



## GUINNESS GHANA BREWERY LIMITED

Established: 1960  
Exchange: GSE  
Listing Date: 23<sup>rd</sup> August 1991  
Ticker Symbol: GGBL  
Major Industry: Food & Beverage  
Products/Services: aerated waters  
No. of competitors on the GSE: 3

### Address of Principal Office:

Plot No 1 Block L  
Industrial Area, Kaasi  
P.O.Box 1536, Kumasi

### Registrar:

Merchant Bank,  
57 Examination Loop, North Ridge  
P.O. Box 401 Accra

### Auditor:

KPMG  
Chartered Accountants  
25 Liberia Road  
P.O. Box 242  
Accra, Ghana

### Board of directors

Chairman: Nick Blazquez  
Managing Director: Seni Adetu  
Member: Pamela Djanson-Tetty  
Member: Robert Pilkington  
Member: P.V. Obeng  
Member: Kwabena Fordwor  
Member: Joseph W. Akyeampong  
Member: Kwaku Sarfo-Mensah  
Member: Ebenezer M. Boye  
Member: Thomas Arie de Man  
Member: David Harlock  
Member: John Lloyd



**GOLD COAST**  
SECURITIES LIMITED  
*.....mastering stewardship*

## GOLD COAST SECURITIES RESEARCH COMPANY ANALYSIS

### COMPANY PROFILE AND BUSINESS OPERATIONS

Guinness Ghana Breweries Limited (GGBL) is a leading blue chip company of Ghanaian industry. Following the completion of the transaction to acquire Ghana Breweries Limited, (GBL) Guinness Ghana Limited (GGL) changed its name to Guinness Ghana Breweries Limited.

Since 2005, management has worked tirelessly at integrating the new business, and the positive outcomes are already clearly evident.

Diageo, the parent company owns 51 per cent of GGBL, and the remainder is held by a combination of offshore funds and individual shareholders. It is a star performing stock and in 2007 was among the top five best performing stocks on the Ghana Stock Exchange.

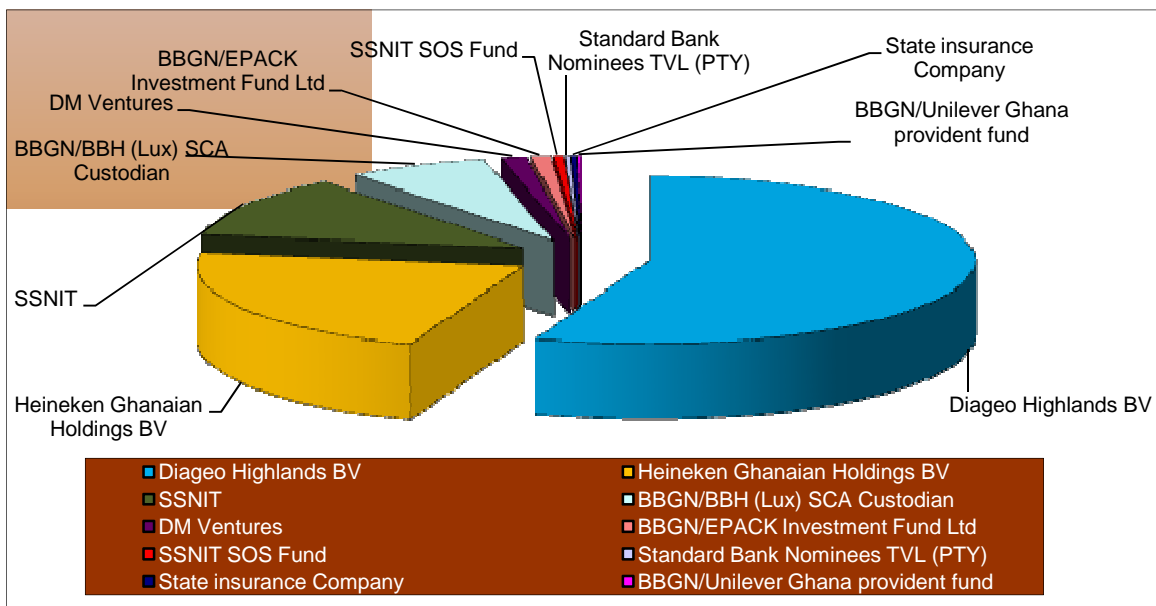
GGBL operates three Breweries: Kaasi and Ahensan in Kumasi and the Achimota Brewery in Accra.

The GGBL brand portfolio spans a wide range of both alcoholic as well as non-alcoholic beverages. All of GGBL's products are manufactured in line with the highest ISO quality standards to guarantee consumers the same rewarding taste every time they celebrate life with their products. Their brands include: Guinness Foreign Extra Stout, Star Lager, Gulder, Gordon's Spark, Smirnoff Ice, Malta Guinness, Malta Guinness Quench and Amstel Malta.

**CURRENT SHAREHOLDING STRUCTURE**

Issued/ outstanding shares: 164,671,474.00  
 Stated Capital: 26,252,000.00

Largest Shareholders (as at : 31 Dec 2008)	No. of Shares	Pct (%)	Identity
Diageo Highlands BV	83,982,452	51.0%	Foreign
Heineken Ghanaian Holdings BV	32,934,295	20.0%	Local
SSNIT	18,151,032	11.0%	Local
BBGN/BBH (LUX) SCA Custodian	10,601,722	6.4%	
DM Ventures	1,931,265	1.2%	
BBGN/EPACK Investment Fund Ltd	1,400,894	0.9%	Local
SSNIT SOS Fund	740,616	0.4%	Local
Standard Bank Nominees TVL (PTY)	423,441	0.3%	
State insurance Company	400,000	0.2%	Local
BBGN/Unilever Ghana provident fund	300,059	0.2%	Local



**Fig 1: Top ten (10) shareholders of Guinness Ghana Breweries Limited**

<b>FIVE-YEAR EARNINGS HISTORIC ANALYSIS (GH¢ )</b>					
<b>ITEMS</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Turnover	164,441,000.00	124,848,000.00	104,759,900.00	79,945,200.00	52,721,100.00
Cost of sales	100,043,000.00	80,115,000.00	60,225,700.00	46,987,300.00	30,304,200.00
Gross Profit	64,398,000.00	44,733,000.00	44,534,200.00	32,957,900.00	22,417,000.00
Selling & Admin. Expenses	36,824,000.00	23,059,000.00	22,651,000.00	17,396,400.00	13,352,500.00
Profit(Loss) before Taxation	23,082,000.00	15,199,000.00	19,053,000.00	13,579,500.00	7,731,500.00
Profit (Loss) after Taxation	16,670,000.00	14,094,000.00	15,006,200.00	10,802,200.00	7,731,500.00
Market Capitalization	329,342,948.00	202,545,914.25	152,288,180.08	127,455,721.65	209,016,600.00
Fixed Assets*	100,000,000.00	84,509,000.00	75,102,800.00	62,747,600.00	29,156,200.00
Interest Paid	5,267,000.00	5,128,100.00	3,698,300.00	2,467,000.00	2,251,500.00
Current Assets	55,403,000.00	48,118,000.00	38,595,400.00	30,877,300.00	14,114,500.00
Current Liabilities	66,006,000.00	40,347,000.00	64,787,000.00	46,336,600.00	23,578,900.00
Shareholders' Funds	62,165,000.00	60,015,000.00	51,938,200.00	43,815,300.00	13,474,400.00
Total Asset	155,403,000.00	132,627,000.00	120,271,100.00	100,197,800.00	43,270,700.00
Issued Shares	164,671,474.00	164,671,475.00	164,671,475.00	164,671,475.00	164,580,000.00
Non-Current Liabilities	27,232,000.00	28,479,000.00	3,545,900.00	10,045,900.00	8,923,600.00
Total Liabilities	93,238,000.00	54,999,000.00	68,332,900.00	56,382,500.00	32,502,500.00
Operating Cash Flow (Net)	42,033,000.00	842,000.00	5,121,100.00	21,838,800.00	12,661,900.00
Current Assets - Stock	21,842,000.00	30,685,000.00	19,950,100.00	14,640,100.00	6,231,500.00
Gross Dividend	7,986,566.49	7,064,406.28	6,883,267.66	5,944,640.25	4,937,400.00

**OPERATING PERFORMANCE**

Guinness Ghana Breweries Limited over the last five years has demonstrated their capability in generating significant revenue from the sale of their immensely patronized products. Turnover of the company has grown steadily over the last five years and it has been the largest in the food and beverages industry. However, this appreciable feat has not reflected on the companies profits as high cost of sales has hampered the company from realizing significant profits. That notwithstanding, net profits have grown gradually over the five-year period with the exception of 2007 where the rationing of energy nationally, increased the cost of power to the stout

manufacturers. This coupled with frequent interruptions in the supply of water and price inflation was felt in key cost areas such as utility costs and prices of malted barley. This resulted in the reduction of the company’s profitability that year. A quick ratio of less than 1 over the last five years signals the large amount of current liabilities GGBL carries in its books. This should however not ward of potential investors since the company’s debt-to-equity ratios (a measure of how much shareholders funds are available to off-set long-term debt) for the same period has been outstanding.



Fig. 2

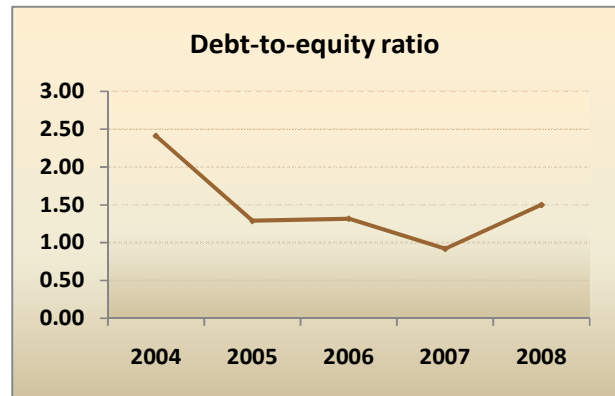


Fig. 3

**STOCK MARKET PERFORMANCE**

Following the merger of GBL and GGL in December 2004, GGBL has remained one of the most sought after stocks on the Ghana Stock exchange. Over the last five years with the exception of 2005, GGBL has outperformed several benchmarks such as the GSE All-share Index, 91 day T-bill and inflation. The market value per share of GGBL stood at GH¢ 1.27

in 2004, it then dipped to GH¢ 0.7740 during the bearish market of 2005. It gained marginally in 2006 and has been on an upward adjustment since. Shareholders have not only had their wealth increased but through capital gains but also through income growth as a result of steady growth in dividends declared.

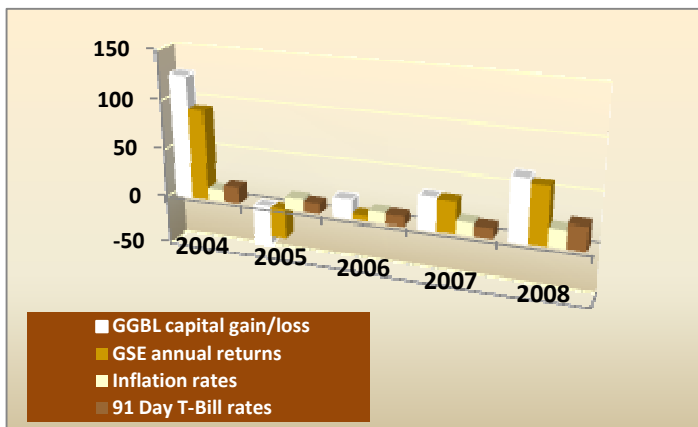


Fig. 4

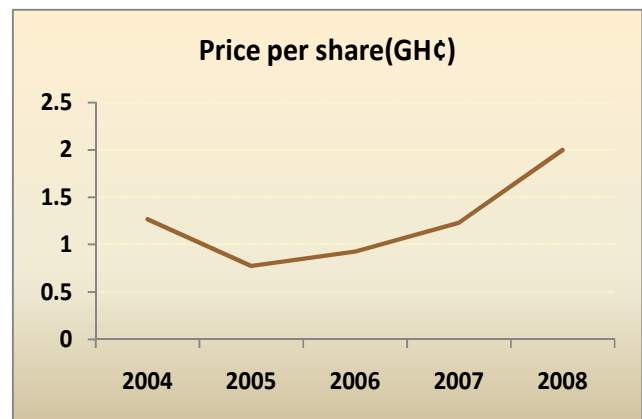


Fig. 5

## MARKET STATISTICS AND ANALYSIS

<b>RATIO ANALYSIS AND MARKET STATISTICS</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Gross Profit Margin (%)	39%	36%	43%	41%	43%
Net Profit Margin (%)	10%	11%	14%	14%	15%
Return on Common Equity (%)	37%	25%	37%	31%	57%
Return on Total Assets (%)	15%	11%	16%	14%	18%
Current Ratio	0.84	1.19	0.60	0.67	0.60
Earnings per share (GH¢)	0.1012	0.0856	0.0911	0.0656	0.0470
Dividend per share (GH¢)	0.0485	0.0429	0.0418	0.0361	0.0300
Book value per share (GH¢)	0.3775	0.3645	0.3154	0.2661	0.0819
Market Price per share (GH¢ - Dec 31)	2.0000	1.23	0.9248	0.7740	1.2700
Dividend Yield (%)	2.4%	3.5%	4.5%	4.7%	2.4%
Price Earnings Ratio*	20	14	10	12	27
Earnings Yield (%)	5%	7%	10%	8%	4%
P/BV	5.3	3.4	2.9	2.9	15.5
Div. Payout Ratio	47.9%	50.1%	45.9%	55.0%	63.9%

## HOW PROFITABLE IS THE COMPANY?

Investors prefer companies that increase profit margins -- the percentage of sales that they keep -- every year. This is accomplished either by lowering expenses or raising prices. Look for companies that consistently find ways to squeeze more profits out of sales than their peers.

### **Profitability**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
COGS/Sales	60.8%	64.2%	57.5%	58.8%	57.5%
Gross Margin	39.2%	35.8%	42.5%	41.2%	42.5%
Pre-tax Margin	14.0%	12.2%	18.2%	17.0%	14.7%
Net Margin	10.1%	11.3%	14.3%	13.5%	14.7%
Return on Assets	14.9%	11.5%	15.8%	13.6%	17.9%
Return on Equity	37.1%	25.3%	36.7%	31.0%	57.4%

- **Guinness Ghana Breweries Limited last year profit margin: 10.14 %.**  
Difference from the average for the Food Beverages Industry: 1.32 percentage points.

<b>Net profit margins (%)</b>	
<b>Company</b>	10.14%
<b>Industry</b>	8.82%

## HOW FAST IS THE COMPANY GROWING?

### Growth rates

ITEMS	2008	2007	2006	2005
Turnover	32%	19%	31%	52%
Cost of sales	25%	33%	28%	55%
Gross Profit	44%	0%	35%	47%
Selling & Admin. Expenses	60%	2%	30%	30%
Profit(Loss) before Taxation	52%	-20%	40%	76%
Profit (Loss) after Taxation	18%	-6%	39%	40%
Fixed Assets*	18%	13%	20%	115%
Current Assets	15%	25%	25%	119%
Current Liabilities	64%	-38%	40%	97%
Shareholders' Funds	4%	16%	19%	225%
Total Asset	17%	10%	20%	132%
Gross Dividend	13%	3%	16%	20%

- **Guinness Ghana Breweries Limited last year sales growth: 31.71%.**  
Difference from the average for the Food Beverages Industry: 8.83 percentage points.
- **Guinness Ghana Breweries Limited last year income growth: 18.28%.**  
Difference from the average for the Food Beverages Industry: -62.79 percentage points.

Sales & Income Growth (Past 5 years)	Company	Industry
Sales Growth	31.71%	22.88%
Income Growth	18.28%	81.07%

## HOW WELL IS THE COMPANY UTILIZING ITS ASSETS

### EFFICIENCY RATIOS

	2008	2007	Asset Utilization 2006	2005	2004
Asset Turnover	1.06	0.94	0.87	0.80	1.22
Current Asset Turnover	2.97	2.59	2.71	2.59	3.74
Fixed Asset Turnover	1.64	1.48	1.39	1.27	1.81

## HOW LIQUID IS THE COMPANY?

These ratios determine a company's ability to pay off its short-term debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts. A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment.

### Liquidity Ratios

	2008	2007	2006	2005	2004
Current ratio	0.84	1.19	0.60	0.67	0.60
Quick ratio	0.33	0.76	0.31	0.32	0.26
Operating Cash Flow ratio	0.64	0.02	0.08	0.47	0.54

## HOW LEVERAGED IS THE COMPANY?

### Debt Ratios

			Leverage		
	2008	2007	2006	2005	2004
Debt /Equity	1.50	0.92	1.32	1.29	2.41
Lt Debt / Assets	0.08	0.14	0.02	0.08	0.04
Lt Debt / Tot. Cap.	0.08	0.14	0.02	0.08	0.04
Dividend Payout	48%	50%	46%	55%	64%
Interest coverage	4.38	2.96	5.15	5.50	3.43
Assets/Equity	2.50	2.21	2.32	2.29	3.21

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