

COMPANY RESULTS

Thai Beverage (THBEV SP)

3QFY23: Solid Results Above Expectations As Margins Start To Stabilise

For 9MFY23, higher revenue (+3.8% yoy) was in line while softer EBITDA (-3.4% yoy) was above our expectations. This was driven by stronger-than-expected margins from the beer segment and NAB segments. The spirits segment continues to benefit from higher tourist arrivals as margins expand. In our view, THBEV remains attractively priced at -2SD to its five-year mean PE, backed by an expected earnings recovery. Maintain BUY with a higher SOTP-based target price of S\$0.83 (S\$0.75 previously).

3QFY23 RESULTS

Year to 30 Sep (Btm)	3QFY23	3QFY22	yoy % chg	9MFY23	9MFY22	yoy % chg
Revenue	67,598	64,980	4.0	215,893	207,922	3.8
Core EBITDA	12,075	12,366	(2.4)	37,765	39,110	(3.4)
EBITDA Margin (%)	17.9	19.0	(1.1ppts)	17.5	18.8	(1.3ppts)

Year to 30 Sep (Btm)	Revenue			EBITDA		
	3QFY23	yoy % chg	qoq % chg	3QFY23	yoy % chg	qoq % chg
Spirits	28,512	12.0	(9.3)	7,097	13.5	(8.2)
Beer	28,828	(5.9)	8.8	3,745	(24.3)	11.8
NAB	5,383	16.5	11.4	742	26.0	15.2
Food	4,931	14.6	5.6	491	(15.2)	14.2

Year to 30 Sep (Btm)	Revenue			EBITDA		
	9MFY23	9MFY22	yoy % chg	9MFY23	9MFY22	yoy % chg
Spirits	93,673	90,648	3.3	23,763	22,369	6.2
Beer	93,262	92,573	0.7	10,783	13,446	(19.8)
NAB	14,822	12,826	15.6	1,773	1,717	3.3
Food	14,296	11,990	19.2	1,446	1,578	(8.4)

Source: THBEV, UOB Kay Hian

RESULTS

- Sturdy 3QFY23 above expectations.** For 9MFY23, Thai Beverage (THBEV) reported overall revenue and core EBITDA (excluding associated companies) of Bt215.9b (+3.8% yoy) and Bt37.8b (-3.4% yoy), forming 78.0% and 86.8% of our full-year forecasts respectively and exceeding our expectations. The outperformance was driven by a steady 3QFY23 whereby revenue grew (+4.0% yoy, +0.3% qoq) while core EBITDA softened (-2.4% yoy, -0.7% qoq) lesser than our initial expectations. 3QFY23 revenue growth was driven by broad-based growth across all segments while softer 3QFY23 EBITDA was dragged by the beer and food segments.
- Margins stabilising.** 9MFY23 EBITDA margin softened by 1.3ppt yoy to 17.5%, dragged by higher inflationary cost push and marketing activities. Similarly, 3QFY23 EBITDA margin was lower by 1.2ppt yoy but relatively stable sequentially (-0.1ppt qoq), offset by a higher-margin product mix and better cost efficiencies. We now expect THBEV's FY23 PATMI to grow by 6.2% yoy against our previous expectations of a 3.1% yoy drop.

KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	240,543	272,359	277,743	299,441	324,642
EBITDA	41,613	46,343	46,839	49,409	52,305
Operating profit	33,782	38,583	38,871	41,228	43,903
Net profit (rep./act.)	24,645	30,106	31,961	34,613	37,534
Net profit (adj.)	24,645	30,106	31,961	34,613	37,534
EPS (Bt)	1.0	1.2	1.3	1.4	1.5
PE (x)	15.1	12.4	11.6	10.7	9.9
P/B (x)	2.2	1.8	1.7	1.5	1.4
EV/EBITDA (x)	14.0	12.5	12.4	11.8	11.1
Dividend yield (%)	3.4	4.1	4.3	4.7	5.0
Net margin (%)	10.2	11.1	11.5	11.6	11.6
Net debt/(cash) to equity (%)	109.7	79.2	73.0	61.8	50.4
Interest cover (x)	6.1	7.4	7.6	7.5	7.5
ROE (%)	15.7	16.0	15.0	15.0	15.0
Consensus net profit	-	-	29,391	31,859	33,188
UOBKH/Consensus (x)	-	-	1.09	1.09	1.13

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.57
Target Price	S\$0.83
Upside	+45.6%
(Previous TP)	S\$0.75)

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	THBEV SP
Shares issued (m):	25,124.8
Market cap (S\$m):	14,321.1
Market cap (US\$m):	10,647.7
3-mth avg daily t'over (US\$m):	13.2

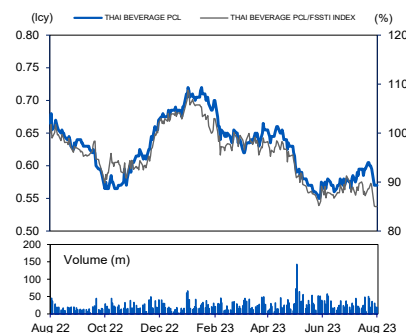
Price Performance (%)

52-week high/low	S\$0.720/S\$0.550			
1mth	3mth	6mth	1yr	YTD
(1.7)	(8.1)	(18.6)	(12.3)	(16.8)

Major Shareholders

	%
Siriwana Co., Ltd	54.0
MM Group	11.9
FY23 NAV/Share (Bt)	8.82
FY23 Net Debt/Share (Bt)	6.44

PRICE CHART



Source: Bloomberg

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- Spirits: Stable performance aided by brown spirits.** Despite 9MFY23 sales volumes dropping 3.5% yoy, 9MFY23 revenue and EBITDA increased 3.3% yoy and 6.2% yoy respectively, forming 83.2% and 81.2% of our full-year forecasts and in line with our expectations. Backed by an ASP hike for the white spirits in 1QFY23, we reckon that improving tourist arrivals led to better brown spirits volumes and a higher-margin product sales mix, which improved 9MFY23 EBITDA margin by 0.7ppt yoy. Similarly for 3QFY23, spirits revenue and EBITDA surged 12.0% yoy and 13.5% yoy respectively. Moving forward, we expect the spirits segment to continue its upward momentum, driven by expected ASP hikes for brown spirits and a continually improving product sales mix.
- Beer: Better A&P spending efficiency...** As 9MFY23 beer sales volume fell 5.2% yoy, 9MFY23 beer revenue increased marginally by 0.7% yoy while EBITDA moderated by 19.8% yoy, forming 73.2% and 89.0% of our full-year forecasts. Despite the weak performance, this was still above our expectations as we expected margins to drop by much more than expected from rising costs and increased A&P spending due to stiff competition. Although 9MFY23 EBITDA margin dropped by 3.0ppt yoy to 11.6%, we expected a much larger drop of around 4.5-5.0ppt yoy. We reckon that this was due to the group's plans to maximize A&P spending efficiency in 2HFY23, protecting segmental profitability.
- ... supported by better sequential performance.** Dragged by lower -11.0% yoy sales volumes, 3QFY23 beer revenue (-5.9% yoy) and EBITDA (-24.3% yoy) dropped yoy with EBITDA margins also falling 3.2ppt yoy. We opine that the underperformance was dragged by a gloomy macroeconomic outlook, intensifying competition and rising operating costs in both Vietnam and Thailand. However, on a sequential basis, 3QFY23 beer revenue (+8.8% qoq) and EBITDA (+11.8% qoq) improved on the back of higher sales volumes (+10.2% qoq). Also, EBITDA margins expanded slightly by 0.4ppt qoq, which we reckon came from better A&P spending efficiency. Moving forward, we expect beer sales volumes to stay muted till 1QFY24, supported by higher Chinese tourist arrivals to Vietnam. We also expect margins to stabilise from further cost savings and better efficiencies.
- Non-alcoholic beverage (NAB): Outperformer.** 9MFY23 revenue and EBITDA grew 15.6% yoy and 3.3% yoy, above our expectations and forming 78.9% and 104.9% of our full-year forecasts. This was led by an 8.7% yoy improvement in sales volume from increased economic activity and better cost efficiency. 3QFY23 revenue and EBITDA grew 16.5% yoy and 26.0% yoy respectively.
- Food: Recovery in line.** For 9MFY23, food revenue surged 19.2% yoy from a rise in dine-in footfall at restaurants, backed by the group's continued drive to increase its brand penetration and accessibility. 9MFY23 EBITDA dipped by 8.4% yoy, dragged by inflationary cost push and higher costs from opening new stores. 3QFY23 revenue grew 14.6% yoy but EBITDA dipped by 15.2% yoy.

EARNINGS REVISION/RISK

- We increase our FY23-25 PATMI forecasts by around 10%,** after accounting for higher margins for the beer and NAB segment. Our new FY23-25 PATMI estimates are Bt31,961m (Bt29,165m previously), Bt34,613m (Bt31,579m previously) and Bt37,534m (Bt34,218m previously) respectively.

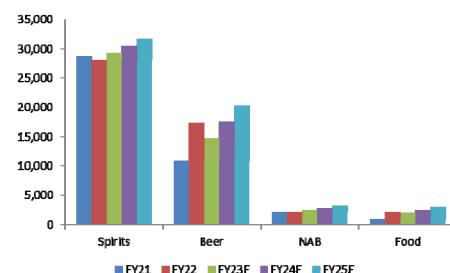
VALUATION/RECOMMENDATION

- Maintain BUY with a higher SOTP-based target price of S\$0.83 (S\$0.75).** Our new target price is due to higher valuations for the beer and NAB segment as we increased our respective EBITDA forecasts. We still reckon that THBEV remains attractively priced at -2SD of its five-year mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds and a decent 4% FY23 dividend yield. We opine that the recent share price weakness presents an attractive entry level.

SHARE PRICE CATALYST

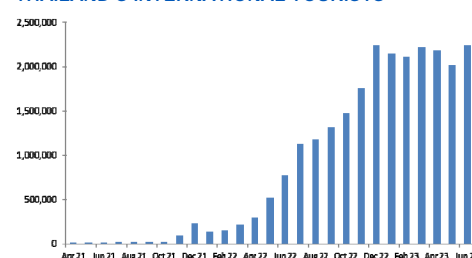
- Gaining market share in the beer segment. M&As/potential spinoff listing.

THBEV'S SEGMENTAL EBITDA (BTM)



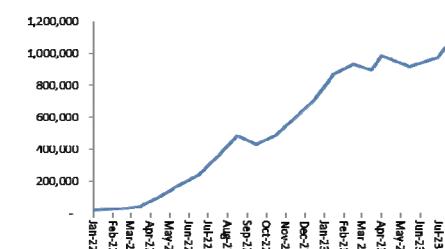
Source: UOB Kay Hian, Bloomberg, THBEV

THAILAND'S INTERNATIONAL TOURISTS



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

VIETNAM'S INTERNATIONAL TOURISTS



Source: General Statistics Office of Vietnam, UOB Kay Hian

THBEV'S HISTORICAL FORWARD PE (X)



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

	Methodology	(Btm)
Spirits	17x FY23 EV/EBITDA	497,584
Beer	13x FY23 EV/EBITDA	192,254
NAB	16x FY23 EV/EBITDA	39,064
Food	14x FY23 EV/EBITDA	27,780
FPL	Market Value	23,679
FNN	Market Value	11,060
	Total	791,420
	Less: Net debt, Minority Interest	(265,049)
	Value	526,371
	Per share (S\$)	0.83

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Net turnover	272,359	277,743	299,441	324,642
EBITDA	46,343	46,839	49,409	52,305
Deprec. & amort.	7,761	7,968	8,182	8,402
EBIT	38,583	38,871	41,228	43,903
Total other non-operating income	2,541	3,137	3,137	3,137
Associate contributions	5,044	5,044	6,044	7,044
Net interest income/(expense)	(6,227)	(6,201)	(6,601)	(7,001)
Pre-tax profit	39,941	40,852	43,809	47,084
Tax	(5,436)	(5,578)	(5,882)	(6,237)
Minorities	(4,399)	(3,313)	(3,313)	(3,313)
Net profit	30,106	31,961	34,613	37,534
Net profit (adj.)	30,106	31,961	34,613	37,534

BALANCE SHEET

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
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)	2022	2023F	2024F	2025F
Operating	45,013	30,350	38,690	44,168
Pre-tax profit	39,941	40,852	43,809	47,084
Tax	(5,436)	(5,578)	(5,882)	(6,237)
Deprec. & amort.	7,761	7,968	8,182	8,402
Working capital changes	3,502	(9,221)	(6,987)	(4,889)
Non-cash items	(755)	(3,670)	(431)	(193)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(10,472)	(13,971)	(9,454)	(9,493)
Capex (growth)	(6,219)	(15,827)	(10,018)	(10,149)
Investments	(10,101)	0.0	0.0	0.0
Others	5,848	1,855	564	655
Financing	(19,917)	18,049	19	(1,307)
Dividend payments	(12,559)	(15,073)	(15,981)	(17,307)
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
Net cash inflow (outflow)	14,624	34,428	29,256	33,368
Beginning cash & cash equivalent	38,292	51,867	86,295	115,550
Changes due to forex impact	(1,049)	0.0	0.0	0.0
Ending cash & cash equivalent	51,867	86,295	115,550	148,918

KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	17.0	16.9	16.5	16.1
Pre-tax margin	14.7	14.7	14.6	14.5
Net margin	11.1	11.5	11.6	11.6
ROA	6.1	6.0	6.0	6.1
ROE	16.0	15.0	15.0	15.0
Growth				
Turnover	13.2	2.0	7.8	8.4
EBITDA	11.4	1.1	5.5	5.9
Pre-tax profit	24.9	2.3	7.2	7.5
Net profit	22.2	6.2	8.3	8.4
Net profit (adj.)	22.2	6.2	8.3	8.4
EPS	22.2	6.2	8.3	8.4
Leverage				
Debt to total capital	46.3	48.0	47.6	47.1
Debt to equity	104.5	112.0	110.0	107.6
Net debt/(cash) to equity	79.2	73.0	61.8	50.4
Interest cover (x)	7.4	7.6	7.5	7.5

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