

NBL 1H26 Initial Impression: Nursing an Export Hangover

October 2026

0.0005	4.85
0.0003	13.04
0.0001	50.00
0.0003	14.29
0.0005	12.50

Key Focus Points

- **NBL's 1H26 PAT fell 22.7% y/y to N\$153.8m and HEPS dropped 24.3% y/y to 74.0c as the Heineken minimum-volume export agreement ended in April 2026**
- Net revenue fell 3.9% y/y to N\$2.02bn; operating profit dropped 20.6% y/y and the operating margin narrowed from 13.3% to 11.0%
- Domestic business held up, gaining market share on price, with beer inflation averaging just 0.8% in 1H26
- Balance sheet more geared: net debt to equity rose to 25.2% and short-term borrowing now 87.6% of total debt
- Interim dividend of 74.45cps, down 22.7%; HOLD maintained pending a full valuation review

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Namibia Breweries Limited: Key Financials

Financial summary

Year End 30 June	FY22	FY23	FY24	FY25	1H26
Revenue (N\$ m)	3,929	4,265	5,693	6,024	2,510
Operating Profit (N\$ m)	668	421	586	830	222
HEPS (c)	262	163	205	301	74*
HEPS growth (%)	47	-38	26	45	-24
PE	16	2	14	9	11
DPS (c, ordinary)	0	2,635**	202	306.1	284.3
DY	0	72	7*	10	9

Source: Namibia Breweries Limited; IJG Securities

*18months

** Special Dividend

1H26 Results

Namibia Breweries Limited (NBL) reported a more sobering set of results for the six months ended 30 June 2026 (1H26). After the strong FY25, the first half was hit by the long-flagged end of the minimum supply arrangement with Heineken Beverages South Africa. Net revenue fell 3.9% y/y to N\$2.02bn and operating profit dropped 20.6% y/y to N\$221.8m. Operating margin narrowed from 13.3% to 11.0%.

Profit after tax (PAT) declined 22.7% y/y to N\$153.8m, with headline earnings per share (HEPS) down 24.3% to 74.0 cents. Underneath the export hangover, the domestic business held up well. NBL gained total portfolio market share in Namibia despite what management described as sustained affordability pressure on consumers, made worse by fuel and diesel price increases in April and May.

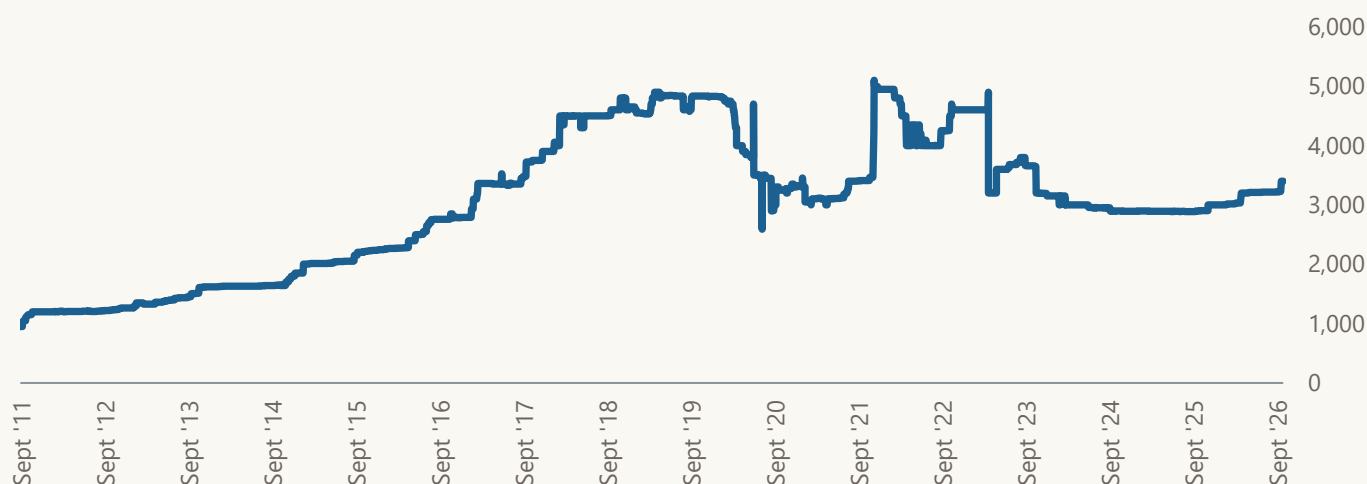
Market data

Metric	Value
Recommendation*	HOLD
NSX Code	NBS
Current Price (c)	3,400
Market Cap (N\$ m)	7,022
Shares in Issue (m)	206.5
Free Float (%)	50
52-Week High (c)	3,400
52-Week Low (c)	2,900

Source: Namibia Breweries Limited; IJG Securities

NBS Share Price

cents per share



Dividends

NBL announced an ordinary interim dividend of 74.45cps, down 22.7% from 96.29cps in the prior interim period.

- Last Day to Trade: 09 October 2026
- Record Date: 16 October 2026
- Payment Date: 12 November 2026

Last Call on the Export Agreement

As expected, the minimum-volume commitment of 450,000 hectolitres per annum from Heineken Beverages South Africa formally ended in April 2026. Beer export volumes to South Africa fell 38.2%. Management notes the impact was concentrated in the months after the transition, and that the outcome is in line with the downside scenarios it communicated earlier. In our FY25 note we highlighted management's sensitivity analysis showing potential EPS reductions of 7.2% to 18.9% under lower-volume scenarios. Since only about two months of the period fell under the new supply model, 2H26 will be the first full measure of how bad the hangover is.

Related-party disclosures tell the same story. Sales to Heineken Group companies fell 13.2% to N\$289m (1H25: N\$333m).

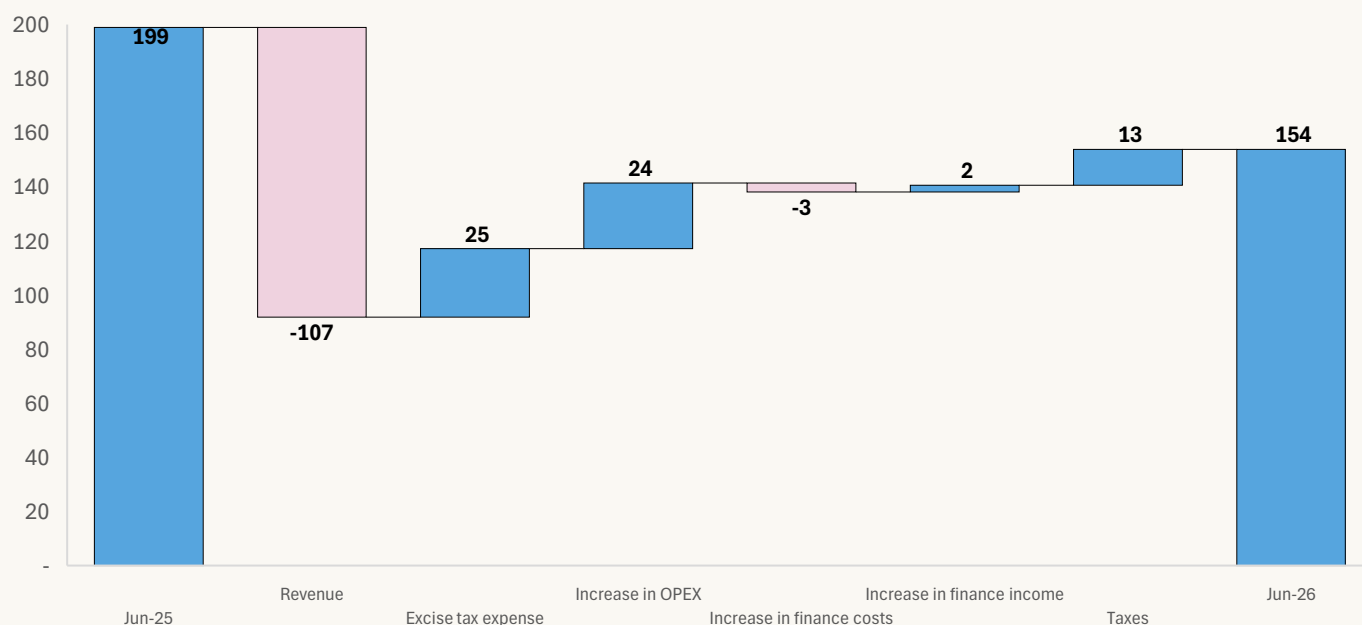
Revenue and Profitability: Losing Some Fizz

Gross revenue fell by 4.1% y/y to N\$2.51bn, while sale of goods lost some of its fizz, down 4.8% to N\$2.57bn, mostly because of lower export volumes. The 3.39% increase in excise duties on alcoholic beverages, effective 25 February 2026, added further pressure. The excise tax line itself fell 4.9% to N\$488.3m due to the lower volumes.

Operating expenses declined by 1.3% y/y to N\$1.80bn. Savings from lower production volumes were largely offset by investment in the business: higher employee-related costs, more marketing spend on brands, and once-off reorganisation and realignment costs to resize the Group for permanently lower export volumes. Management expects costs to normalise in the second half. Finance costs increased by 18.6% y/y to N\$21.2m, reflecting a notable rise in the cost of funding over the period. Together these took profit before tax down 22.1% y/y to N\$206.3m.

PAT growth breakdown

Contribution to PAT



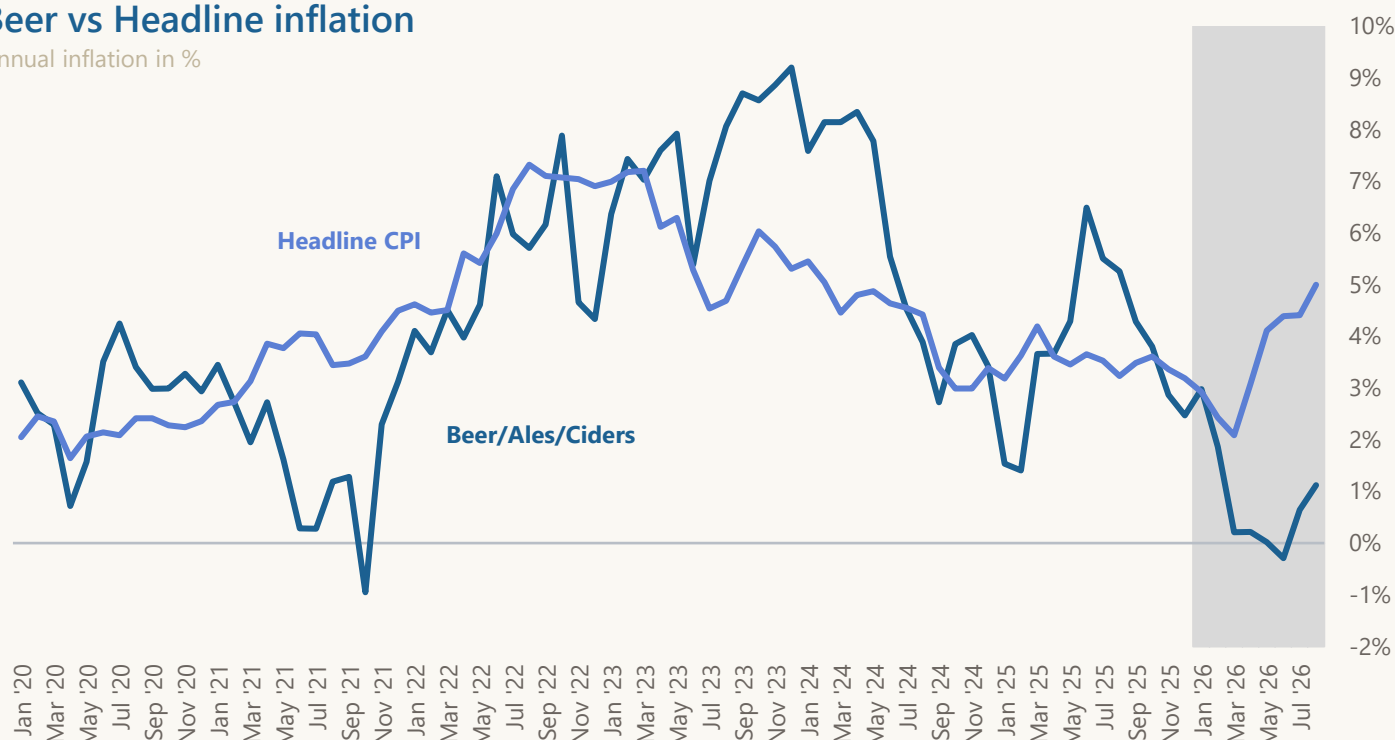
Source: NBL; IJG Securities

Beer Inflation: Cheers to the Consumer

Namibia's CPI data is reflective of NBL's affordability push, as the Namibian annual inflation rate for beer has in fact been on a gradual decline over the financial year. Beer even recorded deflation (-0.3%) in June '26, only the second time ever under the current inflation basket which has been in place for nearly 15 years. Beer inflation averaged just 0.8% in 1H26, down from 3.5% in 1H25.

Beer vs Headline inflation

Annual inflation in %



Source: NSA; IJG Securities

Compared to headline inflation, which picked up from 3.2% one year ago to 5.0% in August 2026, beer inflation has tracked well below this. Therefore, beer has become cheaper in real terms - at least for those who receive cost-of-living adjustments in line or above headline CPI.

It has also become more competitive against other alcoholic beverage types, being below the inflation rate for wine (+4.6%), brandies (3.2%), white spirits (1.9%) and liqueurs (2.4%).

These developments came despite a 3.39% excise increase on alcoholic beverages from 25 February 2026. NBL has followed this playbook before. When a 6.75% sin tax increase took effect in March 2025, Managing Director Waldemar von Lieres said NBL would not raise beer prices. He noted that "we had plans for the increases and have taken the actions necessary in terms of our business to be able to carry those increases." The strategy appears to be a lesson learned. NBL lost market share after its 2023 price increase and regained it by holding prices and focusing on commercial execution. The 2026 CPI data suggests NBL followed the same approach this year, with the excise increase barely registering in retail beer prices.

This matches NBL's stated strategy of "driving relevance and affordability" and its gain in market share. However, it also helps explain why the Namibian business did not offset the export decline at the margin level. Note that the CPI subgroup covers all beer, ale and cider prices in Namibia, not only NBL's products, although NBL is the dominant player within this basket of goods.

Portfolio Performance

NBL's multi-category portfolio helped keep the domestic picture from going flat. Namibian beer volumes declined 3.3%, but strong growth in the non-alcoholic range, led by Windhoek Non-Alcoholic Lemon, helped keep the taps flowing and took some of the sting out of the decline.

This continues the shift towards low- and non-alcoholic options that we highlighted in FY25.

Cider volumes grew 15%. Bernini continued to perform well from a small base in the ready-to-drink (RTD) segment, helped by the launch of Bernini Mimosa. Wine volumes declined and spirits volumes were broadly flat, both consistent with affordability pressure on discretionary categories. A new energy drinks category came on tap through the Red Bull distribution agreement and contributed positively to both volume and revenue. This momentum is notable given how competitive the non-alcoholic shelf is. Inflation for mineral waters, soft drinks and juices was just 0.6% in August 2026, so NBL is gaining volume against competitors who are also holding prices.

Balance Sheet: A Lighter Pour of Equity

NBL's balance sheet is getting more geared. Total borrowings, including the overdraft, rose to N\$594.6m from N\$517.1m a year ago. Net debt to equity rose from 21.4% to 25.2%, and from 13.4% in December. That remains moderate, but the trend is up.

The mix of funding has also shifted. Long-term loans fell to N\$73.6m from N\$176.1m, while the overdraft rose to N\$508.4m, from N\$317.3m. Short-term borrowing now makes up 87.6% of total debt. As a result, the current ratio has dropped below 1.0x, to 0.91x, from 1.16x in 1H25.

Equity fell 11.4% from December to N\$2.17bn because dividends declared (N\$433.4m) were almost three times H1 profit. Interest cover remains comfortable at 10.5x, down from 15.6x. The higher finance bill came from more borrowing, not higher rates. The Bank of Namibia cut the repo rate from 6.75% to 6.50% in October 2025 and only raised it back to 6.75% at its June 2026 meeting. Rates were therefore lower on average in 1H26 than in 1H25, yet finance costs still rose 18.6% as the overdraft grew. The rate cycle has now turned. The June hike was the first in three years, despite what the BoN described as "subdued domestic economic activity and sluggish credit extension." The MPC even considered a 50bps hike to close the negative interest rate differential with South Africa. With most of NBL's debt on overdraft and the prime lending rate now at 10.25%, further hikes would quickly push up finance costs. The balance sheet is not stretched, but it now depends more on short-term funding at a time when earnings are under pressure.

Conclusion

1H2026 was the morning after for NBL. The end of the minimum-volume agreement hit exports hard, and this half only captured about two months of it. The bigger question is how large the hangover will be once a full period has run without the commitment.

The domestic business is holding its own, gaining market share and growing in ciders and non-alcoholic beer. With beer inflation close to zero and excise largely absorbed, there is little pricing room to rebuild profitability locally.

2H2026 should therefore show whether management's guided cost normalisation can carry earnings. Given the tighter balance sheet, it should also show whether NBL can keep paying out all of its earnings. The core brew remains sound, but the export tap is running at a lower flow. Our dividend discount model points to a target price of N\$28.62, below the current share price of N\$34.00. However, we maintain our **HOLD** recommendation for now, pending a full review of our valuation in light of the lower export base. Until then, we raise a cautious glass.

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