

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%+ YoY 1Q normalised EBITDA at US\$570mn, thanks to strength from APAC East in which revenue/ EBITDA grew by 10%/ 45% YoY, respectively. Such was partially diluted by the in-line performance of APAC West in which revenue was 1% down YoY 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% YoY ASP uptick and that neutralized a 4% YoY 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 21x 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% YoY in 1Q22, though the premium Budweiser brand/ super premium brands have grown at HSD/ strong DD vs pre-covid levels. EBITDA was maintained flat YoY 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 YoY 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 YoY. 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 YoY 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	8,156
YoY growth (%)	(14.6)	21.5	8.6	10.6	10.6
Net income (USD mn)	514	950	1,117	1,336	1,336
EPS (USD)	0.04	0.07	0.08	0.10	0.10
YoY growth (%)	(48.1)	84.7	17.6	19.6	19.6
Consensus EPS (USD)	n.a.	n.a.	0.08	0.10	0.10
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	1.4
ROE (%)	5.0	8.7	9.8	10.9	10.9
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
(Previous TP)	HK\$28.0)
Up/Downside	+33.3%
Current Price	HK\$21.0

China Consumer Staples

Joseph Wong

(852) 3900 0838

josephwong@cmbi.com.hk

Zheng Xiaohui

zhengxiaohui@cmbi.com.hk

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%

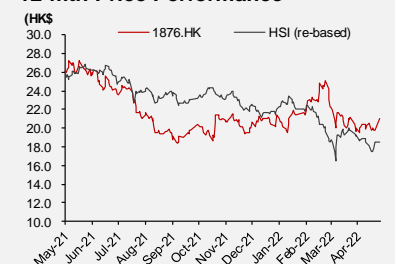
Source: HKEx

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



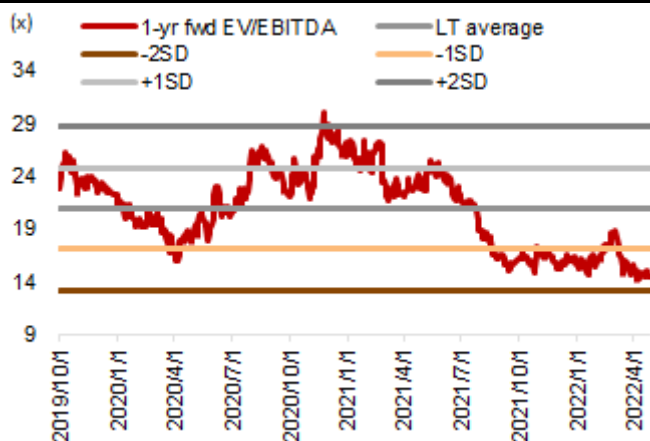
Source: Wind

Auditor: PricewaterhouseCoopers

Related Reports

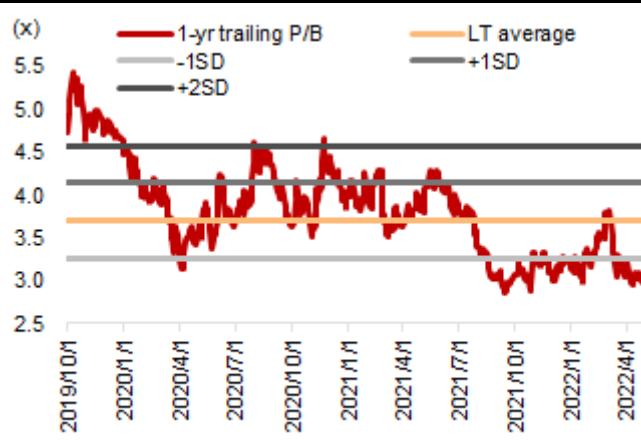
- ["Budweiser APAC \(1876 HK\) – 4Q beats and prompts further earnings upgrade" – 25 Feb 2022](#)
- ["Cherry-picking winners amid a de-risking mentality; our top picks: CRB/ Mengniu/ Feihe" – 21 Jan 2022](#)
- ["Marketing feedback – inflation & price hikes were key words that appeared in every meeting" – 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						Cash flow summary					
YE 31 Dec (US\$ mn)	FY20E	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (US\$ mn)	FY20E	FY21A	FY22E	FY23E	FY24E
Revenue	5,588	6,788	7,372	8,156	8,720	Net income	514	950	1,117	1,336	1,452
Asia Pacific East	1,162	1,222	1,335	1,541	1,586	D&A	608	712	682	677	714
Asia Pacific West	4,426	5,566	6,037	6,615	7,135	Change in working capital	183	44	50	144	97
						Others	(4)	(31)	95	44	47
Gross profit	2,907	3,657	3,981	4,445	4,753	Net cash fr. operating act.	1,301	1,675	1,946	2,201	2,310
Distribution expenses	(458)	(524)	(538)	(595)	(637)	Capex & investments	(516)	(786)	(750)	(550)	(550)
Sales and marketing	(1,278)	(1,407)	(1,474)	(1,550)	(1,657)	Acquisition	-	-	-	-	-
Administrative expenses	(399)	(449)	(442)	(449)	(436)	Others	(56)	(26)	-	-	-
Other operating income	165	150	150	150	150	Net cash fr. investing act.	(572)	(812)	(750)	(550)	(550)
Operating profit	937	1,427	1,676	2,001	2,173	Equity raised	659	(263)	-	-	-
						Change of Debts	(4)	(8)	-	-	-
EBITDA	1,584	2,139	2,358	2,679	2,887	Dividend paid	(315)	(374)	(400)	(469)	(561)
Finance costs, net	(24)	(6)	(6)	(6)	(6)	Others	(772)	26	-	-	-
Joint ventures &	23	32	32	32	32	Net cash fr. financing act.	(432)	(619)	(400)	(469)	(561)
Other non-recurring items	(28)	(40)	(40)	(40)	(40)	Net change in cash	297	244	796	1,182	1,199
Pre-tax profit	908	1,413	1,662	1,987	2,159	Cash at the beginning of the year	877	1,264	1,508	2,304	3,486
Income tax	(371)	(432)	(508)	(608)	(660)	Exchange difference	90	-	-	-	-
Less: Minority interests	23	31	36	44	47	Cash at the end of the year	1,264	1,508	2,304	3,486	4,684
Net profit	514	950	1,117	1,336	1,452	Plus: pledged cash	17	-	-	-	-

Balance sheet

YE 31 Dec (US\$ mn)	FY20E	FY21A	FY22E	FY23E	FY24E	Key ratios					
Non-current assets	13,857	13,464	13,763	13,635	13,471	YE 31 Dec	FY20E	FY21A	FY22E	FY23E	FY24E
Fixed asset	3,716	3,632	3,891	3,783	3,639	Sales mix (%)					
Net intangibles assets	9,125	8,806	8,845	8,826	8,806	Asia Pacific East	20.8	18.0	18.1	18.9	18.2
Right of use assets, net	256	251	251	251	251	Asia Pacific West	79.2	82.0	81.9	81.1	81.8
Other non-current assets	760	775	775	775	775	P&L ratios (%)					
						Gross profit margin	52.0	53.9	54.0	54.5	54.5
Current assets	2,332	3,161	3,580	4,831	6,104	Operating margin	16.8	21.0	22.7	24.5	24.9
Cash	1,281	2,007	2,304	3,486	4,684	Pre-tax margin	16.2	20.8	22.5	24.4	24.8
Account receivable	367	412	459	507	541	Net margin	9.2	14.0	15.2	16.4	16.6
Inventory	434	473	548	569	609	Effective tax rate	(6.6)	(6.4)	(6.9)	(7.4)	(7.6)
Other current assets	250	269	269	269	269	Balance sheet ratios					
						Current ratio (x)	0.5	0.7	0.8	1.0	1.2
Current liabilities	4,637	4,691	4,655	4,868	5,038	Net receivable days	24	22	22	22	22
Borrowings	147	123	123	123	123	Net payable days	268	243	243	243	243
Payables	2,112	2,156	2,329	2,542	2,712	Inventory turnover days	59	55	59	56	56
Contract liabilities	1,449	1,495	1,495	1,495	1,495	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Payables with parentco	142	74	74	74	74						
Other current liabilities	787	843	634	634	634	Returns (%)					
						ROE	4.98	8.71	9.75	10.87	10.98
Non-current liabilities	809	851	851	851	851	Dividend yield	1.1	1.1	1.3	1.6	1.7
Borrowings	37	53	53	53	53	Per share					
Other non-current liabilities	772	798	798	798	798	EPS (US\$)	0.04	0.07	0.08	0.10	0.11
						DPS (US\$)	0.03	0.03	0.04	0.04	0.05
Minority Interest	58	70	106	150	197	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
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						

Source: Company data, CMBIS estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.