



Financial Results

For the Year ended 30 September 2020



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Zambeef at a glance



A farm to fork vertically integrated business

Cropping

One of the largest row cropping operations in Zambia; Double cropping of irrigated land means Zambeef plants 20,930 ha p.a.

Stockfeed

The leading stockfeed producer in Zambia, operating two feed mills, in Lusaka and Mpongwe, with a capacity of 330,000 tons p.a.

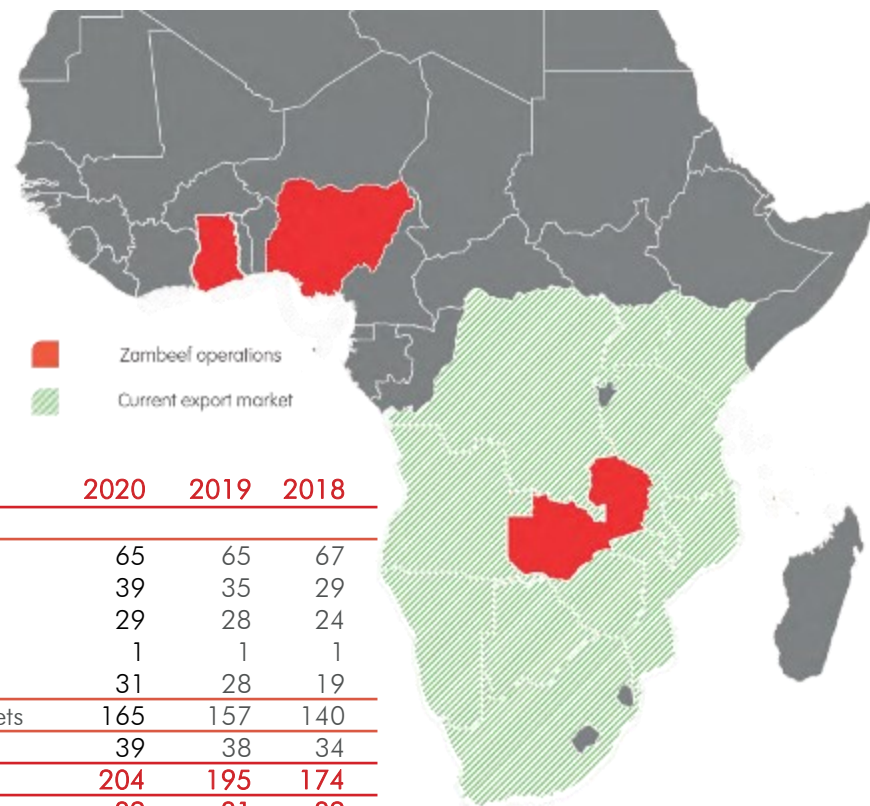
Cold Chain Food Products

The largest processor of beef in Zambia, One of the largest chicken processors producing fresh and frozen products, One of the largest piggeries and pork processing plants in Zambia.

Zambeef Brands



Zambeef Network



	2020	2019	2018
Zambia			
Zambeef Outlets	65	65	67
Zambeef Macros	39	35	29
Novatek	29	28	24
Bakery	1	1	1
Zamshu Outlets	31	28	19
Total Zambeef Outlets	165	157	140
Shoprites	39	38	34
Total Zambia	204	195	174
Total West Africa	32	31	32
Total Retail Network	236	226	206

ECONOMY

32%	Average ZMW / USD 2020: 16.17 2019: 12.32
56%	Average Inflation 2020: 14% 2019: 9%
57%	Electricity (K/kWh) 2020: 0.47 2019: 0.30
12%	TBS 365 2020: 27.6% 2019: 24.7%
4%	Copper (\$/Ton) 2020: 5,858 2019: 6,102

INPUTS

8%	Maize (\$) 2020: 232 /ton 2019: 215 /ton
6%	Soya Cake (\$) 2020: 377 /ton 2019: 401 /ton
26%	Broiler Feed (K) 2020: 310 /50kg 2019: 247/50kg
31%	Layer Feed (K) 2020: 231/50Kg 2019: 177/50Kg
39%	Standard Beef (K) 2020: 24.9 /Kg 2019: 17.97 /Kg

PRODUCTS

11%	Beef (All) 2020: K27.6 /Kg 2019: K24.8 /Kg
17%	Chicken IQF 2020: K26.4 /Kg 2019: K22.7 /Kg
31%	Hungarian (K) 2020: 33.7 /Kg 2019: 25.7 /Kg
48%	Egg Tray (30) 2020: K36.0 2019: K24.4
18%	Fresh Milk (K) 2020: 9.49 /Litre 2019: 8.32 /Litre

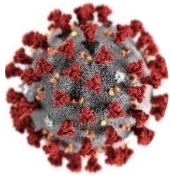
Macro-Economic Highlights

Weak Sovereign Balance Sheet, Constrained FX liquidity and a Pandemic



Depreciation of the Kwacha

- The Zambian Kwacha depreciated by 54% in 2020 driven by constrained USD supply.
- Inflation remained above target range for the whole year, peaking at 17.5%.



COVID-19 Impact

- The Zambian economy is projected to contract by 4.2% in 2020 as macro-economic headwinds were exacerbated by COVID-19.

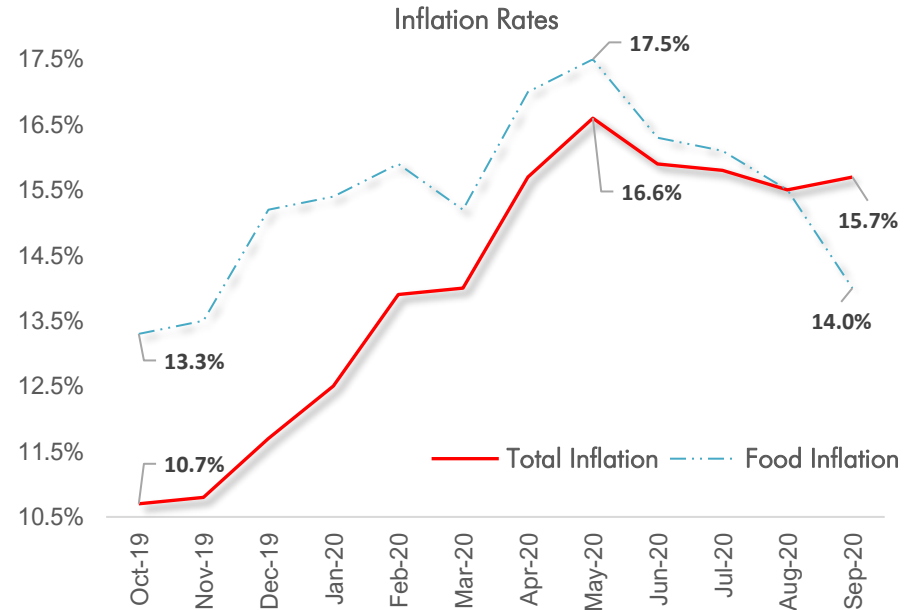
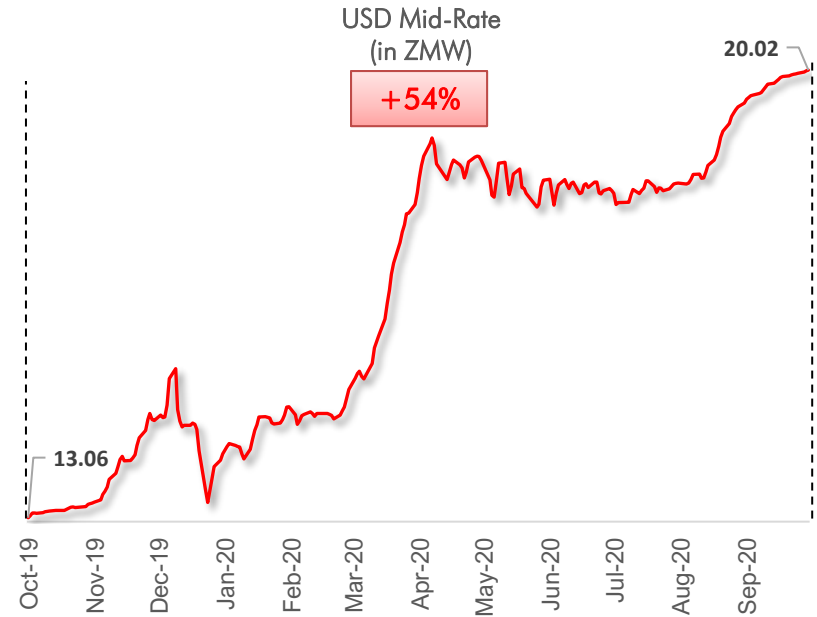
Business Environment

- Tourism, Retail trade and Construction sectors were most adversely impacted by COVID-19.
- The adverse operating environment induced disruptions in supply chain dynamics and caused temporary closures of businesses.



Sovereign Debt

- On 13 November 2020, Zambia defaulted on coupon payments.
- Total foreign debt liabilities stand at \$11.97 billion with Gross International Reserves for the country being US\$1.38 billion (2.3 months import cover).

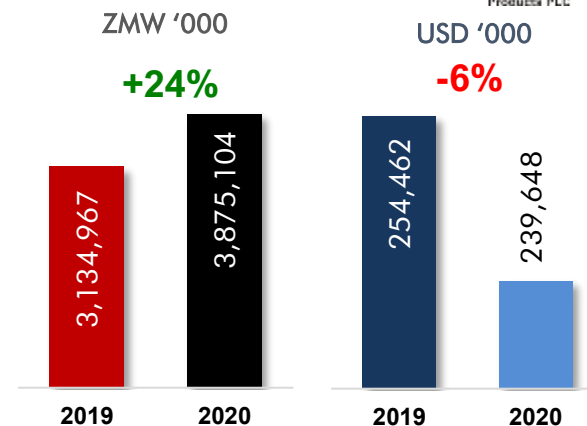


Financial Highlights

Operating Profit Growth Driven by Management efficiencies

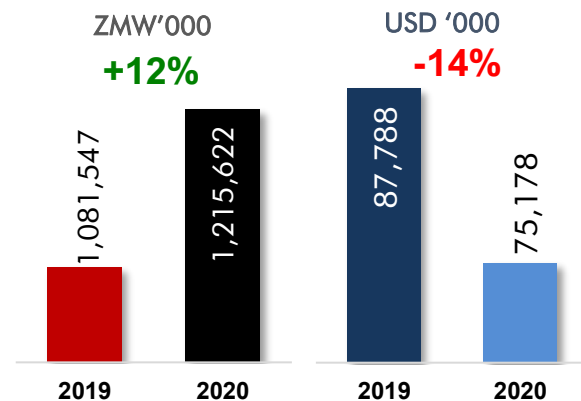
Revenue

- Combined Retail & CCFP and Stockfeed revenue on prior year were principle drivers for the observed 24% revenue increase. Combined, they contributed to 82% of the observed revenue
- USD revenues declined as growth metrics observed in the Retail & CCFP divisions were eroded by the depreciation of the local currency.



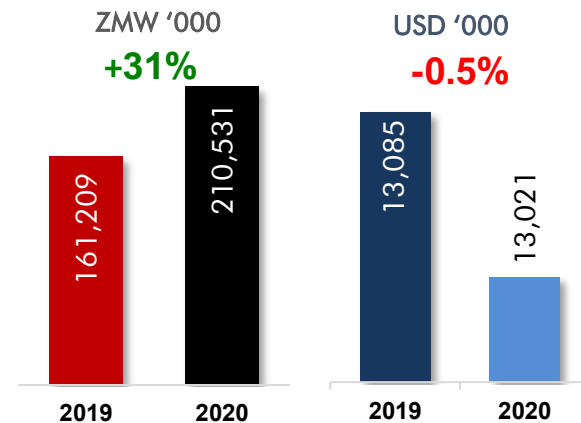
Gross Profit

- Gross Profit margins in the cropping division came under pressure due to the increase in the cost of USD priced inputs and persistent load shedding.
- USD Gross Profit was further strained as eroded Retail & CCFP revenue growth was partnered with a 1% reduction in margins.



Operating Profit

- The Stockfeed division and our Other business units recorded operating profit growth of 73% and 64% on prior year in kwacha terms owing to efficient management of overhead costs and effective asset utilization.
- Losses made on USD Gross Profits were mitigated by lower central overheads as well as USD denominated Stockfeed growth.

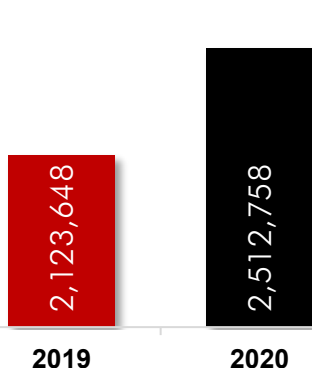


Divisional Analysis – Revenue

Retail & CCFP

- Zambian Retail revenue increased 17%.
- West Africa Revenues increased 18%.
- Beef was the largest contributor to revenue in the CCFP.
- Combined revenue from the three poultry divisions increased by 17% in 2020.

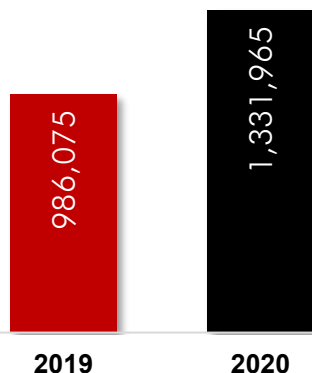
ZMW '000
+18%



Stockfeed

- The large and growing poultry sector in Zambia consumes 74% of the feed sales generated by Zambeef.
- Stockfeed revenue increased on the back of an increase in volumes and efficient pricing.

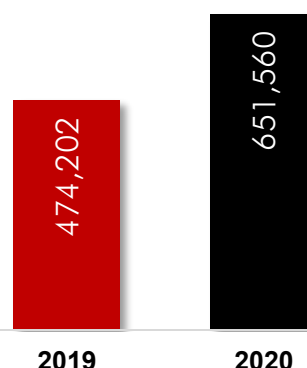
ZMW '000
+35%



Cropping

- Maize prices experienced a significant increase in kwacha terms
- Increased yields on Maize tonnages.
- Load shedding negatively impacted yields on wheat crop.

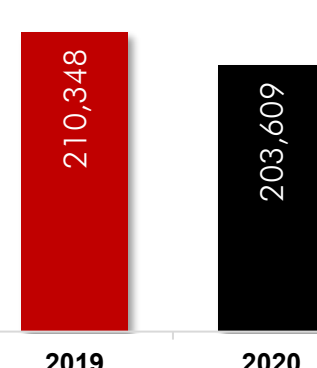
ZMW '000
+37%



Other Businesses

- Flour sales volumes for the year declined 25% due to reduced demand following price increments.
- Wet-blue leather export sales halted as a result of closure of export channels due to the Coronavirus pandemic.

ZMW '000
-3%

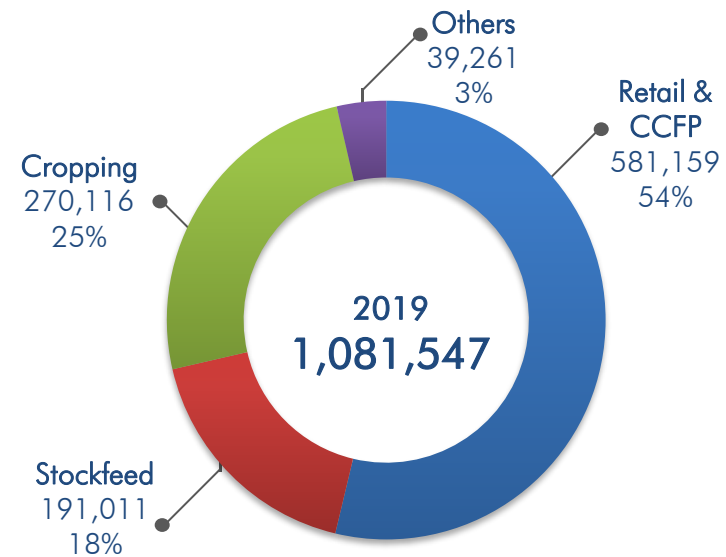
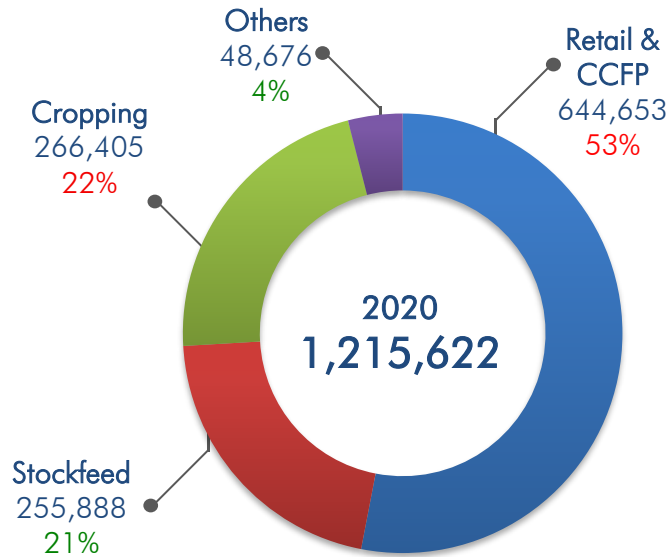


Group Profit Analysis (ZMW'000)

Gross Profit

YoY Growth

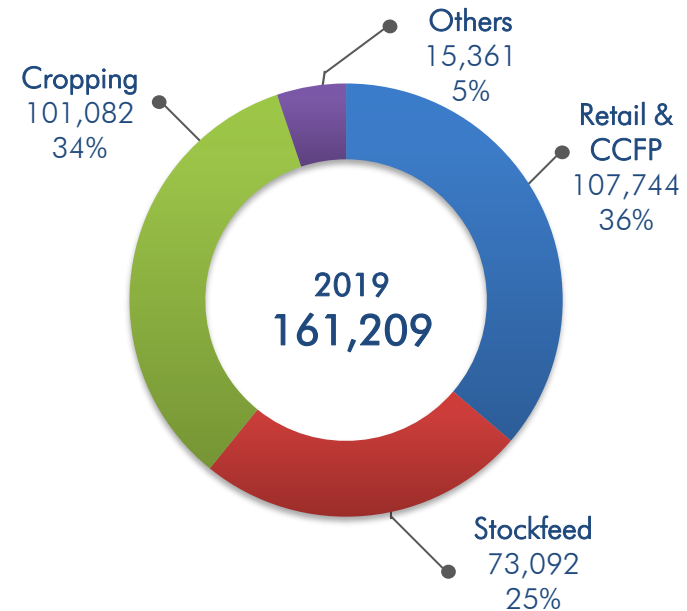
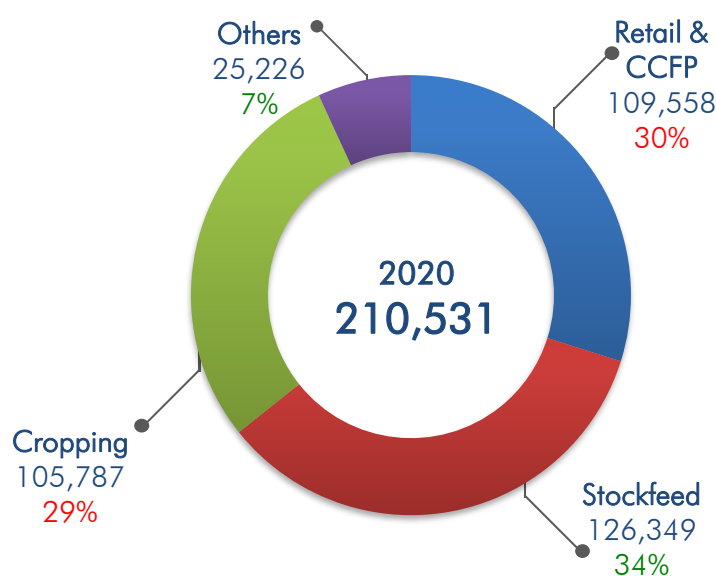
Retail & CCFP	10.9%
Stockfeed	34.0%
Cropping	-1.4%
Others	24.0%
Total	12.4%



Operating Profit

YoY Growth

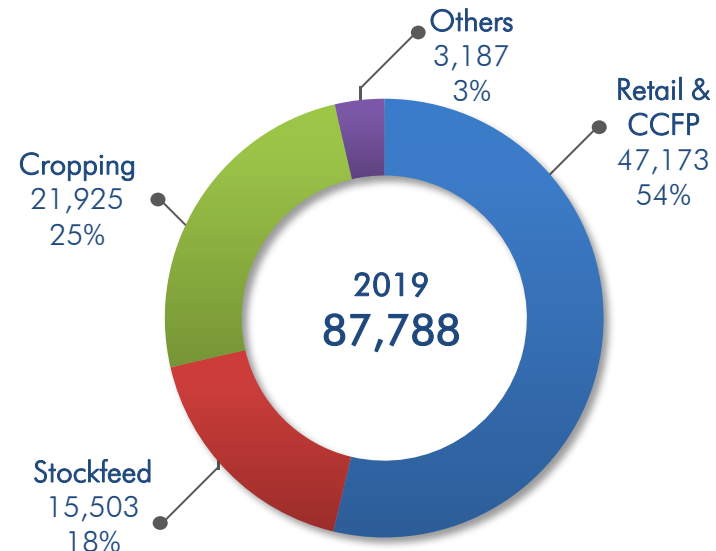
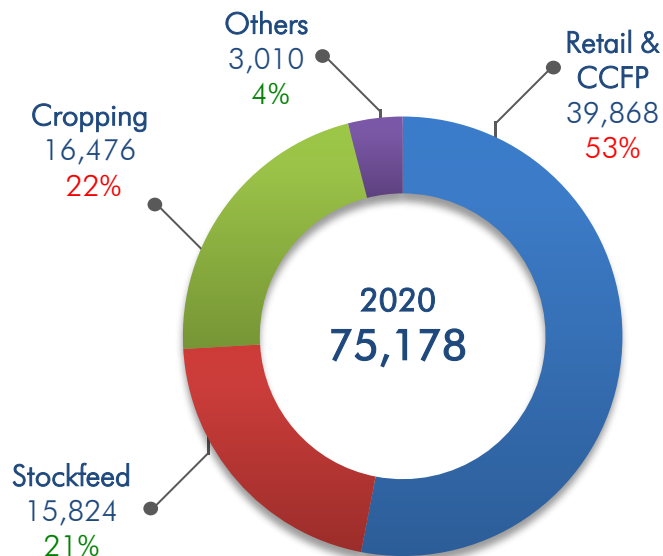
Retail & CCFP	1.7%
Stock Feed	72.9%
Cropping	4.7%
Others	64.2%
Total	30.6%



Group Profit Analysis (USD'000)

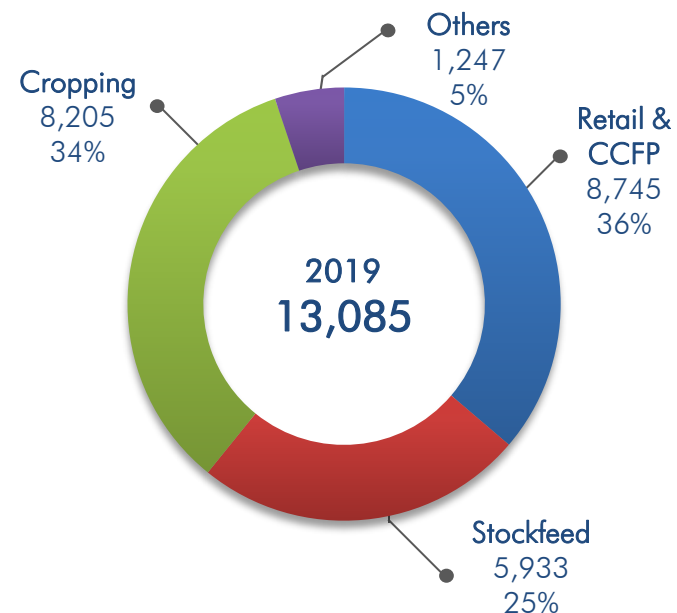
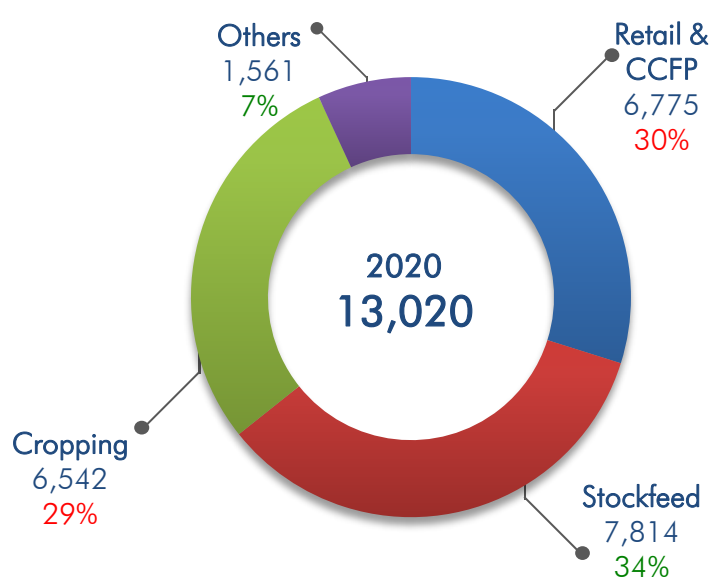
Gross Profit

YoY Growth	
Retail & CCFP	-15.5%
Stockfeed	2.1%
Cropping	-24.9%
Others	-5.5%
Total	-14.4%

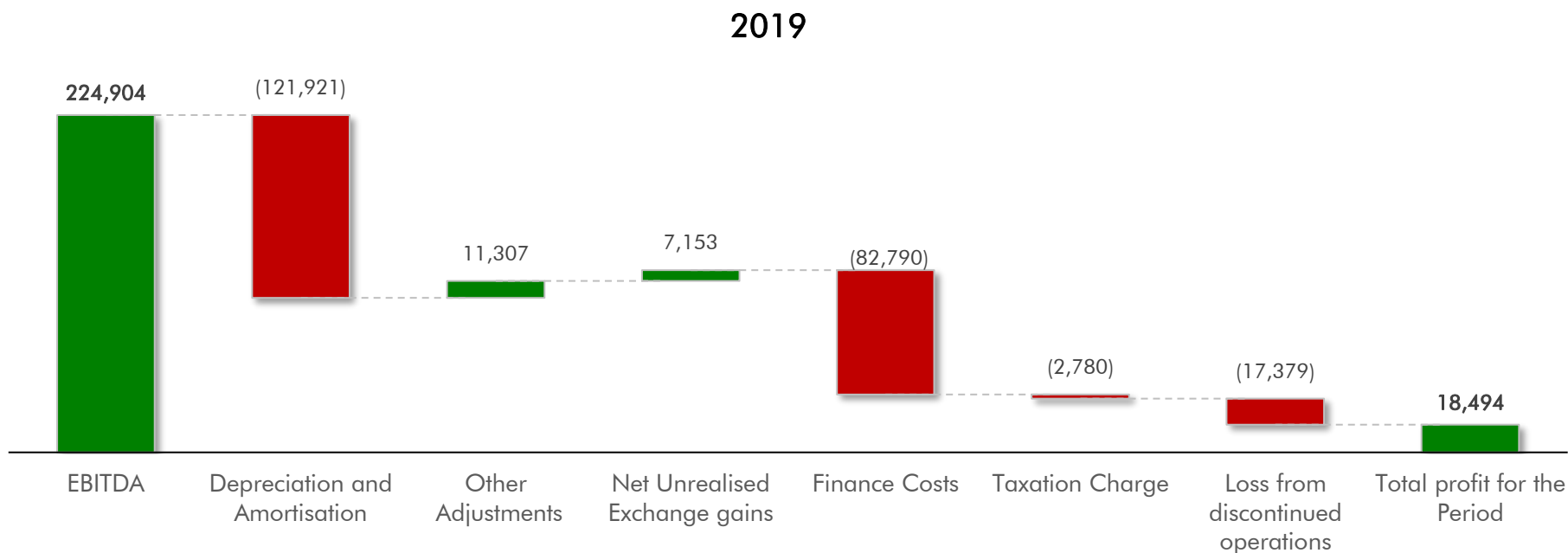
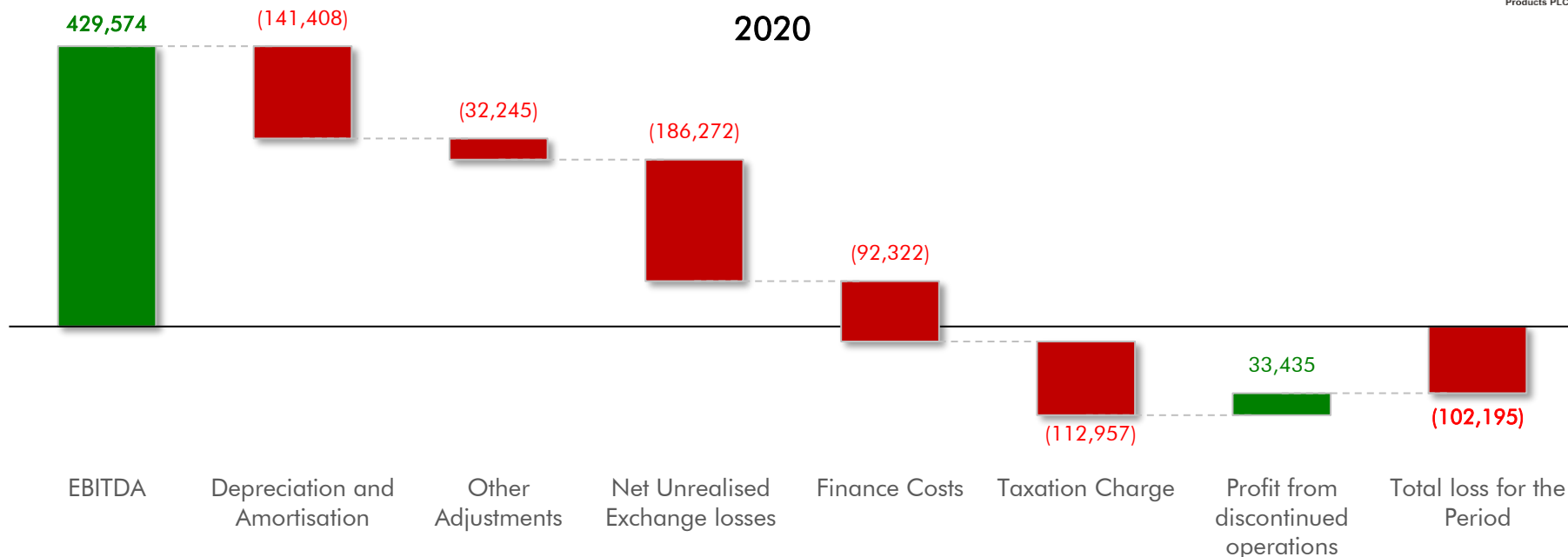


Operating Profit

YoY Growth	
Retail & CCFP	-22.5%
Stock Feed	31.7%
Cropping	-20.3%
Others	25.1%
Total	-0.5%



Headline Earnings Waterfall (ZMW'000)



Financial Overview – P&L

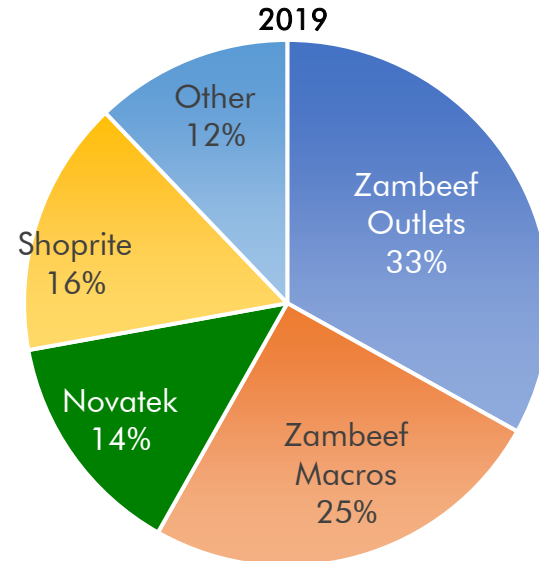
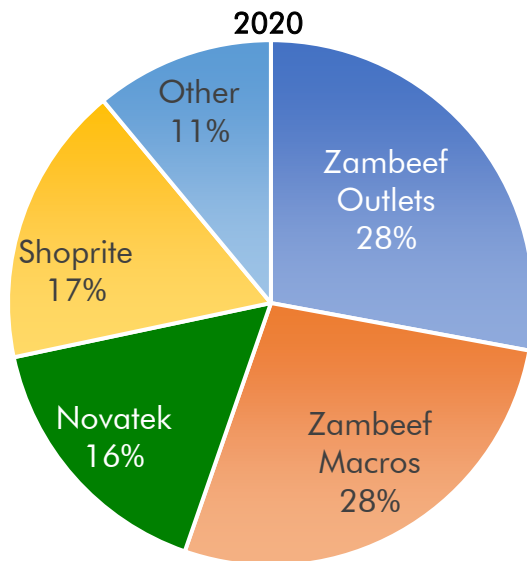
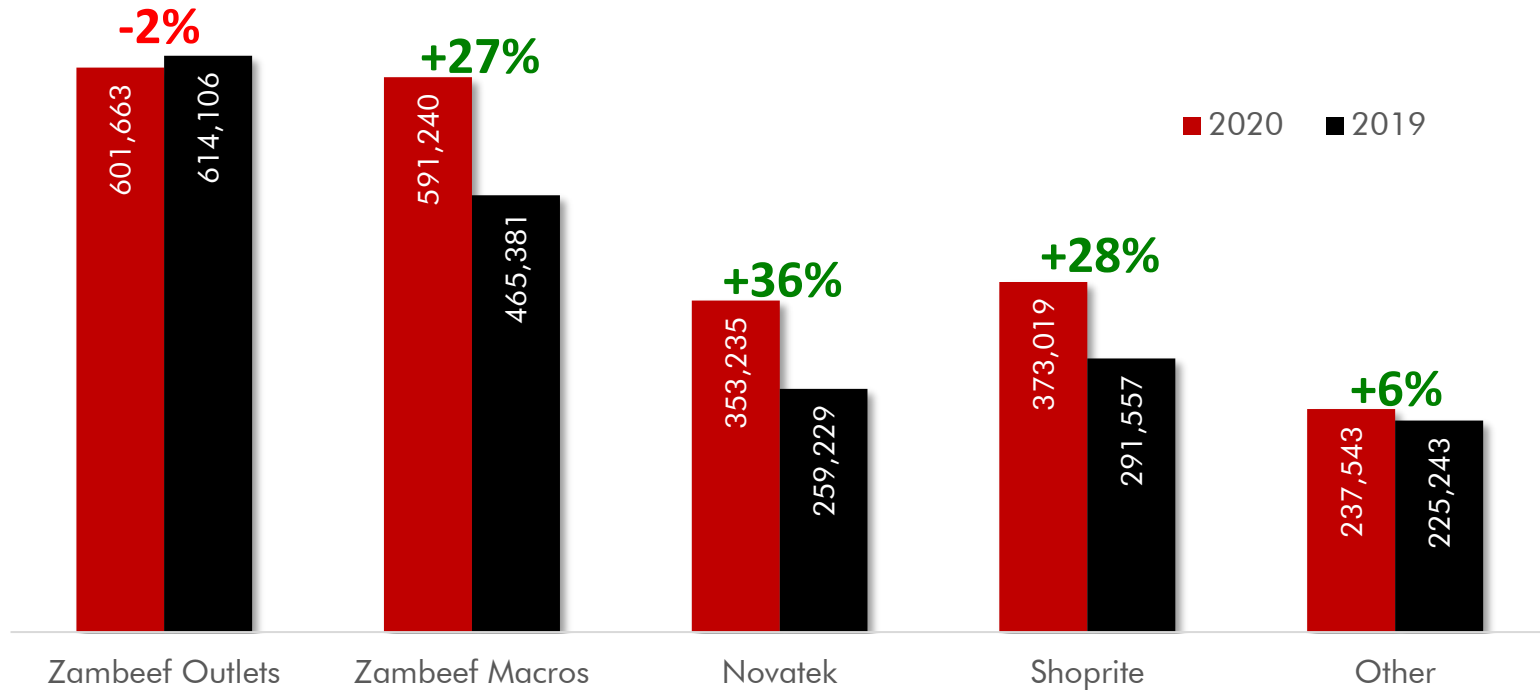
	2020 ZMW'000	2019 ZMW'000	%Δ	2020 USD'000	2019 USD'000	%Δ
Revenue	3,875,104	3,134,967	23.6%	239,648	254,462	-5.8%
Cost of Sales	(2,659,482)	(2,053,420)	29.5%	(164,470)	(166,674)	-1.3%
Gross profit	1,215,622	1,081,547	12.4%	75,178	87,788	-14.4%
Overheads	(848,702)	(784,268)	8.2%	(52,486)	(63,658)	-17.5%
Central Overhead	(156,389)	(136,070)	14.9%	(9,672)	(11,045)	-12.4%
*EBITDA	429,574	224,904	91.0%	26,541	18,255	45.4%
Operating profit	210,531	161,209	30.6%	13,020	13,085	-0.5%
Share of loss equity accounted investment	(3,177)	(3,036)	4.6%	(197)	(246)	-19.9%
Exchange losses on foreign currency transactions and balances	(137,705)	(36,730)	274.9%	(8,516)	(2,981)	185.7%
Finance costs	(92,322)	(82,790)	11.5%	(5,709)	(6,720)	-15.0%
Profit/(loss) before taxation	(22,673)	38,653	-158.7%	(1,402)	3,138	-144.7%
Taxation charge	(112,957)	(2,780)	3963.2%	(6,986)	(226)	2991.2%
Group profit/(loss) from continued operations	(135,630)	35,873	-478.1%	(8,388)	2,912	-388.0%
Profit/(loss) from discontinued operations	33,435	(17,379)	292.4%	2,068	(1,411)	246.6%
Total (loss)/profit for the period	(102,195)	18,494	-652.6%	(6,320)	1,501	-521.0%

<i>Gross Profit Margin</i>	31.4%	34.5%	-313 bps
<i>Cost to Income Ratio</i>	25.9%	29.4%	-342 bps
<i>EBITDA Margin</i>	11.1%	7.2%	391 bps
<i>Operating Profit Margin</i>	5.4%	5.1%	29 bps

*EBITDA defined as Earnings before interest, tax, depreciation, amortisation, fair value adjustments, loss of equity accounted investments, loss on disposal and net unrealised foreign exchange losses



Retailing Revenue Channel Analysis-Zambia (ZMW'000)



Retail & Cold Chain Food Products P&L

	2020 ZMW'000	2019 ZMW'000		2020 USD'000	2019 USD'000	
Retail & CCFP	2,512,758	2,123,648	18.3%	155,396	172,374	-9.8%
Gross Profit	644,653	581,159	10.9%	39,867	47,172	-15.5%
Overheads	(535,095)	(473,415)	13.0%	(33,092)	(38,427)	-13.9%
Operating Profit	109,558	107,744	1.7%	6,776	8,745	-22.5%
GP %	25.7%	27.4%	-172 bps			
Operating Profit %	4.4%	5.1%	-72 bps			
Cost to Income	21.3%	22.3%	-100 bps			

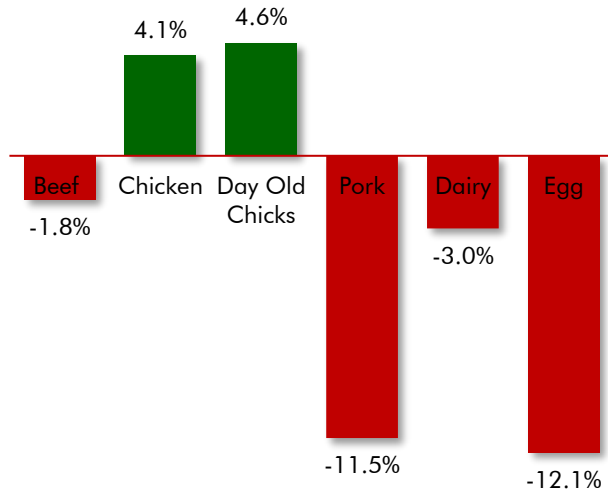
Highlights

- ❑ Favourable beef prices resulted in increased revenue for the beef division despite decreased volumes.

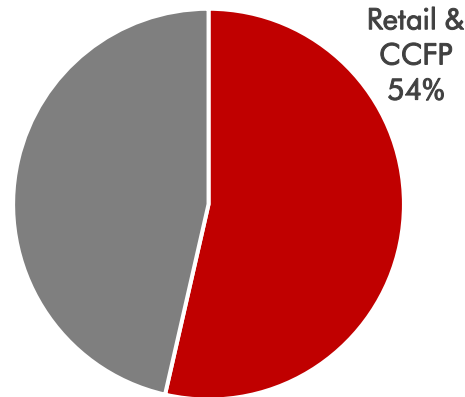
Challenges

- ❑ 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.
- ❑ Movement restrictions arising from FMD caused supply disruptions.
- ❑ High feed prices eroded margins from all three poultry businesses as rearing costs rose significantly.
- ❑ Pig supply remains constrained due to rearing costs.

CCFP Volumes Growth

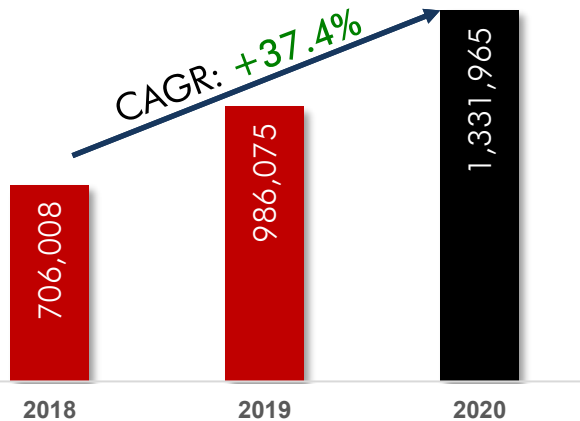


Revenue Contribution

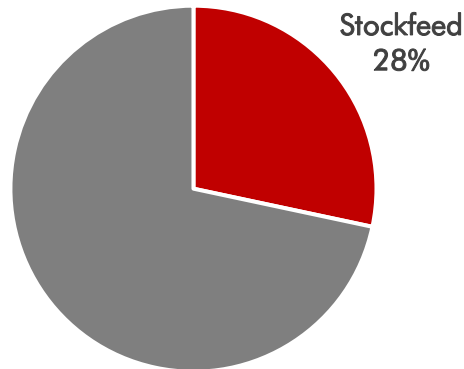


	2020 ZMW'000	2019 ZMW'000		2020 USD'000	2019 USD'000	
Revenue	1,331,965	986,075	35.1%	82,373	80,039	2.9%
Gross Profit	255,888	191,011	34.0%	15,825	15,504	2.1%
Overheads	(129,539)	(117,919)	9.9%	(8,011)	(9,571)	16.3%
Operating Profit	126,349	73,092	72.9%	7,814	5,933	31.7%
GP %	19.2%	19.4%	-16 bps			
Operating Profit %	9.5%	7.4%	207 bps			
Cost to Income	9.7%	12.0%	-224 bps			
Volumes	242,410	218,769	10.8%			

Revenue
ZMW'000



Revenue Contribution



Highlights

- ❑ The division recorded an impressive 45% increase in export sales despite the sales lost due to the export restrictions.
- ❑ The division exported to 11 neighboring and other African countries, generating much needed foreign currency revenues.
- ❑ Feed plant operating efficiently at economies of scale.

Challenges

- ❑ Increased raw material costs, due to a severe drought in the 2019 harvest season.
- ❑ Running backup diesel generators for prolonged periods.
- ❑ Feed export restrictions during the year.
- ❑ Export and Import activities slowed down by border closures and restrictions.



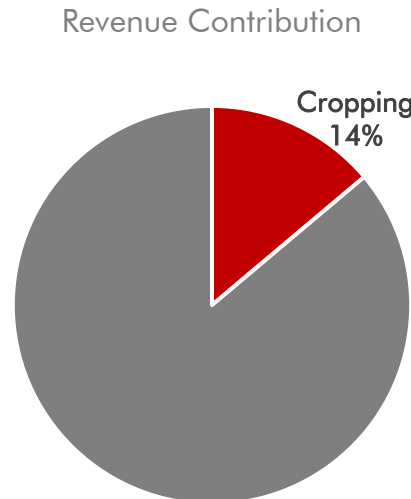
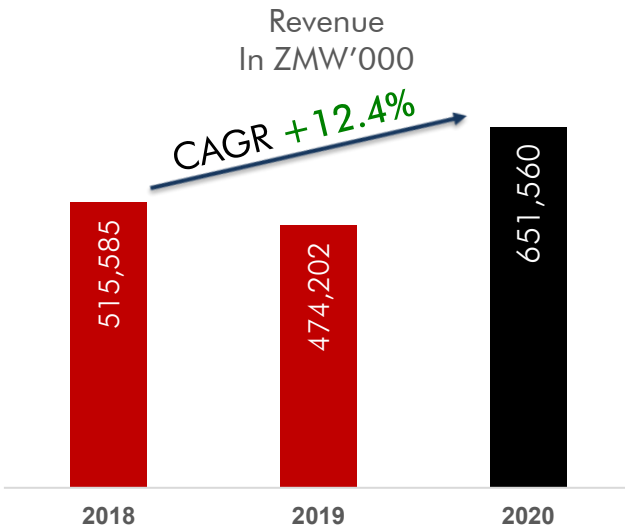
	2020 ZMW'000	2019 ZMW'000		2020 USD'000	2019 USD'000	
Revenue	651,560	474,202	37.4%	40,294	38,490	4.7%
Gross Profit	266,405	270,116	-1.4%	16,475	21,925	-24.9%
Overheads	(160,618)	(169,034)	-5.0%	(9,933)	(13,720)	-27.6%
Operating Profit	105,787	101,082	4.7%	6,542	8,205	-20.3%
GP %	40.9%	57.0%	-1608 bps			
Operating Profit %	16.2%	21.3%	-509 bps			
Cost to Income	24.7%	35.6%	-1100 bps			

Highlights

- ❑ Cropping revenue increased on the back of improved soya bean and maize silage yields and increased maize planted hectarages.
- ❑ Successful disposal of the Sinazongwe farm.

Challenges

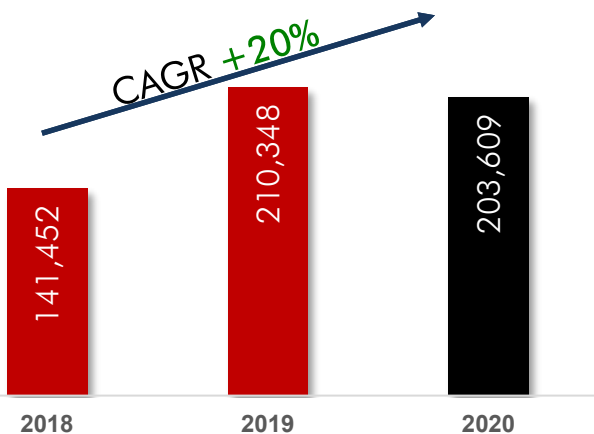
- ❑ Increased dollar denominated input costs due to the depreciation of the kwacha.
- ❑ Electricity supply constraints continue to erode margins in the division.
- ❑ Wheat yields reduced due to low energy supply during grain fill stages.



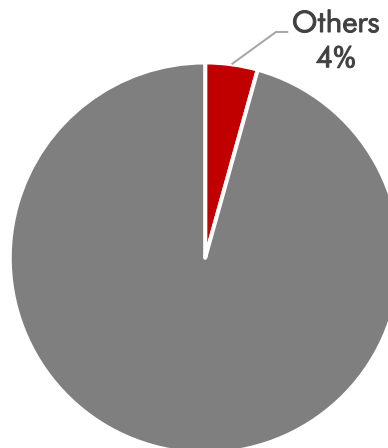
Other divisions P&L

	2020 ZMW'000	2019 ZMW'000		2020 USD'000	2019 USD'000	
Revenue	203,609	210,348	-3.2%	12,592	17,074	-26.3%
Gross Profit	48,676	39,261	24.0%	3,010	3,187	-5.5%
Overheads	(23,450)	(23,900)	-1.9%	(1,450)	(1,940)	-25.2%
Operating Profit	25,226	15,361	64.2%	1,560	1,247	25.1%
GP %	23.9%	18.7%	524 bps			
Operating Profit %	12.4%	7.3%	508 bps			
Cost to Income	11.5%	11.4%	15 bps			

Revenue
ZMW'000



Revenue Contribution



Highlights

- ❑ Shoe sales grew by 7% to 84,718 pairs compared to the 79,396 pairs sold last year in the Zamshu division, supported by the expansion into key strategic new sales markets.
- ❑ Increased export sales on wet-blue leather.
- ❑ Zamleather Margins increased by 160 basis points as the division sold more higher-grade leather and value-added shoes.

Challenges

- ❑ Flour sales volumes for the year declined 25% due to reduced demand following price increments.
- ❑ The pandemic also impacted local shoe sales following the suspension of schooling activities across the country.



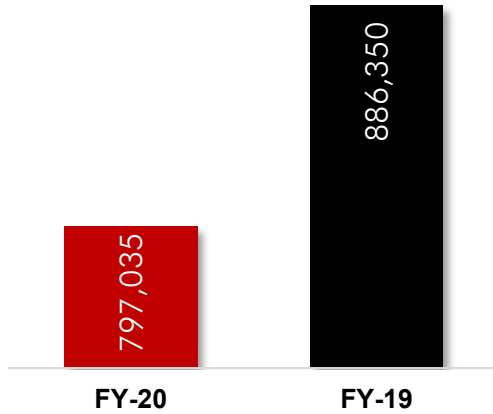
Abridged Balance Sheet

	FY 20	HY 20	FY 19	FY 20	HY 20	FY 19
	ZMW'000s	ZMW'000s	ZMW'000s	USD '000s	USD '000s	USD '000s
Non – current assets	3,484,684	3,550,005	3,077,526	173,023	196,567	233,146
Current assets	1,710,524	1,479,447	1,446,032	84,932	81,918	109,547
Total assets	5,195,208	5,029,452	4,523,558	257,955	278,485	342,693
Capital and reserves	3,770,219	3,677,362	3,240,828	187,200	203,619	245,517
Non – current liabilities	291,309	302,478	272,896	14,464	16,749	20,674
Current liabilities	1,133,680	1,049,612	1,009,834	56,291	58,117	76,502
Total equity and liabilities	5,195,208	5,029,452	4,523,558	257,955	278,485	342,693
Current Ratio	1.51	1.41	1.43	1.51	1.41	1.43
Net Debt/Equity (Gearing ratio)	21.14%	27.30%	27.30%	21.14%	27.30%	27.30%

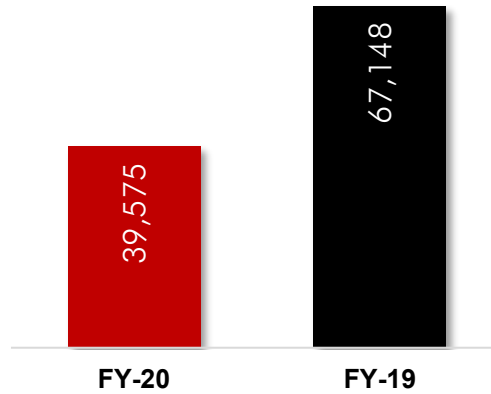


Group Debt Analysis

Net Debt
(in ZMW'000s)
-10%



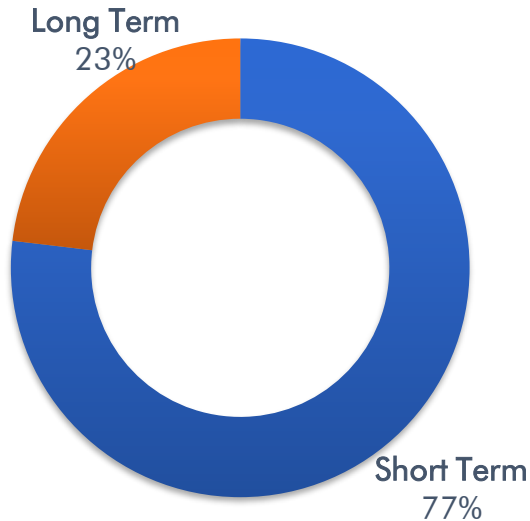
Net Debt
(in USD'000s)
-41%



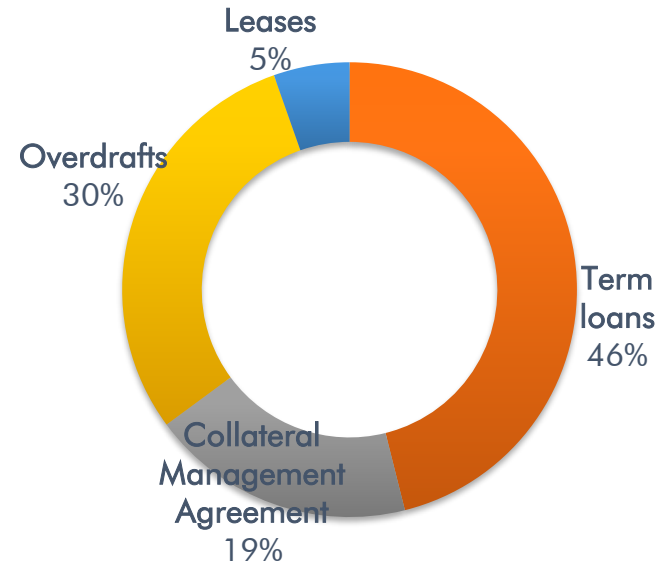
2020 Loan Repayments
ZMW 121,480,536
USD 7,512,711

ZMW:USD	Average FX rate	Closing rate
FY 2019	12.32	13.2
HY 2020	13.91	18.06
FY 2020	16.17	20.14

Debt Profile



Source Breakdown



Abridged Cashflow Statement

	FY 20	HY 20	FY 19	FY 20	HY 20	FY 19
	ZMW'000s	ZMW'000s	ZMW'000s	USD '000s	USD '000s	USD '000s
Profit/(Loss) before taxation	(22,673)	12,490	38,653	(1,402)	898	3,138
EBITDA, Fair value adjustments and Forex	429,574	160,951	224,904	26,541	11,566	18,255
Net cash (outflow)/inflow from/on operating activities	(103,896)	(117,867)	(255,710)	(6,425)	(8,473)	(20,755)
Movement in working capital	328,190	43,084	(30,806)	20,296	3,093	(2,500)
Net cash outflow on investing activities	65,627	(57,610)	(102,049)	4,058	(4,141)	(8,283)
Net cash outflow before financing - Net Free Cash Flow	393,817	(14,526)	(132,855)	24,354	(1,048)	(10,783)
Net Cash outflow from financing activities	(411,599)	(85,593)	(59,540)	(25,454)	(6,152)	(4,833)
Decrease in cash and cash equivalents	(17,782)	(100,119)	(192,395)	(1,100)	(7,200)	(15,616)
Effects of exchange gains on balances held	55,298	43,161	53,713	10,127	9,641	5,916
Cash and cash equivalents at the beginning of the period	(274,425)	(274,425)	(135,743)	(20,790)	(20,790)	(11,090)
Cash and cash equivalents at the end of the period	(236,909)	(331,383)	(274,425)	(11,763)	(18,349)	(20,790)



Indicators	2018	2019	2020 Plan	2020 Actual	2020 Forecast	2021	2022	2023
GDP Growth %	3.7	2.0	2.3	-4.2	-4.2	1.5	1.9	2.1
MPC %	9.75	11.5	11.5	8	8	8	8	10
Inflation %	7.9	10.8	9.8	15.7	16	16.5	15	10.4
ZMW per \$	10.45	15	15	20.0	22	24	20	19.5

Economic Growth	<ul style="list-style-type: none"> The Global economy is expected to contract by 4.9% on account of the impact of COVID-19. The Zambian economy is projected to contract by 4.2% in 2020 with slight recovery 2021.
Inflation	<ul style="list-style-type: none"> Inflation is expected to remain above the 10% target ceiling due to increased expenditure by government. Depreciation of the local currency remains a key driver of inflation.
Exchange Rate	<ul style="list-style-type: none"> Overall depreciation for the 2021 calendar year are expected to remain volatile. Key drivers of local currency depreciation are : <ul style="list-style-type: none"> Demand for crude oil Debt servicing obligations
Interest Rates	<ul style="list-style-type: none"> In line with deteriorating loan demand, we anticipate interest rates to decline further despite high inflation.
MPC	<ul style="list-style-type: none"> MPR maintained at 8% to stimulate financial growth and assist private sector credit.

Threats

- Potential second wave of COVID -19
- Deteriorating investor sentiment
- Weakening local currency
- Depletion of reserves leading to fuel, drug and other import related shortages
- Further downgrades by rating agencies
- Delayed commissioning of Kafue-Gorge lower power station

Opportunities

- Reduced load shedding in anticipation of the commissioning of the Kafue-Gorge lower power station
- Copper price increase as demand for copper is elevated
- Local manufacturing stimulated as demand for import substitutes increases
- Weather conditions to improve crop yields for the 2020/21 farming season
- Increased consumer spending in an election year

Ensuring business Continuity during COVID-19

Zambeef remains committed, together with the rest of the nation, to ensuring that we beat COVID-19



Donations

- Hygiene stations, bulk hand sanitizers, thermometers and masks to Chisamba, Chibombo and Lusaka City Councils.
- Over K50,000 worth of cleaning equipment to the Ministry of Health.
- In collaboration with other businesses, We donated food to cater for at least 135,000 meals valued at K613,737 for quarantine centres and frontline health workers.



Workplace Initiatives

- Re-structuring of all modes of operation to allow for guaranteed safety of our employees and maintenance of our product quality.
- Consistent sensitization of all Zambeef employees on COVID-19 health updates
- Hand washing stations were added to all Zambeef departments, Zambeef retail stores and Zambeef compounds.



Face Mask Manufacturing

- We began manufacturing our own face masks in efforts to maintain safety during operations within the business.

Outlook

- We are committed to maintaining all health and safety protocols until Zambia is declared COVID free.

