

BELUGA Group

1H2021 Operating results

- ▶ **BELUGA Group (MOEX: BELU) announces 1H2021 operating results.** The company increased its total sales by 1.3% YoY to 7.266 million 9L cases in the half-year, 16.3% above its 1H2019 sales total. The company said that sales of own brand products were rather flat YoY, while brands in the premium segment posted double-digit growth. The strongest growth was demonstrated by Snow Owl vodka, Arkhangelskaya vodka, Bastion cognac, Fox & Dogs whiskey, Green Baboon gin, Golubitskoye Estate wines and Tête de Cheval sparkling wines. Sales of imported brands rose 21% YoY to 1.076 million 9L cases - a 71% increase from 1H2019. The imported brands that recorded the highest growth were Camus cognacs, The Balvenie, Glenfiddich and Monkey Shoulder. Export sales of super-premium brand Beluga recovered by 107% YoY, exceeding the level posted in 1H2019.
- ▶ **The company completed its secondary public offering in June, raising RUB5.6bn.** BELUGA Group sold two million shares equating to c.12.7% of the company's share capital via an SPO on the Moscow Exchange at RUB2,800 per share. The selling shareholder, Tottenwell Limited, a 100%-owned subsidiary of the group, and major shareholder Alexander Mechetin are subject to a six-month lock-up. Following the placement, ordinary shares of BELUGA Group were added to the SMID Index of the Moscow Exchange. The group's shares were previously included in the Board Market Index and the Consumer Sector Index of the Moscow Exchange. The funds raised will be spent on opening new WineLab outlets, on marketing for Beluga brand exports, and on developing e-commerce. The number of WineLab stores reached 700 in June 2021 with sales up by 25% YoY in 1H2021. E-commerce reached 7.5% of total retail sales in Moscow and the Moscow region and 11% in St Petersburg. In June, BELUGA Group's long-term foreign and local currency default rating was upgraded by Fitch to BB- with a positive outlook. The company reduced its leverage over 2020-2021 and adopted a more conservative financial policy.
- ▶ **Shares supported by operating performance in line with growth strategy.** The group has shown a healthy and sustainable performance following its already strong 2020 sales. The retail and online businesses have both shown YoY improvements from 1H2020. We believe the change in the product mix towards higher sales of high-margin products may contribute to an overall stronger financial performance for the group in 2021 compared to 2020. BELU's share price corrected in June following the company's offering at a 7% discount to the prior market close. However, the stock stabilised at around RUB2,800, the offering level. The stock is trading at 3.6-4.4x EV/EBITDA'2022-23 and 5.1-6.8 P/E'2022-23 as of 06 July – this equates to a 78-81% discount to international peers and a 46-70% discount to Russian peers. The free float of the group is c.28% after the SPO. We maintain our 12-month fair value range of RUB5,673-6,958 per share.

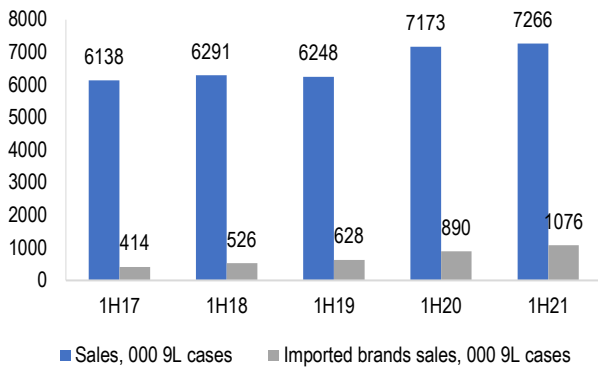
Report date:	7 July 2021
Ticker	BELU
Main exchange	MOEX
Current Price, RUB	2,771
Number of shares issued	15.8m
Number of shares outstanding	14.3m
Current MCap, RUB bn	39.7
Free float, %	28%

BELUGA Group is one of the largest companies in Russia's alcohol market. The Group operates a portfolio of own and imported brands, producing and selling top-quality alcohol in the spirits and wine segments. The Group controls c. 13.1% of vodka and 18.7% of flavoured liquor production in Russia in 2020. The Group's key brands are vodkas Beluga, Myagkov, Belenkaya, Arkhangelskaya, Tsar, Snow Owl and, Copper Horse; sparkling wine Vogue; and brandies Golden Reserve and Bastion. The Group's products are sold in over 90 countries.

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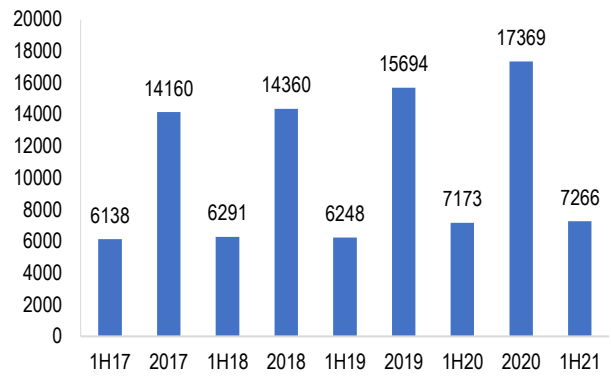
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Figure 1. BELUGA Group total sales and imported brand sales – 1H, 000 9L cases



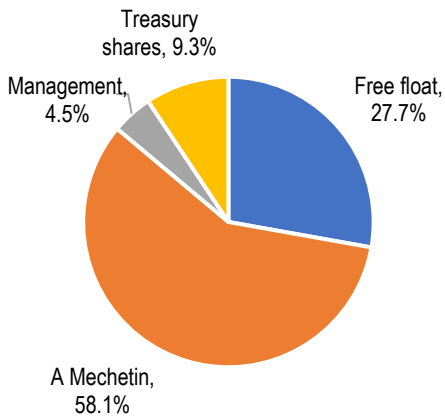
Source: company data

Figure 2. BELUGA Group sales – 1H and FY, 000 9L cases



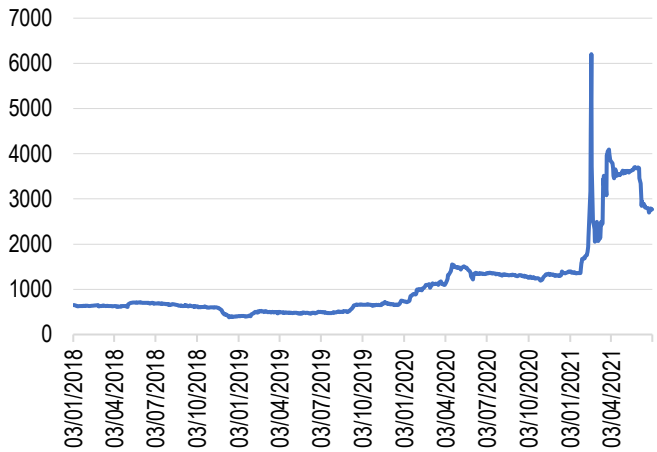
Source: company data

Figure 3. Shareholder structure post-SPO, %



Source: company data, Hypothesis Research

Figure 4. BELU share price, RUB



Source: Refinitiv

Figure 5. Comparable multiples

Company name	Market Cap, \$mn	EV, \$mn	P/E Fwd 1Y	P/E Fwd 2Y	P/E Fwd 3Y	EV/ EBITDA 1Y fwd	EV/ EBITDA 2Y fwd	EV/ EBITDA 3 fwd	EV/ Revenues 1y fwd	EV/ Revenues 2y fwd	EV/ Revenues 3y fwd
Beluga Group	534	701	9.5	6.8	5.1	5.3	4.4	3.6	0.7	0.6	0.5
<i>Discount to Global peers</i>			-70%	-74%	-78%	-80%	-74%	-76%	-86%	-87%	-89%
<i>Discount to Global Spirits</i>			-73%	-78%	-81%	-76%	-78%	-80%	-89%	-91%	-92%
<i>Discount to Russian Consumer and Retail</i>			-59%	-66%	-70%	-42%	-46%	-50%	-19%	-25%	-30%
Global Alcoholic Drinks											
Diageo	112422	131987	30.0	26.8	24.6	22.5	20.6	19.2	7.7	7.2	6.8
Pernod Ricard	57275	67114	31.1	27.7	25.0	21.0	19.0	17.6	6.5	6.0	5.6
Anheuser Busch Inbev	121385	214628	23.5	20.1	17.7	11.2	10.4	9.7	4.1	3.9	3.7
Heineken	69498	87522	30.6	24.0	20.8	15.2	13.1	11.9	3.4	3.1	2.9
Remy Cointreau	10497	10865	54.8	46.0	39.1	30.3	26.6	23.7	7.7	7.1	6.6
Carlsberg	28464	32645	25.4	22.1	19.7	13.6	12.5	11.6	3.2	3.0	2.8
Davide Campari Milano	15483	16660	46.3	40.6	36.0	28.5	25.2	23.1	7.1	6.7	6.3
Molson Coors Beverage	11710	19668	13.6	12.6	12.0	9.1	8.9	8.6	1.9	1.9	1.9
Brown-Forman Corp	34979	36388	43.0	38.7	35.3	30.2	27.5	25.4	9.8	9.3	8.8
LVMH	395654	417124	37.9	33.0	29.5	18.9	16.9	15.5	5.9	5.3	5.0
Constellation Brands	44398	54675	23.2	19.7	17.1	16.9	15.4	14.0	6.4	5.9	5.5
Heineken Holding NV	29354	55421	26.2	20.0	18.3	NaN	NaN	NaN	2.1	1.9	1.9
Boston Beer Company	11720	11575	37.3	28.0	21.1	22.2	16.0	12.7	4.5	3.5	3.0
Royal Unibrew	6412	6807	31.2	28.0	25.6	21.3	19.3	18.1	5.2	4.7	4.4
C&C Group	1360	1884	NaN	18.5	12.9	130.9	13.5	10.9	1.7	1.1	1.0
Stock Spirits	720	752	14.1	13.2	12.0	8.8	8.2	7.7	1.9	1.8	1.7
Average			31.2	26.2	22.9	26.7	16.9	15.3	4.9	4.5	4.2
Global Spirits average			35.1	30.7	27.3	22.1	19.9	18.3	6.6	6.2	5.8
Magnit	7269	13797	13.1	11.2	10.5	5.6	4.7	4.3	0.6	0.6	0.5
X5 Retail Group	9524	20291	16.5	14.2	12.6	6.5	5.8	5.4	0.7	0.6	0.6
Lenta	1627	2871	9.3	8.6	8.1	5.0	4.7	4.4	0.5	0.4	0.4
O'Key Group	196	921	12.0	11.7	9.3	4.6	4.4	4.2	0.4	0.4	0.3
Detskiy Mir	1525	2355	10.2	9.6	8.4	7.1	5.8	5.7	1.1	0.9	0.8
Eurocash	520	1304	21.8	17.0	14.0	6.1	5.8	5.7	0.2	0.2	0.2
Sok Marketler Ticaret	812	965	18.9	11.1	7.3	3.7	3.0	2.6	0.3	0.2	0.2
Dino Polska	7387	7697	33.6	26.5	21.5	21.8	17.3	14.2	2.2	1.8	1.5
BIM Birlesik Magazalar	4380	4827	13.9	11.7	9.9	7.2	6.0	5.1	0.6	0.5	0.4
Migros Ticaret	683	1100	16.7	10.7	8.3	3.7	3.2	3.0	0.3	0.2	0.2
LPP	6310	6898	38.3	29.9	23.8	14.0	11.3	8.3	2.3	2.0	1.7
Ros Agro	1851	2976	6.2	6.2	5.9	6.4	6.7	6.4	1.3	1.3	1.2
CCC	1720	2614	NaN	38.3	24.9	12.9	11.7	9.2	1.4	1.3	1.1
Shoprite Holdings	6437	7749	17.8	16.0	14.9	7.6	7.1	6.6	0.7	0.6	0.6
President Chain Store	9693	11432	25.1	23.0	22.2	10.4	10.1	10.7	1.2	1.1	1.0
GS Retail Co	2551	5180	15.1	13.0	11.2	7.7	7.4	7.3	0.6	0.6	0.6
Pick N Pay Stores	1792	2929	15.2	13.8	12.2	6.3	5.8	5.5	0.4	0.4	0.4
BGF Retail Co	2584	2211	18.4	15.5	14.1	4.9	4.6	4.5	0.4	0.4	0.3
Grupo Comercial Chedraui	1545	3013	11.2	10.6	10.6	5.3	4.9	4.3	0.4	0.4	0.3
Sumber Alfaria Trijaya	3858	3886	32.0	26.5	22.5	11.4	10.2	9.2	0.7	0.6	0.6
Taiwan FamilyMart Co	2129	2781	25.5	22.5	20.0	8.0	7.5	7.8	0.8	0.8	0.7
Jiajiayue Group Co	1587	2220	22.2	18.8	15.6	14.1	12.2	10.3	0.8	0.7	0.6
La Comer	1623	1551	30.4	26.6	24.5	10.2	8.7	7.8	1.1	0.9	0.9
7-Eleven Malaysia	431	709	30.5	24.9	22.4	8.8	9.6	8.8	1.0	0.9	0.9
Russian peers average			11.2	10.3	9.1	5.9	5.4	5.1	0.7	0.7	0.6
Consumer and retail			22.7	19.8	16.7	9.1	8.1	7.3	0.9	0.8	0.7

Source: Refinitiv

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