

**Carabao Group Pcl (CBG TB) - HOLD**

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**Earnings Preview****Earnings preview**

- **4Q23F likely exceeded expectation slightly.**
- **Strong beer-related orders during the ramp-up period**
- **Key energy drink business remains muted**
- **Maintain HOLD**

We expect CBG's 4Q23F earnings to be Bt640m, +50% y-y and 20% q-q. While we expect for the improvements in earnings, they are likely to slightly exceed our expectations. Earnings increased on the back of new business, some market share gains in domestic energy drink business, and the falling of raw material costs from the high base. The key positive surprise was orders from the new beer customer. Note that the significant earnings improvements from last year was mainly driven by falling raw material costs from the high base.

- We expect total sales to increase by 18% y-y 12% q-q.
  - The new revenue source from new orders from the beer customer likely resulted in an additional Bt100m profit to CBG. We recap that CBG handles OEM bottling and then distributes the beers for its customers. Note that because CBG's beer customer has just started launching their products, they are producing at full capacity. It will take 2 to 3 more months to see how consumers respond to the new products.
  - The key domestic energy drink likely grew 8% y-y and 6% q-q. Despite only a 3-4% increase in domestic energy drink demand, CBG has increased its market share by 2% y-y and 1% q-q to 23%, benefitting from its competitors' price hikes.
  - Energy drink exports are expected to remain stable, despite the low base effect. Key markets in Cambodia and Myanmar are experiencing sluggish consumptions due to inflation. In these markets, energy drinks are viewed as premium products, priced 2 to 3 times higher than in Thailand. Particularly in Myanmar, CBG continues to face product import quota restrictions.
- We expect CBG's EBIT margin to 13.8% from 9.3% last year and 12.9% in 3Q23 due to falling raw material price from the high base and the operating leverage impact.
- Looking ahead, we expect for a 37% EPS growth in 2024F, recovering from the low base of -18% growth p.a. in 2022-23F, while the revenues from the new beer-related service business also helps. We expect for only a small growth from its key energy drink business, amid the intense competition amid the sluggish demand.
- Note that CBG's beer customer aims for a 10% market share in the over Bt200bn beer industry. We have factored in a 4% market share, which seems generous, in our view, given the competitive beer market in Thailand. That said, if CBG's customer reaches its target, we see 15% upside to our forecasted earnings.
- CBG's share price rose 30% over the past three months. We maintain HOLD on CBG, considering its 33x PE as fully valued.

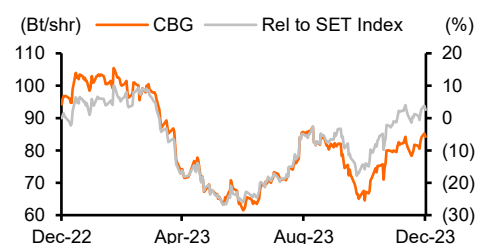
**Key Valuations**

Y/E Dec (Bt m)	2022	2023F	2024F	2025F
Revenue	19,215	18,959	21,063	22,107
Net profit	2,286	1,870	2,563	2,892
Norm net profit	2,286	1,870	2,563	2,892
Norm EPS (Bt)	2.3	1.9	2.6	2.9
Norm EPS gr (%)	(18.8)	(18.2)	37.1	12.8
Norm PE (x)	36.9	45.0	32.9	29.1
EV/EBITDA (x)	25.0	27.4	21.3	19.1
P/BV (x)	7.9	7.5	6.9	6.3
Div. yield (%)	1.8	1.5	2.0	2.4
ROE (%)	21.9	17.1	21.8	22.6
Net D/E (%)	54.0	42.9	29.5	20.0

Source: Thanachart estimates

**Stock Data**

Closing price (Bt)	84.25
Target price (Bt)	77.00
Market cap (US\$ m)	2,437
Avg daily turnover (US\$ m)	12.4
12M H/L price (Bt)	105.50/61.50

**Price Performance**

Source: Bloomberg

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