

## COMPANY RESULTS

### Thai Beverage (THBEV SP)

FY22: Strong Performance As Economic Activity Ramps Up

THBEV reported strong FY22 PATMI of Bt30.1b (+22.2% yoy), benefitting from the relaxation of domestic COVID-19 restrictions. The beer, food and NAB segments contributed to the strong bottom line growth, while the spirits segment was dragged by lower margins and flat volumes. In FY23, several ASP hikes would help mitigate the impact of rising raw material and packaging costs. THBEV is trading at an attractive -1.5SD to its mean PE. Maintain BUY with a lower SOTP-based target price of S\$0.73.

#### FY22 RESULTS

Year to 30 Sep (Btm)	FY22	FY21	yoy % chg	2HFY22	2HFY21	yoy % chg
Revenue	272,359	240,543	13.2	129,417	109,291	18.4
COGS	191,902	169,060	(13.5)	90,539	77,057	(17.5)
EBITDA	53,928	46,629	15.7	25,686	20,363	26.1
PATMI	30,106	24,645	22.2	13,788	10,248	34.5

Year to 30 Sep (Btm)	FY22	FY21	yoy % chg	FY22	FY21	yoy % chg
Spirits	116,177	115,052	1.0	28,102	28,768	(2.3)
Beer	122,489	99,157	23.5	17,281	12,467	38.6
NAB	17,432	15,205	14.6	2,136	2,065	3.4
Food	16,433	11,280	45.7	2,093	909	130.3

Year to 30 Sep (Btm)	4QFY22	4QFY21	yoy % chg	4QFY22	4QFY21	yoy % chg
Spirits	25,529	23,422	9.0	5,733	5,163	11.0
Beer	29,916	18,892	58.4	3,835	1,836	108.9
NAB	4,606	3,517	31.0	419	436	(3.9)
Food	4,443	2,631	68.9	515	136	278.7

Source: THBEV, UOB Kay Hian

#### RESULTS

- FY22 results in line with expectations.** Thai Beverage (THBEV) released its FY22 results with both revenue (+13.2% yoy) and PATMI (+22.2% yoy) surging to account for 99.1% and 102.0% of our full-year forecasts respectively. The strong top- and bottom line growths were boosted by strong performances in most business segments, driven by the relaxation of COVID-19 measures in both Thailand and Vietnam along with revived economic activity. EBITDA also grew 15.7% yoy as the beer and food segments outperformed. THBEV declared a final dividend of Bt0.45, taking total FY22 dividend to Bt0.60 (FY21: Bt0.50) and implying a dividend payout ratio of 50.1%.
- Ending the year with a bang.** 4QFY22 outperformed as both revenue (+33.1% yoy) and EBITDA (+48.3% yoy) surged, largely due to the reopening of nightlife entertainment venues and revived economic activity. With most COVID-19 restrictions removed, the beer segment was the clear outperformer, with revenue (+58.4% yoy) and EBITDA surging (+108.9% yoy) while the food segment's revenue (+68.9% yoy) and EBITDA increased as well (+278.7% yoy). The spirits segment also benefitted as 4QFY22 revenue (+9.0% yoy) and EBITDA (+11.0% yoy) grew, backed by higher consumption volumes for its higher-ASP brown spirits.

#### KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	240,543	272,359	282,228	314,119	351,050
EBITDA	41,613	46,344	43,793	47,275	51,215
Operating profit	33,782	38,583	36,720	40,012	43,756
Net profit (rep./act.)	24,645	30,106	27,222	30,234	33,591
Net profit (adj.)	24,645	30,106	27,222	30,234	33,591
EPS (Bt)	1.0	1.2	1.1	1.2	1.3
PE (x)	16.2	13.3	14.7	13.2	11.9
P/B (x)	2.3	1.9	1.8	1.7	1.6
EV/EBITDA (x)	14.6	13.1	13.8	12.8	11.8
Dividend yield (%)	3.1	3.8	3.4	3.8	4.2
Net margin (%)	10.2	11.1	9.6	9.6	9.6
Net debt/(cash) to equity (%)	109.7	79.2	75.6	64.5	52.7
Interest cover (x)	6.1	7.4	5.9	6.0	6.1
ROE (%)	15.7	16.0	12.9	13.4	13.8
Consensus net profit	-	-	28,308	30,112	32,117
UOBKH/Consensus (x)	-	-	0.96	1.00	1.05

Source: THBEV, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.61
Target Price	S\$0.73
Upside	+19.7%
(Previous TP:	S\$0.87)

#### 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.

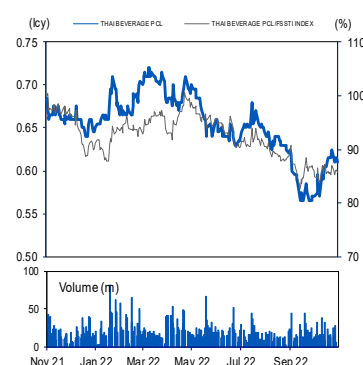
#### STOCK DATA

GICS sector			Consumer Staples	
Bloomberg ticker:			THBEV SP	
Shares issued (m):			25,120.9	
Market cap (S\$m):			15,323.7	
Market cap (US\$m):			11,147.0	
3-mth avg daily t'over (US\$m):			7.1	
Price Performance (%)				
52-week high/low			S\$0.720/S\$0.565	
1mth	3mth	6mth	1yr	YTD
7.0	(6.2)	(12.2)	(14.7)	(7.6)

#### Major Shareholders

Siriwana Co., Ltd.	54.0
Maxtop Management Corp.	20.6
-	-
FY23 NAV/Share (Bt)	8.63
FY23 Net Debt/Share (Bt)	6.53

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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• **Spirits: Muted performance in line.** The spirits segment recorded flat sales volume (+0.1% yoy) in FY22, which led to a similar muted growth for spirits revenue (+1.0% yoy), with the latter forming 98.3% of our full-year forecasts. We reckon elevated domestic inflation and the absence of government support since FY21 suppressed domestic spirits volumes. FY22 EBITDA (-2.3% yoy) dipped slightly due to higher packaging costs as well as an unfavourable product mix. However, ASP hikes that were implemented in 1HFY22 and lower molasses costs helped offset rising operating costs, with FY22 EBITDA and net margins only softening 0.8ppt yoy and 0.3ppt yoy respectively. International spirits revenue also grew 7% yoy, led by a record profit year in Myanmar, contributing around 8% of total spirits revenue.

• **Margins to remain stable.** With the reopening of on-trade channels such as bars and nightclubs, higher consumption volumes of its higher-ASP brown spirits would support margins moving forward. Management is optimistic that the product mix between brown and white spirits would improve and also noted that an ASP hike was implemented in early-1QFY23, which we reckon was for the white spirits products. Raw material costs are expected to soften further as the current lower-priced molasses crop would be fully reflected in 1HFY23. Furthermore, the upcoming crop yield is expected to be 15-20% higher yoy, which would result in stable pricing and raw material costs.

• **Beer: Robust recovery in line.** FY22 beer revenue (+23.5% yoy) and EBITDA (+38.6% yoy) surged as consumption volumes rose in both core markets, each accounting for 100% of our full-year forecasts. Overall FY22 beer sales volumes increased 14.5% yoy, largely contributed by higher volumes from SABECO (+20.7% yoy) and driven by a continued ramp-up in Vietnam's economic recovery. Domestic beer volumes inched higher by 3.7% yoy as Thailand only removed COVID-19 restrictions in 4QFY22; however, this is expected to improve further going into FY23. EBITDA and net margins expanded 1.5ppt yoy and 3.1ppt yoy respectively as ASP hikes in 1HFY22 and better cost efficiency boosted margins, but was dragged by higher raw material prices and packaging costs. Raw material costs are expected to rise 5-10% yoy for FY23, which we estimate would be reflected starting 2HFY23. To combat this, similar to the spirits segment, the group implemented 3-4% ASP hikes for its beer products in 1QFY23.

• **Record year for food, steady performance for NAB segment.** The food segment posted record-high revenue (+45.7% yoy) and EBITDA (+130.3% yoy), largely from the resumption of dine-in channels. The non-alcoholic beverages (NAB) segment also recorded stable growths in both revenue (+14.6% yoy) and EBITDA (+3.4% yoy) as sales volumes rose (+10.9% yoy). NAB's EBITDA margins moderated slightly by 1.3ppt yoy due to higher distribution costs incurred to support increasing sales growth.

## EARNINGS REVISION/RISK

• **We lower FY23-24 PATMI estimates sharply to account for lower spirits consumption volumes as well as lower margins assumptions.** Due to elevated inflationary pressures, we lower our FY23-24 spirits volume forecasts and decrease our FY23-24 estimates by 13.9% and 15.8% respectively while adding our FY25 forecasts.

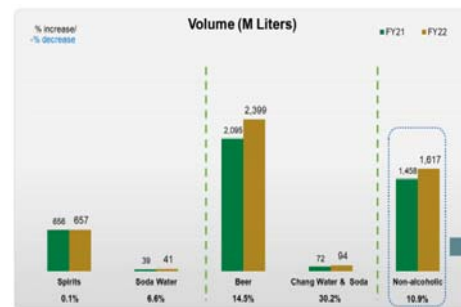
## VALUATION/RECOMMENDATION

• **Maintain BUY but with a lower SOTP-based target price of S\$0.73 (S\$0.87 previously).** The lower target price is largely due to lower EBITDA forecasts for the spirits segment as we expect that consumption volumes to moderate. However, we still reckon THBEV remains attractively priced at -1.5SD to its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds.

## SHARE PRICE CATALYST

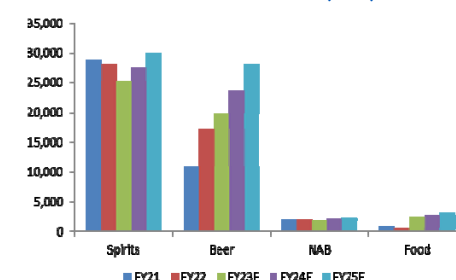
- Gaining market share in the beer segment.
- M&As/potential spinoff listing.
- BeerCo listing.

## ANNUAL SALES VOLUMES (M LITERS)



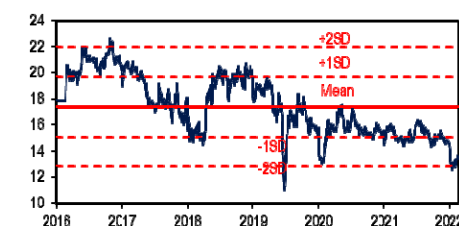
Source: UOB Kay Hian, THBEV

## SEGMENTAL OPERATING PROFIT (BTM)



Source: UOB Kay Hian, THBEV

## FORWARD PE



Source: Bloomberg, UOB Kay Hian

## SOTP VALUATION

Methodology	(Btm)
Spirits 16x FY23F EV/EBITDA	404,684
Beer 12x FY23F EV/EBITDA	237,556
NAB 18x FY23F EV/EBITDA	35,163
Food 13x FY23F EV/EBITDA	32,429
FPL Market Value	27,070
FNN Market Value	13,352
Total	750,253
Less: Net debt, Minority Interest	(267,039)
Value	483,214
Per share (S\$)	0.73

Source: UOB Kay Hian

## PROFIT & LOSS

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Net turnover	272,359	282,228	314,119	351,050
EBITDA	46,344	43,793	47,275	51,215
Deprec. & amort.	7,761	7,073	7,263	7,459
EBIT	38,583	36,720	40,012	43,756
Total other non-operating income	2,541	2,356	2,356	2,356
Associate contributions	5,044	5,044	6,044	7,044
Net interest income/(expense)	(6,227)	(7,441)	(7,921)	(8,401)
<b>Pre-tax profit</b>	<b>39,941</b>	<b>36,680</b>	<b>40,492</b>	<b>44,756</b>
Tax	(5,436)	(4,928)	(5,366)	(5,874)
Minorities	(4,399)	(4,530)	(4,892)	(5,291)
<b>Net profit</b>	<b>30,106</b>	<b>27,222</b>	<b>30,234</b>	<b>33,591</b>
Net profit (adj.)	30,106	27,222	30,234	33,591

## CASH FLOW

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>45,013</b>	<b>28,026</b>	<b>36,127</b>	<b>42,172</b>
Pre-tax profit	39,941	36,680	40,492	44,756
Tax	(5,436)	(4,928)	(5,366)	(5,874)
Deprec. & amort.	7,761	7,073	7,263	7,459
Working capital changes	3,502	(10,046)	(9,009)	(7,165)
Non-cash items	(755)	(753)	2,748	2,996
Other operating cashflows	0.0	0.0	0.0	0.0
<b>Investing</b>	<b>(10,472)</b>	<b>(13,855)</b>	<b>(9,189)</b>	<b>(9,188)</b>
Capex (growth)	(6,219)	(15,827)	(10,018)	(10,149)
Investments	(10,101)	0.0	0.0	0.0
Others	5,848	1,972	829	960
<b>Financing</b>	<b>(19,917)</b>	<b>18,049</b>	<b>2,389</b>	<b>883</b>
Dividend payments	(12,559)	(15,073)	(13,611)	(15,117)
Issue of shares	38	0.0	0.0	0.0
Proceeds from borrowings	(10,840)	33,121	16,000	16,000
Others/interest paid	3,444	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>14,624</b>	<b>32,220</b>	<b>29,327</b>	<b>33,867</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>38,292</b>	<b>51,867</b>	<b>84,087</b>	<b>113,414</b>
Changes due to forex impact	(1,049)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>51,867</b>	<b>84,087</b>	<b>113,414</b>	<b>147,281</b>

## BALANCE SHEET

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Fixed assets	277,769	284,669	286,430	288,155
Other LT assets	119,327	117,733	118,243	118,834
Cash/ST investment	51,867	84,087	113,414	147,281
Other current assets	58,826	67,074	77,550	86,413
<b>Total assets</b>	<b>507,789</b>	<b>553,562</b>	<b>595,638</b>	<b>640,683</b>
ST debt	57,122	83,892	83,892	83,892
Other current liabilities	32,008	28,505	31,726	35,456
LT debt	157,795	164,146	180,146	196,146
Other LT liabilities	11,476	11,854	13,193	14,744
Shareholders' equity	205,748	216,735	233,357	251,831
Minority interest	43,640	48,431	53,324	58,614
<b>Total liabilities &amp; equity</b>	<b>507,789</b>	<b>553,562</b>	<b>595,638</b>	<b>640,683</b>

## KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	17.0	15.5	15.0	14.6
Pre-tax margin	14.7	13.0	12.9	12.7
Net margin	11.1	9.6	9.6	9.6
ROA	6.1	5.1	5.3	5.4
ROE	16.0	12.9	13.4	13.8
<b>Growth</b>				
Turnover	13.2	3.6	11.3	11.8
EBITDA	11.4	(5.5)	8.0	8.3
Pre-tax profit	24.9	(8.2)	10.4	10.5
Net profit	22.2	(9.6)	11.1	11.1
Net profit (adj.)	22.2	(9.6)	11.1	11.1
EPS	22.2	(9.6)	11.1	11.1
<b>Leverage</b>				
Debt to total capital	46.3	48.3	47.9	47.4
Debt to equity	104.5	114.4	113.1	111.2
Net debt/(cash) to equity	79.2	75.6	64.5	52.7
Interest cover (x)	7.4	5.9	6.0	6.1

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