

## Guinness Ghana FY2024/25 Results

**Current rating:** **ACCUMULATE**

**Year-to-date:** **-0.5%**

**Current Price:** GHS 5.47 | **Current Fair Value:** GHS 6.35 | **Upside:** 16.09%

Ghana | 09 October 2025

### A Turn in the Cycle, A Case to Accumulate

#### Rating Summary

We assign ACCUMULATE rating to Guinness Ghana Breweries Plc (GGB Plc), reflecting our bullish outlook on the company's growth potential. We see a compelling case for accumulating Guinness Ghana in anticipation of improvement in financial performance in the medium term. GGB Plc remains well positioned for sustained topline expansion, supported by its diversified portfolio and strategic balance across alcoholic and non-alcoholic beverages. We expect this portfolio depth and innovation focus to sustain revenue momentum, balancing volume-led growth in non-alcoholic beverages with margin-accretive expansion in beer and spirits. We project revenue to grow at a CAGR of 26.7% between FY2025/26 and FY2029/30. However, profitability remains constrained by elevated input costs despite the company's localisation strategy. Local sourcing increased from 48% in 2016 to 69% in FY2024/25, yet input costs rose at a CAGR of 32.3% between 2020 and 2025, mainly due to the challenging exchange rate and cost inflationary backdrop which constrained efficiency gains. We forecast input cost to grow at a CAGR of 30.5% between 2025 and 2030. While sustainability initiatives such as solar installations and automated monitoring systems should enhance operational efficiency, risks from ongoing quarterly utility tariff adjustments remain a likely cost headwind. We forecast an average gross margin of 16.2% and an operating margin of 4.1%, below the historical averages of 22.2% and 8.1%, respectively. Although the emerging improvements in Ghana's macro backdrop could provide near-term tailwind for margin expansion, we foresee renewed cost pressures in the outer years (2028 -2029), potentially weighing down the average margins. We obtained our fair value estimate using a blended valuation approach comprising discounted cash flow (40% weight), price-to-earnings multiple (30% weight), and dividend discount model (30% weight). The intrinsic value estimate is based on a 16.0% risk-free rate, a weighted average cost of capital (WACC) of 17.8%, and a terminal growth rate of 5.0%.

#### FY2024/25 Earnings Update

Guinness Ghana Breweries Plc. ("GGB Plc") released its unaudited FY2024/25 financial results on 02 October 2025, revealing an impressive earnings outturn. The company reported an unexpected 862.9% y/y surge in earnings to GHS 334.6mn in FY2024/25. The sharp upturn in earnings was largely driven by a significant 51.7% y/y surge in revenue to GHS 3.6bn, a 176.1% y/y growth in finance income to GHS 3.6mn and a plunge in finance cost by 32.3% y/y to GHS 34.1mn. The surge in revenue was driven by a 15.4% y/y increase in sales volume and price increases. In our view, the decline in finance charge was as a result of a 71.2% y/y plunge in debt to GHS 46.7mn. 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 note that GGB Plc delivered its highest-ever revenue in FY2024/25. While this sets a new topline record and reinforces our positive outlook for the company's near-term growth trajectory, we equally flag a potential drag on growth momentum for FY2025/26 due to high base effect. Essentially, the FY2024/25 performance reflects resilient volume growth alongside firmer pricing and sustained brand equity, which continue to anchor market share. We expect these dynamics, supported by cost discipline and distribution strength, to underpin further earnings momentum.

FY2024/25 Performance: surge in topline, increase in finance income and decline in finance cost propel bottom-line growth

#### Revenue and Income Dynamics

- GGB Plc's earnings unexpectedly surged by 862.9% y/y to GHS 334.6mn in FY2024/25.
- The sharp upturn in earnings was largely driven by a significant 51.7% y/y surge in revenue to GHS 3.6bn, a plunge in finance cost by 32.3% y/y to GHS 34.1mn and a 176.1% y/y spike in finance income
- As a result of the strong growth in revenue for the period, gross profit advanced by 141.0% y/y to GHS 957.4mn
- Operating profit increased by 448.2% y/y to GHS 554.9mn in FY2024/25

#### Cost and Risk Management

- Cost of sales surged by 33.8% y/y to GHS 2.6bn in FY2024/25, despite the increased sourcing for local raw material to 69% and moderating inflationary pressures. In our view, the surge in cost could be attributable to pre-agreed contracts already locked-in at higher exchange rate and inflation levels
- Operating expense increased by 35.9% y/y to GHS 402.5mn, due to higher administrative cost and increased impairment loss
- Finance charges plunged by 32.3% y/y to GHS 34.1mn as a result of a 71.2% y/y decline in debt to GHS 46.7mn for the period

## Margin Performance

- Gross margin increased by 986bps y/y to 26.6%
- Operating margin followed suit, increasing by 1,116bps y/y to 15.4% in FY2024/25
- Net profit margin advanced by 784bps y/y to close the period at 9.3%

## Investment Thesis & Outlook

Promising outlook for revenue growth

### Portfolio Breadth Strengthens Revenue Growth Outlook

- We forecast revenue to grow at a CAGR of 26.7% over the next five financial years (FY25/26 – FY29/30), albeit a moderation from the historical average of 33.8%. In our view, Guinness Ghana's revenue composition now reflects a healthy balance between volume-driven segments (non-alcoholic beverages) and margin-accretive categories (beer and spirits). We anticipate moderate growth in the non-alcoholic segment, anchored by Malta Guinness' strong brand equity, while we expect beer and spirits to deliver faster value growth due to ongoing innovation and premiumisation efforts. We believe Guinness Ghana Breweries Plc's diversified portfolio mix positions the company for sustained topline growth over the medium term, supported by its balanced exposure across alcoholic and non-alcoholic beverages. Historical revenue composition highlights a structural evolution in its portfolio, reflecting both shifting consumer preferences and management's strategy. Between 2016 and 2020, alcoholic beverages contributed an average 49.7% of total revenue, while non-alcoholic beverages and spirits accounted for 41.9% and 8.4%, respectively. However, between 2021 and 2025, the revenue mix shifted, non-alcoholic beverages rose to an average of 48.7%, alcoholic beverages moderated to 41.5%, and spirits nudged up slightly to 9.8% contribution. This transition underscores the growing importance of the non-alcoholic and premiumisation segments, led primarily by Malta Guinness and ready-to-drink (RTD) innovations, which have expanded the company's consumer reach across demographics and income tiers. Despite this shift, the beer portfolio remains a dominant driver of revenue, underpinned by the strength of Guinness Foreign Extra Stout (FES), Star Beer, and the re-emerging Guinness Smooth. Between 2020 and 2025, revenue growth was driven by resilient performance across Guinness FES, Malta Guinness, Star, Beer, RTDs, and the company's expanding Spirits and Reserve range. Notably, for the first time in over a decade, the beer portfolio surpassed a 50% value share of the Ghanaian market, reaffirming Guinness Ghana's market leadership in beer and its strong execution of the strategic objective to "consolidate leadership in beer with Guinness as anchor." Looking ahead, we expect Guinness Ghana's portfolio breadth to remain a key strength in sustaining revenue momentum. The company's dual focus on accessible premiumisation and category diversification enhances its resilience against cyclical shifts in consumer spending. We expect the reintroduction of Guinness Smooth in March 2025, a lighter, more approachable variant of GGB Plc's flagship brand, to broaden the beer portfolio's appeal to younger and emerging consumers, strengthening brand equity within the premium beer segment. Similarly, we tip the launch of Johnnie Walker Blonde in May 2025 to reinforce the company's intent to accelerate premiumisation in spirits, a category that, though smaller in share, presents high-margin growth potential.

### Higher Local Sourcing Fails to Translate into Cost Efficiency Gains and Dampens our Outlook on Margins

- We forecast a five-year average gross margin at 16.2%, below the historical 22.2% while average operating margin comes in at 4.1%, sharply lower than the historical 8.1%. In our view, Guinness Ghana's cost base remains vulnerable. The combination of high input costs and a potential upward adjustment in utility tariffs will continue to pressure margins. Guinness Ghana Breweries Plc's sustained focus on local raw material sourcing has not yet delivered the expected cost advantages. The company's strategy to rely more on domestic sorghum, cassava, and maize, instead of imported barley, was designed to mitigate foreign exchange volatility and imported cost pressures. While this localisation initiative has expanded steadily from 48% in 2016 to 55% in 2020, and further to 69% by FY2024/25, the financial outcomes reveal limited efficiency gains. Despite nearing its 70% short-to-medium-term target, the growth in input cost remains high. Between 2016 and 2020, input costs rose by a CAGR of 13.8%, accelerating sharply to 32.3% between 2020 and 2025, even as local sourcing improved. In our view, this suggests that the reported increase in local inputs likely reflects volume increase in local raw material rather than value shift, indicating persistent exposure to exchange rate shocks. We also note that cost pressures persist despite the durable improvement in the macroeconomic backdrop in 2025, with inflation moderating to 9.4% y/y as of September 2025 and the exchange rate showing a strong appreciation in 1H2025. We forecast input cost to grow at a five-year CAGR of 30.5%, slightly below historical average of 32.3%. In our assessment, the company's growing reliance on local sourcing, while commendable from a sustainability standpoint, has not translated into operational savings. Although management continues to embed sustainability initiatives such as the installation of solar panels at Kaase Brewery and the roll-out of Automated Metering, Monitoring, and Targeting Systems (AMMTS) at both Kaase and Achimota, the benefits appear marginal against persistent cost headwinds. These systems are expected to improve energy efficiency, but rising water costs remain a major risk. The Ghana Water Company's recent proposal for a 280% tariff increase, underscores a structural risk that could resurface in the short to medium term.

### Ownership Transition Spurs Strategic Upside

- On 03 July 2025, Castel Group acquired 80.4% of Diageo's stake in Guinness Ghana Breweries Plc. In our opinion, the ownership transition at GGB Plc, with Diageo ceding its majority stake to Castel Group, presents a meaningful catalyst for strategic upside. Castel brings decades of experience in beverage production and distribution across West and Central Africa and operates one of the continent's largest distribution networks. We expect its proven execution in scale-driven beer markets, combined with Diageo's enduring brand equity and innovation pipeline, to position GGB Plc to capture growth opportunities across both the mass-market beer segment and premiumisation trends in Ghana. We believe Castel's deep regional expertise and operational agility will unlock efficiency gains, strengthen route-to-market execution, and broaden consumer access, particularly in underserved markets. This transition will enhance GGB Plc's ability to balance volume growth with premium brand expansion,

creating a structural advantage against both multinational and local competitors. Overall, we expect these dynamics to underpin sustained topline momentum, validating our five-year revenue growth forecast of a 26.7% CAGR.

A Reliable Dividend Player in Equities (Dividend Announcement)

- We view Guinness Ghana Breweries Plc’s dividend profile as an attractive element of its investment case, particularly for income-focused investors seeking reliable cash distributions. The company has demonstrated commitment to shareholder returns, supported by its earnings performance over the years. For the year ended 30 June 2025, the Board of Directors recommended a dividend payment of GHS 30.14mn (GHS 0.098 per share), an increase from the prior year’s GHS 6.77mn (GHS 0.022 per share). However, we note that the dividend payout ratio of 9.0% for FY2025 trails the 19.5% ratio recorded in FY2024, reflecting a more conservative stance. This moderation occurred despite the more than nine-fold surge in profit to GHS 334.6mn. Specifically, the payout was capped by a 59.7% y/y plunge in cash and bank balances to GHS 140.5mn, which constrained flexibility to translate earnings growth into a proportionally higher dividend. Nonetheless, Guinness Ghana’s dividend payment remains encouraging, in our view, even with the tempered payout ratio. The company remains a dependable income stock if earnings and cash flow trends continue to improve. With a historical five-year average payout ratio of 31.2%, we project a similar five-year average payout ratio of 31.2% and a terminal growth rate of 5.0% in our intrinsic value estimation.

Summary of Outlook

- Guinness Ghana Breweries Plc’s diversified portfolio continues to underpin its medium-term growth outlook, reflecting a well-balanced mix of alcoholic, non-alcoholic, and spirits categories. The company’s evolving product composition highlights stronger performance in non-alcoholic beverages and premium innovations, while its beer portfolio remains a key revenue driver led by Guinness Foreign Extra Stout, Star Beer, and the reintroduced Guinness Smooth. The launch of Johnnie Walker Blonde further supports its premiumisation agenda, positioning Guinness Ghana for sustained value growth. However, we note that efforts to localise raw material sourcing are yet to deliver meaningful cost savings, as rising input and utility costs continue to weigh on margins with prospects remaining cautious. Despite these headwinds, the company’s brand equity, innovation pipeline, and broad category presence reinforce its competitive resilience and growth potential.

Valuation & Recommendation: ACCUMULATE

- Our “ACCUMULATE” rating is based on our weighted average fair value of GHS 6.35 per share, representing an upside of 16.09%, using the weighted average prices from our Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and Price-to-Earnings (P/E) valuation models. We see a compelling case for accumulating Guinness Ghana in anticipation of improvement in financial performance in the medium term.
- GGB Plc is currently trading at a TTM P/E of 5.6x and P/Sales of 0.5x

Valuation panel

In valuing Guinness Ghana Plc, we employed three valuation techniques, the Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and Price-to-Earnings (P/E) models to determine the intrinsic value. We opted to utilize a weighted average of the intrinsic prices from all three models, considering the inherent strengths and weaknesses of each model. The P/E model focuses on earnings and profitability, while the DDM anchors valuation on the sustainability of dividend payments, an essential consideration given the company’s consistent payout history and income appeal. The DCF model, on the other hand, provides a forward-looking assessment of intrinsic value based on future cash flow generation adjusted for the time value of money. We assigned a 40.0% weighting to the DCF model, and 30.0% to both P/E and DDM model. The higher weighting on DCF reflects our emphasis on long-term cash flow fundamentals, while the inclusion of P/E and DDM ensures the valuation captures both earnings performance and dividend reliability.

Valuation inputs – Cost of Capital

Parameter	Value	Note
Risk-free rate	16.0%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date by end-September 2025. The recent improvement in bond trading amidst the downturn in yields has enhanced price discovery for the DDEP bonds, restoring the bond yields in our model as the risk-free rate.
Market risk premium	6.0%	This aligns with the upper band of our preferred range from 4.0% to 6.0% and reflects our view of the elevated risk premiums in developing markets
Beta	0.65	We calculate beta using daily, weekly, monthly and quarterly data over a one to fifty-year period. We employed betas that are statistically significant with the highest coefficient of determination.
WACC	17.8%	Based on a book value equity of GHS 982.6mn and book value debt of GHS 328.2mn, we calculate the WACC with a cost of debt of 11.3% and cost of equity of 19.9%.

Peer mean ratio (P/E)	18.1	The peer mean P/E is computed using the P/E of FMCGs including Guinness Nigeria, East African Breweries and Namibia Breweries.
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### Valuation summary (GHS/share)

P/E	DCF	DDM	WEIGHTED AVG
11.23	7.45	1.48	6.35

### Key risks to valuation

**Upside:** Faster-than-expected decline in inflation, appreciation of the Ghanaian cedi, lower costs of key inputs, slower utility tariff hikes, a softer VAT regime in 2026, improved local sourcing strategy, successful penetration into new markets, improved macroeconomic environment, favorable regulatory reforms and effective marketing and brand activation campaigns boosting market share.

**Downside:** Higher-than-expected inflation, foreign exchange volatility, elevated interest rates, utility tariff hikes, rising energy prices, price surge in key raw materials, intensified competition, unfavorable tax policy shifts and underperformance of marketing and product innovation initiatives to generate sufficient sales uplift

### Income statement

GHS 000	2023/24A	2024/25A	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E
Revenue	2,371,109.0	3,597,546.0	4,381,695.2	5,379,262.2	6,984,757.1	9,059,479.0	11,750,144.3
Cost of Sales	(1,973,809.0)	(2,640,137.0)	3,505,356.2)	(4,464,787.6)	(5,937,043.5)	(7,791,151.9)	(9,987,622.6)
<b>Gross Profit</b>	<b>397,300.0</b>	<b>957,409.0</b>	<b>876,339.0</b>	<b>914,474.6</b>	<b>1,047,713.6</b>	<b>1,268,327.1</b>	<b>1,762,521.6</b>
Advertising & marketing expense	(112,517.0)	(152,277.0)	(197,176.3)	(215,170.5)	(279,390.3)	(362,379.2)	(411,255.0)
Administrative expenses	(173,726.0)	(217,837.0)	(262,901.7)	(349,652.0)	(454,009.2)	(543,568.7)	(799,009.8)
Other Expenses	(9,811.0)	(30,540.0)	(52,580.3)	(91,447.5)	(139,695.1)	(181,189.6)	(235,002.9)
Impairment of financial assets	(29.0)	(1,858.0)	-	-	-	-	-
<b>Operating profit</b>	<b>101,217.0</b>	<b>554,897.0</b>	<b>363,680.7</b>	<b>258,204.6</b>	<b>174,618.9</b>	<b>181,189.6</b>	<b>317,253.9</b>
Finance income	1,310.0	3,617.0	9,777.9	(8,308.0)	(20,126.8)	(17,493.9)	(16,585.4)
Finance expenses	(50,444.0)	(34,142.0)	(31,332.1)	(33,885.1)	(41,103.2)	(48,884.0)	(59,624.1)
<b>Profit before Income Tax</b>	<b>52,083.0</b>	<b>524,372.0</b>	<b>342,126.5</b>	<b>216,011.5</b>	<b>113,388.9</b>	<b>114,811.6</b>	<b>241,044.4</b>
Income Tax Expense	(14,728.0)	(163,530.0)	(85,531.6)	(54,002.9)	(28,347.2)	(28,702.9)	(60,261.1)
National Fiscal Stabilization levy	(2,604.0)	(26,218.0)	(17,106.3)	(10,800.6)	(5,669.4)	(5,740.6)	(12,052.2)
<b>Profit for the Year</b>	<b>34,751.0</b>	<b>334,624.0</b>	<b>239,488.6</b>	<b>151,208.1</b>	<b>79,372.3</b>	<b>80,368.1</b>	<b>168,731.1</b>



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