Kasapreko PLC. 9M2026 Results

Current rating: ACCUMULATE

Year-to-date: 50.0%

Current Price: GHS 1.80 **| Current Fair Value:** GHS 2.12 **| Upside:** 17.8%

Ghana | 03 November 2026

The Growth Cocktail Comes with a Cost

9M2026 Earnings Update

Kasapreko PLC ("KASA") released its unaudited 9M2026 financial results, reporting a 14.3% y/y increase in net profit to GHS 295.8mn. Earnings came in 13.6% below our forecast and slowed from the 23.3% y/y growth recorded in 1H2026. The increase in net profit resulted from an 8.8% y/y rise in revenue to GHS 2.8bn, a reversal from other operating expense of GHS 11.9mn to other operating income of GHS 67.6mn, a 262.7% y/y surge in finance income to GHS 3.3mn and a 12.5% y/y fall in finance costs to GHS 101.1mn. A 10.7% y/y increase in cost of sales to GHS 2.0bn mitigated the growth in gross profit. Gross profit therefore rose only 4.5% y/y to GHS 826.1mn, and gross margin contracted by 1.2pp y/y to 29.7%. General, selling and administrative expenses (GS&A) rose 19.9% y/y to GHS 403.6mn, more than double the pace of revenue growth. Total operating expenses rose 15.5% y/y to GHS 413.7mn against a prior-year base that included GHS 11.9mn of other operating expenses. The GHS 67.6mn swing to other operating income was the largest net contributor to earnings, excluding it reduces net profit by 11.8% y/y. Consequently, operating profit expanded by 11.0% y/y to GHS 480.0mn and operating margin by 0.3pp y/y to 17.2%. Excluding this item, operating profit would have declined by 7.2% y/y to GHS 412.4mn, with the core operating margin narrowing by 2.5pp y/y to 14.8%. The surge in finance income is consistent with higher cash balances following the June 2026 IPO, with cash and bank balances up 153.2% y/y to GHS 470.9mn. The decline in finance costs reflects an 18.1% y/y reduction in total borrowings to GHS 473.1mn, as bank borrowings fell 46.1% y/y to GHS 122.0mn. These savings were partly offset by an GHS 8.8mn fall in unrealised exchange gains to GHS 0.4mn. Consequently, net profit margin improved by 0.5pp y/y to 10.6%. In our view, the earnings growth was driven by non-core and financing items rather than by the core business. Kasapreko's medium-term growth prospects remain anchored on the Adeiso expansion, which should strengthen production capacity and support volume growth from FY2027, although delayed commissioning limits its FY2026 contribution. The removal of the 20.0% excise duty on locally manufactured fruit juices, effective October 2026, offers some cost relief, but its impact should remain modest given the company's limited exposure to fruit juices. Meanwhile, improving inventory levels should support festive season demand in 4Q2026. However, rising production and administrative costs continue to weaken underlying profitability, with gross margin contracting and core operating margin declining despite modest improvements in reported margins. Although lower borrowings and financing costs provide an earnings cushion. Overall, we remain cautiously positive on Kasapreko's growth prospects but view the recovery in core margins and the successful ramp-up of Adeiso as critical to unlocking sustainable earnings growth and further valuation upside.

We maintain our fair value of GHS2.12, as established in our Initiation of Coverage (IoC) and reaffirmed in our 1H2026 results commentary. The 9.5% decline in the share price from its 1H2026 level to GHS1.80 has increased the potential upside to our unchanged fair value, supporting our current "Accumulate" recommendation, compared with the "Hold" position indicated in our previous commentary. We attribute the recent price weakness partly to profit-taking following the strong post-IPO appreciation. At the current price, the stock offers a more attractive entry point for investors seeking exposure to the company's growth prospects ahead of the expected contribution from the Adeiso expansion. Nevertheless, a sustained recovery in core margins remains essential to improve earnings quality and underpin our valuation.

9M2026 Performance: Other income and finance cost relief drive earnings as core margins narrow

Revenue and Income Dynamics

- Revenue ▲ 8.8% → GHS 2.8bn
- Gross Profit ▲ 4.5% → GHS 826.1mn
- Other Operating Income ▲ Reversal → GHS 67.6mn (vs GHS 11.9mn expense)
- Finance Income ▲ 262.7% → GHS 3.3mn
- Operating Profit ▲ 11.0% → GHS 480.0mn
- Net Profit ▲ 14.3% → GHS 295.8mn

Cost and Risk Management

- Cost of Sales ▲ 10.7% → GHS 2.0bn
- Operating Expenses ▲ 15.5% → GHS 413.7mn
- Finance Cost ▼ 12.5% → GHS 101.1mn

Margin Performance

- Gross Margin ▼ 1.2pp → 29.7%
- Operating Margin ▲ 0.3pp → 17.2%
- Net Profit Margin ▲ 0.5pp → 10.6%

Near-to-Medium-Term Outlook

Adeiso Expansion and Operational Discipline to Shape the Next Phase of Growth

Capacity Expansion Remains the Key Volume Catalyst, but Timelines Have Shifted

- The Adeiso production facility remains central to Kasapreko's medium-term growth. Investment in the project accelerated during 9M2026. This lifted property, plant and equipment by 89.1% y/y to GHS 1.3bn. However, the timeline has shifted. In our 1H2026 commentary, we expected the first phase, particularly the water bottling line, to come onstream in late 3Q2026 as highlighted in the company's prospectus. The facility is now projected to begin production and be officially commissioned by the end of 2026. Consequently, we do not expect a material contribution to FY2026 revenue, and the volume benefit should flow largely into FY2027. Management previously indicated that the water bottling line would add approximately two million bottles per month. As highlighted in our Initiation of Coverage (IoC), we view the Adeiso project as a strategic investment that extends beyond capacity expansion. We believe it strengthens Kasapreko's long-term growth ambitions within Ghana's fast-growing non-alcoholic beverage market. We also expect the planned carbonated soft drinks production line to broaden the company's product offering. Once commissioned, a swift ramp-up in volumes will be important to protect margins. When subsequent phases are completed, we expect Kasapreko to benefit from stronger production volumes, deeper market penetration and improved operating leverage.

Excise Duty Removal Now Effective, but Offers Limited Margin Relief

- The removal of the 20.0% excise duty on locally manufactured fruit juices, announced in the 2026 mid-year budget review, is no longer a proposal. Parliament passed the Excise Bill, 2026 in July, and it took effect on 01 October 2026. The reform therefore had no impact on 9M2026 results, and any benefit should begin to flow through from 4Q2026. We have, however, tempered our expectations. Kasapreko's portfolio is focused on bitters, spirits, energy drinks and water rather than fruit juices. We therefore expect the reform to provide only modest relief against the cost pressures evident in 9M2026.

Revenue Momentum and Seasonal Demand to Support 4Q2026

- Revenue growth improved modestly during the period, accelerating from 6.2% y/y in 1H2026 to 8.8% y/y in 9M2026. We expect festive season demand in 4Q2026 to sustain this momentum, as beverage consumption typically strengthens in the final quarter. With Adeiso commissioning now expected by end of 2026, the company will meet seasonal demand largely from existing capacity. In our view, the 57.8% y/y increase in inventories to GHS 796.3mn should support product availability for the period.

Summary of Outlook

- Kasapreko's medium-term growth prospects remain anchored on the Adeiso expansion, which should strengthen production capacity and support volume growth from FY2027, although delayed commissioning limits its FY2026 contribution. The removal of the 20.0% excise duty on locally manufactured fruit juices, effective October 2026, offers some cost relief, but its impact should remain modest given the company's limited exposure to fruit juices. Meanwhile, improving inventory levels should support festive season demand in 4Q2026. However, rising production and administrative costs continue to weaken underlying profitability, with gross margin contracting and core operating margin declining despite modest improvements in reported margins. Although lower borrowings and financing costs provide an earnings cushion. Overall, we remain cautiously positive on Kasapreko's growth prospects, but view the recovery in core margins and the successful ramp-up of Adeiso as critical to unlocking sustainable earnings growth and further valuation upside.

Valuation & Recommendation: ACCUMULATE

- Our "ACCUMULATE" rating is based on our weighted average fair value of GHS 2.12 per share, representing an upside of 17.8%, using the weighted average prices from our Discounted Cash Flow (DCF) and relative valuation models. Although our fair value estimate remains unchanged, the 9.5% decline in share price from its 1H2026 levels has created a valuation gap that supports our estimated fair value. As a result, we upgrade our rating on KASA to ACCUMULATE (vs HOLD during the 1H2026 earnings update.
- KASA is currently trading at a TTM P/E of 19.0x (vs peer mean P/E of 32.4x) and EV/EBITDA of 12.5x

Key risks to valuation

Upside: Successful execution of Adeiso factory, Continued low inflation, appreciation of the Ghanaian cedi, slower utility tariff hikes, a softer VAT regime in 2026, the removal of excise duty on locally manufactured fruit juices, improved local sourcing strategy, successful penetration into new markets, improved macroeconomic environment and lower energy cost.

Downside: Execution delays at the Adeiso factory construction, Higher-than-expected inflation, foreign exchange volatility, elevated interest rates, utility tariff hikes, rising energy prices, intensified competition, unfavorable tax policy shifts and increase in raw material prices.

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