



EABL 2018 FULL-YEAR RESULTS

FULL YEAR RESULTS BRIEFING

F18 Commercial Review

Andrew Cowan

F18 Financial Performance

Gyuri Geiszl

F19 Priorities

Andrew Cowan

Q&A





F18 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

GROWTH DRIVEN BY BOTTLED BEER AND MAINSTREAM SPIRITS



Volume	+7%
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Net Sales	+5%
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Gross Profit	+4%
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Profit after tax	-15%
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Operating Cash Conversion	117%
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Total Dividend	KES 7.50/share
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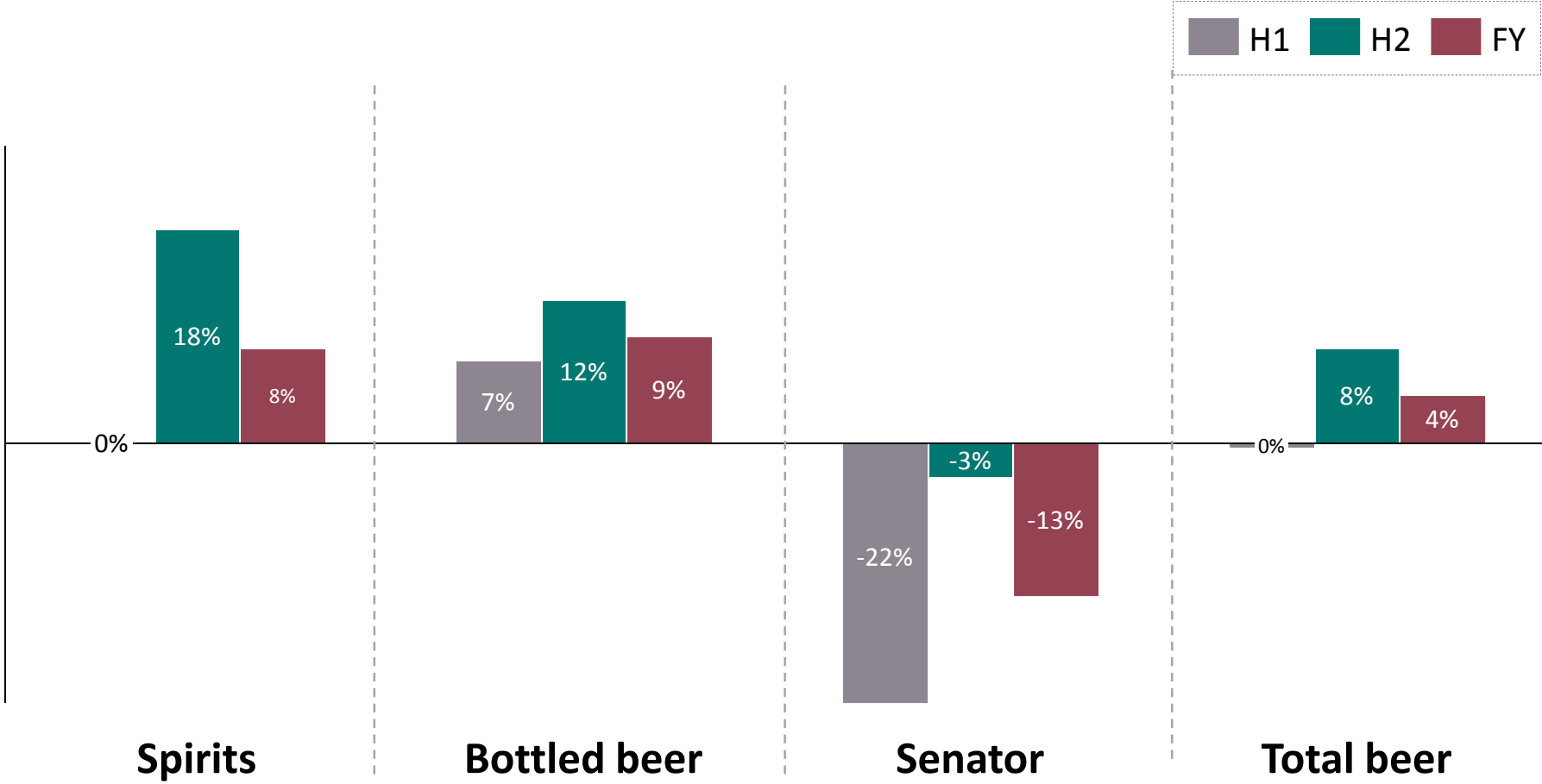


BROAD-BASED GROWTH ACROSS OUR MARKETS



	Contribution to Overall EABL	Net Sales growth (KES)	Key Brands
KENYA	73%	+1%	   
UGANDA	16%	+4%	  
TANZANIA	11%	+41%	   
Total EABL	100%	+5%	

IMPROVEMENT IN ALL CATEGORIES IN H2



INNOVATION NSV CONTRIBUTION INCREASED TO 22%



KENYA



+21%

UGANDA



+17%

TANZANIA



+38%

Kenya

+1%*

GROWTH OF BOTTLED BEER AND SPIRITS MITIGATING SENATOR DECLINE



Bottled beer
turnaround, sales
growing +5%



Scotch grew +4%



+21% growth in
innovation



Senator decline
driven by
uncertainty and
plant shutdown in
H1

Total spirits in
+7% growth
constrained by
uncontrolled
imports

* Net sales growth

Uganda

+4%*

PREMIUM BEER AND MAINSTREAM SPIRITS DRIVE GROWTH



Tusker Lite and Guinness delivering +11% growth in **Premium beer**



RTD category in +6% growth

Innovation
driven by Uganda Waragi Coconut

Strong Performance in **Mainstream Spirits**



* Net sales growth in local currency

Tanzania
+41%*

SERENGETI FAMILY DRIVES GROWTH



Successful
launch of
Serengeti Lite



Premium
Serengeti
Lager
volumes up



Continued **RTD**
growth at +8%

Robust
Guinness
growth

Spirits in growth at +5%
driven launch of Smirnoff X1





2017 Dual Purpose Vessels - KES 1.4bn



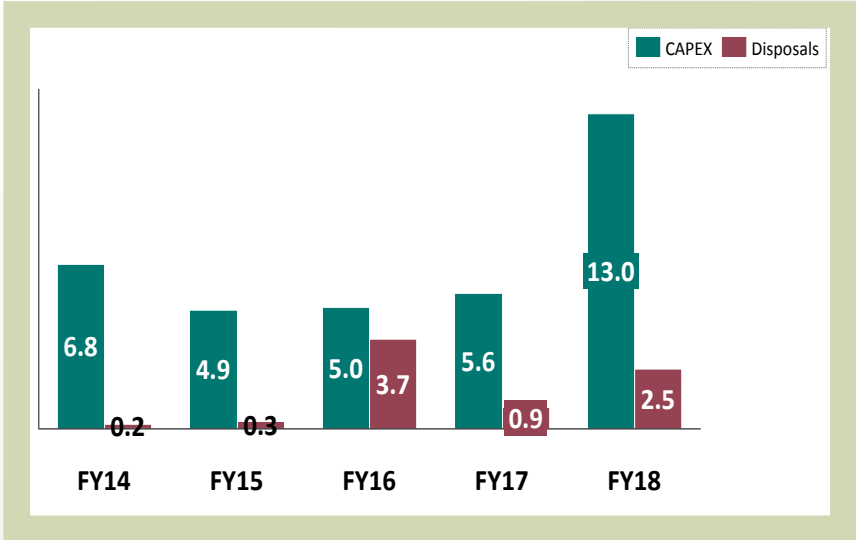
2017 Water Treatment Plant - KES 0.6bn

**KES 7.8bn
Kisumu
investment**

Capital Investments in the last 5 years to meet increasing Demand



2018 – New Spirits Line - KES 0.9bn



Excellence awards



❑ **Gold winner -Employer of the year in Uganda – Federation of Uganda Employers**

❑ **KBL Supply Team (Tusker Brewery and UDV) – 9 Gold Awards in the Monde Selection**



Monde Selection Awards 2018 Gold Winners – Tusker Lager, Tusker Lite Lager, Tusker Cider, Tusker Malt, WhiteCap, Balози, Pilsner 7, Zinga and Kenya Cane

❑ **Quality award – 10 years back to back quality trophy**

❑ **Emerged top Uganda CFO of the year in the 2017 ACCA and Deloitte awards**



Supply Chain Director Kamugi Nderitu displaying 10 year quality trophy. The award is issued for institutions that have consistently delivered high quality brands for 1 decade

Social Responsibility

- ❑ **Ongoing Stakeholder Engagement:** including national and county governments, farmers, etc. yielded great impact for residents in Kisumu and its environment

- ❑ **Commercially Driven Programmes:** commercial agenda through recruitment of retailers in western region

- ❑ **Responsible Drinking Initiatives:** New Huge positive impact in the region - **#UTADO?** in Kenya, **Red Card** in Uganda and stakeholder engagements in Tanzania

- ❑ **Mtama ni Mali Project:** Over 15,000 farmers already recruited in western region

- ❑ **Project Heshima:** vocational training project targeted to youth and women in Kenya. Aimed at reduction of production and consumption of illicit brew

- ❑ **Recognition & Award:** SBL was this year awarded a President's Manufacturer of the Year Award (PMAYA) under the Energy Efficiency category



Social Responsibility



Clean up exercise in Kampala Uganda to commemorate World Environment Day



Responsible drinking messaging in partnership with Taifa Stars in Tanzania



EBL Group MD ploughing a farm in Kisumu



Commissioning of a Borehole in Tanzania



“Red Card” responsible drinking campaign in Uganda



“Project Heshima” a vocational training Programme for entrepreneurs in Western Kenya

Stakeholder Relationships



Uganda Minister for Trade visiting the IDU Plant in Uganda



Uganda Minister for Environment during a tree planting activity during the World Water Day celebrations



UK High Commissioner to Kenya visiting the Kisumu Brewery



Former CS for Industrialization visiting the Kisumu Brewery



Kenya CS for Environment during the World Water Day tree planting activity at Ndakaini, Murang'a County



UK Minister for Environment visiting Uganda Breweries Brewery

Thank You

Please hold the questions to the end



F18 FINANCIAL PERFORMANCE



Gyuri Geiszl

Group Finance and Strategy Director

NSV GROWTH OF +5% DRIVEN BY IMPROVED PERFORMANCE IN THE SECOND HALF



	FY F18 KES bn	FY F17 KES bn	vs LY
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Improved **volume** performance in H2 (+10% vs +4% in H1) across all categories

Volume (mEU)	12.5	11.7	+7%
Gross sales	135.0	124.1	+9%
Excise duties	(61.6)	(53.8)	-14%
Net sales	73.4	70.2	+5%

Gearing also improved from -4ppt in H1 to flat in H2:

- Improvement of **Senator keg** resulted in weaker mix but better gearing due to lower excise
- Move of production to **Uganda** delivered further excise savings in H2

Stable regulatory and economic **environment** in H2 allowed us to deliver highest net sales growth (+10%) for 6 years

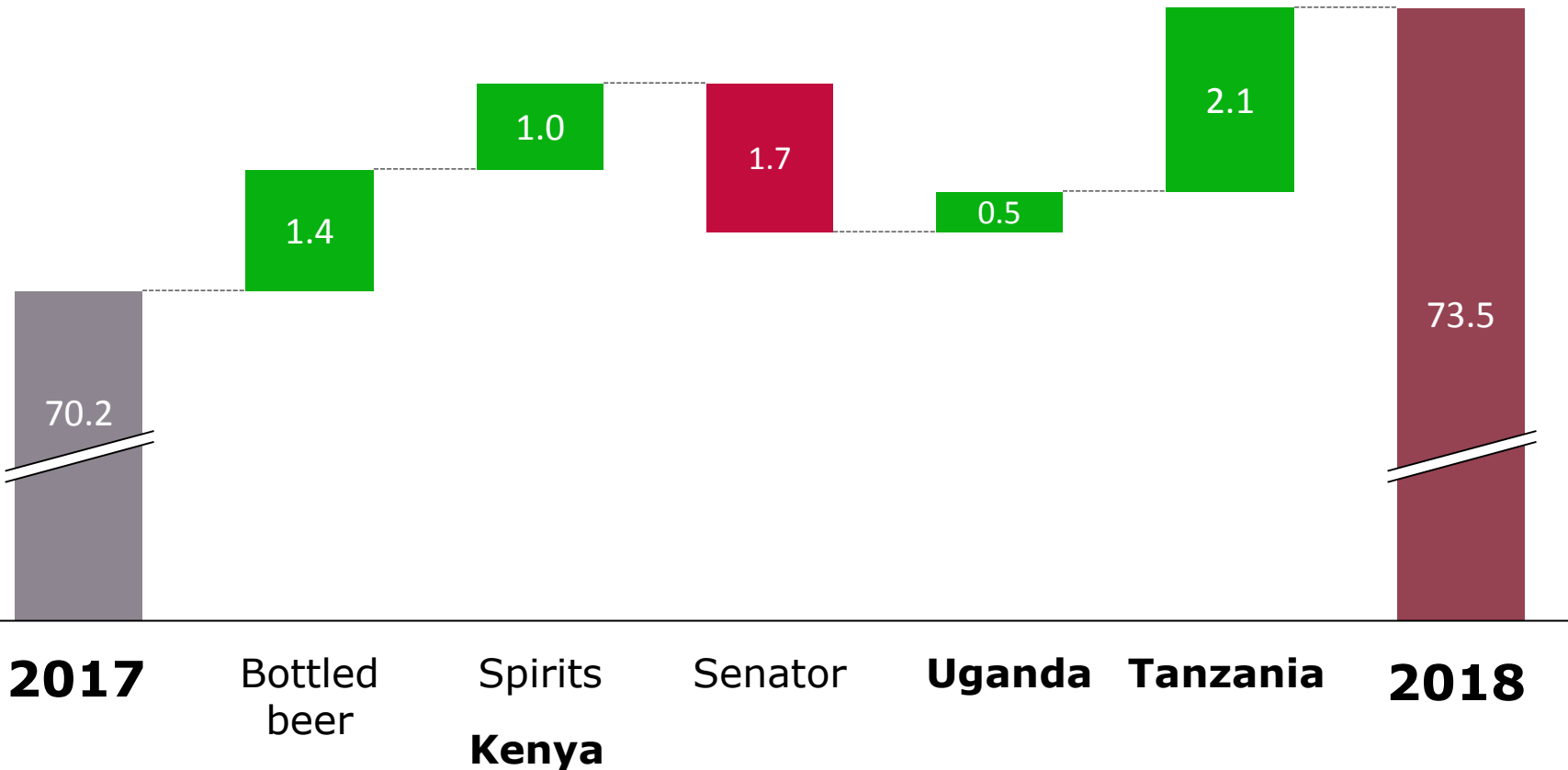


BROAD BASED GROWTH WEAKENED BY SENATOR KEG



Source of net sales growth by segment

H1	+5%	-0%	-22%	-0%	+28%	-0%
H2	+5%	+15%	-3%	+9%	+56%	+10%
FY	+5%	+7%	-13%	+4%	+41%	+5%

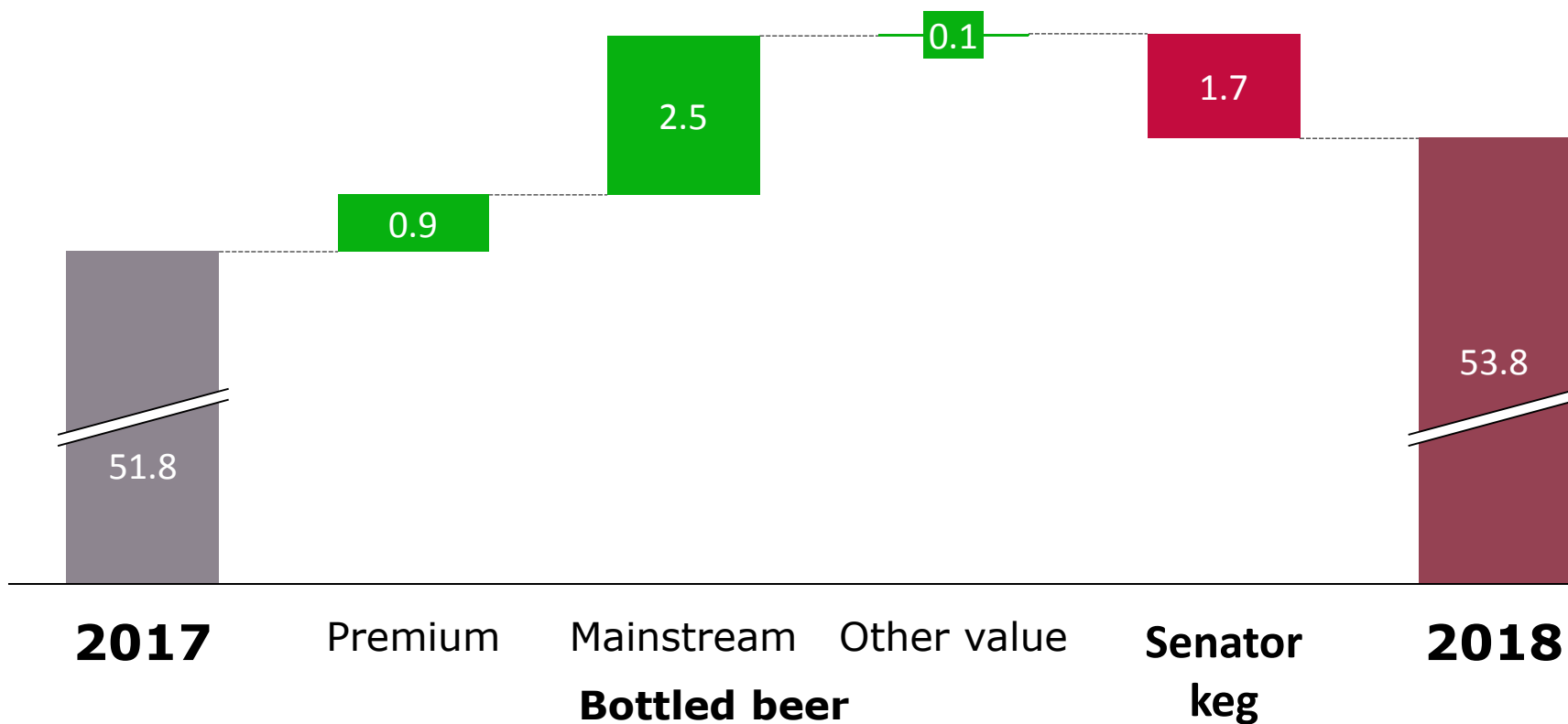


BOTTLED BEER GROWING +9%



Source of beer net sales growth by segment

H1	-0%	+7%	+13%	-22%	-0%
H2	+9%	+23%	-11%	-3%	+8%
FY	+6%	+17%	+0%	-13%	+4%

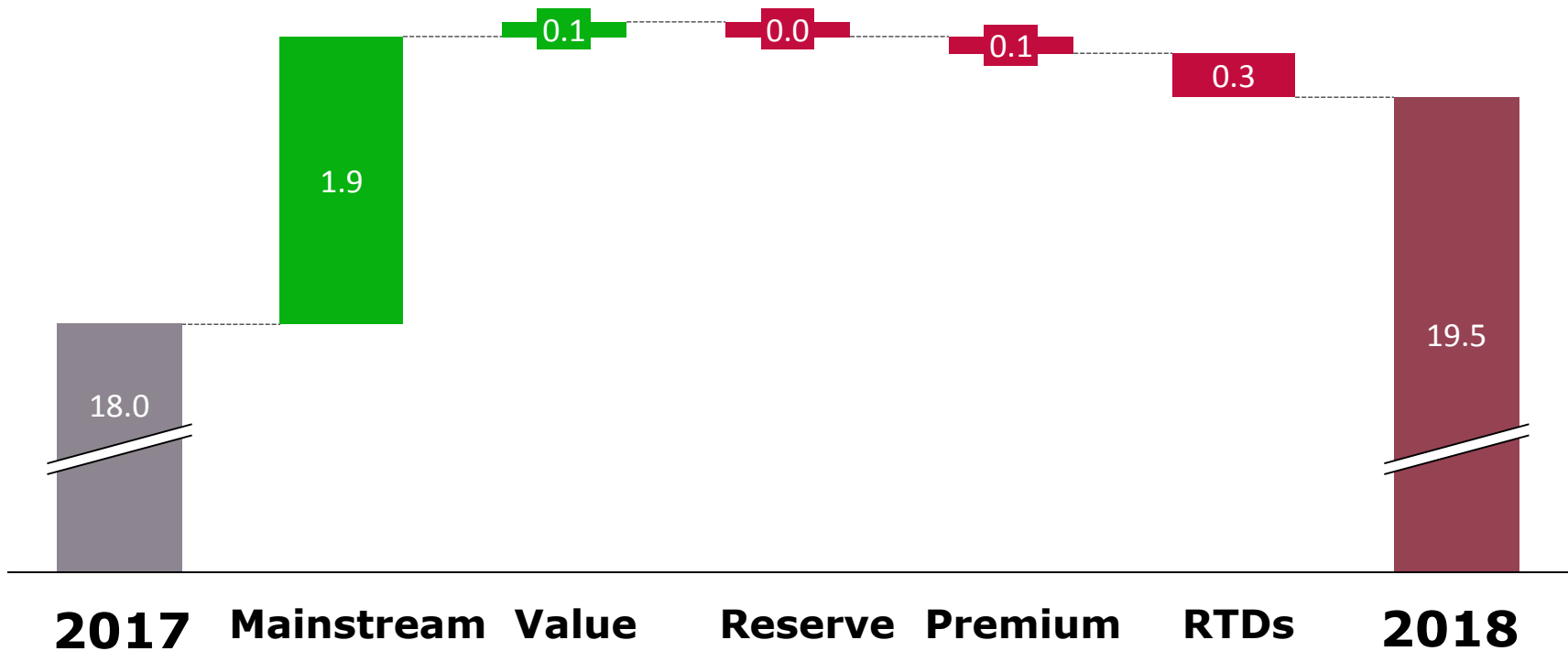


MAINSTREAM DRIVES +7% SPIRITS GROWTH



Source of spirits net sales growth by segment

H1	+14%	+4%	-21%	-11%	-18%	+0%
H2	+33%	+2%	+2%	+7%	-1%	+18%
FY	+23%	+3%	-11%	-3%	-10%	+8%



COST OF SALES – VOLUME GROWTH IMPACT OFFSET BY PRODUCTIVITY



	FY F18 KES bn	FY F17 KES bn	vs LY
Volume (mEU)	12.5	11.7	+7%
Net sales	73.4	70.2	+5%
Cost of sales	(41.1)	(39.1)	-5%
Gross profit	32.4	31.1	+4%

COGS/unit improved by +2% driven by **operational efficiencies**

Improvement in H1 was helped was also helped by **mix** (recovery of Senator keg performance)

Productivity savings of **KES 1.7bn** were driven by **Procurement**



CONTINUED STEP UP IN A&P INVESTMENT

	FY F18 KES bn	FY F17 KES bn	vs LY
Gross profit	32.4	31.1	+4%
Selling & distribution	(6.4)	(5.4)	-19%
Administrative expenses	(8.5)	(8.2)	-3%
	17.4	17.5	-0%
Gain on land sales	0.7	-	
FX (losses)/gains	(0.4)	1.2	
Indirect tax charges	(0.6)	(1.2)	
SBL goodwill impairment	-	(0.3)	
Other charges	-	(0.7)	
Operating profit – underlying	17.1	16.5	+4%
Tax provision	(2.0)	-	
Operating profit	15.1	16.5	-8%

Selling and distribution costs up +19% to rejuvenate bottled beer and drive innovation

Growth in **Admin expenses** behind inflation

FX in H2 negative due to weakening of UGX

+4% growth in **underlying operating profit** offset by one-off provision **provision** for tax exposure



FUNDING OF KISUMU BREWERY INCREASES NET BORROWINGS



	FY F18 KES bn	FY F17 KES bn	vs LY
Net borrowings	(27.5)	(24.4)	-13%
Finance costs, net	(3.4)	(3.2)	-6%
Net Debt/EBITDA*	1.34	1.20	-0.06

Higher **CAPEX** spend driving increased **net borrowings**

Effective interest rate has reduced, also helped by capitalisation of Kisumu funding costs

Key **ratio in line with forecast** but outside of target range (above 1.25x)

*Excluding impact of KES 2bn tax provision



PROFIT AFTER TAX DOWN -15%



	FY F18 KES bn	FY F17 KES bn	vs LY
Operating profit	15.1	16.5	-8%
Finance costs, net	(3.4)	(3.2)	-6%
Profit before tax	11.7	13.3	-12%
Income tax expense	(4.5)	(4.8)	+6%
Profit after tax	7.3	8.5	-15%
EPS – total	7.19	9.71	-26%

Effective tax rate in line with last year but above headline rate due to non-deductable interest

Profit after tax down -15% due to tax provision

EPS further deteriorated by higher **non-controlling interest** (SBL)



STRONG CASH DELIVERY WITH 117% OCC



	F18 KES 'bn'	F17 KES 'bn'	vs LY	%
Operating profit	15.1	16.5	(1.4)	-8%
Depreciation and amortization	4.0	3.8	0.3	+7%
(Gain)/loss on asset sales	(0.7)	0.2	(0.9)	
Working capital movements	3.2	1.1	-	
Inventory	(0.5)	0.6	(1.1)	
Debtors	-	0.6	(0.6)	
Creditors	3.7	(0.1)	1.8	
Cash generated from operations	21.7	21.6	0.1	+1%
Net interest paid	(3.4)	(3.3)	(0.1)	-5%
Income tax paid	(4.8)	(4.4)	(0.4)	-8%
Net cash from operations	13.6	13.9	(0.3)	-3%
Operating cash conversion	117%	110%		

Improved planning process and forecasting accuracy lowers level of **inventory**

Creditors grow due to increase in excise tax payables

Strong **Operating Cash Conversion at 117%**

WE CONTINUE TO INVEST IN OUR FUTURE GROWTH



CAPEX

Total investment of **KES 13.0bn (Kisumu brewery 7.8bn, DPVs 1.0bn, spirits line 0.6bn, returnables 1.4m, keg rackers 0.3m, coolers 0.3m, other 1.6bn (F17: KES 5.7bn)**

Capacity expansion

- Returnable bottles, kegs and coolers to support volume growth across the region
- New spirit glass line in Kenya and Uganda
- Investment in DPVs and Keg rackers in Kenya

Efficiency and quality improvements

- Efficiency improvements, Kenya and Uganda in water and energy usage
- East Africa leading globally in overall equipment efficiency (OEEs)

Health and Safety

- Strengthened perimeter wall and security in Kenya
- Vehicle/pedestrian segregation in SBL
- EBI side wall inspection for all the 3 sites in SBL

Environment

- Ultramodern Water Treatment Plant in Kenya
- CIP system automation and ETP laboratory equipment in SBL

DIVIDEND UNCHANGED



Dividends	F18 KES/share	F17 KES/share
Interim	2.0	2.0
Final	5.5	5.5
Total	7.5	7.5



Thank You

Please hold the questions to the end





F19 PRIORITIES

Andrew Cowan
Group Managing Director

Priorities going forward



Opportunities for further growth

- ❑ Commercialize the **Kisumu brewery**
- ❑ Drive **margin enhancement**
- ❑ Strengthen re-recruitment of **bottled beer** consumers
- ❑ Win in premium leading with **Scotch and vodka**
- ❑ Go bolder and faster with **productivity** initiatives
- ❑ Sustain **spirits** growth momentum
- ❑ Accelerate **innovations** - Serengeti Lite, Tusker Cider, Black & White, Uganda Waragi flavours, etc.



Q & A Session



APPENDIX



STRONG TRAJECTORY IN SECOND HALF



	F18 H1 KES bn	F17 H1 KES bn	vs LY	F18 H2 KES bn	F17 H2 KES bn	vs LY
Volume (mEU)	6.3	6.1	+4%	6.2	5.7	+10%
Gross sales	68.3	64.0	+7%	66.7	60.0	+11%
Excise duties	<u>(31.5)</u>	<u>(27.1)</u>	-16%	<u>(30.1)</u>	<u>(26.7)</u>	-12%
Net sales	36.8	36.9	-0%	36.6	33.3	+10%
Cost of sales	<u>(20.8)</u>	<u>(20.3)</u>	-3%	<u>(20.2)</u>	<u>(18.8)</u>	-7%
Gross profit	16.0	16.6	-4%	16.4	14.5	+13%
Gross margin%	43.4%	45.0%	-1.6ppt	44.8%	43.6%	+1.3ppt
OP% (underlying)*	25.1%	25.9%	-0.8ppt	21.5%	20.8%	+0.7ppt
PAT% (underlying)*	13.5%	15.1%	-1.7ppt	10.1%	8.8%	+1.3ppt

* Excluding the impact of KES 2bn one-off tax provision

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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.

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- 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;
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- 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;
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