



# Creating a beverage champion for Southern Africa

HEINEKEN to acquire control of Distell and Namibia Breweries

November 2021



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# Creating a beverage champion for Southern Africa



Africa's leading producer and marketer of ciders, flavoured alcoholic beverages (FABs), wines and spirits



Global brewer with a successful track record operating in Africa for over 100 years as the premium beer market leader across the region



Namibia Breweries Limited

Namibian beer market leader with iconic regional premium beer Windhoek





## Compelling Strategic Rationale

In line with EverGreen strategy to enhance and expand portfolio and footprint

Create a Southern African beverage champion, an important gateway to the next frontier of growth:

1. Strengthen our #2 position in **South Africa** with a unique multi-category portfolio:
  - Beer to benefit from increased scale and continued premiumisation
  - Acquire the leading Cider & FABs portfolio
  - Wine and spirits offering complementarity and optionality
  - Combine two highly complementary route-to-markets
2. Acquire beer market leader in **Namibia**
3. Optimise our **Southern African** footprint to accelerate growth advantage
4. Generate **significant synergies**





# Africa is the next frontier of growth

Transaction will enhance HEINEKEN's position to capture significant growth opportunities

## Positive demographic trends underpin organic growth...

- 2.4% population growth per annum<sup>(1)</sup>
- Population aged between 20 & 39 is expected to double by 2050<sup>(2)</sup>

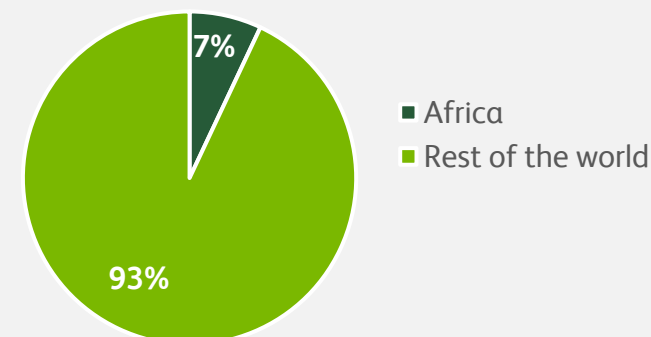
## ... and premiumisation

- Continued growth of the middle class
- Positive urbanisation trends
- Rising female consumer

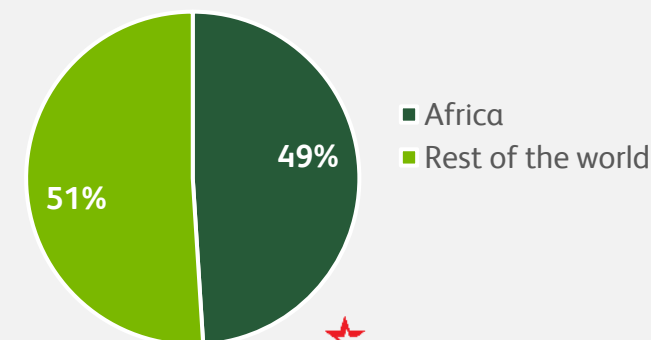
## Significant per capita opportunity:

- Beer consumption per capita is half of global average<sup>(3)</sup>
- Sizeable illicit trade to capture through affordability

## Africa accounted for 7% of global beer volume in 2019...



## ...and contributed to most of beer growth over recent years <sup>(3)</sup>



(1) Source: Statista for period 2020-2025

(2) Source: World population prospects 2017 United Nations (Africa total) & Worldbank

(3) Source Global Data for period 2015-2019



# South Africa is the largest market in Africa, with >20% of the beer profit pool

Confident in the resilience and long-term potential of South Africa

## Historically resilient to macro pressure<sup>(1,2)</sup>



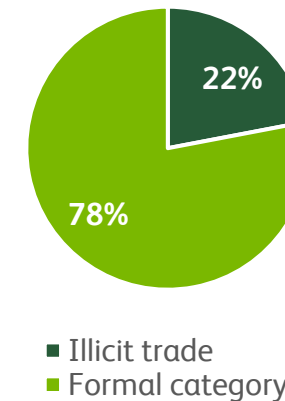
(1) Source Global Data

(2) In 2020, GDP contracted by 8% and the total alcohol market by 17% as the sector was disproportionately impacted by alcohol bans

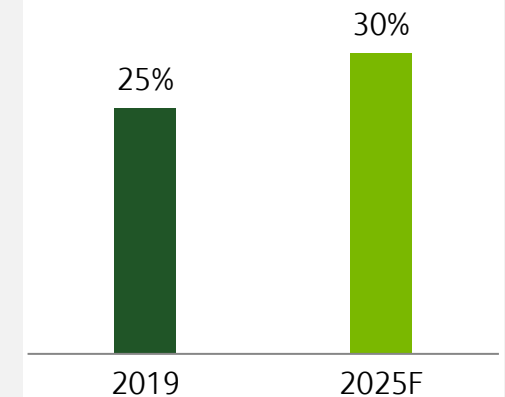
(3) Euromonitor

Trading-up opportunity underpinned by increasing spend power, a growing middle class, rise of female consumers and urbanisation trends

### Affordability opportunity<sup>(3)</sup>



### Total premium beer & cider penetration<sup>(1)</sup>



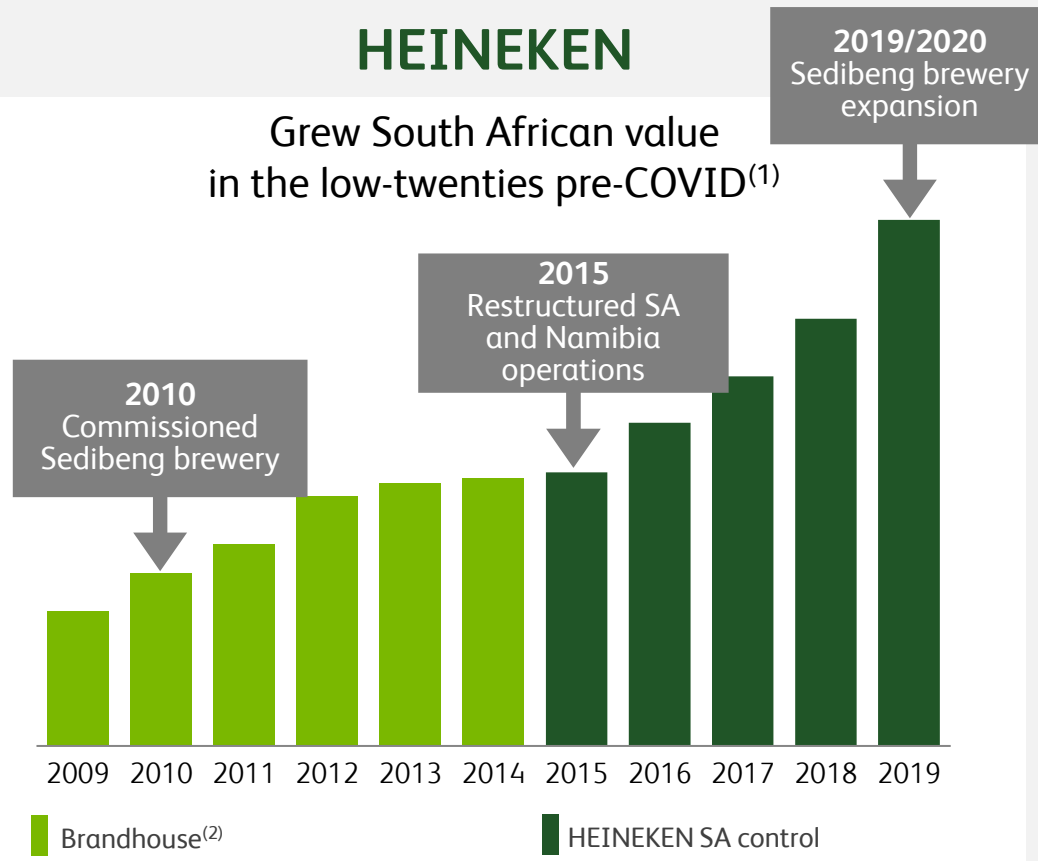


# Strengthen our #2 position in South Africa

Leverage global best practice whilst harnessing local brands and talent

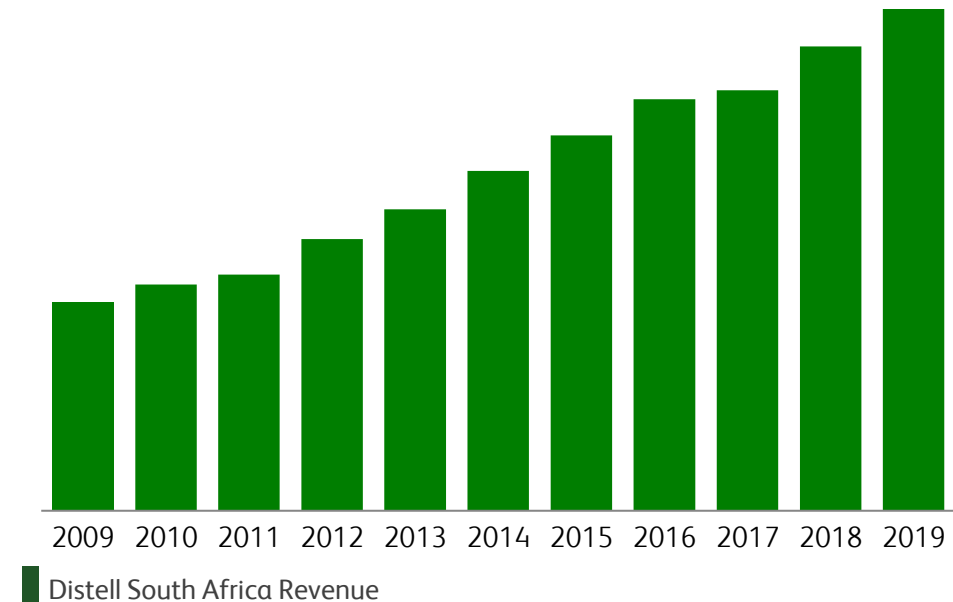
## HEINEKEN

Grew South African value  
in the low-twenties pre-COVID<sup>(1)</sup>



## Distell

Grew revenue high-single-digit  
in South Africa over the last decade<sup>(3)</sup>



(1) Global Data Beer & Cider CAGR 2015-2019

(2) Previous Joint Venture with HEINEKEN SA, Diageo and Namibian Breweries

(3) Distell Financial Results



# Unique consumer-led multi-category portfolio

Leadership positions across categories and combined c.22% share of total alcohol in South Africa<sup>(1)</sup>

## Beer



Premium player **#1**

## Cider & FABs



Market player **#1**

## Wine



Market player **#1**

## Spirits



Market player **#2**

## Pro-forma portfolio volume<sup>(1)</sup>:

c.50% Beer

c.35% Cider & FABs

c.10% Wine

c.5% Spirits

<sup>(1)</sup> Source: Global Data and IWSR in 2019



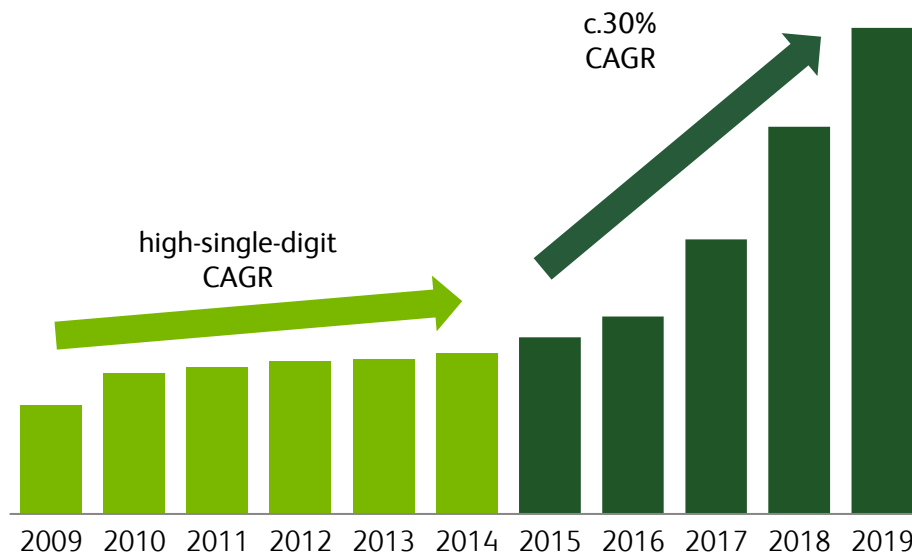


# Unlock the full potential of our beer portfolio

Build on the momentum of Heineken® to capture the opportunity from the power of our brands

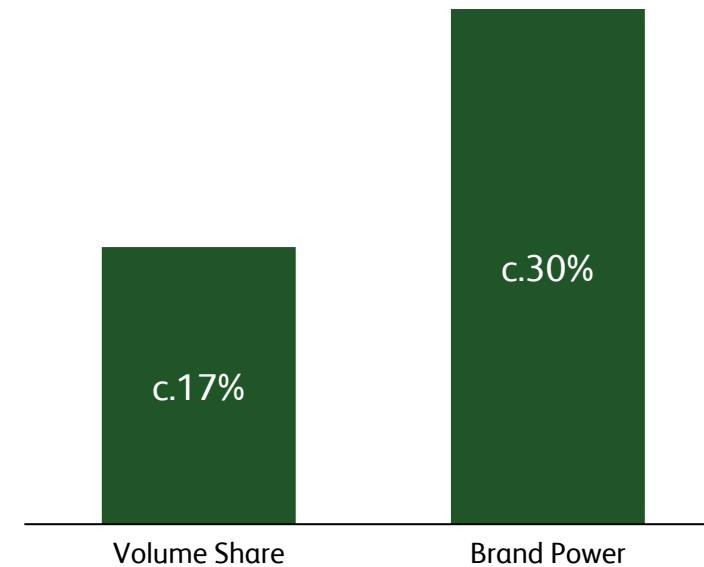
## Brand momentum

Heineken® growth acceleration pre-COVID<sup>(1)</sup>



## Full potential

Brand portfolio held back by limited distribution<sup>(2)</sup>



(1) HEINEKEN South Africa Heineken® volumes

(2) Kantar



# Acquire the leading cider and FAB portfolio in South Africa

#1 in flavoured category<sup>(1)</sup> offering a variety in taste profiles to better serve consumers across multiple occasions

## Savanna



- Ranked #1 by consumers<sup>(2)</sup>
- Present in over 60 countries
- The world's fastest growing cider brand<sup>(3)</sup>

## Hunters



- Ranked #2 by consumers<sup>(2)</sup>
- 100% natural premium apple cider

## Bernini



- Premium offering
- Naturally sweet sparkling grape alcoholic beverage
- Available in a range of flavours

## Esprit



- Affordable grape alcoholic beverage
- Unique range of flavours

## First mover into...

### Hard Seltzers



### Zero Cider



(1) Including cider and FAB

(2) Source Brand Power Ranking by Brand Health Monitor

(3) With a scale footprint (> 100 HL)



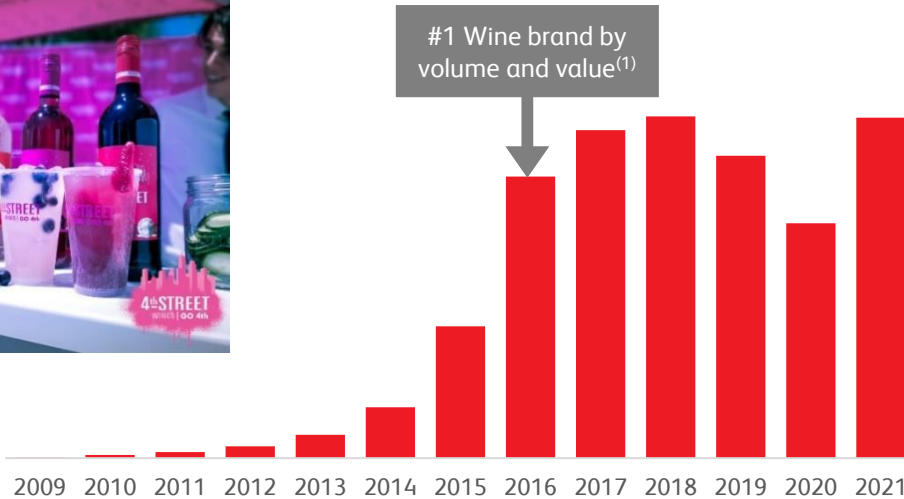
# Wine and spirits offering complementarity and optionality

Benefit from Distell's know-how and multi-category route-to-market

## Wine

Recruiting new consumers by making wine more accessible and less intimidating

4th Street Wine Volumes



## Spirits

Iconic brands and strong innovation track record

#1 Cream liqueur brand<sup>(1)</sup>



#1 Brandy player<sup>(1)</sup>



#2 Gin brand<sup>(1)</sup>



Vodka innovations



(1) Source: IWSR

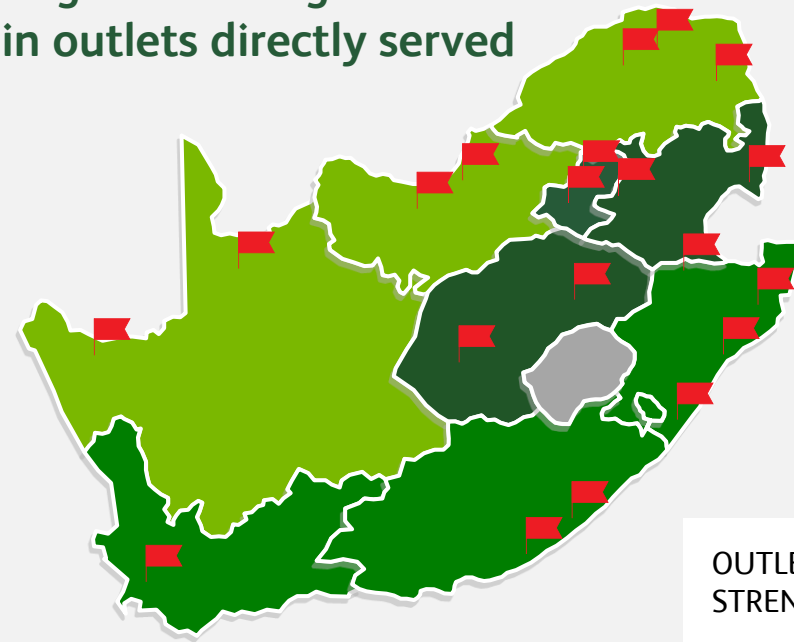


## Combine two highly complementary route-to-markets

Improved strength - reaching more customers, more frequently and with a broader portfolio

- Expand both route-to-markets by an additional c.25% of outlets reached
- Improve customer service through increased visits in overlapping outlets
- Offer customers greater selection with a multi-category portfolio, including beer, cider, FABs, wine and spirits
- Optimise the utilisation of depots and trucks

### Regional strengths in outlets directly served



Distell Trade Express

OUTLET PENETRATION  
STRENGTH:

		<u>HEINEKEN</u>	
		High	Low
<u>DISTELL</u>	High		
	Low		



# Acquire control of the beer market leader in Namibia

Access to local expertise, strong route-to-market and opportunity to leverage our premium building capabilities

- Capture the top line opportunity:
  - Expand the premium segment
  - Reinforce the flavoured category
  - Grow the Windhoek brand outside of Namibia
- Benefit from global scale and best practices as a HEINEKEN managed business
- Improve margins through productivity efficiencies
- Potentially capture additional synergies from combining with Distell Namibia

## Iconic Namibian national beer brands





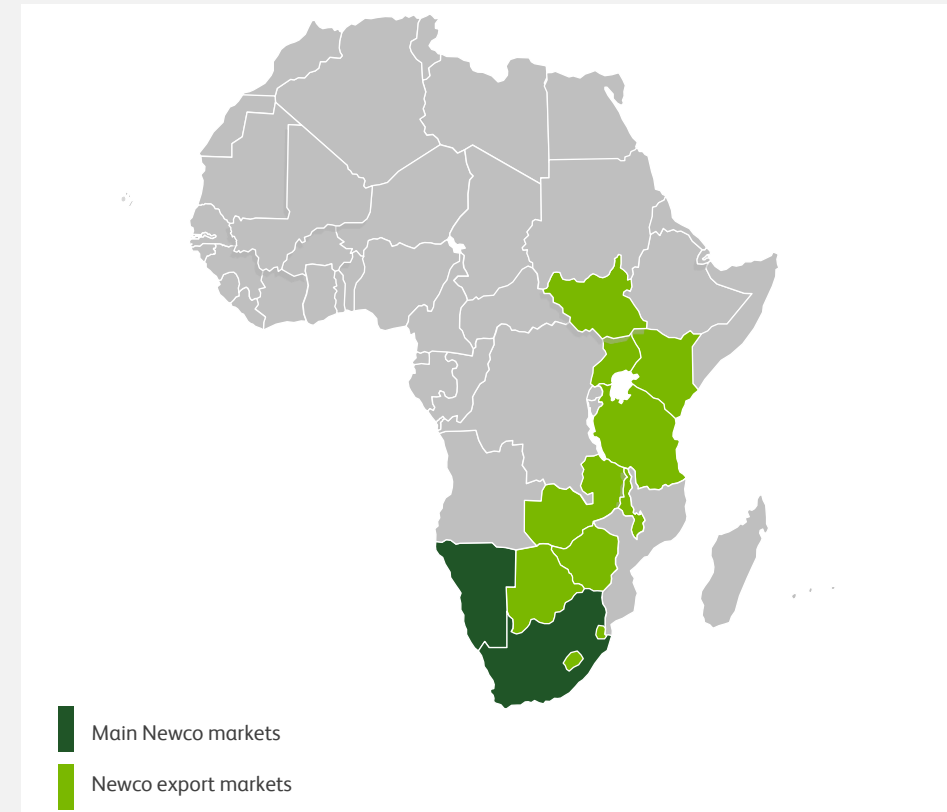
# Strengthen and optimise our Southern African footprint to accelerate growth

Create a regional beverage champion serving 12 markets (referred to as Newco<sup>1</sup>)



- Combine route-to-markets and portfolios in export countries, to increase efficiency and capture additional growth, specially in attractive markets like Kenya and Tanzania
- Explore the opportunity to grow the acquired cider and beer brands, such as Savanna and Windhoek, outside their home markets

## Footprint of Newco



(1) New unlisted company incorporated and headquartered in South Africa

## We share common values

Derived from long-term perspectives, entrepreneurial spirit and care for people and planet

- Committed to ongoing:
  - Investment in the business
  - Employment and talent development
  - Localisation and supplier development
  - Contribution to the economic development of the region
- Intend to enhance the enlarged business' empowerment ownership through Broad-Based Black Economic Empowerment ("B-BBEE")
- Implement our Brew a Better World 2030 commitments



# Generate significant synergies, in line with comparable in-market transactions

Join our global EverGreen agenda of continuous productivity improvement

## Revenue



Enhance competitive positioning across Southern Africa with a unique consumer-led multi-category portfolio supported by strong regional expertise

## Route-to-market



Capture complementary route-to-market benefits across all channels and geographies

## Supply Chain



Optimise capacity utilisation and leverage HEINEKEN's global scale and efficiencies through improved and expanded procurement

## Support



Consolidate head offices and IT systems

# Transaction summary

HEINEKEN to acquire control of Distell and Namibian Breweries (NBL), and combine with HEINEKEN South Africa (HSA) into a new HEINEKEN majority owned business with a combined valuation of c.€4 billion

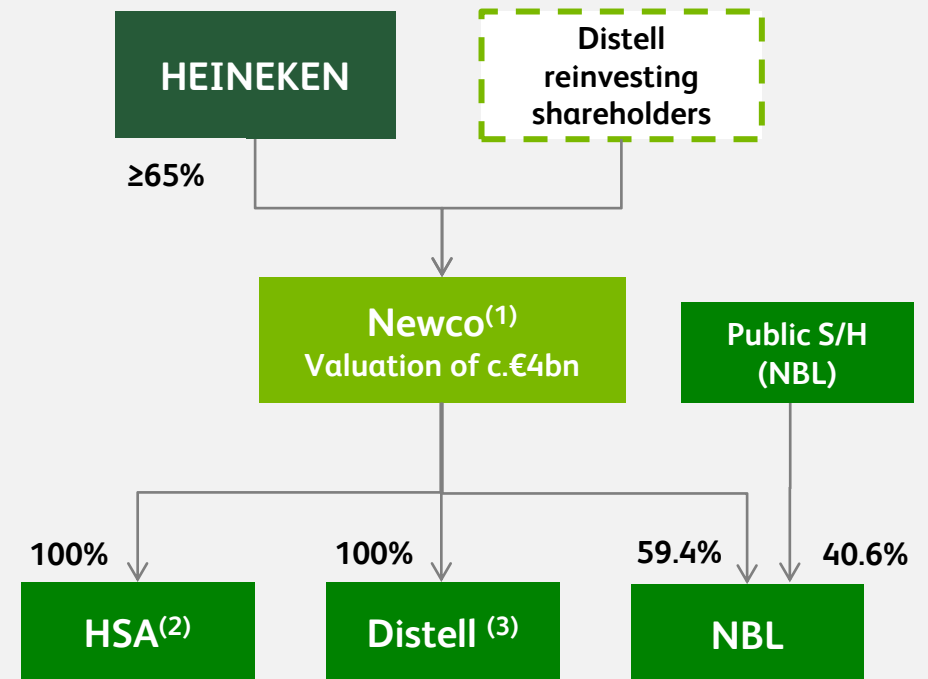
## Simultaneous and inter-conditional offers:

1. Recommended offer for Distell, with majority assets contributed to Newco
2. Offer to acquire NBL 25% holding in HSA
3. Increase NBL shareholding from 29.7% to 59.4%

## Total investment of c.€2.5bn for a minimum 65% holding in Newco:

- Cash pay-out of c.€1.3bn
- Contribute 75% of HSA and 100% of its export businesses in certain African markets<sup>(2)</sup>

## Illustrative shareholding structure



(1) New unlisted company incorporated and headquartered in South Africa

(2) Including HEINEKEN's wholly owned export arrangements to Kenya, Tanzania, Uganda, Botswana, Zambia, Zimbabwe, Eswatini, Lesotho, and South-Sudan.

(3) Excluding Capevin - a business consisting of Distell's remaining assets, including its Scotch whisky business



# Financial effects and next steps for HEINEKEN

Important growth and value creation opportunity

- Newco will be a top 5 operating company for HEINEKEN
- EPS (beia) accretive within the first-year post completion
- Expected to be margin accretive in the medium-term, on realisation of identified revenue and cost synergies
- Pro-forma net debt/EBITDA (beia) ratio is expected to increase marginally; long-term target of below 2.5x remain unchanged
- Next steps:
  - Completion is subject to customary and applicable regulatory and shareholder approvals
  - Transaction is expected to complete in the course of 2022, on the basis that necessary approvals are obtained





★ HEINEKEN

# Cheers!

We look forward to welcoming  
Distell and NBL colleagues  
into our newly created Southern  
African beverage champion



