



Lake Victoria Breweries & Distillery Limited

Business Plan 2018

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Executive Summary

Executive Summary

Lake Victoria Breweries & Distillery Limited

- Lake Victoria Breweries & Distillery Limited (LVBD) is a greenfield **PET bottling** brewery & spirits distillery project located adjacent to the shores of **Lake Victoria** in **Mwanza, Tanzania**.
- LVBD is incorporated to take advantage of the huge market opportunity in Tanzania and bordering countries around Lake Victoria Zone.

Alcoholic Drinks Industry

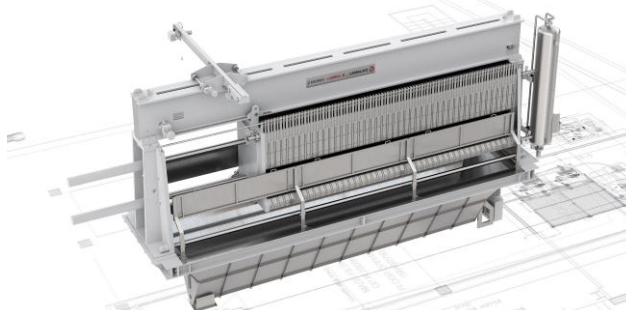
- Tanzania has immense opportunity in alcohol consumption due to its expected high GDP growth rate and increased consumer spending.
- BMI estimates total alcoholic drinks sales to grow at a **CAGR of 9.0% over 2017-2021 period**. This translates to sales growing from **USD 647M in 2017 to USD 914M in 2021**.¹

Beer Sub-Sector

- Positive consumer outlook supported by growing incomes favor the dominant beer sub-sector in the overall alcoholic drinks industry.
- Beer contributed **97% of total alcoholic drinks sales in 2016**, benefiting from favorable demographics since the proportion of young adults remains high.¹

TDB Equipment Financing Requirement

- LVBD is commissioning a **900,000 hecto liter Brewery and 12,000 bottle per hour spirits blending & filling line** in a single stage for optimized implementation.
- LVBD has secured **equipment financing guarantee for 85% of project equipment valued at \$59 Mn** from export credit agency in Czech Republic.
- LVBD seeks TDB equipment financing of the secured loan component valued at **\$59 Mn**.
- LVBD has already contributed **94 acres (38 hectares) of land worth \$5 Mn** located near the shores of Lake Victoria, **securing fresh water**, a key input.
- LVBD will also secure the equity component of **15% of the value of the equipment valued at \$10.4 Mn** to complement to debt funding.



¹ Business Monitor International Ltd
² LVBD Project Strategy

Robust Business Model

Competitive Business Model

Innovative PET Packaging of Beer

- **Lake Victoria Breweries & Distillery Limited (LVBD)** is **pioneering** the emerging global trend of packaging beer in **PET bottles** in Tanzania with a **state-of-the-art Brewery** with annual capacity of **900,000 hecto liters (hl)**.
- Brewing will be under the latest brewing tech & quality assurance standards, calibrated on global benchmarks.
- Plant will enable **innovative & cost-effective** use of **PET bottles** in **beer packaging**, different from **conventional returnable and non-returnable glass bottles**.
- PET bottling will usher in a new era of **customer convenience** in the **purchase and consumption** of beer, **reduce overhead costs** incurred in **transportation, breakages, and cleaning of returnable glass bottles**.
- The innovative offering and relative packaging cost advantages confer LVBD a **pricing buffer** that can be useful in early profit skimming or as a **disruptive pricing advantage** in the local & regional beer market.
- LVBD will have 3 brands of beer; **standard lager, light lager, and keg beer**.
- All brands will be tailored to the target market niche in pricing and marketing.

High Quality Vodka, Gin, & Liqueurs

- LVBD's distillery will produce high quality vodka, blend it with flavors to produce Gin, and add some cream-base to make Liqueurs – broadening the product base and fully utilizing filling plant installed capacity.

Real options embedded in project design

- Besides beer and distilled spirits, filling line equipment have **inherent flexibility to be used for other beverages** like water, carbonated drinks, and juices with minimal adjustments.
- This gives LVBD options to redeploy capex & expand product portfolio in line with demand factors.



Tanzania: Country Overview

Investments to drive long term GDP growth

Political Overview

- President John Magufuli's administration has taken steps to eradicate corruption in Tanzania's public institutions. This has helped the Government to secure grants and concessional loans from international development multilateral institutions as well as attract foreign investment.
- In 2016, Tanzania removed more than 10,000 ghost workers from its public sector payroll in a crackdown on corruption.
- In April 2017, the Tanzanian President John Magufuli sacked 9,932 public servants found with fake academic certificates. This came after the conclusion of the verification process of their academic qualifications.¹

Economic Overview

- In his speech on the Economy, the Minister for Finance and Planning Hon Dr Philip Mpango cited robust macro-economic statistics including robust GDP growth (7.0%) and single digit inflation.
- Against the background of national development priorities as set out in the National Five Year Development Plan 2016/17-2020/21, he emphasized the importance of the implementation of ongoing infrastructure development projects so as to set the platform to nurture industrialization.
- Economic activities with the highest contribution to GDP including agriculture (28.2%) and construction (13.0%), both of which had robust growth.
- Agriculture's growth of 5.3% reflected favorable weather conditions that enabled a bumper harvest.
- Construction's growth of 12.9% was a consequence of the infrastructure investments, in particular in roads, railway and airports - and this was also reflected in the balance of payments which saw an increase in the value of imported goods and in particular construction materials.²
- Tanzania's economic growth is expected to average 6.2% between 2017 and 2026. The growth is underpinned by infrastructure development and a growing consumer base. Heavy infrastructure investment into rail, port and road is expected to be one of the main drivers of Gross Domestic Product (GDP) growth between 2017 and 2026. BMI forecasts the real growth of fixed capital formation to average 7.1% within this period.

¹ Economic Outlook, 2017, Deloitte

² PWC 2019 Budget Highlights

Ease of Doing Business

- Ease of Doing Business Ranking, or World Economic Forum (WEF) Global Competitiveness Ranking (116th out of 140 countries in 2018).
- In its January 2019 Tanzania Economic Update, the World Bank highlighted that "in 2017, FDI declined to 2.3 percent of GDP, down from 3.9 percent in 2016" noting that "the decline in FDI inflows bodes poorly for future growth". The report emphasized the importance for the Government "to urgently implement measures to foster greater private sector participation in the economy".
- For the short term it highlighted the need to improve liquidity in the economy including (i) prioritization of the payment of verified domestic arrears to private sector contractors and suppliers, (ii) speeding up the release of VAT refunds to improve liquidity in the economy, and (iii) ensuring tax collection efforts do not unfairly burden businesses.
- For the medium term the World Bank emphasized the need to continue reforms to address structural constraints on private investment, and to reduce the high cost of regulatory compliance through full implementation of the Blueprint for regulatory streamlining
- It also noted the need to address deficiencies in infrastructure services and skills. The Budget speech included reference to steps taken to verify and pay arrears to suppliers, contractors and public servants, and there was a commitment given to "continue to set aside funds for payment of verified arrears and [to] take various measures to reduce accumulation of arrears". However there was no explicit comment on steps to deal with pending VAT refunds.
- The speech did include that TRA should not close businesses so as to enforce payment of tax and tax arrears without a written permission of the Commissioner General of the TRA.
- Reference was made to the meeting held on 7 June 2019 between the President and the business community, and as an immediate step the Budget speech included a number of initial measures to rationalize regulatory fees and levies.²

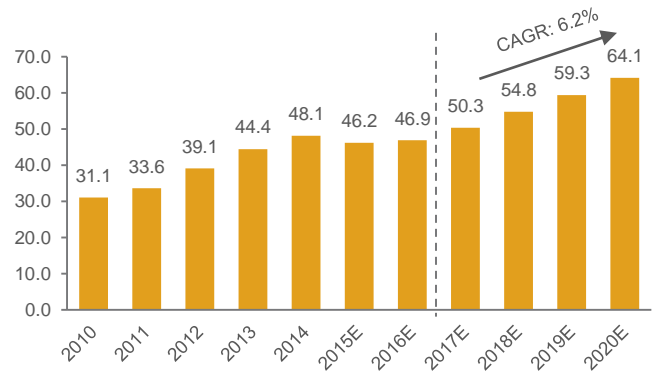
Tanzania: Economic Highlights

Strong macro-economic fundamentals will secure future growth

GDP

- According to BMI, Tanzania's is expected to experience robust economic growth underpinned by infrastructure development and a strengthening consumer base. BMI expects economic growth to average 6.2% between 2017 and 2026;
- Private consumption is the largest contributor to GDP in Tanzania. BMI expects this to remain the same between 2017 and 2026. Rising financial inclusion was attributed to the spread of mobile financial services. This rise will play an important role in strengthening the consumer base; and
- Heavy infrastructure investment into rail, port and road is expected over the next ten years. BMI expects the real growth of fixed capital formation to average at 7.1%.¹

GDP Growth (US\$Bn)

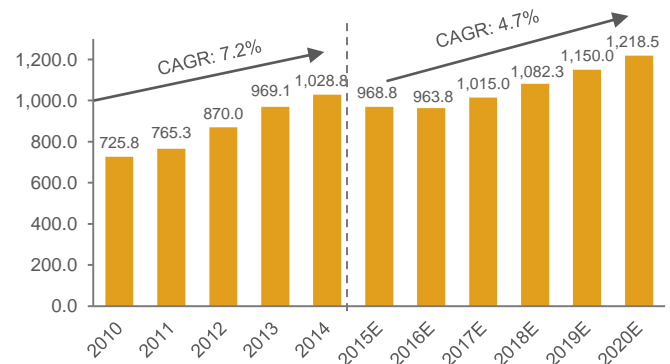


Source: Economic Intelligence Unit

Inflation

- In 2018, the rate of inflation continued to remain at a single digit level averaging 3.5% compared to 5.3% in 2017.
- The decrease is largely attributed to improved food supply, increased food production to 15.9 million tons (compared to domestic demand of 13.3 million tons) and implementation of prudent monetary and fiscal policies.
- The inflation rate in April 2019 was recorded at 3.2% compared to 3.8% recorded during the same period last year.²

GDP Per Capita (US\$Bn)

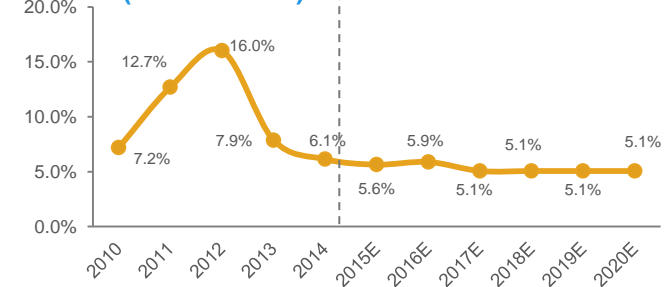


Source: Economic Intelligence Unit

Interest Rates

- During 2018, overnight interbank cash rate declined to an average of 3.18% compared to 3.67% in 2017.
- The overall Treasury bills rate increased to an average of 8.07% in 2018 from 7.75% in 2017.
- In addition, interest rates charged on loans by commercial banks decreased to an average of 17.15% from 17.93% in 2017.
- This trend of average lending rate declining was driven by banks to assist borrowers who had failed to repay loans on time.
- The Central Bank also took various measures to ensure that lending rates are kept low and consistent with the prevailing economic situation.

Inflation (2010 – 2020E)



¹ Economic Outlook, 2017, Deloitte

² PWC 2019 Budget Highlights

Tanzania: Demographics

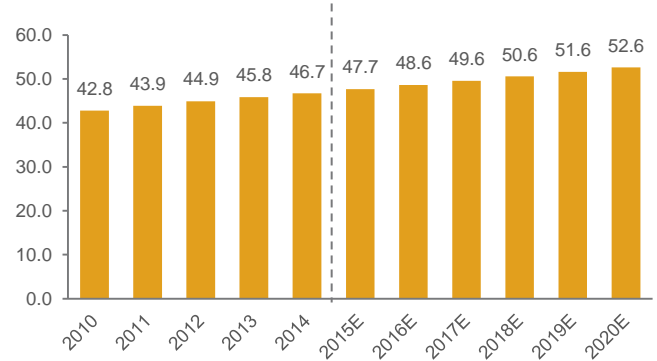
Growing consumer base will increase demand for beer & spirits

Population Growth & Household Expenditure

- Tanzania has a youthful population growing by approximately 800,000 every year.
- The country's middle age population as a % of total population has remained constant at 52%.
- The estimated growth in population at 2%, coupled with household expenditure growth, will give an impetus to revenue.

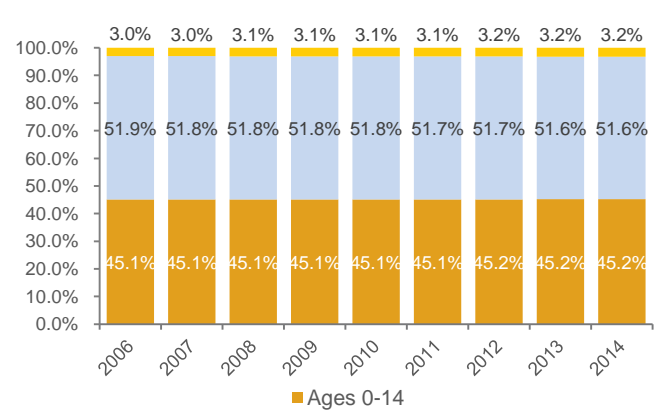


Population Growth (Mn)



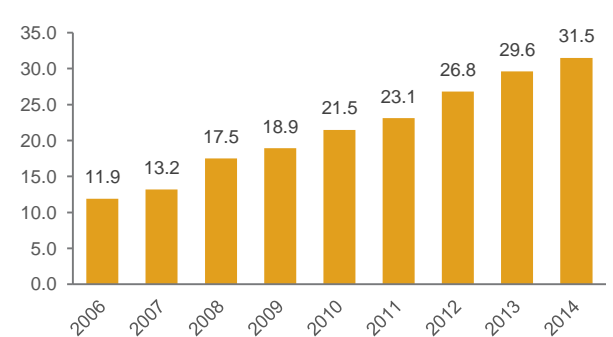
Source: Economic Intelligence Unit

Population Ages



Source: Economic Intelligence Unit

Household Expenditure (US\$ Bn)



East Africa (EA): Market Landscape

Growth, profitability, and acquisitions characterize EA market

Alcoholic Drinks Outlook in East Africa (EA)

- East Africa's alcoholic drinks industry is expected to grow exponentially over the next few years. Regional investments in breweries signal huge latent demand and growing investor appetite.
- Brewing business in EA is a high margin business as signaled by growing interest shown by international investors & global brewers such as ABInBeV.

Tanzanian Market Highlights

- Tanzania Breweries Limited** is Tanzania's largest brewer, dominating the market over **EABL's Serengeti Breweries**.
- ABInBev**, the world's largest brewer, acquired SABMiller, previous owners of TBL.
- Acquisition of SABMiller by ABInBeV signals huge interest by global players in Tanzania's beer market – proof of industry attractiveness.
- Gross margins in Tanzania beer industry averaged ~45%, while EBITDA margins averaged ~23% in the latest press releases.
- Tanzania's spend on alcoholic drinks was estimated at **USD 647M in 2017**, expected to grow at **9% CAGR** to **USD 914M in 2021**.¹

Kenyan Market Highlights

- Diageo**, parent to **East Africa Breweries Limited**, is a key regional player in the beer industry, having been locked in a regional joint venture with **SAB Miller**.
- BMI estimates EABL's revenue from alcoholic drinks stood at **USD 702 Mn in 2017**, more than Tanzania's TBL sales at the same time, estimated at **USD 498 Mn**.
- Kenya's total volumes sales reached **466 million liters** in 2015 due to active marketing campaigns.
- Euro monitor estimates that **EABL** - Kenya's market leader holds **71% volume share**.
- Kenyan-owned **Keroche Breweries** is the second brewer in Kenya, fighting for market share and **currently controlling 3%** of the Kenyan market with its flagship non-sugar brand called Summit.
- Keroche Breweries received a USD 50M loan from Barclays to increase capacity from 10 million liters to 110 million liters per year – signaling investor confidence and huge regional latent demand.²



1. BMI Tanzania Food & Drink Report, Q1 2018

2. <http://edition.cnn.com/2017/03/01/africa/kenya-beer-market-mpa/index.html>

Tanzania: Beer Market Outlook

Differentiation & projected sales growth secure profit margins

Market Structure

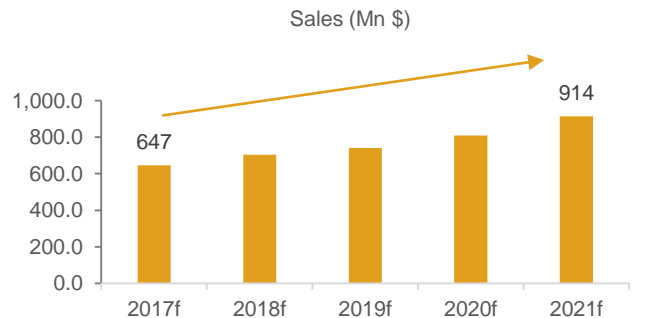
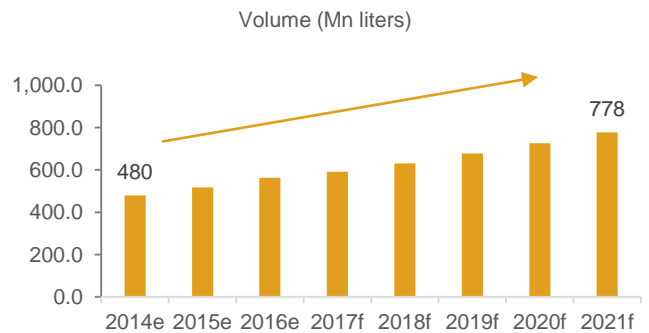
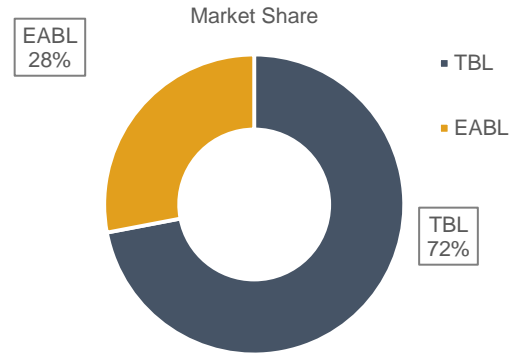
- Tanzania beer market is dominated by one major player – **Tanzania Breweries Ltd** with approximately **72%** volume share.
- EABL owned **Serengeti Breweries'** brands account for 15% market share.
- EABL's own portfolio account for 13% market share resulting in total **EABL share at 28%**.¹

Structural Trends

- Both players have adopted a “premiuimisation” strategy by targeting incremental volume growth and generating value through relatively high price points.
- **Established industry premium pricing and exploiting affordably priced beer (keg)** options will be key sustainability drivers once Lake Victoria Breweries & Distillery starts production, securing industry-calibrated margins.

Sales Growth

- BMI estimates beer sales volume will grow from **480M liters in 2014 to 778M liters in 2021**, representing a **7% CAGR**.
- Consequently, sales value will grow by a **CAGR of 9%** across the same projection period, signaling a slight per unit price increase.
- This is on a constant dollar basis from **USD 647M in 2017 to USD 914M in 2021**.
- This growth presents Lake Victoria Breweries & Distillery Limited with immense market opportunity and ability to acquire market share **without attracting much attention from the incumbents**.



1. <http://m.eabl.com/about-us/the-group/serengeti-breweries-ltd>

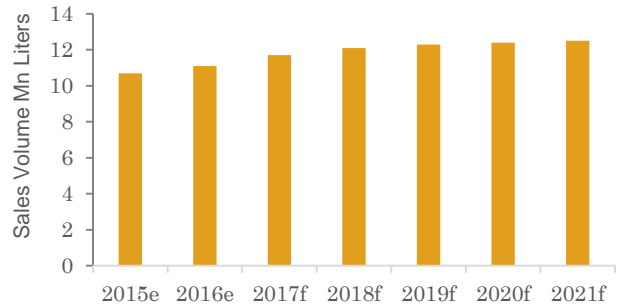
Tanzania: Spirits Market Outlook

Huge opportunity to replace informal alcohol market

Market Outlook

- Tanzania's alcohol industry is forecast to grow robustly over the medium and long term.
- Tanzania Breweries Limited estimates that the informal alcohol market accounts for **49%** of total alcohol market in Tanzania.¹
- The spirit segment is set to benefit from favorable demographics, as the population increases and the proportion of young adults remains high, coupled with a positive consumer outlook, as rising incomes encourage Tanzanians to trade up to higher quality drinks (spirits) from traditional brew.

Spirits sales volume forecast by BMI Research (Mn liters)



Structural Trends

- BMI forecasts beer to account for about **96.7%** of total formal alcohol consumption in Tanzania in 2018.²
- This leaves the balance of **3.3%** as spirits sales of total formal alcohol consumption in volume. However, **a huge informal market (as big as the formal market) exists.**



1. TBL annual report 2016
2. BMI Food & Drink Report Q1 2018

Lake Victoria Breweries & Distillery Limited: Background

1st specialized PET beer & spirits bottler in Tanzania & EA

- Lake Victoria Breweries & Distillery Ltd (LVBD) is located on a **200 Arce site 7 Kms from Lake Victoria**, within Mwanza region.
- LVBD intends to **bring innovative PET beer packaging** to East Africa and keep pace with technological advancements in brewing & packaging.
- LVBD intends to focus on both the **premium beer market segment and mass beer market**.
- LVBD will pursue **high quality** in its product offerings, enabling company charge market-based pricing to exploit **industry profitability**.
- **LVBD's cost-effectiveness in PET bottling** will provide company with a significant pricing buffer to enable **aggressive market entry and competitive resilience**.

LVBD's mission is to enable customers enjoy every moment in life. LVBD wants to offer customers unmatched quality in brewing technology, expanded premium brand choice and innovative packaging.



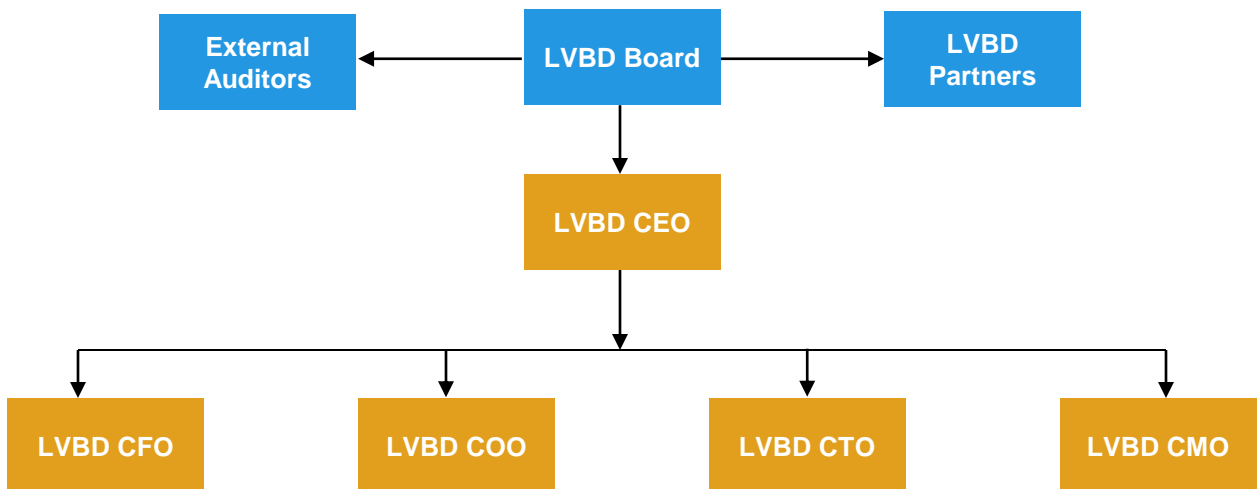
LVBD: Structure

Ownership & Organizational Structure



Shareholders

- The current owners of **LVBD** are **Steven Dogani Diallo** and **Raphael Samwel Nyalla** . Both are Tanzanians and will be active in the board management of the brewing operations.
- **LVBD is actively seeking external equity investors** in the project to optimize the project capital structure. **Equity is available for uptake by other equity investors – pre or post debt financing at a mutually agreed valuation.**
- Eventually, **LVBD will list at the stock market to enable private equity investors and founding investors** to optimize their stakes and enhance public participation in the business. This will also **strengthen the corporate governance profile shown below.**
- The project governance structure will deploy best practice corporate governance principles to ensure the achievement of business objectives with experienced top caliber professionals leading the project's functions.



LVBD: Project Partners & Value Chain

Renowned partners to deliver superior quality outcomes

LVBD Project Sponsor & Value Chain

- The sponsors of LVBD are Steven Dogani Diallo and Raphael Samwel Nyalla with Dr. Anthony Diallo the advisor...
- The sponsors have retained the services of project management professionals, brewing consultants, finance professionals, and marketing executives. The local community (**local government, grains/barley farmers, local business community**) support the project objectives.
- LVBD has structured a coherent and **integrated value chain** spanning across **consultants, contract barley farmers, local & global input providers, technology providers, distributors, marketers, & post sales support staff.**



- The company enjoys a special partnership with the Czech Export Bank to help co-finance feasible projects in countries where the conditions and selected bank on the customer's side allow using buyer's credits or other credit instruments, especially for private investments.
- BGM has delivered projects of varying scale across Asia, Middle East, Far East and East Africa.¹



- The company is among the top global suppliers and exporters of automatic technology processes and information and robotic systems.
- Its customers are prestigious scientific institutes, space agencies and different industries all over the world, including world famous **Budweiser**.²



- The company has more than 150 years of experience in the development of filling and packaging equipment. KHS will deliver the filling technology & preforms for stretch-blowing to make PET bottles.
- It has the know-how to create innovative and sustainable solutions for the PET bottling and filling line that **LVBD** needs for energy-efficient, cost-effective and durable packaging.³



- NISK Capital is a boutique investment banking and advisory firm providing end-to-end services to Small and Medium sized Enterprises (SMEs) across the East African Community (EAC).⁴
- NISK Capital facilitates capital raising for companies across various sectors for expansion and acquisition.

1. B.G.M Exports website -- <http://www.bgm-export.cz/profile-export-bgm-as> 4. Nisk Capital website -- <http://www.niskcapital.com/services/>
2. Project Soft website -- <https://www.projectsoft.cz/en/>
3. KHS website -- <https://www.khs.com/#>

LVBD: Plant Design

Project design composed of Breweries, distillery, & water plants

Design Summary

- **Breweries plant** design comprises 4 processing lines, a 4-bay warehouse, silos, milling section, distiller, packaging section and utilities/base infrastructure.
- Plant design has also provided for administrative blocks to house offices and parking bays.
- **Water treatment plant** will secure water from Lake Victoria, enabling LVBD **derive huge water cost savings** since the plant will not rely on the expensive and erratic supply from the local government-owned utility provider.
- The project's **Corporate Social Responsibility (CSR) ethos** is anchored in the project plan with the provision of **free safe water to 3 neighboring villages**. This secures goodwill from local community.



LVBD: Brewing Process

LVBD's brewing process ends with PET packaging



Process	Purpose
1. Malting	Loosens up and exposes grain endosperm – key carbohydrate in brews
2. Milling	Semi-crushes grain endosperm & optimizes enzyme activity during mashing
3. Mashing	Forms extract with desired levels of sugars, proteins, & other nutrients
4. Lautering	Separates the wort from the spent grain
5. Boiling	Sterilizes and brews wort with hops and other additives to optimize wort content
6. Cooling	Cools down wort temperature to optimal fermentation temperature
7. Fermenting	Converts fermentable sugars to ethanol, CO ₂ & beer flavors
8. Maturing	Optimize beer flavors and remove unpleasant post-fermentation components
9. Filtering & Packaging	Brightens, shines, & polishes beer ready for PET bottles/keg barrels filling

LVBD: Beer Line

State of the art brewing tech to deliver premium quality beer

Breweries

- State of the art **High Gravity Breweries (HGB) with 900,000 hecto liters (hl)** annual brewing capacity.
- The difference between a **900,000 hectoliter Breweries** and a **450,000 hecto liter Breweries** is minimal expansion in equipment capacity.
- LVBD will take economies of scale advantages and implement a **900,000 hecto liter Breweries**.
- **15 fermentation tanks with 18 occupation brewing** days per tank, with **~51,000 hl** capacity per tank.
- Malt brewing with estimated malt consumption of ~60 tons per day for 8 brews.
- Water consumption per beer estimated at **~5 hl for every 1 hl of beer**.

330ml & 500ml PET Beer

- LVBD's brewing tech will deliver a high-quality, smooth tasting premium malt beer with average **4.2% alcohol content & max CO₂ of 5.8 g/l**.
- LVBD's brews will be packaged in **non-returnable PET bottle calibrated at 330ml and 500ml** respectively.
- LVBD also has the flexibility to change pack sizes to **750ml or 1000ml bottles with minimal capex** – further buttressing company's market flexibility.
- Capping of bottles will use plastic based on **1881 model**.
- Labelling will be on a **“film only”** model based on **“roll fed hot glue”** technology or **PET shrink-on labels**.
- Full bottle pallet designed to have **1,200 (mm) length, 1,000 (mm) width, and 150 (mm) height** will be used.



LVBD: Keg Line

Premium quality keg available at competitive price points

Keg Line

- From filling via pasteurizing, labeling, packing and palletizing to the necessary inspection equipment, LVBD ensures uncomplicated, hygienically pure and energy-efficient Keg brew production process.
- Keg beer is rapidly growing in popularity as proven by industry sales trends.

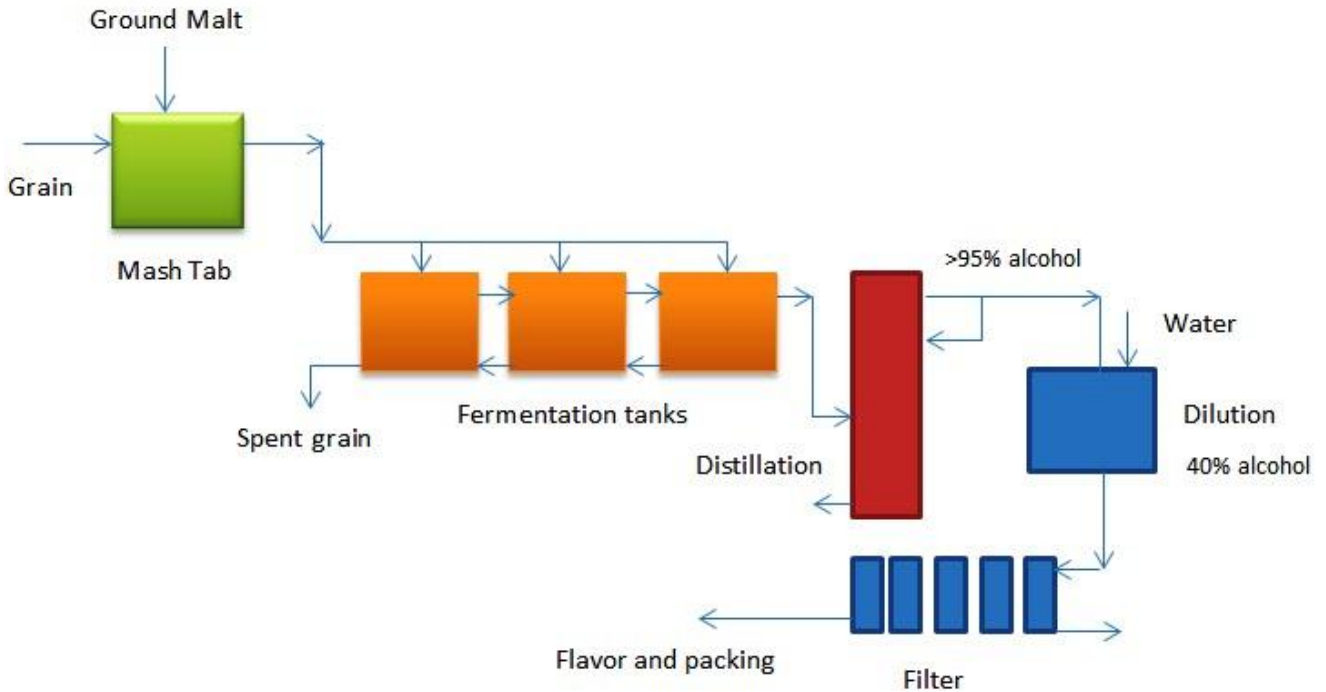
30 L & 50 L Keg Barrels or returnable PET barrels

- Returnable stainless steel barrels with **30,000 (ml)** and **50,000 (ml)** capacity respectively.
- 30 l barrel has max diameter of 408 (mm) and max height of 365 (mm).
- 50 l barrel has max diameter of 408 (mm) and max height of 532 (mm)
- Keg beer with max CO_2 content at 5.8 (g/l) and alcohol content at 5%.



LVBD: Distillation Process

LVBD's distillation process ensures high quality Vodka & Gin



Process	Purpose
1. Malting	Loosens up and exposes grain endosperm – key carbohydrate in spirits
2. Milling	Semi-crushes grain endosperm & optimizes enzyme activity during mashing
3. Mashing	Forms extract with desired levels of sugars, proteins, & other nutrients
4. Fermenting	Converts fermentable sugars to ethanol, CO ₂ & other flavors
5. Distillation	Evaporates & condenses pure alcohol from fermented mash, using the different boiling points of alcohol and water as basis for separating these liquids.
6. Dilution	Pure alcohol is diluted to 40% or 35% alcohol by volume (ABV) depending on Vodka specifications.
7. Filtering	Sieves, brightens, shines, & polishes spirits ready for PET/glass bottles
8. Flavoring & Packaging	For Gin, essence/flavors such as coconut or sherry can be added to give it aroma, character, & taste ready for bottling and carton packaging.

LVBD: Spirits Line

Premium quality Vodka & Gin at affordable price points

LVBD Vodka

- LVBD's fractional distillation process will result in a neutral spirit distilled as to be without distinctive character, aroma, taste or color.
- The strong (190 proof) pure alcohol is diluted with water to 40% to give vodka.

LVBD Gin

- LVBD will flavor the crystal-clear, pure, unadulterated ethyl alcohol to produce Gin.
- Organic flavors (**essence**) derived from indigenous roots and berries will add **distinctive** character, aroma, and taste to the vodka.

0.25 L, 0.35 L & 0.5 L Vodka & Gin bottles

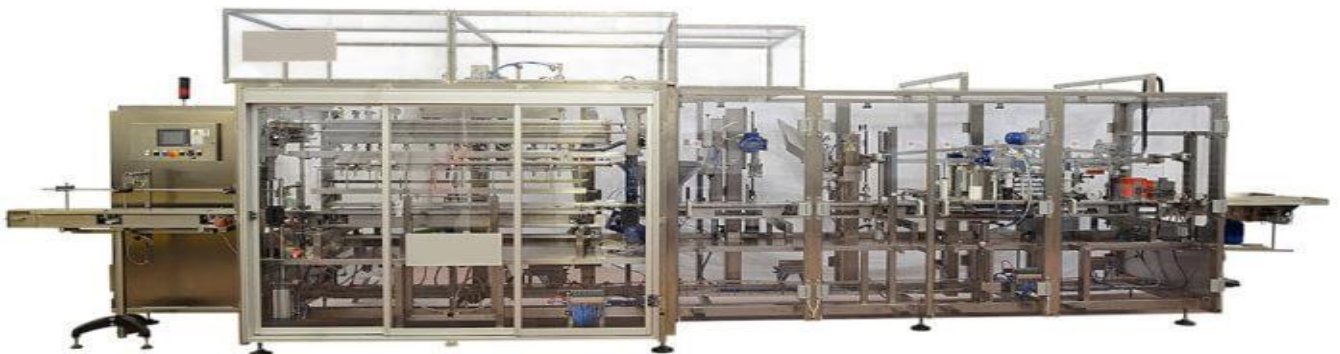
- LVBD will package the Vodka & Gin in **250 ml, 350ml, & 500 ml** non-returnable PET bottles and glass bottles.
- **100% will be non-returnable PET** bottles.
- The **PET** will be **capped with plastic caps** and glass bottles with **ROPP aluminum screw caps**.
- All bottles will have **tamper-proof** security seal for the caps.
- Bottles will be packed in cardboard carton boxes with partitions for 12 bottles. However, when shrink-wrapped, no partitions will be used in packing the bottles in the carton boxes.

Production Strategy

- Initially, LVBD will start production by buying-in pure alcohol (proof), diluting with sterilized water to get approximately 40% Vodka & Gin.
- Subsequently, LVBD will ferment & distil locally available grain like corn, rye, and sorghum to derive proof alcohol for dilution (vodka) and blending with essence (gin).
- Ultimately, LVBD will have **Whisky and Rum** brands to complement Vodka & Gin brands. Whisky and Rum brands will undergo **additional aging & blending** process in **charred white oak barrels** to deliver **character and aroma** to the whiskeys.
- The **250 ml bottles** will cater for the low-income market segment currently consuming traditional brew.
- LVBD will offer high quality & competitive price points, to enable access to markets and compete effectively.

Filling, Palletizing, & Labelling System

- **2 lines of 6,000 (bottles per hour) bph** for filling the 250ml, 350ml, & 500ml for more flexibility in changing over production efficiently.
- Filling system will have semi-automatic palletizing & depalletising system to enable faster throughput in production.
- PET bottles will be labelled with PET sleeves while glass bottles will have up to 3 glue wet-strength labels on the neck, body, & back sections.



Tanzania Competitive Landscape

Robust tech and PET bottling secures LVBD's competitiveness



Competitive Elements	TBL Competitive Score	Serengeti Competitive Score	Imports such as Amstel, Windhoek, Heineken, Bavaria etc. Scores	LVBD Competitive Score
Customer Convenience	++	++	+++	++++
Technological agility/advancement	++	++	+++	++++
Cost/Breakages/Loss of bottles	+	+	+	++++
Energy, transport & water costs of reusing each bottle	+	+	+	++++
Pricing margin of safety	++	++	++	++++



LVBD: Path to Market

Compelling brands, competitive pricing, & superior quality



Brand
Activation

Competitive
Pricing

Distribution

Sales &
Marketing

Post-Sales
Support

Brand
Activation

- LVBD will activate **light premium lager, standard lager, keg beer, vodka/gin, bulk grains, maize flour, & wheat flour** by patenting trade mark names with the local trade mark agency.
- This will provide the impetus to activate all brands across the Lake Region (Mwanza and regionally) by holding maiden promotional programs that will **scale to nation-wide markets** as production ramps up.

Market-Indexed
Competitive
Pricing

- LVBD's **robust beer pricing strategy** is **premised on the cost effectiveness of the PET** packaging technology compared to glass. LVBD has benchmarked the wholesale prices of competing brands and will offer a discount (**10%**) to break into the beer market due to **PET cost-effectiveness** elaborated earlier.
- LVBD's **competitive wholesale price points** will be as follows:
 - Premium light lager -- Approx. TZS 3,600 per liter
 - Standard light lager -- Approx. TZS 3,300 per liter
 - Keg beer -- Approx. TZS 2,900 per liter
 - Spirits (Vodka & Gin) -- Approx. TZS 10,000 per liter

Distribution

- LVBD has **well-designed outsourced distribution partnerships** to preserve product quality and maintain logistics standards.
- Enhanced stock-management, robust sales & credit policy to centralize & capture wholesalers', retailers' and other local distributors' sales orders.

Sales &
Marketing

- Sustained media presence across Print Media, TV, Radio, & Social Media,
- Strong talent acquisition & retention of competent, passionate, experienced and connected FMCG representatives for both private and public sector markets.
- Continuous Marketing Education (CME) seminars for sales reps, business owners, and other key opinion leaders across the food and drink value chain.

Post-Sales
Support

- Continuous data gathering and collection from network of wholesalers and retailers to build database on country & regional market trends and "data mine" in house centralized data-base.
- Investment in IT and informatics capability throughout LVBD value chain.

LVBD: Distribution

Country wide hub and spoke distribution model and...

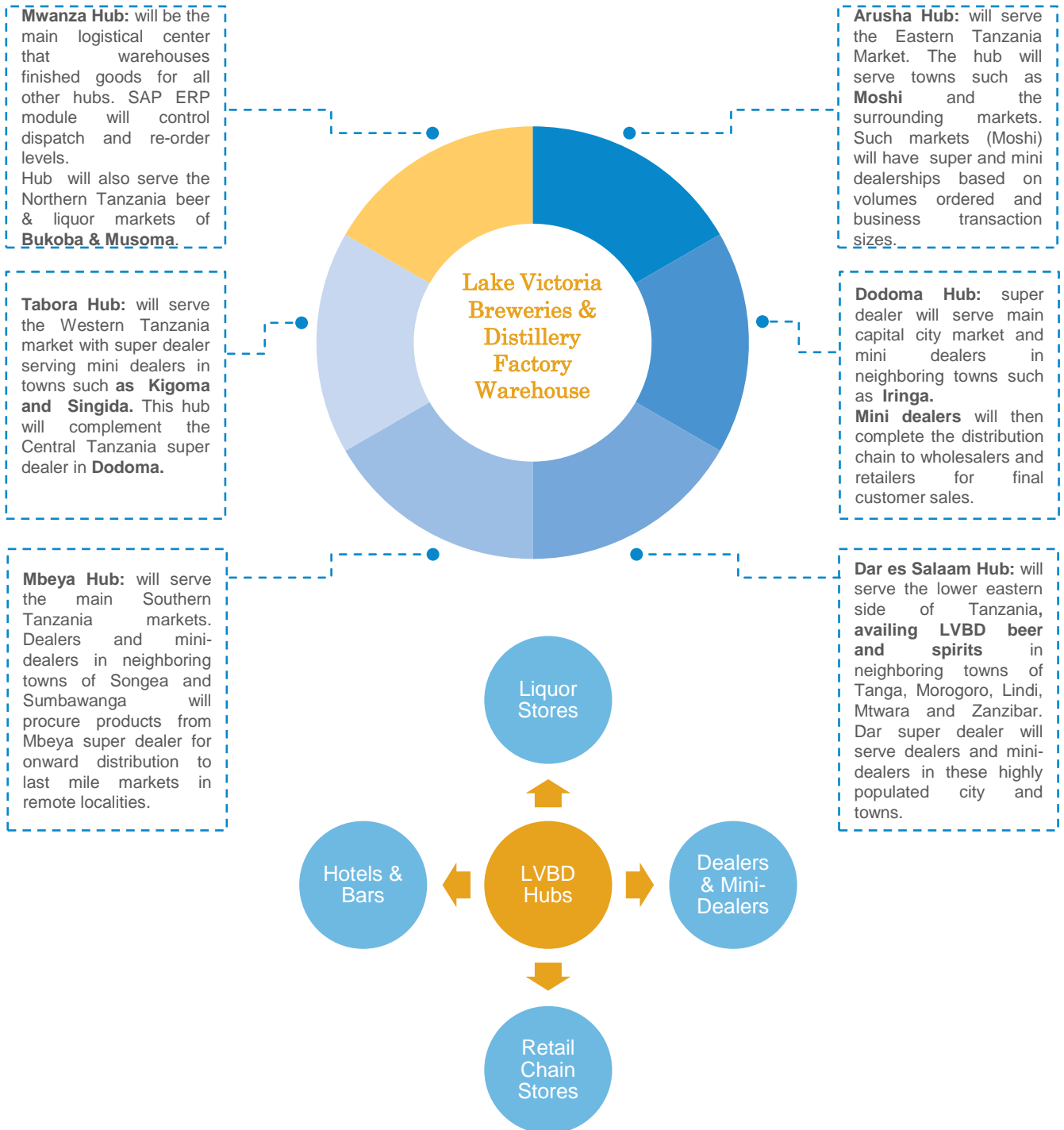


LVBD's Hub & Spoke Distribution Model

- A **hub and spoke network** is a centralized, integrated logistics **system** designed to keep costs down.
- Centralization will be achieved via the integrated logistics module in the SAP ERP that LVBD will procure to control operations.
- Major cities will have distribution depots/hubs that can then serve smaller towns and retail outlets.
- **Hub and spoke distribution** centers receive products from many different origins (major depots feed minor depots), consolidate product orders, and send them directly to near-by end-customer destinations.

LVBD: Distribution

...robust logistics plans to reach last mile markets in Tanzania



LVBD: SWOT

Quality & innovation to drive LVBD's traction

Strengths

- LVBD is a greenfield project with **latest brewing technology** from Europe – this beats incumbent players with legacy processing systems.
- **Innovative specialized PET and Keg packaging** for beer is expected to be disruptive and usher in a new paradigm in marketing beer.
- Robust **entrepreneurial and management ability** of project sponsor with more than 30 years of management experience in private & public sectors.
- Sufficient available land measuring **200 acres** by the lake side in a **prime easily accessible** location within Mwanza, enabling smooth logistical flows.
- **Low-cost access** to water (key input) **sourced directly** from Lake Victoria securing higher margins.
- **Ready and cost-effective** access to **sorghum & barley** (key inputs) grown by farmers within the region .

Weaknesses

- The “greenfield” status implies company lacks brewing expertise enjoyed by incumbents. LVBD plans to hire experienced brewers to mitigate this risk.

Opportunities

- A **growing youthful population** with **increasing incomes** presents huge market opportunity.
- A market dominated by only 2 players requires additional competition to spur additional innovation and offer customers choice.
- Regional markets with more expensive cost structures present market opportunities at competitive price points.

Threats

- Incumbents' aggressive protectionist strategies to protect market share by **implementing PET packaging**. Large capex requirements lower this risk.
- “Dumping” of imported beers and spirits from offshore locations with “excess capacity” may cannibalize available market share, reducing LVBD's traction. However, import taxes erode any potential off-shore cost benefits.



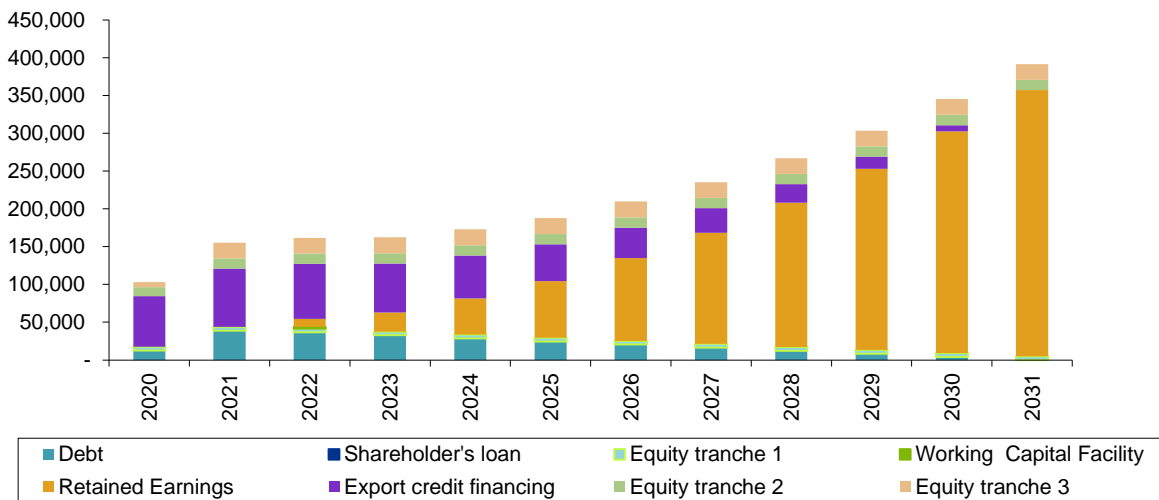
Financial Structure

Land, Equity & SBLC backed collateralization optimizes credit risk

Financial Structure

- LVBD has invested in land worth approximately **\$5 Mn** and will invest a further **\$10.4 Mn (15% of equipment value)** equity to augment the 85% equipment finance sought from Trade & Development Bank.
- LVBD has secured equipment finance through a Czech SBLC export credit finance instrument (EGAP) of **\$59 Mn for brewery and distillate equipment** through negotiations.
- EGAP Letter of Support forms part of the project documentation in the virtual data-room.
- **LVBD** will secure the civil works finance via local bank SBLC-backed export credit finance from the Chinese contractor worth approximately **\$28 Mn**.
- Pre-operational expenses & local logistics worth **\$25 Mn** will be a blend of equity and debt capital at a ratio of **\$ 13M Mn: \$13 Mn for optimized capital structure**.
- Growing equity across projection period as shown in next slides will optimize the long-run capital structure to an all equity financed company in 10 years.

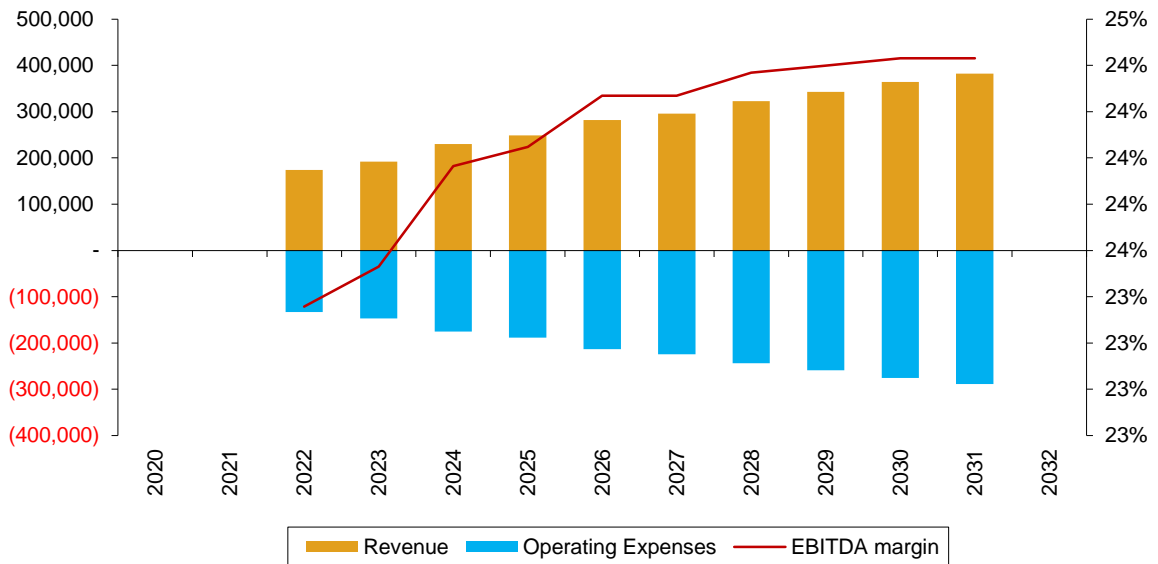
Financing (USD'000)



Projected Profit & Loss

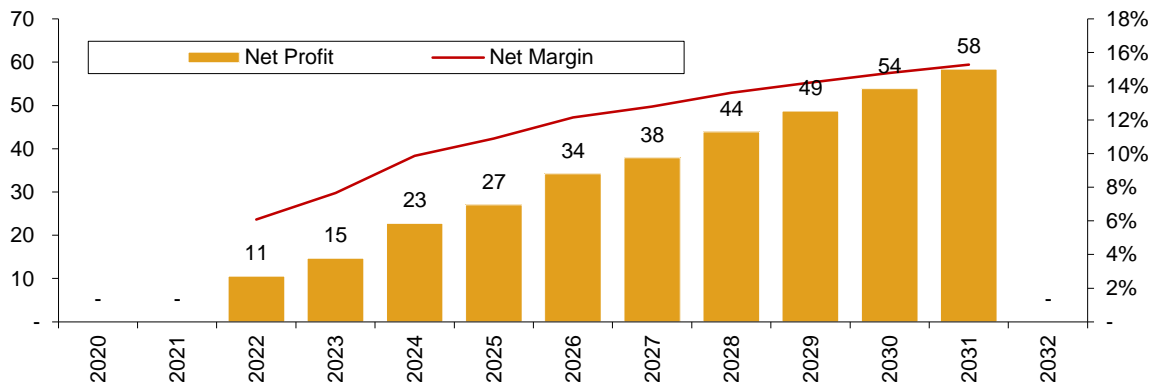
Revenues & profits grow as LVBD utilizes plant capacity

Revenue, Operating expenses and EBITDA margin (USD'000,%)



- Robust operational performance enhances revenue from \$173 Mn in 2022 after operational launch (anticipating a construction lead time of 18-24 months) to more than \$ 380 Mn after 10 years – 2031.
- Strategic input sourcing and efficient production technology maintains **boosts operating margins at above 45%**, notably, within current industry averages.
- **Optimal operating cost structure**, coupled with effective administrative policies, assures operating margins remain above 20% across projection period (well within industry averages).
- Over the long run, **net margins grow from \$11 Mn in 2021 to \$58 Mn in 2031 & average above 15 %** after fully settling all finance charges and becoming an all equity financed business.

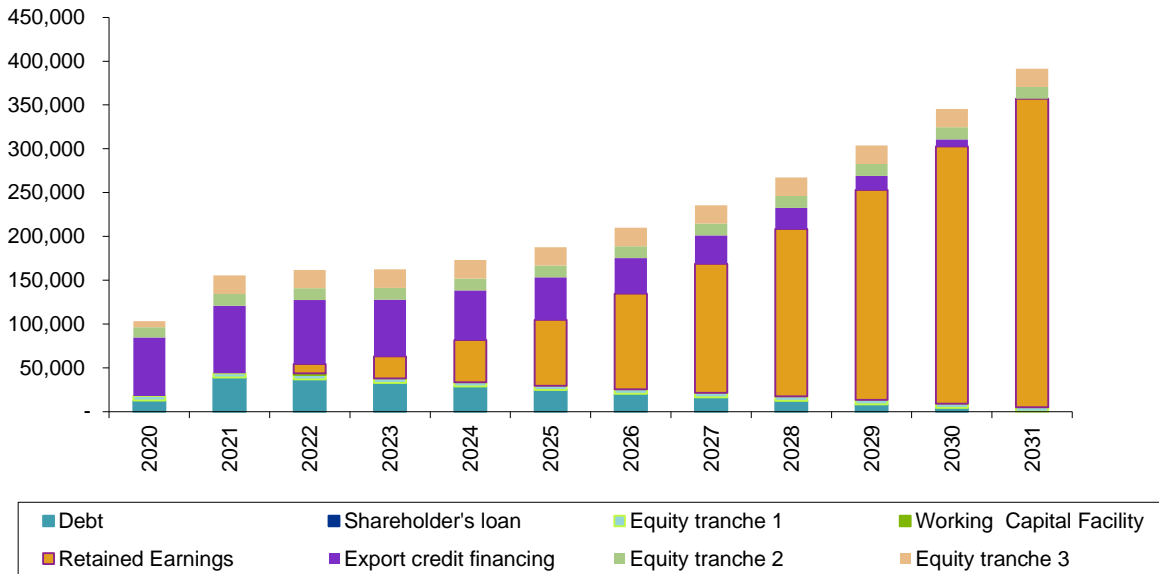
Net Profit and Net Margin (USD'000,%)



Projected Balance Sheet

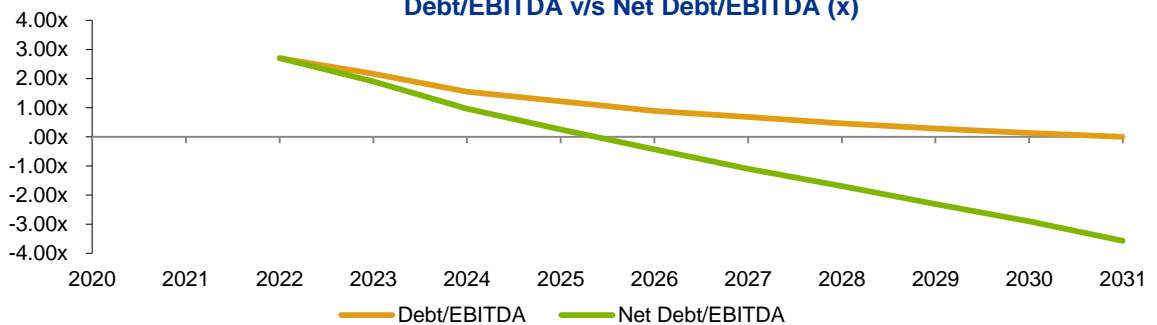
High net profit margins at >15% support growth in equity financing

Financing (USD'000)



- Robust operational performance enhances equity over projection period. Coupled with reducing debt, making retained earning dominant form of company financing.
- Robust receivables, inventory, payables, and cash management policies enables current assets to adequately cover all liabilities with robust internal financing.
- **Optimal working capital management** maintains inventory and receivables days at an average of 30 days, with payables days at an average of 30 days.
- **DEBT/EBITDA** reduces from 3x in 2022 to 0 by 3031 – signaling reducing leverage and increasing operational performance of the business.

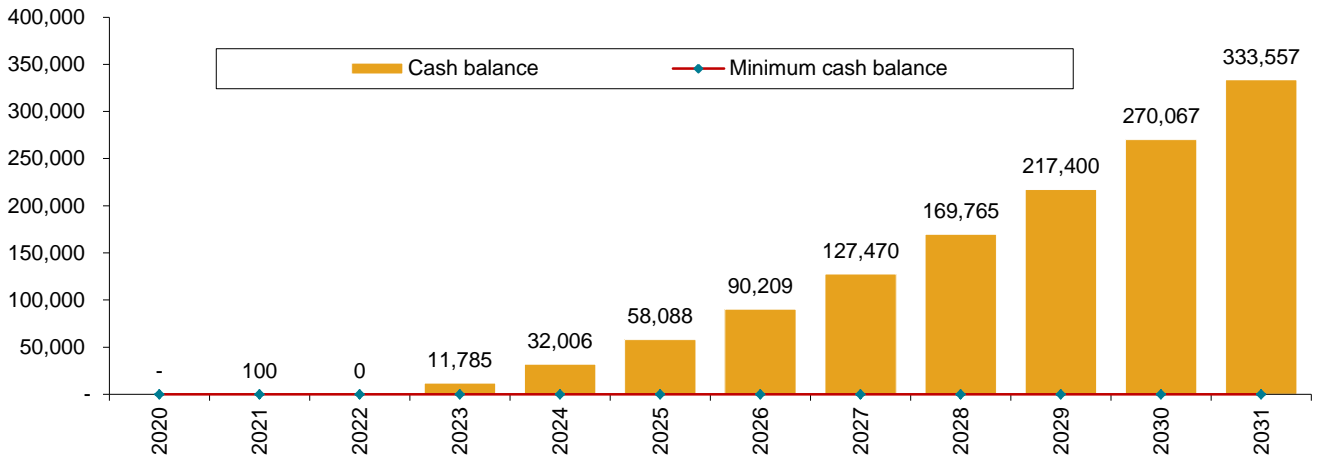
Debt/EBITDA v/s Net Debt/EBITDA (x)



Projected Cash Flows

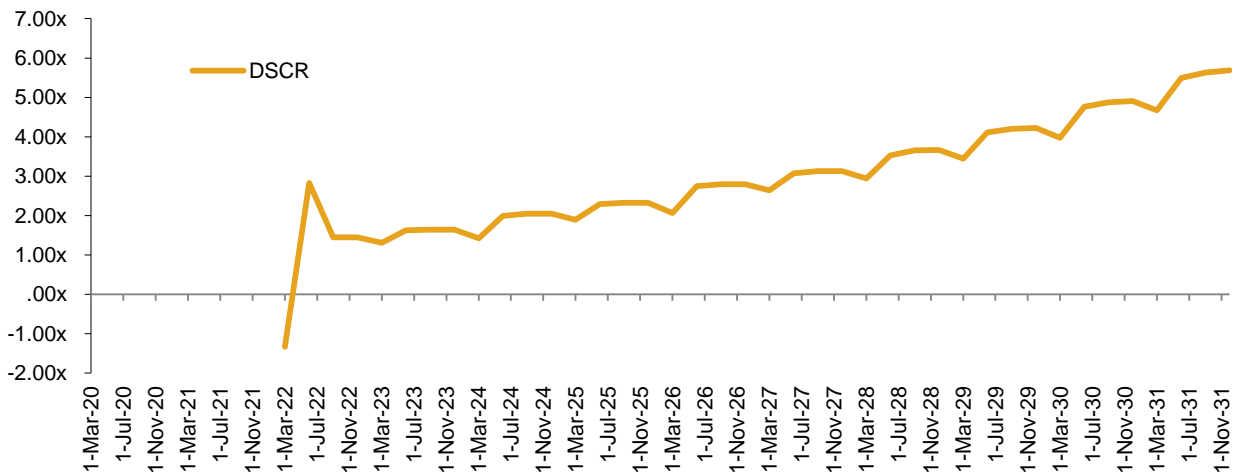
Growing cash flows as LVBD scales secures DSCR above 3X post 2023

Cash Balance and Minimum Cash Balance (USD'000)



- Investments in state-of-the-art brewery by end of 2021 enables LVBD to start generating healthy **closing year end cash balances from 2023 of > \$12 Mn.**
- Robust operational performance delivers high cash flows that enable LVBD to clear debt by 2031. **Operating cash flow adequately covers total debt service over the long run with total debt coverage ratio of 2.8 in July 2022 to 5.69 in July 2031**, mitigating credit risk exposures to debt investors.

Debt Service Cover Ratio (DSCR) (x)



Financial & Sensitivity Analysis

Robust performance across projection period

Risk	Sensitivity	2020	2021	2022	2023	2024	2025
Construction cost sensitivity	Base Case	-	-	40,637	45,136	55,163	59,734
	+5%	-	-	24,343	27,172	33,606	36,471
	+10%	-	-	24,343	27,172	33,606	36,471
	+15%	-	-	24,343	27,172	33,606	36,471
Construction delay (no. of quarters)	Base Case	-	-	40,637	45,136	55,163	59,734
	+1	-	-	18,257	26,769	32,337	36,175
	+2	-	-	12,172	26,366	31,068	35,878
Price sensitivity	Base Case	-	-	40,637	45,136	55,163	59,734
	+5.0%	-	-	32,521	36,187	44,425	48,146
	+10.0%	-	-	40,698	45,203	55,243	59,821
	+15.0%	-	-	48,875	54,218	66,062	71,496
Operation cost sensitivity	Base Case	-	-	40,637	45,136	55,163	59,734
	+5.0%	-	-	16,861	18,939	23,777	25,874
	+10.0%	-	-	9,379	10,707	13,948	15,277
	+15.0%	-	-	1,897	2,475	4,120	4,681
Capacity utilisation	Base Case	-	-	40,637	45,136	55,163	59,734
	+5.0%	-	-	26,901	29,857	36,426	39,431
	+10.0%	-	-	29,459	32,543	39,246	42,392
	+15.0%	-	-	32,016	35,228	42,065	45,353

Risk	Sensitivity	2026	2027	2028	2029	2030	2031	2032
Construction cost sensitivity	Base Case	68,432	71,854	78,595	83,626	88,965	93,413	-
	+5%	42,025	44,126	48,389	51,528	54,860	57,603	-
	+10%	42,025	44,126	48,389	51,528	54,860	57,603	-
	+15%	42,025	44,126	48,389	51,528	54,860	57,603	-
Construction delay (no. of quarters)	Base Case	68,432	71,854	78,595	83,626	88,965	93,413	-
	+1	41,092	44,126	47,875	51,348	54,671	57,603	15,121
	+2	40,159	44,126	47,361	51,168	54,482	57,603	30,242
Price sensitivity	Base Case	68,432	71,854	78,595	83,626	88,965	93,413	-
	+5.0%	55,277	58,041	63,548	67,637	71,976	75,575	-
	+10.0%	68,530	71,957	78,707	83,746	89,091	93,546	-
	+15.0%	81,783	85,872	93,866	99,854	106,207	111,517	-
Operation cost sensitivity	Base Case	68,432	71,854	78,595	83,626	88,965	93,413	-
	+5.0%	30,027	31,529	34,682	36,968	39,395	41,365	-
	+10.0%	18,030	18,932	20,975	22,407	23,930	25,127	-
	+15.0%	6,033	6,334	7,267	7,846	8,465	8,889	-
Capacity utilisation	Base Case	68,432	71,854	78,595	83,626	88,965	93,413	-
	+5.0%	45,134	47,390	51,816	55,127	58,639	61,571	-
	+10.0%	48,243	50,655	55,244	58,726	62,418	65,539	-
	+15.0%	51,351	53,919	58,671	62,325	66,197	69,507	-

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