

East African Breweries Limited



AUDITED RESULTS

For the year ended 30 June 2020

Net Sales
Ksh 74.9bn
-9%

Total Costs
Ksh 22.4bn
-10%

Profit After Tax
Ksh 7.0bn
-39%

Condensed consolidated statement of profit or loss

	Year ended 30 June	
	2020	2019
	Kshs 'M	Kshs 'M
Revenue	74,916	82,543
Cost of sales	(41,896)	(44,426)
Gross profit	33,020	38,117
Total costs	(22,365)	(20,302)
Profit before income tax	10,655	17,815
Income tax expense	(3,634)	(6,300)
Profit for the year	7,021	11,515
Basic earnings per share	5.2	11.2

Condensed consolidated statement of financial position

	Year ended 30 June	
	2020	2019
	Kshs 'M	Kshs 'M
Total Equity	13,993	16,155
Non-current liabilities	43,621	37,251
Total equity and non-current liabilities	57,614	53,406
Non-current assets	62,690	57,463
Working capital		
Current assets	25,986	29,602
Current liabilities	(31,044)	(33,695)
	57,614	53,406

Condensed consolidated statement of changes in equity

Year ended 30 June 2020	Share capital & Share premium	Other reserves	Retained earnings	Non-controlling interests	Total equity
At 1 July 2018	3,273	(3,875)	6,282	5,971	11,651
Total comprehensive income	-	576	8,804	2,673	12,053
Shared based payments	-	(90)	-	-	(90)
Dividends					
- Interim 2019	-	-	(1,977)	(56)	(2,033)
- Final 2018	-	-	(4,349)	(1,077)	(5,426)
At 30 June 2019	3,273	(3,389)	8,760	7,511	16,155
Total comprehensive income for the year	-	531	4,086	3,061	7,678
Transactions with non-controlling interests	-	-	140	(448)	(308)
Share based payments	-	36	-	-	36
Dividends					
- Interim for 2020	-	-	(2,372)	(892)	(3,201)
- Final for 2019	-	-	(4,745)	(1,622)	(6,367)
At 30 June 2020	3,273	(2,822)	5,869	7,673	13,993

Condensed consolidated statement of cash flows

	Year ended 30 June	
	2020	2019
	Kshs 'M	Kshs 'M
Cash generated from operations	13,636	28,491
Net interest paid	(3,805)	(3,604)
Tax paid	(6,485)	(2,321)
Net cash generated from operating activities	3,346	22,566
Net cash used in investing activities	(8,330)	(11,546)
Net cash used in financing activities	(5,358)	(1,724)
Net (decrease)/increase in cash and cash equivalents	(10,342)	9,296
At start of year	12,469	3,187
Foreign exchange impact of translation	(398)	(14)
Net (decrease)/increase in cash and cash equivalents	(10,342)	9,296
Cash and cash equivalents at end of year	1,729	12,469

The Board of Directors of East African Breweries Limited is pleased to announce its full year results for the year ended 30th June 2020.

Operating Environment:

The first half of the year was characterized by a stable operating environment which resulted in EABL reporting volume growth of 5%, sales growth of 10% and operating profit growth of 9% versus the prior period. This trend was sustained through to February 2020. In March 2020, as the Covid-19 pandemic spread globally, the first cases were reported in East Africa, leading the respective Governments to put in place measures to contain the spread of the virus. As a result, there was a significant decline in sales following the closure of outlets and restrictions on movement primarily in Kenya and Uganda. We responded by remodelling our business to provide our consumers with a variety of options including convenience stores, supermarkets and home deliveries. However, this commercial effort could not make up for lost sales, the largest share of which comes from the traditional retail outlets. Consequently, the Group embarked on costs and profitability preservation measures geared towards ensuring that the Group emerges stronger from this crisis once the measures are eased across our markets.

Financial Highlights:

- The Group's volume and net revenue declined 11% and 9% respectively with net revenue reported of Ksh 74.9 billion. The first half sales growth of 10% was offset by 29% decline in the second half, due to the Covid-19 impact.
- At country level, Kenya and Uganda revenues declined 14% and 5% respectively while Tanzania grew 14%.
- Cost of sales declined 6% while selling and distribution costs and administrative expenses declined 9% respectively as a result of cost management initiatives aimed at protecting profitability and conserving cash.
- Profit after tax declined 39% resulting from the slow down in business in the last quarter following the closure of retail outlets.
- While the Group curtailed capital expenditure in the last quarter to conserve cash, the Group invested Ksh 8.1 billion in capital projects during the year compared to Ksh 11.7 billion in the prior year. Investments during the year largely related to capacity expansion programmes across the markets and investments in environmental projects aimed at delivering biomass power and water recovery processes.

Dividend

In recognition of the uncertainty in the external environment in the face of the Covid-19 pandemic and the need to conserve cash to support the business, the Directors do not recommend a final dividend. As such, the interim dividend of Kshs 3.00 per share paid in April 2020 will be the full and final dividend for the year.

By order of the Board

Kathryne Maundu

Group Company Secretary

Date: 30th July 2020

Consolidated statement of profit or loss

	Note	Year ended 30 June	
		2020 Kshs '000	2019 Kshs '000
Revenue from contracts with customers	6(a)	74,916,259	82,543,241
Cost of sales	7(a)	(41,896,229)	(44,426,104)
Gross profit		33,020,030	38,117,137
Selling and distribution costs		(6,590,629)	(7,209,400)
Administrative expenses	8(a)	(8,565,240)	(9,398,222)
Other expenses	9(a)	(3,382,811)	(322,889)
Finance income	12(a)	164,873	120,601
Finance costs	12(a)	(3,990,964)	(3,492,577)
Profit before income tax	10	10,655,259	17,814,650
Income tax expense	13(a)	(3,634,344)	(6,299,520)
Profit for the year		7,020,915	11,515,130
Profit attributable to:			
Equity holders of the Company		4,086,477	8,877,789
Non-controlling interests	18(a)	2,934,438	2,637,341
Profit for the year		7,020,915	11,515,130
Earnings per share			
-basic and diluted (Kshs per share)	15	5.17	11.23

Consolidated statement of comprehensive income

	Year ended 30 June	
	2020	2019
	Kshs '000	Kshs '000
Profit for the year	7,020,915	11,515,130
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	657,748	610,943
Total comprehensive income for the year	7,678,663	12,126,073
Total comprehensive income for the year attributable to:		
Equity holders of the Company	4,617,270	9,453,569
Non-controlling interests	3,061,393	2,672,504
Total comprehensive income for the year	7,678,663	12,126,073

Consolidated statement of financial position

	Note	At 30 June	
		2020 Kshs '000	2019 Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Other reserves	17	(2,821,327)	(3,388,566)
Retained earnings		5,869,572	8,760,247
		6,320,943	8,644,379
Non-controlling interests	18	7,672,325	7,510,372
Total equity		13,993,268	16,154,751
Non-current liabilities			
Deferred income tax	19(a)	5,568,697	6,136,317
Borrowings	31(a)	36,900,000	31,115,178
Lease liabilities	32(a)	1,151,841	-
		43,620,538	37,251,495
Total equity and non-current liabilities		57,613,806	53,406,246
Non-current assets			
Property, plant and equipment	20(a)	56,734,910	53,037,811
Right-of-use assets	21(a)	1,577,415	-
Prepaid operating lease rentals	22(a)	-	7,167
Intangible assets – Software	23(a)	602,036	621,076
Intangible assets – Goodwill	24(a)	2,831,130	2,743,001
Intangible assets – Brand	24(b)	481,219	463,430
Other financial assets	26	10,000	10,000
Deferred income tax	19(a)	453,277	580,761
		62,689,987	57,463,246
Current assets			
Inventories	27(a)	10,916,370	7,368,012
Trade and other receivables	28(a)	5,681,444	8,222,994
Current income tax		3,708,970	1,363,112
Derivative financial instruments	29	-	179,678
Cash and bank balances	35(b)	5,661,635	12,468,585
		25,968,419	29,602,381

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Consolidated statement of financial position (continued)

		At 30 June	
		2020	2019
		Kshs '000	Kshs '000
Current liabilities			
Trade and other payables	30(a)	21,731,083	27,864,192
Dividends payable		815,661	590,623
Borrowings	31(a)	4,106,253	5,204,566
Lease liabilities	32(a)	459,265	-
Bank overdraft	35(b)	3,932,338	-
		31,044,600	33,659,381
Net current liabilities		(5,076,181)	(4,057,000)
		57,613,806	53,406,246

The financial statements on pages 20 to 94 were approved for issue by the board of Directors on 29 July 2020 and signed on its behalf by:

Mr. Andrew Cowan
 Group Managing Director

Ms. Risper G Ohaga
 Group Chief Financial Officer

Company statement of financial position

	Note	At 30 June	
		2020 Kshs '000	2019 Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Other reserves	17	48,310	26,184
Retained earnings		16,578,125	13,634,161
Total equity		19,899,133	16,933,043
Non-current liabilities			
Borrowings	31(b)	36,900,000	31,115,178
Lease liabilities	32(b)	10,986	-
		36,910,986	31,115,178
Total equity and non-current liabilities		56,810,119	48,048,221
Non-current assets			
Property and equipment	20(b)	480,265	549,171
Right-of-use assets	21(b)	26,458	-
Intangible assets – software	23(b)	122,344	125,303
Investment in subsidiaries	25	40,620,200	39,955,009
Other financial assets	26	10,000	10,000
Receivables from related parties	36(b)	27,894,760	18,618,264
Deferred income tax	19(b)	442,533	507,688
		69,596,560	59,765,435
Current assets			
Trade and other receivables	28(b)	2,096,784	1,150,474
Current income tax		1,812,745	1,771,712
Derivative financial instruments	29	-	179,678
Cash and bank balances	35(b)	3,616,403	9,020,367
		7,525,932	12,122,231
Current liabilities			
Trade and other payables	30(b)	12,674,504	18,248,822
Dividends payable		815,661	590,623
Bank overdraft	35(b)	2,804,807	-
Borrowings	31(b)	4,000,000	5,000,000
Lease liabilities	32(b)	17,401	-
		20,312,373	23,839,445
Net current liabilities		(12,786,441)	(11,717,214)
		56,810,119	48,048,221

The financial statements on pages 20 to 94 were approved for issue by the board of Directors on 29 July 2020 and signed on its behalf by:

Mr. Andrew Cowan
 Group Managing Director

Ms. Risper G Ohaga
 Group Chief Financial Officer

Consolidated statement of changes in equity

Year ended 30 June 2020

	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non- controlling interest	Total equity
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2019	1,581,547	1,691,151	(3,388,566)	8,760,247	8,644,379	7,510,372	16,154,751
Total comprehensive income							
Profit for the year	-	-	-	4,086,477	4,086,477	2,934,438	7,020,915
Other comprehensive income	-	-	530,793	-	530,793	126,955	657,748
Total comprehensive income for the year	-	-	530,793	4,086,477	4,617,270	3,061,393	7,678,663
Transactions with owners of the Company							
Purchase of additional interest in a subsidiary (Note 18)	-	-	-	(308,147)	(308,147)	-	(308,147)
Adjustment arising from change in non-controlling interests (Note 18)	-	-	-	447,964	447,964	(447,964)	-
Share based payment reserve (Note 17(a))	-	-	22,126	-	22,126	-	22,126
Employees share ownership plan (Note 17(a))	-	-	14,320	-	14,320	-	14,320
Dividends:							
- Interim for 2020	-	-	-	(2,372,323)	(2,372,323)	(829,042)	(3,201,365)
- Final for 2019	-	-	-	(4,744,646)	(4,744,646)	(1,622,434)	(6,367,080)
Total transactions with owners of the Company	-	-	36,446	(6,977,152)	(6,940,706)	(2,899,440)	(9,840,146)
At 30 June 2020	1,581,547	1,691,151	(2,821,327)	5,869,572	6,320,943	7,672,325	13,993,268

Consolidated statement of changes in equity (continued)

Year ended 30 June 2019

	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non- controlling interest	Total equity
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2018	1,581,547	1,691,151	(3,874,224)	6,282,471	5,680,945	5,971,091	11,652,036
IFRS 9 transition adjustment	-	-	-	(73,819)	(73,819)	-	(73,819)
Total comprehensive income			-				
Profit for the year	-	-	-	8,877,789	8,877,789	2,637,341	11,515,130
Other comprehensive income	-	-	575,780	-	575,780	35,163	610,943
Total comprehensive income for the year	-	-	575,780	8,877,789	9,453,569	2,672,504	12,126,073
Transactions with owners of the Company			-				
Share based payment reserve (Note 17(a))	-	-	11,600	-	11,600	-	11,600
Employees share ownership plan (Note 17(a))	-	-	(101,722)	-	(101,722)	-	(101,722)
Dividends:			-				
- Interim for 2019	-	-	-	(1,976,935)	(1,976,935)	(55,240)	(2,032,175)
- Final for 2018	-	-	-	(4,349,259)	(4,349,259)	(1,077,983)	(5,427,242)
Total transactions with owners of the Company	-	-	(90,122)	(6,326,194)	(6,416,316)	(1,133,223)	(7,549,539)
At 30 June 2019	1,581,547	1,691,151	(3,388,566)	8,760,247	8,644,379	7,510,372	16,154,751

Consolidated statement of cash flows

	Notes	At 30 June	
		2020 Kshs '000	2019 Kshs '000
Operating activities			
Cash generated from operations	35(a)	13,636,327	28,491,403
Interest received	12(a)	164,873	120,601
Interest paid on borrowings		(3,865,182)	(3,725,127)
Interest paid on lease liabilities	32(a)	(104,349)	-
Income tax paid		(6,484,820)	(2,321,074)
Net cash flows from operating activities		3,346,849	22,565,803
Investing activities			
Purchase of property, plant and equipment	20(a)	(7,952,915)	(11,676,964)
Purchase of intangible assets - software	23(a)	(163,187)	(91,614)
Purchase of additional interest in a subsidiary	18(b)	(308,147)	-
Proceeds from disposal of property, plant and equipment		93,992	222,364
Net cash used in investing activities		(8,330,257)	(11,546,214)
Financing activities			
Repayment of principal portion of lease liabilities	32(a)	(473,709)	-
Dividends paid to Company's shareholders	14	(7,131,156)	(6,298,182)
Dividends paid to non-controlling interests		(2,451,476)	(1,133,223)
Proceeds from borrowings	31(a)	23,400,000	17,334,800
Repayment of borrowings	31(a)	(18,716,209)	(11,525,326)
Movement of treasury shares	17	14,320	(101,722)
Net cash used in financing activities		(5,358,230)	(1,723,653)
Net (decrease)/increase in cash and cash equivalents		(10,341,638)	9,295,936
Movement in cash and cash equivalents			
At start of year		12,468,585	3,187,125
Foreign exchange impact on translation		(397,650)	(14,476)
Net (decrease)/increase during the year		(10,341,638)	9,295,936
At end of year	35(b)	1,729,297	12,468,585