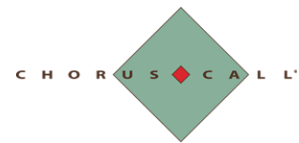




“United Breweries Limited
Q1 FY '24 Earnings Conference Call”
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MANAGEMENT: **MR. RADOVAN SIKORSKY – DIRECTOR AND CHIEF FINANCIAL OFFICER – UNITED BREWERIES LIMITED**
MR. ROBIN ACHTEN – HEAD OF BUSINESS CONTROL AND INVESTOR RELATIONS – UNITED BREWERIES LIMITED

MODERATOR: **MR. HARIT KAPOOR – INVESTEC CAPITAL SERVICES**



Moderator:

Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of United Breweries hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you and over to you, sir.

Harit Kapoor:

Thank you, Jacob. On behalf of Investec Capital Services, I would like to welcome all the participants and the senior management of United Breweries for the Q1 FY '24 United Breweries post results conference call. From the team at United Breweries, we have Mr. Radovan Sikorsky, Director and CFO; as well as Mr. Robin Achten, Head of Business Control and Investor Relations of the call today.

I'll now hand the call over to Radovan for his initial comments, post which we'll open the queue for Q&A. So over to you, Rado.

Radovan Sikorsky:

Thank you. Yes. Good afternoon, everyone, on the call, and thank you for joining us today. I'll give an update on quarter 1, 2024. Let's start with the highlights. Volumes were down 12% in the quarter, impacted by some route to market challenges and changes we've done, supply chain challenges and we also had some lower interstate sales.

Excluding the Route-To-Market, our volumes were down around 4%, driven by Telangana and Haryana. In premium, we were down 21%, in the quarter, whereas volumes were flat, excluding the route-to-market changes. We did see some good mid-teens growth for the Kingfisher Ultra Max brand for us and some promising results for Heineken Silver, which we continue to focus on. Silver is now contributing to around 30% of the total Heineken franchise.

Net sales were down around 7%, driven by the volume decline, but then partially offset by healthy pricing coming through. Pricing we've taken across multiple states, which continued with our commitment to drive this and other revenue management initiatives. Gross margin during the quarter was lower as compared to the prior year, which we've been discussing in our previous calls in terms of the inflationary pressure.

But versus quarter 4 of '23, there has been quite a bit of an improvement we were up 196 basis points versus last quarter. EBIT margins contracted slightly vs prior year and improved significantly versus the last quarter, which is nice to see as well.

You can see we've added two additional slides in our presentation, one on the volume progress and the other on the margin trajectory. As you can see in the volume development slide, where we have broken it up into April, May, June. April, May was really a tough period for us in April and May. Particularly, we had quite a bit of challenges in supply chain in Karnataka in terms of getting dispatches out of breweries, but this has improved significantly in June.



Our June volumes were up 44% in Karnataka, which is great to see. And we continue to see this strong volume performance going through into July. So that's good to see. In terms of the margin development slide, you can see we are observing a reversal of the previous downward margin trends.

And as mentioned earlier, our gross margins improved 196 basis points versus previous quarter. And our EBIT margin also improved versus the previous quarter, which is good to see. So the initiatives and some of the drives in savings in the supply chain are starting to come through as well. In terms of the outlook, so we see a bit of softening of the cost of sales, but I mentioned as well in the press release, there is a bit of volatility still, right? So as you all know, there is quite a bit of pressure coming through also on rice into the back end of the quarter.

But generally, we see a bit of a softening. So we for sure see improvement in our gross profit margins -- into the next quarters. We'll continue to focus on growing the category and pushing premium as well going forward. And yes, we remain quite optimistic in terms of going forward over the next quarters that there should be an improvement in our gross profit margin. So that is my short summary, and we can open up to the Q&A.

Moderator: The first question is from the line of Abneesh Roy from Nuvama Institutional Liquidities.

Abneesh Roy: I've got 3 questions. The first question is on Slide 7. So I have seen that there is a good recovery in June versus April in terms of volumes. I wanted to understand in RTM, if you could give more clarity in ex of Karnataka, what are the issues? And Karnataka, is there any pipeline filling? Because in the first two months, there was obviously lower inventory.

So Karnataka, the good growth coming back in June, is there some bit of one-off also there? So that was my key question that is this impacting also your other competitors? For example, when you saw the minus 22% volume and minus 13% volume in April and May, would your competitors in those specific states also would have seen such a sharp dip?

Radovan Sikorsky: Okay. So let me start with Karnataka and then we can go to the route to market. So in Karnataka, I think I can say that in April, it was more our own challenges versus the competition that our volumes were down, okay? So we were having some administrative issues to get our dispatches out in April which caused quite a volume decline for us in the month of April, and it flowed into May also due to the elections that were taking place. And we were probably impacted more than our competition, and we did lose share within Karnataka in those months quite a bit because of those 2 reasons.

In May, it's -- in the back end of May it started improving a lot. And in June, like I said, we were up over 40% and that was -- yes, there was pipeline filling into primary. But we also saw our market share go back up again quite a lot. And we see it continue the good volumes in Karnataka for the month of July. So it's not just about pipeline filling, but it's -- it's really a good recovery in terms of our volumes trying to get back to the place where we were before. So that's on Karnataka.

On the route to market, what we mentioned specifically is the volume decline that we have had, particularly in quarter 1 in Tamil Nadu and Andhra Pradesh and we have seen quite a bit of



improvement, particularly in Tamil Nadu as of the back end of May into June, and we continue seeing good volume in July for Tamil Nadu. The other one, of course, is Delhi, where we have lost quite a bit of volumes. And that's generally also -- we see some of our bigger competitors also have lost volumes there..

Abneesh Roy: Sure. So very quick follow-ups here. You mentioned Karnataka, you are seeing very good recovery in volume, you also said a large part of the market share loss also has been recouped. So my question was on the left over market share loss, when do you see in Karnataka that coming back? And second is some of the other spirits play, not beer, they have really curtailed or exited Tamil Nadu, would you also have some kind of thought process on Tamil Nadu, would you want to continue medium, long term here given the specific issues of the government control, which is much higher than a lot of other states?

Radovan Sikorsky: So like I've mentioned in my previous call, we changed our Route to Market in Tamil Nadu. And we are working on that route to market currently to continue in the current structure that we are in. So far, we've had volumes recover quite nicely during the season. Whether those volumes will remain is yet to be seen. But we are working through that as a business to see if it will be sustainable or not.

Abneesh Roy: And on Karnataka?

Radovan Sikorsky: Karnataka, for sure, we are recovering on our market share. We recovered significantly in June for what the losses we had in May. And in July, we are also increasing share. We are still below where we would like to be in terms of market share but it will take a bit of time to get back to the levels we wanted. It takes some time. But we are not far off where we were in the past.

Abneesh Roy: My last question is on the inflation. So already 196 bps driven by quarter-on-quarter if you could tell us on barley, malt and glass. How is the situation in glass? I understand there is a correction in the prices. But if you could take us through how do you see in Q2 and H2 in terms of glass and barley, malt?

Radovan Sikorsky: So like I said, the barley pricing has been good. The new crops have come in at good prices. So we see softening coming through there, and we see that coming through into quarter 2 and quarter 3 also into our cost of sales. On the glass, it's a bit less so., 'till the end of the year, we sort of see not that much softening if any. But going into 2024, potentially, there could be some in terms of -- some of the main commodity prices related to glass production start coming down a bit. The issue, of course, is that there is limited capacity in the market for glass. So that tends to play against that in terms of demand and supply. So --softening, I see it more on the barley side than on the glass side in terms of softening.

Moderator: The next question is from the line of Latika Chopra from JPMorgan.

Latika Chopra: My first question was on top line momentum. Is it right to assume that route to market changes in the place of Tamil Nadu, Andhra and to some extent, Delhi, you will start getting into the base from the current quarter and does it imply that the volume growth trajectory will now start to normalize for you in mid- to high single digits so?



Radovan Sikorsky: Sure. Your voice was a little bit unclear on some of the question. Could you just repeat that again once more slowly, please?

Latika Chopra: Okay. So my question was on volume growth momentum. Is it right to assume that route to market is in all of the states that you've seen will start getting into the base from the September quarter, which is the current quarter the base will be a lot more normalized, hence, volume growth is average should also move to normalized levels for you?

Radovan Sikorsky: Yes. So some of it should be end of quarter 3. So around November, December, we should see that we start cycling some of the impacts of route to market in 2022. That's correct. Yes. That's true.

Latika Chopra: Sure. And the second question that I had was on you talked about supply sub stream in Telangana and perhaps even in Haryana, what are doing to address the capacity constraints?

Radovan Sikorsky: Okay. So on Telangana, 2 things. What happened is we did not manage to get permission to do Sunday shifts or they were cancelled for a couple of months in Telangana. And because with the Sunday shifts were cancelled, that gave us capacity constraints in Telangana. But we are working through that going into 2024 that there will not be such a recurrence of this. So that we should get through that. The other thing that we have been doing, and I've mentioned it also in my summary is lower interstate sales, right? So that means sales between different states.

You need to get at various permissions, but also you need to pay certain export fees to transport between states. When we looked at the profitability of some of these interstate sales that we were doing, right, they were negative in net contribution for us.

And we said that we made a call on that, that we will not continue some of these unless it's from a strategic angle, for example, premium, we would not do this interstate sales at loss-making numbers. And therefore, some of our volume decline has been due to these type of things. And that also includes Telangana, where we didn't push volumes into Telangana when we had some capacity constraints.

Latika Chopra: Does it mean that -- do you need to do more capex to ensure that our capacity constraints are fixed or you think tying up with contract breweries could solve this?

Radovan Sikorsky: So we look at our capacity investments across the different states and Telangana is on one of them. I think it's more to drive more efficiencies within the breweries at this point with Telangana, but we also look at potentially future capacity based on the growth there. But if we can get some of these administrative issues like having Sunday shift, and these things sorted out, then we can cover some of these peaks.

Latika Chopra: All right. And for Haryana, also it's correct to assume there were similar issues or there was something else happening in that state?

Radovan Sikorsky: So in Haryana, we also had some administrative issues in terms of supply and in terms of getting licenses issued for production. And therefore, we had some of the volume decline there as well.



We also have managed now to get permission to export into Delhi, particularly our premium brands like Ultra. So that will also help sales out of Haryana.

Moderator: The next question is from the line of Jay Doshi from Kotak.

Jay Doshi: Could you provide us some update on the CEO appointment, how is the hiring process going on? When can we expect some updates?

Radovan Sikorsky: Yes. So in terms of on the CEO question, so we are much closer in terms of the recruiting process. And we will be able to give much more info to you, sort of in the middle of September, end of September through the appropriate channels that we disclose this information. So I think mid-September end September, we will have the communication around that.

Jay Doshi: Understood. Second is, when I look at your operating performance, other expenses per case has declined when I compare it with earlier summer peak season, that is pre-pandemic. So is this a structural reduction in cost structure in terms of -- will other expenses per case more or less remain in this range even when gross margins recover or will we see a spike in the costs as gross margins recover?

Radovan Sikorsky: So there's a couple of things in this. Some of it is already coming through in terms of the efficiencies that we are driving. Some of it in the operating expenses that you see there is also because of lower freight. And that's a combination also of the things we are doing, like I've mentioned on the interstate transportation. So these are drivers that should stay and help us with margin. And some of it then would be -- there are some volume related that there will be some more increases coming through in cost as our volumes are now improving going into the other quarters.

Jay Doshi: Right. And in terms of your notes to accounts mentioned that you aspire or your intent is to bring restore the volumes in the states that have been affected by RTM, so I heard your comments on Tamil Nadu and Delhi, I mean, it's sort of anybody's guess. But what is your sort of approach for Andhra Pradesh? Do you expect some recovery in volumes in that rate or that state will sort of remain at current levels?

Radovan Sikorsky: We are expecting some recovery of volumes there as well. Yes.

Jay Doshi: Understood. Between AP and Tamil Nadu, I think in the first quarter when the volumes were impacted after Heineken's review and decision to change the operating model. If I remember correctly, the volume impact was high single digit on 9% to 10%, right? So when you are able to normalize these volumes or restore these volumes, what would be salience of AP and Tamil Nadu to your overall volumes? Where do you expect it to settle?

Radovan Sikorsky: It's difficult to say, to be honest. Like I said, I'm quite cautious about Tamil Nadu long term at this point or in the medium term, if I can put it this way. At the moment, our volumes are looking nice in Tamil Nadu. In Andhra Pradesh, we're expecting to grow. I think Andhra Pradesh will not recover to the volumes prior 2019 really because the total market has actually declined also with the closure of some retail outlets, et cetera. But definitely, there will be an improvement there going forward.



So it's -- we remain cautious on Tamil Nadu. We are doing what we believe are the right things in Tamil Nadu and let's see how it goes. I think we all need to just monitor it as we go along into the next coming months, and then we see. But we're really trying to do and what we can there in the right way.

Jay Doshi: Final bookkeeping question. The recent price increase in Karnataka, what does it mean in terms of increase in the retail price for consumers and increase in realization for you?

Radovan Sikorsky: You mean the excise duty increase, I assume, yes.

Jay Doshi: Correct. Correct. In Karnataka.

Radovan Sikorsky: So in terms of the price increase as such, it's -- it was around -- on the shelf, I think it's doing -- Robin, correct me if I'm wrong, but I think it's around 4%, 5%, right?

Robin Achten: Yes, 3% to 5%.

Radovan Sikorsky: 3% to 5%, yes. So yes, so that is the impact for us. Spirits were impacted more, as you know. So we are quite bullish that, that should help the category in the medium to longer term.

Jay Doshi: And did you see -- did you manage to get any price increase your net sales realizations are improving or the entire increase on shelf prices will be captured by the government?

Radovan Sikorsky: So we've also done a price increase in Karnataka. So we are getting a better per case realized sales as well in Karnataka.

Jay Doshi: Possible to quantify the magnitude, whether it is low single digit, mid-single digit or better than that?

Robin Achten: The earlier price increase that we did, it was around May. It indeed increased our realization with around mid-single digits. The price increase that was taken in July did only improve our realization to a very limited extent depending on the SKUs, but more important to mention on Karnataka is that the relative pricing of beer did improve now

Moderator: The next question is from the line of Avi Mehta from Macquarie.

Avi Mehta: I just wanted to continue on that Karnataka bit. So the understanding and just a clarification that the understanding is that despite taking a price hike of about mid-single digit, is still at a consumer level relatively more attractive, beer is more attractive, which should help growth to that extent from a volume perspective is the way I should kind of look at this. Is that understanding things?

Radovan Sikorsky: That's correct. So this should be more attractive for beer. The way the price increase has gone in terms of the excise. So that is -- that should be good for the category. So we're going to be monitoring that as we're going forward.

Avi Mehta: Okay, sir. And from a market share trend perspective, and if I heard your comments, while the industry growth should normalize from third quarter, as a company should now grow ahead of



the market or continue to see more share and that trend is sustaining in July, which -- and that is what we should expect going forward?

Radovan Sikorsky:

That is the aim, yes. We went through some difficult times in April, May. And this is going to happen, right? I mean, it will be volatile as we change certain things in our strategy and in our approach, there will be a bit of volatility up and down. But we may -- we have to say we remain resilient on these type of things. Some of the calls that we make are profit calls, right? That's not to say that we are going to give up on our market share. Let me put that right.

But we might lose some basis points in market share. And that's okay, that's fine. But we're not going to sell at a loss in terms of per case. We will make those calls where we see that if we are not making profits, like I mentioned about the interstate, we will make that call even if it causes us to lose a couple of basis points on market share. But Karnataka is a key state for us, and we will ensure that we recovered some of the market share declines that we've had over the couple of months. Definitely, that is a big focus area for us.

Avi Mehta:

Okay. And sir, the last bit was as we approach the election season state elections are also due in December, central elections. Anything that you would be worried about for the comment of normalization of volumes? Anything that you would want to highlight? Because Rajasthan, for example, coming up with elections, et cetera, do you see that as a concern? Or the other states are not that big an issue as we speak?

Radovan Sikorsky:

At this point, we are monitoring that. There can always be some impacts on that. You know that in certain days, you cannot, for example, some of the outlets are closed, et cetera, like we had in Karnataka, which had some disruptions, particularly if you have a big share in the state that can cause you temporarily some declines. But then like I said, that is temporary. And then if you got your right basics in place, you should get through those.

So on Rajasthan, might be some disruptions, but it's not something we are too concerned about at this point in time.

Moderator:

The next question is from the line of Krishnan Sambamoorthy from Niman Institutional Equities.

Krishnan S.:

Maharashtra seems to have reported positive volume growth. Now this has been a difficult market for about 4 or 5 years. Anything that's changing on the ground?

Radovan Sikorsky:

On Maharashtra, yes. So yes. So the category per se has had some difficulty. I mean, we still have a strong market share there, which is good. And we see we need to push more premiumization there. We see quite a lot of opportunity around particularly around Mumbai and Pune and these type of areas. But there, I think it's important that there is a better playing field in terms of the excise regulation between Spirits and beer.

As you know, the excise on beer is significantly higher than on Spirits, which you don't really see anywhere in the world, okay? And there is something that we are keen on in terms of levelling or making sure the beer category has its right space and being taxed at the appropriate levels going forward.



- Krishnan S.:** Okay. My second question is on this positive sales mix that you witnessed for this particular quarter. As Telangana, Tamil Nadu, Delhi come back to a more normalized level, would you agree that there could be a reduction in the positive sales mix that you saw in Q1?
- Radovan Sikorsky:** A reduction of the positive mix as we saw in Q1, you're saying?
- Krishnan S.:** Yes.
- Radovan Sikorsky:** There can be some impact but then we also see Karnataka improving as well. It's difficult to estimate at this point. As we've mentioned in the past, it does impact when some of these big states grow like in Telangana. I wouldn't like to forecast that at this point in time.
- Krishnan S.:** Sure. Just one final question. Anything that you can guide in terms of capex for the current year or the next given the constraints that you faced during December quarter this year?
- Radovan Sikorsky:** Sorry, you mentioned, is there any constraint on capex? I didn't fully get that.
- Krishnan S.:** Any increase in capex that you have in mind given the constraints that you faced in the summer quarter this year?
- Radovan Sikorsky:** Yes. So we are definitely looking at that in terms of our capex plans already now for going into 2024 because the lead times can be quite a few months. So we will be reviewing of how much capacity we need to expand if needed. And also, you know our relationships with the contract brewers is that there is enough capacity in place there as well because we had also quite a bit of struggles in the northeast part of India in terms of capacity and some breakdowns at some of our contract brewers had there and we want to make sure that this doesn't happen going forward.
- Krishnan S.:** Anything that you can quantify for now in terms of capex for the year, you will get back to it.
- Radovan Sikorsky:** The capex for 2023, we communicated last time, we are not changing that amount like what we communicated last time.
- Moderator:** The next question is from the line of Himanshu Shah from Dolat Capital.
- Himanshu Shah:** Sir, can you just let us know what would be the share of the RTM market, TN, AP, Delhi in this quarter volumes? And last year, same quarter, what would have been their share in the overall volume?
- Robin Achten:** So you want to see the salience basically of the RTM states ?
- Himanshu Shah:** That's right.
- Robin Achten:** Well, that's lower than 10%
- Himanshu Shah:** Okay. And what would have been the same number last year?
- Robin Achten:** Well, I think based on disclosures that you have in our reported numbers, you can triangulate that.



- Himanshu Shah:** Sure. And can you just let us know what would have been the A&P spend, advertising and promotion as a percentage of revenue, current year and last year?
- Robin Achten:** Yes. Well, what we can say is that marketing spend basically went down versus last year in the same quarter, and that followed more or less the same trend as the volume drop.
- Moderator:** The next question is from the line of Prashant Kothari from Pictet.
- Prashant Kothari:** I had a couple of questions. One was the excise bill for us for this quarter seems to be kind of growing at 8% versus last year while the volumes have dropped by 12%, which means kind of an increase of 20%. I understand there's a state mix and all of that. But if you could help us with kind of the general maybe like-to-like, what kind of excise increase that you are seeing in the business?
- Radovan Sikorsky:** Yes. So it is a bit of a state mix impact because you know the excises within the different states didn't really move that much -- of course, in some it did, like for example now in Karnataka, so it's primarily a state mix impact that is happening there. Like-for-like, I wouldn't want to quote exactly how much it is, but it's probably a lot lower like-for-like, and that's due to the state mix.
- Prashant Kothari:** All right. Okay. And you met in a couple of states you have lost market share. Would you be able to give us some idea of the overall market share which the company has now?
- Radovan Sikorsky:** So we lost market share in India. And like I said, Karnataka was one of the ones where we've lost share and of course, in the routine markets day that we mentioned, the likes of Tamil Nadu and Delhi and the states we lost share. Yes, I think that is about a good summary of it. I don't know if anything else on that one, Robin, I think those are the main impacts really.
- Robin Achten:** Yes, exactly. And good to highlight that excluding the RTM change, the market share decline was really only in the low single digits that we went down and despite some market share headwinds in a state like Karnataka, we also see some very positive market share development in other important states for us, like UP and Rajasthan.
- Prashant Kothari:** So how much is the overall market share we have in the market after all these? Obviously, there are different states having different shares. But overall basis on pan-India level, what's our market share?
- Robin Achten:** Well, that should be around 50%, excluding the RTM states.
- Prashant Kothari:** Understood. And a couple of states like Haryana and also maybe better Karnataka. Can you mention some of the administrative issues kind of impacting our performance. I mean is there some execution issue that we need to kind of smoothen out the business? I mean, if you can expand on that, what are the steps being taken, so that headwind type of issues don't really impact our business performance?
- Moderator:** Ladies and gentlemen, we have lost the line for the management. So request you to stay on hold until we get the management reconnected. Ladies and gentlemen, thank you for being on hold.



We have the line for the management reconnected now. Mr. Kothari, you may proceed with your question. Thank you.

Prashant Kothari: Sorry, I'm not sure when you dropped out, but the question was but in some of the states, administrative issues are kind of impacting our performance. Can you just expand on what is the problem? And is there any kind of internal execution that we need to seek a nought, so that these issues don't impact us in the future? That could be very useful.

Radovan Sikorsky: So I guess you're referring to some of the dispatch issues that we were having, particularly in April and May in Karnataka. Yes?

Prashant Kothari: And also in Haryana, you mentioned some administrative issues.

Radovan Sikorsky: In Haryana as well, yes. Well, I think we've we fix what needs to be fixed in Karnataka at this point in time. So hopefully, that should be positive going forward. And in Haryana, we seem now to be also on the right track there as well. So that should be fine as well. But with Haryana, it could be that we still run into some things in terms of some of the approvals that we need. But we work through those as they come. But for me, primarily Karnataka.

Karnataka is for us a key that has been fixed and the volumes are looking good going forward.

Prashant Kothari: Okay. And just the last question is on the non-alcoholic beverages, where the revenues for this quarter were 0 as reported. Just trying to understand -- I mean, what's the priority of this business for us? And is it a business where we are maybe potentially getting out of?

Radovan Sikorsky: Yes. So the zero business is something that we see potential in the longer term. So we will continue to work in that segment. But the volumes, yes, like you're right to say are very small at the moment. And -- but we will continue with Heineken 0.0, and we look at other innovations to go into that category as well.

Moderator: The next question is from the line of Harit Kapoor from Investec Bank.

Harit Kapoor: So I just had two questions. One was on glass. So there are some -- you did mention that because of the demand supply issue, it would take a bit longer for the glass price benefit to come in. Typically, some of our contracts, I remember historically used to also be where we were trying to make them into formula-based contracts where de-escalation and cost could also give us a benefit. So I was just wondering, wouldn't that, at some point, kick in a little earlier than expected as compared to the ones where you have to really go on and negotiate?

Radovan Sikorsky: So that should be the case on some of the bigger contracts, you are correct. If some of that does come through, hopefully, that should come through in quarter 4 for our pricing. So if we have what we referred to as PAF, a price adjustment formula built in some of these contracts. And as you know, if there continues to be the softening in some of these production costs, if I can put it that way, such as energy and soda ash and these type of costs, then there should be some softening going forward, yes. So hopefully, that does come through. But I wouldn't like to say that is 100% definite now. Because it's -- again, it's the balance of the supply and demand as well.



But through the -- some of these price adjustment formulas can trigger it.

Harit Kapoor: Got it. Got it. My second question was on premium and mass. You obviously have been growing. The premium portfolio has been growing at a faster clip. This time, obviously, because probably because of one-offs there has been some challenges there. But even if you exclude the one-off premiums growing faster, I just wanted to understand now that the excise cycle in a lot of states is over the price increases across the board are done. How are you seeing the premium versus mass or premium versus mid to mass segment growth trends? Is it -- do you still see premium growing at a much faster pace on a normalized basis? I just wanted to get your sense on that.

Radovan Sikorsky: Yes, definitely, we still see a lot of opportunity in the premium segment. I mean we still believe that over the coming years, the premium segment should be between 18% to 20% of the total beer category over the next 5, 6, 7 years. So for sure, we are -- we remain fully committed to premium and actually more so we are going to definitely ensure that we have -- we go and aim to have our fair share in premium going forward. So that ambition has not changed at all.

Harit Kapoor: Got it. Got it. And one last question on capex really. If you look at -- you did mention that some of the interstate sale movements that were happening in the past were not profitable. And hence, you were -- you kind of relooked at that. My question was for these products that were moving into say, largely in the mass and mid-segment because I assume that premium would still have a profitable for you to move.

Radovan Sikorsky: 100%. So what we do is we assess it on a mainstream and premium segment basis. So if the interstate for premium is low contribution, we will still do it just from a strategy point of view on premium. But it's more a call on the lower mainstream brands where they're in a loss-making situation, we made a call not to do it. And at that point in time, then you assess your local capacity levels to say, okay, is it worth for me to the previous question of doing something around capacity to curb that you don't need to do that interstate transportation.

Harit Kapoor: Understood. And my last question was on the rollout of the premium product. So over the last 18 months, you added Kingfisher Wheat beer, you added Heineken Silver to the premium portfolio. Just wanted to get a sense of are the rollouts in the markets that you want them to be in now complete? Is there some more scope on the distribution side yet left?

Radovan Sikorsky: No. So definitely, we are looking at some other new launches. And as they come through, definitely you'll be aware of them. Also in other segments, we've also now testing Kingfisher Mango as an innovation, which is doing actually very nicely for us. So with flavour. We have really now starting to form a nice innovation funnel. And we've got a strong functional team working on that. So there's definitely more to come from UBL in terms of innovation.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Harit Kapoor from Investec for closing comments.

Harit Kapoor: Yes. Thank you, Jacob. On behalf of Investec, we would like to thank the management of United Breweries to give us this opportunity to do the call and spend time on this one. And also, I'd like to thank all the investors and analysts and the community who joined on the call. I now hand over to Radovan for his closing comments. Over to you.



Radovan Sikorsky:

Yes, thanks. So it was a difficult Q1 for us, like I said, and particularly April, May. But we remain really positive on this beer category going forward. And there will be a bit of volatility like we've experienced April, May. But we're here for it in the long term in this -- for this business.

So we still believe in strong category growth going forward, driving also our premium share that is a priority for us and focusing on our revenue management activities to drive margins, be it in the cost of sales, albeit in the top line. And today, you saw some examples of it, like on the interstate and also the pricing that we are getting. So I think, yes, that's how we'd like to end. And thank you, everyone, for your participation.

Moderator:

Thank you. On behalf of Investec Capital Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.