

Bud APAC (1876 HK)

Solid 1Q22 on strong APAC East performance; we stay vigilant on potential volume risk in 2Q

Bud APAC reported a 7.6%+ y-y 1Q normalised EBITDA at USD570m, thanks to strength from APAC East in which revenue/ EBITDA grew by 10%/ 45% y-y, respectively. Such was partially diluted by the in-line performance of APAC West in which revenue was 1% down y-y with flattish EBITDA, owing to heightened COVID control measures in China since the second half of March. Despite that, a buoyant premiumization momentum fueled a 3% y-y ASP uptick and that neutralized a 4% y-y volume decline. While the results came in slightly above consensus, we are wary of the lockdowns in Shanghai and Beijing which could weigh on 2Q volume by delaying the restocking cycle, in our view. Without much visibility at the moment, we maintain our 2022E forecasts and our unchanged TP is still based on 22x end-22E EV/ EBITDA which represents 3-year average.

- **China:** stricter Covid restrictions since mid-Mar have weighed on Budweiser's business. Total sales volume decreased 4.3% y-y in 1Q22, though the premium Budweiser brand/ super premium brands have grown at HSD/ strong DD vs pre-covid levels. EBITDA was maintained flat y-y and vs pre-covid level, thanks to diversified production capacity allocation and the company's agility in re-allocating resources among regions/ channels acquired through 2-year+ experience in dealing with pandemic. Management remained optimistic on China in the mid- and long-term.
- **South Korea** recovered strongly in 1Q22, as Covid restrictions gradually eased, with MSD/ LSD/ DD y-y growth in sales volume/ revenue per kl/ total revenue, and market share gains in both in-home and on premise channels. EBITDA grew strongly at DD y-y. Management expected the strong momentum to continue in 2022E, though channel mix benefit on margins would be fading as sales contribution from the higher-GPM-generating in-home channel is likely to reduce post pandemic.
- **India:** business environment kept improving with significantly eased Covid restrictions since Mar. The company continued to outperform the industry with premium and super premium portfolios recording strong DD growth y-y in 1Q22. Management remained highly optimistic on the premiumization potential of this market in longer term.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (USD mn)	5,588	6,788	7,372	8,156	8,720
YoY growth (%)	(14.6)	21.5	8.6	10.6	6.9
Net income (USD mn)	514	950	1,117	1,336	1,452
EPS (USD)	0.04	0.07	0.08	0.10	0.19
YoY growth (%)	(48.1)	84.7	17.6	19.6	8.7
Consensus EPS (USD)	n.a.	n.a.	0.08	0.10	0.2
P/E (x)	n.a.	n.a.	31.9	26.6	30.4
P/B (x)	n.a.	n.a.	3.0	2.8	3.2
Div Yield (%)	n.a.	n.a.	1.3	1.6	1.7
ROE (%)	5.0	8.7	9.8	10.9	11.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (maintain)

Target Price **HK\$28.0**

Up/Downside **+33.3%**
Current Price **HK\$21.0**

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Stock Data

Mkt Cap (HK\$ mn)	278,111
Avg 3 mths t/o (HK\$ mn)	253
52w High/Low (HK\$)	27.25/ 18.34
Total Issued Shares (mn)	13,243

Source: Wind

Shareholding Structure

AB Inbev Brewing Co	87.2%
JPMorgan Chase & Co	0.9%
T Towe Price	0.6%

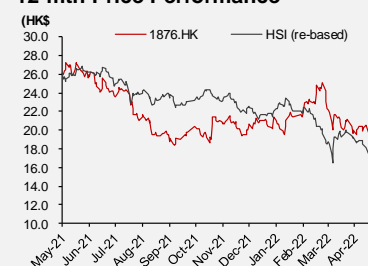
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.7%	6.2%
3-mth	2.2%	14.8%
6-mth	-0.2%	16.2%

Source: Wind

12-mth Price Performance

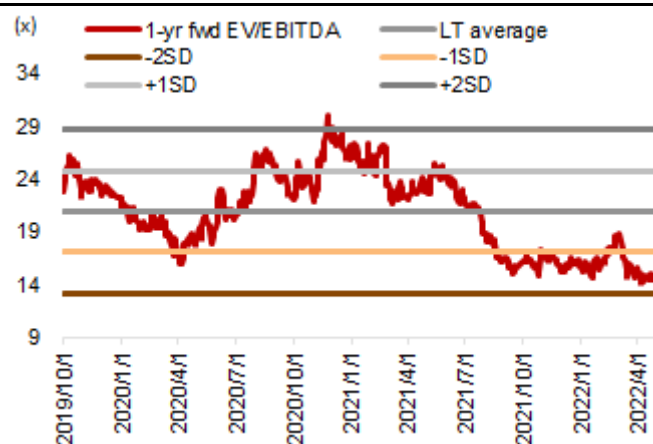


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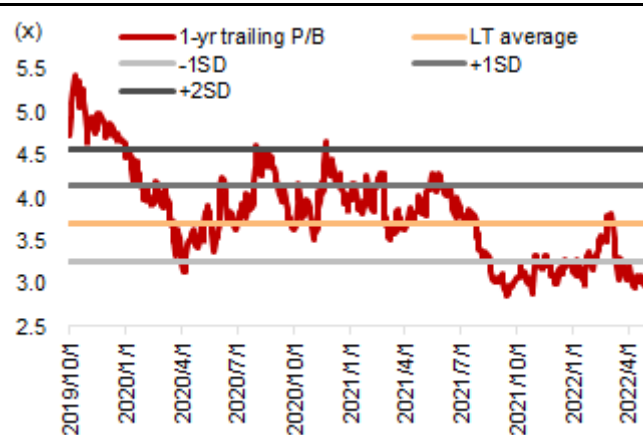
Auditor: PricewaterhouseCoopers

Related Reports

1. ["Budweiser APAC \(1876 HK\) – 4Q beats and prompts further earnings upgrade" – 25 Feb 2022](#)
2. ["Cherry-picking winners amid a de-risking mentality; our top picks: CRB/ Mengniu/ Feihe" – 21 Jan 2022](#)
3. ["Marketing feedback – inflation & price hikes were key words that appeared in every meeting" – 23 Nov 2021](#)

Figure 1: 12m forward P/E chart

Note: prices as of 5 May, 2022. Source: Bloomberg, CMBIGM estimates

Figure 2: 12m forward P/B chart

Note: prices as of 5 May, 2022. Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (USD mn)	FY20E	FY21A	FY22E	FY23E	FY24E
Revenue	5,588	6,788	7,372	8,156	8,720
Asia Pacific East	1,162	1,222	1,335	1,541	1,586
Asia Pacific West	4,426	5,566	6,037	6,615	7,135
Gross profit	2,907	3,657	3,981	4,445	4,753
Distribution expenses	(458)	(524)	(538)	(595)	(637)
Sales and marketing	(1,278)	(1,407)	(1,474)	(1,550)	(1,657)
Administrative expenses	(399)	(449)	(442)	(449)	(436)
Other operating income	165	150	150	150	150
Operating profit	937	1,427	1,676	2,001	2,173
EBITDA	1,584	2,139	2,358	2,679	2,887
Finance costs, net	(24)	(6)	(6)	(6)	(6)
Joint ventures &	23	32	32	32	32
Other non-recurring items	(28)	(40)	(40)	(40)	(40)
Pre-tax profit	908	1,413	1,662	1,987	2,159
Income tax	(371)	(432)	(508)	(608)	(660)
Less: Minority interests	23	31	36	44	47
Net profit	514	950	1,117	1,336	1,452

Cash flow summary

YE 31 Dec (USD mn)	FY20E	FY21A	FY22E	FY23E	FY24E
Net income	514	950	1,117	1,336	1,452
D&A	608	712	682	677	714
Change in working capital	183	44	50	144	97
Others	(4)	(31)	95	44	47
Net cash fr. operating act.	1,301	1,675	1,946	2,201	2,310
Capex & investments	(516)	(786)	(750)	(550)	(550)
Acquisition	-	-	-	-	-
Others	(56)	(26)	-	-	-
Net cash fr. investing act.	(572)	(812)	(750)	(550)	(550)
Equity raised	659	(263)	-	-	-
Change of Debts	(4)	(8)	-	-	-
Dividend paid	(315)	(374)	(400)	(469)	(561)
Others	(772)	26	-	-	-
Net cash fr. financing act.	(432)	(619)	(400)	(469)	(561)
Net change in cash	297	244	796	1,182	1,199
Cash at the beginning of the year	877	1,264	1,508	2,304	3,486
Exchange difference	90	-	-	-	-
Cash at the end of the year	1,264	1,508	2,304	3,486	4,684
Plus: pledged cash	17	-	-	-	-

Balance sheet

YE 31 Dec (USD mn)	FY20E	FY21A	FY22E	FY23E	FY24E
Non-current assets	13,857	13,464	13,763	13,635	13,471
Fixed asset	3,716	3,632	3,891	3,783	3,639
Net intangibles assets	9,125	8,806	8,845	8,826	8,806
Right of use assets, net	256	251	251	251	251
Other non-current assets	760	775	775	775	775
Current assets	2,332	3,161	3,580	4,831	6,104
Cash	1,281	2,007	2,304	3,486	4,684
Account receivable	367	412	459	507	541
Inventory	434	473	548	569	609
Other current assets	250	269	269	269	269
Current liabilities	4,637	4,691	4,655	4,868	5,038
Borrowings	147	123	123	123	123
Payables	2,112	2,156	2,329	2,542	2,712
Contract liabilities	1,449	1,495	1,495	1,495	1,495
Payables with parentco	142	74	74	74	74
Other current liabilities	787	843	634	634	634
Non-current liabilities	809	851	851	851	851
Borrowings	37	53	53	53	53
Other non-current liabilities	772	798	798	798	798
Minority Interest	58	70	106	150	197
Total net assets	10,743	11,083	11,837	12,747	13,685
Shareholders' equity	10,685	11,013	11,730	12,597	13,488

Key ratios

YE 31 Dec	FY20E	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Asia Pacific East	20.8	18.0	18.1	18.9	18.2
Asia Pacific West	79.2	82.0	81.9	81.1	81.8
P&L ratios (%)					
Gross profit margin	52.0	53.9	54.0	54.5	54.5
Operating margin	16.8	21.0	22.7	24.5	24.9
Pre-tax margin	16.2	20.8	22.5	24.4	24.8
Net margin	9.2	14.0	15.2	16.4	16.6
Effective tax rate	(6.6)	(6.4)	(6.9)	(7.4)	(7.6)
Balance sheet ratios					
Current ratio (x)	0.5	0.7	0.8	1.0	1.2
Net receivable days	24	22	22	22	22
Net payable days	268	243	243	243	243
Inventory turnover days	59	55	59	56	56
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	4.98	8.71	9.75	10.87	10.98
Dividend yield	1.1	1.1	1.3	1.6	1.7
Per share					
EPS (US\$)	0.04	0.07	0.08	0.10	0.11
DPS (US\$)	0.03	0.03	0.04	0.04	0.05
BVPS (US\$)	0.81	0.83	0.89	0.95	1.02
EV/EBITDA (x)	n.a.	n.a.	14.2	12.1	10.8

Source: Company data, CMBIS estimates

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