Beer sales keep SABMiller's profits flowing

By Zeenat Moorad

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Prospering from emerging markets such as Africa, SABMiller on Thursday (23 May) reported a 10% increase in group revenue to US$34.5bn for the year to March.

Tough economic conditions in Europe's and the US' mature beer markets has meant that SABMiller is, like its rivals, increasingly reliant on developing markets, where it earns about 75% of its profits.

Earnings before interest, tax and amortisation (ebita) rose 14% to US$6.42bn in the year.

"Strong growth in our developing markets was supported by investments in additional capacity, commercial capability and distribution reach," John Manser, SABMiller acting chairman, said.

According to London-based analyst Dirk van Vlaanderen, the company delivered a very solid performance with ebita and earnings per share in-line with consensus forecasts.

The maker of Miller Lite, Grolsch and Peroni said net profit fell to US$3.27bn from US$4.22bn in the year. SABMiller pinned the profit drop on "exceptional items" which it said had boosted the previous year's results.

Last year saw the inclusion of US$1.03bn, most of which came from the disposal of its Russian and Ukrainian businesses and a strategic alliance with Turkish brewer Anadolu Efes.

Low income consumers

The London- and Johannesburg-listed company said ebita in Latin America increased 11% on a like-for-like basis.

A key part of SABMiller's strategy in the region is to attract low-income consumers away from low-quality local spirits, often produced and sold illegally, by providing affordable alternatives like bulk packs in its portfolio.

"Latin America was a little softer than expected in the second half, 1% below consensus but still showed 40 basis points of margin progression despite weaker volumes in the fourth quarter. Management seems unfazed by the fourth quarter slowdown and believe it will be another good year helped by initiatives to drive better prices and capture more volume growth," Van Vlaanderen said.

In Africa, ebita grew 20%. Group revenue was 18% ahead of the prior year.

"The Castle brand continued to deliver robust growh. The premium Castle Lite grew by 43% for the year. We continue to invest in the future growth of the region with the commissioning of two new facilities at Onitsha in Nigeria and Ndola in Zambia during the year," the company said.

Cassava, traditional beer sales grow

To woo low-income home-brew drinkers in Africa's burgeoning beer market, SABMiller has launched cassava beers in Ghana and Mozambique.

Chibuku Super, a traditional opaque beer that has a longer shelf life and costs 40% less than mainstream beers, has performed particularly well in Zambia and was recently launched in Zimbabwe.

Asia Pacific reported that ebita increased by 166%, benefiting from the full year impact of the Foster's acquisition and some acquisitions in China in the prior year. SABMiller acquired Australian beer giant Foster's in 2011.

Organic, constant currency ebita was up 7%.

Lager volumes in Australia were 5% lower for the year; however volumes in the fourth quarter were 3% ahead of the prior year on the same basis driven by the re-launch of the Victoria Bitter brand.

Meanwhile ebita in Europe was up 1%, and in North America it was 2% higher.

In SA, group revenue declined by 5% due to the continued depreciation of the rand, but was up 8% to R47.2bn on a constant currency basis.

"Ebita margins were up 50 basis points in the second half of the year. A good result from lager and soft drinks, with Castle Lite continuing to shine. Revenue per hectolitre growth of 6% was also impressive," Van Vlaanderen said.

SAB executive chairman Norman Adami said:"Excise is by far our biggest cost. With a 10% hike in excise, well above inflation we face something in excess of an R700m increase.

"We also had the slowing economy on the one hand, social unrest in the second half of the financial year, rand weakness, increasing commodity prices and a rise in the fuel price that drove up raw material costs," Adami said.