

# **EABL H1 F10**

## **Investor Group Briefing**

Seni Adetu – Group Managing Director  
Peter Ndegwa – Group Finance Director

Nairobi Serena  
16<sup>th</sup> February 2010

# Agenda

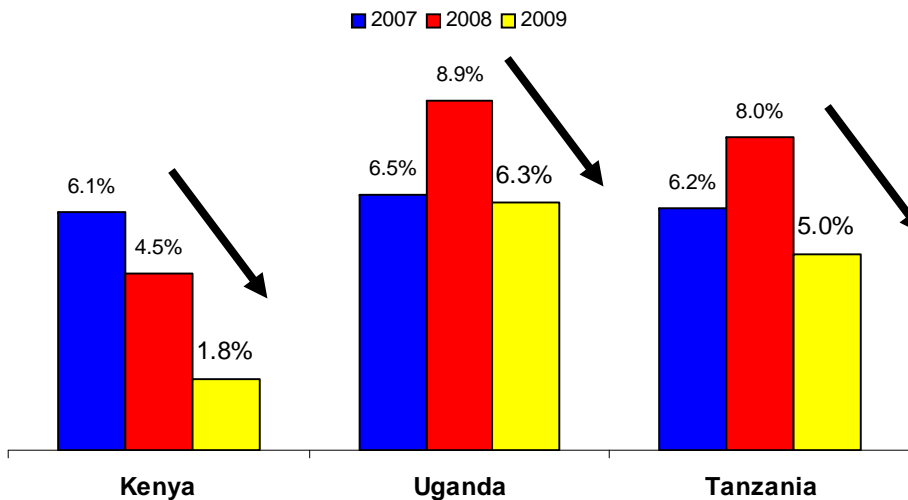
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> Business Update

Seni Adetu

# Economic environment remained challenging in H1

> Significant dips in Real GDP growth



- > Continued reduction in Remittances and FDI's
- > Knock on effects of drought especially in Kenya
- > High duty on Spirits (Ken), banning of sachets (Ug and S Sudan)
- > Water and energy pressures across the Region

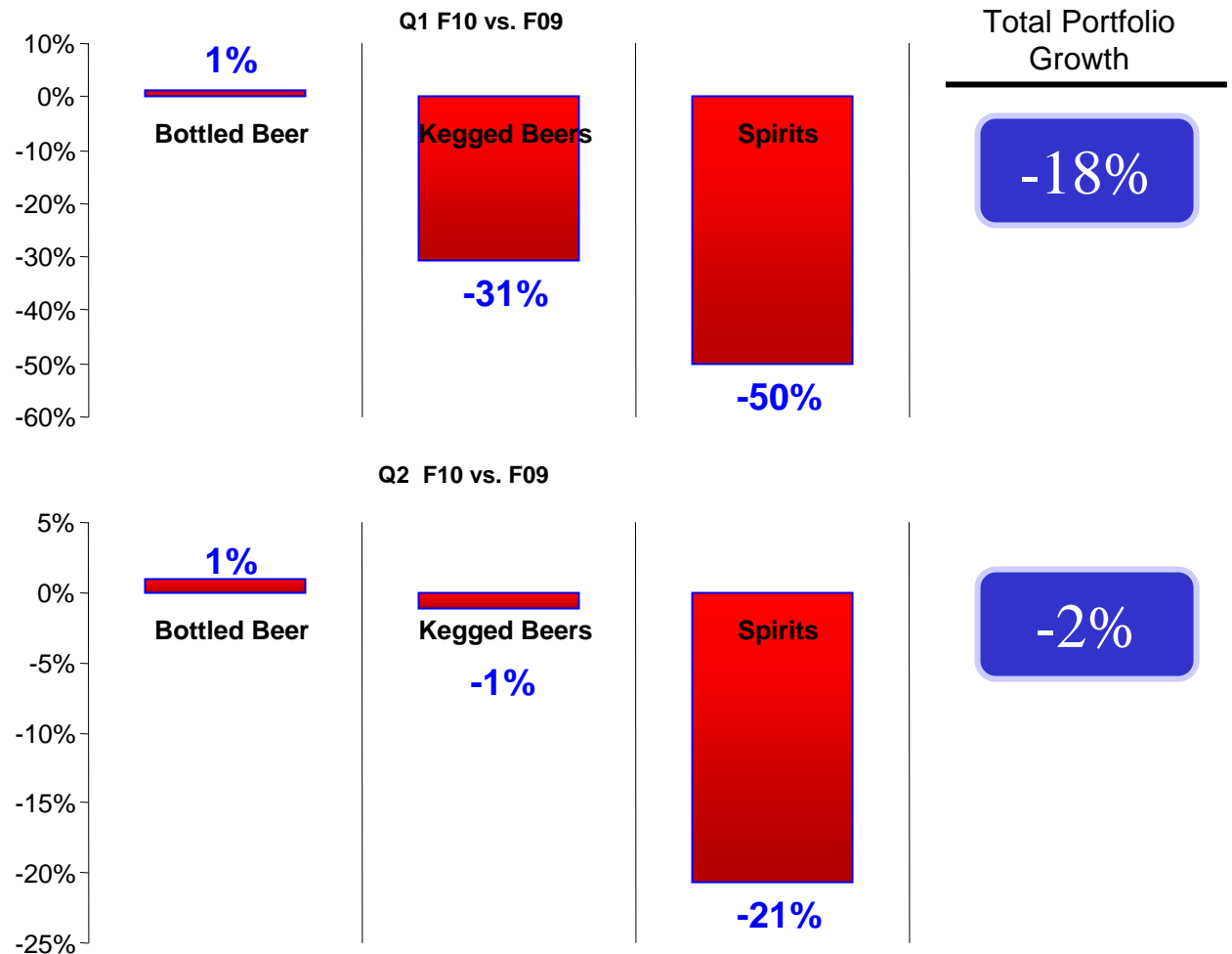
Resulting to

- > Constrained discretionary demand
- > Cost inflationary pressures

# Off to a slow start, but recovered reasonably in Q2

- > Half of two quarters ...
- > Due to economy and tax increase on Spirits

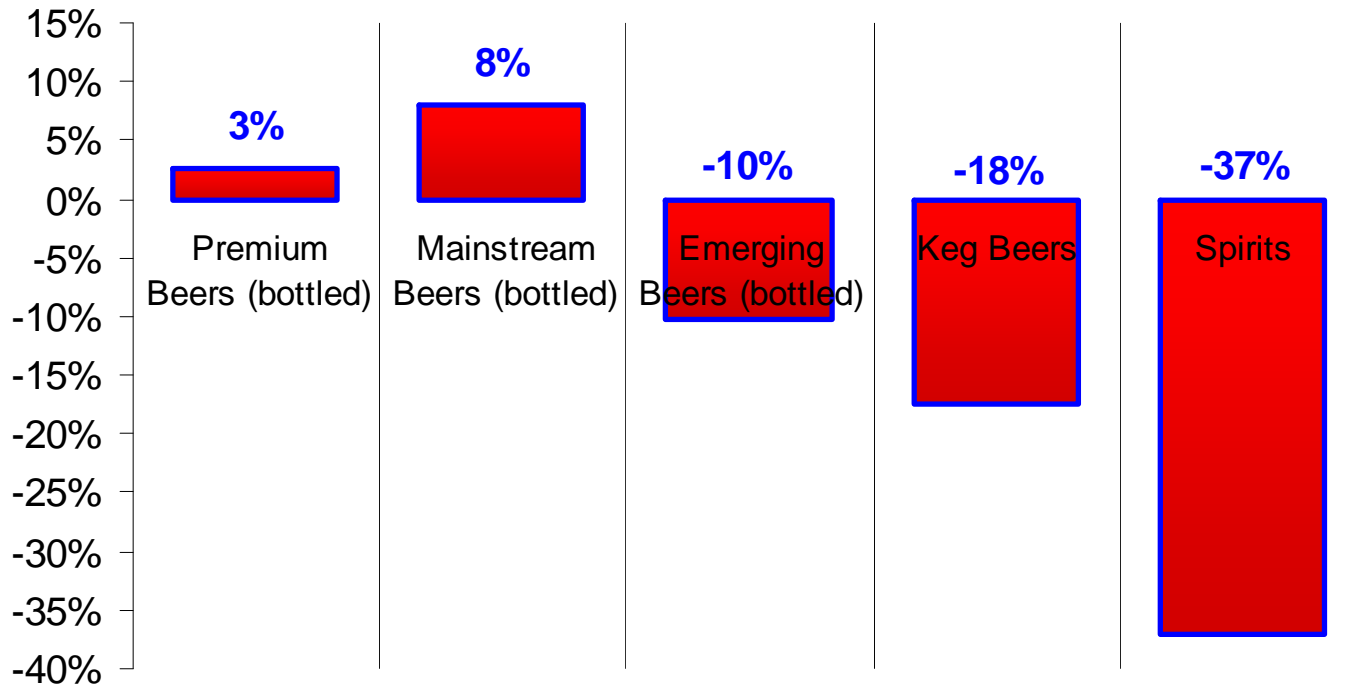
Significant pressure on Senator Keg and total Spirits portfolio in both quarters ... turnaround starting Q2



# Led by Premium and Mainstream beer brands

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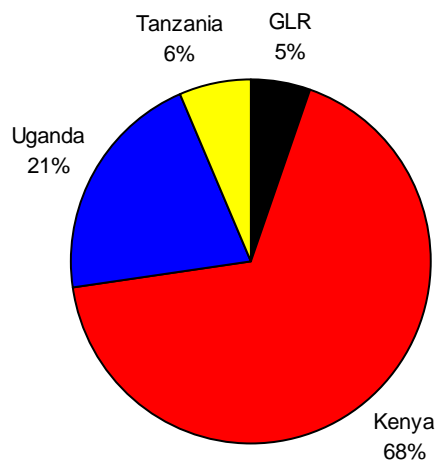
category performance vs LY



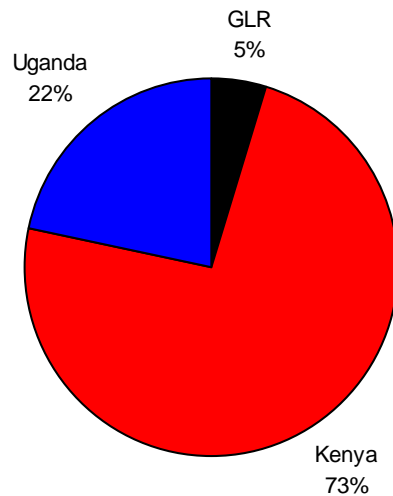
# But we achieved good revenue gearing as a result of pricing and mix ...

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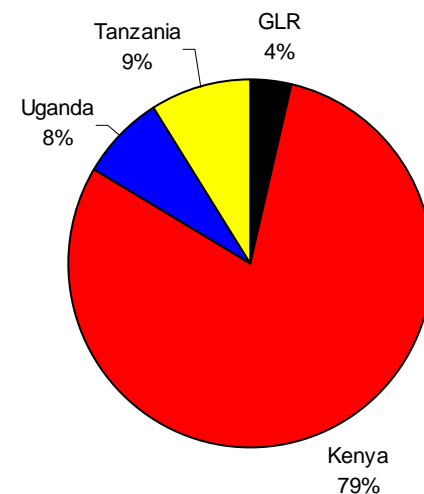
Volume\* **-10%**



NSV\*\* **+3%**



PBT# **-8%**



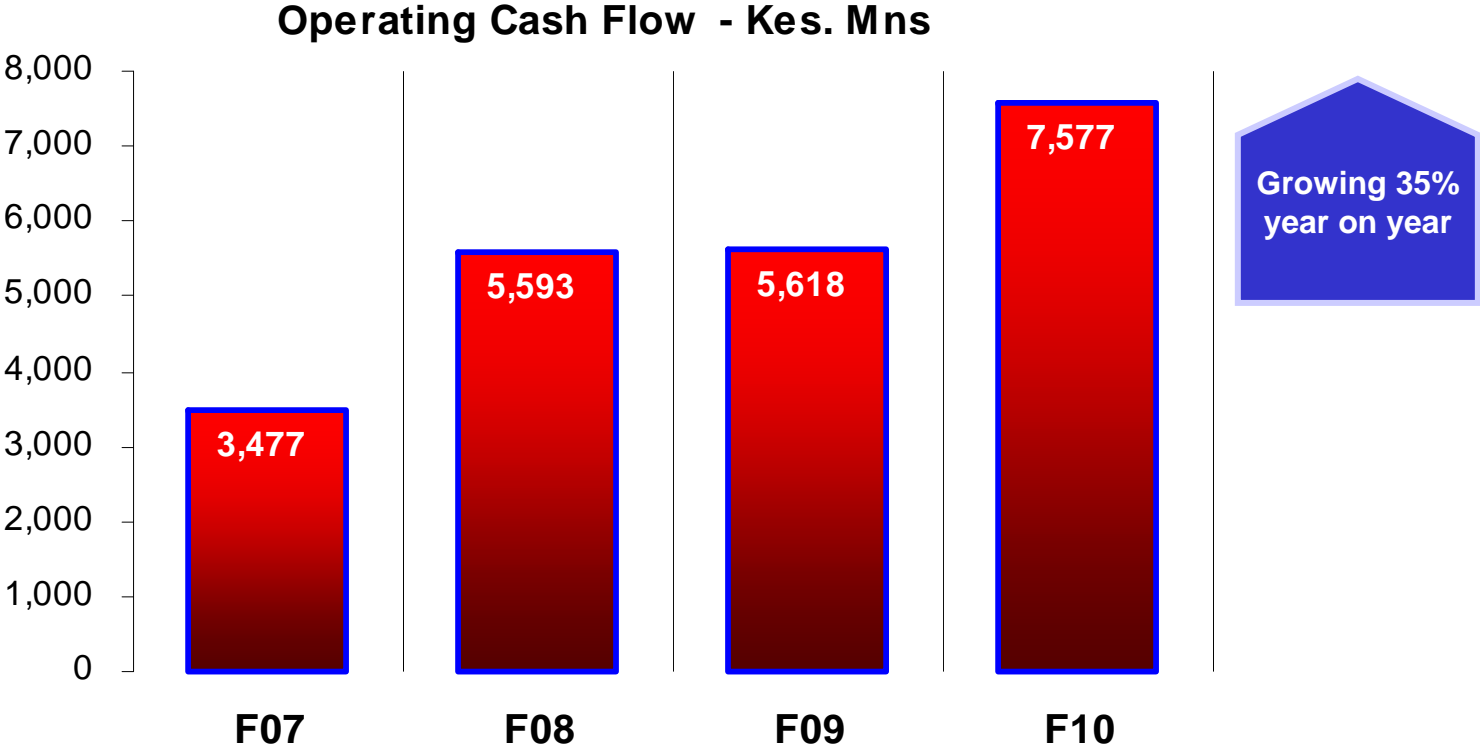
\* includes soft drinks – all reported in equivalent units

\*\* excludes associate company revenues – tanzania

# includes share of associate income - tanzania

# And delivered strong operating cash flow growth

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# Top line performance was enhanced by brand and trade initiatives



**ENTRY RESTRICTED 18+ years**

**TUSKER project Fame 3 GRAND FINALE**

[www.tuskerprojectfame.com](http://www.tuskerprojectfame.com)

Watch the grand finale show this Sunday 11th October at 7.30pm on Citizen TV to see who will be the winner of Tusker Project Fame season 3. Remember to vote for your favourite contestant.

Patricia Alpha Maureen Ng'ang'ang Carolino

SMS Tusker5 to 8737  
SMS Tusker3 to 8737  
SMS Tusker6 to 8737  
SMS Tusker4 to 8737  
SMS Tusker1 to 8737

EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH. ALCOHOL NOT FOR SALE TO PERSONS UNDER 18 YEARS. PLEASE DRINK RESPONSIBLY.



RAISE A GLASS AND JOIN THE **WORLDWIDE 250th CELEBRATION**

OVER KSH 25 MILLION WORTH OF PRIZES TO BE WON

REGIONAL DRAW PRIZES:

**KSh 250,000 Cash**  
Flatscreen TV  
A party for you and your friends

**4 EASY STEPS TO WIN:**

1. Purchase a bottle of 300ml or 500ml Guinness®
2. Check under the crown for a unique code
3. SMS your NAME, AGE, and the CODE under the crown to 7575 and stand a chance of winning
4. Winners will be notified by SMS from 7575

**OTHER PRIZES:**  
- 100 FLATSCREEN TV'S - 20 CASH - FREE BEERS - 1000'S - CAPS - FOOTBALLS - WATCHES  
- 1 FLAT SCREEN TV - 2 FRAMES - 4 KSH 2000 CASH PRIZES

Promotion runs from 15th July - 15th October 2009

**GUINNESS** REACH FOR GREATNESS

KEEP WALKING



# With increased focus in Uganda



Bell new campaign



Outlet branding



Portfolio expansion



Senator execution

# and continued expansion into new Geographies



Retail drive – Juba, S Sudan

Branding Rwanda



Depot in Burundi



Great Lakes market execution

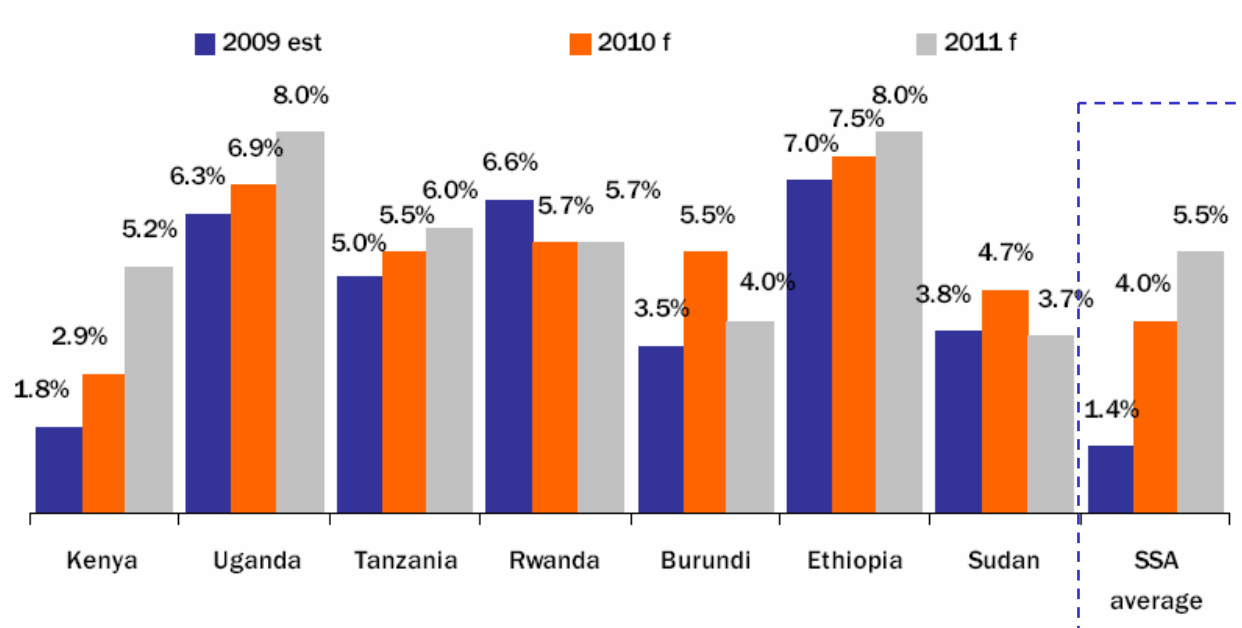
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Looking forward ...

# H2 and F11 Outlook more positive ...

> With upturn in real GDP growth projected



source: EIU, IMF  
Sudan includes North Sudan

> And Inflation forecast to decline ...

Our Future ...

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**EABL is the most  
celebrated business in  
every market in  
Eastern Africa**

# Key Initiatives aimed at delivering this future ...

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## Accelerate Kenya

- > Innovations and renovations – Wines, Alvaro Passion and new TML bottle
- > Cold drink expansion
- > Senator Keg footprint enhancement

## Reposition to win in Uganda

- > Upgrade people capability
- > Better COGS management
- > Up scale marketing with increased A & P
- > CAPEX (new line) to increase capacity

# Key Initiatives aimed at delivering this future ...

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Create presence  
in GLR

- > Step change presence in Sudan
- > Acquisition in Tanzania and Ethiopia
- > Strategic alliances in Rwanda/Burundi
- > Assessment of various possibilities in other markets

Supply  
optimisation

- > Cost leadership focusing on OEE
- > Logistics improvement
- > Capacity and capability enhancement
- > Embed safety as a way of life



# Whilst setting platform for H2 and Beyond ...

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Spirits performance rebound

[www.eabl.com](http://www.eabl.com)



**TO LIFT UP YOUR NEW YEAR SPIRITS,  
WE HAVE LOWERED  
THE PRICES OF OURS.**







# Continuing investment in key brands ...

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Up weighted Marketing



Renovation

# And increased support for our ANADs portfolio ...

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> Flavour extensions, innovation, RTC improvements



# With concerted supply optimisation initiatives

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Cereals innovation



Operational excellence

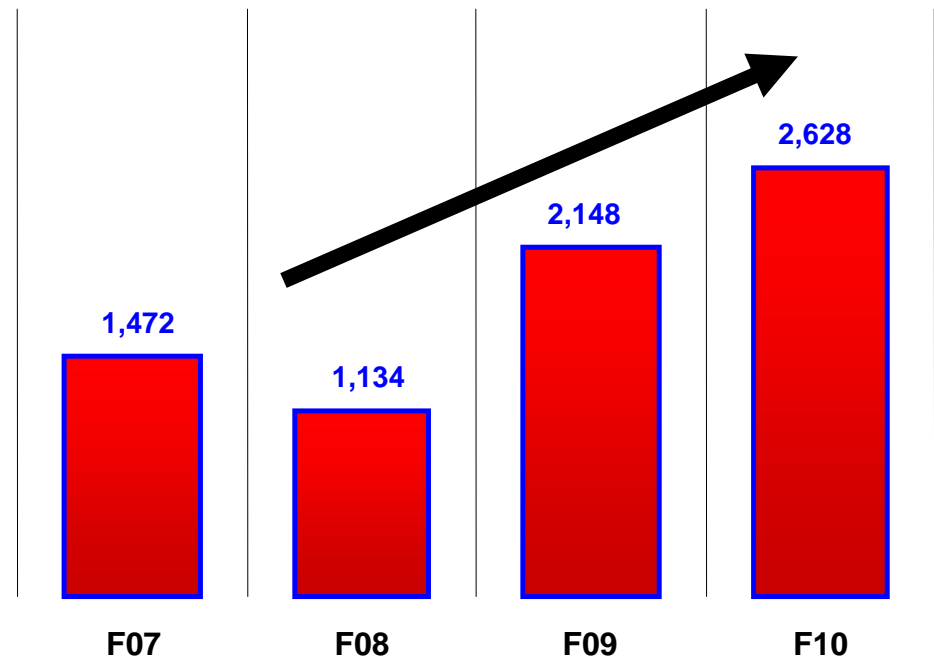
# Supported by increasing CAPEX investments

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## Key initiatives ...

- > New Keg line
- > New CO<sub>2</sub> plant
- > Upgrading power supply
- > Expanding water storage tanks
- > Increasing warehouse space
- > Turner strippers (Maltings)

CAPEX - Kes. Mns





# All anchored on our people ...

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through driving super engagement via ...



- > Attraction, retention and reward
- > Continued talent pool pipeline management
  - Pan African early career program
  - Mid career recruits program
- > Capability development

# ...and an enhanced community engagement agenda

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**Water of life**  
ECOTAT projects



**Green Goals**  
Saving the Mau



**Sorghum agenda**  
Partnerships with farmers



**Skills for life** - 12 sponsorships in H1



**RD Campaign** - "Designated driver"



**Most Respected Company**  
in EA

# In conclusion, despite challenges, we are focused on delivering F10

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- > Strategic imperatives - clear and actionable
- > New markets footprint on track
- > Delivery of Total Adult Beverage (TAB) portfolio
- > Supply and Sales capability focus
- > Talent and resourcing
- > Strategy into Execution, at pace



# Agenda

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> Financial Update

Peter Ndegwa

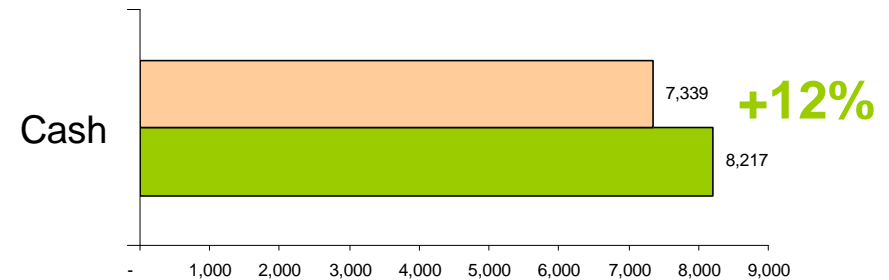
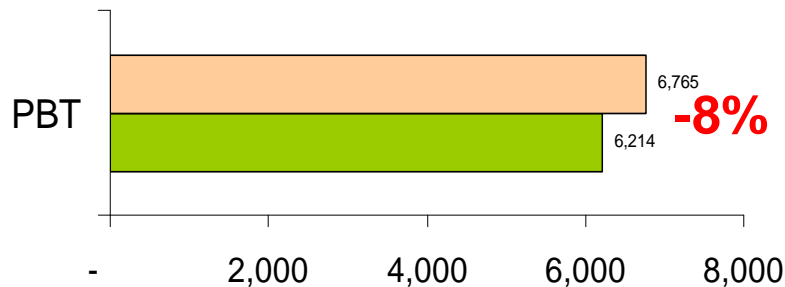
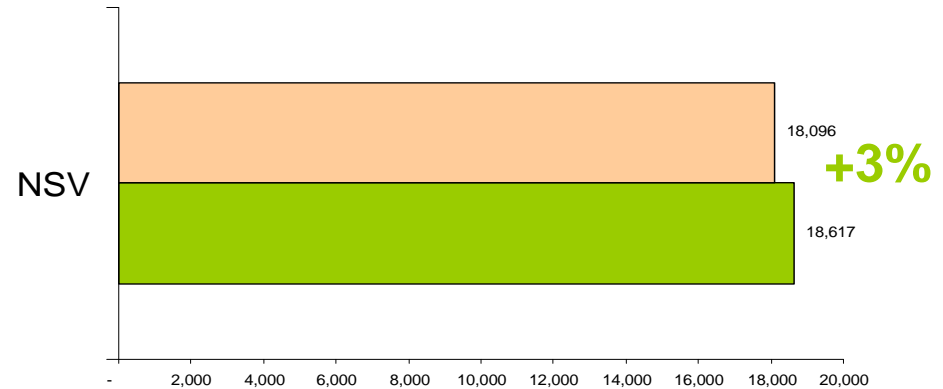
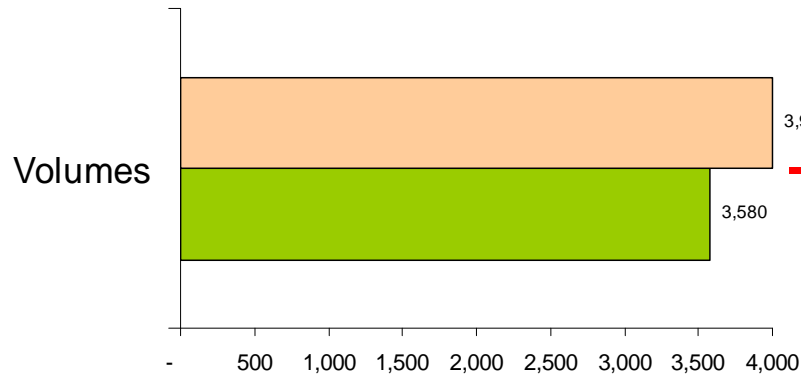
# Drivers of financial performance remained largely unchanged from F09 H2

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- ❑ Tough macros leading to soft demand esp. on the lower end of the market (Senator/emerging segments)
- ❑ Change in competitive and regulatory landscape (Uganda, Great Lakes, Spirits)
- ❑ Inflationary pressure (higher input costs), currency depreciation especially the Uganda shilling

# Tough operating conditions, cost escalation & Forex impact led to lower profits ...

> But we delivered underlying value & cash growth

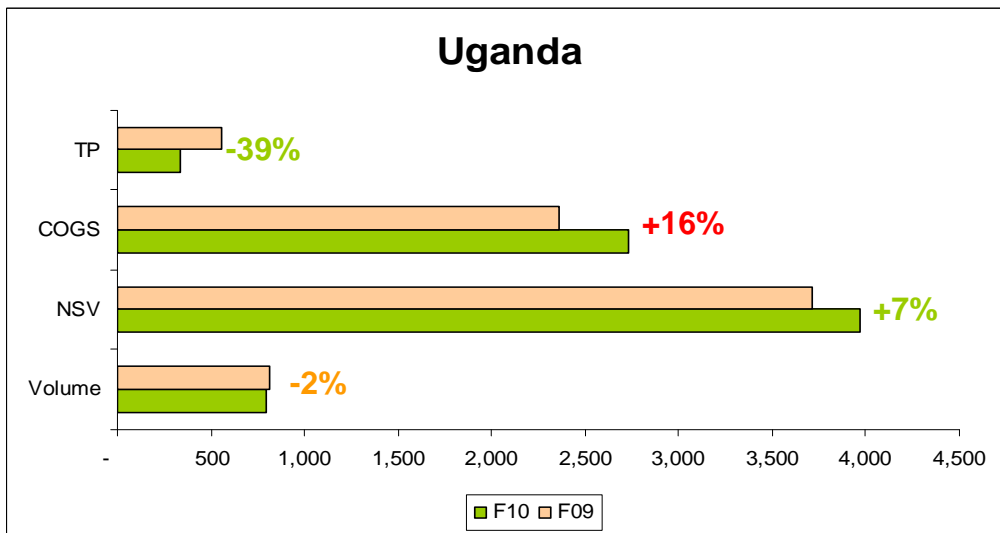
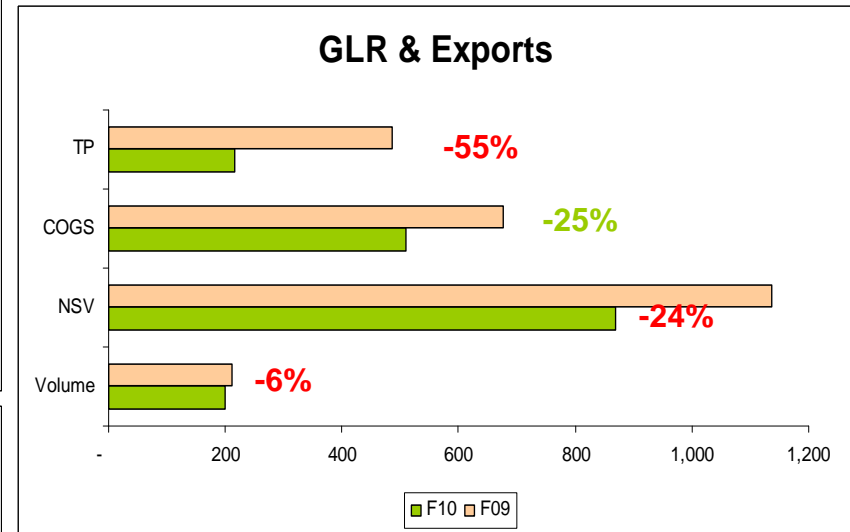
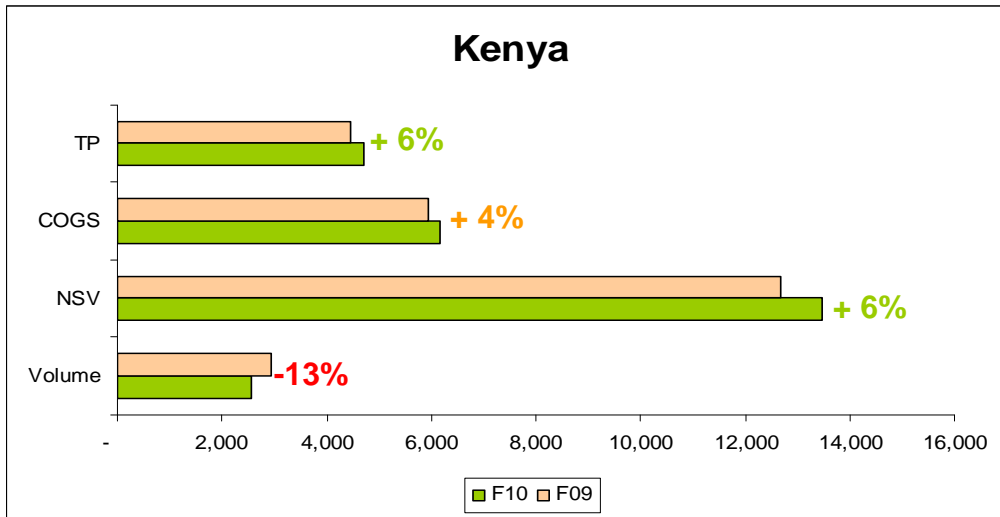


■ Dec-2009 ■ Dec-2008

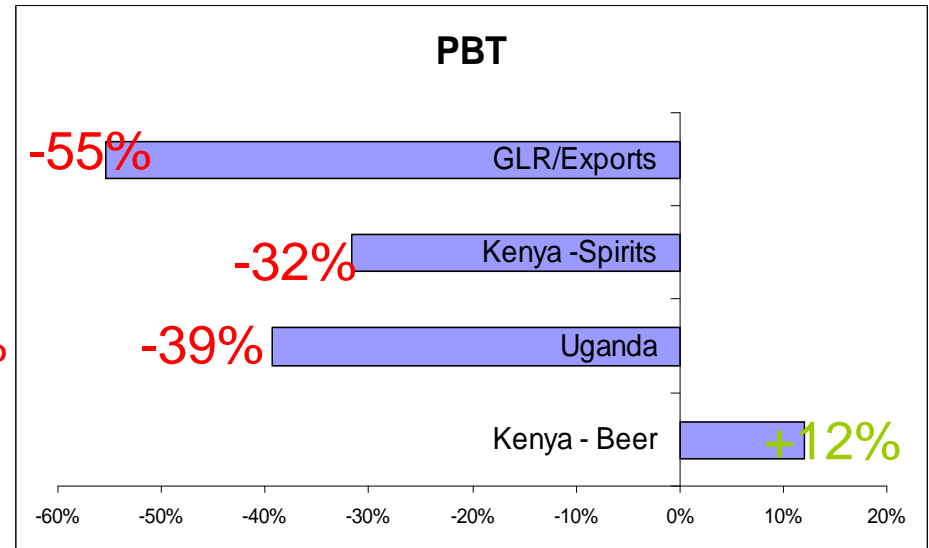
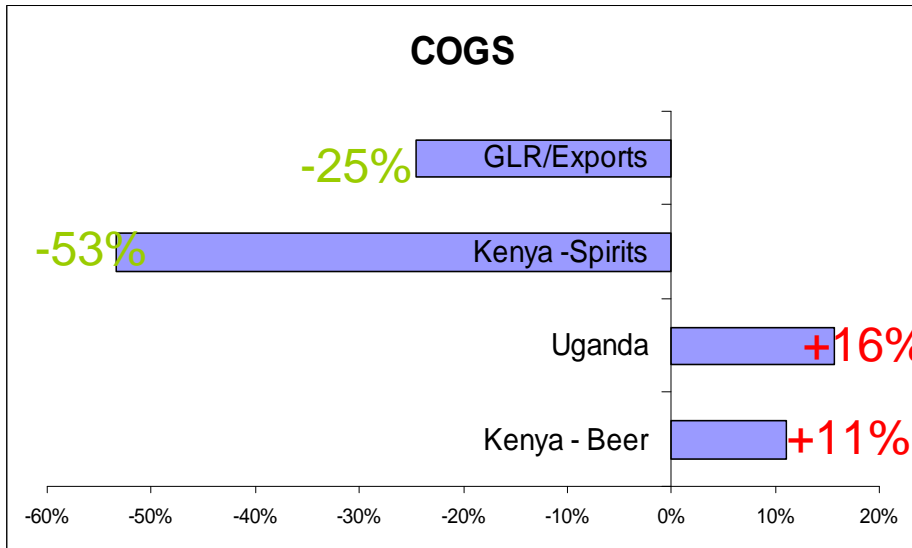
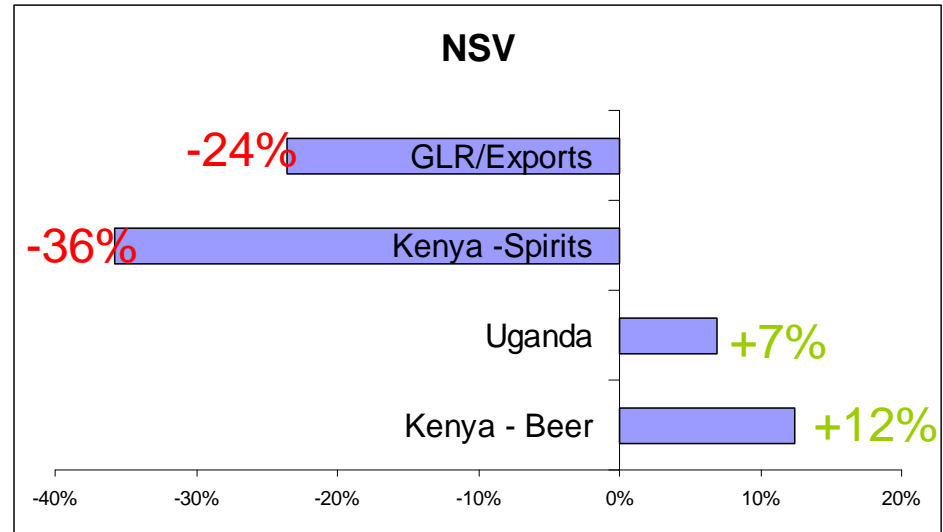
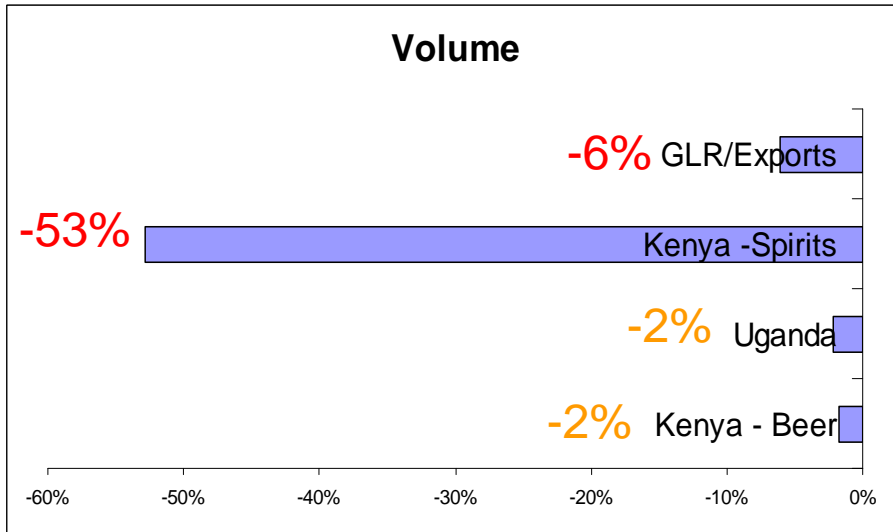
■ Dec-2009 ■ Dec-2008

Good mix, NSV gearing, focus on cash delivery

# Reflecting in regional contribution: strong Kenya performance offsetting soft Uganda & GLR



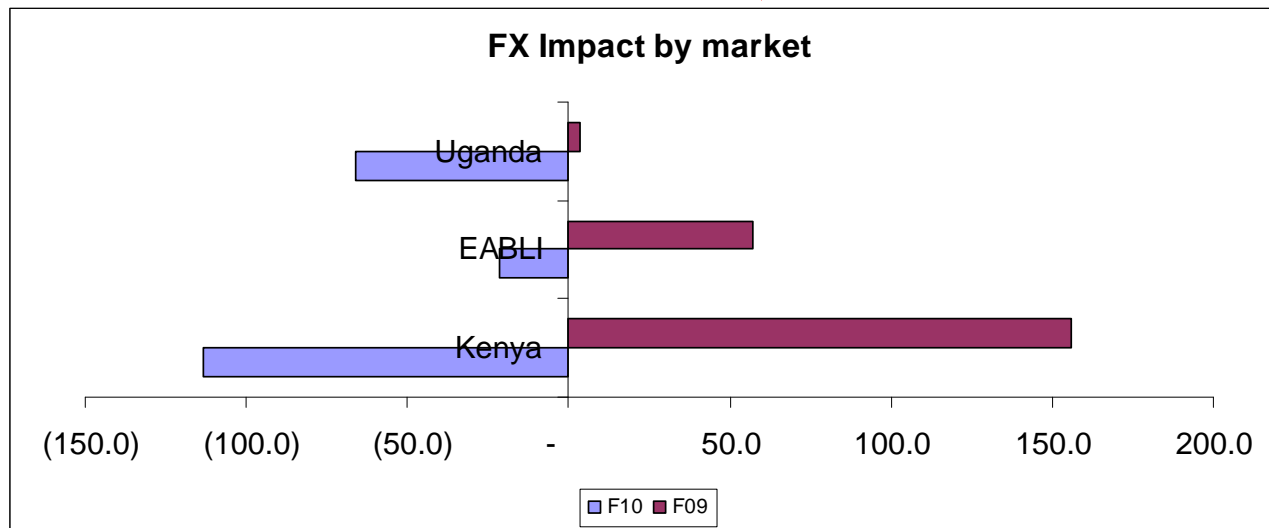
# Strong Kenya beer performance offsetting soft GLR, Uganda & spirits results



# But faced adverse Other operating income / expenditure driven by Forex hit

> Which saw a massive Kes. 410Mn adverse turn ...

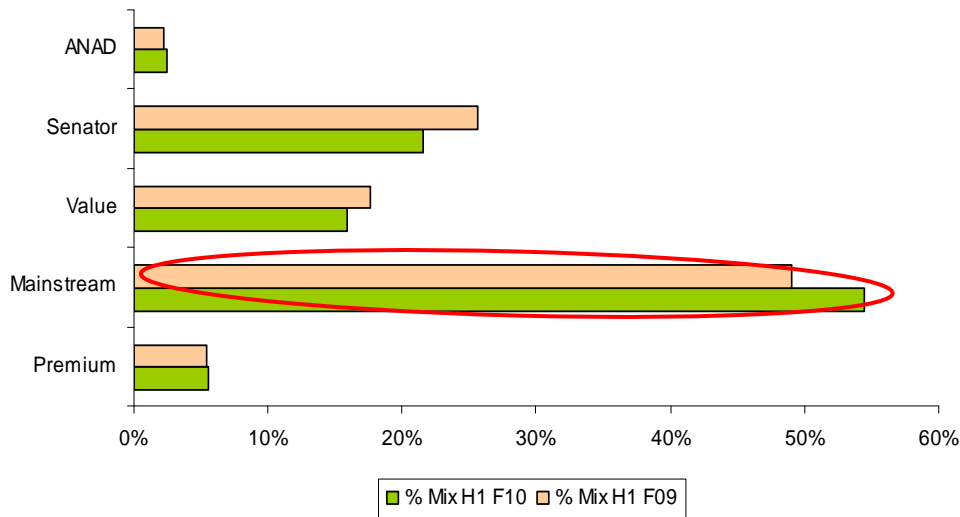
GROUP OIE	F10	F09
Mgmt Fees	(45)	(71)
Rental Income/Expense	(9)	(6)
Bad Debts	(29)	(108)
Stock Provision	(133)	(59)
Misc	3	(25)
FX Effect	(194)	216
Total	(408)	(53)



# In Kenya we delivered a good mix but reflected growth challenge on the emerging end

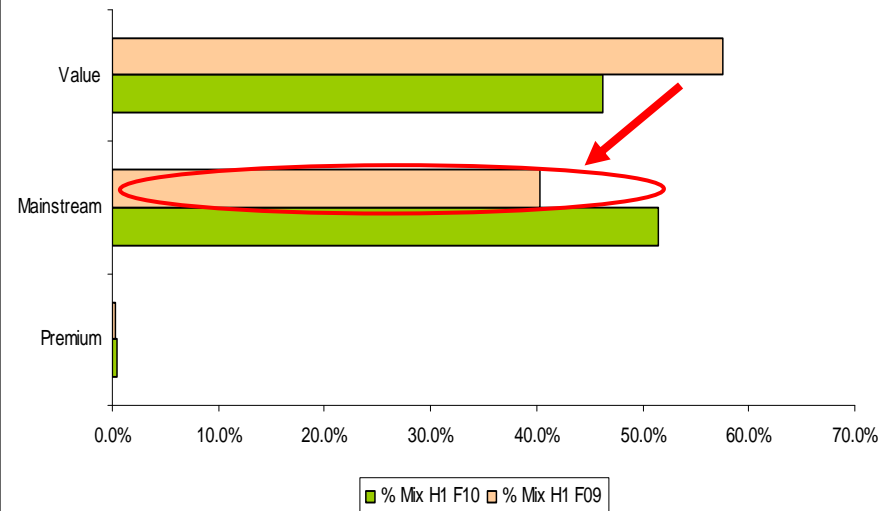
... to deliver the NSV gearing

Beer Mix - Eus



Up on mainstream and retained premium share of mix

Spirits Mix - Eus



Spirits - up on mainstream as value decline

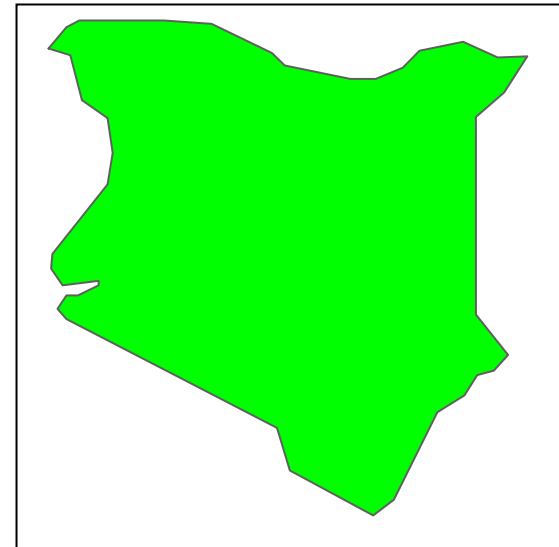
# Delivering strong underlying value and profit performance ...

## Kenya H1 focus: Good mix, price takes

- > Beer up by 2%, Tusker, Guinness and White Cap had impressive growth (>15%), Senator down (-19%) due to price, eroded purchasing power
- > Spirits volumes declined by 53% - due to excise tax induced price increase of Dec 2008
- > Selective price takes on the premium end led to improved sales value to offset against rising costs
- > Significant cost pressure mostly caused by higher raw material cost, energy and taxes
- > Good conversion of NSV to profit

Kenya delivery to H2: Volume benefits on Spirits, Innovations – TML, Alvaro passion & Senator foot print expansion

Volume declined	-13%
Net sales growth	6%
Marketing spend	25%
Operating profit	6%





# Uganda inflationary pressure and currency depreciation diluting its strong top line delivery

## Uganda H1 focus: Deliver performance through flagship brands

- Beer volumes were affected by increased competition.
- Spirits volumes were affected by ban of sachets packets
- > Held market share and grew Net Sales of flagship brands Bell and Waragi
- > High COGs, Overheads and Fx losses eroded profit margins

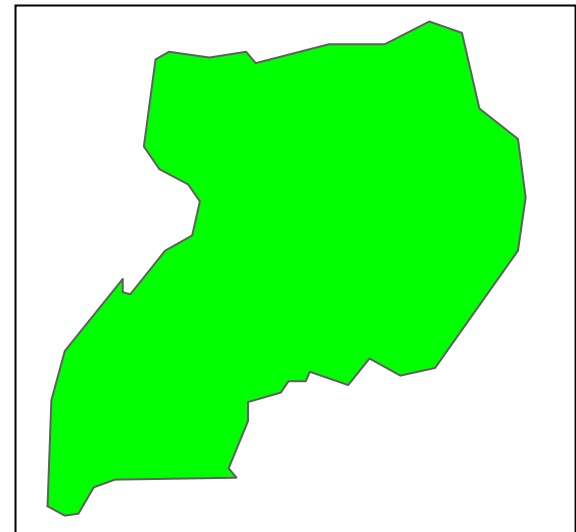
Uganda H2 delivery: Grow Spirits post ban lifting, Fx management, COGS, win competition

Volume decline -2%

Net sales growth 7%

Marketing spend -5%

Operating profit -39%



# We continued to set up our business in GLR but there is increased competitive & regulatory pressure

## H1 - Initial hurdles already overcome - tax and cross border challenges

- > Volumes suffered from ban of Waragi in SoSS, border closure & duty increases
- > Forex impact of a declining dollar compared to prior year
- > Investing in marketing activities

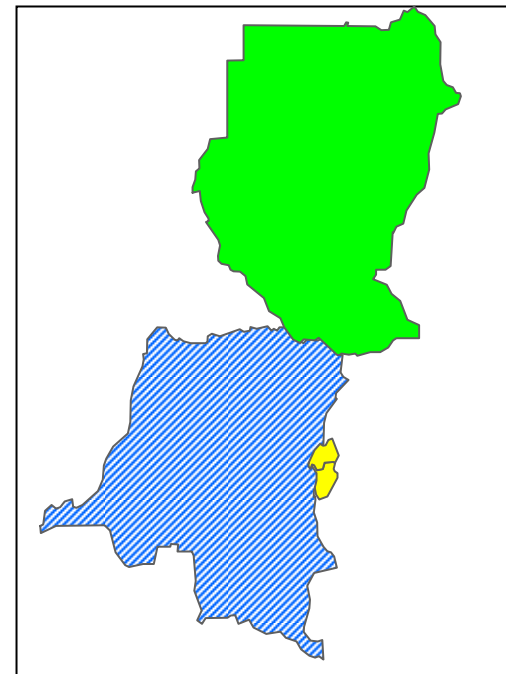
**H2 Delivery** — Revamped product distribution – new RTM, Resourced to win, increased visibility & promotional activities, CSR activities, partnership to manage regulatory issues

Volume decline

-6%

Marketing spend

120%



# Tanzania will be delivered through a new RTM – flat SOA but headline results reflect translation losses

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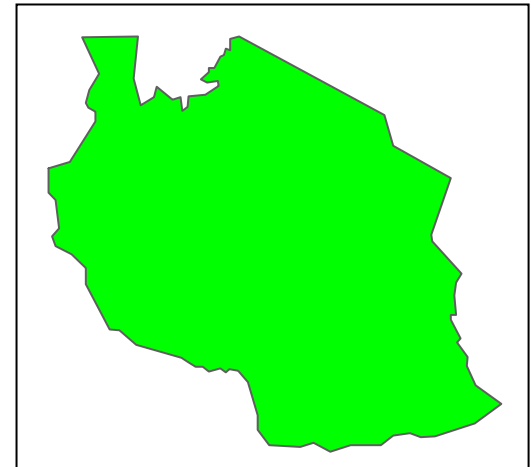
H1: Legal impasse with TBL affected availability

- > Constrained beer distribution
- > Slight growth in SOA, but eroded by currency translation

H2: Up weighting spirits RTM

Volumes declined -14%

SOA -5%



# In H2 we have a number of priorities to ensure we deliver our F10

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- ❑ Top line – Significant focus on Uganda & Great Lakes
- ❑ Spirits – Drive new price upside
- ❑ Cash - continued focus on cash, consignment stocking & supplier financing
- ❑ COGS – prioritized COGS (input cost esp sugar, process efficiency)
- ❑ FX – Minimise impact / volatility on balance sheet

# In summary ...

<b>East African Breweries Limited</b>			
<b>Interim Financial Report for six months period ended 31 December 2009 (UNAUDITED)</b>			
<b>Consolidated Profit and Loss Account</b>			
	<b>Six months to 31-Dec-09 Kshs M</b>	<b>Six months to 31-Dec-08 Kshs M</b>	<b>Change %</b>
<b>Net Revenue</b>	<b>18,617</b>	<b>18,096</b>	<b>3%</b>
Cost of Sales	(9,158)	(8,948)	2%
<b>Gross profit</b>	<b>9,459</b>	<b>9,148</b>	<b>3%</b>
Other operating expense	(408)	(53)	667%
Selling and distribution costs	(1,353)	(1,162)	16%
Administrative expenses	(2,118)	(2,011)	5%
<b>Profit from operations</b>	<b>5,580</b>	<b>5,922</b>	<b>-6%</b>
Net finance income	145	326	-56%
Income from associate	489	517	-5%
<b>Profit before taxation</b>	<b>6,214</b>	<b>6,765</b>	<b>-8%</b>
Income tax expense	(1,752)	(1,863)	-6%
<b>Profit after taxation</b>	<b>4,462</b>	<b>4,902</b>	<b>-9%</b>
Minority interest	(770)	(849)	-9%
<b>Net profit</b>	<b>3,692</b>	<b>4,053</b>	<b>-9%</b>
Basic earnings per share	4.67	5.13	-9%
Diluted earnings per share	4.67	5.13	-9%

# And we have sustained our dividend payout ...

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- > Interim dividend proposal of Kes 2.50 / share
- > Total interim dividend payment of Kes. 2Bn
- > LY dividends Kes 2.50 / share

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Q&A

End

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