

SABMiller Case Study: The Challenge of Cash

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Tom Bindloss
Regional Treasurer, Asia-Pacific

SABMiller

Who are we?

- World's second largest brewer
 - Present in over 80 countries with over 200 brands
 - We have almost 69,000 employees worldwide
 - Mainly beer but non-alcoholic brands increasingly important.
- A decade of strong growth, organic and M&A
 - FTSE 20 company
- Group NPR* of US\$26 billion, EBITA of US\$6.4 billion
 - 72% of EBITA from developing countries.
 - EBITA by region: 35% Latin America, 29% Africa, 13% North America, 12% Asia-Pacific and 11% Europe.
- In terms of volume of beer
 - Every minute of every day, more than 140,000 bottles of SABMiller beer are sold.



A large industrial water pump structure, possibly a siphon or a large-scale irrigation system, stands in a field. The structure is made of metal and has a complex framework. The background is a bright, hazy sunset or sunrise, with a warm orange glow. The foreground shows some dry grass and vegetation.

Agenda

- Unlocking efficiency – streamlining your cash and payment systems
- Managing cash in ‘closed’ economies in the APAC region
- Rethinking your existing treasury technology: is it fit for purpose?
- Visibility and greater control through accurate forecasting

Optimising your Cash and Investment Strategy

- The Group aims to move cash up to the centre as quickly as possible.
 - Central debt needs to be paid down – prevent gross-up.
 - Regulatory and tax environment are challenging in Latin America, Africa and parts of Asia-Pacific.
- Regular dividends.
- The businesses lend money to Group Treasury in the UK where possible.
- Counterparty Credit Risk policy is followed to minimise the risks from our Investment Strategy.
- Group Treasury is managing all cash balances around the Group (through four Regional Treasury Centres).



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Unlocking efficiency – streamlining your cash and payment systems

- Like most multinational companies SABMiller are on a journey to have one global ERP system, centralise procurement activities and outsource processes to shared service centres.
- Likewise SABMiller's Treasury has transformed itself in the last 5 years:
 - Implemented a global TMS system (IT2).
 - Established Regional Treasury Centres (RTCs) in four regions and a Treasury Procurement centre in Switzerland.
 - Rationalised the transaction banking relationships in each region.
- How has SABMiller's Treasury changed in Asia?
 - IT2 has given daily visibility of cash, derivatives and debt.
 - No Treasury resources in markets – regional specialists.
 - Migrated operational cash management mandate to Standard Chartered Bank / Westpac consortium in Asia.



How are we more efficient?

Non-financial benefits

- Centralised governance and control
- Standardisation of operational treasury practices
- Consistency in reporting
- Strong, robust and proven treasury framework implemented across the globe

Financial benefits

- Cash pooling / improved liquidity structures / automation through SWIFT
- FX and commodity hedge savings (trading platforms)
- Interest saving (better return on cash, lower financing costs)
- Headcount saving in markets (net of regional centre)
- System and interface costs lower



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Managing cash in SABMiller

| Cash management | SABMiller Standard Solution | Australia |
|--|-----------------------------|-----------------|
| Liquidity solution: | | |
| Pooling | √ | In-country only |
| Sweeping | √ | √ |
| No FX Controls | √ | √ |
| Spot & Forward FX market | | |
| Onshore | √ | √ |
| Offshore | √ | √ |
| Automation tools: | | |
| 360T | √ | √ |
| Misys | √ | √ |
| SWIFT | √ | √ |
| SABMiller's cash management objective | Daily sweeping | Daily sweeping |
| | | |

Our standard solution allows Treasury:

To manage liquidity on behalf of our markets. Funding and cash investment is controlled by the RTCs.

Working capital is a key focus to optimise cash.

FX and commodities risk management is also managed by Treasury. Agency model in Asia – the RTCs are mandated to hedge on behalf of the business units.

Automation is key to an efficient process.

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Managing cash in 'closed' economies in the APAC region

SABMiller's footprint in Asia-Pacific:

- The Foster's acquisition in 2012 gave SABMiller scale in the region.
- Three large businesses in Australia, India and China (latter a JV).
- The business in China is a Joint Venture with China Resources Enterprises (CRE). SABMiller own 49% and CRE 51%.
- Two smaller businesses in South Korea and Vietnam. Distributor led model elsewhere in region e.g. New Zealand, Thailand, Singapore and Hong Kong.



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Managing cash in 'closed' economies – India and Vietnam

| Cash management | SABMiller Standard Solution | India | Vietnam |
|--|-----------------------------|------------------|------------------|
| Liquidity solution: | | | |
| Pooling | √ | X | X |
| Sweeping | √ | In-country only | In-country only |
| No FX Controls | √ | Highly regulated | Highly regulated |
| Spot & Forward FX market | | | |
| Onshore | √ | √ (regulated) | Spot only |
| Offshore | √ | √ (fws NDF) | X |
| Automation tools: | | | |
| 360T | √ | X | X |
| Misys | √ | √ (+manual) | X |
| SWIFT | √ | √ | √ |
| SABMiller's cash management objective | Daily sweeping | Funding | Funding |
| | | | |



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Managing cash in 'closed' economies – South Korea and China

| Cash management | SABMiller Standard Solution | South Korea (MI) | China (JV) * |
|--|-----------------------------|------------------|----------------|
| Liquidity solution: | | | |
| Pooling | √ | X | √ (regulated) |
| Sweeping | √ | In-country only | √ (opening up) |
| No FX Controls | √ | Liberalisation | Liberalisation |
| Spot & Forward FX market | | | |
| Onshore | √ | √ | √ |
| Offshore | √ | NDFs only | √ |
| Automation tools: | | | |
| 360T | √ | X | X |
| Misys | √ | √ (+manual) | √ (+manual) |
| SWIFT | √ | √ | CIPS |
| SABMiller's cash management objective | Daily sweeping | Dividends | Dividends |



* Note as China is a Joint Venture where SABMiller is the junior partner treasury management is not centralised. Treasury operations are managed locally.

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Rethinking existing treasury technology:

- IT2 is fit for purpose.
- We have invested heavily in straight through processing in the past 5 years.
- However, we don't stand still and we work with our vendors for the system to do more.
- IT2 merged with Wallstreet (part of ION group) 2 years ago but we believe they are committed to IT2.

Visibility and control through accurate forecasting

- SABMiller has daily visibility and valuations of debt, derivatives and cash. This includes daily credit risk.
- Forecasting of cash and financial risks could always be improved. Inaccuracy leads to inefficiency.



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Thank you