

Singapore Results Review

28 November 2022

Consumer Non-cyclical | Food & Beverage Products

Thai Beverage (THBEV SP)

Further Recovery Ahead; Stay BUY

market presence and brand equity.

- Maintain BUY, with new TP of SGD0.91 from SGD0.97, 49% upside and c.4% FY23F (Sep) yield. Thai Beverage's FY22 earnings were in line with our, but above consensus expectations, thanks to the encouraging volume recovery in beer markets whilst impact from cost inflation was also well contained. We foresee the recovery momentum continuing into FY23F on a further pick-up in tourism activities. We continue to like the company as a major proxy to capitalise on the recovery, taking into account its strong
- FY22 earnings met our, but beat consensus expectations. Core net profit of THB30.1bn (+22% YoY) accounted for 101% and 106% of our and Street estimates. Post-results, our FY23F-24F earnings are revised up by 1-3% and we roll out FY25 forecast, which implies 5% growth. Our TP drops to SGD0.91 (inclusive of a 4% premium on our ESG score of 3.2) after accounting for FY22 numbers and updating of our risk assumptions.
- Results review. FY22 revenue rose 13% to THB275.4bn driven primarily by the strong recovery in beer segment (+24%) whilst the non-alcoholic beverages (NAB) and food segments also chalked up encouraging growth on the back of broader reopening of economies. GPM slipped marginally by 0.2ppt to 29.5% as the higher input costs were partially mitigated by price adjustments. Operating profit surged 14% to THB38.6bn as the company also incurred higher A&P expenses for brand building and to stimulate consumer spending. By segment, the beer segment was again the key driver with a 39% jump in EBITDA contribution thanks to the 15% volume growth. Meanwhile, the ease in COVID-19 related restrictions and reopening of international borders also aided the recovery in both NAB and food segments.
- Outlook. Looking forward, we foresee the positive recovery momentum to sustain into FY23F. This is taking into account further normalisation of economic activities whilst the progressive pick-up in tourist arrivals should also lift consumption and benefit all of the company's business divisions. Meanwhile, we expect the price increases and continuous efficiency gain to mitigate some of the impact of higher raw material costs. Hence, we expect GPM to stay relatively stable notwithstanding the volatile commodity prices. On the other hand, distribution costs should remain elevated as THBEV may look to intensify its brand building marketing initiative to spur spending and strengthen its market share now that most of the restrictions are lifted.
- Risks to our recommendation include higher-than-expected input costs and slower-than-expected pick-up in tourism activities.

Forecasts and Valuation	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Total turnover (THBm)	240.543	272.358	300.143	310.994	322,249
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Recurring net profit (THBm)	24,645	30,104	31,932	33,918	35,728
Recurring net profit growth (%)	(3.8)	22.2	6.1	6.2	5.3
Recurring P/E (x)	16.19	13.25	12.49	11.76	11.17
P/B (x)	2.3	1.9	1.8	1.7	1.7
P/CF (x)	14.20	9.58	10.57	9.69	9.45
Dividend Yield (%)	3.1	3.9	4.2	4.4	13.6
EV/EBITDA (x)	8.46	6.66	5.86	5.40	5.29
Return on average equity (%)	15.7	16.0	14.9	14.7	15.2
Net debt to equity (%)	86.3	62.9	48.3	39.5	43.5

Source: Company data, RHB

Buy (Maintained)

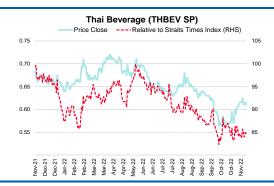
Target Price (Return): SGD0.91 (+49%)
Price (Market Cap): SGD0.61 (USD11,141m)
ESG score: 3.20 (out of 4)
Avg Daily Turnover (SGD/USD) 9.54m/6.77m

Analyst

Singapore Research sg.research@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(7.6)	7.0	(6.2)	(12.2)	(14.7)
Relative	(11.5)	(1.7)	(6.1)	(14.2)	(15.4)
52-wk Price lo		0.57	7 – 0.72		



Source: Bloomberg

Overall ESG Score: 3.20 (out of 4)

E: EXCELLENT

Committed to continuously develop sustainability throughout its value chain by applying new technology to improve efficiency, build operational excellence, manage risks in business operations and collaborate with business partners in promoting environmental and social values.

S: EXCELLENT

Dedicated to corporate social responsibility programs across a broad range of activities throughout Thailand, including across many demographics, while focusing on 5 key dimensions - Education, Public Health, Sport, Arts and Culture and Community and Social Development.

G: GOOD

Adheres to the Code of Business Conduct with business management systems that are efficient, transparent, and auditable. Aligned with the principles of corporate governance to build shareholders and stakeholders' confidence, strengthen THBEV's competitiveness, and drive business performance.



Financial Exhibits

Asia Singapore Consumer Non-cyclical Thai Beverage THBEV SP Buy

Valuation basis

SOP

Key drivers

- i. Market share gain and margin expansion in the beer segment;
- ii. Narrowing losses in the non-alcohol beverage segment:
- iii. Potential M&As.

- i. Slower-than-expectedii. Increased competition. Slower-than-expected recovery in consumption;

Company Profile

Thai Beverage, together with its subsidiaries, produce and distribute alcoholic and non-alcoholic beverages in Thailand and internationally. The company operates through four segments: spirits, beer, non-alcoholic beverages, and food.

Financial summary (THB)	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Recurring EPS	0.98	1.20	1.27	1.35	1.42
DPS	0.50	0.62	0.66	0.70	2.16
BVPS	6.81	8.19	8.84	9.53	9.25
Return on average equity (%)	15.7	16.0	14.9	14.7	15.2
Valuation metrics	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Recurring P/E (x)	16.19	13.25	12.49	11.76	11.17
P/B (x)	2.3	1.9	1.8	1.7	1.7
FCF Yield (%)	6.2	9.6	8.0	8.8	9.0
Dividend Yield (%)	3.1	3.9	4.2	4.4	13.6
EV/EBITDA (x)	8.46	6.66	5.86	5.40	5.29
EV/EBIT (x)	15.31	12.62	10.74	10.01	9.87
Income statement (THBm)	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Total turnover	240,543	272,358	300,143	310,994	322,249
Gross profit	71,484	80,456	91,464	94,753	98,163
EBITDA	61,122	73,087	78,194	81,690	84,955
Depreciation and amortisation	(27,339)	(34,505)	(35,532)	(37,618)	(39,428)
Operating profit	33,783	38,582	42,662	44,071	45,528
Net interest	(5,404)	(4,654)	(5,099)	(4,206)	(3,695)
Pre-tax profit	31,973	39,939	42,809	45,323	47,503
Taxation	(4,634)	(5,436)	(7,278)	(7,705)	(8,076)
Reported net profit	24,645	30,104	31,932	33,918	35,728
Recurring net profit	24,645	30,104	31,932	33,918	35,728
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Cash flow (THBm)	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Change in working capital	(3,708)	3,937	(1,466)	(143)	(900)
Cash flow from operations	28,090	41,662	37,738	41,158	42,227
Capex	(3,377)	(3,333)	(5,900)	(6,200)	(6,400)
Cash flow from investing activities	(6,561)	(12,423)	(6,227)	(6,200)	(6,400)
Dividends paid	(12,811)	(12,560)	(15,655)	(16,604)	(42,753)
Cash flow from financing activities	(14,549)	(14,673)	(46,044)	(31,937)	(55,952)
Cash at beginning of period	34,695	38,293	51,867	51,589	54,609
Net change in cash	6,980	14,566	(14,533)	3,020	(20,125)
Ending balance cash	41,868	51,810	37,334	54,609	34,484
Balance sheet (THBm)	Sep-21	Sep-22	Sep-23F	Sep-24F	Sep-25F
Total cash and equivalents	38,293	51,867	51,589	54,609	34,484
Tangible fixed assets	60,717	59,176	61,331	61,497	61,635
Total investments	102,414	112,630	114,776	117,134	119,703
Total assets	472,584	507,789	497,563	505,185	490,633
Short-term debt	67,877	55,775	25,602	12,469	1,469
Total long-term debt	151,800	153,016	155,000	155,000	155,000
Total liabilities	262,407	258,400	230,498	219,306	210,280
Total equity	210,177	249,389	267,065	285,878	280,354
Total liabilities & equity	472,584	507,789	497,563	505,185	490,633
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Key metrics Revenue growth (%)	Sep-21 (5.1)	Sep-22 13.2	Sep-23F 10.2	Sep-24F 3.6	Sep-25F 3.6
	(5.1)	10.2	10.2	5.0	5.0

(3.8)

29.7

25.4

10.2

51.0

1.4

6.25

22.2

29.5

26.8

11.1

52.0

1.2

8.29

6.1

30.5

26.1

10.6

52.0

2.0

8.37

6.2

30.5

26.3

10.9

52.0

2.0

10.48

5.3

30.5

26.4

11.1

152.0

12.32

2.0

Source: Company data, RHB



Recurrent EPS growth (%)

Operating EBITDA margin (%)

Gross margin (%)

Capex/sales (%)

Interest cover (x)

Net profit margin (%)

Dividend payout ratio (%)

Results At a Glance

Figure 1: THBEV's results review

FYE Sep (THBbn)	FY21	FY22	YoY (%)	Comments
Revenue	240.5	272.4	13.3	Driven mainly by the recovery in beer business
Gross profit	71.5	80.5	12.6	
Gross margin (%)	29.7	29.5		On higher input costs but partially mitigated by price adjustments
Selling expenses	-23.3	-26.9	15.5	Largely in line with topline growth
Admin expenses	-14.4	-15.0	3.8	
Op. profit	33.8	38.6	14.2	
Op margin (%)	14.0	14.2		
Finance Cost	-6.8	-6.2	-8.8	
Associates	2.8	5.0	81.6	
Pretax profit	32.0	39.9	24.9	
Recurring PATMI	24.6	30.1	22.2	At 101-106% of the forecasts
Net margin (%)	10.2	11.1		FY22 DPS amounted to THB0.60 (FY21: THB0.50)

Source: Company data, RHB

Figure 2: THBEV's segmental breakdown

FYE Sep	FY21	FY22	YoY (%)	Comments
Spirits				
Revenue (THBm)	115,052	116,177	1.0	
Volume (m Liters)	656.0	657.0	0.2	
EBITDA (THBm)	28,768	28,102	-2.3	Higher A&P expenses to drive growth and higher input costs
EBTDA margin (%)	25.0	24.2		
Beer				
Revenue (THBm)	99,157	122,489	23.5	
				Thanks to the economic reopening and recovery in tourism activities in
Volume (m Litres)	2095.0	2399.0	14.5	Thailand and Vietnam
EBITDA (THBm)	12,467	17,281	38.6	
EBTDA margin (%)	12.6	14.1		
Non Alcoholic Beverage				
Revenue (THBm)	15,205	17,342	14.1	
Volume (m Liters)	1458.0	1617.0	10.9	
EBITDA (THBm)	2,065	2,136	3.4	
EBTDA margin (%)	13.6	12.3		
Food				
Revenue (THBm)	11,280	16,433	45.7	Benefitted from the returning of the dine-in crowd
EBITDA (THBm)	909	2,093	130.3	
EBITDA Margin (%)	8.1	12.7		

Source: Company data, RHB

Recommendation Chart

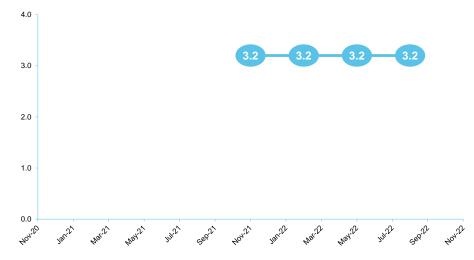


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-05-17	Buy	0.97	0.69
2021-11-29	Buy	0.97	0.69
2021-02-11	Buy	0.94	0.79
2020-11-27	Buy	0.82	0.75
2020-09-17	Buy	0.72	0.61
2020-08-16	Buy	0.72	0.61
2020-05-17	Neutral	0.72	0.67
2020-04-15	Buy	0.79	0.68
2020-02-17	Buy	0.92	0.83
2020-02-16	Buy	0.92	0.79
2019-11-25	Neutral	0.95	0.89
2019-08-16	Take Profit	0.92	0.89
2019-06-13	Buy	0.92	0.84
2019-05-13	Buy	0.92	0.77
2019-02-18	Buy	0.92	0.82

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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Trading Buy: Share price may exceed 15% over the next 3 months, however longer-

term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next

12 months

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Not Rated: Stock is not within regular research coverage

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