



# SABMiller plc quarterly divisional seminar series

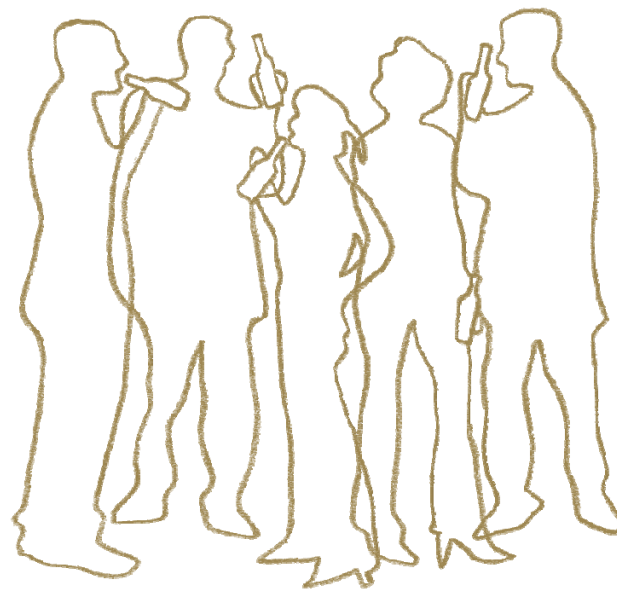
Q4 F09

## South Africa Beverages

Norman Adami  
Managing Director  
SAB Limited

Ingmar Boesenberg  
Supply Chain Director  
SAB Limited

Gary Leibowitz  
SVP, Investor Relations  
SABMiller plc



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# Forward looking statements

This presentation includes 'forward-looking statements'. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this presentation. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All references to "EBIT" in this presentation refer to earnings before interest, tax, amortization of intangible assets and exceptional items. All references to "organic" mean as adjusted to exclude the impact of acquisitions, while all references to "constant currency" mean as adjusted to exclude the impact of movements in foreign currency exchange rates in the translation of our results.



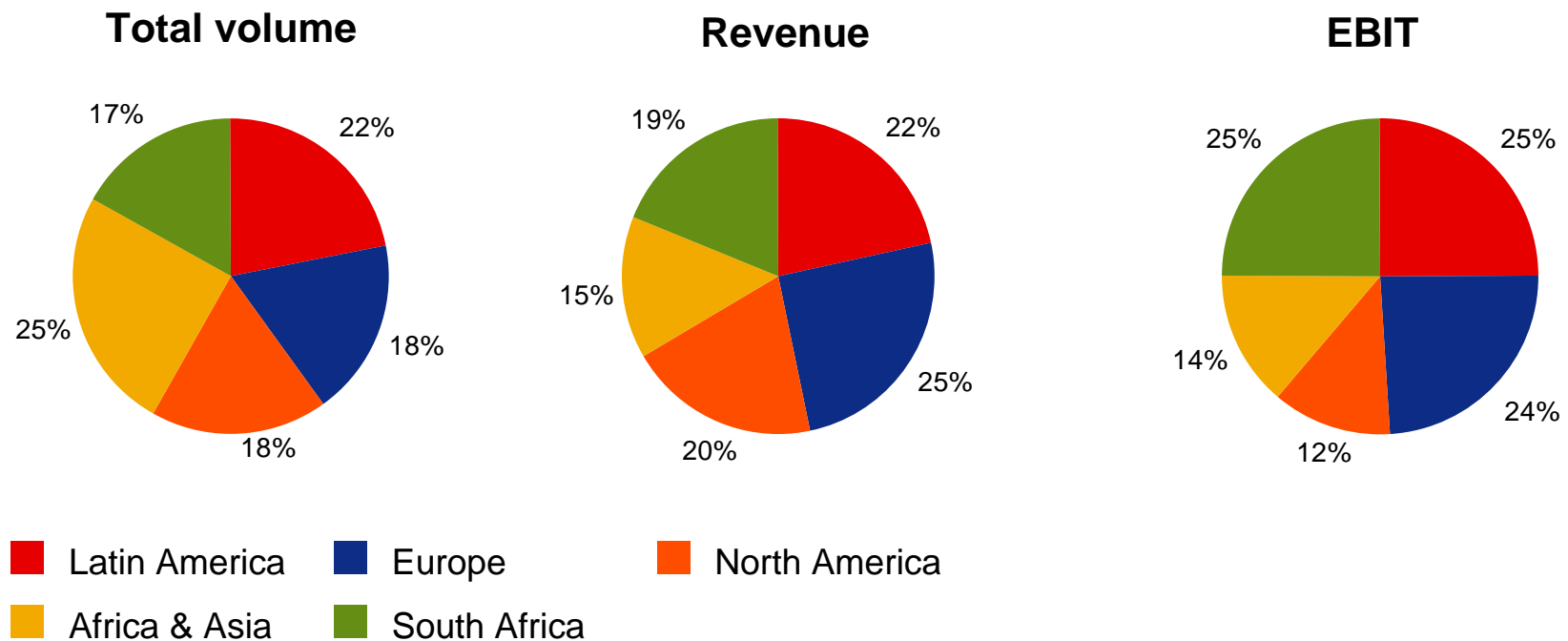
## Agenda

1. Introduction
2. Soft drinks summary
3. Focus on beer division
  - What is our enduring orientation?
  - What is our current reality?
  - What are the implications?
  - What is our objective?
  - What is our strategy?
4. Medium term value driver outlook
5. Q&A



## South Africa remains a key contributor within SABMiller

Twelve months to 30 September 2008

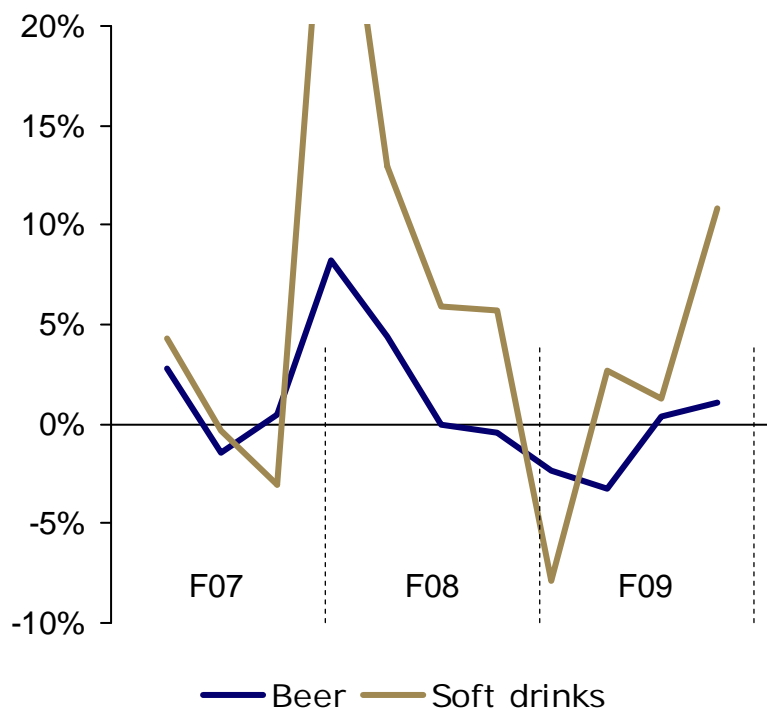


Volume excludes contract brewing, includes soft drinks and other beverages  
EBIT is Pre-goodwill amortization, excluding central admin and exceptional items



## Recent performance

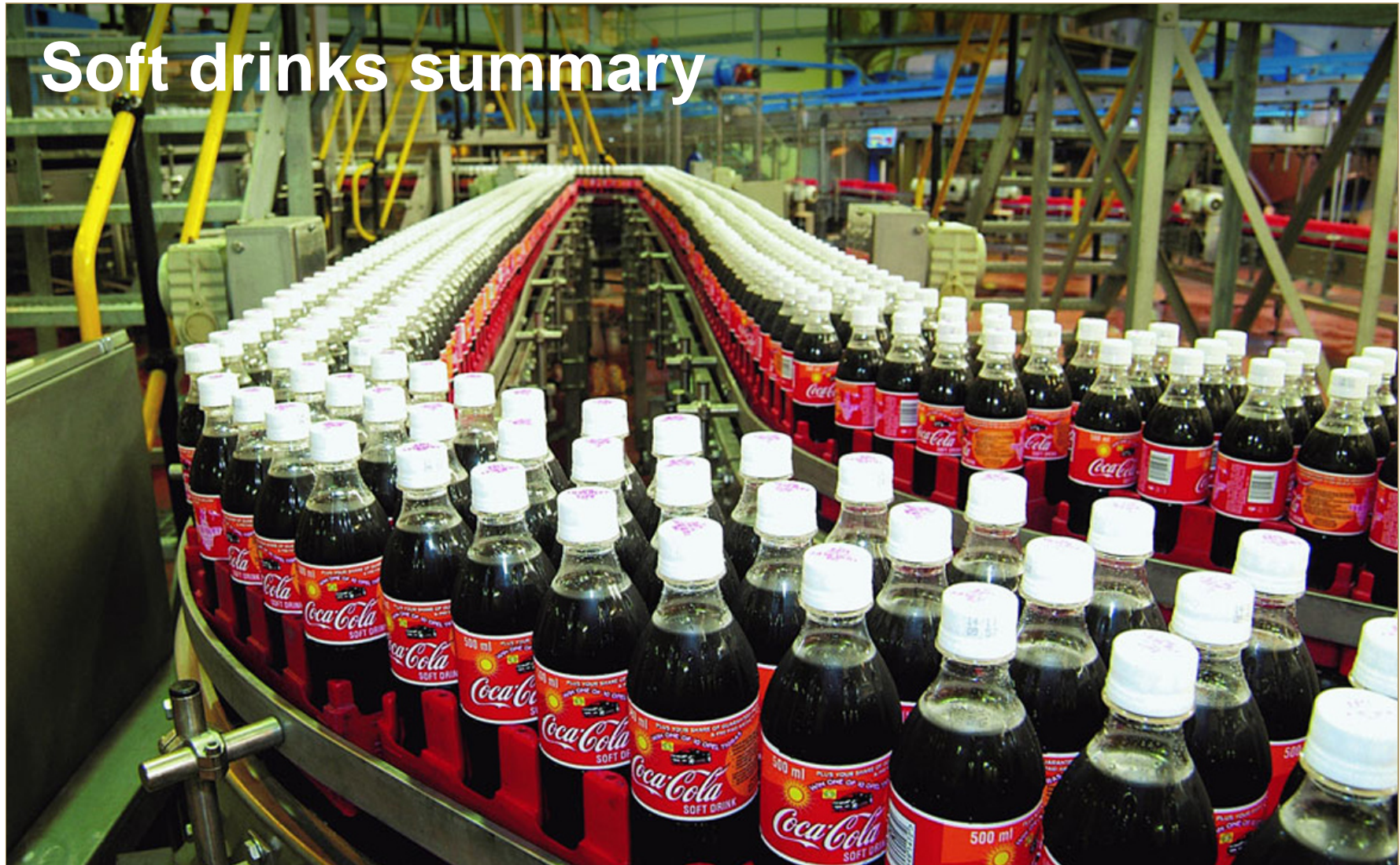
**Beer and soft drink volume growth**  
*yoy by quarter*



- Loss of Amstel in April 2007 – was > 9% of volume
  - SAB volumes have been flatter than expected
  - Financial impact spread over F08 and F09
- Brand portfolio has been enhanced, particularly in premium
- Beer pricing was firm in F08/F09
- Per last seminar, market-facing investment has increased
- High input costs, exacerbated by FX, have further affected margins



# Soft drinks summary





## Soft drink opportunities & issues require action

### Opportunities & issues

- Market growth potential
- Invigorated competition
- Channel dynamics
- Operational challenges
- Coca-Cola alignment

### Required actions

- Strengthen foundation
- Co-develop growth strategy

# Focus: Beer Division







# What is our enduring orientation?





## **SAB orientation: adapt to grow**

- 1950 – 1964 Optimisation during prohibition
- 1964 – '80s Creating affordability through scale
- 1990 - 2000 Capitalising on societal change
- 2000 - 2007 Optimising during economic growth



What is the current reality?





## Strengths: SA market

- Population growth
- Economic momentum
- Low alcohol PCC with good growth potential
- Strong beer culture

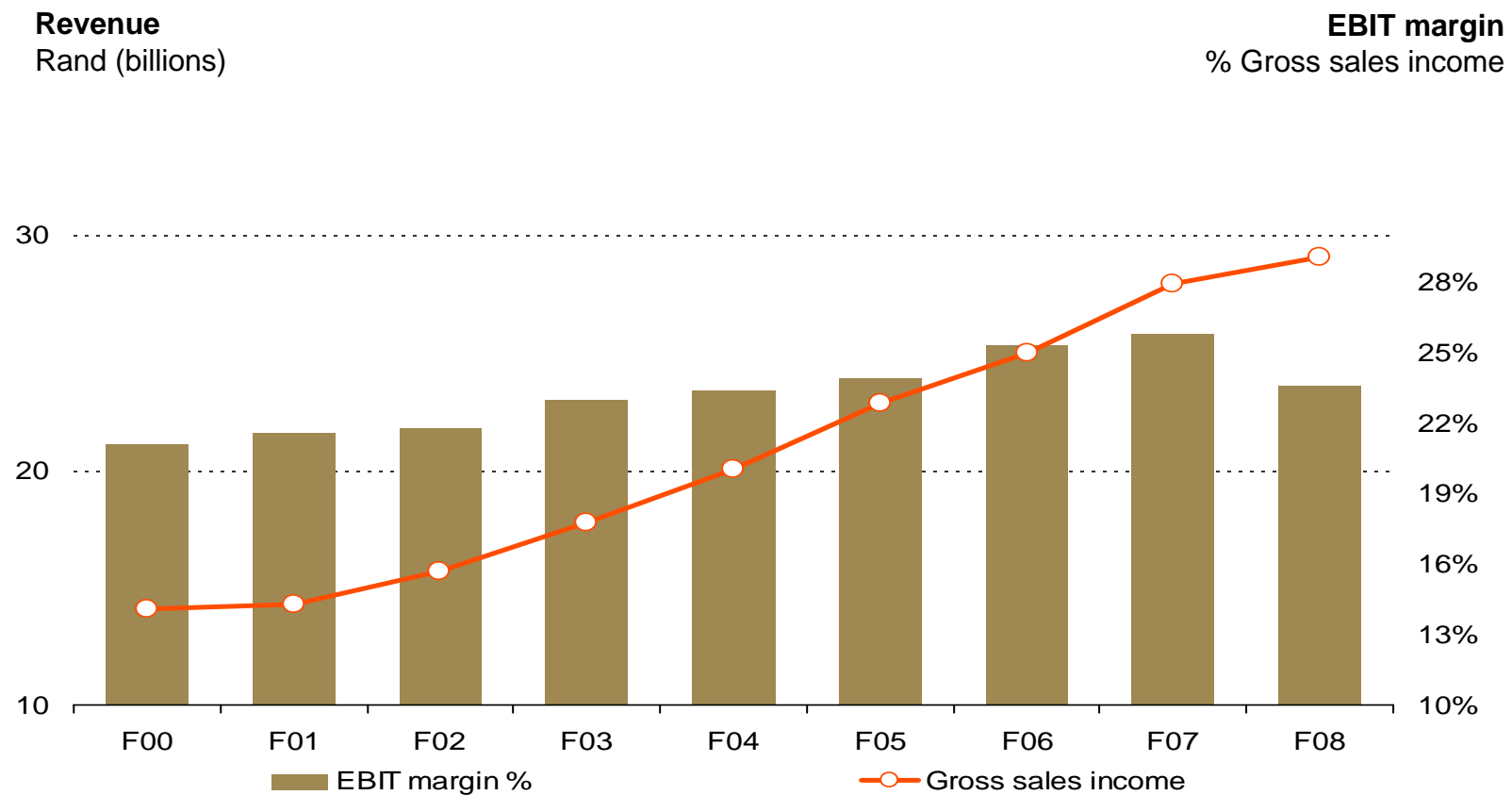


## Strengths: SAB's position

- Unique scale
- Irreplicable footprint
- Strong brands
- Balanced brand portfolio across market segments



# New realities challenge margins...



Source: SA Beverage Revenue Data, SABMiller Annual Financial Statements



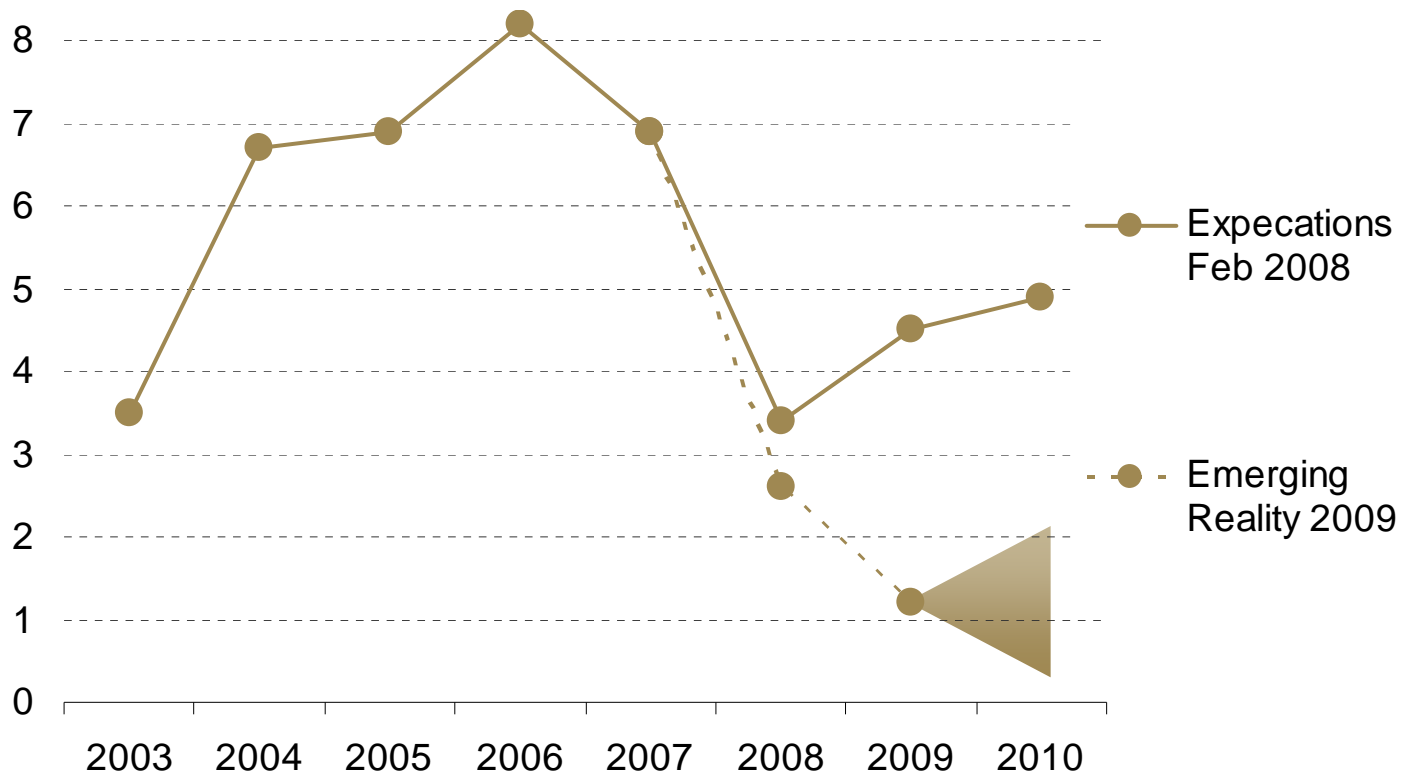
## 5 new realities

1. Significant economic slowdown
2. Step-change in dollar based input costs
3. Emergence of competition
4. Major shift in retail dynamics
5. Accelerated socio-political change



# Reality 1: economic slowdown

Final  
consumption  
expenditure  
growth (%)



Source: Bureau for Economic Research – February 2008 vs 2009: 2010 (SAB View)

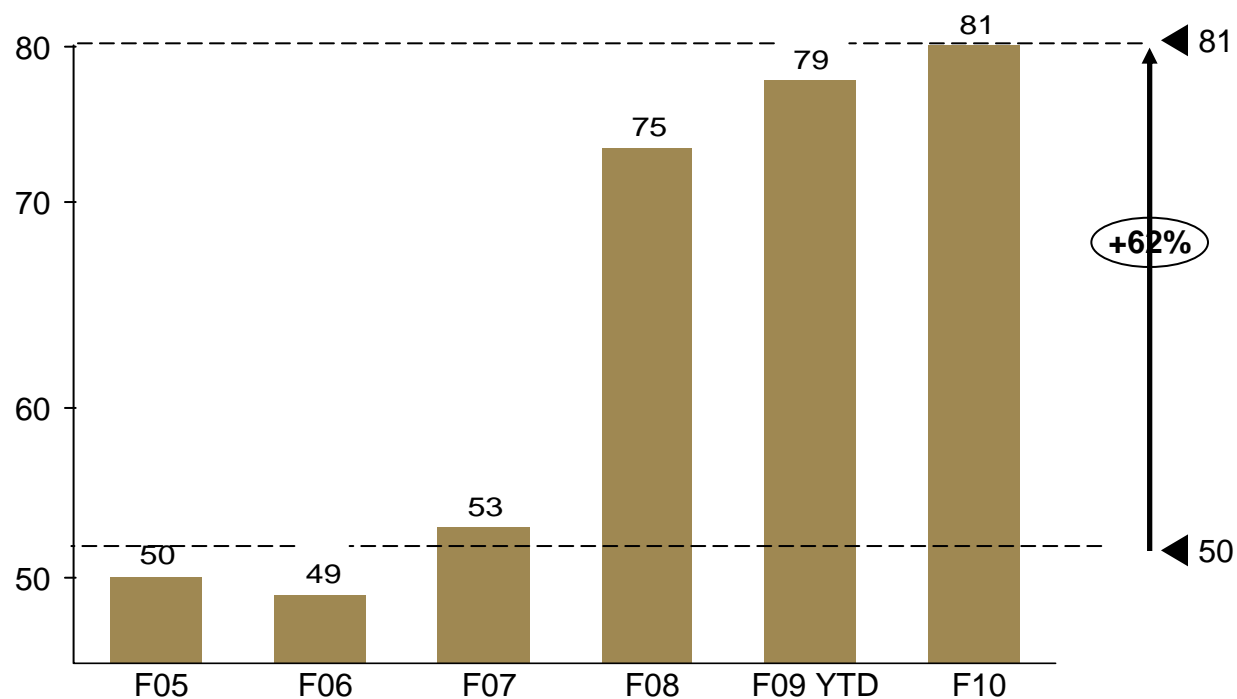




## Reality 2: step-change in dollar influenced input costs

**“Dollarization”  
of cost base**

% SAB input  
costs influenced  
by the dollar

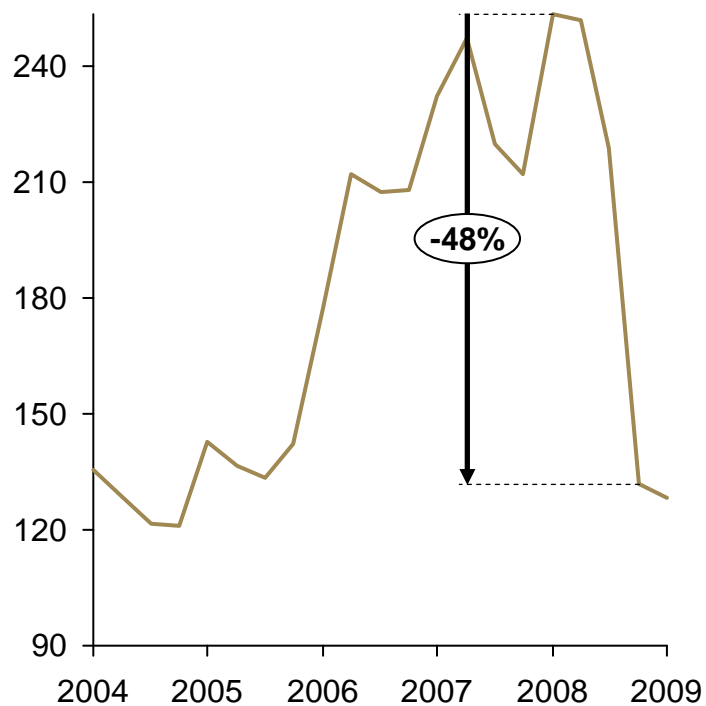


Source: Internal data

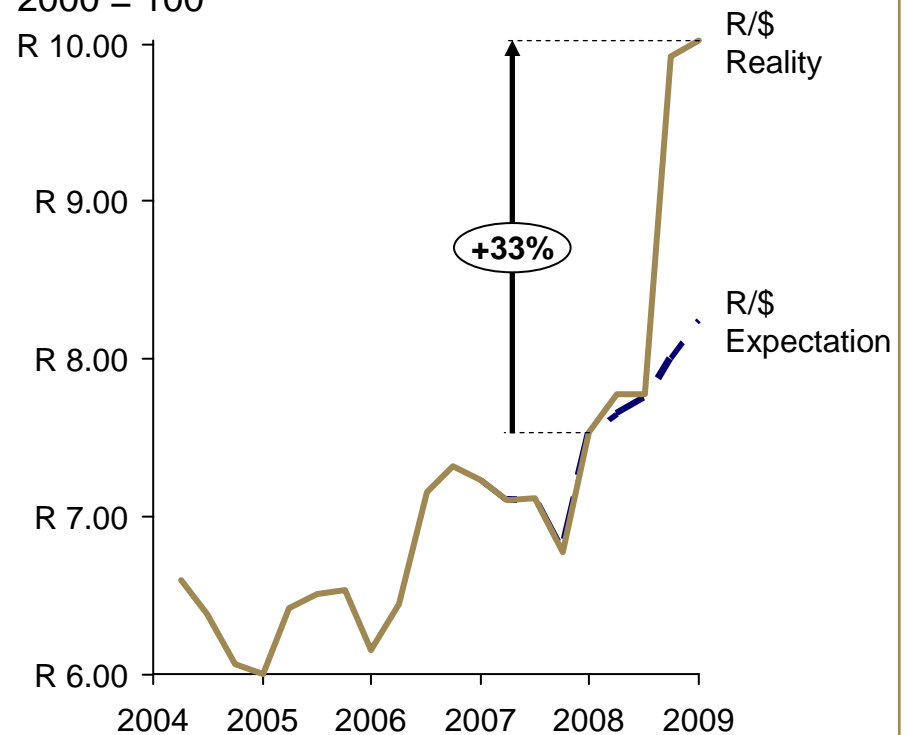


## Reality 2: step-change in dollar influenced input costs

**Economist commodity Index**  
2000 = 100



**ZA Rand / \$ exchange rate**  
2000 = 100



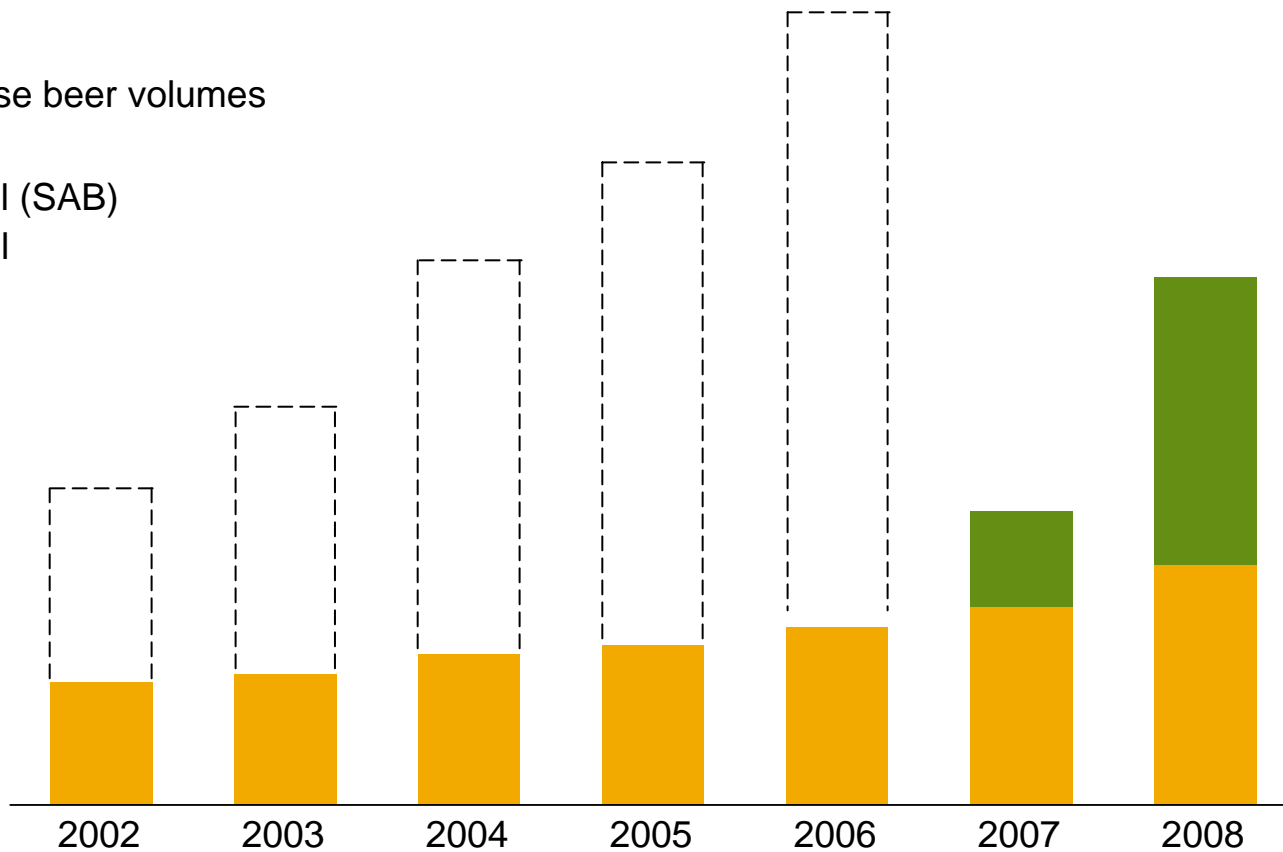
Source: BER; Internal Data



## Reality 3: emergence of competitor

Brandhouse beer volumes

- Amstel (SAB)
- Amstel
- Other





## Basis of competition is shifting

- Brand strength
- Retail execution



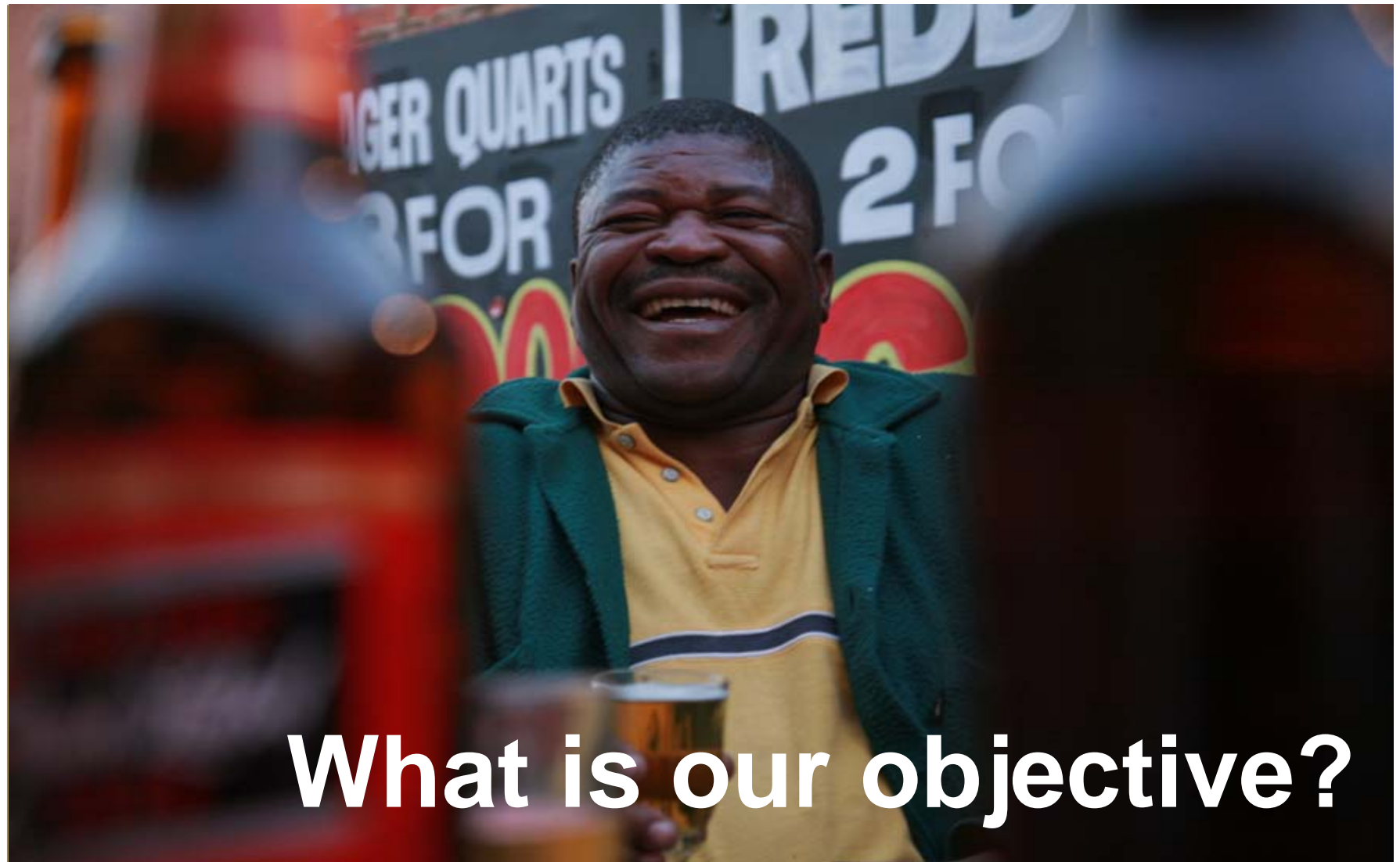
## Reality 4: major shifts in retail dynamics

- Licensing stalls
- Retail diversity demands “bi-modal” distribution
- Growing middle class drives high-end expansion
- URDs emerge for on-premise
- Chains expand influence



## Reality 5: accelerated sociopolitical change

- Political evolution
- Increased focus on alcohol issue
- Numerous regulatory challenges



**What is our objective?**



**Objective:**

***Sustain SAB's role as strong cash flow provider***

**Over the 5 year horizon**

- Deliver solid EBIT growth, coupled with tight balance sheet management
- Create reduction in “non-marketing” cost base
- Grow total portfolio volumes







# Beer division business model

## 5 year horizon

### Where to play

SAB will participate broadly in the RTD alcoholic beverage market...

... to win in total beer....

through focus on priority brands within priority geographies, classes of trade and consumer segments.



# Beer division business model

## 5 year horizon

### How to win

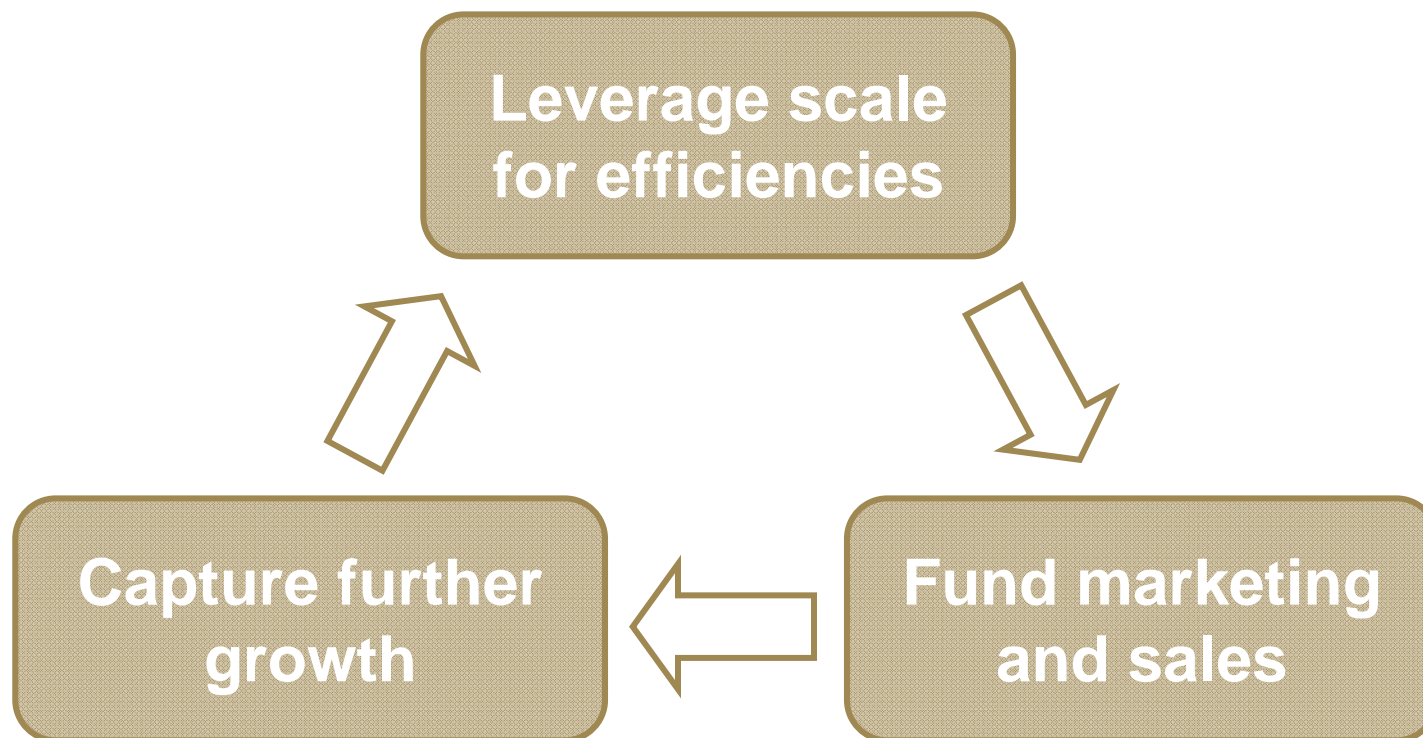
Translate our share advantage into true scale advantage...

...by re-investing savings to build strong enduring brands and provide superior customer service offerings.



# Beer division business model

## 5 year horizon





## 5 strategic thrusts

1. Fortify the foundation, and strengthen productivity edge
2. Engage the competitor
3. Ensure key brands resonate
4. Shape superior routes to market
5. Ensure societal leadership



# Thrust 1: fortify the foundation

## Imperatives

- Eliminate out of stocks
- Address critical skills issues
- Strengthen productivity edge



# Eliminate out of stocks

## Causes

- Raw materials – CO2, glass, etc.
- Electricity load shedding
- Complexity – SKU proliferation
- Internal capability gaps



# Eliminate out of stocks

## Levers

- Improve brewing and packaging reliability
- Address primary distribution reliability
- Guarantee empties availability
- Foster precision planning
- Ensure correct depot SKU allocation





# Eliminate out of stocks

## Targets

- Out of stocks zero %
  - at competitive costs and working capital
- Brewery reliability from c. 80 to 98%
- Factory efficiencies from c. 70 to 78%
  - Machine efficiencies from 80% to 90%
- Primary distribution
  - 98% load compliance



# Address critical skills issues

## Causes

- Growth of South African business has required skills
- Investment by government & parastatals
- Impact of skills exports
- Demand outstripping supply



# Address critical skills issues

## Imperatives

- Reduce vacancy rates
- Reduce labour turnover
- Minimise time to competence



# Restore productivity edge

## Imperatives

- Create savings for re-investment in front facing activities
- Free up cash flow



# Restore productivity edge

## Focus areas

- Manufacturing operations
- Primary distribution and logistics
- Overhead costs
- Raw materials procurement
- Bottle float management
- CAPIN
- Working capital management



# Restore productivity edge

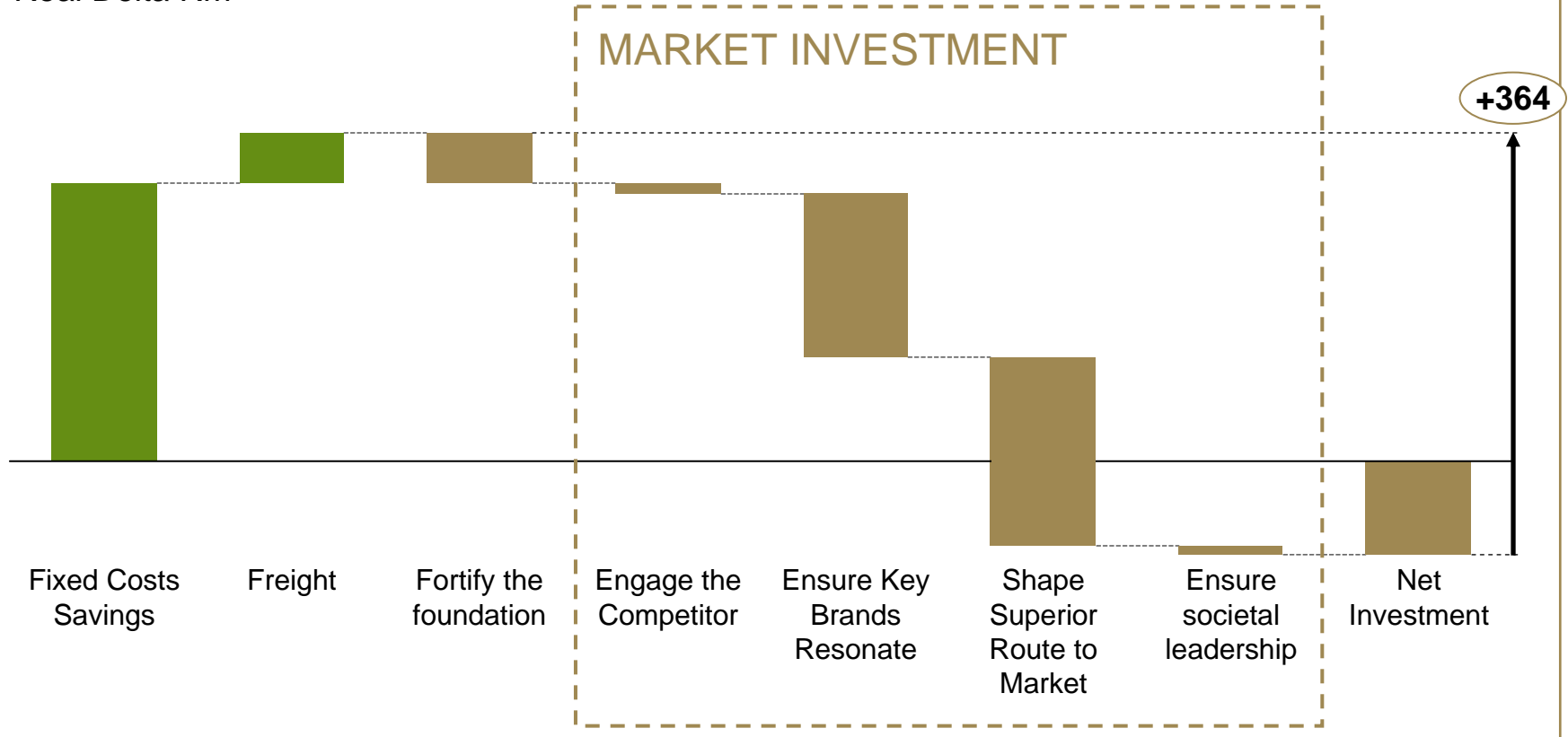
## Targets

- Productivity savings +/- R250m
- Eliminate inefficiencies +/- R100m
- CAPIN reduced +/- R820m
- Net working capital reduced +/- R750m



# F10 virtuous cycle

**Reallocation of Costs**  
Real Delta Rm





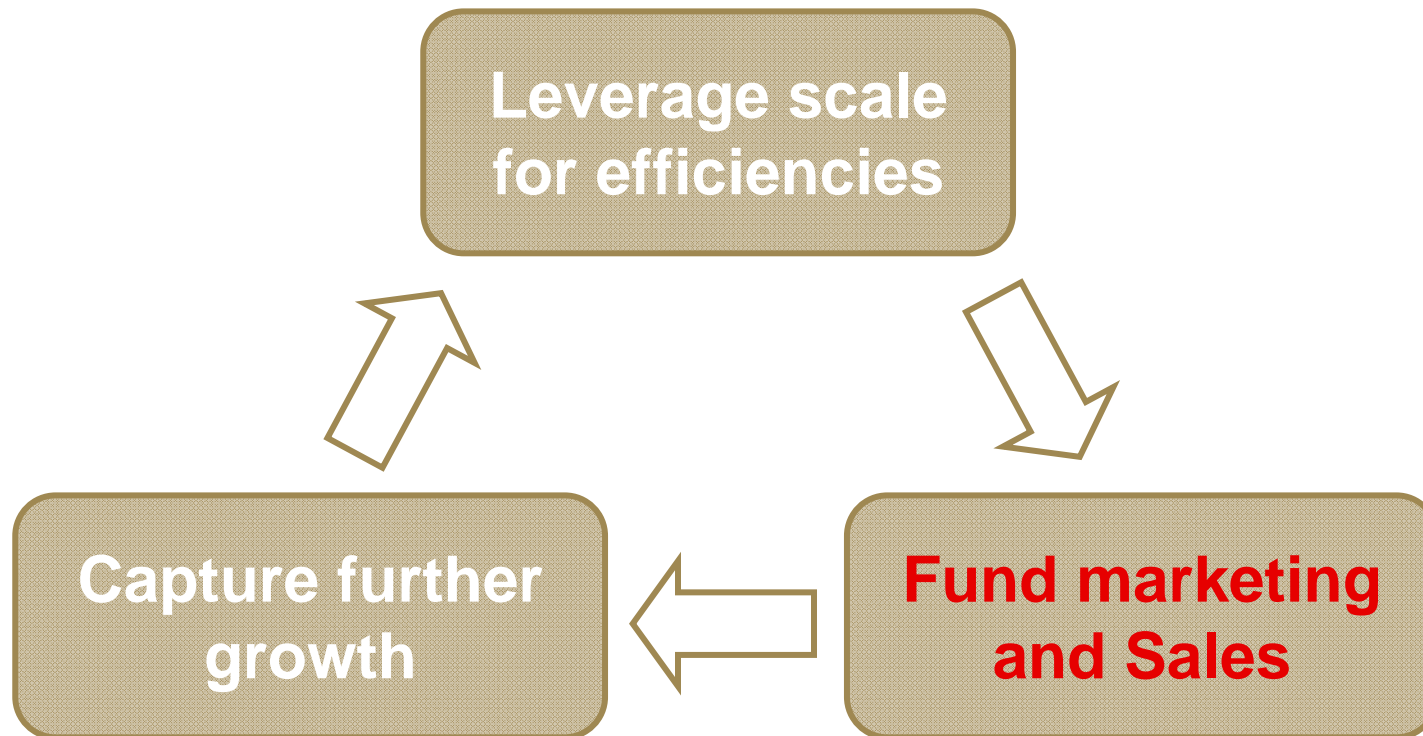
## Thrust 2: engage the competitor

- Ample market opportunity
- Accelerate competitive capability
- Clear objectives, strategy, tactics
- Drive market excitement



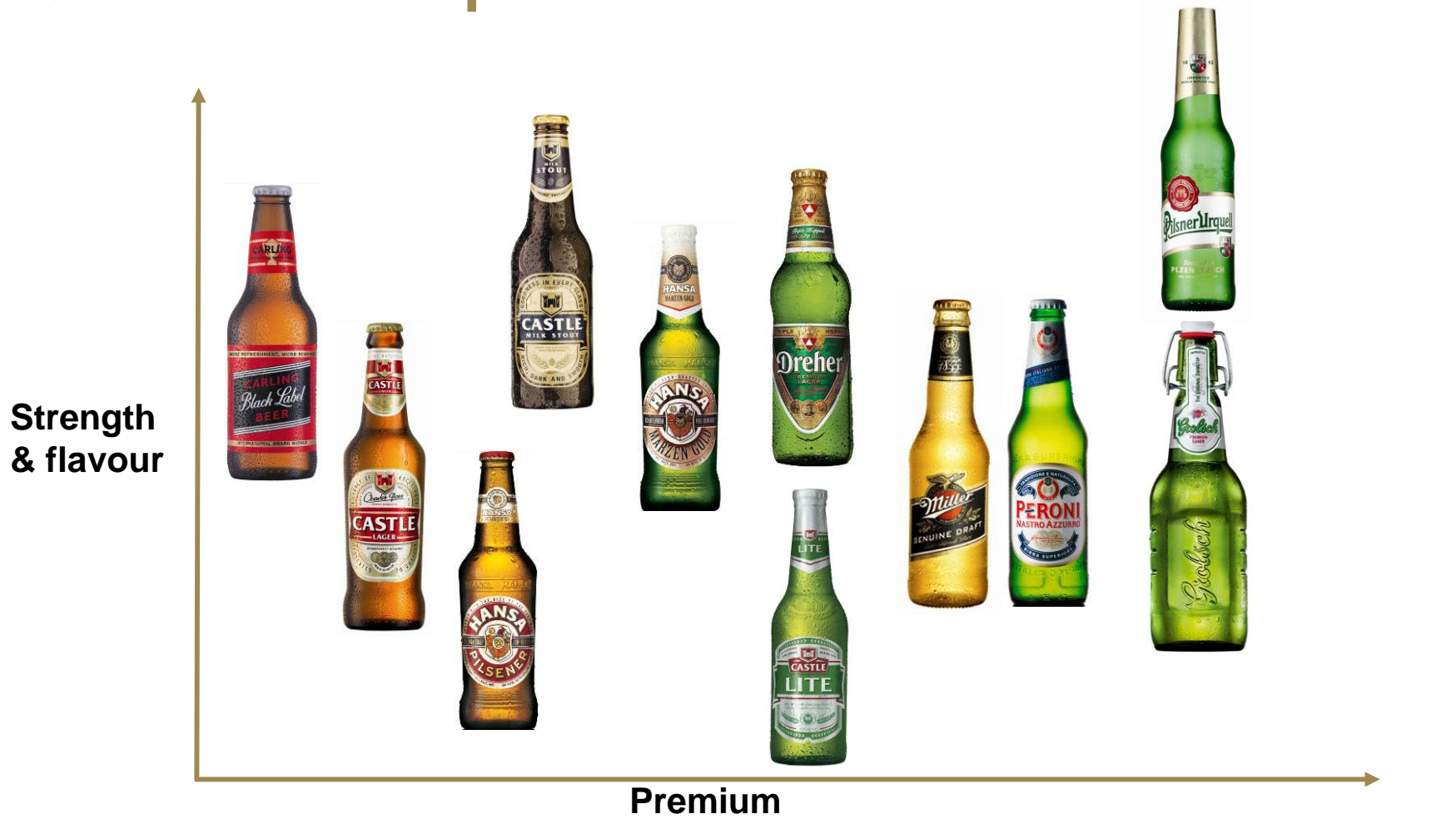


## Thrust 3: ensure key brands resonate



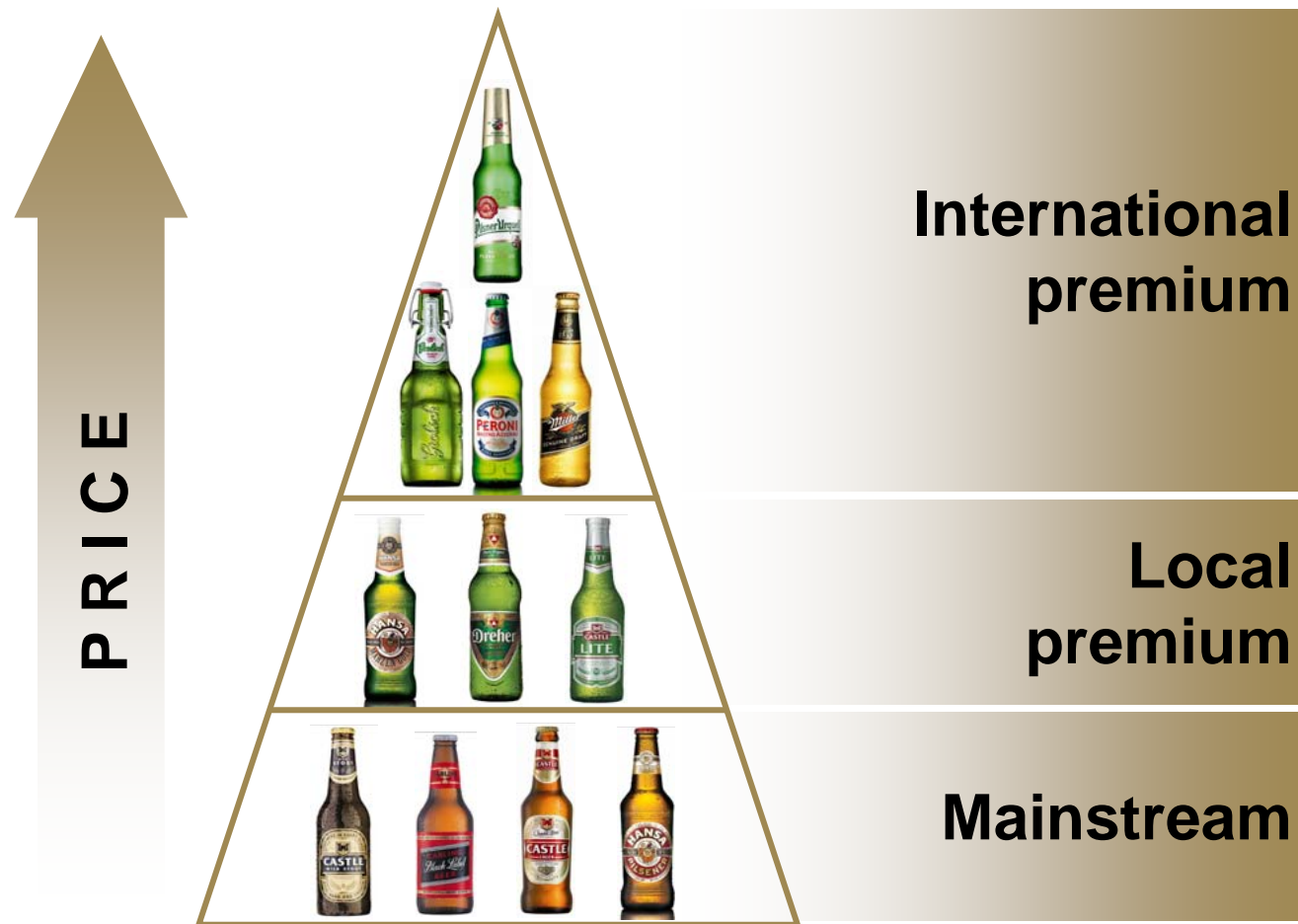


# Current brand portfolio well balanced





# Participation in all key price segments





# ... and flavoured alcoholic beverages

Cider-like

Coolers



Re-establish category leadership



Establish scale and leverage for leadership



## Thrust 3: ensure key brands resonate

### Insights

- Marketing investment relatively low
- Brand building now a priority
- Mainstream is critical, especially in economic slowdown
- Premium brands require discipline
- Retail execution increasingly important



## Thrust 3: ensure key brands resonate

### Imperatives

- Increase overall marketing investment
- Prioritise the portfolio
- Execute compelling brand strategies
- Institutionalise “through-the-line” communication



# Investment framework

## 3 groups of brands

## Objective

### Turbo Charge

- highest potential to shape beer category
- and drive profit contribution growth

Up weight investment to drive profit and growth

- Redefine the basis of competition

### Establish Brands

- long term potential dependent on improved consumer predisposition

Establish nodes of committed users and outlets as a platform for sustainable growth

### Contributor Brands

- significant profit contributors, but which deliver lower returns on marketing investment

Sustain effectively and efficiently



## Thrust 3: ensure key brands resonate

### **Actions**

- Turbo-charge key brands
- New communications platforms
- Focus innovation on current portfolio
- Execute disciplined premium brand-building
- Activate “through-the-line” by class-of-trade





## Thrust 4: shape superior routes to market

### Key insights

- 4 key channels are critical:
  - Informal trade
  - Taverns
  - Key chain accounts
  - Top end on premise
- Direct distribution provides competitive advantage ...  
... but bi-modal distribution needed
- Sales, trade-marketing provide strongest leverage



## Thrust 4: shape superior routes to market

### Imperatives

- Focus on 4 key channels
- Expand DSD footprint to bi-modal hybrid
- Increase sales reps to improve current coverage
- Increase BTL investment, including refrigeration
- Establish market execution planning



## Thrust 5: ensure societal leadership

*Ensuring SAB's position as South Africa's "most progressive" company will require delivery against 3 core areas...*

### 1 Reverse vulnerabilities

Black economic empowerment

Alcohol strategy

### 2 *Harness the business for Grassroots impact*

Sports development

Entrepreneurship

"Soul"

### 3 Best-in-class function

Corporate affairs director

Government relations

Communications



## 5 Strategic thrusts

1. Fortify the foundation, and restore productivity edge
2. Engage the competitor
3. Ensure key brands resonate
4. Shape superior routes to market
5. Ensure societal leadership



## SA Beverages medium term value driver outlook

Medium term outlook off F10 base, following current economic and cost/currency cycle

Volume growth CAGR

Low single digits for both beer and soft drinks

Revenue per hl CAGR\*

Mid single digits, around CPI for both beer and soft drinks

EBITA margin

Flat to slightly up



\*At constant local currency



**Any Questions?**