

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 91.00**

(From: Bt88.00)

**18 OCTOBER 2024****Upside : 14.5%**

# Carabao Group Pcl (CBG TB)

## Old peak within reach

We expect CBG to make its way back to its 2020 earnings peak next year, with exports and its cost base yet to be fully unlocked. Together with stronger-than-expected business momentum in 2H24F, we reaffirm our BUY call on CBG with a higher TP of Bt91.

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### Back to the old peak; reaffirm BUY

We reaffirm our BUY call on CBG with a higher DCF-based 12-month TP (2025F base year) of Bt91 (from Bt88). *First*, we expect CBG's earnings in 2025F to reach their old peak in 2020 while its share price is 48% below its peak. Though we do not expect its share price to return to peak level due to a lower ROE of 25% in 2025F vs. 38% in 2020, we believe its valuation is inexpensive, trading on 23x 2025F PE vs. 23/12% EPS growth in 2025-26F. *Second*, while its earnings are returning to their old peak in 2025F, exports and its cost base are still off base, implying further room for growth. *Third*, CBG's market share gains continue because its energy drink price is below those of its peers. *Lastly*, overall earnings momentum is better than expected in 2H24F, and we raise our earnings estimates by 1-4% in 2024-26F.

### Market share gains continue

CBG's domestic energy drinks market share has reached 25% so far this month vs. an average of 24% in 9M24 and 20% in 2023. This is after both of its key rivals raised prices in 2022-23. CBG gained market share earlier via modern trade channel marketing campaigns. It is now gaining market share from the traditional channel in rural areas with less aggressive marketing as it uses its own distribution vans and sales team. We project domestic energy drink sales growth of 13/5/5% in 2024-26F.

### Better recovery of exports

CBG's energy drinks exports reached their bottom in 2023 at 27% below its 2020 peak. The drop was due to flooding and the weak economy in Cambodia, and import restrictions in Myanmar. Exports recovered by 6% y-y in 1H24. We expect 5% y-y growth in 3Q24F and another 13% y-y in 4Q24F. The recovery has been mainly in CBG's biggest export market, Cambodia. Myanmar has been weak all along, with some recovery in 4Q24F. CBG expects Myanmar to ease import curbs to some degree. That said, we conservatively expect CBG's exports to grow 8/8/7% in 2024-26F and still be 8% below their peak in 2026F.

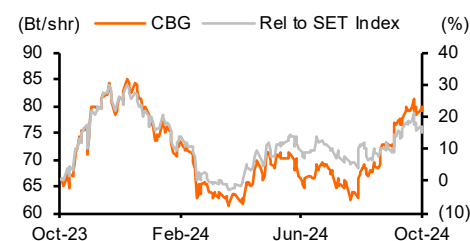
### The margin story

We estimate an EBIT margin recovery to 17.6% in 2026F from the low of 11.8% in 2023 due to raw material prices falling from their 2022-23 highs, internal cost-saving measures, and the operating leverage effect from recovering sales. However, we do not expect its EBIT margin to widen to its old peak of 24.5% in 2020 because of the rising contribution of CBG's lower-margin third-party alcoholic drink distribution business at 37% in 2026F from 14% in 2020.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	18,853	21,413	23,859	26,533
Net profit	1,924	2,926	3,585	4,017
Consensus NP	—	2,808	3,143	3,426
Diff frm cons (%)	—	4.2	14.1	17.3
Norm profit	1,924	2,926	3,585	4,017
Prev. Norm profit	—	2,904	3,442	3,862
Chg frm prev (%)	—	0.8	4.1	4.0
Norm EPS (Bt)	1.9	2.9	3.6	4.0
Norm EPS grw (%)	(15.8)	52.1	22.5	12.1
Norm PE (x)	41.3	27.2	22.2	19.8
EV/EBITDA (x)	27.5	18.9	15.7	14.0
P/BV (x)	6.9	6.0	5.3	4.7
Div yield (%)	1.1	1.8	2.7	3.0
ROE (%)	17.4	23.7	25.4	25.3
Net D/E (%)	36.6	18.3	3.3	(5.8)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 18-Oct-24 (Bt)	79.50
Market Cap (US\$ m)	2,397.3
Listed Shares (m shares)	1,000.0
Free Float (%)	28.6
Avg Daily Turnover (US\$ m)	7.8
12M Price H/L (Bt)	85.25/61.50
Sector	FOOD
Major Shareholder	Sathientham Holding 25%

Sources: Bloomberg, Company data, Thanachart estimates

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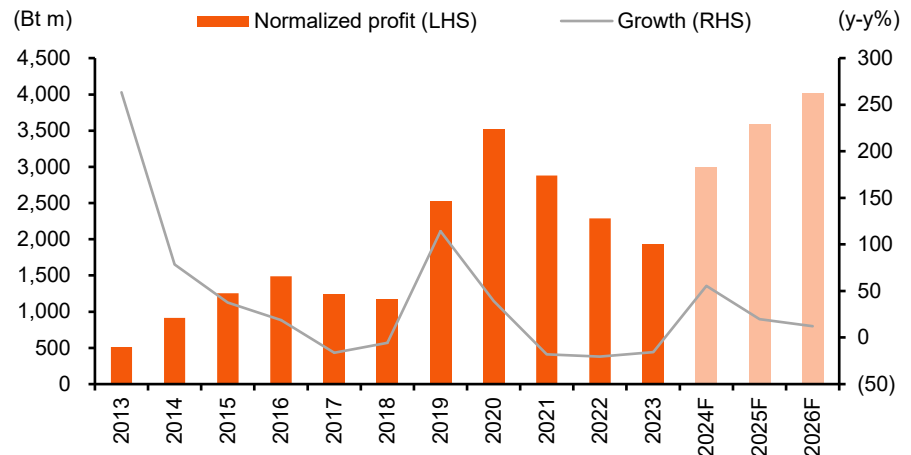


## Back to the old peak; reaffirm BUY

*We expect CBG's earnings to reach their previous peak after three weak years*

After three years of weakness, Carabao Group Pcl's (CBG) turnaround began this year, and we expect its earnings to return to their peak next year. With two more areas awaiting further unlocking, we expect 52/23/12% EPS growth in 2024-26F.

### Ex 1: Earnings Turnaround



Sources: Company data, Thanachart estimates

### Ex 2: Our Assumptions

	2019	2020	2021	2022	2023	2024F	2025F	2026F
Total sales (% growth)	3.5	15.4	0.8	10.7	(2.7)	13.6	11.4	11.2
- Domestic energy drinks (% growth)	(0.5)	(5.0)	(6.6)	3.2	6.7	13.0	5.0	5.0
- Domestic others	10.1	67.2	49.9	34.1	5.7	17.2	19.3	19.4
- Export sales (% growth)	8.3	16.4	(13.8)	(1.4)	(13.7)	8.0	8.0	7.0
Gross margin (%)	38.9	41.0	35.6	29.3	25.9	27.5	28.2	27.5
SG&A to sales (%)	18.4	16.5	17.0	16.0	14.1	11.4	10.6	9.9
EBIT margin (%)	20.5	24.5	18.7	13.3	11.8	16.1	17.6	17.6

Sources: Company data, Thanachart estimates

Due to the likely better-than-expected 2H24F outlook, we fine-tune our earnings up by 1-4% in 2024-26F.

### Ex 3: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	5,060	5,568	5,837	6,225	6,609	7,115	7,504	7,888	8,289	8,709	9,148	—
Free cash flow	3,890	3,917	5,034	5,419	5,767	6,247	6,602	6,957	7,323	7,705	8,106	128,086
PV of free cash flow	3,880	3,351	3,982	3,964	3,901	3,908	3,740	3,633	3,526	3,421	3,319	52,440
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	8.1											
Terminal growth (%)	2.0											
Enterprise value - add investments	93,066											
Net debt (2024F)	2,388											
Minority interest	(197)											
Equity value	90,875											
# of shares (m)	1,000											
<b>Equity value/share (Bt)</b>	<b>91.00</b>											

Sources: Company data, Thanachart estimates

### Ex 4: Assumption Revisions

	2021	2022	2023	2024F	2025F	2026F
<b>Sales (Bt m)</b>						
- New	17,364	19,215	18,853	21,413	23,859	26,533
- Old				21,153	23,584	26,242
- Change (%)				1.2	1.2	1.1
<b>Gross margin (%)</b>						
- New	35.6	29.3	25.9	27.5	28.2	27.5
- Old				27.7	27.8	27.2
- Change (ppt)				(0.2)	0.4	0.4
<b>SG&amp;A to sales (%)</b>						
- New	17.0	16.0	14.1	11.4	10.6	9.9
- Old				11.5	10.7	10.0
- Change (ppt)				(0.1)	(0.1)	(0.1)
<b>Normalized profits (Bt m)</b>						
- New	2,816	2,286	1,924	2,926	3,585	4,017
- Old				2,904	3,442	3,862
- Change (%)				0.8	4.1	4.0

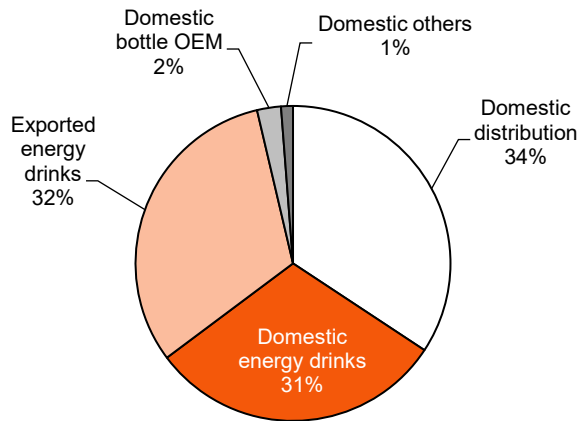
Sources: Company data, Thanachart estimates

## Turnaround drivers

We classify CBG's earnings drivers into two categories:

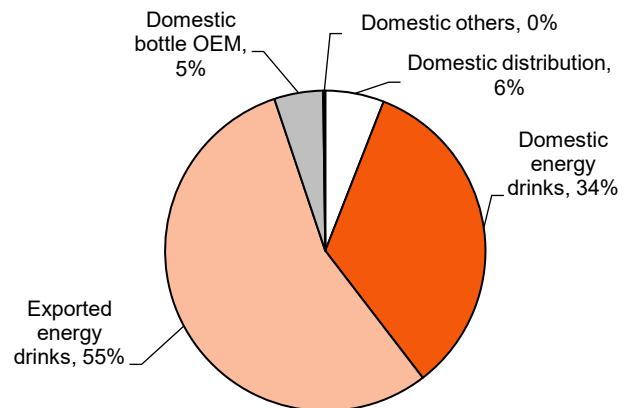
- 1) Early turnaround drivers: domestic energy drink and falling SG&A to sales.
- 2) Areas for further improvement which will help drive earnings after this year: export recovery and improving gross margin.

**Ex 5: Sales Breakdown**



Sources: Company data, Thanachart estimates

**Ex 6: EBIT Breakdown**



Sources: Company data, Thanachart estimates

### Early turnaround drivers:

#### Domestic market share gains

**Domestic energy drinks:** Domestic energy drinks account for 34% of CBG's EBIT. The business experienced stagnating growth during 2021-23 amid muted consumer spending in Thailand.

CBG's market share gain story began in late 2023 after Red Bull Thailand (not listed) raised its selling price in the middle of last year, following Osotspa Pcl (OSP TB, Bt22.0, BUY) in 2022.

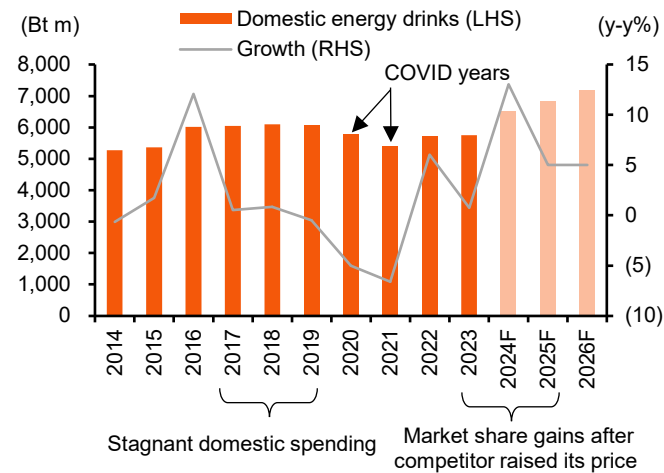
CBG's market share rose from 20% in 2023 to 24% in 1H24 and to over 25% in recent months.

CBG initially focused on modern trade channels for its market share gain strategy. These channels are more effective for aggressive promotional campaigns and have broader potential for customer recognition due to their higher visibility and reach.

Having gained market share in modern trade channels and expanded its customer base, CBG is shifting its focus from further market share gains in traditional trade to strengthening its position in this area. This is where CBG has an advantage due to its in-house distribution vans and sales team. CBG can be less aggressive with monetary promotional campaigns by directly engaging with consumers in rural areas, who are more sensitive to pricing, especially for energy drinks, which have long been traditional beverages for Thai people.

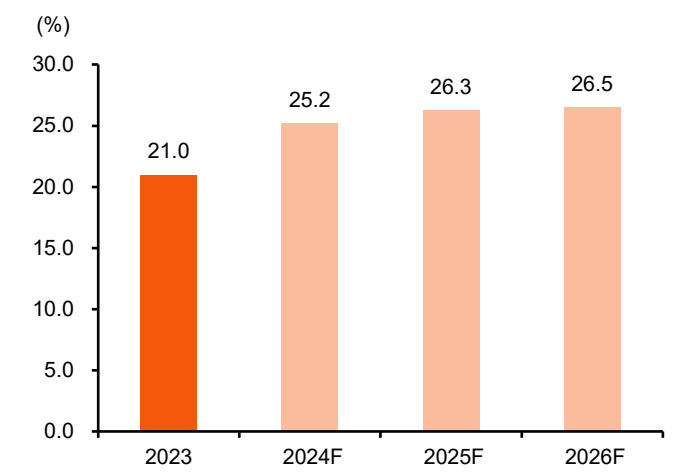
CBG aspires to be the largest energy drink player in Thailand, which would mean having over a 40% market share. We still estimate CBG's market share at 25.2% this year, gradually improving to 26.5% in 2026F.

**Ex 7: Domestic Energy Drinks Growth Trend**



Sources: Company data, Thanachart estimates

**Ex 8: CBG's Market Share**



Sources: Company data, Thanachart estimates

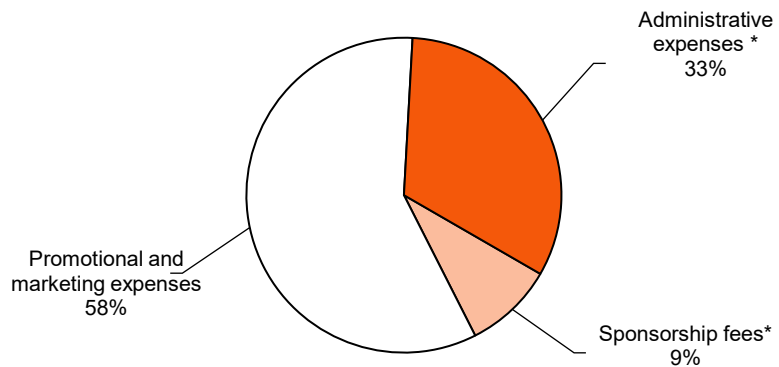
**Lower SG&A base**

**Lower SG&A base:** CBG's SG&A-to-sales ratio fell to 11.7% in 1Q24 and 10.8% in 2Q24 from 14.1% in 2023.

- 1) Despite aiming for further market share gains, CBG has reduced its promotional and marketing expenses after both key competitors raised their selling prices.
- 2) As mentioned earlier, CBG's shift in focus to traditional trade areas, such as mom-and-pop stores, also requires lower promotions.
- 3) Operating leverage impact: Of total SG&A expenses, fixed costs like sales personnel account for 42%.

We expect the company's SG&A-to-sales ratio to improve further as we anticipate a strong recovery in CBG's overseas business. This involves lower selling expenses because distributors bear more responsibility for these costs, unlike in Thailand, where CBG covers all the expenses.

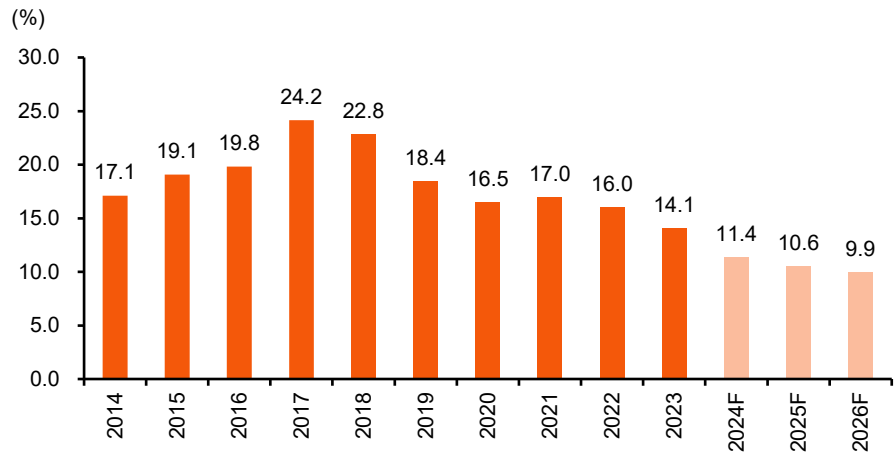
**Ex 9: SG&A Breakdown**



Sources: Company data, Thanachart estimates

Note: \* Do not move along with revenues

**Ex 10: Lower SG&A Base**



Sources: Company data, Thanachart estimates  
 Note: \* Do not move along with revenues

**Areas still off the old peak**

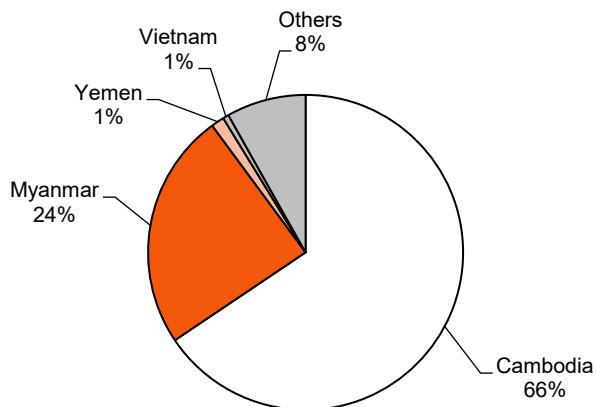
*Gradual export recovery*

**Energy drink exports:** Exports declined by 27% in 2023 from their peak in 2020. Cambodia, CBG’s largest market, was hit by floods and weak consumer spending. Meanwhile, Myanmar faced strict import regulations imposed by the government to preserve the value of its currency.

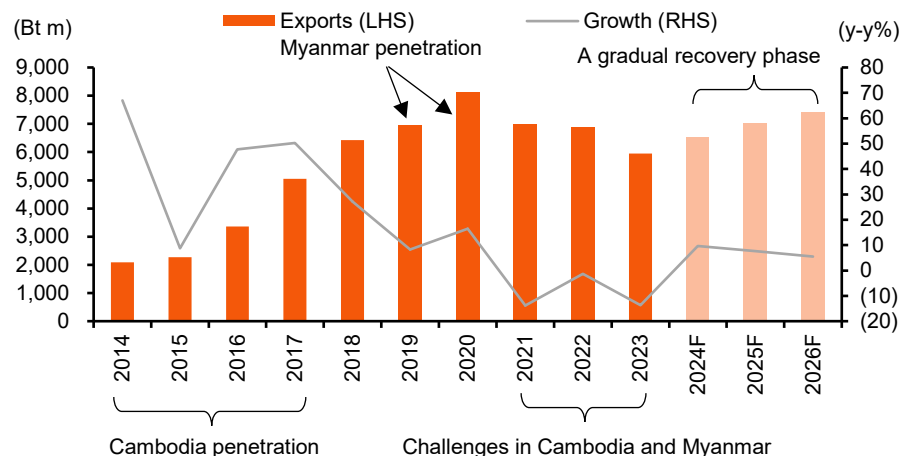
CBG saw exports improve by 6% y-y in 1H24, with expectations of another 5% y-y growth in 3Q24F. While Cambodia is recovering from a low base, Myanmar continues to decline. CBG anticipates some improvement in orders from Myanmar in 4Q24F, with Cambodia’s recovery gaining momentum.

We estimate exports to grow by 8/8/7% in 2024-26F and reach 95% of their 2020 peak by 2026F. Although we expect Cambodia to recover fully, we remain cautious about Myanmar. Due to ongoing import curbs, CBG has discussed the need to build a local factory in Myanmar, but political instability has caused delays in this plan.

**Ex 11: Export Breakdown**



Sources: Company data, Thanachart estimates

**Ex 12: Export Gradual Recovery**

Sources: Company data, Thanachart estimates

CBG is optimistic about the market's recovery in Cambodia despite its gradual pace. As the dominant player with a market share of over 70%, CBG is leveraging this recovery through more aggressive marketing strategies and its extensive distribution network.

CBG also plans to build a new factory in Cambodia to support this growth.

CBG has established Carabao Cambodia, a JV in which CBG has a 60% stake, while its current distributor in Cambodia holds the remaining 40%. The JV plans to build an energy drink factory in Cambodia, with an investment of Bt1.6bn. Operations are scheduled to commence in 2026. CBG expects its gross margin to increase by 3% in 2027 from 28% in 2Q24.

Currently, CBG produces energy drinks in Thailand and sells them to its distributor in Cambodia. After operations begin, the JV factory will purchase energy drink concentrate and cans from CBG and pay a royalty fee. CBG mentioned that it would still earn most of the profits as the JV factory would only earn a small manufacturing margin using key raw materials purchased from CBG. CBG would also benefit from increased profitability by avoiding the high costs associated with import tariffs on finished energy drink products. CBG plans to utilize the remaining production capacity of its energy drink manufacturing line to enter new markets such as Vietnam. The company also anticipates that the risk of negative operating leverage will be minimal, given the mature and low-margin nature of the manufacturing process.

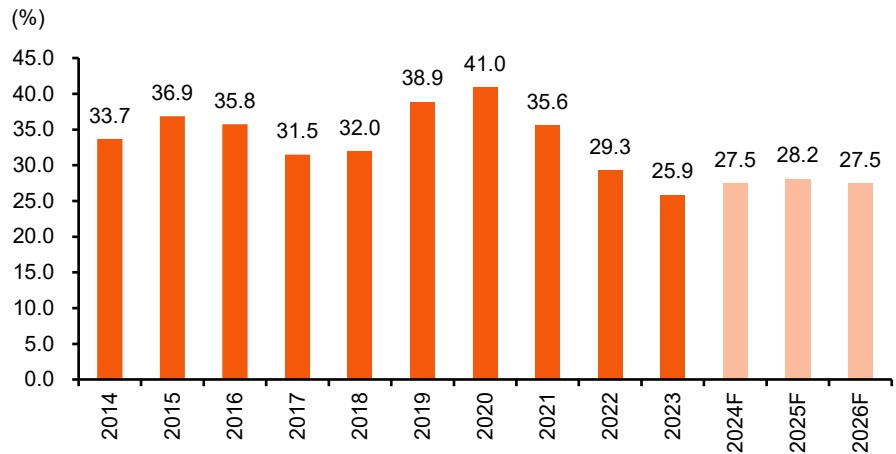
While CBG's distribution partner stands to gain from JV profit sharing, CBG's strategic logic extends beyond financial gains. The partnership provides CBG with enhanced access and deeper market insights into Cambodia, which is currently its largest export market. This increased market intelligence should help CBG strengthen its position and optimize its strategies in this key region.

**Improving gross margin**

**Still room for gross margin improvement:** CBG’s gross margin dropped to 26% in 2023 from 41% in 2020 but recovered to 28% in 2Q24. CBG expects further improvements in 2H24F.

We estimate its gross margin at 28% in 2026F.

**Ex 13: Gross Margin**

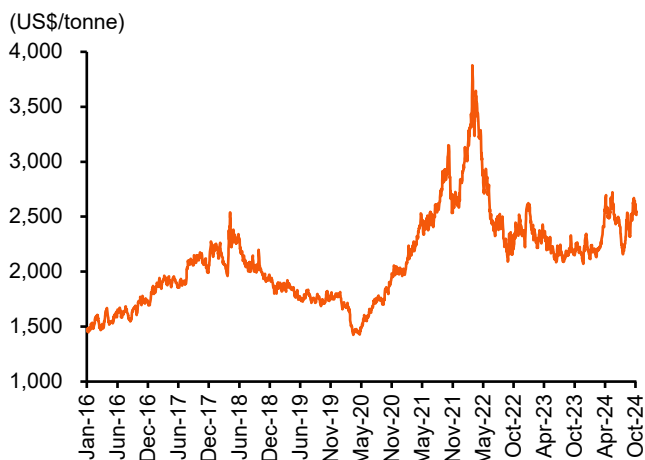


Sources: Company data, Thanachart estimates

- 1) **Falling raw material costs:** Raw materials (65% of COGS) rose significantly, costing CBG around Bt1.0bn in 2022-23 due to higher global commodity prices for natural gas, cullet, and aluminum. However, these prices are normalizing, leading to improved margins. CBG continues to benefit from falling cullet prices, which we expect to drop over 15% q-q in 4Q24F, driven by declining global oil prices that influence other commodity costs.

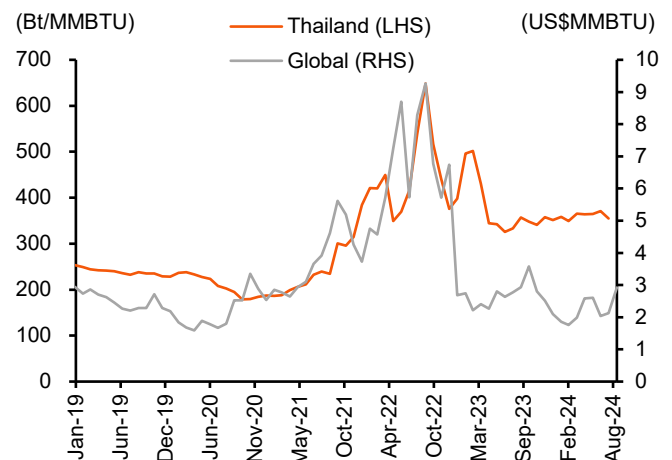
However, we do not expect CBG’s raw material costs to decrease significantly beyond current levels due to the ongoing global inflationary environment.

**Ex 14: Aluminum**



Source: Bloomberg

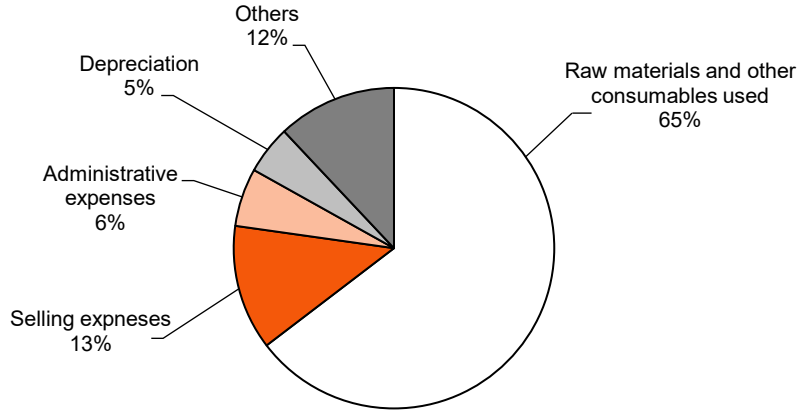
**Ex 15: Thailand Natural Gas**



Sources: Bloomberg, Energy Policy and Planning office (EPPO)

- 2) Operating leverage impact: CBG’s utilization rate fell to 75% in 2023 from over 90% in 2020, mainly due to the abovementioned challenges. Utilization recovered to 85% in 1H24.

**Ex 16: Cost Of Goods Sold Breakdown**



Sources: Company data, Thanachart estimates

Note that we expect an improvement but do not foresee gross margins returning to their old peak in 2020 of 41% by 2026F due to the rising contribution of CBG’s lower-margin third-party distribution business.

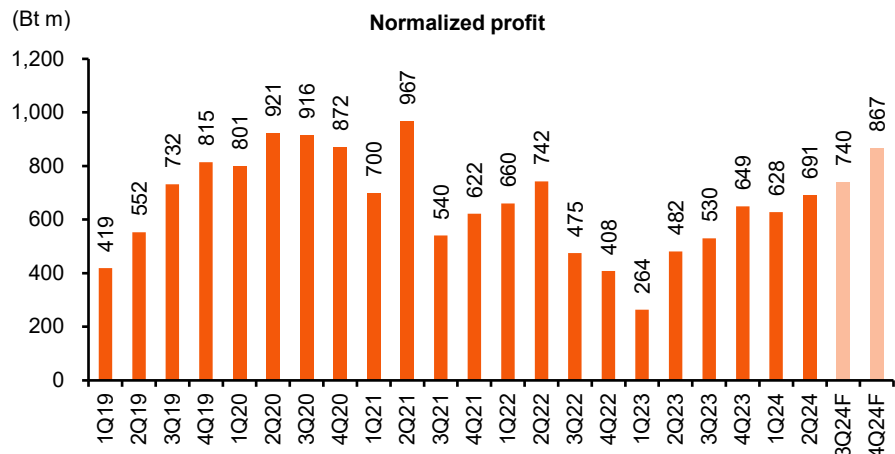
**Good quarterly outlook**

*Growing quarterly outlook*

We forecast CBG’s 3Q24F normalized earnings of Bt740m, increasing by 40% y-y and 7% q-q despite 3Q is normally the weakest quarter of the year due to the rainy season. CBG’s growth came from its market share gain and margin expansion due to reasons mentioned above.

Looking into 4Q24F, we for the stronger results thanks to the festive season impact and the recovery in Myanmar.

**Ex 17: Quarterly Outlook**



Sources: Company data, Thanachart estimates

### Inexpensive valuation, in our view

*CBG's valuation looks inexpensive to us*

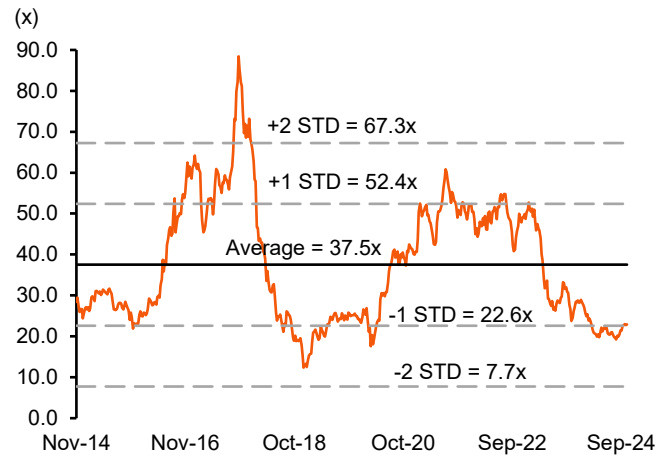
We expect CBG's earnings to return to their peak next year while the share price remains 48% below its previous high, which we believe presents a compelling opportunity to BUY. CBG is trading at 27/22x PE multiples for 2024-25F, and we estimate 52/23/12% EPS growth in 2024-26F.

**Ex 18: Share Price Off Its Peak**



Source: Bloomberg

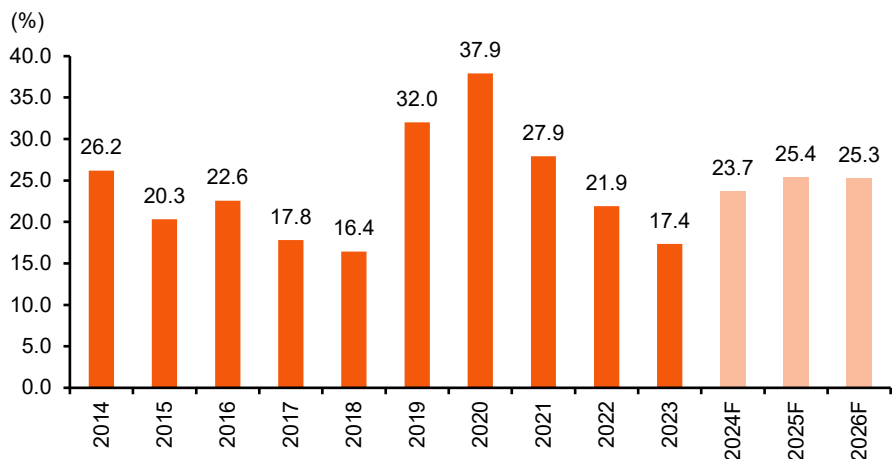
**Ex 19: Historical Forward PE**



Sources: Bloomberg, Thanachart estimates

While we do not anticipate CBG's PE to return to its previous high of 33x due to the lower ROE outlook (driven by a higher mix of the low-margin distribution business and slower growth in high-margin exports), we still expect ROE to improve and see upside potential to its current PE level.

**Ex 20: ROE Improving Despite Not Reaching Previous High**

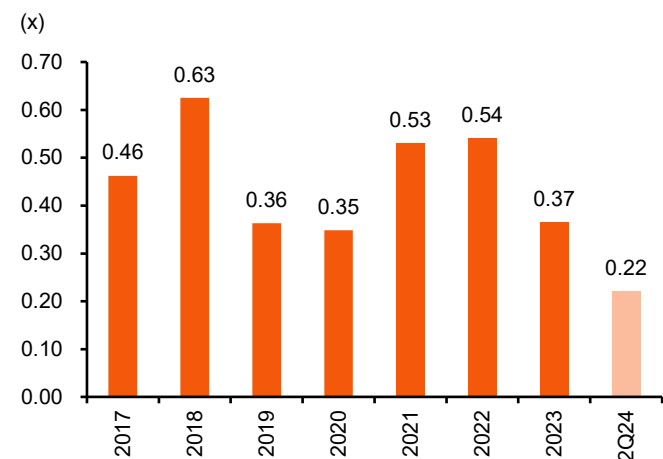


Sources: Company data, Thanachart estimates

**A financially sound company**

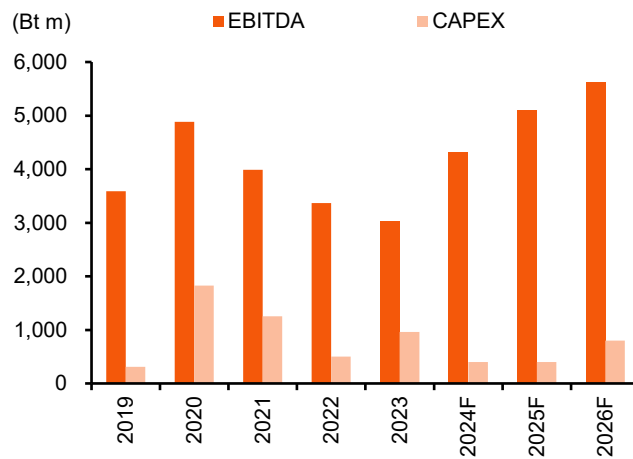
In our view, CBG is a financially sound company. Despite being in a net cash position, the company has lowered its net D/E to only 0.2x in 2Q24. CBG still needs some investments for efficiency improvement in Thailand and for the new factory in Cambodia. That said, its EBITDA of B4-5bn p.a. in 2024-26F can easily cover the capex requirement of Bt400-800m.

**Ex 21: Net D/E Trend**



Source: Company data

**Ex 22: EBITDA Vs. Capex**



Sources: Company data, Thanachart estimates

## Valuation Comparison

**Ex 23: Valuation Comparison With Regional Peers**

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Yakult Honsha	2267 JP	Japan	5.2	2.1	19.5	19.1	1.8	1.7	10.9	10.6	1.9	2.0
Coca-Cola	KO US	US	6.0	6.4	24.5	23.0	11.8	10.8	21.7	20.3	2.8	2.9
PepsiCo	PEP US	US	7.0	5.9	21.4	20.2	11.5	9.9	15.6	14.7	3.0	3.2
Monster Beverage	MNST US	US	8.9	13.8	31.9	28.0	8.3	6.9	23.3	20.8	0.0	0.0
Sappe PCL	SAPPE TB	Thailand	21.3	12.9	15.5	13.8	4.7	4.1	9.8	8.3	4.2	4.7
Carabao Group PCL*	CBG TB	Thailand	52.1	22.5	27.2	22.2	6.0	5.3	18.9	15.7	1.8	2.7
Osotspa PCL*	OSP TB	Thailand	33.0	7.7	20.7	19.2	4.1	4.1	14.1	13.0	4.8	5.2
<b>Average</b>			<b>19.1</b>	<b>10.2</b>	<b>23.0</b>	<b>20.8</b>	<b>6.9</b>	<b>6.1</b>	<b>16.3</b>	<b>14.8</b>	<b>2.6</b>	<b>3.0</b>

Sources: Company data, Thanachart estimates

Note: \* Thanachart estimates, using normalized EPS.

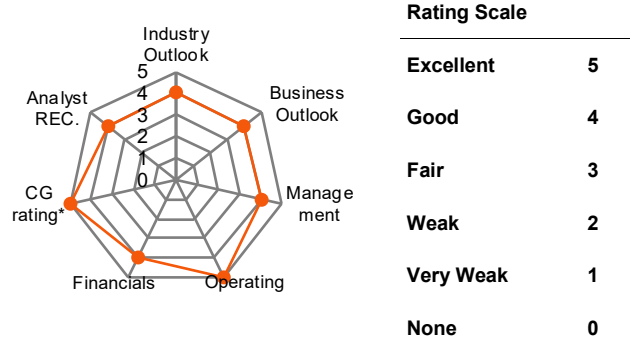
Based on 18 October 2024 closing prices

## 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 domestically and abroad.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*CG Rating

### Rating Scale

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

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong presence in the domestic beverage market.
- Robust balance sheet.
- Proactive management team.

### O — Opportunity

- Expansions abroad.
- Mergers and acquisitions.

### W — Weakness

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

### T — Threat

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

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	83.08	91.00	10%
Net profit 24F (Bt m)	2,808	2,926	4%
Net profit 25F (Bt m)	3,143	3,585	14%
Consensus REC	BUY: 12	HOLD: 5	SELL: 1

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is higher than the Bloomberg consensus number, which we attribute to us having a more positive view regarding CBG's business recovery.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Lower-than-expected growth in domestic sales and exports would represent the key downside risk 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



## INCOME STATEMENT

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales		19,215	18,853	21,413	23,859	26,533
Cost of sales		13,582	13,974	15,527	17,142	19,225
<b>Gross profit</b>		<b>5,633</b>	<b>4,879</b>	<b>5,886</b>	<b>6,717</b>	<b>7,308</b>
<i>Margin expansion</i>	% gross margin	29.3%	25.9%	27.5%	28.2%	27.5%
Selling & administration expenses		3,078	2,660	2,440	2,520	2,632
<b>Operating profit</b>		<b>2,555</b>	<b>2,219</b>	<b>3,446</b>	<b>4,198</b>	<b>4,676</b>
% operating margin		13.3%	11.8%	16.1%	17.6%	17.6%
Depreciation & amortization		813	818	882	911	943
<b>EBITDA</b>		<b>3,368</b>	<b>3,038</b>	<b>4,328</b>	<b>5,108</b>	<b>5,619</b>
% EBITDA margin		17.5%	16.1%	20.2%	21.4%	21.2%
Non-operating income		240	193	171	191	212
Non-operating expenses		0	0	0	0	0
Interest expense		(115)	(183)	(134)	(116)	(97)
<b>Pre-tax profit</b>		<b>2,679</b>	<b>2,229</b>	<b>3,483</b>	<b>4,273</b>	<b>4,791</b>
Income tax		433	337	577	707	793
<b>After-tax profit</b>		<b>2,247</b>	<b>1,892</b>	<b>2,907</b>	<b>3,566</b>	<b>3,998</b>
% net margin		11.7%	10.0%	13.6%	14.9%	15.1%
Shares in affiliates' Earnings		5	8	0	0	0
Minority interests		35	24	19	19	19
Extraordinary items		0	0	0	0	0
<b>NET PROFIT</b>		<b>2,286</b>	<b>1,924</b>	<b>2,926</b>	<b>3,585</b>	<b>4,017</b>
<i>Earnings turnaround</i>	<b>Normalized profit</b>	<b>2,286</b>	<b>1,924</b>	<b>2,926</b>	<b>3,585</b>	<b>4,017</b>
EPS (Bt)		2.3	1.9	2.9	3.6	4.0
Normalized EPS (Bt)		2.3	1.9	2.9	3.6	4.0

## BALANCE SHEET

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>						
Current assets:		6,347	5,802	6,189	6,908	7,522
Cash & cash equivalent		936	1,184	1,000	1,200	1,200
Account receivables		2,533	2,192	2,490	2,774	3,085
Inventories		2,718	2,295	2,550	2,769	3,052
Others		160	131	149	166	184
Investments & loans		154	158	158	158	158
Net fixed assets		12,229	12,376	11,933	11,470	11,377
Other assets		1,309	1,207	1,595	1,689	1,789
<b>Total assets</b>		<b>20,039</b>	<b>19,544</b>	<b>19,874</b>	<b>20,225</b>	<b>20,846</b>
<b>LIABILITIES:</b>						
Current liabilities:		8,187	4,283	3,853	3,476	3,256
Account payables		1,853	2,045	2,273	2,509	2,814
Bank overdraft & ST loans		3,518	1,225	780	390	57
Current LT debt		2,569	769	490	245	36
Others current liabilities		248	244	310	331	349
<b>Total LT debt</b>		<b>555</b>	<b>3,326</b>	<b>2,118</b>	<b>1,060</b>	<b>154</b>
Others LT liabilities		731	621	865	893	921
<b>Total liabilities</b>		<b>9,474</b>	<b>8,231</b>	<b>6,836</b>	<b>5,428</b>	<b>4,331</b>
Minority interest		(118)	(178)	(197)	(216)	(235)
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		3,627	3,667	3,667	3,667	3,667
<b>Retained earnings</b>		<b>6,055</b>	<b>6,824</b>	<b>8,568</b>	<b>10,346</b>	<b>12,083</b>
Shareholders' equity		10,683	11,491	13,235	15,013	16,750
<b>Liabilities &amp; equity</b>		<b>20,039</b>	<b>19,544</b>	<b>19,874</b>	<b>20,225</b>	<b>20,846</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	2,679	2,229	3,483	4,273	4,791
Tax paid	(474)	(331)	(563)	(688)	(776)
Depreciation & amortization	813	818	882	911	943
Chg In working capital	(1,074)	957	(325)	(266)	(290)
Chg In other CA & CL / minorities	(5)	(6)	35	(15)	(17)
<b>Cash flow from operations</b>	<b>1,940</b>	<b>3,667</b>	<b>3,512</b>	<b>4,214</b>	<b>4,651</b>
Capex	(504)	(965)	(400)	(400)	(800)
Right of use	(180)	124	(330)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	(51)	(4)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	273	(136)	148	(64)	(72)
<b>Cash flow from investments</b>	<b>(463)</b>	<b>(982)</b>	<b>(582)</b>	<b>(514)</b>	<b>(922)</b>
Debt financing	138	(1,321)	(1,932)	(1,693)	(1,448)
Capital increase	0	0	0	0	0
Dividends paid	(1,750)	(1,150)	(1,181)	(1,807)	(2,281)
Warrants & other surplus	(63)	34	0	0	0
<b>Cash flow from financing</b>	<b>(1,675)</b>	<b>(2,437)</b>	<b>(3,114)</b>	<b>(3,500)</b>	<b>(3,729)</b>
<b>Free cash flow</b>	<b>1,435</b>	<b>2,702</b>	<b>3,112</b>	<b>3,814</b>	<b>3,851</b>

**VALUATION***PE looks inexpensive to us*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	34.8	41.3	27.2	22.2	19.8
Normalized PE - at target price (x)	39.8	47.3	31.1	25.4	22.7
PE (x)	34.8	41.3	27.2	22.2	19.8
PE - at target price (x)	39.8	47.3	31.1	25.4	22.7
EV/EBITDA (x)	25.3	27.5	18.9	15.7	14.0
EV/EBITDA - at target price (x)	28.7	31.3	21.6	17.9	16.0
P/BV (x)	7.4	6.9	6.0	5.3	4.7
P/BV - at target price (x)	8.5	7.9	6.9	6.1	5.4
P/CFO (x)	41.0	21.7	22.6	18.9	17.1
Price/sales (x)	4.1	4.2	3.7	3.3	3.0
Dividend yield (%)	1.9	1.1	1.8	2.7	3.0
FCF Yield (%)	1.8	3.4	3.9	4.8	4.8
<b>(Bt)</b>					
Normalized EPS	2.3	1.9	2.9	3.6	4.0
EPS	2.3	1.9	2.9	3.6	4.0
DPS	1.5	0.9	1.5	2.2	2.4
BV/share	10.7	11.5	13.2	15.0	16.7
CFO/share	1.9	3.7	3.5	4.2	4.7
FCF/share	1.4	2.7	3.1	3.8	3.9

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	10.7	(1.9)	13.6	11.4	11.2
Net profit (%)	(20.6)	(15.8)	52.1	22.5	12.1
EPS (%)	(20.6)	(15.8)	52.1	22.5	12.1
Normalized profit (%)	(18.8)	(15.8)	52.1	22.5	12.1
Normalized EPS (%)	(18.8)	(15.8)	52.1	22.5	12.1
Dividend payout ratio (%)	65.6	46.8	50.0	60.0	60.0
<b>Operating performance</b>					
Gross margin (%)	29.3	25.9	27.5	28.2	27.5
Operating margin (%)	13.3	11.8	16.1	17.6	17.6
EBITDA margin (%)	17.5	16.1	20.2	21.4	21.2
Net margin (%)	11.7	10.0	13.6	14.9	15.1
D/E (incl. minor) (x)	0.6	0.5	0.3	0.1	0.0
Net D/E (incl. minor) (x)	0.5	0.4	0.2	0.0	(0.1)
Interest coverage - EBIT (x)	22.2	12.1	25.8	36.3	48.2
Interest coverage - EBITDA (x)	29.3	16.6	32.4	44.2	57.9
ROA - using norm profit (%)	11.7	9.7	14.8	17.9	19.6
ROE - using norm profit (%)	21.9	17.4	23.7	25.4	25.3
<b>DuPont</b>					
ROE - using after tax profit (%)	21.5	17.1	23.5	25.2	25.2
- asset turnover (x)	1.0	1.0	1.1	1.2	1.3
- operating margin (%)	14.5	12.8	16.9	18.4	18.4
- leverage (x)	1.9	1.8	1.6	1.4	1.3
- interest burden (%)	95.9	92.4	96.3	97.4	98.0
- tax burden (%)	83.8	84.9	83.5	83.5	83.5
WACC (%)	7.8	7.8	7.8	8.1	8.1
ROIC (%)	13.8	11.5	18.4	22.4	25.2
NOPAT (Bt m)	2,142	1,884	2,876	3,503	3,902
invested capital (Bt m)	16,389	15,627	15,623	15,508	15,797

*ROE looks decent for its business nature*

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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