

Guinness Ghana 1Q2025/26 Results

Current rating: **ACCUMULATE**

Year-to-date: **+20.0%**

Current Price: GHS 6.60 | **Current Fair Value:** GHS 7.56 | **Upside:** 14.55%

Ghana | 18 November 2025

GGB Plc Returns to Profit in 1Q2025/26 Amid Aggressive Cost Cuts

Rating Summary

We maintain ACCUMULATE rating on Guinness Ghana Breweries Plc (GGB Plc) with a 19.1% upward revision to our fair value estimate to GHS 7.56 per share which translates into a 14.6% upside on current market price. Guinness Ghana Breweries' extensive route-to-market (RTM) strategy remains its most powerful competitive asset and, in our view, will continue to anchor revenue growth over the medium term. The company operates one of the widest and most integrated distribution systems in Ghana's beverage industry, supported by dual breweries in Achimota and Kaase that enhance service levels and improve delivery efficiency across high-volume trading corridors. Its sales and distribution breadth provides superior nationwide availability and deep penetration across high-frequency retail channels. We expect Guinness Ghana's integrated RTM ecosystem to sustain product visibility, accelerate new SKU roll-outs and drive volume expansion across its core portfolio. Additionally, we view Castel Group's acquisition of 80.4% of Diageo's stake in Guinness Ghana Breweries Plc as a key catalyst for expanding the company's distribution reach, helping to consolidate its 15.4% y/y volume growth in FY2024/25 financial year. Leveraging Castel's extensive West and Central African network and last-mile expertise, GGB Plc is poised to grow both mass-market volumes and premium segments. Accordingly, we forecast revenue to grow at a five-year CAGR of 26.7% (FY2025/26–FY2029/30), albeit moderating from the historical five-year CAGR of 33.8% following the exceptional 51.7% y/y growth to GHS 3.6bn in FY2024/25. The current market valuation also remains supportive of an upside as Guinness Ghana trades at a P/E of 5.6x, well below the peer average of 18.1x, a discount we believe does not fairly capture its strengthening fundamentals. With earnings performance and revenue momentum building, we see tangible room for valuation re-rating toward peer multiples in the medium-term, reinforcing our view that the stock remains undervalued on both intrinsic and relative grounds. We obtained our fair value estimate using a blended valuation approach comprising discounted cash flow (40% weight), price-to-earnings multiple (40% weight), and dividend discount model (20% weight). The intrinsic value estimate is based on a 15.69% risk-free rate, a weighted average cost of capital (WACC) of 17.5%, and a terminal growth rate of 5.0%.

1Q2025/26 Earnings Update

Guinness Ghana Breweries Plc. ("GGB Plc") released its unaudited 1Q2025/26 financial results on 06 November 2025, and in line with our expectation, posted a profit after tax of GHS 24.7mn, a turnaround from the loss of GHS 3.0mn in the prior year. The upturn in earnings was largely driven by a 24.3% y/y decline in cost of sales to GHS 443.4mn, a 20.4% y/y drop in operating expense to GHS 61.9mn and a plunge in finance charge by 34.8% y/y to GHS 8.5mn. Revenue fell by 18.6% y/y to GHS 549.1mn, reflecting weaker sales volumes during the period. In our view, the reduction in cost of sales primarily stems from lower production volumes, which curtailed raw material consumption, as well as the appreciation of the cedi in 2025. The decline in finance charges reflects reduced borrowing costs amid the declining interest rate environment and the full settlement of the company's loan obligation to Diageo Finance. Overall, GGB Plc's performance highlights meaningful cost containment and improving earnings momentum. However, we view the current profit growth as unsustainable without volume growth, given that the recovery was driven by cost containment. With improving macroeconomic conditions and VAT reforms which reduced Ghana's effective VAT rate by 190bps to 20.0% beginning from the 2026 fiscal year, we expect stabilising real incomes to gradually restore consumer purchasing power, creating room for a recovery in discretionary spending. Consequently, we anticipate near-term revenue growth to be driven primarily by a rebound in sales volumes.

1Q2025/26 Performance: Plunge in finance charges, fall in OPEX and decline in cost of sales propel bottom-line growth

Revenue and Income Dynamics

- GGB Plc's earnings turned from a year ago loss to a profit of GHS 24.7mn in 1Q2025/26. The earnings turnaround was largely driven by a plunge in finance cost by 34.8% y/y to GHS 8.5mn, a fall in cost of sales by 24.3% y/y to GHS 443.4 and a decline in operating expense by 20.4% y/y to GHS 61.9mn
- As a result of the strong decline in cost of sales for the period, gross profit advanced by 18.3% y/y to GHS 105.8mn
- Operating profit surged by 276.7% y/y to GHS 43.8mn in 1Q2025/26

Cost and Risk Management

- Cost of sales slumped by 24.3% y/y to GHS 443.4mn in 1Q2025/26. In our view, the reduction in cost of sales primarily stems from lower production volumes, which curtailed raw material consumption, as well as the appreciation of the cedi in 2025
- Operating expense declined by 20.4% y/y to GHS 61.9mn, partly capped by cedi's appreciation and lower transport cost capped by y/y decline in fuel cost
- Finance charges declined by 34.8% y/y to GHS 8.5mn, reflecting lower borrowing costs amid a moderating interest rate environment. The reduction was further supported by the full settlement of the company's loan obligation to Diageo Finance.

Margin Performance

- Gross margin increased by 601bps y/y to 19.3%
- Operating margin followed suit, increasing by 626bps y/y to 8.0% in 1Q2025/26
- Net profit margin advanced by 494bps y/y to close the period at 4.5%

Investment Thesis & Outlook

Promising outlook for revenue growth

Superior Route-to-Market Scale and Structural Reach to Anchor Revenue Growth

- Guinness Ghana Breweries' route-to-market (RTM) infrastructure provides a structural competitive advantage that we expect to underpin medium-term revenue growth. The company operates one of the most extensive and integrated RTM systems in Ghana's beverage sector, supported by dual breweries at Achimota (Accra) and Kaase (Kumasi), strengthening service levels to distributors and improving route efficiency to high-volume trading zones. Guinness Ghana directly engages an estimated 58-60 Key Distributors about 76%-82% increase from a decade ago, and around 200 strategically selected wholesalers, who together supply roughly 600 sub-wholesalers, and approximately 42,000 trade outlets (sum of both on-trade and off-trade) which is a 40% increase from a decade ago. This depth ensures high visibility and strong availability across both modern trade and the high-frequency retail channels. In comparison, key competitors, such as Kasapreko operates a more controlled but narrower distribution system, underpinned by strict entry requirements for prospective distributors. Its approval process demands higher operational capacity, financial commitments, and logistical resources, creating a compliance-heavy framework that enhances execution discipline but slows network expansion. By contrast, Accra Brewery (ABL) follows a mid-scale distribution model supported by regional depots positioned closer to high-consumption zones, offering a more flexible alternative but still less extensive than Guinness Ghana's nationwide reach. We believe that while ABL's system provides solid coverage, its reach remains materially below Guinness Ghana's nationwide footprint. This allows Guinness Ghana to enjoy broader market access than Kasapreko, deeper outlet reach than ABL, and significantly higher on-trade (bars, restaurants, nightclubs and hotels) penetration than both competitors. We believe this integrated distribution ecosystem will continue to support product visibility, accelerate SKU roll-outs, and anchor volume growth across core brands in the near to medium term. We expect the route-to-market structure to support volume recovery and revenue growth in the medium term. We therefore forecast revenue to grow at a five-year CAGR of 26.7% (2025-2029) although below the five-year historical CAGR of 33.8%, due to the outlier revenue growth of 51.7% y/y to GHS 3.6bn in FY2024/25
- Castel Group's acquisition of 80.4% of Diageo's stake in Guinness Ghana Breweries Plc marks a pivotal moment for the company, particularly from a distribution and route-to-market standpoint. In our view, Castel's entry represents a material catalyst for expanding GGB Plc's commercial footprint. With one of the most extensive beverage distribution networks in West and Central Africa, Castel brings deep expertise in last-mile delivery. We expect Castel's established infrastructure and strong relationships with wholesalers, retailers, and on-trade partners (bars, restaurants, nightclubs and hotels) to enhance GGB Plc's reach, especially across previously under-penetrated regions. We expect this to capture both volume-led growth in the mass-market segment and premium (spirits and ready-to-drink) category expansion. This supports our five-year revenue CAGR forecast of 26.7%.

Attractive Valuation Relative to Peers Supports Scope for Re-rating

- Guinness Ghana currently trades at a price-to-earnings (P/E) ratio of 5.6x, significantly below the peer average of 18.1x across listed consumer-goods and beverages comparables. In our view, this substantial discount suggest that current market price does not fairly capture the company's improving fundamentals. The valuation gap indicates that the market is yet to fully price in Guinness Ghana's medium-term earnings potential. Given its consistent earnings trajectory and building revenue momentum, we see meaningful scope for a valuation re-rating towards the peer range in the medium-term. Overall, we believe Guinness Ghana remains undervalued relative to both its intrinsic value and peer-implied benchmarks.

Near-Term Outlook

VAT Adjustments Position Guinness Ghana for Improved Cost Efficiency and Stronger Market Competitiveness

- We expect the government's plan to reduce the effective VAT rate from 21.9% to 20.0%, to ease the cost environment for VAT registered business, including Guinness Ghana. We anticipate that, this reduction will moderate the tax component embedded in production costs and final product pricing as businesses will now claim input tax credit on the 5.0% levies from 2026 onwards as against the previously decoupled system for the levies, which cascades input costs. We view this VAT reform as a tailwind to Guinness Ghana's strategy of managing its cost base more efficiently. We believe this will strengthen the company's competitiveness in a market where alcoholic beverages face both regulated competitors and informal substitutes.
- We expect the reduction in VAT to offer modest margin relief. Although VAT is a pass-through tax, the reduced rate eases the overall tax burden on the company's operations, preserving margins without raising prices and risking weaker demand. We forecast gross margin of 20.0% for FY2025/26, lower than the 26.6% recorded for FY2024/25, reflecting a normalisation rather than a decline as FY2024/25 delivered the company's highest-ever revenue and profit outturn. Also, foreign exchange pressure remains a downside risk to gross margins. The company confirms that its 69% local sourcing is measured by volume rather than value, meaning that VAT relief, while helpful, will only provide modest cushioning against margin pressures. However, we expect the Ghanaian cedi to remain relatively stable in the year ahead with a modest forecast USDGHS depreciation of between 5.6% and 8.9% in 2026, potentially softening the margin headwinds.
- We further expect that the reduced VAT rate (especially with the removal of the 1.0% COVID levy) will contribute to better demand conditions, as consumers respond positively to stable prices. Our analysis revealed that in FY2024/25, Guinness Ghana collected GHS 844.3mn in VAT for the Ghanaian government, translating into a four-year CAGR of 40.4% and consistently depleting consumers' purchasing power. In view of this, we believe that the removal of the 1.0% COVID levy and resultant decline

in the effective VAT rate by 190bps to 20.0% in 2026 will reboot consumers' purchasing power with potential for topline gain. This environment will enhance Guinness Ghana's ability to protect its market share and maintain volume growth. We forecast revenue to grow by 21.8% y/y to GHS 4.4bn in FY2025/26

Summary of Outlook

- Looking ahead, we expect Guinness Ghana to sustain its earnings growth momentum, supported by its expansive route-to-market network and cost efficiency with the proposed reduction in the effective VAT rate in 2026 providing a tailwind for both cost containment and demand strength. The company's deep market penetration and superior on-trade reach position it to capture incremental volume gains as consumer spending stabilises. With earnings stabilising and the stock trading well below peer valuation multiples, we see scope for a gradual re-rating as fundamentals strengthen. Overall, we believe Guinness Ghana remains well placed to deliver steady medium-term growth while consolidating its competitive advantage in the beverage market.

Valuation & Recommendation: **ACCUMULATE**

- Our "ACCUMULATE" rating is based on our weighted average fair value of GHS 7.56 per share, representing an upside of 14.55%, 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 3.7x

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 utilise 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 both the DCF and P/E, and 20.0% to DDM model. The higher weighting on DCF and P/E reflects our emphasis on long-term cash flow fundamentals and earnings performance respectively, while the inclusion of DDM ensures the valuation captures dividend consistency and sustainability.

Valuation inputs – Cost of Capital

Parameter	Value	Note
Risk-free rate	15.69%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date by end of October 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	17.5%	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)	18.12	The peer mean P/E is computed using the P/E of FMCGs including Guinness Nigeria, East African Breweries and Namibia Breweries.

Valuation summary (GHS/share)

P/E	DCF	DDM	WEIGHTED AVG
11.23	7.67	1.52	7.56

Key risks to valuation

Upside: Sustained low inflation, continued stability or further 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 and purchasing power, 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 (especially excise duty on sweetened and alcoholic beverages) 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)
Gross Profit	397,300.0	957,409.0	876,339.0	914,474.6	1,047,713.6	1,268,327.1	1,762,521.6
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)	-	-	-	-	-
Operating profit	101,217.0	554,897.0	363,680.7	258,204.6	174,618.9	181,189.6	317,253.9
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)
Profit before Income Tax	52,083.0	524,372.0	342,126.5	216,011.5	113,388.9	114,811.6	241,044.4
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)
Profit for the Year	34,751.0	334,624.0	239,488.6	151,208.1	79,372.3	80,368.1	168,731.1

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