Forecasting the future

Growth in Africa: The opportunity beyond beer

DECEMBER 2019

Creating memorable moments.
Crafting a better future.

DISTELL
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Our brands

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Our top 15 brands generate 70,2% of total revenue and have recorded strong growth

Hunter's

Savanna

Bernini

Amarula

Gordon's Gin

Klipdrift

Richelieu

Scottish Leader

Three Ships

Viceroy

4th Street

Autumn Harvest Crackling

Drostdy-Hof

Nederburg

Original Paarl Perlé

OUR REPERTOIRE OF BRANDS:

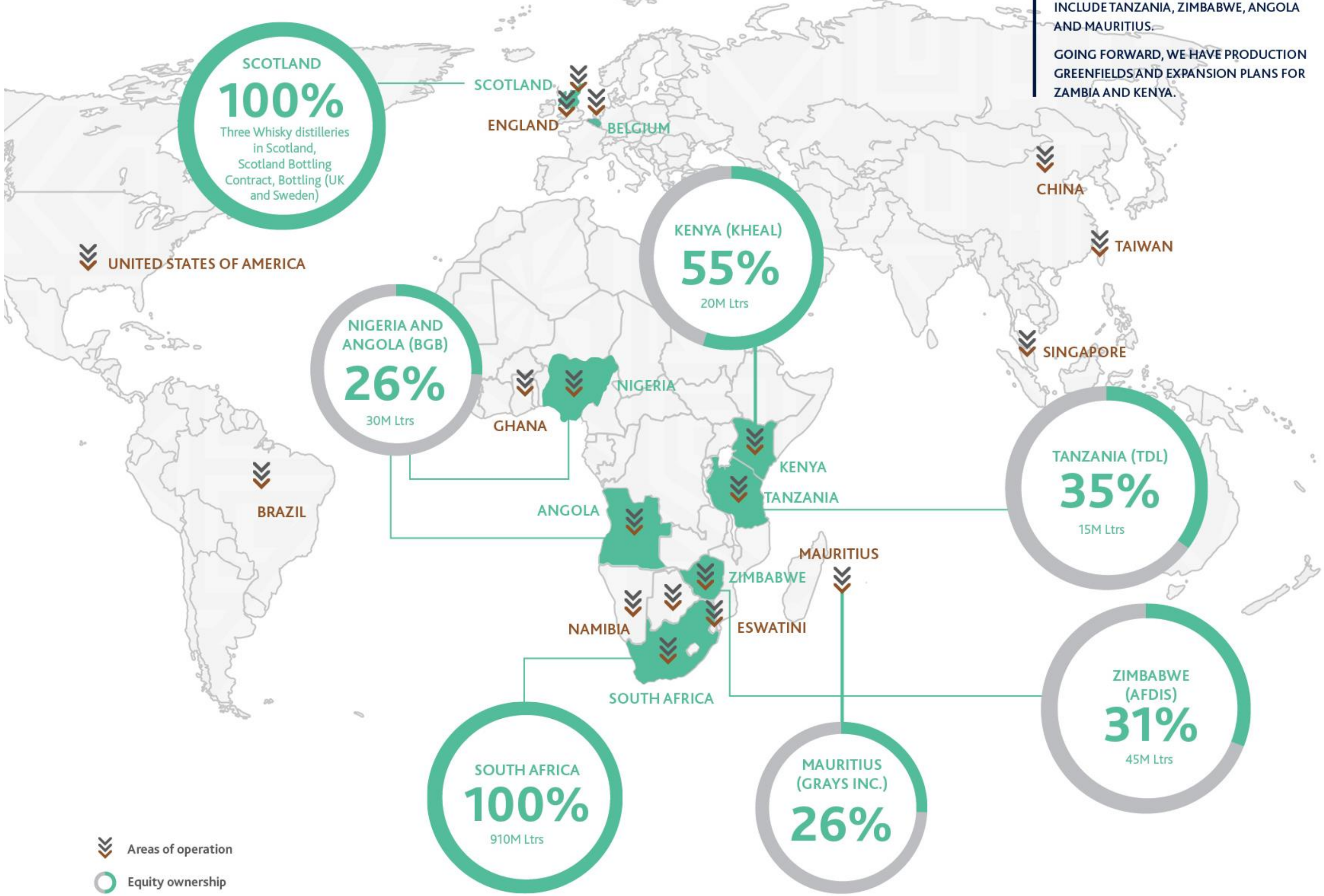
Resonates with a **broad spectrum of consumers** with **different taste profiles**; **plays across the price continuum**; and is enjoyed at **mixed-gender drinking occasions** worldwide.

WHERE WE OPERATE

OUR GLOBAL DISTRIBUTION NETWORK IS SUPPORTED BY LOCAL PRODUCTION CAPABILITY IN SOUTH AFRICA, SCOTLAND, ANGOLA, KENYA AND NIGERIA.

WE HAVE JOINT VENTURE AND ASSOCIATE PARTNERSHIPS IN COUNTRIES THAT INCLUDE TANZANIA, ZIMBABWE, ANGOLA AND MAURITIUS.

GOING FORWARD, WE HAVE PRODUCTION GREENFIELDS AND EXPANSION PLANS FOR ZAMBIA AND KENYA.



Distillery & Operations

- Worcester
- Goudini
- Van Ryn's
- Wellington
- Monis (Paarl)
- Durbanville Hills
- Plaisir de Merle
- Alto

Operations & Packaging

- Adam Tas
- Nederburg
- J.C. Le Roux
- Port Elizabeth
- Springs
- Wadeville

18 distribution centres (incl. four in Namibia)

24 trade express sites (incl. one in Eswatini)

2 dedicated export warehouses

Africa macro dynamics

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Strong population growth

- **1.3 billion** people, growing to 2.5 billion by **2050**[1]
- **2.4% p.a. growth** in the short term[2]
- **65%** of global population growth
- **19 years** median age of population

Rapid urbanisation

- Urban population to grow from **41% to 59%** from 2015 - 2050

Improved (known) political stability

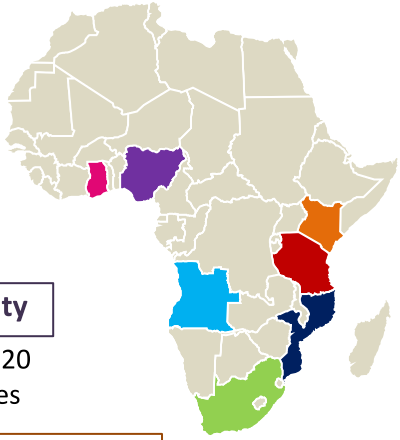
- Heavy election schedule in 2019/2020
- Rising number of democratic regimes

Emerging middle class / consumer demand

- **376 million** to **582 million** people from 2013 - 2030

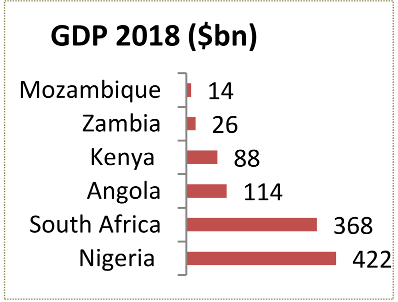
Strong positive GDP outlook into the mid & long-term

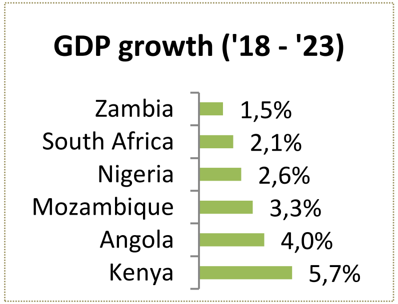
- **3.7% p.a. real growth** long term[2]

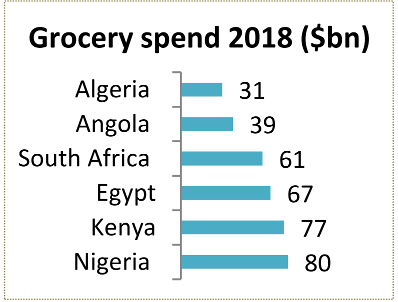


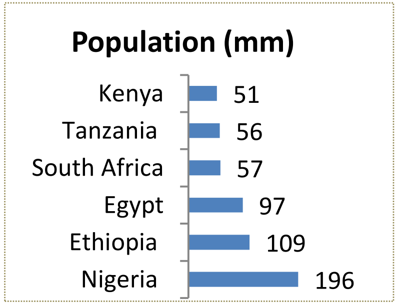
Key facts

- Represents 16% of the world's population but consumes 5% of the world's beverage alcohol
- Ave alcohol consumption: 6l vs. 6.3l global average









Source: UN World Population Prospects 2018; McKinsey Global Institute "Lions on the move – realizing the potential of Africa's economies; Deloitte – The Deloitte Consumer Review Act: A 21st Century view; Deloitte – African Powers of Retailing, New horizons for Growth; Oxford Economics; EIU: Africa Trade Report 2018; International Trade Centre (ITC)

[1] As compared to 2015 population. [2] 2018 – 23 CAGR

African growth & share trends

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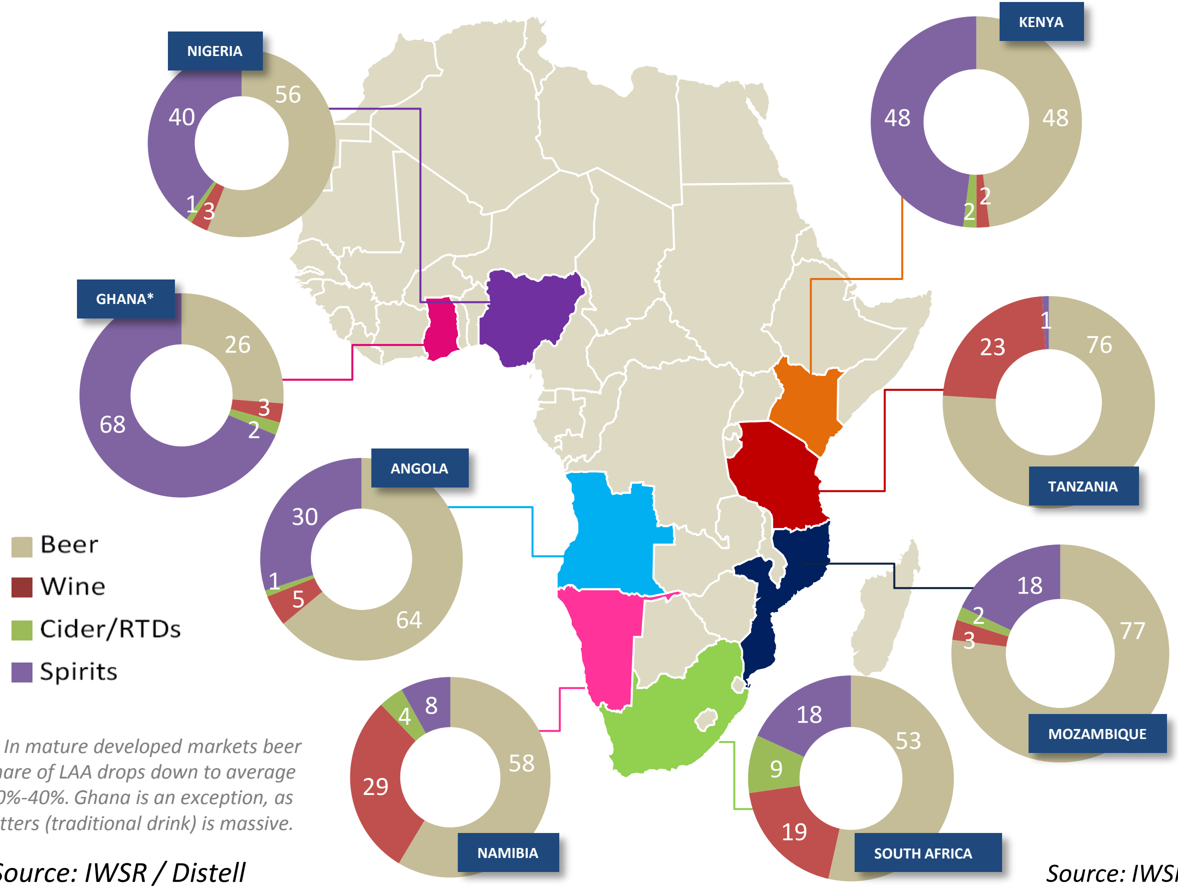


In mature developed markets beer share of LAA drops down to average 30%-40%. Ghana is an exception, as bitters (traditional drink) is massive.

Source: IWSR / Distell

Region	%Chg Volumes 2013 - 2018	%Chg Volumes 2018 - 2023
Central America	32.4%	22.3%
Middle East	17.4%	16.7%
Africa	10.3%	12.0%
South America	-4.5%	7.7%
Southern Europe	10.5%	6.7%
Nordic Countries	1.4%	6.6%
Central Europe and Balkans	1.6%	5.5%
Caribbean	6.5%	4.1%
Asia	-8.2%	2.6%
Australasia	-0.1%	1.7%
North America	1.2%	-0.8%
North West Europe	-0.9%	-1.2%
CIS	-16.8%	-6.4%
Eastern Europe and Baltics	-10.8%	-20.6%

Source: IWSR

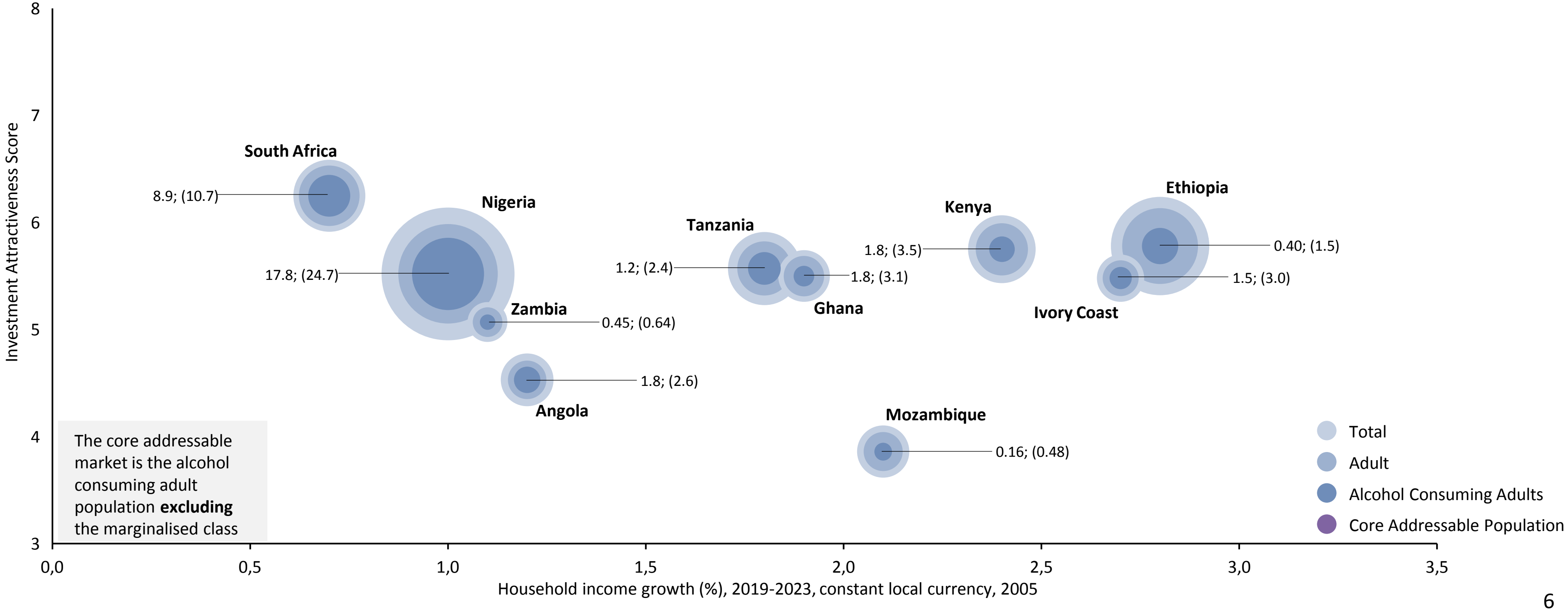
The total African alcoholic beverage market is expected to grow by 12% in volume by 2023 – more than double Europe as well as other developed markets in decline.

Addressable market sizes

South Africa's has the 2nd largest addressable alcohol market after Nigeria. Despite its size and attractiveness for investment, growth in household incomes and market size will lag the likes of Nigeria

CORE ADDRESSABLE POPULATION*

Country, Million, 2018, 2023



*Core addressable population excludes population segment that are considered as marginalised (Population that cannot afford branded goods on a regular basis). However, they may make infrequent purchases

Sources: CGIDD; WHO; Deloitte analysis, RMB

Spirits, wine and RTDs < 50% of consumption but growing ahead of beer

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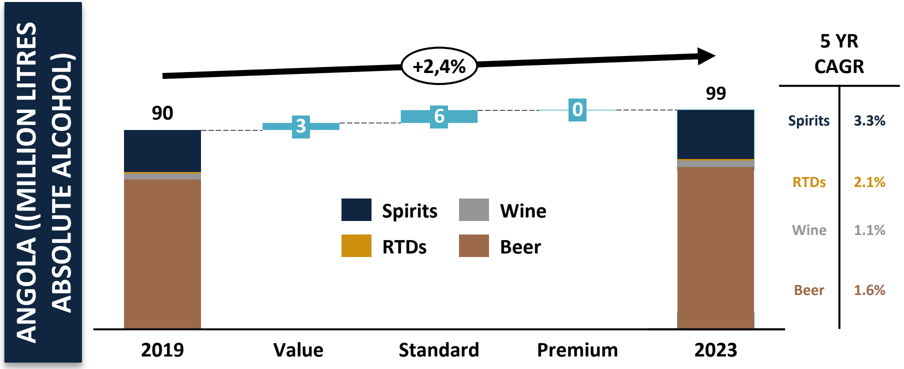
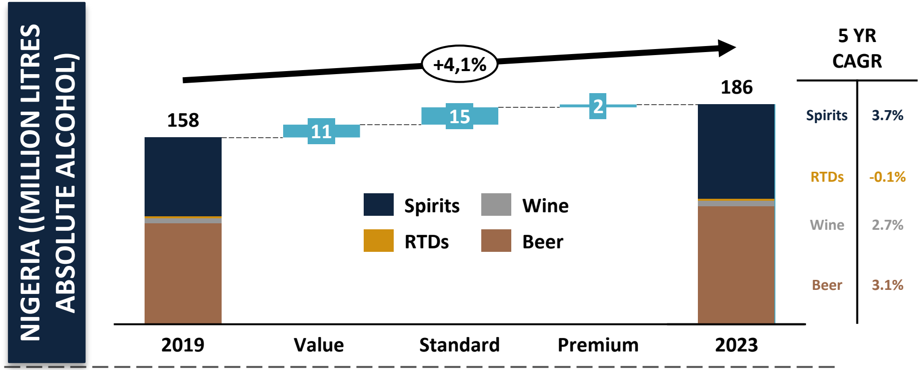
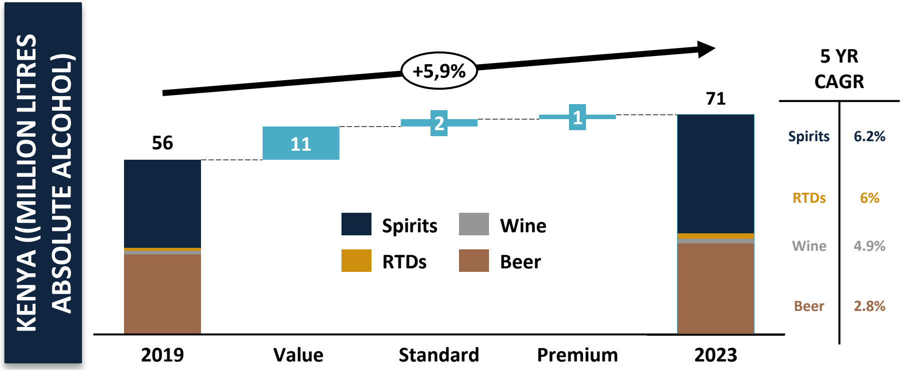
Most of the alcohol consumption growth in leading Africa markets will come from value & standard price segments, as the informal/unrecorded segment declines – with premiumization being a strong longer term opportunity







Note: RTDs excludes Beer
Source: GlobalData, IWSR

KEY DRIVERS

- **Premiumisation**: Shift from informal to branded items
- Rise of **female consumers**
- **Mixed gender occasions**
- **Income growth broadens** repertoire beyond beer
- Beer share of alcohol can drop to 30%-40% as markets mature

Key consumer trends in Africa

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As markets mature in Africa, alcohol consumption is set to grow and expand in repertoires & demographics

01 Female consumption

- To grow significantly with economic participation
- Mature markets = 4 litres LAA per capita & 2 litres in low income countries
- Cider/RTD's trends growing whilst brands offering more options targeted at females

02 Premiumisation

- Per capita consumption increase & growth in value (60% higher in mature markets vs. low income markets)
- Informal liquor decline as formalisation grows with branded goods

03 Consumer repertoire expanding beyond beer

- Beer = 65% of absolute alcohol consumed in Africa – can reduce to 45% as markets mature
- Wine: Key entry level category to win share from beer
- Whisky established as a category; showing good growth potential

04 Pack Size and Flavour options

- Beers moving to shared pack formats; RTD's & FABs introducing more flavour options

05 Total Brand Experiences

- Increased foreign competitor activity resulting in more personalised brand experiences
- Local insight and brand investment driving choice

The female opportunity

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Internationally:

- Females represent **85% of consumer buying decisions**
- Considered the **largest market opportunity** in the world
- Controlling **$20 trillion** in annual consumer spending globally
- Expected to rise to **$30 trillion within next 5 years**
- Influencing drink choices of male counterparts through the consolidation of a **more unisex drinking culture**

South Africa:

- **21-million** female consumers expected in local market by **2025**
- Will **increase labour force participation**
- Currently **9.5-million** (2019) >> **11-million** (by 2025)
- **Increasing** this segment's **spending power**
- **Strong bottle-serve culture, but making collective decisions on drinks favouring vodka, gin, Cognac, cider, champagne and wine.**

Females represent an exciting opportunity based on unmet needs-SA segmentation example

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Currently satisfied by traditional offers

Ciders/FABS

Spirits

Wines

Female-specific and mixed gender demand moments

OFF PREMISE, MIXED GENDER OCCASIONS

Close Connections

Savour & Treat time

Weekend Release

ON PREMISE, FEMALE-SPECIFIC OCCASION

Girl's Night Out

More potential exists to delight unmet needs

Bold Interpretations

- Open to unique and unusual taste experiences,
- Desire to explore & experiment.

Mindful Consumption

- Health & Wellness
- Manifestations of moderation offer

Real Connections

Building meaningful connections in a hyper connected & digital world amplifying premium credentials, purpose and brand story-telling

Distell's approach to winning with female consumers

Brand and marketing offerings tapping into trends:

- **Engaging brand propositions**
- **Tailored offerings**

Significant opportunity for leading female empowerment indicators to improve: SA vs. rest of Africa

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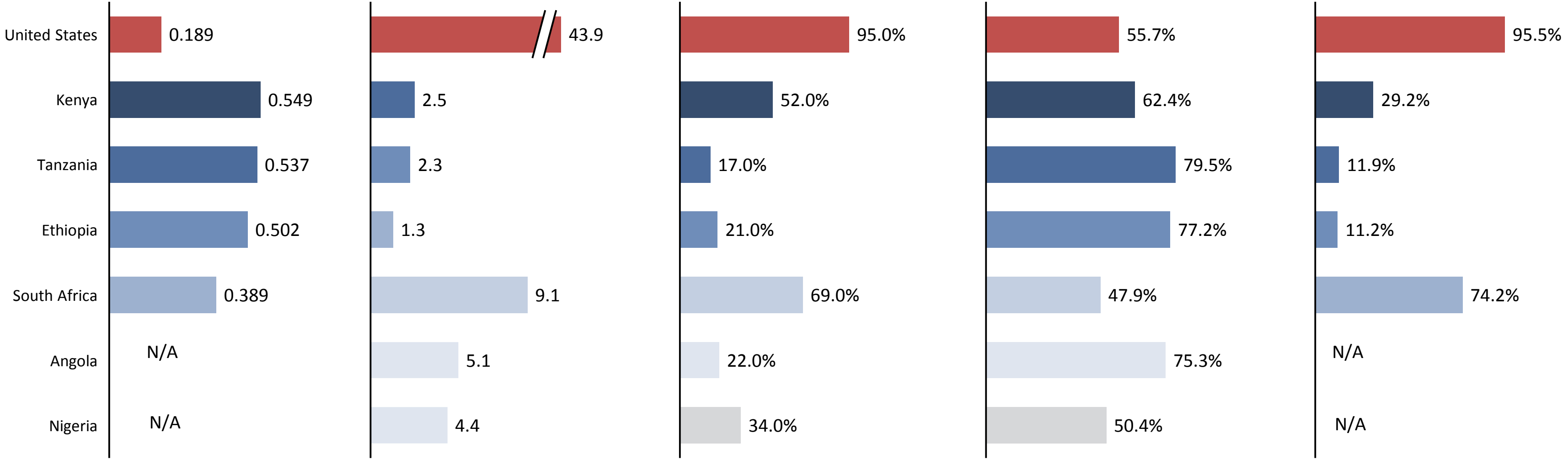
- Bar religion & societal norms, the most important driver of future female consumption is financial freedom
- 1. Access to secondary education; 2. Being employed; and 3. Earning a good salary

GENDER INEQUALITY INDEX 2017 | **ESTIMATED EARNED INCOME** 2015, '000 PPP$ | **ACCOUNT AT A FINANCIAL INSTITUTION** 2015 | **LABOUR FORCE PARTICIPATION RATE*** 2005-2015 | **POPULATION WITH SECONDARY EDUCATION**** 2005-2015



- In terms of gender inequality index, Kenya has an index score of 0.55 and is the highest of Distell's African countries indicating a generally marginalized female workforce in terms of income
- The population of females with secondary education was 29.2% on average, and this is expected to continue to grow into the future indicating a growing base of informed female cohort that could generate a market for Distell in the future once income levels and biases improve

*Include female population above age 15+
**Include female population above age 25+
Source: United Nations Development Programme (UNDP)

Our Africa performance-June 2019 results

SOUTH AFRICA

-0,9%	Volume
+9,5%	Revenue

Cider & RTD revenues up 11,5%

- Led by Savanna, Extreme and Bernini
- Successful Esprit launch

Spirit Revenues up 11,6%

- Strong double-digit growth from Vodka and Gin led by Cruz, Old Buck and Gordon's
- High single-digit Whisky growth led by Bain's, Scottish Leader and Harrier
- Brandy under pressure due to pricing

Wine Revenues up 3,2%

- Growth from Drostdy-Hof and Nederburg
- Volumes impacted by pricing (input costs)

Margin improvement in all 3 categories

AFRICA (excl SA)

	incl BLNS	excl BLNS
Volume	+10,3%	+28,6%
Revenue	+20,0%	+40,7%

Cider & RTD Revenues up 15,6%
Spirit Revenues up 37,2%
Wine Revenues up 11,3%

- Exceptional double-digit volume and revenue growth across all key markets except Angola and Namibia
- Growth in Spirits category led by Kibao, Hunters Choice & Best Whisky
- RTD growth led by Savanna & Hunter's
- Nigeria & Kenya additional local production established; Angola & Ghana planned

KWA Holdings EA

+56%	Volume
+47%	Revenue

- Growth driven by mainstream spirits and wines led by Kibao, Hunters Choice, Cellar Cask & 4th Street
- Acquired property in Tatu City to double local production capacity
- **Doubled revenue and tripled EBITDA since acquisition**

KES	Jun-15	Jun-19
Volumes ('000 Li)	**9,077**	**14,998**
Revenue	**4,419,091**	**8,184,556**
EBITDA	**261,394**	**1,013,136**
EBITDA %	5.9%	12.4%

Investing behind an African manufacturing footprint

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FUTURE DEVELOPMENTS

- SA: Northern Mega DC
- Africa: Angola & KWAL Tatu City
- Mozambique & Zambia investigation

R1610m
CAPEX
2015 - 2019

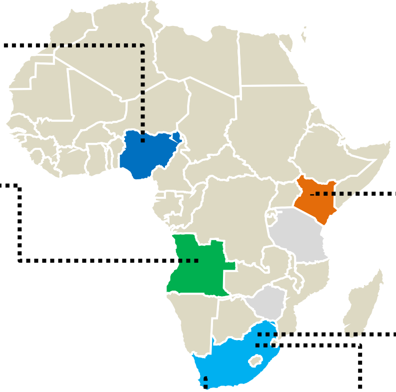
SA CAPACITY BUILD

480m L/pa cider
70m L/pa BIB
60 m L/pa RB
50 m L/pa NRB

NIGERIA

KENYA

ANGOLA



WADEVILLE

NEDERBURG

SPRINGS

Key lessons from Africa

Local brands key

Building local RTM & customer affinity

Local Production vs. Export model

Africa not one continent

Prudent risk management is imperative

Measured capital allocation – not betting the farm

Local partnerships to ensure localisation & beneficiation