

NAMIBIA BREWERIES LIMITED

Heineken N.V. Transactions

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Namibia Breweries Ltd

Heineken N.V. Transactions

Current Price (c)

4200

Year End 30 June	2018	2019	2020	2021	F2021		
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)	8,674.2
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	4200
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		

Source: NBS, IJG

Heineken N.V. ("Heineken") this morning announced its intention to acquire Ohlthaver & List's ("O&L") 50.01% stake in NBL Investment Holdings (Pty) Ltd ("NBLIH") in addition to the previously announced offer to buy NBS' 25% shareholding in Heineken South Africa ("HSA").

Heineken Offer to NBS

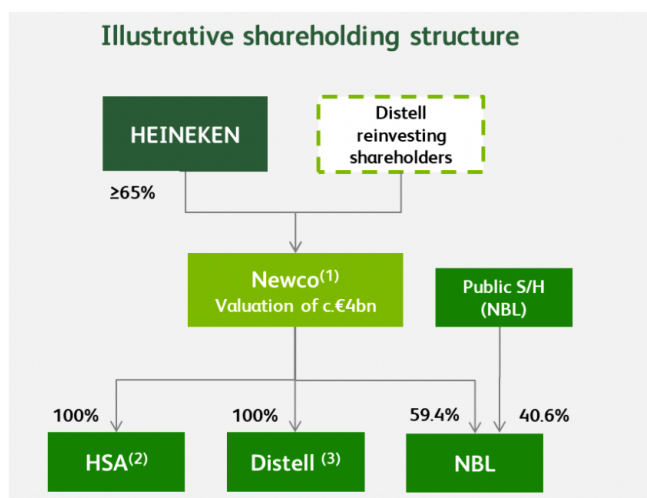
This morning's announcement gave additional detail to the previously announced offer by Heineken to acquire NBS' 25% shareholding in HSA. Heineken stated that it values the whole of HSA at €1.5bn. As expected, a circular posted by NBS soon after the announcement states NBS will distribute 100% of the consideration less the Heineken SA Loan Claims to shareholders through the declaration of a special dividend. According to the circular, the consideration will be N\$5.52bn, with N\$5.44bn being allocated to the HSA shares and N\$73.6m to the HSA Loan Claims, payable in cash. Based on the 206.5m shares in issue, this translates to a special dividend of N\$26.35 per share.

The transaction is subject to minority shareholder approval. Thus far, expressions of support for the transaction have been received from shareholders representing 68.0% of the votes of non-controlling shareholders of NBS. The vote will take place at NBS' General Meeting on 20 December 2021.

Heineken Offer to O&L

This morning's announcement further stated that the transaction is conditional on Heineken acquiring O&L's 50.01% stake in NBLIH and the previously announced acquisition of Distell being approved.

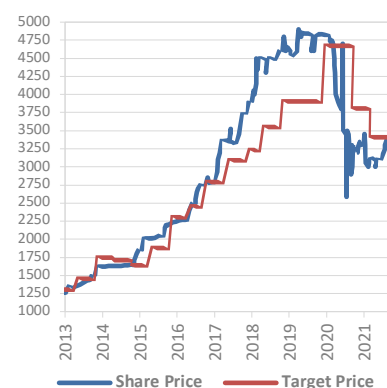
At completion, Heineken plans on transferring its holdings in HSA, Distell and NBS into an unlisted holding company, Sunside Acquisitions (Pty) Ltd ("Newco"). Heineken will own a minimum of 65% of Newco with the remainder to be held by Distell shareholders who elect to reinvest. If all transactions are approved, the shareholding structure will be as follows:



Source: Heineken N.V.

O&L committed to the transaction and released a statement noting that it has entered into a conditional agreement with Sunside Acquisitions.

NBS Share Price vs Target Price



Dividends and Salient Dates

Should the HSA transaction proceed, shareholders will receive a special dividend of N\$26.35 per share.

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.

Last day to trade in order to be eligible to vote at the General Meeting:
9 December 2021

GM Record Date: 16 December 2021

GM: 10:00, 20 December 2021

0,0005	4,85%
0,0003	13,04%
0,0001	50,00%
0,0003	14,29%
0,0005	12,50%

At this stage it does not seem like Heineken intends to delist NBS from the NSX by buying out minority shareholders.

Our Take

The offer made by Heineken for NBS' HSA stake is better than we expected, and in excess of our highest FCF estimated value of HSA and will result in a significant special dividend being paid out to shareholders, if approved. NBS did not declare a final dividend in FY21, as it was a condition of the potential HSA transaction, should it proceed, for NBS to not making any distributions. 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. We expect the transactions to receive the necessary shareholder approval, and in addition to the special dividend, expect NBS to declare a larger than usual interim dividend at 1H22 due to the lack of final dividend in the past financial year.

The offer to O&L should allow NBS to benefit from cost efficiencies and other growth opportunities if it becomes part of the Heineken Group. The envisioned combined business would have a significant market share in both the beer and cider spaces and should benefit from improved distribution efficiencies. This may aid in further growth of the Heineken and NBS brands in the Southern African market, building on strong growth of Heineken beer in the premium space over the last few years.

This report does not constitute a target price update. Our target price will be updated in our full report of the FY21 results, pending further analysis of the potential transactions and discussions with management.

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