Carlsberg Brewery Malaysia (CAB MK)

2Q26: In Line; Expecting Full Excise Impact In 2H26

Analyst(s)

Jack Lai

+603 2147 1983

jacklai@uobkh.com

Highlights

- 1H26 results met expectations, posting minor earnings growth as the price hike offset lower volumes
- The Malaysian segment remained robust while Singapore earnings were hit by unfavourable forex and a reclassification of export sales
- However, the impact of the excise increase was likely softened by festive discount campaings, and its effect may only be fully felt in 2H26.
- We trim our earnings by 1%/2%/2% for 2026-28 respectively, imputing lower sales volume partially offset by the higher ASPs.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq % chg	yoy % chg	1H26	yoy % chg
(RMm)	RMm	% chg	% chg	443.4	3.0
Revenue	514.9	(27.1)	5.0	1,220.8	5.9
Malaysia	401.5	(26.5)	8.7	947.6	9.7
Singapore	113.4	(30.8)	(6.1)	277.3	(4.0)
Operating Profit	97.9	(19.2)	6.1	219.1	4.9
Malaysia	90.4	(17.0)	12.1	199.3	7.0
Singapore	7.7	(35.5)	(47.3)	19.5	(21.6)
Share of Asso.	8.9	6.5	(2.8)	17.2	8.2
Pre-tax Profit	107.2	(16.5)	2.7	235.6	3.8
Core Net Profit	83.1	(16.0)	1.1	182.0	2.8
		qoq	yoy	7.5	(71.3)
Margins		% chg	% chg	227.1	9.9
EBIT margin	19.0	1.8	0.2	17.9	-0.2
Malaysia	22.5	2.6	0.7	21.0	-0.5
Singapore	6.8	-0.5	-5.3	7.0	-1.6
PBT margin	20.8	2.6	-0.5	19.3	-0.4
Core net profit	-22.5	0.4	-1.2	-22.7	-0.7

Source: Carlsberg, UOB Kay Hian

Analysis

- **1H26 within expectations.** Carlsberg Brewery Malaysia (Carlsberg) reported 1H26 net profit of RM182.0m (+2.8% yoy). This broadly met expectations, accounting for 48% of our and 47% of consensus full-year forecasts. A 21 sen interim dividend was announced, bringing the total for the year to 45 sen (1H25: 43 sen).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,376	2,260	2,272	2,335	2,367
EBITDA	474	508	511	546	571
Operating profit	416	450	451	485	508
Net profit (rep./act.)	337	376	378	406	425
Net profit (adj.)	337	376	378	406	425
EPS (sen)	109.6	122.1	122.9	131.9	138.3
PE (x)	13.2	11.8	11.8	11.0	10.5
P/B (x)	16.0	13.8	12.5	11.4	10.4
EV/EBITDA (x)	9.4	8.8	8.7	8.1	7.7
Dividend yield (%)	6.9	7.7	7.8	8.3	8.7
Net margin (%)	14.2	16.6	16.6	17.4	18.0
Net debt/(cash) to equity (%)	(2.7)	0.1	(8.9)	(15.6)	(21.1)
Interest cover (x)	148.3	201.5	n.a.	n.a.	n.a.
ROE (%)	114.2	118.6	113.4	115.6	115.1
Consensus net profit			376	382	415
UOBKH/Consensus (x)			1.01	1.06	1.03

Source: Carlsberg, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM14.46
Target Price	RM21.10
Upside	45.9%
Previous TP	RM21.50

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	CAB MK
Shares issued (m):	305.7
Market cap (RMm):	4,421.1
Market cap (US$m):	1,082.1
3-mth avg daily t'over (US$m):	0.4

Price Performance (%)

52-week high/low RM18.34/RM14.36

1mth	3mth	6mth	1yr	YTD
(10.2)	(13.9)	(20.2)	(16.1)	(13.4)

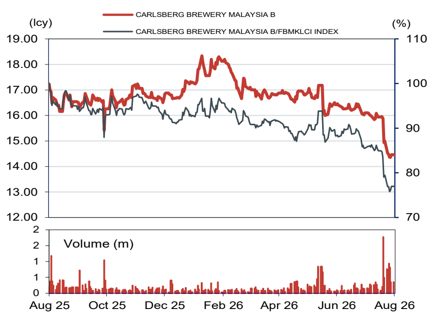
Major Shareholders (%)

Carlsberg A/S	51.0
Prudential Equity Fund	2.3
Norges Bank	1.6

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.45
FY26 Net Debt/Share (RM)	2.00

Price Chart



Source: Bloomberg

Company Description

Carlsberg manufactures and distributes beer. Its key brands are Carlsberg, Kronenbourg, Somersby and Conor's Stout Porter.

- **Malaysian operations remained robust.** Carlsberg's Malaysian operations reported operating profit of RM199.3m (7.0% yoy) on revenue of RM947.6m (+9.7% yoy) in 1H26. Overall, demand remained largely resilient as sales volume held firm despite the price hike triggered by the excise increase. However, we note that the impact of the excise hike may have been softened by festive promotional campaigns running concurrently with the price increases in 1H26, and the full impact will likely only be felt in 2H26. Regardless, the segment continues to appear robust with Carlsberg also picking up an additional 3ppt in market share during 2Q26.
- **Singapore still soft.** Carlsberg's Singapore segment reported revenue of RM277.3m (-4.0% yoy) and operating profit of RM19.5m (-21.6% yoy) during 1H26. We note that earnings for the segment fell sharply to RM7.7m (-35.5% qoq, -47.3% yoy). We understand that this was largely due to the strengthening of the ringgit as well as a reclassification of export sales under the segmental reporting. Previously, sales exported via Singapore to other countries were reported under the Singapore segment but have since been reclassified as Malaysia sales. Overall, the segment has remained persistently soft since the loss of the Asahi distributorship, and we believe the outlook is still challenging for the group.
- **New brands and partnerships.** Carlsberg recently launched ChongQing Beer in Malaysia as its latest new brand. Currently, we understand ChongQing is the cheapest beer on the market amongst the two major brewers, with its direct competitor, Anchor, recently dropping prices to match. Currently, ChongQing will only be distributed via 99 Speed Mart until end-26 with Carlsberg planning to grow the brand further beyond then. Separately, Carlsberg's parent company and Sapporo also recently announced they would be entering into a JV its Southeast Asian operations. The JV unit is largely a guarantee that Carlsberg's investments into growing Sapporo as a brand in the region are sustainable to avoid any situations similar to the Asahi pullback from occurring in the future. Day-to-day operations in Malaysia will be unaffected by the new partnership as the local brewery will still only serve the Malaysian and Singaporean markets.

Valuation/Recommendation

- **Maintain BUY with a lower DCF-based target price of RM21.10 (from RM21.50).** We use a WACC estimate of 7.8% and terminal growth rate of 3.0% to arrive at our fair value estimates. Our DCF-derived target price implies 17.2x 2026F PE, around -0.5SD to its five-year mean. The stock offers a solid dividend yield of 6.8-7.7% for 2026-28, based on a 90% payout.

Earnings Revision/Risk

- We trim our 2026/27/28 earnings by 1%/2%/2% respectively, imputing slightly lower sales volume offset by slightly higher ASPs as we account for the full impact of the excise hike

Environment, Social, Governance (ESG) Updates

Environmental

- Water management. 50% reduction in water usage at its breweries by 2030.
- Emissions. Zero carbon emissions and 100% electricity from renewable sources at its breweries by 2030. Zero coal at its breweries.

Social

- Product services responsibility. 100% availability of alcohol-free brews. 100% responsible drinking messaging through packaging and brand activations.

Governance

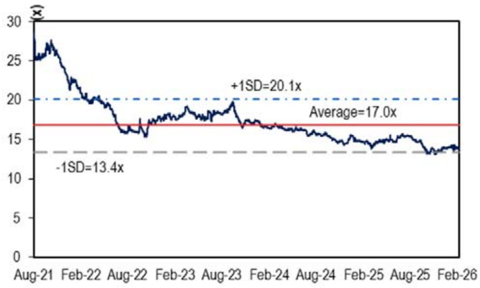
- Board gender diversity. Board gender composition of 71:29 male-to-female ratio.
- Management gender diversity. Carlsberg has a 67% female representation in its management team.

Key Assumptions

	2026F	2027F	2028F
Sales (RMm)	2272	2335	2367
Malaysia	1711	1769	1796
- yoy Growth (%)	0.7	3.4	1.5
- Volume Growth (%)	-5.0	1.0	1.0
ASP Growth (%)	6.0	2.4	0.5
Singapore	560	566	572
- yoy Growth (%)	0.0	1.0	1.0

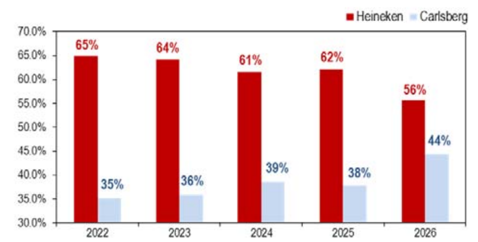
Source: UOB Kay Hian

12-Month Forward PE Band



Source: Bloomberg, UOB Kay Hian

Market Share Breakdown



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	2,260	2,272	2,335	2,367
EBITDA	508	511	546	571
Deprec. & amort.	59	60	61	63
EBIT	450	451	485	508
Associate contributions	36	38	40	42
Net interest income/(expense)	(3)	2	2	3
Pre-tax profit	483	491	527	553
Tax	(106)	(108)	(116)	(121)
Minorities	(2)	(5)	(6)	(6)
Net profit	376	378	406	425
Net profit (adj.)	376	378	406	425

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	347	324	332	341
Other LT assets	191	221	221	221
Cash/ST investment	25	47	66	96
Other current assets	486	483	495	501
Total assets	1,049	1,075	1,114	1,158
ST debt	25	15	5	5
Other current liabilities	658	655	663	665
Other LT liabilities	40	40	40	40
Shareholders' equity	321	354	390	427
Minority interest	5	10	16	21
Total liabilities & equity	1,049	1,075	1,114	1,158

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	370	443	468	490
Pre-tax profit	483	491	527	553
Tax	(106)	(108)	(116)	(121)
Deprec. & amort.	59	60	61	63
Working capital changes	(62)	0	(4)	(4)
Non-cash items	0	0	0	0
Other operating cashflows	(4)	0	0	0
Investing	(56)	(66)	(69)	(72)
Capex (maintenance)	(68)	(66)	(69)	(72)
Proceeds from sale of assets	0	0	0	0
Others	13	0	0	0
Financing	(373)	(355)	(380)	(388)
Dividend payments	(311)	(345)	(370)	(388)
Proceeds from borrowings	(52)	(10)	(10)	0
Loan repayment	n.a.	n.a.	n.a.	n.a.
Others/interest paid	(11)	0	0	0
Net cash inflow (outflow)	(59)	22	19	29
Beginning cash & cash equivalent	85	25	47	66
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	25	47	66	96

Key Metric

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	22.5	22.5	23.4	24.1
Pre-tax margin	21.4	21.6	22.6	23.3
Net margin	16.6	16.6	17.4	18.0
ROA	43.9	43.5	45.7	46.8
ROE	118.6	113.4	115.6	115.1
Growth				
Turnover	(4.9)	0.5	2.8	1.4
EBITDA	7.3	0.5	6.9	4.5
Pre-tax profit	7.8	1.6	7.4	4.8
Net profit	11.4	0.6	7.4	4.8
Net profit (adj.)	11.4	0.6	7.4	4.8
EPS	11.4	0.6	7.4	4.8
Leverage				
Debt to total capital	7.8	4.2	1.3	1.2
Debt to equity	7.9	4.3	1.4	1.2
Net debt/(cash) to equity	0.1	(8.9)	(15.6)	(21.1)
Interest cover (x)	201.5	n.a.	n.a.	n.a.