Guinness Ghana 9M2024/25 Results

Current Price: **GHS 5.80**

Current rating: **UNDER REVIEW**

Ghana | 06 May 2025

Striking gold

Guinness Ghana Breweries Plc. ("GGB Plc") released its unaudited 9M2024/25 financial results on 02 May 2025, revealing an impressive earnings outturn. The company reported an unexpected 472.6% y/y surge in earnings to GHS 212.9mn in 9M2024/25. The sharp upturn in earnings was largely driven by a significant 44.9% y/y surge in revenue to GHS 2.6bn and a plunge in finance charges by 42.3% y/y to GHS 22.4mn. Management revealed that the surge in revenue was driven by increase in sales volume and price increases. In our view, the decline in finance charge was as a result of an 89.3% y/y plunge in short term borrowings to GHS 6.1mn. Cost of sales surged by 35.0% y/y to GHS 2.0bn, attributed to inflationary pressures on raw materials. Overall, GGB Plc's strong revenue momentum, declining debt burden, and earnings recovery position the company for sustained near-term growth. We anticipate that moderating inflationary pressures will help ease input cost pressures and operating expenses in the short term. Additionally, the Castel Group's acquisition of Guinness Ghana Breweries Plc signals a strategic shift from Diageo's premium-focused model to a mass-market, cost-efficient approach. We expect this transition to drive further cost containment and operational efficiency over the medium term. We also note that GGB Plc achieved its highest-ever revenue in FY2023/24. However, the latest 9M2024/25 results suggest the company is on course to set a new topline record, with current revenue already outpacing the figure for FY2023/24. This reinforces our positive outlook on the company's near-term growth trajectory.

9M2024/25 Performance: surge in topline and decline in finance charges propel bottom-line growth

- GGB Plc's earnings unexpectedly surged by 472.6% y/y to GHS 212.9mn in 9M2024/25.
- The sharp upturn in earnings was largely driven by a significant 44.9% y/y surge in revenue to GHS 2.6bn and a plunge in finance charges by 42.3% y/y to GHS 22.4mn.
- Cost of sales surged by 35.0% y/y to GHS 2.0bn in 9M2024/25, attributable to inflationary pressures on raw materials
- As a result of the strong growth in revenue for the period, gross profit surged by 92.4% y/y to GHS 594.8mn
- Resultantly, gross margin increased by 568bps y/y to 23.0%
- Operating expense increased by 31.7% y/y to GHS 283.9mn, due to higher distribution cost and increased utility tariffs
- Nevertheless, operating profit surged by 232.2% y/y to GHS 310.9mn in 9M2024/25
- Operating margin followed suit, increasing by 677bps y/y to 12.0% in 9M2024/25
- Finance charges plunged by 42.3% y/y to GHS 22.4mn as short-term borrowing slumped by 89.3% y/y to GHS 6.1mn for the period
- Net profit margin increased by 615bps y/y to close the period at 8.2%

Outlook: Promising outlook for revenue and earnings growth amid easing inflationary pressures

Revenue Growth and Market Performance

- GGB Plc has sustained consistent revenue growth, underpinned by strong consumer demand and a well-diversified product portfolio that continues to deepen market penetration. Its broad mix of trusted brands enhances customer acquisition and brand loyalty, reinforcing competitive positioning and supporting topline expansion. The momentum is further supported by the company's Society 2030 – Spirit of Progress agenda, which, while primarily ESG-driven, strengthens brand equity and stakeholder trust, all of which contribute to sustainable revenue growth.

- In FY2023/24, the company delivered robust brand performance, with Net Sales Value (NSV) growth across all key categories — Guinness Foreign Extra Stout (+58%), Beer (+46%), RTDs (+19%), IPS (+10%), Reserve (+71%), and Malta Guinness (+27%). This momentum has continued into FY2024/25, with a 36.6% q/q topline surge in 1H2024/25 and a further 7.4% q/q growth in 9M2024/25, culminating in an impressive 44.9% y/y revenue expansion. Based on this sustained growth trajectory coupled with easing inflation, we expect discretionary spending on beverages to increase. We thus maintain a positive near-term revenue outlook for the company.

Profitability Outlook and Cost Management

- With topline performance remaining robust, we maintain a positive outlook on near-term profitability, supported by moderating input cost pressures and a relatively stable local currency. Effective cost control and prudent FX risk management will be critical to sustaining earnings momentum and enhancing GGB Plc's bottom-line resilience through the remainder of FY2024/25. We believe these macroeconomic tailwinds, combined with operational discipline, position the company well for continued earnings growth in the near term.

- We expect management to intensify cost-control efforts in response to the sharp rise in input costs, aiming to mitigate the impact on profitability. Prioritizing these measures will be crucial to offset cost pressures on the bottom line and stabilize margins.

- The transition of Smirnoff Ice from disposable to returnable glass bottles will be a key driver of cost savings by mitigating material cost in FY2024/25. We expect this shift to yield dual benefits — cost optimization through lower material expenses and enhanced brand positioning in line with sustainable business practices.

Strategic Focus and Brand Investment

- Given management's renewed focus on operational efficiency, disciplined cost management, and brand-led growth under the "Dare for More" strategy, we expect improved margin resilience, sustained topline momentum, and enhanced return on investment over the medium term. The emphasis on local sourcing and productivity gains should help mitigate input cost volatility, while innovation-driven brand execution positions the company to defend and expand market share in an increasingly competitive environment. Overall, we view this strategic direction as supportive of long-term value creation.

- We expect management's continued investments in innovation within the RTD category to be instrumental in sustaining volume growth and improving market penetration. With Smirnoff Ice already a growth leader in the RTD space, strategic enhancements in product development and distribution efficiency will support revenue momentum in FY2024/25.

Ownership Transition & Strategic Implications

- While Castel Group's acquisition of Guinness Ghana Breweries Plc could enhance Guinness Ghana's market penetration and cost structure in the medium term, we continue to monitor potential changes in pricing strategies, brand positioning, and dividend policies under Castel's ownership.

Summary of Outlook

- Overall, GGB Plc's strong revenue momentum, declining debt burden, and earnings recovery position the company for sustained near-term growth. We anticipate that moderating inflationary pressures will help ease input cost pressures and operating expenses in the short term. Additionally, the Castel Group's acquisition of Guinness Ghana Breweries Plc signals a strategic shift from Diageo's premium-focused model to a mass-market, cost-efficient approach. We expect this transition to drive further cost containment and operational efficiency over the medium term. We also note that GGB Plc achieved its highest-ever revenue in FY2023/24. However, the latest 9M2024/25 results suggest the company is on course to set a new topline record, with current revenue already outpacing the figure for FY2023/24. This reinforces our positive outlook on the company's near-term growth trajectory.

Key risks to the outlook

- Exchange rate volatility, the pace of disinflation, tax regime under the new Ghanaian administration, competition, and Castel Group's new strategic direction may impact GGB Plc's performance and dividend policy.

Valuation: Under review

- We are in the process of re-initiating coverage on GGB Plc and have therefore placed our recommendation under review
- GGB Plc is trading at a TTM PE of 6.9x, P/Sales of 0.7x and EV/SALES of 0.7x

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