



Growth Platform \_ Continuing Momentum

# EABL Financial Year F07

Nairobi Serena Hotel - - 31<sup>st</sup> August 2007

# Agenda

**Business Review**

Gerald Mahinda - GMD

**Financial Review**

Chris Caldwell - GCD

**Q & A**

GMD & GCD



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# Regional Economies

Economies have outperformed with trend growth rate in the +6% region.

## GDP

- ❑ Kenya **+6.1%**, Uganda **+6.5%**, Tanzania **+6.2%**.

## Key Growth Sectors

- ❑ Kenya – tourism, agriculture, telecomms, services.
- ❑ Uganda – services, agriculture.
- ❑ Tanzania – agriculture, mining, tourism.

## Avg CP Inflation\*

- ❑ Kenya **14.5%**, Uganda **6.6%**, Tanzania **6.1%**.

\* source: Economist Intelligence Unit [EIU] Country Reports

## Developmental Needs

- ❑ Infrastructure, energy/electricity.
- ❑ All States increasing *quality* developmental expenditure.

## Outlook

- ❑ All Economies forecast to grow above 6%.
- ❑ Annual inflation targeted at single digit.
- ❑ Growing investment attractiveness: oil, regional integration.

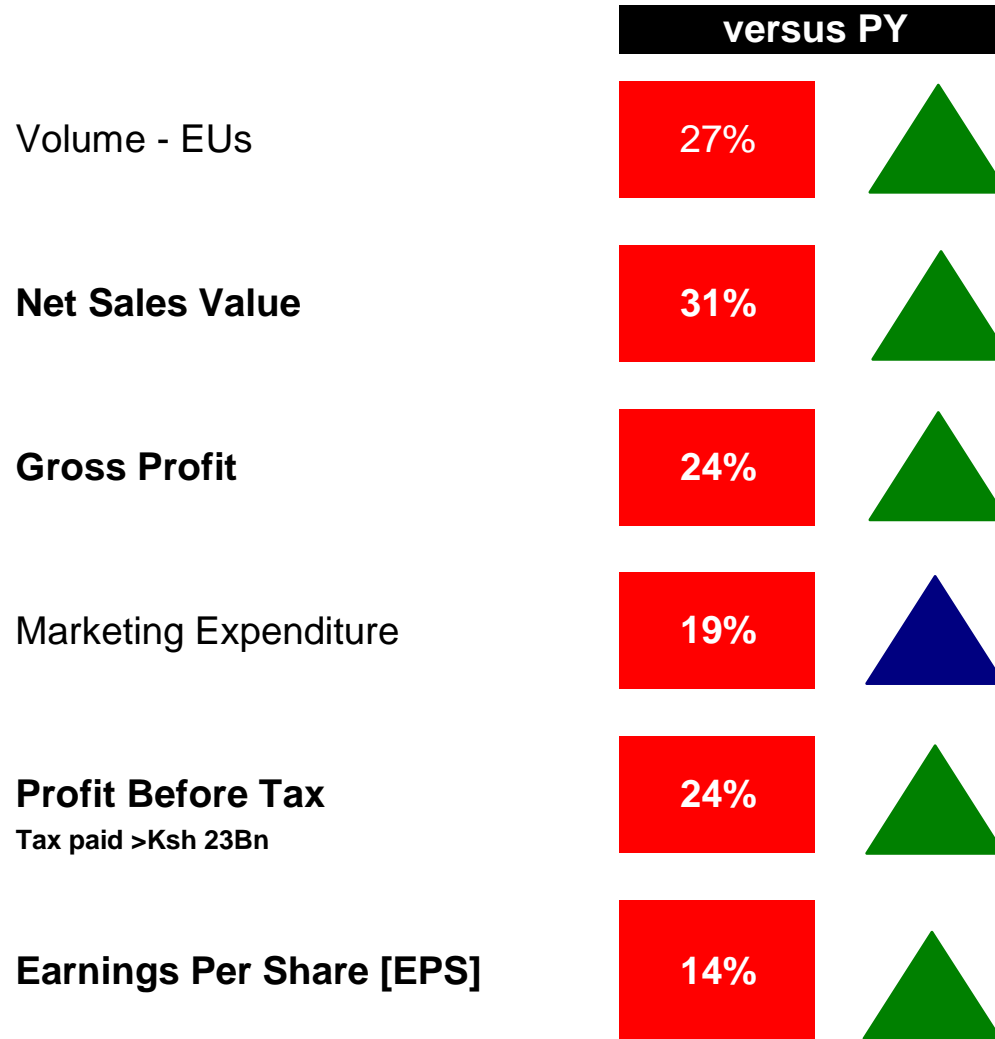


# F07 Highlights

- ❑ Strong top-line and bottom-line performance.  
volumes **+27%**, nsv **+31%**, pbt **+24%** vs. PY.
- ❑ Great execution - - across functions.  
sales, supply, marketing [greater A&P investment].
- ❑ Key Challenges.  
talent, supply, competition, infrastructure, regulation & legislation, water.
- ❑ F08 Opportunities.  
growing economies, regionalisation, changing consumer/retail landscape.

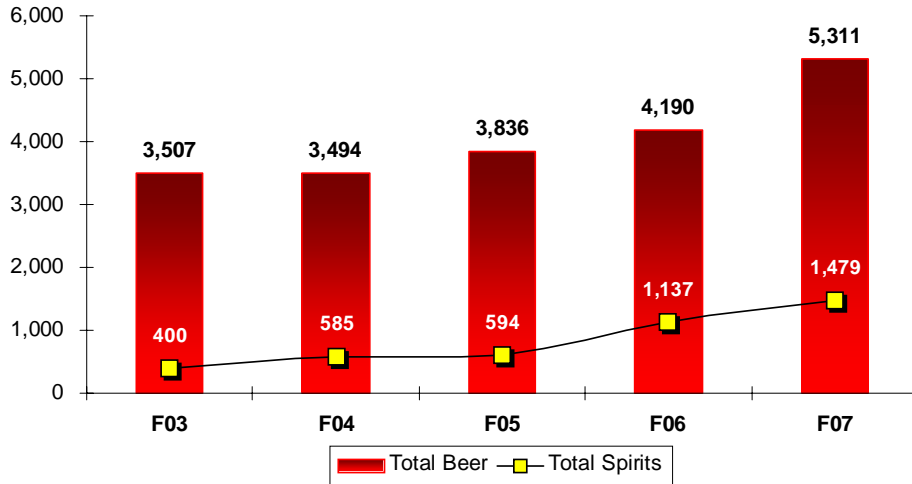


# Financial Snapshot



# Our Markets

5Year Category Volume Trends - EUs 000s



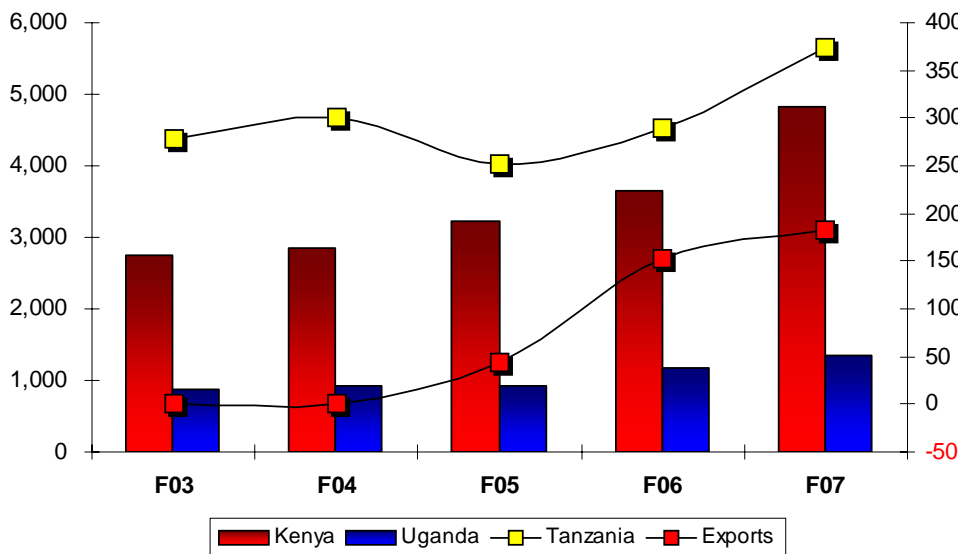
Our **Beer** and **Spirits** have posted **strong growth**.

**Overall 4Yr CAGR = 15%.**

Category performance:

**Beer 11%**  
**Spirits 39%**

5Year Country Volume Trends - EUs 000s



Market Performance – 4Y CAGR

□ Kenya 15%.

□ Uganda 12%.

□ Tanzania 8% and Exports >265%.

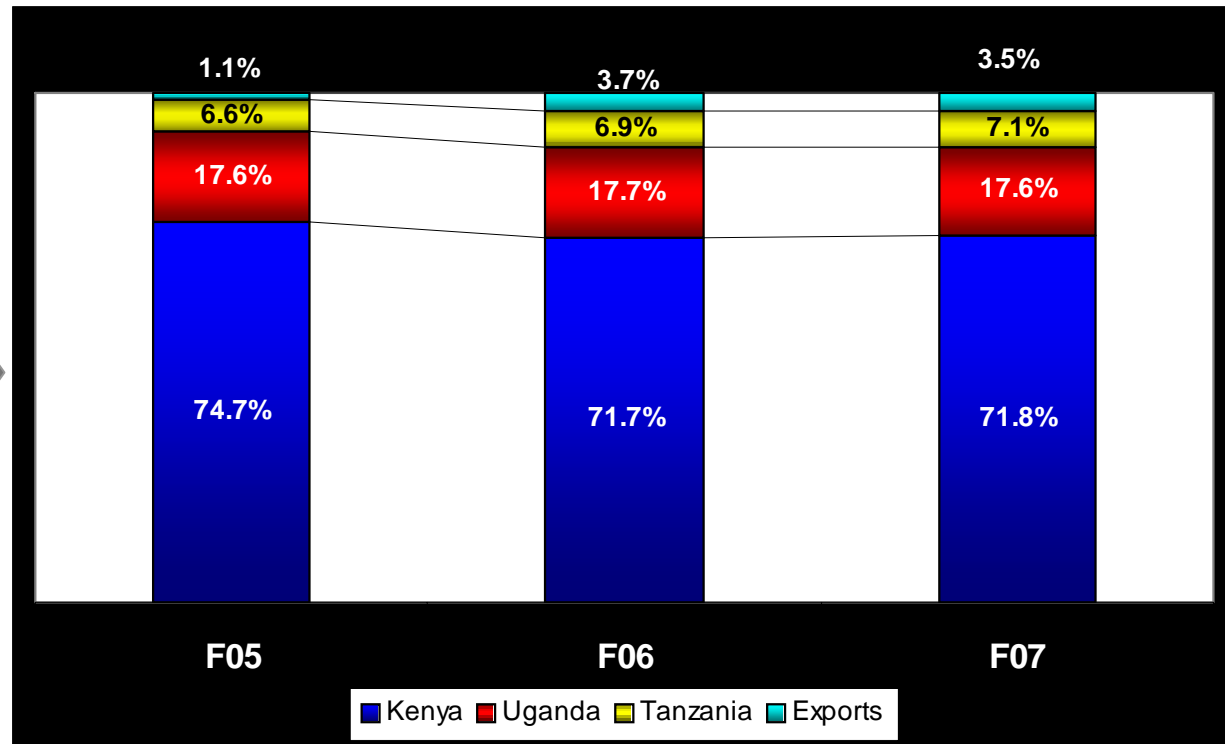
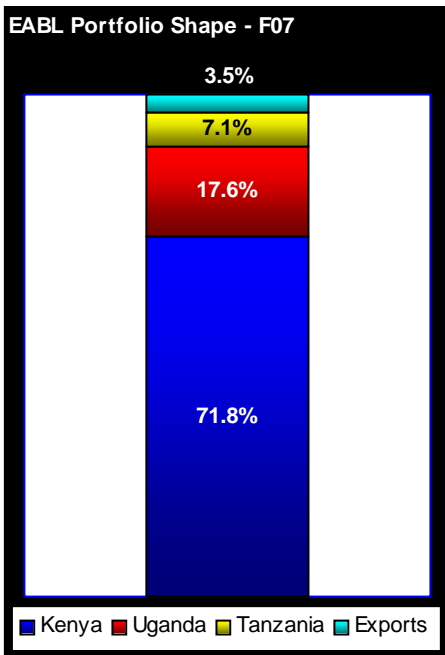
**Greatest growth potential: Exports.**  
A key focus are in F08



# Shape of Our Business ...

Still predominantly Kenya dependent

- Gradual shift in business footprint ...
- Growing share of Tanzania and Exports business





# Brands – Kenya



Brand initiatives **connected strongly** with our **consumers**.

- ❑ *Tusker na Chapaa, Chapaa na Tusker* - led to **+17%** growth of brand in Kenya Qtr 4.
- ❑ Guinness **+23%** on back of *Greatness & 17:59* campaigns.
- ❑ Richot **[+7%]** rejuvenated through a NCP.
- ❑ Tusker Malt Lager **grew 14%** on strong equity derived from TPF<sup>1</sup> campaign.

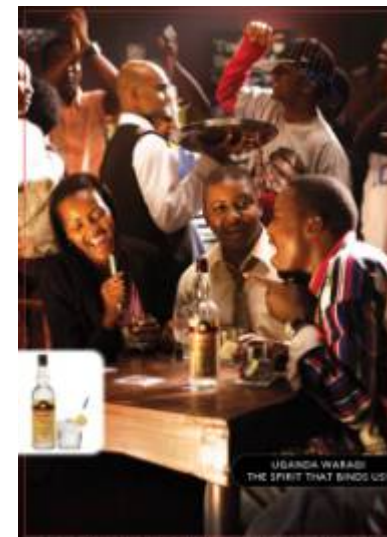
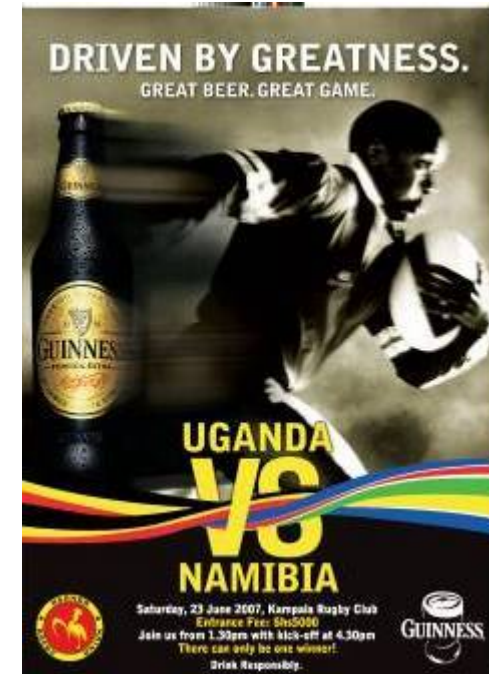
<sup>1</sup> Tusker Project Fame



# Brands - Uganda

**Continuing success: gaining 4% share points driven by ...**

- ❑ Bell up **+32%** on improved quality
- ❑ Increased availability drove **+133%** Pilsner
- ❑ Guinness **+44%** on *Greatness* & *17:59* campaigns.
- ❑ Tusker Malt **up 28%** on improved supply
- ❑ Pack renovation enabled **+41%** Waragi



# Brands - Tanzania

Strong growth [+29% on PY] increasing our market share by 2.5% to 14.2% from 11.7%. Drivers ...

❑ **Tusker** led growth at +35% \_ *continued owning soccer property.*

❑ **Guinness** was +41% on back of **cold campaign.**

❑ Continued **distribution expansion** led to **Pilsner** recovery.

❑ **Malta** was +13% buoyed by **introduction of cans** & availability.



# Continuing Innovation Agenda

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# Strategic Initiatives



- ❑ **Went live with SAP in March 2007.**  
We continue to **leverage system** to drive new *simpler, faster and better* ways of working.
- ❑ **New Horizon** - - initiated to develop WC<sup>2</sup> supply chain execution.
- ❑ **One Company One Culture** - - driving one streamlined EABL

<sup>2</sup> World class \_ to meet our long term Vision.



# Investing for Growth ...

We spent **KES. 2.9Bn** on enabling the **growth platform**.

❑ **KES. 0.96Bn** was spent on **SAP** to enable *simpler, faster, better* WOW.

> In **KENYA** we spent **KES. 1.54Bn** on inter alia:

❑ 2<sup>nd</sup> Mash filter and 2 DPVs.

❑ Beer filters and deaeration plant.

> In **UGANDA** spend amounted to **KES. 0.40Mn** on ...

❑ 2<sup>nd</sup> Line being installed.

❑ 4DPVs being installed and replacement of mashing vessels.

Our F08 Plan - to invest a further **KES. 2.8Bn**.

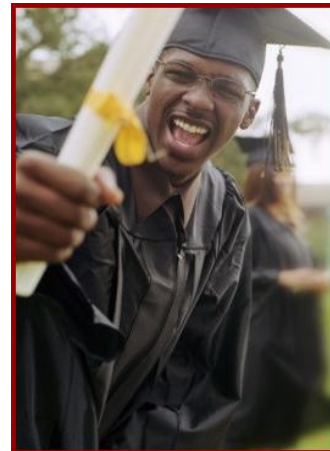


# Our Communities



## We continue to enrich lives ...

- Aailed **safe potable water** to **>200,000** people in:  
Karaba – Kajiado, Kabale – Kapchorwa.
- Improved **health benefits**  
Dispensary - Mau, Optical Centre - Moshi.
- Thousands trees** planted through E-Green
- Skills for Life** for 66 needy students



# Our Responsibilities ...



We have **upped our RD** tempo ...

- Formation of Association – NABAK
- Issued Alcohol Advertising Guidelines
- Launched *We ID* - taking it to the Outlets ...





# A 5 Minute Clip of these Initiatives ...



# F08 Outlook

## F08 Outlook

- ❑ **Positive.** Focused execution in growing economies.
- ❑ Expand **business footprint** – grow **exports**.
- ❑ Diligent **category management** – extract value.

We will focus on ...

**People**

**Innovation**

**Geographic Expansion**

**Portfolio**

**Supply Chain Mngt**

**Social Responsibility**



# Areas to actively Manage in F08

- ❑ Consumer pricing - - **Tax**-induced increments.
- ❑ Continued input **cost pressure**.
- ❑ **Share of wallet** - - new entrants, other industries [IPOs, telecomms, etc].
- ❑ **Stakeholder** relationships and **business environment**.



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# Accelerating Against Last Year...

	F07		F06	
	27%	↑	20%	↑
	31%	↑	9%	↑
	19%	↑	27%	↑
	24%	↑	10%	↑
	14%	↑	13%	↑

**Volume (Beer 5.4m EUs, Spirits 1.5m EUs)**

**Net sales revenue (Ksh 27.3 Bn)**

Unless otherwise stated Net sales is sales after deducting excise duties

**Marketing spend (Ksh 1.6 Bn)**

**Profit Before Tax (Ksh 10.6 Bn)**

**EPS (Ksh 9.31)**



# Driven by our key Brands ...



Volume ▲ 13%  
Net sales ▲ 15%



Volume ▲ 32%  
Net sales ▲ 29%



Volume ▲ 8%  
Net sales ▲ 13%



Volume ▲ 10%  
Net sales ▲ 11%



Volume ▲ 26%  
Net sales ▲ 21%



Volume ▲ 10%  
Net sales ▲ 9%



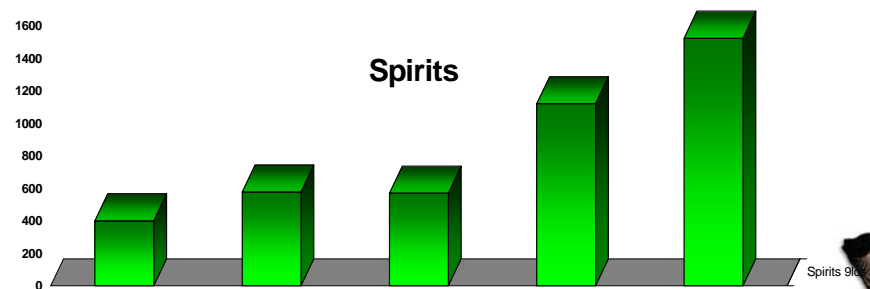
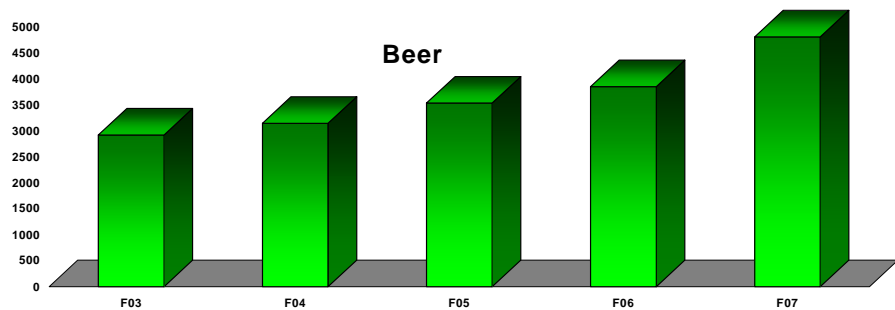
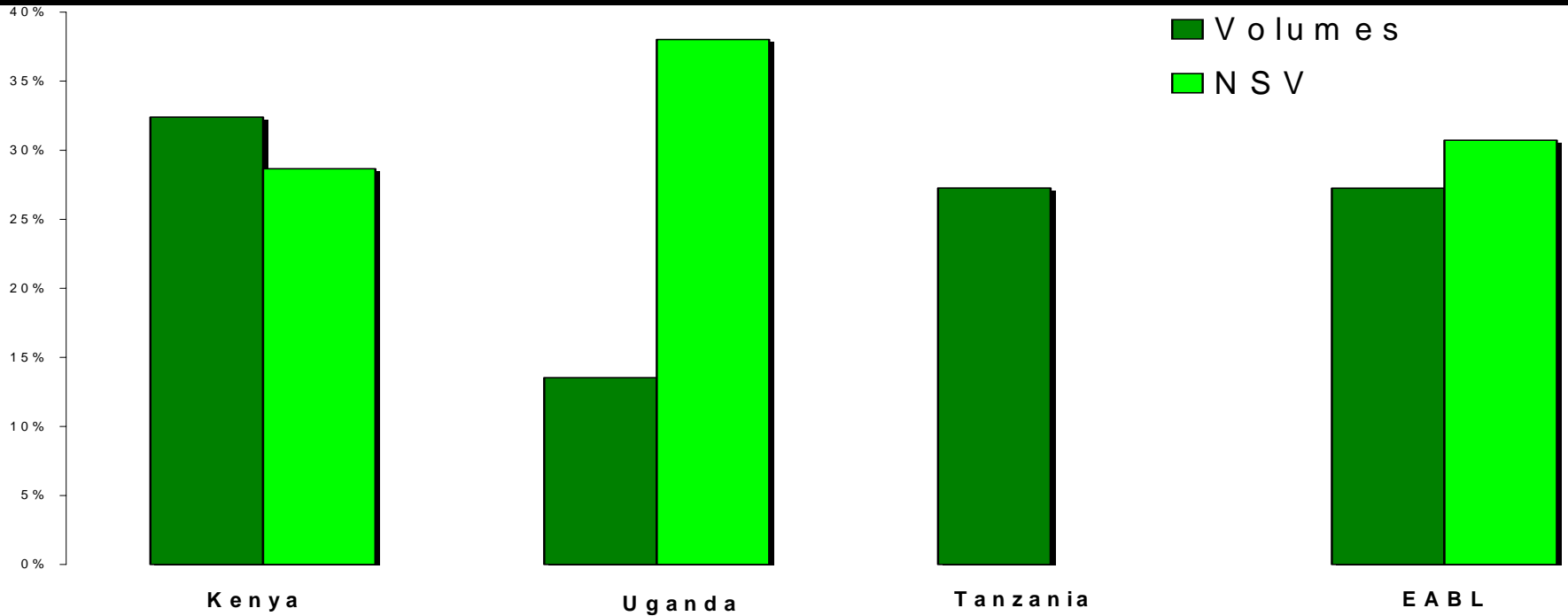
Volume ▲ 10%  
Net sales ▲ 18%





Volume ▲ 166%  
Net sales ▲ 164%







# ...Throughout the region ...





# Strong growth in each country ...

Kenya			
Net sales	21.2bn		29%
Profit Before Tax	8.7bn		25%

Uganda			
Net sales	6.0bn		38%
Profit Before Tax	1.2bn		18%

Tanzania			
Volumes (EUs)	420K		27%
Share of Assoc.**	0.7bn		-4%

Exports			
Volumes (EUs)	190k		24%
Net Sales	0.1 bn		24%

\*\* Associate income impacted by FX – growth of 10% in local currency





# Performance in Kenya ...

## Summary

Volume



32%

Net sales



29%

Marketing

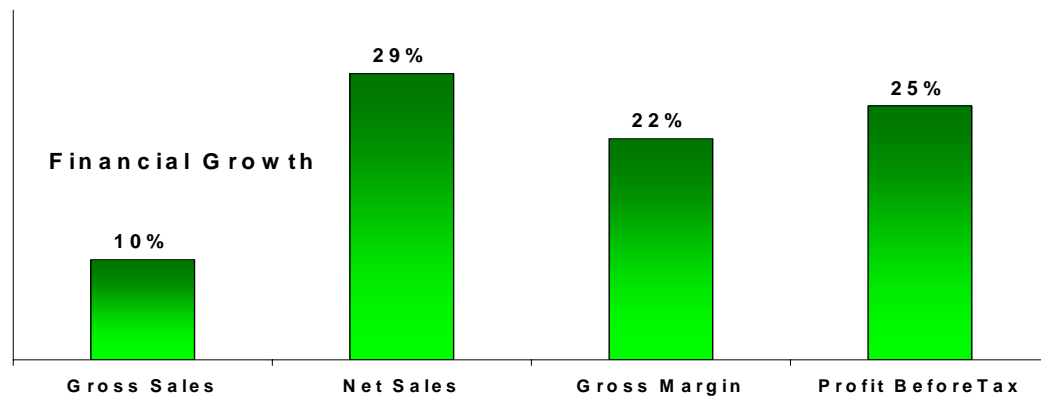
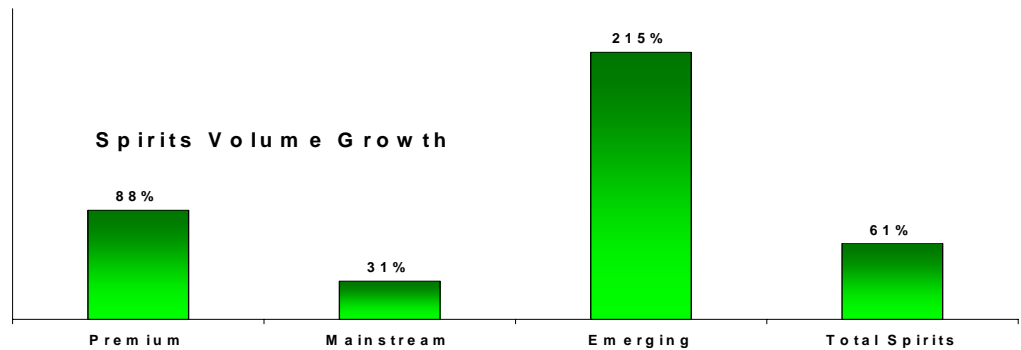
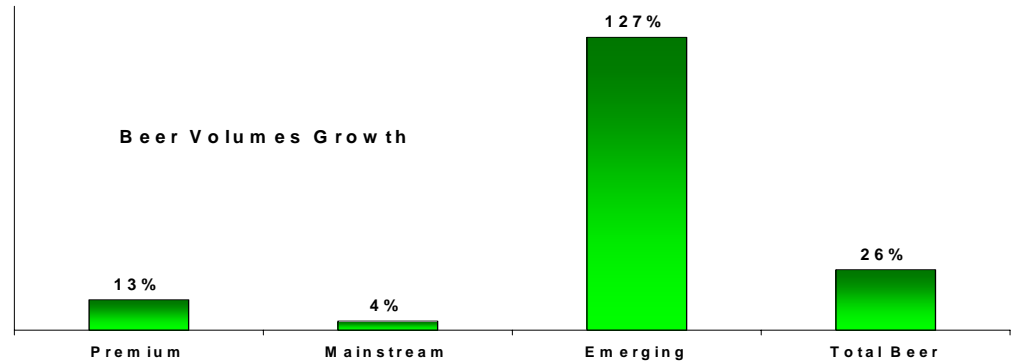


16%

Operating profit



25%



# ... in Uganda

## Summary

Volume



13%

Net sales



38%

Marketing

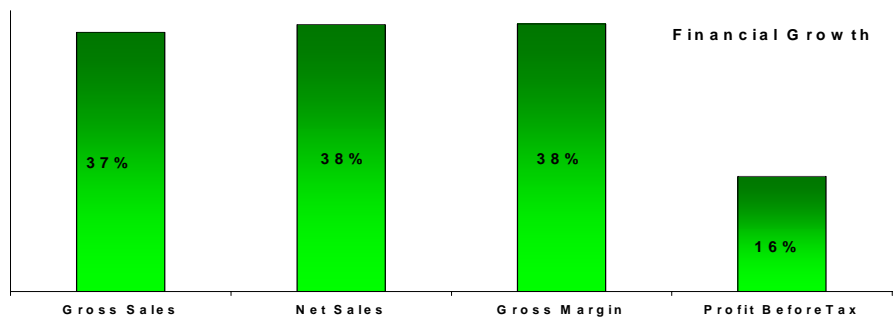
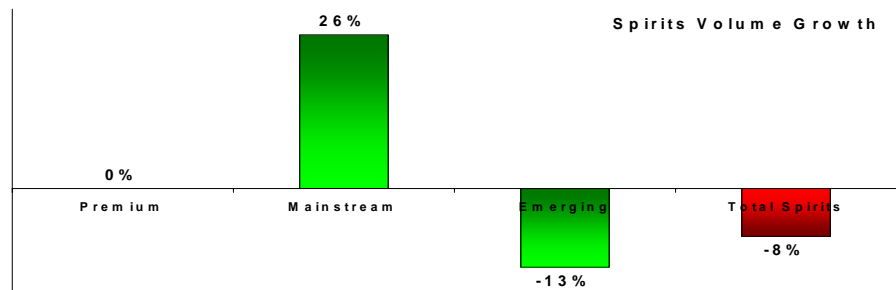
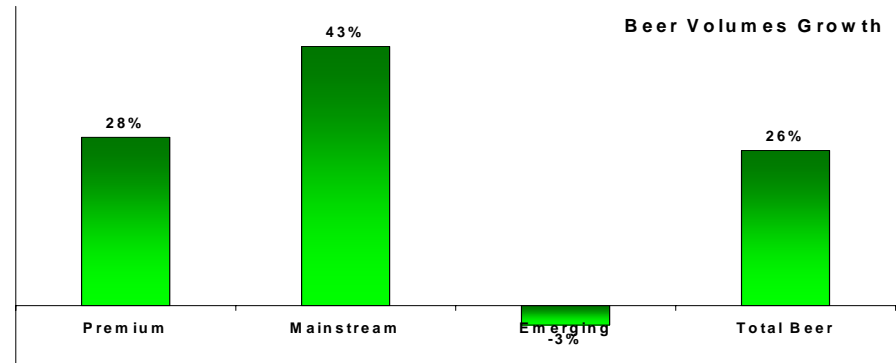


15%

Operating profit



18%



# And Tanzania ...

## Summary

Volume



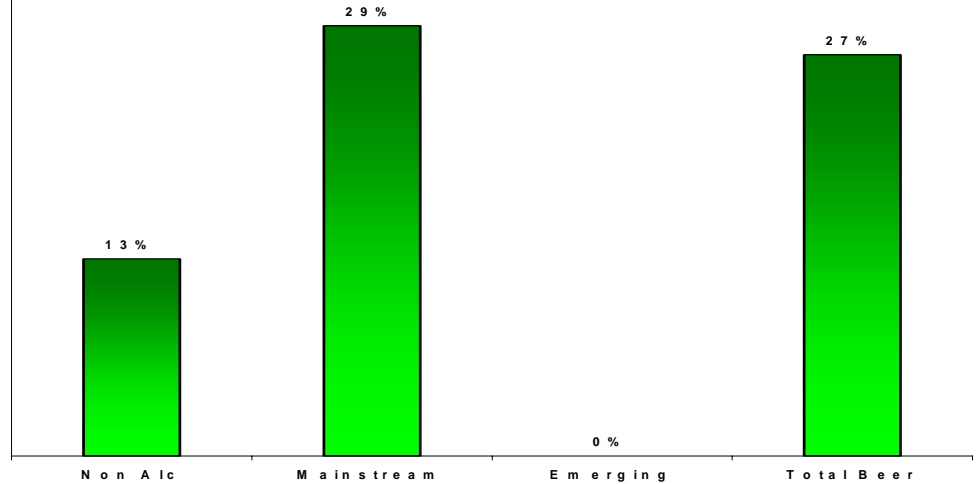
27%

Operating profit

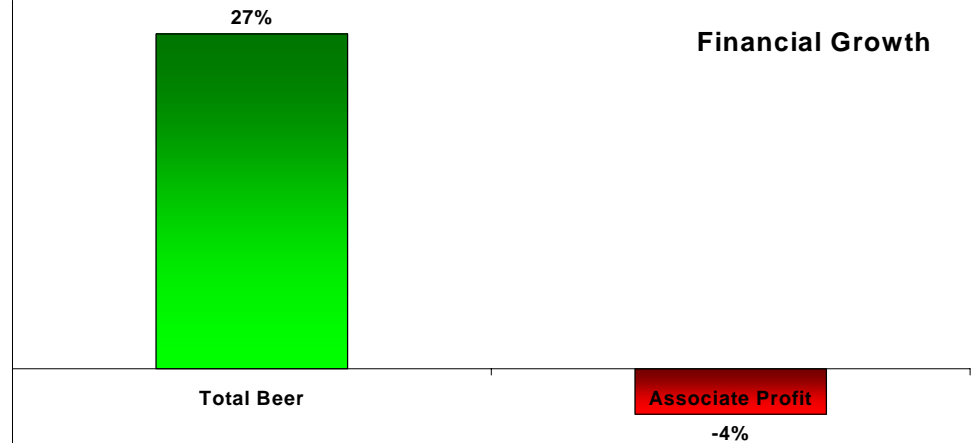


- 4%

## Volumes Growth



## Financial Growth



# Some issues to address...

## ❑ Cost of sales continue to face challenges:

- World raw material market shortages & high prices – Fuel, Hops, Malt...
- Local shortages & high prices – Electricity, Sugar, Neutral Spirit...
- Driving efficiencies throughout the supply chain
- Investments in CAPEX & maintenance

## ❑ Distribution costs:

- Regional expansion driving expenditure upwards
- World fuel continues to fluctuate with an upward trend
- Legislative changes to loads will drive cost pressure

## ❑ Administrative expenses:

- Impact of SAP going forward
- Asset disposals mostly exhausted

## ❑ Taxation:

- Phasing of capital expenditure
- Deferred tax



# And strong cash delivery...

**Free cash flow (Ksh 8.0 Bn)**

**16%**



**Capital expenditure (Ksh 2.9 Bn)**

**38%**



**Dividends paid (Ksh 4.0 Bn)**

**33%**



**Working Capital/Net Revenue (36%)**

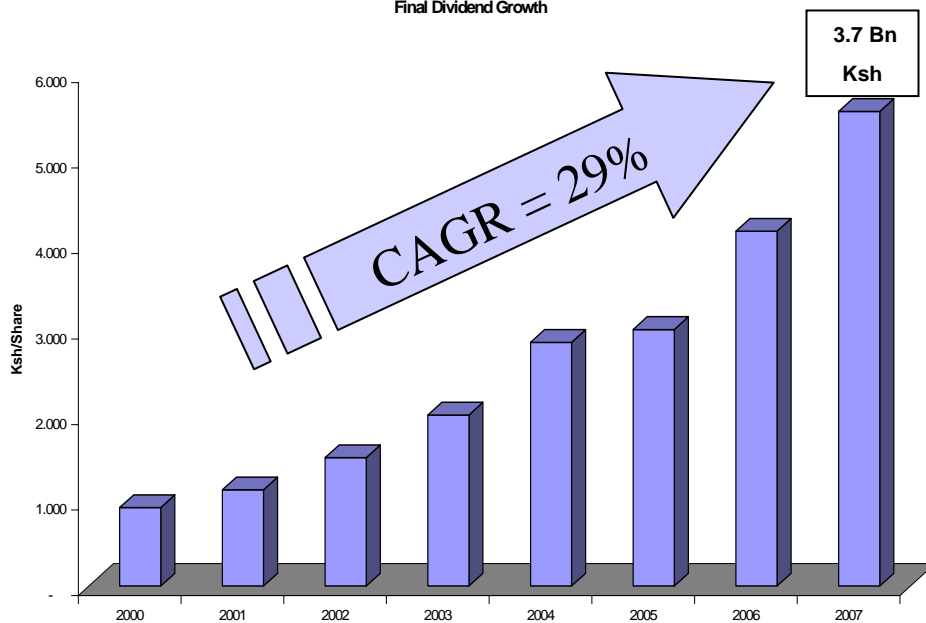
**20%**



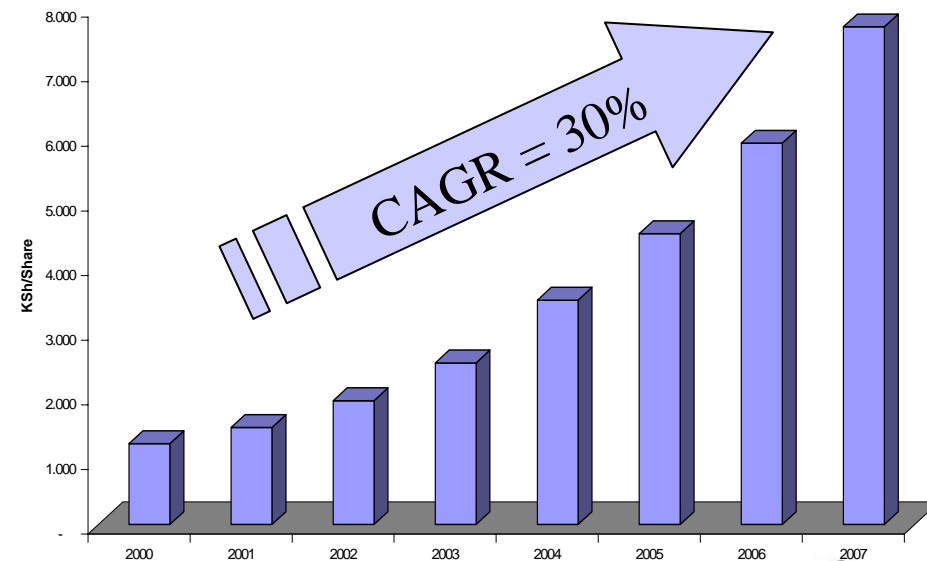
# Our dividend proposal...

- ❑ Final dividend proposal of Ksh 5.55/share -> +34% growth
- ❑ Final dividend payment of Ksh 3.7 Bn
- ❑ Taking full year dividend to Ksh 7.70/share -> +31% growth
- ❑ Full year dividend payment of Ksh 5.1 Bn

Final Dividend Growth



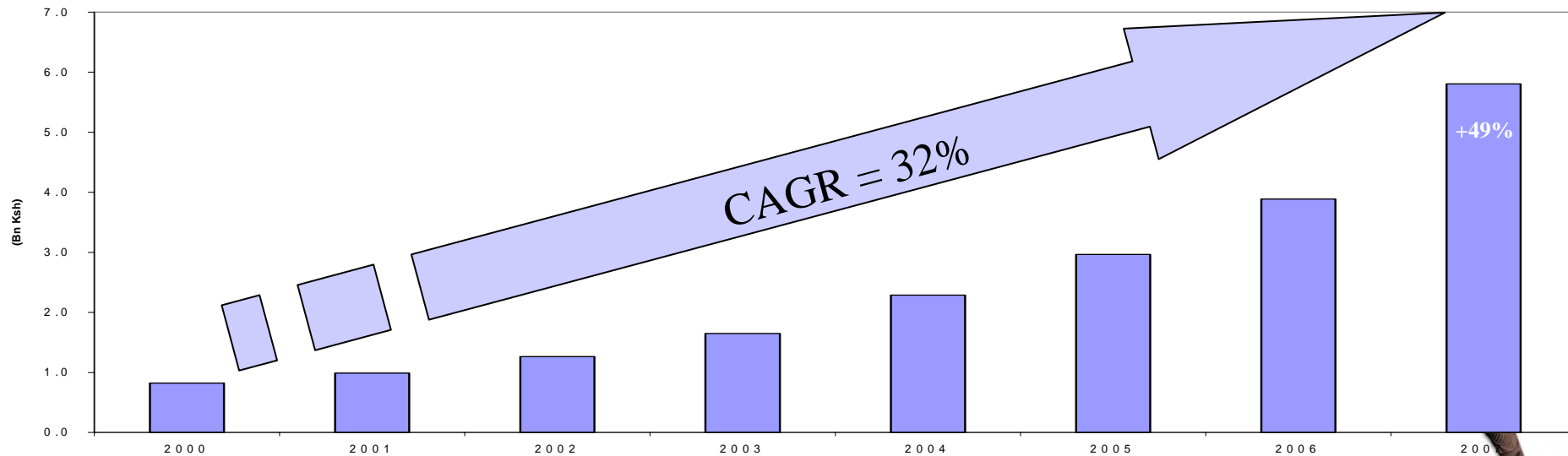
Full Year Dividend Growth



# And a Bonus Share Issue...

- To reward shareholders and increase the shares available in EABL
- Recommendation is to issue bonus shares in the ratio of 1 bonus share for every 5 ordinary shares held
- This would see an additional 132m shares in issue
- This would also pay a final dividend of Ksh 5.55/share
- An additional dividend payout of Ksh 0.7 Bn
- Taking full year dividend payment to Ksh 5.8 Bn (nearly double that of 2 years ago)

Full Year Dividend History



# Key measures of success...

**Net revenue of 27.3 Bn growing**

**31%**



**PBT of 10.6 Bn growing**

**24%**



**Free cashflow of 8.0 Bn growing**

**16%**



**ROIC of 46% growing**

**400bps**



**EPS of Ksh 9.31 growing**

**14%**



**DPS of Ksh 7.7 growing**

**31%**





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# Ask EABL ...





End

