Nigerian Breweries Plc

Issuer Rating

Aa

This is a company that possesses very strong financial condition and very strong capacity to meet local currency obligations as and when they fall due.

Outlook: Stable
Issue Date: July 2016
Expiry Date: 30 June 2017
Previous Rating: Aa

Industry: Brewery

Analysts:
Olusegun Owadokun
olusegunowadokun@agusto.com

Isaac Babatunde
isaacbabatunde@agusto.com

Agusto & Co. Limited
UBA House (5th Floor)
57, Marina
Lagos
Nigeria

www.agusto.com

Rating Rationale

Agusto & Co. hereby affirms the **"Aa"** rating assigned to Nigerian Breweries Plc ("Nigerian Breweries", "NB" or "the Company"). The rating is based on Nigerian Breweries' good profitability, strong cash flow and low leverage position. The rating is also supported by the Company's dominant Industry position as well its stable, experienced & highly qualified management team. However, the Company's rating is moderated by inadequate working capital.

Nigeria Breweries is Nigeria's leading alcoholic and non-alcoholic beverage manufacturer with dominant position in various segments of the alcoholic and non-alcoholic market in the country. The Company accounts for over two-third of the Nigerian Brewery Industry's market share.

During the financial year ended 31 December 2015, the Company' turnover grew by 10% on the back of enlarged product offerings underpinned by the merger with Consolidated Breweries. Although NB's operating profit and profit before tax margins declined slightly to 21% and 18.5% respectively during the period due to higher operating costs, the Company's profit margins are still higher than our benchmarks. In addition, Nigerian Breweries recorded an impressive pre-tax return on equity (ROE) of 31.7% (2014: 43.2%), which is significantly higher than the average yield on treasury certificate in the same period.

In the period under review, Nigerian Breweries' three-year operating profit margin and operating cash flow as a percentage of sales at 23% and 33% respectively, exceeded our expectations. On account of the favourable terms of trade with its customers and suppliers, the Company has consistently recorded financing surpluses over the last three years. However, NB's long term funds were insufficient to cover the long term assets leading to a long-term financing need; hence the Company recorded working capital deficiency of ₦17 billion which was financed with short term borrowings during the year under review. Subsequent to the year end, Nigerian Breweries renewed its five-year medium term revolving facilities subject to a limit of ₦66 billion to meet any anticipated long-term financing requirements. NB's interest cover of 12 times and interest expense to sales ratio at 2.1% are both in line with our expectations.

In spite of the difficult operating environment, Nigerian Breweries' unaudited accounts for the three months period ended 31 March 2016 (Q1 2016 results) showed a 10.8% increase in turnover to ₦77.5 billion over the previous corresponding quarter of 2015 due mainly to higher sales recorded during the festive Easter period. This resulted in a profit before tax margin of 19.3% during the quarter. In the same quarter, the Company's working capital deficiency improved, dropping by 35.9% to ₦10.97 billion.

Agusto & Co expects the Company's financial condition to remain strong on account of its market leadership position; the continued drive at further backward integration to substitute imported raw materials with local production; and expected benefits from economies of scale occasioned by the merger with Consolidated Breweries as well as increase in product offerings especially in the value segment.

Based on the above, we hereby attach a **stable** outlook to Nigerian Breweries Plc.

Figure 1: Strengths, Weakness and Challenges

Strengths

- Well established and diverse portfolio of high quality brands
- Increase in product offerings especially in the value segment
- Strong parental support of Heineken N.V Group
- Qualified & experienced management team
- Market leadership
- Good profitability
- Good cash flow
- Low leverage

Weakness

- Inadequate working capital

Challenges

- Tougher operating environment
- Increased cost of raw materials due to Naira devaluation
- Rising inflation leading to decline in consumers' effective disposable income.
- Increased competition due to the entry of SAB-Miller

Company Profile

Incorporated in 1946, Nigerian Breweries Plc is the pioneer and largest brewing company in Nigeria, accounting for over two-third of the Brewery Industry's market. Quoted on the Nigerian Stock Exchange (NSE) in 1973, Nigerian Breweries is the second most capitalised stock on the NSE with a market capitalisation of ₦1.09 trillion[1]. The Company's main shareholder is Heineken N.V Group of the Netherlands, one of the largest brewing companies in the world. The Group holds majority shareholding of 54.29%, while private individuals and other institutional investors collectively hold the balance of 45.71%.

Since June 1949, when the first bottle of Star lager beer was produced at the Lagos brewery bottling lines, the Company has expanded rapidly through both construction of new breweries and acquisition of old ones to eleven breweries and two malting plants across Nigeria. The premier Lagos brewery has undergone several optimization processes and is currently one of the most modern brewing houses in Nigeria. Since its commissioning in 2003, Ama Brewery (Enugu State) has maintained its position as the biggest and most modern brewery in the country. Imagbon (Ogun State), Awo-Omamma (Imo State) and Makurdi breweries were added to the fold on account of the merger with Consolidated Breweries Plc in 2012. Table 1 summarises the Company's list of breweries and plants in the country including their year of commissioning or acquisition.

Table 1: List of Breweries and Malting Plants in Nigeria

S/N	Brewery	Year of Commissioning/Acquisition
1.	Lagos Brewery	1949
2.	Aba Brewery	1957
3.	Kudenda Brewery, Kaduna	1963
4.	Ibadan Brewery	1982
5.	Ama Brewery, Enugu State	2003
6.	Aba Malting Plant	2008
7.	Ota Brewery (acquired from Sona Group)	2011
8.	Kakuri Brewery, Kaduna (acquired from Sona Group)	2011
9.	Onitsha Brewery (acquired from Life Breweries)	2011
10.	Kaduna Malting Plant (acquired from Sona Group)	2012

[1] Based on NB's share price as at 30 June 2016.

11.	Imagbon, Ijebu-Ode Brewery (merger with Consolidated Breweries)	2014
12.	Makurdi Brewery (merger with Consolidated Breweries)	2014
13.	Awo-Omamma Brewery, Imo State (merger with Consolidated Breweries)	2014

Source: Nigerian Breweries Plc management presentation

The Company manufactures a rich portfolio of high quality alcoholic and non-alcoholic products categorised into premium, mainstream and value brands. Nigerian Breweries currently has 19 brands in its product portfolio and these brands cut across the lager, stout, malt, ready-to-drink, carbonated soft drinks and energy drink segments. Most of the brands are the undisputed market leader in their segmented markets. The premium, mainstream and value brands are all sold nationwide. In line with Nigerian Breweries' corporate strategy for product innovation, the Company launched the following new products in 2015, namely: premium apple cider, Strongbow (Gold Apple), Star Triple X, Ace Roots and Ace Rhythm.

Although the Company has an export business which dates back to 1986, sales from export account for only 1% of total revenue. The current export destinations are the United Kingdom, the Netherlands, United States of America, other parts of Africa as well as part of the Middle East and Asia.

In order to ensure efficient and seamless distribution of its products, Nigerian Breweries has sales offices and depots spread across the country and this is complemented with an extensive network of key distributors, wholesalers, bulk breakers and retail stores scattered nationwide. The Company's major competitors are Guinness Nigeria Plc and SAB-Miller.

Nigerian Breweries Plc's corporate head office is situated at 1, Abebe Village Road, Iganmu, Lagos. The Company has a sixteen-member Board of Directors consisting of nine Non-Executive Directors and seven Executive Directors. The Company's Board is headed by Chief Kolawole Jamodu as Chairman, while the management team is led by Mr. Nicolaas A. Vervelde. There were no changes to the Board during the year under review.

Table 2 - Current Directors

Chief Kolawole B. Jamodu (CFR)	Chairman
Mr. Nicolaas A. Vervelde	Managing Director/CEO
Mr. Mark P. Rutten	Finance Director
Mr. Hendrik A. Wymenga	Technical Director
Mr. Franco Maggi	Marketing Director
Mr. Hurbert I. Eze	Sales Director
Mr. Victor Famuyibo	Human Resource Director
Mr. Roland Pirmez	Non-Executive Director
Chief Samuel O. Bolarinde	Non-Executive Director
Dr. Obadiah Mailafia	Non-Executive Director
Mrs. Ndidi O. Nwuneli, MFR	Non-Executive Director
Mr. Olusegun S. Adebanji	Non-Executive Director
Mr. Atedo N. Peterside	Non-Executive Director
Mr. Sijbe Hiemstra	Non-Executive Director
Mrs. Ifueko M Omoigui-Okauru	Non-Executive Director
Mr. Uaboi G. Agbebaku	Company Secretary/Legal Adviser

Source: Nigerian Breweries Plc 2015 annual report and management presentation

As at 31 December 2015, Nigerian Breweries' total assets amounted to ₦356.7 billion (2014: ₦349.7 billion). The Company generated a turnover of ₦293.9 billion and recorded a profit after tax of ₦38 billion during the financial year ended 31 December 2015. NB had an average staff strength of 3,777 (2014: 3,048 persons).

Table 3 - Background Information

Authorized Share Capital:	₦4 billion
Paid-up Capital:	₦3.96 billion
Shareholders' Funds:	₦172.23 billion
Registered Office:	Iganmu House, 1 Abebe Village Road, Iganmu, Lagos
Principal Business:	Brewery
Auditors:	Akintola Williams Deloitte Professional Services

Source: Nigerian Breweries Plc 2015 annual report

FINANCIAL CONDITION[2]

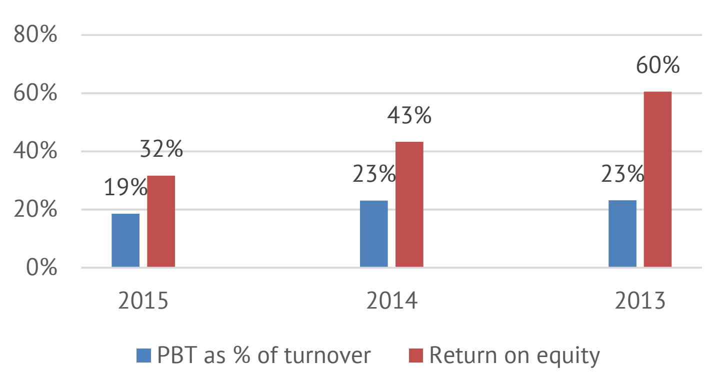
ANALYSTS' COMMENTS

PROFITABILITY

Nigerian Breweries Plc produces a wide range of products including the premium Heineken, Star Lager, Gulder, Legend Stout, Maltina, Amstel Malt and Fayrouz among others. The Company's revenue is predominantly derived from Nigeria with export sales accounting for only about 1% of turnover in 2015.

During the year ended 31 December 2015 (FYE 2015), NB's revenue rose from ₦266.4 billion to ₦293.9 billion, representing an increase of 10% despite the challenging macro-economic environment that prevailed during the period. The revenue growth was attributed to the enlarged product offerings following the conclusion of the Company's merger with Consolidated Breweries.

Figure 2: PBT to Sales & Return on Equity



Of the five major raw materials used in production by Nigerian Breweries, only Barley Malt is being imported and this constitutes less than a third of total input costs. This implies that the Company is partially exposed to the prevalent foreign exchange volatility which characterised the review period. NB's cost of sales to turnover ratio increased marginally from 49.1% in 2014 to 51.5% in 2015 despite the increased cost of raw materials occasioned by Naira devaluation. This resulted in a slight drop in gross profit to 48.5% in 2015, which is still better than our benchmark.

During the year ended 31 December 2015, NB's operating expenses, which constituted 27.4% of turnover, comprised marketing & distribution expenses (56%) and administrative expenses (44%). The Company recorded an operating profit margin of 21% (2014: 24.5%), which is above our expectation. Guinness Nigeria Plc (NB's closest rival in the Industry) posted an operating margin of 13% for the financial year ended 30 June 2015[3].

During the same period, NB's other expenses (net), which consisted of expenses on employees benefits, foreign exchange losses, scrap sales and finance income, amounted to ₦1.1 billion (0.4% of turnover),. Although the Company's profit before interest and tax declined by 6.8% to ₦60.7 billion during the period under review, its profit before interest & tax margin remains strong at 20.6%.

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[2] Please note that the figures quoted in this section are based on our analysis of Nigerian Breweries' 2015 Annual Report & Accounts
[3] All figures quoted for Guinness Nigeria Plc relate to its 2015 financial report for the year ended 30 June 2015

In the same period under review, NB's interest expense rose by almost 70% to ₦6.2 billion on account of the significant spike in short-term borrowings (the Company issued three tranches of commercial papers amounting to ₦19.6 billion in the last quarter of 2015). In spite of this, interest expense as a percentage of revenue ratio was 2.1% (2014: 1.4%), which is within our benchmark. This resulted in a profit before tax margin of 18.5% in 2015 (2014: 23.1%), which is also higher than our threshold. In comparison, Guinness posted a profit before tax of 9.1% during the FYE 2015.

In FYE 2015, Nigerian Breweries recorded a three-year weighted average return on assets (ROA) and average return on equity of 19% and 37% respectively, which are both in line with our expectations. Guinness Nigeria Plc's three-year weighted average ROA and ROE for the FYE 2015 were 14% and 26% respectively.

Nigerian Breweries' unaudited accounts for the three months period ended 31 March 2016 (Q1 2016 results) indicated a 10.8% increase in turnover to ₦77.5 billion over the corresponding period in 2015. This is attributed principally to higher sales during the festive Easter period. Despite the prevailing challenging operating environment, the Company still recorded an impressive profit before tax of ₦15 billion, representing 19.3% of turnover during the quarter.

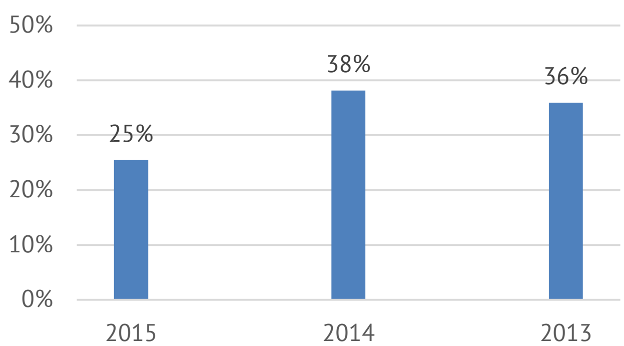
In our opinion, we anticipate that Nigerian Breweries' profitability indices will reduce slightly on the back of the higher operating costs but remain strong going forward based on its clear market leadership position, diversified product offerings as well as further future cost savings derivable from the sourcing of higher proportion of raw materials locally.

Based on the afore-mentioned, Nigerian Breweries has good profitability.

CASH FLOW

Nigerian Breweries largely operates on the basis of cash sales and only grants credit to major distributors based on strict qualifying criteria. On the other hand, the Company enjoys favourable terms of trade with its key suppliers.

Figure 3: OCF/sales ratio



During the year ended 31 December 2015, NB recorded a 26.3% drop in operating cash flow (OCF) to ₦74.8 billion. The reduction in OCF was mainly driven by massive decline in other creditors & accruals leading to a 77.8% drop in cash realised from spontaneous financing to ₦4.5 billion. The Company's 2015 OCF was sufficient to pay returns to providers of finance of ₦38.6 billion, comprising interest (16%) and dividend (84%). The net OCF was however not adequate to cover estimated mandatory capital expenditure during the year under review.

Over the last three years (2013 - 2015), Nigerian Breweries recorded cumulative OCF of ₦272.9 billion, which was sufficient to cover payments to providers of finance amounting to ₦111.3 billion. The three-year cumulative net OCF of ₦161.6 billion was sufficient to cover both estimated mandatory capital expenditure of ₦139.2 billion and cumulative amortized estimated loan principal of ₦11.2 billion, leaving a balance of ₦11.2 billion.

Although Nigerian Breweries' OCF to sales ratio dropped from 38% to 25% during the year under review, the ratio is still higher than our benchmark. In addition, the Company's OCF to sales ratio averaged 33% in the last three years (2013 – 2015).

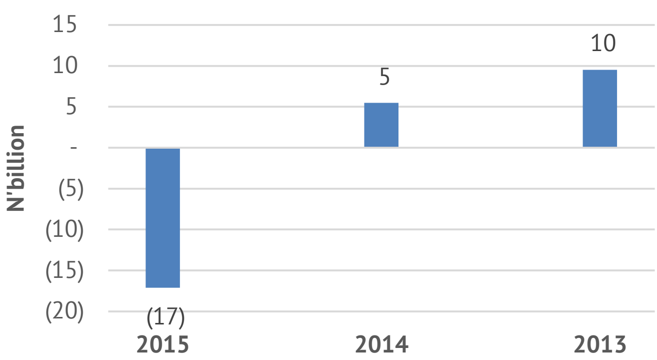
In our view, the Company's cash flow position is good and sustainable.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2015, Nigerian Breweries had working assets of ₦42 billion, which represented a slight increase of 2.8% from prior year. This was attributable to significant spike in FX purchased for import which rose from ₦364 million in 2014 to ₦2.2 billion in 2015. Stocks constituted more than half (53%) of total working assets, while trade debtors (28%) and other debtors & prepayments (12%) accounted for majority of the balance as at that date.

NB's spontaneous financing which consisted predominantly of trade creditors (35%), deferred taxation/tax payable (32%) and other creditors & accruals (9%), rose by 6.1% to close at ₦162.3 billion as at FYE 2015. As at the end of the period under review, Nigerian Breweries' spontaneous financing was sufficient to cover working assets, leaving a short term financing surplus of ₦120.2 billion. Over the last three years (2013-2015), the Company has consistently recorded short term financing surpluses.

Figure 4: Working capital surplus/ (deficiency)



As at 31 December 2015, the Company's long term assets amounted to ₦309.5 billion. As at the same date, NB's long term funds of ₦172.2 billion, comprising wholly of equity, were insufficient to finance the long term assets, leaving a long term financing need of ₦137.3 billion. Over the last three years, Nigerian Breweries has persistently recorded long term financing need due largely to the limited use of long-term borrowings.

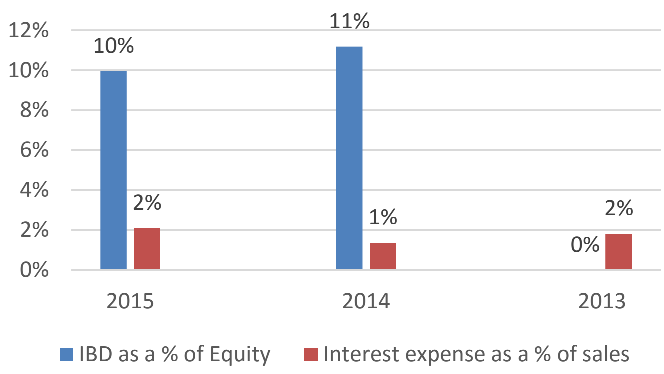
Consequently, Nigerian Breweries' short term financing surplus of ₦120.2 could not cover the long term financing need of ₦137.3 billion, resulting in a working capital deficiency of ₦17.1 billion as at the end of the FYE 2015. The deficiency was covered with short term borrowings (issuance of three tranches of commercial papers in the last quarter of 2015).

Subsequent to the year end, Nigerian Breweries' working capital deficiency had dropped by 35.9% to ₦10.97 billion as at end of Q1 2016. In addition, the Company renewed its 5-year revolving medium term facilities with commercial banks with a limit of ₦66 billion to meet any future long-term financing requirements.

LEVERAGE

As at December 2015, Nigerian Breweries Plc's total liabilities which rose by 3.8% over prior year stood at ₦184.4 billion. The surge in total liabilities was driven largely by increase of 6% in non-interest bearing liabilities (NIBL) over preceding year. As at the same date, non-interest bearing liabilities accounted for a larger chunk of total liabilities (88%), while interest bearing liabilities (IBL) made up the balance of 12%.

Figure 5: IBD/equity ratio & interest expense as a % of sales



As at 31 December 2015, Nigerian Breweries' non-interest bearing liabilities comprises largely trade creditors (35%), deferred taxation/tax payable (32%) and other creditors & accruals (9%). As at the same date, NB's interest bearing debt (IBD) consisted wholly of short-term borrowings. Consequently, the Company's IBD to equity ratio of 10% as at end of the review period was low.

During the FYE 2015, Nigerian Breweries' interest expense to sales ratio rose to 2.1% (2014: 1.4%) due to increase in short-term borrowings during the period. However, the Company's operating cash flow was sufficient to cover interest expense 12 times, which is higher than our threshold. As at 31 December 2015, NB's net debt (total debt less cash) as a percentage of average total assets, which stood at 52% (2014: 59%), is in line with our expectation.

In our opinion, Nigerian Breweries has a low leverage.

OWNERSHIP, MANAGEMENT & STAFF

As at 30 June 2016, Nigerian Breweries' issued and fully paid-up share capital was 7,929,100,888 ordinary shares of 50 kobo each. The Heineken N.V Group had a majority shareholding of 54.29%. The Group is not only the leading brewer in Europe but is also the brewer with the widest global reach. The balance of 45.71% was held by other individuals and institutions. We note that the ownership structure is fairly diversified.

NB's sixteen-member Board of Directors is chaired by Chief Kolawole Jamodu, while Mr. Nicolaas A. Vervelde serves as the Managing Director/Chief Executive Officer. The Company's senior management team is composed of seven members with very deep experience within the Heineken Group, having been with the Group for an average of over twenty years. During the year ended 31 December 2015, there were very few changes to the management team and these minor changes were basically redeployments within the Group. In our view, the management team is highly qualified, experienced and stable.

Nigerian Breweries Plc's human resources policy, which is guided by international standard best practices, is centred on the recruitment, reward, training and retention of capable and competent staff members without consideration for race, gender and faith. The Company has an exchange programme with Heineken International which affords staff members with opportunities for cross-border exposures and experience.

In the year under review, NB's staff strength rose by 24% to 3,777 persons following the merger of the Company with Consolidated Breweries. Average staff cost per employee increased modestly by 6.5% to ₦10.1 million due to the severance packages paid to laid-off staff on account of the merger during the year. Net earnings contribution per staff dipped by 14% to ₦26.4 million over prior year. However, net earnings contribution per staff is almost 3 times the average staff cost per employee, which in our view is satisfactory.

Management Team

Mr. Nicolaas A. Vervelde has been the Managing Director and Chief Executive Officer of Nigerian Breweries Plc since 1 August 2010. He had previously served as a Non-Executive Director of the Company between 2001 and 2003. Mr. Vervelde started his career with Heineken in 1984 and has held increasingly senior management positions in commercial and general management functions in Europe, Africa, Bahamas, Caribbean and Central America. Until his current appointment, he was the Managing Director for Heineken Caribbean, Central America and Latin America.

Table 4: Other members of the senior management team of Nigerian Breweries Plc

Mr. Mark P. Rutten	Finance Director
Mr. Hendrik Wymenga	Technical Director
Mr. Franco Maggi	Marketing Director
Mr. Hubert Eze	Sales Director
Mr. Victor Famuyibo	Human Resources Director
Mr. Henk Van Rooijen	Director of Logistics

Source: Nigerian Breweries Plc 2015 annual report and management presentation

OUTLOOK

The Nigerian Beverage sub-sector[4] comprising beer, carbonated soft drinks, packaged juice, spirit, wine and other ready-to-drink beverages had witnessed significant compound annual growth rate of 7% in the last ten years prior to 2014[5], driven largely by improving disposable income, rising middle class and favourable demographics. However, given the difficult macroeconomic climate in the last two years occasioned by the plunge in global oil prices, the Industry's growth has slowed down due to the increasing cost of living, slower rate of growth in discretionary income and security challenges in the North-Eastern part of the country.

In spite of these challenges, the Industry still portends huge potentials. The Nigerian beer market is the second largest in Africa after South Africa. Beer is the most popular alcoholic beverage in Nigeria, accounting for over 90% of alcoholic sales in the country. Nevertheless, Nigeria's beer per capita consumption is very low at 11.8 litres compared to South Africa's 60 litres[6]. Hence, there still exists enormous potential for growth in the Industry, particularly in the low cost-value segment.

As the market leader, Nigerian Breweries is well positioned to take advantage of the inherent opportunities in the Industry through both organic and inorganic expansions as well as improving route to customer. The Company concluded its merger with Consolidated Breweries in December 2014. NB also commissioned the 1.2 mhl capacity expansion at Aba Brewery in January 2015. This growth drive through existing plant expansions in addition to mergers & acquisitions is expected to result in benefits from increased economies of scale, enhance operating and administrative efficiencies as well as deepen the Company's presence especially in the value segment.

During the year under review, Nigerian Breweries issued three Commercial Papers (CPs) with nominal face values of ₦9.2 billion, ₦8.5 billion and ₦1.9 billion having durations of 90, 182 and 269 days respectively at single digit discount rates. The CPs were used to fund working capital requirements as well as refinance the relatively more expensive bank borrowings. While the first two initial issuances have been fully redeemed, NB raised two new tranches of ₦11.5 billion (180 days) and ₦0.47 billion (265 days) in April 2016 at equally single digit interest rates. Agusto & Co. believes the benefits derivable from reduced borrowing costs will translate into improved profit margins in 2016.

As at 31 December 2015, the Company's financing structure was composed entirely of short-term borrowings following the expiration and redemption of its long-term borrowings. This mainly accounted for NB's working capital deficiency during the year under review. In order to address the deficiency, Nigerian Breweries renewed its 5-year revolving medium term facilities with commercial banks with a cap of ₦66 billion in May 2016. In our opinion, Nigerian Breweries' working capital inadequacy will persist unless the Company convert some portion of its short-term borrowings to long-term debts.

Subsequent to the FYE 2015, Nigerian Breweries' unaudited accounts for the three months period ended 31 March 2016 (Q1 2016 results) indicated a 10.8% increase in turnover to ₦77.5 billion over corresponding period in 2015. This is attributed principally to higher sales during the festive Easter period. Despite the

[4] The Brewery is categorised under the sub-sector
[5] Nigerian Breweries Pl's management presentation
[6] Ibid

prevailing challenging operating environment, the Company still recorded an impressive profit before tax of ₦15 billion, representing 19.3% of turnover during the quarter.

Agusto & Co anticipates that Nigerian Breweries' operating expenses will rise in the short term due to the devaluation of the Naira. However, we expect the Company's financial condition to remain strong on account of its market leadership position; the continued drive at further backward integration aimed at substituting imported raw materials with local production; expected benefits from economies of scale occasioned by the merger with Consolidated Breweries; and the enlarged product offerings especially in the value segment.

Based on the above, we have attached a **stable** outlook to Nigerian Breweries Plc.

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION	31-Dec-15		31-Dec-14		31-Dec-13	
	₦'000		₦'000		₦'000	
ASSETS						
IDLE CASH	5,105,713	1.4%	5,699,079	1.6%	9,528,848	3.8%
MARKETABLE SECURITIES & TIME DEPOSITS						
CASH & EQUIVALENTS	**5,105,713**	**1.4%**	**5,699,079**	**1.6%**	**9,528,848**	**3.8%**
FX PURCHASED FOR IMPORTS	2,233,797	0.6%	364,674	0.1%	136,818	0.1%
ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS						
STOCKS	22,257,253	6.2%	22,341,593	6.4%	16,798,073	6.6%
TRADE DEBTORS	11,719,662	3.3%	11,293,928	3.2%	8,035,165	3.2%
DUE FROM RELATED PARTIES	742,304	0.2%	434,509	0.1%	1,985,041	0.8%
OTHER DEBTORS & PREPAYMENTS	5,091,462	1.4%	6,451,218	1.8%	4,956,444	2.0%
TOTAL TRADING ASSETS	**42,044,478**	**11.8%**	**40,885,922**	**11.7%**	**31,911,541**	**12.6%**
INVESTMENT PROPERTIES	4,177,379	1.2%	4,208,816	1.2%		
OTHER NON-CURRENT INVESTMENTS	829,625	0.2%	829,625	0.2%	150,000	0.1%
PROPERTY, PLANT & EQUIPMENT	197,108,847	55.3%	193,569,624	55.4%	153,366,133	60.7%
SPARE PARTS, RETURNABLE CONTAINERS, ETC	6,152,450	1.7%	6,136,866	1.8%	3,845,080	1.5%
GOODWILL, INTANGIBLES & OTHER L T ASSETS	101,288,631	28.4%	98,346,852	28.1%	53,958,031	21.3%
TOTAL LONG TERM ASSETS	**309,556,932**	**86.8%**	**303,091,783**	**86.7%**	**211,319,244**	**83.6%**
TOTAL ASSETS	**356,707,123**	**100.0%**	**349,676,784**	**100.0%**	**252,759,633**	**100.0%**
Growth	*2.0%*		*38.3%*		*-0.3%*	
LIABILITIES & EQUITY						
SHORT TERM BORROWINGS	22,214,988	6.2%	230,380	0.1%		
CURRENT PORTION OF LONG TERM BORROWINGS						
LONG-TERM BORROWINGS	-		24,670,000	7.1%	9,000,000	3.6%
TOTAL INTEREST BEARING LIABILITIES (TIBL)	**22,214,988**	**6.2%**	**24,900,380**	**7.1%**	**9,000,000**	**3.6%**
TRADE CREDITORS	56,981,985	16.0%	51,695,706	14.8%	47,821,328	18.9%
DUE TO RELATED PARTIES	14,736,561	4.1%	8,550,842	2.4%	11,385,638	4.5%
ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS						
OTHER CREDITORS AND ACCRUALS	14,107,127	4.0%	23,569,778	6.7%	10,625,683	4.2%
TAXATION PAYABLE	20,215,330	5.7%	22,944,629	6.6%	24,086,538	9.5%
DIVIDEND PAYABLE	12,399,599	3.5%	7,563,291	2.2%	6,376,528	2.5%
DEFERRED TAXATION	31,914,564	1.0%	27,833,732	1.0%	21,830,000	1.0%
OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES	11,903,504	3.3%	10,735,596	3.1%	9,274,733	3.7%
MINORITY INTEREST						
REDEEMABLE PREFERENCE SHARES						
TOTAL NON-INTEREST BEARING LIABILITIES	**162,258,670**	**37.5%**	**152,893,574**	**36.8%**	**131,400,448**	**44.3%**
TOTAL LIABILITIES	**184,473,658**	**51.7%**	**177,793,954**	**50.8%**	**140,400,448**	**55.5%**
SHARE CAPITAL	3,964,551	1.1%	3,781,353	1.1%	3,781,353	1.5%
SHARE PREMIUM	64,950,103	18.2%	65,133,301	18.6%	4,567,967	1.8%
IRREDEEMABLE DEBENTURES						
REVALUATION SURPLUS	365,702	0.1%	241,676	0.1%	50,114	0.0%
OTHER NON-DISTRIBUTABLE RESERVES						
REVENUE RESERVE	102,953,109	28.9%	102,726,500	29.4%	103,959,751	41.1%
SHAREHOLDERS' EQUITY	**172,233,465**	**48.3%**	**171,882,830**	**49.2%**	**112,359,185**	**44.5%**
TOTAL LIABILITIES & EQUITY	**356,707,123**	**100.0%**	**349,676,784**	**100.0%**	**252,759,633**	**100.0%**

STATEMENT OF COMPREHENSIVE INCOME	31-Dec-15		31-Dec-14		31-Dec-13	
	₦'000		₦'000		₦'000	
TURNOVER	**293,905,792**	**100.0%**	**266,372,475**	**100.0%**	**268,613,518**	**100.0%**
COST OF SALES	(151,443,890)	-51.5%	(130,788,296)	-49.1%	(132,136,476)	-49.2%
GROSS PROFIT	142,461,902	48.5%	135,584,179	50.9%	136,477,042	50.8%
OTHER OPERATING EXPENSES	(80,676,444)	-27.4%	(70,440,771)	-26.4%	(69,381,076)	-25.8%
OPERATING PROFIT	**61,785,458**	**21.0%**	**65,143,408**	**24.5%**	**67,095,966**	**25.0%**
OTHER INCOME/(EXPENSES)	(1,124,848)	-0.4%	(62,915)	0.0%	27,012	0.0%
PROFIT BEFORE INTEREST & TAXATION	60,660,610	20.6%	65,080,493	24.4%	67,122,978	25.0%
INTEREST EXPENSE	(6,152,242)	-2.1%	(3,618,672)	-1.4%	(4,882,661)	-1.8%
PROFIT BEFORE TAXATION	**54,508,368**	**18.5%**	**61,461,821**	**23.1%**	**62,240,317**	**23.2%**
TAX (EXPENSE) BENEFIT	(16,458,850)	-5.6%	(18,941,568)	-7.1%	(19,159,968)	-7.1%
PROFIT AFTER TAXATION	**38,049,518**	**12.9%**	**42,520,253**	**16.0%**	**43,080,349**	**16.0%**
NON-RECURRING ITEMS (NET OF TAX)	(837,623)	-0.3%	(415,579)	-0.2%	(1,581,984)	-0.6%
PROFIT AFTER TAX & MINORITY INTERESTS	37,211,895	12.7%	42,104,674	15.8%	41,498,365	15.4%
DIVIDEND	(37,266,774)	-12.7%	(43,485,550)	-16.3%	(22,688,113)	-8.4%
PROFIT RETAINED FOR THE YEAR	(54,879)	0.0%	(1,380,876)	-0.5%	18,810,252	7.0%
SCRIP ISSUES						
OTHER APPROPRIATIONS/ ADJUSTMENTS	281,488		147,625		203,463	
PROFIT RETAINED B/FWD	102,726,500		103,959,751		84,946,036	
PROFIT RETAINED C/FWD	102,953,109		102,726,500		103,959,751	
ADDITIONAL INFORMATION						
Staff costs (₦'000)	38,047,404		28,817,068		27,645,906	
Average number of staff	3,777		3,048		3,195	
Staff costs per employee (₦'000)	10,073		9,454		8,653	
Staff costs/Turnover	13%		11%		10%	
Capital expenditure (₦'000)	30,554,005		84,328,378		32,997,540	
Depreciation expense - current year (₦'000)	26,854,735		43,757,041		21,188,510	
(Profit)/Loss on sale of assets (₦'000)	-		-		-	
Number of 50 kobo shares in issue at year end ('000)	7,929,102		7,562,706		7,562,706	
Market value per share of 50 kobo (year-end)	13,600		16,530		16,790	
Market capitalisation (₦'000)	1,078,357,872		1,250,115,302		1,269,778,337	
Market/Book value multiple	6		7		11	
Auditors	DELOITTE		KPMG		KPMG	
Opinion	CLEAN		CLEAN		CLEAN	

CASH FLOW STATEMENT FOR Y/E	31-Dec-15	31-Dec-14	31-Dec-13
	=N='000	=N='000	=N='000
OPERATING ACTIVITIES			
Profit after tax	38,049,518	42,520,253	43,080,349
ADJUSTMENTS			
Interest expense	6,152,242	3,618,672	4,882,661
Minority interests in Group PAT	-	-	-
Depreciation	26,854,735	43,757,041	21,188,510
(Profit)/Loss on sale of assets	-	-	-
Other non-cash items	405,514	339,187	101,041
Potential operating cash flow	**71,462,009**	**90,235,153**	**69,252,561**
INCREASE/(DECREASE) IN SPONTANEOUS FINANCING:			
Trade creditors	5,286,279	3,874,378	3,201,615
Due to related parties	6,185,719	(2,834,796)	4,985,330
Advance payments and deposits from customers	-	-	-
Other creditors & accruals	(9,462,651)	12,944,095	(46,988)
Taxation payable	(2,729,299)	(1,141,909)	4,592,988
Deferred taxation	4,080,832	6,003,732	(554,550)
Obligations under unfunded pension schemes	1,167,908	1,460,863	3,308,014
Minority interest	-	-	-
Cash from (used by) spontaneous financing	4,528,788	20,306,363	15,486,409
(INCREASE)/DECREASE IN WORKING ASSETS:			
FX purchased for imports	(1,869,123)	(227,856)	1,730,078
Advance payments and deposits to suppliers	-	-	-
Stocks	84,340	(5,543,520)	4,232,625
Trade debtors	(425,734)	(3,258,763)	4,483,153
Due from related parties	(307,795)	1,550,532	1,757,216
Other debtors & prepayments	1,359,756	(1,494,774)	(384,216)
Cash from (used by) working assets	(1,158,556)	(8,974,381)	11,818,856
CASH FROM (USED IN) OPERATING ACTIVITIES	**74,832,241**	**101,567,135**	**96,557,826**
RETURNS TO PROVIDERS OF FINANCING			
Interest paid	(6,152,242)	(3,618,672)	(4,882,661)
Dividend paid	(32,430,466)	(42,298,787)	(21,959,811)
CASH USED IN PROVIDING RETURNS ON FINANCING	(38,582,708)	(45,917,459)	(26,842,472)
OPERATING CASH FLOW AFTER PAYMENTS TO			
PROVIDERS OF FINANCING	36,249,533	55,649,676	69,715,354
NON-RECURRING ACTIVITIES			
Non-recurring items (net of tax)	(837,623)	(415,579)	(1,581,984)
CASH FROM (USED IN) NON-RECURRING ACTIVITIES	**(837,623)**	**(415,579)**	**(1,581,984)**
INVESTING ACTIVITIES			
Capital expenditure	(30,554,005)	(84,328,378)	(32,997,540)
Sale of assets	160,047	367,846	791,317
Purchase of other long term assets (net)	(2,925,926)	(51,569,048)	
Sale of other long term assets (net)	-	-	87,496
CASH FROM (USED IN) INVESTING ACTIVITIES	**(33,319,884)**	**(135,529,580)**	**(32,118,727)**
CASH FLOW STATEMENT (CONT'D) FOR Y/E	31-Dec-15	31-Dec-14	31-Dec-13
	=N='000	=N='000	=N='000
FINANCING ACTIVITIES			
Increase/(Decrease) in short term borrowings	21,984,608	230,380	-
Increase/(Decrease) in long term borrowings	(24,670,000)	15,670,000	(36,000,000)
Proceeds of shares issued	-	60,565,334	-
CASH FROM (USED IN) FINANCING ACTIVITIES	**(2,685,392)**	**76,465,714**	**(36,000,000)**
CHANGE IN CASH INC/(DEC)	(593,366)	(3,829,769)	14,643
OPENING CASH & MARKETABLE SECURITIES	5,699,079	9,528,848	9,514,205
CLOSING CASH & MARKETABLE SECURITIES	**5,105,713**	**5,699,079**	**9,528,848**

STATEMENT OF CASHFLOW			
FOR THE YEAR ENDED	31-Dec-15	31-Dec-14	31-Dec-13
	₦'000	₦'000	₦'000
Operating cash flow (OCF)	74,832,241	101,567,135	96,557,826
Less: Returns to providers of finance	(38,582,708)	(45,917,459)	(26,842,472)
OCF after returns to providers of finance	36,249,533	55,649,676	69,715,354
Non-recurring items	(837,623)	(415,579)	(1,581,984)
Free cash flow	35,411,910	55,234,097	68,133,370
Investing activities	(33,319,884)	(135,529,580)	(32,118,727)
Financing activities	(2,685,392)	76,465,714	(36,000,000)
Change in cash	(593,366)	(3,829,769)	14,643
PROFITABILITY	2014	2013	2012
PBT as % of Turnover	19%	23%	23%
Return on equity	32%	43%	60%
Real sales growth	0.7%	-8.1%	-1.5%
CASH FLOW			
Interest cover (times)	12.2	28.1	19.8
Principal payback (years)	-	1.5	0.3
WORKING CAPITAL			
Working capital need (days)	-	-	-
Working capital deficiency (days)	21	-	-
LEVERAGE			
Interest bearing debt to Equity	13%	14%	8%
Total debt to Equity	107%	103%	125%

RATING DEFINITIONS

Aaa	This is the highest rating category. It indicates a company with impeccable financial condition and overwhelming ability to meet obligations as and when they fall due.
Aa	This is a company that possesses very strong financial condition and very strong capacity to meet obligations as and when they fall due. However, the risk factors are somewhat higher than for Aaa obligors.
A	This is a company with good financial condition and strong capacity to repay obligations on a timely basis.
Bbb	This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.
Bb	This refers to companies with satisfactory financial condition but capacity to meet obligations as and when they fall due may be contingent upon refinancing. The company may have one or more major weakness (es).
B	This refers to a company that has weak financial condition and capacity to meet obligations in a timely manner is contingent on refinancing.
C	This refers to an obligor with very weak financial condition and weak capacity to meet obligations in a timely manner.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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