Carabao Group Pcl (CBG TB) - BUY, Price Bt137.50, TP Bt167.00

Results Comment

Pattadol Bunnak | Email: pattadol.bun@thanachartsec.co.th

Strong 2Q21, in line

- CBG reported a record earnings in 2Q21 of Bt967m, + 5% y-y and 38% q-q. Earnings were in line with our expectation.
- Energy drink export (50% of sales) grew 14% y-y. China grew 210% on market share gain. Myanmar grew at mid-double-digit level. The main business of export to Cambodia fell 10%-plus on Covid lockdown.
- Domestic distribution of mainly spirit products (16% sales) increased 34% y-y on market share gain of the spirit products.
- Domestic beverage (28% of sales) fell 5%. Energy drink faced with soft demand while the new C-Lock functional drink fell from the abnormally high inventory base in 2Q20 when the C Lock was just launched. Excluding 2Q20, C Lock saw the record revenues in 2Q21.
- Gross margin fell to 38% from 41% in 2Q20 due to higher aluminum price.
- So far, domestic and Myanmar sales fell y-y due to the lockdown.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	4,508	4,405	4,257	4,030	4,995
Gross profit	**1,834**	**1,831**	**1,671**	**1,555**	**1,901**
SG&A	725	719	670	726	769
Operating profit	1,109	1,112	1,002	829	1,133
EBITDA	**1,274**	**1,279**	**1,173**	**1,009**	**1,319**
Other income	32	18	21	35	40
Other expense	0	0	(6)	0	0
Interest expense	32	21	23	21	21
Profit before tax	**1,109**	**1,109**	**1,006**	**843**	**1,151**
Income tax	179	191	132	147	198
Equity & invest. income	0	0	0	0	0
Minority interests	(9)	(3)	0	5	14
Extraordinary items	(40)	54	0	0	0
Net profit	**881**	**970**	**874**	**700**	**967**
Normalized profit	**921**	**916**	**874**	**700**	**967**
EPS (Bt)	0.88	0.97	0.87	0.70	0.97
Normalized EPS (Bt)	0.92	0.92	0.87	0.70	0.97

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	24	11	47	19,144	22,514
Gross profit	**22**	**4**	**43**	**8,102**	**9,714**
SG&A	6	6	47	3,183	3,230
Operating profit	37	2	40	4,919	6,485
EBITDA	**31**	**4**	**41**	**5,661**	**7,256**
Other income	14	25	44	168	198
Other expense					
Interest expense	(2)	(34)	29	145	117
Profit before tax	**37**	**4**	**40**	**4,942**	**6,566**
Income tax	35	11	44	786	1,044
Equity & invest. income					
Minority interests	187	na	(54)	(34)	(34)
Extraordinary items					
Net profit	**38**	**10**	**40**	**4,122**	**5,488**
Normalized profit	**38**	**5**	**40**	**4,122**	**5,488**
EPS (Bt)	38	10	40	4.12	5.49
Normalized EPS (Bt)	38	5	40	4.12	5.49

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	888	946	947	781	742
A/C receivable	1,182	1,373	1,420	1,288	2,118
Inventory	1,240	1,357	1,489	1,626	1,513
Other current assets	108	141	136	134	181
Investment	109	108	107	106	105
Fixed assets	10,952	11,219	12,032	12,059	12,411
Other assets	883	921	956	1,049	1,151
Total assets	**15,363**	**16,063**	**17,087**	**17,044**	**18,220**
S-T debt	2,475	3,433	3,594	3,119	4,849
A/C payable	1,663	1,806	1,573	1,646	1,779
Other current liabilities	772	367	488	634	445
L-T debt	897	825	894	852	809
Other liabilities	324	334	380	457	529
Minority interest	214	207	201	(68)	(82)
Shareholders' equity	**9,018**	**9,090**	**9,956**	**10,404**	**9,891**
Working capital	759	923	1,337	1,268	1,852
Total debt	3,372	4,258	4,488	3,971	5,658
Net debt	**2,484**	**3,312**	**3,541**	**3,189**	**4,916**

Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	20.1	14.1	7.6	(0.7)	10.8
Operating profit growth	61.3	20.2	7.6	(16.6)	2.1
EBITDA growth	55.2	20.8	10.1	(13.0)	3.5
Norm profit growth	66.9	25.1	7.3	(12.6)	4.9
Norm EPS growth	66.9	25.1	7.3	(12.6)	4.9
Gross margin	40.7	41.6	39.3	38.6	38.1
Operating margin	24.6	25.2	23.5	20.6	22.7
EBITDA margin	28.3	29.0	27.5	25.0	26.4
Norm net margin	20.4	20.8	20.5	17.4	19.4
D/E (x)	0.4	0.5	0.4	0.4	0.6
Net D/E (x)	0.3	0.4	0.3	0.3	0.5
Interest coverage (x)	40.2	60.1	51.7	47.1	62.6
Interest rate	2.7	2.2	2.1	2.0	1.7
Effective tax rate	16.1	17.2	13.1	17.5	17.2
ROA	21.9	23.3	21.1	16.4	21.9
ROE	42.8	40.5	36.7	27.5	38.1

Sources: Company data, Thanachart estimates

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