

# CARABAO GROUP CBG TB

## THAILAND / FOOD & BEVERAGE

# BUY

UNCHANGED

## Beer market share comes slower than expected

- Management is reviewing its beer revenue target after the market share increased slower than expected.
- We have decreased our 2024 beer revenue assumption to 11% of total revenue from 35% earlier. In the short term, we expect the 1Q24 profit to decrease q-q but jump y-y.
- We have lowered our TP to THB70 and recommend BUY on weakness.

TARGET PRICE	THB70.00
CLOSE	THB63.00
UP/DOWNSIDE	+11.1%
PRIOR TP	THB87.00
CHANGE IN TP	-19.5%
TP vs CONSENSUS	-19.2%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	18,853	20,712	21,712	22,766
Net profit	1,924	2,481	2,663	2,824
EPS (THB)	1.92	2.48	2.66	2.82
vs Consensus (%)	-	27.8	1.8	(5.9)
EBITDA	3,245	3,886	4,100	4,315
Recurring net profit	1,924	2,481	2,663	2,824
Core EPS (THB)	1.92	2.48	2.66	2.82
Chg. In EPS est. (%)	-	(12.3)	(8.9)	(8.4)
EPS growth (%)	(15.8)	28.9	7.3	6.0
Core P/E (x)	32.7	25.4	23.7	22.3
Dividend yield (%)	1.4	2.0	2.1	2.2
EV/EBITDA (x)	20.8	17.7	16.8	16.0
Price/book (x)	5.5	4.8	4.4	4.0
Net debt/Equity (%)	41.2	45.7	42.4	39.5
ROE (%)	17.4	20.2	19.5	18.7

## Beer revenue target under review after lower-than-expected market share

We have a bearish view of the analyst meeting on March 4 after management disclosed that the beer market share in November - December 2023 stood at just 2%. Also, January - February was a low season for alcohol consumption, and the competition in the traditional trade market was fierce. As a result, beer revenue should decrease q-q, implying an even lower market share of under 2%. CBG is reviewing its beer revenue target of 25m units/month (including all channels) and has set a beer market share of 7-10%. Given such changes, CBG has delayed its capacity expansion plan for glass bottles from 2Q24. Additionally, it has set a 2024 domestic sales revenue growth target of 5-7% y-y and a higher international sales growth target of 10% for energy drinks.

## 1Q24 profit should weaken q-q but jump y-y

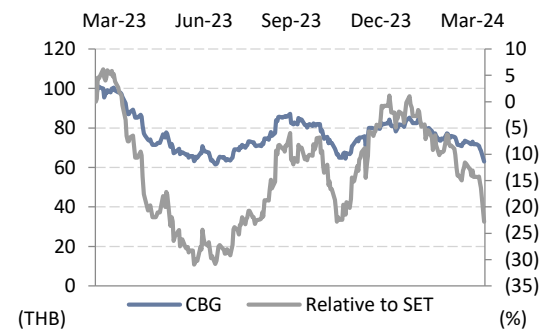
In the short term, we anticipate a 1Q24 profit of THB601m (-7.5% q-q, +128% y-y). The sharp y-y surge should come from a low base last year. However, the profit should weaken q-q due to slightly lower energy drink sales revenue in the domestic market. According to the latest data, Carabao Dang's market share in January 2024 decreased to 23.2% from 23.6% in 4Q23. Export revenue should increase q-q and y-y due to Cambodia, Myanmar, and Vietnam, while revenue from beer packaging should soar 19% q-q after can production surges. However, we expect 26% q-q lower beer revenue to THB370m in line with seasonality.

## Expected 29% y-y growth, despite a 12% cut in 2024E profit

Given a slower-than-expected beer market share, we have slashed our 2024 beer revenue assumption to 11% of total revenue from 35% earlier. Specifically, we have cut our beer sales target to 8m units/month (30% of our previous target), lower than the actual number in 4Q23. Meanwhile, we maintain our conservative energy drink assumption, with average domestic and export sales growth of 4-5% y-y. Although the beer market share missed its target, Tawan Dang still maintains its EFL sponsorship of 50%. Hence, we have decreased our 2024E net profit by 12% to THB2.48b. Despite the cut, it still implies a 29% y-y growth.

## Recommend BUY on weakness after slashing TP to THB70

Following our profit cut, we have lowered our PE target to 28x from 30x due to the gloomy outlook and several ongoing concerns. It leads to a cut in our TP to THB70 from THB87. However, CBG plummeted today, reflecting the weaker-than-expected beer unit. Hence, we recommend BUY on weakness.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(17.1)	(23.4)	(34.5)
Relative to country (%)	(15.8)	(22.2)	(22.8)
Mkt cap (USD m)	1,759		
3m avg. daily turnover (USD m)	8.5		
Free float (%)	29		
Major shareholder	Sathienthamholding Co Ltd (25%)		
12m high/low (THB)	101.50/61.25		
Issued shares (m)	1,000.00		

Sources: Bloomberg consensus; FSSIA estimates



**Sureeporn Teewasuwet**

Fundamental Investment Analyst on Securities; License no. 040694  
sureeporn.t@fssia.com, +66 2646 9972

Investment thesis

We expect the 2024 energy drink market to record a moderate growth of 3% y-y, supported by a low base and a slight consumption recovery. We began to see higher profitability from 2H23 due to lower packaging and utility costs. However, CBG faced higher sugar costs, which would start producing an impact from 1Q24 onwards. Also, the beer revenue mix increased. Hence, we anticipated a lower gross margin while monitoring the future success of its beer unit.

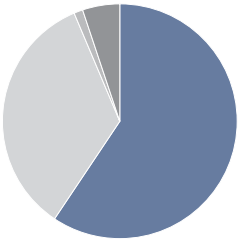
Company profile

Established in 2002, CBG is a joint investment of Mr. Sathien Sathientham, Ms. Nutchamai Thanombooncharoen, and Mr. Yeunyong Opakul (Add Carabao). It is a holding company with investments in subsidiaries that manufacture, market, and distribute energy drinks and other beverages in domestic and overseas markets. Its core product is the Carabao Dang energy drink.

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

Principal activities (revenue, 2023)

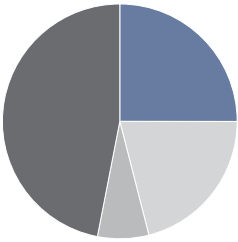
- Branded own - 59.4 %
- 3rd party distribution - 34.3 %
- Branded OEM - 1.2 %
- Others (Packaging) - 5.1 %



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 2024 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 risks to our P/E-based TP are 1) a slower-than-expected recovery in consumption; 2) higher competition in the domestic energy drink market; 3) a potential rise in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.

Event calendar

Date	Event
May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Branded Own growth (%)	4.9	5.2	5.2
Branded OEM growth (%)	10.0	10.0	10.0
3rd party growth (%)	17.5	4.0	4.0
Other-packaging (%)	16.5	5.0	5.0
Total revenue growth (%)	9.9	4.8	4.9
Gross margin (%)	25.3	25.6	25.8

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

## Exhibit 1: CBG - 1Q24 earnings preview

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	4,490	4,124	4,707	4,707	5,316	5,132	(3.5)	24.5
Cost of sales	3,299	3,107	3,447	3,445	3,975	3,803	(4.3)	22.4
Gross profit	1,191	1,017	1,260	1,262	1,341	1,329	(0.9)	30.7
SG&A	772	729	712	655	564	616	9.2	(15.5)
Operating profit	492	350	588	650	819	755	(7.7)	115.6
Interest expense	35	36	44	51	52	53	1.2	46.7
Tax expense	55	61	80	80	115	106	(8.3)	74.0
Reported net profit	404	264	482	530	649	601	(7.5)	127.7
Core profit	404	264	482	530	649	601	(7.5)	127.7
<b>Key Ratios (%)</b>							<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	26.5	24.7	26.8	26.8	25.2	25.9	0.7	1.2
SG&A / Sales	17.2	17.7	15.1	13.9	10.6	12.0	1.4	(5.7)
Operating margin	11.0	8.5	12.5	13.8	15.4	14.7	(0.7)	6.2
Net margin	9.0	6.4	10.2	11.3	12.2	11.7	(0.5)	5.3
Core margin	9.0	6.4	10.2	11.3	12.2	11.7	(0.5)	5.3
<b>Operating Statistics (THB m)</b>								
Branded Own sales	2,756	2,486	3,017	2,798	2,896	2,955	2.0	18.8
Branded Own - domestic	1,325	1,163	1,526	1,651	1,505	1,480	(1.7)	27.3
Branded Own - overseas	1,432	1,324	1,491	1,147	1,391	1,475	6.0	11.4
Branded OEM sales	82	49	64	61	59	62	5.1	25.3
3rd party sales	1,478	1,464	1,452	1,450	2,088	1,790	(14.3)	22.3
Other (packaging)	174	124	174	398	273	325	19.0	162.7
GM - Branded Own (%)	34.2	33.7	35.2	35.6	37.5	37.0	(0.5)	3.3
GM - Branded OEM (%)	12.2	12.1	14.1	18.0	18.6	18.0	(0.6)	5.9
GM - 3rd party (%)	12.2	9.6	10.0	10.0	8.2	8.0	(0.2)	(1.6)
GM - other (%)	32.2	26.7	25.3	27.6	25.6	25.0	(0.6)	(1.7)
Domestic sales (% of total sales)	67.8	67.9	68.0	75.3	73.6	71.3	(2.3)	3.4
Overseas sales (% of total sales)	32.2	32.1	32.0	24.7	26.4	28.7	2.3	(3.4)
Domestic sales (THB m)	3,046	2,799	3,202	3,546	3,911	3,657	(6.5)	30.7
Overseas sales (THB m)	1,444	1,325	1,505	1,161	1,405	1,475	5.0	11.3
CLMV	1,292	1,194	1,291	953	1,201	1,285	7.0	7.6
China	22	9	41	38	0	0	nm	nm
UK	45	39	56	48	46	40	(13.0)	2.6
Others	84	83	117	123	159	150	(5.7)	80.7

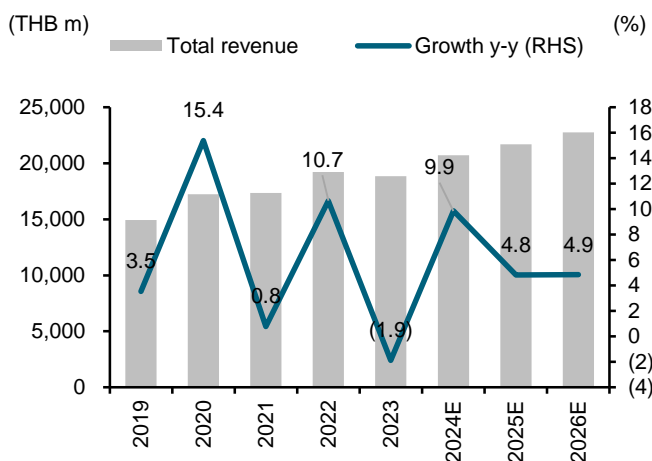
Sources: CBG; FSSIA estimates

## Exhibit 2: Changes in key assumptions for CBG

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value (THB m)	20,712	21,712	22,766	27,797	29,229	30,736	(25.5)	(25.7)	(25.9)
Costs	15,463	16,157	16,897	21,801	22,962	24,142	(29.1)	(29.6)	(30.0)
Gross profit	5,249	5,555	5,868	5,996	6,267	6,594	(12.5)	(11.4)	(11.0)
SG&A expense	2,423	2,540	2,664	2,780	2,923	3,074	(12.8)	(13.1)	(13.3)
Interest expense	163	163	164	187	197	201	0.0	0.0	0.0
Reported net profit	2,481	2,663	2,824	2,828	2,925	3,083	(12.3)	(8.9)	(8.4)
Core profit	2,481	2,663	2,824	2,828	2,925	3,083	(12.3)	(8.9)	(8.4)
<b>Key ratios (%)</b>									
Total revenue growth	25.3	25.6	25.8	21.6	21.4	21.5	3.8	4.1	4.3
Net profit growth	28.9	7.3	6.0	46.9	3.4	5.4	(18.0)	3.9	0.6
Core profit growth	28.9	7.3	6.0	46.9	3.4	5.4	(18.0)	3.9	0.6
Gross margin	25.3	25.6	25.8	21.6	21.4	21.5	3.8	4.1	4.3
SG&A to sales	11.7	11.7	11.7	10.0	10.0	10.0	1.7	1.7	1.7
Net margin	12.0	12.3	12.4	10.2	10.0	10.0	1.8	2.3	2.4
Core margin	12.0	12.3	12.4	10.2	10.0	10.0	1.8	2.3	2.4
<b>Operating statistics (no.)</b>									
Branded Own sales	11,744	12,358	13,005	11,945	12,571	13,230	(1.7)	(1.7)	(1.7)
Branded OEM sales	255	281	309	267	293	323	(4.3)	(4.3)	(4.3)
3rd party sales	7,586	7,890	8,210	14,086	14,790	15,530	(46.1)	(46.7)	(47.1)
Other (packaging) sales	1,127	1,183	1,243	1,500	1,575	1,654	(24.9)	(24.9)	(24.9)
GM - Branded Own (%)	36.0	36.3	36.5	36.2	36.0	36.0	(0.2)	0.3	0.5
GM - Branded OEM (%)	17.0	17.0	17.0	18.0	18.0	18.0	(1.0)	(1.0)	(1.0)
GM - 3rd party (%)	9.0	9.0	9.1	7.4	7.2	7.2	1.7	1.9	1.9
GM - Beer (%)	5.0	5.0	5.0	5.0	5.0	5.0	0.0	0.0	0.0

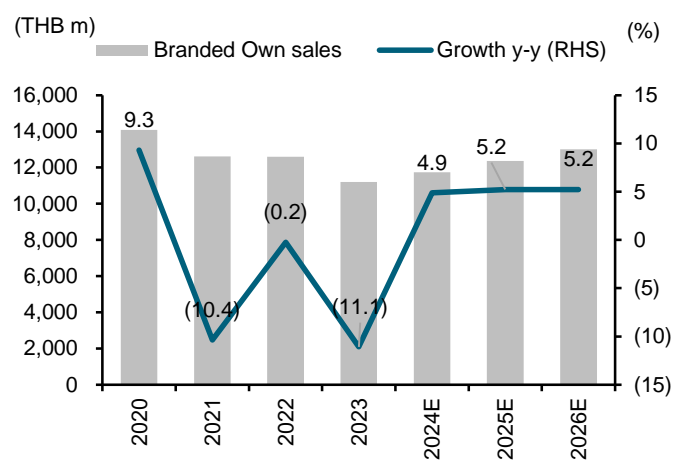
Source: FSSIA estimates

## Exhibit 3: Total revenue and growth

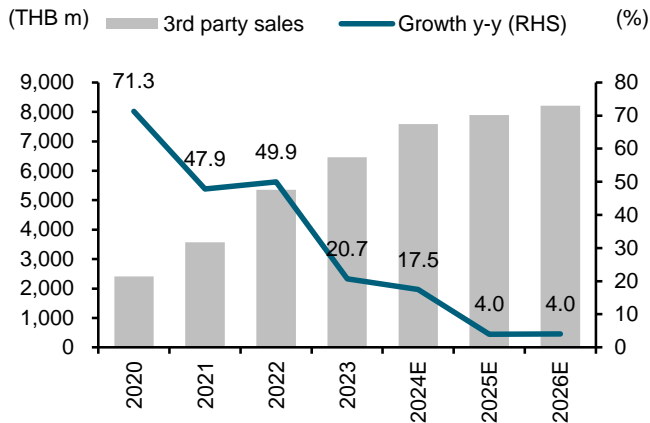


Sources: CBG; FSSIA estimates

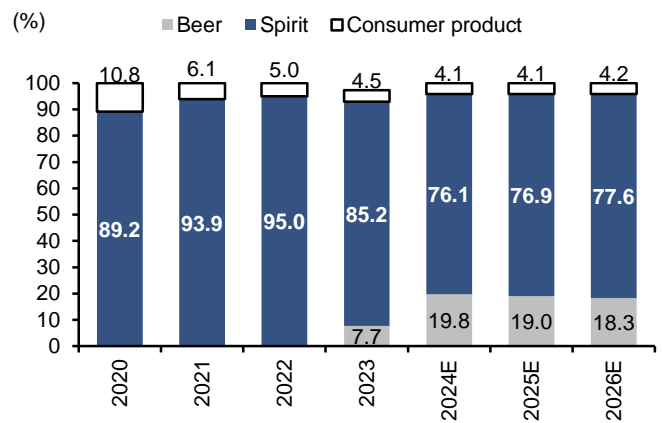
## Exhibit 4: Revenue from branded own product and growth



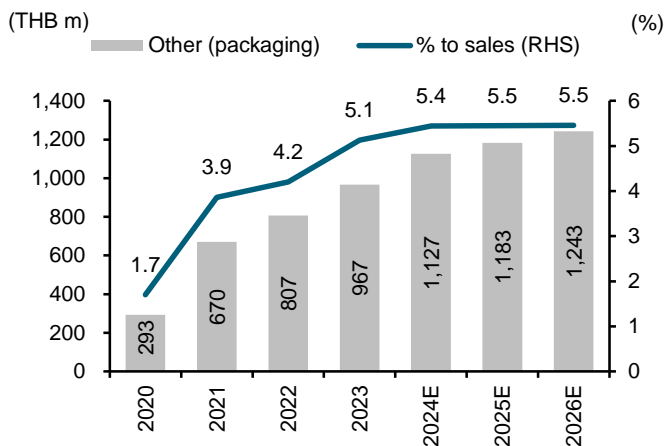
Sources: CBG; FSSIA estimates

**Exhibit 5: Revenue from distribution service and growth**

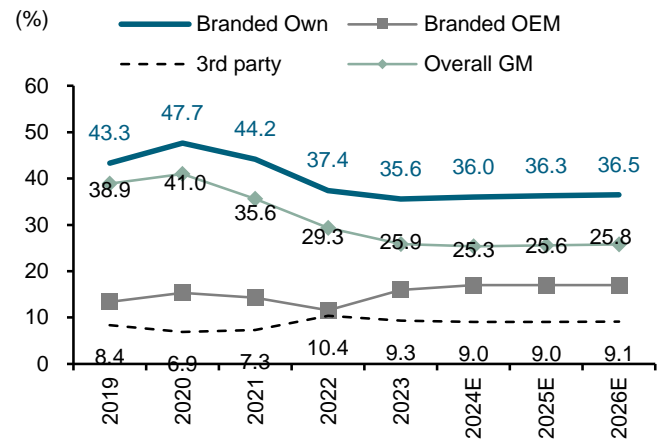
Sources: CBG; FSSIA estimates

**Exhibit 6: Revenue from distribution by product**

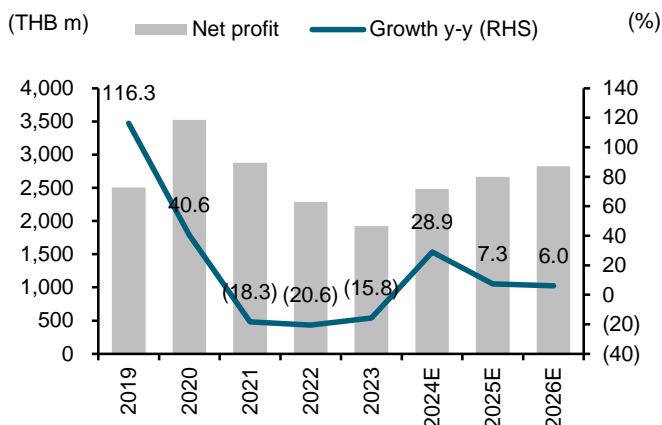
Sources: CBG; FSSIA estimates

**Exhibit 7: Packaging revenue and % to sales**

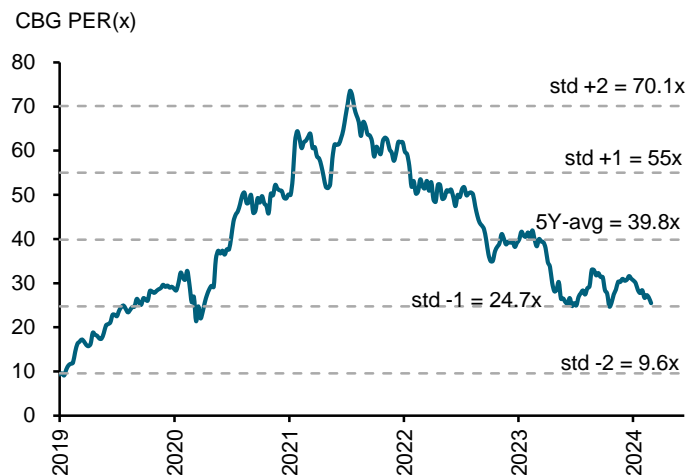
Sources: CBG; FSSIA estimates

**Exhibit 8: Gross margin by segment**

Sources: CBG; FSSIA estimates

**Exhibit 9: Net profit and growth**

Sources: CBG; FSSIA estimates

**Exhibit 10: Historical P/E band**

Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Carabao Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	19,215	18,853	20,712	21,712	22,766
Cost of goods sold	(13,582)	(13,974)	(15,463)	(16,157)	(16,897)
<b>Gross profit</b>	<b>5,633</b>	<b>4,879</b>	<b>5,249</b>	<b>5,555</b>	<b>5,868</b>
Other operating income	239	188	207	217	228
Operating costs	(3,078)	(2,660)	(2,423)	(2,540)	(2,664)
<b>Operating EBITDA</b>	<b>3,607</b>	<b>3,245</b>	<b>3,886</b>	<b>4,100</b>	<b>4,315</b>
Depreciation	(813)	(838)	(853)	(868)	(883)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,794</b>	<b>2,407</b>	<b>3,033</b>	<b>3,232</b>	<b>3,432</b>
Net financing costs	(114)	(178)	(158)	(160)	(161)
Associates	5	8	10	12	14
Recurring non-operating income	5	8	10	12	14
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>2,684</b>	<b>2,237</b>	<b>2,886</b>	<b>3,084</b>	<b>3,285</b>
Tax	(433)	(337)	(431)	(461)	(491)
<b>Profit after tax</b>	<b>2,251</b>	<b>1,900</b>	<b>2,454</b>	<b>2,623</b>	<b>2,795</b>
Minority interests	35	24	27	40	30
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,286</b>	<b>1,924</b>	<b>2,481</b>	<b>2,663</b>	<b>2,824</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>2,286</b>	<b>1,924</b>	<b>2,481</b>	<b>2,663</b>	<b>2,824</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.29	1.92	2.48	2.66	2.82
Reported EPS	2.29	1.92	2.48	2.66	2.82
DPS	1.50	0.90	1.24	1.33	1.41
Diluted shares (used to calculate per share data)	1,000	1,000	1,000	1,000	1,000
<b>Growth</b>					
Revenue (%)	10.7	(1.9)	9.9	4.8	4.9
Operating EBITDA (%)	(14.1)	(10.0)	19.8	5.5	5.2
Operating EBIT (%)	(18.9)	(13.8)	26.0	6.6	6.2
Recurring EPS (%)	(20.6)	(15.8)	28.9	7.3	6.0
Reported EPS (%)	(20.6)	(15.8)	28.9	7.3	6.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	29.3	25.9	25.3	25.6	25.8
Gross margin exc. depreciation (%)	33.5	30.3	29.5	29.6	29.7
Operating EBITDA margin (%)	18.8	17.2	18.8	18.9	19.0
Operating EBIT margin (%)	14.5	12.8	14.6	14.9	15.1
Net margin (%)	11.9	10.2	12.0	12.3	12.4
Effective tax rate (%)	16.1	15.1	14.9	14.9	14.9
Dividend payout on recurring profit (%)	65.6	46.8	50.0	50.0	50.0
Interest cover (X)	24.5	13.5	19.3	20.3	21.4
Inventory days	72.2	69.6	60.4	62.0	61.9
Debtor days	40.7	45.7	39.3	39.1	39.1
Creditor days	51.8	54.2	53.6	54.8	54.7
Operating ROIC (%)	14.2	12.2	14.5	13.7	13.4
ROIC (%)	13.5	11.6	13.9	13.2	13.0
ROE (%)	21.9	17.4	20.2	19.5	18.7
ROA (%)	11.9	10.3	12.4	12.1	12.1

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Branded own	12,591	11,196	11,744	12,358	13,005
3rd party distribution	5,350	6,458	7,586	7,890	8,210
Branded OEM	467	232	255	281	309
Others (Packaging)	807	967	1,127	1,183	1,243

Sources: Carabao Group; FSSIA estimates

## Financial Statements

### Carabao Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	2,286	1,924	2,481	2,663	2,824
Depreciation	813	838	853	868	883
Associates & minorities	-	-	-	-	-
Other non-cash items	(19)	(61)	6	17	(12)
Change in working capital	(1,117)	992	(95)	(121)	(128)
<b>Cash flow from operations</b>	<b>1,963</b>	<b>3,694</b>	<b>3,245</b>	<b>3,428</b>	<b>3,568</b>
Capex - maintenance	(737)	(822)	(3,303)	(2,257)	(2,296)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(16)	(26)	55	(3)	(3)
<b>Cash flow from investing</b>	<b>(753)</b>	<b>(848)</b>	<b>(3,247)</b>	<b>(2,260)</b>	<b>(2,299)</b>
Dividends paid	(1,760)	(1,156)	(1,241)	(1,332)	(1,412)
Equity finance	0	0	0	0	0
Debt finance	326	(1,438)	663	8	43
Other financing cash flows	27	(5)	27	11	12
<b>Cash flow from financing</b>	<b>(1,408)</b>	<b>(2,598)</b>	<b>(550)</b>	<b>(1,313)</b>	<b>(1,358)</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>(198)</b>	<b>248</b>	<b>(552)</b>	<b>(145)</b>	<b>(89)</b>
Free cash flow to firm (FCFF)	1,324.54	3,029.30	160.65	1,330.35	1,432.52
Free cash flow to equity (FCFE)	1,562.23	1,403.93	688.24	1,186.52	1,323.21
<b>Per share (THB)</b>					
FCFF per share	1.32	3.03	0.16	1.33	1.43
FCFE per share	1.56	1.40	0.69	1.19	1.32
Recurring cash flow per share	3.08	2.70	3.34	3.55	3.70
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	16,143	17,819	19,525	21,262	23,028
Less: Accumulated depreciation	(3,291)	(4,944)	(3,905)	(4,252)	(4,606)
<b>Tangible fixed assets (net)</b>	<b>12,852</b>	<b>12,875</b>	<b>15,620</b>	<b>17,009</b>	<b>18,422</b>
<b>Intangible fixed assets (net)</b>	<b>612</b>	<b>629</b>	<b>597</b>	<b>598</b>	<b>599</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	162	173	173	173	173
Cash & equivalents	936	1,184	632	486	397
A/C receivable	2,533	2,192	2,270	2,379	2,495
Inventories	2,718	2,295	2,542	2,656	2,778
Other current assets	160	131	104	109	114
<b>Current assets</b>	<b>6,347</b>	<b>5,802</b>	<b>5,547</b>	<b>5,630</b>	<b>5,784</b>
Other assets	66	65	41	43	46
<b>Total assets</b>	<b>20,039</b>	<b>19,543</b>	<b>21,978</b>	<b>23,454</b>	<b>25,023</b>
Common equity	10,683	11,491	13,027	14,359	15,771
Minorities etc.	(118)	(178)	(172)	(155)	(167)
<b>Total shareholders' equity</b>	<b>10,565</b>	<b>11,312</b>	<b>12,855</b>	<b>14,204</b>	<b>15,604</b>
Long term debt	1,082	3,747	3,655	3,558	3,407
Other long-term liabilities	205	201	228	239	250
<b>Long-term liabilities</b>	<b>1,287</b>	<b>3,948</b>	<b>3,883</b>	<b>3,797</b>	<b>3,657</b>
A/C payable	1,853	2,045	2,245	2,346	2,454
Short term debt	6,198	2,095	2,850	2,955	3,149
Other current liabilities	137	143	145	152	159
<b>Current liabilities</b>	<b>8,187</b>	<b>4,283</b>	<b>5,240</b>	<b>5,453</b>	<b>5,762</b>
<b>Total liabilities and shareholders' equity</b>	<b>20,039</b>	<b>19,543</b>	<b>21,978</b>	<b>23,454</b>	<b>25,023</b>
Net working capital	3,422	2,430	2,525	2,646	2,773
Invested capital	17,114	16,171	18,956	20,469	22,013
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	10.68	11.49	13.03	14.36	15.77
Tangible book value per share	10.07	10.86	12.43	13.76	15.17
<b>Financial strength</b>					
Net debt/equity (%)	60.0	41.2	45.7	42.4	39.5
Net debt/total assets (%)	31.7	23.8	26.7	25.7	24.6
Current ratio (x)	0.8	1.4	1.1	1.0	1.0
CF interest cover (x)	14.7	8.9	5.4	8.4	9.2
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>27.6</b>	<b>32.7</b>	<b>25.4</b>	<b>23.7</b>	<b>22.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>30.6</b>	<b>36.4</b>	<b>28.2</b>	<b>26.3</b>	<b>24.8</b>
Reported P/E (x)	27.6	32.7	25.4	23.7	22.3
Dividend yield (%)	2.4	1.4	2.0	2.1	2.2
Price/book (x)	5.9	5.5	4.8	4.4	4.0
Price/tangible book (x)	6.3	5.8	5.1	4.6	4.2
EV/EBITDA (x) **	19.2	20.8	17.7	16.8	16.0
EV/EBITDA @ target price (x) **	21.1	23.0	19.5	18.5	17.6
EV/invested capital (x)	4.0	4.2	3.6	3.4	3.1
* 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 11: 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 12: 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 13: 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 14: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2020	FY 2021	FY 2022
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 ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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 <a href="#">THSI inclusion</a> , 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. <a href="#">SETTHSI Index</a> 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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">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></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">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></tr><tr><td><b>B</b></td><td>1.429-2.856</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></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
<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																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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>																					
<a href="#">S&amp;P Global</a>	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

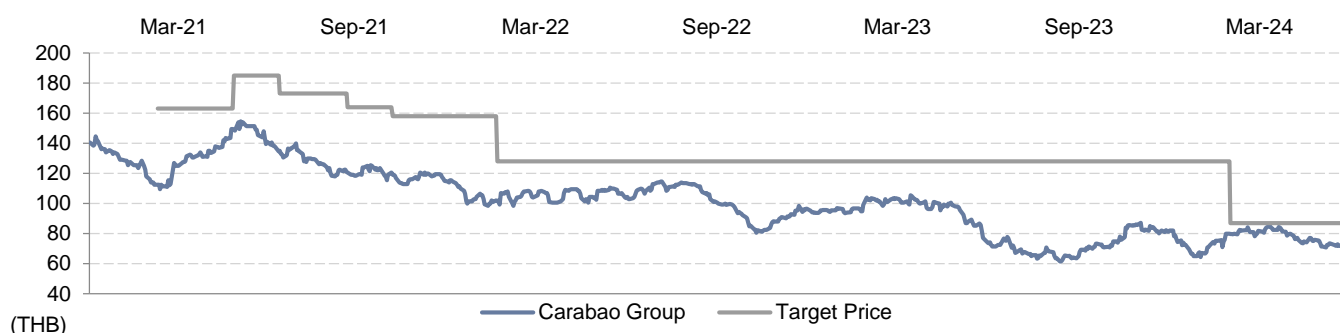
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

#### 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
30-Apr-2021	BUY	163.00	14-Oct-2021	BUY	164.00	20-Nov-2023	HOLD	87.00
07-Jul-2021	BUY	185.00	22-Nov-2021	BUY	158.00	19-Feb-2024	BUY	87.00
16-Aug-2021	BUY	173.00	21-Feb-2022	BUY	128.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Carabao Group	CBG TB	THB 63.00	BUY	Downside risks to our P/E-based TP are 1) a slower-than-expected recovery in consumption; 2) higher competition in the domestic energy drink market; 3) a potential rise in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.

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 04-Mar-2024 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.