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Guinness (Nigeria) Plc

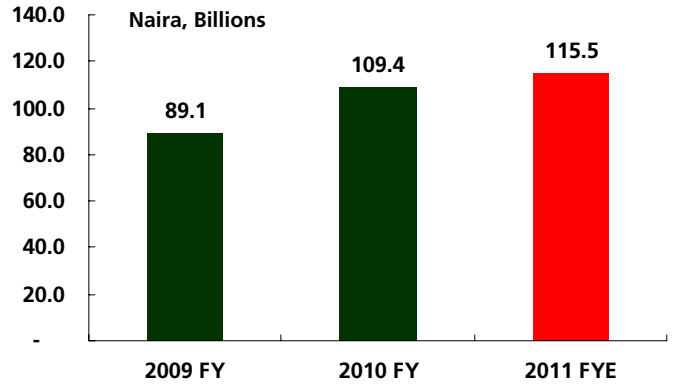
FY Results: 12M Ended June 30, 2010

Research Update

September 29, 2010 | **Guinness 12M, June 2010 FY Results**

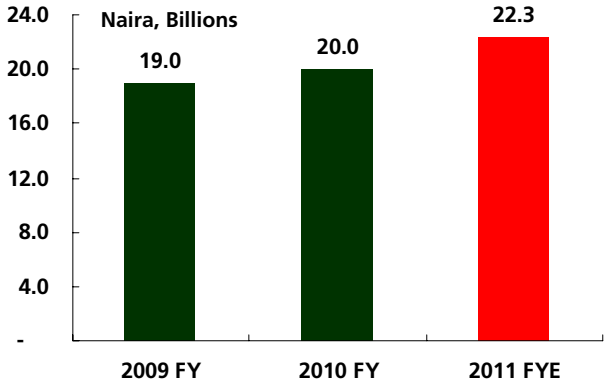
Top Line Growth amidst Unrelenting High Costs: Guinness Nigeria Plc recently released its 2010 full year numbers which show continuous investment in marketing and distribution channels to expand it's brand equity. Turnover saw a 22.7% growth to N109.4bn (US$716.2m) from the N89.1bn (US$583.8m) recorded in FY 2009. This was largely driven by the performance in the beer and malt drinks section. The company noted that its innovative use of canning in packaging drinks has also endeared the brand to new consumers. It plans to continue widening its route to the market with continued marketing investments. The bottom line, on the other hand, has seen shrinking margins quarter on quarter; PBT and PAT recorded minimal growth of 5.3% and 1.4% respectively from the 2009 financial year. The result also shows growth of 8.5% in net assets to N34.2bn (US$224.0m). The company has declared a dividend of N12.2bn (US$80.0m) which translates to 825k for every 50k share held; this represents a 10.0% increase from the 750k paid out in the previous financial year. We remain concerned about the company's dwindling margins as a result of the tightening in credit from banks to its distributors.

Chart 1: Turnover, 2010 FY and 2011 FY Forecast



Source: NSE, Afrinvest Research

Chart 2: PBT, 2010 FY and 2011 FY Forecast



Source: NSE, Afrinvest Research

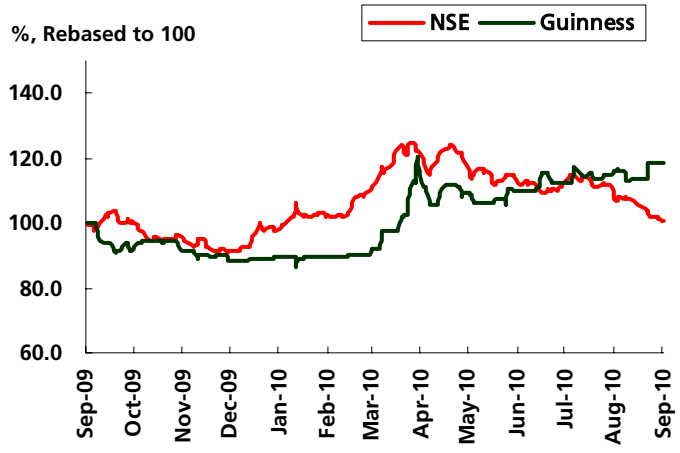
Chart 3: Key Ratios and Statistics

Price Target (Naira)	165.00
Share Price, Naira (Sept 29 2010)	170.00
Market Cap (Naira, bn)	252.23
Market Cap (US$, bn)	1.64
52-Week Range (Low - High)	124.51-173.25
ROE (FY 2010), %	40.2
2010 EPS (Naira)	9.3x
2010 P/E, Times	18.4x
Shares Outstanding (bn)	1.5

Company Description: Founded in 1827 as a trading company for Guinness Dublin, the company undertakes the brewing, packaging and marketing of stouts, lagers, malt and ready-to-drink beverages under the Diageo product portfolio. As the second largest brewer in a market tending towards duopoly, Guinness Nigeria has become Diego's second largest market for Guinness stout after the United Kingdom, displacing Ireland which is home to the company.

Source: Afrinvest Research

Chart 4: Last Twelve Months Price Performance, versus NSE



Source: NSE, Afrinvest Research

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