



# Trade Idea.

Your weekly trade idea from the experts.



## Featured: Anheuser-Busch InBev (ANH) Recommendation: Buy

### Summary

AB-Inbev has come under pressure amid a continued preference for cyclical stocks in Europe and developed markets with local weakness amplified by a stronger Rand.

### Analysts

Chantal Marx  
Kabelo Tshola

Anheuser-Busch InBev (AB-Inbev) is the largest brewer in the world. The company produces, markets, distributes, and sells a portfolio of over 500 beer brands.

Its global flagship brands include Budweiser, Stella Artois and Beck's. In addition, the company brews and distributes the global Corona brand through its operating Mexican subsidiary, Grupo Modelo. Following its acquisition of SABMiller a few years ago, the company also has a major presence in Africa. In South Africa, it owns the Castle and Black Label Brands, among others.

AB-Inbev is regarded as an attractive long both from a short term and long term (3-5 year) perspective.

Shorter term we are bullish on AB-Inbev given positive divergence on the 14-RSI and the share price action. This follows a double bottom reversal pattern that played out at R1165. We also regard this company as a quality longer term investment with our fundamental valuation indicating potential upside well ahead of market returns for the next 12 months.

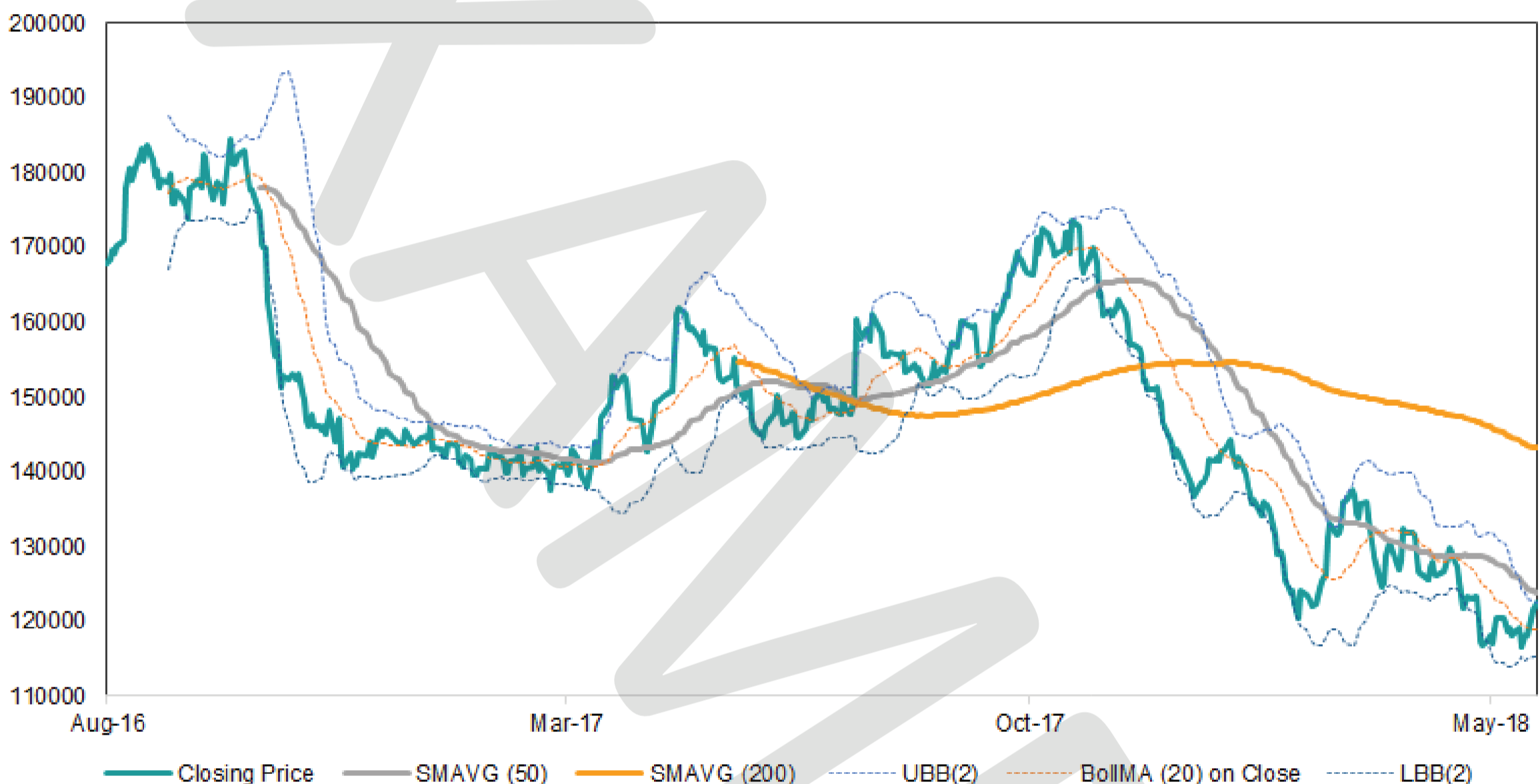
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### Share Performance



### Share information

Share Code	ANH
Industry	Beverages
Market Capital (ZAR)	2.5 trillion
One Year Total Return	-15.0%
Return Year-to-date	-9.1%
Current Price (ZAR)	1222
52 Week High (ZAR)	1239
52 Week Low (ZAR)	1208
Financial Year End	December 2018

The share has been under pressure since acquiring SABMiller in late 2016. The company's balance sheet is highly levered and volumes have not been coming through in-line with expectations. A preference towards cyclicals in developed markets and a stronger ZAR has also weighed on the share price more recently. Data as at 05.06.1

### Consensus Expectations

	FY17	FY18E	FY19E	FY20E
Headline Earnings per Share (ZAR)	17.40	61.40	69.90	76.80
Growth (%)		253%	14%	10%
Dividend Per Share (ZAR)	48.50	50.50	51.00	56.10
Growth (%)		4%	1%	10%
Forward PE (times)	19.1	17.0	15.9	
Forward Dividend Yield (%)		4.1%	4.2%	4.6%

Earnings are expected to recover off a weak base with much of the SABMiller related impacts included in the FY17 number. Dividend cover will, however, be raised as the company continues to pay off debt related to the acquisition.

Data source: Bloomberg

### Buy/Sell Rationale

We still consider the stock to be a core portfolio holding and technical indicators suggest that the current price is an attractive entry point.

#### Short Term:

- We are bullish on ANH given positive divergence on the 14-RSI and recent share price action.
- This follows a double bottom reversal pattern that played out at R1165.
- The stock has formed a solid base at R1200.
- Other technical indicators are also supportive (MA, MACD Cross).

#### Long Term:

- AB-Inbev trades at a discount to its peer group where it has historically traded at a premium.
- The company is trading one standard deviation below its average PE, despite an expected acceleration in earnings medium term. If one assumes the company's PE rerates to 20 times over 3 years (still low relative to history) we still expect the stock to out perform the market.
- Our DCF (Discounted Cash Flow) valuation also indicates that the company is currently undervalued.

#### Update on previous idea's:

**BID – LONG TERM BUY:**  
R270.80 Entry – R259.2 Current (-4.2%). We continue to like this stock longer term. Sustained share price weakness continues to offer an opportunity for longer term investors.

**RFG – BUY:**  
R18.26 Entry – R19.70 Current (+7.6%). Short term profit taking opportunity, but we are happy to still hold longer term.

Log on to [shares.fnb.co.za](http://shares.fnb.co.za). should you wish to action this Trade Idea

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