



# East African Breweries Limited

## F'11 Half Year Results

### Investor Briefing

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

18<sup>th</sup> Feb 2011



# Our full blown portfolio...

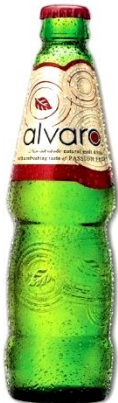
Spirits & Wines



Beers



Non- Alcoholic Adult Beverages





# Our Half Year Story...

18<sup>th</sup> Feb 2011



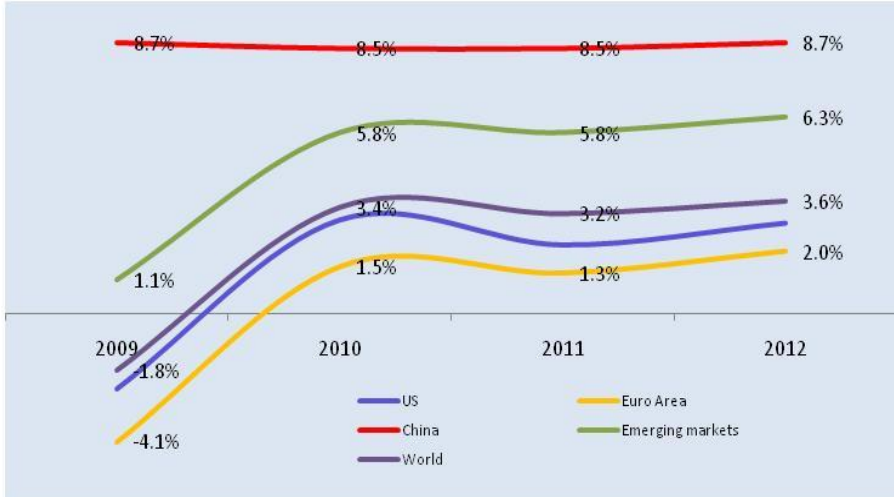
# We have had a very exciting 1<sup>st</sup> half of fiscal year F'11

- ✓ Top line and bottom line financials grew and we generated a strong Cash out-turn
- ✓ Restructured our organization making it simpler, faster and better
- ✓ Acquired Serengeti Breweries Limited- 2<sup>nd</sup> largest in Tanzania
- ✓ Upgraded Capex investments including the new packaging line in Uganda
- ✓ Up weighted marketing investments in brand building and capability across the region
- ✓ Continued focus on governance and business ethics as well CSR initiatives

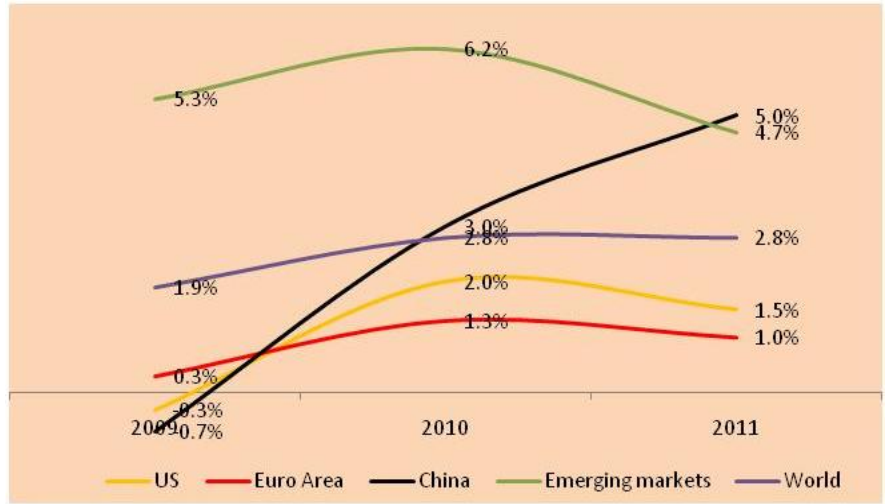
|                         |              |
|-------------------------|--------------|
| Sales Volume            | +12 %        |
| <b>Net Sale Value</b>   | <b>+10 %</b> |
| Marketing Spend         | +12 %        |
| <b>Operating Profit</b> | <b>+14 %</b> |
| Profit before tax       | +3 %         |
| Operating Cash flow     | KES 6.7 bn   |

# Growth was fuelled by strong macro-economic fundamentals

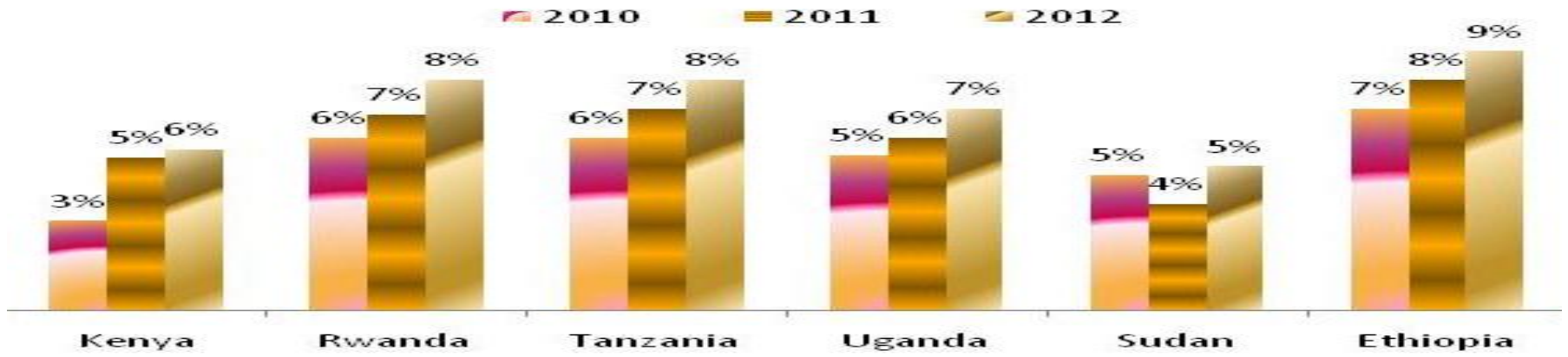
Global GDP Growth promising



In a stabilizing Global inflation



## And into the Foreseeable Future in the East African Environment



# ...such that all our core brands grew over LY



Anchored on key sales & marketing platforms

- >Tusker Project fame 4
- >CECAFA foot ball challenge
- >Mentorships (JW)
- >Smirnoff outdoor campaigns
- >Senator Keg expansion footprint

# on the back of impactful commercial interventions



- Automate sales process
- Central data point
- Smart money

# supported by strategic CAPEX investment & cost-value management

## CAPEX

- > Installation of New packaging line in Uganda
- > Increased water storage facilities and optimising other utility facilities
- > Marsh filter in progress



## Cost-value Management

- > Supply chain optimisation
- > Material/ingredient substitution strategies
- > Sorghum agenda – rolled out large-scale production after successful pilot runs





# ...an engaged work force and improved organisational effectiveness



Mini-conference forum



Team-building sessions

Key initiatives executed

- ✓ Restructured organization – simpler faster service delivery
- ✓ Mini-conference sessions
- ✓ Town hall forums...meet and greet informal settings
- ✓ Pro-active actions on value survey outcome
- ✓ Heightened safety awareness across our in-market companies
- ✓ Additional early career joiners & retention reward capability

as we heightened our “force for good” agenda...



- > Water of life programme
- > Skills for life initiative
- > Environment – Save the Mau
- > Responsible drinking campaign





# Financial Update

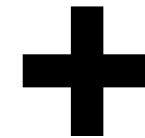
Peter Ndegwa – Group Finance Director

18<sup>th</sup> Feb 2011



## EABL delivered strong Financial Performance ...

- ❑ **Rebounding economies** – good macro economic fundamentals, recovering business
- ❑ **Tax relief** on spirits – Great volumes growth
- ❑ **Stable cereal and energy prices** – less pressure on COGS



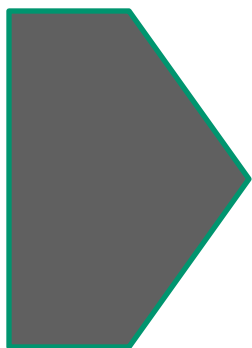
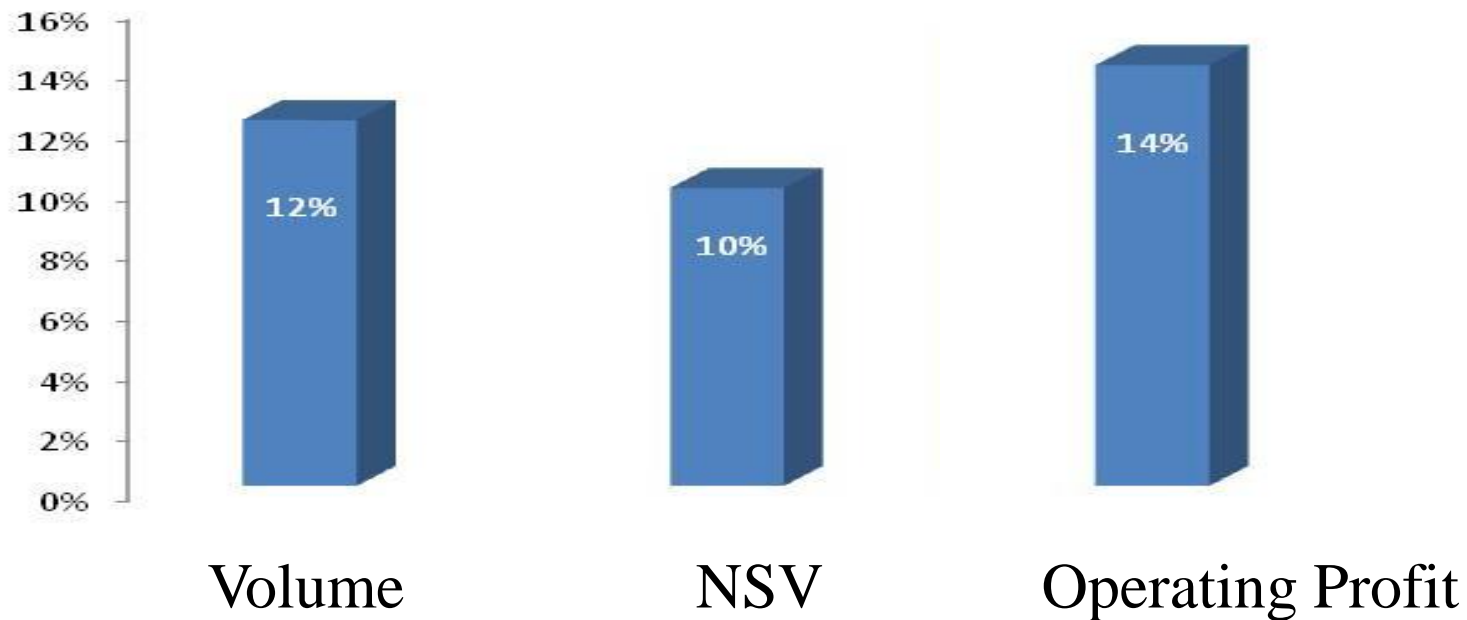
❑ **Political unease** – elections/referendum and political competition

❑ **Tougher Regulatory Landscape** - Alcoholic Drinks Controls Act in Kenya

❑ **Higher taxes** on premium and mainstream beer, negative impact on mix

# Supported by growth on key fronts

## Key KPI performance vs. LY

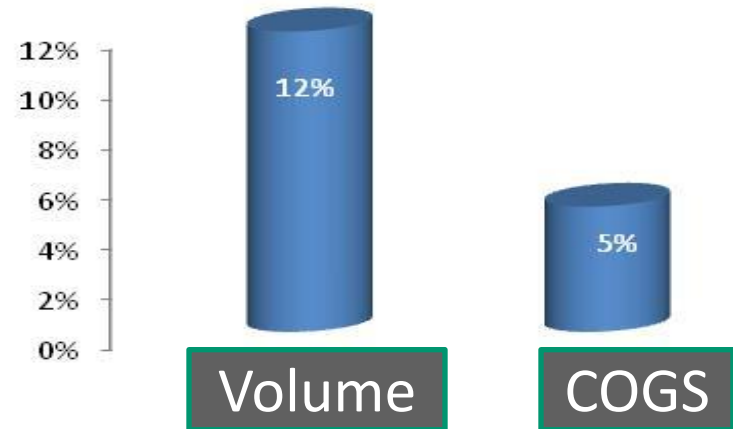


- > Spirits volume rebounded supported by tax reprieve
- > NSV affected by mix – increase in price of premium/mainstream brands
- > Costs contained to deliver profit growth

# And supported by great COGS savings delivery

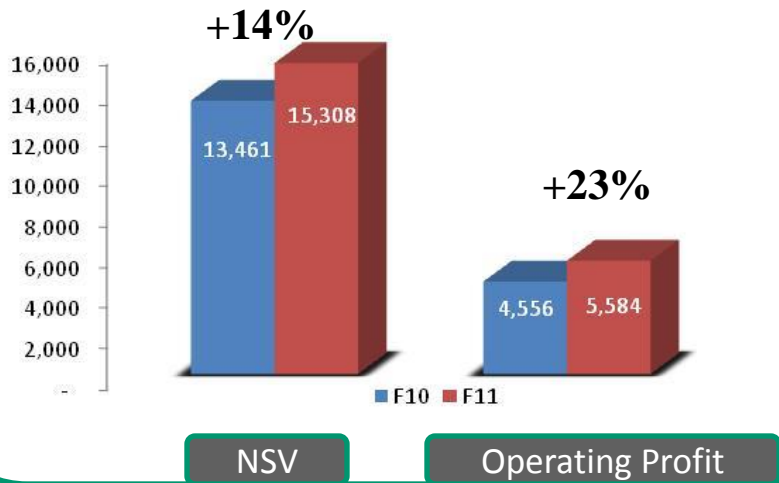
Overall COGS growth  
below volume growth

## Volume & COGS Growth

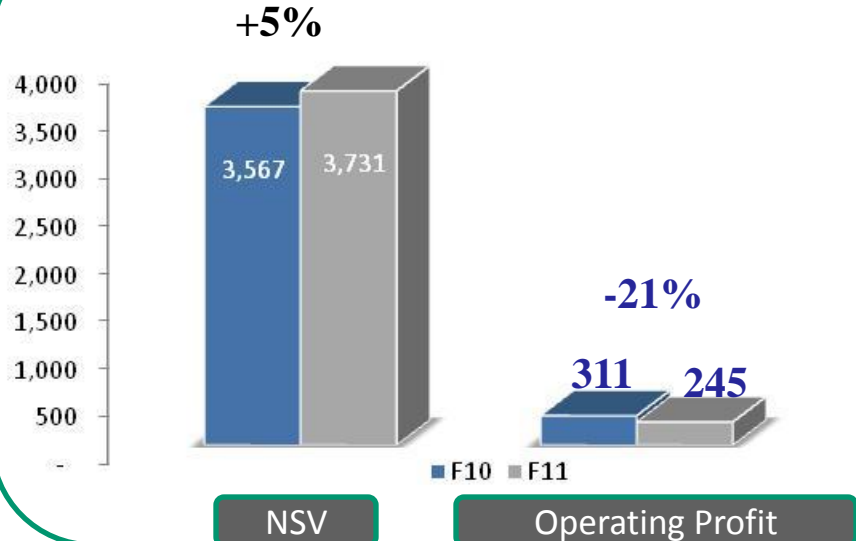


# Kenya delivered the largest growth rates

## Kenya



## Uganda



## Great Lakes



- > Kenya – NSV up by 14%;  
Operating Profit up by 23%
- > Uganda NSV up by 5%;  
Operating Profit declined by 21%
- > Great Lakes – still challenging

# Detailed results...

## East African Breweries Limited Interim Financial Report for Six Month period ended 31 December 2010 (UNAUDITED)

### Consolidated Profit and Loss Account

|                                | Restated   |  | Change %   |
|--------------------------------|--|--|------------|
|                                | Six months to<br><b>31-Dec-10</b><br><u>Kshs M</u> | Six months to<br><b>31-Dec-09</b><br><u>Kshs M</u> |            |
| Net Revenue                    | 20,463   | 18,617   | 10%        |
| Cost of Sales                  | (9,851)  | (9,397)  | 5%         |
| Gross profit                   | 10,612   | 9,221  | 15%        |
| Other operating expense        | (301)  | (408)  | -26%       |
| Selling and distribution costs | (1,494)  | (1,353)  | 10%        |
| Administrative expenses        | (2,702)  | (2,118)  | 28%        |
| Profit from operations         | 6,115  | 5,341  | 14%        |
| Net finance income             | 50   | 145  | -66%       |
| Income from associate          | -  | 489  | -100%      |
| Profit before taxation         | 6,165  | 5,975  | 3%         |
| Income tax expense             | (2,013)  | (1,752)  | 15%        |
| Profit after taxation          | 4,152  | 4,223  | -2%        |
| Non controlling interest       | (963)  | (732)  | 32%        |
| <b>Net profit</b>              | <b>3,189</b>                                       | <b>3,491</b>                                       | <b>-9%</b> |
| Basic earnings per share       | 4.03   | 4.41   | -9%        |
| Diluted earnings per share     | 4.03   | 4.41   | -9%        |



# Proposed Interim Dividends.....

|                           | <b>F11<br/>Kshs</b> | <b>F10 (actual)<br/>Kshs</b> |
|---------------------------|---------------------|------------------------------|
| <b>Dividend per Share</b> | 2.50                | 2.50                         |
|                           |                     |                              |
| <b>Total payout</b>       | <b>2BN</b>          | <b>2BN</b>                   |



# 2<sup>nd</sup> -- Half Outlook

Seni Adetu – Group Managing Director & CEO

18<sup>th</sup> Feb 2011



# We are intent at generating superior shareholder value...

## Leveraging on..

- Growing economies
- Increasing population, growing middle class & affluence
- Increased integration (EAC)
- Strong brands & good reputation
- Spirits opportunity
- Headroom growth in new markets

&

## Overcoming

- Regulatory concerns ( Excise Tax/ Alcohol Act)
- Fiscal pressures in our markets
- Growing competition
- Political/security concerns in specific markets
- Operating cost challenges

In order to win in every market, and become the Most Celebrated Business in Eastern Africa

# Strategic Focus Areas for H'2 and beyond...

- ✓ Premiumisation = Focus on Premium Spirits and Premium beer
- ✓ Brand equity enhancement
- ✓ Ruthless focus on supply and Cogs optimization
- ✓ Beating the competition and winning in new markets
- ✓ Route-to-Consumer capability upgrade and improved in-bar execution
- ✓ Amazing customer partnership
- ✓ Strengthening talent pipeline and capability
- ✓ Continued stakeholder engagement around restrictive regulation

# In conclusion...

- > Considerable improvement in financial performance in half year with NSV, PBT all growing above LY
  - ❖ Recoded top line growth in Kenya and Uganda
  - ❖ Flagship brands grew in volume and had improved brand health
- > Performance was driven by:
  - ❖ Strong Performance in Spirits and mainstream beer
  - ❖ Increased investment in A&P and CAPEX
  - ❖ Continued focus on brand building and market development initiatives
  - ❖ Continued focus on Cogs
- > The future looks challenging but promising and there is reason to believe
  - ❖ Great people
  - ❖ Fantastic brands
  - ❖ Solid company reputation
  - ❖ Diageo expertise and support



# Welcome Q&A Session

18<sup>th</sup> Feb 2011

