

# Turn Around Brasil Kirin

June 7, 2016 Tokyo  
Brasil Kirin CEO André Salles

ブラジルキリン CEO アンドレ・サーレス



**BRASIL KIRIN**

*Viva sua Sede*

# Macroeconomics

マクロ経済

Structurally, Brazil is a large and attractive market ... 本来ブラジルは巨大で魅力的なマーケットであるが、



## 7<sup>th</sup> largest economy

- GDP U\$2.2T in 2014
- 5<sup>th</sup> largest domestic market



## Natural resources

- #1 exporter **sugar/ coffee**
- #2 exporter **soybeans**
- #3 producer of **iron**



## Moderate growth

- Average growth of **3.2%** between 2004-2014
- Crisis **resilience**

... but has been passing through a political/economic crisis

現在まで政治的・経済的危機に直面している



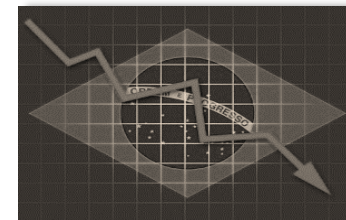
## Economic crisis

- **Inflation** reached **11%** (2015) and **unemployment** is **11%** (mar/16)
- **Currency** depreciated **42%** vs. **U\$ dollar** and **25%** vs. **Japan Yen** from 2014-15



## Political instability

- **Corruption scandal** leading to investigation of many politicians
- **Impeachment** of President Dilma



## Consumption decline

- Consumption decline for **most industries**
- **Beverages industry** retail index declined 3% from 2014-15

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# Brazil is one of the largest beverage markets

ブラジルは、最大の酒類・飲料市場の一つ

## #3 BEER MARKET

2015 Volume  
(MHL)

	2015 Volume (MHL)	CAGR (10-14)	CAGR (14-15)	HL/per capita
China	474	2.5%	-5.3%	0.3
US	246	0.1%	2.5%	0.8
<b>Brazil</b>	<b>135</b>	<b>2.1%</b>	<b>-2.6%</b>	<b>0.6</b>
89 Germany		-0.7%	-2.0%	1.1
82 Russia		-4.0%	-8.1%	0.6

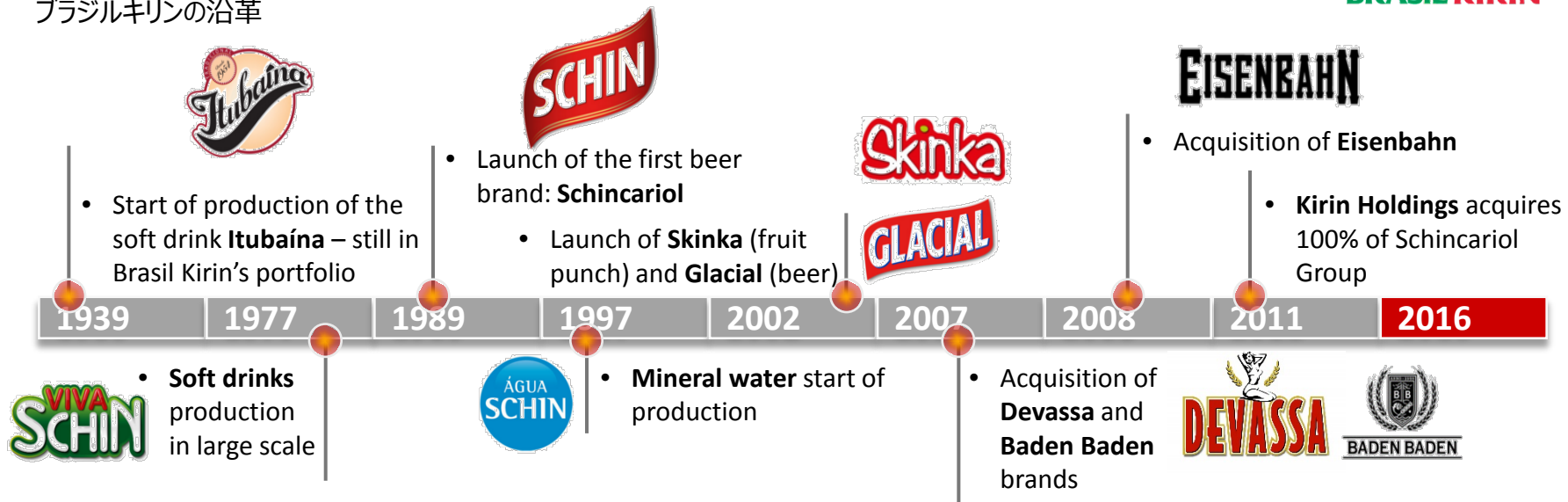
## #3 CARBONATED DRINK MARKET

2015 Volume  
(MHL)

	2015 Volume (MHL)	CAGR (10-14)	CAGR (14-15)	HL/per capita
USA	488	-1.6%	-1.9%	1.5
Mexico	160	0.7%	0.2%	1.2
<b>Brazil</b>	<b>156</b>	<b>0.2%</b>	<b>-2.4%</b>	<b>0.7</b>
China	131	2.1%	0.0%	0.1
77 Germany		-0.1%	-1.2%	1.0

# History of Brasil Kirin

ブラジルキリンの沿革



Nationwide expansion through 3<sup>rd</sup> party reseller model

特約卸による全国展開



Strong brands in several regions

様々な地域で複数の強いブランド



Broadening brand portfolio  
NAB – Beer – Premium

清涼飲料、ビール、プレミアムとブランドポートフォリオを拡大



Nationwide footprint

全国に広がる拠点



# Overview of Brasil Kirin

ブラジルキリン概要



## Market position

- **11% beer** market share and **5% soft drinks** market share
- Available in **550.000+** outlets



## Portfolio

- **# 2** beer brand in the Northeast (**Schin**)
- Most complete **craft beer portfolio** (Eisenbahn, Ichiban and Baden)
- **Full beverage portfolio** (CSD, Water, Fruit Punch, Energy Drinks, etc.)



## Distributors

- **National** coverage through:
  - **170+** Independent Distributors (Non Direct Sales & Delivery)
  - **20** Owned Distribution Centers (Direct Sales & Delivery)



## Breweries

- **13** production plants located in **11 states** producing relevant pack / brand mix
- Breweries certified in **TPM methodology**



## Recognition

- Exame's "best **Sustainability** practices" 2013 and 2014
- Several types of beer **internationally awarded**



## People

- **10.000+** employees
- **One of the best companies to work for**

# My assessment of the business in 2015

2015年CEO就任時の私の評価

## Competitive position

競争上のポジション

- **Strong market position in north and northeast, but recent competitor entry led to some share loss**

北部・北東部で強いポジションにあるものの競争参入によりシェアを奪われた

- **Weaker market position in the Southeast within beer but relevant non-alcoholic portfolio**

南東部では、ビールは比較的弱いポジションにあるが、清涼飲料のラインアップは適切

- **Opportunity to capture efficiency gains in supply chain and back office functions**

サプライチェーンとバックオフィスを効率化する余地がある

## Portfolio

ポートフォリオ

- **Broad beverage portfolio (beer, CSD, water, juice, etc.) underleveraged offering significant growth opportunities**

広い商品ポートフォリオが活かされておらず成長機会を逸している

- **Missing a beer brand in the mainstream segment in the South & Southeast**

南部・南東部でスタンダード価格帯のビールブランドがない

- **Largest craft beer portfolio (Eisenbahn, Baden, Ichiban) offering growth opportunities**

成長機会を活かせるクラフトビールのブランドポートフォリオがある

## Go to Market

市場へのリーチ

- **Nationwide distribution system through own and 3<sup>rd</sup> party operations**

自社卸とサード・パーティーの特約卸による全国的なディストリビューションシステム

- **Long lasting exclusive relationship with resellers**

特約卸と長期的に継続している専売関係

- **Volume loss imposed financial challenges on distribution operations**

数量減による特約卸の経営難

- **Relationship and engagement of resellers had to be improved**

特約卸との関係改善が必要



**Brasil Kirin has important strongholds and offers significant improvement opportunities over the coming years**

ブラジルキリンには、重要性の高い強みのある領域・地域と著しく事業を改善する余地がある

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# Brasil Kirin Medium-term Business Plan

ブラジルキリン中期経営計画

## LONG TERM VISION STATEMENT

*Quench the thirst of consumers with value brands and high performance services, engaging people to create shared value*

価値あるブランドと質の高いサービスにより消費者の渇きを潤し、ステークホルダーと共有価値を創造する関係づくりを行う

## Four strategic pillars

4本の戦略の柱

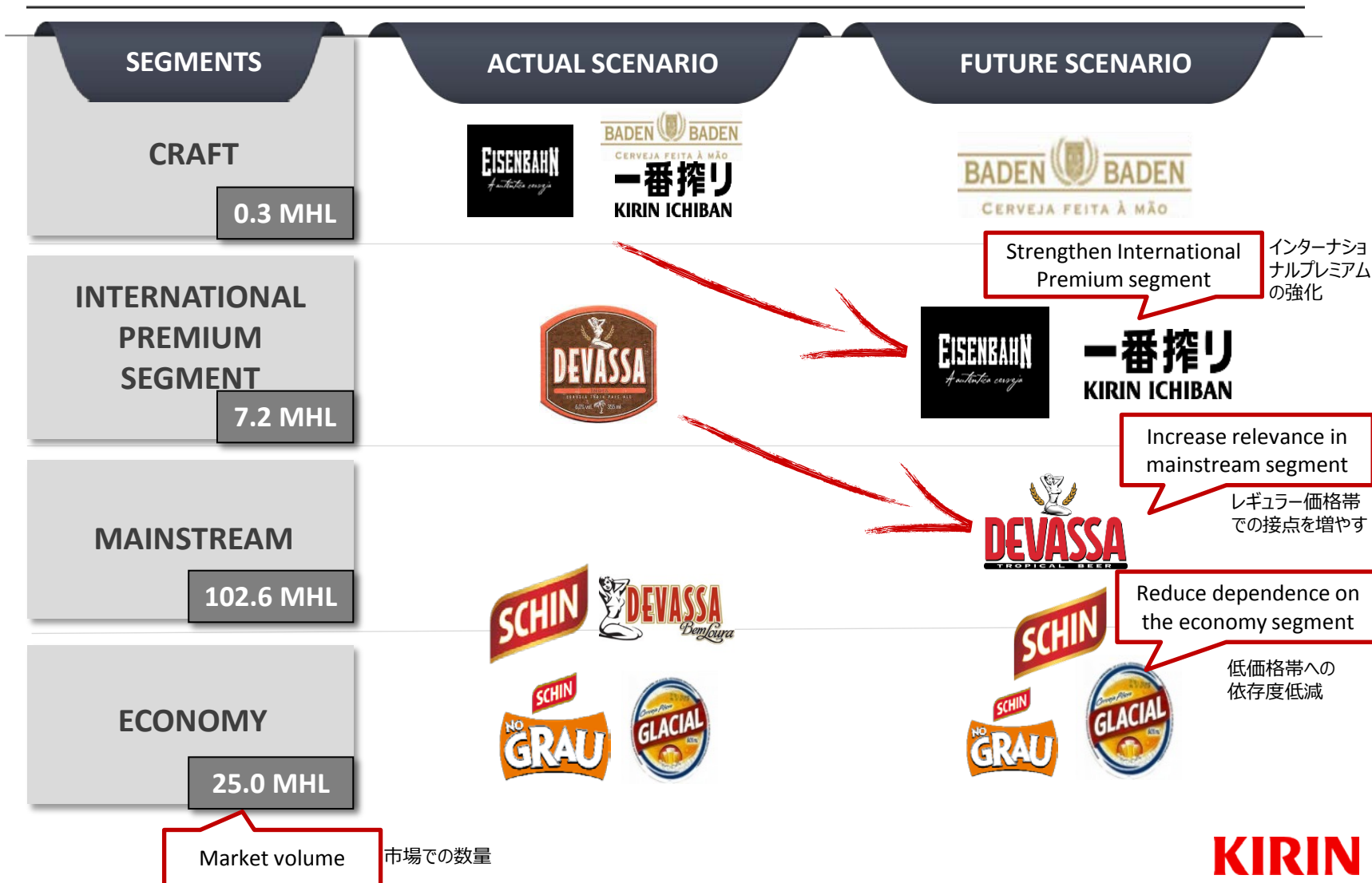


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# 1 Portfolio strategy

ブランドポートフォリオの戦略

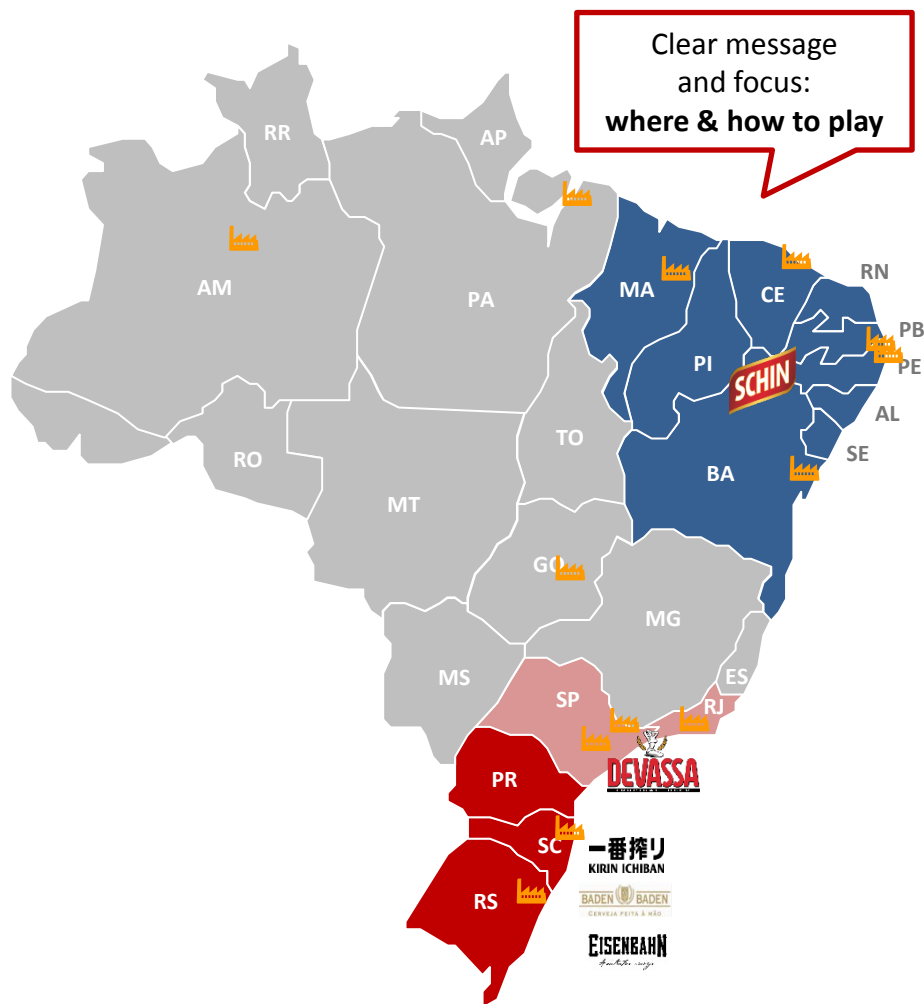
## BRAZIL KIRIN PORTFOLIO REPOSITIONING



# 1 Brand enhancement initiatives

ブランド強化の取り組み

## THREE CORE REGIONS



## DEFINED FOCUS PER CORE REGION

### North/ Northeast

- 北部・北東部
- Sales **volume** recovery  
販売数量回復
  - Focus on **Schin** brand  
「スキン」ブランドに集中
  - **Balanced prices**  
適切にバランスのとれた価格設定



### Southeast

- 南東部
- Increase relevance in **mainstream** segment  
レギュラー価格帯での接点を増やす
  - Only **pure malt** mainstream beer  
レギュラー価格帯唯一の麦芽100%ビール
  - **Tropical lager**  
「南国」のブランドイメージ



### South/ Southeast

- 南部・南東部
- Volume growth in **premium portfolio**  
高価格帯の販売数量増加
  - **Profitable growth** with Schin  
「スキン」の採算性ある成長



## 2 Strengthening execution capabilities

戦略遂行力強化



- Objectivity and focus**
- Occasion
  - Brand
  - Packaging
  - Price
  - Channel



テーブルやグラス等の協賛品

Investment kit (e.g. table and glass)

Focus on profitable SKUs (Returnable)

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収益性の高いSKU(リターナブル瓶)に集中

### 3 Optimize organization and assets

組織・資産の最適化

#### Corporate expenses

本社費用



**Company restructuring and reduction of corporate expenses**

構造改革と本社費用削減

#### Cost items and services

コストアイテム、委託業務



**Raw material, package and service contracts renegotiation**

原材料、委託業務のコスト低減交渉

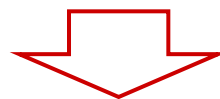
#### Distribution centers

自社ディストリビューション・センター



**Optimization of assets and truck occupancy**

資産最適化、トラック積載量最大化



**R\$200M savings in 2016**

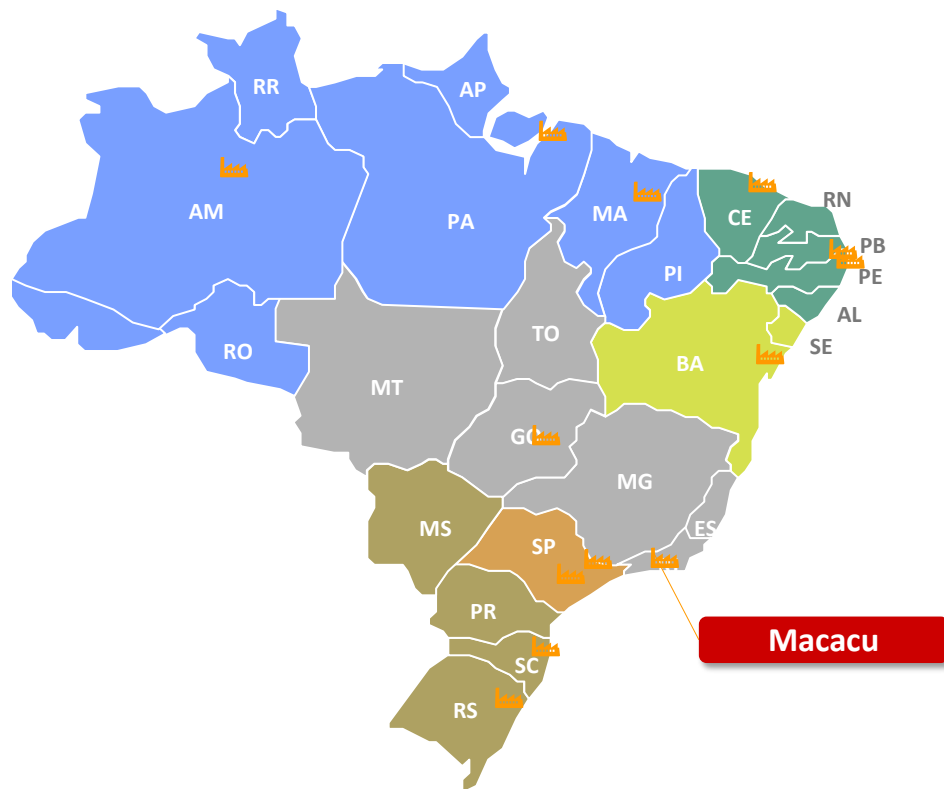
2016年度に200百万レアルのコスト削減

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### 3 Production footprint optimization

生産拠点の最適化

#### CURRENT FOOTPRINT



#### RATIONALE

- Sale of Macacu plant to Ambev マカク工場をambeve社へ売却
  - Pending **antitrust regulation** approval  
公正取引規制の承認待ち
  - There is **free capacity** to absorb volume  
マカク工場カバー地域の販売数量を生産する余力あり
- Brasil Kirin would keep **nationwide presence**  
全土にわたるプレゼンスは維持可能
- Consumer market would **not be affected**  
消費者への影響はなし



**Additional operational savings**

200百万リアルには含まれない追加の削減

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# 4 Culture Change

企業文化の変革

## MARKET ORIENTED

マーケット・イン

- Create **market driven mindset**
  - 2 functions: you either sell or help to sell
  - Clear understanding of **our brands value**
  - Focus on **customers needs** and demands
- **Market day**
  - Leadership goes to market to **better understand customers**
- Improve **relationship** with resellers

## RESULTS FOCUS

結果重視

- **Cultural transformation**
  - Current **culture mapping**
  - Design of “**where we want to be**”
  - **Training** & development
- **Performance management**
  - **Performance evaluation** according to roles
  - Identifying and retaining **high potentials**

## LEAN AND AGILE

ムダなく、スピーディ

- **Simplify processes**
- **Meritocratic culture**
- Reduce **bureaucracy**
  - **Empowerment** of management and employees



Sales convention (may/16) focused on relationship with resellers

卸との関係強化 販売会議 (2016年5月開催)

# Brasil Kirin: First Quarter Update

第1四半期進捗

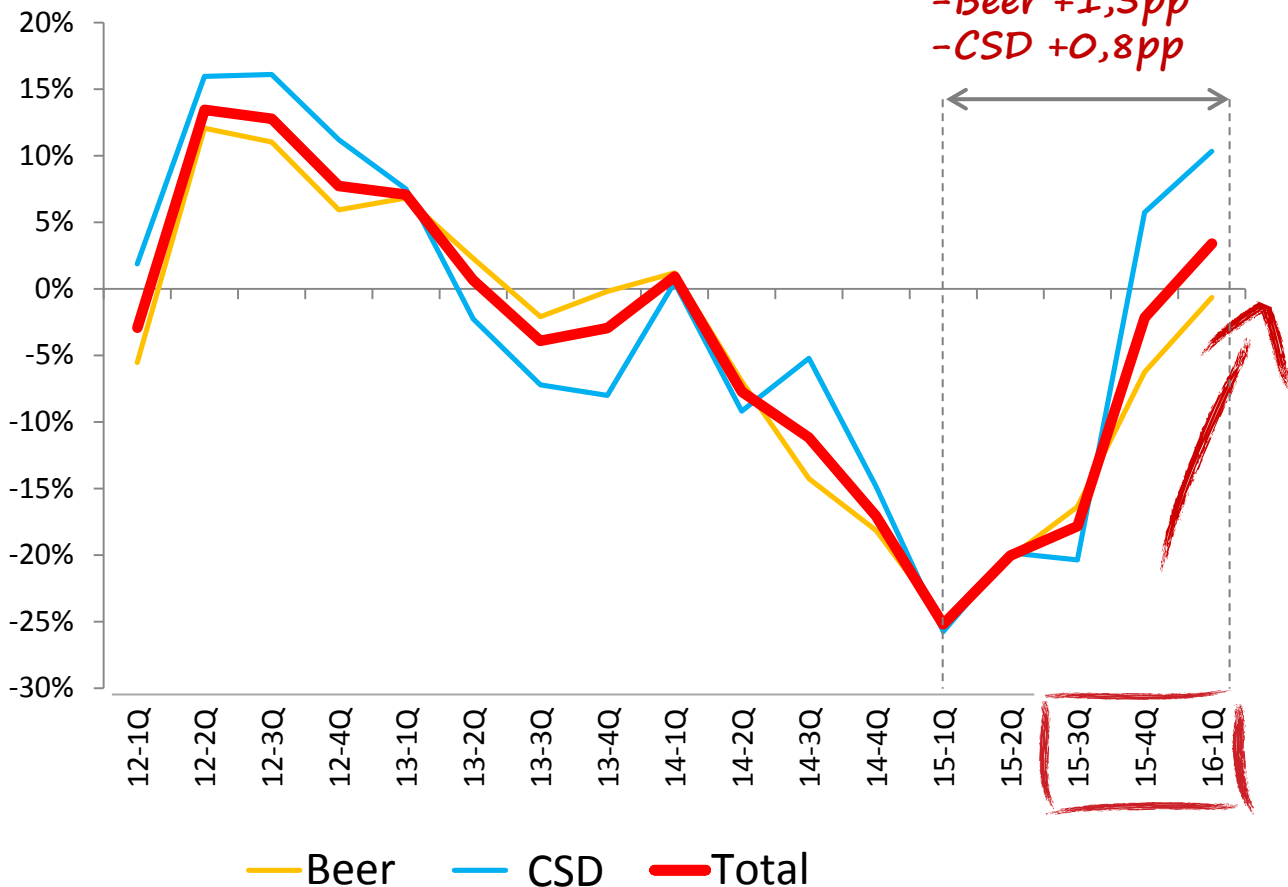
## SALES VOLUME GROWTH IN BEER & CSD

Sales volume & share recovery

Premium growth

Cost reduction & efficiency gains

Quarterly sales volume growth (vs year ago)



# Brasil Kirin: First Quarter Update

第1四半期進捗

## OUTLET PENETRATION INCREASE

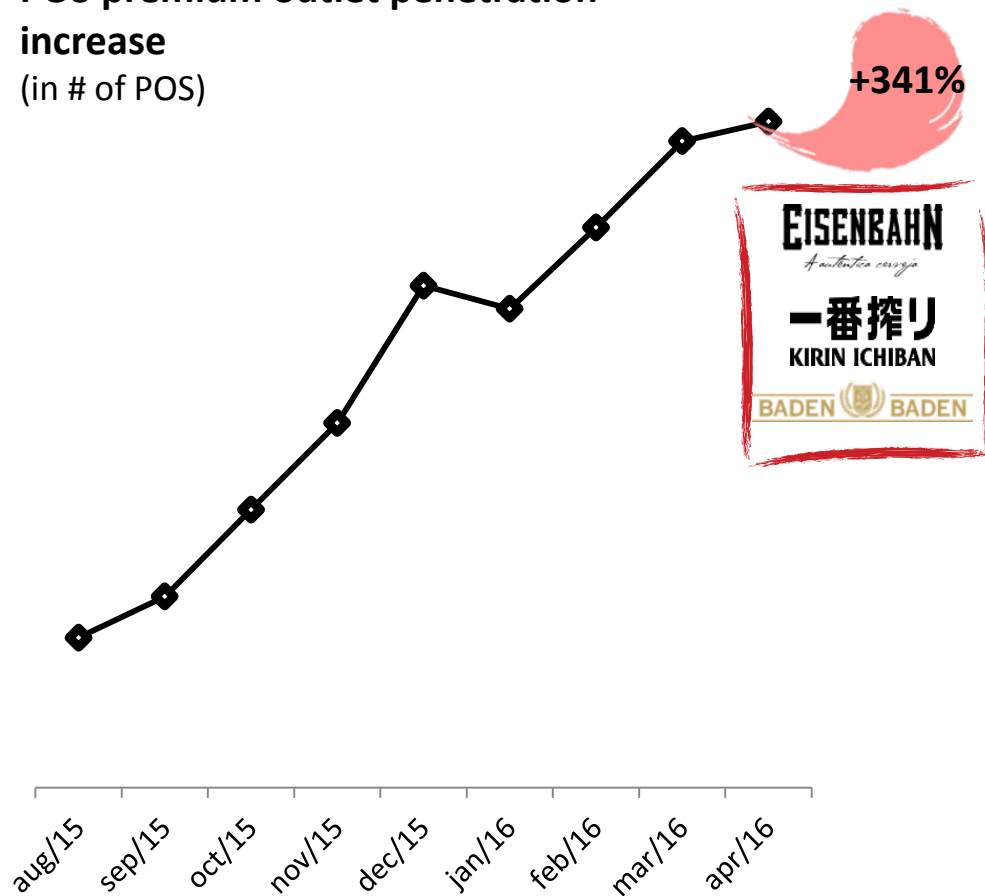
## VOLUME GROWTH

Sales volume & share recovery

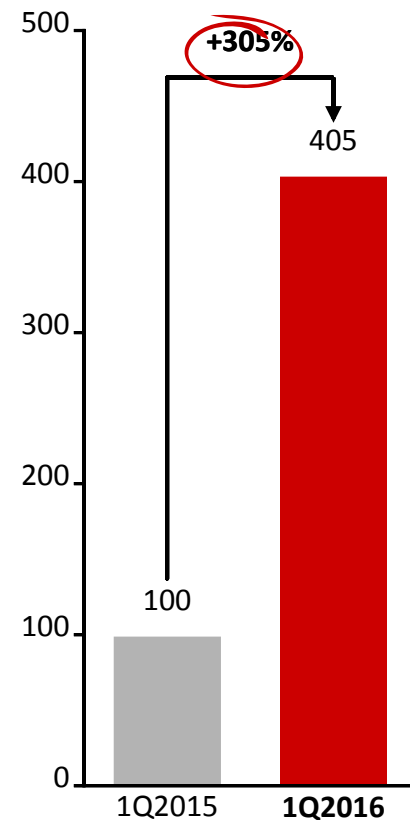
Premium growth

Cost reduction & efficiency gains

POS premium outlet penetration increase (in # of POS)



Premium volume (indexed in 1Q2015)



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# Brasil Kirin: First Quarter Update

第1四半期進捗

## MEANINGFUL COST DECREASE SINCE 3Q15

Sales volume  
& share  
recovery

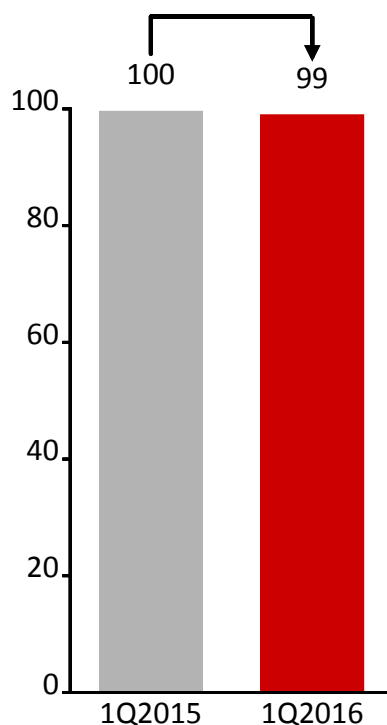
Premium  
growth

Cost  
reduction &  
efficiency  
gains

### G&A DECREASE

一般管理費削減

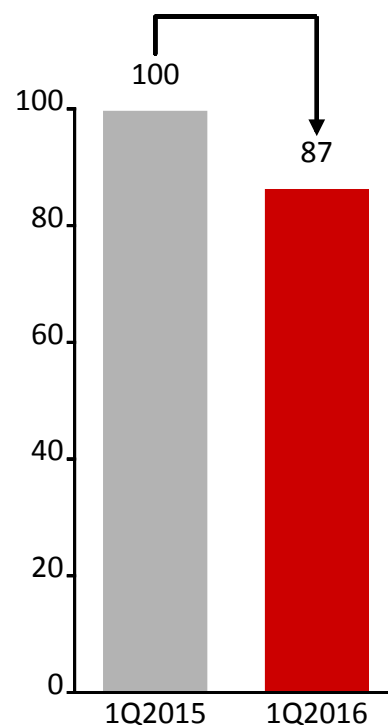
Indexed in 1Q2015 value  
(R\$M) -1%



### DISTRIBUTION EXPENSES

運搬費

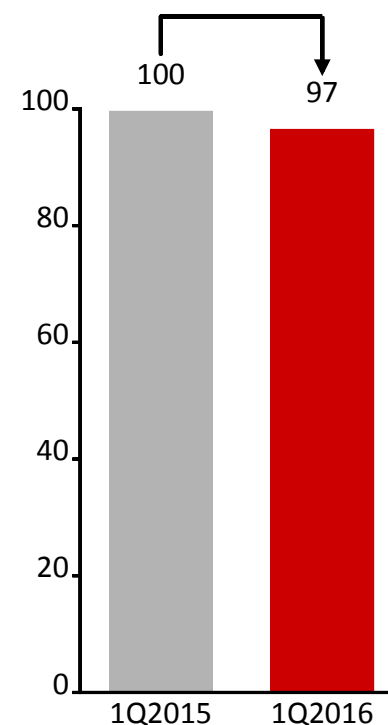
Indexed in 1Q2015 value  
(R\$/HL) -13%



### VARIABLE CONVERSION COSTS

変動加工費

Indexed in 1Q2015 value  
(R\$/HL) -3%



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# Close alignment of Brasil Kirin with Kirin Holdings

キリンホールディングスとの緊密な連携



## How does the communication work?

コミュニケーションはどのように機能しているか？

- **Brasil Kirin's Mid Term Business Plan aligned to Kirin Holding strategy**
- **Brasil Kirin's board with four members from the holding**
- **Monthly meetings in Japan or through conference system**
- **Presence of Kirin Holdings executive officer designated to oversee Brasil Kirin in addition to resident representatives from Kirin Holding in Brazil**

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## BACKGROUND

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- **15+ years experience** in the beverage market
- Turnaround in **different industries**
- Experience in **beer and carbonated** drink
- Professional career with **emphasis in distribution/commercial**
  - **Turnaround** of Würth Argentina and Norsa (Coke bottler)
  - **2.7 p.p. market share** growth and **48% profitability** increase as CEO (Vonpar - Coke bottler)
  - Highest historical **market share** for Kaiser as commercial director (beer brand currently owned by Heineken)

THANK YOU



**BRASIL KIRIN**

*Viva sua Sede*