



Brighter together

TRADING UPDATE FOR
THE THIRD QUARTER
ENDED 31 DECEMBER
2022

The Company hereby issues a business update for the third quarter ended 31 December 2022.

TRADING ENVIRONMENT OVERVIEW

The domestic economy experienced subdued growth in 2022 due to high inflation, volatile and multiple exchange rates, reduced agricultural output and the pain through impacts of rising global inflation together with supply disruptions arising from COVID-19 and the Russia/Ukraine conflict. The country, however, benefited from increased mining activities and diaspora remittances and government infrastructure spending.

The third quarter witnessed a slowdown in inflation and exchange rate volatility in response to some policy interventions, which resulted in increased foreign currency transactions and continued Zimbabwe dollar liquidity.

Consumer spending remains high, benefiting from the stable US Dollar pricing, improvements in wages and salaries across various sectors and a buoyant informal sector particularly in mining.

In South Africa, the economy was affected by power supply disruptions, rising unemployment and violent crime, exchange rate volatility and increases in fuel prices.

The Zimbabwean economy remains stable although consumer spending is constrained.

VOLUME PERFORMANCE

Lager Beer

The Lager beer volume grew by 17% for the quarter and 18% for the nine months compared to the same period last year. Product supply was stable although there were intermittent gaps arising from shortages in power, water supplies, mismatches in the demand and supply of brands and packs. We continued to upgrade our production capabilities which are supported by the injection of glass bottles and improved asset care.

The business continues to invest behind the brands and to focus on market facing activities. The installation of additional packaging plant is on schedule for commissioning in the first half of 2023.

Borgham Beer

The Borgham beer volume in Zimbabwe grew by 11% for the quarter compared to prior year and is up 12% for the nine months. The category continues to benefit from increased brand activities as we celebrate the Chibuka brand's 60th anniversary. The Chibuka Lager

Remedy Brewery which was launched in June 2022, has excited the market, and will see an increased supply once packaging capacity and supply chain bottlenecks are addressed. The installation of additional production capacity at Remedy brewery is in progress for commissioning during the first half of 2023. There are ongoing efforts to optimise the available PET production capacity across the regional countries and to review the local pack to cover supply gaps.

Nature Zimbabwe continues to receive volumes, registering a growth of 11% for the nine months, which includes some regional gaps. There are opportunities to grow the returnable packs and increased offerings.

The volume at United National Breweries, South Africa was flat for the quarter but grew by 20% for the nine months, reflecting the disruption to operations arising from power cuts and reduced market service by retailers and distributors in response to fuel price escalations.

There is an encouraging uptake of Chibuka Lager which is being needed into the market ahead of the planned investment in local production capacity in the coming financial year.

Sparkling Beverages

The Sparkling Beverages volume grew by 3% for the quarter and is up 10% for the nine months. The supply of PET packs remains constrained and will be addressed by the investment in additional capacity which is expected in the current quarter. The supply of returnable glass packs was affected by the delayed receipt of glass bottles and some disruptions to production operations arising from power and water outages.

The business continues to receive market shares despite the currency related pricing distortions.

Wines and Spirits

African Distillers Limited (ADL) reported a volume growth of 10% for the quarter and 15% for the nine months. The supply of wines was constrained by a regional shortage of glass bottles. The business commissioned a new PET line for packaging of spirits and commenced local fermentation of wines.

Associate Entities

The volume at Sabagang Holdings, Africa was flat for the nine months, having been affected by the shortages of jacking fuel oil in the year. The business performance continues to be impacted by the currency related impediments in the formal retail outlets which is the business's major trade channel.

The supply of Minute Mail brands was affected by a prolonged plant breakdown.



Nongshu Zimbabwe continues to benefit from the volume increases in the key beverages and other consumer sectors. There are some disruptions to production arising from power cuts.

FINANCIAL PERFORMANCE

Group revenue grew by 40% for the quarter and 53% for the nine months in inflation adjusted terms compared to growth of 407% and 418% for the quarter and nine months respectively in historical cost terms. This reflects the volume growth and the replacement cost-based pricing.

The Zimbabwe business recorded a significant increase in the proportion of foreign currency sales during the quarter to beyond 70%. There was a corresponding increase in the purchases settled in foreign currency, as the economy deflated.

OUTLOOK

The operating environment in Zimbabwe, although stable, remains challenging, as the country goes to the general elections scheduled for later in the year. There are uncertainties posed by the COVID-19 pandemic, the rapid policy changes, and the political and political environment.

The country has opportunities to benefit from the rich mineral resources and rising commodity prices. The Government focused on exploiting the opportunities arising from activities that generate aggregate demand such as the infrastructure development projects, mining activities and diaspora remittances.

The financial outcomes in FY23 could be affected by the foreign currency tax assessments arising from differences in interpretation of legislation on the currency of payment of certain taxes.

The capital investment projects are progressing according to plan and expected to contribute to business performance in the coming financial period.

By order of the board



Mr. F. Masvingo
Company Secretary
18 January 2023

