



INTERNATIONAL BREWERIES PLC

Loss outlook lowered on margin uptick.

In its recently released 9M'21 earnings results, International Breweries PLC reported a ₦128.4 billion topline figure (34% higher y/y) and a Loss after Tax of ₦13.5 billion. In Q3, Revenue grew 32% y/y, driven by a mix of volume and price increases. We note that volumes improved on the back of expanded market share and reviving consumer demand, especially as consumers gradually revert to a more normal social life. For the FY'21 period, we expect Revenue to come in at ₦176.7 billion. Our outlook is driven by the company's outperformance of our 9M Revenue expectation, an estimated increase in capacity utilization as well as the demand boost typical in the Q4 period.

Favourable pricing lifts margins 6% y/y

Despite the expected impact of inflated importation costs on margins, the company's gross margin maintained an upward trend in the quarter (+10ppts y/y to 27%) – lifted by price increases, elevating 9M'21 gross margin 6ppts y/y to 22%, with gross profit printing at ₦28.0 billion for the period. However, EBITDA margin remained unchanged y/y at 8%, owing to a 24% jump in OPEX, as well as an ₦11.2 billion FX loss charge recognized in Q2'21. With this, the company's Loss Before Interest and Tax (LBIT) was flat y/y at ₦15.9 billion. Excluding possible FX losses, we see a potential return to profitability in the near term, especially as margins improve with the implementation of stronger pricing. Furthermore, the company's focus on its premium segment, influences our FY'21 gross margin outlook of 22%. Also, we expect the growth in margin to outsize OPEX and thus expect LBIT to decline 31% y/y to ₦16.0 billion.

LAT revised downwards, TP: ₦6.68

In spite of a 40% reduction in International Breweries' finance costs to ₦1.9 billion (9M'20: ₦3.2 billion), net finance costs only moderated 29% to ₦1.3 billion (9M'20: ₦1.8 billion). Nonetheless, Loss Before Tax declined 3% to ₦17.2 billion. Accounting for a 4% decline in tax credits, Loss After tax grew 21% y/y to ₦13.2 billion. Overall, we expect net finance costs to maintain current trend and revise our LAT estimate downwards to ₦13.1 billion, driven by margin growth. Also, we project a target price of ₦6.68 per share and rate the stock a BUY.

Income Statement (₦ Millions)	9M'21	9M'20	y/y Change	Vetiva Estimate	Variance
Revenue	128,396	95,768	34%	124,116	3%
Gross Profit	27,990	15,495	81%	21,963	27%
Operating Expenses	(32,301)	(26,028)	24%	(31,443)	3%
EBIT	-15,859	-15,893	0%	(20,606)	-23%
Net Finance Expense	(1,298)	(1,827)	-29%	(2,205)	-41%
Profit Before Taxation	-17,157	-17,720	-3%	-22,811	-25%
Profit After Tax	-13,168	-10,877	21%	-15,135	-13%
Gross Margin	22%	16%		18%	
OPEX to Sales	-25%	-27%		-25%	
EBIT Margin	-12%	-17%		-17%	
PAT Margin	-10%	-11%		-12%	

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Please Read: Important disclosures and analyst's certification appear in Appendix

Equity Research

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BUY

Target price **₦6.68**

Company Statistics

Price (₦)	5.10
Market Cap (₦'bil)	139,683
Net Debt (₦'bil)	37,508
Shares Outstanding (Mil):	26,862
NGX	INTBREW
Bloomberg	INTBREW.NL
Reuters	INTBREW.LG

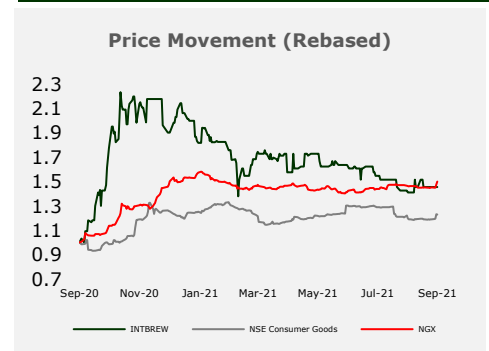
Ownership Structure

Newco Investment Company	75.36%
Michael Onochie Ajukwu	13.98%
Others	10.64%

Share Price Performance

30 days	9.38%
YTD	-16.27%
365 days	8.25%

Price Movement (Rebased)



Source: NSE, Vetiva Research



Income Statement	2019A	2020A	2021E	2022F	2023F
Turnover	132,352	136,791	176,660	198,296	223,123
Cost of Sales	107,144	106,316	137,187	145,239	158,050
Gross Profit	25,207	30,475	39,472	53,057	65,073
EBITDA	9,402	8,003	20,325	34,538	42,673
Depreciation	30,387	31,199	36,369	29,977	30,063
Operating Profit	(20,985)	(23,196)	(16,044)	4,561	12,610
Other income	(663)	2,708	(11,138)	0	0
EBIT	(20,985)	(23,196)	(16,044)	4,561	12,610
Interest Expense	15,184	3,179	2,543	4,838	4,643
Interest Income	2	1,502	1,125	1,234	1,264
PBT	(36,167)	(24,873)	(17,461)	958	9,232
Taxation	8,376	12,508	4,365	(314)	(3,327)
PAT	(27,791)	(12,365)	(13,096)	644	5,905

2019A	2020A	2021E	2022F	2023F
323	334	431	484	544
261	259	335	354	385
61	74	96	129	159
23	20	50	84	104
74	76	89	73	73
(51)	(57)	(39)	11	31
(2)	7	(27)	0	0
(51)	(57)	(39)	11	31
37	8	6	12	11
0	4	3	3	3
(88)	(61)	(43)	2	23
20	31	11	(1)	(8)
(68)	(30)	(32)	2	14

Balance Sheet	2019A	2020A	2021E	2022F	2023F
Property, plant & equipment	271,160	253,685	241,668	241,059	244,063
Intangible Assets	364	771	618	496	398
Right of Use Assets	2,328	2,634	3,214	3,905	4,606
Stocks	21,976	14,193	27,878	26,231	27,254
Trade and other debtors	27,803	15,790	32,914	33,794	35,055
Cash and bank balances	31,806	50,808	61,722	61,720	64,675
Total Assets	365,147	372,646	402,780	401,971	410,817
Creditors and Accruals	31,485	101,608	145,191	170,852	196,288
Bank Overdrafts	0	0	0	0	0
Borrowings	113,882	110,667	37,667	42,667	47,667
Long term loan	0	0	0	0	0
Total liabilities	204,106	217,922	185,818	217,032	247,639
Net Assets	7,464	151,734	138,638	139,282	145,187

2019A	2020A	2021E	2022F	2023F
661	619	589	588	595
1	2	2	1	1
6	6	8	10	11
54	35	68	64	66
68	39	80	82	85
78	124	151	151	158
891	909	982	980	1,002
77	248	354	417	479
0	-	-	-	-
278	270	92	104	116
0	0	0	0	0
498	532	453	529	604
18	370	338	340	354

Growth	2020A	2021E	2022F	2023F
Turnover	3%	29%	12%	13%
EBITDA	-1%	29%	6%	9%
PBT	21%	30%	34%	23%
PAT	-15%	154%	70%	24%

Profitability	2020A	2021E	2022F	2023F
Return on Equity	-8%	-9%	0%	4%
Return on Assets	-3%	-3%	0%	1%

Margins	2020A	2021E	2022F	2023F
EBITDA margin	6%	12%	17%	19%
EBIT margin	-17%	-9%	2%	6%
PBT margin	-18%	-10%	0%	4%
Net Profit margin	-9%	-7%	0%	3%

Per share data	2020A	2021E	2022F	2023F
EPS	(1.53)	(1.62)	0.08	0.73
NAPS	18.79	17.17	17.25	17.98



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International Breweries PLC	

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