

# ZAMBEEF PRODUCTS PLC



## Financial Results

for the six months to 31 March 2018

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# Introduction

Zambeef's strategy is translating into improved results and the strategy will continue to be executed:

- Consistent revenue growth through expanding the retail network and driving the CCFP and stock feed operations;
- Margin improvements by investing capex in high margin parts of the business while tightly controlling administration costs;
- De-risking the business through reducing gearing and dollar debt and E&S/Food Safety strategies;
- Improving cash conversion from strong working capital control and tight control on Capex with effective managerial responsibility;
- Looking to turn assets where we are not best-in-class into cash, and redeploy the capital in higher return parts of the business.
- Return to dividend paying.



# Overview



**Strong performance from Retailing & CCFP division and Stockfeed division**

**Continued rollout of Zambeef Macro outlets & Shoprites**

H1 2018

Macro Stores 23

Shoprite 32

H1 2017

Macro Stores 12

Shoprite 30

**Gross Profit Margin & Volume Growth**

Gross Profit margins and volumes up in Retailing & CCFP division and Stockfeed division

**Disposal of non core assets**

Sold 90% of Zampalm to IDC for USD 16m (plus USD 2m from 2018-20 subject to performance targets)

**Overheads**

Overheads increased by 18.8% (ZMW) and 17.7% (USD)

# Financial Overview



5.6%  
(ZMW)

## Revenue

H1/2018: ZMW 1.23bn

H1/2017: ZMW 1.16bn

4.6%  
(USD)

H1/2018: USD 123.8m

H1/2017: USD 118.4m

25.6%  
(ZMW)

## EBITDA

H1/2018: ZMW 109.7m

H1/2017: ZMW 87.2m

24.9%  
(USD)

H1/2018: USD 11.1m

H1/2017: USD 8.9m

22.1%  
(ZMW)

## Gross Profit

H1/2018: ZMW 461.2m

H1/2017: ZMW 377.6m

21.0%  
(USD)

H1/2018: USD 46.6m

H1/2017: USD 38.5m

1963.6%  
(ZMW)

## Adjusted Profit Before Tax

H1/2018: ZMW 25.9m

H1/2017: ZMW 1.3m

1944.9%  
(USD)

H1/2018: USD 2.6m

H1/2017: USD 0.1m

# Divisional Overview (ZMW)



## Retail & CCFP



### Revenue

H1/2018: ZMW 941m

H1/2017: ZMW 857m



### EBITDA

H1/2018: ZMW 98.7m

H1/2017: ZMW 72.8m

## Cropping



### Gross Profit

H1/2018: ZMW 78.8m

H1/2017: ZMW 79.7m



### EBITDA

H1/2018: ZMW 23.9m

H1/2017: ZMW 19.4m

## Stockfeed



### Revenue

H1/2018: ZMW 307.6m

H1/2017: ZMW 324.7m



### EBITDA

H1/2018: ZMW 44.9m

H1/2017: ZMW 42.7m

## Other (continuing)



### Revenue

H1/2018: ZMW 65.9m

H1/2017: ZMW 72.9m



### EBITDA

H1/2018: ZMW 6m

H1/2017: ZMW 3m

# Divisional Overview (USD)



## Retail & CCFP



### Revenue

H1/2018: USD 95.1m

H1/2017: USD 87.3m



### EBITDA

H1/2018: USD 10.0m

H1/2017: USD 7.4m

## Cropping



### Gross Profit

H1/2018: USD 8.0m

H1/2017: USD 8.1m



### EBITDA

H1/2018: USD 2.4m

H1/2017: USD 2.0m

## Stockfeed



### Revenue

H1/2018: USD 31.1m

H1/2017: USD 33.0m



### EBITDA

H1/2018: USD 4.5m

H1/2017: USD 4.4m

## Other (continuing)



### Revenue

H1/2018: USD 6.7m

H1/2017: USD 7.4m



### EBITDA

H1/2018: USD 0.6m

H1/2017: USD 0.3m

# Retailing Network



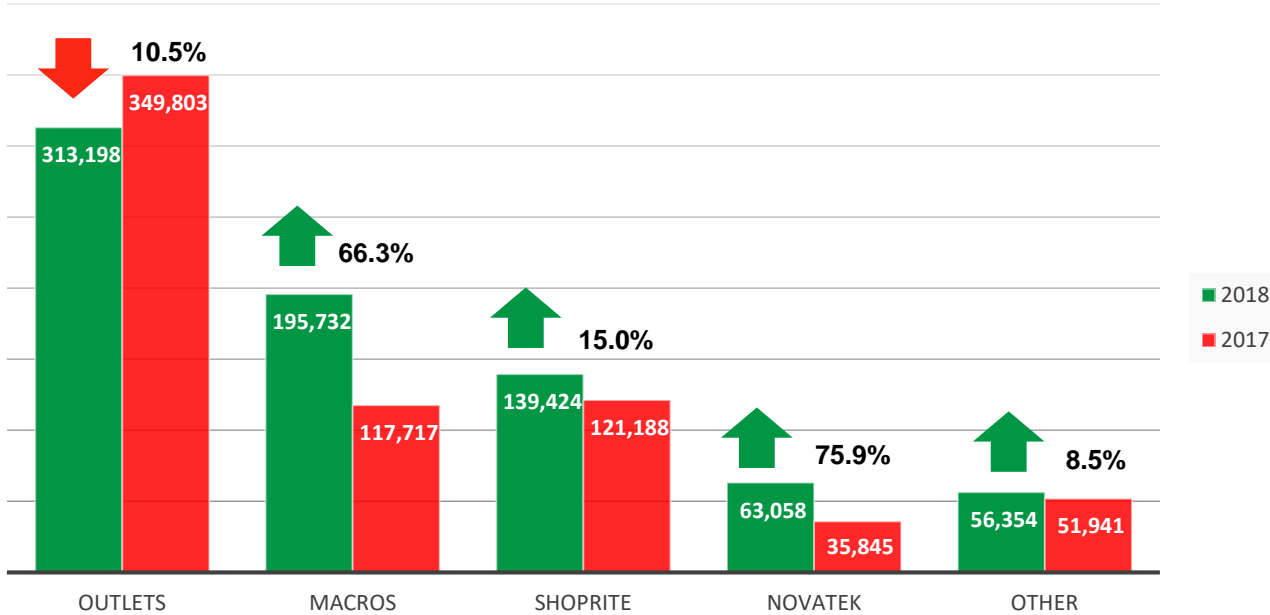
	Actual H1 2018	Actual 2017	Actual 2016	Actual 2015
<b>Zambia</b>				
Zambeef Outlets	75	81	87	91
Zambeef Macros	23	19	10	6
Novatek	22	17	10	5
Zamshu Outlets	17	12	2	0
	<b>137</b>	<b>129</b>	<b>109</b>	<b>102</b>
Shoprites	32	31	31	26
<b>Total Zambia</b>	<b>169</b>	<b>160</b>	<b>140</b>	<b>128</b>
<b>Nigeria</b>				
Shoprite	24	23	20	14
Master Meats Outlets	6	6	6	6
<b>Total Nigeria</b>	<b>30</b>	<b>29</b>	<b>26</b>	<b>20</b>
<b>Ghana - Shoprites</b>				
	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>TOTAL RETAIL NETWORK</b>	<b>205</b>	<b>195</b>	<b>171</b>	<b>152</b>
<b>Total Shoprites</b>	62	60	56	44
<b>Total Zambeef</b>	143	135	115	108
	205	195	171	152



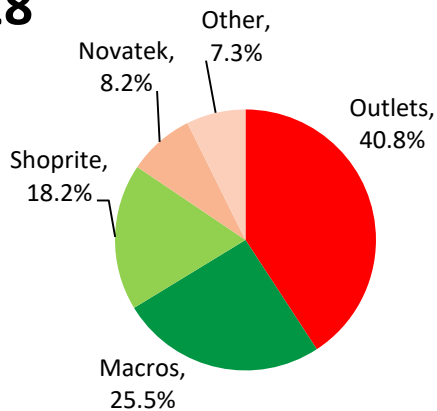
- ❑ Like-for-like revenue growth of 2.4%; revenue growth from new store openings of 11.1%.
- ❑ Four Macro outlets opened; further four expected to open this year; 14 sites bought and awaiting development.
- ❑ Aim to open 10 new Macro outlets every year.
- ❑ Shoprite rollout of new stores continues:
  - Zambia – three new stores expected in H2/2018.
  - Nigeria – one new store opened.
  - Ghana – one new store opened, one more expected in H2/2018.
- ❑ Retail expansion continues to create demand for CCFP and stock feed operations.



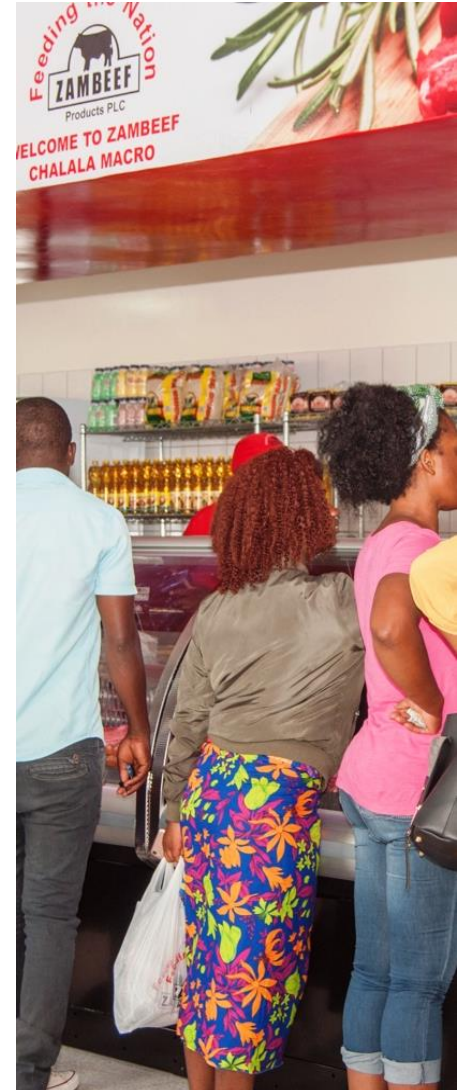
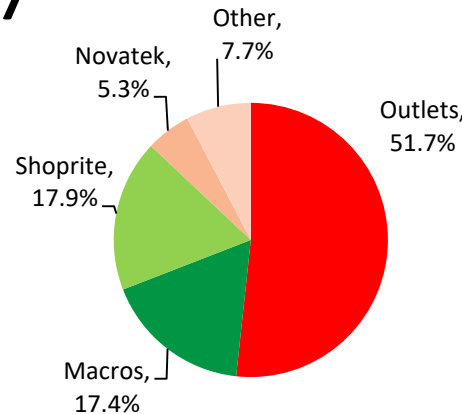
# Retailing Revenue Channel Analysis (ZMW'000)



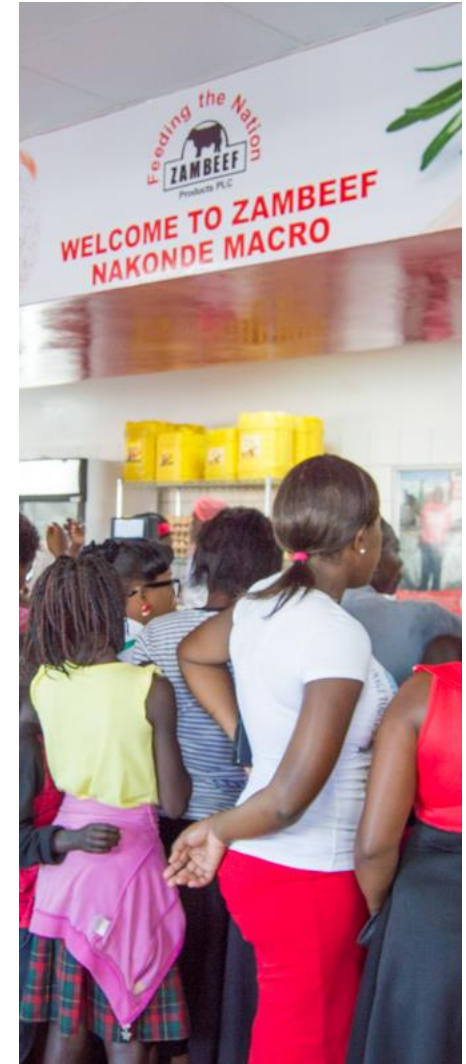
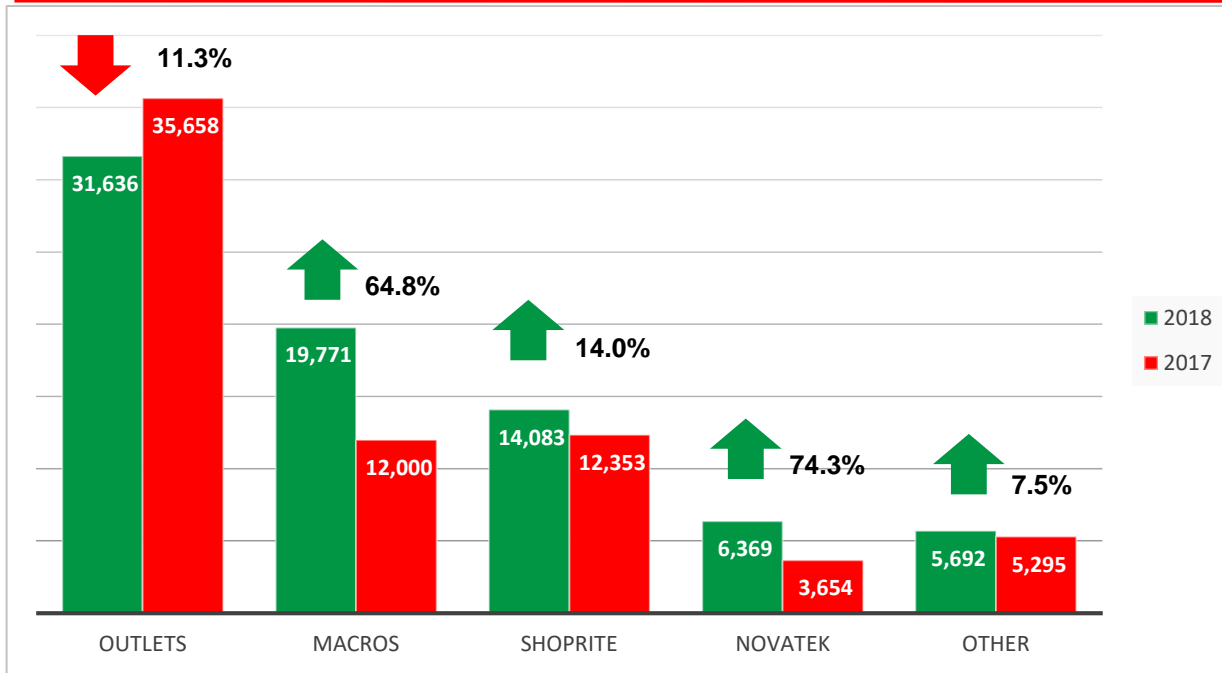
**2018**



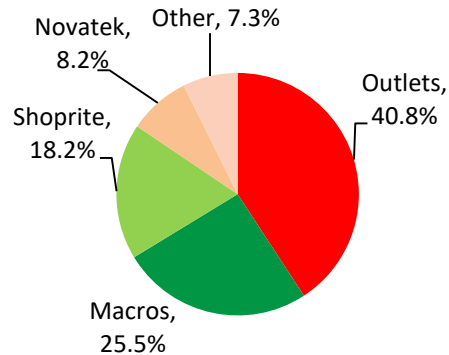
**2017**



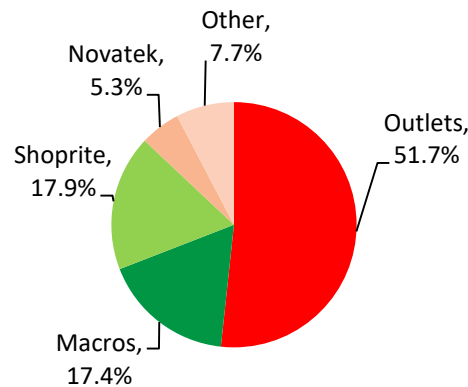
# Retailing Revenue Channel Analysis (USD'000)



**2018**



**2017**



# Cold Chain Food Products

- ❑ Strong volume growth:
  - Total CCFP 6.7%
  - Beef 10.6%
  - Chicken 14.3%
  - Pork (3.8%)
  - Dairy 9.3%
  - Fish (4.7%)
  - Egg 1.0%
  
- ❑ 2018 H1 Challenges experienced in CCFP:
  - An outbreak of Cholera in January 2018 affected the sale of Beef heads, bones and offal fat in the Traditional Outlets. The outbreak was contained quickly without any material financial consequence.
  
  - An outbreak of Foot and Mouth Disease was announced on 6 April 2018. The dairy was affected by the outbreak. The projected financial impact in H2 2018 was provided for in March 2018.
  
- ❑ Cold Chain gross profit increased from ZMW144.0 million in H1 2017 to ZMW179.5 million in H1 2018.



# Retail & Cold Chain Food Products P&L



	H1 2018 ZMW'000	H1 2017 ZMW'000	% Change	H1 2018 USD'000	H1 2017 USD'000	% Change
<b>Revenue</b>						
Retail	840 379	818 953		84 887	83 482	
CCFP	665 243	653 811		67 196	66 647	
<i>Less: Intra / Inter</i>	(564 309)	(615 981)		(57 001)	(62 791)	
<b>Revenue</b>	<b>941 313</b>	<b>856 793</b>	<b>9.9%</b>	<b>95 082</b>	<b>87 339</b>	<b>8.9%</b>
<b>Gross Profit</b>	<b>285 105</b>	<b>222 181</b>	<b>28.3%</b>	<b>28 799</b>	<b>22 648</b>	<b>27.2%</b>
<b>Overheads</b>	<b>(186 401)</b>	<b>(149 393)</b>	<b>24.8%</b>	<b>(18 828)</b>	<b>(15 229)</b>	<b>23.6%</b>
<b>EBITDA</b>	<b>98 705</b>	<b>72 788</b>	<b>35.6%</b>	<b>9 970</b>	<b>7 420</b>	<b>34.4%</b>

- ❑ Margins improved from 25.9% to 30.3% in H1 2018.
- ❑ EBITDA margin of 10.5% in H1 2018, up from 8.5% in H1 2017.



# Stockfeed P&L

	H1 2018 ZMW'000	H1 2017 ZMW'000	% Change	H1 2018 USD'000	H1 2017 USD'000	% Change
<b>Revenue</b>	307 598	324 701	-5.3%	31 071	33 099	-6.1%
<b>Gross Profit</b>	82 809	62 830	31.8%	8 365	6 405	30.6%
<b>Overheads</b>	(37 867)	(20 141)	88.0%	(3 825)	(2 053)	86.3%
<b>EBITDA</b>	<b>44 942</b>	<b>42 689</b>	<b>5.3%</b>	<b>4 540</b>	<b>4 352</b>	<b>4.3%</b>
<b>Volume (Tons)</b>	94 203	73 679	27.9%			

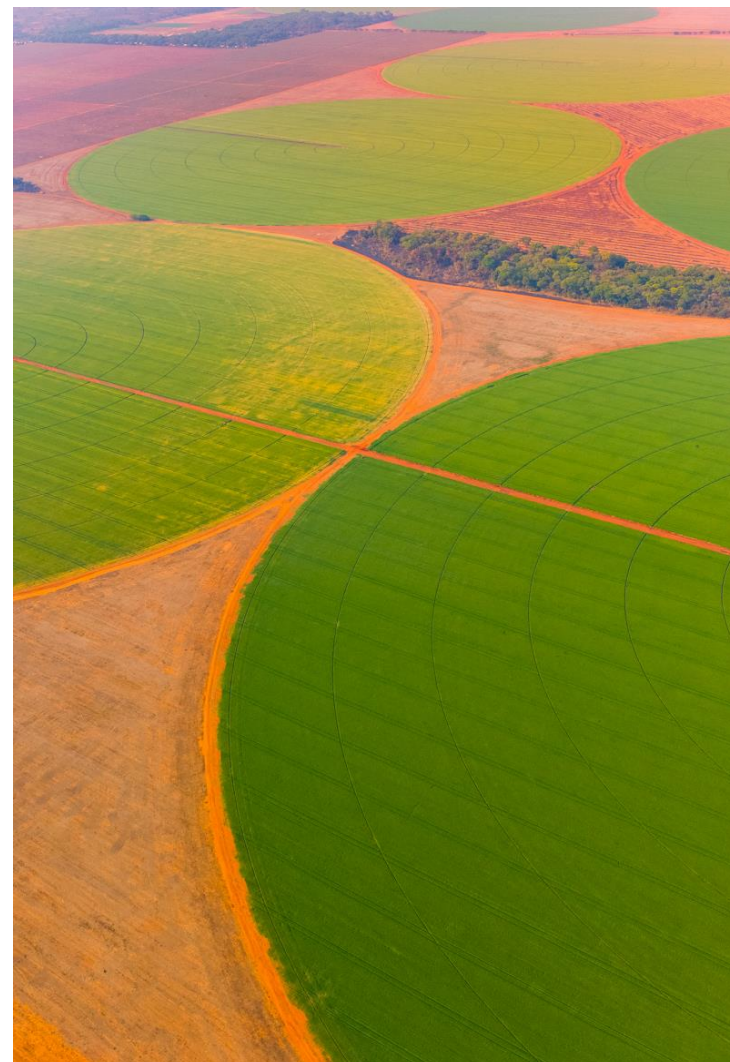
- ❑ Strong growth in volumes with Mpongwe plant now operating. Lusaka plant – 68,619 Tons  
Mpongwe plant – 25,584 Tons
- ❑ Margins increased due to lower soya and maize prices of 2017 crop.
- ❑ Gross profits increased by 20m in ZMW (or 2.0m in USD).
- ❑ Margins expected to reduce in H2/2018 due to increased soft commodity prices.
- ❑ New 12,000 M.T. per month stockfeed plant in Mpongwe commissioned in June 2017, nearly doubling capacity.



# Cropping P&L

	H1 2018 ZMW'000	H1 2017 ZMW'000	% Change	H1 2018 USD'000	H1 2017 USD'000	% Change
Revenue	110 356	201 901	-45.3%	11 147	20 581	-45.8%
Gross Profit	78 791	79 745	-1.2%	7 959	8 129	-2.1%
Overheads	(54 920)	(60 309)	-8.9%	(5 547)	(6 148)	-9.8%
<b>EBITDA</b>	<b>23 871</b>	<b>19 436</b>	<b>22.8%</b>	<b>2 411</b>	<b>1 981</b>	<b>21.7%</b>

- ❑ Cropping results pleasing with an increase in EBITDA of 22.8%. This is due mainly to a reduction in overheads as a result of a decrease in manpower costs.
- ❑ Soya and maize prices reduced from USD430/M.T. and USD230/M.T. respectively in March 2017 to USD415/M.T. and USD165/M.T. in March 2018. This contributed to a slight reduction in gross profit versus 2017.
- ❑ 44,730 M.T. of Soya harvested, versus 43,000 M.T. in 2017.



# Other Divisions P&L

	H1 2018 ZMW'000	H1 2017 ZMW'000	% Change	H1 2018 USD'000	H1 2017 USD'000	% Change
<b>Revenue</b>	65 916	72 933	-9.6%	6 658	7 435	-10.4%
<b>Gross Profit</b>	14 447	14 019	3.1%	1 459	1 429	2.1%
<b>Overheads</b>	(8 487)	(11 062)	23.3%	(857)	(1 128)	24.0%
<b>EBITDA</b>	<b>5 960</b>	<b>2 957</b>	<b>101.6%</b>	<b>602</b>	<b>301</b>	<b>100.0%</b>

## ❑ Zamleather:

- Drop in world hide prices and sluggish market for lower-grade hides.
- Shoe division performing well.

## ❑ Wheat Mill:

- Satisfactory performance with sale volumes stable as Zambeef start retailing more flour through its retail network.

## ❑ Edible Oils Sales:

- Sales through the Zambeef retailing network have fallen following Cargill's acquisition of Zamanita.



# Abridged Balance Sheet

	31-Mar-18 ZMW'000	31-Mar-17 ZMW'000	30-Sep-17 ZMW'000	31-Mar-18 USD'000	31-Mar-17 USD'000	30-Sep-17 USD'000
Non Current Assets	2 824 657	2 197 573	3 041 745	297 959	227 493	314 555
Current Assets	1 199 915	882 048	787 956	126 573	91 309	81 485
<b>TOTAL ASSETS</b>	<b>4 024 572</b>	<b>3 079 621</b>	<b>3 829 701</b>	<b>424 532</b>	<b>318 802</b>	<b>396 040</b>
Capital and Reserves	2 891 429	2 123 000	2 890 196	305 002	219 773	298 884
Non-Current Liabilities	333 781	286 689	380 121	35 209	29 678	39 310
Current Liabilities	799 362	669 932	559 384	84 321	69 351	57 846
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 024 572</b>	<b>3 079 621</b>	<b>3 829 701</b>	<b>424 532</b>	<b>318 802</b>	<b>396 040</b>
<b>Ratios</b>						
Current Ratio	1.50	1.32	1.41	1.50	1.32	1.41
Total Debt / Equity ( Gearing) Ratio	27.7%	32.2%	21.8%	27.7%	32.2%	21.8%





# Abridged Cash Flow Statement



	31-Mar-18 ZMW'000	31-Mar-17 ZMW'000	31-Mar-18 USD'000	31-Mar-17 USD'000
Profit before taxation	27 293	5 780	2 758	590
<b>EBITDA</b>	<b>109 671</b>	<b>87 284</b>	<b>11 112</b>	<b>8 898</b>
<b>Net cash inflow from operating activities</b>	<b>(75 249)</b>	<b>(28 261)</b>	<b>(9 813)</b>	<b>(2 879)</b>
Movement in Working Capital	(184 920)	(115 545)	(20 925)	(11 777)
Net cash outflow from investing activities	(54 308)	(135 340)	(5 403)	(13 796)
<b>Net cash outflow before financing - Net Free Cash Flow</b>	<b>(129 557)</b>	<b>(163 601)</b>	<b>(15 216)</b>	<b>(16 675)</b>
Net cash inflow from financing activities	(23 457)	(144 669)	(1 226)	(14 747)
Cash and cash equivalents at beginning of year	(105 148)	64 806	(10 874)	6 474
<b>Cash and cash equivalents at end of year</b>	<b>(271 488)</b>	<b>(251 393)</b>	<b>(28 638)</b>	<b>(26 024)</b>



# Capex



## Main Capital Expenditure during H1:

- USD 2.9m on rollout of new Zambeef Macro outlets;
- USD 1.1m on new Mpongwe stock feed plant;
- USD 1.1m on expansion of Zamhatch hatchery and breeder farm;
- USD 0.9m for expansion of Zam Chick processing plant;
- USD 0.5m on new Kitwe Processing plant;
- USD 0.6m for Zampalm palm project;
- USD 0.3m for farming replacement capex.



# Capex

Key projects to be completed within the next six months:

- ❑ Continue to grow retail network and drive retail sales to help grow CCFP and stock feed operations (Four Zambef Macros and three Shoprite stores to open before end of H2/2018);
- ❑ Commission new Copperbelt distribution hub which will increase capacity and improve efficiencies in the Copperbelt and North Western Province operations;
- ❑ Complete expansion of breeding farm and hatchery to increase day-old chick production from 344,000 to 430,000 birds per week;
- ❑ Completing new stock feed plant at Mpongwe to ensure additional stock feed capacity.



# Summary and Outlook



## ❑ Strengthening macro backdrop

- Zambia's GDP is forecast to grow by 5.5% in 2018
- Stabilising currency
- Stable outlook for commodity prices

## ❑ Four Macro outlets opened in H1 with a further four expected to open during H2

- Aim to open 10 new Macro outlets each year

## ❑ Continue to drive volumes and focus on rollout of Shoprite stores

- Zambia – three more expected in H2
- Nigeria – one new store opened
- Ghana – one new store opened and one expected in H2
- EBITDA margin strengthening

## ❑ Second half of the year expected to see a significant number of key projects

- Continue to grow the retail network and drive retail revenue to increase demand from the CCFP and stock feed operations
- Commission new Copperbelt distribution hub which will increase capacity and improve efficiencies in the Copperbelt and North Western Province operations
- Complete expansion of breeding farm and hatchery to increase day-old chick production from 344,000 to 430,000 birds per week
- Complete new stock feed plant at Mpongwe to ensure additional stock feed capacity

## ❑ Continue to look at ways of strengthening the balance sheet

- Divest of non-core assets
- Reduce debt further and generate additional cash

## ❑ Return to dividend payments

- Operating free cash flow expected in CY and consequently intention is to return to a policy of paying dividends

# Questions?



# Appendices

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# Appendix 1: Abridged Income Statement

	31-Mar-18 ZMW'000	31-Mar-17 ZMW'000	% Change (ZMW)	31-Mar-18 USD'000	31-Mar-17 USD'000	% Change (USD)
Revenue	1 226 083	1 161 318	5.58%	123 847	118 381	4.62%
Cost of Sales	(764 931)	(783 694)	2.39%	(77 266)	(79 887)	3.28%
<b>Gross Profit</b>	<b>461 152</b>	<b>377 624</b>	<b>22.12%</b>	<b>46 581</b>	<b>38 494</b>	<b>21.01%</b>
Administrative Expense	(398 815)	(333 463)	-19.60%	(40 284)	(33 992)	-18.51%
Admin expense excl. Depreciation	(347 670)	(292 653)	-18.80%	(35 118)	(29 832)	-17.72%
Depreciation	(51 146)	(40 810)	-25.33%	(5 166)	(4 160)	-24.19%
<b>Operating Profit</b>	<b>62 337</b>	<b>44 160</b>	<b>41.16%</b>	<b>6 297</b>	<b>4 502</b>	<b>39.88%</b>
Interest Costs	(40 663)	(45 128)	9.89%	(4 107)	(4 600)	10.71%
Realised Foreign Exchange Gain/(losses)	4 225	2 223	90.06%	427	227	88.33%
Foreign Exchange Gain/(Losses)	1 394	4 525	-69.19%	141	461	-69.47%
<b>Profit Before Taxation</b>	<b>27 293</b>	<b>5 780</b>	<b>372.19%</b>	<b>2 757</b>	<b>589</b>	<b>367.90%</b>
Income Tax Credit/(Expense)	(4 333)	(556)	-679.32%	( 438)	( 57)	-672.23%
Profit From Discontinued Operations	(11 290)	0		(1 140)	0	
<b>Profit After Taxation</b>	<b>11 670</b>	<b>5 224</b>	<b>123.38%</b>	<b>1 179</b>	<b>533</b>	<b>121.35%</b>
Adjusted profit/(loss)	25 899	1 255	1963.63%	2 616	128	1944.87%
Foreign Currency Translation Reserve	(8 921)	(6 790)		( 901)	( 692)	
EBITDA	109 671	87 284	25.65%	11 112	8 898	24.88%



# Appendix 2:

## Segmental Revenue, GP & EBITDA (ZMW'000)



Division	Revenue 2018 ZMW'000	Revenue 2017 ZMW'000	Gross Profit 2018 ZMW'000	Gross Profit 2017 ZMW'000	Overheads 2018 ZMW'000	Overheads 2017 ZMW'000	EBITDA 2018 ZMW'000	EBITDA 2017 ZMW'000
Retailing	840 379	818 963	105 612	78 191	(109 675)	(88 828)	(4 063)	(10 637)
Cold Chain Food Production	665 243	653 811	179 493	143 990	(76 725)	(60 565)	102 768	83 425
<i>Less Intra/Inter Group</i>	<i>(564 309)</i>	<i>(615 981)</i>						
<b>Retail &amp; CCFP</b>	<b>941 313</b>	<b>856 793</b>	<b>285 105</b>	<b>222 181</b>	<b>(186 401)</b>	<b>(149 393)</b>	<b>98 705</b>	<b>72 788</b>
<b>Stock Feed</b>	307 598	324 701	82 809	62 830	(37 867)	(20 141)	44 942	42 689
<b>Cropping</b>	110 356	201 901	78 791	79 745	(54 920)	(60 309)	23 871	19 436
<b>Other</b>	65 916	79 009	14 447	12 868	(8 487)	(10 612)	5 960	2 256
<b>Total</b>	<b>1425 183</b>	<b>1462 404</b>	<b>461 152</b>	<b>377 624</b>	<b>(287 675)</b>	<b>(240 454)</b>	<b>173 478</b>	<b>137 170</b>
<i>Less: Intra/Inter Group Sales</i>	<i>(199 100)</i>	<i>(301 086)</i>						
<i>Less Central Overhead</i>					<i>(59 995)</i>	<i>(52 199)</i>	<i>(59 995)</i>	<i>(52 199)</i>
<b>Group Total</b>	<b>1226 083</b>	<b>1161 318</b>	<b>461 152</b>	<b>377 624</b>	<b>(347 670)</b>	<b>(292 653)</b>	<b>113 483</b>	<b>84 971</b>



# Appendix 3:

## Segmental Revenue, GP & EBITDA (USD'000)

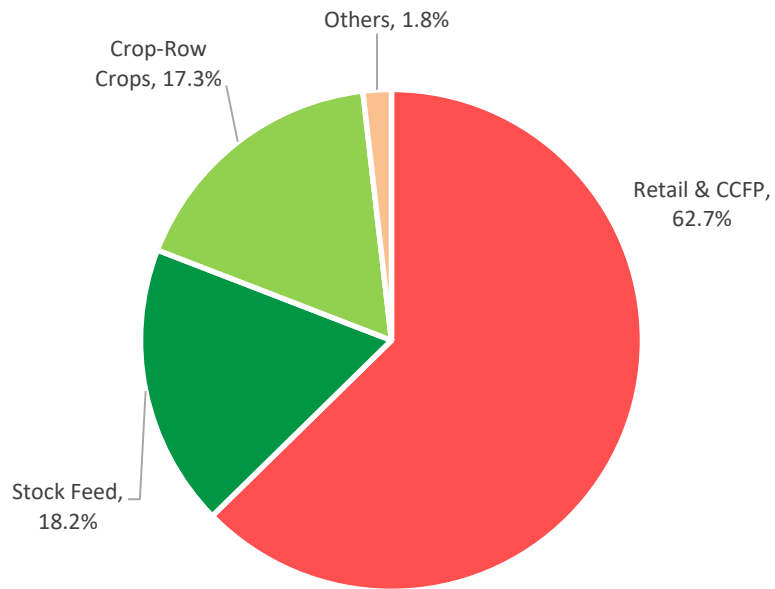


Division	Revenue 2018 USD'000	Revenue 2017 USD'000	Gross Profit 2018 USD'000	Gross Profit 2017 USD'000	Overheads 2018 USD'000	Overheads 2017 USD'000	EBITDA 2018 USD'000	EBITDA 2017 USD'000
Retailing	84 887	83 482	10 668	7 971	(11 078)	(9 055)	(410)	(1 084)
Cold Chain Food Production	67 196	66 647	18 131	14 678	(7 750)	(6 174)	10 381	8 504
<i>Less Intra/Inter Group</i>	<i>(57 001)</i>	<i>(62 791)</i>						
<b>Retail &amp; CCFP</b>	<b>95 082</b>	<b>87 339</b>	<b>28 799</b>	<b>22 648</b>	<b>(18 828)</b>	<b>(15 229)</b>	<b>9 970</b>	<b>7 420</b>
<b>Stock Feed</b>	31 071	33 099	8 365	6 405	(3 825)	(2 053)	4 540	4 352
<b>Cropping</b>	11 147	20 581	7 959	8 129	(5 547)	(6 148)	2 411	1 981
<b>Other</b>	6 658	8 054	1 459	1 312	(857)	(1 082)	602	230
<b>Total</b>	<b>143 958</b>	<b>149 073</b>	<b>46 582</b>	<b>38 494</b>	<b>(29 057)</b>	<b>(24 511)</b>	<b>17 524</b>	<b>13 983</b>
<i>Less: Intra/Inter Group Sales</i>	<i>(20 111)</i>	<i>(30 692)</i>						
<i>Less Central Overhead</i>					<i>(6 060)</i>	<i>(5 321)</i>	<i>(6 060)</i>	<i>(5 321)</i>
<b>Group Total</b>	<b>123 847</b>	<b>118 381</b>	<b>46 582</b>	<b>38 494</b>	<b>(35 117)</b>	<b>(29 832)</b>	<b>11 464</b>	<b>8 662</b>

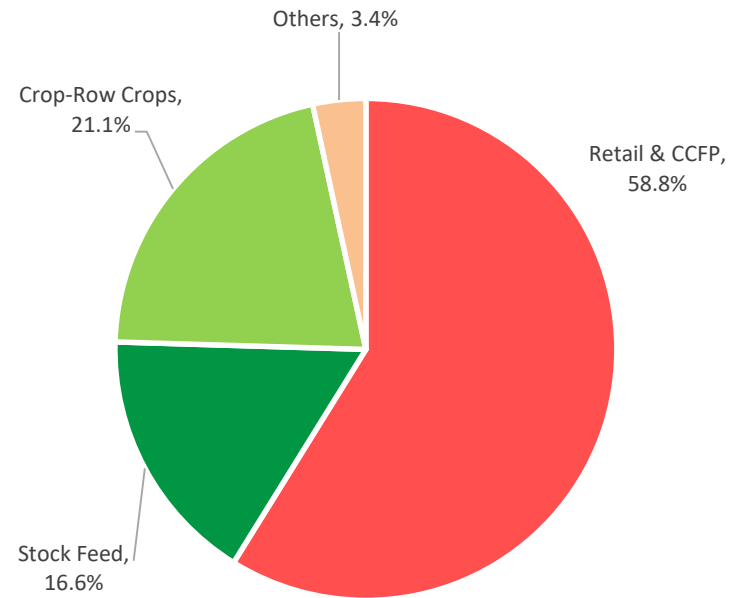
# Appendix 4: Segmental Distribution of Gross Profit



2018



2017



**% of Group Gross Profit**