

21st April 2016

Food & Beverages

# SABMiller

Price 4,260p

Solid quarter testimony of no disruptive impact from bid

Fair Value 4400p (+3%)

NEUTRAL

Bloomberg	SAB LN
Reuters	SAB.L
12-month High / Low (p)	4,286 / 2,878
Market Cap (GBPm)	69,064
Ev (BG Estimates) (GBPm)	67,088
Avg. 6m daily volume (000)	2 411
3y EPS CAGR	1.9%

In Q4, SABMiller delivered healthy volume growth of 4% and net revenue growth of 7%. The acceleration throughout the year despite the worsening economic conditions in its emerging markets indicates that the looming change in ownership to AB InBev has not had much of a disruptive impact on its operations, which is good news for AB InBev.

SABMiller reported this morning Q4 volume growth +4% and net revenue growth of 7% in constant currency with net revenue growth in Latin America +8% and Africa +12% outpacing its Asia Pacific business +4%, Europe +3% and North America +3%.

## ANALYSIS

- SABMiller is experiencing increasing momentum in lager volumes over the year with growth of 3% in the second half and fourth quarter compared to 1% in the first half. Constant net revenue growth for q4 of 7% compared to 4% in the first half despite macro-economic conditions worsening in its emerging markets. All this seems to indicate that the looming change in ownership to AB InBev has not had much of a disruptive impact on its operations, which is good news for AB InBev.
- In Latin America, group net revenue grew by 8%, underpinned by strong growth in Colombia, with beverage volume growth of 5% supported by selective price increases and favourable brand mix. Lager volume growth momentum improved in the year to 6% in the second half and for the full year. Soft drinks volumes were up 4%. Africa delivered group net revenue growth of 11% with beverage volume growth of 6% supported by the affordability strategy and selective pricing. Lager volumes increased by 5% and soft drinks volumes grew by 8%.
- In Asia Pacific, group net revenue grew by 3%. The beverage volume decline of 1% was offset by group net revenue per hl growth of 4%. In Australia, group net revenue grew by 4%. Volumes were marginally up on the prior year, with improved momentum in the second half of the year, up 3%. Net revenue per hl growth of 3% was driven by price realisation and positive brand mix. On an underlying trading basis, group net revenue in China grew by 4% and group net revenue per hl grew by 6% which reflected the continued roll out of one-way packaging and premiumisation. Volumes were down 2% primarily due to tough industry and macro-economic headwinds.
- In Europe, group net revenue grew 2% and beverage volumes were in line with the prior year, with a 1% decline in lager volumes offset by soft drinks volumes up 2%. Lager volume growth momentum improved during the year driven by its subsidiaries which were up 6% in the second half of the year with growth across all operations, held back by the continuing weakness in the key lager markets of Anadolu Efes.
- Group net revenue in North America was in line with the prior year, with beverage volumes down 1%. MillerCoors' domestic sales to wholesalers (STWs) were up 1% in the fourth quarter but down 2% in the full year, although this was offset by group NPR per hl growth of 1%.

## VALUATION

- Fair value of 4,400p based on AB InBev's offer price

## NEXT CATALYSTS

- More news on the progress of the regulatory approvals

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	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	3.3%	7.6%	4.7%
Food & Bev.	3.3%	7.7%	3.4%	-0.3%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Mar. (USDm)	03/15	03/16e	03/17e	03/18e
Sales	22,130	20,335	21,101	22,371
% change		-8.1%	3.8%	6.0%
EBITDA	5,690	5,150	5,413	5,826
EBIT	4,459	3,994	4,227	4,592
% change		-10.4%	5.8%	8.6%
Net income	3,835	3,433	3,692	4,061
% change		-10.5%	7.5%	10.0%

	03/15	03/16e	03/17e	03/18e
Operating margin	27.0	26.2	26.7	27.3
Net margin	23.2	22.5	23.3	24.1
ROE	16.6	14.1	14.4	15.0
ROCE	7.4	6.5	6.8	7.3
Gearing	48.3	41.6	34.6	26.2

(USD)	03/15	03/16e	03/17e	03/18e
EPS	2.37	2.12	2.28	2.51
% change		-10.5%	7.5%	10.0%
P/E	25.9x	29.0x	26.9x	24.5x
FCF yield (%)	3.4%	3.0%	3.5%	4.3%
Dividends (USD)	1.13	1.19	1.31	1.44
Div yield (%)	1.8%	1.9%	2.1%	2.3%
EV/Sales	4.4x	4.8x	4.5x	4.2x
EV/EBITDA	17.2x	18.8x	17.6x	16.0x
EV/EBIT	22.0x	24.2x	22.6x	20.4x



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BUY ratings 72%

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