Heineken profits surge as drinkers swallow higher prices

P
rofits at Dutch brewing giant Heineken have been refreshed by robust demand as beer drinkers chose to swallow higher pint prices.

Sales in the first half of the year were up 37% to €16.4 billion (£13.8 billion) while profits soared 25% to a better than expected €2.2 billion, despite an average 8.9% rise in its prices.

The surge was fuelled by European drinkers flocking back to pubs and bars and strong growth in Asian markets. Low and no-alcohol beer saw double-digit growth in more than 20 countries.

But the brewer, which also makes Strongbow cider, dropped its previous target of raising profit margins to 17%. It warned pressure on consumer spending power could cause beer demand to take a knock in the months ahead, while costs would continue to be impacted by high barley prices. Heineken Shares fell 2%.

Hargreaves Lansdown analyst Matt Britzman said: “Beers remain as much of a staple as ever, with demand showing little sign of slowing despite mounting pressures on disposable income.

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"Rather than looking for margin growth, Heineken's now targeting operating profit growth instead. Markets have taken that as a sign of weakness…it's a reflection of the uncertain environment we're living in."

Heineken said it continued to focus on its "premiumisation" strategy, designed to encourage customers to switch to more expensive beers like Desperados and Moretti, which retail at least 15% above average pint prices. The brewer The company said sales of premium beer grew 10%.

Heineken said it expected to complete the sale of its Russian business before the end of 2022 after deciding to withdraw from the country in March. The brewer owns property and equipment in Russia worth £240 million.

Average pint prices have risen 2.2% over the past year, according to data from the Office for National Statistics.