August 18th, 2023

Shinhan Securities



Saigon Beer - Alcohol - Beverage Corporation (SAB VN)

[Vietnam / Food and beverages]

Bloomberg Ticker (SAB VN) | Reuters Ticker (SAB.HM)

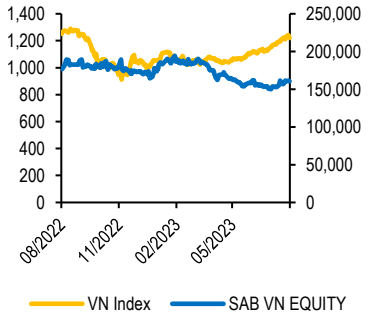
BUY

Initiation Coverage

Target price (12 months)	**VND182,700**
Current price (17/08/23)	VND 155,700
Upside/downside	17%

VNINDEX	1,233
P/E market (22F, x)	12.4
Market Cap (bn VND)	99,847.5
Outstanding shares (mn)	641
Free-Floating (mn)	67
52-Wk High/Low (VND)	203,000 /150,000
90-day avg. trading volume (mn)	0.16
90-day avg. turnover (bn VND)	24
Foreign ownership (%)	n.a
Major shareholders (%) Vietnam Beverage Company Limited	54
Ministry of Industry and Trade	36

Performance	3T	6T	12T
Absolute (%)	-4.2	-16.8	-17.4
Relative to VN-Index (%)	-19.6	-33.2	-14.2



Source: Bloomberg

Trang Vo – Analyst

☎ (84-28) 6299-7751
✉ trang.vo@shinhan.com

Ly Bui – Head of Research

☎ (84-28) 6299-8029
✉ ly.btt@shinhan.com





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Going through the drunkenness

Initiate coverage with BUY call and target price at VND 182,700

Saigon Beer - Alcohol - Beverage Corporation (HOSE: SAB) is the second largest beer producer in Vietnam with a market share of 34%. Based on FCFF and PE methods, we recommend buy SAB with a target price of VND 182,700. The revenue and NPAT of SAB will increase in the future because: (1) Young population and growing middle class contribute to promoting beer consumption; (2) The recovery of tourism and the return of football tournaments stimulate beer consumption; and (3) Strong financial position, maintaining a stable dividend.

Young population and growing middle class contribute to promoting beer consumption

Vietnam is among the top 10 largest beer-consuming countries in the world, accounting for 2.2% of global consumption thanks to its young population structure. The golden population period is forecasted to last until 2038. Therefore, we expect SAB to continue to benefit from it due to being the second-largest beer producer in Vietnam. Along with the increase in income, the demand for the premium segment grew by 12.8% (higher than the industry average of 4%). With an increased presence in this segment, we forecast beer volume to grow by 6%/year and gross margin to improve around 35-36% during 2024F -2028F.

The recovery of tourism and the return of football tournaments stimulate beer consumption

We expect the recovery of tourism to contribute to boost SAB's revenue as (1) about 45% of visitors come from China and Japan - two countries in the top 10 beer consumers in the world; and (2) tourism promotes employment and service sector income, indirectly boosting beer spending. In addition, football tournaments are also one of the factors to increase revenue for the beer industry in Vietnam. Therefore, two football tournaments AFF Cup and UEFA taking place in 2024 can help beer consumption flourish.

Strong financial position, maintaining a stable dividend

The debt/equity ratio of SAB is at 0.04x, equaling only 1/10 compared to other beer and wine companies in Asia. Liquidity ratios have improved over the years. For 6 months of 2023, the current and quick ratios are at 3x. In addition, the company maintains a high dividend payout ratio of 60-80%.

Risk: (1) Risk of increased price of imported raw materials; (2) Risk of weak demand in the short term; (3) Risk of special consumption tax (SCT); (4) Policy risks.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**34,979**	**32,247**	**37,479**	**38,153**	**42,884**
OP (bn VND)	5,498	4,854	5,706	5,964	7,086
NP (bn VND)	**5,500**	**4,956**	**5,815**	**6,031**	**7,039**
EPS (VND)	7,980	7,050	8,354	8,666	10,151
BPS (VND)	36,083	38,419	41,430	44,514	48,084
OPM	15.7	15.1	15.2	15.6	16.5
NPM	15.7	15.4	15.5	15.8	16.4
ROE	**22.4**	**18.8**	**20.3**	**19.5**	**20.9**
PER (x)	19.5	25.9	21.9	21.1	18.0
PBR (x)	4.3	4.8	4.4	4.1	3.8
EV/EBITDA (x)	11.7	15.8	13.6	13.1	11.3

Source: Company data, Shinhan Securities Vietnam

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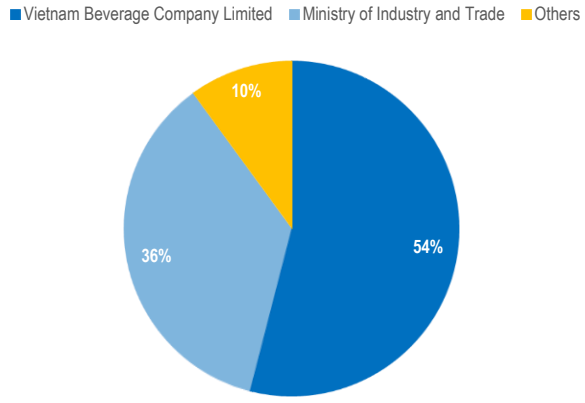
Company background

1. History of development

Saigon Beer - Alcohol - Beverage Corporation (HOSE: SAB) was originally a small brewery founded by the French in Saigon in 1875. By 2016, SAB was officially listed on HOSE. Over 145 years of history, Sabeco has brought Vietnamese beer to 38 countries and territories.

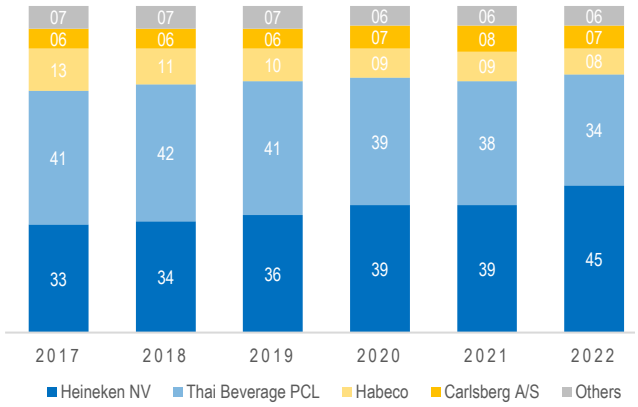
2017 marked a historic milestone for SAB when ThaiBev successfully acquired SAB with a value of up to USD 4.8 billion through Vietnam Beverage. This was the record deal of the Asian beer industry made up to that time. After the acquisition, SAB continued to grow and achieved revenue of up to VND 37,999 billion in 2019, before being affected by the Covid-19 pandemic and Decree 100/2019/ND-CP on penalties for alcohol content violations.

SAB's ownership structure at 12/07/2023



Source: Company data, Shinhan Securities Vietnam

Market share of beer in Vietnam



Source: Euromonitor, Shinhan Securities Vietnam

SAB is one of the two leading enterprises in the beer industry in Vietnam. SAB's market share began to shrink from 2019 due to the expansion of Heniken Brewery. Heniken continuously launches new products such as Heniken Silver, Heniken zero-alcohol. Compared to competitors dominating the leading market share, SAB has the advantage of Vietnamese brands. Specifically, SAB is widely recognized through its product from mid-priced to premium with Vietnamese flavors such as 333 beer, Saigon Chill beer. Researching and launching high-end product lines helps businesses maintain their position and expand their market share.

2. Segments and products

The beer industry is divided into 4 segments: economy, standard, premium, and super-premium based on taste, quality, and price.

- Economy segment: Customers are mainly low-middle-class people with prices of less than 30,000 VND/liter (equivalent to 10,000 - 12,000 VND/can). Two prominent brands in this segment include Huda and Larue. There is also "bia hơi", which is produced mainly at home and distributed at restaurants and small eateries in rural and near-urban areas.

- Standard segment: Mainly middle-income workers with prices from 30,000 VND - 40,000 VND/liter. Major players in this segment include Habeco, Sabeco, Heineken, and Carlsberg. Products in the popular segment are widely distributed from urban to rural areas through on-trade and off-trade channels.

- Premium and super-premium segments: customers are mainly high-middle-income consumers with the selling price of about 40,000 VND/liter. The number of companies dominating the market share in this segment is not much, of which Heniken with Heineken and Tiger has a market share of about 68% and followed by Sabeco with Saigon Chill and Saigon Gold. Products in this segment are distributed mainly through on-trade channels at restaurants and hotels. However, with effective brand recognition and over a long period, high-end products of Heniken and Sabeco in this segment have reached consumers in both rural areas and in pubs.

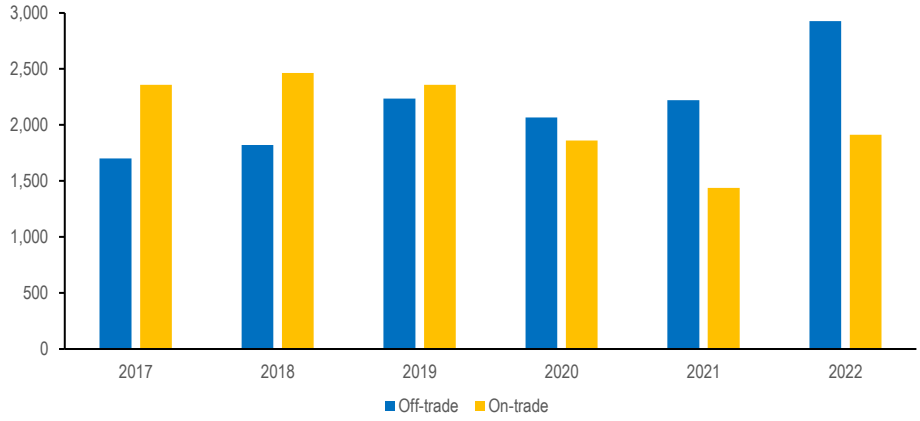
No.	Company	Target market	Main segments	Price (VND/can)	Products
1	Sabeco (SAB)	Southern Vietnam	Standard and premium	12,000 - 22,000	Saigon Export, Saigon Chill, Saigon Special Sleek, Saigon Gold
2	Habeco (BHN)	Northern Vietnam	Economy and standard	11,500 - 15,000	Hanoi Bold, Hanoi Light, bia hoi Hanoi, Hanoi Premium
3	Heniken	Central and Southern Vietnam	Standard and premium	15,000 - 22,000	Heniken Silver, Heniken Zero, Tiger Platinum
4	Carlsberg	Central Vietnam	Standard and premium	20,000 -21,000	Carlsberg Danish Pilsner

Source: Company data, Shinhan Securities Vietnam

In general, according to the increase in income, consumers tend to move from the affordable segment to the standard segment and from the standard segment to the premium segment. According to Euromonitor, premium beer is forecasted to grow at a compound rate of 12.7% in the period 2021-2026, higher than the growth of beer industry, at only 4%.

3. Distribution channels

Volume of beer by sales channels (million liters)



Source: Euromonitor, Shinhan Securities Vietnam

Regarding distribution channels, beer is consumed through two channels: on-trade consumption at pubs, restaurants, and hotels; and off-trade distribution channels at supermarkets, convenience stores and agents. Due to the collective culture, Vietnamese people prefer to consume beer at pubs. Therefore, before 2019, on-site consumption is the main beer distribution channel. However, with the development of e-commerce, the outbreak of the Covid-19 epidemic and Decree 100 on penalties for alcohol content violations, many businesses such as SAB and Heniken have launched online sales from 2021 to compensate partially the decrease in revenue at pubs and restaurants. Since then, the off-trade channel has surpassed the on-trade channel to become the main sales channel.

We expect the on-trade channel to be revived from 2024 thanks to the recovery in consumption, and at the same time, the off-trade channel will continue to grow as the decree on alcohol violations causes some consumers to switch to consume more at home.

Regarding the distribution system, Sabeco currently owns 26 breweries with a capacity of 2.4 billion liters/year and 11 trading companies nationwide, outperforming Heniken with only 6 breweries and 8 sales offices. The extensive distribution network from North to South is Sabeco's strength, helping to access pubs and restaurants on the on-trade channel. With the off-trade channel, Sabeco is currently present at convenience stores and many e-commerce sites from Tiki to Bach Hoa Xanh.

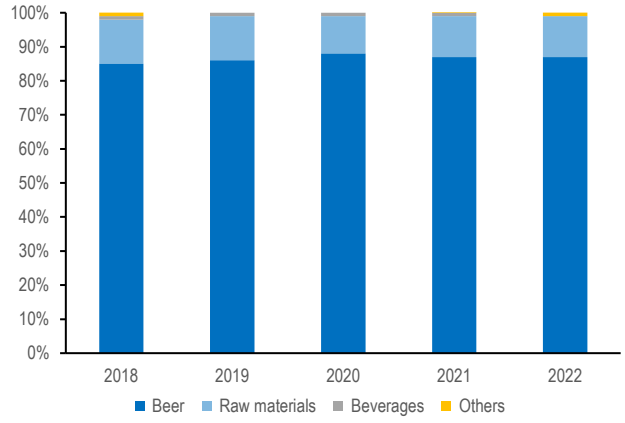
4. Structure of revenue, gross profit and operating expenses

Beer is SAB's main product, accounting for nearly 90% of revenue and 98% of gross profit. Sabeco mainly produces beer in two segments: standard and premium. The gross profit margin of the beer segment has improved over the years, from 27% in 2018 to 35% in 2022.

The packaging and materials segment is the packaging and input materials for beer, which are mainly traded with related parties. Therefore, although accounting for more than 10% of revenue, the gross profit margin for this segment is very low, only about 1%.

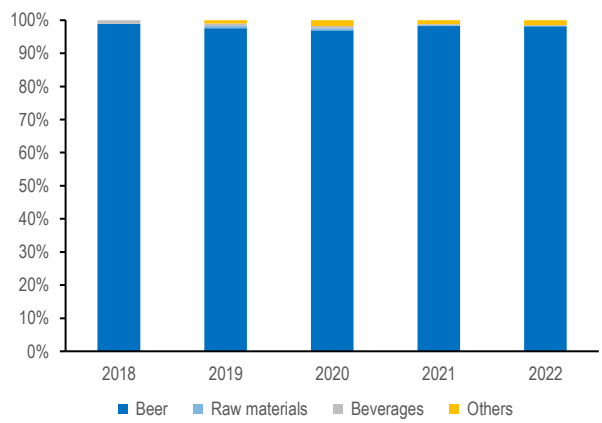
Beverages include carbonated water products and purified water. Although the average gross profit margin is at 25%, this segment's revenue only contributes a very small proportion (1% of total revenue).

SAB's revenue structure



Source: Company data, Shinhan Securities Vietnam

SAB's gross margin structure

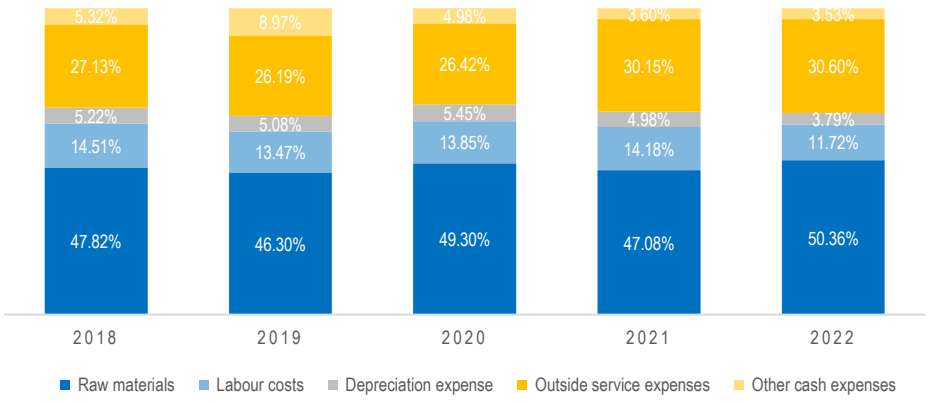


Source: Company data, Shinhan Securities Vietnam

In the operating cost structure, the cost of raw materials has the highest proportion, with about 46-50% of the total operating costs of the enterprise. In which, input materials including barley, hops and aluminum determine 38% of the cost of good sold and are imported by enterprises. Depending on the type, normally, enterprises make pre-clamation of raw materials from 6-9 months. Macro fluctuations such as the Russia-Ukraine war pushed raw material prices up in 2022. However, the pre-ordering of raw materials from 2021 contributed to improving the 2022 gross profit margin of the beer segment to 35%, the highest in the past 10 years.

External expenses are mainly composed of selling expenses. Selling expenses in food and beverage businesses often account for a high proportion because of the increasingly fierce competition in this field. Therefore, brand recognition is one of the important factors to maintain revenue and market share. At Sabeco, selling expenses at SAB remained around 12% of revenue.

SAB's operating costs structure



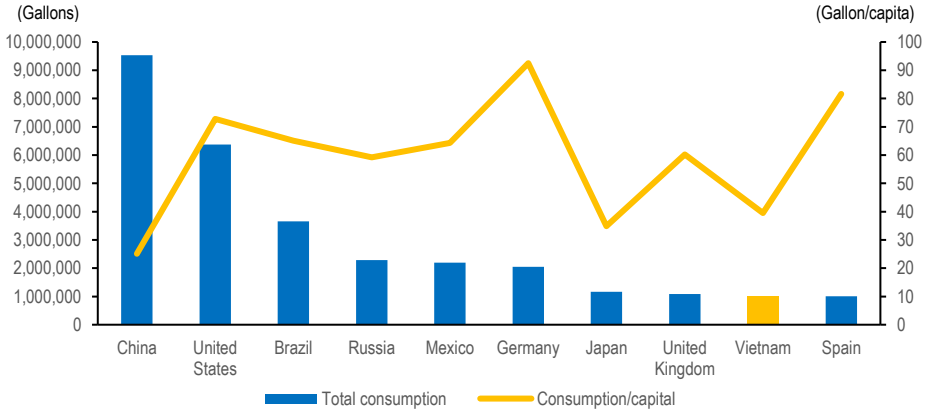
Source: Company data, Shinhan Securities Vietnam

Investment theses & Catalyts

1. Young population and growing middle class contribute to promoting beer consumption

According to World Population Review, Vietnam is in the top 10 largest beer consuming countries in the world. Specifically, beer consumption in Vietnam accounts for 2.2% of total world consumption. However, the level of beer consumption per capita in Vietnam is only 67% compared to the average of the 10 largest beer consuming countries in the world. Therefore, we believe that Vietnam is still an attractive beer consumption market.

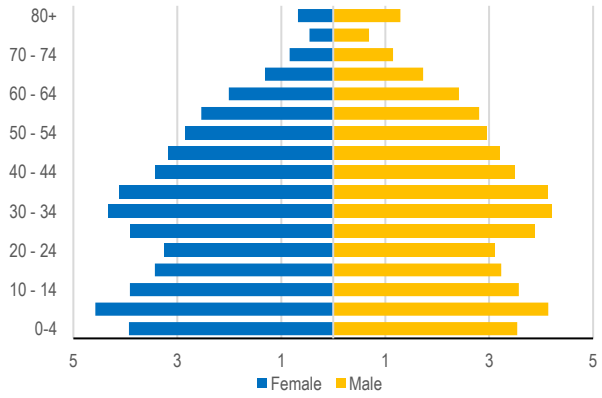
10 largest beer consumption countries in the world (2020)



Source: World Population Review, Shinhan Securities Vietnam

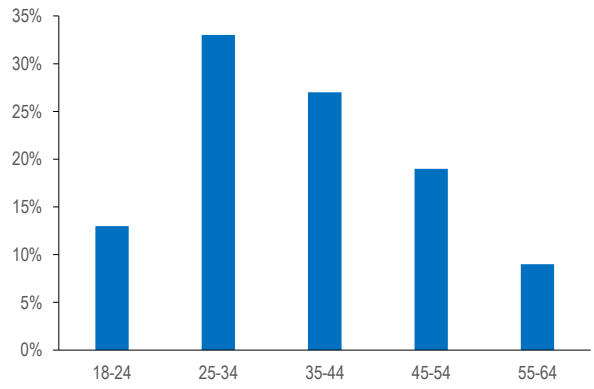
The growth of the beer industry in Vietnam is closely tied to demographics. According to General Statistics Office of Vietnam, Vietnam is still in the golden population period and is forecasted to last until 2038 with the average age at 34 years old. According to Statista statistics in 2021, beer consumption among adults and middle-aged adults (aged 25-44) accounts for 60% of total beer consumption. This is the age group that often participates in many social activities such as parties, gatherings and special occasions. Especially after the Covid-19 pandemic, the demand for connectivity increased, combined with the 2022 World Cup season, SAB's revenue increased by 33% compared to 2021, to the level before the pandemic. We expect that, with the current golden population structure and post-epidemic recovery, the output of standard beer in the beer industry in general will still grow at an average rate of 4% in the next 5 years.

Vietnam population pyramid in 2021



Source: danso.org, Shinhan Securities Vietnam

Beer consumption by age (2021)

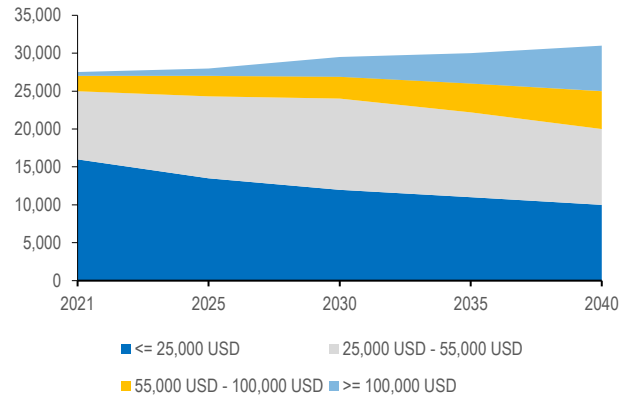


Source: Statista, Shinhan Securities Vietnam

According to Euromonitor, the average household income has increased over the years. By 2040, only about 32% of households will have an income of less than $25,000/year, compared with 58% in 2021. Along with the increase in income, the demand for premium beer will increase.

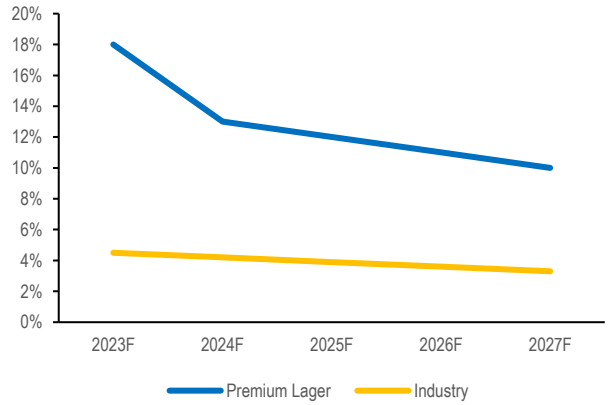
According to Euromonitor, the average growth rate of the premium segment is forecasted to reach 12.7% in the period 2021 - 2026, higher than the industry average (4%). In the premium beer segment, Tiger and Heniken are dominating the market with a total market share of more than 60%. In recent years, SAB has also increased its presence in this segment through the launch of premium products such as Saigon Gold (2017), Saigon Chill (2020). The increase in revenue in this segment contributes to the improvement of gross profit margin. Therefore, from 2024F to 2028F, we expect Sabeco's output to grow at an average rate of 6%/year, higher than the industry average, and gross profit margin to improve around 35%.

Forecast of income growth to the year of 2040



Source: EuroMonitor, Shinhan Securities Vietnam

The growth of premium lager and beer industry



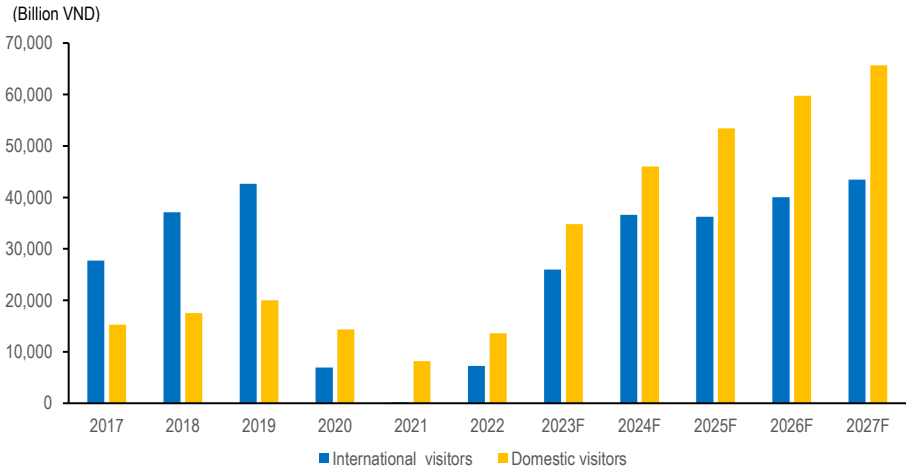
Nguồn: FitchSolutions, Euromonitor, Shinhan Securities Vietnam

2. The recovery of tourism and the return of football tournaments stimulate beer consumption

Nearly 50% of beer is consumed through on-trade channels such as restaurants, hotels, bars and pubs. Therefore, the number of tourists visiting these entertainment venues also affects beer consumption through:

- Directly increasing beer consumption at restaurants, hotels and bars: Euromonitor forecasts that the number of international tourists to Vietnam will reach 18.6 million in 2027 with a compound growth rate of 10%/year, of which, about 45% of visitors come from China and Japan - 2 countries in the top 10 beer consumption of the world. Visitors to Vietnam tend to seek and enjoy local drinks more. As a result, Sabeco – characterized as a Vietnamese beer – can benefit from this demand in the next five years.
- The recovery of tourism contributes to promoting employment and increasing income for service workers (According to the General Statistics Office of Vietnam, as of June 2023, about 40% of work force are working in this field). Therefore, we expect the prosperity of the tourism industry to also lead to an increase in income and indirectly boost spending of Vietnamese people on non-essential goods such as beer.

Consumption of domestic food and beverages by international and domestic visitors

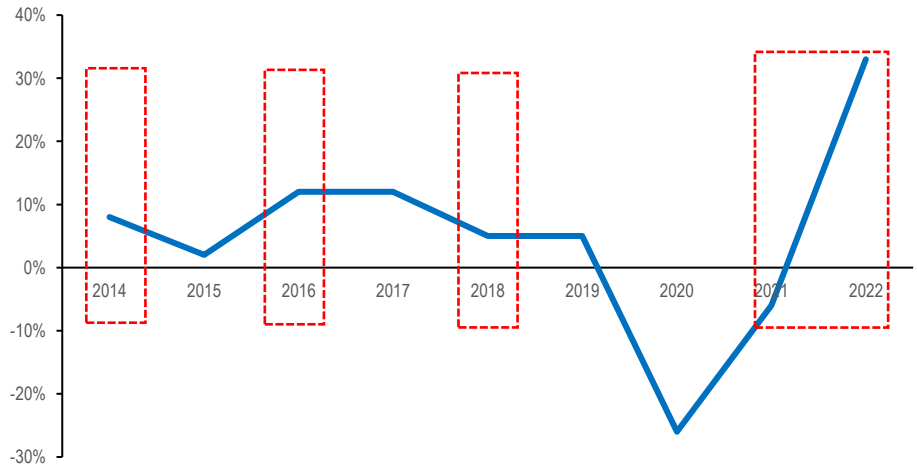


Source: Euromonitor, Shinhan Securities Vietnam

One of the revenue growth factors for SAB is the occurence of football tournaments (except for 2 years of Covid in 2020-2021). 3 largest football tournaments watched by many Vietnamese include the FIFA World Cup, UEFA European Championship (UEFA Euro), ASEAN Football Federation Championship (AFF Cup). During the years of these football tournaments, Vietnamese fans often gathered, drank beer and watched football. Therefore, beer sales usually increased in these years. Among them, the UEFA Euro and AFF Cup in 2016 boosted beer sales by 12.2%, and the World Cup and AFF Cup in 2022 increased by 32.6%, bringing revenue to pre-epidemic levels.

We expect that in 2024, AFF Cup and UEFA Euro tournaments will bring beer consumption to prosper while in 2023, demand is still weak.

SAB's beer revenue growth in years with football tournaments

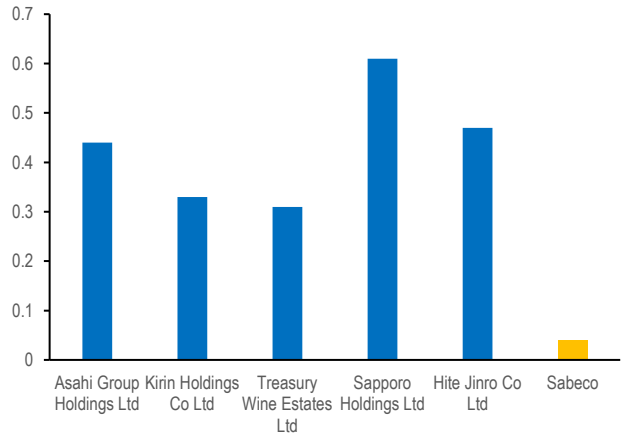


Source: Company data, Shinhan Securities Vietnam

3. Strong financial position, maintaining a stable dividend

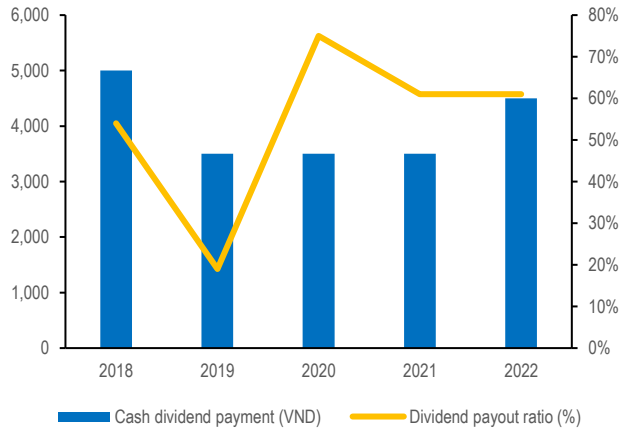
SAB is one of two largest beer producers in Vietnam. SAB's debt-to-equity ratio is low, equaling only 1/10 of the average ratio of large Asian beer and wine businesses. SAB's debt is mainly short-term debt to finance the working capital of the business. Therefore, fluctuations in interest rates have little impact on business results of enterprises.

Debt-to-equity structure of alcohol enterprises in Asia



Source: Fiinpro, Shinhan Securities Vietnam

Cash dividend payment per share and dividend payout ratio

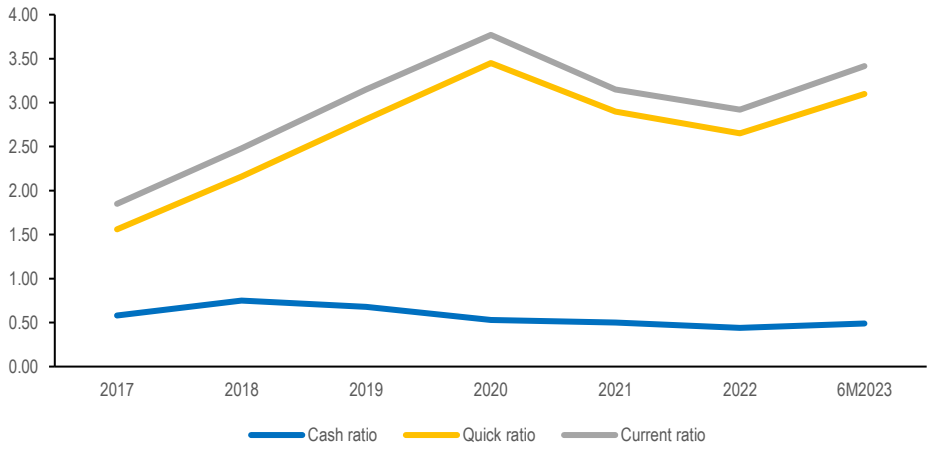


Source: Fiinpro, Shinhan Securities Vietnam

SAB maintained a steady cash dividend payment over the years at VND 3,500 to VND 5,000 per share, with a cash dividend payout ratio of 60-80% over the past three years. Currently, SAB has not implemented a large project, therefore, we expect the company will continue to maintain this dividend level in the future.

Besides, the ratios of cash ratio, quick ratio and current ratio in the first 6 months of 2023 are all improved compared to 2022. Specifically, the quick and current ratios are at 3x, equivalent to 2020; showing that the business has ability to pay short-term debts. On the other hand, having an abundant amount of cash and low loan amount shows that enterprises have enough potential to carry out investment projects.

SAB's liquidity ratios



Source: Company data, Shinhan Securities Vietnam

Earning estimates

In the first 6 months of 2023, SAB's net revenue reached VND 14,621 billion (-11% YoY), NPAT reached VND 2,214 billion (-27% YoY). In which, selling and administrative expenses increased by 15% and 16%, respectively. At the end of the second quarter, SAB completed 36% of the annual revenue plan and 38.3% of the profit plan.

In 2023, we forecast the Corporation's revenue to reach VND 32,247 billion (-7.81% YoY). In which, revenue from the beer segment will fall by 10% to VND 27,369 billion. The volume is expected to reduce by 15% due to the absence of football tournaments such as 2022 and weak demand in the first half of 2023, selling price increases by 5% YoY to offset against the increase in the price of input materials. Ending 2023, NPAT is estimated to drop by 10% to VND 4,956 billion.

In 2024, we expect the Corporation's revenue to prosper thanks to the AFF Cup and AEFA Euro football tournaments along with a recovery in consumption. At the end of the year, the Corporation's revenue is expected to reach VND 37.479 billion (+16.22% YoY). In which, beer revenue will increase by 18% thanks to 15% increase in volume and 3% increase in selling price. NPAT will increase by 17.33% to VND 5,815 billion.

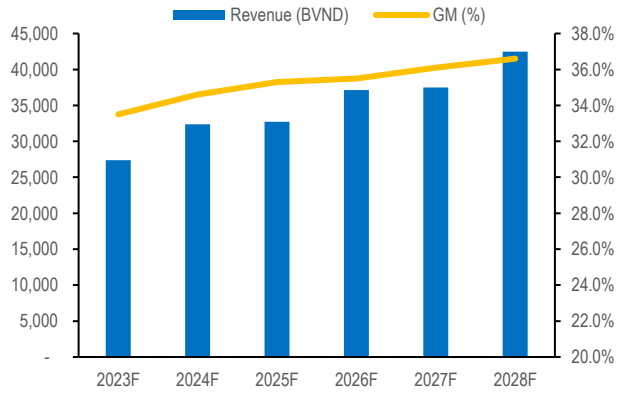
In the period 2025-2028, revenue increases by an average of 7% per year. In which, there are football tournaments in 2026 and 2028, so we forecast beer production to increase by 10%. Beer selling price increases by 3% per year to offset the increase in input material prices. By the end of 2028, revenue will reach VND 48,834 billion (+12.08% YoY), NPAT will reach VND 10,354 billion (+15.9% YoY).

Forecasted volume and average selling price of beer segment



Source: Company data, Shinhan Securities Company

Forecasted revenue and gross margin of beer segment



Source: Company data, Shinhan Securities Company

Forecasted revenue and net profit of SAB (2022-2028F)

(Unit: VND billion)	2022A	2023F	2024F	2025F	2026F	2027F	2028F
Net Revenue	34,979	32,247	37,479	38,153	42,884	43,569	48,834
Beer	*30,343*	*27,369*	*32,347*	*32,737*	*37,142*	*37,511*	*42,494*
Others	*4,636*	*4,878*	*5,132*	*5,416*	*5,742*	*6,058*	*6,340*
Gross profit	10,771	9,514	11,522	11,905	13,596	13,996	16,062
Operating profit	5,498	4,854	5,706	5,964	7,086	7,277	8,546
Net profit	5,500	4,956	5,815	6,031	7,039	7,216	8,364
Profit margin (%)							
Gross profit margin	30.8	29.5	30.7	31.2	31.7	32.1	32.9
Operating profit margin	15.7	15.1	15.2	15.6	16.5	16.7	17.5
Net profit margin	15.7	15.4	15.5	15.8	16.4	16.6	17.1
Growth (%YoY)							
Net Revenue	32.6	-7.8	16.2	1.8	12.4	1.6	12.1
Operating profit	56.6	-11.7	17.6	4.5	18.8	2.7	17.4
Net profit	40.0	-9.9	17.3	3.7	16.7	2.5	15.9

Source: Company data, Shinhan Securities Company

Recommendation and Valuation

Recommended BUY with target price VND 182,700

We offer an initial valuation for Saigon Beer - Alcohol - Beverage Corporation with a buy recommendation and a target price of VND 182,700 equivalent to a 17% upside compared to the current market price. From a long-term view, SAB is an investment that can be considered for the following reasons:

1) Young population and growing middle class contribute to promoting beer consumption;
2) The recovery of tourism and the return of football tournaments stimulate beer consumption; and
3) Strong financial position, maintaining a stable dividend.

Valuation method

We apply a combination of P/E and Discounted Cash Flow (DCF) valuation methods with the weights of 50% and 50%, respectively to value SAB. Based on the P/E method, we collect data from businesses in the same industry with SAB operating in the country and in the Asia-Pacific region. The average P/E of businesses in the statistics (except SAB) is at 23.5x. Combined with our forward EPS of VND 8,354 we expect a 12-month SAB price target of VND 196,319.

Peer valuation

Ticker	PE	Mkt Cap (USD mil)	EPS Growth (%)	ROA (%)	ROE (%)
000858 CH Equity	23.04	95,698	14.16	19.05	24.03
000568 CH Equity	30.08	48,141	31.4	22.09	32.53
002304 CH Equity	20.12	29,832	24.15	15.52	20.16
291 HK Equity	32.05	20,840	-4.96	8.02	16.88
TWE AU Equity	24.01	5,656	5.19	5.02	9.07
2503 JP Equity	18.65	13,326	88.32	3.36	8.59
Mean	23.5				
EPS forward	8,354				
Target price	**196,319**				

Source: Bloomberg, Shinhan Securities Company

For the Weighted Average Cost of Capital (WACC), we use the 10-year Vietnamese government bond yield at 3% as the risk-free rate. Beta is calculated based on the last 5 years' historical data of SAB and VNINDEX. Based on those assumptions, SAB's FCFF target price is valued at VND 169,091.

Weighted Average Cost of Capital (WACC)

WACC (%)	11.2
Risk-free rate (%)	3.0
Equity risk premium (%)	9.8
Beta	0.85
Debt cost (%)	8.0
The cost of equity(%)	11.3
Debt-to-equity ratio	0.01
Total debt (Billion VND)	866

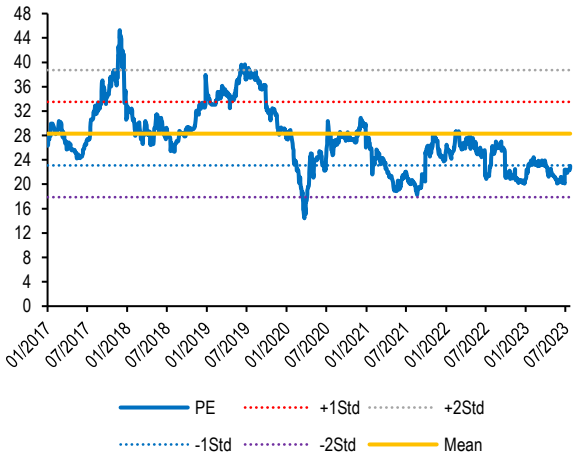
Source: Company data, Shinhan Securities Company

FCF valuation

Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net profit	5,815	6,031	7,039	7,216	8,365
Plus: After-tax interest expense	62	57	61	60	59
Plus: Depreciation & Amortization	588	608	630	650	661
Minus: Change in working capital	-681	-136	-386	-132	-643
Minus: CapEx	462	412	437	439	431
Free Cash Flow (FCF)	**6,684**	**6,420**	**7,679**	**7,619**	**9,297**
PV of FCF	30,288				
Growth rate	3%				
Present value of long-term value	76,374				
Enterprise value	106,662				
Debt	866				
Cash and cash equivalents	3,742				
Minority interest	1,320				
Number of shares outstanding (billion units)	0.64				
Target price (VND)	**169,091**				

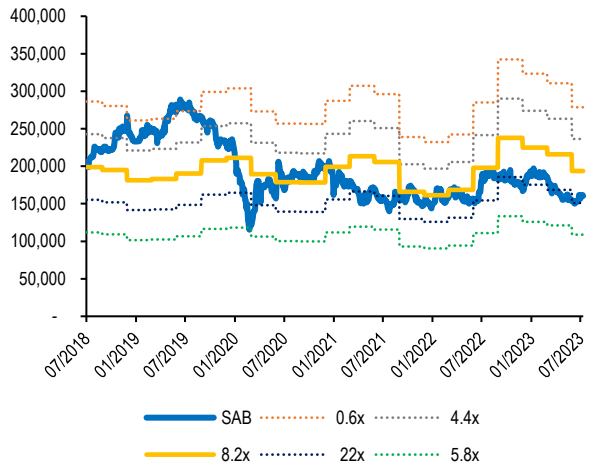
Source: Company data, Shinhan Securities Company

PER of SAB from 2017



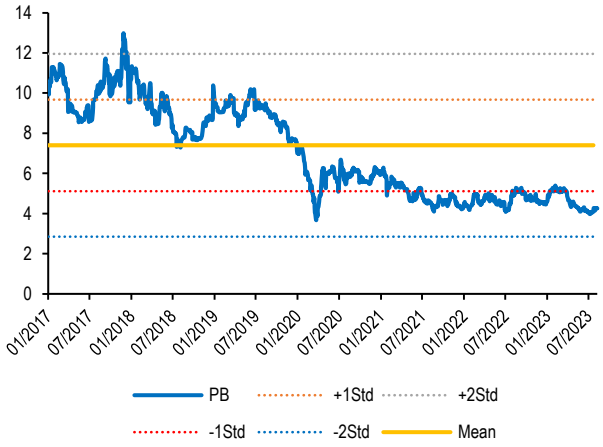
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER chart of SAB



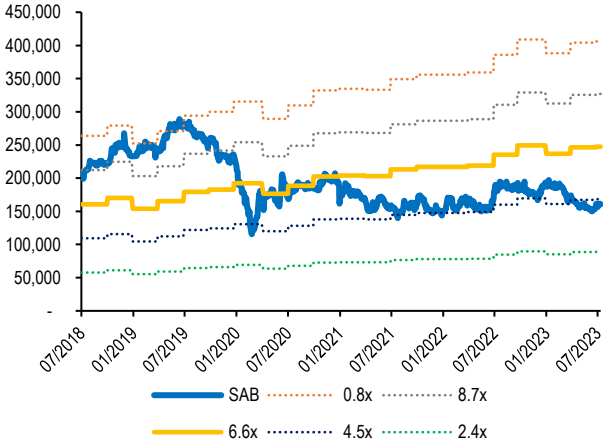
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of SAB from 2017



Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR chart of SAB



Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of SAB from 2017



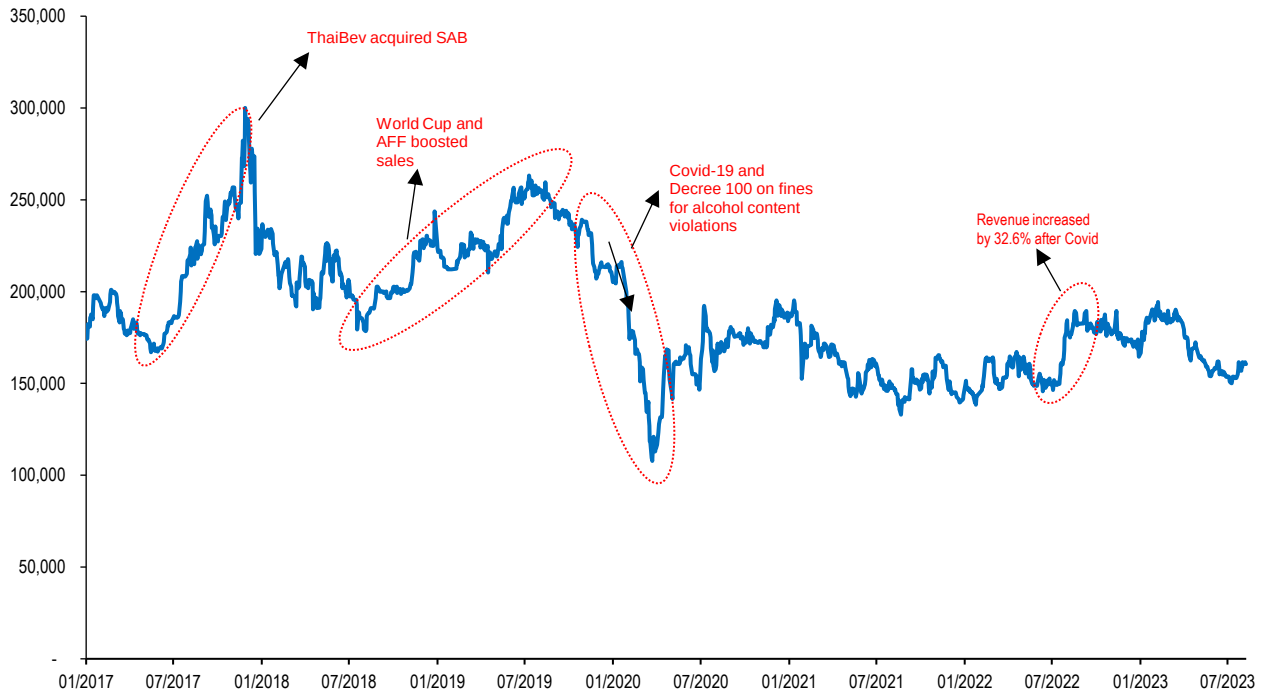
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR and ROE of SAB



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key events chart of SAB



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risk

Risk of increased price of imported raw materials

SAB imports some input materials for beer production such as barley, hops, aluminum. The cost of imported input materials accounts for about 38% of COGS. These materials may be affected by many macro factors such as supply chain disruptions and increased logistics costs due to Covid-19, the Russia-Ukraine conflict, rising oil prices; supply and demand for aluminum in the world. To cope with the risk of sharp fluctuations in raw material costs, SAB has a policy of purchasing main materials from 6 to 9 months in advance.

Risk of weak demand in the short term

After Covid-19, many restaurants, bars and pubs reopened. However, consumer demand for non-essential goods in the short term has not recovered as before due to income factors. According to a report by the Department of Statistics, in the second quarter of 2023, the Mekong River Delta and the Southeast region - the target market of SAB - had the highest unemployment rates in the country with rates of 2.65% and 2.64% respectively. Compared to the previous quarter and the same period last year, this rate is on a downward trend, and at the same time, the average income in some industries such as processing and manufacturing tends to increase. Thus, beer consumption demand may not be able to recover and prosper in 2023.

Risk of special consumption tax (SCT)

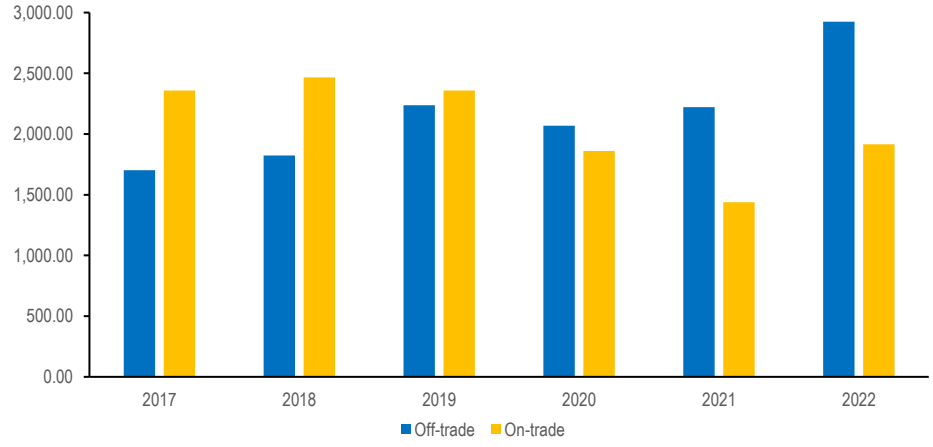
SCT applied to beer is at 65% and spirits are at 35-65% depending on the alcohol level. The Ministry of Finance is collecting opinions to add excise tax on unhealthy products such as beer, sugary drinks, etc. The increase in excise tax on beer from 65% will increase the selling price and possibly reduce consumption demand in the economy and standard segments of beer.

Policy risks

Many policies have been issued by the State to prevent the effects of excessive alcohol use on society, as well as alcohol consumption in adolescence.

Decree 100/2019/ND-CP was issued in December 2019 on fines for blood alcohol content violations. After the decree, along with the impact of the Covid epidemic, SAB's revenue in 2020 decreased by 27% compared to 2019. Beer consumption in on-trade channels such as restaurants, hotels, and cafeterias decreased; at the same time, consumption through off-trade channels such as e-commerce, etc. increases. SAB increased consumption through this channel to offset the decrease in on-trade channel.

Volume of beer by sales channels (million liters)



Nguồn: Euromonitor, Shinhan Securities Vietnam

Appendix: Financial Statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Total assets	**34,465**	**34,649**	**38,358**	**40,854**	**44,469**
Current assets	26,860	27,183	30,917	33,586	37,300
Cash & equivalents	4,069	5,880	5,402	8,243	8,632
Short-term financial asset	19,411	18,481	22,139	21,858	24,826
Accounts receivable	898	689	805	869	936
Inventories	1,447	1,668	2,194	1,908	2,312
Other short-term assets	1,035	465	377	708	594
Non-current assets	7,605	7,466	7,441	7,268	7,169
Net fixed assets	4,455	4,334	4,139	4,023	3,839
Investment assets	134	121	196	122	119
Other long-term assets	3,150	3,132	3,302	3,245	3,330
Total liabilities	**9,874**	**8,280**	**9,744**	**9,928**	**10,870**
Current liabilities	9,214	7,838	9,349	9,579	10,568
Accounts payable	2,766	2,464	3,081	3,022	3,401
Short-term borrowings	659	606	723	728	808
Others	5,789	4,768	5,545	5,829	6,359
Non-current liabilities	660	442	395	349	302
Long-term borrowings	374	156	109	63	16
Other financial liabilities	286	286	286	286	286
Total shareholders' equity	**24,591**	**26,372**	**28,615**	**30,928**	**33,601**
Capital stock	6,413	6,413	6,413	6,413	6,413
Capital surplus	0	0	0	0	0
Other capital	2,613	2,896	3,208	3,543	3,927
Retained earnings	15,565	17,063	18,994	20,972	23,261
Non-controlling interest equity	1,275	1,373	1,451	1,734	2,046
*Total debt	1,033	762	832	791	824
*Net debt (cash)	(22,447)	(23,599)	(26,709)	(29,310)	(32,634)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Revenue	**34,979**	**32,247**	**37,479**	**38,153**	**42,884**
Growth (%)	32.6	-7.8	16.2	1.8	12.4
COGS	**(24,208)**	**(22,733)**	**(25,957)**	**(26,248)**	**(29,288)**
Gross profit	**10,771**	**9,514**	**11,522**	**11,905**	**13,596**
GPM (%)	30.8	29.5	30.7	31.2	31.7
SG&A	**(5,273)**	**(4,660)**	**(5,816)**	**(5,941)**	**(6,510)**
Operating profit	**5,498**	**4,854**	**5,706**	**5,964**	**7,086**
Growth (%)	56.6	(11.7)	17.6	4.5	18.8
OPM (%)	15.7	15.1	15.2	15.6	16.5
Non-operating profit	**1,316**	**1,280**	**1,491**	**1,503**	**1,627**
Financial income	1,091	1,082	1,322	1,279	1,442
Financial expense	(82)	(89)	(89)	(73)	(89)
In which: interest expenses	(46)	(66)	(76)	(70)	(75)
Net other non-operating profit	307	287	258	297	274
Pre-tax profit	**6,814**	**6,134**	**7,197**	**7,467**	**8,713**
Income tax	(1,314)	(1,178)	(1,382)	(1,436)	(1,674)
Net profit	**5,500**	**4,956**	**5,815**	**6,031**	**7,039**
Growth (%)	40.0	(9.9)	17.3	3.7	16.7
NPM (%)	15.7	15.4	15.5	15.8	16.4
Controlling interest	5,224	4,673	5,503	5,696	6,655
Non-controlling interest	276	283	312	335	384
EBIT	**6,859**	**6,200**	**7,273**	**7,537**	**8,788**
Growth (%)	39.8	(9.6)	17.3	3.6	16.6
EBIT Margin (%)	19.6	19.2	19.4	19.8	20.5
EBITDA	**7,420**	**6,770**	**7,861**	**8,145**	**9,418**
Growth (%)	35.8	(8.8)	16.1	3.6	15.6
EBITDA margin (%)	21.2	21.0	21.0	21.3	22.0

Statement of cash flow

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Cash flow from operations	**4,377**	**3,725**	**5,915**	**5,526**	**6,773**
Net profit	6,813	6,134	7,197	7,467	8,713
D&A expense	561	570	588	608	630
(Gain) from investing activities	(1,031)	(924)	(1,107)	(1,093)	(1,241)
Change in working capital	(199)	(810)	681	136	386
Others	(1,767)	(1,245)	(1,444)	(1,592)	(1,715)
Cash flow from investments	**(1,867)**	**1,425**	**(3,013)**	**962**	**(2,164)**
Change in fixed assets	(529)	(429)	(462)	(412)	(437)
Change in investment assets	(2,352)	930	(3,658)	281	(2,968)
Others	1,014	924	1,107	1,093	1,241
Cash flow from financing	**(2,048)**	**(3,341)**	**(3,380)**	**(3,647)**	**(4,220)**
Change in equity	-	-	-	-	-
Net borrowing	371	(271)	70	(41)	33
Dividends	(2,419)	(3,070)	(3,450)	(3,606)	(4,253)
Change in total cash	**462**	**1,809**	**(478)**	**2,841**	**389**
Beginning cash	3,609	4,069	5,880	5,402	8,243
Change in FX rates	(2)	2	-	-	-
Ending cash	4,069	5,880	5,402	8,243	8,632

Source: Company data, Shinhan Securities Vietnam

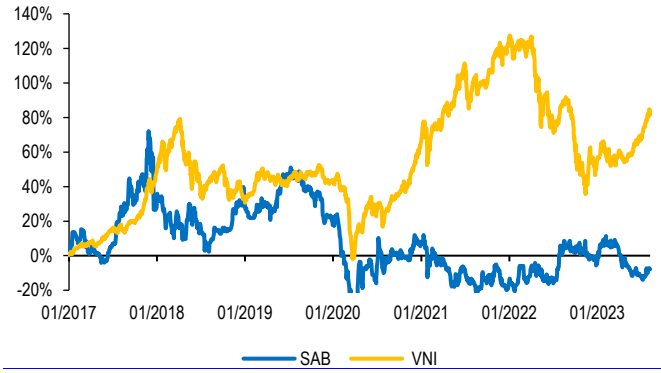
Key ratios

Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	7,980	7,050	8,354	8,666	10,151
BPS (VND)	36,083	38,419	41,430	44,514	48,084
DPS (VND)	3,780	4,797	5,391	5,634	6,645
PER (x)	19.5	25.9	21.9	21.1	18.0
PBR (x)	4.3	4.8	4.4	4.1	3.8
EV/EBITDA (x)	11.7	15.8	13.6	13.1	11.3
Dividend payout ratio (%)	61.4	61.9	59.3	59.8	60.4
Dividend yield (%)	1.5	1.9	2.2	2.3	2.7
Profitability					
EBITDA margin (%)	21.2	21.0	21.0	21.3	22.0
OPM (%)	15.7	15.1	15.2	15.6	16.5
NPM (%)	15.7	15.4	15.5	15.8	16.4
ROA (%)	16.0	14.3	15.2	14.8	15.8
ROE (%)	22.4	18.8	20.32	19.5	20.9
Stability					
Debt to equity ratio (%)	4.2	2.9	2.9	2.6	2.5
Net debt ratio (%)	(302.5)	(348.6)	(339.8)	(359.9)	(346.5)
Cash ratio (%)	254.8	310.8	294.6	314.2	316.6
Interest coverage ratio (x)	149.1	93.9	95.7	107.7	117.2
Activity (%)					
Working capital turnover (times)	38.1	42.5	38.4	42.4	39.6
Inventory turnover (days)	30.4	34.3	31.0	33.7	32.1
Receivable turnover (days)	2.3	2.9	2.0	2.4	2.3

Source: Company data, Shinhan Securities Vietnam

Saigon Beer - Alcohol - Beverage Corporation (SAB VN)

Share price



Target price



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
18/08/2023 (Initiation)	BUY	182,700	-0.2	13.2/-12.4

Note: Calculation of target price gap based on past 12 months

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Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000