

# Thai Beverage PLC

## 1H14 Financial Results

# Note on Forward Looking Statements

- The following presentation may contain forward looking statements by the management of Thai Beverage Public Company Limited (“ThaiBev”), relating to financial or other trends for future periods, compared to the results for previous periods.
- Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives.
- Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of ThaiBev. In particular, such targets should not be regarded as a forecast or projection of future performance of ThaiBev. It should be noted that the actual performance of ThaiBev may vary significantly from such targets.

# Understanding this Presentation

- In April 2014, the Company recognized a capital reduction in cash from an associate, Fraser and Neave, Limited (F&N), for a net consideration of Baht 4,465 million. The proceeds were repaid to financial institutions for loans prior to maturity without penalty.
- Frasers Centrepoint Limited (FCL) was demerged from F&N and has been listed on the main board of the Singapore Exchange Securities Trading Limited on 9 January 2014. FCL is an associate of indirect subsidiary of the Company and principally engaged in property business.
- Effective from 4 September 2013, the Ministry of Finance has changed the method for alcohol excise tax. Previously, the alcohol excise tax was imposed by one of the two methods whichever was higher, an ad valorem rate or a specific rate. The ad valorem rate is based on value from a percentage of the ex-factory price. The specific rate is based on alcohol content from an amount in Baht on every one litre of pure alcohol of the product. Now, the alcohol excise tax will be based on both value and alcohol content. The changes have increased the excise tax rate for the Company products per below:

## Beer

**Prior :** The higher of Baht 100 per litre of 100% alcohol content or 60% of the ex-factory price.

**New :** The higher of Baht 155 per litre of 100% alcohol content or Baht 8 per litre plus 48% of the last wholesale price excluding value-added tax.

## White spirits

**Prior :** The higher of Baht 150 per litre of 100% alcohol content or 50% of the ex-factory price.

**New :** The higher of Baht 145 per litre of 100% alcohol content or Baht 40 per litre plus 4% of the last wholesale price excluding value-added tax.

## Other distilled liquor

**Prior :** Compounded spirits:

The higher of Baht 350 per litre of 100% alcohol content or 50% of the ex-factory price.

Special / Blended spirits:

The higher of Baht 400 per litre of 100% alcohol content or 50% of the ex-factory price.

**New :** All other distilled liquor, the higher of Baht 250 per litre of 100% alcohol content or Baht 50 per litre plus 25% of the last wholesale price excluding value-added tax.

# Understanding this Presentation

- Current operations by business segments consist of spirits, beer, non-alcoholic beverage and food
- All monetary amounts in millions of Thai Baht unless otherwise stated
- Volumes in millions of liters unless otherwise stated
- EBITDA = Earnings from total revenues before interest expense, income tax, depreciation, and amortization

# Highlights

## Dividend Payment

**Dividend Policy:** Not less than 50% of net profits after deduction of all specified reserves, subject to our investment plans and as the Board of Directors deems appropriate

<b>Dividend Payment</b>	<b>Interim'13</b>	<b>Interim'14</b>
Net Profit belonging to the Company (M)	8,375	11,490
Number of Shares (M)	25,110	25,110
Interim Dividend (M)	3,515	3,767
Earnings per share (Baht)	0.33	0.46
<b>Dividend Payout Ratio</b>	<b>42%</b>	<b>33%</b>
<b>Dividend per share (Baht)</b>	<b>0.14</b>	<b>0.15</b>

(M Baht)

Group	2Q13	2Q14	Change
<b>Sales Revenue</b>	<b>36,834</b>	<b>40,025</b>	<b>8.7%</b>
COGS	(26,588)	(28,318)	
<i>% of Sales Revenue</i>	<i>72.2%</i>	<i>70.8%</i>	
SG&A	(5,876)	(6,045)	
<i>% of Sales Revenue</i>	<i>16.0%</i>	<i>15.1%</i>	
EBITDA (exclude F&N)	5,750	6,902	20.0%
Net Profit (exclude F&N)	3,593	4,677	30.2%
F&N & FCL Operating Results (proportion of the holding shares)	1,298	803	
F&N & FCL Operating Results exclude FX gain / loss (proportion of the holding shares)	241	803	
<b>EBITDA</b>	<b>7,524</b>	<b>8,018</b>	<b>6.6%</b>
<b>Net Profit</b>	<b>4,891</b>	<b>5,480</b>	<b>12.0%</b>
Net Profit attributable to:			
<i>Owners of the Company</i>	4,923	5,521	12.2%
<i>Non-controlling interests</i>	(32)	(41)	
<u>Margin*</u>			
EBITDA (exclude F&N)	15.6%	17.2%	
Net Profit (exclude F&N)	9.8%	11.7%	
EBITDA	20.4%	20.0%	
Net Profit	13.3%	13.7%	

\* margins are % of sales revenue

## Consolidated: 2Q14 Highlights

(M Baht)

Group	1H13	1H14	Change
<b>Sales Revenue</b>	<b>75,988</b>	<b>81,068</b>	<b>6.7%</b>
COGS	(54,900)	(57,044)	
<i>% of Sales Revenue</i>	<i>72.2%</i>	<i>70.4%</i>	
SG&A	(11,588)	(11,539)	
<i>% of Sales Revenue</i>	<i>15.2%</i>	<i>14.2%</i>	
EBITDA (exclude F&N)	11,974	14,948	24.8%
Net Profit (exclude F&N)	7,830	10,308	31.6%
F&N & FCL Operating Results (proportion of the holding shares)	494	1,111	
F&N & FCL Operating Results exclude FX gain / loss (proportion of the holding shares)	(6)	1,113	
<b>EBITDA</b>	<b>13,421</b>	<b>16,665</b>	<b>24.2%</b>
<b>Net Profit</b>	<b>8,324</b>	<b>11,419</b>	<b>37.2%</b>
Net Profit attributable to:			
<i>Owners of the Company</i>	8,375	11,490	37.2%
<i>Non-controlling interests</i>	(51)	(71)	
<b>Margin*</b>			
EBITDA (exclude F&N)	15.8%	18.4%	
Net Profit (exclude F&N)	10.3%	12.7%	
EBITDA	17.7%	20.6%	
Net Profit	11.0%	14.1%	

\* margins are % of sales revenue

## Consolidated: 1H14 Highlights



(M Baht)



Consolidated:  
2Q14 Highlights

Group	ThaiBev	F&N / FCL	Total
<b>2Q14</b>			
Sales	40,025	-	40,025
Gross profit	11,707	-	11,707
EBITDA	6,902	1,116	8,018
Net profit	4,677	803	5,480
<b>2Q13</b>			
Sales	36,834	-	36,834
Gross profit	10,246	-	10,246
EBITDA	5,750	1,774	7,524
Net profit	3,593	1,298	4,891
<b>increase (decrease)</b>			
Sales	8.7%	-	8.7%
Gross profit	14.3%	-	14.3%
EBITDA	20.0%	(37.1%)	6.6%
Net profit	30.2%	(38.1%)	12.0%

(M Baht)

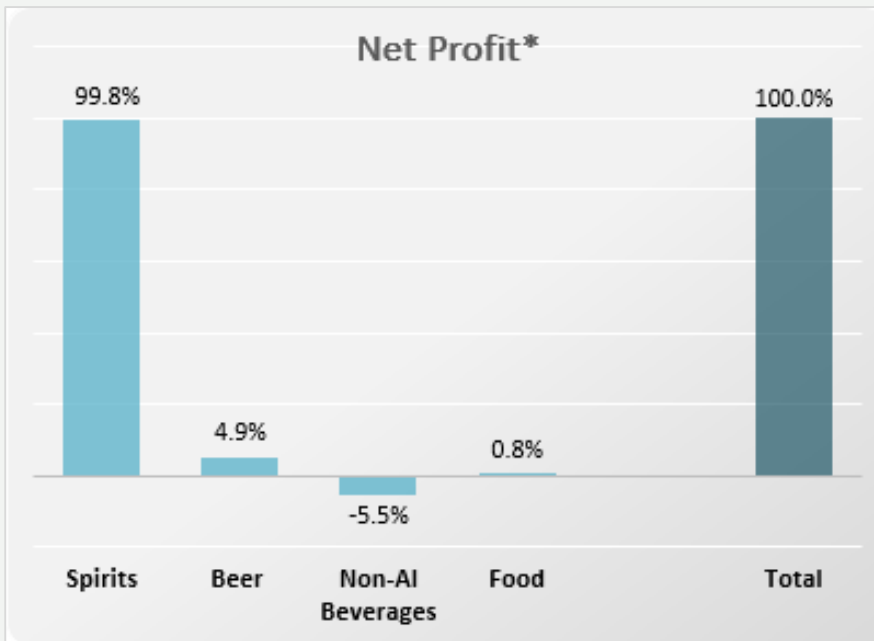


Consolidated:  
1H14 Highlights

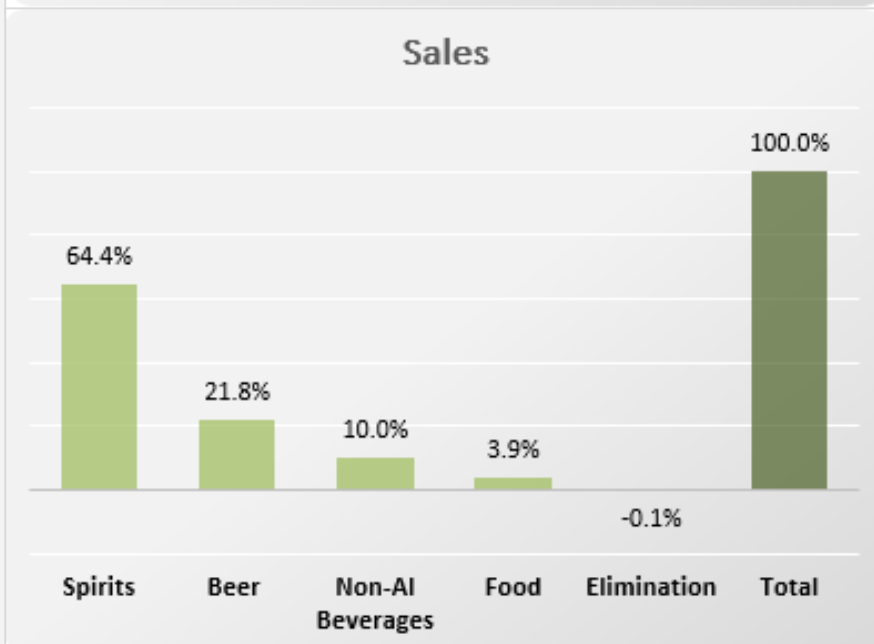
Group	ThaiBev	F&N / FCL	Total
<b>1H14</b>			
Sales	81,068	-	81,068
Gross profit	24,024	-	24,024
EBITDA	14,948	1,717	16,665
Net profit	10,308	1,111	11,419
<b>1H13</b>			
Sales	75,988	-	75,988
Gross profit	21,088	-	21,088
EBITDA	11,974	1,447	13,421
Net profit	7,830	494	8,324
<b>increase (decrease)</b>			
Sales	6.7%	-	6.7%
Gross profit	13.9%	-	13.9%
EBITDA	24.8%	18.7%	24.2%
Net profit	31.6%	124.9%	37.2%

1H14

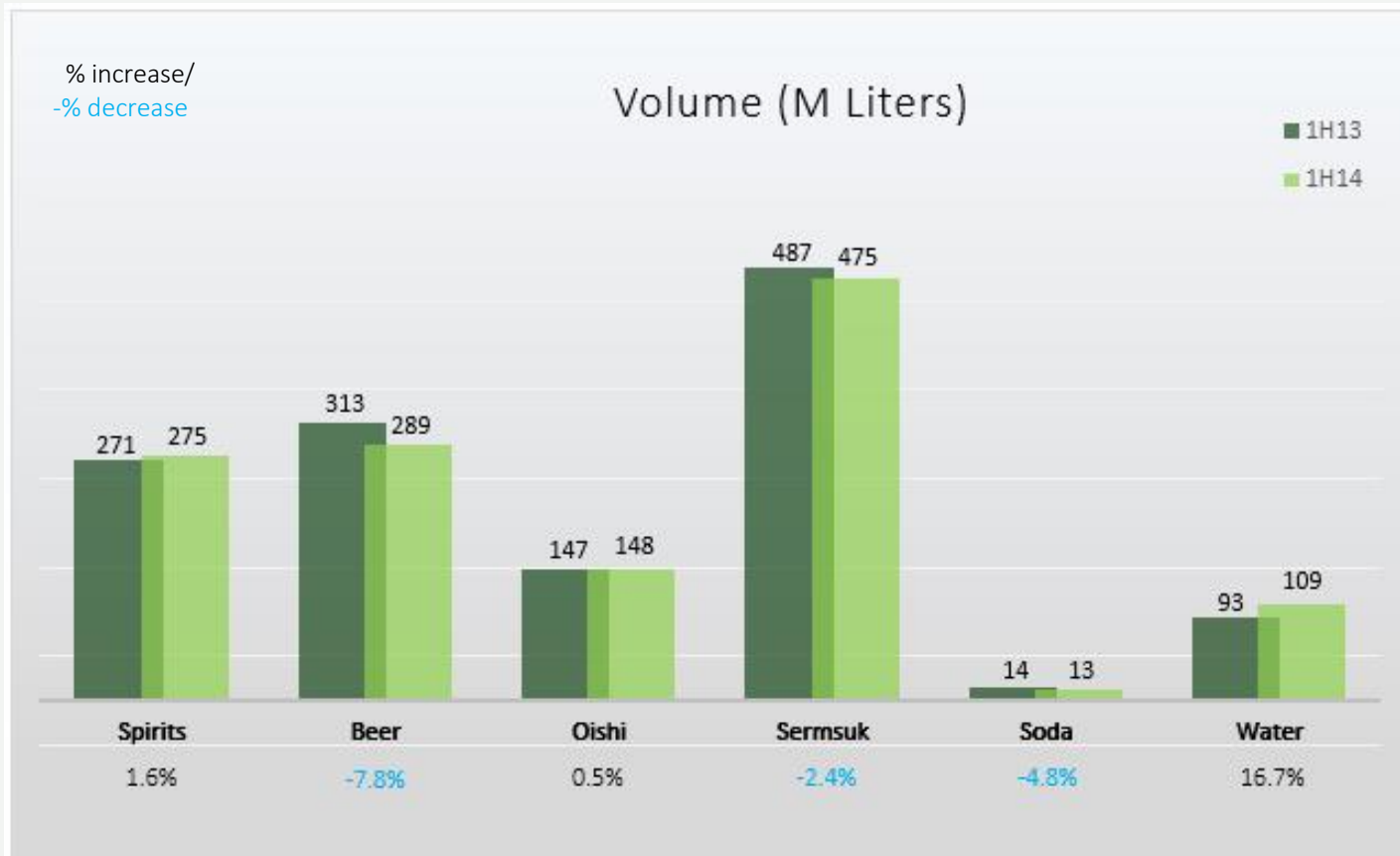
# Contribution per Business Segment



\* Exclude F&N



# Total Sales Volume



\* Only ThaiBev products

# Business Segments

# Spirits

Spirits	2Q13	2Q14	Change
Sales Revenue	22,494	25,307	12.5%
COGS	(15,274)	(16,964)	
<i>% of Sales Revenue</i>	<i>67.9%</i>	<i>67.0%</i>	
SG&A	(2,030)	(2,118)	
<i>% of Sales Revenue</i>	<i>9.0%</i>	<i>8.3%</i>	
EBITDA	5,780	6,691	15.8%
Net Profit	4,136	4,936	19.3%
<b><u>Margin*</u></b>			
EBITDA	25.7%	26.4%	
Net Profit	18.4%	19.5%	

(M Baht)

\* margins are % of sales revenue

<u>Sales Revenue</u>	UP	an increase in selling price and volume
<u>COGS (%)</u>	DOWN	sales increased at a higher rate than the increase in COGS
<u>SG&amp;A (%)</u>	DOWN	a decrease in idle cost
<u>EBITDA</u>	UP	an increase in gross profit and a decrease in idle cost
<u>Net Profit</u>	UP	an increase in EBITDA

# Spirits

Spirits	1H13	1H14	Change
Sales Revenue	46,845	52,201	11.4%
COGS	(31,829)	(34,847)	
<i>% of Sales Revenue</i>	<i>67.9%</i>	<i>66.8%</i>	
SG&A	(4,388)	(4,507)	
<i>% of Sales Revenue</i>	<i>9.3%</i>	<i>8.6%</i>	
EBITDA	11,672	13,779	18.1%
Net Profit	8,564	10,294	20.2%
<b>Margin*</b>			
EBITDA	24.9%	26.4%	
Net Profit	18.3%	19.7%	

(M Baht)

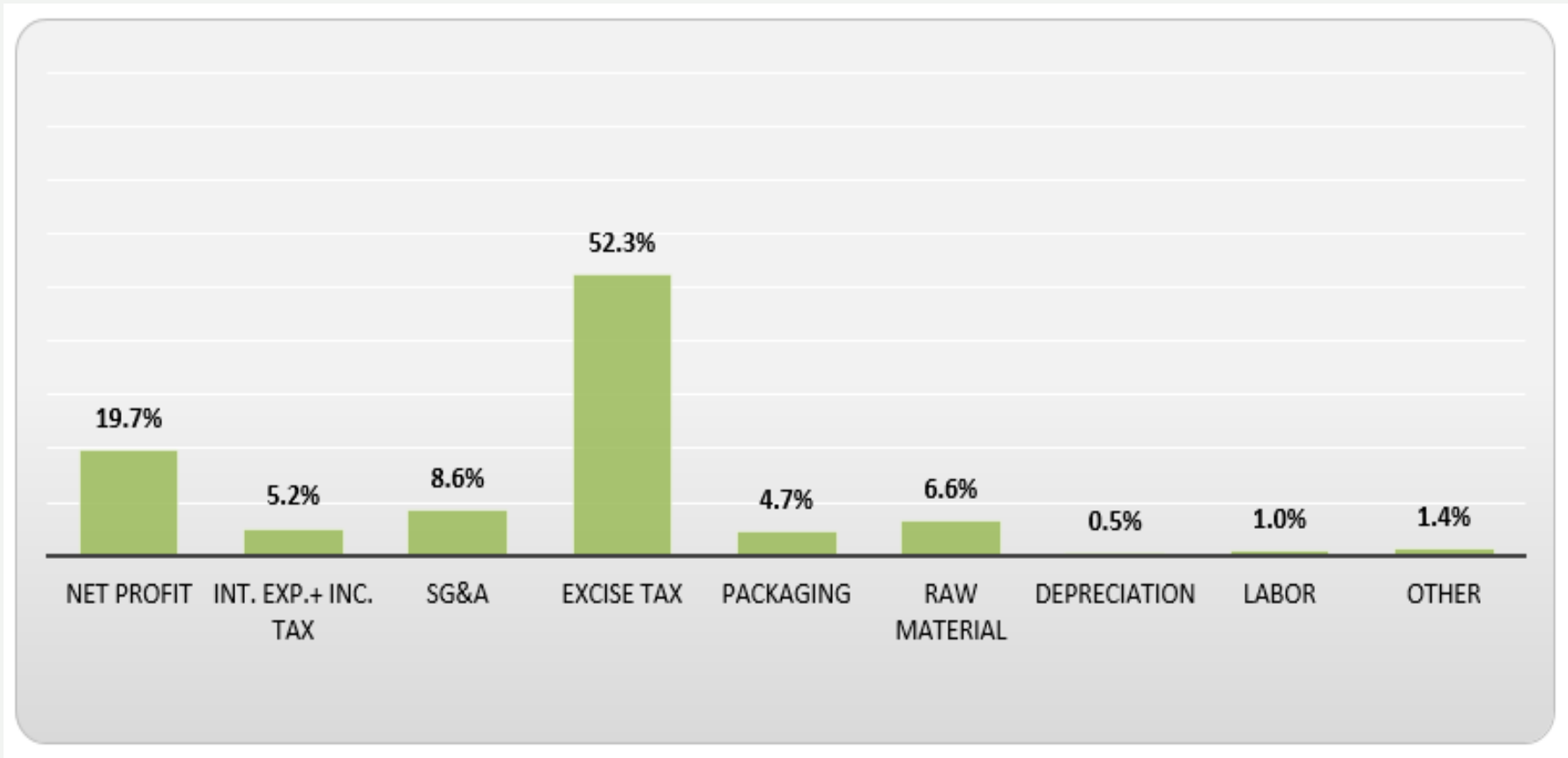
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<u>Sales Revenue</u>	UP	an increase in selling price and volume
<u>COGS (%)</u>	DOWN	sales increased at a higher rate than the increase in COGS
<u>SG&amp;A (%)</u>	DOWN	a decrease in idle cost
<u>EBITDA</u>	UP	an increase in gross profit and a decrease in idle cost
<u>Net Profit</u>	UP	an increase in EBITDA

# Spirits: Revenue-Cost Break Down

1H14

(% of total revenue)





# Beer

Beer	2Q13	2Q14	Change
Sales Revenue	7,938	8,750	10.2%
COGS	(6,761)	(7,175)	
<i>% of Sales Revenue</i>	<i>85.2%</i>	<i>82.0%</i>	
SG&A	(1,348)	(1,619)	
<i>% of Sales Revenue</i>	<i>17.0%</i>	<i>18.5%</i>	
EBITDA	65	229	252.3%
Net Profit (Loss)	(152)	81	153.3%
<b><u>Margin*</u></b>			
EBITDA	0.8%	2.6%	
Net Profit (-Loss)	-1.9%	0.9%	

*(M Baht)*

\* margins are % of sales revenue

<u>Sales Revenue</u>	UP	an increase in selling price
<u>COGS (%)</u>	DOWN	an increase in selling price and a decrease in material costs
<u>SG&amp;A (%)</u>	UP	an increase in advertising & promotion expenses
<u>EBITDA</u>	UP	an increase in gross profit although there was an increase in advertising & promotion expenses
<u>Net Profit</u>	UP	an increase in EBITDA

# Beer

Beer	1H13	1H14	Change
Sales Revenue	16,551	17,709	7.0%
COGS	(14,249)	(14,444)	
<i>% of Sales Revenue</i>	<i>86.1%</i>	<i>81.6%</i>	
SG&A	(2,663)	(2,780)	
<i>% of Sales Revenue</i>	<i>16.1%</i>	<i>15.7%</i>	
EBITDA	92	960	943.5%
Net Profit (Loss)	(259)	503	294.2%
<b>Margin*</b>			
EBITDA	0.6%	5.4%	
Net Profit (-Loss)	-1.6%	2.8%	

(M Baht)

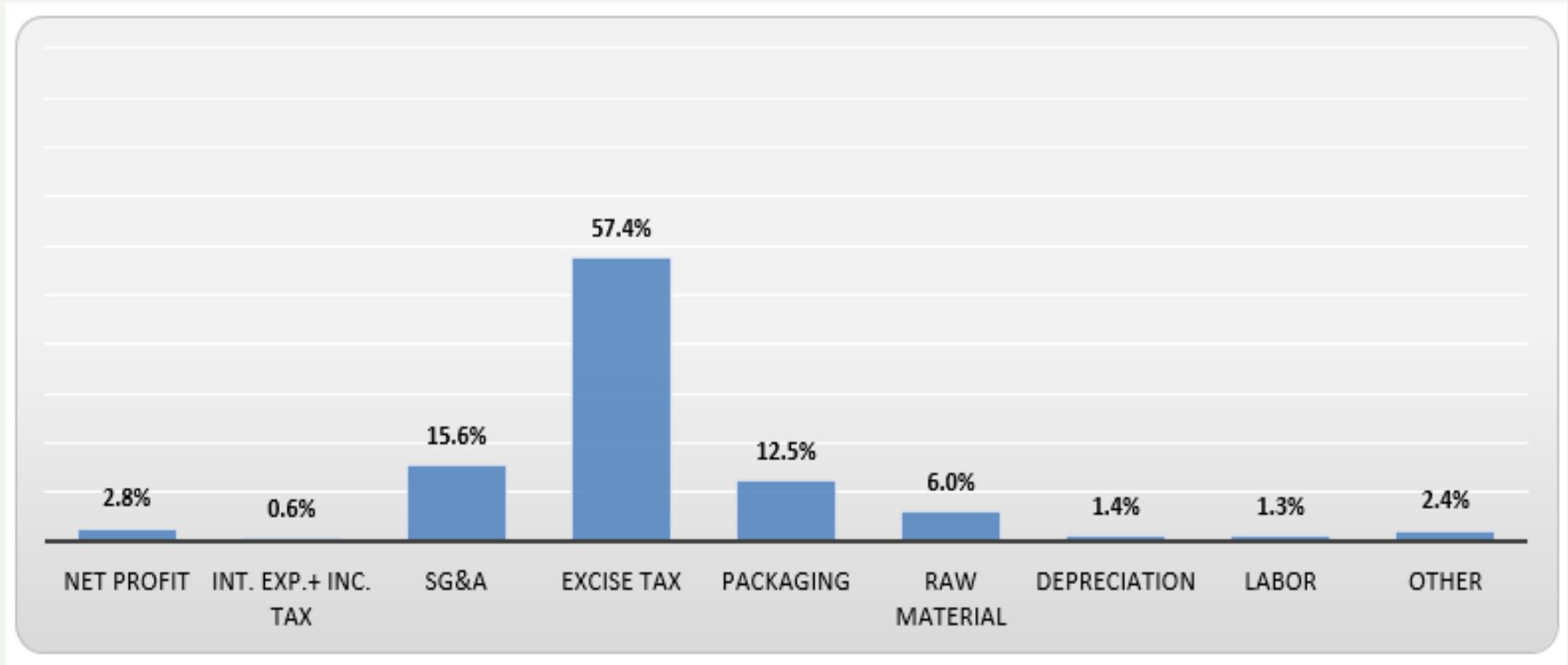
\* margins are % of sales revenue

<u>Sales Revenue</u>	UP	an increase in selling price
<u>COGS (%)</u>	DOWN	an increase in selling price and a decrease in material costs
<u>SG&amp;A (%)</u>	DOWN	sales increased at a higher rate than the increase in SG&A
<u>EBITDA</u>	UP	an increase in gross profit although there was an increase in advertising & promotion expenses and staff costs
<u>Net Profit</u>	UP	an increase in EBITDA

# Beer: Revenue-Cost Break Down

1H14

(% of total revenue)



# Non-alcohol Beverage

Non-alcohol Beverage	2Q13	2Q14	Change
Sales Revenue	4,899	4,372	-10.8%
COGS	(3,671)	(3,267)	
<i>% of Sales Revenue</i>	<i>74.9%</i>	<i>74.7%</i>	
SG&A	(1,905)	(1,673)	
<i>% of Sales Revenue</i>	<i>38.9%</i>	<i>38.3%</i>	
EBITDA (Loss)	(230)	(173)	24.8%
Net Profit (Loss)	(430)	(374)	13.0%
<b>Margin*</b>			
EBITDA (-Loss)	-4.7%	-4.0%	
Net Profit (-Loss)	-8.8%	-8.6%	

(M Baht)

\* margins are % of sales revenue

<u>Sales Revenue</u>	DOWN	a decrease in sales volume of carbonated soft drinks
<u>COGS (%)</u>	DOWN	product mix
<u>SG&amp;A (%)</u>	DOWN	a decrease in advertising & promotion expenses
<u>EBITDA (loss)</u>	DOWN	a decrease in advertising & promotion expenses
<u>Net loss</u>	DOWN	a decrease in EBITDA loss

# Non-alcohol Beverage

Non-alcohol Beverage	1H13	1H14	Change
Sales Revenue	9,656	8,076	-16.4%
COGS	(7,096)	(5,946)	
<i>% of Sales Revenue</i>	<i>73.5%</i>	<i>73.6%</i>	
SG&A	(3,503)	(3,097)	
<i>% of Sales Revenue</i>	<i>36.3%</i>	<i>38.3%</i>	
EBITDA (Loss)	(120)	(110)	8.3%
Net Profit (Loss)	(598)	(569)	4.8%
<b>Margin*</b>			
EBITDA (-Loss)	-1.2%	-1.4%	
Net Profit (-Loss)	-6.2%	-7.0%	

(M Baht)

\* margins are % of sales revenue

<u>Sales Revenue</u>	DOWN	a decrease in sales volume of carbonated soft drinks
<u>COGS (%)</u>	UP	product mix
<u>SG&amp;A (%)</u>	UP	sales decreased at a higher rate than the decrease in SG&A although there was a decrease in advertising & promotion expenses and staff costs
<u>EBITDA (loss)</u>	DOWN	an increase in other income from insurance claims by Sermsuk's associate and a decrease in advertising and promotion expenses and staff costs
<u>Net loss</u>	DOWN	a decrease in EBITDA loss

# Food

Food	2Q13	2Q14	Change	(M Baht)
Sales Revenue	1,515	1,637	8.1%	
COGS	(894)	(957)		
<i>% of Sales Revenue</i>	<i>59.0%</i>	<i>58.5%</i>		
SG&A	(585)	(649)		
<i>% of Sales Revenue</i>	<i>38.6%</i>	<i>39.6%</i>		
EBITDA	135	155	14.8%	
Net Profit	39	34	-12.8%	
<u>Margin*</u>				
EBITDA	8.9%	9.5%		
Net Profit	2.6%	2.1%		

\* margins are % of sales revenue

<u>Sales Revenue</u>	UP	an increase in number of branches
<u>COGS (%)</u>	DOWN	sales increased at a higher rate than the increase in COGS
<u>SG&amp;A (%)</u>	UP	an increase in rental costs and staff costs
<u>EBITDA</u>	UP	an increase in gross profit and a decrease in advertising & promotion expenses although there was an increase in rental costs and staff costs.
<u>Net Profit</u>	DOWN	an increase in depreciation although there was an increase in EBITDA

# Food

Food	1H13	1H14	Change
Sales Revenue	2,975	3,155	6.1%
COGS	(1,751)	(1,862)	
<i>% of Sales Revenue</i>	<i>58.9%</i>	<i>59.0%</i>	
SG&A	(1,086)	(1,211)	
<i>% of Sales Revenue</i>	<i>36.5%</i>	<i>38.4%</i>	
EBITDA	330	319	-3.3%
Net Profit	123	80	-35.0%
<u>Margin*</u>			
EBITDA	11.1%	10.1%	
Net Profit	4.1%	2.5%	

(M Baht)

\* margins are % of sales revenue

<u>Sales Revenue</u>	UP	an increase in number of branches and selling prices
<u>COGS (%)</u>	UP	an increase in food costs in accordance with more variety of foods offered and an increase in material costs, but this was under closely control
<u>SG&amp;A (%)</u>	UP	an increase in advertising and promotion expenses, rental costs and staff costs
<u>EBITDA</u>	DOWN	an increase in SG&A
<u>Net Profit</u>	DOWN	a decrease in EBITDA and an increase in depreciation

# Update: International Business

In 1H14, ThaiBev's international business reported a sales growth of 30% over 1H13 driven by the beer business.

- UK & Rest of the World
  - Sales revenue increased by 10% due to the higher sales of both Bulk Scotch whisky and Cased Scotch whisky except Cased OEM.

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- Asia exclude China
  - Sales revenue increased in the 1H14 by 19% driven by Chang Beer

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- YLQ (Chinese spirits in China)
  - Higher sales by 7% in the 1H2014 than 1H13 in which the industry is still impacted by the regulation to limit the budget for entertainment on the spending in the alcohol products in China

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- USA
  - Sales revenue increased by 11% driven by the launch of Black Mask and whisky sales of Speyburn and AnCnoc

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# Financials

# Statement of Financial Position

Statement of Financial Position	31-Dec-13	30-Jun-14	Change
<i>(Million Baht)</i>			
<b>Assets</b>			
Current assets	49,724	47,755	(1,969)
Non-current assets	133,605	128,428	(5,177)
Total assets	183,329	176,183	(7,146)
<b>Liabilities</b>			
Total liabilities	85,336	74,453	(10,883)
<b>Shareholders' Equity</b>			
Total equity	97,993	101,730	3,737

<u>Current assets</u>	DOWN	a decrease in cash and cash equivalents and trade accounts receivable
<u>Non-current assets</u>	DOWN	a decrease in overseas investment in an associate from a recognition of capital reduction
<u>Total liabilities</u>	DOWN	a decrease in loans from financial institutions
<u>Total equity</u>	UP	an increase in net retained earnings from profit for the period which deducted with dividend payment

# Interest Bearing Debt

Interest Bearing Debt	31-Dec-13	30-Jun-14
<i>(Million Baht)</i>		
<b>Current</b>		
Bank overdrafts	1,404	1,579
Short-term loans from financial institutions	763	1,245
Current portion of long-term loans	10,190	10,582
	<u>12,357</u>	<u>13,406</u>
<b>Non-current</b>		
Long-term loans from financial institutions	54,343	43,282
Long-term bonds	1,000	1,000
	<u>55,343</u>	<u>44,282</u>
<b>Total</b>	<b><u>67,700</u></b>	<b><u>57,688</u></b>
<b>Cash and cash equivalents</b>	<u>5,102</u>	<u>2,963</u>
<b>Net Interest Bearing Debt</b>	<b><u>62,598</u></b>	<b><u>54,725</u></b>

In April 2014, the Company recognized a capital reduction in cash from an associate, F&N for a net consideration of Baht 4,465 million. The proceeds were repaid to financial institutions for loans prior to maturity without penalty.

# Financial Ratios

Ratios	31-Dec-13	30-Jun-14
Current Ratio (times)	1.90	1.80
Debt to Equity Ratio (times)	0.87	0.73
Interest Bearing Debt to Equity Ratio (times)	0.69	0.57
Net interest Bearing Debt to EBITDA	2.12	1.67
Book Value per Share (Baht)	3.75	3.91
Book Value per Share (SGD)*	0.15	0.15
* exchange rate at THB 25.61: SGD 1		
Turnovers (days)	Jan-Dec 13	Jan-Jun 14
A/R Turnover	9	8
Inventory Turnover		
<u>Spirits Business</u>		
Finished Goods (exc. Legacy Stocks)	55	50
<u>Beer Business</u>		
Finished Goods	23	21

<u>Current Ratio</u>	DOWN	a decrease in cash and cash equivalents
<u>Debt to Equity Ratio</u>	DOWN	a decrease in loans from financial institutions and an increase in retained earnings
<u>Interest Bearing Debt to Equity Ratio</u>	DOWN	a decrease in loans from financial institutions and an increase in retained earnings

Note: use 365 days to calculate turnover

# Q&A