



EABL Plc: FY'22 Earnings Note

EABL announced a **123.70%** y/y increase in net earnings to **KES 15.57Bn** on the back of economic recovery following the lifting of gathering restrictions which increase sales volumes. Additionally, EPS bettered our expectations by growing 171.23% to **KES 15.00** on the back of the highest profits in 6 years. The positive results saw a return to dividend payment with a final dividend of **KES 7.25** (Including an interim dividend of **KES 3.75**) taking the total dividend to **KES 11.00**.

- **Tough Tax Regulatory Environment to Persist:** EABL's total tax payments increased 26.77% and 123.73% for Indirect and Corporate tax, respectively. We see the tax operating environment being the harshest in Kenya as compared to both Tanzania and Uganda and thus the effective tax rate remained in the 35.22% levels. In total EABL paid **KES 92.88Bn** in Taxes being 47.91% of Gross Revenue. We continue to see a challenging tax regulatory environment, especially in the Kenyan market, owing to the new tax regulations coming up in future reviews despite the release of the National Tax Policy in Kenya.
- **Performance in New Frontiers and Regional Subsidiaries Drives Growth:** Growth in alcohol consumption was reflected in the 35.00% growth in frontier drinks such as senator keg. Revenue from mainstream spirits and beer also expanded by 27.00%, each. However, the cost of sales increased 16.49% to **KES 56.55Bn** with OPEX also growing faster by 23.34% to **KES 20.57Bn**. Growth in the subsidiaries was fairly distributed with sales in Kenya expanding 30.00% y/y (to contribute 68.00%) driven by the reopening of the ontrade business. Tanzania grew 21.00% y/y (to contribute 14.00%) driven by continued brands portfolio expansion. Uganda grew 24.00% to contribute 18.00%.
- **Balance Sheet Expansion Supported by CAPEX:** On an y/y basis the balance sheet grew 13.53% to **KES 68.59Bn** with the Net debt declining 16.99% to **KES 34.70Bn**, even as the company raised a **KES 11.00Bn** Medium Term Note during the period. We remain concerned about the 0.85 levels in the current ratio (recommended levels are above 1.00) which reflect the faster 5.38% growth in Current assets compared to a 3.87% growth in Current Assets. CAPEX grew 62.50% to **KES 13.00Bn** with majority of that (45.00%) been directed towards capacity expansion including the new plant in Moshi Tanzania.

Outlook - Mainstream spirit and new frontiers such as Senator keg are expected to be key revenue drivers supported by beer and premium brands. Tanzania and Ugandan consistent and strong growth stood out for us and therefore warrants additional investments during CAPEX allocation. We see the shift to digital channels for B2B and B2C distribution as transformational in driving sales volumes. The final dividend (Div Yield at 7.05%) is likely to continue exciting investors leading to a price rise in the coming trading days.

29th July 2022

Current price: KES 155.24

Target price: KES 197.51

Upside: 27.22%

52 Week High: KES 184.50

52 Week Low: KES 110.00

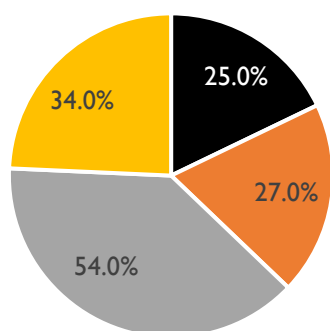
EABL 1-Year Share Price Movement



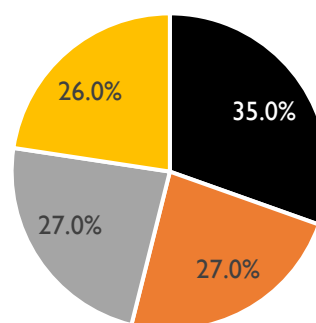
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Graph1: y/y Growth – Pre covid (FY'19)



Graph 2: y/y Growth FY'22



■ New Frontier ■ Beer ■ Spirits ■ Premium Brands ■ New Frontier ■ Beer ■ Spirits ■ Premium Brands

Source: Company filings, AIB-AXYS Analyst Estimates

Financial Statements Summary

Income Statement	31-Dec-20	30-Jun-21	31-Dec-21	30-Jun-22	y/y Change %
Net Revenues	44,460	85,962	54,899	109,409	27.28%
Cost of Sales	(25,127)	(48,548)	(28,429)	(56,553)	16.49%
Gross Profit	19,333	37,414	26,470	52,856	41.27%
Selling and Distribution Costs	(3,878)	(7,362)	(4,810)	(9,734)	32.22%
Administrative Expenses	(4,258)	(9,320)	(5,052)	(10,842)	16.33%
Other Costs	(5,361)	(9,874)	(3,730)	(8,264)	-16.31%
Profit Before Tax	5,836	10,858	12,878	24,016	121.18%
Income Tax	(2,044)	(3,896)	(4,140)	(8,442)	116.68%
Profit after Tax	3,792	6,962	8,738	15,574	123.70%
EPS	2.71	5.51	8.45	15	172.23%
DPS	0.0	0.0	3.75	7.25	

Balance Sheet	31-Dec-20	30-Jun-21	31-Dec-21	30-Jun-22	y/y Change %
Total Equity	11,993	14,852	24,538	26,414	77.85%
Non-Current Liabilities	43,442	45,562	40,823	42,174	-7.44%
Total Equity and Non- Current Liabilities	55,435	60,414	65,361	68,588	13.53%
Non-Current Assets	65,337	66,024	71,054	75,016	13.62%
Current Assets	31,520	34,092	38,899	35,411	3.87%
Current Liabilities	41,422	39,702	44,592	41,838	5.38%
Net Assets	(9,902)	(5,610)	(5,693)	(6,427)	14.56%
Total Assets	55,435	60,414	65,361	68,588	13.53%

Key Ratios	31-Dec-20	30-Jun-21	31-Dec-21	30-Jun-22
Gross Profit Margin	43.48%	43.52%	48.22%	48.31%
Operating Profit Margin	13.13%	12.63%	23.46%	21.95%
Return on Assets	3.92%	6.95%	7.95%	14.10%
Return on Equity	31.62%	46.88%	35.61%	58.96%
Current Ratio	0.76	0.86	0.87	0.85

Source: Company filings, AIB-AXYS



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