Carabao Group Pcl (CBG TB) - BUY, Price Bt104.50, TP Bt138.00

Results Comment

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

In-line 1Q22 results

- CBG's earnings came in at Bt660m in 1Q22. Though still fell 6% y-y, earnings recovered by 6% q-q. The earnings were in line with our expectation.
- Revenues grew 19% y-y. Growth areas were incomes from spirt bottles and spirit distribution which surged by 306% y-y and 100% q-q on CBG's spirit clients' market share gain.
- Domestic energy drink fell 5% y-y vs. industry's -7% growth on weak consumption during the quarter. CBG gained market share after OSP's raised price in March.
- Energy drink export fell 5% y-y. While CBG gained market share in Myanmar with 50% growth, exports to Cambodia fell 10% (still some lockdown) and to China fell 71% (CBG's production hiccup).
- Gross margin fell to 30.7% from 38.6% in 1Q21 and from 31.4% in 4Q21 on rising raw material cost and changed in product mix.
- SG&A to sales fell to 16% from 18% in 1Q21 and 19% in 4Q21 on operating leverage impact.
- So far, CBG saw much stronger business momentum in 2Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	4,030	4,995	3,957	4,382	4,783
Gross profit	**1,555**	**1,901**	**1,349**	**1,378**	**1,466**
SG&A	726	769	739	711	727
Operating profit	829	1,133	610	667	739
EBITDA	**1,009**	**1,319**	**803**	**861**	**937**
Other income	35	40	25	54	43
Other expense	0	0	0	0	0
Interest expense	21	21	23	24	25
Profit before tax	**843**	**1,151**	**612**	**698**	**758**
Income tax	147	198	82	86	112
Equity & invest. income	0	0	0	0	0
Minority interests	5	14	10	10	14
Extraordinary items	0	0	61	(9)	0
Net profit	**700**	**967**	**601**	**613**	**660**
Normalized profit	**700**	**967**	**540**	**622**	**660**
EPS (Bt)	0.70	0.97	0.60	0.61	0.66
Normalized EPS (Bt)	0.70	0.97	0.54	0.62	0.66

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	9	19	20	23,524	27,506
Gross profit	**6**	**(6)**	**19**	**7,783**	**9,301**
SG&A	2	0	24	3,057	3,148
Operating profit	11	(11)	16	4,727	6,153
EBITDA	**9**	**(7)**	**17**	**5,549**	**7,005**
Other income	(20)	24	23	190	222
Other expense					
Interest expense	4	15	22	113	125
Profit before tax	**9**	**(10)**	**16**	**4,803**	**6,250**
Income tax	30	(24)	15	764	994
Equity & invest. income					
Minority interests	40	198	74	19	19
Extraordinary items					
Net profit	**8**	**(6)**	**16**	**4,058**	**5,275**
Normalized profit	**6**	**(6)**	**16**	**4,058**	**5,275**
EPS (Bt)	8	(6)	16	4.06	5.27
Normalized EPS (Bt)	6	(6)	16	4.06	5.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	781	742	917	1,134	1,192
A/C receivable	1,288	2,118	2,019	1,756	1,840
Inventory	1,626	1,513	1,961	2,337	2,308
Other current assets	134	181	218	155	184
Investment	106	105	104	103	102
Fixed assets	12,059	12,411	12,363	12,537	12,500
Other assets	1,049	1,151	1,185	1,164	1,125
Total assets	**17,044**	**18,220**	**18,768**	**19,186**	**19,250**
S-T debt	3,119	4,849	4,384	3,381	2,944
A/C payable	1,646	1,779	1,854	1,769	1,814
Other current liabilities	634	445	207	278	377
L-T debt	852	809	2,265	3,123	2,856
Other liabilities	457	529	538	525	517
Minority interest	(68)	(82)	(89)	(99)	(111)
Shareholders' equity	**10,404**	**9,891**	**9,608**	**10,209**	**10,854**
Working capital	1,268	1,852	2,126	2,324	2,335
Total debt	3,971	5,658	6,649	6,504	5,800
Net debt	**3,189**	**4,916**	**5,732**	**5,370**	**4,608**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(0.7)	10.8	(10.2)	2.9	18.7
Operating profit growth	(16.6)	2.1	(45.2)	(33.4)	(10.8)
EBITDA growth	(13.0)	3.5	(37.3)	(26.6)	(7.2)
Norm profit growth	(12.6)	4.9	(41.0)	(28.7)	(5.7)
Norm EPS growth	(12.6)	4.9	(41.0)	(28.7)	(5.7)
Gross margin	38.6	38.1	34.1	31.4	30.7
Operating margin	20.6	22.7	15.4	15.2	15.5
EBITDA margin	25.0	26.4	20.3	19.7	19.6
Norm net margin	17.4	19.4	13.7	14.2	13.8
D/E (x)	0.4	0.6	0.7	0.6	0.5
Net D/E (x)	0.3	0.5	0.6	0.5	0.4
Interest coverage (x)	47.1	62.6	35.5	36.5	38.1
Interest rate	2.0	1.7	1.5	1.4	1.6
Effective tax rate	17.5	17.2	13.3	12.4	14.8
ROA	16.4	21.9	11.7	13.1	13.7
ROE	27.5	38.1	22.2	25.1	25.1

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 76 Derivative Warrants which are AMAT16C2206A, AOT16C2206A, AWC16C2207A, BAM16C2206A, BAM16C2207A, BANP16C2205A, BANP16C2207A, BCH16C2207A, BEC16C2207A, BGRI16C2205A, BLA16C2205A, BLA16C2208A, CBG16C2205A, CBG16C2207A, CHG16C2207A, COM716C2205A, COM716C2208A, COM716C2209A, CPF16C2205A, DOHO16C2207A, EA16C2205A, EA16C2206A, EA16C2207A, EA16C2209A, GPSC16C2205A, GPSC16C2206A, GPSC16C2207A, GPSC16C2209A, GULF16C2205A, GULF16C2207A, GUNK16C2205A, GUNK16C2206A, GUNK16C2207A, GUNK16C2209A, HANA16C2205A, HANA16C2207A, HANA16C2209A, INTU16C2205A, IRPC16C2205A, IVL16C2206A, JMAR16C2205A, JMAR16C2206A, JMT16C2205A, JMT16C2207A, KBAN16C2206A, KBAN16C2208A, KBAN16C2209A, KCE16C2205A, KCE16C2205B, KCE16C2208A, KCE16C2209A, MEGA16C2207A, MINT16C2207A, OR16C2205A, PTG16C2209A, PTT16C2205A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2205A, RCL16C2208A, RS16C2205A, S5016C2206A, S5016C2209A, S5016P2206A, S5016P2206B, S5016P2209A, SAWA16C2205A, SCB16C2208A, SPRC16C2209A, SYNE16C2206A, TOP16C2206A, TRUE16C2205A, TRUE16C2205B, TTA16C2207A, TTA16C2208A (underlying securities are AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPF, DOHOME, EA, GPSC, GULF, GUNKUL, HANA, INTUCH, IRPC, IVL, JMART, JMT, KBANK, KCE, MEGA, MINT, OR, PTG, PTT, PTTEP, PTTGC, RBF, RCL, RS, SET50, SAWAD, SCB, SPRC, SYNEX, TOP, TRUE, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)