



Financial Results

for the half-year period ended 31 March 2020

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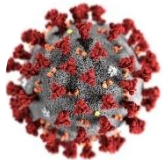
Business Highlights



- Exponential operating profit growth
- Strong financial performance at Novatek
- Improved yields & revenue in the Cropping division
- High operational leverage in the Dairy division



- Zambian Kwacha depreciated by 37%
- Inflationary pressures plaguing consumers
- Liquidity squeeze in the general economy
- High input costs



- Inception of the Coronavirus (COVID-19) pandemic
- Global commodity prices under significant pressure due to reduced demand
- Oil prices dropped by over 60% since 1st January 2020 as at HY 20
- Border closures slowing down imports & exports

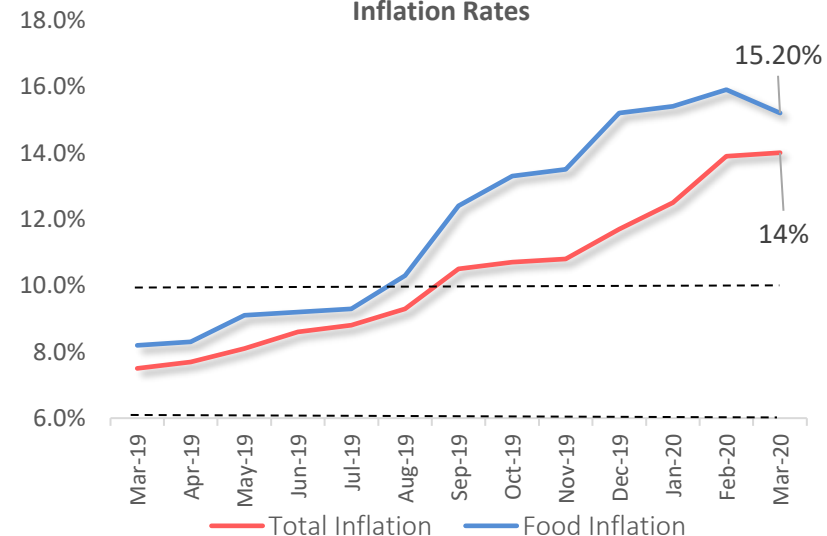


- Net debt in ZMW increased by 13% during the half year period ended 31 March 2019 (reduced by 17.4% in USD terms).
- ZMW 57 million or \$4 million in term debt repayments during the half year period under review

USD Spot Rate
(in ZMW)



Inflation Rates



Operating Environment

ECONOMY

ZMW / USD

22%

HY20: 14.5

HY19: 11.9

Inflation

56%

HY20: 12.3%

HY19: 7.9%

Electricity (K/kWh)

38%

HY20: 0.42

HY19: 0.30

TBS 365

22%

HY20: 28.2%

HY19: 23.2%

Copper (\$/Ton)

20%

HY20: 5,178

HY19: 6,451

INPUTS

Maize (\$)

72%

HY20: 323 /ton

HY19: 187 /ton

Soya Cake (\$)

12%

HY20: 437 /ton

HY19: 497 /ton

Day-old chicks (K)

9%

HY20: 6.3 /chick

HY19: 5.8 /chick

Broiler Feed (K)

31%

HY20: 304/50kg

HY19: 232/50kg

Layer Feed (K)

52%

HY20: 239 /50Kg

HY19: 157 /50Kg

PRODUCTS

B/fast Mealie Meal (K)

71%

HY20: 151 /25Kg

HY19: 88 /25Kg

Beef (All)

6%

HY20: K26.4 /Kg

HY19: K24.8 /Kg

Frozen Chicken

17%

HY20: K22.9 /Kg

HY19: K19.6 /Kg

Whole Pig (K/kg)

19%

HY20: 36.6

HY19: 30.8

Egg Tray (30)

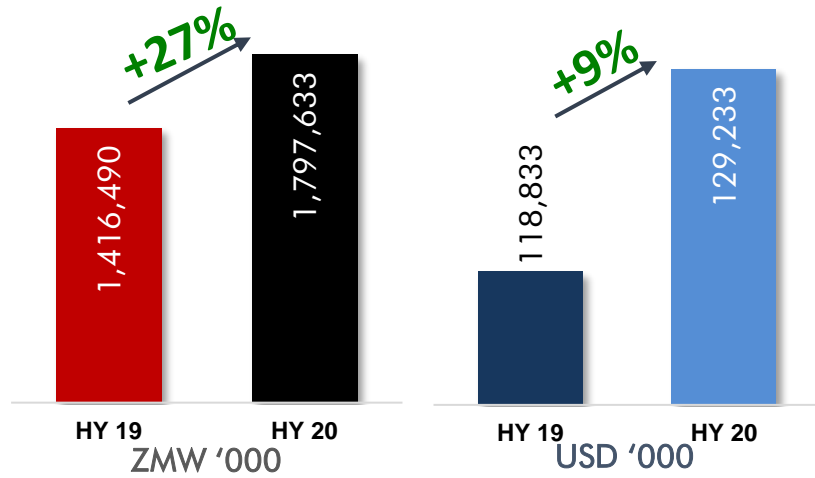
20%

HY20: K29.3

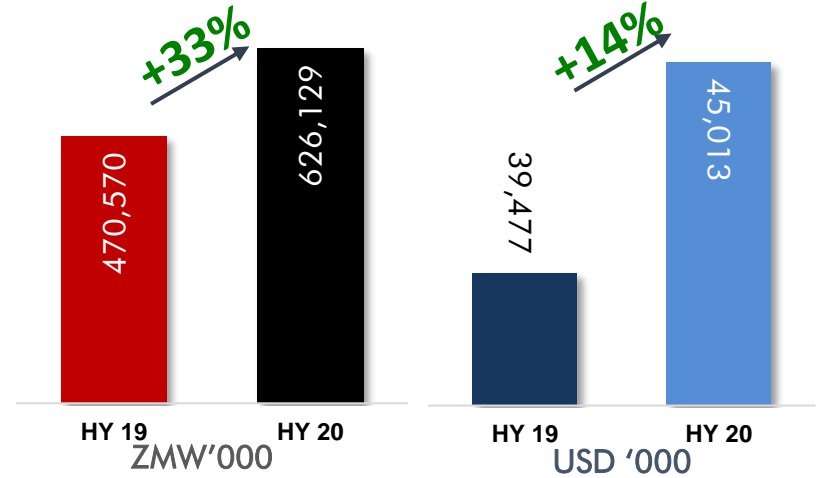
HY19: K24.4

Financial Overview

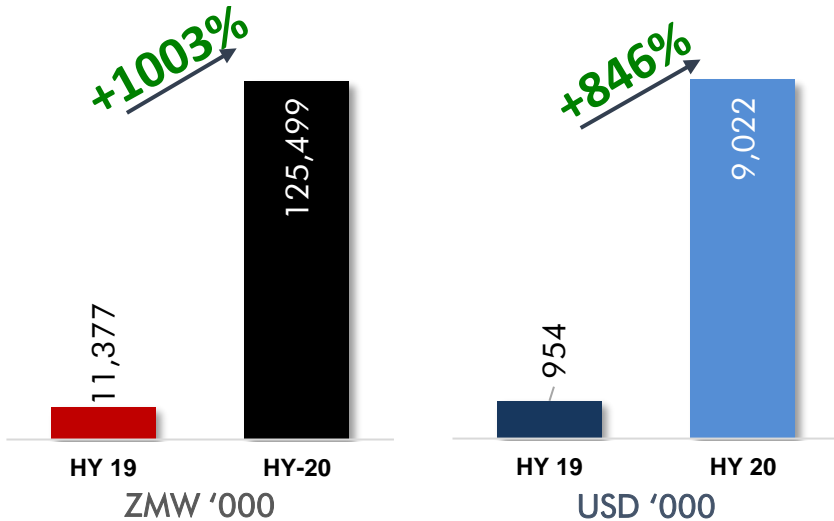
Revenue



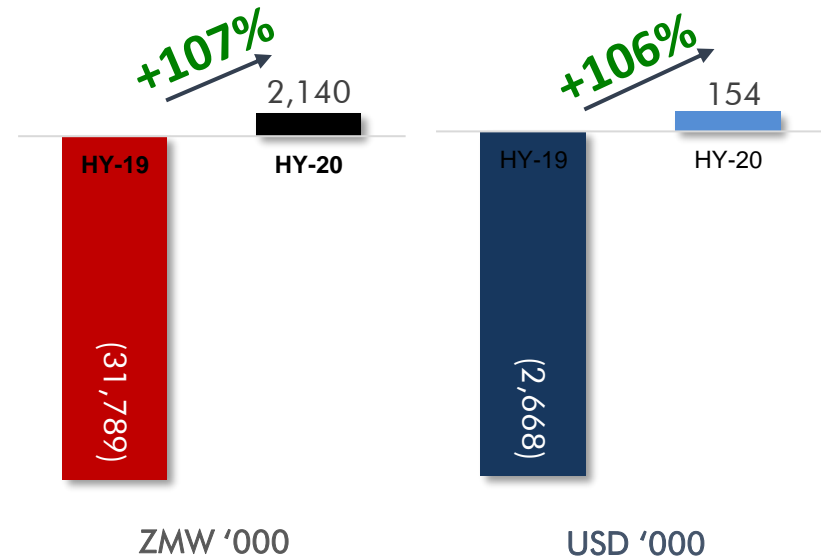
Gross Profit



Operating Profit



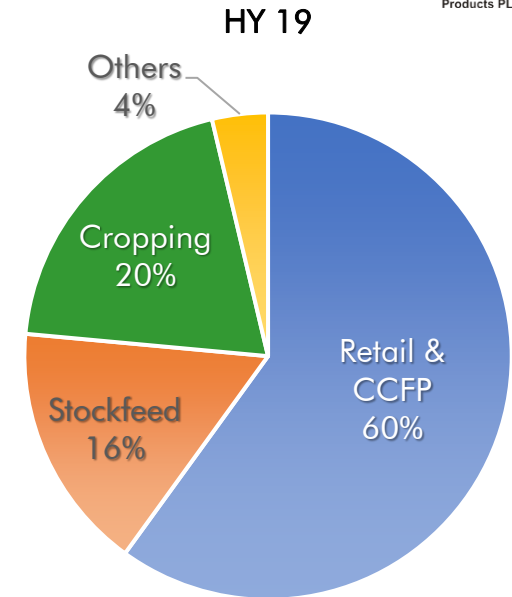
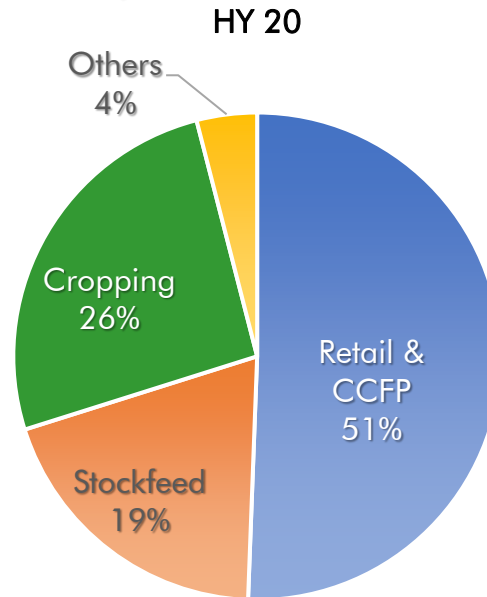
Group Income



Group Profit Analysis (ZMW'000)

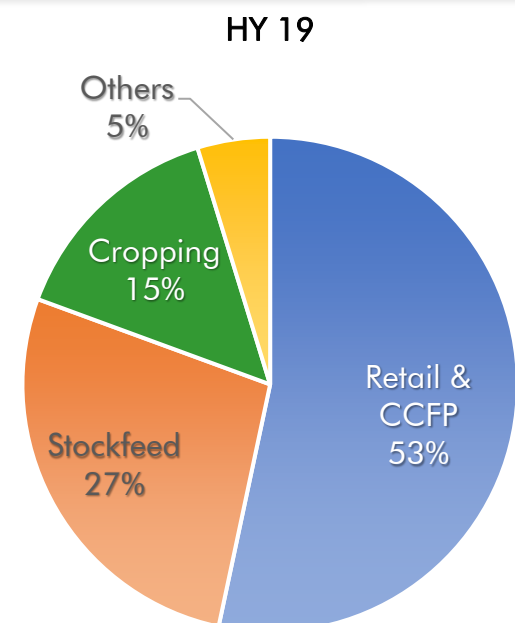
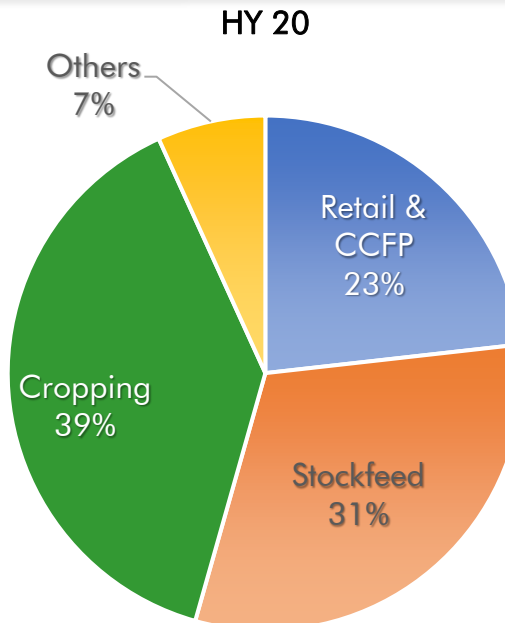
Gross Profit

	HY 20	HY 19	%Δ
Retail & CCFP	316,798	282,279	12.2%
Stockfeed	122,378	77,544	57.8%
Cropping	161,886	93,323	73.5%
Others	25,067	17,424	43.9%
Total	626,129	470,570	33.1%



Operating Profit

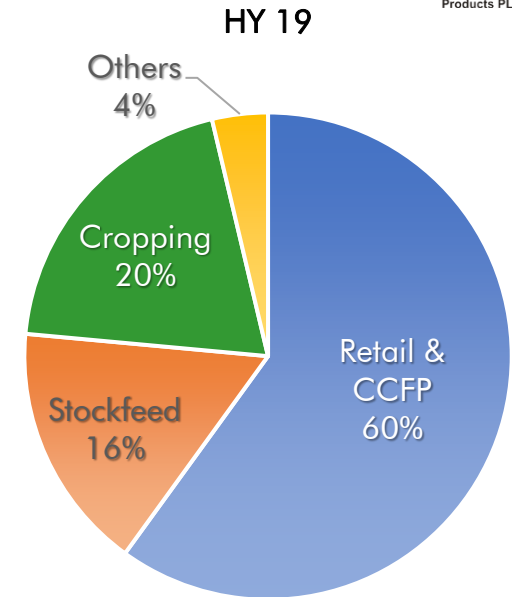
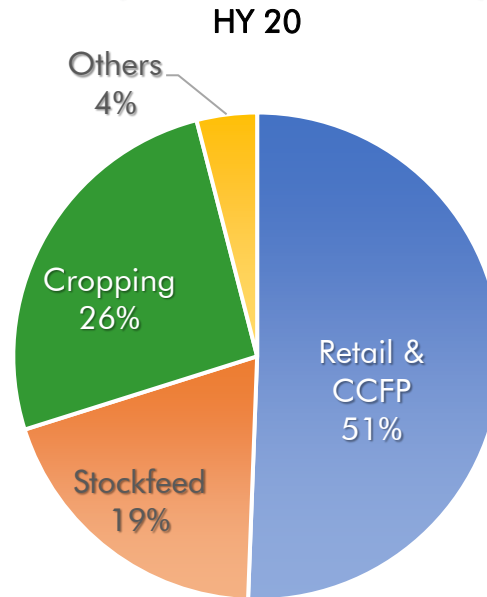
	HY 20	HY 19	%Δ
Retail & CCFP	45,900	46,324	-0.9%
Stock Feed	61,625	23,671	160.3%
Cropping	76,735	12,730	502.8%
Others	13,434	4,119	226.1%
<i>Central Overheads</i>	<i>(72,195)</i>	<i>(75,467)</i>	-4.3%
Total	125,499	11,377	1003.1%



Group Profit Analysis (USD'000)

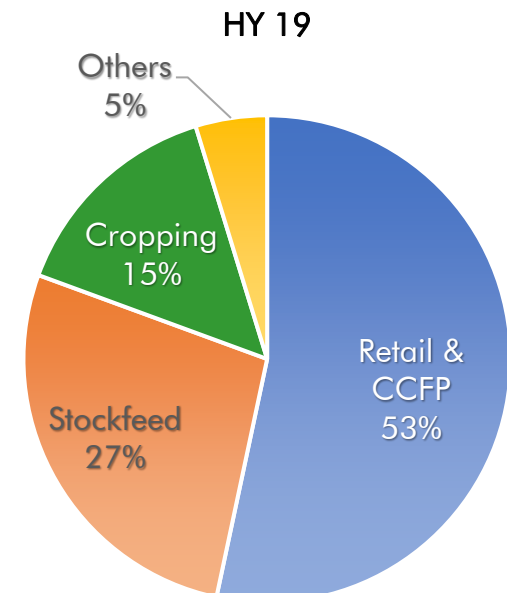
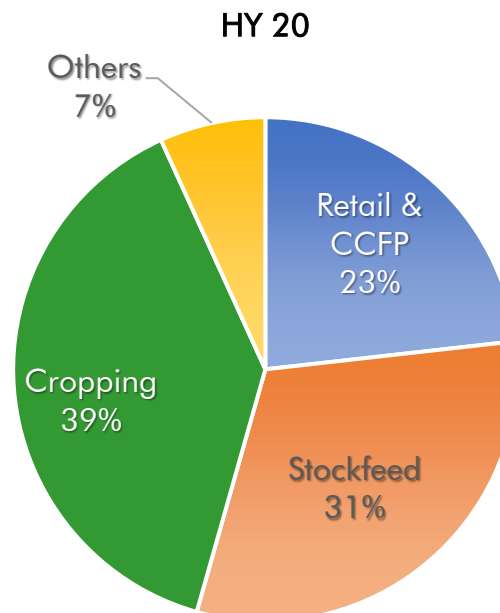
Gross Profit

	HY 20	HY 19	%Δ
Retail & CCFP	22,775	23,681	-3.8%
Stockfeed	8,798	6,505	35.2%
Cropping	11,638	7,829	48.7%
Others	1,802	1,462	23.3%
Total	45,013	39,477	14.0%



Operating Profit

	HY 20	HY 19	%Δ
Retail & CCFP	3,300	3,886	-15.1%
Stockfeed	4,430	1,986	123.1%
Cropping	5,517	1,068	416.6%
Others	965	346	178.9%
<i>Central Overheads</i>	<i>(5,014)</i>	<i>(6,332)</i>	<i>-20.8%</i>
Total	9,198	954	864.2%



Financial Overview – P&L



	2020 ZMW'000	2019 ZMW'000	%Δ	2020 USD'000	2019 USD'000	%Δ
Revenue	1,797,633	1,416,490	26.9%	129,233	118,833	8.8%
Cost of Sales	(1,161,096)	(930,191)	24.8%	(83,472)	(78,036)	7.0%
Gross profit	626,129	470,570	33.1%	45,013	39,477	14.0%
Overheads	(428,435)	(383,726)	11.7%	(30,801)	(32,192)	-4.3%
Central Overhead	(72,195)	(75,467)	-4.3%	(5,014)	(6,331)	-20.8%
EBITDA	191,784	70,104	173.6%	13,963	5,881	137.4%
Operating profit	125,499	11,377	1003.1%	9,022	954	845.7%
Finance costs	(48,241)	(36,367)	32.7%	(3,468)	(3,051)	13.7%
Share of loss equity accounted investment	(1,898)	(1,819)	4.3%	(136)	(153)	-11.1%
Exchange losses on translating foreign currency transactions and balances	(62,870)	(3,347)	1778.4%	(4,520)	(281)	1508.5%
Profit/(loss) before taxation	12,490	(30,156)	141.4%	898	(2,531)	135.5%
Taxation charge	(927)	(1,633)	-43.2%	(67)	(137)	-51.1%
Group profit/(loss) from continued operations	11,563	(31,789)	136.4%	831	(2,668)	131.1%
Loss from discontinued operations	(9,423)	-	-	(677)	-	-
Total (loss)/profit for the period	2,140	(31,789)	106.7%	154	(2,668)	105.8%

<i>Gross Profit Margin</i>	34.8%	33.2%	161 bps
<i>Cost to Income Ratio</i>	27.8%	32.4%	-457 bps
<i>EBITDA Margin</i>	10.7%	4.9%	572 bps
<i>Operating Profit Margin</i>	7.0%	0.8%	618 bps

- Improved Revenue performance across most divisions led by the Novatek and Cropping
- As a result of the depreciation of the currency, growth realized in ZMW did not translate directly into USD terms. However, impressive growth was realized in USD terms regardless.
- The persistence of the load-shedding during the period under review had an adverse effect on operating income
- The drought in the 2019 calendar year caused commodity prices to increase significantly which had an adverse effect on input costs across the divisions

Retailing Network



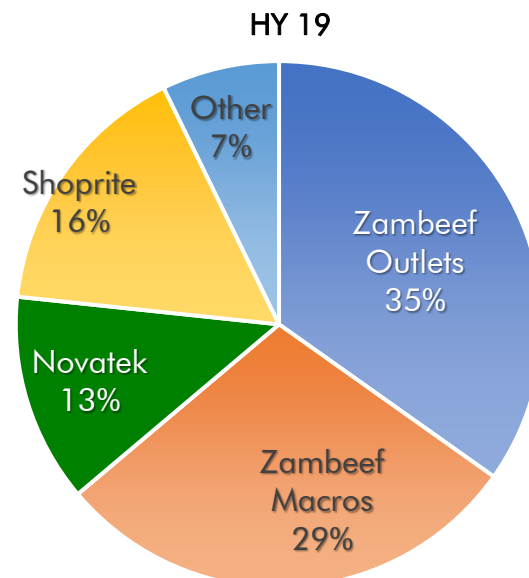
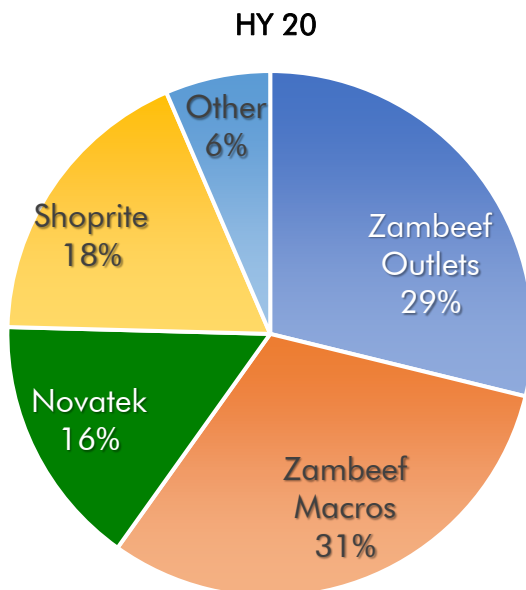
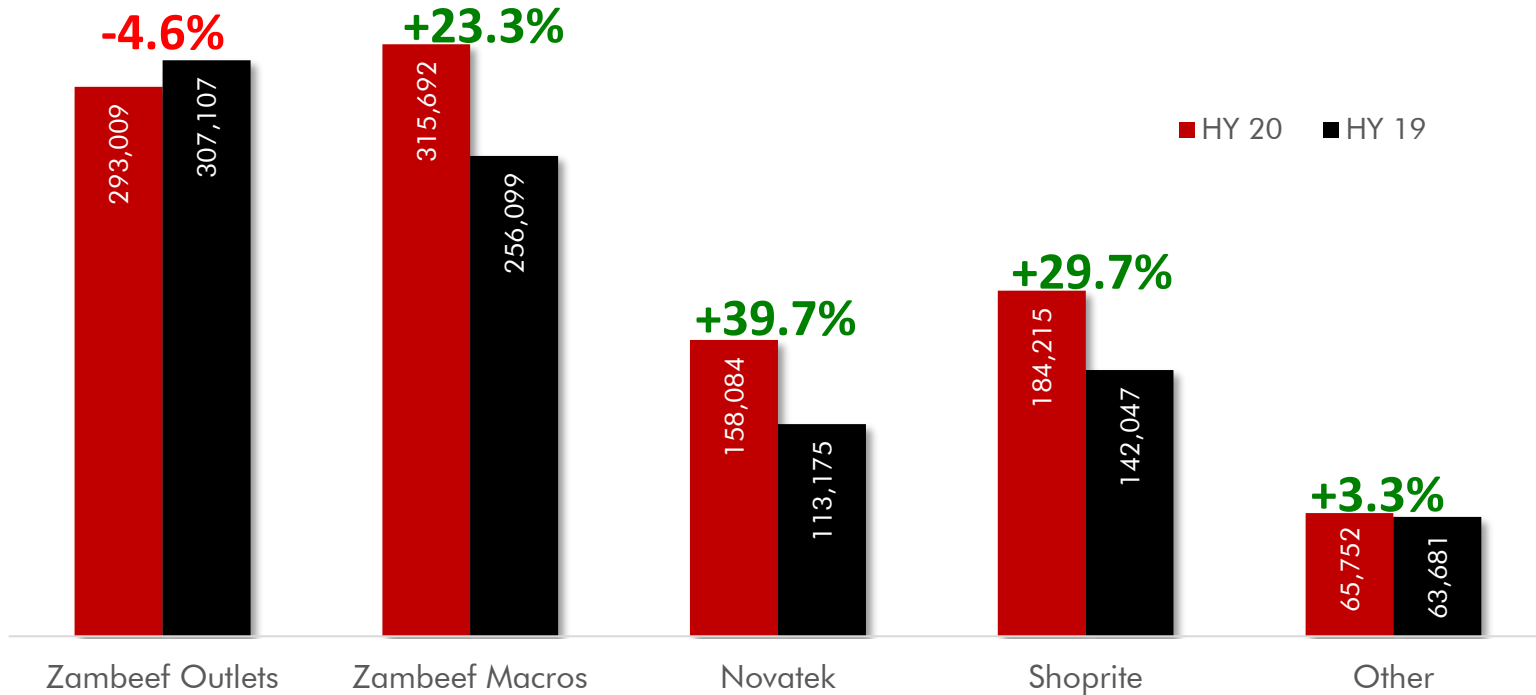
	HY-20	2019	2018	2017	2016
Zambia					
Zambeef Outlets	67	65	67	81	87
Zambeef Macros	37	35	29	19	10
Novatek	29	28	24	17	10
Zamshu Outlets	32	28	19	12	2
Bakery	1	1	1	0	0
	<u>166</u>	<u>157</u>	<u>140</u>	<u>129</u>	<u>109</u>
Shoprites	38	38	34	31	31
Total Zambia	204	195	174	160	140
Nigeria					
Shoprite	26	25	25	23	20
Master Meats Outlets	0	0	1	6	6
Total Nigeria	26	25	26	29	26
Ghana - Shoprites	7	6	6	6	5
TOTAL RETAIL NETWORK	237	226	206	195	171
Total Shoprites	71	69	65	60	56
Total Zambeef	166	157	141	135	115

Highlights

- ❑ Successful roll out of two new Macro's and two outlets
- ❑ Zambeef's strategic focus on the roll-out of macro and retail stores across Zambia has continued to contribute to revenue growth.

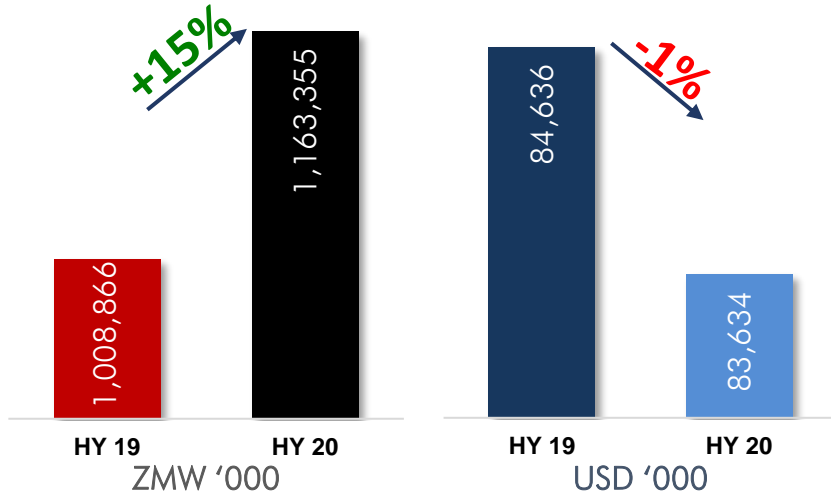


Retailing Revenue Channel Analysis-Zambia (ZMW'000)

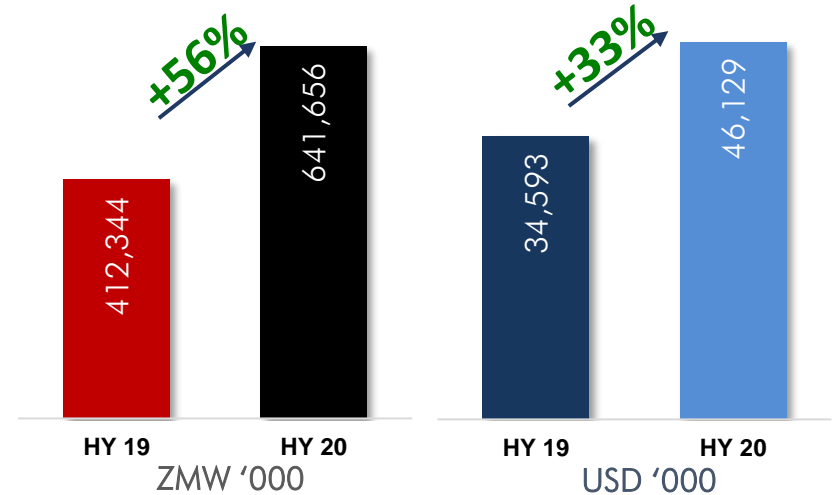


Divisional Overview – Revenue

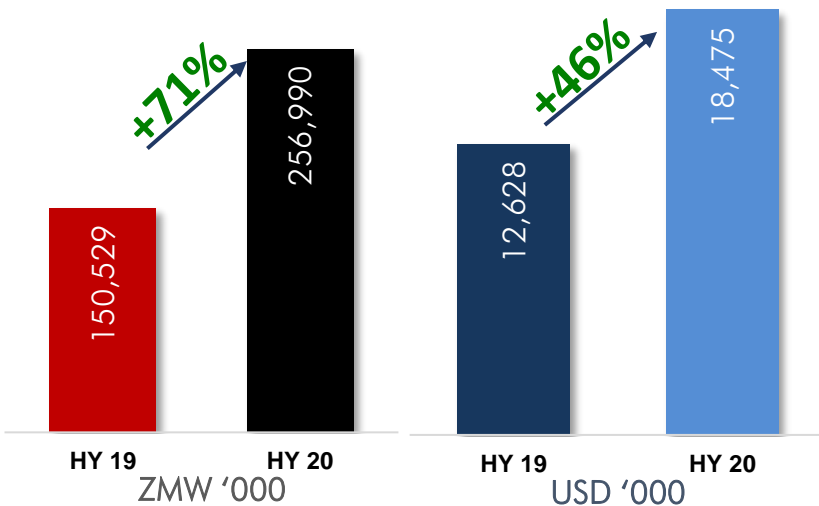
Retail & CCFP



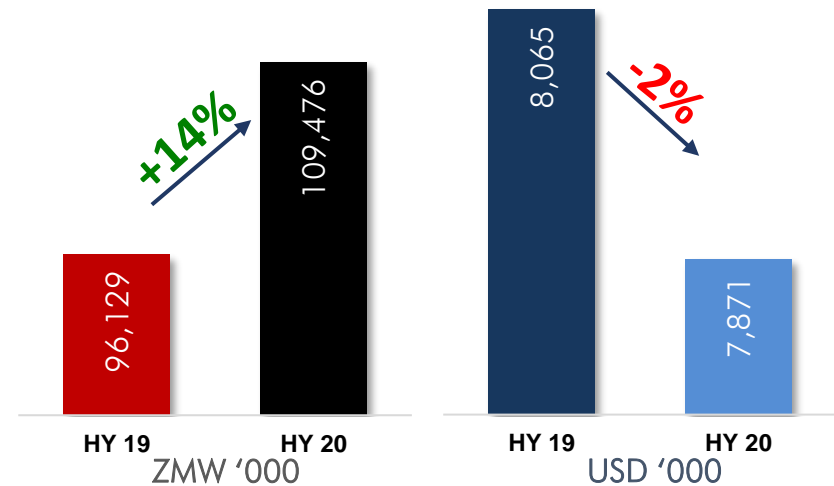
Stockfeed



Cropping



Other Businesses



Retail & Cold Chain Food Products P&L

	HY 20 ZMW'000	HY 19 ZMW'000		HY 20 USD'000	HY 19 USD'000	
Retail & CCFP	1,163,355	1,008,866	15.3%	83,634	84,636	-1.2%
Gross Profit	316,798	282,279	12.2%	22,775	23,681	-3.8%
Overheads	(270,897)	(235,955)	14.8%	(19,475)	(19,795)	-1.6%
Operating Profit	45,900	46,324	-0.9%	3,300	3,886	-15.1%
GP %	27.2%	28.0%	-75 bps			
Operating Profit %	3.9%	4.6%	-65 bps			
Cost to Income	23.3%	23.4%	-11 bps			

Highlights

- ❑ Favourable beef prices resulted in increased revenue despite marginal increase in volume
- ❑ Retail West Africa turned profitable

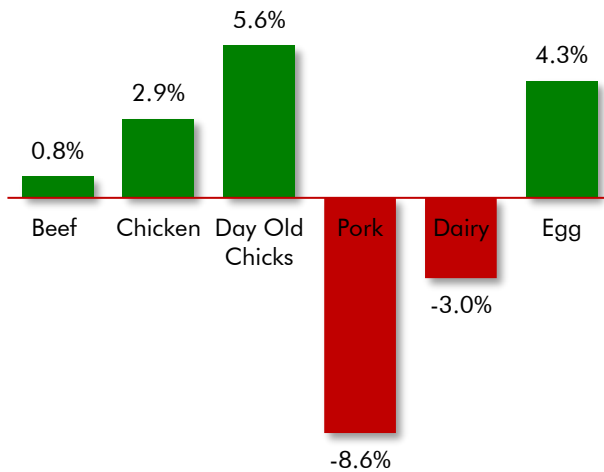
Challenges

- ❑ Consumers disposable income was constrained during the period, driven by high inflation levels
- ❑ Margins came under pressure as higher input costs could not be passed on to consumers

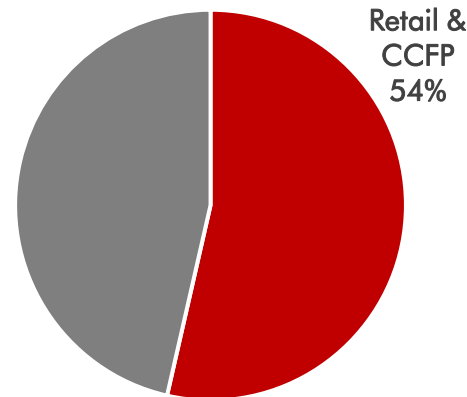
H2 factors & strategy

- ❑ Animal feed prices are expected to reduce during the second-half which will translate into cost reduction and margin improvement

CCFP Volumes Growth



Revenue Contribution



Stockfeed P&L

	HY 20 ZMW'000	HY 19 ZMW'000		HY 20 USD'000	HY 19 USD'000	
Revenue	641,656	412,344	55.6%	46,129	34,593	33.3%
Gross Profit	122,378	77,544	57.8%	8,798	6,505	35.2%
Overheads	(60,752)	(53,873)	12.8%	(4,368)	(4,520)	-3.4%
Operating Profit	61,624	23,671	160.3%	4,430	1,985	123.2%
GP %	19.1%	18.8%	26 bps			
Operating Profit %	9.6%	5.7%	386 bps			
Cost to Income	9.5%	13.1%	-360 bps			
Volumes	117,227	98,847	18.6%			

Highlights

- 109% increase in export sales with 10,560 tonnes having been exported to 11 neighbouring and other African countries

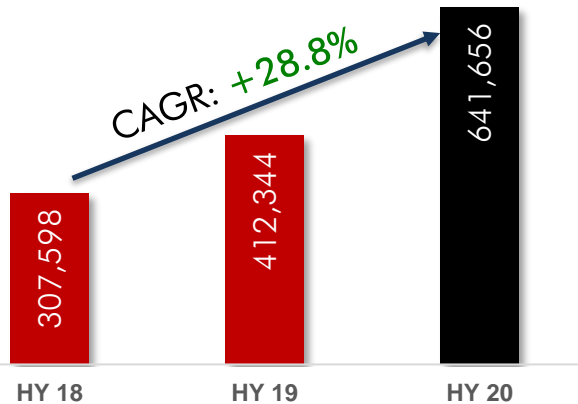
Challenges

- Increased raw material costs, due to a severe drought in the 2019 harvest season
- Running backup diesel generators for prolonged periods

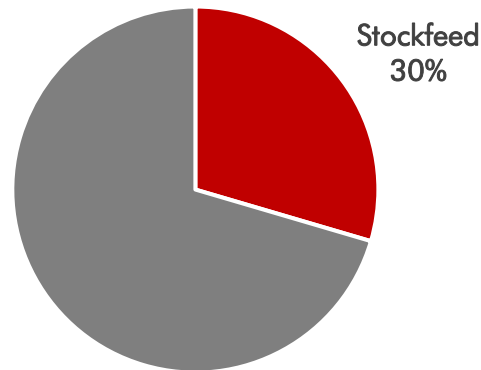
H2 factors & strategy

- Management focus on cost control is expected to continue in the second half of the year
- Raw material input prices expected to reduce due to a potential good harvest of new season crop
- Focus on margin improvement

Revenue
ZMW'000



Revenue Contribution



Cropping P&L

	HY 20 ZMW'000	HY 19 ZMW'000		HY 20 USD'000	HY 19 USD'000	
Revenue	256,990	150,529	70.7%	18,475	12,628	46.3%
Gross Profit	161,886	93,323	73.5%	11,638	7,829	48.7%
Overheads	(85,151)	(80,593)	5.7%	(6,122)	(6,761)	-9.5%
Operating Profit	76,735	12,730	502.8%	5,517	1,068	416.6%
GP %	63.0%	62.0%	99 bps			
Operating Profit %	29.9%	8.5%	2140 bps			
Cost to Income	33.1%	53.5%	-2041 bps			

Highlights

- ❑ Cropping revenue increased 71% on the back of improved soya bean and maize silage yields and increased maize planted hectares

Challenges

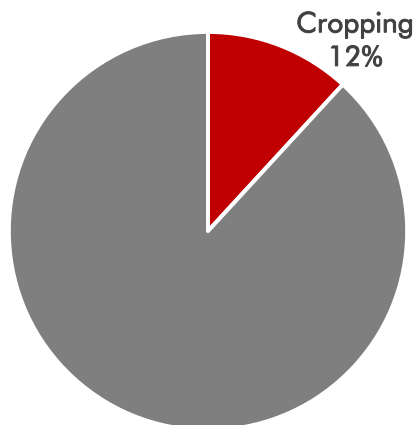
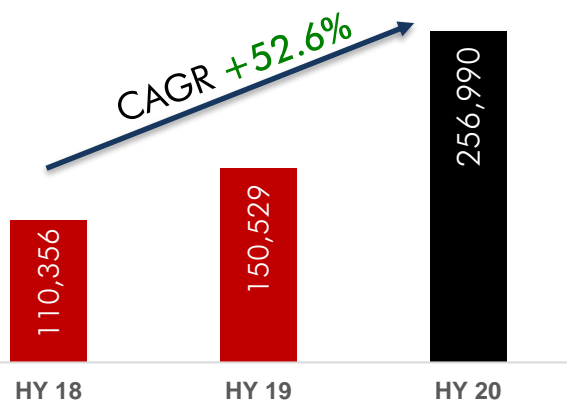
- ❑ Increased dollar denominated input costs due to the depreciation of the kwacha and persistent load-shedding

H2 factors & strategy

- ❑ Dollar denominated revenue in the cropping division hedging against potential depreciation of the Kwacha
- ❑ Load shedding could have an adverse effect on winter crop yields

Revenue
In ZMW'000

Revenue Contribution



Other divisions P&L

	HY 20 ZMW'000	HY 19 ZMW'000		HY 20 USD'000	HY 19 USD'000	
Revenue	109,476	96,129	13.9%	7,870	8,065	2.4%
Gross Profit	25,067	17,424	43.9%	1,802	1,462	23.3%
Overheads	(11,634)	(13,305)	-12.6%	(836)	(1,116)	-25.1%
Operating Profit	13,434	4,119	226.1%	965	346	178.9%
GP %	22.9%	18.1%	477 bps			
Operating Profit %	12.3%	4.3%	798 bps			
Cost to Income	10.6%	13.8%	-322 bps			

Highlights

- ❑ Shoe sales increased by 26% to 56,093 pairs (HY 2019: 44,370 pairs), supported by the expansion into key strategic new sales markets.
- ❑ Flour prices increased due to the depreciation of the Kwacha

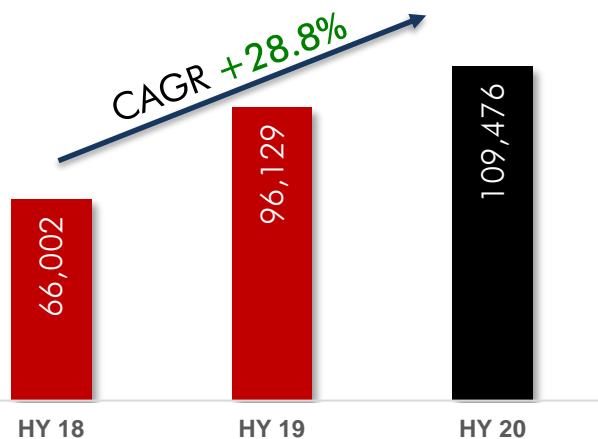
Challenges

- ❑ Strained demand for wet-blue continued during the period as sales reduced by 9%

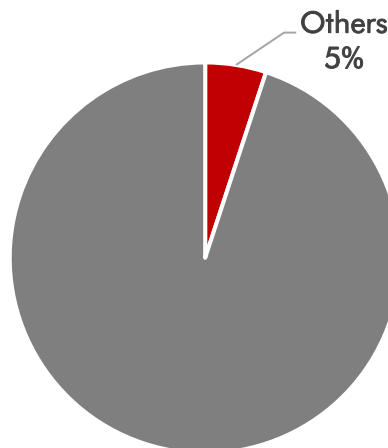
H2 factors & strategy

- ❑ The Group will focus on sourcing market and alternative sales channels for Zamshu products

Revenue
ZMW'000



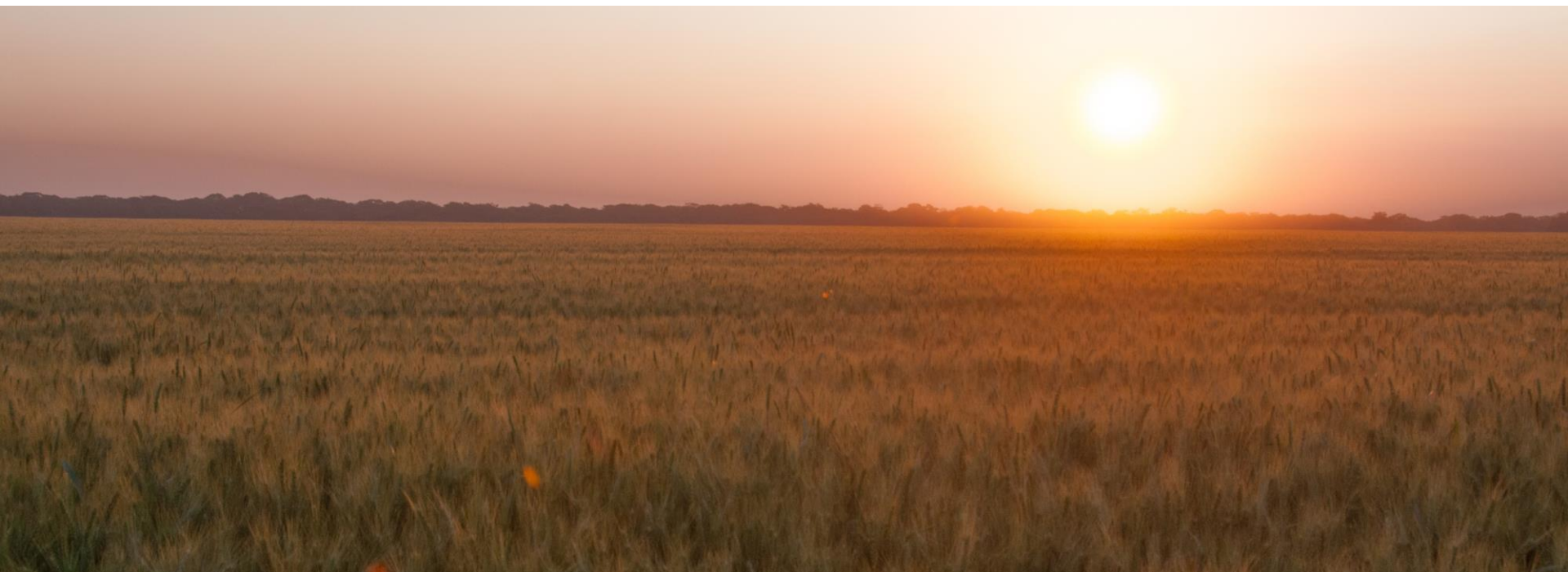
Revenue Contribution



Abridged Balance Sheet

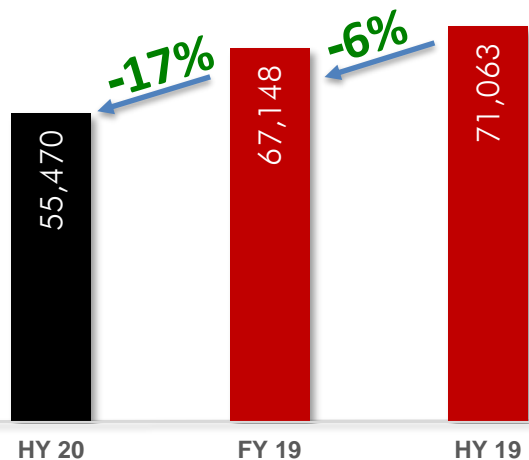


	HY 20	FY 19	HY 19	HY 20	FY 19	HY 19
	ZMW'000s	ZMW'000s	ZMW'000s	USD '000s	USD '000s	USD '000s
Non – current assets	3,550,005	3,077,526	3,123,611	196,567	233,146	256,243
Current assets	1,479,447	1,389,279	1,092,947	81,918	105,248	89,659
Total assets	5,029,452	4,466,805	4,216,558	278,485	338,394	345,902
Capital and reserves	3,677,362	3,240,828	3,088,861	203,619	245,517	253,392
Non – current liabilities	302,478	272,896	309,245	16,749	20,674	25,369
Current liabilities	1,049,612	953,081	818,452	58,117	72,203	67,141
Total equity and liabilities	5,029,452	4,466,805	4,216,558	278,485	338,394	345,902
Current Ratio	1.41	1.46	1.34	1.41	1.46	1.34
Total Debt/Equity (Gearing ratio)	27.20%	27.30%	28.00%	27.20%	27.30%	28.00%

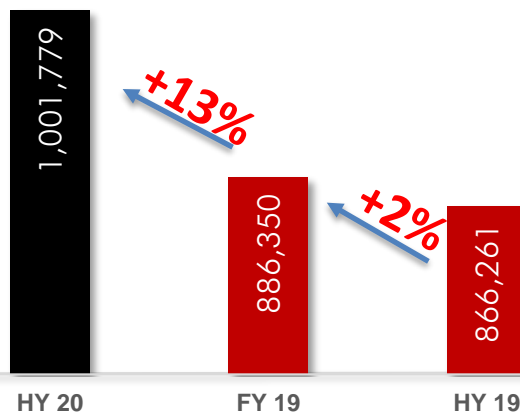


Group Debt Analysis

Net Debt
(in USD'000s)



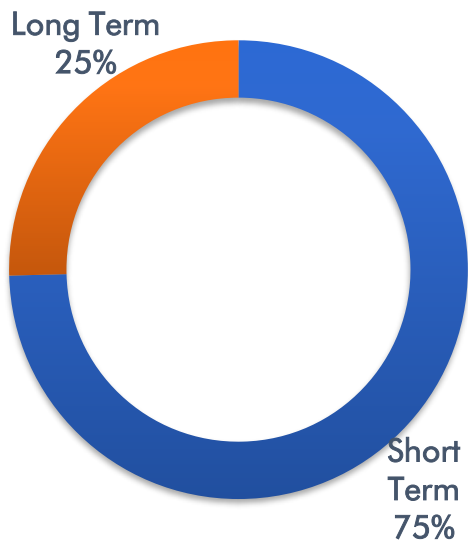
Net Debt
(in ZMW'000s)



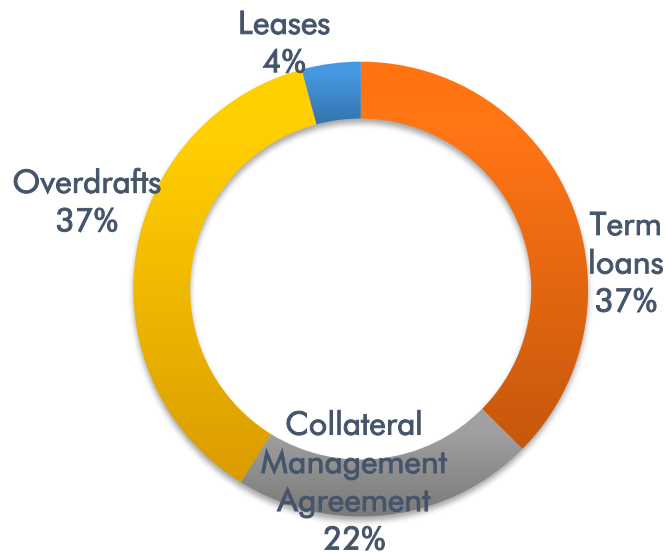
Term Loan Repayments during HY
ZMW 56,612,295
(USD 4,069,899)

ZMW:USD	Average FX rate	Closing rate
HY 2019	11.92	12.19
FY 2019	12.32	13.2
HY 2020	13.91	18.06

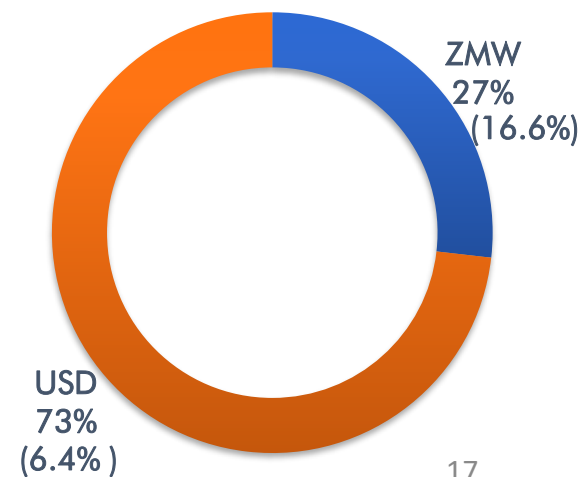
Debt Profile



Source Breakdown



Currency Split & (Price)



Abridged Cashflow Statement



	HY 20 ZMW'000s	FY 19 ZMW'000s	HY 19 ZMW'000s	HY 20 USD '000s	FY 19 USD '000s	HY 19 USD '000s
Profit/(Loss) before taxation	12,490	38,653	(30,156)	898	3,138	(2,531)
EBITDA, Fair value adjustments and Forex	160,951	224,904	81,601	11,566	18,255	6,846
Net cash (outflow)/inflow from/on operating activities	(117,867)	(255,710)	(181,464)	3,093	(2,500)	(8,383)
Movement in working capital	43,084	(30,806)	(99,863)	(7,234)	(5,783)	3,803
Net cash outflow on investing activities	(57,610)	(102,049)	(54,596)	(4,141)	(8,283)	(4,580)
Net cash outflow before financing - Net Free Cash Flow	(14,526)	(132,855)	(154,459)	(1,048)	(10,783)	(12,963)
Net Cash outflow from financing activities	(85,593)	(59,540)	(26,098)	(6,152)	(4,833)	(2,189)
Decrease in cash and cash equivalents	(100,119)	(192,395)	(180,557)	(7,200)	(15,616)	(15,152)
Effects of exchange gains on balances held	43,161	53,713	7,958	9,641	5,916	947
Cash and cash equivalents at the beginning of the period	(274,425)	(135,743)	(135,743)	(20,790)	(11,090)	(11,090)
Cash and cash equivalents at the end of the period	(331,383)	(274,425)	(308,342)	(18,349)	(20,790)	(25,295)



Macro Economic factors

- ❑ Zambia is forecasted to experience its first recession in more than 20 years with GDP growth forecasted to be **-3.0%** in 2020
- ❑ Electricity supply is expected to stabilize with reduced load-shedding hours in H2
 - Over dependence on Hydro-electric power supply which is susceptible to climate change and seasonal variations
- ❑ Zambian Kwacha depreciation
 - Less volatility but continued steady depreciation in H2
 - External debt repayments looming
 - Constrained demand for copper
 - Copper prices have started showing an upward trajectory
- ❑ COVID-19 pandemic
 - BOZ reduced the Monetary Policy Rate (MPR) by 225 basis points to 9.25 to mitigate COVID-19 impact
 - Government regulations are geared toward acclimating with COVID – 19 and we anticipate the full resumption of country operations in H2
 - The impacts of the pandemic still pose a significant risk to the business.
- ❑ Inflationary pressures anticipated to persist in the second half of the year
- ❑ Despite the MPR reduction, liquidity constraint is expected to continue in H2 due to high inflation and relatively higher interest rates

Strategy Initiatives

Management remains committed to focusing on its core divisions to generate cash flow that will be channeled towards deleveraging the Group. Our plans are underpinned by:

- ❑ Continued capital investment prioritising the best returning projects
- ❑ Cash generation through improved margins, cost control and working capital management
- ❑ Continued divestment of non-core assets
- ❑ Environmental and food safety improvement projects

Questions?

