

Guinness Ghana 1H2025/26 Results

Current rating: BUY

Year-to-date: +39.8%

Current Price: GHS 9.23 | Current Fair Value: GHS 11.16 | Upside: 20.92%

Ghana | 18 February 2026

Margin Expansion Offsets Revenue Weakness

Rating Summary

We revise our rating on Guinness Ghana Breweries Plc (GGB Plc) from “ACCUMULATE” to “BUY”, following a 47.6% upgrade to our previous provisional fair value of GHS 7.56. This translates into a 20.92% upside from the current price of GHS 9.23, underpinned by operational fundamentals, a supportive tax backdrop and compelling valuation metrics. The company is deliberately pivoting towards premiumisation across its spirits and Ready-To-Drink (RTD) portfolio, reshaping its product mix towards higher-value offerings. This strategic recalibration contributed to a 15.9% y/y contraction in revenue to GHS 1.3bn as management deprioritised lower-priced, high-volume products, we expect the earnings quality of the portfolio to improve as premium spirits and alcoholic RTDs, which exhibit lower price elasticity, gain prominence, even as non-alcoholic RTDs such as Malta Guinness remain more volume-sensitive in the near term. As consumption gradually rebalances and the mix shifts towards premium categories, we project revenue to expand by 21.8% y/y to GHS 4.4bn in FY2025/26, moderating from the exceptional 51.7% y/y growth recorded in FY2024/25. We expect targeted CAPEX injections aimed at enhancing bottling efficiency to reduce production bottlenecks, improve throughput and minimise downtime, supporting responsiveness across Alcoholic, Non-alcoholic and Spirit categories and reinforcing our GHS 4.4bn revenue projection. The reduction in the effective VAT rate to 20.0% in 2026 from 21.9%, alongside the removal of the 1.0% COVID levy, should improve affordability, stimulate demand particularly within the non-alcoholic segment and further anchor topline growth. On the cost front, cost of sales declined 17.4% y/y to GHS 1.1bn in 1H2025/26, reflecting lower production volumes and the benefit of a 40.7% appreciation of the cedi against the US Dollar in FY2025. Despite sourcing 69% volume of raw materials locally, the company remains exposed to FX fluctuations. We expect the renewed ability to claim input tax credits on the embedded 5.0% levies to provide a meaningful cost buffer for Guinness Ghana. At 7.6x P/E versus a 27.9x peer average, the stock trades at a pronounced discount, which we believe fails to capture the company’s improving earnings trajectory and creates scope for multiple expansion towards peer benchmarks over the medium term, reinforcing our “BUY” recommendation. 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 15.01% risk-free rate, a weighted average cost of capital (WACC) of 16.6%, and a terminal growth rate of 5.0%.

1H2025/26 Earnings Update

Guinness Ghana Breweries Plc. (“GGB Plc”) released its unaudited 1H2025/26 financial results on 09 February 2026, reporting a 40.1% y/y surge in profit-after-tax to GHS 117.5mn, only 5.8% below our expectation. The upturn in earnings stemmed from a 17.4% y/y decline in cost of sales to GHS 1.1bn, a fall in finance charges by 18.2% y/y to GHS 14.3mn and a plunge in operating expense by 45.8% y/y to GHS 95.7mn. Topline performance remained weak, as revenue declined by 15.9% y/y to GHS 1.34bn, which we attribute primarily to volume pressures. The softer volume environment also translated into a 17.4% y/y reduction in cost of sales to GHS 1.1bn amid a sharp 45.8% y/y decline in operating expenses. As a result, operating profit surged by 41.7% y/y to GHS 179.4mn, while finance charges fell by 18.2% y/y, supported by lower borrowing costs during the period. Overall, while Guinness Ghana Breweries delivered strong bottom-line growth, we are concerned by the sharp decline in revenue, which we believe stems from underlying volume pressures. However, we believe improving macroeconomic conditions and the 190bps reduction in Ghana’s effective VAT rate to 20.0% from 2026 will stabilise real incomes and restore consumer purchasing power while sustaining the curb on cost growth. We expect this shift to catalyse a rebound in discretionary demand, driving near-term revenue growth primarily through higher sales volumes for non-alcoholic beverages and high value premium offerings. In addition, we anticipate the decline in fuel cost will reduce selling and distribution expenses which will mitigate the impact of upward tariff adjustment on operating expenses.

1H2025/26 Performance: Fall in finance charges, plunge in OPEX and decline in cost of sales propel bottom-line growth

Revenue and Income Dynamics

- GGB Plc’s earnings surged by 40.1% y/y to GHS 117.5mn. The earnings growth stemmed from a 17.4% y/y decline in cost of sales to GHS 1.1bn, a fall in finance charges by 18.2% y/y to GHS 14.3mn and a plunge in operating expense by 45.8% y/y to GHS 95.7mn
- Revenue slumped by 15.9% y/y to GHS 1.3bn. In our view, the fall in revenue is due to lower production volumes
- Gross profit declined by 9.2% y/y to GHS 275.1mn, owing to the fall in revenue
- Operating profit surged by 41.7% y/y to GHS 179.4mn in 1H2025/26 following the 45.8% y/y slump in operating expense to GHS 95.7mn

Cost and Risk Management

- Cost of sales declined by 17.4% y/y to GHS 1.1bn in 1H2025/26. In our view, the reduction in cost of sales stems from lower production volumes as well as a 40.7% appreciation of the cedi against the US Dollar in FY2025
- Operating expense plunged 45.8% y/y to GHS 95.7mn on the back of the cedi's appreciation, lower transport cost driven by decline in fuel cost and lower sales volume
- Finance charges plummeted by 18.2% y/y to GHS 14.3mn, reflecting lower borrowing costs amid a moderating interest rate environment. The decline also reflects the full repayment of the company's loan obligation to Diageo Finance.

Margin Performance

- Gross margin increased by 149bps y/y to 20.5%
- Operating margin followed suit, increasing by 543bps y/y to 13.4% in 1H2025/26
- Net profit margin advanced by 349bps y/y to close the period at 8.7%

Near-Term Outlook

Premiumisation and Targeted CAPEX to Strengthen Revenue Growth Momentum

- **Portfolio Premiumisation Drives Short-Term Volume Pressure**

Guinness Ghana is deliberately pivoting towards premiumisation across its spirits and Ready-To-Drink (RTD) portfolio, reshaping its product mix towards higher-value offerings and strengthening overall brand positioning. In our view, this strategic recalibration contributed to the decline in sales volumes, culminating in a 15.9% y/y contraction in revenue to GHS 1.3bn, as management consciously deprioritised lower-priced, high-volume products in favour of premium lines. Premium spirits, including Johnnie Walker and Gordon's Dry Gin, typically experience lower price elasticity, supported by brand strength and aspirational positioning. Alcoholic RTDs such as Smirnoff Ice tend to exhibit relatively lower price sensitivity compared with mainstream soft drinks. By contrast, non-alcoholic RTDs such as Malta Guinness compete directly with alternatives like Beta Malt and therefore face greater price sensitivity, with volumes closely tied to affordability. We expect non-alcoholic RTDs such as Malta Guinness to remain susceptible to volume pressure in the near term, given their volume-driven nature. Nevertheless, as the product mix continues to shift towards premium categories and consumption gradually rebalances, we project revenue to expand by 21.8% y/y to GHS 4.4bn in FY2025/26, albeit moderating from the exceptional 51.7% y/y growth recorded in FY2024/25.

- **Bottling Line CAPEX to Support Production and FY2025/26 Revenue Growth**

Guinness Ghana's objective to improve production efficiency, particularly across its bottling lines through targeted CAPEX injection, represents a structurally positive operational upgrade. We expect the enhanced bottling efficiency to reduce production bottlenecks, improve throughput and minimise downtime, enabling the company to respond more effectively to demand fluctuations across its Alcoholic, Non-alcoholic and Spirit categories. We believe this is particularly important as the portfolio becomes more diversified and premium-led. We anticipate that this will support production and distribution efficiency and reduce operational constraints. This supports our revenue projection of 21.8% y/y to GHS 4.4bn in FY2025/26

- **Easing VAT Burden to Support Volume Recovery**

We expect Guinness Ghana to derive tangible support from the reduction in the effective VAT rate to 20.0% in 2026 from 21.9%, as the lighter indirect tax burden should improve consumer affordability and strengthen purchasing power. The removal of the 1.0% COVID levy further eases the cost of consumption, freeing up disposable income and fostering a more accommodative demand environment, particularly across its non-alcoholic segment. In our view, the improved tax framework, alongside improving macroeconomic conditions, will drive volume growth in the non-alcoholic segment and support total revenue growth. This more favourable operating backdrop should provide additional tailwind for revenue recovery in FY2025/26, supporting our topline optimism.

Cost of sales declined by 17.4% y/y to GHS 1.1bn in 1H2025/26. In our view, the reduction in cost of sales stems from lower production volumes as well as a 40.7% appreciation of the cedi in FY2025. Despite sourcing 69% volume of raw materials locally, the company remains exposed to FX fluctuations, which keeps us cautious FX-related cost of sales. However, we expect the renewed ability to claim input tax credits on the embedded 5.0% levies to provide a meaningful cost buffer for Guinness Ghana.

- **Valuation Discount Signals Scope for Upside**

Guinness Ghana is currently valued at 7.6x P/E, materially below the 27.9x average multiple observed across listed consumer and beverage peers. We believe this wide dispersion underscores a disconnect between the company's strengthening earnings profile and its prevailing market valuation. In our assessment, the current pricing fails to adequately reflect the underlying improvement in GGB Plc's earnings outlook. As fundamentals continue to firm, we perceive room for expansion over the medium term, narrowing the gap towards peer benchmarks. Overall, we believe Guinness Ghana remains undervalued relative to peer-implied benchmarks.

Summary of Outlook

- We expect Guinness Ghana to sustain its earnings growth, supported by its deliberate pivot towards premiumisation, improving operational efficiency and a progressively supportive tax environment. While near-term volume dynamics may remain uneven, particularly within more price-sensitive non-alcoholic categories, the strengthening product mix should enhance revenue. We believe ongoing CAPEX upgrades will improve supply as demand conditions stabilise. In our view, the current valuation continues to understate these improving fundamentals, leaving room for multiple expansion.

Valuation & Recommendation: BUY

- Our “BUY” rating is based on our weighted average fair value of GHS 11.16 per share, representing an upside of 20.92%, using the weighted average prices from our Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and Price-to-Earnings (P/E) valuation models. We are convinced that there is a compelling case for buying Guinness Ghana in anticipation of improvement in financial performance in the medium term.
- GGB Plc is currently trading at a TTM P/E of 7.6x and P/Sales of 2.1x

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	15.01%	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 January 2026. 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	5.0%	This aligns with the mid-band of our preferred range from 4.0% to 6.0% and reflects our view of the prevailing risk premiums in developing markets
Beta	0.35	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	16.6%	Based on a book value equity of GHS 751.7mn and book value debt of GHS 46.7mn, we calculate the WACC with a cost of debt of 14.5% and cost of equity of 16.8%.
Peer mean ratio (P/E)	27.92	The peer mean P/E is computed using the P/E of FMCGs including Guinness Nigeria, International Breweries, East African Breweries and Namibia Breweries.

Valuation summary (GHS/share)

P/E	DCF	DDM	WEIGHTED AVG
22.65	5.25	2.08	11.16

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: Unexpected upward reversal in inflation, failure of premiumisation strategy, 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	8,779.6	14,979.8	18,006.0	15,033.4
Finance expenses	(50,444.0)	(34,142.0)	(16,971.8)	(20,826.1)	(41,103.2)	(48,884.0)	(59,624.1)
Profit before Income Tax	52,083.0	524,372.0	356,486.8	246,158.1	148,495.5	150,311.5	272,663.3
Income Tax Expense	(14,728.0)	(163,530.0)	(89,121.7)	(61,539.5)	(37,123.9)	(37,577.9)	(68,165.8)
National Fiscal Stabilization levy	(2,604.0)	(26,218.0)	(17,824.3)	(12,307.9)	(7,424.8)	(7,515.6)	(13,633.2)
Profit for the Year	34,751.0	334,624.0	249,540.8	172,310.7	103,946.9	105,218.1	190,864.3

Analyst, Insights:

Emmanuel Dadzoe: +233 30 825 0051

For further information, please contact our Research Team. T: 233 308-250051 | +233 302-252517 Email: insights@ic.africa

Disclaimer:

This report is designed to be utilized by qualified institutional and professional investors only. Private investors must consult their investment adviser or broker for professional advice before seeking to act on the contents of this report. This advice has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. IC Securities' investment research reports are provided for informational purposes only. All information provided in this report is the intellectual property of IC Securities, is for the use of intended recipients only, and may not be reproduced in any form whatsoever without the express written consent of IC Securities. Descriptions are not intended to be complete and cannot be guaranteed to be accurate; therefore, IC Securities does not assume any legal liability or responsibility for any inaccuracies or misrepresentations contained in this report. Neither IC Securities nor its management, officers or employees accept responsibility or liability for, or make any representation, statement or expression of opinion or warranty, express or implied, with respect to the accuracy or completeness of the information or any oral communication in connection therewith. There may be regulatory or confidentiality obligations which prevent IC Securities from disclosing information, material or otherwise, which would normally be expected to be included in this report. The price of any securities stated in this report is the reported market price as of the date indicated, taken from sources IC Securities believes to be reliable. IC Securities does not represent that this price may be achieved in any transaction. Due to the inherently illiquid and relatively opaque nature of most of the Firm's coverage markets, any price stated in this report may not reflect the true trading price of the security referenced. This document does not constitute an offer by, or on behalf IC Securities to enter into any transaction with you and will not form the basis of a contract for any such transactions. This report does not constitute an offer to sell or solicitation of a purchase order in respect of any securities, derivative or other instrument by the Firm.