

COMPANY RESULTS

Thai Beverage (THBEV SP)

1QFY22: Solid Results; Recovery Has Just Started

THBEV released its 1QFY22 results, with revenue and EBITDA in line with our expectations. This was driven by a stronger-than-expected recovery in the beer and food segments. The spirits segment posted strong revenue growth but was dragged down by rising material costs. We opine that THBEV is an attractive and undervalued COVID-19 recovery play with high potential upside. Maintain BUY with a higher SOTP-based target price of S\$0.90 (previously S\$0.85).

1QFY22 RESULTS

Year to 30 Sep (Btm)	1QFY22	1QFY21	yoy % chg
Revenue	77,116	71,789	7.4
EBITDA	14,659	14,431	1.6
EBITDA margin (ppts)	19.0	20.1	(1.1)

Year to 30 Sep (Btm)	Revenue			EBITDA		
	1QFY22	1QFY21	yoy % chg	1QFY22	1QFY21	yoy % chg
Spirits	36,015	34,771	3.6	9,011	9,219	(2.3)
Beer	33,359	30,221	10.4	4,507	4,314	4.5
NAB	3,988	3,707	7.6	596	496	20.2
Food	3,785	3,128	21.0	545	402	35.6

Source: THBEV, UOB Kay Hian

RESULTS

- 1QFY22 results in line with expectations.** Thai Beverage (THBEV) provided its 1QFY22 business update, with 1QFY22 revenue and EBITDA growing 7.4% yoy and 1.6% yoy respectively, forming 31.1% and 34.3% of our FY22 full-year forecasts. THBEV's 1Q is historically the seasonally strongest quarter. The robust yoy growth in revenue was largely driven by all segments as key markets recovered from an improving COVID-19 situation and sales volumes improve. 1QFY22 EBITDA was slightly above expectations but was still dragged down by a yoy drop from the spirits segment. THBEV's balance sheet continues to improve with net debt dropping 19.8Btb to 161.2Btb.
- Spirits: Dragged down by rising costs.** Spirits volume grew strongly (+8.6% yoy, +47.5% qoq), backed by its off-premise consumption nature and strong portfolio. We reckon this was also helped by the reopening of international borders from Nov 21. Spirits revenue increased (+3.6% yoy), just missing our 4-5% yoy growth forecasts and forming 30.1% of our FY22 forecasts. However, rising material costs from molasses caused 1QFY22 spirits EBITDA to drop 2.3% yoy, forming only 29.7% of our full-year estimates. Management expects the cost of molasses for the rest of the current season to be lower yoy. To combat rising material costs, we opine that the group may execute its plan to increase ASPs for its white spirits in 2QFY22.

KEY FINANCIALS

Year to 30 Sep (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	253,481	240,543	250,029	259,900	270,271
EBITDA	41,215	41,613	42,804	44,201	45,495
Operating profit	34,600	33,782	35,915	37,128	38,232
Net profit (rep./act.)	22,751	24,645	26,509	27,210	27,835
Net profit (adj.)	22,751	24,645	26,509	27,210	27,835
EPS (Bt)	0.9	1.0	1.1	1.1	1.1
PE (x)	17.6	16.2	15.1	14.7	14.4
P/B (x)	2.8	2.3	2.2	2.0	1.9
EV/EBITDA (x)	15.0	14.8	14.4	13.9	13.6
Dividend yield (%)	2.9	3.1	3.3	3.4	3.5
Net margin (%)	9.0	10.2	10.6	10.5	10.3
Net debt/(cash) to equity (%)	128.3	109.7	94.4	81.8	70.5
Interest cover (x)	5.8	6.1	6.0	5.8	5.6
ROE (%)	17.6	15.7	14.9	14.2	13.6
Consensus net profit	-	-	27,089	28,858	30,999
UOBKH/Consensus (x)	-	-	0.98	0.94	0.90

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.660
Target Price	S\$0.90
Upside	+36.4%
(Previous TP:	S\$0.85)

COMPANY DESCRIPTION

THBEV 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):	16,579.8
Market cap (US\$m):	12,300.5
3-mth avg daily t'over (US\$m):	9.2

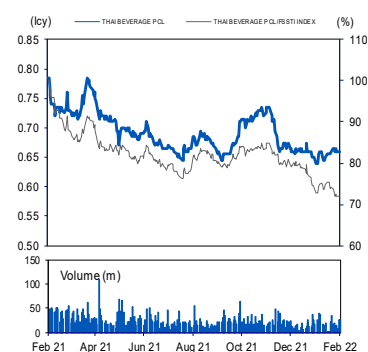
Price Performance (%)

52-week high/low	S\$0.785/S\$0.640			
1mth	3mth	6mth	1yr	YTD
1.5	(8.3)	(0.8)	(15.9)	0.0

Major Shareholders

Siriwana Co., Ltd.	45.3
Mactop Management Corp.	20.6
FY22 NAV/Share (Bt)	7.33
FY22 Net Debt/Share (Bt)	6.92

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llleythan Tan
+65 6590 6624
yirong@uobkayhian.com

- Beer: Excellent recovery.** Beer sales volume (+1.1% yoy, +75.3% qoq) grew, driven by a recovery in its key market, Vietnam. Beating expectations, beer revenue and EBITDA surged 10.4% yoy and 4.5% yoy, forming 32.7% and 38.4% of our full-year forecasts. This was largely contributed by a recovery in economic activity from Vietnam and an unexpected ASP hike. We reckon that the robust yoy growth was coming off a low base as bars and entertainment venues were shut then. 1QFY22 revenue and EBITDA have already surpassed pre-COVID-19 levels in 1QFY20, with revenue and EBITDA growing 0.4% yoy and 38.5% yoy respectively. With Vietnam and Thailand reopening their international borders and easing more social restrictions, THBEV's beer segment is set to outperform from 2QFY22 onwards.

- Food: More hungry diners.** For the food segment, 1QFY22 outperformed as dine-in traffic returned to restaurants and is expected to improve further moving forward. Food revenue and EBITDA grew 21.0% yoy and 35.6% yoy respectively, forming 29.2% and 52.5% of our full-year forecasts and exceeding expectations. We now expect the food segment to post a positive net profit for FY22 on the back of easing restrictions.

- Non-alcoholic beverages: Cost efficient.** For the non-alcoholic beverages, revenue and EBITDA grew 7.6% yoy and 20.2% yoy respectively, as sales volume increased 2.3% yoy. This was in line with expectations as both formed 28% of our full-year expectations. The larger surge in EBITDA was due to THBEV's effective cost control measures.

STOCK IMPACT

- Vietnam to welcome tourists.** From 15 Feb 22, Vietnam will remove its quick test requirements and lift all restrictions on international flights, restoring flight frequency to pre-pandemic levels. Fully vaccinated tourists only need to self-quarantine for three days, taking two PCR tests on the third and seventh day, while business travellers staying for 14 days or lesser do not need to quarantine. With higher expected tourist arrivals, we expect THBEV's Vietnam beer consumption levels to improve. Vietnam contributes around 45% and 70% of THBEV's beer segment revenue and net profit respectively. An expected full international reopening sometime in 2HFY22 would help boost consumption levels and overall earnings moving forward.

EARNINGS REVISION/RISK

- Raise FY22-24 earnings by 2.8%, 3.9% and 5.0% respectively,** after accounting for better sales volume and margin assumptions for the both the food and beer segments.

VALUATION/RECOMMENDATION

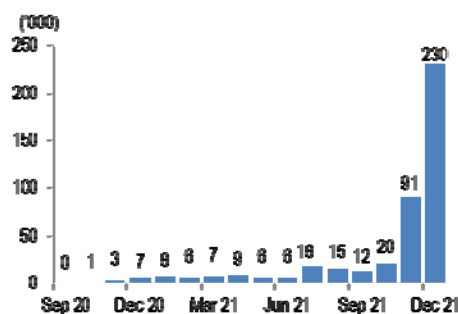
- Maintain BUY a higher SOTP-based target price of S\$0.90 (up from S\$0.85).** The higher target price is due to higher FY22 beer and food EBITDA. We opine that THBEV remains attractively priced at below -1SD to its average 5Y mean PE, backed by an expected earnings recovery underpinned by favourable tailwinds. THBEV's potential 3Q/4QFY22 IPO of its beer business may also unlock value for the group.

- Conservatively, we value the beer business at roughly US\$5b (13X FY22 EBITDA), dwarfed by similar competitors such as Tsingtao Brewery Company (US\$16b), Budweiser Brewing Company APAC (US\$35b) and Asahi Group Holdings (US\$21b).

SHARE PRICE CATALYST

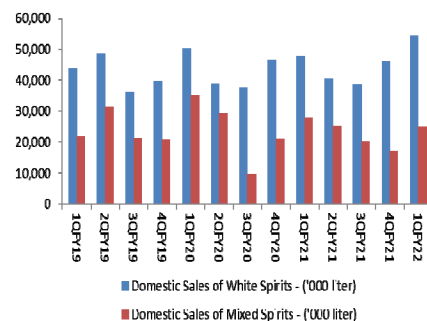
- M&As.
- Potential spin-off listing of its beer business.
- Full reopening of bars in Vietnam and Thailand.

THAILAND'S MONTHLY INTERNATIONAL ARRIVALS



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

THAILAND'S QUARTERLY DOMESTIC SALES VOLUME FOR WHITE AND MIXED SPIRITS



Source: UOB Kay Hian, Office of Industrial Economics

THBEV'S HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

	New Methodology	(Btm)
Spirits	18x FY22 EV/EBITDA	533,345
Beer	13x FY22 EV/EBITDA	178,225
NAB	15x FY22 EV/EBITDA	32,283
Food	14x FY22 EV/EBITDA	19,035
FPL	Market Value	29,998
FNN	Market Value	14,096
	Total	806,983
	Less: Net debt, Minority Interest	(246,753)
	Value	560,231
	Per share (S\$)	0.90

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Net turnover	240,543	250,029	259,900	270,271
EBITDA	41,613	42,804	44,201	45,495
Deprec. & amort.	7,831	6,889	7,073	7,263
EBIT	33,782	35,915	37,128	38,232
Total other non-operating income	2,239	2,202	2,202	2,202
Associate contributions	2,777	3,403	3,607	3,804
Net interest income/(expense)	(6,825)	(7,107)	(7,619)	(8,131)
Pre-tax profit	31,973	34,414	35,319	36,108
Tax	(4,634)	(4,922)	(5,033)	(5,127)
Minorities	(2,694)	(2,983)	(3,075)	(3,146)
Net profit	24,645	26,509	27,210	27,835
Net profit (adj.)	24,645	26,509	27,210	27,835

BALANCE SHEET

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Fixed assets	268,391	272,464	274,130	275,317
Other LT assets	108,928	107,117	107,275	107,441
Cash/ST investment	38,293	48,169	76,016	104,434
Other current assets	56,973	56,760	61,531	66,618
Total assets	472,585	484,509	518,952	553,810
ST debt	69,206	73,971	73,971	73,971
Other current liabilities	26,237	25,253	26,250	27,297
LT debt	156,551	148,119	164,119	180,119
Other LT liabilities	10,415	10,501	10,916	11,351
Shareholders' equity	170,963	184,180	198,136	212,365
Minority interest	39,213	42,485	45,560	48,706
Total liabilities & equity	472,585	484,509	518,952	553,810

CASH FLOW

Year to 30 Sep (Btm)	2021	2022F	2023F	2024F
Operating	32,067	36,360	34,735	35,772
Pre-tax profit	31,973	34,414	35,319	36,108
Tax	(4,634)	(4,922)	(5,033)	(5,127)
Deprec. & amort.	7,831	6,889	7,073	7,263
Working capital changes	(4,016)	394	(4,317)	(4,611)
Non-cash items	913	(415)	1,694	2,139
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(11,656)	(10,258)	(9,634)	(9,749)
Capex (growth)	(7,201)	(12,156)	(9,890)	(10,018)
Investments	(16,607)	0.0	0.0	0.0
Others	12,152	1,897	257	270
Financing	(17,006)	(16,226)	2,746	2,395
Dividend payments	(11,553)	(12,559)	(13,254)	(13,605)
Issue of shares	56	0.0	0.0	0.0
Proceeds from borrowings	8,096	(3,667)	16,000	16,000
Others/interest paid	(13,605)	0.0	0.0	0.0
Net cash inflow (outflow)	3,405	9,876	27,847	28,418
Beginning cash & cash equivalent	34,694	38,292	48,169	76,016
Changes due to forex impact	193	0.0	0.0	0.0
Ending cash & cash equivalent	38,292	48,169	76,016	104,434

KEY METRICS

Year to 30 Sep (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	17.1	17.0	16.8
Pre-tax margin	13.3	13.8	13.6	13.4
Net margin	10.2	10.6	10.5	10.3
ROA	5.4	5.5	5.4	5.2
ROE	15.7	14.9	14.2	13.6
Growth				
Turnover	(5.1)	3.9	3.9	4.0
EBITDA	1.0	2.9	3.3	2.9
Pre-tax profit	3.9	7.6	2.6	2.2
Net profit	8.3	7.6	2.6	2.3
Net profit (adj.)	8.3	7.6	2.6	2.3
EPS	8.3	7.6	2.6	2.3
Leverage				
Debt to total capital	51.8	49.5	49.4	49.3
Debt to equity	132.1	120.6	120.2	119.6
Net debt/(cash) to equity	109.7	94.4	81.8	70.5
Interest cover (x)	6.1	6.0	5.8	5.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W