



**East African  
Breweries  
Limited H1'25  
Earnings Note**





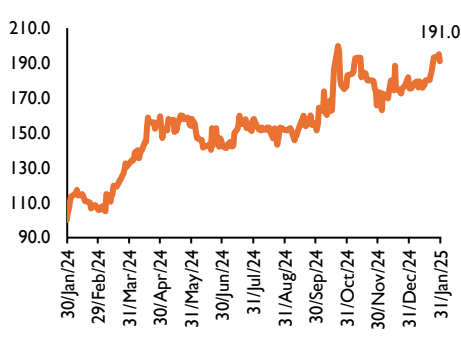
## EABL Group H1'25 Earnings Note

February 3<sup>rd</sup>, 2025

### Ticker Information

<b>NSE Code:</b>	EABL
<b>Issued Shares:</b>	1,038,265,540
<b>52-week high:</b>	KES 204.00
<b>52-week low:</b>	KES 100.00

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

### Historical Share Performance

Last	1M	3M	6M	12M
Change	8.8%	4.4%	20.9%	180.2%

Source: NSE, AIB-AXYS Research

### Analysts

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### Recommendation

**BUY**

### Current Price

**KES 191.00**

### Target Price

**KES 205.12**

### Summary

- ❖ **EABL Group posted a 20% uptick in its earnings translating to KES 8.1Bn for the period under review.** This growth was driven by effective cost management offsetting inflation, enhanced operational efficiencies and currency appreciation. Profitability margins marginally expanded over the period despite macroeconomic pressures, alluding the growth to increased consumer demand across key product segments coupled with jump in foreign exchange gains over the period under review.
- ❖ **The Board of Directors recommend an interim dividend of KES 2.50/=.** The dividend will be payable on 30<sup>th</sup> April 2025 to shareholders on register as of 21<sup>st</sup> February 2025.

### Key Highlights

- **Net sales demonstrated marginal growth, rising by 2.07% y/y to KES 67.92Bn largely propped by stronger pricing action, complemented by a modest 1% rise in regional volumes across the company's diverse brand portfolio.** We believe that growth will be supported by the appreciation of the Kenyan Shilling and Uganda Shilling coupled with falling interest rates that will boost consumer spending. Despite the positive shifts, currency volatility and shrinking disposable incomes still pose a menace to the business.
- **Cost of sales soared 7.42% y/y to KES 39.78Bn quickened by elevated input costs.** The situation was further magnified by increased excise duty which have led to higher supplier costs. Consequently, local ethanol supplies declined progressively with only five ethanol plants with a capacity of 83 million liters available in the country leaving the brewer to source the product in offshore markets.

## Navigating Shifting Tastes

Widespread shifts in consumer behavior were observed during the period with a growing demand for high end brands. EABL's expansion of none alcohol and low ABV portfolio has catapulted its demand for consumers opting for moderation friendly choices whilst enjoying the social aspects of drinking. EABL's progression against its long-term Environmental, Social and Governance (ESG) goals has pushed pushing demand for brands that focus on sustainability, eco-friendly packaging, and responsible sourcing. Downtrading behavior was similarly observed as well as a widespread transition from On-trade to Off-trade consumption. Additionally, e-commerce sales showed significant growth throughout the period, reflecting fast-evolving consumption trends.

## Forex Gains Boost Profitability and Market Resilience

The brewer recorded significant foreign exchange gains during the period under review amounting to KES 1,177 Mn, a sharp recovery from a foreign exchange loss of KES 2,309 Mn in the half year ended 31<sup>st</sup> December 2023. This translates to a notable impact on its financial performance as evidenced from its enhanced gross margins and foreign exchange translation gains. The currency appreciation has supported competitive pricing strategies in the brewer's regional markets which has ensured market share retention. Additionally, the stronger local currency has bolstered consumer confidence leading to higher discretionary spending on premium alcoholic beverages which has supported revenue growth.

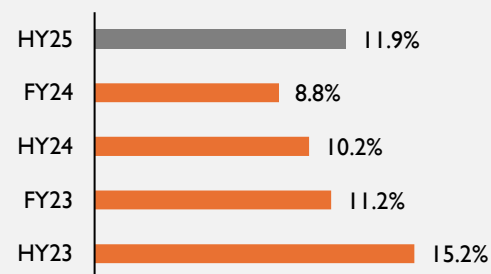
## A Positive Tailwind for EABL

The declining interest rate environment had a positive impact on EABL's debt position during the period. The debt ratio plummeted by 6.9% during the period under review as a result of reduced interest expenses on its existing debt. We believe that with interest rates trending downwards, EABL is well-positioned to optimize cost savings through strategic debt restructuring.

## Recommendation

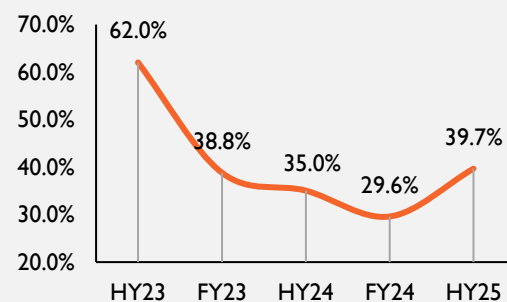
- We maintain our **BUY** recommendation on **EABL Group**, on the back of its strong market position, consistent revenue growth and strong profitability. We anticipate robust growth in the company as EABL stands to benefit from favorable macroeconomic conditions particularly in the form of declining interest rates and continued currency appreciation. However, macroeconomic uncertainties, currency volatility, high cost of material inputs and shrinking disposal incomes still pose a risk as we progress into 2025. Our one-year target price for EABL Group currently stands at **KES 205.12** - representing a c.**13.6%** upside potential from current levels.

Chart 2: Net Profit Margins (%)



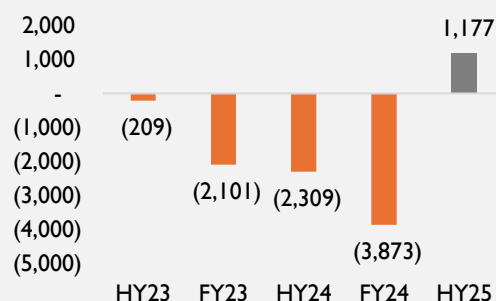
Source: Company filings, AIB-AXYS Research.

Chart 3: Group Return on Equity Trend (%)



Source: Company filings, AIB-AXYS Research.

Chart 4: Foreign Exchange Performance (KES Mns)



Source: Company filings, AIB-AXYS Research.

Ratio Analysis	FY19	FY20	FY21	FY22	FY23	FY24
<b>Capital Structure</b>						
Debt Ratio	31.8%	28.0%	38.5%	34.5%	34.8%	27.9%
Debt-to Equity Ratio	1.6x	1.7x	1.9x	1.4x	1.4x	1.1x
Times Interest Covered	6.7x	6.5x	4.4x	4.1x	3.5x	4.2x
<b>Management Quality</b>						
Gross Profit Margins	27.3%	25.4%	24.0%	24.8%	24.3%	41.4%
Total Assets Turnover	99.1%	91.2%	82.7%	93.0%	199.8%	98.6%
Cost-to Income Ratio	22.5%	19.4%	21.2%	19.8%	20.1%	20.2%
Debt-to EBIT	1.5x	1.7x	2.5x	1.8x	0.9x	1.6x
<b>Earnings Quality</b>						
Return on Equity	59.0%	62.0%	32.0%	35.0%	29.6%	39.7%
Net Profit Margin	14.2%	15.2%	9.3%	10.2%	8.8%	11.9%
Earnings Yield	11.7%	5.0%	6.2%	5.8%	7.1%	4.1%
Dividend Yield	8.6%	3.0%	3.2%	4.5%	3.4%	2.6%
<b>Liquidity Ratios</b>						
Current Ratio	0.8x	0.8x	1.0x	1.1x	1.2x	1.1x
Quick Ratio	0.6x	0.7x	0.8x	0.8x	0.8x	0.8x
<b>DuPont Identity</b>						
ROE	59.0%	62.0%	32.0%	35.0%	59.2%	39.7%
Net Income/EBT	64.8%	67.7%	61.4%	67.2%	64.8%	66.7%
EBT/EBIT	85.0%	83.2%	68.3%	61.7%	58.2%	84.3%
EBIT/Revenue	25.8%	27.0%	22.1%	24.6%	23.2%	21.2%
Revenue/Total Assets	99.1%	91.2%	82.7%	93.0%	199.8%	98.6%
Total Assets/Equity	4.2x	4.5x	4.2x	3.7x	3.4x	3.4x

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