

GUINNESS NIGERIA PLC



...Turning the Tide

February 25, 2025



Earnings Note

Event

Guinness Nigeria (“the Group”) staged a recovery in its Q2 2025 financial result, reporting a net profit after consecutive losses on both a year-on-year and quarter-on-quarter basis. This rebound was primarily driven by improved operating margin and FX gains realised during the period under review.

Revenue retained its steady growth, rising by 61% to N133.72 billion (Q2 2024: N83.06 billion). According to management, the revenue growth is reflective of the Group’s revenue generation strategies and geographical footprint expansion. We believe these strategies included strategic increment in prices of products.

Cost of goods sold kept pace with revenue, surging by 61% to N88.97 billion (Q2 2024: N55.26 billion) amid unabating inflationary pressures. However, gross margin held steady at 33% (Q2 2024: 33%).

Notwithstanding a concurrent 18% and 70% rise in marketing expenses and administrative expenses respectively, operating profit more than doubled, growing by 113% to N18.12 billion (Q2 2024: N8.52 billion). Consequently, operating margin expanded by 329 basis points to 14% (Q2 2024: 10%), reflecting the Group’s ability to absorb the higher operating costs through robust revenue growth. Notably, while the Group expanded its geographical footprint, marketing and distribution margin declined to 14% (Q2 2024: 19%). We attribute this drop to sustained cost effectiveness, consistent with Q1 2025, as well as the benefit of Tolaram’s vast distribution network following their partnership.

In a remarkable turnaround, the Group bucked its previous trend of foreign exchange losses, reporting net foreign exchange gain of N6.94 billion (Q2 2024: net FX loss of N16.09 billion). This notable gain was driven by the remeasurement of foreign currency balances.

Net finance costs took a hit, soaring 622% to N4.92 billion (Q2 2024: N681.32 million), driven by a 287% spike in finance costs, and a 91% decline in finance income. The spike in finance cost was driven by a jump in short term debts which settled at N78.33 billion (vs N54.36 billion in Q1 2025 and N40.13 billion in FY 2024).

Driven by working capital requirement which necessitated the increased debt, inventories surged to N80.80 billion (vs N55.39 billion in Q1 2025 and N41.86 billion in FY 2024), reflecting the Group increased stockpiling of raw materials in the period (N31.61 billion vs N10.14 billion in Q1 2025, and N8.73 billion in FY 2024). Consequently, the Group’s total asset grew by 24% year to date.

Nonetheless, the robust operating profit and FX gains propelled a turnaround in profitability, reporting a profit before tax of N20.14 billion, from a loss before tax of N8.25 billion in Q2 2024. Although tax expenses rose significantly to N8.28 billion from a tax credit of N420.23 million in Q2 2024, the Group still delivered a remarkable bottom-line improvement, posting a net profit of N11.86 billion in Q2 2025, from a net loss of N7.83 billion in Q2 2024.

HOLD

Fair Value Estimate:

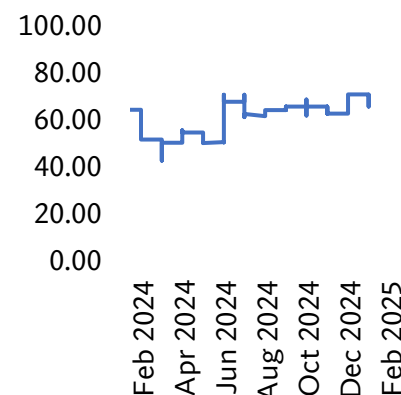
N69.92

Total return: -4%

Stock Data

Current price (N)	74.00
Shares Outstanding (mn)	2,190
Market Cap (N'mn)	162,088
52-week high (N)	77.10
52-week low (N)	42.05
Trailing EPS (N)	-25.00
Forward EPS (N)	4.79
Forward PE (X)	15.44
Justified PE Multiple (X)	14.59

Price Movement



Stock Data	FY 2023	FY 2024	FY 2025F
P/E	N/A	N/A	15.44x
P/BV	2.87x	74.99x	12.80x
PBT Margin	-10%	-25%	4%
PAT Margin	-8%	-18%	2%
RoE	-25%	-187%	142%
Dividend Yield	0%	0%	2%

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Q2 2025 Financial Performance

Income Statement (N'mn)	Q2 2025	Q2 2024	Growth (%)
Revenue	133,719	83,059	61%
Cost of goods	(88,969)	(55,258)	61%
Gross profit	44,750	27,801	61%
Other income	91	1,118	-92%
Operating income	44,841	28,919	55%
Marketing expense	(18,339)	(15,477)	18%
Admin expense	(8,380)	(4,919)	70%
Operating expense	(26,719)	(20,396)	31%
Operating profit	18,122	8,523	113%
Non-operating income/(expense)	2,019	(16,773)	112%
Net FX gain/(loss)	6,935	(16,092)	143%
Finance income	52	603	-91%
Finance cost	(4,969)	(1,285)	287%
Profit/(loss) before tax	20,141	(8,250)	344%
Income tax	(8,278)	420	2070%
Profit/(loss) after tax	11,864	(7,830)	252%

Source: Company Accounts, WSTC Research

Outlook

The rebound reported in Q2 2025 financial performance is a promising sign of enhanced operating efficiency and resilience. As the Group sustain its strategic price increases, and leverages Tolaram's distribution strength, we anticipate robust revenue growth throughout the fiscal year. This operating leverage is also expected to sustain the improved operating margin.

Overall, we expect the Group to close the fiscal year with a net positive position of N10.50 billion, a remarkable return to profitability after two consecutive net losses of N18.17 billion and N54.77 billion in FY 2023 and FY 2024, respectively.

Consequently, we revised our fair value for the stock to N69.92 (previously: N61.82), and we retain our **HOLD** recommendation for the stock.

H1 2025 Financial Performance

Income Statement (N'mn)	H1 2025	H1 2024	Growth (%)
Revenue	259,605	142,596	82%
Cost of goods	(200,598)	(96,657)	108%
Gross profit	59,006	45,939	28%
Other income	159	2,514	-94%
Operating income	59,165	48,453	22%
Marketing expense	(31,642)	(23,791)	33%
Admin expense	(16,267)	(8,265)	97%
Operating expense	(47,909)	(32,056)	49%
Operating profit	11,256	16,397	-31%
Non-operating expense	(7,149)	(20,829)	-66%
Net FX gain/(loss)	612	(19,603)	103%
Finance income	312	1,118	-72%
Finance cost	(8,073)	(2,344)	244%
Profit/(loss) before tax	4,107	(4,432)	-193%
Income tax	(4,410)	(801)	450%
Loss after tax	(303)	(5,234)	-94%
Balance Sheet (N'mn)	H1 2025	H1 2024	Growth (%)
Assets			
PP & E	108,372	99,344	9%
Inventories	80,804	31,727	155%
Receivables	43,390	19,288	125%
Prepayments	10,253	135	7476%
Cash	18,116	113,834	-84%
Others	19,240	1,751	999%
Total Assets	280,176	266,080	5%
Liabilities			
Borrowings	78,478	60,520	30%
Payables	194,466	148,427	31%
Others	5,374	5,431	-1%
Total Liabilities	278,318	214,378	30%
Net Assets	1,859	51,702	-96%

Source: Company Accounts, WSTC Research

Financial Projections

Income statement (NGN mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Revenue	229,441	299,490	505,122	701,715	862,969	1,030,077	1,230,442	1,465,935	1,737,133
EBITDA	32,849	35,504	50,377	59,999	69,382	76,868	96,117	118,680	139,723
EBIT	23,367	25,423	36,127	42,313	47,636	52,946	67,551	89,056	106,356
Profit before taxation (PBT)	(22,139)	(73,680)	19,992	21,267	28,973	33,125	47,738	70,097	87,285
Net profit (PAT)	(18,168)	(54,767)	10,499	14,461	19,701	22,525	32,462	47,666	59,354
EPS (₦)	(8.29)	(25.00)	4.79	6.60	8.99	10.28	14.82	21.76	27.10
DPS (₦)	0.00	0.00	1.44	1.98	2.70	3.09	4.45	6.53	8.13
Balance sheet (NGN mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Current assets	141,803	103,556	169,127	194,081	232,846	261,919	279,949	319,090	291,396
Non-current assets	99,945	122,575	132,268	138,054	143,426	150,856	156,043	168,100	182,386
Total assets	241,748	226,130	301,394	332,135	376,271	412,776	435,991	487,190	473,782
Current liabilities	183,671	222,685	287,383	306,716	335,431	355,246	352,677	365,848	307,274
Non-current liabilities	1,652	1,284	1,351	1,447	1,505	1,581	1,661	1,761	1,873
Shareholders' equity	56,425	2,161	12,660	23,972	39,335	55,949	81,654	119,581	164,635
Book value per share (₦)	25.76	0.99	5.78	10.94	17.96	25.54	37.28	54.59	75.16
Cash flow statement (NGN mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash from operating activities	34,380	80,140	-20,586	88,718	67,702	54,174	51,132	82,277	18,497
Cash from investing activities	(6,317)	(6,222)	67,693	61	(8,811)	(15,470)	(20,641)	(29,952)	(36,042)
Cash from financing activities	(8,885)	(123,799)	(56,916)	(59,261)	(38,563)	(41,114)	(35,877)	(31,171)	(27,242)
Net increase/ (decrease) in cash	19,178	(49,881)	(9,808)	29,518	20,329	(2,410)	(5,386)	21,154	(44,788)
Free cash flow to equity	23,658	(52,202)	(101,343)	9,275	6,531	(12,177)	(11,494)	19,455	(41,753)
Ratio analysis	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
EBITDA margin	14%	12%	10%	9%	8%	7%	8%	8%	8%
Operating margin	10%	8%	7%	6%	6%	5%	5%	6%	6%
ROE	-25%	-187%	142%	79%	62%	47%	47%	47%	42%
ROA	-8%	-23%	4%	5%	6%	6%	8%	10%	12%
Dividend payout ratio (%)	0%	0%	30%	30%	30%	30%	30%	30%	30%

Source: Company Accounts, WSTC Research

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Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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