

BELUGA Group

EGM approves interim dividends

▶ **BELUGA Group (MOEX: BELU) reports the results of the EGM.**

At the EGM, held on 16 October 2020, BELUGA Group shareholders approved the payment of interim dividends for 1H2020 in the amount of RUB19 per share. The total payment will amount to RUB124.2mn based on an outstanding number of shares of 12,416,947 net of a quasi-treasury stake of 3,383,053 shares. The dividend payout represents 28% of BELUGA Group's net consolidated profit under IFRS for 1H2020. The record date for the payment is 26 October 2020 and the Group plans to pay the dividend between 27 October and 1 December 2020. The new dividend policy was approved on 10 September 2020 and sets the dividend payout at a minimum of 25% of consolidated net income under IFRS to be paid at least twice a year. The company publishes financial statements under IFRS for the half year and full year. It paid RUB32 per share for FY2019 after the dividend was first approved by the EGM on 2 June 2020.

▶ **We update our forecasts and EPS projections based on the 9M2020 operating results and new dividend policy.**

Our EPS forecast provides us with an estimated FY2020 dividend of RUB44.6 per share, which corresponds to a 3.6% dividend yield. The expansion of the retail business via WineLab and the company's growing distribution of own and imported brands will support a revenue CAGR of above 12% in 2019-25. The company's shares trade at a 79-81% discount to global spirits peers based on 2020-22 EV/EBITDA and a 50-56% discount to Russian consumer and retail peers.

Report date:	21 October 2020
Ticker	BELU
Main exchange	MOEX
Current Price, RUB	1,244
Number of shares issued	15,800,000
Number of shares outstanding	12,416,947
Current MCap, RUB mn	15,447
Free float, %	17%

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. 12.6% of vodka and 16.5% of brandy production in Russia in 1H20 and 16.7% of flavored liquors output. 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.

BELUGA Group is a research client of Hypothesis Research Limited.

Marina Alekseenkova
Research analyst
+44 (0) 78527 00371
ma@hypothesisresearch.co.uk

Figure 1. BELUGA Group Profit and loss statement, RUB mn

RUB mn	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	37,303	43,411	53,074	61,620	66,364	73,765	83,851	95,562
Cost of sales	23,628	26,521	33,547	40,128	42,921	47,570	54,069	61,462
Gross profit	13,675	16,890	19,527	21,492	23,444	26,195	29,782	34,101
Gross margin	36.7%	38.9%	36.8%	34.9%	35.3%	35.5%	35.5%	35.7%
General and administrative expenses	2,951	3,102	3,042	3,108	3,325	3,685	4,188	4,761
Distribution expenses	7,719	10,269	11,939	13,282	14,206	15,745	17,896	20,343
Other income/expenses	- 157	246	- 154					
Operating profit	2,848	3,273	4,392	5,102	5,913	6,765	7,697	8,997
Operating margin	7.6%	7.5%	8.3%	8.3%	8.9%	9.2%	9.2%	9.4%
Share of income of associates	-	-	-	-	-	-	-	-
Net finance costs	1,931	2,059	2,429	2,668	2,155	2,040	1,929	1,820
Profit before tax	917	1,214	1,963	2,434	3,758	4,724	5,768	7,177
Income tax	262	276	530	608	939	1,181	1,442	1,794
Net income and total comprehensive income for the period	655	938	1,433	1,825	2,818	3,543	4,326	5,382
Net margin	1.8%	2.2%	2.7%	3.0%	4.2%	4.8%	5.2%	5.6%
Attributable to								
Equity holders of the company	588	919	1,353	1,724	2,661	3,345	4,085	5,082
Non-controlling interest	67	19	80	102	157	198	242	300
EBITDA	3,616	4,251	6,495	7,462	8,049	8,737	9,603	10,923
EBITDA margin	9.7%	9.8%	12.2%	12.1%	12.1%	11.8%	11.5%	11.4%
EPS	35	68	104	138	214	269	329	409

Source: company data, Hypothesis Research estimates

Figure 2. BELUGA Group Balance sheet, RUB mn

	2017	2018	2019	2020	2021	2022	2023	2024
Total non-current assets	17,861	25,431	29,459	28,597	28,242	28,435	29,158	29,880
Total current assets	23,134	22,691	27,969	34,356	36,903	40,970	45,995	52,390
Total assets	40,995	48,122	57,428	62,953	65,146	69,404	75,153	82,269
Total equity attributable to shareholders of PAO Beluga Group	18,683	18,167	18,832	20,172	22,286	24,943	28,188	32,225
Non-controlling interest	765	1,136	1,201	1,286	1,421	1,591	1,798	2,055
Total equity and reserves	19,448	19,303	20,033	21,459	23,707	26,534	29,985	34,280
Total non-current liabilities	10,956	14,079	16,611	21,389	20,213	15,176	14,270	14,121
Total current liabilities	10,591	14,740	20,784	20,105	21,225	27,694	30,898	33,869
Total shareholders' equity and liabilities	40,995	48,122	57,428	62,953	65,146	69,404	75,153	82,269

Source: company data, Hypothesis Research estimates

Figure 3. Peer comparison

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	199	413	8.5	5.5	4.4	4.3	4.0	3.7	0.5	0.5	0.4
<i>Discount to Global peers</i>			-76%	-79%	-80%	-79%	-76%	-76%	-89%	-89%	-89%
<i>Discount to Global Spirits peers</i>			-77%	-81%	-83%	-81%	-79%	-79%	-92%	-92%	-92%
<i>Discount to Russian Consumer and Retail</i>			-68%	-91%	-76%	-56%	-51%	-50%	-34%	-31%	-30%
Global Alcoholic Drinks sector											
Diageo PLC	79649	99729	24.7	21.4	19.5	19.3	17.8	16.3	6.7	6.2	5.9
Pernod Ricard SA	44062	54579	26.6	22.7	20.8	18.1	16.1	14.9	5.6	5.2	4.9
Anheuser Busch Inbev NV	96286	192119	28.7	18.4	16.2	11.6	10.3	9.7	4.2	3.9	3.7
Heineken NV	53743	74904	38.4	23.2	19.8	16.0	12.9	11.9	3.2	3.0	2.8
Remy Cointreau SA	9133	9629	65.8	51.2	43.8	34.2	28.6	25.5	8.2	7.5	7.0
Carlsberg A/S	20739	24763	22.8	19.8	17.6	11.3	10.4	9.8	2.6	2.4	2.3
Davide Campari Milano SpA	12845	13957	51.0	39.5	34.6	29.9	24.9	22.7	6.8	6.3	5.9
Molson Coors Beverage Co	7441	15612	9.6	9.1	8.8	7.5	7.3	7.1	1.6	1.5	1.5
Brown-Forman Corp	34462	36259	39.1	39.3	36.0	30.4	28.0	26.3	10.7	10.1	9.6
LVMH	255494	283078	52.3	29.9	26.5	21.7	15.8	14.5	5.3	4.5	4.2
Constellation Brands Inc	34915	46626	19.6	17.9	15.4	15.4	14.6	13.4	5.7	5.6	5.3
Heineken Holding NV	23858	52912	28.3	15.4	13.5	NaN	NaN	NaN	2.2	1.9	1.8
Boston Beer Company Inc	11160	11079	71.4	52.7	40.2	38.6	28.1	20.6	6.5	5.0	4.0
Royal Unibrew A/S	5096	5455	28.8	25.9	24.3	18.9	17.5	16.7	4.6	4.3	4.2
C&C Group PLC	714	1104	NaN	11.7	9.2	31.2	9.2	8.1	0.7	0.8	0.7
Stock Spirits	588	656	12.3	12.1	11.2	8.3	8.2	7.7	1.6	1.6	1.6
Average			34.6	25.6	22.3	20.8	16.6	15.0	4.8	4.4	4.1
Global Spirits average			36.4	29.3	26.0	22.2	19.2	17.7	6.3	5.9	5.5
Magnit PAO	6487	13495	16.9	14.2	12.4	5.9	5.4	4.9	0.7	0.6	0.6
X5 Retail Group NV	10547	20171	19.7	16.9	15.5	6.3	6.4	5.9	0.8	0.7	0.7
Lenta Ltd	1422	2842	9.2	8.7	8.9	5.3	5.4	5.6	0.5	0.5	0.5
O'Key Group SA	234	967	28.4	16.2	14.7	5.1	5.1	5.0	0.4	0.4	0.4
Detskiy Mir PAO	1111	1886	12.2	9.3	8.4	8.2	7.2	6.5	1.0	0.9	0.8
Eurocash SA	487	1186	23.1	18.5	14.2	6.8	6.2	6.1	0.2	0.2	0.2
Sok Marketler Ticaret AS	999	1160	57.4	23.0	19.5	5.3	4.4	3.7	0.4	0.4	0.3
Dino Polska SA	5923	6246	40.7	31.3	24.9	25.1	19.4	15.7	2.4	1.9	1.5
BIM Birlesik Magazalar AS	5340	5546	20.1	19.2	15.8	10.3	8.9	7.9	0.8	0.7	0.6
Migros Ticaret AS	972	1522	NaN	14.8	12.4	5.2	4.4	4.0	0.4	0.4	0.3
LPP SA	2970	3527	NaN	131.0	26.2	11.2	9.2	6.9	1.6	1.4	1.2
Ros Agro PLC	1307	2180	7.1	7.1	6.4	7.0	6.7	6.2	1.2	1.1	1.0
CCC SA	611	1413	NaN	639.5	17.9	19.8	6.3	5.5	1.0	0.8	0.7
Shoprite Holdings Ltd	4928	6332	16.9	15.3	13.7	7.2	6.8	6.4	0.6	0.6	0.6
President Chain Store Corp	9654	10745	27.7	24.8	23.0	12.8	12.4	11.7	1.2	1.1	1.1
GS Retail Co Ltd	2482	5147	16.0	13.1	11.7	7.1	7.1	7.2	0.6	0.6	0.6
Pick N Pay Stores Ltd	1574	2602	20.1	16.2	14.6	7.4	6.7	6.6	0.5	0.4	0.4
BGF Retail Co Ltd	2065	1706	18.4	14.7	13.3	4.4	4.1	3.9	0.3	0.3	0.3
Grupo Comercial Chedraui	1151	2884	11.1	10.3	9.8	6.2	6.2	5.5	0.4	0.4	0.4
Sumber Alfaría Trijaya Tbk PT	1913	2180	24.4	22.0	18.7	9.1	8.6	8.0	0.4	0.4	0.4
Taiwan FamilyMart Co Ltd	2042	2534	28.0	24.9	22.3	7.3	7.3	6.8	0.9	0.8	0.7
Jiajiayue Group Co Ltd	2879	2706	34.9	28.6	23.6	17.5	14.7	12.9	1.0	0.8	0.7
La Comer SAB de CV	829	740	28.8	28.3	24.1	5.9	5.3	4.6	0.6	0.6	0.5
7-Eleven Malaysia Holdings	404	666	24.7	19.3	20.6	9.3	8.7	8.2	1.0	0.9	0.8
Russian peers average			15.6	12.1	11.1	6.3	6.0	5.7	0.8	0.7	0.7
Consumer and retail average			26.2	60.8	18.1	9.9	8.2	7.3	0.8	0.7	0.6

Source: ThomsonReuters, Hypothesis Research estimates

Important disclosures

Analysts certification and disclaimer

This report has been prepared and issued by Hypothesis Research Limited ("Hypothesis") in accordance with Hypothesis policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Hypothesis is authorised and regulated by the Financial Conduct Authority ("FCA"). This report has been prepared by the analyst whose name appears on the front page of this report.

The information contained within the report is intended for use by professional clients and eligible counterparties as defined in section 3 of the FCA Conduct of Business rules. Our research must not be acted on or relied upon by persons in the UK who would be categorised as retail clients.

The report must not be distributed in any other jurisdictions where its distribution may be restricted by law. Persons into whose possession this report comes into should inform themselves about, and observe, any such restrictions.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of Hypothesis and the analyst at the time of publication.

Hypothesis does not offer or provide personalised advice. The information provided is not intended to be, and should not be construed in any manner whatsoever as, personalised advice as it does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. The information provided by us should not be construed by any subscriber or prospective subscriber as Hypothesis' solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned in this report. Investors should make their own investment decisions based upon their own financial objective and resources.

Hypothesis has a restrictive policy relating to personal dealing and conflict of interest. Hypothesis does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Hypothesis may have a position in any or related securities mentioned in this report, subject to Hypothesis' policies on personal dealing and conflict of interests. Hypothesis may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

To the maximum extent permitted by law, Hypothesis, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.

Please find further information and disclaimer on <http://www.hypothesisresearch.co.uk/disclaimer>.