Budweiser APAC (1876 HK)

1H26: Revenue In Line: ASP Supports Weaker-Than-Expected Volume; EBITDA Slightly Misses; Prioritising China Volume Stabilisation

Highlights

- Bud APAC's 1H26 revenue was in line, dragged by weaker-than-expected volume but supported by ASP, while EBITDA slightly missed estimates.
- For China, volume declined by 10%, impacted by adverse weather and continued weakness in the on-premise channel, partially offset by 1% ASP growth, driven by a positive brand mix. Management reiterates that volume stabilisation remains the top strategic priority, and is committed to continued investment, which may lead to margin pressure in the near term.
- For South Korea, the company outperformed the industry in 1H26. Management observes that the beer category is gaining market share and beer-friendly occasions are gaining traction. This, in our view, creates a more favourable backdrop for the company going forward. Maintain BUY with an unchanged target price of HK$9.30.

2Q26/1H26 Results

Year to 31 Dec (US$m)	2Q26	2Q25	Organic yoy chg	1H26	1H25	Organic yoy chg
Total revenue	1,678	1,675	(2.1)	3,171	3,136	(1.4)
Gross profit	882	868	(1.7)	1,645	1,613	(1.2)
Gross margin (%)	52.6	51.8	0.2	51.9	51.4	0.1
Normalised EBITDA	463	498	(9.7)	926	983	(8.9)
Normalised EBITDA margin (%)	27.6	29.7	(2.3)	29.2	31.3	(2.4)
Normalised EBIT	322	348	(10.1)	637	679	(9.0)
Normalised EBIT margin (%)	19.2	20.8	(1.7)	20.1	21.7	(1.7)
Normalised attributable net profit	247	239	n.a.	481	474	n.a.

Source: Bud APAC, UOB Kay Hian

Analysis

- **1H26 revenue in line, dragged by weaker-than-expected volume but supported by ASP; EBITDA slightly missed.** Budweiser APAC (Bud APAC) reported its 2Q26 and 1H26 results. In 2Q26, revenue was US$1,678m, down 2% yoy (organic growth, same as below). This was mainly dragged by a 4% volume decline, impacted by performance in China, partially offset by growth in South Korea, while ASP grew by 2%. Normalised EBITDA was US$463m, down 10% yoy, with normalised EBITDA margin was 27.6%, down 2.3ppt yoy.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	6,246	5,764	5,884	6,022	6,150
EBITDA	1,807	1,592	1,541	1,626	1,709
Operating profit	1,160	986	986	1,039	1,089
Net profit (rep./act.)	726	489	628	659	690
Net profit (adj.)	726	489	628	659	690
EPS (US$ cent)	5.5	3.7	4.8	5.0	5.2
PE (x)	16.3	24.3	18.9	18.0	17.2
P/B (x)	1.2	1.2	1.2	1.2	1.2
EV/EBITDA (x)	5.1	5.9	6.2	5.8	5.5
Dividend yield (%)	6.3	6.3	5.8	6.1	6.3
Net margin (%)	11.6	8.5	10.7	10.9	11.2
Net debt/(cash) to equity (%)	(25.3)	(24.8)	(24.3)	(25.4)	(26.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	6.9	4.8	6.2	6.5	6.8
Consensus net profit	-	-	1,601.5	1,695.0	1,790.4
UOBKH/Consensus (x)	-	-	0.96	0.96	0.95

Source: Bud APAC, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	HK$7.05
Target Price	HK$9.30
Upside	+31.9%

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	1876 HK
Shares issued (m):	13,243.4
Market cap (HK$m):	93,366.0
Market cap (US$m):	11,901.6
3-mth avg daily t'over (US$m):	15.6

Price Performance (%)

52-week high/low: HK$9.42/ HK$6.00

1mth	3mth	6mth	1yr	YTD
10.7	(8.6)	(8.3)	(20.3)	(7.1)

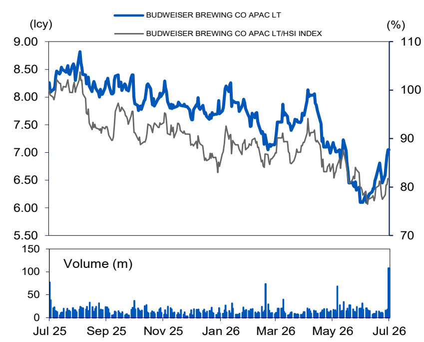
Major Shareholders

	%
AB InBev Brewing Company Limited	87.22

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.76
FY26 Net Cash/Share (US$)	0.19

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.

For 1H26, revenue was US$3,171m, down 1% yoy and largely in line with market consensus. This was mainly dragged by weaker-than-expected volume, which decreased by 2% vs consensus of a 1% decline, while ASP expanded by 1%. Normalised EBITDA was US$926m, down 9% yoy, slightly below market consensus, with normalised EBITDA margin at 29.2%, down 2.4ppt yoy.

- **China – revenue dragged by volume decline but slightly offset by ASP expansion in 2Q26; prioritising volume stabilisation; margin may come under pressure.** For the China market, in 2Q26, revenue decreased by 9% yoy, mainly dragged by a 10% volume decline, impacted by adverse weather and continued weakness in the on-premise channel, which was partially offset by 1% ASP growth, driven by a positive brand mix. Normalised EBITDA decreased by 16% yoy, impacted by top-line performance, operational deleverage and reduced other operating income. For 1H26, revenue declined by 6% yoy, mainly due to a 6% decline in volume, while ASP fell by only 0.4%.

  Looking ahead, management reiterates that volume stabilisation remains the top strategic priority in China. Despite limited signs of improvement so far and lower returns on investment, the company remains committed to investing in brands and channels to drive long-term growth, while having no plans to raise prices in the meantime. This, however, in our view, could keep margins under pressure in the near term. On channel inventory, management noted that levels are currently close to the ideal range.

- **South Korea – outperformed the industry in 1H26; more favourable backdrop going forward.** For the South Korea market, volume increased by low-teens in 2Q26, cycling an easier comparable due to shipment phasing ahead of an Apr 25 price increase, bringing 1H26 volume to flat yoy (it is more comparable to consider both 1Q26 and 2Q26 together). The company outperformed the industry, which declined by low single-digits, supported by continued market share gains in both on-premise and in-home channels. In 2Q26, ASP decreased by low single-digits, impacted by a negative packaging mix. Normalised EBITDA increased by strong double-digits, with the normalised EBITDA margin expanding substantially, supported by strong top-line performance and operational leverage.

  Looking ahead, although the strong stock market and improved consumer confidence have not yet translated into overall alcohol consumption, management observes that the beer category is gaining share and beer-friendly occasions are gaining traction. This, in our view, creates a better backdrop for the company going forward. It is particularly evident in non-alcohol, flavoured and RTD beers, with the Cass 0.00 relaunch and Nütrl as examples of the company's innovation pipeline in these categories.

- **Aluminium costs from 12-month hedging to weigh on margins from 2H26 into 2027; dividend may not be maintained if results fall short.** Given the company's 12-month hedging policy, the recent rise in aluminium prices is expected to weigh on costs in 2H26 and into 2027, although some of the pressure may be partially offset by lower barley costs and the company's efficiency improvement initiatives.

  Regarding dividend policy, management indicated that, should results fall short of expectations, sustaining the dividend at current levels could be challenging.

Earnings Revision/Risk

- **No earnings revision.**

Valuation/Recommendation

- **Maintain BUY and keep target price unchanged at HK$9.30.** We maintain our DCF-based target price unchanged at HK$9.30. Our target price implies 8.8x 2026 EV/EBITDA and 8.4x 2027 EV/EBITDA. The stock currently trades at 6.2x 2026 EV/EBITDA and 5.8x 2027 EV/EBITDA.

Key Operational Data (Quarter)

	2Q26	1Q26	Organic yoy (%)
Beer shipment (m litre)	23	24	(4.1)
ASP (US$/thousand litre)	733	701	2.1

Source: Bud APAC, UOB Kay Hian

Segmental Information (Quarter)

% change	2Q26 organic growth (%)	1Q26 organic growth (%)
Revenue (%)		
APAC East	8.5	(6.1)
South Korea	-	(-) Mid-SD
APAC West	(4.6)	0.7
China	(8.6)	(4.0)
India	(+) Double digits	(+) Double-digits
Normalised EBITDA (%)		
APAC East	26.3	(10.4)
South Korea	(+) Strong-DD	(-) Low-teens
APAC West	(16.5)	(7.5)
China	(15.9)	(10.9)
India	-	-
Shipments (%)		
APAC East	10.1	(9.8)
South Korea	(+) Low-teens	(-) Low-teens
APAC West	(6.0)	1.7
China	(9.7)	(1.5)
India	-	(+) Double-digits
ASP (%)		
APAC East	(1.5)	4.0
South Korea	(-) Low-SD	(+) Low-SD
APAC West	1.5	(1.0)
China	1.2	(2.5)
India	-	-

Source: Bud APAC, UOB Kay Hian

Key Operational Data (Semi-Annual)

	1H26	1H25	Organic yoy (%)
Beer shipment (m litre)	43	44	(2.2)
ASP (US$/thousand litre)	744	719	0.8

Source: Bud APAC, UOB Kay Hian

Segmental Information (Semi-Annual)

% change	1H26 organic growth (%)	1H25 organic growth (%)
Revenue (%)		
APAC East	1.5	0.6
South Korea	-	-
APAC West	(2.1)	(7.1)
China	(6.4)	(9.5)
India	(+) Double digits	(+) Double digits
Normalised EBITDA (%)		
APAC East	6.3	(4.5)
South Korea	-	-
APAC West	(12.2)	(8.8)
China	(13.4)	(11.0)
India	-	-
Shipments (%)		
APAC East	0.1	(0.5)
South Korea	Flat	Flattish
APAC West	(2.6)	(6.9)
China	(6.0)	(8.2)
India	-	(+) Double digits
ASP (%)		
APAC East	1.3	1.1
South Korea	(+) Low-SD	-
APAC West	0.4	(0.2)
China	(0.4)	(1.4)
India	-	-

Source: Bud APAC, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	5,764.0	5,883.8	6,022.5	6,150.5
EBITDA	1,592.0	1,540.9	1,626.3	1,708.8
Deprec. & amort.	606.0	554.5	587.3	620.0
EBIT	986.0	986.4	1,039.0	1,088.8
Associate contributions	38.0	38.0	38.0	38.0
Net interest income/(expense)	10.0	3.5	0.9	2.8
Pre-tax profit	951.0	1,027.9	1,078.0	1,129.6
Tax	(431.0)	(359.8)	(377.3)	(395.3)
Minorities	(31.0)	(39.8)	(41.8)	(43.8)
Net profit	489.0	628.3	658.9	690.4
Net profit (adj.)	489.0	628.3	658.9	690.4

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	2,379.0	2,323.5	2,236.4	2,117.9
Other LT assets	8,579.0	8,618.0	8,655.8	8,692.3
Cash/ST investment	2,828.0	2,850.4	2,955.6	3,091.0
Other current assets	987.0	1,025.2	1,046.1	1,065.3
Total assets	14,773.0	14,817.1	14,893.8	14,966.5
ST debt	217.0	291.5	291.5	291.5
Other current liabilities	3,602.0	3,653.5	3,720.7	3,783.9
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	10,140.3	10,108.1	10,073.7
Minority interest	66.0	105.8	147.6	191.4
Total liabilities & equity	14,773.0	14,817.1	14,893.8	14,966.5

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	951.0	1,178.1	1,270.4	1,335.8
Pre-tax profit	951.0	1,027.9	1,078.0	1,129.6
Tax	(431.0)	(359.8)	(377.3)	(395.3)
Deprec. & amort.	606.0	554.5	587.3	620.0
Associates	(15.0)	(38.0)	(38.0)	(38.0)
Working capital changes	(242.0)	(6.5)	20.5	19.6
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)	(480.2)	(474.1)	(475.7)
Capex (growth)	(307.0)	(500.0)	(500.0)	(500.0)
Investments	(6.0)	0.0	0.0	0.0
Others	(23.0)	19.8	25.9	24.3
Financing	(738.0)	(675.5)	(691.1)	(724.8)
Dividend payments	(773.0)	(750.0)	(691.1)	(724.8)
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)	22.4	105.2	135.4
Beginning cash & cash equivalent	2,867.0	2,828.0	2,850.4	2,955.6
Changes due to forex impact	72.0	0.0	0.0	0.0
Ending cash & cash equivalent	2,828.0	2,850.4	2,955.6	3,091.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.6	26.2	27.0	27.8
Pre-tax margin	16.5	17.5	17.9	18.4
Net margin	8.5	10.7	10.9	11.2
ROA	3.3	4.2	4.4	4.6
ROE	4.8	6.2	6.5	6.8
Growth				
Turnover	(7.7)	2.1	2.4	2.1
EBITDA	(11.9)	(3.2)	5.5	5.1
Pre-tax profit	(18.0)	8.1	4.9	4.8
Net profit	(32.6)	28.5	4.9	4.8
Net profit (adj.)	(32.6)	28.5	4.9	4.8
EPS	(32.8)	28.5	4.9	4.8
Leverage				
Debt to total capital	2.6	3.3	3.4	3.4
Debt to equity	2.7	3.4	3.5	3.5
Net debt/(cash) to equity	(24.8)	(24.3)	(25.4)	(26.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.