OSOTSPA (OSP TB)

Myanmar Situation Is Improving

Highlights

- OSP reported a 2Q26 net profit of Bt1.1b (+8.9% yoy, -5% qoq). The results are in line.
- 3Q26 earnings are expected to decline qoq on seasonality but increase yoy, supported by effective cost management.
- The Myanmar market has started to ease import restrictions on production inputs in 3Q26, which should support a recovery in international beverage sales.
- Maintain BUY with a target price of Bt22.00

Analysis

- We attended OSOTSPA's (OSP) analyst meeting after its 2Q26 results, and the tone of the meeting was neutral.
- **Top-line growth guidance revised down**. OSP has revised down its 2026 top-line growth target to low- to mid-single-digit growth, from the previous mid-single-digit growth. Domestic beverage sales are expected to grow at mid-single digit, while personal care sales are expected to grow at high single digit. The weaker top-line outlook mainly reflects the decline in Myanmar sales due to import licence issues in 1H26.
- **International beverage situation.** The raw material import situation in Myanmar has improved, with import licences commencing approval in 3Q26. The company has now resumed normal production after a 1.5-2-month disruption. Meanwhile, Laos and Indonesia sales are expected to maintain positive yoy growth. Nevertheless, 2H26 international sales are expected to decline hoh due to seasonality, as 2H is typically the low season.
- **Personal care continues to grow.** Personal care is expected to continue growing hoh and yoy in 2H26, supported by the launch of premium products such as the Ultra-mild brand. OSP expect 2026 personal care sales to grow by high single digits yoy.
- **3Q26 outlook.** 3Q26 earnings are expected to decline qoq due to seasonality, but increase yoy, supported by continued cost management. We expect 3Q26 gross profit margin to decline qoq due to seasonal weakness and higher raw material costs, while remaining broadly flat yoy. The company's short-term raw material contracts should help mitigate cost pressure. Looking ahead, we expect 4Q26 gross profit margin to improve both qoq and yoy, driven by ongoing cost-saving initiatives and easing raw material costs. Meanwhile, the easing situation in Myanmar should support a recovery in international beverage sales going forward.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	27,069.5	25,560.9	24,095.4	24,844.3	25,631.7
EBITDA	4,950.5	5,685.4	6,005.5	6,140.6	6,318.5
Operating profit	3,462.4	4,184.2	4,629.0	4,833.3	5,048.0
Net profit (rep./act.)	1,638.1	3,666.6	3,725.8	3,886.6	4,055.4
Net profit (adj.)	3,035.5	3,501.6	3,725.8	3,886.6	4,055.4
EPS	1.0	1.2	1.2	1.3	1.4
PE (x)	13.8	11.9	11.2	10.7	10.3
P/B (x)	2.7	2.5	2.3	2.1	2.0
EV/EBITDA (x)	8.5	6.9	6.3	5.9	5.5
Dividend yield (%)	4.3	5.8	5.8	6.1	6.4
Net margin (%)	6.0	14.3	15.5	15.6	15.8
Net debt/(cash) to equity(%)	0.4	(17.7)	(25.8)	(33.3)	(39.8)
Interest cover (x)	42.1	52.0	145.9	152.2	159.2
ROE (%)	9.3	20.0	19.6	19.7	19.8
Consensus net profit	n.a	n.a	3,713.1	3,869.2	4,009.2
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: OSOTSPA, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Bt18.00
Target Price	Bt22.00
Upside	22.22%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	OSP TB
Shares issued (m)	3,003.8
Market cap (Btm)	54,367.9
Market cap (US$m)	1,647.8
3-mth avg daily t'over (US$m)	5.7

Price Performance (%)

52-week high/low				Bt19.5/Bt14.0
1mth	3mth	6mth	1yr	YTD
4.0	23.1	(2.2)	1.7	12.4

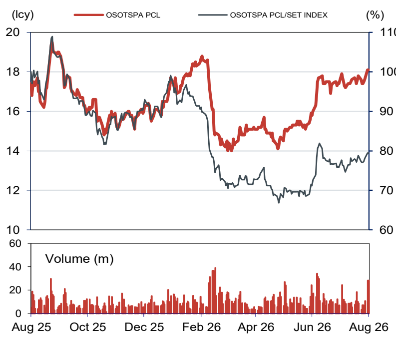
Major Shareholders (%)

Mr. Niti Osathanugrah	24.07
Bank Julius Baer & Co., Ltd, Singapore	8.69

Balance Sheet Metrics

FY26 NAV/Share (Bt)	6.0
FY26 Net Debt/Share (Bt)	(1.6)

Price Chart



Source: Bloomberg

Company Description

Osotspa core business is divided into three segments: 1) beverages, 2) personal care, and 3) healthcare and confectionery. In addition, Osotspa engages in non-core businesses such as providing OEM services for contract products and packaging manufacturing..

2Q26 Results

Year to 31 Dec (Btm)	2Q26	2Q25	1Q26	yoy%	qoq%
Sales	6,115	6,807	6,345	-10.2%	-3.6%
Gross Profit	2,617	2,854	2,697	-8.3%	-3.0%
SG&A	1,377	1,660	1,389	-17.1%	-0.9%
EBIT	1,319	1,242	1,386	6.2%	-4.9%
Net Profit	1,100	1,010	1,157	8.9%	-5.0%
Core Profit	1,100	1,010	1,157	8.9%	-5.0%
EPS (Bt)	0.37	0.34	0.39	8.9%	-5.0%
(%)	2Q26	2Q25	1Q26	yoy%	qoq%
Gross Margin (%)	42.8%	41.9%	42.5%	0.9%	0.3%
%SG&A/revenue	22.5%	24.4%	21.9%	-1.9%	0.6%
Net Margin (%)	18.0%	14.8%	18.2%	3.1%	-0.3%

Source: OSOTSPA, UOB Kay Hian

- **Results recap.** OSP reported a 2Q26 net profit of Bt1.1b (+8.9% yoy, -5% qoq). The results are in line with our estimate and market consensus. Gross profit margin reached a record high of 42.8% in 2Q26, improving from 41.9% in 2Q25 and 42.5% in 1Q26. Gross profit margin improved amid higher raw and packaging costs from geopolitical tensions in the Middle East due to cost management. SG&A-to-sales ratio was 22.5% in 2Q26, remaining well controlled vs 24.4% in 2Q25 and 21.9% in 1Q26.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt22.00.** based on 2027 EPS. Using the PE valuation method, we value OSP at -1SD to its five-year PE band, implying a multiple of 18x.

Earnings Revision/Risk

- None.

Share Price Catalyst

- Lower costs of raw materials such as sugar, natural gas, and aluminium coil.
- Government stimulus measures to support domestic consumption.
- The import licence issue in Myanmar is easing.

Environment□Social□Governance (ESG) Updates

CG Report: 5
SET ESG Rating: AAA

Environmental

- OSP embeds packaging sustainability in its environmental strategy through its "Zero Packaging Waste" ambition, focusing on circular packaging design and eco-friendly materials while setting KPIs to monitor and engage business partners on environmental performance.

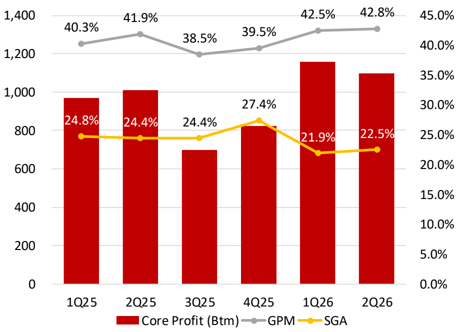
Social

- OSP supports local communities through charitable donations, community engagement, and commercial initiatives to enhance quality of life and enable sustainable business growth.

Governance

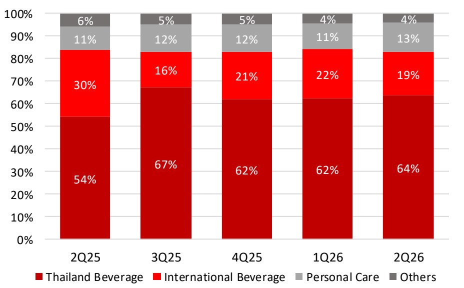
- The company aims to conduct its business with transparency and fairness, while continuously improving operational efficiency to ensure long-term business sustainability

Earnings Performance



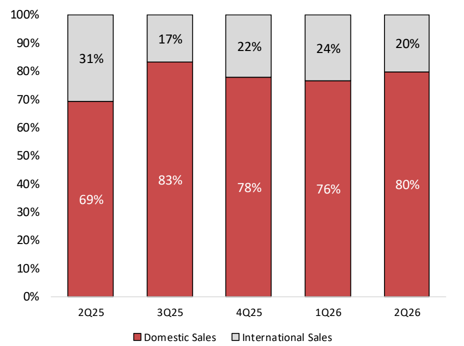
Source: OSP, UOB Kay Hian

Sales Breakdown By Product



Source: OSP, UOB Kay Hian

Domestic and International Sales



Source: OSP, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	25,561	24,095	24,844	25,632
EBITDA	5,685	6,006	6,141	6,319
Deprec. & amort.	1,501	1,377	1,307	1,270
EBIT	4,184	4,629	4,833	5,048
Total other non-operating income	0	0	0	0
Associate contributions	146	166	166	166
Net interest income/(expense)	(109)	(41)	(40)	(40)
Pre-tax profit	4,221	4,754	4,959	5,174
Tax	(532)	(832)	(868)	(906)
Minorities	(187)	(196)	(205)	(213)
Net profit	3,667	3,726	3,887	4,055
Net profit (adj.)	3,502	3,726	3,887	4,055

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	11,471	10,895	10,587	10,317
Other LT assets	1,373	1,385	1,397	1,410
Cash/ST investment	3,321	5,020	6,826	8,659
Other current assets	8,419	8,708	8,992	9,290
Total assets	24,584	26,008	27,802	29,675
ST debt	114	103	92	83
Other current liabilities	6,255	6,180	6,376	6,581
LT debt	219	219	219	219
Other LT liabilities	204	204	204	204
Shareholders' equity	16,871	18,175	19,567	21,020
Minority interest	459	655	860	1,073
Total liabilities & equity	24,584	26,011	27,808	29,684

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	6,193	4,945	5,322	5,457
Pre-tax profit	4,386	4,754	4,959	5,174
Tax	(532)	(832)	(868)	(906)
Deprec. & amort.	1,501	1,377	1,307	1,270
Associates	0	0	0	0
Working capital changes	1,405	(345)	(68)	(73)
Non-cash items	(159)	(8)	(9)	(9)
Other operating cashflows	(409)	0	0	0
Investing	(1,267)	(812)	(1,012)	(1,012)
Capex (growth)	(764)	(812)	(1,012)	(1,012)
Capex (maintenance)	0	0	0	0
Investments	(1,260)	0	0	0
Proceeds from sale of assets	445	0	0	0
Others	312	0	0	0
Financing	(4,205)	(2,434)	(2,505)	(2,612)
Dividend payments	(2,102)	(2,422)	(2,494)	(2,602)
Issue of shares	0	0	0	0
Proceeds from borrowings	(1,665)	(11)	(10)	(9)
Loan repayment	(330)	0	0	0
Others/interest paid	(109)	0	0	0
Net cash inflow (outflow)	720	1,699	1,805	1,833
Beginning cash & cash equivalent	2,190	3,321	5,020	6,826
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	2,910	5,020	6,826	8,659

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	22.2	24.9	24.7	24.6
Pre-tax margin	16.5	19.7	20.0	20.2
Net margin	14.3	15.5	15.6	15.8
ROA	14.2	14.0	14.2	14.3
ROE	20.0	19.6	19.7	19.8
Growth				
Turnover	(5.6)	(5.7)	3.1	3.2
EBITDA	14.8	5.6	2.2	2.9
Pre-tax profit	18.8	12.6	4.3	4.3
Net profit	123.8	1.6	4.3	4.3
Net profit (adj.)	15.4	6.4	4.3	4.3
EPS	15.4	6.4	4.3	4.3
Leverage				
Debt to total capital	1.9	1.7	1.5	1.4
Debt to equity	2.0	1.8	1.6	1.4
Net debt/(cash) to equity	(17.7)	(25.8)	(33.3)	(39.8)
Interest cover	52.0	145.9	152.2	159.2

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