

Royal Unibrew

Price DKK314.00

Very much like Pernille

Fair Value DKK325 (+4%)

BUY

Bloomberg	RBREW DC
Reuters	RBREW.CO
12-month High / Low (DKK)	318.7 / 218.0
Market Cap (DKKm)	16,987
Ev (BG Estimates) (DKKm)	17,054
Avg. 6m daily volume (000)	75.10
3y EPS CAGR	8.6%

First half figures confirm a good performance by the company. The new extended agreement with PepsiCo, good weather in Northern Europe, commercial efforts in Finland, higher exports of malt beverages to Africa, all helped lift revenue 8% higher and EBIT 10%. Net profit was up 13% and with the continuous buy back of shares, EPS was up 17%

Royal Unibrew has reported Q2 figures ahead of consensus this morning. Net revenue grew by 10.8% (expected 7%), EBIT by 11.9% (expected 8%) and net profit by 16.1% (expected 10%). As such six month net revenue was up 8.2%, EBIT up 10.1% and net profit up 13.0%. With the company buying back shares, EPS was up 17% for the six months (DKK6.8 v SKK5.8) and 22% for Q2 (DKK5.0 v DKK4.1).

ANALYSIS

- The expanded cooperation with PepsiCo in Denmark (snacks) and the Baltic countries (soft drinks) resulted in a net revenue increase of approx 2%.
- Furthermore, the good performance of the company was driven by continued strong Danish consumer sentiment, which is increasing the sale of branded beers (compared to white label or supermarket label) and the good weather in Northern Europe in Q2 (however Q3 has started pretty poor in the region). In Italy, the weather was normal (compared to very good last year). As a result revenues in H1 are up 7% in Denmark and down 1% in Italy.
- Much better weather in Finland but especially, the exclusivity agreement with the biggest Finnish retailer (SOK) to promote its flagship Karjala brand boosted H1 volumes by 26% and revenue by 10% (significant decline in revenue per hl because of the campaign).
- Sales of malt beverages for H1 2016 showed a 3% increase in volumes and a 7% increase in net revenue, driven by the African markets.
- H1 operating margin for the company was 14.8% and 17.5% in their Western European division. That compares with Heineken's operating margin of 16.9% of which 11.8% in the Western European operations and Carlsberg's group margin of 11% and 12.1% in their Western European division.
- The previous guidance range is narrowed. The company is now guiding for net revenue of DKK 6,275-6,450 million (previously: DKK 6,150-6,400 million) and EBIT of DKK 935-985 million (previously: DKK 885-985 million). These figures compare to a 2015 net revenue of DKK6,032m and EBIT of DKK917m.

VALUATION

- We derive our standalone fair value of DKK325 from a risk free rate of 1.7%, a risk premium of 7%, a beta of 0.85 and a long term growth rate of 2.5.

NEXT CATALYSTS

- Q3 figures on 23 November 2016

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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