

Research Note

Nigerian Breweries Plc Q3 2011 Results

21 October, 2011

- Nigerian Breweries (NB) released its unaudited third quarter results yesterday, showing a 22.4% year-on-year growth in Turnover from N130.7bn to N160.0bn. Profit Before Tax (PBT) also improved by 17.6% from N31.7bn to N37.3bn, while Profit After Tax (PAT) recorded a similar increase of 17.5% from N21.1bn to N24.8bn. Turnover, pre and post-tax profits also increased quarter-on-quarter in Q3 by 45.2%, 35.1% and 32.3% respectively. Pre-tax and net margins however recorded year-on year declines of 100bps and 70bps to 23.3% and 15.5% respectively.
- These results were in line with our un-annualized FYE 2011 forecasts on a top line basis, as turnover was 0.9% below our N161.4bn estimate. Net earnings however fell significantly below our N31.5bn forecast by 21.1%. While we recognize that the business environment in Q3 2011 was constrained in terms of high operating costs and currency volatility, NB's historical performance indicates that the review period contributes below 25.0% to annual performance. The brewer still maintains its leadership in the Nigerian beer market (>65.0% market share) with clear dominance in the premium lager segment (an estimated 60.0% of Nigeria's beer volumes).
- We are positive on the earnings outlook for NB, following its recent consolidation of regional breweries acquired by its parent body, Heineken. We expect that the acquisitions should add significant brewing capacity and further exposure to the non-alcoholic beer segments. We are however concerned on the brewer's unwillingness to clarify the facts behind its numbers with analysts. Our long term call on the Nigerian beer market remains robust as per capita beer consumption remains abysmally low, while rising GDP per capita, population expansion, youthful demographics, as well as rapid urbanization provide robust tailwinds for revenue growth. We also believe that NB will face stiff competition from new entrant, SAB Miller, to control majority stake in the untapped low cost beer market.
- Based on these results, NB now trades at trailing P/E and P/BV multiples of 20.2x and 14.4x respectively, a premium to Guinness' trailing P/E and P/BV of 17.9x and 8.7x respectively. Our full year EPS forecast is N4.51 for NB, with a 2011 forward P/E of 18.8x (versus a peer average of 20.1x). We maintain our NEUTRAL short term rating on the stock at this time as we require further insight from management.



Research Note

Nigerian Breweries Plc Q3 2011 Results

21 October, 2011

Table: Nigerian Breweries Plc; Q3A 2011, Q3A 2010, Q3F 2011

NIGERIAN BREWERIES PLC	30-Sep-11	30-Sep-10	% change	Analyst's Forecast	% of Forecast
	N'000	N'000		N'000	
TURNOVER	N159,965,000	N130,706,000	22.4%	N161,356,742	99.1%
PBT	N37,282,000	N31,710,000	17.6%	N42,761,249	87.2%
TAX	(N12,455,000)	(N10,573,000)		(N11,309,260)	
PAT	N24,827,000	N21,137,000	17.5%	N31,451,989	78.9%
PBT MARGIN	23.3%	24.3%		26.5%	
PAT MARGIN	15.5%	16.2%		19.5%	

Source: NSE, Afrinvest Research

DISCLAIMER

This report has been issued and approved by Afrinvest West Africa Limited ("Afrinvest"). This report is based on information from various sources that we believe are reliable; however, no, representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction. Any investment discussed may not be suitable for all investors. This report is provided solely for the information of clients of Afrinvest who are expected to make their own investment decisions. Afrinvest conducts designated investment business with market counter parties and intermediate customers and this document is directed only at such persons. Other persons should not rely on this document. Afrinvest accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only. This report may not be reproduced distributed or published by any recipient for any purpose without prior express consent of Afrinvest. Investments can fluctuate in price and value and the investor might get back less than was originally invested. Past performance is not necessarily a guide to future performance. It may be difficult for the investor to realize an investment. Afrinvest and/or a connected company may have a position in any of the instruments mentioned in this document. Afrinvest and/or a connected company may or may not have in the future a relationship with any of the entities mentioned in this document for which it has received or may receive in the future fees or other compensation. Afrinvest is a member of The Nigerian Stock Exchange and is regulated by the Securities and Exchange Commission to conduct investment business in Nigeria.

AFRINVEST LIMITED 27 GERRARD ROAD, IKOYI, LAGOS, NIGERIA.

PHONE NO: +234 1 270 1680, Fax: +234 1 270 1689.