Singapore Company Guide

Thai Beverage Public Company

Version 14 | Bloomberg: THBEV SP | Reuters: TBEV.SI **Refer to important disclosures at the end of this report**

DBS Group Research . Equity 15 May 2020

BUY

Last Traded Price (14 May 2020): S$0.665 **(STI :** 2,522.31)
Price Target 12-mth: S$0.90 (35% upside) (Prev S$1.04)

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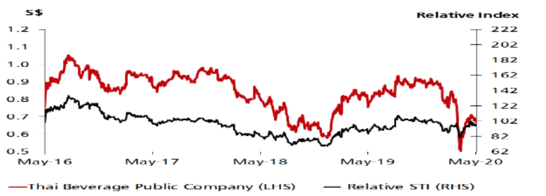
What's New

- 2QFY20 net profit down 14.5% due to one-off tax; 1HFY20 eked out gain of 1.3%, thanks to strong 1Q20
- Interim DPS of Bt0.10 declared, down from Bt0.15; commits to at least 50% payout ratio at full year
- Lockdown measures easing in key markets bodes well; staple plays resilient in uncertain times
- Maintain BUY, TP: S$0.90

Price Relative



Forecasts and Valuation

FY Sep (Btm)	2019A	2020F	2021F	2022F
Revenue	267,357	247,242	271,446	285,791
EBITDA	42,162	41,457	47,796	51,871
Pre-tax Profit	31,312	29,923	35,686	40,347
Net Profit	23,272	21,793	25,313	28,408
Net Pft (Pre Ex.)	23,272	21,793	25,313	28,408
Net Pft Gth (Pre-ex) (%)	14.1	(6.4)	16.2	12.2
EPS (S cts)	4.11	3.85	4.47	5.02
EPS Pre Ex. (S cts)	4.11	3.85	4.47	5.02
EPS Gth Pre Ex (%)	14	(6)	16	12
Diluted EPS (S cts)	4.11	3.85	4.47	5.02
Net DPS (S cts)	2.13	1.91	2.53	2.71
BV Per Share (S cts)	20.5	22.4	24.3	26.7
PE (X)	16.2	17.3	14.9	13.3
PE Pre Ex. (X)	16.2	17.3	14.9	13.3
P/Cash Flow (X)	9.8	12.3	13.5	11.7
EV/EBITDA (X)	14.4	14.3	12.3	11.2
Net Div Yield (%)	3.2	2.9	3.8	4.1
P/Book Value (X)	3.3	3.0	2.7	2.5
Net Debt/Equity (X)	1.3	1.1	1.0	0.8
ROAE (%)	19.7	18.0	19.1	19.7
Earnings Rev (%):		(16)	(9)	N/A
Consensus EPS (S cts):		4.24	4.75	5.18
Other Broker Recs:		B: 10	S: 2	H: 7

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

Betting on alcohol to bring cheer during gloomy days

Maintain BUY with revised TP at S$0.90. We continue to maintain our positive stance on ThaiBev and the resiliency of alcohol consumption in the countries it operates in despite headwinds posted by COVID-19. With lockdown measures easing, sales should gradually resume and revert to normalcy. The counter is trading at 17.3x/14.9x FY20F/21F PE, which is below its 10-year historical average of 18.4x.

2Q20 headline net profit down 14.5% y-o-y - within expectations. Headline 2Q20 net profit was down 14.5% y-o-y to Bt4.95bn. Excluding a one-off charge and tax relating to its beer business restructuring amounting to Bt1.1bn, net profit would have increased by 5% y-o-y to Bt6.08bn. Topline dipped by 12% to Bt61.4bn due to lower sales from its Spirits, Beer and Food segments, partially mitigated by Non-Alcoholic Beverages (NAB). Helped by a strong 1Q20 performance, 1H20 net profit stood at Bt13.4bn (+1.3% y-o-y).

Where we differ? High gearing mitigated by strong OCF. The market has concerns on ThaiBev's high gearing, but we believe this should not be an issue as management has termed out its borrowings and is able to repay/ refinance its obligations with its strong cashflow. We opine that deleveraging remains among management's key priorities.

Potential catalysts. Stronger volume pick-up in Thailand, better performance from Saigon Beer Alcohol Beverage Joint Stock Company (Sabeco) and deleveraging through monetisation of assets.

Valuation:

We have trimmed our FY20F/ 21F earnings by 16%/ 9%, and revised our sum-of-parts derived TP to S$0.90 (from S$1.04). Our TP implies 35% upside from current price of S$0.67.

Key Risks to Our View:

Expectations of resiliency in demand misplaced. Our thesis is premised on resilient and eventual demand recovery; and if this is not sustained or misplaced, it could present downside risks.

At A Glance

Issued Capital (m shrs)	25,116
Mkt. Cap (Sm/USm)	16,702 / 11,758
Major Shareholders (%)	
Siriwana Co.Ltd	45.3
Maxtop Management Corp	20.6
Capital Group Cos Inc/The	5.0
Free Float (%)	29.1
3m Avg. Daily Val (US$m)	10.6

GIC Industry : Consumer Staples / Food, Beverage & Tobacco

Live more, Bank less

WHAT'S NEW

Betting on alcohol to bring cheer during gloomy days

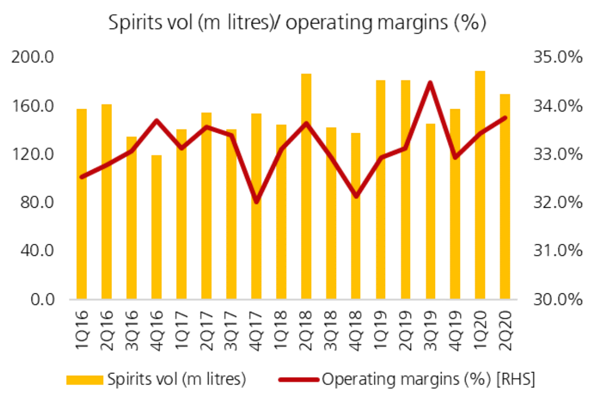
Maintain BUY with revised TP at S$0.90. Despite headwinds posted by COVID-19, we continue to maintain our positive stance on ThaiBev and the resiliency of alcohol consumption in the countries it operates in. In the current situation, we expect consumption to weaken, though we believe the impact should be lesser vis-à-vis other discretionary spending. We also expect 3QFY20 to be sequentially weaker given a seasonally slower quarter, coupled with restrictions arising from the lockdown due to COVID-19. That said, we are optimistic that operations are on the cusp of a recovery on the back of gradual lifting of restrictions.

We trimmed our earnings by 16%/ 9% for FY20F/21F to reflect a slower sales environment particularly from the restrictions back in April in Thailand, coupled with lower contribution from associates. We project net profit to dip by 6% y-o-y in FY20F but expect a 16% jump in FY21F. At current share price, the counter is trading at 17.3x/ 14.9x FY20F/21F, which is below its 10-year historical average of 18.4x. (see Chart 1)

Chart 1: ThaiBev 10-year historical forward PE Band

Source: DBS Bank estimates

Chart 2: Spirits op margins remained healthy



Source: Company, DBS Bank

2Q20 results within expectations; headline impacted by one-off tax charge on beer restructuring. ThaiBev posted headline 2Q20 attributable net profit of Bt4.95bn, down 14.5% y-o-y, on revenue of almost Bt70bn (-12.3% y-o-y). Net profit includes a one-off charge and tax relating to its beer business restructuring amounting to Bt1.1bn, and excluding this, net profit would have increased by 5% y-o-y to Bt6.08bn. Not surprisingly, the group's topline drop was contributed by lower sales from its Spirits, Beer and Food segments, partially mitigated by its Non-Alcoholic Beverages (NAB).

Interim DPS of Bt0.10 declared; committing to pay out at least 50% of profit on full year basis. An interim DPS of Bt0.10 was declared, down from Bt0.15 in the same period last year. This represented a 19% payout on 1H20 earnings (vs 1H19 payout ratio of 28.5%). The company had indicated that it is **still committed to its full year dividend policy of "not less than 50%** of net profit after deduction of all specified reserves and subject to investment plans". We believe the lower interim payout is to err on side of caution given the uncertainty arising from the current COVID-19 situation. We are penciling in a **final DPS of Bt33 per share**, which implies total dividends of Bt0.43, equating to 50% payout ratio on our earnings forecast for FY20.

Looking at segmental performance, 2Q20 net profit performance was contributed by (i) its **Spirits segment**, which posted segment **attributable net profit** growth of **9.5% y-o-y** to **Bt5.35bn** despite topline declining by 3.9%; (ii) NAB segment continues to improve as seen in 1Q20 to turn in attributable net profit amounting to Bt243m, a reversal from a net loss of Bt143m in the same period a year ago. This was offset by substantially lower attributable net profit contribution from Beer segment (Bt7m, down by 99.2% from

Bt891m) and a small loss in Food (-Bt20m, a reversal from profit of Bt102m).

Spirits: **Spirits volume dipped but still managed to eke out profit growth.** Total Spirits sales volume dipped by **6.1% y-o-y to 170.2m litres**, which we believe came about from its Thai domestic and Grand Royal Group performance, given the same conditions faced by both operations – COVID-19 impact. Despite the lower sales revenue, segment operating profit inched out 0.5% y-o-y growth to Bt6.46bn on the back of lower advertising, promotion and staff costs. Operating margins increased to 33.8% from 33.1% a year earlier, which is still within the 32%-34% range seen in the past, highlighting management's control of costs, in our view. (Chart 2 on previous page)

Beer: **Thai beer resilient; Sabeco hit by triple whammy.** The beer segment had a bad quarter, which is not surprising, having seen Sabeco's results for the quarter ending Mar 2020 reported couple of weeks earlier. Overall sales volume plunged 28% to 4.77 m hls (hectoliters). Along with that, Beer operating margin fell to 5.9% from 8% a year ago, due to operating deleverage. Excluding Vietnam, Thailand's domestic beer performed relatively better with sales volume growth of 1.6% despite the challenging conditions.

Sabeco: Based on Sabeco's results, which were reported separately earlier, topline and net profit dropped by 47% and c.43% respectively, attributed to (i) strict drink driving laws; (ii) repercussions of fake news and (iii) lockdown arising from COVID-19. Based on media and industry reports, the Vietnam beer industry saw consumption plummeting by 40-50% in the first few months of this year, which is in line with that experienced by Sabeco.

Other Vietnam beer players such as Hainoi Beer and Alcohol Beverage Joint Stock Corp (Habeco) have also reported sales revenue declines of c.50% and a net loss for the quarter. However, based on Heineken's commentary, it had indicated that its beer volumes grew in the low teens, though in March, volumes declined by mid-single digit. We believe that while this could suggest the strength of its brands (Tiger, Heineken), given the conditions faced in Vietnam, stock levels could be higher than usual.

Sabeco has indicated that traditionally, its market share does face fluctuations in the various quarters and tends to be slightly lower than average during the Tet (Lunar New Year) holidays. While its 1Q20 earnings (quarter ending March) was disappointing, we noted that the situation is gradually improving with Vietnam being the first country in Southeast Asia to ease its lockdown measures. On drink driving regulations, Sabeco's management has indicated that it would continue to work with the authorities to better manage towards a more gradual and sustainable way of enforcement.

Non-Alcoholic Beverages: **Continuing its profitable streak from 1Q20.** NAB segment's performance continued to bear fruit, albeit small, with a net profit of Bt243m. This compares favourably against the loss seen last year of Bt386m, and an improvement from 1Q20's profit of Bt27m.

Revenue grew by 5.1% y-o-y to reach Bt4.48bn, on the back of a 6.4% increase in sales volume. This was largely driven by growth in drinking water (+15.1%), offset by declines in ready-to-drink tea (-3.2%), carbonated soft drinks (-8.4%), Jubjai (-40%), and 100Plus (-22%). We continue to pencil in continued improvements and for the segment to achieve breakeven in 2020, on expectations of better margins as it continues to focus on better margins and volume growth.

Food: **Slipped into losses; challenges ahead due to social distancing.** Revenue for the Food segment fell by 8.0% to Bt3.48bn, and its bottomline slipped into attributable net loss of Bt122m. As per 1Q20, there were already expectations that performance of this segment would be the most impacted within the group arising from COVID-19.

Valuation and forecasts

Trimmed FY20F/21F earnings by 9-16%%. We have trimmed our FY20F/21F earnings down by 16%/ 9% factoring in contraction in sales volume on the back of the impact from COVID-19. This is particularly so with lockdowns seen in its key markets, such as Thailand and Vietnam. The silver lining is that these countries have relaxed / are progressively relaxing measures related to COVID-19 and barring a second wave of infections or unforeseen circumstances, we should have seen the worst.

3Q20 may be the weakest quarter, but on a path to recovery. Our forecasts project a 6% y-o-y contraction in earnings in FY20F. With 1H20 net profit at Bt13.4bn (+1.3% vs 1H19), we do expect to see a weaker 3QFY20E, before recovery in the last quarter of its FY. Our expectations for a sequentially weaker 3Q20 is premised on the fact that Thailand's lockdown and ban on alcohol sales started in late March and lasted for the month of April. While we have seen media reports and heard anecdotal stories of consumers rushing to stock up, the lockdown and ban will still invariably affect throughput in our view.

TP revised to S$0.90; Maintain BUY. Along with our lower earnings forecasts and lower fair value of its associates, we have reduced our sum-of-parts based TP to S$0.90 (from S$1.04 previously). Post earnings revision, the counter is trading at 17.3x/ 14.9x FY20F/21F, which is below its 10-year historical average of 18.4x. With market uncertainties still plaguing the market, we believe consumer staples players such as ThaiBev should remain relatively resilient and be a safe harbor for investors.

Quarterly / Interim Income Statement (Btm)

FY Sep	2Q2019	1Q2020	2Q2020	% chg yoy	% chg qoq	Comments
Revenue	69,992	75,680	61,411	(12.3)	(18.9)	
Cost of Goods Sold	(49,569)	(54,045)	(42,787)	(13.7)	(20.8)	
Gross Profit	**20,423**	**21,635**	**18,624**	**(8.8)**	**(13.9)**	
Other Oper. (Exp)/Inc	(11,392)	(11,231)	(10,685)	(6.2)	(4.9)	
Operating Profit	**9,030**	**10,404**	**7,939**	**(12.1)**	**(23.7)**	
Other Non Opg (Exp)/Inc	164	295	483	194.5	63.4	
Associates & JV Inc	675	1,319	860	27.5	(34.8)	
Net Interest (Exp)/Inc	(1,600)	(1,401)	(1,391)	13.0	0.7	
Exceptional Gain/(Loss)	5.48	0.0	(44.7)	nm	nm	
Pre-tax Profit	**8,275**	**10,618**	**7,846**	**(5.2)**	**(26.1)**	
Tax	(1,518)	(1,405)	(2,270)	49.6	61.6	2Q20 includes beer business restructuring tax
Minority Interest	(967)	(790)	(624)	35.4	(21.0)	
Net Profit	**5,790**	**8,423**	**4,952**	**(14.5)**	**(41.2)**	
Net profit bef Except.	5,785	8,423	4,997	(13.6)	(40.7)	
EBITDA	9,869	12,019	9,282	(5.9)	(22.8)	
Margins (%)						
Gross Margins	29.2	28.6	30.3			
Opg Profit Margins	12.9	13.7	12.9			
Net Profit Margins	8.3	11.1	8.1			

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

In our study of historical share price movements and events surrounding these movements, ThaiBev's share price is marked by several key periods (as indicated in Chart A1). In fact, prior to May 2012, its share price had been relatively muted, given a relatively subdued growth profile. We note that ThaiBev tends to be viewed as a defensive counter, outperforming when the market corrects and underperforming in an economic recovery.

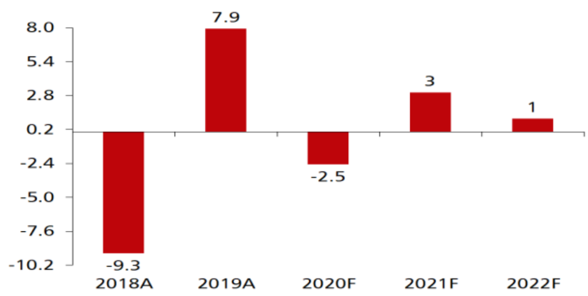
Earnings growth is a critical factor. In our view, EPS growth is a main driver of its share price, as can be seen in Chart A2, where we plot ThaiBev's share price vs 12-month forward EPS. The correlation is 0.98 between the two variables. Going forward, we are projecting increased segmental profits from Beer's contribution, coupled with turnaround in its Non-Alcoholic Beverage segment.

Leading market share in beer by 2020. ThaiBev's management aims to achieve a leading market share in beer by 2020, implying a share of about 45%. This was set in 2015 in its Vision 2020 plans. Since the relaunch of Chang Beer, its beer market share has jumped from c.30% to about 40% currently. Based on the previous target set in 2015 (when market share was about 30%), a proportionate linear increase is about 3-ppts per year. Within a year of Chang's relaunch, it had gained 10ppts, faster than expectations. Going forward, we project continued increase, driven by consistent and targeted marketing activities, and leveraging on its widespread distribution network.

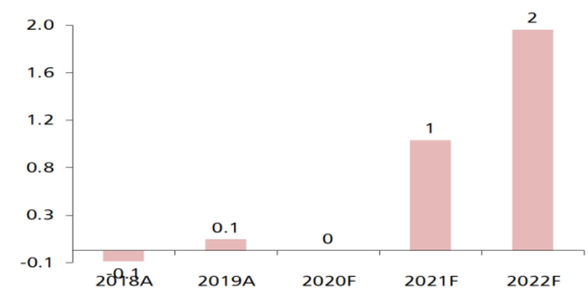
Turnaround in NAB will aid growth. This segment incurred marginal net losses in FY19, but we expect gradual improvement to achieve marginal profit in FY20F. As of 1HFY20, the segment has turned in a small net profit, thus showing that this is on track.

Catalysts for share price performance. (i) Increased profits from the Spirits segment due to margin expansion from excise-duty increase and up-selling; (ii) further traction in the Beer segment to become the leading market player by 2020; (iii) a turnaround in Non-Alcoholic Beverages; (iii) monetisation and/or partial divestment of its stake in Frasers Property Limited; and (iv) clarity on deleveraging plans.

Sprits vol gwth (%)

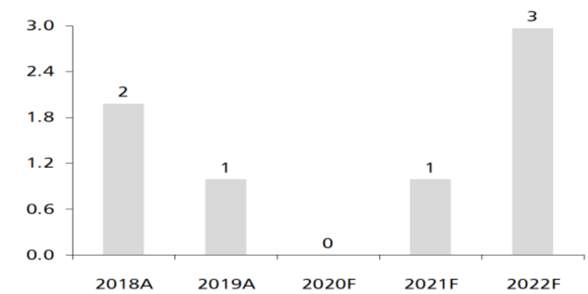


Spirits ASP gwth (%)

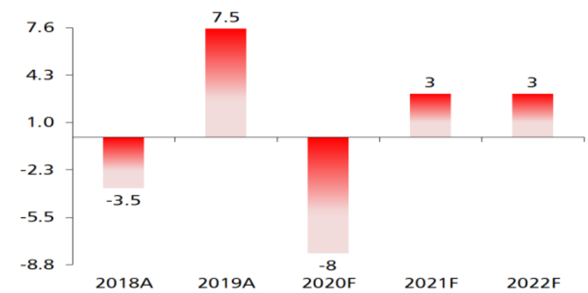


Beer vol gwth (%)

Beer ASP gwth (%)



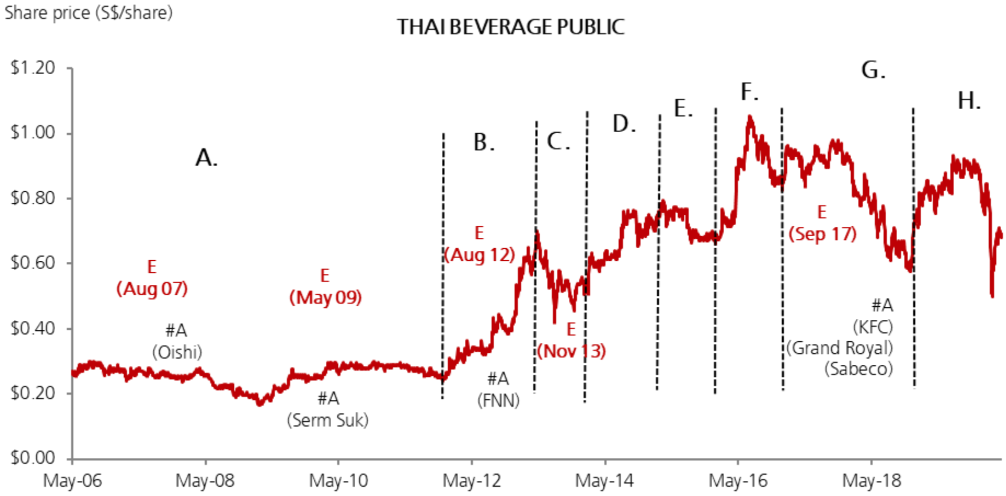
Non-Alc Bev rev gwth (%)



Source: Company, DBS Bank

Appendix 1: A look at Company's listed history – what drives its share price?

Chart A1: Summary of significant events driving ThaiBev's share price



Legend

A. Post-IPO in 2006, share price trades range bound due to muted growth. Outperformed peers heading into GFC till Oct'08 given defensive profile (strong cashflow, >5% yield). Bottomed in Mar'09, but recovery lag peers with defensive profile. Lack of widespread interest given slow growth profile. Acquired Thai consumer companies (Oishi, Serm Suk), but stock price failed to perform.

B. Acquired stake in FNN in July'12; with interest on counter up on surprise factor. Strong EPS growth on stocking up prior to excise duty increase, corporate tax rate cuts. Share price up on clearer signs after FNN taken private by TCC/ ThaiBev. Surged to a high on cash distribution, helping to deleverage ThaiBev.

C. Uncertainties on drivers post FNN acquisition, writ of summons by MBL partner, surprise excise duty increase in Nov'13 (just one year following from Aug'12 increase), political uncertainty, effects of corporate tax cuts wear off.

D. Resilient results despite excise hikes. Signs of limited impact from political uncertainty, coup, expectations of corporate restructuring on FNN/ FCL.

E. In absolute terms, share price flat but remained resilient vs peers. Uncertainty on corporate restructuring angle (dilutive) and expected excise duty (based on alternate year timeline), extent of impact from beer relaunch.

F. Success of beer brand relaunch, with strong gains in beer market share seen and beer operations post strong turnaround.

G. Correction post strong share price performance, and concerns of competitive reaction on beer, coupled with impact on consumption from mourning period. ThaiBev announced three acquisitions – KFC franchise in Thailand, acquisition of 75% stake in Grand Royal Whisky in Myanmar and 53.59% stake in Saigon Beer (via 49% owned subsidiary, Vietnam Beverage Ltd). Weak domestic volume driven by poor sentiment and high base effect arising from excise duty increase in 2017

H. Strong rebound in results after lackluster FY18. Share price affected by market sell down due to COVID-19, which has impacted the market from Feb 2020.

E (Aug 09) – Excise duties increase (Dates): Aug'07, May'09, Aug'12, Nov'13, Sep'17

#A (Oishi) – Acquisitions (selected) undertaken by ThaiBev

Source: ThomsonReuters, DBS Bank

Chart A2: ThaiBev's share price vs EPS

Share price tracks 12-month forward EPS forecasts.

Re-rating from 2012, driven by EPS growth expected from margins expansion after excise tax increase, cut in corporate tax in Thailand, coupled with acquisition of stake in FNN.

After dismal earnings and earnings downgrades seen in FY18, EPS estimates were raised on back of domestic volume recovery, and expectations of operational improvements from new acquisitions. Most recently, EPS projections were lowered to factor COVID-19 impact.

Source: ThomsonReuters, DBS Bank

Balance Sheet:

Gearing has spiked with its spate of acquisitions in 2017/18. The group's net gearing improved steadily from FY18 but remains high at c.1.17x (as of 31 Dec 2019) after touching a low of 0.22x (as of end-FY17). This follows its spate of acquisitions, particularly a 53.59% stake in Sabeco by its JV. Management's focus is on deleveraging, which we project would be gradual given its stable and strong operating cashflow.

Share Price Drivers:

Changes in excise taxes. More than 50% of the group's revenue goes to excise duties. A change in excise tax would impact the share price and depending on whether the group is able to pass on the cost increases to consumers, its share price could be positively or negatively affected.

Domestic volume growth and Sabeco contribution. Strong volume growth and margin expansion would help, particularly for Thai domestic market, coupled with gains from its acquisitions, such as Sabeco and Grand Royal Whisky.

Deleveraging of balance sheet. We believe a firm deleveraging plan without compromising its growth prospects could aid as a share price catalyst.

Key Risks:

Prolonged slump in consumer sentiment. A prolonged slump in the Thai economy could impact consumption, and hence our forecasts. Vice versa, a pick-up in economic activity could offer upside potential.

Political situation in Thailand. A change or deterioration in the uncertain political situation in Thailand could have an adverse impact on the broader economy and private consumption.

Further excise tax hikes. Further increases in excise duties without a commensurate increase in ASP.

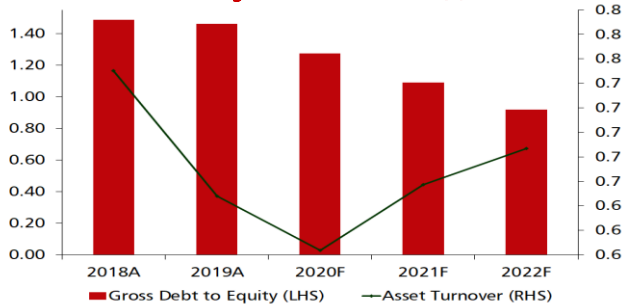
Environment, Social, Governance:

ThaiBev has participated in the Dow Jones Sustainability Indices (DJSI) Corporate Sustainability Assessment for four consecutive years. It was listed in the DJSI for 2018 in the beverage sector and gained the highest score on sustainability.

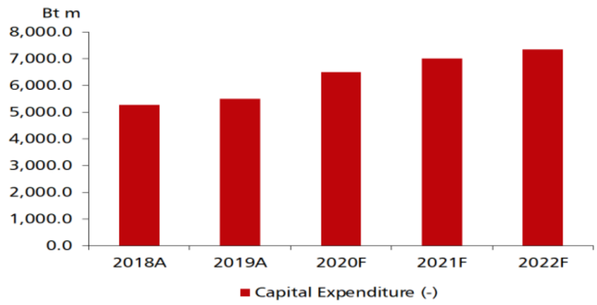
Company Background

ThaiBev is a leading beverage producer in Thailand, with business segments spanning spirits, beer, non-alcoholic beverages, and food. Its key brands are Sangsom, Hong Thong, and Chang. It has 28.5%/ 28.3% associate stakes in both Singapore-listed Fraser & Neave Ltd (FNN) and Frasers Property Limited (FPL). It also holds a controlling 53.59% stake in Sabeco, Vietnam's largest beer player by market volume with brands such as Saigon Beer, Lager, Export and 333.

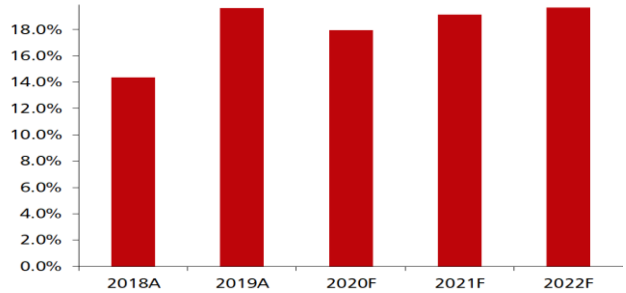
Leverage & Asset Turnover (x)



Capital Expenditure

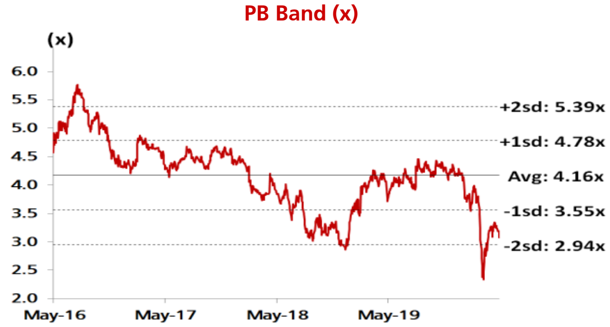


ROE (%)



Forward PE Band (x)

PB Band (x)



Source: Company, DBS Bank

Key Assumptions

FY Sep	2018A	2019A	2020F	2021F	2022F
Sprits vol gwth (%)	(9.3)	7.90	(2.5)	3.00	1.00
Spirits ASP gwth (%)	(0.1)	0.10	0.0	1.00	2.00
Beer vol gwth (%)	(11.4)	7.40	(6.0)	7.00	1.00
Beer ASP gwth (%)	2.00	1.00	0.0	1.00	3.00
Non-Alc Bev rev gwth (%)	(3.5)	7.50	(8.0)	3.00	3.00

Expect volumes to be weaker due to COVID-19 but rebounding in FY21F

Segmental Breakdown

FY Sep	2018A	2019A	2020F	2021F	2022F
Revenues (Btm)					
Spirits	105,900	115,036	111,957	117,492	121,871
Beer	94,486	119,598	110,161	124,636	133,727
Non-Alcoholic Bev.	16,184	17,390	15,999	16,479	16,973
Food	13,265	15,561	9,337	13,071	13,463
Others	(140)	(228)	(211)	(231)	(244)
Total	229,695	267,357	247,242	271,446	285,791
Operating profit (Btm)					
Spirits	21,888	24,200	24,071	25,261	26,812
Beer	4,909	7,876	7,879	10,969	12,880
Non-Alcoholic Bev.	(2,971)	(1,324)	(320)	165	170
Food	853	833	(467)	784	942
Others	126	124	124	124	124
Total	24,805	31,709	31,287	37,303	40,927
Operating profit Margins					
Spirits	20.7	21.0	21.5	21.5	22.0
Beer	5.2	6.6	7.2	8.8	9.6
Non-Alcoholic Bev.	(18.4)	(7.6)	(2.0)	1.0	1.0
Food	6.4	5.4	(5.0)	6.0	7.0
Others	(90.0)	(54.4)	(58.8)	(53.6)	(50.9)
Total	10.8	11.9	12.7	13.7	14.3

Expect Food segment to slip into losses on lock-down and restrictions arising from COVID-19.

Income Statement (Btm)

FY Sep	2018A	2019A	2020F	2021F	2022F
Revenue	229,695	267,357	247,242	271,446	285,791
Cost of Goods Sold	(162,893)	(189,966)	(172,688)	(186,640)	(196,279)
Gross Profit	66,802	77,391	74,554	84,806	89,512
Other Opng (Exp)/Inc	(41,913)	(45,672)	(43,267)	(47,503)	(48,584)
Operating Profit	24,889	31,719	31,287	37,303	40,927
Other Non Opg (Exp)/Inc	2,115	753	900	750	750
Associates & JV Inc	3,818	4,845	4,259	4,565	4,850
Net Interest (Exp)/Inc	(4,264)	(6,006)	(6,523)	(6,933)	(6,181)
Exceptional Gain/(Loss)	(2,458)	0.0	0.0	0.0	0.0
Pre-tax Profit	24,100	31,312	29,923	35,686	40,347
Tax	(4,494)	(5,229)	(5,133)	(6,535)	(7,454)
Minority Interest	(1,666)	(2,810)	(2,997)	(3,838)	(4,484)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	17,943	23,272	21,793	25,313	28,408
Net Profit before Except.	20,401	23,272	21,793	25,313	28,408
EBITDA	35,501	42,162	41,457	47,796	51,871
Growth					
Revenue Gth (%)	20.9	16.4	(7.5)	9.8	5.3
EBITDA Gth (%)	(3.4)	18.8	(1.7)	15.3	8.5
Opg Profit Gth (%)	(9.7)	27.4	(1.4)	19.2	9.7
Net Profit Gth (Pre-ex) (%)	(21.6)	14.1	(6.4)	16.2	12.2
Margins & Ratio					
Gross Margins (%)	29.1	28.9	30.2	31.2	31.3
Opg Profit Margin (%)	10.8	11.9	12.7	13.7	14.3
Net Profit Margin (%)	7.8	8.7	8.8	9.3	9.9
ROAE (%)	14.4	19.7	18.0	19.1	19.7
ROA (%)	5.9	5.6	5.3	6.1	6.8
ROCE (%)	7.1	6.8	6.8	7.9	8.6
Div Payout Ratio (%)	54.6	51.8	49.6	56.6	53.9
Net Interest Cover (x)	5.8	5.3	4.8	5.4	6.6

Source: Company, DBS Bank

Quarterly / Interim Income Statement (Btm)

FY Sep	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Revenue	69,992	62,658	62,080	75,680	61,411
Cost of Goods Sold	(49,569)	(43,781)	(44,332)	(54,045)	(42,787)
Gross Profit	**20,423**	**18,877**	**17,748**	**21,635**	**18,624**
Other Oper. (Exp)/Inc	(11,392)	(10,987)	(11,200)	(11,231)	(10,685)
Operating Profit	**9,030**	**7,890**	**6,548**	**10,404**	**7,939**
Other Non Opg (Exp)/Inc	164	166	157	295	483
Associates & JV Inc	675	2,232	223	1,319	860
Net Interest (Exp)/Inc	(1,600)	(1,478)	(1,435)	(1,401)	(1,391)
Exceptional Gain/(Loss)	5.48	0.0	(132)	0.0	(44.7)
Pre-tax Profit	**8,275**	**8,810**	**5,360**	**10,618**	**7,846**
Tax	(1,518)	(1,154)	(1,172)	(1,405)	(2,270)
Minority Interest	(967)	(1,005)	(775)	(790)	(624)
Net Profit	**5,790**	**6,651**	**3,414**	**8,423**	**4,952**
Net profit bef Except.	5,785	6,651	3,546	8,423	4,997
EBITDA	9,869	10,288	6,927	12,019	9,282
Growth					
Revenue Gth (%)	(3.6)	(10.5)	(0.9)	21.9	(18.9)
EBITDA Gth (%)	(3.6)	4.3	(32.7)	73.5	(22.8)
Opg Profit Gth (%)	9.4	(12.6)	(17.0)	58.9	(23.7)
Net Profit Gth (Pre-ex) (%)	(20.7)	15.0	(46.7)	137.5	(40.7)
Margins					
Gross Margins (%)	29.2	30.1	28.6	28.6	30.3
Opg Profit Margins (%)	12.9	12.6	10.5	13.7	12.9
Net Profit Margins (%)	8.3	10.6	5.5	11.1	8.1

Includes one-off tax on beer restructuring

Balance Sheet (Btm)

FY Sep	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	60,458	59,737	61,283	63,162	65,224
Invts in Associates & JVs	82,118	79,345	81,404	83,770	86,420
Other LT Assets	200,118	190,840	190,783	190,726	190,670
Cash & ST Invts	22,530	24,362	29,895	24,730	21,401
Inventory	42,185	42,846	38,589	41,761	43,941
Debtors	4,294	5,094	4,674	5,131	5,403
Other Current Assets	6,219	5,015	5,015	5,015	5,015
Total Assets	**417,922**	**407,240**	**411,642**	**414,296**	**418,073**
ST Debt	14,483	21,608	21,608	21,608	21,608
Creditor	7,903	7,706	5,053	5,469	5,754
Other Current Liab	15,073	19,236	22,299	23,702	24,621
LT Debt	216,804	197,975	187,975	173,975	158,975
Other LT Liabilities	8,186	10,391	10,391	10,391	10,391
Shareholder's Equity	120,952	115,859	126,853	137,851	150,940
Minority Interests	34,521	34,466	37,463	41,301	45,785
Total Cap. & Liab.	**417,922**	**407,240**	**411,642**	**414,296**	**418,073**
Non-Cash Wkg. Capital	29,722	26,014	20,925	22,737	23,984
Net Cash/(Debt)	(208,757)	(195,220)	(179,688)	(170,852)	(159,182)
Debtors Turn (avg days)	5.5	6.4	7.2	6.6	6.7
Creditors Turn (avg days)	14.7	15.4	13.9	10.6	10.7
Inventory Turn (avg days)	92.2	83.8	88.6	80.8	81.9
Asset Turnover (x)	0.8	0.6	0.6	0.7	0.7
Current Ratio (x)	2.0	1.6	1.6	1.5	1.5
Quick Ratio (x)	0.7	0.6	0.7	0.6	0.5
Net Debt/Equity (X)	1.3	1.3	1.1	1.0	0.8
Net Debt/Equity ex MI (X)	1.7	1.7	1.4	1.2	1.1
Capex to Debt (%)	2.3	2.5	3.1	3.6	4.1
Z-Score (X)	2.1	2.3	2.5	2.6	2.6

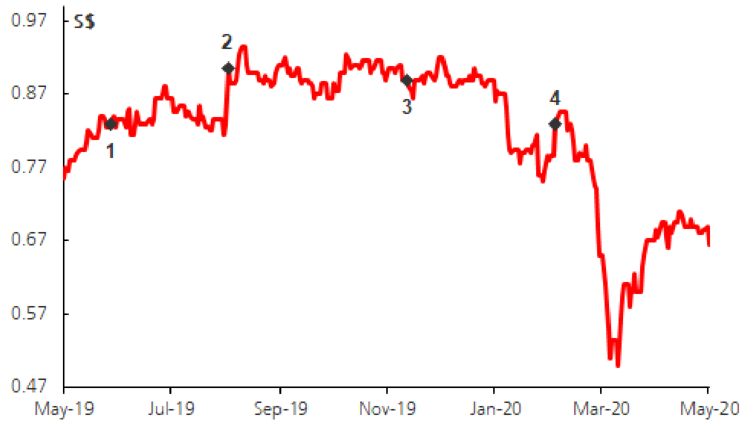
Source: Company, DBS Bank

Cash Flow Statement (Btm)

FY Sep	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	24,103	31,312	29,923	35,686	40,347
Dep. & Amort.	6,088	6,637	5,013	5,180	5,346
Tax Paid	(6,965)	(2,268)	(2,069)	(5,133)	(6,535)
Assoc. & JV Inc/(loss)	(3,818)	(4,845)	(4,259)	(4,565)	(4,850)
Chg in Wkg.Cap.	438	3,907	2,025	(3,215)	(2,166)
Other Operating CF	2,436	3,736	0.0	0.0	0.0
Net Operating CF	22,282	38,478	30,633	27,953	32,142
Capital Exp.(net)	(5,267)	(5,493)	(6,500)	(7,000)	(7,350)
Other Invts.(net)	(186,938)	(4,750)	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	2,661	2,529	2,200	2,200	2,200
Other Investing CF	(2,554)	(731)	0.0	0.0	0.0
Net Investing CF	(192,098)	(8,445)	(4,300)	(4,800)	(5,150)
Div Paid	(16,134)	(12,416)	(10,799)	(14,315)	(15,319)
Chg in Gross Debt	192,347	(11,619)	(10,000)	(14,000)	(15,000)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(5,143)	(7,141)	0.0	0.0	0.0
Net Financing CF	171,070	(31,176)	(20,799)	(28,315)	(30,319)
Currency Adjustments	335	(740)	0.0	0.0	0.0
Chg in Cash	1,589	(1,884)	5,534	(5,162)	(3,328)
Opg CFPS (S cts)	3.86	6.11	5.05	5.50	6.06
Free CFPS (S cts)	3.01	5.83	4.26	3.70	4.38

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	10 Jun 19	0.83	0.91	BUY
2:	15 Aug 19	0.91	0.91	BUY
3:	25 Nov 19	0.89	1.04	BUY
4:	17 Feb 20	0.83	1.04	BUY

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

Source: DBS Bank

Analyst: Andy SIM, CFA
Alfie YEO

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

**Share price appreciation + dividends*

Completed Date: 15 May 2020 07:32:56 (SGT)
Dissemination Date: 15 May 2020 08:55:38 (SGT)

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