



Rating	BUY
Price	₦15.95
FVE	₦21.40
52-week range	₦12.85 – ₦35.60
Market Cap. (₦'bn)	34.39
1-month Avg. Vol	1,202,376
Curr. PE	22.6x

GUINNESS .NL –Price Trend



Analyst(s)

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Guinness Nigeria Plc. (GUINNESS.NL)

Stock report

Surprising YoY growth in revenue

Guinness Nigeria's Q1 2021 result revealed a pre-tax loss of ₦0.32 billion, an improved position from the loss of ₦0.37 billion reported in same period last year. The result was positive when compared to our estimates, stemming from higher than expected revenue as well as FX gains reported over the period. While we anticipated a QoQ improvement in sales, following the relaxation of the lockdown restrictions, the YoY improvement came as a surprise as the company implemented a price hike at the start of this calendar year. Over the review period, sales improved by 259% QoQ and 11.6% YoY to ₦30.02 billion.

- Higher costs lead to gross profit decline:** A 46% YoY decline in export revenue to ₦0.37 billion means that the 11.6% YoY growth in overall revenue was driven solely by increased sales in Nigeria (+13%YoY). However, cost of sales rose 21.4% YoY (Q120: -0.2% YoY) to ₦23.01 billion which represents a faster rate of increase than the 11.6% rise in revenue. This translated to an 11.8% YoY decline in gross profit to ₦7.01 billion which gives a gross profit margin of 23.4% (Q120: 29.5%). Despite this lower gross profit, improved performances away from the topline meant that overall loss in Q121 was lower than in Q120
- OPEX declined sharply by 10.2% YoY (Q120: -3.4%YoY) to ₦6.63 billion** led by falls in both admin costs (-7.9% YoY) and sales & distribution costs (-11.1% YoY). Combining that with other income of ₦0.21 billion gives us an EBIT of ₦0.59 billion, a 14% decline compared to the same period last year. EBIT margin is slightly lower at 2.0% compared to the 2.5% in Q120.
- Net finance cost declined by 14.1% YoY (Q120: +143.8%YoY) to ₦0.9 billion** following a faster increase in finance income than finance costs. Finance income rose 96.9% led by a 132% rise in gains from FX re-measurement while finance costs rose 6.2%YoY. Though the company paid down its short-term debt to ₦13.28 billion (-42% QoQ), the FX losses booked on the \$23 million parent loan company drove the mild increase in finance cost.

- The balance sheet showed a 258% increase in cash to ₦18.88 billion between Q420 and Q121, which was driven by a 66% decline in trade receivables to ₦6.27 billion, the lowest we have seen it since 2013. This is in line with the policy announced last quarter of improving their credit risk, in particular we saw the amount due from related parties decline by 97%QoQ.
 - **Buy recommendation maintained:** The performance this past quarter has increased optimism for FY21. However, the current unrest across Nigeria and the re-imposition of restrictions in advanced economies could affect sales over the upcoming festive period. on that note, we cautiously increased our overall revenue projections for FY21 based on higher domestic sales with exports coming in flat for the year. As a result we have raised our FVE rise by 15% to **₦21.40** which, based on current market price, represents a **BUY** rating.
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Summary of Results and Forecasts - ₺'000

QUARTERLY

Income Statement (₺'m) *	Q120	Q220	Q320	Q420	Q121
Revenue	26,898,779	41,428,478	27,691,248	8,357,510	30,024,212
COGS	18,953,797	29,521,905	16,740,144	5,830,108	23,013,178
Gross Profit	7,944,982	11,906,573	10,951,104	2,527,402	7,011,033
Operating Cost	7,382,745	9,190,416	9,432,244	4,153,486	6,631,857
Operating Profit	681,568	2,878,218	1,658,512	(1,540,294)	586,314
Net finance Income	(1,051,982)	(573,402)	(1,587,114)	(1,028,888)	(903,794)
PBT	(370,414)	2,304,816	71,398	(2,569,182)	(317,480)
Tax	-	619,008	24,974	(5,138,806)	524,167
PAT	(370,414)	1,685,808	46,424	2,569,624	(841,647)
Balance Sheet (₺ '000) *	3M20	6M20	9M20	12M20	3M21
Fixed Assets	101,558,622	102,647,372	102,535,325	90,173,043	88,995,696
Inventory	28,240,874	19,997,066	24,769,920	26,426,253	20,678,601
Receivables	25,763,240	31,555,536	23,605,174	18,718,953	6,274,302
Cash & other bank balances	14,939,598	11,420,668	9,064,024	5,271,224	18,884,042
Total Assets	171,541,010	166,105,438	160,749,207	144,145,581	138,347,785
Liabilities					
Payables	171,541,010	166,105,438	160,749,207	144,145,581	138,347,785
Non-current Liabilities	22,887,635	22,892,346	23,364,204	10,509,465	10,643,504
Total liabilities	82,850,961	79,058,965	73,656,308	71,107,441	66,151,292
Shareholders' fund	88,690,049	87,046,473	87,092,899	73,038,140	72,196,494
Key Ratios	Q120	Q220	Q320	Q420	Q121
Gross Margin	29.5%	28.7%	39.5%	30.2%	23.4%
EBIT Margin	2.5%	6.9%	6.0%	-18.4%	2.0%
PBT Margin	-1.4%	5.6%	0.3%	-30.7%	-1.1%
PATt Margin	-1.4%	4.1%	0.2%	30.7%	-2.8%
EPS	(0.17)	0.77	0.02	1.17	(0.38)

ARM ratings and recommendations

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
STRONG BUY	>20%	BUY	>20%
OVERWEIGHT	10% — 20 %	NEUTRAL	5% — 20 %
NEUTRAL	0% — 10 %	SELL	<5%
UNDERWEIGHT	-5% — 0%		
SELL	<-5%		

RECOMMENDATION KEY	
Rating	Recommendation
BUY	Accumulate security to a substantial extent constrained only by portfolio diversification considerations
OVERWEIGHT	Accumulate security to an extent moderated by cognizance of its benchmark weight
NEUTRAL	Maintain status quo for security with respect to current holding—i.e. keep if already holding and don't buy otherwise—subject to reasonable portfolio constraints
UNDERWEIGHT	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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