



Company Note | Tolaram to Acquire Majority Stake in GUINNESS



Guinness Nigeria Plc (**GUINNESS**), recently disclosed that Tolaram Group will acquire Diageo's 58.02% majority stake in the company at NGN81.60 (offering a 48.91% premium to its current price of NGN54.80), with the transaction expected to be completed in 2025. Tolaram will also establish long-term license and royalty agreements for the continued production of the Guinness brand and its locally manufactured Diageo ready-to-drink and mainstream spirits brands. Additionally, the Guinness brand will be licensed to Guinness Nigeria for the long term. According to the disclosure, Tolaram plans to subsequently initiate a mandatory takeover in compliance with local regulatory requirements.

The acquirer, Tolaram, is one of Africa's largest consumer packaged goods companies, with business interests spanning consumer goods, financial services, and the industrial sector across more than 18 countries.

We view this move as Diageo's divestment strategy in response to Nigeria's challenging macroeconomic environment. Earlier in October 2023, Guinness Nigeria Plc announced it would discontinue the importation and distribution of certain Diageo international premium spirits products (including Johnnie Walker, Singleton, and Baileys) starting in April 2024 due to exchange rate devaluation and further depreciation in the domestic market. The company reported a foreign exchange loss of NGN82.97bn in its 9M:2024 financial results, linked to losses from FCY intercompany loans, FCY letters of credit, and remeasurement of other FCY balances.

Although this action marks Diageo's exit from the Nigerian market, the Guinness brand and products will remain available in Nigeria. We do not anticipate any significant impact on the company's performance in the near term, as the transaction is expected to be finalized next year. However, subsequent updates will provide more clarity on the dynamics of the transaction and Tolaram's strategy. While the disclosure mentions that Guinness Nigeria will remain listed on the Nigerian Exchange Ltd, we do not entirely rule out the possibility of a future delisting from the exchange given that none of Tolaram Group's other ventures (Dufil Prima Foods, Multipro, TG Arla, among others) is currently listed on the exchange. Furthermore, despite Tolaram's lack of experience in the brewery industry, its business strategies in other ventures indicate a potential future focus on product innovation, expansion, and technology-driven solutions for Guinness Nigeria Plc.

June 2024



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