Carabao Group Pcl (CBG TB) - BUY

Analyst Meeting

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Bullish analyst meeting

- **Expecting Cambodia to bottom out…**
- **…with a backup OEM business model.**
- **Very strong domestic performance continues.**
- **Reaffirm BUY.**

CBG held an analyst meeting yesterday. The company expects 3Q25 has bottomed out with improvement to be seen in 4Q25, driven by order recovery in Cambodia and continued strength in Thailand. CBG expects 20% sales growth in 2025 driven by several new revenue streams.

- We recap CBG's 3Q25 earnings fell by 17% y-y and 23% q-q driven by a sharp drop in Cambodia energy drink business due to the boycott of Thai products by locals, despite domestic business remaining very strong.
- CBG expects 4Q25 to improve from 3Q25. CBG saw Cambodia orders, after having disappeared from mid-August to October, start to resume in November. CBG mentioned demand in rural areas began to improve. Domestic energy drink remains very strong with rising market share to 27.6% in October. CBG expects market share to rise to 28-29% in December. The bottle OEM and distribution of spirit products also continue to grow as CBG's spirit customers continue to gain market share.
- Looking into next year, CBG expects 20% sales growth driven by:
- **Domestic energy drink:** CBG expects its market share to reach 32%, or about 25% growth.
  1) CBG plans to penetrate 10,000 new small-scale mom-and-pop stores. Due to rising market share, CBG's products have gained popularity and more retailers want to sell them.
  2) CBG will launch a new Bt12 energy drink product. This is not a price increase as the new product will be an enhanced formulation, and CBG will separate this category from its key Bt10 standard energy drink product.
- **Myanmar:** CBG in 3Q25 built a new factory in Myanmar to bypass strict import restrictions on finished energy drink goods from Thailand. CBG expects 30% sales growth in Myanmar next year.
- **Cambodia:** CBG will open a new factory in Cambodia in December next year. Originally planned to reduce tariff and inland transportation costs from sending products from Thailand, CBG, amid the local Cambodia boycott of Thai products, now plans to:
  1) Establish local manufacturing presence to address consumer sentiment concerns.
  2) Serve as a contract manufacturer for a Cambodian energy drink maker under an OEM arrangement. We see this as a backup plan should its branded products continue to face prolonged local demand boycott.

Key Valuations

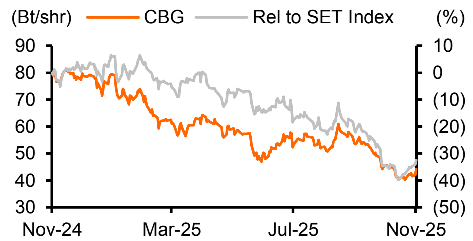
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	20,964	21,427	21,944	23,568
Net profit	2,683	2,813	2,655	3,081
Norm net profit	2,763	2,813	2,655	3,081
Norm EPS (Bt)	2.8	2.8	2.7	3.1
Norm EPS gr (%)	43.6	1.8	(5.6)	16.1
Norm PE (x)	16.0	15.7	16.7	14.4
EV/EBITDA (x)	11.1	10.5	10.7	9.0
P/BV (x)	3.3	3.0	2.8	2.6
Div. yield (%)	2.9	3.3	3.4	4.9
ROE (%)	22.4	20.2	17.4	18.8
Net D/E (%)	9.9	(0.3)	(8.6)	(15.3)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	44.25
Target price (Bt)	50.00
Market cap (US$ m)	1,370
Avg daily turnover (US$ m)	6.3
12M H/L price (Bt)	81.25/40.25

Price Performance



Source: Bloomberg

- **New OEM customers:** CBG plans to find new OEM customers in the can segment, leveraging vacant space in its domestic energy drink can factory after moving part of production to Cambodia.
- **New export market in Afghanistan:** CBG has secured a new customer who plans to buy energy drink concentrate from CBG to manufacture and penetrate the market there.
- We have yet to factor in the success of these initiatives and our model only assumes 2% growth contribution. We prefer to wait and see how progress develops.
- Our BUY thesis on CBG is that we believe the negative news on Cambodia is priced in, and while we do not expect Cambodia sales to disappear entirely, we remain positive on CBG's market share gains in domestic energy drink.

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