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EABL 2020 HALF-YEAR RESULTS

HALF-YEAR RESULTS BRIEFING

F20 H1 Commercial Review
Andrew Cowan

F20 H1 Financial Performance
Gyuri Geiszl

F20 H2 Priorities
Andrew Cowan

Q&A

F20 HALF YEAR REVIEW

Andrew Cowan
Group Managing Director

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We are clear on our ambition

Since 1922…

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

- Vibrant mainstream beer
- Explode mainstream spirits
- Win in premium
- Shape new frontiers
- Aspirational and accessible innovations
- Route to consumer
- Reputation
- Supply footprint
- Efficient growth/ Productivity
- Unlock growth through people

DOUBLE DIGIT GROWTH FOR FOUR CONSECUTIVE HALVES

Volume	+5%
Net sales	+10%
Gross profit	+14%
Profit after tax	+9%
Operating Cash Conversion	102%
Interim dividend	KES 3/share

CONSISTENT GROWTH ACROSS OUR MARKETS

	Contribution to overall EABL	Net sales growth (KES)	Key brands
KENYA	71%	+8%	Tusker, Guinness, Senator, Kenya Cane
UGANDA	16%	+10%	Bell, Guinness, Tusker Lite, Uganda Waragi
TANZANIA	13%	+19%	Serengeti Lite, Pilsner, Keep Walking Johnnie Walker, Smirnoff X1
Total EABL	100%	+10%	

BROAD-BASED GROWTH ACROSS ALL CATEGORIES

	Premium	Mainstream	Value	RTDs
Beer	+8%	+10%	+11%	+3%

	Reserve	Premium	Mainstream	Value
Spirits	+13%	+14%	+9%	+12%

INNOVATION CONTINUES TO CONTRIBUTE TO BUSINESS GROWTH

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KENYA

50%

UGANDA

16%

TANZANIA

25%

Kenya
+8%*

DOUBLE DIGIT SENATOR KEG AND SPIRITS GROWTH

Bottled beer in 1% decline due to excise driven price increase

Senator 21% growth supported by RTC initiatives

Scotch grew 23%

50% growth in **innovation** brands

Mainstream spirits grew 17%

Spirits in 11% growth constrained by border delays

* Net sales growth

Uganda +10%*

PREMIUM AND MAINSTREAM BEER DRIVE GROWTH

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Tusker Lite and Guinness delivered 27% growth in **Premium beer**

Reserve grew 65%

Innovation driven by Black & White

Mainstream beer grew 14% driven by Pilsner

Spirits in growth 1% despite sachet ban

* Net sales growth

Tanzania
+19%*

SUSTAINED GROWTH OF SERENGETI FAMILY

Serengeti Family grew 27%

Pilsner grew 14%

Guinness delivered 42% growth in **Premium beer**

Mainstream spirits grew 42% driven by **Smirnoff X1**

* Net sales growth

NEW LOGO

- East Africa-wide competition "Got Skillz" for young creatives aged between 21-25y
- 385 submissions

- Top 20 selected for hackathon
- Refined submissions with guidance from judges

- Elvis Otieno Atieno, 22-year-old, won Kshs 1m and an agency mentorship

OFFICE OPENING

New environmental investment program

- ❑ A switch to renewable energy in Kenya and Uganda. New biomass boilers will replace heavy fuel oil using sustainable fuel alternatives aimed at reducing **carbon emissions by 42,000 tonnes**

- ❑ New water recovery and reuse facilities for sites in Kenya and Uganda, saving over a **billion cubic litres of water a year.**

- ❑ Provision of renewable electricity via solar installation in Kenya, Uganda and Tanzania, that will produce up to **10% of each brewery's indirect power requirement.** Brewery in Kisumu already installed with solar power facilities.

INVESTING TO GROW AND DEVELOP OUR PEOPLE

- **Continuous Learning** with launch of My Learning Hub
- **Organizational Efficiency**: simplicity and speed in decision making
- **Inclusion and Diversity:** create a more inclusive and diverse culture
- **Disruptive approach to talent**
- **Fulfilling Employee Experiences**

EXCELLENCE AWARDS

- 2nd Best Employer brand, Learning & Development and Corporate Performance – **Federation of Kenya Employers 2019 Employer of the Year Awards.**
- Highest absolute sales growth, Plant of the Year, Team of the year – President's Award in F19 **– Diageo 'Pride of Africa' Awards**
- Tusker ranked Category Leader in alcoholic beverages as the most admired brand and also ranked 4th as Most admired brand in Kenya **– Brand Africa 100**
- UBL Finance and Strategy Director Busola Doregos becomes the first female to be crowned as CFO of the year - **2019 CFO awards - ACCA Uganda and Deloitte Uganda**

POSITIVELY IMPACTING COMMUNITIES

- **Community Investments**
  - KBL staff planted over 100,000 tree seedlings in Mt Kenya and Aberdares water towers through Kijani Programme
  - Water of Life projects completed in Kakamega, Kikuyu and Kitui with close to 30,000 beneficiaries.
  - Six-day blood donation drive in Uganda aimed at collecting 600 units of blood to boost the National Blood Bank collections
- **Responsible Drinking**
  - County Positive Drinking Engagements, Dunda Smart - Join the Pact to Never Drink and Drive initiatives in Kenya
    Red Card Initiative in Uganda

POSITIVELY IMPACTING COMMUNITIES

- **Project Heshima:** recruited 1,000 people to vocational training that targets youth and women who are susceptible to the production and consumption of illicit brews
- **Pioneer grain to glass**
  - Mtama ni Mali Programme offering support to local farmers through extension services.
  - New Barley Variety Launched - farmers reported higher yields and greater resistance to water logging
- **Staff-driven initiatives**
  Focused on environmental conservation and protect our water towers, supporting local marathons

Thank You

Please hold the questions to the end

F20 H1 FINANCIAL PERFORMANCE

Gyuri Geiszl
Group Finance and Strategy Director

Financial Highlights

	H1 F20	vs LY
Volume		+5%
Net sales	KES 45.9bn	+10%
Operating profit	KES 12.4bn	+9%
Profit after tax	KES 7.2bn	+9%
Operating cash conversion	102%	-16ppt
Net debt	KES 26.2bn	+10%
Interim dividend	KES 3/share	

Strong volume growth across categories

- **Volume** growth driven by Senator Keg and mainstream spirits in Kenya, continued growth of Serengeti in Tanzania

- **Net sales** growth attributed to improved mix in Uganda and Tanzania

	H1 F20 KES bn	H1 F19 KES bn	vs LY
Volume (mEU)	7.5	7.1	+5%
Gross sales	**81.9**	**76.4**	**+7%**
Excise duties	(36.0)	(34.8)	-4%
Net sales	**45.9**	**41.6**	**+10%**

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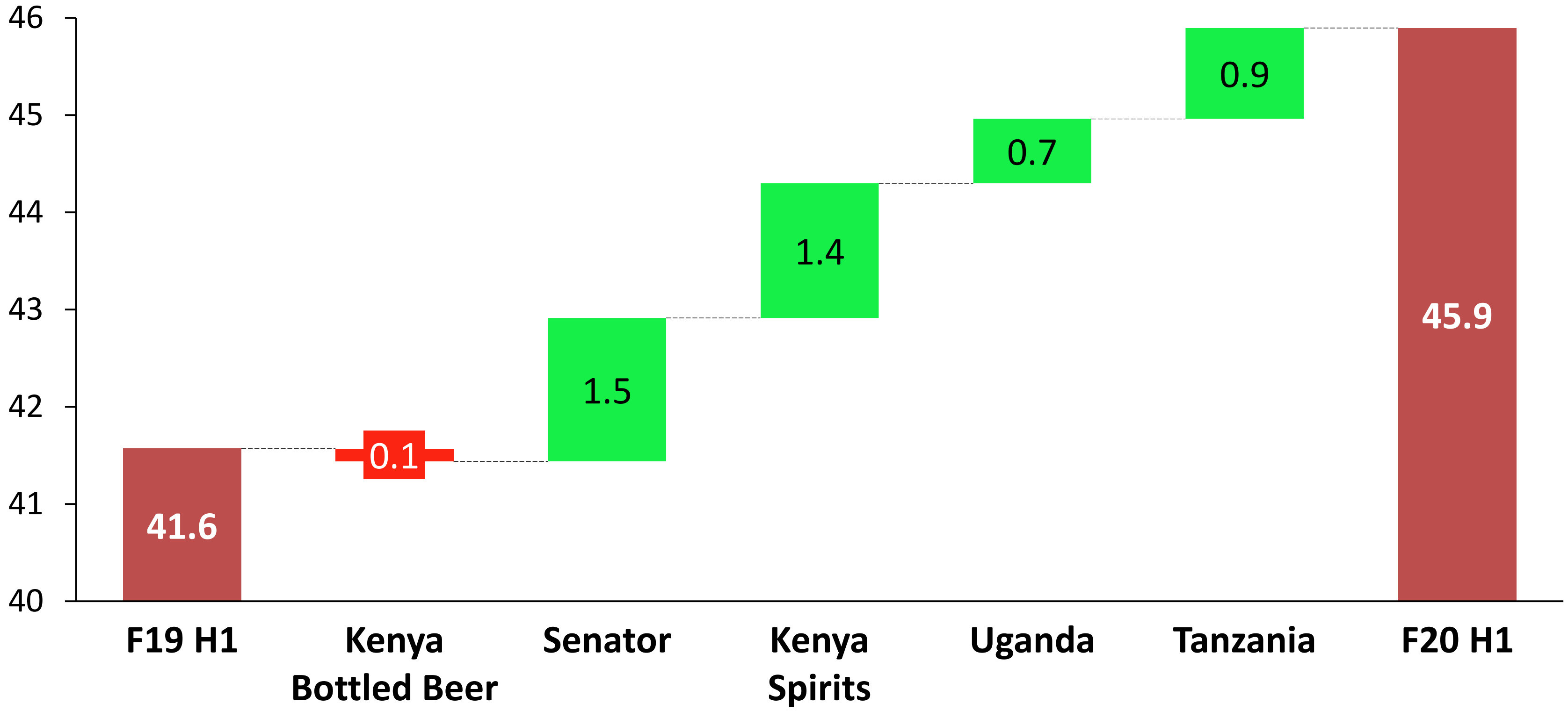
Strong growth across the business

Movements in net sales (KES bn)



- Decline of **bottled beer in Kenya** due to excise driven price increase
- Growth of **Senator in Kenya** due to improved route to market
- **Uganda** delivering **strong mix**
- Continued strong performance in **Tanzania** driven by **Serengeti Lite**

Additional CoGS savings delivered

- ❑ **Cost of sales** increase +7% driven by volume growth +5%,
- ❑ CoGS/case up +2% due to incremental Kisumu depreciation costs
- ❑ Additional **productivity savings** of KES 1.5bn in cost of sales from:
  - Procurement, local sourcing,
  - process loss reduction,
  - lower distribution cost
- ❑ **Gross margin** improved by +1.5ppt to 47.6%

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Gross sales	81.9	76.4	+7%
Excise duties	(36.0)	(34.8)	-4%
Net sales	**45.9**	**41.6**	**+10%**
Cost of sales	**(24.0)**	**(22.4)**	**-7%**
Gross profit	**21.8**	**19.2**	**+14%**

Re-investment of productivity savings continues

- **Selling and distribution** grew by +7% driven by investment behind our brands to accelerate growth, in line with strategy
- **Administrative costs** increase due to investment in additional headcount in sales
- Stable currencies in the region

	H1 F20 KES bn	H1 F19 KES bn	vs LY
Gross profit	**21.8**	**19.2**	**+14%**
Selling & distribution	(3.9)	(3.6)	-7%
Administrative costs	(4.5)	(4.2)	-9%
	13.4	**11.3**	**+18%**
FX gains, net	(0.1)	0.7	
Other charges, net	(0.9)	(0.6)	
Operating profit	**12.4**	**11.4**	**+9%**

Net borrowings and interest charges

- **Higher net borrowings** due to continued investment in capex and leases (IFRS 16)
- Higher **finance costs** due to expensing of Kisumu loan interest but effective interest rate down
- Kisumu EUR loan **refinanced** in KES

	H1 F20 KES bn	FY F19 KES bn	vs LY
Net borrowings	(26.2)	(23.9)	-10%

	H1 F20 KES bn	H1 F19 KES bn	vs LY
Finance costs, net	(1.9)	(1.7)	-9%

Growth in Profit after tax

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	H1 F20 KES bn	H1 F19 KES bn	vs LY
Operating profit	**12.4**	**11.4**	**+9%**
Finance costs, net	(1.9)	(1.7)	**-9%**
Profit before tax	**10.6**	**9.7**	**+9%**
Income tax expense	(3.4)	(3.1)	**-9%**
Profit after tax	**7.2**	**6.6**	**+9%**
EPS (KES/share)	**7.0**	**6.5**	**+7%**
Interim dividend (KES/share)	**3.0**	**2.5**	**+20%**

Consistently strong cash performance

- Efficient working capital management continues
- **Operating Cash Conversion** above 100%

	H1 F20 KES bn	H1 F19 KES bn	vs LY
Operating profit	**12.5**	**11.4**	**1.1**
Depreciation and amortization	2.4	2.0	0.4
Working capital movements			
Inventory	0.1	0.5	(0.4)
Debtors	(3.0)	(1.5)	(1.4)
Creditors	3.1	3.3	(0.2)
Cash generated from operations	**15.2**	**15.7**	**(0.5)**
Net interest paid	(1.8)	(1.7)	(0.2)
Income tax paid	(4.4)	(1.5)	(2.9)
Net cash from operations	**8.9**	**12.6**	**(3.7)**
Operating cash conversion	**102%**	**118%**	

We continue to invest in our future growth

CAPEX

Total F20 H1 investment of **KES 4.4bn** (F19 H1 KES 4.8bn)

- Construction of **new brewery in Kisumu** now in finalization
- Beer and Spirits upgrade in Uganda
- SBL **capacity expansion:** brewing and fermentation in Dar
- New modern office (leased)
- Investment behind growth in Returnables and Coolers across all markets

❑ Environment

- Biomass (Nairobi, Kisumu and Kampala)
- 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 supression systems and security perimeter wall in UBL
- Safety & Governance in Moshi, Mwanza and Dar
- Integrated access control system in Kenya

Thank You

Please hold the questions to the end

F20 H2 PRIORITIES

Andrew Cowan
Group Managing Director

Priorities going forward

Opportunities for further growth
❑ **Bottled beer** back to growth in Kenya
❑ Maintain **mainstream spirits growth** despite higher excise in Kenya, recover sachet volume in Uganda
❑ Deliver **capacity expansion projects** in Uganda and Tanzania
❑ Win in premium leading with **Scotch**
❑ Deliver **productivity** initiatives
❑ Deliver key **innovation** projects
❑ Maintain focus on **People**

Q & A Session

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- any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at EABL in particular;
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- the consequences of any failure of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- EABL's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;
- contamination, counterfeiting or other circumstances which could harm the level of customer support for EABL's brands and adversely impact its sales;
- increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors or increased competition from regional and local companies, 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;
- increased costs for, as well as shortages of, talent, as well as labour strikes or disputes;
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