

press release

27 October 2011

The Share Centre downgrades SABMiller to a 'sell'

- SABMiller has a good emerging market growth story
- Concerns over growth in China could impact sales
- Diageo is The Share Centre's preferred play in the sector

As The Share Centre downgrades international beer company SABMiller Sheridan Adman, investment research manager, explains why.

"SABMiller has a diverse portfolio of alcohol brands which it bottles and distributes to a number of geographical regions, including both established and less established markets. Trading conditions in the mature markets are tough; however returns have been offset by the sales growth in its emerging markets.

"It cannot go unnoticed that there is an increased concern in the market over the strength of global growth, specifically over China and its Government's ability to engineer a soft landing for its economy. China's dominance in Asia means the strength of its growth is important. Any instability in the region is likely to impact SABMiller's sales volumes as it currently accounts for 24% of its sales.

"When compared to its rival Diageo, SABMiller has higher weighted financing costs and history demonstrates it doesn't utilise its financing as effectively as Diageo. With financing costs high we don't believe SABMiller can make better usage of its capital to improve returns at this stage.

"The company is trading on a P/E of 22, which we believe is on the high side. SABMiller has a good emerging market growth story, however, given the concerns over slower global growth, we believe the share price has got ahead of its self and recommend investors to sell the stock. Our preferred play in the sector is Diageo."

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

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