



Financial Results

for the year ended 30 September 2019

Overview

Strong performance from the Cropping division

Continued rollout of Zambeef Macro outlets & Shoprites

Stockfeed volume and revenue growth

Disposal of non-core assets: Sinazongwe Farm

Government legislation: Revenue drive

Devastating regional drought

Net debt increase & Negative cash flow

Margins under pressure in Retail & CCFP businesses

Operating Environment

ECONOMY

ZMW / USD

24%

2019: 12.32

2018: 9.92

Inflation

18%

2019: 8.4%

2018: 7.2%

Diesel (ZMW/L)

19%

2019: 13.90

2018: 11.70

TBS 365

42%

2019: 24.7%

2018: 17.4%

Copper (\$/Ton)

9%

2019: 6102

2018: 6726

INPUTS

Maize (\$)

28%

2019: 207 Ton

2018: 161 Ton

Soya Cake (\$)

22%

2019: 442 Ton

2018: 363 Ton

Day-old chicks

7%

2019: K5.9/Chick

2018: K6.4/Chick

Broiler Feed (K)

34%

2019: 242 (50kg)

2018: 181 (50kg)

Maize Bran (K)

109%

2019: 1434 Ton

2018: 686 Ton

PRODUCTS

Wheat (\$)

3%

2019: 447 Ton

2018: 433 ton

Soya Beans (\$)

4%

2019: 400 Ton

2018: 417 Ton

Beef mixed cut

2%

2019: K35.8/kg

2018: K35.0/kg

Frozen Chicken

8%

2019: K28.9/kg

2018: K26.9/kg

Egg Tray (30)

8%

2019: K28.0/tray

2018: K25.8/tray

Financial Overview

Revenue

13%
(ZMW)

2019: ZMW 3.13bn

2018: ZMW 2.78bn

9%
(USD)

2019: USD 254m

2018: USD 280m

Operating Profit

36%
(ZMW)

2019: ZMW 161m

2018: ZMW 118m

10%
(USD)

2019: USD 13.1m

2018: USD 11.9m

Gross Profit

13%
(ZMW)

2019: ZMW 1.09bn

2018: ZMW 0.96bn

9%
(USD)

2019: USD 88m

2018: USD 97m

Group Income

76%
(ZMW)

2019: ZMW 18.5m

2018: ZMW 10.5m

42%
(USD)

2019: USD 1.5m

2018: USD 1.1m

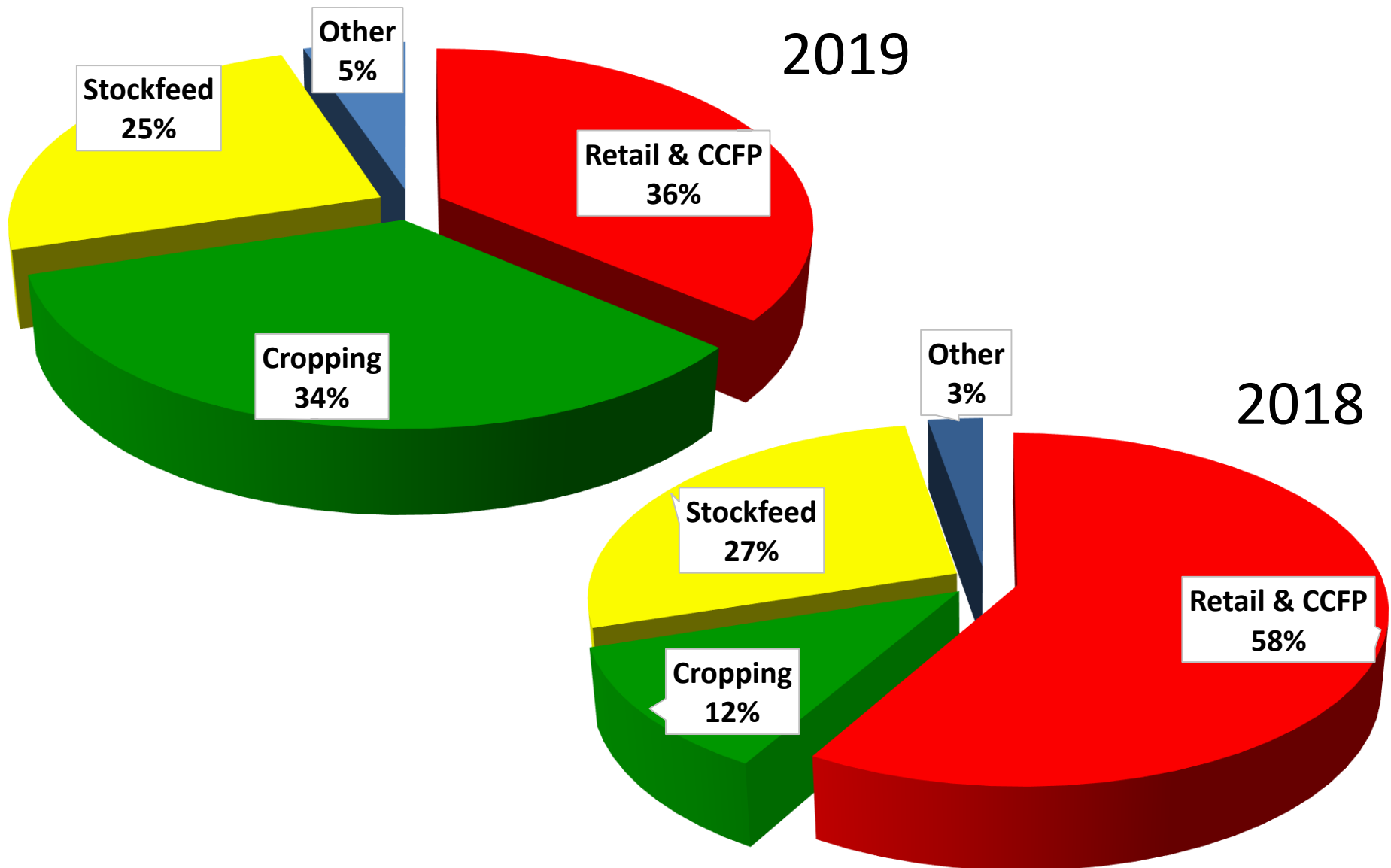
Financial Overview

Group	2019	2018	%	2019	2018	%
	ZMW'000	ZMW'000	Change	USD'000	USD'000	Change
Revenue	3,134,967	2,780,589	13%	254,462	280,301	-9%
Gross Profit	1,081,547	959,159	13%	87,788	96,689	-9%
Overheads	-920,771	-841,319	9%	-74,738	-84,810	-12%
<i>Central Overhead</i>	-136,070	-129,907	5%	-11,045	-13,095	-16%
EBITDA	283,139	224,059	26%	22,981	22,587	2%
Operating Profit	161,209	118,270	36%	13,085	11,922	10%
Profit After Tax	35,873	23,754	51%	2,912	2,394	22%
Group Income	18,494	10,493	76%	1,501	1,057	42%
<i>Net Debt</i>	<i>886,350</i>	<i>684,926</i>	<i>29%</i>	<i>67,148</i>	<i>55,958</i>	<i>20%</i>
<i>Debt Currency basis</i>	<i>32.2%</i>	<i>32.0%</i>		<i>67.8%</i>	<i>68.0%</i>	
<i>Finance Costs</i>	<i>82,790</i>	<i>70,215</i>	<i>18%</i>	<i>6,720</i>	<i>7,078</i>	<i>-5%</i>
GP %	34.5%	34.5%	0 bps			
Cost to Income %	29.4%	30.3%	-89 bps			
EBITDA %	9.0%	8.1%	97 bps			
OP %	5.1%	4.3%	89 bps			

❑ Sinazongwe Farm is reported as an asset held for disposal



Group Operating Profit Analysis



Divisional Overview (ZMW)

Retail & CCFP



Revenue

2019: ZMW 2.12bn

2018: ZMW 2.01bn

Operating Profit

2019: ZMW 108m

2018: ZMW 146m



Cropping



Revenue

2019: ZMW 474 m

2018: ZMW 516 m

Operating Profit

2019: ZMW 101m

2018: ZMW 29m



Stockfeed



Revenue

2019: ZMW 986m

2018: ZMW 706m

Operating Profit

2019: ZMW 73m

2018: ZMW 68m



Other businesses



Revenue

2019: ZMW 210m

2018: ZMW 141m

Operating Profit

2019: ZMW 15,3m

2018: ZMW 6,9m



Divisional Overview (USD)

Retail & CCFP



Revenue

2019: USD 172m

2018: USD 202m

Operating Profit

2019: USD 8.7m

2018: USD 14.7m



Cropping



Revenue

2019: USD 39m

2018: USD 52m

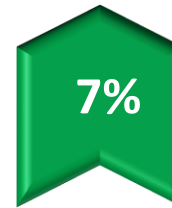
Operating Profit

2019: USD 8.2m

2018: USD 3.0m



Stockfeed



Revenue

2019: USD 80m

2018: USD 71m

Operating Profit

2019: USD 5.9m

2018: USD 6.9m



Other businesses



Revenue

2019: USD 17m

2018: USD 14m

Operating Profit

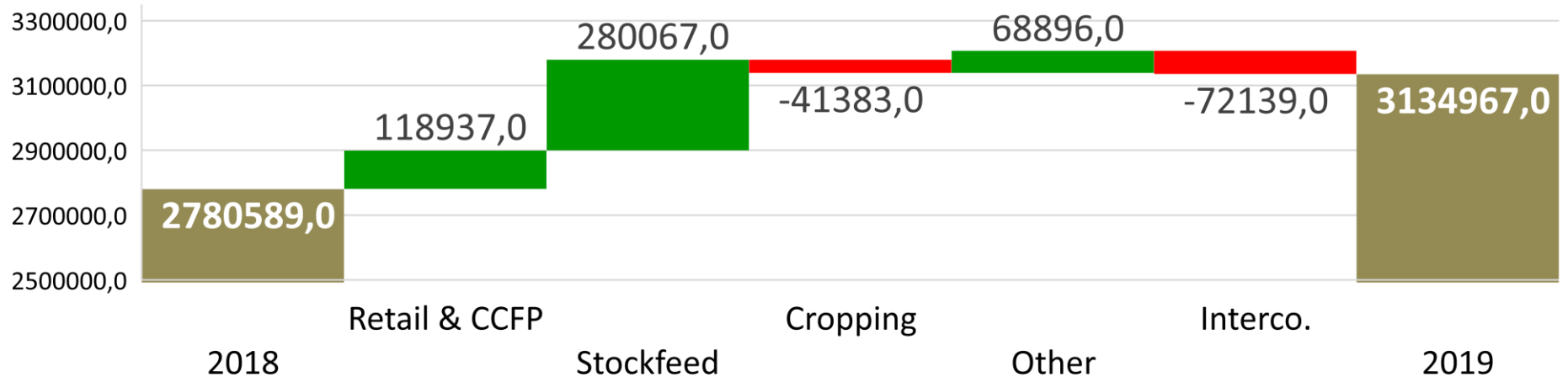
2019: USD 1.2m

2018: USD 0.7m

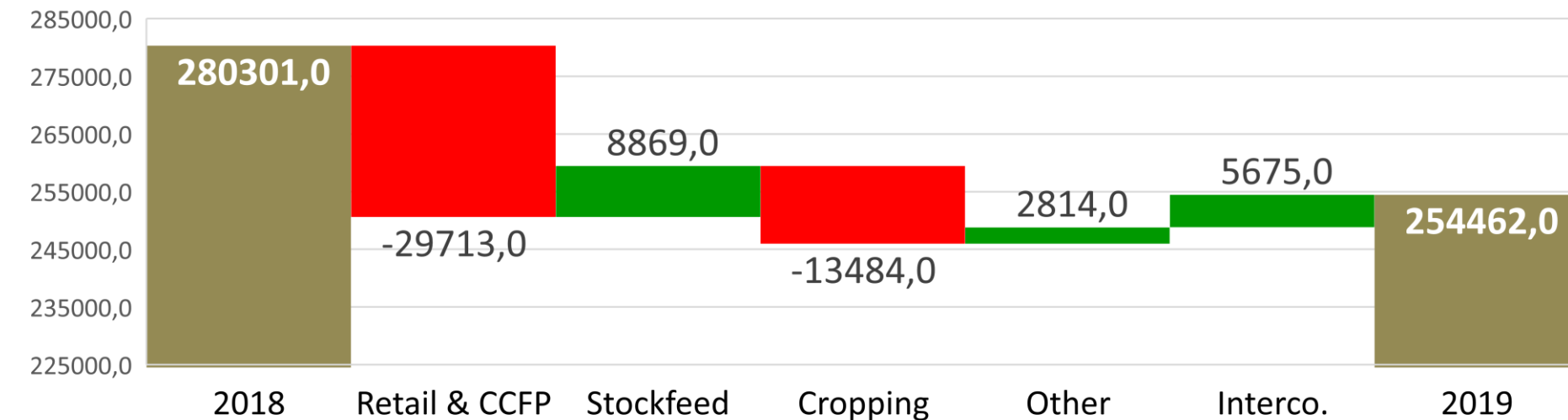


Financial Overview - Revenue

Revenue (ZMW'000)



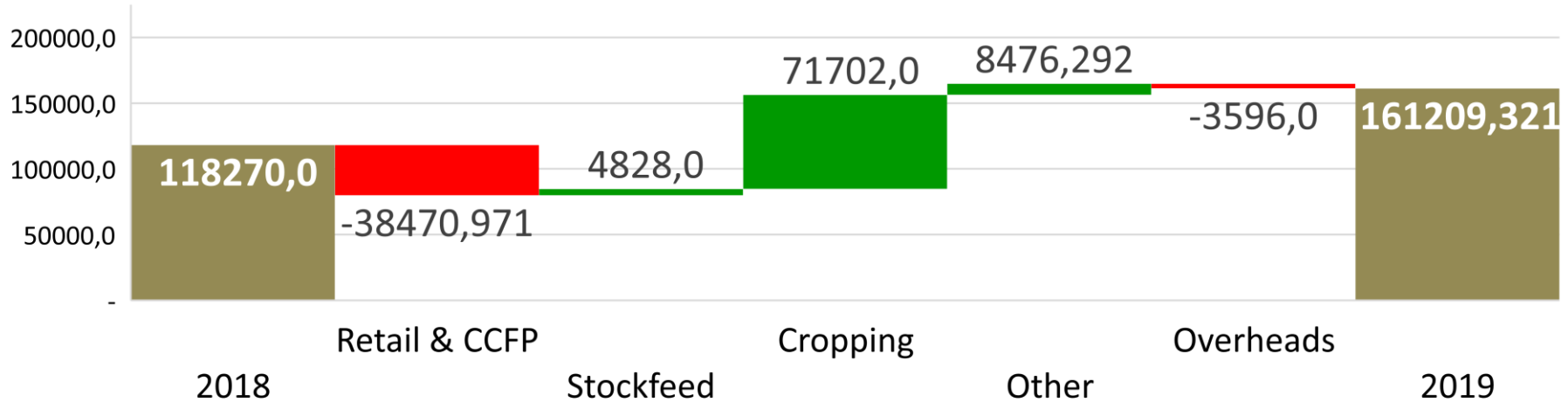
Revenue (USD'000)



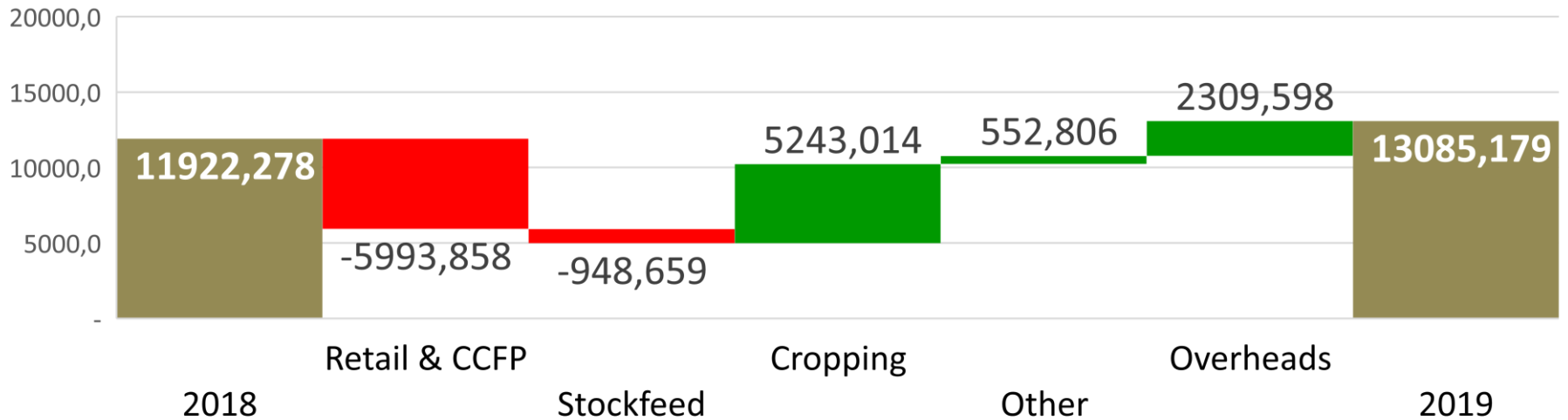
Financial Overview – Operating Profit



Operating Profit (ZMW'000)



Operating Profit (USD'000)



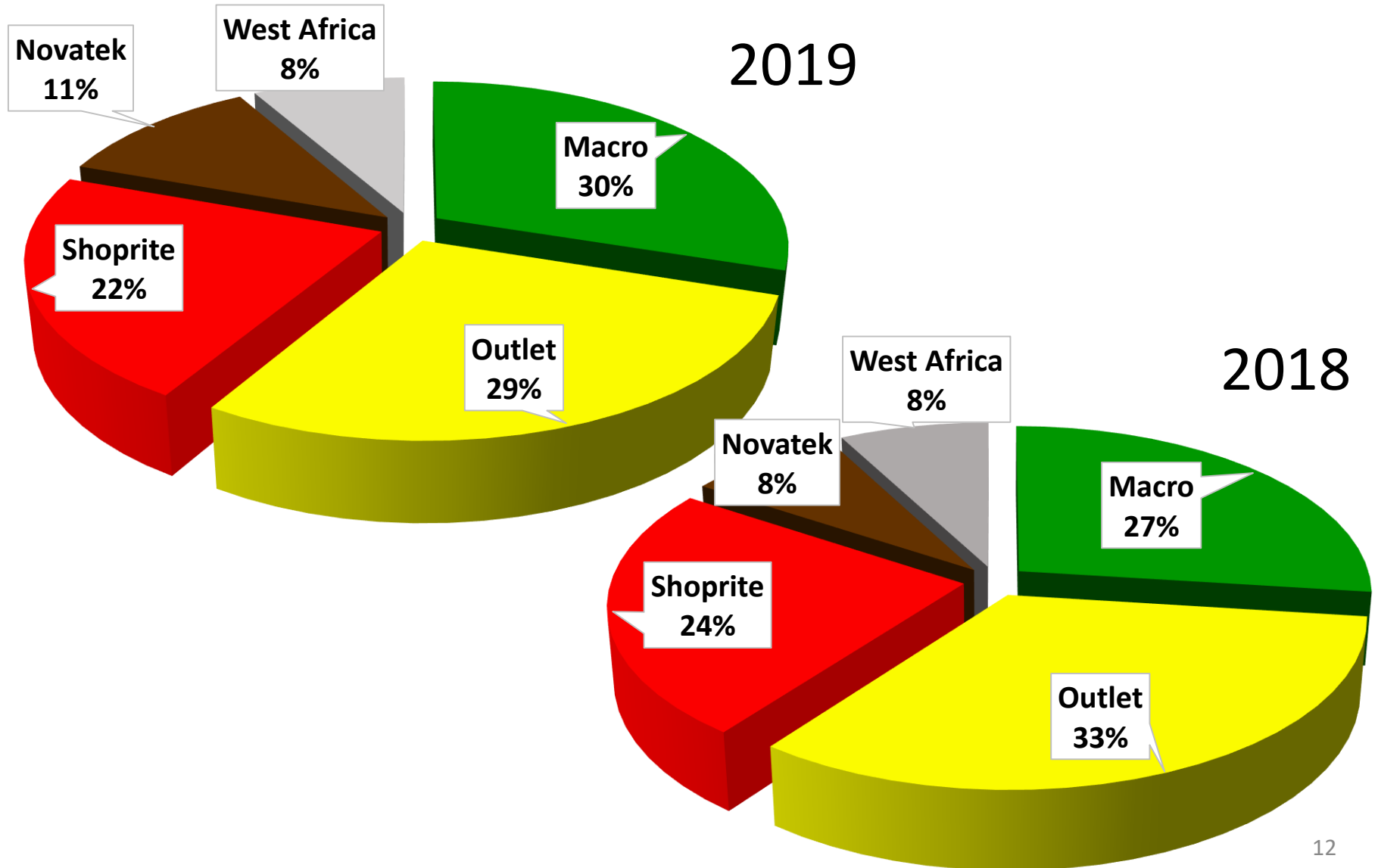
Retailing Network

	Actual 2019	Actual 2018	Actual 2017	Actual 2016
Zambia				
Zambeef Outlets	65	67	81	87
Zambeef Macros	35	29	19	10
Novatek	28	24	17	10
Zamshu Outlets	28	19	12	2
Bakery	1	1	0	0
	157	140	129	109
Shoprites	38	34	31	31
Total Zambia	195	174	160	140
Nigeria				
Shoprite	25	25	23	20
Master Meats Outlets	0	1	6	6
Total Nigeria	25	26	29	26
Ghana - Shoprites	6	6	6	5
TOTAL RETAIL NETWORK	226	206	195	171
Total Shoprites	69	65	60	56
Total Zambeef	157	141	135	115

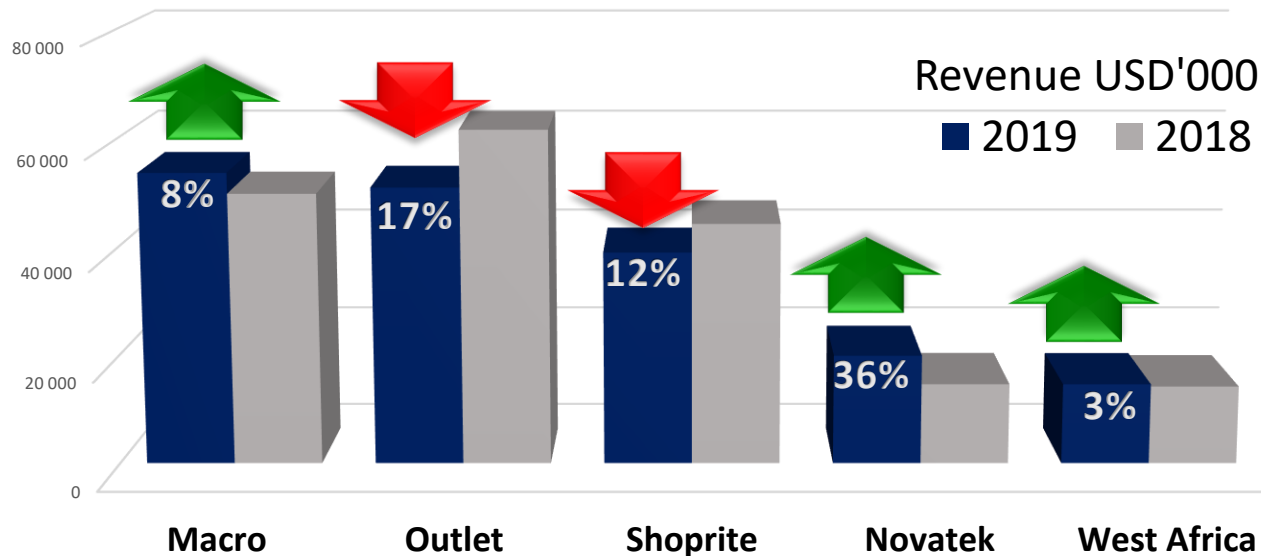
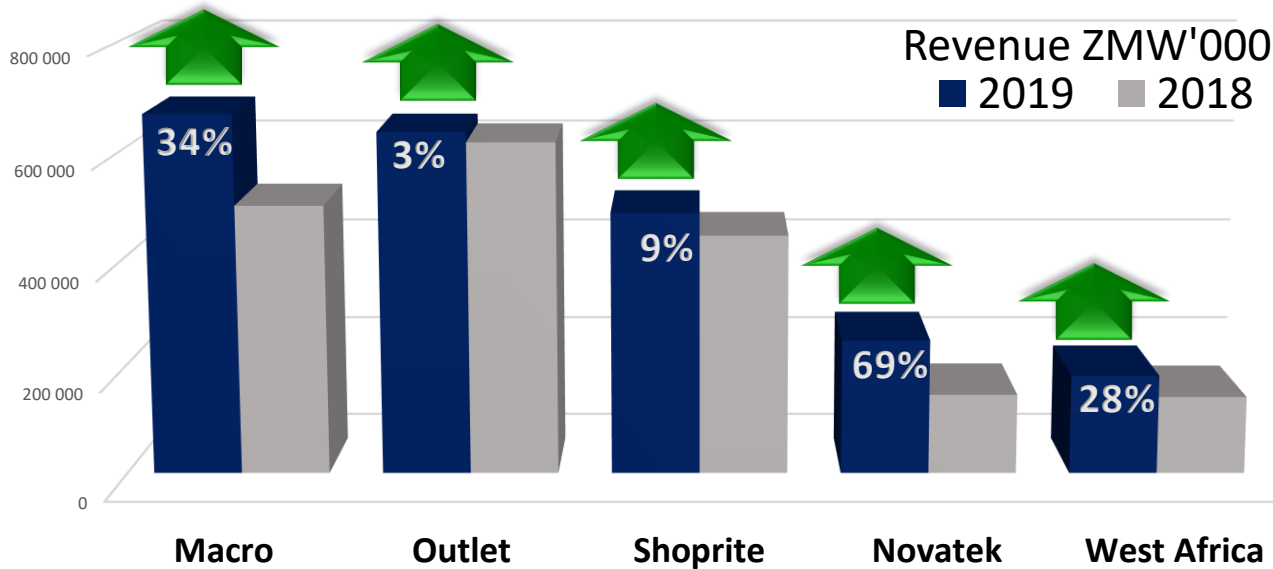


- 6 Macro outlets opened
- 4 Shoprites opened
- Rollout of Retail expansion continues to create demand for CCFP, day-old chicks and stock feed.

Retailing Revenue Channel Analysis



Retailing Revenue Channel Analysis



Retail & Cold Chain Food Products P&L

Retail & CCFP	2019	2018	%	2019	2018	%
	ZMW'000	ZMW'000	Change	USD'000	USD'000	Change
Revenue	2,123,648	2,004,711	6%	172,374	202,088	-15%
Gross Profit	581,159	578,987	0%	47,172	58,366	-19%
Overheads	-419,417	-385,484	9%	-34,044	-38,859	-12%
Operating Profit	107,744	146,215	-26%	13,128	19,507	-33%
GP %	27.4%	28.9%	-152 bps			
Cost:Income%	19.7%	19.2%	52 bps			
OP %	5.1%	7.3%	-222 bps			
Volume (Tons)	66,008	63,143	5%			

❑ Volume growth:

- Beef 3.4%
- Chicken 0.5%
- Day Old Chicks 13.3%
- Pork 5.4%
- Dairy 8.4%
- Egg -2.9%

❑ 2019 Challenges:

- Constrained consumer disposable income.
- Running of diesel gensets due to insufficient electricity supply, increased transportation costs due to 19% hike in Diesel prices.



Stockfeed P&L

	2019	2018	%	2019	2018	%
Novatek	ZMW'000	ZMW'000	Change	USD'000	USD'000	Change
Revenue	986,075	706,008	40%	80,039	71,170	12%
Gross Profit	191,011	163,442	17%	15,504	16,476	-6%
Overheads	-103,751	-82,460	26%	-8,421	-8,313	1%
Operating Profit	73,092	68,264	7%	5,933	6,881	-14%
GP %	19.4%	23.2%	-378 bps			
Cost:Income%	10.5%	11.7%	-116 bps			
OP %	7.4%	9.7%	-226 bps			
Stockfeed (Tons)	218,762	200,846	9%			

- ❑ Approximately 50% of all sales are generated through Zambeef macros and Zambeef internal livestock operations.
- ❑ Novatek has 132 branded external agency outlets (2018:119) .
- ❑ 46% increase in export sales with 12,718 tons having been exported to 11 neighbouring and other African countries.
- ❑ Aquaculture feed sales increased 39%.



Cropping P&L

Cropping	2019	2018	%	2019	2018	%
	ZMW'000	ZMW'000	Change	USD'000	USD'000	Change
Revenue	474,202	515,585	-8%	38,490	51,974	-26%
Gross Profit	270,116	189,601	42%	21,925	19,113	15%
Overheads	-126,413	-118,729	6%	10,262	11,969	-14%
Operating Profit	101,082	29,380	244%	8,205	2,962	177%
GP %	57.0%	36.8%	2019 bps			
Cost:Income%	26.7%	23.0%	363 bps			
OP %	21.3%	5.7%	1562 bps			
Soya Bean (Tons)	44,982	44,730	1%			
Wheat (Tons)	50,398	44,392	14%			

- ❑ Challenging business environment owing to a severe drought in the summer, inadequate electricity supply and water shortages in the winter.
- ❑ Produced company record wheat yields whilst the region experienced a devastating drought.
- ❑ Zambeef's cropping division provides a currency risk hedge against the depreciation of the Kwacha.



Other businesses P&L

Other	2019	2018	%	2019	2018	%
	ZMW'000	ZMW'000	Change	USD'000	USD'000	Change
Revenue	210,348	141,452	49%	17,074	14,259	20%
Gross Profit	39,261	27,129	45%	3,187	2,736	16%
Overheads	-21,930	-18,521	18%	-1,780	-1,867	-5%
Operating Profit	15,361	6,885	123%	1,247	694	80%
GP %	18.7%	19.2%	-51 bps			
Cost: Income%	10.4%	13.1%	-267 bps			
OP %	7.3%	4.9%	244 bps			
Flour (Tons)	16,966	13,165	29%			
Hides processed	84,657	123,014	-31%			
Shoes (Pairs)	79,396	80,583	-1%			

❑ Wheat Mill

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

❑ Zamleather

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



Abridged Balance Sheet

	30 Sep 19 <i>ZMW'000</i>	30 Sep 18 <i>ZMW'000</i>	30 Sep 19 <i>USD'000</i>	30 Sep 18 <i>USD'000</i>
Non Current Assets	3,077,526	3,132,288	233,146	255,907
Current Assets	1,389,279	1,031,956	105,248	84,310
TOTAL ASSETS	4,466,805	4,164,244	338,394	340,217
Capital and Reserves	3,240,828	3,107,114	245,517	253,852
Non-Current Liabilities	272,896	357,995	20,674	29,248
Current Liabilities	953,081	699,135	72,203	57,117
TOTAL EQUITY AND LIABILITIES	4,466,805	4,164,244	338,394	340,217
Current Ratio	1.46	1.48		
Total Debt / Equity (Gearing Ratio)	27.4%	22.1%		



Abridged Cash Flow Statement

	30 Sep 19 ZMW'000	30 Sep 18 ZMW'000	30 Sep 19 USD'000	30 Sep 18 USD'000
Profit before taxation	38,653	28,011	3,138	2,823
EBITDA, Fair value adj. & FOREX	224,904	294,390	18,255	29,677
Net cash inflow from operating activities	-30,806	79,635	-2,500	8,028
Movement in Working Capital	-255,710	-214,755	-20,755	-21,649
Net cash flow from investing activities	-102,049	7,658	-8,283	1,482
Net cash flow before financing - Net Free Cash Flow	-132,855	87,293	-10,783	9,510
Net cash outflow from financing activities	-59,540	-137,044	-4,833	-13,815
Cash and cash equivalents at beginning of year	-135,743	-105,148	-11,090	-10,874
Cash and cash equivalents at end of year	-274,425	-135,743	-20,790	-11,090



Capex



Record low of ZMW113.8 million (USD 9.2 million) with a focus on completing expansion projects started in previous reporting periods;

- ❑ USD5.02 million on Retail & Cold Chain Food Products with the addition of
 - Retail: 6 new Macro outlets and the expansion of the logistics fleet.
 - Zamhatch: completion of the expansion of the hatchery and breeding farm capacity from 400,000 to 500,000 hatching eggs per week.
 - Zamchick: completion of 2 ton/hour gyro freezer to double Individually Quick Frozen (IQF) chicken production.
- ❑ USD1.03 million on Stock Feed logistics, material storage and replacement of equipment.
- ❑ USD0.76 million on Cropping equipment replacement.
- ❑ USD0.72 million on milling and leather, doubling the shoe manufacturing capacity from 500 to 1,000 pairs per day.
- ❑ USD1.67 million on environmental & safety improvements and contingency spending.

Outlook & Strategic focus

❑ Macro Economic factors

- Zambia's GDP is forecast to grow by 3% in 2020 (Target 2% end 2019)
- Electricity constraints
 - Supply (Hydro-electricity reliance, Regional drought)
 - Tariff increase to cost reflective rates expected
- Zambian Kwacha further sharp depreciation
 - BOP
 - External debt
- Escalation in interest and inflation rates

❑ Climate

- Average summer rainfall season predicted (Improved power & reduced Maize prices expected from mid 2020)

❑ Strategy

De-Risking the business;

- Consistent revenue growth through expansion of our retail network
- 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.

Questions?

