



Financial Results

For the Half-year ended 31 March 2021



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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 22,737 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.

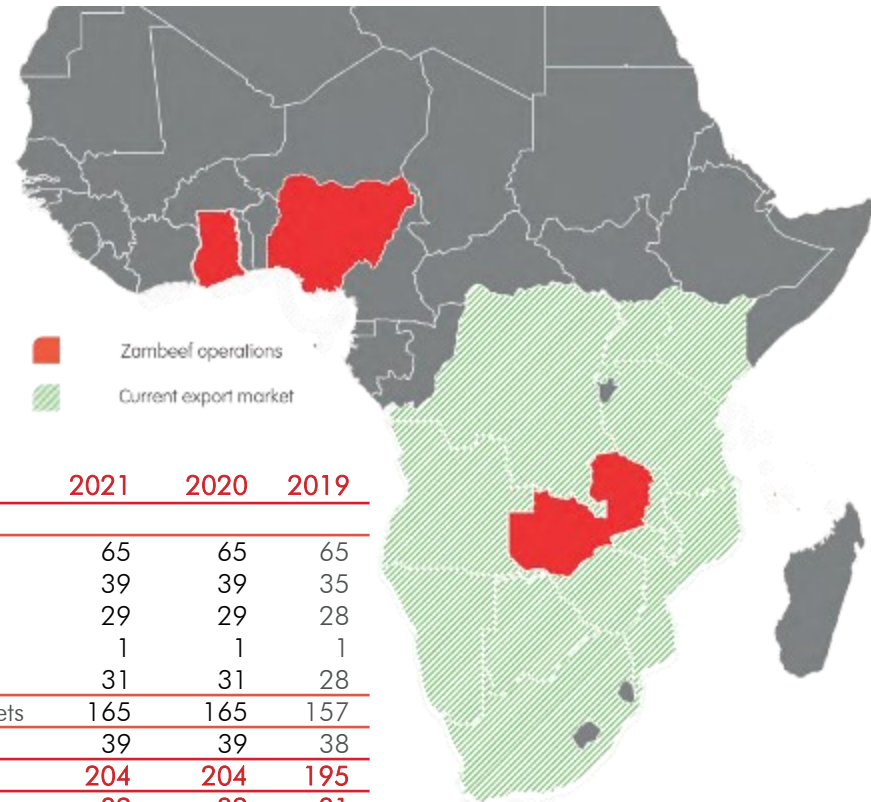
Cold Chain Food Products

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



	2021	2020	2019
Zambia			
Zambeef Outlets	65	65	65
Zambeef Macros	39	39	35
Novatek	29	29	28
Bakery	1	1	1
Zamshu Outlets	31	31	28
Total Zambeef Outlets	165	165	157
Shoprites	39	39	38
Total Zambia	204	204	195
Total West Africa	32	32	31
Total Retail Network	236	236	226

Operating Environment

ECONOMY

ZMW / USD

46%

HY-21: 21.17

HY-20: 14.53

Inflation

62%

HY-21: 19.9%

HY-20: 12.3%

Electricity (K/kWh)

28%

HY-21: 0.53

HY-20: 0.42

TBS 364-day

11%

HY-21: 25.14

HY-20: 28.17

Copper (\$)

35%

HY-21: 7,830 ton

HY-20: 5,786 ton

INPUTS

Maize (\$)

51%

HY-21: 158 /ton

HY-20: 323 /ton

Rainfall Huntley

118%

HY-21: 74 avg

HY-20: 34 avg

Standard Beef (K)

104%

HY-21: 35.1 /Kg

HY-20: 17.2 /Kg

Pork 70kg+ (K)

69%

HY-21: 46.5 /Kg

HY-20: 27.5 /Kg

Raw Milk (K)

68%

HY-21: 7.8/L

HY-20: 4.7/L

PRODUCTS

Beef (All)

57%

HY-21: K41.5 /Kg

HY-20: K26.5 /Kg

Chicken IQF

28%

HY-21: K33.9 /Kg

HY-20: K26.5 /Kg

Hungarian (K)

59%

HY-21: 40.8 /Kg

HY-20: 25.7 /Kg

Egg Tray (30)

44%

HY-21: K44.0

HY-20: K30.6

Day Old Chicks (K)

61%

HY-21: 9.1 /LSU

HY-20: 5.7 /LSU

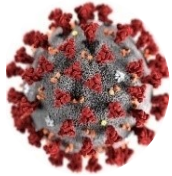
Macro-Economic Highlights

Steep Inflationary Curve, Steady Depreciation and Constrained Liquidity



Depreciation of the Kwacha

- The Zambian Kwacha depreciated by 10.3% during Half-year 2021 driven by constrained USD supply.
- Pace of depreciation slowed down owing to BOZ interventions.



COVID-19 Impact

- Global economic recovery gained traction in Q1-2021 on the back of the rollout of COVID-19 vaccinations and enhanced monetary and fiscal stimuli.



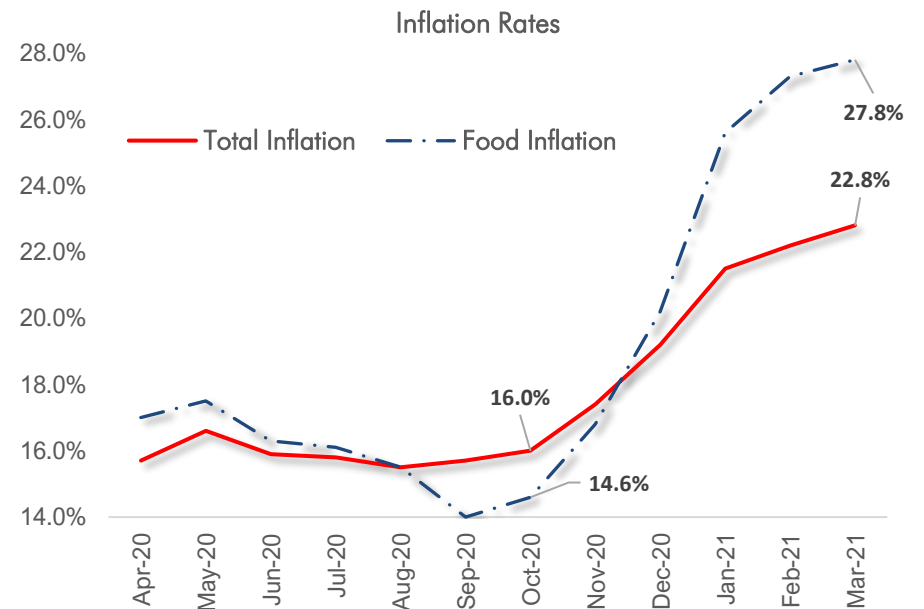
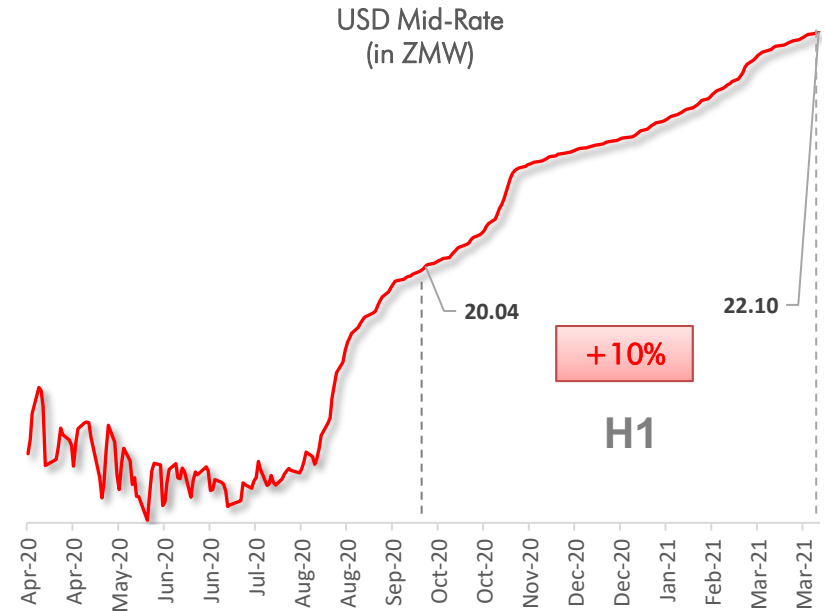
Inflationary Pressure

- Annual overall inflation accelerated to a five-year high averaging 22.2% for Q1-2021.
- Elevated inflationary pressure owing to the depreciation of the Kwacha



Economic Environment

- Fiscal pressures remain, reflecting high expenditures on fuel imports, FISP and need to clear accumulated domestic arrears.
- Commercial banks' average lending rate rose to 26.0% in March 2021



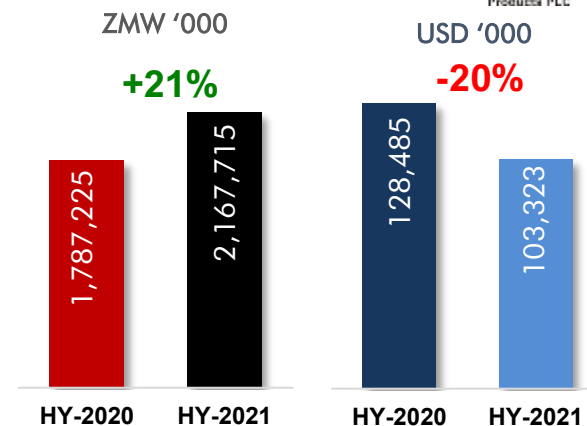
Financial Highlights



Operating Profit Growth Driven by Management efficiencies

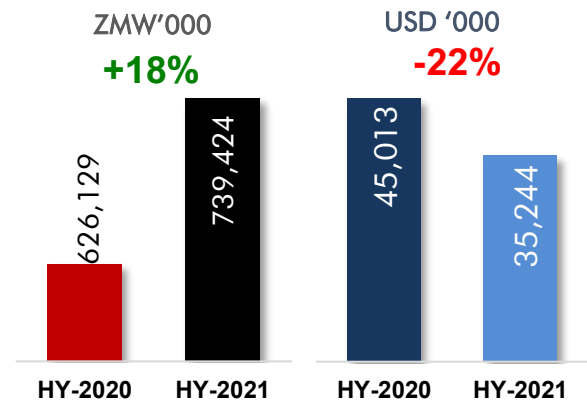
Revenue

- Combined Retail & CCFP and Stockfeed revenue on prior year were principle drivers for the observed 21% revenue increase. Combined, they contributed to 88% of the observed revenue.
- USD revenues declined as growth metrics observed in all divisions were eroded by the depreciation of the local currency.



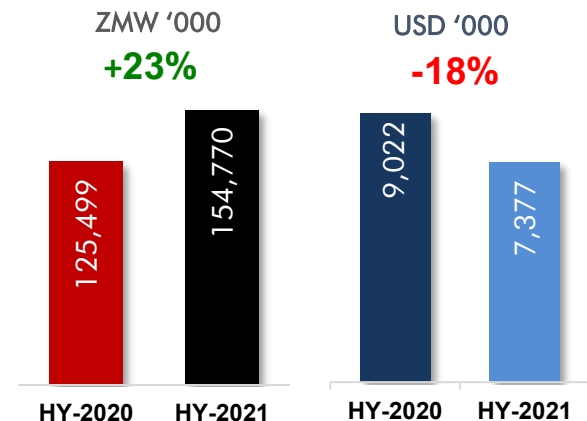
Gross Profit

- 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

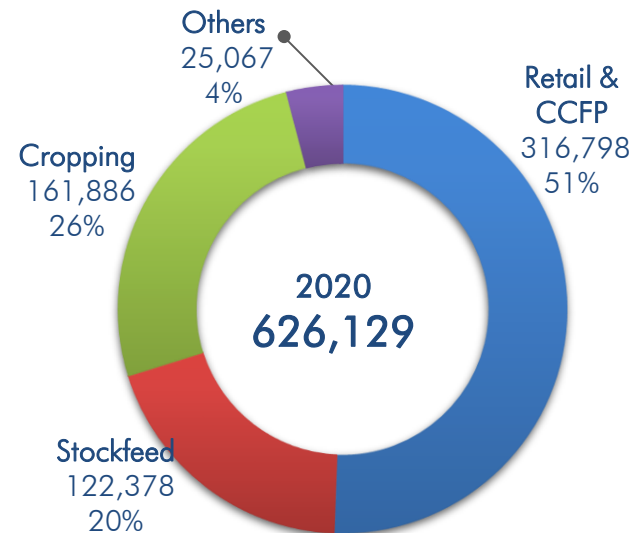
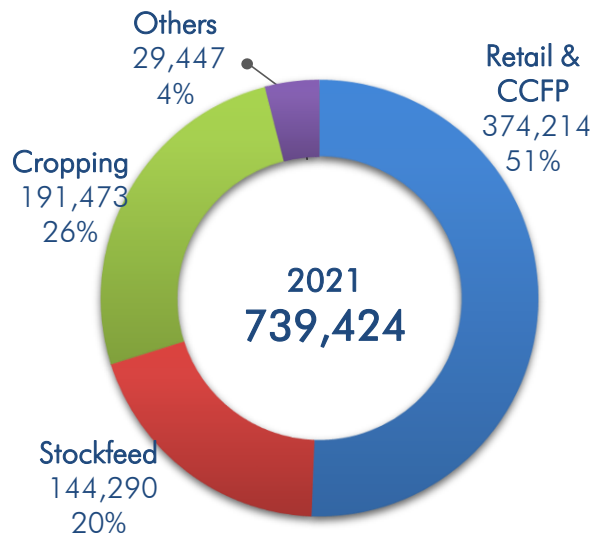
- Combined Retail and CCFP performance was the key driver to operating profit growth in ZMW terms as the tandem grew by 61% on the previous corresponding period
- Cropping, our core driver of USD operating profits, saw operational metrics reduce by reduced by 23% .
- Contributions to operating profits in USD terms saw reductions across the board except in the Retail and CCFP division, contribution in the division grew to 30% owing to management and pricing efficiencies.



Group Profit Analysis (ZMW'000)

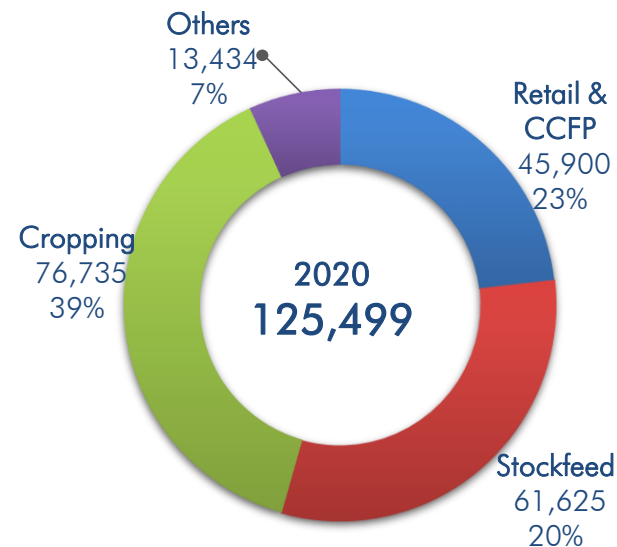
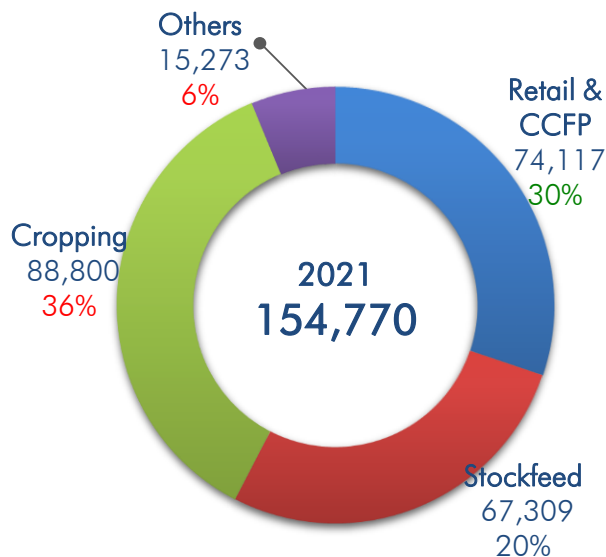
Gross Profit

YoY Growth	
Retail & CCFP	18.1%
Stockfeed	17.9%
Cropping	18.3%
Others	17.5%
Total	18.1%



Operating Profit

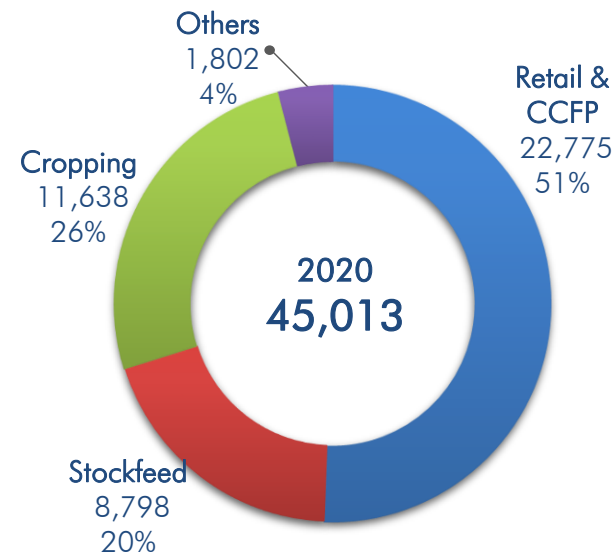
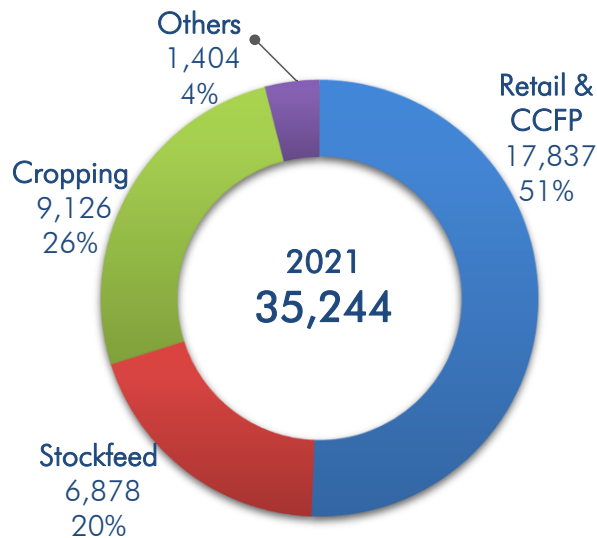
YoY Growth	
Retail & CCFP	61.5%
Stock Feed	9.2%
Cropping	15.7%
Others	13.7%
Total	23.3%



Group Profit Analysis (USD'000)

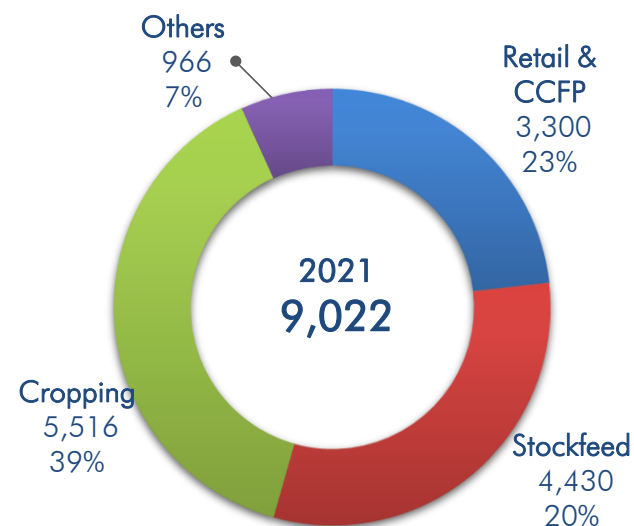
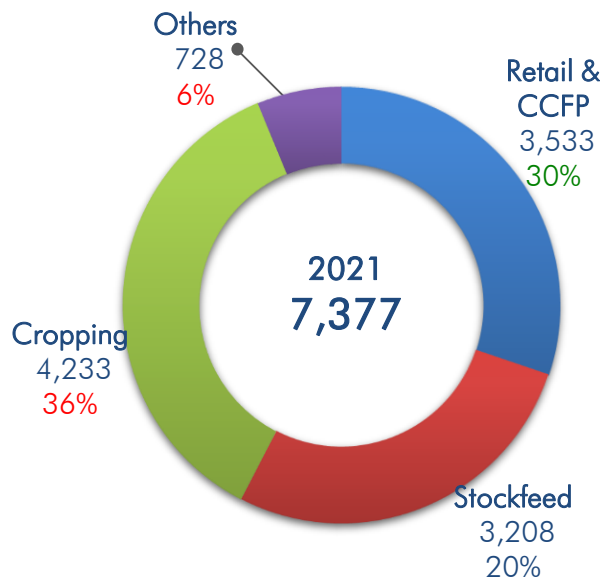
Gross Profit

YoY Growth	
Retail & CCFP	-21.7%
Stockfeed	-21.8%
Cropping	-21.6%
Others	-22.1%
Total	-21.7%

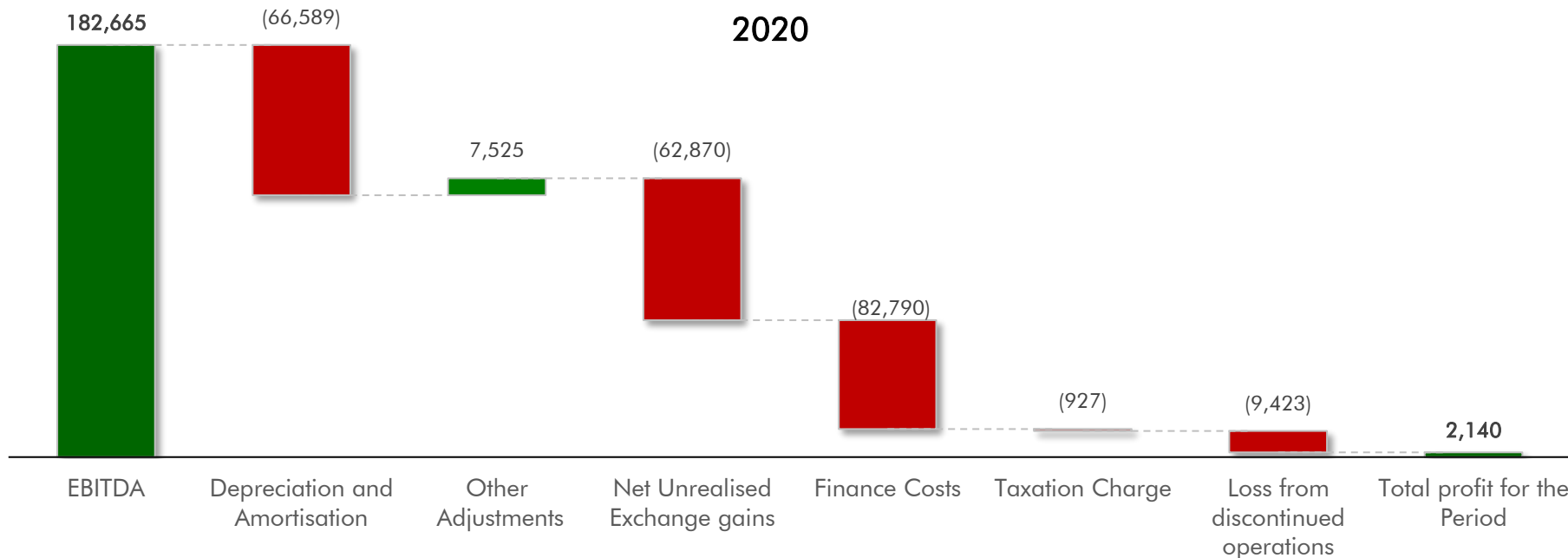
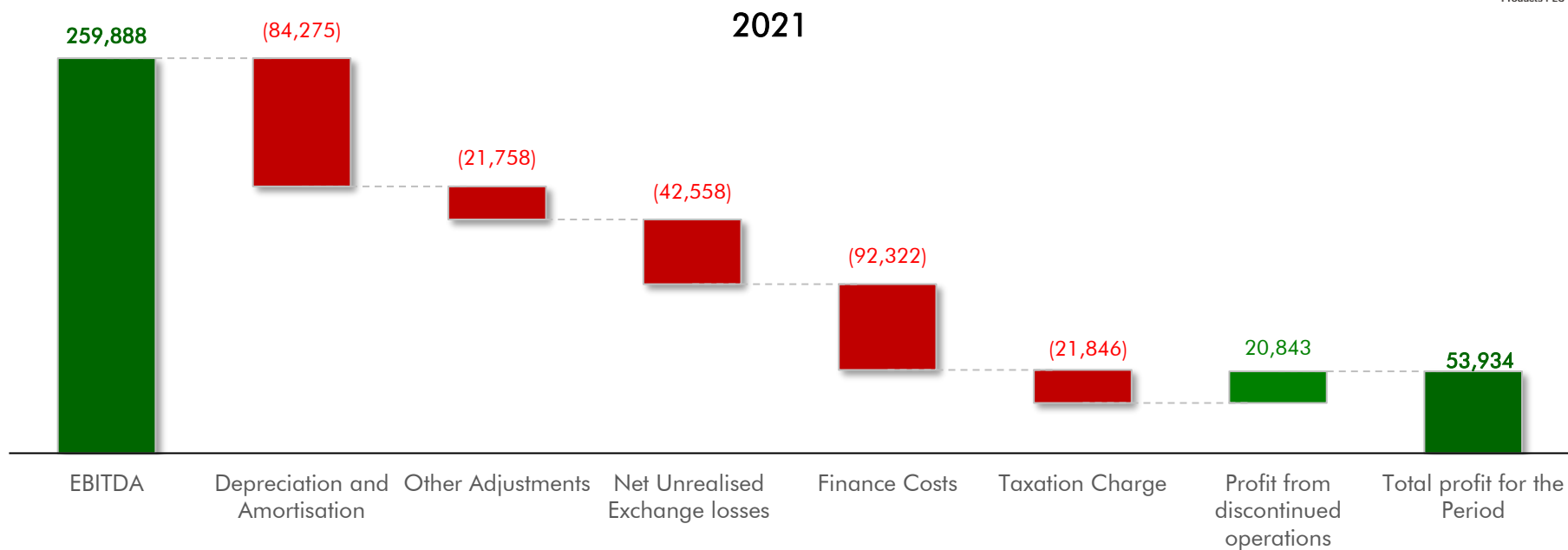


Operating Profit

YoY Growth	
Retail & CCFP	7.1%
Stock Feed	-27.6%
Cropping	-23.3%
Others	-24.6%
Total	-18.2%



Headline Earnings Waterfall (ZMW'000)



Financial Overview – P&L

	HY-21 ZMW'000	HY-20 ZMW'000	%Δ	HY-21 USD'000	HY-20 USD'000	%Δ
Revenue	2,167,715	1,787,225	21.3%	103,323	128,485	-19.6%
Cost of Sales	(1,428,291)	(1,161,096)	23.0%	(68,079)	(83,472)	-18.4%
Gross profit	739,424	626,129	18.1%	35,244	45,013	-21.7%
Overheads	(493,925)	(428,435)	15.3%	(23,542)	(30,801)	-23.6%
Central Overhead	(90,729)	(72,195)	25.7%	(4,325)	(5,190)	-16.7%
*EBITDA	259,888	182,665	42.3%	12,387	13,141	-5.7%
Operating profit	154,770	125,499	23.3%	7,377	9,022	-18.2%
Share of loss equity accounted investment	(915)	(1,898)	-51.8%	(44)	(136)	-67.6%
Exchange losses on foreign currency transactions and balances	(42,558)	(62,870)	-32.3%	(2,029)	(4,520)	-55.1%
Finance costs	(56,360)	(48,241)	16.8%	(2,686)	(3,468)	-22.5%
Profit/(loss) before taxation	54,937	12,490	339.8%	2,618	898	191.5%
Taxation charge	(21,846)	(927)	2256.6%	(1,041)	(67)	1453.7%
Group profit/(loss) from continued operations	33,091	11,563	186.2%	1,577	831	89.8%
Profit/(loss) from discontinued operations	20,843	(9,423)	-321.2%	993	(677)	-246.7%
Total (loss)/profit for the period	53,934	2,140	2420.3%	2,570	154	1568.8%

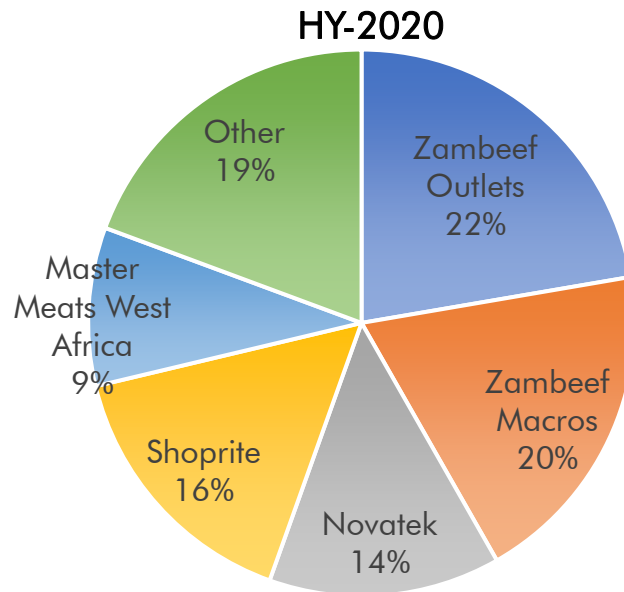
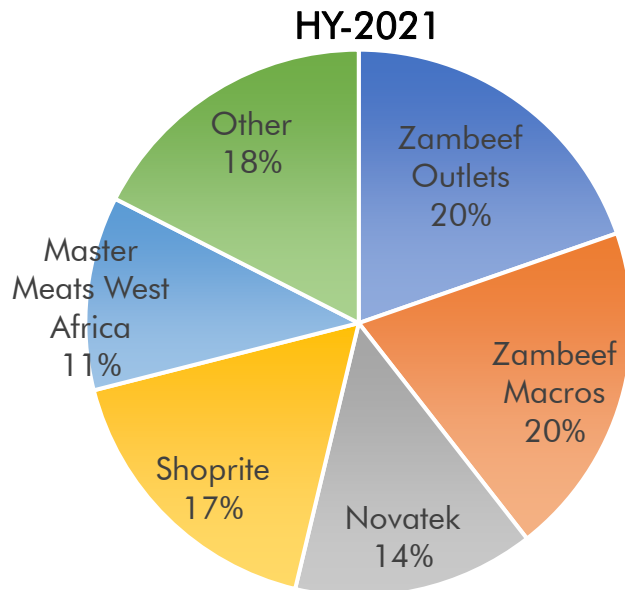
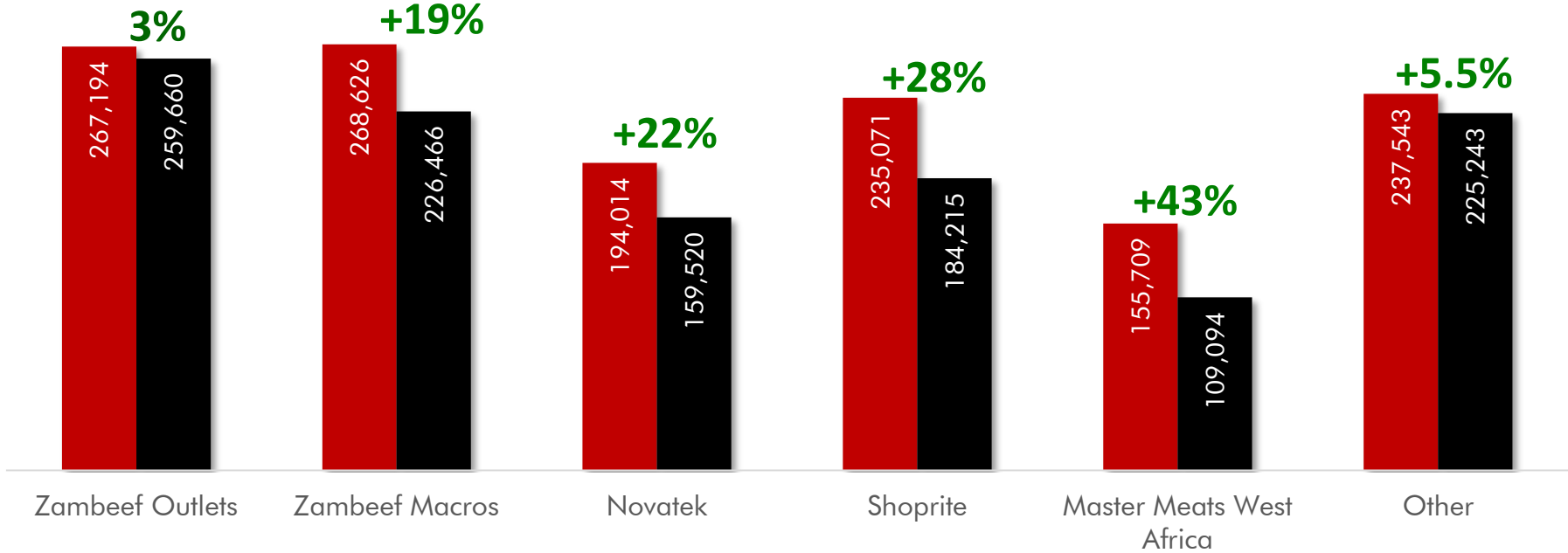
<i>Gross Profit Margin</i>	34.1%	35.0%	-92 bps
<i>Cost to Income Ratio</i>	27.0%	28.0%	-104 bps
<i>EBITDA Margin</i>	10.5%	9.0%	151 bps
<i>Operating Profit Margin</i>	7.1%	7.0%	12 bps

*EBITDA defined as Earnings before interest, tax, depreciation and amortisation



Retailing Revenue Channel Analysis-Zambia

■ HY-2021 ■ HY-2020



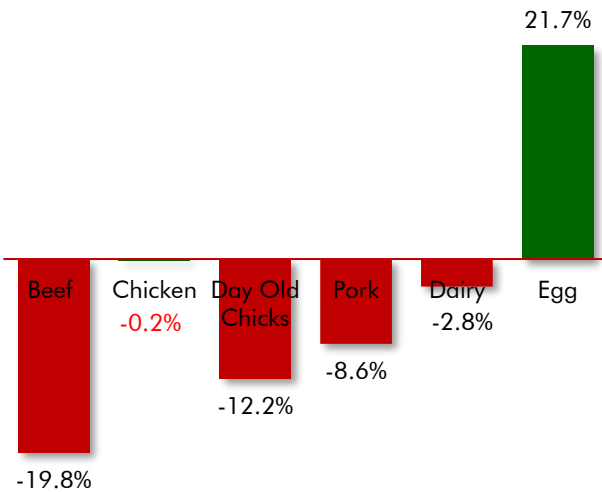
Retail & Cold Chain Food Products P&L

	HY-21 ZMW'000	HY-20 ZMW'000		HY-21 USD'000	HY-20 USD'000	
Revenue	1,501,347	1,163,355	29.1%	71,560	83,635	-14.4%
Gross Profit	374,214	316,798	18.1%	17,836	22,775	-21.7%
Overheads	(300,097)	(270,897)	10.8%	(14,304)	(19,475)	-26.6%
Operating Profit	74,117	45,900	61.5%	3,533	3,300	7.1%
GP %	24.9%	27.2%	-231 bps			
Operating Profit %	4.9%	3.9%	99 bps			
Cost to Income	20.0%	23.3%	-330 bps			

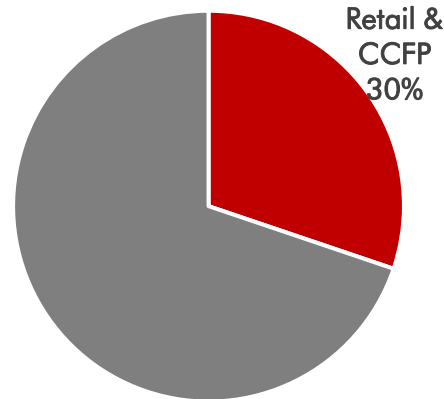
Highlights

- ❑ The strong performance in the CCFP division was underpinned by revenue optimisation in our Poultry products
- ❑ Favourable price and high demand given the relative affordability of Chicken and Egg as a source of protein led to improved performance.

CCFP Volumes Growth



Operating Profit Contribution



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.
- ❑ Sales volumes came under pressure on the back of supply constraints due to constrained livestock producer profitability levels.



	HY-21 ZMW'000	HY-20 ZMW'000		HY-21 USD'000	HY-20 USD'000	
Revenue	748,062	641,656	16.6%	35,656	46,129	-22.7%
Gross Profit	144,290	122,378	17.9%	6,877	8,798	-21.8%
Overheads	(76,981)	(60,753)	26.7%	(3,669)	(4,368)	-16.0%
Operating Profit	67,309	61,625	9.2%	3,208	4,430	-27.6%
GP %	19.3%	19.1%	21 bps			
Operating Profit %	9.0%	9.6%	-61 bps			
Cost to Income	10.3%	9.5%	82 bps			

Highlights

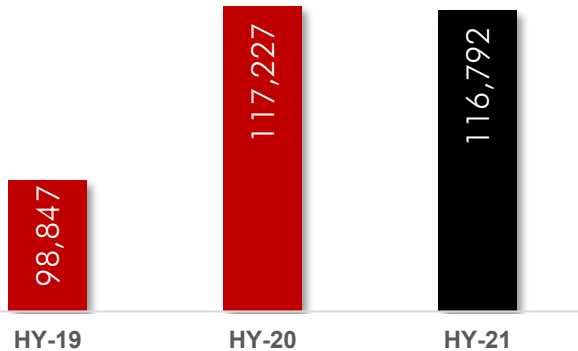
- ❑ Fish feed continues to register exponential growth following the lifting of the export ban

Challenges

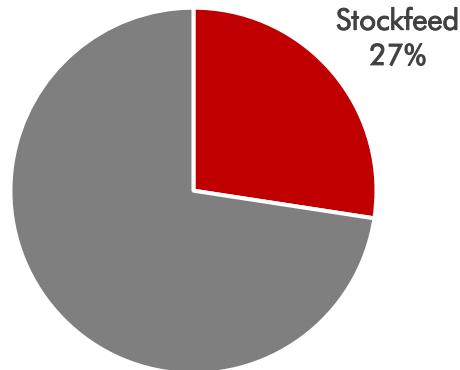
- ❑ The demand for poultry feed reduced following a day-old chick supply shortage across the market.
- ❑ An export ban on animal feed from Zambia resulted in a slowdown of production volumes.
- ❑ Shortage of day-old chicks slowed the growth of broiler feed while an export ban impacted export sales.

Volumes
(Metric Tons)

Volume CAGR: +8.7%



Operating Profit Contribution



Cropping P&L

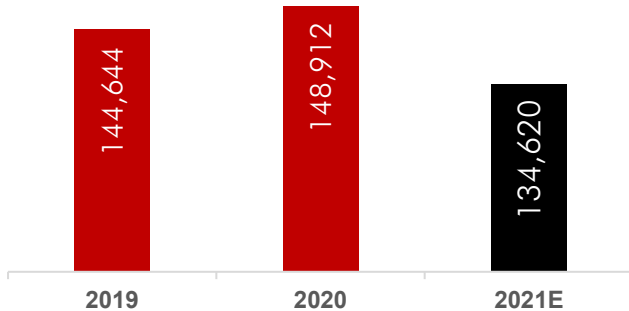
	HY-21 ZMW'000	HY-20 ZMW'000		HY-21 USD'000	HY-20 USD'000	
Revenue	163,313	256,990	-36.5%	7,784	18,475	-57.9%
Gross Profit	191,473	161,886	18.3%	9,127	11,638	-21.6%
Overheads	(102,673)	(85,151)	20.6%	(4,894)	(6,122)	-20.1%
Operating Profit	88,800	76,735	15.7%	4,233	5,516	-23.3%
GP %	117.2%	63.0%	5424 bps			
Operating Profit %	54.4%	29.9%	2451 bps			
Cost to Income	62.9%	33.1%	2973 bps			

Highlights

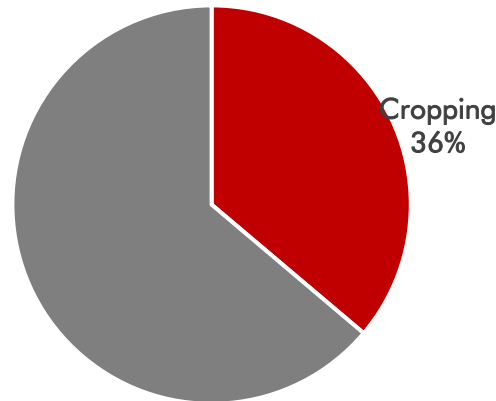
- ❑ Exceptional financial performance achieved at the Chiawa farm
- ❑ Despite figures falling under “Asset held for disposal” for Chiawa, the entity achieved an operating profit margin of 24.8% on revenues of ZMW 91.6 million (USD 4.4 million)
- ❑ Zambia experienced a good rainfall season

Volumes
(Metric Tons)

Volume CAGR **-3.3%**



Operating Profit Contribution



Challenges

- ❑ Revenue decreased 37%, mainly due to timing of wheat sales during this year’s cycle.
- ❑ Impact of the previous years sale of Sinazongwe farm was also observed in the income statement.



Other divisions P&L

	HY-21 ZMW'000	HY-20 ZMW'000		HY-21 USD'000	HY-20 USD'000	
Revenue	145,964	109,476	33.3%	6,957	7,870	-11.6%
Gross Profit	29,447	25,067	17.5%	1,404	1,802	-22.1%
Overheads	(14,174)	(11,634)	21.8%	(675)	(836)	-19.3%
Operating Profit	15,273	13,434	13.7%	728	966	-24.6%
GP %	20.2%	22.9%	-273 bps			
Operating Profit %	10.5%	12.3%	-181 bps			
Cost to Income	9.7%	10.6%	-92 bps			

Highlights

- ❑ The leather to shoe business turnaround strategy is beginning to pay off as the division saw an increase in demand for its products, particularly school shoes, following the opening of schools after Covid-19 related closures
- ❑ Total revenue from the Group's other business units increased by 33% mainly due to growth in both the milling and leather to shoe businesses.

Challenges

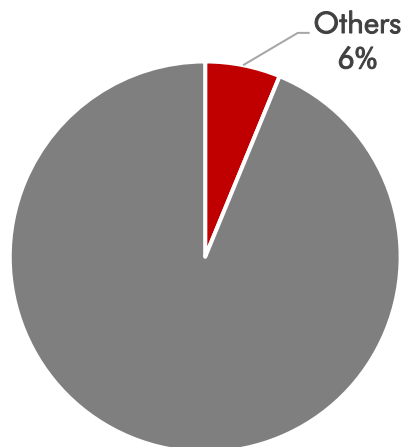
- ❑ USD performance was less than satisfactory owing to the depreciation of the local currency.

Revenue
ZMW'000

CAGR +23.2%



Operating Profit Contribution



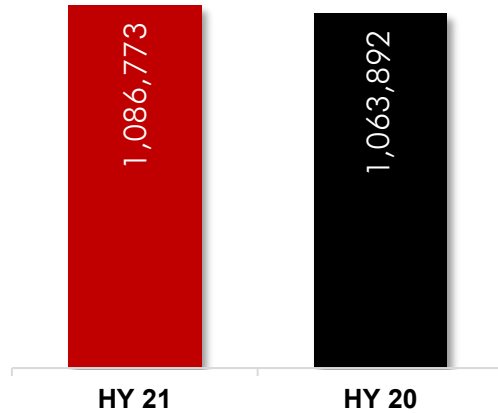
Abridged Balance Sheet

	HY 21 ZMW'000s	HY 20 ZMW'000s	HY 19 ZMW'000s	HY 21 USD '000s	HY 20 USD '000s	HY 19 USD '000s
Non – current assets	3,638,327	3,550,005	3,123,611	164,779	196,567	256,243
Current assets	2,030,247	1,479,447	1,092,947	91,950	85,357	89,659
Total assets	5,668,574	5,091,565	4,216,558	256,729	281,924	345,902
Capital and reserves	3,941,379	3,677,362	3,088,861	178,505	203,619	253,392
Non – current liabilities	230,094	302,478	309,245	10,421	16,749	25,369
Current liabilities	1,497,101	1,111,725	818,452	67,803	61,556	67,141
Total equity and liabilities	5,668,574	5,091,565	4,216,558	256,729	278,485	345,902
Current Ratio	1.36	1.33	1.34	1.36	1.39	1.34
Net Debt/Equity (Gearing ratio)	27.57%	28.93%	29.40%	27.57%	28.93%	17.80%

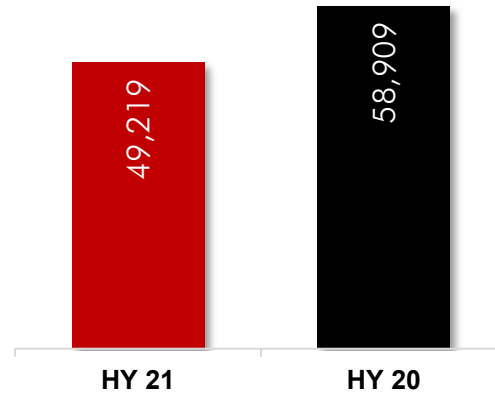


Group Debt Analysis

Net Debt
(in ZMW'000s)
+2.2%



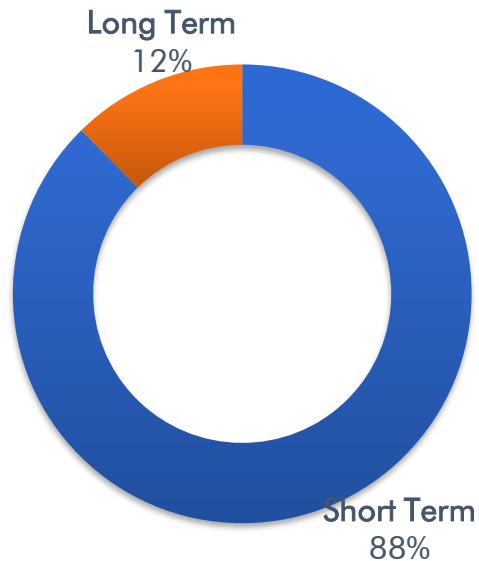
Net Debt
(in USD'000s)
-16.4%



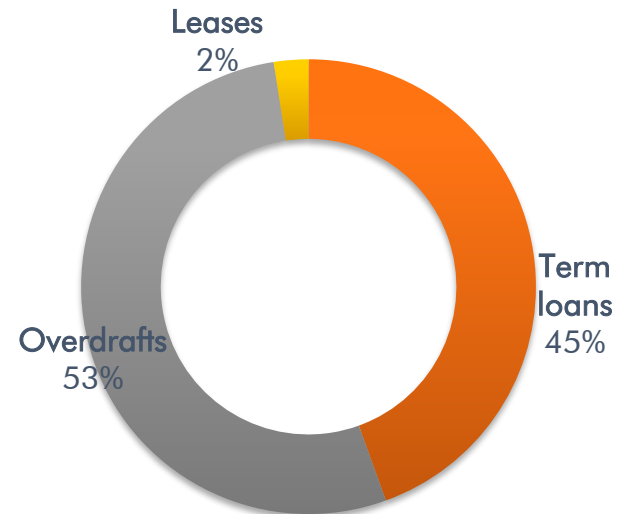
FY 2021 YTD Loan Repayments
ZMW \$86,752,427
USD \$4,135,006.09

ZMW:USD	Average FX rate	Closing rate
HY 2020	13.91	18.06
FY 2020	16.17	20.14
HY 2021	20.98	22.08

Debt Profile



Source Breakdown



Abridged Cashflow Statement

	HY-21 ZMW'000s	HY 20 ZMW'000s	HY-21 USD '000s	HY 20 USD '000s
Profit/(Loss) before taxation	54,937	12,490	2,618	898
EBITDA, Fair value adjustments and Forex	193,398	160,951	9,217	11,566
Net cash (outflow)/inflow from/on operating activities	(227,309)	(117,867)	(10,834)	(8,473)
Movement in working capital	(33,911)	43,084	(1,617)	3,093
Net cash outflow on investing activities	(57,582)	(57,610)	(2,745)	(4,141)
Net cash outflow before financing - Net Free Cash Flow	(91,493)	(14,526)	(4,362)	(1,048)
Net Cash outflow from financing activities	(150,206)	(85,593)	(7,105)	(6,152)
Decrease in cash and cash equivalents	(241,699)	(100,119)	(11,467)	(7,200)
Effects of exchange gains on balances held	(14,407)	43,161	902	9,641
Cash and cash equivalents at the beginning of the period	(236,909)	(274,425)	(11,763)	(20,790)
Cash and cash equivalents at the end of the period	(493,015)	(331,383)	(22,328)	(18,349)



Indicators	2018	2019	2020	2021	2022	2023	2024
GDP Growth %	3.7	2.0	-4.2	1.5%	1.5	1.9	2.1
MPC %	9.75	11.5	8	8.5	8.5	9	10
Inflation %	7.9	10.8	15.7	20.6	16.5	15	10.4
ZMW per \$	10.45	15	20.0	24.3	20	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. Global economic growth is projected at 6.0% and 4.4% percent in 2021 and 2022, respectively from a preliminary contraction of 3.3% in 2020.
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 is expected to continue on its current trajectory 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"> Commercial banks' average lending rate rose to 26.0% in March 2021 from 25.1% in December 2020, largely reflecting the upward adjustment in the Monetary Policy Rate in February.
MPC	<ul style="list-style-type: none"> MPR maintained at 8.5% to stimulate financial growth and assist private sector credit.

Threats

- Third wave of COVID` -19
- Weakening local currency
- Depletion of reserves leading to fuel, drug and other import related shortages
- 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.
- Donated K1,000,000 worth of product and PPE to DDMU



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.

