

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

ISSUER



ZAMBIAN BREWERIES PLC (“ZAMBREW”)
[Incorporated in the Republic of Zambia]

Company registration number: 31609
Share Code: ZAMBREW
ISIN: ZM0000000078
Authorised by: Deborah Bwalya – Company Secretary

SPONSOR



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. Zambian Breweries Plc

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: 02 April 2024

The Board of Directors of Zambian Breweries Plc is pleased to announce the audited results of the company for the year ended 31 December 2023.

Consolidated and Company statement of profit or loss and other comprehensive income

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Revenue from contracts with customers	4,152,666	3,674,541	3,816,306	3,601,362
Cost of goods sold	(3,113,013)	(2,308,245)	(3,116,215)	(2,258,392)
Gross profit	1,039,653	1,366,296	700,091	1,342,970
Other income	40,803	278,293	39,324	31,326
Other expenses	(717,256)	(623,532)	(972,226)	(622,120)
Administrative expenses	(581,833)	(418,198)	(364,900)	(357,252)
Distribution costs	(235,808)	(299,073)	(74,611)	(166,912)
Net impairment reversal / (losses) on financial assets	13,053	(9,810)	5,062	(1,023)
Operating (loss) / profit	(441,388)	293,976	(667,260)	226,989
Finance income	32	33	32	33
Finance costs	(354,085)	(151,843)	(354,073)	(151,839)
(Loss) / profit before income tax	(795,441)	142,166	(1,021,301)	75,183
Income tax credit / (expense)	259,840	(42,918)	339,434	(28,972)
(Loss) / profit for the year	(535,601)	99,248	(681,867)	46,211
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the year	(535,601)	99,248	(681,867)	46,211
Basic and diluted earnings per share	(0.98)	0.18		

Consolidated and Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
	K'000	K'000	K'000	K'000
Group				
Year ended 31 December 2022				
At start of year	5,460	450,207	683,337	1,139,004
Profit for the year	-	-	99,248	99,248
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	99,248	99,248
At end of year	5,460	450,207	782,585	1,238,252
Year ended 31 December 2023				
At start of year	5,460	450,207	782,585	1,238,252
Loss for the year	-	-	(535,601)	(535,601)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(535,601)	(535,601)
At end of year	5,460	450,207	246,984	702,651
Company				
Year ended 31 December 2022				
At start of year	5,460	450,207	683,337	1,139,004
Profit for the year	-	-	46,211	46,211
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	46,211	46,211
At end of year	5,460	450,207	729,548	1,185,215
Year ended 31 December 2023				
At start of year	5,460	450,207	729,548	1,185,215
Loss for the year	-	-	(681,867)	(681,867)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(681,867)	(681,867)
At end of year	5,460	450,207	47,681	503,348

The 2023 year marked a significant milestone for Zambian Breweries as we forged ahead with the expansion programme at our Mungwi Road plant in Lusaka, which saw the first brews and bottles coming off the new line before the end of the year.

Despite this, 2023 was a challenging year for Zambian Breweries, and even though we delivered a positive uptick in revenue we finished the year with an operating loss as a result of a combination of economic headwinds and the short-term impact of our expansion programme.

Depreciation of the kwacha during the year increased material costs and imports in foreign currency, while the cost of borrowing to finance the Lusaka plant capacity upgrade pushed the Company into a loss-making position.

While there was inevitably a degree of disruption to production during the year as a result of this work, it is with a sense of satisfaction and excitement that we can now move forward with the significant increase in production capacity that the expansion brings.

In addition, 2023 also saw a number of other significant achievements.

The Company reported a particularly strong supply and sales performance in October, with a significantly high volume in a single month produced, delivered and sold. We were able to do this while maintaining the quality for which our products are renowned, with Mosi lager winning another Monde Gold Medal for quality.

We saw the successful launch of the newest brand in our portfolio: Mosi Light. This low alcohol, extra refreshing lager, made with cassava, has been extremely well received by our consumers.

Overall, however, production volume remained flat, in large part due to capacity constraints and the inevitable disruption caused by expansion works on the new Lusaka facility.

Our premium imported products filled the sales gap, and we saw a significant increase in sales of Corona, along with Budweiser and Stella Artois. Sales of Flavoured Alcoholic Beverages, led by Flying Fish and Brutal Fruit, had a particularly spectacular year.

Demand remains strong in the market for both local and imported packs. However, we noted the high instances of cheap and illicit spirits in the market, which seem to be growing in availability. To mitigate the risk of the harmful effects of the abuse of alcohol on society, we continued to drive our Alcohol Responsibility Policy initiatives.

Consolidated and Company statement of financial position

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Assets				
Non-current assets				
Property, plant and equipment	4,501,731	3,015,178	4,481,910	2,989,153
Investment in subsidiary	-	-	22,576	-
Intangible assets	20,002	41,792	20,002	41,792
4,521,733	3,056,970	4,524,488	3,030,945	
Current assets				
Inventories	735,404	922,647	717,736	800,697
Other current assets	73,471	116,455	73,259	96,402
Trade and other receivables	288,203	237,118	707,508	327,081
Current income tax receivable	57,341	113,292	90,066	94,544
Cash at bank and in hand	301,705	352,252	233,345	299,825
1,456,124	1,741,764	1,821,914	1,618,549	
Total Assets	5,977,857	4,798,734	6,346,402	4,649,494
Equity and liabilities				
Equity attributable to owners				
Share capital	5,460	5,460	5,460	5,460
Share premium	450,207	450,207	450,207	450,207
Retained earnings	246,984	782,585	47,681	729,548
Total equity	702,651	1,238,252	503,348	1,185,215
Liabilities				
Non current liabilities				
Deferred income tax	154,361	492,153	153,041	500,992
Current liabilities				
Trade and other payables	3,085,470	1,776,656	3,654,638	1,694,190
Borrowings	2,035,375	1,291,673	2,035,375	1,291,673
5,120,845	3,068,329	5,690,013	2,985,863	
Total Equity and liabilities	5,977,857	4,798,734	6,346,402	4,672,070

Consolidated and Company statement of cash flows

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Cashflows from operating activities				
Cash generated from operations	1,513,871	905,751	1,479,949	730,654
Interest income	32	33	32	33
Interest paid bank loans and overdrafts	(354,085)	(151,843)	(354,073)	(151,839)
Income tax paid	(22,000)	(97,899)	(4,039)	(56,366)
Net cash inflow from operating activities	1,137,818	656,042	1,121,859	522,482
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,944,940)	(1,009,450)	(1,944,940)	(1,009,450)
Proceeds from disposal of property, plant and equipment	10,796	85,140	10,796	85,140
Investment in subsidiary	-	-	-	(15)
Net cash outflow from investing activities	(1,934,144)	(924,310)	(1,934,144)	(924,325)
Cash flows from financing activities				
Proceeds from borrowings	1,892,500	270,000	1,892,500	270,000
Loan principal repayments	(905,000)	-	(905,000)	-
Net cash inflow from financing activities	987,500	270,000	987,500	270,000
Net increase / (decrease) in cash and cash equivalents	191,174	1,732	175,225	(131,843)
Movement in cash and cash equivalents				
Cash and cash equivalents at the beginning of the financial year	(34,421)	67,319	(86,848)	67,319
Net Increase / (decrease)	191,174	1,732	175,224	(131,843)
Effects of exchange rate changes on cash and cash equivalents	2,077	(103,472)	2,094	(22,324)
Cash and cash equivalents at end of year	158,830	(34,421)	90,470	(86,848)

Financial Performance

Revenue rose 13% during 2023, bolstered by price increases in the first half of the year and positive performance from the higher margin, premium imported beers. Gross profit was negatively impacted by an increase in the price of raw materials and other consumables driven by significant weakening of the kwacha in the second half of the year.

Cost of goods sold rose by 35% compared with 2022, driven by increases in raw materials and heavy fuel oil (HFO) prices, due to forex devaluation, escalation in costs associated with imported finished goods. This together with a more than doubling of finance costs related to our expansion as well as higher than expected overheads resulted in a ZMW536 million net loss for the year.

A ZMW260 million tax credit accrued from the government during 2023, while ZMW948 million was paid in excise tax, down 18% compared with 2022, and we paid an increased amount of import duty of ZMW846 million due to higher sales volumes of imported finished product.

Final Dividend

At the Board meeting held on 23 February 2024, the directors of the Board resolved not to declare a final dividend for the year ended 31 December 2023.

2024 Outlook

The successful completion of the expansion project augurs an exciting 2024 and beyond. We expect to see knock-on effects in the form of increased raw material purchases from local farmers, additional business for the retail trade, more indirect job creation, higher tax contribution, and of course greater availability of supply for our consumers.

We also bid farewell to Country Director Michelle Kilpin, who moves to a new position in Tanzania, and wish her successor Thais Cavinatto, success as she takes the Company into a new phase of growth and prosperity.

Issued in Lusaka, Zambia on 02 April 2024

Lusaka Securities Exchange Sponsoring Broker



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