

- Guinness's profitability was poor in Q2 December 2016, despite the growth in revenue
- Adjusting the growth in revenue by the inflation rate of 18.55% shows that the company did not grow in real terms
- The increase in revenue did not translate to an increase in cash, as trade receivables increased
- Cost of sales grew significantly faster than revenue on account of higher input costs
- Unrealised foreign exchange losses led to significantly higher finance costs
- Significant build-up in inventory for both finished goods and raw materials
- The shareholders approved a N40bn Rights Issue at an Extraordinary General Meeting earlier this week to deleverage the company
- The slowdown in the sales of Orijin, competition from other operators, the harsh operating environment and high leverage all impacted the company's operations
- **The share price has dropped in line with our expectations; we therefore revise our rating from a SELL to a HOLD.**

N 'Million	Dec-16	Dec-15	Change
Revenue	59,491	49,836	19.37%
Cost of Sales	43,941	28,439	54.51%
Gross Profit	15,550	21,397	(27.33%)
Other Income	370	230	61.02%
Distribution Expenses & Admin Expenses (OPEX)	16,004	18,252	(12.31%)
Operating Profit (EBIT)	(85)	3,375	(102.51%)
Interest Expenses	6,113	2,212	176.42%
Interest Income	1,535	489	214.03%
Net Finance Cost	(4,578)	(1,723)	165.74%
Profit/Loss Before Tax (PBT)	(4,663)	1,652	(382.23%)
Taxation Charge	5	480	(98.90%)
Profit/Loss After Tax (PAT)	(4,668)	1,172	(498.24%)
Cash Generated from Core Operations	5,143	8,564	(39.94%)

Key Performance Ratios			
	Dec-16	Dec-15	Change
Gross Profit Margin	26.14%	42.93%	(16.80%)
EBIT Margin	(0.14%)	6.77%	(6.91%)
PBT Margin	(7.84%)	3.32%	(11.15%)
PAT Margin	(7.85%)	2.35%	(10.20%)
Interest Cover	(1.38%)	152.59%	(153.98%)
Income Gearing	(7,220.45%)	65.53%	(7,285.98%)
Cash from Core Operation to Revenue	8.65%	17.18%	(8.54%)
Net Debt to Equity	103.90%	79.99%	23.92%
Total Debt to Total Assets	76.87%	69.59%	7.28%
Trailing EPS (N)	-	-	-
Trailing P/E Ratio	-	-	-
Current Ratio	0.86	0.71	0.15
Acid Test Ratio	0.57	0.52	0.05

N 'Million	Financial Position			Relative to Total Assets	
	Dec-16	Jun-16	Change	Dec-16	Jun-16
Property Plant & Equipment (PPE)	87,775	87,233	0.62%	56.03%	63.68%
Other Long Term Assets	1,718	1,890	(9.06%)	1.10%	1.38%
Inventory	22,821	13,021	75.26%	14.57%	9.51%
Trade and Other Receivables	31,121	26,510	17.39%	19.86%	19.35%
Cash and Other Cash Equivalents	12,120	5,845	107.38%	7.74%	4.27%
Other Current Assets	1,114	2,494	(55.34%)	0.71%	1.82%
Total Current Assets	67,176	47,870	40.33%	42.88%	34.94%
Total Assets	156,670	136,992	14.36%	100%	100%
				Relative to TL**	
	Dec-16	Jun-16	Change	Dec-16	Jun-16
Long Term Loan and Borrowing	27,783	14,035	97.96%	23.07%	14.72%
Others Long Term Liabilities	14,439	14,188	1.77%	11.99%	14.88%
Total Non-Current Liabilities	42,222	28,222	49.61%	35.06%	29.60%
Short Term Loans and Borrowing	19,484	22,195	(12.21%)	16.18%	23.28%
Trade Payables	2,508	2,938	(14.64%)	2.08%	3.08%
Other Current Liabilities	52,435	37,530	39.71%	43.54%	39.37%
Total Current Liabilities	3,780	4,446	(14.97%)	3.14%	4.66%
Total Liabilities	78,208	67,110	16.54%	64.94%	70.40%
Total Equity	36,240	41,661	(13.01%)		
Net Working Assets	(11,031)	(19,240)	(157.34%)		

** TL: Total Liabilities * Source: FSDH Research & Company Quarterly Results

For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street Lagos. Tel: 234-1-2702881-2

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building), 5 Trans Amadi Road, Port Harcourt. Tel: 234 - 8024081331

Abuja Office: Leadway House (First Floor), Plot 1061 Herbert Macaulay Way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821

Website: www.fsdhgroup.com **Email:** research@fsdhgroup.com

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