

Carlsberg Remains Buoyant Despite Challenges in Russia

By [The Moscow Times](#)

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COPENHAGEN — Danish brewer Carlsberg renewed hopes for a recovery in its crucial Russian beer market Wednesday, after the first quarter of the year saw a rise in its market share, sending its shares up more than 3 percent.

Carlsberg failed to meet first-quarter profit forecasts after the Russian market was hit by beer tax hikes but reiterated that it expected the market to return to modest growth this year after a 3 percent decline in 2011 as consumers who stocked up ahead of the tax rises get buying again.

The brewer's Russian market share by volume rose to 37 percent in the first quarter from 36.8 percent in the previous period. The Russian beer market earns the Copenhagen-based group nearly half its profits.

The world's fourth-largest brewer, whose brands include Carlsberg, Tuborg and Baltika, said

its beer volumes declined 4 percent overall in the first quarter due to falling East European volumes while Northern and Western Europe saw growth.

"It is very positive that they keep their 2012 guidance," said BankNordik portfolio manager Niels-Henrik Moller.

"Of course, Russia is a problem, but sales in Russia will get going again and Carlsberg sees positive trends in the country," Moller said.

Carlsberg's first-quarter operating profit dropped 43 percent to 574 billion Danish crowns (\$100.32 billion).

"Consumer dynamics overall are positive in Russia. The underlying market seems ... very positive," chief executive Jorgen Buhl Rasmussen told a webcast.

"I would not confirm that we are now on a growing trend again, but ... I would be very surprised and very disappointed if we do not end up in 2012 with a higher market share than at end-2011," Rasmussen said.

Group sales rose to 12.87 billion crowns in the quarter from 12.53 billion a year earlier.

"It is a weak result in Eastern Europe driven by destocking in Russia," Jyske Bank analyst Jens Thomsen said. "The market expected it would be weak, but this was even weaker than expected."

"The positive is that they are stabilizing their market share in Russia," Thomsen added.

At the beginning of the year, Russian taxes on beer rose 20 percent, but consumers stocked up ahead of the increase.

Also marketing costs had weighed heavily in the first quarter, as the group builds up to the European football championships this summer through promotional activities in shops, as well as marketing campaigns.

Carlsberg warned in February that its profits would stall as Europe struggles to emerge from sluggish growth and competition is tough in more mature markets.

While some rivals such as SABMiller have seen emerging markets like Africa and Latin America offset a slow Europe, Carlsberg is heavily exposed to Eastern Europe and Russia, where growth has stalled.

The group's beer volumes grew 2 percent when adjusted for Russian destocking after the tax hikes.

Carlsberg said it expected 2012 adjusted net profit to rise slightly from last year's 5.2 billion crowns.

"Our Q1 results were in line with our plans and we are on track to meet our 2012 expectations," Rasmussen said.

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