# EABL - Corporate Access – EABL CFO, Risper Ohaga

**Contribution to overall EABL H1-2021**

Kenya - **66%**

Uganda – **18%**

Tanzania – **16%**

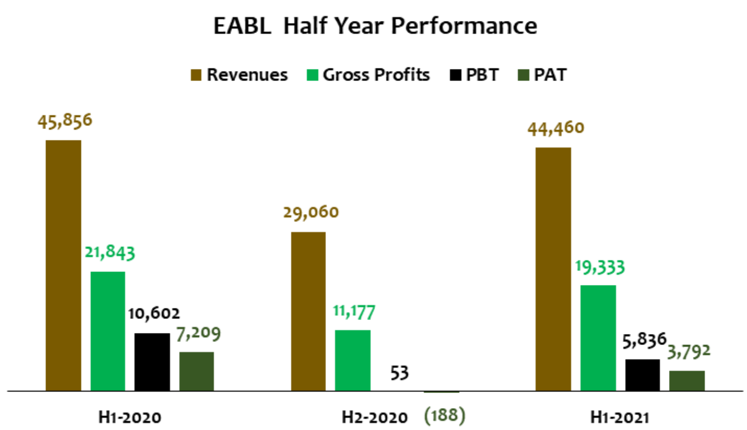
**Review of Covid-19 Affected Period H1-2021 Results**

Revenues declined by 36.6% in H2-20 vs H1-20 but recovered by 53.0% in H1-21. The FY 2020 results were affected heavily by 47.0% revenue dip in Q4-20 for a H2-20 29.0% overall deterioration.

The decline was due to lock down in relation to Covid-19 in Kenya and Uganda in Q4-20 while sales were slow in Tanzania over the period.

The agenda for the management is to grow back top side to pre-Covid-19 levels which had seen double digit revenue growth levels in three consecutive halves.

Q1-21 – started with restrictions in Kenya and Uganda which slowed down recovery while reopening of the economy in Q2-21 boosted sales that aided with revenue recoveries.




**H1-2121 - H1-53% higher than H2-2020 but 3% lower to H1-20.**

- Kenya - Levels of restriction in Kenya remains a factor in sales growth with curfew timings changed limiting on-trade sales. Kenyan market remains quite vulnerable to lockdowns and restriction of movement.
- Tanzania - has remained largely unrestricted leaving the market with an upward trajectory.
- Uganda – regulation restricted movement and re-opening of on-trade outlets; the market took advantage over stockist as the regulatory is slightly different allowing sales growth.

- Response to Covid-19 to counter decline in sales in off-trades sales through supermarkets and cash and carry, portable bottles and can packaging. This led to better performance boosting recovery even in subsequent lockdowns.

**Action in participating in off-trade enabled a stronger comeback**

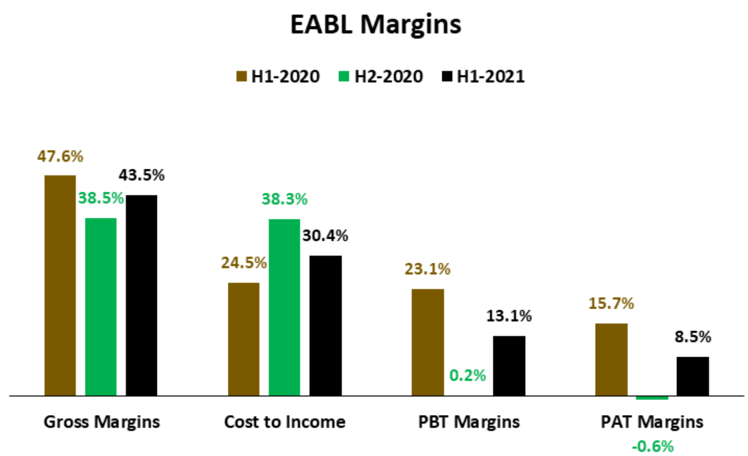
**Net Sales Growth vs SPLY - H1-2021**

Kenya - -10%

Uganda – +18%

Tanzania – +16%

**Total EABL - -3%**




| | H1-20 vs H2-20 | H2-20 vs H1-21 |
|---|---|---|
| Revenue Growth | -36.6% | 53.0% |
| Gross Profit Growth | -48.8% | 73.0% |
| PBT Growth | -99.5% | 10911.3% |
| PAT Growth | -102.6% | -2117.0% |

- Compared to H2-20, sales growth was 53.0% while gross profits increased by GP 73.0% vs a 36.6% and 48.8% drop in sales and gross profits in H2-20 vs.H1-20.
- Overall revenue growth on Bottled beer was flat with a 14% dip in Kenya due to closures of on-trade spaces. Uganda bottled beer growth was 18% while Tanzania was 17% which is 59% up H2-20.
- Senator brand remains vulnerable to lockdowns declined by 29% with a lot of that in Q1-21 when the market was fully closed. The senator sales were down 8% y-y.
- Strong recovery in the spirit sales with strong contribution because of portability and affordability as client income struggled. There was a high-performance in main spirits line with Kenya and Tanzania growing by double digits.
- Growth in spirits market in Kenya was due to clients not being able to easily access beer. Tanzania spirit market remains small though there is enough capacity to grow the market.
- Gross Margins 43.5% in H1-21 vs 38.5% in H2-2020 and 47.6% in H1-20. Agenda to recover back to pre-Covid-19 levels of 48%.
- Profitability KES 5.83Bn vs KES 0.05Bn in H2-20 but 45.0% lower than KES 10.60Bn in H1-21.

**Net Sales Growth vs SPLY – F20 H2**

Kenya - 53%

Uganda – 72%

Tanzania – 33%

**Total EABL – 53%**

**F21 H1 vs – F20 H2**

Mainstream Beer - 46%

Mainstream Spirit – +58%

Premium – +75%

New Frontiers - +43%

- Profit Margin 13.1% in H1-21 vs. 23.1% in H1-20 based on one off related to taxes and FX impact from fluctuation in the shilling and transaction in the period – where they spent KES 5.0Bn in acquisition of 30% stake in Serengeti Breweries to take holdings to 85% from 55%.
- Debt perspective and financing paid down KES 3.7Bn of debt that came up during the pandemic period. Debt levels to be maintained. The use of debt has been mainly short-term debt towards working capital during the pandemic period.
- Cash Conversion improved to 186% from -30% on faster conversion of held stock. The situation reversed with H1-21 reporting free cashflow KES 9.8Bn from KES 4.6Bn in H2-20.
- Capacity - Capex injection went towards capacity expansion in Uganda towards beer and Ready to Drink (RTD), Tanzania capacity growth towards beer and spirit. There was investment in returnable and coolers and environmental projects.
- Despite the shift in strategy, cost remained constant to support production and staff welfare. The shift to cans, portable bottles did not require any capex as it was a shift in production from bottles.
- The company opted not to pay interim dividend to conserve cash due to volatility of the economic environment.
- The VAT relief, from 16% to 14% was offset by 4.94% increase in excise duty. The duty increase was not transmitted to retail pricing therefore no impact on sales and volumes. This gave relief to client whose income thinned during the lockdown period.

**Factors that had effect on performance**

- Election in Tanzania in October 2020 and Uganda in January 2021.
- Passing of Tanzania president and the transition
- Spike of Covid-19 infection in Tanzania in March.
- Cessation of movement and change in curfew time in Kenya in the month of April affecting Easter break.
- There has been potential growth post reopening of the economy in Kenya though the market remains volatile due to the threats of lockdown. Reopening of on-trade avenues will fast track recovery as off-trade have limitation. Can distribution has not managed to cover the decline in volumes.

**F21 H1 vs SPLY**

Mainstream Beer - +1%

Mainstream Spirit – +12%

Premium – -1%

New Frontiers - -21%

**Focus**

- Return to profitability and growth to improve on the margins
- Strengthen cash and balance sheet
- Managing cost
- Visibility and market share growth – main competition comes from illicit brew with consumption at about 50%. There remains a room for market growth.

**Regulatory Issues**

- Regulation saw the Alcoholic Drinks and Control Act that proposed minimum packaging from 250ml to 750ml was dropped from the floor of parliament.

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