

SENS ANNOUNCEMENT
(the "Announcement")

ISSUER



Zambeef Products PLC
(“Zambeef” or the “Group”)
INCORPORATED IN THE REPUBLIC OF ZAMBIA
COMPANY REGISTRATION NUMBER: 31824
SHARE CODE: ZAMBEEF
ISIN: ZM0000000201

BROKER



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

AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- Securities and Exchange Commission
- Shoprite Holdings Limited

DISCLAIMER AND RISK WARNING

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.

2 December 2020



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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 2020

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

	30-Sep-20	30-Sep-19
	Audited ZMW'000s	Audited ZMW'000s
Revenue	3,875,104	3,134,967
Cost of sales	(2,659,482)	(2,053,420)
Gross profit	1,215,622	1,081,547
Administrative expenses	(1,005,091)	(920,338)
Operating profit	210,531	161,209
Share of loss equity accounted investment	(3,177)	(3,036)
Exchange (losses)/gains on translating foreign currency transactions and balances	(137,705)	(36,730)
Finance costs	(92,322)	(82,790)
Profit/(loss) before taxation	(22,673)	38,653
Taxation charge	(112,957)	(2,780)
Group (loss)/profit for the period from continued operations	(135,630)	35,873
Loss from discontinued operations	33,435	(17,379)
Total (loss)/profit for the period	(102,195)	18,494
Group profit/(loss) attributable to:		
Equity holders of the parent	(103,419)	18,100
Non-controlling interest	1,224	394
	(102,195)	18,494
Other comprehensive income		
Exchange gains/(losses) on translating presentational currency	625,042	106,391
Remeasurement of leases	315	-
Remeasurement of net defined benefit liability	6,229	8,829
Total comprehensive income for the period	529,391	133,714
Equity holders of the parent	525,030	129,935
Non-controlling interest	4,361	3,779
	529,391	133,714
Earnings per share	Ngwee	Ngwee
Total Basic earnings per share	(34.00)	6.02

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	30-Sep-20	30-Sep-19
	Audited ZMW'000s	Audited ZMW'000s
ASSETS		
Goodwill	166,801	166,801
Property, plant and equipment	3,264,505	2,841,824
Investment in associate	43,826	12,376
Biological assets	176,305	170,417
Inventories	1,103,640	941,159
Trade and other receivables	132,668	98,025
Assets held for disposal	175,654	135,357
Cash and cash equivalents	111,136	56,753
Other Assets	20,673	100,846
Total Assets	5,195,208	4,523,558
EQUITY AND LIABILITIES		
Capital and Reserves	3,770,219	3,240,828
Interest bearing liabilities	517,117	571,141
Obligations under finance leases	43,009	40,784
Deferred liability	11,389	16,362
Deferred tax liability	69,950	9,138
Trade and other payables	321,648	259,585
Provisions	113,347	52,914
Bank overdrafts	348,045	331,178
Other Liabilities	484	1,628
Total Equity and Liabilities	5,195,208	4,523,558
ABRIDGED GROUP STATEMENT OF CASH FLOW		
	30-Sep-20	30-Sep-19
	ZMW'000s	ZMW'000s
Net cash inflow/(outflow) from/on operating activities	328,188	(30,806)
Net cash inflow/(outflow) on investing activities	65,627	(102,049)
Net Cash (outflow)/inflow from financing activities	(411,599)	(59,540)
Effects of exchange gains on balances held	55,300	53,713
Cash and cash equivalents at the beginning of the period	(274,425)	(135,743)
Cash and cash equivalents at the end of the period	(236,909)	(274,425)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 2019	3,006	1,125,012	1,000	381,929	1,199,058	536,019	3,246,024	(4,881)	3,241,143
Profit for the year	-	-	-	-	-	(103,419)	(103,419)	1,224	(102,195)
Transfer of surplus depreciation	-	-	-	-	(31,345)	31,345	-	-	-
Other comprehensive income									
Exchange (loss)/gain on translating presentational currency	-	-	-	621,905			621,905	3,137	625,042
Remeasurement of net defined benefit liability						6,229	6,229	-	6,229
Total comprehensive income	-	-	-	621,905	(31,345)	(65,845)	524,715	4,361	529,076
At 30 September 2020	3,006	1,125,012	1,000	1,003,834	1,167,713	470,174	3,770,739	(520)	3,770,219

Performance Overview

- The financial year ended 30th September 2020 ("YE 2020") was characterised by a difficult operating and economic environment due to adverse macro-economic fundamentals and the Covid-19 pandemic. The Zambian kwacha weakened by 54% against the US Dollar, resulting in high inflation and reduced customer spending.
- The Group also experienced challenges stemming from reduced electricity supply due to continued load shedding, resulting in high diesel generator fuel expenditure and repairs and maintenance costs. This, coupled with a 49% increase in the electricity tariff at the beginning of the calendar year, significantly increased operational costs and eroded margins.
- Despite the challenges noted above, Zambeef posted an operating profit of ZMW210.5 million, a 30.6% growth compared with ZMW161.2 million in 2019. The Group's strong underlying performance was driven by growth in the Stockfeed and Cold Chain Food products division. The Group's achievement, in face of challenging operational and economic headwinds, demonstrates its strength as a diversified and vertically integrated operation.

Strategic focus

- The Group's strategic intent is to focus on core divisions to generate cash flow that will be channelled towards deleveraging the business and investing in higher returning projects. Management will focus on optimising the Group's existing retail infrastructure, generating cash through improved margins, cost control and working capital management.
- The continued divestiture of non-core assets will further allow us to pay down our debt and deliver more value to our shareholders.

Key Financial Highlights

- Revenue and gross profit increased by 24% and 12% due to pricing across most of the divisions despite an increase in input costs.
- The continued focus on cost control helped deliver a below inflationary increase of 9% from ZMW921 million in the previous corresponding period to ZMW1 billion in the period under review.
- Finance costs reduced by 15% in USD which can be attributed to the net debt reduction following improved cash generation and Sinazongwe sale proceeds.
- The Group ultimately recorded a loss of ZMW102 million during the year compared to a profit of ZMW18.5 million in the previous period. Despite the strong operating profit performance, profit after tax was impacted by foreign exchange losses, financing costs and the impairment of a deferred tax asset.
- Zambeef's management remains committed to focusing on core divisions to generate cash flow that will be channelled towards deleveraging the business and investing in higher returning projects. Our plans are underpinned by:
 - Consistent revenue growth through optimising existing retail infrastructure, 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 the Group's profitable business divisions, while improving those divisions that need additional attention to ensure that all areas of the business contribute fully to Group profitability.

Outlook

We expect the 2021 financial year to remain challenging, characterised by macro-economic instability. Zambia's sovereign debt position remains the biggest risk to macroeconomic stability in the short to medium term. The COVID-19 pandemic and how it evolves could impact our operations but we anticipate Zambia will acclimate to living with the virus and continue life under the new normal.

Commenting on these results, Chairman Mr. Michael Mundashi said:

“On the back of a challenging 2019 financial year, 2020 followed suit and proved to be an even tougher year for the Zambef Group. The 2020 financial year was characterised by difficult economic and market conditions that were exacerbated by the Coronavirus (COVID-19) pandemic. Despite significant growth in the first half of the financial year, macro-economic headwinds - in particular those associated with the Kwacha depreciation - accumulated in the second half and negatively impacted the bottom line financial performance.”

“The Board believes the key to sustainable growth, while mitigating the effects of economic cycles lies in remaining committed to achieving its strategic priorities. As such, the key focus remains on the core divisions that generate sustainable and strong cash flows, while reducing debt to release cash for reinvestment in higher returning projects.

“We expect the macro-economic climate to remain challenging in the 2021 financial year, characterised by an increase in volatility. The country's national debt level remains a threat to macro-economic stability in the short to medium term. We anticipate the COVID-19 pandemic will have minimal impact on our operations in 2021 as Zambia will adjust to living with the virus and resume life under the 'new normal'.

“Zambef continues to de-risk the business by focusing on the reduction of debt to reduce the impact of foreign currency volatility on future earnings. The net debt for the Group declined by 41% in Dollar terms and 10% in Kwacha terms during the 2020 financial year.

“The Group is committed to the continued strengthening of its earnings potential and unlocking value through reducing debt levels in the medium term. This will mitigate foreign exchange and interest rate risk exposures, and free up cash for reinvestment in higher returning projects.”

Copies of Zambef's Annual Report and Accounts for the year ended 30 September 2020 and Notice of Annual General Meeting (AGM) will shortly be available on the Group's website.

The Group's AGM will be held on the 24th of December 2020 via Zoom at 10.00 a.m. (Zambian time).

We believe our business is well positioned to overcome the challenges and continue on the strong performance trajectory owing to our diversified and vertically integrated business operations, great brand portfolio and strong management.

For further information, please contact:

Zambeef Products plc
Walter Roodt, Chief Executive Officer
Faith Mukutu, Chief Financial Officer

Tel: +260 (0) 211 369003

Pangaea Securities
Ceaser Siwale
Wendy Tembo

Tel: +260 (0) 211 220 707

Sponsoring Broker:



Pangaea Securities Limited

(Member of the Lusaka Securities Exchange)

(Regulated by the Securities and Exchange Commission)

Tel: +260 (211) 220 707 or 238 709 / 16 Fax +260 (211) 220 925

Pangaea Office Park, 1st Floor, Great East Road, P.O. Box 30163 Lusaka, Zambia

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