

Thai Beverage PLC

Recovery except for spirits



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SINGAPORE | CONSUMER | 3Q22 UPDATE

15 August 2022

- Results are in line, with 9M22 revenue and EBITDA at 77%/76% of our FY22e forecasts.
- Spirits volumes contracted 14% YoY and margins were weaker. Beer recovered on both volume and price increases.
- We upgrade to a BUY with an unchanged target price of S\$0.80 due to recent share price weakness. Our target is pegged at 18x FY22e earnings, its 5-year average. No change to our FY22e forecast. The re-opening of entertainment venues in Thailand on 1 Jun22 and softer commodity prices should support earnings in 4Q22. Separately, the company announced the deferment of the BeerCo spin-off due to challenging market conditions.

BUY (Upgraded)

LAST CLOSE PRICE	SGD 0.655
FORECAST DIV	SGD 0.022
TARGET PRICE	SGD 0.800
TOTAL RETURN	25.6%

COMPANY DATA

BLOOMBERG CODE	THBEV SP
O/S SHARES (MN) :	25,121
MARKET CAP (USD mn / SGD mn) :	1997 / 16454
52 - WK HI/LO (SGD) :	0.74 / 0.63
3M Average Daily T/O (mn) :	217

MAJOR SHAREHOLDERS

Siriwana Co Ltd	45.3%
Maxtop Management Corp	14.8%
Siriwanan Co Ltd	5.85%

PRICE PERFORMANCE (%)

	1M TH	3M TH	YTD
COMPANY	2.3	(14)	2.3
STIRETURN	5.0	4.5	7.9

PRICE VS. STI



Source: Bloomberg, PSR

Results at a glance

THB bn	3Q22	3Q21	YoY	Comments
Revenue	65.0	60.9	6.8%	
- Spirits	25.5	27.8	-8.3%	Volume down 14.2% YoY to 138mn litres.
- Beer	30.6	26.3	16.5%	Volume rose 7% YoY to 638mn litres.
- Non-alcoholic beverages	4.6	4.1	12.8%	
- Food	4.3	2.8	55.6%	
EBITDA	12.4	11.3	9.7%	
- Spirits	6.3	7.1	-11.4%	Higher packaging cost and Kyat weakness.
- Beer	4.9	3.5	42.8%	Supported by price increases.
- Non-alcoholic beverages	0.6	0.6	0.5%	
- Food	0.6	0.2	255.2%	
EBITDA margins	19.0%	18.5%	0.5%	
- Spirits	24.6%	25.4%	-0.9%	
- Beer	16.1%	13.2%	3.0%	
- Non-alcoholic beverages	12.7%	14.3%	-1.6%	
- Food	13.5%	5.9%	7.6%	

Source: Company, PSR. No analysts' briefing and limited financials were provided in the 3Q22 update.

The Positive

+ Volume and price bounce for beer. Beer sales rebounded strongly with a 16% YoY growth. The volume recovery is from lockdowns a year ago, namely in Vietnam. Price increases, product mix and lower sales and marketing costs supported the expansion in EBITDA margins to a record 16.1%. Pre-pandemic EBITDA margins were around 10%.

The Negative

- Spirits down after strength a year ago. Volumes were down 14% YoY to 138mn litres. Seasonally, third-quarter volumes are the weakest. The 138mn litres is a tad above 3Q21's 136mn litres, which included a 1-month alcohol ban in Thailand. We believe the weak volumes stem from poor sales and currency in Myanmar and lower consumption of on-premises brown spirits.

Outlook

We expect the overall recovery from lockdowns and weaker economic conditions to continue. Price increases implemented over the past few quarters together with the rolling over of commodity prices should support a gross margin recovery. Operating margins may suffer if the company resumes marketing activities that were significantly cut over the past two years.

Upgrade to BUY from ACCUMULATE with an unchanged TP of S\$0.80

Our target price is maintained at S\$0.80, based on 18x FY22e earnings, its 5-year average.

KEY FINANCIALS

Y/E Sep	FY20	FY21	FY22e	FY23e
Revenue (THB bn)	253.5	240.5	269.4	284.3
EBITDA (THB bn)	47.0	46.6	51.1	52.5
NPAT, adj. (THB bn)	23.2	24.6	27.5	28.0
EPS, adj. (THB)	0.88	0.98	1.10	1.12
EPS, adj. (SCents)	3.86	4.00	4.47	4.55
PER, adj. (x)	17.0	16.4	14.6	14.4
P/BV, (x)	2.6	2.4	2.2	2.0
DPS (THB)	0.46	0.50	0.55	0.56
DPS (SCents)	2.03	2.04	2.24	2.28
Div Yield	3.1%	3.1%	3.4%	3.5%
ROE	18.0%	15.7%	15.5%	14.6%

Source: Company, PSR

Valuation Method

18x PE FY22e

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Financials

Income Statement

Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	267,357	253,481	240,543	269,395	284,298
Gross profit	77,391	74,860	71,484	80,404	84,273
EBITDA	45,096	47,036	46,629	51,148	52,450
Depreciation & Amortisation	-6,634	-6,565	-7,831	-7,913	-8,357
EBIT	34,279	37,208	36,202	41,035	41,993
Associates & JVs	4,845	3,256	2,777	3,233	3,696
Other items	-1,807	-1,906	-1,548	-501	-1,786
Net Finance Inc/(Exp)	-6,006	-5,627	-5,458	-5,632	-5,058
Profit Before Tax	31,312	32,931	31,973	38,134	38,844
Taxation	-5,229	-6,866	-4,634	-6,864	-6,992
Profit After Tax	26,083	26,065	27,339	31,270	31,852
- Non-controlling interest	2,810	3,313	2,694	3,752	3,822
Net profit, reported	23,272	22,752	24,645	27,518	28,030
Net profit, adj.	23,272	23,244	24,645	27,518	28,030

Per share data (THB)

Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	0.93	0.91	0.98	1.10	1.12
EPS, adj.	0.90	0.88	0.98	1.10	1.12
DPS	0.48	0.46	0.50	0.55	0.56
BVPS	4.61	5.68	6.81	7.35	7.91

Per share data (SGD Cents)

Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	4.08	3.99	4.00	4.47	4.55
EPS, adj.	3.95	3.86	4.00	4.47	4.55
DPS	2.11	2.03	2.04	2.24	2.28
BVPS	20.33	25.01	27.78	30.02	32.29

Cash Flow

Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
EBIT	34,279	37,208	36,202	41,035	41,993
Depreciation & Amortisation	6,634	6,565	7,831	7,913	8,357
WC changes	3,810	177	-4,016	703	-2,312
Tax paid	-6,024	-5,113	-6,758	-6,864	-6,992
Others	-224	-1,572	-1,192	-501	-1,786
Cashflow from ops	38,476	37,265	32,067	42,286	39,259
CFI					
CAPEX, net	-5,664	-4,566	-3,455	-4,041	-5,117
Others	-2,781	-2,957	-8,201	1,340	1,650
Cashflow from investments	-8,445	-7,523	-11,656	-2,701	-3,467
CFF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	-18,760	-11,937	-4,477	-14,973	-14,709
Dividends	-12,416	-13,004	-14,548	-15,759	-16,015
Others	0	-11	-1,347	0	0
Cashflow from financing	-31,176	-24,951	-20,372	-30,731	-30,723
Net change in cash	-1,146	4,790	39	8,854	5,068
Effects of exchange rates	-740	726	193	0	0
CCE, end	9,630	15,147	15,379	24,233	29,301

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	59,993	61,347	60,717	56,845	53,606
Intangibles	184,120	193,475	195,497	195,497	195,497
Investments in Assoc/JV	79,345	85,605	102,414	105,647	109,343
Others	6,719	6,777	18,691	18,691	18,691
Total non-current assets	330,178	347,205	377,319	376,680	377,136
Accounts receivables	6,759	6,777	6,201	5,907	6,152
Cash	24,362	34,695	38,293	47,147	52,215
Inventories	42,876	41,655	45,739	46,600	49,321
Others	3,321	3,187	5,033	5,033	5,033
Total current assets	77,318	86,315	95,266	104,687	112,722
Total Assets	407,496	433,520	472,585	481,367	489,858
LIABILITIES					
Accounts payables	20,471	19,306	19,943	21,214	21,867
Short term loans	22,215	64,850	69,206	61,206	53,206
Others	6,123	6,596	6,294	6,294	6,294
Total current liabilities	48,809	90,752	95,442	88,713	81,367
Long term loans	197,977	152,214	151,800	151,800	151,800
Others	10,389	11,148	15,166	15,166	15,166
Total non-current liabilities	208,366	163,363	166,966	166,966	166,966
Total Liabilities	257,175	254,115	262,409	255,679	248,333
EQUITY					
Non-controlling interests	34,466	36,808	39,213	40,966	42,788
Shareholder Equity	115,856	142,596	170,963	184,722	198,737

Valuation Ratios

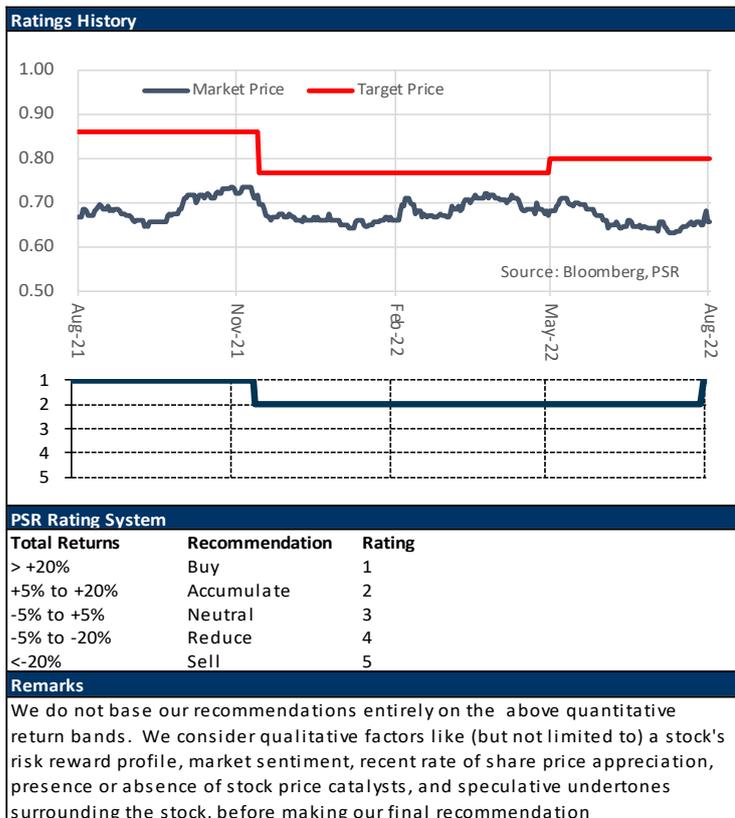
Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
P/E (X), adj.	16.6	17.0	16.4	14.6	14.4
P/B (X)	3.2	2.6	2.4	2.2	2.0
EV/EBITDA (X), adj.	13.4	12.6	4.8	4.0	3.7
Dividend Yield	3.2%	3.1%	3.1%	3.4%	3.5%

Growth & Margins

Growth					
Revenue	16.4%	-5.2%	-5.1%	12.0%	5.5%
EBITDA	18.3%	4.3%	-0.9%	9.7%	2.5%
EBIT	18.1%	8.5%	-2.7%	13.4%	2.3%
Net profit, adj.	10.9%	-0.1%	6.0%	11.7%	1.9%
Margins					
Gross margin	28.9%	29.5%	29.7%	29.8%	29.6%
EBITDA margin	16.9%	18.6%	19.4%	19.0%	18.4%
EBIT margin	12.8%	14.7%	15.1%	15.2%	14.8%
Net profit margin	8.7%	9.2%	10.2%	10.2%	9.9%

Key Ratios

ROE	19.6%	18.0%	15.7%	15.5%	14.6%
ROA	5.8%	5.5%	5.4%	5.8%	5.8%
Net Debt/(Cash)	195,830	182,370	182,713	165,859	152,791
Net Gearing	130.3%	101.7%	86.9%	73.5%	63.3%



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