NCBA

INVESTMENT BANKING EARNINGS UPDATE

East Africa Breweries Limited (EABL) | HY'2025 EARNINGS UPDATE

EABL reported its HY2025 financial results, posting a **19.6%** increase in profits to KES 8.1Bn. This growth was supported by currency stability, easing inflation, and lower interest rates environment. The annualized EPS stood at KES 15.30.

Based on our estimates, assumptions and the performance, we recommend a **HOLD** on the stock, with a target price of KES 182.78. This represents a potential upside of **1.3%** from the current trading price of KES 180.50 as of January 31, 2025.

Looking at EABL's half-year results, topline growth was modest at 2%, while bottom-line performance saw a boost from lower net finance costs and forex gains, driven by currency stabilization. Overall the results aligned with our expectations.

We expect increased revenue from Uganda and Tanzania. The subsidiaries could help achieve revenue expansion above consensus and entrench the company's presence in the region.

HY 2025 Financial Highlights (% = y/y performance)

Profitability: PAT increased by 19.6%, rebounding from the previous period's decline, driven by efficient cost management that offset inflationary pressures. Operational efficiencies and currency appreciation further contributed to revenue growth.

Improved Dividend Payout: EABL declared an interim dividend of KES 2.50 for HY2025, a significant increase from KES 1.00 in the same period of 2024.

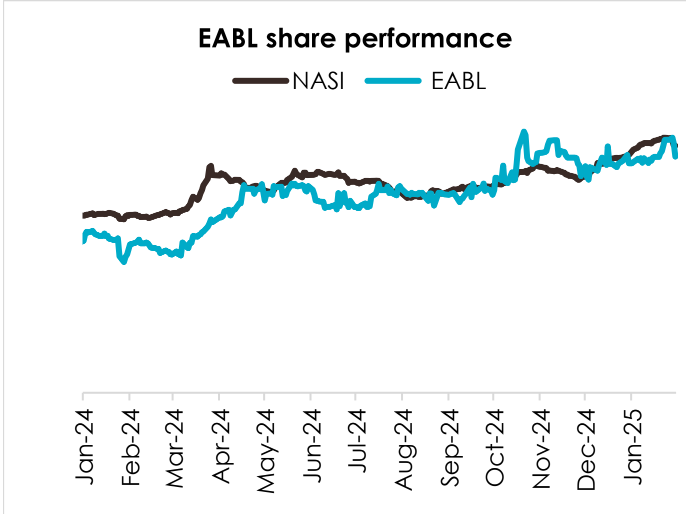
Based on the company's dividend history, we anticipate a final dividend of KES 5.50–6.00, depending on performance, bringing the full-year dividend projection to KES 8.00. This would represent a payout ratio of 52%, based on an annualized EPS of KES 15.30.

Revenue: Net sales increased by 2.1% to KES 67.9Bn, driven by 8% overall organic growth, excluding currency fluctuations with sales volume growing by 1%. The performance was supported by strategic

Share Data	
Ticker	EABL KN
RECOMMENDATION	HOLD
Current Price (KES)	180.50
Target Price (KES)	182.78
Upside	1.30%
52WK High (KES)	204.00
52WK Low (KES)	100.00
Market Cap (KES Bn)	142.73
Free Float	49.97%
EPS (HY'25 Annualized)	KES 15.30
Interim DPS (HY'25)	KES 2.50
P/E Ratio	12.5x

Current Price = as of 31st January 2025

Source: Bloomberg, Company financials, NCBA IB Research



Source: NSE, NCBA IB Research

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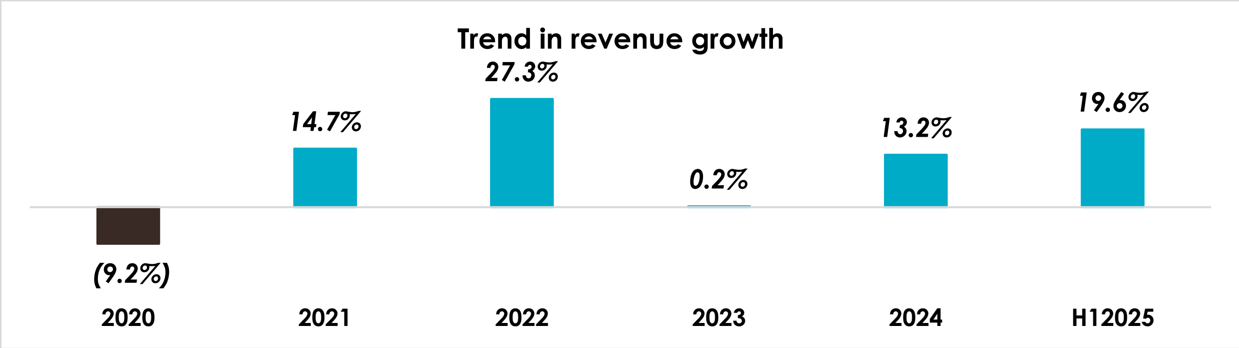
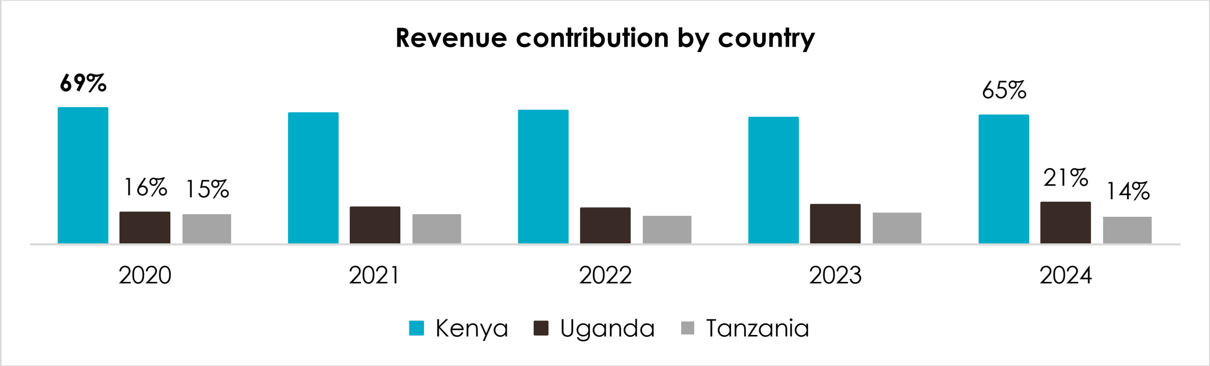
pricing, an improved product mix, a strong portfolio, and innovation launches like *New Frontiers*.



Source: NSE, NCBA IB Research

Regional subsidiaries support growth: In Tanzania, organic sales grew by 16%, driven primarily by Serengeti Breweries' numerous innovations. In Uganda, sales increased by 3%, supported by demand for mainstream spirits and value beer.

Meanwhile, sales in Kenya rose by 9%, benefiting from a stable regulatory environment and favorable excise conditions. Kenya remains EABL's largest revenue contributor, accounting for over 60% of total revenue, followed by Uganda and Tanzania.



Source: NSE, NCBA IB Research

New product categories boost growth: Growth in new categories outpaced the growth in beer and mainstream spirits. Net sales from new frontiers rose by 39% y/y while the sales from the premium and beer category rose by 11% and 1%, respectively. However, sales from mainstream spirits declined by 1% during the period.

Market trends continue to be influenced by a dynamic change in consumer tastes hence the need for the company to remain innovative which is being supported by its Microbrewery operations. We expect growth in Kenya, their main market, to be driven by the new portfolio which has shown strong growth.

Challenging business Environment

During the period, the key macroeconomic factors stabilized such as easing inflation, declining interest rates, and currency appreciation in Kenya and Uganda. EABL benefited from currency stability, reflected in forex gains and reduced finance costs on foreign currency exposure.

Additionally, the company is expected to gain from declining interest rates, with total debt reducing to **KES 43Bn** in H1 2025 from **KES 48Bn** in H1 2024, providing a buffer against high finance costs.

However, challenges persist, including shrinking disposable income, high material input costs, and signs of currency volatility. Illicit alcohol trade continues to rise, requiring stronger government intervention to curb its impact on the regulated market. While EABL benefited from lower ethanol costs, an essential production input, these gains were offset by rising prices of other key materials, such as sugar, glass, cans, etc.

Financial Summary

East African Breweries PLC	Key Metrics Y/Y
Net Revenue	Up 2.1% to KES 67.9Bn
Cost of sales	Up 7.4% to KES 39.78Bn
EBIT	Up 11% to KES 15.6Bn
Finance Costs	Down 14.4% to KES 3.4Bn
FX Losses	Down 151% to KES 1.17Bn
PBT	**Up 20.3% to KES 12.1Bn**
PAT	Up 19.6% to KES 8.1Bn
EPS	**Up 10.9% to KES 15.30**
DPS (Interim)	KES 2.50

East African Breweries PLC	Key Ratios Y/Y
ROE	Up to 19.8% from 18.5%
ROA	**Up to 5.9% from 5.5%**
ROCE	Up to 35% from 28%
EBIT Margin	**Down to 23% from 24%**
Effective Cost of Debt	**Up to 15.6% from 15.1%**
Current Market Price	KES 191
P/E	**12.5x**
P/B	3.7x
Dividend payout	**Up to 16% from 7%**

Source: Company financials, NCBA IB Research

Outlook

Looking ahead, the company's growth will be driven primarily by innovation, with emerging brands like Manyatta expanding market reach and attracting new customers. However, beer brands and mainstream spirits remain the dominant revenue contributors.

Additionally, EABL remains committed to its strategic agenda, with key priorities for the second half of the year focused on consumer centricity, smart investments, enhanced productivity, fostering a culture of progress, and maintaining a people-centered approach. These initiatives are expected to positively impact the company’s overall performance.

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