

Nigerian Breweries Plc

HOLD

Updated views on NB

Target Price: N91.80

Ref Price: N80.00

We have revised our Target Price ("TP") for Nigeria Breweries Plc ("NB") to **N91.80/share** (vs **N82.89/share** previously). Our update reflects insights from the company's latest financials, conference call with analysts, independent market survey, and the impact of changes in equity risk premium (12.6% from 13.8%). Also, our adjustments reflect the potential for a gradual repricing of NB's multiples to EMEA peer median levels, given the improving investment case for Nigerian assets. The new 12-month TP of **N91.80/share** suggests a capital appreciation of 14.7% and a **HOLD** recommendation on the ticker.

Margin growth still on the cards for FY'26

Although NB reported a 35.3% YoY revenue expansion in FY'25, the growth came in below our earlier projection of 39.0% YoY. The deviation was primarily driven by the high base effect from the late 2024 price increases effected by the company and weaker-than-expected volume following the unusual rainfalls in December 2025 that affected festive-related spending. For FY'26, we expect revenue to rise by 20.8% YoY to N1.77 trillion (vs N1.88 trillion previously), reflecting the opposite impacts of price-induced high base effect and an improvement in volume growth. Specifically, we see latitude for volume improvements across NB's mainstream and premium product segments with Goldberg and Heineken taking the lead, supported by intensified marketing efforts and continued optimisation of its distribution and route-to-market strategy. Additionally, our market survey indicated strong execution at the field level, with a more structured sales hierarchy and clearly defined growth targets, enhancing accountability and product push across key distribution outlets.

The company's numbers were supported by relatively contained increases in raw materials and transportation costs, with both line items likely supported by favourable movements in Naira and declines in key energy prices (Diesel: -3.8% YoY and PMS: -11.8% YoY). On key raw materials, we note the 9.2% and 10.0% decelerations in sorghum and barley prices, with that of the latter made more impactful by the c.7.5% Naira appreciation in the review period. Management also noted deliberate efforts to streamline the route to market strategies to enhance distribution efficiency. Consequently, gross, EBIT, and net profit margins improved to 38.5%, 13.8%, and 6.6% in FY'25 (vs. 29.5%, 6.4% and -13.4% in FY'24), respectively.

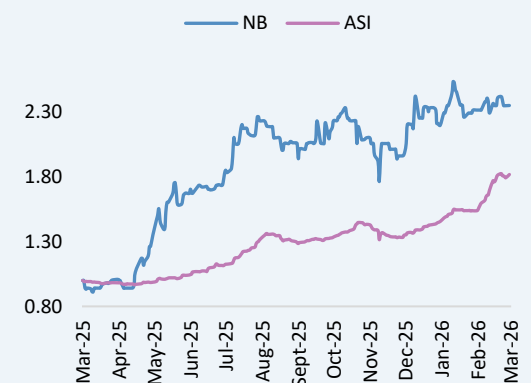
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Market Data	NB
Market Cap (N'mn)	2,478.64
Last close price (N)	80.00
52-week high-low price (N)	87.30/31.00
Avg 3M daily volume (mn)	4.91

1-year price performance (rebased)



Source: Bloomberg, CardinalStone Research

In line with the macro tailwinds (positive Naira outlook and moderating inflation) and management’s cost-effective strategies, we expect margins to remain robust in FY’26. However, we have slightly tapered our initial aggressive stance to account for the rising geopolitical tensions and their potential pass-through to select commodity prices. As such, we expect gross margin to settle at 39.5% (vs 40.5% previously).

Figure 1: Sorghum and barley prices (rebased) declined by 9.2% and 10.0% in 2025, respectively

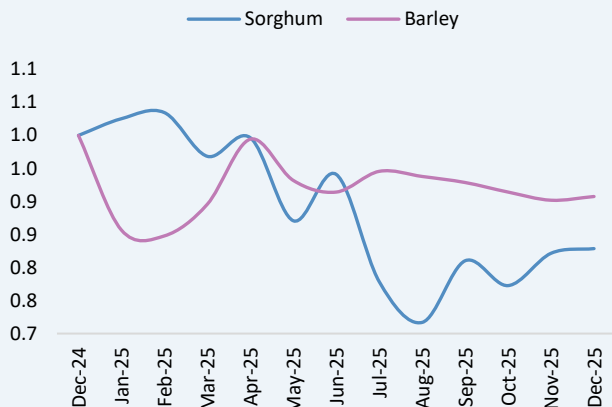
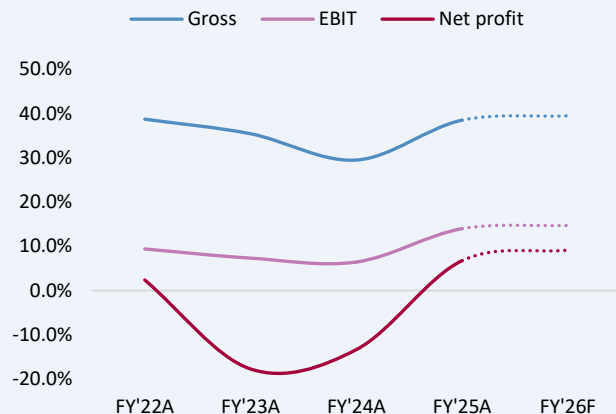


Figure 2: Margins expansion still biased to the upside in FY’26



Source: Bloomberg, FRED data, Company Financials, CardinalStone Research

Balance sheet strengthening and deleveraging efforts to continue in FY’26

NB demonstrated a deliberate shift towards balance sheet optimisation in FY’25, with total borrowings declining significantly to N59.7 billion from N209.1 billion in FY’24, reflecting management’s commitment to reducing debt exposure. The reduction was largely supported by improved operating performance and disciplined cash flow management, which allowed the company record a net repayment of N149.4 billion. Consequently, leverage metrics improved during the period, with the company recording a net cash of N1.4billion compared to a net debt of N58.5 billion in FY’24. Liquidity indicators such as the current ratio also strengthened to 0.69x (from 0.68x in FY’24), signalling improved short-term financial flexibility.

For FY’26, the company’s management has indicated an intention to limit incremental borrowings, with a strategic focus on funding operations primarily through internally generated cash flows. We expect improving operating performance and more stable working capital dynamics to support the cash position to N114.1 billion in FY’26 (vs N61.1 billion in FY’25). We also expect a debt to EBITDA ratio of 0.17x (vs 0.21x in FY’25).

Supporting these financial improvements, our DuPont analysis indicates ROE is projected to improve to 25.9% (vs 17.7% in FY’25), driven primarily by margin expansion and improved asset turnover, suggesting that the momentum should be operationally driven and highlighting the sustainability of NB’s ROE.

Figure 3: Leverage metrics strengthening to continue in FY'26

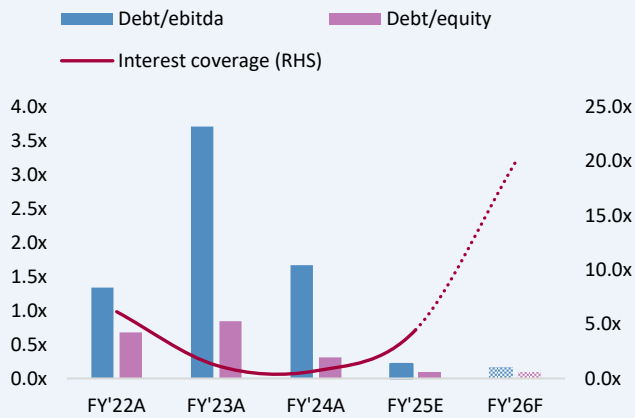


Figure 4 : Current ratio should further increase in FY'26



Figure 5: ROE to improve on stronger margins and efficiency

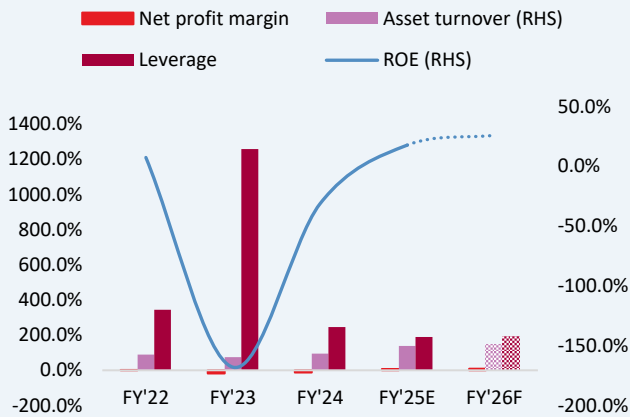
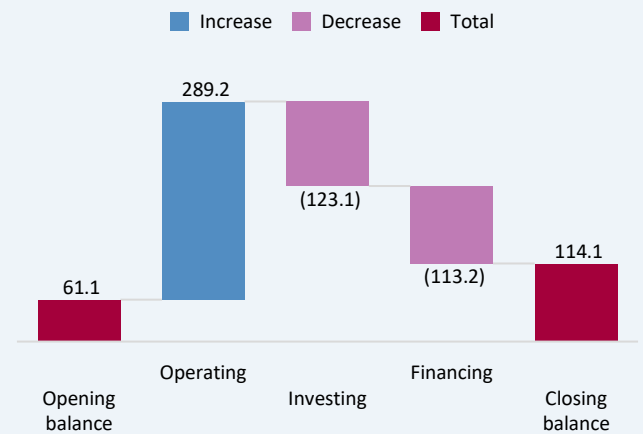


Figure 6: Cash position should improve in FY'26 (N'billion)



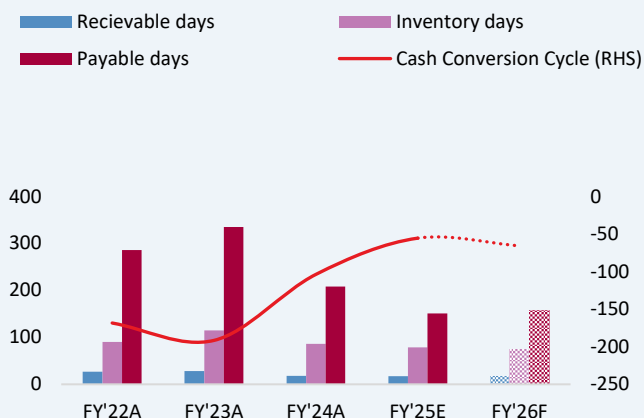
Source: Company Financials, CardinalStone Research

Efficient working capital management supports cash flows

In our previous update, we estimated the cash conversion cycle (CCC) to come in at -5 days in FY'25, supported by management's decision to strategically pay down FX-denominated trade payables, which we expected would bring payable days to 125 (vs 151 days actual). The company implemented this strategy even more than anticipated, and receivable and inventory days closed at 17 and 78 days, respectively, leading to a CCC of -55 days. The shorter cycle reflects faster cash inflows than we had projected, driven by improved supplier financing.

In FY'26, we expect receivable days to remain stable at 17 days, whereas inventory and payable days should improve to 75 days and 157 days, respectively, leading to an improved CCC of -66 days, which indicates continued efficient working capital management, with cash flows remaining sufficient to support operations and the company's strategic focus on internally funded growth.

Figure 7: : Supplier financing should persist into FY'26 (days)

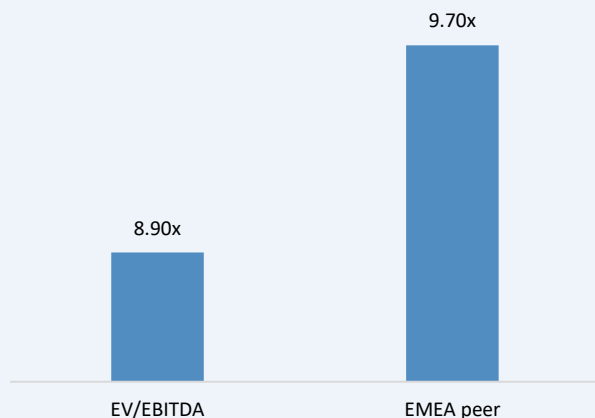


Source: Company Financials, CardinalStone Research

Valuation

Following adjustments to our model, we have raised our 12-month TP for NB to N91.80, implying a 14.7% upside and supporting a **HOLD** recommendation. Our TP reflects our adjusted FY'26 expectations and changes to assumptions across our forecast horizon. We have also adjusted our equity risk premium to 12.6% from 13.8% in line with changes to related macro data and market information. Importantly, our adjustments reflect the potential for a gradual repricing of NB’s multiples to EMEA peer median levels, given the improving investment case for Nigerian assets.

Figure 8: NB’s EV/EBITDA shows potential upside vs its EMEA peer median



Source: Company Financials, CardinalStone Research

Figure 9: Summary of financials

Income Statement (Nm)					Cash Flow Statement (Nm)				
	2024A	2025A	2026F	2027F		2024A	2025A	2026F	2027F
Revenue	1,084,436	1,467,422	1,771,912	2,135,331	Cash flow from operating activities	52,041	228,177	289,204	370,109
COGS	(764,520)	(902,240)	(1,072,007)	(1,281,199)	o/w Depreciation & amortization	55,323	77,779	80,757	86,728
Gross profit	319,916	565,182	699,905	854,133	o/w Changes in working capital	35,975	(51,295)	34,283	75,219
Other Income	4,029	4,159	4,607	4,271	Cash flow from investing activities	(140,581)	(123,311)	(123,056)	(126,295)
OPEX	(249,994)	(364,142)	(443,798)	(543,362)	o/w Capital expenditure	(137,572)	(123,446)	(124,034)	(128,120)
Credit loss	(4,054)	(2,360)	-	-	as % of sales	12.7%	8.4%	7.0%	6.0%
EBIT	69,897	202,840	260,714	315,041	Cash flow from financing activities	215,312	(196,111)	(113,228)	(159,223)
Net Interest	(252,814)	(44,137)	(11,442)	(11,182)	o/w Dividends paid	(8,314)	(2,969)	(97,216)	(138,256)
PBT	(182,917)	158,703	249,272	303,859	o/w Debt issued/(repaid)	(598,272)	(317,856)	(2,898)	(8,489)
Tax	38,034	(61,962)	(87,245)	(106,351)	Net change in cash	126,772	(91,245)	52,920	84,591
PAT from continuing operations	(144,883)	96,741	162,027	197,508	Cash & cash equivalents at beginning of year				
PAT for the year from discontinued operations	(113)	-	-	-	(incl FX diff)	23,816	152,385	61,140	114,060
PAT for the year	(144,996)	96,741	162,027	197,508	Cash & cash equivalents at end of the year	150,588	61,140	114,060	198,651
EPS	(12.07)	3.19	5.23	6.37					
DPS (NGN)	0.00	0.00	3.14	4.46					
Payout ratio	0.0%	0.0%	60.0%	70.0%					
Shares outstanding (million)	12,002	30,983	30,983	30,983					
Balance Sheet (Nm)					Ratio Analysis				
	2024A	2025A	2026F	2027F		2024A	2025A	2026F	2027F
Cash and cash equivalents	150,588	61,140	114,060	198,651	Gross Margin	29.5%	38.5%	39.5%	40.0%
Accounts receivable	52,720	69,404	80,262	96,723	EBITDA Margin	11.5%	19.1%	19.3%	18.8%
Inventories	181,259	193,789	219,532	243,428	EBIT Margin	6.4%	13.8%	14.7%	14.8%
Other current assets	40,137	13,439	13,439	13,439	Net Profit Margin	-13.4%	6.6%	9.1%	9.2%
Current assets	424,704	337,771	427,293	552,241	OPEX/Sales	23.1%	24.8%	25.0%	25.4%
PP&E	535,271	585,312	628,589	669,980	ROE	-31.3%	17.7%	25.9%	28.9%
Other non-current assets	178,301	143,034	143,034	143,034	ROA	-12.7%	9.3%	13.5%	14.5%
Non-current assets	713,572	728,346	771,623	813,014	ROIC	9.1%	25.0%	31.2%	40.1%
Total assets	1,138,276	1,066,118	1,198,915	1,365,255	ROCE	-28.2%	17.3%	25.3%	28.3%
Short-term borrowings	169,050	59,711	56,814	48,325	Net debt/Equity (x)	0.1	0.0	-0.1	-0.2
Payables	435,568	390,078	460,963	576,539	Net debt/EBITDA (x)	0.5	0.0	-0.2	-0.4
Other short-term liabilities	19,968	41,861	41,861	41,861	Sales/Assets (x)	1.0	1.4	1.5	1.6
Current liabilities	624,586	491,651	559,638	666,725	Assets/Equity (x)	2.5	1.9	1.9	2.0
Long-term debt	40,000	0	0	0	Interest cover (x)	0.7	4.5	19.9	25.2
Other long-term liabilities	9,746	14,245	14,245	14,245	Tax Rate	NM	39.0%	35.0%	35.0%
Non-current liabilities	49,746	14,245	14,245	14,245					
Total liabilities	674,332	505,896	573,883	680,971					
Shareholders' equity	463,944	560,222	625,032	684,285					
Total liabilities & equity	1,138,276	1,066,118	1,198,915	1,365,255					
BVPS	38.66	18.08	20.17	22.09					
Net debt/(cash)	58,463	(1,429)	(57,246)	(150,326)					
Valuation					2024A	2025A	2026F	2027F	
P/E (x)					NM	25.1	15.3	12.5	
P/BV(x)					2.1	4.4	4.0	3.6	
EV/EBITDA (x)					19.8	8.9	7.3	6.2	
Dividend Yield					0.0%	0.0%	3.9%	5.6%	

Source: Company Financials; CardinalStone Research

Fiscal year ends in December. o/w - out of which

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