

# SENS ANNOUNCEMENT

(the "Announcement")

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## ISSUER

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Zambeef Products Plc.

Incorporated in the Republic of Zambia

Group Registration Number: 31824

SHARE CODE: ZAMBEEF

ISIN: ZM0000000201

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## BROKER

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Pangaea Securities Limited

Is a member of the Lusaka Securities Exchange

Regulated and Licensed by the Securities and Exchange Commission Zambia

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## AUTHORISATION

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Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Zambeef Products Plc.

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## DISCLAIMER AND RISK WARNING

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The announcement contained herein contains information that may be of a price sensitive nature. Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUE DATE: 13 JUNE 2019



**Zambeef Products PLC**  
 ("Zambeef" or the "Group")  
 [INCORPORATED IN THE REPUBLIC OF ZAMBIA]  
 COMPANY REGISTRATION NUMBER: 31824  
 SHARE CODE: ZAMBEEF  
 ISIN: ZM0000000201

In accordance with the requirements of the Securities and Exchange Act No. 41 of 2016, Zambeef Products PLC announces its unaudited results for the 6 months ended 31 March 2019

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 MARCH 2019</b>	<b>Unaudited 2019 K'000</b>	<b>Unaudited 2018 K'000</b>	<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019</b>	<b>Unaudited 2019 K'000</b>	<b>Unaudited 2018 K'000</b>
<b>Revenue</b>	<b>1,416,490</b>	<b>1,226,083</b>	<b>ASSETS</b>		
<b>Cost of Sales</b>	(930,191)	(760,648)	Goodwill	166,801	166,801
<b>Gross Profit</b>	<b>470,570</b>	<b>461,152</b>	Property, plant and equipment	2,895,599	2,614,680
Administrative expenses	(459,899)	(399,546)	Investment in associate	13,592	-
Other income	706	731	Biological assets	374,728	339,358
<b>Operating profit</b>	<b>11,377</b>	<b>62,337</b>	Deferred tax assets	47,619	43,176
Share of loss equity accounted investment	(1,819)	-	Inventories	594,640	476,843
Finance costs	(36,367)	(40,663)	Assets held for disposal	-	239,937
Exchange differences	(3,347)	5,619	Trading and other receivables	68,560	116,269
<b>Profit before taxation</b>	<b>(30,156)</b>	<b>27,293</b>	Amounts due from related companies	37,502	18,789
Taxation	(1,633)	(4,333)	Income tax recoverable	17,517	8,719
Discontinued operations	-	(11,290)	<b>Total assets</b>	<b>4,216,558</b>	<b>4,024,572</b>
Total (loss)/profit for the period	<b>(31,789)</b>	<b>11,670</b>	<b>EQUITY AND LIABILITIES</b>		
<b>Group profit</b>			Capital and reserves	3,088,861	2,891,429
<b>Attributable to:</b>			Interest bearing liabilities	351,119	357,768
Equity holders of the parent	(32,379)	12,295	Obligation under financial lease	30,641	37,061
Non-controlling interest	590	(625)	Deferred liability	26,644	17,729
	<b>(31,789)</b>	<b>11,670</b>	Collateral management agreement	176,159	136,774
<b>Other comprehensive income:</b>			Provisions	41,597	-
Exchange losses on translating presentational currency	13,536	(10,437)	Deferred tax liability	6,865	7,318
<b>Total comprehensive income for the year</b>	<b>(18,253)</b>	<b>1,233</b>	Assets held for disposal	-	12,092
<b>Attributable to:</b>			Trade and other payables	173,859	284,165
Equity holders of the parent	(21,759)	4,299	Amounts to from related companies	362	131
Non-controlling interest	3,506	(3,066)	Taxation payable	12,109	8,617
			Cash and cash equivalents	308,342	271,488
<b>Earnings Per Share (Ngwee)</b>			<b>Total equity and liabilities</b>	<b>4,216,558</b>	<b>4,024,572</b>
Basic and diluted earnings per share	<b>(7.92)</b>	<b>2.91</b>	<b>CONSOLIDATED STATEMENT OF CASH FLOW AS AT 31 MARCH 2019</b>	<b>Unaudited 2019 K'000</b>	<b>Unaudited 2018 K'000</b>
			Net cash inflow/(outflow) from/on operating activities	(99,766)	(75,249)
			Net cash inflow/(outflow) on investing activities	(54,596)	(54,308)
			Net Cash (outflow)/inflow from financing activities	(26,098))	(23,457))
			<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(180,460))</b>	<b>(153,014)</b>
			Cash and cash equivalents at the beginning of the year	(135,743)	(105,148)
			Effects of exchange gains on balances held foreign currencies	7,861	(13,326)
			<b>Cash and cash equivalents at the end of the year</b>	<b>(308,342)</b>	<b>(271,488)</b>

**GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2019**

<b>At 31 March 2018</b>	3,006	1,125,012	1,000	1,240,442	64,231	469,085	2,902,776	(11,347)	2,891,429
Loss for the period	-	-	-	-	-	(1,694)	(1,694)	516	(1,178)
Transfer of surplus depreciation	-	-	-	(11,718)	-	11,718	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
<b>Other comprehensive income:</b>								-	-
<b>Total comprehensive income for the period</b>	-	-	-	(11,718)	214,692	10,024	212,998	2,687	215,685
<b>At 30 September 2018</b>	3,006	1,125,012	1,000	1,228,724	278,923	479,109	3,115,774	(8,660)	3,107,114
Loss for the period	-	-	-	-	-	(32,379)	(32,379)	590	(31,789)
Transfer of surplus depreciation	-	-	-	(10,817)	-	10,817	-	-	-
<b>Other comprehensive income</b>									
Exchange gains on translating presentational currency	-	-	-	-	10,620	-	10,620	2,916	13,536
<b>Total comprehensive income for the period</b>	-	-	-	(10,817)	(10,620)	(21,562)	(21,759)	3,506	(18,253)
<b>At 31 March 2019</b>	3,006	1,125,012	1,000	1,217,907	289,543	457,547	3,094,015	(5,154)	3,088,861

**Performance Overview**

- Despite the economic hurdles faced in first half of the year, Zambeef continues to focus on its core divisions that generate strong cash flows: Retail and Cold Chain Food Products (CCFP) and Stock Feed divisions
- Zambeef's chain of 216 outlets remain at the heart of the business.
- Zambeef's stockfeed operations, Novatek due to competition, higher input costs have led to lower margins. Gross profit margin reduced by 11.1% to 18.8%. Higher margins are forecasted in the second half of the financial year as input costs reduce and prices stabilize.
- Revenue from Macro stores increased by 30.8% . Novatek Macros have also grown revenue and now contributed to 12.8% of retail revenue compared to 8.2% last year.
- Zambeef's Mpongwe feed mill capacity has improved and produced 31,961 tonnes of stockfeed during the half year period, a 3.9% increase from the prior year and a satisfactory contribution to animal feed production.
- Overhead costs for the half year period increased by 15.2% (ZMW) due to heavy transport cost arising from third party contractors , road toll fees , an increase in levy and slaughter fees and a 22% rise in kwacha fuel prices since March 2018.

### **Strategic Progress Summary**

- Successful completion of a number of capacity expansion and efficiency improvement capex projects, including:
  - More Shoprite/Zambeef butchery counter concessions opened;
  - Zambeef's total retail network increased to 216 outlets at the period ending 31 March 2019
  - Zambeef invested ZMW54.5 million (USD4.6 million) in capital projects during the half year. USD0.5 million was allocated to the production at Zamleather's Zamshu brand that will double capacity from 500 to 1000 pairs of shoes a day.
  - USD1.2m invested in the expansion of Zamhatchery and breeder farm.
  - The Kitwe Processing Plant is complete and operational. This will improve efficiencies and decentralise some distribution logistics in the Northern part of Zambia.
- Zambeef's management will continue to focus resources on the Group's profitable business divisions with strong focus on customer care and cost cutting measures.

### **Key Financial Highlights**

- Turnover increased by 15.5% per cent in ZMW from ZMW1.2billion to ZMW1.4 billion.
- Gross profit of ZMW470.6 million recorded for the period dampened due to pressure on retailing, cold chain food production and stockfeed margins. Gross profit increased by 2% from the previous year (ZMW461 million to ZMW470 million).
- Operating profit decreased by 81.8% per cent from ZMW62 million to ZMW11.3 million due to high transport costs and lower margins achieved in Zambeef's Retailing and Cold Chain Food Products.
- Adjusted Loss Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses) of ZMW31.2 million compared with an Adjusted Profit Before Tax of ZMW25.9 million in the previous year (excluding discontinued operations).
- The Cropping division delivered satisfactory results, EBITDA increased from ZMW23.9m to ZMW36.8m 2019 due to well managed overheads.
- Zambeef's wheat mill division increased volumes from 5,405 tons to 8,618 tons . This resulted in revenue growth of 71.1% which resulted in EBITDA increasing from ZMW7.6m to ZMW10.4m
- The core Zambian Retailing operations delivered an increase in revenue of 14.9% from ZMW 768 million to ZMW 882million due to increased sales in stock feed,edible oil and flour. EBITDA in ZMW decreased by 27.1% from ZMW98.7m to ZMW71.9m.
- The finance costs of the Group decreased by 10.6% from ZMW40.6 million to ZMW36.6 million. The reduction was a result of a decrease in net debt.

### **Commenting on the results, Chairman Dr. Jacob Mwanza, said:**

*Significant fiscal pressures on the Zambian economy during the period have presented challenges for the market and impacted the disposable income of Zambeef's customers. Exchange rate movements have not favoured the Group in the period and the depreciation of the currency has led to the Group reporting realized exchange losses.*

*Despite the tough trading conditions, the management team have continued to deliver on the Group's key strategic initiatives throughout the period and the second half of the year is expected to see an improvement in both revenue and margin performance.*

*The Group's strategic focus on the continued roll out of new Macro outlets across Zambia contributed to revenue growth in the period and its retail footprint increased to 216 retail outlets.*

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Accordingly, investors in Zambeef Products PLC are advised to exercise caution when trading in the Company's shares and should seek the professional advice of a broker or investment advisor for guidance.

Further information can be found on [www.zambeefplc.com](http://www.zambeefplc.com)

**Sponsoring Broker:**



Pangaea Securities Limited

*(Member of the Lusaka Securities Exchange)*

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