



# SAB UPDATE- HOLD

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## Company Update

Recommendation

**HOLD**

**HOSE: SAB**

**Consumer goods**

Current price (VND) **160,000**

Target price (VND) **151,247**

Expected share price return -5.5%

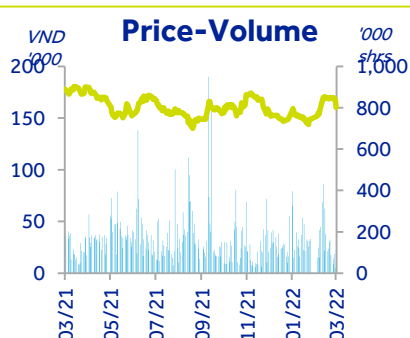
Expected dividend yield 2.2%

Expected total return **-3.3%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	8.3	13.4	8.8	-6.6
Relative	7.7	11.6	4.1	-34.9

Source: Bloomberg



## Ownership

Vietnam Beverage 53.39%

MOIT 36%

## Stock Statistics

04-Mar-22

Bloomberg code

**SAB VN**

52-week range (VND) 139,800-189,000

Shares O/S (m) 641

Mkt cap (VND bn) 102,605

Mkt cap (USD m) 4,471

Foreign room left (%) 37.3

Est. free float (m) 10.4

3m avg daily vol (shrs) 153,285

VND/USD 22,950

Index: VNIndex / HNX 1505.33/450.59

## Saigon Beer - Alcohol - Beverage Corporation (SAB VN)

**To recover in 2022 from COVID-19 negative effects – Maintain HOLD – Target Price: 151,247VND/share**

SAB announced its unaudited 2021 results with a top line of VND 26,373 bn (-5.7% YoY), while its bottom line fell 20.4% YoY, reaching VND 3,677 bn. Both top and bottom lines fell short of our expectations due mainly to the tight social distancing restrictions put in place during the third quarter of 2021 to combat the fourth, and largest up to that time, wave of COVID-19, which resulted in SAB's revenue dropping by 53% YoY in said quarter. Furthermore, a surge in commodity prices, which include SAB's raw key materials such as barley (+79%), aluminum (+40%), etc in 2021 has negatively affected the company's margins, though it was lessened by:

- (i) SAB's centralized material sourcing with Thaibev;
- (ii) SAB's production cost cutting initiatives and;
- (iii) increase product prices.

SAB's gross margin only lowered to 28.8% compared to 30.4%.

On the bright side, heavy spending on advertising has shown its results as SAB's market share increased in Q4 2021. According to SAB, as COVID-19 negatively impacted average income, thus leading people to move down to lower value segment, which is SAB's strong segment. While the data for market share is not yet available, we observed that SAB's Q4 2021 revenues increased by 14.5% YoY while Heineken's revenue, its biggest competitor, decreased in Q4 2021.

Moving to 2022, another huge outbreak has recently occurred in the North, most likely driven by the arrival of the Omicron variant to Vietnam. Currently the situation is still complicated with new infections discovered all over the country everyday. With that said, as most of the country has been fully vaccinated, the chance of another large-scale lock-down is unlikely. Thus while we expect some recover in SAB's top line but it will not reach the same level as pre-pandemic level. With regards to SAB's margins, the Russo – Ukrainian War is the key factor that will affect the company's profitability as both countries are key raw material providers for the beer supply chain (Ukraine is 2<sup>nd</sup> biggest wheat producer and Russia is 3<sup>rd</sup> biggest aluminum producer). Thus we expect SAB to be indirectly affected and its gross margin will be slightly decrease.

For 2022, we forecast with a top line of VND 31,774 bn (+20.5% YoY) and an EAT of VND 4,462 bn (+13.6% YoY). Using a combination of the DCF and P/E methods, our target price for SAB is VND 151,247/ share. Thus we maintain our **HOLD** recommendation.

	2020	2021	2022E	2023E	2024E
Net Sales (VNDbn)	27,961	26,374	31,774	37,097	41,356
Growth (%)	-26.2%	-5.7%	20.5%	16.8%	11.5%
EBITDA (VNDbn)	5,527	4,213	4,686	6,165	7,062
Growth (%)	-8.7%	-23.8%	11.2%	31.6%	14.6%
Net income (VNDbn)	4,724	3,677	4,176	5,410	6,282
Growth (%)	-6.5%	-22.1%	13.6%	29.5%	16.1%
EPS (VND)	7,133	5,549	6,302	8,163	9,480
Growth (%)	-6.5%	-22.1%	13.6%	29.5%	16.1%
ROE (%)	24.4%	17.9%	18.8%	21.9%	22.2%
ROIC (%)	14.8%	10.2%	10.7%	14.4%	16.7%
Net debt/EBITDA (x)	(2.9)	(4.7)	(4.6)	(4.1)	(4.1)
EV/EBITDA (x)	14.7	19.3	17.3	13.2	11.5
PER (x)	22.4	28.8	25.4	19.6	16.9
PBR (x)	5.1	4.8	4.4	3.9	3.4
DPS (VND)	3,500	3,500	3,500	3,500	3,500
Dividend yield (%)	2.2%	2.2%	2.2%	2.2%	2.2%

<b>SAB FINANCIALS MODEL</b>	Price (VND):	160,000	Target (VND):	151,247	Mkt cap (VND bn):	102,605
(VND bn except where stated)	2019	2020	2021	2022E	2023E	2024E
<b>Total Net Sales</b>	<b>37,899</b>	<b>27,961</b>	<b>26,374</b>	<b>31,774</b>	<b>37,097</b>	<b>41,356</b>
<i>Sales growth (%)</i>	5.4%	-26.2%	-5.7%	20.5%	16.8%	11.5%
CoGS ex-dep'n	27,774	18,877	18,236	22,191	25,215	27,921
SG&A	4,051	3,561	4,098	4,937	5,765	6,426
<i>SG&amp;A as % of sales</i>	10.7%	12.7%	15.5%	15.5%	15.5%	15.5%
<b>EBITDA</b>	<b>6,054</b>	<b>5,527</b>	<b>4,213</b>	<b>4,686</b>	<b>6,165</b>	<b>7,062</b>
<i>EBITDA margin (%)</i>	16.0%	19.8%	16.0%	14.7%	16.6%	17.1%
Depreciation	575	583	529	552	547	542
<b>Operating profit</b>	<b>5,479</b>	<b>4,944</b>	<b>3,684</b>	<b>4,134</b>	<b>5,618</b>	<b>6,520</b>
<i>Operating profit margin (%)</i>	14.5%	17.7%	14.0%	13.0%	15.1%	15.8%
Other profits/losses	12	35	77	28	29	31
Profit/Loss of investments in associates and joint ventures	378	267	173	259	259	259
Net interest expense	(817)	(866)	(923)	(1,123)	(1,285)	(1,546)
<i>as % of avg, net debt</i>	6.1%	5.5%	5.1%	5.4%	5.5%	5.7%
Interest cover (x)	(6.7)	(5.7)	(4.0)	(3.7)	(4.4)	(4.2)
Tax	1316	1175	928	1,081	1,411	1,644
<i>Effective tax rate (%)</i>	20.9%	20.2%	20.1%	20.6%	20.4%	20.4%
Minorities	317	213	252	286	371	431
<b>Net profit</b>	<b>5,053</b>	<b>4,724</b>	<b>3,677</b>	<b>4,176</b>	<b>5,410</b>	<b>6,282</b>
<i>Net profit margin (%)</i>	13.3%	16.9%	13.9%	13.1%	14.6%	15.2%
Cash earnings	5,628	5,157	4,206	4,729	5,957	6,824
Number of shares (m)	641.2	641.2	641.2	641.2	641.2	641.2
<b>EPS (VND)</b>	<b>7,557</b>	<b>7,133</b>	<b>5,549</b>	<b>6,302</b>	<b>8,163</b>	<b>9,480</b>
Bonus factor (x)	1	1	1	1	1	1
<b>Adjusted EPS (VND)</b>	<b>7,557</b>	<b>7,133</b>	<b>5,549</b>	<b>6,302</b>	<b>8,163</b>	<b>9,480</b>
<i>EPS growth (%)</i>	23.8%	-5.6%	-22.2%	13.6%	29.5%	16.1%
<b>DPS (VND)</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>
<i>Payout ratio (%)</i>	46.3%	49.1%	63.1%	55.5%	42.9%	36.9%

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E	2024E
Increase in working capital	(240)	305	(2,113)	182	(1,046)	(401)
Capex	257	444	326	291	321	328
Change in investment in affiliates	78	171	(39)	-	-	-
Other cashflow items	(343)	191	(1,299)	(484)	(531)	(771)
<b>Free cash flow</b>	<b>5,189</b>	<b>4,578</b>	<b>4,733</b>	<b>3,772</b>	<b>6,150</b>	<b>6,125</b>
Share issues	-	-	-	-	-	-
Dividends paid	1,137	3,734	1,096	2,244	2,244	2,244
Increase in net debt	(4,052)	(844)	(3,637)	(1,527)	(3,906)	(3,881)
<b>Net debt, end of year</b>	<b>(15,454)</b>	<b>(16,298)</b>	<b>(19,935)</b>	<b>-21,462</b>	<b>-25,368</b>	<b>-29,249</b>
Enterprise value	87,151	86,307	82,670	81,143	77,237	73,356
<b>Shareholders' equity</b>	<b>18,805</b>	<b>19,940</b>	<b>21,231</b>	<b>23,163</b>	<b>26,328</b>	<b>30,365</b>
BVPS (VND)	29,325	31,094	33,107	36,119	41,055	47,351
<i>Net debt / equity (%)</i>	<i>-82%</i>	<i>-82%</i>	<i>-94%</i>	<i>-93%</i>	<i>-96%</i>	<i>-96%</i>
<i>Net debt / EBITDA (x)</i>	<i>(2.6)</i>	<i>(2.9)</i>	<i>(4.7)</i>	<i>(4.6)</i>	<i>(4.1)</i>	<i>(4.1)</i>
<b>Total assets</b>	<b>26,968</b>	<b>27,377</b>	<b>30,487</b>	<b>30,891</b>	<b>30,151</b>	<b>30,307</b>

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E	2024E
<i>ROE (%)</i>	<i>29.9%</i>	<i>24.4%</i>	<i>17.9%</i>	<i>18.8%</i>	<i>21.9%</i>	<i>22%</i>
<i>ROA (%)</i>	<i>20.5%</i>	<i>17.4%</i>	<i>12.7%</i>	<i>13.6%</i>	<i>17.7%</i>	<i>20.8%</i>
<i>ROIC (%)</i>	<i>17.8%</i>	<i>14.8%</i>	<i>10.2%</i>	<i>10.7%</i>	<i>14.4%</i>	<i>16.7%</i>
<i>WACC (%)</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>
<i>EVA (%)</i>	<i>2.8%</i>	<i>-0.2%</i>	<i>-4.8%</i>	<i>-4.3%</i>	<i>-0.6%</i>	<i>1.7%</i>
<i>PER (x)</i>	<i>21.2</i>	<i>22.4</i>	<i>28.8</i>	<i>25.4</i>	<i>19.6</i>	<i>16.9</i>
<i>EV/EBITDA (x)</i>	<i>13.4</i>	<i>14.7</i>	<i>19.3</i>	<i>17.3</i>	<i>13.2</i>	<i>11.5</i>
<i>EV/FCF (x)</i>	<i>15.6</i>	<i>17.7</i>	<i>17.1</i>	<i>21.5</i>	<i>13.2</i>	<i>13.2</i>
<i>PBR (x)</i>	<i>5.5</i>	<i>5.1</i>	<i>4.8</i>	<i>4.4</i>	<i>3.9</i>	<i>3.4</i>
<i>PSR (x)</i>	<i>4.2</i>	<i>5.7</i>	<i>6.1</i>	<i>5.0</i>	<i>4.3</i>	<i>3.9</i>
<i>EV/sales (x)</i>	<i>2.1</i>	<i>2.9</i>	<i>3.1</i>	<i>2.6</i>	<i>2.2</i>	<i>2.0</i>
<i>Dividend yield (%)</i>	<i>-16.0</i>	<i>-4.7</i>	<i>4.1</i>	<i>1.3</i>	<i>1.3</i>	<i>3.1</i>

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### Our Recommendation System

**BUY:** where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

**HOLD:** where we believe it will be -15% to 15%.

**SELL:** where we believe it will be lower than -15%.

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