

**Osotspa Public Co. Ltd. (OSP TB) - SELL, Price Bt26.75, TP Bt30.0** | Results Comment

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**Weaker-than-expected 3Q22 results**

- OSP's earnings came in only Bt244m, fell significantly 58% y-y and 60% q-q. Weak earnings was from domestic energy drink business.
- The largest domestic energy drink fell 8% y-y because OSP's falling market share after it raised selling price to Bt13/unit from the market price of Bt10.
- Energy drink export was flat.
- Personal care products jumped significantly 35% due to the low base impact.
- Gross margin fell to 29.3% from 32.9% last year and 31.2% last quarter. This was due to rising raw material cost and falling revenues from the largest, high margin domestic energy drink business.
- SG&A was 26.4%, increased from 23.0% last year due to OSP's having spent the marketing expenses to promote its new domestic energy drink products.

| Income Statement            |               |                |                |               |               | Income Statement         |             |             |           |              |              |
|-----------------------------|---------------|----------------|----------------|---------------|---------------|--------------------------|-------------|-------------|-----------|--------------|--------------|
| (consolidated)              |               |                |                |               |               | 9M as                    |             |             |           |              |              |
| Yr-end Dec (Bt m)           | 3Q21          | 4Q21           | 1Q22           | 2Q22          | 3Q22          | (Bt m)                   | q-q%        | y-y%        | % 2022F   | 2022F        | 2023F        |
| Revenue                     | 6,121         | 6,952          | 7,472          | 7,183         | 6,178         | Revenue                  | (14)        | 1           | 75        | 27,736       | 29,875       |
| <b>Gross profit</b>         | <b>2,017</b>  | <b>2,488</b>   | <b>2,372</b>   | <b>2,244</b>  | <b>1,811</b>  | <b>Gross profit</b>      | <b>(19)</b> | <b>(10)</b> | <b>72</b> | <b>8,922</b> | <b>9,827</b> |
| SG&A                        | 1,314         | 1,553          | 1,580          | 1,650         | 1,631         | SG&A                     | (1)         | 24          | 79        | 6,165        | 6,565        |
| Operating profit            | 703           | 936            | 792            | 593           | 180           | Operating profit         | (70)        | (74)        | 57        | 2,757        | 3,262        |
| <b>EBITDA</b>               | <b>1,078</b>  | <b>1,341</b>   | <b>1,186</b>   | <b>986</b>    | <b>549</b>    | <b>EBITDA</b>            | <b>(44)</b> | <b>(49)</b> | <b>62</b> | <b>4,373</b> | <b>4,993</b> |
| Other income                | 50            | 69             | 46             | 78            | 53            | Other income             | (32)        | 8           | 33        | 541          | 583          |
| Other expense               | 0             | 0              | 0              | 0             | 0             | Other expense            |             |             |           |              |              |
| Interest expense            | 22            | 22             | 21             | 21            | 23            | Interest expense         | 10          | 4           | 76        | 85           | 105          |
| <b>Profit before tax</b>    | <b>730</b>    | <b>983</b>     | <b>817</b>     | <b>651</b>    | <b>210</b>    | <b>Profit before tax</b> | <b>(68)</b> | <b>(71)</b> | <b>52</b> | <b>3,213</b> | <b>3,739</b> |
| Income tax                  | 122           | 188            | 151            | 134           | 70            | Income tax               | (48)        | (43)        | 63        | 563          | 655          |
| Equity & invest. income     | 81            | 42             | 85             | 90            | 78            | Equity & invest. income  | (14)        | (4)         | 85        | 297          | 353          |
| Minority interests          | 19            | 14             | (1)            | (4)           | 25            | Minority interests       | na          | 37          | 30        | 68           | (30)         |
| Extraordinary items         | (128)         | 0              | 0              | 0             | 0             | Extraordinary items      |             |             |           |              |              |
| <b>Net profit</b>           | <b>580</b>    | <b>851</b>     | <b>750</b>     | <b>604</b>    | <b>244</b>    | <b>Net profit</b>        | <b>(60)</b> | <b>(58)</b> | <b>53</b> | <b>3,015</b> | <b>3,407</b> |
| <b>Normalized profit</b>    | <b>708</b>    | <b>851</b>     | <b>750</b>     | <b>604</b>    | <b>244</b>    | <b>Normalized profit</b> | <b>(60)</b> | <b>(66)</b> | <b>53</b> | <b>3,015</b> | <b>3,407</b> |
| EPS (Bt)                    | 0.19          | 0.28           | 0.25           | 0.20          | 0.08          | EPS (Bt)                 | (60)        | (58)        | 53        | 1.00         | 1.13         |
| Normalized EPS (Bt)         | 0.24          | 0.28           | 0.25           | 0.20          | 0.08          | Normalized EPS (Bt)      | (60)        | (66)        | 53        | 1.00         | 1.13         |
| Balance Sheet               |               |                |                |               |               | Financial Ratios         |             |             |           |              |              |
| (consolidated)              |               |                |                |               |               | 9M as                    |             |             |           |              |              |
| Yr-end Dec (Bt m)           | 3Q21          | 4Q21           | 1Q22           | 2Q22          | 3Q22          | (%)                      | 3Q21        | 4Q21        | 1Q22      | 2Q22         | 3Q22         |
| Cash & ST investment        | 1,979         | 2,493          | 3,826          | 1,707         | 1,177         | Sales grow th            | (7.3)       | 8.9         | 10.3      | 3.9          | 0.9          |
| A/C receivable              | 3,525         | 3,660          | 4,147          | 4,337         | 3,589         | Operating profit grow th | (22.9)      | 0.1         | 4.4       | (33.8)       | (74.4)       |
| Inventory                   | 2,549         | 2,658          | 2,667          | 2,901         | 3,010         | EBITDA grow th           | (13.3)      | 4.3         | 8.2       | (21.1)       | (49.0)       |
| Other current assets        | 15            | 16             | 17             | 17            | 13            | Norm profit grow th      | (23.3)      | 0.0         | (25.3)    | (26.4)       | (65.6)       |
| Investment                  | 3,724         | 3,817          | 3,910          | 3,935         | 3,608         | Norm EPS grow th         | (23.3)      | 0.0         | (25.3)    | (26.4)       | (65.6)       |
| Fixed assets                | 13,391        | 13,730         | 13,755         | 13,735        | 13,589        | Gross margin             | 32.9        | 35.8        | 31.7      | 31.2         | 29.3         |
| Other assets                | 1,275         | 767            | 853            | 704           | 732           | Operating margin         | 11.5        | 13.5        | 10.6      | 8.3          | 2.9          |
| <b>Total assets</b>         | <b>26,458</b> | <b>27,142</b>  | <b>29,174</b>  | <b>27,337</b> | <b>25,717</b> | EBITDA margin            | 17.6        | 19.3        | 15.9      | 13.7         | 8.9          |
| S-T debt                    | 891           | 308            | 357            | 775           | 1,343         | Norm net margin          | 11.6        | 12.2        | 10.0      | 8.4          | 3.9          |
| A/C payable                 | 4,604         | 4,822          | 6,059          | 5,282         | 4,567         | D/E (x)                  | 0.1         | 0.0         | 0.0       | 0.1          | 0.1          |
| Other current liabilities   | 264           | 400            | 482            | 329           | 222           | Net D/E (x)              | (0.0)       | (0.1)       | (0.1)     | (0.0)        | 0.0          |
| L-T debt                    | 335           | 473            | 420            | 377           | 297           | Interest coverage (x)    | 48.6        | 61.9        | 56.6      | 47.3         | 23.9         |
| Other liabilities           | 1,270         | 1,236          | 1,214          | 1,286         | 1,292         | Interest rate            | 9.0         | 8.6         | 10.8      | 8.7          | 6.6          |
| Minority interest           | 13            | 19             | 20             | 26            | (7)           | Effective tax rate       | 16.7        | 19.2        | 18.4      | 20.5         | 33.2         |
| <b>Shareholders' equity</b> | <b>19,082</b> | <b>19,884</b>  | <b>20,623</b>  | <b>19,261</b> | <b>18,004</b> | ROA                      | 10.6        | 12.7        | 10.7      | 8.5          | 3.7          |
| Working capital             | 1,470         | 1,496          | 754            | 1,956         | 2,032         | ROE                      | 14.6        | 17.5        | 14.8      | 12.1         | 5.2          |
| Total debt                  | 1,226         | 780            | 776            | 1,152         | 1,639         |                          |             |             |           |              |              |
| <b>Net debt</b>             | <b>(754)</b>  | <b>(1,713)</b> | <b>(3,049)</b> | <b>(555)</b>  | <b>462</b>    |                          |             |             |           |              |              |

Sources: Company data, Thanachart estimates

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