

COMPANY RESULTS

Thai Beverage (THBEV SP)

1QFY25: Results In Line As Beer And NAB Outperform; Spirits Underperform

THBEV released its 1QFY25 business update whereby overall revenue grew 2.4% yoy, driven by the beer and NAB segments. However, 1QFY25 EBITDA decreased slightly by 0.8% yoy, dragged by the spirits segment on lower sales volumes and rising costs. Both the beer and NAB segments posted robust results on strong growth in key markets and ongoing cost efficiencies. In our view, THBEV is trading at an attractive -1.5SD to its mean PE. Maintain BUY with the same SOTP-based target price of S\$0.56.

1QFY25 RESULTS

Year to 30 Sep (Btm)	1QFY25	1QFY24	yoy % chg	Remarks
Revenue	92,265	90,065	2.4	Driven by beer and NAB segments.
EBITDA	16,443	16,576	(0.8)	Dragged largely by the spirits segment.
EBITDA margin	17.8	18.4	(0.6ppt)	

Year to 30 Sep (Btm)	Revenue			EBITDA		
	1QFY25	1QFY24	yoy % chg	1QFY25	1QFY24	yoy % chg
Spirits	32,238	33,876	(4.8)	7,949	9,035	(12.0)
Beer	36,107	33,436	8.0	4,433	3,801	16.6
NAB	16,955	15,815	7.2	3,333	2,884	15.6
Food	5,689	5,564	2.2	662	709	(6.6)
Others	1,343	1,438	(6.6)	66	147	(55.1)

Source: THBEV, UOB Kay Hian

RESULTS

- Mixed 1QFY25 in line with expectations.** Thai Beverage (THBEV) provided its 1QFY25 business update whereby overall revenue grew by 2.4% yoy while overall EBITDA softened slightly by 0.8% yoy, forming 26% and 29% of our full-year forecasts respectively. The growth in overall 1QFY25 revenue was driven by the beer and non-alcoholic beverages (NAB) segments, offset by a weak performance from the spirits segment. 1QFY25 overall EBITDA was dragged by the spirits and food segments which suffered from higher operating and raw material costs but were supported by better margins across the beer and NAB segments, driven by better cost management and efficient advertising and promotional (A&P) spending. As a result, 1QFY25 overall EBITDA margin dropped slightly by 0.6ppt yoy.
- Stronger balance sheet from continued deleveraging.** Backed by strong operating cash flows, THBEV's gearing ratio (net interest bearing debt to equity) improved to 0.73x in 1QFY25 (4QFY24: 0.79x) while its net interest bearing debt to EBITDA ratio improved slightly from 2.83x in 4QFY24 to 2.92x in 1QFY25.

KEY FINANCIALS

Year to 30 Sep (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	332,931	340,289	352,226	367,883	383,339
EBITDA	49,752	52,730	56,864	60,209	62,702
Operating profit	39,624	42,430	45,986	49,036	51,225
Net profit (rep./act.)	27,434	27,215	29,252	31,556	33,442
Net profit (adj.)	27,434	27,215	29,252	31,556	33,442
EPS (Bt)	1.1	1.1	1.2	1.3	1.3
PE (x)	11.5	11.6	10.8	10.0	9.4
P/B (x)	1.2	2.1	1.9	1.8	1.6
EV/EBITDA (x)	12.4	11.7	10.8	10.2	9.8
Dividend yield (%)	4.8	4.9	5.4	5.5	5.8
Net margin (%)	8.2	8.0	8.3	8.6	8.7
Net debt/(cash) to equity (%)	67.4	125.5	112.5	101.4	90.8
Interest cover (x)	6.5	6.3	6.0	6.3	6.7
ROE (%)	11.5	12.9	18.6	18.4	17.9
Consensus net profit	-	-	30,543	32,877	34,050
UOBKH/Consensus (x)	-	-	0.96	0.96	0.98

Source: THBEV, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.50
Target Price	S\$0.56
Upside	+12.0%

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):	25,130.5
Market cap (S\$m):	12,565.2
Market cap (US\$m):	9,373.5
3-mth avg daily t'over (US\$m):	9.8

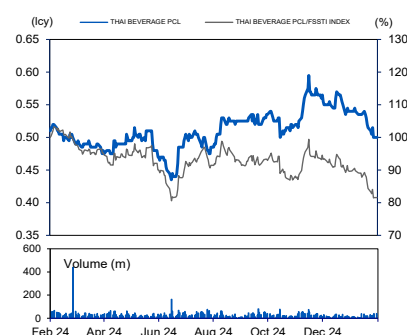
Price Performance (%)

52-week high/low	S\$0.595/S\$0.425			
1mth	3mth	6mth	1yr	YTD
(7.4)	(3.8)	5.3	1.0	(8.3)

Major Shareholders

	%
Charoen Sirivadhanabhakdi	65.9
FY25 NAV/Share (Bt)	6.55
FY25 Net Debt/Share (Bt)	7.37

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Spirits: Underperformance.** Dragged by a 6.2% yoy fall in sales volume, 1QFY25 spirits revenue (-4.8% yoy) and EBITDA (-12.0% yoy) were lower yoy, both forming 26% of our full-year forecasts respectively and below our expectations given that 1Q is THBEV's seasonally strongest quarter. As noted in our previous update, we understand that brown spirit volumes in Oct 24 and Nov 24 had improved yoy and were set to post single digit % growth for 1QFY25. Thus, in our view, we reckon that the segmental underperformance was driven by weaker-than-expected white spirits sales, along with higher operating costs and A&P spending. Due to an unfavourable product-mix, 1QFY25 EBITDA margins fell 2.0ppt yoy to 24.7%.
- Expect a recovery in 2QFY25.** Moving forward, we maintain our expectations that overall sales volumes for both white and brown spirits would improve, underpinned by an improving domestic economic outlook, the upcoming festive season and better tourist arrivals. Furthermore, management noted that raw material costs for the upcoming molasses crop are 10-20% lower than the current crop. Given that the molasses crop is usually harvested in December, we expect these lower raw material costs to come through starting 2QFY25/3QFY25, leading to overall better margins for FY25.
- Beer: Outperformance.** On the back of improving market conditions, 1QFY25 overall sales volumes grew by 12% yoy across key markets. As a result, both 1QFY25 beer revenue (+8.0% yoy) and EBITDA (+16.6% yoy) surged yoy, forming 27% and 25% of our full-year forecasts and in line with our expectations. The large increase in EBITDA was due to more efficient A&P spending, coupled with lower raw material prices that protected segmental profitability, driving 1QFY25 EBITDA margins higher by 0.9ppt yoy.
- Outlook remains positive.** We expect earnings for the beer segment to continue its upward momentum moving into 2QFY25, on the back of ongoing cost efficiencies and increased sales volumes from improving market conditions. We expect the group to maintain its number one market share in Vietnam while increasing its domestic market share in Thailand. Also, management also noted previously that raw material costs are expected to fall in 1HFY25 while SG&A spending is expected to stay muted given more efficient spending, supporting margins in 2QFY25.
- NAB: Robust performance.** After the consolidation of Fraser and Neave, 1QFY25 NAB revenue (+7.2% yoy) and EBITDA (+15.6% yoy) surged on the back of higher overall sales volumes (+7.5% yoy) driven by strong demand from the beverages and dairies subsegments. Furthermore, higher cost efficiency and lower raw material costs helped drive 1QFY25 EBITDA margins higher by 1.4ppt yoy.
- Food & others: Lower profitability.** For 1QFY25, food revenue was slightly higher (+2.2% yoy) from greater brand visibility and new store openings but posted lower EBITDA (-6.6% yoy) from higher operating costs. The others segment saw lower revenue (-6.6% yoy) and EBITDA (-55.1% yoy), largely due to lower licensing income and title rights.

EARNINGS REVISION/RISK

- We make no changes to our FY25-27 PATMI estimates.**

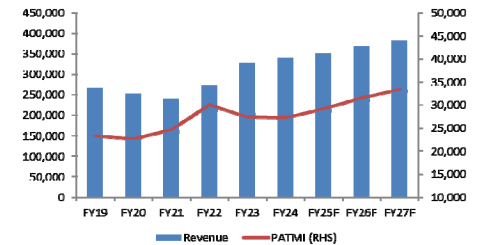
VALUATION/RECOMMENDATION

- Maintain BUY with the same SOTP-based target price of S\$0.56.** Our target price implies a 12x FY25F PE multiple, at -1.5SD of THBEV's long-term average mean PE. In our view, we still reckon that THBEV remains attractively priced, backed by a decent 5.4% FY25 dividend yield. The potential BeerCo IPO remains a strong catalyst for the stock.

SHARE PRICE CATALYST

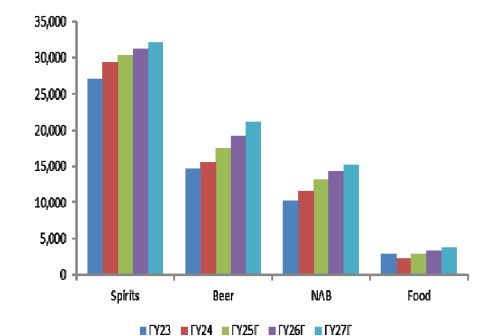
- Gaining market share in the beer segment.
- M&As/potential spinoff listing.

ANNUAL REVENUE AND PATMI (BTM)



Source: Bloomberg, UOB Kay Hian

SEGMENTAL EBITDA (BTM)



Source: UOB Kay Hian, THBEV

FORWARD PE (X)



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

	Old Methodology	New Methodology	(Btm)
Spirits	11x FY25F EV/EBITDA	10x FY25F EV/EBITDA	312,771
Beer		8x FY25F EV/EBITDA	170,123
NAB		12x FY25F EV/EBITDA	164,015
Food		9x FY25F EV/EBITDA	20,862
Vinamilk		Market Value	22,363
		Total	721,784
		Less: Net debt, Minority Interest	(334,967)
		Value	376,423
		Per share (S\$)	0.56

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2024	2025F	2026F	2027F
Net turnover	340,288.8	352,226.0	367,882.8	383,339.3
EBITDA	52,730.1	56,863.5	60,208.6	62,701.7
Deprec. & amort.	10,300.6	10,877.4	11,172.5	11,476.9
EBIT	42,429.5	45,986.1	49,036.1	51,224.8
Total other non-operating income	3,444.1	3,668.9	3,668.9	3,668.9
Associate contributions	5,576.0	5,576.0	5,576.0	5,576.0
Net interest income/(expense)	(8,433.3)	(9,490.2)	(9,623.7)	(9,423.9)
Pre-tax profit	43,016.3	45,740.8	48,657.4	51,045.8
Tax	(7,746.1)	(8,434.6)	(9,047.1)	(9,548.7)
Minorities	(8,054.7)	(8,054.7)	(8,054.7)	(8,054.7)
Net profit	27,215.4	29,251.5	31,555.6	33,442.4
Net profit (adj.)	27,215.4	29,251.5	31,555.6	33,442.4

BALANCE SHEET

Year to 30 Sep (Btm)	2024	2025F	2026F	2027F
Fixed assets	298,704	345,084	362,307	380,032
Other LT assets	83,752	81,532	81,782	82,030
Cash/ST investment	54,123	52,093	71,526	91,980
Other current assets	91,013	92,283	96,385	100,435
Total assets	527,593	570,992	612,001	654,476
ST debt	64,420	66,941	66,941	66,941
Other current liabilities	44,361	39,949	41,724	43,477
LT debt	176,968	170,313	186,313	202,313
Other LT liabilities	12,789	13,238	13,826	14,407
Shareholders' equity	149,208	164,626	179,216	195,303
Minority interest	79,846.7	115,925.5	123,980.2	132,034.9
Total liabilities & equity	527,593	570,992	612,001	654,476

CASH FLOW

Year to 30 Sep (Btm)	2024	2025F	2026F	2027F
Operating	38,079.5	35,380.5	40,857.0	42,376.8
Pre-tax profit	43,016.3	45,740.8	48,657.4	51,045.8
Tax	(7,746.1)	(8,434.6)	(9,047.1)	(9,548.7)
Deprec. & amort.	10,300.6	10,877.4	11,172.5	11,476.9
Working capital changes	(7,902.5)	(6,359.0)	(3,037.4)	(2,998.6)
Non-cash items	411.2	(6,444.2)	(6,888.3)	(7,598.7)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	1,487.1	(8,208.3)	(10,834.6)	(11,143.3)
Capex (growth)	(9,673.3)	(10,877.4)	(11,172.5)	(11,476.9)
Investments	64,750.1	0.0	0.0	0.0
Others	(53,589.6)	2,669.1	337.9	333.6
Financing	(31,737.8)	(29,202.8)	(10,589.5)	(10,779.5)
Dividend payments	(15,074.9)	(15,579.0)	(16,965.9)	(17,355.6)
Issue of shares	(29,761.5)	0.0	0.0	0.0
Proceeds from borrowings	316.0	(4,133.6)	16,000.0	16,000.0
Others/interest paid	12,782.5	(9,490.2)	(9,623.7)	(9,423.9)
Net cash inflow (outflow)	7,828.8	(2,030.5)	19,432.9	20,453.9
Beginning cash & cash equivalent	26,415.0	54,065.3	52,034.8	71,467.8
Changes due to forex impact	(2,246.8)	0.0	0.0	0.0
Ending cash & cash equivalent	31,996.9	52,034.8	71,467.8	91,921.7

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	15.5	16.1	16.4	16.4
Pre-tax margin	12.6	13.0	13.2	13.3
Net margin	8.0	8.3	8.6	8.7
ROA	5.3	5.4	5.6	5.8
ROE	15.3	15.8	16.4	16.7
Growth				
Turnover	24.9	29.3	35.1	40.7
EBITDA	13.8	22.7	29.9	35.3
Pre-tax profit	7.7	14.5	21.8	27.8
Net profit	(9.6)	(2.8)	4.8	11.1
Net profit (adj.)	(9.6)	(2.9)	4.8	11.1
EPS	(9.6)	(2.9)	4.8	11.1
Leverage				
Debt to total capital	105.4	84.6	83.5	82.3
Debt to equity	161.8	144.1	141.3	137.9
Net debt/(cash) to equity	125.5	112.5	101.4	90.8
Interest cover (x)	6.5	6.3	6.0	6.3

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