

SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



BRITISH AMERICAN TOBACCO (ZAMBIA) PLC
[Incorporated in the Republic of Zambia]

Company registration number: 119630002333
Share Code: BATZ
ISIN: ZM0000000029
Authorised by: Sivenasen Moodley – Managing Director

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Founder Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or 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.

ISSUED: 24 March 2023

PRESS RELEASE

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

[Incorporated in the Republic of Zambia]
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The Directors of British American Tobacco (Zambia) Plc ("the Company") present the audited financial results for the period ended 31 December 2022. Extracts of the financial statements are as follows:

14% Increase in Net Revenue vs 2021

86% Increase in Profit before tax vs 2021

47% Increase in Earnings Per Share vs 2021

48% Increase in Contribution to Government Revenue vs 2021

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 ZMW'000	2021 ZMW'000
Gross revenue	842,629	711,237
Excise Duty and Value Added Tax (VAT)	(306,760)	(241,042)
Net revenue	535,869	470,195
Total cost of operations	(356,055)	(337,041)
Operating profit	179,814	133,154
Finance costs	(14,163)	(43,822)
Profit before tax	165,651	89,332
Income tax expense	(65,289)	(22,023)
Profit after tax	100,362	67,309
Other comprehensive income	-	-
Total comprehensive income	100,362	67,309
Interim dividend	-	-
Basic and diluted earnings Per share (ZMW)	0.47	0.32

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	31-Dec-2022 ZMW'000	31-Dec-2021 Restated ZMW'000	1-Jan-2021 Restated ZMW'000
Non-current assets	175,417	161,952	156,214
Bank balances and cash	115,283	114,699	51,246
Other current assets	115,995	70,759	68,023
Total current assets	231,278	185,458	119,269
Total assets	406,695	347,410	275,483
Non-current liabilities	(115,538)	(139,395)	(5,658)
Current liabilities	(185,879)	(181,853)	(310,972)
Total net assets	105,278	26,162	(41,147)
Total Shareholders' funds	105,278	26,162	(41,147)
Total capital employed	105,278	26,162	(41,147)

CONDENSED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 ZMW'000	2021 ZMW'000
Cash generated from operations	155,034	186,541
Net interest paid	(12,204)	(16,905)
Tax paid	(40,087)	(594)
Net cash from operating activities	102,743	169,042
Net cash used in investing activities	(22,997)	(43,227)
Net cash used in financing activities	(79,172)	(62,447)
Decrease in cash & cash equivalents	574	63,368
At the start of the period	114,699	51,246
Differences on Exchange	10	85
At the end of the period	115,283	114,699

CONDENSED STATEMENT CHANGES IN EQUITY

	Share capital ZMW'000	Retained Earnings ZMW'000	Total Equity ZMW'000
Balance at 1 January 2021	2,125	(46,146)	(44,021)
Correction of error	-	2,874	2,874
Restated balance at 1 January 2021	2,125	(43,272)	(41,147)
Profit for the year	-	67,309	67,309
Total comprehensive income for the year	-	67,309	67,309
Restated Balance at 31 December 2021	2,125	24,037	26,162
Balance at 1 January 2022	2,125	24,037	26,162
Profit for the year	-	100,362	100,362
Total comprehensive income for the year	-	100,362	100,362
Dividends declared	-	(21,246)	(21,246)
Transactions with owners of the Company	-	(21,246)	(21,246)
Balance at 31 December 2022	2,125	103,153	105,278

Operating Environment

The Zambian economy has recorded noted improvements over the period, which have resulted in enhanced macro-economic stability. Inflation reduced from over 20% in preceding years to a single digit of 9.9% by the close of the year. Additionally, the country witnessed improvements in the exchange rate from ZMW24 to ZMW18 to a United States Dollar. This performance coupled with renewed commitment to implementing fiscal discipline resulted in a more conducive business environment and enhanced investor confidence, a development that has laid the foundation for new and continued investments in Zambia.

The cumulative effect of the above conditions resulted in a conducive operational environment when compared with the year prior. However, the positive impact of the growing Zambian economy for our industry is overshadowed by the scourge of illicit trade in tax-evaded cigarette products in the Zambian market. It is estimated by external third-party sources that the prevalence of illicit trade in tax-evaded cigarettes is approximately 30% of the total market. Unfortunately, this presents a significant challenge to the legal industry in relation to remaining sustainable, and it deprives the Government of the Republic of Zambia of significant revenue that are essential in transforming the economy. We encourage all relevant stakeholder to take decisive and bold steps in addressing the illicit trade in tax-evaded cigarettes.

Financial Results

The Company recorded an increase in gross revenue of 14% to ZMW535.9 million, from ZMW470.2 million in the prior year. The increase was largely driven by increased sales volume coupled with the optimal pricing strategy that was implemented by the Company and improved sales mix.

The cost of operations increased by 1% to ZMW357 million from ZMW354 million in the prior year. The increase was mainly driven by increased sales volume and currency fluctuations that affected the cost of imported materials in the last quarter 2022. The operating margin increased from ZMW133.2 million in 2021 to ZMW179.8 million in 2022. The increase was as a result of an increase in price for our key brands during the year.

Profit before tax increased by 86% to ZMW165.7 million, from ZMW83.8 million in the prior year. The improved performance was also attributable to the improved revenue resulting from the optimal pricing strategy and smart cost management which was implemented by the Company.

Contributions to the Government Revenue

The Company contributed ZMW364.3 million to Government revenues in 2022, this is a ZMW118.7 million increase when compared to the prior year's contribution of ZMW245.6 million.

Dividend

The Board of Directors has proposed a 30% divided pay out in respect of the year ended 31 December 2022 of ZMW 0.15 per share to be recommended for approval by shareholders at the Annual General Meeting to be held on 25th April 2023.

2023 Outlook

Zambia's real Gross Domestic Product (GDP) is expected to expand by 3.9% in 2023, and by 4.1% in 2024*. The Zambian Government has set out its medium-term macroeconomic objectives for the period 2023-2025, targeting an annual GDP growth rate of 4.2%, attainment and maintenance of single digit inflation, and the bolstering of reserves above 3 months import cover. It is anticipated that inflation will continue on its downward trend and that the fiscal deficit will likely decrease in 2023. These market conditions, coupled with a predictable, stable, and sustainable regulatory environment and excise structure for cigarettes, present opportunities for the continued growth of our business over the next few years.

Correction of Prior Period Error

During 2022, the Company discovered that the interest expense on leased equipment had been erroneously duplicated since 2020. As a consequence, finance cost, trade and other payables had been overstated. The errors were corrected by restating each of the affected financial statement line items for prior periods.

Conclusion

We take this opportunity to express our sincere appreciation to the Directors of the Board, the Management Team, staff and all stakeholders for an outstanding year as we continue building A Better Tomorrow™ together.

Lusaka
24 March 2023

By Order of the Board
Axis Advisory Limited
Company Secretary

Issued in Lusaka, Zambia on 24 March 2023

Lusaka Securities Exchange Sponsoring Broker



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Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 24 March 2023