

**Osotspa Pcl (OSP TB) - U.R.**

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**Analyst Meeting****Analyst meeting takeaway**

- **Likely strong 1Q24F results**
- **Very strong overseas sales...**
- **...Led to a rising margin**
- **We see upside to earnings**

OSP held an analyst meeting yesterday and gave out a strong message, led by a surprisingly strong overseas business which led to rising margins.

- OSP's 1Q24F norm earnings likely come in at Bt820m, increased 67 y-y and 30% q-q. The annualized improvement was mainly caused by the low base impact from when it lost market share and its margin was pressured by rising global commodity costs. The quarterly increment was due to rising overseas revenues.
- Overseas energy revenues (15% of sales in 2023) likely increased by 71% y-y and over 38% q-q. Growth was seen across the market with Myanmar, its largest market, being the strongest key driver. While there was some support from the low base impact last year and the seasonal impact (1Q being the strongest quarter), the growth level was very strong.
- The end customer demand didn't improve materially, but OSP gained market share because the escalation of the conflict between the military government and people in Myanmar caused import difficulties for other players from abroad, leaving OSP as the only player with enough product to meet end demand. OSP, holding the largest market share at about 40%, is the only operator that has an onshore factory in Myanmar. CBG, the second largest player with around a 30% market share, only has a factory in Thailand and imports into Myanmar.
- As for the domestic business of energy drinks, personal care, and functional drinks, while they increased by a high-single-digit level from the low base last year as OSP has recovered its market share over the last year, this wasn't surprising news. Domestic sales were flat quarterly
- EBIT margin also improved thanks to the higher sales mix of the high-margin overseas business (lower selling expenses as paid by distributors and lower tax thanks to received incentives), and operating leverage impact.
- Note that OSP expects 1Q24 could be the strongest quarter of the year due to it being the strongest season in Myanmar.
- We expect the tailwind from Myanmar to last into the second half of this year, but we are cautious about the longer-term sustainability after the import difficulties subside. CBG is also in the process of building its own factory in Myanmar to move production onshore.
- However, we see this as a positive sentiment for the share price.
- We see upside to earnings and we have put our recommendation UNDER REVIEW after OSP's share price fell below our official target price of Bt25/share.

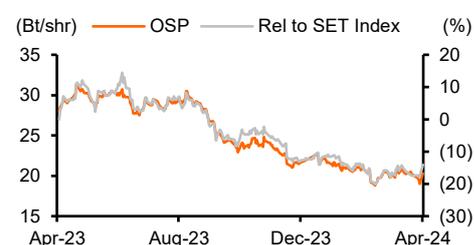
**Key Valuations**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	26,062	27,265	28,423	30,148
Net profit	2,402	2,847	3,124	3,401
Norm net profit	2,402	2,847	3,124	3,401
Norm EPS (Bt)	0.8	0.9	1.0	1.1
Norm EPS gr (%)	24.2	18.5	9.7	8.9
Norm PE (x)	25.4	21.4	19.5	17.9
EV/EBITDA (x)	16.6	14.3	12.8	11.9
P/BV (x)	3.7	3.8	3.8	3.8
Div. yield (%)	5.9	4.7	5.1	5.6
ROE (%)	13.8	17.6	19.5	21.1
Net D/E (%)	6.2	12.3	8.1	4.5

Source: Thanachart estimates

**Stock Data**

Closing price (Bt)	20.30
Target price (Bt)	25.00
Market cap (US\$ m)	1,648.1
Avg daily turnover (US\$ m)	6.9
12M H/L price (Bt)	31.25/18.80

**Price Performance**

Source: Bloomberg

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