

Guinness Ghana FY2022/23 Results

Current rating **UNDER REVIEW**

Ghana | 11 September 2023

A Profitable Comeback in 4Q2022/23

Guinness Ghana Breweries Plc. ("GGBL") released its audited FY2022/23 financial results last week Friday and, in contrast to our expectations, posted a higher than 5-fold y/y increase in profit after tax. Interestingly, the company bounced back from a loss of GHS 41.3mn as at 9M2022/23 to a profit of GHS 39.5mn as at FY2022/23, reflecting a net profit outturn of GHS 80.8mn in 4Q2022/23. From our analysis, GGBL's performance was largely bolstered by strong double-digit growth in revenue, a 124.0% y/y improvement in other expense/income, and a 21.5% q/q reduction in cost of sales.

Performance: Profit surges in 4Q2022/23

- GGBL's revenue increased by 36.0% y/y to GHS 1.8bn in FY2022/23 driven largely by upward adjustment in prices
- Cost of sales also increased by 36.2% y/y to GHS 1.4bn in FY2022/23, primarily driven by the high inflation rate and the significant depreciation of the Cedi
- However, GGBL's cost of sales decreased in 4Q2022/23 by 21.5% q/q, on the back of the improved FX experienced from April 2023 to June 2023
- For a deeper context, the local currency appreciated against the US Dollar by 1.5% in the final quarter of GGBL's financial year (April – June 2023), in contrast to the sharp depreciation of 30.8% observed in the first three quarters (June 2022 – March 2023)
- Resultantly, GGBL posted an GHS 80.8mn earnings outturn in 4Q2022/23, largely backed by the decrease in cost of sales
- Gross profit increased by 35.0% y/y to GHS 342.6mn. However, gross margin decreased by 14bps to 19.40%
- Selling, General & Administration expenses increased by 2.0% y/y to GHS 122.3mn
- Advertising & Marketing expenses also increased by 19.0% y/y to GHS 96.9mn, on the back of the many marketing initiatives and brand activations carried out in the year under review
- However, other expense/income improved from an expense of GHS 20.0mn in FY2021/22 to an income of GHS 4.8mn in FY2022/23
- As a result, operating profit increased by 285.1% y/y from GHS 33.3mn to GHS 128.2mn on the back of the increased gross profit and other income
- Operating margin followed suit, increasing by 470bps to 7.3% y/y in FY2022/23
- Resultantly, GGBL's earnings outturn increased by 583.2% y/y from GHS 5.7mn in FY2021/22 to GHS 39.5mn in FY2022/23
- The company's earnings margin also increased by 180bps to 2.2% in FY2022/23

Outlook: Profitability will be sustained on revenue growth and containment of OPEX

- In the coming financial year, we remain bullish on GGBL's ability to churn out strong double-digit revenue growth on the back of the company's large and diverse product portfolio, productivity-enhancing investments in a new brewhouse, and brand activation campaigns
- On the cost front, we expect GGBL's cost of sales to remain elevated as the upside risks to the prevailing inflationary pressures still linger. As a result, we foresee sustained gross margin deterioration in the coming quarters
- On the OPEX front, we continue to expect management to execute its cost-saving strategies, such as decreasing expenditures that do not directly contribute to top-line growth and analysing current liabilities to reduce its influence in other expenses. This will help to place a tight lid on operating expenses and sustain profitability

Valuation: Under review

- We are in the process of re-initiating coverage on GGBL and have therefore placed our recommendation under review
- GGBL is trading at a P/E of 20.9x and EV/SALES of 0.54x

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