



## Haad Thip (HTC TB)

Monopoly Coca-Cola bottler at 9x P/E and 7% dividend yield



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# Summary



1. Haad Thip is a Coca-Cola bottler responsible for the Southern 14 states of Thailand. Bottlers like Haad Thip buy concentrate from the Coca-Cola Company and then mix it with water, sweetener, carbon dioxide and other additives into bottles, which are then sold to retail outlets across Southern Thailand.
2. The company is run by Patchara “Dollar” Rattakul, the son of the previous CEO. He has an Oxford degree in Philosophy, Politics and Economics and seems eminently qualified for the job. Before becoming a CEO, he spent ten years in the position as Chief Operating Officer during a period when the company upgraded its bottling equipment and became a highly efficient producer with high teens operating margins.
3. The company is a virtual monopoly in Southern Thailand. It has an 84% market share in carbonated beverages. And the strength of the Coca-Cola brand name means that it’s likely to maintain this share. Haad Thip does have competition within the non-carbonated beverage area, but even here the Minute Maid brand carries a certain cachet that’s hard to compete with.
4. Sales volumes have grown at a 4.4% CAGR to 70 million cases per year. On top of this, we should expect steady price increases. For example, in 2022, Haad Thip raised prices by +6.0%, followed by another +1.5% in 2023. I also think that the Coca-Cola Company, under new CEO James Quincey has become more agile than it has in the past. It’s innovating with new flavours and variants, including no sugar versions of Coke that are becoming increasingly popular. At Haad Thip, its no sugar carbonated beverages are growing sales volumes by almost 30% per year, although from a low base. Coca-Cola is also entering the alcoholic beverages segment, and Haad Thip is planning to release such beverages into Southern Thailand. On my numbers, Haad Thip trades at around 10x current-year P/E and 9x 2027e P/E. Given the generous 70% dividend payout ratio, expect dividend yields of 7-8% in the next few years.
5. One question mark I have concerns sugar taxes. Thailand introduced sugar taxes in 2017, and the fourth phase of sugar tax increases will take place on 1 April 2025. Given the 11 grams of sugar per 100 milliliters of a normal Coca-Cola bottle, the tax will increase from THB 1 to THB 3 per liter (US\$3 cents to US\$9 cents). It’s possible that volumes will be affected on the margin.
6. A broader question is the future of sweetened carbonated beverages. There’s a trend towards increased focus on health. Will Coca-Cola eventually become out-of-fashion? Though I am personally not particularly worried. Thailand is nowhere near the types of consumption volumes we’ve seen in the United States. And Coca-Cola is responding well with no sugar versions for those who prefer supposedly healthier version of the drink. The main competitor seems to be mineral water. And mineral water simply doesn’t appeal to consumers the way that Coca-Cola does.



## Business overview



- Haad Thip (HTC TB) (หาดทิพย์ or “heavenly beach”) is a regional Coca-Cola bottler, with exclusive rights to sell related products across Thailand’s 14 southern provinces where 15% of the population resides. It sells 56 million units/year.
- The company is run by several families that have been associated with the company and its bottling contract since the 1970s.
- It buys syrup from the Atlanta-based Coca-Cola Company, adds water, carbonation and sweeteners and packages them in cans, or glass or PET bottles. It also distributes the beverages to supermarkets, restaurants, mom & pop shops, etc.



# Haad Thip has a modest net debt position it can easily support



- Share price: THB 16.2
- Shares outstanding: 402 million
- Total market cap: US\$194 million
- Net debt: US\$27 million
- Enterprise value: US\$220 million
  
- Trading volume: US\$116,000

US\$ million

250

27

220

194

200

150

100

50

0

Market cap  
(US\$m)

Net debt

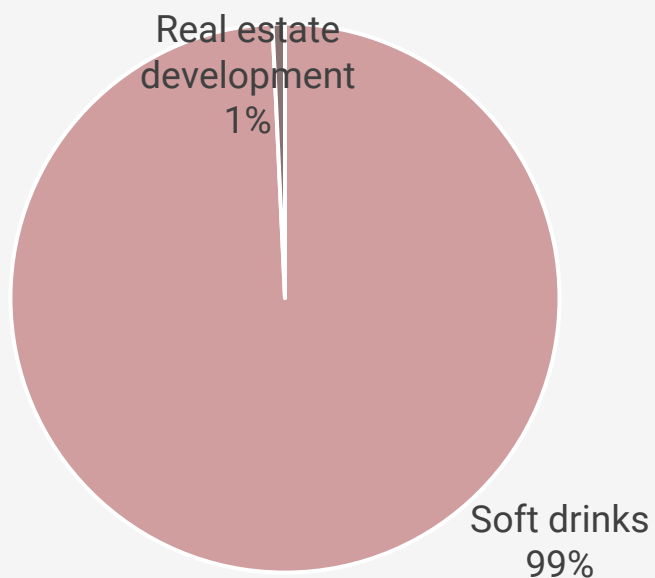
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\* THB = Thai Baht. THB/USD = 33.6

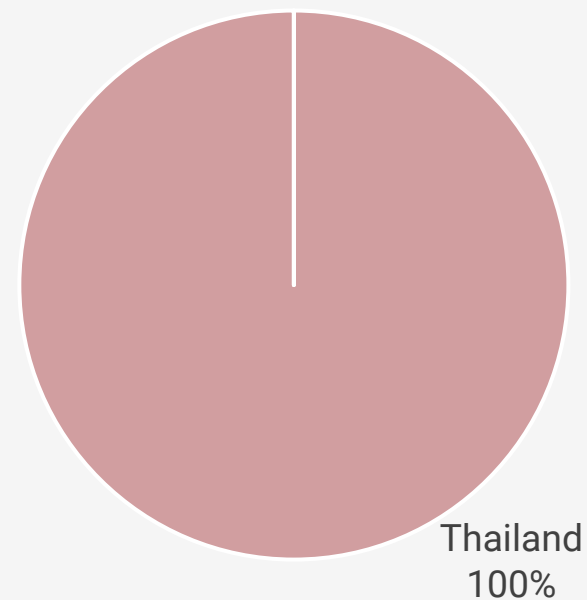
# Haad Thip sells soft drinks in southern Thailand



Revenues by segment



Revenues by country



Source: Ginebra San Miguel annual report 2022

# Introduction to the Coca-Cola Company



- Coca-Cola was invented in **1886** by a pharmacist in Atlanta, Georgia, United States. It was initially made by coca leaves and kola nuts to cure headaches and indigestion.
- Upon his death in **1888**, Asa Griggs Candler acquired the rights to Coca-Cola and built into a national then international powerhouse
- In **1899**, two lawyers in Chattanooga secured exclusive bottling rights, leading to the Coca-Cola System where third-party bottlers are responsible for distribution
- In **1903**, cocaine was removed from the formula but the exact formula ("7X") remains a top secret
- By the **1920s**, Coca-Cola had expanded overseas to countries such as China, Mexico, etc.
- Coca-Cola entered Thailand in **1949**, first through its partner ThaiNamthip and then Haad Thip in the South.





# The Coca-Cola bottling business model





# The Coca-Cola Company (KO US) typically franchises out bottling, though it does own bottlers in India, Africa & Malaysia



- Under the "Coca-Cola System", bottlers buy syrup from the Coca-Cola Company in the United States, then add carbonation, water, sweeteners and put the drink into a bottle.
- Most bottlers are independent, but the Coca-Cola Company also owns a few bottlers itself, notably in Africa, India and certain countries in Southeast Asia.



# A brief history of Haad Thip and Thailand's Coca-Cola industry



- Haad Thip was created in **1969** under the name “Nakhonthip”. Initially it began distributing Coca-Cola products in three provinces: Songkhla, Satun and Yala. The first factory was in Hat Yai in the Songkhla Province.
- In **1974**, the Thai Thana Company led by Lieutenant Pairoj Rattakul took control of the company and invited Princess Suddhasirisopa to be Chairman of the board.
- In **1978**, Nakornthip and Thai Thana jointly established “Haad Thip” to distribute Coca-Cola products in the original three plus eleven additional provinces in Southern Thailand.
- The company listed in **1988** and became a public company in **1994**.
- Following Princess Suddhasirisopa death in **1998**, Charan Kulawanit took over the role as Chairman, a role which he continues to possess until today.
- In **2011**, Haad Thip introduced plastic tube production at its Hat Yai factory in Songkhla. The second factory in Punpin, Surat Thani was completed in **2012**. And a few years later, plastic tube production equipment was installed at Punpin as well.
- In **2018**, Lieutenant Pairoj Rattakul passed away and his son Major General Patchara Rattakul took over as CEO. Since then, Haad Thip's margins have been on an upwards trajectory. Vending machines were introduced. And Salesforce CRM was introduced on top of SAP.
- In **2022**, a second production building in Punpin, Surat Thani was installed, including a new PET Line 3, capable of producing 1,050 bottles per minute. In **2024**, a new glass bottle line finished.



*Princess Suddhasirisopa*



*Punpin, Surat Thani*

# Haad Thip's product portfolio



## Sparkling beverages

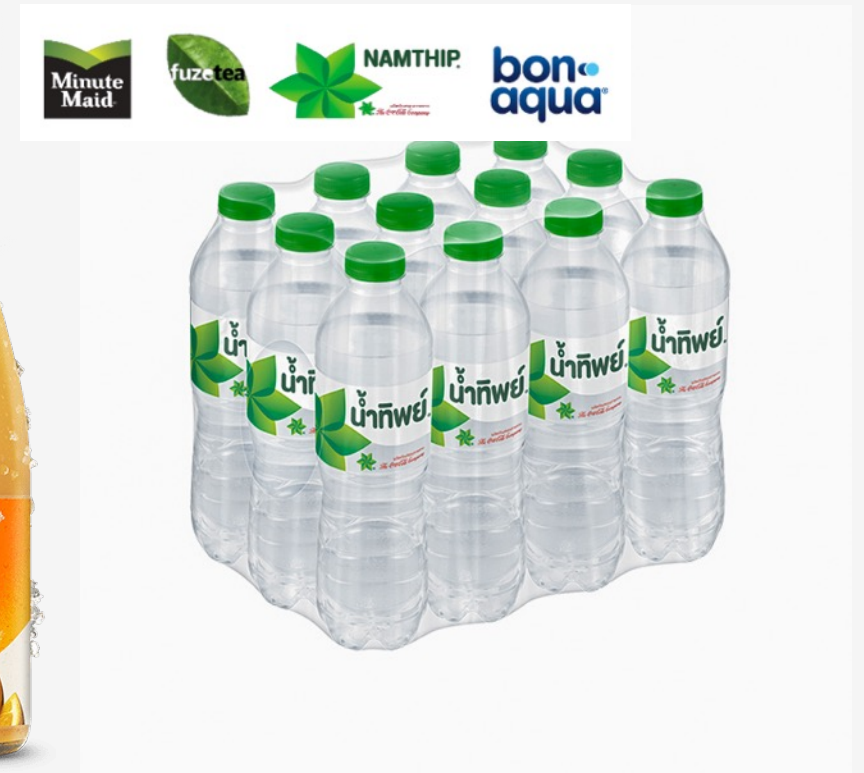


Coca-Cola, Fanta, Sprite, Schweppes, A&W

## Non-carbonated beverages



Minute Maid

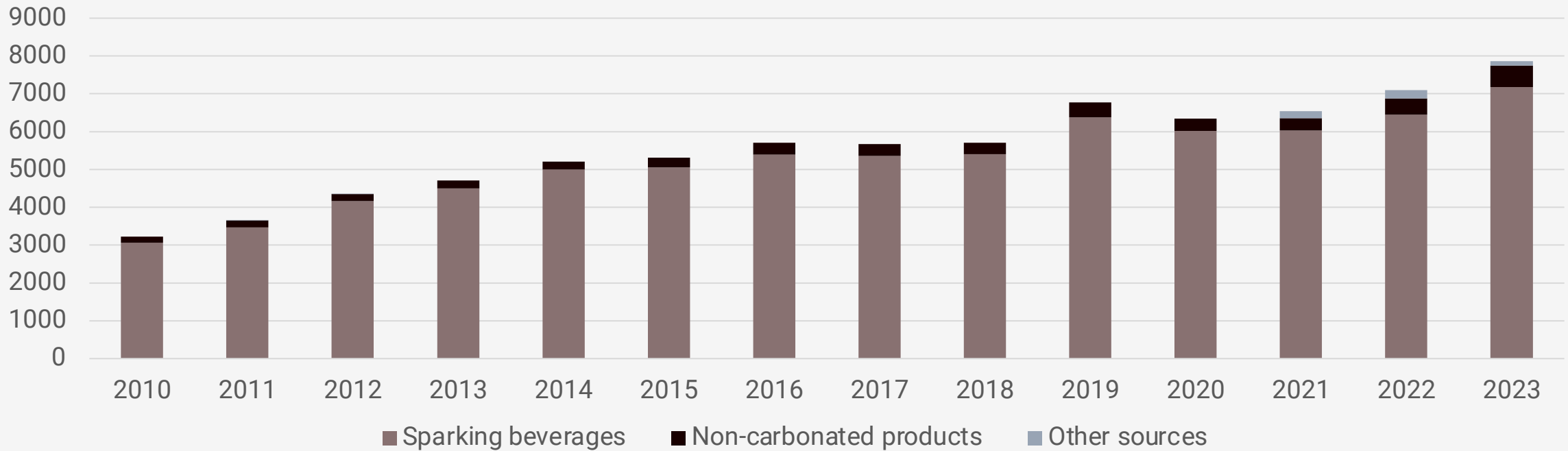


Namthip mineral water

The vast majority of revenues come from sparkling beverages but with some recent growth in non-carbonated products

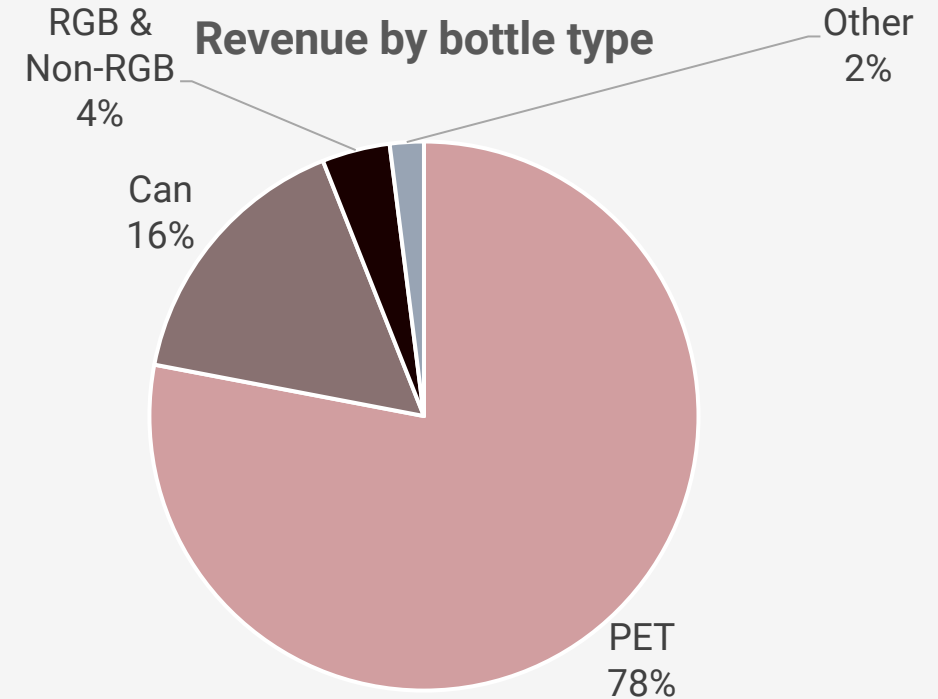
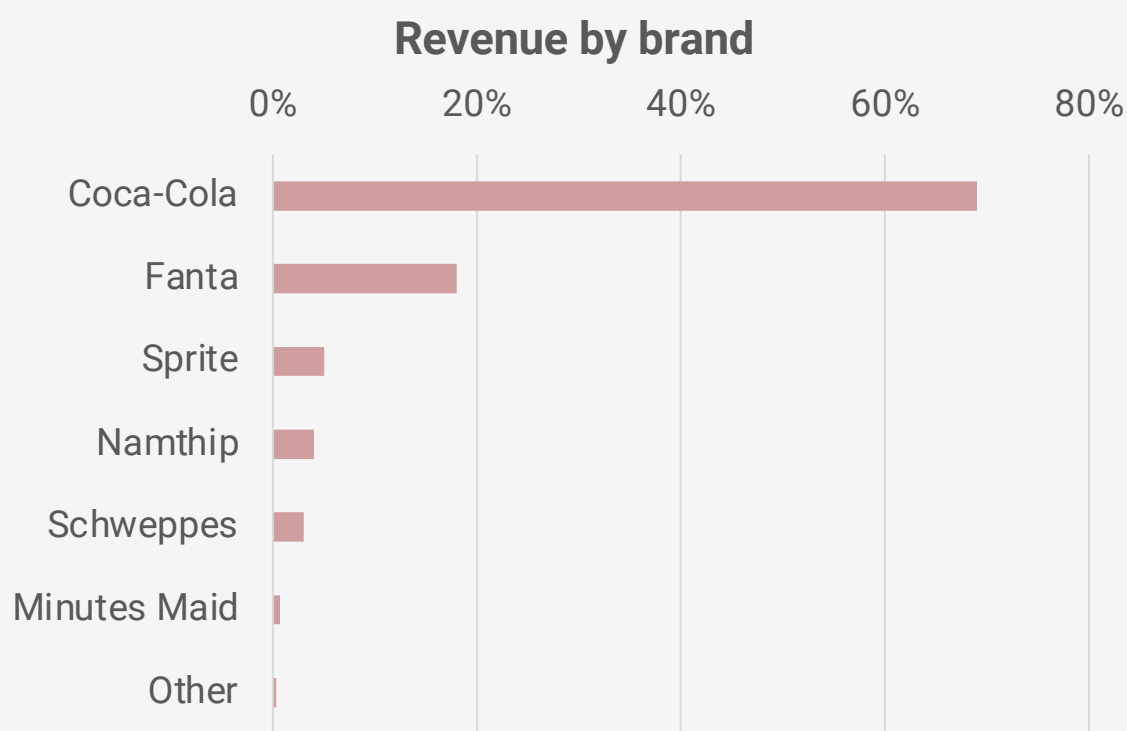


Haad Thip revenue contribution by segment





# Coca-Cola and Fanta are the big money-maker for Haad Thip, and they're mostly sold in plastic PET bottles



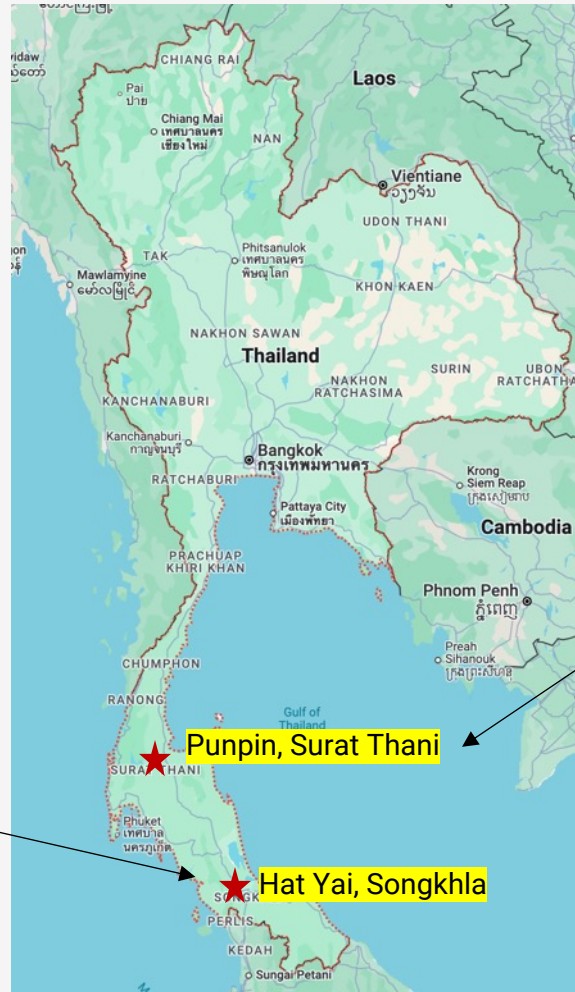
\*RGB = Regular glass bottle

Haad Thip has two plants with sales of 70 million cases per year.  
Most from the newer Punpin plant in Surat Thani.



#### Hat Yai, Songkhla

- The legacy plant with capacity for the production of returnable and non-returnable glass bottles, cans and PET bottles
- Utilization rate low at below 20%
- Has been phased out and now mostly used as distribution center



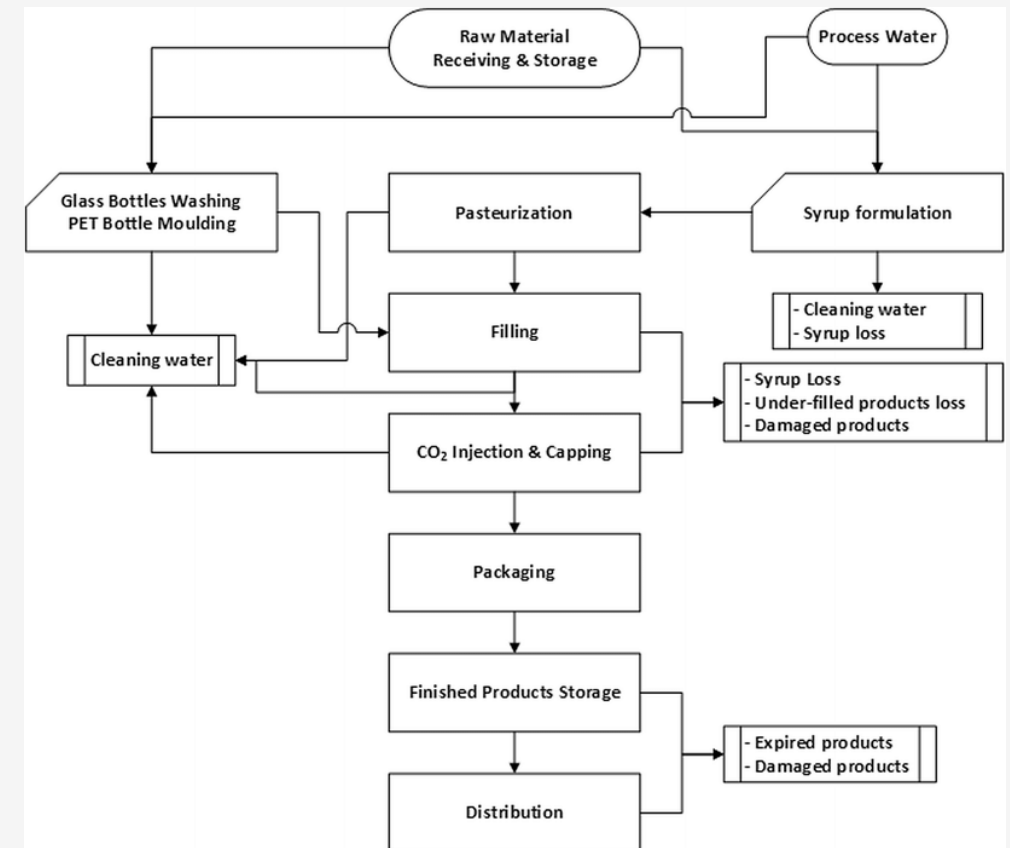
#### Punpin, Surat Thani

- Now main bottling plant of Haad Thip
- Mostly involved in production of PET bottles from 450 ml to 1.5 liters
- Built in 2012, expanded in 2015 and yet again in 2022
- Utilization rate close to 80%

# Manufacturing of carbonated beverages such as Coca-Cola



- The manufacturing of carbonated beverages is straightforward.
- It starts with treating water, including a sterilization process
- Bottles are then washed
- Syrup is added to the water, together with other ingredients such as caffeine and colorings
- Carbon dioxide is added to the mixture for carbonation
- The resulting drink is used to fill bottles or cans
- Conveyor belts ship the bottles and cans into cases
- These cases are finally delivered to warehouses for further transport to customers





# Pictures from inside Haad Thip's Punpin bottling plant

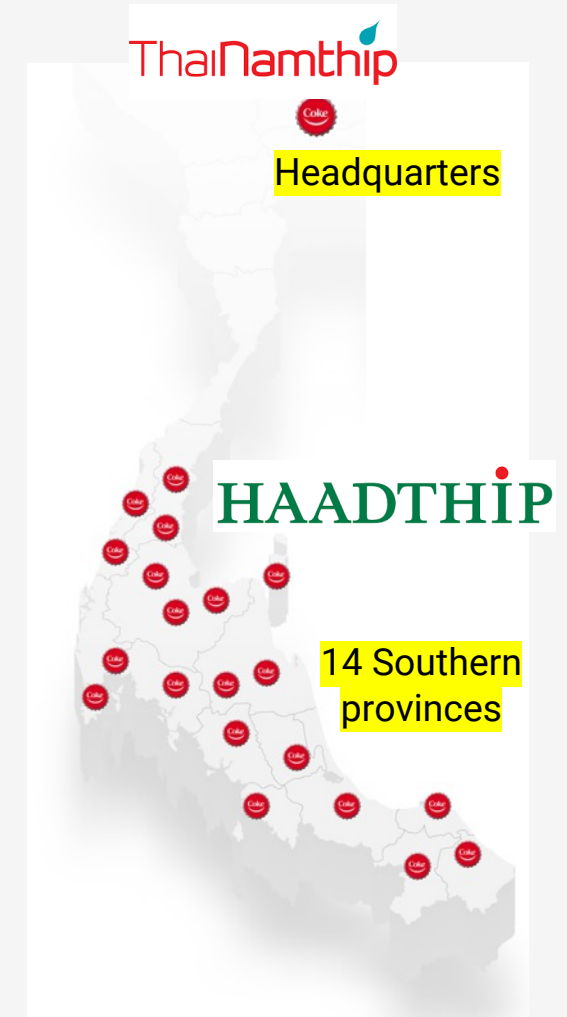




# Haad Thip's distribution footprint



- Haad Thip sells its beverages across 14 provinces in Southern Thailand. ThaiNamthip controls the North, Haad Thip controls the South.
- Distribution takes place through hundreds of trucks and over 20 distribution centers that sell to more than 40,000 retailers
- The main types of customers are:
  - **Wholesalers:** Siam Makro and other B2B establishments
  - **Traditional trade:** Mom & pop stores, grocery stores, cafés, restaurants, night clubs, hotels, beauty salons, street-side food & beverage carts, night markets, pharmacies, academic institutions, vending machines etc.
  - **Modern trade:** Supermarkets and hypermarkets such as Tesco Lotus, Big C, Tops and convenience stores such as 7-Eleven, Family Mart, etc.
  - **New channels:** E-commerce platforms such as Shopee or Haad Thip's own website [cokeshopth.com](http://cokeshopth.com)



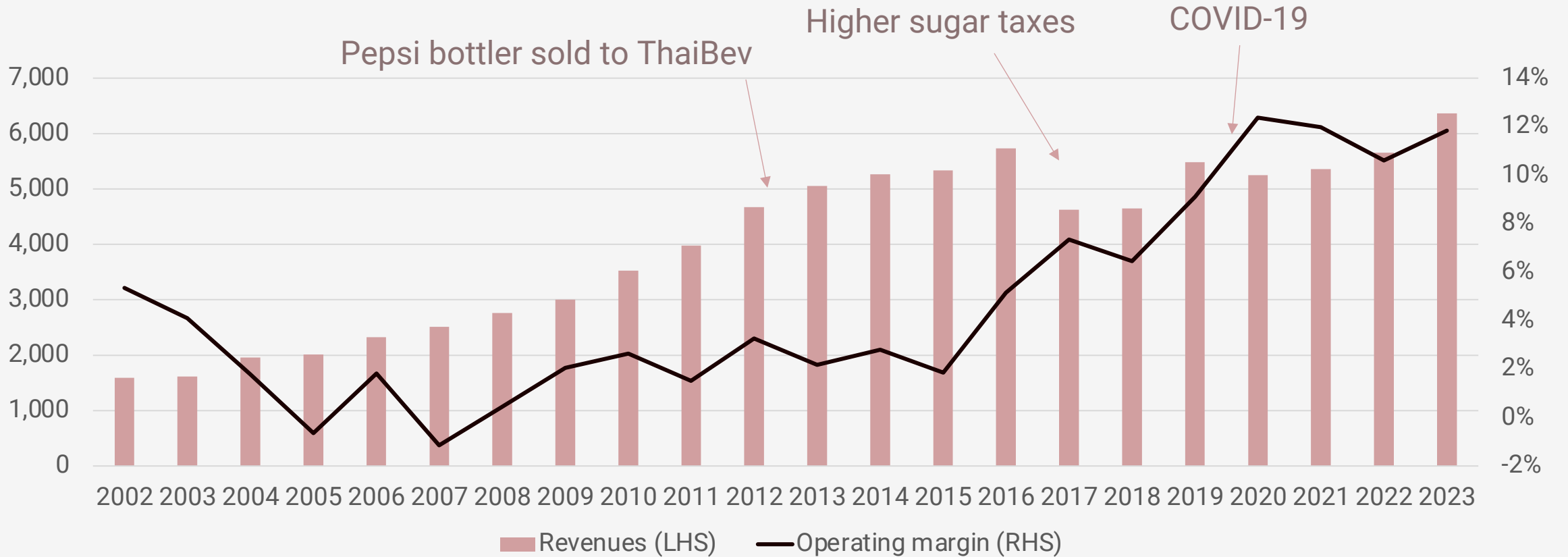
## Competitive advantages



- **The Coca-Cola brand and related intellectual property:** The biggest competitors to Haad Thip include Thai Namthip, which is the exclusive Coca-Cola bottler for the provinces not covered by Haad Thip. There is also direct competition with Pepsi-Cola's "Pepsi" brand, SermSuk's "Est Cola" and Aje Thai's "Big Cola". But these are not particularly successful in Southern Thailand. In the 14 southern provinces, Haad Thip has a carbonated beverage market share of 83%. Its dominance is most likely due to the strong brand name of Coca-Cola and its unique formula that seems to appeal to customers.
- **Economics of scale:** Large scale enables Haad Thip to compete in the non-carbonated market, where competition from SermSuk (ThaiBev) and others is high. Haad Thip is strong in orange juice (Minute Maid) in competition with Tipco and Malee. Meanwhile, SermSuk's Oishi brand and Japan's Ichitan have strength ready-to-drink tea.



Haad Thip's historical growth has been slow but steady, with a nice increase in margins since the Punpin factory from 2012 onwards

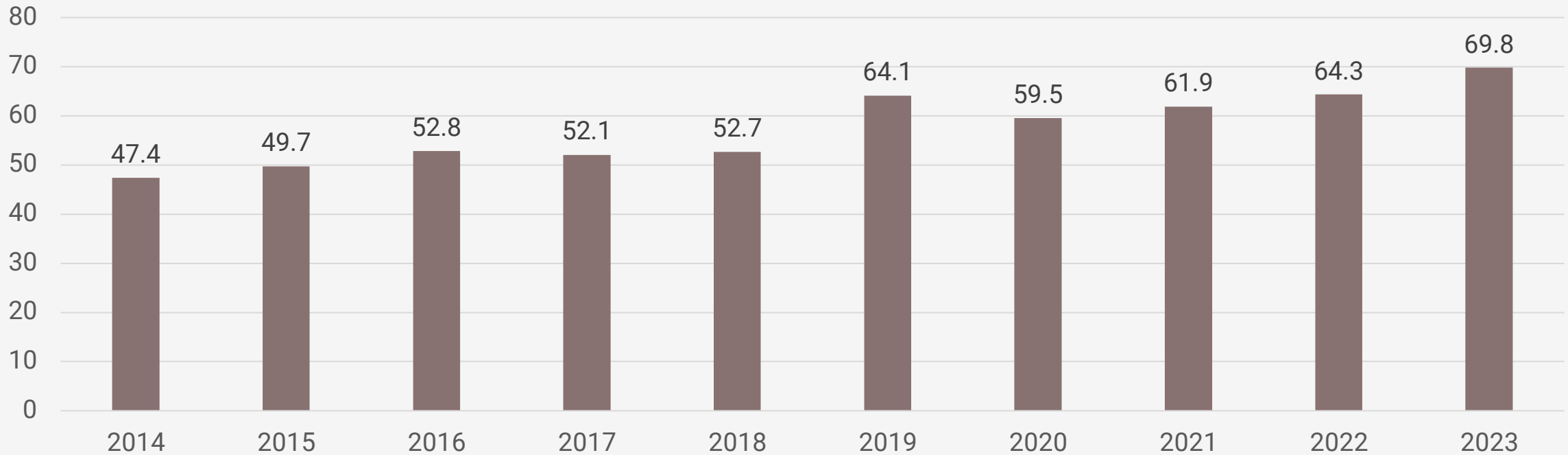


Source: TIKR

## 4.4% CAGR in Haad Thip's beverage sales volumes historically



Beverage sales volume (million cases)

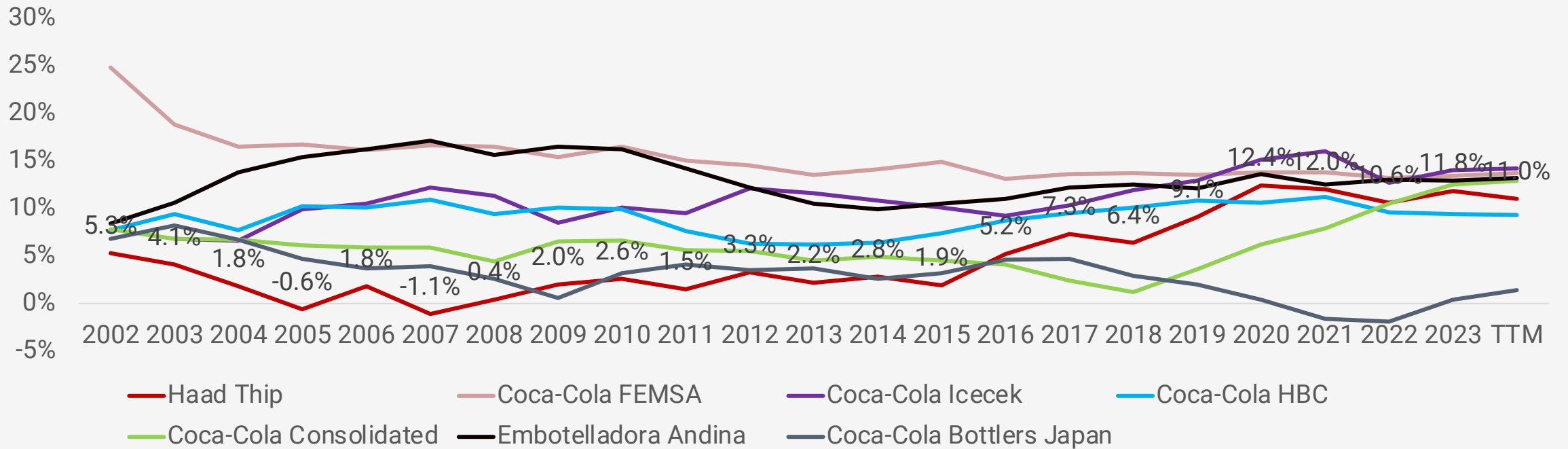




# Haad Thip's EM peers earn operating margins of about 12%



Operating margins

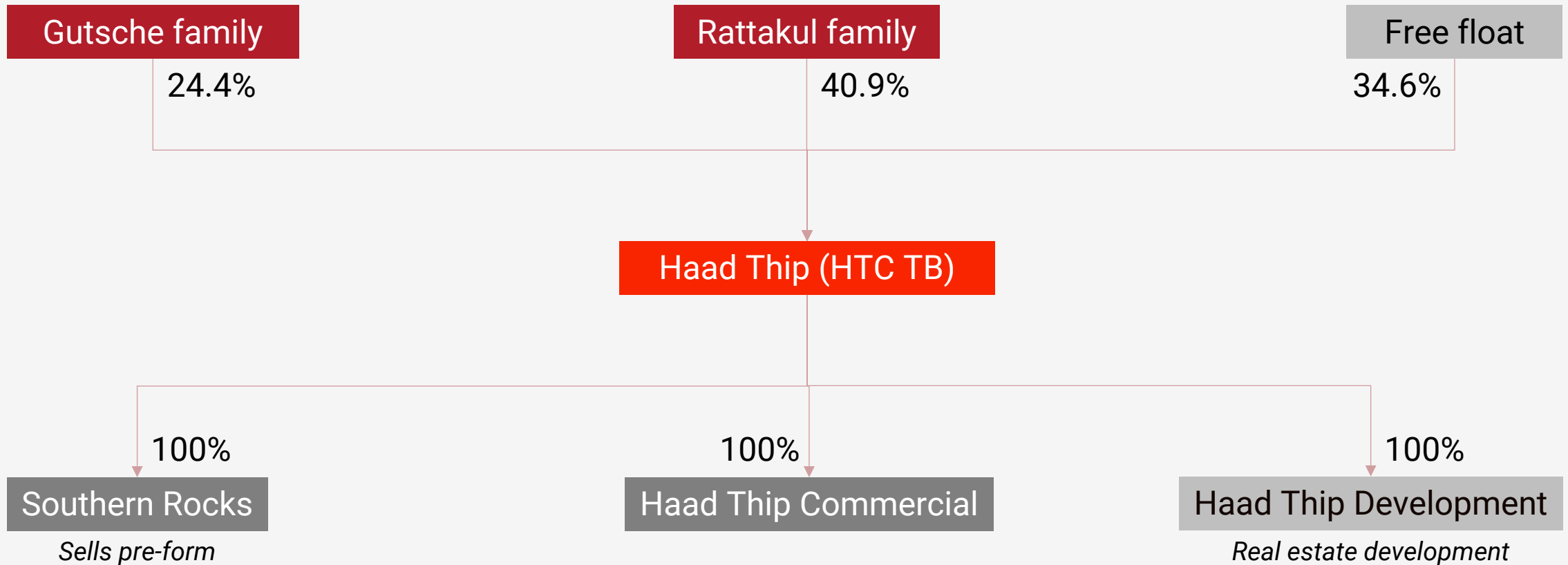


Source: TIKR

Haad Thip is controlled by a number of families in Thailand, which should provide checks and balances



*South Africa CC bottler*



# Haad Thip is run by Patchara “Dollar” Rattakul, who is ex-military and seems to be a caring individual



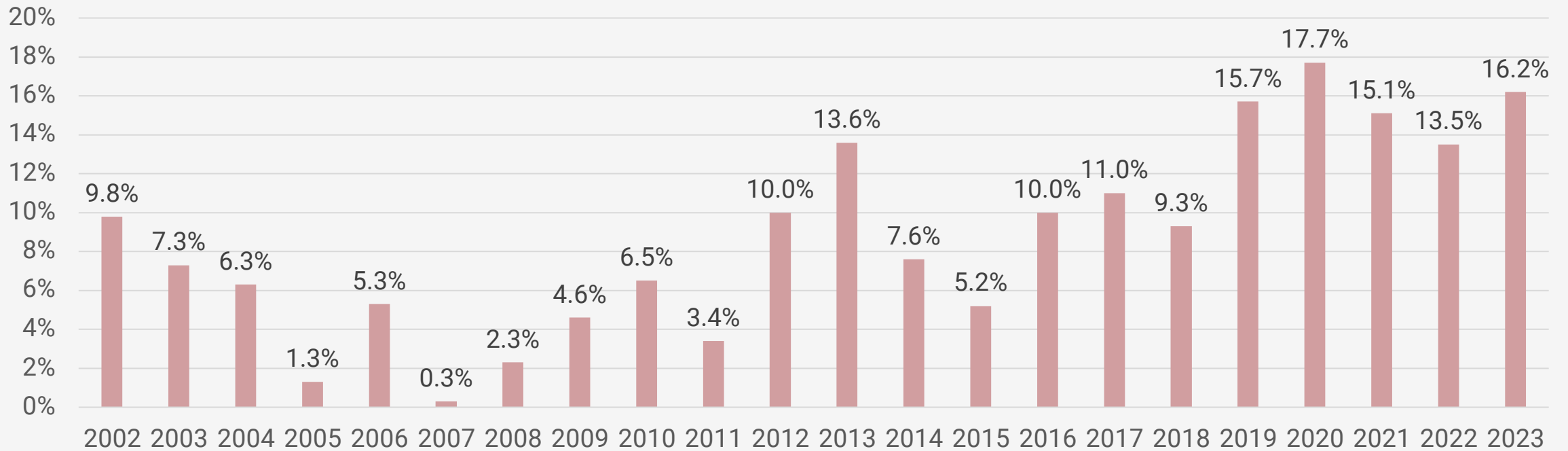
- Since 2019, Haad Thip has been run by CEO Major General **Patchara “Dollar” Rattakul**. He’s the son of previous CEO Lieutenant Pairoj Rattakul and the newpew of Pichai Rattakul, former Minister of Foreign Affairs.
- Before becoming CEO, Patchara Rattakul was the company’s Chief Operating Office between 2009 and 2019, and presumably oversaw the construction of Haad Thip’s Punpin plant in Surat Thani, which has become a great success.
- Like his father, he joined the Thai military service. He joined in the 1980s and later quit to join the family business.
- Patchara has a Bachelor of Arts and Master’s degree in Philosophy, Politics and Economics from Oxford University
- His [Instagram account](#) portrays him as a caring person. He takes care of his wife who is now wheel bound due to a chronic autoimmune disease and a recent cardiac arrest. During the treatment of her, Patchara has spent more time in Chiang Mai as the environment is seen to be more suitable for her environment. He does not have any children.



Haad Thip's return on equity was low until the construction of the new Punpin factory in 2012 when Patchara was COO



Return on equity

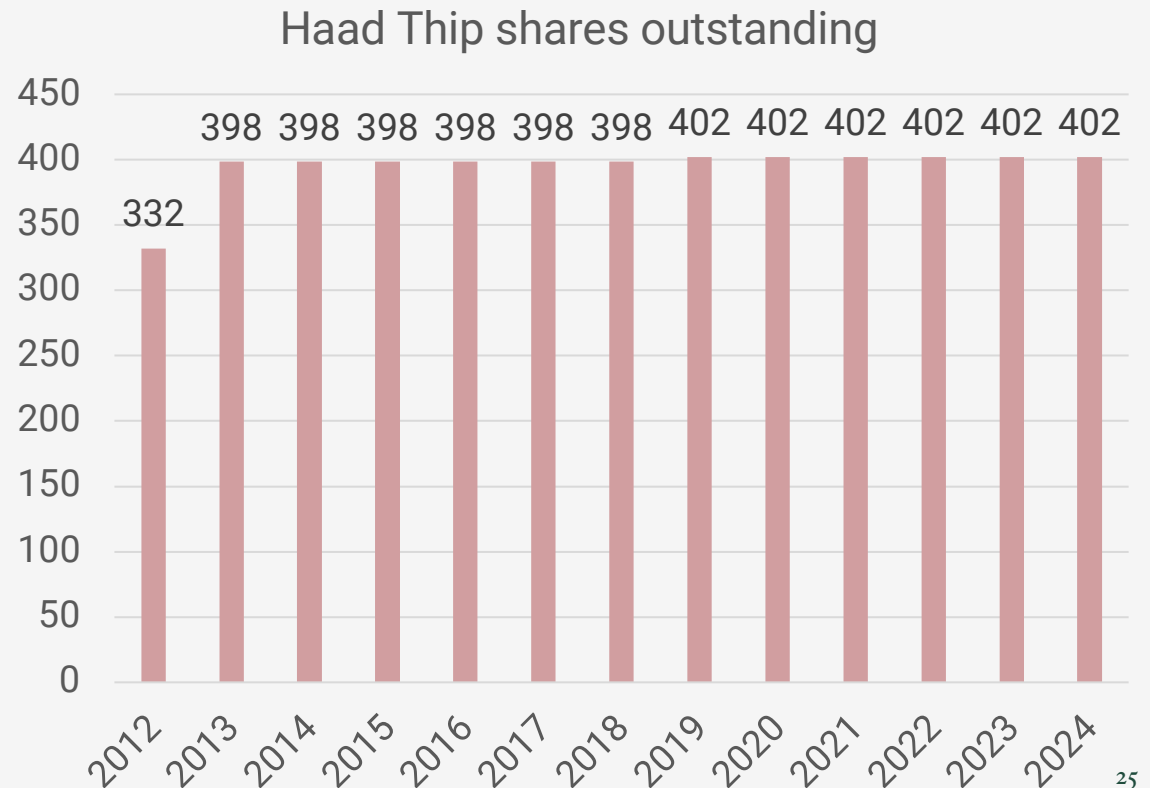




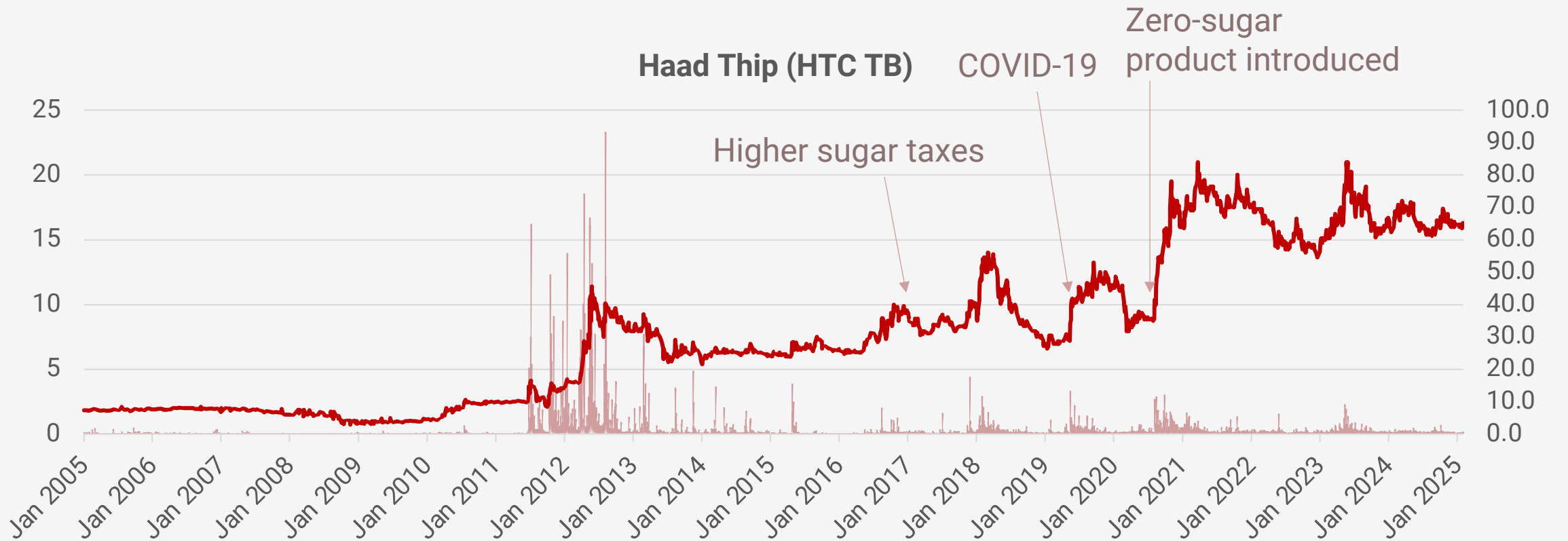
# Capital allocation and corporate governance



- Haad Thip's share count has been relatively flat over the past decade, with only two exceptions:
  - In 2012, Haad Thip raised capital from shareholders to fund the construction of the company's second plant in Poonpin, Surat Thai. THB 232 million was raised, or roughly US\$7 million, leading to dilution of 18%.
  - On 26 November 2019, Haad Thip issued 167,000 shares as management exercised share options and the company didn't have enough Treasury shares to meet the obligations.
- The board has a number of independent directors, with a balance of power between the Rattakul, Chirabandhu and Gutsche families. The executive remuneration seems reasonable.
- The 2023 annual report mentions a number of related party transactions, specifically when it comes to property development. Jiva Residences and Vaisaya Consulting are mentioned as two companies Haad Thip had transacted, while having board overlap. However, I believe that the numbers are small in relation to Haad Thip's main bottling business.



The stock price has been on a nice upwards trajectory thanks to steady revenue growth and higher margins

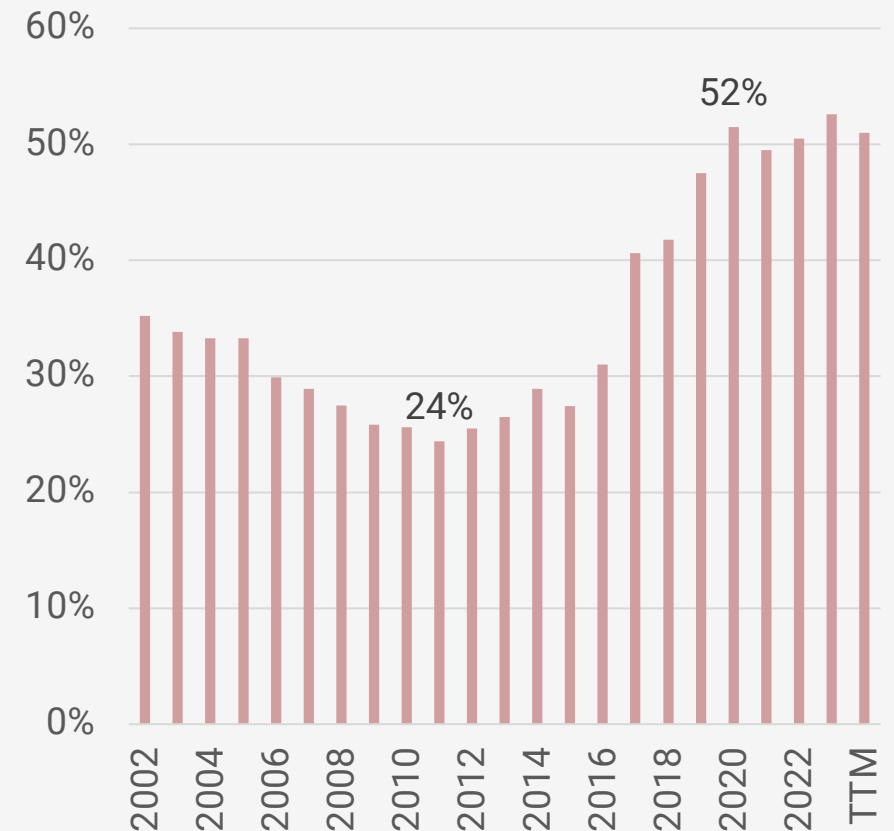


# Haad Thip's margins went up as it moved production to its Punpin factory, using plastic bottles and achieving greater scale



- **Economies of scale:** In 2015, built the 2<sup>nd</sup> phase of the Punpin plant is much larger, with lower cost per unit. In 2020, Haad Thip relocated most of the production from Hat Yai to Punpin, achieving higher economic of scale in the process. In 2022, Punpin expanded further.
- **Plastic bottles:** Through the 2<sup>nd</sup> phase of the Punpin plant, Haad Thip also built a new PET filling line and plastic injection machine, helping it move towards lighter plastic packaging which led to lower production costs and higher gross margins.
- **Change in the sales mix:** In 2016, the company moved towards a pre-sales method and started emphasizing higher-margin products. The introduction of Salesforce CRM might have helped boost revenue as well, as part of Haad Thip's revenue growth management efforts.
- **Lower costs:** The rise of no-sugar versions also reduced cost as sugar had previously represented almost 1/3 of COGS.
- **Price increases:** There's been several price hikes including 6% in August 2022, introduced to offset the higher sugar taxes introduced in 2017 onwards.

Haad Thip gross profit margin



# Long-term trends in Thailand's carbonated beverage industry



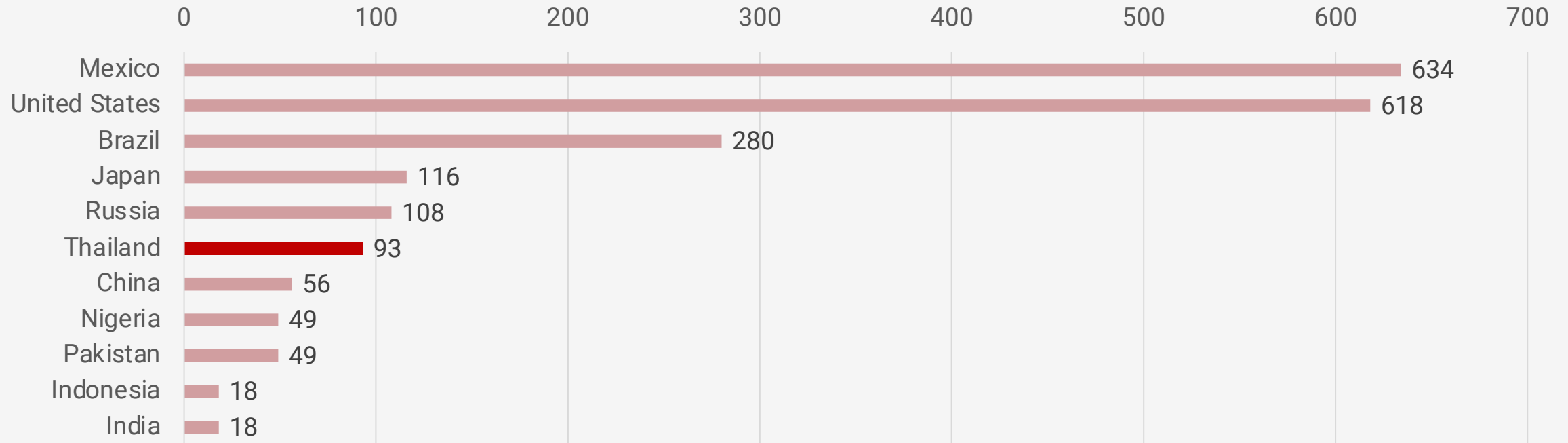
- 1. Alcoholic beverage liberalization:** While Haad Thip has no presence in the alcoholic beverages market, it does represent a future addressable market. The Thai government has liberalized the market, allowing more competition in the beer industry, and in the future, potentially the spirits market, too.
- 2. Health focus:** A global trend is the increased focus on healthier beverages. Lower-sugar versions are becoming more popular.
- 3. Sugar taxes:** In 2017, the Thai government introduced a sugary drinks tax. It started at THB 1.0 for drinks with over 18 grams of sugar per 100 milliliter of beverage. A normal Coke has 9 grams of sugar per 100 milliliter. But this tax increased to THB 5.0 in 2019 and higher taxes even for moderately sweet beverages by April 2025. Since these taxes were introduced, the amount of sugar used in beverages has declined.
- 4. Seasonality:** Carbonated soft drinks are seasonal products. Sales is highly dependent on Thailand's tourism industry, with higher consumption during the second and third quarter of each year. Tourism was negatively affected by COVID-19 but has recovered.



# Per capita consumption of soft drinks in Thailand still lags that of Japan

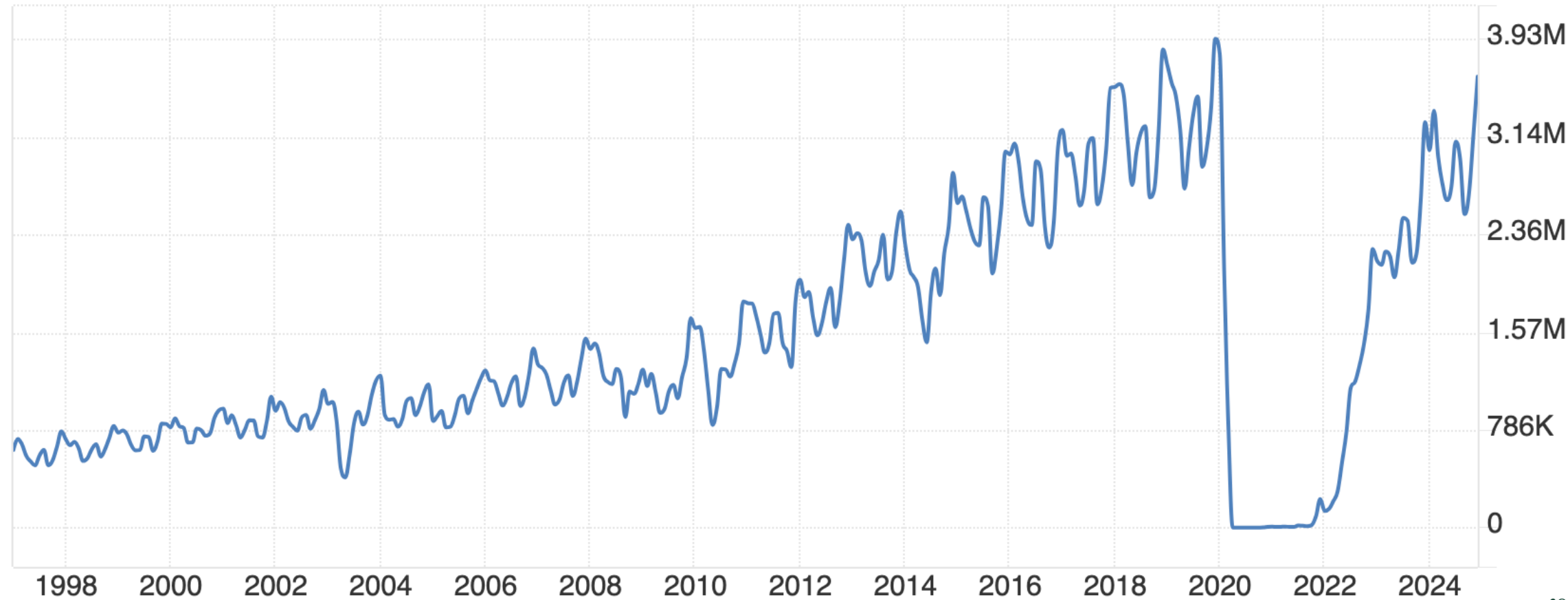


8-ounce servings of soft drinks per capita & year





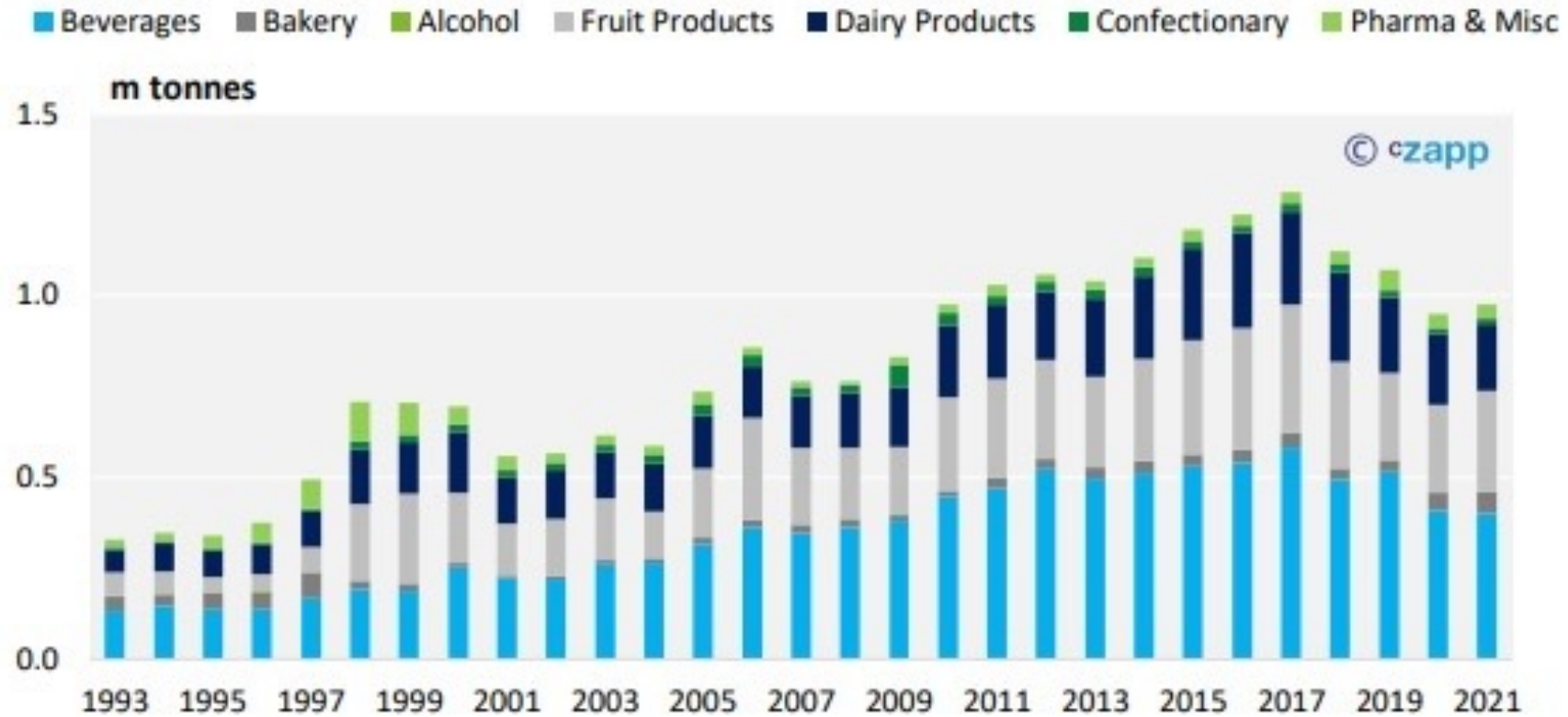
# Thailand's tourist arrivals is on the verge of recovering completely from the COVID-19 pandemic



After the sugar tax was introduced in 2017, the use of sugar in carbonated beverages has declined



**The Amount of Sugar Used in Beverages in Thailand has Declined**





# What will change for Haad Thip?

- **Longer-term targets:**
  - Haad Thip has a sales growth target for 2025 of 5%, which should be achievable given the strength of Thai tourism
  - Longer-term targets include THB 11 billion by 2027 and THB 15 billion by 2032, implying +9% top-line growth and a market share of 35% in non-alcoholic ready-to-drink beverages
  - Capex is guided at 6-8% of revenues
- **Further plant expansion:** Haad Thip spent another THB 800 million to add a new production line for glass bottle products at Punpin, scheduled for completion in the fourth quarter of 2024. The intention is to increase the proportion of glass bottle products from 3% to 4.5-5.0% in the next 2-23 years. Early last year, it also said it was planning to invest THB 500 million to expand a warehouse in Surat Thani by 10,000 square meters.
- **Aiming to become a total beverage company:** Haad Thip aims to grow the drinking water, juice, ready-to-drink teas portfolio. It especially wants to sell Bon Aqua mineral water and Minute Maid into its distribution channels.
- **No sugar products:** Haad Thip continues to come out with no sugar versions of popular beverages. The no sugar segment grew +28% year-on-year in the second quarter of 2024 though remained only 4.4% of total sales volumes.
- **Alcoholic drinks:** The Coca-Cola Company has slowly entered into the alcoholic beverages segment through a number of collaborations. Haad Thip will take these products and cross-sell them to existing customers.

## Haad Thip's guidance for 4Q2024 is positive

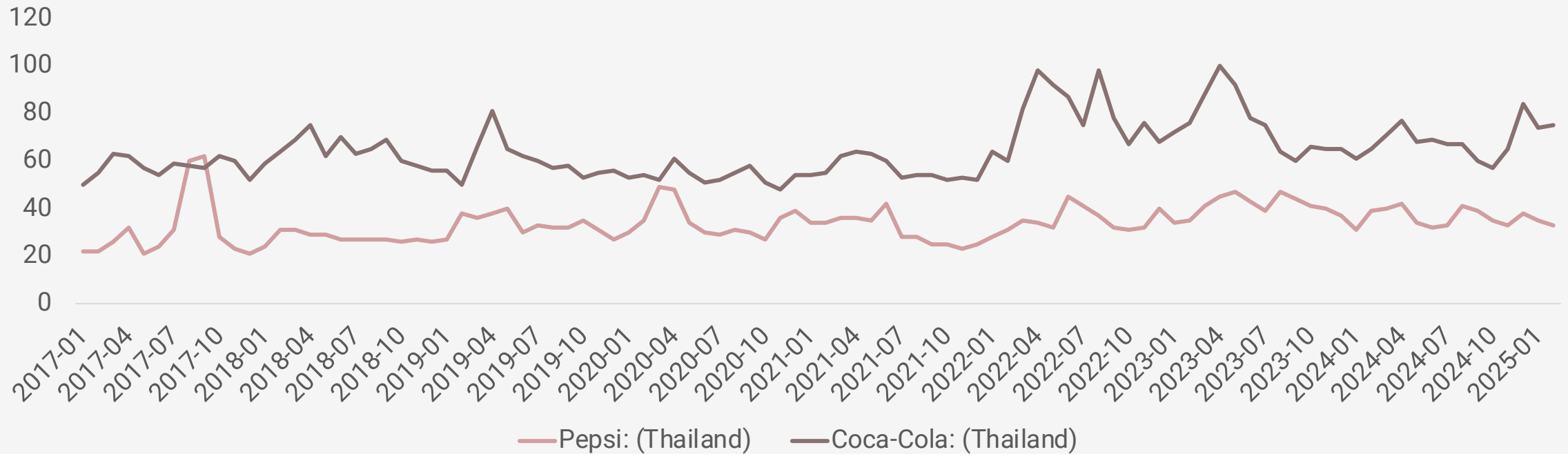


*The company anticipates an improvement in the Non-alcoholic Ready to Drink beverage market in the southern region during Q4'2024 driven by the rebound in year-end tourism and the onset of the winter season. Furthermore, the positive effects of the price adjustment implemented in August are expected to persist throughout the entire fourth quarter of 2024.*

# Some growth in consumer interest for Coca-Cola & Pepsi



Google search queries indices for carbonated beverages in Thailand





# What does Coca-Cola Company's James Quincey want to achieve?



- In 2019, long-term Coca-Cola Company CEO Muhtar Kent stepped down in favor of James Quincey. Quincey is a British ex-Bain consultant who previously oversaw Coca-Cola's European bottlers.
- When he took over, US carbonated beverage volumes had fallen for 15 years, falling behind bottled water and facing a consumer backlash against sugary beverages.
- Quincey is now on a quest to remake the Coca-Cola Company into becoming more consumer-centric. Pay has become more based on performance. Sugar has been reduced across the portfolio.
- Thanks to cross-pollination efforts across geographics, the company has come up with new products, including Coke Energy, Coke with Coffee, Orange-Vanilla Coke, Coca-Cola Fiber.
- They've also undertaken a number of acquisitions, including of Costa Coffee, Fairlife dairy drinks, Mojo kombucha. Made Group smoothies and AdeS soy drinks.
- In short, Coca-Cola is becoming more of a "total beverage" company, responding quickly to customer demand and innovating rather than staying with the old Coca-Cola formula.



*James Quincey, new Coca-Cola Company CEO*

# Examples of new Coca-Cola products in Thailand & beyond



Coca-Cola OREO



Coke Energy



Coke with Coffee



Orange-Vanilla Coke



Coca-Cola Plus



# Zero-sugar products released by Haad Thip in Thailand



Coke Starshine



Coke Marshmallow



Sprite Lemon Plus



OOHA Lychee Yoghurt





# Haad Thip finally entering into alcoholic drinks?



- In early 2024, Patchara Rattakul said the company is planning to introduce alcoholic beverages licensed from the Coca-Cola Company in Thailand. There is no timeline for the launch.
- Alcoholic beverages sold by the Coca-Cola company includes Billson's, Minute Maid Spiked, Lemon-Dou and Schweppes Pre-Mixed Cocktails.
- But it also has collaborations with:
  - Pernod Ricard, through which it sells Absolut & Sprite pre-made cocktails
  - Molson Coors, with which it developed the Top Chico Ranch Water Hard Seltzer and Simply Spiked Lemonade
  - Brown-Forman, with the Jack Daniel's & Coca-Cola Can



Haad Thip trades at a large discount to other Thai beverage companies and Coca-Cola bottlers, especially given the high yield



Next twelve month	Ticker	Region	Mkt cap (US\$m)	EV/Sales	EV/EBIT	P/E	Div yield
Haad Thip	HTC TB	Thailand	194	0.87x	8.8x	9.4x	7.4%
Sermsuk	SSC TB	Thailand	394	0.84x	40.1x	32.9x	1.0%
Tipco	TIPCO TB	Thailand	145	2.51x	n.a.	n.a.	6.2%
Malee	MALEE TB	Thailand	121	0.62x	11.3x	12.5x	2.7%
Coca-Cola FEMSA	KOF US	Mexico	16,313	1.31x	9.2x	13.2x	4.1%
Coca-Cola Icecek	CCOLA IS	Turkey	4,330	1.11x	6.8x	7.9x	2.3%
Coca-Cola Europacific Partners	CCEP US	United Kingdom	35,904	2.17x	16.5x	17.9x	2.8%
Coca-Cola HBC	CCH LN	Greece	13,089	1.42x	12.7x	14.4x	3.1%
Embonor	EMBONOR CI	Chile	644	0.72x	9.5x	10.9x	4.8%
Arca Continental	ARCA MM	Mexico	16,142	1.57x	9.9x	14.2x	4.4%
Embotelladora Andina	ANDINA-B	Chile	2,806	1.04x	8.0x	13.3x	5.8%
Coca-Cola Bottlers Japan	2579 JP	Japan	2,760	0.53x	21.1x	52.5x	2.4%
Coca-Cola Consolidated	COKE US	United States	12,136	1.85x	14.4x	24.1x	0.1%
Average ex-Haad Thip			8,732	1.31x	14.5x	19.4x	3.3%
Median ex-Haad Thip			3,568	1.21x	11.3x	14.2x	3.0%

# The stock has traded at 16x historically



Source: TIKR

# It's easy to see Haad Thip get to a 9x P/E with 8% div yield

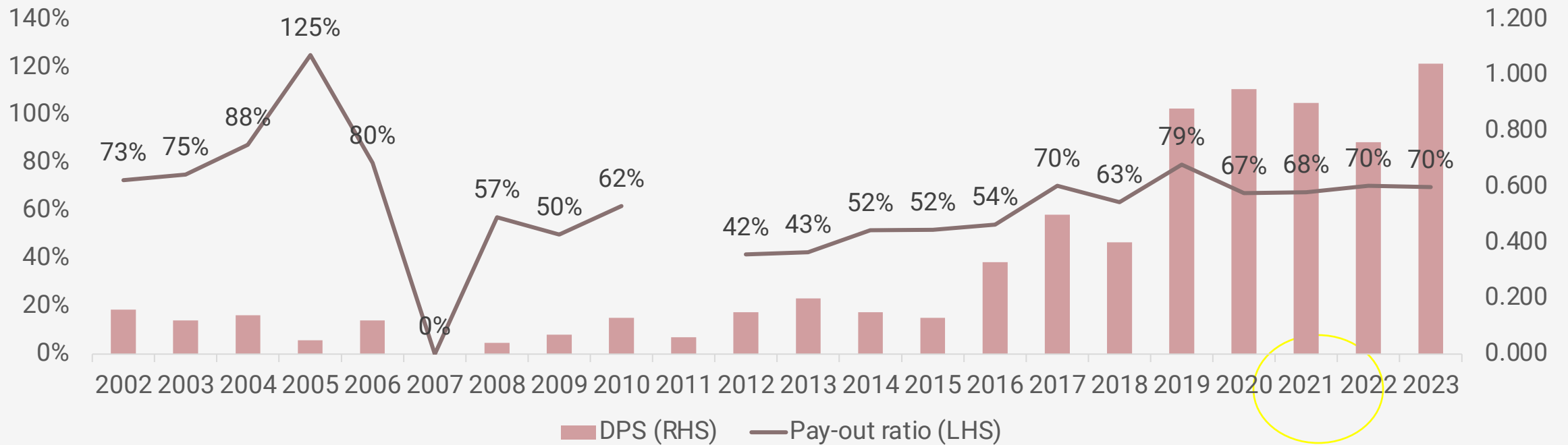


Haad Thip (HTC TB)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue from sale of goods	6776	6425	6518	6874	7806	8227	8721	9244	9799
Cost of sales	-4184	-3742	-3893	-4060	-4516	-4854	-5145	-5454	-5781
<u>Gross profit</u>	<u>2592</u>	<u>2684</u>	<u>2625</u>	<u>2813</u>	<u>3290</u>	<u>3373</u>	<u>3576</u>	<u>3790</u>	<u>4018</u>
Distribution costs	-1416	-1272	-1279	-1420	-1603	-1687	-1770	-1858	-1950
Administrative expenses	-692	-781	-732	-835	-992	-1020	-1081	-1146	-1215
<u>Operating profit</u>	<u>485</u>	<u>631</u>	<u>614</u>	<u>558</u>	<u>695</u>	<u>666</u>	<u>724</u>	<u>786</u>	<u>853</u>
Dividend income	0	0	0	0	0	0	0	0	0
Net FX gain	2	0	0	0	2	0	0	0	0
Other income	15	19	26	42	58	60	63	65	68
Finance cost	-24	-17	-13	-8	-13	-13	-14	-14	-15
Impairment loss	0	0	-1	0	0	0	0	0	0
<u>Pretax profit</u>	<u>477</u>	<u>633</u>	<u>627</u>	<u>592</u>	<u>742</u>	<u>713</u>	<u>773</u>	<u>836</u>	<u>905</u>
Income tax	-36	-67	-95	-95	-122	-118	-127	-138	-149
<u>Net profit</u>	<u>441</u>	<u>565</u>	<u>531</u>	<u>496</u>	<u>620</u>	<u>596</u>	<u>645</u>	<u>698</u>	<u>756</u>
Minority interests	0	-1	-1	-4	-2	-2	-2	-2	-2
<u>Net profit to shareholders</u>	<u>441</u>	<u>564</u>	<u>531</u>	<u>492</u>	<u>618</u>	<u>593</u>	<u>643</u>	<u>696</u>	<u>754</u>
EPS (THB)	1.1	1.4	1.3	1.2	1.5	1.5	1.6	1.7	1.9
<u>P/E</u>	<u>14.8x</u>	<u>11.5x</u>	<u>12.3x</u>	<u>13.1x</u>	<u>10.5x</u>	<u>10.9x</u>	<u>10.1x</u>	<u>9.3x</u>	<u>8.6x</u>
<u>EV/EBIT</u>	<u>16.1x</u>	<u>12.1x</u>	<u>12.3x</u>	<u>13.5x</u>	<u>10.9x</u>	<u>11.3x</u>	<u>10.4x</u>	<u>9.6x</u>	<u>8.8x</u>
<u>Div yield</u>	<u>5.4%</u>	<u>5.9%</u>	<u>5.6%</u>	<u>4.7%</u>	<u>6.4%</u>	<u>6.4%</u>	<u>6.9%</u>	<u>7.5%</u>	<u>8.1%</u>
GPM	38.3%	41.8%	40.3%	40.9%	42.2%	41.0%	41.0%	41.0%	41.0%
OPM	7.2%	9.8%	9.4%	8.1%	8.9%	8.1%	8.3%	8.5%	8.7%
NPM	6.5%	8.8%	8.1%	7.2%	7.9%	7.2%	7.4%	7.6%	7.7%

Haad Thip has a policy to pay out 50-80% of earnings as dividends, but more recently, 70%



Haad Thip's dividend per share / pay-out ratio



Source: TIKR



# Potential downside risks



- **Health trend:** It's possible that Thais will become more health focused, in which case sugar drinks would be discarded in favor of other options like mineral water.
- **Sugar taxes:** There's no guidance of further increases beyond April 2025. But higher taxes could hit volumes longer-term.
- **Commodity prices:** USD sugar prices will cause margins to fluctuate. The economy of Southern Thailand is also dependent on rubber and palm oil prices.
- **Loss of Coca-Cola contract:** While possible, it's been extremely rare for Coca-Cola contracts to be terminated. It's happened in China due to underperformance of the local bottlers. Unlikely in the case of Haad Thip.
- **Patchara Rattakul selling shares:** Patchara has been selling down shares in Haad Thip. He owned 7.0% of the shares in 2022 and only 4.5% in early 2024. This is odd and makes me question his commitment.



# Catalysts



- 4Q2024 earnings on 25 February 2025, which should be positive given the strength in Thai inbound tourism
- Clarity on whether the 4<sup>th</sup> phase sugar tax hike on 1 April 2025 will have an impact on volumes
- Cross-selling of alcoholic beverages

