

COMPANY RESULTS

Thai Beverage (THBEV SP)

1HFY22: A Toast To A Strong COVID-19 Recovery

THBEV announced 1HFY22 core PATMI of Bt16.3b, beating expectations as its post-COVID-19 recovery gets underway. 1HFY22 revenue for every segment rose as consumption volumes grew, while the food segment benefitted from the resumption of dining in at restaurants. Several ASP hikes in 1HFY22 mitigated the impact of rising raw material and packaging costs on margins. THBEV is currently trading at -1SD of its five-year mean PE, attractive in our view. Maintain BUY with a higher target price of S\$1.05.

1HFY22 RESULTS

Year to 30 Sep (Btm)	2QFY22	2QFY21	yoy % chg	1HFY22	1HFY21	yoy % chg
Revenue	65,826	59,463	10.7	142,942	131,252	8.9
COGS	46,245	41,494	(11.5)	101,363	92,004	(10.2)
EBITDA	12,085	10,936	13.6	28,242	26,266	7.5
PATMI	7,114	5,928	20.0	16,318	14,397	13.3
			----- Revenue -----			
Year to 30 Sep (Btm)	2QFY22	2QFY21	yoy % chg	2QFY22	2QFY21	yoy % chg
Spirits	29,171	29,105	0.2	7,104	7,326	(3.0)
Beer	28,580	23,757	20.3	3,994	2,854	39.9
NAB	4,216	3,885	8.5	533	548	(2.7)
Food	3,903	2,757	41.6	454	208	118.3
			----- EBITDA -----			
Year to 30 Sep (Btm)	1HFY22	1HFY21	yoy % chg	1HFY22	1HFY21	yoy % chg
Spirits	65,186	63,876	2.1	16,116	16,547	(2.6)
Beer	61,939	53,978	14.7	8,501	7,168	18.6
NAB	8,204	7,592	8.1	1,128	1,043	8.1
Food	7,688	5,885	30.6	999	610	63.8

Source: THBEV, UOB Kay Hian

RESULTS

- 1HFY22 core earnings above expectations...** Thai Beverage (THBEV) released its 1HFY22 results whereby overall revenue (+8.9% yoy) and core PATMI (+13.3% yoy) surged past our expectations, forming 57.2% and 56.1% of our full-year estimates respectively. Advertising and promotion expenses continued to decline as bars and nightlife remain shut, with SG&A expense-to-revenue ratio falling to 14.2% in 1HFY22 (-0.5ppt yoy). The group declared a similar interim dividend of Bt0.15 per share (1HFY21: Bt0.15), representing a 1HFY22 earnings payout ratio of 23.1%.
- ...backed by a strong quarter.** The strong 1HFY22 outperformance was largely driven by a robust 2QFY22, with strong yoy contributions from the beer, non-alcoholic beverages (NAB) and food segments. 2QFY22 revenue (+10.7% yoy) and core PATMI (+20.0% yoy) posted sturdy growths, backed by the full reopening of Thailand's international borders as well as the easing of social distancing measures. The spirits segment was the sole segment that posted negative EBITDA growth in 1HFY22, dragged by higher raw material and packaging costs along with an unfavourable product mix.

KEY FINANCIALS

Year to 30 Sep (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	253,481	240,543	280,356	312,460	345,210
EBITDA	41,215	41,613	49,338	53,630	57,707
Operating profit	34,600	33,782	42,449	46,557	50,444
PATMI (rep./act.)	22,751	24,645	31,166	34,088	36,789
PATMI (adj.)	22,751	24,645	31,166	34,088	36,789
EPS (Bt)	0.9	1.0	1.2	1.4	1.5
PE (x)	18.7	17.3	13.6	12.5	11.6
P/B (x)	3.0	2.5	2.3	2.1	1.9
EV/EBITDA (x)	15.6	15.4	13.0	12.0	11.1
Dividend yield (%)	2.7	3.0	3.7	4.0	4.3
Net margin (%)	9.0	10.2	11.1	10.9	10.7
Net debt/(cash) to equity (%)	128.3	109.7	91.3	76.8	63.9
Interest cover (x)	5.8	6.1	7.4	7.5	7.6
ROE (%)	17.6	15.7	17.3	17.2	16.9
Consensus net profit	-	-	27,489	29,269	31,763
UOBKH/Consensus (x)	-	-	1.13	1.16	1.16

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.68
Target Price	S\$1.05
Upside	+54.4%
(Previous TP:	S\$0.90)

COMPANY DESCRIPTION

Thai Beverage is Thailand's largest beverage producer with the largest market share in spirits. Its products include spirits, beer, non-alcohol beverages and food.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	THBEV SP
Shares issued (m):	25,120.9
Market cap (S\$m):	17,082.2
Market cap (US\$m):	12,230.4
3-mth avg daily t'over (US\$m):	13.1

Price Performance (%)

52-week high/low S\$0.735/S\$0.640

1mth	3mth	6mth	1yr	YTD
(4.2)	3.0	(5.6)	(2.2)	3.0

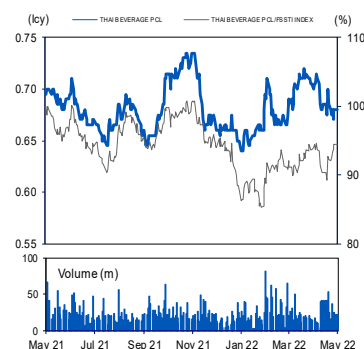
Major Shareholders

	%
Siriwana Co., Ltd.	45.3
Maxtop Management Corp.	20.6

FY22 NAV/Share (Bt) 7.52

FY22 Net Debt/Share (Bt) 6.87

PRICE CHART



Source: Bloomberg

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• **Spirits: Margin compression.** Although the spirits segment recorded increases in both revenue (+2.1% yoy) and sales volume (+6.4% yoy) for 1HFY22, EBITDA (-2.6% yoy and PATMI (-0.6% yoy) softened as rising raw material and packing costs dragged down margins. EBITDA and net margins moderated 1.2ppt yoy and 0.4ppt yoy respectively. 1HFY22 had a product mix favouring the lower-margin white spirits as bars and nightlife venues still remain shut. THBEV also raised the ASPs of its white spirits twice in Nov 21 and Feb 22 which resulted in customers front loading their purchases to mitigate the impact of the price hikes, leading to higher white spirits sales volume and lower overall margins. Looking forward, with the return of tourists arrivals, management is optimistic that the product mix between brown and white spirits would improve. Additionally, raw material costs are expected to soften as the crop yield for molasses in FY22 has improved as compared with FY21, leading to lower raw material costs while supporting margins.

• **Beer: Increased consumption volumes as social distancing eases.** Overall, beer sales volume was up (+5.5% yoy), largely contributed by higher volumes from Sabeco in Vietnam. We reckon that this is due to Vietnam easing social distancing restrictions earlier as compared with Thailand. 1HFY22 beer revenue (+14.7% yoy), EBITDA (+18.6% yoy) and PATMI (+119.2% yoy) surged, in line with higher sales volume. Although the segment was affected by increasing raw material and packaging costs, two ASP price hikes in 1HFY22 along with production costs efficiency helped mitigate rising costs. EBITDA and net margins were higher by 0.4ppt yoy and 1.7ppt yoy respectively. Similar to the spirits segment, tourists arrivals coupled with bars and nightlife venues reopening would help boost beer consumption volumes moving forward.

• **BeerCo: Back on track.** The group recently announced that it has renewed plans for the listing of its beer operations (BeerCo) on the SGX, whereby it would conduct a public offering of up to approximately 20% of the total number of issued ordinary shares in BeerCo and retain a majority stake in the company. THBEV is expected to use the proceeds to pare down its debt. Conservatively, we value the beer business at roughly US\$6b, based on 13X FY22 EBITDA which is line with peers.

• **Food: Back to profitability; NAB: Higher SG&A to support growth.** The food segment clawed back from a net loss position in 1HFY22 to profitability due to the resumption of dine-in restaurants. 1HFY22 food revenue (+30.6% yoy), EBITDA (+63.8% yoy) and PATMI (-Bt79m to +Bt163m) grew and are expected to continue as social mobility in Thailand increases. The NAB segment also recorded solid revenue (+8.1% yoy), EBITDA (+8.1% yoy) and PATMI (+57.7% yoy) for 1HFY22 as higher SG&A, prudent cost management along with higher sales volumes (+7.5% yoy) boosted revenue and profitability.

EARNINGS REVISION/RISK

• **We raise our FY22-24 revenue and PATMI estimates**, after accounting for higher consumption volumes for all three segments along with higher contribution from the food segment. We increased our FY22-24 revenue by 12.1%, 20.2% and 27.7% while increasing PATMI estimates by 19.9%, 27.5% and 34.5% respectively.

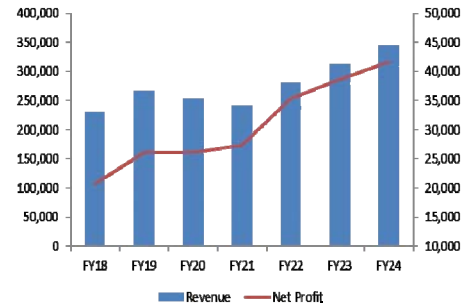
VALUATION/RECOMMENDATION

• **Maintain BUY with a higher SOTP-based target price of S\$1.05 (S\$0.90 previously)**, we reckon THBEV remains attractively priced at -1SD to its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds.

SHARE PRICE CATALYST

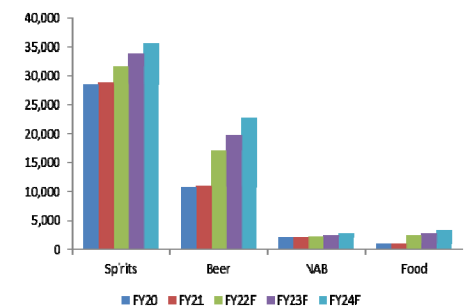
- Gaining market share in the beer segment.
- M&As/potential spinoff listing.
- BeerCo listing.

THBEV'S ANNUAL REVENUE AND PATMI FORECASTS (Btm)



Source: UOB Kay Hian, THBEV

THBEV'S SEGMENTAL OPERATING PROFIT (Btm)



Source: UOB Kay Hian, THBEV

THBEV'S FORWARD PE



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

Methodology	(Btm)	
Spirits	18x FY22F EV/EBITDA	570,201
Beer	13x FY22F EV/EBITDA	222,433
NAB	16x FY22F EV/EBITDA	34,873
Food	14x FY22F EV/EBITDA	33,163
FPL	Market Value	29,681
FNN	Market Value	13,876
Total		904,228
Less: Net debt, Minority Interest		(247,411)
Value		656,817
Per share (S\$)		1.05

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Net turnover	240,543	280,356	312,460	345,210
EBITDA	41,613	49,338	53,630	57,707
Deprec. & amort.	7,831	6,889	7,073	7,263
EBIT	33,782	42,449	46,557	50,444
Total other non-operating income	2,239	2,202	2,202	2,202
Associate contributions	2,777	3,403	3,607	3,804
Net interest income/(expense)	(6,825)	(6,663)	(7,143)	(7,623)
Pre-tax profit	31,973	41,391	45,223	48,828
Tax	(4,634)	(6,030)	(6,605)	(7,146)
Minorities	(2,694)	(4,196)	(4,530)	(4,892)
Net profit	24,645	31,166	34,088	36,789
Net profit (adj.)	24,645	31,166	34,088	36,789

BALANCE SHEET

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Fixed assets	268,391	274,015	277,730	281,444
Other LT assets	108,928	107,602	108,116	108,640
Cash/ST investment	38,293	49,667	78,876	108,975
Other current assets	56,973	63,432	73,619	84,604
Total assets	472,585	494,716	538,342	583,663
ST debt	69,206	73,971	73,971	73,971
Other current liabilities	26,237	28,316	31,558	34,866
LT debt	156,551	148,119	164,119	180,119
Other LT liabilities	10,415	11,775	13,123	14,499
Shareholders' equity	170,963	188,837	207,342	227,088
Minority interest	39,213	43,698	48,228	53,121
Total liabilities & equity	472,585	494,716	538,342	583,663

CASH FLOW

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Operating	32,067	37,070	37,848	40,309
Pre-tax profit	31,973	41,391	45,223	48,828
Tax	(4,634)	(6,030)	(6,605)	(7,146)
Deprec. & amort.	7,831	6,889	7,073	7,263
Working capital changes	(4,016)	(4,883)	(8,711)	(9,478)
Non-cash items	913	(298)	868	843
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(11,656)	(9,470)	(9,056)	(9,167)
Capex (growth)	(7,201)	(12,156)	(9,890)	(10,018)
Investments	(16,607)	0.0	0.0	0.0
Others	12,152	2,686	835	852
Financing	(17,006)	(16,226)	417	(1,044)
Dividend payments	(11,553)	(12,559)	(15,583)	(17,044)
Issue of shares	56	0.0	0.0	0.0
Proceeds from borrowings	8,096	(3,667)	16,000	16,000
Others/interest paid	(13,605)	0.0	0.0	0.0
Net cash inflow (outflow)	3,405	11,374	29,209	30,099
Beginning cash & cash equivalent	34,694	38,292	49,667	78,876
Changes due to forex impact	193	0.0	0.0	0.0
Ending cash & cash equivalent	38,292	49,667	78,876	108,975

KEY METRICS

Year to 30 Sep (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	17.6	17.2	16.7
Pre-tax margin	13.3	14.8	14.5	14.1
Net margin	10.2	11.1	10.9	10.7
ROA	5.4	6.4	6.6	6.6
ROE	15.7	17.3	17.2	16.9
Growth				
Turnover	(5.1)	16.6	11.5	10.5
EBITDA	1.0	18.6	8.7	7.6
Pre-tax profit	3.9	29.5	9.3	8.0
Net profit	8.3	26.5	9.4	7.9
Net profit (adj.)	8.3	26.5	9.4	7.9
EPS	8.3	26.5	9.4	7.9
Leverage				
Debt to total capital	51.8	48.9	48.2	47.6
Debt to equity	132.1	117.6	114.8	111.9
Net debt/(cash) to equity	109.7	91.3	76.8	63.9
Interest cover (x)	6.1	7.4	7.5	7.6

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