GCR RATINGS

RATING ANNOUNCEMENT

GCR places Champion Breweries Plc's ratings of BBB+$_{(NG)}$ on Rating Watch Evolving

Rating action

Lagos, 17 September 2025 - GCR Ratings (GCR) has placed Champion Breweries Plc's national scale long-term and short-term issuer ratings of BBB+$_{(NG)}$ and A2$_{(NG)}$ respectively on Rating Watch Evolving.

Rated entity	Rating class	Rating scale	Rating	Outlook
Champion Breweries Plc	Long-term issuer Short-term issuer	National	BBB+$_{NG)}$ A2$_{(NG)}$	Rating Watch Evolving

Rating rationale

The Rating Watch Evolving on Champion Breweries Plc (Champion Breweries or the company) reflects potential ratings migration resulting from a proposed acquisition and expanded funding plans. Within the outlook period, stronger earnings and cashflows from the proposed brand acquisition could support a positive rating movement. Conversely, higher funding risk from the rising debt could weaken the ratings.

In August 2025, Champion Breweries announced the acquisition of the Bullet Brand of beverages from Sun Mark Limited. The acquisition will be effected through a special purpose vehicle (SPV), whereby Champion Breweries will own 80% and the current shareholder will retain a minority interest. The Bullet Brand is well-recognised and present in 14 African countries including Nigeria, Ghana, Ivory Coast, and Tanzania, with a strong earnings track record. In contrast, Champion Breweries currently operates on a much smaller scale with limited product range and geographical spread. The potential for positive rating movement therefore derives from expectations that the acquisition will materially scale Champion Breweries' operations, support operational efficiencies through its existing manufacturing facilities and enhance foreign exchange inflows, underpinning a stronger business profile. Consolidated projections also indicate a positive earnings trajectory, whereby revenue could spike to around NGN90 billion by 2026 (2024: NGN20.9 billion), at a wider operating margin of 15% (2024: 10%).

The rating watch also factors the higher risk funding profile. Champion Breweries raised a combined NGN15 billion (USD9.8 million) in July 2025 through the issuance of two series of commercial paper, well above the initial plan of NGN5 billion. The funding will largely be utilised to meet the much higher seasonal inventory requirements in the second half of the year. Consequently, gross debt increased to NGN16.7 billion as of July 2025 (M7 2025) from only NGN208 million in December 2024 which solely relates to lease liabilities.

The company also plans to raise further debt of NGN30 billion through a bond issuance to fund capital expansion, upgrades and refinance the existing commercial paper. Given that half of the bond proceeds would be used to replace existing short-term debt, we expect debt escalation to be contained, while the maturity profile of the debt book would be extended. Although some of this debt is likely to be repaid through the unwinding of working capital before financial year-end, gearing metrics will be weaker than the very low historical levels. In addition, an unsuccessful or undersubscribed equity offer could necessitate further recourse to debt funding to support the planned acquisition, placing downward pressure on leverage metrics and heightening liquidity risks.

Outlook statement

The Rating Watch Evolving reflects potential for positive or negative rating migration in the near term depending on the impact of the proposed acquisition and capital raising exercises on the company. A successful acquisition would improve the company's competitive position and diversification, as well as drive stronger earnings and cash flows. However, the new and proposed debt combined with any potential misalignment between the timing of acquisition and bond issue, could elevate refinancing and liquidity risks.

Rating triggers

The ratings could be upgraded following a successful acquisition that bolsters and diversifies earnings and stabilises cash flows and enhances the competitive position. This could support sustained strong leverage metrics amid ongoing expansion.

Conversely, a higher-than-expected debt or slow earnings post-acquisition could weaken the leverage metrics. This could also severely impact liquidity given that current cashflows are not sufficient to adequately cover expected repayments on the proposed debt.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Corporate Entities, May 2024
GCR Rating Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, September 2025
GCR Nigeria Corporate Sector Risk Scores, September 2025

Ratings history

Champion Breweries Plc

Rating class	Review	Rating scale	Rating	Outlook	Date
Long-term issuer	Initial/Last	National	BBB+(NG)	Stable	May 2025
Short-term issuer	Initial/Last	National	A2(NG)		

Glossary

Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Commercial Paper	Commercial paper is a negotiable instrument with a maturity of less than one year.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Proceeds	Funds from issuance of debt securities or sale of assets.
Rating Watch	See GCR Rating Scales, Symbols and Definitions.
Refinance	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. An SPV is normally bankruptcy/insolvency remote and created to isolate financial risk.
Upgrade	The rating has been raised on its specific scale.

Salient points of accorded rating

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; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- 2024 audited financial statements, and prior four years' annual financial statements
- Unaudited management accounts for the six months period to 30 June 2025
- Financial projections for the five-year period to 2030
- Internal and/or external management reports; and
- Industry comparative data and regulatory framework
- Exchange rate source: Central Bank of Nigeria. Closing exchange rate as of July 2025: USD1.00 =NGN1,534

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