

Osotspa Pcl (OSP TB) - BUY

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

Earnings Preview**3Q24F likely softer than expected**

- **Norm earnings still growing, but slightly below expectations**
- **Domestic energy drink hiccup**
- **Export growing well**
- **Margin expansion continues**

We expect OSP to report a net loss of Bt200m in 3Q24F. Excluding the net payment from the divestment of the glass OEM business in Myanmar (Bt800m) and FX loss (Bt100m), we estimate normalized earnings of Bt700m. The expenses from the Myanmar OEM divestment are not new and should not be taken negatively by the market.

- We estimate normalized earnings to increase by 25% y-y but fall by 23% q-q due to weak seasonality from the rainy season. 3Q24F earnings will likely be slightly below our previous expectations due to a hiccup in the domestic energy drink business.
- We estimate total revenue to fall by 3% y-y and 17% q-q due to the impact of the rainy season.
 - We estimate key domestic energy drink sales to fall by 6% y-y. OSP's key selling areas in the Northern part of Thailand were hit by major flooding during the quarter.
 - The overseas energy drink business should grow by over 20% y-y, based on our estimate. Growth is still driven mainly by its largest market, Myanmar. Amid import restriction regulations, OSP, with its onshore factory, continues to gain market share due to the absence of its key competitors, who need to export products from Thailand. We estimate overseas energy drink sales to fall by 20% q-q due to seasonal impact.
- We expect the EBIT margin to improve from last year, thanks to the decline in raw material prices, particularly natural gas and cullet, from the high base last year, a higher mix of high-margin overseas energy drink revenues, and OSP's internal cost savings. However, the EBIT margin should fall from the previous quarter due to the negative operating leverage impact.
- In all, we see some downside to our numbers.

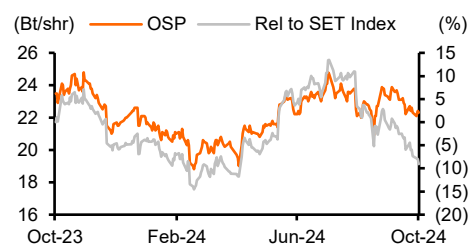
Key Valuations

| Y/E Dec (Bt m) | 2023 | 2024F | 2025F | 2026F |
|-----------------|--------|--------|--------|--------|
| Revenue | 26,062 | 28,468 | 29,334 | 31,049 |
| Net profit | 2,402 | 3,195 | 3,440 | 3,637 |
| Norm net profit | 2,402 | 3,195 | 3,440 | 3,637 |
| Norm EPS (Bt) | 0.8 | 1.1 | 1.1 | 1.2 |
| Norm EPS gr (%) | 24.2 | 33.0 | 7.7 | 5.7 |
| Norm PE (x) | 27.9 | 21.0 | 19.5 | 18.4 |
| EV/EBITDA (x) | 18.2 | 14.3 | 13.2 | 12.4 |
| P/BV (x) | 4.1 | 4.2 | 4.1 | 4.1 |
| Div. yield (%) | 5.4 | 4.8 | 5.1 | 5.4 |
| ROE (%) | 13.8 | 19.7 | 21.3 | 22.3 |
| Net D/E (%) | 6.2 | 13.4 | 9.8 | 6.9 |

Source: Thanachart estimates

Stock Data

| | |
|-----------------------------|-------------|
| Closing price (Bt) | 22.30 |
| Target price (Bt) | 26.00 |
| Market cap (US\$ m) | 2,016 |
| Avg daily turnover (US\$ m) | 9.3 |
| 12M H/L price (Bt) | 24.80/18.80 |

Price Performance

Source: Bloomberg

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