

Carabao Group (CBG TB) – Deep-Dive Investment Research Report

Company Overview and Business Model

Carabao Group Public Co. Ltd. (CBG) is a Thailand-based beverage company best known for its flagship *Carabao Dang* energy drink. Founded in 2002 by Thai rock musician **Yuenyong Opakul** (alias “Aed Carabao”) and entrepreneur **Sathien Setthasit**, the company has grown into the country’s second-largest energy drink producer with roughly a **20–25% domestic market share** ¹. Carabao operates a **vertically integrated** business model, owning key subsidiaries across the value chain: **CBD**, which manufactures the energy drinks; **APG**, which produces glass bottles and packaging; and **DCM**, which manages distribution ¹. This integration allows Carabao to control product quality and cost structure from production to delivery. The group’s main product is the *Carabao* energy drink (sold in iconic small amber glass bottles domestically and in cans for some markets), but its portfolio also includes bottled water, ready-to-drink coffee, and a sports electrolyte drink (*Carabao Sport*) ². In 2020 Carabao introduced “Woody C+” (a vitamin C functional drink) as part of a strategy to diversify into functional beverages ³.

A notable aspect of Carabao’s model is its **extensive distribution network**. The company has invested in its own fleet of distribution vans and sales teams to reach retailers nationwide ⁴. This proved advantageous in penetrating **rural traditional trade** channels – crucial in Thailand where small shops in provincial areas drive a large share of energy drink sales. Carabao’s distribution capabilities were initially honed via modern-trade channels (e.g. convenience stores), but the company has since leveraged its in-house network to expand into rural markets with fewer middlemen ⁵. This direct distribution approach improves market coverage and allows Carabao to run localized promotions efficiently. The company’s vertically integrated structure (from bottle-making to logistics) has also provided cost advantages and supply security – for example, producing its own glass bottles insulates Carabao from packaging shortages or price swings, and internal distribution saves on third-party distributor margins ¹.

In recent years, Carabao has **expanded beyond energy drinks** into new segments. Through an affiliated entity (Tawandang 1999 Co., privately held by Carabao’s major shareholders), the group in 2022 began distributing **third-party alcoholic beverages** – mainly spirits – via its network ⁶. These include products like *Khao Hom* (a premium Thai vodka), *Tae Yang* soju, and *Galaxy* brandy ⁷. While Carabao only earns a distribution fee (with gross margins of ~8–10% on these third-party products) ⁸, this move utilizes Carabao’s salesforce to generate additional revenue streams. Building on this, in late 2023 the group undertook a bold initiative into the **beer market**. A new line of beers was launched under both the **Carabao** and **Tawandang** brands, with **five beer varieties** (lager, dunkel, weizen, rosée, and IPA) introduced simultaneously ⁹ ¹⁰. The beers are produced by Tawandang 1999’s brewery (capacity ~200 million liters/year initially) and distributed by Carabao, leveraging the energy drink’s brand name especially for export markets ¹¹ ¹². This marks a strategic expansion from Carabao’s “*energy drink comfort zone*” into the highly competitive alcoholic beverage arena ¹³. In summary, Carabao today is evolving into a **multi-category beverage company**, anchored by its core energy drink business but seeking growth in new product segments and geographies. The company’s business model – **high-volume FMCG manufacturing**,

aggressive marketing, and owned distribution – is aimed at driving both domestic market penetration and international expansion.

Competitive Advantages and Market Position

Carabao's rise in Thailand's crowded energy drink sector is underpinned by several competitive advantages:

- **Value Pricing and Consumer Appeal:** Carabao has consistently positioned its energy drink at an affordable price point. Notably, while rival brands raised retail prices in 2022–2023, Carabao held its flagship product at **THB 10 per bottle** – undercutting competitors and attracting cost-conscious consumers ¹⁴ ¹⁵. This price restraint, combined with effective promotions, allowed Carabao to **gain market share** even in a mature market. By early 2024, Carabao's domestic energy drink share had climbed to ~25–26%, up from ~20% in 2023 ¹⁴. Management aims to further expand share to ~29% by end-2025 by maintaining the THB 10 price and selectively using promotions ¹⁶. The brand's image — built around the “fighting spirit” ethos of co-founder Aed Carabao's famous rock anthems — also resonates with its core customer base of laborers and rural folk, creating **strong brand loyalty** in this segment.
- **Integrated Distribution Network:** Unlike some rivals that rely on third-party distributors, Carabao benefits from a **self-owned distribution infrastructure**. The company operates **direct sales teams and delivery fleets** that reach both modern retail chains and small mom-and-pop stores across Thailand ⁴. This extensive network ensures product availability even in remote areas and gives Carabao flexibility in rolling out promotions or new products nationwide quickly. It also means Carabao can engage directly with store owners and consumers (e.g. through village roadshows), strengthening its rural presence without the need for expensive middlemen or trade margins. This distribution strength was a key factor in Carabao's rapid share gains in provincial markets once it turned its focus there in recent years ⁵. The network is now an asset not only for its own drinks but also as a platform to distribute third-party products (as seen with spirits and beer). In fact, Carabao's **“last-mile” reach** has been attractive enough that the company formed partnerships to piggyback new product launches (for example, distributing management's Tawandang spirits through Carabao's channels) ¹⁷.
- **Brand-Building and Marketing Clout:** Carabao has shown an outsized ambition in marketing for a firm of its size, which sets it apart from local competitors. Most notably, since 2017 Carabao has been the **title sponsor of England's EFL Cup** (renamed the **Carabao Cup**), an unprecedented move for a Thai brand ¹⁸. The company has continually extended this sponsorship – now committing roughly **£18 million** to keep its name on the Cup through 2026–27 ¹⁹. This campaign gives Carabao *global* visibility: its logo appears in stadiums and broadcasts worldwide, associating the brand with top-tier football. Management cites this as a strategic gateway to international markets, leveraging football's universal appeal to distinguish Carabao from global rivals ²⁰. Indeed, surveys indicate that English football fans became **1.6× more likely** to purchase Carabao after seeing the sponsorship ²¹. Domestically, Carabao also invests in music and celebrity marketing (Aed Carabao remains a prominent brand ambassador). While such sponsorships are costly (and somewhat controversial – see Risk section), they have undeniably **raised Carabao's profile** beyond Thailand, giving it a marketing edge over purely local competitors like Osotspa's M-150 or TC Pharma's Thai Red Bull who have been less visible globally.

- **Vertical Integration and Cost Efficiency:** The group's control over manufacturing and packaging confers cost and supply advantages. Carabao's subsidiary APG produces bottles (and more recently cans), which lowers packaging costs and ensures stable supply even when industry-wide bottle shortages occur ¹. In late 2023, Carabao further added new canning and bottling lines to support its beer operations ²², aiming to use any excess capacity for third-party packaging services in the future. Owning production of key inputs (bottles, cans) and having in-house logistics can improve margins or at least protect against external cost shocks. For example, the company can hedge against rising packaging costs by manufacturing in-house, and it benefits from bulk procurement of raw materials like sugar and caffeine. These efficiencies have been important given energy drinks are a relatively low-priced, high-volume product – a cost advantage helps preserve margins when retail pricing is constrained by intense competition.
- **Successful Overseas Niches:** While Red Bull and Monster dominate in Western markets, Carabao has carved out strong positions in certain **frontier markets**. Its energy drink is popular in neighboring Southeast Asian countries (Cambodia and Myanmar have been its largest export markets) where Carabao leverages cultural proximity and lower price points. In Cambodia, for instance, Carabao became a leading imported brand, benefiting from Thai-Cambodia trade ties and taste alignment. The company's willingness to invest in local marketing (such as Cambodian sports events sponsorships and local partnerships) gave it a foothold where global giants had less focus. Similarly, Carabao has tapped markets like **Vietnam, Laos, the Middle East, and South Asia (e.g. Pakistan)** by emphasizing affordability and an Asian brand story. Its sponsorship of the Carabao Cup also gives credibility when entering new international distributors' shelves. Although overseas sales have faced challenges recently (see next section), Carabao's early-mover push into emerging markets provides a platform for future growth that many domestic peers lack.

Market Position: In Thailand's energy drink market (worth around **฿27 billion** annually), Carabao is firmly the #2 player. The sector has traditionally been dominated by **Osotspa PCL** – maker of M-150 and other brands – which held about **50-55% market share** as of 2021/22 ²³. Carabao's share was roughly 20% at that time ²³, with the remainder largely taken by Red Bull's local variant (under license to T.C. Pharmaceutical) at ~10% and minor brands. However, Carabao has been **closing the gap**. By late 2023 and into 2024, Carabao's share topped 25%, while Osotspa's fell into the mid-40s% ¹⁴. This share gain reflects Carabao's aggressive pricing (Osotspa and Red Bull both raised prices to THB 12/bottle in recent years, ceding some volume to Carabao) ¹⁴. Carabao now outsells the Thai Red Bull domestically (Red Bull in Thailand has a niche premium position at ~10% share) ²³, a notable achievement given Red Bull's global prominence. In essence, Thailand's market has become a **two-horse race**: Osotspa remains the incumbent leader in volume, but Carabao is a strong challenger with momentum, while other brands are far behind. Internationally, Carabao is still a **small player** relative to giants like Red Bull GmbH and Monster Beverage. Yet, within certain ASEAN markets it enjoys leading positions (for example, Carabao reportedly overtook Red Bull in Cambodia and Laos by offering a similar taste at lower price ¹⁴). The brand's global recognition is rising thanks to its sports sponsorships and forays into Western markets (Carabao energy drinks are sold in the UK, China, and beyond, albeit at modest volumes so far). Overall, Carabao's competitive edge lies in being **fast and disruptive** in a market long dominated by incumbents – by offering better value, harnessing a strong local brand identity, and deploying its own distribution muscle, it has transitioned from an upstart in 2002 to an industry heavyweight with ambitions far beyond Thailand.

Historical Financial Performance and Key Drivers

Revenue and Growth Trends: Carabao experienced robust growth in its early years post-IPO (it listed on the SET in 2014), culminating in a **peak earnings year in 2020**. That year, fueled by strong export growth and a successful domestic push, Carabao's net profit reached an all-time high (management and analysts cite 2020 as the earnings "peak")²⁴. However, the period from 2021 through 2023 proved challenging, as a mix of external and internal headwinds caused a earnings downturn before a recent recovery:

- In **2021–2022**, profits fell from the 2020 peak due to a combination of **softening demand and margin pressures**. Carabao's overseas sales, which had been a major growth engine, declined sharply after 2020. Key export markets faced turmoil: *Cambodia* suffered severe flooding and economic strain, while *Myanmar* went through political upheaval (the 2021 coup) and imposed import curbs that hindered Carabao's product shipments²⁵. These factors saw Carabao's energy drink export volume drop, bottoming out in 2023 at roughly **27% below** the 2020 level²⁵. At the same time, domestic energy drink consumption was sluggish during the pandemic years, and Carabao's domestic sales growth stalled in 2021–22. Another major drag was **cost inflation**: global commodity spikes (especially 2022's surge in sugar, aluminum, and energy costs) compressed margins for beverage producers. Carabao's gross margin, which had been above 40% in 2019–20, fell into the high-20s% by 2022²⁶. The company was also ramping up costly marketing (e.g. the ongoing Carabao Cup sponsorship) and integrating its new distribution business, which carries lower margins. All told, net profit dropped to ~฿2.3 billion in 2022 and further to **฿1.92 billion in 2023**²⁷ – roughly half the profit of 2020. In 2023, earnings were down ~16% YoY and ROE dipped to ~17%²⁸, reflecting this difficult period.
- **2023** marked the trough and the start of a turnaround. Despite the profit decline for the full year, Carabao's results improved progressively through 2H23 into 2024. A few positive inflections occurred: **domestic revenue rebounded strongly** as the Thai economy reopened post-Covid and Carabao's market share surged (thanks to its price advantage)¹⁴. Domestic energy drink sales grew double-digits in late 2022 and 2023, offsetting some export weakness²⁹. At the same time, Carabao's new **distribution segment** added significant top-line growth (third-party distribution revenue jumped +50% in 2022 to ฿5.35 billion, about 28% of sales)⁸, though this had mixed effects on profit (discussed below). By 2H23, input cost pressures also began to ease – global sugar and aluminum prices retreated from their peaks, improving gross margins modestly³⁰. As a result, quarterly earnings started to recover. In **1H 2024**, Carabao's turnaround became evident: group net profit rose ~+18% YoY, and by Q2 2024 net income was growing +16% YoY³¹. The momentum carried into 2024 full-year forecasts – analysts expected a **~52% surge in net profit in 2024** (to ~฿2.93 billion) as volumes recover and margins normalize²⁷. This would put earnings back in line with the previous peak trajectory. Indeed, by 2025 Carabao's net profit is projected to reach ~฿3.2–3.6 billion³²²⁷, effectively **returning to the 2020 high** after several lean years. Management itself has voiced optimism that 2025 earnings will roughly match the prior peak³³.

Financial Drivers – Domestic vs Overseas: The company's revenue is split between **Branded products** (its own energy drinks and other beverages) and **3rd-party distribution**. Within branded sales, **domestic vs. international** performance has diverged in recent years:

- **Domestic Branded Sales:** Thailand accounts for about 70–75% of Carabao's branded revenue³⁴. After a flat period, domestic sales have accelerated since 2022. The primary driver is **volume growth**

from market share gains. While the overall Thai energy drink market is mature (low single-digit growth), Carabao's strategic pricing and marketing helped it capture share from rivals, leading to **~+13% domestic energy drink sales growth in 2024** ⁴. This follows high-teens growth in late 2023 ²⁹. As of Q2 2025, domestic branded revenue was still rising (~+18.6% YoY) despite the high base ²⁹. Key contributing factors include Carabao's expanded distribution in rural areas and new product launches (for example, the *Woody C+* vitamin drink added a small boost). Also, consumer demand recovered as pandemic effects subsided, and Carabao's decision not to hike prices made its drinks more affordable amid inflation, fueling volume gains. Domestic sales in 2023 were ฿15.3 billion and are expected to continue growing (to >฿16.5 billion in 2024) ³⁵. Carabao's management targets maintaining the energy drink's price at THB 10 through 2025 to keep this volume momentum ¹⁵. One offsetting factor has been the **sugar tax** – Thailand's excise tax on sweetened drinks increased in 2025 (details in Industry section), which could have forced Carabao to raise prices. However, the company proactively reformulated its drinks to reduce sugar content and largely avoid the higher tax bracket, aiming to fully implement new formulas by mid-2025 ³⁶ ³⁷. This agility helped prevent a margin hit or price increase that might have dampened domestic demand.

- **International Branded Sales:** Overseas markets were a growth pillar pre-2020, but have fluctuated since. Carabao's exports are concentrated in Southeast Asia (Cambodia, Myanmar, Laos, Vietnam) with some presence in China and the UK. In 2020, exports comprised nearly *30% of total sales*, but this dropped to ~23% in 2023 as volumes fell ³⁵. **Cambodia** has been Carabao's single largest export destination, and its economic struggles had an outsized impact. In 2022, demand in Cambodia was weak due to flooding and a Covid hangover, causing distributors to reduce orders ²⁵. **Myanmar**, formerly another top market, saw **import restrictions** starting in 2021 (the military government, amid currency shortages, limited certain imports including energy drinks). Carabao's Myanmar sales sharply declined as a result ²⁵. By mid-2023, Carabao's export revenue had bottomed – 1H23 overseas sales were down ~8% YoY ³⁸. However, in late 2023 and into 2024, there was a moderate recovery: exports rose about +6% YoY in 1H24 ³⁹. Much of this came from **Cambodia's rebound** (as that country's economy improved and Carabao found ways to ship product despite some border issues) ²⁵. For 2024, Carabao expected ~+8% YoY export growth ³⁹, though that would still leave export volumes ~8% below the 2020 peak by 2026 ⁴⁰. Notably, in mid-2025 an **armed border conflict** between Thailand and Cambodia temporarily shut land crossings, disrupting Carabao's deliveries and forcing a switch to slower sea freight ⁴¹ ⁴². This incident highlights the volatility in Carabao's frontier markets. In response, the company is localizing production: **new factories in Myanmar and Cambodia** are underway (the Myanmar plant expected online by Q3 2025, and a Cambodia plant by early 2026) to circumvent such trade disruptions and import limits ⁴³. Outside ASEAN, Carabao's foray into **China** also illustrates the ups and downs of overseas ventures. The company entered China in 2017 via a JV distribution model, but sales never blossomed. In 2022, China contributed only **฿467 million (2.4% of sales)** ⁴⁴. In 2023 Carabao pivoted its China strategy from exporting finished cans to selling concentrate to its Chinese partners – a shift that caused a **79% plunge in reported China revenue (to ~฿100 million)** in 2023 ⁴⁵ ⁴⁶. While margins on concentrates are higher, the absolute profit from China fell and management has effectively removed China as a key growth driver near-term ⁴⁷. Going forward, Carabao is focusing its overseas efforts on the **CLMV markets** (Cambodia, Laos, Myanmar, Vietnam) and some emerging economies in Asia/Africa, rather than counting on China or Western markets for big volumes. Analysts project modest mid-single-digit growth in export revenue over 2024–26 ³⁹, implying overseas will roughly maintain its ~25% share of sales. Accelerating that may depend on political

stabilization in Myanmar (e.g. easing of import curbs) and the success of local bottling operations to drive down costs in those markets ⁴⁰ .

Margin and Profitability Drivers: Carabao's profitability has been shaped by two opposing forces: the **high-margin core energy drink business** and the **low-margin distribution segment**. Historically, Carabao's energy drinks enjoyed robust margins – gross profit margins around 40% or more – thanks to premium pricing (vs cost) and efficient production. However, from 2021–2023 margins compressed significantly:

- **Cost Inflation:** The commodity price spikes in 2022 hit Carabao's input costs hard. Sugar, the primary sweetener in energy drinks, saw price increases and the Thai government's incremental sugar tax added further cost (if not reformulated). Aluminum (for cans) also rose to multi-year highs. Even though Carabao uses a lot of glass bottles (manufactured in-house) for domestic sales, its canned exports and new can production were exposed to aluminum prices. By Q2 2025, Carabao's gross margin stood at **~27%**, down from ~41% in 2020 ³⁰ . Some relief came by late 2023 as global sugar prices moderated and the company undertook **internal cost-saving measures** ³⁰ . For example, Carabao optimized its bottle production lines and improved energy efficiency at factories to cut overhead. These efforts, combined with lower commodity prices, have begun to lift margins off the lows. Analysts expect EBIT margin to recover from a trough of **11.8% in 2023 to ~17–18% by 2026** ³⁰ (still below the 24.5% EBIT margin achieved in 2020's peak ⁴⁸ , but a substantial improvement). Each 1%pt of gross margin is significant – it impacts earnings by ~4.2% according to sensitivity analysis ⁴⁹ – so the decline and rebound of margins has been the key swing factor in Carabao's profit trajectory.
- **Product Mix – Distribution vs Core:** Starting 2020, Carabao introduced a new revenue stream by distributing third-party products (mostly alcoholic beverages made by an affiliated firm). This **distribution segment** grew to contribute nearly 1/3 of total sales by 2022 ⁸ . While it added ~฿5–6 billion to revenue, the gross profit margin on these distribution fees is only ~9% ⁸ – far below the margin on Carabao's own energy drinks. Consequently, as the mix shifted, **overall gross margin was diluted**. In 2020, third-party distribution was just 14% of revenue; by 2023 it was ~34% and could reach ~37% by 2026 if plans hold ⁵⁰ . This is structurally pulling down Carabao's blended margins ⁵⁰ . For instance, Carabao's consolidated gross margin in Q2 2025 (27%) was weighed down by the distribution business whose margin was only ~7.9% that quarter ⁵¹ . The core "branded own product" margin remained much higher (~40% range) ⁵² . Thus, an important driver of Carabao's *net* profitability going forward is managing this mix. The company is attempting to improve distribution profitability (e.g. by negotiating better terms on the spirits it distributes, and by adding its own higher-margin products like canned beers into the distribution portfolio). But realistically, if the beer venture scales up, it too may carry relatively lower margins initially (beer is a competitive, regulated market with high excise taxes). In short, **margin expansion will rely on volume growth and cost efficiencies outpacing the drag from the low-margin segment**. So far, there have been positive signs: Carabao managed to cut its SG&A expenses ratio to ~10% of sales (historically ~11%) by trimming marketing costs (e.g. *football sponsorship expenses were reduced* in 2024) ⁵³ and by leveraging scale. Interest expense is also now negligible (only ฿17 million in Q2 2025, the lowest in 8 years) thanks to debt repayments ⁵⁴ . These improvements helped net profit margins recover to ~13–14% in the first half of 2025 from around 10% in 2022. The net margin could rise further if energy drink volumes grow (spreading fixed costs) and input prices remain benign. Still, it's unlikely to revisit the peak levels unless the product mix swings back toward core products.

To summarize, Carabao's financial story has been one of **early rapid growth, a pandemic-era stumble, and a current recovery fueled by domestic strength and cost improvements**. In 2023, Carabao recorded revenue of **฿18.85 billion** and net profit of **฿1.92 billion** ²⁷ (a profit margin of ~10%). By 2024, revenue is expected to exceed ฿21 billion and net profit ~฿2.9 billion ²⁷, regaining a healthy ~14% margin. Key drivers include the resurgence of Thai sales (as Carabao capitalizes on its market share gains) and a moderate comeback in exports (especially if the Myanmar and Cambodia issues abate). The introduction of beer and other new products may boost top-line growth in coming years, though at first with limited profit contribution. Analysts forecast mid-to-high **single digit revenue growth** in 2025–26 and an annual EPS growth of +22% in 2025 and +12% in 2026 ⁵⁵. If achieved, Carabao would firmly be back on its pre-2020 growth trajectory. However, sustaining this will require navigating the industry and execution risks discussed below.

Industry Landscape: Supply, Demand and Regulatory Framework

Energy Drink Market Dynamics (Thailand and International): Thailand is often dubbed an “energy drink nation” – these caffeinated, sugary pick-me-ups are deeply ingrained in daily life, particularly among blue-collar workers and drivers. The Thai energy drink market is valued around **฿27–30 billion annually** (roughly US\$0.9 billion) ²³. After decades of growth, it's a **mature market** with high per-capita consumption. Industry output tends to grow only slowly (low single-digit %) in line with population growth and economic activity ⁵⁶. In the mid-2010s, energy drinks experienced a boom in Thailand (partly due to aggressive marketing by new entrants like Carabao), but more recently volume growth has plateaued. Over 2024–2026, forecasts suggest the Thai beverage sector as a whole will expand ~3–5% annually, with energy drinks likely at the lower end of that range barring any major new demand stimulus ⁵⁷. That said, the **long-term outlook is still positive**: some analysts expect the energy drink market in Thailand to **nearly double by 2030**, reaching roughly **US\$1.9 billion** (฿60+ billion) from about US\$1.08 billion in 2023 ⁵⁸. This implies a CAGR of ~7–8%, which may be achievable if new use-cases or sugar-free variants expand the consumer base. Growth may also come from pricing (especially if sugar taxes force price hikes that consumers absorb).

On the **supply side**, the Thai market is highly concentrated. Three companies account for the vast majority of sales: **Osotspa** (with its flagship M-150 and other brands like Shark), **Carabao Group**, and **TC Pharmaceutical** (producer of Krating Daeng – Thai Red Bull). Osotspa, being the oldest player (its heritage brand dates to the 1970s), long dominated with over half the market by volume. In recent years Osotspa's share has slipped to ~45–50% as Carabao's has risen to the mid-20s% ²³ ¹⁴. Red Bull's Thai licensee has a smaller share (~10% in 2018, reportedly up to ~11% by 2022) ²³, catering to a slightly higher-income segment and export of the *Thai Red Bull* formula. All other brands combined (including foreign imports like Monster or local niche brands) make up under 10% of the market. This oligopolistic structure means supply is controlled by a few firms with strong distribution – a **high barrier to entry** for newcomers. Typically, each leader has its own production plants; capacity is abundant and not a limiting factor. Carabao, for example, built a massive new factory in 2018 that gave it the ability to produce tens of millions of cans and bottles per month, far exceeding domestic demand at the time (a reason it pushed exports). **Production capacity utilization** in the industry was somewhat low during the COVID slowdown, but now is rising again as demand recovers. With Carabao adding breweries and more canning lines, there is ample manufacturing supply for growth or exports. The supply chain includes key raw materials: caffeine (often imported), taurine, B-vitamins, flavorings, sugar, and packaging (bottles/cans). Thailand has local suppliers for most inputs except caffeine. During 2022's commodity crunch, supply was constrained for aluminum cans globally, but Carabao mitigated this by using glass and now by in-house can production.

In terms of **demand**, energy drinks in Thailand have an entrenched consumer base – predominantly male, 21–50 age group, manual labor or transport workers who consume daily for a quick energy boost. There is a fairly inelastic core demand (many laborers treat a morning energy drink as essential, similar to coffee). However, broader health trends pose a question mark: younger urban consumers are increasingly health-conscious and might opt for alternatives (like low-sugar or more “natural” energy drinks). This has prompted companies to launch sugar-free versions and new functional beverages. Carabao’s introduction of Woody C+ (vitamin C drink) and *Carabao Sport* reflects a nod to diversifying in case traditional energy drink consumption ever wanes. For now, though, domestic demand seems resilient – 2023 actually saw a bump in energy drink sales thanks to a hot season and post-pandemic economic pickup ²³. Another factor boosting demand recently is heavy **promotion and discounting** by the players: Carabao and Osotspa frequently run consumer promotions (prize contests, free bottles after X purchases, etc.) which temporarily spur extra sales and can grow the category. As long as competition remains intense, consumers benefit from these promotions and affordable pricing, supporting volume.

Regulatory Framework (Thailand): The beverage industry in Thailand faces an evolving regulatory landscape focused on public health and safety:

- **Sugar Tax:** Perhaps the most impactful regulation for energy drinks is the **tiered excise tax on sugar-sweetened beverages**. Thailand implemented this tax in 2017 and has escalated it in phases. As of **April 1, 2025, the final phase** kicked in, significantly raising taxes on high-sugar drinks ⁵⁹. Under the new scheme, drinks with **6–8g of sugar per 100ml** are taxed at ฿1 per liter (up from the previous ฿0.30), and those with **8–10g/100ml** at ฿3 per liter (from ฿1). Beverages above 10g sugar/100ml are taxed at ฿5 per liter ³⁶. Energy drinks traditionally had high sugar (e.g. ~11–15g/100ml), so without reformulation they would incur the maximum tax. Carabao and its peers have responded by tweaking formulas to stay in lower brackets. Carabao confirmed it is **adjusting its recipes with alternative sweeteners** to bring sugar content below 6g/100ml (exempting it from tax entirely, or at worst incurring the lowest rate) ³⁶ ³⁷. This transition was planned to be completed by mid-2025 ⁶⁰. While this mitigates direct cost impact, there is a risk in terms of **taste and consumer acceptance** – if the new lower-sugar formula is not well-received, it could affect demand. So far, there is no indication of major pushback; Thai consumers have gradually adapted as many sweet drinks (teas, sodas) have undergone similar sugar cuts since 2017. From a cost perspective, using non-sugar sweeteners might slightly raise ingredient costs, but far less than paying the high sugar tax. For Carabao, successful reformulation is crucial to avoid a potential margin hit of up to ~฿0.7 per 150ml bottle (if the full ฿5/liter tax applied, that’s ~฿0.75 per 150ml bottle, which is significant on a THB 10 product). In summary, the sugar tax is a headwind but one that Carabao and the industry are navigating through product reformulation. We can expect **more low-sugar or “sugar-free” energy drink variants** to be marketed in Thailand moving forward ⁶¹, aligning with the government’s push for healthier options.

- **Advertising and Labeling:** There are regulations prohibiting certain health claims and requiring warnings on energy drinks (e.g. “Not recommended for children, pregnant women, or caffeine-sensitive individuals” on labels). Thailand also has fairly strict rules on **alcohol advertising** – important for Carabao’s new beer business. Direct advertising of alcoholic drinks on TV or billboards is banned; companies often resort to point-of-sale promotion or sponsorship of events. As Carabao enters beer, it faces these marketing curbs. Indeed, Carabao’s Deputy MD noted that unlike decades ago when incumbents built beer brands through ads, now *“it is challenging”* due to the ad ban ⁶². This partly explains Carabao’s strategy of leveraging its existing brand name (already known via

energy drinks and football sponsorship) to promote its beer indirectly ⁶³. Essentially, **regulatory constraints on alcohol marketing** mean Carabao must be innovative – using retail partnerships, social media, or brand extensions – to gain beer market share without traditional ads. On the labeling front, the government is also considering clearer nutrition labeling (like sugar content “traffic lights”), but that is not unique to energy drinks.

- **Excise Taxes:** Aside from the sugar component, energy drinks have a base excise tax and VAT. These have not changed recently, but any future increase in excise (for revenue or health reasons) could affect retail prices. On the alcohol side, Thai beer carries heavy excise duties (calculated by both volume and value). Carabao’s beers will fall under these taxes, which take up a large portion of the retail price. Any hike in alcohol excise (often mooted for fiscal or public health purposes) could squeeze margins or demand for Carabao’s beer. The government also maintains a **strict alcohol licensing regime** – new breweries need licenses, and distribution of beer requires permits. Carabao’s brewery has presumably obtained these, but regulatory compliance and lobbying are part of the beer industry landscape (historically dominated by two families/companies with political clout). If Carabao’s beer venture starts taking notable share, it’s conceivable that regulatory pressures (like scrutiny on promotions or new rules) could arise given the entrenched interests.
- **Trade and Border Policies:** For Carabao’s export business, the regulatory environment in neighboring countries matters. The **Cambodia-Thailand border conflict in 2025** is a case in point – while not a regulatory matter, it was a geopolitical event that led to border closures ⁶⁴. Likewise, Myanmar’s import licensing is a regulatory hurdle – Myanmar at one point restricted energy drink imports to protect local producers or save forex, directly affecting Carabao. Carabao’s approach of building a local plant in Myanmar can be seen as adapting to that regulatory barrier (by producing inside the country, they sidestep import quotas). In China, energy drinks are subject to standard food import regulations; Carabao’s issues in China were more about market execution than regulatory, though any foreign brand must navigate complex distribution and e-commerce rules there.

Industry Structure and Competition: Thailand’s energy drink industry is an interesting mix of **oligopoly and fierce competition**. While only a few players command the market, they compete intensely through pricing and promotions. The rivalry between Carabao and Osotspa is especially heated now – Carabao has publicly targeted surpassing Osotspa’s share in the long run, while Osotspa, a larger company (also listed, as OSP), is fighting back by investing in marketing and new products (e.g. launching its own low-sugar energy drink, and leveraging its well-known “M-150” brand equity) ⁵⁶. Osotspa recently reported it had stabilized or even slightly grown its share to ~46% in early 2024 after some slippage ⁵⁶, signaling it will not easily yield leadership. Red Bull (Krating Daeng) maintains a presence by focusing on a premium image and nighttime usage segment (and of course, globally the Red Bull brand is massive, but the Thai operation is separate). Another competitor worth noting is **Sappe PCL**, a Thai functional drinks company (known for fiber and beauty drinks) that has launched energy/fitness drinks; Sappe is smaller in energy drinks but is a fast-growing beverage peer that could venture more into Carabao’s segment. Globally, **Monster Beverage** and **Celsius Holdings** are examples of new-wave energy/fitness drink firms. While Monster’s core markets are the US/EU, it has entered some Asian markets in partnership with Coca-Cola. In Thailand, Monster and other imported energy drinks are niche due to much higher pricing (often 3–4x the local brands). Thus, Carabao’s main competitive landscape domestically remains the Thai incumbents. Internationally, however, when Carabao goes into a new country, it may face Red Bull (which is everywhere) and possibly Monster (which is expanding in Asia). The **global energy drinks market** is huge (~\$70 billion in 2024 ⁶⁵) and

growing ~7% CAGR, but dominated by Red Bull and Monster. Carabao's strategy has been to target markets where those giants are not deeply penetrated or where Carabao can differentiate on price (e.g. emerging markets). In those markets, local competitors exist too (for example, in Vietnam, local brands like Sting by PepsiCo are strong; in Cambodia there was a local brand, though Carabao became popular). So Carabao often faces a mix of a global competitor and local players in each country.

Regulatory Trends: Broadly, regulatory trends in the beverage industry are **towards health and safety:** sugar reduction, possibly upcoming **salt content regulations** (less relevant for energy drinks), and stricter marketing rules (especially for alcohol or targeting youth). Governments in Southeast Asia, including Thailand, are also discussing restrictions on high-caffeine products marketing to minors – though no specific law yet in Thailand, any future clampdown could force energy drink companies to adjust (e.g. no cartoons or youth-oriented ads, which Carabao anyway doesn't do; their marketing is more rock music and sports). Environmental regulations could also impact Carabao – for instance, **packaging waste rules** might encourage a shift from glass (which is reusable/recyclable but heavy) to more recyclable PET or aluminum, or require deposit schemes. Carabao's sustainability reports note they are aware of environmental challenges ⁶⁶, but so far no regulatory mandates have significantly changed packaging in Thailand.

In summary, Carabao operates in a **stable yet slowly evolving industry** at home: growth relies on stealing share or incremental demand, and regulations like sugar tax are shaping product formulas. Internationally, the industry growth is higher (many developing countries' energy drink markets are growing double-digits), but so are the risks and competition. Carabao's ability to navigate the regulatory demands (sugar content, marketing restrictions) while leveraging the underlying demand (the near doubling of Thailand's market by 2030, and strong appetite in frontier markets) will determine how far it can go. The **regulatory framework**, especially the sugar tax and alcohol advertising ban, stands as both a *challenge and catalyst*: a challenge because it requires reformulation and creative marketing, but a catalyst because it may weed out weaker players and reward those, like Carabao, who adapt swiftly.

Management Team and Track Record

Carabao's leadership is closely tied to its founding team and major shareholders, whose vision and risk-taking have shaped the company's trajectory. **Mr. Sathien Setthasit (Sathientham)**, the co-founder, serves as Vice Chairman and CEO ⁶⁷. He is the driving force behind Carabao's strategic expansion and bold marketing bets. Sathien is a seasoned Thai entrepreneur – prior to Carabao, he had experience in the consumer goods and entertainment sectors (and reportedly was involved in the Tawandang Brewery restaurant business). Together with folk-rock icon **Aed Carabao** (who lent the brand his name and rebellious "fighting spirit" image), Sathien launched the Carabao Dang drink in 2002 with the ambition to challenge Red Bull on its home turf ⁶⁸. Aed Carabao (Mr. Yuenyong Opakul) remains a **brand ambassador and board member**; his role has been pivotal in marketing, giving the brand a relatable local identity (his songs and persona have long been used in Carabao's ads). The day-to-day operations, however, are managed by Sathien and a team of professional executives including **Mrs. Nutchamai Thanombooncharoen** (Sathien's wife, who has held high positions in the company) and other family members. For instance, **Mr. Romthana Sathientham** – likely a relative of Sathien – is mentioned as part of management and is involved in the affiliated Tawandang 1999 company ¹⁷. The family nature of management means interests are strongly aligned with shareholders (the founders, via **Sathientham Holding Co.**, own about 25% of the company ⁶⁹, and Aed Carabao also holds a significant stake). It's a relatively tightly held firm with ~29% free float ⁷⁰.

Track Record of Creating Shareholder Value: Under Sathien's leadership, Carabao has shown it can generate significant value – but with some *volatility*. The company's IPO was in late 2014 at around THB 28 per share, and in the ensuing years Carabao delivered stellar growth, especially in exports. This propelled the stock to become one of the **best-performing beverage stocks globally** at times. Notably, in 2017–2018 Carabao's share price skyrocketed (peaking around THB 130–160 in 2018) – at one point the company's market cap gains minted Sathien a new billionaire ⁷¹. However, that rally was followed by a **sharp correction** in 2018–2019 when earnings growth faltered (due to oversupply and high marketing costs). Shares slumped by over 60% from the peak, only to rebound strongly in 2019 when profits recovered, making Carabao the **world's top-performing soft-drink stock of 2019 with a 91% total return** ⁷¹. Such swings underscore that management's bold strategies (heavy capex, aggressive marketing) can yield high payoffs but also carry execution risks that impact shareholder returns. More recently, Carabao's stock hit an all-time high in late 2020 (around THB 140) as earnings peaked, then declined over 2021–2022 to lows around THB 50 amid the profit slump ⁷² ⁷³. In the past year (2024–2025) the stock has partially recovered to the THB 70s range, but still well below its highs ⁷⁴. From a long-term perspective, an investor at IPO has still seen the stock roughly double in price (plus dividends) in 10 years – a respectable outcome, albeit one that required patience through volatility.

Management has generally been **shareholder-friendly in capital allocation**. They pay regular dividends (the payout is around 40–50% of earnings; the 1H 2025 dividend was ฿0.70 per share ⁷⁵, and the full-year yield is ~2–3% ⁷⁶). They have also reinvested significantly in growth projects: e.g. the huge manufacturing facility expansion around 2018, and now the investment in brewing capacity, have been funded while keeping debt at manageable levels (net debt-to-equity was brought down to ~3% by 2025 according to forecasts ⁷⁷, indicating a **very solid balance sheet**). The company's financial discipline is evident in its improving leverage and sustained ROE. Even in tough times (2021–2023), Carabao maintained ROEs in the high-teens%, and as profits rebound, ROE is projected to rise back above 25% ²⁸ – a sign of a high-return business model. Management's decision to use debt for expansion was prudent and they quickly deleveraged with cash flows; interest costs are now negligible ⁵⁴. In terms of governance, Carabao scores moderately. It's a family-controlled firm, which can raise typical concerns about related-party transactions (for instance, the **distribution of Tawandang's spirits** – essentially doing business with entities owned by the CEO – is a related-party deal that some investors watch carefully). The company presumably conducts these at arm's length, but it's an area to monitor (more in Risk section). That said, analysts have lauded management's **proactiveness and adaptability** ⁷⁸. Examples include: quickly developing low-sugar formulas ahead of the tax, shifting the China strategy when it proved unprofitable, and cost-cutting during the downturn. The willingness to invest in long-term brand building (like the UK football sponsorship) also indicates a forward-thinking approach, albeit a costly one.

Crucially, management has a track record of **identifying and pursuing growth opportunities** beyond the core. The push into exports in the mid-2010s (especially Cambodia/Myanmar) came early and rode a wave of demand in those frontier markets, significantly boosting the company's size. Now, the expansion into beer and spirits is another bold move; while it increases execution risk, it shows management's drive to transform Carabao into a broader beverage powerhouse rather than resting on the energy drink laurels. This entrepreneurial mindset can create tremendous value if successful – capturing even a single-digit share of Thailand's beer market, for example, would greatly enlarge Carabao's revenue base. However, shareholders have reason to be cautiously optimistic given Sathien's past successes in scaling the energy drink business against bigger rivals. The team's **“fight” ethos (borrowing from the Carabao band's theme)** seems embedded in the corporate culture. They took on Red Bull and Osotspa and built a brand from scratch to a top 2 position in two decades – a notable achievement in a tough FMCG category.

In terms of delivering value to shareholders **recently**, management guided the company through the pandemic and commodity crisis without major equity dilution or financial distress. They maintained dividends even in lean years (albeit at a lower absolute level), signaling confidence. As a result, the stock's decline in 2021–22 was driven by cyclical earnings, not by any collapse in corporate trust or governance issues. Now, with earnings rebounding, Carabao's management is regaining investors' confidence. The consensus rating on the stock is largely **Buy** (12 Buys, 5 Holds, 1 Sell as of late 2024) ⁷⁹, reflecting belief in management's recovery plan. Insiders have not been reported selling large stakes; on the contrary, their large ownership stake implies they are highly incentivized to execute strategies that increase shareholder value.

However, it's worth highlighting **areas of controversy** or concern regarding management. One is the **related-party transactions**: Carabao distributing products of a private company owned by the CEO could be seen as benefiting that private firm using Carabao's resources, especially since those sales carry low margin for Carabao ¹⁷. Investors will watch if Carabao eventually takes an equity stake in Tawandang 1999 or negotiates better profit-sharing if the beer and spirits become big business – to ensure public shareholders partake in the value created (so far, Carabao gets only distribution fees, while the manufacturing profit stays with the private entity). Another talking point is the **massive marketing expenditure** on the Carabao Cup sponsorship. This was initially met with skepticism: spending millions abroad when domestic business was still growing struck some as ego-driven or at least an uncertain ROI. Management contends it's opened doors internationally and built brand equity that would otherwise take decades – an assertion that's hard to quantify but has some merit given Carabao's foray into 40 overseas markets ¹². Nonetheless, shareholders might question if extending the sponsorship through 2027 at £18 million was the best use of funds if concrete sales in Europe/US remain minimal. To management's credit, they did reduce some sponsorship costs in 2023–24 to improve the bottom line ⁸⁰, indicating a willingness to dial back if needed.

Overall, Carabao's management exhibits a blend of **entrepreneurial boldness and operational agility**. They have a record of building a strong brand and infrastructure quickly, correcting course when strategies falter (e.g. China JV), and maintaining financial prudence in the long run. The stock's performance history shows they *can* create significant shareholder wealth, but also that ambitious bets (whether new markets or new product lines) can lead to earnings volatility. Shareholders have largely benefited over the long haul, and if current growth plans play out, management will have vindicated their strategy of reinvesting for growth. Yet, investors will keep a close eye on execution and governance to ensure that value creation at the corporate level translates equitably into value for all shareholders, not just insiders.

Strategy and Growth Prospects

Carabao's management has laid out an ambitious **long-term growth plan** that spans expanding its core energy drink franchise, entering new product categories, and deepening its global footprint. Key elements of Carabao's strategy and prospects include:

- 1. Maximizing Domestic Market Leadership:** Domestically, Carabao aims to **continue gaining energy drink market share** and solidify its position as a co-leader (or eventual leader) in Thailand. The immediate goal is to reach **~29% market share by 2025** (up from ~25% in early 2024) ¹⁶. Carabao is executing this via its proven tactics: maintaining the *THB 10 price point* to undercut competitors, running targeted promotions (especially in the modern trade channel where it has slightly lost share due to fewer promotions in 1Q25) ⁸¹, and leveraging its distribution to push deeper into rural areas. The company is also broadening its

domestic **product range** to capture more beverage occasions – e.g., offering a **low-sugar energy drink** (necessitated by the sugar tax, but also meeting a consumer trend), launching “Woody C+” for the vitamin drink segment, and *Carabao Sport* for the electrolyte drink segment. While these adjacencies are still small in revenue, they complement the core product and utilize the same sales network. Carabao’s strategy acknowledges that the Thai energy drink market isn’t growing quickly, so taking share is the primary route for volume growth (they project domestic energy drink sales to grow ~+13% in 2024, then ~5% annually in 2025–26, mostly via share gains rather than market expansion) ⁴. Another strategic thrust is improving **penetration in on-premise channels** (restaurants, music events, etc.) which historically have been dominated by cola or beer; Carabao has been partnering with eateries and sponsoring local concerts to integrate its drinks into more consumption occasions (like mixing Carabao with spirits as a mixer). If Carabao can cross-promote its energy drink with its new beer (e.g., combo deals at stores), it might drive incremental domestic sales as well. Overall, the domestic plan is about **defending and expanding the core** – ensuring Carabao remains highly visible, affordable, and accessible to the Thai consumer at every corner shop and convenience store. Given the population and GDP growth in Thailand are modest, Carabao’s long-term plan likely anticipates at best mid-single-digit organic domestic growth, but every point of share gained from Osotspa or Red Bull translates to a substantial revenue boost for Carabao.

2. Expanding International Segments: International growth remains a major pillar of Carabao’s vision to become a “world-class” brand. While the first push (circa 2015–2020) met mixed results, management is recalibrating its approach for the next phase of expansion: - In **CLMV markets (Cambodia, Laos, Myanmar, Vietnam)**, Carabao plans to **localize production and deepen distribution**. The company has established joint ventures or subsidiaries to build local factories: Carabao is setting up a plant in Myanmar (expected start by Q3 2025) and another in Cambodia (by Q1 2026) ⁴³. The Myanmar facility is particularly strategic – by producing inside Myanmar, Carabao can sidestep import restrictions and high tariffs, price the product more competitively in local currency, and ensure steady supply (avoiding issues like border closures). Likewise, a Cambodia plant would allow Carabao to tap that market’s growth without being limited by cross-border transport bottlenecks (as seen in 2025) ⁸². These factories also signal a long-term commitment to those markets, potentially helping Carabao gain favor with local authorities and distributors. In Vietnam, Carabao doesn’t yet have a plant, but it may consider partnerships; Vietnam’s energy drink market is competitive (with Red Bull and local brands strong), but Carabao is present and could expand if it finds the right local tie-ups. The growth prospects in CLMV are quite promising: these countries have younger populations and growing energy drink consumption. Myanmar and Cambodia in particular have *per capita* consumption that could rise as economies grow (subject to political stability). By laying manufacturing groundwork now, Carabao hopes to capture oversized market share when conditions normalize. Management conservatively expects **high-single-digit export growth** in coming years ³⁹, but there is upside if, say, Myanmar lifts import curbs significantly or if a new market (like Indonesia or Middle East) picks up.

- In **China**, Carabao’s strategy shift to selling concentrate signals a scaling-down of ambitions, focusing on profitability rather than volume. They essentially conceded that competing head-on in the Chinese energy drink market (dominated by Red Bull China and local brands like Eastroc) was too costly. Now they supply concentrate to the local JV to minimize Carabao’s capital at risk. Any growth from China will be a bonus, but it’s no longer a linchpin of the plan ⁴⁷. Instead, Carabao might redeploy efforts to other large markets. For instance, **India or the Middle East** are often cited as growth regions for energy drinks. The Middle East (Gulf countries) already import Carabao to some extent ⁸³; Carabao may try to leverage its halal certification and value pricing to expand there, possibly via a regional distributor. In South Asia, Carabao has begun exporting to Pakistan and

Bangladesh ⁸³ – populous markets where energy drink consumption is nascent but growing as these economies develop. While a full-scale entry (with local offices) in far-flung markets might be premature, Carabao is likely to continue a strategy of *targeting frontier markets where Red Bull/Monster have lower penetration* and using local partners to distribute. The **English football sponsorship** remains a key asset for introduction – Carabao can approach distributors in any country with the pitch that “consumers have seen our brand on the Carabao Cup globally”. This gives a degree of credibility for a Thai brand entering new shelves.

- In **developed Western markets**, Carabao’s presence will probably remain niche. The UK has been a focus (Carabao secured shelf space in major UK retailers like Tesco a few years ago), but sales there are modest compared to Asia. Still, they’ve renewed the EFL Cup sponsorship through 2027, signaling they still value the UK exposure ¹⁹. The likely strategy is to use the UK as a branding platform rather than expecting large profits from it; similarly, any inroads into Europe or the US would be marketing-driven. The **growth prospects internationally** therefore hinge much more on emerging markets in Asia/Middle East/Africa. The size of that opportunity is significant – for example, if Carabao can replicate in a country like Indonesia (population 270 million) even a 5% market share of energy drinks in a decade, that would be millions of cases a year. The challenge is those markets often require deep pockets and local know-how, so Carabao might selectively enter via joint ventures or licensing. It’s notable that Carabao has partnered with local companies historically (like the Chinese JV, or distribution partners in CLMV). We can expect **more partnerships or JVs** as part of its international expansion playbook, to share risk and leverage local distribution networks. The new plants in Myanmar and Cambodia involve local partners (e.g. a local partner holding 40% in Carabao’s Cambodia venture) ⁸⁴ – this reduces Carabao’s upfront cost and secures local market access, albeit at the cost of sharing profits.

3. Diversification into Beer and Spirits: Perhaps the most transformative element of Carabao’s strategy is its push into the **alcoholic beverage industry**. Management has explicitly identified the beer business as a “**next key growth driver**” for the group ⁸⁵. The rationale is clear: the Thai beer market is roughly **฿287 billion** in value (2022) ⁸⁶ – about **10 times the size** of the energy drink market. Even a small slice of this market could significantly boost Carabao’s revenues. Carabao (via Tawandang 1999) launched five beer varieties in late 2023 and has built a brewery with initial output capacity of 200 million liters/year ¹¹, with plans to double that to 400 million liters by end-2024 ⁸⁷. Management set a bold target: aim for **10% market share** of the Thai beer market in the long run ⁸⁸. Achieving 10% share would be a game-changer – it equates to ~฿28 billion in beer sales (which alone is larger than Carabao’s entire 2024 revenue). Realistically, cracking the duopoly of **Boon Rawd (Singha/Leo)** and **ThaiBev (Chang)** will be extremely challenging. Those two control ~92% of the beer market by volume ⁸⁹ ⁹⁰. However, Carabao is trying a differentiated approach: multiple flavor variants at once (to cater to niche tastes like wheat beer or IPA that big players don’t focus on) ⁹, *and* leaning on the Carabao brand’s cool factor garnered from sports sponsorship (the idea that young consumers might try Carabao beer because they recognize the name from football or energy drinks) ⁹¹. Also, Carabao is focusing on **off-trade retail channels** (7-Eleven, supermarkets) rather than on-trade bars, since the latter are locked up by Singha/Chang’s exclusive deals ⁹². This is a pragmatic tactic to find space in a saturated market. The growth prospect here is uncertain: it could range from a big success (if Carabao beer gains a cult following among certain consumer segments) to a slow grind (beer drinkers are very loyal to existing brands, and Carabao might end up with a low single-digit share at best in a few years). Nonetheless, even a 3–5% share of Thai beer would mean billions of baht in revenue. Additionally, Carabao is eyeing **beer exports**. They plan to use the Carabao branding for export beer products (even if locally in Thailand the beer carries a Tawandang sub-brand) to capitalize on Carabao’s

international recognition ¹² . Nearby markets like Vietnam or the Philippines could be targets for Carabao beer, especially if they position it as a Thai import with unique variants. Given that Carabao's brewery is new and presumably efficient, they might have a cost advantage to export.

In parallel, Carabao's distribution of **spirits** (whisky, vodka, soju) made by Tawandang Distillery is expected to continue expanding. The spirits business in Thailand is even larger than beer (spirits form ~38% of the alcohol market by value, vs 55% beer) ⁹³ . Tawandang's brands (e.g. *Tendu* whiskey, *Bangkok Rum*, plus the vodka and soju mentioned) are still new entrants in a market dominated by ThaiBev (with SangSom, Ruang Khao, Blend, etc.). Carabao Group's growth prospect here is more about capturing distribution margin as those products grow. If Tawandang Distillery manages to snag even a niche in the huge Thai spirits market, Carabao's top line from distribution will grow correspondingly. We may also see Carabao Group eventually consider **bringing the brewing/distilling operations into the listed company** (perhaps via a merger or increased stake in Tawandang 1999) if the ventures prove successful – that would be a strategic decision years down the line, but it could unlock more value for CBG shareholders. In the near term, management has guided that they expect contributions from beer to ramp up gradually and that breaking into the alcohol market will be “*challenging*” and likely require sustained effort beyond 2024 ⁹⁴ . They are realistic that the industry is oligopolistic, but remain “positive... due to the enormous market value” to go after ⁹⁵ .

4. Margin Recovery and Operational Efficiency: Alongside growing revenues, Carabao's strategy includes improving profitability through efficiency gains. Management is targeting a rebound in **EBIT margin to mid-teens%** (from 11.8% in 2023) by 2025–26 ³⁰ . Plans to achieve this include: - **Cost Reduction:** Continued internal initiatives like bulk procurement savings, energy-saving projects in factories, and automation to reduce labor costs. The company has mentioned “internal cost-saving measures” in place since 2023 that helped trim SG&A ³⁰ . With higher sales volume, Carabao also benefits from economies of scale (fixed costs like headquarters expense get spread thinner). - **Productivity of Marketing Spend:** Carabao has indicated it will be *more judicious* with marketing expenditure. For example, it cut down the spend on football sponsorship and some promotional giveaways to bring the SG&A/Sales ratio under 10% ⁸⁰ , and it will likely keep marketing growth slower than sales growth going forward. The Carabao Cup deal is locked in, but they might not add other big sponsorships simultaneously; instead they'll try to maximize the value of existing ones. - **Portfolio Adjustments:** The firm is also keen to improve the margin profile of the distribution segment. One way is by adding *higher-margin third-party products* – for instance, distributing imported premium spirits or non-alcohol premium beverages could yield better margins than the current portfolio. Another is negotiating better terms with Tawandang (e.g., if volume targets are met, Carabao could get a higher distribution fee). Over time, if Carabao's own higher-margin products (like its energy drinks or possibly beers, if priced well) form a larger share of total sales, that mix shift would help margins. The company expects raw material costs to remain lower than 2022 levels, which should naturally boost gross margin a few points versus the worst period ³⁰ . - **Leverage New Capacity:** Carabao has built significant production capacity (cans, bottles, brewery). Utilizing this capacity fully is critical. If the new plants (Myanmar, Cambodia) come online, they will initially add fixed costs. The strategy is to **fill these plants by growing local sales** and perhaps doing contract manufacturing for others if needed. The more they spread fixed manufacturing overhead across units, the better unit costs become, aiding margins. For example, the new canning line could potentially take on contracts to produce cans for other drink companies, generating extra income.

5. Potential M&A or Partnerships: While nothing concrete has been announced, Carabao's management lists “*Mergers and acquisitions*” as an opportunity in their SWOT analysis ⁹⁶ . It's plausible that Carabao could consider acquiring smaller beverage brands that complement their portfolio or give them new market

access. For instance, acquiring a functional drink or snack brand in Thailand could leverage their distribution network. Internationally, they might consider buying stakes in local distributors to cement their channels. Given Carabao's relatively low net debt and strong cash flows, they have some firepower for bolt-on acquisitions if opportunities arise. However, any major acquisition (like buying another beverage company outright) would be surprising unless it offers a clear synergy, because Carabao has historically grown organically and through related-party ventures. More likely are **strategic partnerships** – e.g., partnering with a global beverage player to distribute Carabao in certain markets, or joining forces with another Thai FMCG company to co-develop distribution (there were past rumors about tie-ups with 7-Eleven's supply chain, etc., though nothing public). These remain speculative but are part of the growth toolkit management keeps in mind.

6. Long-Term Vision: Ultimately, Carabao's long-term vision (as often stated by CEO Sathien) is to become a **"fully-fledged global beverage brand"**. This means over the next decade they aim not only to dominate energy drinks in Thailand, but also to have significant operations in multiple categories and countries. The key growth prospects we will watch over a 5+ year horizon include: - Can Carabao **surpass a 30% share** in the Thai energy drink market and perhaps challenge Osotspa's #1 position? If Osotspa falters or Carabao executes exceedingly well, capturing the #1 spot would be a milestone. - Will Carabao's **beer venture** achieve meaningful scale? If they even approach the 10% market share goal, Carabao Group's size and profit could double from current levels. Even if that goal is not fully reached, a viable beer business with say 5% share and some export success would open a new income stream. - Can Carabao establish itself in **two or three big international markets** as a strong #2 or #3 player? For example, if Carabao can dominate Cambodia/Myanmar and then add one more large market (maybe a South Asian market or second-tier Asian economy) as a stronghold, its international segment could become as large as its Thai segment. Growth of energy drinks in emerging markets is typically higher than in developed ones, so Carabao's best chance to ride a high growth curve is abroad. - **Innovation and product development:** The energy/functional beverage space is evolving (think of the rise of new products like Celsius in the US, or coffee-energy hybrids, etc.). Carabao's prospects will also depend on how it innovates. The company might look into new formats (energy shots, powdered drinks) or healthier formulations (organic energy drinks, herbal boosters – given "Carabao" in Thai means water buffalo, a symbol of strength, they could extend that ethos to herbal energy tonics which are popular in Asia). So far, Carabao's product innovation has been incremental (flavor extensions, vitamin drink) but they may accelerate R&D to keep up with trends, which could unlock new growth among younger consumers.

In summary, Carabao's growth prospects are **multi-pronged**: solid if unspectacular growth in the core domestic market, higher growth (with higher risk) in frontier export markets, and a swing factor in the form of its entry into beer/spirits. Management's plans reflect an appetite for capturing a bigger share of the total beverage wallet of consumers – whether it's a morning energy boost or an evening beer, they want a Carabao product in the mix. If they execute well, Carabao Group in a few years could evolve from primarily an energy drink company to a **diversified regional beverage leader**. The upside is significant, but so are the execution challenges, which leads us to examine the risks.

Potential Risks to Earnings and Execution

Despite Carabao's positive growth trajectory, investors should be mindful of various **risks that could derail earnings** or growth plans. We highlight the key risk factors and areas of uncertainty:

- **Intensifying Competition and Market Response:** Carabao's gains have come in part at competitors' expense, and those rivals may retaliate aggressively. For example, **Osotspa (M-150)** has recently increased its marketing and even reversed a price hike (M-150 returned to THB 10/bottle in 2023 after briefly going to THB 12) to protect its market share ⁹⁷. If Osotspa engages in a price war or significantly steps up promotions (leveraging its larger scale and deeper pockets), Carabao might be forced to spend more on marketing or risk losing share momentum. Similarly, **Red Bull Thailand** could refocus on the mass market with new products or pricing. There's also the latent threat of **global players**: while Monster and others currently aren't big in rural Asia, they have immense resources. If, say, Monster partners with a strong local bottler to target Thailand or neighboring countries with a competitively priced product, it could create a new front of competition. Carabao's strategy of low pricing means margins are already thin; any further erosion (to counter competitors' discounts) could hurt profits. Essentially, Carabao's market share gains are not unassailable – competitors could reclaim ground, making Carabao's domestic growth and high utilization assumptions less certain.
- **Commodity and Input Cost Volatility: Raw material price swings** remain a risk to margins. Sugar is a major one – although Carabao is cutting sugar content, it will still use significant amounts (plus alternative sweeteners which themselves have costs). If global sugar prices spike again (due to crop failures or export bans in sugar-producing countries), Carabao's cost of goods would rise. Packaging materials like aluminum (for cans) and glass, as well as fuel costs (for distribution) also can fluctuate. Every US\$100/ton change in aluminum moves Carabao's gross margin by ~0.3% ⁹⁸, and energy costs affect logistic expenses. Carabao does not have full ability to pass on costs due to its pricing strategy. Thus a commodity supercycle or Baht currency depreciation (which makes imported inputs pricier) could pressure margins and earnings. To mitigate this, Carabao may hedge some materials or lock in contracts, but such measures only partially offset risk. The **sugar tax** intensification in 2025 is a related cost risk – if reformulation doesn't sufficiently reduce sugar, Carabao might still pay some tax or have to use more expensive substitute sweeteners (like stevia or sucralose), impacting cost of goods. There's also **labor cost inflation**; Thailand has periodically raised minimum wages, which would raise Carabao's manufacturing and delivery costs.
- **Execution Risk in New Ventures (Beer & Spirits):** Carabao's diversification into beer and spirits is essentially a set of new businesses where the company has limited prior track record. There is a **significant risk that the beer venture underperforms** expectations. Beer is capital intensive – Carabao has sunk cost into a big brewery that needs high capacity utilization to be profitable. If they fail to capture sufficient market share, the brewery could run at low utilization, dragging on profits via depreciation and fixed costs. Moreover, launching five variants at once could dilute focus; consumers might be confused or quality could suffer if not managed perfectly. The company also might have to invest heavily in marketing or trade promotions (discounts to retailers) to get beer shelf space, which could be a financial drain. In the worst case, Carabao might engage in a price war with Chang/Singha in some channels – a battle it may not sustain given the giants' resources. For spirits, distribution is less risky (as Carabao isn't manufacturing them), but if Tawandang's brands don't gain traction, that revenue could stall. Essentially, **management bandwidth risk** exists – they

are now juggling multiple product lines. If core management gets too distracted by the beer project, the core energy drink business might suffer from less attention, or vice versa. It's a lot of strategic initiatives simultaneously (energy drinks growth, overseas expansion, beer launch) for a company of Carabao's size to handle. Successful execution is far from guaranteed, and any major missteps (e.g. a quality issue with beer, or a branding failure) could hurt Carabao's credibility and finances. Investors should watch early indicators like the distribution reach of Carabao beer and any initial market share data; if by end-2024 Carabao beer has negligible share, it may indicate a longer slog or potential failure, which would temper growth forecasts.

- **Political and Country Risk in Key Markets:** A substantial portion of Carabao's growth relies on markets with elevated political or economic risk. **Myanmar** (historically ~15–20% of Carabao's export volume) remains under military rule with ongoing conflict; the situation can deteriorate with little warning, leading to border closures, import bans, or currency crashes. In 2021–2023, Myanmar's import restrictions severely limited Carabao's sales ²⁵. If the regime continues to restrict foreign products or if Myanmar's economy stays weak, Carabao's investments there (like the new factory) might not pay off as expected. **Cambodia** saw an unexpected border military skirmish in 2025 which closed trade for weeks ⁹⁹ – such geopolitical events, while rare, demonstrate the unpredictability in frontier markets. Even **Thailand** itself has some political risk (frequent changes in government, protests), though that typically doesn't disrupt business much. Moreover, many of Carabao's growth markets are vulnerable to **currency volatility**. If currencies like the Myanmar Kyat or Cambodian Riel devalue significantly against the Thai Baht, Carabao's products become more expensive locally or Carabao takes a hit on currency conversion. Carabao generally prices exports in USD or THB to distributors, so distributor financial health can be an issue if their local currency tanks. **Credit risk** with overseas distributors is also a factor – in weaker economies, Carabao could face payment delays or defaults. Any significant bad debt could impact earnings (though none such has been reported, it's a tail risk).
- **Regulatory and Legal Risks:** On top of sugar tax (covered above), Carabao faces risk of **changing regulations** in various markets. For instance, governments could impose advertising restrictions on energy drinks (similar to tobacco/alcohol). If, say, Thailand decided energy drinks cannot advertise on certain media or must put health warnings (beyond what they already do), it could dampen marketing effectiveness. Some countries discuss **age restrictions** for energy drinks (prohibiting sale to minors); if that becomes law in any of Carabao's markets, it might slightly reduce the addressable market (though core consumers are adults, so impact would be limited). In the alcohol business, regulatory risk is significant: Thai authorities could crack down on any marketing that even indirectly promotes alcohol (e.g. using the Carabao name – which is associated with an energy drink – on beer could attract scrutiny if seen as promoting alcohol to a non-alcohol consumer base). There's also the risk of **excise tax increases** on alcohol as mentioned; Thailand has in the past raised alcohol duties sharply, which could make Carabao's beers less price-competitive or squeeze margins if they try to absorb some tax for market penetration. Outside Thailand, entry into new countries always bears risk of differing food regulations – e.g., perhaps certain ingredients allowed in Thai drinks aren't allowed in other countries, requiring formulation changes.
- **Consumer Preference Shifts:** Carabao's growth depends on consumer tastes remaining favorable to its products. If there are shifts – for example, a broad move towards **healthier lifestyles** – core energy drink consumption could stagnate or decline. We already see a slow rise of healthier alternatives (like vitamin drinks, energy drinks with natural ingredients, etc.). If Carabao doesn't

adapt its product line to match new preferences, it could lose customers to new entrants that offer organic, zero-sugar, or novel functionality. Additionally, among younger consumers globally, the energy drink category is competitive with options like coffee, matcha, and energy seltzers. While in Thailand the traditional energy drink has a entrenched base, the next generation might opt for something different (like canned Western-style energy drinks or caffeine supplements). Carabao has partly addressed this by offering a canned version and new flavors, but the risk is the brand could be perceived as “old-fashioned” by future consumers. The **brand’s heavy association with a rock musician and rugged image** has worked well for current demographics, yet could limit its appeal to more health-conscious or female demographics unless marketing evolves. On the flipside, Carabao’s brand awareness from sports might help, but brand positioning needs to keep up with times.

- **Key Person Risk and Succession:** Carabao is tightly identified with its founders. **Sathien Setthasit** is not only the strategic leader but also likely the chief negotiator for many deals. If, for any reason, he were to step back (health, retirement, etc.), it could impact the company’s aggressive growth stance. Likewise, Aed Carabao’s presence as a cultural icon lends authenticity to the brand; though the business would survive without him, the marketing might lose some aura among loyal fans. That said, the company has professionalized to some extent with a broader management team, but succession planning hasn’t been publicly detailed. The major shareholders are family, so presumably a family succession would occur, which can be tricky if not handled well (as seen in other family-run Thai companies). While this risk is not immediate, it’s something to consider for the long run.
- **Related-Party and Governance Concerns:** As noted, Carabao’s dealings with entities owned by management (like Tawandang 1999) pose a **governance risk**. Minority shareholders have to trust that these deals are structured fairly. If any perception arises that Carabao Group is unfairly subsidizing the private businesses (for instance, distributing their alcohol at too low a fee, effectively boosting the private profit at cost of the listed company), it could become a controversy. Thus far, analysts are aware of it and factor it into margin outlook (hence noting the margin dilution)⁵⁰, but if the situation were to worsen (say Carabao increases involvement in low-margin affiliate businesses without clear benefit), investor confidence could be hit. Additionally, any scenario where the management’s private interests conflict with Carabao’s (for example, if Tawandang brewery wanted to use Carabao’s cash for an expansion that might not benefit Carabao shareholders proportionally) would be negative. There is also a risk, albeit small, of regulatory scrutiny or public backlash if such related deals are viewed as self-dealing. So far, no such scandal has occurred, but it’s an area of potential controversy.
- **Macroeconomic Factors:** A broad economic downturn in Thailand or key markets could hurt Carabao’s sales. While energy drinks have some defensive characteristics (blue-collar workers might still buy their daily bottle even in a recession), prolonged downturns reduce disposable income and could cut into volumes or push consumers to cheaper alternatives (though Carabao is already a price player, extreme poverty could see some cut back). Inflation beyond input costs (e.g., if general inflation forces wage hikes, etc.) could increase operating expenses. On the flip side, strong GDP growth or a commodity upcycle (Thailand is a commodity producer) could benefit Carabao by putting more money in consumers’ pockets to spend on beverages. Carabao’s distribution revenues could also be cyclical – when economy is down, people buy less alcohol which means fewer third-party sales for Carabao. Any forecast for Carabao assumes relatively stable macro conditions; a severe recession or crisis in a major market (like Thailand entering a financial crisis, or a collapse in Myanmar’s economy) stands as a risk to meeting sales targets.

In assessing these risks, it's notable that many are **industry-wide or macro risks** (commodity, regulation, competition) which Carabao can try to mitigate but not fully control. However, Carabao also has **company-specific risks** due to its strategic choices (beer entry, related-party dealings). The company's ability to deliver the forecast growth and margins is **contingent on navigating these uncertainties successfully**. Analysts have flagged that downside risks to their estimates include *"slower-than-expected recovery in consumption; higher competition; and weaker-than-expected sales in Myanmar/Vietnam"* ¹⁰⁰ – all aligning with the risks described above. Investors should particularly watch the **early outcomes of the beer business** and the **trend in market share**: these will be telling signals. If by late 2025 Carabao's market share gains stall or reverse, or if the beer venture shows no meaningful traction, it could imply that some of these risks (competition pushback, execution issues) are materializing, potentially leading to earnings shortfalls versus the growth story.

Finally, one should consider the **upside risks/mitigants**: Carabao has historically been quite adept at tackling challenges (it navigated sugar tax Phase 1–3 without losing share, for example). The management's proactive style (e.g. adjusting formulas ahead of the April 2025 sugar tax hike ³⁶ ³⁷) means they often have contingency plans. Also, being relatively smaller than giants gives Carabao nimbleness – it can pivot strategies (like it did in China, or shifting domestic focus to rural areas) faster than some competitors. The brand's strong loyalty among its core demographic provides a buffer against short-term competitive tactics (loyal drinkers may not instantly switch even if a rival offers a temporary promo). Nonetheless, the **risk profile is appreciably high** for Carabao at this juncture: it is attempting to scale multiple hurdles at once (recovering exports, launching beer, maintaining domestic lead), so execution risk is elevated. Prospective investors should weigh these uncertainties and perhaps demand a margin of safety in valuation to compensate for them.

Valuation and Peer Comparison

Carabao's valuation multiples have fluctuated greatly in the past, reflecting shifts in growth outlook. After the recent earnings downturn and recovery, the stock's valuation is now at a more moderate level relative to its history – though still pricing in growth – and sits somewhere between local peer multiples and global energy drink leaders. Below is an overview of Carabao's valuation in context:

- **Current and Historical Multiples:** As of late 2025, Carabao trades around **17–20 times forward earnings** (FY2025–26) and roughly **12–13 times EV/EBITDA** ¹⁰¹ ¹⁰² based on analyst estimates. This is a come-down from its peak valuations; historically, Carabao enjoyed a premium P/E average of ~37× forward earnings, with peaks well above 50× during growth spurts ⁷³. For instance, in 2018 the stock briefly traded at **50–60× forward P/E** when optimism about export growth was high ¹⁰³. Over 2014–2020, its forward P/E averaged ~37× ¹⁰³, but it has since de-rated. By October 2024, when the turnaround was evident but not fully realized, Carabao was about **27× 2024F EPS and 22× 2025F EPS** ⁵⁵. Now, after further price correction and updated earnings, the **Core P/E for 2024** is ~19.8× and **2025** around **17.6×** (based on FSSIA estimates) ¹⁰¹. On a trailing basis, P/E looks higher (~30× on 2023 depressed earnings), but forward captures the rebound. **EV/EBITDA** is similarly moderate: ~12× 2025E, down from ~27× in 2023 when EBITDA was low ¹⁰⁴. In other words, Carabao is no longer the ultra-expensive growth stock it once was; the market has repriced it closer to a mid-cap consumer staple with solid growth. This de-rating happened as ROE fell and growth slowed in 2021–22. Now, as earnings pick up, there is room for some multiple expansion, but likely not to prior peaks. Thanachart Securities, for example, notes they **"do not anticipate CBG's P/E to return to its previous high of ~33×"** given the structurally lower ROE outlook (due to the high mix of low-margin

business) ¹⁰⁵. They do see upside from current ~22× to maybe mid-20s if ROE improves ¹⁰⁶, but perhaps not much beyond.

- **Global Peer Group – P/E and EV/EBIT metrics:** Comparing Carabao to global and regional peers provides perspective on valuation. Major global soft drink/beverage companies trade in a wide range depending on growth and category:
- **Monster Beverage (US)**, a pure-play energy drink giant, trades at a premium given its consistent growth and high margins. Monster's forward P/E for 2025 is around **28×** and EV/EBITDA ~21× ⁵⁵. Its PEG ratio is fairly high as its growth is more modest (~13.8% EPS growth expected in 2025) ⁵⁵. Monster's higher multiple vs Carabao reflects its global leadership, larger scale, and perhaps lower risk (US-based, not frontier markets). Carabao at ~22× forward earnings is cheaper than Monster's ~28×, despite Carabao having higher projected EPS growth (22% vs ~14%) ⁵⁵. This suggests the market assigns a risk discount to Carabao (as a smaller emerging-market player with less proven stability).
- **Red Bull** is private so no direct multiple, but as a proxy, **Coca-Cola Co** (which is not an energy pure-play but a global beverage peer) trades around **23× 2025 P/E** ¹⁰⁷. **PepsiCo** around **20× 2025 P/E** ¹⁰⁷. These are global staples with low-teens growth and huge scale. Carabao's multiple is in a similar ballpark or slightly lower – notable because it implies investors see Carabao's growth prospects offset by higher risk to give it roughly a market multiple.
- **Yakult Honsha (Japan)**, a functional beverage peer, trades ~19× forward earnings ⁵⁵, which is lower than Carabao's – but Yakult's growth is very slow (2–5%).
- **Thai peers: Osotspa (OSP)**, Carabao's closest domestic peer, trades at about **19.2× 2025F P/E** ¹⁰⁸ and **13.0× EV/EBITDA** ¹⁰⁸, with expected EPS growth of only ~8% in 2025 ¹⁰⁸. Osotspa's dividend yield (~5%) is higher, reflecting a more mature profile ¹⁰⁸. Carabao currently commands a P/E premium to OSP (CBG ~22× vs OSP ~19× for 2025) ⁵⁵ ¹⁰⁸, justified by Carabao's significantly higher growth rate (22% vs 8%) ⁵⁵ ¹⁰⁸. However, Carabao's yield is lower (~2.7%) ⁵⁵, indicating it reinvests more for growth. Another local peer, **SAPPE PCL**, a health drink exporter, trades even cheaper at ~13.8× 2025 P/E ⁵⁵, but Sappe has a niche product focus and smaller size (investors may discount it due to size/liquidity).
- **Regional peers:** If we look at other Asia beverage stocks, valuations vary. For instance, **ThaiBev** (major Thai beer/spirit co) trades around low-teens P/E (but with slower growth). **Celsius Holdings (US)**, a high-growth energy/fitness drink company, trades at a very high multiple (over 50× earnings) due to explosive growth – but that's an outlier case.

From this context, Carabao's valuation appears **somewhat in the middle**: not as cheap as a staid consumer staples company, but not as pricey as a high-growth Western energy drink stock. In fact, at ~17–22× forward earnings, Carabao is just slightly above the **peer group average of ~21×** in Asia ¹⁰⁸. The **EV/EBITDA** of ~15× for 2025 is also near the peer average (~15× in 2025 for the group) ¹⁰⁸. This suggests that the market is valuing Carabao roughly in line with its growth prospects relative to peers. One could argue the stock is at a **PEG ratio around ~1.0** (22% growth vs ~22× P/E), which is reasonable. During its high-flying days, Carabao's PEG was far above 1 (paying 50× for ~15% growth in 2018). Now it looks more grounded.

- **Comparing EV/EBIT (Enterprise Value to Operating Profit):** While P/E is commonly referenced, EV/EBIT adds perspective by factoring debt and tax. Carabao's EV/EBIT would be slightly higher than its P/E given it has some net debt and depreciation. Roughly, for 2025, if Carabao's EBIT margin is ~15% on ₱23.8b sales (EBIT ~₱3.6b) and EV is about ₱60b (market cap ~₱56b plus net debt ~₱4b), then EV/

EBIT is on the order of **~16-17x**. For context, Monster's EV/EBIT (2025F) might be ~22x (as Monster's EBIT margin is higher and it has net cash). Osotspa's EV/EBIT would be perhaps ~15x (as it has decent margins and some debt). So Carabao's EV/EBIT is again mid-range – not as high as Monster's, but not as low as slower peers. It reflects Carabao's still-recovering margin (once EBIT margin improves to ~17-18% by 2026F, EV/EBIT will correspondingly drop if EV stays same). **EV/EBITDA** being ~15.7x for 2025 ⁵⁵ indicates a healthy valuation but not exuberant.

- **Relative to Its Own History:** Carabao's current multiples are **below its historical mean**. For example, its forward P/E ~22x is below the long-term average ~37x ¹⁰³ and even below the -1 standard deviation (~22.6x) from its historical band ⁷³. This suggests the stock is priced more conservatively now. The market arguably is taking a "wait and see" stance – not re-rating it fully until growth is delivered and margins improve. The share price as of Oct 2024 was ~48% below its 2020 peak despite earnings expected to fully recover by 2025 ²⁴. Thanachart called the valuation "inexpensive" at 23x 2025F P/E given 23%/12% EPS growth in 2025/26 ¹⁰⁹. They note that while Carabao's ROE won't hit the 38% of 2020, it will improve to ~25% which still supports a higher multiple than currently ¹⁰⁹ ¹⁰⁶. This implies potential upside if the market gains confidence – for instance, a rerating to even 25-27x forward (closer to one standard deviation below past avg) could occur if Carabao posts a few strong quarters. Conversely, if growth disappoints, the stock could de-rate further into the mid-teens P/E, akin to a no-growth consumer stock.
- **Valuation vs Growth Prospects:** Considering Carabao's likely growth (high-teens to maybe 20% EPS CAGR over the next 2-3 years if all goes well), its **PEG ~1** is reasonable. In comparison, Monster's PEG is higher (28x for ~14% growth, PEG ~2), indicating Monster is valued for stability and dominance. Osotspa's PEG is higher too (19x for <10% growth). This could mean Carabao has some upside if it proves its growth is reliable, as investors could then award it a small premium. On an **EV/EBITDA-to-growth** basis, Carabao at ~15x with, say, 15% EBITDA growth also is around 1.0, which is fair. It's certainly not in "bargain" territory, but given its leadership position and expansion potential, one might argue it's attractively valued relative to its own past and some peers.
- **Peer EV/EBITDA:** To compare, Monster's EV/EBITDA ~21x for 2025 ⁵⁵ is much higher, reflecting its global reach. Coke/Pepsi EV/EBITDA ~15x, similar to Carabao's, but those are slow growers. Osotspa EV/EBITDA ~13x ¹⁰⁸, a bit lower (which could reflect its recent struggles and lower growth). Sappe EV/EBITDA ~8x ⁵⁵, but Sappe is a smaller niche player. Thus Carabao's multiples align with a company that has both growth and some risk – not as low as a pure Thailand consumer defensive, not as high as a hot growth stock.

Likely Growth vs Valuation: If Carabao achieves management's plan (double-digit earnings growth for a few years), one would expect its valuation to at least sustain current levels or improve slightly. One concern is the margin dilution from distribution might cap ROE and therefore P/E expansion. Indeed, analysts think P/E may not return to 30x+ for that reason ¹⁰⁶. But if, for example, the beer business unexpectedly succeeds, the market could reassess Carabao as a larger, more diversified company and possibly value it closer to regional beverage conglomerates. However, those conglomerates (like ThaiBev or even Asahi) often trade around 15-20x anyway. So realistically, the upside case might be P/E returning to ~25-27x if growth surprises positively. The downside case is if growth underwhelms or risks materialize: Carabao could drop to low-teens multiples, which would be a significant de-rating from here (and likely accompanied by a stock drop).

Areas of Valuation Uncertainty/Controversy: One area of debate is how to value the **new ventures**. Some analysts might value Carabao's core energy drink business and the distribution business separately. The distribution business (low margin) arguably deserves a lower multiple (like a trading company, maybe ~10x earnings), whereas the branded business could deserve 20x+. As the mix shifts, this could drag the blended multiple. If the beer business is not in forecasts yet, there's potential upside if it works – it's like an embedded option in the stock. But if one is skeptical, they might attribute zero or negative value to it (assuming it could even lose money in initial years). Thus, how the market sentiment swings on the **beer venture** could influence multiples. If early signs are good (market share uptake, positive reception), bulls might start pricing Carabao more like a multi-category beverage firm and less like just an energy drink stock, which could help the stock break out of the current valuation range. On the other hand, if beer is seen as a costly folly, it might drag sentiment, with investors focusing on the cash drain rather than potential.

Finally, Carabao's **EV/Invested Capital** is about 3x (2024) falling to ~2.7x by 2026 ¹¹⁰, indicating the market values its capital base at a premium, which is expected for a high ROIC business. As long as ROIC stays high (and it is projected ~20%+), the valuation can be justified. The risk would be if ROIC falls (e.g. due to heavy capital investment not yielding proportional profit), then multiples could compress.

In conclusion, Carabao's valuation is **moderate relative to peers** – it's not a glaring bargain, but given its growth profile, it appears *fairly valued to slightly undervalued* in the context of historical multiples and global comps. The stock's re-rating potential depends on delivering growth and dispelling some uncertainties. If management hits their targets (strong domestic growth, export recovery, and successful diversification), there is room for the multiple to expand toward the high-20s P/E (which would drive significant share price appreciation from current levels) ⁷⁴ ³³. Conversely, any stumble could keep the multiple where it is or compress it. Investors should therefore keep an eye on key metrics like ROE improvement and margin trends because those will influence how the market judges Carabao's appropriate multiple relative to peers.

Sources: The information and data presented in this report are sourced from Carabao Group's financial disclosures and analyses by equity research and news outlets. Key references include Thanachart Securities research (Oct 2024) which provided market share, financial forecasts and peer comparisons ¹⁴ ¹¹¹ ⁵⁵ ¹⁰⁸, Finansia Syrus/FSSIA research (Aug 2025 and Nov 2023) for recent quarterly performance and strategic insights ²⁹ ¹¹², as well as news articles from *FoodNavigator-Asia* on Carabao's beer launch ¹³ ⁹. Market share figures and industry context were cross-referenced with Bloomberg and thanachart sector reports ²³. All source material has been cited inline for verification and to highlight areas of uncertainty or varying viewpoints (e.g., analyst caution about margin dilution ¹⁰⁶). This comprehensive analysis aims to reflect the current state of Carabao Group's business and its investment considerations as of late 2025, while noting that some forward-looking statements (especially regarding new initiatives) carry a degree of uncertainty that investors should monitor closely.

1 4 5 14 24 25 27 28 30 33 39 40 48 50 55 72 73 74 77 78 79 84 96 97 100 103 104 105 106
107 108 109 111 tnsthinkwebcontent.thanachartsec.com

<https://tnsthinkwebcontent.thanachartsec.com/wp-content/uploads/2024/10/CBG241018E.pdf>

- 2 3 15 16 22 36 37 43 49 60 81 98 **contents.innovestx.co.th**
<https://contents.innovestx.co.th/static/investment-content/Cafe/articles/b9/ad/1744938656816-044c4fd6a91d692dc9afd6d984d4ed3d73534ae854884426965e346a3527d1d2.pdf?sp=rl&st=2024-07-24T08:09:15Z&se=2034-07-24T16:09:15Z&spr=https&sv=2022-11-02&sr=c&sig=UyZW0FyOwmqaSNjM3sfxJWMM%2FYy%2FYMIuxpyKd>
- 6 7 8 11 17 44 45 46 47 85 86 87 88 89 90 93 94 95 112 **fnsyrus.com**
[https://www.fnsyrus.com/uploads/research/20231120CARABAOGROUP\(CBG_TB\)_InitiatewithHOLDTPTHB87.00.pdf](https://www.fnsyrus.com/uploads/research/20231120CARABAOGROUP(CBG_TB)_InitiatewithHOLDTPTHB87.00.pdf)
- 9 10 12 13 62 63 83 91 92 **Carabao seeks to take on Thailand's dominant beer players with multi-variant portfolio launch**
<https://www.foodnavigator-asia.com/Article/2024/06/11/carabao-seeks-to-take-on-thailand-s-dominant-beer-players-with-multi-variant-portfolio-launch/>
- 18 19 20 **Thai energy drink's record £18 million sponsorship is changing English football (and why it matters beyond sports)**
<https://www.journee-mondiale.com/en/thai-energy-drinks-record-18-million-sponsorship-is-changing-english-football-and-why-it-matters-beyond-sports/>
- 21 **Carabao extend EFL Cup partnership - Fleetwood Town Football Club**
<https://www.fleetwoodtownfc.com/carabao-extend-efl-cup-partnership/>
- 23 **[PDF] Thailand Energy Drink Sector - thanachartsec**
<https://tnsthinkwebcontent.thanachartsec.com/wp-content/uploads/2022/03/Beverage220321E.pdf>
- 26 29 31 32 34 35 38 41 42 51 52 53 54 69 70 75 76 80 82 101 102 110 **fnsyrus.com**
[https://www.fnsyrus.com/uploads/research/20250813CARABAOGROUP\(CBGTB\)-2Q25resultsatfirstglance;MaintainBUYTPTHB74.00.pdf](https://www.fnsyrus.com/uploads/research/20250813CARABAOGROUP(CBGTB)-2Q25resultsatfirstglance;MaintainBUYTPTHB74.00.pdf)
- 56 **OSP showcases energy drink strategy, driving steady growth ...**
<https://www.osotspa.com/en/newsroom/news-releases/762/osp-showcases-energy-drink-strategy-driving-steady-growth-through-a-strong-brand-portfolio>
- 57 **EXECUTIVE SUMMARY - PUB & BAR Asia**
<https://pubbarasia.com/industry-outlook-2024-2026-thailands-beverage-industry/>
- 58 **Top 8 Energy Drinks Suppliers in Thailand in Year 2025 - Freshdi**
<https://freshdi.com/blog/top-8-energy-drinks-suppliers-in-thailand-in-year-2025/>
- 59 **[PDF] Report Name: Sugar Annual**
https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Sugar%20Annual_Bangkok_Thailand_TH2025-0015.pdf
- 61 **Carabao energy drink announces two year extension to Carabao ...**
<https://grocerytrader.co.uk/carabao-energy-drink-announces-two-year-extension-to-carabao-cup-partnership/>
- 64 **Thai businesses activate contingency plans amid Cambodia border ...**
<https://www.nationthailand.com/news/general/40051713>
- 65 **[PDF] Sugary drink taxes around the world - Global Food Research Program**
https://www.globalfoodresearchprogram.org/wp-content/uploads/2023/06/GFRP-UNC_Tax_maps_beverages_2023_06.pdf
- 66 **[PDF] PUBLIC COMPANY LIMITED SUSTAINABILITY REPORT 2022**
<https://www.carabaogroup.com/en/pdf/CBG-Sustainability-Report-2022.pdf>
- 67 **Sathien Sathientham - Forbes**
<https://www.forbes.com/profile/sathien-sathientham/>

68 Aed Carabao and Sathien Setthasit

<https://tableflip.github.io/carabao/history/>

71 Carabao (CBG) Stock Now Top-Performing Drinks Company - Bloomberg

<https://www.bloomberg.com/news/articles/2019-03-19/thai-red-bull-rival-reclaims-top-performing-drinks-company-crown>

99 Cambodia crisis hits Thai brands, disrupts logistics and halts ad ...

<https://asianews.network/cambodia-crisis-hits-thai-brands-disrupts-logistics-and-halts-ad-spending/>