



Distell Group Limited

ANALYST PRESENTATION
AUGUST 2014



2013/14

Overview of Distell Business

Company Snapshot – Key 2014 numbers

R17.7 bn in total reported revenue – an increase of **12.8% over FY2013**

620 m litres sold – an increase of **3.1% over FY2013**

17.71% return on shareholder equity

R2.7 bn reported operating profit – an increase of **22.8% over FY2013**

R2 bn normalised operating profit an increase of **8.1% over FY2013¹**

¹ FY2014 includes 12 months BSD results, FY2013 included 3 months BSD results

Company Snapshot

Our global footprint



By the numbers

- R30.6 bn market cap¹
- ~5300 employees
- 11 wineries
- 6 distilleries
- 3 single-malt distilleries
- 19 SA sales offices
- 8 international sales office

¹ As at 22/08/2014

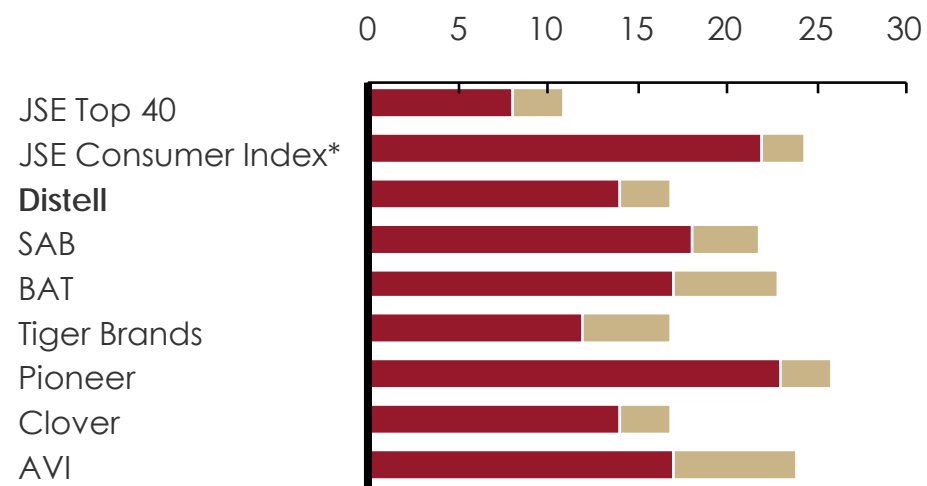
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Our Track Record – Outperforming the JSE top 40 & growth in consumer spend

- Delivered superior returns on the JSE
- Revenue growth 300 bps above growth in spend on SA food, beverages & tobacco
- Investment phase underway to assure competitiveness and drive long-term growth

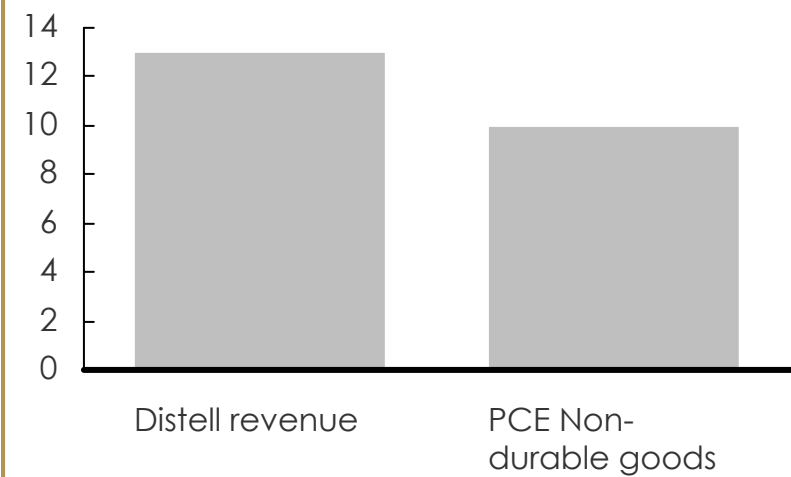
Total shareholder return
%, June '07 – June '14

■ Share price return
□ Dividend return



Distell Revenue vs. SA Private Consumption
Expenditure (Non-Durables)

CAGR %, FY 2005-2014



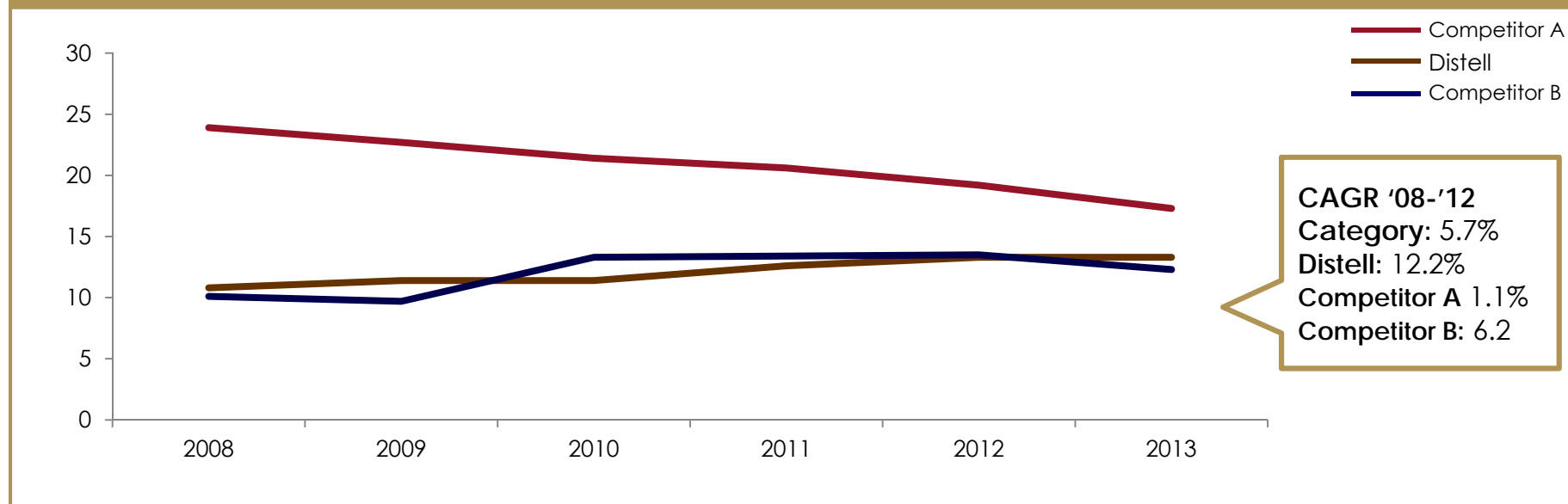
* Includes SAB, BAT, Tiger Brands, Pioneer, Clover and AVI

Source: Bloomberg, Distell, BER, StatsSA

Our track record – Accelerating towards global cider category leadership

- Distell currently 2nd largest cider producer globally with aspiration to achieve global category leadership
- Distell has a unique emerging market cider footprint vs. other leading cider producers
- Savanna now exported to >60 countries globally, up from 5 countries a decade ago

% Share of Global Cider Volumes



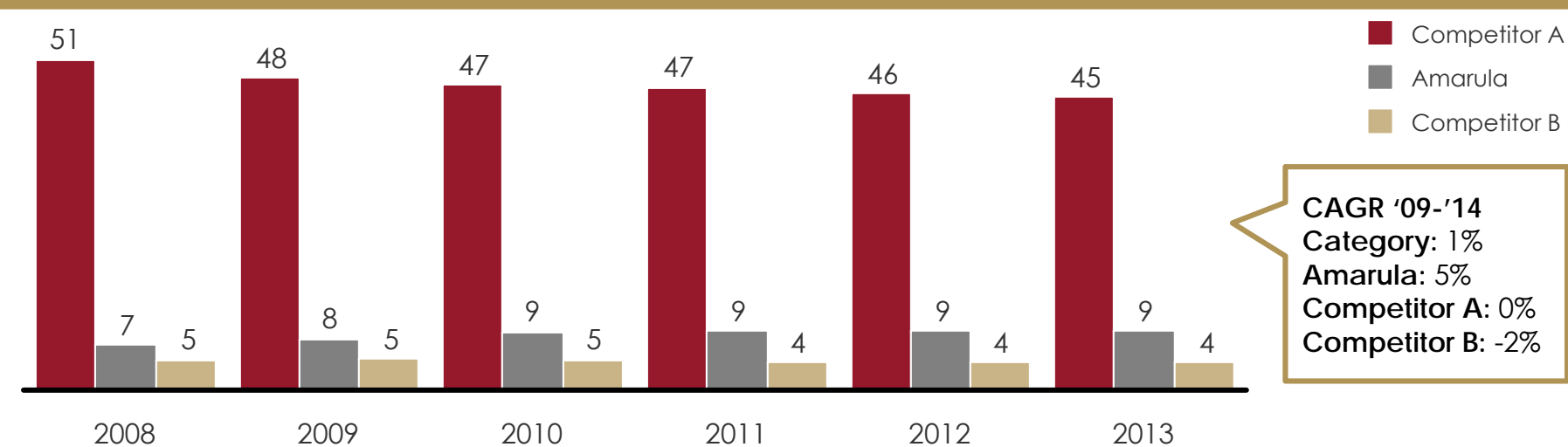
Source: Euromonitor

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Our track record – Building brands on the global stage

- Amarula 2nd largest global cream liqueur brand outpacing global cream liqueur category growth
- Amarula ranks among top 100 premium global spirits brands
- Innovation programme ramped up

% Volume Share of Global Cream Liqueur Category



Source: IWSR

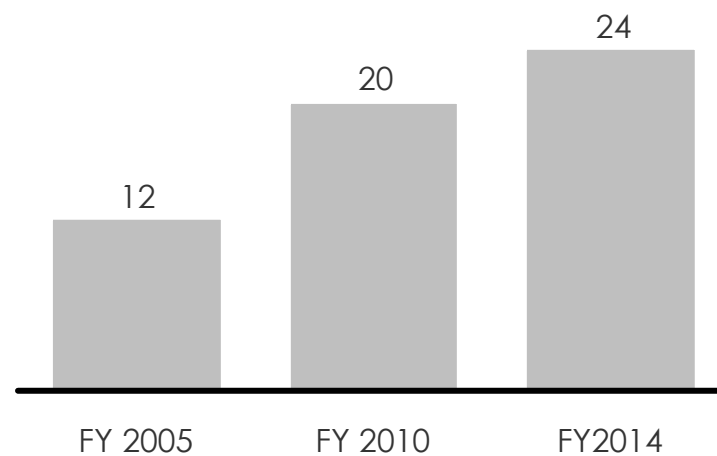
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Our Track Record – Sustained Share Gain of SA Wine Exports

- Distell is SA's leading wine exporter
- SA wine industry and Distell need to build premium offerings
- Advanced economies highly competitive, Africa a substantial opportunity

- | | |
|--------------------|---|
| 2005 - 2010 | • Gained significant listings in Canada and Sweden (monopoly markets) |
| <hr/> | |
| 2008 - 2013 | • Pioneered sparkling wine category in Africa: JC le Roux stellar success |
| <hr/> | |
| 2010 | • Gained significant listings in Netherlands |
| <hr/> | |
| 2011 | • Acquired equity stake in Brand Phoenix (RTM capability for large retailers) |
| <hr/> | |
| 2011 - 2014 | • Gained listings in Finland (Monopoly market) |
| <hr/> | |
| 2014 | • Established own route to market (import, marketing & sales in USA) |

Distell's % Volume Share of SA Packaged Wine Exports



Source: Distell, SAWIS
Note: FY 2005 excludes Africa data

Distell's core strengths & key competitive advantages

- **Differentiated brand and product portfolio** straddling all key occasions
- Brands **with rich provenance and authenticity**
 - South Africa's Winelands
 - Historic French cognac region
 - Wind-swept Scottish Isles
- Portfolio ideally suited to **intermediate premiumisation** in developing markets
- **Strong balance sheet** position
- Impressive **agricultural asset base** with potential to unlock value
- Organisational culture that **thrives on innovation**
- A **diverse pool of talented professionals**

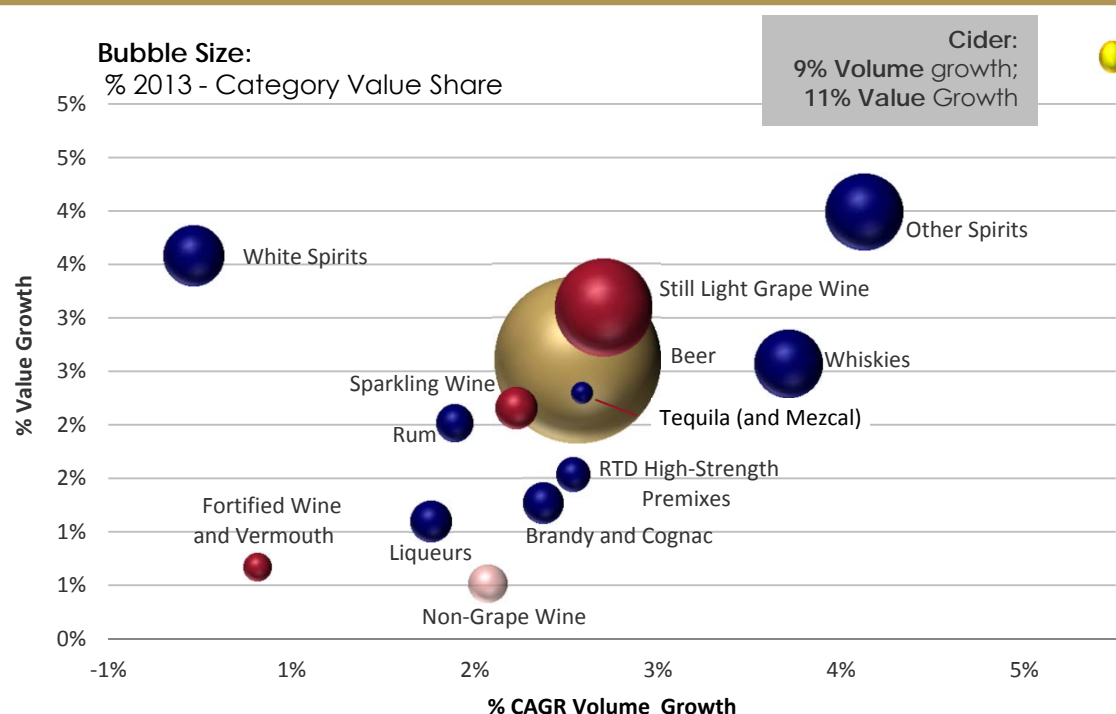


2013/14

Alcoholic beverages landscape

Cider, whisky and local spirits growing, while brandy contracts

Alcoholic Beverage Categories: Global Value and Volume Growth Outlook CAGR 2014-2018



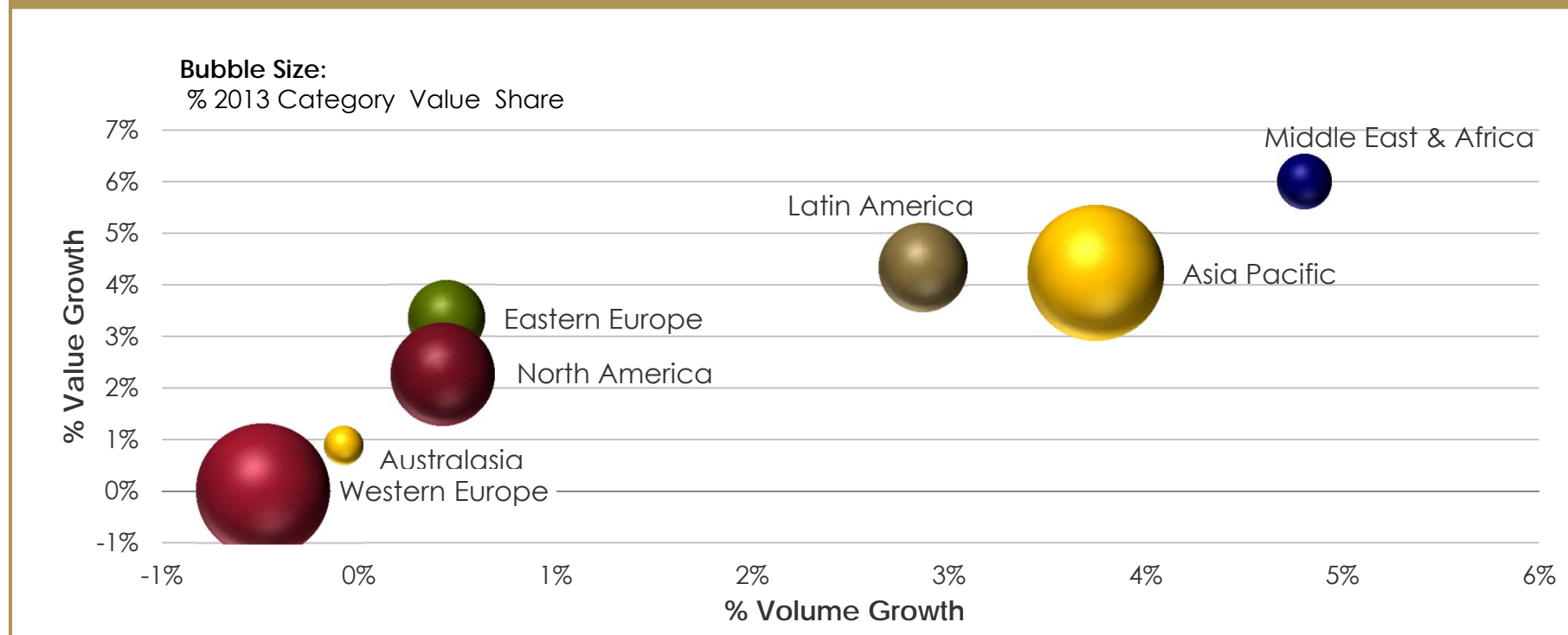
- Premiumisation, craft and flavor innovations are key growth drivers
- **Scotch malt whisky growth outpacing all other whisky forms**
- Craft & flavored beer adding impetus to stagnant beer category
- **Cider remains fastest growing alcohol category globally**
- Brandy continues global decline
- Wine – ongoing premiumisation trend
- Wine declines in important traditional markets
- Significant increase in global demand for Rose' wines

Source: Euromonitor 2014 & IWSR 2014

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Africa is our growth story

Geographic Regions: Alcoholic Beverage Value & Volume Growth Outlook CAGR 2014-2018

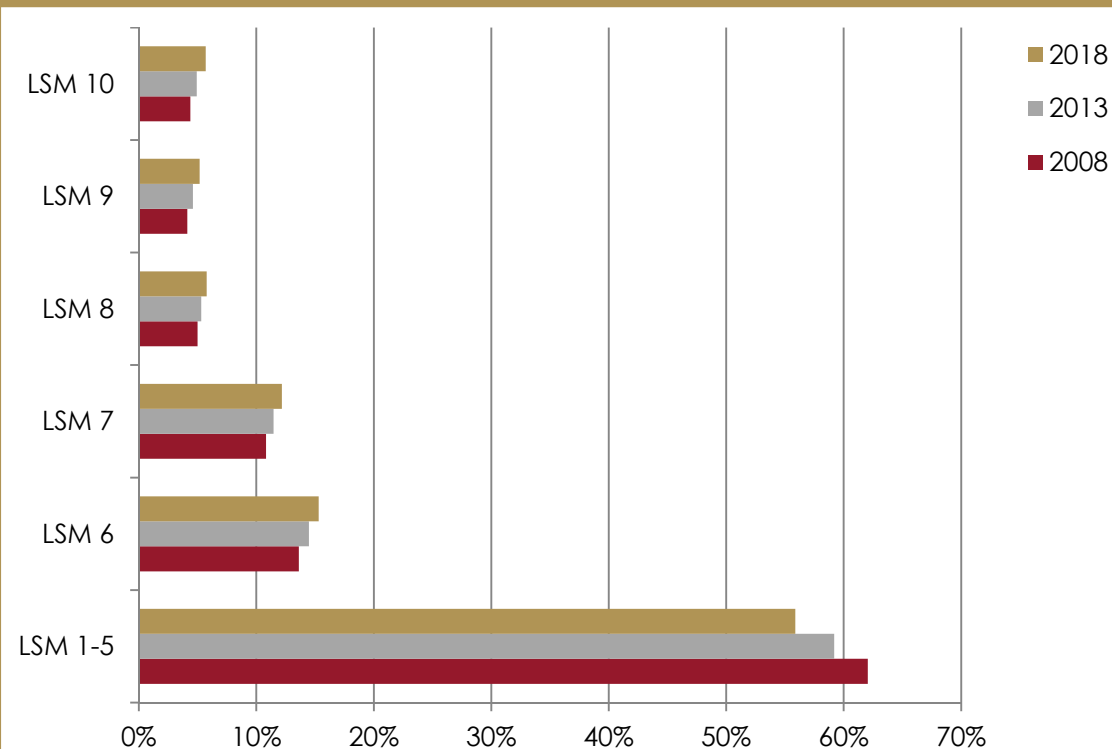


Source: Euromonitor 2014 & IWSR 2014

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South African Market – Favourable demographics supportive of future growth

SA % Share of Working Age Population by Income Group



LSM 9-10: High Income Earners

- Luxury goods and occasions are key to display wealth

LSM 6-8: Middle Class

- Growing middle class with status and lifestyle aspirations
- Brands & occasions with badge value are very important

LSM 1-5: Bottom of the Pyramid

- Struggling low income earners declining but still sizable population
- Affordability and accessibility key drivers of consumption

Source: Canback & Company 2014

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Distell innovations playing to global consumer trends

Craft – Consumer demand for authentic artisanal product offerings & experiences



Distell innovations playing to global consumer trends
Rise of the Curious Consumer....seeking new physical, emotional & sensory experiences



"The fact it is **so dark** is intriguing, it makes me want to know **what's inside**"

"**Pioneering** exotic real marula fruit spirit aperitif **extends the versatility** of Amarula"

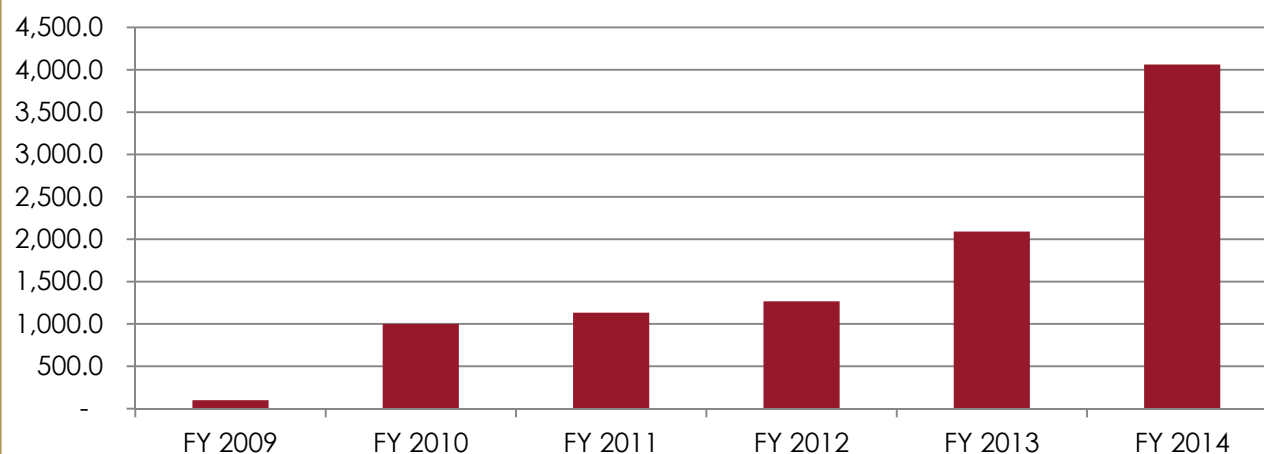


Capitalizing on the shift to whisky - the Bain's success story

- Leverages on growth in bourbon and craft whisky coupled with our unique Wellington location
- Double digit volume growth since 2009 launch and growing strongly
- Bain's Cape Mountain Whisky wins international awards with its superior quality credentials
 - International Wine & Spirits Challenge (IWSC) – 2010 (best in class whisky)
 - Gold medals in 2011, 2012, 2013 and 2014
 - 2013 World Whisky Awards: World's Best Grain Whisky

CAGR '09-'14
Bain's volumes: 110%
(FY2014 volume ~double
FY2013)

Bain's Sales Volumes
Index 2009: 100



SOURCE: Distell management reports

Key Strategic Challenges

Industry Strategic Challenges

- **Market consolidation** at both a retail and brand owner level
- Intensifying **regulatory pressure** on alcoholic beverages
- Technological advances driving **innovation**
- **Africa market** landscape is changing fast – increasing market **sophistication & formalisation**
- South Africa: Restore share in a mature market with **premiumisation potential**
- MNCs aggressively and continuously **driving cost efficiencies** via global supply chain and business model initiatives

Distell's Strategic Response

- **Geographic diversification and global marketing capability** – in particular expanding African markets
- Increase participation via industry forums to support industry self regulation
- Continued **innovation focus** ahead of the curve
- Rapidly **expand Distell's local footprint in Africa** and build RTM capabilities
- Step change our **sales** and **marketing capabilities** and **market reach** in SA
- Programme launched to drive **cost and business model efficiencies** to complement current business improvement initiatives



2013/14
Business Highlights –

Salient Features of Our
Performance

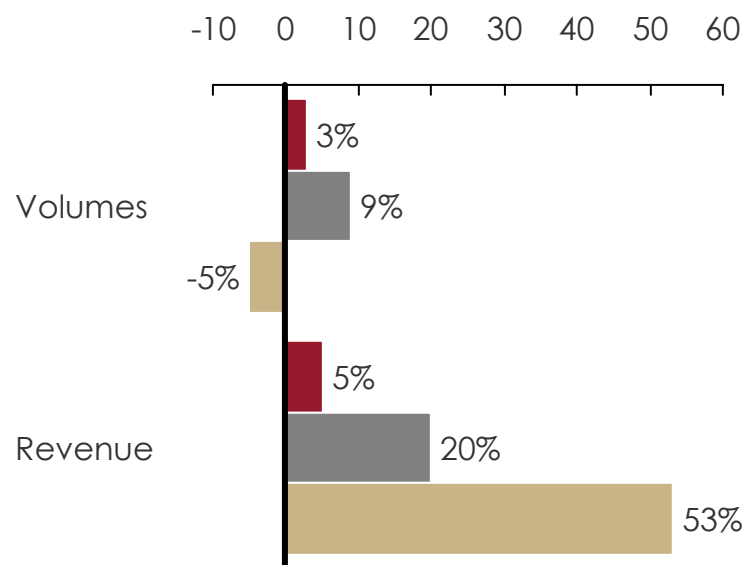
1 Continued growth in volume & revenue

Resilient performance in challenging market conditions

■ RSA ■ Rest of Africa¹ ■ International

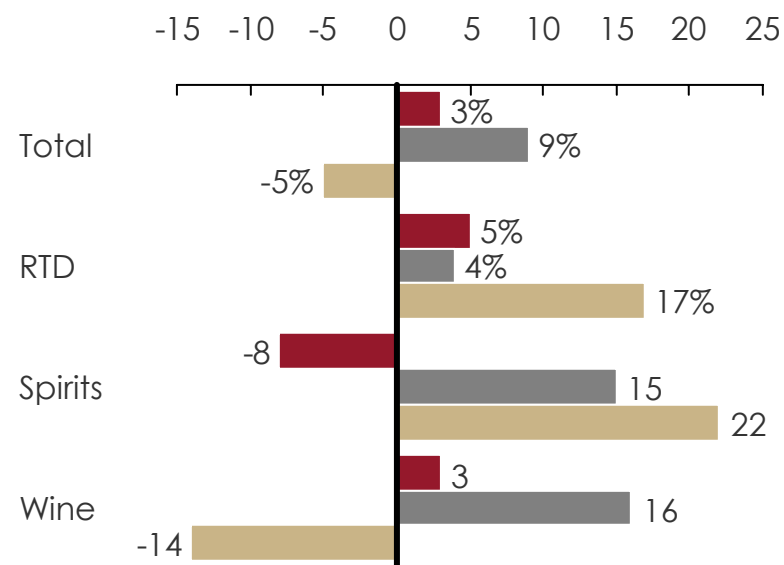
Group volume and revenue growth

FY2013-2014, % YoY growth



Group reported volume by category

FY2013-2014, % YoY growth



¹ Including BLNS

Source: Distell management reports

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2 Distell's geographic diversification is gaining momentum

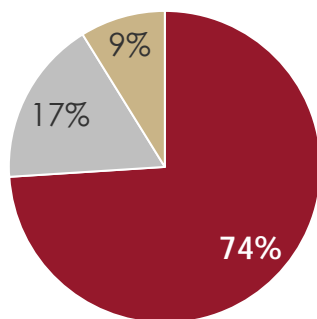
- BSD acquisition announced in April 2013
- Ghana greenfield commenced production in March 2014
- Land secured in Angola in December 2013
- Nigeria greenfield announced in January 2014
- KWAL privatisation of 26% equity concluded post FY 2014

■ RSA ■ Rest of Africa¹ ■ International

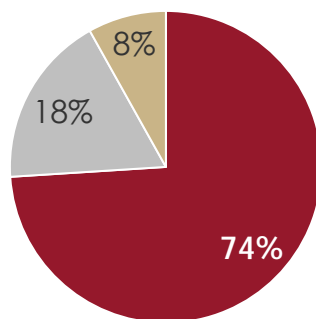
Volumes by region

%

FY2013



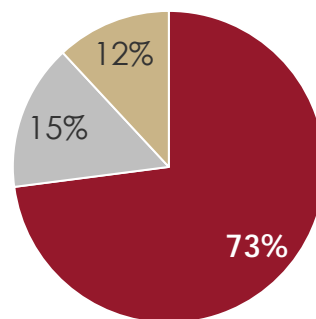
FY2014



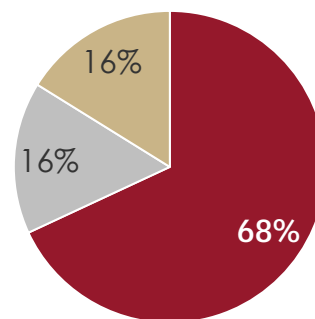
Revenue by region

%

FY2013



FY2014



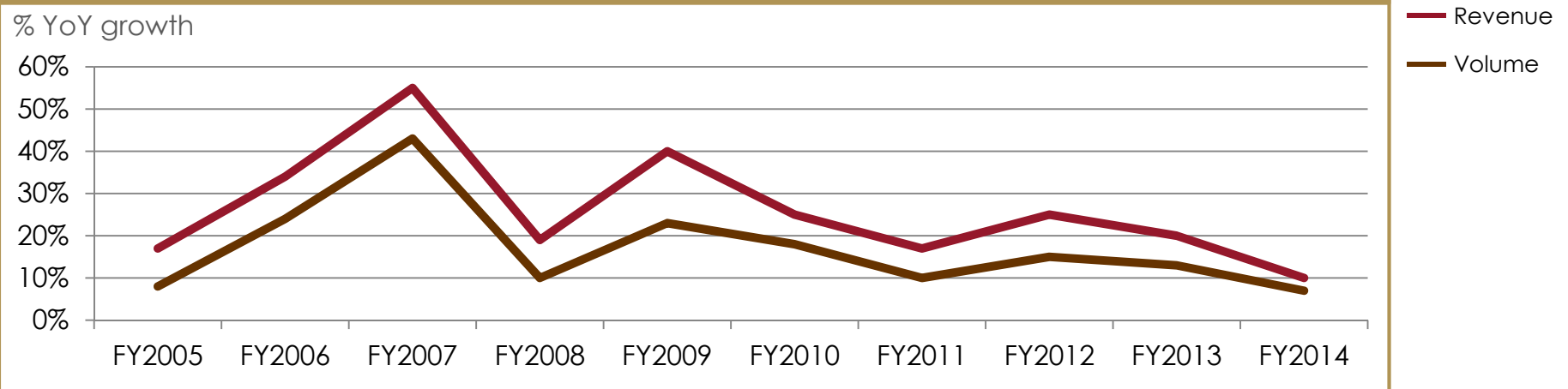
¹ Including BLNS

Source: Distell management reports 2014

3 Portfolio: Cider is core to Distell's value proposition

- Strong **sustained growth** over more than a decade
- Corporate strategic aspiration: The **#1 global cider company**
 - Pursue **innovation** and drive value through revenue management
 - **Africa** has **significant upside** for cider and 'near beer' refreshment offerings
 - Focused strategy to expand in **targeted international** markets
 - **SA cider market maturing**-drive innovation

Historical volume and revenue trend

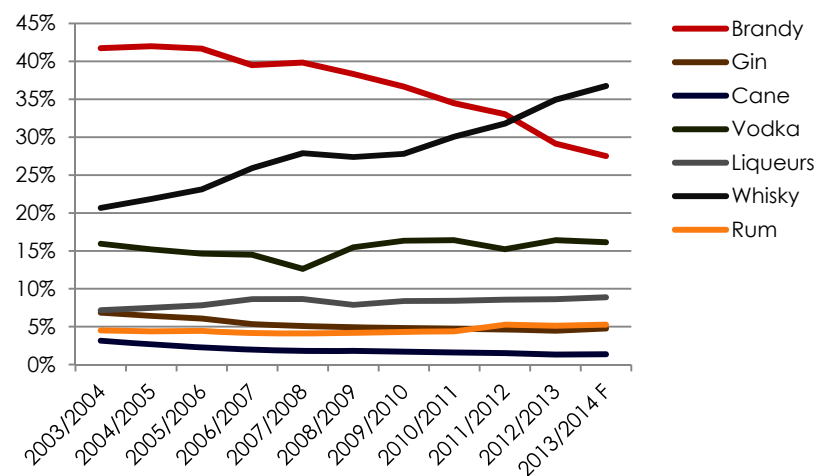


Source: Distell management reports 2014

4 Spirits category shifts in favour of Whisky

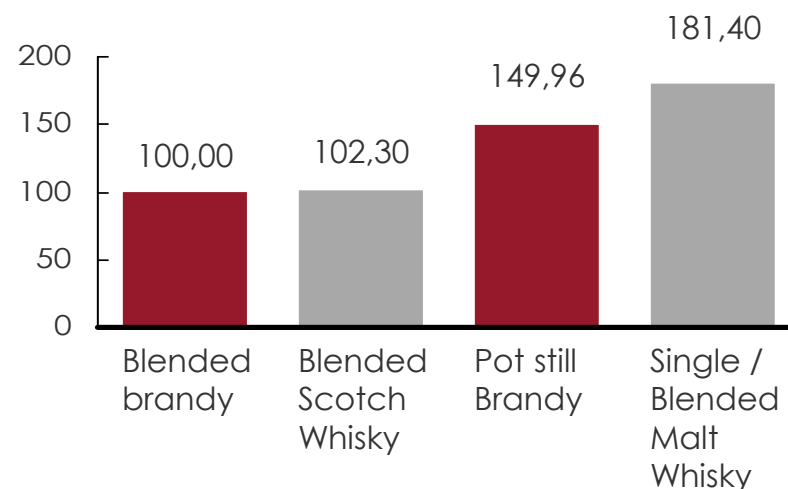
- Whisky gaining share of spirits on a global level and in SA
- Significant opportunity for margin expansion
- Distell competitively positioned with strong portfolio of SA and Scotch Whisky brands
 - Strong double digit growth from Three Ships and Bain's Cape Mountain Whisky in SA
- **Brandy sales impacted by significant excise tax burden (50% of RSP)**

% Volume Share of Total Spirits Sales in



Gross Margin: Brandy vs Whisky

Indexed Values Blended Brandy=100



Source: SALBA; Distell management reports

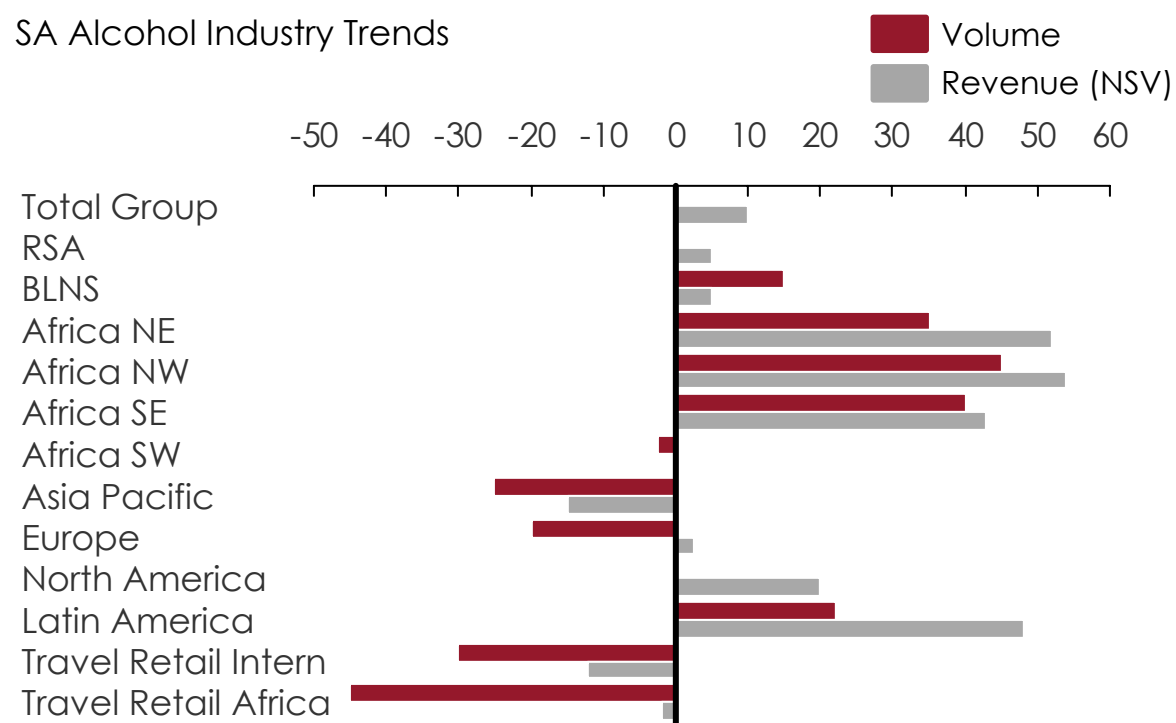
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Wine remains strategically relevant for portfolio diversification and future growth

- Wine category **resilient** to economic & industry headwinds in SA
- Significant potential for **premiumisation** in SA & Africa
- **Africa** potential for **accessible** wines
- **International** region facing substantial **challenges**:
 - Eurozone performance
 - Growth of 'old world' wines in the Nordics
 - Soft performance in Germany
 - Highly competitive UK market
 - Aggressive retailer discounting

Wine volume and revenue growth FY2013-2014, % YoY growth

SA Alcohol Industry Trends





The journey ahead...

Distell's Corporate Strategy

Distell's strategic intent

Purpose

'We exist to provide unique moments of social enjoyment through the responsible marketing of well crafted ciders, wines and spirits'



Mission

'We craft distinctive alcoholic beverage brands, enhance memorable moments and inspire responsible enjoyment'

'The value we create will enrich the lives of our people, shareholders and the communities within which we live and work.'

Vision

'We are a proud African alcoholic beverage company with heritage, global reach, world-class people and the ability to do extra-ordinary things!'

Strategic Direction & Aspirations

- A dominant **regional** alcoholic beverage **brand** and **RTM owner**
- **#1 Cider company** globally
- **#2** Alcoholic beverages company in **SA**
- **Leading regional** alcoholic beverages player in **Africa**
- **Diversify geographic base** and step-change growth
 - ✓ One or two other continents
 - ✓ Drive scale not possible through organic growth
- **Integrate BSD acquisition** and leverage our **single malt Scotch whiskies**
- **Aspire to become a differentiated player** - premium spirits and wines
- **Enhance operating margins**, improve **cost** and **working capital efficiency**
- **Unlock value** from our wine brand portfolio and farm assets
- Explore **strategic alliances** to address opportunities & gaps

Our 6 strategic themes





Medium Term Outlook



Medium term prospects for Distell

- **Economic conditions remain volatile**, projected to moderately improve
 - Uncertain & challenging SA economy
 - Growth expected in developing markets
 - Heightened geopolitical risks
- Distell positioning itself for **sustainable long-term real growth**
- Substantial investments to expand **geographic reach**, build **organisational capability** and **grow core power brands**
- Organization-wide **cost reduction project** and **lean supply chain initiatives** underway
- **Margin expansion** and **profit growth** to accelerate in medium term

Disclaimer

This presentation contains 'forward-looking' statements, including specifically all statements that express market forecasts; Distell's commentary on macro and industry related market trends; and projections related to Distell's business strategy.

All forward-looking statements contained in this presentation involve risk and uncertainty since they are dependent on assumptions of circumstances that will occur in the future. There are multiple variables which could cause actual results to differ from the forward-looking statements which are not within Distell's management control. Such variables include, but are not limited to, political, macro and socio-economic changes; legal and regulatory changes; litigation developments; technological changes; environmental risks and changes in consumer trends, among others. As such, Distell is not liable for any financial or other losses incurred arising from investment decisions made on the basis of forward-looking statements contained in this presentation.

All forward-looking statements made by Distell apply only as of the date they are made. There is no obligation on Distell in the future to provide updates on forward-looking statements contained in this presentation to reflect any changes in Distell's projections with regard thereto or any changes in events or underlying assumptions on which any such statement is based.



Financial Results

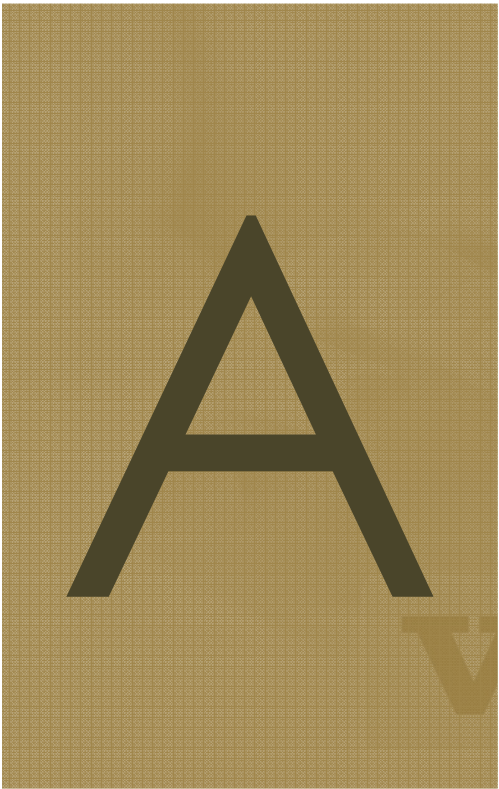
Merwe Botha –
Financial Director

Index

A	Delivering value
B	Revenue growth
C	Operating costs
D	Earnings and profit performance
E	Investment in operating assets
F	Cash flow and financing
G	Burn Stewart
H	Dividends <ul style="list-style-type: none">• 7 year CAGR (Total)



Delivering value



A

- 1 Managing the underlying drivers of shareholder value
- 2 Rewarding shareholders
- 3 Benefiting all stakeholders
- 4 Salient features

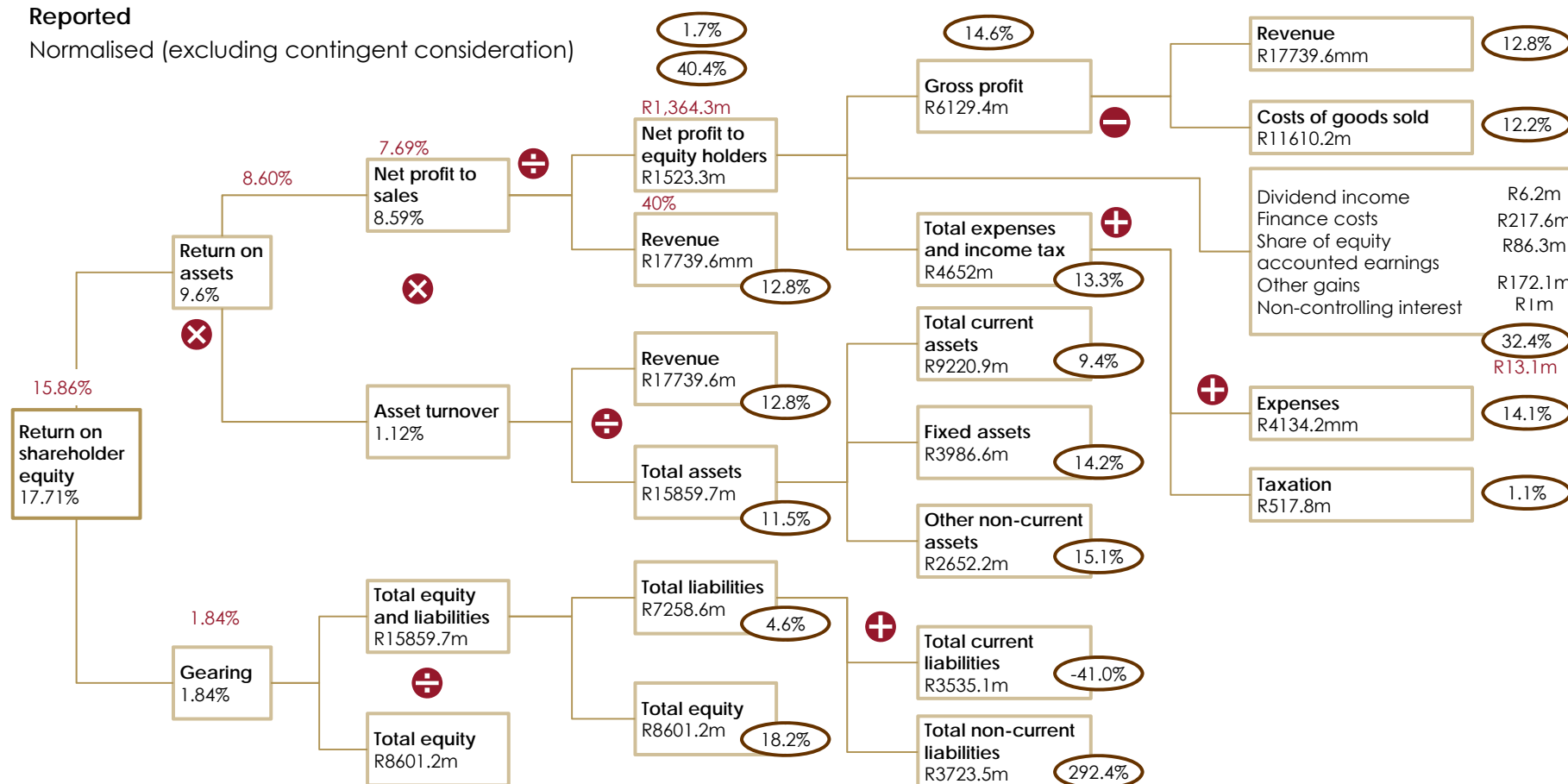


VALUE

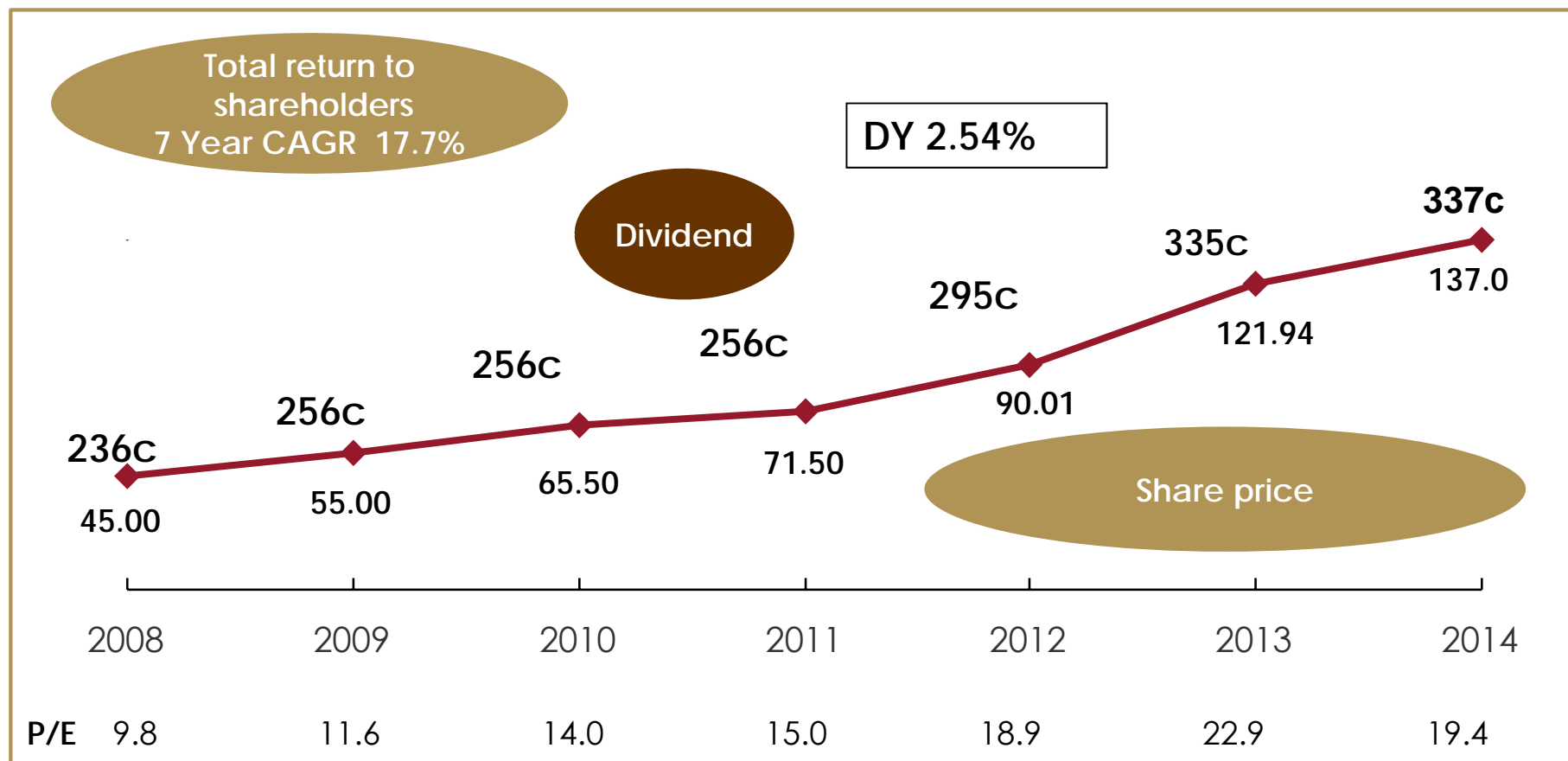
Managing the underlying drivers of shareholders value – as reported

Reported

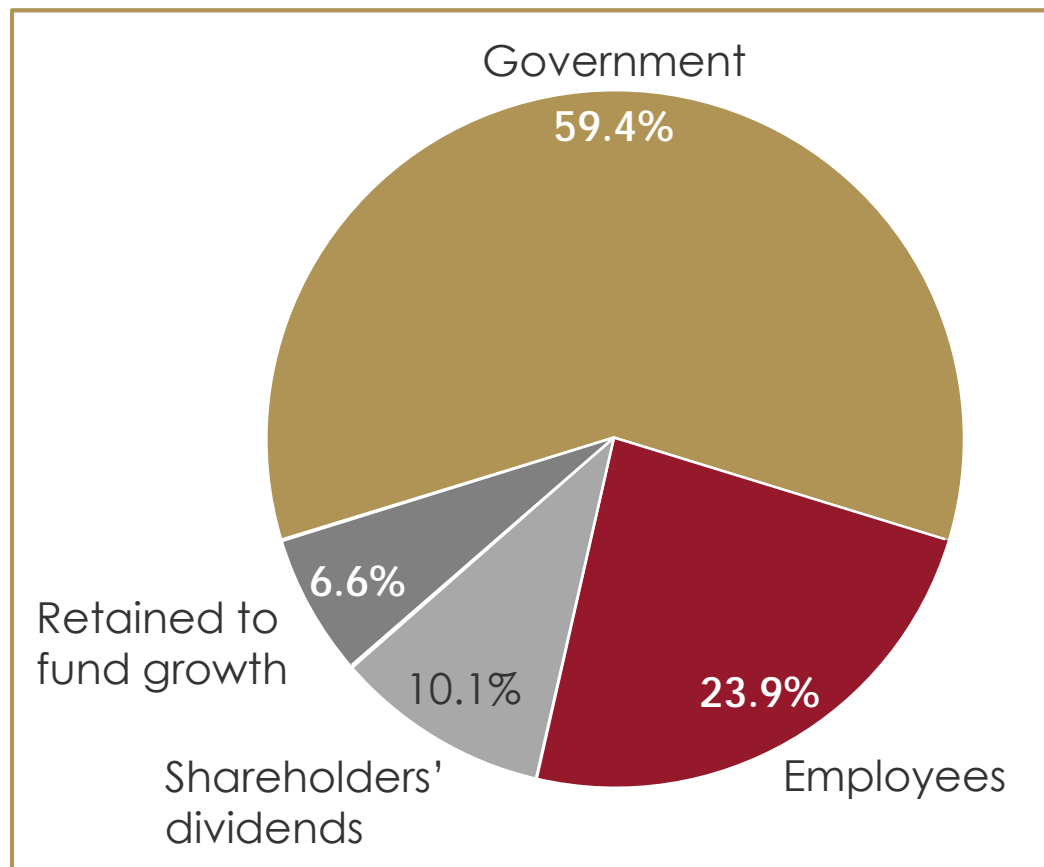
Normalised (excluding contingent consideration)



Rewarding shareholders



Benefiting all stakeholders

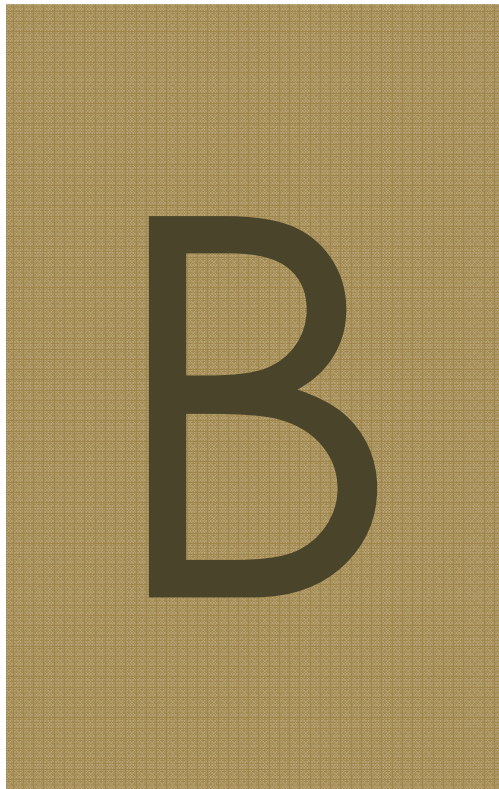


- Cash value added (2005 to 2014): R46.1bn
- Employees are also shareholders

Salient features of our performance 2014/13

	Reported	Normalised	Organic
Sale volume up	3.1%	3.1%	2.4%
Revenue up	12.8%	12.8%	6.9%
Favourable currency impact on international revenue			
Operating profit up	22.9%	8.1%	5.3%
Headline earnings up	40.4%	1.7%	2.9%
Annual dividend per share up	0.6%	-	-

Revenue growth



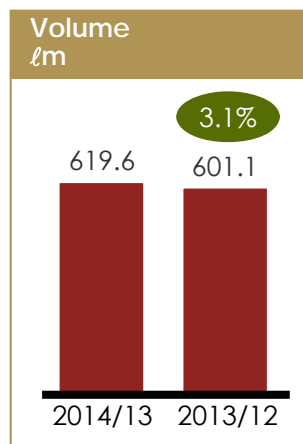
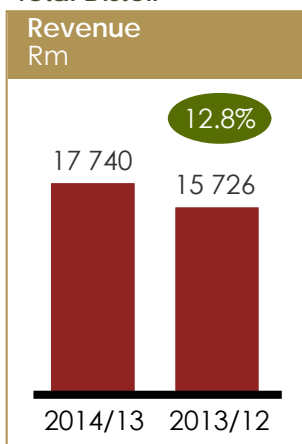
1 Revenue growth by region



Revenue growth delivered by all regions

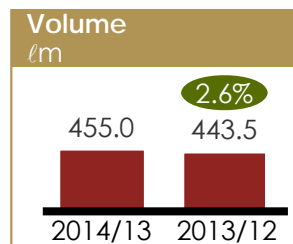
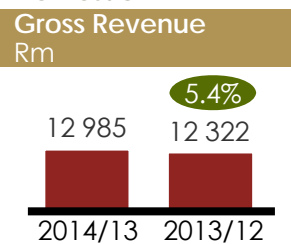
Lower growth in second 6 months

Total Distell

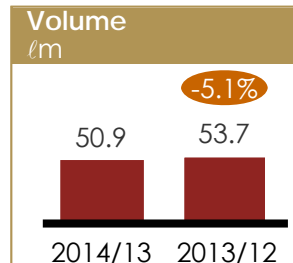
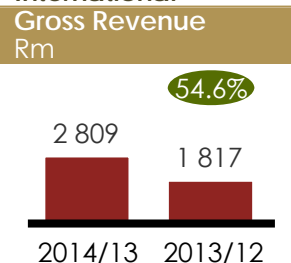


- Other sales revenue R153m (2013: R132m)
- Discounts R1 005m (2013: R889m)

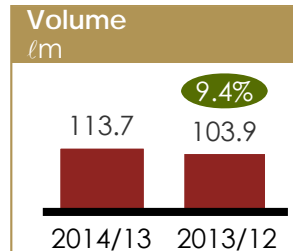
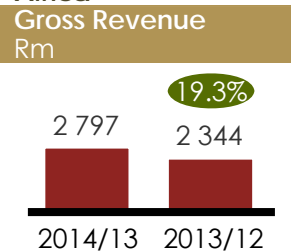
Domestic



International



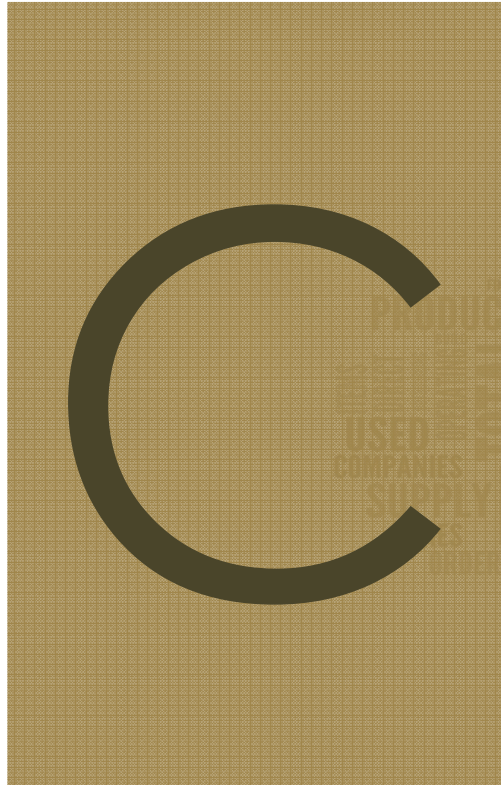
Africa



- Sales volumes in domestic market grew 2.6%, driven by growth in cider brands, whisky and natural wine
- International revenue positively impacted by weaker Rand, but a less favourable sales mix
- Rand exchange rate average deterioration of 18.8%
- Revenue growth from Sub-Saharan African (excl BLNS) countries (16.6% up)
- Sales outside RSA 34.7% (2013: 26.2%) on NDP basis

Operating costs

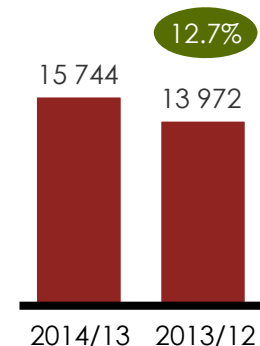
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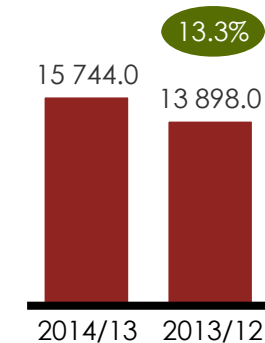
The benefits derived from efficiency improvements in operations, reinvested in market and consumer facing activities

Reaping the benefits of a structured approach to improve business processes

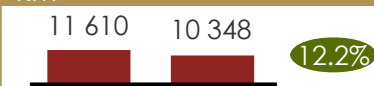
Reported operating expenses Rm



Normalised operating expenses Rm



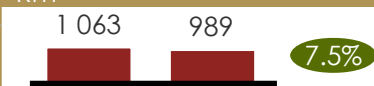
Cost of goods sold Rm



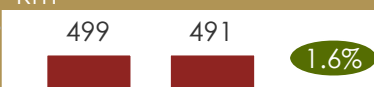
Sales, Marketing & Advertising Rm



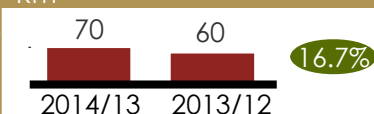
Distribution costs Rm



Service centres Rm



Depreciation Rm



- Costs of Goods Sold 12.2% vs volumes 3.1% and revenue 12.8%
- Sales mix
- Steep increase in excise duty
- Optimisation benefits – R222m
- Gross margin improved – 33.8% to 34.4%
- Exchange rate benefit
- Sales overheads up 13.4%
- Marketing overheads increased 9.8%
- Advertising costs were up 19.5%
- International operations overheads rose 39.7%
- Distribution increase driven by
 - Increased volumes – R/I 4.3%
 - Trade express expansion
 - Transport contractors & fuel cost
 - Redistribution costs
 - Export Logistics
- Forex gains R35.0m (2013: R62.6m gain)
- Bisquit opex (R29.7m)

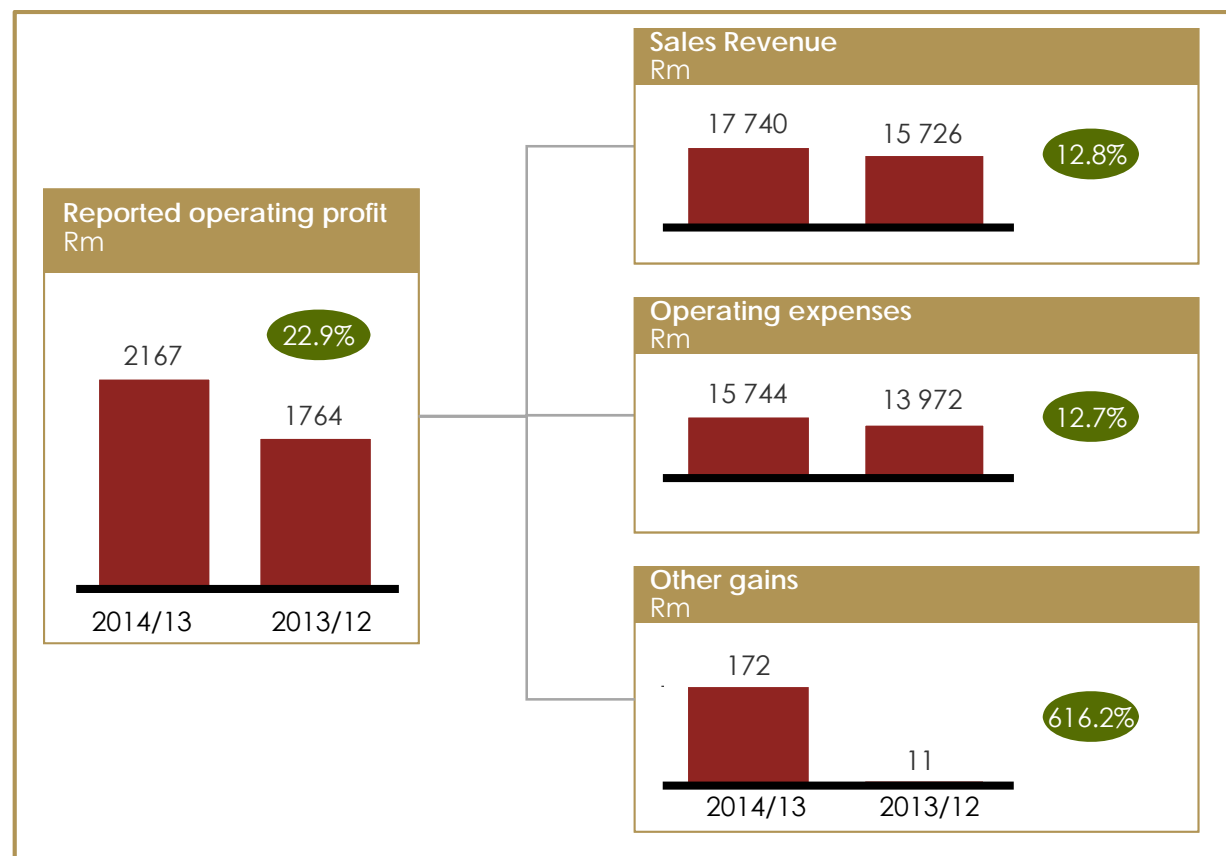
Earnings and profit performance

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- 1 Growth in reported operating profit
- 2 Reported headline earnings
- 3 Exceptional items impacting profit growth
- 4 Exceptional items impacting earnings
- 5 Normalised headline earnings
- 6 Growth in operating profit
- 7 Exchange rates

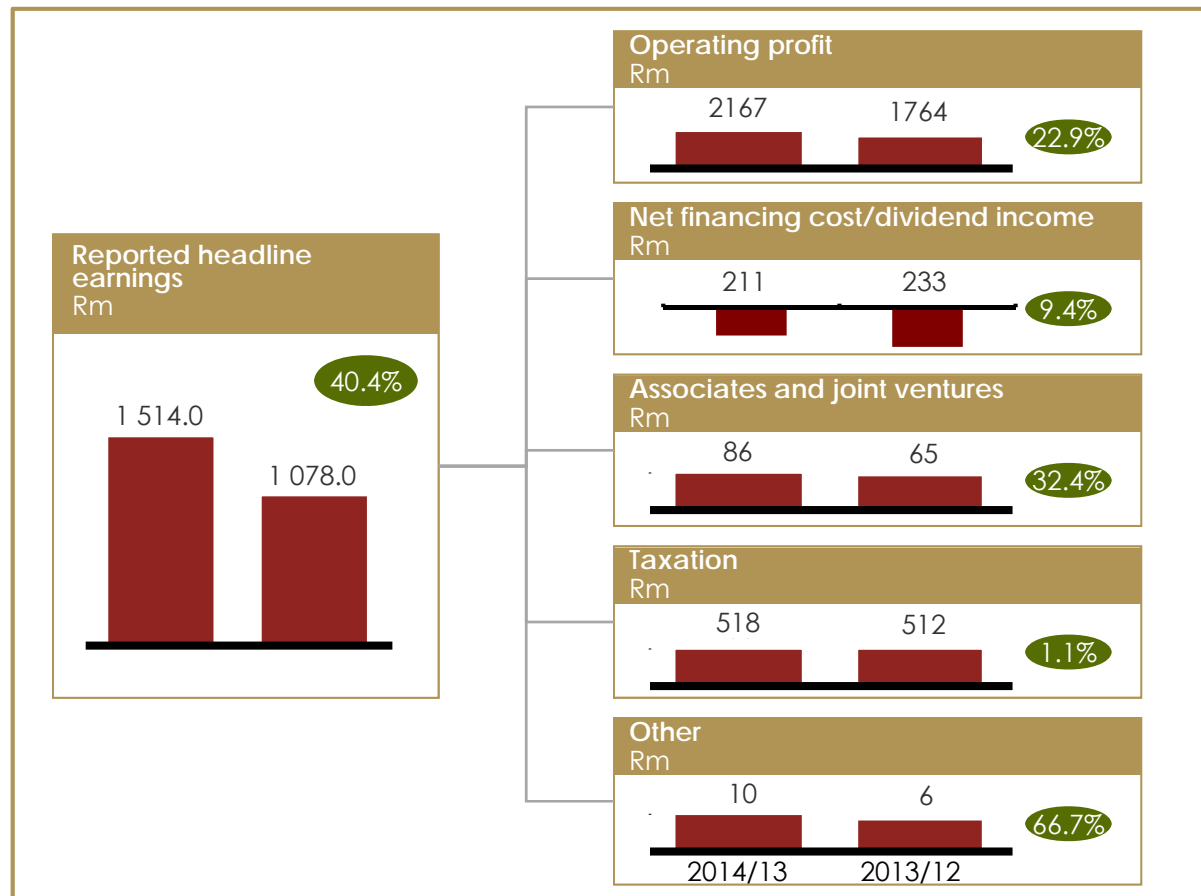
Growth in reported operating profit driven by volume and revenue growth and a gross margin improvement

Reinvested for future growth, normalised results (including BSD)



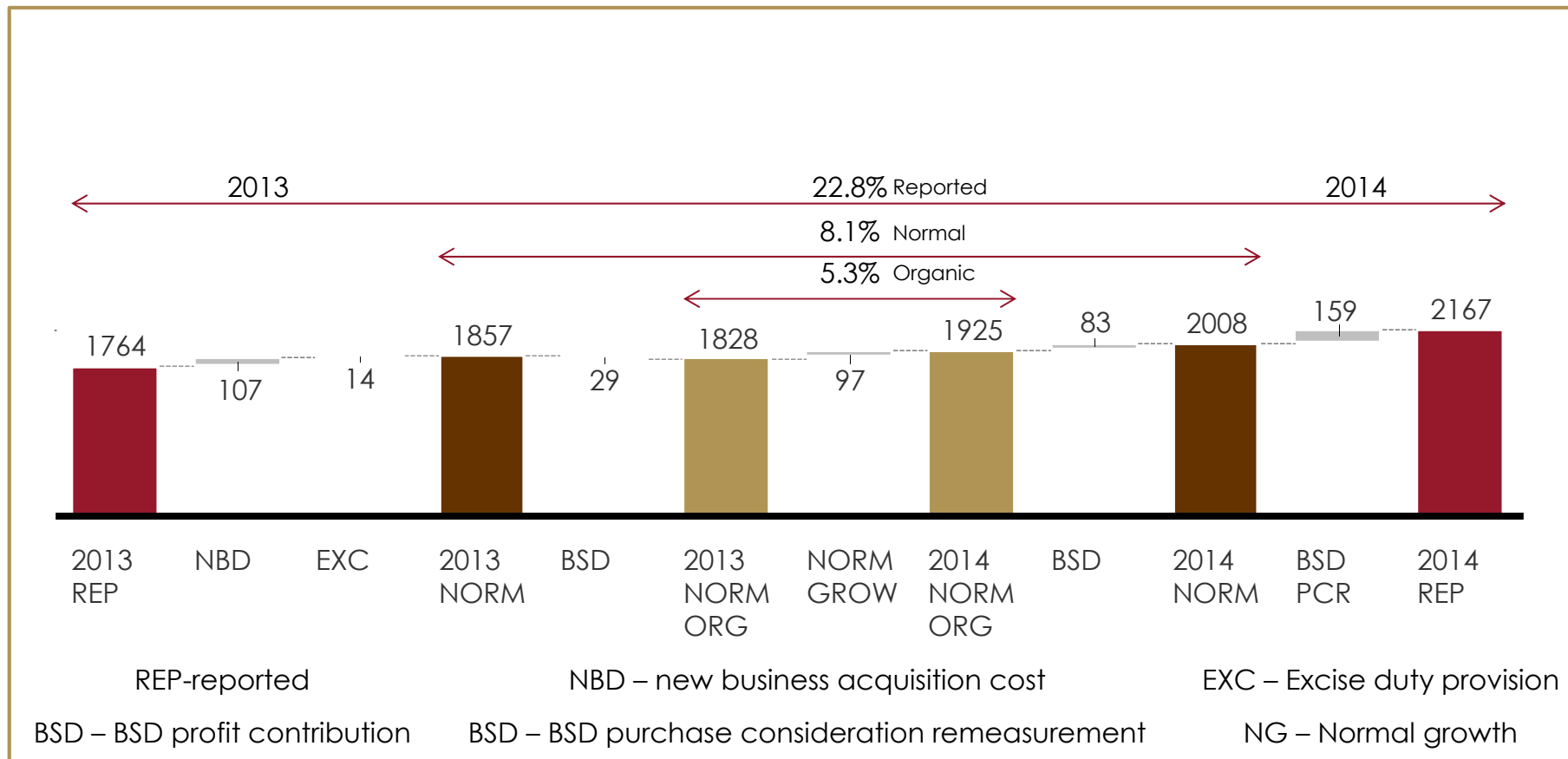
- Overall sales volumes up 3.1% compared to:
- Total revenue growth of 12.8% (Rand per litre 9.4%)
- Operating expenses increase 12.7% (R/l 9.3%)
- Increase in total unit cost of 9.3%, lower than growth in R/l revenue
- Gross margin increased from 33.8% to 34.4%
- Non-manufacturing overheads increase 9.6%
- Operating margins increased from 11.2% to 12.2%
- Operating profit increased 22.9%
- Abnormal items distort operating profit
 - Excise duty
 - Business acquisition cost
 - Contingent consideration
 - BSD contribution

Reported headline earnings impacted remeasurement of contingent consideration

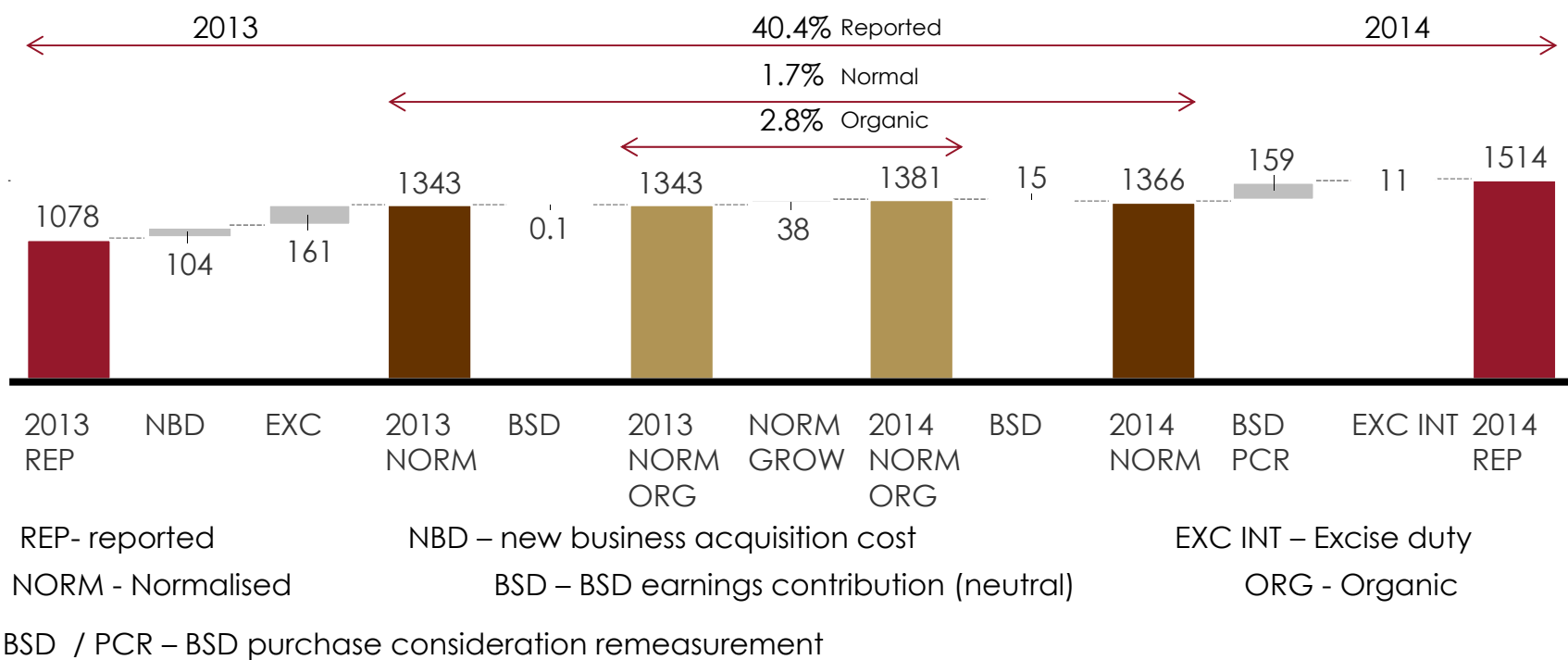


- Reported HLE up 40.4%
- Reported operating profit up 22.9%
- Net cash outflow of R505.4m
- Reported finance cost of R217.6m (2013: R239.7m)
- Decrease in effective tax rate to 25.4% (2013: 32.1%)
- Reported HLE distorted
 - Excise interest
 - Contingent Consideration
 - NBD acquisition cost
 - BSD contribution
 - Interest on term finance

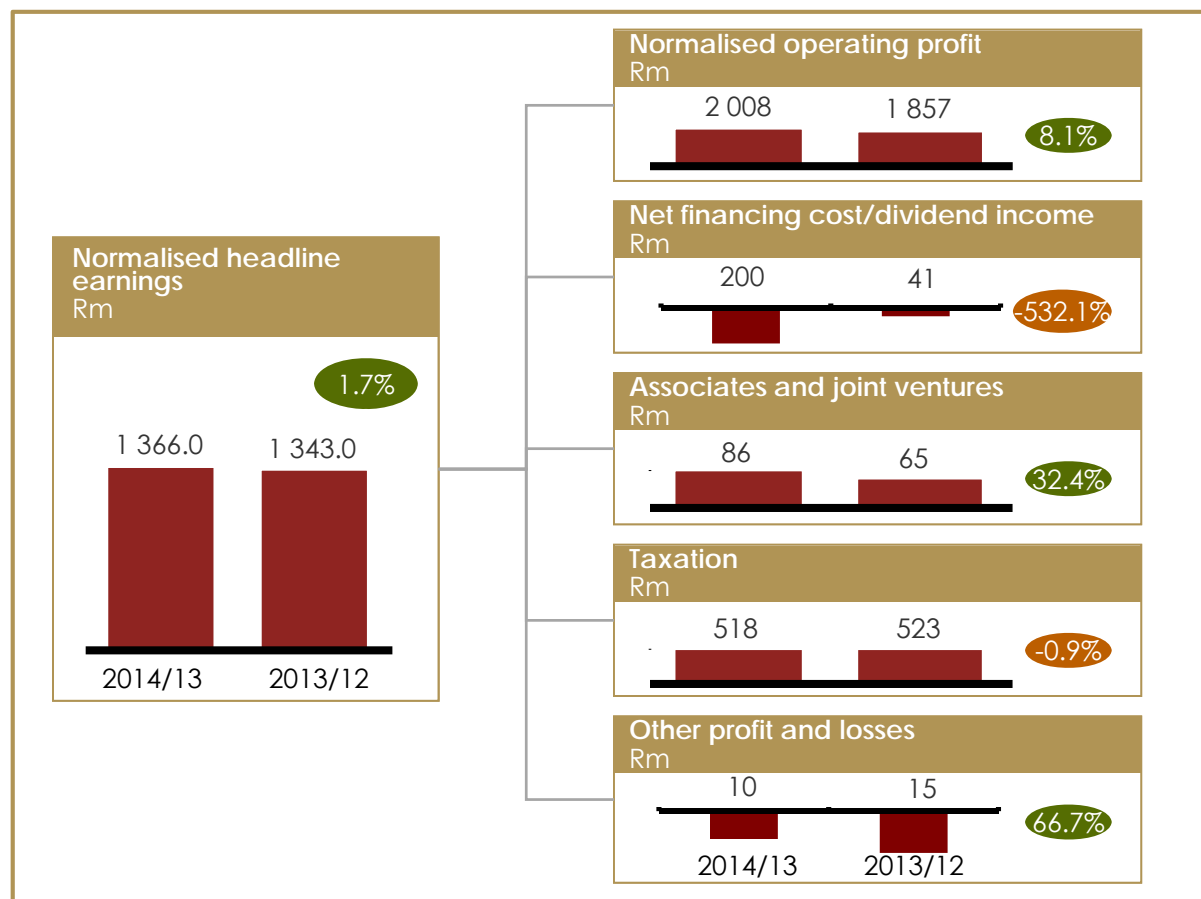
Exceptional items impacting profit growth trends



Exceptional items impacting earnings trends



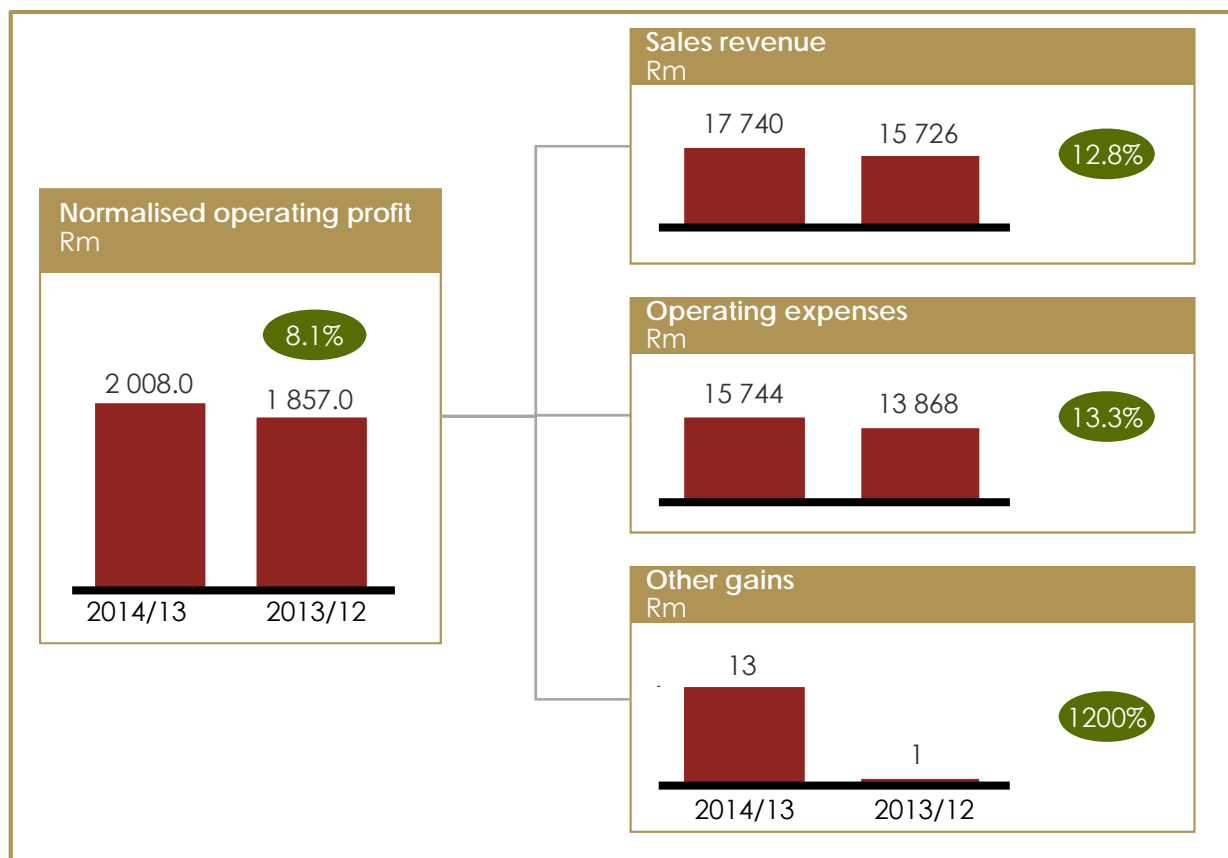
Normalised headline earnings excluding remeasurement of contingent consideration and interest on excise provided



- Normalised earnings up
 - Normalised 1.7%
 - Normalised & Organic 2.8%
- Normalised operating profit up 8.1%
- Normalised finance cost of R206.4m (2013: R38.8m)
- Excise duty interest R161m (2013)
- BSD earnings dilutive R15m
Substantive investment to position the business
- Strong growth by associates
- Reduced effective tax rate

Growth in operating profit driven by volume and revenue growth and a gross margin improvement

Normalised results (including BSD)



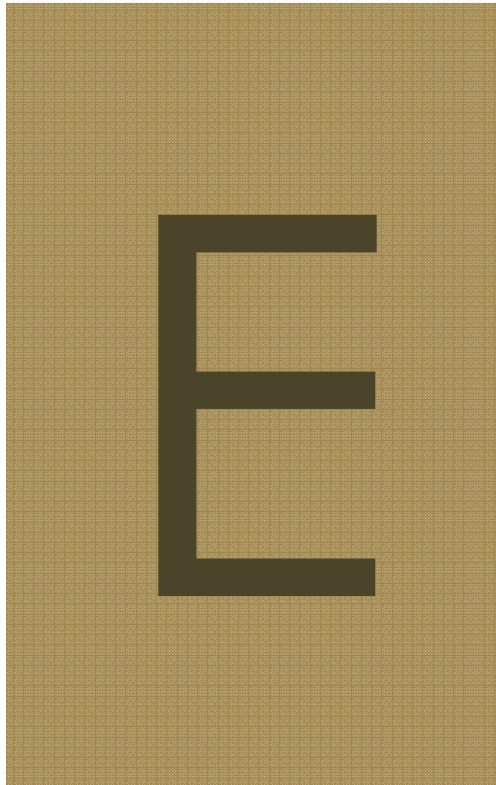
- Normalised operating profit increased 8.1%
- Operating margins contracted:
 - Normalised 11.8% - 11.3%
 - Normalised & Organic 11.8% - 11.6%
- Improved gross margin
- Exchange rate benefits
- Improved efficiencies
- Investment in sales & marketing and international expansion

Exchange rates

<u>CUR</u>	<u>Contr</u>	<u>2014/13</u>	<u>2013/12</u>	<u>Change</u>
GBP	26%	16.88	13.86	21.8%
EUR	33%	14.08	11.44	23.1%
USD	18%	10.37	8.84	17.3%
CAD	8%	9.70	8.80	10.2%

Weighted average weakening in value of Rand of 18.8%

Investment in operating assets

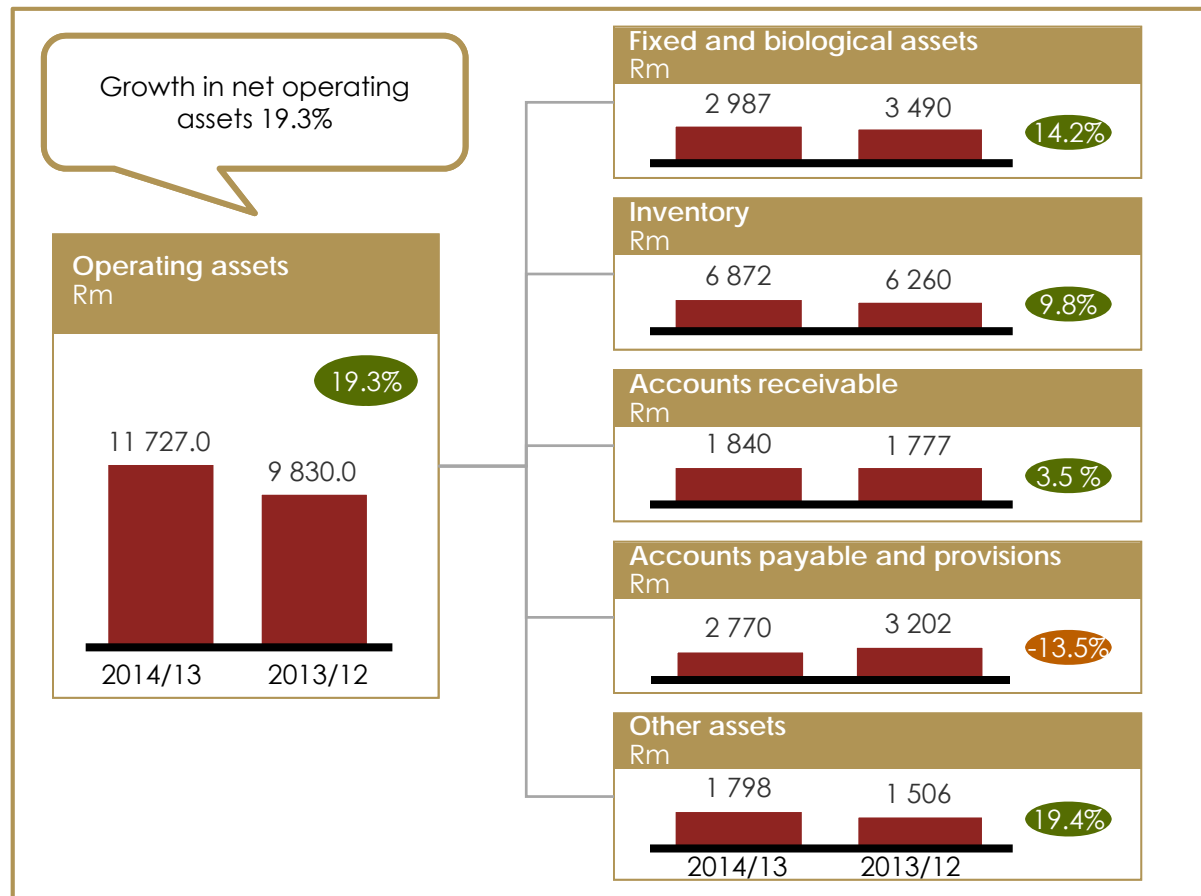


1 Net operating assets

2 Inventory

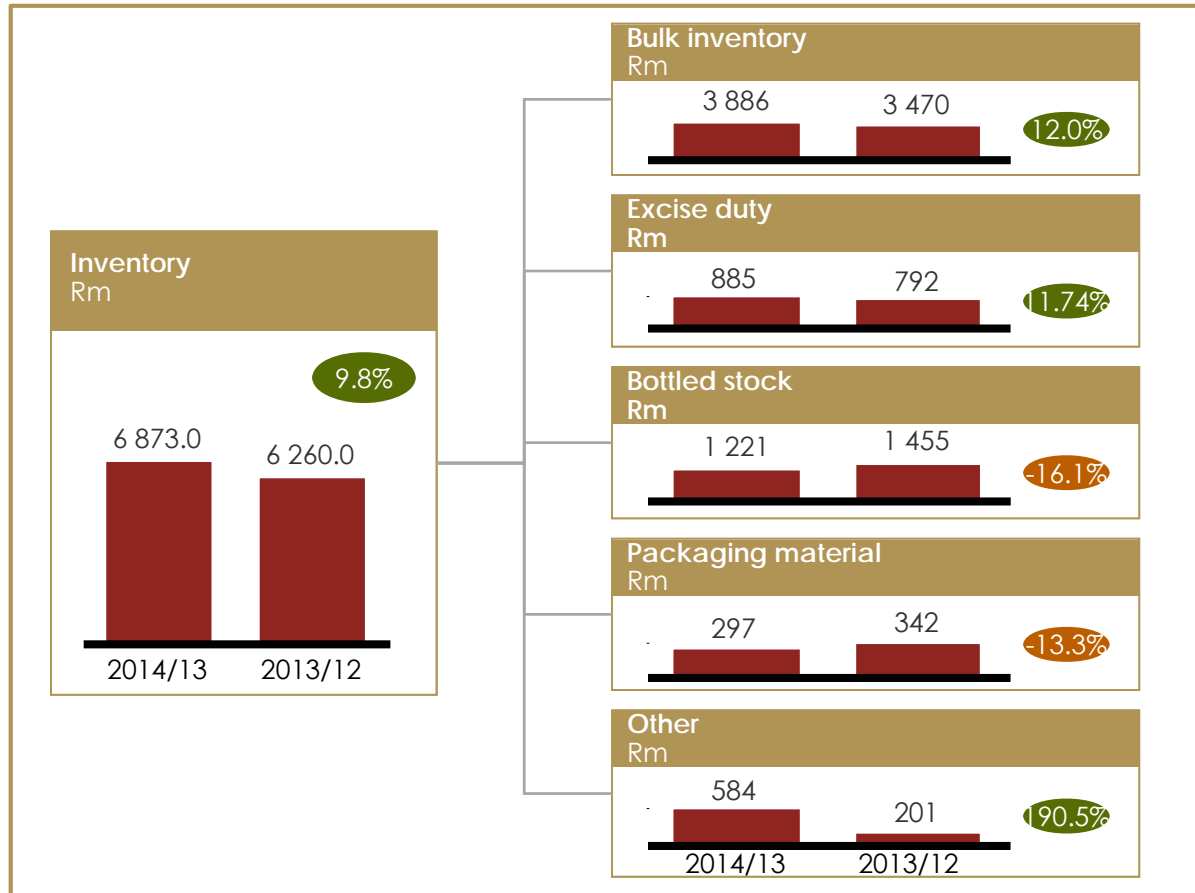


Net Operating Assets increased by 19.3% compared to revenue growth of 12.8%



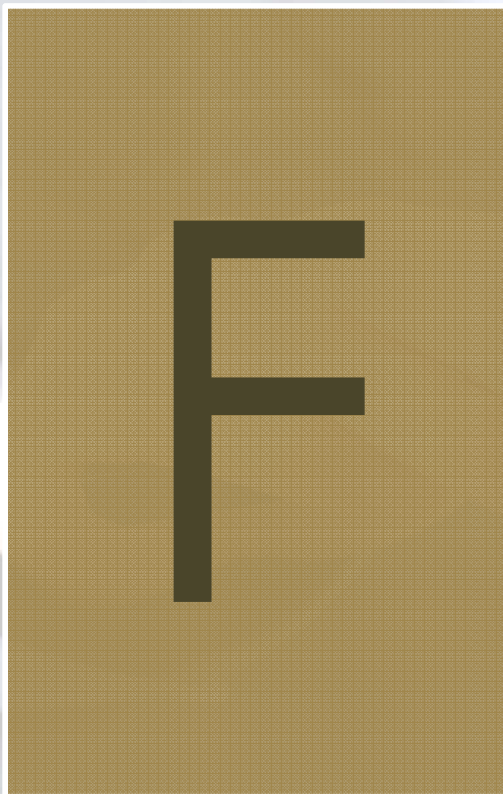
- Property, plant & equipment increased by 14.2%
- Total capex of R691.8 m (2013:R745.6m)
- Revaluation of vineyards in line with AC137
- 9.8% increase in inventory
Longer term demand planning for maturation stock
- Receivables
 - Within target
- Intangible assets
 - Bisquit ,Lomond, Distell Hong Kong, BSD and computer software

Drive to reduce inventory levels without compromising on customer service levels



- Investment in bulk inventory planned according to longer term demand
 - Bulk spirits increased
 - Moderate increase in wines
 - RTD bulk increased
 - Increased production of grain spirits
 - Incremental investment BSD & Bisquit
- Excise duty included in stock - similar amount included in accounts payable
- Packaging & bottled stock reduction
- Other mainly work in progress, overheads and currency differences

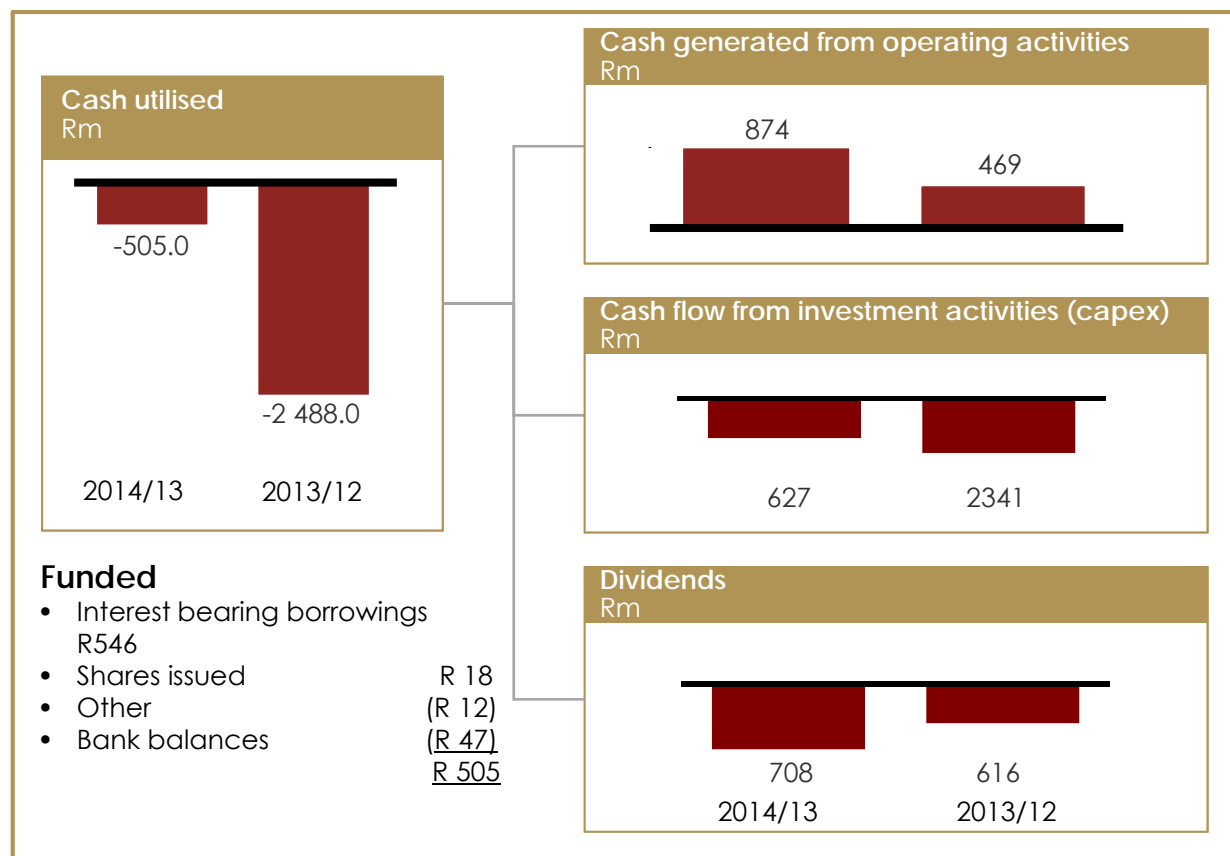
Cash flow and financing



- 1 Incremental cash generated
- 2 Cash outflow and funding
- 3 Net cash position and borrowing capacity

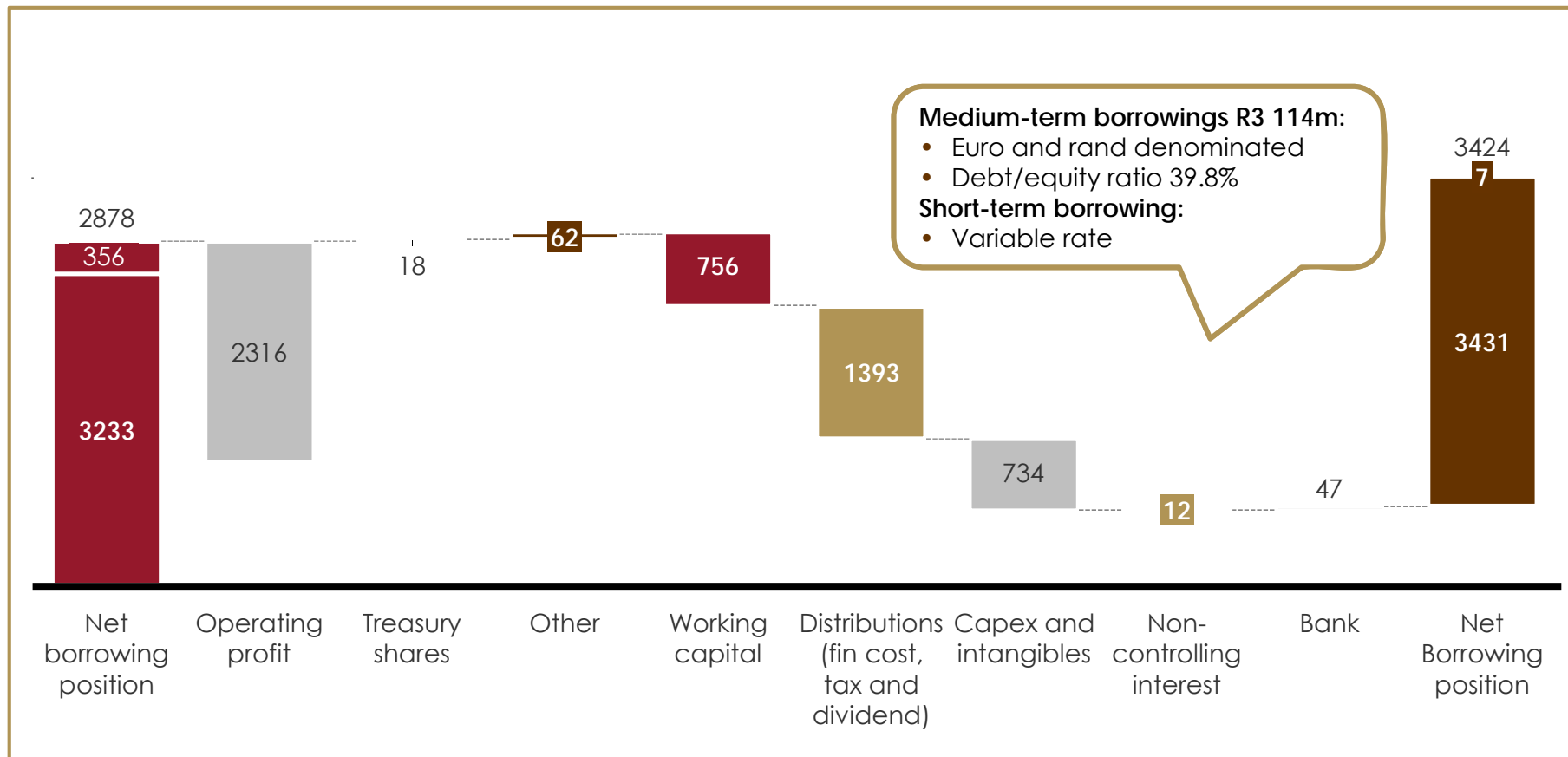
Incremental cash generated through operating profit largely reinvested in working capital and plant capacity expansion

Reinvested for future growth, normalised results (including BSD)

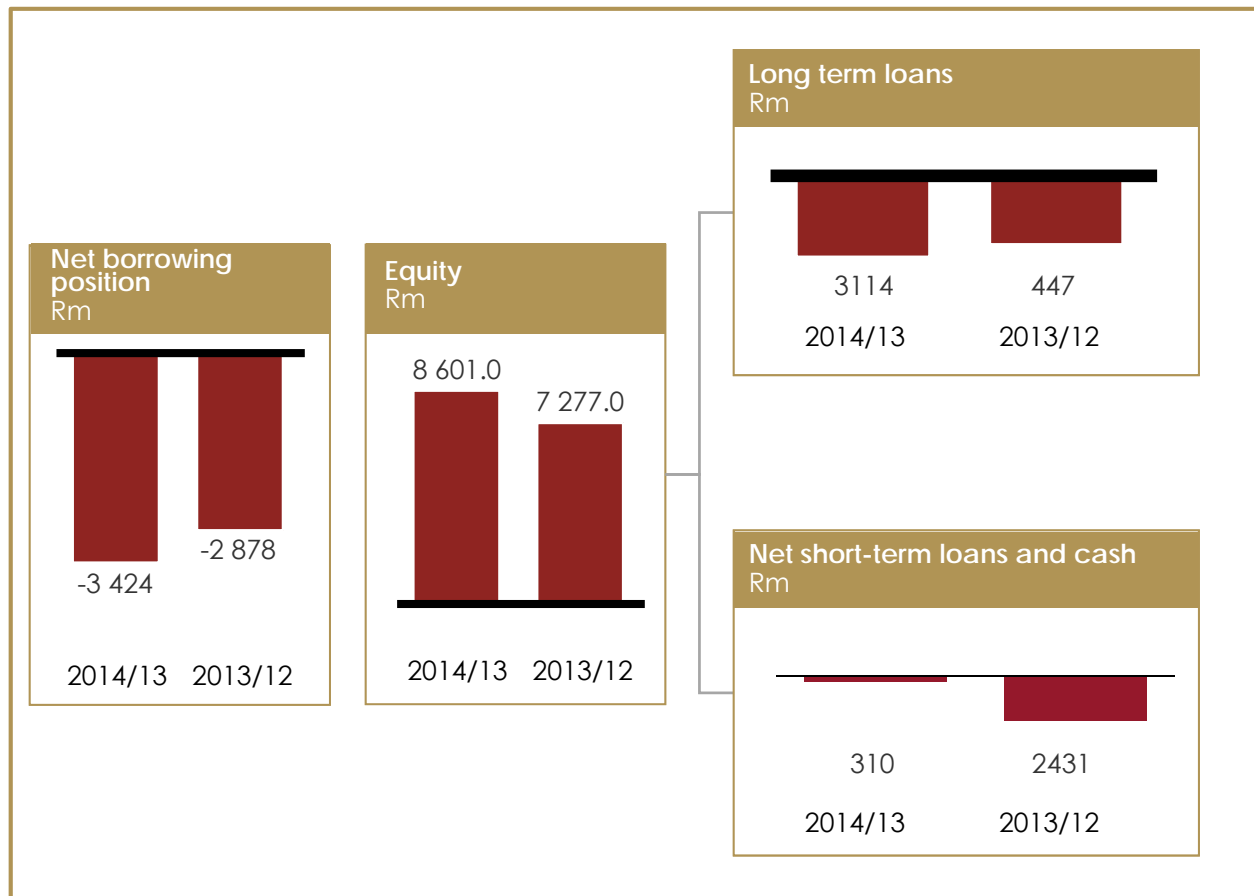


- Cash generated and retained from operating activities R874m
 - Cash from operating profit R2315.5m down 2.2%
 - Working capital invested R755.7m cash outflow
 - Re-evaluated spirits in maturation
- Investment activities
 - Capex for replacement R277m
 - Depreciation R247m
 - Expansions R415m
 - Expanding cider production capacity, BSD, whisky maturation, marketing fridges and Africa production – R415.5m
 - Computer software R41.7m
- Lower effective tax rate
- Annual dividends increased 9.6% (cover by HLE 2.1 times)

Cash Outflow and Funding



Calculation of Net Cash Position and borrowing capacity



- Sufficient borrowing capacity
- Gearing of only 39.8%

Burn Stewart



1

BSD deal rationale

2

Areas we found value in



Burn Stewart's deal rationale and identified value creation require targeted integration approach

Deal aspiration

- Develop global spirits portfolio composed of strong scale and premium brands that complements Distell's wine and cider portfolio
- Achieve leading position in high growth markets

Deal rationale

- Add a globally recognised premium category (Scotch Whisky) to Distell's portfolio
- Strengthen portfolio with premium brands (malts, Scottish Leader and Black Bottle in selected markets)
- Add access to a large market (Taiwan)

Value creation sources

- Most value creation potential comes from Revenue opportunities required Distell-BSD cooperation
 - Expansion to new markets
 - Global premium brand development
 - Improved customer management
- Potential in production and overhead at BSD comes from standalone initiatives

Integration approach

- 1 Marketing and sales will be integrated into new, best practice organisation (to be developed by Project Reconnect)
 - Separate structures responsible for scale and premium brands
 - Separate structure to ensure continuity of bulk and industry trading
 - New incentivisation and performance management models
- 2 Distribution will be integrated taking the "best of both" approach in each market
- 3 Production would be kept separate and lean
 - Standalone improvements will be captured quickly
 - Cooperation will be fostered in selected areas (e.g., bottling)
- 4 Cooperate and supported functions to be initially kept separate
 - Quick fixes to IT and Finance will ensure control and support of business improvements (including value based management, capital allocation and risk management)
 - Later integration possible if compelling business case exists

Areas in which value was found

A RTM (BSD)

- New markets for BSD scale brands, which we can enter through existing Distell distribution
- A distinct premium spirits approach. Value in reallocation of constrained liquids to more profitable markets/channels

B Revenue and Customer Management

- Potential to increase consumer prices above the levels assumed in the baseline
- Additional levers that can be pulled to optimise revenue from single malts
- Value in upgrading our customer management and trade pricing capabilities

C Operations

- Levers across Operations (production, bottling, procurement, inventory management, etc.) where value can be unlocked

D Potential for Distell

- In addition to the areas A-C, value can be unlocked for Distell

E One-offs

- One-off levers that can provide a non-recurring profit boost in the short term

- Additional value of GBP 4-9 m (2018) to be unlocked
- Integration plan underway

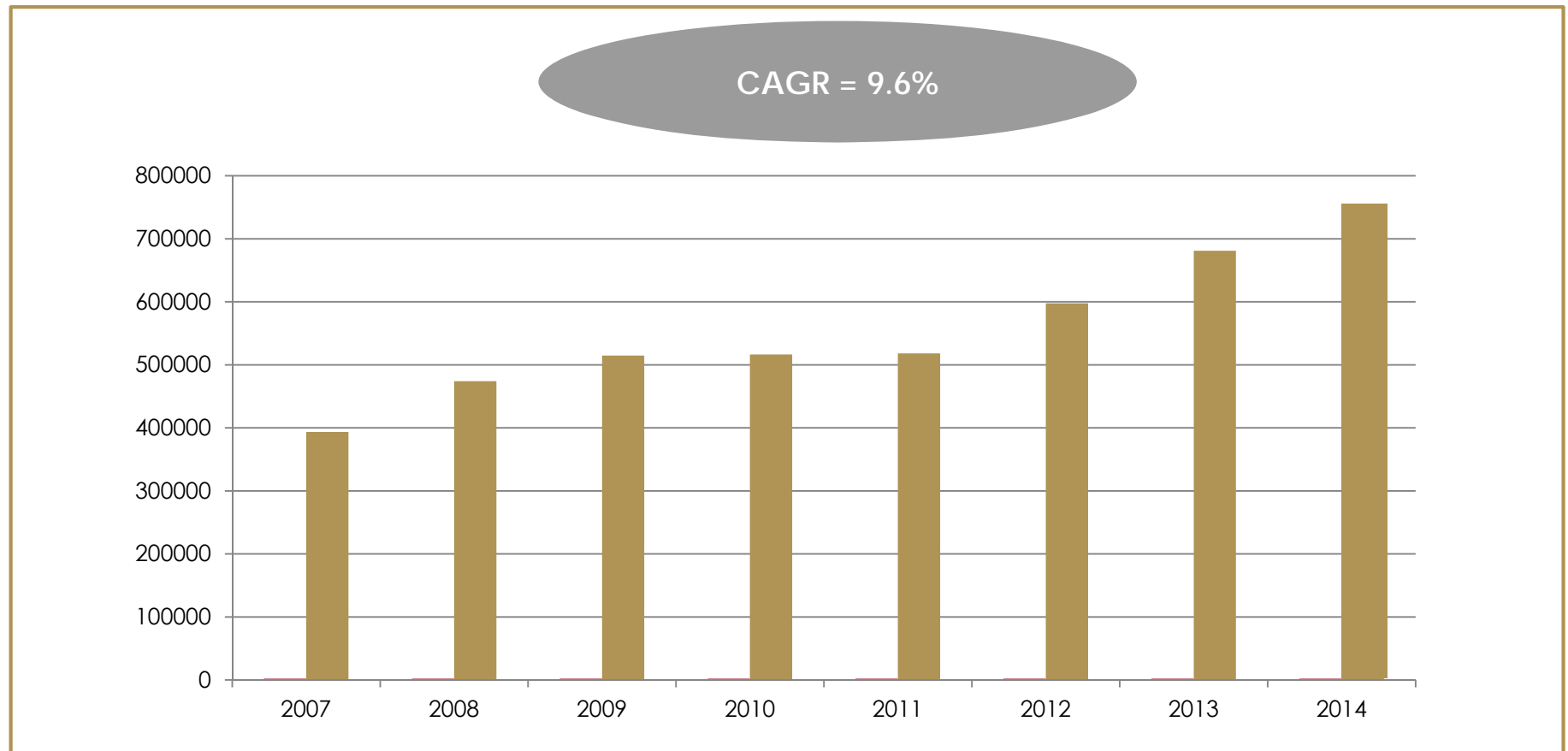
Dividends

1 7 year CAGR

A large, stylized letter 'H' is centered on a textured, light brown background. The 'H' is composed of two vertical bars and a horizontal bar, all in a dark brown color. The background has a fine, grid-like texture.



7 Year CAGR



Thank you



Questions?

This presentation contains forward-looking statements about the company's operations, production activities and financial conditions

They are based on Distell Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies many of which are beyond the control of the company. Unanticipated events will occur and actual future events may differ materially from current expectations due to explorations results, new business opportunities, changes in priorities by the company or its joint ventures as well as other factors. Any of these factors may materially affect the company's future business activities and its ongoing financial results