

2nd December 2016

Food & Beverages

Royal Unibrew

Price DKK252.40

Change of CEO

Fair Value DKK306 (+21%)

NEUTRAL

Bloomberg	RBREW.DC
Reuters	RBREW.CO
12-month High / Low (DKK)	334.0 / 252.4
Market Cap (DKKm)	13,655
Ev (BG Estimates) (DKKm)	13,724
Avg. 6m daily volume (000)	83.60
3y EPS CAGR	8.5%

Royal Unibrew's CEO Henrik Brandt has decided to leave the company and is being replaced by Carlsberg veteran Jesper Jørgensen. Although Jesper seems to have the right credentials, investors have been dumping the shares in recognition that a) Henrik has been essential in the turnaround of the company and b) Royal Unibrew is no longer the sexy turnaround story but instead is a very efficient operator in mature markets, waiting for new turnaround opportunities (but without Henrik that might be less likely) or an approach from another brewer.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-19.1%	-23.7%	-17.7%	-9.9%
Food & Bev.	-5.5%	-11.1%	-9.7%	-11.2%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

Royal Unibrew shares sank by 8% yesterday as the company announced that its serving CEO Henrik Brandt has decided to step down as CEO.

ANALYSIS

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	6,032	6,386	6,395	6,508
% change		5.9%	0.1%	1.8%
EBITDA	1,225	1,285	1,311	1,348
EBIT	917.0	974.7	1,000	1,038
% change		6.3%	2.6%	3.8%
Net income	711.4	770.5	791.7	821.2
% change		8.3%	2.8%	3.7%

- Henrik leaving Royal Unibrew is a loss for the company as he has been instrumental in taking the company out of its financially difficult situation. In 2008, the company had an EBIT margin of 3.2% and net debt/EBITDA of 8.7x. Henrik was brought in and he turned the company around with 50% more sales in 2015 than in 2008, an EBIT margin of 15.2% and net debt/EBITDA of 1.0. The company's valuation went from an average DKK1.4bn in 2009 to DKK14bn in 2015. But now with all restructurings done and the company sitting and waiting for new acquisition opportunities (or being bought itself), his leaving seems well timed. At 60, Henrik is looking forward to build on his track record as CEO, in taking up non-executive roles in a variety of businesses.

	2015	2016e	2017e	2018e
Operating margin	15.2	15.3	15.6	15.9
Net margin	11.8	12.1	12.4	12.6
ROE	24.2	27.2	29.5	32.2
ROCE	20.2	22.7	24.0	25.4
Gearing	40.3	39.4	44.2	48.3

- Henrik is replaced by Jesper Jørgensen who amongst his credentials is that he has been running Carlsberg Denmark for about five years. He must have impressed Henrik, who was his competitor for a long period so clearly there must have been some respect. Jesper comes from a time at Carlsberg when logistics/supply/commercial were very much integrated (like it is currently the case at Royal Unibrew). Jesper will take up his post no later than 1 June 2017 and Henrik will make sure there is a smooth transition.

(DKK)	2015	2016e	2017e	2018e
EPS	12.93	14.44	15.36	16.52
% change	-	11.6%	6.4%	7.5%
P/E	19.5x	17.5x	16.4x	15.3x
FCF yield (%)	7.4%	7.0%	6.7%	7.2%
Dividends (DKK)	5.18	5.77	6.14	6.61
Div yield (%)	2.1%	2.3%	2.4%	2.6%
EV/Sales	2.3x	2.1x	2.1x	2.1x
EV/EBITDA	11.5x	10.7x	10.4x	10.1x
EV/EBIT	15.3x	14.1x	13.6x	13.1x

VALUATION

- Our fair value of DKK306 is derived using a frisk free rate of 1.6%, a risk premium of 7% and a beta of 1.0
- At 16.5x 2017 earnings, the stock has the cheapest PE amongst the brewers. Heineken and Carlsberg are at 17.0x, Molson Coors at 17.4x and AB InBev at 18.7x

NEXT CATALYSTS

- 8 March 2017: full year results

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