

VALUATION MASTER CLASS

by
A. Stoltz INVESTMENT
RESEARCH

Can **Puregold** turn Philippine grocery retail into **pure gold**?



Valuation Master Class



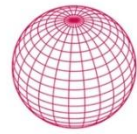
This information is for
learning purposes only.

***This is not
investment advice or a
recommendation.***



Ask
Ajarn
Andrew

Can Puregold turn modern grocery retail into pure gold?



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Sector: Cons. Staples 

Top 3 largest grocery retailer chain in the Philippines operating hypermarkets, supermarkets, warehouses, and specialty stores

My value estimate:

PHP62
(Upside 72%)

STRONG BUY



3 things to know about this company

- ★ Aggressive expansion to lay foundation for massive growth
- ★ Resilient business model in low penetrated industry
- ★ Industry consolidation could enhance gross margin

Key statistics

Analyst consensus (11)

PHP52
(Upside 46%)

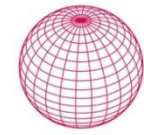
BUY

PE ratio

13x

Dividend yield

0.7%



Sales

Supermarkets,
hypermarkets 76%



Story

FVMR

Value

WCB

Risks

Membership
shopping 22%



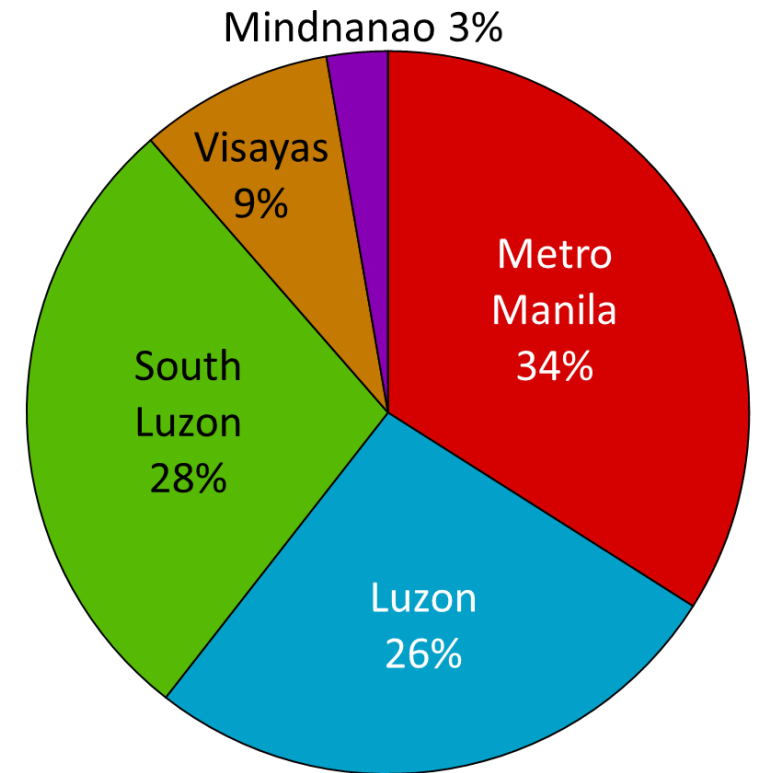
Concessions 1%



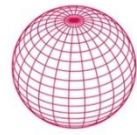
Membership 1%



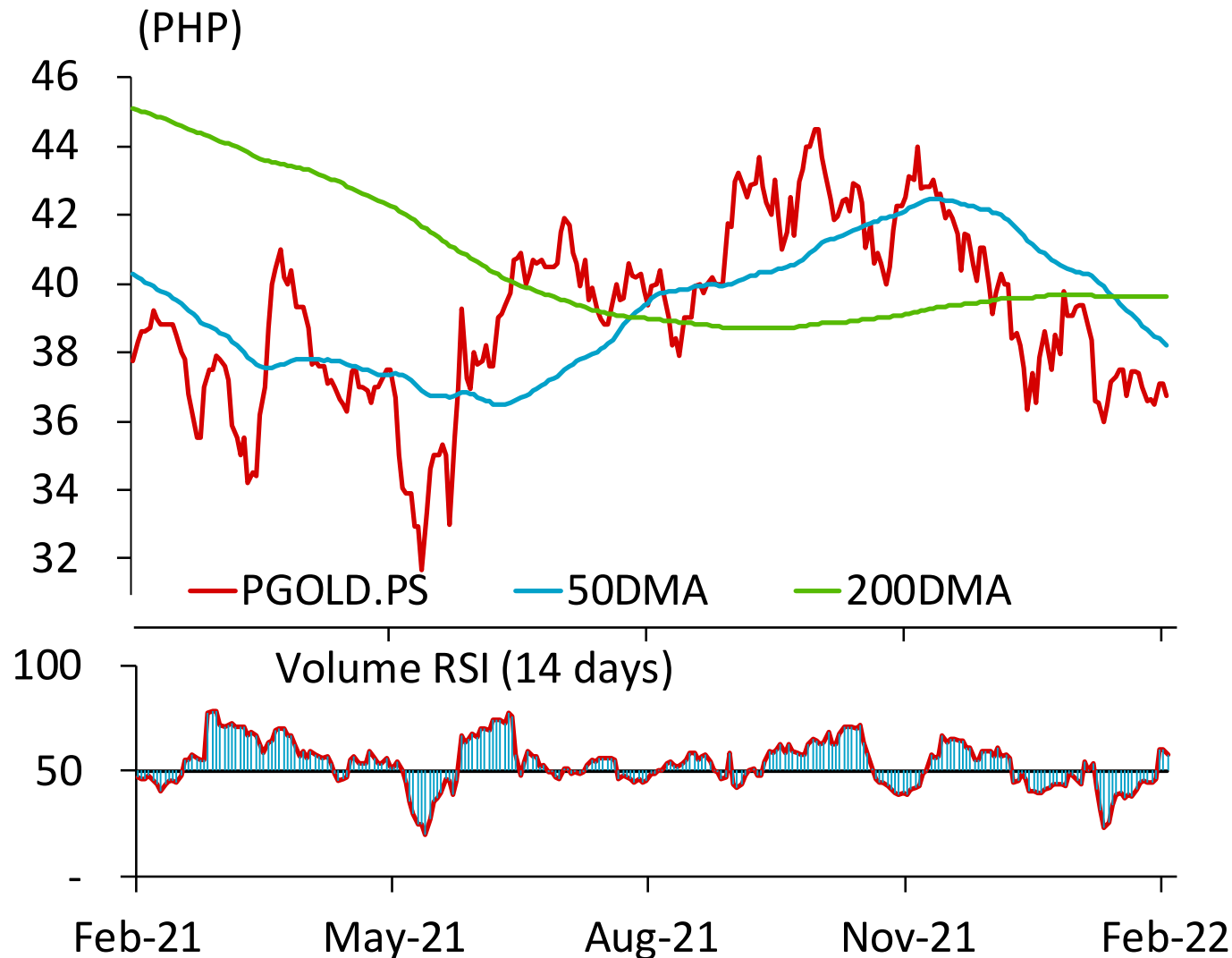
Breakdown by region



Price turned bearish

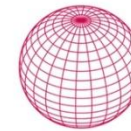


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- ★ In 2021, PGOLD's share price ended almost at the same amount as it started the year
 - **Most recently, the share price slightly declined, and the 50 DMA has fallen below the 200 DMA**
- ★ However, Volume RSI moved above the 50%-line which could provide some support to turnaround the bearish trend

1 Aggressive expansion to lay foundation for massive growth



Sales

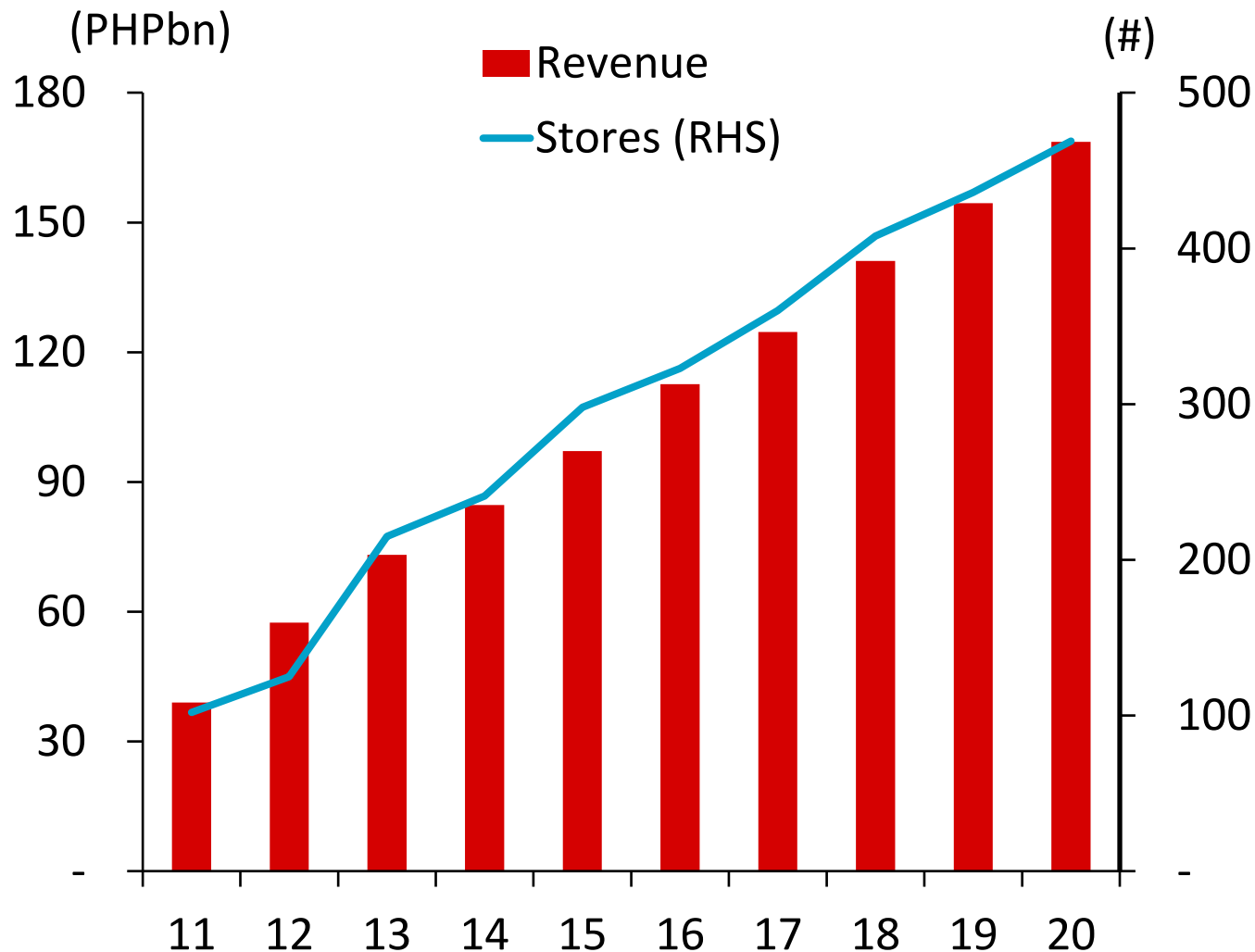
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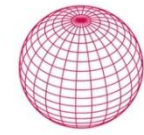
WCB

Risks



- ★ Between 2011 and 2020, PGOLD increased the number of stores from 102 to 469, which is more than 4x
- ★ Over the same horizon, the revenue also saw a 4x increase
 - The proportional increase suggests that PGOLD's revenue is mainly quantity driven
 - Hence, to drive growth, PGOLD needs to expand aggressively

Strong commitment to growth could lead to positive surprises



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Sales

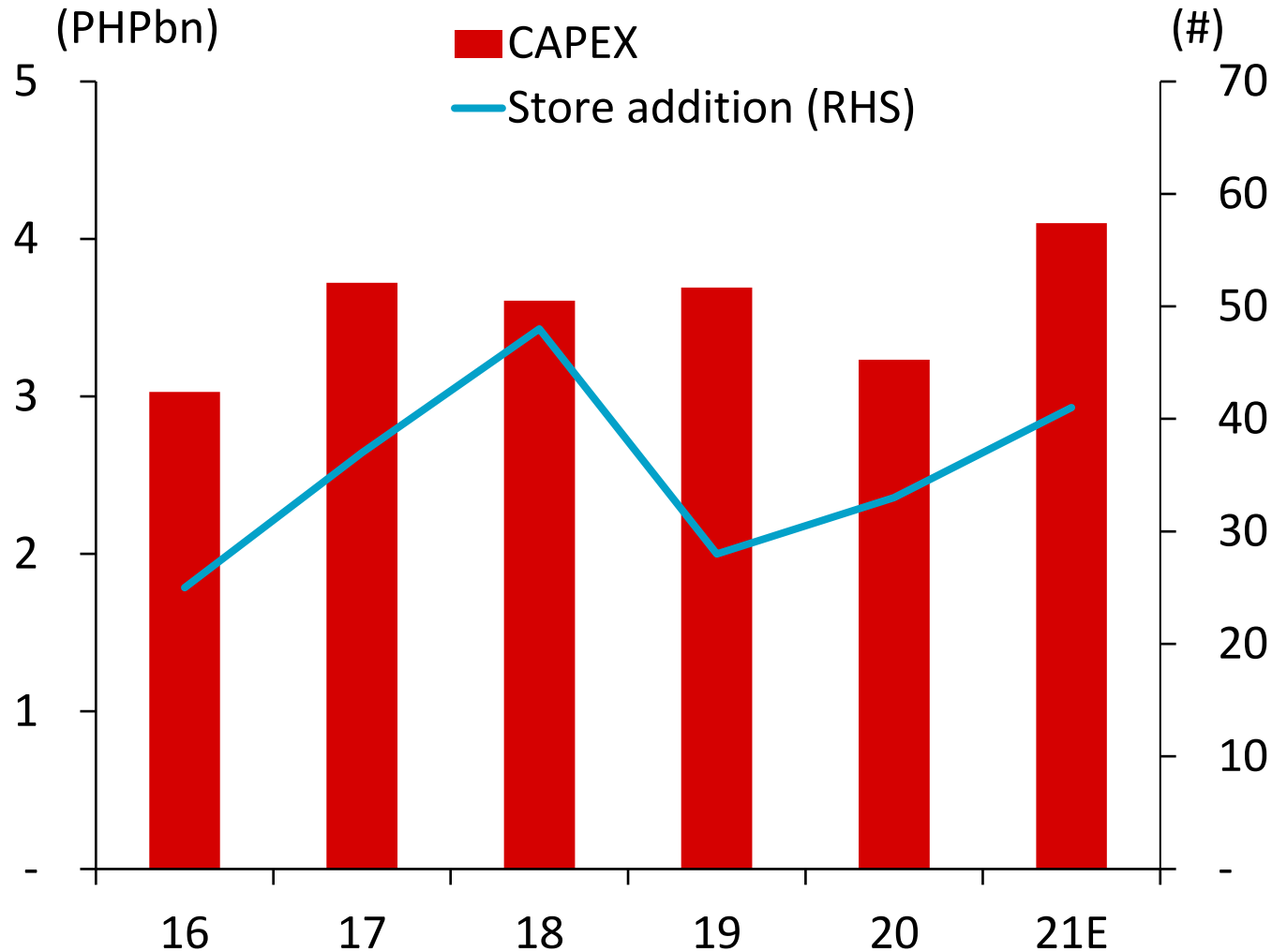
Story

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Risks



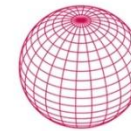
- ★ The company had opened 50 stores in 2018, but only 30 in 2019 and 41 in 2021
- ★ For 2022, management targets opening 37 stores (25 Puregold stores and 12 S&R stores) in low penetrated areas
- ★ Given its strong cash position, this could surprise on the upside

How I incorporated the story into my forecast

| # of stores | 18 | 19 | 20 | 21E | 22E | 23E |
|--------------|------------|------------|------------|------------|------------|------------|
| Puregold | 354 | 380 | 403 | 438 | 468 | 498 |
| S&R | 46 | 56 | 66 | 72 | 82 | 92 |
| Total | 400 | 436 | 469 | 510 | 550 | 590 |

- PGOLD's main revenue driver is the number stores it can add to its portfolio
- I forecast that the company can add on average 40 stores annually over the next 3 years, which is slightly higher than management forecast of 37 stores





Sales

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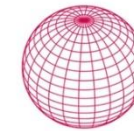
- ★ Puregold branded stores cater to low-to-middle income consumers
 - **It follows a low-cost leadership strategy**
- ★ Modern-retail penetration is about 30% in the Philippines
 - **In Malaysia and Thailand, it is around 50%**
 - **In Singapore, roughly 70%**
- ★ Given the low penetration, the market should not be a constraint to grow

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|------------------------------|------------|------------|--------------|--------------|--------------|------------|
| Puregold | 354 | 380 | 403 | 438 | 468 | 498 |
| S&R | 46 | 56 | 66 | 72 | 82 | 92 |
| Total | 400 | 436 | 469 | 510 | 550 | 590 |
| Total traffic (m) | | | | | | |
| Puregold | 178 | 180 | 128 | 130 | 180 | 220 |
| S&R | 8.2 | 8.9 | 10.2 | 12.0 | 12.0 | 14.0 |
| Total | 186 | 189 | 138 | 142 | 192 | 234 |
| Avg. net ticket (PHP) | | | | | | |
| Puregold | 612 | 638 | 969 | 1,025 | 950 | 920 |
| S&R | 3,959 | 4,276 | 4,667 | 4,542 | 4,400 | 4,200 |
| Total | 753 | 795 | 1,220 | 1,200 | 1,000 | 940 |

- During the pandemic, PGOLD recorded lower foot traffic, but a higher avg. ticket value as consumers bought more items per visit
- I believe this trend will reverse as things come back to normal, meaning higher foot traffic, but lower avg. ticket value





Sales

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Top 3 grocery players in the Philippines (2020)



Revenue: PHP297bn
of stores: 3,019

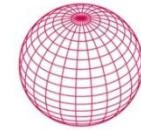
Revenue: PHP151bn
of stores: 2,157



Revenue: PHP169bn
of stores: 469

- ★ The Philippine grocery retail market is still fragmented, but starting to consolidate
- ★ The biggest competitors engage in material M&A activities to operate more stores under their own brand
- ★ PGOLD responded with several acquisitions:
 - 2012: S&R
 - 2015: Budgetlane
 - 2017: B&W stores

Scaling effects start to show off with store expansion



Sales

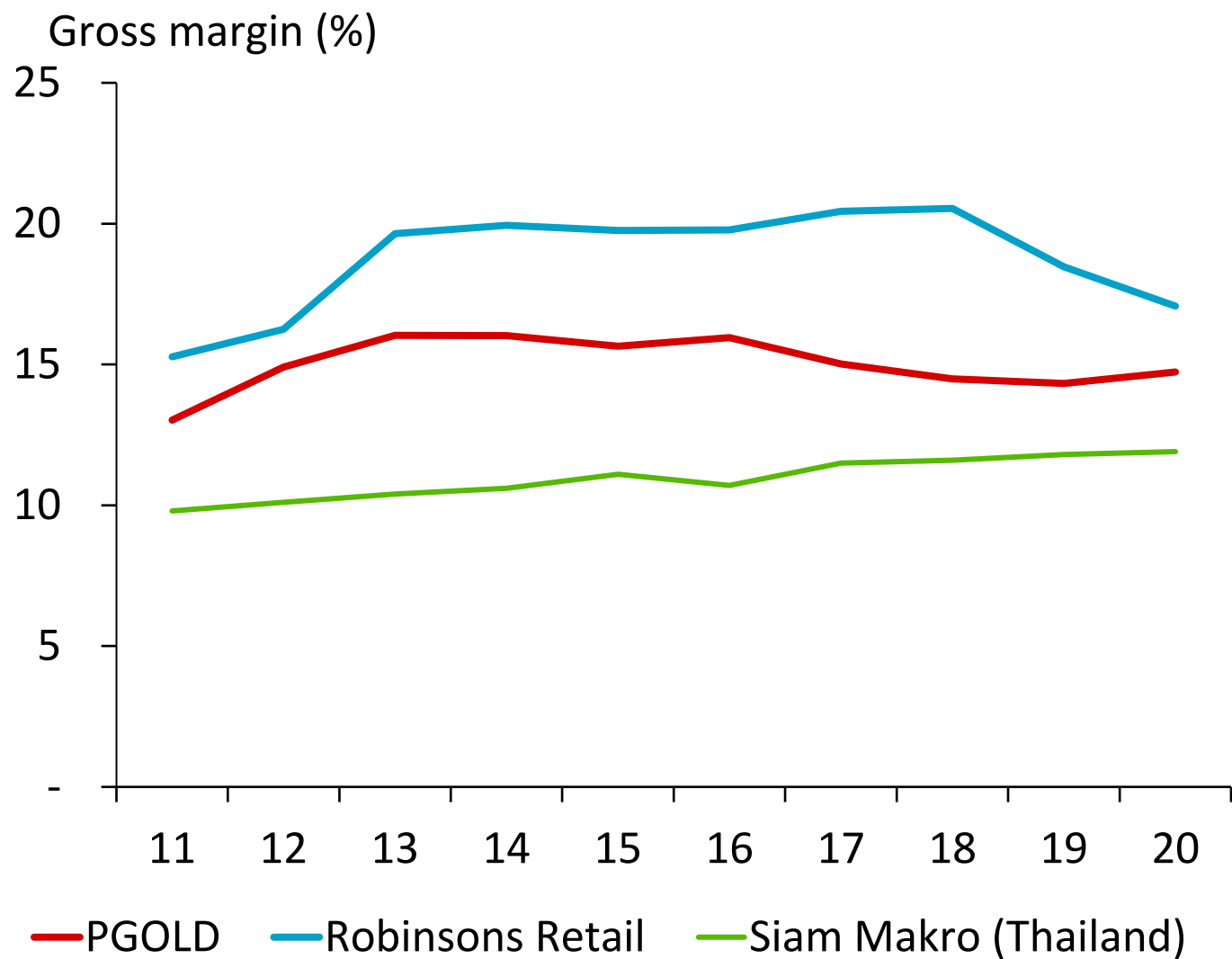
Story

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Risks



- ★ PGOLD’s close competitor, Robinsons Retail, has maintained a gross margin 5ppts above PGOLD’s 15%
 - **Robinsons has 4x more stores, which drives down supply chain costs**
- ★ As stores increase, PGOLD could be able to improve its margin by 3-5 ppts
- ★ Philippine retailers do well compared to Thai peer, Siam Makro’s 11% gross margin

How I incorporated the story into my forecast

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| S&R | 3,959 | 4,276 | 4,667 | 4,542 | 4,400 | 4,200 |
| Total | 753 | 795 | 1,220 | 1,200 | 1,000 | 940 |
| Gross profit margin (%) | | | | | | |
| Puregold | 15.4 | 15.0 | 14.9 | 16.4 | 16.5 | 16.4 |
| S&R | 22.4 | 20.3 | 23.8 | 24.5 | 25.5 | 26.0 |
| Total | 14.5 | 14.3 | 14.7 | 15.2 | 15.2 | 15.5 |





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What Is Going to Happen with Inflation?

By Valuation Master Class Student

Many forces at work impact inflation. There are current trends that cause both inflationary and deflationary measures. Whether we'll see inflation or deflation in the future depends on which of these forces dominate.

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How to Value a Startup

By Andrew Stotz

This story started when Dan, a podcast listener, replied to my recent weekly email with this question, "How do you value a startup, especially if there is no revenue?"

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How to Fight Back When Your Dreams Are Crushed

By Andrew Stotz

The trouble you face is not your fault, and I'm gonna show you how you can fight back. I challenge you to recommit to your dreams today!

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What Does It Mean to Be Financially World Class?

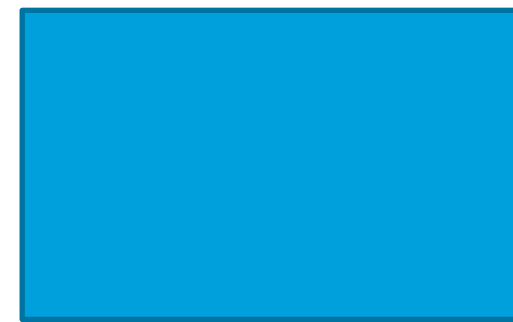


What Is Liabilities To Assets Ratio?



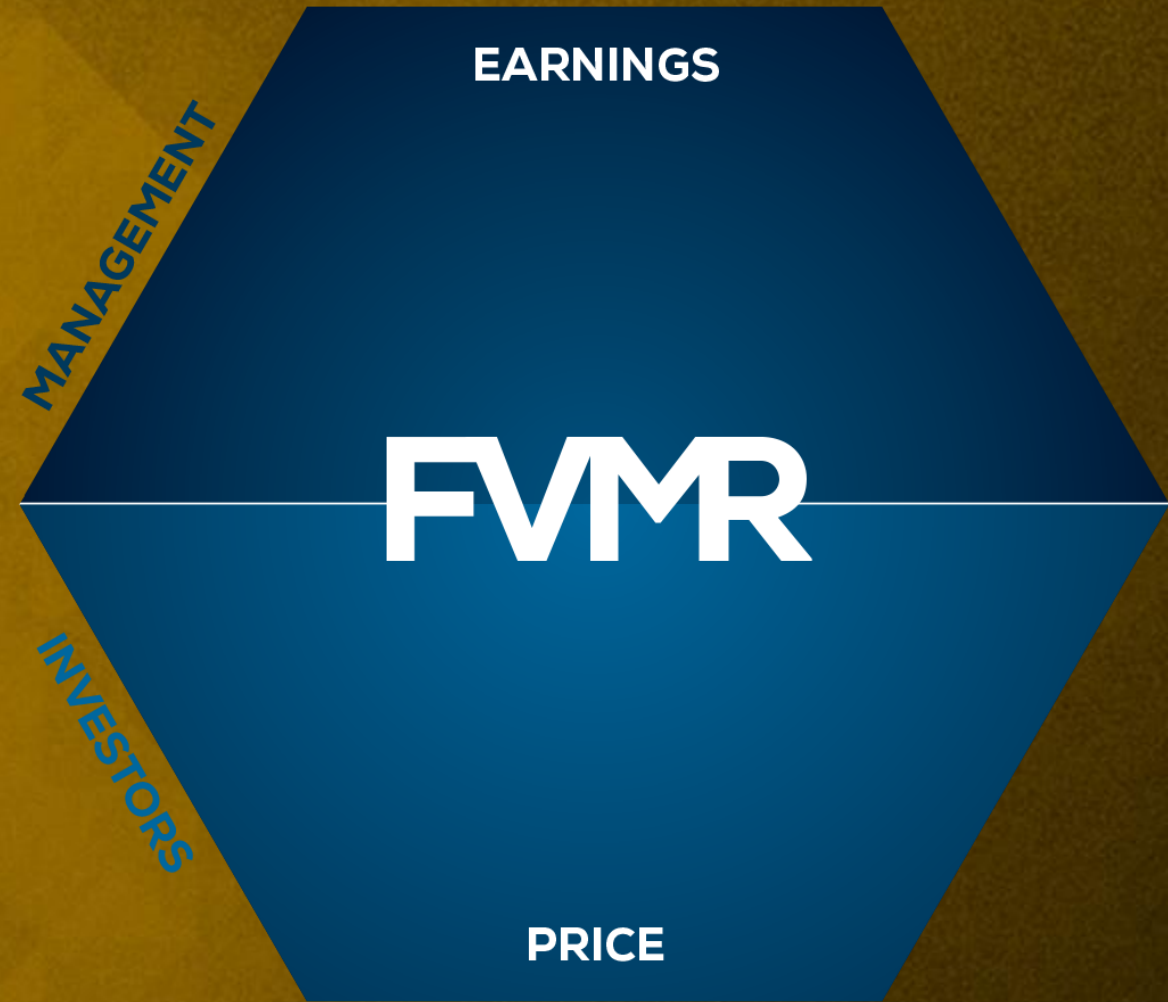
What Is Growth Year Over Year?

Scan this QR code
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ValuationMasterClass.com
blog to download all **Case Studies for free**
**It's usually up within 24h.*

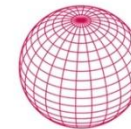


Now let's look at the FVMR Scorecard

- ★ Which measures attractiveness relative to all other companies in that market
- ★ We base the score on four elements
 - Fundamentals, Valuation, Momentum, and Risk
- ★ And rank the company from 1, Best, to 10 Worst



Strong profitability driven by high turnover



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Fundamentals



| (%) | Dec-17 | Dec-18 | Dec-19 | Dec-20 | PTM** |
|----------------------------|--------|--------|--------|--------|-------|
| Operating profit margin | 7.8 | 7.1 | 7.2 | 7.9 | 8.3 |
| Recurring net margin | 4.4 | 4.4 | 4.4 | 4.8 | 5.4 |
| Asset turnover | 182.3 | 163.8 | 147.5 | 140.4 | 129.2 |
| Return on assets | 8.0 | 7.2 | 6.4 | 6.7 | 6.9 |
| Recurring return on equity | 12.1 | 12.2 | 11.7 | 12.3 | 12.4 |

Valuation



| (x) | Dec-17 | Dec-18 | Dec-19 | Dec-20 | PTM** |
|------------------------|--------|--------|--------|--------|-------|
| Price-to-sales | 1.2 | 0.9 | 0.7 | 0.7 | 0.7 |
| Price-to-earnings | 26.4 | 21.6 | 15.5 | 14.0 | 13.1 |
| Price-to-book | 3.0 | 2.5 | 1.7 | 1.6 | 1.5 |
| PE-to-EPS growth (PEG) | nm | 1.8 | 2.8 | 0.7 | 0.6 |
| EV/EBIT | 14.9 | 15.7 | 10.6 | 9.2 | 7.1 |

Momentum



| (%) | Dec-17 | Dec-18 | Dec-19 | Dec-20 | PTM** |
|------------------------------------|--------|--------|--------|--------|-------|
| Revenue growth | 10.8 | 13.2 | 9.5 | 9.2 | (1.9) |
| Recurring EPS growth | (0.6) | 12.3 | 5.6 | 19.0 | 20.6 |
| Operating profit margin chg. (bps) | 64 | (76) | 18 | 67 | 103 |
| | 6mth | 3mth | 1mth | 3wk | 1wk |
| Price change | 5.2 | (8.1) | (7.7) | (6.7) | (1.0) |

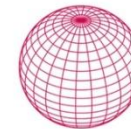
Risk



| (x) | Dec-17 | Dec-18 | Dec-19 | Dec-20 | PTM** |
|------------------------|--------|--------|--------|--------|--------|
| Current ratio | 1.6 | 2.0 | 2.6 | 3.5 | 5.8 |
| Net debt-to-equity (%) | (3.3) | 44.9 | 22.9 | 15.1 | (24.6) |
| Times-interest-earned | 5.7 | 5.1 | 5.4 | 5.9 | 4.8 |
| | 5yr | 3yr | 1yr | 6mth | 3mth |
| Beta | 0.5 | 0.5 | 0.6 | 0.4 | 0.4 |

Note: Benchmarking against 120 non-financial companies in Philippines.

Return on equity is slightly above Philippine average



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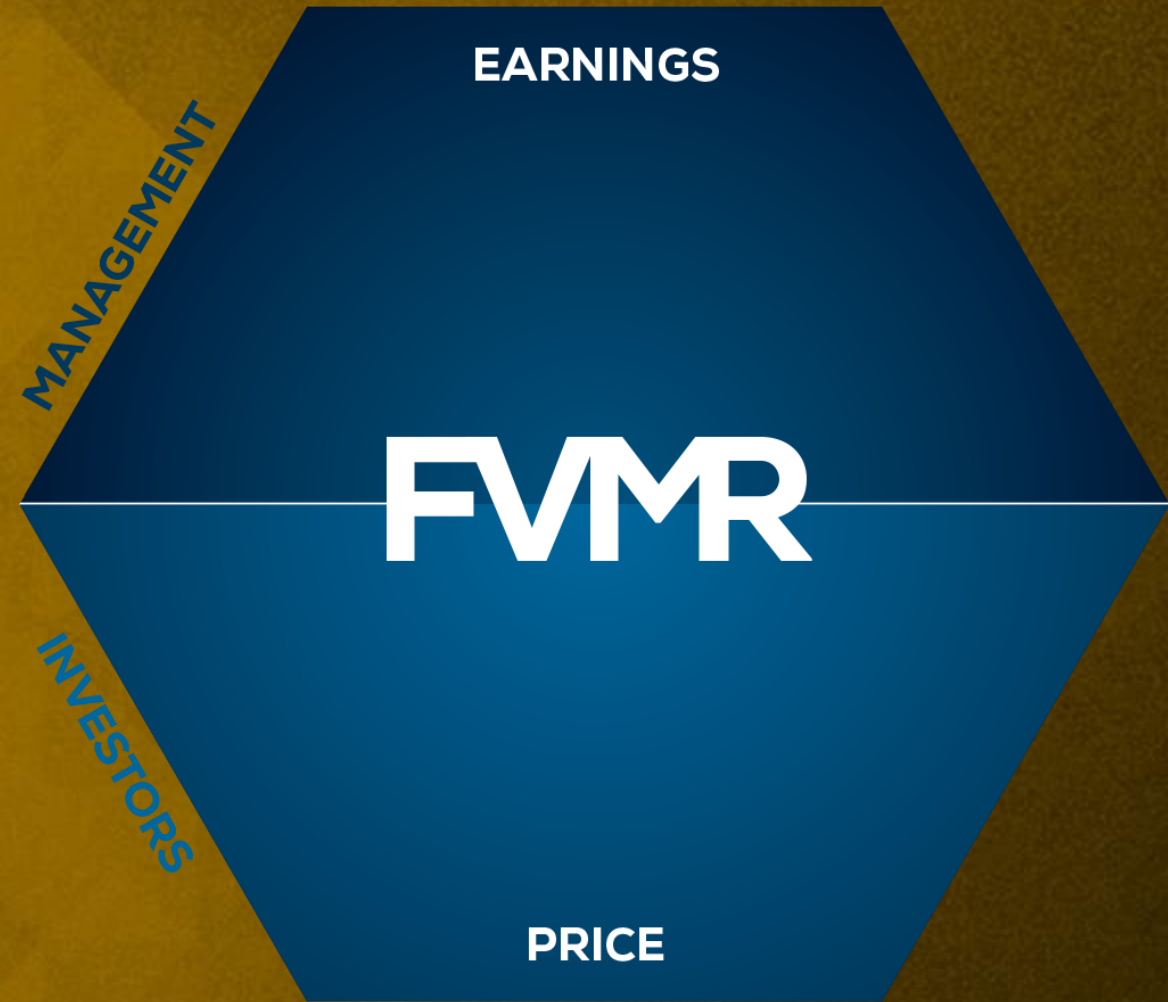
WCB

Risks

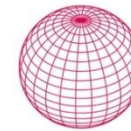
| Fundamentals | | | | | | W | | | | | | | | | B |
|----------------------------|--------|--------|--------|--------|-------|---|--|--|--|--|--|--|--|--|---|
| (%) | Dec-17 | Dec-18 | Dec-19 | Dec-20 | PTM** | | | | | | | | | | |
| Operating profit margin | 7.8 | 7.1 | 7.2 | 7.9 | 8.3 | | | | | | | | | | |
| Recurring net margin | 4.4 | 4.4 | 4.4 | 4.8 | 5.4 | | | | | | | | | | |
| Asset turnover | 182.3 | 163.8 | 147.5 | 140.4 | 129.2 | | | | | | | | | | |
| Return on assets | 8.0 | 7.2 | 6.4 | 6.7 | 6.9 | | | | | | | | | | |
| Recurring return on equity | 12.1 | 12.2 | 11.7 | 12.3 | 12.4 | | | | | | | | | | |

Recently, I created a short
online course explaining my
FVMR investing approach

I usually sell it
for \$97 but for
a limited time
I am offering
it for FREE



Consensus is strongly bullish



Sales

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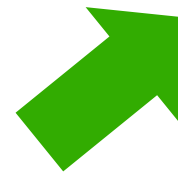
Risks

Analyst consensus valuation

| Recommendation | Oct-21 | Nov-21 | Dec-21 | Current |
|----------------|--------|--------|--------|---------|
| Strong buy | 3 | 3 | 3 | 4 |
| Buy | 6 | 6 | 6 | 6 |
| Hold | 1 | 1 | 1 | 1 |
| Sell | - | - | - | - |
| Strong sell | - | - | - | - |
| Average score | 1.8 | 1.8 | 1.8 | 1.7 |

| Price target | Nov-21 | Dec-21 | Jan-22 | Current |
|--------------|--------|--------|--------|---------|
| Median | 51 | 52 | 52 | 52 |
| Mean | 51 | 51 | 51 | 51 |

11
analysts

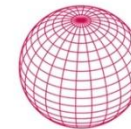


Upside: 46%

Analyst consensus 3-year forecast

| (%) | 18 | 19 | 20 | 21E | 22E | 23E |
|----------------|------|------|------|-----|------|-----|
| Revenue growth | 2.5 | 9.5 | 9.2 | 0.9 | 10.3 | 8.3 |
| Gross margin | 14.5 | 14.3 | 14.7 | na | na | na |
| EBIT margin | 7.0 | 7.1 | 7.8 | 8.0 | 7.9 | 7.8 |
| Net margin | 4.4 | 4.4 | 4.8 | 5.0 | 5.0 | 5.0 |

- ★ Most analysts have a BUY recommendation, as the company continues to deliver on its expansion plans
- ★ Consensus is rewarding management's efforts by forecasting high growth from 22E onward
 - Also, analysts assume a slightly higher margin compared to the past



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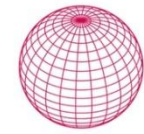
Value

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Risks

| (YE Dec, PHP m) | 2019A | 2020A | 2021E | 2022E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Revenue | 154,490 | 168,632 | 170,319 | 192,460 |
| Cost of goods & services | (132,365) | (143,796) | (144,430) | (163,206) |
| Gross profit | 22,126 | 24,836 | 25,888 | 29,254 |
| SG&A | (4,259) | (4,749) | (5,110) | (5,774) |
| Other operating (exp)/inc | (6,947) | (7,007) | (7,147) | (7,290) |
| EBIT | 10,920 | 13,081 | 13,632 | 16,191 |
| Interest expense (net) | (1,854) | (1,996) | (2,314) | (2,267) |
| Other non-operating inc/(exp) | 430 | 304 | 310 | 316 |
| Earnings before taxes (EBT) | 9,496 | 11,389 | 11,628 | 14,240 |
| Income tax | (2,807) | (3,366) | (3,372) | (4,129) |
| Earnings after taxes (EAT) | 6,689 | 8,022 | 8,256 | 10,110 |
| Equity income/Minority interest | 20 | 10 | 13 | 13 |
| Earnings from cont. operations | 6,709 | 8,032 | 8,268 | 10,123 |
| Forex/Exceptionals before tax | 64 | 35 | - | - |
| Net profit | 6,773 | 8,067 | 8,268 | 10,123 |

- ★ While revenue stayed flat in 21E, it should continue to see high growth from 22E onward
 - New stores open and foot traffic should normalize



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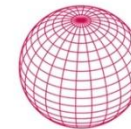
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Risks

| (YE Dec, PHP m) | 2019A | 2020A | 2021E | 2022E |
|-------------------------------|----------------|----------------|----------------|----------------|
| Cash & short-term investments | 17,118 | 35,135 | 39,824 | 43,239 |
| Accounts receivable | 2,676 | 2,676 | 1,892 | 3,208 |
| Inventories | 19,526 | 20,918 | 20,862 | 24,028 |
| Other current assets | 720 | 658 | 852 | 962 |
| Total current assets | 40,040 | 59,388 | 63,430 | 71,436 |
| Long-term investments | 623 | 637 | 649 | 662 |
| Net fixed assets | 44,986 | 48,103 | 49,996 | 51,875 |
| Intangible assets | 4,777 | 4,766 | 4,754 | 4,742 |
| Goodwill | 14,902 | 14,902 | 14,902 | 14,902 |
| Other long-term assets | 3,306 | 3,797 | 3,987 | 4,186 |
| Total assets | 108,635 | 131,594 | 137,719 | 147,805 |

- ★ Defensive balance sheet with ¼ of its assets in cash helps when it's time to play offense
- ★ Net fixed assets grow in line with its annual target for store openings

Balance sheet - liabilities



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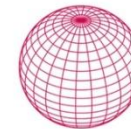
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Risks

| (YE Dec, PHP m) | 2019A | 2020A | 2021E | 2022E |
|--|----------------|----------------|----------------|----------------|
| Overdrafts & short-term loans | 992 | 897 | 835 | 819 |
| Accounts payable | 9,950 | 10,933 | 9,629 | 10,880 |
| Other current liabilities | 4,549 | 5,273 | 4,258 | 4,812 |
| Total current liabilities | 15,491 | 17,102 | 14,722 | 16,511 |
| Long-term debt | 30,326 | 44,606 | 45,577 | 44,666 |
| Other long-term liabilities | 919 | 1,383 | 1,425 | 1,453 |
| Total liabilities | 46,735 | 63,092 | 61,724 | 62,629 |
| Minority interest | - | - | - | - |
| Paid-up capital - Common shares | 28,266 | 28,266 | 28,266 | 28,266 |
| Paid-up capital - Preferred shares | - | - | - | - |
| Retained earnings | 33,650 | 40,426 | 47,950 | 57,162 |
| Revaluation/Forex/Others | (17) | (190) | (221) | (253) |
| Total equity | 61,899 | 68,502 | 75,995 | 85,175 |
| Total liab & shareholders' equity | 108,635 | 131,594 | 137,719 | 147,805 |

- ★ I don't expect the company to accumulate more debt over time as it has a high cash generation ability to fund growth internally



Sales

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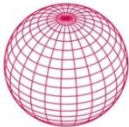
Value

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Risks

| (YE Dec) | 2019A | 2020A | 2021E | 2022E |
|--------------------------------|-------|-------|-------|-------|
| General growth (YoY, %) | | | | |
| Revenue | 9.5 | 9.2 | 1.0 | 13.0 |
| Assets | 7.7 | 21.1 | 4.7 | 7.3 |
| Gross profit | 8.2 | 12.3 | 4.2 | 13.0 |
| Operating profit | 11.2 | 19.8 | 4.2 | 18.8 |
| Attributable profit | 9.2 | 19.1 | 2.5 | 22.4 |
| EPS | 7.2 | 16.9 | 2.5 | 22.5 |
| Recurring EPS | 5.4 | 19.2 | 2.8 | 22.5 |
| Du Pont analysis (%) | | | | |
| Net profit margin | 4.4 | 4.8 | 4.9 | 5.3 |
| Revenue per PHP100 of assets | 147.5 | 140.4 | 126.5 | 134.8 |
| Assets/equity (x) | 1.8 | 1.8 | 1.9 | 1.8 |
| Return on equity | 11.8 | 12.4 | 11.4 | 12.6 |
| Others (%) | | | | |
| Effective tax rate | 29.4 | 29.5 | 29.0 | 29.0 |
| Dividend payout ratio | 8.5 | 8.9 | 9.0 | 9.1 |

- ★ Like most retailers PGOLD has strong asset turnover of 130-150, which means sales grow faster than assets
- ★ This measure should start to recover as revenue recovers



Sales

Story

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Risks

| (YE Dec) | 2019A | 2020A | 2021E | 2022E |
|---------------------------------|-------|-------|-------|-------|
| Internal liquidity (x) | | | | |
| Current ratio | 2.6 | 3.5 | 4.3 | 4.3 |
| Quick, or acid test ratio | 1.3 | 2.2 | 2.9 | 2.9 |
| Working cap. mgmt (Days) | | | | |
| Inventory conversion period | 53 | 51 | 52 | 50 |
| Receivables collection period | 9 | 6 | 5 | 5 |
| Days from raw mat to coll | 62 | 56 | 57 | 54 |
| Payables deferral period | 28 | 26 | 26 | 23 |
| Cash conversion cycle | 34 | 30 | 31 | 32 |
| Profitability ratios (%) | | | | |
| Gross profit margin | 14.3 | 14.7 | 15.2 | 15.2 |
| EBIT margin | 7.1 | 7.8 | 8.0 | 8.4 |
| EBIT return on avg assets | 10.4 | 10.9 | 10.1 | 11.3 |
| Return on average assets | 6.5 | 6.7 | 6.1 | 7.1 |
| Financial risk (x) | | | | |
| Liabilities-to-assets (%) | 43.0 | 47.9 | 44.8 | 42.4 |
| Debt-to-equity | 0.5 | 0.7 | 0.6 | 0.5 |
| Net debt-to-equity | 0.2 | 0.2 | 0.1 | 0.0 |
| Times-interest-earned | 7.1 | 7.7 | 6.8 | 7.9 |
| Effective interest rate (%) | 6.3 | 5.9 | 5.8 | 5.8 |

- ★ Scale effects should show up in the gross margin over time
 - I expect PGOLD to raise its margin to the same levels as its competitor Robinsons Retail (17-20%)

If you want to learn how to value companies like this,
check out my 6-week, online

Valuation Master Class Boot Camp

- 🌐 **PRACTICAL** – Learn practical stock valuation skills and apply them to value actual companies
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Class starts
March 7th!

Save US\$402 until February 28th!

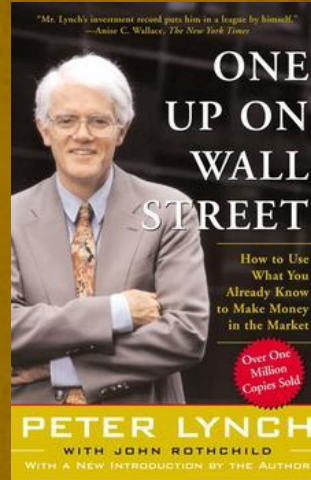


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A. Stotz Investment Research Stock Picking Checklist

Inspired by

Peter Lynch's book

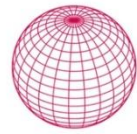


- ★ Where he talked about "ten baggers" (stocks that go up 10x)
- ★ We did extensive research on ten baggers and found...
- ★ 9 factors that drive long-term share price performance



Stock Picking Checklist

Can this company be a ten bagger?



VALUATION MASTER CLASS

Sales

Story

FVMR

WCB

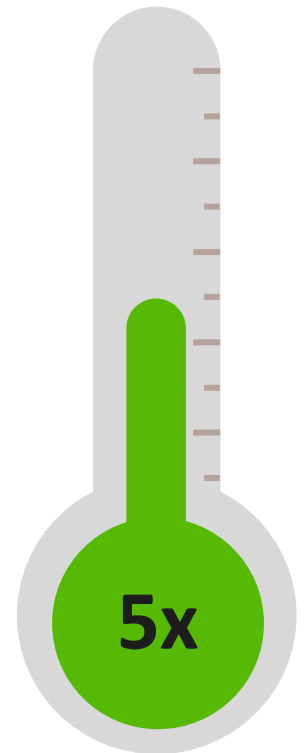
Ratios

Value

Risks

| Checklist | Potential | Comment |
|--|-----------|---|
| 1. Management is committed to growth | Good | Between 2011, and 2020, the company's revenue grew 4x |
| 2. Growth can hit double-digits | Good | Modern grocery is still underpenetrated in the Philippines, supporting good growth |
| 3. Gross Margin can remain high | Good | There is plenty of room to increase its gross margin over time by 3-5 ppts |
| 4. Earnings are predictable | Good | Net profit has been stable and growing, in line with revenue |
| 5. Efficient at deploying assets | Good | Asset turnover is with 150% above average |
| 6. Cash Conversion cycle is low | Moderate | Cash conversion cycle is 30 days, in line with industry |
| 7. Cash Flow is consistently positive | Good | Since 2017, PGOLD delivers strong operating CF, which can easily cover investing outflows |
| 8. Capital is readily available | Moderate | Leverage is relatively low. Net debt-to-equity stood at 0.2x in 3Q21 |
| 9. Valuation is reasonable | Good | Massive discount to Philippine Cons. Staples despite higher EPS growth and similar ROE |

10x Bagger Potential





Sales

Story

FVMR

Value

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Risks

| (YE Dec, PHP m) | 2019A | 2020A | 2021E | 2022E |
|---------------------------------|---------------|---------------|----------------|----------------|
| EBIT | 10,920 | 13,081 | 13,632 | 16,191 |
| Est tax rate (%) | 29 | 29 | 29 | 29 |
| NOPAT | 7,713 | 9,226 | 9,679 | 11,495 |
| Add: Depre & amort | 3,825 | 4,320 | 4,599 | 4,918 |
| Less: CAPEX | (3,650) | (3,204) | (4,377) | (4,682) |
| Chg in A/R | 2,114 | (1) | 784 | (1,315) |
| Chg in inventory | 206 | (1,392) | 56 | (3,165) |
| Chg in oth curr assets | 100 | 62 | (193) | (111) |
| Chg in A/P | (526) | 983 | (1,304) | 1,252 |
| Chg in oth curr liabs | 2,175 | 724 | (1,015) | 554 |
| Less: Chg in working cap | 4,069 | 376 | (1,673) | (2,786) |
| Less: Chg in invest cap | | | | |
| Free cash flow to firm | 11,957 | 10,718 | 8,228 | 8,945 |

- ★ Since 2017, PGOLD delivers consistent positive FCFF and should continue to do so over the next few years



Sales

Story

FVMR

Value

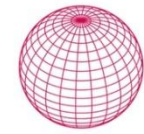
WCB

Risks

| Forecast assumptions | | | |
|-----------------------|-----------|----------------|------|
| 3-year average | Consensus | My assumptions | |
| Revenue growth (CAGR) | 6.4 | | 9.2 |
| Gross margin | na | | 15.3 |
| EBIT margin | 7.9 | | 8.5 |
| Net margin | 5.0 | | 5.3 |

| My valuation method | | | |
|----------------------------|------|---------------------------|--|
| Market: Philippines | | | |
| Market risk-free rate | 5.0 | Valuation Method: FCFF | |
| Market equity risk premium | 7.0 | | |
| Market return | 12.0 | | |
| Company beta (x) | 0.8 | | |
| COE | 10.3 | | |
| WACC | 8.3 | | |
| Terminal growth rate | 4.0 | | |

- ★ I expect faster revenue growth than consensus as PGOLD’s balance sheet allows for fast-than-expected store expansion
- ★ Also, I am more optimistic with regards to the margin
 - I don’t see any constraint why PGOLD could not close the margin gap to its competitor over time



Sales

Story

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Ratios

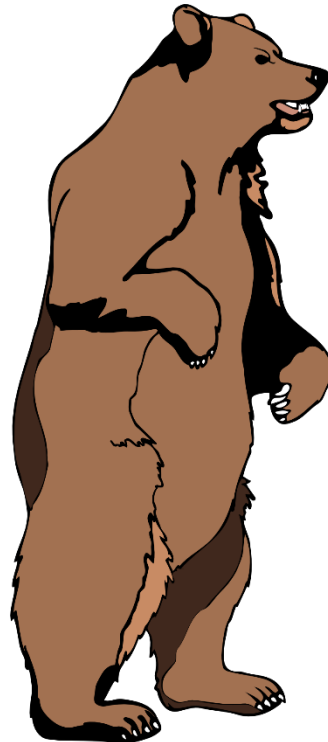
Value

Risks

Bear

PHP51

(Upside 42%)



Base

PHP62

(Upside 72%)



Bull

PHP73

(Upside 103%)



Next let's consider the company's World Class Benchmarking Scorecard

- ★ To identify the company's competitive position relative to global peers
- ★ We use a composite rank of profitability and growth, called "Profitable Growth"
- ★ And a scale from 1 which is best, to 10 which is worst



Both profitability and growth rank above average



Sales

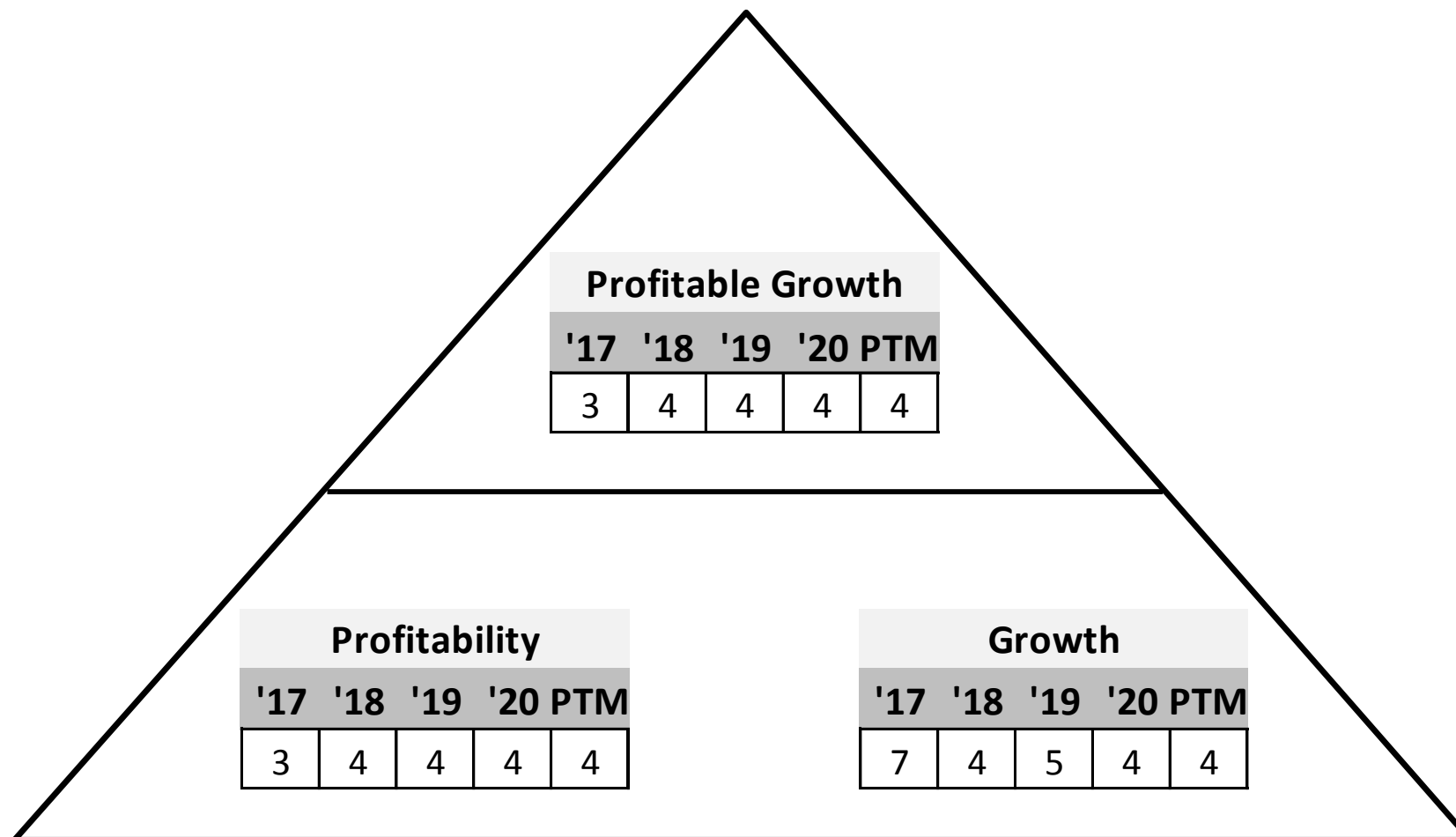
Story

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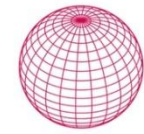
Value

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Risks



Benchmarked against 590 large Cons. Staples companies worldwide.



Sales

Story

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Value

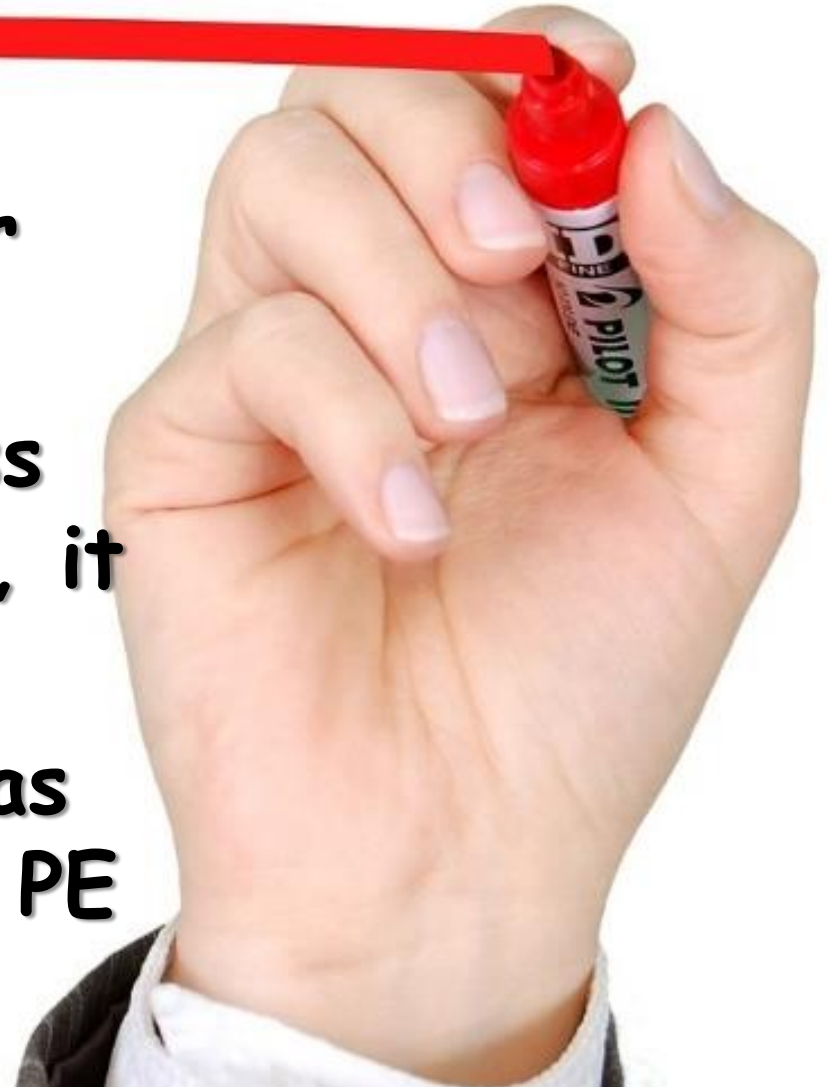
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Risks

- ★ Failure to execute its growth strategy
- ★ Industry consolidation could intensify competition
- ★ Limited ability to pass on higher costs as PGOLD targets low-income segment

CONCLUSION

- Expansion could progress faster than the market expects
- If PGOLD can increase its gross margin to its competitor's level, it would provide a solid upside
- Valuation is surprisingly cheap as it trades at a 55% discount on PE



Can **Puregold** turn Philippine grocery retail into **pure gold?**

