

Beverage

Pricing Key To Market Differentiation For Highly Substitutable Products

Highlights

- The beverage sector's 1H26 earnings are expected to drop yoy, mainly dragged by CBG, although we opine this is already reflected in current valuations. While we anticipate a potential sales recovery in 2H26, we are also monitoring international developments and domestic market share dynamics.
- Rising energy and raw material costs will pressure margins. In the short term, we prefer OSP for its higher gross margin buffer and lower domestic market share pressure. Initiate coverage on OSP with BUY and on CBG with HOLD. We are MARKET WEIGHT on the beverage sector.

Analysis

- Sector earnings likely to remain sluggish yoy in 1H26.** We expect sector earnings to fall yoy in 1H26, mainly dragged by Carabao Group (CBG) due to: a) its plummeting international sales, b) an intense domestic price war, and c) increasing energy and freight costs. Selectively, we are more positive on Osotspa's (OSP) 1H26 performance in view of its raw material cost hedging and lower exposure to global markets. However, we will monitor market share dynamics following T.C. Pharmaceutical Industries Company's (TCP) price cut in the Bt10/bottle segment. Any potential market share loss could further pressure earnings, particularly for players with weaker margin structures.
- Eye on competition in domestic energy drink business.** The Thai energy drink market remains highly price-sensitive, as reflected in the market share losses suffered by OSP and TCP after they raised energy drink prices (from Bt10/bottle to Bt12/bottle). This prompted OSP to reintroduce Bt10 energy drinks at the beginning of 2025 and TCP to reduce its energy drink price back to Bt10 in Mar 26 in a bid to regain their market shares. We foresee more intense competition among CBG, OSP and TCP in 2026.
- In our view, OSP's domestic energy drink performance is expected to improve yoy, driven by the Bt10 relaunch in 2026 and new premium product launches. However, with the return of stiffer competition in the Bt10 segment, we see greater downside risk to CBG's portfolio, as its prior market share gains following OSP and TCP's price increase to Bt12/bottle may reverse.
- MARKET WEIGHT with undemanding valuation.** We initiate coverage on the beverage sector with a MARKET WEIGHT recommendation. Despite elevated commodity costs and persistent external pressures, both CBG and OSP are currently trading at 12-13x PE, below their four-year average of 32-34x. In the short term, we favour OSP for its premiumisation strategy and effective cost control amid high commodity costs and stronger domestic competition, which should help mitigate margin pressure. Following the recent share price correction, we see an attractive opportunity for accumulation now. Additionally, 1H is typically the high season.
- Initiate coverage on OSP with BUY and a target price of Bt20.00.**
- Initiate coverage on CBG with HOLD and a target price of Bt42.00.**

Click [here](#) for Full Report dated 09 April 26

Peer Comparison

Company	Rec	Price 8 Apr 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2026F (Btm)	2026F (Btm)	PE 2026F (x)	2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
CBG TB	HOLD	39.00	42.00	7.69	1,200	2,549	2,696	15.3	14.5	9.9	2.5	3.0	17.3
OSP TB	BUY	15.30	20.00	30.72	1,414	3,490	3,655	13.2	12.6	(4.8)	2.6	5.0	19.4

Source: UOB Kay Hian

MARKET WEIGHT

Analyst(s)

Tanapon Cholkadidamrongkul

tanapon.c@uobkayhian.co.th

+662 090 3359

Assistant Analyst(s)

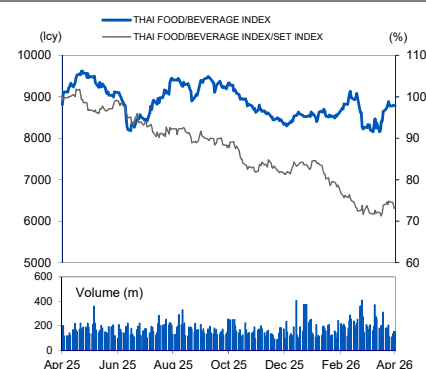
Nichapa Ratchabandit

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Osotspa	OSP TB	BUY	15.30	20.00

Source: Bloomberg, UOB Kay Hian

Price Chart

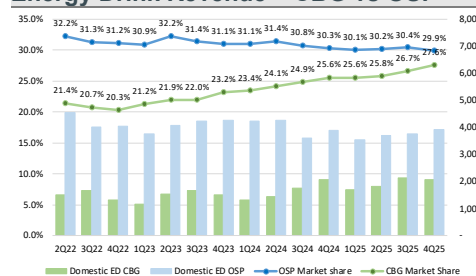


Source: Bloomberg

Investment Highlights

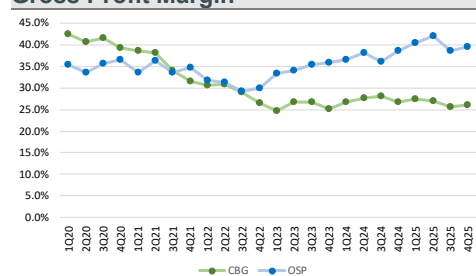
- Sector earnings likely to remain sluggish yoy in 1H26.** We project a yoy fall in 1H26 sector earnings, mainly dragged by CBG due to: a) its plummeting international sales following the Thailand-Cambodia border tensions and macroeconomic developments in Cambodia, Laos, Myanmar and Vietnam (CLMV) (eg, Cambodia sales normally account for 13-15% of CBG's total sales and 1-2% of OSP's); b) an intense domestic price war; and c) energy and raw material cost hikes. Selectively, we are positive on OSP's 1H26 performance, given its raw material cost hedging and lower exposure to global markets.
- Eye on competition in domestic energy drink business.** The Thai energy drink market remains highly price-sensitive as its core consumers are predominantly blue-collar workers, as reflected in the market share losses suffered by OSP and TCP after they raised energy drink prices (from Bt10/bottle to Bt12/bottle). This prompted OSP to reintroduce Bt10 energy drinks at the beginning of 2025 and TCP to reduce its energy drink price back to Bt10 in Mar 26 in an attempt to regain domestic market share. We foresee stiffer competition among CBG, OSP and TCP, the top three market leaders in 2026. Also, the overall energy drink market share value in 2026 is expected to grow slightly as one player's sales growth is likely to be partially offset by the weaker performance of other players.
- CBG expected to be vulnerable to market share loss in Bt10 segment.** In our view, OSP's domestic energy drink performance is expected to improve yoy, supported by the relaunch of its Bt10/bottle products in 2026 and the introduction of new products in the company's premium portfolio. However, with the return of higher competition in the Bt10 segment, we see a greater downside risk to CBG's portfolio (mainly in the Bt10 segment), as its prior market share gains following OSP and TCP's price increase to Bt12/bottle may reverse. Based on our sensitivity analysis, for every 5% decline in domestic market share, we estimate a downside impact to 2026 earnings of around 12% for CBG and 8% for OSP.
- Penetration pricing or premiumisation strategies.** The key difference between OSP and CBG lies in their strategies, with OSP focusing on the premium segment and CBG maintaining its pricing in the mass segment (flagship energy drink at Bt10/bottle). In this scenario, we are more positive on OSP, as its premium product portfolio should better support gross margin. Meanwhile, intensifying competition in the Bt10/bottle segment is likely to drive shifts in sales volume, which could limit margin expansion for CBG.
- International market expansion.** Both OSP and CBG aim to expand their presence in international markets, with their exposure currently concentrated in CLMV countries. However, uncertainties in overseas markets remain a key overhang, as reflected in CBG's earnings drag due to a weaker performance in Cambodia since 2H25, which is likely to persist in 2026. In addition, ongoing economic uncertainties and geopolitical tensions in other regions should also be closely monitored.
- Cost-efficient focus.** We expect soft commodity prices to rise in 2026. Aluminium prices and energy costs are trending higher, although declines in sugar and cullet prices should partially offset the fall. However, OSP has implemented a leaner cost structure and hedged raw material costs through 1H26, with lower exposure to natural gas and aluminium costs than CBG. Also, CBG's gross profit is likely to face greater pressure due to its reliance on its mass-market flagship products. Should the uptrend in energy and raw material costs persist, this would pose a downside risk to sector earnings.
- MARKET WEIGHT with undemanding valuation.** We initiate coverage on the Thai beverage sector with a MARKET WEIGHT recommendation. In the short term, we favour OSP for its premiumisation strategy and effective cost control amid elevated commodity costs and higher domestic competition.

Energy Drink Revenue – CBG vs OSP



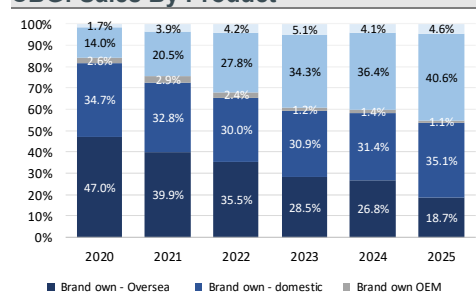
Source: CBG, OSP, UOB Kay Hian

Gross Profit Margin



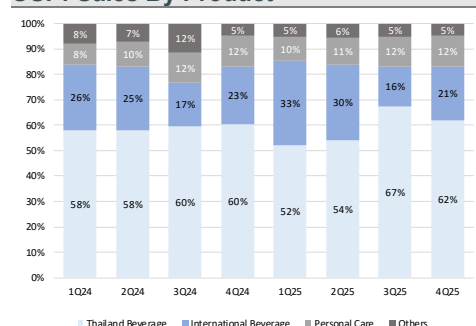
Source: CBG, OSP, UOB Kay Hian

CBG: Sales By Product



Source: CBG, UOB Kay Hian

OSP: Sales By Product



Source: OSP, UOB Kay Hian

Meanwhile, stocks are trading at 12-13x, below their four-year average of 32-34x, reflecting low earnings expectations.

Valuation And Recommendation

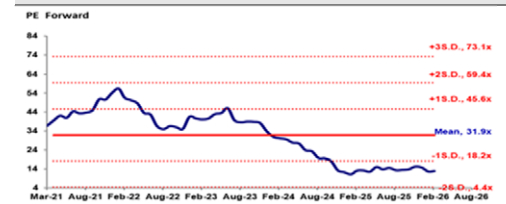
- Thailand's leading energy drink players CBG and OSP underperformed due to pressures on their stock prices in 2025 from CBG's international sales decline and OSP's domestic market share erosion, which could continue this year. We expect the market to remain cautious on the sector, with sector earnings likely to decline yoy in 2026, dragged by: a) ongoing domestic market share shifts, b) a slow sales recovery in Cambodia, and c) macroeconomic uncertainties. However, valuations have de-rated to 12-13x, below the historical four-year average of 32-34x. We therefore recommend a MARKET WEIGHT rating on the beverage sector.
- CBG: Initiate coverage with HOLD at a target price of Bt42.00.** We adopt the PE valuation method and peg the stock at -1.5SD to its four-year PE band of 16x to reflect the headwinds of domestic competition and international uncertainties. We remain positive on CBG over the long term, as it is supported by its international business and also the growth of Carabao Tawandang Co which has synergies with CBG. However, in the short term, we will closely monitor its domestic market share and the impact of raw material price hikes.
- OSP: Initiate coverage with BUY at a target price of Bt20.00.** Using the PE valuation method, we value OSP at -1SD to its four-year PE band, implying a multiple of 18x. The stock is trading at around -1.5SD. Although we foresee stronger competition in the Bt10/bottle energy drink segment and higher raw material costs, we believe OSP's premium product segment should help cushion pressure on gross margin. Also, dividend yield is attractive at 6%.

CBG PE Band



Source: UOB Kay Hian

OSP PE Band



Source: UOB Kay Hian

Market Share By Value Sensitivity

Market Share by Value	Revenue		Earnings		Target Price	
	CBG	OSP	CBG	OSP	CBG	OSP
-5%	-6%	-5%	-12%	-8%	36.96	18.40
-4%	-5%	-4%	-10%	-6%	37.80	18.80
-3%	-4%	-3%	-7%	-5%	39.06	19.00
-2%	-3%	-2%	-5%	-3%	39.90	19.40
-1%	-1%	-1%	-2%	-2%	41.16	19.60
0%	0%	0%	0%	0%	42.00	20.00
1%	1%	1%	2%	2%	42.84	20.40
2%	3%	2%	5%	3%	44.10	20.60
3%	4%	3%	7%	5%	44.94	21.00
4%	5%	4%	10%	6%	46.20	21.20
5%	6%	5%	12%	8%	47.04	21.60

Source: UOB Kay Hian

- Earnings scenarios.** We conduct a scenario analysis of the impact of market share shifts on the earnings and target prices of CBG and OSP following a price reduction for energy drinks in the Bt10 segment by TCP in Mar 26, which could increase the risk of market share losses for CBG and OSP.
- Our sensitivity analysis assumes every 5% domestic market share loss would drag earnings by 12% for CBG and by 8% for OSP in our 2026 earnings forecasts. However, the current share price corrections – CBG down 20.7% ytd and OSP down 13% ytd – indicate that the downside scenario and low market expectations have been priced in.
- At the current levels, we see more attractive upside potential for OSP, and favour the stock for its stronger margin profile and better earnings resilience.

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