MERISTEM

# Turning the Tap

## Macro Tailwinds Offer Brewers a Path to Sustainable Growth

**Breweries Sector Update | November 2025**

The Nigerian Consumer Goods Sector

Nigeria's consumer goods sector, particularly the fast-moving consumer goods (FMCG) segment, remains one of the most strategic pillars of the economy, offering direct access to a large and expanding consumer base. With the country's population of over 237.50 million people according to United Nations Population Fund in 2025, accelerating urbanisation and evolving lifestyle preferences, the sector serves as a real-time indicator for household sentiment, inflation pressures and broader macroeconomic trends.

FMCG sector encompasses diverse product categories including food and beverages, personal care, apparel, home care, and electronics, making it one of the most dynamic yet highly demand-sensitive segments of the market.

Beyond its direct contribution to GDP, the consumer goods industry plays a critical enabling role across the economic value chain, supporting supplementary sectors such as logistics, retail distribution, media, advertising and digital commerce. Given the high level of interdependence between industries and its deep integration with global supply chains, shifts in global economic conditions and commodity markets now have increasingly immediate impacts on domestic consumer markets.

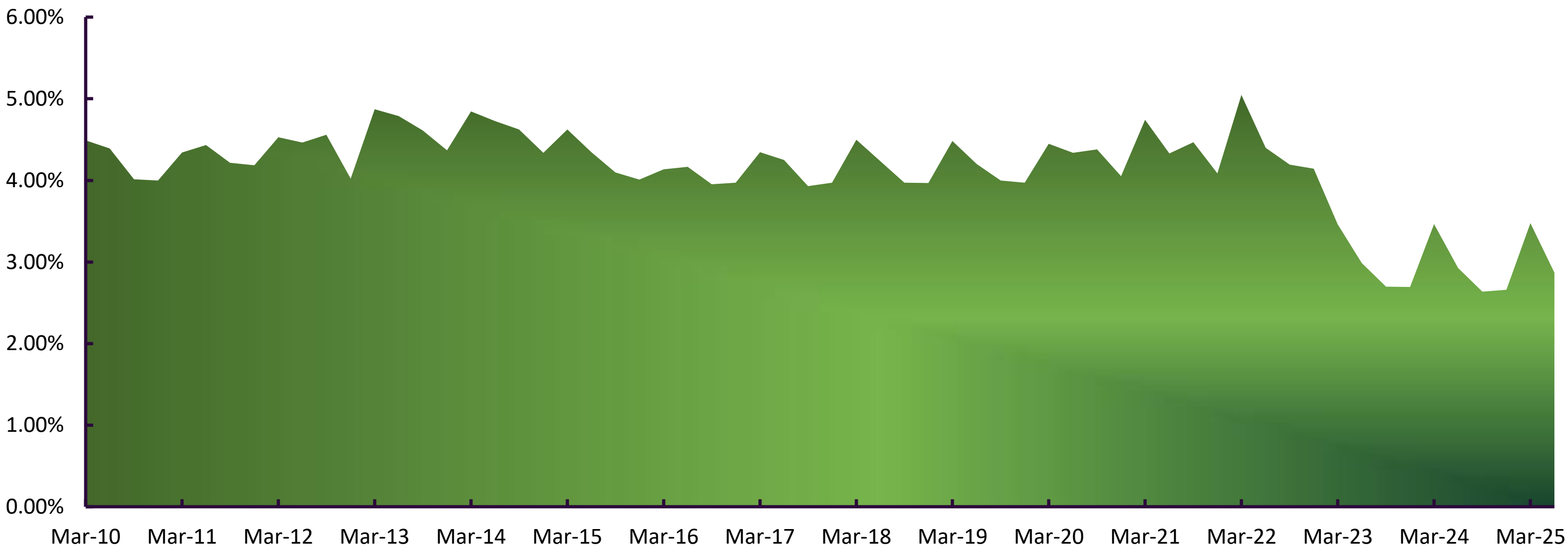
Within this broader landscape, the food and beverage subsector covers companies involved in transforming raw agricultural inputs into finished consumer products. Some of these products include alcoholic and non-alcoholic beverages, packaged foods, tobacco and animal nutrition products, which are then distributed through retail and institutional trade channels across the country.

The Food, Beverages and Tobacco segment remains a key driver of Nigeria's manufacturing sector, consistently contributing between 2.00% and 3.00% to manufacturing GDP over the last five years. As of the latest GDP data released by the National Bureau of Statistics, it accounted for 2.87% of total GDP in Q2:2025, while its nominal contribution rose slightly to NGN10.64trn in 2024 from NGN8.99trn the year before, an 18.35% year-on-year increase, despite elevated inflation.

Within the manufacturing sector, its dominance has strengthened over time, rising from 32.95% of total manufacturing output in 2021 to 35.13% in 2024 and further to 36.74% as of Q2:2025 — reflecting growing domestic consumption and increased substitution of imports amid FX instability.

Despite its structural importance, the sector continues to face considerable pressure from surging inflation, foreign exchange scarcity, regulatory hurdles (including tariffs and excise taxes), and volatile input costs — all of which have weighed on profitability and forced price adjustments.

Chart 1: Food Beverage & Tobacco vs. Total GDP




*Source: NBS, Meristem Research*

# The Nigerian Brewery Sector

## Resilient Through Cycles: Nigerian Brewers' Defensive Play Amid Macro Uncertainty

Beer remains one of the world's most widely consumed alcoholic beverages and a core component of global social and dietary culture — ranking as the third most consumed drink globally after tea and water (according to the Oxford Companion to Beer) and remains the most popular alcoholic beverage globally. Typically containing 3.00%–6.00% alcohol by volume depending on the variant, beer also provides trace nutritional value, including B vitamins, soluble fibre, and essential minerals. As a dominant category within the alcoholic beverage market, the product continues to evolve alongside shifting consumer preferences and macroeconomic conditions — making it a critical sector to watch within the Nigerian consumer landscape. The Nigerian breweries sub-sector is a major pillar of the wider consumer goods industry, distinguished by its deep market penetration and ability to serve a highly diverse customer base across all geopolitical zones , each with distinct consumption patterns and cultural influences. The industry started in 1946 as a monopoly with Nigerian Breweries Plc as the sole operator, before Guinness Nigeria Plc entered in 1963, creating a duopoly. Today, it has evolved into an oligopoly dominated by a small group of large players.

Having operated for over seven decades, the industry has demonstrated strong resilience, navigating political volatility, economic downturns, and shifting regulatory regimes — while continuing to attract significant foreign investment. Operators engage in the brewing, bottling, sales, and distribution of alcoholic and non-alcoholic beverages, including beer, stout, malt drinks, and in some cases, soft drinks. While several brewers operate in Nigeria, only five are listed on the Nigerian Stock Exchange (NSE).

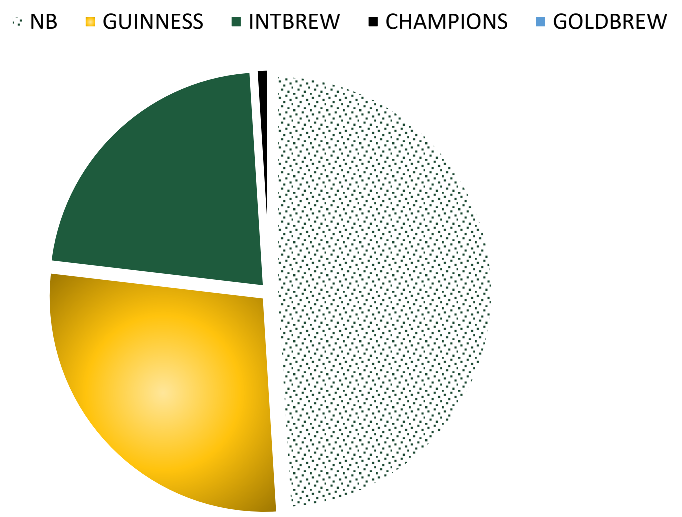
| S/N | Companies |
|---|---|
| 1. | Africana Breweries Ltd |
| 2. | Associated Breweries & Company Ltd |
| 3. | Bendel Brewery Ltd |
| 4. | Benue Brewery Ltd |
| 5. | Champion Breweries Plc |

| S/N | Companies |
|---|---|
| 6. | Nigeria Breweries Plc |
| 7. | Premier Breweries Ltd |
| 8. | North Brewery Ltd |
| 9. | Pal Breweries Ltd |
| 10. | Eastern Breweries Ltd |

| S/N | Companies |
|---|---|
| 11. | Diamond Breweries Ltd |
| 12. | Golden Guinea Breweries Plc |
| 13. | Guiness Nigeria Plc |
| 14. | Life Breweries Co. Ltd |
| 15. | International Breweries |

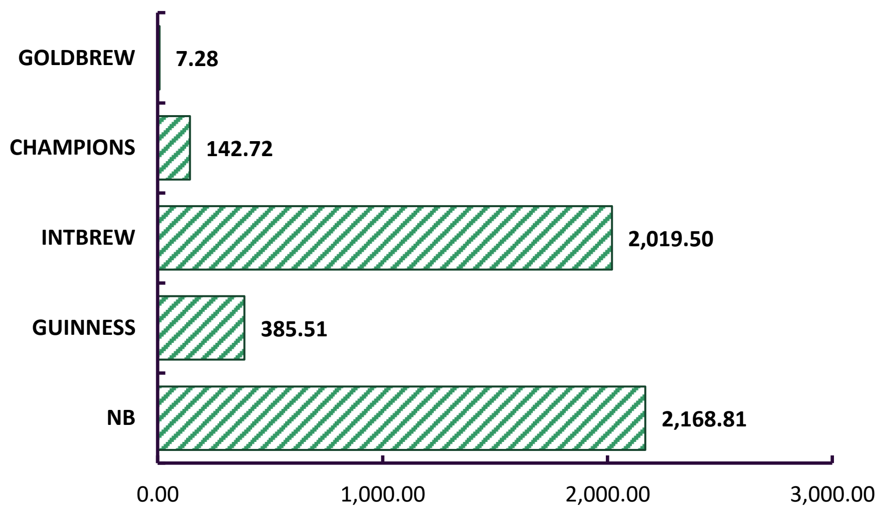
Of the brewery companies listed above, only Nigerian Breweries Plc (**NB**), Guinness Nigeria Plc (**GUINNESS**), International Breweries Plc (**INTBREW**), Champion Breweries Plc (**CHAMPION**), and Golden Guinea Breweries Plc (**GOLDBREW**) are listed on the Nigerian stock exchange.

Chart 2: Top Listed Nigerian Brewers by Revenue (9M:2025)




*Source: Company's Financials, Meristem Research*

Chart 3: Top Listed Nigerian Brewers by Market Cap (9M:2025)




*Source: NGX, Meristem Research*

# Global Giants, Local Market Leaders

One of the most distinguishing features of Nigeria's brewery industry is the strong presence of foreign players. The sector has historically attracted global brewers, with most of the market dominated by subsidiaries of multinational corporations. This foreign participation has shaped the competitive nature of the industry, driven capital formation, and supported product innovation across the value chain.

Heineken N.V., through its majority stake in Nigerian Breweries Plc, exemplifies the earliest form of foreign participation in the sector. Since the establishment of Nigerian Breweries in 1946, Heineken has progressively increased its ownership, ultimately becoming the controlling shareholder. The brewer has continuously expanded its footprint through mergers (notably with Consolidated Breweries in 2014), new brewery plants across the country, and a wide brand portfolio that spans both premium and mass-market segments.

Diageo entered Nigeria by acquiring a majority stake in Guinness Nigeria Plc, originally founded in 1962 by Guinness Overseas Ltd to brew Guinness Stout locally. Following the 1997 merger that formed Diageo, the group consolidated control and expanded Guinness Nigeria's operations. However, in 2024, Diageo sold its 58.02% stake to Tolaram Group, a Singapore-based conglomerate with strong African FMCG operations.

AB InBev, entered the Nigerian market through its acquisition of SABMiller, and subsequently consolidated its holdings under International Breweries Plc. Since then, it has pursued aggressive expansion, commissioning a USD250.0mn brewery in Sagamu and pushing deep into the value segment with mass-market brands such as Trophy, Hero, and Eagle Lager. Its strategy has focused on volume growth, cost efficiency, and price competitiveness.

| Brewer | Entry Method | Key Brands | Unique Strength |
| --- | --- | --- | --- |
| Heineken (NB) | Early FDI + Consolidation | Star, Gulder, Heineken | Market leader, wide reach |
| AB InBev (IBPLC) | Acquisition (SABMiller) | Budweiser, Trophy, Hero | Aggressive pricing |
| Diageo (GUINNESS) | Direct Investment | Guinness, Orijin, Smirnoff | Stout & RTD segment leadership |

# High Costs, Low Spirits: Macroeconomic Headwinds Reshape Nigeria's Brewery Landscape

As a discretionary consumer segment, the brewery industry is highly sensitive to macroeconomic swings. The Q1:2023 cash shortage clearly illustrated this, as constrained liquidity sharply weakened consumer spending power and triggered an immediate revenue drop across major brewers, with earnings falling well below their five-year historical averages. This episode underscored the sector's vulnerability to demand shocks and fluctuations in household disposable income.

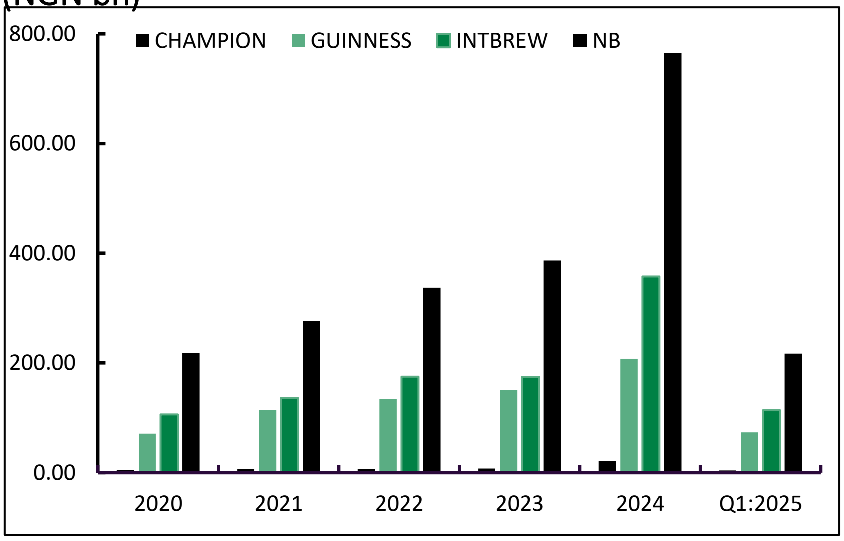
Post-COVID, brewers have contended with a challenging macroeconomic environment marked by elevated inflation, steep Naira depreciation, higher interest rates and persistent supply chain disruptions.

For brewers, like most consumer goods players, rising inflation translated into significantly higher input costs across raw materials, packaging and production. These pressures were intensified by prolonged global supply chain disruptions, particularly from the Russia-Ukraine war and the breakdown of the Black Sea Grain Initiative, which further constrained the supply of key agricultural commodities and created cost volatility. At the same time, inflation eroded consumer purchasing power, pressuring both sales volumes and margins. Nigeria's headline inflation climbed to 34.80% in December 2024 (before moderating to 16.05% as of October 2025, partly due to the inflation rebasing exercise).

Additionally, the removal of fuel subsidies in 2023, triggered a 240% surge in Premium Motor Spirit (PMS) prices to NGN550–620/litre from NGN180–190/litre, sharply raising logistics costs and inflating local input prices for brewers. Reflecting this, cost of sales for the companies under our coverage rose 86.36% YoY to NGN1.32trn in 2024FY (vs. NGN720.20bn in 2023FY). As of 9M:2025, cost of sales was up 35.43% YoY to NGN1.36trn (vs. NGN1.01trn in 9M:2024).

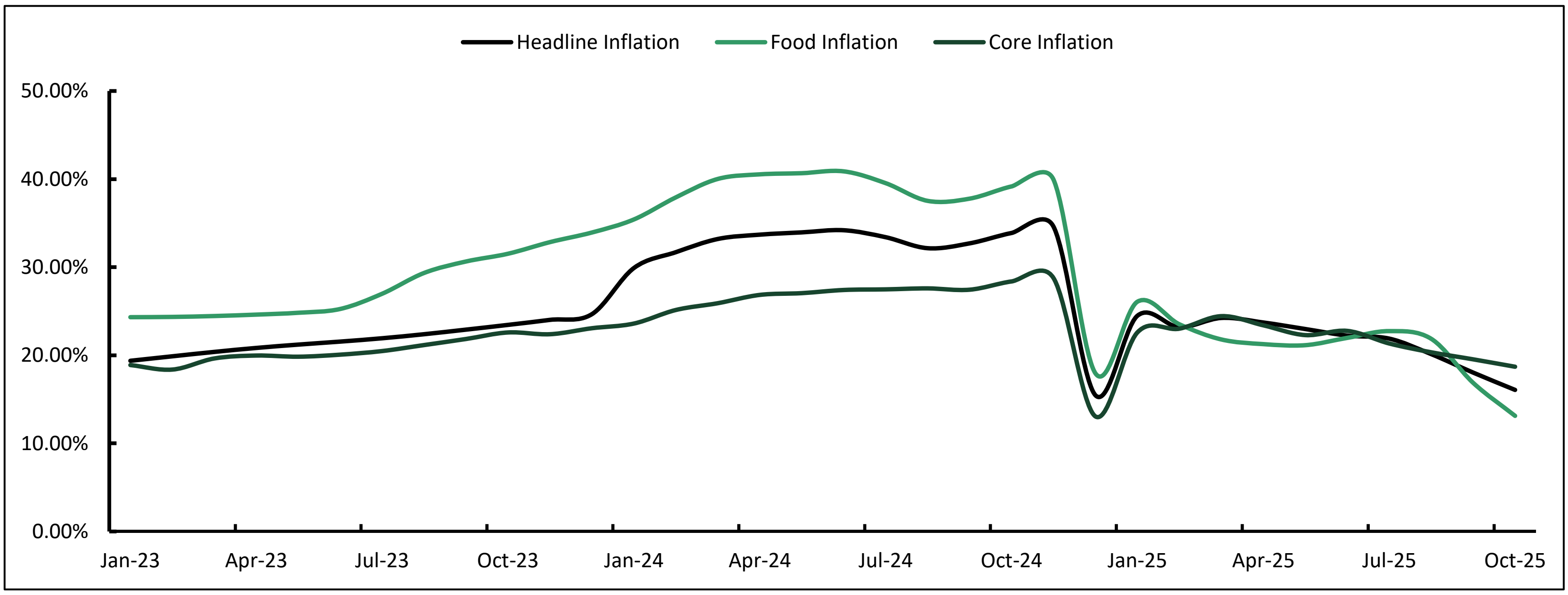
Beyond input costs, elevated PMS prices also drove a surge in distribution and administrative expenses. For context, aggregate operating expenses for the major listed brewers increased 38.84% YoY to NGN537.17bn in 9M:2025 (vs. NGN387.90bn), exerting further pressure on profitability.

Chart 4: Industry Cost of **Sales** and Operating Expenses (NGN'bn)




*Source: Company's Financials, Meristem Research*

**Chart 5: Nigeria's Inflation Trend (% YoY)**



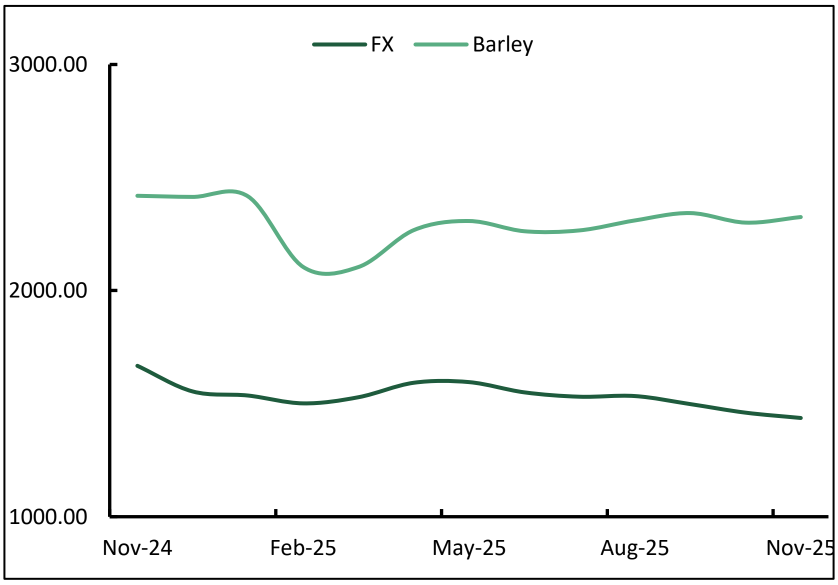

*Source: CBN, Meristem Research*

# The Turning Tide: Reforms, Stability, and a Path Back to Profitability

A major economic turning point was the unification of the foreign exchange market in June 2023, which led to a sharp devaluation of the Naira — from an average of NGN400/USD to roughly NGN900/USD by year-end. The resulting currency adjustment had far-reaching implications for the real sector, with the consumer goods industry — particularly breweries — among the hardest hit.

One of the immediate effects was a steep rise in raw material costs, given the industry's reliance on imported inputs such as barley, which further eroded margins. The sharp depreciation also had a material impact on earnings, as brewers reported record foreign exchange losses on USD-denominated loans, payables and letters of credit. In 2023FY, FX losses for the companies under our coverage surged to NGN255.32bn (vs. NGN40.04bn in 2022FY), pushing all players into a loss position. The pressure intensified in 2024 as the Naira weakened further to an average of NGN1,540.70/USD, resulting in another year of aggregate sector losses — totaling NGN221.50bn (vs. NGN255.32bn in 2023FY).

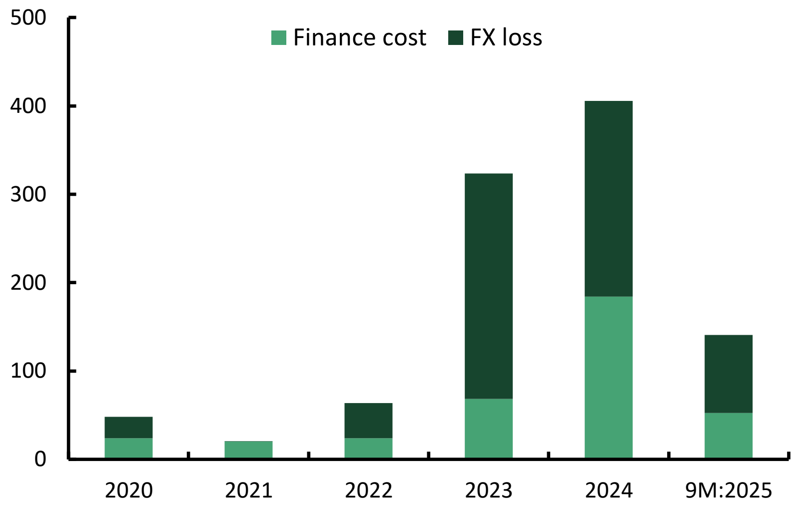
**Chart 6: Exchange Rate Movement & Barley (INT) (NGN/USD)**




*Source: CBN, Meristem Research*

Beyond the direct FX impact on input costs and currency-linked obligations, USD-denominated loans also attracted higher interest expenses due to the persistent Naira depreciation. The cumulative 850bps hike in the Monetary Policy Rate (MPR) through 2024 further drove up local borrowing costs, placing additional strain on finance expenses and delaying expansion plans.

**Chart 7: Finance Costs and Exchange Losses (NGN'bn)**

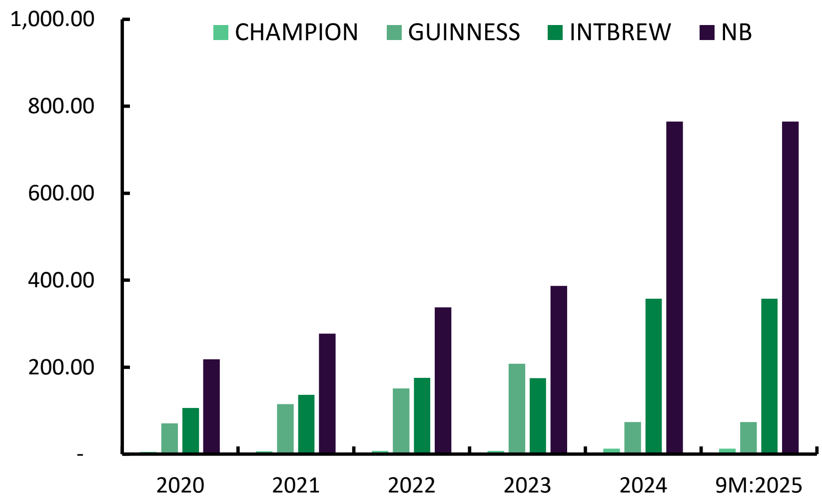



*Source: Company's Financials, Meristem Research*

While finance costs rose sharply, the sector also recorded higher finance income, driven by gains on FX-linked assets and higher yields on financial instruments. This offered some earnings relief but was insufficient to fully offset the heavy FX losses booked during the same period.

Notably, meaningful exchange gains only began to materialise after a period of sustained currency stability — supported by reforms such as the launch of the Nigerian Foreign Exchange Market (NFEM) window and the B-Match trading system in late 2024, which improved market transparency, along with targeted CBN interventions. This positive momentum carried into 2025, as easing cost pressures and prolonged FX stability reduced margin strain while supporting strong topline growth. As a result, operators under our coverage returned to profitability, with most reporting positive earnings by 9M:2025.

**Chart 8: Profitability (NGN'bn)**




*Source: Company's Financials, Meristem Research*

# Navigating Volatility: Breweries Execute Strategic Shifts

Given the persistent macroeconomic challenges, companies in the Nigerian breweries sub-sector have implemented a series of strategic corporate actions to safeguard operations, enhance efficiency, and reposition for long-term growth.

| Company | Corporate Action | Impact |
|---|---|---|
| **INTBREW** | Capital Raise via Rights Issue | • International Breweries Plc ended Q1:2024 with negative shareholders' funds of NGN347.5 billion, prompting a NGN588.0 billion rights issue involving 161 billion shares. The issue was 87.75% subscribed, generating NGN516.2 billion for the company.<br>• Proceeds were deployed to offset existing liabilities, particularly a USD379.00mn convertible loan from parent company AB InBev, originally used to refinance a USD424.00mn facility from Citibank Abu Dhabi. AB InBev's full subscription to the issue effectively converted the loan to equity, improving the company's balance sheet health, albeit with no fresh capital injection. |
| **NB** | Rights Issue Offering | • In October 2024, Nigerian Breweries Plc ("NB") completed its NGN599.10bn rights issue, priced at NGN26.50 per share, with a subscription level of 91.59%. A total of 22.61 billion ordinary shares were offered on an 11-for-5 basis to shareholders as of July 12, 2024. Concurrently, the company acquired the remaining 20% stake in Distell Wines and Spirits Nigeria Ltd (DWSN), further deepening its presence in the wines, spirits, and RTD segment with brands like Chamdor, 4th Street, and Savanna. Production was consolidated into NB's facilities to realise cost efficiencies. |
| **CHAMPION** | Undertakes Strategic Divestment & Acquisition<br><br>Capital Raise Proposal | • In February 2024, Heineken B.V. announced the divestment of its 86.50% stake in Champion Breweries Plc to EnjoyCorp Limited, a player in the food, beverage, and hospitality space. The transaction, executed through Raysun Nigeria Limited, marked Heineken's full exit from Champion Breweries.<br>• August 2025, Champion Breweries Plc announced an agreement to acquire the Bullet range of ready-to-drink (RTD) alcoholic and energy beverages from Sun Mark International Limited.<br>• The company commenced Rights Issue of 994,221,766 ordinary shares of NGN0.50 at NGN16.00 per share in November 2025. This represents the first phase of a two-step capital raise, to be followed by a planned Public Offer. The proceeds from the exercise are earmarked to finance the strategic acquisition of the Bullet brand. |
| **GUINNESS** | Transition to New Majority Shareholder | • In a landmark transaction, Tolaram Group acquired Diageo's 58.02% stake in Guinness Nigeria Plc, becoming the new majority shareholder following regulatory approval. The acquisition, which took effect on September 30, 2024, includes long-term license and royalty agreements for the continued production and sale of Diageo's flagship brands in Nigeria. |

# Beyond the Bottle

## The Structural Trends Shaping the Brewers Landscape

Although beer remains a core staple in Nigeria's beverage market with stable nationwide demand, consumption patterns are gradually evolving. In recent years, the industry has been shifting strategically as brewers respond to changing consumer preferences, macroeconomic headwinds, and escalating cost pressures. Beyond simply chasing volume, players are now driving innovation across product design, sourcing efficiency, distribution models, and digital engagement to preserve margins and capture new growth pools. The following key trends are shaping the industry's competitive direction:

**Rising Health Consciousness:** Growing westernization and health awareness, particularly among urban middle- and high-income consumers, is curbing alcoholic beverage consumption, as public health campaigns increasingly promote moderation and wellness-oriented lifestyles.

**Increased product innovation and premiumization:** As consumers become more health-conscious and selective, brewers are accelerating innovation, introducing low-sugar, zero-alcohol, and fortified malt beverages while focusing on premium portfolios with lifestyle-oriented and better-for-you variants. This shift reflects growing demand for products that balance indulgence with wellness, especially among urban millennials and upwardly mobile consumers.

**Emerging Demographics:** A major driver of growth in Nigeria's brewery sector is its youthful demographic profile - a median age of 18, with about 56% of citizens between 15 and 65. Rising middle-class incomes and rapid urbanisation have further supported this strong consumption potential. These dynamics are fuelling more social drinking occasions among millennials and working-age adults, alongside other emerging lifestyle trends, all of which are expanding the market beyond traditional consumption habits.

**Rising Backward Integration and Local Sourcing Initiatives:** Brewers are increasingly accelerating backward integration to reduce import dependence and protect margins amid FX pressures. **NB**, for instance, already sources over 50% of its raw materials and all of its packaging inputs locally, through value-chain partnerships such as the Sorghum and Cassava Projects. This shift positions the industry for improved cost efficiency and supply chain resilience.

**Digital transformation:** Nigeria's brewers are deepening digital transformation efforts, shifting to modern industrial automation that leverages computerized design, planning, and manufacturing tools to improve efficiency and reduce downtime. In addition, brewers are investing in digital route-to-market innovation, using data-driven distribution platforms, e-commerce partnerships, and direct-to-consumer channels to enhance market reach and improve last-mile delivery

# Industry Competitiveness

| Porter's Five Forces | Level of Threat | Rationale |
|---|---|---|
| Bargaining Power of Suppliers | Moderate | • Heavy reliance on imported raw materials (e.g., barley, hops, machinery) elevates suppliers' power.<br>• However, the presence of multiple international and local ingredient suppliers tempers this power.<br>• The push for backward integration (e.g., sorghum substitution) helps reduce dependency. |
| Bargaining Power of Buyers | Moderate | • Nigerian consumers are highly price-sensitive, especially within discretionary segments.<br>• Strong brand loyalty in the mainstream and premium categories limits buyer switching.<br>• Large-volume distributors (e.g., wholesalers and open-market aggregators) wield moderate bargaining power due to their scale and reach. |
| Threats of Substitute | Moderate | • Non-alcoholic drinks (malt, CSDs, energy drinks) continue to compete for market share, particularly among younger and health-conscious consumers.<br>• Traditional alcoholic beverages like palm wine and burukutu remain widely consumed, especially in rural areas.<br>• Health awareness and religious preferences also constrain beer consumption in some demographics. |
| Threats of New Entrants | Low | • High initial capital outlay, regulatory compliance (NAFDAC, SON), and technical expertise pose strong barriers to entry.<br>• Established players enjoy cost advantages from economies of scale and strong distribution footprints.<br>• Entrants face difficulty in breaking brand loyalty and replicating route-to-market efficiency. |
| Rivalry | High | • The industry is dominated by a few large players (Heineken, AB InBev, Guinness), intensifying competition across pricing and market segments.<br>• Aggressive marketing, frequent product innovation, and price promotions have heightened rivalry. |

# Value Chain Analysis

The beer value chain is a progression of essential procedures that must be accomplished from inputs sourcing, to brewing, packaging, marketing, and distribution to the customer. From the field to the fridge, the process of getting a beer into the consumers' hands entails sourcing crucial raw materials like malt, hops, and yeast, as well as the people, production processes, knowledge, and resources required.

## Basic Ingredients of Beer

**Grains:** Barley, wheat, rice, sorghum, and corn are common grains used in beer production, each contributing unique characteristics. Barley provides protein, fiber, vitamins, and color; wheat adds sweetness and flavor especially in darker beers; rice is common in light beers; sorghum can mimic barley in both malted and unmalted forms; and corn is often used in American-style beers to deliver an earthy balance to the sweetness of malt.

The grain used in the beer is determined by the type of beer being produced. Grains are malted to produce the sugars that the yeast converts to wine and carbon dioxide. It is important to know that the type of grain and the malting process will determine the type of beer that is produced.

**Hops:** are used in beer as natural preservatives and to impart bitterness. They also contribute to the characteristic flavour of the beer. They can also work as a beer stabilizer, helping to keep the beer's frothy surface. There are several hop varietals, and each adds a unique flavour and taste to the beer. They are the costliest component of beer.

**Yeast:** converts sugar into alcohol by consuming and fermenting it into CO2 and alcohol. It breaks down sugars to create carbon dioxide gas which gets trapped inside spaces within cells called bubbles resulting in carbonation – this is what makes beer bubbly. The type of yeast used significantly affects the beer's flavour, colour, and taste.

**Water:** converts sugar into alcohol by consuming and fermenting it into CO2 and alcohol. It breaks down sugars to create carbon dioxide gas which gets trapped inside spaces within cells called bubbles resulting in carbonation – this is what makes beer bubbly. The type of yeast used significantly affects the beer's flavour, colour, and taste.

# From Field to Fridge

**Input sourcing:** Nigeria remains heavily reliant on imports for key brewing inputs such as barley and wheat, sourcing them mainly from countries like China, the UK, Russia, and the US due to insufficient local production. In response to FX restrictions and global supply disruptions, brewers have increasingly shifted toward locally sourced sorghum, now produced widely across multiple states, prompting major investments in backward integration. However, certain inputs like hops, which cannot be grown efficiently in Nigeria's tropical climate, still have to be fully imported.

**Brewing:** Modern brewing is a highly industrialized and digitally automated process, far evolved from its traditional origins. Today, beer is produced and packaged at scale, using metal casks, plastic, glass, and increasingly aluminum, and exported across continents. The brewing process involves steps such as malting, milling, mashing, boiling, fermentation, maturation, and packaging, all aimed at converting grain starches into fermentable sugars and fermenting them into alcoholic, carbonated beer for commercial or personal consumption.

## The Brewing Process

**01 Malting**
This is the procedure used to prepare the grain for brewing. The malting procedure entails steeping and aerating the grain, allowing it to germinate, and then drying and curing the malt.

**02 Milling**
Milling is the process of crushing the malt to break the starchy interior into small particles while keeping the husk mostly intact, enabling effective water extraction during brewing.

**03 Mashing**
During mashing, the starches produced during malting are converted into fermentable sugars, after which the leftover "spent" grain is separated from the liquid extract, known as wort.

**04 Lautering**
Lautering is the process of separating the wort, the sugary liquid produced during mashing, from the grains,

**05 Boiling**
Boiling involves heating the beer wort in a large vessel called a brew kettle or "copper," together with hops and any additional desired flavorings.

**06 Cooling**
After boiling, the wort is cooled to a fermentation temperature of 20–26 °C (68–79 °F) before yeast is introduced

**07 Fermentation**
Once the wort is cooled and aerated, yeast is added to convert the malt sugars into alcohol and carbon dioxide, marking the point at which it officially becomes beer

**Packaging:** Beer packaging refers to the bottling and branding of products in bottles, PET containers, cans, cases, or kegs, with details such as batch number, bottling date, and expiry date applied at this stage. The market is highly competitive and fragmented, with vendors differentiating through price, packaging size, capacity, and quality. Demand for innovative and eco-friendly packaging solutions is expected to grow, driven by ongoing technological advancements.

**Distribution:** This stage involves moving packaged beer from manufacturers to consumers through either distributors or direct retail channels. Large brewers typically use the traditional three-tier system, while smaller or growing breweries often opt for self-distribution to retain margins and control.

# Life Cycle Analysis

The Nigerian breweries sector is firmly positioned in the mature stage of the industry life cycle. This stage is characterised by high market penetration and intense competition among established players. The sector has achieved high market penetration. Leading players such as Nigerian Breweries Plc, Guinness Nigeria Plc, and International Breweries Plc have extensive distribution networks and broad brand awareness across the country. The sector caters to a diverse consumer base segmented by income, geography, and cultural preferences. We are of the view that beer consumption remains relatively stable in the South and Middle Belt, while demand in the North is structurally limited by religious and cultural constraints, thus capping further volume-driven growth in those regions. This saturation is a typical feature of a mature industry.

During this mature phase, the sector faces pricing pressures and margin constraints, driving firms to diversify their product portfolios. This includes expanding into non-alcoholic beverages, ready-to-drink products, and premium segments to meet evolving consumer preferences, especially among health-conscious and aspirational consumers. Additionally, consolidation activities, such as acquisitions and strategic partnerships, have become common as companies seek to unlock cost synergies and strengthen their market positions.

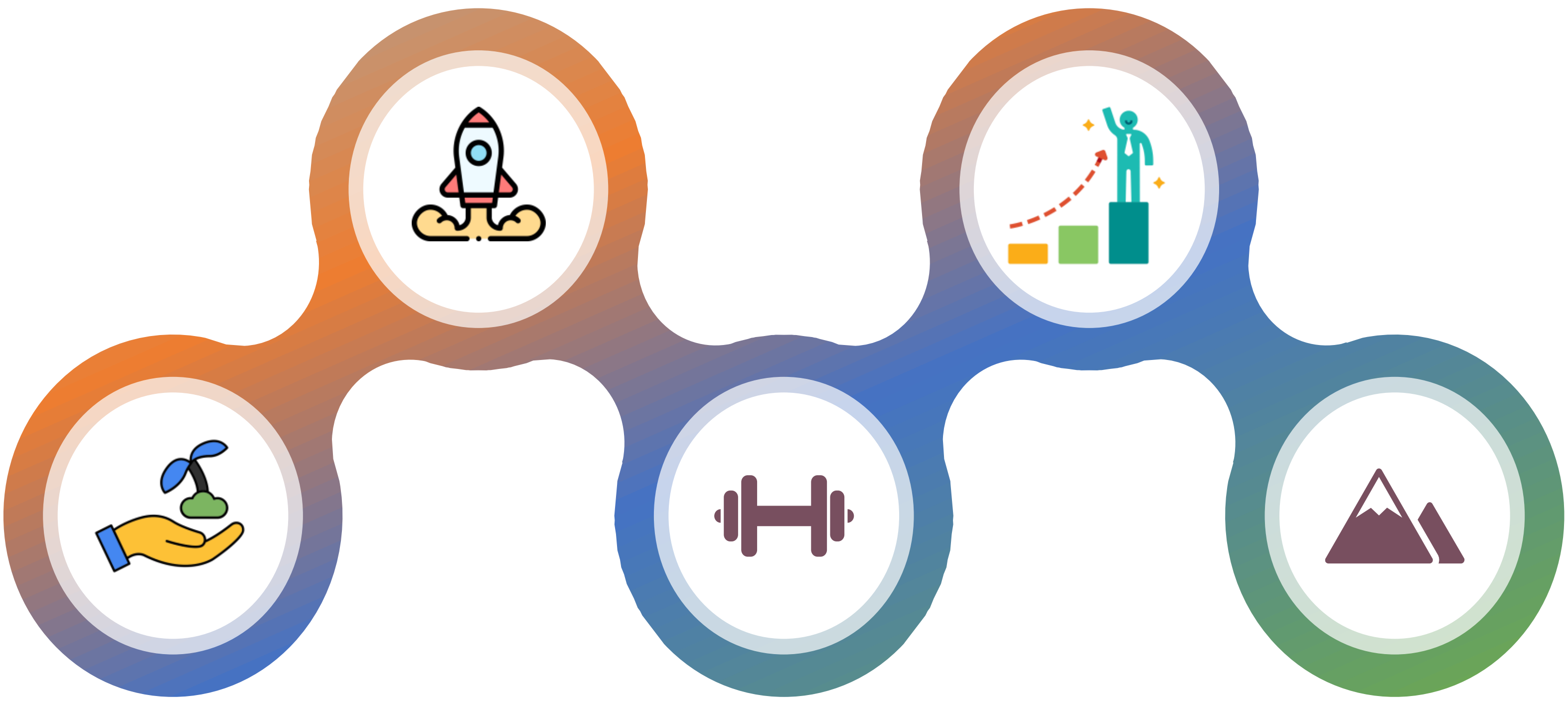
While growth opportunities remain limited by market saturation and cultural restrictions in certain regions, companies are leveraging innovation, sustainability initiatives, and targeted marketing to sustain profitability.

### Growth

Marked by rapidly rising demand, improving profitability, declining prices, and relatively low competition.

### Mature

Characterised by minimal or zero growth, significant industry consolidation, and high barriers to entry.



### Embryonic

Characterised by slow growth, high prices, substantial capital investment, and elevated business risk.

### Shakeout

Defined by slowing growth, heightened competition, and declining profitability.

### Decline

Driven by negative growth, excess capacity, and intense competitive pressure.

# COMPANY ANALYSIS

## NIGERIAN BREWERIES PLC

Nigerian Breweries Plc (**NB**), a subsidiary of the Heineken Group of the Netherlands, stands as the trailblazer and largest brewing company in Nigeria. Incorporated in 1946, **NB**'s growth trajectory has been shaped by a blend of organic expansion and strategic consolidation. The company gradually extended its production base with new plants in Aba (1957), Kaduna (1963), and Ibadan (1982). In 2011, it acquired Sona Systems and Life Breweries, gaining facilities in Ota, Kaduna, and Onitsha. The 2014 merger with Consolidated Breweries further enhanced its capacity and market presence, bringing its total operations to nine breweries and two malting plants in Aba and Kaduna.

Today, the company has an installed brewing capacity of over 15 million hectoliters per year, supported by an extensive distribution infrastructure that includes more than 40 depots and over 500 trucks. To strengthen its route-to-market model, **NB** established 234 Stores Limited in 2018, a subsidiary designed to streamline distribution and reduce intermediary costs.

Over the years, the company has built a robust product portfolio across various beverage categories, boasting one of the most diversified product line in the Nigerian market. Core beer and stout offerings include Star Lager, Gulder, Heineken, Life Continental, and Legend Extra Stout, while malt beverages such as Maltina, Amstel Malta, and Malta Gold cater to non-alcoholic consumers.

The company has also branched into soft drinks and ready-to-drink products with Fayrouz, Climax Energy Drink, and Ace RTD. This variety has enabled it to serve a wide spectrum of consumers and maintain leadership in an increasingly competitive industry. Beyond domestic sales, **NB** has exported since 1986, with markets spanning Europe, North America, Africa, the Middle East, and Asia.

The company's influence also extends beyond brewing, as it supports several ancillary industries including packaging, logistics, and advertising. **NB** has been listed on the Nigerian Exchange (NGX) since 1973, and with a market capitalization of about NGN2.17trn as of November 2025, remains one of the largest listed firms in Nigeria. Heineken, through its subsidiaries Heineken Brouwerijen B.V. and Distilled Trading International B.V., retains a 72.90% controlling stake in the business.

With nearly eight decades of operations, Nigerian Breweries (**NB**) has consistently sustained its leadership position in Nigeria's beverage sector. Its scale, broad brand portfolio, nationwide reach, and strong backing from Heineken have cemented its resilience. The company has also earned numerous recognitions for governance, regulatory compliance, product quality, and sustainability, reinforcing its standing as a cornerstone of Nigeria's manufacturing and consumer markets.

## Pricing Power Meets Volume Recovery

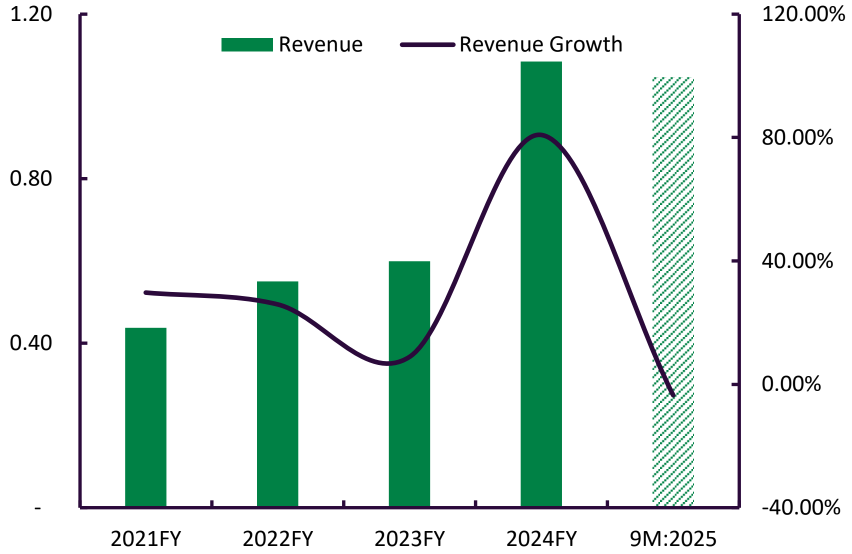
Over the last five years, Nigerian Breweries (**NB**) has maintained a steady topline growth trajectory, recording a compound annual growth rate (CAGR) of 26.33%. This was supported by ongoing product innovations, including the launch of Sugar-Free Amstel Malta, Star Radler Red Fruits, and Desperados. Following a period of subdued revenue growth in 2019 (-0.43% YoY) and 2020 (4.35% YoY) due to the pandemic-induced restrictions on public gatherings, the company rebounded in 2021 with a 29.74% YoY increase in revenue to NGN437.29bn, driven by renewed consumer demand.

However, in 2023FY, revenue growth moderated to 8.90% YoY, as cash shortages in Q1:2023 constrained household spending and weighed on volume outturn. Notably, performance improved towards the year's end as liquidity pressures eased.

In 2024FY, **NB** delivered its strongest topline performance in over a decade, with revenue rising by 80.85% YoY to NGN1.08trn — crossing the NGN1.00trn mark for the first time. The impressive performance was largely underpinned by strategic price increases to offset inflationary cost pressures, alongside improved sales volumes as indicated by increase in sales to invested capital to 2.36x (vs. 1.67x in 2023FY). This was further supported by stronger distribution and route-to-market execution. The growth momentum extended into 9M:2025, as revenue advanced by 47.20% YoY to NGN1.05trn (vs. NGN710.87bn in 9M:2024), reflecting the sustained impact of improved pricing strategies and stronger volumes tied to relatively stable macroeconomic conditions.

We expect the company's growth momentum to persist in the near term, supported by gradually improving macroeconomic conditions. Moderating inflation and a recovery in real incomes should bolster consumer demand, while the company's strengthened route-to-market capabilities, diverse portfolio offereings and effective pricing strategy are likely to reinforce topline performance.

Chart 9: Trend in Revenue (NGN'bn) & Revenue Growth (%)




*Source: Company's Financials, Meristem Research*

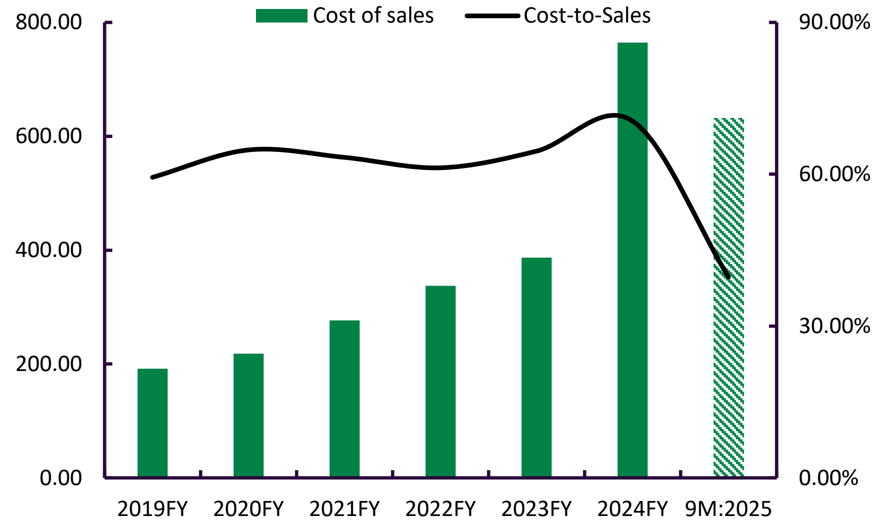
## Surging Costs, Thinning Margins

**NB**'s cost of sales has remained on an upward trajectory, closely tracking revenue growth in recent years. In 2023FY, cost pressures intensified (+14.74% YoY), outpacing revenue growth due to heightened inflationary pressures and the mid-year unification of the foreign exchange (FX) market. The pressure worsened further in 2024FY, as cost of sales surged by 97.53% YoY to NGN764.52bn. This sharp increase was primarily driven by elevated global commodity prices and rising import costs. The company's reliance on imported raw materials exposed its cost structure to FX volatility, exacerbating the cost burden.

In 9M:2025, cost of sales rose moderately by 26.00% YoY to NGN613.230bn (vs. NGN500.96bn in 9M:2024), driven mainly by a 19.57% YoY increase in raw material costs to NGN486.88bn Despite this increase, cost-to-sales ratio improved to 60.33% (vs. 70.47% in 9M:2024), 5bps lower than the 5year average of 64.88%. Resultantly, gross profit surged by 97.77% YoY to NGN415.15bn (vs. 209.91bn in 9M:2024, with gross margin expanding to 39.67% from 29.53% in the corresponding period of 2024.

Operating expenses have followed a similar uptrend, rising by 46.08% YoY in 2024FY to NGN249.99bn (vs. NGN171.13bn in 2023FY), driven by increases in both administrative (+39.74% YoY) and selling & distribution expenses (+47.20% YoY).
Despite this, the company's operating profit advanced to NGN69.90bn (vs. NGN43.96bn in 2023FY), reflecting underlying topline strength.

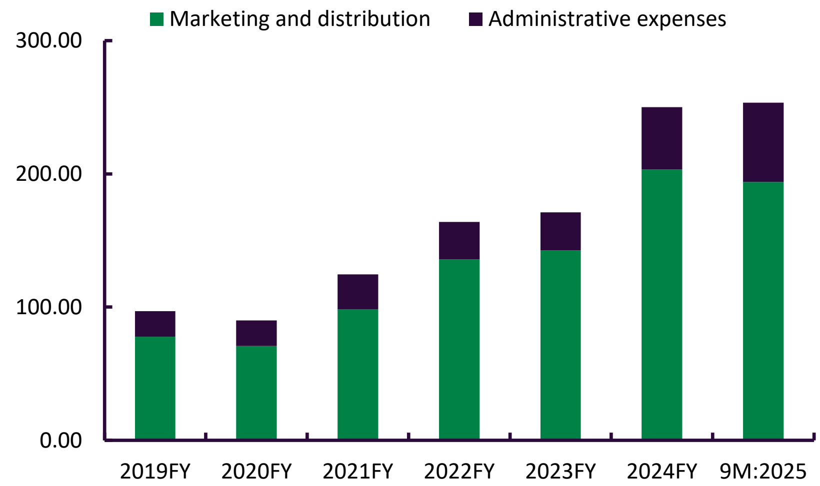
Chart 10: Trend in Cost of Sales (NGN'bn)




*Source: Company's Financials, Meristem Research*

However, operating margin dipped slightly to 6.45% (vs. 7.33%) due to the faster uptick in operating costs. In 9M:2025, operating profit remained strong with an +461.64% YoY uptick to NGN163.13bn (from NGN29.05bn in 9M:2024) as improved cost efficiency and robust revenue expansion offset the 45.77% YoY jump in operating expenses, which was driven by twin hikes in selling & distribution (+35.47% YoY to NGN193.65bn) and administrative (+55.77% YoY to NGN59.57bn) expenses. Consequently, operating margin improved to 15.59% (vs. 4.09% in 9M:2024).

**Chart 11: Trend in Operating expenses (NGN'bn)**




*Source: Company's Financials, Meristem Research*

## Improved FX Conditions Anchor Earnings Recovery

Historically, **NB**'s finance costs has remained relatively stable. However, a significant shift occurred in 2023FY as finance costs surged by 331.81% YoY to NGN36.37bn. The spike was primarily driven by increased borrowings — NGN360.53bn in new loans, a NGN110.14bn commercial paper issuance, and an intercompany loan of NGN63.28bn — substantially raising interest obligations.

Additionally, the company incurred an exchange loss of NGN153.33bn in 2023FY (vs. NGN26.34bn in 2022FY), reflecting the sharp depreciation of the Naira during the year.

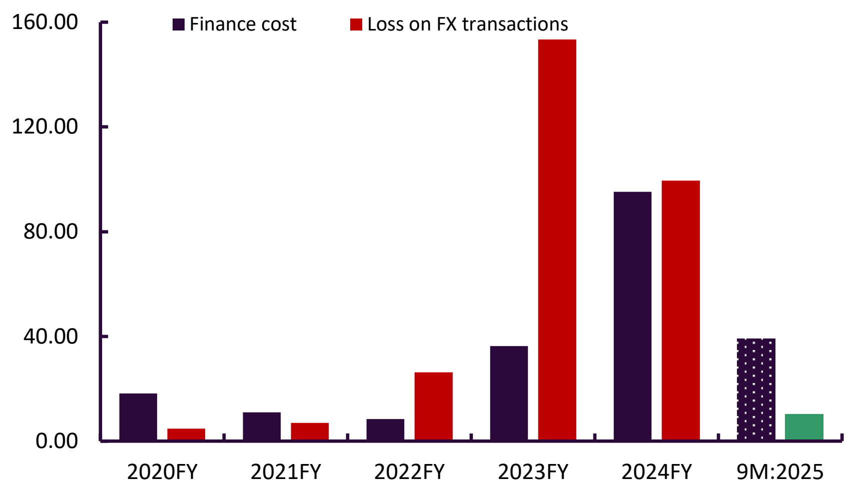
Despite a 67.31% YoY reduction in loans and borrowings, finance costs rose further in 2024FY, up 173.49% YoY to NGN99.46bn, owing to the continued impact of FX volatility. Exchange losses remained elevated at NGN157.59bn, as the Naira depreciated further against the Dollar. However, finance income rose significantly to NGN4.24bn (vs. NGN513.24mn in 2023FY) owing to rise in interest on bank deposits.

Overall, net finance cost in 2024FY rose by 33.63% YoY to NGN252.81bn (vs. NGN189.19bn in 2023FY). By 9M:2025, improved FX market stability following ongoing reforms, led to a 45.66% YoY decline in finance costs to NGN38.15bn (vs.230.04bn). This was further supported by an 18.86% reduction in loans and borrowings to NGN137.17bn (vs. NGN169.06bn), following the deployment of its rights Issue proceeds to repay part of its debt. Resultantly, net finance cost in 9M:2025 reduced by 85.50% YoY to NGN33.66bn from NGN232.04bn in 9M:2024.

Notably, since persistent FX losses were a major contributor to the company's net losses in 2023FY and much of 2024FY, the relative stability of the exchange rate in 2025 (averaging NGN1,530.18 in 9M:2025) supported a turnaround in 9M:2025 by reducing FX-related expenses. This is evident in the firm's switch to a net foreign exchange gain position of NGN10.25bn from its previous net foreign exchange loss position (NGN48.21bn) in 9M:2024, supporting the company's bottom line performance.

The company has maintained strong profitability over the years, except for 2023FY (NGN106.31bn) and 2024FY (NGN144.88bn) when earnings were pressured by significant foreign exchange volatility. The company returned to profitability in the first quarter of 2025 and maintained this momentum into 9M:2025, with a +157.20% YoY improvement in Profit After Tax (PAT) to NGN85.51bn, compared to (NGN149.50bn) in 9M:2024. This rebound also supported a recovery in key profitability indicators, with net margin, return on assets (ROA) and return on equity (ROE) rising to 8.17%, 7.70%, and 15.64%, respectively, compared to 21.03%, 15.07%, and 173.13% in the corresponding period.

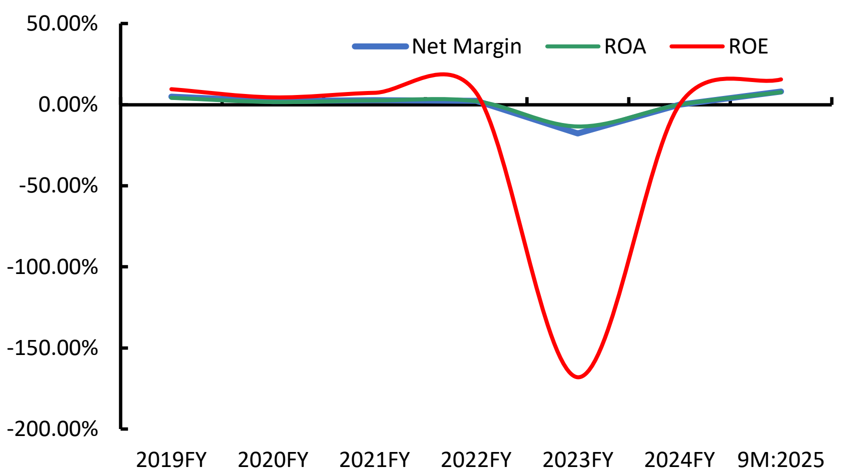
**Chart 12: Finance Costs and Foreign Exchange Losses**




*Source: Company's Financials, Meristem Research*

Overall, we project a sustained recovery in profitability, with earnings expected to improve meaningfully from the FX-induced losses of prior years. Also, continued exchange-rate stability, further optimisation of financing costs, and stronger operating fundamentals are expected to be the key drivers of this rebound.

Chart 13: NB's Profitability Metrics Trend




*Source: Company's Financials, Meristem Research*

The company's cashflow from operation (CFO) have remained solid over time, consistently outperforming profit after tax. However, CFO declined sharply by 54.73% YoY in 2022FY to NGN58.49bn (vs. NGN129.21bn in 2021FY) due to working capital pressures. Consequently, earnings quality weakened to 4.44x (from 10.20x in 2021FY). This strain extended into 2023FY and 2024FY due to the combination of loss from operations and persistent working capital pressures. By 9M:2025, earnings quality, improved significantly to 1.40x in 9M:2025. This improvement reflects the rebound in operating cash flow, as the company recorded a positive cash flow from operations of NGN119.55bn compared to a negative NGN70.03bn in the corresponding period, largely influenced by the loss recorded in the prior period.

## Reduced Borrowings Strengthen Capital Structure

Over the past decade, NB's total asset base has more than doubled, driven largely by sustained investment in property, plant, and equipment, which has accounted for an average of 53% of assets. This expansion reflects increased spending on plant and machinery to support capacity growth and the rollout of new product lines. This growth was largely driven by sustained investments in productive capacity, inventory buildup, and a deliberate shift towards strengthening liquidity buffers amid mounting macroeconomic uncertainties. However, this expansion was accompanied by a rising dependence on external financing, which peaked at NGN341.60bn in 2023FY before dropping by 63.40% YoY to NGN169.05bn in 2024FY, supported by a more accommodating interest rate environment.

The rise in the company's debt profile over the past few years was primarily driven by commercial paper issuances and intercompany loans, reflecting an aggressive funding approach to support capital expenditures and working capital needs. Consequently, the firm's leverage ratios remained relatively elevated, with the debt-to-equity and debt-to-asset ratios averaging 1.25x and 0.20x, respectively, over the last five years.

However, in 9M:2025, total loans and borrowings declined by 75.13% YoY to NGN162.17bn (vs. NGN652.10bn in 9M:2024), driven by the company's deliberate deleveraging efforts and improved internal funding capacity. Subsequently, its capital structure shifted significantly with the debt-to-asset ratio easing to 0.15x (vs. 0.66x in 9M:2024) and the debt-to-equity ratio moderating significantly to 0.30x.

## From Strain to Strength: Liquidity Firms, Equity Rebounds

The company's liquidity stayed strained through most of the review period, reflecting earlier working-capital pressures and its debt-led expansion. The current ratio sat below 1.00x throughout, dropping to 0.38x in 2022FY before improving to 0.68x in 2024FY and 0.76x in 9M:2025 on the back of stronger cash positions and higher inventory levels. The quick ratio showed a similar pattern, slipping to 0.18x in 2022–2023, then rising to 0.39x in 2024 before easing to 0.33x in 9M:2025, pointing to a mild pickup in liquid buffers.

The firm's balance sheet also bears the scars of foreign exchange volatility as shareholder equity dropped steeply to NGN63.28bn in 2023FY from NGN179.91bn in 2022FY due to heavy exchange losses and sustained profitability pressures. These challenges further pushed retained earnings into negative territory for the first time (NGN26.27bn) in 2023FY. That trend however reversed in 2024FY after a major equity recapitalisation, which lifted share capital to NGN15.49bn and share premium to NGN615.90bn, pushing total equity to NGN463.94bn. By 9M:2025, equity strengthened further to NGN546.58bn, supported by a sharp recovery in retained earnings, which improved to NGN85.57bn from (NGN175.80bn in 9M:2024), a 51.33% YoY reduction in the accumulated deficit.

## Valuation Summary

| Metrics | Value |
|---|---|
| Fair Value | **NGN101.51** |
| Present Share Price | NGN66.60 |
| Discount to fair value | 52.42% |
| Recommendation | **BUY** |

### Basis for Recommendation

To estimate the fair value of NGN101.51 per share for **NB**, we applied a combination of Discounted Cash Flow and relative valuation approaches, factoring in the company's strong industry position, medium-term growth outlook, expansion plans, and key sector risks.

We see **NB** as a well-positioned and resilient brewer with the ability to deliver sustainable long-term value. This view is anchored on its extensive distribution network, which supports market penetration and share retention, as well as its ongoing acquisitions and capacity expansions that continue to strengthen and diversify its product portfolio. Management's track record on shareholder returns also supports our view. Aside from the loss years in 2023 and 2024, dividends have been paid consistently, and we expect distributions to resume as profitability normalises. This should offer investors a blend of income and capital upside over the medium term.

Overall, given **NB**'s growth prospects, improving margin outlook, and solid cash-flow potential, we maintain a **BUY** recommendation on the stock.

### Risks

Our recommendation for **NB** is subject to execution and operating risks that could weigh on financial performance.

While alcoholic beverages remain a widely consumed product, prolonged inflationary pressures and weak consumer purchasing power in Nigeria could constrain volumes, particularly for premium and discretionary offerings, limiting topline growth.

In addition, continued naira depreciation and FX volatility remain key upside risks to costs and margins. Given the industry's dependence on imported raw materials, spare parts, and packaging inputs, unfavorable currency movements could translate into higher production costs and erode profitability despite pricing actions.

## GUINNESS NIGERIA PLC

Guinness Nigeria Plc (**GUINNESS**), home to the first Guinness brewery outside the British Isles, began local production of Guinness Foreign Extra Stout on November 30, 1963, just three years after Nigeria's independence. This milestone set the stage for the brand's international expansion. By 1965, Guinness Nigeria was listed on the Nigerian Exchange (NGX), cementing its position as a key player in the industry. Today, Nigeria remains the second-largest market for Guinness globally, contributing significantly to the brand's long-standing heritage.

Originally incorporated as a trading company in 1950, Guinness Nigeria transitioned into full-scale brewing, packaging, marketing, and distribution, establishing itself as a key player in Nigeria's beverage industry. To meet increasing demand, **GUINNESS** expanded its brewing operations over the next three decades. A second brewery was established in Benin (1974), initially producing Harp Lager before incorporating stout production in 1978. In 1982, a fourth brewery was built in Ogba, Lagos, focusing on Harp Premium Lager, with subsequent expansions to accommodate stout production. By 2011, the Benin and Ogba breweries underwent further expansion to scale up production capacity and meet growing market demand for core brands, including Guinness Foreign Extra Stout, Guinness Extra Smooth, Malta Guinness, and Harp Lager. The company's portfolio also includes Gordon's Spark, Smirnoff Ice, Armstrong Dark Ale, Satzenbrau Pilsner, Top Malt, Harp Lime, and Dubic Extra Lager, as well as the more recent addition, Malta Guinness Low Sugar.

In 2016, the company expanded its footprint by securing exclusive rights to import, market, distribute, and sell Diageo Plc's International Premium Spirits brands, including Baileys, Smirnoff, Gordon's, Captain Morgan, Tanqueray, Ciroc, Singleton, and Johnnie Walker. Additionally, Guinness Nigeria ventured into local production of mainstream spirits such as Baileys Delight, Smirnoff Vodka with Chocolate, and Gordon's Gin with Moringa, while adding McDowell's Whiskey and Royal Challenge Whiskey to its portfolio.

More recently, the company introduced premium product variants, including Don Royale and Don Julio, targeting the high-end market segment. However, as announced in 2024FY, **GUINNESS** discontinued the distribution of Diageo's International Premium Brands in 2025FY, transitioning to a new distribution model. Despite this strategic shift, the company continues to leverage its strong market presence, innovation, and operational expertise to drive sustained growth and maintain industry leadership.

Diageo, the global brewer, initially held the majority stake of 58.02% in the company. However, following the completion of the sale of its 58.02% shareholding to Tolaram Group, effective September 30, 2024, ownership transitioned to the new majority shareholder. In line with this development, the company revised its financial year-end from July–June to January–December to strengthen operational alignment and ensure consistency with global reporting standards.

## Steady Revenue Gains in a Tough Consumer Market

**GUINNESS** recorded a 5-year revenue CAGR of 5.28%, supported by an expanded distribution network, volume growth, and periodic price increases. Revenue performance has been largely driven by the domestic market, which accounts for approximately 95.00% of total sales. Revenue growth remained in double digits for most of the period, except for 2019 when revenue declined by 8.03% YoY to NGN131.50bn (vs NGN142.98bn in 2018FY).

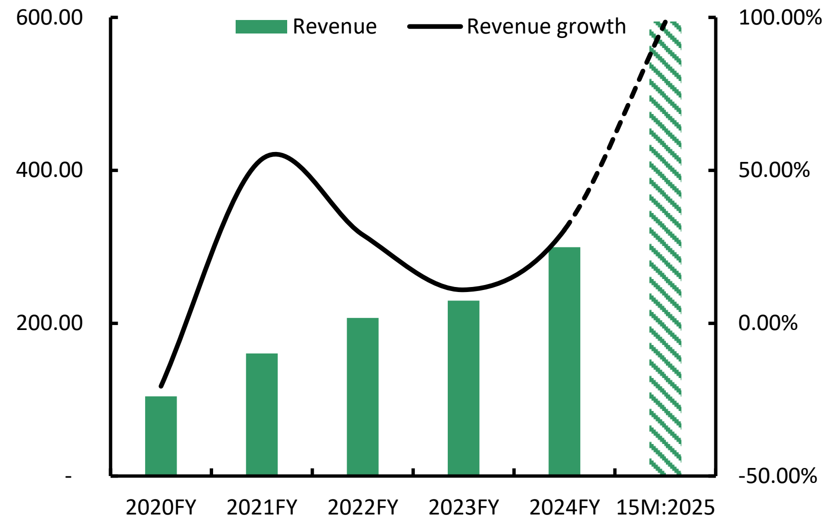
Topline further declined in 2020FY to NGN104.38bn, due to weakened consumer demand during the COVID-19 pandemic and the slow recovery that followed as domestic sales dropped by 7.92% YoY and 17.93% YoY, respectively. From its most recent full-year performance (2024FY, ended June 2024), **GUINNESS** posted a strong 30.53% YoY rise in revenue to NGN299.49bn (from NGN229.44bn in 2023FY). This growth was primarily price-led, as sales volumes contracted by 17.90% YoY, amid pressured consumer wallets and reduced purchasing power. Domestic sales (c.99% of revenue) rose by 30.17% YoY to NGN295.93bn, while export sales grew by 69.95% YoY to NGN3.56bn.

Revenue expansion was broad-based across key product segments: Malts (+52.00% YoY), Mainstream Spirits (+10.00% YoY), and Brand Guinness (+15.00% YoY). The Malt category remained the largest revenue contributor at 36.60% of total sales, followed by Brand Guinness (30.50%), Mainstream Spirits (16.30%), Ready-to-drink (9.80%), and Premium Spirits (6.70%).

Following the shift to a calendar-year reporting cycle (January–December), **GUINNESS** reported total revenue of NGN594.68bn in its 15-month 2025 financial period. This was driven by growth in both domestic and export sales, which increased to NGN585.65bn and NGN9.02bn, respectively (vs. NGN295.93bn and NGN3.56bn in FY 2024). However, on a quarterly basis (July–September 2025), revenue moderated by 22.09% YoY to NGN98.07bn (from NGN125.89bn), reflecting typical seasonal volume softness.

Looking ahead, we expect revenue performance to remain strong across the entire product portfolio, with the Ready-to-Drink (RTD), stout, and malt categories sustaining their current momentum. This outlook is further supported by a gradual recovery in consumer demand as macroeconomic conditions stabilise and purchasing power begins to improve, providing support for volumes. In addition, recent ownership and corporate governance changes may unlock broader distribution reach and clearer growth strategies, further strengthening the revenue outlook.

Chart 14: Trend in Revenue and Revenue Growth



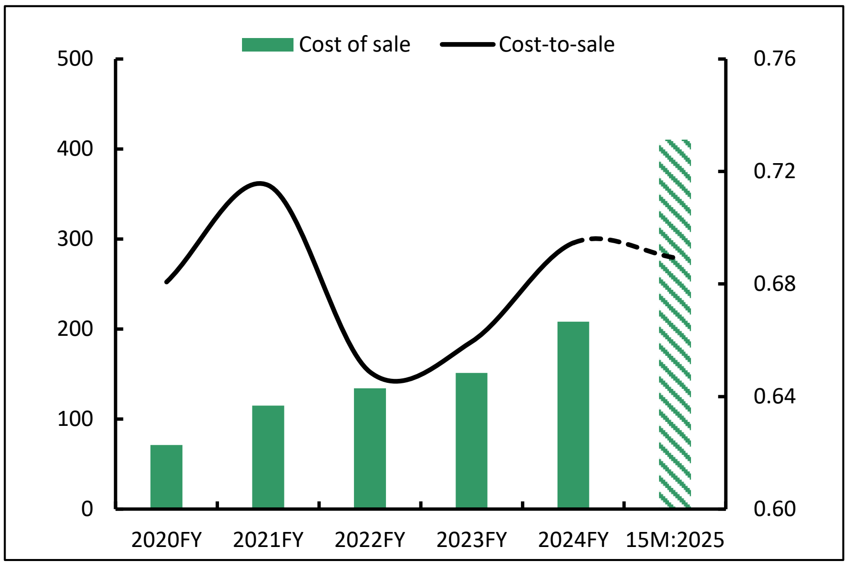

*Source: Company's Financials, Meristem Research*

## Leaner Costs and Stabilizing FX Aligns GUINNESS for Earnings Recovery

Over the past five years, **GUINNESS**' cost of sales has generally trended ahead of revenue growth, averaging roughly 5bps above revenue increases. An exception was observed in 2022FY, when cost of sales increased by 16.96% YoY compared to a stronger 28.93% YoY uptick in revenue. That temporary relief came from a slower rise in raw material consumption and personnel costs. The trend reversed in 2023FY, as cost of sales climbed 12.78% YoY to NGN151.31bn, reflecting intensifying inflationary pressures and a 9.74% YoY rise in raw material costs.

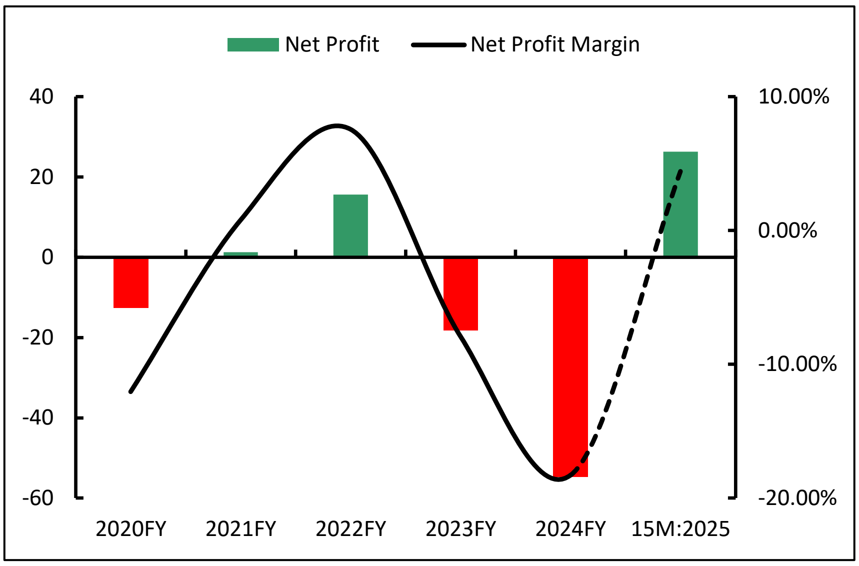
The upward pressure persisted into 2024FY, with cost of sales surging 30.53% to NGN299.49bn, and further to NGN409.96bn in 15M:2025. As a result, the cost-to-sales ratio has generally stayed within the 61% to 65% range, except in 2021FY when it spiked to 71.51% following a sharp 61.45% jump in cost of sales. As of 15M:2025, cost-to-sales stood at 68.94%.

Chart 15: Cost of Sales and Cost-to-Sales Ratio




*Source: Company's Financials, Meristem Research*

Chart 16: Net Profit and Net Profit Margin




*Source: Company's Financials, Meristem Research*

Despite the steady rise in cost of sales, **GUINNESS**' gross margin has edged up over time, averaging about 33.03%. By 15M:2025, the margin stood at 31.06%, supported by a gross profit of NGN184.73bn. Similarly, operating expenses have increased at an average rate of 17.55% over the review period, largely on the back of higher administrative costs and marketing and distribution spend. The most notable jump came in 2023FY, when operating expenses surged by 39.63% to NGN51.06bn, driven by a sharp 43.27% YoY increase in marketing and distribution costs alongside a 32.87% YoY rise in administrative expenses. Operating expenses advanced 18,72% YoY to NGN69.21bn in 2024FY and escalated further to NGN60.63bn in 15M:2025. Meanwhile, Over the past five years, operating profit has averaged 25.49%. However, performance has fluctuated around this benchmark. In 2021FY, operating profit dipped to 22.79% due to elevated operating expenses but recovered to 24.69% in 2022FY, a trend that carried into 2023FY. This was followed by a mild pullback to 23.11%, before improving to 25.41% in 2024FY and then moderating to 20.39% in 15M:2025

**GUINNESS**' reliance on imported inputs has kept it heavily exposed to foreign currency obligations, mainly in the form of related-party loans and letters of credit, which have consistently driven finance costs higher. Finance costs rose by 240.16x to NGN453.29bn in 2023FY and climbed further to NGN99.09bn in 2024FY as sharp currency volatility inflated the Naira value of its FCY-denominated liabilities. In 15M:2025, finance costs eased to NGN109.68bn, reflecting lower translation losses on the back of improved exchange rate stability during the period.

That said, the company's FX exposure has not been entirely negative as remeasurement gains have also surfaced when the currency moved in its favour. In 15M:2025, **GUINNESS** booked NGN89.59bn in remeasurement gains on foreign-currency balances, helping reduce net finance costs to NGN199.27bn and providing an important lift to profitability.

Looking at the wider earnings picture, **GUINNESS**' profitability has fluctuated over the years. After recording a NGN12.58bn loss in 2020FY due to pandemic-related volume pressure and elevated borrowing costs, the company returned to profitability in 2021 and 2022. That progress was however reversed in 2023FY and 2024FY as the sharp currency free fall drove substantial losses and eroded earnings. Consequently, key profitability metrics such as net margin, ROE and ROA, which had averaged 5.98%, 41.31% and 6.13%%, fell to 18.29%, 186.86% and 18.29% respectively in 2024FY. By 15M:2025, however, the **GUINNESS** rebounded, posting a PAT of NGN26.28bn, while profitability metrics improved as net margin rose to 4.42%, ROA strengthened to 10.69%, and ROE expanded significantly to 924.02%.

We anticipate that **GUINNESS**' disciplined cost-management efforts, combined with a gradually easing inflationary environment and stabilizing FX, should support an improvement in earnings. In addition, the recent change in ownership could pave the way for a sharper strategic focus, further strengthening profitability. Overall, we project **GUINNESS**' bottom line to rise to NGN xx.xbn.

Despite its volatile earnings performance, the company's operating cash flow has remained resilient over the years, supported by leaner inventory levels, stronger trade payables and occasional non-cash items adjustments. CFO rose in 2021FY, dipped slightly in 2022FY, then picked up again in 2023FY and peaked in 2024FY at NGN80.14bn, with earnings quality and CFO-to-debt averaging 9.60x and 1.88x over the period. By 15M:2025, CFO softened to NGN59.51bn due to higher inventory buildup and increased tax payments, leading to a decline in earnings quality to 2.26x and a drop in CFO-to-debt to 1.03x.

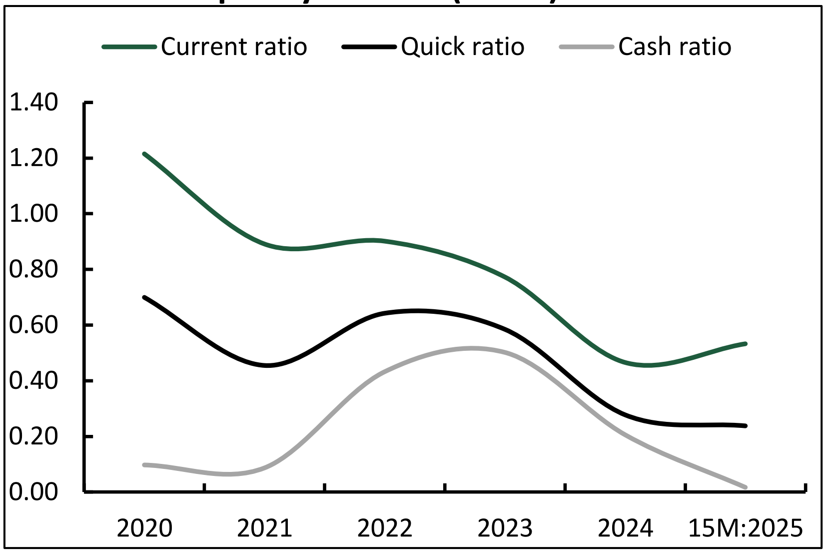
## Rising Debt, Shrinking Buffers: Working-Capital Pressures Signal Short-Term Strain

Like its peers, **GUINNESS**' balance sheet reflects the strain of currency volatility and its knock-on effect on earnings. Equity remained fairly steady up to 2022FY, but fell sharply in 2023FY, dropping 37.29% YoY to NGN56.42bn (from NGN89.88bn) as retained earnings contracted by 80.98% following the loss recorded that year. The position weakened further in 2024FY to NGN2.16bn, as continued losses deepened the retained-earnings deficit. However, similar to the rebound seen in profitability, equity recovered meaningfully in 15M:2025 as the return to profit helped narrow accumulated losses.

To compensate for the weakening equity base, the company has relied more heavily on liabilities, mainly borrowings and trade payables. Total borrowings rose from NGN40.13bn in 2024FY to NGN57.96bn in 15M:2025, driven largely by a jump in short-term loans to NGN57.63bn (from NGN814.mn in 2024FY), even after settling its related-party facilities. As a result, the debt-to-equity and debt-to-asset ratios climbed to 0.35x and 0.15x, compared to 0.22x and 0.09x in 2024FY.

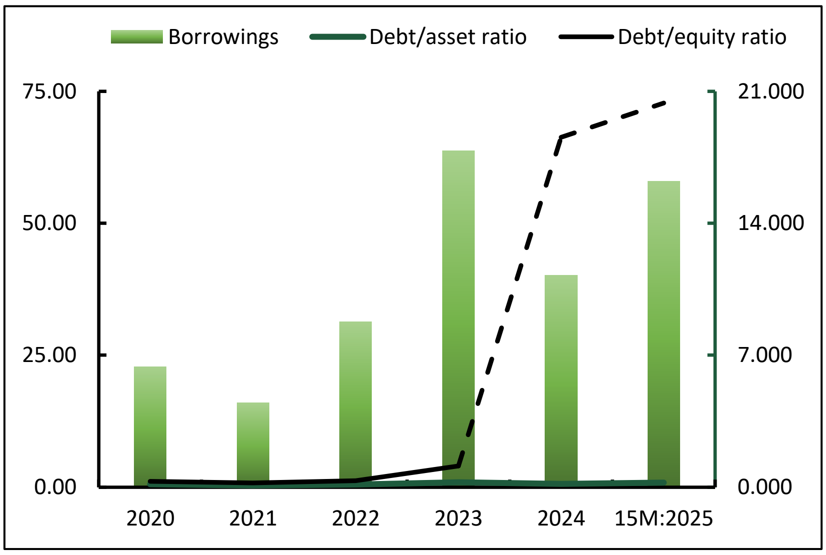
On the liquidity front, the company has historically maintained moderate buffers (aside from its cash ratio), with five-year average current, quick, and cash ratios of 0.85x, 0.53x, and 0.26x. However, by 15M:2025, these metrics deteriorated to 0.53x, 0.24x, and 0.01x (from 0.47x, 0.28x, and 0.21x in 2024FY), highlighting tighter short-term liquidity and mounting working-capital pressure.

**Chart 17: Liquidity Metrics (times)**




*Source: Company's Financials, Meristem Research*

**Chart 18: Solvency Ratios & Borrowings (NGN'bn)**




*Source: Company's Financials, Meristem Research*

## Valuation Summary

| Metrics | Value |
|---|---|
| Fair Value | **NGN207.31** |
| Present Share Price | NGN167.00 |
| Discount to fair value | 24.14% |
| Recommendation | **BUY** |

## Basis for Recommendation

To estimate the fair value of NGN207.31 per share for **GUINNESS**, we applied a combination of Discounted Cash Flow and relative valuation approaches, factoring in the company's strong industry position, medium-term growth outlook, expansion plans, and key sector risks.

We see **GUINNESS** as a well-positioned and resilient brewer with the ability to deliver sustainable long-term value. This view is anchored on its extensive distribution network, which supports market penetration and share retention, as well as its ongoing acquisitions and capacity expansions that continue to strengthen and diversify its product portfolio.

Management's track record on shareholder returns also supports our view. Aside from the loss years in 2023 and 2024, dividends have been paid consistently, and we expect distributions to resume as profitability normalises. This should offer investors a blend of income and capital upside over the medium term.

Overall, given **GUINNESS**'s growth prospects, improving margin outlook, and solid cash-flow potential, we maintain a **BUY** recommendation on the stock.

## Risks

The key risks to our BUY recommendation on **GUINNESS** primarily relate to mounting cost pressures driven by persistent inflation, which could elevate raw-material costs and weigh on operating performance and margins.

Moreover, global supply-chain disruptions present additional downside risks. As rising commodity prices—particularly for imported inputs (such as , barley)—alongside higher logistics costs could further inflate **GUINNESS**' production expenses. This could necessitate price increases across its mainstream and premium portfolios and thereby,  soften demand momentum., even though demand for alcoholic beverages tends to be relatively stable.

## INTERNATIONAL BREWERIES PLC

International Breweries Plc, founded in 1971, commenced operations in 1978 with the launch of its flagship brand, Trophy Lager, at an initial production capacity of 200,000 hectoliters per annum. Driven by increasing demand, the company expanded its capacity to 500,000 hectoliters by 1982, solidifying its presence in Nigeria's brewing industry.

The company became publicly listed on the Nigerian Exchange (NGX) in 1995. A major ownership transition occurred in 2008, when the Warsteiner Group divested its stake to the Castel Group. In 2012, a strategic alliance with SABMiller paved the way for significant investments that enhanced operational capacity and set the stage for sustained growth.

In 2017, International Breweries became part of AB InBev's operations following the merger of AB InBev and SABMiller. This move significantly strengthened its market position, allowing the firm to leverage AB InBev's global expertise, distribution network, and portfolio of international brands. Today, International Breweries PLC produces and markets a range of popular beer brands that cater to Nigeria's diverse consumer base.

International Breweries' portfolio includes both local and international brands, allowing them to compete across different market segments. Some of the most popular brands under their umbrella include Budweiser, Trophy larger, Hero Larger, Castro Lite, Beta Malt, etc. The company further strengthened its premium beer segment in 2018 with the introduction of Budweiser into the Nigerian market, coinciding with the FIFA World Cup. The brand quickly gained traction, becoming one of the country's fastest-growing premium lagers.

A major milestone was achieved in August 2018 with the commissioning of Gateway Brewery in Sagamu, Ogun State, the largest brewery in West Africa and one of the biggest in Africa. With an investment exceeding NGN90bn, the facility has significantly improved production capacity and ensured the consistent availability of the company's brands.

## Onward and Upward: Revenue Poised to Sustain Momentum

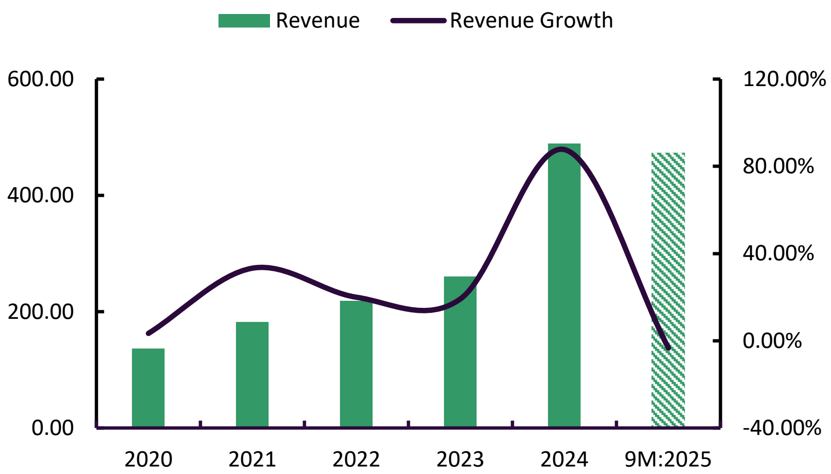
International Breweries Plc (**INTBREW**) has sustained robust double-digit revenue growth since 2021, recording a 5-year CAGR of 29.02%. This impressive performance has been supported by a combination of strategic price adjustments and modest volume expansion over the period. In 2020FY, the company expanded its product portfolio with the launch of Trophy Extra Special Stout, reinforcing its positioning in the premium stout segment.

However, the impact of the COVID-19 pandemic weighed on performance, with revenue declining by 3.35% YoY to NGN136.79bn in 2020FY (from NGN132.35bn in 2019FY), due to weakened consumer demand and operational disruptions. The topline rebounded strongly thereafter, rising by 33.27% YoY to NGN182.30bn in 2021FY, driven largely by a 33.43% YoY increase in domestic sales. This growth momentum was sustained through 2022FY and 2023FY, supported by continued brand penetration and product innovation.

In 2024FY, **INTBREW** recorded its strongest revenue performance in six years, with topline rising 87.63% YoY to NGN488.96bn. This exceptional growth was driven primarily by price adjustments introduced throughout the year to offset higher input costs arising from inflationary pressures and currency depreciation.

Momentum was skewed toward the second half, with H2:2024 accounting for 54.35% of full-year revenue. This upward trend persisted into 9M:2025, during which revenue expanded by 37.60% YoY to NGN472.57bn (vs. NGN343.45bn in 9M:2024), supported by resilient demand and sustained pricing power across the product portfolio.

**Chart 19: Trend in Revenue (NGN'bn) & Revenue Growth (%)**



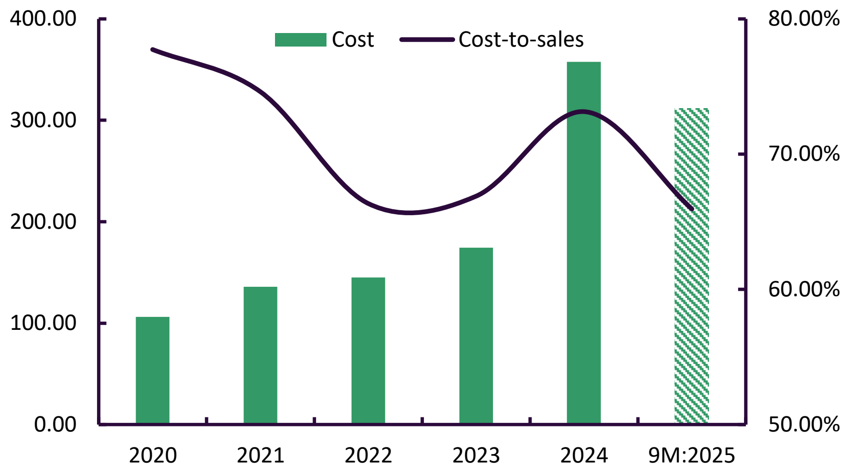

*Source: Company's Financials, Meristem Research*

Our outlook for **INTBREW** is positive as we envisage revenue to sustain a solid growth path, supported by its strong brand equity and portfolio mix, although growth is likely to normalise after the exceptional jump recorded in 2024FY. For 2025FY, we forecast revenue to increase by 33.63% to NGN653.38bn, driven by a healthier mix of price adjustments and volume growth.

## Margin Momentum Builds on Softer Cost Pressures

The cost of sales has broadly tracked revenue growth, with materials consumed (c. 80.00% of cost of sales), technical management fees (3.70%), and employee benefits (2.50%) remaining the dominant cost components. In 2024FY, cost of sales surged 105.13% YoY to NGN357.61bn (vs. NGN174.33bn in 2023FY), driven mainly by higher materials costs and increased allocated overheads.

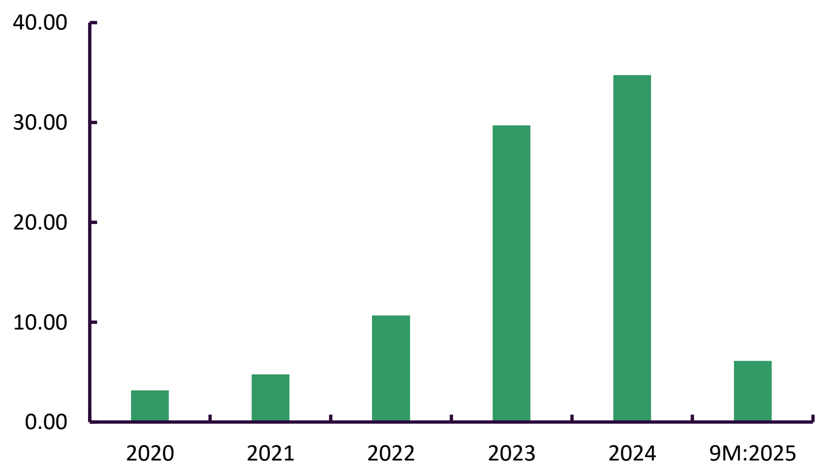
**Chart 20: Cost of sales (NGN'bn) and Cost-to-sales**




*Source: Company's Financials, Meristem Research*

However, in 9M:2025, cost pressures eased relative to historical patterns, with cost of sales rising 23.37% YoY to NGN311.64bn (vs. NGN248.58bn in 9M:2024), below the five-year average growth rate of 31.82%. Owing to the tough operating environment, the cost-to-sales ratio has remained high over the last five years, averaging 71.74%. Nonetheless, the ratio improved to 65.95% in 9M:2025 from 73.14% in 2024FY, reflecting the slower pace of cost increases. This supported a gross margin of 34.05% in 9M:2025 (five-year average: 26.72%), with gross profit at NGN160.92bn. Operating expenses have also followed an upward trend, rising by 73.17% in 2023FY to NGN88.03bn (from NGN50.84bn in 2022FY), driven primarily by a sharp 183.53% YoY increase in marketing and promotion costs to NGN54.88bn (vs. NGN19.36bn) and a milder 5.32% YoY rise in administrative expenses to NGN33.15bn (vs. NGN31.48bn). In 2024FY, the pace of growth moderated, with operating expenses expanding by 23.22% to NGN108.47bn (vs. NGN88.03bn in 2023FY), as a 4.28% YoY decline in administrative expenses partially offset the 39.83% YoY increase in marketing and promotion spending.

**Chart 21: Finance cost Trend (NGN'bn)**




*Source: Company's Financials, Meristem Research*

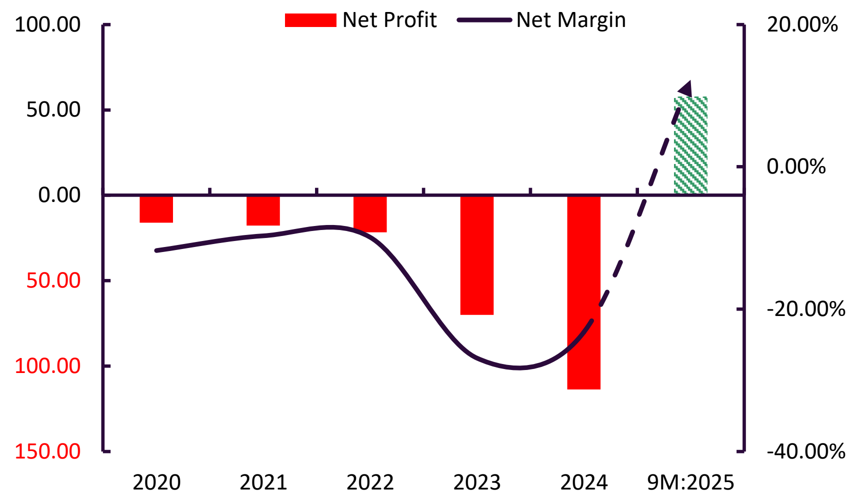
Despite the softer cost escalation, the company posted an increase in operating loss by 15.71% YoY to NGN91.08bn (vs. NGN78.72bn in 2023FY), however, operating margin softened to 18.63% (from 30.32% in 2023FY). In 9M:2025, operating expenses rose by 26.71% to NGN92.09bn, resulting in an operating profit of NGN67.01bn (+153.44% YoY) and a corresponding improvement in operating margin to 14.18%.

Moreover, finance costs have historically remained moderate relative to peers, as finance income partly offsets interest expenses, keeping net finance costs contained. However, net finance costs surged in 2022FY, rising 207.31% YoY to NGN5.51bn (from NGN1.79bn in 2021FY), driven by increased interest on borrowings and lease liabilities. This upward trend continued through 2023FY and 2024FY, reflecting the high interest rate environment. In 9M:2025, however, finance costs fell sharply by 83.48% YoY to NGN6.13bn (vs. NGN37.10bn in 9M:2024), largely due to the full repayment of loan balances and a 97.72% reduction in interest on lease liabilities following a 136.21% YoY drop in total lease obligations.

**INTBREW** posted losses for five straight years, with the deficit deepening to NGN21.63bn in 2022FY (from NGN17.66bn in 2021FY) and extending further into 2023FY (NGN70.03bn) and 2024FY (NGN113.61bn). However, performance improved significantly in 9M:2025, as the company reported a profit after tax of NGN57.83bn, compared with a loss of NGN112.81bn in 9M:2024. This recovery was supported by the sharp drop in finance costs (as noted earlier) and a substantial decline in other expenses (98.79% YoY), driven by lower foreign exchange losses following improved FX stability during the year and the reduction in FCY obligations in 2024FY.

Consequently, profitability metrics rebounded strongly, with net margin, ROA, and ROE rising to 12.24%, 8.11%, and 11.41%, respectively (vs. 32.85%, 16.35%, and 25.41% in 9M:2024). For context, over the last five years, net margin, ROA, and ROE have averaged 17.42%,8.99%, and 32.47%, reflecting the company's prolonged loss-making position.

**Chart 22: Net Profit (NGN'bn) and Net Profit Margin**




*Source: Company's Financials, Meristem Research*

In our view, **INTBREW**'s profitability is set to strengthen further, supported by easing FX pressures that are expected to keep finance costs in check, alongside a gradually improving operating environment, factors that collectively bode well for earnings.

Despite the firm's history of net losses, operating cash flow remained positive throughout the review period, supported by substantial adjustments for non-cash items such as depreciation and amortisation. In 2024FY, net cash generated from operations increased significantly to NGN152.72bn (from NGN80.15bn in 2023FY), largely driven by a sizeable adjustment for fair value changes on foreign-currency forwards (NGN193.67bn). Nevertheless, earnings quality remained negative during those years due to the persistent loss position. In 9M:2025, operating cash flow improved further to NGN38.42bn, up from NGN10.90bn in 9M:2024, primarily on the back of additional non-cash adjustments. Consequently, earnings quality strengthened to 1.50x in 9M:2025.

## Balance Sheet Reset: Deleveraging Bolsters Solvency

Regarding financing decisions, **INTBREW**'s total borrowings experienced a sharp increase by 151.24% YoY in 2023FY to NGN374.34bn (vs.NGN149.00bn in 2022FY), largely due to a substantial rise in short term bank loans to NGN374.34bn (vs. NGN51.05bn in 2022FY). However, as part of its strategic response to the challenging operating environment in 2024, the company secured a USD379.90mn convertible shareholder loan from its parent company, AB InBev Nigeria Holdings BV, to refinance its existing Citibank Abu Dhabi facility.

The firm also obtained approval for the conversion of the shareholder loan into equity, fully settling all outstanding borrowings and leaving **INTBREW** debt-free (excluding lease liabilities) by the end of 2024FY, a position it maintained through 9M:2025. As a result, solvency ratios improved materially, with debt-to-assets and debt-to-equity falling to 0.02x and 0.03x in 2024FY, and further to 0.02x and 0.02x in 9M:2025, compared with their five-year averages of 0.37x and 5.85x.

**INTBREW**'s liquidity profile has historically been moderate, with five-year average current, quick and cash, ratios of 0.77x, 0.63xx, and 0.22x, respectively. In 2024FY, the current and quick ratios improved to 1.32x, 0.97x and 0.43x (from 065x, 0.57x and 0.21xx in 2023FY), largely due earlier mentioned term loan elimination, which significantly reduced current liabilities. Liquidity strengthened further in 9M:2025, with current, quick, and cash ratios rising to 1.57x, 0.99x, and 0.48x, respectively, driven by a sharper contraction in current liabilities—particularly trade and other payables—relative to the decline in current assets, following the full disposal of investment securities and lower trade receivables.

## Valuation Summary

| Metrics | Value |
|---|---|
| Fair Value | **NGN17.83** |
| Present Share Price | NGN11.00 |
| Discount to fair value | 62.10% |
| Recommendation | **BUY** |

### Basis for Recommendation

To estimate the fair value of **NGN17.83** for **INTBREW**, we applied a blended valuation approach combining Discounted Cash Flow and relative valuation methods, capturing both the company's long-term cash-flow potential and its standing within the brewing sector.

Our positive view reflects **INTBREW**'s solid industry standing, supported by its integration into the AB InBev group. This provides access to global brewing expertise, strong brand equity, and a wide distribution network, while its diversified portfolio across value, mainstream, and premium segments enables broad market coverage. Long-term growth is further underpinned by earlier capacity expansions, which offers scale advantages, cost efficiencies, and flexibility to meet rising demand.

While near-term performance remains exposed to FX and input-cost pressures, improving macro conditions and operating leverage should support margin recovery and stronger cash-flow generation over time. On this basis, we believe International Breweries is well positioned for earnings recovery and medium- to long-term value creation, and we assign a **BUY** rating on the stock.

### Risks

Our investment case for **INTBREW** is subject to several operational and macroeconomic risks that could weigh on performance. In a high-inflation environment with pressured household incomes, discretionary consumption of alcoholic beverages may soften, particularly within the mainstream and premium segments, likely constraining volume growth.

In addition, FX and input costs volatility remain key risks to cost efficiency and margins due to **INTBREW**'s reliance on imported raw materials, packaging inputs, and spare parts.

## CHAMPION BREWERIES PLC

Champion Breweries Plc began in 1974 as a private company in Cross River State, initially registered as South-East Breweries Limited. Over the years, the company went through several name changes, becoming Cross River Breweries Limited before finally adopting the name Champion Breweries Plc on September 1, 1992. Operations kicked off with a turnkey brewery in Uyo (with an annual installed capacity of 150,000 hectolitres), built through a partnership between the government of the former South-Eastern State and HaaseBauerie GmbH of Hamburg.

The brewery was commissioned in December 1976, and Champion Lager Beer entered the market to strong early acceptance. By 1977, the company initiated a capacity upgrade and signed a second contract with its technical partners to expand output from 150,000 to 500,000 hectolitres. The upgraded facilities, equipped with more advanced machinery, were completed and test-run in September 1979, with the new production line officially commissioned later that year. A third expansion aimed at doubling capacity to one million hectolitres followed, but the project stalled and locked up significant capital. Paired with weak working capital and poor plant maintenance, operations eventually halted between 1990 and 1991, leading to an 11-year operational shutdown from 1990.

Momentum returned in May 1999 when the Akwa Ibom State Government and the board pushed for reactivation, attracting Montgomery Ventures Inc. of Panama as core investor and technical partner. The plant was restored and officially reopened in October 2001. Around this time, shareholders also approved an increase in the company's authorised share capital from NGN26.00mn to NGN450.00mn.

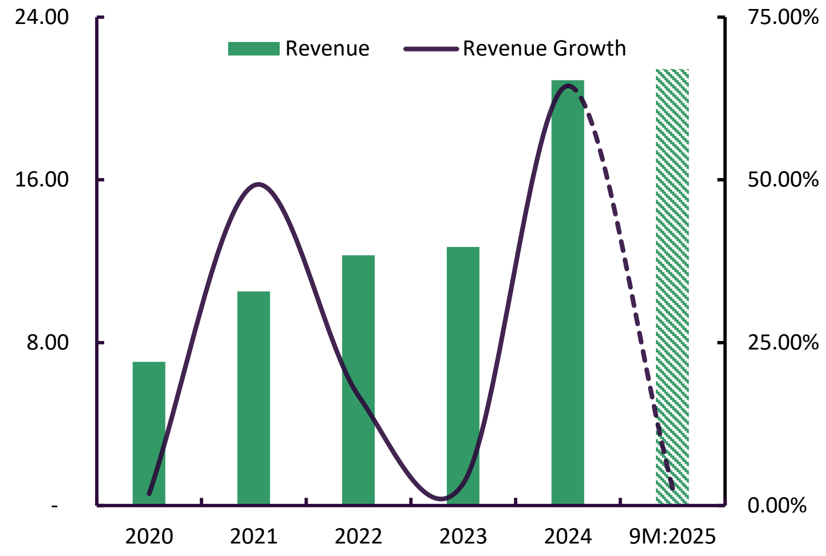
Champion Breweries has undergone several ownership transitions. Heineken entered the ownership structure in January 2011 by acquiring an indirect stake through Montgomery Ventures Inc. Later that year, Consolidated Breweries purchased Montgomery's 57% holding. In 2013, the Securities and Exchange Commission approved the transfer of this stake to Raysun, a wholly owned Heineken subsidiary, giving it a 57% controlling interest.

The ownership structure shifted again in 2021 when Heineken raised its holding to 85%, with Akwa Ibom State Government and the investing public owning 10% and 5%, respectively. A mandatory takeover offer in 2022 increased Heineken's position slightly to 86.50%. In February 2024, Heineken signed a Share Purchase Agreement to sell its stake to EnjoyCorp, which has since assumed technical and operational oversight of the business.

Over the years, the company has received several recognitions, including a Silver Medal for Champion Lager Beer and Champ Malta at a 1979 international competition in Paris, the International Medal for Quality at the 16th World Selection in Luxembourg, the Pearl Award for Share Price Appreciation in 2002, the NIS Silver Award in 2005 and the NIS Gold Award in 2006.

Notably, in August 2025, the company entered into an agreement to acquire the brand assets and intellectual property of the Bullet range of ready-to-drink (RTD) alcoholic and energy beverages from Sun Mark International Limited. This strategic move is intended to broaden and diversify **CHAMPION**'s product portfolio, positioning the company to tap into the growing demand within the RTD and energy drinks segment.

Chart 23: Trend in Revenue (NGN'bn) & Revenue Growth (%)




*Source: Company's Financials, Meristem Research*

## CHAMPION Set to Strengthen Market Presence and Revenue Traction

**CHAMPION** has shown resilience in defending and growing its share of the brewery market, backed by a strong five-year revenue CAGR of 24.26%. Growth reached its highest point in six years in 2024FY, with revenue jumping 64.44% YoY to NGN20.89bn (from NGN12.70bn in 2023FY), driven largely by the company's push into canned formats for Champion Lager and Champ Malta. This shift helped the brand break out of its long-standing dependence on bottles, improving visibility, convenience and competitiveness. The momentum carried into 9M:2025, where revenue rose 52.89% YoY to NGN21.44bn (from NGN14.02bn in 9M:2024).

Stronger brand promotion, including public endorsement from the Governor of Akwa Ibom State, further lifted regional and national acceptance, deepening consumer loyalty to locally produced beverages and helping the brand reach markets well beyond the South including Lagos and Northern Nigeria.

We expect **CHAMPION**'s revenue momentum to remain strong, bolstered by the recent acquisition of the ready-to-drink (RTD) alcoholic and energy brand Bullet, which has an established presence in 14 African countries. This move should expand **CHAMPION**'s consumer reach and deepen its portfolio, positioning the company to strengthen its regional footprint and support future revenue growth.

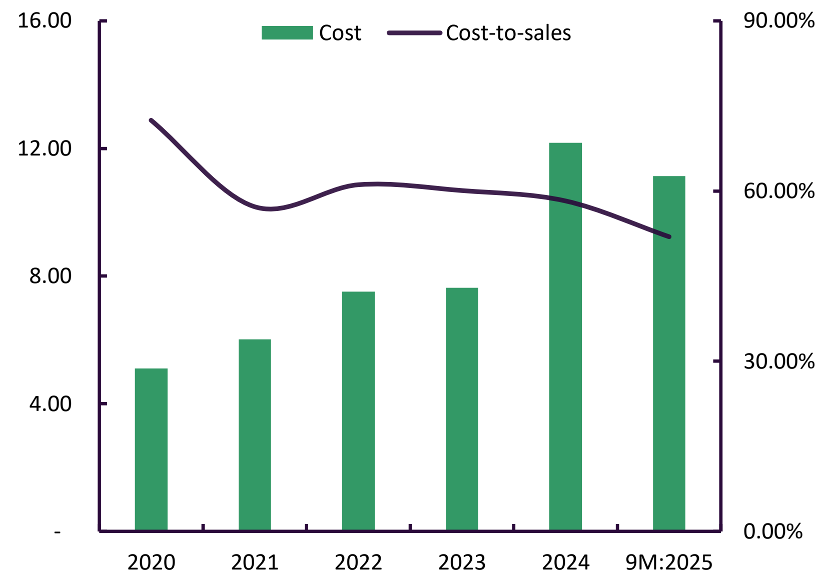
Accordingly, we project 2025FY revenue of NGN30.50bn, up 43.86% YoY from NGN20.89bn in 2024FY, driven by ongoing product diversification and strategic initiatives to capture additional market share.

## Margins Strengthen as Costs Lags Revenue Growth

Cost has largely tracked revenue performance over time, with a five-year average increase of 24.29% sitting just below the five-year average revenue growth of 25.82%, pointing at a relatively stable cost-to-sales relationship. Raw materials, consumables and energy (electricity, gas and diesel) continue to be the major cost drivers. In 2022FY, cost of sales rose by 24.75% to NGN7.51bn, but growth slowed to just 1.64% in 2023FY as outsourced staff expenses dropped.

Cost pressures returned in 2024FY, with cost of sales jumping 59.44% to NGN12.17bn (from NGN7.63bn in 2023FY), driven by higher raw material and utility costs. Even so, the cost-to-sales ratio improved to 58.27% (from 60.09% in 2023FY) on the back of strong revenue growth. In 9M:2025, cost of sales climbed by 36.97% YoY to NGN11.14bn (vs. NGN8.13bn in 9M:2024), but still grew more slowly than revenue, pushing the cost-to-sales ratio down further to 51.95% (from 57.99% in 9M:2024).

Chart 24: Cost of Sales (NGN'bn) and Cost-to-Sales




*Source: Company's Financials, Meristem Research*

## Revenue Momentum Cushion Rising OPEX and Finance Pressures

Given the challenging operating environment and sector-specific headwinds, operating expenses have continued to rise, driven primarily by higher administrative as well as marketing and distribution costs. In 2024FY, administrative expenses increased by 57.00% YoY to NGN2.40bn (from NGN1.53bn in 2023FY), while marketing and distribution expenses rose by 34.04% YoY to NGN4.07bn (vs. NGN3.03bn). These pressures pushed total operating expenses up by 41.74% YoY to NGN6.45bn (from NGN4.57bn).

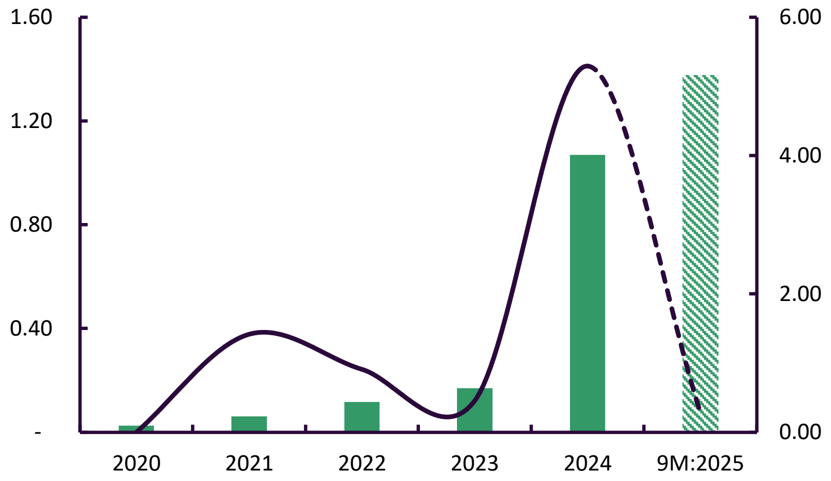
This uptrend persisted into 9M:2025, with operating expenses up by 25.85% YoY to NGN6.05bn, driven largely by increased selling and distribution costs (+30.61% YoY to NGN4.24bn) and higher administrative expenses (+15.93% YoY to NGN1.81bn). Despite the rising cost burden, operating profit rebounded strongly in 2024FY, reversing the sharp decline recorded in 2023FY (+73.41% YoY), supported by solid revenue growth.

The momentum strengthened further in 9M:2025, as operating profit surged by 273.17% YoY to NGN4.29bn (from NGN1.13bn in 9M:2024), aided by sustained topline expansion that helped absorb cost pressures. Consequently, operating margin improved significantly to 20.02% (from 8.16% in 9M:2024).

For **CHAMPION**, finance costs have increased steadily over the past three years, driven mainly by interest payments on lease liabilities, employee-related obligations, and more recently, exchange differences on foreign-currency (FCY) letters of credit and interest on loans. Finance costs rose by 45.59% YoY in 2023FY and surged by 529.47% YoY in 2024FY. This sharp escalation was primarily due to higher exchange losses on FCY letters of credit (which climbed to NGN708.43mn in 2024FY from NGN55.89mn in 2023FY) alongside increased interest expenses on loans (up to NGN237.23mn from NGN151.78mn). In 9M:2025, finance expenses surged by 67.79x YoY to NGN1.38bn (from NGN20.03mn in 9M:2024), following the drawdown of new loan facilities totaling NGN13.48bn (compared to zero loan balance in the prior period).

Notably, net foreign exchange losses declined sharply by 85.14% to NGN140.54mn (vs. NGN945.66mn in 9M:2024), supported by improved FX stability over the period. The company also earns finance income on mostly short-term deposits , which helped offset part of the finance costs, thereby softening the net finance cost burden.

Chart 25: Finance costs (NGN'bn)



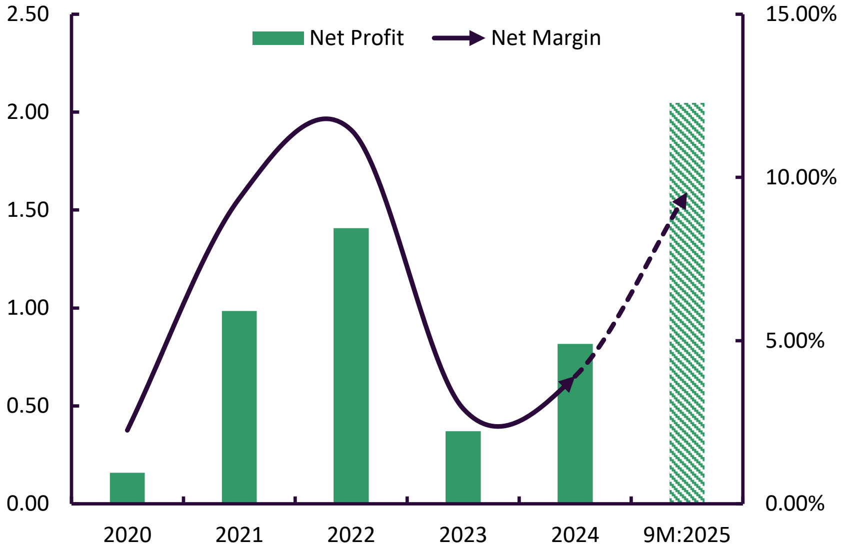

*Source: Company's Financials, Meristem Research*

## Topline Strength and FX Relief To Propel Profit Recovery

Despite the tough cost environment, **CHAMPION** has continued to deliver solid bottom-line performance, maintaining profitability every year since 2019. Although profit after tax (PAT) fell sharply in 2023FY, down by 73.68% to NGN370.56mn (from NGN1.41bn in 2022FY), largely due to sizeable foreign exchange losses, the company recorded a strong rebound in 2024FY. PAT rose by 120.47% to NGN817.00mn, supporting improvements across key profitability indicators: net margin, ROA, and ROE expanded to 3.91%, 3.90%, and 7.03%, respectively (vs. 2.92%, 2.06%, and 3.32% in 2023FY). Performance strengthened even further in 9M:2025, when **CHAMPION** delivered its highest earnings on record, posting PAT of NGN2.05bn (vs. NGN21.50mn in 9M:2024). As a result, net margin, ROA, and ROE rose markedly to 9.54%, 5.55%, and 15.08%, respectively (compared to 0.15%, 0.12%, and 0.19% in 9M:2024).

Going forward, we anticipate the company's profit trajectory to remain on an uptrend, with 2025FY PAT projected at NGN3.12bn. This outlook reflects a gradual easing of FX volatility, moderating inflationary pressures, and continued revenue growth, which together should support further margin expansion over the forecast period.

**Chart 26: Net Profit (NGN'mn) and Net Profit Margin (%)**




*Source: Company's Financials, Meristem Research*

The company has also maintained consistently positive operating cash flows over the past five years. Although CFO declined by 36.40% in 2022FY due to higher trade receivables and increased inventory levels, it rebounded in 2023FY, rising 153.97% to NGN6.07bn on the back of higher trade payables and increased prepayment balances. CFO moderated slightly in 2024FY to NGN5.33bn, resulting in a decline in earnings quality to 6.53x (from 16.39x in 2023FY).

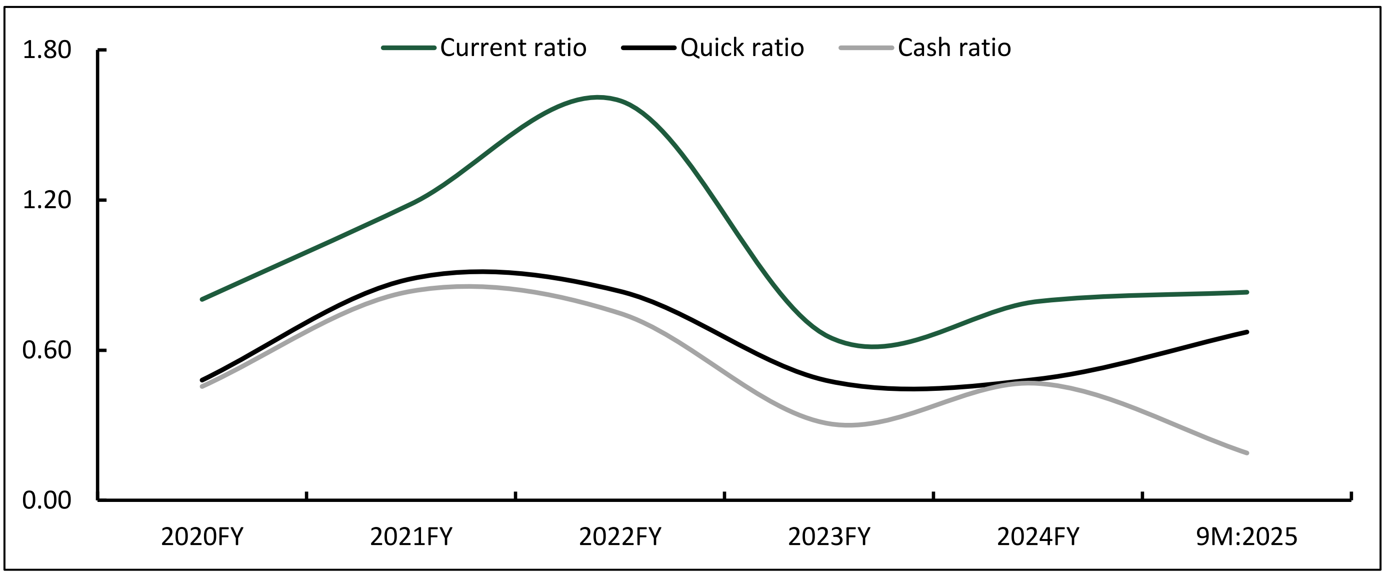
In 9M:2025, operating cash flow surged by 227.6% YoY to NGN8.86bn (vs. NGN2.70bn in 9M:2024), driven mainly by a 97.3% increase in trade payables and a substantial 93,813.03x rise in prepayments. This boosted CFO-to-Debt to 0.66x and CFO-to-CAPEX to 0.53x (from 0.19x in 9M:2024). However, the earnings quality ratio declined to 4.33x (from 125.74x), reflecting the sharper rise in profit relative to CFO.

## Prudent Debt Management Maintains Strong Solvency

**CHAMPION** has historically maintained minimal leverage, recording borrowings for the first time since 2018 in 2023FY of the sum of NGN1.35bn in 2023FY (vs. nil in 2022FY) mainly to finance letter of credit obligations for the acquisition of Marsh filter equipment and accessories. In 9M:2025, the company posted a debt of NGN13.48bn. This resulted in a debt-to-asset ratio and debt-to-equity ratio of 0.06x and 0.11x in 2023FY and 0.37x and 0.99x in 9M:2025.

On the liquidity front, the company's current ratio, quick ratio, and cash ratio have averaged 1.01x, 0.63x, and 0.56x, respectively. In 2024FY, these ratios improved to 0.79x, 0.48x, and 0.47x (from 0.65x, 0.48x, and 0.31x in 2023FY). The improvement continued into 9M:2025, with the ratios rising further to 8.83x, 0.67x, and 0.19x, respectively.

**Chart 27: Liquidity Metrics (times)**




*Source: Company's Financials, Meristem Research*

# Valuation Summary

| Metrics | Value |
|---|---|
| Fair Value | **NGN19.54** |
| Present Share Price | NGN12.35 |
| Discount to fair value | 58.26% |
| Recommendation | **BUY** |

## Basis for Recommendation

To estimate a fair value of **NGN19.54** per share for **CHAMPION**, we adopted a blended valuation approach using Discounted Cash Flow and relative valuation, factoring in the company's recovery-driven growth outlook, portfolio expansion, and industry-specific risks.

Although **CHAMPION** has traditionally focused on lager and malt offerings, the portfolio expansion into RTDs enhances earnings optionality and reduces reliance on a single product category. This, combined with legacy brand equity, improving utilisation of installed capacity, and a gradually stabilising operating environment, underpins our constructive long-term view.

While near-term dividend visibility remains limited as the company consolidates its recovery, rising profitability and improving cash-flow prospects should support shareholder returns over the medium term.

Based on our assessment of **CHAMPION**'s growth potential, margin recovery prospects, and long-term cash-flow outlook, we assign a **BUY** rating on the stock.

## Risks

Our recommendation for **CHAMPION** is not without risks tied to the company's operating environment, which could affect its financial performance.

Even though alcoholic beverages generally enjoy steady demand, Nigeria's high-inflation backdrop and weakened consumer purchasing power could soften consumption growth, particularly for premium or discretionary product categories, thereby weighing on revenue momentum.

Moreover, currency depreciation and commodities price volatility presents a significant risk to **CHAMPION's** cost profile and margins. Given the company's exposure to imported raw materials and packaging inputs, adverse FX performance could quickly inflate production costs and exert pressure on profitability.

# Nigerian Breweries Plc

| Financial Highlights and Forecasts (NGN'bn) | | | | | | |
|---|---|---|---|---|---|---|
| ***Profit & Loss Account*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Revenue | 599.64 | 1084.44 | 1486.12 | 1917.83 | 2474.97 | 3193.99 |
| Cost of sales | 339.00 | 709.20 | 839.07 | 1062.42 | 1393.13 | 1811.43 |
| Gross profit | 260.64 | 375.24 | 647.05 | 855.41 | 1081.84 | 1382.56 |
| Operating expense | 171.13 | 249.99 | 353.70 | 446.85 | 551.92 | 712.26 |
| Operating profit | 41.01 | 65.87 | 229.52 | 330.34 | 426.30 | 550.15 |
| Finance Cost | 36.37 | 99.46 | 48.56 | 59.22 | 62.67 | 63.95 |
| PBT | -145.69 | -182.92 | 186.00 | 284.91 | 379.78 | 506.87 |
| PAT | -106.78 | -144.88 | 124.62 | 190.89 | 254.45 | 339.60 |
| ***Balance Sheet*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Property, Plant and Equipment | 441.43 | 535.27 | 654.07 | 807.35 | 997.44 | 1223.20 |
| Total Debt | 341.63 | 209.05 | 272.66 | 379.45 | 447.23 | 524.47 |
| Total Assets | 795.87 | 1138.28 | 1362.92 | 1695.27 | 2033.26 | 2458.93 |
| Total Equity | 63.28 | 463.03 | 491.25 | 510.85 | 536.81 | 571.32 |
| Total Current Liabilities | 584.47 | 624.59 | 813.79 | 1114.03 | 1399.43 | 1762.03 |
| Non-Current Liabilities | 148.12 | 49.75 | 57.87 | 70.39 | 97.02 | 125.57 |
| Total Liabilities | 732.59 | 674.33 | 871.67 | 1184.42 | 1496.46 | 1887.60 |
| ***Financial Ratios*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Gross Margin | 43.47% | 34.60% | 43.54% | 44.60% | 43.71% | 43.29% |
| Operating Margin | 6.84% | 6.07% | 15.44% | 17.22% | 17.22% | 17.22% |
| Net Margin | -17.81% | -13.36% | 8.39% | 9.95% | 10.28% | 10.63% |
| Return on Asset | -15.08% | -14.98% | 9.96% | 12.48% | 13.65% | 15.12% |
| Return on Equity | -168.73% | -31.29% | 25.37% | 37.37% | 47.40% | 59.44% |
| Asset Turnover | 0.75x | 0.95x | 1.09x | 1.13x | 1.22x | 1.30x |
| Financial Leverage | 12.58x | 2.46x | 2.77x | 3.32x | 3.79x | 4.30x |
| Current Ratio | 0.39x | 0.68x | 0.65x | 0.60x | 0.56x | 0.53x |
| Quick Ratio | 0.18x | 0.39x | 0.36x | 0.33x | 0.27x | 0.23x |

# Guinness Nigeria Plc

| Financial Highlights and Forecasts (NGN'bn) | | | (Jan-Dec) | | | |
|---|---|---|---|---|---|---|
| ***Profit & Loss Account*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Revenue | 229.44 | 299.49 | 462.23 | 580.64 | 675.54 | 788.58 |
| Cost of sales | 151.31 | 208.03 | 296.66 | 372.66 | 433.57 | 506.12 |
| Gross profit | 78.13 | 91.46 | 165.57 | 207.98 | 241.97 | 282.46 |
| Operating expense | 58.30 | 69.21 | 98.21 | 123.37 | 143.54 | 167.55 |
| Operating profit | 19.84 | 22.25 | 22.10 | 54.30 | 67.97 | 80.97 |
| Finance Cost | 53.29 | 53.29 | 120.85 | 26.03 | 23.98 | 21.95 |
| PBT | -22.14 | -73.68 | 56.29 | 79.17 | 99.95 | 122.58 |
| PAT | -18.17 | -54.77 | 37.71 | 55.42 | 69.97 | 85.80 |
| ***Balance Sheet*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Property, Plant and Equipment | 99.18 | 101.32 | 118.17 | 144.75 | 177.64 | 218.11 |
| Total Debt | 63.76 | 40.13 | 52.17 | 60.00 | 60.00 | 57.00 |
| Total Assets | 241.75 | 226.13 | 282.98 | 340.49 | 400.55 | 462.93 |
| Total Equity | 56.42 | 2.16 | 39.87 | 56.50 | 77.49 | 103.23 |
| Total Current Liabilities | 183.67 | 222.68 | 282.26 | 324.31 | 370.28 | 408.33 |
| Non-Current Liabilities | 1.65 | 1.28 | 2.39 | 2.78 | 2.99 | 3.22 |
| Total Liabilities | 185.32 | 223.97 | 284.66 | 327.09 | 373.27 | 411.54 |
| ***Financial Ratios*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Gross Margin | 34.05% | 30.54% | 35.82% | 35.82% | 35.82% | 35.82% |
| Operating Margin | 8.65% | 7.43% | 4.78% | 9.35% | 10.06% | 10.27% |
| Net Margin | -7.92% | -18.29% | 8.16% | 9.54% | 10.36% | 10.88% |
| Return on Asset | -7.52% | -24.22% | 13.33% | 16.28% | 17.47% | 18.53% |
| Return on Equity | -32.20% | -2533.78% | 94.58% | 98.09% | 90.29% | 83.12% |
| Asset Turnover | 0.95x | 1.32x | 1.63x | 1.71x | 1.69x | 1.70x |
| Financial Leverage | 4.28x | 104.62x | 7.10x | 6.03x | 5.17x | 4.48x |
| Current Ratio | 0.77x | 0.47x | 0.58x | 0.60x | 0.60x | 0.60x |
| Quick Ratio | 0.58x | 0.28x | 0.33x | 0.34x | 0.33x | 0.32x |

# International Breweries Plc

**Financial Highlights and Forecasts (NGN'bn)**

| ***Profit & Loss Account*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
|---|---|---|---|---|---|---|
| Revenue | 260.60 | 488.96 | 653.38 | 807.76 | 958.24 | 1107.99 |
| Cost of sales | 174.33 | 357.61 | 461.57 | 571.33 | 677.76 | 783.68 |
| Gross profit | 86.27 | 131.35 | 191.81 | 236.44 | 280.48 | 324.31 |
| Operating expense | 87.97 | 108.47 | 127.41 | 154.17 | 183.91 | 213.16 |
| Operating profit | -80.92 | -113.73 | 55.37 | 68.71 | 86.49 | 103.81 |
| Finance Cost | -29.72 | -34.75 | -10.34 | -12.35 | -17.26 | -24.12 |
| PBT | -97.27 | -111.82 | 60.38 | 83.32 | 101.46 | 117.15 |
| PAT | -70.03 | -113.61 | 80.30 | 108.32 | 131.90 | 152.29 |
| ***Balance Sheet*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Property, Plant and Equipment | 253.32 | 287.58 | 318.64 | 384.39 | 455.99 | 527.26 |
| Total Debt | 394.43 | 32.50 | 37.29 | 52.11 | 72.81 | 101.75 |
| Total Assets | 724.50 | 727.87 | 772.00 | 954.40 | 1132.19 | 1309.13 |
| Total Equity | 42.24 | 444.82 | 530.33 | 638.92 | 771.08 | 923.64 |
| Total Current Liabilities | 590.60 | 256.23 | 232.45 | 294.11 | 360.12 | 431.47 |
| Non-Current Liabilities | 18.49 | 22.73 | 9.22 | 21.37 | 0.99 | -45.98 |
| Total Liabilities | 609.09 | 278.96 | 241.67 | 315.49 | 361.11 | 385.49 |
| ***Financial Ratios*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Gross Margin | 33.10% | 26.86% | 29.36% | 29.27% | 29.27% | 29.27% |
| Operating Margin | -31.05% | -23.26% | 8.47% | 8.51% | 9.03% | 9.37% |
| Net Margin | -26.87% | -23.24% | 12.29% | 13.41% | 13.76% | 13.75% |
| Return on Asset | -9.67% | -15.61% | 10.40% | 11.35% | 11.65% | 11.63% |
| Return on Equity | -165.79% | -25.54% | 15.14% | 16.95% | 17.11% | 16.49% |
| Asset Turnover | 0.36x | 0.67x | 0.85x | 0.85x | 0.85x | 0.85x |
| Financial Leverage | 17.15x | 1.64x | 1.46x | 1.49x | 1.47x | 1.42x |
| Current Ratio | 0.65x | 1.32x | 1.71x | 1.69x | 1.63x | 1.56x |
| Quick Ratio | 0.57x | 0.97x | 1.47x | 1.47x | 1.41x | 1.36x |

# Champion Breweries Plc

**Financial Highlights and Forecasts (NGN'bn)**

| ***Profit & Loss Account*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
|---|---|---|---|---|---|---|
| Revenue | 12.70 | 20.89 | 30.05 | 43.23 | 62.19 | 89.47 |
| Cost of sales | 7.63 | 12.17 | 16.28 | 22.56 | 32.46 | 46.69 |
| Gross profit | 5.07 | 8.72 | 13.77 | 20.67 | 29.74 | 42.78 |
| Operating expense | 4.57 | 6.47 | 7.82 | 10.93 | 15.72 | 22.62 |
| Operating profit | 0.60 | 2.33 | 6.29 | 10.22 | 14.71 | 21.16 |
| Finance Cost | 0.17 | 1.07 | 2.01 | 2.91 | 2.26 | 2.82 |
| PBT | 0.45 | 1.27 | 4.65 | 7.57 | 12.82 | 18.87 |
| PAT | 0.37 | 0.82 | 3.12 | 5.30 | 8.98 | 13.21 |
| ***Balance Sheet*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Property, Plant and Equipment | 19.50 | 31.21 | 43.34 | 62.35 | 89.70 | 0.00 |
| Total Debt | 1.59 | 0.59 | 14.65 | 7.42 | 9.70 | 11.70 |
| Total Assets | 20.55 | 21.35 | 38.64 | 51.60 | 71.66 | 103.09 |
| Total Equity | 11.20 | 12.06 | 14.64 | 33.98 | 40.11 | 49.04 |
| Total Current Liabilities | 7.97 | 7.74 | 22.63 | 16.03 | 29.03 | 50.66 |
| Non-Current Liabilities | 0.86 | 1.08 | 1.37 | 1.58 | 2.52 | 3.39 |
| Total Liabilities | 8.83 | 8.82 | 24.00 | 17.61 | 31.55 | 54.05 |
| ***Financial Ratios*** | **2023FY** | **2024FY** | **2025FY** | **2026FY** | **2027FY** | **2028FY** |
| Gross Margin | 39.91% | 41.73% | 45.82% | 47.82% | 47.82% | 47.82% |
| Operating Margin | 4.75% | 11.14% | 20.92% | 23.65% | 23.65% | 23.65% |
| Net Margin | 2.92% | 3.91% | 10.38% | 12.26% | 14.43% | 14.77% |
| Return on Asset | 1.80% | 3.83% | 8.07% | 10.27% | 12.53% | 12.81% |
| Return on Equity | 3.31% | 6.78% | 21.31% | 15.60% | 22.38% | 26.94% |
| Asset Turnover | 0.62x | 0.98x | 0.78x | 0.84x | 0.87x | 0.87x |
| Financial Leverage | 1.84x | 1.77x | 2.64x | 1.52x | 1.79x | 2.10x |
| Current Ratio | 0.54x | 0.82x | 0.75x | 1.09x | 0.84x | 0.69x |
| Quick Ratio | 0.31x | 0.57x | 0.60x | 0.81x | 0.62x | 0.51x |

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