

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 Mweene Monga – Interim 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. Zambia Brewries 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: 01 October 2024



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Interim Results for the six-month period ended 30 June 2024

The Board of Directors of Zambia Breweries Plc., in compliance with the requirements of the Securities Act No.41 of 2016 and the Listings Requirements of the Lusaka Securities Exchange would like to announce the unaudited results of the company for the six-month period ended 30 June 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
For Six Months to 30 June 2024			
	30-Jun-24	30-Jun-23	% Change
	K'000	K'000	
Revenue	2,287,644	1,839,358	24%
Gross Profit	<u>1,001,341</u>	<u>915,923</u>	9%
Profit from ordinary activities before exchange losses, interest and taxation	241,617	517,483	-53%
Net finance costs	<u>(258,690)</u>	<u>(144,709)</u>	79%
(Loss)/Profit before income tax expense	(17,073)	372,774	-105%
Income tax expenses	<u>2,333</u>	<u>(123,839)</u>	-102%
(Loss)/(Profit after tax)	<u>(14,740)</u>	<u>248,935</u>	-106%
Majority Shareholders	(12,843)	216,897	-106%
Minority Shareholders	(1,897)	32,038	-106%
Earnings per share (kwacha)	(0.03)	0.44	-106%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	30-Jun-24 K'000	30-Jun-23 K'000	% Change
TOTAL ASSETS			
Property, Plant and Equipment	4,521,121	3,961,511	14%
Current assets	2,074,277	1,404,904	48%
Total Assets	6,595,398	5,366,415	23%
EQUITY & LIABILITIES			
Shareholders' funds	687,911	1,387,939	-50%
Non-current liabilities	1,532,689	1,790,449	-14%
Current liabilities	4,374,799	2,188,027	100%
Total Equity & Liabilities	6,595,398	5,366,415	23%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital K'000	Share premium K'000	Retained earnings K'000	Total equity K'000
As at 1 January 2024	5,460	450,207	246,984	702,651
Comprehensive Income				
Loss for the year to 30 June 2024			(14,740)	(14,740)
Total comprehensive income for half year			(14,740)	(14,740)
As at 30 June 2024	5,460	450,207	232,244	687,911

CONSOLIDATED STATEMENT OF CASHFLOWS		
As at 30 June 2024	K'000	K'000
	30-Jun-24	30-Jun-23
Cashflows from operating activities	340,212	648,736
Interest received	308	-
Interest paid	(193,003)	(129,824)
Income tax paid	(49,694)	(17,962)
Net cash generated from operating activities	97,823	500,950
Investing activities		
Purchase of property, plant and equipment	(220,356)	(1,264,956)
Net cash used in investing activities	(220,356)	(1,264,956)
Financing activities		
Proceeds from borrowings	-	885,449
Repayment of bank loans	(339,203)	-
Net cash (used in)/received from financing activities	(339,203)	885,449
Net (decrease)/increase in cash and cash equivalents	(461,736)	121,443
Movement in cash and cash equivalents		
At start of the year	158,830	(287,024)
(Decrease)/Increase in cash and equivalents	(461,736)	121,443
Cash and cash equivalents at the end of the period	(302,906)	(164,860)

Financial Review

The first half of 2024 saw strong topline performance being generated by the business, with positive double-digit growth in both revenue and gross profit relative to the same period over the prior year. Strong demand for both locally produced and imported brands across all categories continued to drive positive momentum in topline which resulted in a double-digit improvement in volume when compared to H1 2023.

Variable production costs however escalated in H1 2024, materially above the prior year comparison due to significant escalations in commodity prices and to some extent on FX rates (against major currency pairs which the business has exposure to i.e. USD, EUR and ZAR), increasing energy costs via the use of generators, diesel and heavy fuel oils to mitigate supply security risks given the impact of higher loadshedding, all of which adversely impacted this line as inflation continues to create further cost price pressures despite measures implemented such as FX hedges.

A high-level summary of results for the first half year relative to prior year is as follows:

- Net Revenue grew 24% when compared to the same period in 2023. Pricing decisions taken early in the year on most of the brand portfolio to bolster performance coupled together with strong demand in high margin, high-end imported brands helped to drive this line.

- Gross profit was up 9% vs the prior year despite the material headwinds coming from escalating costs and back-up plans to solve for the energy challenges.
- Operating profit reduced by c.53% relative to last year owing to the already noted increase in production costs as well as administrative expenses.
- Net finance costs were due to the additional interest expense largely related to the funding of the significant expansion plan which was ramped up in H2 2023 and which will take time to repay.
- Bottom line profit ended 106% lower than PY largely due to the factors outlined above despite measures taken to drive strong net revenue and gross profit generation for the business.

Growth in Assets and Liabilities on the balance sheet is largely driven by the capacity expansion project at the Lusaka plant.

Strategic Review and Prospects

Despite the challenging macroeconomic environment characterized by rising inflation and further loadshedding impacting overall rising energy costs, the business managed to grow volumes, net revenue and gross profit in H1 2024 when compared to the same period last year. Continued focus on protecting margins whilst still driving overall market share protection and pushing further upside in volumes via the enhancement in local production capacity remains part of the core strategy of the business.

In pursuing a commitment to push volume higher than budget and the prior year in H1 2024, coupled together with the tactical timing of price increases as well as mix management, all lead to a net revenue improvement of 24% Y/Y compared to the same period.

Overall demand through H1 2024 remained resilient despite high inflation and potential reducing disposable incomes which reflects the power of our brands and the strength of our products across all categories even on imported products. We continue to see healthy growth in our premium portfolio as well as very strong growth in the Flavored Alcoholic Beverages category and in our core segment.

We experienced some energy supply disruption due to the loadshedding crisis however we have addressed this via the use of generators, heavy fuel oils and diesel to maintain local supply capacity. We have in addition managed and increased our imports to bridge supply gaps where required.

We remain focused on delivering further growth for the rest of the year and our priority remains to improve volume, drive down costs, reduce the debt and corresponding interest expense burden. We are working towards a strong year end performance to improve the profitability of the business which is reflected in H1 2024. We are also focused on continuing with the pace in the route to market digital transformation in anticipation of our increased supply.

Sustainability Update

Smart Agriculture

We commemorated Cassava Farmers' Day in Chipili District, Luapula Province, honoring the local farmers who supply essential ingredients for Eagle Lager and Mosi Light. This event underscored our unwavering commitment to supporting local agriculture and fostering economic growth through strategic partnerships with esteemed organizations such as ZARI and Musika.

Additionally, we highlighted the role of Village Savings and Loan Associations (VSLAs), which significantly enhance the financial capabilities of farmers. These associations empower farmers by enabling them to save and access financing, thereby promoting a more sustainable future.

Smart Drinking

Zambian Breweries officially joined the Coalition Against Illicit Alcohol, a collaborative effort aimed at addressing the challenges posed by unregulated alcohol production and consumption. The Coalition Against Illicit Alcohol in Zambia is aimed at building a social movement that will transform our country by stopping the sales and consumption of illicit alcohol – especially low-cost, high-ABV illicit spirits – galvanizing communities, families, and individual citizens to take a stand.

Water Stewardship

We are currently reviewing the technical progress report from the Kafue Flats in partnership with WWF to identify strategies for enhancing our impact. We are in the final stages of developing a comprehensive five-year strategic plan for the Kafue Flats Joint Action Group (KFJAG), a multi-stakeholder platform committed to improving water quality and quantity, implementing soil conservation measures, and fostering responsible water stewardship across various sectors.

Circular Packaging

We have established a partnership with VIVO Energy, BAT Zambia, Chilanga Cement, and National Breweries to create an aggregation site and conduct a clean-up initiative in Kanyama for 'Plastic-Free' July. During the Mosi Day of Thunder, we successfully collected over four tons of recyclable materials, contributing significantly to community recycling efforts.

Collectively, these initiatives reflect our steadfast dedication to sustainability and the well-being of the communities we serve.

Dividend Declaration

At a meeting held on 25th July 2024 the Board of Directors resolved not to declare a dividend for the period ended 30th June 2024 and to instead focus on reducing the outstanding debt of the business to prioritize overall profitability.

By Order of the Board

Mweene Monga
Interim Company Secretary

Issued in Lusaka, Zambia on 01 October 2024

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