BUY (Unchanged)	**TP: Bt 147.00** (From: Bt150.00)	**23 NOVEMBER 2021**
Change in Numbers	**Upside : 23.5%**	

Carabao Group Pcl (CBG TB)

Bottoming out

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CBG's sales have started to turn around from its bottom quarter in 3Q21 after lockdown easing in its main markets. As its share price is already 23% off this year's peak, we reaffirm BUY for a 19% q-q earnings recovery in 4Q21F and another 55% growth in 2022F.

Thanachart Securities

Get into the bottom

We believe it is time to relook at CBG and we reaffirm BUY. *First*, after a weak 3Q21 due to lockdowns in most of its markets, CBG's business is now recovering across its business lines and markets. We project 19% q-q earnings growth in 4Q21F and another 55/26% in 2022-23F. *Second*, we like its growth mindset of continued production expansion with seven to eight new product launches next year. *Third*, structurally CBG is a high-profitability firm having business scale, its own cash van distribution and group network of convenience store outlets. *Lastly*, its share price is already 23% off this year's peak and we see it as inexpensive trading on 27x PE vs. 55% growth in 2022F.

Recovering businesses

CBG posted norm earnings of Bt540m in 3Q21, down 41% y-y and 44% q-q, on lockdowns in most markets, including Thailand, Cambodia, Myanmar and China. As the lockdowns have been partially eased, CBG saw sales in October start to rebound from 3Q21 across product lines and markets. We estimate Bt640m profit in 4Q21F, up 19% q-q but still down 27% y-y.

We project 55% growth in 2022F

We estimate an EPS turnaround of 55% in 2022F after a 19% drop in 2021F. Growth drivers are a sales recovery at existing businesses, seven to eight new beverages (from its earlier plan of three to four) and EBIT margin recovering from the operating leverage effect. We project 26% sales growth in 2022F (-2% 2021F) and EBIT margin of 24% (20% in 2021F). Rising EBIT is due not only to sales growth but also the new beverages targeted to generate higher growth margins of above 40% vs. CBG's normal average level of 37%. They include hemp-based ones and new functional drinks. Full-year cost savings on lower sugar costs from reformulation since 3Q21 should also boost margin in 2022F.

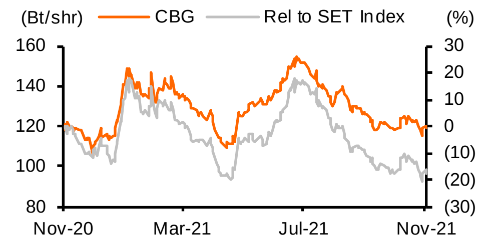
China update

CBG saw its export revenues to China almost wiped out in 3Q21 after recording 90m-plus units in 1H21. This was due to the COVID lockdown (despite only a few cases) and factory closures amid energy shortages causing fewer laborers (its main consumers) to buy energy drinks. Looking to 4Q21, CBG sees improving but still muted orders due to some restrictions remaining. That said, it is confident in a strong business turnaround from early next year when the curbs are lifted. Note that CBG already saw a robust improvement in China in 1H21 due to its adjusted selling strategy of focusing more on smaller market areas first, helping it to understand consumers better, thus offering better promotional and marketing campaigns. We see China sales jumping to 190m cans from 50-100m in 2019-21.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	17,231	16,876	21,226	23,742
Net profit	3,525	2,859	4,441	5,578
Consensus NP	—	3,114	3,816	4,489
Diff frm cons (%)	—	*(8.2)*	*16.4*	*24.3*
Norm profit	3,525	2,859	4,441	5,578
Prev. Norm profit	—	3,216	4,626	5,779
Chg frm prev (%)	—	*(11.1)*	*(4.0)*	*(3.5)*
Norm EPS (Bt)	3.5	2.9	4.4	5.6
Norm EPS grw (%)	40.0	(18.9)	55.3	25.6
Norm PE (x)	33.8	41.6	26.8	21.3
EV/EBITDA (x)	25.3	29.9	20.2	16.2
P/BV (x)	12.0	11.2	9.4	8.2
Div yield (%)	2.0	1.6	2.5	3.5
ROE (%)	38.1	27.8	38.2	41.1
Net D/E (%)	34.9	23.4	4.9	(10.8)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 23-Nov-21 (Bt)	119.00
Market Cap (US$ m)	3,596.8
Listed Shares (m shares)	1,000.0
Free Float (%)	28.9
Avg Daily Turnover (US$ m)	27.8
12M Price H/L (Bt)	154.50/105.00
Sector	FOOD
Major Shareholder	Sathientham Holding 25%

Sources: Bloomberg, Company data, Thanachart estimates

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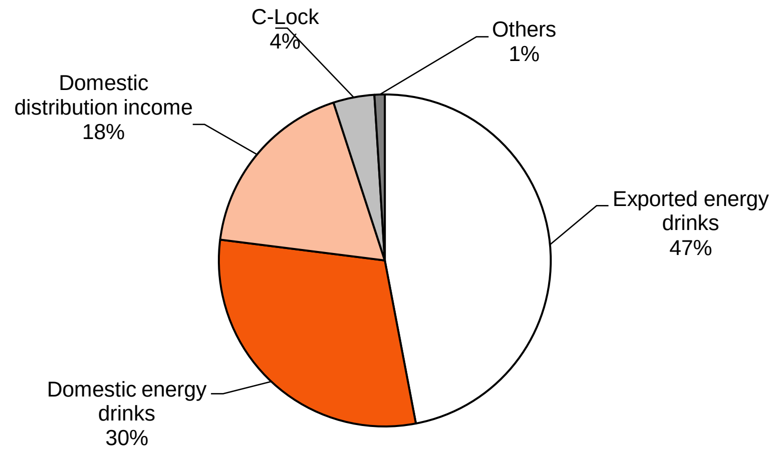
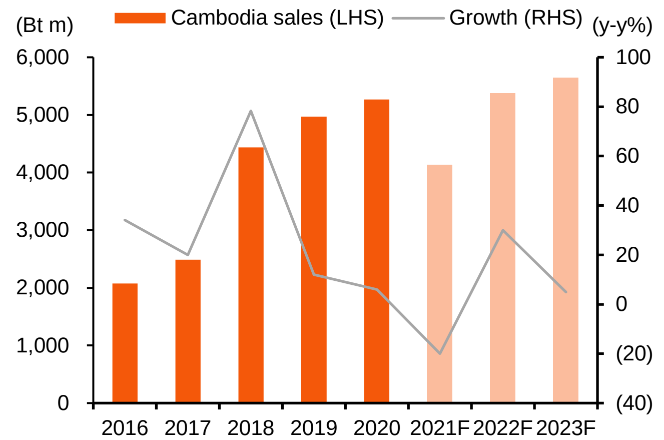
Ex 1: Sales Breakdown



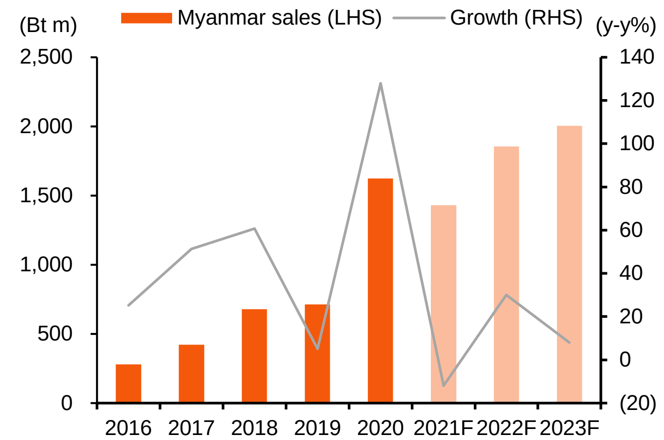
Sources: Company data, Thanachart estimates

Ex 2: Business Outlook in Cambodia…



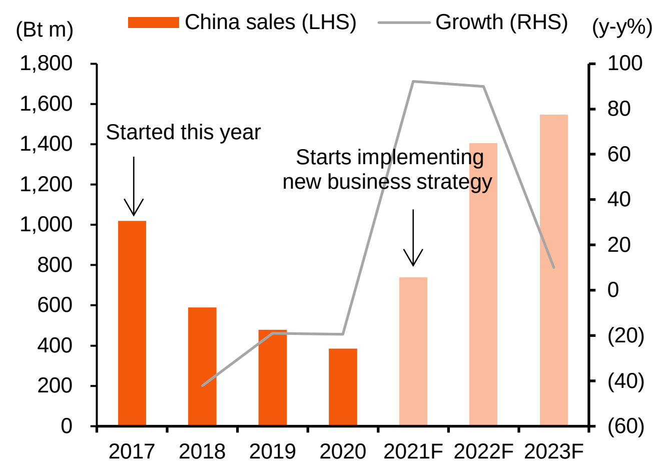
Sources: Company data, Thanachart estimates

Ex 3: … In Myanmar….



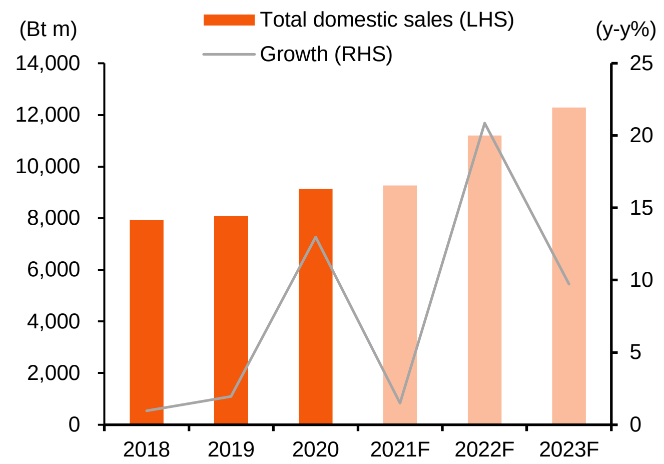
Sources: Company data, Thanachart estimates

Ex 4: …. In China…



Sources: Company data, Thanachart estimates

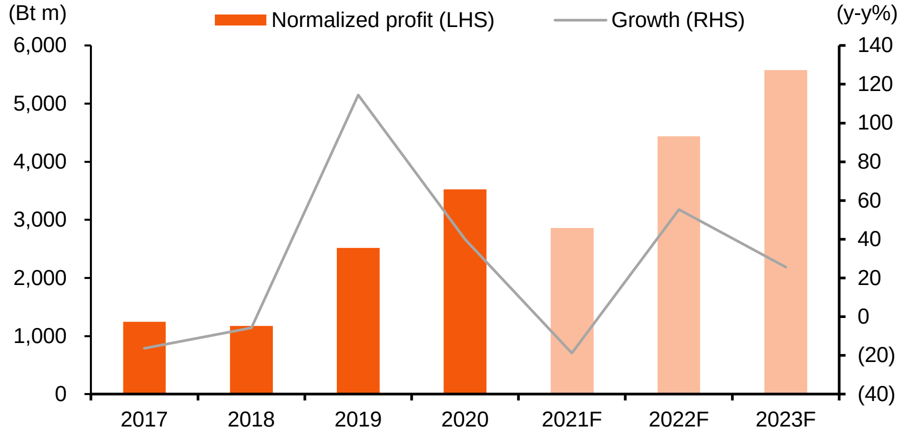
Ex 5: …And In Thailand



Sources: Company data, Thanachart estimates

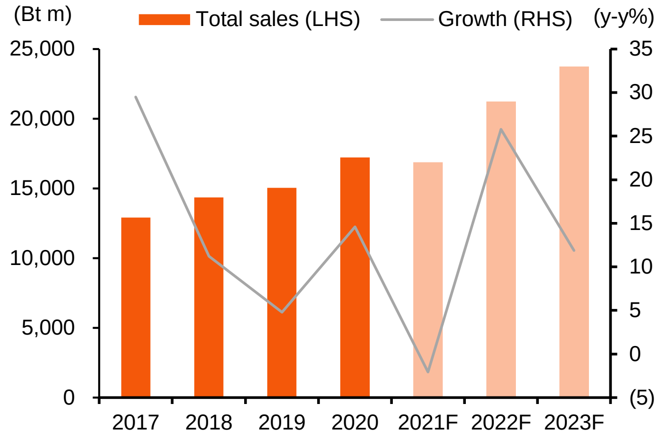
Note: Thailand's revenues include revenue from energy drinks, distribution of mainly spirit products and functional drinks.

Ex 6: Earnings Drivers Are…



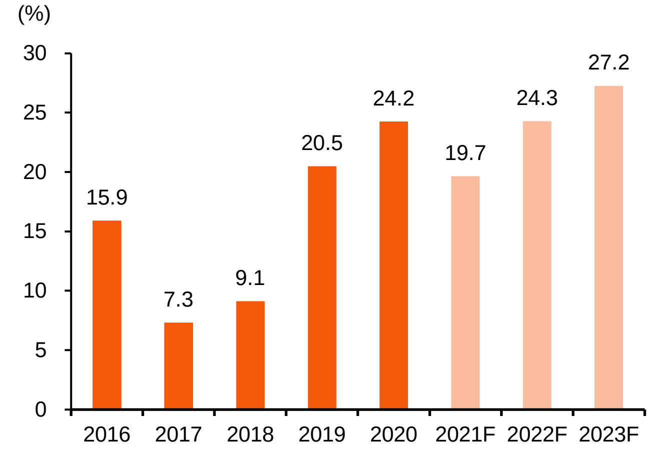
Sources: Company data, Thanachart estimates

Ex 7: …Rebounding Sales…



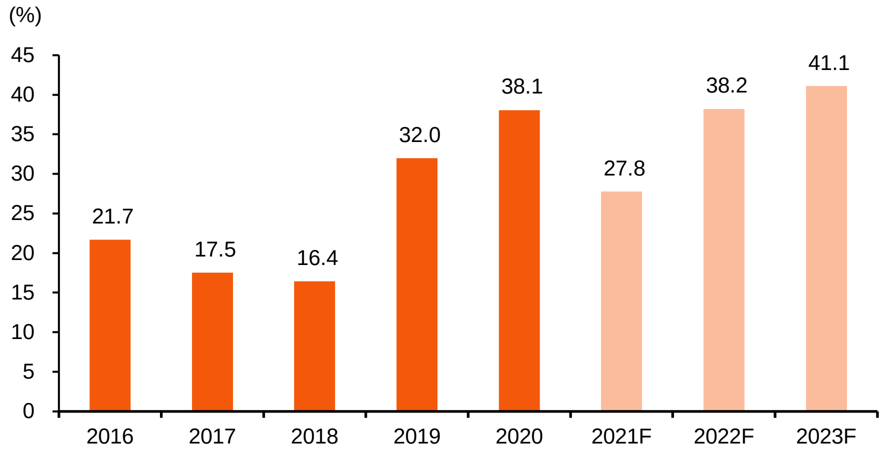
Sources: Company data, Thanachart estimates

Ex 8: …And Expanding EBIT Margin



Sources: Company data, Thanachart estimates

Ex 9: A High-ROE Company



Sources: Company data, Thanachart estimates

Ex 10: Earnings Adjustments

	2019	2020	2021F	2022F	2023F
Sales (Bt m)					
New	14,933	17,231	16,876	21,226	23,742
Old			16,922	20,766	23,230
Change (%)			*(0.3)*	*2.2*	*2.2*
Gross margin (%)					
New	38.9	41.0	37.4	39.5	40.6
Old			38.6	40.4	41.6
Change (pp)			*(1.2)*	*(0.9)*	*(1.0)*
SG&A to sales (%)					
New	18.4	16.7	17.7	15.2	13.4
Old			16.5	14.5	12.8
Change (pp)			*1.2*	*0.7*	*0.6*
Normalized profits (Bt m)					
New	2,518	3,525	2,859	4,441	5,578
Old			3,216.0	4,626.0	5,770.0
Change (%)			*(11.1)*	*(4.0)*	*(3.3)*

Sources: Company data, Thanachart estimates

Ex 11: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		5,887	7,219	7,897	8,729	9,617	10,986	11,781	12,623	13,517	14,464	15,469	—
Free cash flow		4,550	5,944	5,552	7,528	8,307	9,502	10,243	10,984	11,769	12,601	13,483	216,542
PV of free cash flow		4,537	5,083	4,389	5,502	5,647	5,979	5,965	5,921	5,873	5,822	5,577	89,575
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.2												
Terminal growth (%)	2.0												
Enterprise value - add investments	149,871												
Net debt (2021F)	2,535												
Minority interest	182												
Equity value	147,154												
# of shares (m)	1,000												
Equity value/share (Bt)	**147.00**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 12: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Yakult Honsha	2267 JP	Japan	6.9	4.5	22.8	21.8	2.2	2.0	12.7	12.0	1.1	1.1
Coca-Cola	KO US	US	17.3	6.5	24.3	22.8	11.0	10.0	21.3	19.7	3.0	3.1
PepsiCo	PEP US	US	13.0	7.8	26.3	24.4	13.0	12.1	18.2	16.9	2.6	2.7
Monster Beverage	MNST US	US	13.8	12.5	34.8	30.6	7.8	7.1	23.8	21.2	0.0	0.0
Sappe PCL	SAPPE TB	Thailand	14.1	11.2	19.0	17.1	2.7	2.5	9.0	8.2	2.3	2.8
Carabao Group PCL*	CBG TB	Thailand	(18.9)	55.3	41.6	26.8	11.2	9.4	29.9	20.2	1.6	2.5
Osotspa PCL*	OSP TB	Thailand	4.3	10.0	28.2	25.6	5.3	5.2	21.1	19.0	3.3	3.9
Average			**7.2**	**15.4**	**28.1**	**24.2**	**7.6**	**6.9**	**19.4**	**16.7**	**2.0**	**2.3**

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS.

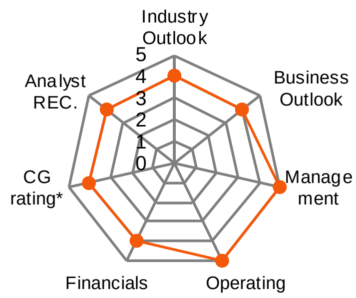
Based on 23-Nov-21 closing prices

COMPANY DESCRIPTION

Carabao Group Pcl (CBG) is Thailand's second-largest energy drinks producer with a 22% market share. The company holds 100% stakes in three subsidiaries: CBD (energy drinks manufacturing company), APG (glass bottle production and procurement company), and DCM (distribution company). CBG started producing energy drinks in 2002 and now sells its products both domestically and abroad.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong presence in the domestic beverage market.
- Robust balance sheet and net-cash company.
- Proactive management team.

W — Weakness

- Only organic growth in a mature beverage market.
- Lack of pricing power.
- Heavily reliant on brand ambassador.

O — Opportunity

- Expansions abroad.
- Mergers and acquisitions.

T — Threat

- Domestic consumption and economic conditions.
- New competition in the beverage segment.
- Natural disasters.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	137.42	147.00	7%
Net profit 21F (Bt m)	3,114	2,859	-8%
Net profit 22F (Bt m)	3,816	4,441	16%
Consensus REC	**BUY: 9**	**HOLD: 5**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings are ahead of the Bloomberg consensus number, which we attribute to us having a more aggressive view on its growth in China and a decent recovery in the Cambodia and Myanmar markets.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected growth in domestic sales and exports would represent the key downside risks to our earnings forecasts and TP.
- Lower-than-expected sales growth in the Myanmar and Vietnam markets would pose a secondary downside risk to our earnings forecasts.

Source: Thanachart

We project gross margin to rise over 2022-23F

We expect 55% EPS growth in 2022F

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	14,933	17,231	16,876	21,226	23,742
Cost of sales	9,123	10,173	10,568	12,850	14,092
Gross profit	**5,810**	**7,058**	**6,308**	**8,375**	**9,650**
% gross margin	38.9%	41.0%	37.4%	39.5%	40.6%
Selling & administration expenses	2,753	2,880	2,990	3,222	3,181
Operating profit	**3,058**	**4,178**	**3,318**	**5,153**	**6,469**
% operating margin	20.5%	24.2%	19.7%	24.3%	27.2%
Depreciation & amortization	534	668	743	771	790
EBITDA	**3,592**	**4,846**	**4,061**	**5,924**	**7,259**
% EBITDA margin	24.1%	28.1%	24.1%	27.9%	30.6%
Non-operating income	119	156	148	187	209
Non-operating expenses	0	0	0	0	0
Interest expense	(133)	(107)	(89)	(82)	(67)
Pre-tax profit	**3,044**	**4,227**	**3,377**	**5,257**	**6,610**
Income tax	564	667	537	836	1,051
After-tax profit	**2,480**	**3,559**	**2,840**	**4,422**	**5,559**
% net margin	16.6%	20.7%	16.8%	20.8%	23.4%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	38	(34)	19	19	19
Extraordinary items	(12)	0	0	0	0
NET PROFIT	**2,506**	**3,525**	**2,859**	**4,441**	**5,578**
Normalized profit	**2,518**	**3,525**	**2,859**	**4,441**	**5,578**
EPS (Bt)	2.5	3.5	2.9	4.4	5.6
Normalized EPS (Bt)	2.5	3.5	2.9	4.4	5.6

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	3,197	3,992	4,072	4,963	7,130
Cash & cash equivalent	962	947	1,000	1,200	3,000
Account receivables	1,140	1,420	1,391	1,750	1,957
Inventories	992	1,489	1,547	1,846	1,986
Others	104	136	133	167	187
Investments & loans	103	107	107	107	107
Net fixed assets	10,872	12,032	11,717	11,384	10,933
Other assets	607	956	1,244	1,421	1,526
Total assets	**14,780**	**17,087**	**17,140**	**17,875**	**19,697**
LIABILITIES:					
Current liabilities:	3,777	5,655	4,863	3,950	3,866
Account payables	1,447	1,573	1,634	1,987	2,179
Bank overdraft & ST loans	298	2,504	1,973	1,017	786
Current LT debt	1,699	1,090	858	443	342
Others current liabilities	333	488	398	504	559
Total LT debt	**2,131**	**894**	**704**	**363**	**281**
Others LT liabilities	153	380	749	801	834
Total liabilities	**6,062**	**6,929**	**6,316**	**5,114**	**4,980**
Minority interest	153	201	182	163	144
Preferreds shares	0	0	0	0	0
Paid-up capital	1,000	1,000	1,000	1,000	1,000
Share premium	0	0	0	0	0
Warrants	0	0	0	0	0
Surplus	3,929	3,905	3,905	3,905	3,905
Retained earnings	**3,637**	**5,051**	**5,737**	**7,692**	**9,667**
Shareholders' equity	8,566	9,956	10,642	12,597	14,572
Liabilities & equity	**14,780**	**17,087**	**17,140**	**17,875**	**19,697**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	3,044	4,227	3,377	5,257	6,610
Tax paid	(509)	(592)	(558)	(731)	(999)
Depreciation & amortization	534	668	743	771	790
Chg In w orking capital	(701)	(652)	32	(305)	(155)
Chg In other CA & CL / minorities	451	40	(67)	(33)	(17)
Cash flow from operations	**2,818**	**3,691**	**3,528**	**4,959**	**6,230**
Capex	(316)	(1,828)	(400)	(400)	(300)
Right of use	0	(304)	(330)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	(3)	(4)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	67	205	382	(112)	(62)
Cash flow from investments	**(252)**	**(1,930)**	**(348)**	**(562)**	**(412)**
Debt financing	(624)	359	(953)	(1,712)	(414)
Capital increase	0	0	0	0	0
Dividends paid	(1,100)	(2,100)	(2,173)	(2,485)	(3,604)
Warrants & other surplus	(17)	(35)	0	0	0
Cash flow from financing	**(1,741)**	**(1,776)**	**(3,126)**	**(4,197)**	**(4,018)**
Free cash flow	**2,502**	**1,863**	**3,128**	**4,559**	**5,930**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	47.3	33.8	41.6	26.8	21.3
Normalized PE - at target price (x)	58.4	41.7	51.4	33.1	26.4
PE (x)	47.5	33.8	41.6	26.8	21.3
PE - at target price (x)	58.6	41.7	51.4	33.1	26.4
EV/EBITDA (x)	34.0	25.3	29.9	20.2	16.2
EV/EBITDA - at target price (x)	41.8	31.1	36.8	24.9	20.0
P/BV (x)	13.9	12.0	11.2	9.4	8.2
P/BV - at target price (x)	17.2	14.8	13.8	11.7	10.1
P/CFO (x)	42.2	32.2	33.7	24.0	19.1
Price/sales (x)	8.0	6.9	7.1	5.6	5.0
Dividend yield (%)	1.4	2.0	1.6	2.5	3.5
FCF Yield (%)	2.1	1.6	2.6	3.8	5.0
(Bt)					
Normalized EPS	2.5	3.5	2.9	4.4	5.6
EPS	2.5	3.5	2.9	4.4	5.6
DPS	1.7	2.4	1.9	3.0	4.2
BV/share	8.6	10.0	10.6	12.6	14.6
CFO/share	2.8	3.7	3.5	5.0	6.2
FCF/share	2.5	1.9	3.1	4.6	5.9

Sources: Company data, Thanachart estimates

ROE looks attractive to us at 39% in 2021F

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	3.5	15.4	(2.1)	25.8	11.9
Net profit (%)	116.3	40.6	(18.9)	55.3	25.6
EPS (%)	116.3	40.6	(18.9)	55.3	25.6
Normalized profit (%)	114.4	40.0	(18.9)	55.3	25.6
Normalized EPS (%)	114.4	40.0	(18.9)	55.3	25.6
Dividend payout ratio (%)	67.8	68.1	68.1	68.1	75.0
Operating performance					
Gross margin (%)	38.9	41.0	37.4	39.5	40.6
Operating margin (%)	20.5	24.2	19.7	24.3	27.2
EBITDA margin (%)	24.1	28.1	24.1	27.9	30.6
Net margin (%)	16.6	20.7	16.8	20.8	23.4
D/E (incl. minor) (x)	0.5	0.4	0.3	0.1	0.1
Net D/E (incl. minor) (x)	0.4	0.3	0.2	0.0	(0.1)
Interest coverage - EBIT (x)	23.0	39.1	37.1	62.6	96.3
Interest coverage - EBITDA (x)	27.1	45.4	45.4	72.0	108.1
ROA - using norm profit (%)	17.3	22.1	16.7	25.4	29.7
ROE - using norm profit (%)	32.0	38.1	27.8	38.2	41.1
DuPont					
ROE - using after tax profit (%)	31.5	38.4	27.6	38.1	40.9
- asset turnover (x)	1.0	1.1	1.0	1.2	1.3
- operating margin (%)	21.3	25.1	20.5	25.2	28.1
- leverage (x)	1.8	1.7	1.7	1.5	1.4
- interest burden (%)	95.8	97.5	97.4	98.5	99.0
- tax burden (%)	81.5	84.2	84.1	84.1	84.1
WACC (%)	8.2	8.2	8.2	8.2	8.2
ROIC (%)	21.1	30.0	20.7	32.9	41.2
NOPAT (Bt m)	2,491	3,518	2,790	4,334	5,440
invested capital (Bt m)	11,732	13,497	13,177	13,220	12,981

Sources: Company data, Thanachart estimates

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For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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