

Osotspa Pcl (OSP TB) - SELL

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Analyst Meeting**Peaked 1Q25F**

- **Strong 1Q25F likely a peak quarter**
- **Myanmar's tailwind**
- **Domestic cannibalization**
- **Maintain SELL**

OSP held an analyst meeting yesterday for the earnings preview. We estimate normal 1Q25F earnings will beat our expectation, coming in at Bt950 m, up 15% y-y and 54% from the low base in 4Q24. (There would also be about Bt200 m non-cash gain from the glass factory in Myanmar sold last year.)

- While revenues will likely be flattish, net margin is the key driver, in our view, expanding to 15% from 11% last year, driven by the strong Myanmar energy-drink business. Overseas products generate higher margin by nature of higher gross margin, selling expenses handled by the distributor, and a lower corporate tax rate in Myanmar. The Myanmar business will likely grow 20% y-y as OSP has gained more market share from Carabao Group Pcl (CBG, BUY, Bt63.5) after the government's stricter import restrictions on FMCG products, including energy drinks, to preserve the weak currency. OSP has an energy-drink production factory in Myanmar.
- The soft area is the domestic energy-drink business, which will likely fall by more than 10% y-y. There has been some cannibalization impact from OSP's new Bt10 energy-drink products on its key Bt12 products. OSP launched the Bt10 energy drink during February. OSP is working to adjust its strategy.
- In all, we maintain our SELL rating on OSP. We expect 1Q25F to be the peak quarter, followed by the weaker season of high-margin Myanmar business and thus a falling-margin outlook. There are also risks from ongoing domestic energy-drink cannibalization in the full-product-launch quarter in 2Q25. Also, as CBG will commence its energy-drink factory in Myanmar in May–June and plans to cut selling prices by 20%, we expect the beginning of price competition in Myanmar (30% of OSP's profits).

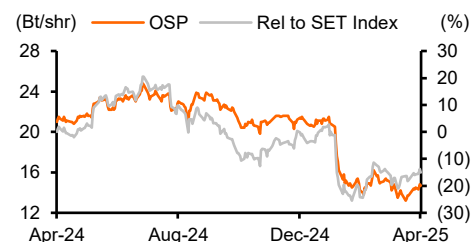
Key Valuations

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	27,069	27,482	28,866	30,254
Net profit	1,638	2,715	2,808	3,025
Norm net profit	3,035	2,715	2,808	3,025
Norm EPS (Bt)	1.0	0.9	0.9	1.0
Norm EPS gr (%)	26.3	(10.5)	3.4	7.7
Norm PE (x)	15.0	16.8	16.3	15.1
EV/EBITDA (x)	10.0	10.6	10.1	9.3
P/BV (x)	2.9	2.9	2.9	2.9
Div. yield (%)	3.9	6.2	6.1	6.6
ROE (%)	19.1	17.3	17.7	19.0
Net D/E (%)	0.4	(1.6)	(6.8)	(11.7)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	15.20
Target price (Bt)	12.00
Market cap (US\$ m)	1,365
Avg daily turnover (US\$ m)	6.3
12M H/L price (Bt)	24.80/13.20

Price Performance

Source: Bloomberg

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