Carlsberg Brewery Malaysia Berhad
55 Persiaran Selangor,
Seksyen 15,
40200 Shah Alam,
Selangor Darul Ehsan,
Malaysia.

Tel +603 5522 6688
Fax + 603 5519 1931
mygroupcomm@carlsberg.asia
facebook.com/CarlsbergMalaysia
twitter.com/CarlsbergMY

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Carlsberg Records RM162m Net Profit on Revenue of RM1.8b for 2020 Pandemic Year

Q4FY20 revenue up 8.5% from previous quarter but net profit down by 6.6% due to higher A&P investment and one-off restructuring costs

- *Excluding the one-off, net profit grew by 12.1%*
- *Interim and proposed final dividend of 75.4% of net profit*

SHAH ALAM, 18 Feb 2021 – Carlsberg Brewery Malaysia Berhad (the Group) posted a net profit of RM162.2 million on the back of a revenue of RM1.8 billion for the full year ended 31 December 2020 (FY20) as compared to same period for 2019. The lower net profit and revenue, by 44.3% and 20.9% respectively, was the upshot of a seven-week brewery suspension in Malaysia and several limitations imposed to on-trade businesses during the implementation of movement controls in Malaysia and circuit breaker in Singapore since March and April respectively. In addition, the Group also recognised a one-off RM6.4 million settlement with the Royal Malaysian Customs (RMC) in June 2020 and a RM9.9 million restructuring costs in 4QFY20. Excluding both of these, organic net profit would have been RM174.6 million, a decline of 40.0%.

For the quarter ended 31 December 2020 (4QFY20), the Group recorded a higher revenue of 8.5% to RM472.5 million versus the preceding quarter (Q3FY20). The Group's slow but promising recovery continued as the Malaysia and Singapore operations registered higher sales in the on-trade sector when dine-in business was allowed last quarter.

Net profit for Q4FY20, however, declined by 6.6% to RM37.9 million quarter-on-quarter mainly driven by higher A&P investment, a RM9.9 million restructuring costs that readjusted the Group's cost base and way of working to reflect COVID-19 uncertainties and a lesser share of profit of its Sri Lanka associate for the quarter. Excluding the one-off restructuring costs, organic net profit increased by 12.1%

In Sri Lanka, the Group registered a lower share of profit of RM3.6 million from its associated company, Lion Brewery (Ceylon) PLC (LBCP).

Comparing the quarter under review with the corresponding quarter in 2019, the Group recorded lower revenue and net profit by 17.7% and 45.0% respectively. Lower revenue was affected by significantly lower on-trade consumption and the later timing of Chinese New Year trade-loading in Q4FY20. Net profit was also impacted by the one-off restructuring costs, partially mitigated by prudent cost controls in operations.

The Group's earnings per share for FY20 was 53.04 sen, a decline of 44.3% compared with 95.18 sen last year as a consequence of the severe impact of a pandemic year.

In Malaysia, revenue reduced by 23.3% to RM1.3 billion and profit from operations declined by 50.6% to RM135.4 million year-on-year. On the comparable basis of Q4FY20 vs Q4FY19, revenue dropped 22.3% to RM315.2 million and profit from operations was lower by 63.9% to RM22.4 million, attributable to the lower sales, later timing of Chinese New Year sales and the one-off restructuring costs, which were partially offset by lower operating expenses.

Revenue of the Singapore operations for FY20 was down by 14.6% to RM527.9 million whilst profit from operations decreased by 35.7% to RM64.6 million compared to FY19. Singapore quarterly revenue declined by 6.5% to RM157.3 million whilst profit from operations was lower by 22.4% to RM23.8 million for Q4FY20 versus Q4FY19.

The Group has declared a single tier interim dividend of 10.0 sen per ordinary share. In addition, the Group has also proposed a FINAL single tier dividend of 30.0 sen per ordinary share, subject to the shareholders' approval at the forthcoming 51st Annual General Meeting. The total declared and proposed dividends for FY20 is 40.0 sen per ordinary share. This is equivalent to a RM122.3 million payment of the Group's FY20 net profit, representing 75.4% of the Group's FY20 net profit.

Managing Director Stefano Clini commented, "During the last quarter, our top priority was the health and wellbeing of our employees, while also ensuring the health of our businesses. We intensified our efforts around 'Fund the Journey' with a restructuring exercise that would enable us to be more agile yet focused in preparing for the 'next normal' in 2021."

"In the last quarter, we launched the Connor's Challenge campaign and year-end festive promotions for 1664 Blanc and Somersby Apple Cider. Also, we kicked-off our Chinese New Year campaign themed 'Celebrate Prosperity, Cheers Together' to drive consumption while continuing to build our flagship brands Carlsberg Danish Pilsner and Carlsberg Smooth Draught as well as our premium brands 1664 Blanc, Somersby cider and Asahi Super Dry," Clini added.

"To support communities in Malaysia during this challenging time, we also gave out RM1 million food aid to 2,000 families this month and will be granting another RM1 million study aid to 333 tertiary students in March," explained Clini on the Group's community engagement efforts.

The Group is taking a cautious view over the outlook for the current year due to the persevering effects of COVID-19 and the possible government regulations and measures that will likely cause on-trade sales and consumer sentiment to remain depressed. In light of the re-imposition of the second MCO in Malaysia since January this year, the Group anticipates a muted recovery in on-trade sales as well as other factors such as weak macroeconomic conditions and financial challenges that many F&B operators are facing to stay afloat. Limitations set on Chinese New Year reunions, dining-out and travels had also adversely impacted many businesses.

"We are however hopeful that the national COVID-19 vaccination plans that are expected to start in Malaysia from end February and have already started in Singapore will curtail COVID-19 infections and lead to better economic recovery in the second half of 2021," Clini added.

The Group has put in place numerous measures to mitigate profit impact and preserve cash. As part of its efforts to reset its cost base, the Group has been even more disciplined in implementing its 'Fund the Journey' initiatives and optimising its cost structures aggressively to reallocate investments into viable channels, while extending various support to its business partners.

"The COVID-19 pandemic continues to impact our business performance, which has led to a challenging start to 2021. The uncertainties related to the extent and length of the pandemic, further government actions, consumers sentiment and macroeconomic developments remain high. We are confident that our ongoing corporate strategy – SAIL'22 – will guide us forward amid the pandemic and enable the Group to deliver on our long-term shareholder value," concluded Clini.

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Contacts

Investor Relations:	Vivian Gun	+603-55226 422	vivian.gun@carlsberg.asia
Media Relations:	Pearl Lai	+603-55226 408	pearl.lai@carlsberg.asia

About Carlsberg Malaysia

Carlsberg Brewery Malaysia Berhad was incorporated in December 1969. We are a dynamic brewer with operations in Malaysia and Singapore, with stakes in a brewery in Sri Lanka. We also have a regional presence via exports to Thailand, Taiwan, Hong Kong and Laos.

Our international portfolio of brands features Probably The Best Beer In The World – Carlsberg, Probably The Smoothest Beer In The World – Carlsberg Smooth Draught and Probably The Best Strong Beer – Carlsberg Special Brew. This Carlsberg trio is complemented by international premium brews including France's premium wheat beer 1664 Blanc, Japan's No.1 premium beer Asahi Super Dry, European cider Somersby, British-inspired Connor's Stout Porter draught, US award-winning craft beer Brooklyn Brewery as well as Corona Extra, the imported premium Mexican beer brand. Our local brands include SKOL, Royal Stout, Jolly Shandy and Nutrimalt.