

**RELATIVES VALUATION OF CARABAO GROUP PUBLIC
COMPANY LIMITED**

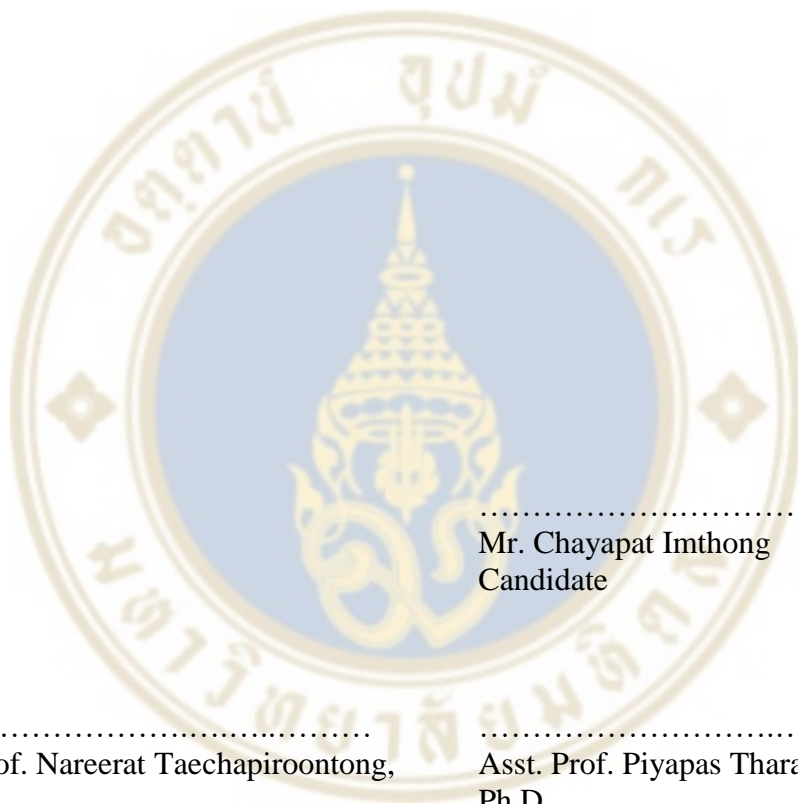


**A THEMATIC PAPER SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2016**

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Thematic paper
entitled
**RELATIVES VALUATION OF CARABAO GROUP PUBLIC
COMPANY LIMITED**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management
on
December 22, 2016



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ACKNOWLEDGEMENTS

To accomplish the success of this thematic paper, I would like to express my deepest gratitude to Ajarn Vasan Siraprapasiri, Ajarn Piyapas Tharavanij and Ajarn Nareerat Taechapiroontong for being my advisors and providing comments that greatly improved. I would like to thank to Natsuda Saelee as the main partner of the paper. I also thank to the supporter from Carabao Group Public Company Ltd. who provided many information that assisted this paper.

In addition, I would like to extend my appreciation to MMCF course for making me learn and understand more in valuation for both relative valuation and discounted cash flow valuation which effectively drive me to complete my thematic paper. I would not have achieved this far and this thematic would not have been completed without all the supports.

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ABSTRACT

The thematic paper is a production of studying valuation and applying in the practical stock. Carabao Group Public Company Limited (CBG) is the stock that I chose for valuation. For the company's long-term strategy, the company planned to expand its production line and increase the proportion of international market, so the company had highly potential of their sales growth. To forecast cash flows, it was challenge to project financial statements in line with distribution strategy. The expected cash flow would be precise it depended on assumptions.

By using the Relative Valuation, it helps to find the intrinsic value of the company. The methodology under relative valuation method is emphasis on three ratio measurement, Price/Earnings Ratio (PER), EV/EBITDA, and Price/Book Value Ratio (PBV), which are calculated based on projection financial statement. As the result, the intrinsic value of CBG stock is 60.1 THB, which is undervalued when compare to the current price as of December 8, 2016 at 76.50 THB. Thus, I recommend to "Hold".

KEY WORDS: CBG/ Energy drink/ FMCG/ Sales Growth/ Relative Valuation

55 pages

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LIST OF ABBREVIATIONS

AEC	ASEAN Economic Community
APG	Asia Pacific Glass Company Limited
BOI	Thailand Board of Investment
BS	Balance Sheet
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CBD	Carabao Tawandang Company Limited
CBG	Carabao Group Public Company Limited
CBGHK	Carabao Holdings (Hong Kong) Limited
CBGLUX	Carabao Venture Holdings (Luxembourg) Limited
CG	Corporate Governance
CLMV	Cambodia, Laos, Myanmar, and Vietnam
CMG	Contract Manufacturing Business
DC	Distribution Centre
DCM	Tawandang DCM Company Limited
EBITDA	Earnings before interest, taxes, depreciation, and Amortization
EPS	Earnings per share
EU	European Union
EV	Enterprise Value
FMCG	Fast-moving consumer goods
FY	Fiscal year
GBP	Pound sterling currency
GDP	Gross domestic product
GP	Gross profit
ICHI	ICHITAN Group Public Company Limited

LIST OF ABBREVIATIONS (cont.)

ICP	Inventory Conversion Period
ICSG	Inter Carabao (Singapore) Limited
ICUK	INTER CARABAO LIMITED
IMF	International Monetary Fund
IPO	Initial public offering
IS	Income Statement
MALEE	MALEE Group Public Company Limited
Market Cap.	Market Capitalization
MB	Million Thai Baht
MLR	Minimum Loan Rate
PBV	Price to Book Ratio
PDP	Payables Deferral Period
PER	Price to Earnings Ratio
RCP	Receivables Collection Period
ROA	Return on Assets
ROE	Return on Equity
RTD	Ready-to-drink
SAPPE	SAPPE Public Company Limited
SD	Standard deviation
SEA	South East Asia
SEC	Securities and Exchange Commission of Thailand
SET	Stock Exchange of Thailand
THB	Thai Baht currency
UHT	Ultra-high temperature processing
UK	United Kingdom
USD	United States dollar currency
YoY	Year over year

CHAPTER I VALUATION

1.1 Highlight

Date: Dec 8, 2016

Ticker: SET: CBG **Recommendation:** Hold
Price: THB 76.50 **Price Target:** THB 60.1

Table 1.1: CBG Financial Summary

Financial Summary						
FY Ended 31 Dec	2013A	2014A	2015A	2016F	2017F	2018F
Sales Revenue (Btm)	6,863	7,448	7,753	9,940	11,444	13,107
Gross Profit (Btm)	2,070	2,510	2,860	3,630	4,143	5,163
Net Profit (Btm)	626	1,012	1,256	1,609	1,741	2,363
EPS (Bt)	1.19	1.22	1.26	1.61	1.74	2.36
EBITDA (Btm)	1,029	1,535	1,702	2,215	2,491	3,248
ROA (%)	13.2%	16.4%	17.4%	18.4%	16.4%	20.3%
ROE (%)	69.3%	28.2%	20.3%	24.2%	23.8%	29.0%



Figure 1.1: CBG Stock Pricing

Table 1.2: CBG Profile

CarabaoGroup PLC. Profile	
Listing date	21-Nov-14
Listing Venue	SET F&B, SET50
Par Value	1 Baht
Shares outstanding (mil.)	1,000
Market Cap.	THB 62,500mn / USD 2.18bn
52 weeks High/Low	THB 32.25 / THB 65.25
Free Float	24.70%
Foreign Limit	49.00%
Dividend policy	at least 40% of consolidated net profit (70% actual FY2015)
EPS (TTM)	THB 1.36
P/E (TTM)	47.38x
P/BV	9.32x
Dividend Yield	2%

1.1.1 Hold recommendation under production expansion and brand awareness campaigns: With the target price of THB 60.1 at the end of 2016, with downside of 21.43%. However, CBG has rapidly invested much expansion and the uncertainty situation has been released both domestic and international markets, such as the depreciated THB currency, political issues (Yemen and Afghanistan), and additional factors that may make people expect further sales volume. Moreover, UK is latest market that make the firm's new opportunity to growth since the UK market is the fifth of the global energy drink consumption with the market value THB 1,200 billion.

1.1.2 CBG has potential to growth abroad: Currently, CBG exports its products to over 20 countries worldwide and export sales now contribute 30% of total sales in FY15. CBG still foresees great business opportunities in CLMV markets due to the proximity and lifestyle similarities. Because of the population structure of these countries, there are a large number of potential customer for CBG's product. Additional, CBG has launched new product "Carabao Carbonated" to Cambodia since Q2, 2015 and UK in 2016, thus we strong believe that CBG revenue still be highly raised up from both markets.

1.1.3 Consistent revenue growth and increasing in Thailand market share: For the financial years 2012, 2013 and 2014, the Group had total revenue increasing 16.2%, 38.3% and 8.5%, respectively. The consistent revenue and profit

growth were indicated the success of the vertically integrated business model, management's ability and capable personnel. Moreover, Carabao Dang has achieved continual market share growth commanding 15.9%, 17.5 %, 21.1% and 21.5% in 2011, 2012, 2013 and 2014, respectively, of the energy drinks market.

1.1.4 Acceleration of net profit margin among its listed competitors:

CBG has higher net profit margin than average beverage industry and its listed peer during year 2015, which is 16%. The net profit margin of CBG tend to be higher, when comparing to the net profit margin of 2014, 14% and 2015, 16%. According to net income projection, the net profit margin still tend to be increased up since 2016 onward. Nevertheless, average net profit margin of listed competitor (SAPPE, MALEE, and ICHI) was only 10% during 2015 and net profit margin was declined by 2% from previous year 2014. It could be reflected that CBG has efficiently managed their various expenses better than it listed peers.



Source: Team's Estimates and Company data

Figure 1.2: CBG Sales Value

1.2 Business Description

Carabao Group Public Company Limited (CBG) was established and incorporated on Aug 2001 in order to conduct its major business of manufacturing and distributing energy drinks under the name "Carabao Dang" along with other beverages e.g. Start Plus. And CBG was registered its conversion to a public limited company on year 2014. Carabao Group began the first trading day in Stock Exchange of Thailand

(SET) under the ticker “CBG”, offering the sale of 250 million shares at the IPO price of Baht 28.

The business vision of Carabao Group Public Company Limited (CBG) and its subsidiaries, which consist of:

Carabao Tawandang Co., Ltd. (CBD) is a manufacturer, marketer and seller of energy drinks under the trademark “Carabao Dang” as well as other beverages like Start Plus.

Asia Pacific Glass Co., Ltd. (APG) manufactures and supplies glass bottles for its energy drink and electrolyte sport drink. The maximum capacity is 650 million amber glass per year (APG Furnace 1 plant) and will increase the capacity more in the future as it plans to build APG Furnace 2 plant in the end of 2016.

Tawandang DCM Co., Ltd. (DCM) manages the domestic distribution of the CBD’s products to 2 channels; modern trade (24%) and traditional trade (agency and cash vans – 76%). DCM has its own sales team for promoting more than 500 salespersons.

1.2.1 Distribution Channels

1.2.1.1 Domestic Market: The Group sells its products domestically through two distribution channels, which are traditional trade and modern trade. Traditional Trade channel, CBG distributes through a network of agents who deal with traditional trade, and orders products from CBG for delivery such products to agents and distributing the Group’s products to traditional trade. Moreover, CBG has expanded a business unit of Distribution Centre (DC), which operates on a route-to-market cash van business that can assist in the distribution coverage of CBG, especially on new products, to reach the market promptly. For Modern Trade channel, CBG directly distributes and contacts modern trade such as convenience stores, supermarkets and hypermarkets.

1.2.1.2 International Market: CBG distributes its products internationally through trading partners which are importers, agents or local distributors in other countries to distribute the products to consumers in countries which are primary market.

1.2.2 Products or Services

At present, the Group manufactures, markets, sells, and manages the distribution of two types of products, namely: (1) energy drink under the “Carabao Dang” trademark, and (2) electrolyte drinks under the “Start Plus” trademark. The type of products are separate into four sub-type as follows;

1.2.2.1 Bottled Carabao Dang a non-carbonated energy drink, is sold in a 150 ml bottles at the general retail shops price of Baht 10 in Thailand. The Group mainly sells bottled Carabao Dang domestically.

1.2.2.2 Canned Carabao, a non-carbonated energy drink, is sold in 250 ml cans. The ingredients in canned Carabao sold in each country may differ slightly depending on the behavior and preference of the consumers as well as the applicable legal regulations in each country.

1.2.2.3 Canned Carabao, a carbonated energy drink, is sold in 325ml cans. The Group began selling carbonated canned Carabao to Cambodia in May 2015 and it has since become very popular among consumers.

1.2.2.4 Start Plus, an electrolyte drinks, is sold in 250 ml glass bottles at a general retail shops price in Thailand of 10 Baht.

1.2.3 Target Customer

The characteristics of target consumers for domestic market, CBG’s consumers is the working population across all occupational groups who are in need of energy and refreshment during work and are mainly in the low to moderate income bracket. Separately with Start Plus product, target customer ranges from teenagers to middle-aged persons who look after themselves and need to rejuvenate for their work and outdoor activities, including compensating their perspiration loss from exercise. However, the target consumer of international market is different in each of the countries.

1.2.4 Marketing Policy and Sales Promotion

1.2.4.1 Above-the-line marketing: CBG presents the Carabao Dang trademark along with the image of the Group’s presenter and brand ambassador,

Mr. Yuenyong Opakul or Aed Carabao. Aed Carabao is the lead singer of Carabao band, whom is very popular among target consumers domestically.

1.2.4.2 Below-the-line marketing: CBG conducts marketing field activities through the Bao Dang Girls Team which has strong familiarity, knowledge, expertise, and relationships with various levels of Agents, retail shops, and consumers in each area. The Bao Dang Girls Team has more than 500 members or more than 70 teams, covering most of the important marketing areas over Thailand.

1.2.4.3 International marketing: CBG selects agents who have expertise and experience in selling consumer goods in foreign countries as well as having the ability to distribute products nationally within those selected countries in order to sell the CBG's products.

1.3 Macro-Economic Analysis

1.3.1 Economy in Thailand

Thai economy is projected to expand higher, especially in private consumption in the second quarter of 2016. This positive development helps compensate for the contraction in merchandise exports in trading partners' economies post-Brexit. For 2017, the Thai economy is expected to grow at about the same rate as this year, driven mainly by private consumption and public spending and also by expansion in tourism. Tourism is expected to return to normal after the adverse impacts of explosions in the southern provinces. Nonetheless, growth of merchandise exports remains limited and will continue to weigh on the economic recovery. Therefore, The Bank of Thailand decided to maintain the growth forecast for 2017 at 3.2%.

Table 1.3: GDP Growth in Thailand

Percent	2015*	2016	2017
GDP growth	2.8	3.2 (3.1)	3.2 (3.2)
Headline inflation	-0.9	0.3 (0.6)	2.0 (2.2)
Core inflation	1.1	0.8 (0.8)	1.0 (1.0)

Note : *Outturn

() June 2016 MPR

Source : Office of National Economic and Social Development Board,
Ministry of Commerce, calculations by Bank of Thailand

1.3.2 Working-age population

Population aged 16 years and over are the worker age from Sep-2015 to Sep-2016, there is the increase of labor force at the growth of 0.7%, or 400 thousand persons a year.

Table 1.4: Labor force status (September 2016)

<i>of population Table 1 Comparison aged 15 years and over by labor force status</i>					
<i>Unit : million persons</i>					
<i>Labor force status</i>	2015			2016	
	Aug	Sep	Oct	Aug	Sep
<i>Persons 15 years and over</i>	55.29	55.32	55.35	55.66	55.69
<i>1. Total labor force</i>	38.94	38.65	38.47	38.86	38.28
<i>1.1 employed</i>	38.49	38.32	38.09	38.46	37.87
<i>1.2 unemployed</i>	0.38	0.30	0.33	0.36	0.34
<i>1.3 seasonally</i>	0.07	0.03	0.05	0.04	0.07
<i>2. Not in labor force</i>	16.35	16.67	16.88	16.80	17.41

Source: National Statistical Office

1.3.3 Political & Government

Nowadays, the army and its allies have cemented control over Thai politics that a constitution just accepted in Aug 2016, which will ensure about political stability, as well as the parliamentary elections has been planned for 2017. After the draft constitution was approved in the referendum, the Thai economy will be expected to grow.

1.3.4 ASEAN Economy

During the year, the South-East Asia or shortly called SEA market (Thailand, Indonesia, Philippine, and Malaysia) have significant growth, especially in Thailand, Indonesia, and Philippine. The cause of the growth is the result from spending in household and in the business, and also including the Government policies which is mainly support economy. The IMF and Asian Development Bank expect that the SEA' economy tend to growth stable with the GDP around 4% to 6%. The factors that would support SEA in next two years are the domestic expenditures and the investment in infrastructure, as well as the unemployment rate is still low and the wages tend to increase in the future.

1.3.5 BREXIT

UK referendum to leave the EU (Brexit) that will likely restrain growth in the euro area amid falling consumer and business confidence due to increased political uncertainties. As well as, it also impacts to growth of Thailand's trading partners to be tilted to the downside due to greater uncertainty post-Brexit. In particular, the trade and investment agreement negotiations between the UK and the EU will have significant implications for global trade and long-term global economic recovery.

Foreign direct investment in the UK might decline significantly as the UK was the financial center of the European Union (EU), and was highly dependent on capital from the EU. However, the impact on trade might not be apparent in the short run as a weaker pound could benefit exports and tourism. This is because the EU was a major export destination for the UK, accounting for 39 % of the UK's total exports or 8 % of GDP. Brexit could impact the EU's exports accounted for 2.4% of its GDP. If the impact of Brexit on the EU make economy weakened, it also indirectly impacts to Asian countries, including Thailand, which had closer trade linkages with the EU. Nonetheless, the medium and longer-term impacts would depend on the terms of negotiations between EU and UK, while the outcomes could have implications on the unity of the EU in the future.

1.4 Industry Analysis

1.4.1 The purchasing power of target customer in Thailand

According to Nielsen's evaluation, the energy drinks market in Thailand has grown at a CAGR of 2.6% between 2012 and 2015, consumer of energy drinks in Thailand has a distinct characteristics which are mainly the lower to middle income population aged 26 – 45 years old. They prefer energy drinks which are non-carbonated and sweeter than energy drinks consumed in other countries. Furthermore, considering on Thai's consumption behavior, Thai prefers consuming bottled energy drinks than canned energy drinks. Therefore, the Group believes that these unique characteristics of Thai consumers make it more difficult for international companies to compete in Thailand.

However, refer to Thailand's economic slowed down during the last year as well as natural disaster which affected to agricultural product, it was directly affected to low – moderate income people who is the major customer of energy drink market. Therefore, the energy drink market in year 2015 was grown only 1% to 2% per annum. The energy drink market could be separated into 15% proportion of premium energy drink market which was grown 2.6% and 85% proportion mass energy drink market which was not grown from previous year.

1.4.2 CLMV group country

CLMV group country (Cambodia, Laos, Myanmar, and Vietnam) still be the potential and significant growth of energy drink market. Due to the similarity of population structure with Thailand especially Myanmar and Vietnam. And the CLMV energy drink market have been got the advantage from entering AEC in year 2015 as well. The population structure of CLMV country could still be the significant major customers in order to encourage growth of energy drink market of Thailand in accordance with GDP CAGR during year 2014 to 2018 among CLMV country, 7.3% to 9.6%.

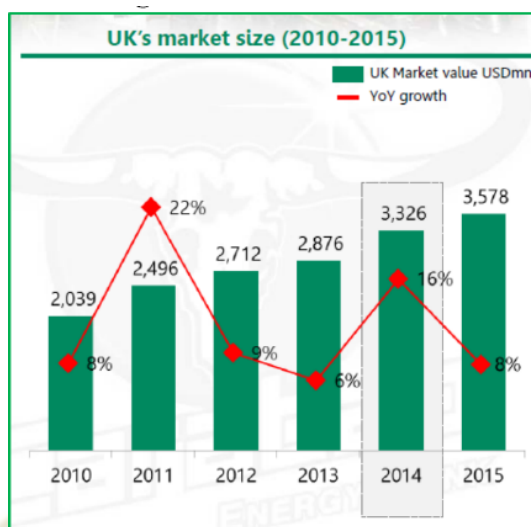
Table 1.5: GDP per capita of CLMV

Countries	GDP CAGR'14-18	GDP per capita	Population(mn)
Myanmar	10%	7.5%	53.80
Vietnam	7%	6.2%	91.70
Cambodia	9%	8.2%	15.50

Source: IMF World Economic Outlook, and World Bank

1.4.3 United Kingdom energy drink industry

United Kingdom energy drink industry will be the new significant market place of Carabao group since year 2016 onward. The market size of UK energy drink market value was 3,578 million USD and compound annual growth rate during year 2010 to 2015 was 12% per annum.



Source: Company data

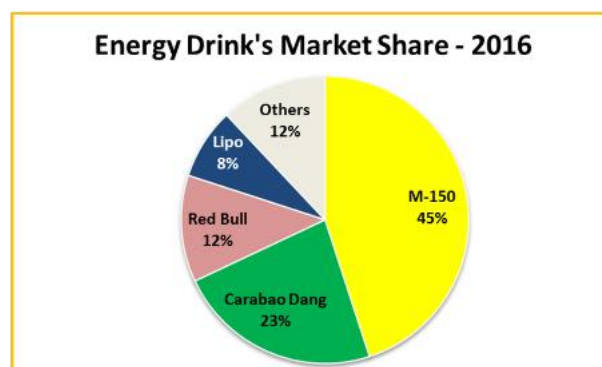
Figure 1.3: UK Market Size

1.5 Competition Analysis

Due to the energy drink industry, Carabao group has competed with both energy drink business which is direct competitor and other beverage business (Indirect competitor). Carabao group has established Carabao Dang energy drink since year 2002, however Carabao Dang trade mark has been well known among the consumer in Thailand. The “Carabao Dang” trademark is associated with the Carabao songs-for-life band, thus it has to rely on the good image and reputation of the Carabao songs-for-life band.

1.5.1 Direct competitor within energy drink market in Thailand

Currently, there are four major player in Thailand’s energy drink market; first, M150 brand which is brand of Osotspa has got approximately 45% of Thailand’s energy drink market share. Carabao Dang is the second rank in the Thailand’s energy drink market share which got approximately 23%. And Red bull energy drink brand has market share following Carabao Dang, by got market share approximately 12%. Lastly, Lopovitan-D brand which also be brand of Osotspa gets approximately 8%.



Source: Company data

Figure 1.4: Thailand's Energy Drink Market Share

As Carabao group aims to become leading energy drink manufacture in Thailand by using efficiency of cost reduction, aggressive marketing and advertising, and increasing of distribution coverage. At present a 150 ml energy drink is sold at a retail price of Baht 10 per bottle. Therefore, in order to increase their market shares, each market players, including CBG, need to conduct aggressive marketing activities. The consequently from Carabao's marketing activities and aggressive advertising, the market share of CBG has continuously increased from 15.9% to 21.3% during year 2011 to 2014, and the market share of CBG has also increased to 21.7% at the end of year 2015, even the energy drink market in year 2015 was grown only 1% to 2% per annum.

Differentiate product of Carabao Dang energy drink, CBG created a unique selling point and differentiated its energy drink by adding vitamin B12, which is vital for proper functioning of brain and nervous system. In addition CBG used the innovative marketing by advertising of vitamin B12 in their energy drink in order to encourage consumers to try and repeatedly buy their products. However, M150 energy drink brand has changed their advertising to be emphasized on benefit of vitamin B6 and B12 on their products, after the successful increasing the market share of CBG from using of advertising of vitamin B12.

1.5.2 Indirect competitor within beverage industry

CBG could be compared among other indirect competitor in the beverage industry, these company are the closest listed peer among the beverage industry; SAPPE, ICHI, and MALEE.

1.5.2.1 SAPPE Plc. (SAPPE) sells the functional beverage and juice drink as the main products. Currently, SAPPE has both domestic (40%) and oversea (60%) distribution channel. At the end of year 2015, SAPPE has CAGR of revenue 4.4% and CAGR of net income approximately 29% during year 2013 to 2015, due to more expansion of export distribution of SAPPE. The forward strategy of SAPPE, also emphasized on launching new products type to both domestic and overseas distribution channel.



Figure 1.5: SAPPE's Products

1.5.2.2 Ichitan Group Plc. (ICHI) sells ready-to-drink (RTD) green tea and functional drink as the main products. Ichitan is second of RTD tea market share in Thailand, because of the major distribution channel of Ichitan brand is in Thailand. ICHI has declining of revenue growth 4% from 2013 to 2014 and reversely increased 2.6% from 2014 to 2015.



Figure 1.6: ICHI's Products

1.5.2.3 Malee Sampran (MALEE) is a leading canned fruit, fruit juice & beverages manufacturer and distributor in Thailand. Malee is second rank in the Premium Juice UHT market share following Tipco brand. In 2015 sale revenues increased to 5,428 THB.Mil. Or +13.8% YoY. An Increasing of sale revenues was primarily from CMG business and export revenues. The major strategy of distribution growth, Malee has emphasized on export sales which is similar to CBG' strategic.



Figure 1.7: MALEE's Products

Table 1.6: Beverage Industry Peer Comparison (*Information as at 31 December 2015*)

Ticker	Name	Closing price	EPS	P/E	P/BV	ROE (%)	Dividend Yield (%)
CBG	CARABAO GROUP PUBLIC COMPANY LIMITED	34.50	1.26	27.8	5.7	20.3%	1.74%
SAPPE	SAPPE PUBLIC COMPANY LIMITED	17.60	1.00	18.0	3.2	18.9%	1.74%
MALEE	MALEE GROUP PUBLIC COMPANY LIMITED	28.50	2.37	13.3	13.3	29.3%	3.84%
ICHI	ICHITAN GROUP PUBLIC COMPANY LIMITED	12.30	0.63	16.6	2.7	13.3%	8.13%

Source: Stock Exchange of Thailand

1.6 Investment Summary

1.6.1 Cash Van distribution coverage to overall Thailand region

Even though the energy drinks market in Thailand has grown at a CAGR of 2.6% between 2012 and 2015, CBG also has launched the cash van teams and established distribution center which aimed to coverage overall Thailand region by establishment of 30 distribution centers with 337 cash vans in end of year 2016. Thus, the full establishment of distribution centers and cash vans could raise up more domestic revenue.

1.6.2 CLMV still offers strong growth prospects

Currently, CBG exports their products to over 20 countries worldwide and export sales now contribute 30% of total sales in FY15. CBG still foresees great business opportunities in CLMV markets due to the proximity and lifestyle similarities. The population structure of these countries suggest that there are a large number of potential customer for CBG's product. And CBG has launched new product "Carabao Carbonated" to Cambodia since Q2, 2015, thus we strong believe that CBG revenue still can be highly raised up from CLMV market.

1.6.3 Investment in foreign subsidiary

The overseas investment project is a result of a joint venture with Intercarabao Private Limited ("ICSG"), a non-related company with the Company and subsidiaries, in order to invest and hold shares in Intercarabao Limited ("ICUK"). The initial investment is equivalent to GBP 7.50 million or approximately THB 341.10 million through indirect shareholding of 2 newly established subsidiaries namely Carabao Holdings (Hong Kong) Limited ("CBGHK") and Carabao Venture Holdings (Luxembourg) S.a.r.l ("CBGLUX") in year 2016.

Therefore, CBG will control over CBGLUX via its indirect holding of 51 percent interest through CBGHK. However, CBG will not classified the indirect investment in ICUK as investment in subsidiary company because it has no power to control such company. This investment will present as other long-term investment in the consolidated statements of financial positon. Nevertheless, CBG also plan arrange the assessment the fair value of identifiable assets acquired and liabilities of ICUK assumed at the date on which the Company obtained the control.

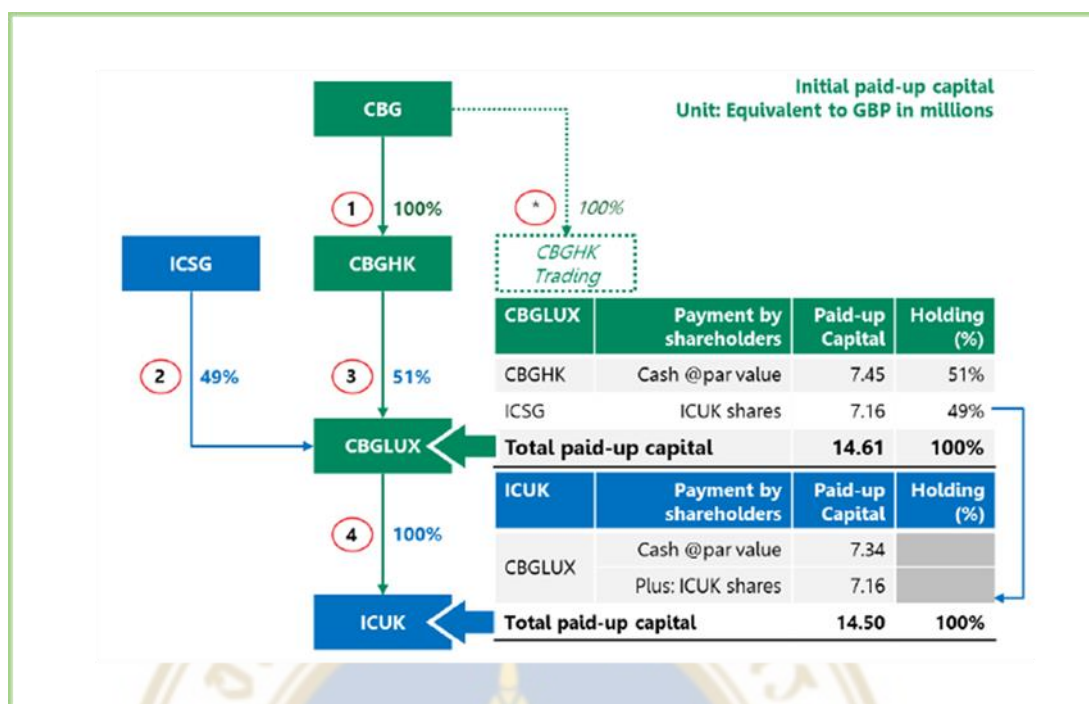


Figure 1.8: ICUK's Structure

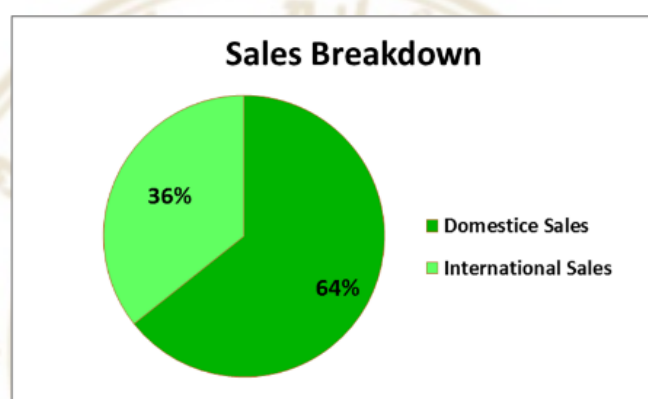
CBG also used the sport marketing by became principal partner with Chelsea and Reading football club and also made agreement to encourage football league cup in UK, purpose for increasing their brand awareness.

1.6.4 Continued benefit from BOI privilege

CBG received the BOI privilege of income tax exemption since 2015 until 2017 (3 years), because the establishment of first amber glass production plant and commenced production in Aug, 2014. The applied income taxes rate was declined from 20%, in year 2013 to 14%, in year 2015. CBG still could receive applied income taxes rate as 14% projected during year 2016 and 2020. And the amber glass production plant will be finish construction and start to production in Q4 2017, consequently, CBG Able to enjoy BOI tax privilege for 3 years(and able to extend this for 3 more years under certain terms and conditions).

1.6.5 Consistent revenue growth

For the financial years ended 31 December 2012, 2013 and 2014, the Group had total revenue increasing 16.2%, 38.3% and 8.5%, respectively. The consistent revenue and profit growth is come from the success of the vertically integrated business model, management's ability and capable personnel. Moreover, Carabao Dang has achieved continual market share growth commanding 15.9%, 17.5%, 21.1% and 21.5% in 2011, 2012, 2013 and 2014, respectively, of the energy drinks market.



Source: Company data

Figure 1.9: Sales Breakdown in year 2016

1.6.6 Acceleration of net profit margin among its listed competitors

CBG has higher net profit margin than average beverage industry and its listed peer during year 2015, which is 16%. The net profit margin of CBG tend to be higher, when comparing the net profit margin of year 2014, 14% to year 2015, 16%. According to net income projection, the net profit margin still tend to be increased up since 2016 onward. Nevertheless, average net profit margin of listed competitor (SAPPE, MALEE, and ICHI) was only 10% during year 2015 and net profit margin was declined by 2% from year 2014. It could be reflected that CBG has efficiently managed their various expenses better than it listed peers.

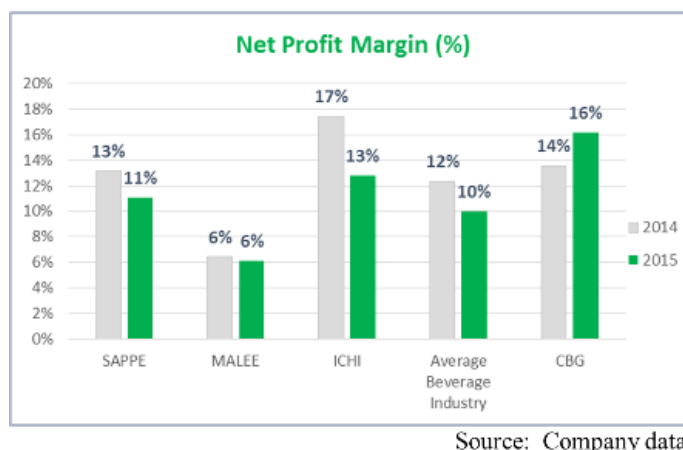


Figure 1.10: New Profit Margin

1.6.7 Potential Loan from Financial Institution

Refer to investment plan in foreign subsidiaries and significant property, plant and equipment during year 2016 approximately 3,300 million baht (including with investment in ICUK). However, the cash and cash equivalent as at 31 Dec 2015 was only 1,370 million baht. In order to increase the source of funds, management has plan to loan from financial institution approximately 2,000 million baht in year 2016. We assumed that the interest rate of this financial institutional loan will be depend on management plan (4% per annum). Therefore, the interest rate could be assumed from the previous financial institutional loan (MLR rate (6.25%) minus with 1.5% per annum).

1.6.8 CBG stock price with high jumps up since 2016

CBG offered IPO stock price as 28 baht at end of year 2014. After that CBG stock price was fluctuated and had the lowest of historical price 31 baht. As at Q3 2016, CBG stock price has been increased up since first date of IPO approximately 98%. The CBG stock price has begun to be upward trend during Mar 2016, as the financial performance of FY15 was released with net profit increasing 24% YoY addition with strong strategy plan during the opportunity day announcement. Moreover on that period, CBG has initially distributed to UK market. During Aug 2016, the financial performance was +15% YoY (6M) net profit and CGB officially announced to invest 51% of shares in ICUK via offshore holding companies as well.



Figure 1.11: CBG stock price

1.7 Valuation: Multiple Valuation Model

We value CBG by using multiple valuation models refer to projection financial statement. The multiple valuation methods described below are used to find the relative market value of the firm in order to value the indirect (or relative) price of the equity using key statistics that are assumed to relate to the value.

In this report, we have used Price to Earnings (P/E) Ratio, Price to Book Value (PBV) Ratio and Enterprise Value to Earnings before Interest, Taxes, Depreciation and Amortization (EV/EBITDA) Ratio to find the value of CBG, and comparing to peer in beverage industry, SAPPE, MALEE, and ICHI.

1.7.1 Price/Earnings Ratio (PER)

According to the projected THB 1.61 EPS in end of year 2016, our target price FY16 will be 60.1 baht per share which is based on 37.32x price to earnings ratio (PER), with average PE. The average PE was calculated from historical PE of CBG during Jan 2015 until Sep 2016. Our expectation of strong revenue growth rate driven by increasing of distribution coverage in Thailand's energy drink market and more expansion of distribution to CLMV region and UK market. In addition with lower cost per unit which is glass bottle cost. Thus, trading price stock with average PE 37.32 could be reflected the sales and EPS growth of CBG.

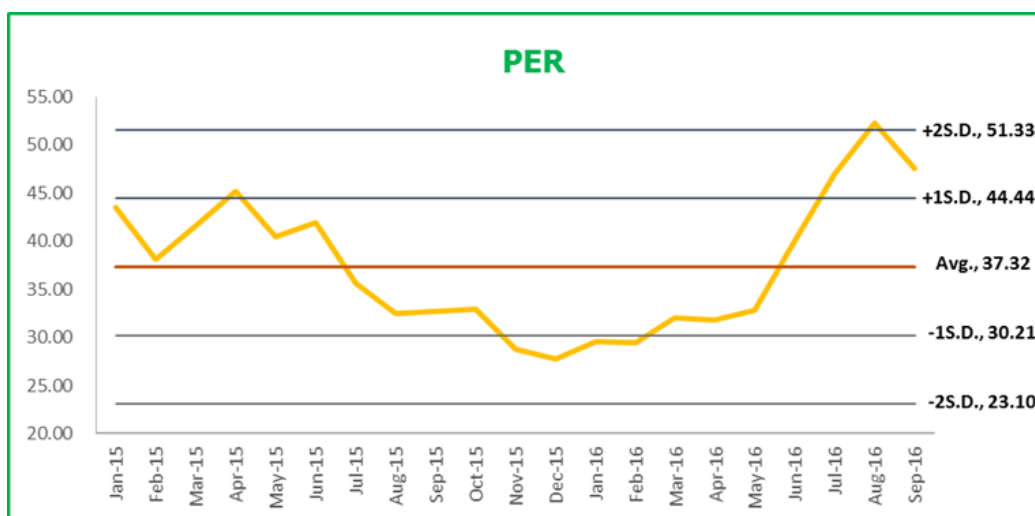


Figure 1.12: Price to Earnings Band

Table 1.7: PER Sensitivity Analysis

		THB	PER				
			-2SD	-1SD	Avg	+1SD	+2SD
			23.10 x	30.21 x	37.32 x	44.44 x	51.55 x
EPS	+20%	1.93	44.6	58.3	72.1	85.8	99.5
	+10%	1.77	40.9	53.5	66.1	78.6	91.2
	Base Case	1.61	37.2	48.6	60.1	71.5	82.9
	-10%	1.45	33.5	43.8	54.1	64.3	74.6
	-20%	1.29	29.7	38.9	48.0	57.2	66.4

We also compared the average PE of CBG 37.32x with average PE of beverage industry 24.7x (we selected SAPPE, MALEE, and ICHI as representative of beverage industry), the average PE of CBG 37.32x has been significantly higher than average PE of beverage industry 24.7x. It could be further noted that CBG which is only one energy drink firm trading on stock exchange of Thailand, has been highly traded price, when comparing among trading of other beverage firm in the SET. Nevertheless, the average PE of beverage industry could be not fully reflected with trading price of CBG, due to the different type of beverage product.

Table 1.8: PER among listed peer in beverage industry

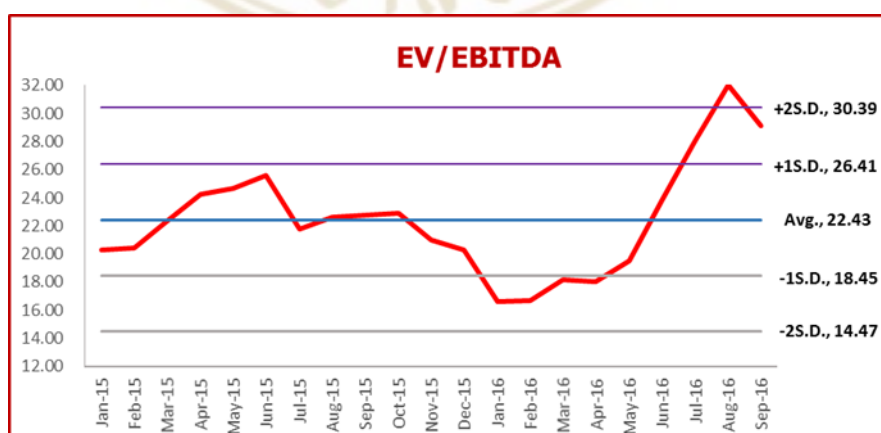
Beverage Industry	PER
CBG	37.32 x
SAPPE	23.14 x
MALEE	16.95 x
ICHI	21.6 x
Average PE of beverage industry	24.7 x

Source: Team's Estimates

1.7.2 EV/EBITDA Measurement

We acquired historical market capitalization since Jan 2015 until Sep 2016 and plus with outstanding debt of CBG which be non-debt outstanding in year-end 2016 and 30 million baht debt (short-term debt) at year-end 2015, respectively, in addition we used enterprise value divided by forward EBITDA of year 2015, 1702 MB and year 2016, 2215 MB to get EV/EBITDA from each month period. The average EV/EBITDA since Jan 2015 until Sep 2016 was 22.43x.

With target price FY16 will be 51.6 baht per share, which calculated from 22.43x EV/EBITDA multiple with 2,215 million baht EBITDA year-end 2016 and plus with cash and current investment year-end 2016, 1,904 MB. We get the estimated enterprise value THB 51,588.1 million, and finally divided by 1,000 million outstanding share.

**Figure 1.13:** EV to EBITDA Band

1.7.3 PBV Valuation

The Book value per share of year 2016 will be 6.98 baht per share which is calculated from Total assets deduct with Total liabilities and divided by number of share outstanding. The projection method is similar to PER valuation method by starting with the average PBV was calculated from historical PBV of CBG during Jan 2015 until Sep 2016. Nevertheless, the Company's strategy with strong revenue growth rate driven by increasing of distribution coverage in Thailand's energy drink market and more expansion of distribution to CLMV region and UK market. The average PBV 6.28x and the target price only 43.8 baht per share are not quite reasonable.

The sensitivity between PBV ratio and BV amount per share to get the target price shown that the average target price from PBV valuation method is 43.8 baht per share. The lowest target price could be 21.8 baht per share with -2SD and 5.58 book value per share, and the highest price could be 72.5 baht per share with +2SD and 8.37 book value per share.

However, PBV Band shown that CBG price during Aug 2016 could be reach until PBV ratio 11.03x with +4SD above average PBV. It clearly shown that PBV valuation method was not reasonable to project CBG's price, when comparing with PER valuation method.

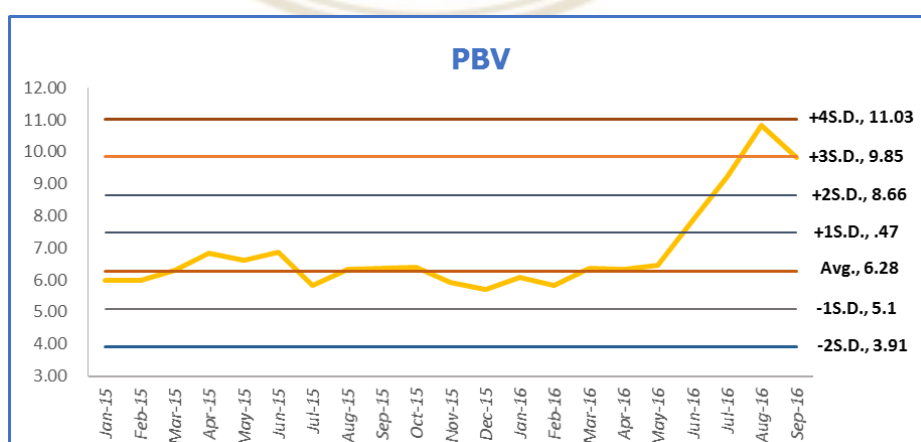


Figure 1.14: PBV Band

Table 1.9: PBV Sensitivity Analysis

		PBV					
		-2SD	-1SD	Avg	+1SD	+2SD	
	THB	3.91 x	5.10 x	6.28 x	7.47 x	8.66 x	
BV/share	+20%	8.37	32.7	42.7	52.6	62.5	72.5
	+10%	7.67	30.0	39.1	48.2	57.3	66.4
	Base Case	6.98	27.3	35.5	43.8	52.1	60.4
	-10%	6.28	24.5	32.0	39.4	46.9	54.4
	-20%	5.58	21.8	28.4	35.1	41.7	48.3

In conclusion, we proposed 100% weight for Relative Valuation with PER model, thus we forecasted the target price based on multiple analysis is 60.1 baht per share. Thus, CBG stock price would have the current appropriate price (target price) around THB60.1 per share, so we recommended “Sell”.

1.8 Financial Analysis

Summary figures from financial statements

1.8.1 Summary figures from Income Statement

According to CBG’s strategy to expanded distribution to international market, overall CBG’s revenue raised up 4.1% in end year 2015, when comparing with year 2014 (YoY). The revenue mainly came from domestic (70%) and international (30%) distribution channel, the sales from international distribution raised up 8.9% YoY because of the introducing new product “Carabao Carbonated” in Cambodia during Q2, 2015. Cost of Goods Sold is THB 4,893 million or 63% of the total sales, which decreased from the previous year. Since there was the amber bottle glass manufacturing, which just operated in late of 2014, so it can reduce the huge cost from dependency on third-party sourcing. And gross profit was 2,860billion baht, rise by 14% YoY. Selling and Administrative Expense also rise by 13% YoY, as aggressive marketing and advertising of CGB in order to gain more the market share in energy market. Finally, profit of the year was 1,256 million baht, which increased by 24% YoY.

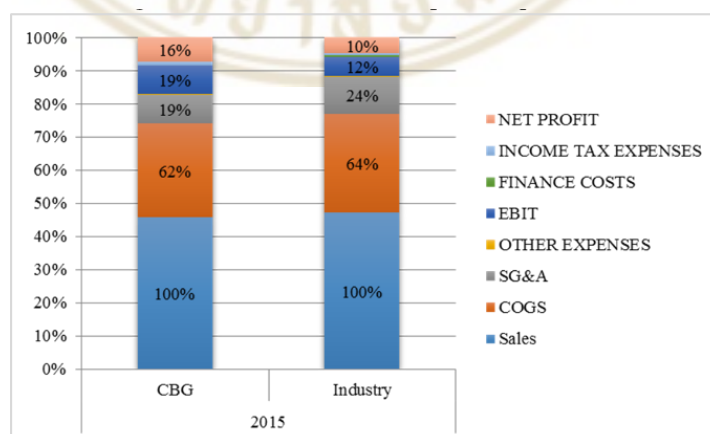
1.8.2 Summary figures from Balance Sheet

Total current assets was raised up approximately 20% YoY, as at end of year 2015, due to 1,377 million in cash and cash equivalent. And trade and other receivable increased by 38% YoY, however inventories decreased 22% YoY. The significant proportion (64%) to total asset has been Property, plant and equipment, 4,683 million baht as at end of year 2015. There is no any debt outstanding as at end of year 2015, because of repayment of all financial institution loans in during year 2014. As consequently, total shareholders' equity has been 86% proportional with total liabilities and shareholders' equity.

Common Size Analysis

1.8.3 Common Size Analysis on Income Statement

The table shows the common-size of income statement as of 2014 and 2015, by using sales as the percentage base (100%). The cost is around 62% to 65% of the sales which is the main cost of the company, so the gross profit is around 35% to 38%. For the selling, general and administration is approximately 18% of sales as they have done a lot of expansion and distribution to different markets, so the earnings before interest expense and tax is around 19%. Since there was IPO in late of 2014 which make the company had ability to repayment its loans so there was no financial cost in 2015. Therefore, we got the net profit in 2015 at 16% of sales.



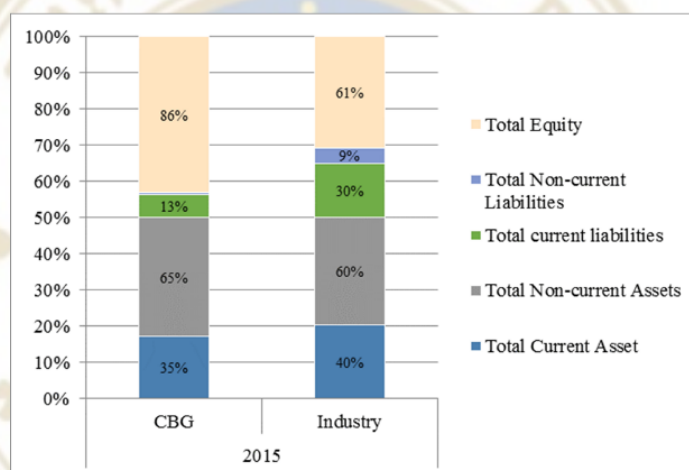
Source: Stock Exchange Thailand

Figure 1.15: Common Size of IS and peer comparison

1.8.4 Common Size Analysis on Balance Sheet

Asset – there are 2 parts that is the current assets and non-current assets. In the current asset part, it amounts around 25% to 35% and the largest part is in the cash and cash equivalents. In 2015, there is a high amount up to 19% due to the gain from IPO. In the other hand, the non-current asset has percentage around 65% to 75% and the latest year has the lowest as there are an increase of cash and cash equivalent.

Liabilities and shareholders' equity – the main proportion is came from the equity part at 86% and the liabilities side is 14%, this is the new structure after 2013 since the company raise the shares to the public.



Source: Stock Exchange Thailand

Figure 1.16: Common Size of BS and peer comparison

Trend Analysis

1.8.5 Trend Analysis of Income Statement

Over three year historical, CBG had CAGR growth of 6% which made sense with the increase of growth of energy drink 1%. However, it was still not good enough when compared to the average of past-three-year-growth around 8%. As the politic situation that make the market slow down so many companies had to work hard to pass though that period. On the other hand, if it compares to the peer companies such as ICHI (+1%), SAPPE (+3%), and MALEE (-3%), CBG had the highest growth.

CBG's cost of goods sold is increasing in relation to an increase in sales which has the CAGR at the rate of 1%. To compare with the CAGR growth of sales at 6% the cost seems to be efficiency since the company can manage its cost by producing its own material rather than outsourcing. To compare to the peer companies, which is ICHI (+2%), ICHI (-3%) and MALEE (-6%) it seemed that some peer companies has also done well to manage their cost.

Selling, General and Administration is also one of the important costs except from operation, CBG gets the CAGR growth at 12% since they try to promote its product to the market and also about the wages for additional employees to support the company's future expansion.

For Net income, CBG has CAGR growth at 42% and for ICHI, SAPPE, and MALEE also have the CAGR growth at -13%, +43%, and +4%, respectively.

1.8.6 Trend Analysis of Balance Sheet

Trend shows the movement of the main transactions in current asset; Cash and cash equivalent, Account receivables, and Inventories. From the graph below, it seems that each company has different proportion. CBG has CAGR growth of cash and cash equivalent, account receivables and inventories; 68%, 30%, and 10%, whereas the peer companies like ICHI has the growth at 15%, 13%, and 41%, MALEE has the growth at 5%, 11%, and 1%, and SAPPE has the growth at -3%, 2%, and -3%, respectively.

For non-current asset, the majority transaction is property, plant and equipment. CBG has CAGR growth at 11% whereas ICHI, MALEE, and SAPPE also has the growth at 16%, -0.4%, and 35%, respectively. However, the trend seem stability as it is the long-term asset and also the asset that the companies has invested for its production.

On the other hand, the liabilities and equity side, each company has different capital structure. For CBG has no short-term and long term loan in the other

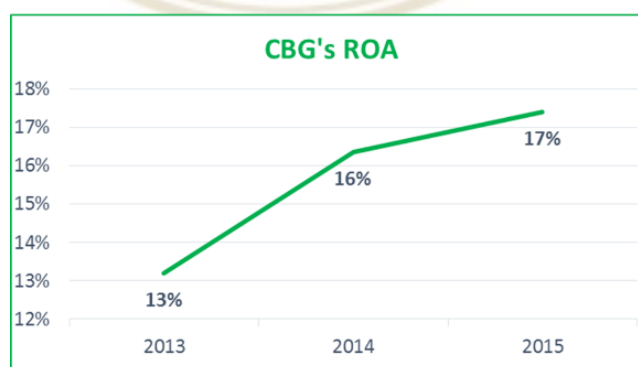
way CBG rely on the equity capital rather than liabilities side, as well as MALEE that refer to use equity asset as well. Opposite to ICHI and SAPPE that partly use liability side, especially MALEE that has high growth rate of short-term loan up to 17% increasing.

Financial Ratio: Return

1.8.7 Return on Assets (ROA)

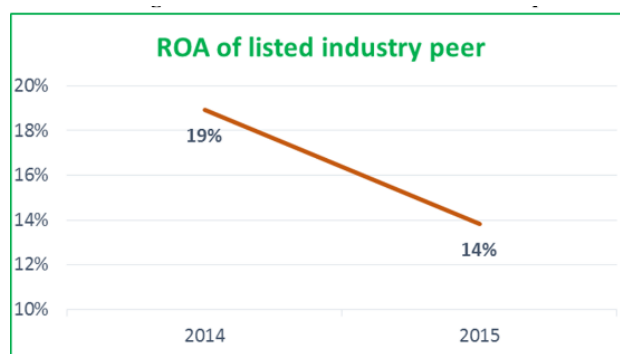
The average return on assets of CBG during year 2013 to 2015, approximately 16%, which has not been changed significantly among the period. Return on assets continuously increased from year 2013, 13% to 17%, in year 2015. Average profit margin was 13% during year 2013 to 2015 period, the profit margin similarly increased pattern with return on assets at the same period. Assets turnover ratio was continuously decreased at the same period, from 1.45 to 1.07 times, however the declining of assets turnover was same meaning as increasing of ROA and profit margin. As proportion of profit increasing was higher than proportion of total assets increased during the period.

When comparing ROA of CBG to average ROA from listed industry peer (we selected SAPPE, MALEE, and ICHI as representative of beverage industry), average ROA from listed industry peer was 14% in year 2015, which lower than ROA of CBG, 17% year 2015.



Source: Team's Estimates

Figure 1.17: CBG's Return on Assets



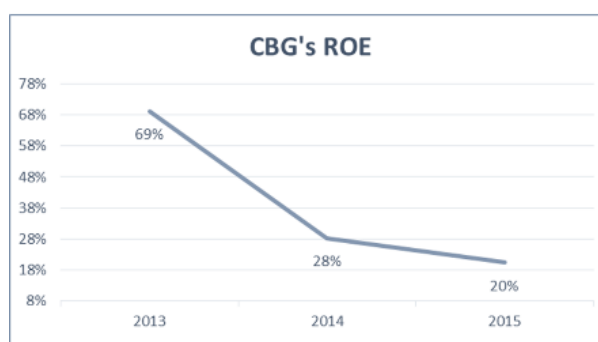
Source: stock exchange of Thailand

Figure 1.18: Return on Assets of listed peer

1.8.8 Return on Equity (ROE)

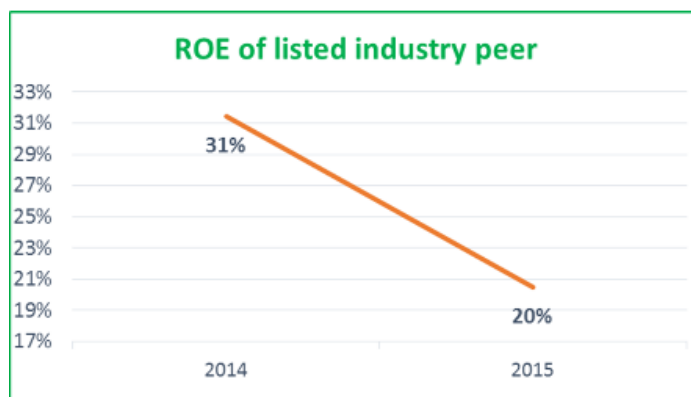
Return on equity of CBG was dramatically dropped from 69% to 28% at year 2014 and lightly decreased to 20%, year 2015, as well as the capital structure leverage was dramatically dropped from 5.25 to 1.72 at year 2014 and lightly decreased to 1.17, year 2015. Even though, net income of CGB continuously increased during the period. During 2014 CBG issued new shares for capital increase by initial public offering for 150 million shares, as result total shareholders' equity was increased 4,880 million baht from year 2014 to year 2015, which affected to significant drop of return on equity of CBG.

When comparing ROE of CBG to average ROE from listed industry peer (we selected SAPPE, MALEE, and ICHI as representative of beverage industry), average ROE from listed industry peer was 20% in year 2015, which decreased by 11%, 2014. It was similar trend as ROE of CBG.



Source: Team's Estimates

Figure 1.19: CBG's Return on Equity



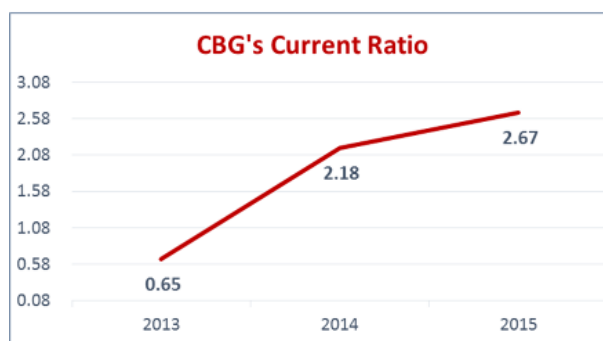
Source: stock exchange of Thailand

Figure 1.20: Return on Equity of listed peer

Financial Ratio: Risk

1.8.9 Liquidity Risk

We analyzed current ratio as represent of liquidity risk, current ratio of CBG crucially increased from 0.65 to 2.18 and continuously increased to 2.67, due to higher current investment and cash and cash equivalent at end 2014, after The Company repaid all financial institution loans at that year, including with short-term loan. And at end of year 2015, total current assets was 2,542 million which had current investment and cash and cash equivalent 73% proportion with current assets, while total current liabilities was 951 million baht. Furthermore, cash conversion cycle could be obviously indicated the liquidity risk, CBG has average cash conversion cycle was negative 31 days during year 2013 to 2015, and cash conversion cycle of CBG continually increased from negative 41 days until negative 22 days in year 2015.



Source: Team's Estimates

Figure 1.21: CBG's Current Ratio

1.8.10 Solvency Risk

At end of year 2015, Debt ratio and Debt to Equity ratio was nil, because the Company repaid all financial institution loans at that year, including with short-term loan during year 2014. However, management has plan to make loan from financial institution approximately 2,000 million baht in year 2016.

1.9 Investment Risks and Downside Possibilities

1.9.1 Change in government's policies, rules, and regulations

The business of producing, marketing and selling “Carabao Dang” of CBG is governed by certain statutes and regulations of concerned agencies. The restrictions and requirement are significant factors which CBG must take into account when making decisions relating to its marketing and sales promotion activities. Therefore, if the government authorities change the policies, rules or regulations relating to energy drink business to be more stringent, there could be an impact on the marketing activities and strategies of CBG.

1.9.2 Volatility of raw material prices and shortage of raw materials

The main materials used in manufacturing CBG's products are glass bottles (approximately 90% are supplied by APG) and sugar. As for APG, the raw materials are glass cullet and natural gas.

1.9.2.1 Sugar is a commodity product with price volatility depending on the market demand and supply and the government policies. If there is any increase in the price of such raw material, CBG cannot assure that it will be able to pass on the increased costs to its consumers.

1.9.2.2 Glass cullet is the main material for manufacturing amber glass bottles. APG cannot assure that the suppliers will be able to supply sufficient quantity of glass cullet and at reasonable price. Hence, APG may incur higher production cost for the glass bottles as APG may have to adjust its production formula by using other materials with higher cost than glass cullet such as increased use of glass sand and soda ash etc.

1.9.2.3 Natural gas is an important raw material used in the production of amber glass bottles of APG. There is a risk where the price of natural gas could increase according to the change of the fuel oil price in Singapore, the USD-THB exchange rates volatility and the quantity of natural gas used per day. The increase of natural gas prices may result in the higher cost for APG.

1.9.3 Financial risks from fluctuation in exchanges rates

CBG generates revenue from the sales of Carabao Dang in foreign countries. Some of the exports sales are in USD currency, while almost all raw materials are procured domestically which, at present, the Group does not use any financial instruments to prevent such exchange rate fluctuation, posing risks from fluctuation in exchange rates for CBG. If the exchange rate is volatile, CBG's pricing and sales may be affected. Moreover, if in the future CBG has additional investment in foreign currency, the Group could be exposed to the risk associated with such currency exchange rates.

1.9.4 Highly competitive products

Due to significantly high competition in the energy drinks market in Thailand, energy drinks and electrolyte drinks are highly competitive products among both existing market players and newcomers. In order to maintain or increase their market shares, each market players, including CBG, need to conduct marketing activities as well as utilizing budget allocated for advertising and public relations in a regular and continuous manner. As a result of this intense competition, CBG might be unable to maintain its market share or may incur significant marketing expenses.

1.9.5 International partners and oversea investment project

Normally, in exporting its products to foreign countries, CBG must rely on importers, agents and/or local distributors in each country where CBG export to. CBG has no policies to enter into long-term agreements with these importers, agents and/or local distributors, although CBD has extensive business relationship with such importers, agents and/or local distributors. CBG cannot assure that all of its importers,

agent and local distributors will maintain its business relationship with CBG in the future.

Nevertheless during Q4 2016, CBG will establish the subsidiary and invest in foreign subsidiaries, ICUK through indirect shareholding of 2 newly established subsidiaries namely CBGHK and CBGLUX. Such the investment and operations carry the inherent risk of investment and exposes the company to country and currency risk outside Thailand.

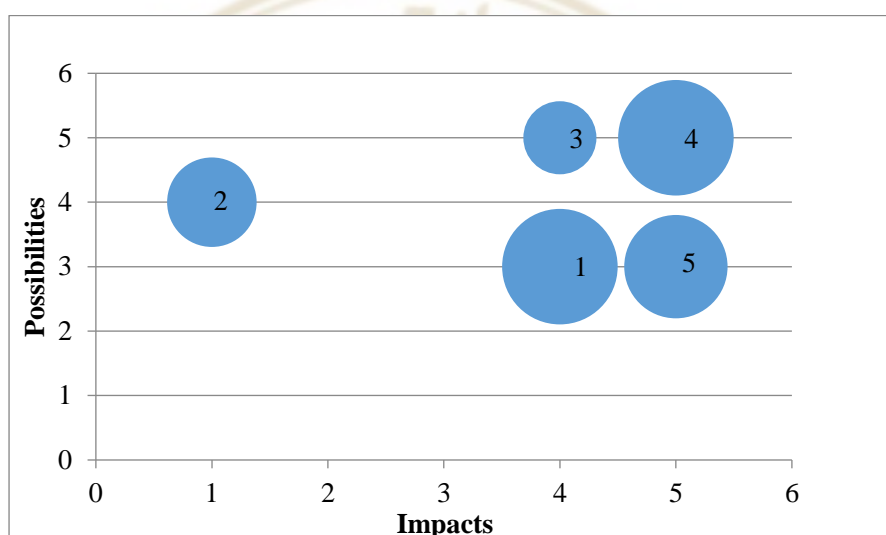


Figure 1.22: Risk Assessment

The figure above shows the risk level that is considered the impacts and possibilities may happen in the future. The number in the blue circle (Figure 1.22) represents each risk.

1. Change in government's policies
2. Volatility of raw material prices
3. Fluctuation in exchanges rates
4. Highly competitive products
5. International partner relationship

Table 1.10: Risk Matrix

Risk Matrix	Possibilities	Impacts
1. Change in government's policies	Since the product has contained with Caffeine, which is controlled by The Food and Drug Department. So changing the policy may possibly happen in the future, as well as, the main ingredient like 'sugar' that causes in many diseases. Since it is great burden to the government expenses to cure this type of patients so recently the controlling this drinks is what the government focus on.	It is going to cost the raw materials and operation which definitely affect to the company's profit.
2. Volatility of raw material prices	It has low possibility to get price volatility as the company has power to bargain with suppliers and can order the materials in big amount.	The company has planned to do its business horizontally. Its raw materials has mostly been produced by subsidiaries. So it has less impact when compares to the market.
3. Fluctuation in exchanges rates	Most exports sales are in USD, while most raw materials are procured domestically. However, currently the company has not protected any exchange currency rate so the fluctuation possibly happen.	It may impact if the world economy volatile which is the main effect to its export sales.
4. Highly competitive products	It is definitely possible since it is the mass product and low brand loyalty that make consumers focus on function rather than brand, many companies have to compete among them to maintain their market share.	High competition has much impact to market share. To keep the market shares, the company needs to conduct marketing activities, advertising and public relations in a regular.
5. International partners relationship	Exporting to foreign countries, CBG must rely on importers. Although CBD has extensive business relationship with importers but there are possible risks whether to maintain the relationship in the future.	It has so much impact when the company has problem in relationship in the future as the company relies too much in the single partner per country.

CHAPTER II

DATA

2.1 Company's Information

2.1.1 Business Structure

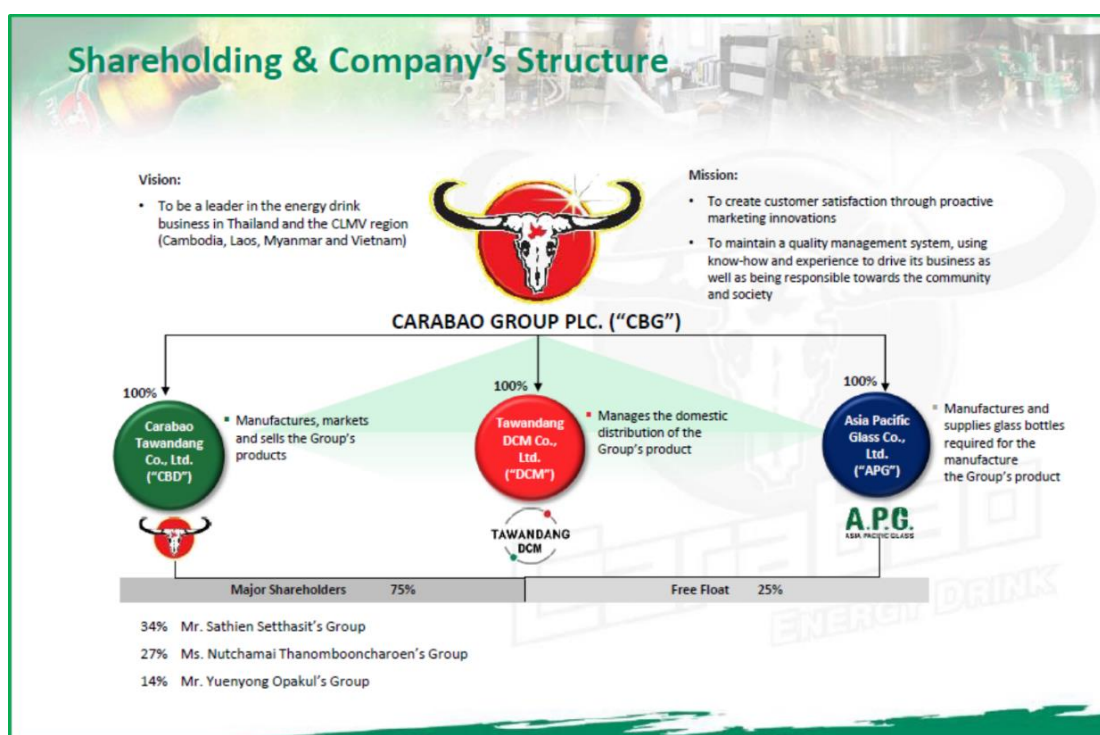


Figure 2.1: Company's Structure

Source: The Company Data

2.1.2 Major Shareholders and Free-float

Table 2.1: Major Shareholders

Shareholders' name	Number of share	Shareholding Percentage
1. Sathientham Holding Co.,Ltd.	250,064,500	25.01%
2. Ms. Nutchamai Thanombooncharoen	210,000,000	21.00%
3. Mr. Yuenyong Opakul	115,480,000	11.55%
4. Mr. Sathien Setthasit	47,974,100	4.80%
5. Northend Investment Limited	45,161,400	4.52%
6. Thai NVDR Co., Ltd.	38,548,668	3.85%
7. Mrs. Wongdao Thanombooncharoen	26,152,700	2.62%
8. Mrs. Linjong Opakul	26,145,800	2.61%
9. Bualuang Long-Term Equity Fund	22,852,000	2.29%
10. Bualuang Long-Term Equity Fund 75/25	16,340,700	1.63%

Source: The Company Data

Free-float	11 March 2016		1 April 2015	
% / No. Free-float	24.68%	2,661	25.00%	3,312
ผู้ถือหุ้นรายย่อย	11 มี.ค. 2559		01 เม.ย. 2558	
% / จำนวนผู้ถือหุ้นรายย่อย	24.68%	2,661	25.00%	3,312
การถือครองหุ้นต่างด้าว 8.67% (ณ วันที่ 02/12/2559) ย่อจำกัดหุ้นต่างด้าว 49.00%				
การถือครองหุ้น NVDR 3.93% (ณ วันที่ 02/12/2559)				

Source: The Company Data

Figure 2.2: Percentage of Free float and minor shareholders

2.1.3 Management and Organizational Chart



Figure 2.3: The Company's Management Team

Source: The Company Data

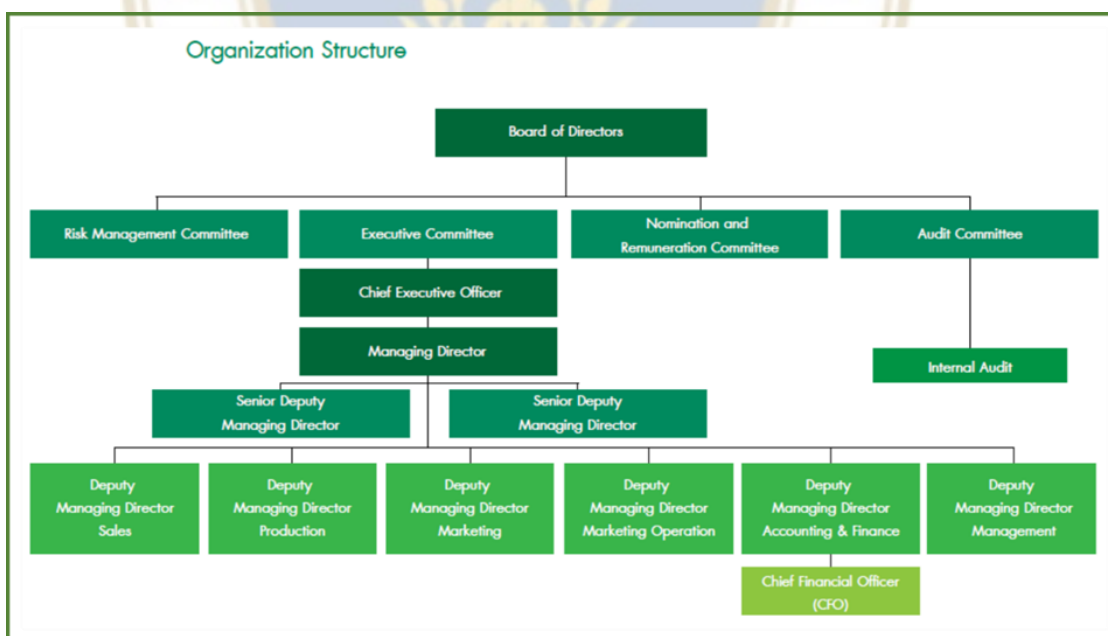


Figure 2.4: The Organization Structure

Source: The Company Data

2.1.4 Distribution Channel

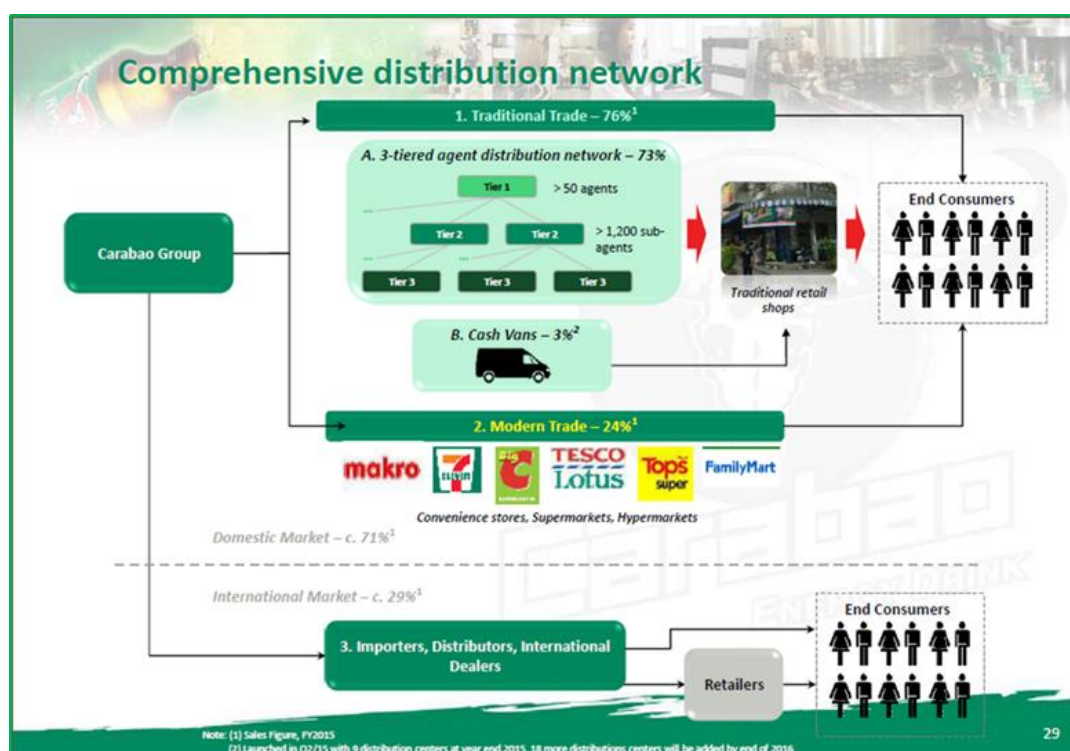


Figure 2.5: Distribution Channel

Source: The Company Data

2.2 Corporate Governance (CG)

CBG, through its directors, executives, and staff, commits and adheres to good corporate governance principles in operating the Company, and regards good corporate governance principles as an important factor in promoting the overall success of the Company. The policy, covering principles related to rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency, and responsibilities of the board of directors, can be categorized into 5 categories as follows:

2.1.1 The Rights of Shareholders

CBG recognizes and values basic rights of shareholders, namely rights to sell, buy, or transfer shares, right to shares in the business profit, rights to sufficiently receive information about the business, rights to attend shareholders meetings to exercise the rights to vote in the appointment or removal of directors, appointment of

auditors, and matters affecting the Company such as allocation of dividends, specification or amendment of Articles of Association and Memorandum of Association, reduction or increase of capital, and approval of special transactions, etc.

2.1.2 Equitable Treatment for Shareholders

It is the Company's policy to equitably and fairly treat and protect the rights of all shareholders, whether executive or non-executive shareholders, Thai or non-Thai, major or minor. The Company aims to provide additional channels for shareholders who cannot attend the meeting themselves to authorize independent directors or other persons as proxies who may attend the meeting and vote on behalf of the shareholders.

2.1.3 Roles of Stakeholders

The Company values the rights of stakeholders and treats all relevant parties equitably. The Company's stakeholders are shareholders, staff, customers, trade competitors, community, and society.

2.1.4 Disclosure and Transparency

The Company is committed to disclosing accurate, complete, and transparent information, both in terms of financial reports and general information, in accordance with the rules of the SEC and the SET, as well as essential information that impacts the price of the Company's shares, which affects the decision-making process of investors and stakeholders of the Company so that all relevant persons equally acknowledge such information.

2.1.5 Responsibilities of the Board of Directors

The Company requires the board of directors to comply with the code of best practice in accordance with the guidelines of the SET. The directors must understand and recognize their roles, duties, and responsibilities, and perform their duties in accordance with the law, the Company's objectives and the Articles of Association, shareholders' resolutions, the charter of the board of directors, and the

Company's corporate governance policy with integrity and honesty, with priority given to the best interests of the Company and its shareholders.

The board of directors determines the policies, business goals, business plans, and the budget of the Company, and governs the management division to ensure compliance with the policies, plans, and budget specified with efficiency and effectiveness, for the best interests of the Company and its shareholders.

2.3 SWOT Analysis

2.3.1 Strengths

2.3.1.1 Strong image and well-known to consumers

CBG associates with Thai legendary for-life-music band "Carabao" and Carabao Dang is the trademark using the band's name which is the most successful "for-life-music" band. The lead singer of the band, Mr. YuenyongOpakul, also known as "AedCarabao". As well as, the company's trademark also uses Carabao band's figure to appeal working class labors, which is the Group's target customer.

2.3.1.2 Twenty countries worldwide export

CBG exports its products to more than 20 countries worldwide and seek to increase its market share and to penetrate new markets continually.

2.3.1.3 Marketing innovation

Marketing is an important strategy for the company, which make its product differentiate from its competitors and has contributed to the continuous growth of the business and market share. There are several marketing innovations that the firm used as following;

- Employing its own marketing operation team, specifically the Bao Dang Girls Team who initiated more than 400,000 activities per year nationwide to create products demand and full coverage product distribution.
- Differentiated product positioning by positioning the product in the same price of competitors, and

differentiate by adding vitamin B12 into its product. The firm aims to publicize this differentiation to consumers and distribution channels in order to raise awareness among consumers and to urge consumers to try Carabao Dang.

2.3.1.4 Vertically integrated business model

That causes the cost synergies, raw material supply stability and quality control capability. For example, the company has capable of producing glass bottles, energy drinks and electrolyte drinks, and managing the distribution of products domestically by its own personnel. So it can be better control costs structure, the manufacturing process, and product quality to meet the needs. Additionally, DCM make CBG gains access to the target customers and distribution channels more efficiently.

2.3.1.5 Distribution network cover all areas

In 2016, CBG can distribute over 95% to nationwide and cover over 300,000 retail stores. This is because CBG having its own distribution network; DCM.

2.3.2 Weaknesses

2.3.2.1 Less product diversification line than competitors

Since CBG rely on only the single product, which is the energy drink while another competitors have different kinds of beverage or favor. However, it looks that CBG has already realized in this point so recently it launched the new product line; coffee 3-in-1 and also aim to boost the electrolyte drink; Start Plus.

2.3.2.2 Highly dependent on the legendary Carabao band

Since the company has very rely on the lead singer of the Carabao band, Mr. Yuenyong Opakul, also known as “Aed Carabao” as its Brand ambassador.

2.3.2.3 Difficulty in penetrating the upper market segment

It is because of brand image that is associated with mid- to low income group

2.3.3 Opportunities

2.3.3.1 Less new entry can come in the market

Since the supplies is over the demands in the market so it has high competition.

2.3.3.2 Vast room for market penetration abroad

Since the energy drink is specific product that international interested e.g. in US, currently, the energy dink has a lot of consumption.

2.3.4 Threats

2.3.4.1 Government's regulatory controls

There is limited consumption per day, not more than two bottles (limitation from Food and Drugs Department) and also because of the quantity of caffeine, so the volume of product is depended on the population in each market.

2.3.4.2 Non-healthy beverage

Since it contains a lot of sugar and caffeine, so it is not good nutrition even though there are including vitamins.

2.3.4.3 Lower price and variety of substitute product

There is high bargaining power from consumer and many substitute products from alternative beverages e.g. coffee, tea and functional drinks.

2.3.4.4 Slow expansion of Thailand's energy drink market

Due to uncertainty in economic situation in Thailand, as well as natural disaster which affected to agricultural product, it was directly affected to low – moderate income people who is the major customer of energy drink market.

2.4 Five Force Analysis

2.4.1 Bargaining power of Buyers (High) - Opposed to CBG

Main buyer of the company is agencies (retailers) who the company distributes products to. This group has a lot of bargaining to the firm in term of getting higher margin between the prices. So it means the agencies willing to sell if they get better margin. In additional, most of energy drinks price at THB10 for long time and

hardly to increase the price as the customer group is low-middle income. So it is the limited point to CBG.

2.4.2 Bargaining power of suppliers (Low) - Favorable to CBG

Since the company has sold in the mass market so it needs to produce in high volumes so CBG could bargain to its suppliers. Additional, the main material, such as amber glass bottles, has been produced by its own company so it is hard that suppliers will have the bargaining power to the company.

2.4.3 Threat of new entrants (Low) - Favorable to CBG

When consider on Thai's consumption behavior about the energy drink, Thai prefers consuming bottled energy drinks rather than canned energy drinks. This main point make it difficult for international companies to compete in Thailand so the majority market share is belonged to Thai companies. However, even the new entrants are Thai companies, it is still difficult to start business as nowadays there are high competitive in the market. According to Nielsen's evaluation, the energy drinks market in Thailand has grown at a CAGR of 2.6% between 2012 and 2015. It show that the energy drink industry does not have high growth rate that can be interested the new entrants to invest in this business. As well as it is perfect competition that has fixed market price of energy drink at 10 THB so the new companies can hardly compete with the existing companies.

The cause that make the new entrants difficult to get in the market;

- Mass market and low-price selling
- Using Economic of scales to gain profit
- Only big company can entry

2.4.4 Threat of substitute products (High) - Opposed to CBG

Most energy drinks are contained with caffeine, water, sucrose (sugar) and vitamins that make drinker feel awake. The main reason is because of caffeine which also has in some food and drinks such as coffee and tea. Therefore, most people who prefer coffee or tea will not consume the energy drink in a day. So the company that produces coffee or tea can indirectly compete to the energy drink industry. However, it is only

indirect competitors which the team think it has less impact as it has different price and target group of customers. In addition, the tea and coffee market is high competition and has more competitors rather than the energy drink's market.

2.4.5 Intense rivalry among existing players (High) - Opposed to CBG

In Thailand, it has a few main players e.g. M-150, Shark, Carabao Dang and Red Bull. M-150 is the market leader if considering in Thai market, whereas Red Bull is the market leader in global level. Even though, there is a small number of brands but it has high competitive among the companies to maintain or increase their market shares. It can consider from various forms of marketing and advertising through media such as television, newspaper, magazines, and activities e.g. lucky draw prizes, concerts, and being sponsor of sports.

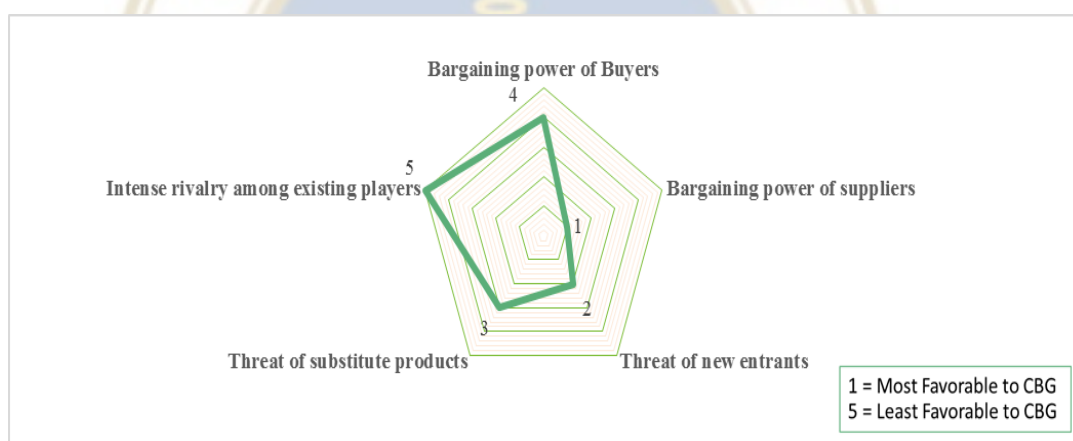


Figure 2.6: Five Force Model

2.5 Financial Statement Projection

2.5.1 Five Year Projected Cash Flow and Assumption

Key revenue drivers:

- Increase distribution coverage in Thailand's energy drink market
- Expansion to overseas both new and existing market (CBG has focused on CLMV countries over the past 2-3 year).
- Launch new innovative products to attract attention and boost sales

- Investment in foreign subsidiary in order to make strong overseas distribution channel.

Key margin drivers:

- Lower costs following higher volume due to economies of scale and new machinery, which have a lower manufacturing cost per unit.
- Lower cost following commencement and full utilization of APG glass bottle manufacturing facility.

2.5.2 Sales projection with aggressive growth rate

We estimated sales growth projection separately between domestic sales channel and overseas sales channel.

Table 2.2: Percentage of Sales Growth Rate Projection

Key Assumption	2016	2017	2018	2019	2020
Sales growth rate (%):					
Domestic sales	17%	6%	6%	4%	4%
Overseas sales	56%	31%	26%	18%	18%
Overall sales	28%	15%	15%	11%	11%

The domestic sales channel also divided into sub-channel which are Traditional Trade (Agent), Cash Van, and Modern. In forecasted year 2016, we projected Traditional Trade (Agent) and Modern channel approximately 2% - 3% according to Thailand's energy drink CAGR growth during 2012 to 2015 is 2.6%.

The domestic sales will be largely grown in year 2016, when comparing domestic sales growth rate during year 2017 to 2020. We calculated domestic sales growth based on sales amount from cash van since Q2, 2015, with establishment of 9 distribution centers. And CBG has aggressive strategy to reach 30 distribution centers with 337 cash vans in end of year 2016 which aimed to coverage overall Thailand region, therefore we projected domestic sales growth in year 2016 for 17%. After year 2016, CBG just has launched the new various products types, so domestic sales growth approximately 6% and 4% during year 2017 to 2020 is reasonable, because the

new products types will not be well-known brand to compete with existing leader brand in the markets.

Table 2.3: Domestic Sales Projection

	2015A	2016F	2017F	2018F	2019F	2020F
Traditional Trade (Agent)	3,998	4,060	4,319	4,594	4,800	5,016
Growth rate %		2%	6%	6%	4%	4%
Traditional Trade (Cash Van)	164	984	1,047	1,113	1,163	1,216
Growth rate %		499%	6%	6%	4%	4%
Modern Trade	1,314	1,348	1,434	1,525	1,594	1,665
Growth rate %		3%	6%	6%	4%	4%
Total Sales	5,477	6,392	6,800	7,233	7,557	7,896
Growth rate %		17%	6%	6%	4%	4%

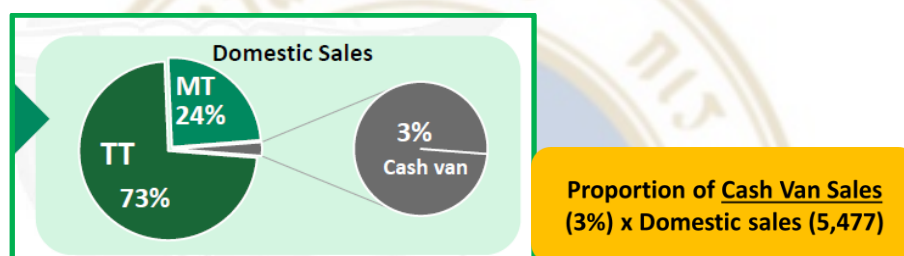


Figure 2.7: Domestic Sales Proportion

We emphasized in sales growth by cash van, due to essential strategy of CGB in domestic sales. We projected the amount of sales by cash van channel, using proportion of cash van to total proportion of domestic sales equal 3% and calculated with amount of domestic sales in year 2015, 5,477 million baht. We got sales amount by cash van in year 2015, was 164 million baht with 9 distribution centers (Cash van started launching since Q2 2015). Therefore, refer to cash van targeting plan 2016 with 30 distribution centers, we could estimate the amount from cash van will be 984 million baht.

After year 2016, CBG just has launched the new various products types, so domestic sales growth approximately 6% and 4% during year 2017 to 2020 is reasonable, because the new products types will not be well-known brand to compete with existing leader brand in the markets.

Table 2.4: International Sales Projection

	2015A	2016F	2017F	2018F	2019F	2020F
Cambodia	1,547	2,379	3,134	4,122	4,963	5,976
Growth rate %		54%	32%	32%	20%	20%
Afghanistan	165	396	404	413	421	430
Growth rate %		140%	2%	2%	2%	2%
Yemen	167	167	167	167	167	167
Growth rate %		0%	0%	0%	0%	0%
Myanmar	223	309	407	535	645	777
Growth rate %		38%	32%	32%	21%	21%
Vietnam	98	136	179	235	281	335
Growth rate %		38%	32%	32%	19%	19%
Others	76	89	105	123	140	158
Growth rate %		18%	18%	18%	13%	13%
UK	-	72	249	279	313	350
Growth rate %			246%	12%	12%	12%
Total Oversea Sales	2,276	3,548	4,645	5,874	6,929	8,194
Growth rate %		56%	31%	26%	18%	18%

For the overseas sales projection, the sales were projected by separating to each country channel.

The top overseas sales country is Cambodia. As the result of the new product that CBG has launched in Q2, 2015, the projection of Cambodia sales in 2016 would approximately be 54% as same as the sales growth in 2015.

For Afghanistan, because of the political issues, the sales were dropped from 531 MB to 165 MB at the end of 2015. However, there was better progress in the political issue in the beginning of 2016, the sales in Afghanistan could recover to approximately to 396 MB.

For the projection of Myanmar and Vietnam, The sales estimated between 2016 and 2020 (using of CAGR of CLMV growth rate during 2013 to 2015) resulted that the projection sales growth rate was slightly declining from 38% in 2016 to approximately 21% in 2020.

Due to CBG has plan to launch the new product in UK market since Q4 2016, we will project sales growth in UK country since year 2017 onward. CBG will started to launch and expand new product “Carabao Carbonated UK” in United

Kingdom since Q4, 2016. In addition, CBG invested in ICUK subsidiary in order to get more competitive advantage about expanded distribution in UK. Sales to UK for year 2016, will be approximately 250 million baht or 2% proportion of total sales by calculated from sales quantity 30 million units (1% of UK market share by management expectation) with average sales price 8.32 of “Carabao Carbonated” products. After year 2017, we expected Sales to UK growth rate for 12% per annum, according to UK’s energy drink market growth rate.

Market Value of energy drink UK market (Pound)	3,578	Million Pound
Pound per THB	44	Pound / THB
Market Value of energy drink UK market (THB)	<u>156,800</u>	Million THB
Management Expectation in 2017	1%	
Value sales in UK	<u>1,568</u>	Million THB
Selling price of Pound in UK	1.2	Pound / unit
Pound per THB	44	Pound / THB
Selling price of THB in UK	<u>52</u>	Baht / Unit
Value sales in UK	1,568	Million THB
Selling price of THB	52	Baht / Unit
Sales in Units	<u>30</u>	Million units
Average selling price of Carbonated Can	8.32	Baht / Unit
Total UK revenue	249	Million THB

Figure 2.8: Sales Projection in UK

2.5.3 Cost of Goods Sold projection

The cost of goods sold margin was projected by calculating from gross profit of each domestic or overseas sales multiply by sales proportion of domestic or overseas, then we got overall gross profit margin and using overall gross profit margin subtracted from 1 to get overall cost of goods sold in each year projection. The significant change in domestic sales’ gross profit margin from 39% to 45% from year 2017 to 2018. As another amber glass production plant will be finish construction and start to production in Q4 2017. As result, overall cost of goods sold margin will be decreased to 61% from year 2018 onward.

According to historical gross profit margin, GP margin of domestic sales was increased from 33% to 38%, approximately 16% increasing, because of first amber glass production plant commenced production in Aug, 2014 and amber glass bottles is the main raw materials.

Table 2.5: Cost of Goods Sold and Gross Profit Margin Projection

Key Assumption	2016	2017	2018	2019	2020
Gross Profit margin (%)					
Domestic	39%	39%	45%	45%	45%
Overseas	32%	32%	32%	32%	32%
Sales Proportion					
Domestic	64%	59%	55%	52%	49%
Overseas	36%	41%	45%	48%	51%
Overall GP margin (%)	37%	36%	39%	39%	39%
Overall COGS margin (%)	63%	64%	61%	61%	61%

2.5.4 Selling, Administrative, and Depreciation Expense Projection

Selling and administrative expenses will be projected proportion with sales as 14% and 2% respectively among year 2016 until 2020. The selling and administrative expense assumption was calculated from average percentage of S&A expense with sales during year 2013 to 2015.

However, depreciation and amortization expense separately projected from selling and administrative expenses. Depreciation and amortization expense was projected as 5% by using depreciation rate multiply by average beginning and ending of fixed and intangible assets among 2016 to 2020.

Table 2.6: Selling and Administrative Expense Projection

Key Assumption	2016 to 2020
Selling and Administrative Expense proportion with sales	
Selling expenses	14%
Administrative expenses	2%

Table 2.7: Depreciation Expense Projection

Key Assumption	2016 to 2020
Depreciaton and Amortisation Expense <u>proportion with</u> Average beginning and ending of Property, plant and equipment & Intangible assets	
Depreciation & Amortisation rate	5%

2.5.5 Net Working Capital Projection

The projection of Trade and other receivable, Inventories, and Trade and other payables were calculated by using average RCP (15 days), ICP (20 days), and PDP (65 days) of year 2013 to 2015 and we will forecast as follows;

- Trade and other receivables was calculated as sales projection of each year divided by 365 and then multiply by average RCP (15 days).
- Inventories was calculated as cost of goods sold of each year divided by 365 and then multiply by average ICP (20 days).
- Trade and other payables was calculated as change in inventories add with cost of goods sold of each year, then divided by 365 and multiply by average PDP (65 days).

Table 2.8: RCP, ICP, and PDP Projection

Key Assumption	2016 to 2020
Trade and other receivables Using of average Receivables Collection Period (RCP)	15 days
Inventories Using of average Inventory Conversion Period (ICP)	20 days
Trade and other payables Using of average Payables Deferral Period (PDP)	65 days

2.5.6 Property, plant and equipment & Intangible assets Projection

Management of CBG has already determined the strategic investment plan in fixed assets during year 2016 and 2017 by following;

- Amber Glass Production Plant to increase production capacity for amber glass bottle. Investment budget around THB 1,243mn which construction start on Q3 2016 and the amber glass production plant will be finish construction and start to production in Q4 2017. Thus,

we proposed to separate increasing of fixed assets in to two period, 2016 and 2017 equally.

- New plant to increase can filling production capacity to increase can filling production capacity (beginning with 2 new lines) by building new factory next to APG's land plot. Investment budget around THB 1,377mn and the construction will start on Q3 2016 and finish during Q1 2017. Thus, the fixed assets addition will be increased in year 2016 for whole amount.
- CBG also purchases more land and production machinery for 352 million baht during year 2016.

We projected fixed and intangible assets of 2018 until 2020 by using average fixed and intangible assets turnover (1.6 times) during 2013 to 2017.



Figure 2.9: CBG Investment Plan

Source: The Company Data

2.5.7 Income Statement

Table 2.9: Income Statement Projection

Income Statement (Million THB)	2013A	2014A	2015A	2016F	2017F	2018F	2019F	2020F
Sales	6,863	7,448	7,753	9,940	11,444	13,107	14,487	16,090
Cost of sales	4,793	4,939	4,893	6,310	7,301	7,944	8,835	9,876
Gross Profit	2,070	2,510	2,860	3,630	4,143	5,163	5,651	6,214
Selling and Administrative Expenses	1,075	1,101	1,244	1,540	1,773	2,031	2,245	2,493
Depreciation and amortisation	107	174	236	291	365	397	433	480
Other expenses	33	-	35	31	35	41	45	50
Other income	66	126	121	157	157	157	157	157
Income from ICUK	-	-	-	-	-	-	28	58
EBIT	922	1,361	1,466	1,925	2,126	2,851	3,112	3,406
Finance cost	136	112	2	48	95	95	95	95
EBT	786	1,250	1,465	1,877	2,031	2,756	3,017	3,311
Income tax expenses	159	238	209	268	290	394	431	473
Profit for the year	626	1,012	1,256	1,609	1,741	2,363	2,587	2,838
Profit to Non-Cotrolling Interest	114	99	-	-	-	-	-	-
Profit to Shareholder	512	913	1,256	1,609	1,741	2,363	2,587	2,838
Weighted average no. of ordinary shares	429	750	1,000	1,000	1,000	1,000	1,000	1,000
EPS	1.19	1.22	1.26	1.61	1.74	2.36	2.59	2.84
EBITDA	1,029	1,535	1,702	2,215	2,491	3,248	3,546	3,886
Tax rate	20%	19%	14%	14%	14%	14%	14%	14%

Source: Team's Estimates and Company's Annual Report

2.5.8 Balance Sheet

Table 2.10: Balance Sheet Projection

Balance Sheet (Million THB)	2013A	2014A	2015A	2016F	2017F	2018F	2019F	2020F
Assets								
Cash and cash equivalents	486	528	1,377	1,430	1,572	2,027	2,224	2,414
Current investments	-	900	473	473	473	473	473	473
Trade and other receivables	251	308	425	395	455	521	576	640
Short-term loans to related parties	329	-	-	-	-	-	-	-
Inventories	206	318	249	339	392	426	474	530
Other current assets	44	65	17	41	25	28	31	35
Total Current Assets	1,315	2,120	2,542	2,679	2,917	3,476	3,779	4,092
Investment properties	139	136	108	108	108	108	108	108
Property, plant and equipment & Intangible assets	3,810	4,771	4,683	6,966	7,655	8,254	9,122	10,132
Other non current assets	46	37	29	48	43	50	55	61
Investment in CBGKH >> ICUK	-	-	-	341	341	341	341	341
Total Assets	5,310	7,064	7,361	10,142	11,064	12,228	13,405	14,735
Liabilities and shareholders' equity								
Trade and other payables	970	797	802	862	1,061	1,219	1,322	1,472
Short - term loan	879	30	-	-	-	-	-	-
Other current liabilities	183	144	150	216	221	253	280	311
Total Current Liabilities	2,032	971	951	1,079	1,282	1,472	1,602	1,783
Long - term loan	2,075	-	-	2,000	2,000	2,000	2,000	2,000
Other non current liabilities	55	64	77	87	111	142	155	171
Total liabilities	4,162	1,035	1,028	3,166	3,393	3,613	3,757	3,954
Share capital issued and fully paid up	620	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Share premium	-	3,963	3,963	3,963	3,963	3,963	3,963	3,963
Retained earnings:								
Appropriated - statutory reserve	-	51	94	100	100	100	100	100
Unappropriated	-	0.3	582	844	1,481	3,119	4,152	5,285
Other components of shareholders' equity	528	432	432	432	432	432	432	432
Total shareholders' equity	1,148	6,029	6,333	6,976	7,671	8,615	9,647	10,780
Total liabilities and shareholders' equity	5,310	7,064	7,361	10,142	11,064	12,228	13,405	14,735

Source: Team's Estimates and Company's Annual Report

2.5.9 Statement of Cash Flow

Table 2.11: Cash Flow Statement Projection

Statement of Cash Flow (Million THB)	2016F	2017F	2018F	2019F	2020F
Cash flow from operation					
Net Income	1,609	1,741	2,363	2,587	2,838
Depreciation and Amortization	291	365	397	433	480
Change in net working capital	43	106	86	24	58
Change in non-current assets	- 19	5	- 6	- 5	- 6
Change in non-current liabilities	11	24	30	14	16
Change in others	- 291	- 365	- 397	- 433	- 480
Total cash from operation	1,644	1,876	2,473	2,620	2,905
Cash flow from investing					
CAPEX	- 2,284	- 689	- 599	- 869	- 1,010
Long-term investment in subsidiary	- 341	-	-	-	-
Total cash from investing	- 2,625	- 689	- 599	- 869	- 1,010
Cash flow from financing					
Long-term loan from financial institution	2,000	-	-	-	-
Dividend paid	- 967	- 1,046	- 1,419	- 1,554	- 1,705
Total cash from financing	1,033	- 1,046	- 1,419	- 1,554	- 1,705
Net cash change	53	142	455	197	191
Beginning cash	1,377	1,430	1,572	2,027	2,224
Ending cash	1,430	1,572	2,027	2,224	2,414

Source: Team's Estimates and Company's Annual Report

2.5.10 Financial Ratio

Table 2.12: Key Financial Ratios

Key Financial Ratio	2013A	2014A	2015A	2016F	2017F	2018F	2019F	2020F
Profitability								
Gross Profit Margin (%)	30.2%	33.7%	36.9%	36.5%	36.2%	39.4%	39.0%	38.6%
EBIT Margin (%)	13.4%	18.3%	18.9%	19.4%	18.6%	21.8%	21.5%	21.2%
EBITDA Margin (%)	15.0%	20.6%	22.0%	22.3%	21.8%	24.8%	24.5%	24.2%
Net Profit Margin (%)	9.1%	13.6%	16.2%	16.2%	15.2%	18.0%	17.9%	17.6%
SG&A/Sales (%)	15.7%	14.8%	16.0%	15.5%	15.5%	15.5%	15.5%	15.5%
ROA (%)	13.2%	16.4%	17.4%	18.4%	16.4%	20.3%	20.2%	20.2%
Capital Structure Leverage (x)	5.25	1.72	1.17	1.32	1.45	1.43	1.40	1.38
ROE (%)	69.3%	28.2%	20.3%	24.2%	23.8%	29.0%	28.3%	27.8%
Turnover Ratios								
Total Assets Turnover (x)	1.4	1.2	1.1	1.1	1.1	1.1	1.1	1.1
AR Turnover (x)	29.0	26.6	21.1	24.2	26.9	26.9	26.4	26.5
Inventory Turnover (x)	20.0	18.9	17.3	21.5	20.0	19.4	19.6	19.7
FA Turnover (x)	2.0	1.7	1.6	1.7	1.6	1.6	1.7	1.7
AP Turnover (x)	5.1	5.7	6.0	7.7	7.6	7.0	7.0	7.1
Short-Term Liquidity Risk								
Current Ratio (x)	0.6	2.2	2.7	2.5	2.3	2.4	2.4	2.3
Quick Ratio (x)	0.4	1.8	2.4	2.1	2.0	2.1	2.0	2.0
Inventory Conversion Period (ICP) (days)	18	19	21	17	18	19	19	19
Receivables Collocaton Period (RCP) (days)	13	14	17	15	14	14	14	14
Payables Deferral Period (PDP) (days)	71	64	60	47	48	52	52	51
Cash Conversion Cycle (CCC) (days)	- 41	- 31	- 22	- 15	- 16	- 20	- 20	- 19
Long-Term Solvency Risk								
Debt Ratio (%)	72.0%	0.5%	0.0%	22.3%	20.7%	18.8%	17.2%	15.6%
D/E Ratio (x)	2.6	0.005	-	0.29	0.26	0.23	0.21	0.19
Time Interest Earn (TIE) (x)	6.8	12.2	894.4	40.5	22.4	30.0	32.8	35.8

Source: Team's Estimates and Company's Annual Report

2.6 Scenario Analysis

2.6.1 Assumption is based on changing in sales amount

Table 2.13: Scenario summary based on sales amount

Scenario Summary				
	Current Values: Base scenario Best scenario Worst scenario			
Changing Factor:				
Sales amount	9,940	9,940	11,928	7,952
Result :				
NI	1,609	1,609	1,962	1,256
EPS	1.61	1.61	1.96	1.26
Target price (Avg PER 37.32x)	60.1	60.1	73.2	47.0

Source: Team's Estimates and Company's Annual Report

First scenario is the assumption by changing sales amount by 20% to best scenario and worst scenario. It obviously shown that Net income was changed from 1,609 million baht to 1,962 million baht in best assumption and 1,256 million baht in worst scenario. Following by earning per share also be changed from 1.61 baht per share fluctuating from 1.26 baht per share in worst scenario to 1.96 baht per share in best scenario. In resulting, the changing sales amount by 20% could be affected to target price (based on PER valuation method, with average PER 37.32x) to 73.2 baht per share for best scenario and 47 baht per share in worst scenario.

2.6.2 Assumption is based on changing in gross profit margin

Table 2.14: Scenario summary based on gross profit margin

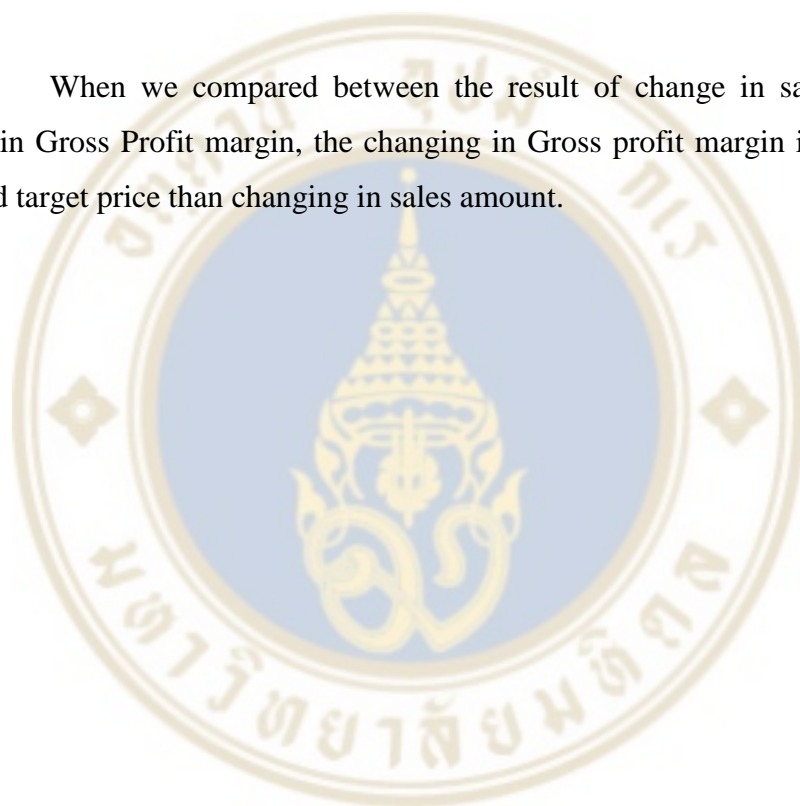
Scenario Summary				
	Current Values: Base scenario Best scenario Worst scenario			
Changing Factor:				
GP Margin	36.5%	36.5%	41.6%	31.4%
Result :				
NI	1,609	1,609	2,042	1,176
NI Margin	16.2%	16.2%	20.5%	11.8%
EPS	1.61	1.61	2.04	1.18
Target price (Avg PER 37.32x)	60.1	60.1	76.1	44.0

Source: Team's Estimates and Company's Annual Report

Another scenario is the assumption by changing Gross Profit margin by 8%. Currently the base scenario is 36.5% and by changing Gross Profit margin 8%, the Gross profit margin will be raised up to 41.6% in best scenario and dropped to

31.4% in worst scenario. The changing of Gross Profit margin to 41.6%, the Net income will increased to 2,042 million baht and Net profit margin also increased to 20.5%. On the other hand, decreasing of Gross Profit margin to 31.4% would lead to dropping of Net income 1,176 million baht and Net profit margin to 11.8%. Earnings per share will be changed from 1.61 baht per share fluctuating from 1.18 baht per share in worst scenario to 2.04 baht per share in best scenario as well. Finally, the target price can be ranged (based on PER valuation method, with average PER 37.32x) to 76.1 baht per share in best scenario and 44.0 baht per share in worst scenario.

When we compared between the result of change in sales amount and change in Gross Profit margin, the changing in Gross profit margin is more affect to EPS and target price than changing in sales amount.



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