

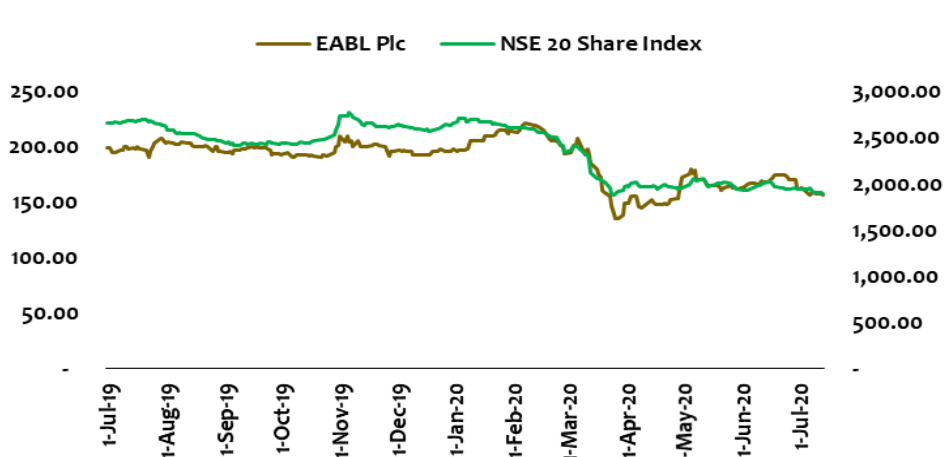
# KINGDOM SECURITIES

## EABL Plc Company Report FY - 2020

We value EABL at KES 182.82, which is an upside of 16.8% to the current price of KES 156.50 seen on 15<sup>th</sup> July 2020. On May 15<sup>th</sup>, the beer company issued a cautionary statement with an expectation of net profits declining by more than 25% despite a lower corporate tax rate of 25%. This was attributed to the effect of COvid-19 pandemic which led to lockdown and curfews forcing shutdown of most retail spaces. We project profits after tax to decline by 26.2% on reduced sales and increased warehousing, distribution and marketing costs.

- Revenue growth to ease by 3.0% on driven by a poor performance in H2-2020 after a 10.3% sales growth in H1-2020.
- Full year Profits after tax to fall by 26.2%
- Market trend to continue to be influenced by dynamic change in consumer taste affected by economic, regulatory and trends has necessitated the company to remain innovative on their drink offers.
- Gross profits will take a hit from high cost of materials and warehousing as market product slows.
- With no heavy capex expected, in 2020, asset growth will slow to <10% with a group commitment of KES 7.40Bn as at end of 2019.
- In spite of a decline in revenues, we project a final dividend of KES 3.00 of a total dividend of KES 6.00.
- Cashflow from operation will dip due to lower PBT but will benefit from heavy depreciation and amortization plus lower finance cost.

EABL Plc Price vs NSE 20 Share Index



Bloomberg Ticker:	EABL KN
Reuters Ticker:	EABL.NR
<b>Company Statistics</b>	

Recommendation	<b>BUY</b>
Current Price	156.50
Valuation Price	182.82
Upside/(Downside)	16.8%
No of Shares ('000)	790,774
Market Cap (Bn)	123.76
Free Float	25.0%
EPS (LTM)	11.23
PE (LTM)	13.9x
Forward P/E	18.9x
P/B (LTM)	7.7x
P/B (NTM)	7.9x
Dividend Yield	5.43%
EV/EBITDA (NTM)	8.1x

**East African Breweries Limited (EABL)**, established in 1922, is East Africa's leading branded alcohol beverage business with an outstanding collection of brands that range from beer, spirits and adult non-alcoholic drinks

Key Subsidiaries	Country	Holding
Kenya Breweries Ltd	Kenya	100.0%
Serengeti Breweries Ltd	Tanzania	72.5%
Uganda Breweries Ltd	Uganda	98.0%
UDV (Kenya) Limited	Kenya	46.0%
EABL International Limited	Kenya	100.0%
East African Maltings (Kenya) Limited	Kenya	100.0%
East African Maltings (Uganda) Limited	Uganda	100.0%

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- We project a negative full year revenue growth of 3.0% driven by a poor performance in H2-2020 after a 10.3% sales growth in H1-2020.
- The poor performance will be dragged into H1-2021 with recovery expected in Q4-2021. Our growth trajectory is based on the current pandemic environment that has left to a stagnating economy, political and social-economic environment across East Africa, we expect three East Africa elections in three years, which will impact the business.
- Dynamic change in consumer taste affected by economic, regulatory and trends has necessitated the company to remain innovative on their drink offers. Innovation has seen a 40% improved penetration on bottled beers and 20% in spirits.
- Development of premium drinks and main spirits – categorization of products has ensured client targeting to safeguard premium pricing. This ensures maximum revenue generated per litre.
- While the group’s spirit segment remains young in the region, change in trend and taste has seen an overall 5-year average growth of 15.0%, its growth levels will average 10% for the next three years driven by reserve and main spirit lines. Upgrading of the Kenya and Uganda has created efficiency which will benefit the company on tax management and costs.

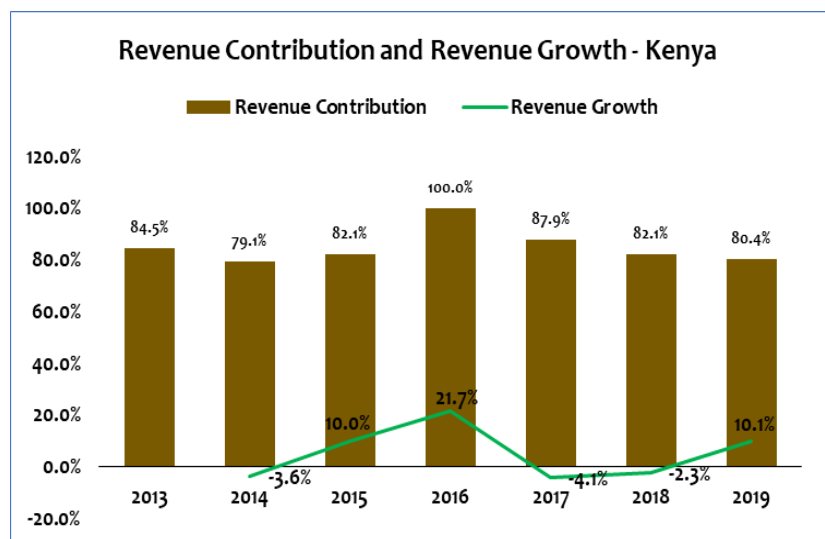
## The strength of the group comes from

- Regional Reach – a reliable distribution network that delivers products within the shortest time. Brewer has reduced days of sales outstanding to 20 days from a 5-year average of 27 days.
- Raw Material Source – EABL continues to partner with over 62,000 farmers to ensure quality of raw material in line with its product strategy.
- Development of high yield seed that is distributed to farmers. This ensures that the brewer have high quality standard harvest for production. With undetermined weather condition and disease patterns, the brewer has produced drought and disease resistance crop that ensures continuous supply of raw material.
- Innovation – with over 38 brands, the company has invested heavily in innovation creating product portfolio that are gender focused, differentiate consumer economic levels and able to serve different client base traversing generations. The company has designed products that.

## Regional Market

**Kenya:** With a market share of >70%, Kenyan market contributes >80% of total revenues.

- Regulation and change in customer taste has seen a shift in market pattern. Regulation has left Senator Keg, which serves bottom of the pyramid clients, as the fastest growing category.
- Bottled beer has seen a growth stall to 1%-3% with taste shifting to reserve and mainstream spirits.
- We expect a two-year period of political charged environment which can lead to a depressed economy as Kenya heads to general election in 2022. We anticipate the election fever to kick-in in Q3-2020 as



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Building Bridges Initiative (BBI) and politicians proposing on having referendum in 2021.

- Compiled with the devastation caused by pandemic, we project revenues growth to ease to 4.5% highly affected by H2 performance which missed four key holiday events that could have impacted on sales.

## Kenya Market Challenges

- Kenyan market remains a heavily taxed market for alcohol players. Business Laws Amendment Act, 2020 - Introduction of

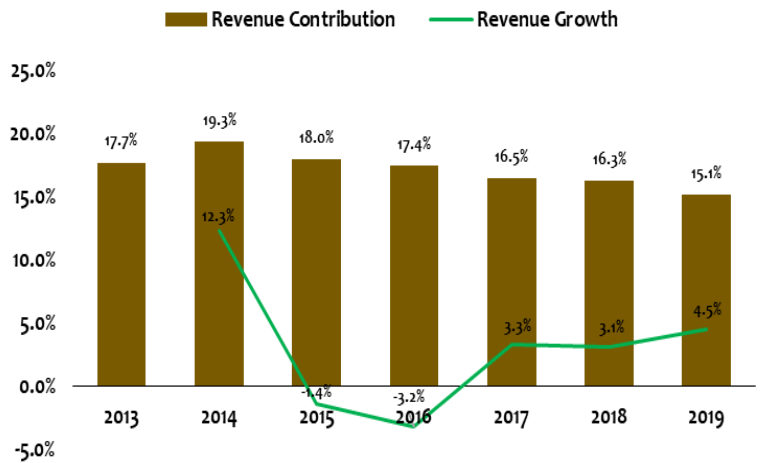
excise duty on selected imported glass bottles at the rate of 25% -Effective date: 18 March 2020. This is set to increase cost prices of premium spirits which are imported.

- Inflation tax adjustment on - excise duty on alcohol is set to be adjusted up by 5.5%. this is set to push price of alcoholic drinks up by KES 5.00 to KES 14.00.
- Weather remains a great threat. With the country having an erratic weather pattern, probability of drought will affect availability of raw materials leading to higher cost. Available consumer income especially for the low-income earners will get a hit affecting sales.

**Uganda:** The Uganda Breweries Limited (UBL) has a production capacity of 1Mn hectoliters per year. This is set to increase by an additional 50% with ongoing expansion of brewer house.

- Competition remains high from both formal and informal sector with illicit brew controlling c.40% of alcohol market share.
- With a lower market share, the subsidiary remains a market follower. They have countered this by repositioning of products has seen a shift of preference to premium and mainstream beer which are projected to grow by >10% in the next three years.
- Contribution to overall revenues dipped to 15.1% on the ban on sachet sales. With the modernization and upgrading of the spirits line, sales are set to recover after the market adjust from the ban of sachet packaging.

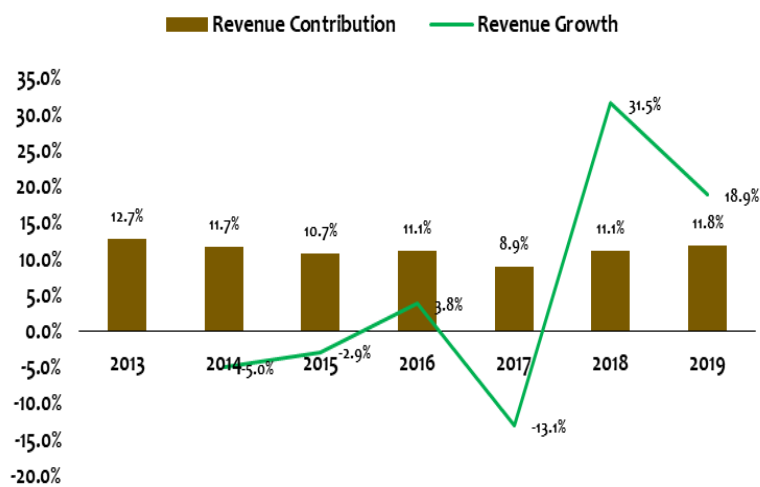
Revenue Contribution and Revenue Growth - Uganda



**Tanzania:** Serengeti Breweries Limited (SBL) remains number two with a market share of 15% in volumes and a market share of 28% including the wider EABL portfolio. Overall capacity stands at 1.8Mn HL with 1.5Mn HL operational.

- With the increase in EABL holding in SBL to 74.5% will deepen in roots enabling it to compete for additional market share. The subsidiary has seen its sales grow by a three-year average of 12.4% with contribution to group revenues at 13%.
- We project growth across the local and group portfolio to continue in the double-digit region driven by innovation, aggressive marketing and improved distribution network.
- Spirit market remains in its infant. Coupled with Culture change will continue to see growth in Premium and Mainstream spirits grow at a rapid pace.
- Apart from the effects of Covid-19 pandemic, overall sales will be affected by the upcoming elections in October – 2020.

Revenue Contribution and Revenue Growth - Tanzania



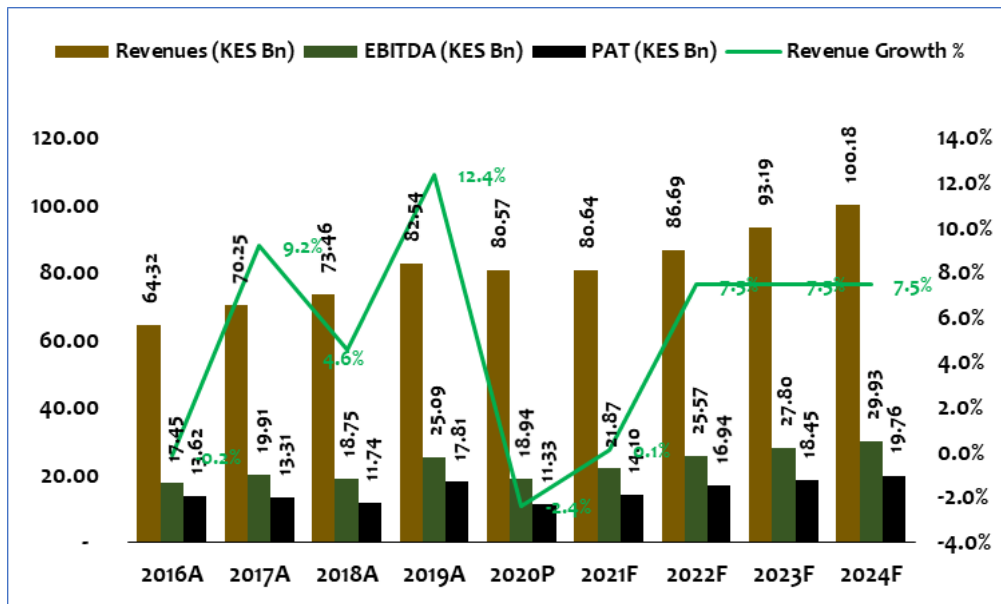
# KINGDOM SECURITIES

## Performance and Forecast

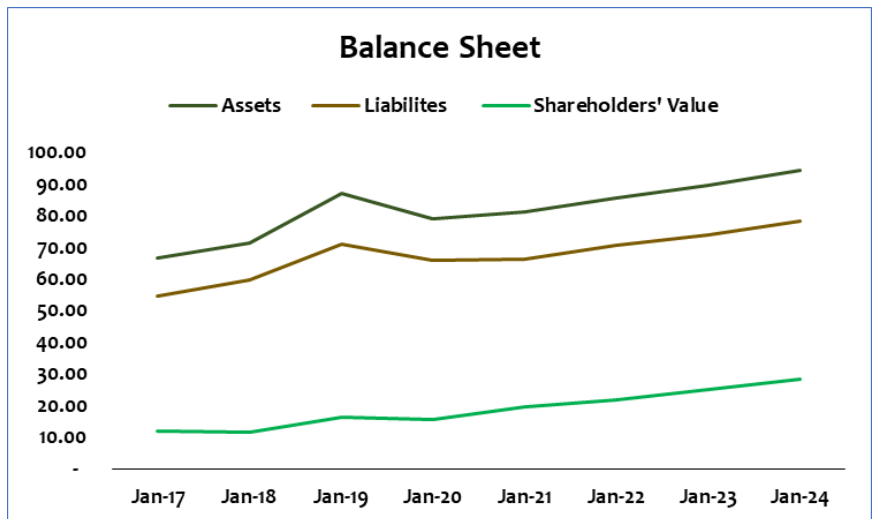
**Profit and Loss:** The beer manufacturer has improved distribution channels enabling it grow volumes by a three-year average growth rate of 7.7% as of 2019. This, however, has come at a cost with selling and distribution cost averaging 6.8% over the same period.

- We project volume growth to slow down into an average of 3% in the next three years as recovery effect of the pandemic to affect the economy to 2020 while election effect to lag the growth into 2022.

- Gross profits will take a hit from high cost of materials and warehousing as market product slows. We project gross profits to decline to 42% if FY-2020 against 46.2% in FY-2019. This will recover in 2022 as production normalizes.
- With the current business environment, we project the Sales and distribution cost to revenues to increase to 10.0% compared to 8.7% in FY-19. The ratio to revenues will ease towards long-term average of 8.7%.



- **Balance sheet:** In 2019, total assets increased by 15.6% on heavy capital expenditure totaling KES 11.77Bn (2018 – 13.03Bn). this included KES 2.1Bn in the upgrading of the spirits line Uganda plus and KES 8.16Bn investment in Kisumu production plant. With no heavy capex expected, in 2020, asset growth will slow to <10% with a group commitment of KES 7.40Bn as at end of 2019.
- The Capital Markets Authority (CMA) has exempted the Group from maintaining a current ratio of 1.0 until end of 2020. To improve on the ration in the future, the company will need to reduce on their trade payables, which form >90% of current liabilities, thus reducing days to payables from the current 233 days to 200 days in the long run.
- To manage on the borrowing, the brewer intends to maintain a debt to EBITDA of 1x -1.25x. The rate viable



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after redemption of the initial tranche of KES 5.0Bn on KES 11Bn mid-term-note that matured in March 2020. Maturing of the second tranche is set for March 2022. Mid-Term-Loan by two leading banks worth KES 10.0Bn in set to mature in 2023.

- Shareholders value will face a slight downward glitch on reduced retained earnings and proposed dividends. This is set to recover in 2021.
- Cashflow:** Cashflow from operation will dip due to lower PBT but will benefit from heavy depreciation and amortization plus lower finance cost.

## Profit and Loss

### Income Statement

KES '000	Jun-17A	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F	Jun-23F	Jun-24F
<b>Revenue income</b>	<b>70,247,065</b>	<b>73,456,832</b>	<b>82,543,241</b>	<b>80,569,494</b>	<b>80,642,080</b>	<b>86,690,235</b>	<b>93,192,003</b>	<b>100,181,403</b>
Gross sales	124,066,748	135,037,775	149,660,062	145,170,260	146,621,963	157,618,610	169,440,006	182,148,006
<b>Cost of sales</b>	<b>39,116,742</b>	<b>41,052,409</b>	<b>44,426,104</b>	<b>46,972,265</b>	<b>45,504,848</b>	<b>47,401,833</b>	<b>50,815,495</b>	<b>54,616,370</b>
<b>Gross profit</b>	<b>31,130,323</b>	<b>32,404,423</b>	<b>38,117,137</b>	<b>33,597,230</b>	<b>35,137,231</b>	<b>39,288,403</b>	<b>42,376,509</b>	<b>45,565,034</b>
<b>Expenses</b>	(14,649,274)	(17,303,495)	(16,930,511)	(18,935,483)	(17,897,738)	(18,738,875)	(20,016,116)	(21,519,601)
Selling and distribution costs	(5,375,078)	(6,423,767)	(7,209,400)	(8,710,216)	(7,331,098)	(7,565,693)	(8,133,120)	(8,743,104)
Administrative expenses	(8,249,140)	(8,534,844)	(9,398,222)	(9,538,840)	(9,709,548)	(10,392,009)	(11,273,222)	(12,178,699)
Other (expenses)/income, net	1,587,707	1,166,289	1,583,327	1,590,900	1,403,433	1,349,960	1,637,184	1,797,333
Other expenses	(2,612,763)	(3,511,173)	(1,906,216)	(2,277,327)	(2,260,525)	(2,131,133)	(2,246,958)	(2,395,130)
<b>EBIT</b>	<b>16,481,049</b>	<b>15,100,928</b>	<b>21,186,626</b>	<b>14,661,747</b>	<b>17,239,493</b>	<b>20,549,528</b>	<b>22,360,392</b>	<b>24,045,433</b>
Finance income	81,686	81,949	120,601	46,296	42,271	46,553	24,664	10,855
Finance costs	(3,255,402)	(3,441,067)	(3,492,577)	(3,377,729)	(3,186,240)	(3,658,111)	(3,931,341)	(4,296,261)
<b>Profit before income tax</b>	<b>13,307,333</b>	<b>11,741,810</b>	<b>17,814,650</b>	<b>11,330,314</b>	<b>14,095,524</b>	<b>16,937,970</b>	<b>18,453,716</b>	<b>19,760,027</b>
Income tax expense	(4,792,765)	(4,486,255)	(6,299,520)	(2,832,578)	(3,523,881)	(5,081,391)	(5,536,115)	(5,928,008)
<b>Profit for the Year</b>	<b>8,514,568</b>	<b>7,255,555</b>	<b>11,515,130</b>	<b>8,497,735</b>	<b>10,571,643</b>	<b>11,856,579</b>	<b>12,917,601</b>	<b>13,832,019</b>
<b>Earnings per share</b>	<b>9.71</b>	<b>7.19</b>	<b>11.23</b>	<b>8.28</b>	<b>10.31</b>	<b>11.56</b>	<b>12.59</b>	<b>13.49</b>

Key Ratios	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24
Revenue Growth	9.2%	4.6%	12.4%	-2.4%	0.1%	7.5%	7.5%	7.5%
Gross Margins	44.3%	44.1%	46.2%	41.7%	43.6%	45.3%	45.5%	45.5%
EBITDA Margin	28.3%	25.5%	30.4%	23.5%	27.1%	29.5%	29.8%	29.9%
EBIT Margin	23.5%	20.6%	25.7%	18.2%	21.4%	23.7%	24.0%	24.0%
PBT Margin	18.9%	16.0%	21.6%	14.1%	17.5%	19.5%	19.8%	19.7%
PAT Margin	12.1%	9.9%	14.0%	10.5%	13.1%	13.7%	13.9%	13.8%
EPS	9.71	7.19	11.23	8.28	10.31	11.56	12.59	13.49
DPS	7.50	7.50	8.50	6.00	7.50	7.50	10.00	10.00
ROaE	74.5%	61.4%	97.4%	61.1%	66.6%	67.4%	62.3%	59.1%
ROaA	13.4%	11.3%	16.7%	10.7%	12.7%	14.8%	15.5%	15.8%
BVPS	15.16	14.73	20.43	19.71	24.81	27.64	31.56	35.60
Leverage	5.6X	5.8X	5.7X	5.2X	4.5X	4.0X	3.7X	3.5X
Debt to Asset	42.1%	43.6%	41.7%	38.9%	39.3%	42.7%	43.9%	45.6%
Debt to Equity	234.2%	266.6%	245.0%	200.0%	165.0%	170.0%	160.0%	155.0%
Debt/ Total Capital	70.1%	72.7%	69.2%	66.3%	61.9%	62.6%	61.2%	60.4%

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## Balance Sheet: Actual and Forecast

Balance Sheet								
KES '000	Jun-17A	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F	Jun-23F	Jun-24F
<b>Non-current assets</b>	<b>44,531,712</b>	<b>49,720,864</b>	<b>57,463,246</b>	<b>60,418,561</b>	<b>63,628,181</b>	<b>67,113,860</b>	<b>70,899,208</b>	<b>75,009,850</b>
Property, plant and equipment	37,317,446	45,363,844	53,037,811	56,070,446	59,360,855	62,930,949	66,804,501	71,007,305
Intangible assets – Goodwill	2,839,319	2,712,564	2,743,001	2,743,001	2,743,001	2,743,001	2,743,001	2,743,001
Intangible assets – Brand	9,928,000	7,946,481	8,222,994	7,954,535	7,230,672	7,772,973	8,355,945	8,982,641
Prepaid operating lease rentals	14,992	7,351	7,167	6,941	6,714	6,488	6,261	6,035
Other investments	22,134,600	21,525,962	29,602,381	18,588,189	17,468,244	18,482,545	18,628,229	19,227,254
Deferred income tax assets	3,304,578	726,114	580,761	580,761	580,761	580,761	580,761	580,761
<b>Current assets</b>	<b>22,134,600</b>	<b>21,525,962</b>	<b>29,602,381</b>	<b>18,588,189</b>	<b>17,468,244</b>	<b>18,482,545</b>	<b>18,628,229</b>	<b>19,227,254</b>
Inventories	7,473,094	7,882,606	7,368,012	7,078,012	6,856,895	7,142,742	7,657,129	8,229,864
Trade and other receivables	9,928,000	7,946,481	8,222,994	7,954,535	7,230,672	7,772,973	8,355,945	8,982,641
Current income tax	826,033	2,108,505	1,363,112	1,363,112	1,363,112	1,363,112	1,363,112	1,363,112
Cash and bank balances	3,907,473	3,588,370	12,468,585	2,012,851	1,837,887	2,024,040	1,072,365	471,959
<b>Total Assets</b>	<b>66,666,312</b>	<b>71,246,826</b>	<b>87,065,627</b>	<b>79,006,750</b>	<b>81,096,424</b>	<b>85,596,404</b>	<b>89,527,438</b>	<b>94,237,104</b>
<b>Current liabilities</b>	<b>21,983,714</b>	<b>25,783,768</b>	<b>33,659,381</b>	<b>28,991,993</b>	<b>28,095,476</b>	<b>27,960,475</b>	<b>28,534,828</b>	<b>29,133,049</b>
Trade and other payables	20,814,011	24,629,299	27,864,192	28,312,050	27,427,580	27,272,287	27,844,107	28,430,439
Dividends payable	487,109	562,611	590,623	590,623	590,623	590,623	590,623	590,623
Finance lease liabilities	93,228	-	-	-	-	-	-	-
Bank overdraft	589,366	401,245	-	-	-	-	-	-
<b>Non-current liabilities</b>	<b>32,694,428</b>	<b>33,811,022</b>	<b>37,251,495</b>	<b>36,753,620</b>	<b>37,921,445</b>	<b>42,619,859</b>	<b>45,349,629</b>	<b>48,986,940</b>
Deferred income tax liabilities	5,095,988	3,264,233	6,136,317	6,136,317	6,136,317	6,136,317	6,136,317	6,136,317
Borrowings	27,488,274	30,546,789	31,115,178	30,617,303	31,785,128	36,483,542	39,213,312	42,850,623
Finance lease liabilities	110,166	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>54,678,142</b>	<b>59,594,790</b>	<b>70,910,876</b>	<b>65,745,614</b>	<b>66,016,921</b>	<b>70,580,334</b>	<b>73,884,457</b>	<b>78,119,989</b>
Share capital	1,581,547	1,581,547	1,581,547	1,581,547	1,581,547	1,581,547	1,581,547	1,581,547
Share premium	1,691,151	1,691,151	1,691,151	1,691,151	1,691,151	1,691,151	1,691,151	1,691,151
Treasury shares reserve	-	(507,275)	(608,997)	(608,997)	(608,997)	(608,997)	(608,997)	(608,997)
Share based payment reserve	-	14,584	26,184	26,184	26,184	26,184	26,184	26,184
Translation reserve	(2,571,084)	(3,381,533)	(2,805,753)	(2,805,753)	(2,805,753)	(2,805,753)	(2,805,753)	(2,805,753)
Proposed dividends	4,349,259	4,349,259	4,744,646	2,541,284	4,531,245	4,483,453	5,096,963	5,625,703
Retained earnings	7,334,700	1,933,212	4,015,601	5,653,470	7,691,068	9,976,327	12,466,089	15,132,098
Non-controlling interests	(397,403)	5,971,091	7,510,372	7,510,372	7,510,372	7,510,372	7,510,372	7,510,372
<b>Total equity</b>	<b>11,988,170</b>	<b>11,652,036</b>	<b>16,154,751</b>	<b>15,589,258</b>	<b>19,616,817</b>	<b>21,854,284</b>	<b>24,957,556</b>	<b>28,152,305</b>

Cash Flow								
KES '000	Jun-17A	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F	Jun-23F	Jun-24F
Cash generated from operations	21,523,606	21,717,296	28,491,403	15,668,064	17,300,003	19,566,088	21,834,851	23,432,335
Net from operating activities	13,914,471	13,559,342	22,565,803	9,504,052	10,632,153	10,873,139	12,392,060	13,218,921
Net cash from investing	(4,662,501)	(10,492,133)	(11,546,214)	(7,229,696)	(7,840,063)	(8,502,123)	(9,220,263)	(9,999,240)
Net cash from financing	(991,541)	(3,493,143)	(1,723,653)	(12,730,089)	(2,967,056)	(2,184,863)	(4,123,473)	(3,820,086)
Net increase/(decrease) in cash and cash equivalents	8,260,429	(425,934)	9,295,936	(10,455,734)	(174,965)	186,154	(951,676)	(600,406)

# KINGDOM SECURITIES

## EABL Valuation

Our valuation comprised of three different methods. Discounted Cash Flow Method, relative valuation of on EV/EBIDTA and PE valuation.

Assumptions		
Risk Free Rate	11.9%	10-yr T-bond
Beta	0.74	Bloomberg
Market Risk	16.1%	Damodaran: April 2020
Cost of Equity	23.8%	Based on CAPM
Tax	25.0%	Corporate Tax
E/Capital	27.3%	
Cost of Funds	11.5%	
Cost of Debt	8.6%	
Terminal Growth Rate	5.0%	
WACC	12.8%	
Number of Days in a Year	365	
Valuation Date	15-Jul-20	
Current Price (15/07/2020)	156.50	
Number of Shares	790,774.36	

- Our valuation is KES 182.82, a 16.8% upside compared to KES 156.50 on close of Wednesday July 15<sup>th</sup>, 2020.
- Our forecast period covers five years. This will traverse three phase time series, Covid-19 Period, Pre-General Election and Post General elections.
- Ten-year bond was used for risk free rate due to stability of the period.
- Market Risk factors in volatile economic environment posed by the Covid-19 Pandemic.
- Terminal Growth rate used is long term projected GDP growth Rate.
- We consider a higher weighting (40%) on DCF Method as its inputs are more internal. EV/EBITDA and PE use external variables. Our forecast on EV/EBITDA and PE is 8.1x and 18.9x compared to comparable means of 7.2x and 20.2x respectively.

DCF Method	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24
CFO	13,559,342	22,565,803	9,504,052	10,632,153	10,873,139	12,392,060	13,218,921
Add Interest (1-Tax)	2,580,800	2,619,433	2,533,296	2,389,680	2,743,583	2,948,506	3,222,196
Less Net Investment	(13,031,361)	(11,768,578)	(7,229,696)	(7,840,063)	(8,502,123)	(9,220,263)	(9,999,240)
<b>FCFF</b>	<b>29,171,503</b>	<b>36,953,814</b>	<b>19,267,045</b>	<b>20,861,896</b>	<b>22,118,845</b>	<b>24,560,829</b>	<b>26,440,357</b>
Terminal FCFF							130,885,452
Time			(0.04)	0.95	1.93	2.92	3.90
PVIF			1.01	0.89	0.78	0.69	0.61
PV		181,678,106	19,362,420	18,622,132	17,537,560	17,297,399	16,540,027
<b>Intrinsic Per Share Value</b>	<b>229.75</b>						<b>92,318,567</b>
<b>Upside/Downside</b>	<b>46.8%</b>						

Enterprise Value/EBITDA	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24
<b>EBITDA</b>	<b>18,746,408</b>	<b>25,093,957</b>	<b>18,936,128</b>	<b>21,869,936</b>	<b>25,565,972</b>	<b>27,795,307</b>	<b>29,934,032</b>
Enterprise Value							
Market Capitalization	123,756,187	123,756,187	123,756,187	123,756,187	123,756,187	123,756,187	123,756,187
Add Debt	31,066,701	36,319,744	30,706,624	31,862,401	36,581,107	39,313,410	42,962,610
Less Cash and Cash Equivalents	3,588,370	12,468,585	2,012,851	1,837,887	2,024,040	1,072,365	471,959
<b>Enterprise Value</b>	<b>151,234,518</b>	<b>147,607,346</b>	<b>152,449,959</b>	<b>153,780,701</b>	<b>158,313,253</b>	<b>161,997,232</b>	<b>166,246,838</b>
<b>EV/EBITDA</b>	<b>8.1x</b>	<b>5.9x</b>	<b>8.1x</b>	<b>7.0x</b>	<b>6.2x</b>	<b>5.8x</b>	<b>5.6x</b>
SAA Industry Median			7.2x				
Enterprise Value			136,150,763				
Add Cash			2,012,851				
Less Debt			(30,706,624)				
Equity Value			107,456,991				
<b>EV/Share</b>			<b>135.89</b>				
<b>Upside/Downside</b>			<b>-13.2%</b>				

# KINGDOM SECURITIES

Relative Valuation	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24
EPS	7.19	11.23	8.28	10.31	11.56	12.59	13.49
SAA PE Industry Median			20.18				
Intrinsic Value Per Share			167.19				
<b>Upside/Downside</b>			<b>6.8%</b>				

Valuation Model	Intrinsic Per Share Value	Contribution	Average Valuation
FCFF	229.75	40%	<b>91.90</b>
Relative PE	167.19	30%	<b>50.16</b>
EV/EBIDTA	135.89	30%	<b>40.77</b>
<b>Per Share Valuation</b>			<b>176.13</b>
<b>Upside/Downside</b>			<b>16.8%</b>

## Comparable Peer Companies

Name	Cntry	Debt/EBITDA	ROE	P/B	P/E	EV/EBITDA T12M	ROA	Finl Lev	Beta	Debt/Assets
Bralirwa Sa	Rwanda	1.8	19.4	3.9	21.3	6.5	5.5	3.5	1.0	41.9
Cervejas De Mozambique	Mozambique	0.9	9.1	1.2	18.5	5.3	4.9	1.9	1.0	12.4
Champion Breweries Plc	Nigeria	-	2.4	0.9	47.5	5.8	1.8	1.4	0.5	-
Golden Guinea Breweries Plc	Nigeria		(10.4)	0.1			(6.1)	1.7	0.3	-
Guinness Ghana Breweries	Ghana	1.4	6.1	2.2	36.9	7.2	3.0	2.1	0.4	23.2
Guinness Nigeria Plc	Nigeria	1.2	3.0	1.2	19.1	6.3	1.6	1.9	0.6	13.1
International Breweries	Nigeria		(30.1)	9		34.7	(8.6)	4.2	0.6	29.9
Namibia Breweries Ltd	Namibia	0.7	51.7	5.1	10.7	12.5	30.0	1.6	1.0	17.9
National Breweries Plc	Zambia		(35.3)	7.5			(11.0)	3.2	0.4	28.0
Nigerian Breweries Plc	Nigeria	1.5	7.8	2.8	29.4	7.7	3.3	2.4	1.0	22.8
Phoenix Beverages Ltd	Mauritius		17.4	2.2	15.1	9.7	8.9	2.0	0.5	
Sechaba Breweries Holdings L	Botswana	-	29.5	3.9	13.3	12.3	27.9	1.1	0.4	-
Soc De Limonaderies Et Brass	Ivory Coast	4.0	1.3	0.9	70.6	6.9	0.5	2.6	1.0	44.6
Tanzania Breweries Ltd	Tanzania		26.0	5.8	22.4	11.9	15.0	1.6	1.0	0.7
Zambian Breweries	Zambia	0.0	132.7	5.4	2.8	1.0	36.4	3.6	1.8	0.0
<b>Median</b>		<b>1.0</b>	<b>7.8</b>	<b>2.8</b>	<b>20.2</b>	<b>7.2</b>	<b>3.3</b>	<b>2.0</b>	<b>0.6</b>	<b>15.5</b>



# KINGDOM SECURITIES

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- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of -5% to +5%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

\*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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