

CARABAO GROUP CBG TB  
THAILAND / FOOD & BEVERAGE

FSSIA ESG rating



HOLD

## อยู่ระหว่างติดตามความสำเร็จของเบียร์

- ผู้บริหารให้เป้าหมายได้ขายเบียร์ที่ 25 ล้านยูนิต/เดือน และเป้ากำไรที่ 2.4 บาท/ยูนิต
- คาดกำไรสุทธิปี 2024 จะเพิ่มขึ้น 48% y-y สัดส่วนกำไรจากเบียร์จะสูงราว 25% ควรติดตามผลการดำเนินงานเบียร์ต่อไป
- ราคาหุ้นเริ่มสะท้อนเบียร์ไปบางส่วนแล้ว เริ่มต้นคำแนะนำ ถือ

TARGET PRICE	THB87.00
CLOSE	THB80.00
UP/DOWNSIDE	+8.8%
TP vs CONSENSUS	+1.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	19,215	20,446	28,144	29,844
Net profit	2,286	1,921	2,843	3,049
EPS (THB)	2.29	1.92	2.84	3.05
vs Consensus (%)	-	(1.5)	10.2	2.1
EBITDA	3,607	3,226	4,298	4,559
Recurring net profit	2,286	1,921	2,843	3,049
Core EPS (THB)	2.29	1.92	2.84	3.05
EPS growth (%)	(20.6)	(16.0)	48.0	7.2
Core P/E (x)	35.0	41.6	28.1	26.2
Dividend yield (%)	1.9	1.6	2.3	2.5
EV/EBITDA (x)	23.9	26.8	20.1	19.1
Price/book (x)	7.5	7.0	6.3	5.8
Net debt/Equity (%)	60.0	56.1	50.5	48.7
ROE (%)	21.9	17.4	23.6	23.1

## ตัวเลขเบียร์ชัดเจนขึ้น แต่ยังคงติดตามความสำเร็จต่อไป

ผู้บริหารให้เป้าหมายเบียร์ที่ชัดเจนขึ้นประกอบด้วย 1) ปริมาณขายที่ 25 ล้านยูนิต/เดือน 2) CBG ให้ตัวเลขกำไรจากการขายขวดและจัดจำหน่ายราว 2.4 บาท/ยูนิต 3) ตะวันแดงเจ้าของเบียร์จะช่วยสนับสนุนค่าสปอนเซอร์ Carabao Cup 50% หรือราว 3 ล้านปอนด์ และ 4) CBG อยู่ระหว่างพิจารณาแผนขยายกำลังการผลิตขวดแก้วในปี 2024 โดยผู้บริหารระบุว่าน่าจะได้เห็นรายได้เบียร์ที่แท้จริงในอีก 6 เดือนข้างหน้า ภายหลังกระแสซอลลง

## ภาพรวมเครื่องดื่มชูกำลังไม่ฟื้นคืน

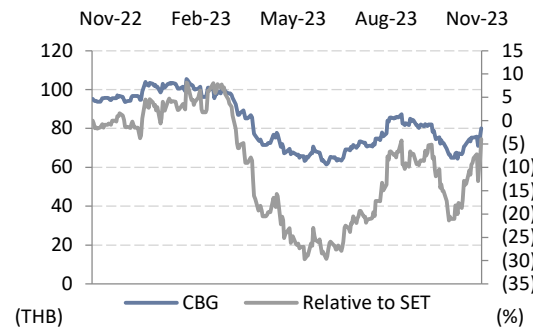
จากที่ประชุมนักวิเคราะห์ล่าสุด ผู้บริหารระบุว่ายังไม่มีแผนปรับขึ้นราคาขายเครื่องดื่มชูกำลังในประเทศ ซึ่ง CBG เป็นผู้เล่นรายใหญ่รายเดียวที่ยังยืนราคาขาย 10 บาท/ขวด ทั้งนี้เรามีมุมมองระมัดระวังต่อแนวโน้มอัตรากำไรขั้นต้น แม้ว่าต้นทุนวัตถุดิบจะเริ่มชะลอตัวลง แต่บริษัทกำลังเผชิญกับต้นทุนน้ำตาลที่ปรับตัวสูงขึ้นทั้งน้ำตาลในประเทศ และน้ำตาลเพื่อส่งออก ดังนั้นเราคาดว่าอัตรากำไรขั้นต้นปี 2024 ของ branded own ชัยบรันขึ้นเล็กน้อยเป็น 35.5% จาก 35.1% ในปี 2023 ยังต่ำกว่าในอดีตที่ทำให้ได้เฉลี่ย 43-44%

## เบียร์คือปัจจัยหนุนการเติบโตในปี 2024

เราคาดกำไรสุทธิปี 2024 จะเร่งตัวขึ้น 48% y-y เป็น 2.84 พันลบ. จากการรับรู้รายได้จากเบียร์เพิ่มปีราว 9.5 พันลบ. คิดเป็น 34% ของรายได้รวม สมมติฐานรายได้เบียร์ของเราสอดคล้องกับเป้าหมายของบริษัท ทั้งนี้เราคาดอัตรากำไรขั้นต้นรวมในปี 2024 จะอ่อนตัวลงเป็น 21.4% จาก 24.4% ในปี 2023 ด้วยผลของ Product Mix ซึ่งอัตรากำไรของธุรกิจจัดจำหน่ายเบียร์จะต่ำเพียง 5% อย่างไรก็ตาม หากเบียร์ประสบความสำเร็จน้อยกว่าคาด จะเป็น Downside ต่อประมาณการของเรา ซึ่งกำไรปี 2024 ที่ไม่รวมเบียร์จะอยู่ที่ 2.12 พันลบ. (+11% y-y)

## ราคาหุ้นเริ่มสะท้อนเบียร์ไปบางส่วนแล้ว

เราเริ่มต้นคำแนะนำเป็น ถือ ด้วยราคาเป้าหมายปี 2024 ที่ 87 บาท อิงวิธี SoTP โดยใช้ PE 35x สำหรับธุรกิจเดิม (เครื่องดื่มชูกำลังและอื่นๆ) และใช้ PE 17x เท่า สำหรับธุรกิจเบียร์ (รับจ้างผลิตขวดและจัดจำหน่าย) ทั้งนี้ราคาเป้าหมายของเราจะคิดเป็น Target PE ที่ 30.4x ใกล้เคียงค่าเฉลี่ย -0.25 SD ของ CBG เราแนะนำให้ติดตามผลการดำเนินงานของเบียร์ในระยะถัดไป เพราะมีความเสี่ยงหากประสบความสำเร็จน้อยกว่าคาด ทั้งนี้ราคาเป้าหมายที่ไม่รวมเบียร์ของเราจะอยู่ที่ 74 บาท



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	17.2	2.6	(17.1)
Relative to country (%)	18.7	10.8	(5.4)
Mkt cap (USD m)	2,281		
3m avg. daily turnover (USD m)	14.3		
Free float (%)	29		
Major shareholder	Sathienthamholding Co Ltd (25%)		
12m high/low (THB)	106.00/61.25		
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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 20 พฤศจิกายน 2023

## Investment thesis

We expect the 2024 energy drink market value to moderately grow by 3% y-y, supported by a low base and a slight consumption recovery. We have started to see a profitability recovery in 2H23, thanks to declining packaging and utility costs. However, CBG is faced with soaring sugar prices, which should impact its costs in 1Q24 onward. Hence, its gross margin recovery should be lower than it had previously expected.

We estimate that strong net profit growth will continue into 4Q23-1Q24, after recognizing a full quarter of beer-related revenue – from both packaging and distribution. However, since this is the launch period, we will continue to monitor the success of its beer business in the future. Moreover, if the beer profit contribution is lower than our forecast, it could create a downside to our projection by around 25% at most.

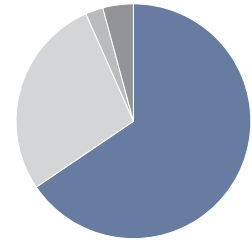
## Company profile

CBG was established in 2002 by a joint investment between Mr. Sathien Setthasit, Ms. Nutchamai Thanombooncharoen, and Mr. Yuenyong Opakul (Aed Carabao). CBG is a holding company with investments in subsidiary companies engaged in manufacturing, marketing and distributing energy drinks and other drinks, both domestically and internationally. Its main product is the energy drink named Carabao Dang.

[www.carabaogroup.com](http://www.carabaogroup.com)

## Principal activities (revenue, 2022)

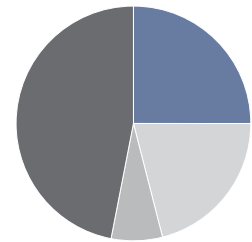
- Branded own - 65.5 %
- 3rd party distribution - 27.8 %
- Branded OEM - 2.4 %
- Others (Packaging) - 4.2 %



Source: Carabao Group

## Major shareholders

- Sathienthamholding Co Ltd - 25.0 %
- Ms Nutchamai Thanombooncharoen - 21.0 %
- Mr Yuenyong Opakul - 7.1 %
- Others - 46.9 %



Source: Carabao Group

## Catalysts

Potential catalysts for CBG's earnings growth in 2023 are 1) revenue growth driven by rising market share; 2) declining packaging and raw material costs; 3) successful new product launches; and 4) a successful production line established in Myanmar.

## Risks to our call

Downside and upside risks to our PE-based TP are 1) a slower or faster-than-expected recovery in consumption; 2) higher or lower competition in the domestic energy drink market; 3) a potential rise or fall in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.

## Event calendar

Date	Event
February 2024	2023 results announcement
March 2024	2023 analyst meeting

## Key assumptions

	2023E	2024E	2025E
Branded own growth (%)	(10.2)	8.7	7.3
Branded OEM growth (%)	(48.7)	15.0	10.0
3rd-party growth (%)	45.6	80.9	5.0
Other - packaging (%)	38.2	34.4	5.0
Total revenue growth (%)	6.4	37.7	6.0
Gross margin (%)	24.4	21.4	21.6

Source: FSSIA estimates

## Earnings sensitivity

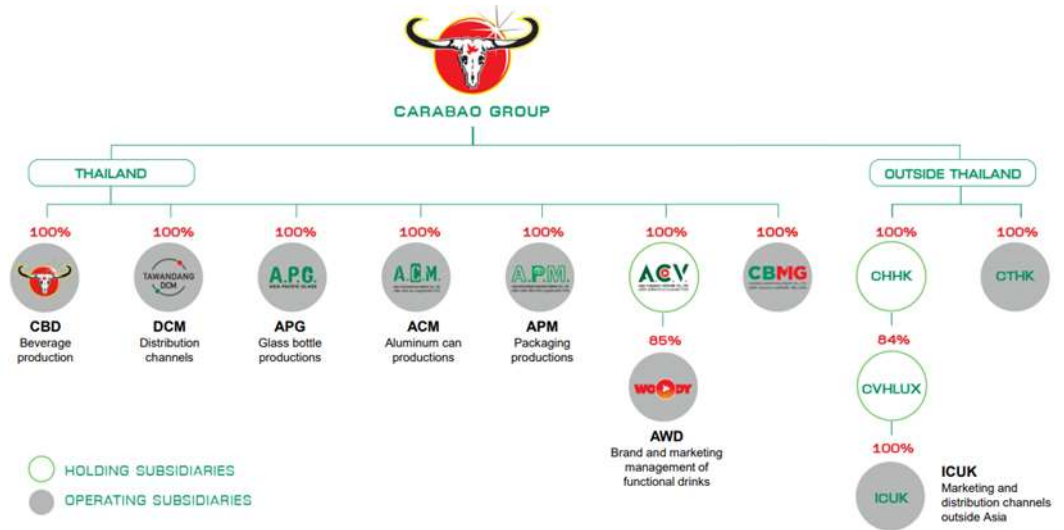
- For every 1% increase in revenue, we estimate 2024 net profit to rise by 1.3%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 4.2%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2024 net profit to fall by 1.7%, and vice versa, all else being equal.

Source: FSSIA estimates

## One of the top energy drink brands in Thailand

CBG was established in 2002 by a joint investment between Mr. Sathien Setthasit, Ms. Nutchamai Thanombooncharoen, and Mr. Yuenyong Opakul (Aed Carabao). CBG is a holding company with investments in subsidiary companies. The company engages in manufacturing, marketing, selling and distributing energy drinks and other beverages in a vertically integrated manner. This starts from the upstream production of key packaging materials, i.e. glass bottles, aluminum cans and packaging materials, and moves down the chain to bottling and canning finished products as well as managing distribution channels both domestically and internationally.

Exhibit 1: Company structure

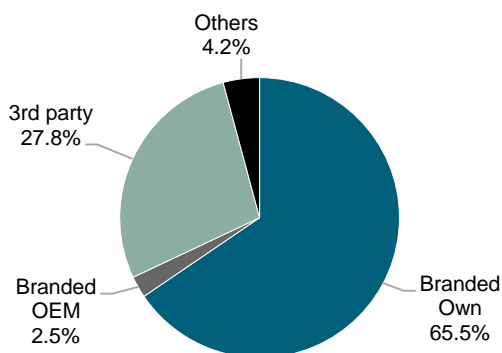


Source: CBG

By product segment, the company’s 2022 revenue contributions came mainly from three segments as follows: branded own products were 65.5% of total revenue, followed by third-party products (27.8%), branded OEM products (2.5%), and others (4.2%). To elaborate, branded own products consist of energy drinks under the brand Carabao Dang, which is one of top three energy drinks in Thailand.

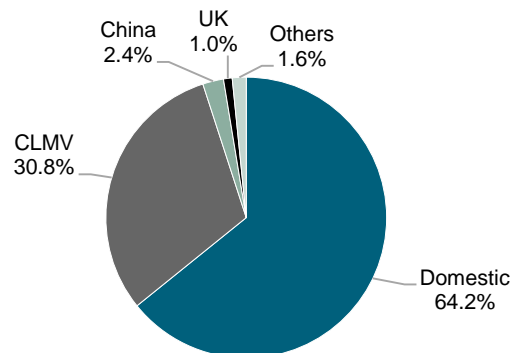
By destination, CBG’s 2022 revenue contribution was mainly from the domestic market, which accounted for 64.2% of total revenue, and was followed by export revenue at 35.8%, which came from CLMV, China, and the UK market.

Exhibit 2: Revenue breakdown by segment in 2022



Sources: CBG, FSSIA’s compilation

Exhibit 3: Revenue breakdown by destination in 2022



Sources: CBG, FSSIA’s compilation

In 2020, CBG partnered with Mr. Vuthithorn Millintachinda, or Woody, to invest in A Woody Drink Company Limited (AWD), in which CBG holds an 85% stake and Woody holds a 15% share. AWD launched a vitamin C drink named Woody C+ Lock.

In 2022, CBG invested in a 20% share of Tawandang Logistics Co., Ltd. (TWD, not listed) from C.J. Express Group Co., Ltd. TWD also signed a joint venture agreement with Mena Transport Co., Ltd. with an investment proportion of 65% and 35%, respectively, to establish a new joint venture to provide transportation and vehicle rental services in a shared service format to support normal business operations in the ecosystem.

**Exhibit 4: Key milestones**

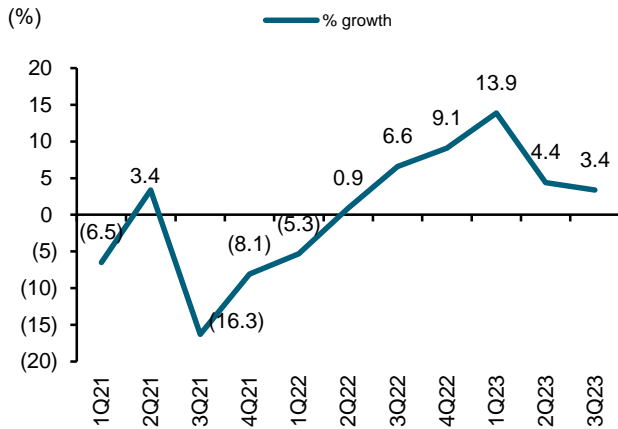


Source: CBG

## The last company standing at THB10 selling price

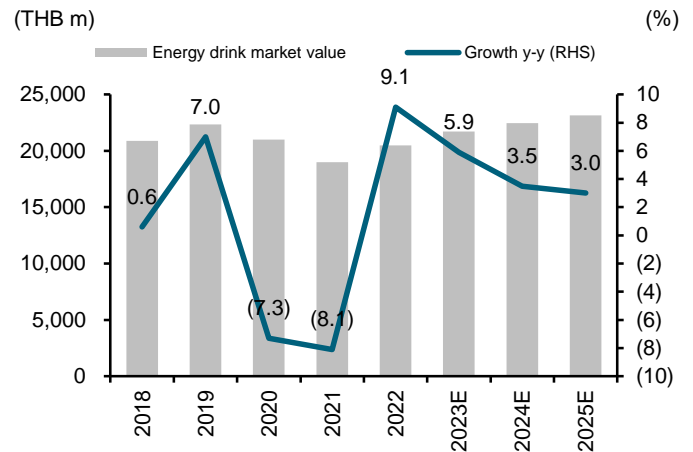
CBG is the last company to keep its domestic energy drink's selling price at THB10. The selling prices for M-150 and Krating Dang increased to THB12 in February 2022 and March 2023, respectively. CBG aims to gain more market share from its two competitors, with a target to reach 25% market share within the end of 2023. Its fixed selling price strategy has shown good results, and the company has continued to arrange marketing campaigns in May through the end of 2023. Therefore, its 3Q23 market share rose by 1% to 23%. We expect to see a slight increase in domestic revenue in 4Q23. Regarding the latest analyst meeting, management has not considered increasing the selling price in 2024 and can manage its total cost.

**Exhibit 5: Quarterly (MAT TY) energy drink market value growth**



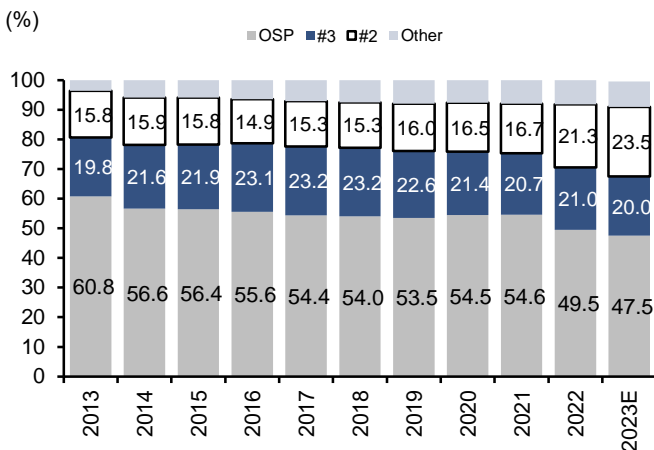
Sources: OSP

**Exhibit 6: Energy drink yearly market value**



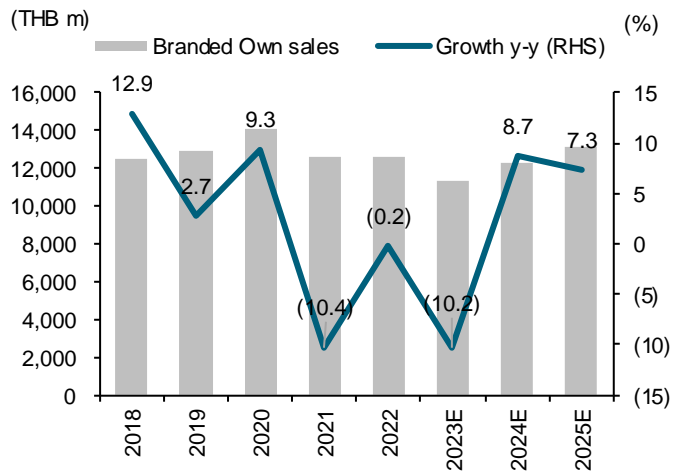
Sources: OSP, FSSIA estimates

**Exhibit 7: Energy drink market share by value**



Sources: OSP, CBG, FSSIA estimates

**Exhibit 8: CBG's energy drink revenue and growth**



Sources: CBG, FSSIA estimates

Exhibit 9: CBG's domestic marketing activities



Source: CBG

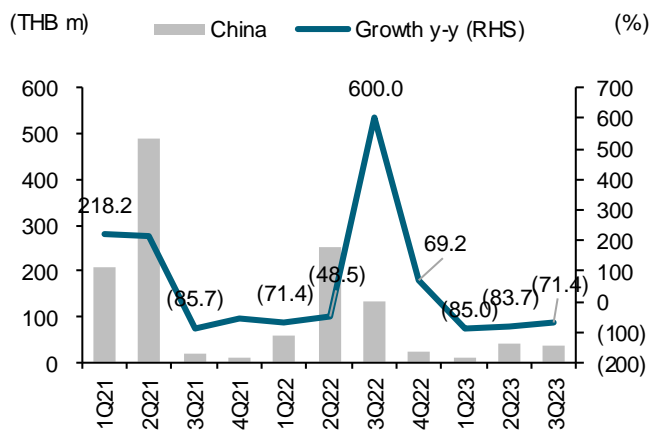
## A change in its China model

CBG entered China in 2017 as a manufacturer and exporter. The company exported energy drinks under the Carabao brand to a joint venture company which was established in China and is held by its major shareholders (Mr. Sathien Setthasit, Ms. Nutchamai Thanombooncharoen and Mr. Yuenyong Opakul) and Chinese partners (Dai Beverage Holdings Limited and Beijing Nongfeng Jirui Network Technology Company Limited – called DAI group).

For 2022, CBG’s China revenue was equal to THB467m, accounting for 2.4% of total sales. However, the company has changed the selling policy from finished goods to concentrates in the Chinese market since the beginning of 2023. We evaluate that its revenue from China should sharply drop by 79% y-y to THB100m in 2023, and its contribution should decline to 0.5% of total sales. Our 2024-25 China revenue assumptions turn to growth of 50% y-y and 6.7% y-y to THB150m and THB160m, respectively.

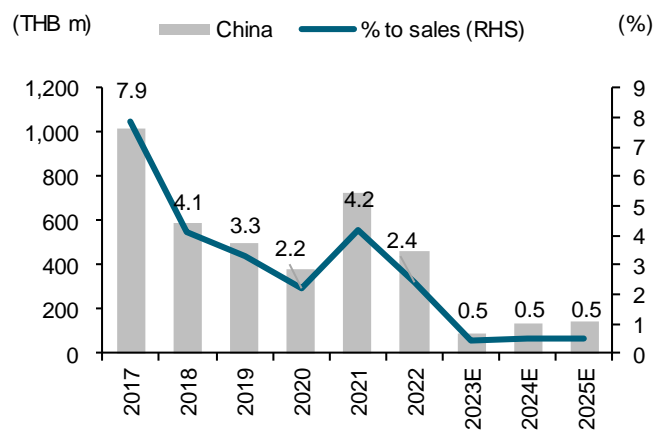
Even though the gross margin of concentrates might be higher than that of finished goods, we expect the amount of profit will decrease in line with the lower revenue. Overall, we cut China from being a key growth driver for CBG in the future.

**Exhibit 10: Quarterly China revenue and growth**



Sources: CBG, FSSIA estimates

**Exhibit 11: Yearly China revenue and contributions**



Sources: CBG, FSSIA estimates

## Beer business might be the next key growth driver

In 2022, CBG recognized revenue from third-party products for distribution of THB5.35b (+50% y-y), accounting for 27.8% of total sales. These distributor fees have a low gross margin of only 8-10%, and the gross profit accounted for only 10% of total gross profit.

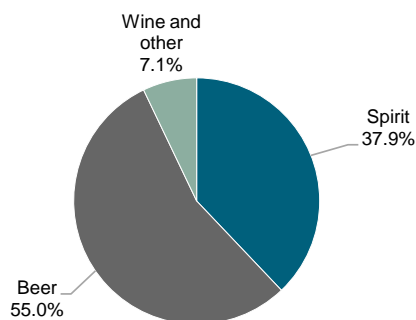
CBG's third-party products in 2022 were mainly alcoholic beverages with revenue of THB5b, belonging to Tawandang 1999 Company Limited (not listed) – held by CBG's management (Mr. Sathien Sathientham and Mr. Romtham Sathientham). Most alcohol products are spirits, e.g. a premium Thai vodka named Khao Hom, a Korean-style spirit named Tae Yang Soju, and a brandy named Galaxy.

In 3Q23, Tawandang 1999 launched its new beer product within two brands, named Carabao and Tawandang, while there are five beer flavors. Its first phase production capacity is around 200 million liters per year – 25 million units per month or 300 million units per year. Tawandang plans to expand its second phase to 400 million liters in 4Q24. In addition, management set its beer market share target at 10% of the total beer market.

Thailand's beer market value was USD8.2b or THB287b in 2022. It has been relatively stable over the past 10 years, mainly due to 1) lower purchasing power; 2) an increase in excise taxes; and 3) the government's policy to reduce alcohol consumption for the prevention of road accidents. The market leader is Boonrawd Brewery (not listed), which has 57.9% of the total beer market share, followed by ThaiBev (THBEV SP) at 34.4% and Thai Asia Pacific Brewery (not listed) at 4.7%.

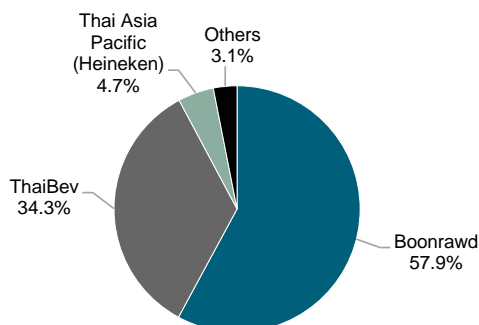
The Thai beer market is likely saturated, and may only grow at a 4.8% CAGR during 2023-27 (source: Statista). In addition, the Thai beer market is oligopolistic with a few major players. We think it will be a challenge for a new player to break into the market. However, we have a positive outlook for CBG in the future, due to the enormous beer market value.

**Exhibit 12: Thailand alcohol market breakdown by product**



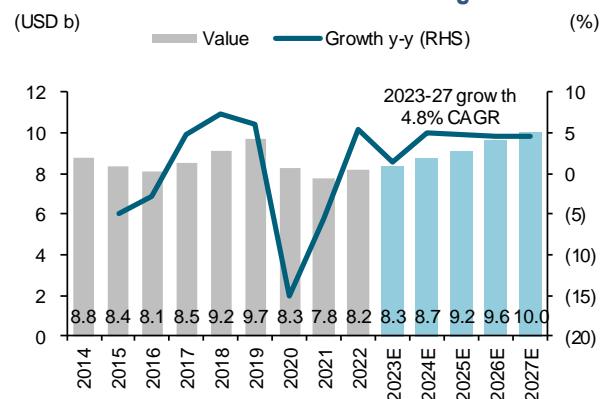
Source: National Food Institute

**Exhibit 14: Beer market share breakdown by company**



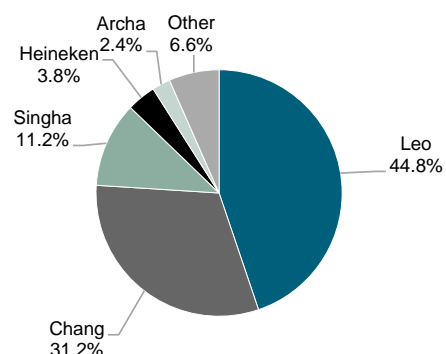
Source: National Food Institute

**Exhibit 13: Thailand beer market value and growth**



Sources: Statista, FSSIA's compilation

**Exhibit 15: Beer market share breakdown by brand**



Source: National Food Institute



## Another challenging year to focus on cost management

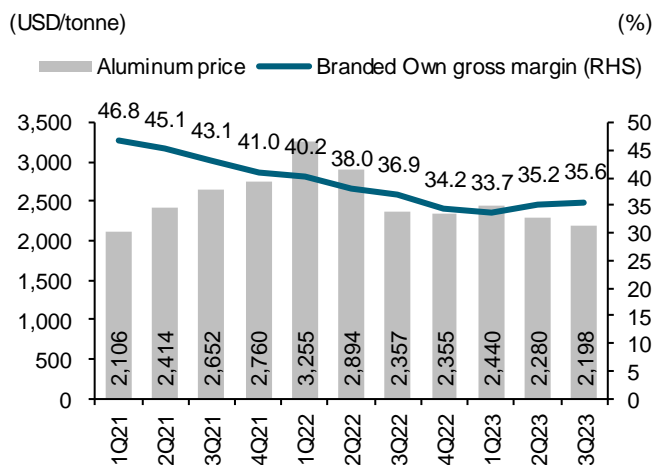
The company faced the hardest inflation impact in 2021-22, mainly from Covid-19, the container shortage, and Russia-Ukraine war. To elaborate, its 2021-22 branded own gross margin was equal to 44.2% and 37.4% respectively, plunging from 47.7% in 2020. There were three main reasons: 1) a spike in the aluminum prices by 44% y-y and 9.4% y-y to USD2,484 per ton and USD2,717 per ton in 2021-22, respectively; 2) higher utility costs due to an increased FT charge; and 3) a lower utilization rate.

Despite this, we have started to see a profitability recovery, with its 3Q23 branded own gross margin at 35.6%, improving from 35.2% in 2Q23. We still expect to see a branded own gross margin improvement in 2H23, mainly from a higher utilization rate and declining packaging and utility costs. However, we estimate that its 4Q23 overall gross margin will drop to 21% from 26.8% in 3Q23, due to a product mix change from a higher beer-related contribution, which has a low gross margin.

Moreover, the company is faced with soaring sugar prices, which should impact its costs in 1Q24 onward. To elaborate, we assume its 2024 domestic and export sugar cost to increase by 10% and 20%, respectively, in line with the government's announcement to raise the domestic sugar price by THB2 per kg to THB21-22 per kg.

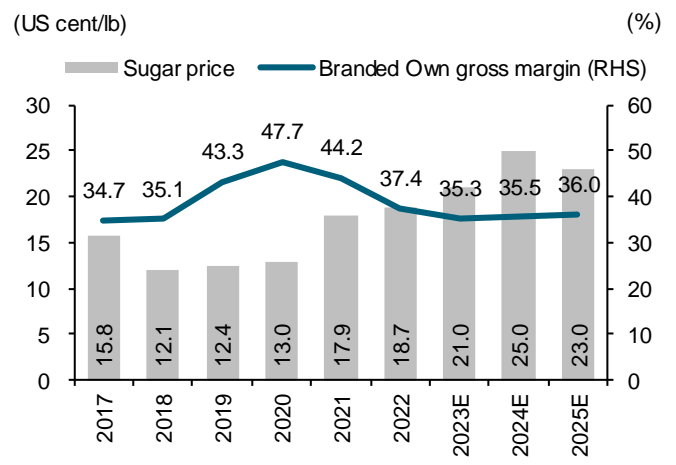
Overall, we project CBG's 2023 branded own gross margin to drop to 35.1% from 37.4% in 2022. It has already passed the bottom in 1Q23. Meanwhile, we forecast its gross margin to recover to 35.5% in 2024. However, it should be lower than its historical margin at around 43-44%, due to 1) changing China's model recognition; and 2) higher sugar prices.

**Exhibit 16: Quarterly gross margin and aluminum price**



Sources: Bloomberg, CBG, FSSIA's compilation

**Exhibit 17: Branded own gross margin and sugar price**



Sources: Bloomberg, CBG, FSSIA estimates

## Expect sharp profits for at least the next two quarters

We project a 4Q23 net profit of THB650m (+23% q-q, +61% y-y), due to a full quarter of beer packaging recognition and starting to receive revenue from beer distribution. For energy drinks, we expect domestic revenue to slightly increase q-q, in line with seasonality. Aside from that, its 4Q23 overseas revenue should recover q-q due to the low bases from Cambodia and Myanmar in 3Q23.

We forecast its 4Q23 overall gross margin to sharply drop to 21% from 26.8% in 3Q23, mainly due to the product mix change following a higher beer contribution.

Even though CBG has continued its domestic marketing campaign through 4Q23, the company has focused on managing its marketing expenses, keeping them below its planned level. Meanwhile, the company has continued to focus on administration expenses. Aside from that, we expect its 4Q23 total revenue growth to spike by 47% q-q and 54% y-y. Hence, we expect that 4Q23 SG&A to sales will drop to 9.9%, down from 13.9% in 3Q23 and 17.3% in 3Q22. Assuming in-line results, CBG's 2023 net profit would equal THB1.92b (-16% y-y).

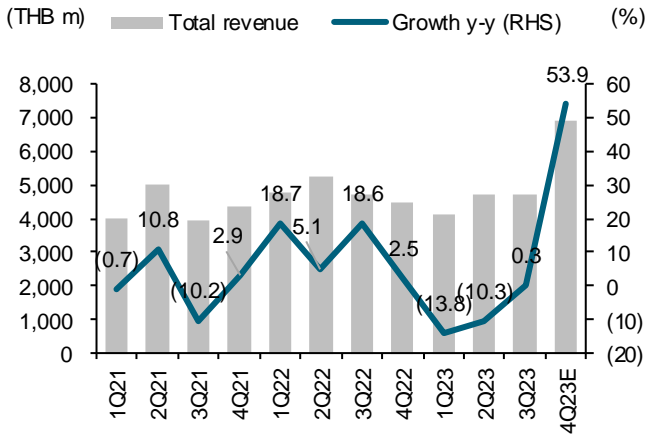
Moreover, we estimate that the strong net profit growth will continue into 1Q24, after recognizing a full quarter of beer-related revenue – from both packaging and distribution. However, since this is the launch period, we will continue to monitor the success of its beer business in the future. Management mentioned that the actual beer orders would appear in the next six months after the grand opening – April 2024. Hence, CBG will make a decision about its glass production capacity expansion after it is running at full capacity.

### Exhibit 18: 4Q23 earnings preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	----- Change -----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	4,490	4,124	4,707	4,707	6,909	46.8	53.9	19,215	20,446	6.4
Cost of sales	3,299	3,107	3,447	3,445	5,458	58.4	65.4	13,582	15,461	13.8
Gross profit	1,191	1,017	1,260	1,262	1,451	15.0	21.8	5,633	4,985	(11.5)
SG&A	772	729	712	655	687	4.8	(11.0)	3,078	2,783	(9.6)
Operating profit	492	350	588	650	804	23.6	63.4	2,794	2,388	(14.5)
Interest expense	35	36	44	51	52	1.8	50.1	115	183	58.9
Tax expense	55	61	80	80	113	40.5	107.3	433	334	(22.7)
Reported net profit	404	264	482	530	650	22.8	61.1	2,282	1,921	(15.8)
Core profit	404	264	482	530	650	22.8	61.1	2,282	1,921	(15.8)
<b>Key Ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>			
Gross margin	26.5	24.7	26.8	26.8	21.0	(5.8)	(5.5)	29.3	24.4	(4.9)
SG&A / Sales	17.2	17.7	15.1	13.9	9.9	(4.0)	(7.2)	16.0	13.6	(2.4)
Operating margin	11.0	8.5	12.5	13.8	11.6	(2.2)	0.7	14.5	11.7	(2.9)
Net margin	9.0	6.4	10.2	11.3	9.4	(1.8)	0.4	11.9	9.4	(2.5)
Core margin	9.0	6.4	10.2	11.3	9.4	(1.8)	0.4	11.9	9.4	(2.5)
<b>Operating Statistics (THB m)</b>										
Branded Own sales	2,756	2,486	3,017	2,798	3,002	7.3	8.9	12,591	11,303	(10.2)
Branded OEM sales	82	49	64	61	65	6.6	(20.7)	467	239	(48.7)
3rd-party sales	1,478	1,464	1,452	1,450	3,422	136.0	131.5	5,349	7,788	45.6
Other (packaging)	174	124	174	398	420	5.5	141.4	808	1,116	38.1
GM - Branded Own (%)	34.2	33.7	35.2	35.6	35.8	0.2	1.6	38.4	34.8	(3.6)
GM - Branded OEM (%)	12.2	12.1	14.1	18.0	18.0	(0.0)	5.8	11.4	14.7	3.3
GM - 3rd party (%)	12.2	9.6	10.0	10.0	7.1	(2.9)	(5.2)	9.6	9.9	0.3
GM - other (%)	32.2	26.7	25.3	27.6	28.0	0.4	(4.2)	40.5	26.5	(14.0)
Domestic sales (% of total sales)	67.8	67.9	68.0	75.3	80.9	5.6	13.1	60.1	64.2	4.1
Overseas sales (% of total sales)	32.2	32.1	32.0	24.7	19.1	(5.6)	(13.1)	39.9	35.8	(4.1)
Domestic sales (THB m)	3,046	2,799	3,202	3,546	5,591	57.7	83.5	9,285	9,547	2.8
Overseas sales (THB m)	1,444	1,325	1,505	1,161	1,318	13.5	(8.7)	5,441	3,991	(26.6)
CLMV	1,292	1,194	1,291	953	1,148	20.4	(11.2)	4,617	3,438	(25.5)
China	22	9	41	38	5	(86.8)	(77.3)	445	88	(80.2)
UK	45	39	56	48	45	(6.3)	0.0	148	143	(3.4)
Others	84	83	117	123	120	(2.4)	42.9	230	323	40.4

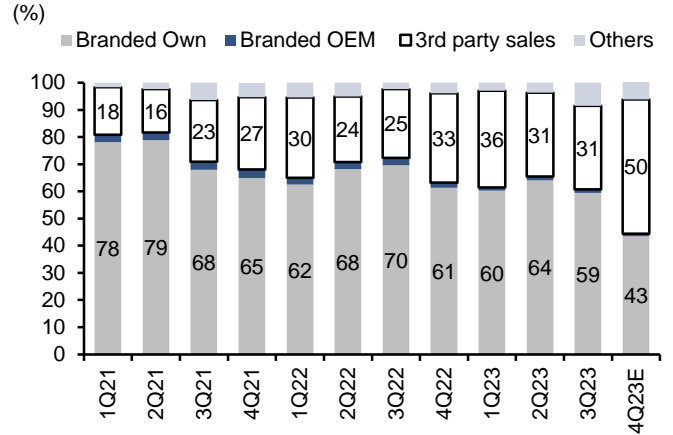
Sources: CBG; FSSIA estimates

**Exhibit 19: Quarterly total revenue and growth**



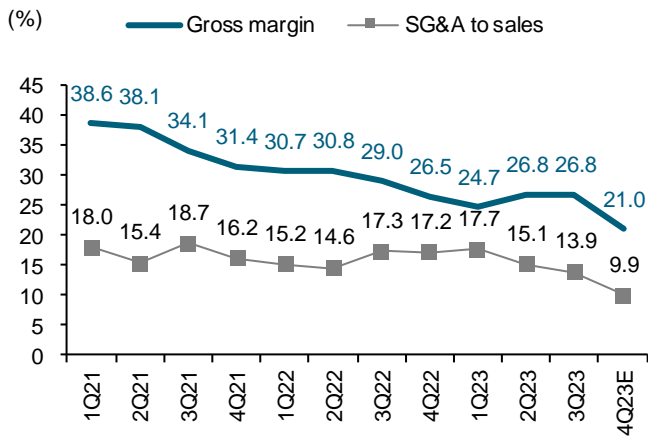
Sources: CBG; FSSIA estimates

**Exhibit 20: Revenue proportion**



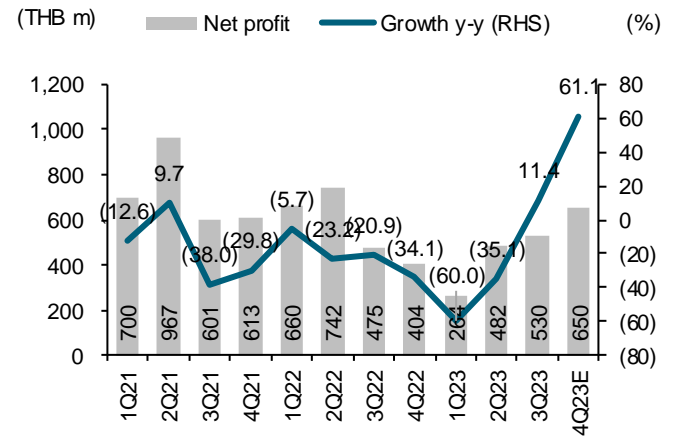
Sources: CBG; FSSIA estimates

**Exhibit 21: Quarterly gross margin and SG&A to sales**



Sources: CBG; FSSIA estimates

**Exhibit 22: Quarterly net profit and growth**



Sources: CBG; FSSIA estimates

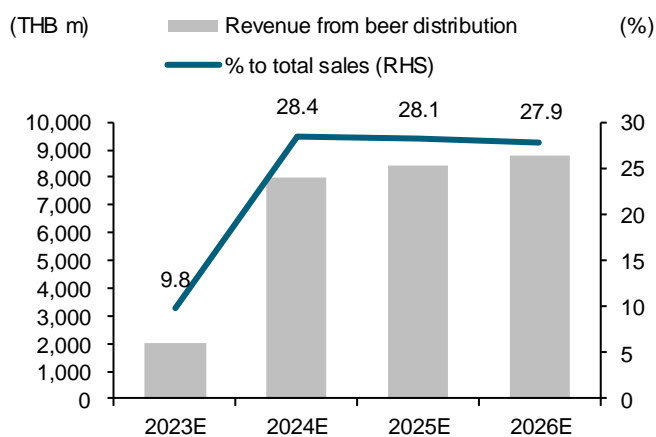
## Beer numbers have appeared, but continue to monitor feedback

Management set CBG’s beer targets as follows: 1) sales volume of around 25 million units per month or 300 million units per year; 2) a profit of THB1.67 per unit from packaging and another THB0.75 per unit from distributor fees; 3) Tawandang is to support 50% of Carabao Cup’s sponsorship expenses of GBP3m per year for the next three years; and 4) CBG plans to expand its glass production capacity in 2024.

We have consolidated the beer business into our assumptions. In the best case, assuming that CBG can achieve 100% of its target, its 2024 profit from the beer business would be high at around THB720m – accounting for 25% of our 2024 net profit forecast.

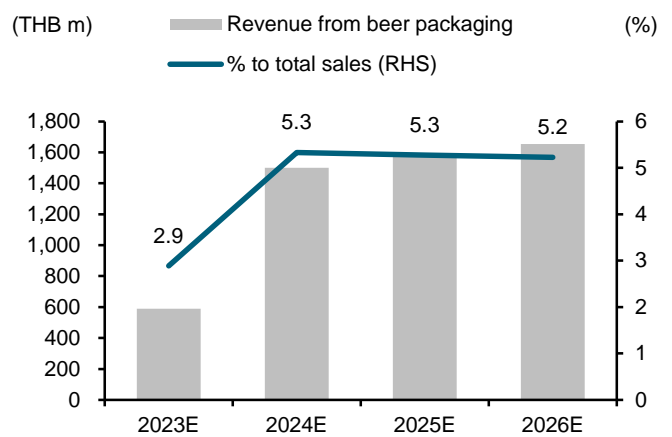
However, we intend to monitor the beer business feedback after it passes the introduction stage. The failure of the beer business could create a downside to our projection.

**Exhibit 23: Revenue forecast – beer distribution**



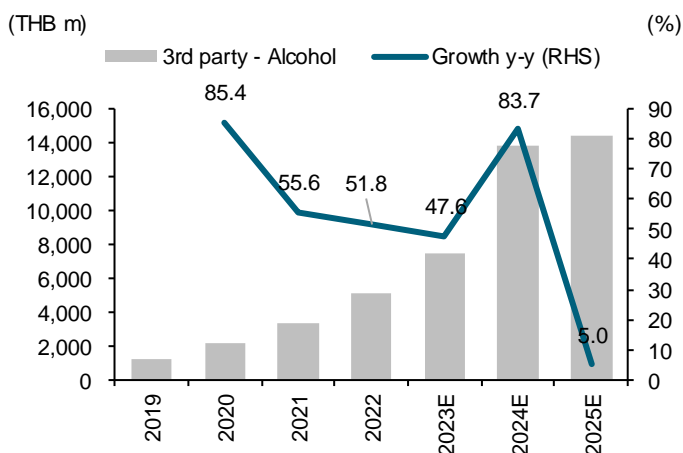
Source: FSSIA estimates

**Exhibit 24: Revenue forecast – beer packaging**



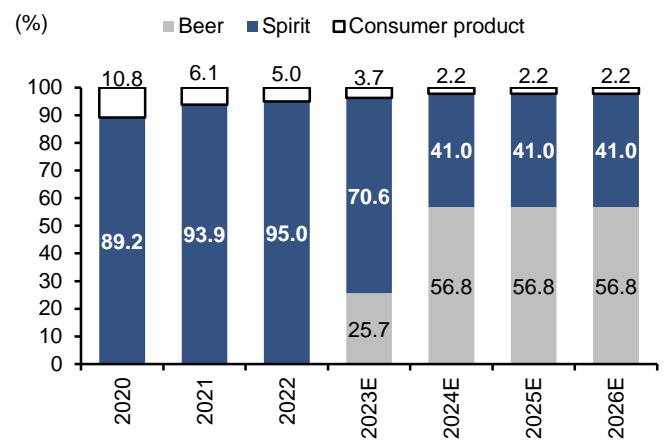
Source: FSSIA estimates

**Exhibit 25: Yearly alcohol sales (spirits and beer)**



Sources: CBG, FSSIA estimates

**Exhibit 26: Third-party revenue breakdown by product**



Sources: CBG, FSSIA estimates

## Beer to support accelerated growth in 2024

We forecast 2024 net profit to spike by 48% y-y to THB2.84b, thanks to accelerated total revenue growth by 37.7% y-y. The main reasons are as follows:

1. We expect the branded own business to grow by 8.7% y-y from the low base in 2023, supported by an overseas recovery in Cambodia and Myanmar. The company plans to build up its production capacity in Myanmar by transferring its own machinery from Thailand, which should be completed and commercially running in 2Q24. Aside from that, CBG will maintain its price of THB10 for the Carabao Dang energy drink in 2024 to regain more market share.
2. We estimate 2024 branded OEM revenue to increase by 15% y-y, as the company will relaunch a ready-to-drink coffee with a new selling price at THB15 per bottle; lower than two major competitors in the market.
3. We expect 2024 beer-related revenue of around THB9.5b, accounting for 34% of total revenue. It would come from revenue from beer packaging of THB8b and beer distribution fees of THB1.5b. Our beer assumptions are in line with management's targets.

We estimate the 2024 overall gross margin to drop to 21.4% from 24.4% in 2023, due to a higher beer revenue contribution – which has a low gross margin at only 5% from distributor fees. Meanwhile, its SG&A expense should decline in line with lower expenses from the beer business, thanks to higher operating leverage by utilizing existing assets more. Aside from that, its sponsorship expenses should decrease by 50% to THB130m per year.

However, if the beer business is not successful and the beer profit contribution is lower than our forecast, it could create downside to our projection by around 25% at most. In the worst case – excluding the beer business – our 2024 net profit forecast would equal THB2.12b (+11% y-y), all else being equal.

### Exhibit 27: Key assumptions for CBG

	Actual	Forecast			Growth		
	2022 (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	19,215	20,446	28,144	29,844	6.4	37.7	6.0
Costs	13,582	15,461	22,110	23,384	13.8	43.0	5.8
Gross profit	5,633	4,985	6,034	6,461	(11.5)	21.0	7.1
SG&A expense	3,078	2,783	2,814	2,984	(9.6)	1.1	6.0
Interest expense	115	183	174	185	58.9	(4.6)	5.9
Profit sharing	5	19	25	28	319.7	30.7	12.0
Reported net profit	2,286	1,921	2,844	3,051	(16.0)	48.1	7.3
Core profit	2,286	1,921	2,844	3,051	(16.0)	48.1	7.3
<b>Key ratios (%)</b>							
Total revenue growth	10.7	6.4	37.7	6.0			
Net profit growth	(20.6)	(16.0)	48.1	7.3			
Core profit growth	(20.6)	(16.0)	48.1	7.3			
Gross margin	29.3	24.4	21.4	21.6	(4.9)	(2.9)	0.2
SG&A to sales	16.0	13.6	10.0	10.0	(2.4)	(3.6)	0.0
Net margin	11.9	9.4	10.1	10.2	(2.5)	0.7	0.1
Core margin	11.9	9.4	10.1	10.2	(2.5)	0.7	0.1
<b>Operating statistics (THB m)</b>							
Branded Own sales	12,591	11,303	12,283	13,176	(10.2)	8.7	7.3
Branded OEM sales	467	239	275	303	(48.7)	15.0	10.0
3rd party sales	5,350	7,788	14,086	14,790	45.6	80.9	5.0
-Spirit	5,083	5,500	5,775	6,064	8.2	5.0	5.0
-Beer	0	2,000	8,000	8,400	nm	300.0	5.0
Other (packaging) sales	807	1,116	1,500	1,575	38.2	34.4	5.0
GM - Branded Own (%)	37.4	35.1	35.5	35.8	(2.3)	0.4	0.3
GM - Branded OEM (%)	11.6	15.7	18.0	18.0	4.2	2.3	0.0
GM - 3rd party (%)	10.4	8.6	7.4	7.2	(1.7)	(1.3)	(0.2)
GM - Beer (%)	0.0	5.0	5.0	5.0	nm	0.0	0.0
Domestic sales (THB m)	12,332	15,166	22,276	23,403	23.0	46.9	5.1
Overseas sales (THB m)	6,883	5,280	5,868	6,441	(23.3)	11.1	9.8
Domestic sales (% of total sales)	64.2	74.2	79.1	78.4	10.0	5.0	(0.7)
Overseas sales (% of total sales)	35.8	25.8	20.9	21.6	(10.0)	(5.0)	0.7
Aluminum price (USD per tonne)	2,711	2,300	2,300	2,300	(15.2)	0.0	0.0
Sugar price (US cent per pound)	18.7	21.0	25.0	23.0	12.1	19.0	(8.0)

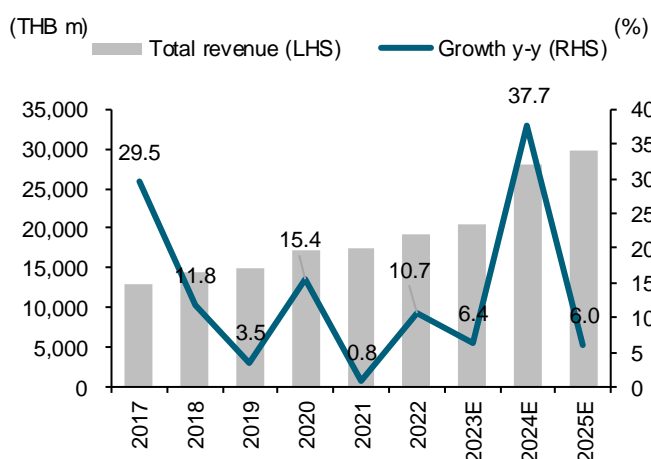
Sources: CBG; FSSIA estimates

**Exhibit 28: Assumptions and sensitivity analysis for beer business**

	Actual	FSSIA's forecast			
	2022 (THB m)	2023E (THB m)	20% of target	50% of target	100% of target
Net profit from beer business					
Management's guidance for beer business					
Sales volume 25mn unit per month	0	0	144	360	720
Packaging profit THB1.67 per unit					
Distributor profit THB0.75 per unit					
Net profit from existing business	2,286	1,921	2,124	2,124	2,124
Total net profit	2,286	1,921	2,268	2,484	2,844
Total net profit growth (%)	(20.6)	(16.0)	18.1	29.3	48.1
Beer profit contribution (%)			6.3	14.5	25.3
No. of shares (m)	1,000	1,000	1,000	1,000	1,000
EPS (THB)	2.29	1.92	2.27	2.48	2.84
1.Existing business (Energy drink)					
EPS (THB)	2.29	1.92	2.12	2.12	2.12
Target P/E (x)			35.0	35.0	35.0
Target price (THB)			74.3	74.3	74.3
2.Packaging+Distributor (Beer)					
EPS (THB)			0.1	0.4	0.7
Target P/E (x)			17.0	17.0	17.0
Target price (THB)			2.4	6.1	12.2
Total business (1+2)					
Target price (THB)			76.8	80.5	86.6
Implied P/E (x)			33.9	32.4	30.4

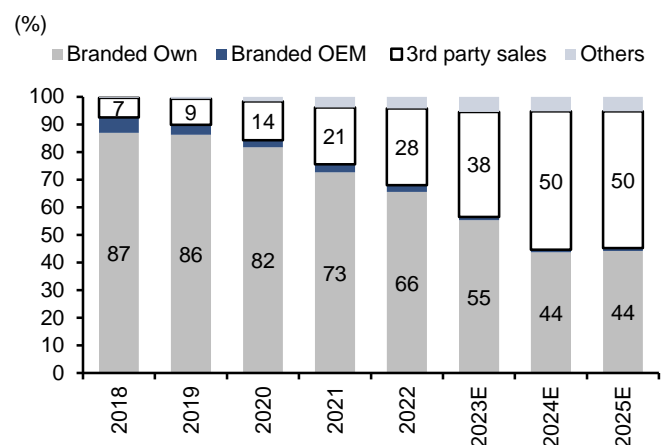
Sources: CBG; FSSIA estimates

**Exhibit 29: Yearly total revenue and growth**



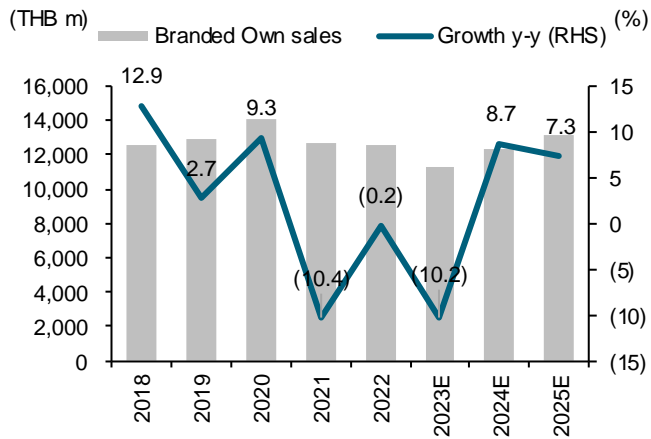
Sources: CBG; FSSIA estimates

**Exhibit 30: Yearly revenue proportion**



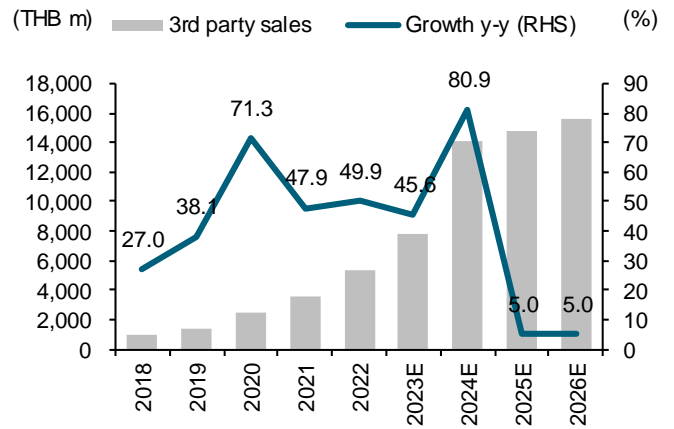
Sources: CBG; FSSIA estimates

**Exhibit 31: Yearly branded own revenue and growth**



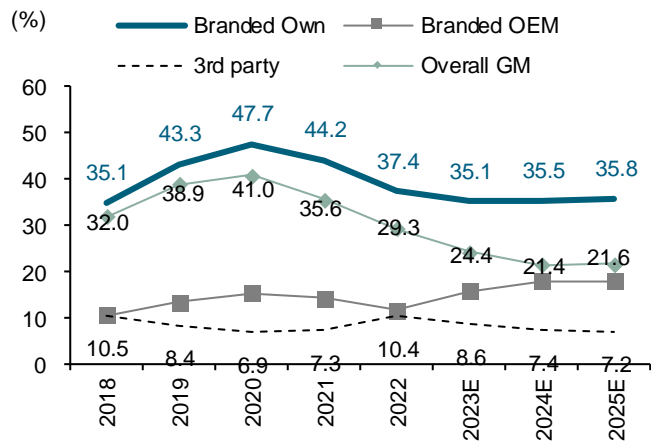
Sources: CBG; FSSIA estimates

**Exhibit 32: Yearly third-party revenue**



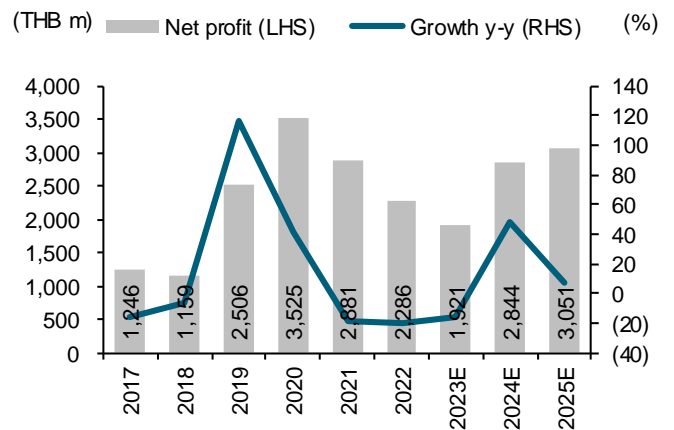
Sources: CBG; FSSIA estimates

**Exhibit 33: Yearly gross margin**



Sources: CBG; FSSIA estimates

**Exhibit 34: Yearly net profit and growth**



Sources: CBG; FSSIA estimates

## Sensitivity analysis of impact of sugar and labor cost increases

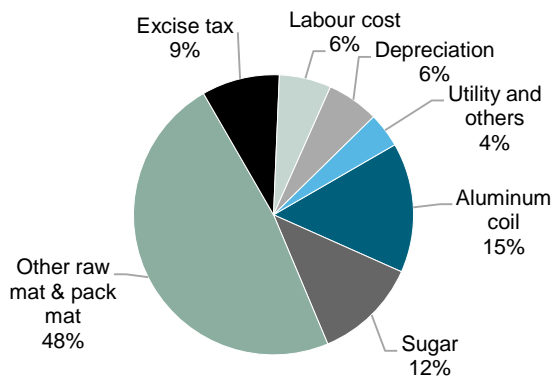
### #1: Higher sugar prices

Sugar is one of CBG’s key raw materials, accounting for 6% of COGS in 2022. 2023 YTD, the world sugar price has spiked by 24.6% y-y to US cent 23.5 per pound. Meanwhile, CBG has to use sugar for export – Quota C. Currently, most Thai sugar factories have started to lock in selling prices for 2024 export sales volumes at around US cent 25-26 per pound, an increase by 20% y-y.

CBG has a policy to price-lock the sugar price by around 6-12 months in advance. Therefore, we expect the company should recognize the impact of the higher sugar price from 1Q24 onward, and see a full-year impact in 2024. Our 2024 sugar price assumptions are THB21 per kg for domestic sugar (Quota A) and US cent 25 per pound (Quota C), which are 10% y-y and 19% y-y increases, respectively. Hence, we forecast CBG’s 2024 branded own gross margin to slightly rise to 35.5% from 35.1% in 2023, thanks to a higher utilization rate, a declining aluminum coil price and lower utility costs to offset the rising sugar price.

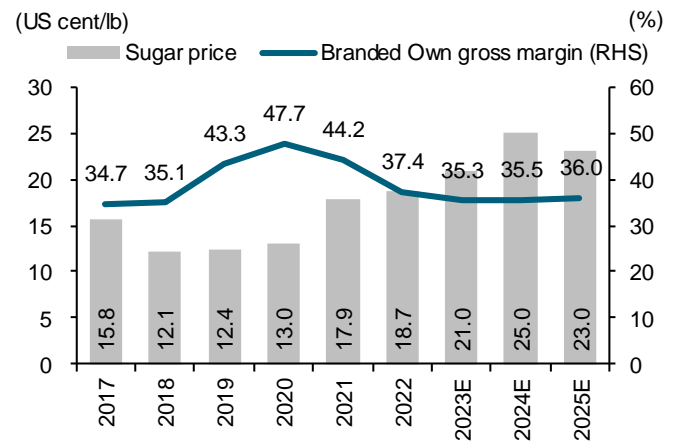
Based on our analysis, if the sugar price increases more than our assumption, for every 10%, all else being equal, we estimate 2024 net profit would fall by 4.8%.

Exhibit 35: Cost breakdown in 2022



Sources: CBG, FSSIA’s compilation

Exhibit 36: Projected sugar price and gross margin



Sources: Bloomberg, CBG, FSSIA estimates

### #2: Minimum wage hike

At the end of 2022, CBG had 3,480 employees, which generated personnel expenses accounting for c10% of total revenue in 2022. Regarding CBG’s 2022 annual report, 70% of employees participated in the provident fund. Therefore, we estimate 30% of employees should be minimum wage laborers.

Based on our analysis, a 13% minimum wage increase to THB400 per day, while other factors remain unchanged, would cause net profit to fall by 3.5%. The wage hike impact should be limited, as the beverage industry requires capital-intensive and highly mechanized industrial processes.



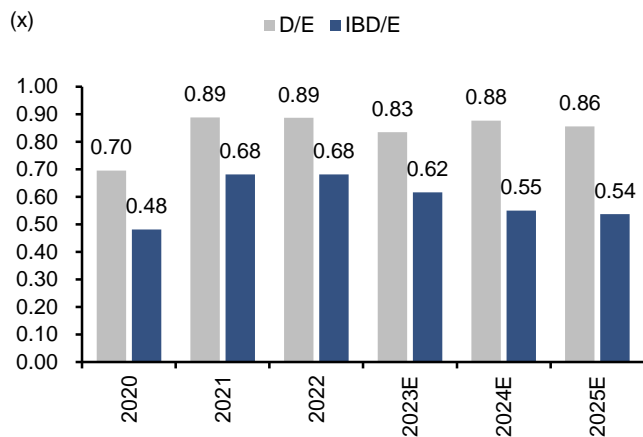
## Balance sheet is healthy

CBG has a strong balance sheet with high liquidity, we expect the 2023 debt-to-equity ratio will be only at 0.83x, slightly down from 0.89x. As of September 2023, its interest-bearing debt was at THB5.9b (+16% from end of 2022), and its IBD/E ratio was low at 0.6x.

In addition, our 2023-24 return on equity forecast is high at 16.9% and 22.4%, respectively. We expect the company can improve its return on assets by 9.1% in 2023, and up to 12% in 2024, after increasing the utilization rate of both its glass production and filling production capacity.

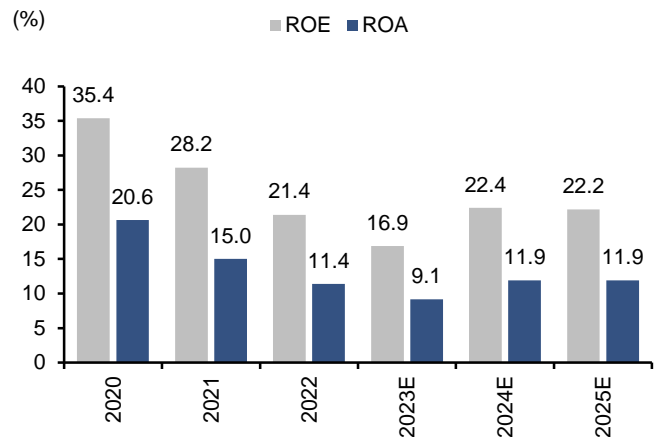
The company plans to expand the capacity of its one glass production line with an investment of THB1b in 2024. We believe the company has enough cash on hand and also has the ability to provide financing to obtain sufficient funding.

Exhibit 37: D/E and IBD/E ratio



Sources: CBG, FSSIA estimates

Exhibit 38: ROE and ROA



Sources: CBG, FSSIA estimates

## Valuation

We use a relative P/E method to evaluate CBG's fair value. Our 2024 target price is THB87, based on an SoTP valuation. It takes into consideration its two main businesses: energy drinks, and beer (OEM packaging and distribution) with 2024 P/E targets at 35x/17x, respectively. For the beer business, the P/E target is in line with the average P/E of listed glass packaging manufacturers and distributors – BJC TB (not rated) and BGC TB (not rated). Our TP implies a 2024 P/E target of 30.4x, in line with CBG's five-year historical average (-0.25 SD).

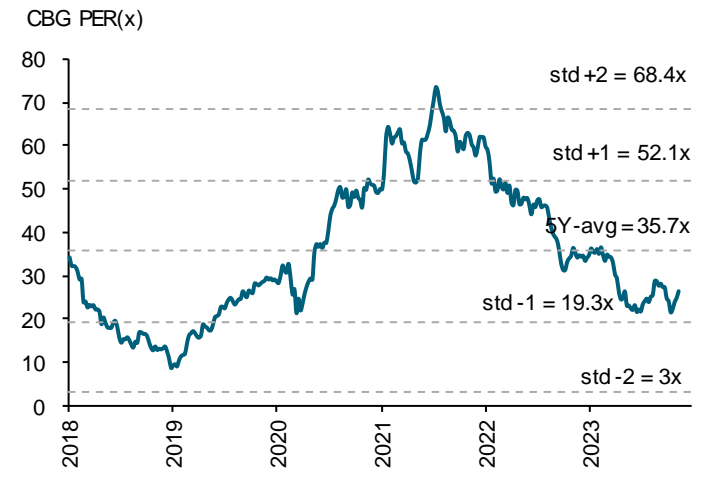
The current share price is trading at 28x 2024E P/E and has an upside of only 8.8%. Hence, we reinitiate coverage with a HOLD recommendation. However, we suggest investors monitor its beer performance, as it could be a downside to our current projection. Based on our analysis, if we exclude the beer business, our 2024 target price would equal THB74.

### Exhibit 39: Peers comparison – beverage companies – as of 17 Nov 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>														
Carabao Group	CBG TB	HOLD	80.00	87.00	9	2,281	41.6	28.1	17.4	23.6	7.0	6.3	26.8	20.1
Osotspa	OSP TB	BUY	24.30	28.50	17	2,081	33.4	27.7	12.6	16.2	4.5	4.5	17.5	15.3
Sappe	SAPPE TB	BUY	75.75	96.50	27	666	19.6	17.6	34.9	35.7	6.6	6.0	13.2	11.8
Ichitan Group	ICHI TB	BUY	15.00	19.00	27	556	19.5	18.2	16.2	17.4	3.2	3.2	10.4	10.0
TAC Consumer	TACC TB	BUY	4.28	6.60	54	74	12.9	10.5	26.0	31.0	3.3	3.2	6.7	5.6
<b>Thailand average</b>						<b>5,659</b>	<b>25.4</b>	<b>20.4</b>	<b>21.4</b>	<b>24.8</b>	<b>4.9</b>	<b>4.6</b>	<b>15.0</b>	<b>12.6</b>
<b>Global</b>														
Tata Consumer Products	TATACONS IN	n/a	930.85	n/a	n/a	10,386	76.2	60.6	7.4	8.5	5.4	5.1	46.1	38.0
Eastroc Beverage Group	605499 CH	n/a	180.40	n/a	n/a	10,029	36.3	28.3	31.0	30.9	11.3	8.8	24.8	19.7
Cheng Du Lolo	000848 CH	n/a	8.32	n/a	n/a	1,214	13.5	11.7	20.6	20.3	2.7	2.4	n/a	n/a
Nongfu Spring	9633 HK	n/a	45.05	n/a	n/a	65,336	45.7	39.2	40.5	40.0	17.1	14.7	29.0	24.9
Monster Beverage Corp	MNST US	n/a	54.79	n/a	n/a	57,006	35.2	30.1	21.6	22.1	7.2	6.4	25.6	21.7
PepsiCo Inc	PEP US	n/a	166.76	n/a	n/a	229,272	22.1	20.5	56.3	52.8	11.7	10.2	15.7	14.7
Coca-Cola Co/The	KO US	n/a	57.26	n/a	n/a	247,559	21.4	20.5	44.5	43.3	9.0	8.4	19.3	18.0
National Beverage Corp	FIZZ US	n/a	47.94	n/a	n/a	4,475	31.6	25.9	47.1	37.8	11.8	8.2	20.7	17.8
Dutch Bros Inc	BROS US	n/a	27.85	n/a	n/a	4,933	104.3	77.6	18.8	13.3	12.9	11.4	36.4	29.7
Celsius Holdings Inc	CELH US	n/a	49.97	n/a	n/a	11,577	64.4	51.1	119.7	62.6	47.6	23.6	39.1	29.2
<b>Global average</b>						<b>641,788</b>	<b>45.1</b>	<b>36.5</b>	<b>40.8</b>	<b>33.2</b>	<b>13.7</b>	<b>9.9</b>	<b>28.5</b>	<b>23.7</b>
<b>Total average</b>						<b>647,446</b>	<b>38.5</b>	<b>31.2</b>	<b>34.3</b>	<b>30.4</b>	<b>10.8</b>	<b>8.2</b>	<b>23.7</b>	<b>19.7</b>

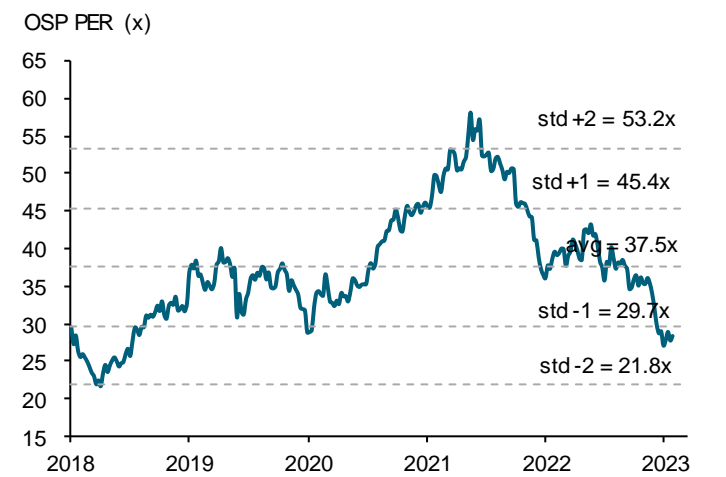
Sources: Bloomberg, FSSIA's compilation

**Exhibit 40: CBG - historical P/E band**



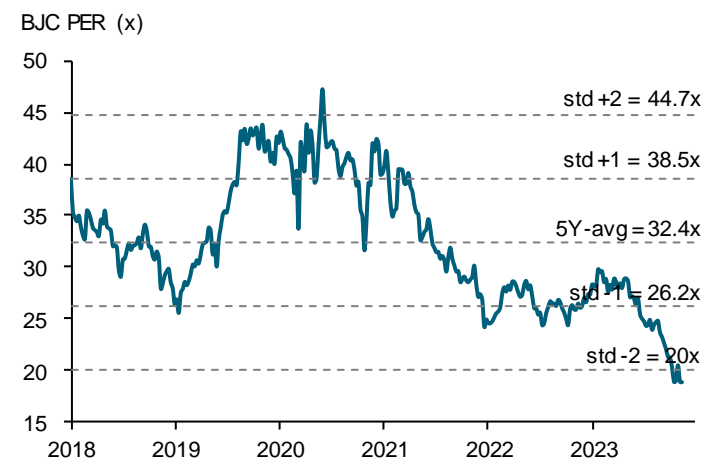
Sources: Bloomberg, FSSIA estimates

**Exhibit 41: OSP - historical P/E band**



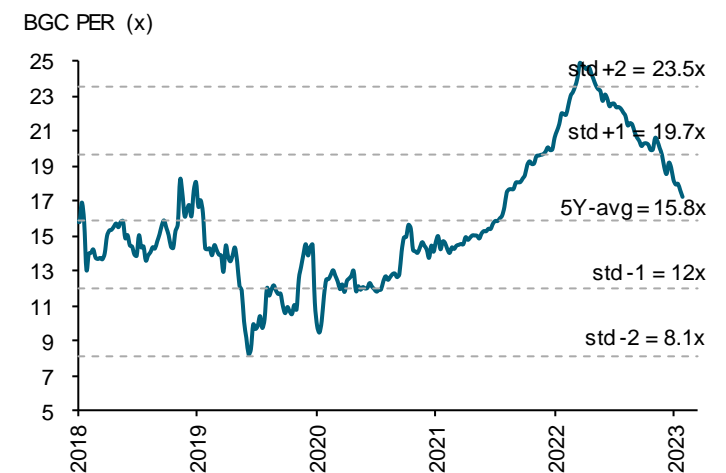
Sources: Bloomberg, FSSIA estimates

**Exhibit 42: BJC – historical P/E band**



Sources: Bloomberg, FSSIA estimates

**Exhibit 43: BGC – historical P/E band**



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Carabao Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	17,364	19,215	20,446	28,144	29,844
Cost of goods sold	(11,181)	(13,582)	(15,461)	(22,110)	(23,384)
<b>Gross profit</b>	<b>6,183</b>	<b>5,633</b>	<b>4,985</b>	<b>6,034</b>	<b>6,461</b>
Other operating income	205	239	186	225	215
Operating costs	(2,945)	(3,078)	(2,783)	(2,814)	(2,984)
<b>Operating EBITDA</b>	<b>4,197</b>	<b>3,607</b>	<b>3,226</b>	<b>4,298</b>	<b>4,559</b>
Depreciation	(753)	(813)	(838)	(853)	(868)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,444</b>	<b>2,794</b>	<b>2,388</b>	<b>3,445</b>	<b>3,691</b>
Net financing costs	(88)	(114)	(180)	(172)	(184)
Associates	0	5	19	25	28
Recurring non-operating income	0	5	19	25	28
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>3,356</b>	<b>2,684</b>	<b>2,227</b>	<b>3,297</b>	<b>3,535</b>
Tax	(513)	(433)	(334)	(491)	(526)
<b>Profit after tax</b>	<b>2,843</b>	<b>2,251</b>	<b>1,893</b>	<b>2,806</b>	<b>3,009</b>
Minority interests	38	35	28	37	40
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,881</b>	<b>2,286</b>	<b>1,921</b>	<b>2,843</b>	<b>3,049</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recurring net profit</b>	<b>2,881</b>	<b>2,286</b>	<b>1,921</b>	<b>2,843</b>	<b>3,049</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.88	2.29	1.92	2.84	3.05
Reported EPS	2.88	2.29	1.92	2.84	3.05
DPS	1.90	1.50	1.25	1.85	1.98
Diluted shares (used to calculate per share data)	1,000	1,000	1,000	1,000	1,000
<b>Growth</b>					
Revenue (%)	0.8	10.7	6.4	37.7	6.0
Operating EBITDA (%)	(16.0)	(14.1)	(10.6)	33.2	6.1
Operating EBIT (%)	(20.5)	(18.9)	(14.5)	44.3	7.1
Recurring EPS (%)	(18.3)	(20.6)	(16.0)	48.0	7.2
Reported EPS (%)	(18.3)	(20.6)	(16.0)	48.0	7.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	35.6	29.3	24.4	21.4	21.6
Gross margin exc. depreciation (%)	39.9	33.5	28.5	24.5	24.6
Operating EBITDA margin (%)	24.2	18.8	15.8	15.3	15.3
Operating EBIT margin (%)	19.8	14.5	11.7	12.2	12.4
Net margin (%)	16.6	11.9	9.4	10.1	10.2
Effective tax rate (%)	15.3	16.1	15.0	14.9	14.9
Dividend payout on recurring profit (%)	65.9	65.6	65.0	65.0	65.0
Interest cover (X)	39.3	24.5	13.4	20.1	20.2
Inventory days	67.0	72.2	70.9	60.8	67.1
Debtor days	33.4	40.7	42.6	32.0	34.0
Creditor days	58.5	51.8	49.6	49.4	60.6
Operating ROIC (%)	19.2	14.2	11.4	15.3	15.2
ROIC (%)	18.2	13.5	10.9	14.7	14.7
ROE (%)	28.6	21.9	17.4	23.6	23.1
ROA (%)	16.1	11.9	9.9	13.1	12.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Branded own	12,622	12,591	11,303	12,283	13,176
3rd party distribution	3,568	5,350	7,788	14,086	14,790
Branded OEM	504	467	239	275	303
Others (Packaging)	670	807	1,116	1,500	1,575

Sources: Carabao Group; FSSIA estimates

## Financial Statements

### Carabao Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	2,881	2,286	1,921	2,843	3,049
Depreciation	753	813	838	853	868
Associates & minorities	-	-	-	-	-
Other non-cash items	(300)	(19)	213	9	10
Change in working capital	(1,235)	(1,117)	314	(19)	5
<b>Cash flow from operations</b>	<b>2,099</b>	<b>1,963</b>	<b>3,285</b>	<b>3,686</b>	<b>3,932</b>
Capex - maintenance	(1,623)	(737)	(2,206)	(1,918)	(2,257)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(65)	(16)	49	(23)	(4)
<b>Cash flow from investing</b>	<b>(1,689)</b>	<b>(753)</b>	<b>(2,157)</b>	<b>(1,941)</b>	<b>(2,262)</b>
Dividends paid	(2,402)	(1,760)	(1,249)	(1,848)	(1,982)
Equity finance	0	0	0	0	0
Debt finance	2,159	326	(256)	(46)	414
Other financing cash flows	20	27	20	85	19
<b>Cash flow from financing</b>	<b>(223)</b>	<b>(1,408)</b>	<b>(1,484)</b>	<b>(1,809)</b>	<b>(1,549)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>188</b>	<b>(198)</b>	<b>(357)</b>	<b>(64)</b>	<b>121</b>
Free cash flow to firm (FCFF)	499.54	1,324.54	1,310.61	1,919.37	1,854.96
Free cash flow to equity (FCFE)	2,589.91	1,562.23	891.91	1,783.60	2,102.86

#### Per share (THB)

FCFF per share	0.50	1.32	1.31	1.92	1.85
FCFE per share	2.59	1.56	0.89	1.78	2.10
Recurring cash flow per share	3.33	3.08	2.97	3.71	3.93

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	15,797	16,143	17,819	19,525	21,262
Less: Accumulated depreciation	(2,817)	(3,291)	(3,564)	(3,905)	(4,252)
<b>Tangible fixed assets (net)</b>	<b>12,980</b>	<b>12,852</b>	<b>14,255</b>	<b>15,620</b>	<b>17,009</b>
<b>Intangible fixed assets (net)</b>	<b>653</b>	<b>612</b>	<b>596</b>	<b>597</b>	<b>598</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	103	162	162	163	165
Cash & equivalents	1,134	936	579	515	636
A/C receivable	1,756	2,533	2,241	2,699	2,862
Inventories	2,337	2,718	2,965	4,119	4,164
Other current assets	155	160	164	141	149
<b>Current assets</b>	<b>5,382</b>	<b>6,347</b>	<b>5,949</b>	<b>7,474</b>	<b>7,811</b>
Other assets	68	66	34	56	60
<b>Total assets</b>	<b>19,186</b>	<b>20,039</b>	<b>20,996</b>	<b>23,910</b>	<b>25,643</b>
Common equity	10,209	10,683	11,391	12,686	13,753
Minorities etc.	(99)	(118)	95	105	117
<b>Total shareholders' equity</b>	<b>10,111</b>	<b>10,565</b>	<b>11,486</b>	<b>12,791</b>	<b>13,870</b>
Long term debt	3,469	1,082	987	1,050	1,287
Other long-term liabilities	178	205	225	310	328
<b>Long-term liabilities</b>	<b>3,648</b>	<b>1,287</b>	<b>1,212</b>	<b>1,360</b>	<b>1,615</b>
A/C payable	1,769	1,853	2,118	3,635	3,844
Short term debt	3,484	6,198	6,037	5,928	6,105
Other current liabilities	174	137	143	197	209
<b>Current liabilities</b>	<b>5,427</b>	<b>8,187</b>	<b>8,298</b>	<b>9,760</b>	<b>10,158</b>
<b>Total liabilities and shareholders' equity</b>	<b>19,186</b>	<b>20,039</b>	<b>20,996</b>	<b>23,910</b>	<b>25,643</b>
Net working capital	2,304	3,422	3,108	3,127	3,122
Invested capital	16,109	17,114	18,155	19,563	20,954

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

#### Per share (THB)

Book value per share	10.21	10.68	11.39	12.69	13.75
Tangible book value per share	9.56	10.07	10.79	12.09	13.15

#### Financial strength

Net debt/equity (%)	57.6	60.0	56.1	50.5	48.7
Net debt/total assets (%)	30.3	31.7	30.7	27.0	26.3
Current ratio (x)	1.0	0.8	0.7	0.8	0.8
CF interest cover (x)	30.5	14.7	6.0	11.3	12.4

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>27.8</b>	<b>35.0</b>	<b>41.6</b>	<b>28.1</b>	<b>26.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>30.2</b>	<b>38.1</b>	<b>45.3</b>	<b>30.6</b>	<b>28.5</b>
Reported P/E (x)	27.8	35.0	41.6	28.1	26.2
Dividend yield (%)	2.4	1.9	1.6	2.3	2.5
Price/book (x)	7.8	7.5	7.0	6.3	5.8
Price/tangible book (x)	8.4	7.9	7.4	6.6	6.1
EV/EBITDA (x) **	20.4	23.9	26.8	20.1	19.1
EV/EBITDA @ target price (x) **	22.1	25.8	29.0	21.8	20.6
EV/invested capital (x)	5.3	5.0	4.8	4.4	4.1

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

Sources: Carabao Group; FSSIA estimates

# Carabao Group PCL (CBG TB)

**FSSIA ESG rating**

**51.54 /100**
**Exhibit 44: FSSIA ESG score implication**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

**Exhibit 45: ESG – peer comparison**

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
CBG	51.54	--	Y	Y	4.00	4.00	Declared	High	59.58	B	--	33.28	56.00	2.14	41.92
ICHI	43.67	--	Y	Y	5.00	5.00	Certified	High	61.36	--	--	--	18.00	--	--
OSP	61.48	--	Y	Y	5.00	4.00	Declared	Medium	68.64	BBB	--	63.08	51.00	3.00	63.65
SAPPE	35.25	--	Y	Y	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
TACC	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
**Exhibit 46: ESG score by Bloomberg**

FY ending Dec 31	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.42</b>	<b>2.14</b>	<b>—</b>
BESG environmental pillar score	0.67	1.92	—
BESG social pillar score	0.74	0.78	—
BESG governance pillar score	3.60	4.25	—
<b>ESG disclosure score</b>	<b>34.38</b>	<b>41.92</b>	<b>—</b>
Environmental disclosure score	20.27	31.89	—
Social disclosure score	19.20	30.20	—
Governance disclosure score	63.58	63.58	—
<b>Environmental</b>			
Emissions reduction initiatives	Yes	Yes	No
Climate change policy	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	Yes	Yes	Yes
GHG scope 1	—	16	82
GHG scope 2 location-based	—	43	42
GHG Scope 3	—	1	74
Carbon per unit of production	—	—	—
Biodiversity policy	No	No	No
Energy efficiency policy	Yes	Yes	No
Total energy consumption	90	135	—
Renewable energy use	—	6	—
Electricity used	90	88	—
Fuel used - natural gas	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 47: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Fuel used - crude oil/diesel	No	No	No
Waste reduction policy	Yes	Yes	No
Hazardous waste	—	0	—
Total waste	5	7	—
Waste recycled	4	7	—
Waste sent to landfills	—	0	—
Environmental supply chain management	No	No	No
Water policy	Yes	Yes	Yes
Water consumption	3,070,910	1,110,020	—
<b>Social</b>			
Human rights policy	Yes	Yes	Yes
Policy against child labor	No	No	No
Quality assurance and recall policy	Yes	Yes	Yes
Consumer data protection policy	No	No	No
Equal opportunity policy	No	No	No
Gender pay gap breakout	No	No	Yes
Pct women in workforce	33	34	—
Pct disabled in workforce	—	—	—
Business ethics policy	No	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes
Health and safety policy	Yes	Yes	Yes
Lost time incident rate - employees	0	0	—
Total recordable incident rate - employees	—	—	—
Training policy	Yes	Yes	Yes
Fair remuneration policy	No	No	No
Number of employees – CSR	2,993	3,232	3,325
Employee turnover pct	—	—	—
Total hours spent by firm - employee training	38,150	33,137	—
Social supply chain management	No	No	No
<b>Governance</b>			
<b>Board size</b>	<b>11</b>	<b>13</b>	<b>13</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>6</b>	<b>6</b>
No. of women on board	4	4	4
No. of non-executive directors on board	6	7	8
Company conducts board evaluations	Yes	Yes	Yes
No. of board meetings for the year	7	6	6
Board meeting attendance pct	91	100	95
Board duration (years)	—	—	—
Director share ownership guidelines	No	No	No
Age of the youngest director	—	—	—
Age of the oldest director	—	—	—
<b>No. of executives / company managers</b>	<b>7</b>	<b>7</b>	<b>6</b>
No. of female executives	2	2	1
Executive share ownership guidelines	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3
Audit committee meetings	5	5	5
Audit meeting attendance %	100	100	100
<b>Size of compensation committee</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on compensation committee	2	2	2
No. of compensation committee meetings	2	4	2
Compensation meeting attendance %	100	100	100
<b>Size of nomination committee</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of nomination committee meetings	2	4	2
Nomination meeting attendance %	100	100	100
<b>Sustainability governance</b>			
Verification type	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) "**THSI**". The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

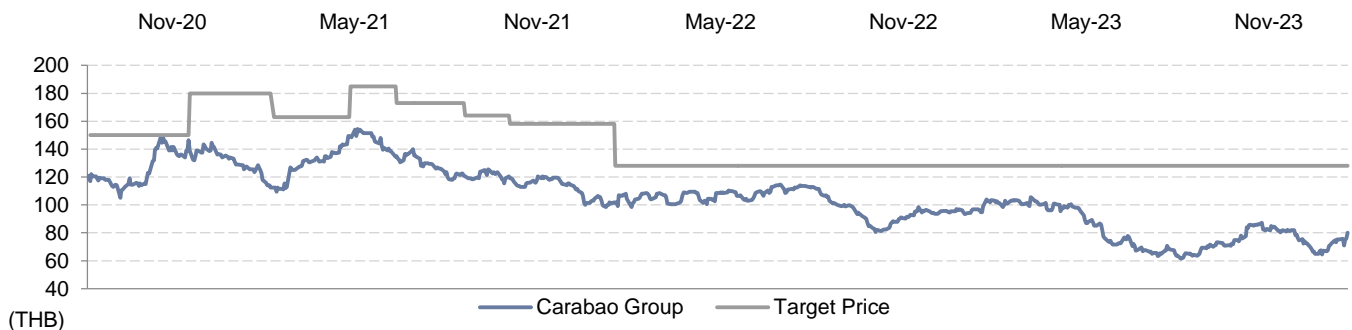
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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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
24-Nov-2020	BUY	150.00	07-Jul-2021	BUY	185.00	22-Nov-2021	BUY	158.00
18-Feb-2021	BUY	180.00	16-Aug-2021	BUY	173.00	21-Feb-2022	BUY	128.00
30-Apr-2021	BUY	163.00	14-Oct-2021	BUY	164.00			

Sureeporn Teewasuwet started covering this stock from 20-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

#### Osotspa (OSP TB)



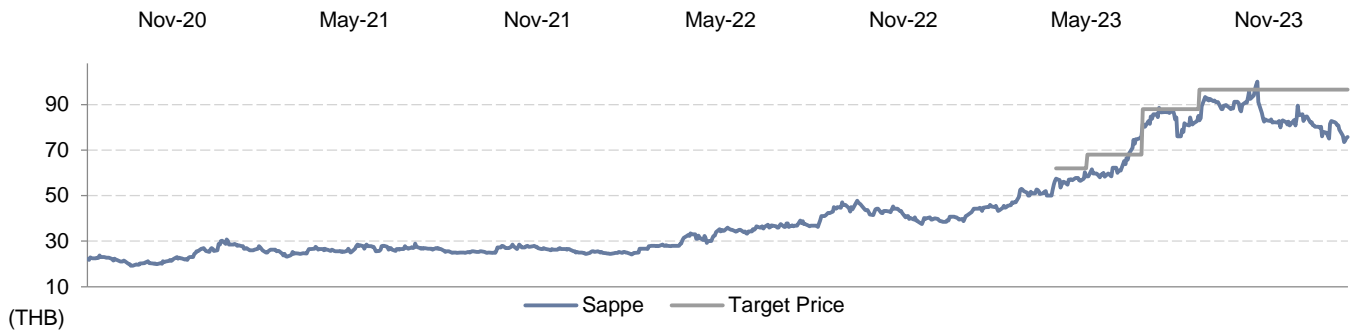
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Mar-2021	BUY	43.00	09-Jun-2023	BUY	33.00	-	-	-
16-Aug-2021	BUY	42.00	20-Oct-2023	BUY	28.50			

Sureeporn Teewasuwet started covering this stock from 09-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

**Sappe (SAPPE TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	23-May-2023	BUY	88.00	-	-	-
05-Apr-2023	BUY	68.00	11-Jul-2023	BUY	96.50	-	-	-

Sureporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

**Ichitan Group (ICHI TB)**



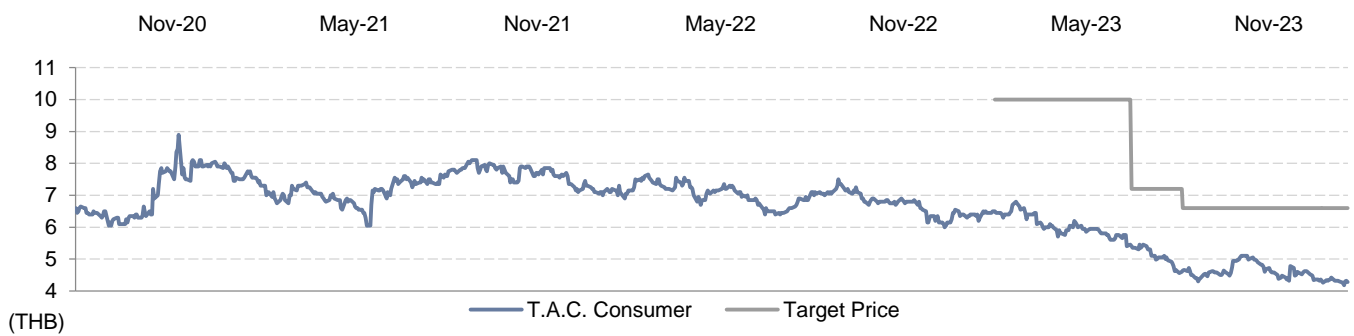
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	15-Jun-2023	HOLD	15.70	-	-	-
17-May-2023	BUY	15.70	19-Sep-2023	BUY	19.00	-	-	-

Sureporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

**T.A.C. Consumer (TACC TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	15-May-2023	BUY	7.20	28-Jun-2023	BUY	6.60

Sureporn Teewasuwet covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Carabao Group	CBG TB	THB 80.00	HOLD	Downside and upside risks to our PE-based TP are 1) a slower or faster-than-expected recovery in consumption; 2) higher or lower competition in the domestic energy drink market; 3) a potential rise or fall in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.
Osotspa	OSP TB	THB 24.30	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.
Sappe	SAPPE TB	THB 75.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.
Ichitan Group	ICHI TB	THB 15.00	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.
T.A.C. Consumer	TACC TB	THB 4.28	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.

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.

All share prices are as at market close on 17-Nov-2023 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.