

# Thai Beverage Public Company

Bloomberg: THBEV SP | Reuters: TBEV.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

20 Nov 2023

## BUY

Last Traded Price (17 Nov 2023): S\$0.525 (STI : 3,124.67)

Price Target 12-mth: S\$0.75 (42% upside) (Prev S\$0.86)

### Analysts

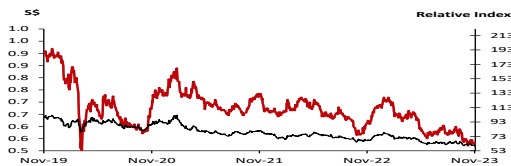
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### What's New

- Valuation unjustifiably low, near -2SD of 15-year historical forward PE low, despite consistent earnings growth
- Resilient spirits segment offsets weak Vietnam beer
- Gearing continues to taper on strong cash flow, well-managed debt profile with THB-denominated debentures
- Return to bottom-line growth in FY24F helped by spirits and project recovery in Vietnam post a dismal year; reiterate BUY, TP revised to S\$0.75 equating to 15-yr average PE

### Price Relative



### Forecasts and Valuation

FY Sep (Btm)	2022A	2023F	2024F	2025F
Revenue	272,359	283,530	297,725	310,276
EBITDA	52,467	47,949	50,783	54,036
Pre-tax Profit	39,941	37,386	40,177	43,173
Net Profit	30,106	28,957	30,962	32,943
Net Pft (Pre Ex.)	30,106	28,957	30,962	32,943
Net Pft Gth (Pre-ex) (%)	22.2	(3.8)	6.9	6.4
EPS (S cts)	4.59	4.41	4.72	5.02
EPS Pre Ex. (S cts)	4.59	4.41	4.72	5.02
EPS Gth Pre Ex (%)	22	(4)	7	6
Diluted EPS (S cts)	4.59	4.41	4.72	5.02
Net DPS (S cts)	2.30	2.41	2.60	2.76
BV Per Share (S cts)	31.4	33.4	35.5	37.7
PE (X)	11.4	11.9	11.1	10.5
PE Pre Ex. (X)	11.4	11.9	11.1	10.5
P/Cash Flow (X)	7.7	10.0	9.2	8.5
EV/EBITDA (X)	10.3	11.0	10.1	9.2
Net Div Yield (%)	4.4	4.6	5.0	5.2
P/Book Value (X)	1.7	1.6	1.5	1.4
Net Debt/Equity (X)	0.6	0.5	0.4	0.3
ROAE (%)	16.0	13.6	13.7	13.7
Earnings Rev (%):		(1)	(1)	-
Consensus EPS (S cts):		4.5	4.8	5.1
Other Broker Recs:		B: 15	S: 0	H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

## Load up before price increase

### Investment Thesis:

**SEA beverage market leader.** Thai Beverage (ThaiBev) is the undisputed market leader in SEA. Its portfolio of alcoholic and non-alcoholic brands includes *Chang*, *Saigon Beer*, *Hong Thong*, *Mekhong*, *Grand Royal*, and *Oishi* green tea, amongst others. These brands have held dominant market share in their respective geographies in the past decade. The group also has exposure in the food business, and hold franchises for *KFC* and *Starbucks*, in Thailand.

**Continued strength in spirits, and Thailand beer business to offset softer Vietnam beer business.** We expect the company to return to earnings growth in FY24F with the recovery in the performance of its Vietnam beer business, albeit muted after a dismal year in FY23. We believe its spirits and Thailand beer business will continue to perform, with our economist projecting an acceleration in economic growth in Thailand to 3.8% in CY24, from 2.8% in CY23, with a boost from the Bt500bn digital wallet scheme.

**Vietnam well positioned to recover in FY24F with mainstream brand positioning and improved operational efficiency.** We believe Sabeco is uniquely positioned to weather the short-term consumer weakness in Vietnam, given its mainstream brand positioning. In addition, we also see an earnings uplift from the optimisation of advertising and promotion (A&P) spend. We expect to see growth in volume and an earnings recovery towards 2H24 and pencilled in 8% top-line and 15% PATMI growth in FY24F (back to 2018 level of profitability, but only at 80% of FY22's record profit).

**Maintain BUY with revised TP of S\$0.75** Error! Reference source not found. **to account for higher equity risk premium** (vs. TP of S\$0.86 previously). We valued the company using a sum-of-the-parts methodology with revised assumptions of a higher discount rate. Our TP also equates to ThaiBev's average 15-year historical 12-month forward PE, at c. 15.8x. We believe there is significant headroom for a valuation re-rating, given the company is trading attractively at PE of 11.1x, -1.7SD of its 15-year average forward PE.

### Key Risks

Weaker-than-expected spirits sales and margin and continued weak consumer sentiment in Vietnam.

### At A Glance

Issued Capital (m shrs)	25,125
Mkt. Cap (S\$m/US\$m)	13,190 / 9,818
Major Shareholders (%)	
Siriwana Co Ltd	56.8
Maxtop Management Co	11.5
Siriwanan Co Ltd	9.1
Free Float (%)	22.6
3m Avg. Daily Val (US\$m)	9.4
<b>GIC Industry</b> : Consumer Staples / Food, Beverage & Tobacco	

## Thai Beverage Public Company

### WHAT'S NEW

#### 3 reasons to buy

##### 3 key reasons to buy ThaiBev

- Attractive valuation in terms of both peer and historical valuation; cheapest regional alcoholic beverage counter, at <11.5x PE, almost -2SD below its historical 15-year average
- Pessimism of Vietnam beer, leaving room for an upside surprise based on early export economic data
- Post-Vietnam acquisition, the company has been consistently deleveraging, positioning to support dividend growth

### 2H23/FY23 earnings preview: Spirits strength likely to mitigate weakness in Vietnam

Retaining FY23F and FY24F forecasts; spirits remain anchor to earnings. ThaiBev is due to report its 2H23 and FY23 results on 22 Nov (after market close). We expect earnings to remain resilient – FY23F net profit should see only a marginal decline of 3.8% y-o-y from a high of Bt30.1bn in FY22, even though the read through from

its Vietnam beer business (Sabeco – Saigon Alcohol Beer Corporation) shows that sentiment in the country remains weak. Note that despite businesses being impacted by Covid in the past three years, ThaiBev's profits have remained strong and are ~30% higher in FY22, compared to FY19.

For 2H23, our expectations are that the slack in Vietnam beer (i.e., Sabeco) is likely being picked up by its Thailand spirits and beer business. We relooked at our forecasts and retained our net profit expectations of c.Bt29.0bn for FY23F, though the profit mix should be skewed more towards the spirits segment. We project earnings to return to growth in FY24F/25F of 7%/6%, helped by all segments, and Vietnam in particular, after a dismal year in 2023, in which we saw an overstocked situation amid an unexpected slowdown in the economy and consumption.

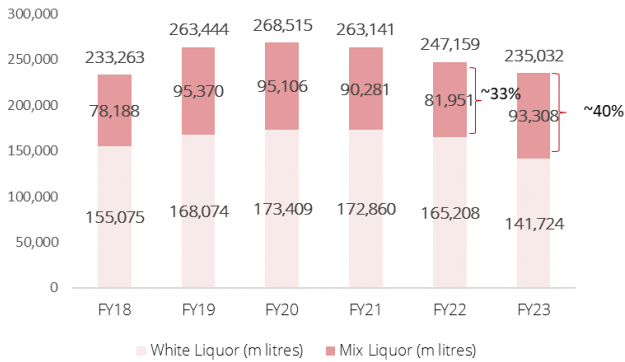
**Table 1: Preview of 2H23E key figures**

	1H22	2H22	1H23	2H23E	y-o-y	Comments
<b>Sales</b>	<b>142,942</b>	<b>129,416</b>	<b>148,295</b>	<b>135,234</b>	4.5%	Expect weakness in Vietnam helped by Thai Spirits and Beer
Total Operating Expenses	-20,234	-21,639	-23,759	-23,307	7.7%	
<b>EBIT</b>	<b>21,345</b>	<b>17,238</b>	<b>19,763</b>	<b>17,991</b>	4.4%	Expectations of higher mix from Spirits
Interest Expense	-3,261	-2,967	-3,220	-3,524	18.8%	Higher interest costs, mitigated partially by lower debt
Share of Associates' or JV Income	1,799	3,245	2,427	1,278	-60.6%	Expect lower contribution from associates, mainly Frasers Property Limited
<b>Net Profit after MI</b>	<b>16,318</b>	<b>13,789</b>	<b>16,123</b>	<b>12,834</b>	-6.9%	Expect lower net profit, mainly from lower associates contribution in 2H23
<b>Revenue</b>	<b>1H22</b>	<b>2H22</b>	<b>1H23</b>	<b>2H23E</b>	<b>y-o-y</b>	<b>Comments</b>
Spirits	65,186	50,991	65,161	56,022	9.9%	Supported by higher contribution from brown spirits
Beer	61,939	60,550	64,434	59,197	-2.2%	Weaker contribution from Vietnam beer
Non-Alcoholic Beverages	8,204	9,228	9,439	9,736	5.5%	
Food	7,688	8,745	9,365	10,355	18.4%	
Elimination	-75	-97	-104	-75	-22.6%	
<b>Total revenue</b>	<b>142,942</b>	<b>129,417</b>	<b>148,295</b>	<b>135,235</b>	4.5%	
<b>EBITDA</b>	<b>1H22</b>	<b>2H22</b>	<b>1H23</b>	<b>2H23E</b>	<b>y-o-y</b>	<b>Comments</b>
Spirits	16,116	11,986	16,666	13,767	14.9%	Expect recovery in spirits, supported by brown spirits
Beer	8,501	8,780	7,038	7,241	-17.5%	Weaker Vietnam contribution, and lower margins
Non-Alcoholic Beverages	1,128	1,008	1,031	1,255	24.5%	
Food	999	1,094	955	1,151	5.2%	
<b>Total EBITDA</b>	<b>26,744</b>	<b>22,868</b>	<b>25,690</b>	<b>23,414</b>	2.4%	

Source: Company, DBS estimates

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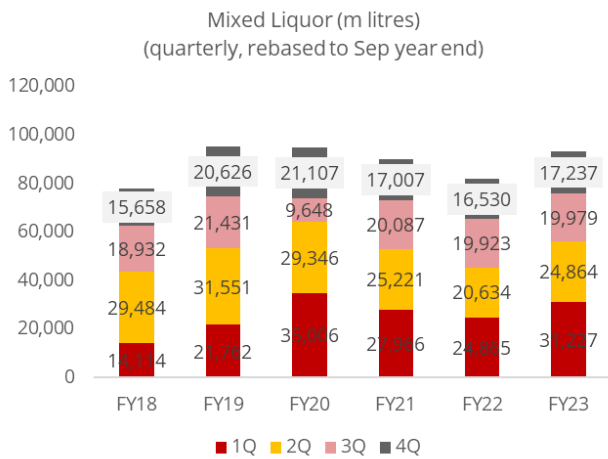
**Chart 1: While liquor volume has trended down, overall profitability is expected to improve on higher contribution from higher value mixed (brown) spirits**



Source: CEIC, DBS

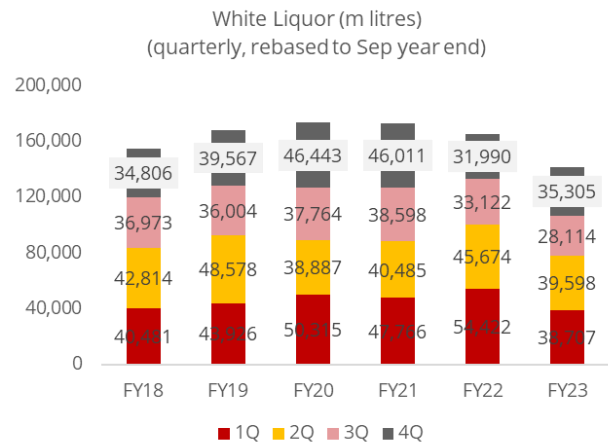
Higher contribution from higher value mixed (brown) spirits; industry data shows Thailand spirits down 5.5%, mixed spirits +14%, white spirits -14%. While industry data in terms of volume shows total liquor volume for Thailand declined by 14% from Sep 2022 to Sep 2023 (based on ThaiBev's FYE), the contribution has changed drastically in the past year. For the 12 months ending Sep 2023, the higher priced mixed liquor accounts for almost 40% of total volume, compared to 33% in the prior period a year ago (as of Sep 2022). This is also higher than the past five-year average of 34.5% (refer to Chart 1).

**Chart 2: Thailand industry mixed liquor for 12m ending Sep 2023 up, on back of easing of restrictions**



Source: CEIC, DBSBank

**Chart 3: Thailand industry white liquor volumes down, likely due to impact from inflation on lower income consumers**

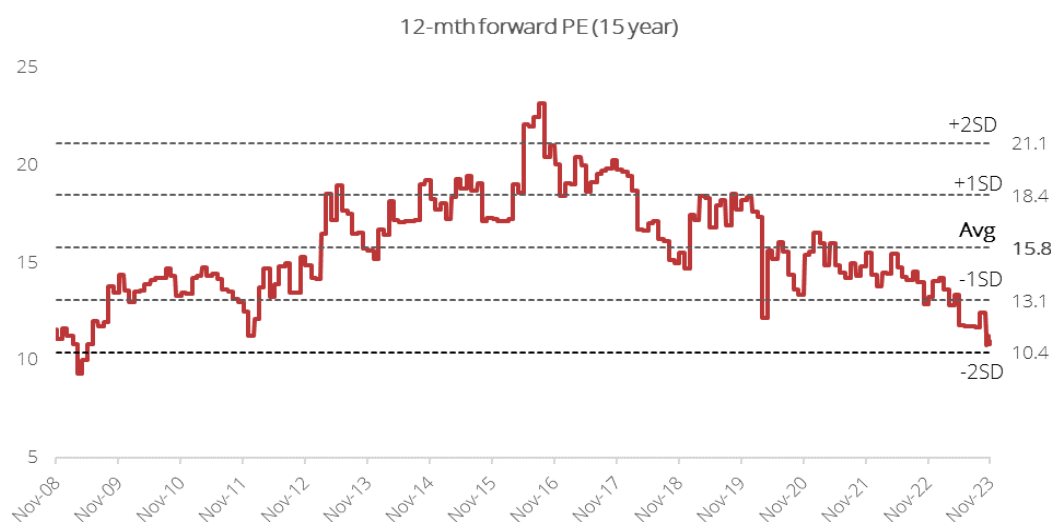


Source: CEIC, DBS Bank

## Thai Beverage Public Company

### How attractive is the company in terms of valuation?

**Chart 4: ThaiBev's share price currently trading near -2SD of 15-year historical 12-month forward PE**



Source: Refinitiv, DBS Bank

**Trading at near -2SD of historical average.** We believe the current share price looks very attractive in terms of both its historical and peer valuations. Looking at its historical forward PE valuation, the company is trading at near -2SD of its 15-year average forward PE, close to an all-time low (refer to Chart 4 above). Back in 2008/09, the lows seen were during the global financial crisis. Turning our attention to its peer valuation, we also see a similar story with the company being the cheapest in the region (refer to Table 3 on page 7). Against this backdrop, while the market could be concerned about its growth prospects, we believe the group should register growth going into FY24F.

### Why is the market pessimistic about Vietnam beer?

Sabeco, ThaiBev's Vietnam subsidiary, saw 9M23 YTD sales and earnings decline by 12% and 24%, respectively. This was largely attributable to a collapse of consumer demand for beer on deteriorating macroeconomic conditions. The key driver was weak global demand for goods, which disproportionately impacted Vietnam, an export-orientated country.

During the recent Sabeco 3Q23 earnings call on 10 Nov 23, management highlighted that the current weakness in the beer industry could extend into 4Q24, and competition has been aggressive. Unsurprisingly, the market continues to take a pessimistic view on Vietnam beer.

**Earnings call from Sabeco on 10 Nov for its 3Q23 results.** We attended the earnings call on 10 Nov 23. Key takeaways are below:

- 1) Vietnam's beer industry continues to shrink, with a 21% YTD decline in terms of production, but Sabeco has likely declined less than the industry (in sales volume) due to its market position in the mainstream segment
- 2) Competition is aggressive, with likely high A&P spend by competitors to secure as much volume as possible in the declining market with expensive promotions like giveaways
- 3) Margin has been adversely impacted by aluminium and malt prices, which were hedged at higher levels last year
- 4) Hopeful for a turnaround in 2H24 with the objective of improving earnings y-o-y by optimising A&P spend without resorting to giving away products (which can be very costly) and maintaining prices

### Why do we believe the current pessimism could present an opportunity?

Sabeco's management shared in its 3QFYE Dec 23 earnings call that, based on conversations with external parties, the consensus and market expectations seem to take the view that the recovery in Vietnam could only take place in 2H24. That said, we believe any early signs of recovery could lead to a re-rating, as there could be an upside surprise with the general consensus being more cautious. We are seeing early economic data indicating a turnaround in exports from Vietnam (see Chart 5, on next page).

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In addition, Samsung Electronics, one of the largest employers in Vietnam, guided for a recovery in smartphone demand in CY24 on the back of stabilising consumer sentiment. With the expectation of double-digit growth in annual flagship shipments, we believe this will drive new job creation and improve the overall disposable income situation in Vietnam. In the event this continues, there could be a surge in sales, given that stock levels in the trade are not high, and management did share that there is a certain level of cautiousness in the market.

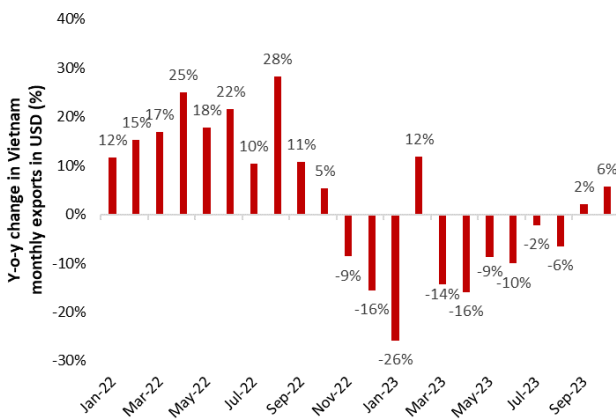
We have pencilled in 8% growth in revenue for Sabeco for FY24F (adjusted to Sep year end). This is post the decline in the last 12 months, of c.5%, which follows a strong 2022. We estimate that Sabeco accounts for c.13% of ThaiBev's net profits (post minority interest) for FY22, and this should drop to a c.9% contribution for

FY23F and FY24F based on our forecasts, given the industry challenges in Vietnam.

### What can investors enjoy while waiting for a valuation re-rating?

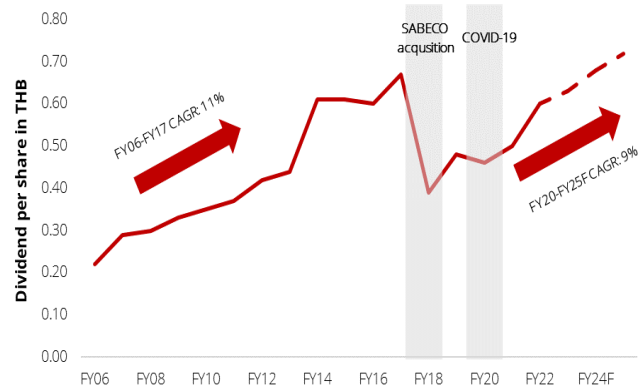
Pre-Covid and the Sabeco acquisition, the company had a track record of steadily increasing dividends (see chart 6 below). We believe the situation post the Sabeco acquisition (consummated in early 2018), which resulted in higher gearing for the group, is behind us. With Covid in the past and the company's deleveraging progressing as planned, dividends should return to a steady growth trajectory, in our view.

**Chart 5: Exports showing signs of gradual turnaround in last 2 months**



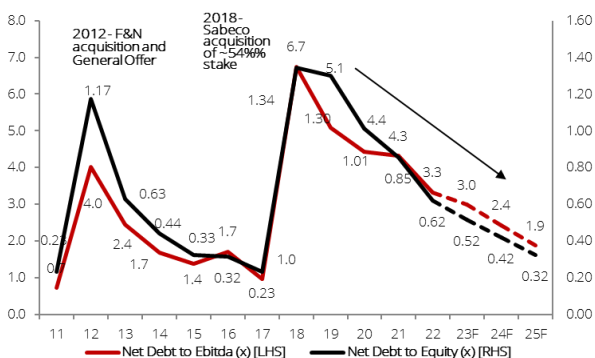
Source: CEIC, DBS Bank

**Chart 6: Pre-Covid and Sabeco acquisition, the company has been steadily growing dividends since IPO**



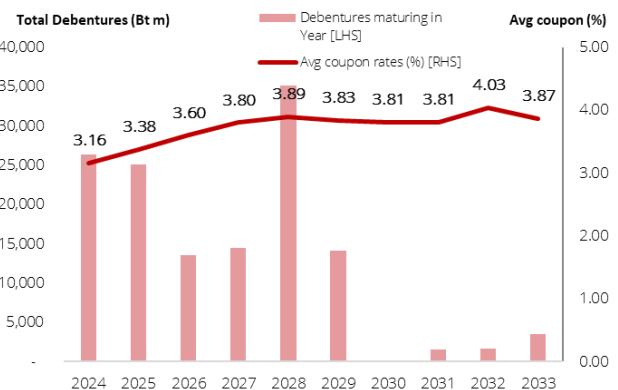
Source: Company, DBS Bank estimates

**Chart 7: Net gearing and net debt to EBITDA progressively declining**



Source: Company, DBS Bank estimates

**Chart 8: Maturity of THB debentures well termed out, and aggregated average coupon rates below 4%**



Source: Company, DBS Bank estimates



## Thai Beverage Public Company

### Is Beerco listing needed for deleveraging? No, gearing has been steadily coming off

**Market could still have misplaced perception that Beerco listing is needed for deleveraging.** We believe the market is overly concerned about ThaiBev's gearing and is thus looking at its Beerco listing for it to deleverage. This view could be misplaced. We have little doubt that a potential listing (or news of it) could stir interest and create excitement. However, given our stance that gearing has been improving and remains healthy, ThaiBev's balance sheet remains healthy.

#### Net gearing and debt-EBITDA to dip to 0.5x and 2.4x by end-FY24F.

ThaiBev has a good track record of deleveraging post its sizable acquisitions in the past decade. In 2012, post the F&N acquisition, net gearing (net debt to equity) crossed 1x and net debt to EBITDA shot up to 4x. As can be seen in Chart 7 in the previous page, it came off progressively, and these ratios reached lows of 0.23x and 1x in 2017, respectively.

The second example is seen currently and still playing out. Net gearing reached a high of 1.34x post the acquisition of its ~54% stake in Sabeco. Despite concerns of the high leverage, its strong cash flow has enabled it to deleverage and we project net gearing and net debt to EBITDA to trend lower to 0.5x and 2.5x, respectively, by end-FY24F.

**Maturity of debentures and interest rates well managed.** A further point to note is its management of debt maturities and interest costs. As can be seen in Chart 8 (previous page), the group has an estimated Bt135bn in debentures currently outstanding. The maturities are well termed out, with an average coupon rate of mostly below 4%, even in the current high interest rate environment. In addition, the debentures are denominated in THB, which matches with its main spirits business, thus removing foreign exchange risks.

#### Valuations & forecasts

**Reiterate BUY, TP revised to S\$0.75.** Our forecasts remain relatively unchanged, and we project earnings growth of 6.9%/6.4% for FY24F/25F. In addition, we have pencilled in a payout ratio of 55% (marginally above its dividend policy of not less than 50%), implying gross dividend yields of 5.0%/5.2% in FY24F/25F. Our sum-of-the-parts TP is revised down to S\$0.75, to account for a higher market risk premium on expectations that rates, while having tapered, may stay elevated till 2H24.

Our revised TP equates to FY24F PE of c.16x, which is in line with its 15-year historical 12-month forward PE. In our view, the current valuation, being one of the cheapest alcoholic counters, of 11.1x FY24F PE looks too attractive to ignore on the back of its steady cash flow profile, coupled with expectations of growth and higher dividends, and the eventual monetisation of Beerco when the outlook is clearer for Vietnam.

**Table 2: Overview of FY23F/24F revisions – lower beer and food contribution partially offset by higher spirits contribution**

in THB 'm	Old FY23F	New FY23F	Change	Old FY24F	New FY24F	Change
<b>Sales</b>	<b>293,679</b>	<b>283,530</b>	<b>-3.5%</b>	<b>309,430</b>	<b>297,725</b>	<b>-3.8%</b>
<i>Spirits</i>	116,494	121,183	4.0%	120,804	124,510	3.1%
<i>Beer</i>	138,475	123,631	-10.7%	147,982	132,563	-10.4%
<i>Non-Alcoholic Beverages</i>	19,175	19,175	0.0%	20,134	20,134	0.0%
<i>Food</i>	19,720	19,720	0.0%	20,706	20,706	0.0%
<i>Elimination</i>	-185	-179	-3.5%	-195	-188	-3.8%
<b>EBIT</b>	<b>39,346</b>	<b>37,754</b>	<b>-4.0%</b>	<b>41,716</b>	<b>40,254</b>	<b>-3.5%</b>
<i>Spirits</i>	26,211	27,933	6.6%	26,939	28,451	5.6%
<i>Beer</i>	11,713	8,794	-24.9%	13,168	10,278	-22.0%
<i>Non-Alcoholic Beverages</i>	288	288	0.0%	342	342	0.0%
<i>Food</i>	986	592	-40.0%	1,118	1,035	-7.4%
<i>Elimination</i>	148	148	0.0%	148	148	0.0%
<b>Net Profit</b>	<b>29,123</b>	<b>28,957</b>	<b>-0.6%</b>	<b>31,144</b>	<b>30,962</b>	<b>-0.6%</b>
<b>y-o-y growth</b>	-3.3%	-3.8%	-0.6%	6.9%	6.9%	0.0%

Source: DBS Bank estimates

## Thai Beverage Public Company

### Company Background

Thai Beverage Public Company (THBEV) is a leading beverage producer in Thailand, with business segments spanning spirits, beer, non-alcoholic beverages, and food. Its key brands are Sangsom, Hong Thong, and Chang. It has 28.5% and 28.3% associate stakes in both Singapore-listed Fraser & Neave Ltd (FNN)

and Frasers Property Limited (FPL). It also holds a controlling 53.58% stake in Sabeco, Vietnam's largest beer player by market volume with brands such as Saigon Beer, Lager, Export, and 333.

**Table 3: Peer comparison table - ThaiBev has one of the lowest valuations, despite its steady earnings profile**

in US\$ 'm	Market Cap	Revenue		EPS (US\$)		Forward PE		Forward EV/EBITDA		EPS Growth	
		FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
<b>Global</b>											
Anheuser-Busch Inbev SA	106,761	60,641	63,077	2.98	3.52	20.6	17.4	9.3	8.7	-1%	18%
Diageo PLC	79,706	21,329	22,271	1.97	2.13	17.9	16.6	14.0	13.2	-5%	8%
Heineken NV	53,502	32,217	33,786	5.11	5.85	18.1	15.8	11.1	10.0	-1%	15%
Pernod Ricard SA	46,819	13,154	13,912	9.70	10.61	18.8	17.2	14.4	13.4	-5%	9%
Constellation Brands Inc	43,995	10,073	10,720	11.86	13.46	20.2	17.8	15.1	13.8	12%	13%
Brown-Forman Corp	28,653	4,483	4,719	2.03	2.23	29.1	26.6	21.4	19.7	22%	10%
Carlsberg A/S	17,811	10,562	10,963	7.62	8.30	16.3	15.0	9.8	9.1	-5%	9%
Asahi Group Holdings Ltd	19,919	17,834	18,338	2.19	2.50	17.8	15.6	11.5	10.5	-5%	14%
Davide Campari Milano NV	13,294	3,213	3,462	0.38	0.45	30.1	25.5	19.4	16.8	3%	18%
Kirin Holdings Co Ltd	13,268	13,792	14,138	0.95	1.07	15.1	13.5	10.4	9.6	-24%	12%
Molson Coors Beverage Co	12,167	11,687	11,752	5.31	5.48	11.2	10.9	7.5	7.6	37%	3%
Suntory Beverage & Food Li	9,631	10,453	10,801	1.72	1.90	18.0	16.3	6.9	6.4	-13%	11%
Remy Cointreau SA	6,182	1,379	1,505	4.70	5.41	25.6	22.2	16.2	14.4	-23%	15%
Boston Beer Company Inc	4,208	2,027	2,115	7.33	11.17	47.1	30.9	18.2	14.5	0%	52%
Royal Unibrew A/S	3,469	1,859	2,104	3.28	3.94	21.0	17.5	13.9	11.7	-21%	20%
Sapporo Holdings Ltd	3,105	3,361	3,405	0.67	1.00	58.6	39.2	19.9	17.1	36%	50%
<b>Median</b>						<b>19.5</b>	<b>17.3</b>	<b>13.9</b>	<b>12.5</b>	<b>-3%</b>	<b>14%</b>
<b>Emerging Markets</b>											
Kweichow Moutai Co Ltd	307,066	20,193	23,648	8.08	9.56	30.3	25.6	21.1	17.9	12%	18%
Wuliangye Yibin Co Ltd	84,156	11,356	12,783	1.07	1.22	20.2	17.7	12.9	11.3	7%	14%
Luzhou Laojiao Co Ltd	43,005	4,246	5,088	1.22	1.50	23.9	19.5	16.7	13.8	22%	22%
China Resources Beer Hold	17,418	5,556	6,015	0.23	0.27	23.8	19.5	14.1	12.0	20%	22%
Tsingtao Brewery Co Ltd	12,638	4,734	5,026	0.44	0.52	16.7	14.2	11.1	9.7	22%	18%
Thai Beverage PCL	9,966	7,904	8,379	0.03	0.04	12.1	11.2	12.2	11.4	6%	8%
United Spirits Ltd	9,170	1,356	1,508	0.21	0.24	61.2	51.8	39.5	33.8	25%	18%
Beck's SAB de CV	6,462	2,671	2,967	0.08	0.11	22.8	17.6	15.8	12.0	-11%	29%
Emperador Inc	5,824	1,243	1,369	0.01	0.01	30.6	27.1	22.6	19.6	7%	13%
United Breweries Ltd	4,958	976	1,091	0.23	0.36	81.9	52.5	47.7	39.4	11%	56%
Saigon Beer Alcohol Bevera	3,328	1,336	1,457	0.17	0.17	15.5	15.4	11.0	9.4	-2%	0%
HiteJinro Co Ltd	1,255	1,960	2,055	0.51	1.01	34.6	17.5	9.1	7.4	-60%	98%
<b>Median</b>						<b>23.8</b>	<b>18.6</b>	<b>14.9</b>	<b>12.2</b>	<b>9%</b>	<b>18%</b>

Source: Refinitiv (data as of 16 Nov 2023)

### Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

## Thai Beverage Public Company

### Key Assumptions

FY Sep	2021A	2022A	2023F	2024F	2025F
Spirits vol gwth (%)	(1.1)	(0.6)	(4.5)	2.00	1.00
Spirits ASP gwth (%)	(0.6)	1.10	9.00	0.0	1.00
Total Beer vol gwth (%)	(11.1)	14.5	(8.7)	5.00	3.90
Thai Beer ASP gwth (%)	1.30	2.30	7.00	2.00	2.00
Non-Alc Bev rev gwth (%)	(6.6)	14.6	10.0	5.00	2.50

### Segmental Breakdown

FY Sep	2021A	2022A	2023F	2024F	2025F
<b>Revenues (Btm)</b>					
Spirits	115,052	116,177	121,183	124,510	128,025
Beer	99,157	122,489	123,631	132,563	140,483
Non-Alcoholic Bev.	15,205	17,432	19,175	20,134	20,637
Food	11,280	16,433	19,720	20,706	21,327
Others	(151)	(172)	(179)	(188)	(196)
<b>Total</b>	<b>240,543</b>	<b>272,359</b>	<b>283,530</b>	<b>297,725</b>	<b>310,276</b>
<b>Operating profit (Btm)</b>					
Spirits	26,189	25,534	27,933	28,451	29,254
Beer	7,513	11,830	8,794	10,278	12,283
Non-Alcoholic Bev.	320	395	288	342	371
Food	(353)	676	592	1,035	1,109
Others	113	148	148	148	148
<b>Total</b>	<b>33,782</b>	<b>38,583</b>	<b>37,754</b>	<b>40,254</b>	<b>43,166</b>
<b>Operating profit</b>					
Spirits	22.8	22.0	23.1	22.9	22.9
Beer	7.6	9.7	7.1	7.8	8.7
Non-Alcoholic Bev.	2.1	2.3	1.5	1.7	1.8
Food	(3.1)	4.1	3.0	5.0	5.2
Others	(74.8)	(86.0)	(82.7)	(78.7)	(75.5)
<b>Total</b>	<b>14.0</b>	<b>14.2</b>	<b>13.3</b>	<b>13.5</b>	<b>13.9</b>

Source: Company, DBS Bank

## Thai Beverage Public Company

### Income Statement (Btm)

FY Sep	2021A	2022A	2023F	2024F	2025F
Revenue	240,543	272,359	283,530	297,725	310,276
Cost of Goods Sold	(169,060)	(191,902)	(198,710)	(208,049)	(215,605)
<b>Gross Profit</b>	<b>71,484</b>	<b>80,456</b>	<b>84,820</b>	<b>89,676</b>	<b>94,671</b>
Other Opng (Exp)/Inc	(37,702)	(41,873)	(47,066)	(49,422)	(51,506)
<b>Operating Profit</b>	<b>33,782</b>	<b>38,583</b>	<b>37,754</b>	<b>40,254</b>	<b>43,166</b>
Other Non Opng (Exp)/Inc	873	979	979	979	979
Associates & JV Inc	2,777	5,044	3,706	3,873	4,049
Net Interest (Exp)/Inc	(5,458)	(4,665)	(5,053)	(4,929)	(5,020)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>31,973</b>	<b>39,941</b>	<b>37,386</b>	<b>40,177</b>	<b>43,173</b>
Tax	(4,634)	(5,436)	(5,389)	(5,809)	(6,260)
Minority Interest	(2,694)	(4,399)	(3,040)	(3,407)	(3,970)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>24,645</b>	<b>30,106</b>	<b>28,957</b>	<b>30,962</b>	<b>32,943</b>
Net Profit before Except.	24,645	30,106	28,957	30,962	32,943
EBITDA	45,313	52,467	47,949	50,783	54,036
<b>Growth</b>					
Revenue Gth (%)	(5.1)	13.2	4.1	5.0	4.2
EBITDA Gth (%)	(0.7)	15.8	(8.6)	5.9	6.4
Opg Profit Gth (%)	(2.2)	14.2	(2.1)	6.6	7.2
Net Profit Gth (Pre-ex) (%)	6.0	22.2	(3.8)	6.9	6.4
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	29.7	29.5	29.9	30.1	30.5
Opg Profit Margin (%)	14.0	14.2	13.3	13.5	13.9
Net Profit Margin (%)	10.2	11.1	10.2	10.4	10.6
ROAE (%)	15.7	16.0	13.6	13.7	13.7
ROA (%)	5.4	6.1	5.7	6.2	6.6
ROCE (%)	6.8	7.3	6.8	7.4	7.9
Div Payout Ratio (%)	51.0	50.0	54.6	55.2	54.9
Net Interest Cover (x)	6.2	8.3	7.5	8.2	8.6

Despite an expected marginal decline in net profit for FY23F, this is 16% higher than profits in FY21, showing company had weathered Covid-19 well

Source: Company, DBS Bank

## Thai Beverage Public Company

### Interim Income Statement (Btm)

FY Sep	1H2021	2H2021	1H2022	2H2022	1H2023
Revenue	131,252	109,291	142,942	129,416	148,295
Cost of Goods Sold	(92,004)	(77,056)	(101,363)	(90,539)	(104,774)
<b>Gross Profit</b>	<b>39,249</b>	<b>32,235</b>	<b>41,579</b>	<b>38,877</b>	<b>43,522</b>
Other Oper. (Exp)/Inc	(19,186)	(18,516)	(20,234)	(21,639)	(23,759)
<b>Operating Profit</b>	<b>20,063</b>	<b>13,719</b>	<b>21,345</b>	<b>17,238</b>	<b>19,763</b>
Other Non Opg (Exp)/Inc	457	415	510	469	689
Associates & JV Inc	1,164	1,613	1,799	3,245	2,427
Net Interest (Exp)/Inc	(2,816)	(2,642)	(2,540)	(2,125)	(2,061)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>18,868</b>	<b>13,105</b>	<b>21,115</b>	<b>18,826</b>	<b>20,819</b>
Tax	(2,792)	(1,842)	(2,750)	(2,686)	(3,037)
Minority Interest	(1,679)	(1,016)	(2,048)	(2,351)	(1,658)
<b>Net Profit</b>	<b>14,397</b>	<b>10,247</b>	<b>16,318</b>	<b>13,789</b>	<b>16,123</b>
Net profit bef Except.	14,397	10,247	16,318	13,789	16,123
EBITDA	21,684	15,748	23,655	20,951	22,879

Strong associates' contribution in 1H23, though that may taper in 2H, thus impacting net profit

### Growth

Revenue Gth (%)	12.8	(16.7)	30.8	(9.5)	14.6
EBITDA Gth (%)	22.2	(27.4)	50.2	(11.4)	9.2
Opg Profit Gth (%)	23.7	(31.6)	55.6	(19.2)	14.6
Net Profit Gth (%)	53.5	(28.8)	59.2	(15.5)	16.9

### Margins

Gross Margins (%)	29.9	29.5	29.1	30.0	29.3
Opg Profit Margins (%)	15.3	12.6	14.9	13.3	13.3
Net Profit Margins (%)	11.0	9.4	11.4	10.7	10.9

### Balance Sheet (Btm)

FY Sep	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	60,717	59,176	54,428	49,413	44,226
Invt in Associates & JVs	102,414	112,630	114,336	116,209	118,258
Other LT Assets	214,187	225,290	225,233	225,176	225,120
Cash & ST Invt	40,046	54,029	51,231	47,945	48,625
Inventory	45,739	46,073	46,986	49,181	50,959
Debtors	4,723	4,983	5,360	5,628	5,865
Other Current Assets	4,758	5,609	5,609	5,609	5,609
<b>Total Assets</b>	<b>472,585</b>	<b>507,789</b>	<b>503,183</b>	<b>499,162</b>	<b>498,663</b>
ST Debt	67,878	55,306	55,306	55,306	55,306
Creditor	6,562	9,172	5,743	6,011	6,228
Other Current Liab	21,002	24,652	27,300	27,720	28,171
LT Debt	151,800	153,064	133,064	111,064	91,064
Other LT Liabilities	15,166	16,207	16,207	16,207	16,207
Shareholder's Equity	170,963	205,748	218,884	232,768	247,630
Minority Interests	39,213	43,640	46,680	50,087	54,057
<b>Total Cap. &amp; Liab.</b>	<b>472,585</b>	<b>507,789</b>	<b>503,183</b>	<b>499,162</b>	<b>498,663</b>
Non-Cash Wkg. Capital	27,655	22,841	24,913	26,688	28,034
Net Cash/(Debt)	(179,632)	(154,341)	(137,138)	(118,424)	(97,744)
Debtors Turn (avg days)	7.4	6.5	6.7	6.7	6.8
Creditors Turn (avg days)	14.9	15.6	14.1	10.6	10.6
Inventory Turn (avg days)	99.0	91.0	87.9	86.7	87.1
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.6
Current Ratio (x)	1.0	1.2	1.2	1.2	1.2
Quick Ratio (x)	0.5	0.7	0.6	0.6	0.6
Net Debt/Equity (X)	0.9	0.6	0.5	0.4	0.3
Net Debt/Equity ex MI (X)	1.1	0.8	0.6	0.5	0.4
Capex to Debt (%)	1.5	1.5	1.8	2.1	2.5

Gearing has been progressively improving

Source: Company, DBS Bank

## Thai Beverage Public Company

### Cash Flow Statement (Btm)

FY Sep	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	31,973	39,941	37,386	40,177	43,173
Dep. & Amort.	7,831	7,761	8,157	8,592	8,939
Tax Paid	(6,758)	(6,227)	(2,741)	(5,389)	(5,809)
Assoc. & JV Inc/(loss)	(2,777)	(5,044)	(3,706)	(3,873)	(4,049)
Chg in Wkg.Cap.	(1,716)	4,359	(4,719)	(2,196)	(1,797)
Other Operating CF	3,514	4,224	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>32,067</b>	<b>45,013</b>	<b>34,376</b>	<b>37,311</b>	<b>40,458</b>
Capital Exp.(net)	(3,274)	(3,192)	(3,352)	(3,520)	(3,696)
Other Invt.(net)	(3,229)	(9,090)	0.0	0.0	0.0
Invt. in Assoc. & JV	(8,301)	(869)	0.0	0.0	0.0
Div from Assoc & JV	1,155	1,393	2,000	2,000	2,000
Other Investing CF	1,993	1,285	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(11,656)</b>	<b>(10,472)</b>	<b>(1,352)</b>	<b>(1,520)</b>	<b>(1,696)</b>
Div Paid	(14,548)	(14,674)	(15,822)	(17,077)	(18,082)
Chg in Gross Debt	2,035	(8,353)	(20,000)	(22,000)	(20,000)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(7,859)	(7,644)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(20,372)</b>	<b>(30,671)</b>	<b>(35,822)</b>	<b>(39,077)</b>	<b>(38,082)</b>
Currency Adjustments	193	(1,049)	0.0	0.0	0.0
Chg in Cash	232	2,820	(2,797)	(3,286)	680
Opg CFPS (S cts)	5.15	6.20	5.96	6.02	6.44
Free CFPS (S cts)	4.39	6.37	4.73	5.15	5.60

Source: Company, DBS Bank

### Target Price & Ratings 12-mth History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 Nov 22	0.63	0.84	BUY
2:	28 Nov 22	0.63	0.87	BUY
3:	16 Mar 23	0.63	0.86	BUY

Source: DBS Bank

Analyst: Andy SIM, CFA

Zheng Feng CHEE

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 20 Nov 2023 06:58:45 (SGT)  
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Sources for all charts and tables are DBS Bank unless otherwise specified.

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**Thai Beverage Public Company**

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