

## Recovery is yet to be seen

**HOLD [+9.5%]**

Updated: 08/09/23

Fair price 175,900 VND

Current price 160,600 VND

### STOCK INFORMATION

Outstanding shares (mil) 641,281,186

Free float (mil) 70.541

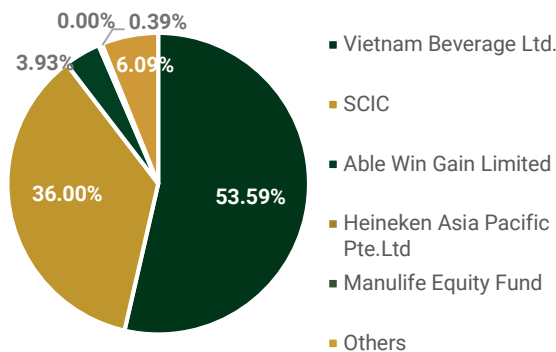
Market cap. (billion VND) 101,322

3m avg.volume (shares) 236,342

Foreign ownership (%) 62.1%

First listing date 06/12/2016

### MAJOR SHAREHOLDERS



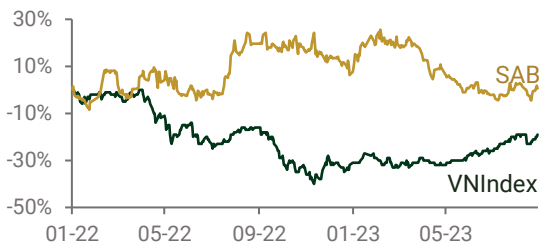
**Business result:** At the end of Q2 2023, the company achieved net revenue of 8,312 bil.VND (+33.8% QoQ, -7.7% YoY) and after-tax profit of 2,229 bil.VND (+19.8% QoQ, -30.5% YoY). The company's gross profit for the first six months of the year decreased by 16% compared to the same period, due to weak consumption and higher malt and packaging costs. The SG&A expenses-to-revenue ratio for the accumulated six-month period reached 16.6%, an increase of 374 bps compared to the same period, driven by higher spending on stimulus programs and marketing campaigns.

**Forecast:** We anticipate that the company's revenue and net profit for the year 2023 will reach 32,154 Bn.VND (-8.1% YoY) and 4,552 Bn.VND (-17.2% YoY), respectively. Marketing and promotional expenses increased significantly to cope with intense competition and weak consumer demand. Additionally, throughout the year the raw material prices have been hovering at the level higher than previous year.

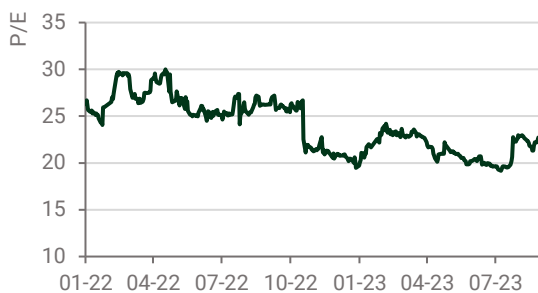
**Valuation & Recommendation:** Using DCF and Multiple methods, we derive the fair price of VND 175,900 per share. Thus, our recommendation is HOLD with a potential upside of 9.5%. Our model has reflected the base-case estimation for the next 5-year period.

**Investment risks:** (1) Weakening purchasing power due to economic downturn; (2) Fierce competition; (3) Risks of significant increases in input costs.

### PRICE MOVEMENT COMPARED TO THE INDEX



### VALUATION HISTORY



### Investment highlights:

#### Signs of recovery have not yet emerged at this time:

Sabeco's financial results have not shown clear signs of recovery. The accumulated revenue for the past nine months reached 24,555 bil.VND (-3.0% YoY). In Q2 2023, the company achieved revenue of 8,312 bil.VND (+33.8% QoQ, -7.7% YoY) and after-tax profit of 2,229 bil.VND (+19.8% QoQ, -30.5% YoY). We have examined Sabeco's historical data over several years and observed that the company's business operations are highly seasonal. Specifically, Q2 usually experiences higher revenue and profit growth compared to the previous quarter. Therefore, the current QoQ increase is likely driven by seasonal factors rather than a genuine recovery in beer consumption, which is considered a non-essential commodity. Sabeco follows a policy of procuring raw materials in advance. According to management's sharing, input material and packaging prices can be locked in 6 to 9 months ahead. For malt, the company has locked in prices for the entire year, while can prices have been locked in until Q3. As a result of purchasing raw materials in advance at higher prices at the end of last year, Sabeco's average input costs will be higher than in 2022. This is also reflected in the narrowing gross profit margin from previous year high of 34.3% to current 29.90%.

Financial indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	35,949	37,899	27,961	26,374	34,979	32,154
Net Profit (billion VND)	4,403	5,370	4,937	3,929	5,500	4,552
EPS (VND)	6,143	7,477	7,145	5,556	7,983	6,743
EPS Growth (%)	-11%	22%	-4%	-22%	44%	-16%
Book Value (VND)	23,463	29,325	31,094	33,092	36,084	39,027
P/E	37.2	29.8	29.3	25.3	19.5	25.9
P/B	10.3	8.2	6.3	4.7	4.4	4.5
Cash dividend (%)	-35.0%	-15.0%	-55.0%	-35.0%	-50.0%	-38.0%