

Thai Beverage PLC

Spirits rise but for the margins



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SINGAPORE | CONSUMER | 1Q22 UPDATE

16 February 2022

- 1Q22 revenue and EBITDA met expectations at 30% and 31% of our FY22e forecasts respectively. 1Q is a seasonally stronger quarter.
- Spirit volumes continue to grow to record levels but margins were hurt by rising molasses cost and a weak Myanmar Kyat. Beer volumes are still 10% below pre-pandemic levels.
- Our FY22e earnings are unchanged. Earnings growth in FY22e will be supported by price increases for spirits, easing of lockdowns and general improvement in economic conditions in Thailand and Vietnam. Maintain ACCUMULATE with an unchanged target price of S\$0.765, 18x FY22e earnings, its 5-year average.

Results at a glance

THB bn	1Q22	1Q21	YoY	Comments
Revenue	77.1	71.8	7.4%	
- Spirits	36.0	34.8	3.6%	Volume rose 8.6% YoY to 206mn litres.
- Beer	33.4	30.2	10.4%	Volume rose 1.1% YoY to 654mn litres.
- Non-alcoholic beverages	4.0	3.7	7.6%	
- Food	3.8	3.1	21.0%	
EBITDA	14.7	14.4	1.6%	
- Spirits	9.0	9.2	-2.3%	Higher molasses cost.
- Beer	4.5	4.3	4.5%	
- Non-alcoholic beverages	0.6	0.5	20.2%	
- Food	0.5	0.4	35.6%	
EBITDA margins	19.0%	20.1%	-1.1%	
- Spirits	25.0%	26.5%	-1.5%	
- Beer	13.5%	14.3%	-0.8%	
- Non-alcoholic beverages	14.9%	13.4%	1.6%	
- Food	14.4%	12.9%	1.5%	

Source: Company, PSR. No analysts' briefing and limited financials provided in 1Q22 update.

The Positive

+ Jump in spirit volumes. After a disappointing 4Q21, there was an 8.6% YoY jump in spirit volumes in 1Q22 to 206mn litres, or a 48% QoQ improvement. When measured over six months till Dec21, volumes are still down 4.5% YoY. Surprisingly, revenue growth in 1Q22 was much softer than volumes. We believe the weaker Myanmar Kyat pulled down spirits revenue. Volume growth in Thailand may also be driven by some front-loading of orders before the price increase introduced during the quarter.

The Negative

- Margins headwinds. Rising margin pressure from raw materials and normalising of advertising and marketing costs will be the key challenge in FY22e. The beer division has managed to contain some of the margin pressure by raising prices by around 9%. Despite the aggressive rise in prices margins contracted.

Outlook

We expect a recovery year in FY22e. Revenue is expected to rebound as lockdown measures are removed, entertainment outlets and borders re-open and economic conditions improve in Thailand and Vietnam. An added driver will be price increases from the spirits and beer divisions to mitigate the cost pressures.

Maintain ACCUMULATE with unchanged TP of S\$0.765

Our target price stays at S\$0.765, based on 18x FY22e earnings, its 5-year average.

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 0.680
FORECAST DIV	SGD 0.021
TARGET PRICE	SGD 0.765
TOTAL RETURN	15.6%

COMPANY DATA

BLOOMBERG CODE	THBEV SP
O/S SHARES (MN) :	25,121
MARKET CAP (USD mn / SGD mn) :	12699 / 17082
52 - WK HI/LO (SGD) :	0.8 / 0.64
3M Average Daily T/O (mn) :	18.61

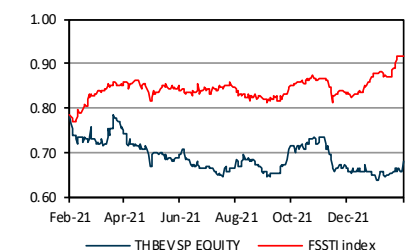
MAJOR SHAREHOLDERS

Sriwana Co Ltd	51.1%
Maxtop Management Corp.	20.6%

PRICE PERFORMANCE (%)

	1M TH	3M TH	YTD
COMPANY	3.7	(6.4)	2.2
STI RETURN	4.4	6.3	9.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sep	FY20	FY21	FY22e	FY23e
Revenue (THB bn)	253.5	240.5	260.4	274.3
EBITDA (THB bn)	47.0	46.6	50.1	51.4
NPAT, adj. (THB bn)	23.2	24.6	26.2	27.8
EPS, adj. (THB)	0.88	0.98	1.04	1.11
EPS, adj. (SCents)	3.86	4.00	4.25	4.52
PER, adj. (x)	17.6	17.0	16.0	15.0
P/BV, (x)	2.7	2.4	2.3	2.1
DPS (THB)	0.46	0.50	0.52	0.55
DPS (SCents)	2.03	2.04	2.13	2.26
Div Yield	3.0%	3.0%	3.1%	3.3%
ROE	18.0%	15.7%	14.7%	14.6%

Source: Company, PSR

Valuation Method

18x PE FY22e

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Financials

Income Statement

Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	267,357	253,481	240,543	260,352	274,314
Gross profit	77,391	74,860	71,484	78,877	82,547
EBITDA	45,096	47,036	46,629	50,131	51,377
Depreciation & Amortisation	(6,634)	(6,565)	(7,831)	(7,689)	(8,106)
EBIT	34,279	37,208	36,202	40,242	41,170
Associates & JVs	4,845	3,256	2,777	3,124	3,566
Other items	(1,807)	(1,906)	(1,548)	(1,459)	(1,142)
Net Finance Inc/(Exp)	(6,006)	(5,627)	(5,458)	(5,632)	(5,016)
Profit Before Tax	31,312	32,931	31,973	36,275	38,578
Taxation	(5,229)	(6,866)	(4,634)	(6,529)	(6,944)
Profit After Tax	26,083	26,065	27,339	29,745	31,634
- Non-controlling interest	2,810	3,313	2,694	3,569	3,796
Net profit, reported	23,272	22,752	24,645	26,176	27,838
Net profit, adj.	23,272	23,244	24,645	26,176	27,838

Per share data (THB)

Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	0.93	0.91	0.98	1.04	1.11
EPS, adj.	0.90	0.88	0.98	1.04	1.11
DPS	0.48	0.46	0.50	0.52	0.55
BVPS	4.61	5.68	6.81	7.33	7.88

Per share data (SGD Cents)

Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	4.08	3.99	4.00	4.25	4.52
EPS, adj.	3.95	3.86	4.00	4.25	4.52
DPS	2.11	2.03	2.04	2.13	2.26
BVPS	20.33	25.01	27.78	29.91	32.17

Cash Flow

Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
EBIT	34,279	37,208	36,202	40,242	41,170
Depreciation & Amortisation	6,634	6,565	7,831	7,689	8,106
WC changes	3,810	177	(4,016)	2,738	(2,405)
Tax paid	(6,024)	(5,113)	(6,758)	(6,529)	(6,944)
Others	(224)	(1,572)	(1,192)	(1,459)	(1,142)
Cashflow from ops	38,476	37,265	32,067	42,680	38,785
CFI					
CAPEX, net	(5,664)	(4,566)	(3,455)	(3,905)	(4,938)
Others	(2,781)	(2,957)	(8,201)	1,340	1,692
Cashflow from investments	(8,445)	(7,523)	(11,656)	(2,565)	(3,246)
CFF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	(18,760)	(11,937)	(4,477)	(14,973)	(14,709)
Dividends	(12,416)	(13,004)	(14,548)	(15,088)	(15,919)
Others	0	(11)	(1,347)	0	0
Cashflow from financing	(31,176)	(24,951)	(20,372)	(30,060)	(30,628)
Net change in cash	(1,146)	4,790	39	10,054	4,912
Effects of exchange rates	(740)	726	193	0	0
CCE, end	9,630	15,147	15,379	25,433	30,345

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

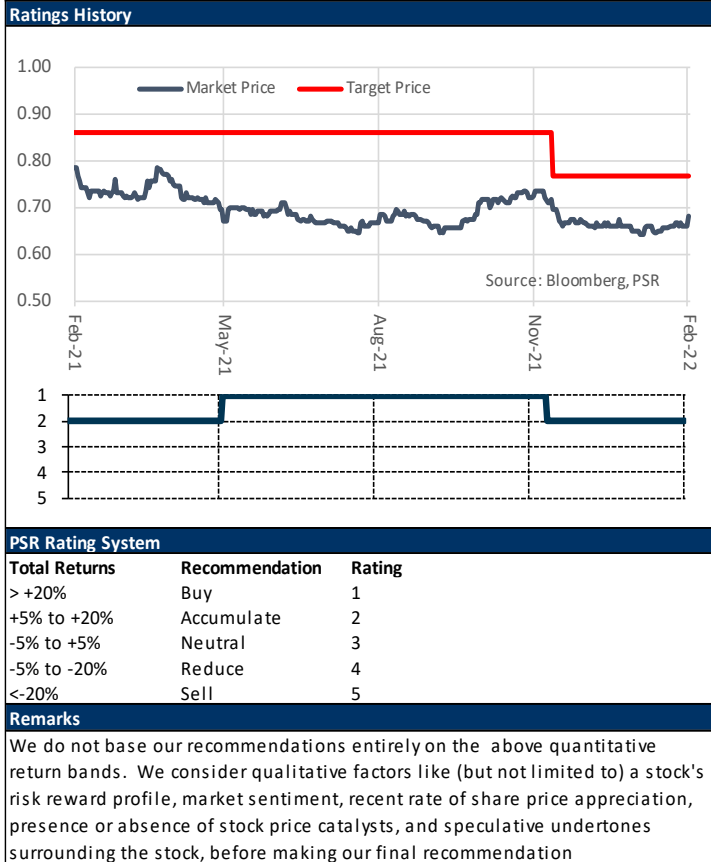
Y/E Sep, THB mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	59,993	61,347	60,717	56,934	53,766
Intangibles	184,120	193,475	195,497	195,497	195,497
Investments in Assoc/JV	79,345	85,605	102,414	105,538	109,104
Others	6,719	6,777	18,691	18,691	18,691
Total non-current assets	330,178	347,205	377,319	376,660	377,058
Accounts receivables	6,759	6,777	6,201	5,758	5,988
Cash	24,362	34,695	38,293	48,347	53,259
Inventories	42,876	41,655	45,739	44,747	47,285
Others	3,321	3,187	5,033	5,033	5,033
Total current assets	77,318	86,315	95,266	103,886	111,565
Total Assets	407,496	433,520	472,585	480,546	488,623
LIABILITIES					
Accounts payables	20,471	19,306	19,943	21,246	21,608
Short term loans	22,215	64,850	69,206	61,206	53,206
Others	6,123	6,596	6,294	6,294	6,294
Total current liabilities	48,809	90,752	95,442	88,746	81,108
Long term loans	197,977	152,214	151,800	151,800	151,800
Others	10,389	11,148	15,166	15,166	15,166
Total non-current liabilities	208,366	163,363	166,966	166,966	166,966
Total Liabilities	257,175	254,115	262,409	255,712	248,074
EQUITY					
Non-controlling interests	34,466	36,808	39,213	40,783	42,579
Shareholder Equity	115,856	142,596	170,963	184,051	197,970

Valuation Ratios

Y/E Sep	FY19	FY20	FY21	FY22e	FY23e
P/E (X), adj.	17.2	17.6	17.0	16.0	15.0
P/B (X)	3.3	2.7	2.4	2.3	2.1
EV/EBITDA (X), adj.	13.7	12.9	4.8	4.1	3.8
Dividend Yield (%)	3.1%	3.0%	3.0%	3.1%	3.3%

Growth & Margins

	FY19	FY20	FY21	FY22e	FY23e
Growth					
Revenue	16.4%	-5.2%	-5.1%	8.2%	5.4%
EBITDA	18.3%	4.3%	-0.9%	7.5%	2.5%
EBIT	18.1%	8.5%	-2.7%	11.2%	2.3%
Net profit, adj.	10.9%	-0.1%	6.0%	6.2%	6.4%
Margins					
Gross margin	28.9%	29.5%	29.7%	30.3%	30.1%
EBITDA margin	16.9%	18.6%	19.4%	19.3%	18.7%
EBIT margin	12.8%	14.7%	15.1%	15.5%	15.0%
Net profit margin	8.7%	9.2%	10.2%	10.1%	10.1%
Key Ratios					
ROE	19.6%	18.0%	15.7%	14.7%	14.6%
ROA	5.8%	5.5%	5.4%	5.5%	5.7%
Net Debt/(Cash)	195,830	182,370	182,713	164,659	151,747
Net Gearing	130.3%	101.7%	86.9%	73.2%	63.1%



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