

East african breweries – analysis of it's business

Business



Brief company overview Established in 1922 and with its headquarters in Nairobi- Kenya, East African Breweries Ltd. (EABL) is a leading branded alcohol manufacturing company in the East African region engaged in the marketing, brewing and selling of alcoholic and non- alcoholic drinks as well as the manufacturing of glass containers. Majority owned by Diageo, it consists of a number of subsidiaries.

Research Rationale

Compared to their counterparts in the developed world, little research has been carried out on organizations that operate in African countries as these are seen as lacking the management capacity or financial resources either to compete with larger organizations in the developed world or to interest international investors. However the events of the last two years, which have seen investors lose millions of dollars in their investments due to the collapse of the international financial markets, have increased the need for international investors to diversify their portfolios into regions hitherto considered unimportant.

By carrying out a critical business and financial evaluation of the performance of a typical large African organization, this report attempts to highlight the missed opportunities that may remain untapped in emerging markets. With annual revenues of KES 21 billion (US\$ 285 million), KES 26 billion (US\$ 367 million) and KES 32 1 The subsidiaries include Kenya Breweries Ltd. , Uganda Breweries Ltd. , Kenya Maltings, UDV Kenya and Central Glass Industries. The company also holds a 20% stake in Tanzania Breweries Ltd. This report attempts to establish this by analyzing its business and financial performance over a three year period. To assist in the analysis of EABL's

performance the average exchange rate prevalent in the three years understudy are as follows: Table 1: Foreign exchange rates.

Average annual exchange rate Calendar YearUS Dollars (USD) Kenya Shillings (KES)2006 1 73. 738702007 1 70. 8073320081 66. 83044 Source: Oanda (2009)

Research Objective and Question

This research delves into both the business and financial performance of EABL with an aim to identify themajor business elements that are key to its performance. It goes further to look at how these business factorshave impacted on the financial performance of the company. It is difficult to separate the financial performance of a company from its wider businessenvironmentandhence the business and financial performance of a company are closely interlinked.

Decisions made at thecorporate and/ or business level impact directly on company's financial performance. Where corporatestrategy aims to grow the company through acquisition of competitor firms, this will have a direct impact onprofitability and profitability indicators. Increased sales in new markets will lead to bigger profits andmargins where costs are well managed.

Research Approach

Drawing primarily on secondary sources of information (accounting books, annual reports, academicjournals, newspaper articles, etc) this research sought to analyze both quantitative data and qualitative