GCR GLOBAL CREDIT RATING CO.
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Nigerian Breweries Plc

Nigeria Corporate Analysis — August 2020

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	AA(NG)	Rating Watch	February 2021
Short term	National	A1+(NG)		

Financial data:

(USD'm comparative)

	31/12/18	31/12/19
N/US$ (avg.)	305.6	306.4
N/US$ (close)	306.5	306.5
Total assets	949.8	934.1
Total debt	139.0	181.8
Total capital	227.4	232.5
Cash & equiv.	48.3	20.8
Turnover	1,061.5	1,054.2
EBITDA	221.7	221.7
NPAT	63.6	52.6
Op. cash flow	84.4	103.2

Market share	Over 55% of Nigerian beer market.
Market cap *	USD0.7bn/N239.9bn

** As at 17 July 2020 @ N360.5/USD.*

Rating history:

Initial rating (April 2018)
Long-term: AA(NG)
Short-term: A1+(NG)
Rating outlook: Stable

Last rating (May 2019)
Long-term: AA(NG)
Short-term: A1+(NG)
Rating outlook: Stable

Related methodologies/research:

Global Master Criteria for Rating Corporate Entities, updated February 2018

Nigerian Breweries Plc rating report 2018-2019

Glossary of Terms/Ratio, February 2018.

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Summary rating rationale

- The ratings take cognisance of Nigerian Breweries Plc's ("NB" or "the Group") dominant market share within the Nigerian beer market, with a well-diversified product portfolio, wide geographical footprint, large distribution network and extensive customer base, as well as experienced management team. A further rating strength is the operational and strategic support from its parent company, Heineken N.V. Global, a major global brewing group, with operations in more than 70 countries.
- Short to medium term downside risks are elevated due to the significant negative impact that the COVID-19 pandemic is likely to have on sectors such as hospitality and entertainment, key sectors that drive alcohol and beverage consumption. Nevertheless, Global Credit Rating Co. Limited ("GCR") considers the longer-term demand trend, underpinned by a youthful and fast growing population, to be positive.
- NB's gross revenue grew by 2% to N386bn in FY19 following higher selling prices of some products in order to mitigate inflationary pressures. However, net revenue remained flat when compared to FY18 due to the increase in excise duties expense to N34.5bn (FY18: N25.8bn) during the period. Due to the negative impact of the COVID-19 crisis on sales volumes, revenue declined to N152bn in 1H FY20 (1H FY19: N170bn), but the Group's competitive strengths should continue to support market share and earnings over the long term.
- Gross margin strengthened to 41% in FY19 due to the positive impact of firmer pricing. Despite cost pressures, the operating margin remained unchanged at FY19 and improved in 1H FY20. Only a higher depreciation charge as a result of the capex undertaken over the review years has contributed to a slight narrowing of the operating margin. Nevertheless, NB still reports strong profitability and earnings margins well above the industry average.
- In addition, NB reflects a favourable cash conversion cycle that facilitates robust liquidity, with little expansionary capex requirements. However, much higher working capital requirements were reported at 1H FY20 largely driven by prepayments for short term leases, excise duties and other expenses.
- GCR considers funding risk to have increased materially as a result of the significant spike in gross debt above N139bn at June 2020. Management indicated that the additional debt was assumed to shore up liquidity to avoid any disruption amid the COVID-19 pandemic. Nevertheless, the very large quantum of short term debt add substantial risk to the balance sheet. In this regard, net debt to EBITDA spiked to c.124% at 1H FY20, from historically low levels. More significantly, as the debt comprises mainly Commercial Paper and other short term loans, the maturity profile is heavily weighted to the short term, equating to 81% of total debt (FY18: 26%). Liquidity risk is, however, mitigated by the N57bn in cash NB reported at 1H FY20 and unutilised facilities of N52.6bn.
- The 'Rating Watch' reflects the potential adverse effect of the much higher debt on gearing metrics as well as the heightened uncertainties within the operating environment arising from the COVID-19 crisis. GCR will reassess the ratings in February 2021.

Factors that could trigger a rating action may include

Positive change: A sustained earnings growth and gearing metrics returning to historically low levels would bode positively.

Negative change: Downward ratings pressure could arise from: a) excessive debt utilisation (especially Commercial Paper ("CP") exposures) that are not covered by undrawn committed facilities b) a further deterioration in the operating conditions, combined with heightened competitive pressure.

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Business profile[1]

Nigerian Breweries Plc was incorporated and commenced operations in 1946 as the pioneer brewery company in Nigeria, the Group has grown to become the largest brewing company in Nigeria, and one of the largest companies by market capitalisation on The Nigerian Stock Exchange ("NSE"). NB operates nine breweries from which its products are brewed and distributed to all parts of the country, in addition to two malting plants in Aba and Kaduna. This position is enhanced by a countrywide distribution network.

Nigerian Breweries Plc is a subsidiary of Heineken N.V. Group of the Netherlands ("Heineken"), which holds an approximately 56% of its issued share capital. Heineken is the second biggest global brewer by volume and revenue in 2019, with consolidated beer volume of 241.4 million hectolitres. This is spread across 300 international, regional, local and speciality beers and ciders. Heineken owns over 165 breweries in more than 70 countries. Nigeria is Heineken's largest market in the Middle East and Africa region, and continues to provide technical and strategic support to NB.

NB has a well-diversified product offering, with 13 alcoholic and 6 alcohol-free brands (including energy). Its brands benefit from market leading positions in almost all the product categories, with competitive offering across the premium, mainstream and value segments. However, NB continues to explore various opportunities to expand performance within the various brands.

Shareholding and corporate governance

NB's corporate governance framework complies with the relevant requirements of the Companies and Allied Matters Act ("CAMA"), Securities and Exchange Commission ("SEC") and NSE regulations. The Board of Directors' ("the Board") functions include oversight of financial, operational and compliance issues, while the day to day responsibilities are delegated to the managing director and the management team. The non-executive directors comprise people from diverse backgrounds, with different professional competencies. The Board has a charter that governs its powers, functions and responsibilities, and monitors compliance with applicable legislations, regulations, standards and codes by means of management reports.

As per Heineken's policy, subsidiary corporate governance is guided by the relevant jurisdictional requirements in their areas of operation. However, this must be aligned with international best practice. Heineken has three representatives on the Board of NB, ensuring compliance with all relevant standards and enhancing its oversight functions.

Table 1: Corporate governance summary	
Board composition	
Number of Directors	11
Independent Non-Executive Directors	4 (Including the Chairman)
Non-Executive Directors	5
Executive Directors	2 (including the Managing Director/CEO).
Tenure of non-executives	9 years max.
Separation of the chairman	Yes.
Frequency of meetings	Minimum of quarterly.
Board committees	Nomination committee, Remuneration committee, Risk management committee and Statutory audit committee.
Internal control & compliance	Yes, independently reports to board.
Independent auditor	Deloitte & Touche (appointed and reappointed during FY15 and 1Q FY20 respectively).

Aside from the major shareholders listed in Table 2, no other shareholder held more than 5% of the Group's issued share capital as at 31 December 2019. Heineken Brouwerijen B.V. and Distilled Trading International B.V are part of Heineken N.V. Group.

Table 2: Major shareholders	**% holding**
Heineken Brouwerijen B.V.	37.76
Distilled Trading International B.V.	15.47
Stanbic Nominees Nigeria Limited	13.14
Other individual and institutional shareholders	33.63
Total	**100.00**

Financial reporting

NB's audited financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the requirements of CAMA and the Financial Reporting Council of Nigeria Act. The Group's external auditor issued a clean audit opinion on the FY19 financial statements.

Operating environment

The Nigerian economy gathered more strength in 2019, registering an annual real Gross Domestic Product ("GDP") growth rate of 2.27% (2018: 1.91%), beating World Bank projection of 2.2%. The growth was largely underpinned by the curtailed pipeline vandalism and restiveness in the oil producing areas, relative stability within foreign exchange market, declining farmers-herders clashes, favourable climatic conditions and heightened monitoring within the land borders. However, the economy is in the midst of a sharp downturn due to the COVID-19 pandemic and the substantial decline in global demand for oil. The latter saw oil prices fall below USD20/barrel reported mid-April 2020 (before rising to USD44/barrel end-July 2020), against an average price of USD64/barrel in 2019. While the economy is expected to rebound relatively quickly, growth is likely to remain low, limited by a constrained fiscus and reduced foreign capital flows to the continent.

The inflation rate registered at 12.82% in July 2020, rising amidst the prevailing macroeconomic challenges. The Central Bank of Nigeria ("CBN")

[1] Kindly refer to NB's previous reports for a detailed background

recently slashed the monetary policy rate by 100 basis points to 12.5% and also implemented some policy measures to cushion the adverse impact of the COVID-19 outbreak, including a reduction in interest rates on all CBN applicable intervention facilities from 9% to 5%. While the apex bank has increased focus on maintaining relative foreign exchange market stability, reserves remain under pressure, declining from USD43bn in January 2019 to a low of c.USD36bn in July 2020.

As the oil sector accounts for at least 90% of foreign exchange inflows and over 60% of government budgetary revenues, constrained crude oil prices represents increased fiscal risk, albeit this is somewhat counterbalanced by Nigeria's relatively well-controlled sovereign debt levels.

Industry overview and competitive position

Beer products remain the most popular alcoholic beverage in Nigeria, with long term demand supported by population growth, an emerging middle class and more focused marketing and distribution efforts. However, the industry continues to witness heightened competition, particularly within the budget segments due to weaker disposable income. In addition to the consumers being more price sensitive, earnings continue to be adversely impacted by the increased excise duty rates that came into effect in June 2018. 2020 being the third year of the implementation, beer and stout will attract a rate of 35 Kobo/centilitre, spirit and other alcoholic beverages attract a higher rate of N2 (FY19: N1.75), and wines at N1.5, adding to the inflationary pressures constraining the pricing of products within the industry.

Other operational challenges include the incessant pressure on the currency, which has raised the price of imported raw inputs (particularly malt barley), high cost of other locally sourced materials, cost of maintenance and of spare parts, driving the reduced margins recorded across the industry. In addition, distribution pressures stem from security concerns, rising demand for alternative products in the informal market (local gin and herbal drinks), increasing health consciousness among the Nigerian middle class and religious beliefs in some states (particularly within the Northern part of the country).

There are more than ten brewery companies in Nigeria, with five listed on the NSE (NB, Guinness, Champion Breweries, InterBrew and Golden Guinea Breweries). Large scale brewing is highly capital intensive, with substantial economies of scale required to maintain low prices and remain dominant. This has contributed to the high proportion of foreign ownership in the industry, with Guinness being owned by Diageo, Nigerian Breweries Plc ("NB") and Champion Breweries by Heineken, and International Breweries ("InterBrew") by ABInBev. In addition, high levels of regulation are a barrier to entry. To ensure competitiveness amidst the changing dynamics, critical success factors include technological development, innovation, promotional strategies, consolidation and wide distribution channels. The ability to expand and possibly acquire smaller players is also a major driving force in increasing market share and maintaining dominance.

NB is a leading player within the industry, with a market share above 55% and with a strong financial profile relative to peers. Table 3 highlights the performance indicators of three of its listed peers, whose 2019 financial statements are available as at the time of compiling this report.

Table 3: Competitive position (N'm)	**NB**	**Guinness**	**IntBrew**
	Dec. 2019	**Jun-19****	**Dec. 2019**
Revenue	323,007	131,498	132,352
Gross profit	131,251	40,129	45,003
EBITDA	67,936	19,060	13,266
Operating income	35,206	8,966	(13560)
NPBT	23,352	7,104	(35934)
Total assets*	382,778	160,793	373,370
Total debt	55,720	19,927	272,007
Less cash	(6361)	(4757)	(33540)
Net debt	49,358	15,170	238,467
Equity	167,750	89,060	11,083
Brewery Capacity	19mhl	5.5mhl	0.5mhl
Key ratios:			
Gross margin	40.6	30.5	34.0
Op. profit margin	10.9	6.8	(10)
Total debt : equity	33.2	22.4	2454.3
Net debt : equity	29.4	17.0	2151.7
Total debt : EBITDA	82.0	104.5	2050.4
Net debt : EBITDA	72.7	79.6	1797.5

*Intangible asset is recognized as part of the asset for this comparison
**accounting year end.

NB reported EBITDA more than 3x higher than major peers in FY19. The company continues to focus on its twin aims of cost and market leadership. The market leadership agenda entails continuous product innovation and brand building towards maintaining its dominant position in the market. Its cost leadership agenda has been supported by the implementation of programs aimed at deriving cost synergies and excellent revenue management within the Group. Furthermore, NB's competitive strengths, which include its wide geographical footprint, and strategic support from its parent company are expected to continue to support its market share. The company continues to invest in the development of local farmers and other processing companies to ensure sustainable supply of raw materials. In this regard the group achieved 52.5% proportion of aggregate raw materials sourced locally in FY19.

Although the fast population growth and rising income levels bode positively for industry growth, the current economic uncertainties have increased downside risks. The disruptions due to the COVID-19 pandemic are likely to have on sectors such as hospitality and entertainment, key sectors driving alcohol and beverage consumption. Accordingly, the industry is expecting a weak overall performance in FY20, with a number of companies being forced to closed or significantly scale down operations. In addition, the volatility within the foreign exchange market (with a looming Naira devaluation) is expected to increase cost of production, resulting in further margin pressure over the medium term as industry players might not be able to fully pass on the additional cost to consumers.

Financial performance

A five-year financial synopsis, together with a six-month management accounts to 30 June 2020, is reflected at the back of this report, supplemented by the commentary below.

NB's gross revenue grew by 2% to N386bn in FY19 due to inflation-linked price increases and premium brand volumes growth. However, net revenue remained flat after adjusting for the increase in excise duties. Earnings growth was also constrained by heightened competition, a preference for value brands and the challenging operating environment.

The bulk of earnings continue to be derived from the flagship lager beers, while stout volumes have declined in line with a generational shift in tastes. The revenue contribution from alcohol-free drinks remains significant accounting for above 30% of the gross revenue. Despite the decline in volumes arising from the COVID-19 lockdown, NB maintained revenue at c.N152bn in 1H FY19. This notwithstanding, the effect of COVID-19 crisis is expected to have somewhat adverse impact on full year FY20, given the restrictions on social activity.

Table 4: Income statement (N'm)	**2017**	**2018**	**2019**	**1H 2020**
Revenue	**344,527**	**324,389**	**323,007**	**151,810**
Gross profit	143,493	126,904	131,251	59,141
EBITDA	**89,655**	**67,747**	**67,919**	**33,221**
Depreciation	(34,127)	(30,857)	(32,730)	(18,175)
Op. Profit	**55,528**	**36,889**	**35,189**	**15,046**
Net interest exp.	(3,991)	(5,043)	(8,031)	(5,176)
Other op. inc./(exp.)	121	(1,775)	(2,334)	(1,524)
Net forex gain/(loss)	(5,029)	(649)	(1,472)	-
NPBT	**46,630**	**29,422**	**23,352**	**8,346**
Key ratios (%):				
Gross margin	41.6	39.1	40.6	39.0
EBITDA margin	26.0	20.9	21.0	21.9
Op. margin	16.1	11.4	10.9	9.9
Net int. cover (x)	13.9	7.3	4.4	2.9

The gross margin strengthened to 41% in FY19, reflecting the positive impact of firmer pricing and locally sourced raw materials. Despite some cost pressure the operating margin was largely unchanged at FY19 and actually improved in 1H FY20. Only a higher depreciation charge as a result of the capex undertaken over the review years has contributed to a slight narrowing of the operating margin. Nevertheless, NB's earnings margins remain well above the industry average, and the company is confident that earnings margins may strengthen further as efficiency initiatives are implemented.

Finance charges have risen since FY17, reflecting the greater utilisation of debt in the high interest rate environment. Combined with fairly flat earnings, net interest coverage as well as EBITDA coverage of debt thus moderated to 4.4x and 8.5x at FY19, before declining to 2.9x and 6.4x at 1H FY20 respectively, albeit still strong.

While cost pressures have reduced due to improved cost optimization, NB needs to expand the top line to take advantage of the capex work done in recent years for earnings improvement. Nevertheless, the Group remains highly profitable, with robust cash flows that continue to support the current rating.

Cash flow

Cash generation by operations remained at N51.8bn in FY19, having declined from historical levels in line with EBITDA.

Table 5: Movement in working capital (N'm)	**FY17**	**FY18**	**FY19**	**1H FY20**
Inventories	(11,484)	10,222	(6,014)	(1,525)
Trade receivables	(384)	(8,737)	5,495	(708)
Trade payables	9,366	5,751	(7,587)	(10,617)
Operating WC release/(absorption)	(2,502)	7,237	(8,105)	(12,850)
Other receivables and prepayments	891	(1,473)	5,992	(12,425)
Other payables and accruals	17,365	(11,496)	645	10,287
Total Non-Operating WC	18,256	(12,969)	6,637	(2,139)
Movement in WC	**15,754**	**(5,732)**	**(1,469)**	**(14,988)**

A significant portion of trade payables was settled in FY19, which combined with the replenishment of inventories contributed to working capital pressure. This was mitigated by an increased focus on collections, contributing to a lower overall absorption of N1.5bn at FY19. However, the operating absorption again spiked in 1H FY20, exacerbated by prepayments for short term leases, excise duties and other expenses. Other receivables and prepayments include advances to suppliers. The outstanding balance of amount due to related parties (largely Heineken and other group entities) of N13.9bn at FY19 (1H FY20: N20bn) is non-interest bearing, but needs to be settled within the next 12-months.

Overall, cash flow from NB's operations rose by c.N6bn to N31.6bn in FY19, albeit off a much lower base relative to the highs of FY15-17. As this was insufficient to meet capex costs, an additional loan of N10.6bn was raised which saw net operating cash flow coverage of debt moderated to 57% (FY18: 61%). NB has paid dividend in all years under review. Given the substantial production infrastructure NB owns, expansionary capex has reduced over the years, with capex costs relating mainly to returnable packaging materials, which are critical to driving business volumes.

Funding profile

Over 70% of NB's total assets comprise fixed assets reflecting the capital intensive nature of its business. These assets have primarily been funded through equity, whilst the high working capital requirement has been covered through various debt instruments and payables.

GCR's methodology focuses on tangible asset value by excluding intangibles assets, but given the importance of brands to NB (which have been valued between N95bn and N100bn over the review period), cognisance is taken of both the reported equity and tangible equity, as detailed in Table 6.

Table 6: Funding profile (N'm)	**FY17**	**FY18**	**FY19**	**1H FY20**
Equity as per AFS	178,298	166,828	167,750	160,892
Less: Intangible (including goodwill)	98,277	97,136	96,466	95,824
Tangible equity	80,021	69,693	71,284	65,068
Short term debt	**471**	**11,185**	**16,826**	**112,737**
Long term debt	**8,000**	**31,412**	**38,893**	**26,617**
Total debt	**8,471**	**42,597**	**55,720**	**139,354**
Cash	(15,867)	(14,793)	(6,361)	(57,103)
Net debt	**(7,396)**	**27,804**	**49,358**	**82,251**
Key ratios (%):				
Total debt: tangible equity	10.6	61.1	78.2	214.2
Net debt: tangible equity	(9.2)	39.9	69.3	126.4
Total debt: EBITDA	9.4	62.9	82.0	209.7
Net debt: EBITDA	(8.2)	41.0	72.7	123.8
Total debt: reported equity*	0.1	0.3	0.4	1.8
Net debt: reported equity*	(0.0)	0.2	0.3	1.1

*Using actual equity as per AFS.

Gross debt increased substantially to above N139bn at 1H FY20. Of this, N87bn was raised under a N100bn CP programme to support short term funding requirements and refinance expensive bank loans. While a portion of the existing bank loans has been paid down from the proceeds of the CP, short term bank debt remains high at 1H FY20. There are discussions with short term lenders to reduce this further. Management has indicated that NB will continue to utilise its CP programme to support its funding requirements given the favourable interest rates. However, the much higher gross debt and substantial shift to short tenured funding, has introduced refinancing risk into the business, which could translate into liquidity shortfalls if there are market disruptions. To mitigate this risk, NB is in discussions with its bank funders to extend the tenure of its revolving facilities to 2022 and also secure longer term government facilities support.

The existing revolving facilities are long term loans obtained from five Nigerian commercial banks with an aggregate facility limit of N66bn (each having not more than 90-day maturity). The facilities are governed by a common terms agreement executed in 2016, whereby each bank has approved credit lines. Each of the credit lines has a one year revolving tenor, which is committed five years. The Group may, however, by a five-day written notice prior to the anniversary of the final maturity date of the loans, rollover any outstanding loans. Notwithstanding that the facilities stretch over a five-year period, the debt is mainly short term in nature.

The substantial increase in debt post year-end FY19 saw annualised net debt to EBITDA jump to c.124% at 1H FY20, with gross debt to EBITDA at c.210%. While the ratios are likely to remain elevated into FY21, GCR still considers it to be in the intermediate range. Similarly, while net debt to EBITDA has fallen, EBITDA coverage of net interest of 6.41x implies there remains sufficient headroom to absorb some earrings pressure, whilst comfortably meeting all financial obligations. Thus, the key area of concern is the significant weighting of debt to the short term. Moreover, NB will need to demonstrate that it can manage a more highly geared balance sheet amidst the COVID-19 related disruptions and the weakness in the Nigerian economy, which may impact the Company's sales volumes and cash flows by FY20.

Nigerian Breweries Plc

(Naira in millions except as noted)

Statement of comprehensive Income	31 December	2015	2016	2017	2018	2019	1H 2020^
Turnover		293,905.8	313,743.1	344,527.2	324,388.5	323,007.5	151,809.8
EBITDA		**90,592.7**	**82,644.8**	**89,655.3**	**67,746.5**	**67,918.9**	**33,221.1**
Depreciation and amortisation		(28,363.6)	(29,741.6)	(34,126.9)	(30,857.4)	(32,730.1)	(18,174.8)
Operating income		**62,229.2**	**52,903.2**	**55,528.5**	**36,889.1**	**35,188.8**	**15,046.3**
Net finance charge		(5,601.8)	(3,564.6)	(3,990.8)	(5,043.3)	(8,030.7)	(5,176.2)
Foreign exchange and fair value movements		(752.0)	(7,552.4)	(5,028.9)	(648.9)	(1,472.2)	0
Equity-accounted and investment earnings		(752.0)	(7,552.4)	(5,028.9)	(648.9)	(1,472.2)	0.0
NPBT		**55,123.3**	**34,233.7**	**41,479.9**	**30,548.0**	**24,213.8**	**9,870.1**
Taxation charge		(16,458.9)	(11,257.6)	(13,581.5)	(9,984.0)	(7,245.8)	(2,756.2)
Net profit after tax		**38,664.5**	**22,976.2**	**27,898.4**	**20,564.0**	**16,968.0**	**7,113.9**
Cash Flow Statement							
Cash generated by operations		**75,448.4**	**61,687.9**	**71,884.1**	**52,395.1**	**51,803.5**	**24,479.7**
Utilised to increase working capital		16,101.5	23,514.9	15,754.1	(5,732.3)	(1,468.7)	(14,988.3)
Net interest paid		(5,522.1)	(3,476.8)	(2,664.4)	(4,383.4)	(7,248.2)	(2,658.1)
Taxation paid		(18,922.7)	(15,048.9)	(15,587.8)	(16,492.3)	(11,474.0)	0.0
Operating cash flow		**67,105.1**	**66,677.2**	**69,386.2**	**25,787.1**	**31,612.6**	**6,833.4**
Maintenance capex*		(28,363.6)	(19,213.2)	(32,344.0)	(30,421.3)	(30,573.4)	(14,721.9)
Discretionary cash flow		**38,741.5**	**47,463.9**	**37,042.2**	**(4,634.2)**	**1,039.1**	**(7,888.5)**
Dividends paid		(32,149.0)	(36,057.8)	(24,038.9)	(29,533.9)	(20,229.4)	(5,150.9)
Retained cash flow		**6,592.5**	**11,406.1**	**13,003.3**	**(34,168.1)**	**(19,190.3)**	**(13,039.5)**
Net expansionary capex		(264.1)	0.0	0	0	0	0
Investments and other		(4,484.1)	(276.3)	0	0	0	0
Proceeds/(losses) on sale of assets/investments		247.8	264.1	106.9	294.4	171.9	6.8
Retained cash		**2,092.0**	**11,393.9**	**13,110.2**	**(33,873.7)**	**(19,018.4)**	**(13,032.6)**
Borrowings: increase/(decrease)		(2,685.4)	(4,344.4)	(9,399.7)	32,800.1	10,586.2	63,774.9
Increase/(decrease) in cash		**(593.4)**	**7,049.5**	**3,710.5**	**(1,073.7)**	**(8,432.2)**	**50,742**
Balance Sheet							
Ordinary shareholders equity		71,626.6	66,351.6	79,932.8	69,600.3	71,187.1	64,968.2
Outside shareholders equity		82.1	84.3	88.5	92.4	97.2	99.8
Total shareholders' equity**		**71,708.8**	**66,435.9**	**80,021.3**	**69,692.7**	**71,284.3**	**65,068.0**
Short term debt		22,215.0	870.6	470.9	11,185.1	16,826.2	112,737.3
Long term debt		0.0	17,000.0	8,000.0	31,412.3	38,893.3	26,617.0
Total interest-bearing debt		**22,215.0**	**17,870.6**	**8,470.9**	**42,597.4**	**55,719.5**	**139,354.3**
Interest-free liabilities		161,682.2	183,362.1	195,458.7	178,837.0	159,308.0	163,873.1
Total liabilities		**255,605.9**	**267,668.6**	**283,950.9**	**291,127.2**	**286,311.9**	**368,295.5**
Fixed assets		197,298.8	191,181.7	195,230.4	203,492.9	212,981.1	229,564.1
Investments and advances		825.9	1,927.7	1,227.7	1,350.2	801.8	1,129.5
Cash and cash equivalent		5,106.9	12,156.4	15,867.0	14,793.3	6,361.1	57,103.3
Other assets		52,374.3	62,402.8	71,625.9	71,490.8	66,167.9	80,498.6
Total assets		**255,605.9**	**267,668.6**	**283,950.9**	**291,127.2**	**286,311.9**	**368,295.5**
Ratios							
Cash flow:							
Operating cash flow : total debt (%)		302.1	373.1	819.1	60.5	56.7	9.8
Discretionary cash flow : total debt (%)		174.4	265.6	n.a	neg	1.9	neg
Profitability:							
Turnover growth (%)		10.3	6.7	9.8	(5.8)	(0.4)	(6.0)
Gross profit : revenues (%)		49.1	43.2	41.6	39.1	40.6	39.0
EBITDA : revenues (%)		30.8	26.3	26.0	20.9	21.0	21.9
Operating profit margin (%)		21.2	16.9	16.1	11.4	10.9	9.9
Coverage:							
EBITDA : gross interest (x)		14.8	20.8	21.5	12.5	8.2	6.3
EBITDA : net interest (x)		16.2	23.2	22.5	13.4	8.5	6.4
Operating income : net interest (x)		11.1	14.8	13.9	7.3	4.4	2.9
Capitalisation:							
Net debt : equity (%)		23.9	8.6	n.a	39.9	69.2	126.4
Total debt : equity (%)		31.0	26.9	10.6	61.1	78.2	214.2
Total debt : EBITDA (%)		24.5	21.6	9.4	62.9	82.0	209.7
Net debt : EBITDA (%)		18.9	6.9	n.a	41.0	72.7	123.8

*Depreciation used as a proxy for maintenance of capex expenditure.
**Net of intangible assets (including goodwill).
^unaudited half year financial statements

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the ratings are valid till February 2021.

Nigerian Breweries Plc participated in the rating process via teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Nigerian Breweries Plc.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

The information received from Nigerian Breweries Plc and other reliable third parties to accord the credit ratings included:
- 2019 audited annual financial statement, and four years historical audited annual financial statements;
- six-month management accounts to 30th June, 2020.
- Internal and/or external management reports;
- A completed rating questionnaire containing additional information on Nigerian Breweries Plc and its subsidiaries;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties; and
- Information specific to the rated entity and/or industry was also received.