

12 May 2022

Heineken Malaysia Berhad

1QFY22 Beat Expectations

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HEIM's 1QFY22 results came above ours/consensus expectations. With the reopening of tourism and leisure activities, we are optimistic of the group's outlook and thus, bump up FY22E and FY23E earnings by 16% each. With that, we upgrade our call to OUTPERFORM and TP higher to RM27.40.

1QFY22 came above expectations. HEIM registered a PATAMI of RM113.4m which came in above our/consensus expectations, at 40%/41%, respectively. We believe the positive deviation is due to an underestimation of beer sales volume. No dividends were declared, as expected.

YoY, the group's revenue rose by 27% to RM698.3m thanks to the easing of Covid-19 restrictions and successful commercial executions during Chinese New Year (CNY) which drove up sales in 1QCY22. Price hike in 4QFY21 for certain products and cost-effective promotions also contributed to the jump in revenue. Despite the rise in operating expenses in tandem with rise in revenue, it is noted that the EBITDA margin improved by 4ppt thanks to its cost management initiatives and optimization of marketing spend. All in, the group's PATAMI rose 54% to RM113.4m which is higher than its pre-pandemic level of RM52.8m (in 1QFY19).

QoQ, revenue improved marginally (+1%) mainly thanks to sales driven by the CNY celebration and the easing of lockdowns. Thanks to improved EBITDA margin and lower depreciation and amortisation (-8%), EBIT margin rose by 4ppt. Courtesy of the improved margin, 1QFY22 core net profit rose by 18% to RM113.4m.

Optimistic outlook. With the nation transitioning into the endemic phase whereby businesses such as the hospitality and food and beverages industries are allowed to resume normal operating hours, the easing of Covid-19 restrictions will be key drivers in speeding up the group's earnings. Moreover, with the government recently giving entertainment outlets the green light to operate effective from 15 May 2022, this should further help the group recover revenue from their on-trade channels.

Post results, we raise our FY22E/FY23E earnings by 16% each, as we project higher beer sales from the group's on-trade channels.

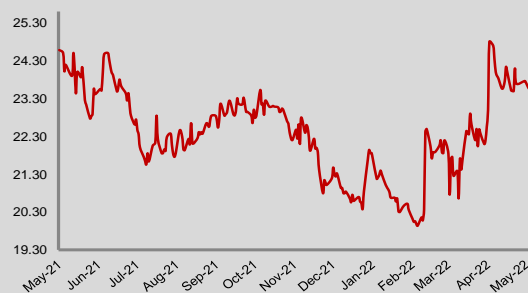
Upgrade to OUTPERFORM from MARKET PERFORM with a higher TP of RM27.40 (from RM20.50) based on an unchanged FY23E PER of 21.7x (slightly below -0.25SD of its 5-year mean). Given the rising input costs due to the price volatility of raw and packaging materials, should the group decide to raise prices of certain products, we believe this will not be exceedingly disruptive to beer demand which has proven to be inelastic (e.g. the recent price hike in 4QCY21 did not disrupt the demand for beer). With unchanged excise duties on beers and reopening of the economy and tourism sector, we are optimistic of the group's outlook.

Risks to our call include: (i) weaker-than-expected sales volume, and (ii) higher-than-expected operating expenses.

OUTPERFORM

Price : RM23.32
Target Price : RM27.40 

Share Price Performance



KLCI 1,555.93
YTD KLCI chg -0.7%
YTD stock price chg 11.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	HEIM MK Equity
Market Cap (RM m)	7,044.9
Shares Outstanding	302.1
52-week range (H)	25.38
52-week range (L)	19.78
3-mth avg daily vol	252,174
Free Float	42%
Beta	0.7

Major Shareholders

Gapl Pte Ltd	51.0%
Allianz Se	3.9%
Oversea Chinese Bank	3.3%

Summary Earnings Table

FY Dec (RM m)	2021A	2022E	2023E
Turnover	1,979	2,589	2,877
EBIT	324	469	494
PBT	321	468	494
Net Profit	246	322	377
Core Net Profit	246	322	377
Consensus (NP)	-	287	340
Earnings Revision	-	16.4%	15.9%
Core EPS (sen)	81.3	106.7	124.7
Core EPS growth (%)	40.1	31.2	16.8
NDPS (sen)	81.0	106.7	124.7
BVPS (RM)	1.3	1.3	1.3
PER (x)	28.7	21.9	18.7
PBV (x)	17.8	17.8	17.8
Net Gearing (x)	0.2	(0.0)	0.1
Net Div. Yield (%)	3.5	4.6	5.3



12 May 2022

Result Highlight								
Y/E : Dec (RM m)	1Q22	4Q21	QoQ Chg	1Q21	YoY Chg	3M22	3M21	YoY Chg
Turnover	698.3	692.3	0.9%	547.7	27.5%	698.3	547.7	27.5%
Operating Expenses	(525.8)	(548.7)	-4.2%	(432.4)	21.6%	(525.8)	(432.4)	21.6%
EBITDA	172.5	143.6	20.1%	115.3	49.6%	172.5	115.3	49.6%
EBIT	155.7	125.4	24.2%	97.6	59.6%	155.7	97.6	59.6%
PBT	155.1	124.4	24.7%	96.7	60.4%	155.1	96.7	60.4%
Tax Expense	(41.7)	(28.6)	46.0%	(23.1)	80.3%	(41.7)	(23.1)	80.3%
Core Net Profit	113.4	95.8	18.3%	73.5	54.2%	113.4	73.5	54.2%
Core EPS (sen)	37.5	31.7	18.3%	24.3	54.2%	37.5	24.3	54.2%
DPS (sen)	0.0	66.0	-100.0%	0.0	N.M.	0.0	0.0	N.M.
EBITDA Margin	24.7%	20.7%		21.1%		24.7%	21.1%	
EBIT Margin	22.3%	18.1%		17.8%		22.3%	17.8%	
PBT Margin	22.2%	18.0%		17.6%		22.2%	17.6%	
Core Net Profit Margin	16.2%	13.8%		13.4%		16.2%	13.4%	
ETR	26.9%	23.0%		23.9%		26.9%	23.9%	

Source: Company, Kenanga Research

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12 May 2022

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	Target Price (RM)	Rating	
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.					
F&B AND RETAIL																			
7-ELEVEN MALAYSIA HOLDINGS BHD	1.38	1,554.3	N	12/2022	5.0%	2.2%	68.6%	0.1%	35.1	20.8	20.8	12.5	11.3	57.0%	3.6%	1.60	OP		
AEON CO. (M) BHD	1.61	2,260.4	Y	12/2022	20.2%	4.4%	32.5%	8.8%	26.5	20.0	18.4	1.3	1.3	6.5%	2.5%	1.70	OP		
AMWAY (MALAYSIA) HOLDINGS BHD	5.10	838.4	Y	12/2022	-10.0%	-5.0%	43.6%	-4.9%	22.7	15.8	16.6	3.8	3.6	23.4%	5.3%	5.65	MP		
DUTCH LADY MILK INDUSTRIES BHD	33.70	2,156.8	Y	12/2022	1.0%	1.0%	-68.2%	4.8%	8.7	27.4	26.1	5.6	5.0	19.4%	1.5%	34.75	MP		
FRASER & NEAVE HOLDINGS BHD	22.20	8,142.5	Y	09/2022	4.8%	6.4%	-16.5%	3.5%	20.6	24.7	23.9	2.9	2.7	11.4%	2.3%	26.30	OP		
MR D.I.Y.	3.50	21,992.9	Y	12/2022	32.6%	16.1%	57.0%	16.6%	50.9	32.5	27.9	19.1	14.1	50.1%	1.3%	4.00	MP		
MYNEWS HOLDINGS BHD	0.665	453.6	N	10/2022	61.2%	13.1%	-139%	5.7%	N.A.	27.1	25.6	3.1	2.9	11.1%	1.5%	0.850	OP		
NESTLE (MALAYSIA) BHD	132.70	31,118.2	Y	12/2022	7.4%	4.6%	23.3%	-9.2%	54.6	44.3	48.8	53.4	51.4	118.3%	2.2%	136.50	MP		
PADINI HOLDINGS BHD	3.30	2,171.1	Y	06/2022	23.3%	32.2%	75.4%	22.3%	40.2	22.9	18.7	2.7	2.6	11.6%	3.0%	3.80	OP		
POWER ROOT BHD	1.58	654.2	Y	03/2022	8.9%	7.4%	-36.3%	74.6%	23.8	37.3	21.4	2.5	2.3	6.4%	2.5%	1.35	MP		
QL RESOURCES BHD	4.85	11,803.2	Y	03/2022	12.2%	11.8%	-30.5%	24.3%	37.9	54.6	43.9	4.6	4.4	8.6%	0.7%	5.05	MP		
Simple Average					15.1%	8.6%	0.9%	13.3%	32.1	29.8	26.6	10.1	9.2	29.4%	2.4%				
SIN																			
BRITISH AMERICAN TOBACCO (M) BHD	12.78	3,649.1	N	12/2022	0.4%	1.8%	-7.4%	8.8%	12.8	13.8	12.7	9.5	9.4	68.3%	7.0%	13.10	OP		
CARLSBERG BREWERY MALAYSIA BHD	21.80	6,665.3	N	12/2022	18.9%	4.6%	27.7%	11.7%	33.2	26.0	23.2	35.8	39.7	143.9%	4.1%	23.10	MP		
HEINEKEN MALAYSIA BHD	23.32	7,044.9	N	12/2022	30.8%	11.1%	32.8%	16.9%	28.7	21.6	18.5	17.8	17.8	82.5%	4.6%	27.40	OP		
Simple Average					16.7%	5.8%	17.7%	12.5%	24.9	20.5	18.1	21.1	22.3	98.3%	5.3%				

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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