

## Market Indicators

	6-Dec	7-Dec	10-Dec
Mkt. T/O (S\$ mil)	839.2	834.7	724.2
Stock Advances	150	189	119
Stock Declines	245	167	278

## Major Indices

	6-Dec	7-Dec	10-Dec
DJ Ind Avg	24,947.7	24,389.0	24,423.3
S & P 500	2,696.0	2,633.1	2,637.7
Nasdaq Comp	7,188.3	6,969.3	7,020.5
Hang Seng	26,156.4	26,063.8	25,752.4

**STI Index** 3,072.44 (-1.24%)

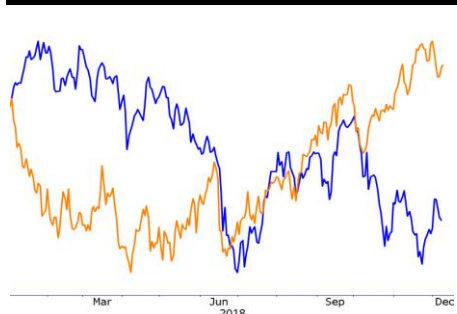


Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,244.22	-0.17%
Oil (NYMEX CWT1) US\$ / bbl	51	-2.89%
Baltic Dry Index	1372	2.46%

## Exchange Rates



USD : SGD 1.3741 / MYR : SGD 3.0394

Source: Bloomberg

## Interest Rates

3-mth Sibor	1.769%
SGS (10 yr)	2.206%

## KGI Market Ideas

**MSCI Singapore Index Watch List.** We highlight nine stocks in the MSCI Singapore Index where their current P/E and P/B valuations are below their 10-year average. These stocks also offer a FY2018F dividend yield of more than 3.5%. Given these criteria, we believe that they offer limited downside risks while paying an attractive dividend yield.

**MSCI Singapore Watch list: Screening criteria based on forward P/B and P/E less than 10-year average; FY2018E dividend yield more than 3.5.**

Ticker	Name	Standard Deviation Current PE VS 10-YR AVG	Standard Deviation Current PB VS 10-YR AVG	Div Yield
CD SP Equity	COMFORTDELGRO CORP LTD	(0.4)	(0.7)	5.0
UOB SP Equity	UNITED OVERSEAS BANK LTD	(1.4)	(0.8)	4.9
KEP SP Equity	KEPPEL CORP LTD	(0.1)	(1.3)	4.6
STE SP Equity	SINGAPORE TECH ENGINEERING	(0.5)	(0.5)	4.4
SGX SP Equity	SINGAPORE EXCHANGE LTD	(1.0)	(1.0)	4.3
OCBC SP Equity	OVERSEA-CHINESE BANKING CORP	(1.5)	(1.1)	3.9
CAPL SP Equity	CAPITALAND LTD	(1.2)	(1.0)	3.9
GENS SP Equity	GENTING SINGAPORE LTD	(0.6)	(0.7)	3.7
SIA SP Equity	SINGAPORE AIRLINES LTD	(0.8)	(1.4)	3.5

**REITs portfolio.** We highlight seven of our favourite REITs in the table below. They offer an average 5.8% dividend yield for 2018F and are diversified across logistics, industrials and retail malls.

Company Name	Last Price (local \$)	Currency Adj. Market Cap (\$ mn)	Yield (%)	Gearing (%)	P/B (x)	6M Average daily trading volume (\$'000)	(YTD) Price Performance
<b>KGI REIT PORTFOLIO</b>							
MAPLE TREE LOGISTICS TRUST	SGD 1.26	4,520	6.3	39.7	1.1	9,566	-4.3%
ASCENDAS REAL ESTATE INV TRT	SGD 2.55	7,927	6.4	35.1	1.2	26,521	-6.3%
MAPLE TREE INDUSTRIAL TRUST	SGD 1.89	3,589	6.5	30.5	1.3	5,535	-6.9%
MAPLE TREE COMMERCIAL TRUST	SGD 1.63	4,708	5.5	35.2	1.1	8,328	0.6%
FRASERS CENTREPOINT TRUST	SGD 2.18	2,022	5.7	29.6	1.0	1,965	-2.7%
CAPITALAND MALL TRUST	SGD 2.26	8,332	5.0	31.5	1.1	22,818	6.2%
SPH REIT	SGD 0.99	2,582	5.6	26.8	1.1	832	-4.3%
<b>KGI REIT PORTFOLIO</b>							
			5.9	33.6	1.1	12,455.4	(2.3)
FTSE ST RE INVEST TRUST	780.11		6.2		1.0		(8.9)

## Company Update

- **Thai Beverage PCL (THBEV SP; BUY; TP: S\$0.75):** Opportunity to buy on recent weakness due to disappointing results - Page 3

KGI Securities Research Team

**Recent In depth Regional Reports**

7/12	<b>TW</b> Biotech Sector: Potential drug approval and launch in 2019
7/12	<b>TW</b> ITEQ (6213 TT; Not Rated): 5G contribution to climb from 1Q19F
7/12	<b>TW</b> PharmaEssentia (6446 TT; Outperform; NT\$ 248.00): Potential EMA approval on Ropeg in 2Q19F
7/12	<b>TW</b> San Neng-KY (6671 TT; Not Rated): Tapping growth potential of central kitchen clients
7/12	<b>HK</b> Yue Yuen Industrial (551 HK; Not Rated): Taiwan Investor Forum takeaways
7/12	<b>TH</b> TICON Industrial Connection PCL (TICON TB; Neutral; TP: Bt 16.70 ): Get the ball rolling
6/12	<b>TW</b> Catcher Technology (2474 TT; Outperform; TP: NT\$ 276.00): Weak November sales; more earnings downside to come
6/12	<b>TW</b> ChipMOS (8150 TT; Not Rated): Solid TDDI shipments result in tight testing & COF packaging capacity
6/12	<b>TW</b> EMC (2383 TT; Outperform; NT\$ 103.00): Rejoining major SLP chain; network communications & automotive HDI applications paying off
6/12	<b>TW</b> Faraday (3035 TT; Not Rated): Strong NRE growth in 2018F & bright NRE outlook for 2019F
6/12	<b>TW</b> Iron Force Industrial (2228 TT; Not Rated): Improving auto parts growth in 2019F
6/12	<b>TW</b> PChome Online (8044 TT; Outperform; TP: NT\$190.00): Earnings to turn around in 2019F
6/12	<b>TW</b> Realtek (2379 TT; Neutral; TP: NT\$118.0): Market share gains & spec upgrades to drive 2019F growth
6/12	<b>TW</b> TTFB Company (2729 TT; Not Rated): Undervalued defensive play
6/12	<b>HK</b> Kingsoft (3888 HK; Outperform; TP: HK\$15.80): Accusation of ad fraud against Cheetah Mobile hurts near-term sentiment
6/12	<b>TH</b> Media Sector (Neutral): Short term positive, long term cloudy
6/12	<b>TH</b> Ekachai Hospital (EKH TB; Outperform; TP: Bt 7.85): Growth to continue in 2019
5/12	<b>SG</b> Thai Beverage PCL (THBEV SP; BUY; TP: S\$ 0.75): Opportunity to buy on recent weakness due to disappointing results
5/12	<b>TW</b> IT Hardware (Neutral): Smartphone – Spotlight on 5G, foldable & tri-cam models
5/12	<b>TW</b> LandMark (3081 TT; Underperform; TP: NT\$ 175.00): Soft demand & intense competition to limit 2019F growth
5/12	<b>TW</b> Merida (9914 TT; Outperform; TP: NT\$158.00): Pedaling on the right track
5/12	<b>TW</b> TaiMed Biologics (4147 TT; Outperform; TP: NT\$242.00): Stumbling stone may be lifted
5/12	<b>TW</b> Taishin FHC (2887 TT; Neutral; TP: NT\$14.50): Earnings growth decelerating in 2H18
5/12	<b>CN/HK</b> Economy: Renminbi rebound to extend at least into 2Q19F, likely boosting A-share performance
4/12	<b>TW</b> QST International Corp. (8349 TT; Outperform; TP: NT\$106.00): Earnings recovery in 2019F
4/12	<b>HK</b> Food and Beverage (Neutral): Intense competition to weigh on operating environment
4/12	<b>CN/HK</b> Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
4/12	<b>TH</b> Construction Materials Sector (Neutral): Continued positive momentum in high season
4/12	<b>TH</b> Electricity Generating (EGCO TB; Outperform; TP: Bt 280.00): Overseas footprints are valuable assets
3/12	<b>US</b> Economics: Tariff hike halted after Trump-Xi meeting
3/12	<b>TW</b> Strategy: Trade truce to increase risk appetite, but will worsen inventory issue
3/12	<b>TW</b> Driver IC Sector (Outperform): AMOLED driver chipset demand is rising
3/12	<b>TW</b> Sportswear Sector: 2019 athletics & leisure Industry investment strategy
3/12	<b>TW</b> Chipbond (6147 TT; Outperform; TP: NT\$78.00): Robust TDDI shipments & growing AMOLED demand lead to COF & testing capacity tightness
3/12	<b>TW</b> Novatek (3034 TT; Outperform; TP: NT\$ 175.00): Returning to glory on AMOLED market penetration
3/12	<b>HK</b> Inspur (596 HK; Outperform; TP: HK\$ 5.40): China cloud migration initiative propels growth
3/12	<b>CH/HK</b> A-share Weekly: Ceasefire before New Year's to drive SCI rebound
3/12	<b>CN</b> Yonghui Superstores (601933 CH; Not Rated): Conference call takeaways
<b>For full reports, please contact Research Department at 6202 1190 or <a href="mailto:sgp.researchcom@kgi.com">sgp.researchcom@kgi.com</a></b>	



# Thai Beverage

(THBEV SP/Y92.SI)

## Opportunity to buy on recent weakness due to disappointing results

Marc Tan / 65 6202 1195 / [marc.tan@kgi.com](mailto:marc.tan@kgi.com)

- **FY18 results below expectations.** YoY, Thai Beverage revenues grew 21% to 229.7bn THB, in line with our expectations while net profit declined 40% to 20.7bn THB, below our expectations of 23.1bn THB.
- **Finance/SG&A costs dragging performance lower as lacklustre demand in alcohol continues.** YoY, sales volume for its beer (-11.4%) and spirits (-11.5%) dropped as operating and financing costs increased due to business acquisitions in FY18 (Distribution costs +16%, Administrative Expenses +42%, Finance Costs +406%).
- **Market leadership maintained.** During the earnings call, management reiterated that Thai Bev's market leading position in Thailand's spirits market remains unchallenged at ~95% while its beer market share remains ~40% in Vietnam and Thailand.

YE Jun THB (mn)	2016A	2017A	2018A	2019F	2020F
Revenue	191,204.7	190,697.1	232,598.4	237,757.7	244,696.5
Operating Profit/Loss	25,740.9	27,524.5	25,624.4	29,357.3	32,050.4
Net income	25,032.0	34,680.8	20,725.5	22,546.7	24,699.1
EPS	0.99	1.04	0.84	0.97	1.05
EPS growth (%)	-	4.3%	-19.3%	15.8%	8.9%
P/E (x)	21.2	21.6	21.2	18.3	16.8
P/B (x)	4.4	4.4	3.7	3.4	3.2
Dividend Per Share	0.60	0.67	0.39	0.50	0.53
Dividend Yield (%)	2.9	3.0	2.2	2.8	3.0
Dividend Payout Ratio (%)	60.4	64.7	52.9	57.5	55.4
Net Debt/Equity (x)	0.30	0.19	1.45	1.33	1.24
Net Margin (%)	13.17	18.25	9.02	9.60	10.21
ROE (%)	21.2	27.1	16.6	17.9	18.2

Source: Company Data, KGI Research

**Lacklustre demand for alcohol driven by same factors.** We understand from management that the decline in alcohol volumes continues to be driven by effects from the excise tax hike and slow income growth among the lower income consumers.

For FY19, management expects the upcoming elections to drive a rebound in alcohol demand as effects from excise taxes fades.

Figure 1: Results Comparison

FYE Dec (THB bn)	FY18	FY17	yoy % Chg	Comments
Revenue	229.7	190.0	20.9%	In line with our estimates
Cost of sales	(162.5)	(131.9)	23.2%	
<b>Gross profit</b>	<b>67.2</b>	<b>58.1</b>	<b>15.7%</b>	Driven by an increase in gross profit from Beer and Food business.
Gross margin (%)	29.3	30.6		
Distribution Costs	26.3	18.6	41.6%	
Administrative Expenses	15.3	12.0	27.4%	
Finance Costs	5.0	1.0	405.9%	
Operating Profits	20.7	26.5	-22.2%	
Net Operating Profit	23.6	27.2	-13.5%	
Profit before Income Tax	25.3	39.8	-36.4%	
Income tax	(4.6)	(5.1)	-10.2%	
<b>Profit for the year</b>	<b>20.7</b>	<b>34.7</b>	<b>-40.2%</b>	Driven by declines in profitability of spirits, beer and non-alcoholic segments, as well as acquisition costs.
EPS (THB)	0.74	1.37	-46.0%	

Source: Company Data, KGI Research

BUY - Maintain		Performance (Absolute)	
Price as of 5 Dec 18 (SGD)	0.61	1 Month (%)	-6.2
12M TP (\$)	0.75	3 Month (%)	-3.8
Previous TP (\$)	0.75	12 Month (%)	-34.7
Upside (%)	24.3		
Trading data		Perf. vs STI INDEX (Red)	
Mkt Cap (\$mn)	15,192		
Issued Shares (mn)	25,111		
Vol - 3M Daily avg (mn)	20.2		
Val - 3M Daily avg (\$mn)	13.2		
Free Float (%)	32.2%		
Major Shareholders		Previous Recommendations	
Sirwana Co Ltd	45.3%	14-Sep-18	BUY \$0.75
Mxatop Management Corp	20.6%	-	-
		-	-

**Wage recovery is key to alcohol demand.** In our view, a recovery in monthly wages will remain key to a rebound in alcohol demand. While wage recovery remains tepid, we believe the situation could turn around as Thai Farmers experiment with growing different types of crops to benefit from government subsidies.

Additionally, future income streams for Thai farmers could be further diversified from recent e-commerce initiatives, such as the collaboration with Alibaba Group to set up a Thai rice flagship store on Tmall.com, where exports have exceeded 100 million baht.

In the coming quarters, we continue to expect a recovery in domestic alcohol consumption due to stronger consumer confidence and rising agriculture prices.

**Valuation & Action:** We maintain a BUY with a SOTP-derived TP of S\$0.75. Our TP is derived with EV/EBITDA valuation for spirits, beer and its food business.

**Risks:** Persistent lacklustre demand in the domestic alcohol market, decline in market share in its key markets (Vietnam & Thailand), surge in raw material prices.

**STI Components and Key Metrics**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	23.87	60,907	0.3%	2.0%	(4.4%)	5.0%	5.2%
OCBC SP	OCBC	11.11	47,224	0.4%	(7.4%)	(3.8%)	3.9%	4.2%
UOB SP	UOB	24.51	40,839	(0.5%)	(3.5%)	(4.9%)	4.9%	5.2%
SGX SP	SGX	7.07	7,566	0.6%	(0.7%)	(3.2%)	4.3%	4.6%
<b>PROPERTIES</b>								
HKL SP	Hongkong Land USD	6.55	21,159	1.6%	(4.2%)	1.1%	3.2%	3.3%
CAPL SP	CapitaLand	3.15	13,113	0.0%	(7.8%)	(2.2%)	3.9%	4.0%
CT SP	CapitaLand Mall Trust	2.26	8,332	0.9%	12.7%	0.4%	5.0%	5.2%
AREIT SP	Ascendas REIT	2.56	7,958	0.0%	(0.1%)	0.8%	6.4%	6.5%
CIT SP	City Development	8.34	7,564	(1.0%)	(32.0%)	(4.4%)	2.3%	2.2%
CCT SP	CapitaLand Comm Trust	1.77	6,628	0.6%	(3.9%)	0.6%	5.0%	5.1%
UOL SP	UOL	6.14	5,174	(0.2%)	(29.4%)	(2.5%)	2.8%	2.8%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.04	49,641	(0.7%)	(12.0%)	(1.0%)	5.9%	5.9%
<b>CONSUMER SERVICES AND GOODS</b>								
JM SP	Jardine Matheson USD	64.39	65,131	(0.7%)	8.8%	(3.7%)	2.5%	2.6%
JS SP	Jardine Strategic Holdings	36.70	55,829	(2.0%)	(6.5%)	(4.9%)	0.9%	0.9%
DFI SP	Dairy Farm International	9.00	16,715	0.3%	17.5%	1.1%	2.6%	2.8%
THBEV SP	ThaiBev	0.59	14,816	(0.8%)	(33.9%)	(5.6%)	3.4%	3.8%
JCNC SP	Jardine C&C	35.21	13,916	0.9%	(10.4%)	(2.2%)	3.3%	3.5%
GENS SP	Genting Singapore	0.98	11,804	1.0%	(22.8%)	(3.9%)	3.7%	3.8%
VMS SP	Venture Corp	14.75	4,250	0.6%	(25.0%)	(5.3%)	4.5%	4.5%
SPH SP	SPH	2.46	3,929	(0.4%)	(2.5%)	(3.9%)	5.6%	5.6%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	9.32	11,032	0.3%	(9.2%)	(2.5%)	3.6%	3.9%
CD SP	ComfortDelGro	2.15	4,655	1.9%	13.7%	1.4%	4.8%	5.3%
<b>COMMODITIES</b>								
WIL SP	Wilmar	3.14	19,866	0.0%	5.0%	0.0%	3.4%	3.6%
GGR SP	Golden Agri	0.26	3,311	2.0%	(29.5%)	4.0%	1.1%	2.1%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	6.08	11,019	(0.2%)	(14.0%)	(4.4%)	4.6%	4.3%
STE SP	ST Engineering	3.46	10,794	0.6%	10.8%	(2.3%)	4.4%	4.6%
SATS SP	SATS	4.61	5,139	0.0%	(8.1%)	(3.2%)	4.1%	4.3%
YZJSGD SP	Yangzijiang SGD	1.22	4,814	0.0%	(13.5%)	(1.6%)	3.6%	3.6%
SCI SP	Sembcorp Industries	2.60	4,640	0.0%	(13.0%)	(4.8%)	2.0%	2.8%
HPHT SP	HPH Trust USD	0.27	3,169	0.0%	(30.7%)	1.9%	8.6%	8.4%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.  
Source: Bloomberg

**STI Reserve List (by market cap) - STI next review date: March 2019**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.79	4,780	0.6%	(12.3%)	0.6%	5.6%	5.5%
MLT SP	Mapletree Logistics Trust	1.27	4,556	(0.8%)	2.3%	(0.8%)	6.2%	6.4%
MCT SP	Mapletree Commercial Trust	1.63	4,708	0.0%	6.3%	(1.2%)	5.5%	5.6%
KREIT SP	Keppel REIT	1.17	3,979	0.0%	(2.7%)	0.9%	5.0%	5.0%
MINT SP	Maple Industries Trust	1.88	3,570	0.0%	(2.3%)	0.5%	6.5%	6.8%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.  
Source: Bloomberg

**Appendix 1: Corporate Action**

## Latest Dividend Entitlements Announcement

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 10 Dec 18	Yield (%)
Asian Pay Television Trust	14-Nov-18	3Q18	SGD 0.01625	<b>13-Dec-18</b>	14-Dec-18	21-Dec-18	SGD 0.166	9.8
Singapore Telecoms	8-Nov-18	2Q19	SGD 0.06800	<b>18-Dec-18</b>	19-Dec-18	10-Jan-19	SGD 3.060	2.2
Vicplas International Ltd	28-Sep-18	FY18	SGD 0.00500	<b>4-Jan-19</b>	8-Jan-19	18-Jan-19	SGD 0.090	5.6
Fraser and Neave	9-Nov-18	FY18	SGD 0.030000	<b>4-Feb-19</b>	7-Feb-19	20-Feb-19	SGD 1.780	1.7
Frasers Property	9-Nov-18	FY18	SGD 0.062000	<b>4-Feb-19</b>	7-Feb-19	20-Feb-19	SGD 1.640	3.8
Thai Beverage PCL	26-Nov-18	FY18	<b>Baht</b> 0.2400	<b>7-Feb-19</b>	8-Feb-19	28-Feb-19	SGD 0.595	

## Latest Rights Issue Announcement

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
<b>Arion Entertainment Singapore</b>	1 Rights Share @ S\$0.008 for each Rights Share for every 1 existing shares held	28-Nov-18	30-Nov-18	<b>5-Dec-18</b>	<b>13-Dec-18</b>
<b>Manhattan Resources Limited</b>	1 Rights Share @ S\$0.0245 for each Right Share for every 1 ord share held	23-Nov-18	27-Nov-18	<b>30-Nov-18</b>	<b>10-Dec-18</b>

Source: SGX Announcement

## Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
<b>Cityneon Holdings Limited</b>	SGD 1.30 Cash	5.30 p.m. on 12 Dec 2018	West Knighton Limited
<b>LTC Corporation Limited</b>	SGD 0.925 Cash	5.30 p.m. on 27 Dec 2018	Mountbatten Enterprises Pte. Ltd.

Source: SGX Announcement

## Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3-Dec	4-Dec	5-Dec	6-Dec	7-Dec
10-Dec	11-Dec	12-Dec	13-Dec Q2 [Del Monte Pacific]	14-Dec
17-Dec	18-Dec	19-Dec	20-Dec	21-Dec
24-Dec	25-Dec	26-Dec	27-Dec Q1 [Second Chance Properties]	28-Dec
31-Dec	* 1-Jan-2019  New Year's Day	2-Jan	3-Jan	*Q [SPH REIT]
7-Jan	8-Jan	9-Jan	10-Jan	*Q [Miyoshi]
				11-Jan

\* Tentative

MSCI Singapore Free Constituent

Straits Times Index STI Constituent

Source: Bloomberg

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