

**PRESENTATION OF RESULTS  
FYE 30<sup>th</sup> SEPTEMBER 2013**



**ZAMBEEF**



## Zamanita Solvent Extraction Plant



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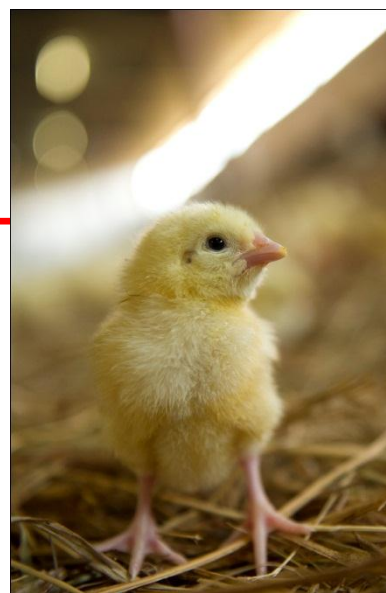
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## 2013 Key Points



# 2013 FINANCIAL KEY POINTS



## REVENUE



18%

2013: USD 300 m

2012: USD 255 m

## GROSS PROFIT \*



10%

2013: USD 104 m

2012: USD 94 m

## NET CASH FLOW ^

2013: USD 21 m

INFLOW

2012: USD 54 m

OUTFLOW

## GEARING

2013: 45%

2012: 87%

## ADJUSTED PBT \*+



63%

2013: USD 6 m

2012: USD 15 m

## EBITDA \*



19%

2013: USD 22 m

2012: USD 27 m

\* 2012 gross profit, adjusted PBT & EBITDA figures exclude Zamanita ZRA tax provision of USD6.7m (CoS) and USD3m (Admin costs)

^ includes the USD 14.25m proceeds from sale of 49% of Zam Chick to Rainbow

+ adjusted to exclude unrealised exchange differences

# 2013 CHALLENGES



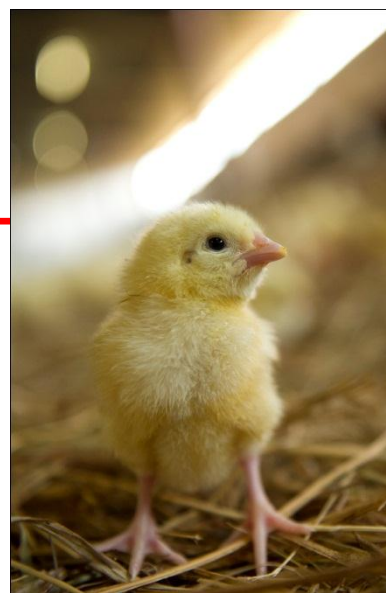
Zambeef faced a number of challenges in H2 2013:

- Selling price of wheat decreased by approximately ZMW 479 (USD 90) per ton - group profits reduced by approximately ZMW 21.5 million (USD 4 million)
- Performance of perishable products was negatively impacted in Q4 as a result of adverse publicity received with respect to imported beef products - group profits reduced by approximately ZMW 23.4 million (USD 4.4 million)
- Group overheads exceeded budget by approximately 1%. Cost to income ratio increased from 25.5% in 2012 to 26.5% in 2013 - equates to increase in value of approx. ZMW 15.9 million (USD 3 million)
  - increase in the statutory minimum wage
  - Increase in fuel costs as a result of removal of the fuel subsidy (23%)

# 2013 HIGHLIGHTS



- Group realised a Net Cash INFLOW before Financing Activities of ZMW 111.8 million (USD 21 million); in line with strategy set out at time of AIM float in June 2011
  - compared to a Net Cash OUTFLOW before Financing Activities in 2012 of ZMW 291.3 million (USD 54.2 million)
- Gearing ratio improved from 87% in 2012 to 45% in 2013
- Edible oils, farming and stock feed divisions all had a good year
- Cash Inflow of ZMW 77.1 million (USD 14.25 million) was realised by the Group as a result of the sale of 49% of Zam Chick to RCL Foods Limited
  - Profit of ZMW 69 million (USD 12.76 million) was made
  - Significant value unlocked for shareholders - profit was reflected as a reserve movement



## Divisional Review





# Retail



## Stock Write-off

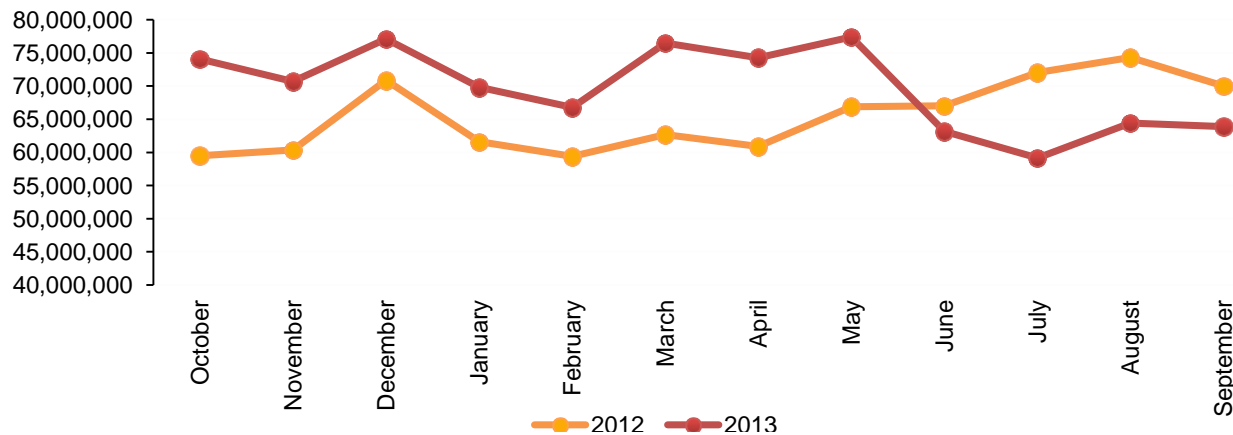
- Decisive action taken in response to beef imports issue
- Entire stock of beef products destroyed – total one-off cost of USD 1.4m
- Ceased all imports of beef products going forward – short-term impact on margin while additional supply of cattle secured

## Reduced Retail Revenue

- Reduction in footfall across retail stores
- Revenues impacted by USD 7.8m across all retail lines compared with forecasts
- Footfall now recovering

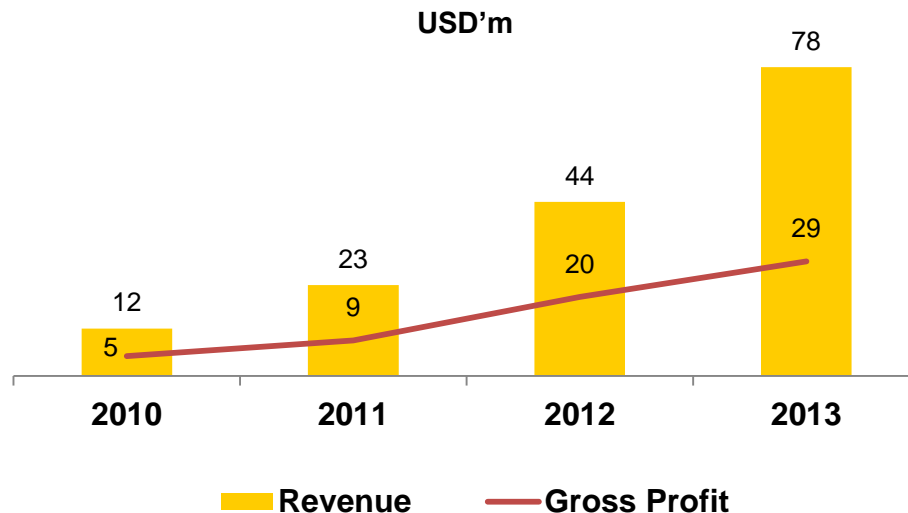
## Focus on Supply Chain

- Reviewed integrity of supply chain
- CSR strategy to support and educate local farmers, ensuring sufficient high quality source



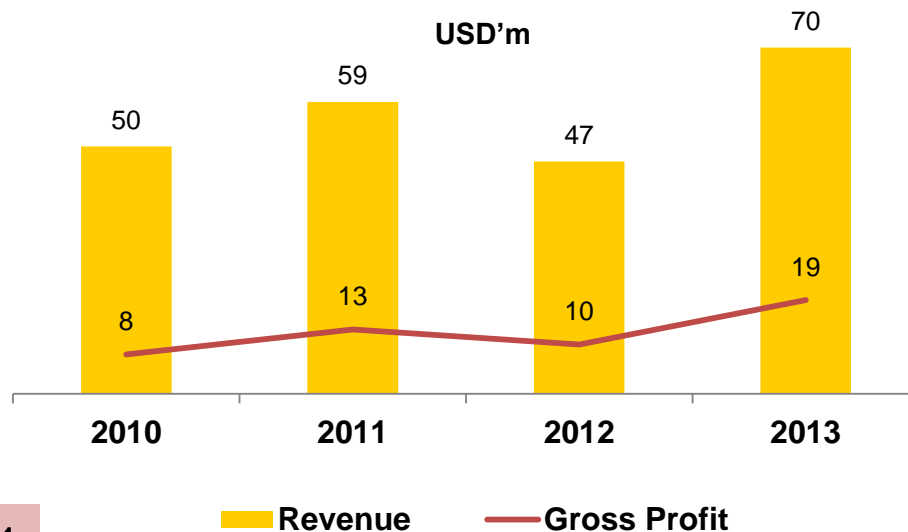
# Cropping

- Contributes 21% (15%) of revenue and 28% (22%) of gross profitability
- Revenue is up 78% and gross profit is up 42%
- Gross profit margin = 37% (2012: 45%)
- 23,514 Ha planted – predominantly soya, wheat, maize
- Exceeded budgets on all crops
- Continued excellent performance of Mpongwe Farm, where yields exceed national average
- Performance constrained by lower wheat prices



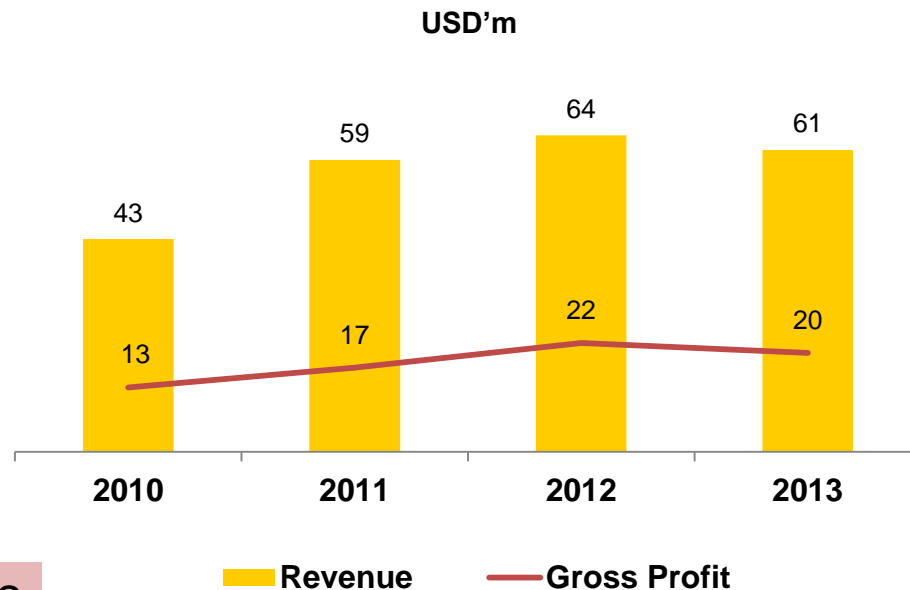
# Edible Oils

- Contributes 19% (16%) of revenue and 18% (10%) of gross profitability
- Revenue is up 49% and gross profit is up 96%
- Gross profit margin = 28% (2012: 21%)
- Recommended crushing after expansion of plant – now running at 75%
- Crushed 60,000 M.T.
- Expect to crush c.75,000 M.T. in 2014, of which 37,500 M.T. sourced internally
- Challenges – low global oil prices; increased imports
- Higher margins underpinned by crushing capacity, Zambeef retail network and strong brand



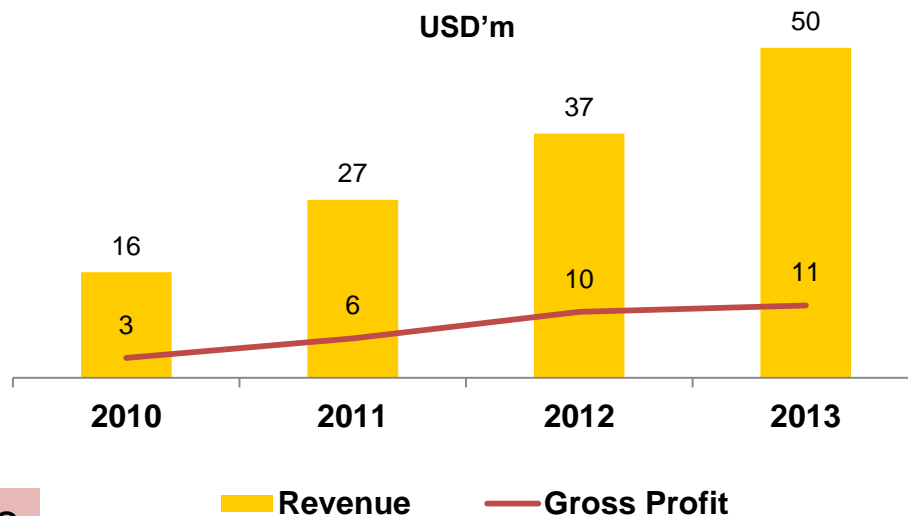
# Beef

- Contributes 17% (22%) of revenue and 19% (24%) of gross profitability
- Revenue is down 5% and gross profit is down 12%
- Gross profit margin = 32% (2012: 34%)
- Revenue and profitability impacted by issues with beef imports and associated write-off
- Buoyant demand between Oct 12 and June 13
- Optimistic that productivity will continue to grow and meet demand



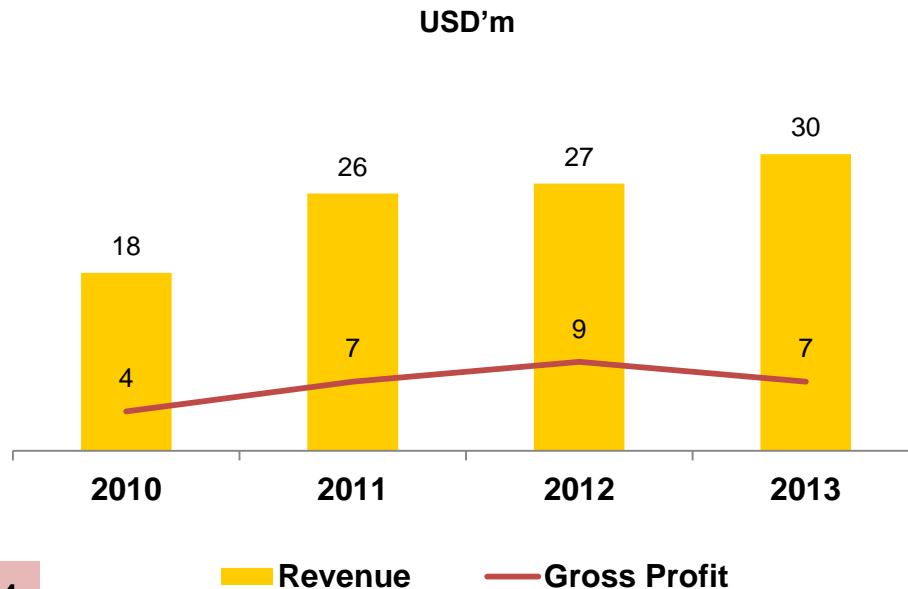
# Stock Feed

- Contributes 14% (12%) of revenue and 11% (10%) of gross profitability
- Revenue is up 35% and gross profit is up 16%
- Gross profit margin = 22% (2012: 27%)
- Increased capacity by 30% during year
- Mash feed mixer established – will provide new products to support growth in Zambian cattle industry
- Second pelleting line and third pelleting machine commissioned to increase pelleting capacity by 50%
- Additional pelleting product will support supply chain for Zam Chick and Zamhatch
- Well placed to improve market share and margins



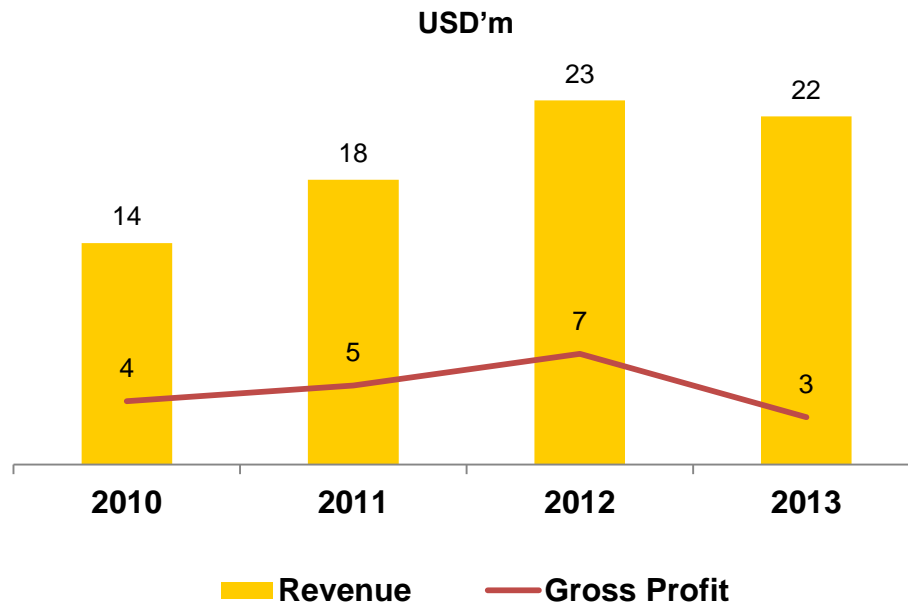
# Chicken & Egg

- Contributes 8% (9%) of revenue and 7% (9%) of gross profitability
- Revenue is up 11% and gross profit is down 22%
- Gross profit margin = 23% (2012: 32%)
- Overreaction to supply constraints has led to a nationwide overproduction, thereby reducing the margins
- Increase in egg production
- Planned conversion of broiler houses into semi-controlled environment as part of Rainbow collaboration – will increase production by 30% with reduced costs



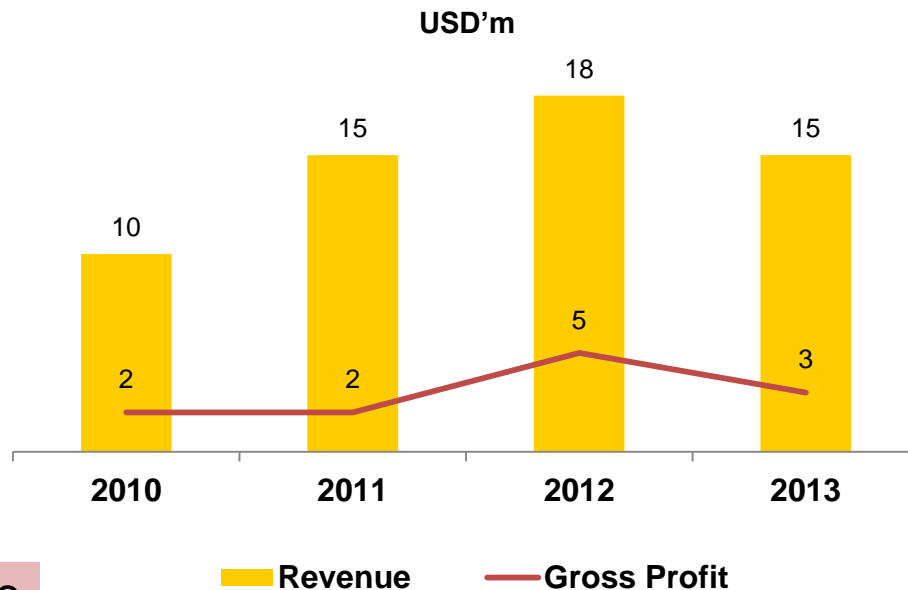
# Pork

- Contributes 6% (8%) of revenue and 2% (7%) of gross profitability
- Revenue is down 5% and gross profit is down 63%
- Gross profit margin = 11% (2012: 30%)
- Significant increase in pig volumes
- Completion of upgrades to processing plant
- Ongoing improvements of facilities, plant and equipment



# Mill & Bakery

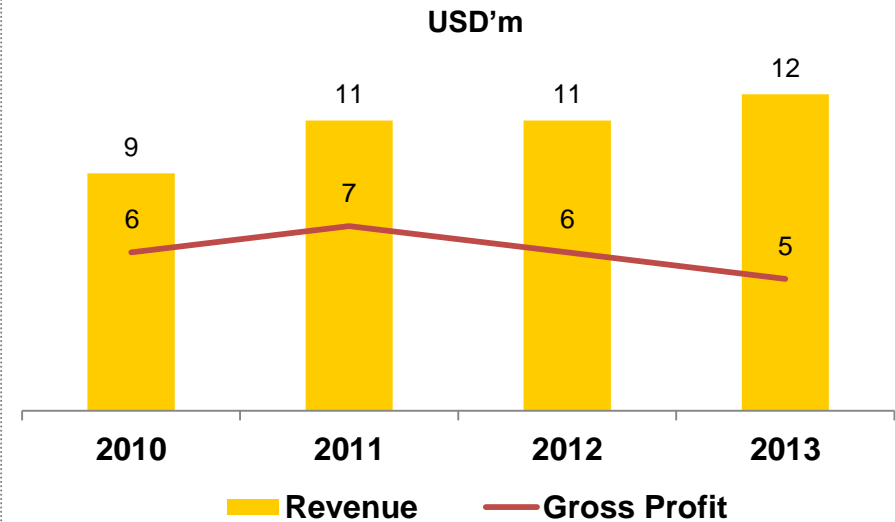
- Contributes 4% (6%) of revenue and 3% (5%) of gross profitability
- Revenue is down 17% and gross profit is down 33%
- Gross profit margin = 20% (2012: 27%)
- Increase in competition squeezed sales and margins
- Focus on sales via Zambeef retail and wholesale outlets
- Growth largely dependent on restoring consumer confidence





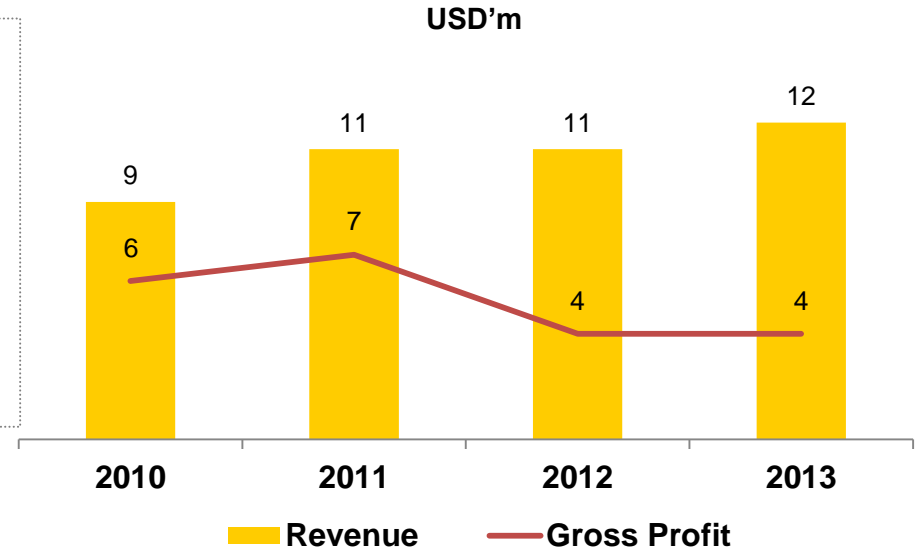
# Milk & Dairy

- Contributes 3% (4%) of revenue and 5% (6%) of gross profitability
- Revenue is up 10% and gross profit is down 17%
- Gross profit margin = 43% (2012: 60%)
- Demand continues to be strong
- General overhead increases impacted gross and net profitability
- Initiatives to improve yields, herd health and number of milking cows delivering results
- New processing plant will increase milk processing capacity from 35,000 litres to 100,000 litres per day



# Fish, Zamchick Inn & Leather

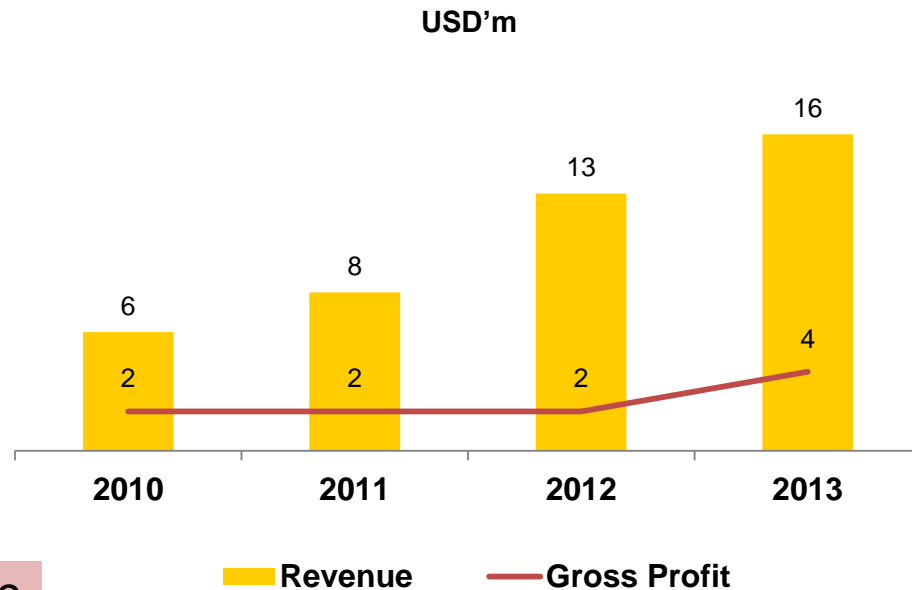
- Contributes 3% (4%) of revenue and 4% (5%) of gross profitability
- Revenue is up 9% and gross profit is unchanged
- Gross profit margin = 37% (2012: 38%)
- Strong demand for fish but increased supply - focus on value added products
- Number of Zamchick Inn stores maintained
- Tannery operated at full capacity with increasing production of higher margin products



# West Africa



- Contributes 5% (4%) of revenue and 4% (3%) of gross profitability
- Revenue is up 23% and gross profit is up 58%
- Gross profit margin = 24% (2012: 23%)
- Continued expansion with three new Shoprite stores opened during the year
- Six stores in Nigeria and one new store in Ghana expected to open in 2014
- Investment in facilities in both Nigeria and Ghana ongoing





## 2013 Financials



# Abridged Income Statement



	% CHANGE		
	Year to 30 Sept 2013	Year to 30 Sept 2012*	2013 VS 2012
<b>USD '000s</b>			
Turnover	300,388	255,059	17.8%
Gross Profit	104,102	94,398	10.3%
Other Income	97	690	(85.9%)
Administrative Expenses	(89,300)	(76,354)	17.0%
Admin expenses excl Depreciation	(79,835)	(65,078)	22.7%
Depreciation	(9,465)	(8,288)	14.2%
<b>Operating Profit</b>	<b>14,899</b>	<b>21,722</b>	<b>(31.4%)</b>
Finance Costs	(7,699)	(5,275)	46.0%
Realised Foreign Exchange Losses	(2,955)	(3,717)	(20.5%)
Impairment	(134)	-	
<b>Profit Before Taxation</b>	<b>4,111</b>	<b>12,730</b>	<b>(67.7%)</b>
Income Tax	(1,091)	(419)	160.8%
<b>Profit After Taxation</b>	<b>3,020</b>	<b>12,311</b>	<b>(75.5%)</b>
<b>EBITDA</b>			
Weighted Average EPS (US Cents)	1.05	5.06	(79.2%)
Gross Profit Margin	34.7%	37.0%	(4.9%)
<b>Cost to Income Ratio</b>	<b>27%</b>	<b>26%</b>	<b>3.4%</b>
EBITDA Margin	7.2%	10.6%	(32.1%)
<b>Operating Profit Margin</b>	<b>5.0%</b>	<b>8.5%</b>	<b>(41.2%)</b>
Net Profit Margin	1.0%	1.1%	(9.1%)
Interest Cover by EBITDA (Target =5 Times)	2.8	3.3	(15.2%)

\*Excludes Zamanita ZRA tax liability provision of USD 9.7m of which USD 6.7m was charged to cost of sales of Zamanita

# Abridged Balance Sheet



<u>USD'000s</u>	<u>Year to 30 September 2013</u>	<u>Year to 30 September 2012</u>
Non Current Assets	280,285	181,502
Current Assets	122,566	135,457
<b>TOTAL ASSETS</b>	<b>402,851</b>	<b>316,959</b>
Capital and Reserves	250,704	147,616
Non-Current Liabilities	68,726	73,378
Current Liabilities	79,777	96,126
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>402,851</b>	<b>316,959</b>
Ratios		
Current Ratio	1.5	1.4
Total Debt / Equity Ratio	44.9	87.0

# Abridged Cash Flow



<u>USD'000s</u>	Year to 2013	Year to 2012
Profit Before Taxation	4,111	3,060
EBITDA	22,498	17,429
Movement in Working Capital	(2,029)	(45,781)
<b>Cash inflow/(outflow) from Operating Activities</b>	<b>20,469</b>	<b>(28,352)</b>
Investing activities	590	(25,847)
<b>Cash inflow/(outflow) from/(on) investment activities</b>	<b>590</b>	<b>(25,847)</b>
<b>Cash inflow/(outflow) before financing activities</b>	<b>21,060</b>	<b>(54,199)</b>
Cash (outflow)/inflow from financing	(6,377)	53,822
<b>Cash at beginning of year</b>	<b>(19,324)</b>	<b>(14,954)</b>
Effects of exchange rate changes	(3,669)	(3,993)
<b>Cash at end of year</b>	<b>(8,311)</b>	<b>(19,324)</b>

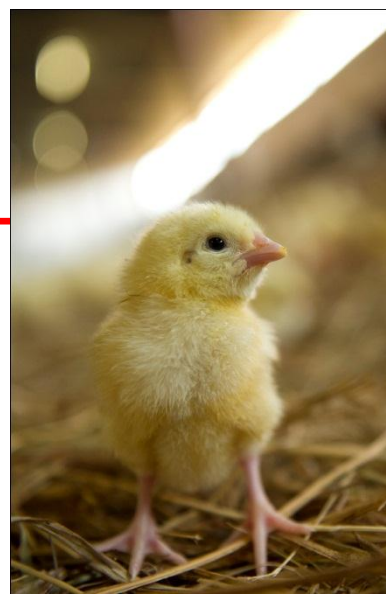
# Segmental Summary



Segment	2013 Revenue USD 'm	2012 Revenue USD 'm	Movement	% of Group (30 Sept 2013)	2013 Gross Profit USD 'm	2012 Gross Profit USD 'm	Movement	% of Group (30 Sept 2013)
Edible oils*	70	47	49%	19%	19	10	96%	18%
Beef	61	64	(5%)	17%	20	22	(12%)	19%
Stock feed	50	37	35%	14%	11	10	16%	11%
Cropping	78	44	78%	21%	29	20	42%	28%
Chicken & Egg	30	27	11%	8%	7	9	(22%)	7%
Pork	22	23	(5%)	6%	3	7	(63%)	2%
West Africa	16	13	23%	5%	4	2	58%	4%
Mill & Bakery	15	18	(17%)	4%	3	5	(33%)	3%
Fish, Zamchick Inn & Leather	12	11	9%	3%	4	4	-	4%
Milk & Dairy	12	11	10%	3%	5	6	(17%)	5%

\* edible oils in 2012 excludes ZRA tax liability





## Summary & Outlook



# WHY INVEST IN AFRICA?



## TODAY

## FUTURE

### GDP Growth

**US\$1.6 trillion**  
Africa's collective GDP in 2008:  
roughly equal to Brazil or Russia

**US\$2.6 trillion**  
Africa's collective GDP in 2020

### Consumer Spending

**US\$860 billion**  
Africa's combined consumer  
spending in 2008

**US\$1.4 trillion**  
Africa's consumer spending in 2020

### Urbanisation

**300 million**  
Africans living in urban areas in  
2005

**1 billion**  
Africans living in urban areas in  
2050

### Working Age Population

**> 500 million**  
Number of Africans of working age

**1.1 billion**  
Number of Africans of working age  
in 2020

### Middle Class

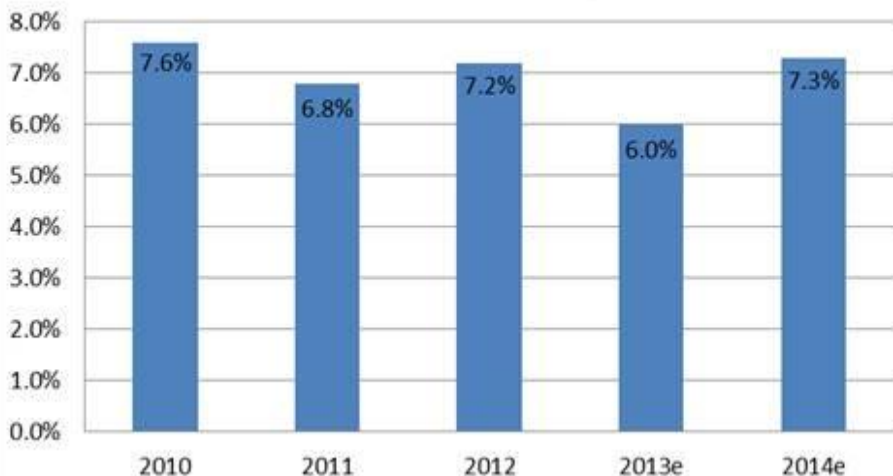
**85 million**  
Number of African households with  
discretionary income > US\$5,000 in  
2008

**128 million**  
Number of African households with  
discretionary income > US\$5,000 in  
2020

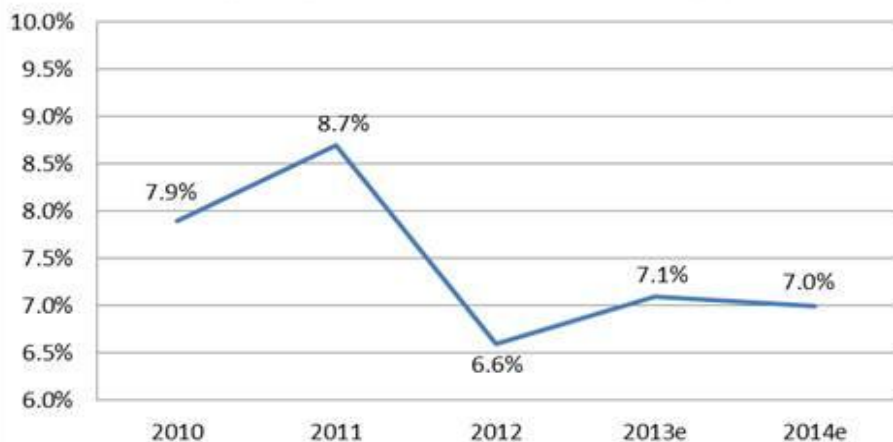
# ATTRACTIVE ZAMBIA FUNDAMENTALS



**Strong, broad based GDP growth %**



**Single digit inflation (annual average)**



- ✓ One of the fastest growing economies in SAA; with GDP growth averaging more than 6.5% over the last 5 years
- ✓ Ranked 9<sup>th</sup> in IMF's forecast of the world's fastest growing global economies
- ✓ Consumer sector growing at an average of >14%
- ✓ GDP per capita has increased from USD1,110 (2009) to USD 1,487 (2013); & expected to be over USD2,000 by 2017
- ✓ Current population of c.13.6m; population growth rate of 2.5% forecast between 2012-2016, population expected to increase to over 16m by 2017
- ✓ Attractive demographic profile - youth population as a % of total working population is c.90%
- ✓ Urbanisation expected to grow by >30% between 2010 –20
- ✓ World Economic Forum named Zambia as the number seven most competitive economy in Africa
- ✓ According to Goldman Sachs, Zambia is ranked top in Africa as a high potential economy

# Summary/Outlook

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- Business returned to cash generation in line with strategy set out at flotation
- Strategic foundations for further growth in place – despite challenging year
- Integrated business model continues to deliver benefits:
  - ✓ Underpins margin capture and value-add
  - ✓ Secures supply chain
  - ✓ Reduces operational risk and earnings volatility
- Targeted re-investment to drive organic growth and enhance margins
  - ✓ Increased production and efficiencies in stock feed, dairy and milk processing and West Africa divisions
  - ✓ Expansion of retail network
- Partnership with Rainbow:
  - ✓ Efficiencies at Zam Chick, value added products, improved production techniques
  - ✓ Zamhatch, establishing a broiler parent stock rearing, laying and hatching operation for the supply of day old chicks and increased stock feed operations

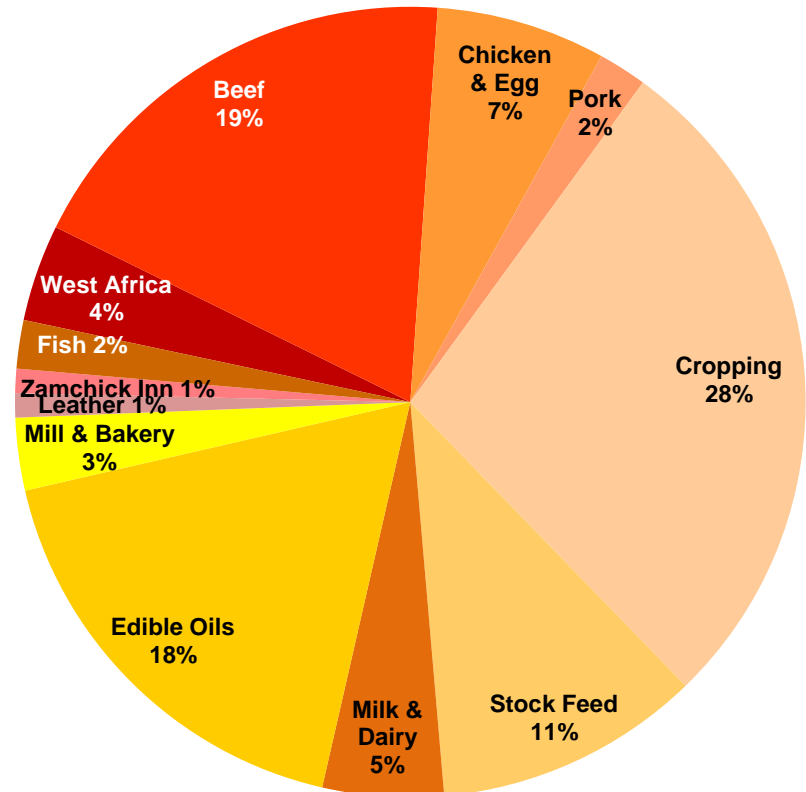
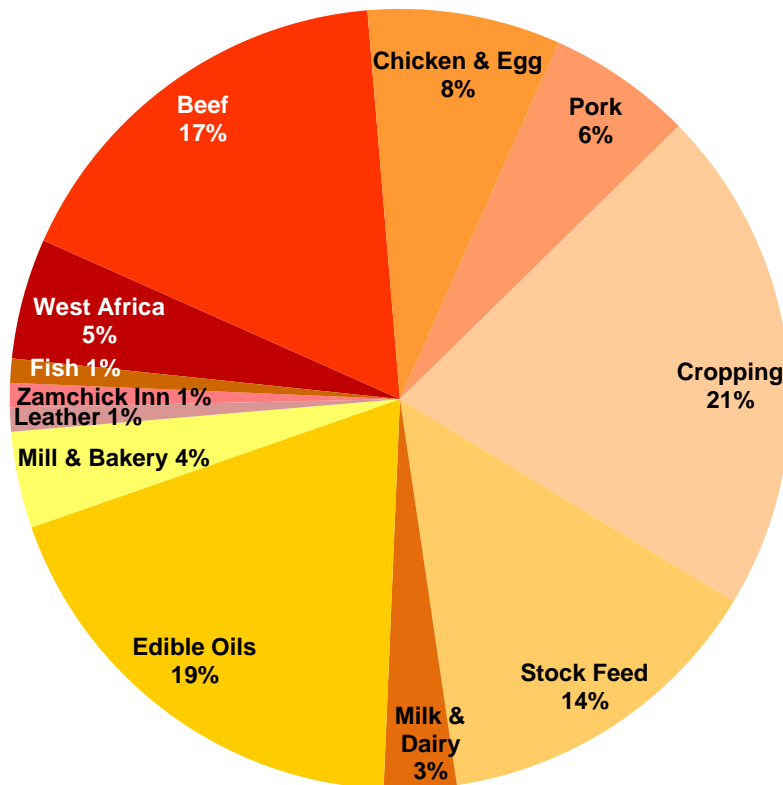
➤ **Board looks forward to the future with confidence**



# Segmental Summary

## Revenue

## Gross Profit





**ZAMBEEF**

Private Bag 17, Woodlands  
Plot 4970, Manda Road  
Industrial Area, Lusaka, Zambia

Tel: +260 211 369 000

Fax: +260 211 369 050

[www.zambeefplc.com](http://www.zambeefplc.com)