

2019 FINANCIAL MARKET FORUM

September 2019



Disclaimer


This presentation contains forward-looking statements with regard to the financial position and results of Nigerian Breweries activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

Many of these risks and uncertainties relate to factors that are beyond Nigerian Breweries ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, costs of raw materials, interest rate and foreign exchange fluctuations, change in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Nigerian Breweries does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.

Market share estimates contained in this presentation are based on outside sources in combination with management estimates.

Agenda

-  • **Nigerian Breweries**
 - Market overview
 - Our strategy to win
 - Half Year performance

Nigerian Breweries | A long and proud history and heritage



1949

First bottle of Star Lager beer rolls off the bottling line in Lagos Brewery (June)

Nigerian Breweries enters into a franchise agreement with Heineken & Co. to brew the Heineken lager locally in Nigeria

1965



2003

President Obasanjo commissions Ama Brewery, Enugu

Acquired brewery assets and brands from the Sona Group bringing brand portfolio to 11

2011



2014

Nigerian Breweries merged with Consolidated Breweries;

Our Management Team

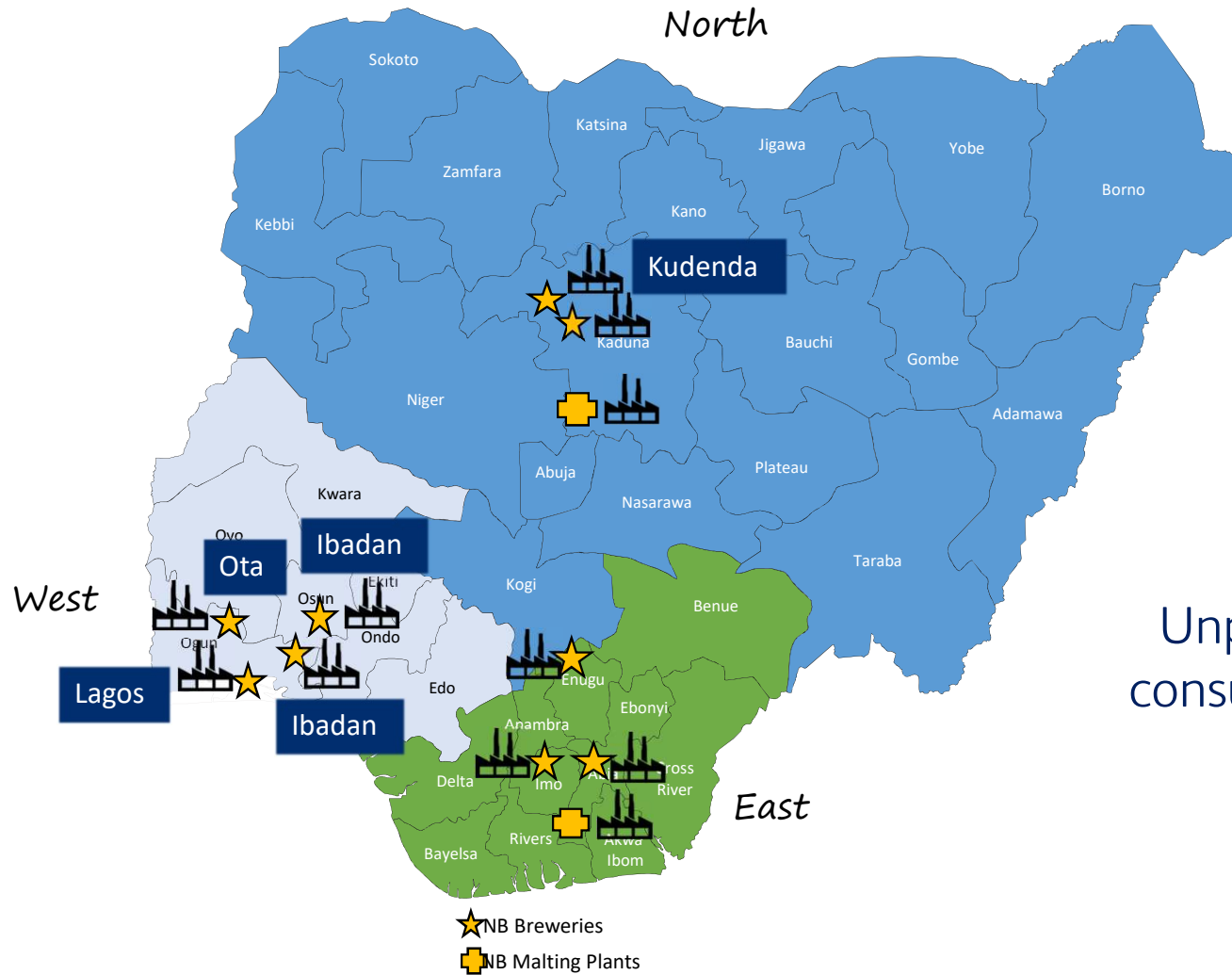


<p>Emmanuel Oriakhi Marketing Director 1.3 years/16 years</p>	<p>Rob Kleinjan Finance Director (Board Member) 1.3 years/23 years</p>	<p>Sade Morgan Corporate Affairs Director 7 months/7 months</p>	<p>Uche Unigwe Sales Director 1.7 years/30 years</p>	<p>Uaboi Agbebaku Company Secretary/Legal Director 10.7 years/16 years</p>
<p>Martin Kochl Supply Chain Director 1.4 years/19 years</p>	<p>Grace Omo-Lamai Human Resources Director 1.7 years/2 years</p>	<p>Jordi Borrut Bel Managing Director/CEO (Board Member) 1.7 years/22 years</p>	<p>Chidum Ayeni Head Digital & Business Transformation 1.3 years/24 years</p>	

Tenure in NB current position / Tenure in HEINEKEN



Our Nationwide Footprint




Unparalleled access to consumers across Nigeria

Brand portfolio

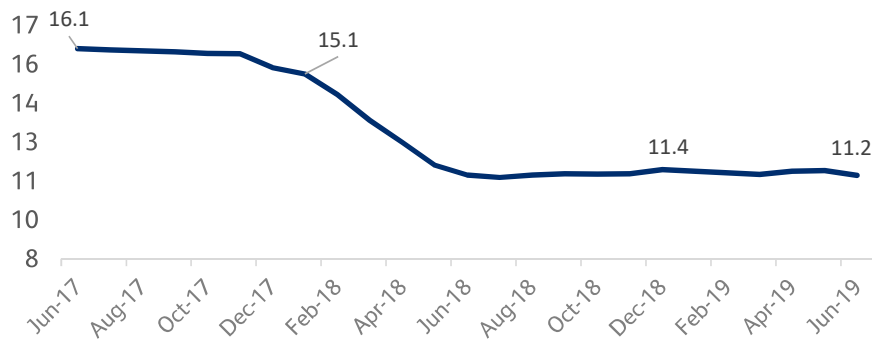


Agenda

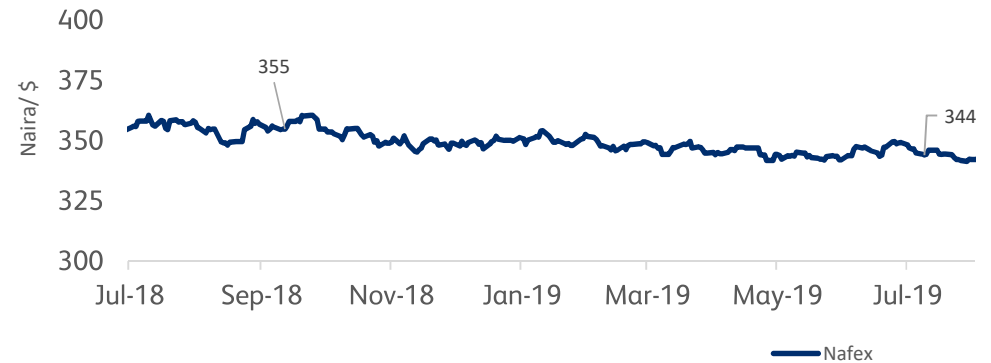
- Nigerian Breweries
-  • **Market overview**
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Encouraging stabilisation of macro trends

Inflation Rates(%)



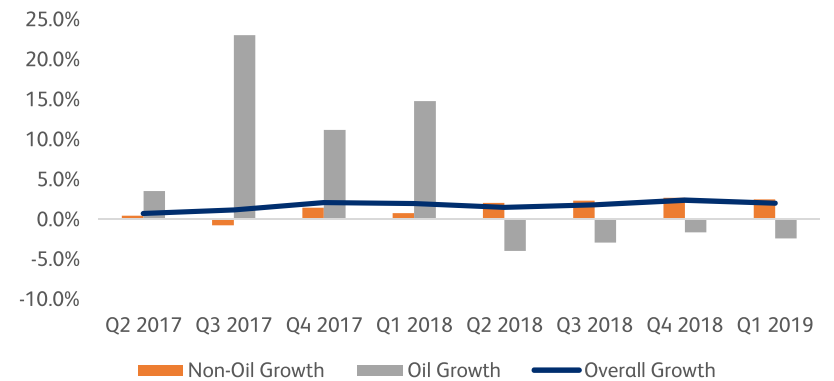
Exchange Rate (Naira/\$)



Brent crude (USD/bl)



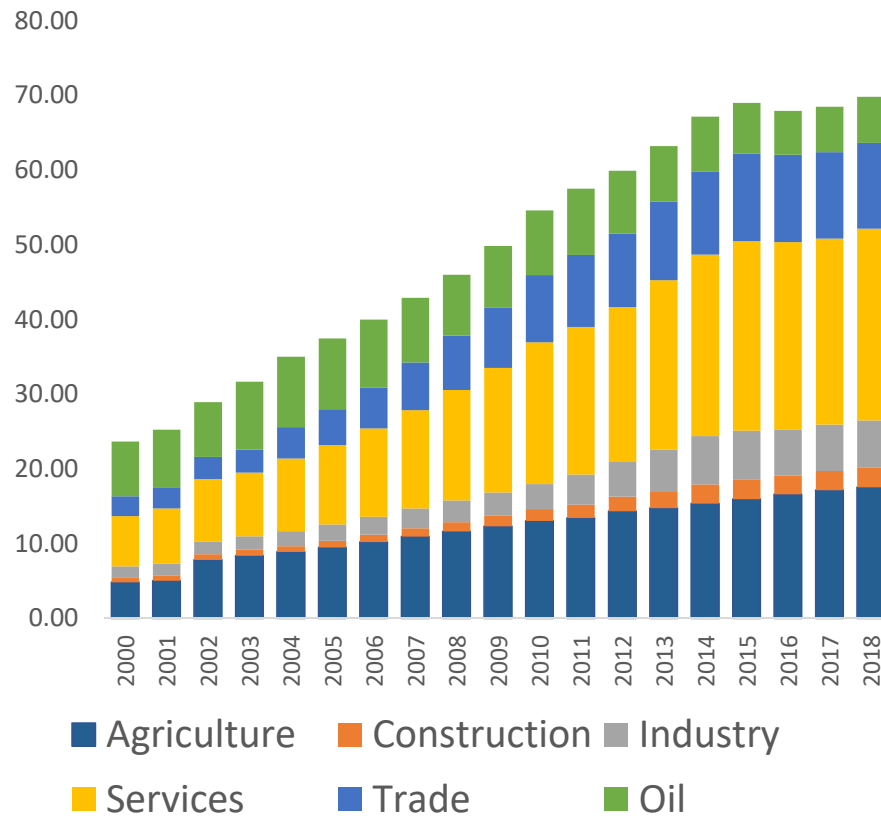
GDP Growth (%)



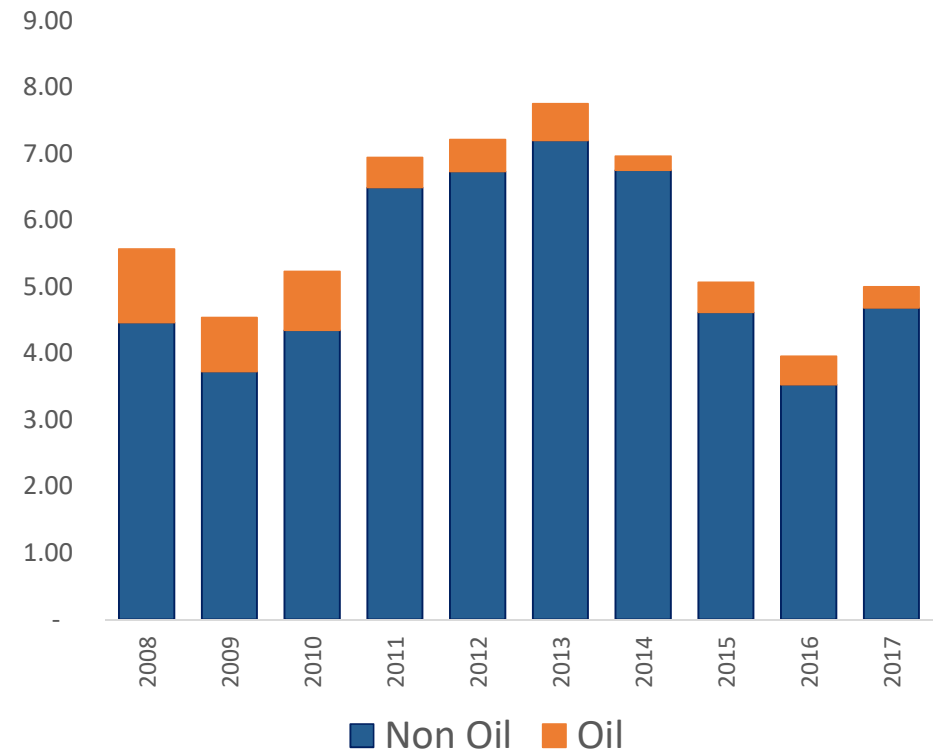
Sources: www.tradingeconomics.com, www.cbn.gov.ng, www.nigerianstat.gov.ng, <https://www.cbn.gov.ng/rates/inflrates.asp>
<https://www.vanguardngr.com/2017/12/faac-fg-states-lgs-share-n609-95bn-november-revenue/>
 Source: NBS

Nigerian economy is diversifying

GDP (Sectors) in Naira Trillion



Government Revenue (in Naira Trillion)

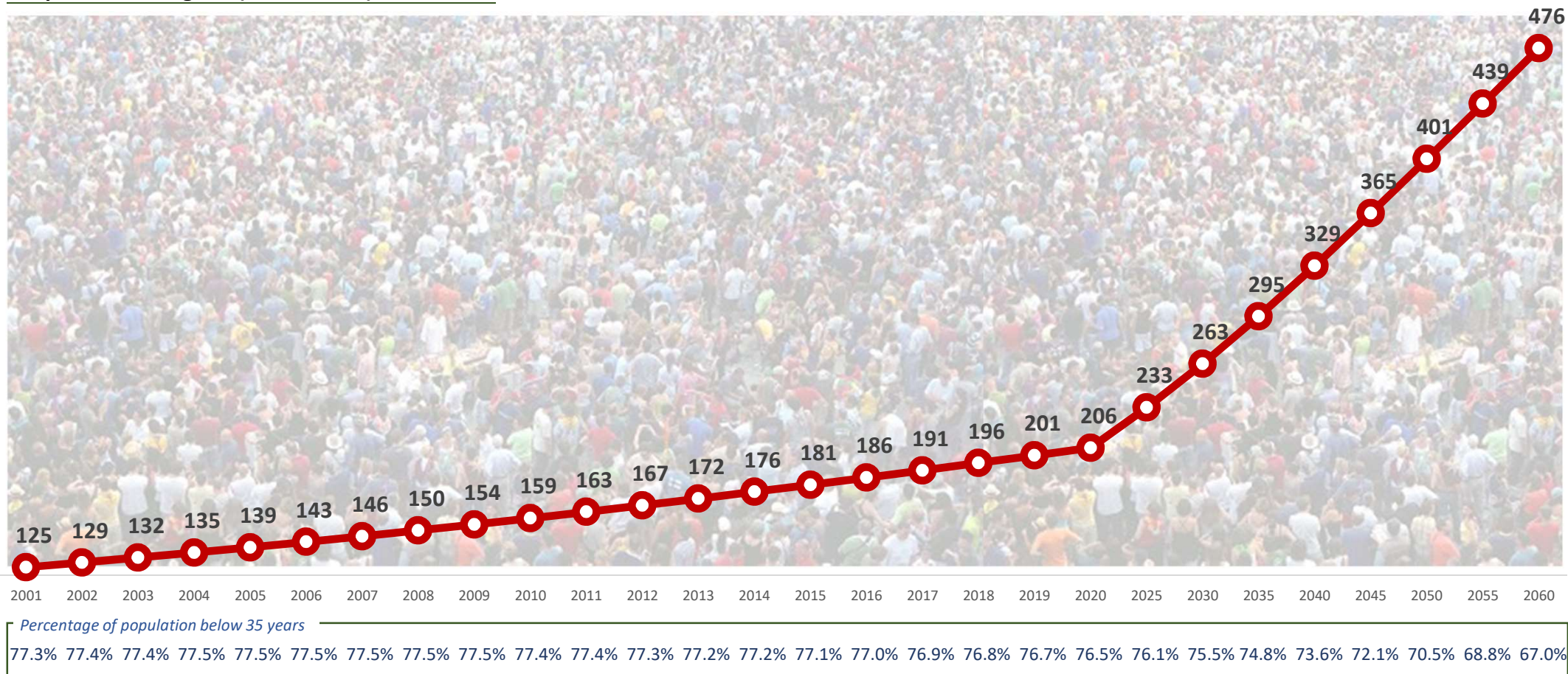


<https://www.cbn.gov.ng/rates/RealGDP.asp>
<http://statistics.cbn.gov.ng/cbn-onlinestats/DataBrowser.aspx>



Young and growing population: Median age 18 years...

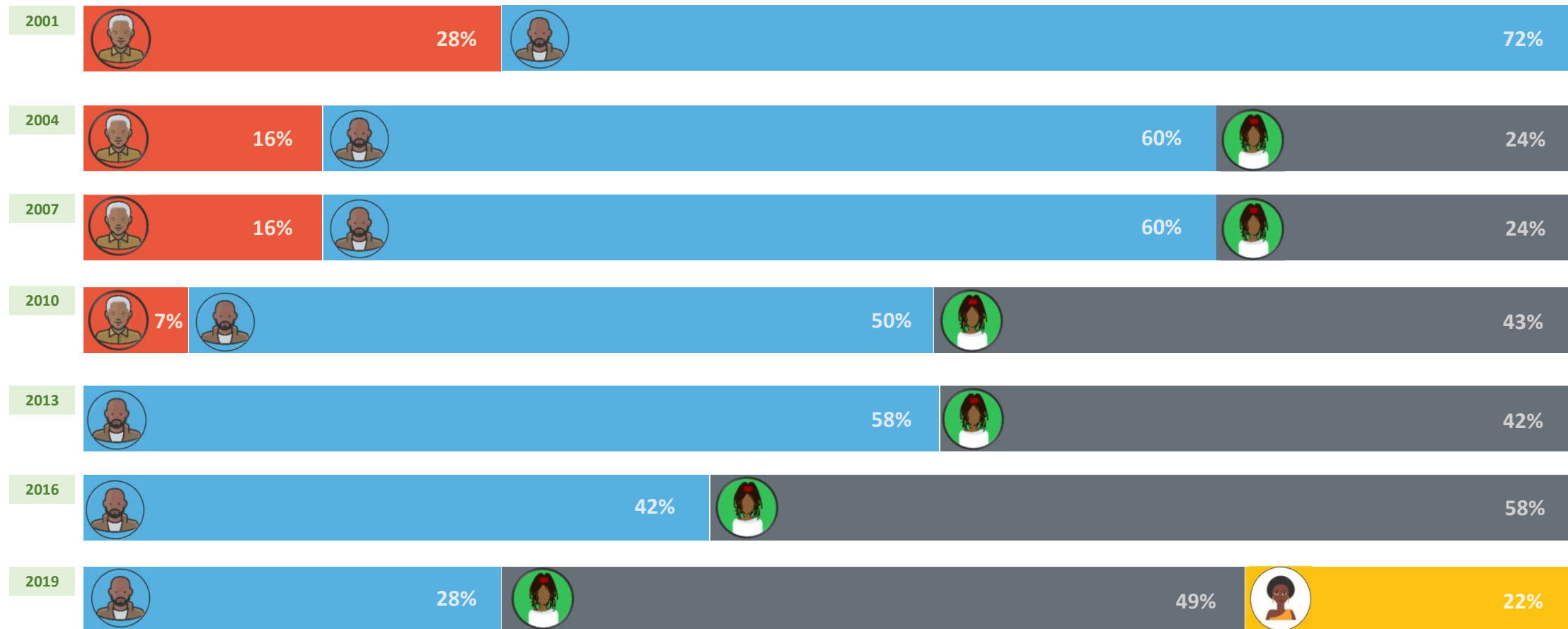
Population of Nigeria (2001 – 2019)



Source: United Nations, World Population Prospects (UN-WPP), 2019

... with a dynamic consumer profile

Generational Split of Economically Active Adults (20 – 55), *The Evolution*



Source: United Nations, World Population Prospects (UN-WPP), 2019

Generation (broadly accepted definition):

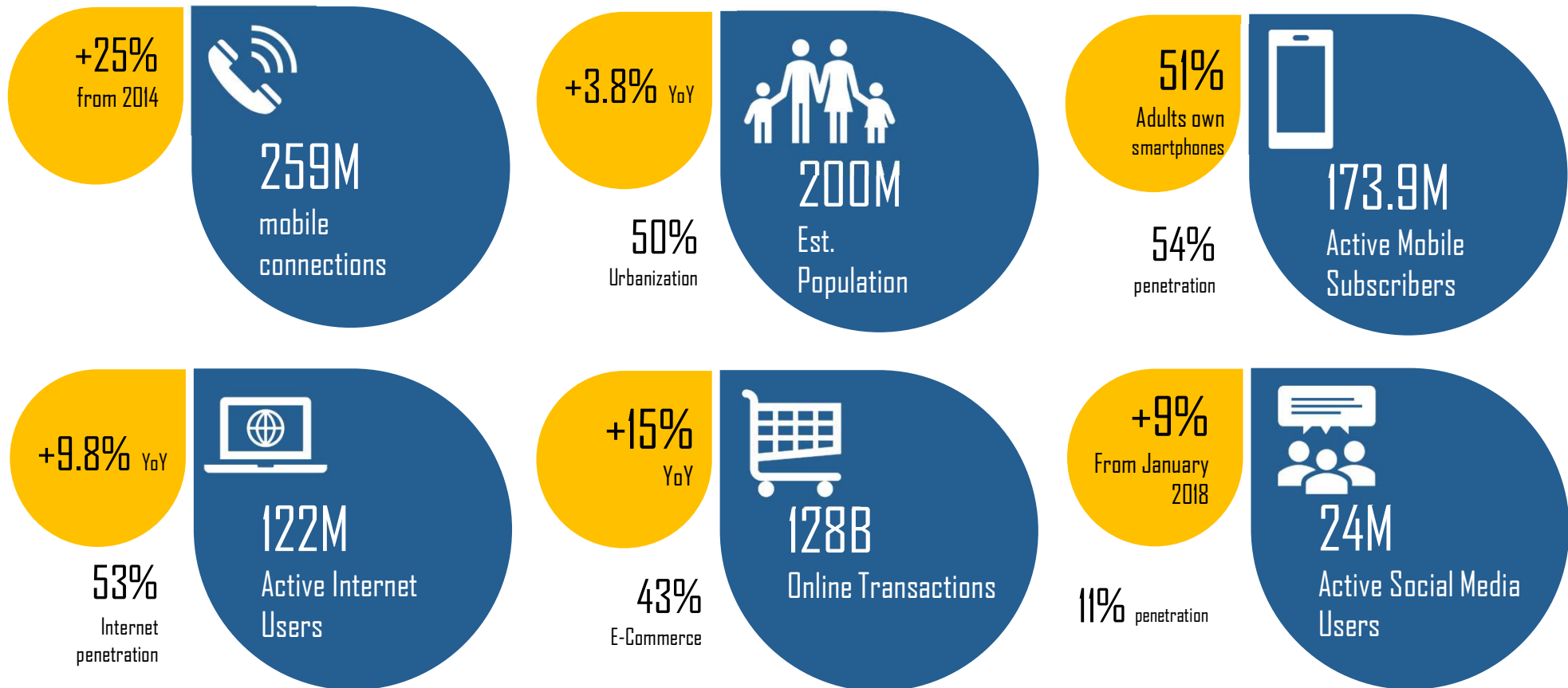
Baby Boom individuals born between 1946 and 1964

Generation X / Gen X individuals born between 1965 to 1980

Millennials / Gen Y individuals born between 1981 to 1996

Generation Z / Gen Z individuals born between mid-1990s to early-2000s

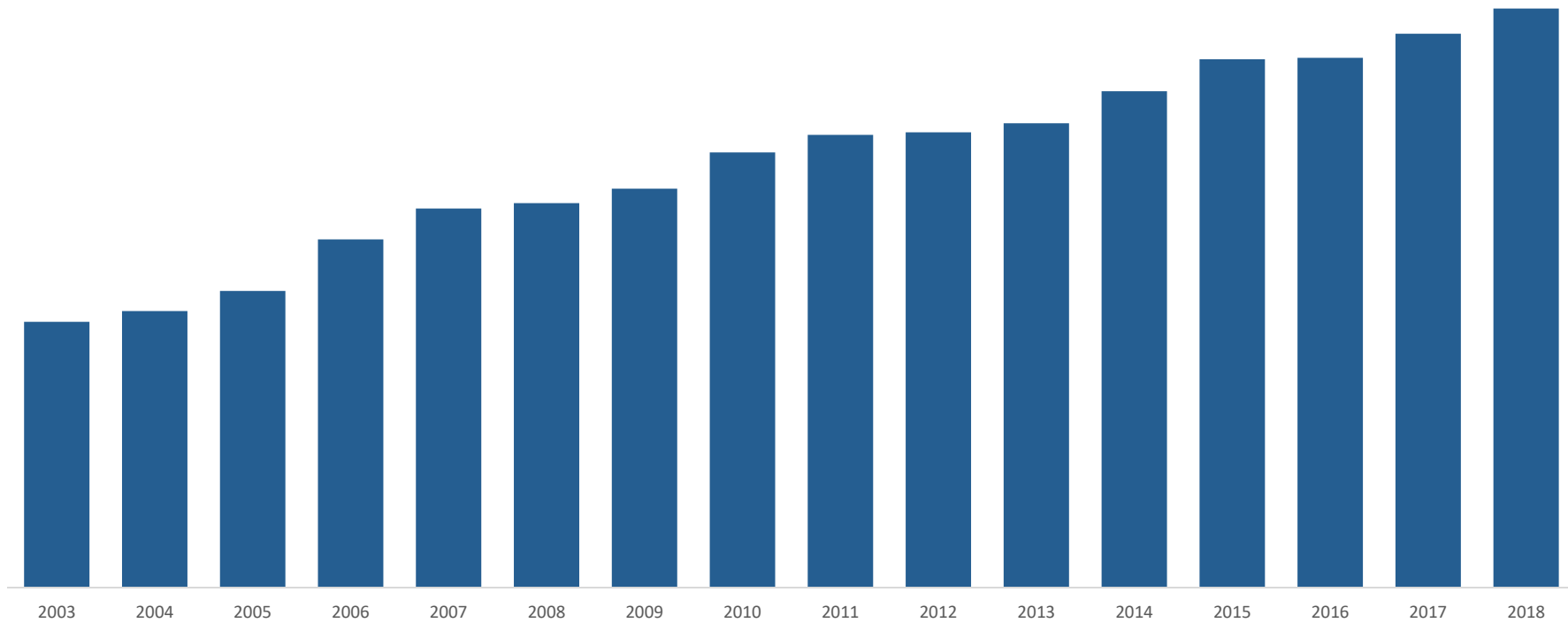
Digitalisation increasingly relevant in Nigeria



Source: 13thRevolver.com

Beer sector continues to grow in volumes

Total Beer Market in Nigeria in volumes

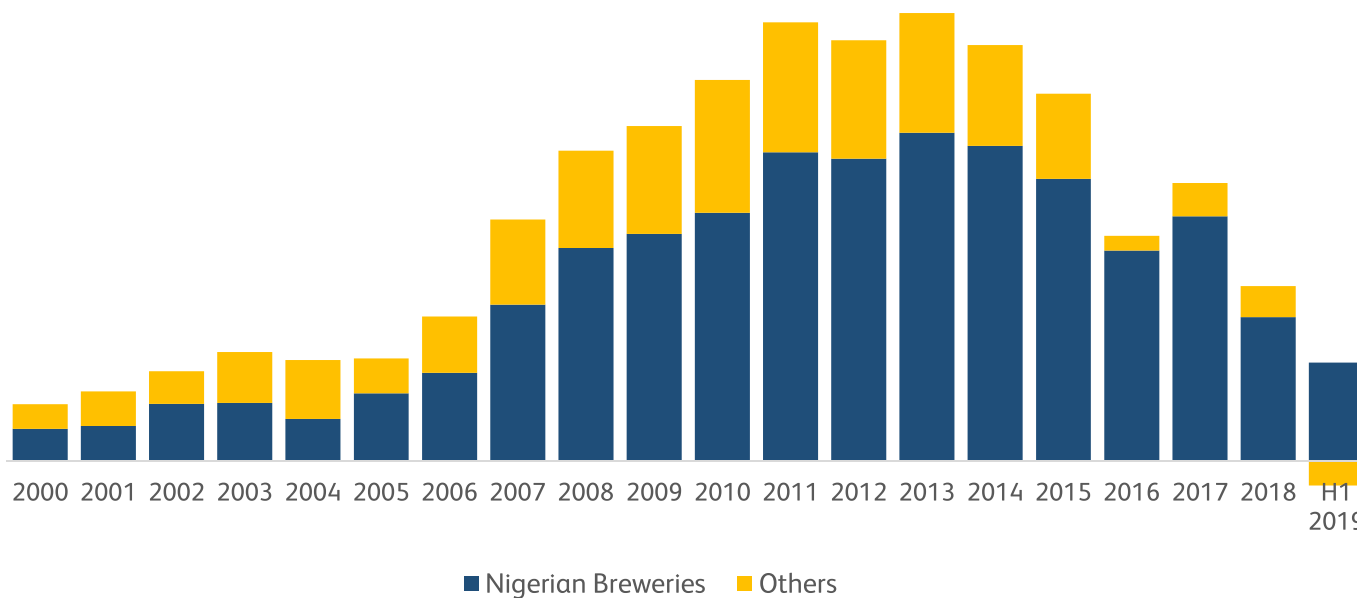


Source: Global Data



Beer sector profit pool under pressure

Nigerian beer market profit pool (bn naira)



Overall profit pool contracted due to:

- Consumer down trading
- Currency devaluation
- Material cost inflation
- Promotional intensity

Unit prices have not changed significantly in the market since 2013

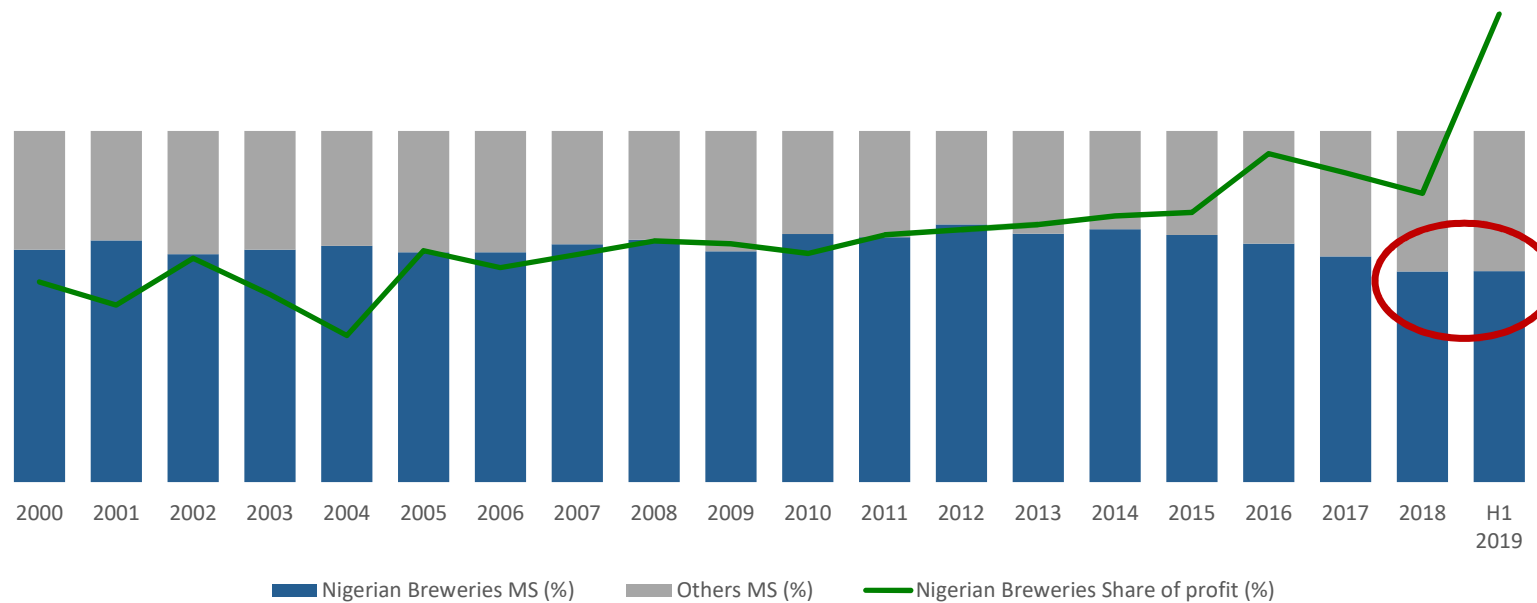


Source: NB Continuous Retail Audit Measurement (CRAM)



Market remains increasingly competitive

Market share and share of profit evolution



Source: Internal estimates

Agenda

- Nigerian Breweries
- Market overview
- **Our strategy to win**
- Half Year performance



Strategy to keep Winning with Nigeria!

Must Win Priorities

Expand Leadership in Premium

Accelerate **Heineken®** growth
Continue **Tiger** rollout

Build Scale in Mainstream

Re-boost leadership in **Core Lager**
Grow share of **Stout**

Drive Malt Growth

Drive profitability by leveraging on innovation

Winning Route-to-Market

Leadership in Point of Sales execution

Improve End2End productivity

Sustainability at the heart of our Company

Build high performing teams

Accelerate premium growth lead by Heineken®

What we will do

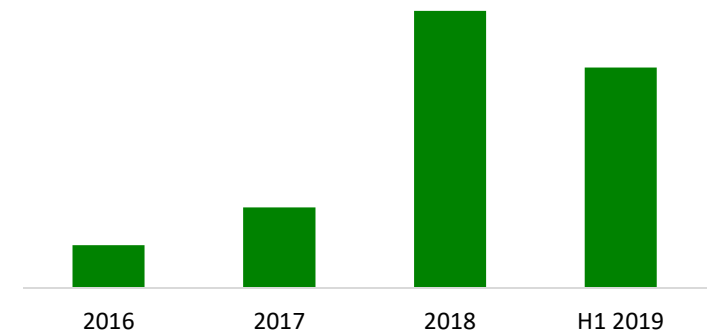
- ✓ Convert superior **equity into penetration and volume growth**
- ✓ **Strengthen brand positioning** with global assets and disruptive experiences
- ✓ Drive **brand coolness** with exciting innovations

Key initiatives

- ✓ Hosted **The UEFA Champions League Tour with Carles Puyol** on the UEFA Champions League Platform
- ✓ Leveraged internationality of Heineken® to create **customer and consumer experiences** with Formula 1, UCL etc...
- ✓ Excited the category with the launch of the first **Sleek Can** in the beer category

Performance highlights

Heineken® Volumes growth (%)



Expand leadership in premium lager

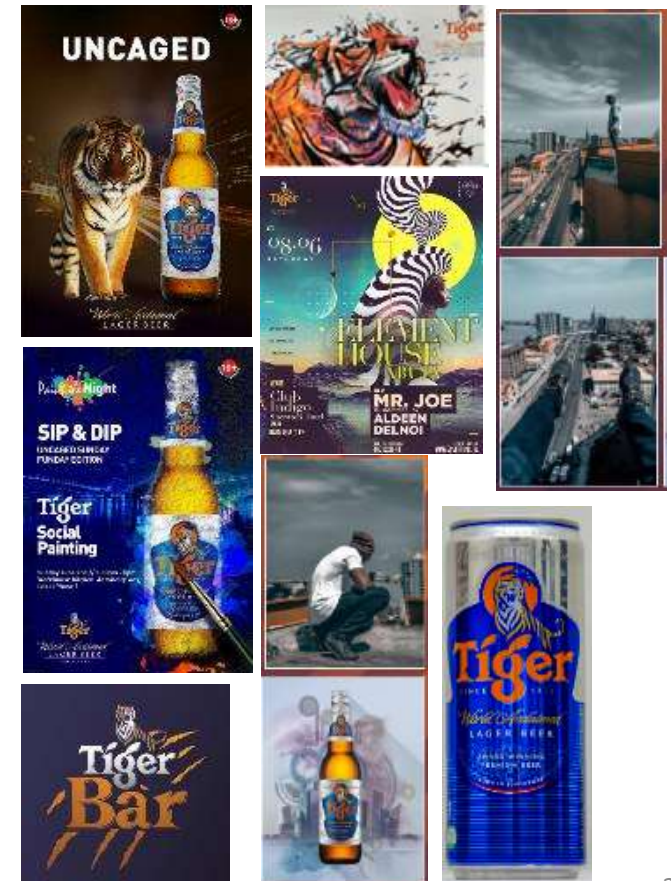
What we will do

- ✓ Excite the lager space with our diverse **international premium portfolio**
- ✓ National product **availability** in key channels
- ✓ Product innovations aimed at **attracting new consumers**

Key initiatives

- ✓ Tiger Thematic **Campaign**
- ✓ Differentiated **permanent visibility**
- ✓ The Tiger **Uncaged Series- Brand Platform**
- ✓ Introduction of Tiger® 33cl **Sleek Can**

Innovation and activation



Re-boost leadership in Core Lager

What we will do

- ✓ Excite Nigerians with a strong **national premium brand**
- ✓ Build on **true Nigerian passions:** Sports, Music, others
- ✓ Continuously target and recruit new consumers with impactful campaigns and exciting activations
- ✓ Excite young Nigerian consumers with a fresh communication campaign for **Star Radler**.

Key initiatives

- ✓ European Club Experience, Star Fan Parks and Starnivals etc.
- ✓ **Leverage NFF sponsorship with the Shine On Naija** campaign in support of the **Super Eagles**.
- ✓ Hi-Life Fest and Progress Train campaign for Life
- ✓ Launched “Own Your Journey” campaign for Gulder
- ✓ Connect Activations for 33’Export
- ✓ Introduced “The All New Goldberg”

Innovation and activation



Leverage innovation on non-alcoholics to shape and grow category

What we will do

- ✓ Excite the market with our **strong portfolio** of malt brands
- ✓ Position our brands as the **most accessible** malt brands
- ✓ Drive for national product **availability** and **affordability** in key channels
- ✓ Continuously **target** and **recruit** new consumers with product innovations

Key initiatives

Maltina

- ✓ New Maltina **Thematic Campaign**
- ✓ **Maltina-Nickfest** Sponsorship
- ✓ Maltina **#1,000 Smiles** campaign
- ✓ Tactical Activations (cultural activations, Kano Durbar, Children's Day)
- ✓ Comedy Platform (AY Live, Laff Up Loud, Laff Mattazz in South-West)

Amstel Malta

- ✓ Consumer engagement with **#LiveYourBestLife** campaign
- ✓ **#WeGotBalls** campaign in support of the Super Falcons
- ✓ Refresh of brand's association with **Movies & Theatre** through **partnership** with Terra Kulture and Movie Premieres
- ✓ Thematic campaign to refresh brand's **support for Active Lifestyles**

Innovation and activation



Challenge market leader and grow market share in Stout

What we will do

- ✓ Excite the category to better **connect and recruit** the ever-evolving Nigerian millennial
- ✓ Leveraging **price-pack architecture** and lead with innovative **consumer and customer promotions**

Key initiatives

- ✓ Refresh brand communications and **exploit brand platforms**, activations and sponsorships.
- ✓ Increase distribution of **value stouts on a national scale** with a regional focus
- ✓ Introduce the Legend 45cl

Performance highlights

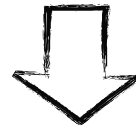


Building winning RTM

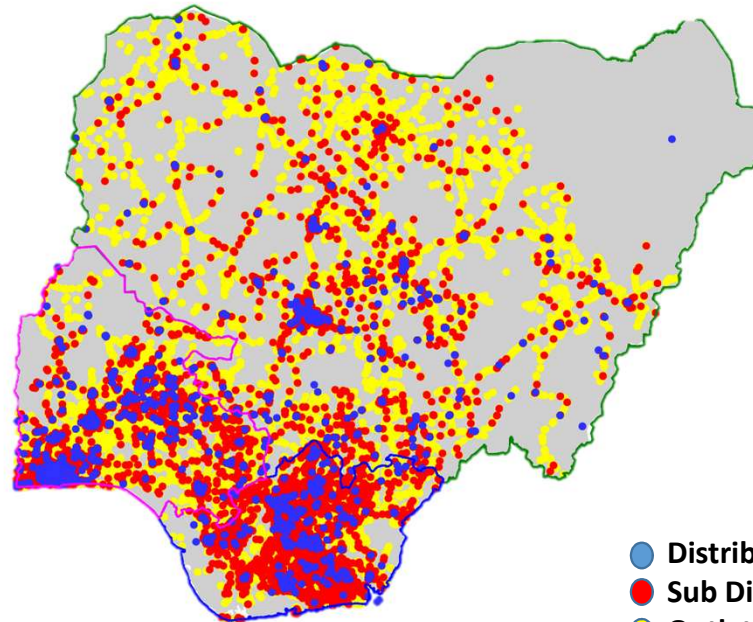
INCREASE PROXIMITY TO CONSUMERS



BUILD STRONG PARTNERSHIPS



ENSURE WIN-WIN INCENTIVES



- Distributors
- Sub Distributors
- Outlets

Every Naira Counts! Improving End2End Productivity

Savings delivered and focus continues 

Revenue Management

- Promotion optimisation
- Discount and trade terms
- Brand portfolio and mix management

Consumer Value Engineering

- Packaging optimisation
- Trade Marketing / POS rationalisation

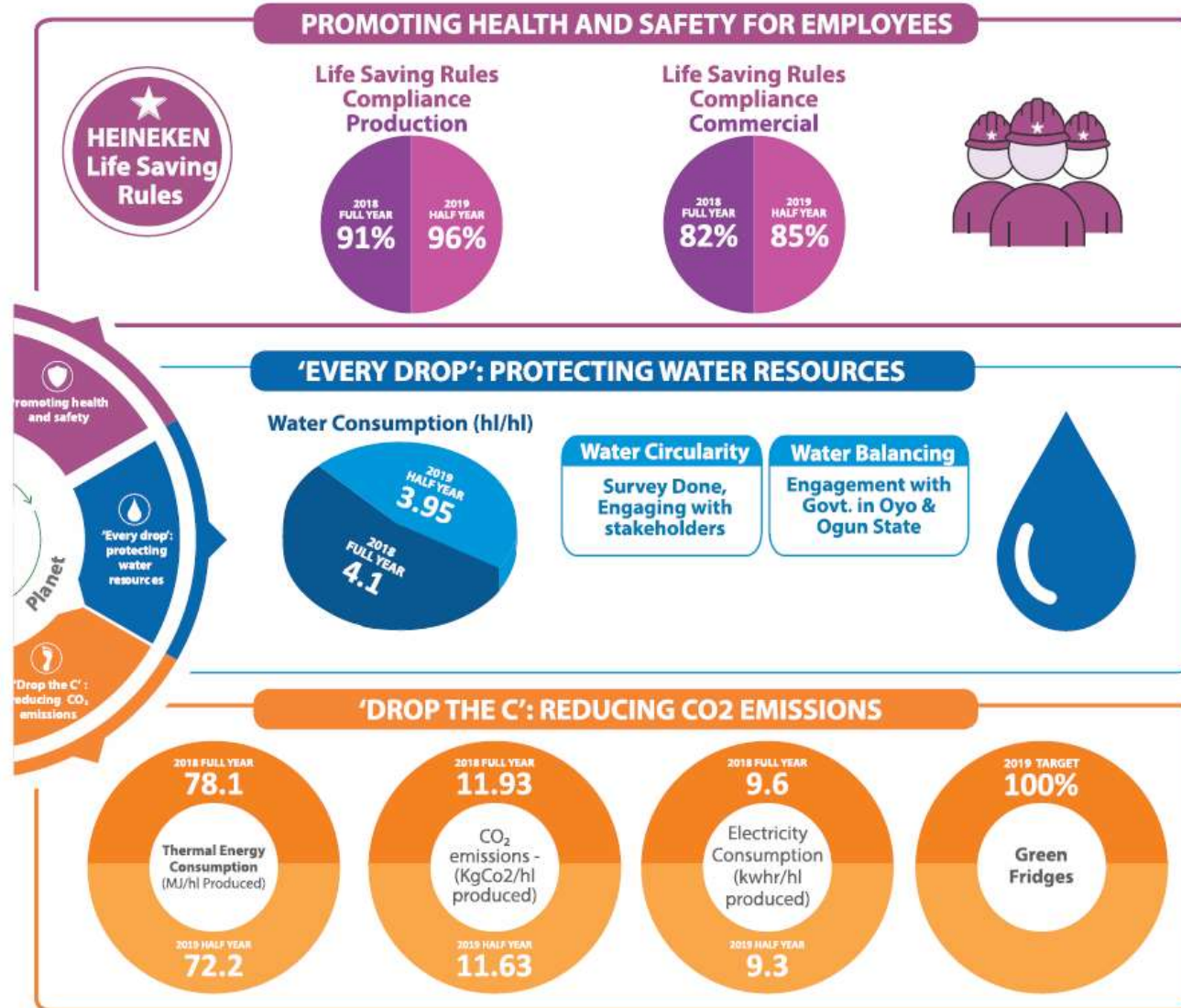
Cost Optimisation

- Brewery footprint and fleet management
- Financing / funding strategy
- ICT cost license and infrastructure

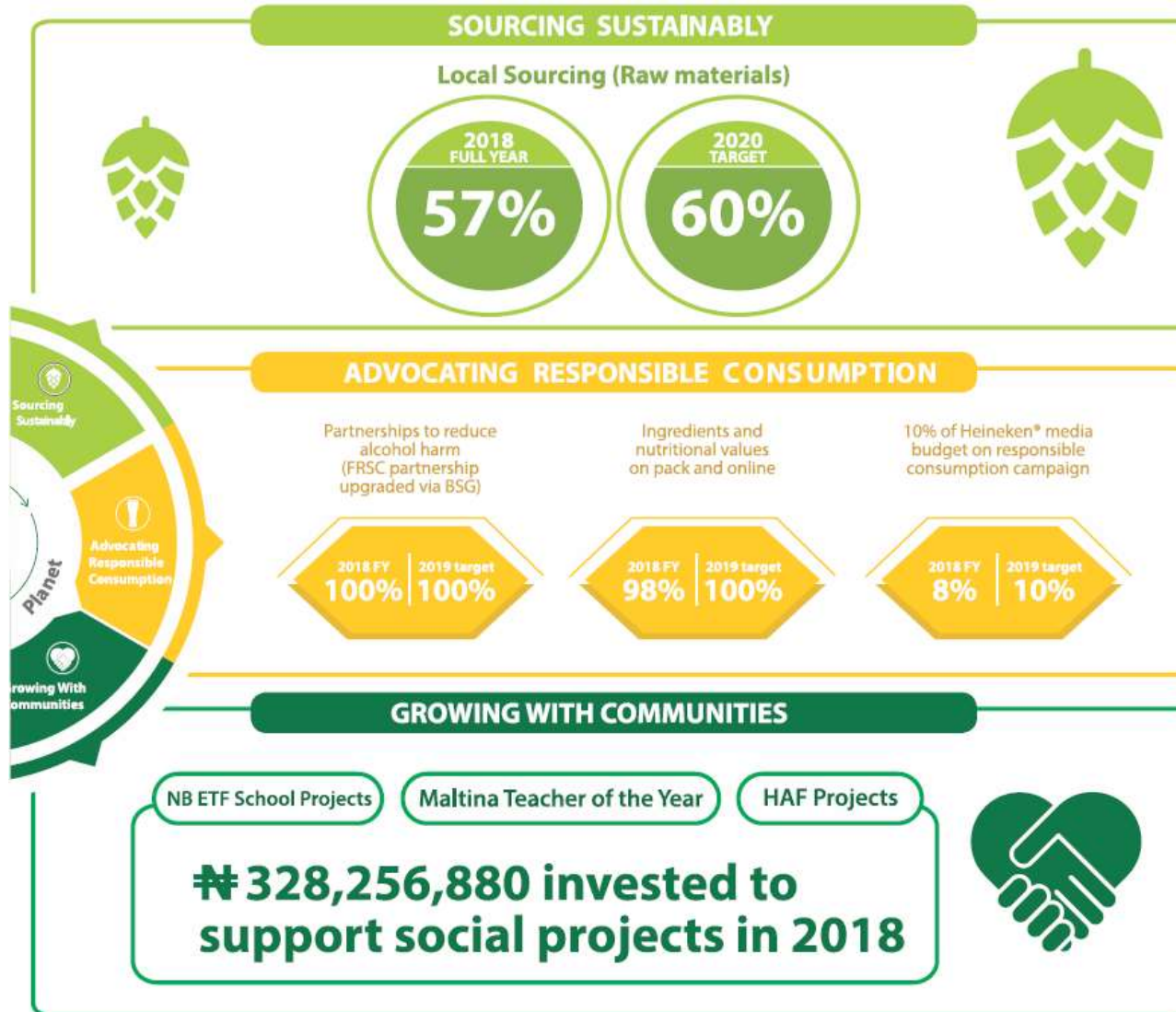
Sustainability at the heart of our Company



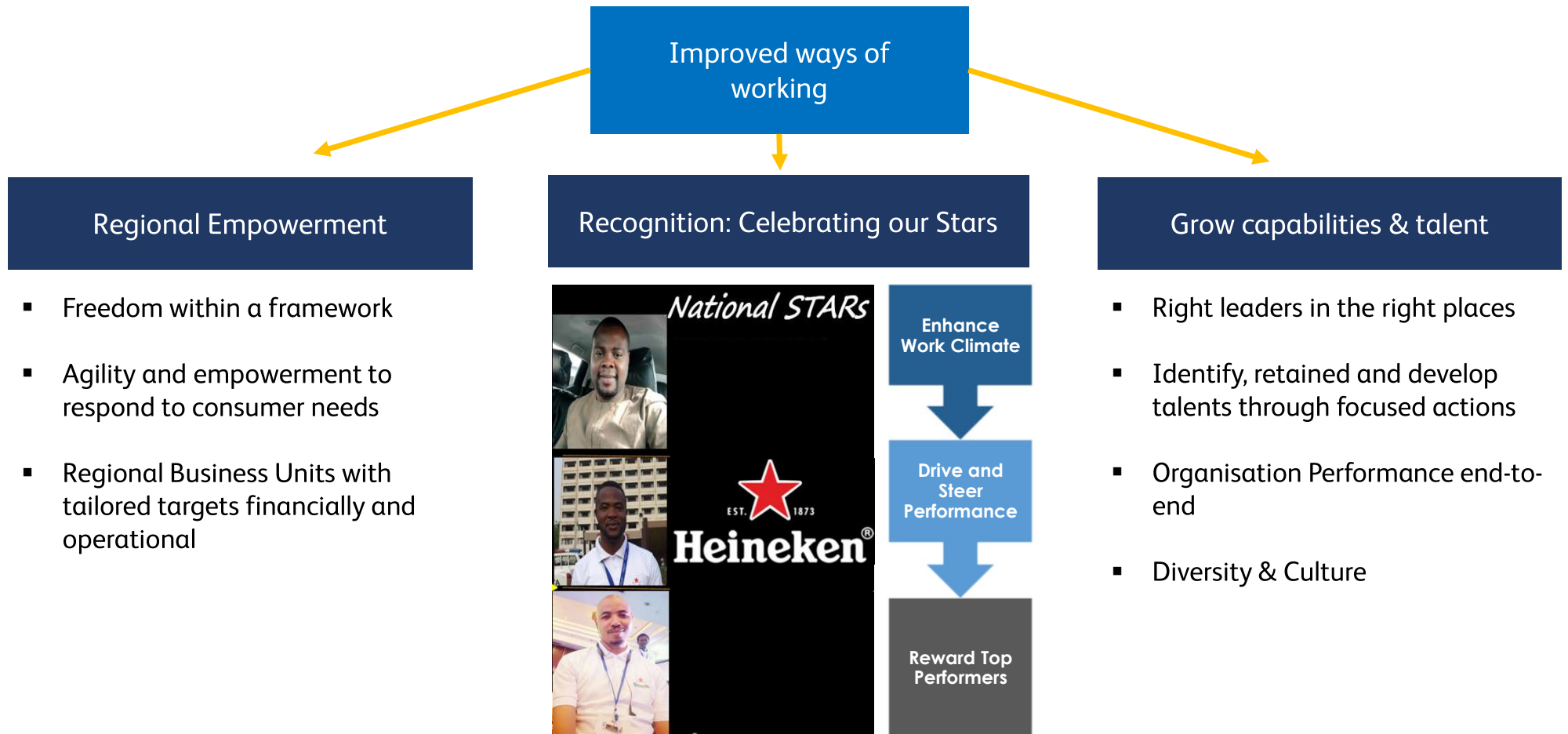
Brewing for a sustainable future



Brewing for a sustainable future



Building high performing teams key to success



Agenda

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- **Half Year performance**



Financial Overview HY 2019

P&L Key financials	HY 2019 (N' billion)	HY 2018 (N' billion)	Change (%)
Revenue	170.2	172.7	-1.4
Cost of Goods Sold	98.5	96.6	2.0
Gross Profit	71.7	76.1	-5.8
Result from Operating activities	24.5	31.6	-22.6
Operating Profit Margin	14.4%	18.3%	-394bps
Net Finance Expenses	5.1	4.1	24.1
Net Profit	13.3	18.4	-27.8
EPS (kobo)	166	230	-27.8

Financial Overview HY 2019

Key balance sheet items	HY 2019 (N' billion)	HY 2018 (N' billion)	Change (%)
Property, Plant & Equipment	191.1	189.2	1.0
Inventories	35.9	35.1	2.5
Accounts Receivable	37.4	35.7	4.6
Cash	12.9	7.5	71.6
Other Assets	110.1	102.8	7.2
TOTAL ASSETS	387.4	370.3	4.6
Non Current Liabilities	39.5	39.0	1.2
Borrowings	56.7	31.8	78.2
Trade and Other Payables	97.3	93.5	4.1
Other Liabilities	28.9	34.6	-16.5
Equity	165.0	171.3	-3.7
TOTAL EQUITY AND LIABILITIES	387.4	370.3	4.6

Free Operating cash flow

(N' billion unless otherwise stated)	H1 2019	H1 2018	Change
Cash flow from operations (before changes in working capital)	40.4	46.4	-6.1
Changes in Inventories	-3.4	7.6	-11.1
Changes in Accounts Receivable	-1.5	-14.8	13.2
Changes in Accounts Payable	-10.0	27.3	-17.3
Changes in Working Capital	-15.0	-34.4	19.5
Capital expenditure	-12.7	-8.8	-3.9
Free operating cash flow	2.1	-5.5	7.7
Net debt / EBITDA ratio*	1.1x	0.5x	
Interest coverage ratio**	4.8x	7.7x	

* Note: interest coverage is calculated as operating profit over interest expense.

Key Messages

- The Nigerian beer market fundamentals are very attractive with a high growth potential
- Nigerian market trends are starting to show encouraging signs with premiumisation and macroeconomic indicator trends stabilising
- NB remains committed to long term value creation for shareholder and have the right strategy to achieve this
- Nigerian Breweries has the history, footprint, brand portfolio and people to capture the expected growth in Nigeria

Q&A



Winning with Nigeria