

Bralirwa Plc reports 2018 full year results

Kigali, 26 April 2019 – Bralirwa Plc (“Bralirwa”) announces today its financial results for the period ended 31 December 2018. Highlights from the results include:

- Total volume increased by 14.6% led by the Mutzig brand
- Organic revenue increased 14.6% mainly due to favourable mix and strong volume growth
- Results from operating activities increased by 25.4% driven by cost savings combined with operational efficiencies

Merid Demissie, Vice Chairman of the Board and Managing Director of Bralirwa commented:

“In 2018, overall financial performance improved compared to 2017, despite the challenging business environment. Revenue management combined with a focus on cost savings as well as operational efficiencies, positively impacted results. In order to drive future performance, we launched the local production of Heineken® in our Gisenyi brewery in December 2018. A great milestone for the company and leveraging Bralirwa’s investments over a number of years in both its assets and people.”

Operational Review 2018

Top line, volume and revenue, improved substantially driven by Bralirwa’s brand investments and new product introductions. Revenue was 14.6% higher than last year at Rwf 99.0 billion (2017: Rwf 86.4 billion), due to favourable mix and strong volume growth. The market recovered from the prior years’ price increases, but remained very competitive with still constrained consumer spending.

In 2018 pricing was taken on soft drinks for the first time in two years, to compensate for increased fixed costs from operations, and currency depreciation resulted in higher raw material and other costs. The adverse impact on volume was in line with expectations.

A continued focus on cost savings combined with operational efficiencies resulted in improved performance at the bottom line. Bralirwa’s results from operating activities increased by 25.4% to Rwf 18.4 billion (2017: Rwf 14.7 billion), and profit and total comprehensive income for the year 2018 increased by 42.6% to Rwf 7.2 billion (2017: Rwf 5.1 billion). This resulted in an improved earnings per share of Rwf 7.04 (2017: Rwf 4.94).

Investment

The launch of Heineken® local production and the new Enterprise Resource Planning system increased capital expenditure in 2018 to Rwf 15.2 billion (2017: Rwf 11.3 billion). The Heineken® launch in December 2018 leveraged prior years' investments in the Gisenyi brewery, and also required additional equipment and returnable packaging material.

The Bramin farm joint venture's fifth year of commercial farming was impacted by infestations and operational issues, adversely impacting Bramin's crop yields and results. In addition to last year's impairment a charge of Rwf 0.3 billion was recorded in the Bralirwa financials on the Bramin long term loan. This charge, which has no impact on cash flows, reflects Bralirwa management's view of the lower future expected performance of Bramin. Despite the impairment, we continue to believe in the importance of the farm and the many positive contributions which it brings to the company. We have strengthened farm management and remain focused on improving the yield of the existing crops and are testing promising new crops in order to bring profitability to the farm.

Debt

Debt reduction remains one of Bralirwa's key priorities. The repayment of the USD denominated long term IFC loan commenced with a payment of USD 3.1 million and the BPR loan was repaid in full in 2018. However, our net debt position temporarily increased to Rwf 47.7 billion (2017: Rwf 42.2 billion) mainly due to investment associated with the Heineken® local production and resulted in higher net finance costs of Rwf 8.1 billion (2017: Rwf 7.0 billion).

Outlook 2019

Ongoing uncertainties and resulting volatility in the global economy are expected to continue to impact African economies. In 2018, the Rwandan economy performed reasonably well, supported by improved agricultural performance and with growth still ahead of average growth rates in sub-Saharan Africa. We expect this trend to continue in 2019, excluding any significant unforeseen macroeconomic or political developments.

Although consumer spending power is improving it is expected to remain constrained. However, we expect to deliver top line growth in 2019 supported by our new product introductions in the market. Cost pressures and the uncertain tax environment will likely continue to be challenging, but further focus on cost management and reducing debt should enable margin improvement in 2019.

Dividend 2018

Payment of a cash dividend for 2018 of Rwf 5.50 per share (2017: Rwf 3.75) will be proposed to the annual general meeting of shareholders scheduled for 22 May 2019. The proposed dividend, if approved, will be paid on 21 June 2019. The dividend represents 78.1% of the net profit of the year 2018.

Please note that the payment will be subject to a withholding tax. The book close date for Bralirwa shares will be 15 May 2019, such that the final dividend will be paid to all shareholders, whose names appear in the Register of Shareholders at the close of business on that day.

Conference call details

On 3 May 2019, Bralirwa will host a conference call to discuss its full year 2018 financial results. The call will also be webcasted live via the investor relations section of the company's website: <http://www.bralirwa.com/cms/index.php/investors>. An audio replay service will also be made available after the conference call at the above web address.

About Bralirwa

Bralirwa is a Rwandan company producing and selling beers and soft drinks. The Company's beer brand portfolio includes Mützig, Primus, Turbo King, Legend, Amstel and Heineken produced in the Gisenyi brewery. Primus, one of the Company's largest selling beer brand has been available to consumers since 1959. Since 1974, the Company has been producing and selling soft drink brands under a licensing agreement with The Coca-Cola Company. These include Coca Cola, Fanta, Sprite, Krest, Tonic, Stoney and the Company's own brand Vital'O.

The Company was founded in 1957 with the construction of a brewery located in Gisenyi. Since 1971, Bralirwa is a subsidiary of the Heineken N.V., which holds 75% of the shares of Bralirwa with the remaining 25% listed on the Rwanda Stock Exchange. As a socially responsible company Bralirwa supports a variety of projects from Education to Health and Environment.

Statement of Profit or Loss and other comprehensive income

(In '000hl and Rwf millions)	2018	2017	% Change
Sales volume	1,790	1,562	14.6%
Revenue	98,954	86,354	14.6%
Cost of sales	(66,161)	(60,079)	10.1%
Gross profit	32,793	26,275	24.8%
Other income	315	5,288	-94.0%
Selling and distribution expenses	(4,503)	(4,090)	10.1%
Administrative expenses	(9,863)	(10,405)	-5.2%
Other operating expenses	(301)	(2,363)	-87.3%
Results from operating activities	18,441	14,705	25.4%
Finance costs	(8,095)	(6,997)	15.7%
Net finance cost	(8,095)	(6,997)	15.7%
Profit before income tax	10,346	7,708	34.2%
Income tax expense	(3,104)	(2,631)	18.0%
Profit after tax	7,242	5,077	42.6%
Other Comprehensive income	-	-	0.0%
Profit and total comprehensive income for the year	7,242	5,077	42.6%
Earnings per share (basic and diluted) - Rwf	7.04	4.94	42.6%
Dividend per share - Rwf	5.50	3.75	46.7%
Net Debt	47,686	42,240	12.9%
EBITDA	30.944	28.308	9.3%

Statement of Financial Position

<i>(In Rwf millions)</i>	2018	2017	% Change
Assets			
Non-current assets			
Property, plant and equipment	87,695	85,765	2.3%
Intangible assets	903	131	589.3%
Investments in associate	9	9	0.0%
Receivables from related parties - principal	4,341	3,397	27.8%
Total non-current assets	92,948	89,302	4.1%
Current assets			
Inventories	19,957	20,445	-2.4%
Receivable from related parties	781	815	-4.2%
Trade and other receivables	9,489	8,588	10.5%
Tax recoverable	2,841	1,270	123.7%
Bank and cash balances	8,785	7,309	20.2%
Total current assets	41,853	38,427	8.9%
Total assets	134,801	127,729	5.5%
Equity			
Share capital	5,143	5,143	0.0%
Share premium	85	85	0.0%
Other reserves	2,072	2,072	0.0%
Retained earnings	31,777	28,391	11.9%
Total equity	39,077	35,691	9.5%
Non-current liabilities			
Loans and borrowings	22,146	26,997	-18.0%
Deferred tax liability	8,596	7,746	11.0%
Total non-current liabilities	30,742	34,743	-11.5%
Current liabilities			
Loans and borrowings	34,326	22,551	52.2%
Payable to related parties	1,892	7,025	-73.1%
Trade and other payables	28,764	27,719	3.8%
Total current liabilities	64,982	57,295	13.4%
Total liabilities	95,724	92,038	4.0%
Total equity and liabilities	134,801	127,729	5.5%

Statement of Cash Flows

<i>(In Rwf millions)</i>	2018	2017	% Change
Cash flow from operating activities			
Profit before tax	10,346	7,709	34.2%
Adjustments for:			
Impairment of related party loan	301	2,363	-87.3%
Interest expense	6,274	5,089	23.3%
Foreign exchange difference on loans	698	717	-2.6%
Depreciation	12,383	13,473	-8.1%
Amortization of intangible assets	120	129	-7.0%
Gain on sale of property, plant, and equipment	175	(95)	-284.2%
Other non cash items in Equity	-	3	-100.0%
	30,297	29,388	3.1%
Changes in working capital			
Changes in trade and other receivables	(901)	(585)	54.0%
Changes in related party balances	(6,344)	(3,974)	59.6%
Changes in inventories	488	1,652	-70.5%
Changes in trade and other payables	1,045	(7,140)	-114.6%
Cash generated from operating activities	24,585	19,341	27.1%
Income tax paid	(3,823)	(25)	15192.0%
Net cash flows generated from operating activities	20,762	19,316	7.5%
Cash flow from investing activities			
Proceeds from sale of property, plant, and equipment	-	120	-100.0%
Purchase of property, plant and equipment	(14,488)	(11,262)	28.6%
Purchase of intangible assets	(892)	(6)	14766.7%
Net cash flows used in investing activities	(15,380)	(11,148)	38.0%
Cash flow financing activities			
Repayment of loans and borrowings	(3,121)	(1,476)	111.4%
Dividends paid	(3,857)	(1,029)	274.8%
Interest expenses	(6,274)	(5,089)	23.3%
Net cash flows used in financing activities	(13,252)	(7,594)	74.5%
Net increase/(decrease) in cash and cash equivalents	(7,870)	574	-1471.1%
Cash and cash equivalents at 1 January	(12,122)	(12,696)	-4.5%
Cash and cash equivalents as at 31 December	(19,992)	(12,122)	64.9%