



eabl

CELEBRATING LIFE,
EVERY DAY, EVERYWHERE



HALF YEAR RESULTS 2017



HALF YEAR RESULTS BRIEFING

F17 H1 Commercial Review

Andrew Cowan

F17 H1 Financial Performance

Gyuri Geiszl

Q&A





F17 HALF 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

Downtrading and productivity are the two main drivers of performance
















	vs LY
Volume	+5%
Net sales	-6%
Gross profit	-5%
Profit from continuing operations	+2%
Operating cash conversion	+94%



Kenya flat, healthy growth in Uganda, Tanzania in decline



	Contribution to overall EABL	Net sales growth (KES)	Net sales growth (local currency)	Key Brands
KENYA	74%	0%	0%	   
UGANDA	17%	+7%	+7%	  
TANZANIA	9%	-7%	-5%	  
SOUTH SUDAN	0%	-97%	-35%	  
Total EABL	100%	-6%	n/a	





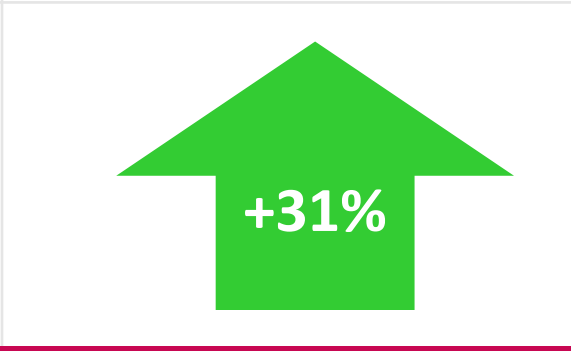
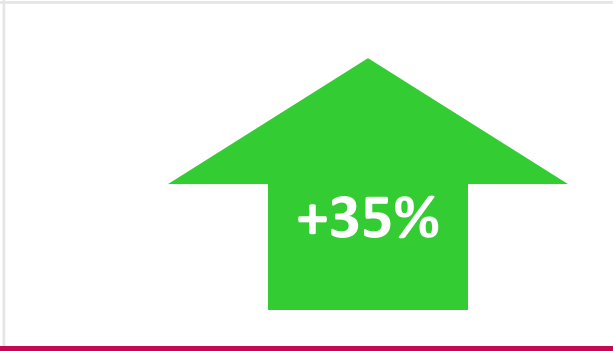
Beer in decline except for emerging; Spirits maintain a steady growth

	Premium	RTD's	Mainstream	Emerging
Beer & RTDs	-13%	-11%	-7%	+10%
				

	Reserve	Premium	Mainstream	Emerging
Spirits	+7%	+7%	+31%	+8%
				

Innovation contribution is increasing



KENYA	UGANDA	TANZANIA
		
		



Kenya
-0.3%*

Beer decline offset by growth of Senator and spirits



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

- ❑ Senator NSV growth of **+21%**



- ❑ 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

20% growth in **innovation**



* Net sales growth



Uganda
+7%*

Beer growth led by Senator Stout & Ngule, strong performance of spirits

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

Innovation driven by **Ngule** and new **Senator Stout**

- ❑ Strong **Uganda Waragi** performance

Successful Launch of **Black Bell**



- ❑ Emerging beer growth driven by **Ngule**



Strong performance in **Scotch**



* Net sales growth in local currency



Tanzania
-5%*

**Very challenging environment
drives downtrading**

- ❑ Continued strength of **Pilsner Lager**

Pilsner volumes up

- ❑ **Serengeti** brand refresh on 20th anniversary

- ❑ Reserve spirits **triple digit** growth

- ❑ **RTDs** are back in growth at +43%



**Reserve
brands
rapid growth**



* Net sales growth in local currency

Investing in our people...



- ❑ Best Employer in East Africa: **Global Career Company**
- ❑ Top 2 in Kenya: **Deloitte Best Company to Work For Survey 2016**
- ❑ 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 Award**
- ❑ Best Graduate Employer of Choice: **Global Career Company**
- ❑ EABL a great exporter of talent to Diageo with **18 staff outside East Africa** (2 MDs: Nigeria & Cameroun, 5 directors), **23 Kenyans** getting expatriate experience



Excellence awards

- ❑ Diageo 2016 **Brewer of the year**- Kenya Breweries Limited
- ❑ Excellence in **Supply Chain Market of the year**- Kenya Breweries Limited
- ❑ 2016 **Operational Excellence Award**- Kenya Breweries Limited
- ❑ Uganda Red Card campaign wins award for **protecting consumer health and safety**- Uganda Breweries Limited
- ❑ The Legal 500 Awards: **EABL Legal team recently received an international recognition** for acting as a bedrock for the company's legal diverse operations.



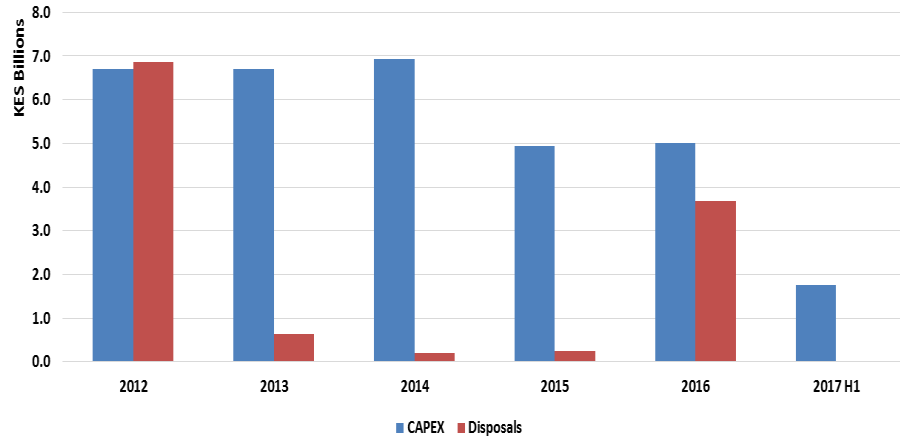
Investing into reputation...

- ❑ **Responsible Drinking:** 30,000 people signed up to responsible drinking digital campaign
- ❑ **Contract farming:** added +30,000 sorghum farmers in Kenya
- ❑ **Women Empowerment:** 15000 sorghum farmers are women benefiting families and growing income
- ❑ **Underage Drinking:** +12000 Head Teachers Training addressing under 18 drinking
- ❑ **Sustainable Sourcing:** Partnership with governments on local raw material sourcing programme
- ❑ **Borehole Projects:** +33,000 People benefit from Water of Life programme



Investing into growth...

Half Year F17 Investment



Over the last 5.5 years...

Capex

KES bn

32.1

Sale of assets

(8.6)

Net capex

23.4

Depreciation

(18.3)

Net investment

5.2

CAPEX

☐ Total investment of **KES 1.8bn**

- Brewhouse efficiency improvements: mash filter and wort recovery
- Innovation: Tusker Cider & Smirnoff bottle redesign
- Non-tamper nip caps to support fight against counterfeits
- Returnable packaging and new keg barrels to support growth
- In Uganda effluent treatment plant upgrade in line with our commitment to clean environment
- Health & Safety: fire detection and fighting equipment



☐ H2 focus on capacity expansion - both beer and spirits

Thank You

Please hold the questions to the end





F17 FINANCIAL PERFORMANCE

Gyuri Geiszl
Group Finance Director

Key Highlights



	H1 F17	vs LY
Volume		+5%
Net sales	KES 35.2bn	-6%
Operating margin	27.2%	+2.4pts
Profit after tax - continuing operations	KES 5.6bn	+2%
Operating cash conversion	94%	
Interim dividend	KES 2.0/share	-



Downtrading drives volume up, net sales down



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

❑ **Excise increase** drives downtrading across the region

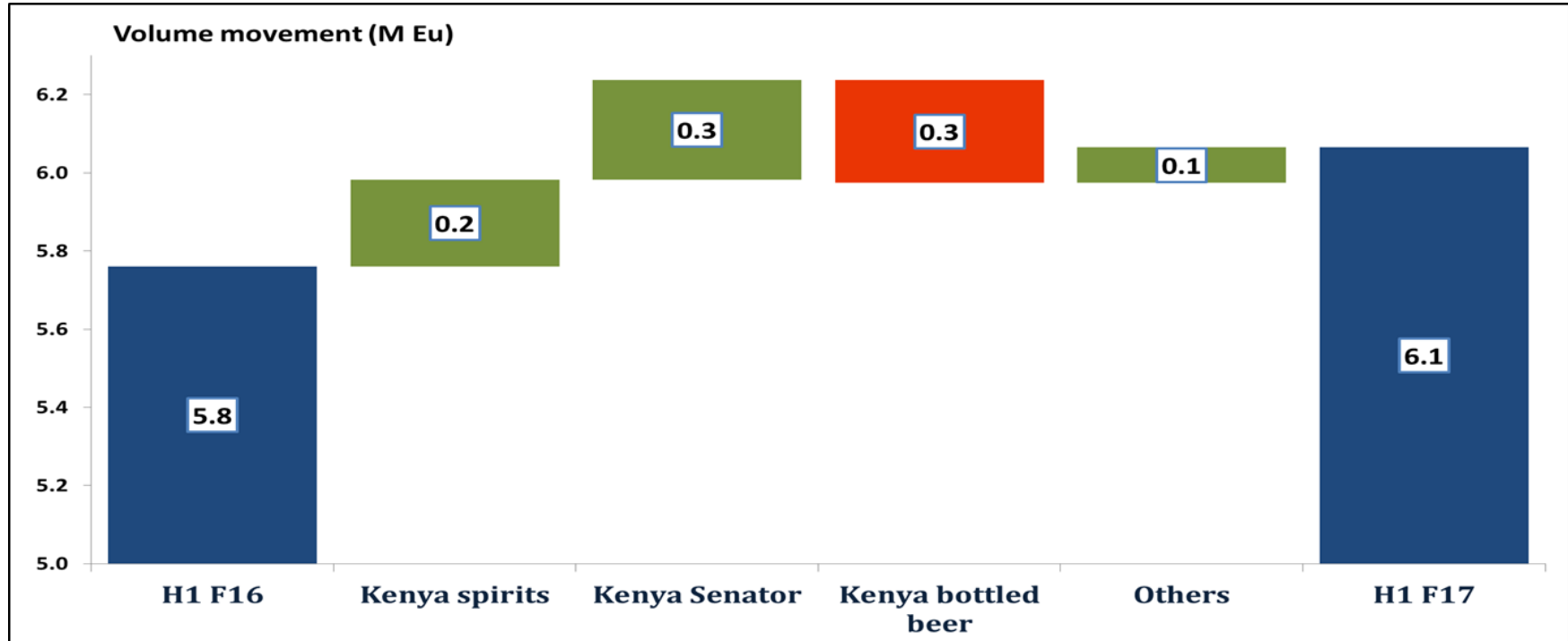
❑ **Net sales** decline due to negative mix

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

	H1 F17 KES bn	H1 F16 KES bn	vs LY
Volume (M EU)	6.1	5.8	+5%
Gross sales	64.0	63.7	+1%
Indirect taxes	<u>(28.8)</u>	<u>(26.2)</u>	+10%
Net sales	35.2	37.5	-6%



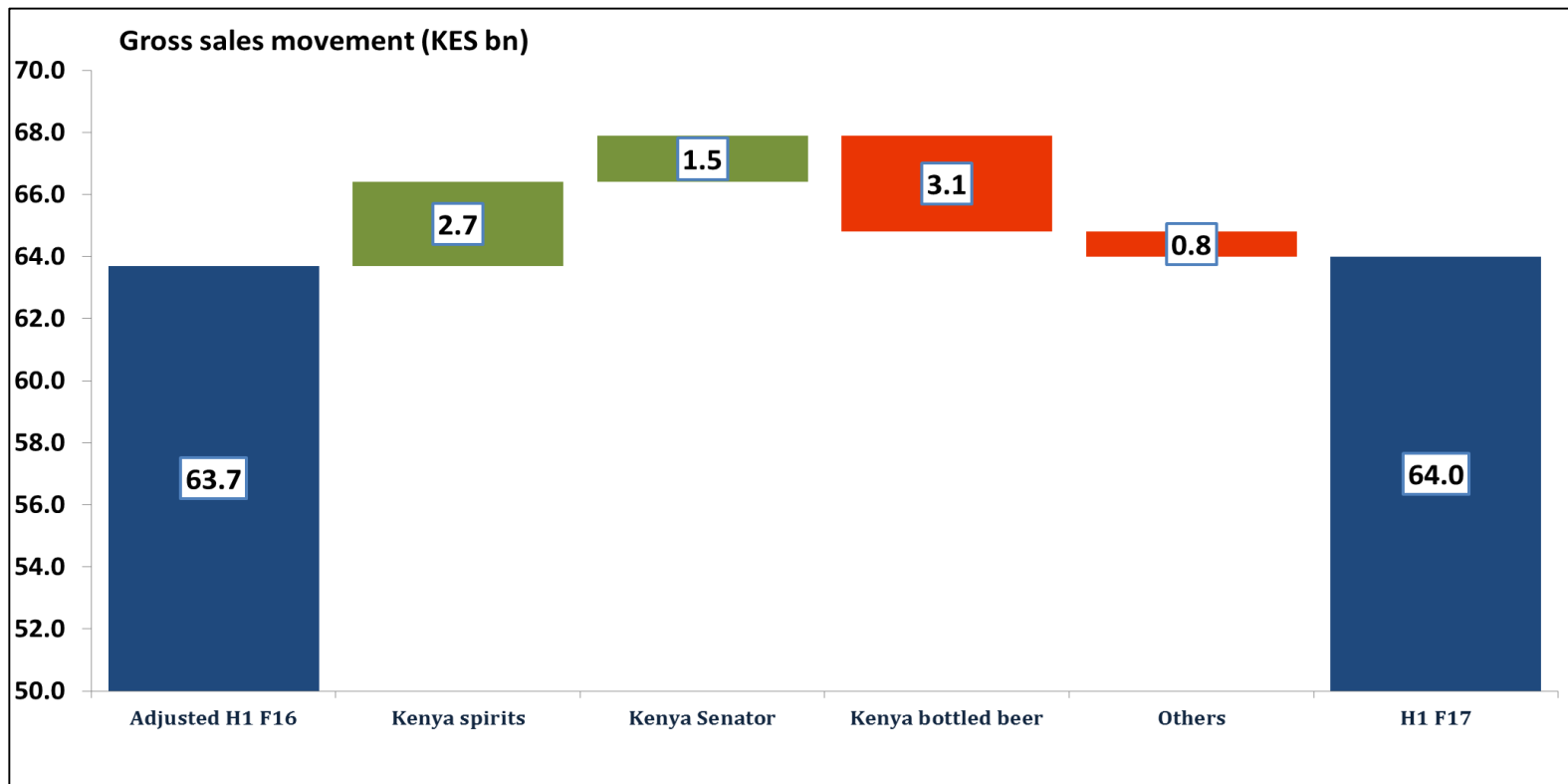
Volume growth in spirits and Senator in Kenya



- ❑ +16% growth of **Senator keg** in Kenya
- ❑ -16% decline in **bottled beer** mitigated by strong performance in **spirits**, up +16%
- ❑ Growth in Uganda and Rwanda, decline in Tanzania and South Sudan



Consumer spend on our products unchanged



- ❑ Positive impact of **Senator keg** and **spirits** in Kenya could not fully offset **bottled beer** decline
- ❑ **FX** and downtrading in **Tanzania** and **South Sudan** impact also negative



Margin improvement through Cost of sales efficiencies



❑ **Savings** of KES 0.9bn and **mix impact** of KES 0.6bn contributed to Cost of sales efficiencies

❑ **COGS/unit improved** by 4% for Senator and by 8% for other brands due to better fixed cost absorption and **cost reduction initiatives**

❑ **Savings** of KES 0.9bn from

- local sourcing
- hedging
- operational efficiencies
- retendering of warehousing and logistics

❑ **+76bpts gross margin** improvement delivered

	H1 F17 KES bn	H1 F16 KES bn	vs LY
Volume (mEU)	6.1	5.8	+5%
Net sales	35.2	37.5	-6%
Cost of sales	(18.6)	(20.1)	-8%
Gross profit	16.6	17.4	-5%
Gross margin	47.2%	46.5%	+0.8ppts



Operating profit growth driven by productivity

	H1 F17 KES bn	H1 F16 KES bn	vs LY	
<p>❑ Selling and distribution costs decline as a result of procurements savings of KES 0.3bn and re-phasing of some activations to second half</p>	Gross profit	16.6	17.4	-5%
	Selling and distribution	(2.7)	(3.2)	-18%
<p>❑ Administrative expenses down due to KES 0.3bn from Zero Based Budgeting and KES 0.1bn Organisational Effectiveness</p>	Staff costs	(1.8)	(1.9)	-1%
	Other costs	(2.8)	(3.2)	-7%
	Administrative expenses	(4.6)	(5.1)	-9%
	FX gains/(losses)	0.6	(0.5)	
<p>❑ FX losses in F16 driven by South Sudan</p>	Land sale	-	0.7	
	CGI fees	-	0.4	
	Other charges, net	(0.4)	(0.4)	
<p>❑ Operating margin improvement of +242bpts driven by KES 1.6bn Productivity savings</p>	Operating profit	9.5	9.3	+3%
	Operating margin	27.2%	24.7%	+2.4ppt

Increase in Finance costs due to low net borrowings last year



- Revenue from the sale of **CGI** drove higher cash balances and interest income in F16

- Lower cash balances in F17 H1 due to payment of **special dividends** in June 2016

- Cost of funding** remained competitive at 11.6% (11.8% in H1 F16)

	H1 F17 KES bn	H1 F16 KES bn	vs LY
Net borrowings	(25.1)	(22.5)	+11%
Finance costs, net	(1.5)	(1.4)	+11%

Growth in Profit from continued operations, sale of CGI in F16



	H1 F17 KES bn	H1 F16 KES bn	vs LY
Operating profit	9.5	9.3	+3%
Finance costs, net	(1.5)	(1.4)	+11%
Profit before tax	8.0	7.9	+1%
Income tax expense	(2.4)	(2.4)	0%
Profit after tax-continuing operations	5.6	5.5	+2%
Profit from sale of CGI	-	2.2	N/A
Profit for the year	5.6	7.7	-28%
Non-controlling interest	(0.6)	(0.5)	
Equity holders of the company	5.0	7.2	-31%
EPS - continuing operations	6.28	6.29	0%
EPS – total	6.28	9.14	-31%

Decrease in Cash from operating activities



		H1 F17 KES bn	H1 F16 KES bn	vs LY	%
	Profit before tax	8.0	7.9	0.1	+1%
<input type="checkbox"/> No significant changes in interest, tax and depreciations	Net interest paid	1.6	1.7	(0.1)	
	Depreciation and amortization	1.7	1.9	(0.2)	
	Gain on land sale	-	(0.7)	0.7	
<input type="checkbox"/> Decline is driven by large working capital improvements last year	Working capital movements	(0.6)	5.4	(6.0)	
	Cash generated from operations	10.6	16.3	(5.7)	-35%
<input type="checkbox"/> Operating cash conversion at 94%, below target of 104%	Net interest paid	(1.6)	(1.7)	0.1	
	Income tax paid	(3.0)	(2.9)	(0.1)	
	Net cash from operations	6.0	11.7	(5.7)	-48%
	Operating cash conversion	94%	183%		

Working capital – additional improvements



	H1 F17 KES bn	FY F16 KES bn	H1 F16 KES bn	FY F15 KES bn
Inventories	8.5	8.1	10.1	10.7
Trade and other receivables	15.5	12.2	8.2	9.7
Trade and other payables	(25.8)	(22.8)	(17.9)	(15.2)
Total working capital	(1.8)	(2.5)	0.3	5.2

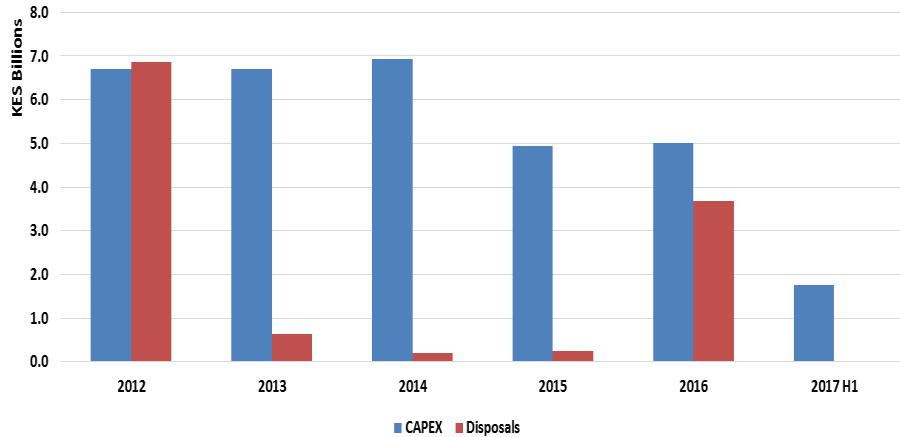
Working capital

- ❑ **Further improvements** delivered but not to the extent as last year
- ❑ **Trade receivables** growth due to extended payment terms and stock loans required in peak season to boost sales
- ❑ Working capital **initiatives** to be put in place in H2 to deliver FY target

We continue to invest in our future growth



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☐ H2 focus on capacity expansion - both beer and spirits

Interim dividend

	F17	F16	Vs LY
Interim dividend (KES per share)	2.0	2.0	-

Thank You

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F17 PRIORITIES

Andrew Cowan

Group Managing Director

Priorities going forward



Opportunities for further growth

- Accelerate **spirits** volume momentum
- Recruitment and re-recruitment **bottled beer** consumers
- Drive **price** advocacy
- Deliver **productivity** initiatives
- Fast track **capacity** investments
- Development of the **commercial capabilities**

Q & A Session



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- changes in consumer preferences and tastes, including as a result of changes in demographic and social trends, public health regulations and travel, vacation or leisure activity patterns, or as a result of contamination, counterfeiting or other circumstances which could harm the integrity or sales of Diageo's brands;
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- ability to maintain Diageo'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 Diageo's reputation and the likelihood that consumers choose products offered by Diageo's competitors;
- increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors, that could negatively impact Diageo's market share, distribution network, costs or pricing;
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- contamination, counterfeiting or other events that could adversely affect the perception of Diageo's brands;
- increased costs or shortages of talent;
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