

## Saigon Alcohol Beverage Beer Corporation (SAB)

**HOLD**

### CONSUMER GOODS

Current Price	VND58,100
52Wk High/Low	VND74,228/50,778
Target Price	VND59,900
Previous TP	N/A
TP vs Consensus	-13.5%
Upside	3.1%
Dividend Yield	3.9%
Total stock return	7.0%

Growth rating	Neutral
Value rating	Negative
ST Technical Analysis	<a href="#">Positive</a>

Market Cap	USD2,997mn
3m Avg daily value	USD1.8mn
Avail Foreign Room	USD1,173mn
Outstanding Shares	1,282.6mn
Fully diluted O/S	1,282.6mn

	SAB	VNI	Peers
P/E TTM	17.4x	14.0x	21.3x
P/B Current	3.5x	1.7x	4.1x
ROA	12.7%	2.1%	9.3%
ROE	16.4%	12.3%	21.8%

\*as of 9/25/2024

### Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	1.2	-2.0	-20.1
Relative to index	1.3	4.5	-3.5

### Ownership

Vietnam Beverage	54.0%
Ministry of Industry and Trade	36.0%
Others	10.0%

### Business Description

Saigon Beer – Alcohol – Beverage Corporation (SABECO) was established in 1875. After 150 years of establishment and development, the company ranks second in market share consumption in the Vietnamese beer industry and has 26 factories with a total production capacity of over 2.4 billion liters of beer/year.

### Analyst(s):

**Yen Tran Tieu**

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## Dark clouds have not cleared yet

- We initiate coverage with a HOLD rating and a target price of VND59,900 resulting in 3.1% upside.
- SAB is the leader in the domestic branded beer market with an 34% market share and is also the largest beer producer in Vietnam.
- Current P/E of 17.4x is slightly lower than the 17.5x P/E of the sector and SAB's 3Y average of 22.2x. We expect SAB to trade at a 16.6x P/E as FY24 ROE will be 17.0%, lower than the peer average (21.8%).

### Financial Highlights

- We project SAB's net revenue to grow by 3.7%/5.0% YoY to VND31.8tn/VND33.4tn (USD1.2bn/USD1.3bn), respectively in 2024-25 thanks to improvement in beer sales volume.
- Gross profit margin (GM) will expand slightly by 0.2% pts/2.9% pts to 30.6%/33.5% in 2024-25 due to cooling input costs and an increase in average selling price.
- Net profit is projected to increase around 0.5% YoY/27.5% YoY to reach VND4.3tn/VND5.5tn (USD171mn/USD206mn) in 2024-25.

### Investment Thesis

#### Economic recovery should support moderate beer volume gains

We project overall industry beer volume to increase by 1.8%/5.0% YoY in 2024-25 thanks to: 1) rebounding consumer confidence; 2) the number of tourists continues to grow; 3) a slow recovery in incomes in 2H24-25; and 4) Government policies to stimulate domestic consumption.

Given its leading position in the industry, we expect SAB to benefit from this recovering consumption trend. However, amid fierce competition among major beer brands such as Habeco, Heineken and Carlsberg, we project Sabeco's beer sales volume to recover by 2.1%/5.0% YoY in 2024-25, driving revenue to improve by 3.7% YoY/5.0% YoY to VND31.8tn/VND33.4tn (USD1.2bn/USD1.3bn).

#### Gross margin improvement thanks to rising proportion of premium beer

In recent years, Sabeco has penetrated the premium beer segment with selling prices about 57% higher than the mid-range segment. We forecast an 8.8% CAGR for premium beer during 2023-27 following 12.4% annual growth from 2018-22. Therefore, we expect SAB to benefit from the trend of premium beer consumption as well as the rise in the proportion of its sales of premium beer, which will support beer selling prices to increase 1.5% and GM to expand by 0.2%pts/2.9%pts in 2024-25

#### A severe punch to the beer industry

In June 2024, the Ministry of Finance proposed to increase the excise tax on beer to 100% by 2030. We believe a higher ad valorem tax will boost beer selling prices, which will lead to consumers switching to products with cheaper prices and lower quality in the short term. We will update on this issue in our next report when there is official information about the special consumption tax increase. In addition, the Government's absolute ban on alcohol for drivers will reduce beer demand and revenue in on-trade channels (restaurants, bars, etc.) in the short term. This decree will also impact breweries' non-alcoholic beer plans as most non-alcoholic beers in Vietnam still contain a small amount of alcohol.

Financial summary	2023A	2024E	2025F	2026F
Revenue growth	-12.9%	3.7%	5.0%	5.0%
EPS growth	-60.8%	6.5%	27.5%	9.3%
Gross profit margin	30.4%	30.6%	33.5%	34.4%
Net profit margin	13.9%	13.4%	16.3%	17.0%
P/E	12.6	16.6	14.1	12.9
P/B	4.4	3.2	3.1	3.2
ROAE	16.7%	17.0%	22.7%	25.8%
Net debt to equity	-0.2	-0.2	-0.2	-0.2

Source: VNDIRECT RESEARCH

## Beer sector outlook

### Beer value chain in Vietnam

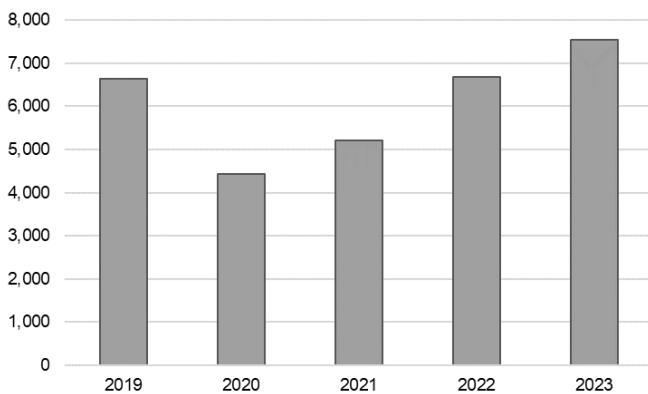
Figure 1: Vietnamese beer industry's value chain



Source: VNDIRECT RESEARCH

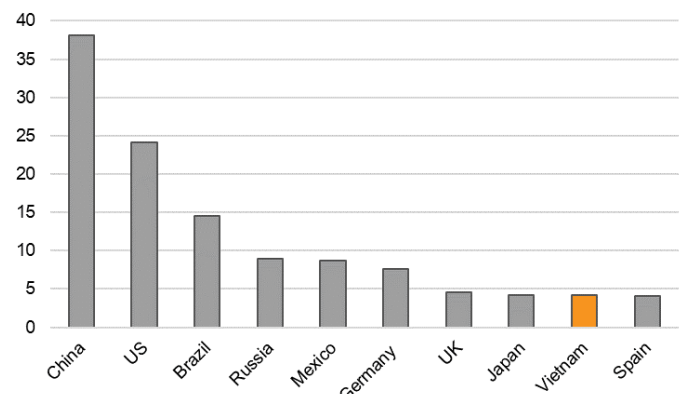
The Vietnamese beer market is one of the biggest players in Southeast Asia. In 2022, total beer consumption in Vietnam reached 3.8 billion liters, accounting for 2.2% of the global market, leaving Vietnam ranked first in the ASEAN region and third in Asia (only after China and Japan). The Vietnamese beer market was valued at VND185tn (USD7.5bn) in 2023 and is projected to reach VND329tn (USD14.2bn) by 2032.

Figure 2: Vietnamese beer market value (unit: USD)



Source: VNDIRECT RESEARCH, COMPANY WEBSITE

Figure 3: Vietnam is among the top 10 beer consuming countries in the world (unit: bn liter)

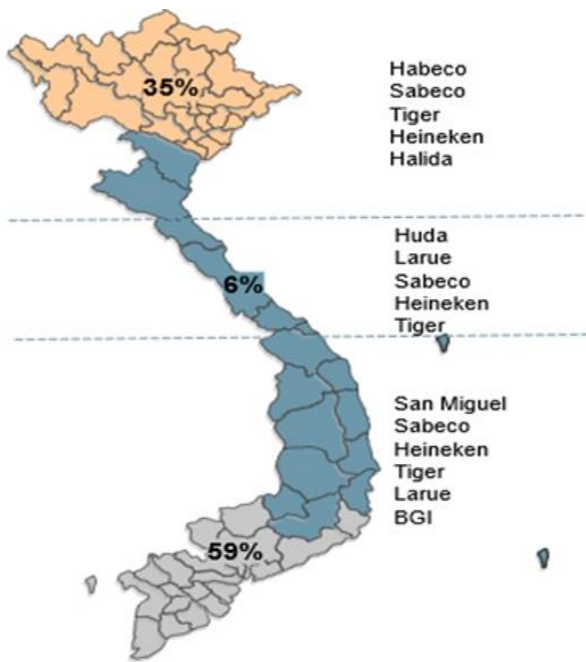


Source: Kirin, VNDIRECT RESEARCH,

In terms of selling price, beer is divided into two segments: the premium segment, with an average selling price of ~VND18,000/330ml, and mid-range products priced between VND12,000/330ml and VND15,000/330ml:

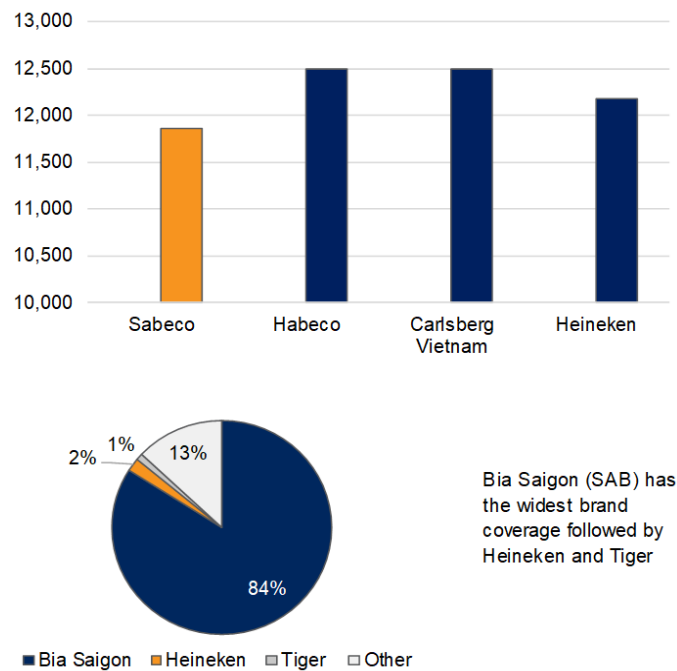
Mid-range beer is the most widely consumed in Vietnam due to its affordability, which aligns with the purchasing power of most Vietnamese consumers. Customers in the mid-range beer segment are mainly individuals with lower incomes and are quite price sensitive. The market is highly concentrated with the majority of the market held by four major brands: Sabeco, Habeco, Heineken, and Carlsberg. Leading the mid-range market are Sabeco (with 40% of the market) and Habeco (25%). These brands dominate the market thanks to: 1) being long-standing brands, familiar to Vietnamese consumers, 2) lower prices compared to other companies in the industry; and 3) an extensive nationwide distribution system.

**Figure 4: Beer consumption and popular brands by region in Vietnam**



Source: VNDIRECT RESEARCH, Pomegranate Asia

**Figure 5: SAB dominates the mid-range beer segment thanks to its reasonable price (unit: VND/330ml) and long-standing brand**



Source: VNDIRECT RESEARCH, COMPANY REPORT

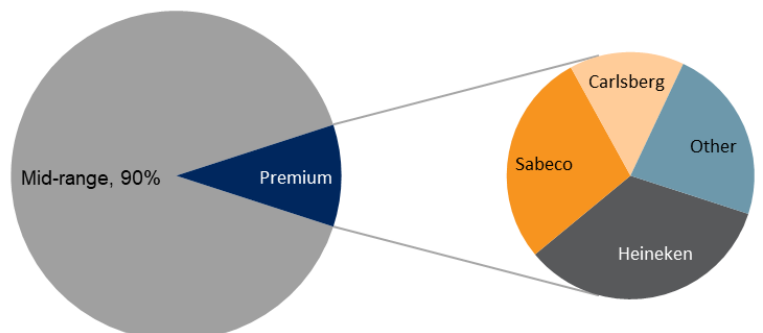
Meanwhile, premium beer has become more popular in recent years thanks to rising incomes. Heineken dominates the premium beer market in Vietnam due to 1) its positioning as a premium beer brand, appealing to the preference for foreign products among Vietnamese consumers, 2) superior beer quality, and 3) effective marketing strategies that attract consumers.

**Figure 6: Premium products in Vietnam**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

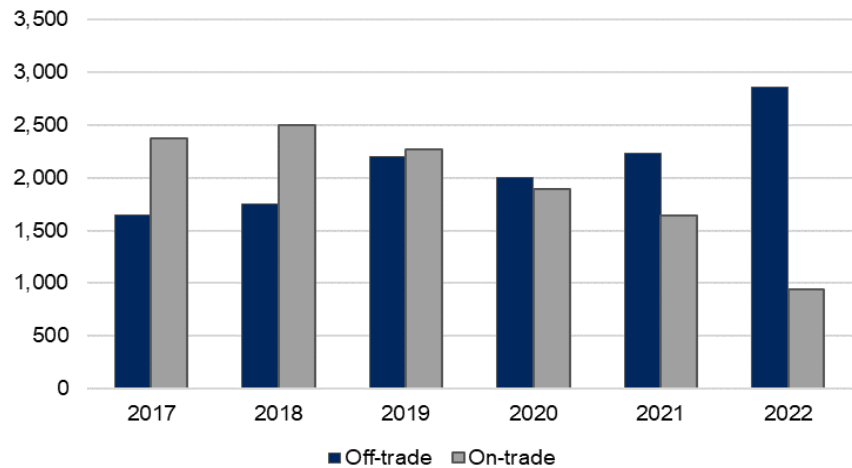
**Figure 7: Heineken is the leading brand in the premium segment**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

Beer is primarily consumed through on-trade channels. However, due to the severe impact of Covid-19 and Decree 100 (which prohibits drivers from consuming alcohol), many beer companies in Vietnam have increased their distribution through off-trade channels, particularly by selling beer on e-commerce platforms (Shopee, Lazada, etc.) to compensate for the decline in on-trade sales.

**Figure 8: Beer sales volume through off-trade channels have surged since 2020 (unit: mn liter beer)**



Source: VNDIRECT RESEARCH

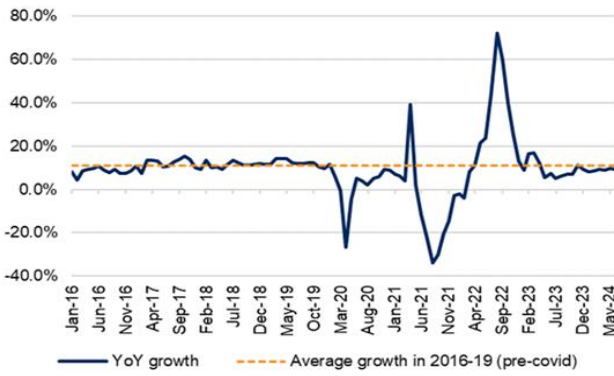
## Challenges in short term, opportunities in long term

### Slow recovery in FY24-25

We expect overall beer consumption to gradually recover starting from 2H24, with growth rates forecast at 2.5%/5.0% YoY in 2024-25 amid a slow recovery in consumption due to:

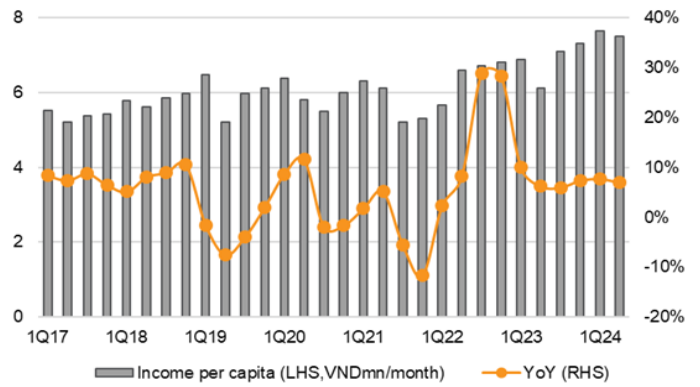
- The consumer is becoming more confident about the economic situation as consumer confidence in 1Q24 reached the highest level in five quarters.
- To improve domestic consumption, the Government has submitted a plan to extend a 2% VAT reduction for 2H24.
- The number of tourists to Vietnam is expected to continue to grow. Therefore, we forecast beer revenue from tourism to increase by 12%/15% YoY in 2024-25.
- Average disposable income per capita recovered slowly in 1H24, so we expect consumers will shift to the mid-range segment with its lower-priced beer.

**Figure 9: Gross retail sales of consumer goods and services increased 9.1% YoY in June, still lower than pre-Covid**



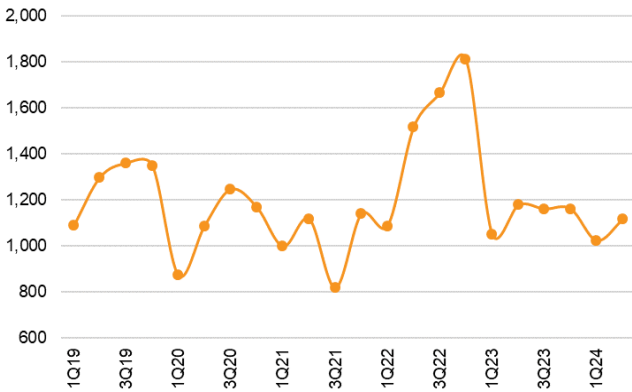
Source: GSO, VNDIRECT RESEARCH

**Figure 10: The growth rate of disposable income per capita recovered slowly in 1H24**



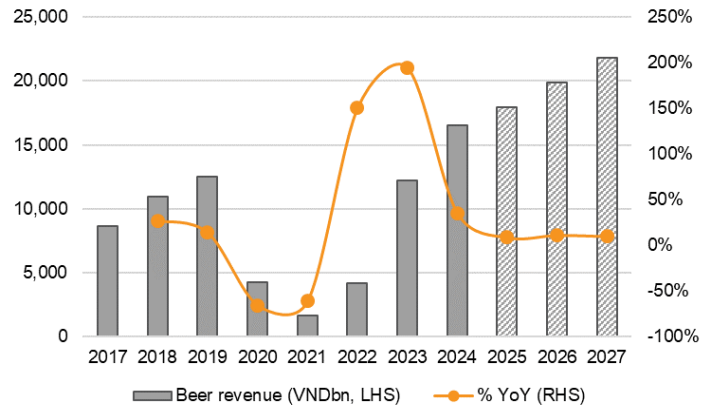
Source: GSO, VNDIRECT RESEARCH

**Figure 11: Total beer production in Vietnam in 2Q24 recovered slowly with a growth rate of 9.0% QoQ (unit: mn liter)**



Source: GSO, VNDIRECT RESEARCH

**Figure 12: Beer revenue from the tourism sector is expected to grow by 12%/15% YoY in 2024-25**

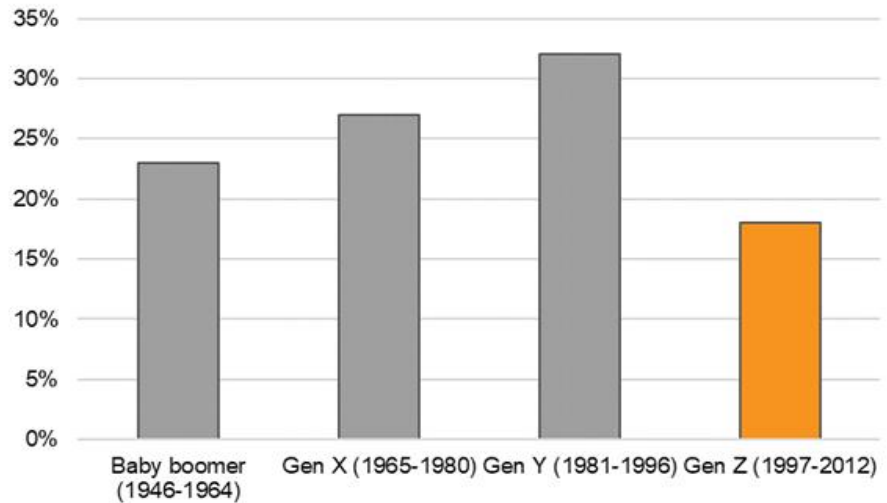


Source: Euromonitor, VNDIRECT RESEARCH

However, we realize that there are still challenges for the domestic beer market in the short-term, including:

- In June 2024, the Ministry of Finance proposed to raise the excise tax on beer to 100% by 2030. Although there is no detailed information about the excise tax, we believe that an ad valorem tax increase will have a negative impact on branded products (beer products under state management) in Vietnam. The main reason is that an ad valorem tax does not ensure fairness between high-quality products and low-quality products so it will encourage consumers to switch to using unbranded alcoholic beverages (products not under state management; including craft, smuggled, and imported alcohol), which are cheaper, contain higher alcohol content, and are lower quality.
- We estimate that Generation Z (those born between 1997 and 2012) consumes 20% less alcohol than Millennials (those born between 1981 and 1996) due to raising health awareness, leading to a sharp decline in alcoholic beverage consumption.

**Figure 13: Beer consumption by generation**



Source: Statistic, VNDIRECT RESEARCH

**Long-term outlook**

Despite the slowdown in the Vietnamese beer market, we project beer consumption will reach a CAGR of 7.3%, higher than the global rate of 3.7% in 2024-32, thanks to:

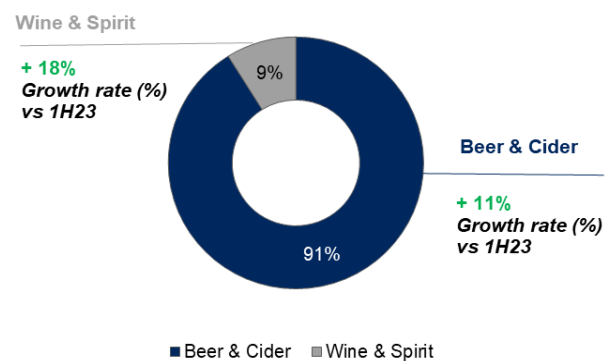
- The cultural significance of beer in Vietnamese social gatherings, celebrations, and dining experiences has driven the consumption of beer across different demographic groups. Moreover, there is an increase in the number of entertainment venues, such as bars, restaurants, and clubs, that promote beer consumption. The presence of a diverse range of domestic and international beer brands, offering various flavors and styles, has also played a pivotal role in stimulating Vietnamese beer market growth.
- We project that premium sales volume will continue to grow at a rate of 12.7% per year during 2023-28, thanks to the increase in per capita income, leading to higher demand for premium products, including premium beer.

**Figure 14: Ranking among beer companies and their market share growth on e-commerce platforms in 2H23 vs 1H23**

RANKING - ECOMMERCE	MARKET SHARE GROWTH
1 <b>Heineken</b> (Heineken, Larue, Tiger, Strongbow)	-4.50%
2 <b>Carlsberg</b> (Carlsberg, Huda, Tuborg, 1664 Blanc)	-2.30%
3 <b>ABInBev</b> (Budweiser, Hoegaarden)	-0.10%
4 <b>SABECO</b> (Saigon Lager, 333)	4.80%

Source: United Nations, VNDIRECT RESEARCH

**Figure 15: Revenue of alcoholic beverage industry rose 11% in 2H23 on e-commerce**



Source: YouNet ECI, VNDIRECT RESEARCH

- In November-December 2023, Heineken, Sabeco, and Habeco began distributing beer through online channels and reported positive business results. Total revenue through online channels reached VND351bn

(USD14mn), with revenue in 2H23 increasing by 11% compared to 1H23. This indicates the promising potential of e-commerce channels (due to tech-savvy customers and online platforms), which will support the long-term growth of beer sales volume.

In June 2024, the Government decided to ban alcohol for vehicle drivers. Although there is no detailed information yet, we believe this will affect the domestic beer industry in the following ways.

- Consumers prefer to drink beer at venues (restaurants, bars, clubs). To boost sales volume in on-trade channels but complying with the law, beer businesses have strengthened promotions and increased beer price discounts to 20% (before Decree 100, the average discount was 15%, according to our estimate) to provide financial support to partners (restaurants, bars, clubs). In addition, beer companies have also cooperated with Grab and Xanh SM to create safe experiences for customers such as free pick-up services at eateries and restaurants. Therefore, despite improvement of sales volume, beer companies' net profit margin will decline due to increased SG&A costs.

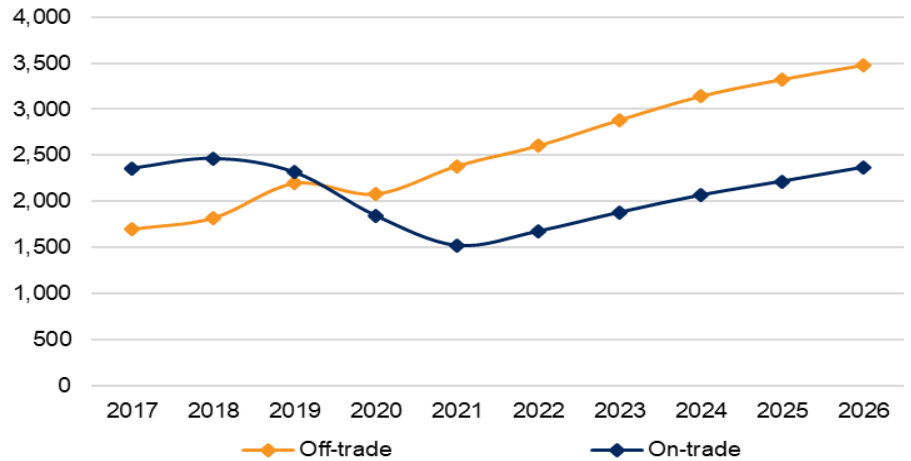
**Figure 16: Beer companies have adapted to Decree 100**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

- The application of this new regulation will negatively affect beer consumption through the on-trade channel (which accounts for 39.5% of beer consumption) in the short term. Consumers will likely adapt gradually to buy beer in the off-trade channel while continuing to drink beer at venues in the long term. Therefore, we expect the CAGR of the off-trade channel to be 8.9% in 2020-26, which is higher than that of on-trade with a CAGR of 4.3%.

**Figure 17: Off-trade beer consumption is expected to grow (unit: mn liters)**



Source: Euromonitor, VNDIRECT RESEARCH

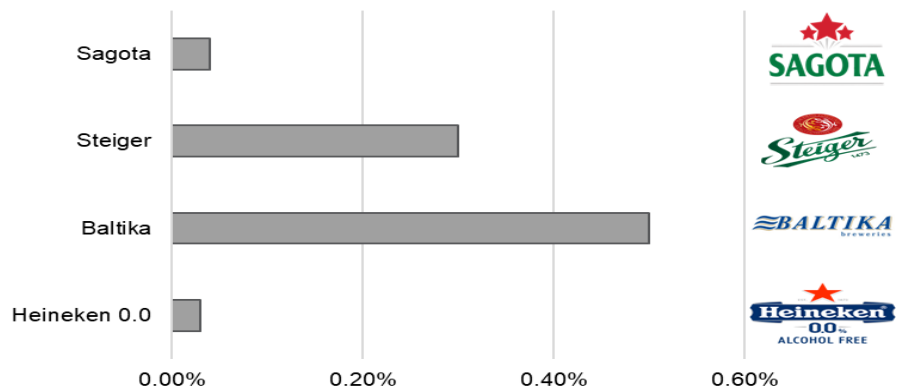
**Non-alcoholic beer demand remains uncertain**

The global alcohol-free beer market was valued at USD22bn in FY22 and is poised to grow to USD35bn by 2031 and at CAGR of 5.6% during 2024-31. The Asia-Pacific region, including India, China and Japan, has seen the fastest growth for non-alcoholic beer as consumers seek healthier beverages and alcohol consumption may be restricted.

Despite the launch of non-alcoholic and low-alcohol beer products by major Vietnamese companies in response to raising health awareness and stricter regulations, consumer demand for these options remains weak, accounting for only 3.3% of total beer sales volume. This can be attributed to:

- Consumers perceive alcohol-free beer as lacking the same flavor and complexity as traditional beer.
- Lack of awareness and understanding about alcohol-free beer options and their benefits.
- The high cost of non-alcoholic beer.
- If the Government imposes a strict zero-alcohol limit (0.00% blood alcohol level) for drivers, non-alcoholic beer demand in response to Decree 100 could decline. The main reason is that most of the popular zero-alcohol beers in the Vietnamese market still contain a small amount of ABV (alcohol by volume).

**Figure 18: ABV of non-alcohol beer**



Source: COMPANY REPORTS, VNDIRECT RESEARCH



To succeed in the non-alcoholic beer segment, beer companies would need to invest substantially in marketing to raise consumer awareness about alcohol-free beer when launching new products. Initial marketing efforts should focus on 1) launch competitively priced products and provide free samples in stores and supermarkets to encourage consumers to experience 2) providing strong incentives to distributors 3) and expanding distribution networks to reach a broader customer base.

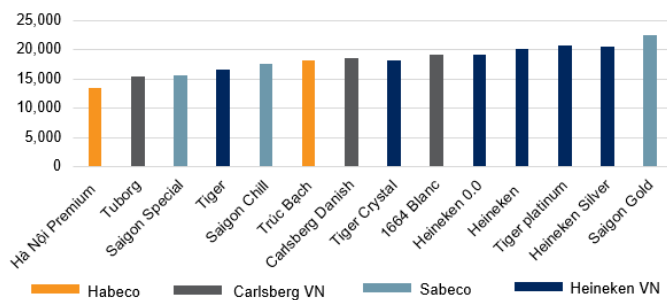
**Outlook for companies in the beer sector**

**Saigon Alcohol Beverage Beer Corporation (SAB)**

Over the long term, the premium trend in the Vietnamese beer market will continue thanks to increasing disposal income. Sabeco is poised to take advantage of this trend, and it aims to expand its market share in the premium segment. Some of SAB’s strengths to reach this goal include:

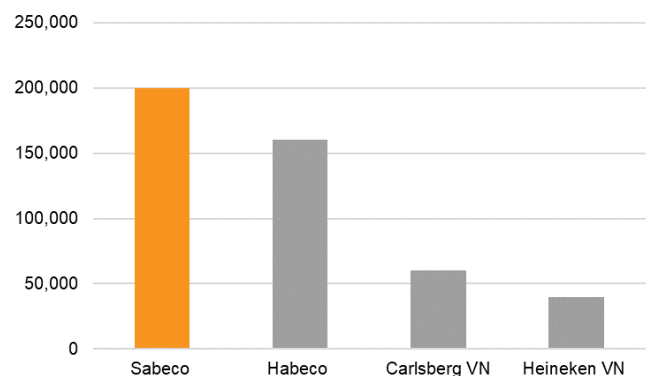
- Strong brand: Sabeco is an established and well-known brand with high recognition and a large loyal customer base. This is a significant competitive advantage that can help Sabeco attract customers in the premium beer segment.
- Competitive pricing and quality: SAB’s premium beer prices are reasonable compared to other brands. Additionally, Sabeco’s premium beer products are close to global quality.
- Distribution channels: In the domestic market, Sabeco owns the largest range of distribution channels nationwide with 11 commercial enterprises and more 200,000 POS (points of sale). Meanwhile, Habeco has four commercial enterprises with more than 160,000 POS, according to our estimation.

**Figure 19: SAB's selling price is reasonable compared to other brands (unit: VND/330ml)**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 20: We estimate SAB owns the most points of sale in VN beer market (unit: POS)**



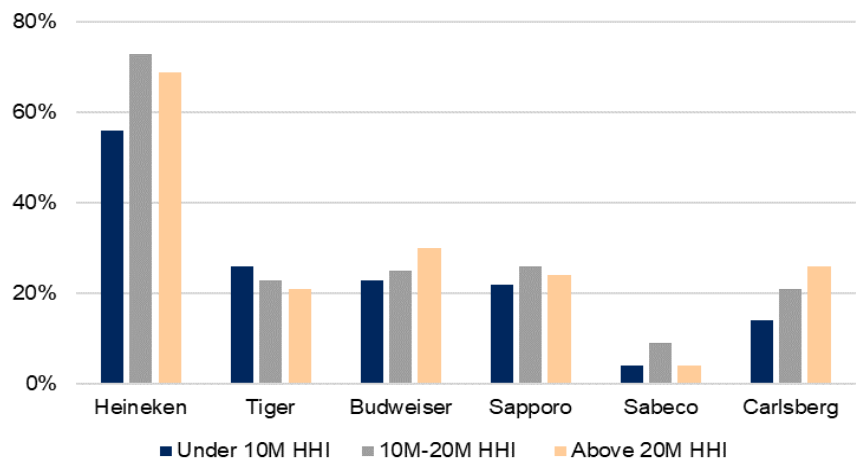
Source: COMPANY REPORTS, VNDIRECT RESEARCH

However, SAB faces the following challenges in trying to boost its premium segment market share:

- Intense competition with other premium beer brands due to international economic integration, which has led many global beer brands to penetrate and export premium products to the Vietnamese market, such as Heineken, Budweiser, Tiger and Sapporo.
- Brand power: Heineken currently dominates the premium segment in Vietnam by successfully establishing an image of a premium, luxurious

beer brand in consumers' minds. Conversely, although Sabeco is widely recognized, it is associated with mid-range beer. Therefore, changing consumers' perception of SAB is a significant challenge.

**Figure 21: Heineken is considered a premium brand regardless of household income (HHI)**



Source: Q&Me, VNDIRECT RESEARCH

### Habeco (BHN)

In 2024, BHN hopes to maintain its dominant market share in northern Vietnam, continue to expand in the central and southern regions, build brand value and make BHN's goods and services more appealing to customers.

BHN's strategies in 2024 include:

- Investment and development in the premium and mid-range segments.
- Promote marketing activities to connect with target customers such as promotions and customer appreciation programs.
- Exploit the potential of e-commerce channels and finish Habeco's distribution model.

### Heineken VN

Although 2023 was a challenge year for the beer industry in Vietnam, Heineken still recorded growth of 3.6% in sales volume, while maintaining the first position in the sector. To continue its success in the premium segment, Heineken will continue to implement the following strategies:

- Promoting its leading position in the premium segment.
- Continuing to expand market share in the mid-range segment as domestic beer brands under the management of Heineken, such as Bia Viet, Bivina and Laura, grew 3x from 2016 to 2022.
- Diversify its product portfolio to approach many types of customers.

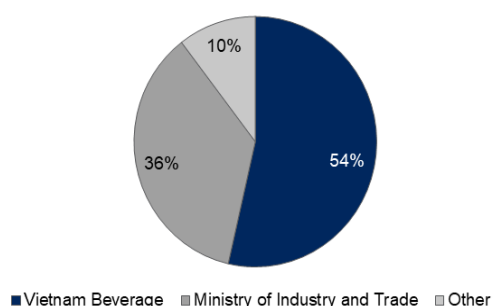
## Company profile

### Extensive experience in alcoholic beverage sector

Saigon Beer-Alcohol-Beverage Corporation, was formerly a small brewery established by the French in 1875. The company was transformed into a joint-stock company in 2008 and officially listed on the HOSE in 2016. By 2017, the Ministry of Industry and Trade successfully divested 53.59% of Sabeco's shares to Thaibev through Vietnam Beverage.

Sabeco's leadership team comprises seasoned professionals with extensive experience in the beer industry and a profound understanding of both the Asian and domestic beer markets.

**Figure 22: SAB's equity structure**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 23: Experienced leadership team**

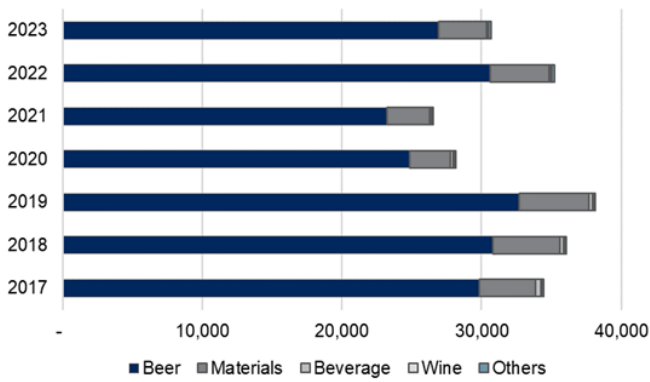
Name	Experience
Koh Poh Tiong - Chairman	CEO in Pacific Breweries from 1993 to 2008
Michael Chye Hin Fah - Member of Board of Directors	CFO in ThaiBev Member of management council in International Breweries Ltd
Tan Teck Chuan Lester - General Director	Executive Committee Member in ThaiBev CEO Beer Thailand, Chang Beer Company Ltd CEO Beer Thailand, Chang International Co.Ltd
Koo Liang Kwee Alan - Deputy General Director in charge of Accounting, Finance and other support	CFO in Heineken Asia Pacific Pte Ltd
Venus Teoh Kim Wei - Deputy General Director in charge of Marketing	Marketing Director in Asia Pacific Breweries
Lam Du An - Deputy General Director in charge of Technology - Production	30 years of experience in Sabeco Director in Saigon Beer - Nguyen Chi Thanh Brewery

Source: COMPANY REPORTS, VNDIRECT RESEARCH

For nearly 150 years, Sabeco has maintained the leading position in the Vietnamese beer industry and the largest player in the mid-range beer segment. SAB owns a diverse product portfolio, including beer, wine, and soft drinks at various price ranges. Bia 333 is the leader among Vietnamese brands in the domestic beer market. Currently, the beer segment accounts for the highest proportion of SAB's revenue and profit.

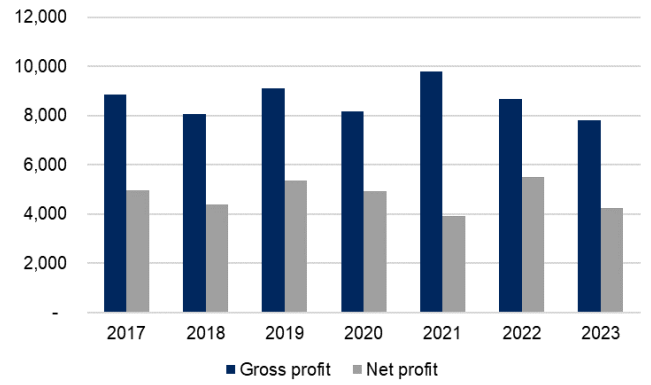
Among companies in the beer market, SAB currently operates 26 breweries nationwide with a total designed capacity of 2.4 billion liters beer/year. Meanwhile, Habeco's six breweries are primarily located in the northern region with an estimated total designed capacity of 1.5 billion liters beer/year.

**Figure 24: Beer segment makes up the largest contribution in revenue (unit: VNDbn)**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 25: Gross profit and net profit in 2017-23 (unit: VNDbn)**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

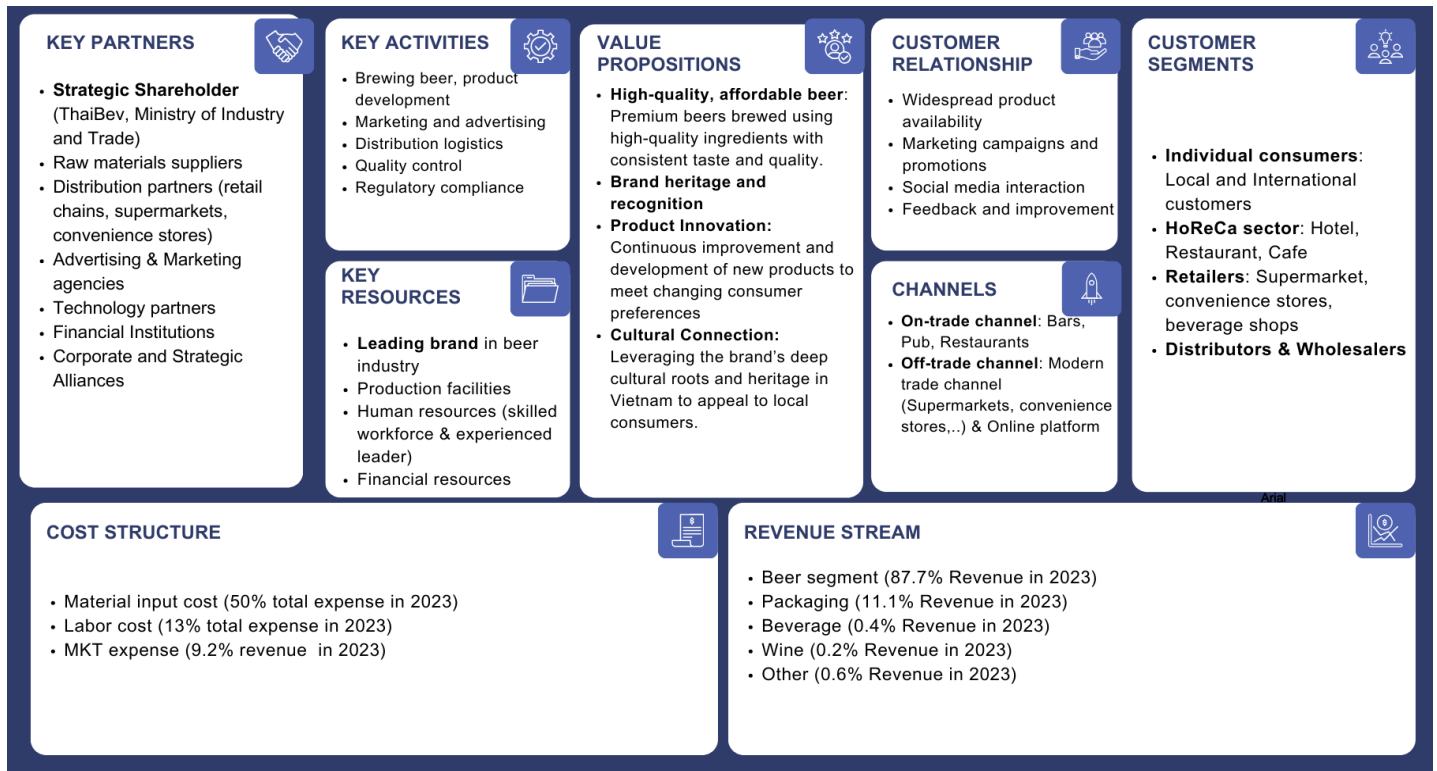
**Figure 26: SAB's product line**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Business model**

**Figure 27: Business model of SAB**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

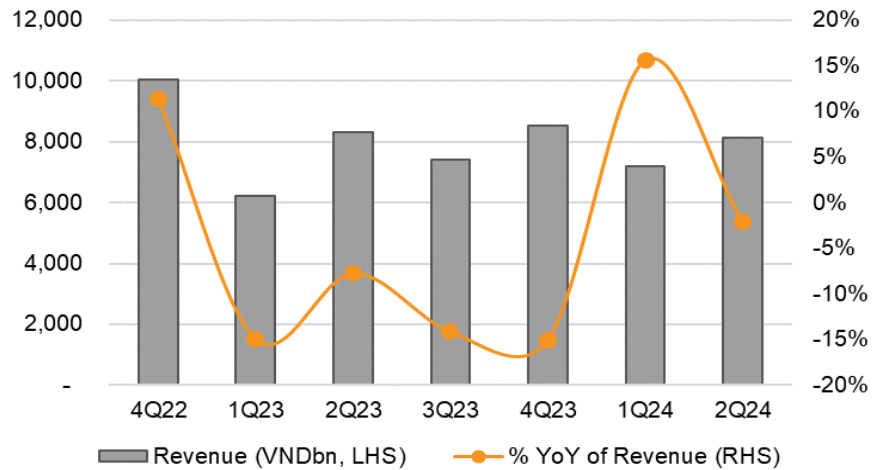
### SAB focuses on domestic beer segment

SAB's revenue primarily comes from its beer segment (87%), in which the domestic market contributes 90% of beer revenue. Currently, Sabeco only exports beer to serve its partners and has no plans to expand into international markets in the short term. We believe the reasons SAB has not expanded into export markets include:

- The company's priority is to strengthen its leading position and enhance its brand image domestically before exporting.
- The international beer market is fiercely competitive, dominated by numerous major brands. Therefore, Sabeco needs sufficient time to elevate product quality and establish a strong international brand presence before it can compete effectively in export markets.

Therefore, as SAB depends mainly on the domestic market, when total beer demand in Vietnam declined since 4Q22, SAB's revenue fell.

**Figure 28: SAB's revenue resumed its down trend in 2Q24**



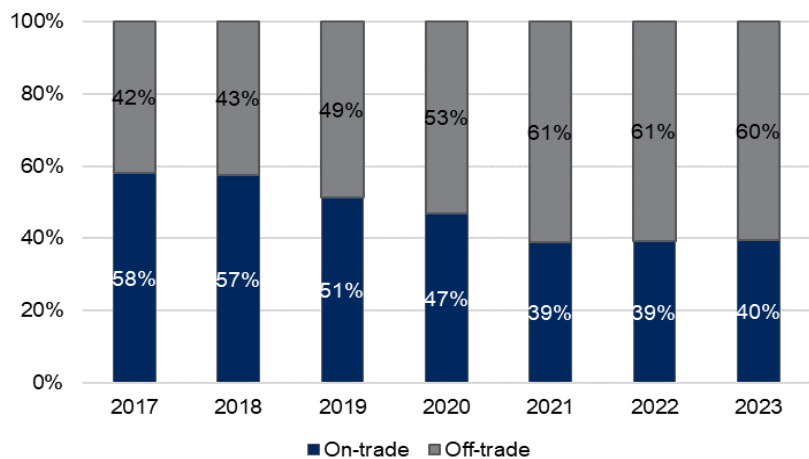
Source: COMPANY REPORTS, VNDIRECT RESEARCH

### Adapting beer distribution channels amid industry fluctuations

Sabeco operates 11 trading companies as wholly-owned subsidiaries that distribute products across Vietnam, making it the largest beer distribution network in the country. SAB's primary channels are on-trade (restaurants, pubs) for bottled beer and off-trade (retail outlets) for canned beer.

Before 2020, SAB primarily used the on-trade channel. However, the impact of Decree 100 and Covid-19 shifted consumer behavior toward off-trade consumption. Consequently, the proportion of SAB's beer sold through off-trade channels surged in 2019-23. We believe this strategy helps SAB adapt to the increasingly stringent Decree 100.

**Figure 29: The percentage of beer sales volume through off-trade expanded in FY19-23**



Source: Euromonitor, VNDIRECT RESEARCH

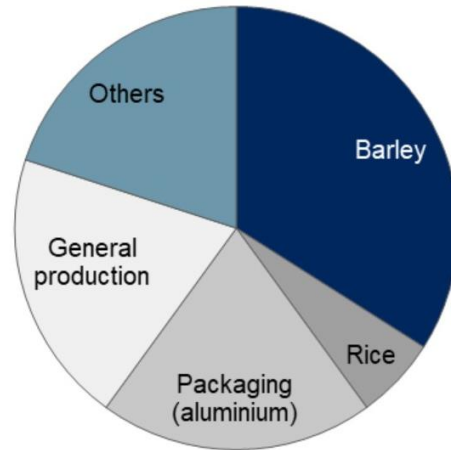
### Global commodity market fluctuations impact SAB financial performance

Beer production expenses account for more than 63.7% of Sabeco's total expenses. The main ingredients for producing beer include barley, packaging (aluminium), rice, hops, yeast, and other materials. Among these, barley and packaging (aluminium) constitute 34% and 20% of SAB's beer production expenses, respectively. Since barley and aluminium are imported from Australia

and China due to limitations in domestic production, SAB's input costs are heavily impacted by global commodity price fluctuations.

In 2024-25, the global average aluminium price is forecast to grow by 2% YoY/4% YoY mainly thanks to growing aluminium demand amid stable supply, according to a World Bank [report](#). Prices of barley are forecast to decline sharply in 2024-25 due to improved supply.

**Figure 30: SAB's beer production cost structure in 2023 (unit: %)**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

## Thai Beverage Public Company Limited

SAB is part of the ThaiBev ecosystem, one of the largest alcohol producers in Asia. ThaiBev uses an estimated 6-8 million tons of raw materials for beer production annually, which is three times more than Sabeco. To mitigate risks, SAB has collaborated with ThaiBev to jointly buy raw materials and has fixed input prices in the latter half of the year before the next fiscal year. We believe that by leveraging ThaiBev's large-scale production advantage, SAB can access raw materials at more stable and reasonable prices.

Thai Beverage Public Company Limited (“ThaiBev” or the “Group”) is Southeast Asia’s leading beverage producer and distributor and the largest in Thailand. The company’s vision is to be a stable and sustainable leader in the beverage and food business in the ASEAN region. Established in 2003 and headquartered in Bangkok, Thailand, ThaiBev specializes in the production and distribution of a diverse range of beverage products, including beer, spirits, wine, and soft drinks.

ThaiBev has built an extensive distribution network and continues to expand into international markets. The group owns multiple manufacturing facilities and distribution centers across various countries, including markets such as Myanmar, Singapore, and Vietnam. Currently, ThaiBev holds a 53.59% stake in Saigon Beer-Alcohol-Beverage Corporation (“SABECO”), a leading beer producer in Vietnam, making the group the largest beer producer by volume in Southeast Asia.

**Figure 31: ThaiBev's income statement (unit: USDmn)**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Net revenue</b>	<b>5,503</b>	<b>7,104</b>	<b>8,442</b>	<b>8,129</b>	<b>7,695</b>	<b>7,950</b>	<b>7,990</b>
Revenue growth	-1.9%	29.1%	18.8%	-3.7%	-5.3%	3.3%	0.5%
<b>COGS</b>	<b>3,820</b>	<b>5,038</b>	<b>5,998</b>	<b>5,728</b>	<b>5,408</b>	<b>5,601</b>	<b>5,620</b>
YoY	-1.8%	31.9%	19.0%	-4.5%	-5.6%	3.6%	0.3%
<b>Gross profit</b>	<b>1,683</b>	<b>2,066</b>	<b>2,444</b>	<b>2,401</b>	<b>2,287</b>	<b>2,348</b>	<b>2,371</b>
SG&A	886	1,270	1,386	1,257	1,205	912	1,333
YoY	4.7%	43.4%	9.1%	-9.3%	-4.2%	-24.3%	46.1%
<b>Net financial income</b>	<b>(27)</b>	<b>(132)</b>	<b>(190)</b>	<b>(180)</b>	<b>(175)</b>	<b>(136)</b>	<b>(123)</b>
YoY	-18.1%	384.9%	43.9%	-4.8%	-3.3%	-22.0%	-9.4%
<b>PBT</b>	<b>1,153</b>	<b>746</b>	<b>989</b>	<b>1,056</b>	<b>1,023</b>	<b>1,166</b>	<b>1,042</b>
<b>NPAT - MI</b>	<b>999</b>	<b>555</b>	<b>735</b>	<b>730</b>	<b>788</b>	<b>879</b>	<b>785</b>
Gross profit margin	30.6%	29.1%	28.9%	29.5%	29.7%	29.5%	29.7%
YoY		-1.5% pts	-0.1% pts	0.6% pts	0.2% pts	-0.2% pts	0.1% pts
Net profit margin	18.2%	7.8%	8.7%	9.0%	10.2%	11.1%	9.8%
YoY		-10.4% pts	0.9% pts	0.3% pts	1.3% pts	0.8% pts	-1.2% pts

Source: Bloomberg, VNDIRECT RESEARCH



## Financial analysis and business strategies

### Financial analysis

**Figure 32: Historical Income Statement**

	2019	2020	2021	2022	2023	1H23	1H24	Comment
<b>Income Statement (VNDbn)</b>								
<b>Net revenue</b>	<b>38,134</b>	<b>28,136</b>	<b>26,578</b>	<b>35,236</b>	<b>30,707</b>	<b>14,526</b>	<b>15,270</b>	In 2019-23, beer sales volume declined gradually amid lower beer demand due to Covid 19, economic downturn and stricter alcohol
%YoY	5.8%	-26.2%	-5.5%	32.6%	-12.9%	-11.0%	5.1%	
<b>Gross profit</b>	<b>9,785</b>	<b>8,675</b>	<b>7,813</b>	<b>11,028</b>	<b>9,337</b>	<b>4,403</b>	<b>4,540</b>	
%YoY	19.6%	-11.3%	-9.9%	41.1%	-15.3%	-16.3%	3.1%	
<b>Selling expense</b>	<b>3,003</b>	<b>2,859</b>	<b>3,500</b>	<b>4,532</b>	<b>4,479</b>	<b>2,028</b>	<b>1,744</b>	SAB boosted marketing activities to implement rebranding strategies and protect its market share amid intense competition.
Selling as % revenue	7.9%	10.2%	13.2%	12.9%	14.6%	14.0%	11.4%	
<b>G&amp;A expense</b>	<b>1,048</b>	<b>702</b>	<b>598</b>	<b>741</b>	<b>801</b>	<b>382</b>	<b>385</b>	
G&A as % revenue	2.7%	2.5%	2.2%	2.1%	2.6%	2.6%	2.5%	
<b>Net financial income</b>	<b>852</b>	<b>911</b>	<b>1,071</b>	<b>1,045</b>	<b>1,382</b>	<b>674</b>	<b>528</b>	
%YoY	43.2%	6.8%	17.6%	-2.4%	32.3%	51.5%	-21.7%	
as % PBT	13%	15%	22%	15%	26%	24%	18%	
<b>PBT</b>	<b>6,686</b>	<b>6,112</b>	<b>4,857</b>	<b>6,813</b>	<b>5,370</b>	<b>2,777</b>	<b>2,937</b>	
<b>NPAT - MI</b>	<b>5,370</b>	<b>4,937</b>	<b>3,929</b>	<b>5,500</b>	<b>4,255</b>	<b>2,127</b>	<b>2,245</b>	
%YoY	22.0%	-8.1%	-20.4%	40.0%	-22.6%	-25.1%	5.6%	
<b>Key Ratios</b>								
Gross profit margin	25.7%	30.8%	29.4%	31.3%	30.4%	30.3%	29.7%	In 2019-23, GM improved 4.8% thanks to an increase in beer selling prices to offset the growth of input material expenses and higher margin premium beer.
EBIT margin	15.0%	18.2%	14.0%	16.3%	13.2%	13.7%	15.8%	
Net profit margin	14.1%	17.5%	14.8%	15.6%	13.9%	14.6%	14.7%	
ROA	19.9%	18.0%	12.9%	16.0%	12.5%	3.3%	3.4%	
ROE	26.7%	23.3%	17.4%	22.4%	16.7%	4.2%	4.4%	

Source: COMPANY REPORTS, VNDIRECT RESEARCH

### Revenue fell while gross profit margin increased over last five years

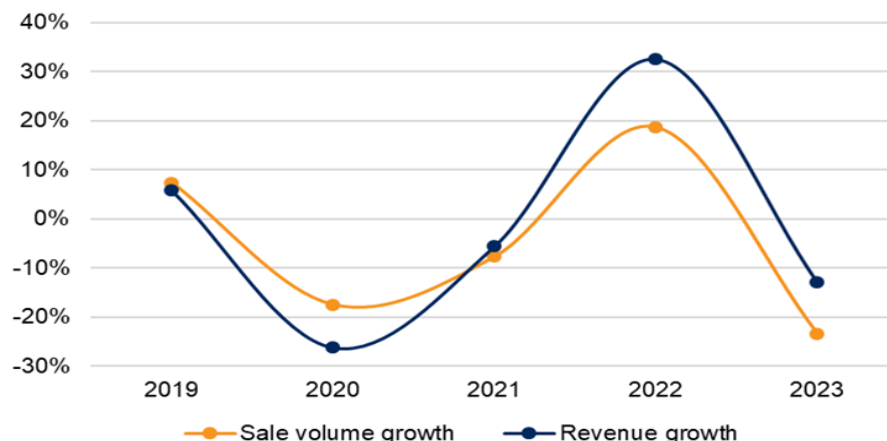
Due to the severe impact of the Covid epidemic, SAB's revenue in 2019-21 decreased sharply by 30.3% and recovered in 2022.

However, SAB's beer revenue growth has slowed due to the impact of 1) Decree 100 and 2) sharp increase in beer prices. When the Government started implementing Decree 100 in 2020, SAB's beer sales volume recorded a sharp decrease of 30.7% over 2019-23. Therefore, we believe that in the context of the Government's determination to tighten the law prohibiting vehicle drivers from using alcohol, this downward trend will be limited to the short term as consumers gradually adapt to Decree 100 (Figure 16).

SAB has consistently increased average beer selling prices by 19.0% over 2019-23 as the main input costs, including aluminum and barley prices, gradually increased and peaked in 2022 due to disruptions in raw material supply chains and supply constraints caused by the Covid-19 pandemic. In addition, average beer selling prices (ASP) also increased thanks to the higher contribution of premium beer products (we estimate SAB's average premium beer prices to be 56.8% higher than the mid-range segment).

In 1H24, SAB's revenue improved by 15.6% YoY to VND15.3tn (USD626mn) due mainly to the favorable impact of price increases. According to management, SAB has benefited from the increase in beer prices since June 2023. We estimate that the company's beer sales volume decreased slightly by 2% YoY in 1H24 due to a slow recovery in consumption as well as strict implementation of alcohol regulations when driving a vehicle.

**Figure 33: Beer sales volume dropped sharply, leading to a decline in revenue**

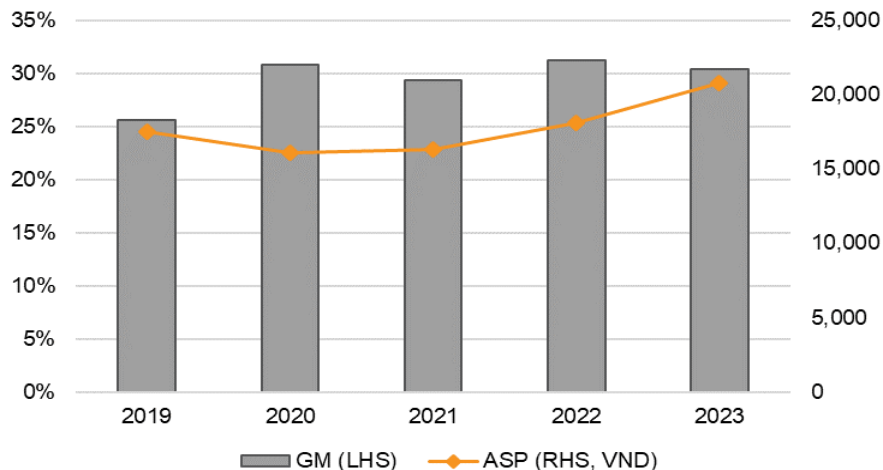


Source: COMPANY REPORTS, VNDIRECT RESEARCH

SAB's GM expanded by 4.8% pts to 30.4% in FY19-23 despite supply chain disruptions caused by Covid-19 and the Russia – Ukraine conflict. This was driven by beer price increases of 19% to offset rising input costs and a shift toward higher-margin premium beers (as explained above) during 2019-23.

SAB's gross margin in 1H24 remained flat at around 30% compared to 1H23 due to 1) SAB benefiting from increased beer prices since June 2023, and 2) a slight decrease in aluminum costs (estimated at -4.0% YoY) being sufficient to offset the higher cost of barley material.

**Figure 34: SAB's GM expanded in FY19-23**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

EBIT and net profit declined in 2019-23. Net profit margin decreased by 0.2% pts to 13.9% as the SG&A/revenue ratio expanded from 6.6% to 11.8% to strengthen marketing activities amid fierce competition during the last five years.

SAB's net financial income decreased sharply by 21.7% YoY in 1H24 due to lower interest rates so the net financial income/profit before tax ratio fell from 24% to 18%. In addition, thanks to a strategy of reducing advertising and marketing costs, SG&A expense to revenue declined by 2.7% pts YoY in 1H24, resulting in net profit in 1H24 increasing by 5.6% YoY to VND2.2tn (USD91.6mn).

ROE and ROA decreased sharply by 10.1%/7.4% pts, respectively, in 2019-23. The main reasons for this were 1) over five years, SAB's cash & short-term

investments increased sharply by 38% while the impact of Covid-19 and fierce competition from peers resulted in declining beer sales 2) increased marketing expenses and pricing strategies to protect market share directly impacted SAB's net profit with a CAGR of -5.7%.

**Strong financial health and attractive cash dividends**

Since 2019, SAB's debt has gradually decreased, leading to a gradual decrease in interest expenses. In addition, the company's quick ratio has improved from 2.8 to 2.9, showing that SAB can ensure short-term payments.

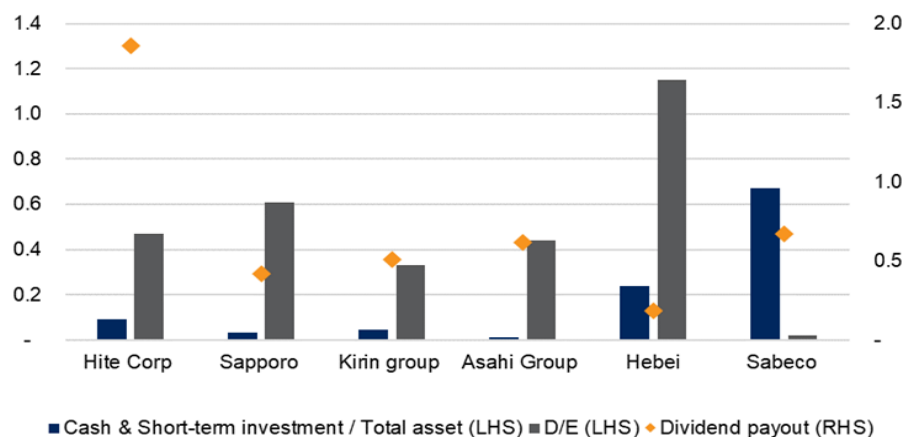
Cash and cash equivalents have remained high; short-term investment have also maintained an upward trend over the years and reached a record high of VND19.4tn (USD789mn) in 2022. Therefore, SAB recorded interest income of VND1.4tn (USD57.1mn), equivalent to 26% of PBT, which compensated for a decline in core business operations in 2023.

**Figure 35: Balance sheet in FY19-23**

VNDbn	2019	2020	2021	2022	2023	Comment
Cash	4,467	4,116	2,726	3,606	4,069	Limited new investments and extended days of payable, cash & cash equivalent accounts for 10% of total assets.
Short-term investment	12,393	14,547	16,991	19,411	17,741	
A/R Days	6	8	7	7	13	
Inventory Days	25	19	19	19	16	Days of inventory declined thanks to: 1) flexible supply chain management; 2) improved production process; and 3) promotional policies and distributor support to boost sale volume and reduce inventory.
A/P Days	14	19	20	19	22	
Capex	856	484	590	175	59	
Depreciation	564	576	530	530	533	SAB invested in increasing production capacity of Quang Ngai brewery and building a solar energy system, leading to a sharp increase in capex in 2020-22.
Fixed Assets	4,051	3,960	4,020	3,665	3,191	
Net Debt / Equity	5%	5%	3%	4%	3%	Quick ratio improved, showing SAB ensures short-term payments. SAB also decreased D/E ratio, which resulted in increase in interest coverage.
Leverage ratio	1.4	1.3	1.3	1.4	1.4	
Current ratio	3.1	3.8	3.2	2.9	3.2	
Quick ratio	2.8	3.5	2.9	2.7	2.9	
Interest coverage	153	80	76	126	81	

Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 36: SAB had a lower net debt ratio compared to other Asian alcohol companies in 2023**



Source: Bloomberg, VNDIRECT RESEARCH

Compared to other Asian alcohol companies in 2023, SAB had a high cash dividend pay-out ratio thanks to abundant cash and limited new investments. In 2023, the cash dividend pay-out ratio was 83%, and the company also distributed stock dividends at a 1:1 ratio to enhance stock liquidity.

In 2024-25, the company expects a dividend of VND3,500/share. We expect that with a strong financial foundation and positive business results, SAB will sustain a favorable dividend policy in the future.

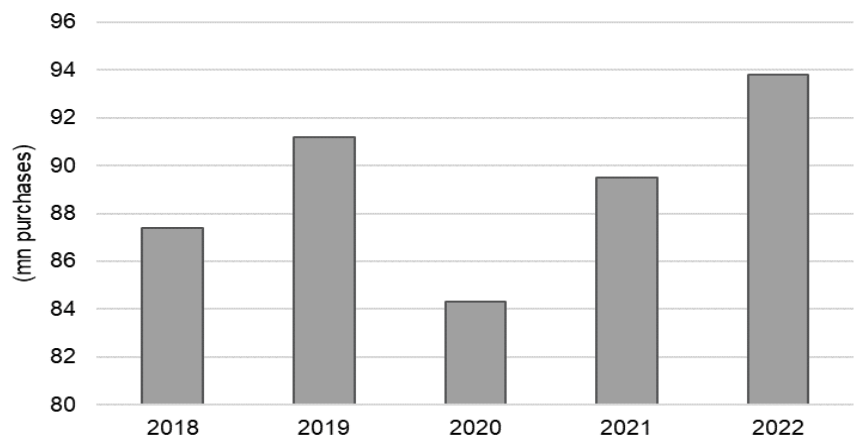
## Business strategies

### Product diversification to serve a wide range of customers

Sabeco has a diverse product portfolio compared to its competitors with eight beer products (three premium beer lines and five mid-range beer lines), six wine products and five soft drinks. Meanwhile, almost all beer companies in Vietnam concentrate on beer products, except for Habeco, which is developing a water product. This diversity allows SAB to meet a wide range of consumer preferences from lower income buyers seeking affordable options like Bia 333 and Saigon Lager to those seeking a premium experience with Saigon Gold. During 2019-23, SAB launched new products such as Bia Saigon Chill, Bia Lạc Việt and Bia Saigon Export Premium.

Overall, SAB's product diversification strategy kept it among the top 10 most reputable alcoholic beverage companies in Vietnam in 2019-23. Additionally, the number of purchases of Sabeco beer has jumped from 87.4 million in 2018 to 93.8 million in 2022. Therefore, we believe that SAB's continuous expansion of its product portfolio is a long-term strategy to strengthen the Sabeco brand in the minds of consumers and meet increasingly diverse needs amid fierce competition.

**Figure 37: Sabeco has been the most purchased beer brand in Vietnam, with an average number of purchases of over 87 million in FY18-22**



Source: Brand FootPrint, VNDIRECT RESEARCH

### Rebranding to penetrate premium segment

Premium beers are typically consumed in upscale settings such as luxury restaurants, bars, lounges, and hotels, which attract high-income consumers. Brands like Heineken, Tiger, and Budweiser focus their distribution on these premium venues, resulting in wider coverage and a stronger market position in upscale restaurants, hotels, and bars. In contrast, Sabeco is not the primary choice for upscale places due to its association with the mid-range segment. Consequently, Sabeco's presence in these premium venues is generally weaker compared to other international premium brands.

In 2019-23, SAB officially changed its logo and revamped the appearance of products. This is a long-term strategy to connect with younger dynamic consumers (Gen Y and Gen Z are shaping current trends) and easily reach customers in luxurious, high-end spaces. However, the company's new look did not break through, and Sabeco has been unable to escape its mid-range brand image (Figure 20).

**Figure 38: New branding**



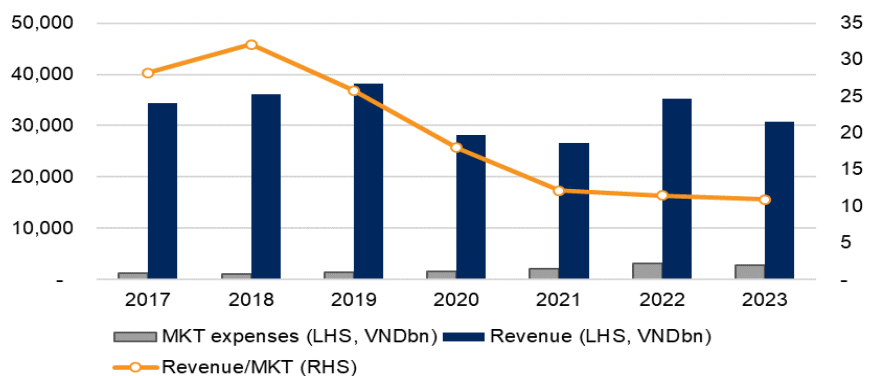
Source: COMPANY REPORTS, VNDIRECT RESEARCH

SAB is also among the top FMCG companies investing in marketing due to the nature of the beer industry (Vietnamese consumers prefer familiar brands, leading breweries to spend a lot to attract and retain customers). In the context of weak consumer demand due to the impact of Covid-19, inflation, and economic downturns in 2020-24, SAB increased brand visibility with marketing expenses growth of 17.5% annually from 2019 to 2023. Sabeco has implemented the following promotional activities.

- Strong presence in off-trade channels: SAB took advantage of its 200,000 POS in Vietnam to promote its brand and establish official stores on e-commerce platforms like Tiki, Lazada, and Shopee.
- Training programs for promotional girls (PG) at on-trade locations.
- Presence in major cities through projects like "Project Street Light": The company invests in branded streetlight signage in big cities from North to South.
- Sponsorship and organization of interactive consumer events: Examples include "Lên cùng Việt Nam," "Tiếp sức Việt Nam" and "Đêm Sài Gòn".

Although SAB's marketing expenses have continuously increased in recent years and helped grow market share slightly, we believe marketing effectiveness was not high, with the revenue-to-marketing ratio dropping from 25.8 in 2019 to 10.9 in 2023.

**Figure 39: The effectiveness of SAB's marketing activities did not match their cost**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

## Outlook F24-25 Earnings Forecast

### FY24-25 earnings forecast

**Figure 40: Forecasting SAB's business results in FY23-25**

VNDbn	2023	YoY	2024	YoY	2025	YoY	Comment
<b>Net revenue</b>	<b>30,707</b>	<b>-12.9%</b>	<b>31,830</b>	<b>3.7%</b>	<b>33,430</b>	<b>5.0%</b>	In 2024-25: beer sales volume is expected to increase by 2.1%/5.0% YoY due to: 1) slower than expected domestic beer demand recovery; and 2) Sabeco's leading position in the mid-range segment benefiting from trend toward affordable beer consumption.
- Beer	26,923	-12.0%	27,908	3.7%	29,311	5.0%	
- Material	3,419	-19.2%	3,544	3.7%	3,820	7.8%	
- Beverage	121	-29.2%	125	3.7%	132	5.0%	
- Wine	51	-10.5%	53	3.7%	55	4.1%	
- Other	190	10.5%	197	3.7%	192	-2.4%	
<b>COGS</b>	<b>21,370</b>	<b>-11.7%</b>	<b>22,084</b>	<b>3.3%</b>	<b>22,236</b>	<b>0.7%</b>	We expect average beer selling prices will grow by 1.5% YoY in 2024 due to: 1) a higher proportion of premium segment; and 2) an increase in input expenses in 2024. In 2025, beer selling price is expected to stay flat thanks to high substitution risk.
<b>Gross profit</b>	<b>9,337</b>	<b>-15.3%</b>	<b>9,745</b>	<b>4.4%</b>	<b>11,194</b>	<b>14.9%</b>	
- Beer	9,168	-15.3%	9,565	4.3%	11,004	15.0%	
- Material	(2)	-140.0%	(2)	3.7%	96	-4734.7%	
- Beverage	28	-24.3%	29	3.7%	30	5.0%	
- Wine	2	-71.4%	2	3.7%	2	-18.2%	
- Other	143	-5.3%	148	3.7%	141	-4.8%	
Selling expense	4,479	-1.2%	4,532	1.2%	4,760	5.0%	
G&A expense	801	8.1%	830	3.7%	872	5.0%	
<b>Net financial income</b>	<b>1,382</b>	<b>32.3%</b>	<b>1,270</b>	<b>-8.1%</b>	<b>1,452</b>	<b>14.3%</b>	
As % PBT	25.7%	10.4%	22.3%	-3.5%	20.2%	-2.1%	
<b>PBT</b>	<b>5,370</b>	<b>-21.2%</b>	<b>5,700</b>	<b>6.1%</b>	<b>7,186</b>	<b>26.1%</b>	
<b>NPAT - MI</b>	<b>4,255</b>	<b>-22.6%</b>	<b>4,277</b>	<b>0.5%</b>	<b>5,454</b>	<b>27.5%</b>	
Gross profit margin	30.4%	-0.9% pts	30.6%	0.2% pts	33.5%	2.9% pts	
Net profit margin	13.9%	-1.8% pts	13.4%	-0.4% pts	16.3%	2.9% pts	

Source: COMPANY REPORTS, VNDIRECT RESEARCH

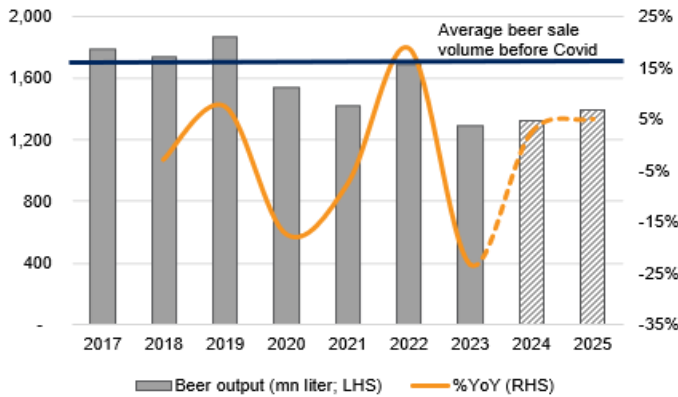
### Revenue growth: Limited progress amid ongoing challenges

In 2024-25, we expect Sabeco's beer sales volume to increase by 2.1% YoY/5.0% YoY after a 23.4% decline in 2023 due to 1) a slower-than-expected domestic beer demand recovery, 2) and Sabeco's leading position in the mid-range beer segment benefiting from the trend toward affordable beer consumption.

We anticipate the average beer selling price to increase by 1.5% YoY in 2024 due to higher-priced products in the premium segment (we estimate the average selling mid-range beer price is 56.8% lower than the premium), and an increase in input expenses. In 2025, we believe the average beer selling price will be stable enough to maintain competitive advantage as beer is a product with high substitution risk.

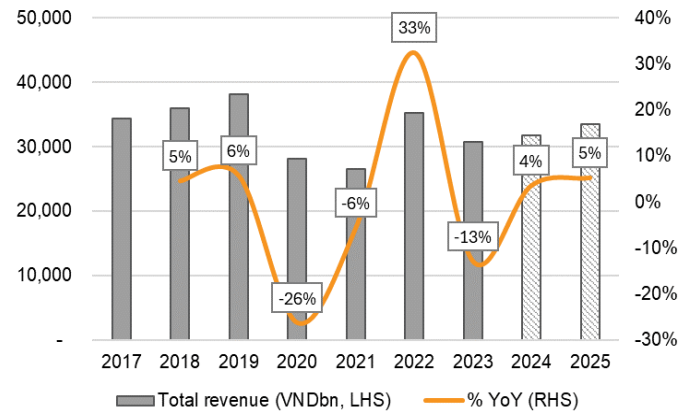
Overall, during 2024-25, we expect SAB's revenue to grow by 3.7%/5.0% YoY to VND31.8tn/VND33.4tn (USD1.2bn/USD1.3bn), which is 7.5% lower than SAB's plan for 2024.

**Figure 41: SAB's beer sale volume is forecast to partially recover in FY24-25 but lower than the pre-Covid level**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 42: Modest revenue growth as Vietnam's beer market struggles**



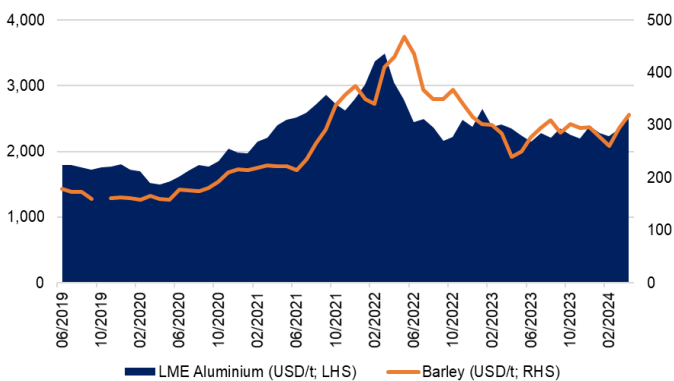
Source: COMPANY REPORTS, VNDIRECT RESEARCH

### SAB's GM continues to expand

Barley and aluminum prices (two important raw materials in beer production) peaked in 2022, and SAB locked in input material prices for the 2023-24 production year. Global aluminum and barley prices in 2Q24 decreased by 6.6%/28.4%, respectively, compared to average prices in 2Q22. In addition, the company tends to lock in input material prices for the next production year six to nine months in advance, so we expect expenses for main input materials to fall by 1.2% YoY in 2025 after rising by about 3.3% YoY in 2024.

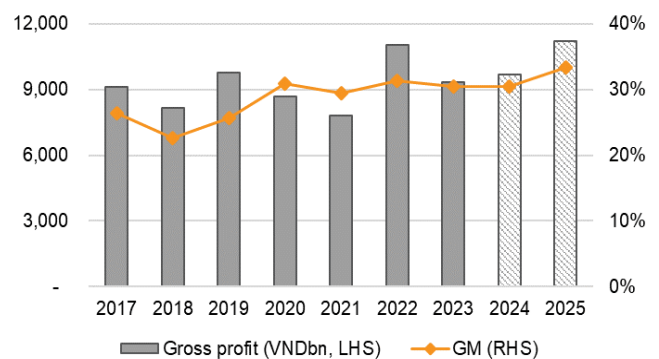
Meanwhile, we anticipate SAB to adjust its average selling beer price upward by 1.5% YoY in 2024 and stay flat in 2025. Therefore, SAB's blended GM is expected to remain flat in 2024 before increasing slightly by 2.9% pts in 2025 to 33.5%.

**Figure 43: Both LME aluminium and barley prices in 2Q24 fell compared to average prices in 2Q22**



Source: Nasdaq, Bloomberg, VNDIRECT RESEARCH

**Figure 44: Sabeco's GM will improve by 2.9% pts in 2025 after staying flat in 2024**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

### Net profit increase in FY24-25

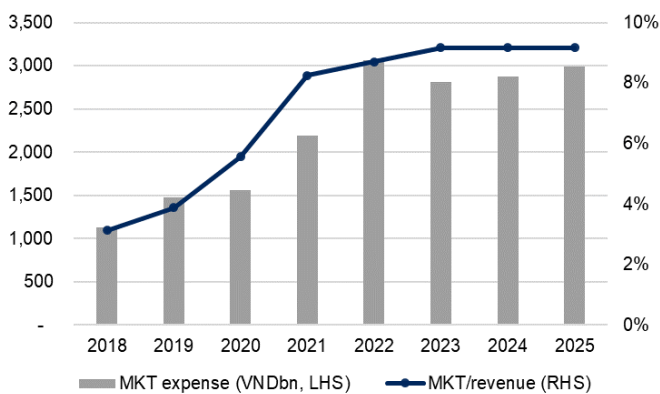
We forecast net profit to increase by 0.5%/27.5% in 2024/25 to VND4.4tn/VND5.5tn (USD179mn/USD224mn), respectively, based on the following assumptions:

- Net revenue is expected to grow by 3.7% YoY/5.0% YoY in 2024-25. This is mainly due to the expected recovery of domestic beer consumption in late 2024-early 2025. The company benefits from the

trend of shifting to mid-range beer consumption as the growth rate of average disposable income per capita recovers slowly in short-term.

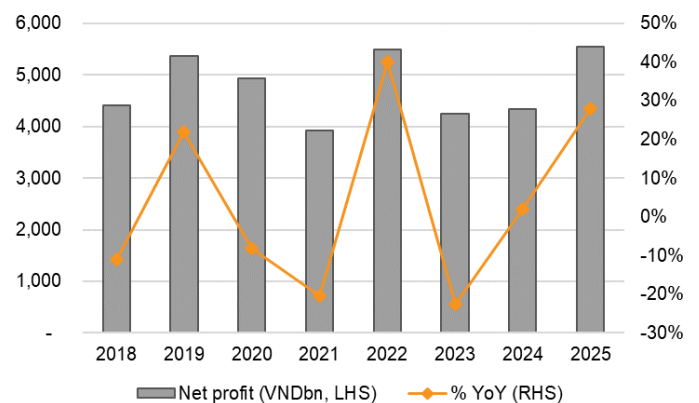
- We believe the company has locked in input prices for 2025, with aluminum and barley prices decreasing by 6.6%/28.4% YoY, respectively, compared to 2024. In addition, we expect average beer prices to increase by about 1.5% YoY in 2024 to offset rising input costs and increase the proportion of the premium beer segment; and remain flat in 2025. Therefore, SAB's gross profit margin will expand by 2.9% pts YoY in 2025 after remaining flat in 2024.
- Deposit rates will rise slightly from their recent bottom by 0.5% to 0.75% by the end of FY24. Therefore, net financial income will decline by 8.0% YoY in 2024 before improving 11.4% to VND1.4tn (USD58mn) in 2025.
- In the context of intensive competition from domestic and foreign brands as well as a decline in domestic beer demand, we believe SAB will continue to maintain a marketing to revenue ratio at 9.2% in 2024-25 to preserve its market share.

**Figure 45: MKT expense/revenue will remain unchanged to protect market share in FY24-25**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 46: In 2024-25 net profit is projected to increase gradually**



Source: COMPANY REPORTS, VNDIRECT RESEARCH



## Valuation: Initiate with a HOLD rating and target price of VND59,900/share

The target price is based on an equal weighting of DCF valuation (WACC = 8.1%, long-term growth = 0.5%) and P/E ratio. DCF valuation is based on a risk-free rate of 2.79% (10-year Government bond yield as of June 30, 2024) and a [risk premium](#) of 7.78%.

We apply a target P/E of 16.6x for SAB, which is an 18.6% discount from the FY24 average peer P/E ratio. We base our target P/E on a discount from peers as we see 1) SAB's P/E was 22.7% lower than the peer average in the last three years; and 2) SAB's ROE for FY24F is 17.0%, which is lower than the industry average forecast (21.8%).

**Figure 47: Valuation summary (unit: VND)**

Methodology	Price	Weight	Weighted price
FCFF	64,314	50%	32,157
P/E	55,408	50%	27,704
Average			59,861
<b>Target price</b>			<b>59,900</b>

Source: VNDIRECT RESEARCH

**Figure 48: P/E multiple target**

2024F NPAT attribute to common shareholder (VNDbn)	4.277
2024F No.outstanding share (mn)	1.283
FY2024 EPS (VND)	335
Target P/E	17
<b>Implied price 2024</b>	<b>55.408</b>

Source: VNDIRECT RESEARCH

**Figure 49: Discounted cash flow - Cash flows to firm (FCFF)**

PV of FCFF (VNDbn)	38,361
PV of terminal value (VNDbn)	39,691
Enterprise value (VNDbn)	78,051
Less: Net debt Plus: Cash + ST investment (VNDbn)	4,436
Equity value	82,487
No.outstanding share (mn)	1,283
<b>Equity value per share</b>	<b>64,314</b>

Source: VNDIRECT RESEARCH

**Figure 50: FCFF assumption**

Assumption	
Beta	0.7
Risk premium	7.8%
Risk free rate	2.8%
Cost of Equity	8.2%
Cost of Debt	3.2%
Corporate tax	20.8%
WACC	8.1%

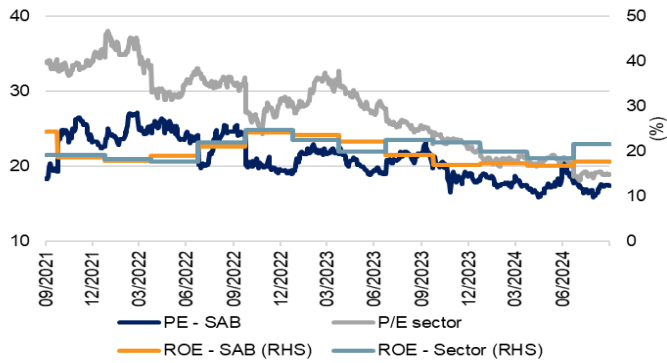
Source: VNDIRECT RESEARCH

**Figure 51: Discounted cash flow – DCF (unit: VNDbn)**

DCF	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
EBIT	4,384	5,562	6,161	7,540	8,937	8,728	8,925	9,146	9,307	9,468
Tax	(1,184)	(1,492)	(1,625)	(1,931)	(2,242)	(2,191)	(2,238)	(2,290)	(2,329)	(2,369)
D&A	602	630	658	589	596	603	610	617	624	621
Changes in WC	(362)	(154)	(287)	59	(170)	10	1	(46)	(36)	(27)
CapEx	(560)	(560)	(560)	(140)	(140)	(140)	(140)	(140)	(140)	(140)
<b>FCF</b>	<b>2,880</b>	<b>3,986</b>	<b>4,347</b>	<b>6,117</b>	<b>6,980</b>	<b>7,010</b>	<b>7,158</b>	<b>7,288</b>	<b>7,425</b>	<b>7,552</b>
<b>Terminal value</b>										<b>86,343</b>
<b>PV of FCFF</b>	<b>2,665</b>	<b>3,412</b>	<b>3,443</b>	<b>4,483</b>	<b>4,733</b>	<b>4,397</b>	<b>4,154</b>	<b>3,913</b>	<b>3,689</b>	<b>3,472</b>
<b>PV of Terminal value</b>										<b>39,691</b>

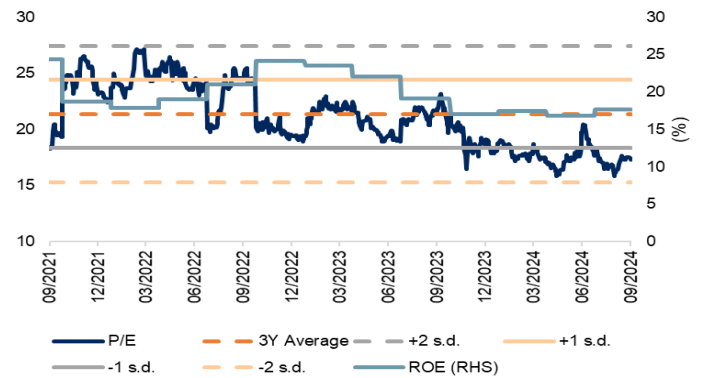
Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 52: SAB's P/E and ROE compared to sector**



Source: VNDIRECT RESEARCH

**Figure 53: SAB's P/E compared to historical data**



Source: VNDIRECT RESEARCH

**Figure 54: Peer comparison (data as 09/25/2024)**

Ticker	Country	Market Cap (US\$m)	TTM Net revenue growth (%)	TTM Net profit growth (%)	Debt/Equity (%)	ROE (%)		P/E (x)		LQ P/B (x)	
						TTM	FY24F	TTM	FY24F		
600600 CH Equity	China	1,600	5.5	15.0	1.1	16.1	16.3	23.8	22.4	23.8	3.7
HEIM MK Equity	Malaysia	1,370	-7.6	-6.3	31.4	81.7	88.3	18.9	18.3	18.9	15.9
002461 CH Equity	China	19,820	9.1	4.2	17.4	6.4	7.7	28.2	27.0	28.2	1.8
FB PM Equity	Philippines	5,380	5.8	3.8	60.7	21.8	19.3	13.0	13.2	13.0	2.8
600702 CH Equity	China	1,970	16.9	5.1	6.0	26.1	18.2	18.1	17.8	18.1	4.5
000729 CH Equity	China	14,360	7.7	83.0	3.7	4.7	6.8	37.7	34.4	37.7	1.8
2502 JP Equity	Japan	2,650	10.3	8.3	61.7	7.3	7.9	16.2	14.1	16.2	1.1
2503 JP Equity	Japan	3,720	7.3	1.5	51.4	10.7	10.2	14.8	16.1	14.8	1.5
<b>Median</b>		<b>3,185</b>	<b>7.5</b>	<b>4.7</b>	<b>24.4</b>	<b>13.4</b>	<b>13.3</b>	<b>18.5</b>	<b>18.1</b>	<b>18.5</b>	<b>2.3</b>
<b>Average</b>		<b>6,358.8</b>	<b>6.9</b>	<b>14.3</b>	<b>29.2</b>	<b>21.8</b>	<b>21.8</b>	<b>21.3</b>	<b>20.4</b>	<b>21.3</b>	<b>4.1</b>
<b>SAB VN Equity</b>	<b>Vietnam</b>	<b>2,940</b>	<b>-12.9</b>	<b>-21.2</b>	<b>2.8</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>	<b>16.6</b>	<b>17.0</b>	<b>3.3</b>

Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 55: Sensitivity of valuation assumption**

Growth rate (%)	Cost of equity (%)				
	6.2%	7.2%	8.2%	9.2%	10.2%
0.3%	86,200	70,200	59,300	51,400	45,400
<b>0.5%</b>	<b>87,300</b>	<b>71,000</b>	<b>59,900</b>	<b>51,800</b>	<b>45,700</b>
0.8%	88,600	71,800	60,400	52,200	46,000
1.0%	89,900	72,700	61,000	52,600	46,300

Source: VNDIRECT RESEARCH

We assess the key factors that could change the target price of SAB shares, including:

**Potential re-rating catalysts include:** higher-than-expected demand for beer as the economy and disposal incomes recover faster than expected.

**Downside risks include:** 1) weaker-than-expected demand for beer, 2) stricter enforcement of Decree 100 and a special consumption tax, and 3) the rising cost of raw material.

**Figure 56: Sensitivity of target price to beer consumption demand assuming other factors remain constant (unit: VND)**

Beer demand growth	-7%	-4%	-1%	<b>2%</b>	5%	8%
Target price	41,500	45,800	51,400	<b>59,900</b>	69,900	84,900

Source: VNDIRECT RESEARCH

**Figure 57: Sensitivity of aluminium cost to target price with other factors held constant (unit: VND)**

Aluminium cost growth	2%	3%	4%	5%
Target price	<b>59,900</b>	58,900	57,900	56,900

Source: VNDIRECT RESEARCH

**Figure 58: Sensitivity of barley cost to target price with other factors held constant (unit: VND)**

Barely cost growth	4%	5%	6%	7%
Target price	<b>59,900</b>	59,000	58,100	57,200







Source: VNDIRECT RESEARCH

## Appendix

### Decree No. 100/2019/ND-CP regulating penalties in road, rail traffic

The Government issued Decree No. 100/2019/NĐ-CP on administrative penalties for violations in road and railway traffic, and this decree came into effect on January 1, 2020. A key point in this decree is that drivers of vehicles (cars, motorcycles) with a blood alcohol concentration exceeding the limit will be fined or have their driving license revoked.

**Figure 59: Specific penalty regulations for drivers using alcohol**

Blood alcohol concentration (BAC)*	≤ 0.05%	0.05%-0.08%	≥ 0.08%	
Level of fine (USD)	81.6-122.4	163.2-204	244.8-326.5	
	244.8-326.5	652.9-734.5	1224.2-1632.3	
License suspension period (month)	10-12	16-18	22-24	
				
Ratio of penalty to average monthly income (%)	25-38%	51-63%	76-101%	
	76-101%	203-228%	380-507%	

*BAC\* equivalent in terms of number of 330ml beer cans, calculated based on consumption of 72kg male, measured with 30 minutes after the first drink*

Source: Legal Library, VNDIRECT RESEARCH

### Income statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net revenue	38,134	28,136	26,578	35,236	30,707	31,830	33,430
Cost of sales	(28,348)	(19,460)	(18,765)	(24,208)	(21,370)	(22,084)	(22,236)
<b>Gross Profit</b>	<b>9,785</b>	<b>8,675</b>	<b>7,813</b>	<b>11,028</b>	<b>9,337</b>	<b>9,745</b>	<b>11,194</b>
Gen & admin expenses	(1,048)	(702)	(598)	(741)	(801)	(830)	(872)
Selling expenses	(3,003)	(2,859)	(3,500)	(4,532)	(4,479)	(4,532)	(4,760)
Operating profit	5,734	5,114	3,715	5,755	4,057	4,384	5,562
Operating EBITDA	6,298	5,690	4,244	6,285	4,590	4,974	6,181
Depreciation and amortisation	(575)	(585)	(540)	(541)	(544)	(602)	(630)
<b>Operating EBIT</b>	<b>6,873</b>	<b>6,275</b>	<b>4,784</b>	<b>6,826</b>	<b>5,134</b>	<b>5,576</b>	<b>6,811</b>
Interest income	890	974	1,120	1,091	1,433	1,344	1,652
Financial expense	(37)	(64)	(49)	(46)	(50)	(73)	(236)
Net other income	12	35	77	(16)	(32)	(28)	(29)
Income from associates & JVs	378	267	173	323	232	0	0
<b>Pre-tax profit</b>	<b>6,686</b>	<b>6,112</b>	<b>4,857</b>	<b>6,813</b>	<b>5,370</b>	<b>5,700</b>	<b>7,186</b>
Tax expense	(1,316)	(1,175)	(928)	(1,314)	(1,115)	(1,184)	(1,492)
<b>Net profit</b>	<b>5,370</b>	<b>4,937</b>	<b>3,929</b>	<b>5,500</b>	<b>4,255</b>	<b>4,277</b>	<b>5,454</b>
Adj. net profit to ordinary	5,370	4,937	3,929	5,500	4,255	4,277	5,454

### Balance sheet

(VNDbn)	12-19A	12-20A	12-21A	12-22A	12-23A	12-24E	12-25F
Cash and equivalents	4,116	2,726	3,606	4,069	5,040	5,224	5,487
Short term investments	12,393	14,547	16,991	19,411	17,741	18,390	19,314
Accounts receivables	569	591	468	898	1,229	882	926
Inventories	1,967	1,447	1,668	2,194	2,318	2,120	2,187
Other current assets	120	202	143	288	226	222	251
<b>Total current assets</b>	<b>19,165</b>	<b>19,513</b>	<b>22,877</b>	<b>26,860</b>	<b>26,553</b>	<b>26,838</b>	<b>28,165</b>
Fixed assets	4,993	4,903	4,953	4,589	4,114	4,072	4,002
Total investments	2,221	2,416	2,166	2,367	2,566	2,564	2,562
Other long-term assets	583	542	490	649	823	682	741
<b>Total assets</b>	<b>26,962</b>	<b>27,375</b>	<b>30,487</b>	<b>34,465</b>	<b>34,057</b>	<b>34,155</b>	<b>35,469</b>
Short-term debt	561	449	322	659	530	1,573	3,768
Accounts payable	2,427	1,653	2,400	2,766	2,476	2,541	2,568
Other current liabilities	3,100	3,071	4,536	5,789	5,218	4,427	4,649
<b>Total current liabilities</b>	<b>6,088</b>	<b>5,173</b>	<b>7,258</b>	<b>9,214</b>	<b>8,225</b>	<b>8,541</b>	<b>10,985</b>
Total long-term debt	494	526	341	374	171	247	317
Other liabilities	304	460	293	286	176	182	192
Share capital	6,413	6,413	6,413	6,413	12,826	12,826	12,826
Retained earnings reserve	12,392	13,527	14,809	16,727	11,387	11,044	9,812
<b>Shareholders' equity</b>	<b>18,805</b>	<b>19,940</b>	<b>21,221</b>	<b>23,140</b>	<b>24,212</b>	<b>23,870</b>	<b>22,638</b>
Minority interest	1,271	1,275	1,373	1,451	1,273	1,314	1,339
<b>Total liabilities &amp; equity</b>	<b>26,962</b>	<b>27,375</b>	<b>30,487</b>	<b>34,465</b>	<b>34,057</b>	<b>34,155</b>	<b>35,469</b>

<b>Cash flow statement</b>							
(VNDbn)	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022A</u>	<u>2023A</u>	<u>2024E</u>	<u>2025F</u>
<b>Pretax profit</b>	<b>6,686</b>	<b>6,112</b>	<b>4,857</b>	<b>6,813</b>	<b>5,370</b>	<b>5,700</b>	<b>7,186</b>
Depreciation & amortisation	647	593	557	561	570	602	630
Tax paid	(1,399)	(1,039)	(919)	(1,330)	(1,100)	(1,184)	(1,492)
Other adjustments	(1,146)	(1,477)	(1,505)	(1,468)	(1,806)	(482)	(2,058)
Change in working capital	216	(61)	527	(198)	(1,106)	(362)	(154)
<b>Cash flow from operations</b>	<b>5,005</b>	<b>4,129</b>	<b>3,518</b>	<b>4,379</b>	<b>1,930</b>	<b>4,274</b>	<b>4,111</b>
Capex	(269)	(367)	(330)	(533)	(273)	(560)	(560)
Proceeds from assets sales	5	1	3	4	2	0	0
Others	(3,845)	(1,157)	(897)	(1,339)	2,997	(649)	(924)
Other non-current assets change	0	1	2	3	4	5	6
<b>Cash flow from investing activ</b>	<b>(4,109)</b>	<b>(1,523)</b>	<b>(1,223)</b>	<b>(1,868)</b>	<b>2,726</b>	<b>(1,209)</b>	<b>(1,484)</b>
New share issuance	0	0	0	0	0	0	0
Shares buyback	0	0	0	0	0	0	0
Net borrowings	(111)	(261)	(318)	371	(331)	967	2,125
Other financing cash flow	0	1	2	3	4	5	6
Dividends paid	(1,137)	(3,734)	(1,096)	(2,419)	(3,354)	(3,848)	(4,489)
<b>Cash flow from financing activ</b>	<b>(1,247)</b>	<b>(3,995)</b>	<b>(1,414)</b>	<b>(2,048)</b>	<b>(3,685)</b>	<b>(2,881)</b>	<b>(2,364)</b>
Beginning cash and equivalents	4,467	4,116	2,726	3,607	4,070	5,040	5,225
Total cash generated	(352)	(1,390)	880	463	971	184	263
<b>Ending cash and equivalents</b>	<b>4,116</b>	<b>2,726</b>	<b>3,607</b>	<b>4,070</b>	<b>5,040</b>	<b>5,225</b>	<b>5,487</b>

<b>Key ratios</b>							
<b>Valuation Ratios</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>
EPS (VND)	7,477.0	7,145.0	5,556.0	7,983.0	3,132.0	3,334.9	4,252.5
Price Earnings	30.5	27.3	27.4	21.0	20.1	18.3	16.2
1-yr PEG	1.4	(6.2)	(1.2)	0.5	(0.3)	2.8	0.6
EV to EBIT	21.5	20.2	19.4	15.4	14.3	11.5	10.1
EV to EBITDA	19.6	18.4	17.4	14.2	13.0	10.1	12.1
Price to Sales	3.9	4.5	3.7	3.1	2.7	2.3	2.2
Price to Book	7.8	6.3	4.6	4.6	3.3	3.1	3.0
Dividend Yield	1.4%	2.0%	2.1%	2.1%	4.0%	4.9%	5.1%
Dividend Payout Ratio	21.2%	75.6%	27.9%	44.0%	78.8%	90.0%	82.3%
<b>Growth Rates</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>
Net Revenue YoY	5.8%	-26.2%	-5.5%	32.6%	-12.9%	3.7%	5.0%
Gross Profit YoY	19.6%	-11.3%	-9.9%	41.1%	-15.3%	4.4%	14.9%
Net Profit YoY	22.0%	-8.1%	-20.4%	40.0%	-22.6%	0.5%	27.5%
EPS YoY	21.7%	-4.4%	-22.2%	43.7%	-60.8%	6.5%	27.5%
<b>Profitability Ratios</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>
Gross Margin	25.7%	30.8%	29.4%	31.3%	30.4%	30.6%	33.5%
EBITDA Margin	16.5%	20.2%	16.0%	17.8%	14.9%	15.6%	18.5%
Operating Margin	27.9%	34.1%	33.4%	34.3%	34.9%	30.4%	32.8%
Net Profit Margin	14.1%	17.5%	14.8%	15.6%	13.9%	13.4%	16.3%
Return on Avg Assets	19.9%	18.0%	12.9%	16.0%	12.5%	12.5%	15.4%
Return on Avg Equity	26.7%	23.3%	17.4%	22.4%	16.7%	17.0%	22.7%
<b>Leverage Ratios</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>
Interest Coverage Ratio (EBIT/EBITDA / (I + Cap Ex)	153.5	80.3	76.2	126.4	80.8	60.4	23.6
Tot Debt/Capital	3.9%	3.6%	2.2%	3.0%	2.1%	5.3%	11.5%
Tot Debt/Equity	5.3%	4.6%	2.9%	4.2%	2.8%	7.2%	17.0%
Net Debt/Equity	-15.2%	-8.3%	-13.0%	-12.3%	-17.0%	-13.5%	-5.8%
<b>Liquidity Ratios</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>
Asset Turnover	1.5	1.0	0.9	1.1	0.9	0.9	1.0
Accounts Receivable Turnover	57.2	48.5	50.2	51.6	28.9	30.2	37.0
A/R DOH	6.4	7.5	7.3	7.1	12.6	12.1	9.9
Accounts Payable Turnover	25.5	19.1	18.5	18.7	16.3	17.6	17.4
A/P DOH	14.3	19.1	19.7	19.5	22.4	20.7	21.0
Inventory Turnover	15.0	11.4	12.0	12.5	9.5	10.0	10.3
Inv DOH	24.3	32.0	30.3	29.1	38.5	36.7	35.3
Current Ratio	3.1	3.8	3.2	2.9	3.2	3.1	2.6
Quick Ratio	2.8	3.5	2.9	2.7	2.9	2.9	2.4

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### RECOMMENDATION FRAMEWORK

#### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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