



# Delta Corporation LIMITED



## Trading Update

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2023



### The Company hereby issues a business update for the third quarter ended 31 December 2023.

#### ENVIRONMENTAL OVERVIEW

The Zimbabwean economy continues to be characterised by economic headwinds resulting in shifts in policies as authorities respond to the currency and inflation developments. These phases have resulted in liquidity mismatches, divergent exchange rates and swings in inflation. There has been increased use of foreign currency for domestic transactions.

Consumer spending remained buoyant, driven by stable US Dollar pricing and liquidity from mining activities, the marketing of commercial crops, government infrastructure projects and diaspora remittances. There were also benefits from the payment of year end bonuses during the third quarter.

The consumer sectors in South Africa have been affected by elevated inflation levels, the impacts of the Rand depreciation on fuel prices and power supply disruptions. There is concern about the elevated levels of violent crime particularly cash robberies and hijacking of commercial cargo vehicles.

Zambia has witnessed high levels of inflation and depreciation of the Kwacha which are impacting on consumer spending. The decline in the pricing and output of copper has put pressure on the availability of foreign currency. The country is also grappling with the upsurge in Cholera.

#### Lager Beer

The Lager beer business has maintained the volume growth momentum and has surpassed historical monthly peak volumes to achieve a growth of 15% for the quarter and 14% for the nine months compared to prior year. The new packaging line commissioned in August 2023 has assisted in stabilising overall product supply, with further benefits from the injection of returnable glass, a stable supply of key raw materials and a reliable manufacturing platform. The focus remains on aligning brand and pack availability to demand and optimising the route to market.

Our brands remain active in market, through sponsorships of sport and culture and other worthy causes.

#### Sorghum Beer

In Zimbabwe the total volume inclusive of exports grew by 3% for the quarter and is up 4% for the nine months, off a high prior year base. Volume, however, declined by 5% for the quarter in Zimbabwe as the category was impacted by the improved availability of lager beer. The Chibuku Super plant at the Harare Brewery was commissioned during the quarter and has assisted in stabilising product supply for both the domestic and regional markets.

The volume at United National Breweries South Africa grew by 10% during the quarter and is up 3% over prior year for the nine months. Chibuku Super continues to penetrate the formal liquor stores and retail chains ahead of the local production of Chibuku Super which is now rescheduled to the fourth quarter.

Natbrev Plc (Zambia) recorded a volume growth of 23% for the quarter and grew by 50% for the nine months. There was a slowdown in volume following the cost induced price increase effected in October 2023. The market has been impacted negatively by the measures adopted to contain the cholera outbreak. The business has also been adversely affected by the shortages and high prices of maize and the depreciation of the Kwacha.

#### Sparkling Beverages

The Sparkling Beverages volume recovery momentum persisted, registering a growth of 38% for the quarter and 25% for the nine months compared to the prior year. The volume drive is anchored on keener retail pricing and improved supply of flavours and packs. The unit recorded its highest ever monthly volume in December 2023. The sector will be adversely affected by the unavoidable price increases arising from the introduction of the sugar tax. This will be in addition to the pricing distortions that have prevailed in the market.

#### Wines and Spirits

African Distillers (Afdis) registered a sluggish performance in the quarter with volume declining by 12% compared to prior year due to an increase in grey trade on key brands and reduced uptake by the formal trade partners due to account management issues and distorted pricing. Product supply was adversely affected by plant breakdowns and utility supply disruptions.

#### Schweppes Holdings Africa

Schweppes recorded a volume growth of 16% over prior year for the quarter benefiting from the commissioning of the new plant supplying bottled water and Minute Maid Juice Drinks in November 2023. The sugar tax will result in price increases which will consequently impact the volume recovery efforts.

#### Nampak Zimbabwe Limited

Nampak Zimbabwe volumes for the quarter were 8% ahead of prior year across all businesses, benefitting from increased exports of paper products and the higher pull of plastic packaging from the beverages sector. The business continues to be affected by shortages of key raw materials and power supply disruptions. The focus is on improving the capacity to meet the rising demand from key customer sectors and cost containment.

#### FINANCIAL PERFORMANCE

Group revenue for the quarter increased by 19% in US Dollar terms compared to prior year and grew by 12% for the nine months. This reflects the volume growth across business units, with the proportion of US Dollar sales averaging above 70% for the year.

#### CHANGE IN FUNCTIONAL CURRENCY

The Directors have considered the current operating environment and the requirements of the International Financial Reporting Standards (IFRS) and have concluded that it is necessary to present the F24 financial statements in US Dollars. The changeover has been implemented from October 2023 in line with IFRS. Notwithstanding the due care and best endeavours to provide users with most realistic view of financial performance and position of the Group, there are inherent subjectivities and technicalities involved in the translation of ZW\$ financial information. The Consumer Price Indices and exchange rates used in the conversion process may not be aligned to the rates inherent in the financial transactions; resulting in distortions in financial information.

#### OUTLOOK

The operating environment in Zimbabwe remains complex, with no easy solutions to the numerous economic challenges such as the currency and inflation dynamics. The measures adopted in the 2024 budget will have a far-reaching impact on the business and the market in general. The beverages sector will be affected by the sugar tax and the restrictions arising from policies impacting the route to market.

Aggregate demand may be impacted by the high inflation and reduced foreign currency inflows arising from lower mineral prices and the anticipated reduction in agricultural output resulting from the forecasted below normal rainfall.

The recent capital investments will ensure improved product supply and enhanced operational efficiencies across the business segments.

The focus remains on exploiting opportunities from activities that generate aggregate demand, whilst reducing the headwinds from global issues and an unstable policy environment.

#### ADVANCING OUR SUSTAINABILITY PRIORITIES

The Group remains focused on its sustainability agenda, with increased activities in the areas of responsible alcohol consumption, reduction in waste and pollution, community involvement and optimising resource utilisation. In the current year we have amplified our communication on underage drinking under the Pledge 18 campaign, Make A Difference-Recycle executions and updated the brand activations supporting sports and culture.

#### By order of the board

Ms F Musinga  
Company Secretary  
25 January 2024

