

## Consumer Goods

### A tale of currency woes and inflationary fears

*The negative impacts of a weaker currency and stubbornly-high inflation will likely worsen in the second half of 2023. The naira devaluation at the I&E window that trailed the monetary policy reforms could drive the costs of imported raw materials higher and stoke material foreign exchange losses. In addition, even though most consumers are insulated from the impact of the depreciation at the I&E (as they mostly access FX at the parallel market), the combined impact of subsidy removal and the potential increase in electricity tariffs suggests that discretionary income could become weaker. Notwithstanding, the ongoing moderation in select commodity prices and companies' strategic responses could act as offsets.*

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#### Currency disruptions moderate output growth

Price increases were at the centre of 2022's menu. FMCG companies transferred input cost burdens to Nigerian consumers, resulting in strong EBIT margins for some of our coverage companies despite some volume pullback. However, volume contraction was a focal problem in 2023, with negative reactions to higher prices and, notably, the currency redesign policy, leading to a material decline in consumer demand for products. As a result of the latter, the average topline growth of coverage names nosedived to 5.0% YoY between January and March 2023 (vs 28.1% YoY in the corresponding period of 2022).

We, however, note that the impact of the cash crunch was uneven across our coverage names due to the following reasons:

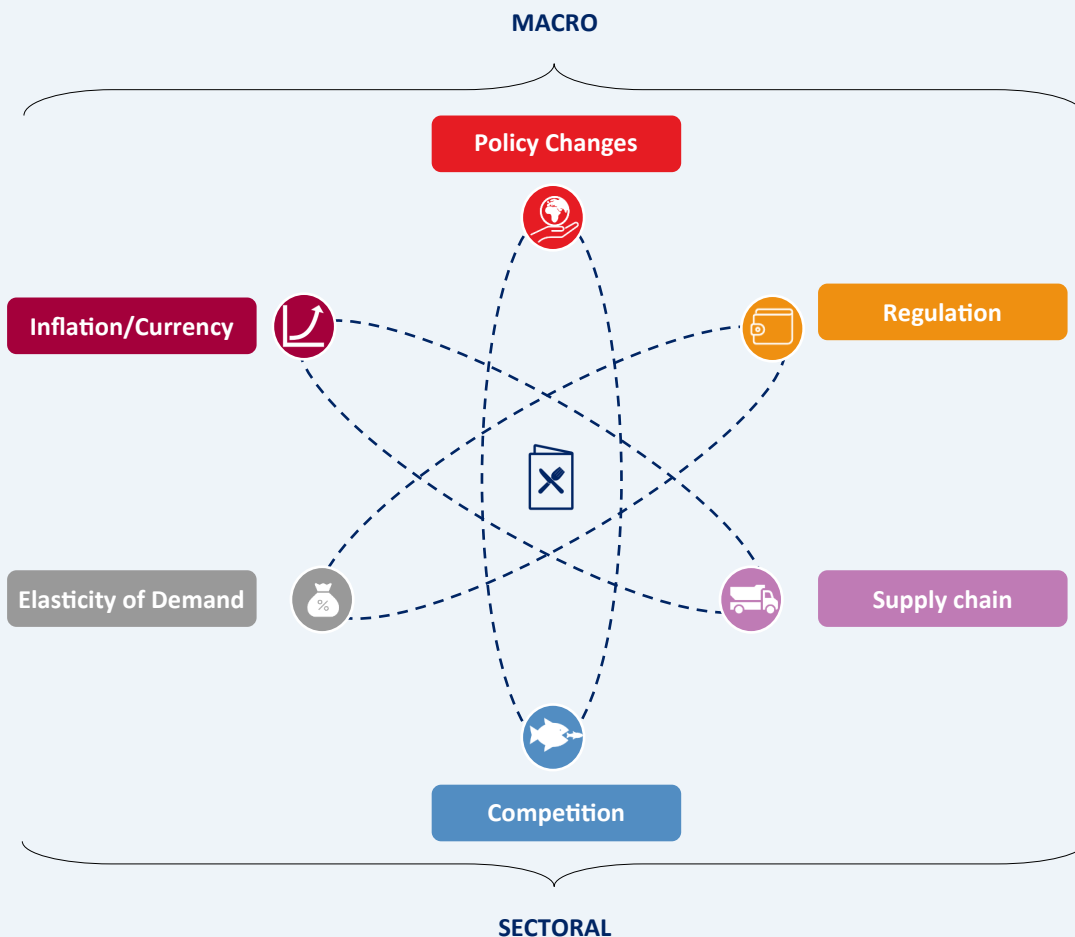
**Target customer** – We believe that the effect of the cash disruption was more pronounced on retail customers, who mostly transact with cash compared to large institutional off-takers of FMCG products. Hence, companies strategically positioned to serve these huge institutions were mostly insulated. A perfect example is DANGSUGAR, whose revenue is principally (96.0% on average) from the 50kg segment (fortified and non-fortified sugar), which is usually demanded by factories (bakeries, pharmaceuticals, and confectioneries). Conversely, given that 80.0% of its retail sales are cash-driven, NB was negatively affected by the naira scarcity.

**Nature of products:** Our analysis revealed that companies producing edible and ready-to-eat food products experienced sustained growth despite the naira crunch. In our view, consumers may have frontloaded the purchase of this set of consumables from established supermarkets, given the difficulty in accessing local food products in the informal markets during the period.

**Leveraging B2B/B2C digital network:** Recent conversations with B2C tech distributors revealed higher volumes despite naira scarcity. To our minds, this could have been buoyed by the increased use of POS/electronic transfers (big shops and shopping malls). Companies like GUINNESS tactically prioritized channels and regions that had digital capabilities, anticipating that they would experience less impact from the cash crunch.

In addition to the crises stoked by the naira redesign policy, the naira depreciated by 9.8% and 21.6% at the I&E and parallel market YoY, respectively in Q1'23, to drive financial pressures such as FX losses on letters of credit or foreign-related debt facilities. Regulatory changes also shifted companies to a higher tax band and slightly complicated operations for a sector be-devilled by cut-throat competition.

Figure 1: Key drivers of Nigeria's FMCG market



Source: CardinalStone Research

Figure 2: Retail price survey puts DANGSUGAR, FLOURMILL and GUINNESS ahead in terms of price increases

Product Name	Description	May-22	Jan-23	May-23	YTD	YOY
<b>NB</b>						
Star	33cl	295	295	340	📈 15.3%	📈 15.3%
Heineken	50cl	320	320	345	📈 7.8%	📈 7.8%
Goldberg	50cl	340	370	370	➡️ 0.0%	📈 8.8%
Maltina	33cl	220	225	250	📈 11.1%	📈 13.6%
Amstel Malta	33cl	220	240	250	📈 4.2%	📈 13.6%
33 export	50cl	380	380	380	➡️ 0.0%	➡️ 0.0%
Gulder	33cl	340	370	400	📈 8.1%	📈 17.6%
Star Radley	33cl	295	300	300	➡️ 0.0%	📈 1.7%
Desperados	44cl	390	420	430	📈 2.4%	📈 10.3%
Legend	44cl	330	340	390	📈 14.7%	📈 18.2%
Tiger	33cl	295	310	320	📈 3.2%	📈 8.5%
Trophy	50cl	285	310	345	📈 11.3%	📈 21.1%
<b>GUINNESS</b>						
Guinness Smooth	33cl	330	400	450	📈 12.5%	📈 36.4%
Guinness	33cl	320	395	470	📈 19.0%	📈 46.9%
Malta Guinness	33cl	230	230	250	📈 8.7%	📈 8.7%
Smirnoff	33cl	420	420	450	📈 7.1%	📈 7.1%
Orijin	33cl	260	350	380	📈 8.6%	📈 46.2%
Dubic	33cl	220	240	250	📈 4.2%	📈 13.6%
<b>FLOURMILL</b>						
Golden penny pasta	500g	410	600	600	➡️ 0.0%	📈 46.3%
Golden penny macaroni	500g	410	580	590	📈 1.7%	📈 43.9%
Golden penny sugar	500g	430	460	500	📈 8.7%	📈 16.3%
Classic flour	50kg	29,000	33,000	33,500	📈 1.5%	📈 15.5%
Semovita	2kg	1,430	1,830	1,850	📈 1.1%	📈 29.4%
Golden penny butter	500g	790	800	1,100	📈 37.5%	📈 39.2%
<b>NESTLE</b>						
Cerelac	350g refill	3,150	3,300	3,500	📈 6.1%	📈 11.1%
Golden Morn	450g	970	950	1,200	📈 26.3%	📈 23.7%
Milo	900g refill	2,290	2,400	2,950	📈 22.9%	📈 28.8%
Maggi cube (chicken pack)	400g	640	720	850	📈 18.1%	📈 32.8%
Nestle pure life	60ml	100	100	100	➡️ 0.0%	➡️ 0.0%
Nescafe 3-in-1	25g	72	75	95	📈 26.7%	📈 31.9%
Nescafe malt	25g	120	120	120	➡️ 0.0%	➡️ 0.0%
<b>UACN</b>						
Grand Pure Soya Oil	2.75L	5,550	5,550	5,550	➡️ 0.0%	➡️ 0.0%
Gala	100 grams	100	100	100	➡️ 0.0%	➡️ 0.0%
Supreme	500ml	890	950	950	➡️ 0.0%	📈 6.7%
Funtime Coconut Chips	30g	150	150	150	➡️ 0.0%	➡️ 0.0%
<b>DANGSUGAR</b>						
Sugar	500g	330	400	550	📈 37.5%	📈 66.7%
Sugar	1kg	710	800	1,000	📈 25.0%	📈 40.8%
Sugar	50kg	28,500	31,000	33,000	📈 6.5%	📈 15.8%

Source: CardinalStone Research

## Overall outlook of the FMCG sector



### Higher energy costs may shift consumers to lower consumption buckets

In his inaugural speech, President Bola Ahmed Tinubu surprised the nation by confirming the removal of subsidy on PMS, driving a 3-fold increase in the product's price and eroding consumer wallets. As consumers were reeling from the PMS shock, news filtered into the market that electricity prices would likely rise in July, consistent with MYTO provisions and primarily owing to the devaluation of the naira. In our view, the ongoing deregulation of the energy sector could worsen the demand outlook for FMCGs. Thus, we expect our coverage names to grow revenue by an average of 9.1% in FY'23 (vs 13.6% in our last report).

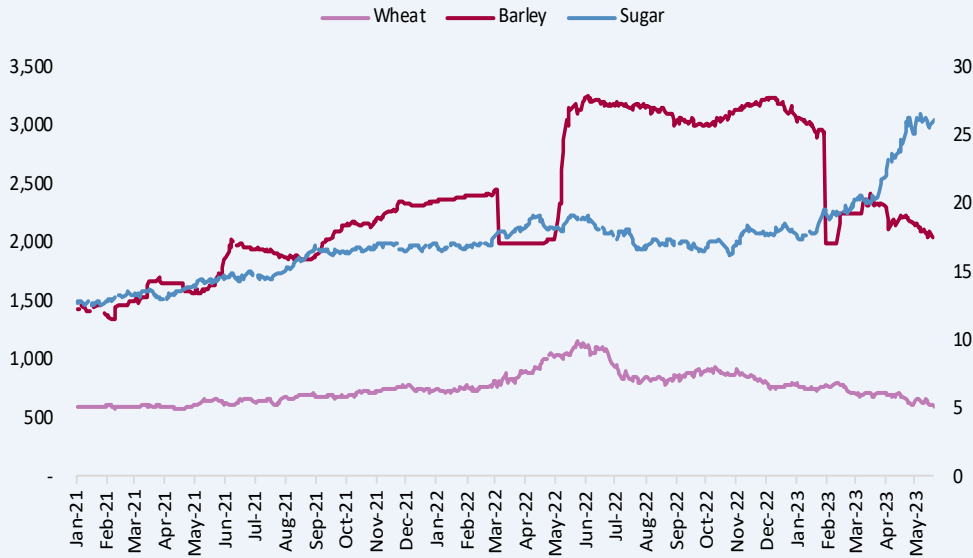
### Raw sugar, the exception, as commodity prices moderate

After a year of war-induced crises that took global inflation to record highs, moderation in commodity prices raised hopes for temperance in inflation readings. Specifically, wheat and barley prices have declined by 26.8% and 40.5% YoY as at June 30, 2023, edging close to their pandemic lows. We attribute this significant decline to slowing global economic activity, favourable weather, and the renewal of the Black Sea Grain Initiative, which has been extended to aid grain exports from Ukraine. As of 20th of June 2023, the Black Sea Grain Initiative had cumulatively resulted in the export of 32.1 million metric tons of grains, comprising 51.0% maize, 27.4% wheat, 10.5% sunflower products, 4.0% barley, and 7.1% of other raw materials to countries like Libya, Kenya, Egypt, Tunisia, and Ethiopia. The passthrough effect of rising supply is consistent with the World Bank's view that grain prices could moderate by 10.0% in 2023 and a further 8.0% in 2024. Falling fertilizer prices also contributed to the rise in commodity supply and consequent price declines.

However, due to production constraints, sugar prices have moved in the opposite direction since the year started. The commodity's price reached a multi-year high in Q1'23, threatening further inflationary pain for sweeteners. To buttress, in April 2023, the Indian Sugar Mills Association (India accounts for over 10.0% of global sugar exports) cut its shipment outlook by 3.28% from its earlier projection after bad weather hurt yields. Indian mills are also diverting more cane to make ethanol, with China's reopening expected to drive greater demand for the sugar derivative.

Given the supply issues and unrelenting demand pressures, world sugar prices are expected to increase by 10.0% in 2023. However, futures contracts suggest that there could be a price correction by 2024.

Figure 3: Raw sugar price increases amidst moderation in other commodity prices (\$/Bu)



Source: Bloomberg. CardinalStone Research

### Brace up for more product price hikes

We expect FMCG companies to raise prices in H2'23 for the following reasons:

- The ongoing surge in raw sugar prices:** Our engagements with major distributors revealed that the recent deliveries of 50kg bags of sugar were priced at N38,000 in early June compared to N33,000 in May, reflecting the transfer of raw sugar cost burden to consumers.
- The upward revision of excise duties and the introduction of newer taxes:** The federal government introduced a step-wise increase (N5 for beer & stout) in excise taxes applicable to beverage companies in June 2022. Consequently, we expect some associated cost pressures to translate to higher prices.

Figure 4: Expected excise duties in 2023 and 2024

Beverages	2022	2023	2024
Beer and stout	40	45	50
Wines	50	60	70
Spirits	50	65	75
Non-alcoholic, carbonated, and	10	10	10

Source: Finance Act 2022

Units are in Naira per litre

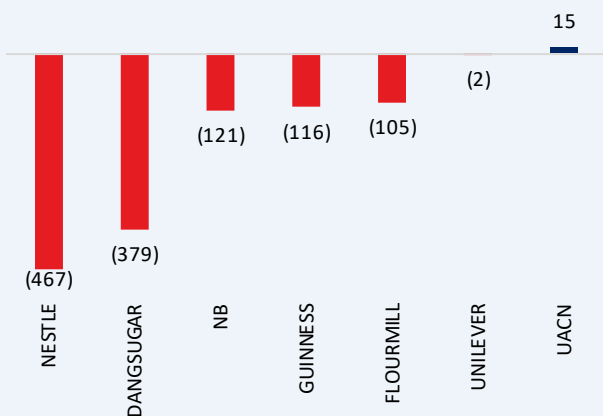
- The increase in energy prices:** The effect of the PMS and electricity (potential) price hikes could be more pronounced on B2C channels (supermarkets, retail stores), which often have to keep refrigerators constantly on to preserve some FMCG products. Hence, we see leegroom for increases in retail prices across these channels as related stakeholders try to protect margins.

**A further peek into the devaluation dilemma**

Currency headwinds bedevil FMCG companies. Yet, this challenge is expected to worsen in H2'23, given the companies' strong reliance on foreign raw materials, machinery parts, and maintenance services. The impact of the currency pressure is mainly felt via surges in the cost of sales and FX losses on foreign currency debts & letters of credit (mainly reflected in finance costs/other operating losses). Due to the unification of exchange rates and other promarket FX policies, the naira weakened to N769.25/\$ at the I&E in June 2023 (vs N461.50/\$ in December 2022). This material devaluation prompts us to highlight potential exposures of our coverage FMCGs and possible strategic reactions.

- Net exposure to currency risks:** Across our coverage, NESTLE, DANGSUGAR, and NB (as shown in Figure 6) have the highest exposures to foreign exchange risks, given the backlog of unprocessed dollar obligations to their suppliers. Most of these FX exposures stem from letters of credit or trade payables that are likely to result in FX losses on the impact of translation. However, the foreign currency exposures of a few companies (e.g. NESTLE, GUINNESS, and UNILEVER) represent obligations to a parent or related foreign counterpart. The foreign partners may provide some concessionary arrangements around the FX exposures to reduce risks to the earnings of their Nigerian partners.
- Strategic responses are slow but ongoing:** Companies have resorted to derivatives to hedge exposures to commodities/FX volatilities. These companies include FLOURMILL, UNILEVER, NB, and DANGSUGAR. A few also explore import substitution and deliberate exports to combat FX-related worries. That said, given the scale of FX losses usually suffered by the sector following naira devaluations, we believe that progress has been mostly slow on these strategic fronts.

Figure 5: Save for UACN, other coverage names had net short FX positions as at FY'22 (stated in \$'million)



Source: Company financials ; \*Also includes inter-company related loans

Figure 6: Percentage of internal sourcing and net FX positions of coverage FMCG companies (FY'22)

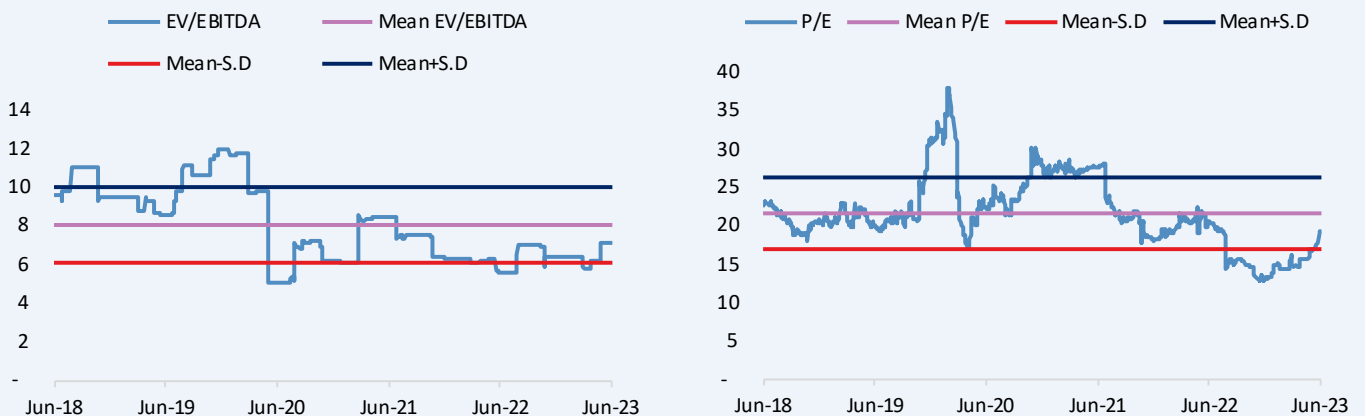
	Percentage of raw materials sourced locally	Net FX exposure (\$'million)	Major constituent of FX exposure/asset
UACN	c.50.0%	14.7	FX-denominated assets such as Eurobonds
UNILEVER	c.50.0%	(2.4)	Trade & other payables
FLOURMILL	40.0%	(104.6)	Trade & other payables
GUINNESS	80.0%	(116.2)	Trade payables; Related party loan
NB	c.50.0%	(121.4)	Group payables
DANGSUGAR	10.0%	(378.9)	Trade payables
NESTLE	80.0%	(467.3)	Unsecured intercompany loans

Source: Company information & financials, CardinalStone Research

### Sector valuation

Perhaps reflecting the lingering challenges facing the sector, the NGX Consumer Goods index trades at a deep discount to its historical P/E and EV/EBITDA multiples. However, select names appear to be trading at unjustifiable discounts, given their superior profitability metrics vs history. For these companies, the impacts of decent net profit margins and asset turnover appear to have been amplified by leverage. Hence, we advise investors to cherry-pick these attractive companies using a jumbo of factors highlighted in Figure 8.

Figure 7: NGX Consumer Goods is materially cheap on both P/E and EV/EBITDA basis



Source: Bloomberg, CardinalStone Research

Figure 8: Valuation table for Consumer Goods companies

	Ref Price	Target Price	Upside	Rating	Current P/E	EV/LTM EBITDA	4 year average P/E	4 year avg EV/ EBITDA	LTM ROE	4-year avg ROE	Dividend yield
DANGSUGAR	30.00	30.98	3.3%	HOLD	6.2	4.0	7.1	3.4	36.50%	21.90%	5.0%
FLOURMILL	30.75	31.49	2.4%	HOLD	6.0	3.1	8.9	3.2	11.40%	10.30%	7.0%
GUINNESS	74.00	70.10	-5.3%	SELL	26.0	5.4	16.5	3.9	7.30%	2.90%	9.6%
NB	42.00	43.10	2.6%	HOLD	NM	8.8	32.6	6.6	-6.30%	8.30%	3.4%
NESTLE	1175.00	1,336.49	13.7%	HOLD	19.7	10.2	23.4	12.5	110.10%	112.20%	5.2%
UACN*	11.00	9.10	-17.3%	SELL	NM	NM	7.2	4.2	-10.20%	9.80%	2.0%
UNILEVER*	15.75	18.43	17.0%	BUY	17.0	0.9	23.5	4.0	8.0%	-0.80%	1.6%

Source: Capital IQ, CardinalStone Research

\*Harmonic mean was used for its four-year average

NM– indicates Non-Meaningful

# DANGOTE SUGAR PLC

BLOOMBERG: DANGSUGAR NL

## FX loss to reach its peak in FY'23

**HOLD**

### Investment Thesis

With the largest market share in the sugar industry (49.0% as of December 2022), DANGSUGAR has remained resilient, despite being exposed to global-induced shocks. This resilience may be partly explained by the reality that c.98.0% of its revenue comes from huge institutions, whose demands are relatively more stable than individuals'. Additionally, the company's materially low leverage and robust cash collection continue to boost its investment income (7.8% of FY'22 PBT vs mean of 3.9% in the last four years), aided by a high-interest rate environment.

We also like management's ongoing response to volatile raw sugar prices and efforts to promote self-sufficiency. In particular, it has increased its investment in backward integration efforts, with the largest allocation to Nasarawa Sugar Company Limited. These efforts to tame gyrations in cost, market leadership, and deliberate targeting of stable customer segments will likely support the company in the near to medium term.

### Valuation

With a blend of DCF and multiples-based approaches, we arrived at a 12-month TP of N30.98. The stock trades at a current P/E of 6.2x, at discounts to its 4-year mean of 7.1x and a select EMEA peer average of 10.4x. We expect the company to report an average ROE of 22.9% over the next two years, representing a sharp moderation from FY'22 levels (mostly due to expected FX losses) but slightly higher than its 4-year average of 21.9%. We have a HOLD recommendation on the stock.

### Key risks to expectations: Upside

- **Export opportunities:** Ahead of operational commencement of the African Continental Free Trade Area Agreement (AfCFTA), the company could increase FX inflows via deliberate exports.

### Key risks to expectations: Downside

- **The slowdown in backward integration:** Despite the company's investments, Dangote Sugar Numan has recorded a decline in sugar production between 2020 and 2022. If this persists, dependence on global raw sugar could see the company face uncertainties from the commodity price volatility.
- **Foreign exchange loss:** DANGSUGAR could record huge FX losses given the c.40.0% depreciation in currency YoY. In our view, the company will likely witness an FX loss of over c.N50 billion in FY'23 (63.2% of FY'23E EBIT, higher than 2.3% in FY'22).

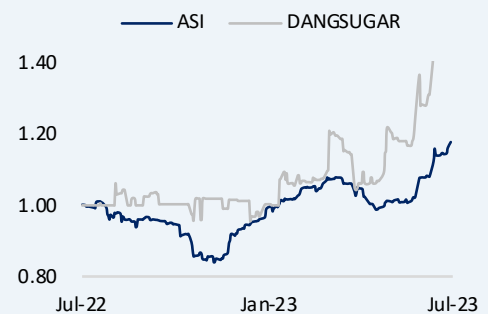
Target Price: N30.98

Ref Price: N30.00

Upside/(Downside): 3.3%

Market Data	DANGSUGAR
Market Cap (N'bn)	364.41
Last close price (N)	30.00
52-week high-low price (N)	32.80/ 15.00
Avg 3M daily volume (N'mn)	6.68

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 9: Dangote Sugar summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024F	Cash Flow Statement (Nm)	2021A	2022A	2023E	2024F
<b>Revenue</b>	<b>276,055</b>	<b>403,246</b>	<b>445,248</b>	<b>485,944</b>	<b>Cash flow from operating activities</b>	<b>129,246</b>	<b>105,387</b>	<b>192,472</b>	<b>91,847</b>
COGS	(225,846)	(311,283)	(347,294)	(377,578)	o/w Depreciation & amortization	9,732	12,284	15,183	18,228
<b>Gross profit</b>	<b>50,209</b>	<b>91,963</b>	<b>97,955</b>	<b>108,365</b>	o/w Changes in working capital	87,443	32,773	113,854	(14,166)
Other Income	333	1,435	333	701	<b>Cash flow from investing activities</b>	<b>(51,292)</b>	<b>(19,569)</b>	<b>(44,904)</b>	<b>(52,793)</b>
OPEX and impairment	(11,522)	(10,988)	(12,840)	(16,036)	o/w Capital expenditure	(51,347)	(26,152)	(57,882)	(63,173)
<b>EBIT</b>	<b>39,020</b>	<b>82,410</b>	<b>85,447</b>	<b>93,030</b>	as % of sales	6.1%	5.7%	5.7%	5.7%
Net Interest	(5,211)	(3,423)	(54,987)	2,794	<b>Cash flow from financing activities</b>	<b>(19,806)</b>	<b>(13,969)</b>	<b>(86,466)</b>	<b>(15,527)</b>
<b>PBT</b>	<b>33,809</b>	<b>78,987</b>	<b>30,461</b>	<b>95,824</b>	o/w Dividends paid	(18,220)	(12,147)	(18,220)	(7,720)
Fair value adjustments	212	3,315	3,647	2,188	o/w Debt issued/(repaid)	(268)	(274)	(67)	(55)
Tax	(11,969)	(27,561)	(10,914)	(31,364)	<b>Net change in cash</b>	<b>58,149</b>	<b>71,848</b>	<b>61,102</b>	<b>23,527</b>
<b>PAT</b>	<b>22,052</b>	<b>54,742</b>	<b>23,193</b>	<b>66,648</b>	Cash & cash equivalents at beginning of year (incl FX diff)	44,861	103,010	174,858	235,960
EPS	1.82	4.51	1.91	5.49	<b>Cash &amp; cash equivalents at end of the year</b>	<b>103,010</b>	<b>174,858</b>	<b>235,960</b>	<b>259,486</b>
<b>DPS (NGN)</b>	<b>1.00</b>	<b>1.50</b>	<b>0.64</b>	<b>1.83</b>					
Payout ratio	55.1%	33.3%	33.3%	33.3%					
Shares outstanding (million)	12,147	12,147	12,147	12,147					

Balance Sheet (Nm)	2021A	2022A	2023E	2024F	Ratio Analysis	2021A	2022A	2023E	2024F
Cash and cash equivalents	103,010	174,858	235,960	259,486	Gross Margin	18.2%	22.8%	22.0%	22.3%
Accounts receivable	50,156	107,435	146,383	162,425	EBITDA Margin	17.7%	23.5%	22.6%	22.9%
Inventories	56,000	44,264	47,574	51,723	EBIT Margin	14.1%	20.4%	19.2%	19.1%
Other current assets	5,663	8,115	6,525	6,913	Net Profit Margin	8.0%	13.6%	5.2%	13.7%
<b>Current assets</b>	<b>214,828</b>	<b>334,673</b>	<b>436,442</b>	<b>480,547</b>	OPEX/Sales	4.2%	2.7%	2.9%	3.3%
PP&E	144,678	157,762	203,360	251,349	ROE	17.4%	36.5%	13.4%	32.4%
Non-current assets	144,678	157,762	203,360	251,349	ROA	6.9%	12.9%	4.1%	9.7%
<b>Total assets</b>	<b>359,506</b>	<b>492,434</b>	<b>639,802</b>	<b>731,896</b>	ROIC	17.0%	31.8%	13.1%	28.3%
Short-term borrowings	220	244	82	81	Net debt/Equity (x)	-0.8	-1.0	-1.3	-1.1
Payables	201,382	273,747	428,170	434,474	Net debt/EBITDA (x)	-2.1	-1.8	-2.3	-2.3
Other short-term liabilities	16,941	33,448	22,365	51,166	Sales/Assets (x)	0.8	0.8	0.7	0.7
<b>Current liabilities</b>	<b>218,543</b>	<b>307,438</b>	<b>450,617</b>	<b>485,721</b>	Assets/Equity (x)	2.8	2.9	3.6	3.1
Long-term debt	765	532	626	573	Interest cover (x)	7.5	24.1	1.6	-33.3
Deferred tax liabilities	10,432	13,238	11,914	10,127	Tax Rate	35.4%	34.9%	35.8%	32.7%
Other long-term liabilities	1,135	-	445	348	Revenue y/y Growth	28.8%	46.1%	10.4%	9.1%
Non-current liabilities	12,331	13,770	12,985	11,048	EPS y/y Growth	-25.9%	148.2%	-57.6%	187.4%
<b>Total liabilities</b>	<b>230,875</b>	<b>321,208</b>	<b>463,602</b>	<b>496,768</b>					
Shareholders' equity	128,631	171,226	176,199	235,128	<b>Valuation</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>
<b>Total liabilities &amp; equity</b>	<b>359,506</b>	<b>492,434</b>	<b>639,802</b>	<b>731,896</b>	P/E (x)	16.5	6.7	15.7	5.5
					P/BV (x)	1.0	0.7	0.6	0.5
<b>BVPS</b>	<b>29.60</b>	<b>40.54</b>	<b>52.67</b>	<b>60.25</b>	EV/EBITDA (x)	3.9	2.0	1.9	1.7
					Dividend Yield	3.3%	5.0%	2.1%	6.1%
Net debt/(cash)	(102,025)	(174,083)	(235,252)	(258,833)					

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# FLOUR MILLS OF NIGERIA PLC

BLOOMBERG: FLOURMIL NL

## EPS could decline further in FY'23/24

**HOLD**

### Investment Thesis

In FY'23/24, FLOURMILL could experience a 59.4% plunge in its bottom line due to potential FX losses linked to naira devaluation. Notably, the company has increased investments in derivative assets (+28.2x jump between March 2022 and December 2022) to offset potential currency volatility. Nonetheless, we cautiously expect the company to report some FX losses in the current year, given the magnitude of the naira devaluation and its almost complete reliance on imported wheat.

However, we see scope for higher volumes on the impact of its new subsidiary (HONEYWELL) and continued support from its fertilizer plant. These factors, alongside higher prices (average of 31.8% YoY according to our price survey), will likely bolster revenue growth.

Elsewhere, while debt could remain elevated, management has alluded to a deliberate effort to restructure its balance sheet to reduce its negative impact.

### Valuation

With a combination of DCF and multiples-based approaches, we arrived at a 12-month TP of N31.49, translating to a potential capital appreciation of 2.4% and a HOLD rating. On an EV/EBITDA standpoint, the stock is trading at par with its four-year historical mean.

### Key risks to expectations: Upside

- **Deliberate restructuring of debt profile:** Before it acquired HONEYFLOUR, the company boasted of sound debt multiples, aided by successful balance sheet restructuring. Should management succeed with ongoing plans for another restructuring, we could see material finance cost pressures moderation in the near to medium term.
- **AfCFTA implementation:** FLOURMILL has great potential to participate in the AfCFTA. Recently, management met with the Executive Secretary of the National Action Committee on AfCFTA to discuss avenues for leveraging the AfCFTA agreement to increase their agricultural products and processed goods exports to neighbouring countries. We believe this strategic move could drive growth and provide some FX liquidity.

### Key risks to expectations: Downside

- **Currency depreciation:** Naira devaluation will likely balloon net operating losses from letters of credit used to procure imported raw materials. However, currency hedging could provide some slight offsetting impact.

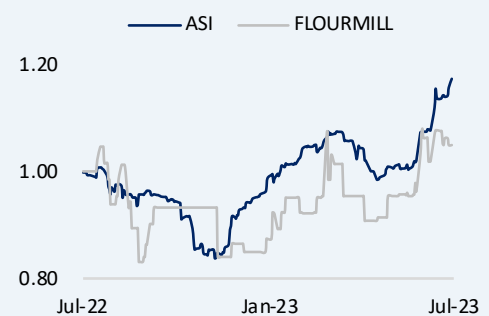
Target Price: N31.49

Ref Price: N30.75

Upside/(Downside): +2.4%

Market Data	FLOURMILL
Market Cap (N'bn)	126.09
Last close price (N)	30.75
52-week high-low price (N)	36.20/ 27.00
Avg 3M daily volume (N'mn)	2.14

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 10: Flour Mills of Nigeria summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024E
<b>Revenue</b>	<b>771,608</b>	<b>1,163,803</b>	<b>1,479,426</b>	<b>1,677,669</b>
COGS	(664,851)	(1,055,713)	(1,341,840)	(1,523,324)
<b>Gross profit</b>	<b>106,757</b>	<b>108,090</b>	<b>137,587</b>	<b>154,346</b>
OPEX	(41,125)	(42,856)	(57,698)	(67,107)
Net operating (loss)/gain	(15,528)	(136)	(11,738)	(32,195)
Write back/ (impairment loss) on trade & intercompany receivables	2,094	415	653	-
<b>EBIT</b>	<b>52,197</b>	<b>65,513</b>	<b>68,804</b>	<b>55,044</b>
Net Interest	(15,003)	(24,395)	(50,026)	(47,417)
<b>PBT</b>	<b>37,194</b>	<b>41,118</b>	<b>18,778</b>	<b>7,627</b>
Tax	(11,477)	(13,103)	(6,178)	(2,509)
<b>PAT</b>	<b>25,717</b>	<b>28,015</b>	<b>12,600</b>	<b>5,118</b>
EPS	6.27	6.83	3.07	1.25
<b>DPS (NGN)</b>	<b>1.65</b>	<b>2.15</b>	<b>1.11</b>	<b>0.45</b>
Payout ratio	26.3%	31.5%	36.1%	36.1%
Shares outstanding (million)	4,100	4,100	4,100	4,100

Cash Flow Statement (Nm)	2021A	2022A	2023E	2024E
<b>Cash flow from operating activities</b>	<b>29,851</b>	<b>44,037</b>	<b>96,926</b>	<b>107,704</b>
o/w Depreciation & amortization	22,242	22,242	25,562	34,876
o/w Changes in working capital	(52,783)	(51,724)	13,395	20,790
<b>Cash flow from investing activities</b>	<b>(18,425)</b>	<b>(44,848)</b>	<b>(59,025)</b>	<b>(41,770)</b>
o/w Capital expenditure	(19,426)	(40,653)	(59,177)	(41,942)
as % of sales	2.5%	3.5%	4.0%	2.5%
<b>Cash flow from financing activities</b>	<b>649</b>	<b>(11,378)</b>	<b>30,929</b>	<b>(47,853)</b>
o/w Dividends paid	(5,454)	(8,094)	(4,569)	(2,877)
o/w Debt issued/(repaid)	25,211	23,322	96,390	3,025
Net change in cash	12,075	(12,189)	68,830	18,082
Cash & cash equivalents at beginning of year (incl exchange diff & O/D)	25,089	43,811	29,937	98,767
<b>Cash &amp; cash equivalents at end of the year</b>	<b>37,163</b>	<b>31,621</b>	<b>98,767</b>	<b>116,849</b>

Balance Sheet (Nm)	2021A	2022A	2023E	2024E
Cash and cash equivalents	37,163	31,621	98,767	116,849
Accounts receivable	25,826	39,901	56,745	64,349
Inventories	195,449	284,463	380,972	396,482
Other current assets	47,567	56,131	68,342	77,498
<b>Current assets</b>	<b>306,005</b>	<b>412,116</b>	<b>604,826</b>	<b>655,177</b>
PP&E	208,721	226,840	357,708	364,939
Intangible Assets	646	369	480	447
Other non-current assets	29,360	27,686	28,842	29,124
Non-current assets	238,728	254,895	387,030	394,510
<b>Total assets</b>	<b>544,733</b>	<b>667,012</b>	<b>991,856</b>	<b>1,049,687</b>
Short-term borrowings	30,914	43,955	152,152	138,069
Payables	120,152	194,592	330,865	379,788
Other short-term liabilities	58,629	55,040	39,003	37,899
<b>Current liabilities</b>	<b>209,696</b>	<b>293,586</b>	<b>522,020</b>	<b>555,756</b>
Long-term debt	101,765	114,811	164,832	181,940
Other long-term liabilities	58,658	62,710	70,201	74,947
Non-current liabilities	160,423	177,521	235,033	256,887
<b>Total liabilities</b>	<b>370,119</b>	<b>471,107</b>	<b>757,053</b>	<b>812,643</b>
Shareholders' equity	174,614	195,905	234,803	237,044
<b>Total liabilities &amp; equity</b>	<b>544,733</b>	<b>667,012</b>	<b>991,856</b>	<b>1,049,687</b>
<b>BVPS</b>	<b>47.78</b>	<b>57.79</b>	<b>57.26</b>	<b>57.81</b>
YoY Growth	12.2%	20.9%	-0.9%	1.0%
Net debt/(cash)	95,516	127,144	190,657	218,217

Ratio Analysis	2021A	2022A	2023E	2024E
Gross Margin	13.8%	9.3%	9.3%	9.2%
EBITDA Margin	9.6%	7.5%	6.4%	5.4%
EBIT Margin	6.8%	5.6%	4.7%	3.3%
Net Profit Margin	3.3%	2.4%	0.9%	0.3%
ROE	15.6%	15.1%	5.8%	2.2%
ROA	5.3%	4.6%	1.7%	0.6%
ROCE	15.6%	14.9%	14.6%	11.1%
OPEX/Sales	5.3%	3.7%	3.9%	4.0%
Net debt/Equity (x)	0.5	0.6	0.8	0.9
Net debt/EBITDA (x)	1.3	1.4	2.0	2.4
Sales/Assets (x)	1.4	1.7	1.8	1.7
Assets/Equity (x)	3.1	3.4	4.2	4.4
Interest cover (x)	2.8	2.6	1.4	1.1
Tax Rate	30.9%	31.9%	32.9%	32.9%
Revenue YoY Growth	34.5%	50.8%	27.1%	13.4%
EPS YoY Growth	126.1%	8.9%	-55.0%	-59.4%

Valuation	2021A	2022A	2023E	2024E
P/E (x)	4.9	4.5	10.0	24.6
P/B (x)	0.6	0.5	0.5	0.5
EV/EBITDA (x)	4.4	3.8	3.5	3.7
Dividend Yield	5.4%	7.0%	3.6%	1.5%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# GUINNESS NIGERIA PLC

BLOOMBERG: GUINNESS NL

## FX losses may offset gains from higher prices

**SELL**

Target Price: N70.10

Ref Price: N74.00

Upside/(Downside): (5.3%)

### Investment Thesis

GUINNESS returned to profitability in 2020 due to cost optimisation, price increases, and reinvestment in its profitable brands and has since maintained steady earnings growth. The company is relatively aggressive in transferring cost burden to customers (GUINNESS's products are at least N60 more expensive than NB's, going by our survey results) to manage its margins. GUINNESS also continues to explore opportunities via product innovations, resulting in the launch of the Smirnoff Pineapple (within the Smirnoff Ice trademark) in April 2023. We also like the company's engagement with digital channels and its collaboration with payment solution providers to offer services to wholesalers and retailers at highly competitive rates. These strategies efficiently supported transactions and improved sales even during the cash crunch.

Across our coverage, GUINNESS sits atop from a cash flow perspective and has had negative cash conversion cycles in the last three years. This strong cash position was mainly driven by management's introduction of DFS (Distribution Finance Scheme) to ensure regular and prompt payment of its receivables. Nonetheless, we remain cautious about currency pressures stemming from its remeasurement of FX exposures and letters of credit. To create some perspective on the potential scale of FX concerns, we note that the company had already reported an FX loss of N6.3 billion in its 9M'22/23 results even before the current naira nosedive.

### Valuation

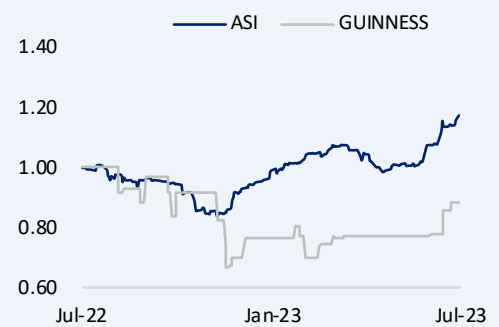
We have a 12-month TP of N70.10 for GUINNESS, which translates to a 5.3% discount on our reference price and a SELL recommendation. The company trades on a current EV/EBITDA multiple of 5.4x vs a four-year average of 3.9x, while our FY'22/23E ROE of -13.6% is lower than the 10.5% average reported over the last two years.

### Key risks to expectations: Downside

- **Volume declines:** We see a downside risk of lower volumes in response to the company's higher pricing as inflation erodes consumers purchasing power.
- **Excise duty rates:** The average 20.8% increase in excise duty rates on beer, wines, and spirits could erode net sales for the company.
- **Local inflation:** The passthrough from higher PMS costs could drive price spikes in its key raw material, sorghum, leading to a contraction of margins.

Market Data	GUINNESS
Market Cap (N'bn)	162.09
Last close price (N)	74.00
52-week high-low price (N)	90.50/ 54.45
Avg 3M daily volume (N'mn)	0.30

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 11: Guinness Nigeria summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024E
Revenue	160,416	206,822	233,334	246,104
COGS	(114,706)	(134,159)	(149,801)	(157,752)
<b>Gross profit</b>	<b>45,710</b>	<b>72,663</b>	<b>83,534</b>	<b>88,351</b>
Other Income	1,030	2,740	1,811	1,373
OPEX	(36,687)	(51,503)	(60,667)	(63,495)
<b>EBIT</b>	<b>10,053</b>	<b>23,900</b>	<b>24,678</b>	<b>26,230</b>
Net Interest	(4,102)	(226)	(33,966)	(1,247)
<b>PBT</b>	<b>5,951</b>	<b>23,674</b>	<b>(9,288)</b>	<b>24,982</b>
Tax	(4,514)	(8,023)	(1,167)	(7,994)
<b>PAT</b>	<b>1,437</b>	<b>15,651</b>	<b>(10,455)</b>	<b>16,988</b>
EPS	0.66	7.15	(4.77)	7.76
<b>DPS (NGN)</b>	<b>0.46</b>	<b>7.14</b>	<b>0.00</b>	<b>7.17</b>
Payout ratio	70.1%	99.9%	0.0%	92.5%
Shares outstanding (million)	2,190	2,190	2,190	2,190

Balance Sheet (Nm)	2021A	2022A	2023E	2024E
Cash and cash equivalents	35,869	69,104	29,201	62,236
Accounts receivable	14,019	14,079	13,425	12,137
Inventories	21,461	32,001	34,475	35,440
Other current assets	3,387	2,418	2,486	2,521
<b>Current assets</b>	<b>74,736</b>	<b>117,601</b>	<b>79,586</b>	<b>112,334</b>
PP&E	94,237	97,686	98,380	99,498
Other non-current assets	434	374	374	374
Non-current assets	94,671	98,059	98,754	99,872
<b>Total assets</b>	<b>169,407</b>	<b>215,660</b>	<b>178,341</b>	<b>212,206</b>
Short-term borrowings	15,993	31,309	25,554	32,349
Payables	61,676	69,683	70,406	75,687
Other short-term liabilities	5,291	12,740	7,160	12,715
<b>Current liabilities</b>	<b>82,960</b>	<b>113,733</b>	<b>103,120</b>	<b>120,751</b>
Deferred tax liabilities	10,877	10,443	9,830	9,077
Other long-term liabilities	1,283	1,505	1,505	1,505
Non-current liabilities	12,160	11,948	11,336	10,582
<b>Total liabilities</b>	<b>95,120</b>	<b>125,681</b>	<b>114,456</b>	<b>131,333</b>
Shareholders' equity	74,286	89,979	63,885	80,873
<b>Total liabilities &amp; equity</b>	<b>169,407</b>	<b>215,660</b>	<b>178,341</b>	<b>212,206</b>
<b>BVPS</b>	<b>33.91</b>	<b>41.08</b>	<b>29.17</b>	<b>36.92</b>
Net debt/(cash)	(19,876)	(37,794)	(3,647)	(29,886)

Cash Flow Statement (Nm)	2021A	2022A	2023E	2024E
<b>Cash flow from operating activities</b>	<b>52,381</b>	<b>28,119</b>	<b>25,025</b>	<b>37,577</b>
o/w Depreciation & amortization	8,124	8,608	8,872	8,973
o/w Changes in working capital	38,090	6,706	(1,166)	5,568
<b>Cash flow from investing activities</b>	<b>(11,377)</b>	<b>(6,844)</b>	<b>(6,941)</b>	<b>(8,922)</b>
o/w Capital expenditure	(12,299)	(9,533)	(9,567)	(10,090)
as % of sales	8%	5%	4%	4%
<b>Cash flow from financing activities</b>	<b>(10,269)</b>	<b>12,052</b>	<b>(57,987)</b>	<b>4,380</b>
o/w Dividends paid	-	(1,008)	(15,639)	-
o/w Debt issued/(repaid)	(7,437)	15,190	(5,755)	6,795
<b>Net change in cash</b>	<b>30,735</b>	<b>33,326</b>	<b>(39,903)</b>	<b>33,035</b>
Cash & cash equivalents at beginning of year (incl FX diff)	5,134	35,777	69,104	29,201
<b>Cash &amp; cash equivalents at end of the year</b>	<b>35,869</b>	<b>69,104</b>	<b>29,201</b>	<b>62,236</b>

Ratio Analysis	2021A	2022A	2023E	2024E
Gross Margin	28.5%	35.1%	35.8%	35.9%
EBITDA Margin	11.3%	15.7%	14.4%	14.3%
EBIT Margin	6.3%	11.6%	10.6%	10.7%
Net Profit Margin	0.9%	7.6%	NM	6.9%
ROE	2.0%	19.1%	-13.6%	23.5%
ROA	0.9%	8.1%	-5.3%	8.7%
ROIC	42.7%	51.9%	65.7%	55.1%
ROCE	1.9%	17.4%	-16.4%	21.0%
OPEX/Sales	22.9%	24.9%	26.0%	25.8%
Net debt/Equity (x)	-0.3	-0.4	-0.1	-0.4
Net debt/EBITDA (x)	-1.1	-1.2	-0.1	-0.8
Sales/Assets (x)	0.9	1.0	1.3	1.2
Assets/Equity (x)	2.3	2.4	2.8	2.6
Interest cover (x)	2.2	11.2	0.7	10.9
Tax Rate	75.9%	33.9%	NM	32.0%
Revenue YoY growth	53.7%	28.9%	12.8%	5.5%
EPS YoY growth	NM	989.1%	NM	NM

Valuation	2021A	2022A	2023E	2024E
P/E (x)	106.9	9.8	NM	9.0
EV/EBITDA (x)	8.7	4.9	4.7	4.5
Dividend Yield	0.6%	9.6%	0.0%	9.7%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# NESTLE NIGERIA PLC

BLOOMBERG: NESTLE NL

## FMCG giant may record its first loss in FY'23

**HOLD**

Target Price: N1,336.49

Ref Price: N1,175.00

Upside/(Downside): +13.7%

### Investment Thesis

Of our coverage companies, NESTLE demonstrated revenue resilience, having grown sales by over 16.0% despite the naira crisis in the first quarter. Remarkably, NESTLE has yet to experience a sales decline in 20 years, despite the frequent changes to PMS prices, currency policies, and other macroeconomic variables. The FMCG giant is prominent for product innovation, sustainability drive, sachetisation, and efficient distribution networks. However, 100.0% of the company's gross debt is in foreign currency, while 20.0% of its raw materials are from abroad. These exposures suggest that the company is likely to be negatively impacted by the recent plunge in the value of the naira, which may raise net interest expense. Hence, NESTLE could record its first loss (since the full-year 2000 results) in FY'23 due to the huge currency weaknesses and its high foreign-denominated loans, which could result in a 12-fold jump in FX losses.

### Valuation

We applied a blended DCF and multiples-based approach for NESTLE and arrived at a price target of N1,336.49. Our DCF valuation method, which reflected a WACC of 11.5% and a perpetual growth of 4.0%, gave rise to a target price of N1,249.21. Elsewhere, our EV/EBITDA multiple-based approach resulted in a target price of N1,540.14. We have deliberately assigned a higher weight to the DCF to capture our assumptions on the potential impact of ongoing macroeconomic changes on cash flows. These conditions will likely result in a negative ROE of 35.4% in FY'23 (vs 189.5% in the prior year), but we see latitude for improvements over our forecast horizons (mean of 175.9%). We have a HOLD recommendation on the stock.

### Key risks to expectations: Downside

- **Local inflation:** The likely passthrough of rising PMS costs on consumer discretionary income and expenditure of operations is expected to be negative to earnings. In particular, spikes in the cost of key raw materials such as corn and soya bean may lead to sharp increases in cost.
- **Interest rates:** Increases in rates will likely pressure NESTLE's borrowing cost, as its FX-denominated loans have a mean rate of 3 months USD LIBOR + 7.83%. Average LIBOR is expected to be higher YoY, which could elevate borrowing rates.

Market Data	NESTLE
Market Cap (N'bn)	931.37
Last close price (N)	1,175.00
52-week high-low price (N)	1,440.0/ 963.9
Avg 3M daily volume (N'mn)	0.10

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 12: Nestle Nigeria summary of financials

Income Statement (Nm)					Cash Flow Statement (Nm)				
	2021A	2022A	2023E	2024E		2021A	2022A	2023E	2024E
<b>Revenue</b>	<b>351,822</b>	<b>446,819</b>	<b>529,257</b>	<b>572,392</b>	<b>Cash flow from operating activities</b>	<b>65,927</b>	<b>(4,433)</b>	<b>124,037</b>	<b>100,417</b>
COGS	(219,986)	(291,054)	(349,839)	(377,206)	o/w Depreciation & amortization	8,409	9,753	11,329	12,917
<b>Gross profit</b>	<b>131,836</b>	<b>155,765</b>	<b>179,418</b>	<b>195,186</b>	o/w Changes in working capital	4,761	(89,566)	39,630	(10,031)
OPEX and impairments	(59,870)	(68,899)	(84,681)	(92,727)	<b>Cash flow from investing activities</b>	<b>(19,969)</b>	<b>(22,868)</b>	<b>(22,697)</b>	<b>(27,913)</b>
<b>EBIT</b>	<b>71,966</b>	<b>86,866</b>	<b>94,737</b>	<b>102,458</b>	o/w Capital expenditure	(22,941)	(27,724)	(28,429)	(33,674)
Net Interest	(10,091)	(15,757)	(101,223)	(40,601)	as % of sales	6.5%	6.2%	6.4%	6.4%
<b>PBT</b>	<b>61,875</b>	<b>71,109</b>	<b>(6,486)</b>	<b>61,857</b>	<b>Cash flow from financing activities</b>	<b>(4,449)</b>	<b>44,242</b>	<b>(36,382)</b>	<b>(35,505)</b>
Tax	(21,838)	(22,144)	(2,646)	(19,794)	o/w Dividends paid	(30,729)	(14,027)	-	(41,877)
<b>PAT</b>	<b>40,037</b>	<b>48,965</b>	<b>(9,132)</b>	<b>42,063</b>	o/w Debt issued/(repaid)	28,534	59,092	70,574	52,734
EPS	50.51	61.77	-11.52	53.07	<b>Net change in cash</b>	<b>41,509</b>	<b>16,941</b>	<b>64,959</b>	<b>36,999</b>
<b>DPS (NGN)</b>	<b>50.50</b>	<b>61.50</b>	<b>-</b>	<b>52.83</b>	Cash & cash equivalents at beginning of year	59,009	100,992	117,932	182,892
Payout ratio	100.0%	99.6%	NM	99.6%	<b>Cash &amp; cash equivalents at end of the year</b>	<b>100,518</b>	<b>117,932</b>	<b>182,892</b>	<b>219,890</b>
Shares outstanding (million)	792.66	792.66	792.66	792.66					

Balance Sheet (Nm)					Ratio Analysis				
	2021A	2022A	2023E	2024E		2021A	2022A	2023E	2024E
Cash and cash equivalents	100,518	117,932	182,892	219,890	Gross Margin	37.5%	34.9%	33.9%	34.1%
Accounts receivable	43,303	82,237	73,951	73,705	EBITDA Margin	22.8%	21.6%	20.0%	20.2%
Inventories	58,964	88,341	95,846	98,177	EBIT Margin	20.5%	19.4%	17.9%	17.9%
Other current assets	1,139	2,002	3,113	3,420	Net Profit Margin	11.4%	11.0%	NM	7.3%
<b>Current assets</b>	<b>203,924</b>	<b>290,512</b>	<b>355,802</b>	<b>395,193</b>	ROE	158.0%	189.5%	-35.4%	196.6%
PP&E	98,964	116,739	133,840	154,597	ROA	14.4%	13.5%	-2.0%	8.0%
Other non-current assets	7,350	7,793	7,523	7,297	ROIC	49.8%	31.8%	26.1%	23.2%
Non-current assets	106,314	124,532	141,362	161,894	OPEX/Sales	16.9%	15.4%	16.0%	16.2%
<b>Total assets</b>	<b>310,239</b>	<b>415,044</b>	<b>497,165</b>	<b>557,087</b>	Net debt/Equity (x)	1.0	0.9	1.1	1.0
Short-term borrowings	432	8,294	12,062	14,879	Net debt/EBITDA (x)	-0.3	0.4	0.4	0.5
Payables	148,384	166,162	210,862	201,521	Sales/Assets (x)	1.1	1.1	1.1	1.0
Other short-term liabilities	46,702	43,949	19,259	34,883	Assets/Equity (x)	14.5	13.7	23.4	25.8
<b>Current liabilities</b>	<b>195,518</b>	<b>218,405</b>	<b>242,184</b>	<b>251,283</b>	Interest cover (x)	6.0	4.2	0.9	2.2
Long-term debt	76,433	147,007	213,812	263,729	Tax Rate	35.3%	31.1%	NM	32.0%
Other long-term liabilities	16,909	19,342	19,927	20,519	Revenue YoY Growth	22.6%	27.0%	18.5%	8.2%
Non-current liabilities	93,342	166,348	233,739	284,248	EPS YoY Growth	2.1%	22.3%	NM	NM
<b>Total liabilities</b>	<b>288,860</b>	<b>384,753</b>	<b>475,922</b>	<b>535,531</b>					
Shareholders' equity	21,378	30,291	21,242	21,556	<b>Valuation</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
<b>Total liabilities &amp; equity</b>	<b>310,239</b>	<b>415,044</b>	<b>497,165</b>	<b>557,087</b>	P/E (x)	23.3	19.0	NM	22.1
<b>BVPS</b>	<b>26.97</b>	<b>38.21</b>	<b>26.80</b>	<b>27.19</b>	EV/EBITDA (x)	12.1	10.0	9.1	8.4
YoY Growth	-27.0%	41.7%	-29.9%	1.5%	Dividend Yield	4.3%	5.2%	0.0%	4.5%
Net debt/(cash)	(23,651)	37,368	42,983	58,717					

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# NIGERIAN BREWERIES PLC

BLOOMBERG: NB NL

## Currency pressures may pose stumbling blocks

**HOLD**

Target Price: N43.10

Ref Price: N42.00

Upside/(Downside): +2.6%

### Investment Thesis

NB has recorded losses in three consecutive quarters due to currency pressures. Given the recent policy-induced naira weakness, these pressures will likely subsist for the rest of 2023. We note that the company is heavily exposed to foreign currency payables, with management also highlighting plans to obtain a loan of 110.0 million euros from its parent company to finance these outstanding payables from its raw material supplier (IBECOR). This facility (expected to be delivered over 3 months from June 2023) should raise the proportion of FX-denominated debt in the company's gross debt portfolio. Despite the implications of higher FX debt exposures, the company's ongoing hedging strategy will likely provide some offset to overall foreign currency risk.

On the bright side, the company's revenue growth could rebound in coming quarters on the impact of the recent brewery expansion (expected to support volumes), its demonstrated ability to transfer cost burden and its RTC enhancement through meetings with customers/consumers to improve portfolio performance.

On other fronts, NB was recently offered the opportunity to acquire Heineken Beverages' majority interests (via Distell International Limited) in Distell Wines & Spirits Nigeria Limited. We expect the company to accept the pending offer, given its capacity to generate revenue & cost synergies in Nigeria's spirit-friendly environment.

### Valuation

We have a 12-month TP of N43.10, representing a 2.6% upside vs our reference price. We expect the company to report an FY'23 ROE of -11.5% (vs the 4-year average of 8.3%), reflecting projected losses over the full-year period. We have a HOLD recommendation on the counter.

#### Key risks to expectations: Upside

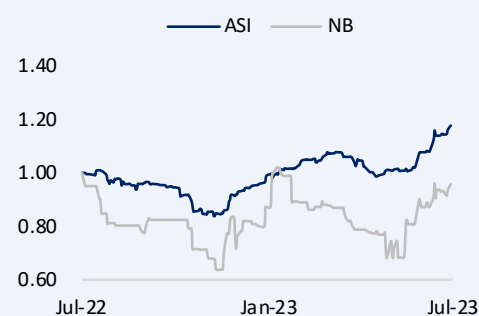
- **Acquisition of Distell Wines & Spirits:** This acquisition could lead to greater-than-expected output and strong revenue growth in the medium to long term.

#### Key risks to expectations: Downside

- **Excise duty rates:** The c.12.5% increase in excise duty rates on beer and stout could erode net sales for the company.
- **Potential one-off cost from acquisitions:** NB's likely acquisition of Distell could lead to a one-off cost, further dampening earnings in the near term.

Market Data	NB
Market Cap (N'bn)	431.60
Last close price (N)	42.00
52-week high-low price (N)	48.85/ 28.80
Avg 3M daily volume (N'mn)	2.76

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 13: Nigerian Breweries summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024E	Cash Flow Statement (Nm)	2021A	2022A	2023E	2024E
<b>Revenue</b>	<b>437,285</b>	<b>550,638</b>	<b>589,733</b>	<b>693,711</b>	<b>Cash flow from operating activities</b>	<b>91,569</b>	<b>22,528</b>	<b>41,500</b>	<b>107,183</b>
COGS	(276,872)	(337,310)	(371,532)	(438,425)	o/w Depreciation & amortization	41,300	39,601	45,495	47,358
<b>Gross profit</b>	<b>160,413</b>	<b>213,328</b>	<b>218,201</b>	<b>255,286</b>	o/w Changes in working capital	55,705	(8,681)	4,110	29,010
Other Income	4,627	2,987	1,425	3,676	<b>Cash flow from investing activities</b>	<b>(61,013)</b>	<b>(99,259)</b>	<b>(54,397)</b>	<b>(62,040)</b>
OPEX	(124,600)	(163,983)	(178,689)	(213,663)	o/w Capital expenditure	(59,407)	(97,861)	(54,619)	(62,434)
Credit loss	1,054	(575)	-	-	as % of sales	15.1%	11.2%	11.0%	11.0%
<b>EBIT</b>	<b>41,494</b>	<b>51,756</b>	<b>40,937</b>	<b>45,299</b>	<b>Cash flow from financing activities</b>	<b>(44,195)</b>	<b>82,059</b>	<b>69,456</b>	<b>(63,027)</b>
Net Interest	(17,793)	(34,415)	(57,367)	(22,269)	o/w Dividends paid	(4,979)	(7,587)	(3,900)	(3,900)
<b>PBT</b>	<b>23,701</b>	<b>17,341</b>	<b>(16,430)</b>	<b>23,030</b>	o/w Debt issued/(repaid)	(27,848)	94,266	93,646	(43,598)
Tax	(11,029)	(4,154)	(2,949)	(7,370)	<b>Net change in cash</b>	<b>(13,640)</b>	<b>5,328</b>	<b>56,559</b>	<b>(17,884)</b>
<b>PAT</b>	<b>12,672</b>	<b>13,187</b>	<b>(19,379)</b>	<b>15,660</b>	Cash & cash equivalents at beginning of year (incl FX diff)	30,370	16,853	22,181	78,739
EPS	1.58	1.59	-2.34	1.89	<b>Cash &amp; cash equivalents at end of the year</b>	<b>16,730</b>	<b>22,181</b>	<b>78,739</b>	<b>60,856</b>
<b>DPS (NGN)</b>	<b>1.60</b>	<b>1.43</b>	<b>0.50</b>	<b>0.50</b>					
Payout ratio	101.6%	90.0%	NM	100.0%					
Shares outstanding (million)	8,043	8,299	8,299	8,299					

Balance Sheet (Nm)	2021A	2022A	2023E	2024E	Ratio Analysis	2021A	2022A	2023E	2024E
Cash and cash equivalents	16,730	22,181	78,739	60,856	Gross Margin	36.7%	38.7%	37.0%	36.8%
Accounts receivable	26,501	40,710	45,240	53,216	EBITDA Margin	0.2%	-0.1%	0.0%	0.0%
Inventories	62,192	83,517	109,933	120,116	EBIT Margin	9.5%	9.4%	6.9%	6.5%
Other current assets	14,744	9,014	12,953	13,993	Net Profit Margin	2.9%	2.4%	NM	2.3%
<b>Current assets</b>	<b>120,166</b>	<b>155,422</b>	<b>246,865</b>	<b>248,181</b>	OPEX/Sales	28.5%	29.8%	30.3%	30.8%
PP&E	257,217	358,968	368,092	383,168	ROE	7.6%	7.5%	-11.5%	9.6%
Other non-current assets	108,139	105,499	104,698	104,913	ROA	2.7%	2.4%	-2.9%	2.2%
Non-current assets	365,356	464,467	472,790	488,081	ROIC	98.5%	28.8%	12.9%	17.9%
<b>Total assets</b>	<b>485,522</b>	<b>619,889</b>	<b>719,655</b>	<b>736,263</b>	ROCE	7.4%	7.3%	-12.4%	9.3%
Short-term borrowings	24,542	119,825	211,612	168,879	Net debt/Equity (x)	0.1	0.6	0.9	0.7
Payables	226,418	264,090	302,315	350,740	Net debt/EBITDA (x)	0.1	1.1	1.6	1.2
Other short-term liabilities	21,573	23,790	18,366	21,245	Sales/Assets (x)	0.9	0.9	0.8	0.9
<b>Current liabilities</b>	<b>272,533</b>	<b>407,705</b>	<b>532,293</b>	<b>540,864</b>	Assets/Equity (x)	2.8	3.4	4.6	4.4
Long-term debt	4,098	2,426	4,284	3,419	Interest cover (x)	2.3	1.5	0.7	2.0
Other long-term liabilities	36,980	29,844	26,443	23,585	Tax Rate	46.5%	24.0%	NM	32.0%
Non-current liabilities	41,077	32,270	30,727	27,004	Revenue YoY growth	29.7%	25.9%	7.1%	17.6%
<b>Total liabilities</b>	<b>313,610</b>	<b>439,975</b>	<b>563,021</b>	<b>567,868</b>	EPS YoY growth	72.0%	4.1%	NM	NM
Shareholders' equity	171,912	179,914	156,635	168,394					
<b>Total liabilities &amp; equity</b>	<b>485,522</b>	<b>619,889</b>	<b>719,655</b>	<b>736,263</b>	<b>Valuation</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
<b>BVPS</b>	<b>21.37</b>	<b>21.68</b>	<b>18.87</b>	<b>20.29</b>	P/E (x)	26.7	26.4	NM	22.3
Net debt/(cash)	11,910	100,070	137,157	111,443	P/BV(x)	2.0	1.9	2.2	2.1
					EV/EBITDA (x)	5.9	5.3	5.6	5.2
					Dividend Yield	3.8%	3.4%	1.2%	1.2%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# UAC of NIGERIA PLC

BLOOMBERG: UACN NL

## Losses may extend in FY'23

**SELL**

### Investment Thesis

Our FY'23 projections suggest that UACN is likely to experience extended pressures. Our cautious view on the bottom line outlook is primarily due to expected currency-induced cost pressures from key raw materials such as corn, soybean, sugar, titanium dioxide, and resin. Even though these raw materials are sourced from a domestic supplier, there remains a strong indirect exposure to naira weakness as most of these commodities are imported.

However, we like the company's ongoing efforts to extend its paint operations to other African markets, such as Chad, Niger, Cameroon, Equatorial Guinea, Sao Tome & Principe. The associated diversification benefit will likely offset the perennial foreign exchange concerns related to the business in the medium to long term. We also place a premium on the company's gradual switch from carbon-related fuel to renewable energy, the aggressive roll-outs of footprints (i.e. stores) in the QSR business, and the potential merger of its two animal feeds segments (Grand Cereal & Livestock Feeds) which could drive more efficiency in the mid to long term. However, these initiatives could drive one-off cost pressures in the near term (mean ROE of -6.1% over the next two years vs the four-year average of 9.8%).

### Valuation

We have a 12-month TP of N9.10/share, derived from a blend of DCF and relative valuation methodologies. Our TP implies an 17.3% discount to our reference price and a SELL recommendation on the stock.

### Key risks to expectations: Upside

- **Reduced reliance on PMS/Diesel:** The company is increasingly switching from diesel to renewable energies to reduce OPEX pressures and enhance its environmental appeal. Hence, the business can realise some margin accretion from this initiative.
- **Potential increase in the stake in CAP:** Should the company decide to increase its stake in CAP, margins may be positively impacted as Paint businesses possess high margins.

### Key risks to expectations: Downside

- **Local inflation:** We expect domestic inflation to strongly increase on the impact of ongoing deregulation of the energy sector and lead to some negative passthrough to the margins of UACN.

Target Price: N9.10

Ref Price: N11.00

Upside/(Downside): (17.3%)

Market Data	UACN
Market Cap (N'bn)	32.19
Last close price (N)	11.00
52-week high-low price (N)	11.85/ 7.90
Avg 3M daily volume (N'mn)	1.93

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 14: UAC of Nigeria summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024E
<b>Revenue</b>	<b>101,377</b>	<b>109,270</b>	<b>109,096</b>	<b>120,278</b>
COGS	(83,837)	(95,033)	(98,186)	(102,236)
<b>Gross profit</b>	<b>17,540</b>	<b>14,237</b>	<b>10,910</b>	<b>18,042</b>
Other operating income/(loss)	2,320	691	1,437	1,446
OPEX	(14,846)	(17,312)	(17,455)	(18,884)
<b>EBIT</b>	<b>5,014</b>	<b>(2,384)</b>	<b>(5,109)</b>	<b>604</b>
Net Interest	(10)	(2,085)	1,952	(565)
Share of associates	(895)	103	-	-
<b>PBT</b>	<b>4,108</b>	<b>(4,365)</b>	<b>(3,157)</b>	<b>38</b>
Tax	(1,519)	366	(1,010)	(601)
<b>PAT</b>	<b>2,589</b>	<b>(4,000)</b>	<b>(4,167)</b>	<b>(563)</b>
<b>Total income/(loss) attributable to:</b>				
Equity holders of the parent	1,807	(3,079)	(2,978)	(402)
Non controlling interests	780	(914)	(1,189)	(161)
EPS	0.62	(1.06)	(1.03)	(0.14)
<b>DPS (NGN)</b>	<b>0.65</b>	<b>0.22</b>	<b>0.20</b>	<b>0.18</b>
Payout ratio	104.2%	NM	NM	NM
Shares outstanding (million)	2,896	2,896	2,896	2,896

Cash Flow Statement (Nm)	2021A	2022A	2023E	2024E
<b>Cash flow from operating activities</b>	<b>(15,525)</b>	<b>16,631</b>	<b>457</b>	<b>5,846</b>
o/w Depreciation & amortization	2,633	2,838	2,834	3,124
o/w Changes in working capital	(16,747)	16,552	5,593	3,948
<b>Cash flow from investing activities</b>	<b>(2,144)</b>	<b>(6,083)</b>	<b>(704)</b>	<b>(4,797)</b>
o/w Capital expenditure	(3,466)	(5,981)	(5,237)	(5,773)
as % of sales	3.4%	5.5%	4.8%	4.8%
<b>Cash flow from financing activities</b>	<b>4,777</b>	<b>(5,761)</b>	<b>493</b>	<b>(6,310)</b>
o/w Dividends paid	(4,394)	(1,898)	(2,009)	(1,480)
o/w Debt issued/(repaid)	15,151	(1,495)	2,503	(4,830)
<b>Net change in cash</b>	<b>(12,892)</b>	<b>4,787</b>	<b>246</b>	<b>(5,261)</b>
Cash & cash equivalents at beginning of year (incl credit losses)	24,302	11,410	16,197	16,443
<b>Cash &amp; cash equivalents at end of the year</b>	<b>11,410</b>	<b>16,197</b>	<b>16,443</b>	<b>11,182</b>

Balance Sheet (Nm)	2021A	2022A	2023E	2024E
Cash and cash equivalents	11,410	16,197	16,443	11,182
Accounts receivable	8,723	6,694	5,455	4,210
Inventories	36,214	24,396	24,547	24,537
Other current assets	7	5	5	5
<b>Current assets</b>	<b>56,353</b>	<b>47,292</b>	<b>46,450</b>	<b>39,934</b>
PP&E	22,224	25,043	27,446	30,096
Other non-current assets	19,805	20,950	18,803	18,803
Non-current assets	42,029	45,994	46,250	48,899
<b>Total assets</b>	<b>98,932</b>	<b>93,828</b>	<b>93,242</b>	<b>89,375</b>
Short-term borrowings	19,572	16,537	17,079	13,178
Payables	11,347	13,352	15,710	18,403
Other short-term liabilities	11,825	12,679	13,597	14,086
<b>Current liabilities</b>	<b>42,745</b>	<b>42,568</b>	<b>46,386</b>	<b>45,666</b>
Long-term debt	340	2,467	4,428	3,500
Other long-term liabilities	5,009	3,512	3,324	3,149
Non-current liabilities	5,349	5,980	7,752	6,648
<b>Total liabilities</b>	<b>48,093</b>	<b>48,547</b>	<b>54,138</b>	<b>52,314</b>
Shareholders' equity	50,838	45,280	39,104	37,061
<b>Total liabilities &amp; equity</b>	<b>98,932</b>	<b>93,828</b>	<b>93,242</b>	<b>89,375</b>
BVPS	17.55	15.63	13.50	12.80
Net debt/(cash)	8,502	2,807	5,064	5,495

Ratio Analysis	2021A	2022A	2023E	2024E
Gross Margin	17.3%	13.0%	10.0%	15.0%
EBITDA Margin	7.5%	0.4%	NM	3.1%
EBIT Margin	4.9%	NM	NM	0.5%
Net Profit Margin	2.6%	NM	NM	NM
ROE	5.1%	-8.8%	-10.7%	-1.5%
ROA	2.6%	-4.3%	-4.5%	-0.6%
ROIC	6.9%	-3.6%	-7.5%	0.8%
ROCE	8.9%	-4.7%	-10.9%	1.4%
OPEX/Sales	14.6%	15.8%	16.0%	15.7%
Net debt/Equity (x)	0.4	0.4	0.6	0.5
Net debt/EBITDA (x)	1.1	6.2	-2.2	1.5
Sales/Assets (x)	1.0	1.2	1.2	1.3
Assets/Equity (x)	1.9	2.1	2.4	2.4
Interest cover (x)	3.2	-0.7	-2.0	0.3
Tax Rate	37.0%	8.4%	32.0%	NM
Revenue YoY growth	24.6%	7.8%	-0.2%	10.3%
EPS YoY growth	-32.2%	NM	NM	NM

Valuation	2021A	2022A	2023E	2024E
P/E (x)	17.6	NM	NM	NM
EV/EBITDA (x)	7.3	NM	NM	60.9
Dividend Yield	5.9%	2.0%	1.8%	1.6%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

# UNILEVER NIGERIA PLC

BLOOMBERG: UNILEVER NL

## Food giant to remain competitive and sustainable

**BUY**

We re-initiate coverage on Unilever Nigeria Plc with a BUY recommendation and a 12-month Target Price (TP) of ₦18.43. Our TP suggests a potential total return of 18.6%, comprising capital appreciation of 17.0% and expected dividend yield of 1.6%.

Target Price: ₦18.43

Ref Price: ₦15.75

Upside/(Downside): +17.0%

### Investment Thesis

UNILEVER has recorded consistent revenue growth in 16 of the last 20 years, with two weaker years impacted by the one-off impact of the winding up of its spread business and the decision to tighten credit to reduce receivables. In our view, the company's inspiring revenue growth story reflects the following:

- Improvement in route-to-market aided by digitisation via the introduction of telesales to increase reach, coverage frequency, and reduced service cost.
- proactively taking advantage of festival season campaigns to gain consumers' attention,
- reinvestment in fast-moving and profitable brands.
- continued execution in future channels to provide easy accessibility for shoppers across all touchpoints within Nigeria

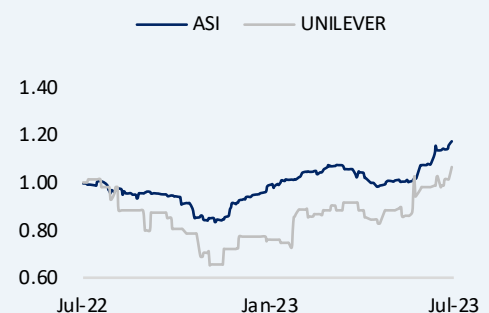
Elsewhere, the company has demonstrated a strong ability to convert revenue into cash, steadily improving its cash conversion cycle between FY'19 and FY'22. In addition, with the company boasting the lowest leverage ratio across our coverage FMCGs, we see materially reduced risk from unfavourable movements in the interest rate environment that would otherwise have provoked finance cost pressures.

UNILEVER has had its fair share of cost pressures, with the cost-to-sales ratio rising by an average of 2.5ppts between 2012 and 2016. Cost breakdowns indicate that raw materials account for the highest proportion of the company's cost of goods sold (a mean of 64.4% between FY'18 and FY'22). However, gross margins have expanded by 7.0 ppts in the last two years since the selloff of the spread and tea businesses.

Furthermore, OPEX pressures have stemmed from higher utilities and business travel expenses. These expense pressures have surged with higher diesel and aviation fuel prices. We also note that employee costs have declined by 9.9% between FY'18 and FY'22, indicating that the company may have implemented some cost optimisation strategies or likely benefitted from its selloff of the spread and tea businesses, which may have resulted in a 33.0% decline in staff numbers. We expect the gains from these spinoffs to subsist in the near to medium term.

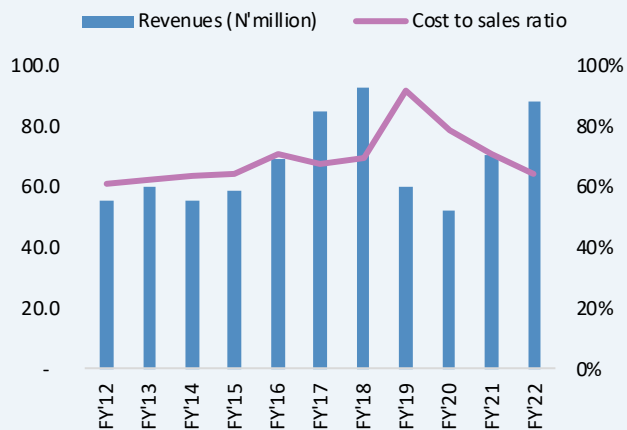
Market Data	UNILEVER
Market Cap (N'bn)	90.48
Last close price (N)	15.75
52-week high-low price (N)	19.25/ 9.80
Avg 3M daily volume (N'mn)	1.73

1-year price performance (rebased)



Source: NGX Exchange; CardinalStone Research

Figure 15: Sales rebounded after the company's selloff of spread and tea business in FY'21



Source: Company's financials, CardinalStone Research

In FY'23, we expect the company's net income to inch higher by 4.1% YoY to N4.7 billion, driven by passthrough from higher sales (+17.6% growth to N104.2 billion). However, cost pressures from higher raw material prices will likely reduce the related margin by c.50bps. Our FY expectation also implies a lower ROE of 4.3% (vs LTM ROE of 8.0%) on pressured earnings. Elsewhere, UNILEVER's cash conversion cycle (CCC) could sustain its improvement, driven by higher payable days and lower receivable and inventory days. The implied passthrough to working capital could improve its free cash flow margin to 17.2% in FY'23 (vs 5.30% in FY'22). As of FY'22, UNILEVER had no debt in its books and was completely financed with equity, signifying improved business confidence on the owners' part.

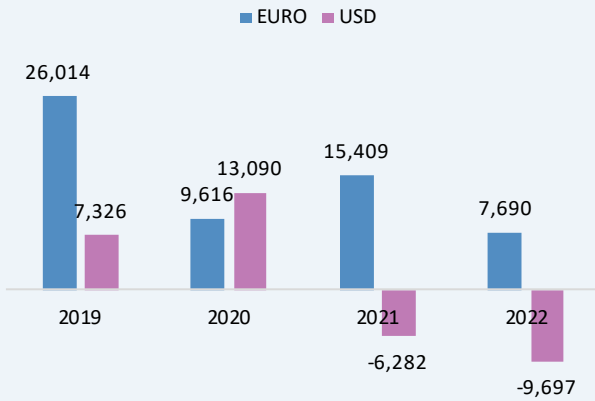
#### UNILEVER's potential exit of its Homecare and Cleansing categories

In March 2023, UNILEVER announced plans to exit the Home Care and Skin Cleansing categories to reduce its FX exposures and enhance focus on higher growth opportunities. Management's decision to continue to reduce FX exposures makes sense given its historically high reliance on importation (63.0% of total brought-in raw materials and services) and currency instability in Nigeria. However, the company's annual reports revealed a very low negative net FX exposure, suggesting a lower risk of FX losses than peer FMCG companies.

#### Valuation

From a multiples valuation standpoint, UNILEVER is materially cheap. Specifically, the company's P/E and EV/EBITDA currently trade at 27.8% and 32.5% discounts to their four-year mean levels. In addition, our new 12-month TP of N18.43 suggests a 17.0% upside to our reference price. We have a BUY recommendation on the counter.

Figure 16: UNILEVER’s foreign currency exposure between 2019 and 2022



Source: Company’s financials, CardinalStone Research

**Key risks to expectations: Downside**

- The potential impact of exiting Home and Skin Cleansing categories:** If history is anything to go by, discontinuing the Home and Skin Cleansing segments could likely lead to a material decline in revenue towards the end of 2024 to 2025 (like we saw in 2019, two years after the company announced its intention to sell off the Spread segment).
- Local inflation and naira volatility:** The passthrough from PMS costs could lead to a spike in key raw material prices. In addition, even though the company's net FX exposure is materially low, further naira devaluation may have some negative indirect impact on certain cost elements. However, we expect the company to be more insulated from this shock than most of its peers.

Figure 17: Unilever Nigeria summary of financials

Income Statement (Nm)	2021A	2022A	2023E	2024E
<b>Revenue</b>	<b>70,524</b>	<b>88,571</b>	<b>104,159</b>	<b>106,243</b>
COGS	(50,162)	(57,394)	(72,912)	(71,183)
<b>Gross profit</b>	<b>20,362</b>	<b>31,177</b>	<b>31,248</b>	<b>35,060</b>
Other Income	37	124	100	87
OPEX and impairment	(19,270)	(23,755)	(28,222)	(27,623)
<b>EBIT</b>	<b>1,129</b>	<b>7,545</b>	<b>3,126</b>	<b>7,524</b>
Net Interest	931	267	4,141	-580
<b>PBT</b>	<b>2,061</b>	<b>7,812</b>	<b>7,267</b>	<b>6,944</b>
Tax	(1,373)	(3,345)	(2,616)	(2,500)
Profit from discontinued operations	2,721	-	-	-
<b>PAT</b>	<b>3,409</b>	<b>4,467</b>	<b>4,651</b>	<b>4,444</b>
EPS	0.59	0.78	0.81	0.77
<b>DPS (NGN)</b>	<b>0.50</b>	<b>0.25</b>	<b>0.22</b>	<b>0.22</b>
Payout ratio	84%	32%	27%	28%
Shares outstanding	5,745	5,745	5,745	5,745
Cash Flow Statement (Nm)	2021A	2022A	2023E	2024E
<b>Cash flow from operating activities</b>	<b>20,090</b>	<b>12,031</b>	<b>20,478</b>	<b>9,792</b>
o/w Depreciation & amortization	3,536	2,421	2,489	2,560
o/w Changes in working capital	(2,232)	(1,331)	16,452	1,639
<b>Cash flow from investing activities</b>	<b>(928)</b>	<b>669</b>	<b>(3,125)</b>	<b>(3,187)</b>
o/w Capital expenditure	(1,622)	(1,560)	(3,125)	(3,187)
as % of sales	2.3%	1.8%	3.0%	3.0%
<b>Cash flow from financing activities</b>	<b>(363)</b>	<b>(1,828)</b>	<b>1,366</b>	<b>(2,710)</b>
o/w Dividends paid	(56)	(624)	(1,244)	(1,241)
o/w Debt issued/(repaid)	-	-	-	-
Net change in cash	18,799	10,873	18,719	3,895
Cash & cash equivalents at beginning of year (incl exchange diff)	36,899	55,445	66,318	85,037
<b>Cash &amp; cash equivalents at end of the year</b>	<b>55,698</b>	<b>66,318</b>	<b>85,037</b>	<b>88,932</b>
Balance Sheet (Nm)	2021A	2022A	2023E	2024E
Cash and cash equivalents	55,698	66,318	85,037	88,932
Accounts receivable	14,993	21,247	34,815	29,108
Inventories	14,956	16,332	13,983	15,992
Other current assets	262	-	1,313	-
<b>Current assets</b>	<b>85,909</b>	<b>103,896</b>	<b>135,148</b>	<b>134,031</b>
PP&E	22,376	21,491	22,126	22,753
Other non-current assets	3	3	3	3
Non-current assets	22,380	21,494	22,129	22,756
<b>Total assets</b>	<b>108,289</b>	<b>125,390</b>	<b>157,277</b>	<b>156,787</b>
Payables	39,739	52,405	79,903	78,016
Other short-term liabilities	479	2,972	4,458	2,972
<b>Current liabilities</b>	<b>40,218</b>	<b>55,377</b>	<b>84,361</b>	<b>80,988</b>
Deferred tax liabilities	1,063	1,473	1,326	1,127
Other long-term liabilities	1,246	975	618	497
Non-current liabilities	2,309	2,448	1,944	1,624
<b>Total liabilities</b>	<b>42,527</b>	<b>57,825</b>	<b>86,305</b>	<b>82,613</b>
Shareholders' equity	65,762	67,565	70,972	74,175
<b>Total liabilities &amp; equity</b>	<b>108,289</b>	<b>125,390</b>	<b>157,277</b>	<b>156,787</b>
<b>BVPS</b>	<b>11.45</b>	<b>11.76</b>	<b>12.35</b>	<b>12.91</b>
Net debt/(cash)	(55,698)	(66,318)	(85,037)	(88,932)
Ratio Analysis	2021A	2022A	2023E	2024E
Gross Margin	28.9%	35.2%	30.0%	33.0%
EBITDA Margin	6.6%	11.3%	5.4%	9.5%
EBIT Margin	1.6%	8.5%	3.0%	7.1%
Net Profit Margin	4.8%	5.0%	4.5%	4.2%
ROE	1.7%	10.8%	4.3%	9.9%
ROA	0.7%	3.8%	3.3%	2.8%
ROCE	1.7%	10.8%	4.3%	9.9%
OPEX/Sales	27.3%	26.8%	27.1%	26.0%
Net debt/Equity (x)	-0.8	-1.0	-1.2	-1.2
Net debt/EBITDA (x)	-11.9	-6.7	-15.1	-8.8
Sales/Assets (x)	0.7	0.7	0.7	0.7
Assets/Equity (x)	1.6	1.9	2.2	2.1
Interest cover (x)	11.8	4.8	-1.2	5.1
Tax Rate	66.6%	42.8%	36.0%	36.0%
Revenue YoY Growth	35.1%	25.6%	17.6%	2.0%
EPS YoY Growth	NM	31.0%	4.1%	-4.4%
Valuation	2021A	2022A	2023E	2024E
P/E (x)	NM	44.6	19.5	20.4
P/BV (x)	1.4	1.3	1.3	1.2
EV/EBITDA (x)	5.8	2.7	4.8	2.7
Dividend Yield	3.2%	1.6%	1.4%	1.4%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

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