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# Fitch gives SABMiller positive revised outlook

By Nick Hedley 29 Oct 2013

Fitch Ratings has revised the outlook of SABMiller's BBB+ long-term rating to positive from stable, and says the global brewing company's rating could be upgraded to A- by 2015.

Strong beer sales have generated cash for SABMiller. Image: SABMiller

Among Fitch's reasons for the positive outlook assessment was SABMiller's reduced debt, "resilient" cash generation and strong position in the global brewing market.

"The outlook revision to positive reflects SABMiller's continued strong cash-flow generation and its swift de-leveraging, two years since the acquisition of Foster's," Fitch said. SABMiller bought Foster's for more than US$10bn in 2011.

SABMiller has grown substantially over the past decade through a number of sizeable acquisitions and now holds dominant positions in a number of developing markets, as well as interests in developed markets such as the US, where it has a joint venture with MillerCoors.

Fitch said that in the absence of major merger and acquisition activity, it expected SABMiller to continue de-leveraging and to reach a level consistent with an upgrade to A- by the end of its 2015 financial year. "The continued de-leveraging would even allow some scope for more generous dividend distributions," Fitch predicted.

The world's second-largest brewer had reached a size that would allow it to more easily fund acquisitions. However, synonymous with recent analyst comments, Fitch said the probability of major acquisitions in the global beer industry had reduced, given industry consolidation.

Since peaking at US$17.8bn at the end of the 2012 financial year, SABMiller's net debt reduced to US$15.7bn a year later and Fitch said it expected to see a further reduction towards about US$14.5bn at the end of the 2014 financial year.

While Fitch's rating assesses SABMiller's ability to service its debt, some equity analysts believe the brewer's shares have become over-priced, despite the quality of the company and the recent corrections in its share price.