

Budweiser APAC (1876 HK)

3Q26: Revenue In Line But EBITDA Misses

Highlights

- Bud APAC's 3Q26 revenue was in line but EBITDA missed, impacted by cost escalation, operational leverage and reduced other operating income.
- For China, management reiterated that its near-term priority is to stabilise volume and market share, while continuing to step up commercial investments. For South Korea, management expects the beer industry to remain slightly negative in 2027. In addition, management does not expect any further meaningful one-off impacts related to the provision in India.
- On shareholder returns, management states that if business performance continues to face pressure and does not improve, maintaining the current dividend level could become increasingly challenging. Maintain BUY and cut target price by 11% to HK\$8.30.

3Q26/9M26 Results

Year to 31 Dec (US\$m)	3Q26	3Q25	Organic yoy chg	9M26	9M25	Organic yoy chg
Total revenue	1,449	1,555	(8.4)	4,620	4,691	(3.7)
Gross profit	706	799	(13.4)	2,351	2,412	(5.3)
Gross margin (%)	48.7	51.4	n.a.	50.9	51.4	(0.8)
Normalised EBITDA	323	438	(22.9)	1,249	1,421	(13.2)
Normalised EBITDA margin (%)	22.3	28.2	(4.5)	27.0	30.3	(3.0)
Normalised attributable net profit	147	204	n.a.	628	678	n.a.

Source: Bud APAC, UOB Kay Hian

Analysis

- 3Q26 normalised EBITDA missed.** Budweiser APAC (Bud APAC) reported its 3Q26 results. In 3Q26, revenue was US\$1,449m, down 8% yoy (organic growth, same as below), largely in line with VA consensus. This was mainly dragged by a 10% volume decline, mainly due to a performance drag by the China market, partially offset by growth in India, while ASP grew 2%, benefitting from a positive country mix. Normalised EBITDA was US\$323m, down 23% yoy, 11% below VA consensus. Normalised EBITDA margin reached 22.3%, falling 446bp yoy, impacted by cost escalation, operational leverage and reduced other operating income. Reported net profit was US\$92m, down 50% yoy, further impacted by a US\$52m non-underlying income tax charge from an internal restructuring in China.

Key Financials

Year to 31 Dec (US\$m)	2024	2025	2026F	2027F	2028F
Net turnover	6,246	5,764	5,569	5,687	5,808
EBITDA	1,807	1,592	1,424	1,528	1,599
Operating profit	1,160	986	863	927	958
Net profit (rep./act.)	726	489	514	587	607
Net profit (adj.)	726	489	514	587	607
EPS (US\$ cent)	5.5	3.7	3.9	4.4	4.6
PE (x)	13.4	20.0	19.0	16.7	16.1
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	4.0	4.6	5.4	5.0	4.7
Dividend yield (%)	7.6	7.6	5.2	5.9	6.2
Net margin (%)	11.6	8.5	9.2	10.3	10.5
Net debt/(cash) to equity (%)	(25.3)	(24.8)	(21.1)	(22.5)	(23.4)
Interest cover (x)	n.a.	n.a.	n.a.	310.0	578.7
ROE (%)	6.9	4.8	5.1	5.8	6.0
Consensus EBITDA	-	-	1,494.9	1,554.2	1,629.6
UOBKH/Consensus (x)	-	-	0.95	0.98	0.98

Source: Bud APAC, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK\$5.81
Target Price	HK\$8.30
Upside	+43.0%
Previous TP	HK\$9.30

Stock Data

Sector	Consumer Staples
Bloomberg ticker	1876 HK
Shares issued (m)	13,243.4
Market cap (HK\$m)	76,877.9
Market cap (US\$m)	9,798.9
3-mth avg daily t'over (US\$m)	14.0

Price Performance (%)

52-week high/low			HK\$8.48/HK\$5.55	
1mth	3mth	6mth	1yr	YTD
(3.8)	(14.5)	(23.0)	(30.5)	(23.5)

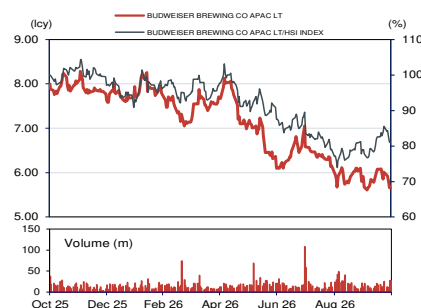
Major Shareholders (%)

AB InBev Brewing Company Limited	87.22
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Balance Sheet Metrics

FY26 NAV/Share (US\$)	0.75
FY26 Net Cash/Share (US\$)	0.16

Price Chart



Source: Bloomberg

Company Description

Budweiser APAC is the largest beer company in Asia Pacific, and it is a subsidiary of Anheuser-Busch InBev, a beer company based in Leuven, Belgium. Bud APAC brews, imports, markets, distributes and sells a portfolio of more than 50 beer brands, including Budweiser, Stella Artois, Corona, Harbin, Hoegaarden and Cass. Its principal markets include China, South Korea, India and Vietnam.

Key Operational Data

	3Q26	3Q25	Organic yoy (%)	9M26	9M25	yoy (%)	Organic yoy (%)
Beer shipment (m litre)	20	23	(10.1)	63	66	(7.7)	(4.9)
ASP (US\$/thousand litre)	717	691	1.9	735	709	(0.6)	1.2
Unit COGS (US\$/thousand litre)	368	336	7.9	361	345	(1.6)	2.9

Source: Bud APAC, UOB Kay Hian

- **China – volume decline widened in 3Q26 amid continued share loss; still prioritising volume stabilisation, with margins under near-term pressure.** For the China market, in 3Q26, revenue decreased 17% yoy, mainly dragged by a 17% volume decline (vs a high single-digit industry decline), impacted by adverse weather and continued weakness in the on-premise channel. ASP was flat yoy, as a positive brand mix was offset by promotional investments in the in-home channel. Normalised EBITDA dropped 30% yoy, impacted by top-line performance, operational deleverage and reduced other operating income. Looking ahead, management reiterated that its near-term priority is to stabilise volume and market share. Meanwhile, the company will continue to step up commercial investments, with a focus on growth segments such as core plus and premium segments, as well as in-home channels. Notably, the online-to-offline channel delivered strong double-digit growth in 3Q26, supporting growth in the premium and super-premium segments.
- **South Korea – continued to outperform the industry; India's premium-and-above volume grew by double digits.** For the South Korea market, volume decreased by low single digits in 3Q26, outperforming the broader industry, which remained soft partly due to the Chuseok holiday calendar shift. Normalised EBITDA fell by low double digits, impacted by weaker volume and commodity headwinds. Looking ahead, management expects the South Korean beer industry to remain slightly negative in 2027.
- For India, premium-and-above volume grew by double digits in 3Q26. The company registered a one-off US\$30m provision for aged receivables from the state beverages corporation, and does not expect further meaningful one-offs from this issue.
- **Cost headwinds into 2027, with no price increases planned for now.** Looking ahead, under the company's 12-month hedging policy, management expects raw material cost inflation to persist from 4Q26 into 2027. At the same time, management indicated that it currently has no plans to raise prices in either China or South Korea.
- **Dividend level may not sustain if operating conditions remain weak.** On shareholder returns, management reiterated that organic growth and business reinvestment remain the top priorities. If business performance continues to face pressure and does not improve, maintaining the current dividend level could become increasingly challenging.

Earnings Revision/Risk

- **We lower our 2026/27 EBITDA forecasts by 8%/6%, respectively.** We cut our 2026/27 revenue forecasts by 5%/6% respectively to reflect a continuous weakness in beer consumption. We trim our 2026/27 gross margin estimates slightly by 0.2ppt/0.4ppt respectively. We raise our 2026/27 sales and marketing expenses estimates by 1.1ppt/0.6ppt respectively to reflect the increasing commercial investments. Thus, our 2026/27 EBITDA forecasts are lowered by 8%/6% respectively.

Valuation/Recommendation

- **Maintain BUY; cut target price by 11% to HK\$8.30.** We roll over our DCF-based target price to 2027 and cut our target price by 11% to HK\$8.30, implying 8.5x 2026 EV/EBITDA and 7.9x 2027 EV/EBITDA. The stock currently trades at 5.4x 2026 EV/EBITDA and 5.0x 2027 EV/EBITDA.

Segmental Information

	3Q26 organic growth (%)	2Q26 organic growth (%)
Revenue % change		
APAC East	(4.1)	8.5
South Korea	-	-
APAC West	(9.8)	(4.6)
China	(16.9)	(8.6)
India	-	(+) Double digits
Normalised EBITDA % change		
APAC East	(13.9)	26.3
South Korea	(-) Low-DD	(+) Strong-DD
APAC West	(26.3)	(16.5)
China	(30.2)	(15.9)
India	-	-
Shipments % change		
APAC East	(3.1)	10.1
South Korea	(-) Low-SD	(+) Low-teens
APAC West	(11.4)	(6.0)
China	(16.8)	(9.7)
India	-	-
ASP % change		
APAC East	(1.0)	(1.5)
South Korea	(-) Slightly	(-) Low-SD
APAC West	1.8	1.5
China	(0.1)	1.2
India	-	-

Source: Bud APAC, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Net turnover	5,764.0	5,569.0	5,687.4	5,808.4
EBITDA	1,592.0	1,424.1	1,527.8	1,599.0
Deprec. & amort.	606.0	561.5	601.3	641.0
EBIT	986.0	862.6	926.5	957.9
Associate contributions	38.0	38.0	38.0	38.0
Net interest income/(expense)	10.0	3.5	(4.9)	(2.8)
Pre-tax profit	951.0	841.1	959.6	993.2
Tax	(431.0)	(294.4)	(335.8)	(347.6)
Minorities	(31.0)	(32.6)	(37.2)	(38.5)
Net profit	489.0	514.1	586.5	607.1
Net profit (adj.)	489.0	514.1	586.5	607.1

Cash Flow

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Operating	951.0	1,006.8	1,211.7	1,273.8
Pre-tax profit	951.0	841.1	959.6	993.2
Tax	(431.0)	(294.4)	(335.8)	(347.6)
Deprec. & amort.	606.0	561.5	601.3	641.0
Associates	(15.0)	(38.0)	(38.0)	(38.0)
Working capital changes	(242.0)	(63.5)	24.7	25.2
Non-cash items	(12.0)	0.0	0.0	0.0
Other operating cashflows	96.0	(0.0)	0.0	(0.0)
Investing	(324.0)	(645.5)	(573.4)	(572.8)
Capex (growth)	(307.0)	(600.0)	(600.0)	(600.0)
Investments	(6.0)	0.0	0.0	0.0
Others	(23.0)	(45.5)	26.6	27.2
Financing	(738.0)	(675.5)	(514.1)	(586.5)
Dividend payments	(773.0)	(750.0)	(514.1)	(586.5)
Proceeds from borrowings	120.0	291.5	291.5	291.5
Loan repayment	(29.0)	(217.0)	(291.5)	(291.5)
Others/interest paid	(56.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(111.0)	(314.3)	124.2	114.4
Beginning cash & cash equivalent	2,867.0	2,828.0	2,513.7	2,637.9
Changes due to forex impact	72.0	0.0	0.0	0.0
Ending cash & cash equivalent	2,828.0	2,513.7	2,637.9	2,752.3

Balance Sheet

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Fixed assets	2,379.0	2,416.5	2,415.4	2,375.9
Other LT assets	8,579.0	8,618.0	8,655.8	8,692.3
Cash/ST investment	2,828.0	2,513.7	2,637.9	2,752.3
Other current assets	987.0	977.8	995.6	1,013.8
Total assets	14,773.0	14,525.9	14,704.6	14,834.2
ST debt	217.0	291.5	291.5	291.5
Other current liabilities	3,602.0	3,483.7	3,552.9	3,623.4
LT debt	60.0	60.0	60.0	60.0
Other LT liabilities	481.0	481.0	481.0	481.0
Shareholders' equity	10,262.0	10,026.1	10,098.5	10,119.1
Minority interest	66.0	98.6	135.8	174.3
Total liabilities & equity	14,773.0	14,525.9	14,704.6	14,834.2

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.6	25.6	26.9	27.5
Pre-tax margin	16.5	15.1	16.9	17.1
Net margin	8.5	9.2	10.3	10.5
ROA	3.3	3.5	4.0	4.1
ROE	4.8	5.1	5.8	6.0
Growth				
Turnover	(7.7)	(3.4)	2.1	2.1
EBITDA	(11.9)	(10.5)	7.3	4.7
Pre-tax profit	(18.0)	(11.6)	14.1	3.5
Net profit	(32.6)	5.1	14.1	3.5
Net profit (adj.)	(32.6)	5.1	14.1	3.5
EPS	(32.8)	5.1	14.1	3.5
Leverage				
Debt to total capital	2.6	3.4	3.4	3.4
Debt to equity	2.7	3.5	3.5	3.5
Net debt/(cash) to equity	(24.8)	(21.1)	(22.5)	(23.4)
Interest cover (x)	n.a.	n.a.	310.0	578.7

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