

Heineken Malaysia (HEIM MK)

4Q21 earnings outperformed

BUY

Share Price MYR 20.36
 12m Price Target MYR 27.10 (+38%)
 Previous Price Target MYR 26.55

Maintain BUY with higher DCF-TP of MYR27.10

4Q21 results were ahead of our/consensus expectations largely on its cost management initiatives. Outlook remains positive with expectations for industry volume growth to be strong in FY22 in absence of further nationwide lockdowns and further easing in pandemic restrictions. Our DCF-TP is raised to MYR27.10 (WACC: 7%, LT growth: 3%) in light of FY21's earnings outperformance but we leave FY22-FY24 earnings estimates unchanged. Maintain BUY with decent yields of c.5%.

FY21 core net profit: +40% YoY; DPR: 100%

4Q21 core net profit of MYR96m (+41% YoY, +88% QoQ) brought FY21 core net profit to MYR246m (+40% YoY), above expectations at 109%/108% of our/consensus full-year earnings estimates. The beat was mainly due to higher-than-expected cost management initiatives. FY21 revenue of MYR2b was in-line, at 102% of our full-year estimates. HEIM also declared a final DPS of 66sen (YTD: 81sen, DPR: 100%).

Volume growth from pent-up demand

HEIM's 4Q21 revenue grew 33% YoY on higher sales volume growth which was driven by: (i) eased movement restrictions, (ii) product price hikes, and (iii) a combination of restocking activities post-lockdown, and inventory front-loading for Chinese New Year. 4Q21 EBIT however grew by a wider 83% YoY due to cost management initiatives and growth in higher margin premium category volumes (4Q21 EBIT margin: +4.9 ppts YoY). On a QoQ basis, revenue increased by 78% QoQ mainly from the absence of operational disruption (3Q21: 11-week brewery suspension) and seasonally higher sales volume during the year-end festive season.

Positive outlook intact

Our FY22-FY24 earnings estimates remain unchanged as we have already imputed for strong industry volume growth of 10% YoY premised on robust growth in both on and off-trade sales. Once international borders reopen, this should also drive overall sales volume upwards but will partially be hindered by spikes in COVID-19 cases upon the discovery of new virus variants intermittently. Meanwhile, if raw material prices continue to rise, we expect HEIM to pass on additional costs to consumers in order to defend its margins going forward.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,762	1,979	2,138	2,266	2,401
EBITDA	272	395	505	543	572
Core net profit	175	246	297	352	371
Core EPS (sen)	58.1	81.3	98.3	116.5	122.8
Core EPS growth (%)	(44.0)	40.1	20.9	18.5	5.4
Net DPS (sen)	51.0	81.0	98.3	116.5	122.8
Core P/E (x)	39.6	25.6	20.7	17.5	16.6
P/BV (x)	19.9	15.9	16.5	14.4	13.8
Net dividend yield (%)	2.2	3.9	4.8	5.7	6.0
ROAE (%)	41.5	65.9	77.3	88.0	84.9
ROAA (%)	16.3	23.0	26.9	30.2	29.7
EV/EBITDA (x)	26.0	16.2	12.5	11.5	10.9
Net gearing (%) (incl perps)	33.6	21.1	36.4	20.4	15.8
Consensus net profit	-	-	287	335	na
MKE vs. Consensus (%)	-	-	3.4	5.0	na

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Company Description

Heineken Malaysia is engaged in the production, packaging, marketing, and distribution of alcoholic beverages.

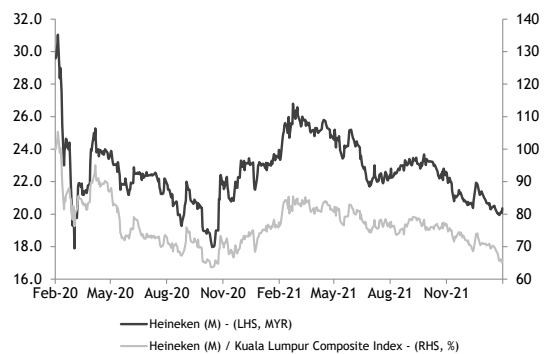
Statistics

52w high/low (MYR)	26.80/19.94
3m avg turnover (USDm)	0.4
Free float (%)	44.5
Issued shares (m)	302
Market capitalisation	MYR6.2B USD1.5B

Major shareholders:

Heineken NV	51.0%
Kayne Anderson Rudnick Investment Manage	5.0%
Great Eastern Life Assurance Co. Ltd.	3.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(4)	(10)	(15)
Relative to index (%)	(7)	(14)	(15)

Source: FactSet

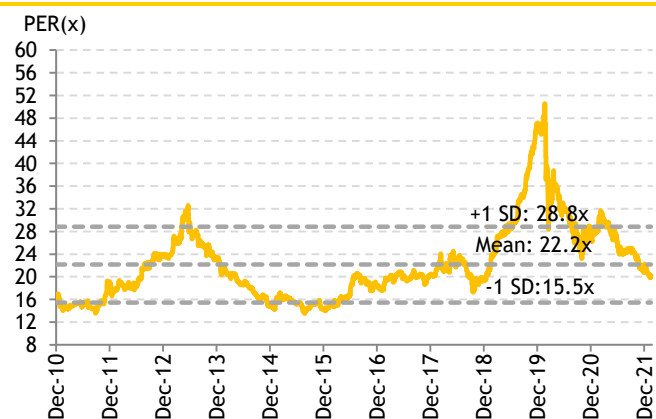
Fig 1: Heineken Malaysia: Results summary table

FY Dec (RM m)	Quarterly					Cumulative		
	4Q21	4Q20	% YoY	3Q21	% QoQ	12M21	12M20	% YoY
Turnover	692.3	519.0	33.4	389.8	77.6	1979.3	1762.4	12.3
EBITDA	143.6	87.9	63.4	84.5	69.9	394.6	272.5	44.8
Depreciation & Amort	(18.2)	(19.2)	(5.4)	(16.9)	7.5	(70.7)	(68.8)	2.7
EBIT	125.4	68.7	82.6	67.6	85.5	323.9	203.7	59.1
Net finance cost	(1.0)	(1.3)	(21.5)	(0.4)	>100.0	(2.5)	(4.9)	(49.4)
Pre-tax profit	124.4	67.4	84.6	67.2	85.1	321.4	198.7	61.8
Tax	(28.6)	(13.2)	>100.0	(16.2)	76.3	(75.7)	(44.5)	70.1
Net profit	95.8	54.2	76.9	51.0	87.9	245.7	154.2	59.3
Recurring Net profit	95.8	68.2	40.6	51.0	87.9	245.7	175.4	40.1
			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
EBITDA margin (%)	20.7	16.9	3.8	21.7	(0.9)	19.9	15.5	4.5
EBIT margin (%)	18.1	13.2	4.9	17.3	0.8	16.4	11.6	4.8
Tax rate (%)	23.0	19.6	3.3	24.1	(1.1)	23.6	22.4	1.2

*4Q20: One-off restructuring expenses of MYR14m, 12M20: One-off settlement of Customs' Bills of demand of MYR7.2m

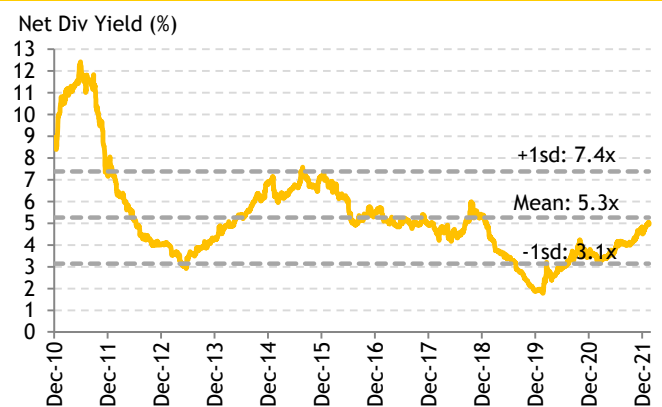
Source: Company, Maybank IBG Research E

Fig 2: HEIM: One-year forward PER



Source: Company, Maybank IBG Research

Fig 3: HEIM: One-year forward net dividend yield



Source: Company, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for HEIM. Unfavourable regulatory environment (eg. excise tax shocks) is a risk factor. A spike in raw material prices may also impact earnings of HEIM.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	44.6	28.8	20.7	17.5	16.6
Core P/E (x)	39.6	25.6	20.7	17.5	16.6
P/BV (x)	19.9	15.9	16.5	14.4	13.8
P/NTA (x)	20.9	16.6	16.9	14.5	13.7
Net dividend yield (%)	2.2	3.9	4.8	5.7	6.0
FCF yield (%)	2.4	3.8	4.3	5.6	6.0
EV/EBITDA (x)	26.0	16.2	12.5	11.5	10.9
EV/EBIT (x)	34.7	19.7	14.6	13.4	12.7
INCOME STATEMENT (MYR m)					
Revenue	1,762.4	1,979.3	2,138.1	2,265.7	2,400.9
EBITDA	272.5	394.6	504.7	543.4	572.1
Depreciation	(60.8)	(64.5)	(67.3)	(71.6)	(76.0)
Amortisation	(8.0)	(6.2)	(6.4)	(6.4)	(6.4)
EBIT	203.7	323.9	431.0	465.4	489.8
Net interest income / (exp)	(4.9)	(2.5)	(1.7)	(2.3)	(1.7)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(21.2)	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	198.7	321.4	429.3	463.1	488.0
Income tax	(44.5)	(75.7)	(132.2)	(111.1)	(117.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	154.2	245.7	297.1	351.9	370.9
Core net profit	175.4	245.7	297.1	351.9	370.9
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	131.9	76.3	24.5	72.7	89.5
Accounts receivable	326.6	418.7	452.3	479.3	507.9
Inventory	188.3	151.0	155.0	164.0	173.7
Property, Plant & Equip (net)	341.9	388.4	438.6	461.0	478.9
Intangible assets	16.5	15.7	9.3	2.9	(3.5)
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	41.5	41.2	35.4	35.4	35.4
Total assets	1,046.7	1,091.3	1,115.1	1,215.2	1,282.0
ST interest bearing debt	249.2	160.0	160.0	160.0	160.0
Accounts payable	386.4	485.0	497.7	526.6	558.0
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	62.0	51.0	85.0	101.0	118.0
Total Liabilities	697.3	695.7	742.5	787.8	835.6
Shareholders Equity	349.4	395.7	372.5	427.4	446.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	349.4	395.7	372.5	427.4	446.4
Total liabilities and equity	1,046.7	1,091.3	1,115.1	1,215.2	1,282.0
CASH FLOW (MYR m)					
Pretax profit	198.7	321.4	429.3	463.1	488.0
Depreciation & amortisation	68.8	70.7	73.7	78.0	82.4
Adj net interest (income)/exp	4.9	2.5	1.7	2.3	1.7
Change in working capital	(23.8)	4.5	(24.8)	(7.1)	(7.0)
Cash taxes paid	(77.6)	(75.6)	(132.2)	(111.1)	(117.1)
Other operating cash flow	64.3	28.9	0.0	0.0	0.0
Cash flow from operations	226.3	348.4	345.0	422.6	445.5
Capex	(57.3)	(106.7)	(77.6)	(77.6)	(77.6)
Free cash flow	169.0	241.7	267.5	345.0	367.9
Dividends paid	(199.4)	(199.4)	(320.2)	(297.1)	(351.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	152.0	(89.2)	0.0	0.0	0.0
Other invest/financing cash flow	0.3	(3.8)	0.9	0.3	0.9
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	121.9	(50.6)	(51.9)	48.2	16.8

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(24.0)	12.3	8.0	6.0	6.0
EBITDA growth	(42.0)	44.8	27.9	7.7	5.3
EBIT growth	(50.9)	59.1	33.1	8.0	5.2
Pretax growth	(51.8)	61.8	33.6	7.9	5.4
Reported net profit growth	(50.7)	59.3	20.9	18.5	5.4
Core net profit growth	(44.0)	40.1	20.9	18.5	5.4
Profitability ratios (%)					
EBITDA margin	15.5	19.9	23.6	24.0	23.8
EBIT margin	11.6	16.4	20.2	20.5	20.4
Pretax profit margin	11.3	16.2	20.1	20.4	20.3
Payout ratio	99.9	99.6	100.0	100.0	100.0
DuPont analysis					
Net profit margin (%)	8.7	12.4	13.9	15.5	15.4
Revenue/Assets (x)	1.7	1.8	1.9	1.9	1.9
Assets/Equity (x)	3.0	2.8	3.0	2.8	2.9
ROAE (%)	41.5	65.9	77.3	88.0	84.9
ROAA (%)	16.3	23.0	26.9	30.2	29.7
Liquidity & Efficiency					
Cash conversion cycle	2.7	(1.3)	(12.3)	(10.4)	(10.3)
Days receivable outstanding	94.6	67.8	73.3	74.0	74.0
Days inventory outstanding	36.8	44.1	38.7	38.2	38.1
Days payables outstanding	128.7	113.2	124.4	122.6	122.5
Dividend cover (x)	1.0	1.0	1.0	1.0	1.0
Current ratio (x)	1.0	1.0	0.9	1.0	1.0
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.6	1.5	1.5	1.5
Net gearing (%) (incl perps)	33.6	21.1	36.4	20.4	15.8
Net gearing (%) (excl. perps)	33.6	21.1	36.4	20.4	15.8
Net interest cover (x)	41.3	129.7	nm	nm	nm
Debt/EBITDA (x)	0.9	0.4	0.3	0.3	0.3
Capex/revenue (%)	3.2	5.4	3.6	3.4	3.2
Net debt/ (net cash)	117.3	83.7	135.5	87.3	70.5

Source: Company; Maybank

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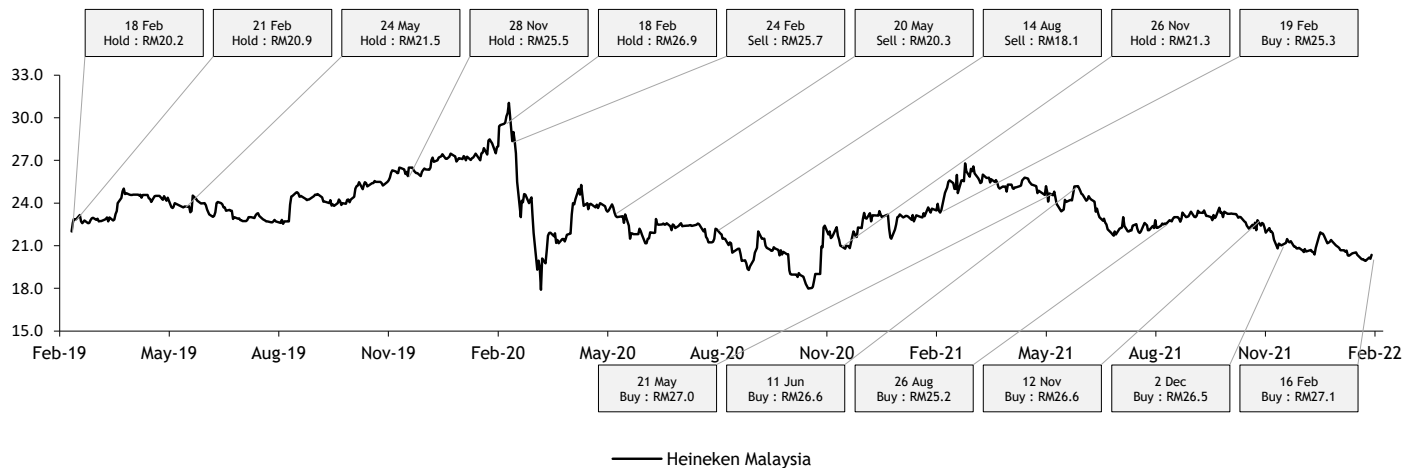
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