



20th January, 2014

M&A Alert

Super Group may be a takeover target

According to a news alert put out by Bloomberg, Super Group could be an attractive takeover target for Japanese consumer product giants such as Kirin, Suntory Beverage, or Asahi Group given the yen's weakness.

Bloomberg speculates that the bid could be as high as S\$5 per share. While S\$5 is close to Super's share price in mid-2013, this price tag is high, in our view. This would value the company at US\$2.2bn (Super trades at US\$1.7bn now) which is equivalent to 29x estimated earnings for FY14*. No coffeemaker in Asia has ever received such a high valuation, and the industry median worldwide is 16x, according to Bloomberg.

The seller of the Owl and Super Coffeemix brands is well-positioned to take advantage of booming coffee consumption in South East Asia. From 2008 to 2011, coffee consumption in South East Asia increased by 55%, 10 times quicker than the global average, according to the International Coffee Organization.

Super generated average annual earnings-per-share growth of 21 percent over the past five years. An added attraction for the would-be acquirers is Super's ingredients business which made up 32% of its revenues in FY2013.

However, its latest figures for 3Q13 were weak. Currency depreciation of Myanmar's kyat and increased competition in the Philippines and devastation caused by Typhoon Haiyan led to slower growth for Super in those markets. In Myanmar and elsewhere, competition is heating up between Super and Nestle's Nescafe. Super derives around 20% of its revenues from Myanmar.

* Super's FY runs from April to March.

For our analysis of Super Group's businesses in Myanmar, please refer to our Equity Briefs section on Super.

Company Overview

Stock Price	S\$ 3.96
Listing	SGX
Sector	Food and Drinks
Shares Outstanding	557.74m
Market Cap	S\$2,208.04m
Market Cap	US\$1,729.86m
Liquidity (30-day ave)	US\$1.86m
EPS (12/2013)	S\$0.15
P/E (Dec 13E)	26.57x
P/BV (Dec 13E)	4.3x
P/Sales (Dec 13E)	3.43x
Beta	0.76

Source: Bloomberg

Earnings Fundamentals (m SGD)

	FY2011	FY2012
Sales	441.0	519.3
EBITDA	68.8	98.5
Net Income	62.1	75.3
Profit Margin	14.1%	14.5%
ROE	15.3%	18.5%

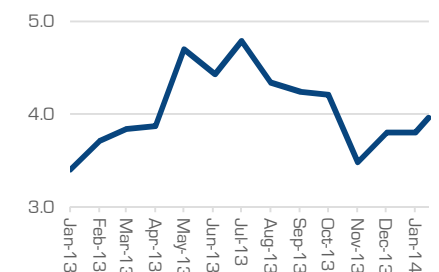
Source: Super Annual Reports

Super in Myanmar

Sales	1 million cartons
Sales Revenues	90 million SGD
Presence	Packing Plant (60% JV)
Myanmar Sales as % total	20%

Source: NCR A

Stock Performance (SGD)



1 Month 4.2% YoY +26.48%

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