

# 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

(a member of the Lusaka Securities Exchange)

Regulated and Licensed by the Securities and Exchange Commission Zambia

Telephone Number: +260 211 220707 | Website: [www.pangaea.co.zm](http://www.pangaea.co.zm)

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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: 9 December 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 results for the year ended 30 September 2019

**ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME**

	Audited 2019 K'000	Audited 2018 K'000
<b>Revenue</b>	<b>3,134,967</b>	<b>2,780,589</b>
Gross Profit	1,081,547	959,159
Operating profit	161,209	118,270
Finance costs	(82,790)	(70,215)
Exchange differences & share of loss equity accounted	(39,766)	(20,044)
<b>Profit before taxation</b>	<b>38,653</b>	<b>28,011</b>
Taxation	(2,780)	(4,257)
Group income for the year from continuing operations	35,873	23,754
Discontinued operations	(17,379)	(13,261)
<b>Group profit</b>	<b>18,494</b>	<b>10,493</b>
<b>Attributable to:</b>		
Equity holders of the parent	18,100	10,601
Non-controlling interest	394	(108)
<b>Other Comprehensive income</b>		
Remeasurement of net defined benefit liability	8,829	-
Exchange (loss)/gain on translating presentational currency	106,391	206,425
<b>Total comprehensive income for the year</b>	<b>133,714</b>	<b>216,918</b>
<b>Attributable to:</b>		
Equity holders of the parent	129,935	217,297
Non-controlling interest	3,779	(379)
Number of shares in issue (million)	3,006	3,006
<b>Earnings Per Share (Ngwee)</b>		
Basic Earnings Per Share	6.02	3.49
Diluted Earnings Per Share	4.52	2.61

**ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION**

	Audited 2019 K'000	Audited 2018 K'000
<b>ASSETS</b>		
Goodwill	166 801	166 801
Property, plant and equipment	2 841 824	2 902 221
Biological assets	170 417	181 674
Inventories	941 159	639 811
Trade and other receivables	98 025	156 314
Amounts due from related companies	41 554	50 272
Other assets	207 025	67 151
<b>Total assets</b>	<b>4 466 805</b>	<b>4 164 244</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	3 240 828	3 107 114
Interest bearing liabilities	358 760	403 559
Obligations under finance leases	40 784	38 861
Other Liabilities	80 042	107 213
Trade and other payables	259 585	297 390
Bank overdrafts	274 425	135 740
<b>Total equity and liabilities</b>	<b>4,466,805</b>	<b>4,164,244</b>

**ABRIDGED GROUP STATEMENT OF CASH FLOW**

	Audited 2019 K'000	Audited 2018 K'000
Net cash inflow/(outflow) from/on operating activities	(30,806)	79,635
Net cash inflow/(outflow) on investing activities	(102,049)	7,658
Net Cash (outflow)/inflow from financing activities	(59,540)	(137,044)
Increase/(decrease) in cash and cash equivalents	(192,395)	(49,751)
Effects of exchange gains on balances held	53,723	19,156
Cash and cash equivalents at the beginning of the year	(135,743)	(105,148)
<b>Cash and cash equivalents at the end of the year</b>	<b>(274,425)</b>	<b>(135,743)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

ZMW' 000	Issued share capital	Share premium	Preference share capital	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total attributable to owners of the parent	Minority interest	Total equity
At 30 September 2018	3,006	1,125,012	1,000	278,923	1,228,724	479,109	3,115,774	-8,660	3,107,114
Profit for the year	-	-	-	-	-	26,929	26,929	394	27,323
Transfer of surplus depreciation	-	-	-	-	(29,666)	29,666	-	-	-
Other comprehensive income									
Exchange (loss)/gain on translating presentational currency	-	-	-	103,006	-	-	103,006	3,385	106,391
Total comprehensive income	-	-	-	103,006	-29,666	56,595	129,935	3,779	133,714
At 30 September 2019	3,006	1,125,012	1,000	381,929	1,199,058	535,704	3,245,709	-4,881	3,240,828

### Performance Overview

- The financial year ended 30 September 2019 proved to be a challenging year amidst a regional drought and macroeconomic headwinds. The weakening of the Zambian Kwacha against the USD by approximately 24% over the period, an increase in the cost of fuel by 19% together with constrained electricity supply, due to reduced electricity generation arising from low water levels in the country's major water reservoirs, impacted not only on Zambeef's performance but also on our customers' spending power. The inadequate supply of electricity has resulted in Zambeef running diesel powered generators, significantly increasing operational costs.
- Against these headwinds, the Group's results were nonetheless, reassuring, especially in the second half of the year as management took proactive steps to deal with these challenges in both the long and short term underpinned by continued focus on the key strategic initiatives.
- Zambeef's chain of 226 retail outlets - both own-brand and within Shoprite supermarkets - remain at the heart of the business, with demand from consumers driving supply. However disposable income for our consumers was constrained during the financial year driven by the tough economic climate which resulted in subdued performance. In addition, the inability to pass on the extra costs of inputs such as feed prices and other escalating costs also negatively impacted profitability.
- The stock feed operations continued to grow during the year against the backdrop of a drought. The division's volumes grew by 9% with Mpongwe producing 24.5% more than the previous year.
- Despite the odds being heavily stacked against Cropping, driven by a severe drought in the summer, inadequate electricity supply and water shortages in the winter, the Farms produced exceptionally good yields. Maize contributed 19,233 tons of grain together with 22,000 tons of silage for the dairy and beef operations. A 14% increase in the wheat winter crop resulted in a harvest of 50,398 tons (2018:44,300 tons)

### Key Financial Highlights

- Revenue for the Group increased by 13% in ZMW but decreased by 9% in USD as a result of the depreciation of the ZMW while Gross Profit also increased by 13% in ZMW from ZMW959 m to ZMW1082m (USD88m vs USD97m). The ZMW performance has been adversely impacted on by high input costs which could not be passed on to the consumer in full whilst dollar performance has further been impacted by the depreciation of the kwacha.
- Management continued to focus on bringing down the overheads, however administration expenses increased by 9% in ZMW from ZMW841m to ZMW920m
- The Group achieved an operating profit of ZMW161m versus ZMW118m recorded in the previous financial year (USD13m vs USD12m) which represents a 36% increase in ZMW and an 8% increase in USD.
- The profitability was mainly driven by cropping, increased volumes and margins in the stock feed division and Retail and Cold Chain Food Products which is line with our strategic imperative of consistent revenue growth through expansion of our retail network.
- Finance costs increased by 18% in ZMW and decreased by 5% in USD because of higher utilisation of working capital, ZMW interest rates increasing and the depreciation of the Zambian Kwacha against the USD.
- As a result, the Zambeef's Group income for the year increased from ZMW10m to ZMW18m (USD1m to USD1.5m).
- Due to cash flow pressure arising from the steep increase in input costs, our net debt increased from ZMW685 million (USD56 million) to ZMW886 million (USD67 million).

### Strategic Progress Summary

- Zambeef's management remains committed to focusing on core divisions to generate cash flow that will be channelled towards de-risking the business. Our plans are underpinned by:
  - Consistent revenue growth through expansion of our retail network, driving our CCFP and Stockfeed operations;
  - Continued capital investment in the best performing areas of the business;
  - Cash generation through improved margins, cost control, working capital management and prudent capital expenditure;
  - Continued divestment of non-core assets; and
  - Environmental and food safety improvement projects.

Zambeef's management will continue to focus resources on improving the performance across all of the Group's business divisions and ensure that the integrated business model operates at maximum effectiveness with all areas contributing fully to Group profitability.

### **Leadership Succession**

- Mr. Grogan the Chief Executive Officer will be succeeded by Mr Walter Roodt from 01 January 2020. Mr Roodt was appointed to the Zambeef Board on 6 February 2019.
- Mr Michael Mundashi was appointed as an Independent Non-Executive Director effective 11 September 2019.
- Ms Faith Mukutu was appointed the Chief Financial Officer as well as an Executive Director of the Board effective 11 September 2019.

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

*"As we had anticipated, 2019 proved a challenging year for the Group, driven by difficult economic and market conditions that impacted negatively on financial performance, particularly in the first half of the year. Despite these challenges, the Group still managed to generate a profit after tax of ZMW18.5 million (USD1.5 million) compared to ZMW10.5 million (USD1.1 million) achieved in the prior financial year. This achievement, in the face of such economic and market difficulties, illustrates the Group's fundamental strengths as a diversified and resilient business.*

*"The Board remains committed to achieving the strategic priorities that we set out in 2014, with a key focus on the core divisions that generate sustainable and strong cashflows, particularly through our Retail and Cold Chain Food Products and Stockfeed divisions. Another significant cornerstone of our strategy is our divestment of non-core assets, with realised proceeds used to reduce debt levels.*

*"The macro-economic climate is expected to remain challenging for Zambia in 2020, characterised by high national debt levels, a volatile Kwacha and continued electricity supply constraints, negatively affecting business activity across the economy which could impact the growth of the Zambian economy and have a significant knock-on effect on our customers' disposable incomes.*

*"In spite of these continued problems, the Group is committed to strengthening its earnings potential and unlocking value through reducing debt levels in the medium term, which will mitigate foreign exchange and interest rate risk exposures."*

*Copies of Zambeef's Annual Report and Accounts for the year ended 30 September 2019 and Notice of AGM will shortly be available on the Group's website. The Group's Annual General Meeting will be held on 30 December 2019 at Taj Pamodzi Hotel, Lusaka at 09:00 a.m. (Zambian time).*

For further information, please contact:

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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)*

*(Regulated by the Securities and Exchange Commission)*

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