



# NAMIBIA BREWERIES LIMITED

## **FY21 Initial Impression**

### October 2021

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# Namibia Breweries Ltd

## FY21 Initial Impression

**Target Price (c) 3407**
**Current Price (c) 3412**

Year End 30 June	2018	2019	2020	2021	F2021	Recommendation	HOLD
Revenue (N\$ m)	2,687	3,098	3,392	3,406	3,140	NSX Code	NBS
Operating Profit	613	652	453	613	624	Market Cap (N\$ m)	7,046.8
HEPS (c)	194.6	288.6	125.6	178.2	304	Shares in Issue (m)	206.5
HEPS growth (%)	-9.1	48.3	-56.5	41.9	6.3	Free float (%)	50
PE	21.6	16.7	26.3	19.1	15.2	P/B (x)	3.7
DPS (c, ordinary)	286	221	106	56	110	52 week high	3451
DY	6.4	4.6	3.2	1.6	2.4	52 week low	3000
EV/EBITDA	12.0	12.5	11.6	11.5	9.2	Expected Total Return (%)	-0.2

Source: NBS, IJG

### FY21 Results

Namibia Breweries (NBS) released results for the year ended 30 June 2021. Revenue for the period increased marginally by 0.4% y/y to N\$3.41 billion. Basic EPS rose by 42.8% y/y to 180.7 cps primarily due to costs being well contained and a lower equity loss from associate. HEPS increased by 41.9% y/y to 178.2 cps. Overall volumes were once again impacted by the Covid-19 restrictions, especially in South Africa, declining by 4.9% y/y. No final dividend has been declared for the period, as the potential Heineken transaction is conditional to NBS not declaring a dividend, should it go through. The results release does however note that should discussions regarding the transaction be terminated, that the company intends to declare a final dividend.

### Heineken Offer to NBL

Subsequent to year end, Heineken N.V. made an offer to acquire NBS' 25% shareholding in Heineken South Africa. Very little additional information on the deal is available at this stage and discussions are still ongoing. NBS has cautioned that there can be no certainty that an agreement will be reached. More information on the deal should be available in the coming weeks.

### Sales and Volumes

NBS' overall volumes for the year fell by 4.9%. Namibian volumes rebounded by 13% y/y, and were only 2% lower than those achieved in 2019, carrying revenues. Volumes shipped to SA declined by 36% y/y and are 51.0% lower than the 2019 figure. As was the case in FY20, NBS lost two months' worth of sales in South Africa during FY21 due to alcohol bans. Heineken SA were unable to order the full annual contracted volumes for the SA market, which resulted in a shortfall. Half of the shortfall will be paid to NBS in cash while the remainder would be deferred and added to the production volumes to be sent to Heineken SA by 30 April. NBS pushed through its first inflationary price increase in 24 months in June 2020 on returnable packs, the largest product line. This aided the revenue line, despite volumes being down. Regarding export markets, management's plan is to reach 20 countries by the end of FY22, from the current 17.

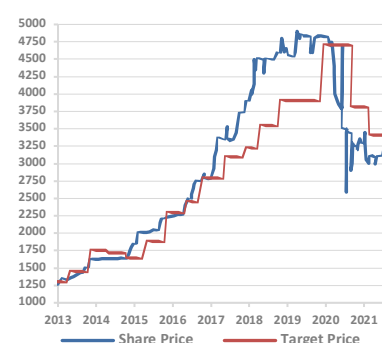
### Operating Margin

The operating margin improved from 13.4% in FY20 to 18.0% in FY21. Operating profit came in at N\$612.6 million, an increase of 35.2% y/y. Operating costs fell by 7.1% y/y, well below inflation of 4.1% over the same period. This is mostly due to raw material costs falling by 22.0% y/y and repairs and maintenance costs declining by 36.5% y/y. The results release notes that several capital expenditure projects were delayed and repairs and improvements were handled locally due to travel restrictions preventing international contractors traveling to Namibia. NBS notes that much higher capital investment is planned in FY22. Employment costs grew by 14.8% y/y, well above inflation.

### Conclusion

Namibia Breweries delivered satisfactory results and the growth in operating profit came in above our expectations. Uncertainty however remains with South African volumes and the Distell/Heineken SA transaction. Pending further analysis of the FY21 results, the outcome of the discussions surrounding Heineken SA and a discussion with management, we maintain our **HOLD** recommendation on Namibia Breweries. Our full review will see changes to our target price.

### NBS Share Price vs Target Price



### Dividends

The potential HSA transaction, should it proceed, is subject to several conditions, one of which relates to NBS not making any distributions, including a dividend declaration to its shareholders in respect of the financial year ended 30 June 2021. In light of this, the Board has taken a decision not to declare a final dividend for the financial year ended 30 June 2021.

In the event that discussions regarding the potential HSA transaction are terminated, the Board intends to declare a final dividend in respect of the financial year ended 30 June 2021.

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