Zedcrest Research

zedcrest WEALTH

Q2'26 Earnings | GUINNESS: Margin expansion and balance sheet transformation strengthen earnings outlook

July 23, 2026

Harrison Osagiede
harrison.osagiede@zedcrest.com

Rating	BUY
NGX Ticker	GUINNESS
Bloomberg Ticker	GUINNESS NL
Target Price	N448.54

Company statistics (Q2'26)	
Return on Assets	5.84%
PAT Margin	10.48%
Debt Ratio	10.57%
Market cap	₦799 billion

Coming into FY2026, our base case for Guinness Nigeria Plc was centred on a gradual recovery in revenue, supported by moderating inflation through late 2025 and into early 2026, which we expected would improve consumer demand and support a cautious recovery in volumes. Nevertheless, we remained mindful that discretionary spending across alcoholic beverages would remain under pressure, while renewed inflationary pressures from higher energy and fuel costs were expected to prompt selective price adjustments across the brewing industry. Against this backdrop, we expected seasonal demand in the second half of the financial year to provide additional support to revenue growth.

Q2'26 results broadly validate this investment thesis. Revenue increased 19.9% year-on-year to ₦142.27 billion in Q2'26, a notable improvement from the relatively modest 3.5% year-on-year growth recorded in Q1'26. The acceleration largely reflects the industry-wide price increases announced by major brewers around March 2026, including Guinness Nigeria, alongside improving consumer demand albeit modest. While management does not disclose sales volumes, the 16.6% quarter-on-quarter increase in inventories suggests production activity has strengthened ahead of anticipated demand during the second half of the financial year, supporting our expectation of a gradual recovery in underlying volumes.

Pricing discipline drives another quarter of margin expansion

The stronger revenue performance translated into a meaningful improvement in profitability despite continued inflationary pressures across raw materials and operating inputs. Cost of sales increased at a slower pace than revenue, resulting in the cost of sales-to-revenue ratio declining to 62.1% in Q2'26 from 64.6% in Q1'26. The improvement reflects the combined benefits of pricing actions implemented during the quarter and continued procurement efficiencies, which more than offset higher input costs.

Consequently, gross profit increased 20.4% year-on-year and 24.2% quarter-on-quarter to ₦53.99 billion, while gross profit margin expanded to 38.0% from 35.4% in Q1'26. The continued expansion in gross margins demonstrates that management has successfully preserved pricing power while improving manufacturing efficiency despite operating within a still inflationary environment.

Operating leverage improves despite higher commercial investments

Operating performance strengthened considerably during the quarter. Operating profit increased 34.0% year-on-year and 41.7% quarter-on-quarter to ₦24.34 billion, supported by stronger gross margins and improved operating leverage.

Operating expenses remained elevated as the company continued investing behind its brands. Marketing and distribution expenses increased 14.7% year-on-year and 17.4% quarter-on-quarter to support commercial activities and sales execution following the March industry-wide price adjustments. Administrative expenses, however, remained broadly stable, increasing just 4.0% year-on-year while remaining largely unchanged on a sequential basis. As a result, SG&A margin improved to 20.8% from 21.4% in Q1'26, reflecting stronger revenue growth and improved operating efficiency.

Balance sheet transformation continues to strengthen earnings quality

Performance below the operating line also improved significantly during the quarter. Finance expenses declined 78.0% year-on-year and 24.0% quarter-on-quarter to ₦1.88 billion, reflecting the substantial reduction in interest-bearing borrowings over the past twelve months.

As of June 2026, total loans and borrowings had declined by 80.4% compared with March 2026 and by 90.7% relative to June 2025, representing one of the most

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

significant balance sheet improvements among companies under our consumer coverage. Consequently, the company's debt-to-equity ratio improved markedly to 0.42x in June 2026 from 3.40x in June 2025, highlighting management's deliberate deleveraging strategy and materially reducing financial risk.

While the aggressive debt repayment programme placed pressure on operating cash flows during the period, stronger profitability enabled Guinness Nigeria to maintain a positive cash position, reinforcing the sustainability of its improved capital structure.

Bottom-line recovery gathers momentum

The improvement in operating performance and significantly lower finance costs continued to support earnings growth. Profit before tax increased 66.7% year-on-year and 43.5% quarter-on-quarter to ₦22.59 billion, while profit after tax rose 57.3% year-on-year and 43.5% quarter-on-quarter to ₦14.91 billion.

Consequently, profit margin expanded to 10.5% from 8.5% in Q1'26, reflecting stronger operating margins, substantially lower finance costs and continued improvement in earnings quality. Unlike previous years where profitability was largely constrained by financing costs, the current earnings recovery appears increasingly driven by improvements in the underlying operating business.

Valuation: Stronger earnings outlook drives BUY upgrade

Following the stronger-than-expected pricing environment and improved earnings trajectory, we have revised our FY2026 revenue forecast upward to ₦618.3 billion, representing 24.5% year-on-year growth, from our previous estimate of ₦584.6 billion (18.0% growth). The revision reflects the impact of the March industry-wide price increases, our expectation for modest but cautious volume recovery and the seasonally stronger demand typically experienced during the second half of the financial year.

We also expect profitability to remain resilient, forecasting gross profit margin to average approximately 36.5% in FY2026, compared with 33.7% recorded in FY2025, supported by pricing discipline, procurement efficiencies and continued operating leverage. Although our revenue growth forecast remains below the company's longer-term historical average, this largely reflects the softer-than-expected performance recorded during Q1'26, which lowered the base for our full-year estimates. Additionally, our forecasts assume no further price increases of the magnitude implemented earlier in the year, with revenue growth increasingly supported by a modest recovery in volumes over the remainder of FY2026.

Guinness Nigeria continues to strengthen fundamentally. Beyond the improving earnings profile, management has materially transformed the balance sheet through significant debt reduction, improving financial flexibility and lowering financing costs. Combined with resilient brand positioning, stronger pricing power and improving profitability, we believe the company is entering a healthier phase of sustainable earnings growth.

Accordingly, we upgrade our recommendation to a BUY (from HOLD) and revise our 12-month target price to **₦448.54** (previously ₦386.72). While macroeconomic risks and consumer affordability remain key considerations, we believe the company's improving operating fundamentals, clean balance sheet and enhanced earnings outlook are not yet fully reflected in its current valuation

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

N'000	2026F	2027F	2028F	2029F	2030F
Revenue	618,273,534	772,841,917	1,054,634,312	1,454,812,502	1,905,464,592
Gross Profit	225,669,840	291,266,553	379,156,613	534,106,304	700,907,825
EBITDA	102,015,133	136,698,169	168,229,750	243,143,804	319,814,906
Profit Before Tax	98,002,619	138,456,448	179,943,359	269,235,694	362,503,412
Profit after tax	63,701,703	89,996,691	116,963,183	175,003,201	235,627,218

Statement of position (N'000)	2026F	2027F	2028F	2029F	2030F
Total assets	326,042,053	480,351,733	697,270,135	1,001,448,358	1,376,090,723
Total liabilities	244,294,013	309,236,979	410,127,903	541,052,957	682,424,376
Total equity	81,748,040	171,114,754	287,142,232	460,395,401	693,666,347

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Zedcrest Research

Important disclosure

This document is issued by Zedcrest Investment Managers Limited ("Zedcrest Wealth" or the "Fund Manager"), an asset management firm registered with the Securities & Exchange Commission ("SEC"), Nigeria.
This document is provided exclusively for the information of the recipient. It is not intended as, and does not constitute, an offer or solicitation for the purchase of Units of any Fund or the Securities of any Company. Recipients must inform themselves about and adhere to any restrictions on the distribution of this document and the offering, sale, and trading of the securities.
The information herein is confidential and intended solely for use by those to whom it is addressed. It is not intended for public distribution and may not be reproduced, redistributed, or published without the written permission of Zedcrest Wealth. Zedcrest Wealth, its advisers, directors, employees, or affiliates do not accept any liability for the actions of third parties in this respect.

Analyst certification

The research analyst(s) hereby certify that:

1. The opinions and views expressed in this report are their genuine, independent perspectives, based on publicly available information.
2. Their compensation is not directly or indirectly linked to the specific recommendations, estimates, or opinions presented in this report.

In other words, the analyst(s) affirm that their research is impartial, unbiased, and free from any potential conflicts of interest.

Ratings definitions

Buy: A 'Buy' rating is assigned to stocks that we believe are significantly undervalued, yet possess robust fundamentals, and are expected to generate a potential return of at least 15.00% or more, based on the difference between the current market price and our analysts' target price

Hold: A 'Hold' rating is assigned to stocks that we believe are fairly valued, with limited potential for significant price movement, and are expected to generate a potential return within the range of +5.00% to +14.99%, based on the difference between the current market price and our analysts' target price

Sell: A 'Sell' rating is assigned to stocks that we believe are overvalued, with deteriorating or weak fundamentals, and are expected to generate a potential return of less than +5.00%, based on the difference between the current market price and our analysts' target price.

Rating Suspended: This designation is assigned to a stock when we are unable to provide an investment rating or target price due to insufficient fundamental data, or when legal, regulatory, or policy restrictions prevent us from publishing a rating or target price.

Extra-normal situations: Our standard rating methodology does not apply in exceptional circumstances where non-quantifiable factors and material considerations that cannot be reliably estimated come into play. In such cases, our analysts may exercise professional judgment to assign ratings that deviate from those expected under our standard methodology, taking into account unique circumstances that cannot be fully captured by our quantitative approach.

Analyst's compensation

The research analyst(s) who prepared this report are compensated based on a combination of factors, including:
- The quality and accuracy of their research
- Client feedback and satisfaction
- Competitive market factors
- The overall performance and revenue of the firm, which includes contributions from Asset Management, Securities Trading, Stock Broking, and other business units

This compensation structure is designed to align the analysts' interests with the firm's overall success and the value delivered to clients.

Valuation and risks

For a detailed analysis of our valuation methodology and potential risks associated with any recommended security, please refer to our most recent company-specific research report. If you have any further questions or concerns, please don't hesitate to contact the analyst listed on the front of this report

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Frequency of next update

We will provide an update to our view on the company when significant developments or financial news occur, prompting a reassessment of our position.

Conflict of interest policy

Zedcrest Wealth and its affiliates maintain a policy ensuring research analysts' independence. Analysts are not involved in activities suggesting representation of Zedcrest Wealth's interests in a way that could compromise their impartiality. To avoid conflicts, analysts report to separate lines, independent of Securities Trading, Wealth Management and Stock Broking departments. However, these departments may trade based on published research, potentially creating conflicting interests with clients.

General disclaimer

This research report is based on publicly available information considered credible by our analysts. However, facts and views presented may not reflect information known to other Zedcrest business. While reasonable care has been taken, Zedcrest Wealth its officers, and employees disclaim responsibility for any errors or omissions. The report's accuracy, fairness, and completeness have not been verified, and its contents should not be relied upon for investment decisions.

Ratings, forecasts, and opinions are subject to change without notice and may not reflect future performance. Past performance is not indicative of future results, and investments may fall or rise due to various factors.

Zedcrest Wealth and its affiliates shall not be liable for any losses arising from the use of this report. This report provides general information only and does not constitute personal investment advice. Investors should independently evaluate investment risks and suitability, and all investment decisions are their sole responsibility. Any investment decisions should be based on public information or offering documents, not this report. Zedcrest's other business units may issue inconsistent trading ideas or recommendations.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com