eabl
Celebrating Life

EABL 2019
HALF-YEAR RESULTS

HALF YEAR RESULTS BRIEFING

F19 H1 Commercial Review
Andrew Cowan

F19 H1 Financial Performance
Gyuri Geiszl

F19 H2 Priorities
Andrew Cowan

Q&A

F19 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**

- ❑ 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

DOUBLE DIGIT GROWTH FOR TWO CONSECUTIVE HALVES

Volume	+13%
Net sales	+13%
Gross profit	+20%
Profit after tax	+33%
Operating Cash Conversion	118%
Interim dividend	KES 2.5/share

BROAD-BASED GROWTH ACROSS OUR MARKETS

	Contribution to Overall EABL	Net Sales growth (KES)	Key Brands
KENYA	**72%**	**+12%**	TUSKER FINEST QUALITY LAGER; GUINNESS;  ; KENYA CANE SMOOTH SPIRIT SUPERIOR QUALITY
UGANDA	**16%**	**+12%**	BELL; GUINNESS;  ; UGANDA WARAGI
TANZANIA	**12%**	**+26%**	 ;  ; KEEP WALKING Johnnie Walker; 
Total EABL	**100%**	**+13%**	

RECOVERY OF SENATOR KEG AND STRONG GROWTH IN MAINSTREAM SPIRITS

	Premium	Mainstream	Value	RTD's
Beer	+3%	+17%	+16%	+1%
				
	Reserve	**Premium**	**Mainstream**	**Value**
Spirits	+54%	-3%	+29%	-2%
				

INNOVATION NSV CONTRIBUTION INCREASED BY 20%

KENYA	UGANDA	TANZANIA
		
+18%	+10%	+45%

Kenya +12%*

SENATOR KEG AND SPIRITS GROW DOUBLE DIGIT, BOTTLED BEER FLAT

Bottled beer flat despite excise increase

Scotch grew +37%

Mainstream spirits growing +30%

Senator +35% growth supported by RTM initiatives

+15% growth in **innovation** brands

Total spirits in +17% growth constrained by uncontrolled imports

* Net sales growth

Uganda +12%*

PREMIUM BEER AND MAINSTREAM SPIRITS DRIVE GROWTH

Tusker Lite and Guinness delivering +21% growth in **Premium beer**

Reserve grew +6%

Growth in **Total Spirits** +16%

Innovation driven by Uganda Waragi Pineapple

* Net sales growth

Tanzania
+26%*

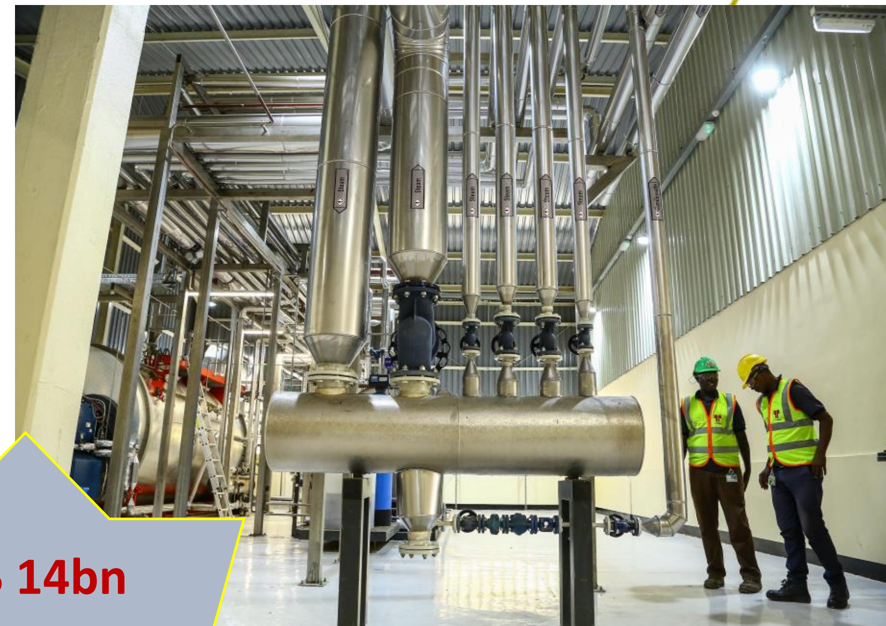
SERENGETI BECAME LARGEST BRAND IN TANZANIA AFTER GROWING 65%

Strong performance of **Serengeti Lite**

Premium Serengeti Lager volumes up

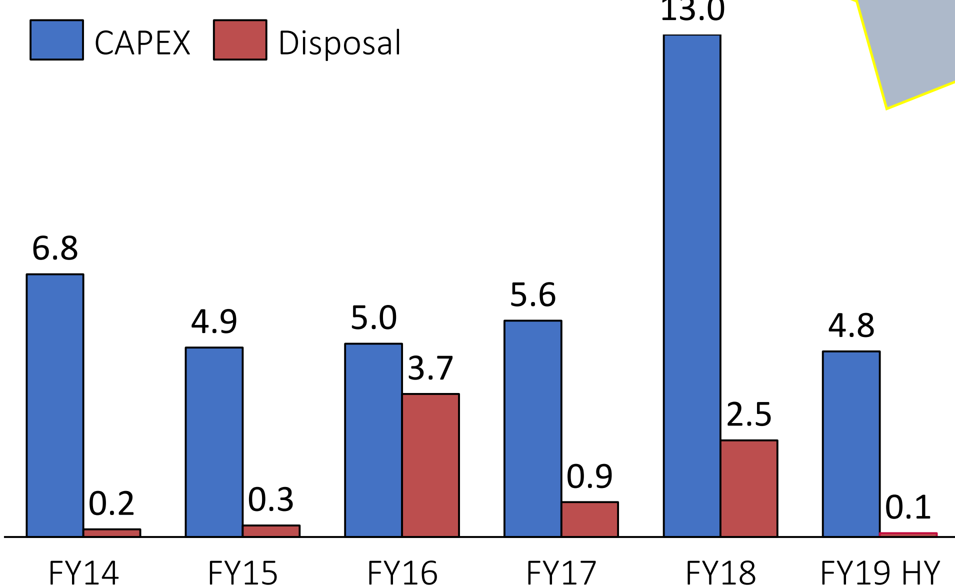
Spirits in growth driven launch of **Smirnoff X1**

* Net sales growth



KES 14bn Kisumu investment

Capital investments in the last 5.5 years to meet increasing Demand



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 level 4s and above across all functions
- **Culture:** Sustained messaging to drive organization purpose and embed execution in the organization as a priority.
- 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**

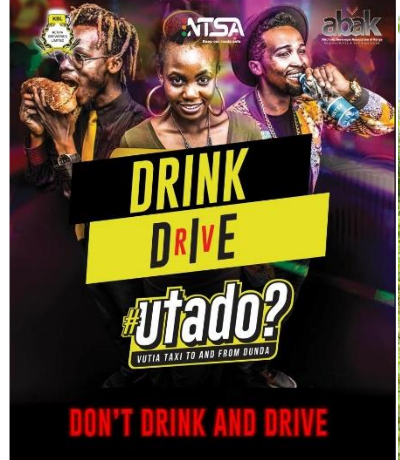
- Winner, Learning and development - **Employer of the Year Awards.**
- EABL ranked 6th Overall out of 127 Companies that participated in the Award.

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

- ❑ **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

- **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 H1 FINANCIAL PERFORMANCE

Gyuri Geiszl

Group Finance and Strategy Director

Financial Highlights

	H1 F19	vs LY
Volume		+13%
Net sales	KES 41.6bn	+13%
Operating profit	KES 11.4bn	+23%
Profit after tax	KES 6.6bn	+33%
Operating cash conversion	118%	-8ppt
Net debt	KES 23.7bn	+14%
Interim dividend	KES 2.5/share	

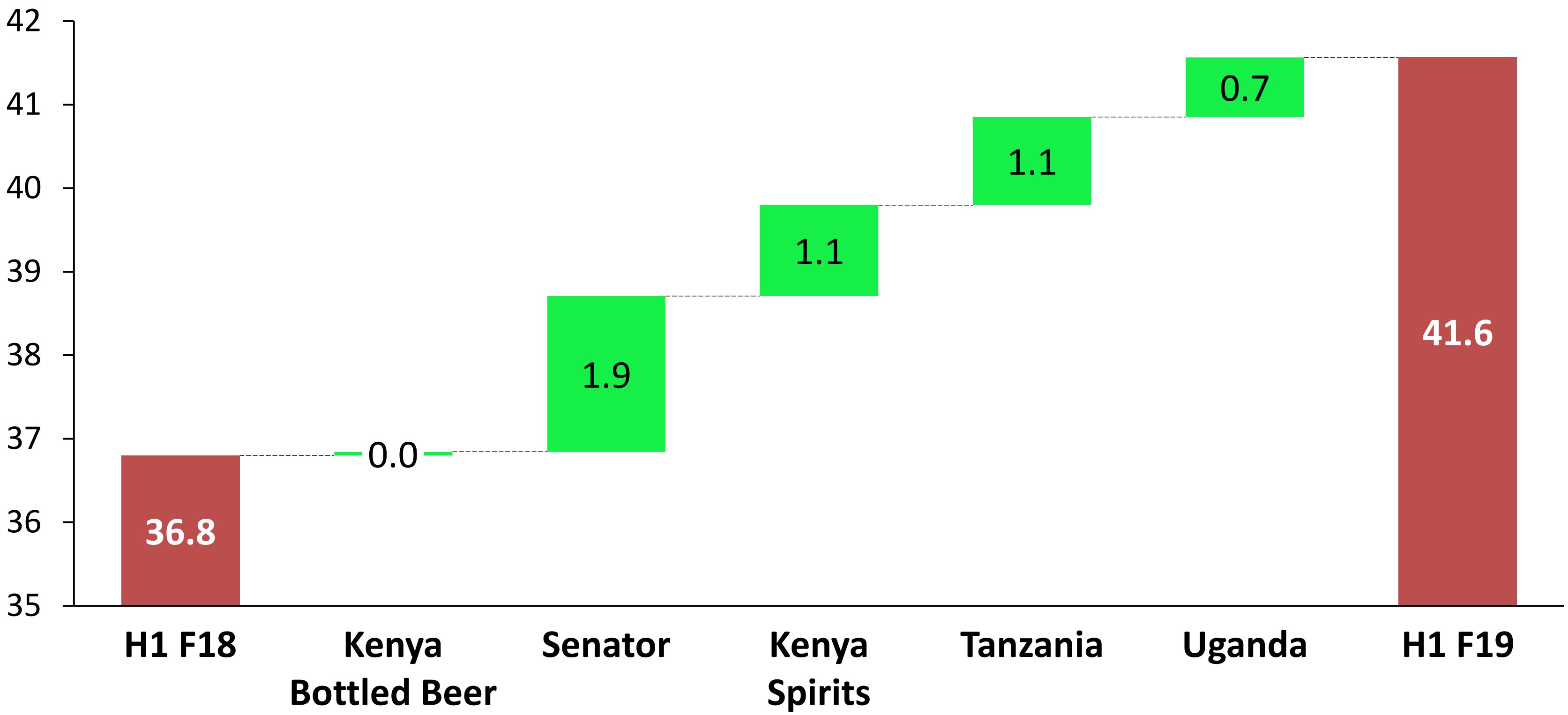
Strong volume growth across categories

- **Volume** growth driven by Senator Keg recovery in Kenya, continued growth of Serengeti in Tanzania, mainstream spirits and innovation across the markets

- **Net sales** growth also helped by improved mix in Uganda and Tanzania

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Volume (mEU)	7.1	6.3	+13%
Gross sales	**76.4**	**68.3**	**+12%**
Excise duties	(34.8)	(31.5)	-10%
Net sales	**41.6**	**36.8**	**+13%**

Movements in net sales (KES bn)



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

Additional CoGS savings delivered

- **Cost of sales** increase +8% behind volume growth +13%, CoGS/case down -5%
- Also helped by **mix**: increase in volume of Senator keg
- Additional **productivity savings** of KES 1.2bn in cost of sales from:
  - Procurement, local sourcing,
  - lower distribution cost
- **Gross margin** improved by +2.7ppt to 46.1%

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Volume (mEU)	7.1	6.3	+13%
Gross sales	76.4	68.3	+12%
Excise duties	(34.8)	(31.5)	-10%
Net sales	**41.6**	**36.8**	**+13%**
Cost of sales	**(22.4)**	**(20.8)**	**-8%**
Gross profit	**19.2**	**16.0**	**+20%**

Re-investment of productivity savings continues

- **Selling and distribution** grew by 16% from investing behind our brands to accelerate growth, in line with strategy
- **Administrative costs** behind inflation despite investment in additional headcount in sales
- Stable currencies in the region

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Gross profit	**19.2**	**16.0**	**+20%**
Selling & distribution	(3.7)	(3.1)	-16%
Administrative expenses	(4.2)	(4.0)	-4%
	11.3	**8.8**	**+29%**
FX gains, net	0.7	-	
Gain on sale of land	-	0.7	
Other charges, net	(0.6)	(0.3)	
Operating profit	**11.4**	**9.2**	**+23%**

Lower net borrowings and interest charge

- Strong cash delivery offsets impact of higher capital expenditure, **net borrowings** down +14%
- Net **finance charges** also reduced due to lower interest rates and capitalisation of interest on Kisumu loan
- Long-term loan from Diageo **repaid** and refinanced locally in KES

	H1 F19 KES bn	FY F18 KES bn	vs LY
Net borrowings	(23.7)	(27.5)	+14%

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Finance costs, net	(1.7)	(2.0)	+14%

Double digit growth in Profit after tax

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Operating profit	**11.4**	**9.2**	**+23%**
Finance costs, net	(1.7)	(2.0)	**+14%**
Profit before tax	**9.7**	**7.3**	**+33%**
Income tax expense	(3.1)	(2.3)	
Profit after tax	**6.6**	**5.0**	**+33%**
EPS (KES/share)	**6.5**	**5.2**	**+25%**
Interim dividend (KES/share)	**2.5**	**2.00**	**+25%**

Consistently strong cash performance

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

- **Operating Cash Conversion** at **118%**

	H1 F19 KES bn	H1 F18 KES bn	vs LY
Operating profit	**11.4**	**9.2**	**2.2**
Depreciation and amortization	2.0	1.8	0.2
Gain on land sale	-	(0.7)	0.7
Working capital movements			
Inventory	(1.5)	(3.7)	2.2
Debtors	0.5	(1.1)	1.6
Creditors	3.3	7.5	(4.1)
Cash generated from operations	**15.7**	**13.0**	**2.7**
Net interest paid	(1.7)	(1.9)	0.2
Income tax paid	(1.4)	(3.9)	2.5
Net cash from operations	**12.6**	**7.2**	**5.4**
Operating cash conversion	**118%**	**126%**	

Capital expenditure increased further due to Kisumu

F19 H1 investment of KES 4.8bn (F18 H1 KES 5.0bn)

- ❑ Construction of **new brewery in Kisumu** – KES 3.4bn.
  Total cost is expected to be KES 14bn (initial estimate KES 15bn), spent KES 10.2bn so far, remaining KES 3.8bn to be paid in F19 H2 and F20

- ❑ IDU **spirits upgrade** in Uganda – KES 49m
- ❑ Final payments on F18 beer and spirits capacity expansions in Kenya – KES 154m
- ❑ Investment in **returnables and coolers** for growth – KES 380m
- ❑ Upgrade **electrical infrastructure** in SBL – KES 124m

- ❑ Investment behind brand **Innovation** – KES 100m

❑ 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

- Roofing of the logistics yard in Uganda
- Vehicle/pedestrian segregation and Electronic Bottle Inspector (EBI) side wall inspection in SBL

❑ Environment

- Ultramodern water recovery projects to commence in Kenya and Uganda

Thank You

Please hold the questions to the end

F19 H2 PRIORITIES

Andrew Cowan

Group Managing Director

Priorities going forward

Opportunities for further growth
❑ Commercialize the Kisumu brewery
❑ Bottled beer back to growth in Kenya
❑ Win in premium leading with **Scotch**
❑ Deliver **productivity** initiatives
❑ Accelerate **mainstream spirits**
❑ Deliver key **innovation** projects
❑ Maintain focus on **People**

Q & A Session


PREMIUM
FRONTIER
JEBEL
GOLD
TUSKER
FINEST
STORM
SINGLE MALT
SCOTCH WHISKY

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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