

BELUGA Group

Strong FY2020 operating results amidst pandemic

▶ **BELUGA Group (MOEX: BELU) reports strong operating results for FY2020.**

The company's sales volumes increased by 10.7% YoY in FY2020 to 17.37mn 9L cases compared to our forecast of 16.59mn. The own product sales grew by 6.9% YoY to 14.982mn 9L cases and sales of imported brands increased by 42.1% YoY to 2.387mn 9L cases. Sales of both own and imported brands exceeded our estimates. In 4Q20, the company reported a 9.3% increase in sales to 5.807mn 9L cases, driven by 4.7% YoY growth of own-brand sales to 4.894mn 9L cases and a 42.8% YoY increase in imported partner brands sales to 912k 9L cases. The most impressive sales results were for the Belenkaya and Arkhangelskaya in-house brands in the vodka category, Zolotoy Reserve in Russian brandy, Fox & Dogs in whiskey, and Green Baboon in gin. The company's CEO Alexander Mechetin noted the achievement of several strategic goals in 2020, including the strengthening of the company's position in the Russian vodka market, diversification into brown spirits and wines, expansion of the global presence of the super-premium Beluga vodka brand, and improvement of the retail chain WineLab. Two of the Beluga Group brands, Arkhangelskaya and Belenkaya, which are among the top-30 vodka brands in the Millionaires' Club 2020 ranking, showed 82% and 11% sales growth in FY2020, respectively. In the whiskey category, Fox & Dogs grew by 84% YoY and reached a 6% share of the Russian whiskey market. In the own premium wines' category, Golubutskoye Estate premium still wines grew by c. 150% YoY in FY20. Good sales growth was attributed to partner brands' performance, including Ron Barcelo (42%), The Balvenie (57%), Torres Brandy (27%), Torres wines (84%), Faustino (47%), and Masi wines (over 100%). Beluga Group is now the exclusive distributor of Fireball Whisky Liqueur in Russia. The sales of the super-premium vodka Beluga performed well in such markets as the US (30% YoY sales growth), and also in the UK, UAE, Poland, Belgium, the Baltics, and Australia. Beluga was placed among the Top-7 Bestselling and Top-6 trending vodka brands in the Annual Brands Report 2020 by Drinks International. The performance of the WineLab retail chain exceeded our expectations with 640 stores at the end of the year compared to the expected 620 stores and 23% YoY like-for-like sales growth. The average ticket increased by 11.6% YoY in FY2020.

▶ **Beluga Group takes its place among the best performing Russian consumer stocks in 2020, keeping an attractive upside to its global and Russian peers.**

The company's shares were included in the Broad Market Index and the Consumer Sector Companies Index of the Moscow Exchange in May 2020, and then upgraded to the Level Two section of the list of securities accepted for trading on the Moscow Exchange. The strong operating and financial performance during 2020, as well as the upgraded dividend policy for shareholders and cancellation of the treasury stocks, resulted in a good performance by the BELU stock. The company developed a strong portfolio of brands, expanding both imported and own-brand sales and own distribution via WineLab retail stores. We expect strong FY20 financials and adjust our valuation range for the 12-month fair price to RUB1653-2290 per share. The company achieved 97% stock price growth in 2020 compared to 43% by the Moscow Exchange Consumer sector index. BELU stock is trading at EV/EBITDA of 3.9-4.2x and P/E of 4.9-6.1x based on FY2021-2022 estimates, and a 78% discount to its global peers based on EV/EBITDA'21. The discount to Russian consumer peers is 49% on EV/EBITDA'21 and 74% on P/E'21.

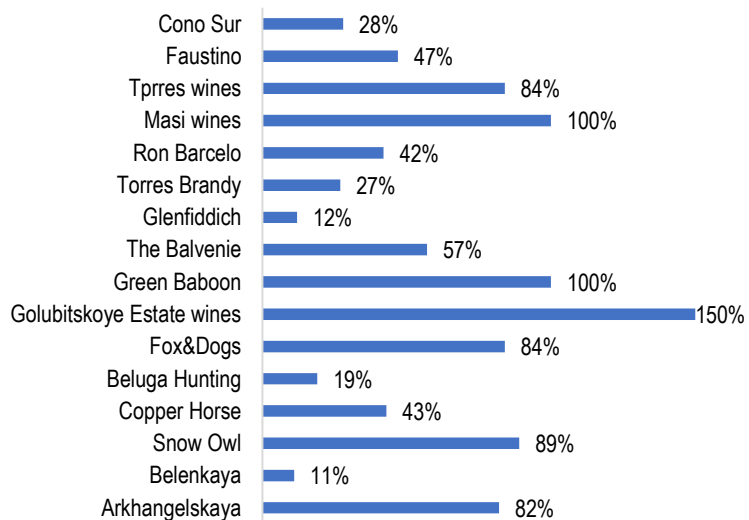
Report date:	26 January 2021
Ticker	BELU
Main exchange	MOEX
Current Price, RUB	1,391
Number of shares issued	15,800,000
Number of shares outstanding	12,416,947
Current MCap, RUB mn	17,272
Free float, %	17%

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.

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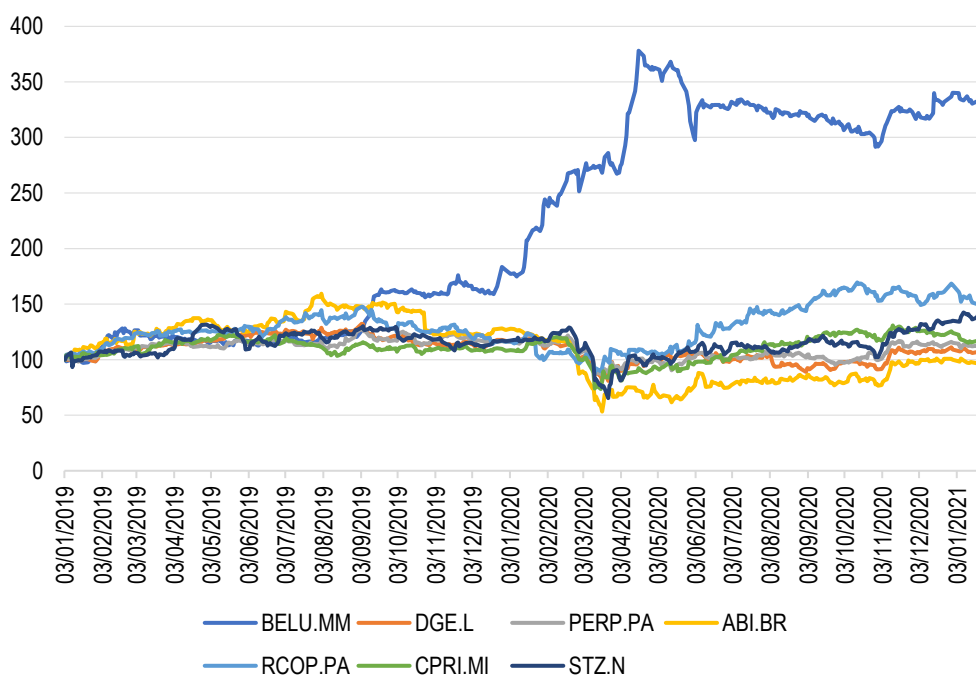
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Figure 1. BELUGA Group sales volumes growth in FY2020



Source: company data

Figure 2. Alcoholic drinks sector relative share price performance (3/1/2019=100)



Source: Thomson Reuters

Figure 3. Comparable multiples for the consumer and alcoholic drinks sector

Company name	Market Cap., \$mn	EV, \$mn	P/E 2020	P/E 2021	P/E 2022	EV/ EBITDA 2020	EV/ EBITDA 2021	EV/ EBITDA 2022	EV/ Revenues 2020	EV/ Revenues 2021	EV/ Revenues 2022
Beluga Group	231	454	9.5	6.1	4.9	4.6	4.2	3.9	0.6	0.5	0.5
<i>Discount to Global peers</i>			-73%	-76%	-79%	-82%	-74%	-74%	-89%	-88%	-89%
<i>Discount to Global Spirits</i>			-74%	-79%	-82%	-80%	-78%	-78%	-91%	-91%	-92%
<i>Discount to Russian Consumer and Retail</i>			-65%	-76%	-74%	-57%	-49%	-49%	-37%	-33%	-31%
Global Alcoholic Drinks											
Diageo PLC	92678	113842	25.9	22.7	20.9	20.2	18.4	17.3	7.0	6.5	6.2
Pernod Ricard SA	48415	58883	28.0	24.0	21.4	19.0	17.1	15.9	5.8	5.3	5.1
Anheuser Busch Inbev NV	109538	205371	30.1	20.4	17.4	12.1	10.7	10.0	4.4	4.0	3.8
Heineken NV	61041	82359	42.2	24.9	20.7	17.3	13.8	12.3	3.4	3.1	2.9
Remy Cointreau SA	9070	9552	57.1	45.7	40.3	30.5	25.7	23.3	7.7	6.9	6.4
Carlsberg A/S	22994	27069	23.2	20.4	17.9	12.0	11.0	10.2	2.8	2.6	2.5
Davide Campari Milano	12448	13498	48.6	37.7	32.6	28.3	23.5	21.2	6.3	5.9	5.5
Molson Coors Beverage	11199	19102	12.1	12.1	11.9	8.6	8.4	8.3	2.0	1.9	1.8
Brown-Forman Corp	33442	35145	38.2	38.1	34.5	29.8	27.3	25.3	10.3	9.7	9.1
LVMH Moët Hennessy Louis Vuitton SE	308234	336556	57.8	33.9	29.7	24.9	18.0	16.0	6.2	5.0	4.6
Constellation Brands Inc	42801	53973	23.0	21.5	18.5	17.0	16.6	15.2	6.3	6.4	6.0
Heineken Holding NV	26038	55804	32.3	19.5	16.9	10.4	8.8	8.3	2.3	2.0	1.9
Boston Beer Company Inc	11597	11445	60.0	40.4	34.5	35.3	23.7	18.1	6.6	4.8	3.9
Royal Unibrew A/S	5047	5338	26.5	24.7	23.2	17.6	16.7	16.1	4.3	4.2	4.0
C&C Group PLC	986	1435	NaN	17.3	12.8	103.8	11.9	9.6	1.3	1.0	0.9
Stock Spirits	779	804	14.9	13.9	13.3	9.4	8.8	8.3	1.9	1.9	1.8
Average			34.7	26.1	22.9	24.8	16.3	14.7	4.9	4.4	4.2
Global Spirits average			36.7	29.7	26.4	22.4	19.4	17.8	6.4	5.9	5.6
Magnit PAO	7009	14167	14.7	12.6	12.4	7.2	6.8	6.2	0.7	0.6	0.6
X5 Retail Group NV	10118	19901	18.7	15.7	13.9	6.9	6.3	5.7	0.8	0.7	0.6
Lenta Ltd	1622	3070	7.9	8.8	9.1	5.2	5.5	5.6	0.5	0.5	0.5
O'Key Group SA	234	985	24.6	12.3	11.4	5.5	5.3	4.8	0.4	0.4	0.4
Detskiy Mir PAO	1395	2099	16.6	10.4	9.7	7.8	7.6	6.6	1.1	1.0	0.9
Eurocash SA	512	1199	29.5	20.6	16.3	5.6	5.9	5.7	0.2	0.2	0.2
Sok Marketler Ticaret AS	1177	1362	57.6	27.7	19.8	6.0	4.8	3.9	0.5	0.4	0.3
Dino Polska SA	6898	7173	41.3	31.4	24.7	26.3	20.4	16.1	2.7	2.1	1.6
BIM Birlesik Magazalar AS	6047	6326	19.0	17.6	14.8	10.3	8.6	7.4	0.9	0.7	0.6
Migros Ticaret AS	1119	1609	NaN	18.5	12.6	5.3	4.5	4.1	0.4	0.4	0.3
LPP SA	3852	4274	NaN	56.9	28.9	11.6	9.8	7.7	1.8	1.6	1.4
Ros Agro PLC	1574	2781	6.0	6.8	7.5	6.7	7.4	7.3	1.3	1.3	1.2
CCC SA	1200	2033	NaN	60.2	24.5	29.7	8.8	7.9	1.4	1.1	1.0
Shoptite Holdings Ltd	5440	6903	16.9	15.5	13.9	7.3	6.8	6.4	0.6	0.6	0.6
President Chain Store	9920	11422	27.5	25.2	23.0	12.5	12.3	11.6	1.2	1.2	1.1
GS Retail Co Ltd	2518	5077	15.0	12.8	11.3	6.9	7.0	7.2	0.6	0.6	0.6
Pick N Pay Stores Ltd	1742	2673	20.0	16.2	14.0	6.8	6.2	5.9	0.4	0.4	0.4
BGF Retail Co Ltd	2516	2107	21.3	17.3	15.3	5.0	4.9	4.8	0.4	0.3	0.3
Grupo Comercial Chedraui	1386	3055	11.7	11.3	10.2	5.8	5.8	5.5	0.4	0.4	0.4
Sumber Alfaria Trijaya	2371	2455	32.3	27.6	22.1	8.8	7.9	7.2	0.5	0.4	0.4
Taiwan FamilyMart Co Ltd	2074	2661	26.7	23.9	21.5	8.0	8.5	9.3	0.9	0.8	0.7
Jiajiayue Group Co Ltd	2034	1877	25.2	20.8	17.4	12.7	10.5	9.2	0.7	0.6	0.5
La Comer SAB de CV	1674	1598	32.7	31.6	28.0	11.9	10.6	9.4	1.2	1.1	1.0
7-Eleven Malaysia	394	644	30.3	21.7	20.3	8.6	7.2	6.8	1.0	0.8	0.7
Russian peers average			14.8	11.1	10.7	6.6	6.5	6.0	0.8	0.7	0.7
Consumer and retail average			27.1	25.4	18.8	10.5	8.4	7.6	0.9	0.8	0.7

Source: Thomson Reuters, Hypothesis Research

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