



STERLING CAPITAL LIMITED

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### EABL eyes carton packed beers to lift COVID-19 sales

- East African Breweries Limited (EABL) is banking on new model of packaging bottled alcohol to allow customers buy in bulk and consume from home after closure of bars to contain Covid-19 spread.
- The company has started packaging its bottled beer brands in carton packs of six to allow customers buy as take-away and return bottles once they finish consuming.
- Customers will, however, be required to part with KES.17 as deposit per bottle or a total of KES.408 for a carton of 24 bottles.
- According to EABL, the shift from use of crates will make it more convenient for customers given that joints such as bars are closed and consumption within restaurants banned.
- This comes on the back of EABL net earnings dipping to six-year low following closure of bars and restaurants in March, after Kenya reported Covid-19 cases.
- Net profit declined by 39% to KES.7Bn for the year ended June as net sales for the second half of the year dipped by nearly a third due to disrupted supply chains.
- The firm said the new packaged beer will be available in all off-trade outlets such as supermarkets, wines and spirit shops and convenience stores.

### Our View

- **The new model of packaging bottled alcohol and selling in off-trade outlets will offer reprieve to customers but will not make up for lost sales since the largest share comes from bars and restaurants.**
- The closure of bars as containment measures introduced to curb the spread of corona virus has seen alcoholic beverages served on the takeaway option only.
- The decline in sales trend is expected to persist as a result of reduced consumer demand as households' disposable income decreases due to COVID-19 related pressure on the economy.
- This is expected to negatively impact the company's topline in the short to medium term as households focus on meeting basic needs as opposed to leisure activities.
- Despite the tough prevailing environment, we remain confident of the brewers' recovery in the medium to long term once the full effect of the pandemic has been integrated in the economy.

Source: Business Daily and Sterling Research