

## AB InBev

Price EUR103.75

## Big Q4 miss

Fair Value EUR111 (+7%)

NEUTRAL

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 91.3
Market Cap (EURm)	166,855
Ev (BG Estimates) (EURm)	236,252
Avg. 6m daily volume (000)	1,939
3y EPS CAGR	3.6%

## AB InBev has published Q4 results short of expectations by 3% on revenue and 8% on EBIT.

AB InBev has published 2015 revenue down 7% to USD43,604 and normalised EBIT down 10% to USD13,768. In general, results came in light for the full year, missing estimates for revenue (by 0.7% for FY and 3% for Q4) and EBIT (by 2.2% for FY and 8.1% for Q4), but with lower financial costs and taxes than estimated. The normalised net profit decline of 4% to USD8,513 was 1.4% better than consensus estimates.

## ANALYSIS

- The one region that delivered outstanding results was Asia Pacific with EBIT growing by nearly 40% in organic terms (and by 26% after the negative impact of currencies). Revenues in the region improved by 7.1% organic. In the region, China delivered great results with organic revenue growth of 10% and EBITDA growth of 34% driven by strong top-line growth, operational efficiencies, as well as a one-time gain reported in 4Q15. In a Chinese beer market down an estimated 6%, the company's volumes were flat (+0.4%) but the company's higher end brands grew double digit over the year, and now represent more than 50% of its total China volume. This drives premiumisation and enhances margins.
- Probably the worst results came from the company's North American business with revenues down by 0.1% in organic terms and EBIT down 4.0% also in organic terms. In the US, Q4 volumes were down 3.3% and EBITDA down 7.0% (organic). In Canada, although the company claimed that operating performance was better, the weaker Canadian dollar resulted in an 11% decline in EBIT in the region.
- Outlook: the company's outlook for the year shows some positives and negatives, but not really any surprises. In the US, it expects volumes to "continue to improve" (we did not see much improvement in 2015 with further deterioration in Q4, so we are not sure about that statement), China to remain difficult (But AB InBev is in a sweetspot here), Mexico to deliver further good volume growth (+7% in 2015) driven by the favourable economic situation (it depends on US economy) and in Brazil the company expects the macro environment to remain difficult.
- Update on SABMiller acquisition? In today's statement, the company provided no update on where it is with regulatory approvals. However, the Wall Street Journal reports that the strong and active opposition promised by the Congress of South African Trade Unions is making some observers uncertain that the beer giants will be able to close their deal in H2.

## VALUATION

- Using a required return on equity of 8.4% (also our long term Wacc) and a perpetual growth rate of 3.7%, we obtain a DCF-derived Fair Value of EUR108
- At EUR103.75, the stock is trading at 23.5x 2016 earnings and 19.6x 2017 earnings (which in our model incorporate for a full year the SABMiller acquisition). Heineken is trading on 19.4x 2016 and 17.7x 2017 earnings

## NEXT CATALYSTS

- Today at 1pm GMT: results conference call and webcast
- 4 May 2016: Q1 2016 results

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	-13.5%	13.7%	-9.3%
Food & Bev.	-2.5%	-8.7%	10.0%	-6.1%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	47,063	44,386	42,865	59,594
% change		-5.7%	-3.4%	39.0%
EBITDA	18,663	17,838	17,236	24,671
EBIT	15,308	14,508	13,837	20,444
% change		-5.2%	-4.6%	47.7%
Net income	8,865	8,375	8,027	11,721
% change		-5.5%	-4.2%	46.0%

	2014	2015e	2016e	2017e
Operating margin	32.5	32.7	32.3	34.1
Net margin	18.8	18.9	18.7	19.1
ROE	17.7	16.0	14.6	12.1
ROCE	11.1	10.3	9.5	10.0
Gearing	83.5	80.7	75.6	85.0

(USD)	2014	2015e	2016e	2017e
EPS	5.32	5.06	4.85	5.91
% change		-5.1%	-4.2%	22.0%
P/E	21.5x	22.6x	23.6x	19.3x
FCF yield (%)	4.9%	5.2%	4.5%	6.3%
Dividends (USD)	2.64	2.65	2.54	3.10
Div yield (%)	2.3%	2.3%	2.2%	2.7%
EV/Sales	5.8x	5.9x	6.0x	5.0x
EV/EBITDA	14.6x	14.6x	15.0x	12.2x
EV/EBIT	17.8x	17.9x	18.7x	14.7x



### Results compared to consensus – key financials

	4Q15			F 15		
	Consensus	Reported	vs Consensus	Consensus	Reported	vs Consensus
Volumes (thousand hl)	113,374	111,424	-1.7%	459,314	457,317	-0.4%
% organic growth	0.3%	-0.7%		-0.3%	-0.6%	
Revenue	11,051	10,723	-3.0%	43,895	43,604	-0.7%
% organic growth	6.6%	7.0%		6.2%	6.3%	
Normalized EBITDA	4,665	4,313	-7.5%	17,177	16,839	-2.0%
% organic growth	9.1%	6.6%		8.2%	7.8%	
Normalized EBIT	3,853	3,539	-8.1%	14,079	13,768	-2.2%
% organic growth	9.8%	6.1%		8.6%	7.8%	
Non-recurring items above EBIT	-49			77		
Net Finance Costs	-145			-1,344	-1,239	
Non-Recurring Finance Costs	327			22		
Share of Results of Associates	-2			11		
Income Tax Expense	-709			-2,619	-2,594	
Normalized Effective Tax Rate	18.6%			20.1%		
Profit after Tax	3,054			10,380		
Profit attributable to equity holders of AB InBev	2,422			8,486		
Profit attributable to non-controlling interest	630			1,776		
Normalized Profit to ABI Holders	2,445	2,561	4.7%	8,398	8,513	1.4%
Weighted Average # of Shares	1,639			1,639		
Normalized EPS	1.49	1.56	4.6%	5.14	5.20	1.2%

## Results compared to consensus – revenue and EBITDA 2015

Revenue	Consensus	Reported	Reported v consensus
North America	15,725	15,603	-0.8%
% organic growth	0.3%	-0.1%	
Mexico	3,979	3,951	-0.7%
% organic growth	9.2%	11.1%	
Latin America North	9,207	9,096	-1.2%
% organic growth	9.3%	8.7%	
Latin America South	3,482	3,458	-0.7%
% organic growth	29.6%	28.4%	
Europe	4,005	4,012	0.2%
% organic growth	3.5%	4.6%	
Asia Pacific	5,505	5,555	0.9%
% organic growth	6.0%	7.1%	
GEHC	2,016	1,929	-4.3%
% organic growth	3.5%	3.5%	
AB InBev	43,895	43,604	-0.7%
% organic growth	6.2%	6.3%	
Normalized EBITDA	EBITDA	EBITDA	
North America	6,319	6,172	-2.3%
% organic growth	-1.7%	-3.3%	
Mexico	2,052	2,007	-2.2%
% organic growth	16.3%	18.2%	
Latin America North	4,785	4,709	-1.6%
% organic growth	12.3%	11.5%	
Latin America South	1,610	1,588	-1.4%
% organic growth	30.3%	25.6%	
Europe	1,131	1,090	-3.6%
% organic growth	4.0%	1.8%	
Asia Pacific	1,263	1,349	6.8%
% organic growth	13.4%	22.8%	
GEHC	-13	-75	484.8%
% organic growth	45.8%	-52.6%	
AB InBev	17,177	16,839	-2.0%
% organic growth	8.2%	7.8%	

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