



# 2016 Results



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# HIGHLIGHTS (USD)


## EBITDA

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2016: USD 29.2m  **38%**  
2015: USD 21.2m

## Profit after tax

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2016: USD 14.5m  **22m**  
2015: USD (7.7)m

## Gearing

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2016: 25.7%  **57%**  
2015: 60.3%

## Debt-to-EBITDA

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2016: 1.9  **30%**  
2015: 2.7

## Cost/Income Ratio

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2016: 25.7%  **9%**  
2015: 28.2%

## Current ratio

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2016: 1.6  **60%**  
2015: 1.0

# STRATEGY



# IDENTIFYING OUR CORE STRENGTHS

## *Four best-in-class strategic pillars*

- Business built on four best-in-class market leading operations creating a strong integrated group
  - Retail and Distribution
  - Cold Chain Food Production
  - Arable Farming
  - Stockfeed
- Deliver high quality, good value fresh food to the mass market in Zambia and West Africa
- Zambeef enjoys the advantage of an integrated model
- Retail operation driving growth



# RETAIL DRIVING GROWTH

- USD124m of sales driven from our network of 171 stores
- Targeting growth of:
  - 10 new macro-stores and 10 Novatek Outlets pa for next 4 years
  - 8 Shoprite stores to be opened in 2017
- Retail floor capacity increase by 7,000 sqm pa
- Focus on larger, more efficient macro format we aim to reduce cost to income ratio and increase margins
  - drive expansion of cold chain food production & stockfeed operations
  - Drive further economies of scale
- Most efficient cold chain distribution network in the region
- 56.7% of Zambeef's turnover is through the retail network



# RETAIL DRIVING GROWTH

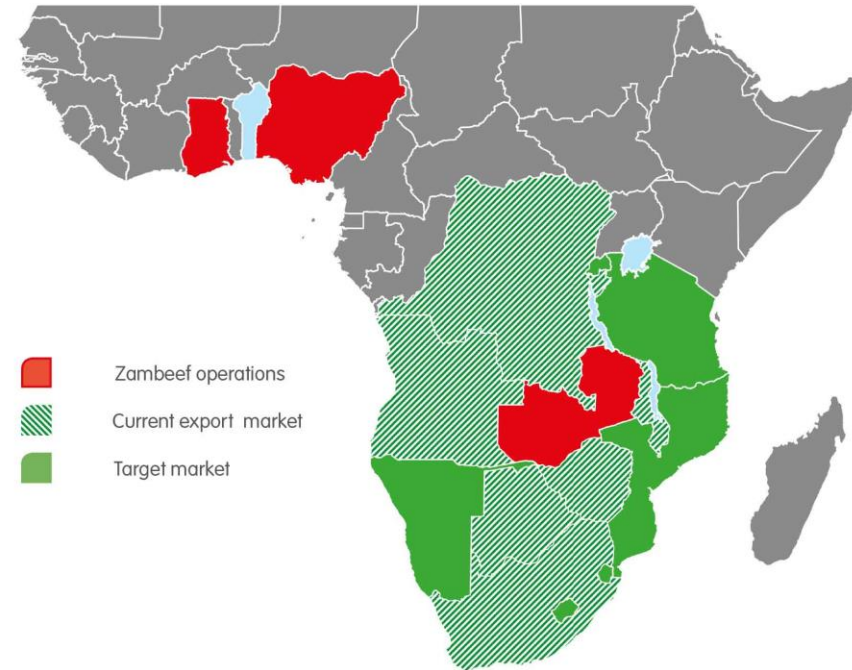
	2017 (projected) (projected)	2016	2015
Zambia	Zambeef Outlets	83	86
	Zambeef Macros	20	7
	Zamchick Inns	4	6
	Novatek	20	5
	Zamshu Outlets	4	0
		131	109
	Shoprite Butcheries	34	26
		165	130
Nigeria	Shoprite Butcheries	24	14
	Master Meats Outlets	6	6
		30	20
Ghana	Shoprite butcheries	6	4
TOTAL	201	171	152



# GROWING REGIONAL DEMAND

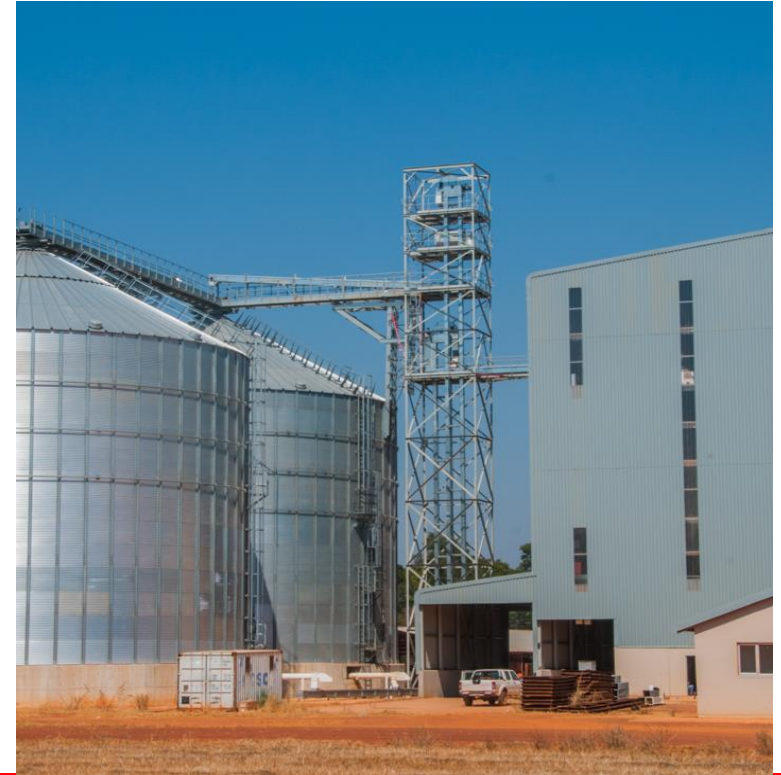
- **Zambian Population growth** one of the highest in the world, estimated at around **2.94% per annum\***
- **Zambian rate of urbanisation** one of the highest in the region, estimated at around **3.96% per annum\***
- Zambeef **increasing market share** with around 7,000m<sup>2</sup> of additional retail floor space planned to be rolled out each year for next 4 years;
- Zambeef expanding formal and informal **sales into the region** with increased exports into SADC/COMESA with a population of over 400million people as apposed to 16m in Zambia;
- **Formal exports** totalled **USD8.6m** with informal exports believed to be similar.

\* *CIA World Factbook*



# MANAGING THE BALANCE SHEET

- Focus on cash conversion
- Growth of business to be driven by its retail operations;
- Targeted Capex in Cold Chain Food Production divisions to sustain growth with higher return hurdles and clear managerial responsibility of delivering anticipated RoCE;
- Return to dividend paying in 2017;
- Return Zambeef over a three year period to a dividend policy of 30% of profit after tax;
- Prudent access to loan facilities to support investment while maintaining strict liquidity ratios and continuing to improve gearing and debt servicing ratios.





# 2016 FINANCIALS

# ABRIDGED INCOME STATEMENT

	30 September 2016	30 September 2015	
	USD'000	USD'000	% Change
<b>Revenue</b>	219 404	220 237	-0.4%
Cost Of Sales	(138 523)	(125 801)	-10.1%
<b>Gross Profit</b>	80 881	94 436	-14.4%
Other Income	156	100	56.0%
Administrative Expenses	(63 716)	(71 578)	11.0%
Administrative Expenses (excluding depreciation)	(56 534)	(62 081)	13.8%
Depreciation	(7 182)	(9 497)	24.4%
<b>Operating Profit</b>	<b>17 321</b>	<b>22 958</b>	-24.6%
Finance Costs	(10 281)	(7 832)	-31.3%
Foreign Exchange (Gains / Losses)	5 387	(20 164)	126.7%
Unrealised	2 643	(6 639)	139.8%
Realised	2 744	(13 525)	120.3%
<b>Profit/(loss) Before Taxation</b>	<b>12 427</b>	<b>(5 038)</b>	346.7%
Income Tax	(997)	(660)	51.0%
Profit/(Loss) on discontinued operations	3 101	(2 036)	252.3%
<b>Profit/(loss) After Taxation</b>	<b>14 531</b>	<b>(7 734)</b>	287.9%
<b>Adjusted Profit/(Loss) After Taxation</b>	<b>8,787</b>	<b>941</b>	833.6%
EBITDA	29 227	21 176	38.0%



# ABRIDGED BALANCE SHEET

	30 September 2016	30 September 2015
	USD'000	USD'000
Non-Current Assets	209 694	165 515
Current Assets	92 110	65 818
<b>Total Assets</b>	<b>301 804</b>	<b>231 333</b>
Capital and Reserves	212 623	122 736
Non-Current Liabilities	30 738	42 952
Current Liabilities	58 443	65 645
<b>Total Equity and Liabilities</b>	<b>301 804</b>	<b>231 333</b>
<b>Ratios</b>		
Current Ratio	1.58	1.00
Total Debt/Equity Ratio	25.66%	60.4%



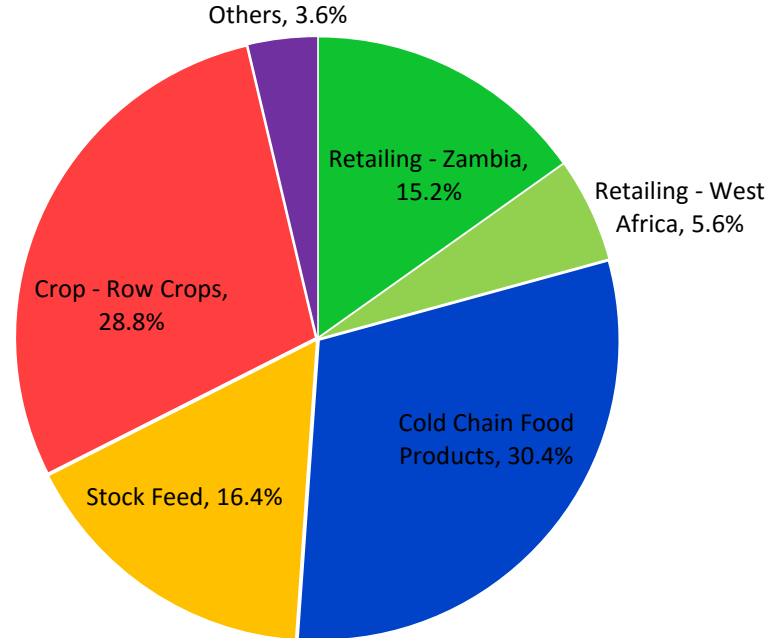
# ABRIDGED CASH FLOW

	30 September 2016	30 September 2015
	USD'000	USD'000
Profit Before Taxation	12 427	(5 038)
EBITDA	29 228	21 176
Movement in Working Capital	(17 119)	16 165
Cash inflow/(outflow) from Operating Activities	12 109	37 341
Cash inflow/(outflow) from/(on) investment activities	24 600	(4 058)
<b>Cash inflow/(outflow) before financing activities</b>	<b>36 709</b>	<b>33 283</b>
Cash inflow/(outflow) from financing	(16 472)	(38 037)
Cash at the beginning of the year	(15 861)	(23 583)
Effects of exchange rate changes	2 098	12 476
Cash at the end of the year	6 474	(15 861)



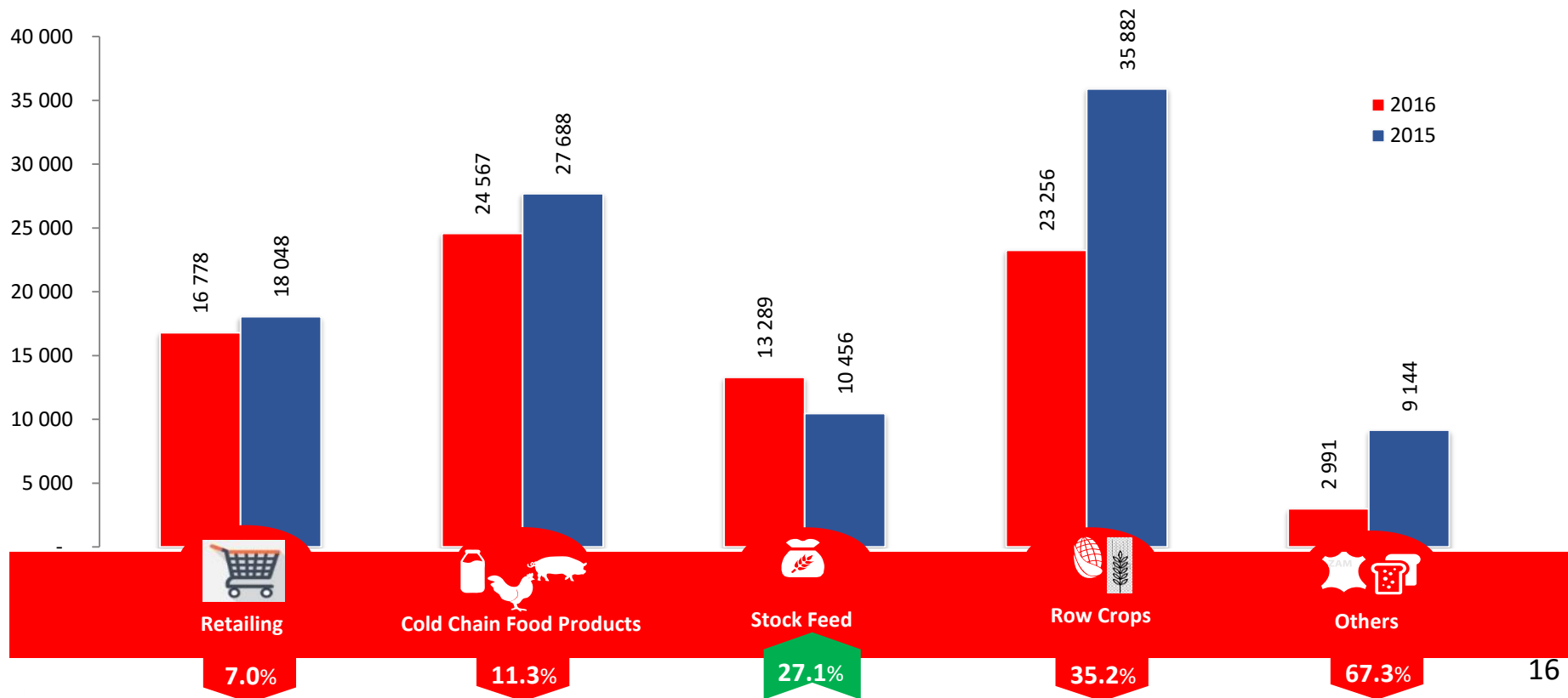
# SEGMENTAL SUMMARY % OF GROUP GROSS PROFIT

2016



# DIVISIONAL 2016 & 2015 GROSS PROFIT SUMMARY (USD'000)

	2016	2015
	ZMW/USD	ZMW/USD
Average rate for year	10.83	7.06

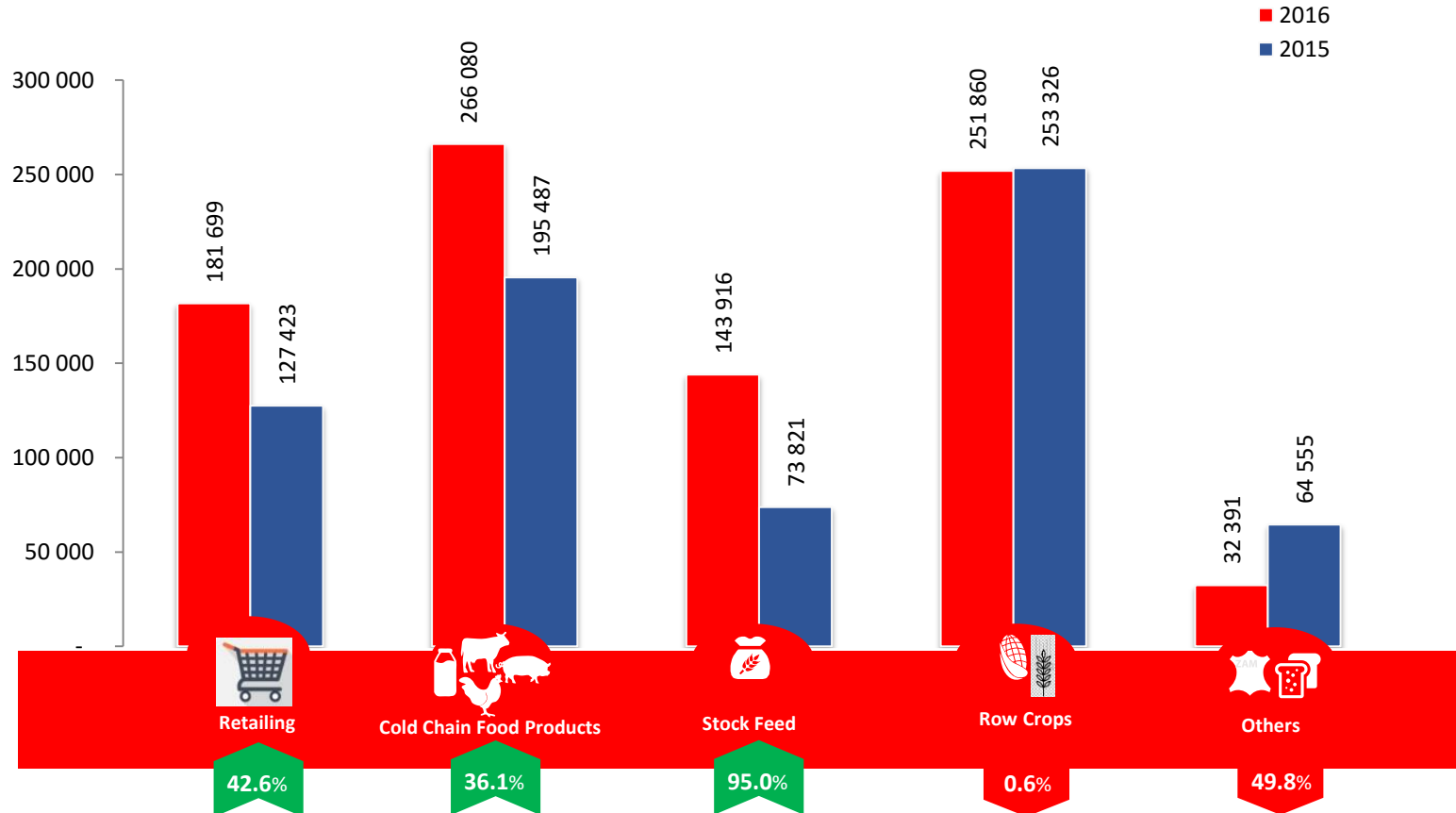




# Divisional 2016 & 2015 Gross Profit Summary

(ZMW'000)

GROSS PROFIT (ZMW'000)



# RETAILING RESULTS

- **Retail network has significantly grown**
  - Expanded from 154 to 171 stores
- **Volumes grew by around 11%**
- **Gross profit margins increasing from 13.1% to 13.5%**
- **One of the fastest growing retailers in the region**



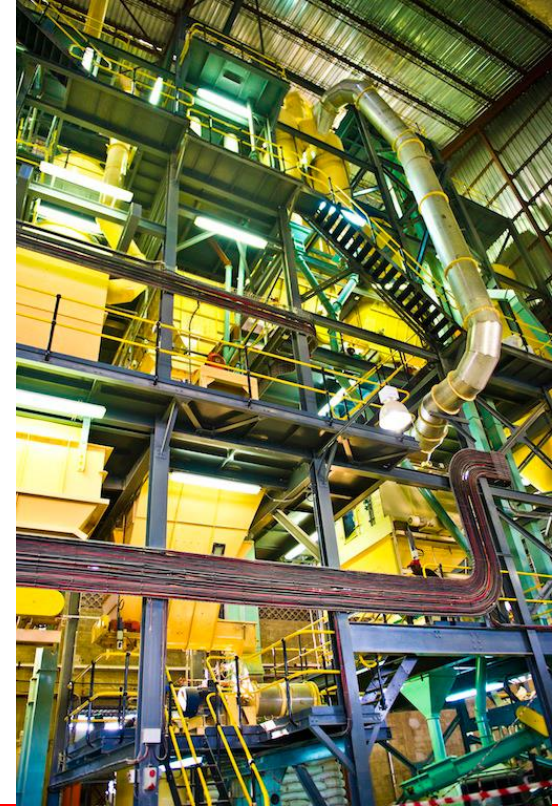
# COLD CHAIN FOOD PRODUCTION

- One of the largest meat processors in the region
- Focused on value addition, branding and retailing
- Significant volume increases:
  - Beef, pork, chicken and fish + 8%
  - Dairy products + 19%
  - Eggs + 2.2%
- Margins increased with Gross Profit percentage increasing from 22.9% to 23.5%



# STOCKFEED (NOVATEK) RESULTS

- The market leader in Stockfeed in Zambia with volumes increasing 15.3% to 150,280t (2015: 130,280t)
- Operating at full capacity in second half of the year
- New stockfeed plant to come on line in February 2017
  - increasing capacity from 14,000t to 25,000t per month
- Growth to be driven by retailing expansion selling day old chicks with stockfeed
- Margins increased from 18.1% to 20.6%



# CROPPING

- One of the largest row cropping operations in Africa
- 7,971 hectares under irrigation and planted twice a year with a further 8,623 hectares of rain fed cropping making a total of 24,564 hectares planted per annum
- 113,617t of grain harvested during the year up from 107,985 in 2015 as well as 27,334t of silage produced
- Most of farming income in US Dollars and financial results negatively impacted by appreciating of ZMW during the year while opposite effect in 2015
- World class farming assets



# NON-FINANCIAL HIGHLIGHTS

- Raising of USD65m of capital from CDC
- Zamhatch/ZamChick become 100% owned
- Retail Expansion
- World-class operations
  - Novatek ISO9000 compliant
  - Zamleather ISO20345 certification for mining boots;
  - FSSC 22000 on-going for pork, dairy and beef operations
  - Highest international standards for biosecurity





# SUSTAINABILITY THROUGH INCLUSIVE GROWTH

# SUSTAINABILITY

Zambeef Products takes a **'triple bottom line'** approach to its sustainability and is committed to ensuring a positive social, economic and environmental impact.

Zambeef continues to invest in;

- Education
- Social amenities: water, electricity etc.
- Poverty eradication
- Sports
- Traditional ceremonies

+ Social Impact



+ Environmental Impact



+ Economic Impact



# ECONOMIC CONTRIBUTION

- US\$8.6 million of **exports** income generated for the nation
- More than US\$150 million **investment** in the last six years
- One of the largest employers in Zambia with over 6,000 staff **employed** with total emoluments of ZMW307m (USD28.3m)
- ZMW144m (US\$13.3 million) of **tax, duty and pension payments** made to the Zambian government in FY 2016;
- **Efficient link** of **small scale farmers** to the market:



As a working mother, Priscilla Mwinga understands the importance of how a successful working relationship with Zambeef sustains a healthy and comfortable lifestyle. With Zambeef's support, she has managed to see all four children through school with one going on to college.





# OUTLOOK

# OUTLOOK

- **Driving sustainable revenue growth through:**
  - Expansion of retail network
  - Increasing capacity throughout operations
  - Increasing exports into SADC/COMESA region
- **De risking the business through:**
  - Reduced gearing and dollar debt
  - E&S/Food safety strategy
  - Sustainability and economic impact
- **Investing to enhance margins and improve economies of scale**
- **Improve cash conversion through:**
  - Strong working capital control
  - Tight control on capex and managerial responsibility for delivering anticipated RoCE
  - Disposal of non core assets



# DIVIDEND POLICY

## Payment of a sustainable progressive dividend

- There continues to be exciting growth opportunities and the Company will invest to capture this growth
- At the same time the Board's intention is to manage the business in a way that allows the payment of a sustainable progressive dividend
- Dividend payments to resume in 2017
- The intention is to return the business to paying 30% of PAT over a three year period provided key liquidity and debt servicing ratios are met





# SUMMARY

- This year Zambeeff has delivered strong growth and **record profits** in a very volatile and challenging macro environment
- Our **business models is robust** with volumes having increasing by around 11% and margins being maintained. We believed steady growth will continue
- There are still **operational gains and efficiencies to be captured** and the team is focused to deliver these
- The capital injection received from CDC has materially **de-risked the balance sheet**. The residual debt structure is better matched to our underlying ZMW and \$ cashflows. Nevertheless we will continue to focus on further debt reduction and mitigating operational risk





**THANK YOU**





# APPENDIX: DETAILED DIVISIONAL 2016 & 2015 GROSS PROFIT (USD'000)

## Retailing

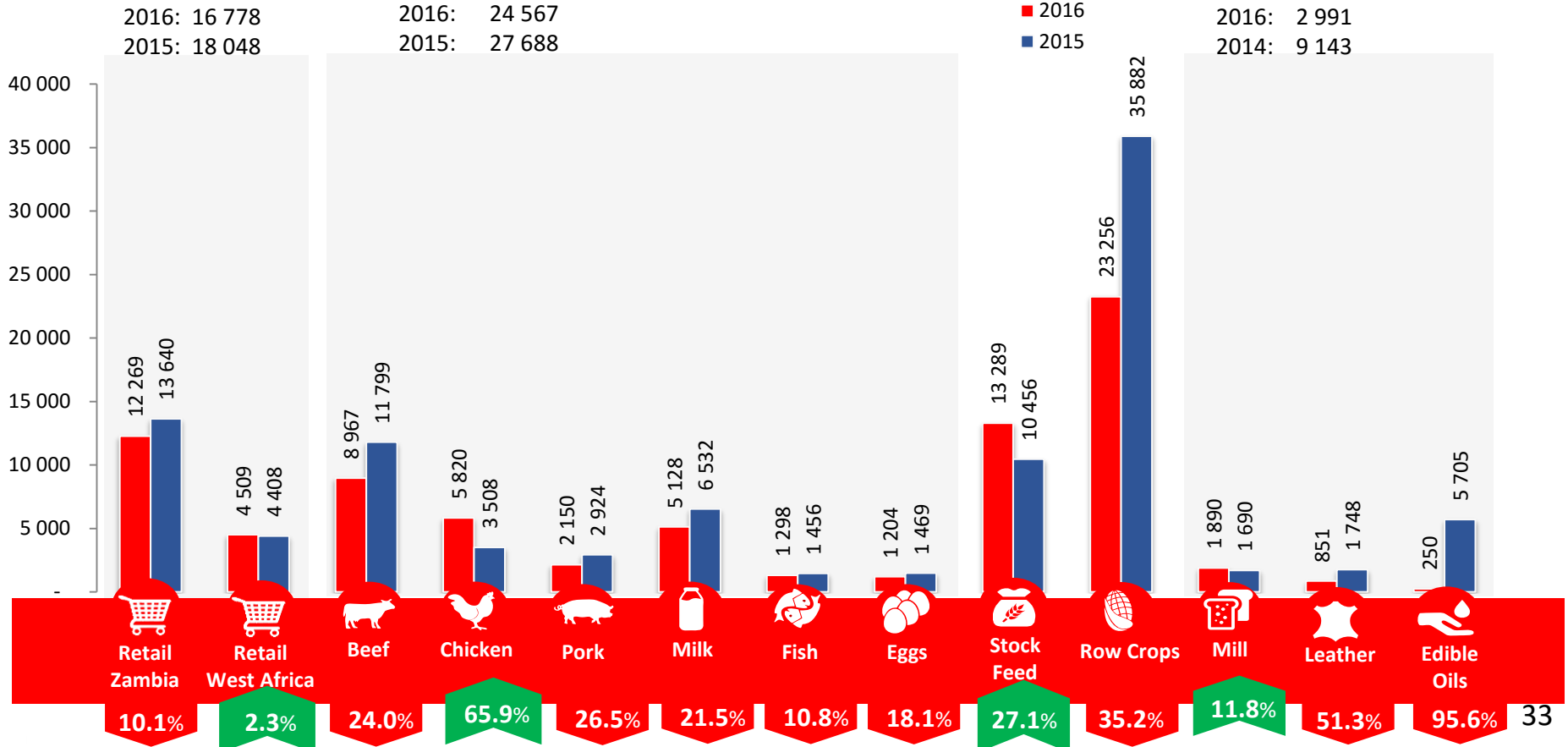
2016: 16 778  
2015: 18 048

## Cold Chain Food Products

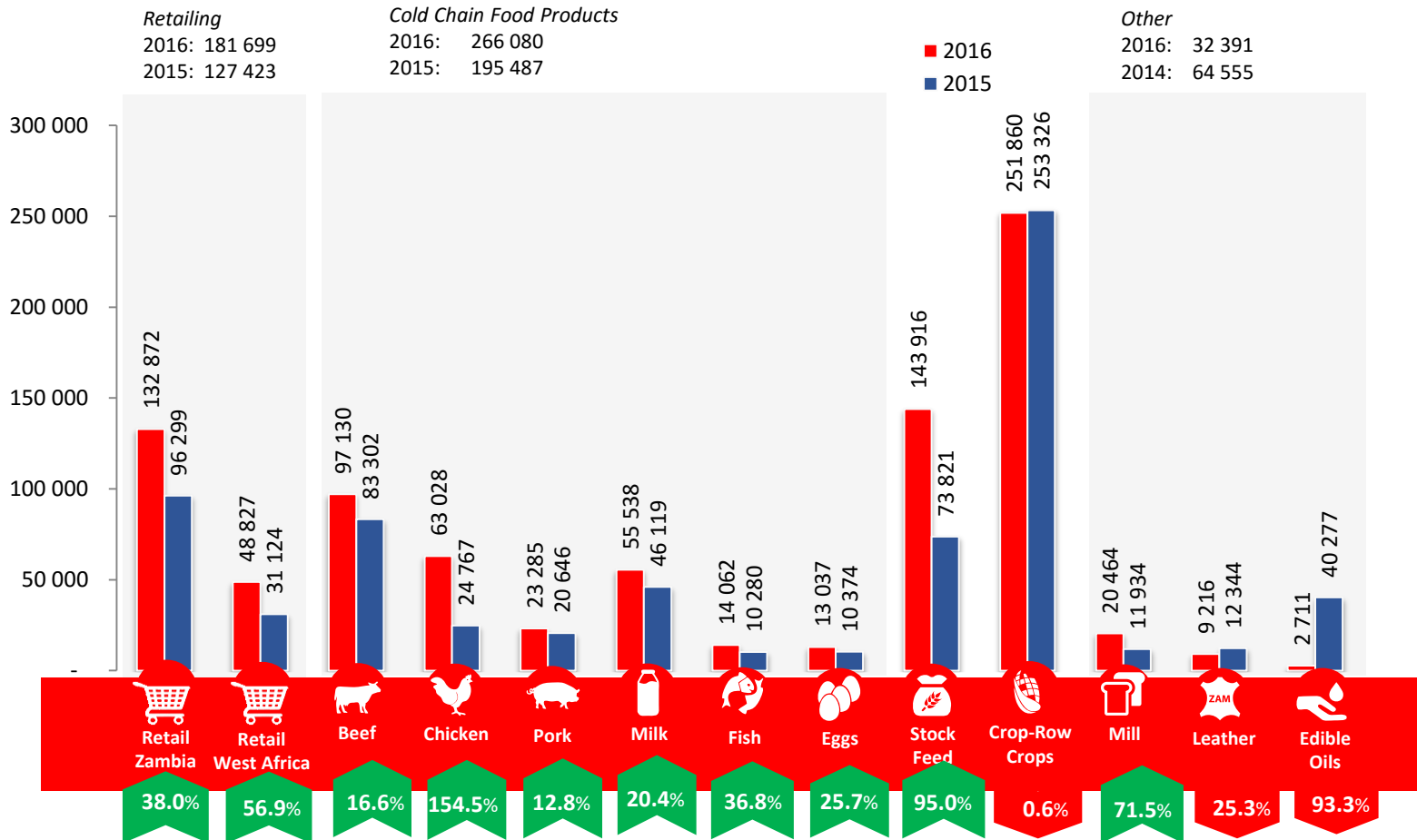
2016: 24 567  
2015: 27 688

## Other

2016: 2 991  
2014: 9 143



# DIVISIONAL 2016 & 2015 GROSS PROFIT (ZMW'000)



# Segmental Revenue and Gross Profit (USD'000)

Segment	2016 Revenue USD '000	2015 Revenue USD '000	% change	2016 Gross Profit USD '000	2015 Gross Profit USD '000	% change
Retailing - Zambia	104 481	119 443	-12.5%	12 269	13 640	-10.1%
Master Meats Nigeria	16 881	15 448	9.3%	3 640	3 759	-3.2%
Master Meats Ghana	3 113	2 958	5.2%	869	650	33.6%
Retail - West Africa	19 994	18 407	8.6%	4 508	4 408	2.3%
<b>Total Retailing</b>	<b>124 475</b>	<b>137 849</b>	<b>-9.7%</b>	<b>16 778</b>	<b>18 049</b>	<b>-7.0%</b>
Beef	39 400	50 519	-22.0%	8 967	11 802	-24.0%
Chicken	26 321	23 829	10.5%	5 820	3 508	65.9%
Pork	19 717	22 654	-13.0%	2 150	2 924	-26.5%
Milk	11 591	14 291	-18.9%	5 128	6 532	-21.5%
Fish	4 448	5 150	-13.6%	1 298	1 456	-10.8%
Eggs	3 294	4 094	-19.5%	1 204	1 469	-18.1%
Cold Chain Food Products	104 771	120 537	-13.1%	24 567	27 691	-11.3%
Stock Feed	64 410	57 771	11.5%	13 289	10 456	27.1%
Crop-Row Crops	38 171	56 250	-32.1%	23 256	35 882	-35.2%
Mill	8 231	7 981	3.1%	1 890	1 690	11.8%
Leather	3 051	4 563	-33.1%	851	1 749	-51.3%
Edible Oils	8 476	30 995	-72.7%	250	5 705	-95.6%
Others	19 758	43 538	-54.6%	2 991	9 143	-67.3%
<b>Total</b>	<b>351 585</b>	<b>415 946</b>	<b>-15.5%</b>	<b>80 881</b>	<b>101 221</b>	<b>-20.1%</b>
Less: Intra/Inter Group Sales	-132 181	(159 811)	-17.3%			0.0%
Less: Discontinued operations		(35 898)	-100.0%		(6 785)	-100.0%
<b>Group Total</b>	<b>219 404</b>	<b>220 237</b>	<b>-0.4%</b>	<b>80 881</b>	<b>94 436</b>	<b>-14.4%</b>

# Segmental Revenue and Gross Profit (ZMW'000)

Segment	2016 Revenue ZMW '000	2015 Revenue ZMW '000	% change	2016 Gross Profit ZMW '000	2015 Gross Profit ZMW '000	% change
Retailing - Zambia	1 131 524	843 269	34.2%	132 872	96 299	38.0%
Master Meats Nigeria	182 825	109 064	67.6%	39 421	26 536	48.6%
Master Meats Ghana	33 710	20 887	61.4%	9 406	4 588	105.0%
Retailing - West Africa	216 535	129 951	66.6%	48 827	31 124	56.9%
<b>Total Retailing</b>	<b>1 348 059</b>	<b>973 220</b>	<b>38.5%</b>	<b>181 699</b>	<b>127 423</b>	<b>42.6%</b>
Beef	426 731	356 652	19.6%	97 130	83 301	16.6%
Chicken	285 056	168 235	69.4%	63 028	24 767	154.5%
Pork	213 535	159 939	33.5%	23 285	20 646	12.8%
Milk	125 526	100 896	24.4%	55 538	46 119	20.4%
Fish	48 172	36 362	32.5%	14 062	10 280	36.8%
Eggs	35 673	28 902	23.4%	13 037	10 374	25.7%
<b>Cold Chain Food Production</b>	<b>1 134 693</b>	<b>850 986</b>	<b>33.3%</b>	<b>266 080</b>	<b>195 486</b>	<b>36.1%</b>
<b>Stock Feed</b>	<b>697 563</b>	<b>407 863</b>	<b>71.0%</b>	<b>143 916</b>	<b>73 821</b>	<b>95.0%</b>
<b>Crop-Row Crops</b>	<b>413 391</b>	<b>397 125</b>	<b>4.1%</b>	<b>251 860</b>	<b>253 326</b>	<b>-0.6%</b>
Mill	89 137	56 348	58.2%	20 464	11 934	71.5%
Leather	33 037	32 213	2.6%	9 216	12 345	-25.3%
Edible Oils	91 790	218 828	-58.1%	2 711	40 277	-93.3%
<b>Others</b>	<b>213 964</b>	<b>307 389</b>	<b>-30.4%</b>	<b>32 391</b>	<b>64 556</b>	<b>-49.8%</b>
<b>Total</b>	<b>3 807 670</b>	<b>2 936 583</b>	<b>29.7%</b>	<b>875 946</b>	<b>714 612</b>	<b>22.6%</b>
Less: Intra/Inter Group Sales	(1 431 522)	(1 128 268)	26.9%	-	-	0.0%
Less: Discontinued operations		(253 443)	-100.0%		(47 900)	-100.0%
<b>Group Total</b>	<b>2 376 148</b>	<b>1 554 872</b>	<b>52.8%</b>	<b>875 946</b>	<b>666 712</b>	<b>31.4%</b>



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