

*We maintain a cautiously positive outlook on Nigeria’s consumer goods sector in H2 2026. Sector performance is expected to be driven more by cost optimisation, localisation, backward integration, and stronger balance sheets than by pricing power alone. While elevated inflation, energy costs, and weak consumer purchasing power remain key risks, ongoing balance sheet repair and operational efficiencies should support earnings growth. Consequently, companies with stronger supply chains, greater efficiency, and disciplined cost management are expected to outperform.*

### Margin resilience to drive H2 2026 performance

The outlook for Nigeria's consumer goods sector has become more nuanced compared to expectations at the start of 2026. Entering the year, the prevailing view was that easing foreign exchange pressures, lower FX-related losses, and improving supply chain conditions would support a gradual transition from price-led growth toward a healthier mix of volume recovery and moderate pricing adjustments. Early signs of this shift were evident across the sector, with several manufacturers prioritizing market share retention and volume growth through more competitive pricing strategies. Notably, BUA Foods Plc reported that the decline in Q1 2026 revenue reflected an alignment with strategic and competitive market pricing initiatives, highlighting the industry's increasing focus on balancing pricing with volume growth. Despite the moderation in revenue, the company delivered strong gross profit margins, demonstrating that cost optimization efforts were beginning to gain traction across the sector.

However, recent developments have made operating conditions more challenging. Elevated energy prices following the geopolitical tensions in the Middle East, higher transportation costs, persistent power supply challenges, and increased agricultural input costs, particularly fertilizer, have added to the cost burden faced by manufacturers across the sector. While these challenges are not as severe as the FX-driven disruptions experienced in previous years, they are likely to moderate the pace of volume recovery and margin expansion initially anticipated for 2026.

Headline Inflation expected to rise toward 16.79%



Source: NBS, Zedcrest Research

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However, weak consumer purchasing power is likely to limit broad-based demand recovery, meaning revenue growth is expected to remain modest and increasingly dependent on product mix, selective price adjustments, and incremental volume gains rather than a strong consumption upswing. Consequently, consumer behaviour is likely to remain skewed toward smaller pack sizes, value brands, and essential food products. Food manufacturers are expected to outperform breweries and discretionary consumer segments given the relatively defensive nature of staple food consumption. While essential food categories should continue to benefit from relatively inelastic demand, discretionary spending on premium beverages and personal care products may remain subdued. Consequently, we expect growth across the sector to be supported primarily by modest volume expansion, product affordability initiatives, and continued optimisation. Manufacturers are likely to maintain a cautious pricing strategy given the weak consumer environment, focusing instead on market share retention through smaller pack sizes, promotional activities, and wider distribution reach.

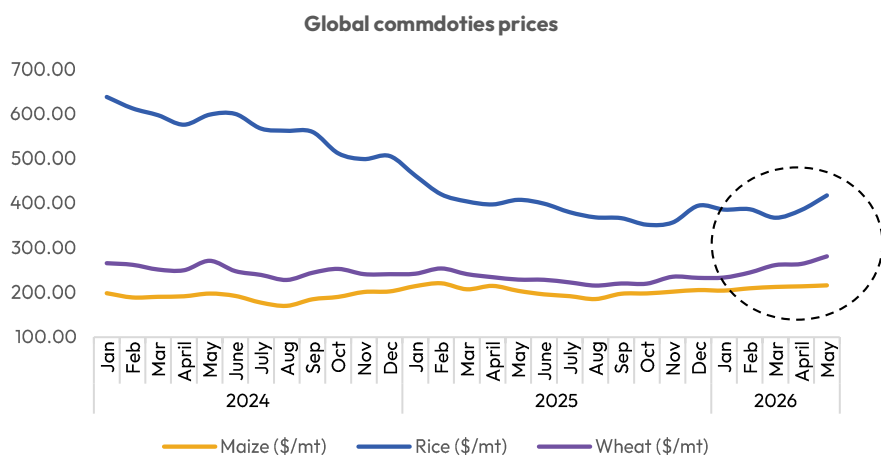
Against this backdrop, we maintain a cautiously positive outlook on Nigeria's consumer goods sector in H2 2026 despite the re-emergence of inflationary pressures. While consumer demand is likely to be constrained by weak purchasing power, the sector is considerably better positioned than it was during the height of the macroeconomic adjustment cycle in 2023 and 2024, supported by stronger balance sheets, reduced foreign currency exposure, improved cost structures, and ongoing investments in local sourcing and backward integration.

## **Agricultural input to shape H2 2026 costs**

Fertilizer remains a relevant, albeit increasingly lagged, cost variable for Nigeria's consumer goods sector. Fertilizer prices have largely stabilized following the easing of geopolitical tensions and, unlike energy, transportation, and logistics costs which tend to remain elevated for longer periods, fertilizer markets typically adjust relatively quickly once supply concerns subside. However, the timing of the earlier fertilizer price spike is important, as it coincided with key planting and growing periods for several agricultural commodities. As a result, while fertilizer inflation itself may be moderating, some of the higher input costs have already been embedded within crop production and may only become visible as those harvests enter commercial supply chains over the coming quarters.

This is particularly relevant given the production cycles of key agricultural inputs across the consumer goods sector. Maize, rice, and sorghum are typically planted between March and July, meaning fertilizer applied during earlier periods of elevated prices is already embedded in current crop cycles, with cost effects filtering through gradually as harvests reach the market. Sugarcane follows a longer and more staggered production cycle, meaning fertilizer requirements are spread over time, which can soften the immediate impact of temporary fertilizer price spikes. Consequently, fertilizer-related cost pressures in H2 2026 are expected to be more visible across maize, barley, rice, and other grain-linked value chains, where production cycles allow less flexibility once planting decisions have been made.

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Source: World bank, Zedcrest Research

Nevertheless, the impact on agricultural commodities is likely to remain gradual as prices adjust with a lag due to existing inventories, planting cycles, procurement contracts, and transportation costs. As a result, crops such as maize, sugar, wheat, and barley may continue to reflect some of the earlier cost pressures even as fertilizer prices stabilize. Consequently, while fertilizer inflation is no longer a major standalone risk, commodity costs may remain elevated in the near term, limiting the pace of margin expansion across consumer goods manufacturers. At the same time, the sector's broader cost environment is increasingly being shaped by more persistent pressures from energy, transportation, logistics, and distribution expenses, which are expected to remain the dominant drivers of margin performance through H2 2026.

Company exposure remains uneven across the sector. Dangote Sugar Refinery Plc and BUA Foods Plc's sugar segment remain exposed to agricultural input costs through their reliance on sugarcane, although the long production cycle of sugarcane and the timing of fertilizer applications help moderate the immediate impact of earlier fertilizer price spikes on earnings. Nigerian Breweries and Guinness Nigeria retain indirect exposure through maize and barley-based brewing inputs, while Nestle Nigeria faces some sensitivity through maize-linked product lines, partially offset by its more diversified raw material mix. By contrast, Unilever Nigeria, and to a lesser extent Nestle Nigeria, appear relatively better insulated given their greater reliance on soybeans, cassava, cocoa, and other less fertilizer-intensive inputs, supported by broader sourcing diversification.

## Uneven energy exposure across the sector

Energy remains an important cost variable across Nigeria's consumer goods sector, although its impact is often less visible than raw material costs due to the way it is reported within financial statements. In many cases, energy-related expenses are embedded across direct factory overheads, administrative expenses, distribution costs, and other operating cost lines rather than disclosed separately. As a result, assessing energy exposure requires a broader examination of cost trends rather than reliance on a single reported figure.

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Recent results suggest that companies have experienced varying degrees of success in managing these pressures. Dangote Sugar Refinery recorded a 77.5% decline in direct overhead costs and a 76.8% reduction in petrol and oil expenses between Q1 2025 and Q1 2026, while selling and distribution expenses also moderated. Although part of this improvement may reflect lower production volumes and revenue during the period, the simultaneous expansion in gross profit margin suggests that operational efficiencies and energy substitution initiatives likely contributed to a more favourable cost profile. Similarly, Nestlé Nigeria delivered revenue growth alongside a 9.0% decline in direct overhead costs, indicating stronger cost discipline and improved operating efficiency.

The picture is rather more mixed for other operators. BUA Foods reported only a modest decline in reported energy costs despite weaker revenue, while other factory expenses increased by 19.3%, highlighting that broader production costs remain elevated even where direct energy expenses appear contained. Unilever Nigeria, meanwhile, recorded a 22.4% increase in overhead costs despite revenue growth, suggesting that operating cost pressures remain present across parts of the sector. For breweries, direct energy disclosures remain limited, but the nature of brewing operations inherently requires substantial thermal energy for processing, packaging, and refrigeration. Although the increasing use of natural gas improves efficiency relative to diesel-based systems, Nigerian Breweries and Guinness Nigeria remain structurally more exposed to energy price movements than most packaged food manufacturers due to the energy-intensive nature of their production processes.

Nonetheless, energy costs remain a relevant consideration for sector profitability, both directly through manufacturing operations and indirectly through logistics, transportation, and agricultural supply chains. However, the evidence suggests that raw material costs continue to represent the primary driver of margin performance across the sector. Consequently, while elevated energy prices may influence earnings outcomes in H2 2026, companies with stronger operational efficiency, alternative energy adoption, and better cost controls are likely to remain relatively insulated. On this basis, Nestlé Nigeria, Dangote Sugar Refinery, and BUA Foods appear comparatively well positioned, while breweries remain more vulnerable to sustained energy cost pressures due to the structural demands of their production processes.

Overall, the H2 2026 outlook points to widening divergence in margin resilience: integrated producers (Dangote Sugar and BUA Foods) are best positioned due to energy self-sufficiency, breweries remain mid-tier due to unavoidable process intensity, while Nestlé and Unilever are the most stable, driven by leaner and less energy-dependent production structures.

## Deleveraging to support H2 2026 earnings

A key structural theme in 2026 across Nigeria's consumer goods sector is the gradual strengthening of corporate balance sheets following the FX volatility and high interest rate/debt stress experienced in prior years. Several companies have either completed or initiated capital raising and refinancing

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programmes aimed at deleveraging and restoring financial flexibility. For instance, BUA Foods and Nigerian Breweries have both undertaken capital actions in recent periods to reduce leverage pressure and support liquidity, while peers across the sector have also prioritised liability management and working capital optimisation over expansion-led borrowing.

As a result, debt-to-equity profiles across the sector are expected to gradually improve, supported by more disciplined capital allocation. Finance costs, which were previously elevated due to high interest rates and FX revaluation losses, are likely to ease on a relative basis as balance sheets are repaired and foreign currency exposure is better managed. This shift is also reflected in a more conservative capital expenditure (CAPEX) stance, with most companies prioritising efficiency upgrades, maintenance, and backward integration rather than large-scale capacity expansion. Overall, the deleveraging cycle is expected to enhance earnings quality, improve cash flow conversion, and reduce sensitivity to both interest rate volatility and FX shocks, marking a transition from survival-driven financial management to more stability-focused corporate positioning in 2026.

Rights issues have become a key balance sheet repair tool in 2026 for Nigeria's consumer goods sector, with Dangote Sugar Refinery serving as a clear example of companies raising equity to reduce leverage, strengthen liquidity, and manage FX-related debt pressures. Rather than being expansion-driven, these capital raises reflect a broader shift toward deleveraging and financial stability across the sector. At the same time, capital expenditure is becoming more restrained and efficiency-focused. With weak purchasing power limiting demand growth, most firms are prioritising margin protection, cost control, and backward integration over large-scale capacity expansion.

Looking ahead to H2 2026, the sector is expected to maintain this conservative stance, with continued focus on balance sheet strength and disciplined capital allocation. While selective investment and modest demand growth will persist, the dominant theme remains financial stability over expansion.

## **Dividend recovery to remain gradual**

Dividend trends are expected to gradually improve across the sector as profitability stabilises and balance sheet pressures ease. Following several years of FX losses, negative equity positions, and elevated finance costs, the recent earnings recovery is beginning to restore dividend capacity in select names. However, payout policies are expected to remain conservative, with management teams prioritising balance sheet strengthening and reinvestment over aggressive distributions. Companies with the strongest earnings visibility, lower leverage, and stable cash generation are most likely to lead the dividend recovery cycle, while others remain in a transition phase focused on financial repair.

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## 2026 Outlook | UNILEVER: Food-led resilience to sustain earnings growth

We maintain a positive outlook on Unilever Nigeria's earnings performance in H2 2026, supported by resilient demand across its food portfolio and continued improvements in operational efficiency. While weak consumer purchasing power is expected to weigh on discretionary spending, particularly within the personal care segment, demand for food products is likely to remain relatively resilient given their essential nature. Consequently, we expect the food segment to remain the primary driver of revenue growth, helping to offset continued weakness across more discretionary product categories and supporting overall top-line performance.

From a profitability perspective, Unilever appears well positioned to sustain margins despite elevated logistics and energy costs. We expect management to implement measured price adjustments across selected product categories to protect profitability, while ongoing cost optimization initiatives should provide an additional buffer against cost pressures. Notably, Q1 2026 performance provides encouraging guidance for the remainder of the year. Although revenue growth moderated to 25.96% y/y in Q1 2026 from 45.37% y/y in Q1 2025, it remained significantly stronger than the 10.17% y/y growth recorded in Q1 2024, reflecting a healthier balance between pricing actions and underlying demand. More importantly, gross profit margin improved to 45.0% in Q1 2026 from 40.1% in Q1 2025, reversing the margin compression experienced during the height of the inflationary and FX adjustment cycle. This improvement highlights the benefits of a more efficient cost structure, disciplined execution, and a less disruptive operating environment. Combined with the company's historically strong balance sheet, we expect profitability to remain solid through the remainder of 2026, with earnings growth supported by both resilient food demand and sustained margin stability.

We revised our revenue growth to 35% from 42% for 2026 below the 3 year average. While we expect the higher sales for market retention, the downwards revision is due to the current inflationary environment and as evident from Q1'2026, we expect lower demand for discretionary segment. However, the food segment is expected to be the main contributor to this revenue expansion. Despite this growth, cost-of-sales margins are likely to remain relatively stable at around 57%. For FY 2026, we anticipate Unilever Nigeria to post a profit after tax of ₦43.8 billion.

Rating	SELL
NGX Ticker	UNILEVER
Bloomberg Ticker	UNILEVER NL
Target Price	₦129.71

Company statistics (Q1'26)	
Return on Asset	3.69%
PAT Margin	11.856%
Debt Ratio	39.74%
Market cap	₦804 billion

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Statement of income (₦ <sup>1</sup> Million)	2025A	2026F	2027F	2028F
Revenue	214,302	289,308	390,566	527,264
Gross profit	91,443	124,402	179,660	242,541
Operating profit	40,092	56,062	88,594	122,377
Profit before tax	49,539	65,380	99,484	134,360
Profit after tax	30,011	43,805	66,654	90,021
Statement of financial position	2025A	2026F	2027F	2028F
Total assets	180,179	206,858	240,039	286,470
Total liabilities	72,723	77,141	83,660	94,083
Total equity	107,456	129,717	156,378	192,387
Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	42.67%	43.00%	46.00%	46.00%
Operating profit margin	18.71%	19.38%	22.68%	23.21%
Net profit margin	14.00%	15.14%	17.07%	17.07%
Return on equity	27.93%	33.77%	42.62%	46.79%
Return on assets	16.66%	21.18%	27.77%	31.42%

## Valuation

Based on our revised earnings expectations and assessment of the operating environment through the remainder of 2026, we maintain a SELL recommendation on UNILEVER with a target price of ₦129.71. Our valuation is derived using a five-year discounted cash flow (DCF) model incorporating a terminal growth rate of 5.0%. While the company continues to demonstrate strong operational execution, margin resilience, and healthy cash generation, we believe these positives are largely reflected in the current market valuation.

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## 2026 Outlook | NB: Balance sheet strength to support earnings recovery

Following a prolonged period of pricing-led growth across the industry, Nigerian Breweries is expected to maintain a balanced approach to pricing and volume management in H2 2026. While easing foreign exchange pressures have improved earnings visibility, elevated energy costs, transportation expenses, and the lingering impact of higher agricultural commodity prices continue to exert pressure on production costs. Consequently, the company is likely to retain a degree of pricing discipline to protect margins rather than pursue aggressive volume growth at the expense of profitability.

Although consumer purchasing power remains constrained, demand could receive support from seasonal consumption patterns, particularly the year-end festive period, which traditionally drive higher beverage consumption. As a result, we expect any volume recovery to be gradual and concentrated within key brands and consumption occasions rather than broad-based across the portfolio. Overall, revenue growth in H2 2026 is likely to remain supported by a combination of selective price adjustments, modest volume improvements, and continued operational efficiencies.

From a profitability perspective, Nigerian Breweries enters H2 2026 in a significantly stronger position than at any point over the last two years. The successful ₦600 billion Rights Issue materially improved the company's financial position, reducing total borrowings and significantly lowering finance costs, which had previously weighed heavily on earnings. This balance sheet improvement was clearly reflected in Q1 2026 performance, where net profit rose by 25.6% to ₦55.9 billion. The earnings uplift was primarily driven by a significant reduction in financing burden, with net finance costs declining by 54.5% year-on-year and 33.7% quarter-on-quarter, easing pressure on the bottom line. In addition, the company's deleveraging progress was evident, as the debt-to-equity ratio improved sharply from 45.06% in FY 2024 to 10.66% in FY 2025, with our FY 2026 forecast maintaining a lower level at 7.86%, reinforcing a structurally stronger balance sheet and improved earnings quality going forward.

More importantly, gross profit margin expanded marginally to 43.5% in Q1 2026 from 43.42% in Q1 2025, reflecting relative stability rather than meaningful expansion, as underlying cost pressures remained evident within the operating environment. The limited improvement underscores the impact of the current macro backdrop, particularly elevated logistics, energy, and distribution costs, which continue to filter through the value chain. Importantly, while input cost inflation has moderated compared to peak levels, it has not fully normalised, thereby sustaining a cost environment that still requires periodic price adjustments across key product categories. This supports our view that Nigeria Breweries are likely to continue leaning toward selective price increases as a key mechanism for margin protection, rather than relying solely on cost relief.

Looking ahead, we expect margins to remain broadly resilient through H2 2026, supported by the company's growing reliance on locally sourced

Rating	HOLD
NGX Ticker	NB
Bloomberg Ticker	NB NL
Target Price	N89.07

Company statistics (Q1 2026)	
Return on Asset	4.92%
Profit Margin	13.55%
Debt Ratio	45.80%
Market cap	₦2.4 trillion

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sorghum, ongoing supply chain optimisation initiatives, and reduced exposure to foreign currency volatility. Nevertheless, elevated operating expenses may persist, meaning profitability will continue to be shaped by a combination of disciplined pricing actions and efficiency gains rather than a full easing of cost pressures. Despite this, Nigerian Breweries' stronger capital structure, improving operational efficiency, and sharply reduced finance cost burden should support sustained earnings recovery through the remainder of the year. We project revenue growth of approximately 21% in 2026, with cost-of-sales pressures to around 60%. Overall, Nigerian Breweries is expected to post a profit after tax of roughly ₦134.9 billion for FY 2026.

Statement of income (₦ <sup>1</sup> Million)	2025A	2026F	2027F	2028F
Revenue	1,467,422	1,768,244	2,113,051	2,525,096
Gross profit	619,984	742,662	908,612	1,111,042
Operating profit	203,400	273,576	328,915	406,417
Profit before tax	161,062	236,108	311,693	389,735
Profit after tax	99,100	158,192	208,835	261,122

Statement of financial position	2025A	2026F	2027F	2028F
Total assets	1,066,118	1,217,627	1,484,801	1,827,607
Total liabilities	505,896	506,296	573,986	667,363
Total equity	560,222	711,331	910,814	1,160,245

Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	42.25%	42.00%	43.00%	44.00%
Operating profit margin	13.86%	15.47%	15.57%	16.10%
Net profit margin	6.75%	8.95%	9.88%	10.34%
Return on equity	17.69%	22.24%	22.93%	22.51%
Return on assets	9.30%	12.99%	14.06%	14.29%

## Valuation

We maintain a HOLD recommendation on Nigerian Breweries with a target price of ₦89.07, derived from a 5-year DCF model. The outlook is supported by a significantly improved balance sheet, with the debt-to-equity ratio declining from 45.06% in FY 2024 to 10.66% in FY 2025 and expected to remain stable into FY 2026. This deleveraging has reduced finance costs and strengthened earnings quality, supporting a more stable cash flow profile.

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## 2026 Outlook | NESTLE: Resilient earnings amid cost pressures

Following a strong recovery in profitability during 2025 and early 2026, Nestle Nigeria has largely moved beyond the severe FX and finance-cost pressures that characterised 2023 and 2024. The focus in the second half of the year is expected to remain on sustaining earnings stability, improving operational efficiency, and steadily rebuilding the balance sheet. Consequently, the key theme for H2 2026 is expected to be earnings normalization and balance sheet rebuilding rather than recovery from macroeconomic shocks.

Revenue growth is expected to remain resilient despite persistent pressure on consumer purchasing power. Demand for core products such as Maggi, Milo, Golden Morn and Cerelac should remain supported by their essential nature and strong brand positioning within Nigerian households. In addition, Nestlé's growing regional export footprint provides an increasingly important growth lever. Export sales expanded by 762.3% year-on-year in Q1 2026, highlighting stronger penetration across West African markets and reducing the company's reliance on domestic demand alone. While elevated inflation may continue to constrain discretionary spending, Nestlé remains well positioned to sustain revenue growth through a combination of product affordability initiatives, export expansion, and continued market leadership across key food categories.

From a cost perspective, Nestlé appears relatively better insulated from agricultural input pressures than many peers. The company's raw material basket includes significant exposure to soybeans, cassava, sorghum and cocoa, which generally exhibit lower fertilizer dependency than crops such as sugarcane, maize and imported barley. Although higher logistics costs, elevated energy prices, and transportation expenses remain sector-wide challenges, the recent moderation in fertilizer prices following the easing of geopolitical tensions should reduce the risk of a significant escalation in agricultural input costs during the second half of the year. Furthermore, Nestlé's extensive local sourcing network continues to provide an important buffer against external cost shocks and foreign exchange volatility.

Revenue growth is expected to remain resilient through H2 2026, supported by sustained demand across Nestlé's core food and beverage categories, continued pricing adjustments, and growing contributions from export markets. We forecast revenue to increase by 24.0% to ₦1.50 trillion in FY 2026 from ₦1.21 trillion in FY 2025. Profitability is also expected to remain strong, supported by easing finance costs and continued operational discipline. Q1 2026 results demonstrated this improvement, with profit before tax rising 44.2% to ₦73.8 billion while gross profit margin remained resilient at 40.5%. The sharp reduction in finance costs, coupled with the absence of the sizeable FX losses recorded in prior periods, should continue to support earnings growth through the remainder of the year. While management is likely to prioritize balance sheet repair and equity restoration over shareholder distributions in the near term, Nestlé's strong cash generation, resilient margins, and improving financial position should support sustained earnings growth in 2026.

Rating	HOLD
Target Price	₦3,399.37
NGX Ticker	NESTLE
Bloomberg Ticker	NESTLE:NL

Company Statistics (Q1'2026)	
Return on Assets	4.39%
PAT Margin	11.96%
Debt Ratio	50.29%
Market Capitalization (trillion)	₦2.44

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Statement of income (₦' Million)	2025A	2026F	2027F	2028F
Revenue	1,207,773	1,497,639	1,857,072	2,302,769
Gross profit	472,610	569,103	705,687	921,108
Operating profit	224,386	288,911	353,916	481,308
Profit before tax	166,847	178,010	273,270	397,383
Profit after tax	104,966	115,707	177,626	258,299

Statement of financial position	2025A	2026F	2027F	2028F
Total assets	846,160	967,407	1,336,910	1,657,118
Total liabilities	833,269	838,809	1,032,052	1,095,949
Total equity	12,891	128,598	304,857	561,169

Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	39.13%	38.00%	38.00%	40.00%
Operating profit margin	18.58%	19.29%	19.06%	20.90%
Net profit margin	8.69%	7.73%	9.56%	11.22%
Return on equity	814.24%	89.98%	58.27%	46.03%
Return on assets	12.40%	11.96%	13.29%	15.59%

Source: Company Filings, Zedcrest Research

## Valuation

Following our expectations for NESTLE in 2026, we have maintained our target price for the stock at ₦3,399.37 with a HOLD recommendation.

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## 2026 Outlook | BUAFOODS: Volume recovery supported by selective pricing actions

BUA Foods' strong balance sheet, diversified product portfolio, extensive production capacity, and ongoing backward integration initiatives provide a solid foundation for continued earnings resilience in H2 2026. Unlike much of the sector, where growth over the past two years was largely driven by aggressive pricing actions, BUA has already begun transitioning toward a more balanced growth model that combines volume expansion with measured pricing adjustments. Evidence of this shift was visible in Q1 2026, when management attributed the decline in revenue to strategic and competitive market pricing initiatives aimed at supporting market share and volume growth. Despite the moderation in revenue, gross profit expanded while margins remained resilient, highlighting the effectiveness of the company's cost optimization initiatives and reinforcing the benefits of its scale-driven operating model.

Revenue growth in H2 2026 is expected to be supported by continued demand across the company's core sugar, flour, pasta, and rice segments, as well as the contribution from recently expanded production capacity. While consumer purchasing power remains constrained, staple food products continue to benefit from relatively inelastic demand, positioning BUA favourably within the broader consumer goods sector. The company's diversified earnings base also provides an important advantage. Sugar and flour remain the primary revenue drivers, while the rice business continues to gain traction, supported by domestic sourcing and growing consumer acceptance. We expect volume growth to play a larger role in revenue expansion during the second half of the year as management continues to balance affordability with profitability.

From a cost perspective, BUA remains exposed to elevated logistics and energy costs, which continue to affect manufacturers across the country. However, recent easing in fertilizer prices following the de-escalation of geopolitical tensions reduces the likelihood of a significant increase in agricultural input costs relative to earlier expectations. Furthermore, the company's scale, procurement efficiencies, and integrated operating structure should help mitigate a portion of these pressures. While wheat and raw sugar remain largely imported and therefore sensitive to global commodity price movements, BUA Food's PLC expanding backward integration initiatives, particularly the LASUCO sugar project and its locally sourced rice operations, provide important long-term cost advantages and improve supply chain resilience.

Rating	SELL
Target Price	₦570.86
NGX Ticker	BUAFOODS
Bloomberg Ticker	BUAFOODS:NL

Company Statistics (Q1'2026)	
Return on Assets	9.15%
PAT Margin	36.06%
Debt Ratio	44.98%
Market Capitalization (trillion)	₦16.90

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Statement of income (₦' Million)	2025A	2026F	2027F	2028F
Revenue	1,804,175	2,090,538	2,613,172	3,397,124
Gross profit	681,240	815,310	1,045,269	1,494,735
Operating profit	562,979	696,538	900,211	1,309,488
Profit before tax	534,869	726,582	964,046	1,415,387
Profit after tax	507,735	676,943	904,782	1,356,414

Statement of financial position	2025A	2026F	2027F	2028F
Total assets	1,386,252	1,634,912	2,005,767	2,579,890
Total liabilities	683,461	635,169	609,128	588,240
Total equity	702,791	999,743	1,396,639	1,991,650

Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	37.76%	39.00%	40.00%	44.00%
Operating profit margin	31.20%	33.32%	34.45%	38.55%
Net profit margin	28.14%	32.38%	34.62%	39.93%
Return on equity	72.25%	67.71%	64.78%	68.11%
Return on assets	36.63%	41.41%	45.11%	52.58%

## Valuation

In view of our expectations for BUA Foods PLC operating performance and the broader macroeconomic environment in 2026, we maintain a **SELL** recommendation with a target price of **₦570.86**. Although the company remains fundamentally strong, supported by capacity expansion, scale advantages, and long-term backward integration projects, current market pricing appears to have outpaced underlying fundamentals. Our target price of **₦570.86** is derived using a 5-year discounted cash flow (DCF) valuation framework.

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## 2026 Outlook | GUINNESS: Cost optimisation and route-to-market strength

The positive impact of the strategic and operational changes implemented since Guinness Nigeria's integration into the Tolaram ecosystem is becoming increasingly visible across the business. Enhanced distribution capabilities, tighter cost management, improved operational efficiency, and a stronger balance sheet have strengthened the company's ability to navigate prevailing macroeconomic pressures. Consequently, Guinness appears better positioned to navigate the prevailing macroeconomic environment, although weak consumer purchasing power and elevated input costs are likely to moderate revenue growth and limit the pace of margin expansion.

This improvement was reflected in Q1 2026 performance, where profit after tax increased by 48.0% year-on-year to ₦10.39 billion despite revenue growing by a relatively modest 3.8%. The result highlights a business that is becoming more efficient rather than simply relying on aggressive price increases to drive profitability. Equally important, the sharp decline in finance costs following the reduction of debt and foreign currency exposures has improved earnings quality and reduced one of the major risks that weighed on performance in previous years.

Looking ahead, revenue growth is expected to remain supported by selective pricing actions, improved route-to-market efficiencies, and the benefits of an expanded distribution network. While weak consumer purchasing power may continue to constrain demand across discretionary categories, seasonal consumption patterns during the festive period should provide some support to sales volumes in H2 2026. In addition, the company's broader market reach and strengthened distribution capabilities position it to capture incremental demand opportunities as they emerge. However, we expect revenue growth to remain largely driven by a combination of pricing and market penetration initiatives rather than a significant recovery in consumer spending.

On the cost side, elevated energy prices, transportation expenses, and logistics costs remain key challenges for the sector. Although concerns surrounding fertilizer inflation have moderated following the recent decline in global fertilizer prices and easing geopolitical tensions, energy-related costs are likely to remain relatively sticky due to the slower transmission of lower crude oil prices into domestic diesel and distribution expenses. Consequently, margin expansion may be more measured than initially anticipated at the start of the year. Nevertheless, ongoing local sourcing initiatives, supply-chain optimization efforts, and operational efficiencies should help offset part of these pressures.

Overall, we expect Guinness Nigeria's earnings performance in 2026 to be supported primarily by improving operational efficiency, lower finance costs, stronger distribution capabilities, and disciplined pricing actions. While weak consumer purchasing power may constrain demand across discretionary beverage categories, the company's enhanced financial position and improved route-to-market strategy should support revenue growth and earnings resilience. The return to profitability, strengthened balance sheet, and resumption of dividend payments further underscore the progress made in the business recovery, positioning Guinness for another year of solid financial performance.

Rating	HOLD
Target Price	₦386.72
NGX Ticker	GUINNESS
Bloomberg Ticker	GUINNESS:NL
Company Statistics (Q1'2026)	
Return on Assets	4.36%
PAT Margin	8.46%
Debt Ratio	77.46%
Market Capitalization (billion)	₦800.58

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Statement of income (₦' Million)	2025A	2026F	2027F	2028F
Revenue	496,605	584,632	730,790	984,874
Gross profit	167,191	187,082	264,456	334,379
Operating profit	47,192	62,386	106,772	121,321
Profit before tax	27,934	42,611	89,871	130,291
Profit after tax	16,203	27,697	58,416	84,689

Statement of financial position	2025A	2026F	2027F	2028F
Total assets	273,510	373,982	488,975	658,899
Total liabilities	255,145	328,058	385,044	470,957
Total equity	18,365	45,924	103,931	187,942

Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	33.67%	32.00%	36.19%	33.95%
Operating profit margin	9.50%	10.67%	14.61%	12.32%
Net profit margin	3.26%	4.74%	7.99%	8.60%
Return on equity	88.23%	60.31%	56.21%	45.06%
Return on assets	5.92%	7.41%	11.95%	12.85%

## Valuation

Following our expectations for GUINNESS in 2026, we have maintained our target price for the stock to ₦386.72 with a HOLD recommendation.

# Zedcrest Research

## 2026 Outlook | DANGSUGAR: Outlook anchored on rights issue and balance sheet restructuring

Dangote Sugar Refinery's H2 2026 outlook is anchored on the successful completion of its proposed rights issue, which is expected to materially strengthen the company's balance sheet and improve financial flexibility. Following several years in which foreign exchange losses, elevated finance costs, and currency-related pressures weighed heavily on earnings, the planned capital raise is expected to support a significant reduction in leverage and debt servicing obligations. If successfully executed, the transaction should lower finance costs over the medium term and allow a greater proportion of operating earnings to translate into bottom-line profitability.

The anticipated improvement in the company's capital position comes at a critical time as Dangote Sugar continues to advance its long-term backward integration strategy. While imported raw sugar remains a significant component of production, ongoing investments in local sugarcane cultivation and processing capacity should gradually reduce import dependence, enhance supply chain resilience, and limit exposure to foreign exchange volatility. Beyond strengthening the balance sheet, the rights issue is expected to provide the financial flexibility required to sustain the capital expenditure needed to execute these projects.

Revenue growth in H2 2026 is expected to be supported primarily by resilient demand from industrial customers, where sugar remains a critical input across the food, beverage, and confectionery value chain. Retail demand should remain relatively stable, although weak consumer purchasing power may continue to encourage downtrading and smaller purchase sizes. Consequently, we expect revenue growth to be driven by a combination of moderate pricing adjustments and gradual volume recovery rather than the aggressive repricing witnessed during the peak inflationary period.

On the cost side, the operating environment remains challenging, with elevated energy, logistics, and transportation costs continuing to pressure manufacturing and distribution expenses. While concerns around fertilizer costs have moderated following the recent decline in global prices, broader operating costs remain elevated and are likely to constrain margin expansion in the near term. Nevertheless, Dangote Sugar's ongoing investments in operational efficiency, local sourcing initiatives, and backward integration projects should help offset part of these pressures and support profitability over time.

Overall, H2 2026 is expected to mark a transition from balance sheet recovery toward operational execution. With a stronger capital structure, lower leverage, reduced exposure to foreign currency liabilities, and continued progress on backward integration initiatives, Dangote Sugar appears better positioned to pursue sustainable earnings growth while strengthening its long-term competitive position within Nigeria's sugar industry.

Rating	HOLD
Target Price	₦74.67
NGX Ticker	DANGSUGAR
Bloomberg Ticker	DANGSUGA NL

Company Statistics (Q1'2026)	
Return on Assets	2.87%
PAT margin	11.06%
Debt Ratio	80.50%
Market Capitalization (billion)	₦546.61

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Statement of income (₹' Million)	2025A	2026F	2027F	2028F
Revenue	829,215	912,136	1,021,593	1,180,160
Gross profit	165,326	182,427	204,319	247,834
EBITDA	141,099	159,990	178,143	217,652
Profit before tax	-72,279	9,103	79,412	120,658
Profit after tax	-64,117	6,099	53,206	80,841

Statement of financial position	2025A	2026F	2027F	2028F
Total assets	965,926	1,506,560	1,549,489	1,594,889
Total liabilities	836,945	885,606	875,328	826,526
Total equity	128,980	620,954	674,160	768,363

Financial ratios	2025A	2026F	2027F	2028F
Gross profit margin	19.94%	20.00%	20.00%	21.00%
EBITDA margin	17.02%	17.54%	17.44%	18.44%
Net profit margin	-7.73%	0.67%	5.21%	6.85%
Return on equity	-49.71%	0.98%	7.89%	10.52%
Return on assets	-6.64%	0.40%	3.43%	5.07%

Source: Company Filings, Zedcrest Research

## Valuation

Following our expectations for DANGSUGAR in 2026, we have maintained our target price for the stock to ₹74.67 with a SELL recommendation.

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