

### COMPANY RESULTS

#### Thai Beverage (THBEV SP)

1QFY24: In Line As Margins Improve

THBEV released its 1QFY24 business update whereby overall revenue fell 5.9% yoy, dragged by the beer segment. However, 1QFY24 EBITDA increased 1.9% yoy on more efficient A&P spending along with lower raw material costs. The spirits segment continues to benefit from a better product mix while the beer segment faces a weak macroeconomic outlook. In our view, THBEV is trading at an attractive -2SD to its mean PE. Maintain BUY with the same SOTP-based target price of \$0.70.

#### 1QFY24 RESULTS

Year to 30 Sep (Btm)	1QFY24	1QFY23	yoy % chg	1QFY24	4QFY23	qoq % chg
Revenue	76,107	80,900	(5.9)	76,107	63,192	20.4
EBITDA	13,788	13,532	1.9	13,788	10,417	32.4
EBITDA margin	18.1	16.7	1.4ppt	18.1	16.5	1.6ppt
			----- Revenue -----			
Year to 30 Sep (Btm)	1QFY24	1QFY23	yoy % chg	1QFY24	1QFY23	yoy % chg
Spirits	33,876	33,718	0.5	9,042	8,920	1.4
Beer	32,619	37,932	(14.0)	3,756	3,680	2.1
NAB	4,682	4,609	1.6	449	409	9.8
Food	4,972	4,694	5.9	541	523	3.4
			----- Revenue -----			
Year to 30 Sep (Btm)	1QFY24	4QFY23	qoq % chg	1QFY24	4QFY23	qoq % chg
Spirits	33,876	26,126	29.7	9,042	5,905	53.1
Beer	32,619	27,563	18.3	3,756	3,559	5.5
NAB	4,682	4,780	(2.1)	449	563	(20.2)
Food	4,972	4,774	4.1	541	390	38.7

Source: THBEV, UOB Kay Hian

#### RESULTS

- Muted 1QFY24 in line with expectations.** Thai Beverage (THBEV) provided its 1QFY24 business update whereby overall revenue fell 5.9% yoy while overall EBITDA eked out a slight gain of 1.9% yoy, forming 28% and 34% of our full-year forecasts respectively. The fall in overall 1QFY24 revenue was solely dragged by the beer segment as segmental beer revenue dropped sharply by 14.0% yoy. However, 1QFY24 overall EBITDA was supported by better margins across the spirits, beer and non-alcoholic beverages (NAB) segments, driven by better cost management and efficient advertising and promotional (A&P) spending. As a result, 1QFY24 overall EBITDA margins grew 1.4ppt yoy. On a qoq basis, 1QFY24 overall revenue (+20.4% qoq) and EBITDA (+32.4% qoq) were higher sequentially, given that 1Q is THBEV's seasonally strongest quarter.
- Robust balance sheet from continued deleveraging.** Backed by strong operating cash flows, THBEV's gearing ratio (Net interest bearing debt to equity) has remained stable at 0.65x in 1QFY24 (4QFY23: 0.65x) while its net interest bearing debt to EBITDA ratio improved slightly from 3.08x in 4QFY23 to 2.98x in 1QFY24.

#### KEY FINANCIALS

Year to 30 Sep (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	272,359	279,085	275,522	289,334	306,455
EBITDA	46,343	43,971	42,563	45,653	48,561
Operating profit	38,583	36,229	34,612	37,488	40,175
Net profit (rep./act.)	30,106	27,434	27,896	30,926	33,801
Net profit (adj.)	30,106	27,434	27,896	30,926	33,801
EPS (Bt)	1.2	1.1	1.1	1.2	1.3
PE (x)	11.1	12.1	11.9	10.8	9.9
P/B (x)	1.6	1.7	1.5	1.4	1.3
EV/EBITDA (x)	12.1	12.7	13.2	12.3	11.5
Dividend yield (%)	4.5	4.5	4.5	4.9	5.3
Net margin (%)	11.1	9.8	10.1	10.7	11.0
Net debt/(cash) to equity (%)	79.2	81.4	82.0	75.8	70.0
Interest cover (x)	7.4	6.5	7.7	7.7	7.7
ROE (%)	16.0	13.5	13.4	13.8	14.1
Consensus net profit	-	-	28,707	30,753	32,263
UOBKH/Consensus (x)	-	-	0.97	1.01	1.05

Source: THBEV, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	\$0.495
Target Price	\$0.700
Upside	+41.4%

#### 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):	25,127.7
Market cap (\$m):	12,438.2
Market cap (US\$m):	9,214.2
3-mth avg daily t'over (US\$m):	9.0

#### Price Performance (%)

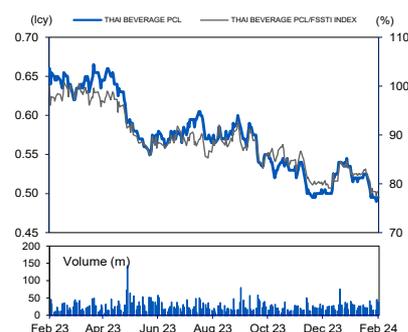
52-week high/low \$0.665/\$0.490

1mth	3mth	6mth	1yr	YTD
(7.5)	(6.6)	(12.4)	(25.0)	(5.7)

#### Major Shareholders

	%
Charoen Sirivadhanabhakdi	65.9
FY24 NAV/Share (Bt)	8.58
FY24 Net Debt/Share (Bt)	7.03

#### PRICE CHART



Source: Bloomberg

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- Spirits: Stable performance...** Despite a 1.4% yoy fall in sales volume, 1QFY24 spirits revenue (+0.5% yoy) and EBITDA (+1.4% yoy) were higher yoy, forming 27% and 29% of our full-year forecasts and within our expectations. We reckon that the stable performance was driven by a better product sales mix from the higher-margin brown spirits as tourist arrivals in Thailand continue to recover, leading to slightly better EBITDA margins in 1QFY24 at 26.7% (1QFY23: 26.5%). It was also noted that the spirits business in Myanmar reported a strong performance in 1QFY24 which saw revenue and EBITDA improving.
- ...that would likely continue in 2024.** Moving forward, with Thailand's ongoing tourism recovery, we see further potential upside for brown spirits volumes recovery which would help support and boost margins for the spirits segment. Key drivers for the segment include ASP hikes for the brown spirits which we reckon was not implemented in 1QFY24 and higher Chinese tourist arrivals driven by the China-Thailand mutual visa exemption. Potential downside may come from higher raw material costs given that there was a lower molasses crop yield in 2023, which we expect to come through starting 3QFY24.
- Beer: Weak performance, supported by cost savings.** On the back of a weak economic recovery in both Thailand and Vietnam, 1QFY24 sales volumes fell by 15.0% yoy. This resulted in the beer segment reporting sharply lower (-14.0% yoy) revenue but slightly higher EBITDA (+2.1% yoy) in 1QFY24, forming 30% and 28% of our full-year forecasts and were in line with our expectations. We reckon that the increase in EBITDA was largely due to more efficient A&P spending, coupled with lower raw material prices that protected segmental profitability, driving 1QFY24 EBITDA margins slightly higher by 1.8ppt yoy.
- Near-term recovery remains unlikely.** As mentioned in our previous update, given a new domestic entrant in 1QFY24, we reckon that segmental margins would likely stay muted moving into 2QFY24 as THBEV would likely keep its A&P spending elevated to defend market share. Furthermore, against a weak macroeconomic backdrop, the overall beer market remains soft in both key markets Thailand and Vietnam, implying that a sharp V-shaped recovery in 2QFY24 is unlikely, in our view. Potential upside may come from further efficient A&P spending that may support/boost margins.
- Robust performances from both NAB and food segments.** Both the NAB (+1.6% yoy) and food (+5.9% yoy) segments recorded higher revenue growth for 1QFY24, on the back of higher sales volume and increased contributions from new store openings respectively. Driven by higher cost efficiency and lower raw material costs, the NAB segment reported higher 1QFY24 EBITDA (+9.8% yoy) and EBITDA margins (+0.7ppt yoy). The food segment also recorded increased 1QFY24 EBITDA (+3.4% yoy) from greater brand visibility and new promotions.

### EARNINGS REVISION/RISK

- We increase our FY24-26 PATMI estimates by 2-4%**, on the back of higher overall margin assumptions. Our new FY24-26 PATMI estimates are Bt27,896m (Bt27,311m previously), Bt30,926m (Bt30,038m previously) and Bt33,801m (Bt32,523m previously) respectively.

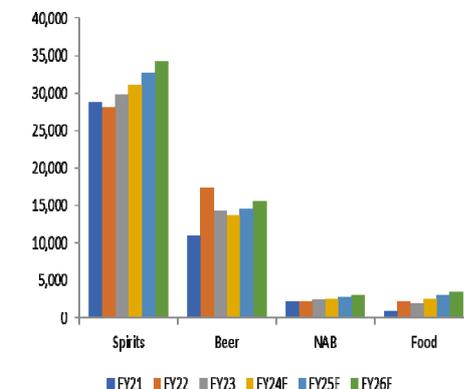
### VALUATION/RECOMMENDATION

- Maintain BUY with the same SOTP-based target price of S\$0.70.** We still reckon that THBEV remains attractively priced at -2SD to its five-year mean PE, backed by favourable tailwinds and a decent 4.5% FY24 dividend yield.

### SHARE PRICE CATALYST

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

### SEGMENTAL OPERATING PROFIT (BTM)



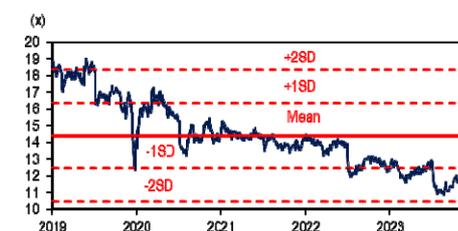
Source: UOB Kay Hian, THBEV

### FORWARD PE



Source: Bloomberg, UOB Kay Hian

### FORWARD EV/EBITDA



Source: Bloomberg, UOB Kay Hian

### SOTP VALUATION

Methodology	(Btm)
Spirits	16x FY24F EV/EBITDA
Beer	9x FY24F EV/EBITDA
NAB	14x FY24F EV/EBITDA
Food	12x FY24F EV/EBITDA
FPL	Market Value
FNN	Market Value
Total	721,784
Less: Net debt, Minority Interest	(256,048)
Value	465,736
Per share (S\$)	0.70

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 30 Sep (Btm)	2023	2024F	2025F	2026F
Net turnover	279,085	275,522	289,334	306,455
EBITDA	43,971	42,563	45,653	48,561
Deprec. & amort.	7,743	7,950	8,165	8,386
EBIT	36,229	34,612	37,488	40,175
Total other non-operating income	3,443	3,505	3,505	3,505
Associate contributions	3,465	4,465	5,465	6,465
Net interest income/(expense)	(6,728)	(5,527)	(5,927)	(6,327)
<b>Pre-tax profit</b>	<b>36,410</b>	<b>37,056</b>	<b>40,532</b>	<b>43,818</b>
Tax	(5,682)	(5,866)	(6,312)	(6,724)
Minorities	(3,293)	(3,293)	(3,293)	(3,293)
<b>Net profit</b>	<b>27,434</b>	<b>27,896</b>	<b>30,926</b>	<b>33,801</b>
Net profit (adj.)	27,434	27,896	30,926	33,801

### BALANCE SHEET

Year to 30 Sep (Btm)	2023	2024F	2025F	2026F
Fixed assets	267,466	300,383	316,561	334,062
Other LT assets	117,933	115,587	115,808	116,082
Cash/ST investment	45,672	44,326	61,743	79,011
Other current assets	63,478	66,182	69,497	73,606
<b>Total assets</b>	<b>494,549</b>	<b>526,477</b>	<b>563,609</b>	<b>602,761</b>
ST debt	64,300	66,657	66,657	66,657
Other current liabilities	33,782	27,828	29,223	30,952
LT debt	145,339	154,416	170,416	186,416
Other LT liabilities	9,606	11,572	12,152	12,871
Shareholders' equity	201,322	215,516	231,379	248,789
Minority interest	40,200	50,488	53,782	57,075
<b>Total liabilities &amp; equity</b>	<b>494,549</b>	<b>526,477</b>	<b>563,609</b>	<b>602,761</b>

### CASH FLOW

Year to 30 Sep (Btm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>31,971</b>	<b>23,259</b>	<b>32,197</b>	<b>33,822</b>
Pre-tax profit	36,410	37,056	40,532	43,818
Tax	(5,682)	(5,866)	(6,312)	(6,724)
Deprec. & amort.	7,743	7,950	8,165	8,386
Working capital changes	(7,000)	(4,668)	(2,680)	(3,321)
Non-cash items	501	(11,213)	(7,508)	(8,337)
Other operating cashflows	0.0	0.0	0.0	0.0
<b>Investing</b>	<b>(926)</b>	<b>(15,439)</b>	<b>(9,789)</b>	<b>(9,836)</b>
Capex (growth)	(6,094)	(19,751)	(10,149)	(10,282)
Investments	2,039	0.0	0.0	0.0
Others	3,129	4,312	359	445
<b>Financing</b>	<b>(38,177)</b>	<b>(9,166)</b>	<b>(4,991)</b>	<b>(6,718)</b>
Dividend payments	(15,073)	(15,075)	(15,064)	(16,391)
Issue of shares	66	0.0	0.0	0.0
Proceeds from borrowings	(5,278)	11,435	16,000	16,000
Others/interest paid	(17,893)	(5,527)	(5,927)	(6,327)
<b>Net cash inflow (outflow)</b>	<b>(7,132)</b>	<b>(1,346)</b>	<b>17,417</b>	<b>17,268</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>51,867</b>	<b>45,672</b>	<b>44,326</b>	<b>61,743</b>
Changes due to forex impact	937	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>45,672</b>	<b>44,326</b>	<b>61,743</b>	<b>79,011</b>

### KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	15.8	15.4	15.8	15.8
Pre-tax margin	13.0	13.4	14.0	14.3
Net margin	9.8	10.1	10.7	11.0
ROA	5.5	5.5	5.7	5.8
ROE	13.5	13.4	13.8	14.1
<b>Growth</b>				
Turnover	2.5	(1.3)	5.0	5.9
EBITDA	(5.1)	(3.2)	7.3	6.4
Pre-tax profit	(8.8)	1.8	9.4	8.1
Net profit	(8.9)	1.7	10.9	9.3
Net profit (adj.)	(8.9)	1.7	10.9	9.3
EPS	(8.9)	1.7	10.9	9.3
<b>Leverage</b>				
Debt to total capital	46.5	45.4	45.4	45.3
Debt to equity	104.1	102.6	102.5	101.7
Net debt/(cash) to equity	81.4	82.0	75.8	70.0
Interest cover (x)	6.5	7.7	7.7	7.7

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