



Bralirwa

2018 Half Year Results Analyst and Investor Conference Call

29th August 2018



Bralirwa

Victor Madiela, Vice Chairman and Managing Director

Marcel Oosterveld, Finance Director

Questions From

Nick Paget (?), Frontera



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Telephone Operator

Good afternoon everyone and thank you for joining us today for the Bralirwa 2018 half year results. For your information this conference is being recorded.

There will be an opportunity for questions at the end of the conference. If you would like to ask a question please press *1. At this time I would like to turn the conference over to Bralirwa's management.

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Introduction & Key Highlights

Victor Madiela, Vice Chairman and Managing Director

Good afternoon everyone and thank you for joining today for our 2018 half year results conference call and webcast. My name is Victor Madiela, I'm the Managing Director of Bralirwa. I am joined on this call with my colleague Marcel Oosterveld, the Finance Director, and also Freddy Nyangezi, the Corporate Affairs Manager.

Before opening the call and taking your questions we would like to take you through a few opening remarks on Bralirwa's half year results, which you may have seen in our press release a few weeks ago. There are also some slides accompanying this that we have put on our website, I hope you have an opportunity to have a look at this presentation.

With that I would like to bring you through slide number 2, which is the disclaimer.

Turning to our slide number 3, I would like to start providing you with a bit of the macroeconomic colour of Rwanda. Normally the Sub-Saharan Africa regions GDP for this year is projected to grow at around 3.4%, but at the same time Rwanda is doing quite well, Rwanda is expected to grow 7.2% this year, which is quite a positive and largely higher than the average Sub-Saharan regions.

The inflation is expected to be 3.4% - 3.6% in the first half of 2018, which is also a good performance compared to the last two years when we had the inflation above 5%.

The trade deficit is continually reducing and the Government of Rwanda is doing quite well, but at the same time the Rwandan franc, the local currency, will continue to remain under pressure versus the euro and the dollar.

Let's move to slide number 4, a quick overview of the beer markets in Rwanda, in 2018 the market will remain challenging and very competitive because as you know we have very tight competition here with Skol in local production, but also a lot of small imports coming from the East Africa region where Rwanda as a country belonged to.



Consumer spending power will continue to remain constrained. The currency depreciation of course is continuing to impact our costs, but also not as high as those of the last two years.

We have also taken a price increase this year on soft drinks in March, Q1 of this year.

Slide number 5, brand development - a particularly strong performance on Mützig, which is today our brand number one in terms of volume, which is quite something exceptional. It started last year Mützig has become our brand number one in terms of volume over-passing Premus. But at the same time Premus continues to be very successful, it is today our number two brand in terms of volume. And also in Q1 this year we introduced a new brand, which is called 100% Pure Malt, which is also very promising. Amstel Pure Malt, 100% Pure Malt, which is very promising.

Let's move to slide number 6, key highlights, so you will see it, also you have seen it in our press release with volumes in the first half of the year growing by 11.5% which is quite a good performance comparing it to last year, when for the full year period, our volume went down 14.5%.

So at the same time that we grow volume 11.5%, the revenue also grew 9.7%, which should normally be 10.8%, despite the offset of excise duties of Rwf 0.4bn in the first half of the year concerning the period 2015 to 2017.

Cost of sales went up 12.1%, mainly due to higher volume and also input costs.

But despite this very high volume growth and revenue growth our operating profit remained flat from the period, due to essentially a big investment we did on our brands, supporting the brands. Maybe we'll come back to this later if you have any questions about it.

The capital expenditure remained quite in line with expectations, so there are no big surprises. Our big projects on which we spent quite significant money on capex is related to the new waste water treatment plant in our brewery.

At the same time we continue to repay our debts, which is also fully in line with our ambition to reduce our debt level.

Slide number 7, which is the overall summary of the profit and loss account, you can see it from volume, revenue, cost, all of them have been already commented on and at the bottom line you see our operating profit being stable and a small increase on the earnings per share.

Slide number 8, how do we see the outlook for the remaining part of the year mainly? We are quite - very confident that the volume will continue to increase for the second half of the year, even - slightly higher than what it was in the first half of the year we are very confident. We see a very good trend happening in the market, the total market of beer is also recovering progressively coming from the very difficult last year with the price increase. So we see quite a - very good trend in the market.



We are also at the same time continuing to keep a very, very strict cost management programme to make sure that we deliver our bottom line, which is the operating profit and margin. We continue to employ these new projects, we have also a very ambitious programme where we will continue to improve and continue innovating.

This has broadly summarised most of the elements you have already seen through our press release, but maybe more summarised in a PowerPoint presentation. So we are now open to take your questions, if you have any questions to more clarify this more, or comment, or anything that you'd like to understand more on what's happened here for the first half of this year.

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Questions and Answers

Telephone Operator

Okay, if you would like to ask a question press *1 on your telephone keypad, you will be advised when to ask your question.

We have the first question coming through, it comes from the line of Nick Paget (?) from Frontera. Please go ahead.

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Nick Paget (?), Frontera

Hello Victor and thank you for having the conference call. You've been at the helm for roughly two years now and I'd be interested in your assessment of - I guess sort of a status report. The company had some challenges when you arrived, the results had been deteriorating and you had a number of action items that needed to be addressed in terms of stemming market share losses, controlling costs, raising prices.

So now that you're two years in I'd be interested in your perspective on what you've accomplished, what remains to be accomplished, maybe what's been harder than you expected, and also what's been easier than what you might have expected? Just an overall assessment two years into your tenure.

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Victor Madiela, Vice Chairman and Managing Director

Thank you very much Sir for your question and thank you also for recognising what we are doing here quite well. You are totally right, if you were part of the call in August 2016 when I started here, so two years ago, I was actually sharing all the challenges we had.

In the context - we were two years ago, the company profit was declining year after year. So you can see that starting last year and now we are completely turning - the



trend which is going in the right direction, we are very happy also here as a management team and also very confident.

So if you ask me of course after two years in the position we are fixing most of the basic things, like bringing the company back to the top line growth, which is happening now. Also totally implementing a very, very strict and good cost management programme which is also ongoing. You see also innovation coming in; we are expanding our portfolio with new innovation. In the last two years we have been able to launch four new products in the beer category and also some of them in the soft drinks.

So overall things are going quite well. And if you ask me, coming back to your questions, what do you see going forwards, where do we need to continue focusing, and continuing strengthening to continue keeping the strong position of Bralirwa here? I would say two key elements.

The first is I think continue innovating, because the Rwandan market - the Rwandan population is more than 50% below 25 years old. And these young consumers have a lot of different expectations in terms of taste, but also in terms of quality, in terms of brands. And if you see today our portfolio most of the products we have - I like very much all our products, like Primus, like Mützig, all of them are part of our portfolio for more than 30 years, even more for some brands. So we need to continue innovating so that we get in the market, in our portfolio, products which are also talking to younger people. And this is what we are doing now, you can see Amstel Malt, but we need to continue with this.

So for me the innovation should continue to remain one of the key priorities for Bralirwa today and in the future.

The second element, I see here in Rwanda as a market, I have 20 years' experience working with Heineken now in four different markets, this is the first time I see a market being so sensitive when it comes to price. So the Rwanda market is very exceptional there. And we need to continue making sure that going forwards every time it comes to price increase, or every time it comes to affordability we need to take this very seriously, probably not only thinking about price increases when it comes to revenue management, but maybe thinking about changing the recipe in the future so that we can continue to have affordable products, but continue delivering higher margins because the production costs are totally under control.

For me these are the two elements that I think are part of the key priorities. Of course I can bring in more elements, but these two elements need to be considered because we are in a very competitive market, when most of the time we have been increasing price now in the two years, but we have the competition here who is not following our price increase for example.

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Nick Paget (?), Frontera



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Could I follow up on that and just ask in terms of market share, if you have data on what your market share is now beer and soft drinks? And do you think you're where you want to be, need to be, or what would be your target on market share?

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Victor Madiela, Vice Chairman and Managing Director

Today on the soft drink side I would say we are quite the indisputable leader here because we are the only one RGB soft drink production company in Rwanda, so we don't have relevant competition in the soft drink returnable glass bottles. The competition we have is on PET, on plastic bottles, but we still have also a very strong market share.

Where we have tough competition is from the beer side, but even in the beer side, if you remember from the previous call we had here, we are still confirming that our beer market share is quite and it will remain very strong. We are not giving a lot of details when it comes to market share. But what I can confirm with you is that until today our market share is still very strong and around 75%.

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Nick Paget (?), Frontera

Okay.

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Telephone Operator

Please be reminded, if you would like to ask a question it is *1 on your keypads now.

Okay, we have no further questions in the queue.

Apologies we have one further question just coming through now, it's again from the line of Nick Paget from Frontera. Please Nick go ahead.

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Nick Paget (?), Frontera

Thank you. I waited to allow someone else to ask but I'll press forward with one other question on my mind and that is on the expense side. Victor I know you have a strong background on - prior to coming Bralirwa as a finance director at other posts in Heineken, I know that cost control was a real focus area for you.

So my question is, you know I'm very pleased to see the volume growth, which is something that we haven't had in a while, I was a little surprised that it didn't translate into bottom line growth. So I'm guessing it was a pretty tough environment on the cost side in the first half. And from the PowerPoint it appears the expectation for the full year ought to be probably flattish profits for the full year was my takeaway. So my question is looking into 2019, do you think - what is your thought on the ability to grow the bottom line in the years beyond the current year?



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Victor Madiela, Vice Chairman and Managing Director

Thank you very much for your question, I think before I talk about 2019 I would like to say a few additional things on 2018. Yes, the first half of the year the bottom line is flat, but this is mainly due to what we explained also in the press released, we have invested a lot in terms of supporting brands. If you see in the first half of this year we have spent plus 21% more expenses than last year. So this means that in the second half of 2018, we expect to grow the bottom line.

So I can see your concern and anticipating on the flat situation at the end of the year, but this is not what we think will happen, because we are very confident that the second half of the year will be largely per as in the first half. And I hope you will see it next year when we'll be sharing the full year results. This is the commitment we have and the confidence we have.

For 2019 of course 2019 we will not share more because we will be preparing our plan for 2019 in October, but we already have some clear ideas on how we will be doing in 2019 to make sure that year after year, like we did last year going into '17, like we are doing this year, and 2019 we continue delivering growth - profit. This is the mission we have and we are very confident that every year we will be able to continue to deliver growth.

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Nick Paget (?), Frontera

Okay, very good. Thank you.

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Telephone Operator

We have no further questions in the queue, so I'll hand it over to Victor for any concluding remarks.

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Concluding Remarks

Victor Madiela, Vice Chairman and Managing Director

Okay, thank you very much. So if we have no questions I think we'll simply close the call first by thanking you, those who accepted to join and participate on this call. I hope that you are understanding more and more what we are doing for this side of Bralirwa as a management team. And we will continue working hard from this side to make sure that our investors are not only understanding what we are doing, but also being more and more happy.

Thank you very much and that's all.



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Telephone Operator

Thank you for joining today's call you may now disconnect your handsets.

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DISCLAIMER

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