



NSX Share code	NBS
Price	270cps
NAV	166cps
Recommendation	HOLD
12-mth ave volumes	0.647m
Market Cap.	N\$558m
Free-Float Market Cap.	N\$279m

NBS	Jan	Jun	Jun	Jun	Jun
N\$m	2003	2004*	2005	2006 E	2007E
Revenue	878,939	911,420	905,043	939,648	965,989
EBT	59,756	18,896	17,763	70,575	75,703
Net profit	23,017	24,086	18,469	60,482	67,629
Net margins	2.6%	2.6%	2.0%	6.4%	7.0%
EPS cents	11.1	11.7	8.9	29.3	32.7
Headline EPS	11.0	11.7	11.0	28.4	32.7
NAV cps	169.7	160.9	139.3	165.9	185.6
DPS cents	8.4	21.4	26.9	11.7	13.1
P/E	13	25	20	9.0	8.0
Dividend cover	1.3	0.5	0.4	2.45	2.94

* annualised

We expect revenue to improve marginally to N\$939m from N\$905m on the back of increased local volume sales, aided by beer price increases that took effect early 2H06.

In 1H06 operating costs declined by 2%, we expect the trend have continued in 2H06 as management committed to identify cost drivers and contain such drivers. We are expecting operating expenses of N\$858m, which would be equivalent of a 1% drop.

FY05 included restructuring and impairment costs of N\$22m. The absence

of these costs in FY06 is expected to contribute to the decline in operating expenses on an annual basis.

The expected marginal improvement in revenue accompanied by a reduction in expenses is expected to enhance operating profit and margins. We forecast operating profit of N\$80m and project operating margin improvement to 9%.

We forecast profit before tax of N\$70m and profit after tax of N\$60m.

The group earlier indicated that earnings and headline earnings are expected to be significantly higher on a comparative basis, primarily due to underlying performance.

Though we expect earnings growth due to underlying performance, if we adjust FY05 by excluding the restructuring costs of N\$22m, earning and headline earnings increase by 50% and 30% respectively in FY06. If unadjusted, the growth becomes 230% and 160%. This indicates that a significant portion of the expected growth will emanate from the absence of the high costs incurred in FY05.

We expect earnings and headline earnings of 29 and 28 cent per share.

NBS is trading at 270cps and our DDM is pricing the share at 263cps. Although the current price of 270cps exceeds fair value, we are of the opinion that it is still trading within the fair value range.

Judging from 1H06, we believe management have shown commitment to improve the groups' operating performance, thus creating a positive outlook for NBS. Our recommendation is **HOLD**.



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