



eabl

CELEBRATING LIFE,
EVERY DAY, EVERYWHERE



FULL YEAR RESULTS 2017



FULL YEAR RESULTS BRIEFING

F17 Commercial Review

Andrew Cowan

F17 Financial Performance

Gyorgy Geiszl

F18 Priorities

Andrew Cowan

Q&A





F17 FULL YEAR REVIEW

Andrew Cowan
Group Managing Director

We are clear on our ambition



Since 1922...

To create the **best performing, most trusted and respected consumer products company in Africa**

- Strengthen and accelerate our premium core brands
- Win in reserve in every market
- Innovate at scale to meet new consumer needs
- Build and then constantly extend our advantage in route to consumer
- Drive out cost to constantly invest in growth
- Guarantee our plans with the right people and capabilities

Volume up 5% driven by value beer, productivity savings increase profit














	vs LY
Volume	+5%
Net Sales (like for like)	+2%
Gross Profit	-3%
Profit for the Year (continuing)	+6%
Operating Cash Conversion	110%
Total Dividend	KES 7.5/share








Strong growth of spirits and Senator negated by weak bottled beer performance



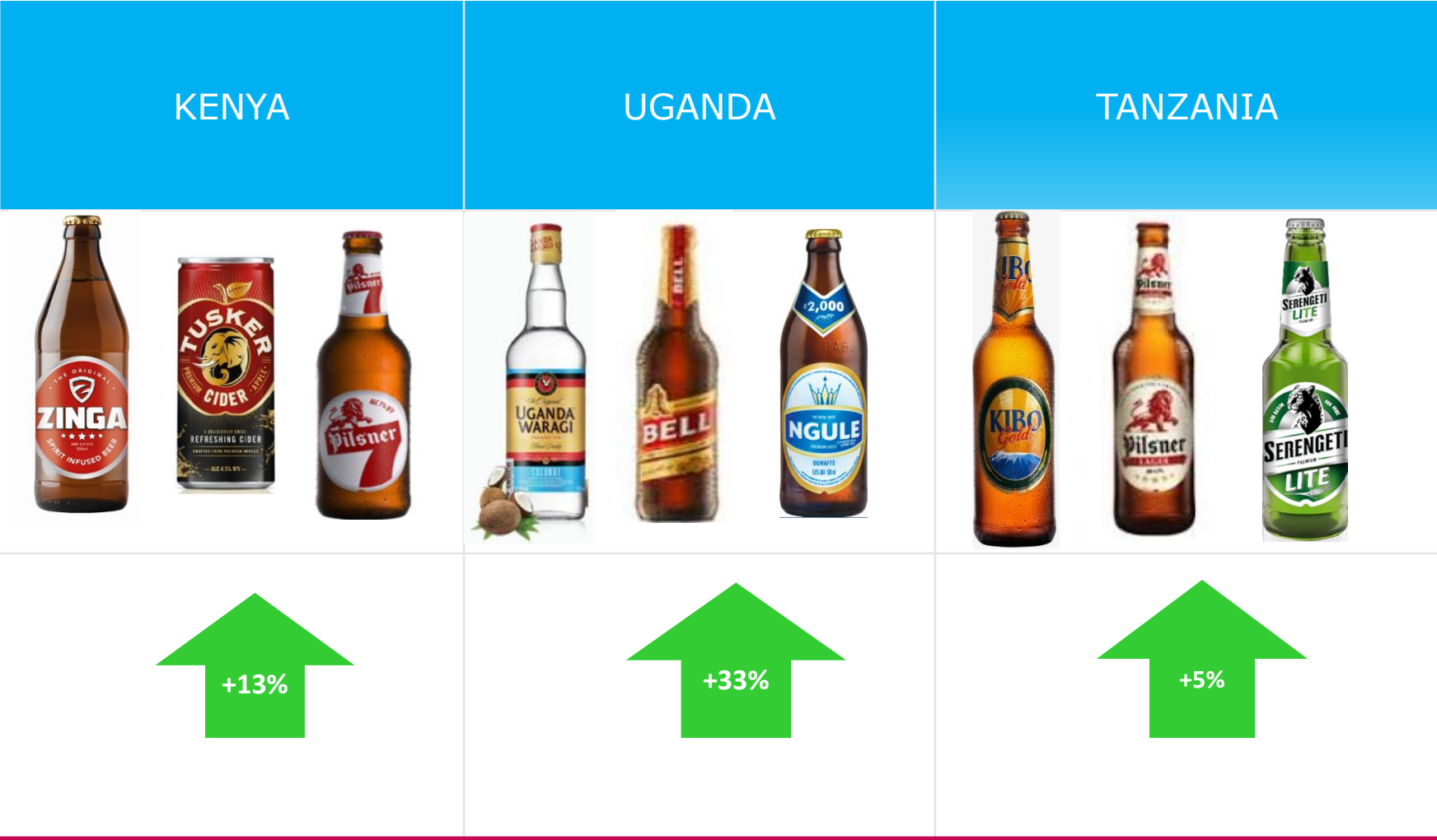
	Contribution to Overall EABL	Net Sales Growth (KES)	Net Sales Growth (local currency)	Key Brands
KENYA	75%	+4%	+4%	   
UGANDA	16%	+5%	+7%	  
TANZANIA	9%	-13%	-12%	   
Total EABL	100%	+2%	n/a	

Premium and mainstream beer improves in H2, spirits continues solid growth

	Premium	Mainstream	Value	Total Beer
	-7%	-7%	+13%	0%
Beer				

	Reserve	Premium	Mainstream	Value	Total Spirits
	+11%	+11%	+29%	-3%	+13%
Spirits					

Innovation contribution is increasing further



Kenya
+4%*

Beer decline mitigated by growth of Senator and spirits



- ❑ **Bottled beer** volume declining with slower than expected recovery from excise-led price increase.

- ❑ Senator NSV growth of **+12%**

- ❑ Spirits in **double-digit** growth

- ❑ Mainstream spirits in growth driven by **Kenya Cane** and **Chrome Vodka**



Successful launch of Tusker Cider

Reserve brands healthy growth

13% growth in innovation



* Net sales growth

Uganda
+7%*

Beer growth led by Senator and Ngule, strong spirits performance



- ❑ Double digit growth of **Tusker Lite**



Innovation driven by **Ngule** and **Uganda Waragi Coconut**

- ❑ Strong **Mainstream Spirits** performance

Strong Performance in **Scotch** whisky

- ❑ Emerging beer driven by **Senator** and **Ngule**



* Net sales growth in local currency

Tanzania
-12%*

**Challenging environment,
improvement in Q4**



❑ Opportunities in Spirits due to **Sachet ban**

❑ Mainstream beer in decline but **Guinness, Pilsner, Senator** and **Kibo Gold** are in strong growth

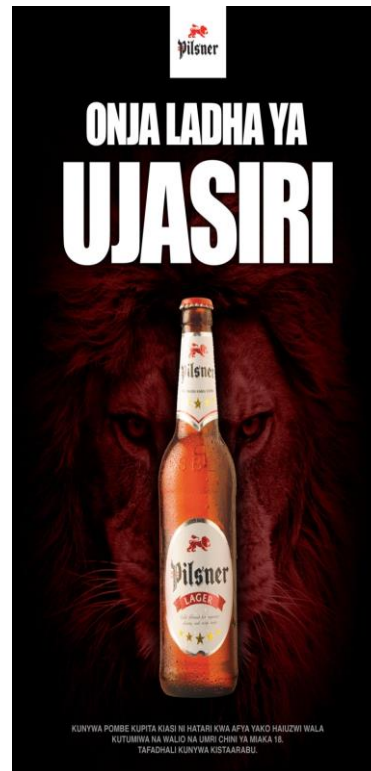
❑ Decline of **Serengeti** reversed by Serengeti Lite launch

❑ **RTDs** are back in growth at +10%

Pilsner volumes up



**Successful
Launch of
Serengeti Lite**



**Robust
Guinness
Growth**



* Net sales growth in local currency

Investing in our people...



- ❑ Top 2 in Kenya: **Deloitte Best Company to Work For Survey 2016**
- ❑ 1st runners up – Learning & Development & 2nd runners up – Work-Place Environment: **Federation of Kenya Employers' Employer of the Year Awards**
- ❑ **Best Employer in Tanzania** – Training & Development: Association of Tanzania Employers
- ❑ Top 2 in **Uganda Federation of Employers**
- ❑ Emerged top **in the 2016 CIO Awards**
- ❑ Runners up CSR Employer of Choice: **Careers in Africa Employer of Choice Awards**
- ❑ Best Graduate Employer of Choice: **Global Career Company**
- ❑ The Legal 500 Awards: **EABL Legal team recently received an international recognition** for acting as a bedrock for the company's diverse legal operations



EMPOWERING OUR PEOPLE

Excellence Awards

- ❑ Diageo 2016 **Brewery of the Year** and **Operational Excellence** Award - Kenya Breweries
- ❑ Diageo Supply Chain Excellence **Market of the year** for **2016 and 2017** and **People Performance Award**
- ❑ **Uganda RED CARD Responsible Drinking Campaign** won award for Best Concern for Consumer Issues at the Uganda CSR Awards, bringing it to a total of three awards in the past three years for the campaign
- ❑ UBL earned silver in the **President's Export Awards** within the category of alcoholic beverages in recognition of its significant economic contribution through exports
- ❑ Multiple global awards across the region Tusker won **Grand gold**, Tusker Lite, Kibo, White Cap, and Bell won **Gold awards** at the **MONDE AWARDS**



Growing Value Together



GROWING
VALUE
TOGETHER

- ❑ **Kshs 15bn** investment in new brewery in Kisumu
- ❑ **Plant Expected to Boost Growth** in sorghum demand, raising number of contracted farmers from current 30,000 to 45,000
- ❑ **Growing Value Together:** Programme launched to highlight how business is contributing to changing lives through sustainable business
- ❑ **Responsible Drinking:** Over 80,000 followers now on the Responsible Drinking social media platforms
- ❑ **KShs 350m Ultramodern Water Treatment Plant Launched:** Plant to treat 240,000 Litres per Hour of quality process water
- ❑ **Water of Life Projects:** Over 5 million benefitted in East Africa
- ❑ **Kijani:** Staff driven initiative launched to restore 250 acres of Mt. Kenya Forest in partnership with Nature Kenya & 5 Community forest associations.



Thank You

Please hold the questions to the end





F17 FINANCIAL PERFORMANCE

Gyuri Geiszl

Group Finance and Strategy Director

Financial Highlights



	FY F17	vs LY
Volume (mEU)	11.7	+5%
Net sales (like for like)	KES 70.2bn	+2%
Operating profit	KES 16.5bn	-2%
Profit after tax - continuing operations	KES 8.5bn	+6%
Operating Cash Conversion	110%	
Net debt	KES 24.4bn	-5%
Dividend	KES 7.5/Share	



Value segment drives higher volume and lower net sales growth



❑ **Volume** growth in value segments combined with decline in premium and mainstream beer

❑ **Excise increase** drives downtrading across the region, recovery from F16 excise increase in Kenya slower than expected

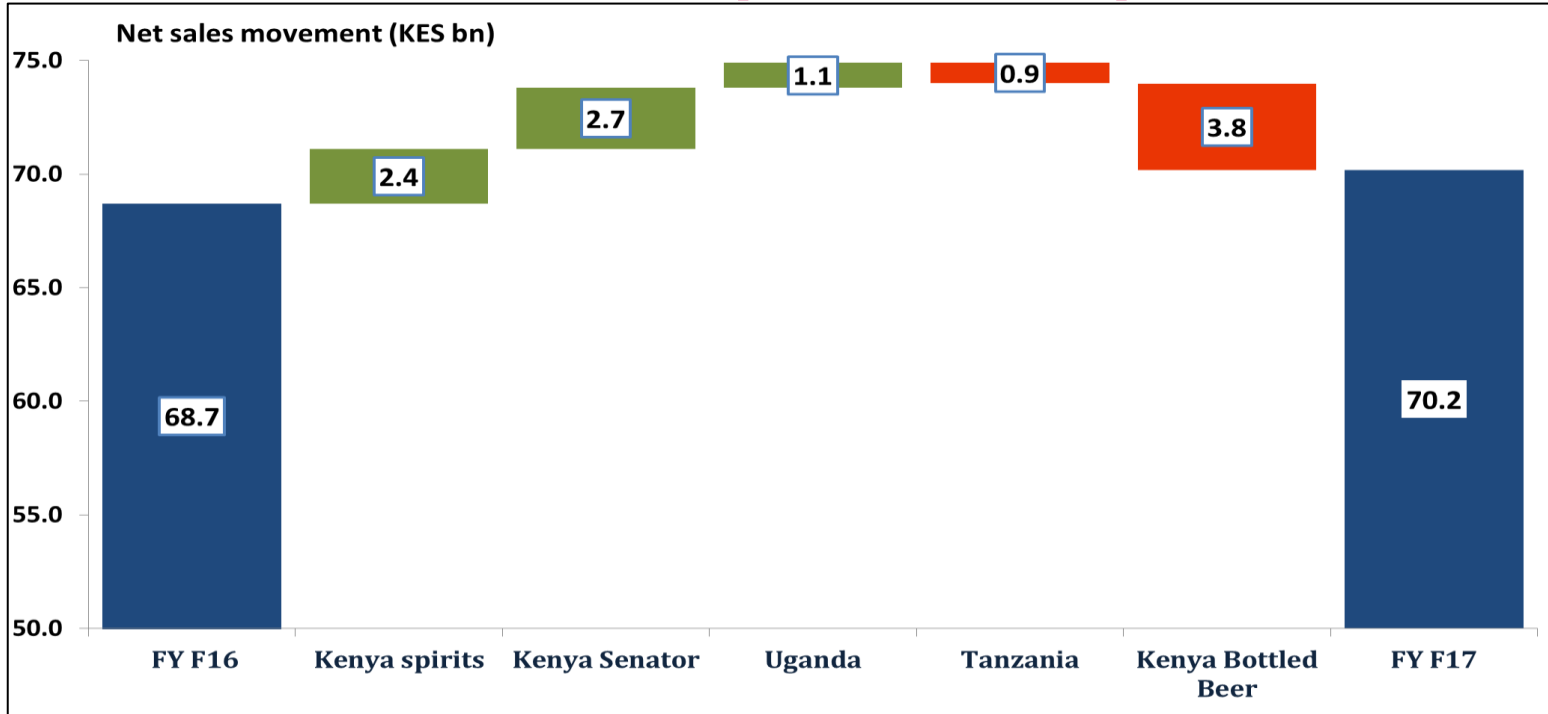
❑ **Net sales** grow slower due to negative mix

❑ Growth in **government revenue** behind expectations due to affordability issues

	FY F17 KES bn	FY F16 KES bn	vs LY
Volume (mEU)	11.7	11.2	+5%
Gross sales	124.1	120.1	+3%
Excise duties	<u>(53.8)</u>	<u>(51.4)</u>	+5%
Net sales	70.2	68.7	+2%



Growth in Senator and spirits drive performance



- ❑ Strong **spirits** and double digit **Senator keg** growth in Kenya
- ❑ Stable performance in **Uganda**
- ❑ In **Tanzania** double digit decline in Q1-Q3, return to growth in Q4



Cost of sales – additional savings



- ❑ COGS/unit improved by -3% driven by **operational efficiencies**

- ❑ **Savings** of KES 2.3bn from
 - local sourcing
 - operational efficiencies
 - retendering of warehousing and logistics
 - automation and standardisation
 - new investments

- ❑ **Headwinds in H2** from
 - drought
 - new hedges at higher prices
 - slow depreciation of KES

	FY F17 KES bn	FY F16 KES bn	vs LY
Volume (mEU)	11.7	11.2	+5%
Gross sales	124.1	120.1	+3%
Excise duties	(53.8)	(51.6)	+5%
Net sales	70.2	68.7	+2%
Cost of sales	(39.1)	(36.5)	+7%
Gross profit	31.1	32.2	-3% ₂₀



Marketing efficiencies and productivity initiatives drive expenses down

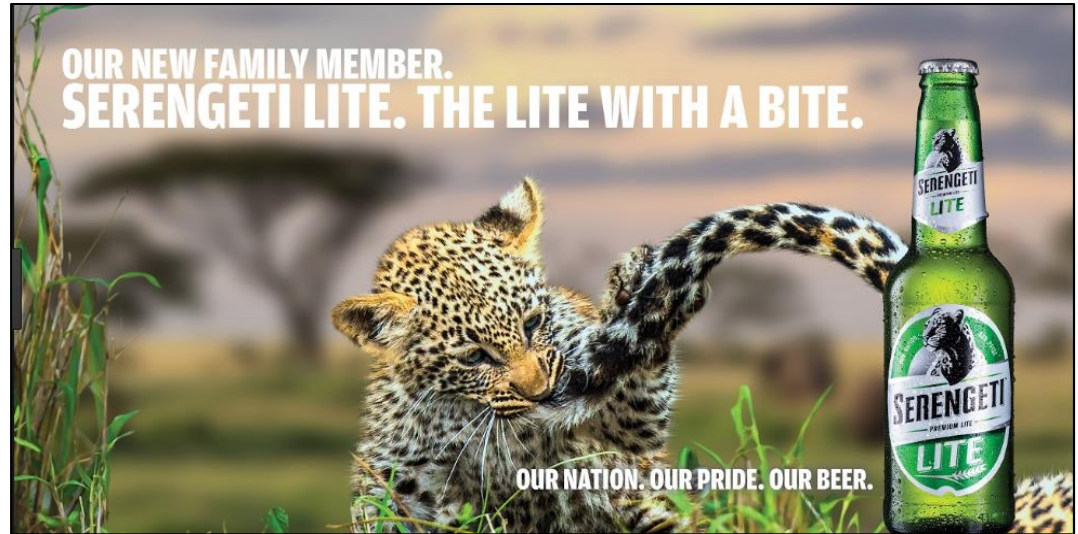


	FY F17 KES bn	FY F16 KES bn	vs LY	
<p>❑ Selling and distribution costs down as a result of procurements savings and refund from Diageo</p>	Gross profit	31.1	32.2	-3%
	Selling & distribution	(5.4)	(6.1)	-11%
	Staff costs	(5.2)	(6.1)	-15%
	Other costs	<u>(3.1)</u>	<u>(2.9)</u>	+7%
<p>❑ Administrative costs declined due to zero based budgeting and organisational effectiveness</p>	Administrative expenses	<u>(8.3)</u>	<u>(9.0)</u>	-9%
		17.4	17.1	+2%
	FX gains/(losses) net	1.2	(0.4)	
<p>❑ Stable currencies in the region and weakening of British Pound drove FX gains (losses in F16 due to South Sudanese Pound)</p>	SBL goodwill impairment	(0.3)	-	
	Indirect tax charges	(1.2)	(0.3)	
	Legal cases	0.1	(0.5)	
<p>❑ Historical indirect tax exposures resulted in extra provision in F17</p>	Gain on land sales	-	1.1	
	CGI fees	-	0.4	
	Other charges, net	<u>(0.7)</u>	<u>(0.5)</u>	
<p>❑ Impairment charge of KES 0.3bn taken for SBL goodwill</p>	Operating profit	16.5	16.9	-2%

Settlement and capital restructuring in Tanzania



- ❑ Proceedings by **Fair Competition Commission closed**
- ❑ Cost of settlement already provided for in F16, **no impact** on F17 financials
- ❑ Agreement with B shareholders to complete **capital restructuring** of SBL, to restore equity position and statutory profitability
- ❑ Restructuring through **conversion of loan** and preference shares, no cash investment required
- ❑ EABL's **51% shareholding** unchanged
- ❑ Business to **focus on** realising **opportunities** that the Tanzanian market offers



Reduced net borrowings and finance charges, funding of new brewery from debt

❑ Strong cash delivery drove **reduction in Net borrowings** despite higher capex spend

❑ Net **finance charges** decreased by -3%, effective interest rates remained competitive at 12.9% (11.6% in F16)

❑ Balance Sheet **restructuring** has been completed by issuance of 2nd tranche of **MTN** and rollover of 1st tranche

❑ Target **ratios** all **strengthened**: Net Debt/EBITDA at 1.20, Current ratio at 1.01

❑ Funding of **new brewery** from **debt**

	FY F17 KES 'bn'	FY F16 KES 'bn'	vs LY
Net borrowings	(24.4)	(25.6)	-5%
Finance costs, net	(3.2)	(3.3)	-3%
Net Debt/EBITDA	1.20	1.26	-0.06

Profit after tax (excluding CGI) up +6%



- The **Effective Tax Rate** reduced from 41% to 36%, still impacted by one-off tax provisions

- +6% growth in **Profit from continued operations**

- Sale of CGI boosted F16 **Profit for the year**

	FY F17 KES 'bn'	FY F16 KES 'bn'	vs LY
Operating profit	16.5	16.9	-2%
Finance costs, net	(3.2)	(3.3)	-3%
Profit before tax	13.3	13.6	-2%
Income tax expense	(4.8)	(5.6)	-14%
Profit after tax-continuing operations	8.5	8.0	+6%
Profit from sale of CGI	-	2.3	
Profit for the year	8.5	10.3	-17%
EPS - continuing operations	9.71	9.36	+4%
EPS - total	9.71	12.20	-20%

Strong cash delivery with 110% OCC



- Improved planning process and forecasting accuracy enables us to keep lower level of **inventory**

- Increase in Senator's share benefits faster cash collection from **debtors**

- Operating Cash Conversion at 110%**, above target of 104%

	F17 KES 'bn'	F16 KES 'bn'	vs LY
Operating profit	16.5	16.9	(0.4)
Depreciation and amortization	4.0	3.6	0.4
Gain on land sale	-	(1.1)	(1.1)
Working capital movements	1.1	8.5	7.4
Inventory	0.6	2.5	(1.9)
Debtors	0.6	(1.2)	1.8
Creditors	(0.1)	7.2	(7.3)
Cash generated from operations	21.6	27.9	(6.3)
Net interest paid	(3.3)	(3.2)	(0.1)
Income tax paid	(4.4)	(6.1)	1.7
Net cash from operations	13.9	18.6	(4.7)
Operating cash conversio	110%	144%	

We continue to invest in our future growth

CAPEX

- ❑ Total F17 investment of **KES 5.7bn** (F16: KES 5.0bn), **new brewery in Kisumu** announced

Capacity expansion

- KBL brewing and cooling expansion by investing in Dual Purpose Vessels (DPVs) KES 1.1bn
- Additional keging capacity: 4 Rackers and 30k keg barrels KES 0.4bn to meet Senator Keg demand.
- Spirits line expansion in Kenya KES 0.4bn
- Returnable bottles, kegs and coolers to support volume growth across the region
- Innovation: launch of Tusker Cider

Efficiency and quality improvements

- SAP Manufacturing model in Tanzania, improvements in Kenya and Uganda
- Efficiency improvements spend, Kenya leading in water and energy usage globally.

Health and Safety

- New fire protection system in Uganda
- Strengthened perimeter wall and security in Kenya

Environment

- Ultramodern Water Treatment Plant in Kenya & public sanitation facility in Uganda under Water for Life program



Total dividend unchanged from last year

Dividends	F17 KES/Share	F16 KES/Share
Interim	2.0	2.0
Final (proposed)	5.5	5.5
	<u>7.5</u>	<u>7.5</u>
Special	-	4.5
Total	7.5	12.0



Trajectory improving in H2

	F17 H1 KES bn	F16 H1 KES bn	vs LY	F17 H2 KES bn	F16 H2 KES bn	vs LY
Net sales	36.9	37.5	-2%	33.3	31.2	+7%
Cost of sales	<u>(20.3)</u>	<u>(20.1)</u>	-1%	<u>(18.8)</u>	<u>(16.4)</u>	+15%
Gross margin	16.6	17.4	-5%	14.5	14.8	-2%
Gross margin%	45.0%	46.5%	-1.5ppt	43.6%	47.4%	-3.9ppt
OP% (underlying)	25.3%	24.2%	+1.0ppt	24.5%	25.9%	-1.3ppt
PAT% (continuing)	15.1%	14.6%	+0.5ppt	8.8%	8.1%	+0.6ppt

- Net sales + CoGS for prior periods **restated** for consistency (no impact on profit)
- Recovery of **premium and mainstream beer** categories across the region reduces negative mix



Thank You

Please hold the questions to the end





F18 PRIORITIES

Andrew Cowan

Group Managing Director

Priorities going forward



Opportunities for further growth

- Accelerate **spirits** volume momentum
- Recruitment and re-recruitment **bottled beer** consumers
- Win in premium leading with **Scotch**
- Deliver **productivity** initiatives
- Fast track beer and spirits **capacity** investments
- Accelerate **Pilsner 7, Zinga** and **Serengeti Lite** Innovations



Q & A Session



Cautionary Statement concerning forward-looking statements:

This document contains ‘forward-looking’ statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook, objectives and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to EABL, anticipated cost savings or synergies, expected investments, the completion of EABL's strategic transactions and restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside EABL's control.

These factors include, but are not limited to:

Economic, political, social or other developments in countries and markets in which EABL and its Subsidiaries operate, which may contribute to reduced demand for EABL's products, reduced consumer spending, negative impact on EABL's customers, suppliers and financial counterparties or the imposition of import, or currency restrictions;

Changes in consumer preferences and tastes, including as a result of changes in demographic and social trends, public health regulations, vacation or leisure activity patterns, or as a result of counterfeiting or other circumstances which could harm the integrity or sales of EABL's brands;

Any litigation or other similar proceedings (including with tax, customs and other regulatory authorities), including those directed at the drinks and spirits industry generally or at EABL in particular, or the impact of a product recall or product liability claim on EABL's profitability or reputation;

The effects of climate change and related regulations and other measures to address climate change, including any resulting impact on the cost and supply of water;

Changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy or as a result of inflation;

Legal and regulatory developments, including changes in regulations regarding production, product liability, distribution, importation, labelling, packaging, consumption, advertising and data privacy; changes in tax law (including tax treaties), rates or requirements (including with respect to the impact of excise tax increases) or accounting standards; and changes in environmental laws, health regulations and the laws governing labour and pensions;

The consequences of any failure by EABL to comply with anti-corruption and other laws and regulations or any failure of EABL's related internal policies and procedures to comply with applicable law;

Ability to maintain EABL's brand image and corporate reputation or to adapt to a changing media environment, and exposure to adverse publicity, whether or not justified, and any resulting impacts on EABL's reputation and the likelihood that consumers choose products offered by EABL's competitors;

Increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors, that could negatively impact EABL's market share, distribution network, costs or pricing;

The effects of EABL's business strategies, including in relation to expansion in emerging markets and growth of participation in international premium spirits markets, the effects of business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realise expected synergies and/or costs savings;

EABL's ability to benefit from its strategy, including its ability to expand into new markets, to complete and benefit from existing or future business combinations or other transactions, to implement cost saving and productivity initiatives or to forecast inventory levels successfully;

Contamination, counterfeiting or other events that could adversely affect the level of customer support for EABL's brands;

Increased costs or shortage of talent as well as labour strikes or disputes;

Disruption to production facilities or business service centres or information systems (including cyber-attack), existing or future;

Fluctuations in exchange rates and interest rates, which may impact the value of transactions and assets denominated in other currencies, increase the cost of financing or otherwise affect EABL's financial results;

Movements in the value of the assets and liabilities related to EABL's pension funds;

Renewal of supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms or at all when they expire; and

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