

10th February 2016

Food & Beverages

# Carlsberg

Price DKK547.50

A lot of exceptional costs and mediocre 2016 outlook

Fair Value DKK485 (-11%)

SELL

Bloomberg	CARLB DC
Reuters	CARCb.CO
12-month High / Low (DKK)	648.5 / 490.6
Market Cap (DKKm)	83,744
Ev (BG Estimates) (DKKm)	142,873
Avg. 6m daily volume (000)	392.1
3y EPS CAGR	-8.3%

**Carlsberg delivered this morning 2015 revenues in line with expectations and operating profit before special items 1.5% ahead (DKK8457 vs DKK8323 consensus). After a poor 2015 with organic operating profit decline of 7%, the company expects low single digit organic operating profit growth for 2016.**

## ANALYSIS

- Operating profit declined organically by 7%. This was in line with expectations expressed in the Q3 announcement in November 2015. Carlsberg delivered strong results of +13% in Asia, a modest decline of 3% in Western Europe and a decline of 19% in Eastern Europe. Reported operating profit was DKK 8,457m, affected by a negative currency impact of DKK -130m and a negative acquisition impact from the consolidation of Eastern Assets in China.
- Reported net profit was DKK -2,926m (2014: DKK 4,414m). This significant reduction was partly due to the decline in operating profit, but mainly due to special items as a result of asset impairment and restructuring charges related to Funding the Journey.
- In Western Europe Operating profit for the year declined organically by 3% despite growth in gross profit. Although gross profit margin improved, operating margin declined by 80bp to 13.7%. The lower operating profit was mainly caused by increased marketing investments in some markets to support product launches and strengthen the brand equity of key brands, and the fact that Carlsberg have not achieved the full range of anticipated savings. In Q4, operating profit grew by 2% organically, driven by improved price/mix and cost control. The operating profit margin improved by 10bp in Q4.
- In Eastern Europe, operating profit declined organically by 19%. While gross profit per hl increased organically by approximately 10% due to the favourable price/mix, the lower volumes and increased sales and marketing investments impacted operating profit negatively. Reported operating profit declined by 36%, affected by the very negative currency impact.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	-0.6%	-9.1%	-10.6%
Food & Bev.	-2.0%	-7.5%	-4.5%	-6.9%
DJ Stoxx 600	-9.4%	-17.7%	-22.1%	-15.4%

YEnd Dec. (DKKm)	2014	2015e	2016e	2017e
Sales	64,506	64,988	64,355	65,698
% change		0.7%	-1.0%	2.1%
EBITDA	12,561	11,532	11,279	12,145
EBIT	8,458	7,159	6,941	7,843
% change		-15.4%	-3.1%	13.0%
Net income	5,496	3,779	3,564	4,239
% change		-31.2%	-5.7%	18.9%

	2014	2015e	2016e	2017e
Operating margin	13.1	11.0	10.8	11.9
Net margin	8.5	5.8	5.5	6.5
ROE	10.5	6.9	6.3	7.1
ROCE	5.3	4.7	4.6	5.2
Gearing	74.3	65.0	56.8	47.5

(DKK)	2014	2015e	2016e	2017e
EPS	35.92	24.70	23.29	27.70
% change		-31.2%	-5.7%	18.9%
P/E	15.2x	22.2x	23.5x	19.8x
FCF yield (%)	1.9%	5.3%	5.2%	6.2%
Dividends (DKK)	6.48	6.80	7.14	7.50
Div yield (%)	1.2%	1.2%	1.3%	1.4%
EV/Sales	2.3x	2.2x	2.2x	2.1x
EV/EBITDA	11.6x	12.4x	12.4x	11.3x
EV/EBIT	17.2x	20.0x	20.2x	17.5x

## VALUATION

- DCF based fair value of DKK 485

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