Financials.

EABL halves dividend as profit falls to Sh12bn

Kepha Muiruri

East African Breweries Plc (EABL) has halved its dividend payment to Sh5.50 per share after posting a 20.8 percent drop in profit for the year ended June to Sh12.3 billion.

The company's board of directors have recommended a final dividend of Sh1.75 per share, adding to the interim payout of Sh3.75 per share, which brings the total to Sh5.5 per share.

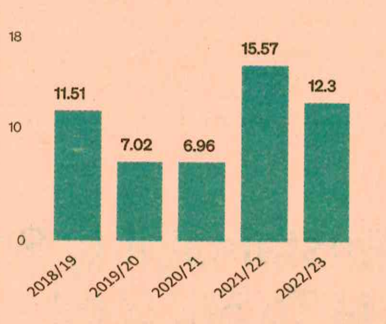
This is 50 percent below the prior year's distribution, which comprised an interim dividend of Sh3.75 per share and a final one of Sh7.25 per share for an aggregate of Sh11 per share.

The new final dividend will be paid on October 27 to shareholders on record as of September 15.

EABL's profit drop from Sh15.6 billion a year earlier is largely attributable to higher costs with a cocktail of increased indirect taxes, cost of sales and net finance costs.

EABL net earnings (Sh bn)

The brewer's net earnings fell by 21 percent



SOURCE: COMPANY STATEMENTS

Net finance costs, for instance, grew to Sh5.5 billion from Sh4.2 billion previously while the cost of sales touched Sh62.2 billion from Sh56.6 billion.

The rising costs served to offset gross sales which grew marginally to Sh197.6 billion from Sh193.9 billion previously.

EABL attributed part of the costs to the impact of excise increases, inflationary pressures and currency depreciation, stating that the expenses could not be wiped out by increased prices for its range of alcoholic beverages and cost management initiatives.

"Over the past year, our business has navigated an increasingly complex operating landscape characterised by a host of macroeconomic headwinds. Specifically, regional economic slowdown and inflationary pressure not only impacted consumers' disposable incomes but also significantly increased the cost of doing business," the brewer said in a statement yesterday.

"Further, currency deterioration, higher taxes and rising interest rates particularly in Kenya further impacted our business performance. The economic conditions have also led to a resurgence in illicit trade as consumers move to cheaper unregulated products."

EABL says it witnessed volume contraction as customers adjusted their purchasing behaviour.

The company deployed pricing and mproved product mix benefits were offset by decline in volumes particularly in EABL's beer category.

Sales in Uganda and Tanzania rose by 17 and one percent respectively but fell by four percent in Kenya.

Despite the operational headwinds, EABL board of directors have tipped the company to continue delivering growth by investing behind its core brands.

EABL is expected to enjoy some tailwinds from the first pause on excise duty on alcoholic products inside five years as further amendments to the rates of duty were omitted in this year's Finance Bill.

→ kmuiruri@ke.nationmedia.com

Cement maker inches closer to completing Uasin Gishu factory

Uasin Gishu governor Jonathan Bii (second left), Cemtech plant manager Suryaraju Bhupathiraju (centre), county trade executive Martha Jeruto (left) and other officials during a tour yesterday of Cemtech's cement factory being built at Kamagut. JARED NYATAYA

Justice.

Court returns Kenya Railways grabbed land in Eldoret town

Sam Kiplagat

Kenya Railways Corporation (KR) has won back a parcel of land in Eldoret town that was illegally allocated to individuals in 1996.

Justice S. M. Kibunja of the Environment and Land court ruled that evidence presented before him left no doubt that the piece was surveyed from Eldoret Railway Station.

The judge said any transactions on the land that took place without Kenya Railways having surrendered the land back to the government or consenting to the allocation, are illegal.

The court heard the land was sold to Kuinet Hardware Ltd, who later transferred it to Lalji Vishram and Godfreed Lalji Hian, who are proprietors of Ndalat View Service Station.

"The land was unavailable for allocation and the said transactions over the suit land was done without the plaintiff's (KR) consent and or consultations, and was therefore illegal, fraudulent, null and void," the judge said.

The judge further said that a certificate of title of the land that Oriental Commercial Bank is holding as security for the financial facilities it granted to Ndalat View Service Station 'is not worth anything more than the value of that paper'.

The court was informed that the land belonged to Kenya Railways and the corporation has never surrendered it to the government for reallocation.

According to the corporation, if it wanted to sell the land, an approval from the government and its board must first be obtained.

→ skiplagat@ke.nationmedia.com

Aviation.

Kenya Airways in plane maintenance deal with Lufthansa

Bonface Otieno

Kenya Airways (KQ) has signed a deal with Lufthansa TechniK AG for supply of aircraft components for its Boeing 787-8 Dreamliners as part of its planes maintenance plan.

The agreement, which will run up to 2028, will see the carrier's Dreamliners receive services such as maintenance, repair and overhaul from the Lufthansa Group subsidiary that is headquartered at Hamburg. The pact will also give KQ access to Lufthansa Technik's worldwide parts pool which will enable it to significantly increase the availability of spare parts for the Dreamliner fleet.

2028

Year when deal comes to a close

Kenya Airways Chief Executive Allan Kilavuka said the deal was signed because the company has returned more of its airplanes to the sky post Covid-19 pandemic, a move that has pushed up demand for their servicing.

"Due to increased demand in air travel, Kenya Airways embarked on a journey of returning to service aircraft that were parked during the pandemic," Mr Kilavuka said.

"This resulted in an increased demand for parts to make aircraft ready for flight. There has been a worldwide shortage of some raw materials negatively affecting some aircraft parts availability."

He added that the agreement will make KQ less dependent on the current global supply chain situation.

Travelers have been suffering flight cancellations and delays at airports across the globe as a result of staff shortages, with many carriers facing a lack of pilots as well as baggage handlers. A shortage of plane parts has also been a major concern to airlines globally post Covid-19 pandemic.

The shortfall, players in the industry says, is being exacerbated by the fact that more carriers are flying with the latest-generation turbines which are require frequent maintenance.

As a result, airlines around the world have been forced to ground hundreds of airplanes just as they gear up for what stands to be a busy summer travel.

→ botieno@ke.nationmedia.com