

3 Nov 2022

Sabeco (SAB)

AM Briefing: Strong earnings growth

On November 2, we attended SAB's analyst meeting briefing on its 3Q22 business results and 4Q22F and 2023F prospects.

Earnings grew strongly yoy but decreased slightly qoq

- Overall, SAB recorded a solid 3Q22 business results with a VND8.6tn revenue (+101% yoy), and VND1.3tn NPAT-MI (+202% yoy) due to a significant low base in 3Q21 when applying lock down measures. For 9M22, SAB revenue and NPAT-MI went up by 44% yoy and 77% yoy to VND25tn and VND4.2tn, respectively, fulfilling 72%/91% of guidance.
- However, 3Q22 revenue decreased slightly by 4.1% qoq due to high base in Q2 which had Seagame event and impressive strong consumption recovery after the full reopening of social activities.

Gross margin suppressed qoq

- The gross margin of SAB in 3Q22 improved by 4.5p% yoy but it suppressed by 3.1%p qoq to 31.2% because SAB hedged material input prices for six to nine months with high prices although SAB continued to improve production efficiency in 3Q22.
- Per management, FX surging affected partially on the import input prices.
- SG&A/ Revenue ratio expanded by 2.7p% qoq to 15.8% due to higher advertising cost to enhance its brands, especially in premium segment. SAB boosted promoting its Saigon Chill brand and launched Saigon Coffee and Lac Viet Beer brands through marketing campaigns with music festivals nationwide in 3Q22.
- Management of SAB expects a double-digit volume growth for full-year 2022 and high single-digit growth in 2023.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	34,193	35,949	37,899	27,961	26,374
chg. (% YoY)	12.2	5.1	5.4	(26.2)	(5.7)
Operating profit (VND bn)	5,118	4,440	5,500	4,940	3,510
Net profit (VND bn)	4,711	4,177	5,053	4,724	3,677
EPS (VND)	7,402	6,563	7,760	7,565	5,767
chg. (% YoY)	9.4	(11.3)	18.2	(2.5)	(23.8)
EBITDA (VND bn)	5,744	5,075	6,147	5,534	4,068
PE (x)	24.8	28.0	23.6	24.3	31.8
EV/EBITDA (x)	0.6	1.6	2.6	2.6	2.6
PB (x)	8.2	7.3	5.9	5.5	5.2
ROE (%)	37.0	28.8	29.7	23.9	17.9
Dividend yield (%)	0.9	3.3	1.0	3.2	0.9

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

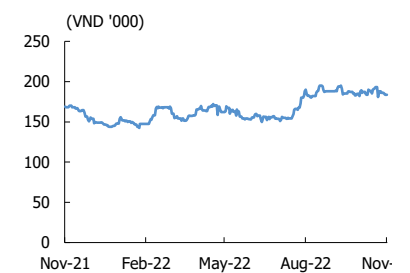
Stock Data

VNIndex (03 Nov, pt)	1,023
Stock price (03 Nov, VND)	183,500
Market cap (USD mn)	4,737
Shares outstanding (mn)	641
52-Week high/low (VND)	195,000/142,417
6M avg. daily turnover (USD mn)	1.06
Free float / Foreign ownership (%)	10.4/62.7
Major shareholders (%)	
Vietnam Beverage Company Limited	53.59
SCIC	36.00

Performance

	1M	6M	12M
Absolute (%)	0.7	13.2	8.7
Relative to VNIndex (%p)	6.4	37.6	36.8

Stock price trend



Source: Bloomberg

Hoang Phung

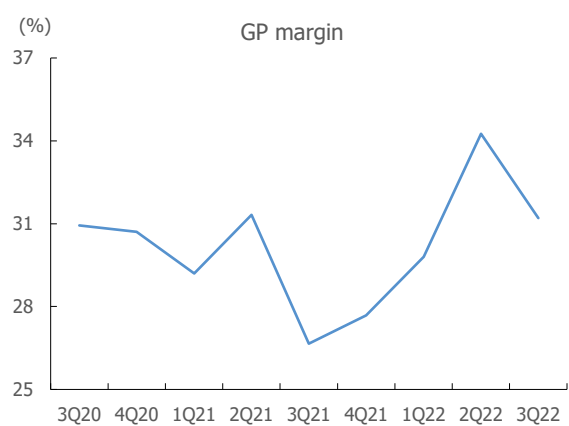
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Table 1. 3Q22 earnings

	3Q21	4Q21	1Q22	2Q22	3Q22	% qoq	% yoy
Sales	4,282	9,004	7,306	9,008	8,635	(4.1)	101.6
Gross profit	1,142	2,492	2,177	3,086	2,694	(12.7)	136.0
GP margin	26.7	27.7	29.8	34.3	31.2	(3.1)	4.5
Operating profit	374	1,374	1,257	1,909	1,331	(8.5)	256.0
OP margin	8.7	15.3	17.2	21.2	15.4	(5.8)	6.7
EBT	599	1,723	1,532	2,205	1,717	(22.1)	186.7
NP	444	1,314	1,171	1,668	1,342	(19.5)	202.3

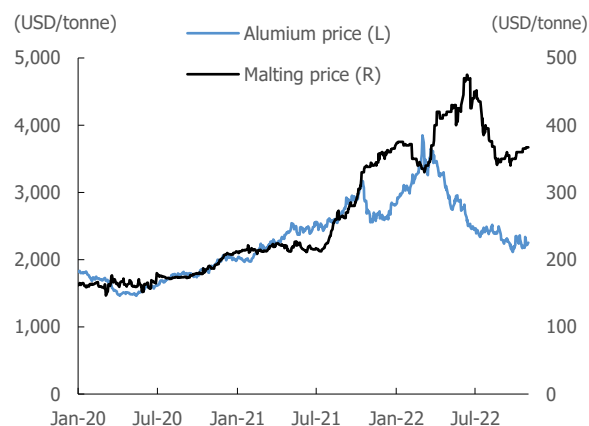
Source: Company data, KIS Research

Figure 1. SAB's gross margin subdued qoq



Source: Bloomberg, KIS Research

Figure 2. Beer's raw material future prices eased



Source: Bloomberg, KIS Research

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- Sell: Expected total return will be -5% or less
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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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Prepared by: Hoang Phung

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