

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Master's Thesis**

**Financial Analysis of a Chosen Firm**

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## DIPLOMA THESIS ASSIGNMENT

Bc. Emmanuel Nnabuife Okocha

Economics and Management

Thesis title

**Financial Analysis of a Chosen Firm**

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### Objectives of thesis

- To highlight the challenges faced by brewing industry in their operating activities: The main objective of this research is to detect some of the issues that were encountered by Guinness Nigeria PLC based on the periods.
- To perform Eight years' financial review on Guinness Nigeria PLC: The second objective of the thesis is to evaluate the sampled annual reports of the company and give valid opinion.
- To identify how the Nigeria brewing industry contribute to the GDP of the country: The third objective is to determine the contribution of Guinness Nigeria PLC to the local community and to the entire country at large.
- To summarise the findings and offer a conclusion

### Methodology

The methodology of the thesis is based on secondary data and quantitative method shall be used. The Quantitative methods include the financial analysis of the company.

The financial analysis will be used to describe the financial performance of Guinness Nigeria PLC. The data were sourced from the published annual reports of the company from the period 2013 to 2022.

These data were also gotten from the official website of Guinness Nigeria PLC. Basic method of statistical analysis such as tables, graphs, trends will be used.

Some key financial ratios used in the thesis work are: Current Ratio, Cash Ratio, return on Asset Ratio, return on Equity Ratio, Gross Profit and Net Profit Ratios, etc. These ratios are expressed in percentages and they will enable us determine the financial strength of t company over the last Eight years.

Microsoft Excel is the main tool used to carry-out the financial ratios and illustrate them graphically for easy understanding.

## The proposed extent of the thesis

60 – 80 pages

## Keywords

Guinness, Beer, Brewing, Rentability, Consumption, Profitability

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## Recommended information sources

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## **Declaration**

I declare that I have worked on my master's thesis titled "Financial Analysis of a Chosen Firm" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 31.03.2024

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# Financial Analyses of a Chosen Firm

## Abstract

The Nigerian beverage industry plays a vital role as a significant contributor to the country's economy and serves as a catalyst for supporting local farmers and uplifting rural economies. Guinness Nigeria PLC is a brewing company that has been operating in Nigeria for several years. The research objective is to understand the financial position of Guinness Nigeria PLC over the years, and to identify the challenges faced by the brewing company in their operating activities. The research methodology was the financial ratios, which was used to analyse the company's financial performance through MS Excel Application. The company's financial data begins with an examination of its revenue and revenue growth. The highest revenue amount was recorded in 2022. The ROA, ROE and ROCE ratios fluctuated but maintained positive percentages during the analyzed period. During the COVID-19 pandemic, the margin experienced a sharp decline, signalling challenges in managing operating costs and achieving profitability. The researcher compared the case study with a strong competitor in the industry: Nigeria Breweries PLC for a better representation. Despite financial indicator volatility, Guinness Nigeria PLC's strategy focus on product diversity, market expansion, and cost optimization.

**Keywords:** Guinness, Beer, Brewing, Rentability, Consumption, Analysis

# Finanční analýza vybrané firmy

## Abstrakt

Nápojový průmysl hraje důležitou roli v rámci nigerijské ekonomiky a slouží jako důležitý nástroj pro podporu zemědělství a venkovských oblastí. Guinness Nigeria PLC je pivovarská společnost, která působí v Nigérii již mnoho let. Cílem výzkumu je pochopení finanční situace firmy Guinness Nigeria PLC a identifikace problémů, kterým společnost čelí v běžném provozu. Metodika výzkumu je založena na finančních indikátorech, které jsou použity k analýze finanční výkonnosti společnosti prostřednictvím aplikace MS Excel. Výzkum je založen na finanční analýze příjmů a výnosů firmy, jejichž nejvyšší hodnota byla dosažena v roce 2022. Indikátory ROA, ROE a ROCE kolísali, ale během analyzovaného období se pohyboval v pozitivních hodnotách. Během celosvětové pandemie COVID-19 došlo k prudkému poklesu marže, což signalizovalo problémy s řízením provozních nákladů a dosažením ziskovosti. Autor na závěr porovnal vlastní výsledky výzkumu s výsledky dalšího silného konkurenta v oboru: Nigeria Breweries PLC. Navzdory volatilitě finančních ukazatelů se strategie společnosti Guinness Nigeria PLC zaměřuje na rozmanitost produktů, expanzi trhu a optimalizaci nákladů..

**Klíčová slova:** Pivovarnictví, Rentabilita, Spotřeba, Analýza, Guinness, Pivo

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# 1. Introduction

The Nigerian beverage industry plays a vital role as a significant contributor to the country's economy and serves as a catalyst for supporting local farmers and uplifting rural economies. This sector encompasses various beverages, including soft drinks, fruit juices, bottled water, tea, coffee, and alcoholic beverages.

The industry has experienced substantial growth over the years, reflecting the rising demand for beverages among the country's growing population and an expanding middle class. As more people move to urban areas, there has been an increase in disposable income and consumer spending, further fueling the demand for beverages. The industry generates revenue through the sale of beverages and contributes significantly to government tax revenues. This income aids in funding public infrastructure and services, contributing to economic development (Ugwuanyi, 2017).

One of the most critical aspects of the Nigerian beverage industry is its commitment to supporting local farmers by purchasing raw materials from them. Beverage manufacturers in Nigeria often source their ingredients from local farmers, which can include fruits, vegetables, grains, and other natural resources required for the production of beverages. By engaging with local farmers, the industry creates a stable market for their produce. This ensures a steady income stream for farmers and encourages them to invest in better farming practices, leading to improved agricultural productivity. As a result, farmers become less susceptible to market fluctuations and external shocks, which, in turn, boosts their livelihoods and economic security (Ruben and de Steenhuijse., 2020).

Revenue in the Beverages market is projected to reach US\$57.46m by the end of 2023 (Statista, 2023). Revenue is expected to show an annual growth rate (CAGR 2023-2027) of 9.33%, resulting in a projected market volume of US\$82.11m by 2027 (Statista, 2023), and Guinness Nigeria has been a key player in this industry for over six decades. Its financial performance provides valuable insights into Nigeria's economic landscape and the beverage industry's performance.

Guinness Nigeria PLC is one of Nigeria's leading beverage companies and a Diageo Plc subsidiary. As a publicly traded company, it is required to regularly publish its financial reports to provide stakeholders with valuable information on its financial performance. This thesis aims to

comprehensively analyse Guinness Nigeria's financial reports over a ten-year period from 2013 to 2022. The study will examine the trends and patterns in the company's financial performance, identify the key drivers of its financial performance, and provide insights into the future prospects of the company.

## 2. Objectives

Financial analysis is essential for understanding the performance of a company's financial management. It provides feedback on the expected and actual effects of managerial decisions and helps in decision-making. Guinness Nigeria PLC is a brewing company that has been operating in Nigeria for several years. The study aims to achieve the following objectives:

- To identify the challenges faced by Guinness Nigeria PLC in their operating activities within the brewing industry over the period under review.
- To perform an exhaustive review and analysis of the financial reports of Guinness Nigeria PLC and to evaluate the company's financial performance over the ten-year period.
- To determine the contribution of Guinness Nigeria PLC to the Nigerian economy, specifically, to identify the company's impact on the GDP and its role in supporting local communities.
- To provide valid opinions and recommendations based on the study's findings, aiming to improve the financial performance of Guinness Nigeria PLC and contribute to the growth and development of the Nigerian economy.

By achieving these objectives, this study seeks to provide valuable insights into the financial performance of Guinness Nigeria PLC and contribute to the ongoing discourse on the challenges faced by the brewing industry in Nigeria. The financial reports of the company contain information that is critical for understanding the company's financial performance over the years. This thesis aims to perform an 8-year financial report analysis of Guinness Nigeria PLC, highlighting the challenges the brewing industry faces in their operating activities.

The thesis will also evaluate the company's sampled annual reports and give a valid opinion while identifying how the Nigeria brewing industry contributes to the country's GDP and determining the contribution of Guinness Nigeria PLC to the local community and the entire country. The thesis is crucial as it will provide insights into the financial status, strengths, weaknesses, and overall management quality of the company, which will be useful for the decision-making of potential investors.

## 2.1. Purpose of the study

This thesis focuses on identifying the challenges faced by Guinness Nigeria PLC, evaluating the company's financial reports, and assessing its contribution to the Nigerian economy. Through a quantitative analysis of secondary data from published annual reports and the official website of Guinness Nigeria PLC, this study aims to answer research questions related to the challenges faced by the brewing industry, the financial performance of the company, and its impact on the Nigerian economy.

By identifying key financial ratios and trends, this thesis aims to provide an understanding of the financial strength of Guinness Nigeria PLC over the last ten years and make recommendations for future improvements. The findings of this thesis are expected to contribute to the existing literature on the financial analysis of Nigerian companies and provide insights for investors, policymakers, and other stakeholders interested in the Nigerian brewing industry.

## 2.2. Research questions

The research work for this thesis was designed to answer the following questions:

1. How have Guinness Nigeria PLC revenue and profit margins evolved over the last ten years, and what factors have contributed to these changes?
2. To what extent has Guinness Nigeria PLC financial performance been affected by macroeconomic factors such as inflation, exchange rates, and government policies?
3. How has Guinness Nigeria PLC financial performance compared to other companies in the Nigerian brewing industry over the last ten years, and what implications does this have for the industry?
4. What are the implications of the financial analysis for the future of Guinness Nigeria PLC and the Nigerian brewing industry, and what recommendations can be made to improve its financial performance and contribution to the economy?

### 3. Literature review

The brewing industry is a highly competitive and dynamic sector that requires companies to monitor their financial performance to remain profitable and sustainable continually. This is the reason why this thesis focuses on the financial analysis of Guinness Nigeria, the leading brewing company in Nigeria.

The brewing industry in Nigeria is a large and growing market. The industry is estimated to be worth over \$1 billion and is growing at a rate of 11.90% per year (CAGR 2023-2027) (Statista, 2023). A few large companies, including Guinness Nigeria, Nigerian Breweries Plc, and International Breweries Plc, dominate the industry (Ugwuanyi and Ibe., 2012; Onyema and Onuoha., 2020).

Guinness Nigeria is the leading brewing company in Nigeria. The company has been in operation for over 50 years and has a strong brand name (Jernigan and Babor., 2015). The company makes a variety of beers, such as Malta Guinness, Harp, and Guinness.

#### 3.1 Guinness Nigeria PLC Profile

Guinness Nigeria PLC is a renowned Nigerian brewing company and a subsidiary of Diageo PLC, a multinational alcoholic beverage company. Guinness Nigeria primarily produces, markets, and distributes alcoholic and non-alcoholic beverages in Nigeria. The company holds a significant position in the Nigerian beverage industry and is recognized for its flagship brand, Guinness Stout (Akinsanya, 2023).

##### 3.1.1 History

Guinness Nigeria has a long and rich history dating back to 1950. The company was originally established as a trading company importing Guinness Stout from Dublin. In 1962, UAC and Arthur Guinness & Son Ltd. (the parent company of Guinness) formed a joint venture to establish a brewery in Nigeria (Olajuyigbe, 2020). The first bottle of Guinness Foreign Extra Stout was created on November 30, 1963, three years after Nigeria got its independence, at the brewery that was built in Ikeja, Lagos. This opened the door for future production of Guinness Foreign Extra Stout abroad in other parts of the world. Two years later, in 1965, the Nigerian Stock Exchange listed Guinness Nigeria (Hughes, 2006).

In Benin City, Guinness Nigeria established a second facility in 1974. The business established a third brewery in Ogba, Lagos, in 1982 (PLC and Ogunu, 2005).

Diageo, a British multinational alcoholic beverage business, purchased Guinness Nigeria in 1998 (da Silva Lopes, 2002). The acquisition was a part of a plan by Diageo, the biggest alcoholic beverage business in the world, to increase its footprint in Africa. With a portfolio of more than 200 brands, Diageo is the biggest alcoholic beverage firm in the world. Guinness, Smirnoff, Johnnie Walker, and Captain Morgan are some of the company's brands (Jones et al., 2007). The acquisition of Guinness Nigeria gave Diageo a significant foothold in the African market. Nigeria is the most populous country in Africa, and the beer market in Nigeria is one of the largest in the world. In addition to increasing its distribution network, Diageo was able to increase its market share in Nigeria (Games, 2015).

The business introduced Harp Lager as a new beer brand in 2006. To improve production, the business enlarged its Ogba brewery in 2011. Malta Guinness Low Sugar, a new kind of malt beverage, was introduced by the company in 2012 (Jernigan et al., 2006).

Guinness Nigeria presently manufactures a variety of beers, including Malta Guinness (which soon gained popularity among Nigerian consumers), Harp Lager, Dubic Stout, and Guinness Foreign Extra Stout. The company also produces a range of spirits, including Johnnie Walker Black Label, Smirnoff Vodka, and Ciroc Vodka (Olajuyigbe, 2020). Guinness Nigeria is a major employer in Nigeria, with over 1,300 employees as of 2012 (PLC 2019).

The company is also a significant contributor to the Nigerian economy; according to their 2020 annual report, they had a revenue of NGN 104.4 billion and a profit after tax of NGN 1.4 billion. They also contributed NGN 51.4 billion to the Nigerian government in taxes, duties, and levies (Guinness, 2020).

They're committed to corporate social responsibility. The company supports several community development initiatives, including education, health, and sports. Guinness Nigeria is also a major sponsor of the Nigerian Super Eagles, the national football team (Adamolekun and Ogedengbe, 2020). In 2022, Guinness Nigeria was named the "Best Sustainable Company in Nigeria" by the Sustainability Index. The company was praised for its commitment to environmental sustainability, social responsibility, and good governance (Guinness 2022 annual report, 2022).

### 3.1.2 Product Portfolio

Guinness Nigeria has a diverse product portfolio that caters to various consumer preferences. According to the Annual Report, under the category of Product Portfolio, the company is best known for the following products:

- Guinness Foreign Extra Stout is a dark, rich beer with a smooth, creamy head. It is brewed with roasted barley and has a distinctive, bittersweet flavour.
- Harp Lager is a light, refreshing beer with a crisp, hoppy flavour. It is brewed with a blend of malts and hops and has a clean, dry finish.
- Malta Guinness is a malt drink that is rich in vitamins and minerals. It is brewed with barley malt and has a smooth, creamy texture.
- Dubic Malt is made with barley malt and has a smooth, creamy texture. Dubic Malt is rich in vitamins and minerals, and it is a good source of energy. It is also a refreshing drink that is perfect for any occasion.
- Smirnoff Ice is a refreshing, low-alcohol beer with a crisp lemon flavour. It is brewed with a blend of malts and hops and has a light, refreshing taste.
- Orijin Spirit Mixed Drink is a unique blend of malt, ginger, and honey. It is a refreshing, non-alcoholic drink that is perfect for any occasion.
- Orijin Bitters is a bitters drink that is made with a blend of herbs and spices. It is a refreshing drink that is perfect for any occasion.
- Smirnoff Ice Double Black with Guarana is a refreshing, low-alcohol beer with a crisp, black, currant flavour. It is brewed with a blend of malts and hops and has a light, refreshing taste.
- Guinness Africa Special is a limited-edition beer that is brewed with a blend of African ingredients. It has a rich, roasted flavour and a creamy, smooth texture.
- Orijin Zero is a refreshing, non-alcoholic drink that is made with a blend of malt, ginger, and honey. It is a perfect choice for those who are looking for a refreshing drink without the alcohol.



- Tappers is a new beer from Guinness, Nigeria, that is brewed with a blend of malts and hops. It has a crisp, refreshing flavour and is perfect for any occasion.
- Royal Kingdom Lager is a new beer from Guinness, Nigeria that is brewed with a blend of malts and hops (Annual Report, 2022).

As seen above, Guinness Nigeria has a wide range of products to choose from, catering to various tastes and preferences.

### 3.1.3 Production Facilities

Guinness Nigeria has breweries located in Lagos and Benin City, where it carries out the brewing, packaging, and distribution processes. These breweries are equipped with modern technologies and adhere to high-quality standards to ensure the consistent production of beverages (Hughes, 2006).

The majority of Guinness Nigeria's products are made at the Lagos brewery, which is the biggest brewery in Nigeria. In order to meet the escalating demand for Guinness Nigeria's goods, the brewery, which was first constructed in 1962, has undergone numerous expansions over the years (Iheanachor and Ogbechie, 2016). Several Guinness Nigeria brands, including Malta Guinness and Dubic Stout, are produced at the Benin City brewery, which was established in 1974 (Hughes, 2006).

Guinness Nigeria also has a number of distribution centres located across Nigeria. These distribution centres store and transport Guinness Nigeria's products to retailers and consumers nationwide (Onyema and Onuoha, 2020).

### 3.1.4 Social Responsibility and Sustainability

Guinness Nigeria is committed to positively impacting society and the environment. The company has undertaken various initiatives in the areas of education, water, and health to contribute to the development of local communities. It has implemented initiatives like the Water of Life project and the Guinness Eye Hospitals, which are aimed at giving clean water to underserved populations (2020 Annual Report). We cannot talk about a company without mentioning their environmental impact on the society and the country at large. Guinness Nigeria launched the Water of Life

initiative, which focuses on providing clean water to communities in need. The initiative has provided clean water to over 1 million people in Nigeria (McMullen and Bergman., 2017). Furthermore, the company supports a number of educational initiatives in Nigeria. And they provides scholarships to students, supports the construction of schools, and provides educational materials to schools (Adeyanju, 2012).

Corporate social responsibility is a key element of any company's success as it helps to improve the brand. The company is not just only profit oriented but also giving back to the communities. Another positive impact of Guinness PLC was the establishment of hospitals. These hospitals provide free eye care services to people in need (Inkster et al., 2016). The company also provides scholarships to students, supports the construction of schools, and provides educational materials to schools (Adeyanju, 2012).

### 3.1.5 Corporate Governance

Guinness Nigeria adheres to strict corporate governance principles and operates with transparency and accountability. They adhere to the rules established by regulatory agencies such as the Corporate Affairs Commission (CAC) and the Securities and Exchange Commission (SEC) and are listed on the Nigerian Stock Exchange (NSE) (Nmehielle and Nwauche, 2004).

Here are some of the key corporate governance principles that Guinness Nigeria adheres to:

- Board independence: The majority of the board members of Guinness Nigeria are independent, meaning that they do not have any material financial or other interests in the company. This ensures that the board is able to make decisions in the best interests of the company and its shareholders.
- Audit committee: Guinness Nigeria has an audit committee responsible for overseeing the company's financial reporting and internal controls.
- Risk management: Guinness Nigeria has a comprehensive risk management framework in place, which helps the company to identify, assess, and mitigate risks. This helps to ensure that the company is able to operate in an efficient manner.

- Code of conduct: Guinness Nigeria has a code of conduct for its employees, which sets out the company's expectations of ethical behaviour. The code of conduct is available to all employees and is regularly reviewed and updated.

Guinness Nigeria's commitment to corporate governance is evident in its strong track record of compliance with regulatory requirements. Guinness Nigeria's commitment to corporate governance is also evident in its strong financial performance. Guinness Nigeria's commitment to corporate governance is key to its success. The company's strong track record of compliance with regulatory requirements and its strong financial performance directly results from its commitment to corporate governance (Onwuka, 2021).

The Board of Directors oversees the direction of Guinness Nigeria, ensuring that the company operates in the best interests of its shareholders and stakeholders. Under the direction of the Managing Director, the management team is in charge of carrying out the company's business plan and day-to-day operations (2021 Annual Report).

### 3.2 Market Presence and Competition

Guinness Nigeria has a strong market presence and is considered one of the leading players in the Nigerian alcoholic beverage industry. They have built a loyal consumer base over the years and has successfully tapped into the diverse preferences of Nigerian consumers with a **market share of over 25%** (Iheanachor and Ogbechie, 2016). However, the beverage industry in Nigeria is highly competitive, with several local and international players vying for market share. Competitors of Guinness Nigeria include:

**Nigerian Breweries Plc & International Breweries Plc:** These companies were founded in 1946 and 1971 respectively. Nigerian Breweries PLC has an **overall market share of 54%** from its total sales of NGN 437 billion ([Nairametrics, 2022](#)). While International Breweries Plc has a **market share of 22%** in Nigeria from its total revenue of NGN 129 billion ([Nairametrics, 2022](#)).

**SABMiller Nigeria:** The company was initially founded in South Africa in 1895 before it finally entered the Nigeria market in 2009. SABMiller has a **market share of 5%** in the brewing industry ([Reuters, 2011](#)).

**Heineken Nigeria:** This company was founded in Amsterdam in 1864, established its presence in Nigeria through various acquisitions and partnerships. Heineken officially entered the Nigerian

market in 1946 through strategic alliances and acquisitions, contributing significantly to the country's brewing industry. As of 2023, Heineken Nigeria holds a notable market share, leveraging its renowned brand and diverse product portfolio to cater to the preferences of Nigerian consumers. Heineken currently has a **37.94 % stake in Nigerian Breweries**, Nigeria's largest brewer by market size and the most capitalized beer company in Nigeria ([The Cable, 2023](#)).

**Chi Limited:** Chi Limited was incorporated in 1980 and has emerged as a leading player in the Nigerian beverage industry. Specializing in fruit juices, dairy products, and snacks, Chi Limited has solidified its position in the market by consistently delivering high-quality, innovative products tailored to meet the tastes and demands of Nigerian consumers. The company's major manufacturing facility is located in Lagos. Chi Limited's flagship products include Capri-sonne and Chivita, and it holds the Nigerian license to market Caprisun. Chi Limited controls the largest percentage of market share in the juice drink categories in Nigeria and a significant percentage in dairy products, enjoying a **65% market share** in the juice, nectar, and still drinks market in Nigeria ([Top 50 Brands Nigeria, 2015](#)).

**Grand Malt:** Grand Malt, a brand under the umbrella of Nigerian Breweries Plc, was introduced to the Nigerian market to cater to consumers seeking a non-alcoholic malt beverage. Launched with a blend of premium ingredients, Grand Malt offers a rich and refreshing taste, targeting health-conscious consumers and becoming a popular choice among non-alcoholic beverages in Nigeria since its introduction ([Nairametrics, 2018](#)).

**Goldberg:** Goldberg, acquired by Nigerian Breweries in 2011, was reformulated, repackaged, and relaunched in 2012, which contributed to its resurgence and market visibility. The beer has been associated with a rich effervescence, crisp taste, and wheat aroma, reflecting its cultural significance among the Yoruba people in Nigeria. The brand has been positioned as a top choice in the lager beer segment, commanding a significant market share. Nigerian Breweries Plc has continued to innovate and deepen Goldberg's volume sales, with the introduction of a variant called 'Goldberg Black' in response to the highly competitive beer market in Nigeria ([Marketingedge, 2020](#)).

**Legend:** Legend has garnered a dedicated consumer base in Nigeria. Its unique taste and quality have contributed to its success in the market, appealing to consumers who appreciate a full-bodied stout beer experience. The unique taste of Legend is a result of the finest natural ingredients brewed

to the best of international quality standards. It is brewed for those who love the satisfying experience of a full-bodied stout, and its ingredients include water, malted barley, sorghum, sucrose, natural flavorings, and caramel. Legend Extra Stout has become a favorite beer consumed in Nigeria, known for its authentic taste and full-bodied experience. The brand has received a rating of 2.9 out of 5 on Untappd, reflecting its presence and popularity among consumers ([GlobalData, 2023](#)).

**Trophy:** Trophy Lager Beer was originally launched by International Breweries Plc, Ilesha, Osun State in 1978 and taken over in 2011 by the management of SABMiller, and then International Breweries. It is produced by Multi-Purpose Brewers Limited in Lagos, Nigeria, and has risen to become a prominent alcoholic drink in Nigeria. The beer was established in 2015 and has been sold nationwide since 2017. Trophy Lager Beer is crafted and brewed in Nigeria, using premium ingredients to give consumers the best taste. It has significant variations from conventional lager beers ([Marketingedge, 2021](#)).

**Hero:** Hero Lager Beer, launched in 2012, has become an inspirational symbol in Nigeria, tapping into positive associations with the southeast region's loyalties, struggles, traditions, and tastes. The beer has resonated with Nigerian consumers by offering a quality product that aligns with their preferences. Hero Lager has become a favorite among consumers, particularly in the southeast region, where it has become a symbol of local pride and cultural celebration. The brand's marketing strategies have been designed to promote Igbo culture and resonate with the local population, contributing to its success and popularity in the competitive Nigerian beer industry ([Nelsonreids, 2020](#)). These companies offer a wide range of alcoholic beverages, including beer, stout, lager, and malt. They also have a strong distribution network and marketing campaigns, which helps them to reach a wide range of consumers.

### 3.2.1 Nigeria Beer Production Export and Imports

According to Statista, Nigeria was the second leading beer producing African country after South Africa. The country produces about 18.18 million hectoliters while the total beer production in Africa amounted to about 151.1 million hectoliters ([Statista, 2023](#)). The most common trading partners of Nigeria as regards to Beer imports are Netherlands, Germany, Malta, and India. As at 2019, Nigeria exported 1,980,000 Litres of beer to Cameroon; 1,980,000 Litres to Ghana; 4,976,740 Liters of beer to the United Kingdom; and 245,500 Liters to China ([World Integrated](#)

[Trade Solution, 2019](#)). Guinness Nigeria faces a number of challenges in the Nigerian alcoholic beverage industry. These challenges include:

**The high Cost of Production:** Manufacturing alcoholic beverages involves various expenses, including labor, energy, packaging, and compliance with regulations. The cost of maintaining quality standards and ensuring consistency in production adds to the overall expenses. Factors like energy costs, operational overheads, and infrastructure maintenance contribute to the high cost of production, impacting the company's profit margins.

**The rising Cost of Raw Materials:** Guinness Nigeria heavily relies on raw materials like barley, hops, maize, and other ingredients for brewing its beverages. Fluctuations in the prices of these raw materials, influenced by market conditions, weather patterns, and global trade dynamics, directly affect production costs. Any significant increase in the cost of raw materials can strain the company's profitability if it cannot be offset through pricing strategies or operational efficiencies.

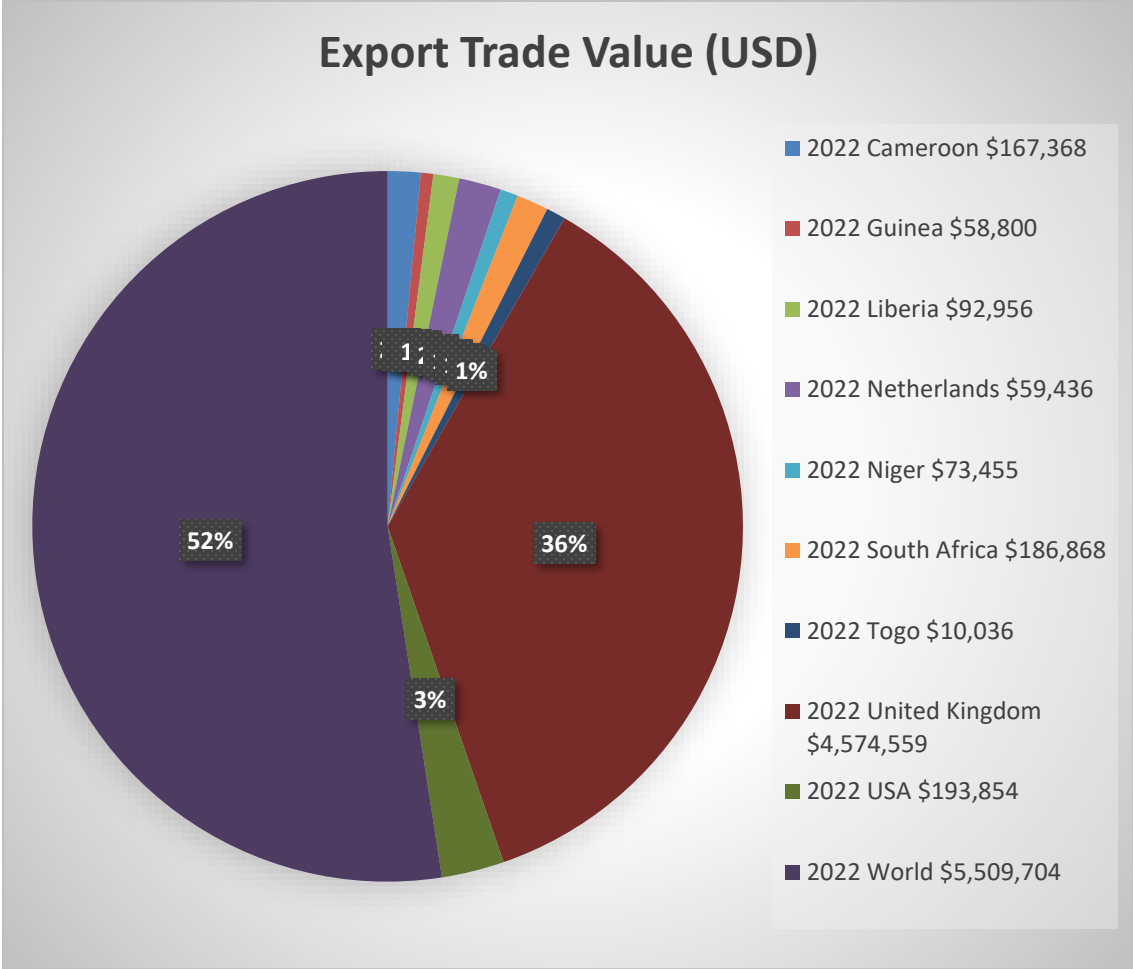
**The increasing competition from local and international players:** The alcoholic beverage industry in Nigeria faces intense competition from both local and international players. Local breweries and emerging competitors continually innovate, introducing new products and marketing strategies to capture market share. International brands also seeking to tap into the Nigerian market intensifies the competitive landscape, posing challenges for Guinness Nigeria in maintaining or growing its market share.

**The changing preferences of Nigerian consumers:** Nigerian consumers' tastes and preferences are dynamic, influenced by trends, lifestyle changes, and cultural shifts. As preferences evolve, consumers may seek different types of alcoholic beverages or may prioritize factors like health consciousness, leading to a shift away from certain products. Adapting to these changing preferences while maintaining the authenticity and appeal of their brands poses a challenge for Guinness Nigeria in staying relevant and meeting consumer demands. Despite these challenges, Guinness Nigeria is well-positioned to continue to grow its market share in the Nigerian alcoholic beverage industry. The company has a strong brand, a loyal consumer base, and a track record of innovation. Guinness Nigeria is also investing in new production facilities and marketing campaigns, which will help it to reach a wider range of consumers (Ezeonu et al., 2012).

The brewing sector thrives on fierce competition as companies strive to secure their market share and win over loyal consumers. Shifts in consumer preferences, such as the growing popularity of craft beer and the increasing demand for healthier beverage alternatives, wield considerable influence over a brewing company's financial performance. It is imperative for brewing companies to grasp market dynamics and swiftly adapt to evolving consumer demands to achieve lasting financial prosperity (Guiné et al., 2020).

### 3.2.2 An Overview of Nigeria Beer Exports for 2022 by Countries

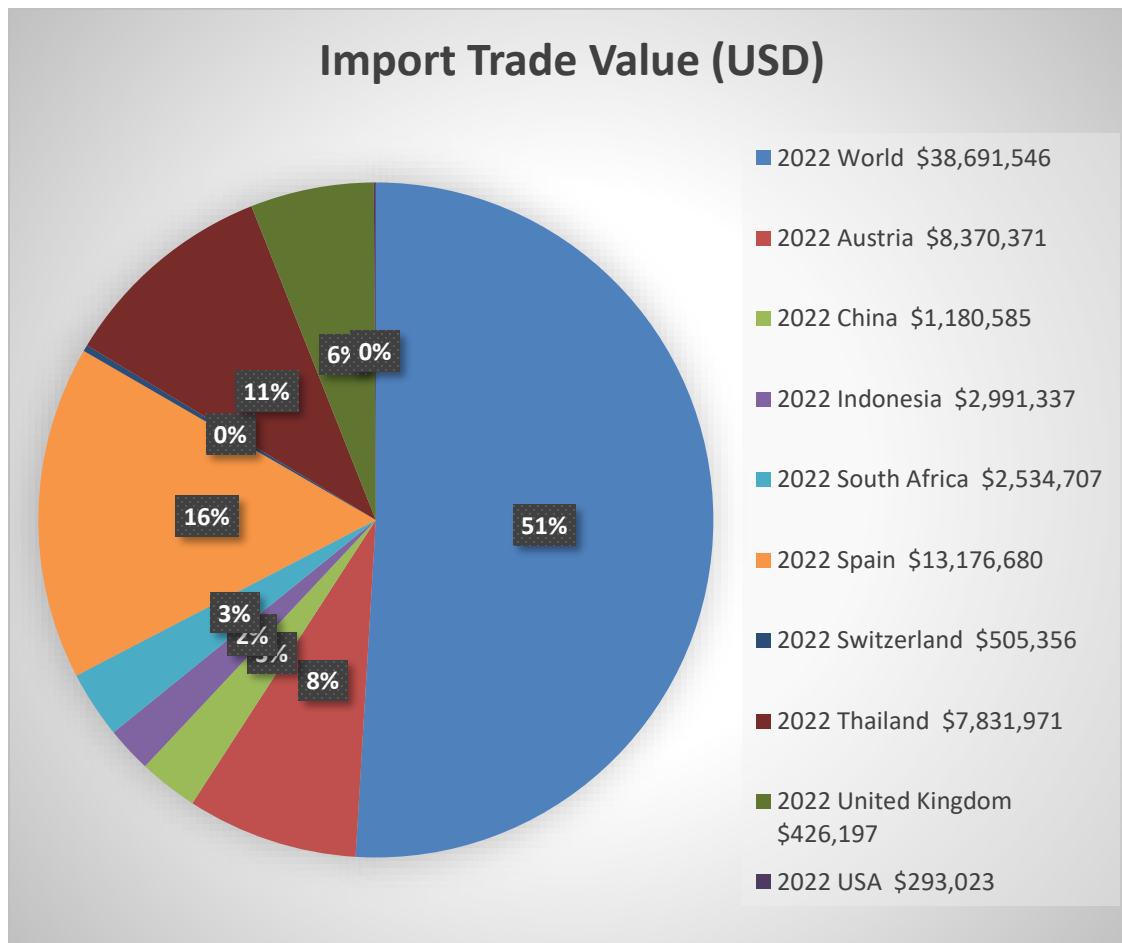
Figure 1: Nigeria Beer Export Trade Value in USD for 2022



Source: Own Graph from 2022 UN Comtrade Data

### 3.2.3 An Overview of Nigeria Beer Import for 2022 by Countries

Figure 2: Nigeria Beer Import Trade Values in USD for 2022



Source: Own Graph from 2022 UN Comtrade Data

## 3.3 Elements Affecting Guinness Nigeria PLC Performance

### 3.3.1 Regulatory Environment

The financial performance of Guinness PLC is significantly influenced by regulatory factors, encompassing licensing, taxation, and adherence to alcohol-related regulations. The costs associated with compliance, legal risks, and alterations in regulations can have repercussions on profitability, production expenses, and market entry. It is crucial for brewing companies to assess the regulatory landscape meticulously to recognize potential risks and opportunities that may arise within the industry (Mohsin et al., 2020).



### 3.3.2 Economic Conditions

Consumer spending patterns and purchasing power are profoundly impacted by the broader economic landscape, including factors like GDP growth, inflation, and interest rates. Brewing companies must take into account these macroeconomic conditions when assessing their financial performance over an extended timeframe. By comprehending the interplay between economic conditions and financial indicators, companies can discern prevailing trends and formulate effective strategies accordingly (Zafra-Gómez et al., 2009).

## 3.4 Why do Companies need Financial Analysis?

According to various authors and researchers, the following are the main reasons why financial analysis is significant in the brewing industry:

- Performance Evaluation
- Liquidity Assessment
- Solvency and Financial Stability
- Internal Control and Fraud Detection
- Decision-Making and Strategic Planning
- Long-term Planning and Sustainability
- Profitability Analysis

## 4. Research Methodology

The following are the major financial indicators used for this research work:

**Revenue and sales growth** are key indicators of a company's financial health. They reveal the company's capacity to attract and keep customers, market its products effectively, and seize growth opportunities. By examining these indicators, companies can evaluate their market position, spot areas for improvement, and make smart choices to achieve long-term profitability (Kotane and Kuzmina-Merlino, 2012). Revenue growth can be **calculated as Previous Year Revenue – Current Year Revenue / Previous Year Revenue.**

(i)

$$\frac{\text{Previous Year Revenue} - \text{Current Year Revenue}}{\text{Previous Year Revenue}}$$

**The gross profit margin** shows how well the business can keep production costs under control and turn a profit from its main business (Nariswari and Nugraha, 2020). **It is calculated as Gross Profit / Revenue.**

(ii)

$$\frac{\text{Gross Profit}}{\text{Revenue}}$$

**Operating Profit Margin** determines the portion of revenue left over after operating costs and cost of goods sold have been subtracted. **It is calculated as Earnings before Interests and Taxes (EBIT) / Revenue.**

(iii)

$$\frac{\text{EBIT}}{\text{Revenue}}$$

Net profit margin shows the portion of income that is left over as net profit after all costs, including taxes and interest, have been subtracted. **It is calculated as Net Income / Revenue.**

(iv)

$$\frac{\text{Net Income}}{\text{Revenue}}$$

**Return on Assets (ROA)** measures how profitable a firm is in relation to the value of all its assets. It evaluates how efficiently resources are being used by the business to produce revenue and assesses asset utilisation efficiency. It is calculated as **Earnings Before Interest and Taxes (EBIT) / Total Assets**.

(v)

$$\frac{\text{EBIT}}{\text{Total Assets}}$$

**Return on Equity** ratio assesses a company's capacity for profit-making in proportion to the equity of its shareholders. It is calculated as **Net Income / Total Equity**.

(vi)

$$\frac{\text{Net Income}}{\text{Total Equity}}$$

**Earnings per Share** shows how much of the business's profits are distributed across all outstanding shares of common stock. From the viewpoint of the shareholders, it serves as a gauge of the business' profitability (Almeida, 2019). It is calculated as **Net Income / Total Outstanding Shares**.

(vii)

$$\frac{\text{Net Income}}{\text{Total Outstanding Shares}}$$

Returns on capital employed shows the capital employed in the generation of revenue, it is **calculated by deducting total assets from current liabilities**, a good capital employed should be positive and not negative.

(viii)

$$\frac{\text{Total Assets} - \text{Current Liabilities}}{1}$$

**Current Ratio** examines the relationship between a company's current assets and liabilities. It is computed by subtracting current obligations from current assets. **It is calculated as Current Assets / Current Liabilities.**

(ix)

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Cash Ratio** is the capacity of a corporation to settle its current commitments entirely with cash and cash equivalents. **It is calculated as Cash & Cash Equivalent / Current Liabilities.**

(x)

$$\frac{\text{Cash \& Cash Equivalent}}{\text{Current Liabilities}}$$

**Debt-to-assets ratio:** The debt-financed portion of a company's assets is gauged by this ratio. It could be calculated as **Total Debt / Equity.**

(xi)

$$\frac{\text{Total Debt}}{\text{Equity}}$$

**Equity ratio:** The equity-financed portion of a company's assets is gauged by this ratio. It is calculated as **Shareholder's Fund / Total Assets - Intangible Assets.**

(xii)

$$\frac{\text{Shareholder's Fund}}{\text{Total Assets} - \text{Intangible Assets}}$$

## 4.1 Research Design

The financial ratios will be used to analyse Guinness Nigeria PLC financial performance through MS Excel Application. The information was taken from the company's published annual reports

for the years 2013 to 2022 Financial Year. The researcher has a 95% confidence that the chosen time frames will be adequate for its goals and to guard against Type II error.

Trend analysis, ratio analysis, and comparative analysis make up the research technique for this study. These various types of analysis that would be used for the research work would enable us to determine the financial strength of Guinness Nigeria PLC for the above time frames. The researcher paid more attention to the Profitability and Liquidity aspect of the business.

Each period's annual report includes consolidated financial statements from Guinness Nigeria PLC. The researcher noticed that the Annual Report is typically created at the end of December. The Annual Reports are published on the company's official website, and they may all be downloaded in their entirety. The consolidated financial statements of Guinness Nigeria PLC (hereafter referred to as the "Financial Statements") were prepared in accordance with the Company and Allied Matter Act (CAMA) and international financial reporting standards ("IFRS").

Additionally, as Guinness Nigeria PLC compiles and displays its financial statements in Nigeria's Local Currency (thus "NGN"), certain amounts would be approximated owing to rounding of the numbers supplied in the financial statements. The next paragraph explains various types of Analysis as mentioned in this section.

**Trend analysis** is a valuable tool for evaluating the long-term financial stability and growth prospects of brewing companies. By examining financial data over multiple years, trend analysis can help identify patterns and trends in performance indicators such as revenue, profit, and expenses. This information can be used to assess the company's historical performance, detect anomalies, and make projections based on past trends (Goyal et al., 2013). It is used to identify key performance indicators (KPIs). KPIs are metrics that measure the performance of a company or business unit. By tracking KPIs over time, trend analysis can help identify trends in performance. This information can be used to assess the company's strengths and weaknesses and to identify areas where improvement is needed (Youssef, 2021).

With trend analysis, growth opportunities can be identified. The information obtained can be used to develop new products and services, expand into new markets, or acquire new businesses. Trend analysis can be used to identify risks. By identifying trends in the economy, government regulations, and the competitive landscape, trend analysis can help identify risks to the company's

business. The information obtained can be used to develop strategies to mitigate risk and protect the company's financial stability (Noghabaei et al., 2020).

**Ratio analysis** is another method for calculating and interpreting numerical values that represent a company's financial performance using financial information from its financial statements. According to Palepu et al. (2020), ratio analysis may be used to assess a company's liquidity, solvency, profitability, and efficiency, among other financial performance metrics.

**Comparative analysis** involves comparing the financial performance of a brewing company against industry competitors or benchmarks. It helps identify relative strengths and weaknesses, assess market positioning, marketing strategies, and evaluate the company's performance in relation to its peers. Comparative analysis is valuable for identifying best practices and setting performance targets. It is a useful tool for organisations of all sizes since it may assist them in finding opportunities to enhance performance and take more informed decisions (Angelique, 2015).

## 4.2 Research Instruments

In the thesis, financial statements covering the period from December 31, 2013, to December 31, 2022, will be used. The researcher has identified a few Books of Accounts that are of high importance for the thesis. Such financial books are Income Statements, Statement of Financial Position, Cash Flow Statement, and Notes to the Accounts. As previously mentioned, the Annual Accounts of the company would be presented in the Local Currency – the Naira. Most of the data were collected from local articles, journals, and directly from the company's website at: [Annual Reports \(guinness-nigeria.com\)](https://www.guinness-nigeria.com/annual-reports)

## 4.3 Data Collection and Analysis of Financial Trends

This study mostly relied on secondary data, which was gathered from the company's own website. It is worth noting that the company's annual reports were audited by an independent organisation. The acquired data was applied to various financial ratios and mathematically computed as well as graphically depicted. In addition, the data was analysed using Microsoft Excel Software to create several sorts of analyses. Hence, the study will provide recommendations for the management of Guinness Nigeria on how to improve its financial performance and enhance its prospects while also contributing to the understanding of financial reporting and analysis in the Nigerian context and providing valuable insights for stakeholders interested in the performance of Guinness Nigeria.

## 5. Results

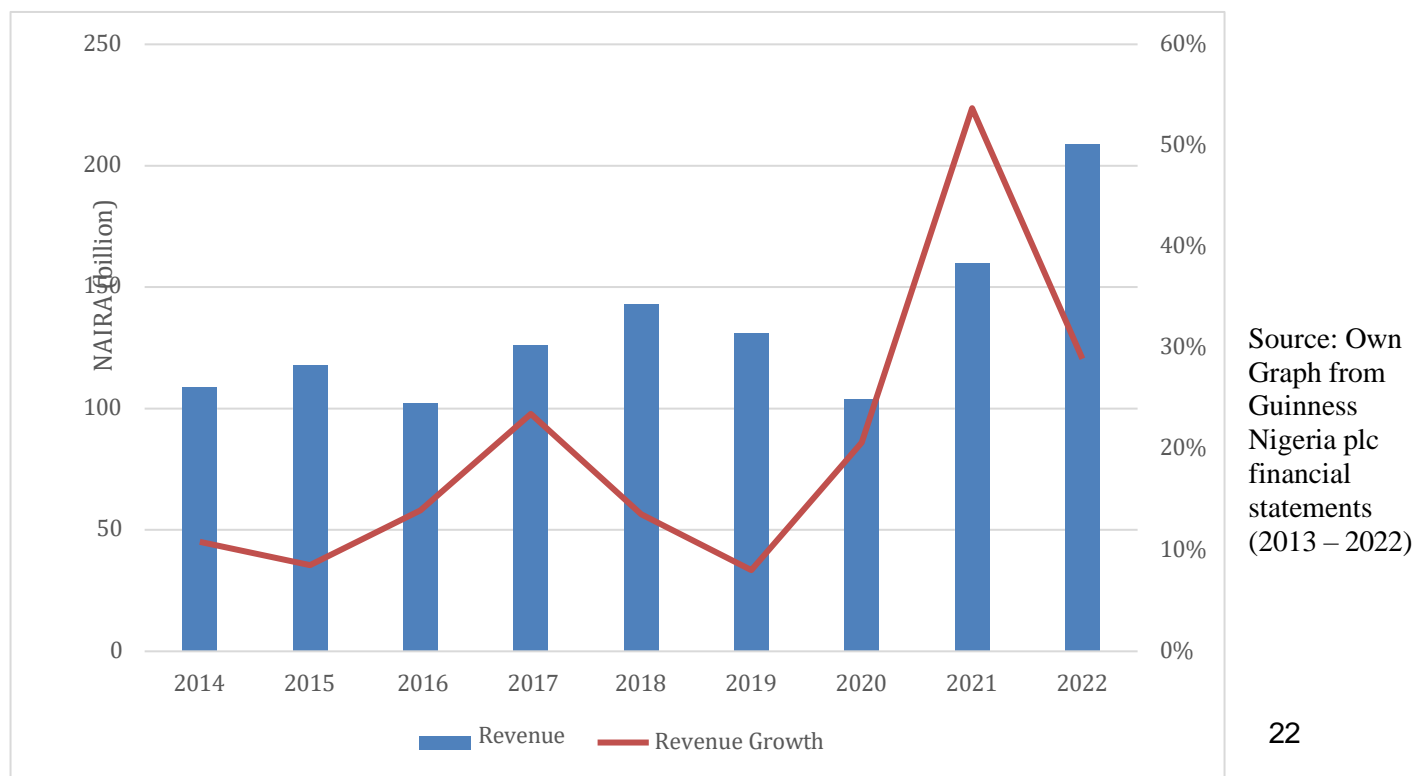
### 5.1 Brief History About Guinness Nigeria PLC

As previously explained in Chapter 3.1.1 of this paper, Guinness Nigeria PLC is one of the leading Beer producing companies in the country. It was established in 1962 as a subsidiary of Guinness Brewery and has a strong presence in Nigeria's beverage industry. The company accomplished a big milestone in 1967 when it was listed in the Nigeria Stock Exchange, which facilitated the increase in the number of total investors. Guinness Nigeria's main business activities revolve around the production, marketing, and distribution of alcoholic and non-alcoholic beverages. Throughout its history, the company has remained a leading player in the brewery industry, contributing to Nigeria's economic growth and development.

### 5.2 Revenue and Revenue Growth

Figure 3 shows the 9 years revenues and revenue growth of Guinness Nigeria PLC from 2014 to 2022. Over this period, the company's revenue showed fluctuating trends, with steady growth rates observed in most years. Notably, there was a remarkable revenue growth of 54% in 2021, and a subsequent 29% increase in 2022, indicating a significant upturn in the company's financial performance during those years. These figures reflect the company's financial progress and potential for further expansion and investment opportunities.

**Figure 3: Revenue and Revenue Growth of Guinness Nigeria PLC**

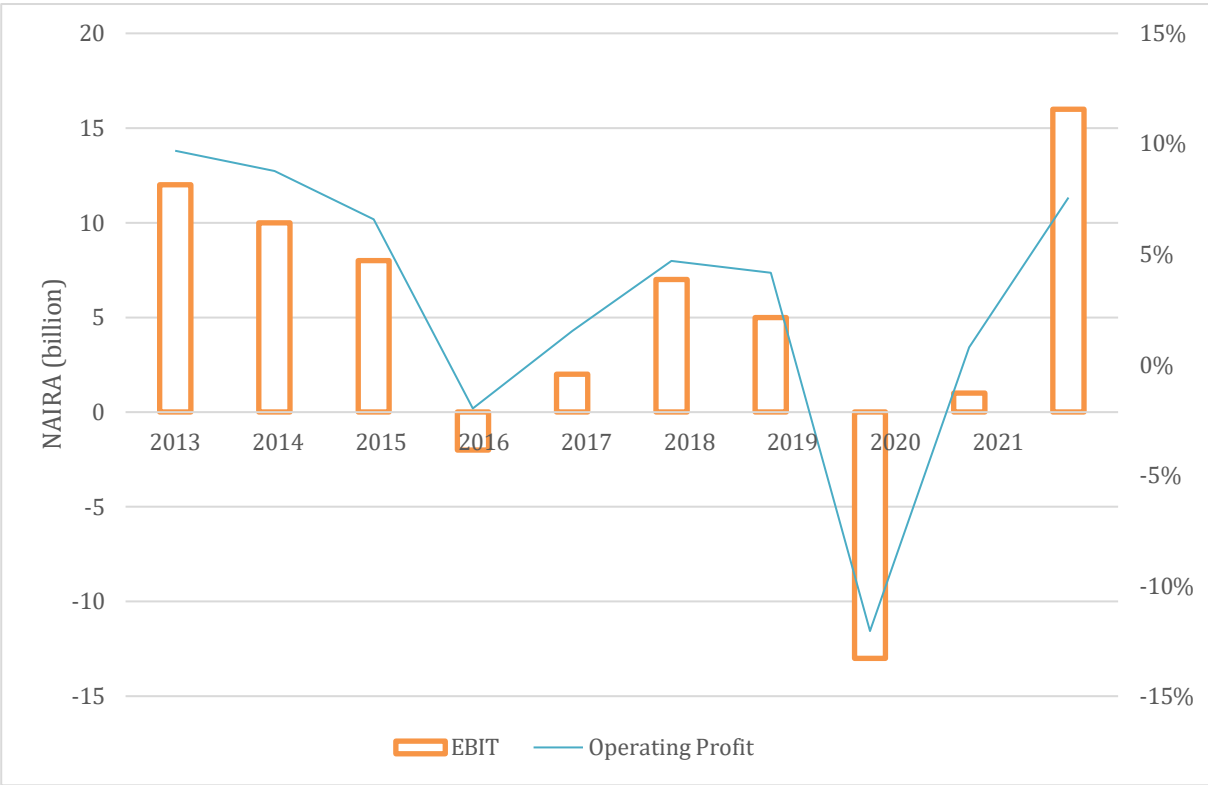


# 5.3 Profitability

## 5.3.1 Operating Profit Margin

Figure 4 illustrates the Earnings before Interest and Taxes and the Operating Profit Margin of Guinness Nigeria PLC from 2013 to 2022. The EBIT values reflect the company's operating profitability over the years, with significant fluctuations observed. In 2016 and 2020, the EBIT figures were negative, indicating operating losses during those periods. However, there was a notable recovery in subsequent years, with the highest EBIT recorded in 2022 at 15,651,362 NAIRA. The Operating Profit Margin Ratio also varied, showing both positive and negative margins, with 7.6% as the highest margin achieved in 2022. These values provide insights into the company's financial performance and profitability trends.

**Figure 4: EBIT and Operating Profit Margin**



Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

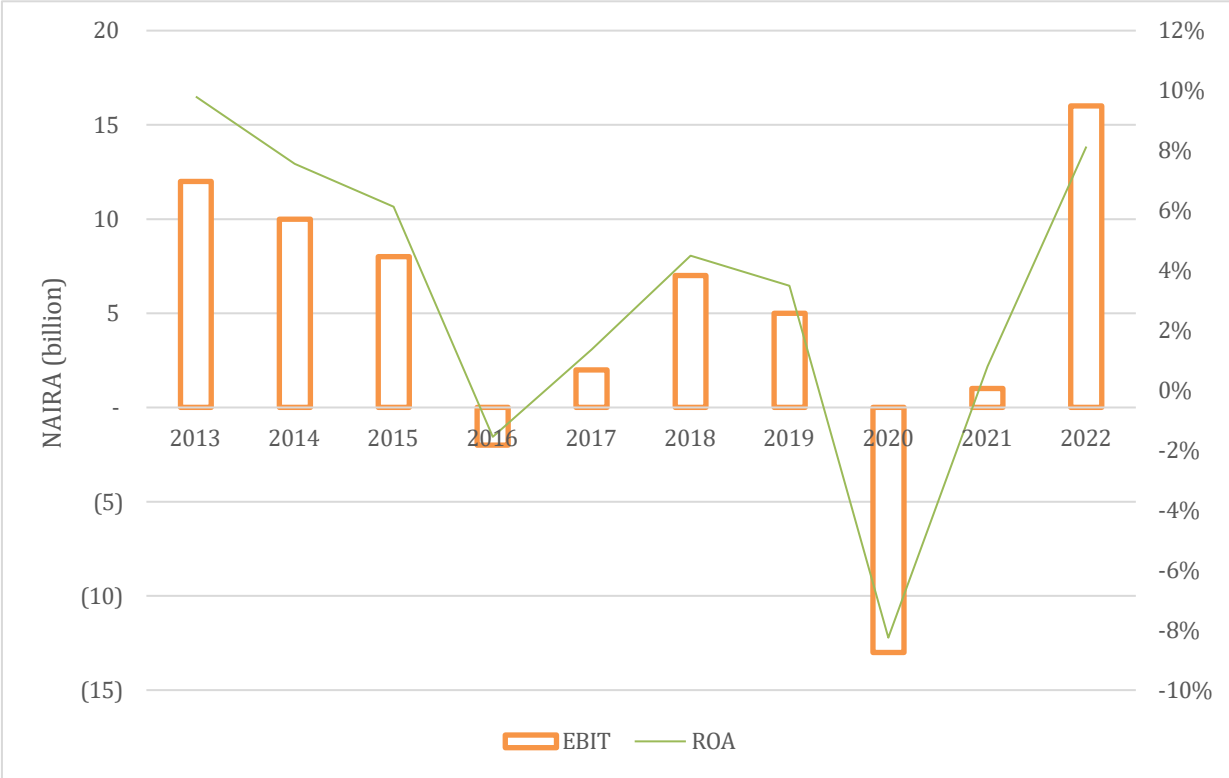
## 5.3.2 Return on Assets (ROA)

Figure 5 illustrates crucial financial data for Guinness Nigeria PLC, encompassing EBIT, Average Total Assets, ROA from 2013 to 2022. EBIT showcases the company's operating profitability over



the years, with varying figures, including negative values in 2016 and 2020, indicating operating losses during those periods. Average Total Assets represent the mean value of the company's total assets during each year, showing a steady increase over time. ROA, presented as percentages, measures the company's efficiency in generating profits from its assets. The values reveal fluctuations in the company's performance, with negative ROA in 2016 and 2020, followed by a significant rebound in 2022, recording 8.1%. These figures provide insights into the company's financial performance and asset utilisation efficiency.

**Figure 5: Return on Assets (ROA)**



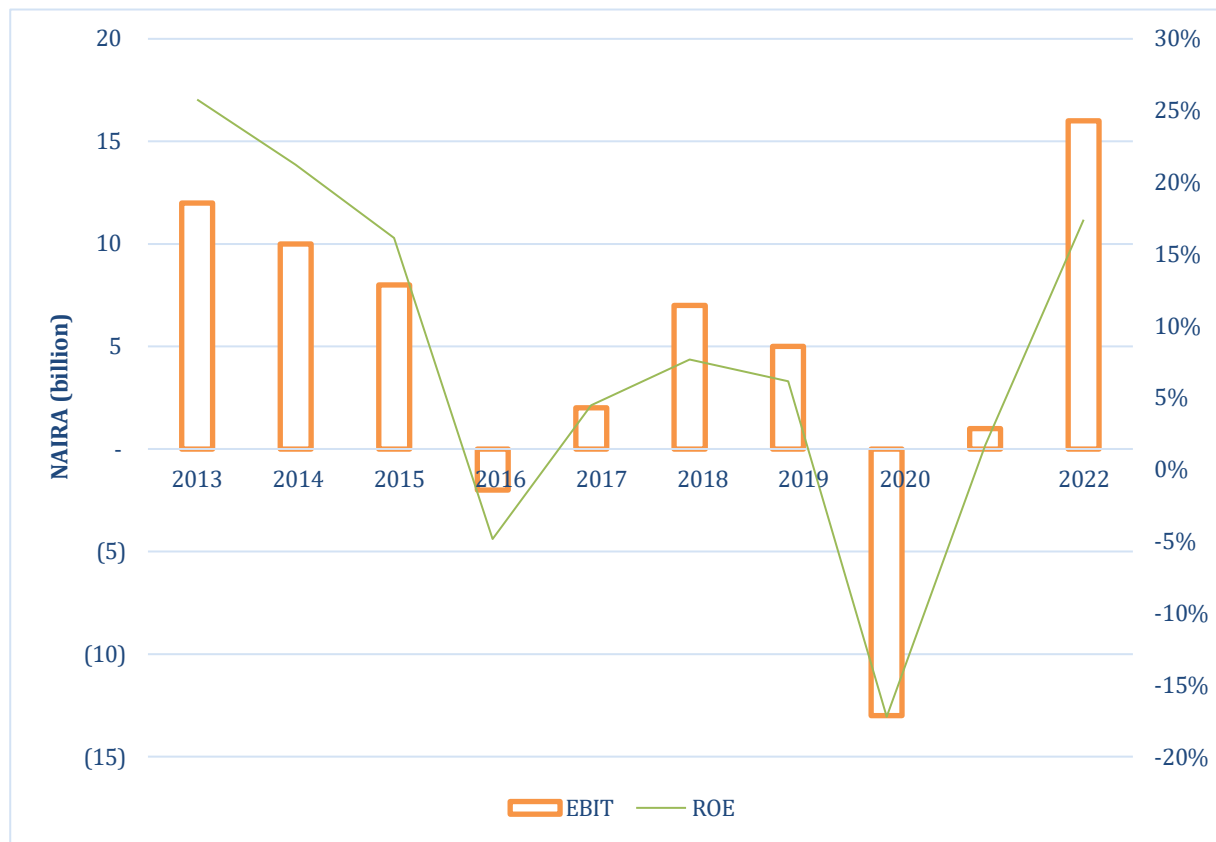
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.3.3 Return on Equity (ROE)

Figure 6 depicts Guinness Nigeria PLC Return on Equity from 2013 to 2022. The return on equity (ROE) is a crucial financial ratio that assesses a company's capacity to create returns for its shareholders based on their equity investments. The values represent changes in the company's performance throughout this period. The ROE percentages in 2016 and 2020 were negative (-5% and -17%, respectively), indicating that the company lost money relative to the shareholders' funds during those years. However, in subsequent years, there was a strong recovery, with the highest

ROE recorded in 2022 at 17%, indicating a major improvement in generating profits for shareholders.

**Figure 6: Return on Equity for Guinness Nigeria PLC**



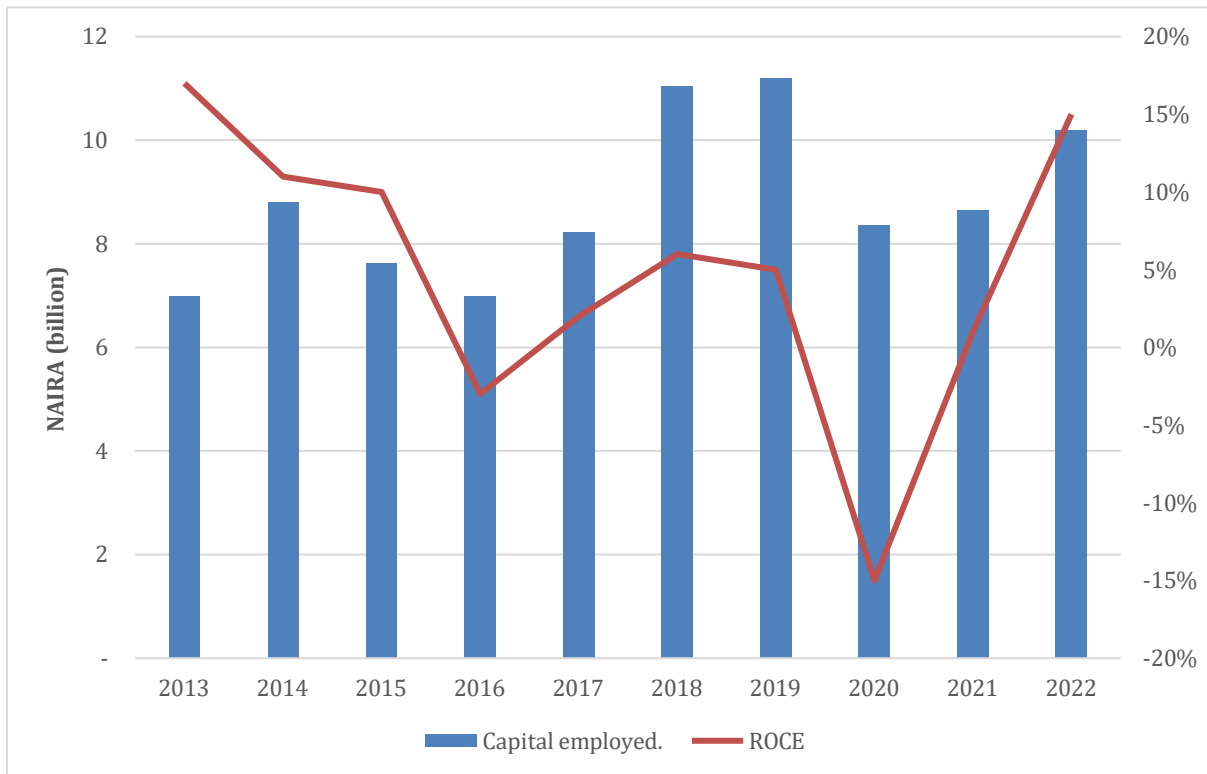
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.3.4 Return on Capital Employed (ROCE)

Figure 7 shows crucial financial data for Guinness Nigeria PLC, which includes Earnings before Interest and Taxes (EBIT), total assets, current liabilities, capital employed, and returns on capital employed (ROCE) from 2013 to 2022. EBIT show the company's operating profit over the years in study (2013 – 2022), this includes the operating loss of 2016 and 2020 due to economic crisis and covid-19 respectively. The total asset and current liabilities are used to determine the capital employed, this includes statement of financial position matters like property plant and equipment (PPE), receivables, payables, inventories, prepayments, and goodwill. To arrive at the returns on capital employed, the total current liabilities is deducted from the total assets, the value of the capital employed is thereafter used to divide the yearly EBIT to arrive at the returns on capital employed for each year.

Examining Guinness Nigeria PLC returns on capital employed chart, it can be noted that the year 2016 and 2020 with operating loss caused the company to have a negative ROCE because when a company generates losses instead of profit, it simply means the company’s capital employed are not yield enough revenue to cover it expenses for that particular year.

**Figure 7: Return on Capital employed (ROCE)**



Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

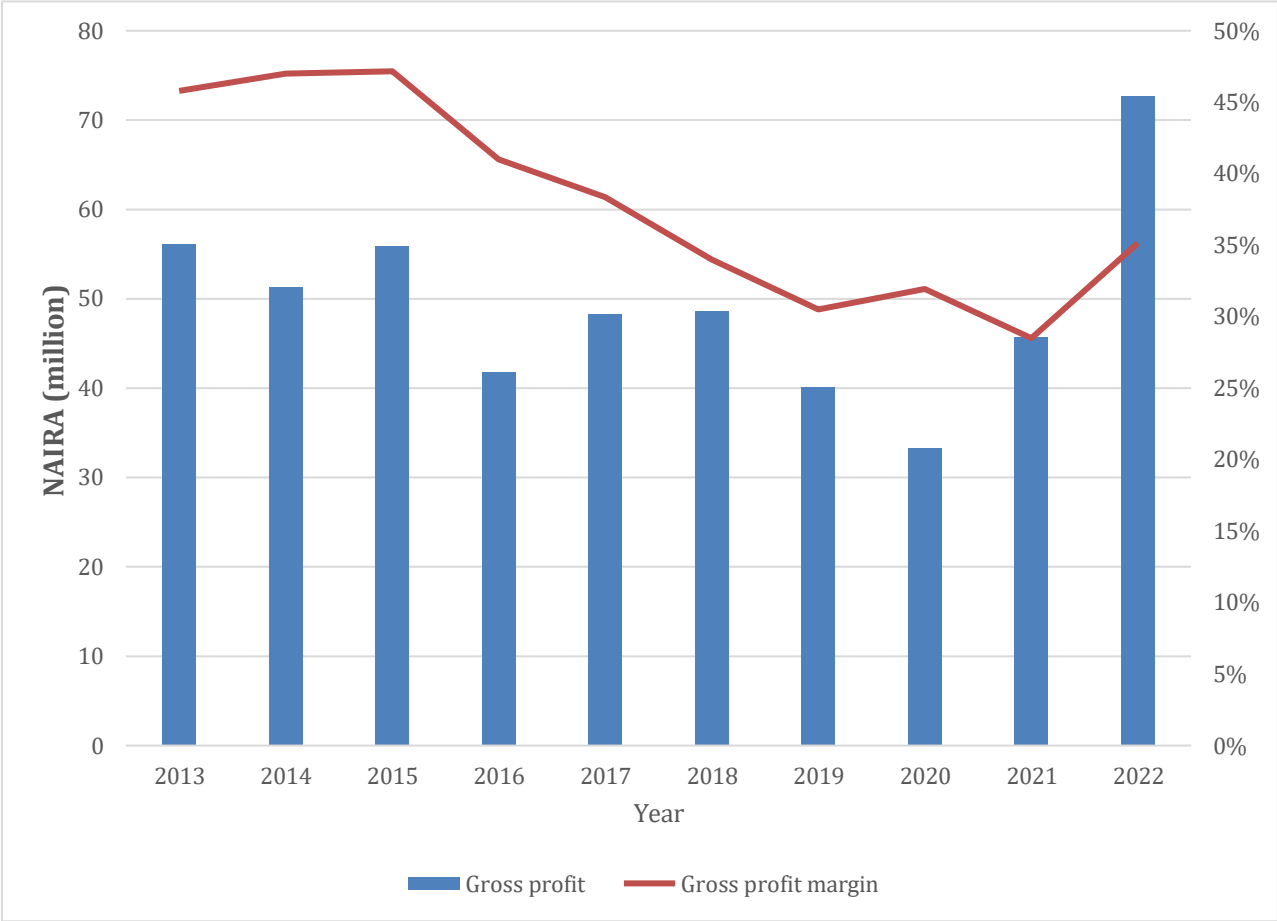
### 5.3.5 Gross profit margin

Figure 8 expresses crucial financial data for Guinness Nigeria PLC, which includes Gross profit, and revenues (sales) from 2013 to 2022. The Gross profit is gotten after deducting the cost of revenue (sales) from revenue, the cost of revenue is arrived at by adding opening inventories to purchases of the year plus carriages inward and wages, the total arrived at is called the cost of goods available for sales, wherein the closing inventory is then deducted from to arrive at the cost of revenue.

In the year 2016 and 2020, wherein Guinness Nigeria PLC made operating losses, the company was still able to make gross profits because the gross profit does not include the administrative and other expenses.

Analysing Guinness Nigeria PLC gross profit margin of 2013 to 2022, it can be noted that the company was able to maintain a healthy margin ranging between 28% to 47%, the concept of gross profit margin states that the higher the gross profit margin, the better for the company. A negative gross profit margin implies gross loss which means that the company is making gross loss, that is the revenue of the company cannot cater for the cost of the revenue of the company.

**Figure 8: Gross profit margin**



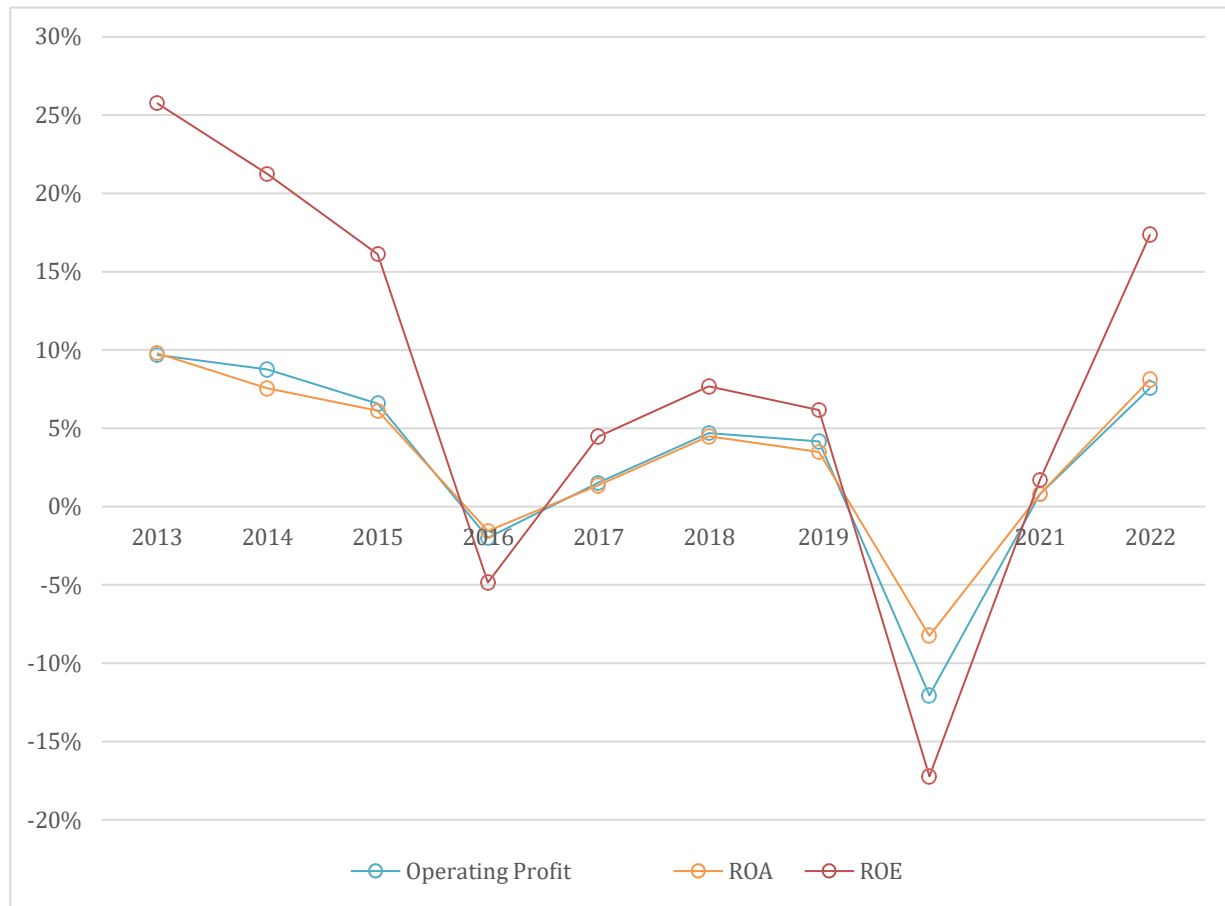
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.3.6 Summary of Profitability Ratio

Figure 9 shows a summary of Guinness Nigeria PLC profitability ratios over the last ten years. The Operating Profit Margin, which ranges from -12.1% in 2020 to 9.7% in 2013, demonstrates the company's ability to create profits from revenue. Return on Assets (ROA) assesses asset utilisation efficiency and ranges from -8.3% in 2021 to 9.8% in 2013. Return on Equity (ROE) measures shareholder returns and ranges from -17% in 2020 to 26% in 2013. Operating profit, ROE, and ROA all fell between 2016 and 2020. These percentages represent changes in

profitability and efficiency over time, reflecting both problems and gains in the company's financial performance.

**Figure 9: Summary of Profitability Ratio for Guinness Nigeria PLC**



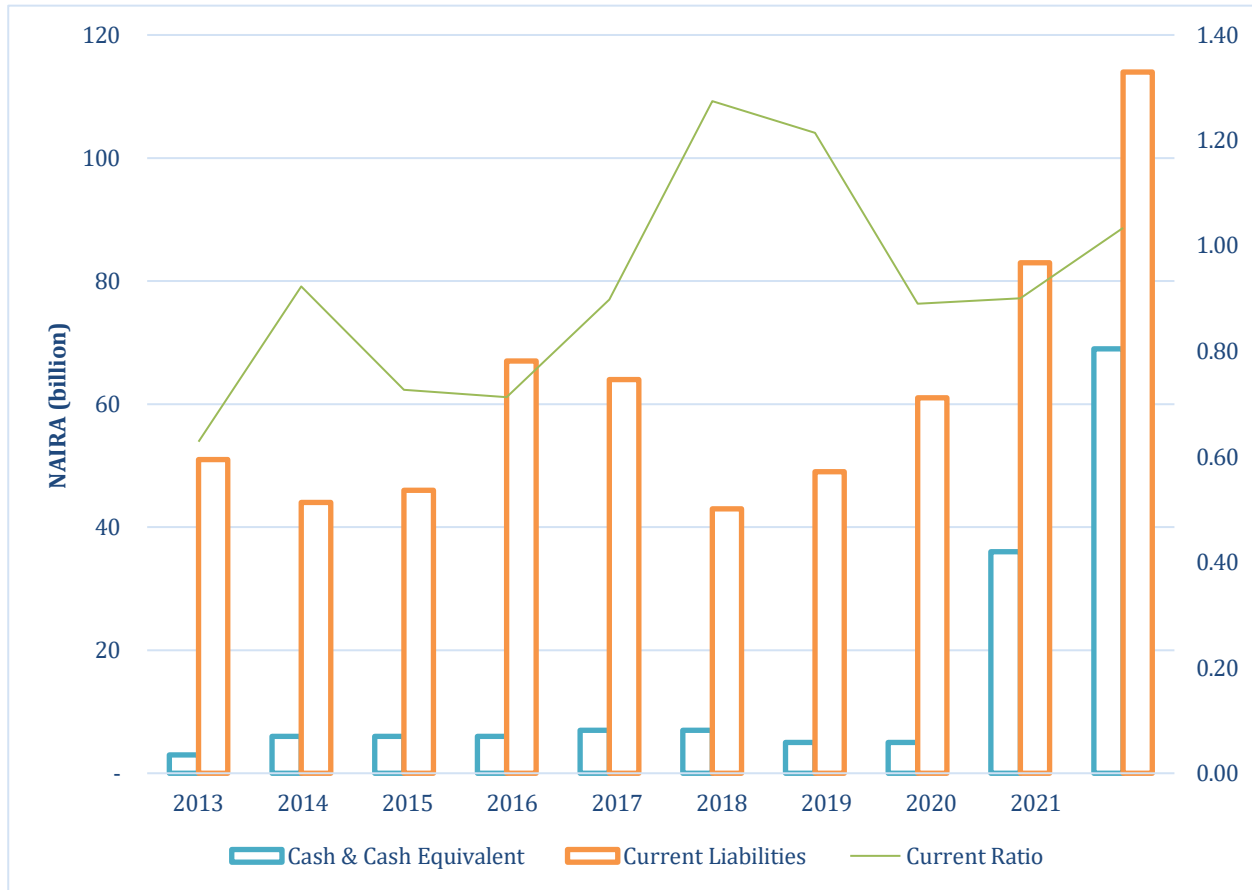
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

## 5.4 Liquidity

### 5.4.1 Current Asset Ratio

Figure 10 depicts Guinness Nigeria PLC Current Ratio during a ten-year period. The Current Ratio assesses a company's capacity to meet its current liabilities with its current assets in the short term. The Current Ratio fluctuates from 0.63 in 2013 and 1.27 in 2018. A ratio less than one suggests that the company may struggle to meet its short-term obligations with its current assets. However, from 2018 to 2022, the Current Ratio continuously remains greater than one, showing that the company's capacity to cover its short-term liabilities with current assets has improved.

**Figure 10: Current Ratio Analysis for Guinness Nigeria PLC**

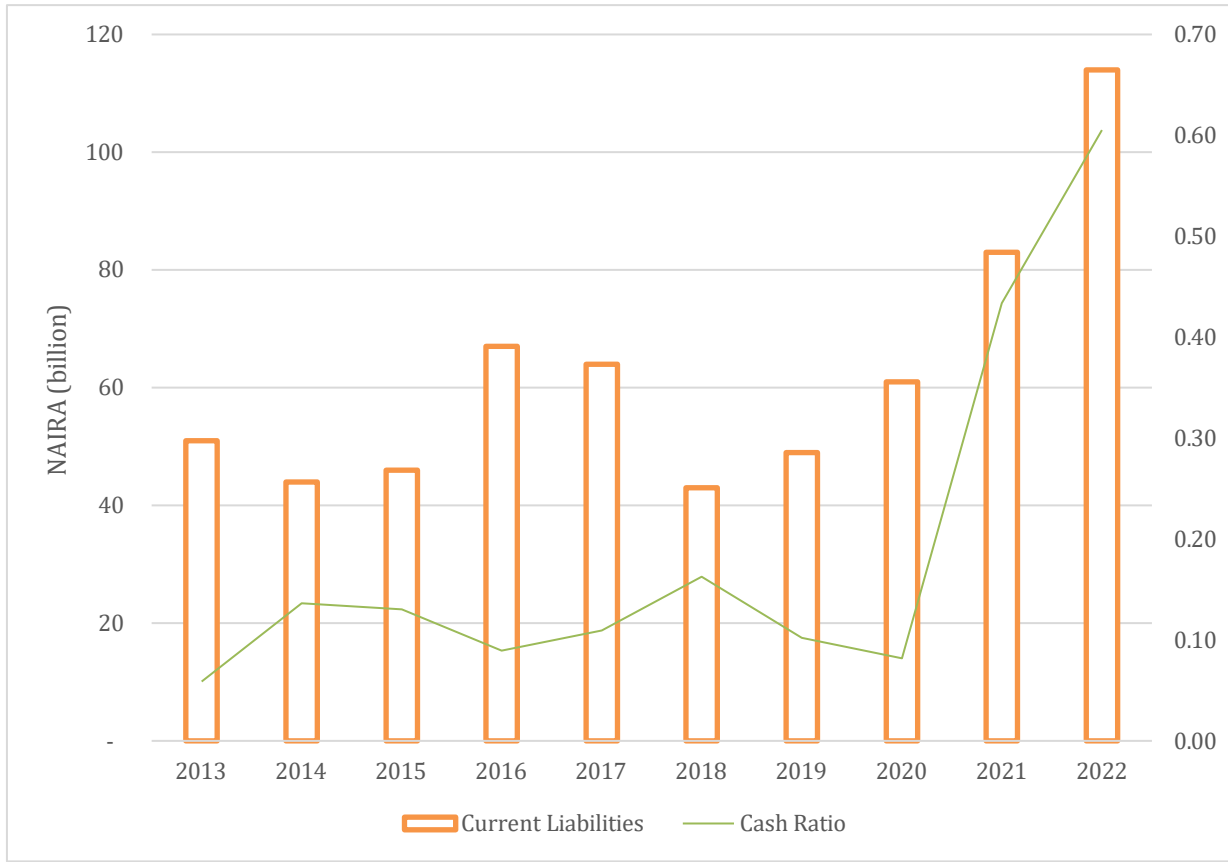


Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

#### 5.4.2 Cash Ratio

The Cash Ratio, as discussed in **section 4.0** of this thesis, evaluates the company's capacity to satisfy its short-term liabilities using solely cash and cash equivalents. The Cash Ratio values in the graph below vary from 0.06 in 2013 to 0.17 in 2018. Ratios less than one show that the company lacks sufficient cash and cash equivalents to completely meet its short-term liabilities. However, the Cash Ratio improves dramatically from 2018 to 2022, with values regularly above 0.1 suggesting an improved ability to satisfy short-term obligations using cash resources. In all of the investigated periods, both Current Liabilities and Cash & Cash Equivalent have been increasing.

**Figure 11: Cash Ratio Analysis for Guinness Nigeria PLC**



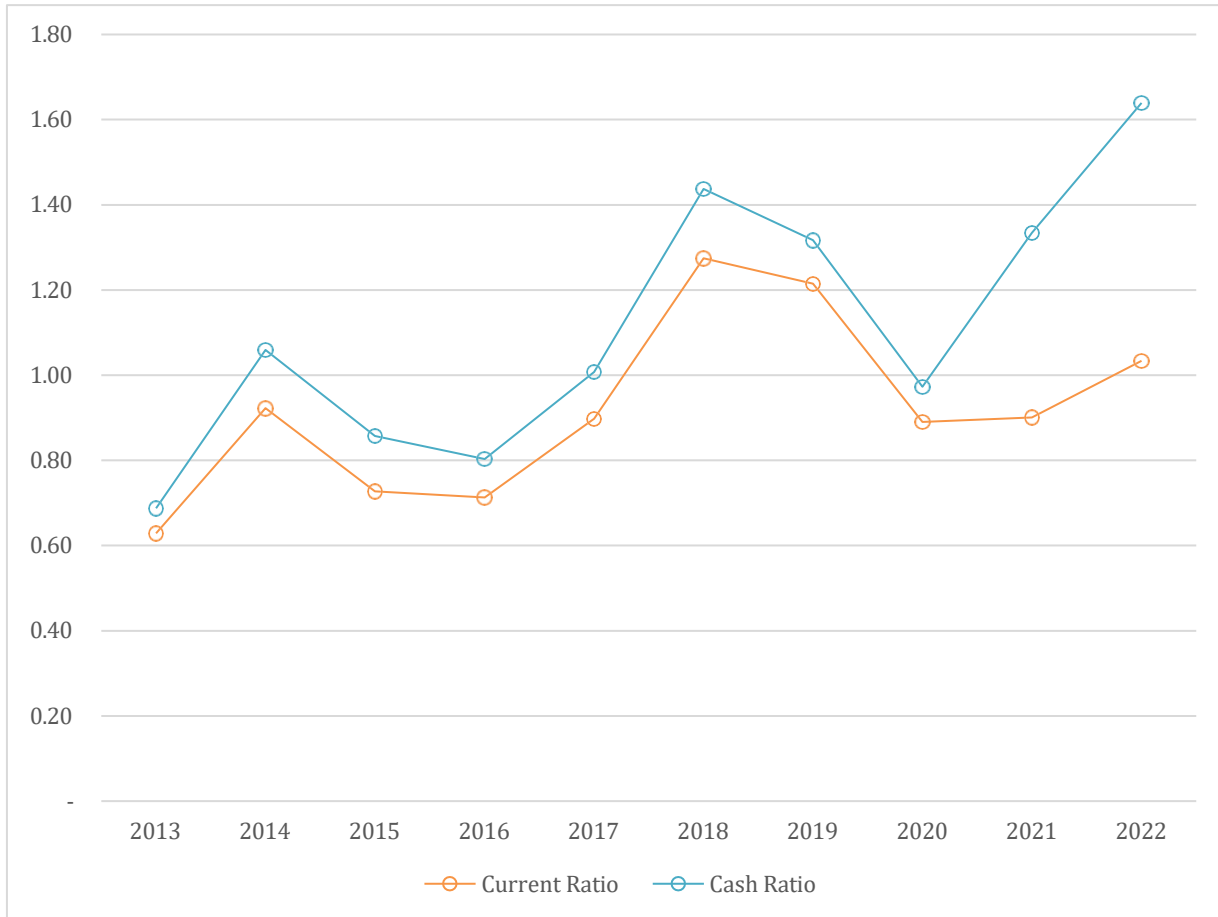
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.4.3 Summary of Liquidity Ratios

From 2013 to 2022, the graph in figure 10 depicts Guinness Nigeria PLC Current Ratio and Cash Ratio. The Current Ratio is between 0.63 and 1.27, demonstrating the ability of the corporation to cover short-term commitments with current assets. The Cash Ratio is between 0.06 and 0.17, indicating the company's ability to meet short-term liabilities only with cash.

The working capital is between (19,036,478) and 11,762,932, indicating the company's ability to meet short-term liabilities. The liquidity ratios fluctuate over time, with the Current Ratio generally greater than one from 2018 to 2022, which is beneficial to the firm. During this time, the Cash Ratio and the working capital improves as well. These trends reveal information about the company's liquidity and cash management performance.

**Figure 12: Liquidity Ratios Summary for Guinness Nigeria PLC**



Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

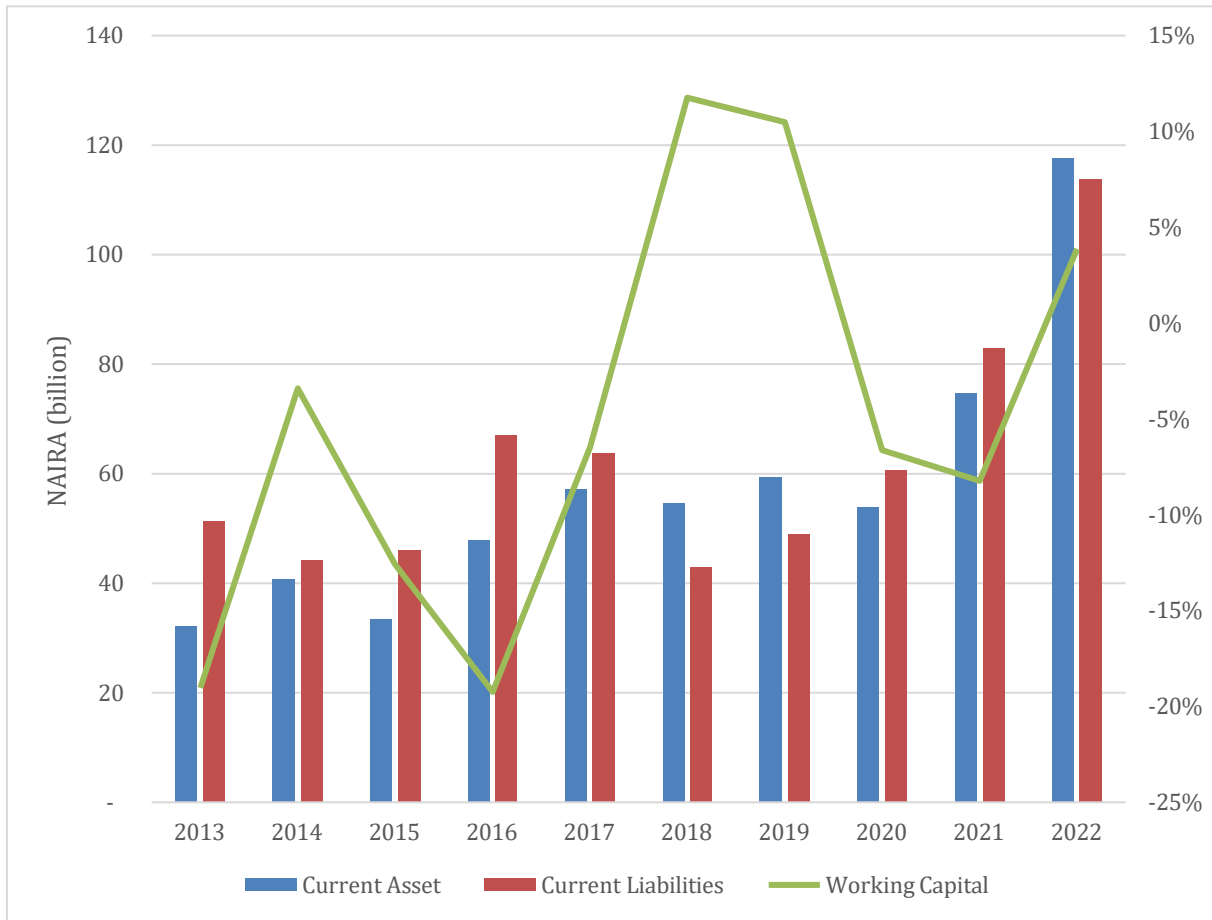
#### 5.4.4 Working Capital

Figure 13 depicts Guinness Nigeria PLC working capital during the period in study (2013-2022). The working capital is derived by deducting the current liabilities from the current asset, the working capital includes statement of financial position matters that are short termed like cash and cash equivalents, receivables, payables, inventories, and prepayments. Guinness Nigeria PLC had negative working capital for most of the period in study (2013-2022), except for years 2018, 2019 and 2022 which had positive working capital.

A positive working capital is the healthiest for a company as it implies that the company is liquid and can meet up with it short-term obligations while a negative working capital implies that the company is illiquid and might not be able to meet up with it short term obligations.



**Figure 13: Working capital Analysis for Guinness Nigeria PLC**



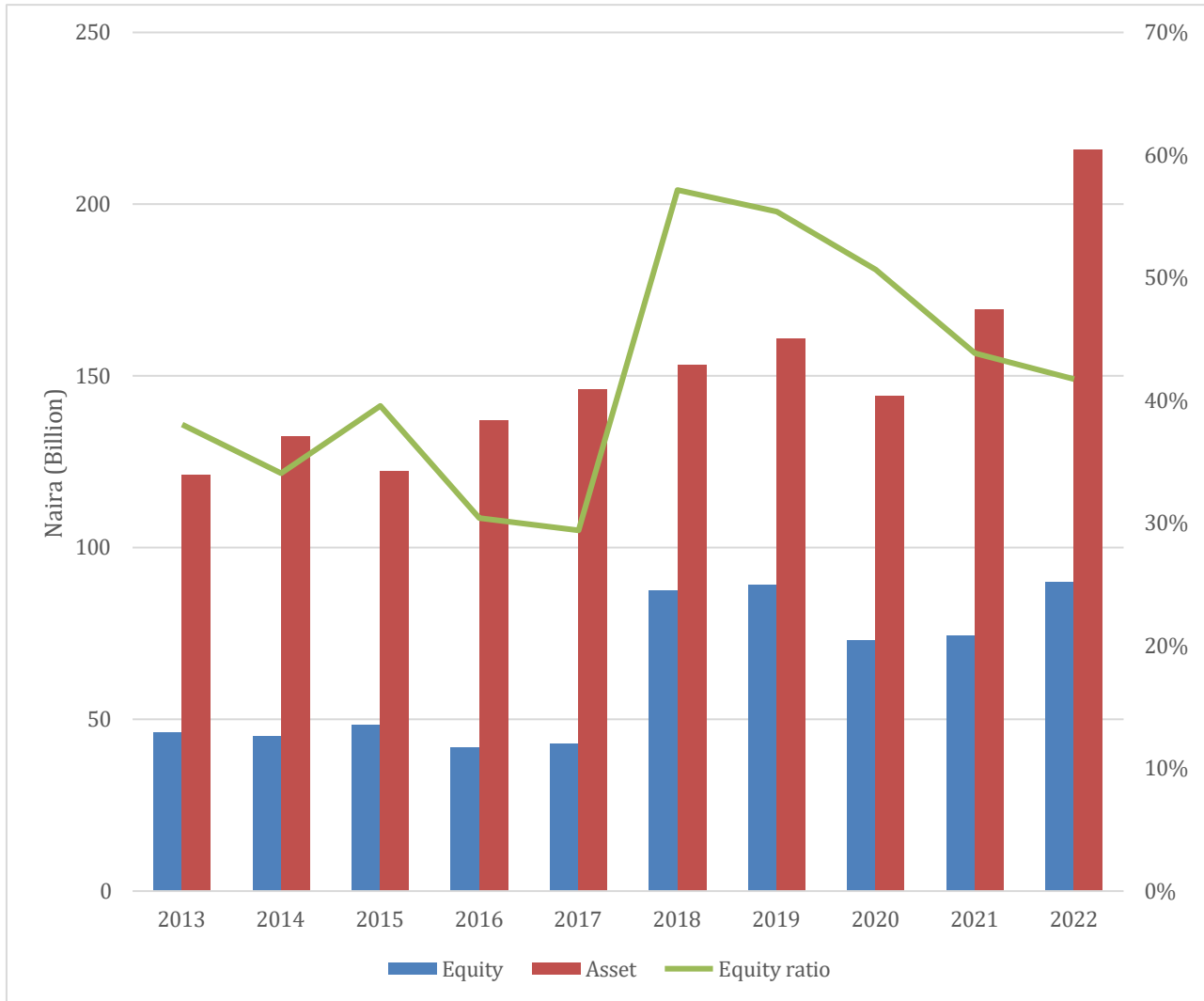
Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

## 5.5 Leverage

### 5.5.1 Equity Ratio

Figure 14 depicts Guinness Nigeria PLC equity ratio during the period in study (2013-2022). The equity ratio is calculated by dividing total equity by total asset, the equity ratio includes statement of financial position items like property plant and equipment, cash and cash equivalents, receivables, payables, inventories, prepayments, and equity. Equity ratio greater than 50% mostly implies that the company is conservative while equity ratios lower than 50% indicates a leveraged company. Guinness Nigeria PLC maintained a leveraged equity ratio except for financial year period between 2018 and 2020.

**Figure 14: Equity Ratio Analysis for Guinness Nigeria PLC**

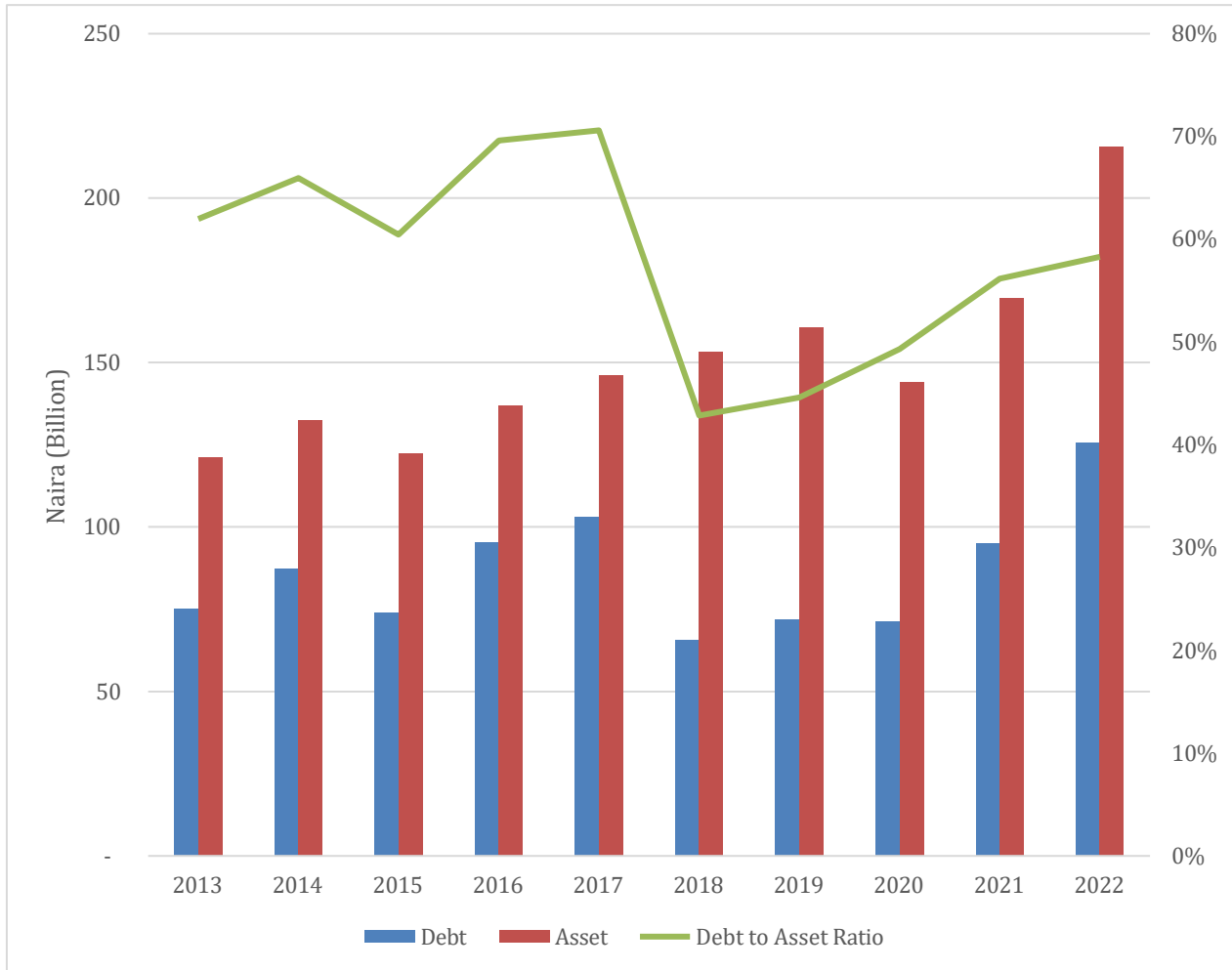


Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.5.2 Debt to Asset ratio

Figure 15 depicts Guinness Nigeria PLC equity ratio during the period in study (2013-2022). The debt to asset ratio is calculated by dividing total debt by total asset. Debt to Asset ratio greater than 50% indicates that a company is leveraged (geared) while debt to asset ratios lower than 50% indicates a conservative company. Guinness Nigeria PLC maintained a debt to asset ratio that indicate a leveraged company except for financial year period between 2018 and 2020 wherein the company had below 50% debt to asset ratio.

**Figure 15: Debt to asset Ratio Analysis for Guinness Nigeria PLC**



Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

### 5.5.3 Debt to Equity ratio

Figure 16 depicts Guinness Nigeria PLC equity ratio during the period in study (2013-2022). The debt to asset ratio is calculated by dividing total debt by total equity. Debt to Equity ratio greater than 100% indicates that a company is leveraged (geared) while debt-to-equity ratios lower than 100% indicates a conservative company. Guinness Nigeria PLC maintained a debt-to-equity ratio that indicate a leveraged company except for financial year period between 2018 and 2020 wherein the company had below 100% debt to asset ratio.

**Figure 16: Debt to equity Ratio Analysis for Guinness Nigeria PLC**



Source: Own Graph from Guinness Nigeria plc financial statements (2013 – 2022)

## 5.6 Comparison of Key Financial Indicators with a Competitor

A research-work cannot be completed without the comparison of the chosen company (case study) with a leading competitor - Nigeria Breweries PLC. The researcher has decided to focus on financial ratios such as ROE, ROA, and Liquidity for its comparison. The comparison would further assist to determine if Guinness Nigeria PLC (Case study) outperformed Nigeria Breweries PLC slightly after the time of economic crises. The interested periods were only 2020, 2021, and 2022 financial year end.

### 5.6.1 Net Income Margin for Nigeria Breweries PLC

Table 1: Net Income and Revenue of Nigeria Breweries PLC

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net Income	₦13,186,761	₦12,671,959	₦7,368,369
Revenue	₦550,637,994	₦437,285,189	₦337,046,213
<b>Net Income Margin</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>

Source: Own Graph from Nigeria Breweries PLC financial statements (2020 – 2022)

Nigeria Breweries PLC demonstrated robust financial performance, reporting a Net Income of ₦13.2Billion in 2022, up from ₦12.7Billion in 2021 and ₦7.4Billion in 2020. Revenue surged to ₦550.6Billion in 2022, compared to ₦437.3Billion (2021) and ₦337.0Billion (2020). The Net Income Margin slightly declined from 0.03 in 2021 to 0.02 in 2022, emphasizing the need for operational efficiency. Despite this, the company's consistent revenue growth indicates a positive trajectory, essential for investor confidence and strategic decision-making.

In comparison with Guinness Nigeria PLC for the same period: While Nigeria Breweries PLC maintained relatively stable Net Income Margins around 0.02-0.03 during the specified years (2020 to 2022), Guinness Nigeria PLC experienced significant fluctuations. Guinness Nigeria PLC's Net Income Margin rebounded from a negative figure of -12.1% in 2020 to positive values of 0.8% in 2021 and 7.6% in 2022. This suggests that Guinness Nigeria PLC underwent a substantial recovery, achieving profitability and improved performance over the same period.

### 5.6.2 Return on Assets for Nigeria Breweries PLC

Table 2: Net Income and Total Assets of Nigeria Breweries PLC

<b>Return on Assets</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net Income	₦13,186,761	₦12,671,959	₦7,368,369
Total Assets	₦619,888,682	₦485,522,227	₦445,857,202
<b>ROA</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>

Source: Own Graph from Nigeria Breweries PLC financial statements (2020 – 2022)

Nigeria Breweries PLC exhibited a Return on Assets (ROA) of 2% in 2022, a slight decrease from 3% in 2021 but consistent with the 2% recorded in 2020. The company generated a Net Income of ₦13.2Billion in 2022, surpassing ₦12.7Billion in 2021 and ₦7.4Billion in 2020. Despite the dip in ROA, the company's ability to generate profit relative to its total assets demonstrates financial efficiency.

In contrast, Guinness Nigeria PLC experienced substantial fluctuations in ROA. The company rebounded from a negative ROA of -8.3% in 2020 to positive figures of 0.8% in 2021 and 8.1% in 2022. This indicates an improvement in Guinness Nigeria PLC's ability to generate returns on its total assets over time, with 2022 reflecting a particularly significant increase. Investors may analyse these ROA values to assess the efficiency of both companies in utilizing their assets to generate profits. Nigeria Breweries PLC's consistent positive ROA reflects stability, while Guinness Nigeria PLC's recovery suggests positive momentum in asset utilization and profitability.

### 5.6.3 Return on Equity for Nigeria Breweries PLC

Table 3: Net Income and Total Equity of Nigeria Breweries PLC

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net Income	₦13,186,761	₦12,671,959	₦7,368,369
Total Equity	₦179,913,715	₦171,912,264	₦161,179,042
<b>Return on Equity</b>	<b>0.07</b>	<b>0.07</b>	<b>0.05</b>

Source: Own Graph from Nigeria Breweries PLC financial statements (2020 – 2022)

Nigeria Breweries PLC displayed a consistent Return on Equity (ROE) over 2020-2022, reporting 0.05 in 2020, 0.07 in 2021, and maintaining 0.07 in 2022. With a Net Income of ₦13.2Billion in 2022, an increase from ₦12.7Billion in 2021 and ₦7.4Billion in 2020, the company demonstrated sustained profitability relative to Total Equity, which reached ₦179.9Billion in 2022. In contrast, Guinness Nigeria PLC experienced significant variations in ROE. The company rebounded from a negative ROE of -17% in 2020 to positive figures of 2% in 2021 and 17% in 2022. This suggests a substantial improvement in Guinness Nigeria PLC's profitability and efficiency in utilizing shareholders' funds over the specified period.

## 6. Discussions

The brewing industry is a highly competitive and dynamic sector that requires firms to continually monitor their financial performance to increase their going concern. The discussion section aims to explain the graphs, tables, and other analysed data as shown in heading 5 of the thesis. The category further provides insights into the various aspects that influence the financial performance of Guinness Nigeria PLC over the last 10 years.

Guinness Nigeria PLC's financial data analysis begins with an examination of its revenue and revenue growth from 2013 to 2022. The company's revenue witnessed steady growth during this period, reflecting successful marketing strategies, product diversification, and brand loyalty. Notably, the highest revenue of ₦206,822,127,000 was recorded in 2022, marking a sharp increase from the previous years. However, the revenue growth percentages fluctuated over the years, indicating the impact of various economic and industry challenges.

The company experienced significant revenue growth of 14% and 23% in 2015 and 2017, respectively, which can be attributed to effective market penetration and product innovation. Conversely, in 2016 and 2020, the revenue growth percentages dropped to -2% and 54% due to the disruptions caused by the COVID-19 pandemic. The pandemic led to reduced consumer spending, supply chain disruptions, and lockdown measures that impacted the entire beverage industry.

After careful examination of the company's revenue growth, the researcher further looked into the operating profit margin. As it was defined in **section 5.2 and 5.3** of this thesis, the net income margin, gross profit margin, ROA, ROE, and ROCE are the main profitability ratios that gave insights into Guinness Nigeria's operational efficiency and performance. The net income margin shows the company's ability to generate profits from its revenue after accounting for operating costs. During the COVID-19 pandemic in 2020, the margin experienced a sharp decline to -12.1%, signalling challenges in managing operating costs and achieving profitability.

The gross profit margin also shows the company's ability to generate profits from its revenue after accounting for cost of revenue but before accounting for operating and administrative costs. Guinness Nigeria PLC maintained a good and positive margin of gross profit except for year 2016 and 2020 which was caused by the economic crisis of 2016 and covid-19 pandemic respectively.

Similarly, the ROA, ROE and ROCE ratios fluctuated but maintained positive percentages during the analysed period, except for year 2016 and 2020 with negative percentages, indicating that the company incurred losses relative to its average total assets and average equity for just these periods. These downturns of 2016 and 2020 indicates challenges in delivering returns on assets and to equity investors, it can however be attributed to economic crisis, reduced business activities, supply chain disruptions, and increased operational costs during the pandemic. However, the company demonstrated resilience and adaptability, leading to a rebound in profitability in subsequent years.

Another key financial analysis the researcher became very interested in was the Liquidity Ratio and leverage ratios. Without these ratios the thesis work would have become inconclusive. As it has been defined in both **section 5.4 and 5.5**.

The current ratio, cash ratio and working capital are the main types of liquidity analysis conducted by the researcher. According to the graph analysis in **section 5.4.1, 5.4.2 and 5.4.3** of this research work, the Current Ratio experienced deep fluctuations ranging from 0.63 and 1.27 during the analysed period. It has been previously explained in this thesis that ratios that are less than 1 shows that Guinness Nigeria may face difficulties in covering short-term liabilities with current assets. However, from the 2018 to 2022 financial year end, the ratios consistently remained above 1, indicating an improved ability to manage liquidity and meet short-term obligations. In a similar direction, the Cash Ratio ranged from 0.06 to 0.17. But also, there was an improved cash from the year 2018 until the last period.

Furthermore, the company maintained a negative working capital for majority of the financial years in study, a negative working capital indicates a company's illiquidity and its inability to meet up with obligations especially short term obligations meanwhile on the other hand, a positive working capital indicates a company's liquidity and its ability to meet up with obligations especially short term obligations, Guinness Nigeria Plc working capital shows that the company may be facing difficulties in settling obligations. However, in 2018 and 2019, Guinness Nigeria Plc working capital shows a positive working capital which indicate an improved ability to manage liquidity.



Additionally, the researcher analysis consists of the leverage ratios. According to the analysis and charts in **section 5.5**, the equity ratio, debt to asset ratio and debt to equity ratio are the major forms of leverage analysis, showcasing if the company is geared or ungeared.

The equity ratio, debt to asset ratio and debt to equity ratio of Guinness Nigeria Plc shows that the company is highly geared (that is majorly funded by debt) except for periods 2018 to 2020, wherein the equity ratio for those periods was higher than 50%, debt to asset was less than 50% and the debt-to-equity ratio was less than 100%.

The researcher compared the case study with a strong competitor in the industry. Nigeria Breweries PLC demonstrated consistent growth in Net Income, with figures of ₦7.4 billion in 2020, ₦12.7 billion in 2021, and ₦13.2 billion in 2022. Revenue also showed a positive trajectory, reaching ₦550.6 billion in 2022. Nigeria Breweries PLC showcased stability and a continuous increase in financial performance. However, Guinness Nigeria PLC experienced a significant fluctuation in Net Income, starting with a negative figure of -₦12.6 billion in 2020, rebounding to ₦1.3 billion in 2021, and surging to ₦15.7 billion in 2022.

Furthermore, Nigeria Breweries PLC maintained relatively stable profitability ratios, with a Net Income Margin ranging from 0.02 to 0.03 over the years. The Return on Equity remained consistent at 0.05 in 2020 and 0.07 in both 2021 and 2022. Nigeria Breweries PLC exhibited steady profitability and effective use of equity. But in this category, Guinness Nigeria could not perform like its competitor in the same time frame. Its Net Income Margin showed a negative 17% in 2020, recovering to 2% in 2021, and further improving to 17% in 2022.

The COVID-19 pandemic significantly impacted Guinness Nigeria PLC financial performance during 2020. Lockdown measures and reduced consumer spending resulted in decreased revenue growth, negative profitability ratios, and challenges in delivering returns to shareholders. The operating environment became volatile, affecting the company's ability to generate profits and manage liquidity.

However, the company demonstrated resilience and agility, leading to a recovery in profitability and liquidity in subsequent years. The improved Current ratios, Cash Ratios and working capital from 2018 to 2022 indicate the successful management of resources and adaptation to the changing business landscape.

## 7. Conclusion

This thesis has explored the importance of financial analysis in Guinness Nigeria PLC, which is part of the brewing industry, and it has highlighted key financial performance indicators and factors influencing financial performance. Additionally, it has discussed various financial analysis methodologies, such as trend analysis, ratio analysis, and comparative analysis. Conducting a Ten-year financial analysis of a brewing company requires a comprehensive understanding of the industry, careful consideration of financial indicators, and the application of appropriate analysis techniques. By utilising the insights from this literature review and the results categories, researchers and practitioners can gain a deeper understanding of the complexities involved in assessing the financial performance of Guinness Nigeria PLC over an extended time. The analysis encompassed key financial indicators such as the following:

- Revenue and revenue growth.
- Profitability ratios.
- Liquidity ratios.
- Leverage ratios

Throughout the analysis, fluctuations were observed, reflecting both the company's strengths and vulnerabilities, as well as the impact of external factors, most notably the COVID-19 pandemic.

### 7.1 Problems and Recommendation

The financial analysis highlighted some challenges faced by Guinness Nigeria PLC, particularly during the COVID-19 pandemic. As we already know, the pandemic caused major disruptions in the supply chain, reduced consumer spending, and led to increased operating costs. These challenges impacted the company's revenue growth, profitability, and liquidity.

To address these challenges and position the company for sustained growth, several recommendations were proposed by the researcher such as:

- **Diversification:** The company should continue to diversify the product portfolio to reduce dependency on specific product lines and target emerging market segments for possible growth.

- **Agile Strategies:** Also, the company should adopt agile strategies to respond promptly to market changes, mitigate risks, and capitalise on any emerging opportunities.
- **Cost Optimization:** Every company should reduce its costs to the lowest level. This would help to improve operating profit margins during periods of economic downturns.
- **Supply Chain Resilience:** Strengthen the supply chain by establishing alternative sourcing options and ensuring business continuity plans to minimise disruptions.
- **Market Research:** Conduct regular market research to understand changing consumer preferences and trends, facilitating the development of innovative products and marketing strategies.

## 7.2 Final Remarks

Two major participants in the Nigerian beverage market, Guinness Nigeria PLC and Nigeria Breweries PLC, show distinct financial trajectories throughout the given time frame. Guinness Nigeria PLC's remarkable turnaround from deficits in 2020 to significant profits in 2022 demonstrates flexibility and tenacity. Nigeria Breweries PLC, on the other hand, exhibits consistent growth and stability, which is indicative of sound financial management. When evaluating these companies, investors should balance past volatility with growth prospects. While Nigeria Breweries PLC's steady performance shows dependability, Guinness Nigeria PLC's recent positive trends point to a possible reversal. For investors looking for a beverage industry in Nigeria that strikes a mix between stability and development potential, this comparison offers insightful information. Despite financial indicator volatility, Guinness Nigeria PLC's strategy focus on product diversity, market expansion, and cost optimization positions it well for future success in the competitive beverage business. The dedication of Guinness Nigeria PLC to maintaining its financial health and providing value to its stakeholders would be critical in navigating future uncertainty. This study of financial data offers stakeholders with useful insights into the company's performance as well as a foundation for making educated decisions. Guinness Nigeria PLC is positioned to succeed in the dynamic business landscape by continuing to monitor market trends, implement agile strategies, and prioritise innovation. Finally, Guinness Nigeria PLC continues to be a major participant in the beverage market, with a solid platform for driving growth, profitability, and shareholder value. With a continual dedication to excellence and a customer-centric strategy, the company is well-positioned to achieve long-term success.

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## 10. Appendices

	<b>Revenue and Revenue Growth</b>								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	109,202,120	118,495,882	101,973,030	125,919,817	142,975,792	131,498,373	104,376,015	160,416,257	206,822,127
<b>Revenue Growth</b>	11%	9%	14%	23%	14%	8%	21%	54%	29%

	<b>Operating Profit Margin Ratio</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>EBIT</b>	11,863,726	9,573,480	7,794,899	-2,015,886	1,923,720	6,717,605	5,483,732	-12,578,818	1,255,338	15,651,362
<b>Operating Profit Margin</b>	9.7%	8.8%	6.6%	-2.0%	1.5%	4.7%	4.2%	-12.1%	0.8%	7.6%

	<b>Gross Profit Margin Ratio</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>EBIT</b>	122,463,538	109,202,120	118,495,882	101,973,030	125,919,817	142,975,792	131,498,373	104,376,015	160,416,257	206,822,127
<b>Gross Profit Margin</b>	45.8%	47.0%	47.2%	41.0%	38.4%	34.0%	30.5%	31.9%	28.5%	35.1%

### Cash Ratio for Guinness Nigeria PLC

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash & Cash Equivalent	3,189,239	6,290,582	5,804,623	5,844,524	6,594,514	7,451,064	4,756,561	5,271,224	35,868,834	69,103,716
Current Liabilities	51,275,097	44,248,479	46,100,344	67,109,622	63,719,662	42,847,115	48,856,474	60,597,976	82,958,885	113,732,630
<b>Cash Ratio</b>	<b>0.06</b>	<b>0.14</b>	<b>0.13</b>	<b>0.09</b>	<b>0.10</b>	<b>0.17</b>	<b>0.10</b>	<b>0.09</b>	<b>0.43</b>	<b>0.61</b>

### Current Ratio for Guinness Nigeria PLC

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash & Cash Equivalent	3,189,239	6,290,582	5,804,623	5,844,524	6,594,514	7,451,064	4,756,561	5,271,224	35,868,834	69,103,716
Current Liabilities	51,275,097	44,248,479	46,100,344	67,109,622	63,719,662	42,847,115	48,856,474	60,597,976	82,958,885	113,732,630
<b>Current Ratio</b>	<b>0.63</b>	<b>0.92</b>	<b>0.73</b>	<b>0.71</b>	<b>0.90</b>	<b>1.27</b>	<b>1.21</b>	<b>0.89</b>	<b>0.90</b>	<b>1.03</b>

### Current and Cash Ratios Graph

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Current Ratio</b>	0.63	0.92	0.73	0.71	0.90	1.27	1.21	0.89	0.90	1.03

<b>Cash Ratio</b>	0.06	0.14	0.13	0.09	0.10	0.17	0.10	0.09	0.43	0.61
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	2013	2014	2015	2016	Equity Ratio		2019	2020	2021	2022
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Equity	46,039,111	45,061,717	48,341,376	41,660,605	42,943,015	87,588,174	89,060,462	73,038,140	74,286,575	89,979,391
Total assets	121,060,621	132,328,273	122,246,632	136,992,444	146,038,216	153,254,968	160,792,627	144,145,581	169,406,525	215,660,208
Equity Ratio	38%	34%	40%	30%	29%	57%	55%	51%	44%	42%

	2013	2014	2015	2016	Debt to Asset ratio		2019	2020	2021	2022
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt	75,021,510	87,266,556	73,905,256	95,331,839	103,095,201	65,666,794	71,732,165	71,107,441	95,119,950	125,680,817
Total assets	121,060,621	132,328,273	122,246,632	136,992,444	146,038,216	153,254,968	160,792,627	144,145,581	169,406,525	215,660,208
Debt to Asset ratio	62%	66%	60%	70%	71%	43%	45%	49%	56%	58%

	Debt to Equity ratio									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Equity	46,039,111	45,061,717	48,341,376	41,660,605	42,943,015	87,588,174	89,060,462	73,038,140	74,286,575	89,979,391
Debt	75,021,510	87,266,556	73,905,256	95,331,839	103,095,201	65,666,794	71,732,165	71,107,441	95,119,950	125,680,817
Debt to Equity ratio	163%	194%	153%	229%	240%	75%	81%	97%	128%	140%

	Return on Assets									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EBIT	11,863,726	9,573,480	7,794,899	(2,015,886)	1,923,720	6,717,605	5,483,732	(12,578,818)	1,255,338	15,651,362
Average Total Assets	121,060,621	126,694,447	127,287,453	129,619,538	141,515,330	149,646,592	157,023,798	152,469,104	156,776,053	192,533,367
ROA	9.8%	7.6%	6.1%	-1.6%	1.4%	4.5%	3.5%	-8.3%	0.8%	8.1%

	Return on Equity									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022



EBIT	11,863,726	9,573,480	7,794,899	(2,015,886)	1,923,720	6,717,605	5,483,732	(12,578,818)	1,255,338	15,651,362
Shareholders Fund	46,039,111	45,061,717	48,341,376	41,660,605	42,943,015	87,588,174	89,060,462	73,038,140	74,286,575	89,979,391
<b>ROE</b>	26%	21%	16%	-5%	4%	8%	6%	-17%	2%	17%

	<b>Summary of Profitability Ratio</b>									
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Operating Profit Margin	9.7%	8.8%	6.6%	-2.0%	1.5%	4.7%	4.2%	-12.1%	0.8%	7.6%
ROA	9.8%	7.6%	6.1%	-1.6%	1.4%	4.5%	3.5%	-8.3%	0.8%	8.1%
Gross profit margin	45.8%	47.0%	47.2%	41.0%	38.4%	34.0%	30.5%	31.9%	28.5%	35.1%
<b>ROE</b>	26%	21%	16%	-5%	4%	8%	6%	-17%	2%	17%

Comtrade Data for Nigeria Beer Exports by Countries for 2022

Year	Trade Partners	Trade Value (USD)	Net Weight (kg)
2022	Belgium	\$14,107	28000
2022	Benin	\$12,353	8000
2022	Burkina Faso	\$25,714	12500
2022	Cameroon	\$167,368	224639
2022	Cameroon	\$167,368	224639
2022	Canada	\$18,611	19760
2022	Canada	\$18,611	19760
2022	Ghana	\$15,590	28200
2022	Ghana	\$14,623	32219
2022	Ghana	\$14,623	32219
2022	Guinea	\$58,800	85000
2022	Guinea	\$58,800	85000
2022	India	\$161,260	10000
2022	Ireland	\$41,128	60130
2022	Ireland	\$41,128	60130
2022	Italy	\$3,704	18458
2022	Italy	\$3,704	18458
2022	Liberia	\$33,581	3600
2022	Liberia	\$92,956	173400
2022	Liberia	\$92,956	173400
2022	Netherlands	\$24,798	133850
2022	Netherlands	\$8,818	35000
2022	Netherlands	\$59,436	119688
2022	Netherlands	\$59,436	119688
2022	Niger	\$38,976	2500
2022	Niger	\$73,455	118800
2022	Niger	\$73,455	118800
2022	South Africa	\$186,868	218760
2022	South Africa	\$186,868	218760
2022	Togo	\$10,036	132200
2022	United Arab Emirates	\$10,231	1500
2022	United Arab Emirates	\$10,231	1500
2022	United Kingdom	\$65,778	118250
2022	United Kingdom	\$4,574,559	5353307
2022	United Kingdom	\$4,574,559	5353307
2022	USA	\$193,854	428675
2022	USA	\$193,854	428675
2022	World	\$336,760	438600

2022	World	\$60,148	45500
2022	World	\$5,509,704	6882336
2022	World	\$5,509,704	6882336

Comtrade Data for Nigeria Beer Imports by Countries for 2022

Year	Trade Partners	Trade Value (USD)	Net Weight (kg)
2022	World	\$69,072	55287
2022	China	\$24,653	15640
2022	Viet Nam	\$24,804	21393
2022	United Kingdom	\$18,014	18146
2022	World	\$38,691,546	47470363
2022	Afghanistan	\$3,295	3193
2022	Albania	\$19,240	19606
2022	Austria	\$8,370,371	7628301
2022	Belgium	\$43,269	52040
2022	China	\$1,180,585	2642760
2022	Czechia	\$83,907	100748
2022	France	\$5,997	1760
2022	Ghana	\$75,412	61755
2022	Greece	\$775	765
2022	Indonesia	\$2,991,337	2030117
2022	Italy	\$163,140	268477
2022	Rep. of Korea	\$249,214	376878
2022	Malaysia	\$58,686	82038
2022	Other Asia, nes	\$19,250	20777
2022	Netherlands	\$57,152	45680
2022	Poland	\$261,129	291834
2022	Portugal	\$2,193	42592
2022	India	\$25,978	134868
2022	Viet Nam	\$49,609	42786
2022	South Africa	\$2,534,707	2985139
2022	Spain	\$13,176,680	14889101
2022	Switzerland	\$505,356	284000
2022	Thailand	\$7,831,971	9629440
2022	Türkiye	\$252,368	238068
2022	United Kingdom	\$426,197	5508562
2022	USA	\$293,023	88592
2022	World	\$2,895	311