

BELUGA Group

FY2021 Operating results

- BELUGA Group (MOEX: BELU) releases full year 2021 total sales of 17.5mn 9L cases, up 0.6% YoY, in line with our expectations.** The sales of own brands in FY2021 went down by 2.6% YoY to 14.6mn 9L cases (vs our forecast of 14.9mn 9L cases). However, this decline was compensated by an increase of import brands sales by 20.7% YoY to 2.9mn 9L cases (we had forecast 2.6mn 9L cases). Export sales increased by 77.3% YoY to 632k 9L cases. Sales of the main export brand, Beluga vodka, increased by 51.4% YoY, driven by 104.5% YoY export volume growth. The increase in Beluga exports and sales exceeded our growth forecast of 40% for FY2021. The main brands driving sales were Beluga vodkas (>+50%), Snow Owl (+8%), Arkhangelskaya vodka (+14% YoY and over 3mn 9L cases sales), Tiflis Treasure Georgian brandy, Green Baboon gin, Fox&Dogs whiskey (+26%), Golubitskoye Estate wines, Torres brandy and Glenfiddich whiskey. Beluga noble Russian vodka was chosen as the Best Overall vodka for 2021 by the Independent review. Belenkaya, Arkhangelskaya and Tsar were included under the Drinks International rating The Millionaires' Club. Arkhangelskaya vodka was ranked #1 in the world's list of fastest-growing brands of strong alcoholic beverages across all categories. The company has expanded its portfolio of brands, purchasing vodka brands Staraya Moskva and Zimnyaya Doroga, both well-known in Central Russia and Moscow. The group's cooperation with world leading brands was extended in 2021, adding XUXU liqueurs, Southern Comfort whiskey liqueur and Vranken & Pommery Monopole Group brands to the BELUGA Group portfolio. Exclusive distribution contracts with William Grant & Sons and Riedel were extended for five and three years, respectively. The company reported the opening of its thousandth WineLab store at the end of December 2021, having added 355 stores since January 2021, including 89 stores in December 2021. New outlets were opened in Moscow, the Moscow region and Saint Petersburg. WineLab sales volume increased by 31.9% YoY, LfL sales were up 14.8% YoY, while traffic growth reached 21.9%. The average ticket grew by 8.3% YoY, almost in line with Russian consumer price inflation at c 8.4% for 2021. Sales for the e-commerce business based on the click & collect system were 2.3 times higher than 2020 levels.
- In 2021, BELUGA Group demonstrated its robust market position and a sustainable performance, given high sales in 2020.** The company's operating results were in line with our expectations, although the F20Y21 financial performance will also be subject to the price environment. The inflation trend supports our price expectations so far. The new openings of WineLab retail stores are also supportive for our forecasts and are in line with the company's guidance. Risks include feedstock and labour cost inflation, which both accelerated through 2021. BELUGA Group is trading at 2022E EV/EBITDA of 5.1x and a 2022E P/E of 8.2x, based on our forecast. We have a valuation range of RUB5,673-6,958 per share on a 12-month horizon.

Report date:	18 January 2022
Ticker	BELU
Main exchange	MOEX
Current Price, RUB	3,460
Number of shares issued	15,800,000
Treasury stake, %	13%
Current MCap, RUB mn	47,353
Free float, %	24%

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 (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.

BELUGA Group is a research client of Hypothesis Research Limited.

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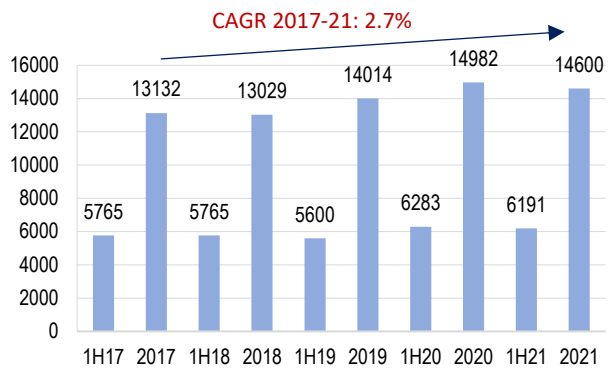
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Figure 1. Comparable multiples

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	625	788	11.3	8.2	6.1	6.1	5.1	4.2	0.8	0.7	0.5
<i>Discount to Global peers</i>			-82%	-67%	-73%	-71%	-68%	-71%	-83%	-85%	-87%
<i>Discount to Global Spirits peers</i>			-67%	-73%	-78%	-73%	-75%	-78%	-89%	-90%	-91%
<i>Discount to Russian Consumer and Retail</i>			-58%	-60%	-65%	-38%	-39%	-45%	-10%	-14%	-21%
Global Alcoholic Drinks											
Diageo	118626	137534	27.1	24.4	22.3	20.7	19.0	17.9	7.1	6.7	6.3
Pernod Ricard	60199	69060	27.3	24.4	22.2	19.0	17.3	16.0	6.0	5.6	5.3
Anheuser Busch Inbev	118036	212563	23.9	21.0	18.3	11.1	10.6	10.0	3.9	3.7	3.6
Heineken	68440	86690	30.1	25.1	21.4	15.1	13.1	11.7	3.5	3.1	2.8
Remy Cointreau	11404	11674	46.8	39.9	36.5	28.5	24.8	22.4	7.9	7.1	6.6
Carlsberg	25663	29658	23.4	20.7	18.5	12.6	11.7	10.8	2.9	2.7	2.5
Davide Campari Milano	15314	16408	43.3	37.4	33.4	27.3	24.0	21.8	6.7	6.2	5.8
Molson Coors Beverage	11236	18088	12.3	12.7	11.8	8.6	8.5	8.3	1.8	1.7	1.7
Brown-Forman Corp	31638	32915	40.7	35.8	32.0	27.6	25.0	23.0	8.9	8.4	7.9
LVMH	395454	431112	32.3	28.9	26.3	18.1	16.4	14.9	6.1	5.4	5.0
Constellation Brands	46661	56940	24.8	21.4	19.1	17.4	16.0	14.5	6.5	6.1	5.7
Heineken Holding	27879	54528	26.8	20.0	17.4	9.5	8.1	7.5	2.2	2.0	1.9
Boston Beer Company	5519	5432	555.3	25.1	18.9	58.6	14.9	11.7	2.6	2.3	2.1
Royal Unibrew	6109	6632	30.2	27.2	24.7	21.0	18.7	17.2	5.1	4.1	3.9
C&C Group	1296	1576	12.7	13.8	11.8	20.3	10.0	9.1	1.1	0.8	0.8
Average			63.8	25.2	22.3	21.0	15.9	14.5	4.8	4.4	4.1
Global Spirits average			34.6	30.3	27.4	22.7	20.4	18.7	7.0	6.5	6.1
Magnit	6972	13518	11.4	9.3	8.6	5.7	4.5	4.1	0.6	0.5	0.4
X5 Retail Group	6629	17101	10.4	9.4	8.2	5.6	5.1	4.8	0.6	0.5	0.5
Lenta	1215	2417	7.1	6.5	6.9	4.3	3.7	3.6	0.4	0.3	0.3
O'Key Group	164	931	8.4	10.7	8.6	4.8	4.6	4.4	0.4	0.4	0.4
Detskiy Mir	1161	1964	7.4	7.3	6.5	6.3	5.3	6.0	0.9	0.8	0.7
Eurocash	397	1074	NaN	30.6	22.9	6.1	5.3	5.0	0.2	0.2	0.2
Sok Marketter Ticaret	673	784	19.5	12.5	9.6	4.3	3.4	3.0	0.4	0.3	0.3
Dino Polska	8567	8897	41.1	31.9	25.5	27.1	21.1	16.9	2.7	2.1	1.7
BIM Biresik Magazalar	3220	3500	15.8	11.9	10.1	8.0	6.5	5.5	0.7	0.5	0.4
Migros Ticaret	585	787	34.8	16.1	9.4	3.8	3.2	2.9	0.3	0.2	0.2
LPP	8329	8902	24.7	23.3	19.5	12.3	11.2	9.3	2.5	2.1	1.7
Ros Agro	1940	3368	3.9	6.2	6.0	6.2	7.2	7.2	NaN	NaN	NaN
CCC SA	1381	2224	47.3	20.6	18.2	13.4	9.2	8.8	1.0	0.9	0.8
Shoprite Holdings	8019	9695	21.4	19.6	18.7	8.9	8.3	7.9	0.8	0.8	0.8
President Chain Store Corp	10079	11753	31.0	24.7	23.1	11.6	11.2	10.4	1.2	1.2	1.1
GS Retail Co Ltd	2547	4704	3.2	10.3	9.3	6.7	6.0	6.0	0.6	0.5	0.5
Pick N Pay Stores Ltd	1754	2806	18.0	14.8	12.9	6.8	6.3	6.1	0.4	0.4	0.4
BGF Retail Co Ltd	2193	1832	17.3	14.3	12.9	4.2	4.0	3.9	0.3	0.3	0.3
Grupo Comercial Chedraui SAB de CV	2000	4758	12.3	10.2	8.9	7.2	5.8	5.4	0.5	0.4	0.4
Sumber Alfaria Trijaya	3181	3231	26.2	22.5	19.5	10.3	9.6	8.8	0.5	0.5	0.5
Taiwan FamilyMart Co	2006	2919	29.6	24.3	22.1	8.6	7.8	8.6	1.0	0.9	0.8
Jiajiayue Group Co	1564	2217	40.1	30.7	26.0	18.3	15.1	12.0	0.8	0.7	0.7
La Comer SAB de	1364	1288	24.3	21.7	20.5	8.8	7.8	7.0	0.9	0.8	0.8
7-Eleven Malaysia Holdings	440	731	56.2	27.1	24.0	10.4	8.5	7.8	1.0	0.9	0.8
Russian peers average			8.1	8.2	7.5	5.5	5.1	5.0	0.6	0.5	0.5
Consumer and retail average			27.2	20.4	17.4	9.8	8.3	7.5	0.9	0.8	0.7

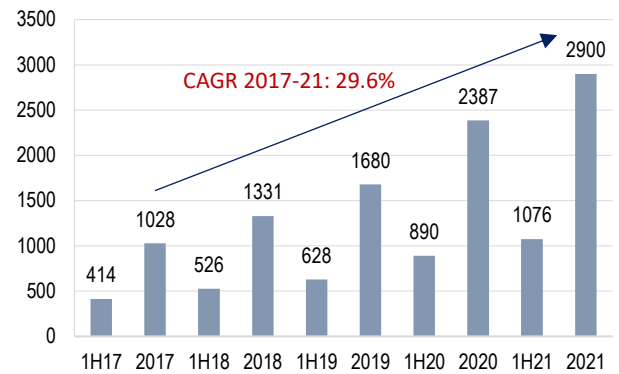
Source: Refinitiv, Hypothesis Research

Figure 2. BELUGA Group sales of own brands, 000 9L cases



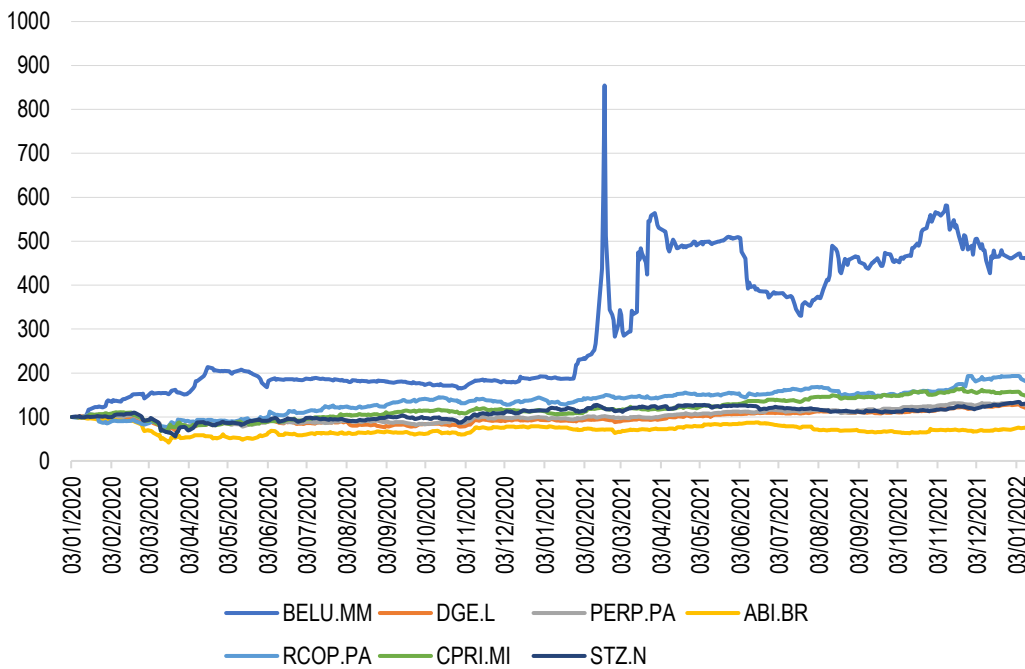
Source: Company data

Figure 3. BELUGA Group sales of import brands, 000 9L cases



Source: Company data

Figure 4. Alcoholic companies relative share price performance (3/1/2020=100)



Source: Refinitiv

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