

## Thai Beverage Public Company (THBEV SP) : **BUY**

**Mkt. Cap:** US\$11,966m | **3m Avg. Daily Val:** US\$12.8m

**Last Traded Price ( 19 Sep 2018):** S\$0.65

**Price Target 12-mth:** S\$0.94 (45% upside)

### Analyst

Andy SIM, CFA +65 6682 3718; andysim@dbs.com  
Alfie YEO +65 6682 3717; alfieyeo@dbs.com

### Lock-in of rates should allay concerns

- ThaiBev has issued an additional Bt77bn in debentures
- Weighted average fixed coupon rate of 3.42%; including earlier issuance (Bt50bn), average rate at 3.19%
- Move to allay market's concerns on group's exposure to rising interest rates
- Further catalyst from upturn in operational performance, elections

### Forecasts and Valuation

FY Sep (Btm)	2017A	2018F	2019F	2020F
Revenue	189,997	246,374	281,928	299,886
EBITDA	36,767	40,544	49,366	54,511
Pre-tax Profit	39,812	31,284	38,405	42,955
Net Profit	34,510	23,251	27,566	30,490
Net Pft (Pre Ex.)	26,013	23,251	27,566	30,490
Net Pft Gth (Pre-ex) (%)	37.5	(10.6)	18.6	10.6
EPS (S cts)	5.81	3.91	4.64	5.13
EPS Pre Ex. (S cts)	4.38	3.91	4.64	5.13
EPS Gth Pre Ex (%)	37	(11)	19	11
Diluted EPS (S cts)	5.81	3.91	4.64	5.13
Net DPS (S cts)	2.83	2.11	2.41	2.75
BV Per Share (S cts)	21.7	23.5	25.7	28.1
PE (X)	11.2	16.7	14.1	12.7
PE Pre Ex. (X)	14.9	16.7	14.1	12.7
P/Cash Flow (X)	13.1	18.5	14.1	11.4
EV/EBITDA (X)	11.4	15.1	12.3	11.0
Net Div Yield (%)	4.3	3.2	3.7	4.2
P/Book Value (X)	3.0	2.8	2.5	2.3
Net Debt/Equity (X)	0.2	1.5	1.3	1.1
ROAE (%)	27.7	17.3	18.9	19.1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

[Thai Beverage - iBanking Login](#)

[Thai Beverage - Institution Login](#)

### What's New

**Issuance of Bt77bn debentures.** Following on from its recent results call in August when management shared that the company was looking to issue debentures to replace its short-term debts, ThaiBev announced that it had issued Bt77bn in debentures. This follows from the Bt50bn issuances earlier in March 2018.

**Weighted average fixed coupon of 3.42%.** As per the earlier issuances, the debentures come in tenures of 2 years 4 months, 3 years 6 months, 5 years, 7 years and 10 years with fixed coupon rates ranging from 2.64% (2 years 4 months) to 4.16% (10 years). (Pls refer to table on following page for details). The weighted average coupon from the current issuance works out to about 3.42%, and the estimated weighted average tenure is 5.24 years.

One of the 10-year debentures (Issue size of Bt13.7bn, coupon rate of 4.16%) has been structured with a call option from the seventh anniversary of issuance, with a redemption fee of 0.2% of the principal amount if the issuer exercises the right.

### Our views

**Total debentures issued now total Bt127bn, average fixed coupon of 3.19%.** Including the Bt50bn issued earlier in March 2018, the group has now issued Bt127bn, with the proceeds to be used to refinance the loans undertaken last December (2017) for the acquisition of Sabeco. Including the latest issuances, the weighted average fixed coupon rate is 3.19%, which we have taken into our forecasts.

## Flash Note

**Fixing of rates should allay concerns in rising rate environment.** This refinancing move and fixing of coupon rates should allay investors' concerns on the group's exposure in light of the rising interest rate environment. We estimate that the group will be able to deleverage its balance sheet progressively over time given its strong operating cashflows.

Looking ahead, we maintain our view that we are near or at the bottom of its operational performance, which should pick up in FY19. This is on the back of the expected Thailand elections and King's coronation. According to the media, the Thai government has indicated that elections will be held on 24 February 2019.

### ThaiBev debentures amounting to Bt77bn, weighted average fixed coupon of 3.42%

Tranche	Tenure (years)	Issue (THB m)	Maturity	Fixed coupon (%)	Comments
2021 Debenture	2yrs 4 months	2,452	2021	2.64	
2022 Debenture	3 yrs 6 months	43,895	2022	3.2	
2023 Debenture	5	4,387	2023	3.35	
2025 Debenture	7	941	2025	3.62	
2028 Debenture	10	13,719	2028	4.16	Call option, 7 year
2020 Debenture	2	4,692	2020	2.6	
2028 Debenture	10	6,914	2028	4.16	
		<b>77,000</b>			
Weighted average coupon				<b>3.42</b>	

Source: Company, DBS Bank

### Earlier issuance of Bt50bn debentures in March 2018, average fixed coupon rate of 2.83%

Tranche	Tenor (years)	Issue Size (m)	Maturity	Fixed Coupon rate (pa) %
2020 Debenture	2	5,000	2020	1.79
2021 Debenture	3	11,200	2021	2.10
2023 Debenture	5	10,000	2023	2.76
2025 Debenture	7	9,300	2025	3.15
2028 Debenture	10	14,500	2028	3.60
		<b>50,000</b>		
Weighted average coupon				<b>2.83</b>

Source: Company, DBS Bank

## Target Price &amp; Ratings History



**Note:** Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Andy SIM, CFA

Alfie YEO

DBS Bank recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 20 Sep 2018 08:02:58 (SGT)

Dissemination Date: 20 Sep 2018 08:56:32 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER

**This report is prepared by DBS Bank Ltd.** This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies)

mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

#### ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

#### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Thai Beverage Public Company recommended in this report as of 31 Aug 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

#### Compensation for investment banking services:

3. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.


#### Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

## RESTRICTIONS ON DISTRIBUTION

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	<p>This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"). DBS holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS is exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. DBSVS is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
<b>Hong Kong</b>	<p>This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at equityresearch@dbs.com</p>
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">   Wong Ming Tek, Executive Director, ADBSR </p>
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

<b>United Kingdom</b>	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<b>Dubai International Financial Centre</b>	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.</p>
<b>United Arab Emirates</b>	<p>This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.</p>
<b>United States</b>	<p>This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<b>Other jurisdictions</b>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

### DBS Regional Research Offices

---

#### HONG KONG

##### DBS Bank (Hong Kong) Ltd

Contact: Carol Wu  
18th Floor Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: [equityresearch@dbs.com](mailto:equityresearch@dbs.com)  
Participant of the Stock Exchange of Hong Kong

#### MALAYSIA

##### AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: [general@alliancedbs.com](mailto:general@alliancedbs.com)

#### SINGAPORE

##### DBS Bank Ltd

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: [equityresearch@dbs.com](mailto:equityresearch@dbs.com)  
Company Regn. No. 196800306E

#### INDONESIA

##### PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
e-mail: [research@id.dbsvickers.com](mailto:research@id.dbsvickers.com)

#### THAILAND

##### DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
Tel. 66 2 857 7831  
Fax: 66 2 658 1269  
e-mail: [research@th.dbs.com](mailto:research@th.dbs.com)  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand