

**BEVERAGES**

# Carabao bets \$300m on Chinese venture

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Thai tycoon Sathien Setthasit says he plans to pour US\$300 million (9.79 billion baht) into helping his energy drink company Carabao Group Plc (CBG) take on Red Bull in China, part of a push to expand overseas revenue. CBG shares rose the most in almost a month on the news.

The outlay is earmarked for marketing and distribution in the next three years to tap rising Chinese demand for energy beverages, Mr Sathien said. He is Carabao's chief executive, but is funding the investment via a separate company to avoid pressuring Carabao's finances.

"China has large growth potential for energy drink consumption," Mr Sathien, 64, said in his office in Bangkok. "But marketing costs as a newcomer will be massive. We have to make a big promotional splash to be successful."

China offers an energy drink market that is set to expand a third to \$10.1 billion by 2020, according to researcher Euromonitor International. The challenge for 16-year-old Carabao is how to fight the dominant Red Bull brand in the world's second-largest economy, as well as established local rivals and recent entrant Monster Beverage Corp.

Carabao has already spent \$100 million on marketing this year, he said, as it strives for international recognition after overtaking TC Pharmaceutical Industries Co's Red Bull in Thailand. Promotional initiatives include sponsorship of Chelsea FC as well as a football cup competition in England, with Britain a priority overseas market.

Competition in China also comes from other beverage types, such as coconut water and ready-to-drink tea, said Loris Li, a food and drinks analyst at consultancy Mintel

Group Ltd in Shanghai. There is an appetite for increased product options as more Chinese embrace personal fitness, said Ms Li.

Carabao's shares surged after listing in 2014, making it one of Thailand's 50 largest firms by market capitalisation and turning Mr Sathien into a billionaire earlier this year — but only briefly.

In the past month, the shares slid 17%, partly after the company reported a 12% decline in third-quarter net income to 388 million baht from a year earlier. The drop in the stock stripped Mr Sathien of his billionaire status.

The shares pared some of that decline yesterday, rising as much as 5.1%, the most since Nov 13.

Sales in China appear to be coming up short of earlier guidance and are on course for 150 million cans in 2017 versus a target of 170 million, Chaityorn Srirachoen, an analyst at Bualuang Securities Pcl, wrote in a Nov 27 note. The company retains long-term potential, said Mr Chaityorn.

Mr Sathien's target is to double sales of the Carabao Daeng drink to 300 million cans in China in 2018. The venture that will make the \$300 million outlay has the product's distribution rights in China. The venture started operations this year and has offices in eight major provinces and a staff of more than 800.

China will be a "very tough challenge for Carabao", said Naree Apisawattkan, an analyst at Phillip Securities Thailand Pcl in Bangkok.

Named after one of Thailand's most successful rock bands, Carabao sits on a valuation of more than 40 times blended forward 12-month earnings, the second highest among the country's 50 largest stocks. BLOOMBERG