

**Singapore**

January 3, 2024 - 7:25 AM

**ADD** (no change)

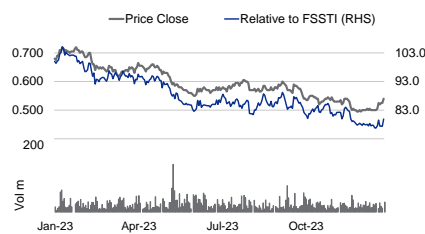
Consensus ratings\*: Buy 14 Hold 1 Sell 0

Current price:	S\$0.54
Target price:	S\$0.67
Previous target:	S\$0.67
Up/downside:	24.1%
CGS-CIMB / Consensus:	-7.3%
Reuters:	TBEV.SI
Bloomberg:	THBEV SP
Market cap:	US\$10,231m
	S\$13,567m
Average daily turnover:	US\$8.18m
	S\$11.06m
Current shares o/s	25,116m
Free float:	32.2%

\*Source: Bloomberg

**Key financial forecasts**

	Sep-24F	Sep-25F	Sep-26F
Net Profit (THBm)	29,120	30,752	32,018
Core EPS (THB)	1.16	1.22	1.27
Core EPS Growth	6.14%	5.61%	4.11%
FD Core P/E (x)	12.03	11.40	10.95
Recurring ROE	14.0%	13.8%	13.5%
P/BV (x)	1.63	1.53	1.43
DPS (THB)	0.60	0.65	0.65
Dividend Yield	4.30%	4.66%	4.66%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8	-6.1	-21.2
Relative (%)	3.5	-6.8	-20.5

Major shareholders	% held
Siriwana Company Ltd	45.3
MM Group Ltd	20.6
Capital Group Companies	17.2

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# Thai Beverage

## Thai government to cut alcohol excise tax

- The Thai government has announced a reduction in domestic alcohol tax for a year, as part of a wider strategy to boost tourism and the economy.
- We think the lowered excise taxes can potentially boost THBEV's spirits segment volume and margins, based on our sensitivity analysis (Fig 1).
- Reiterate Add. This is a positive surprise; we had previously anticipated an excise tax hike in CY24F to fund the government's stimulus measures.

### Alcohol tax cuts approved to spur tourism

- As part of the plan to spur tourism in Thailand, the Thai cabinet had, on 2 Jan 24, approved tax cuts on alcoholic beverages.
- Approved measures include the exemption of import tariffs on wine (currently at 54-60% of declared value), reducing excise taxes on wine from 10% to 5%, and eliminating taxes on local spirits (10% previously). Excise tax on entertainment venues will also be halved from 10% to 5%.
- The tax measures are expected to take effect shortly, once the ministerial regulation is published, and will expire at the end of this year. According to Lavaron Sangsri, permanent secretary of the Ministry of Finance, the lower tax revenue from excise tax cuts would be offset by higher tourist spending.
- The tax cuts follow Thailand's decision to extend operating hours for entertainment venues to 4 am in Bangkok and other key tourist destinations since Nov 2023.

### New measures a positive for THBEV

- The tax cuts came as positive surprise to us as we had previously thought an excise tax rate hike for alcoholic beverages in CY24F was likely in a bid to fund the Thai government's economic stimulus measures.
- We expect Thai Beverage (THBEV) to only partially pass on the lowered excise taxes (in the form of lower retail pricing) to consumers, given: 1) the time-limited nature of the measures, and 2) likely higher input costs for spirits in FY24F.
- While we await the publication of ministerial regulations for more clarity on the approved tax cuts, we carried out a sensitivity analysis on FY9/24F net profit growth (assuming nine months' impact) to estimate the potential impact from: 1) incremental volume growth, and 2) incremental margin expansion, of THBEV's spirits segment.

### Reiterate Add

- We expect positive share price reaction for THBEV on the back of the alcohol tax cuts.
- Reiterate Add with an SOP-based TP of S\$0.67, as we expect spirits strength to drive THBEV's FY24F earnings growth.
- Re-rating catalysts include stronger-than-expected spirit sales and better-than-expected GPM on lower input costs and greater cost controls. Downside risks include a slower-than-expected Vietnam recovery and potential competitive threat from new entrants, which could result in higher SG&A spend and hurt margins.

**Figure 1: Sensitivity analysis on FY24F net profit growth**

		Incremental margin expansion for spirits segment						
		na	+50 bps	+100 bps	+150 bps	+200 bps	+250 bps	+300 bps
Incremental volume growth for spirits segment	na	0.0%	1.3%	2.6%	4.0%	5.3%	6.6%	7.9%
	+0.5%	0.3%	1.7%	3.0%	4.3%	5.6%	7.0%	8.3%
	+1.0%	0.6%	2.0%	3.3%	4.7%	6.0%	7.3%	8.7%
	+1.5%	1.0%	2.3%	3.7%	5.0%	6.3%	7.7%	9.0%
	+2.0%	1.3%	2.6%	4.0%	5.3%	6.7%	8.0%	9.4%
	+2.5%	1.6%	3.0%	4.3%	5.7%	7.0%	8.4%	9.7%
+3.0%	1.9%	3.3%	4.7%	6.0%	7.4%	8.7%	10.1%	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price	Target	Market	Core P/E		2-year EV/EBITDA (x)		Recurring	Dividend	
			(1cl curr)	(1cl curr)	Cap (US\$ m)	(x) CY23F	(x) CY24F	EPS CAGR (%)	CY23F	CY24F	ROE (%) CY23F	Yield (%) CY23F
<b>Thai Beverage</b>	<b>THBEV SP</b>	<b>Add</b>	<b>0.54</b>	<b>0.67</b>	<b>10,231</b>	<b>12.6</b>	<b>11.9</b>	<b>-1.5%</b>	<b>9.0</b>	<b>8.3</b>	<b>14.0%</b>	<b>4.3%</b>
<b>Beer</b>												
Carlsberg Brewery (M)	CAB MK	Add	19.0	26.80	1,264	16.8	15.6	0.3%	11.7	11.2	217.3%	5.3%
Heineken Malaysia Bhd	HEIM MK	Add	24.2	29.75	1,586	17.7	16.5	-0.4%	11.9	11.5	87.3%	5.6%
China Resources Beer	291 HK	Add	31.4	84.00	13,015	15.8	13.4	17.2%	12.6	9.9	20.7%	2.3%
Tsingtao Brewery	168 HK	Add	50.2	113.14	11,361	13.5	12.1	13.6%	6.4	5.5	17.6%	4.6%
Budweiser Brewing Co APAC Ltd	1876 HK	NR	14.0	NA	23,726	24.8	20.2	13.5%	10.5	9.3	8.7%	2.0%
Anheuser-Busch InBev SA/NV	ABI BB	NR	58.5	NA	129,305	21.6	18.3	9.0%	10.5	10.1	7.8%	1.6%
Ambev SA	ABEV3 BZ	NR	13.7	NA	44,017	14.8	13.9	3.7%	7.8	7.0	17.3%	5.5%
Heineken NV	HEIA NA	NR	90.5	NA	57,091	18.6	16.4	8.7%	11.4	10.4	13.6%	2.0%
Asahi Group Holdings Ltd	2502 JP	NR	5,258.0	NA	18,804	15.8	14.0	12.0%	10.5	9.7	7.9%	2.2%
Kirin Holdings Co Ltd	2503 JP	NR	2,066.0	NA	13,320	14.2	12.6	10.2%	10.2	9.4	11.2%	3.4%
Sapporo Holdings Ltd	2501 JP	NR	6,218.0	NA	3,456	62.4	41.7	46.0%	20.0	17.6	4.1%	0.7%
Saigon Beer Alcohol Beverage C	SAB VN	NR	63,500.0	NA	3,348	18.2	17.0	-3.2%	11.5	10.1	18.6%	4.6%
<b>Simple average (Beer)</b>						<b>21.2</b>	<b>17.7</b>	<b>10.9%</b>	<b>11.2</b>	<b>10.1</b>	<b>36.0%</b>	<b>3.3%</b>
							<b>19.3</b>		<b>10.4</b>			
<b>Spirits</b>												
Brown-Forman Corp	BF/B US	NR	57.1	NA	27,579	35.0	27.1	12.0%	22.2	20.3	27.5%	1.5%
Diageo PLC	DGE LN	NR	2,807.0	NA	79,332	17.0	16.9	3.9%	13.0	12.9	44.5%	2.8%
Davide Campari-Milano NV	CPR IM	NR	10.0	NA	12,673	28.5	24.4	16.8%	18.5	16.2	13.8%	0.7%
Pernod Ricard SA	RI FP	NR	153.6	NA	42,989	17.4	17.1	6.8%	13.7	13.0	14.2%	3.4%
Remy Cointreau SA	RCO FP	NR	109.6	NA	6,152	18.9	24.3	-10.1%	18.1	15.9	12.7%	1.8%
Kweichow Moutai	600519 CH	Add	1,685.0	2,266.00	296,345	28.7	24.6	15.7%	18.5	15.4	33.7%	1.8%
Wuliangye Yibin	000858 CH	Add	136.0	214.00	73,907	17.5	15.5	11.4%	10.1	8.6	25.1%	3.1%
Jiangsu Yanghe Brewery	002304 CH	Add	106.2	184.00	22,407	15.1	13.0	12.5%	8.4	6.9	21.2%	4.0%
<b>Simple average (Spirits)</b>						<b>22.3</b>	<b>20.4</b>	<b>8.6%</b>	<b>15.3</b>	<b>13.7</b>	<b>24.1%</b>	<b>2.4%</b>
<b>Simple average (All ex-THBEV) - under coverage</b>						<b>21.7</b>	<b>19.0</b>	<b>9.8%</b>	<b>13.3</b>	<b>11.9</b>	<b>30.1%</b>	<b>2.9%</b>

AS OF 2 JAN 2024

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Note: Forecasts for Not Rated (NR) stocks are based on Bloomberg consensus

Figure 3: THBEV's sum-of-parts (SOP) valuation

Parts	Basis	EBITDA CY24F (THB bn)	Multiple	Value (THB bn)
Thai Spirits	EV/EBITDA	31.1	12.5	388.5
Thai Beer	EV/EBITDA	5.9	8.0	47.3
<b>Thai spirits and beer business</b>				<b>435.8</b>
Oishi (non-alcoholic)	Privatisation price (98.5% stake)			21.8
Sermsuk (non-alcoholic)	Stock market value			8.5
Fraser & Neave (F&N)	Stock market value (28.5% stake)			11.4
Fraser's Property Limited (FPL)	Stock market value (28.4% stake)			24.3
Sabeco - Vietnam	Stock market value			118.6
Net Debt/(Cash) - end FY24F				130.6
Minority interests - end FY24F				43.9
<b>Equity value (THB bn)</b>				<b>445.8</b>
Shares outstanding (bn)				25.1
<b>Implied per share value (S\$)</b>				<b>0.67</b>
Implied CY23F P/E based on TP				16.0
Implied CY24F P/E based on TP				15.1

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(THBm)	Sep-23A	Sep-24F	Sep-25F	Sep-26F
<b>Total Net Revenues</b>	<b>279,085</b>	<b>287,497</b>	<b>299,547</b>	<b>309,611</b>
<b>Gross Profit</b>	<b>82,801</b>	<b>86,382</b>	<b>90,144</b>	<b>93,058</b>
<b>Operating EBITDA</b>	<b>48,182</b>	<b>50,410</b>	<b>52,765</b>	<b>54,638</b>
Depreciation And Amortisation	(10,927)	(11,091)	(11,257)	(11,426)
<b>Operating EBIT</b>	<b>37,255</b>	<b>39,319</b>	<b>41,508</b>	<b>43,212</b>
Financial Income/(Expense)	(4,311)	(4,400)	(4,400)	(4,400)
Pretax Income/(Loss) from Assoc.	3,465	4,000	4,000	4,000
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>36,410</b>	<b>38,919</b>	<b>41,108</b>	<b>42,812</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>36,410</b>	<b>38,919</b>	<b>41,108</b>	<b>42,812</b>
Taxation	(5,682)	(6,111)	(6,494)	(6,792)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>30,727</b>	<b>32,808</b>	<b>34,614</b>	<b>36,020</b>
Minority Interests	(3,293)	(3,689)	(3,861)	(4,002)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>27,434</b>	<b>29,120</b>	<b>30,752</b>	<b>32,018</b>
Recurring Net Profit	27,434	29,120	30,752	32,018
<b>Fully Diluted Recurring Net Profit</b>	<b>27,434</b>	<b>29,120</b>	<b>30,752</b>	<b>32,018</b>

### Balance Sheet

(THBm)	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Total Cash And Equivalents	45,672	71,553	94,648	119,592
Total Debtors	7,770	8,273	8,520	8,727
Inventories	52,084	49,590	51,633	53,397
Total Other Current Assets	3,624	3,624	3,624	3,624
<b>Total Current Assets</b>	<b>109,150</b>	<b>133,039</b>	<b>158,425</b>	<b>185,339</b>
Fixed Assets	57,528	50,937	44,180	37,254
Total Investments	112,985	112,985	112,985	112,985
Intangible Assets	196,365	196,365	196,365	196,365
Total Other Non-Current Assets	18,521	18,521	18,521	18,521
<b>Total Non-current Assets</b>	<b>385,399</b>	<b>378,809</b>	<b>372,052</b>	<b>365,126</b>
Short-term Debt	13,165	13,165	13,165	13,165
Current Portion of Long-Term Debt	48,757	48,757	48,757	48,757
Total Creditors	23,768	23,328	23,669	23,962
Other Current Liabilities	12,392	12,392	12,392	12,392
<b>Total Current Liabilities</b>	<b>98,082</b>	<b>97,642</b>	<b>97,982</b>	<b>98,276</b>
Total Long-term Debt	140,290	140,290	140,290	140,290
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>140,290</b>	<b>140,290</b>	<b>140,290</b>	<b>140,290</b>
Total Provisions	14,655	14,655	14,655	14,655
<b>Total Liabilities</b>	<b>253,027</b>	<b>252,587</b>	<b>252,927</b>	<b>253,221</b>
Shareholders' Equity	201,322	215,372	229,799	245,492
Minority Interests	40,200	43,889	47,750	51,752
<b>Total Equity</b>	<b>241,522</b>	<b>259,261</b>	<b>277,549</b>	<b>297,244</b>

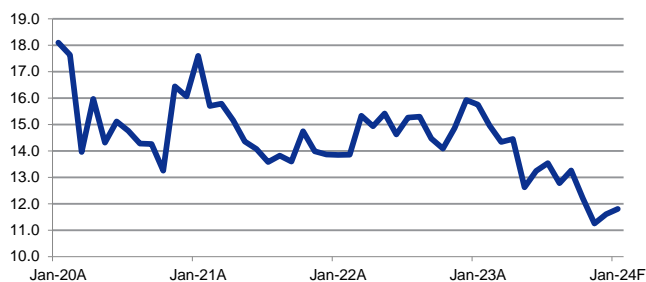
### Cash Flow

(THBm)	Sep-23A	Sep-24F	Sep-25F	Sep-26F
EBITDA	48,182	50,410	52,765	54,638
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(7,000)	1,551	(1,951)	(1,676)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	4,167	6,600	6,600	6,600
Net Interest (Paid)/Received	(6,728)	(7,000)	(7,000)	(7,000)
Tax Paid	(6,650)	(6,111)	(6,494)	(6,792)
<b>Cashflow From Operations</b>	<b>31,971</b>	<b>45,450</b>	<b>43,920</b>	<b>45,769</b>
Capex	(4,684)	(4,500)	(4,500)	(4,500)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	2,437	0	0	0
Other Investing Cashflow	1,321	0	0	0
<b>Cash Flow From Investing</b>	<b>(926)</b>	<b>(4,500)</b>	<b>(4,500)</b>	<b>(4,500)</b>
Debt Raised/(repaid)	(19,970)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	(18,015)	(15,070)	(16,325)	(16,325)
Preferred Dividends				
Other Financing Cashflow	2,638	0	0	0
<b>Cash Flow From Financing</b>	<b>(35,347)</b>	<b>(15,070)</b>	<b>(16,325)</b>	<b>(16,325)</b>
Total Cash Generated	(4,302)	25,881	23,095	24,944
<b>Free Cashflow To Equity</b>	<b>11,074</b>	<b>40,950</b>	<b>39,420</b>	<b>41,269</b>
<b>Free Cashflow To Firm</b>	<b>37,772</b>	<b>47,950</b>	<b>46,420</b>	<b>48,269</b>

### Key Ratios

	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Revenue Growth	2.5%	3.0%	4.2%	3.4%
Operating EBITDA Growth	(2.9%)	4.6%	4.7%	3.5%
Operating EBITDA Margin	17.3%	17.5%	17.6%	17.6%
Net Cash Per Share (THB)	(6.23)	(5.20)	(4.28)	(3.29)
BVPS (THB)	8.02	8.58	9.15	9.77
Gross Interest Cover	5.54	5.62	5.93	6.17
Effective Tax Rate	15.6%	15.7%	15.8%	15.9%
Net Dividend Payout Ratio	54.9%	51.8%	53.1%	51.0%
Accounts Receivables Days	6.79	7.20	7.35	7.38
Inventory Days	91.26	92.52	88.22	88.51
Accounts Payables Days	16.62	15.44	14.70	14.75
ROIC (%)	10.0%	13.1%	11.9%	12.6%
ROCE (%)	8.62%	9.08%	9.19%	9.18%
Return On Average Assets	6.84%	7.39%	7.35%	7.34%

### 12-mth Fwd FD P/E (x) - Thai Beverage



### Key Drivers

	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Spirits volume (m litres)	642.8	655.7	662.2	668.8
Beer volume (m litres)	2,240.4	2,213.5	2,324.2	2,393.9
Non alcoholic beverages volume (m litres)	1,731.2	1,817.8	1,863.2	1,909.8

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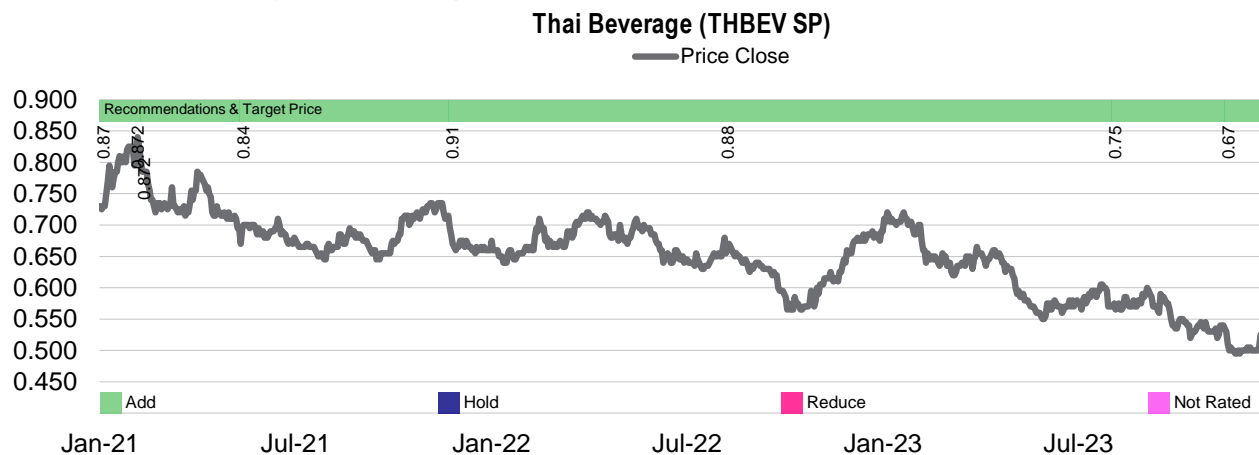
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

### Spitzer Chart for stock being researched ( 2 year data )



### Recommendation Framework

#### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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