

13 November 2023

RECOMMENDATION

BUY

Fair price	88,050 VND
Current price	61,300 VND
Upside/downside	43.6%

STOCK INFORMATION

Outstanding shares (mil)	1,282.56
Free float (mil)	141.081
Market cap. (billion VND)	80,031.89
3m avg. volume (shares)	516,329
Foreign ownership (%)	61.9%
First listing date	06/12/2016

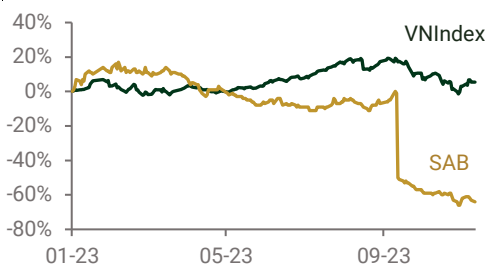
OWNERSHIP

Vietnam Beverage Ltd.	53.59%
SCIC	36.00%
Able Win Gain Ltd.	3.93%
Heineken Asia Pacific Pte. Ltd	0.39%
Quỹ đầu tư Cổ phiếu Manulife	0.00%

KEY ATTRIBUTES

EPS (VND)	3,286
BVPS (VND)	19,668
Debt/Equity (%)	0.26
ROA (%)	12.67%
ROE (%)	17.44%
P/E	18.99
P/B	3.17
Dividend yield (%)	150

PRICE PERFORMANCE



COMPANY PROFILE

SAB is a leading Beer manufacturers in Vietnam. The company mainly targets mass product segment.

ANALYST(S)

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Recovery is uncertain at the moment

- 9M YTD NPAT came to 3,289 Bn.VND (-26.0% YoY), missing our forecast by a small margin.
- Recovery might only happen in 2H2024 or worse, 1H2025.
- Stock is currently trading at a forward P/E of around 19.8x, much lower than the 5-year median of 25.6x and higher than the peer median P/E of 21.0x. We are reviewing our TP and rating.

Quarterly Analyst Meeting – 3rd Quarter Results

The actual result is fairly under our expectations – 9M YTD Revenue and NPAT reached 21,941 Bn.VND (-12.1% YoY) and 3,289 Bn.VND (-26.0% YoY), less than 9.0% and 4.7% of our latest projection, respectively.

Revenue dropped due to weak demand

Net revenue for 3Q2023 reached 7,415 Bn.VND (-14% YoY, -10.8% QoQ), this is due to the overall weak demand of the beer market resulting in lower selling volume, as expected. According to GSO number, beer output volume for the first 9 months has dropped by more than 21% YoY. We believe the downtrade trend of consumers to mass products will benefit the company.

Profit margin shrunk due to surging input price and increased SG&A expenses

Gross Profit Margin (GPM) in 3Q23 was 30.1%, decreasing by 109bps compared to the same period. High input material and packaging cost due to locked price at the beginning of the year has hurted the company's gross profit margin. The company has locked in material cost for 2023 and packaging cost until 3Q23. Although lower input cost is to be expected in the upcoming year, we forecast the company's GPM would sit at the same level in the following year due to weakening economy making it more difficult to raise the selling price (SAB had increased its selling price in April this year – by 5% according to our estimation).

SG&A expenses have increased by a staggering 22.3% as fierce competition for market share is taking place in the market. SAB must understandably raise its marketing & promotion expenses to keep up with its competitors such as Heinken and Carlsberg. We believe the competition might not end soon, not even when the economy bounces back.

Rating and TP are under review:

Our current rating for SAB is BUY with TP of VND88,050 (upside: 43.6%). We are reviewing our rating and TP on SAB. 3Q23 results did not stray too far from our projections, however, due to the lackluster landscape of the economy and the fierce competition taking place in the beer industry, we might have to factor in a more conservative outlook for the upcoming year.

Financial Results	3Q23	3Q22	%YoY	9M23	9M22	%YoY
Net revenue (VNDbn)	7,415	8,635	-14.1%	21,941	24,950	-12.1%
Gross profit (VNDbn)	2,233	2,694	-17.1%	6,636	7,957	-16.6%
SG&A (VNDbn)	1,317	1,363	-3.4%	3,727	3,460	7.7%
Net Profit (VNDbn)	1,074	1,395	-23.0%	3,289	4,424	-25.7%