

Carabao Group Plc (CBG TB) - BUY, Price Bt123.50, TP Bt150.00**Results Comment**

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Weaker-than-expected 3Q21 earnings

- CBG reported normalized earnings in 3Q21 of Bt540m, -41% y-y and -44% q-q. The results were weaker than our expectations on both sales and margin levels.
- Domestic energy drink fell 11% y-y while the new C+ Lock products fell 24% y-y due to the COVID lockdown during the quarter.
- Energy drink exports also fell 37% y-y. This was also due mainly due to the lockdown in its main markets in Cambodia, Myanmar, China and Vietnam.
- Growth area was the distribution business (mainly spirit products) which grew 46% y-y due to the market share gain. However, the business generated lower margins which wasn't enough to offset other weak areas.
- Gross margin fell to 34% from 42% in 3Q20 and 38% in 2Q21 due to both operating leverage and an increased in price of the main aluminum product.
- SG&A to sales increased to 18.7% from 16.3% in 3Q20 and 15.4% in 2Q21 due to operating leverage impact and CBG's new workers to support its future growth strategies.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	4,405	4,257	4,030	4,995	3,957	Revenue	(21)	(10)	77	16,922	20,766
Gross profit	1,831	1,671	1,555	1,901	1,349	Gross profit	(29)	(26)	74	6,536	8,385
SG&A	719	670	726	769	739	SG&A	(4)	3	80	2,795	3,014
Operating profit	1,112	1,002	829	1,133	610	Operating profit	(46)	(45)	69	3,740	5,371
EBITDA	1,279	1,173	1,009	1,319	803	EBITDA	(39)	(37)	70	4,483	6,142
Other income	18	21	35	40	25	Other income	(36)	37	67	149	182
Other expense	0	(6)	0	0	0	Other expense					
Interest expense	21	23	21	21	23	Interest expense	7	6	75	87	76
Profit before tax	1,109	1,006	843	1,151	612	Profit before tax	(47)	(45)	69	3,802	5,478
Income tax	191	132	147	198	82	Income tax	(59)	(57)	71	604	871
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	(3)	0	5	14	10	Minority interests	(28)	na	148	19	19
Extraordinary items	54	0	0	0	61	Extraordinary items		13			
Net profit	970	874	700	967	601	Net profit	(38)	(38)	71	3,216	4,626
Normalized profit	916	874	700	967	540	Normalized profit	(44)	(41)	69	3,216	4,626
EPS (Bt)	0.97	0.87	0.70	0.97	0.60	EPS (Bt)	(38)	(38)	71	3.22	4.63
Normalized EPS (Bt)	0.92	0.87	0.70	0.97	0.54	Normalized EPS (Bt)	(44)	(41)	69	3.22	4.63

Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	946	947	781	742	917	Sales growth	14.1	7.6	(0.7)	10.8	(10.2)
A/C receivable	1,373	1,420	1,288	2,118	2,019	Operating profit growth	20.2	7.6	(16.6)	2.1	(45.2)
Inventory	1,357	1,489	1,626	1,513	1,961	EBITDA growth	20.8	10.1	(13.0)	3.5	(37.3)
Other current assets	141	136	134	181	218	Norm profit growth	25.1	7.3	(12.6)	4.9	(41.0)
Investment	108	107	106	105	104	Norm EPS growth	25.1	7.3	(12.6)	4.9	(41.0)
Fixed assets	11,219	12,032	12,059	12,411	12,363	Gross margin	41.6	39.3	38.6	38.1	34.1
Other assets	921	956	1,049	1,151	1,185	Operating margin	25.2	23.5	20.6	22.7	15.4
Total assets	16,063	17,087	17,044	18,220	18,768	EBITDA margin	29.0	27.5	25.0	26.4	20.3
S-T debt	3,433	3,594	3,119	4,849	4,384	Norm net margin	20.8	20.5	17.4	19.4	13.7
A/C payable	1,806	1,573	1,646	1,779	1,854	D/E (x)	0.5	0.4	0.4	0.6	0.7
Other current liabilities	367	488	634	445	207	Net D/E (x)	0.4	0.3	0.3	0.5	0.6
L-T debt	825	894	852	809	2,265	Interest coverage (x)	60.1	51.7	47.1	62.6	35.5
Other liabilities	334	380	457	529	538	Interest rate	2.2	2.1	2.0	1.7	1.5
Minority interest	207	201	(68)	(82)	(89)	Effective tax rate	17.2	13.1	17.5	17.2	13.3
Shareholders' equity	9,090	9,956	10,404	9,891	9,608	ROA	23.3	21.1	16.4	21.9	11.7
Working capital	923	1,337	1,268	1,852	2,126	ROE	40.5	36.7	27.5	38.1	22.2
Total debt	4,258	4,488	3,971	5,658	6,649						
Net debt	3,312	3,541	3,189	4,916	5,732						

Sources: Company data, Thanachart estimates

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