

ZAMBEEF PRODUCTS PLC



Financial Results

for the year ended 30 September 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 once cash flow permits.



Overview

Strong performance from Retailing & CCFP division and Stockfeed division

Continued rollout of Zambeef Macro outlets & Shoprites

2018

Macro Stores 29

Shoprite 34

2017

Macro Stores 19

Shoprite 31

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 16.9% (ZMW) and 12.2% (USD)

Financial Overview



14.2%
(ZMW)

Revenue

2018: ZMW 2.78bn

2017: ZMW 2.44bn

9.6%
(USD)

2018: USD 280.3m

2017: USD 255.8m

69.6%
(ZMW)

EBITDA

2018: ZMW 294.4m

2017: ZMW 173.6m

62.7%
(USD)

2018: USD 29.7m

2017: USD 18.2m

20.1%
(ZMW)

Gross Profit

2018: ZMW 959.2m

2017: ZMW 798.6m

15.3%
(USD)

2018: USD 96.7m

2017: USD 83.9m

4740.7%
(ZMW)

Adjusted Profit Before Tax

2018: ZMW 50.3m

2017: ZMW 1.0m

4556%
(USD)

2018: USD 5.1m

2017: USD 0.1m

Divisional Overview (ZMW)

Retail & CCFP

Revenue



2018: ZMW 2 004.7m

2017: ZMW 1 883.0m

EBITDA



2018: ZMW 193.5m

2017: ZMW 132.7m

Cropping

Gross Profit



2018: ZMW 189.6m

2017: ZMW 134.6m

EBITDA



2018: ZMW 70.9m

2017: ZMW 16.4m

Stockfeed

Revenue



2018: ZMW 706.0m

2017: ZMW 662.1m

EBITDA



2018: ZMW 81.0m

2017: ZMW 116.6m

Other (continuing)

Revenue



2018: ZMW 141.5m

2017: ZMW 161.4m

EBITDA



2018: ZMW 8.6m

2017: ZMW 11.8m

Divisional Overview (USD)

Retail & CCFP



Revenue

2018: USD 202.1m

2017: USD 197.8m



EBITDA

2018: USD 19.5m

2017: USD 13.9m

Cropping



Gross Profit

2018: USD 19.1m

2017: USD 14.1m



EBITDA

2018: USD 7.1m

2017: USD 1.7m

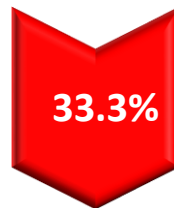
Stockfeed



Revenue

2018: USD 71.2m

2017: USD 69.5m



EBITDA

2018: USD 8.2m

2017: USD 12.2m

Other (continuing)



Revenue

2018: USD 14.3m

2017: USD 17.0m



EBITDA

2018: USD 0.9m

2017: USD 1.2m

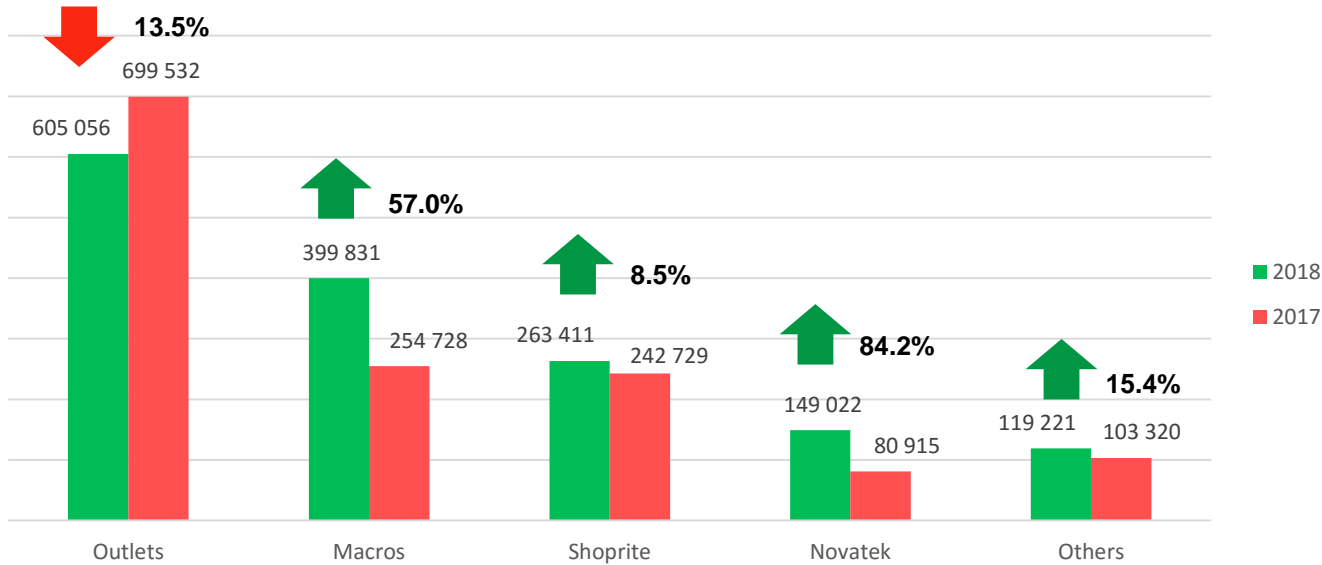
Retailing Network

	Actual 2018	Actual 2017	Actual 2016	Actual 2015
Zambia				
Zambeef Outlets	67	81	87	91
Zambeef Macros	29	19	10	6
Novatek	24	17	10	5
Zamshu Outlets	19	12	2	0
Bakery	1	0	0	0
	140	129	109	102
Shoprites	34	31	31	26
Total Zambia	174	160	140	128
Nigeria				
Shoprite	25	23	20	14
Master Meats Outlets	1	6	6	6
Total Nigeria	26	29	26	20
Ghana - Shoprites	6	6	5	4
TOTAL RETAIL NETWORK	206	195	171	152
Total Shoprites	65	60	56	44
Total Zambeef	141	135	115	108
	206	195	171	152

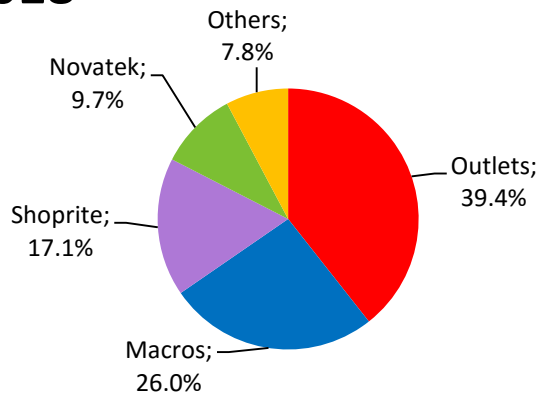


- ❑ Like-for-like revenue growth of 12.8%.
- ❑ Ten Macro outlets opened. 18 sites bought and awaiting development.
- ❑ Aim to open 10 new Macro outlets every year.
- ❑ Shoprite rollout of new stores continues:
 - Zambia – three new stores opened.
 - Nigeria – two new stores opened.
 - Ghana – one new store expected to open in H1 2019.
- ❑ Retail expansion continues to create demand for CCFP and stock feed operations.

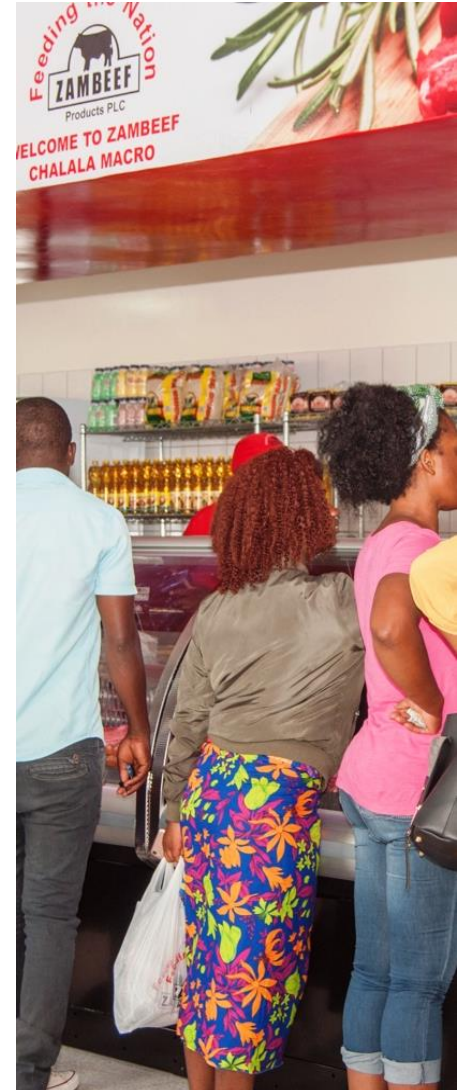
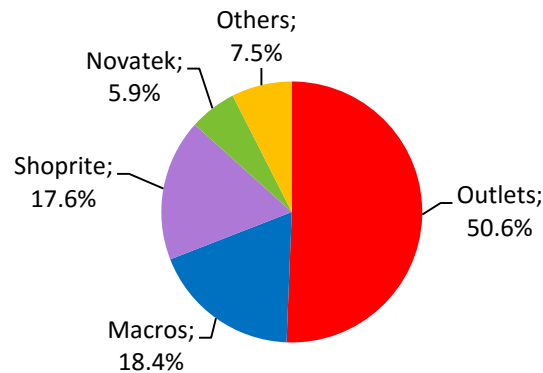
Retailing Revenue Channel Analysis (ZMW'000)



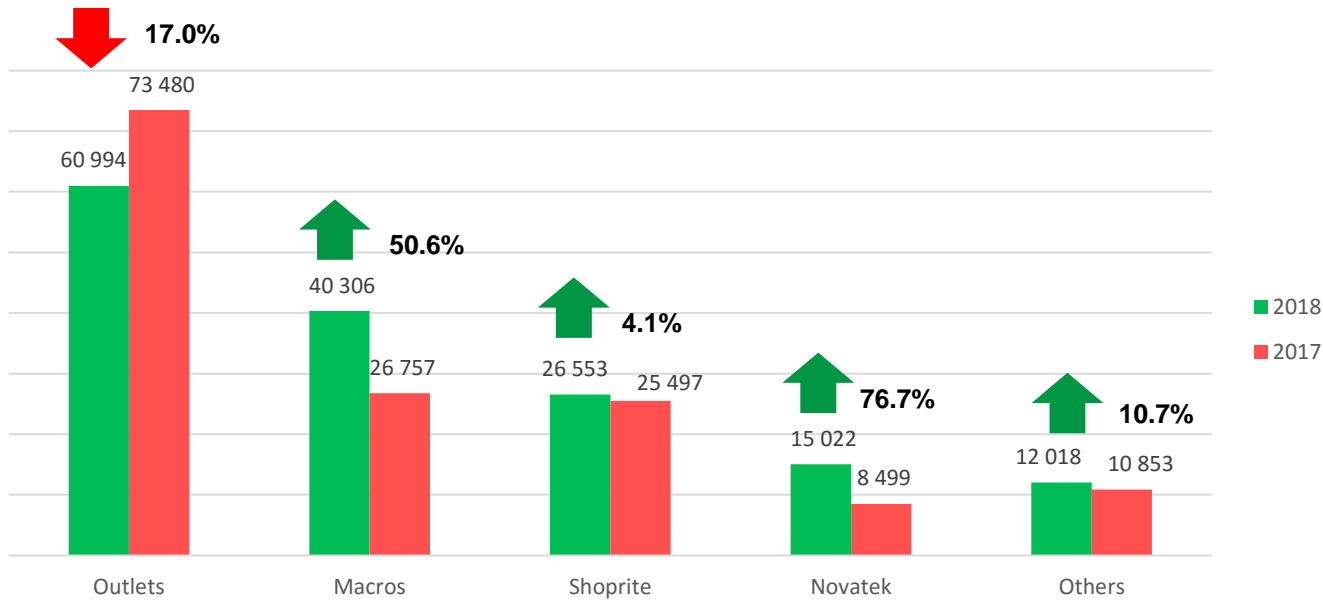
2018



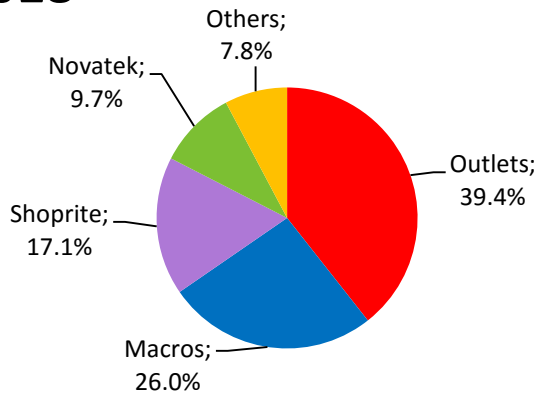
2017



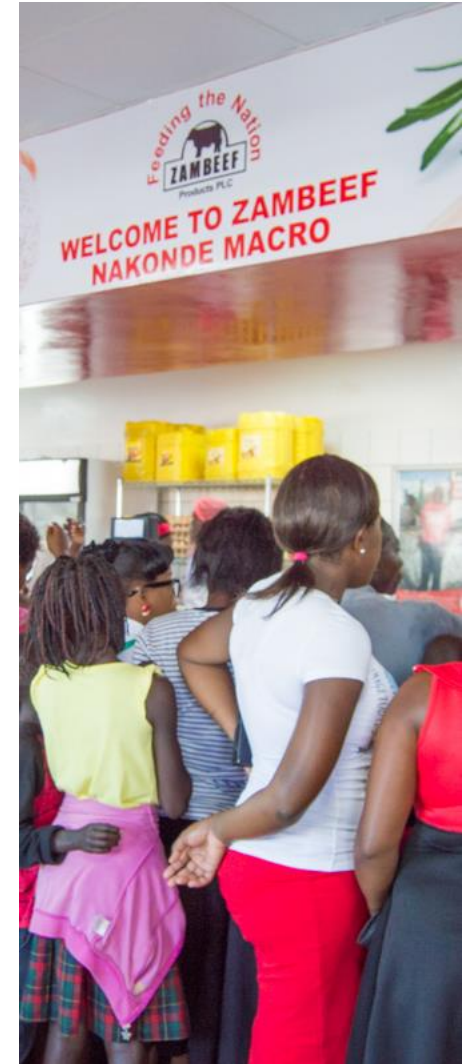
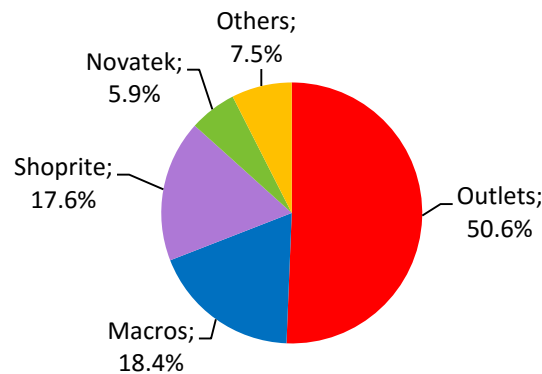
Retailing Revenue Channel Analysis (USD'000)



2018



2017



Cold Chain Food Products

❑ Strong volume growth:

- Total CCFP 5.7%
- Beef 7.6%
- Chicken 9.1%
- Day Old Chicks 34.6%
- Pork (8.1%)
- Dairy (3.9%)
- Fish (14.3%)
- Egg (7.6%)

❑ 2018 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 financial impact was provided for in March 2018.

❑ Cold Chain gross profit increased from ZMW273.4 million in 2017 to ZMW379.9 million in 2018.



Retail & Cold Chain Food Products P&L



	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
Revenue	2 004 711	1 882 955	6.5%	202 088	197 789	2.2%
Gross Profit	578 987	470 417	23.1%	58 366	49 414	18.1%
Overheads	(385 484)	(337 693)	14.2%	(38 859)	(35 472)	9.5%
EBITDA	193 503	132 724	45.8%	19 507	13 942	39.9%
GP %	28.9%	25.0%				
EBITDA %	9.7%	7.0%				



Stockfeed P&L

	2018	2017		2018	2017	
	ZMW'000	ZMW'000	% Change	USD'000	USD'000	% Change
Revenue	706 008	662 068	6.6%	71 170	69 545	2.3%
Gross Profit	163 442	166 884	-2.1%	16 476	17 530	-6.0%
Overheads	(82 460)	(50 300)	63.9%	(8 313)	(5 284)	57.3%
EBITDA	80 982	116 584	-30.5%	8 163	12 246	-33.3%
Gross Profit %	23.2%	25.2%				
EBITDA %	11.5%	17.6%				
Volume (Tons)	200 846	155 795	28.9%			

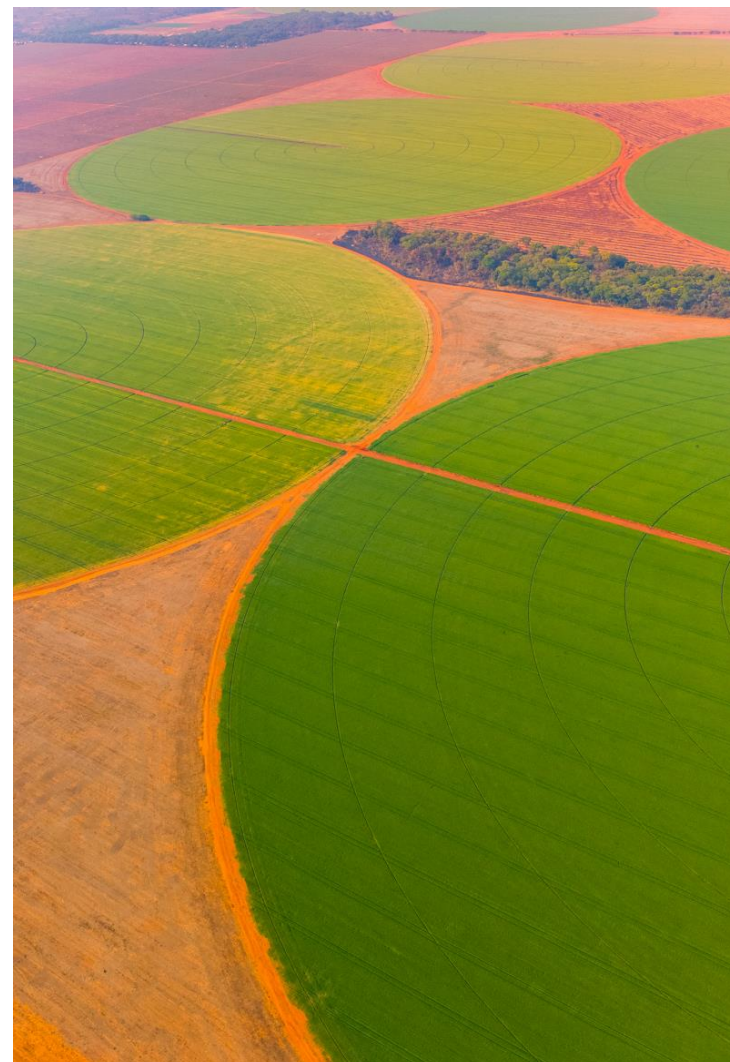
- ❑ Strong growth in volumes with Mpongwe plant now operating: Lusaka – 142,229 Tons
Mpongwe – 58,617 Tons (44.4% of capacity)
- ❑ Gross Profit Margins decreased due to higher soya and maize prices in 2018.
- ❑ Overheads increased mainly because of transport and manpower costs of the Mpongwe plant. The overheads should regularize as plant capacity increases.
- ❑ New 11,000 M.T. per month stockfeed plant in Mpongwe commissioned in June 2017. This is in addition to the 14,000 M.T. per month plant in Lusaka.



Cropping P&L

	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
Revenue	515 585	505 738	1.9%	51 974	53 124	-2.2%
Gross Profit	189 601	134 556	40.9%	19 113	14 134	35.2%
Overheads	(118 729)	(118 152)	0.5%	(11 969)	(12 411)	-3.6%
EBITDA	70 872	16 404	332.0%	7 144	1 723	314.6%
GP %	36.8%	26.6%				
EBITDA %	13.7%	3.2%				
Soya M.T.	44,000	43,000	2.3%			
Wheat M.T.	44,300	41,700	6.2%			

- ❑ Overheads remained similar to 2017 mainly as a result of a decrease in manpower costs.
- ❑ Soya, wheat and maize prices increased from USD360/M.T., USD410/M.T., and USD115/M.T respectively in 2017 to USD410/M.T., USD430/M.T. and USD150/M.T. respectively in 2018.
- ❑ Bacteria Leaf Streak reduced the budgeted tons of wheat of 52,600 M.T. to 44,300 M.T. harvested. This is a reduction of 15.8%.



Other Divisions P&L

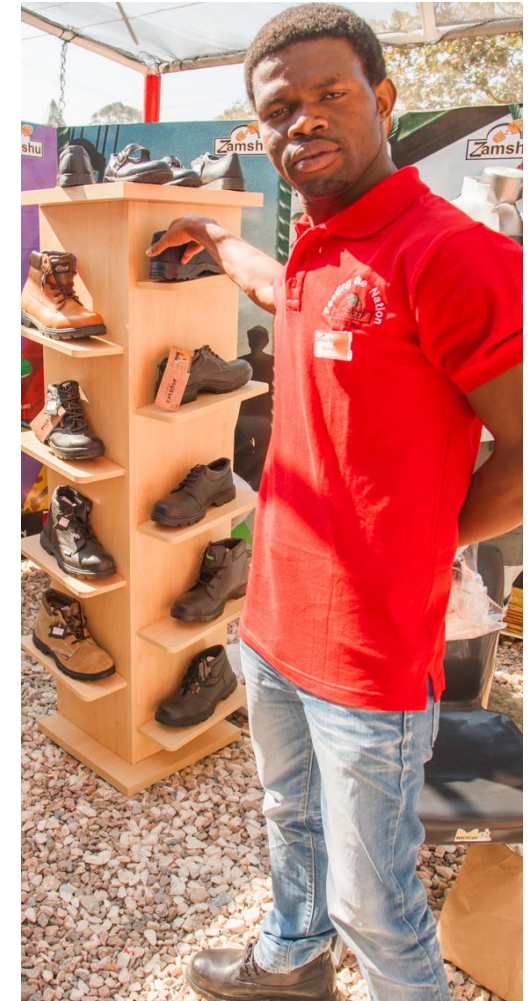
	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
Revenue	141 452	161 387	-12.4%	14 259	16 952	-15.9%
Gross Profit	27 129	26 774	1.3%	2 735	2 812	-2.8%
Overheads	(18 521)	(15 014)	23.4%	(1 867)	(1 577)	18.4%
EBITDA	8 608	11 760	-26.8%	868	1 235	-29.8%
GP%	19.2%	16.6%				
EBITDA %	6.1%	7.3%				

❑ Zamleather:

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

❑ Wheat Mill:

- Satisfactory performance as Zambeef starts retailing more flour through its retail network.



Abridged Balance Sheet

	30-Sept-18 <i>ZMW'000</i>	30-Sep-17 <i>ZMW'000</i>	30-Sept-18 <i>USD'000</i>	30-Sep-17 <i>USD'000</i>
Non Current Assets	3 132 288	3 041 745	255 907	314 555
Current Assets	1 031 956	787 956	84 310	81 485
TOTAL ASSETS	4 164 244	3 829 701	340 217	396 040
Capital and Reserves	3 107 114	2 890 196	253 852	298 884
Non-Current Liabilities	357 995	380 121	29 248	39 310
Current Liabilities	695 135	559 384	57 117	57 846
TOTAL EQUITY AND LIABILITIES	4 160 244	3 829 701	340 217	396 040
Ratios				
Current Ratio	1.48	1.41	1.48	1.41
Total Debt / Equity (Gearing) Ratio	22.0%	21.8%	22.0%	21.8%



Abridged Cash Flow Statement



	30-Sept-18 ZMW'000	30-Sept-17 ZMW'000	30-Sept-18 USD'000	30-Sept-17 USD'000
Profit before taxation	28 011	5 450	2 823	572
EBITDA	294 390	173 629	29 677	18 239
Net cash inflow from operating activities	79 635	188 028	8 028	19 751
Movement in Working Capital	(214 755)	14 399	(21 649)	1 512
Net cash flow from investing activities	7 658	(218 294)	1 482	(22 931)
Net cash flow before financing - Net Free Cash Flow	87 293	(30 266)	9 510	(3 179)
Net cash outflow from financing activities	(137 044)	(111 415)	(13 815)	(11 420)
Cash and cash equivalents at beginning of year	(105 148)	64 806	(10 874)	6 474
Cash and cash equivalents at end of year	(135 743)	(105 148)	(11 090)	(10 874)



Capex

Main Capital Expenditure during 2018:

- ❑ USD 4.2m on rollout of new Zambeef Macro outlets;
- ❑ USD 2.5m on new Mpongwe stock feed plant;
- ❑ USD 1.5m on expansion of Zamhatch hatchery and breeder farm;
- ❑ USD 1.2m for expansion of Zam Chick processing plant;
- ❑ USD 0.8m on new Kitwe Processing plant;
- ❑ USD 1.8m for farming replacement capex.



Capex

Key projects completed in 2018:

- ❑ Continue to grow retail network and drive retail sales to help grow CCFP and stock feed operations (10 Zambef Macros and three Shoprite stores opened);
- ❑ 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



❑ Macro backdrop

- Zambia's GDP is forecast to grow by 4% in 2019
- Stable outlook for commodity prices

❑ Ten Macro outlets opened in 2018

- Aim to open 10 new Macro outlets each year for next three years

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

- Zambia – three stores opened in 2018
- Nigeria – two stores opened in 2018
- Ghana – one new store expected in H1 2019
- EBITDA margin strengthening

❑ Key projects completed

- 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



Appendix 1: Abridged Income Statement



	30-Sept-18 ZMW'000	30-Sept-17 ZMW'000	% Change (ZMW)	30-Sept-18 USD'000	30-Sept-17 USD'000	% Change (USD)
Revenue	2 780 589	2 435 182	14.2%	280 301	255 796	9.6%
Cost of Sales	(1 821 430)	(1 636 551)	-11.3%	(183 612)	(171 906)	-6.8%
Gross Profit	959 159	798 631	20.1%	96 689	83 890	15.3%
Administrative Expenses	(735 100)	(628 678)	-16.9%	(74 103)	(66 038)	-12.2%
Depreciation	(105 789)	(83 301)	-27.0%	(10 664)	(8 750)	-21.9%
Operating Profit	118 270	86 653	36.5%	11 922	9 102	31.0%
Share of loss equity accounted investment	(742)	-	N/A	75	-	N/A
Interest Costs	(70 215)	(87 904)	20.1%	(7 078)	(9 234)	23.3%
Realised Foreign Exchange Gain/(Losses)	3 041	2 291	32.7%	307	241	27.4%
Foreign Exchange Gain/(Losses)	(22 343)	4 410	-606.6%	(2 252)	463	-586.2%
Profit Before Taxation	28 011	5 450	414%	2 823	572	393.5%
Income Tax Credit/(Expense)	(4 257)	(1 049)	-305.8%	(429)	(110)	-289.5%
Profit from Continuing Operations	23 754	4 401	439.7%	2 394	462	418.2%
Loss From Discontinued Operations	(13 261)	(1 133)		(1 337)	(119)	
Profit After Discontinued Operations	10 493	3 268	221.1%	1 057	343	208.5%
Adjusted Profit/(Loss)	50 343	1 040	4 740.7%	5 075	109	4 556%
Gross Profit %	34.5%	32.8%		34.5%	32.8%	
EBITDA %	10.6%	7.1%		10.6%	7.1%	
EBIT %	4.3%	3.6%		4.3%	3.6%	
EBITDA	294 390	173 629	62.7%	29,677	18 239	69.6%



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
Retail & CCFP	2 004 711	1 882 955	578 987	470 417	(385 484)	(337 693)	193 503	132 724
Stock Feed	706 008	662 068	163 442	166 884	(82 460)	(50 300)	80 982	116 584
Cropping	515 585	505 738	189 601	134 556	(118 729)	(118 152)	70 872	16 404
Other	141 452	161 387	27 129	26 774	(18 521)	(15 014)	8 608	11 760
Total	3 367 756	3 212 148	959 159	798 631	(605 194)	(521 159)	353 965	277 472
<i>Less: Intra/Inter Group Sales</i>	<i>(587 167)</i>	<i>(776 966)</i>						
<i>Less Central Overhead</i>					<i>(129 907)</i>	<i>(107 520)</i>	<i>(129 907)</i>	<i>(107 520)</i>
Group Total	2 780 589	2 435 182	959 159	798 631	(735 101)	(628 679)	224 058	169 952

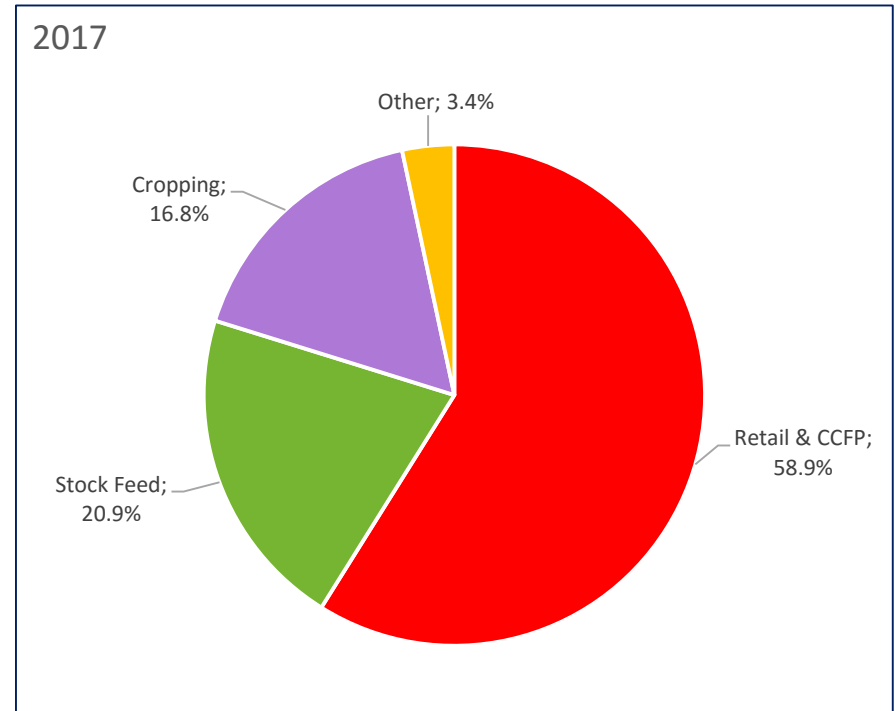
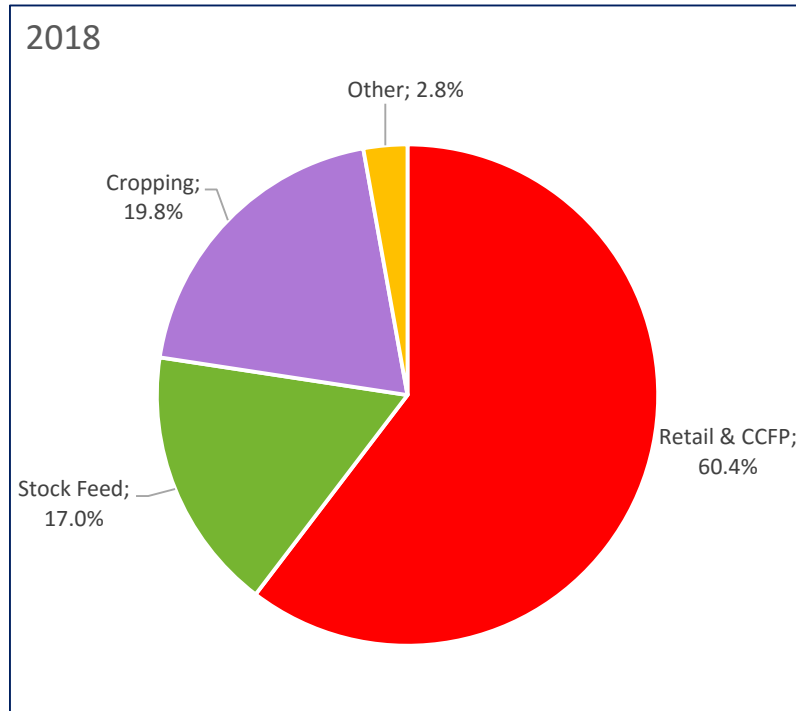
Appendix 3:

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
Retail & CCFP	202 088	197 789	58 366	49 414	(38 859)	(35 472)	19 507	13 942
Stock Feed	71 170	69 545	16 476	17 530	(8 313)	(5 284)	8 163	12 246
Cropping	51 974	53 124	19 113	14 134	(11 969)	(12 411)	7 144	1 723
Other	14 259	16 952	2 735	2 812	(1 867)	(1 577)	868	1 235
Total	339 491	337 410	96 690	83 890	(61 008)	(54 744)	35 682	29 146
<i>Less: Intra/Inter Group Sales</i>	<i>(59 190)</i>	<i>(81 614)</i>						
<i>Less Central Overhead</i>					<i>(13 095)</i>	<i>(11 294)</i>	<i>(13 095)</i>	<i>(11 294)</i>
Group Total	280 301	255 796	96 690	83 890	(74 103)	(66 038)	22 587	17 852

Appendix 4: Segmental Distribution of Gross Profit



% of Group Gross Profit