

Thai Beverage PLC

The beer is still flat



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SINGAPORE | CONSUMER | 3Q23 UPDATE

13 August 2023

- Results were below expectations. 9M23 revenue and PATMI at 71%/65% of our FY23e forecasts. Weakness in beer sales was steeper than expected.
- Spirits revenue climbed 12% YoY to THB28.5bn in 3Q23, largely on 10% volume jump and improvement in selling price from better mix of brown spirits and price adjustment. 3Q23 spirits volume was a record 152.7mn litres.
- We lower our FY23e revenue by 10% and PATMI 7%. Beer contribution to group PATMI around 8% due to the large minority interest. The weakness in beer volumes was steeper than expected. Sabeco is facing major volume contraction due to weak macro conditions in Vietnam affecting discretionary spending such as alcohol. Our BUY recommendation is maintained but target price is lowered from S\$0.80 to S\$0.75. We peg 18x FY23e earnings for the core operations, its historical average. And listed associates are valued at market valuations.

Results at a glance

THB bn	3Q23	3Q22	YoY	Comments
Revenue	67.7	65.0	4.1%	
- Spirits	28.5	25.5	12.0%	Volume +10.1% YoY to 152.7mn litres.
- Beer	28.8	30.6	-5.9%	Volume -11.1% YoY to 549.6mn litres.
- Non-alcoholic beverages	5.4	4.6	16.5%	
- Food	4.9	4.3	14.6%	
EBITDA	12.1	12.4	-2.4%	
- Spirits	7.1	6.3	13.5%	
- Beer	3.7	4.9	-24.3%	
- Non-alcoholic beverages	0.7	0.6	26.0%	
- Food	0.5	0.6	-15.2%	
EBITDA margins	17.8%	19.0%	-1.2%	
- Spirits	24.9%	24.6%	0.3%	
- Beer	13.0%	16.1%	-3.2%	Brand investment and marketing.
- Non-alcoholic beverages	13.8%	12.7%	1.0%	
- Food	10.0%	13.5%	-3.5%	

Source: Company, PSR # Note - No analyst briefing and limited financials were provided in the 3Q23 update

The Positive

+ Rebound in spirits volume, revenue and margins. Spirits volume continue to pick up momentum, rising 10% YoY in 3Q23 to an estimated 152.7mn litres. Revenue rose a faster 12% YoY from higher selling price and better product mix of brown spirits.

The Negative

- Beer earnings collapsed. EBITDA for beer operations was down 24%, largely from the drag in Sabeco operations. Margins contracted from weaker volumes, high raw material inventory and higher marketing spend in events to promote the brands.

Outlook

We expect beer volumes for Sabeco to remain weak for the rest of the year. Any recovery is only expected early next year from economic uplift and lower raw material cost. Spirit volume may soften as festivities post-election wind down and farm incomes have been trending down.

Maintain BUY with lower TP of S\$0.75 (prev. S\$0.80)

Our target price is lowered to S\$0.75 as we cut earnings by 7%. The target price is based on 18x FY23e earnings, its 5-year average and market valuation of listed associates.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.575
FORECAST DIV	SGD 0.022
TARGET PRICE	SGD 0.750
TOTAL RETURN	34.3%

COMPANY DATA

BLOOMBERG CODE	THBEV SP
O/S SHARES (MN) :	25,125
MARKET CAP (USD mn / SGD mn) :	10679 / 14447
52 - WK HI/LO (SGD) :	0.73 / 0.54
3M Average Daily T/O (mn) :	30.73

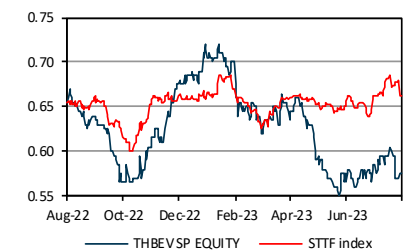
MAJOR SHAREHOLDERS

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

PRICE PERFORMANCE (%)

	1M TH	3M TH	YTD
COMPANY	-	(3.2)	(13.0)
STTF	5.1	3.4	4.5

PRICE VS STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sep	FY21	FY22	FY23e	FY24e
Revenue (THB bn)	240.5	272.4	288.0	311.3
EBITDA (THB bn)	46.6	53.9	52.1	55.9
NPAT, adj. (THB bn)	24.6	30.1	28.8	31.8
EPS, adj. (THB)	0.98	1.20	1.15	1.26
EPS, adj. (SCents)	4.00	4.66	4.46	4.92
PER, adj. (x)	14.4	12.3	12.9	11.7
P/BV, (x)	2.1	1.8	1.7	1.6
DPS (THB)	0.50	0.60	0.57	0.63
DPS (SCents)	2.04	2.33	2.23	2.46
Div Yield	3.5%	4.1%	3.9%	4.3%
ROE	15.7%	16.0%	13.5%	13.9%

Source: Company, PSR

Valuation Method

18x PE FY23x + Market cap associates

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Financials

Income Statement

Y/E Sep, THB mn	FY20	FY21	FY22	FY23e	FY24e
Revenue	253,481	240,543	272,359	288,043	311,290
Gross profit	74,860	71,484	80,456	85,369	91,710
EBITDA	47,036	46,629	53,928	52,060	55,943
Depreciation & Amortisation	-6,565	-7,831	-7,761	-8,482	-9,278
EBIT	34,560	33,782	38,583	38,578	41,664
Associates & JVs	3,256	2,777	5,044	3,745	4,047
Other items	742	872	979	992	1,173
Net Finance Inc/(Exp)	-5,627	-5,458	-4,665	-4,795	-4,397
Profit Before Tax	32,931	31,973	39,941	38,520	42,487
Taxation	-6,866	-4,634	-5,436	-5,778	-6,373
Profit After Tax	26,065	27,339	34,505	32,742	36,114
- Non-controlling interest	3,313	2,694	4,399	3,929	4,334
Net profit, reported	22,752	24,645	30,106	28,813	31,780
Net profit, adj.	23,244	24,645	30,106	28,813	31,780

Per share data (THB)

Y/E Sep	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	0.91	0.98	1.20	1.15	1.26
EPS, adj.	0.88	0.98	1.20	1.15	1.26
DPS	0.46	0.50	0.60	0.57	0.63
BVPS	5.68	6.81	8.19	8.76	9.39

Per share data (SGD Cents)

Y/E Sep	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	3.99	4.00	4.66	4.46	4.92
EPS, adj.	3.86	4.00	4.66	4.46	4.92
DPS	2.03	2.04	2.33	2.23	2.46
BVPS	25.01	27.78	31.87	34.10	36.56

Cash Flow

Y/E Sep, THB mn	FY20	FY21	FY22	FY23e	FY24e
CFO					
EBIT	34,560	33,782	38,583	38,578	41,664
Depreciation & Amortisation	6,565	7,831	7,761	8,482	9,278
WC changes	177	-4,016	3,502	-4,068	-4,078
Tax paid	-5,113	-6,758	-6,227	-5,778	-6,373
Others	1,076	1,228	1,394	992	1,173
Cashflow from ops	37,265	32,067	45,013	38,206	41,665
CFI					
CAPEX, net	-4,566	-3,455	-3,356	-5,185	-5,603
Others	-2,957	-8,201	-7,116	1,815	1,949
Cashflow from investments	-7,523	-11,656	-10,472	-3,369	-3,654
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	-16,406	-17,890
Others	-11	-1,347	-1,530	0	0
Cashflow from financing	-24,951	-20,372	-30,671	-31,017	-32,236
Net change in cash	4,790	39	3,870	3,819	5,774
Effects of exchange rates	726	193	-1,049	0	0
CCE, end	15,147	15,379	18,199	22,018	27,793

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	55,879	52,204
Intangibles	193,475	195,497	205,830	205,830	205,830
Investments in Assoc/JV	85,605	102,414	112,630	116,375	120,421
Others	6,777	18,691	19,460	19,460	19,460
Total non-current assets	347,205	377,319	397,096	397,543	397,915
Accounts receivables	6,777	6,201	6,719	6,471	6,853
Cash	34,695	38,293	51,867	55,687	61,461
Inventories	41,655	45,739	46,073	49,974	54,143
Others	3,187	5,033	6,035	6,035	6,035
Total current assets	86,315	95,266	110,693	118,167	128,492
Total Assets	433,520	472,585	507,789	515,710	526,407

LIABILITIES

Accounts payables	19,306	19,943	24,126	23,712	24,185
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	80,715	73,188
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	249,986	242,459

EQUITY

Non-controlling interests	36,808	39,213	43,640	45,569	47,903
Shareholder Equity	142,596	170,963	205,748	220,155	236,045

Valuation Ratios

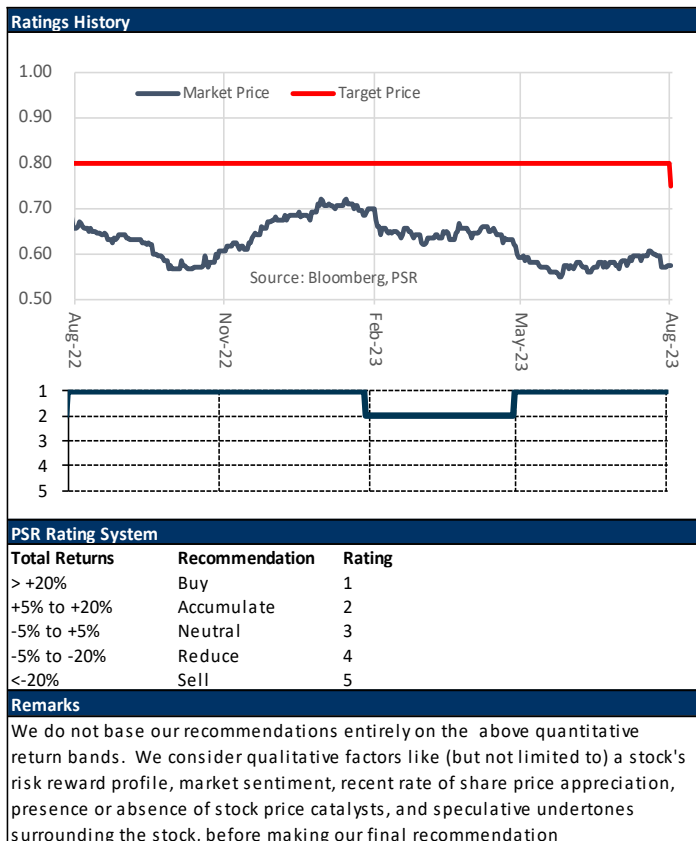
Y/E Sep	FY20	FY21	FY22	FY23e	FY24e
P/E (X), adj.	14.9	14.4	12.3	12.9	11.7
P/B (X)	2.3	2.1	1.8	1.7	1.6
EV/EBITDA (X), adj.	11.6	4.8	3.7	3.7	3.2
Dividend Yield	3.5%	3.5%	4.1%	3.9%	4.3%

Growth & Margins

	FY20	FY21	FY22	FY23e	FY24e
Growth					
Revenue	-5.2%	-5.1%	13.2%	5.8%	8.1%
EBITDA	4.3%	-0.9%	15.7%	-3.5%	7.5%
EBIT	9.0%	-2.3%	14.2%	0.0%	8.0%
Net profit, adj.	-0.1%	6.0%	22.2%	-4.3%	10.3%
Margins					
Gross margin	29.5%	29.7%	29.5%	29.6%	29.5%
EBITDA margin	18.6%	19.4%	19.8%	18.1%	18.0%
EBIT margin	13.6%	14.0%	14.2%	13.4%	13.4%
Net profit margin	9.2%	10.2%	11.1%	10.0%	10.2%

Key Ratios

ROE	18.0%	15.7%	16.0%	13.5%	13.9%
ROA	5.5%	5.4%	6.1%	5.6%	6.1%
Net Debt/(Cash)	182,370	182,713	158,271	146,452	132,677
Net Gearing	101.7%	86.9%	63.5%	55.1%	46.7%



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