

28 November 2022

Consumer Non-cyclical | Food & Beverage Products

Thai Beverage (THBEV SP)

Buy (Maintained)

Further Recovery Ahead; Stay BUY

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

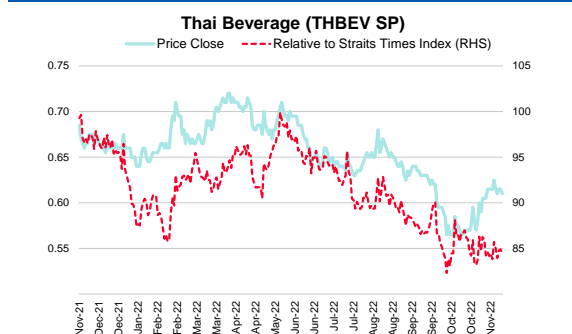
- **Maintain BUY, with new TP of SGD0.91 from SGD0.97, 49% upside and c.4% FY23F (Sep) yield.** Thai Beverage's FY22 earnings were in line with our, but above consensus expectations, thanks to the encouraging volume recovery in beer markets whilst impact from cost inflation was also well contained. We 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 market presence and brand equity.
- **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.

Analyst

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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 low/high (SGD)	0.57 – 0.72				



Source: Bloomberg

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
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

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.

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	
<i>Gross margin (%)</i>	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	
<i>Op margin (%)</i>	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
<i>Net margin (%)</i>	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	
<i>Volume (m Liters)</i>	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	
<i>Volume (m Litres)</i>	2095.0	2399.0	14.5	Thanks to the economic reopening and recovery in tourism activities in 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	
<i>Volume (m Liters)</i>	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

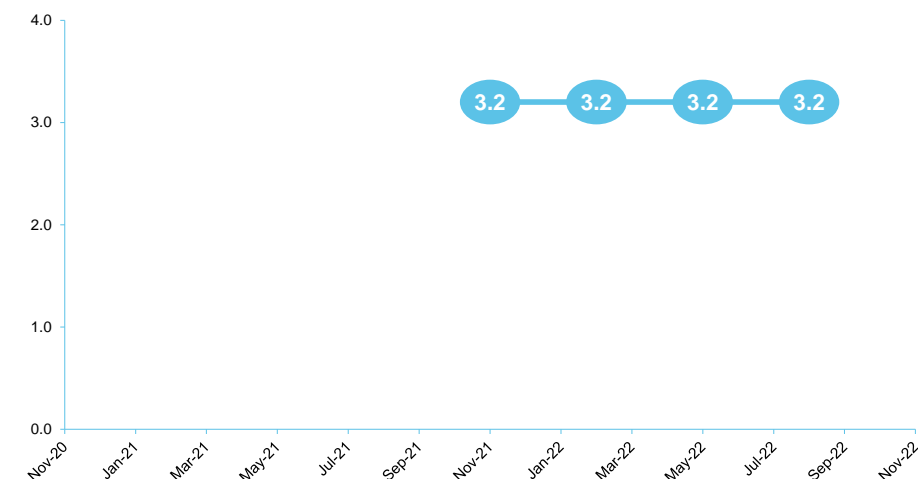


Source: RHB, Bloomberg

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

(1) they do not have any financial interest in the securities or other capital market products of the subject companies mentioned in this report, except for:

Analyst	Company
-	-

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.



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