Nigeria | Equity Research | Consumer Goods | Company Update

November 18, 2026

BLOOMBERG: GUINNESS NL

Guinness Nigeria Plc

Positive earnings trajectory drives BUY recommendation

BUY

Target Price: N506.97

Ref Price: N416.00

Guinness Nigeria Plc (NGX: GUINNESS) delivered a strong YoY performance in 9M'26 despite surging energy prices and an excise duty increase, with revenue and operating profit growing by 20.4% and 23.4% YoY, respectively. This revenue and EBIT growth was the fastest among the big 3, suggesting successful execution of the company's growth strategy, which we highlighted in our last report. In Q4'26, we expect the company to sustain positive earnings momentum, especially as Q4 is a peak period for brewers. As a result, we now forecast a 24.1% YoY revenue growth in FY'26.

Going into FY'27, we expect continued execution of the company's growth strategy, alongside stronger economic growth and easing inflationary pressures. Specifically, easing inflation (average of 13.5% in 2027 from c.15.0% in 2026) and real GDP growth of 4.5% in 2027 (CSP estimate, which is the fastest in a decade) should restore household income and support demand for the company's products. Over our forecast horizon, we have a new revenue CAGR of 20.1% (vs 25.8% prior); we have moderated this to reflect a more measured pace of market-share gains, with the sector set to grow at a c.18.3% CAGR over the same period.

Despite our more conservative revenue CAGR stance, we have a new 12-month Target Price ("TP") of ***N506.97/share*** *(vs* ***N488.14/share*** *prior) and a BUY recommendation. Our new TP reflects 1) lower cost of capital following a moderation in the company's beta, 2) lower capex expectations beyond FY'28 following the company's asset ramp-up, and 3) rolling forward our valuation estimates by a year.*

Revenue growth should extend into FY'27

Q4 is typically the most active trading period for brewers, and GUINNESS is well positioned to benefit from this seasonal uplift. Over the first nine months of FY'26, the company continued its strong revenue growth, driven by price increases and volume growth, especially in Q3'26.

We attribute the volume growth to improved field-level execution and wider distribution reach, which continue to drive sales momentum. Against this backdrop, we expect GUINNESS to close FY'26 on a strong note, with revenue projected at N584.6billion, representing 24.1% YoY growth.

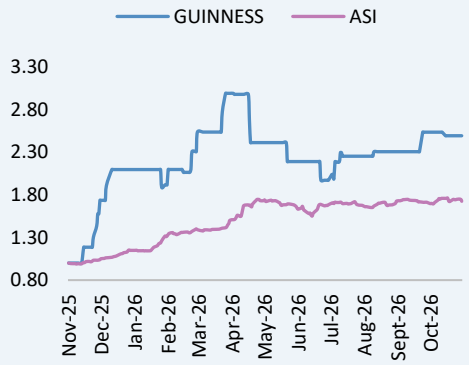
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Market Data	GUINNESS
Market Cap (N'bn)	911.20
Last close price (N)	416.00
52-week high-low price (N)	499.00/153.00
Avg 3M daily volume (mn)	0.22

1-year price performance (rebased)

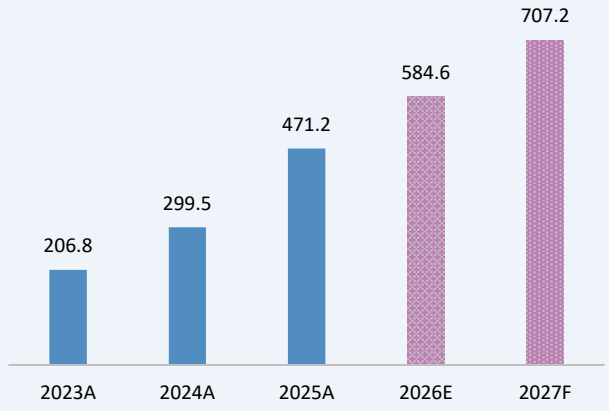


Source: Bloomberg, CardinalStone Research

In FY'27, we expect this growth momentum to persist, driven by an improved macroeconomic backdrop that should strengthen consumer wallets and continued expansion of distribution reach. As a result, we project revenue growth of 21.0% YoY to N707.2bn, which is conservative vs our previous expectation of N764.3bn.

We have also lowered our revenue CAGR over the forecast horizon, reflecting a more measured pace of market-share gains. Guinness outpaced Nigerian Breweries' revenue growth for two consecutive quarters (Q2'26: +19.9% vs +10.2%; Q3'26: +41.0% vs -3.0%), supported by wider distribution reach and improved field-level execution. Over the next five years, we expect Guinness's capacity expansion to support continued volume growth, but we expect rivals to respond to the market-share loss, which should drive increased competition. As a result, we now forecast a revenue CAGR of 20.1% (vs 25.8% previously). Our revenue CAGR sits above the c.18.3% sector CAGR which BMI (Fitch Solutions) expects over the same period, which corroborates our market share growth expectation.

Figure 1: Revenue expected to grow into FY'27 (N'billion)



Source: Company Financials, CardinalStone Research

Higher distribution spend offsets gross margin gains

We have raised our FY'26 gross margin estimates to 37.3% (from 36.5% in our prior forecast). On gross margins, we note that the moderation in cost of sales in Q3'26 relative to Q2'26 did not reflect a broad-based easing in raw material costs, as sorghum prices, a key input, surged 37.9% YTD, with a 26.8% MoM increase in September.

We believe inventory timing contributed to this reduction, as raw material inventories have risen for two consecutive quarters (N23.2bn, N27.1bn, N33.7bn), which is consistent with management's strategy of frontloading inventory ahead of the peak season as well as the price increase seen in Q3'26. Management also pointed to product mix and realisation as drivers for the QoQ cost decline.

Consequently, we expect cost of sales to rise in Q4'26, as we remain cautious on the sustainability of Q3'26 margins given international supply chain pressures.

Below the gross line, the story turns. Distribution and marketing costs ran at 15.6% of revenue in 9M'26, against the 13.5% we had assumed, with spend up 18.4% YoY. Management has been aggressive in expanding distribution reach and strengthening field-level execution, and we view the spend as a deliberate investment in market share. We therefore adjust our EBIT margins to 15.8% (vs. 17.6% in our prior estimate) to reflect this new reality.

For FY'27, we are cautious on costs, with the World Bank forecasting price increases in key raw materials, including grains. In addition, the planned increase in beer excise duty from N72.0/litre in 2026 to N76.0/litre in 2027 could raise the company's cost burden. However, we expect marginal price increases across its product portfolio to mostly offset these pressures, leaving gross margin stable at 37.3%. At the operating level, we expect EBIT margin to edge down to 15.6%, as distribution and marketing stay elevated.

Figure 2: Sorghum prices has risen 37.9% YtD

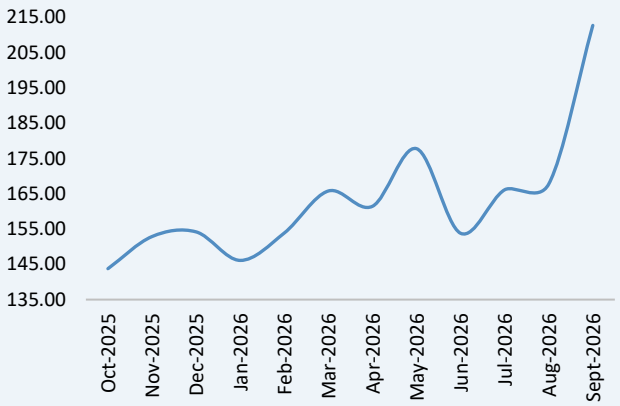
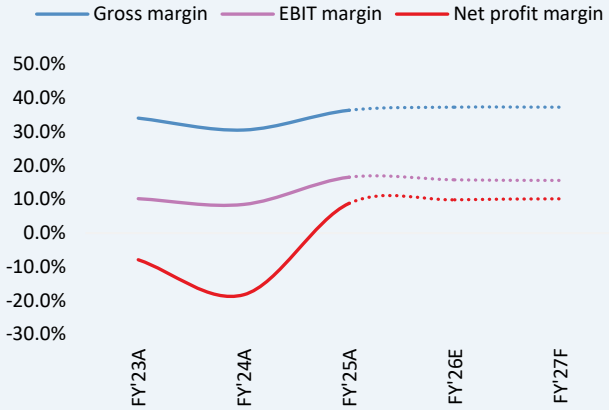


Figure 3: EBIT margins to slightly decline in FY'27



Source: Company Financials, FRED Data, Investing.com, CardinalStone Research

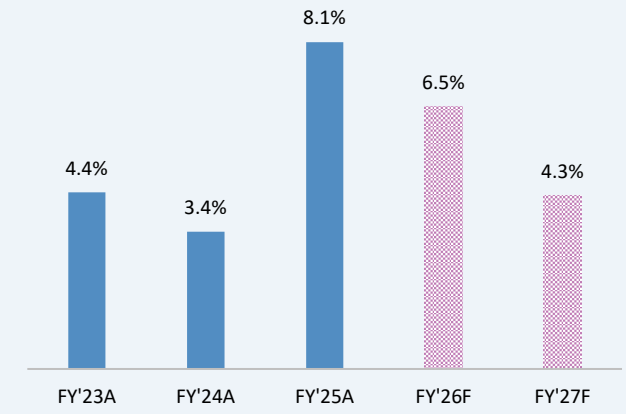
CAPEX to remain elevated in FY'27, albeit at a lower intensity

Capital expenditure has remained a notable cash flow drag for GUINNESS since Tolaram's takeover in FY'25, with investments largely directed towards capacity expansion and operational efficiency in its brownfield assets. For FY'26, we maintain our CAPEX intensity expectation at 6.5%, as management is expected to continue focusing on unlocking production potential and strengthening long-term operational resilience.

In FY'27, we expect CAPEX to moderate in absolute terms, although spending should remain elevated as management has indicated that investment activities will continue. The anticipated decline in CAPEX, alongside continued revenue growth, should further moderate CAPEX intensity, settling our expected CAPEX intensity at 4.3%.

While continued investment should unlock production efficiency and capacity enhancement, we now expect an average CAPEX intensity of 3.8% over our forecast horizon.

Figure 4: GUINNESS CAPEX intensity trajectory



Source: Company Financials, CardinalStone Research

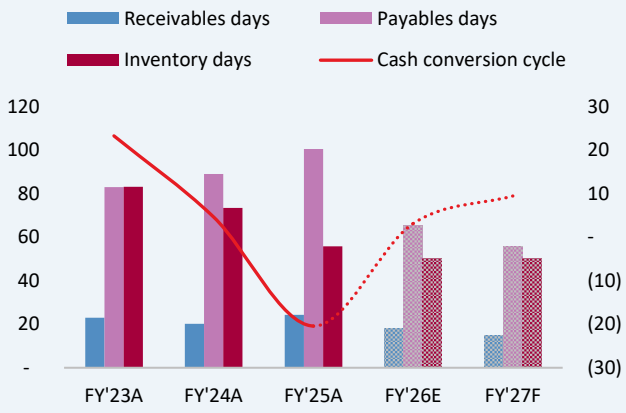
Increased payment in trade payables should pressure working capital

In our previous outlook, we expected GUINNESS to retain a favourable working capital position in FY'26, with the cash conversion cycle (CCC) moderating to -8 days, supported by continued supplier financing. However, we have changed our expectation following a significant decline in payable days, as management disclosed that the company had settled a portion of Diageo's outstanding payables. With some balances still outstanding and management indicating plans to settle the remainder, we now expect further working capital pressure in Q4'26.

Consequently, we have revised our FY'26 payable days assumption to 65 days (vs 85 days previously estimated). This, along with improved receivables days of 18 days (vs 22 days previously estimated) and inventory days of 50 days (vs 55 days previously estimated), translates to a positive CCC of 3 days (vs -20 days in FY'25). This change is also expected to weigh on operating cash flow.

In FY'27, we expect the CCC to increase to 9 days, mostly driven by lower payable days (56 days) as outstanding supplier balances from Diageo are settled. We forecast inventory days to remain steady at 50 as the company loads up on raw materials amid global supply chain disruption. Receivables days should moderate slightly to 15 days.

Figure 5: Cash conversion cycle should increase in FY'27



Source: Company Financials, CardinalStone Research

Borrowing to rise as cash flow pressures persist

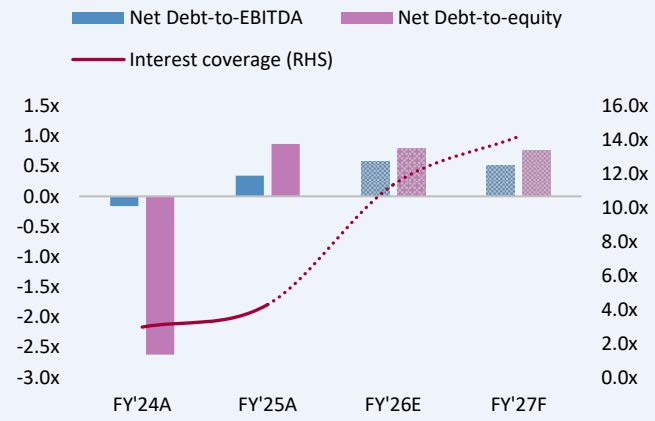
At the start of FY'26, GUINNESS continued its deleveraging strategy, recording net debt repayments of c.N19.6bn in H1'26. However, the pace of deleveraging appears to have slowed considerably in Q3'26. During the quarter, the company raised additional borrowings of N13.5bn while repaying just N945.0m, a notable moderation from the N51.1bn and N38.2bn repayments recorded in Q1'26 and Q2'26, respectively.

We attribute the rising debt requirements to increased cash demands from capital expenditure, dividend distributions and working capital obligations. In particular, the company's ongoing CAPEX spend, alongside the expected payment of a N7.00 interim dividend for Q3'26, continues to sustain pressure on cash balances. Additionally, we noted an increase in the company's overdraft to N2.8bn in 9M'26, from N523.5m in FY'25.

For the rest of FY'26, we expect the company to rely more on short-term borrowings to bridge its funding requirements, as the payment of its Q3'26 interim dividend of N7.00 per share, continued capex and working capital outflows should outweigh operating cash inflows. Nevertheless, we do not anticipate a significant deterioration in its leverage ratios.

Overall, we project total debt to close at N55.0 billion in FY26 (vs N43.9 billion in FY25), before rising to N64.3 billion in FY27. Despite higher borrowings, leverage should remain comfortable, with net debt/EBITDA, net debt/equity, and interest coverage projected at 0.5x, 0.8x, and 11.3x in FY'26, and 0.4x, 0.8x, and 14.2x in FY'27.

Figure 6: Leverage ratio to remain comfortable into FY'27



Source: Company Financials, CardinalStone Research

Valuation

Following model adjustments, we have revised our 12-month TP on GUINNESS to N506.97 (vs N488.14 previously) and maintained our BUY recommendation. We derived this TP from a blend of DCF (50.0%) and relative valuation approaches (50.0%). Our DCF-based target price is N541.20, while our relative valuation reflects mixed movements in the peer benchmark. Specifically, the median MEA peer EV/EBITDA multiple has dropped from 9.6x to 7.3x, and the median P/E has risen from 13.5x to 17.0x. These changes, along with our adjusted forecast EBITDA and EPS, yielded a target price of N407.30 for the EV/EBITDA approach and N538.20 for the P/E approach.

Our 12-month TP implies a conservative exit P/E of 16.0x, compared to a forward mean P/E of 17.0x for select MEA peers. Our exit PE also reflects its strong earnings growth momentum. Notably, the company's annualised 9M'26 ROE of 100.6% is materially higher than peers' 35.8%— further supporting our positive outlook.

Figure 7: Summary of financials

Income Statement (Nm)	18M'25A	FY'26E	FY'27F	FY'28F
Revenue	**730,808**	**584,647**	**707,216**	**834,645**
COGS	(500,326)	(366,573)	(443,424)	(514,976)
Gross profit	**230,482**	**218,073**	**263,791**	**319,669**
Other Income	284	994	1,414	1,669
OPEX	(141,497)	(126,868)	(154,880)	(181,118)
EBIT	**89,269**	**92,199**	**110,326**	**140,220**
Net Interest	(20,877)	(4,923)	(4,810)	(9,301)
PBT	**68,392**	**87,275**	**105,516**	**130,920**
Tax	(27,229)	(29,674)	(33,765)	(41,894)
PAT	**41,163**	**57,602**	**71,751**	**89,025**
EPS	18.79	26.30	32.76	40.64
DPS (NGN)	**0.00**	**23.00**	**29.15**	**32.51**
Payout ratio	0.0%	87.5%	89.0%	80.0%
Shares outstanding (million)	2,190	2,190	2,190	2,190

Cash Flow Statement (Nm)	18M'25A	FY'26E	FY'27F	FY'28F
Cash flow from operating activities	**33,618**	**64,581**	**94,280**	**132,716**
o/w Depreciation & amortization	19,572	19,919	22,889	22,920
o/w Changes in working capital	(24,559)	(19,671)	(7,668)	12,349
Cash flow from investing activities	**(47,047)**	**(36,608)**	**(29,943)**	**(24,059)**
o/w Capital expenditure	(47,766)	(38,002)	(30,410)	(25,039)
as % of sales	6.5%	6.5%	4.3%	3.0%
Cash flow from financing activities	**(23,037)**	**(45,059)**	**(62,217)**	**(89,959)**
o/w Dividends paid	(1,035)	(35,046)	(63,226)	(69,380)
o/w Debt issued/(repaid)	2,354	(1,888)	8,785	(11,179)
Net change in cash	**(36,466)**	**(17,086)**	**2,120**	**18,697**
Cash & cash equivalents at beginning of year (incl FX diff)	43,435	6,969	2,359	5,000
Cash & cash equivalents at end of the year (including overdraft)	**6,969**	**2,359**	**5,000**	**10,176**

Balance Sheet (Nm)	18M'25A	FY'26E	FY'27F	FY'28F
Cash and cash equivalents	6,969	2,359	5,000	10,176
Accounts receivable	38,351	35,079	35,361	33,386
Inventories	45,820	50,587	61,193	61,797
Other current assets	20,788	22,149	23,656	23,844
Current assets	**111,928**	**110,175**	**125,210**	**129,203**
PP&E	126,771	144,854	152,375	154,494
Other non-current assets	6,478	6,478	6,478	6,478
Non-current assets	**133,249**	**151,332**	**158,853**	**160,972**
Total assets	**245,177**	**261,506**	**284,063**	**290,175**
Short-term borrowings	37,363	48,256	56,714	33,691
Payables	145,115	128,301	133,027	144,193
Other short-term liabilities	8,231	8,231	8,231	8,231
Current liabilities	**190,709**	**184,788**	**197,972**	**186,115**
Deferred tax liabilities	1,647	1,647	1,647	1,647
Other long-term liabilities	9,496	9,192	10,040	8,363
Non-current liabilities	**11,143**	**10,839**	**11,687**	**10,010**
Total liabilities	**201,853**	**195,627**	**209,659**	**196,126**
Shareholders' equity	43,324	65,880	74,404	94,050
Total liabilities & equity	**245,177**	**261,506**	**284,063**	**290,175**
BVPS	**19.78**	**30.08**	**33.97**	**42.94**
Net debt/(cash)	37,473	52,671	59,336	29,460

Ratio Analysis	18M'25A	FY'26E	FY'27F	FY'28F
Gross Margin	31.5%	37.3%	37.3%	38.3%
EBITDA Margin	14.9%	19.2%	18.8%	19.5%
EBIT Margin	12.2%	15.8%	15.6%	16.8%
Net Profit Margin	5.6%	9.9%	10.1%	10.7%
ROE	95.0%	87.4%	96.4%	94.7%
ROA	16.8%	22.0%	25.3%	30.7%
ROIC	119.4%	113.9%	116.6%	240.6%
ROCE	95.7%	75.1%	83.3%	85.6%
OPEX/Sales	19.4%	21.7%	21.9%	21.7%
Net debt/Equity (x)	0.9	0.8	0.8	0.3
Net debt/EBITDA (x)	0.3	0.5	0.4	0.2
Sales/Assets (x)	3.0	2.2	2.5	2.9
Assets/Equity (x)	5.7	4.0	3.8	3.1
Interest cover (x)	4.3	11.3	14.2	14.9
Tax Rate	39.8%	34.0%	32.0%	32.0%
Revenue YoY growth	144.0%	-20.0%	21.0%	18.0%
EPS YoY growth	NM	39.9%	24.6%	24.1%

Valuation	18M'25A	FY'26E	FY'27F	FY'28F
P/E (x)	27.0	19.3	15.5	12.5
EV/EBITDA (x)	8.7	8.6	7.3	5.8
Dividend Yield	0.0%	5.5%	7.0%	7.8%

Source: Company Financials; CardinalStone Research

Fiscal year ends in June for FY'23 and FY'24. 18M'25E indicates the change in accounting year-end. FY'26 fiscal year ends in December.
18M'25 = June 2024 to December 2025

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GUINNESS NIGERIA PLC	a, v

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