**Speakers:**

- Mr. Etienne Saada – Vice Chairman of the Board & Managing Director
- Mr. Mustapha Gammar - Finance Director
- Floriette Mugisha - Host, African Alliance Rwanda

START OF TRANSCRIPT

Host

Good morning, ladies, and gentlemen, and welcome to BRALIRWA Plc's first half year 2023 financial results Investor Conference Call hosted by African Alliance Rwanda. Thank you all for your time and participation today. From Bralirwa, we are joined by the Vice - chairperson of the Board and Managing Director, as well as the Finance director who will take us through the presentation of the company for the first half year period of 2023. At the end of the presentation, participants will be able to ask questions. Kindly raise your hand so I can see it on the screen. Also feel free to share your comments and questions in the chat. I would like to inform participants that this investor conference call is being recorded. Without further ado, allow me to welcome the Vice chairperson of the Board and Managing Director. Mr. Etienne Saada, the floor is yours. Thank you.

Etienne Saada

Thank you, Floriette. Good morning, everyone and thank you for joining us today for our 2023 half-year results conference call. Let me start if you allow me, by introducing myself, my name is Etienne Saada. So, to remain consistent with the previous results call, I am joined today by our finance Director Mustapha Gammar. There are also some slides accompanying this call which you should be able to access from our company website. With that I would like to get started on our disclaimer as usual.

Now turning on the first slide, I will start by just providing some context on the macroeconomic condition and market context in Rwanda for the first part of the year. One, the economy grew by 9.2% in the first quarter because of the services and industry sectors' performance which were limited by the impact of climate change, affecting the agricultural sector. Rwanda's economy is expected to continue to have a robust growth, about 8.8% in 2023. Inflation started to decelerate significantly to 15.2% in Q2 2023 from 20.2% recorded in the previous quarter. Although still high, the inflationary trend is expected to continue decelerating and fall below 8% by the end of the year. The Rwandan Franc depreciated by 10.7% vs the Euro and 8.8% vs. the USD as a result of the global growth of the EUR and USD as well as the country's rising import bill compared to exports. That is for macroeconomic context.

Now going to the next slide, which is slide number four, we see the development and activities around our brands in this first half of the year. At the beginning of 2023, we saw the rollout of our nationwide Primus Campaign, Primus Yacu Iwacu. A campaign centered more around positioning the Primus brand as a modern beer that defines who the trendy young Rwandan adults are today. We want them to be proud of their roots and culture and create a strong meaning and different viewpoint of the brand. The Primus brand was able to continue getting closer to the consumer with our Primus National League. This platform brings people together and is sponsored by Primus through its cues of national pride, and togetherness for this season 2022 to 2023 ended in May 2023. With that, I would like to hand over to Mustapha to take us through the 2023 half year financials.

Mustapha Gammar

Thank you, Etienne, and good morning, everyone. Moving to slide five, we have some of the key performance highlights from the half year results. Our overall volume was slightly reduced by 2% versus 2022, due to slowdown of soft drinks' growth. The slowdown was due to slow price acceptance from price change in December 2022. Despite the volume decline, revenue of 85.7 billion Rwandan francs was higher than last year mainly driven by responsible pricing and positive mix. This responsible pricing continues to ease the pressure of input costs increases.

As you can see, we registered a strong Operating Profit result at 14.9% growth, delivering 23 billion Rwandan francs compared to 20 billion Rwandan francs in same period 2022 mainly driven by topline performance, partially offset by the increase in selling and distribution costs, which were impacted by higher transportation costs. Additionally, there were higher administrative expenses coming from the new CORE project team and severance payments in Q1 2023.

Net finance costs increased by 57.8% to 4.2 billion Rwandan francs due to the heavy impact of the Rwandan franc depreciation, as mentioned in slide number three. This contrasts with the first half of 2022 where the Rwandan franc was appreciating versus the Euro. Income tax expenses increased by 20.6% to 5.8 billion Rwandan francs due to lower income tax in 2022. Consequently, profit and total comprehensive income increased by 3.5% to 12.9 billion coming from 12.5 billion in 2022. This is reflected in the increase of earnings per share of 12.54 Rwandan Francs compared to 12.12 Rwandan Francs in 2022. I would like now to hand over the call back to Etienne to take us through the sustainability and responsibility initiatives and the outlook for the rest of the year.

Etienne Saada

Thank you, Mustapha. Now, back to slide number six to follow on sustainability and responsibility. Sustainability and Responsibility is embedded in company's top five priorities. Not only BRALIRWA but also HEINEKEN. In the first half of 2023, we reaffirmed our commitment to one of our core values; caring for people by fulfilling our pledge and providing the remaining part 230,000,000 Rwandan francs of the 500,000,000 Rwandan francs to enable the completion of the Rambo TVET school in Rubavu district, close to our brewery. Furthermore, the HEINEKEN Africa Foundation (HAF), in collaboration with WaterAid Rwanda and the Ministry of Health, launched WASH facilities in various districts around Rwanda to promote access to safe water and hygiene behavioral change. We have also taken a significant step toward the commitment to sustainable development by partnering with Bboxx. This project intends to bring solar energy to 59 off grid households in the Ngororero district, and it will benefit over 355 people. We also maintained our annual partnership with Rwanda National Police to address drink driving through media campaigns including staff and distributor engagement on our Don't Drink and Drive campaign, as part of our HEINEKEN commitment to driving positive impact through responsible consumption.

Finally, with our last slide, I would like just to give an outlook for the second part of the year 2023. Whilst the market environment in Rwanda is expected to remain competitive and constrained by the high input costs, the overall beverage market is expected to be broadly positive. With the completion of the Gisenyi extension expected in Q4 2023, BRALIRWA will be in a better place to continue protecting our market position and improving supply to the market. Additionally, this will be supported by continued investment in our brands, route to consumer, and people to drive superior performance. Our message there is to explain that we still maintain and support our brands even in a complex global context. Cost pressures and uncertain tax environment will continue to be challenging, but if we remain focused on cost management and responsible pricing, we should be able to get further growth in the second half of 2023. With that we would like to hand back to the operator for any questions.

Host — Thank you, Sir. Thank you to Bralirwa management for a great presentation. I would like to remind our participants that you can all raise your hand to ask your questions and feel free to also share your questions and your comments in the chat. Bernard Griesel has raised his hand. You are welcome to ask your question, Bernard.

Bernard Griesel — Hi, thank you. Thank you very much for the call. I just wanted to ask if you can please remind us how many times you have taken price increases this year. At which intervals, and how much price do you take? Has the competitor followed suit? Secondly and part of that, what is the demand effect being? It seems like soft drinks demand has been a bit slower to uptake on the price increases, but has beer responded on the demand side since your price tag?

Etienne Saada — Thank you, Bernard, for your question. I understood two separate aspects of your question. First on price, we increased twice on beer, but it is not a uniform price increase. We did it per SKU, working with our revenue management. The answer on beer is second. Yes, we saw that the competition followed. As for soft drinks, we did so in January and December. As for the demand for beer on the market, that is why we maintain our investment in the capacity increase because we see, and we do believe demand is still there.

Bernard Griesel — Thank you. When was the price increase for the beer? Did you also take one now in June or post the quarter?

Etienne Saada — The reply is no.

Bernard Griesel — OK. Thank you. I can ask another question about your capacity expansion. I see your guide for Q4 completion. I wanted to understand if you can give us some expectation of how much CapEx you expect to spend this year and then maybe going forward. I know you applied for a grant of $27 million for this expansion, around thirty billion Rwandan francs. I would say you spent about that last year. This year I have seen there are commitments for 24 billion. It is some extra expenses CapEx. I assume that is for packaging and the line. Maybe you can just unpack CapEx for this year and then going into 2024-2025, your expectation.

Etienne Saada — I will give the floor to Mustapha to give the answer.

Mustapha Gammar — As Etienne explained, there is demand on the market and we must invest in line with the curve. We decided last year to invest in the Gisenyi extension. It was an extension plus a replacement of an old line with the new line with higher speed. This year, like every year, we invested in replacing old equipment and returnable packaging. This is the main investment that we see this year and for coming years.

Bernard Griesel — Thank you. The last one, I know when you set up your local production capabilities for Heineken, there was a lot of talk about export opportunities in the region. Of course, it seems like there is a lot of demand in the country, but is the focus still to be exporting within the region over time?

Etienne Saada — Yes, the final perspective is indeed to grow the Heineken brand for two reasons. To begin, the Heineken brand is not brewed in every country in Africa, particularly in East Africa. We have breweries, but few of them manufacture Heineken. However, keep in mind that we must first satisfy the domestic market.

Bernard Griesel — Thank you.

Etienne Saada — You are welcome.

Host — Thank you, team. I would like to remind our participants that you can share your questions in the chat box. We have another question, Mr. Griesel, please go ahead.

Bernard Griesel — Thank you. I thought of asking again about the Heineken deal. It has been closed now for some time. You touched it on your previous call briefly that you did explore looking at some of those products. I wanted to just get a sense of this further update. If you would look to sell some of the beyond beer products locally, would that be simply be importing those products and then distributing them locally, either from SA or potentially from Kenya. Can you import?

Etienne Saada — Thank you, Bernard. This is a key and strategic question. DISTELL as you know and as I briefly mentioned last time is really a fantastic opportunity beyond beer options. The first step, short terms, is to integrate this deal, but as a reminder, it was finalized at the end of April this year. As you can imagine to merge is not only Distell. It is Distell Namibia Brewery with Windhoek the brand plus South Africa. It is almost 5000 people. Integration is taking place right now and then we will have our discussion internally on which portfolio and where, what is already in place in the country. However, and you are 100% right, it is a fantastic opportunity for us to go beyond beer in many categories including spirits and cider. First, we structure, then we integrate, and then we see what we can do country by country. Keep in mind that DISTELL is already established in numerous areas outside of South Africa, particularly in East Africa.

Bernard Griesel — Thank you.

Host — Thank you for your questions. Dear participants, we are still waiting for your questions. Also remember to use the chat box to share your questions and comments.

Etienne Saada — Dear Floriette, I think that if we do not have any questions, if you allow me, I will leave you the floor to conclude.

Host — Thank you managing Director, thank you to the management of Bralirwa Plc, and thank you all for your participation. I would like to remind Bralirwa Plc that you will receive a record and a transcript after the call. Do have a great day.

Etienne Saada — Thank you, Bye.

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