

7 JULY 2021

THAILAND / CONSUMER STAPLES

CARABAO GROUP CBG TB

BUY

UNCHANGED

TARGET PRICE	THB185.00
CLOSE	THB149.50
UP/DOWNSIDE	+23.7%
PRIOR TP	THB163.00
CHANGE IN TP	+13.5%
TP vs CONSENSUS	+32.1%

ต้อนรับการกลับมาของยอดส่งออก

กำไรกลับมาโตตามแผนจากการส่งออก

เรามองว่า CBG เป็นหนึ่งในหุ้นจำนวนไม่มากนักในกลุ่มสินค้าอุปโภคบริโภคที่อาจจะรายงานกำไรโต q-q และ y-y ใน 2Q21 ในท่ามกลางปัญหาการแพร่ระบาด Covid ในรอบที่ 3 หลังการสะดุดของยอดขายในพม่าจากปัญหาความวุ่นวายใน 1Q21 เราเชื่อว่ากำไรของ CBG น่าจะกลับมาเป็นปกติตั้งแต่ 2Q21 เป็นต้นไปจากยอดขายที่ดีในจีนและความต้องการที่อ่อนอยู่ในพม่าในภาพรวมเรายังเชื่อว่า CBG จะรายงานการเติบโตที่ดีในปี 2022-23 ที่ 18%/9% ตามลำดับจากสถานการณ์การแพร่ระบาด Covid ที่ดีขึ้น ความต้องการที่อยู่ในระดับสูงในตลาดต่างประเทศ รวมถึงต้นทุนน้ำตาลที่ลดลงและภาษีที่ประหยัดได้

คาดการณ์ 2Q21 จะโต q-q และ y-y

เราคาดว่ากำไร 2Q21 ของ CBG จะโต q-q และ y-y เป็น 945 ลบ. ยอดขายสินค้าจัดซื้อ (Branded sales) ในประเทศอาจลดลง 1% y-y ในช่วงการแพร่ระบาด Covid ในรอบที่ 3 แต่ยอดขายต่างประเทศจะโต 13% y-y จากความต้องการที่อ่อนไหวของการส่งออกไปพม่า (600 ลบ., +33% y-y) และความต้องการที่อยู่ในระดับสูงจากจีน (500 ลบ., +218% y-y) การกระจายสินค้าผ่านตัวแทน (Third-Party Distribution) ควรจะโตได้ถึง 28% y-y เป็น 762 ลบ. อัตรากำไรขั้นต้น (GPM) อาจโตเล็กน้อยที่เพียง 30bps q-q เป็น 38.9% ต้นทุนถั่วลิสงที่สูงถึงประมาณ USD2,300/t ใน 2Q21 (เทียบกับที่ประมาณ USD2,100/t ใน 1Q21) น่าจะหักลบกับสัดส่วนที่เพิ่มขึ้นของการส่งออกที่มีอัตรากำไรสูง เราคาดว่าสัดส่วนค่าใช้จ่ายการขายและการบริหารต่อยอดขายจะลดลงเหลือ 15.6% (เทียบกับ 16.8% ใน 2Q20) จากค่าสเปกซอร์ที่ลดลง โดยเราคาดว่าค่าใช้จ่ายดังกล่าวจะอยู่ที่ 50 ลบ. เทียบกับ 90 ลบ. ใน 2Q20

ประมาณการกำไรปี 2022 มีโอกาสเพิ่มจากการลดปริมาณน้ำตาล

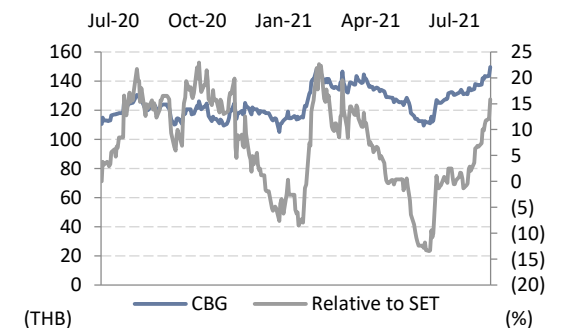
เครื่องตีมูลค่าการดำเนินงานของ CBG มีปริมาณน้ำตาลอยู่ที่ 13 กรัม/100 มล. ณ สิ้นเดือน พ.ค. 19 ซึ่งทำให้ต้องจ่ายภาษีน้ำตาลที่อัตรา 1.0 บาท/ลิตร ในเดือน ก.ย. 21 จะครบกำหนดขึ้นอัตราภาษีน้ำตาล อย่างไรก็ตาม รัฐบาลได้เลื่อนการขึ้นภาษีดังกล่าวออกไปจนถึงเดือน ก.ย. 22 ดังนั้นเราจึงคาดว่าประมาณการของเราจะมีความเสี่ยงขึ้นจำนวน 340 ลบ. ต่อปีจากการปรับลดต้นทุนน้ำตาลและอัตราภาษีน้ำตาลที่ต่ำลงจากการปรับสูตรใหม่ เราคาดว่า CBG จะปรับสัดส่วนน้ำตาลในปีนี้ ซึ่งทำให้เรารวมการประหยัดต้นทุน 255 ลบ. ไว้ในประมาณการกำไรปี 2022 ของเรา

คงคำแนะนำซื้อหลังปรับราคาเป้าหมายขึ้นเป็น 185 ลบ.

เราปรับราคาเป้าหมายของเราขึ้นเป็น 185 จาก 163 บาท (DCF) เนื่องจากเราปรับการประเมินมูลค่าไปในปี 2022 เราปรับเพิ่มประมาณการกำไรปี 2022 อีก 4.6% หลังรวมต้นทุนน้ำตาลและภาษีที่ประหยัดได้จากการปรับสูตร แม้ว่าราคาหุ้นจะปรับตัวขึ้นถึง 31% ในช่วง 2 เดือนที่ผ่านมา เราเชื่อว่าแนวโน้มการเติบโตของ CBG ยังคงมีหวังโดยมีปัจจัยผลักดันจากการฟื้นตัวของยอดส่งออกไปยังตลาด CLMV และความต้องการที่อยู่ในระดับสูงจากตลาดจีน

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	17,382	19,667	22,232	24,868
Net profit	3,525	4,009	4,711	5,143
EPS (THB)	3.53	4.01	4.71	5.14
vs Consensus (%)	-	3.4	1.3	(1.2)
EBITDA	4,998	5,845	6,742	7,408
Core net profit	3,525	4,009	4,711	5,143
Core EPS (THB)	3.53	4.01	4.71	5.14
Chg. In EPS est. (%)	-	0.2	4.6	0.8
EPS growth (%)	40.1	13.7	17.5	9.2
Core P/E (x)	42.4	37.3	31.7	29.1
Dividend yield (%)	1.0	1.1	1.3	1.5
EV/EBITDA (x)	30.7	26.1	22.5	20.3
Price/book (x)	15.0	12.8	10.9	9.3
Net debt/Equity (%)	37.9	22.0	12.3	3.6
ROE (%)	38.1	37.1	37.1	34.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	14.1	16.3	43.1
Relative to country (%)	15.6	13.8	23.4
Mkt cap (USD m)	4,644		
3m avg. daily turnover (USD m)	32.5		
Free float (%)	34		
Major shareholder	Mr. Sathien Setthasit (34%)		
12m high/low (THB)	154.00/104.00		
Issued shares (m)	1,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 7 กรกฎาคม 2021

Investment thesis

We believe CBG's strategy to enter growing markets, rather than markets in their introductory stage, is an effective and proven strategy for the company. We are optimistic about CBG's entry into Myanmar's and Thailand's vitamin C drink markets, which could be the key growth drivers for the next few years. Moreover, we see more room for a gross profit margin (GPM) expansion, driven by 1) a projected 150-200bps GPM increase over 2021-22 from its new packaging plant; 2) increasing export sales that we estimate double-digit growth for in the following year; and 3) 2022E C+ Lock sales of THB1.0b, which have a significantly higher GPM due to C+ Lock's higher retail price of THB15 and its exemption from the sugar tax.

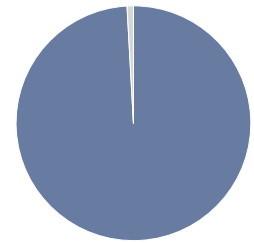
Company profile

Founded in 2001 as a partnership between three founders, one of which is the lead singer of Carabao (legendary Thai folk band), the Carabao Group is now the second largest energy drink company in Thailand with about a 23% market share.

www.carabaogroup.com

Principal activities (revenue, 2020)

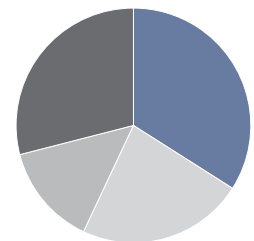
- Sales of goods - 99.1 %
- Other income - 0.9 %



Source: Carabao Group

Major shareholders

- Mr. Sathien Setthasit - 34.0 %
- Ms. Nutchamai Thanombooncharoen - 23.0 %
- Mr. Yuenyoung Opakul - 14.0 %
- Others - 29.0 %



Source: Carabao Group

Catalysts

Potential catalysts for CBG's share price include a higher-than-expected GPM and sales growth, and the company's potential entry into new markets, such as Vietnam, or new product segments, such as ready-to-drink coffee.

Risks to our call

The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK.

Event calendar

Date	Event
August 2021	2Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Sales growth	13.1	13.0	11.9
- Energy drink sales (Domestic)	5.0	2.0	2.0
- Energy drink sales (Overseas)	13.3	13.9	14.5
C+ Lock sales (THB m)	350	490	588
GPM	40.5	41.1	40.6
SG&A to sales	15.1	15.1	15.2

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in sales, we estimate 2021 EPS would rise 0.4%, and vice versa, all else being equal.
- For every 1ppt increase in GPM, we estimate 2021 EPS would rise 3.9%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2021 EPS would fall 0.4%, and vice versa, all else being equal.

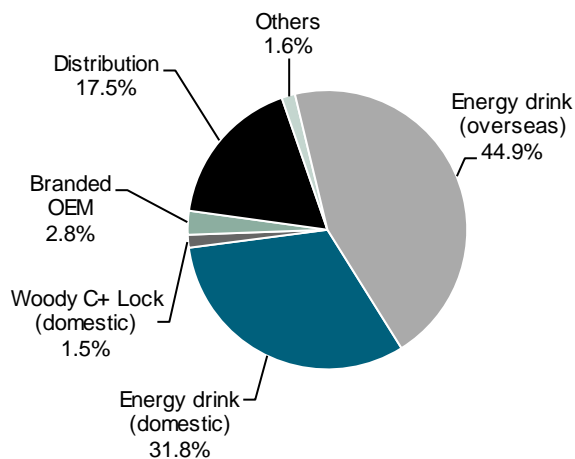
Source: FSSIA estimates

Solid demand from China and Myanmar to offset slow Cambodia recovery

We turn more positive on Myanmar sales due to the solid energy drink demand amid the unrest and Covid outbreak. We expect Myanmar sales to be flat y-y at THB1.8b in 2Q21 (from our previous estimate of THB1.5b), which would offset the slower-than-expected recovery of Cambodia sales, resulting in no significant change for our CLMV sales estimates.

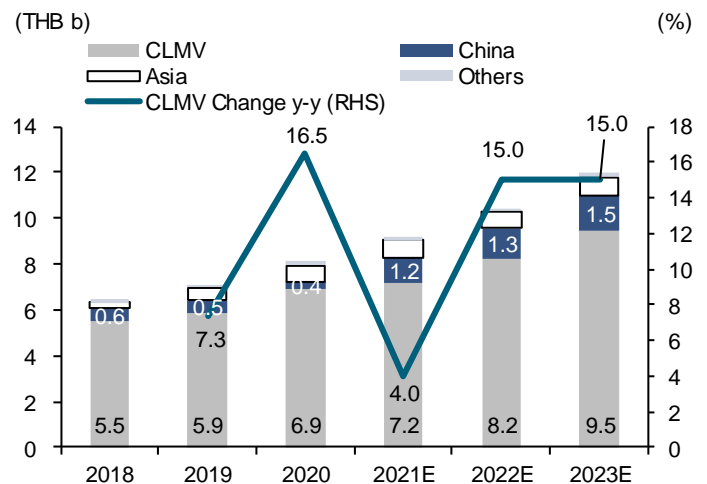
China will likely be key for CBG's earnings growth in the following years. China sales were impressive at THB210m in 1Q21 (+218% y-y). We believe the positive momentum should continue as CBG's brand awareness increases after it spent more than two years collaborating with local distributors. We have revised up our China sales assumption to THB1.16b in 2021 (from our previous estimate of THB770m) following the solid sales in 2Q21, but still below CBG's target at THB1.3b-1.4b in 2021.

Exhibit 1: Overseas sales are the key revenue contributor



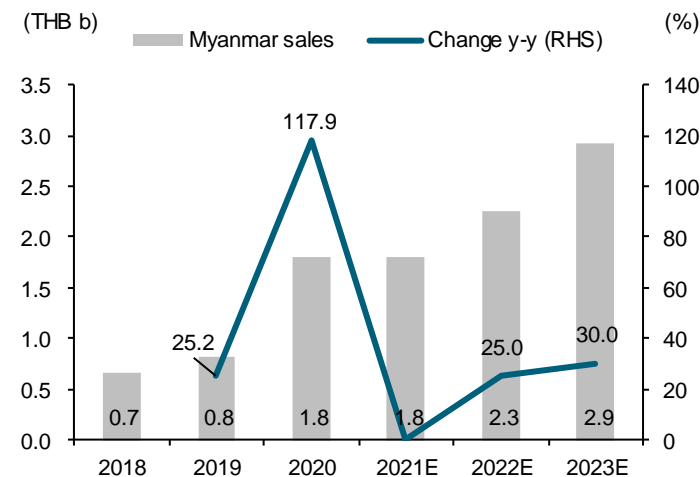
Sources: CBG; FSSIA estimates

Exhibit 2: Overseas sales trend



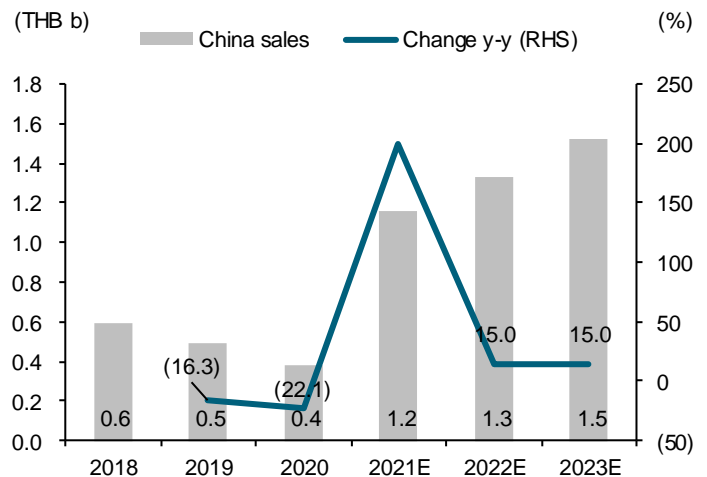
Sources: CBG; FSSIA estimates

Exhibit 3: Myanmar sales trend



Sources: CBG; FSSIA estimates

Exhibit 4: China sales trend



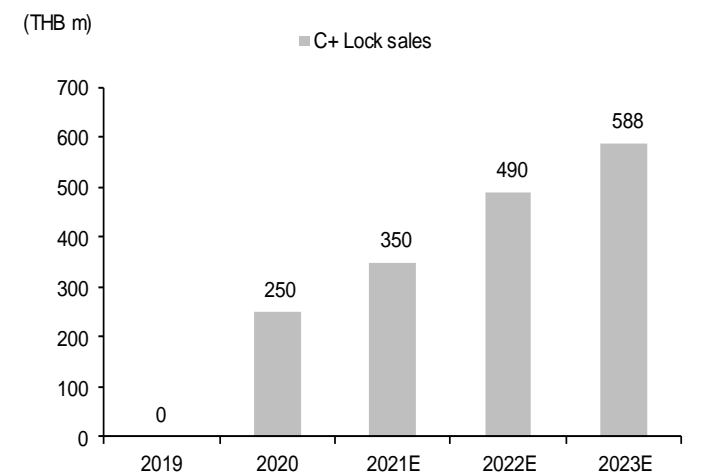
Sources: CBG; FSSIA estimates

Domestic sales driven by third-party distribution

We see that third-party distribution revenue could play a key role for domestic growth, and should not be overlooked. This segment had significant growth of 71.3% in 2020 after the 'Kao Hom' white spirit products became more popular (c2% market share). We expect the positive momentum to continue in 2021. CBG distributed a brandy product under the 'Galaxy' brand early this year, and two new products. 'Tae Yang' (soju in the Korean style) and 'Tendo' (grain and malt whisky in the Japanese style) from May-21. All products received positive feedback from customers and currently account for 10-20% of total distribution sales.

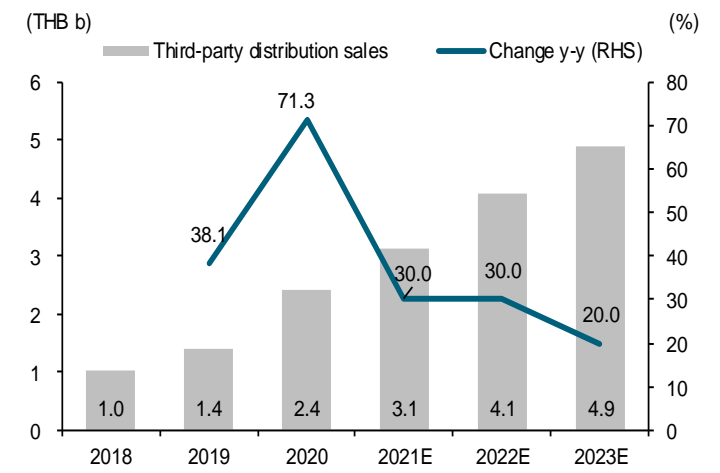
We are less bullish on vitamin C drink sales due to the more competitive market and softening demand in the CVS channel due to the government stimulus scheme which has shifted demand to the traditional trade channel. We have revised down our C+ Lock sales assumption to THB350m in 2021 (from THB700m). However, we still expect that C+ Lock sales could grow 39% and 40% in 2021-22, driven by the Collagen Mixed Berry flavour, which had a good response after it first launched in Apr-21. Overall, we are not concerned about C+ Lock sales as they currently account for less than 2% of CBG's total sales.

Exhibit 5: C+ Lock sales trend



Sources: CBG; FSSIA estimates

Exhibit 6: Third-party distribution sales trend



Sources: CBG; FSSIA estimates

Exhibit 7: New products under third-party distribution – Galaxy, Tendo, Tae Yang



Source: CBG

Upside to 2022E earnings from sugar reduction

CBG's Carabao Energy Drink has had a sugar content of 13g/100ml as of May-19, which incurred a sugar tax rate of THB1.0/litre until Sep-21. CBG plans to lower the sugar content to less than 10g/100ml, otherwise the sugar tax rate would increase to THB3.0/litre after Sep-21. However, the government has postponed stepping up the sugar tax bracket from Sep-21 to Sep-22. Hence, we estimate a THB340m upside per year from sugar cost savings and a lower sugar tax from the new formula. We assume CBG will adjust its sugar content this year. Thus, we incorporate THB255m cost savings into our 2022E earnings.

Exhibit 8: Government postponed stepping up the sugar tax from Sep-21 to Sep-22

Sugar content (g/100ml)	Sugar tax			
	Sep-17 to Sep-19 (THB/1,000ml)	Oct-19 to Sep-22 (THB/1,000ml)	Oct-22 to Sep-24 (THB/1,000ml)	Oct-24 onward (THB/1,000ml)
0-6	0.0	0.0	0.0	0.0
6-8	0.1	0.1	0.3	1.0
8-10	0.3	0.3	1.0	3.0
10-14	0.5	1.0	3.0	5.0
14-18	1.0	3.0	5.0	5.0
Above 18	1.0	5.0	5.0	5.0

Sources: Excise Department; FSSIA's compilation

Renewed EFL sponsorship to 2024

CBG currently spends cTHB90m per quarter on its marketing campaign with Chelsea F.C. (cTHB30m) and the English Football League (EFL; cTHB60m). CBG extended the sponsorship contract with the EFL for two more years, expiring by 2Q24 from 2Q22, with an estimated contract cost of GBP18m, or THB65m, per quarter.

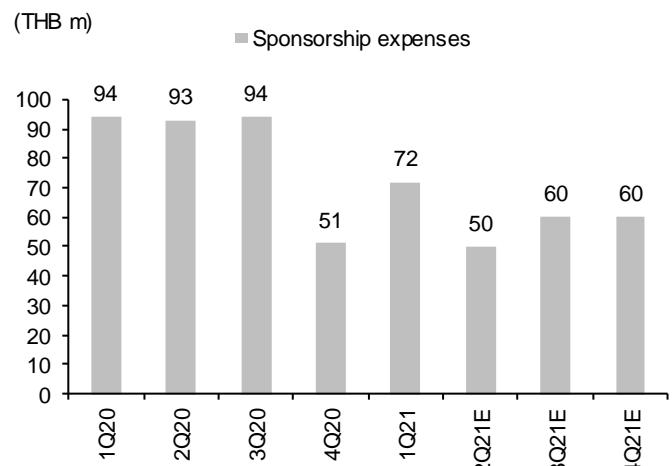
CBG does not intend to renew the Chelsea contract which already expired in 2Q21; hence its sponsorship expense would drop to cTHB60m from the previous THB90m per quarter from 3Q21 onward.

Exhibit 9: SG&A savings from the Chelsea sponsorship expiration



Sources: CBG; FSSIA estimates

Exhibit 10: Sponsorship expenses by quarter



Sources: CBG; FSSIA estimates

2Q21E earnings preview

We expect CBG's 2Q21 earnings to grow q-q and y-y to THB945m. Domestic branded sales could drop 1% y-y amid the third wave of Covid. CBG launched a new flavour for C+ Lock – Collagen Mixed Berry – the first drink in Thailand with 2,000mg of collagen along with 200% vitamin C content. There has been a good response for the new flavour and it has accounted for more than half of C+ Lock sales, but it will likely not be enough to offset the weak energy drink sales. We project overseas sales growth of 13% y-y in 2Q21 from the pent-up demand for export sales to Myanmar (THB600m, +33% y-y) and solid demand from China (THB500m, +218% y-y). Third-party distribution should post impressive sales growth of 28% y-y to THB762m. Its GPM could slightly grow by 30bps q-q to 38.9%. The high aluminium cost at cUSD2,300/t in 2Q21 (vs cUSD2,100/t in 1Q21) should be offset by a high proportion of high-margin export sales. We project SG&A to sales to drop to 15.6% in 2Q21 (vs 16.8% in 2Q20) following the discount from sponsorship expenses. We estimate 2Q21 sponsorship expenses at THB50m vs cTHB90m in 2Q20.

Exhibit 11: CBG - 2Q21E earnings preview

	2Q20	3Q20	4Q20	1Q21	2Q21E	----- Change -----		2021E	Change
YE Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)
Total revenue	4,539	4,478	4,274	4,065	4,935	21	9	19,667	13
Retail sales	4,508	4,405	4,257	4,030	4,902	22	9	19,496	13
Other income	32	72	17	35	33	(5)	4	171	13
Cost of sales	2,674	2,575	2,585	2,475	2,995	21	12	11,608	14
Gross profit	1,866	1,903	1,688	1,590	1,940	22	4	8,059	12
Operating costs	765	719	670	726	770	6	1	2,970	3
Operating profit	1,101	1,184	1,019	864	1,170	35	6	5,089	18
Operating EBITDA	1,266	1,351	1,190	1,044	1,350	29	7	5,845	17
Interest expense	(32)	(21)	(23)	(21)	(21)	(2)	(34)	(126)	18
Profit before tax	1,069	1,163	1,005	843	1,149	36	7	4,963	17
Tax	179	191	132	147	201	37	13	918	38
Minority interests	(9)	(3)	0	5	(3)	(163)	(68)	(36)	5
Reported net profit	881	970	873	700	945	35	7	4,009	14
Recurring net profit	881	970	873	700	945	35	7	4,009	14
EPS (THB)	0.88	0.97	0.87	0.70	0.95	35	7	4.01	14
Recurring EPS (THB)	0.88	0.97	0.87	0.70	0.95	35	7	4.01	14
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Sales margin	40.7	41.6	39.3	38.6	38.9	0.3	(1.8)	40.5	(0.5)
EBIT margin	24.3	26.4	23.8	21.3	23.7	2.5	(0.5)	25.9	1.0
Recurring net margin	27.5	30.2	26.6	24.4	27.4	3.0	(0.1)	20.4	0.1
SG&A / Sales	16.8	16.1	15.7	17.9	15.6	(2.3)	(1.2)	15.1	(1.5)
Effective tax rate	16.7	16.4	13.1	17.5	17.5	0.0	0.8	18.5	2.7
Operating statistics									
Branded own									
Domestic sales	1,494	1,569	1,664	1,343	1,475	10	(1)	33	
Oversea sales	2,219	2,048	1,675	1,808	2,505	39	13	45	
CLMV	1,800	1,656	1,450	1,484	1,905	28	6		
China	157	133	29	210	500	138	218		
ICUK	12	56	21	22	20	(9)	67		
Others	250	203	175	91	80	(12)	(68)		
Distribution for third party (Domestic)	598	613	727	706	762	8	28	18	
Branded OEM (Domestic)	87	135	102	111	100	(10)	15	3	
Others	110	40	90	63	60	(5)	(45)	2	

Sources: CBG; FSSIA estimates

Net profit and target price revisions

We raise our DCF-based TP to THB185 (from THB163), as we roll forward our valuation to 2022. We also fine tune our 2021-23E earnings by 0.2-4.6% to reflect the solid demand in China and Myanmar and the slower-than-expected recovery for Cambodia and C+ Lock sales. We revise our 2022E earnings up by 4.6% after incorporating the sugar cost and tax savings from the new formula, which we expect to be implemented by this year. Its share price rose 31% over the past two months. We remain convinced that CBG's long-term growth outlook is promising, driven by a recovery of export sales to the CLMV market and solid demand from the Chinese market.

Exhibit 12: Assumption revisions

	Current			Previous			Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Retail sales (THB m)	19,496	22,039	24,651	19,461	22,067	24,710	0.2	(0.1)	(0.2)
Sales growth (%)	13.1	13.0	11.9	12.9	13.4	12.0	0.2	(0.4)	(0.1)
Energy drink sales (Domestic) (%)	5.0	2.0	2.0	5.0	2.0	2.0	0.0	0.0	0.0
Energy drink sales (Overseas) (%)	13.3	13.9	14.5	8.5	13.4	14.5	4.8	0.5	0.0
C+ Lock sales (THB m)	350	490	588	700	1,000	1,200	(50.0)	(51.0)	(51.0)
Distribution sales (%)	30	30	20	30	30	20	0.0	0.0	0.0
Blended GPM (%)	40.5	41.1	40.6	40.4	40.3	40.6	0.0	0.8	(0.0)
SG&A to sales (%)	15.1	15.1	15.2	15.1	15.2	15.3	0.0	(0.1)	(0.1)
Net profit (THB m)	4,009	4,711	5,143	3,999	4,503	5,104	0.2	4.6	0.8

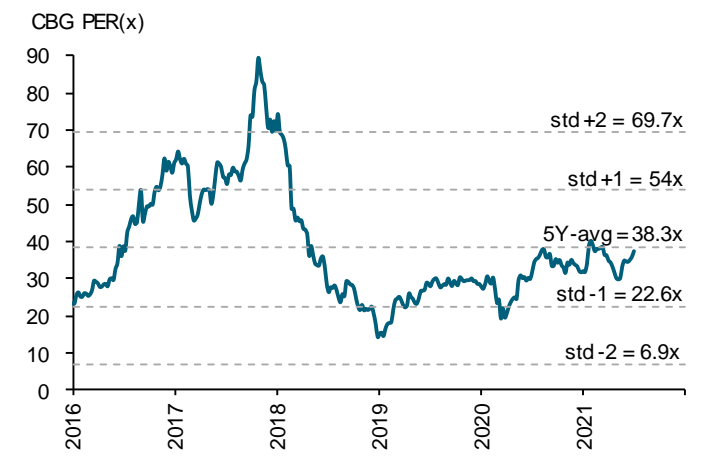
Source: FSSIA estimates

Exhibit 13: DCF valuation

	(%)	(THB b)
Discount rate (WACC)	6.7	
Terminal growth	3.0	
NPV		44
Add: terminal value		143
Sum of PV		187
Add: investment		0
Less: debt		1.7
Less: minorities		0.2
Residual ordinary equity		185
No. of shares (m)		1,000
Residual ordinary equity (THB/share)		185

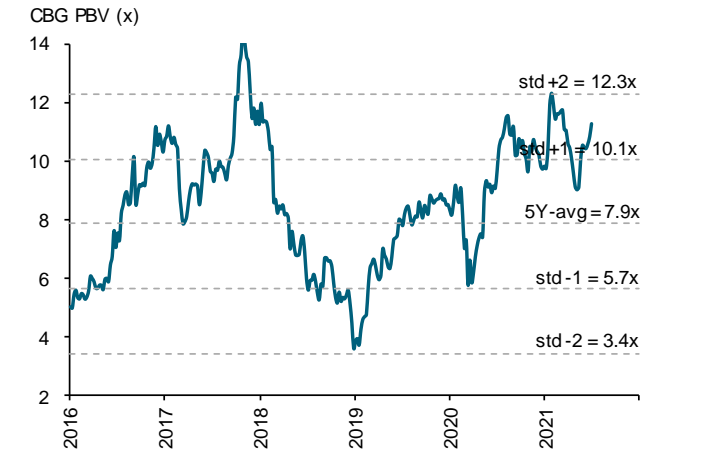
Sources: FSSIA estimates

Exhibit 14: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Carabao Group

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	15,050	17,382	19,667	22,232	24,868
Cost of goods sold	(8,589)	(9,505)	(10,852)	(12,133)	(13,680)
Gross profit	6,461	7,878	8,815	10,100	11,187
Other operating income	0	0	0	0	0
Operating costs	(2,744)	(2,880)	(2,970)	(3,357)	(3,780)
Operating EBITDA	3,718	4,998	5,845	6,742	7,408
Depreciation	(534)	(668)	(756)	(855)	(956)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,184	4,329	5,089	5,888	6,451
Net financing costs	(131)	(103)	(126)	(96)	(92)
Associates	0	0	0	0	0
Recurring non-operating income	(12)	0	0	0	0
Non-recurring items	(9)	0	0	0	0
Profit before tax	3,032	4,227	4,963	5,791	6,360
Tax	(564)	(667)	(918)	(1,042)	(1,177)
Profit after tax	2,468	3,559	4,045	4,749	5,183
Minority interests	38	(34)	(36)	(38)	(40)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	2,506	3,525	4,009	4,711	5,143
Non-recurring items & goodwill (net)	9	0	-	-	-
Recurring net profit	2,515	3,525	4,009	4,711	5,143
Per share (THB)					
Recurring EPS *	2.52	3.53	4.01	4.71	5.14
Reported EPS	2.51	3.53	4.01	4.71	5.14
DPS	1.70	1.50	1.71	2.00	2.19
Diluted shares (used to calculate per share data)	1,000	1,000	1,000	1,000	1,000
Growth					
Revenue (%)	3.1	15.5	13.1	13.0	11.9
Operating EBITDA (%)	94.1	34.4	17.0	15.4	9.9
Operating EBIT (%)	119.4	36.0	17.5	15.7	9.6
Recurring EPS (%)	117.1	40.1	13.7	17.5	9.2
Reported EPS (%)	116.3	40.6	13.7	17.5	9.2
Operating performance					
Gross margin inc. depreciation (%)	39.4	41.5	41.0	41.6	41.1
Gross margin of key business (%)	39.0	41.0	40.5	41.1	40.6
Operating EBITDA margin (%)	24.7	28.8	29.7	30.3	29.8
Operating EBIT margin (%)	21.2	24.9	25.9	26.5	25.9
Net margin (%)	16.7	20.3	20.4	21.2	20.7
Effective tax rate (%)	18.5	15.8	18.5	18.0	18.5
Dividend payout on recurring profit (%)	67.6	42.6	42.6	42.6	42.6
Interest cover (X)	24.2	42.2	40.3	61.2	70.3
Inventory days	39.9	47.6	53.6	54.2	54.0
Debtor days	24.8	26.9	28.1	28.1	28.2
Creditor days	69.2	58.0	56.6	57.2	57.0
Operating ROIC (%)	22.9	29.8	31.2	34.4	34.7
ROIC (%)	21.4	27.8	28.8	31.5	31.8
ROE (%)	32.0	38.1	37.1	37.1	34.5
ROA (%)	17.8	22.9	23.7	25.8	25.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Sales of goods	14,933	17,231	19,496	22,039	24,651
Other income	117	151	171	194	217

Sources: Carabao Group; FSSIA estimates

Financial Statements

Carabao Group

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	2,515	3,525	4,009	4,711	5,143
Depreciation	534	668	756	855	956
Associates & minorities	3	15	(36)	(38)	(40)
Other non-cash items	(38)	34	36	38	40
Change in working capital	(204)	(614)	(150)	(154)	(165)
Cash flow from operations	2,810	3,628	4,615	5,412	5,934
Capex - maintenance	(316)	(1,828)	(1,000)	(1,800)	(1,890)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	60	(347)	(56)	(111)	(114)
Other investments (net)	0	0	0	0	0
Cash flow from investing	(256)	(2,175)	(1,056)	(1,911)	(2,004)
Dividends paid	(1,700)	(1,500)	(1,706)	(2,005)	(2,189)
Equity finance	583	(635)	(611)	(611)	(611)
Debt finance	(612)	666	(1,176)	(824)	(997)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,730)	(1,469)	(3,492)	(3,440)	(3,797)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	824	(15)	66	61	133
Free cash flow to firm (FCFF)	2,686.80	1,560.49	3,684.87	3,596.78	4,021.96
Free cash flow to equity (FCFE)	1,941.84	2,119.42	2,382.89	2,676.36	2,932.94

Per share (THB)

FCFF per share	2.69	1.56	3.68	3.60	4.02
FCFE per share	1.94	2.12	2.38	2.68	2.93
Recurring cash flow per share	3.01	4.24	4.76	5.57	6.10

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	13,006	14,680	15,680	17,480	19,370
Less: Accumulated depreciation	(2,133)	(2,648)	(3,405)	(4,260)	(5,216)
Tangible fixed assets (net)	10,872	12,032	12,276	13,221	14,155
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	103	107	107	107	107
Cash & equivalents	962	947	1,013	1,074	1,207
A/C receivable	1,140	1,420	1,607	1,817	2,032
Inventories	992	1,489	1,700	1,902	2,143
Other current assets	104	136	154	174	194
Current assets	3,197	3,992	4,473	4,966	5,576
Other assets	607	956	1,081	1,222	1,367
Total assets	14,780	17,087	17,937	19,516	21,205
Common equity	8,566	9,956	11,648	13,744	16,088
Minorities etc.	153	201	201	201	201
Total shareholders' equity	8,718	10,157	11,849	13,945	16,289
Long term debt	2,131	1,116	472	365	235
Other long-term liabilities	153	159	228	258	288
Long-term liabilities	2,284	1,274	700	623	523
A/C payable	1,447	1,573	1,795	2,008	2,263
Short term debt	1,997	3,679	3,146	2,430	1,563
Other current liabilities	333	404	446	510	567
Current liabilities	3,777	5,655	5,387	4,948	4,393
Total liabilities and shareholders' equity	14,780	17,087	17,937	19,516	21,205
Net working capital	455	1,069	1,219	1,374	1,539
Invested capital	12,038	14,164	14,683	15,924	17,168

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	8.57	9.96	11.65	13.74	16.09
Tangible book value per share	8.57	9.96	11.65	13.74	16.09

Financial strength

Net debt/equity (%)	36.3	37.9	22.0	12.3	3.6
Net debt/total assets (%)	21.4	22.5	14.5	8.8	2.8
Current ratio (x)	0.8	0.7	0.8	1.0	1.3
CF interest cover (x)	15.8	21.7	19.9	28.8	32.9

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	59.4	42.4	37.3	31.7	29.1
Recurring P/E @ target price (x) *	73.5	52.5	46.1	39.3	36.0
Reported P/E (x)	59.6	42.4	37.3	31.7	29.1
Dividend yield (%)	1.1	1.0	1.1	1.3	1.5
Price/book (x)	17.5	15.0	12.8	10.9	9.3
Price/tangible book (x)	17.5	15.0	12.8	10.9	9.3
EV/EBITDA (x) **	41.1	30.7	26.1	22.5	20.3
EV/EBITDA @ target price (x) **	50.7	37.8	32.1	27.7	25.1
EV/invested capital (x)	12.7	10.8	10.4	9.5	8.8

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Carabao Group; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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ANALYST(S) CERTIFICATION

Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

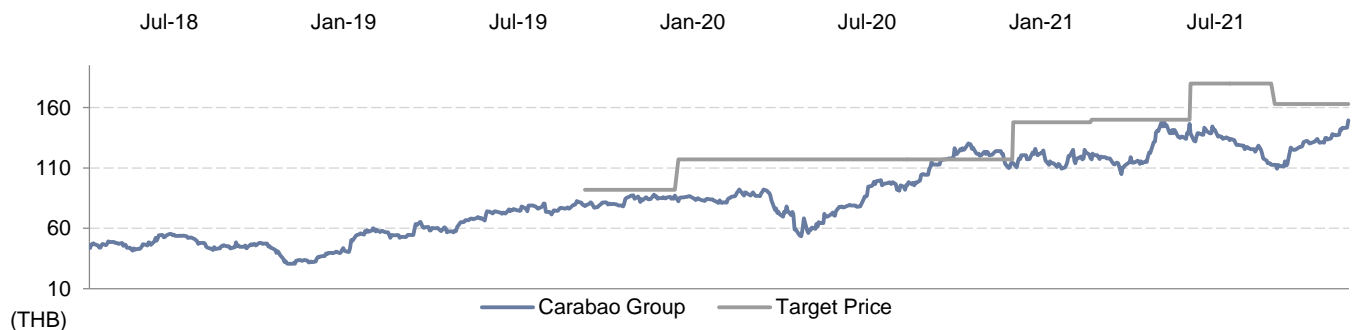
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History of change in investment rating and/or target price

Carabao Group (CBG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
12-Sep-2019	BUY	92.00	17-Sep-2020	BUY	148.00	18-Feb-2021	BUY	180.00
02-Dec-2019	BUY	117.00	02-Oct-2020	BUY	148.00	22-Feb-2021	BUY	180.00
02-Apr-2020	BUY	117.00	24-Nov-2020	BUY	150.00	30-Apr-2021	BUY	163.00

Karun Intrachai started covering this stock from 17-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Carabao Group	CBG TB	THB 149.50	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 06-Jul-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.