

Thai Beverage PLC

No fizz in the beer



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SINGAPORE | CONSUMER | 2Q23 RESULTS

15 May 2023

- Earnings were within expectations. 1H23 revenue and PATMI at 49%/52% of our FY23e forecasts. 2Q23 PATMI growth of 3.4% was driven by growth in spirits but dragged down by a major decline in beer earnings.
- 2Q23 beer volumes were down 10% YoY. Sabeco volume declined by double-digits due to distributors de-stocking and slowdown in economic growth. Consumer sentiment in Vietnam is weak, especially for the industrial sector.
- We maintain our FY23e forecast. We expect improvement in beer sales to gradually recover in Vietnam as tourist arrivals support consumption and economic activity. The activities around the general election in Thailand is another trigger for beer demand in the near-term. Our recommendation is upgraded from ACCUMULATE to BUY due to recent share price weakness. The target price of S\$0.80 is unchanged. We peg 18x FY23e earnings for the core operations, its 5-year average. And listed associates are valued at market valuations.

Results at a glance

| THB bn | 2Q23 | 2Q22 | YoY | Comments |
|---------------------------------|--------------|--------------|--------------|--------------------------------------|
| Revenue | 67.4 | 65.9 | 2.4% | |
| - Spirits | 31.4 | 29.2 | 7.8% | Volume -0.4% YoY to 171.3mn litres. |
| - Beer | 26.5 | 28.6 | -7.3% | Volume -10.1% YoY to 497.4mn litres. |
| Operating profit | 9.1 | 9.4 | -3.3% | SG&A up 11% YoY, or THB1.1bn. |
| - Spirits | 6.9 | 6.5 | 6.0% | |
| - Beer | 1.9 | 2.8 | -29.7% | |
| Operating profit margins | 13.5% | 14.3% | -0.8% | |
| - Spirits | 21.9% | 22.3% | -0.4% | |
| - Beer | 7.3% | 9.6% | -2.3% | |
| PATMI | 7.4 | 7.1 | 3.4% | |
| - Spirits | 5.7 | 5.3 | 6.6% | |
| - Beer | 0.6 | 0.8 | -33.8% | |
| - Non-alcoholic beverages | 0.2 | 0.1 | 4.0% | |
| - Food | 0.0 | 0.1 | -87.3% | |
| - F&N/FPL | 0.9 | 0.7 | 30.4% | |
| DPS - Interim (Baht) | 0.15 | 0.15 | 0.0% | |

Source: Company, PSR

The Positive

+ Better product mix and selling price for spirits. Spirits volume in 2Q23 rose 7.8% YoY to THB31.4bn (S\$1.2bn). Revenue growth was from a larger mix of the higher priced brown compared to white spirits. The price increase also supported sales growth. The mix of brown and white spirits have not been disclosed except for double-digit revenue growth for brown and marginal decline in white spirits. There remain ample production capacity in spirits and capital expenditure is minimal. Raw material cost from molasses is expected to rise this year based on the recent Dec22-Apr23 annual harvest.

The Negative

- Beer volumes first decline in six quarters. Volume in 2Q23 declined 10.1% YoY, pulling down revenue by 7.3%. Operating margins fell as marketing expenses remain elevated. Gross margins were stable at 22.4%. Volumes decline was led by Sabeco, with revenues declining by 15% YoY in 1Q23. Vietnam, especially the industrial export sector, is suffering from weak economic conditions, job losses and poor consumer sentiment. Distributors are not willing to carry much inventory due to the weak demand and high interest rates. Thailand volumes were also impacted by higher prices but there has been market share gains.

BUY (Upgraded)

| | |
|---------------------|--------------|
| LAST CLOSE PRICE | SGD 0.590 |
| FORECAST DIV | SGD 0.024 |
| TARGET PRICE | SGD 0.800 |
| TOTAL RETURN | 39.7% |

COMPANY DATA

| | |
|--------------------------------|---------------|
| BLOOMBERG CODE | THBEV SP |
| O/S SHARES (MN) : | 25,125 |
| MARKET CAP (USD mn / SGD mn) : | 11078 / 14824 |
| 52 - WK HI/LO (SGD) : | 0.73 / 0.56 |
| 3M Average Daily T/O (mn) : | 25.54 |

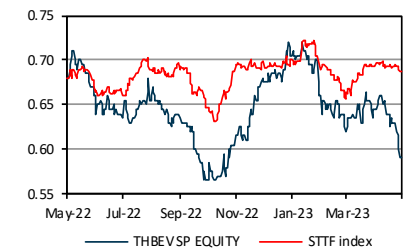
MAJOR SHAREHOLDERS

| | |
|------------------------|-------|
| Siriwana Co Ltd | 45.3% |
| Maxtop Management Corp | 11.9% |
| Siriwanan Co Ltd | 8.8% |

PRICE PERFORMANCE (%)

| | 1M TH | 3M TH | YTD |
|---------|-------|-------|--------|
| COMPANY | (8.5) | (6.7) | (11.7) |
| STTF | (0.9) | (2.6) | 0.8 |

PRICE VS STTF



Source: Bloomberg, PSR

KEY FINANCIALS

| Y/E Sep | FY21 | FY22 | FY23e | FY24e |
|---------------------|-------|-------|-------|-------|
| Revenue (THB bn) | 240.5 | 272.4 | 303.9 | 330.0 |
| EBITDA (THB bn) | 46.6 | 53.9 | 56.8 | 60.0 |
| NPAT, adj. (THB bn) | 24.6 | 30.1 | 31.0 | 34.9 |
| EPS, adj. (THB) | 0.98 | 1.20 | 1.23 | 1.39 |
| EPS, adj. (SCents) | 4.00 | 4.66 | 4.80 | 5.40 |
| PER, adj. (x) | 14.7 | 12.7 | 12.3 | 10.9 |
| P/BV, (x) | 2.1 | 1.9 | 1.7 | 1.6 |
| DPS (THB) | 0.50 | 0.60 | 0.62 | 0.69 |
| DPS (SCents) | 2.04 | 2.33 | 2.40 | 2.70 |
| Div Yield | 3.5% | 4.0% | 4.1% | 4.6% |
| ROE | 15.7% | 16.0% | 14.5% | 15.2% |

Source: Company, PSR

Valuation Method

18x PE FY23x + Market cap associates

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Figure 1: Bulk of PATMI from spirits and associates

| THB bn | FY22 | FY21 | YoY | Comments |
|--|-------------|-------------|--------------|----------------------------|
| PATMI (excl. non recurring costs) | | | | |
| Spirits | 12.6 | 12.6 | 0.2% | 78% of PATMI from spirits. |
| Beer | 1.3 | 1.9 | -33.5% | 8% of PATMI from beer. |
| Non-alcoholic beverages | 0.1 | 0.3 | -58.0% | |
| Food | 0.1 | 0.2 | -53.4% | |
| F&N/FPL | 2.0 | 1.4 | 51.2% | 13% of PATMI from spirits. |
| | <u>16.1</u> | <u>16.3</u> | <u>-1.2%</u> | |

Source: Company, PSR

Outlook

We expect beer volumes to gradually improve in Vietnam supported by tourism. This helps in consumption and economic activity. In Thailand, beer demand will be propped up by activities around the general election.

Post-election pledges of higher welfare payments, increased minimum wages and farm handouts, will be drivers to demand in the medium term. The extreme heat underway in SE Asia may have some impact on demand in May. Seasonality in demand from weather has less impact than festive holidays.

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

Our target price is maintained at S\$0.80, based on 18x FY23e earnings, its 5-year average and market valuation of listed associates.

Financials

Income Statement

| Y/E Sep, THB mn | FY20 | FY21 | FY22 | FY23e | FY24e |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 253,481 | 240,543 | 272,359 | 303,873 | 330,019 |
| Gross profit | 74,860 | 71,484 | 80,456 | 90,864 | 97,944 |
| EBITDA | 47,036 | 46,629 | 53,928 | 56,776 | 59,991 |
| Depreciation & Amortisation | -6,565 | -7,831 | -7,761 | -8,957 | -9,840 |
| EBIT | 37,208 | 36,202 | 42,899 | 45,818 | 48,450 |
| Associates & JVs | 3,256 | 2,777 | 5,044 | 3,950 | 4,290 |
| Other items | -1,906 | -1,548 | -3,337 | -3,574 | -1,659 |
| Net Finance Inc/(Exp) | -5,627 | -5,458 | -4,665 | -4,795 | -4,432 |
| Profit Before Tax | 32,931 | 31,973 | 39,941 | 41,399 | 46,649 |
| Taxation | -6,866 | -4,634 | -5,436 | -6,210 | -6,997 |
| Profit After Tax | 26,065 | 27,339 | 34,505 | 35,189 | 39,652 |
| - Non-controlling interest | 3,313 | 2,694 | 4,399 | 4,223 | 4,758 |
| Net profit, reported | 22,752 | 24,645 | 30,106 | 30,967 | 34,894 |
| Net profit, adj. | 23,244 | 24,645 | 30,106 | 30,967 | 34,894 |

Per share data (THB)

| Y/E Sep | FY20 | FY21 | FY22 | FY23e | FY24e |
|---------------|------|------|------|-------|-------|
| EPS, reported | 0.91 | 0.98 | 1.20 | 1.23 | 1.39 |
| EPS, adj. | 0.88 | 0.98 | 1.20 | 1.23 | 1.39 |
| DPS | 0.46 | 0.50 | 0.60 | 0.62 | 0.69 |
| BVPS | 5.68 | 6.81 | 8.19 | 8.81 | 9.50 |

Per share data (SGD Cents)

| Y/E Sep | FY20 | FY21 | FY22 | FY23e | FY24e |
|---------------|-------|-------|-------|-------|-------|
| EPS, reported | 3.99 | 4.00 | 4.66 | 4.80 | 5.40 |
| EPS, adj. | 3.86 | 4.00 | 4.66 | 4.80 | 5.40 |
| DPS | 2.03 | 2.04 | 2.33 | 2.40 | 2.70 |
| BVPS | 25.01 | 27.78 | 31.87 | 34.26 | 36.96 |

Cash Flow

| Y/E Sep, THB mn | FY20 | FY21 | FY22 | FY23e | FY24e |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| CFO | | | | | |
| EBIT | 37,208 | 36,202 | 42,899 | 45,818 | 48,450 |
| Depreciation & Amortisation | 6,565 | 7,831 | 7,761 | 8,957 | 9,840 |
| WC changes | 177 | -4,016 | 3,502 | -6,406 | -4,745 |
| Tax paid | -5,113 | -6,758 | -6,227 | -6,210 | -6,997 |
| Others | -1,572 | -1,192 | -2,922 | -3,574 | -1,659 |
| Cashflow from ops | 37,265 | 32,067 | 45,013 | 38,585 | 44,888 |
| CFI | | | | | |
| CAPEX, net | -4,566 | -3,455 | -3,356 | -5,470 | -5,940 |
| Others | -2,957 | -8,201 | -7,116 | 1,815 | 1,915 |
| Cashflow from investments | -7,523 | -11,656 | -10,472 | -3,654 | -4,026 |
| CFF | | | | | |
| Share issuance, net | 0 | 0 | 0 | 0 | 0 |
| Loans, net of repayments | -11,937 | -4,477 | -14,466 | -14,610 | -14,346 |
| Dividends | -13,004 | -14,548 | -14,674 | -17,483 | -19,447 |
| Others | -11 | -1,347 | -1,530 | 0 | 0 |
| Cashflow from financing | -24,951 | -20,372 | -30,671 | -32,094 | -33,793 |
| Net change in cash | 4,790 | 39 | 3,870 | 2,837 | 7,069 |
| Effects of exchange rates | 726 | 193 | -1,049 | 0 | 0 |
| CCE, end | 15,147 | 15,379 | 18,199 | 21,036 | 28,106 |

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

| Y/E Sep, THB mn | FY20 | FY21 | FY22 | FY23e | FY24e |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | |
| PPE | 61,347 | 60,717 | 59,176 | 55,689 | 51,790 |
| Intangibles | 193,475 | 195,497 | 205,830 | 205,830 | 205,830 |
| Investments in Assoc/JV | 85,605 | 102,414 | 112,630 | 116,580 | 120,871 |
| Others | 6,777 | 18,691 | 19,460 | 19,460 | 19,460 |
| Total non-current assets | 347,205 | 377,319 | 397,096 | 397,559 | 397,950 |
| Accounts receivables | 6,777 | 6,201 | 6,719 | 6,731 | 7,161 |
| Cash | 34,695 | 38,293 | 51,867 | 54,704 | 61,774 |
| Inventories | 41,655 | 45,739 | 46,073 | 52,523 | 57,224 |
| Others | 3,187 | 5,033 | 6,035 | 6,035 | 6,035 |
| Total current assets | 86,315 | 95,266 | 110,693 | 119,993 | 132,193 |
| Total Assets | 433,520 | 472,585 | 507,789 | 517,552 | 530,143 |

LIABILITIES

| | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Accounts payables | 19,306 | 19,943 | 24,126 | 24,183 | 24,569 |
| Short term loans | 64,850 | 69,206 | 57,122 | 49,122 | 41,122 |
| Others | 6,596 | 6,294 | 7,882 | 7,882 | 7,882 |
| Total current liabilities | 90,752 | 95,442 | 89,129 | 81,187 | 73,573 |
| Long term loans | 152,214 | 151,800 | 153,017 | 153,017 | 153,017 |
| Others | 11,148 | 15,166 | 16,254 | 16,254 | 16,254 |
| Total non-current liabilities | 163,363 | 166,966 | 169,271 | 169,271 | 169,271 |
| Total Liabilities | 254,115 | 262,409 | 258,400 | 250,457 | 242,843 |

EQUITY

| | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Non-controlling interests | 36,808 | 39,213 | 43,640 | 45,863 | 48,621 |
| Shareholder Equity | 142,596 | 170,963 | 205,748 | 221,232 | 238,679 |

Valuation Ratios

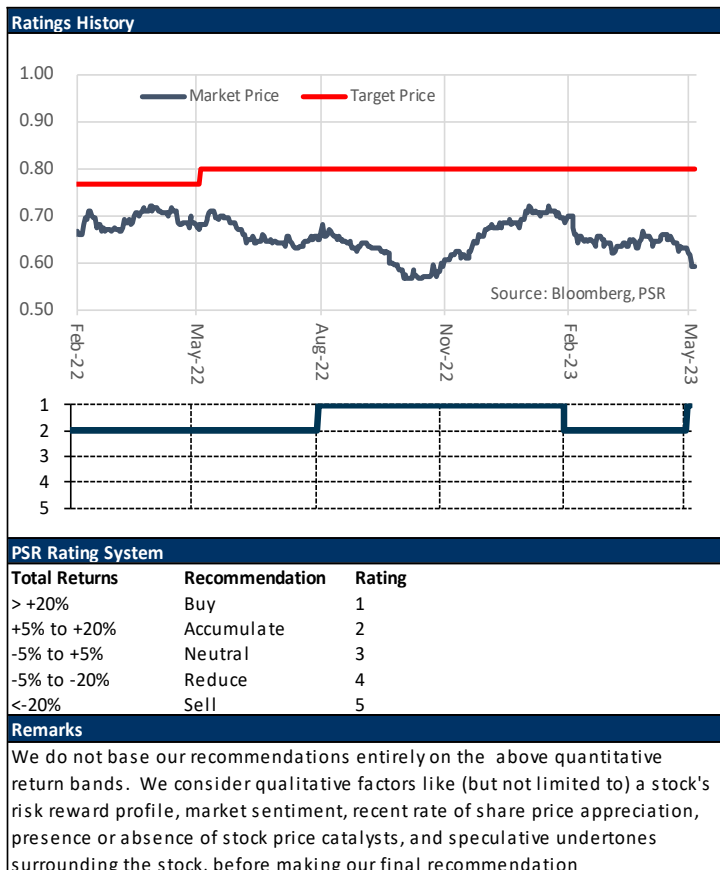
| Y/E Sep | FY20 | FY21 | FY22 | FY23e | FY24e |
|---------------------|------|------|------|-------|-------|
| P/E (X), adj. | 15.3 | 14.7 | 12.7 | 12.3 | 10.9 |
| P/B (X) | 2.4 | 2.1 | 1.9 | 1.7 | 1.6 |
| EV/EBITDA (X), adj. | 11.8 | 4.8 | 3.7 | 3.4 | 3.0 |
| Dividend Yield | 3.4% | 3.5% | 4.0% | 4.1% | 4.6% |

Growth & Margins

| | | | | | |
|--------------------------|-------------|--------------|--------------|--------------|--------------|
| Growth | | | | | |
| Revenue | -5.2% | -5.1% | 13.2% | 11.6% | 8.6% |
| EBITDA | 4.3% | -0.9% | 15.7% | 5.3% | 5.7% |
| EBIT | 8.5% | -2.7% | 18.5% | 6.8% | 5.7% |
| Net profit, adj. | -0.1% | 6.0% | 22.2% | 2.9% | 12.7% |
| Margins | | | | | |
| Gross margin | 29.5% | 29.7% | 29.5% | 29.9% | 29.7% |
| EBITDA margin | 18.6% | 19.4% | 19.8% | 18.7% | 18.2% |
| EBIT margin | 14.7% | 15.1% | 15.8% | 15.1% | 14.7% |
| Net profit margin | 9.2% | 10.2% | 11.1% | 10.2% | 10.6% |

Key Ratios

| | | | | | |
|-----------------|---------|---------|---------|---------|---------|
| ROE | 18.0% | 15.7% | 16.0% | 14.5% | 15.2% |
| ROA | 5.5% | 5.4% | 6.1% | 6.0% | 6.7% |
| Net Debt/(Cash) | 182,370 | 182,713 | 158,271 | 147,434 | 132,364 |
| Net Gearing | 101.7% | 86.9% | 63.5% | 55.2% | 46.1% |



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