Guinness Ghana FY2025/26 Results

Current rating: **HOLD**

Year-to-date: **+80.0%**

Current Price: GHS 11.88 **| Current Fair Value:** GHS 12.20 **| Upside:** 2.69%

Ghana | 10 August 2026

A Temporary Setback, Not A Structural Weakness

FY2025/26 Earnings Update

Guinness Ghana Breweries Plc. ("GGB Plc") released its unaudited FY2025/26 financial results, reporting a 15.9% y/y fall in profit-after-tax to GHS 281.3mn, although this was 12.7% above our estimate. Our estimated moderation in earnings followed an exceptionally strong prior-year performance, which created a high base effect as FY2024/25 profit after tax surged 862.9% y/y to GHS 335.6mn, supported by a 51.7% y/y increase in revenue to GHS 3.6bn. We had anticipated some normalisation in FY2025/26 performance as the company lapped the significant gains recorded in the previous year. However, we observed that the decline in earnings was mainly due to a 16.2% y/y decline in revenue to GHS 3.0bn and partly due to the strong base effect. The revenue contraction was occasioned by maintenance and equipment overhaul activities across Guinness Ghana's packaging lines, which temporarily constrained production capacity. Although these activities temporarily affected production volumes and sales performance, we view them as an important investment in operational reliability and efficiency. We expect the upgraded lines to deliver improved capacity and enhanced production performance, providing a stronger platform to support future growth and meet market demand in the medium term. That said, cost of sales declined by 12.3% y/y to GHS 2.3bn in FY2025/26, directly relating to the lower production volumes due to the maintenance and equipment overhaul activities on the company's packaging lines. Gross profit plummeted by 26.8% y/y to GHS 700.8mn, owing to the fall in revenue, leading to a 3.4pp fall in gross margin to 23.2%. Operating expense dropped by 18.2% y/y to GHS 329.3mn on the back of lower transport cost driven by lower sales volume. Operating profit plunged by 33.1% y/y to GHS 371.4mn in FY2025/26, leading to a 3.1pp y/y contraction in operating margin to 12.3%. A 39.1% y/y decline in finance charges to GHS 18.6mn reflects the absence of interest-bearing debt during the period. Overall, we believe Guinness Ghana's FY2025/26 performance reflects temporary operational disruptions rather than a deterioration in its underlying fundamentals. While profit after tax declined, the moderation was anticipated following an exceptional prior-year performance, coupled with maintenance activities across key packaging lines, one-off transition costs, and a regulatory-driven Smirnoff Guarana inventory write-off. We believe the Company's ongoing investments in production capacity, glass infrastructure, and supply chain resilience will support volume recovery and improve operating leverage when upgraded facilities return to full utilisation. Additionally, disciplined cost management, lower finance charges, and renewed brand investment should support growth.

Looking ahead, we expect the unwinding of temporary headwinds and improved production capability to position Guinness Ghana for sustainable medium-term growth. We have a "Hold" rating on Guinness Ghana as we believe the stock offers near-to-medium-term value potential as the benefits of its ongoing operational investments begin to materialise. While recent performance was impacted by temporary headwinds, including production disruptions and exceptional costs, we expect the completion of maintenance activities, improved production capacity, and stronger brand momentum to support earnings. However, we believe investors will need to exercise patience as the value creation from these initiatives will be realised gradually once the upgraded facilities achieve full operational capacity and begin to translate into stronger volumes and margins.

FY2025/26 Performance: Revenue contraction drives decline in bottom line

Revenue and Income Performance

- Revenue ▼ 16.2% y/y → GHS 3.0bn
- Operating Profit ▼ 33.1% y/y → GHS 371.4mn
- Net Profit ▼ 15.9% y/y → GHS 281.3mn

Cost and Risk Management

- Cost of Sales ▼ 12.3% y/y → GHS 2.3bn
- Operating Expenses ▼ 18.2% y/y → GHS 329.3mn
- Finance Cost ▼ 39.1% y/y → GHS 18.6mn

Margin Performance

- Gross Margin ▼ 3.4pp → 23.2%
- Operating Margin ▼ 3.1pp → 12.3%
- Net Profit Margin ▲ 0.03pp → 9.3%

Near-to-Medium Term Outlook

Production constraints weighed on FY2025/26 performance, but capacity upgrades provide a pathway to volume recovery

Temporary operational disruptions mask stronger medium-term revenue potential

- In our 1H2025/26 report, we revealed Guinness Ghana's objective to enhance production efficiency, particularly across its bottling lines through targeted CAPEX injection. In 9M2025/26, we indicated that the scheduled maintenance and equipment overhaul activities on the company's packaging lines had commenced, albeit with revenue drag. We believe Guinness Ghana's weaker FY2025/26 performance reflects a temporary operational setback rather than a deterioration in its underlying business fundamentals. Revenue declined as extensive maintenance and equipment overhauls across key packaging lines constrained production capacity and reduced sales volumes during the year. However, we expect these investments to enhance production, improve operational efficiency and increase capacity over the medium term. When the upgraded lines return to full utilisation, we expect production volumes to recover, reviving revenue growth and improved operating leverage.

Capacity expansion and strategic investments provide a platform for sustainable growth

- To mitigate potential supply constraints and ensure uninterrupted production, inventory holdings were strategically increased. Management indicated that the strategy to increase inventory is to help meet anticipated market demand. This is evidenced by a 40.2% y/y surge in inventory to GHS 599.7mn. Management continues to invest in long-term growth through expansion of production facilities, glass infrastructure, and inventory optimisation. These investments strengthen supply chain, reduce the risk of production disruptions, and position the company to meet future demand more efficiently. We believe these initiatives are necessary to support volume during the ongoing maintenance activities.

Margin pressure appears cyclical rather than structural

- The decline in gross and operating margins was primarily driven by the maintenance-related decline in production volumes, which reduced operating leverage, rather than a structural deterioration in the cost base. While revenue declined 16.2% y/y, operating expenses also fell 18.2% y/y, reflecting effective cost discipline, particularly lower transportation costs resulting from weaker sales volumes distribution. Furthermore, finance charges declined by 39.1% y/y following the elimination of interest-bearing debt. We expect margins to recover as production volumes rebound when the maintenance activities are fully completed.

Brand investment strengthens competitive positioning despite near-term pressure

- The Company's flagship Malta Guinness brand came under pressure during 1H2025/26 from parallel imports originating from Nigeria. Rather than competing solely on price, management responded with a five-month market activation campaign to reinforce brand equity and protect market share. Encouragingly, management reported stronger consumer engagement and improved market performance during 2H2025/26, suggesting that these investments are beginning to gain traction. We expect continued brand investment to support volume recovery once production capacity normalises.

One-off transition costs should fade, supporting near-to-medium term growth

- FY2025/26 profitability was also affected by non-recurring costs associated with the Diageo-Castel transition and the regulatory-driven write-off of Smirnoff Guarana inventory. The write-off followed Ghana's Food and Drugs Authority (FDA) directive, restricting alcoholic beverages containing stimulant ingredients. This rendered existing Smirnoff Guarana inventory unsaleable and required the Company to recognise the loss. While these exceptional costs weighed on reported earnings during the year, we view them as temporary headwinds and expect their absence in subsequent periods to support earnings and margins in the near-to-medium term.

Summary of Outlook

- We expect Guinness Ghana's medium-term growth trajectory to remain intact, supported by improved production capacity, strategic capital investments, and stronger operational efficiency following the completion of packaging line upgrades. While FY2025/26 performance reflected temporary disruptions from maintenance activities, an elevated prior-year base, and exceptional costs, we believe these pressures will gradually unwind. The return of upgraded facilities to full utilisation should support volume recovery, improve operating leverage, and drive margin expansion. Additionally, continued investment in brands, particularly Malta Guinness, should strengthen consumer engagement and support market share recovery. We maintain our view that recent earnings weakness is temporary and expect Guinness Ghana to deliver improved revenue growth over the medium term as strategic initiatives translate into financial benefits.

Valuation & Recommendation: HOLD

- Our "HOLD" rating is based on our weighted average fair value of GHS 12.20 per share, representing an upside of 2.69%, using the weighted average prices from our Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and Price-to-Earnings (P/E) valuation models.
- GGB Plc is currently trading at a P/E of 13.0x (vs peer mean of 26.1x) and P/Sales of 1.5x

Note: Guinness Ghana Breweries Plc has announced a strategic change to its financial year, transitioning from a July–June reporting cycle to a January–December calendar year. The company's audited financial statements for this transition period will be due by the end of the first quarter of 2027. Click here for more details

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: Prolonged packaging line maintenance, Unexpected upward reversal in inflation, underperformance 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

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