

COMPANY RESULTS

Thai Beverage (THBEV SP)

3QFY22: Solid Results, As Beer Outperforms

THBEV released its 3QFY22 business update where 9MFY22 revenue was in line while EBITDA was slightly above our expectations. This was driven by a stronger-than-expected recovery in the beer segment. Despite lower molasses costs, the spirits segment underperformed, dragged down by rising packaging costs. We reckon THBEV is an attractive and undervalued stock with high potential upside. Maintain BUY with a slightly lower SOTP-based target price of S\$0.89 (S\$0.94).

3QFY22 RESULTS

Year to 30 Sep (Btm)	3QFY22	3QFY21	yoy % chg	9MFY22	9MFY21	yoy % chg
Revenue	64,980	60,868	6.8	207,922	192,120	8.2
EBITDA	10,868	10,372	4.8	39,110	36,638	6.7
EBITDA margin (%)	16.7	17.0	(0.3ppts)	18.8	19.1	(0.3ppts)

Year to 30 Sep (Btm)	Revenue			EBITDA		
	3QFY22	3QFY21	yoy % chg	3QFY22	3QFY21	yoy % chg
Spirits	25,462	27,754	(8.3)	6,253	7,058	(11.4)
Beer	30,634	26,287	16.5	4,945	3,463	42.8
NAB	4,622	4,096	12.8	589	586	0.5
Food	4,302	2,764	55.6	579	163	255.2

Source: THBEV, UOB Kay Hian

RESULTS

- Robust 3QFY22.** For 9MFY22, Thai Beverage (THBEV) reported revenue and EBITDA of Bt207.9b (+8.2% yoy) and Bt39.1b (+6.7% yoy), forming 75.6% and 80.6% of our full-year forecasts respectively. 9MFY22 was slightly above expectations due to a strong 3QFY22. For 3QFY22, both revenue and EBITDA grew 6.8% yoy and 4.8% yoy respectively, driven by the beer segment as most COVID-19 restrictions were relaxed. 9MFY22 EBITDA margin softened slightly by 0.3ppt yoy to 16.7%. Based on our estimates, THBEV is on track to post strong annual yoy growths for FY22 revenue (12.0% yoy) and EBITDA (13.3% yoy) respectively.
- Spirits: Dragged down by rising costs.** Slightly below expectations, 9MFY22 spirits revenue and EBITDA fell 1.1% yoy and 5.2% yoy respectively, forming 73.0% and 72.0% of our full-year forecasts. The underperformance was largely due to a weak 3QFY22, with revenue and EBITDA falling 8.3% yoy and 11.4% yoy. Although 9MFY22 sales volumes was stable yoy, 3QFY22 volumes fell 14.0% yoy which we reckon was due to lesser discretionary spending caused by record-high inflation. Lower molasses costs in 3QFY22 were outpaced by higher packaging costs, compressing margins. Moving forward, the opening of entertainment venues on 1 Jun 22 would help boost consumption for the higher margin brown spirits, supporting/expanding margins.

KEY FINANCIALS

Year to 30 Sep (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	253,481	240,543	269,439	298,611	331,374
EBITDA	41,215	41,613	47,155	50,584	54,402
Operating profit	34,600	33,782	40,266	43,511	47,139
Net profit (rep./act.)	22,751	24,645	29,330	31,526	34,009
Net profit (adj.)	22,751	24,645	29,330	31,526	34,009
EPS (Bt)	0.9	1.0	1.2	1.3	1.4
PE (x)	18.5	17.1	14.4	13.4	12.4
P/B (x)	3.0	2.5	2.3	2.1	1.9
EV/EBITDA (x)	15.5	15.3	13.5	12.6	11.7
Dividend yield (%)	2.7	3.0	3.5	3.7	4.0
Net margin (%)	9.0	10.2	10.9	10.6	10.3
Net debt/(cash) to equity (%)	128.3	109.7	92.5	78.7	66.3
Interest cover (x)	5.8	6.1	7.1	7.1	7.1
ROE (%)	17.6	15.7	16.4	16.1	16.0
Consensus net profit	-	-	28,612	30,205	32,389
UOBKH/Consensus (x)	-	-	1.03	1.04	1.05

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.650
Target Price	S\$0.890
Upside	+36.9%
(Previous TP:	S\$0.940)

COMPANY DESCRIPTION

THBEV 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):	16,328.6
Market cap (US\$m):	11,751.4
3-mth avg daily t'over (US\$m):	9.2

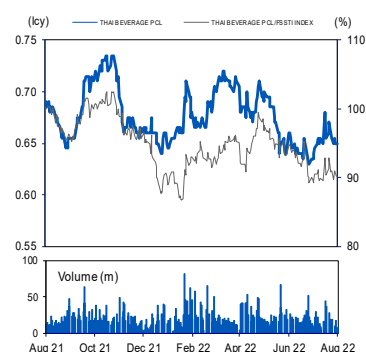
Price Performance (%)

52-week high/low		S\$0.735/S\$0.630		
1mth	3mth	6mth	1yr	YTD
2.4	(6.6)	(4.4)	(6.5)	(1.5)

Major Shareholders

	%
Siriwana Co., Ltd.	45.3
Maxtop Management Corp.	20.6
FY22 NAV/Share (Bt)	7.44
FY22 Net Debt/Share (Bt)	6.88

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llalleythan Tan
+65 6590 6624
yirong@uobkayhian.com

- Beer: Outperformance as sales volumes grew.** Slightly above expectations, 9MFY22 revenue and EBITDA increased 15.3% yoy and 26.5% yoy respectively, forming 74.5% and 80.4% of our full-year forecasts. Outperformance was led by a robust 3QFY22 where revenue and EBITDA surged 16.5% yoy and 42.8% yoy. Backed by two ASP hikes in 1HFY22 and the relaxation of COVID-19 measures in Thailand and Vietnam in 3QFY22, 9MFY22 sales volumes grew 6% yoy while 3QFY22 volumes grew 7% yoy. Furthermore, an improved product mix along with better cost control measures led to better margin expansion. Based on current estimates, THBEV is on track to grow FY22 full-year beer segmental revenue and EBITDA by 20.5% yoy and 36.0% yoy respectively.
- Non-alcoholic beverage: Boosted by economic recovery.** Above expectations, 9MFY22 revenue and EBITDA were up 9.7 % yoy and 5.4% yoy respectively, forming 88.3% and 78.8% of our full-year forecasts. This was led by an 8.4% improvement in sales volume amid Thailand's strong recovery in economic activity. 3QFY22 revenue and EBITDA grew 12.8% yoy and 0.5% yoy respectively.
- Food: Recovery from dine-in restaurants.** For 9MFY22, food revenue increased 38.6% yoy to Bt12.0m from the recovery in dine-in footfall at restaurants, also backed by the group's continued drive to increase its brand penetration and accessibility. As a result of improved operational efficiency in its portfolio, 9MFY22 EBITDA for the food segment surged 104.1% yoy, in line with expectations. 3QFY22 revenue and EBITDA grew 55.6% and 255.2% yoy respectively.

STOCK IMPACT

- Postponement of BeerCo IPO yet again.** THBEV announced that the group has decided to defer the IPO of its beer business due to prolonged challenging market conditions, just three months after reviving plans for the listing. It was also noted that the group would continue to monitor market conditions and review the proposed listing again in the future. As a recap, THBEV was seeking to sell as much as 20% of the beer business, raising between US\$800m to US\$1b which values the beer business at around US\$4b-5b (9x-11x FY22F EV/EBITDA), a reasonable valuation in our view given that peers' average is 13.8x FY22F EV/EBITDA. Given the uncertain global macroeconomic conditions, we reckon that the IPO was shelved due to liquidity concerns and expect THBEV to revive the IPO plans once market conditions improve.

EARNINGS REVISION/RISK

- We lower our FY22-24 PATMI forecasts slightly 3-4%,** after accounting for lower spirits volumes and higher beer volumes. Our new FY22-24 PATMI estimates are Bt29,330m (Bt30,467m previously), Bt31,526m (Bt32,709m previously) and Bt34,009m (Bt35,239m previously) respectively.
- Potential downside to our PATMI forecasts is higher-than-expected raw materials costs.

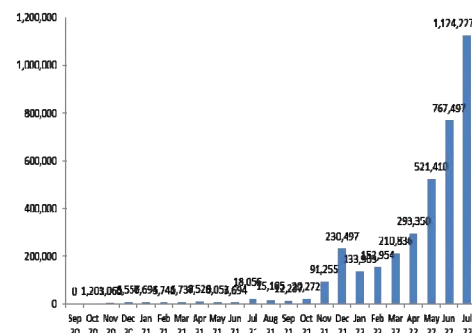
VALUATION/RECOMMENDATION

- Maintain BUY with a lower SOTP-based target price of S\$0.89 (S\$0.94).** Our lower target price is due to lower valuation for the spirits segment as we decreased our spirits EBITDA forecasts.
- However, we still reckon THBEV remains attractively priced at -1SD of its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds that are already underway.

SHARE PRICE CATALYST

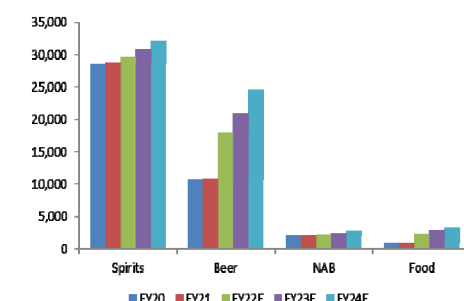
- M&As.
- Better-than-expected consumptions volumes.
- Better-than-expected tourist arrivals.

THAILAND'S MONTHLY INTERNATIONAL ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

THBEV'S SEGMENTAL HISTORICAL EBITDA AND FORECASTS (BTM)



Source: UOB Kay Hian, Bloomberg, THBEV

THBEV'S HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

	Methodology	(Btm)
Spirits	17x FY22 EV/EBITDA	503,728
Beer	12x FY22 EV/EBITDA	215,073
NAB	15x FY22 EV/EBITDA	32,694
Food	15x FY22 EV/EBITDA	33,163
FPL	Market Value	30,052
FNN	Market Value	13,437
Total		828,146
	Less: Net debt, Minority Interest	(248,571)
	Value	579,575
	Per share (S\$)	0.89

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Net turnover	240,543	269,439	298,611	331,374
EBITDA	41,613	47,155	50,584	54,402
Deprec. & amort.	7,831	6,889	7,073	7,263
EBIT	33,782	40,266	43,511	47,139
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	39,208	42,178	45,523
Tax	(4,634)	(5,683)	(6,122)	(6,622)
Minorities	(2,694)	(4,196)	(4,530)	(4,892)
Net profit	24,645	29,330	31,526	34,009
Net profit (adj.)	24,645	29,330	31,526	34,009

BALANCE SHEET

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Fixed assets	268,391	273,669	276,900	280,090
Other LT assets	108,928	107,428	107,895	108,419
Cash/ST investment	38,293	49,192	77,652	106,913
Other current assets	56,973	61,030	70,434	81,283
Total assets	472,585	491,319	532,881	576,704
ST debt	69,206	73,971	73,971	73,971
Other current liabilities	26,237	27,213	30,160	33,469
LT debt	156,551	148,119	164,119	180,119
Other LT liabilities	10,415	11,316	12,542	13,918
Shareholders' equity	170,963	187,001	203,862	222,107
Minority interest	39,213	43,698	48,228	53,121
Total liabilities & equity	472,585	491,319	532,881	576,704

CASH FLOW

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Operating	32,067	36,879	36,257	38,190
Pre-tax profit	31,973	39,208	42,178	45,523
Tax	(4,634)	(5,683)	(6,122)	(6,622)
Deprec. & amort.	7,831	6,889	7,073	7,263
Working capital changes	(4,016)	(2,983)	(8,062)	(9,342)
Non-cash items	913	(552)	1,190	1,368
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(11,656)	(9,753)	(9,132)	(9,166)
Capex (growth)	(7,201)	(12,156)	(9,890)	(10,018)
Investments	(16,607)	0.0	0.0	0.0
Others	12,152	2,402	758	852
Financing	(17,006)	(16,226)	1,335	237
Dividend payments	(11,553)	(12,559)	(14,665)	(15,763)
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	10,900	28,460	29,260
Beginning cash & cash equivalent	34,694	38,292	49,192	77,652
Changes due to forex impact	193	0.0	0.0	0.0
Ending cash & cash equivalent	38,292	49,192	77,652	106,913

KEY METRICS

Year to 30 Sep (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	17.5	16.9	16.4
Pre-tax margin	13.3	14.6	14.1	13.7
Net margin	10.2	10.9	10.6	10.3
ROA	5.4	6.1	6.2	6.1
ROE	15.7	16.4	16.1	16.0
Growth				
Turnover	(5.1)	12.0	10.8	11.0
EBITDA	1.0	13.3	7.3	7.5
Pre-tax profit	3.9	22.6	7.6	7.9
Net profit	8.3	19.0	7.5	7.9
Net profit (adj.)	8.3	19.0	7.5	7.9
EPS	8.3	19.0	7.5	7.9
Leverage				
Debt to total capital	51.8	49.0	48.6	48.0
Debt to equity	132.1	118.8	116.8	114.4
Net debt/(cash) to equity	109.7	92.5	78.7	66.3
Interest cover (x)	6.1	7.1	7.1	7.1

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