

Carlsberg Brewery Malaysia (CAB MK)

4Q21: In-line

BUY

Share Price MYR 22.30
12m Price Target MYR 23.95 (+11%)
Previous Price Target MYR 23.95

Maintain BUY with unchanged DCF-TP of MYR23.95

4Q21 results met our/consensus expectations. The brewery industry outlook remains positive with ongoing recovery in on-trade sales alongside easing movement restrictions. However, margin compression could occur in light of elevated raw material costs. Our FY22-FY23E earnings are unchanged and we introduce FY24E. BUY with a DCF-TP of MYR23.95 (WACC: 8%, LT growth: 3%) with decent yields of c.4%.

Within expectations

CAB's 4Q21 core net profit of MYR71m (+23% YoY, +129% QoQ) brought FY21 core net profit to MYR206m (+10% YoY), at 101% of both our and consensus full-year earnings estimates. A final DPS of 46sen was declared which brought FY21 DPS to 56sen (core DPR: 83%).

Strong MY ops mitigated by weaker SG sales

4Q21 revenue increased 15% YoY on better Malaysia operations where sales grew 25% YoY upon the ease in lockdown restrictions and seasonally higher sales during the festive season. This was partially offset by weaker Singapore sales (-7% YoY) as dine-in restrictions were only loosened towards end-Nov 2021 (from 2 pax/table to 5). Group EBIT grew by a wider 89% YoY given better product mix and higher cost savings from its restructuring exercise in FY20. CAB's FY21 mainstream brand volumes declined 11% YoY while its premium segment grew 15% YoY.

Planning for heavy capex in FY22

Sales volume recovery is expected to continue on an upward trajectory in FY22 (we have imputed +10% YoY) given higher vaccination rates and the absence of further lockdowns. That said, new COVID-19 variants (i.e. Omicron) could intermittently impact on-trade sales throughout the year. Rising input costs may also cause margin compression in sequential quarters, particularly aluminum and barley costs. Separately, CAB intends to conduct a massive upgrade to its existing production facility in FY22 (capex budgeted: MYR110m) to expand its filling capacity (bottling), increase automation, and improve its plant efficiency in terms of water/energy usage to meet its ESG targets. Hence, we now impute for FY22E capex of MYR153m (MYR43m previously).

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,785	1,773	1,932	2,070	2,189
EBITDA	243	299	401	449	457
Core net profit	187	206	273	304	315
Core EPS (sen)	61.2	67.5	89.3	99.6	103.0
Core EPS growth (%)	(36.3)	10.2	32.4	11.5	3.5
Net DPS (sen)	40.0	56.0	89.3	99.6	103.0
Core P/E (x)	38.0	29.8	25.0	22.4	21.6
P/BV (x)	42.3	29.1	20.6	20.6	20.6
Net dividend yield (%)	1.7	2.8	4.0	4.5	4.6
ROAE (%)	102.5	106.1	100.9	92.2	95.4
ROAA (%)	28.4	32.8	39.3	38.8	38.7
EV/EBITDA (x)	29.4	20.4	16.9	15.1	14.8
Net gearing (%) (incl perps)	16.3	net cash	net cash	net cash	net cash
Consensus net profit	-	-	259	315	na
MKE vs. Consensus (%)	-	-	5.5	(3.3)	na

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Company Description

Carlsberg Brewery Malaysia Bhd. is engaged in the manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages.

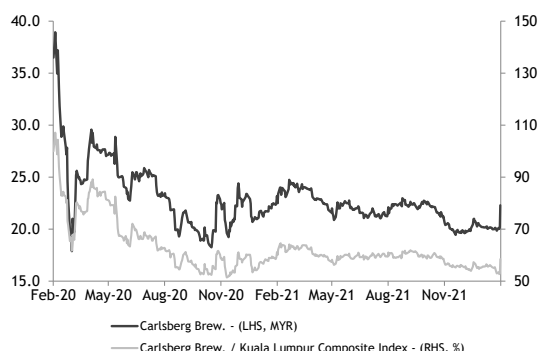
Statistics

52w high/low (MYR)	24.74/19.46
3m avg turnover (USDm)	0.4
Free float (%)	46.0
Issued shares (m)	306
Market capitalisation	MYR6.8B
	USD1.6B

Major shareholders:

Carlsberg A/S	51.0%
Great Eastern Life Assurance Co. Ltd.	2.7%
AIA Bhd.	2.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	10	7	(4)
Relative to index (%)	6	2	(4)

Source: FactSet

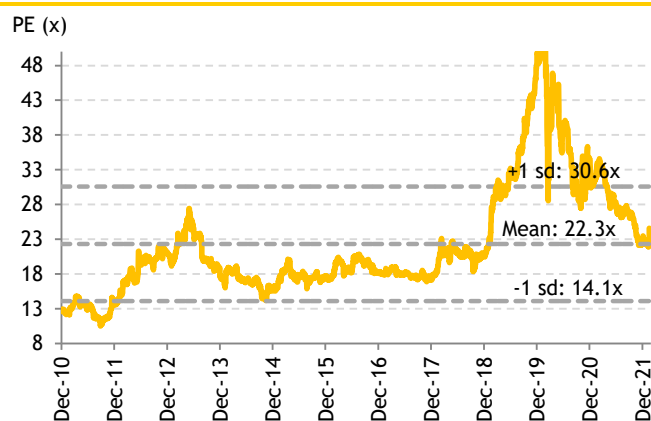
Fig 1: Carlsberg: Results Summary Table

	Quarterly					Cumulative		
FY 31 Dec (RM m)	4Q21	4Q20	% YoY	3Q21	% QoQ	12M21	12M20	% YoY
Turnover	542.3	472.5	14.8	349.3	55.3	1,772.8	1,785.0	(0.7)
EBITDA	105.0	58.8	78.5	42.9	>100.0	298.8	243.2	22.9
EBIT	87.2	46.2	88.6	30.4	>100.0	246.8	200.1	23.4
Net Interest income/ (expense)	(0.6)	(1.0)	(38.8)	(0.5)	10.8	(2.4)	(5.2)	(53.1)
Associate	5.6	3.6	55.8	2.9	90.3	15.2	14.9	1.7
Pre-tax profit	92.2	48.9	88.7	32.9	>100.0	259.6	209.8	23.7
Tax	(19.5)	(9.1)	>100.0	(6.4)	>100.0	(55.2)	(43.6)	26.6
Minority Interest	(1.3)	(1.8)	(26.9)	(0.4)	>100.0	(3.4)	(4.0)	(15.7)
Net Profit	71.4	37.9	88.2	26.0	>100.0	201.0	162.2	23.9
Recurring Net profit*	71.4	58.1	22.9	31.2	>100.0	206.3	187.2	10.2
			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
EBITDA margin (%)	19.4	12.4	6.9	12.3	7.1	16.9	13.6	3.2
EBIT margin (%)	16.1	9.8	6.3	8.7	7.4	13.9	11.2	2.7
Tax rate (%)	21.1	18.6	2.5	19.6	1.5	21.3	20.8	0.5
Segmental Revenue (MYR m)			% YoY		% QoQ			% YoY
Malaysia	394.7	315.2	25.2	216.9	81.9	1,211.8	1,257.1	(3.6)
Singapore	147.6	157.3	(6.2)	132.4	11.5	561.1	527.9	6.3
Others	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Total revenue	542.3	472.5	14.8	349.3	55.3	1,772.8	1,785.0	(0.7)
Revenue Breakdown (%)			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
Malaysia	72.8	66.7	6.1	62.1	10.7	68.4	70.4	(2.1)
Singapore	27.2	33.3	(6.1)	37.9	(10.7)	31.6	29.6	2.1
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Segmental EBIT (MYR m)			% YoY		% QoQ			% YoY
Malaysia	73.2	24.1	>100.0	17.5	>100.0	189.9	135.4	40.2
Singapore	16.3	23.8	(31.5)	12.6	29.0	58.0	64.6	(10.2)
Others	(2.3)	(1.7)	35.8	0.3	n.m.	(1.0)	0.1	n.m.
Total EBIT	87.2	46.2	88.6	30.4	186.5	246.8	200.1	23.4
EBIT Breakdown (%)			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
Malaysia	84.0	52.2	31.8	57.5	26.4	76.9	67.7	9.2
Singapore	18.7	51.5	(32.8)	41.5	(22.8)	23.5	32.3	(8.8)
Others	(2.6)	(3.7)	1.0	1.0	(3.6)	(0.4)	0.0	(0.4)
EBIT margin (%)								
Malaysia	18.5	7.7	10.9	8.1	10.5	15.7	10.8	4.9
Singapore	11.0	15.1	(4.1)	9.6	1.5	10.3	12.2	(1.9)
Group EBIT margin	16.1	9.8	6.3	8.7	7.4	13.9	11.2	2.7

Source: Company, Maybank IBG Research

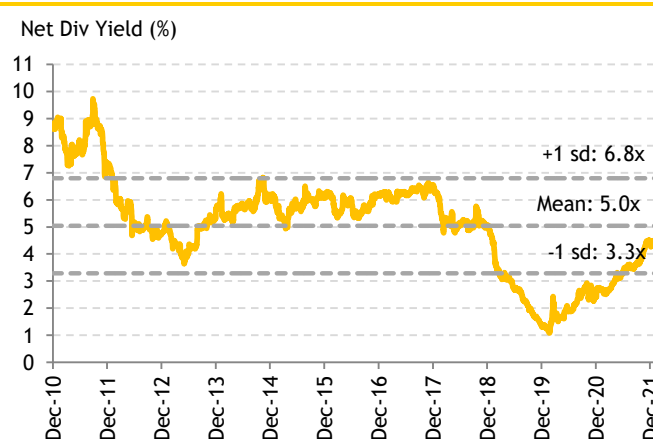
*3Q21 & 12M21: Write-down of disused PPE of MYR5.3m; 4Q20: One-off restructuring costs of MYR9.9m, finished goods written off of MYR6.0m, allowance for inventories written down of MYR2.6m, and PPE written off of MYR1.7m; 12M20: One-off MYR4.8m after-tax settlement with the Royal Malaysian Customs in regards to the bill of demand on excise duties issued by the Selangor State Director in 2014.

Fig 2: One-year forward PER



Source: Company, Maybank IBG Research

Fig 3: 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 CAB. Unfavourable regulatory environment (eg. excise tax shocks) and a spike in raw material prices may impact CAB's earnings. Additionally, a sharp appreciation of MYR against SGD would also negatively affect its earnings, for about 30-35% of its sales are denominated in SGD (through its Singapore operations).

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	47.1	33.5	25.0	22.4	21.6
Core P/E (x)	38.0	29.8	25.0	22.4	21.6
P/BV (x)	42.3	29.1	20.6	20.6	20.6
P/NTA (x)	44.2	29.9	20.8	20.7	20.7
Net dividend yield (%)	1.7	2.8	4.0	4.5	4.6
FCF yield (%)	2.4	3.6	2.3	4.7	4.7
EV/EBITDA (x)	29.4	20.4	16.9	15.1	14.8
EV/EBIT (x)	35.7	24.7	19.5	18.0	17.3
INCOME STATEMENT (MYR m)					
Revenue	1,785.0	1,772.8	1,932.4	2,069.5	2,189.0
EBITDA	243.2	298.8	401.2	449.0	457.0
Depreciation	(39.0)	(46.9)	(49.0)	(70.3)	(66.0)
Amortisation	(4.2)	(5.0)	(3.9)	(1.3)	(0.6)
EBIT	200.1	246.8	348.4	377.3	390.4
Net interest income /(exp)	(5.2)	(2.4)	1.0	1.5	2.3
Associates & JV	14.9	15.2	20.0	20.0	20.0
Exceptionals	25.0	5.3	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	209.8	259.6	369.4	398.8	412.7
Income tax	(43.6)	(55.2)	(89.6)	(86.9)	(89.9)
Minorities	(4.0)	(3.4)	(6.7)	(7.5)	(7.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	162.2	201.0	273.1	304.5	315.1
Core net profit	187.2	206.3	273.1	304.5	315.1
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	94.0	75.6	72.3	95.4	111.5
Accounts receivable	130.8	135.4	147.5	158.0	167.1
Inventory	85.8	79.0	82.8	88.4	93.8
Property, Plant & Equip (net)	208.2	211.1	336.7	316.1	302.6
Intangible assets	7.2	5.5	1.9	0.8	0.5
Investment in Associates & JVs	92.5	94.7	107.2	119.7	132.2
Other assets	18.0	20.7	20.7	20.7	20.7
Total assets	636.5	622.0	769.1	799.1	828.4
ST interest bearing debt	122.5	31.6	37.4	37.4	37.4
Accounts payable	281.1	316.1	331.6	354.1	375.6
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	58.0	59.0	59.0	59.0	59.0
Total Liabilities	461.9	406.4	427.6	450.1	471.6
Shareholders Equity	167.9	211.1	330.4	330.4	330.4
Minority Interest	6.8	4.5	11.2	18.7	26.4
Total shareholder equity	174.6	215.6	341.5	349.0	356.8
Total liabilities and equity	636.5	622.0	769.1	799.1	828.4
CASH FLOW (MYR m)					
Pretax profit	209.8	259.6	369.4	398.8	412.7
Depreciation & amortisation	43.2	52.0	52.9	71.6	66.6
Adj net interest (income)/exp	5.2	2.4	(1.0)	(1.5)	(2.3)
Change in working capital	11.8	28.1	(0.6)	6.4	7.0
Cash taxes paid	(55.5)	(65.1)	(89.6)	(86.9)	(89.9)
Other operating cash flow	(2.7)	(1.1)	(20.0)	(20.0)	(20.0)
Cash flow from operations	211.7	275.9	311.1	368.5	374.2
Capex	(42.7)	(56.8)	(151.0)	(49.7)	(52.5)
Free cash flow	169.0	219.0	160.1	318.8	321.6
Dividends paid	(190.8)	(152.9)	(153.8)	(304.5)	(315.1)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	46.1	(83.7)	0.0	0.0	0.0
Other invest/financing cash flow	(3.1)	3.9	6.2	6.6	7.4
Effect of exch rate changes	(0.4)	1.0	0.0	0.0	0.0
Net cash flow	20.8	(12.7)	12.4	21.0	14.0

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(20.9)	(0.7)	9.0	7.1	5.8
EBITDA growth	(41.7)	22.9	34.3	11.9	1.8
EBIT growth	(46.6)	23.4	41.1	8.3	3.5
Pretax growth	(45.1)	23.7	42.3	8.0	3.5
Reported net profit growth	(44.3)	23.9	35.9	11.5	3.5
Core net profit growth	(36.3)	10.2	32.4	11.5	3.5
Profitability ratios (%)					
EBITDA margin	13.6	16.9	20.8	21.7	20.9
EBIT margin	11.2	13.9	18.0	18.2	17.8
Pretax profit margin	11.8	14.6	19.1	19.3	18.9
Payout ratio	75.4	85.2	100.0	100.0	100.0
DuPont analysis					
Net profit margin (%)	9.1	11.3	14.1	14.7	14.4
Revenue/Assets (x)	2.8	2.9	2.5	2.6	2.6
Assets/Equity (x)	3.8	2.9	2.3	2.4	2.5
ROAE (%)	102.5	106.1	100.9	92.2	95.4
ROAA (%)	28.4	32.8	39.3	38.8	38.7
Liquidity & Efficiency					
Cash conversion cycle	(35.2)	(34.9)	(40.0)	(39.2)	(39.3)
Days receivable outstanding	35.1	27.0	26.4	26.6	26.7
Days inventory outstanding	21.1	23.6	22.1	21.9	22.0
Days payables outstanding	91.4	85.6	88.5	87.7	88.0
Dividend cover (x)	1.3	1.2	1.0	1.0	1.0
Current ratio (x)	0.7	0.8	0.8	0.8	0.8
Leverage & Expense Analysis					
Asset/Liability (x)	1.4	1.5	1.8	1.8	1.8
Net gearing (%) (incl perps)	16.3	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	16.3	net cash	net cash	net cash	net cash
Net interest cover (x)	38.3	100.8	na	na	na
Debt/EBITDA (x)	0.5	0.1	0.1	0.1	0.1
Capex/revenue (%)	2.4	3.2	7.8	2.4	2.4
Net debt/ (net cash)	28.5	(44.0)	(34.9)	(58.0)	(74.1)

Source: Company; Maybank

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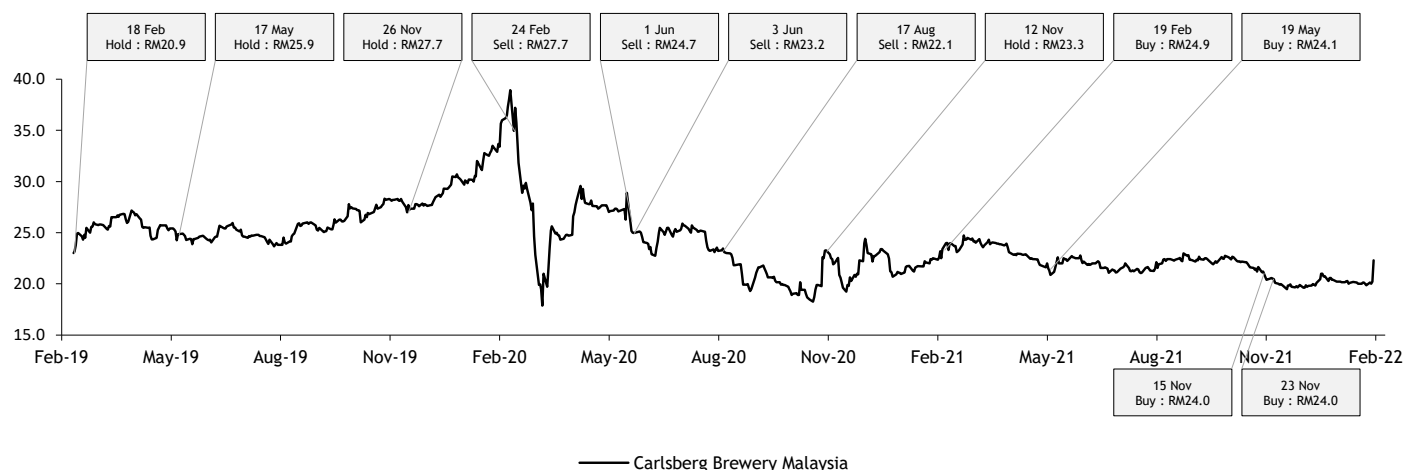
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