



# EABL 2019 FULL-YEAR RESULTS

# FULL YEAR RESULTS BRIEFING

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## F19 Commercial Review

Andrew Cowan

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## F19 Financial Performance

Gyuri Geiszl

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## F20 Priorities

Andrew Cowan

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## Q&A





# **F19 FULL YEAR REVIEW**



**Andrew Cowan**  
**Group Managing Director**

# We are clear on our ambition



Since 1922...













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

- Vibrant mainstream beer
- Explode mainstream spirits
- Win in premium
- Viable value recruitments
- Aspirational and accessible innovations
- Route to consumer
- Stakeholder relationships
- Supply footprint
- Productivity
- Our people


# STRONG FINANCIAL PERFORMANCE

Volume	+11%
Net sales	+12%
Operating profit	+40%
Operating Cash Conversion	111.3%
Final dividend	KES 6.0/share

# CONSISTENT GROWTH ACROSS OUR MARKETS

	Contribution to Overall EABL	Net Sales growth (KES)	Key Brands
<b>KENYA</b>	<b>73%</b>	<b>+13%</b>	   
<b>UGANDA</b>	<b>15%</b>	<b>+8%</b>	   
<b>TANZANIA</b>	<b>12%</b>	<b>+20%</b>	   
<b>Total EABL</b>	<b>100%</b>	<b>+12%</b>	

# BROAD-BASED GROWTH ACROSS ALL CATEGORIES

	Premium	Mainstream	Value	RTD's
<b>Beer</b>	+7%	+16%	+15%	+2%
				

	Reserve	Premium	Mainstream	Value
<b>Spirits</b>	+36%	+3%	+20%	+4%
				

# INNOVATION NSV CONTRIBUTION INCREASED TO 24%

KENYA



22%

UGANDA



19%

TANZANIA



47%



Kenya

+13%\*

# SENATOR KEG AND SPIRITS GROW DOUBLE DIGIT



**Bottled beer**  
+3% despite  
excise increase



**Senator** +32%  
growth supported  
by new brewery

**Scotch** grew  
+28%



+36% growth in  
**innovation** brands



**Mainstream spirits**  
growing +27%



**Reserve** in +44%  
growth



\* Net sales growth

Uganda

+8%\*

# PREMIUM BEER AND MAINSTREAM SPIRITS DRIVE GROWTH



Tusker Lite and Guinness delivering +24% growth in **Premium beer**



**Reserve** grew +17%



**Innovation** driven by Uganda Waragi Pineapple

**Mainstream beer** growing +33% driven by Pilsner and Bell



Growth in **Spirits** +1% despite sachet ban



\* Net sales growth

Tanzania  
+20%\*

# BEER GROWTH DRIVEN BY SERENGETI AT +46%

Strong performance of **Serengeti Lite**

**Premium Serengeti Lager** volumes up

**Pilsner** in growth +1%



Spirits declined, impacted by electronic tax stamp implementation

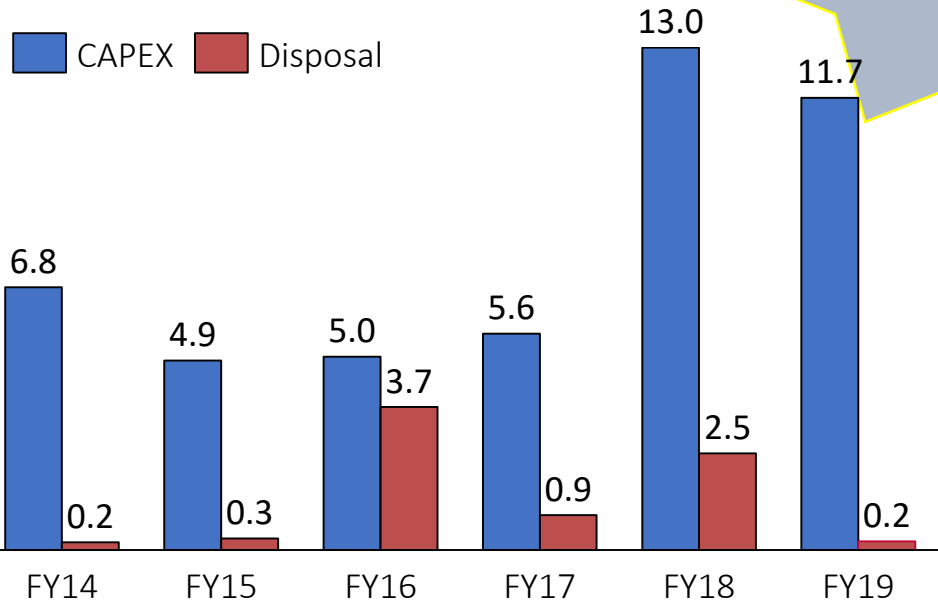


\* Net sales growth



**Capital investments in the last 6 years to meet increasing demand**

**KES 14bn  
Kisumu  
investment**



# PEOPLE



- ❑ **Robust Talent Assurance approach** with critical roles filled including the new Kisumu brewery.
- ❑ **Organizational Efficiency:** reducing organisational layers and widening spans for simplified decision making and embedding cost saving culture.
- ❑ **Capability:** LEAP program ran for all middle and senior management staff across the business.
- ❑ **Culture:** Sustained messaging to drive organization purpose and embed execution in the organization as a priority.
- ❑ **Inclusion and diversity:** Launch of new family leave policy.
- ❑ Focus on **Commercial capability** through our **Diageo Way of Selling**



# EXCELLENCE AWARDS

- ❑ Alcoholic beverages plant of the year & Sustainability initiative of the year – **Africa food industry excellence awards**
- ❑ Spirits Team, Plant of the Year, Partnership of the Year, President's Team Award, highest percentage NSV growth in F18 – **Diageo 'Pride of Africa' Awards**
- ❑ Overall Energy Management Award for being the Most Energy Efficient Industry in 2019; Winner Fuel Saving Award, Best Energy Management Team, Winner Energy Innovation Award, 1st Runners up Electrical Savings Award (Large Consumer), 1st Runners Up Water Efficiency Award **2019 Energy Management Awards**
- ❑ Winner, Learning and development - **Employer of the Year Awards.**



# SOCIAL RESPONSIBILITY

## Community Investment initiatives:

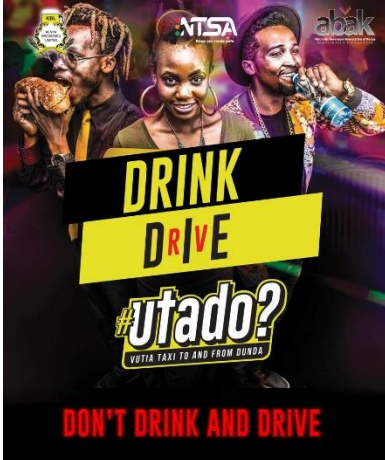
- ❑ Murara borehole project in Meru to benefit 10,000 people
- ❑ UBL planted over 40 hectares of trees
- ❑ Serengeti sponsored the national women premier league for a duration of three years
- ❑ Clean-Up Exercise at Ngumba Road and a 3,000 tree planting exercise in Kieni Forest

## Responsible Drinking initiatives:

- ❑ Great impact in the ongoing #UTADO? Programme in Kenya.
- ❑ Aimed at responsible consumption and reducing drunk-driving incidents

## Opich Pacho sports sponsorship:

promoting sports and building relationships in Kisumu County



# SOCIAL RESPONSIBILITY

- ❑ Launch of **Research Paper:** Titled **“Sorghum Production In Kenya”** sharing knowledge and best practices.
- ❑ **Project Heshima:** Vocational training project had graduation of 285 students from various counties in Kenya
- ❑ **Skills for life program:** Sponsorship for 40 students in LRM growing regions in Uganda as a commitment to youth empowerment and improving the livelihoods.
- ❑ **Ongoing stakeholder engagement:**
  - ❑ Engagements with Government, Private Sector and investors to discuss matters of tax and public policy
  - ❑ EABL Board engaged Kisumu governor on the new Kisumu brewery
  - ❑ **Staff-driven initiatives:** Focused on environmental conservation and protect our water towers.





# Thank You

Please hold the questions to the end



# F19 FINANCIAL PERFORMANCE

Gyuri Geiszl

Group Finance and Strategy Director

# FINANCIAL HIGHLIGHTS

	F19	vs LY
<b>Volume</b>		<b>+11%</b>
<b>Net sales</b>	<b>KES 82.5bn</b>	<b>+12%</b>
<b>Operating profit</b>	<b>KES 21.2bn</b>	<b>+40%</b>
<b>Profit after tax</b>	<b>KES 11.5bn</b>	<b>+59%</b>
<b>Operating cash conversion</b>	<b>111%</b>	<b>-6ppt</b>
<b>Net debt</b>	<b>KES 23.9bn</b>	<b>-13%</b>
<b>Final dividend</b>	<b>KES 6.0/share</b>	



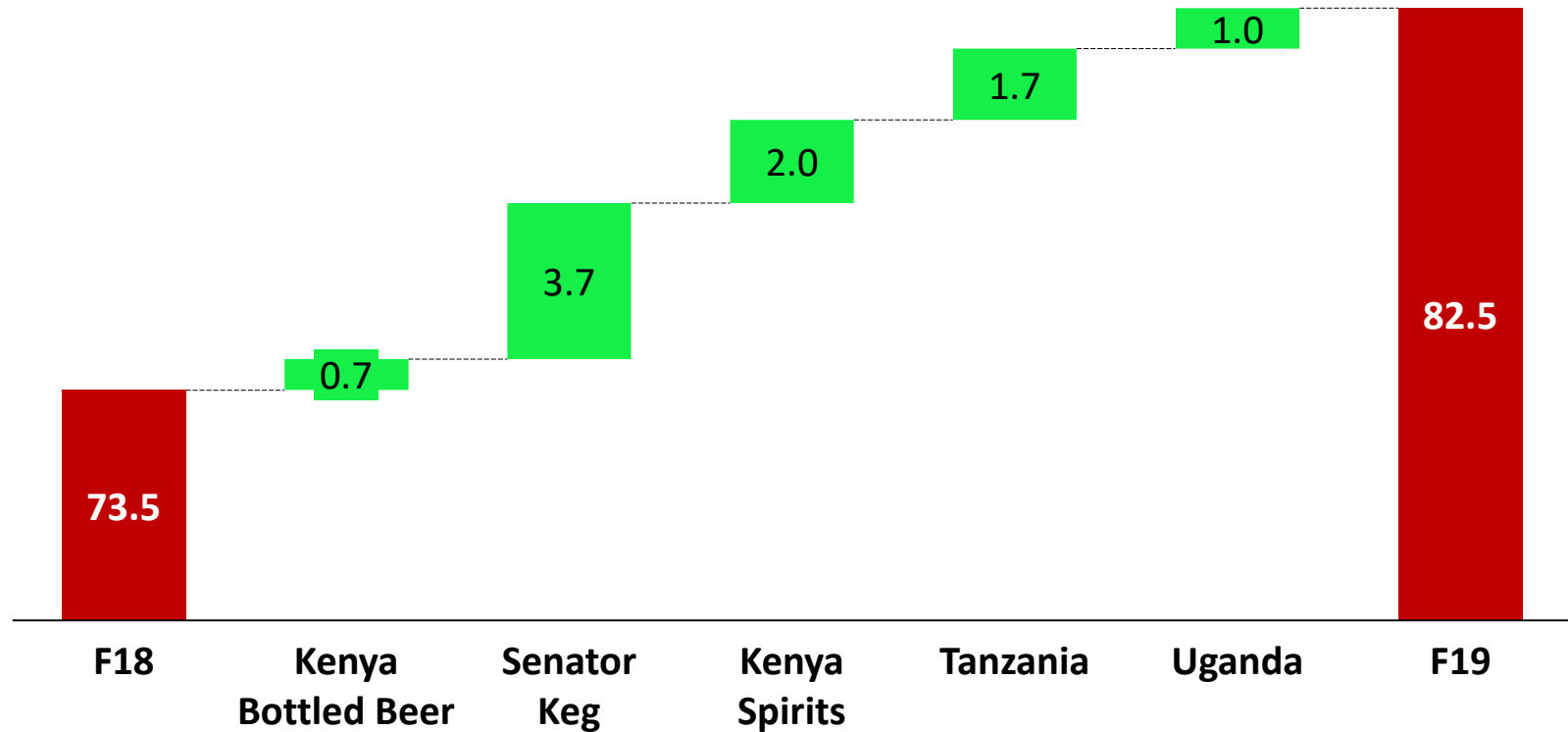
# STRONG VOLUME GROWTH DRIVING NSV

		F19 KES bn	F18 KES bn	vs LY
<p>❑ <b>Volume</b> growth driven by Senator Keg recovery in Kenya, premium and mainstream beer in Uganda, continued growth of Serengeti in Tanzania, mainstream spirits and innovation across the markets</p>	Volume (mEU)	14.0	12.5	+11%
	Gross sales	<b>149.6</b>	<b>135.0</b>	<b>+11%</b>
	Excise duties	<u>(67.1)</u>	<u>(61.5)</u>	-9%
<p>❑ <b>Net sales</b> growth also helped by improved mix in Uganda and Tanzania</p>	Net sales	<b>82.5</b>	<b>73.5</b>	<b>+12%</b>



# STRONG GROWTH ACROSS THE BUSINESS

Movements in net sales (KES bn)



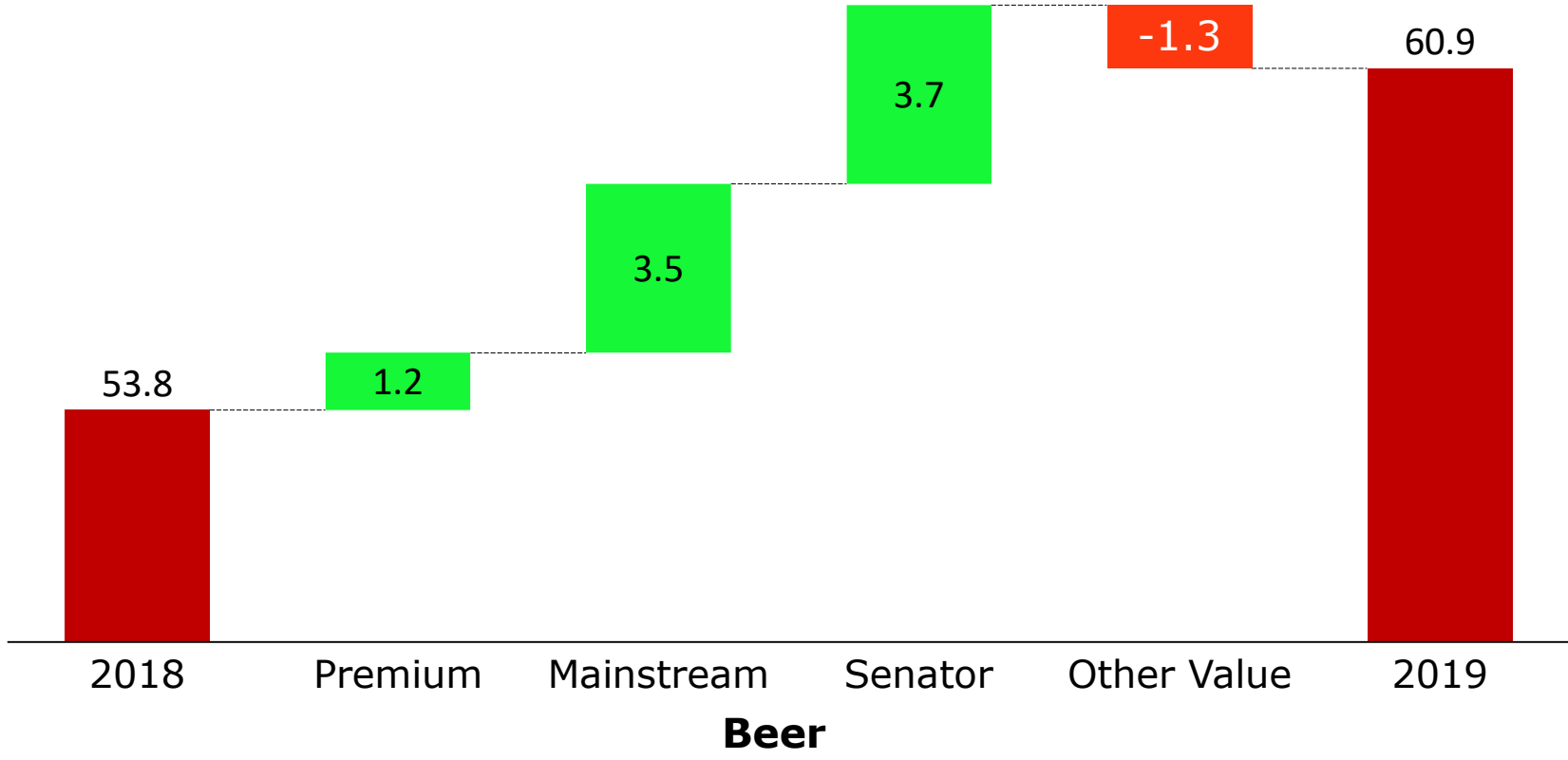
- Recovery of **Senator in Kenya** in a stable operating environment
- **Uganda** delivering **strong mix** from premium and mainstream beer
- Continued strong performance in **Tanzania** driven by **Serengeti Lite**



# ROBUST BEER GROWTH AT +13%

Source of beer net sales growth by segment

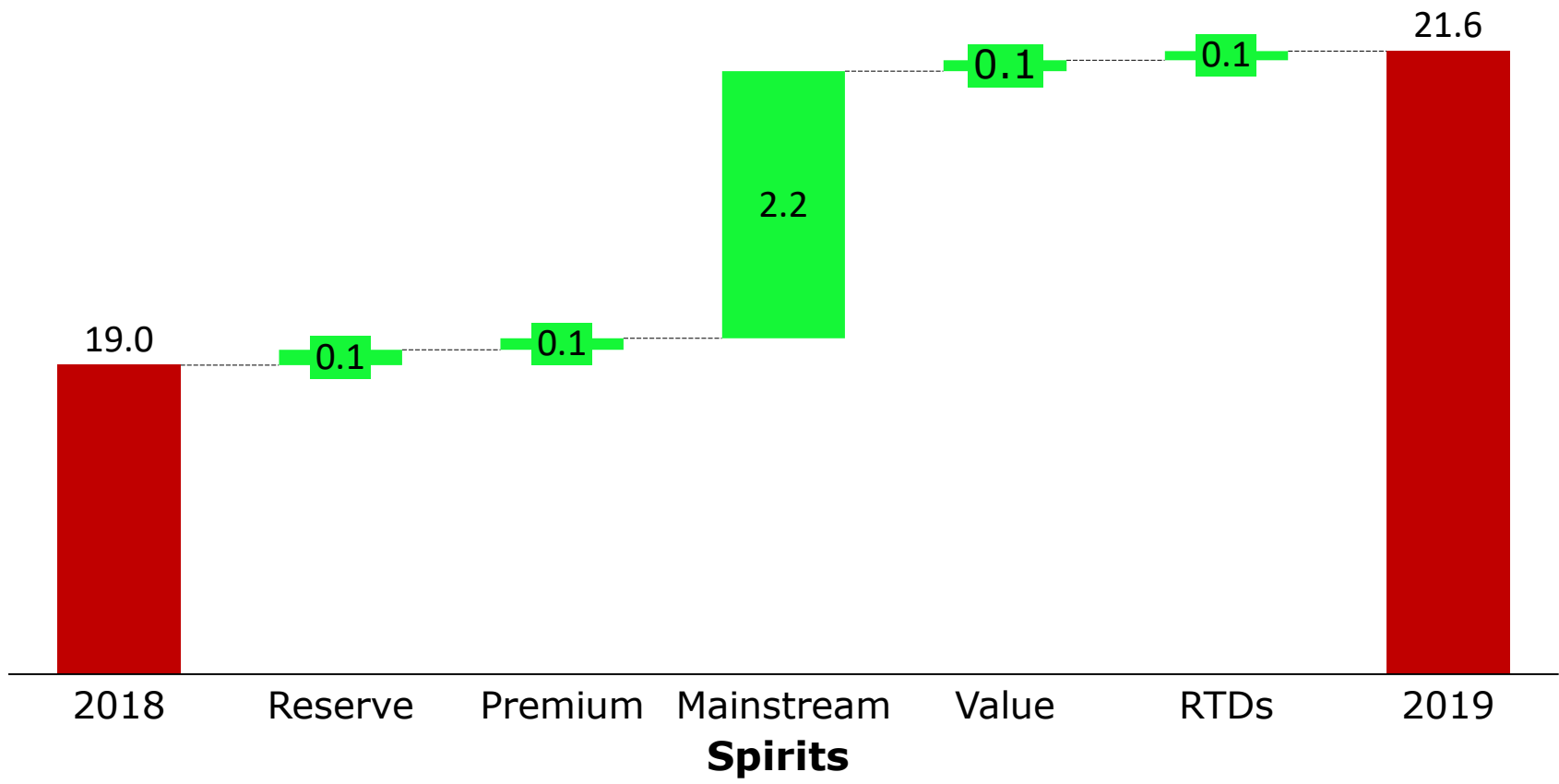
<b>H1</b>	<b>+3%</b>	<b>+17%</b>	<b>+35%</b>	<b>-32%</b>	<b>+13%</b>
<b>H2</b>	<b>+12%</b>	<b>+14%</b>	<b>+29%</b>	<b>-34%</b>	<b>+14%</b>
<b>FY</b>	<b>+7%</b>	<b>+16%</b>	<b>+32%</b>	<b>-33%</b>	<b>+13%</b>



# MAINSTREAM DRIVES +12% SPIRITS GROWTH

Source of spirits net sales growth by segment

<b>H1</b>	<b>+54%</b>	<b>-3%</b>	<b>+29%</b>	<b>-1%</b>	<b>+1%</b>	<b>+15%</b>
<b>H2</b>	<b>+17%</b>	<b>+10%</b>	<b>+12%</b>	<b>+9%</b>	<b>+4%</b>	<b>+10%</b>
<b>FY</b>	<b>+36%</b>	<b>+3%</b>	<b>+20%</b>	<b>+4%</b>	<b>+2%</b>	<b>+12%</b>



# ADDITIONAL COGS SAVINGS DELIVERED

❑ **Cost of sales** increase +8% behind +11% volume growth with 3% CoGS/case improvement

❑ Also helped by **mix**: increase in volume of Senator Keg, despite the impact of the new brewery (lower utilization)

❑ Additional **productivity savings** of KES 2.3bn in cost of sales from:

- Procurement, raw material local sourcing
- lower distribution cost

❑ **Gross margin** improved by +2.1ppt to 46.2%

	F19 KES bn	F18 KES bn	vs LY
Volume (mEU)	14.0	12.5	+11%
Gross sales	149.6	135.0	+11%
Excise duties	<u>(67.1)</u>	<u>(61.5)</u>	-9%
Net sales	<b>82.5</b>	<b>73.5</b>	<b>+12%</b>
Cost of sales	<u>(44.4)</u>	<u>(41.1)</u>	-8%
Gross profit	<b>38.1</b>	<b>32.4</b>	<b>+18%</b>





# RE-INVESTMENT OF PRODUCTIVITY SAVINGS CONTINUES

	F19 KES bn	F18 KES bn	vs LY	
<p>❑ <b>Selling and distribution</b> grew by 12% from investing behind our brands to accelerate growth, in line with strategy</p>	<b>38.1</b>	<b>32.4</b>	<b>+18%</b>	
	Gross profit			
	Selling & distribution	(7.2)	(6.4)	-12%
	Administrative expenses	(9.4)	(8.5)	-10%
<p>❑ <b>Administrative costs</b> investment in additional headcount in sales</p>	<b>21.5</b>	<b>17.4</b>	<b>+23%</b>	
<p>❑ Stable currencies in the region</p>	FX gains, net	1.3	(0.4)	
	Indirect tax expense	(1.3)	(2.6)	
<p>❑ <b>Operating margin</b> improved by +5.1ppt to 25.7% (+2.4ppt excluding F18 tax provision) driven by productivity and margin expansion initiatives</p>				
	Gain on land sale	-	0.7	
	Other	(0.3)	-	
	<b>Operating profit</b>	<b>21.2</b>	<b>15.1</b>	<b>+40%</b>



# LOWER NET BORROWINGS

- Lower net borrowings**  
 due to higher cash holding from revenue growth

	F19 KES bn	F18 KES bn	vs LY
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Net borrowings	<b>(23.9)</b>	<b>(27.5)</b>	<b>-13%</b>
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- Net **finance charges** flat

	F19 KES bn	F18 KES bn	vs LY
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Finance costs, net	<b>(3.4)</b>	<b>(3.4)</b>	<b>-</b>
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- EUR loan** used to fund Kisumu brewery **to be replaced** by KES loan



# DOUBLE DIGIT GROWTH IN PROFIT AFTER TAX

- ☐ Reduction in **effective tax rate**

- ☐ **Profit after tax** grew +59% (excluding F18 tax provision by +33%)

	F19 KES bn	F18 KES bn	vs LY
<b>Operating profit</b>	<b>21.2</b>	<b>15.1</b>	<b>+40%</b>
Finance costs, net	(3.4)	(3.4)	-
<b>Profit before tax</b>	<b>17.8</b>	<b>11.7</b>	<b>+52%</b>
Income tax expense	(6.3)	(4.4)	
<b>Profit after tax</b>	<b>11.5</b>	<b>7.3</b>	<b>+59%</b>
<b>EPS (KES/share)</b>	<b>11.2</b>	<b>7.2</b>	<b>+56%</b>
<b>Final dividend (KES/share)</b>	<b>6.0</b>	<b>5.5</b>	<b>+0.5</b>
<b>Total dividend (KES/share)</b>	<b>8.5</b>	<b>7.5</b>	<b>+1.0</b>

# CONSISTENTLY STRONG CASH PERFORMANCE

Higher **operating profit** translates to robust **operating cash** delivery due to consistent **working capital management**

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

**Operating Cash Conversion** at **111%**

	F19 KES bn	F18 KES bn	vs LY
<b>Profit before tax</b>	<b>17.8</b>	<b>11.7</b>	<b>6.1</b>
Depreciation and amortization	4.4	4.0	0.4
Loss/(gain) on asset sale	-	(0.7)	0.7
Interest expense	3.4	3.4	-
Working capital movements	2.9	3.3	(0.4)
Inventory	0.3	(0.4)	0.7
Debtors	(0.4)	-	(0.4)
Creditors	3.0	3.7	(0.7)
<b>Cash generated from operations</b>	<b>28.5</b>	<b>21.7</b>	<b>6.8</b>
Net interest paid	(3.6)	(3.3)	(0.3)
Income tax paid	(2.3)	(4.8)	2.5
<b>Net cash from operations</b>	<b>22.6</b>	<b>13.6</b>	<b>9.0</b>
<b>Operating cash conversion</b>	<b>111%</b>	<b>117%</b>	



# WE CONTINUE TO INVEST IN OUR FUTURE GROWTH



## CAPEX

Total F19 investment of **KES 11.7bn** (F18 KES 13.0bn)

- Construction of **new brewery in Kisumu**
- Investment behind growth in **returnables and coolers** across all markets
- SBL **capacity expansion**: brewing and fermentation

### ❑ Environment

- Biomass (KBL, Kisumu and UBL)
- Water recovery in KBL and UBL
- KBL ETP Refurbishment and Kisumu effluent recovery

### ❑ Efficiency and quality improvements

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

### ❑ Health and Safety

- Fire suppression systems and security perimeter wall in UBL
- Vehicle/pedestrian segregation in KBL and side wall inspection in SBL



# DIVIDEND

<b>Dividends</b>	<b>F19 KES/share</b>	<b>F18 KES/share</b>
Interim	2.5	2.0
Final	6.0	5.5
<b>Total</b>	<b>8.5</b>	<b>7.5</b>

# Thank You

Please hold the questions to the end





# F20 PRIORITIES

Andrew Cowan  
Group Managing Director



# Priorities going forward



## Opportunities for further growth

- ❑ **Commercialize** the **Kisumu brewery**
- ❑ **Bottled beer** to maintain growth in Kenya
- ❑ Maintain **mainstream spirits** growth despite higher excise
- ❑ Win in premium leading with **Scotch**
- ❑ Deliver **productivity** initiatives
- ❑ Deliver key **innovation** projects
- ❑ Maintain focus on **People**



# 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 any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation, anticipated changes in the value of assets and liabilities related 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 operates, which may contribute to a reduction in demand for EABL's products, adverse impact on EABL's customer, supplier and/or financial counterparties, or the imposition of import, investment or currency restrictions (including the potential impact of any global, regional or local trade wars or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories);
- Changes in consumer preferences and tastes, including as a result of changes in demographics, evolving social trends (including any shifts in consumer tastes towards locally produced small-batch products), changes in travel, vacation or leisure activity patterns, weather conditions, and/or a downturn in economic conditions;
- any litigation or other similar proceedings (including with customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at EABL in particular;
- Changes in the domestic and international tax environment, leading to uncertainty around the application of existing and new tax laws and unexpected tax exposures;
- The effects of climate change, or legal, regulatory or market measures intended to address climate change, on EABL's business or operations, including 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 relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, compliance and control systems, environmental issues and/or data privacy;
- The consequences of any failure by EABL or its associates to comply with anti-corruption, sanctions, trade restrictions or similar laws and regulations, or any failure of EABL's related internal policies and procedures to comply with applicable law or regulation;
- The consequences of any failure of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- Contamination, counterfeiting or other circumstances which could harm the level of customer support for EABL's brands and adversely impact its sales;
- EABL's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;
- 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 and/or pricing;
- Any disruption to production facilities, business service centres or information systems, including as a result of cyber-attacks;
- EABL's ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and/or disposals, cost savings and productivity initiatives or inventory forecasting;
- Increased costs for, or shortages of, talent, as well as labour strikes or disputes;
- Fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase EABL's cost of financing or otherwise adversely affect EABL's financial results;
- Movements in the value of the assets and liabilities related to EABL's pension plans;
- EABL's ability to renew supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms, or at all, when they expire; or
- Any failure by EABL to protect its intellectual property rights.

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