

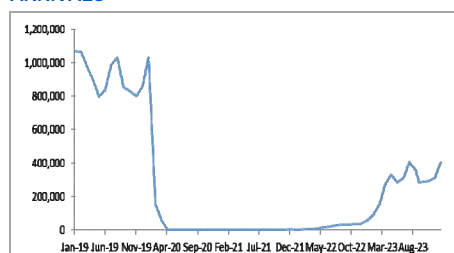
COMPANY UPDATE

Thai Beverage (THBEV SP)

No Direct Impact From Announced Tax Changes But Awaiting Further Clarity

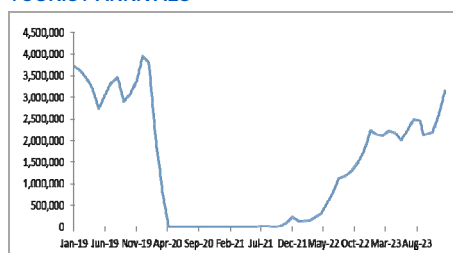
Thailand has announced a dual visa waiver programme with China that will start in Mar 24, which is set to boost incoming tourist arrivals for 2024. Thailand's government has also announced tax changes for several liquor products and entertainment venues to help boost tourism spending. Backed by favourable tailwinds, THBEV is trading at attractive levels at -2SD to its long-term average PE. Maintain BUY with an unchanged SOTP-based target price of S\$0.70.

THAILAND'S MONTHLY CHINESE TOURIST ARRIVALS



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

THAILAND'S MONTHLY INTERNATIONAL TOURIST ARRIVALS



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

WHAT'S NEW

• **Regional partnership.** Starting 1 Mar 24, Thailand and China will permanently waive visa requirements for incoming tourists from both countries. This is after a temporary visa waiver that Thailand previously implemented in Sep 23 and was expected to end in Feb 24. In our view, this is likely to attract Chinese tourists that have been driven away by increased safety concerns after the shooting incident in Bangkok. With 3.5m tourists in 2023, Chinese tourists were the second-largest source of foreign visitors, behind Malaysia. Furthermore, Chinese tourists were the largest source of visitors pre-COVID-19 (2019) at around 11m, implying potential further upside in 2024. With the permanent visa waiver and assuming increased flight capacity, we reckon that this would benefit consumer companies such as Thai Beverage (THBEV) as incoming tourist numbers improve. However, downside risks may come from higher-than-expected airfares and a sluggish economy in China.

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	40,934	43,594	45,975
Operating profit	38,583	36,229	32,983	35,429	37,588
Net profit (rep./act.)	30,106	27,434	27,311	30,038	32,523
Net profit (adj.)	30,106	27,434	27,311	30,038	32,523
EPS (Bt)	1.2	1.1	1.1	1.2	1.3
PE (x)	11.7	12.8	12.9	11.7	10.8
P/B (x)	1.7	1.7	1.6	1.5	1.4
EV/EBITDA (x)	12.5	13.2	14.1	13.3	12.6
Dividend yield (%)	4.3	4.3	3.9	4.3	4.6
Net margin (%)	11.1	9.8	9.9	10.4	10.6
Net debt/(cash) to equity (%)	79.2	81.4	82.0	74.9	68.5
Interest cover (x)	7.4	6.5	7.4	7.4	7.3
ROE (%)	16.0	13.5	13.1	13.5	13.5
Consensus net profit	-	-	29,255	31,394	32,810
UOBKH/Consensus (x)	-	-	0.93	0.96	0.99

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.54
Target Price	S\$0.70
Upside	+29.6%

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):	25,124.8
Market cap (S\$m):	13,567.4
Market cap (US\$m):	10,217.2
3-mth avg daily t'over (US\$m):	9.1

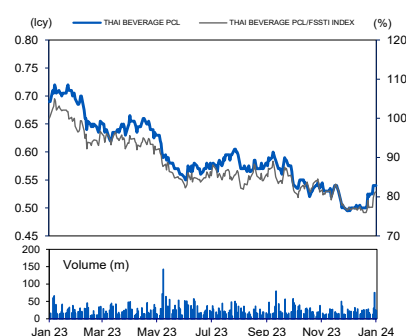
Price Performance (%)

52-week high/low	S\$0.720/S\$0.495			
1mth	3mth	6mth	1yr	YTD
9.1	(1.8)	(6.9)	(20.0)	2.9

Major Shareholders

Siriwana Co., Ltd	58.8
MM Group	9.1
FY24 NAV/Share (Bt)	8.55
FY24 Net Debt/Share (Bt)	7.02

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llleythan Tan Yi Rong
 +65 6590 6624
 yirong@uobkayhian.com

Heidi Mo
 +65 6590 6630
 heidimo@uobkayhian.com

- Proposed tax cuts.** Thailand's government recently announced a series of tax changes in a bid to boost tourism and foreign spending within the kingdom. Some of the tax changes include: a) taxes on wine reduced from 10% to 5%, b) taxes on local liquor reduced from 10% to 0%, and 3c) excise taxes on entertainment venues to be halved from 10% to 5%. These tax changes are expected to be implemented shortly with the excise taxes on entertainment venues lasting till the end of 2024 (end-1QFY25). The government noted that the loss in tax revenue would be offset by additional tourist receipts, and is also considering the abolition of duty-free shops at all inbound airports to spur tourist spending inland.

STOCK IMPACT

SUMMARY OF SPECIFIC DETAILS REGARDING LIQUOR PRODUCTS FROM THE ANNOUNCEMENT (EXCLUDING WINE)

		Ad Valorem and specific tax rates	Ad Valorem and specific tax rates
1.	Traditional homemade fermented alcoholic liquors made from rice products and that do not contain more than 7 degrees of alcohol.	10% and Bt150/litre	0% and Bt150/litre
2.	Traditional homemade fermented alcoholic liquors that are mixed with distilled spirits and have an alcohol strength of more than 7 degrees.	10% and Bt150/litre	10% and Bt255/litre

Source: Ministry of Finance, Respective News Companies, UOB Kay Hian.

- Awaiting further clarity.** Given that the official details of the tax cuts have not been released, we summarise some details of the recent announcement provided and found that the ad valorem tax cut of 10% to 0% tax cut was only meant for traditional homemade fermented liquors and did not include distilled pure white and brown spirits. Also, we note that fermented liquor beverages that are mixed with distilled spirits and had more than 7 degrees of alcohol are now being taxed more per volume, implying that beverages with higher alcohol content are now being taxed higher instead. Although there are no details regarding pure white and brown spirits, we reckon that these higher alcoholic products (30-40%) are unlikely to be included in these tax cuts, given the already lower ad valorem and specific tax rates for white spirits and higher alcohol percentage for brown spirits (See chart overleaf). Also, it was mentioned that these tax cuts are meant to help small-scale producers which usually produce traditional fermented alcoholic beverages instead of distilled pure spirits such as THBEV's product portfolio. We await the official announcement from the Thai government which would contain details on whether pure white and brown spirits will be included in these tax changes
- Minor indirect impact.** We opine that THBEV may still benefit indirectly from these tax changes. With lower excise taxes for entertainment venues and given that prices for traditional homemade fermented alcoholic beverages have been lowered, these venues may pass on these tax savings to customers which may drive cross-selling and on-trade alcoholic consumption for higher-margin brown spirits, leading to greater margins for THBEV's spirits segment.

EARNINGS REVISION/RISK

- We maintain our forecasts as we await official details of the tax cuts.**

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged 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% FY24 dividend yield.

SHARE PRICE CATALYST

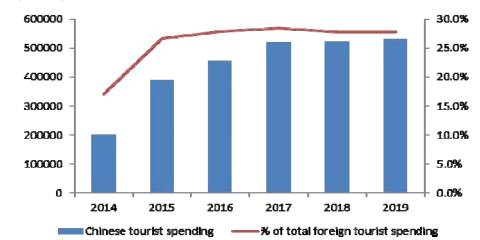
- a) Gaining market share in the beer segment, b) lower-than-expected operating costs.

CURRENT EXCISE TAX FOR WHITE AND BROWN SPIRITS (BTM)

Type of spirits	Alcohol %	Ad Valorem and specific tax rates
White	30-40%	155Bt/litre + 2% of suggested retail price excluding VAT*
Brown	35-40%	255Bt/litre + 20% of suggested retail price excluding VAT*

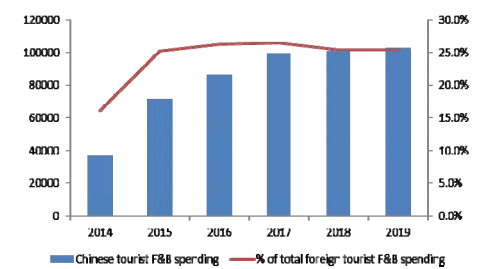
Source: UOB Kay Hian, THBEV *Value-Added Tax

TOTAL CHINESE TOURIST SPENDING IN THAILAND (BTM)



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

TOTAL CHINESE TOURIST F&B SPENDING IN THAILAND (BTM)



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

FORWARD PE (X)



Source: Bloomberg, UOB Kay Hian.

SOTP VALUATION

	Methodology	(Btm)
Spirits	16x FY24F EV/EBITDA	497,617
Beer	9x FY24F EV/EBITDA	122,837
NAB	14x FY24F EV/EBITDA	35,256
Food	12x FY24F EV/EBITDA	29,475
FPL	Market Value	24,154
FNN	Market Value	11,341
Total		720,679
Less: Net debt, Minority Interest		(255,887)
Value		464,792
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	40,934	43,594	45,975
Deprec. & amort.	7,743	7,950	8,165	8,386
EBIT	36,229	32,983	35,429	37,588
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)
Pre-tax profit	36,410	35,427	38,473	41,232
Tax	(5,682)	(4,823)	(5,142)	(5,416)
Minorities	(3,293)	(3,293)	(3,293)	(3,293)
Net profit	27,434	27,311	30,038	32,523
Net profit (adj.)	27,434	27,311	30,038	32,523

CASH FLOW

Year to 30 Sep (Btm)	2023	2024F	2025F	2026F
Operating	31,971	23,717	32,479	33,852
Pre-tax profit	36,410	35,427	38,473	41,232
Tax	(5,682)	(4,823)	(5,142)	(5,416)
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	(10,170)	(6,337)	(7,029)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(926)	(15,439)	(9,789)	(9,836)
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
Financing	(38,177)	(9,166)	(3,582)	(5,346)
Dividend payments	(15,073)	(15,075)	(13,655)	(15,019)
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)
Net cash inflow (outflow)	(7,132)	(888)	19,108	18,670
Beginning cash & cash equivalent	51,867	45,672	44,784	63,891
Changes due to forex impact	937	0.0	0.0	0.0
Ending cash & cash equivalent	45,672	44,784	63,891	82,561

BALANCE SHEET

Year to 30 Sep (Btm)	2023	2024F	2025F	2026F
Fixed assets	267,466	299,339	314,347	330,540
Other LT assets	117,933	115,587	115,808	116,082
Cash/ST investment	45,672	44,784	63,891	82,561
Other current assets	63,478	66,182	69,497	73,606
Total assets	494,549	525,892	563,543	602,789
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	214,931	231,313	248,817
Minority interest	40,200	50,488	53,782	57,075
Total liabilities & equity	494,549	525,892	563,543	602,789

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	15.8	14.9	15.1	15.0
Pre-tax margin	13.0	12.9	13.3	13.5
Net margin	9.8	9.9	10.4	10.6
ROA	5.5	5.4	5.5	5.6
ROE	13.5	13.1	13.5	13.5
Growth				
Turnover	2.5	(1.3)	5.0	5.9
EBITDA	(5.1)	(6.9)	6.5	5.5
Pre-tax profit	(8.8)	(2.7)	8.6	7.2
Net profit	(8.9)	(0.4)	10.0	8.3
Net profit (adj.)	(8.9)	(0.4)	10.0	8.3
EPS	(8.9)	(0.4)	10.0	8.3
Leverage				
Debt to total capital	46.5	45.4	45.4	45.3
Debt to equity	104.1	102.9	102.5	101.7
Net debt/(cash) to equity	81.4	82.0	74.9	68.5
Interest cover (x)	6.5	7.4	7.4	7.3

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