



HEMAS HOLDINGS PLC [HHL.N0000]

FLASH NOTE

"HHL STRENGTHENING ITS GLOBAL FOOTPRINT"

HHL SECURES KENYAN APPROVAL FOR 75% STAKE IN TWIGA STATIONERS

- The Competition Authority of Kenya (CAK) has approved the acquisition of a 75% stake in Twiga Stationers and Printers Limited by Atlas Axillia, a subsidiary of Hemas Holdings PLC.
- In September last year, HHL informed investors that it had entered into an agreement to acquire a majority stake in a consumer goods company in Kenya, with completion of the transaction expected within six months, subject to the receipt of all requisite regulatory approvals. The value of the transaction was not disclosed.
- Twiga Stationers and Printers Limited is a leading East African manufacturer and distributor of stationery, hygiene, and packaging products, best known for its Kasuku and Crownbird stationery brands.
- Operating across Kenya, Uganda, Tanzania, Rwanda, the Democratic Republic of Congo, Ethiopia, Burundi, Zambia, Malawi, Eritrea, and Madagascar, Twiga Stationers commands a dominant position in the Kenyan stationery market, with a 49.4% market share, according to data published by CAK in December 2024.
- Beyond stationery, the company is also engaged in the manufacture of hygiene products, producing consumer tissue brands including Peacock, Panda, and Envoy.

Impact to HHL:

The acquisition is expected to strengthen HHL's regional footprint by deepening its presence in East Africa's consumer goods market, providing access to Twiga Stationers and Printers Limited's established brands, extensive distribution network, and strong market position in Kenya. The transaction aligns with HHL's strategy of expanding into high-growth emerging markets and offers potential for operational synergies, portfolio diversification, and longer-term revenue growth across the region.

However, the expected impact of the acquisition had already been incorporated into our forecasts following HHL's initial announcement. While the transaction is viewed positively, it is unlikely to drive a material turnaround in earnings. As previously highlighted, the Consumer Brands segment appears to be operating at or near peak capacity, constrained by a mature product portfolio, limited geographic diversification, and persistent margin pressure due to intense competition. Consequently, the regulatory approval does not warrant any changes to our earnings estimates or target price, and our **SELL** recommendation remains unchanged.

Valuation Table - HHL

P/E 31 March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Estimates (LKR 'Mn)							
Revenue	78,831	113,940	121,614	117,970	127,590	144,353	156,121
Gross Profit	21,850	31,793	35,997	37,073	38,596	43,883	47,461
EBIT	6,783	10,963	11,921	13,707	13,305	16,293	17,863
Net Profit	4,249	4,269	6,109	8,057	8,554	10,427	11,458
Adjusted EPS (LKR)	1.4	1.4	2.0	2.7	2.9	3.5	3.8
YoY Growth (%)	31%	0%	43%	32%	6%	22%	10%
Valuations							
PER (x)	24.5x	24.4x	17.1x	12.9x	12.2x	10.0x	9.1x
PBV (x)	2.9x	2.7x	2.4x	2.1x	1.9x	1.7x	1.5x
DY (%)	2.5%	1.3%	1.3%	2.0%	2.5%	3.0%	3.3%
NAVPS	11.9	12.9	14.5	16.7	18.7	21.1	23.8
DPS (LKR)	0.9	0.5	0.5	0.7	0.9	1.0	1.2
Dividend Payout	61.1%	32.8%	23.0%	25.9%	30.0%	30.0%	30.0%

FIRST CAPITAL RESEARCH

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Source: CSE, Pesa Wall (Kenya)

KEY DATA

CSE Ticker	HHL.N0000
Bloomberg Ticker	HEMS SL
Share Price (LKR)	34.90
52w High (LKR)	36.00
52w Low (LKR)	22.00
Issued Share Capital (Shares 'Mn)	2,986.5
Market Cap (LKR 'Mn)	104,230
Market Cap (USD 'Mn)	336

*1 USD = LKR 310

Valuation Summary

Return	FY27E
Target Price	36.0
Current Price	34.9
Capital Gain (LKR)	1.1
Dividends upto 31 Mar (LKR)	1.0
Capital Gain %	3%
Dividend Yield %	3%
Total Return %	6%
Annualized Return %	5%

Stationery Products Company	Market Share (%)
Twiga Stationers and Printers Ltd	49.40
Kenafric	22.60
Kartasi Industries	18.20
Guaca Stationers Limited	4.73
	5.08

Note: Market share as of December 2024



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