



Zambeef Products PLC
("Zambeef" or the "Group")

[INCORPORATED IN THE REPUBLIC OF ZAMBIA]

COMPANY REGISTRATION NUMBER: 31824

SHARE CODE: ZAMBEEF

ISIN: ZM0000000201

In accordance with the requirements of the Securities and Exchange Act No. 41 of 2016, Zambeef Products PLC announces its results for the half-year period ended 31 March 2020

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME	31-Mar-20	31-Mar-19	ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION	31-Mar-20	31-Mar-19
	Unaudited ZMW'000s	Unaudited ZMW'000s		Unaudited ZMW'000s	Unaudited ZMW'000s
Revenue	1,797,633	1,416,490	ASSETS		
Cost of sales	(1,161,096)	(945,920)	Goodwill	166,801	166,801
Gross profit	626,129	470,570	Property, plant and equipment	3,292,653	2,895,599
Administrative expenses	(500,630)	(459,193)	Biological assets	520,437	374,728
Operating profit	125,499	11,377	Inventories	682,619	594,640
Share of loss equity accounted investment	(1,898)	(1,819)	Trade and other receivables	87,924	68,560
Exchange losses on translating foreign currency transactions and balances	(62,870)	(3,347)	Assets held for disposal	131,857	-
Finance costs	(48,241)	(36,367)	Amounts due from related companies	38,281	37,502
Profit/(loss) before taxation	12,490	(30,156)	Other Assets	108,880	78,728
Taxation charge	(927)	(1,633)	Total assets	5,029,452	4,216,558
Group (loss)/profit for the period from continued operations	11,563	(31,789)	EQUITY AND LIABILITIES		
Loss from discontinued operations	(9,423)	-	Capital and Reserves	3,677,362	3,088,861
Total (loss)/profit for the period	2,140	(31,789)	Interest bearing liabilities	397,971	351,119
Group profit/(loss) attributable to:			Obligations under finance leases	44,442	30,641
Equity holders of the parent	1,650	(32,379)	Collateral management agreement	227,983	176,159
Non-controlling interest	490	590	Trade and other payables	231,592	173,859
	2,140	(31,789)	Provisions	54,310	41,597
Other comprehensive income			Amounts due to related companies	1,265	362
Exchange gains/(losses) on translating presentational currency	434,406	13,536	Bank overdrafts	331,383	308,342
Remeasurement of leases	(12)	-	Other Liabilities	63,144	45,618
Total comprehensive income for the period	436,534	(18,253)	Total equity and liabilities	5,029,452	4,216,558
Equity holders of the parent	433,889	(21,759)	ABRIDGED GROUP STATEMENT OF CASH FLOW	31-Mar-20	31-Mar-19
Non-controlling interest	2,645	3,506		Unaudited	Unaudited
				ZMW'000s	ZMW'000s
Earnings per share	Ngwee	Ngwee	Net cash inflow/(outflow) from/on operating activities	43,084	(99,923)
Total	0.41	(7.78)	Net cash outflow on investing activities	(57,610)	(54,596)
			Net cash outflow from financing activities	(85,593)	(26,098)
			Decrease in cash and cash equivalents	(100,119)	(180,617)
			Effects of exchange gains on balances held	43,161	7,958
			Cash and cash equivalents at the beginning of the period	(274,425)	(135,743)
			Cash and cash equivalents at the end of the period	(331,383)	(308,342)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6-MONTH PERIOD ENDED 31 MARCH 2020

ZMW' 000	Issued share capital	Share premium	Preference share capital	Revaluation reserve	Foreign exchange 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	1,199,058	381,929	535,704	3,245,709	(4,881)	3,240,828
Profit for the year	-	-	-	-	-	1,650	1,650	490	2,140
Transfer of surplus depreciation	-	-	-	(14,833)	-	14,833	-	-	-
Other comprehensive income									
Remeasurement of leases	-	-	-	-	-	(12)	(12)	-	(12)
Exchange (loss)/gain on translating presentational currency	-	-	-	-	432,251	-	432,251	2,155	434,406
Total comprehensive income	-	-	-	(14,833)	432,251	16,471	433,889	2,645	436,534
At 30 March 2020	3,006	1,125,012	1,000	1,184,225	814,180	552,175	3,679,598	(2,236)	3,677,362

Performance Overview

- The half-year period ended 31st March 2020 (HY 2020) saw Zambeef post encouraging results in the context of a very challenging macroeconomic environment. During this period, the Zambian Kwacha weakened by 37%, resulting in short to medium term record inflation. The high inflation coupled with a tight monetary policy eroded the purchasing power of our customers. The challenges stemming from reduced electricity generation, on the back of a regional record drought, significantly increased operational costs that eroded margins and some of our divisions were unable to pass on the increases to our customers.
- Despite the challenging economic environment and the uncertainty caused by the onset of the COVID-19 pandemic, consumer demand for Zambeef's products in-country, stood up well, and trading performance in the period has been satisfactory.
- Zambeef's chain of 237 retail outlets - both own-brand and within Shoprite supermarkets remain at the heart of the business, with demand from customers driving supply. During the half-year period under review, the Group continued to invest in the roll-out of two macro stores and two retail outlets in strategic locations.

Strategic focus

- Zambeef's strategic focus on the roll-out of macro and retail stores across Zambia has continued to contribute to revenue growth. The proceeds from the sale of the Sinazongwe Farm will enable us to accelerate the pay down on our debt as we continue with the deleveraging strategy and focusing on our core businesses.

Outlook

- We anticipate the macro-economic climate to remain challenging but more stable in the second half of the financial year. The accelerated depreciation of the Kwacha appears to be behind us for now and the Kwacha seems to have stabilised and we anticipate Zambia to acclimate living with COVID-19 and resuming life under a new normal. However, the impacts of the pandemic still pose a significant risk to the business. Moderate revenue growth is expected across most of our product lines due to a slowdown in the economy, supported by anticipated good yields from the winter crops. However, the full effects of an inflationary second quarter will be felt in the next half year. Consequently, we expect to see more pressure on our margins with minimal passing on of cost increases as consumer spending power erodes further.

Key Financial Highlights

- Revenue for the period was ZMW1,798 million (HY 2019 1,417 million), and a gross profit of ZMW626 million (HY 2019 471 million). Revenue and gross profit increased by 27% and 33% respectively in Kwacha terms.
- Management's continued focus on cost control ensured administration expenses increased by only 9% from ZMW 459 million in the previous period to ZMW 501 million in the current period, in the context of 14% inflation during the period.
- The Group achieved an operating profit of ZMW 125 million versus ZMW 11 million recorded in the previous half year period which represents a 1003% increase.
- The profitability was mainly driven by increased sales volumes in the Cropping and Stockfeed divisions coupled with pricing and cost optimisation initiatives undertaken by management across the divisions.
- Finance costs increased by 33% in ZMW mainly due to rising kwacha interest rates and the depreciation of the Zambian Kwacha against the US Dollar which resulted in increasing interest on our US Dollar debt in Kwacha terms.
- As a result, the Group managed to generate a profit of ZMW2 million compared to a loss of ZMW32 million in the previous period.

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