IJG

Securities (Pty) Ltd.
Member of the NSX

NAMIBIA BREWERIES LIMITED

1H15 Initial Impression

MARCH 2015

Namibia Breweries Ltd

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Target Price (c)	1640
Current Price (c)	2013

Year End 30 June	2012	2013	2014	F2015	F2016
Revenue (N$m)	2,160	2,383	2,316	2,392	2,461
Operating Profit	494	500	451	425	414
HEPS (c)	149	178	159	158	160
HEPU growth (%)	7.9	18.9	-10.5	-0.13	3.7
PE	18.73	11.3	20.23	17.6	18.0
DPS (c)	54	62	68	68	72
DY	2.7	3.1	3.4	3.4	3.6
EV/EBITDA	6.6	5.6	5.9	6.8	6.2

Source: BVN, IJG

Recommendation	HOLD
NSX Code	NBS
Market Cap (N$m)	3,391
Shares in Issue (m)	207
Free float (%)	50
P/B (x)	3.2
52 week high	2013
52 week low	1630
Expected Total Return (%)	3.9

1H15 Results

Namibia Breweries (NBS) released results for the first half of the year ended 31 December 2014. The interim results reflect a stable operational performance with operating profit up 6.3% y/y, with the move in RTD volumes forming a drag on performance. Basic EPS fell 25.2% y/y to 61.7c, after an impairment of N$87.6m to its investment in DHN Drinks (Pty) Ltd was recorded. HEPS, however, is up 5.6% from 98.7c to 104.2c. The board declared an interim dividend of 37cps, up 8.8% on the same period last year, with last day to trade cum 17 April 2015.

Local Sales and Volumes

Although NBSmanaged to increase local sales volumes, revenue fell by 0.8% y/y to N$1.434bn,with the contraction stemming from the decrease in RTD volumes produced and sold to DHN Drinks in South Africa.Total sales of goods, however, are down 1.0% y/y while royalty income rose 8.2%.Locally,sales volumes continued to increase, up 5.0% y/y, led by Tafel Lager and Windhoek Draught.According to management volumes continue to migrate from Windhoek Lager to Tafel Lager and Windhoek Draught and this portfolio shift was achieved without losing overall market share.

The drop in RTD volumes did however lead to an increase in the operating margin and cushioned the blow on the bottom line. RTD are lower margin business.

Revenue per Category	1H14	1H15	y/y % Δ
Beer	1,218,307	1,243,561	2.1%
Softs	72,638	78,872	8.6%
RTDs	59,378	17,242	-71.0%
Other	3,558	3,755	5.5%
Total	**1,353,881**	**1,343,430**	**-0.8%**

Export Markets

In South Africa,total volumes produced by NBS and sold to theDHN Drinks joint venture (JV), its largest single customer, decreased. This resulted in the value of sales to DHN to decrease 6.1%. Total beer volumes exported to Tanzania and Zambia increased compared to the previousyear, thus showing good growth in volumes albeit from a low base. Volumes sold to Mozambique, however, slowed down with brand competition challenges, while growth in Botswana has been impacted by the increase in alcohol levy.

Export sales declined as a percentage of total sales of goods, falling to 42.9% from 50.0% a year ago. This means that local sales now outweigh exports thus increasing the company's exposure to the stronger

Export Sales	1H14	1H15	y/y % Δ
DHN Drinks	573,615	538,661	-6.1%
Heineken SA	54,285	19,813	-63.5%
Diageo SA	30,069	-	-100.0%
Total	**657,969**	**558,474**	**-15.1%**

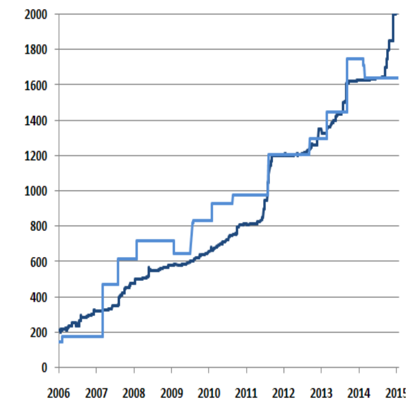
DHN Drinks JV

The equity loss from the JV increased to N$87.7m in 1H15 from N$34.7m in 1H14, with the increase attributed to a fiercely competitive environment in South Africa and timing differences relating to marketing and operational spend.

Valuation

We currently have a **HOLD** recommendation on NBS and looking forward we remain concerned about the NBS business, as we expect the increased competition in the local market to drive margin compression and sales-volume reductions for the business. Additionally, the losses experienced within the JV is concerning, However, we will update our forecasts and target price followingdiscussions with management and further analysis.

NBS Share Price



Dividends

Notice is hereby given that an interim dividend of 37 cents per ordinary share was declared on 20March 2015 for the period ended 31 December 2014.

- Last day to trade cum dividend: 17April 2015
- First day to trade ex-dividend: 20 April 2015
- Payment date: 8 May 2015

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