

Nigerian Breweries Plc 2019 Full Year Performance

February 2020



Winning with Nigeria

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
 - Full 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

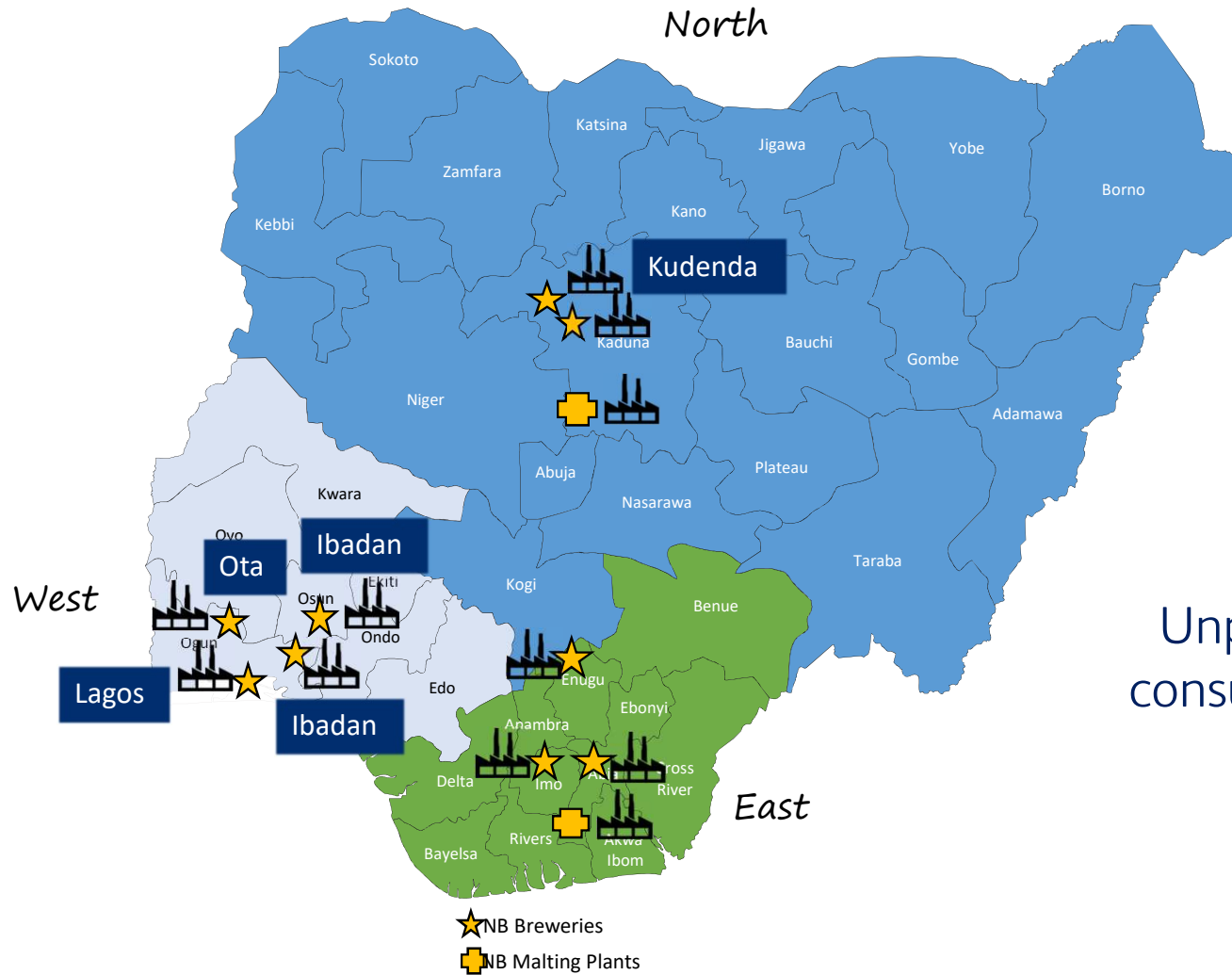


<p>Emmanuel Oriakhi Marketing Director 1.5 years/17.1 years</p>	<p>Rob Kleinjan Finance Director (Board Member) 1.6 years/24.2 years</p>	<p>Sade Morgan Corporate Affairs Director 1.2 years/1.2 years</p>	<p>Uche Unigwe Sales Director 2.1 years/30.9 years</p>	<p>Uaboi Agbebaku Company Secretary/Legal Director 12.1 years/17.1 years</p>
<p>Martin Kochl Supply Chain Director 1.6 years/19.4 years</p>	<p>Grace Omo-Lamai Human Resources Director 2.3 years/2.3 years</p>	<p>Jordi Borrut Bel Managing Director/CEO (Board Member) 2.1 years/23.2 years</p>	<p>Chidum Ayeni Head Digital & Business Transformation 1.7 years/26.1 years</p>	

Tenure in NB current position / Tenure in HEINEKEN



Our Nationwide Footprint




Unparalleled access to consumers across Nigeria

Brand portfolio

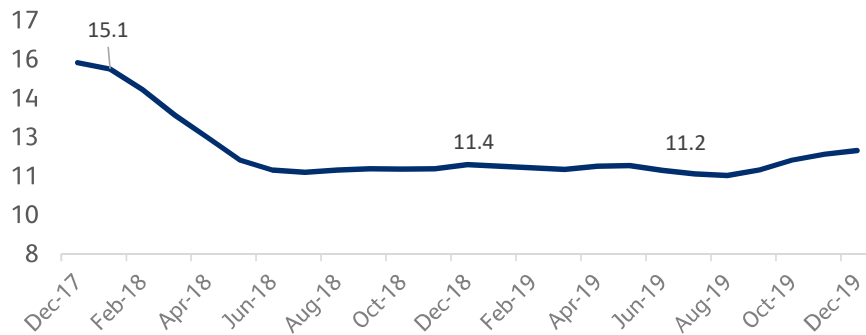


Agenda

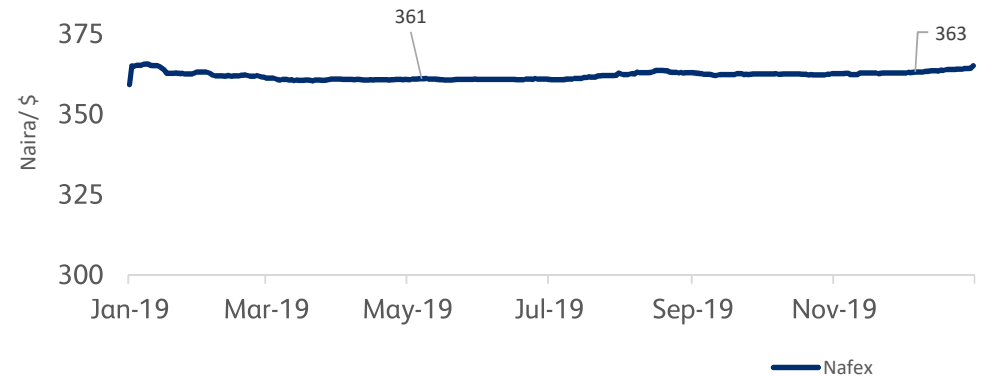
- Nigerian Breweries
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Encouraging stabilisation of macro trends

Inflation Rates(%)



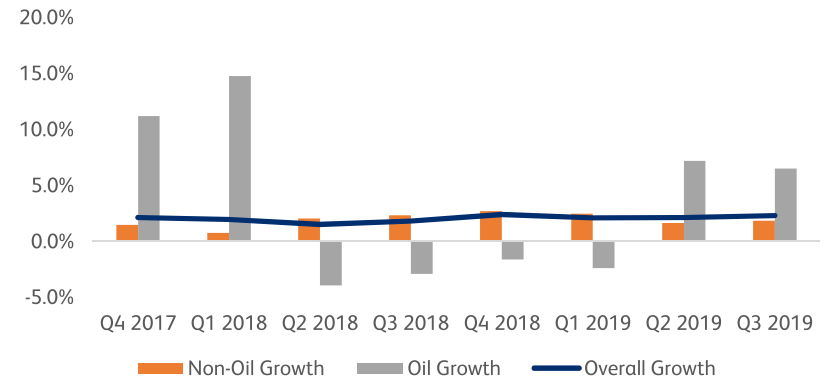
Exchange Rate (Naira/\$)



Brent crude (USD/bl)

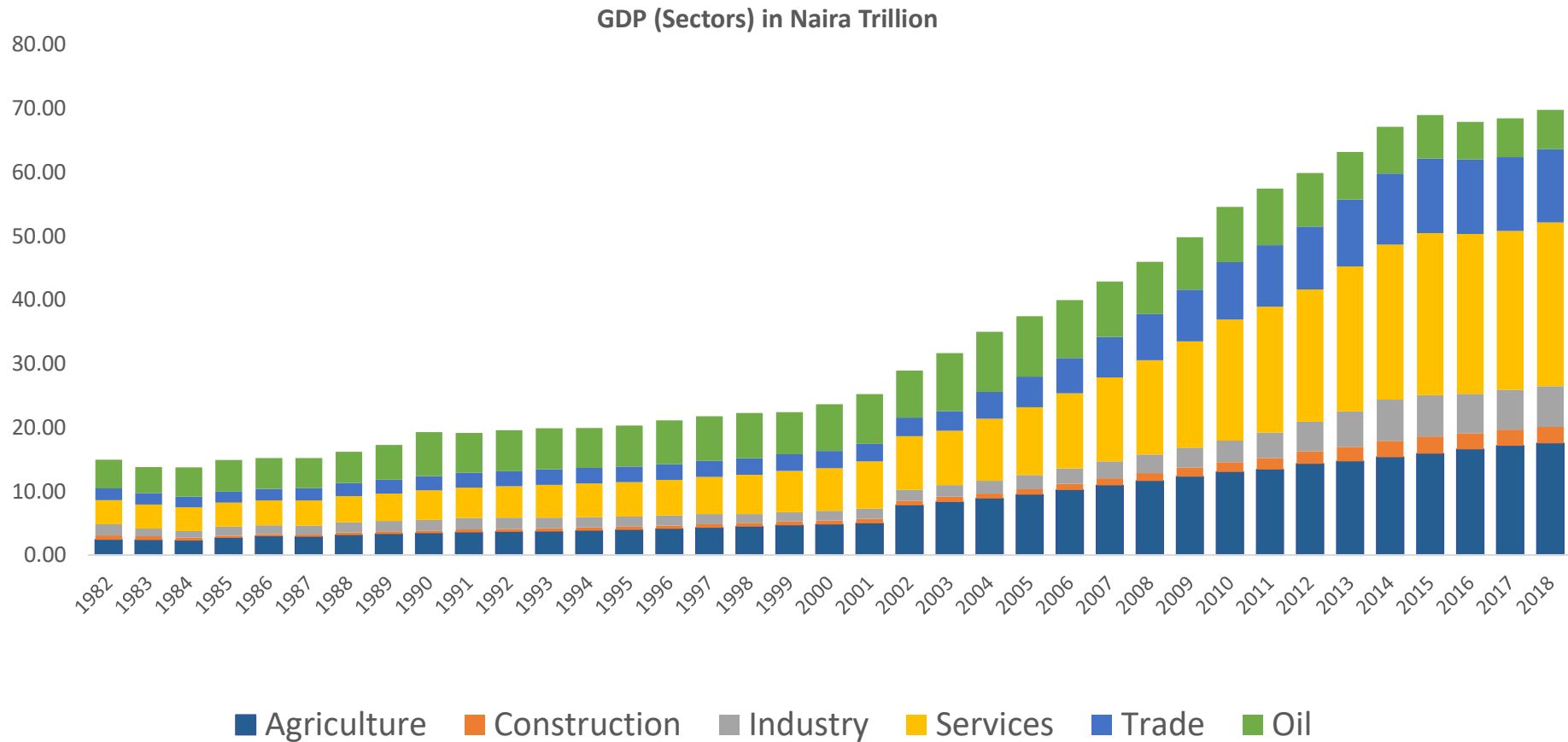


GDP Growth (%)



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

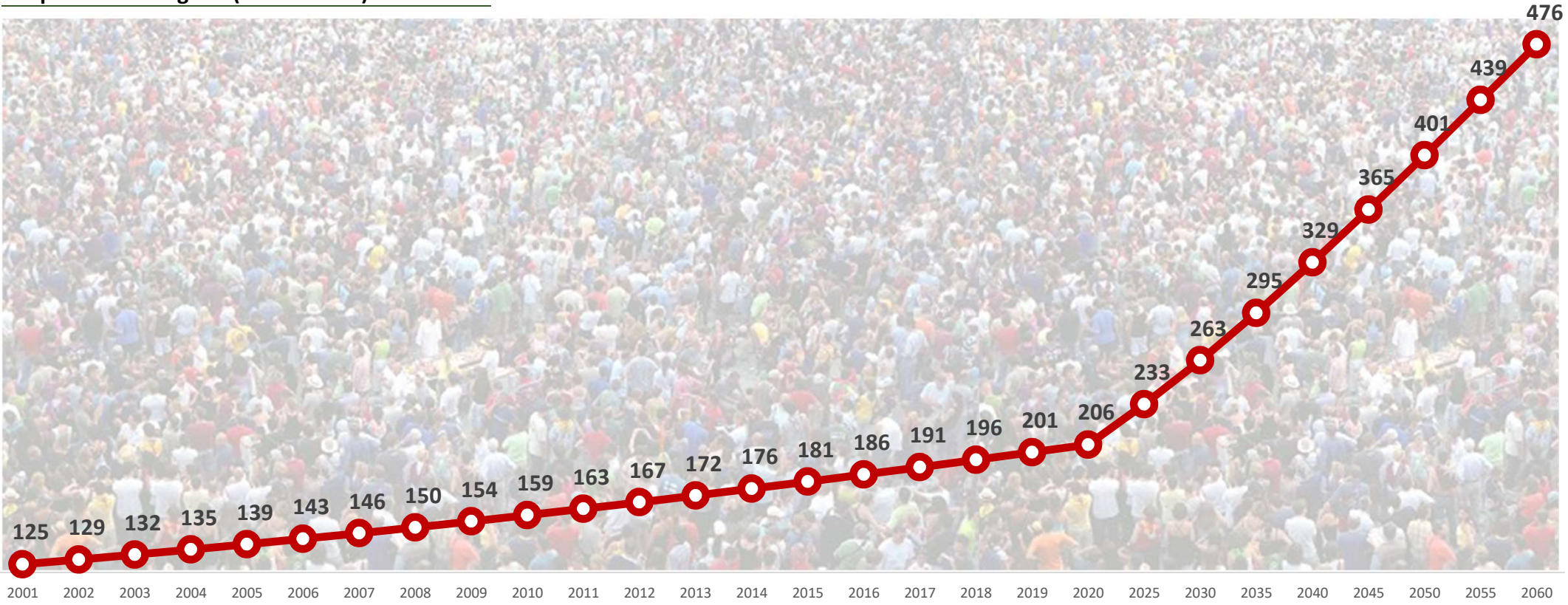
Nigerian economy is diversifying



<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)



Percentage of population below 35 years

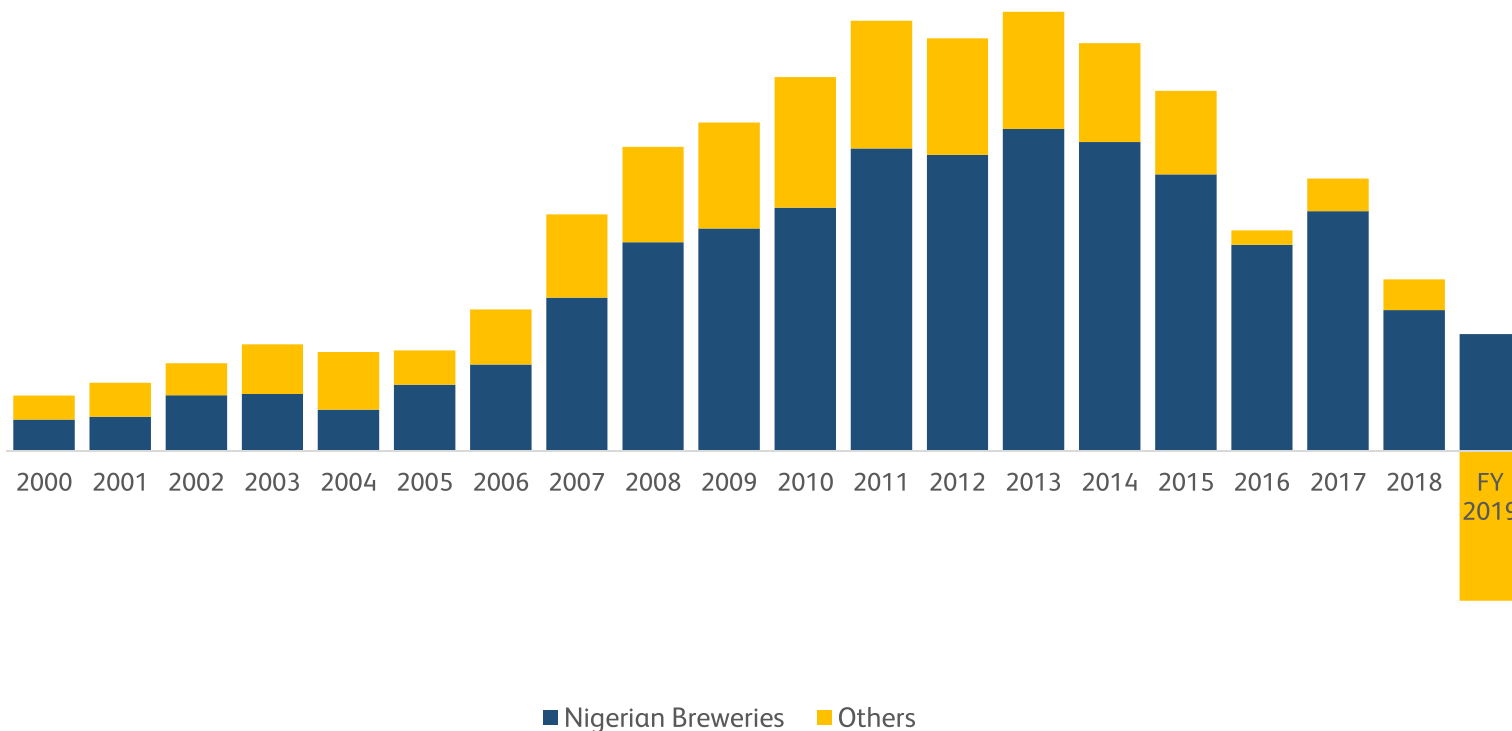


Source: United Nations, World Population Prospects (UN-WPP), 2019




Beer sector profit pool under pressure

Nigerian beer market profit pool (bn naira)



- Historically profit pool contracted due to:
 - Higher taxes
 - Consumer down trading
 - Material cost inflation
 - Promotional intensity
 - Currency devaluation

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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

Innovation and activations to Wow Nigeria!



access
THE STARS
SHINE MORE



Not for Persons Under the Age of 18.

Milestone achieved on Premium, led by Heineken®

In 2000...



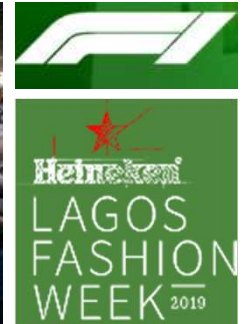
International Premium Lager
was small



In 2019...



...1 out of 10 lager beer sold
in Nigeria is an International
Premium brand



ENJOY RESPONSIBLY. NOT FOR SALE TO PERSONS UNDER THE AGE OF 18.

Our 2019 Sustainability Scorecard

PROMOTING HEALTH & SAFETY



99.4%
Life Saving Rules
Compliance

100%
Telematics installation
in Company
Vehicles

99.9%
Compliance, Alert
& Defensive Driving
Training

ADVOCATING RESPONSIBLE CONSUMPTION



BSG Collaboration:
SMASHED campaign
launched

Don't Drink &
Drive Campaign in
partnership with
FRSC

Sustained the



Heineken Campaign

GROWING WITH COMMUNITIES



EDUCATION

- Built & Furnished 16 classrooms in 3 schools
- Renovated & Furnished 26 classrooms in 4 schools
- 5th Edition of Maltina Teacher of the Year held

HEALTH

- Built new ward for a PHC in Sokoto
- Built & Equipped an Accident & Emergency Center for Dr. Awan General Hospital, Kakuri
- Donated Ultra Scan equipment to Gbaja PHC.

POVERTY ALLEVIATION

- Conducted skill acquisition workshop for 105 community youths in Awo-Omamma
- Donated Solar Powered boreholes to 2 communities in Kaduna & Ibadan
- Donated Transformers to Communities in Aba & Ijebu-Ode

Our 2019 Sustainability Scorecard

'EVERY DROP': PROTECTING WATER RESOURCES

3.9hl/hl

Water Consumption
achieved in 2019

39%

Improvement over the
Base Year, 2010

70%

Wastewater Treatment in 7
of our 10 production sites

**New Wastewater Treatment Plant under construction in Awo-Omamma Brewery*

DROP THE C, REDUCING CARBON EMISSIONS

1.5%

Thermal Energy
generated from
renewable sources

Solar Panel
Installations in
Ibadan Brewery to
generate
650kw

108MJ/hl

Combined Energy
Consumption
in 2019.

29%

Improvement
over the Base Year,
2010

SOURCING SUSTAINABLY

53%

Raw Material
sourced locally
in 2019

97%

Packaging Material
Sourced locally
in 2019

Sorghum Seed
improvement
research
sustained

Sorghum Maltose
Syrup Production
expanded

Equipping our People with Right Capabilities & Mindset

Management Training

Investing in our people capability to develop and coach teams to high performance.



Inclusion & Diversity

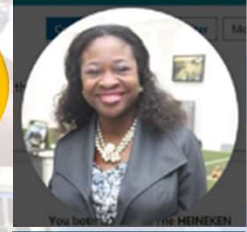
We are leveraging the power of our diversity to create an inclusive environment where everyone matters and has an equal opportunity to contribute to business success.



We empower our people through stretch projects and international assignments to become more than what they are.

Digital Capability

We are deploying digital tools to accelerate capability and prepare the workforce of the future.



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Financial Overview FY 2019

P&L Key financials	FY 2019 (N' billion)	FY 2018 (N' billion)	Change (%)
Revenue	323.0	324.4	-0.4
Cost of Goods Sold	191.8	197.5	2.9
Gross Profit	131.2	126.9	3.4
Result from Operating activities	35.3	37.0	-4.6
Operating Profit Margin	10.9%	11.4%	-48bps
Net Finance Expenses	11.9	7.6	57.0
Net Profit	16.1	19.4	-17.0
EPS (kobo)	201	243	-17.3

Financial Overview FY 2019

Key balance sheet items	FY 2019 (N' billion)	FY 2018 (N' billion)	Change (%)
Property, Plant & Equipment	201.4	203.3	-1.0
Right of Use Assets	11.0	0	0.0%
Inventories	38.5	32.5	18.4
Accounts Receivable	21.6	35.8	-39.8
Cash	6.4	14.8	-57.0
Other Assets	103.7	102.3	12.1
TOTAL ASSETS	382.5	388.8	-1.6
Non Current Liabilities	36.6	40.6	-6.0
Borrowings	55.7	42.6	26.7
Trade and Other Payables	102.7	114.9	-10.6
Other Liabilities	19.9	24.0	-16.4
Equity	167.6	166.6	-0.6
TOTAL EQUITY AND LIABILITIES	382.5	388.8	-1.6

Cash Flow

(N' billion unless otherwise stated)	FY 2019	FY 2018	Change
Cash flow from operations (before changes in working capital)	67.3	67.0	0.3
Cash generated from operating activities	65.7	61.4	4.2
Net cash from operating activities	38.6	30.6	8.0
Net cash used in investing activities	-29.8	-29.8	-0.0
Net cash used in financing activities	-15.8	-2.9	-12.9
Net increase in cash and cash equivalents	-7.0	-2.1	-4.9
Cash and cash equivalents @ 1 st January	13.3	15.4	-2.1
Cash and cash equivalents @ 31 st December	6.4	13.3	-7.0
Net debt / EBITDA ratio*	0.7x	0.4x	
Interest coverage ratio**	3.0x	4.9x	

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

Proposed dividends for 2019

Proposed Dividend for 2019:

- Total dividend ~~₺~~16.1 bn (2018: ~~₺~~19.4bn)
- Interim dividend paid: ~~₺~~0.50 per share (~~₺~~3.9bn)
- Proposed final dividend: ~~₺~~1.51 per share (~~₺~~12.1bn)
- Total proposed dividend: ~~₺~~2.01 per share (2018: ~~₺~~2.43)
- Earnings per share: ~~₺~~2.01 for 2019 (2018: ~~₺~~2.43)
- AGM date for approval: 22nd April 2020
- Payout date if approved: 23rd April 2020

In Summary during 2019...

- We regained volume growth on both lager and malt categories. Premium specifically remains on a growth path and combined with Malt provides a better mix in the revenue.
- We leverage on the power of our brands to face increased promotional intensity in the market.
- Our Cost Leadership agenda enabled us to minimize the impact on our margins as we continued to invest in our brands and production capacity.
- Our borrowings increased to reduce backlog of foreign payables.
- Our 2019 results were adversely impacted by the increased excise duty rates, despite volume growth and further premiumisation.

Outlook for 2020

- We expect to expand our business with innovations and consumer focus.
- We have passed on the VAT increase and a moderate price increase to ensure value creation is maintained.
- We aim to maintain the focus on our Cost Leadership to fuel continued investment and brand support.
- We expect to optimise our Financing Costs.
- We will leverage the capabilities of our people, empowering them and ensuring the right level of inclusion and diversity

Q&A



Winning with Nigeria