

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



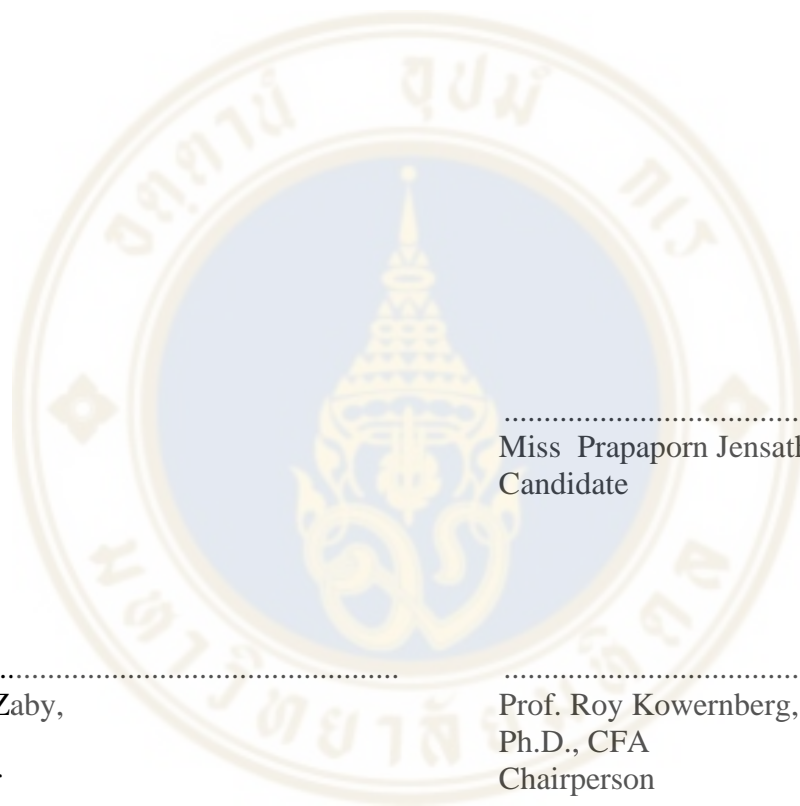
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entitled
**RELATIVE VALUATION OF
CARABAO GROUP PUBLIC COMPANY LIMITED**

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RELATIVE VALUATION OF CARABAO GROUP PUBLIC COMPANY LIMITED

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M.M. (CORPORATE FINANCE)

THEMATIC PAPER ADVISORY COMMITTEE: SIMON ZABY, Ph.D., PROF.
ROY KOWERNBERG, Ph.D., CFA, WORAPONG JANYANGYUEN, D.B.A.**ABSTRACT**

This thematic paper evaluates the Carabao Group Public Company Limited (CBG)'s stock, a beverage company mainly energy drink, whether it is undervalued, overvalued or fairly traded with the price at THB 149.50 as of July 7th, 2021. In this paper, CBG's stock was evaluated by using the relative valuation model, comparing CBG's trailing and forward P/E, P/BV, EV/EBITDA multiples as of July 7th, 2021 with its own historical averages and with its peer group's multiples. The forward EV/EBITDA multiple was chosen over other multiples to evaluate the CBG's stock price and calculate its target prices at the end of 2021 and 2022 because, it reflects the future insights and focuses on the company's capability to generate free cash flow.

By comparing the forward EV/EBITDA multiple with its own historical average, shows that CBG's stock is fairly traded with the price of THB 149.50 as of July 7th, 2021. By comparing CBG's the forward EV/EBITDA multiple with its peer group's EV/EBITDA multiples results in the costliness of CBG's stock over its peers. The estimated CBG's target prices at the end of 2021 and 2022 are THB 85.62 and THB 92.37, respectively. However, CBG's stock was valued more by investors due to the superior ROCE and sales growth in 2020. The misleading target prices are caused by comparing CBG with the imperfect peer group. In conclusion, CBG's stock as of July 7th, 2021 with the price of THB 149.50 is fairly traded.

KEY WORDS: CBG/ Relative Valuation/ EV/EBITDA multiple

42 pages

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CHAPTER I

CARABAO GROUP'S BUSINESS OVERVIEW

1.1 CBG's Business Overview

Mr. Sathien Setthasit (CEO), he is currently holding 32.1% of CBG's total shares (CBG Annual Report, 2020), Ms. Nutchamai Thanombooncharoen (Managing Director), she is currently holding 22.2% of CBG's total shares (CBG Annual Report, 2020), and Mr. Yuenyong Opakul (Senior Deputy Managing Director), he is currently holding 17.2% of CBG's total shares (CBG Annual Report, 2020), together founded Carabao Tawandang Company in August 2001. The business of the firm is to manufacture, sell, market and distribute its beverage products mainly energy drinks under the brand 'Carabao Dang'. The 'Carabao Dang' trademark represents the 'Fighting Spirit' meaning, initiated from the restaurant names 'German Tawandang Brewery Restaurant' with the name of Thai folk band 'Carabao'.

The company was incorporated with the initial capital amount of 1 million baht. It became a limited company on 28 August 2013, then changed itself to be the public company limited on 8 July 2014. The CBG office is located at Silom Road, Bangkok in Thailand.

Carabao Group is the 2nd market leader in Thai energy drink industry with 21.4% out of total market share in 2020 (CBG Annual report, 2020). Its branded products consist of energy drinks (non-carbonated and carbonated) in amber glass bottle and aluminum can, drinking water, sport drink, 3-in-1 Instant Coffee in sachet, ready-to-drink coffees in aluminum can and the newest product is vitamin-c shot drink, under 'Woody C+ Lock' trademark. The company also manufactures third-party products consisting of alcoholic drinks and general consumer goods.

CBG manufactures its own main packages i.e., aluminum can by Asia Can Manufacturing Co., Ltd., and amber glass bottle by Asia Pacific Glass Co., Ltd. both are subsidiaries of CBG, 100% ownership. Furthermore, it also has its own bottling and

canning factories and its own distribution centers. CBG conducts its businesses both domestically and internationally.

The Vision of CBG is ‘World Class Brand, World Class Product’ (CBG Annual Report, 2020). CBG’s missions consist of People, Work System, Organization & Management, Technology, Product, Brand, and Corporate Image. People's mission is to develop its people to become better workers with great attitude, high responsibility, eager to learn and utilize the emerging innovations to their work. The Work System’s mission is to concisely perform tasks in accordance with global working standards. Organization & Management’s mission is to organize and manage its working with suitable organizational structure, providing clear objectives and duties to accomplish each project or work with project-based execution.

Technology's mission is to develop the production processes, enhance management processes, and also grow the business sustainably by applying cutting-edge technologies or innovations. Product's mission is to serve high-quality products for our customers and make the products to be globally known. The brand's mission is to become a well-known brand. Corporate Image’s mission is to be a company with good corporate governance and also great social awareness.

CBG’s goal is to become the no.1 market leader in Thai energy drink market in 2021. Then, to become the no.1 market leader in ASEAN energy drink industry within 2022. Lastly, to become the no.1 market leader in Asian energy drink industry within 2024 (CBG Annual report, 2020).

1.2 CBG's Company Structure

Carabao Group Company has its subsidiaries both in Thailand and outside Thailand which it mostly owns 100%, except AWD and CVHLUX are holding shares 85% and 64% by CBG respectively. CBD, one of CBG's subsidiaries, conducts the production, selling, marketing and distributing of beverage products. APG conducts glass bottle production. DCM performs the distribution of its products in Thailand. ACM provides the aluminum can production, which is used as key packaging materials of energy drink in aluminum can format.

APM conducts the production of OPP label, carton box, and shrink film used for packaging stuffs of its energy drinks and other beverage products. AWD is a subsidiary of ACV, under CBG, conducting a functional drinks business, 15% holding by Woody, Mr. Vuthithorn Milintachinda. ICUK is being held indirectly by CHHK and CVHLUX, subsidiaries outside Thailand of CBG. ICUK sells, markets, and distributes CBG's products in the UK and outside Asian countries. To update the new registered company under CBG, is Carabao Marketing Group Co., Ltd. (CBMG) engages in data management, has been registered on 16 March 2021.

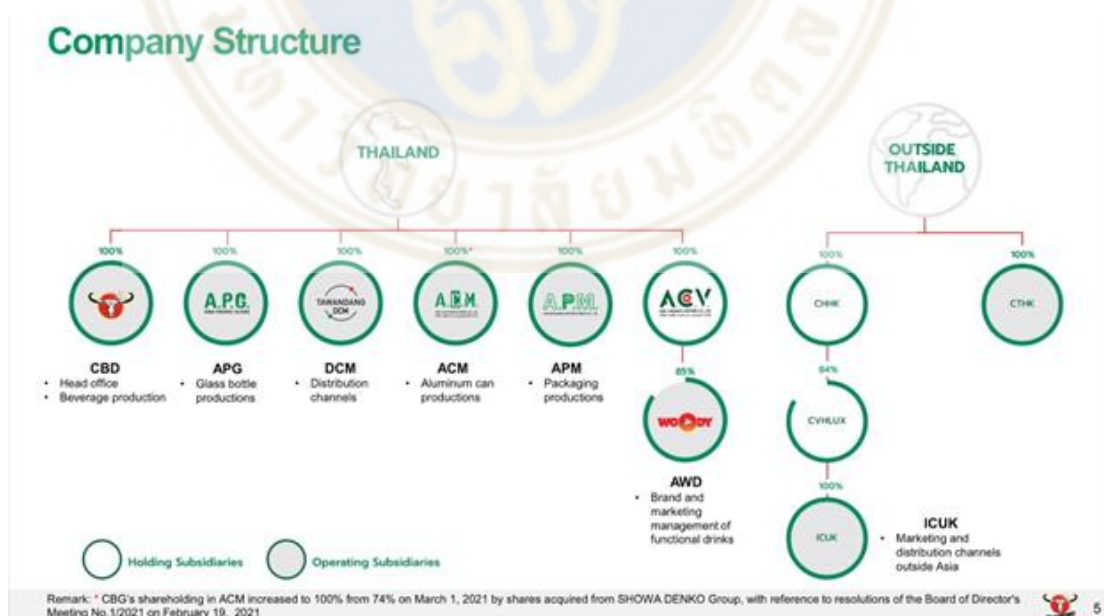


Figure 1.1 CBG's company structure

Source: CBG Annual Report, 2020

1.3 CBG's Products

Domestic products consist of non-carbonated energy drink in amber glass bottle, carbonated energy drink in aluminum can, drinking water in PET bottle, Ready-To-Drink coffee in aluminum can, 3-in-1 instant coffee powder in sachet, Sport drink in clear glass bottle, and vitamin-c shot drink under 'Woody C+ Lock' trademark. The main product of CBG which contributes the main revenue to the company in the domestic products category is bottled non-carbonated energy drink under 'Carabao Dang' trademark and also provides higher margin compared with other products. The newest products are Woody C+ Lock, vitamin-c shot drinks. They are in the functional drinks industry, to attract the health-and-beauty concerned consumer group and respond to the rising health-awareness trend of consumers in Thailand.

Export products consist of non-carbonated energy drink in both amber glass bottle and aluminum can format, carbonated energy drink in aluminum can, and plan to launch vitamin-c shot drink. According to the overseas sales in 1Q2021, non-carbonated energy drink in aluminum can took 89% of total overseas sales, and 9% for non-carbonated energy drink in bottle format, and remaining 2% of carbonated energy drink in aluminum can (CBG Analyst Meeting Presentation Quarter 1/2021, 2021). The main source of overseas revenue is mainly from the CLMV countries, 82.1% in 1Q2021 of total overseas sales (CBG Analyst Meeting Presentation Quarter 1/2021, 2021).

Last one is Third-Party Products for Distribution. These products category produces and distributes for other companies. This revenue source began in 2017. Products in this category consist of two types, first one is food-and-beverage category and second one is non-food category. Alcoholic drinks for third-parties took 92% out of the total revenue from this product category in first quarter 2021 (CBG Analyst Meeting Presentation 1Q2021, 2021).

Product Description

<p>1</p>  <p>Energy drinks in a 150ml bottled format under the brand of Carabao Dang and Carabao</p>	<p>2</p>  <p>Non-carbonated energy drinks in a 250ml canned format under the brand of Carabao</p>
<p>3</p>  <p>Carbonated energy drinks in a 330ml canned format under the brand of Carabao</p>	<p>4</p>  <p>Carbonated energy drinks in a 180ml and 250ml canned format under the brand of Carabao</p>
<p>5</p>  <p>Zinc-contained drinks in a 250ml bottled format under the brand of Carabao Sport</p>	<p>6</p>  <p>Drinking water in PET bottles sized 600 ml and 1,500 ml under the brand of Carabao</p>
<p>7</p>  <p>Carabao instant 3-in-1 coffee powder in 19 g per stick under the brand of Carabao</p>	<p>8</p>  <p>Carabao ready-to-drink coffee in canned 180 ml under the brand of Carabao</p>
<p>9</p>  <p>Vitamin C drinks in a 340ml green bottled format under the brand of Woody C+ Lock</p>	<p>10</p>  <p>3rd party products for distribution In addition to the products under the company's trademarks, the company also offer distribution services for 3rd-party products including both food and non-food categories.</p>

Figure 1.2 CBG's products

Source: CBG Annual Report, 2020

1.4 CBG's Business Model

CBG's Target Consumers:

For CBG energy drinks, its target consumers will vary based on regions. In Thailand, the target consumers are basic-to-middle-income, working people who need refreshment and energy during the day. However, in the overseas market, CBG will have to market its products differently based on the target consumer's tastes and needs in different regions.

For CBG sport drink, its target market is mass market. It focuses on Thai consumers who trust in beverage quality under Carabao brand. Carabao Sport, the trademark of CBG, only sells in Thai market.

For CBG drinking water, its target market is similar to the CBG sport drink that is Carabao Sport. This product focuses on the mass market. Currently, Carabao Drink Water is only available in Thailand.

For CBG coffee products, its target consumers are similar to energy drinks domestic target consumers. Carabao coffee products focus on Thai working people with basic-to-middle income. Both Carabao coffee products i.e., 3-in-1 and RTD are available only in Thai market.

For vitamin-c shot drinks, its target consumers are both in the domestic and overseas market. This product has different target consumers from above mentioned products. The product focuses on middle-to-above-income people who are interested in self-care both beauty and health.

CBG's Value Propositions:

CBG provides its value to customers via its quality products with reasonable pricing. Its products are on par with world class standards. They also serve convenience value to customers with strong distribution systems so consumers can approach its great quality products easily.

CBG's Channels:

CBG's Marketing Channels consist of 3 channels, first one is above-the-line marketing, this marketing channel tries to approach a wide range of consumers or mass consumers. Second one is below-the-line marketing, this marketing tries to approach more specific consumer groups such as Bao Dang Girls Activities. The last one is digital marketing, promoting products via social media channels such as Facebook and Line

Official, and so on. CBG also promotes its brand through sponsorship for football clubs i.e., English Football League (EFL) and Chelsea Football Club (CFC).



Figure 1.3 CBG’s Marketing Channels

Source: CBG Annual Report, 2020

CBG's Distribution Channels are divided into domestic and overseas markets. For the Domestic Market, the firm offers values or its products via traditional trades and modern trades. For traditional trades, it has 31 its own distribution centers covering over Thailand, and has 326 cash vans to distribute its products to traditional retail shops around the nation around 180,000 shops. For modern trade, modern shops such as supermarkets, hypermarkets, convenience shops will directly order the list of CBG's products with the firm and DCM will manage the distribution for them.

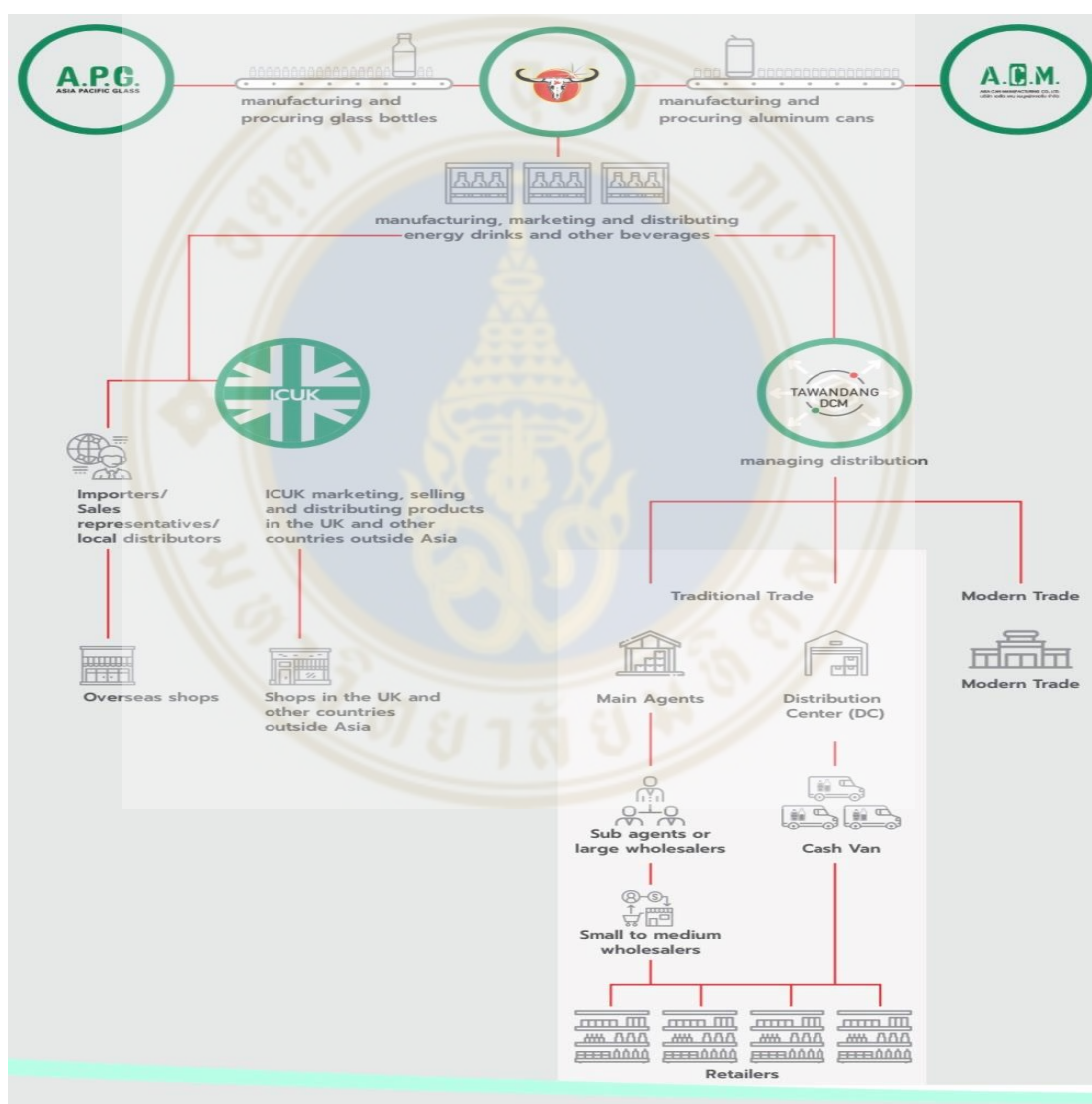


Figure 1.4 CBG's Distribution System

Source: CBG Annual Report, 2020

CBG's Customer Relationships:

With the strong presence of its own distribution networks, CBG can access the consumer behavior's information via retailers who place orders with the company. This information is useful for creating the result-oriented marketing and sales activities to approach, acquire, satisfy, and retain its customers. The retailers are around 180,000 shops nationwide. CBG conducts marketing and sales activities via offline and online channels for offline such as billboards, television, radios, Bao Dang Girls, and so on. For online options to approach its potential and existing customers with existing and new products, CBG advertises them via Line Official, Facebook, and so on. In the overseas market, the firm has sales representatives to do marketing and sales activities. Specifically for the UK market, CBG strives to increase its brand awareness among UK consumers via doing sponsorship for EFL and CFC.

CBG's Revenue Streams:

For CBG, to earn its revenue streams are by selling its assets; those are its beverage products. Its main revenue source is by selling energy drink products both domestic and international markets. Furthermore, the company also earns revenues from selling other beverages under its own brand such as drinking water, sport drink, coffee products, and vitamin-c shot drinks. Lastly, CBG also earns revenue by manufacturing or producing products for other companies' brands, mainly alcoholic drinks and remaining general consumer goods.

CBG's Key Resources:

CBG's key resources are mainly fixed assets consisting of aluminum can manufacturing facilities, amber glass bottle manufacturing facilities, beverages manufacturing facilities, canning and bottling manufacturing facilities, packaging materials manufacturing facilities, 31 distribution centers, 326 cash vans. Also, the intangible assets consist of Carabao trademark, human resources, partnership with international suppliers, and Woody C+ Lock trademark, partnership with Thai famous moderator, K. Woody, and so on.

CBG's Key Activities:

CBG's key activities consist of manufacturing amber glass bottle, aluminum can, packaging materials, energy drink, sport drink, vitamin-c shot drink, and also canning and bottling drinks. CBG conducts marketing, selling, and distributing its own branded

products. It also manufactures, sells, and distributes other companies' branded products including alcoholic drinks and general consumers goods.

CBG's Key Partnerships:

CBG's key partners are agents, sub-agents, wholesalers, and retailers, these key partners support the distribution of CBG's value or products to its end consumers with traditional trade. For modern trade, key partners of CBG are supermarkets, hypermarkets, and convenience stores. For the overseas market, CBG's key partners are overseas importers, distributors, sales persons and also grocery stores. For manufacturing of products, the firm needs key partners to provide its raw materials, so the key partners of manufacturing are raw materials and equipment suppliers. CBG did a joint venture with Mr. Vuthithorn Milintachinda to establish AWD company. AWD will invent, market, and sell functional drinks. For drink water and coffee products, the firm outsources local manufacturers to produce its products. For sport drink products, its container is a clear-glass bottle, sourced from local suppliers.

CBG's Cost Structure:

CBG's business focuses on its efficiency and utilizes the economies of scale of its fixed assets (property, plant, and equipment), then CBG is more cost-driven than value-driven. CBG's expenses consist of variable costs and fixed costs. Variable costs mainly are raw materials and packaging materials costs which are used for producing its packaging and drinks to become the finished products such as white refined sugar, aluminum coil, glass cullet, and so on, and also utilities costs, wages, and energy costs mainly natural gas for manufacturing. Fixed costs consist of maintenance costs, salaries, marketing & selling expenses, administrative expenses, finance expenses, and taxes.

CHAPTER II

CBG'S MACROECONOMIC, BEVERAGE INDUSTRY ANALYSIS, AND COMPETITORS

2.1 The Overview of Thailand and CLMV Countries' Economies

The Covid-19 epidemic posed negative impacts on the global economy and also an unprecedented threat to public health, food systems, and the workplace. Tourism is one industry that has been dramatically impacted from the Covid-19, Thailand is a country whose economy depends on tourism a lot. Thai's government has issued a policy of travel restriction to limit tourists from high-infected areas. As a result, the number of tourists has decreased and resulted in lower booking rates. In addition, the International Monetary Fund (IMF) forecasting 2021 Thailand real GDP growth is 2.6% compared to the projection of world economic outlook at 6%.

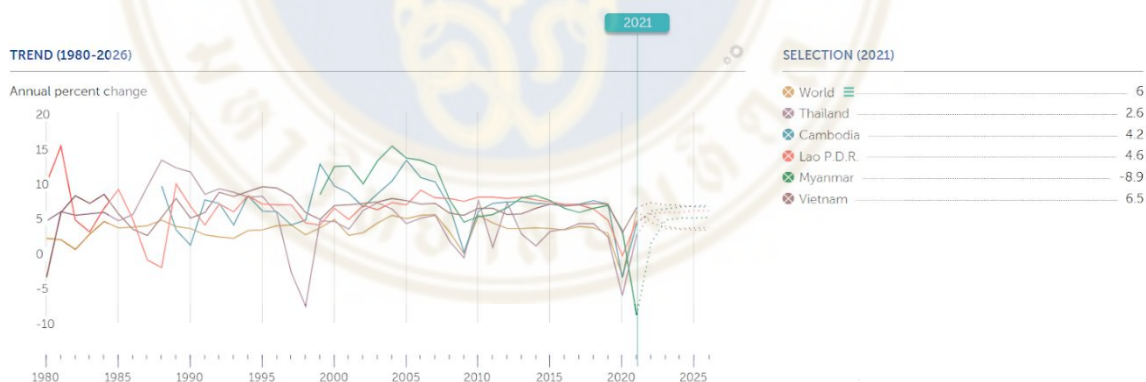


Figure 2.1 The GDP comparison of World, Thailand, and CLMV

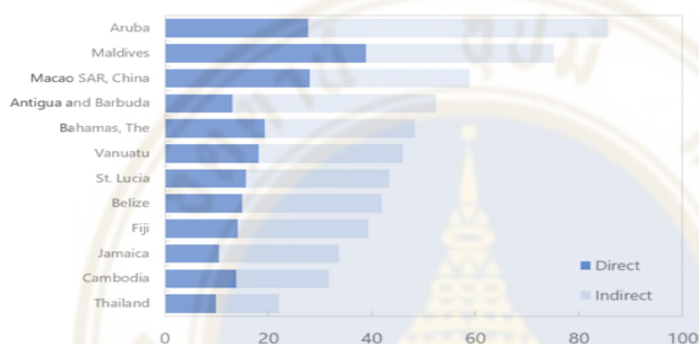
Source: IMF, 2021

Moreover, the CLMV countries associations are Cambodia, Laos, Myanmar and Vietnam that Carabao Group focuses on (Figure 2.1). Most of CLMV's GDP growths are above Thailand except Myanmar currently has a political issue in their own

country and its GDP in 2021 has been estimated to contract by 18% (World Bank, 2021). In addition, Thailand's GDP is about 23% depending on its tourism (Figure 2.2), by the emerging covid-19, the country's economy has been impacted adversely. According to the World Bank report 2021, the report stated that Thailand's economy may not return to the state of its pre-pandemic economy until 2022.

Countries most reliant on tourism

Tourism plays an important economic role for many countries in the Asia-Pacific and Western Hemisphere.
(share of GDP; percent)



Sources: Oxford Economics Research; and World Travel and Tourism Council.

Note: 2018 data. "Direct contribution" refers to total spending on travel and tourism by residents and nonresidents and government spending on travel and tourism. "Indirect and induced contributions" include investment spending, collective government spending and domestic supply chain purchases by sectors dealing with tourists.

INTERNATIONAL MONETARY FUND

Figure 2.2 The countries that most reliant on tourism to GDP

Source: IMF article, 2021

Bangkok contributes nearly half of Thailand's gross domestic (GDP) output. For at least two weeks or more, retail malls, spas, massage and beauty clinics have to be closed. Moreover, the government launched the regulation for government officers and corporate workers to work from home. In addition, overnight curfews and domestic travel restrictions imposed by the government also had a negative impact on merchants, airlines, and restaurant operators for over a year. In order to recover from a pandemic, effective vaccines must be widely distributed, and the government must implement monetary policies. The Thai government, on the other hand, implemented short-term monetary policies such as debt postponement, financial support, and so on, which do not help the economy in the long run.

The Inflation rates

Inflation is the rate of price of goods and services which the price of goods and services in a given economy may be increasing. So, if inflation leads to higher prices for fundamental necessities such as food and services, purchasing power may decline over time. In both 2021 and 2022, the headline inflation from the Bank of Thailand is expected to be 1.29 %, increasing due to supply-side factors. Energy sector inflation increased in line with world crude oil prices. Although the government's temporary electricity tariff reduction measures will help to reduce the pressure to some extent. However, demand-side inflation pressures are at a low level and tend to recover slowly after multiple waves of outbreaks. Hence, Thailand was the lowest compared to peers in CLMV counties (Figure 2.3).

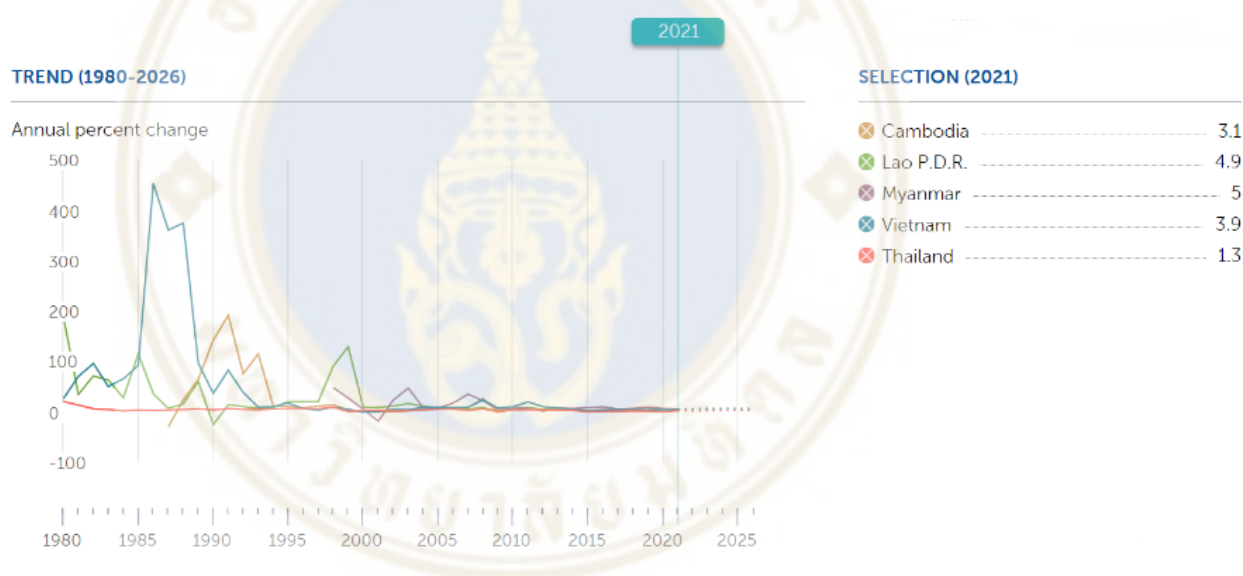


Figure 2.3 The inflation rates in Thailand and CLMV from 1980-2026

Source: [IMF, 2021](#)

The Population Trends

Thailand is the 20th largest country in the world with over 69 million people. However, the predicted Thailand population may increase 200,000 people and reach 70 million people by the beginning of 2022. While the current median age of the country is 39 years old, the percentage of 60+ may increase from 17.5% in 2020 to 25.2% in 2030. So, the potential may impact the Carabao Group targeted customer. Same as

Cambodia, Myanmar and Lao have had constant growth in population. There is a steady increase in the number of populations above the age of 65. (Figure 2.4)

However, Vietnam is going through a significant demographic and social transformation. It has a population of 96.5 million people, which is expected to increase to 120 million by 2050. According to the 2019 Population Census Report, 55.5% of the population are under 35 years old, with a life expectancy of 76 years, which is the highest among similar-income countries in the area. That is the population are entering an aging society.

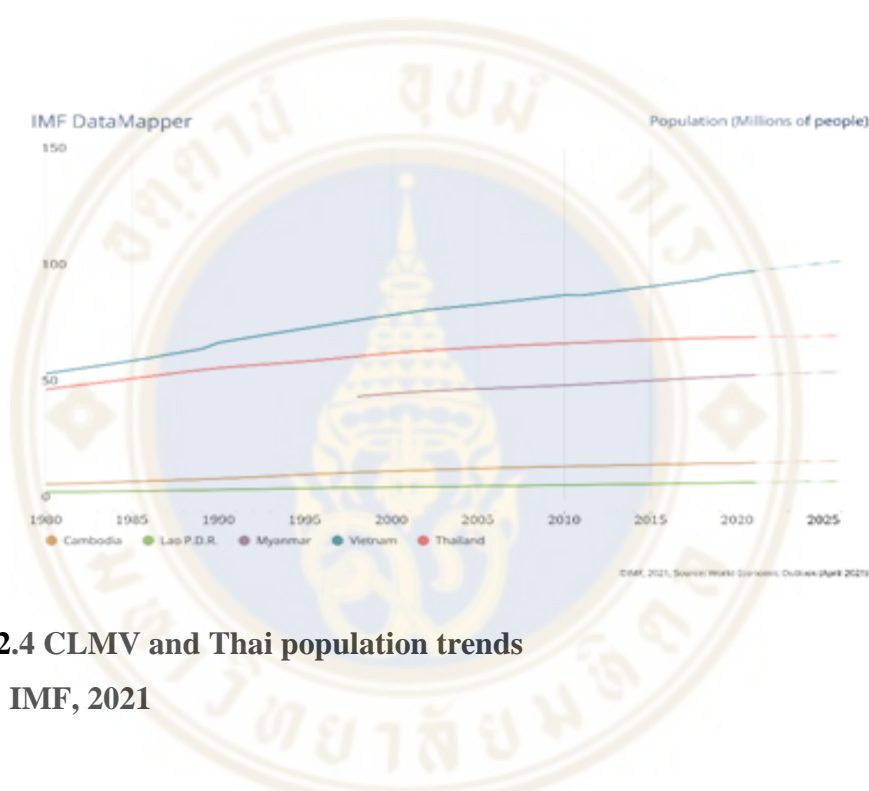


Figure 2.4 CLMV and Thai population trends

Source: IMF, 2021

Unemployment rate and Thai household debt

The unemployment rate is defined as the percentage of the workforce who is unemployed. The unemployment rate is likely to grow when the economy is weak and jobs are in shortage. On the other hand, when the economy is growing steadily and there are several employment opportunities offered. In 2021, Thailand's unemployment rate is expected to grow from 1.96 % at the end of the first quarter. The highest level since 2009, whereas a prolonged epidemic and business restrictions are likely to result in more people losing their jobs (Figure 2.5).

Therefore, Thai household debt refers to the debt owed by all Thais' households, including both consumer debt and mortgage loans. According to Bank of

Thailand data, Thailand's outstanding household debt increased to 14.13 trillion baht in the first quarter of 2021, or 90.5 % of GDP, increasing from 84.9 % by the end of December 2020. This is the highest level in 18 years. As a consequence of the tighter restrictions, many have lost their incomes while expenses may increase. These will have a significant effect on consumer spending, which is a fundamental driver of economic growth.

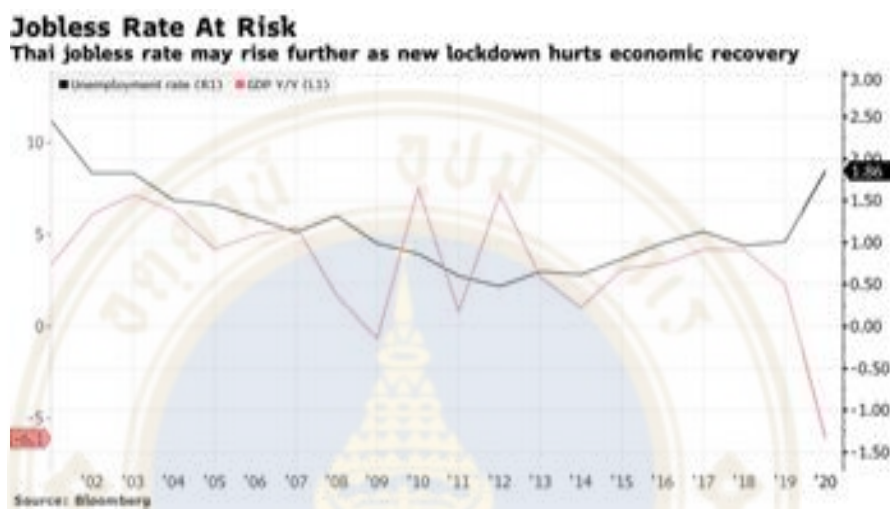


Figure 2.5 The Jobless Rate At Risk graph

Source: Bloomberg article, 2021

2.2 Beverage Industry Analysis

CBG's trademarks produce revenue in the Agribusiness and Food and Beverage industries, including energy drinks, sport drinks, drinking water, and coffee products. According to Nielsen market survey data, the energy drink market sales contracted by 6.8% in 2020, compared to a 3.3% average annual growth rate from 2017 to 2019. Although energy drinks are primarily targeted at people aged 26 to 45 who have a lower-to-middle income, they prefer non-carbonated energy drinks and consume sweeter taste than other countries. According to the report, Thai consumers prefer energy drinks in glass bottles to those in cans. CBG is a leading brand in Thailand, with the second highest market share. Obviously, Thai companies that understand Thai

customer characteristics dominate the major competitive landscape of Thailand's energy drink sector.



Figure 2.6 The data of international energy drink market

Source: CBG Annual Report, 2020

Energy drinks are a premium product on the international market when compared to other soft drink products. The United States, China, Japan, the United Kingdom, and Brazil are the top five energy drink markets in the world (Figure 2.6). China is the most attractive market to enter due to the extremely strong growth rate of the local brand energy drink sector and the large population expansion size.

According to Nielsen market survey data, Thailand's functional drinks market size is 9,124 million, with a strong growth rate of 9%. There are different categories of functional drinks: Healthy Shot, Casual Healthy Drink, and Other Essence. CBG is mainly distributed through modern trade (77%) and traditional trade (23%) respectively (Figure 2.7).

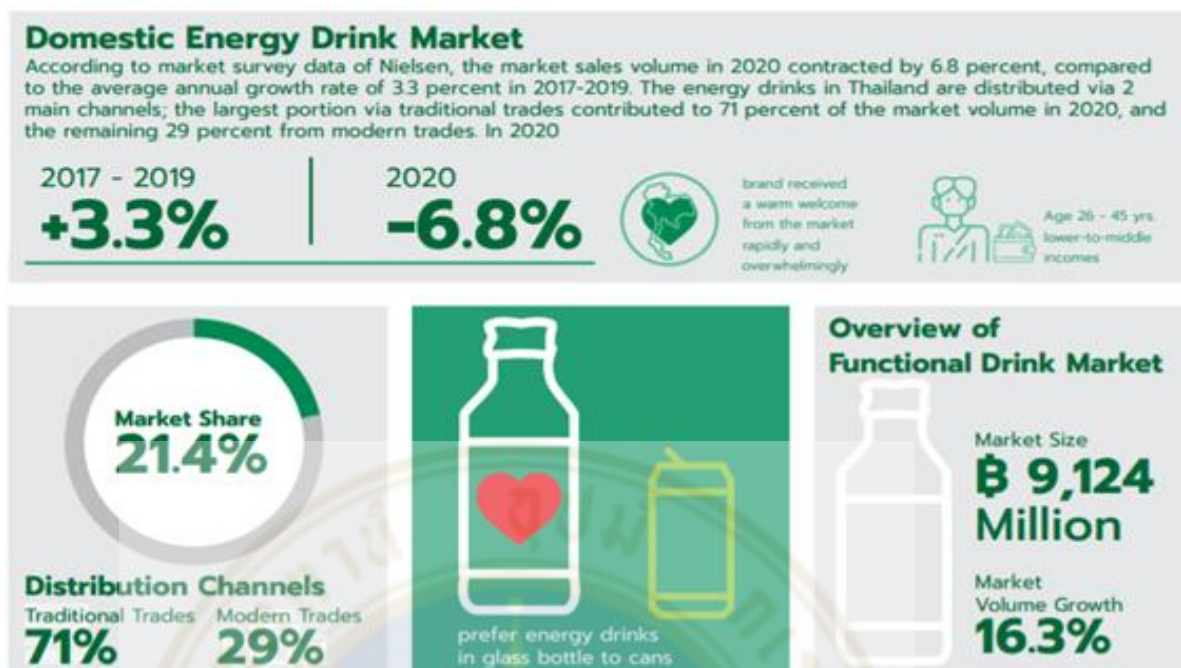


Figure 2.7 The data of domestic energy drink and functional drink market

Source: CBG Annual Report, 2020

2.3 CBG's Competitors

In this part, we would like to explain CBG's competitors in both domestic and international markets. CBG's competitors consist of direct and indirect competitors. OSP is the main competitor in both energy drink and functional drink markets. Sappe is another competitor in the functional drink market. Monster Energy Corporation is its energy drink secondary competitor of CBG. PepsiCo and Coca-Cola are the leading global beverage brands who are both direct and indirect competitors of CBG. The details for each competitor are stated below.

Osotspa Public Company Limited (OSP)

OSP main business activities are to produce, market, and distribute its products mainly consist of beverages, personal care products, and others and also manufacture products for other companies and provide packaging products for them. OSP's vision is "Power to Enhance Life" (OSP Annual Report, 2020). OSP has its brand

presences covering 33 countries in 4 main regions including Asia, Europe, America and Middle East. It is the no.1 market leader in Thailand, Laos, and Myanmar.

OSP's revenue sources mainly come from sales in beverage products (84%), personal care products (10%), and other products (6%). The geographical revenue sources are mainly from Thailand or the domestic market (86%) and the remaining are from overseas markets, mainly from sales in CLMV countries contributing for 83% of the total overseas sales (OSP Annual Report, 2020). Osotspa is the no.1 market leader in Thai energy drink market with M-150 brand and also the no.1 market leader for Thai functional drinks market with C-Vitt, its vitamin-c shot drink brand. Hence, OSP is the main direct competitor of CBG.

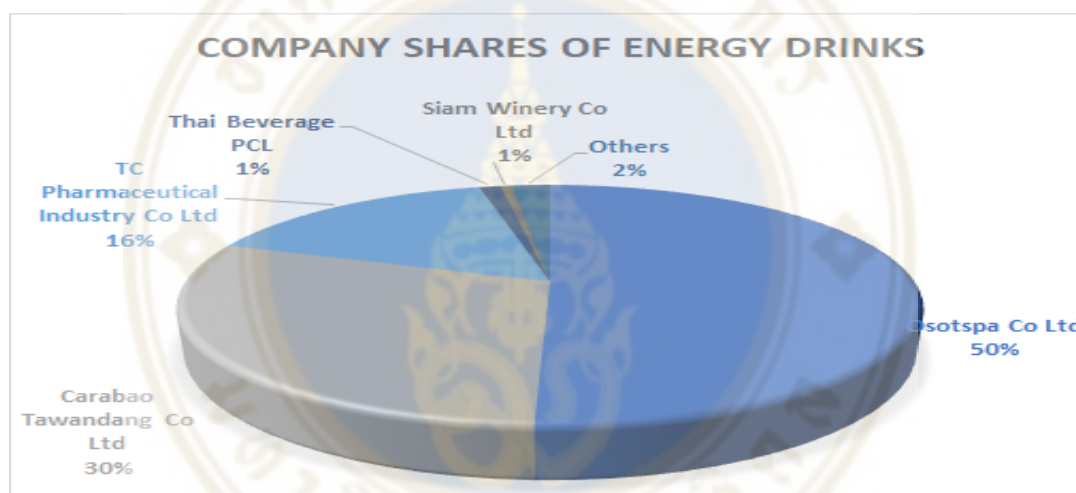


Figure 2.8 The market share of energy drink in Thailand

Source: Euromonitor, 2021

Osotspa is the strong competitor with 50% of market share in Thai Energy Drinks market (Figure 2.8). M-150, Shark and Lipo are operated under Osotspa brand. OSP's sales in functional drinks increased 46.6% with the no.1 market share (28%) mainly by its vitamin-c shot drink under C-Vitt brand (Figure 2.9). Consumers are becoming more health-conscious and time-conscious. Therefore, they look for healthier beverages with giving effective results and convenient ways to nurture their health and immunity.

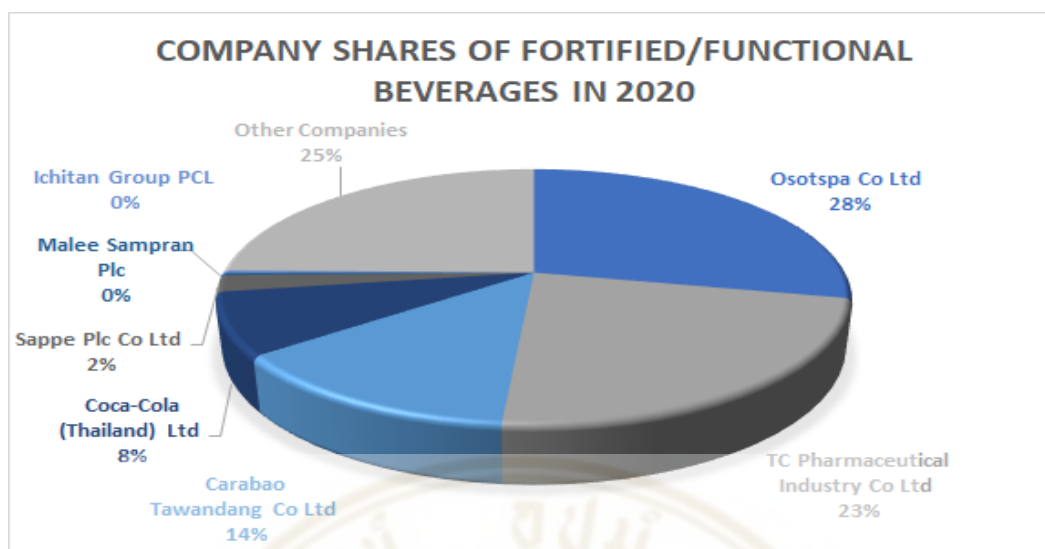


Figure 2.9: The market share of functional beverages in Thailand

Source: Euromonitor, 2021

Sappe Public Company Limited (SAPPE)

Sappe manufactures, markets, sells and distributes its healthy beverage and snack products consist of 5 categories i.e., functional drinks, juices, functional power products, RTD products, and healthy snacks in domestic and overseas markets (more than 90 countries). The company's revenue sources are from 45:55 proportion of domestic and overseas markets. Sappe distributes its products domestically via 4 channels: modern trades, traditional trades, E-commerce channels, and the last one Out-Of-Home (OOH) channels. The sales from overseas took around 55% of total sales revenue in 2020, 38% from Asian countries, 12% from American and European countries, 7% from Middle East countries and others (SAPPE Annual Report, 2020). Sappe distributes its products internationally via importers, subsidiaries, and local distributors in each county. Sappe currently is both the direct and indirect competitor of CBG in the functional drinks segment, due to having similar and different products but targeting similar target consumers.



Figure 2.10 Products under SAPPE

Source: Sappe website

Monster Beverage Corporation (MNST)

Monster Beverage Corporation mainly markets and sells energy drinks under its several brands mainly Monster Energy covering 141 countries but mainly in the U.S.A. In 2015, the company acquired energy drink brands under the Coca-Cola company and the products are sold in 72 countries. Reign Total Body, its high-performance energy drink brand, sells in 15 countries. It also has an affordable energy drink brand that sells in 28 countries. And other energy drink brands sell in 154 countries. The company just mainly invents and markets its beverage formulas and brands, it has no manufacturing facilities, and any distribution centers. All of its branded products are manufactured, bottled, canned, distributed by third parties domestically and internationally. MNST is the secondary competitor, due to its products being similar, however different pricings, as a result, different target consumers.



Figure 2.11 Monster Energy Drinks

Source: Monster Energy Corporation website

The Coca-Cola Company (KO)

The Coca-Cola Company manufactures, sells, and markets its products covering more than 200 countries with 5 product categories: Coca-Cola branded products, Sparking Flavors beverages, Nutrition, Juice, Dairy & Plant, Hydration, Sports, Tea & Coffee products, and others. The company strives to reduce its sugar adding in its products to show more health care to its consumers. The firm tries to launch more and more products relating to healthier and nourishing beverages. The company does not only manufacture by itself, but also has its bottling and manufacturing partners around the world. The Coca-Cola Company is the indirect competitor of CBG, due to its products being possible substitutes of CBG's products for its target consumers.



Figure 2.12 Products under The Coca-Cola Company

Source: The Coca-Cola Company website

PepsiCo, Inc. (PEP)

PepsiCo makes, markets, sells, and distributes its food and beverage products covering more than 200 countries. Its brands under the firm consist of Pepsi-Cola, Tropicana, Gatorade, Frito-Lay, and Quaker. In 2020, 55% of total revenue is from food products sales, and the remaining 45% is from its beverage products (PEPSI Annual Report, 2020). Its revenue sources are mainly from the U.S.A. (58%) and the remaining (48%) are from other countries around the world (PEPSI Annual Report, 2020). PepsiCo is the direct and indirect competitor of CBG, due to having both similar products to CBG such as Aquafina Drink Water and Gatorade electrolyte drink, and also different products however can target the same consumer groups such as Pepsi soft drinks, and Lipton RTD tea.

**Figure 2.13 Products under PepsiCo****Source: PepsiCo website**

CHAPTER III

RELATIVE VALUATION FOR CBG'S STOCK

Relative valuation is a valuation method by using industry peers' financial values to come up with its target company's financial value. Using the relative valuation to value CBG's stock price, to see that whether it is undervalued(cheap) or overvalued(expensive) comparing with its own historical average multiples and peers' multiples.

3.1 CBG's 5Y Trailing and Forward P/E bands

According to Figure 3.1, the trailing P/E ratio of CBG is 44.50 as of July 7th, 2021. This implies that CBG's stock price in that day was fairly trading, compared to the 5-year historical average of 42.58. In a detailed review of the trailing timeline, the trailing P/E ratios in the period of the late September 2017 to the early-February 2018 are above the +2 standard deviation line that is over 63.90. During those times, investors were willing to pay for CBG's stock more than THB 63.90 for THB 1 of its past twelve months earnings, hence it implies that investors expected higher earnings in the future.



Figure 3.1 5Y Trailing P/E band

The major corporate events that could be the reason of the rise of CBG stock prices consist of CBG had signed a contract with SHOWA DENKO Group to build an aluminum can manufacturing facilities to increase its capability and efficiency on June 2nd, 2017 and CBG received new credit rating at “A-” means “stable” from Tris Rating Company Limited in November 2017. The news showed a good sign to CBG’s future business and how attractive it was to invest. Plus, the trailing P/E is using the past twelve months earning figure which are constant, but daily prices are not. Hence, the trailing P/E ratios during those times are higher than the +2 standard deviation figure or above 63.90.

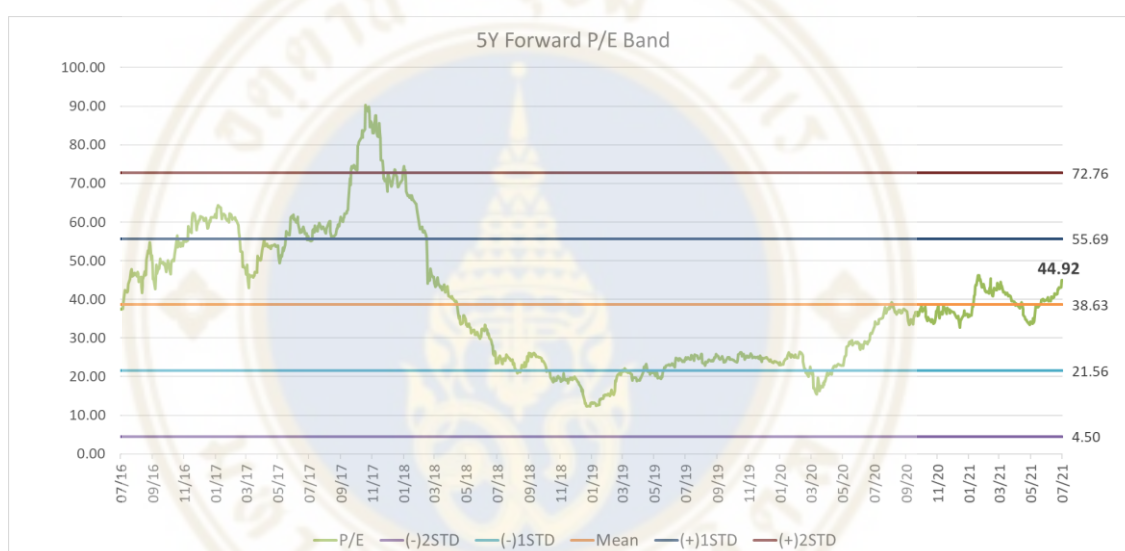


Figure 3.2 5Y Forward P/E band

According to Figure 3.2, the forward P/E ratio of CBG is 44.92 as of July 7th, 2021. This implies that CBG’s stock on that day is fairly traded, compared to the 5-year historical average of 38.63. In a detailed view of the forward timeline, the forward P/E ratios between the late of September in 2017 to the early-January in 2018 are above the +2 standard deviation figure (72.76). The first reason is the increase in CBG stock prices during those times, the possible causes of the rise are good news about CBG signed a contract with Showa Denko Group to build an aluminum can manufacturing plant on June 2nd, 2017 and CBG received an “A-” credit rating means “stable” from Tris Rating Company Limited in November, 2017. The second reason is the next twelve

months earnings are quite low during those times, mainly from the decline of EPS in 2018 which decreased from 2017 due to the loss occurred from its subsidiary, ICUK and incremental investment in shares of ICUK.

To compare the trailing and forward P/E ratios as of July 7th, 2021, both the trailing and forward ones show that CBG's stock is fairly traded. However, the trailing one is lower than the forward one. It implies that the stock price is more expensive when compared to the earning per share of the next twelve months instead of the last twelve months. The forward P/E ratio is higher than the trailing one due to the estimated EPS in the next twelve months equals to THB 3.20 in fiscal year 2021 and THB 3.45 in fiscal year 2022 are lower than its past twelve months earnings. The decrease of the estimated earnings is caused by the forecasted decline in domestic sales revenue in 2021 by -3.98% from the assumption of the GDP per capita taking into account Purchasing Power Parity from IMF Forecast 2021 is expected to decrease by -4.13% and that affect the domestic sales revenue of CBG, and the higher cost of raw materials and packaging costs such as sugar and aluminum prices and also the higher admin expenses according to its human resources development plan.

3.2 CBG's 5Y Trailing and Forward P/BV bands

According to Figure 3.3, the trailing P/BV ratio of CBG is 14.97 as of July 7th, 2021. This implies an overvaluation compared to the historical average of 10.40 and almost reaches to the +2 standard deviation figure (15.15). In a detailed view of the trailing timeline, the period in the mid-October to the end of November in 2017, the P/BV ratios during these times are above the +2 standard deviation line due to the rise in CBG's stock price possibly are caused from CBG's news i.e., signing a contract with Showa Denko Group to build an aluminum can manufacturing plant in June 2017 and also receiving new credit rating "A-" means "stable" from Tris Rating Company Limited in November 2017.

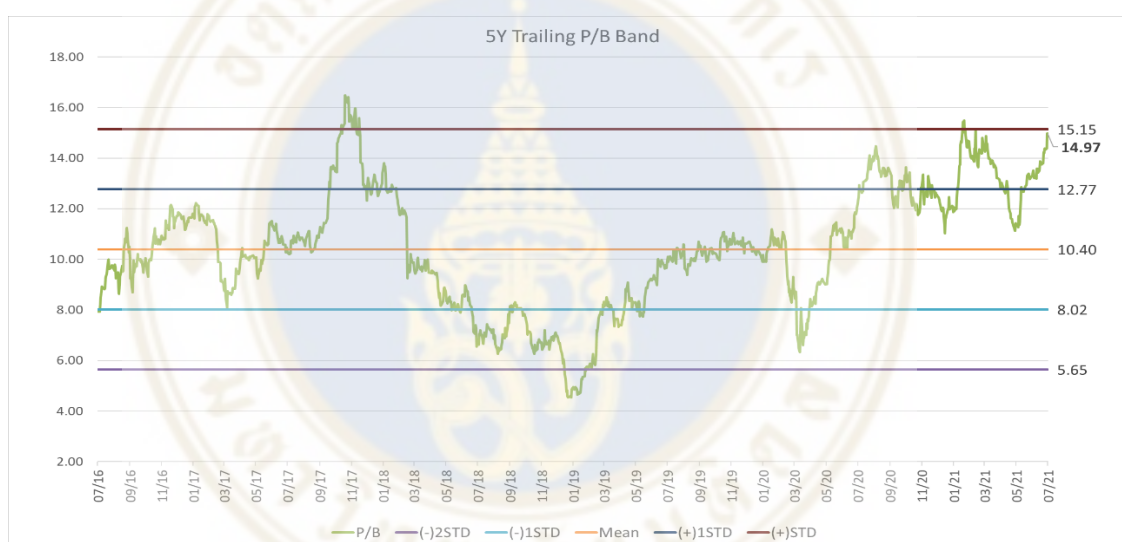


Figure 3.3 5Y Trailing P/BV band

The period between the late-December in 2018 to the end of January in 2019, the P/BV ratios during these times are lower than the -2 standard deviation figure (5.65), due to the low stock prices of CBG. The possible reasons of lower stock prices consist of firstly Thai energy drink market were quite mature, not shown impressive growth, while energy drink is the main source of revenue of CBG, secondly CBG's sales in the UK market and countries outside Asia were dropped in 9M/2018 caused by its ineffective marketing and sales strategy and unpopular brand, thirdly higher in financial expenses in 9M/2018 from its higher short-term interest-bearing debts to support its

business's liquidity and business expansion, lastly the decline in net income to its shareholders in 9M/2018 caused by the loss under ICUK's operation.

According to Figure 3.4, the forward P/BV ratio is 13.78 as of July 7th, 2021. This implies an overvaluation compared to the historical average that is 9.54 and near to the +2 standard deviation figure (14.42). In a detailed view of the forward timeline, the period in between the mid-October to late-November in 2017, the P/BV ratios are higher than the +2 standard deviation figure (14.42). The reason is the rise in stock prices during those times. The possible causes of the increase are CBG and Showa Denko Group signed a contract to co-establish an aluminum can manufacturing in June 2017 and CBG received "A-" credit rating from Tris Rating Company Limited in November 2017.

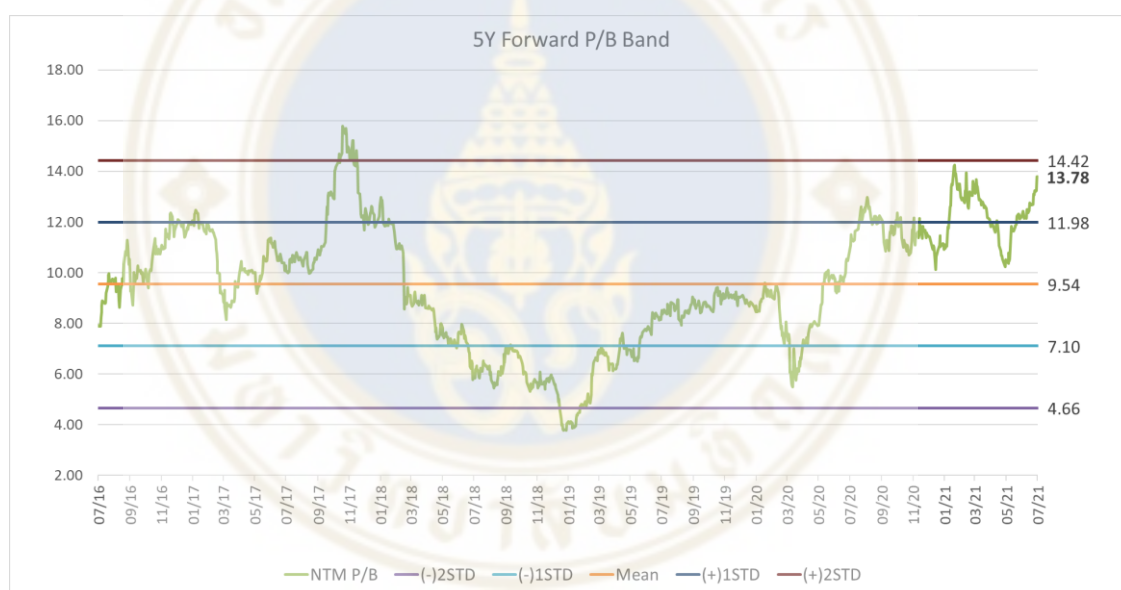


Figure 3.4 5Y Forward P/BV band

The period between the late-December in 2018 to the end of January in 2019, the P/BV ratios are lower than the -2 standard deviation figure (4.66). The reason of the low P/BV ratios are the decline in stock prices during those times. The possible causes of the drop in stock prices are the decline in domestic sales YoY reported in 3Q2018, the continuing loss occurred by ICUK, a subsidiary of CBG, and higher financial risk of CBG from its issued debentures, as a result, higher finance costs. Hence, the forward P/BV ratio in those times are lower than the -2 standard deviation (4.66).

To compare the forward and trailing P/BV ratio bands, the forward P/BV ratio as of July 7th, 2021 is 13.78 lower than the trailing P/BV one which is 14.97. The reason behind this is due to higher book value of equity in 2021 and 2022 by our estimation using Compound Annual Growth Rate from 2015 - 2020 which is 9% to apply in estimating book values of equity per share in 2021 - 2025. Hence, the forward P/BV ratio was lower than the trailing P/BV ratio due to the same price is THB 149.50 for numerator but higher BVPS, higher divisor, as a result, lower P/BV.



3.3 CBG's 5Y Trailing and Forward EV/EBITDA bands

According to Figure 3.5, the trailing EV/EBITDA ratio of CBG is 31.3 as of July 7th, 2021. This implies that CBG's stock price on that day is fairly traded, compared to the historical average 33.26. In a detailed view of the trailing timeline, the period between the late-September 2017 to the early-February 2018, the EV/EBITDA ratios are higher than the +2 standard deviation figure (57.07). The reasons behind the increase are the rise in stock prices during those times and low trailing-twelve-month EBITDAs. The possible causes behind the rise in stock prices are the impressive increase of CBG's sales revenue in 2017 domestically and internationally and in June 2017 CBG began as a sponsorship of the EFL Cup and the striking prospect of growth in export markets. The lower EBITDAs were caused by the increase of raw materials costs, SG&A expenses, and finance costs.



Figure 3.5 5Y Trailing EV/EBITDA band

According to Figure 3.6, the forward EV/EBITDA ratio of CBG is 31.1 as of July 7th, 2021. This implies that CBG's stock on that day is fairly traded, compared to the historical average 28.9. In a detailed view of the forward timeline, in January 2017, the EV/EBITDA ratios are higher than the +2 standard deviation figure (57.07) due to the higher enterprise value caused by higher net debt and a bit high stock price

during those times. The higher net debt in 2017 are from higher short-term and long-term loans to expand and install its canning factory and bottle and can manufacturing facilities and also invest in mutual fund. The rise in stock prices started since November 2016 to the late-February 2017. The possible reasons of the rise in stock prices are being sponsorship of EFL Cup due to striving to expand its brand in international markets outside Asia in November 2016 and the increase of sales revenue reported in 9M2016 comparing to its past performance and the potential to grow in export markets of CBG. Hence, the EV/EBITDA ratios during those times are higher than +2 standard deviation figure (57.07).

The period between the late-October to the mid-November 2017, the EV/EBITDA ratios are higher than the +2 standard deviation figure (57.07). The reason is the rise in stock prices during those times. The possible causes of the rise in stock prices are the impressive growth of total revenue from sales reported on 9M2017 domestically and internationally and the expanding of can and bottle factories in 2017. Hence, the EV/EBITDA ratios during those times are higher than the +2 standard deviation figure (57.07).

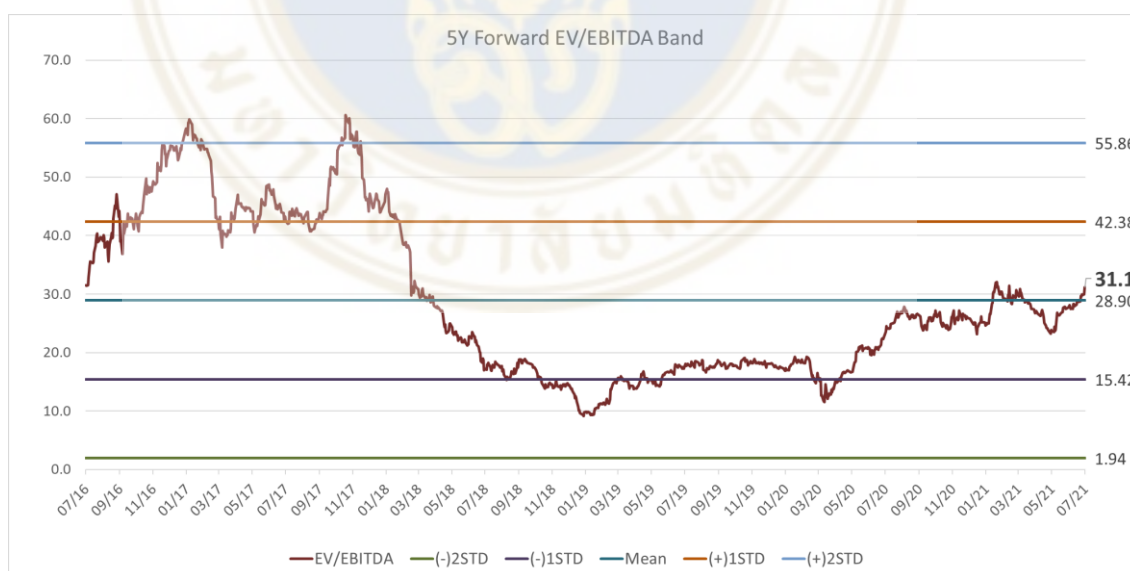


Figure 3.6 5Y Forward EV/EBITDA band

To compare the trailing and forward EV/EBITDA ratios as of July 7th, 2021, both the trailing and forward ones imply that CBG's stock on that day is fairly trade,

compared to its historical averages. However, the trailing and forward one has a little difference, which is caused by the lower estimated EBITDAs in 2021 and 2022 from the estimated higher cost of sales mainly from raw material and packaging material such as sugar and aluminum and also the estimated higher SG&A costs according to human resources development plan.

According to the trailing and forward P/E, EV/EBITDA multiples bands, shows that CBG stock price as of July 7th, 2021 amounted to THB 149.5 is fairly traded while the trailing and forward P/BV multiple bands shows that CBG's stock price on that day implies an overvaluation. CBG's business is manufacturing, distributing, marketing, and selling. Because, most of their products are manufactured by themselves, hence they have high fixed assets and non-cash expenses such as depreciation expense. Hence, the appropriate metric for CBG is EV/EBITDA ratio. Furthermore, investors interest to invest in stocks by expecting the future gains and the history may not repeat the same in the future. Therefore, I choose the Forward EV/EBITDA ratio to evaluate the CBG's stock price as of June 7th, 2021. In conclusion, the CBG's stock price equals to THB 149.50 on June 7th, 2021, is fairly traded based on the forward EV/EBITDA multiple comparing with its own 5-Y historical average.

3.4 CBG's Peer Group Comparison

Selected peers of CBG consist of Osotspa PCL, Sappe PCL, Monster Beverage Corporation, PepsiCo, Inc., and The Coca-Cola Company. All of them are beverage companies selling its products worldwide. According to Figure 3.7, the highest peer median is from the trailing-twelve-month P/E ratios equals to 27.58. The lowest peer median is 7.62 from the next-twelve-month P/BV ratios.

Identifier	Company Name	SE market	Country	Market Capital	Closing Price	TTM P/E	NTM P/E	TTM P/BV	NTM P/BV	TTM EV/EBITDA	NTM EV/EBITDA
					07/07/21	Jul-21	Jul-21	Jul-21	Jul-21	Jul-21	
CBG.BK	Carabao Group PCL	SET	Thailand	฿ 149,560,000,000	฿ 149.56	46.65	48.21	14.97	13.78	32.82	33.48
OSP.BK	Osotspa PCL	SET	Thailand	฿ 114,893,437,500	฿ 38.25	31.86	29.14	5.95	5.83	20.89	18.92
SAPPE.BK	Sappe PCL	SET	Thailand	฿ 7,958,340,000	฿ 26.00	19.75	17.12	2.74	2.58	12.55	11.67
MNST	Monster Beverage Corporation	NasdaqGS	U.S	฿ 1,552,141,895,506	฿ 2,937.22	34.34	31.98	8.62	7.62	25.20	22.65
PEP	PepsiCo, Inc.	NasdaqGS	U.S.	฿ 6,691,668,323,815	฿ 4,843.31	26.79	23.71	13.06	11.00	17.35	15.92
KO	The Coca-Cola Company	NYSE	U.S	฿ 7,571,766,595,680	฿ 1,756.38	27.58	24.16	10.86	10.54	22.30	20.30
				Peer Median		27.58	24.16	8.62	7.62	20.89	18.92

Figure 3.7 Peer Group Multiples

All CBG's multiples show that CBG's stock are overvalued by investors more than its peers (Figure 3.7). However, ROCE of CBG in 2019 and 2020 during COVID-19 had been improved while its peers' ROCE had been declined and in 2020 outperformed its peers (Figure 3.8). In addition, CBG's sales in 2020 has increased with the highest growth (15.39%) comparing with its peers (Figure 3.8). Hence, CBG's profitability capability and growth during COVID-19 outperformed its peers. The possible reasons of CBG's being valued more than its peers are the better profitability capability and the potential growth shown during the COVID-19 crisis.

ROCE	2016	2017	2018	2019	2020	Sales Growth	2017	2018	2019	2020
CBG	22.63%	11.91%	12.42%	28.77%	37.91%	CBG	29.49%	12.08%	3.25%	15.39%
change		-10.72%	0.51%	16.35%	9.14%					
OSP	69.88%	91.51%	20.17%	20.97%	19.20%	OSP	-20.06%	-2.92%	5.41%	-0.11%
change		21.63%	-71.34%	0.80%	-1.77%					
SAPPE	24.52%	22.24%	17.91%	18.08%	16.30%	SAPPE	-0.93%	5.19%	16.72%	-0.95%
change		-2.28%	-4.33%	0.17%	-1.78%					
MNST	29.47%	28.34%	32.70%	31.25%	29.95%	MNST	10.48%	13.00%	10.34%	9.47%
change		-1.13%	4.36%	-1.45%	-1.30%					
PEPSI	18.73%	17.33%	18.21%	17.72%	14.49%	PEPSI	1.16%	1.79%	3.87%	4.78%
change		-1.40%	0.88%	-0.49%	-3.23%					
KO	14.25%	12.52%	16.95%	16.98%	12.38%	KO	-15.41%	-3.13%	8.65%	-11.41%
change		-1.73%	4.43%	0.03%	-4.60%					

Figure 3.8 ROCEs and Sales Growths of CBG and its peers

To calculate the target prices of CBG in the year-end 2021 and 2022, we decide to use the peer median of the next-twelve-month or forward EV/EBITDA multiple. Using the forward one instead of the trailing one due to investors invest in any stocks expecting future gains and the history may not repeat the same in the future. Hence, we select the forward one which is embedded the future prospect of business profitability and growth. We select the EV/EBITDA multiple over P/E and P/BV multiples. Because, the EV/EBITDA focus more on the company's ability to generate future cash flows without relating to the capital structure of the company or what investors are going to get when the company's assets are liquidated. The target prices of the year-end 2021 and 2022 by using the peer median of NTM EV/EBITDA, are THB 85.62 and THB 92.37, respectively (Figure 4.9). In conclusion, the stock price as of July 7th, 2021 equals to THB 149.50, which is more expensive comparing with its peer group's multiples. However, CBG's stock is valued by investors more than its peers

because of its better profitability performance and impressive sales growth shown during the COVID-19 crisis.

Key Variables	2020A	2021F	2022F
EPS	3.53	3.20	3.45
BVPS	9.56	10.39	11.29
EBITDA	5,002,000,000	4,684,000,000	5,041,000,000
Net Debt	4,488,000,000	3,000,000,000	3,000,000,000
No. of shares	1,000,000,000	1,000,000,000	1,000,000,000
Relative Valuation (Target Price)	2021F	2022F	
TTM P/E	88.27	95.16	
NTM P/E	77.32	83.36	
TTM P/BV	89.59	97.34	
FWD P/BV	79.14	85.98	
TTM EV/EBITDA	94.85	102.31	
NTM EV/EBITDA	85.62	92.37	
Median	85.80	92.75	
Stock Price as of 07/07/2021	149.5		

Figure 3.9 The Estimated Target Prices by Peer Medians and Estimated Data

3.5 CBG's Sensitivity Analysis

For Sensitivity Analysis, I use EBITDA as the independent variable and target price as the dependent variable. I assume that net debt and number of outstanding shares are constant. According to Figure 3.10, if EBITDAs in 2021 and 2022 are increased by 10% from their bases, then CBG's target prices at the end of 2021 and 2022 are THB 94.48 and THB 101.91, respectively. If EBITDAs in 2021 and 2022 are increased by 20% from their bases, then CBG's target prices at the end of 2021 and 2022 are THB 113.97 and THB 122.89, respectively. However, if EBITDAs are lower than the estimated bases by 10% both in 2021 and 2022, then the target prices are THB 76.75 and THB 82.83, respectively. If EBITDAs in 2021 and 2022 are lower than the estimated bases by 20%, then the target prices are THB 67.89 and THB 73.30, respectively. This sensitivity analysis shows how EBITDA's changing affects the CBG's target stock prices.

Variable Factor	2021E	2022E
(+20%)	฿ 6,182,880,000	฿ 6,654,120,000
Target Price	113.97	122.89
(+10%)	฿ 5,152,400,000	฿ 5,545,100,000
Target Price	94.48	101.91
EBITDA (base)	฿ 4,684,000,000	฿ 5,041,000,000
Target Price	85.62	92.37
(-10%)	฿ 4,215,600,000	฿ 4,536,900,000
Target Price	76.75	82.83
(-20%)	฿ 3,747,200,000	฿ 4,032,800,000
Target Price	67.89	73.30

Figure 3.10 CBG's target prices sensitivity

CHAPTER IV

CBG'S INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES

The Risk Assessment Matrix is used to estimate the possible negative impacts and potential business risks as follow:

Risk Assessment Matrix

		SCALE OF SEVERITY		
		ACCEPTABLE	TOLERABLE	GENERALLY UNACCEPTABLE
SCALE OF LIKELIHOOD	NOT LIKELY		Market Risks	
	POSSIBLE	Brand awareness being inconsistent with global brand image	Foreign Exchange Currency Volatility	
	PROBABLE		The competition in The business of energy and other beverages	The fluctuation in raw material prices and shortage of raw materials

Figure 4.1 Risk Matrix

Operational Risk

The fluctuation in raw material prices and shortage of raw materials for each raw material, prices and shortages depend on different factors.

Sugar price varies according to the market's demand and supply and government's policy. Those issues may cause problems for business. The other factor that affects sugar price is Brazilian real (BRL) currency. since Brazil is the biggest sugar market in the world so if this currency changes that will affect the sugar price directly.

Glass cullet is a main component of amber-glass bottles of APG or the subsidiary company which manufactures and procures glass bottles. APG uses short-term contracts with suppliers for around a year. This way is normal for purchasing a glass cullet. By the way, APG cannot promise that suppliers can have sufficient glass cullet that APG can afford to buy. So APG can change other materials that can produce amber-glass bottles but this choice may increase the funding of APG. In the long term APG may have problems with financial inside.

Aluminum Coil is the main raw material used in the manufacture of ACM aluminum cans. To provide aluminum coils under a certain price and quantity, ACM has negotiated a short-term contract with a large company which has a processing plant with international standards. The aluminum coil price was fluctuating by market demand and supply. Therefore, the ACM may face the challenge from higher production costs of aluminum which have a negative impact on the company' operational and financial performances.

Financial Risks

Foreign Exchange Currency Volatility

The currency exchange rate is the factor that can affect Carabao groups who have exposure to foreign currency due to subsidiaries conducting business in both domestic and international. For the ending of 2020, the company's oversea sales were 8,090 million baht which is US Dollar as a majority currency. However, the selling price was based on their own currency. So, CBG may use the derivative to stabilize the currency to limit the loss.

Strategic Risk

Brand awareness being inconsistent with global brand image

Carabao dang may cause confusion among customers due to the brand name, which originated from a country-band musician group. This may have an impact on global branding's image. On the other hand, CBG should make its brand obvious that this is a world-class brand of energy drink. Therefore, CBG is sponsoring the Carabao Cup football event in England to enhance the global image.

The competition in the business of energy and other beverages

Energy drinks are products in a market which is highly competitive. Nowadays, the new competitors have the opportunity to enter the beverage industry. Therefore, the other existing competitors continue to compete for market share. In Thailand, 150-milliliter bottled energy drinks are usually sold for THB 10. CBG held actions and marketed products in maintaining or expanding the market share. The key objective is to increase the company's profitability.

Launching new products to the market

CBG's key strategy is to provide new products to the market. However, it will require a huge funding to provide it, including development, advertising, manufacturing, and marketing. If a product is launched and fails, it will have a negative impact on the business. To avoid as much failure as possible, however. Companies must set goals, strategies, and other factors in an attempt to reach their goal.

Market Risks

Outbreak Risk of Coronavirus Disease 2019 (COVID-19)

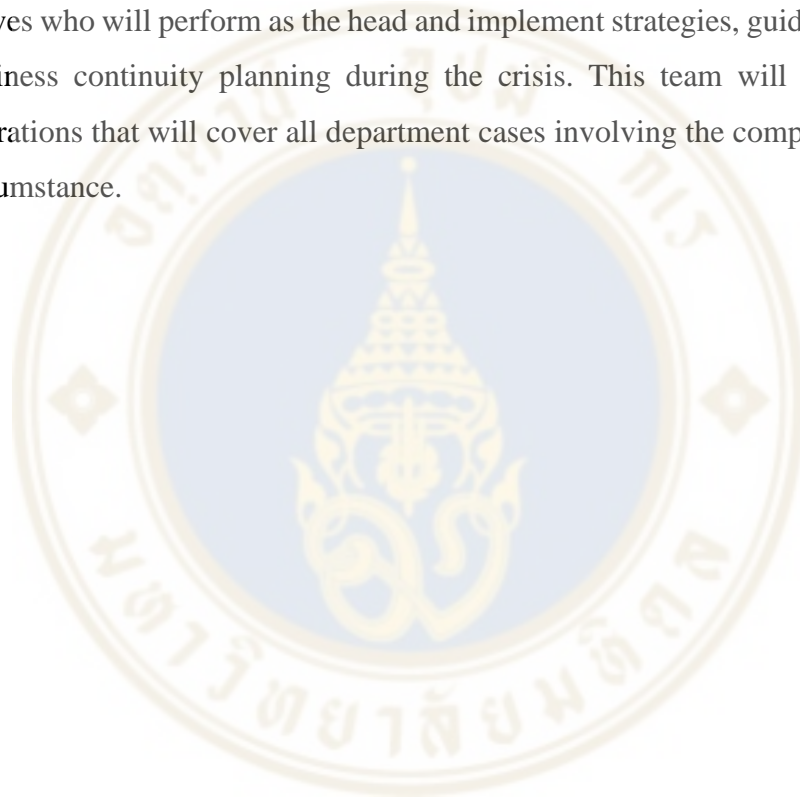
At the end of 2019, the COVID-19 outbreak will have a direct impact on the global economy, including Thailand in January 2020. The pandemic has an impact on the company's costs and employees' health. However, the situation appears to be improving due to many countries' vaccination plans are progressing.

COVID-19 had an impact on the Company for the fiscal year ended December 31, 2020, as a result of government policy restricting people's ability to travel between provinces and restricting the sale of alcoholic beverages in the country.

Therefore, in April 2020 the international land shipping terminals were closed to put in place measures to prevent COVID-19 infection.

Despite the government's policies, the company continues to follow strict procedures such as social distancing, maintaining cleanliness, and so on, as part of a company strategy that focuses on sustainable growth. On the other hand, the company understands the importance of planning ahead in order to have the facility open and running as soon as possible.

The company maintains a crisis management team, which includes senior executives who will perform as the head and implement strategies, guidelines, and plans for business continuity planning during the crisis. This team will be in charge of considerations that will cover all department cases involving the company's reaction to the circumstance.



CHAPTER V

CONCLUSION

Carabao Group PCL (CBG) manufactures, markets, sells, and distributes its beverages products mainly energy drink under Carabao and Carabao Dang in Thailand, CLMV countries, China, UK, Yemen, Afghanistan, USA, Mexico and other countries in Asia, Europe, Africa, South America, and Oceania. Currently, CBG try to penetrate into the functional drink market with its ‘Woody C+ Lock’ vitamin-c shot product, with the second market share in Thailand functional drink market.

CBG’s stock price as of July 7th, 2021 is THB 149.50. The relative valuation by using trailing and forward multiples (P/E, P/BV, and EV/EBITDA) to evaluate the CBG’s stock price with two methods: comparing the current multiples with its own historical average multiples and comparing CBG’s multiples with its peers’ multiples. CBG’s Peer group consists of OSP, SAPPE, MNST, PEPSI, and KO. By comparing with its own historical average multiples, the trailing and forward P/E, EV/EBITDA multiples bands show that CBG’s stock price as of July 7th, 2021 (THB 149.50) is fairly traded. While the trailing and forward P/BV multiple implies an overvaluation of CBG’s stock price on that day. By comparing with its peers’ multiples, CBG’s multiples are over or exceed its peers’ multiples’ ranges. Hence, CBG’s stock is overvalued by investors than its peers. However, ROCE of CBG in 2020 is better than its peers and also with the highest sales growth in the same year comparing with its peers. Hence, CBG’s stock is valued more by investors comparing with its peers, due to the better profitability capability and its impressive sales growth during the COIVD-19 crisis.

The CBG’s target stock prices at the end of 2021 and 2022 are THB 85.62 and THB 92.37, respectively by using the forward EV/EBITDA peer median multiplying with the estimated EBITDA in 2021 and 2022. Using the forward EV/EBITDA multiple over other multiples due to rather focusing more on the ability of the firm to generate future cash flows over the capital structure and the tax regime.

However, the relative valuation evaluates the target company stock price based on the concept that the peers are similar in financial and operational performance

and have the similar potential growths. Hence, this relative valuation of CBG's stock price have flaws which they cannot find perfect peers to get the close-to-accurate target price. It's better to use this relative valuation's results together with the Discounted Free Cash Flow's results to get better and more accurate and useful insight. In conclusion, CBG's stock price (THB149.50) as of July 7th, 2021 is fairly traded based on its forward EV/EBITDA multiple comparing with its own historical 5Y average and more expensive than its peers due to valuing more by investors from its better profitability and growth in 2020 comparing with its peers.



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