

18th May 2016

Food & Beverages

SABMiller

Price 4,210p

2015/16 results highlight big negative currency impact

Fair Value 4400p (+5%)

NEUTRAL

Bloomberg	SAB LN
Reuters	SAB.L
12-month High / Low (p)	4,286 / 2,878
Market Cap (GBPm)	68,262
Ev (BG Estimates) (GBPm)	66,295
Avg. 6m daily volume (000)	2,385
3y EPS CAGR	1.9%

SABMiller reported this morning EBITA slightly (1%) ahead of consensus while the revenue figures were already communicated on the 21st of April. Both revenue and EBITA performance delivered organic growth of 5% and 8% respectively confirming that it is business as usual for the majority of the company (despite AB InBev bid). However, the impact of currencies on net revenue is a negative 13% and it is 17% on EBITA, which clearly increases the relative price that AB InBev is paying (fixed at GBP44 per share).

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.8%	0.8%	5.0%	3.5%
Food & Bev.	-1.7%	0.5%	-7.0%	-4.0%
DJ Stoxx 600	-2.4%	1.8%	-11.9%	-8.5%

ANALYSIS

- 2016 group net revenue increased organic by with organic volume growth of 2% and net revenue per hl increasing by 3%. This was already communicated on the 21st of April and we believed that it was a sign 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. Indeed, net revenue growth for q4 of 7% compared to 4% in the first half despite macro-economic conditions worsening in its emerging markets. EBITA grew organic by 8% and EBITA margin³ increased by 60 basis points. EBITA of USD5,810 was ahead of consensus of USD5,749 which again is confirmation that on the ground, SABMiller continues to function as normal.
- We also note the strong negative impact of the weakening emerging market currencies as net revenue, EBITA and adjusted EPS declined by 8%, 9% and 6%, respectively – delivering a negative currency impact of 13% on net revenue and 17% on EBITA. The currency impact on EBITA was the largest in Africa (-21%), followed by Latin America (-19%) and Asia Pacific was -15%.
- However, the significant adverse foreign exchange transactional impact on EBITA was mitigated by the company's continued cost reduction/programme as reported EBITA margins for the group were down only 10bps (-40bps in Africa, -100bps in Latin America and +70bps in Latin America)

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%

VALUATION

- We value the stock at 4,400p which is the AB InBev offer price

NEXT CATALYSTS

- Agreement from South African/European regulators for the AB InBev bid to go ahead.

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	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	25.7x	28.8x	26.7x	24.3x
FCF yield (%)	3.4%	3.0%	3.5%	4.3%
Dividends (USD)	1.13	1.19	1.31	1.44
Div yield (%)	1.9%	1.9%	2.1%	2.4%
EV/Sales	4.4x	4.7x	4.5x	4.1x
EV/EBITDA	17.1x	18.6x	17.5x	15.9x
EV/EBIT	21.8x	24.0x	22.4x	20.2x



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