Heineken Malaysia (HEIM MK)

3Q26: Soft As Expected, Potentially Turning The Corner

Highlights

- Heineken's 9M26 results broadly met expectations. Despite earnings remaining soft, sales are expected to pick up going into the year-end.
- Positively, a majority of the inventory adjustment was resolved in 3Q26, signalling that sales volume may see a recovery in the coming quarter.
- Maintain BUY with an unchanged target price of RM21.80. Current prices post-selldown offer an attractive entry point with Heineken trading at a single-digit PE based on 2027F.

3Q26 Results

Year to 31 Dec (RMm)	3Q26 (RMm)	qoq % chg	yoy % chg	9M26 (RMm)	yoy % chg
Revenue	**539.1**	**24.0**	**(17.8)**	**1,638.1**	**(16.4)**
EBITDA	117.2	28.7	(41.7)	373.0	(29.0)
EBIT	94.8	39.2	(37.3)	304.3	(28.6)
PBT	91.2	36.8	(38.7)	295.4	(29.5)
Core net profit	**68.7**	**32.6**	**(39.5)**	**225.3**	**(29.5)**
Margins (%)	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
EBIT Margin (%)	17.6	1.9	(5.5)	18.6	(3.2)
PBT Margin (%)	16.9	1.6	(5.8)	18.0	(3.4)
Eff. Tax rate (%)	(24.1)	0.0	(0.0)	(24.1)	(0.0)
Core Net Margin (%)	12.7	0.8	(4.6)	13.8	(2.6)

Source: Heineken, UOB Kay Hian

Analysis

- **Broadly in line.** Heineken Malaysia (Heineken) reported a core net profit of RM225.3m (-29.5% yoy) with revenue of RM1.6b (-16.4% yoy) in 9M26. We arrive at this after stripping out RM1.1m in provisions for inventory write-offs. While this only accounts for 65% of our and 67% of consensus full-year forecasts, we deem this within expectations as sales volume is expected to pick up in 4Q26 ahead of the festive season.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,797	2,798	2,307	2,816	2,880
EBITDA	510	502	468	597	601
Operating profit	418	406	381	511	515
Net profit (rep./act.)	467	459	347	433	447
Net profit (adj.)	448	463	347	433	447
EPS (sen)	148.3	153.2	114.8	143.2	148.0
PE (x)	8.8	8.5	11.3	9.1	8.8
P/B (x)	7.3	7.4	7.4	7.4	7.4
EV/EBITDA (x)	7.5	8.2	8.6	6.7	6.7
Dividend yield (%)	11.9	11.8	8.8	11.0	11.4
Net margin (%)	16.7	16.4	15.0	15.4	15.5
Net debt/(cash) to equity (%)	8.8	25.4	16.2	16.8	17.8
Interest cover (x)	46.3	47.7	31.5	41.1	737.7
ROE (%)	102.5	101.9	76.9	95.9	99.2
Consensus net profit	-	-	337	381	407
UOBKH/Consensus (x)	-	-	1.03	1.13	1.10

Source: Heineken, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM13.32
Target Price	RM21.80
Upside	67.4%

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	HEIM MK
Shares issued (m):	302.1
Market cap (RMm):	4,023.9
Market cap (US$m):	988.1
3-mth avg daily t'over (US$m):	1.5

Price Performance (%)

52-week high/low				RM25.30/RM12.68
1mth	**3mth**	**6mth**	**1yr**	**YTD**
0.3	(21.9)	(41.5)	(39.3)	(42.0)

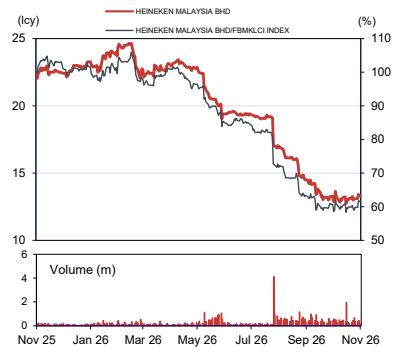
Major Shareholders (%)

GAPL Pte Ltd	51.0
Vanguard Group Inc/T	1.8
Hong Leong Co Malays	1.6

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.8
FY26 Net Debt/Share (RM)	2.0

Price Chart



Source: Bloomberg

Company Description

Market leader in the malt liquor market, led by key driving brands, lager beer Tiger and Heineken, and stout Guinness Anchor.

- **Sales adjustment continued to drag 3Q26…** Heineken reported core net profit of RM68.7m (+32.6% qoq, -39.5% yoy) on revenue of RM539.1m (+24.0% qoq, -17.8% yoy). Overall, volumes contracted significantly compared with 3Q25 as the impact of the inventory adjustment continued to weigh on the group. Recall that Heineken previously faced an issue with soft consumption and high distributor stockpiles which resulted in slower-than-expected inventory churn.
- **…but signs of life as inventory normalises.** Heineken commented that the inventory adjustment has been largely completed as of 3Q26. We note that sequentially, results showed a marked improvement over 2Q26 while inventory levels have also dropped 17% qoq. While volumes are unlikely to fully recover within the next quarter, we believe Heineken may have turned the corner and expect 4Q26 results to come in strong as both the inventory normalisation and seasonal factor kick in.
- **VMY extension a boon for brewers.** As part of Budget 2027, the government announced that Visit Malaysia Year (VMY) would be extended to 2027 as the Iran war had disrupted this year's campaign. We view this as broadly positive for brewers as our previous ground checks indicated that VMY did result in an uptick in consumption prior to the Iran war escalation. Broader measures such as the increased cash handouts and higher wages should also help bolster sentiment with impact on the brewers expected to be minimal given most of its workforce earns above the minimum wage.

Valuation/Recommendation

- **Maintain BUY with an unchanged DCF-based target price of RM21.80.** We use a WACC estimate of 7.8% and terminal growth rate of 2.7% to arrive at our fair value estimates. Our DCF-derived target price implies 15.2x 2027F PE, in line with its five-year mean.
- We view the current depressed price as an attractive entry point. The group now trades near -3.0SD to its mean PE with an expected dividend yield of 11.0% over 2027-28 offering a degree of defensiveness.

Earnings Revision/Risk

- None.

Environment, Social, Governance (ESG) Updates

Environmental

- **Water management.** Water efficiency has gradually improved over the years. It is now 16% more efficient relative to 2014.
- **Emissions.** Zero waste to landfill. Aims to reduce CO2 emissions by 40% in production compared with 2008.

Social

- **Product services responsibility.** More than 10% of Heineken's media budget is committed to advocating responsible consumption.

Governance

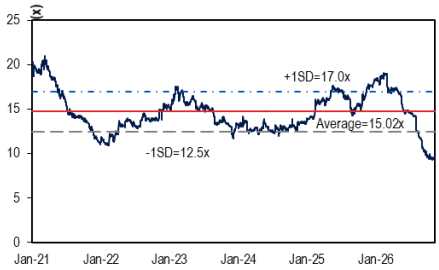
- **Board gender diversity.** Women are well-represented on the board, with a 57:43 male to-female ratio.
- **Management gender diversity.** Among employees, Heineken has a 50:50 male-to female ratio in middle to senior management positions.

Key Assumptions

	2026F	2027F	2028F
Revenue (RMm)	**2,307**	**2,816**	**2,880**
yoy growth (%)	-20.2	22.1	2.3
Volume yoy (%)	**-25.0**	**20.0**	**2.0**
ASPs yoy (%)	**6.4**	**1.7**	**0.2**
Core profit (RMm)	**335**	**418**	**433**
yoy growth (%)	-27.6	24.8	3.5

Source: UOB Kay Hian

12-Month Forward PE Band



Source: Bloomberg, 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.

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