

Carlsberg Brewery Malaysia (CAB MK)

2Q24: In-line

Maintain BUY with unchanged DCF-TP of MYR21.00

CAB's 2Q24 results met our expectations. Sales volume in sequential quarters may remain subdued until consumer spending picks up towards the year-end. Following CAB's price adjustment in Apr 2024, it also has more room to defend margins if input costs unexpectedly increase in 2H24. Our earnings estimates, BUY call and DCF-TP of MYR21.00 (WACC: 8%, LT: 3%) are unchanged with decent yields of 5+%.

1H24 was 55% of our FY24 earnings forecasts

CAB's 2Q24 core net profit of MYR80m (-10% YoY, -19% QoQ) brought 1H24 core net profit to MYR178.5m (+3% YoY). The latter accounted for 55%/53% of our/consensus full-year earnings estimates. A second interim DPS of 20sen (YTD: 42sen, DPR: 76.7%) was also declared.

Weaker EBIT in both MY and SG

2Q24 revenue growth was flat at +0.1% YoY led by a decline in Malaysia sales (-2% YoY) but offset by stronger Singapore sales (+6% YoY) on better product mix. Group operating profit however, fell by 11% YoY due to normalised volumes post-price adjustment in April 2024, and higher marketing expenses. On a QoQ basis, weaker topline and bottomline growth was due to higher sales volume during the Chinese New Year period in 1Q24. Note that 1H24 volumes grew +7% YoY and -13% YoY for mainstream and premium brands.

Focusing on A&P to drive volumes

Into 2H24, we believe that CAB will focus on driving sales volume up through various marketing and promotional campaigns (eg. St Patricks Day, launch of new cider variants). We understand that total consumption volume of beer is still below pre-COVID levels. Certain raw material ASPs are showing signs of easing (aluminium, barley, malt) but overall input costs are still expected to remain elevated in the near-term.

FYE Dec (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	2,412	2,261	2,298	2,416	2,539
EBITDA	471	461	449	470	492
Core net profit	327	316	322	340	357
Core EPS (sen)	106.8	103.3	105.2	111.2	116.7
Core EPS growth (%)	58.3	(3.2)	1.8	5.7	4.9
Net DPS (sen)	88.0	93.0	94.7	100.1	105.0
Core P/E (x)	21.4	18.7	17.8	16.8	16.0
P/BV (x)	47.4	25.7	23.5	20.6	18.3
Net dividend yield (%)	3.8	4.8	5.1	5.4	5.6
ROAE (%)	176.7	173.7	136.3	130.8	121.0
ROAA (%)	38.9	30.4	30.8	30.7	30.1
EV/EBITDA (x)	14.9	12.8	12.8	12.2	11.6
Net gearing (%) (incl perps)	16.7	9.4	9.8	net cash	net cash
Consensus net profit	-	-	336	348	375
MIBG vs. Consensus (%)	-	-	(4.3)	(2.2)	(4.9)

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BUY

Share Price	MYR 18.70
12m Price Target	MYR 21.00 (+17%)
Previous Price Target	MYR 21.00

Company Description

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

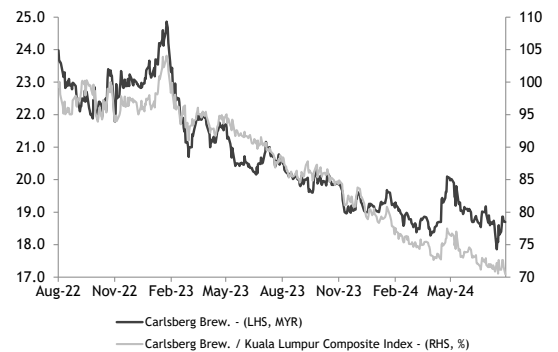
Statistics

52w high/low (MYR)	20.64/17.86
3m avg turnover (USDm)	0.8
Free float (%)	45.7
Issued shares (m)	306
Market capitalisation	MYR5.7B USD1.3B

Major shareholders:

Carlsberg A/S	51.0%
Great Eastern Life Assurance Co. Ltd.	3.2%
AIA Bhd.	2.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	(7)	(9)
Relative to index (%)	(0)	(7)	(19)

Source: FactSet

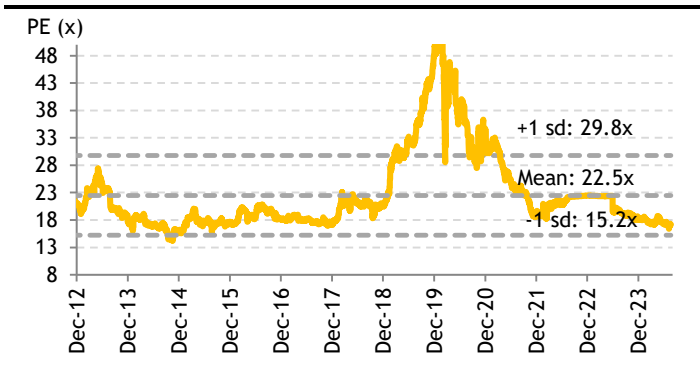
Fig 1: Carlsberg: Results Summary Table

FY 31 Dec (RM m)	Quarterly					Cumulative		
	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY
Turnover	507.5	506.7	0.1	725.8	(30.1)	1,233.2	1,166.9	5.7
EBITDA	116.0	122.4	(5.2)	139.4	(16.8)	255.4	244.4	4.5
EBIT	97.5	109.2	(10.7)	121.1	(19.5)	218.6	218.2	0.2
Net Interest income/ (expense)	(0.4)	(1.1)	(66.9)	(1.2)	(69.2)	(1.6)	(2.4)	(33.0)
Associate	8.3	6.7	23.3	7.6	9.7	15.8	9.9	59.4
Pre-tax profit	105.4	114.8	(8.2)	127.4	(17.3)	232.8	225.8	3.1
Tax	(25.0)	(24.5)	2.0	(38.8)	(35.5)	(63.9)	(49.0)	30.3
Minority Interest	(1.0)	(2.0)	(52.0)	(0.7)	42.9	(1.6)	(3.5)	(52.9)
Net Profit	79.4	88.2	(10.0)	87.9	(9.7)	167.3	173.3	(3.4)
Recurring Net profit*	79.8	88.2	(9.6)	98.7	(19.2)	178.5	173.3	3.0
			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
EBITDA margin (%)	22.9	24.2	(1.3)	19.2	3.7	20.7	20.9	(0.2)
EBIT margin (%)	19.2	21.5	(2.3)	16.7	2.5	17.7	18.7	(1.0)
Tax rate (%)	23.7	21.4	2.4	30.5	(6.7)	27.4	21.7	5.7
Segmental Revenue (MYR m)			% YoY		% QoQ			% YoY
Malaysia	363.9	371.7	(2.1)	541.4	(32.8)	905.2	841.0	7.6
Singapore	143.6	135.0	6.4	184.4	(22.1)	328.0	325.9	0.6
Others	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Total revenue	507.5	506.7	0.1	725.8	(30.1)	1,233.2	1,166.9	5.7
Revenue Breakdown (%)			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
Malaysia	71.7	73.4	(1.7)	74.6	(2.9)	73.4	72.1	1.3
Singapore	28.3	26.6	1.7	25.4	2.9	26.6	27.9	(1.3)
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	76.9	82.5	(6.8)	104.6	(26.5)	181.4	171.0	6.1
Singapore	20.4	26.7	(23.8)	16.2	25.3	36.6	46.8	(21.8)
Others	0.2	0.0	>100.0	0.3	(17.3)	0.5	0.4	25.1
Total EBIT	97.5	109.2	(10.7)	121.1	(19.5)	218.6	218.2	0.2
EBIT Breakdown (%)			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
Malaysia	78.9	75.5	3.3	86.3	(7.5)	83.0	78.4	4.6
Singapore	20.9	24.5	(3.6)	13.4	7.5	16.7	21.4	(4.7)
Others	0.2	0.0	0.2	0.2	0.0	0.2	0.2	0.0
EBIT margin (%)								
Malaysia	21.1	22.2	(1.1)	19.3	1.8	20.0	20.3	(0.3)
Singapore	14.2	19.8	(5.6)	8.8	5.4	11.2	14.4	(3.2)
Group EBIT margin	19.2	21.5	(2.3)	16.7	2.5	17.7	18.7	(1.0)

*2Q24: Foreign withholding tax of MYR0.4m in Lion Brewery (Ceylon) PLC; 1Q24: Foreign withholding tax of MYR10.8m in Lion Brewery (Ceylon) PLC; 1H24: Foreign withholding tax of MYR11.2m in Lion Brewery (Ceylon) PLC

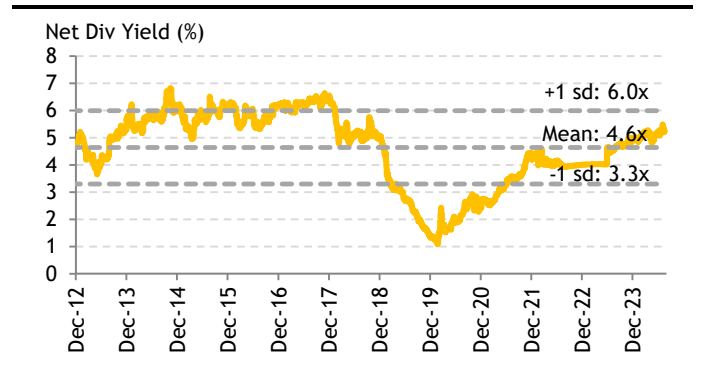
Source: Company, Maybank IBG Research

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	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	21.2	19.6	17.8	16.8	16.0
Core P/E (x)	21.4	18.7	17.8	16.8	16.0
P/BV (x)	47.4	25.7	23.5	20.6	18.3
P/NTA (x)	48.9	26.3	23.4	20.7	18.3
Net dividend yield (%)	3.8	4.8	5.1	5.4	5.6
FCF yield (%)	3.8	4.6	5.3	5.9	6.2
EV/EBITDA (x)	14.9	12.8	12.8	12.2	11.6
EV/EBIT (x)	16.5	14.9	14.9	14.0	13.2
INCOME STATEMENT (MYR m)					
Revenue	2,412.5	2,260.9	2,298.1	2,415.7	2,539.3
EBITDA	471.5	461.3	449.2	469.7	491.9
Depreciation	(41.7)	(56.7)	(56.3)	(61.5)	(60.7)
Amortisation	(4.7)	(5.8)	(6.6)	1.4	(0.7)
EBIT	425.1	398.8	386.4	409.5	430.5
Net interest income / (exp)	(2.2)	(5.2)	(5.1)	(5.0)	(4.8)
Associates & JV	21.5	23.5	25.0	25.0	25.0
Exceptionals	9.5	(11.3)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	444.4	417.1	406.3	429.5	450.7
Income tax	(119.5)	(82.2)	(77.2)	(81.6)	(85.6)
Minorities	(7.8)	(7.6)	(7.5)	(7.9)	(8.3)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	317.0	327.3	321.6	340.0	356.8
Core net profit	326.5	316.0	321.6	340.0	356.8
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	91.3	95.0	93.0	135.8	179.3
Accounts receivable	447.0	384.8	391.1	411.1	432.2
Inventory	124.4	97.5	102.7	108.0	113.5
Property, Plant & Equip (net)	306.7	322.2	363.8	358.8	357.6
Intangible assets	4.6	5.2	(1.1)	0.5	0.1
Investment in Associates & JVs	66.9	88.6	98.5	108.3	118.1
Other assets	17.3	23.9	23.9	23.9	23.9
Total assets	1,058.2	1,017.3	1,071.9	1,146.4	1,224.7
ST interest bearing debt	116.9	117.1	118.2	118.2	118.2
Accounts payable	721.4	605.6	637.8	670.4	704.7
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	66.0	60.0	60.0	60.0	60.0
Total Liabilities	904.1	782.7	816.0	848.6	882.9
Shareholders Equity	147.7	229.1	242.9	276.9	312.6
Minority Interest	6.5	5.5	13.0	20.9	29.2
Total shareholder equity	154.1	234.6	255.9	297.8	341.8
Total liabilities and equity	1,058.2	1,017.3	1,071.9	1,146.4	1,224.7
CASH FLOW (MYR m)					
Pretax profit	444.4	417.1	406.3	429.5	450.7
Depreciation & amortisation	46.4	62.4	62.9	60.2	61.4
Adj net interest (income)/exp	2.2	5.2	5.1	5.0	4.8
Change in working capital	28.8	(45.7)	20.6	7.4	7.7
Cash taxes paid	(104.9)	(96.1)	(77.2)	(81.6)	(85.6)
Other operating cash flow	(2.4)	(17.0)	(25.0)	(25.0)	(25.0)
Cash flow from operations	414.5	325.9	392.7	395.4	414.0
Capex	(147.8)	(54.4)	(87.3)	(56.6)	(59.5)
Free cash flow	266.8	271.5	305.4	338.9	354.5
Dividends paid	(333.3)	(266.0)	(307.8)	(306.0)	(321.1)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	82.1	(2.7)	0.0	0.0	0.0
Other invest/financing cash flow	4.4	5.5	5.4	5.5	5.7
Effect of exch rate changes	1.6	4.0	0.0	0.0	0.0
Net cash flow	21.5	12.4	3.0	38.4	39.1

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	36.1	(6.3)	1.6	5.1	5.1
EBITDA growth	55.0	(2.2)	(2.6)	4.5	4.7
EBIT growth	72.2	(6.2)	(3.1)	6.0	5.1
Pretax growth	71.2	(6.2)	(2.6)	5.7	4.9
Reported net profit growth	57.7	3.2	(1.7)	5.7	4.9
Core net profit growth	58.3	(3.2)	1.8	5.7	4.9
Profitability ratios (%)					
EBITDA margin	19.5	20.4	19.5	19.4	19.4
EBIT margin	17.6	17.6	16.8	17.0	17.0
Pretax profit margin	18.4	18.4	17.7	17.8	17.7
Payout ratio	84.9	86.9	90.0	90.0	90.0
DuPont analysis					
Net profit margin (%)	13.1	14.5	14.0	14.1	14.0
Revenue/Assets (x)	2.3	2.2	2.1	2.1	2.1
Assets/Equity (x)	7.2	4.4	4.4	4.1	3.9
ROAE (%)	176.7	173.7	136.3	130.8	121.0
ROAA (%)	38.9	30.4	30.8	30.7	30.1
Liquidity & Efficiency					
Cash conversion cycle	(49.4)	(67.8)	(59.4)	(60.5)	(60.5)
Days receivable outstanding	43.4	66.2	60.8	59.8	59.8
Days inventory outstanding	22.6	26.9	23.1	23.1	23.1
Days payables outstanding	115.5	161.0	143.2	143.3	143.3
Dividend cover (x)	1.2	1.2	1.1	1.1	1.1
Current ratio (x)	0.7	0.8	0.7	0.8	0.8
Leverage & Expense Analysis					
Asset/Liability (x)	1.2	1.3	1.3	1.4	1.4
Net gearing (%) (incl perps)	16.7	9.4	9.8	net cash	net cash
Net gearing (%) (excl. perps)	16.7	9.4	9.8	net cash	net cash
Net interest cover (x)	nm	76.6	76.4	81.3	89.6
Debt/EBITDA (x)	0.2	0.3	0.3	0.3	0.2
Capex/revenue (%)	6.1	2.4	3.8	2.3	2.3
Net debt/ (net cash)	25.7	22.0	25.1	(17.6)	(61.2)

Source: Company; Maybank IBG Research

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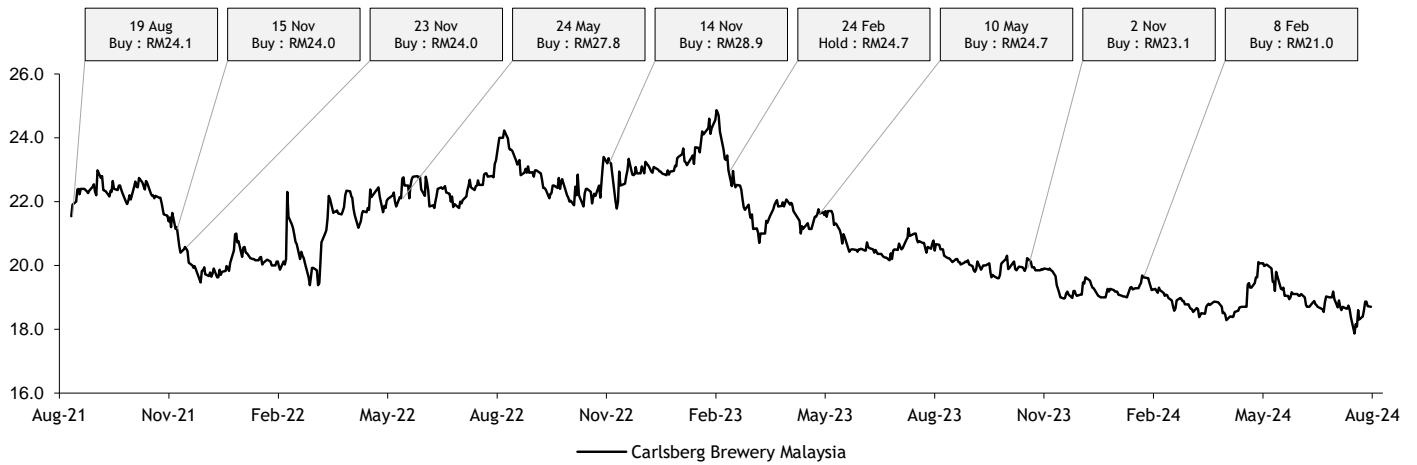
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