%	59.5%	58.1%	58.9%	59.1%	59.1%
Operating margin	31.6%	34.7%	35.0%	35.7%	35.6%	35.5%
EBITDA margin	35.9%	38.9%	38.3%	38.8%	39.0%	38.8%
Return on equity (ROE)	37.9%	45.9%	39.8%	39.8%	38.2%	36.5%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.5)	(0.7)	(0.2)	(0.2)	(0.3)	(0.3)
Current ratio (x)	1.3	1.4	1.0	1.0	1.2	1.4
Receivable turnover days	5.3	4.7	4.9	4.9	4.9	4.9
Inventory turnover days	54.4	65.4	101.8	98.0	96.0	94.0
Payable turnover days	36.8	37.4	30.4	30.4	30.4	30.4
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	41.7	29.3	29.2	25.5	22.9	20.9
P/E (diluted)	41.7	29.3	29.2	25.5	22.9	20.9
P/B	14.7	12.4	11.0	9.4	8.2	7.2
Div yield (%)	2.2	2.4	2.4	2.7	3.1	3.4

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

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