

ANALYST BRIEFING FOR HALF YEAR ENDED 30 SEPTEMBER 2020

MONDAY 16 NOVEMBER, 2020
@ 14.30 HOURS

AGENDA

1. WELCOME AND INTRODUCTION

2. TRADING REVIEW – P GOWERO

3. FINANCIALS – M VALELA

4. DISCUSSION/QUESTIONS



TRADING ENVIRONMENT

1. Pervasive impacts of COVID-19 Pandemic in Quarter 1:

- ✓ Lockdowns and restrictions on economic and social activities.
- ✓ Closure of on-premise consumption channels.
- ✓ Frequent price adjustments driven by inflation and exchange rate depreciation.
- ✓ Low disposable incomes - limited economic activity.
- ✓ Ban on alcohol sales in South Africa.

2. Easing of conditions in Quarter 2:

- ✓ Relaxation of lockdowns.
- ✓ Increase in Domestic Nostro Sales.
- ✓ Some adjustments by business and persons to living with Covid-19 pandemic.



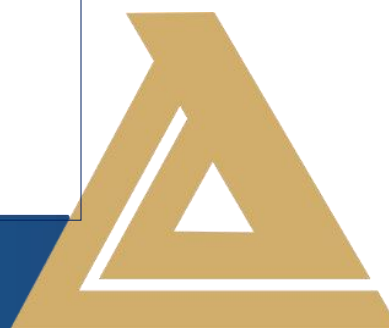
TRADING ENVIRONMENT (continued)

3. Stable but uncertain economic environment:

- ✓ Stabilising exchange rate (both official and parallel rates) post introduction of auction system.
- ✓ Improved access to foreign currency through Domestic Nostro Sales.
- ✓ High inflation and distorted market prices.
- ✓ Disruptions to payment systems due to limitations of mobile digital payments platforms.
- ✓ Tight liquidity (both local currency and forex).

4. Other factors:

- ✓ Drought induced cereals shortages – imports of maize and sorghum grain.
- ✓ Pressure on health delivery system.



ADAPTING OUR ROUTE TO CONSUMER FOR EFFECTS OF COVID-19

1. Home Consumption Themes:



2. Brand Campaigns migrated to virtual platforms



Brighter Together

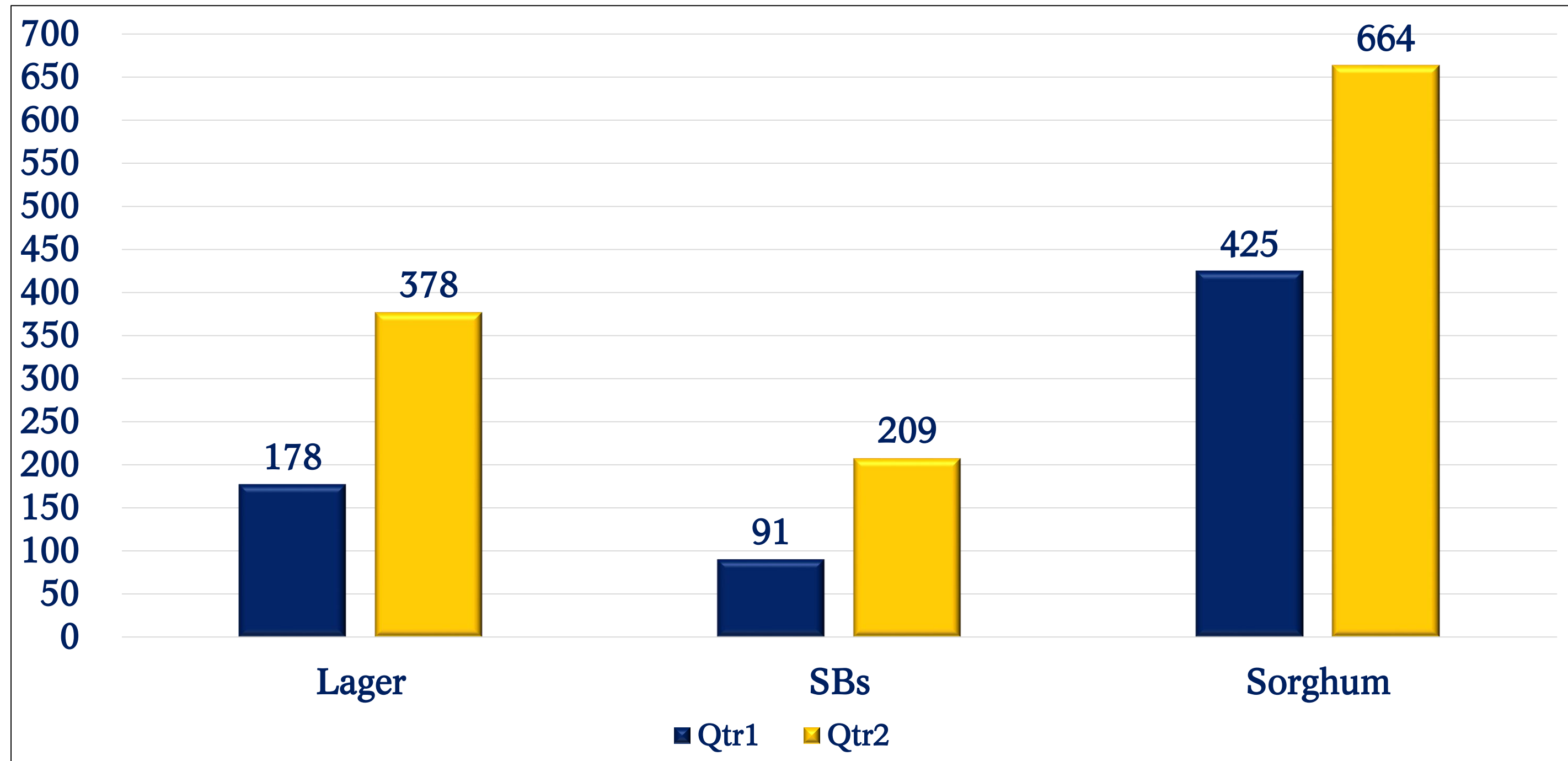


VOLUME PERFORMANCE SUMMARY

Category	Actual Volume 000hl	% Change on Prior Year
1. BEVERAGES (HLS 000)	F21	F20
Lager Beer		
1.1 Clear Beer	556	3
Sorghum Beer		
1.2 Sorghum Beer - Zimbabwe	1 089	(31)
1.3 Sorghum Beer -Zambia	497	8
1.4 Sorghum Beer -South Africa	252	(76)
Soft Drinks		
1.5 Sparkling Beverages	300	22
1.6 Alternative Beverages	20	(57)
Total Delta Beverages	2 714	(31)
Wines and Spirits		
1.7 African Distillers	38	15
Total excluding Associates	2 752	(30)
Associates		
1.8 Schweppes Zimbabwe Limited	268	(18)
Total Beverages incl Associates	3 020	(29)
2. Malt Tonnage	9 808	(2)



F21 VOLUME BY QUARTER

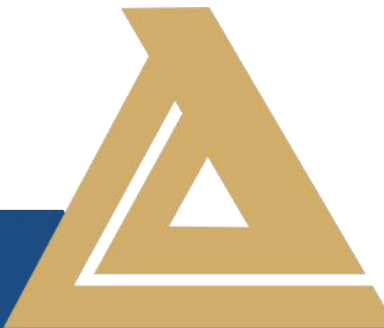
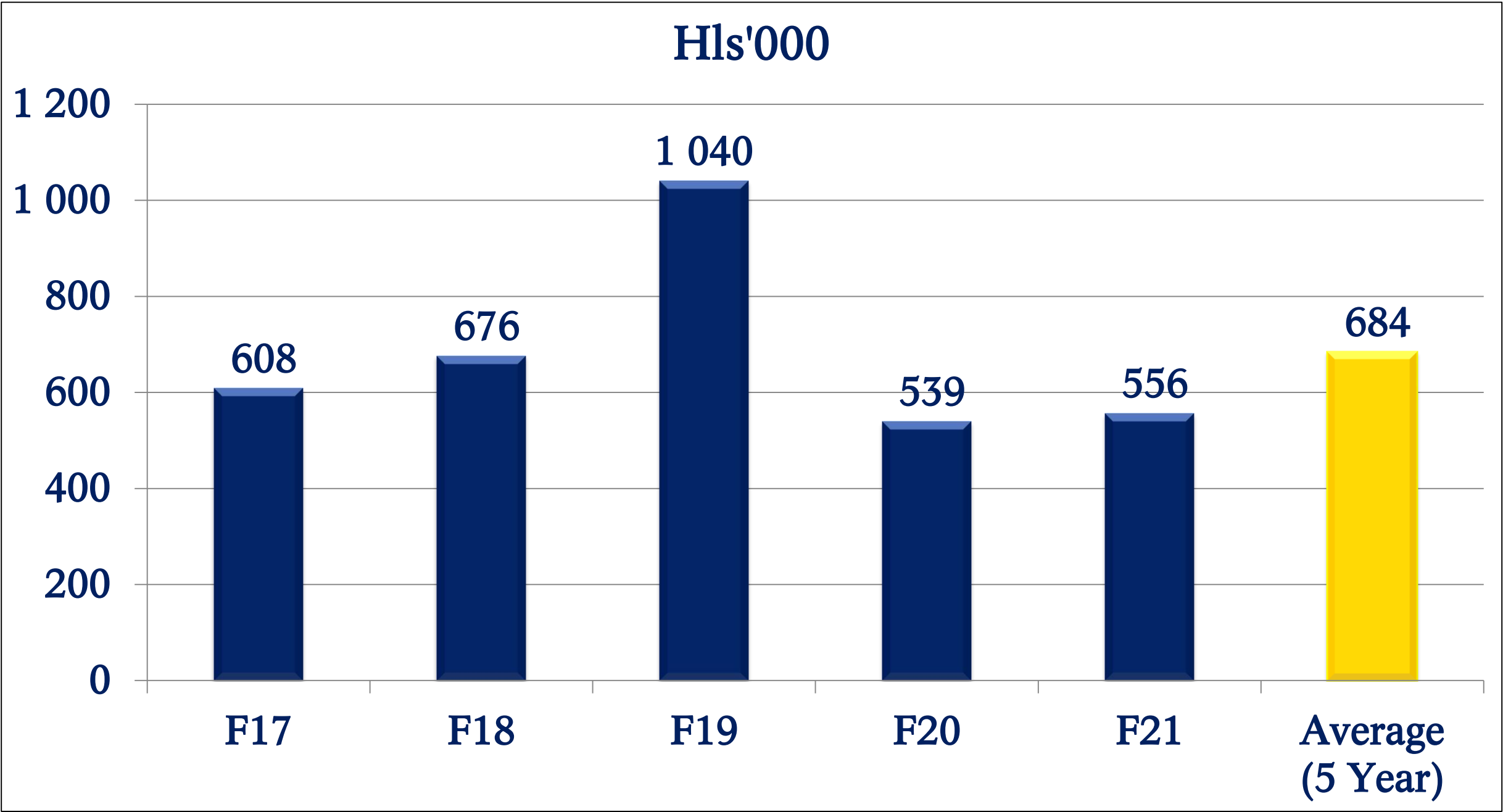


LAGER BEER

- Demand affected by closure of outlets and reduced economic activity under Covid-19 restrictions.
- Recovery trend since June 2020, post relaxation of restrictions and easing of mono-currency trading.
- Dominance of returnable packs; skewed towards quarts and mainstream brands.
- Supporting volume recovery by injecting new glass bottles and keen pricing.
- Barley supply adequate – some room for malt exports

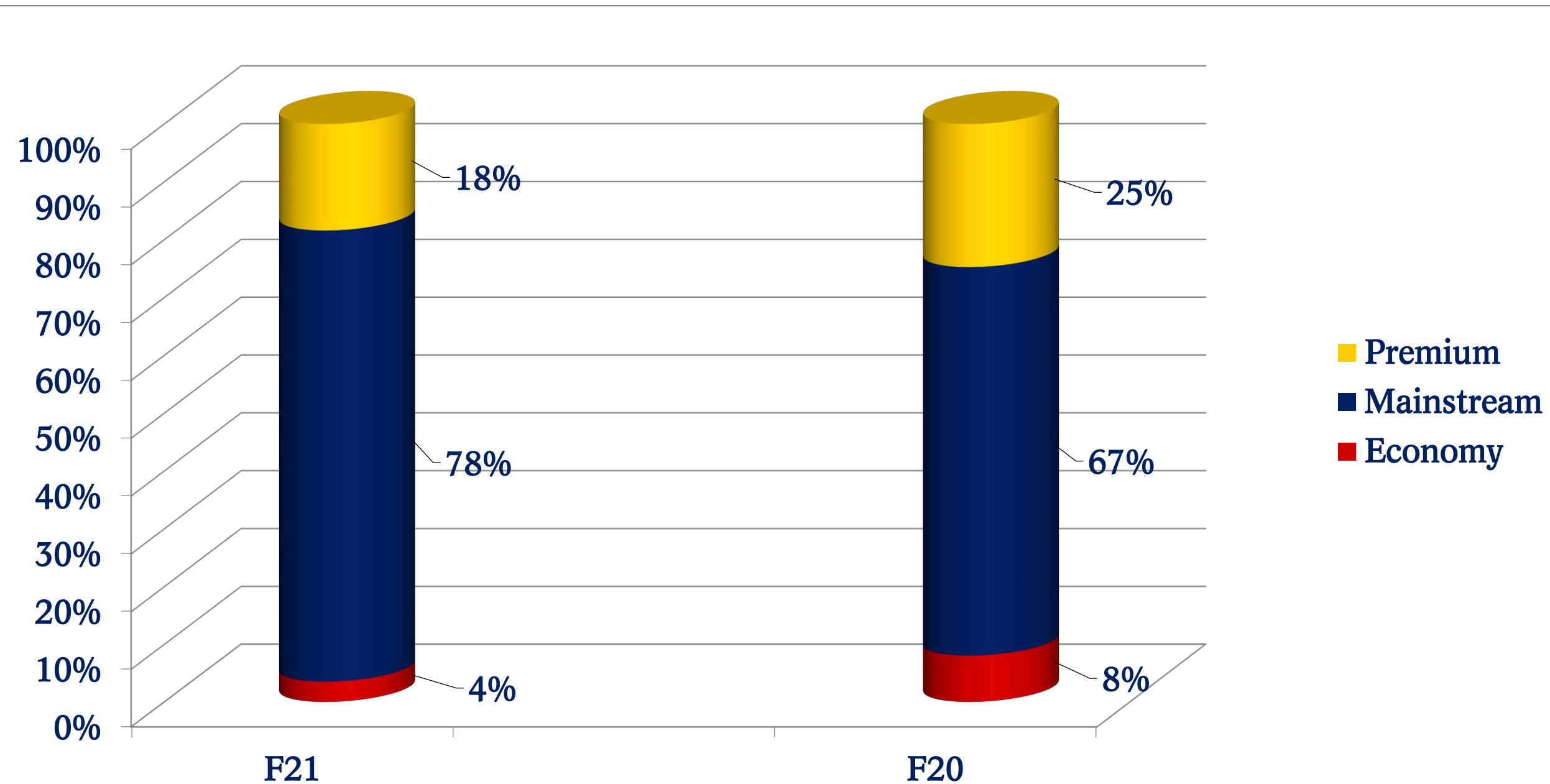


LAGER BEER 5 YEAR VOLUME PERFORMANCE - FIRST HALF



TRADING REVIEW - LAGER BEER MIX

HLs '000



Brighter Together



SORGHUM BEER

Zimbabwe (Down 31%)

- Dampened demand due to Covid-19 restrictions - limited access to key trade channels and rural markets.
- Higher cost of imported raw materials and packaging with resultant price increases.
- Lower contribution of returnable Scud pack on fears of product expiring during limited trading hours.

Zambia (Up 8%)

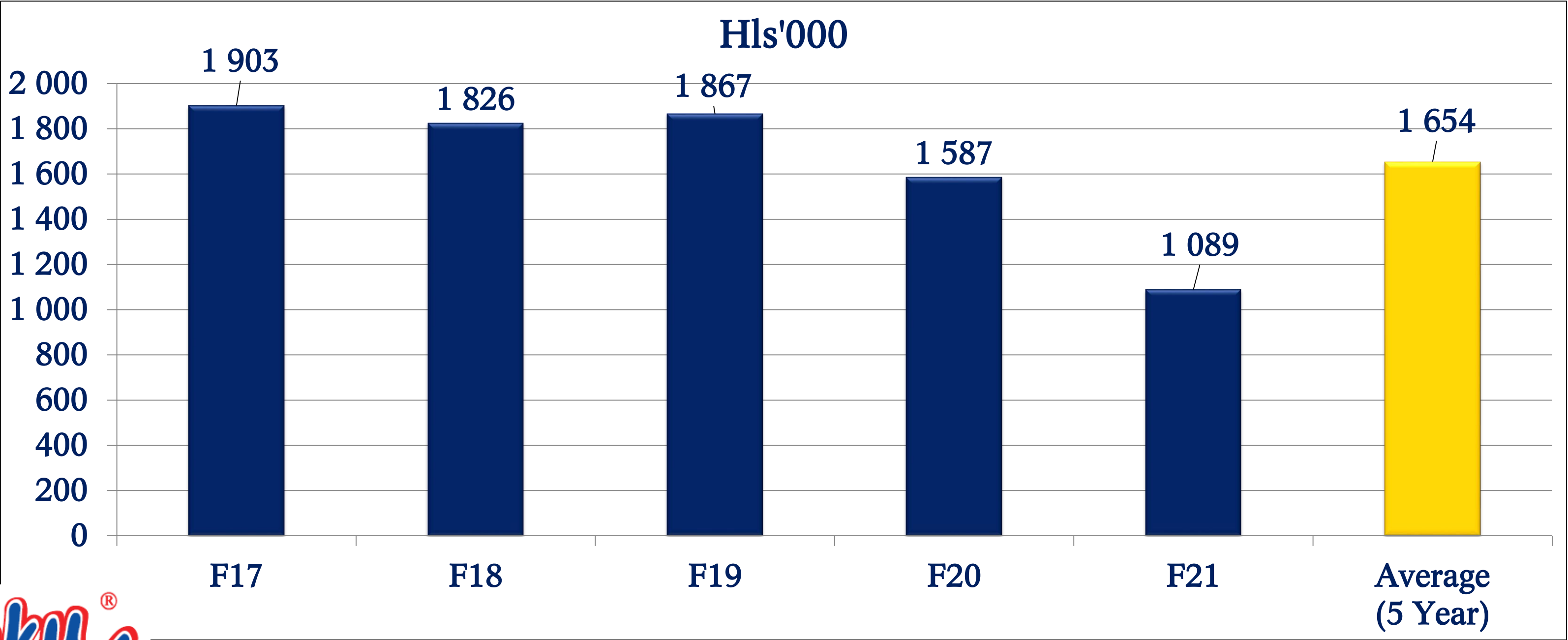
- Nascent volume recovery driven by preference for Chibuku Super under Covid-19 lockdown conditions.
- Non-enforcement of bans on illegal alcohol forms resulting in uneven playing field with unlicensed operators who don't pay taxes.
- Continued trading losses putting pressure on working capital.

South Africa (Down 76%)

- Impact of ban on alcohol hence no trading in Quarter 1.
- Limited trading since July 2020 – no trading Friday to Sunday.
- Low disposable incomes due to constrained economic activity.

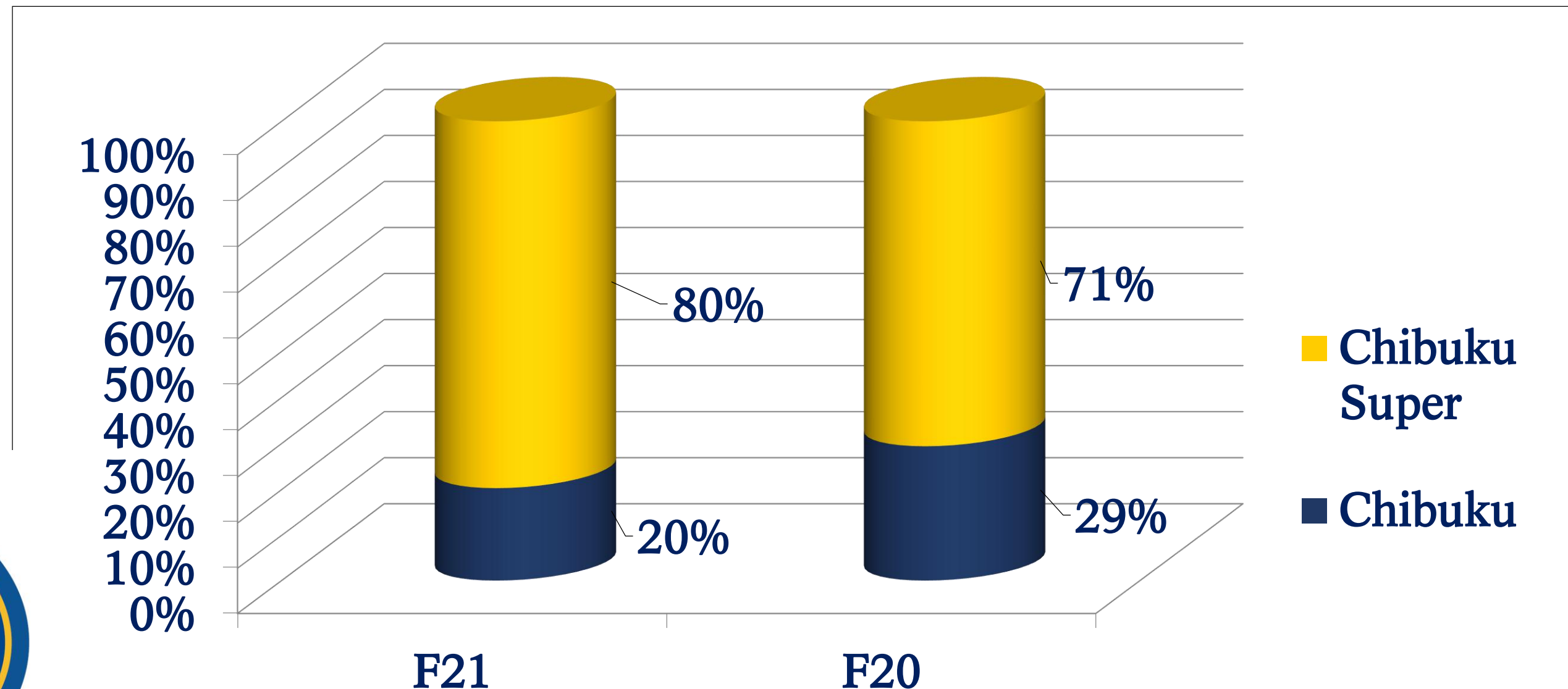


SORGHUM ZIMBABWE BEER 5 YEAR VOLUME PERFORMANCE - HALF YEAR



TRADING REVIEW - SORGHUM BEER (ZIMBABABWE) MIX

HLs '000



Brighter Together

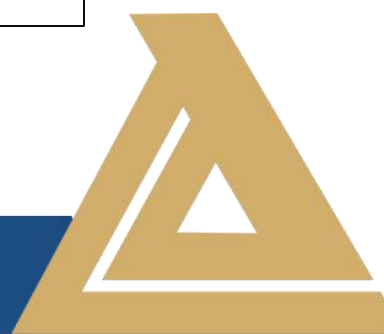
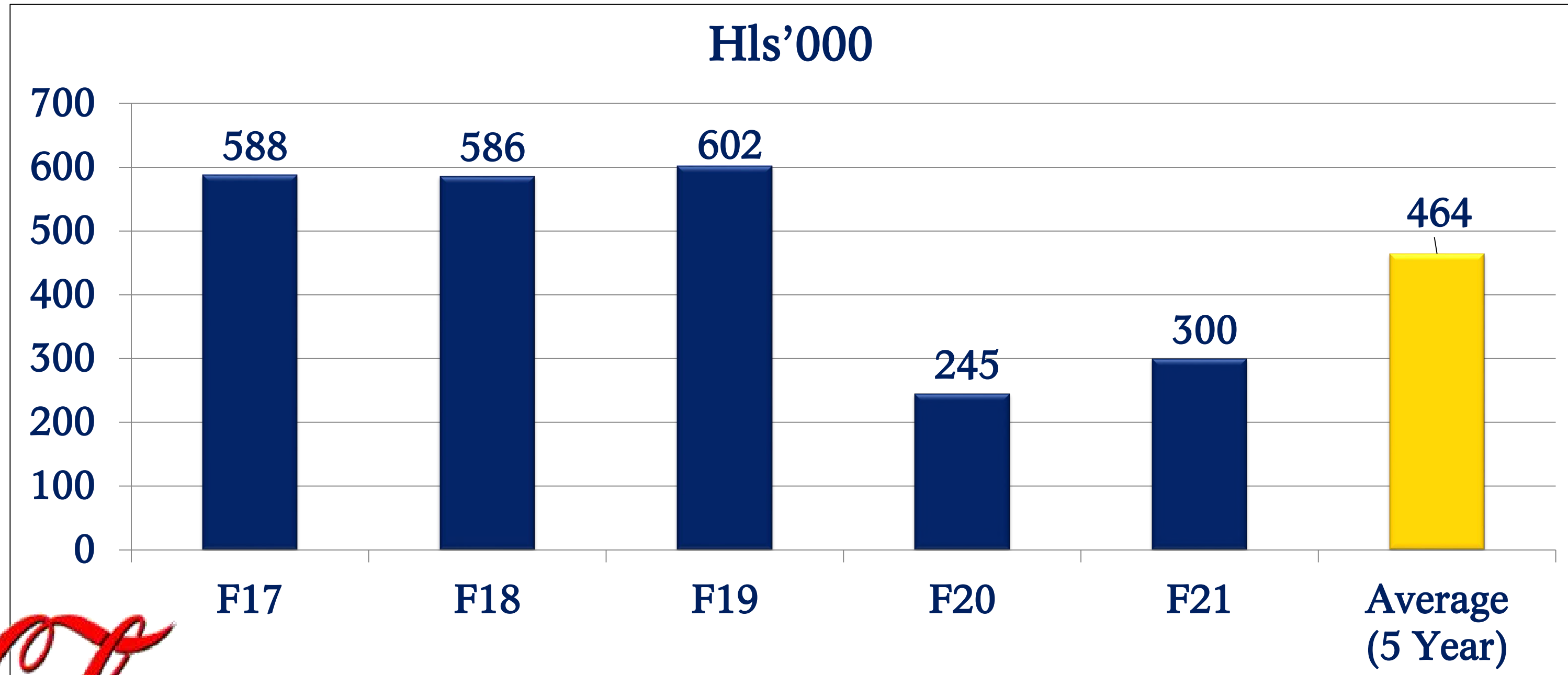


SPARKLING BEVERAGES

- Recovery of both volume and market share driven by competitive pricing and focused market execution.
- Volume recovery driven by consistent product supply due to improved access to foreign currency for key imports.
- Current route to market and channels favour one-way packs which are preferred by modern trade.
- The without sugar offerings are gaining momentum on market acceptance.
- To benefit from expansion of territory to Manicaland in fourth quarter.

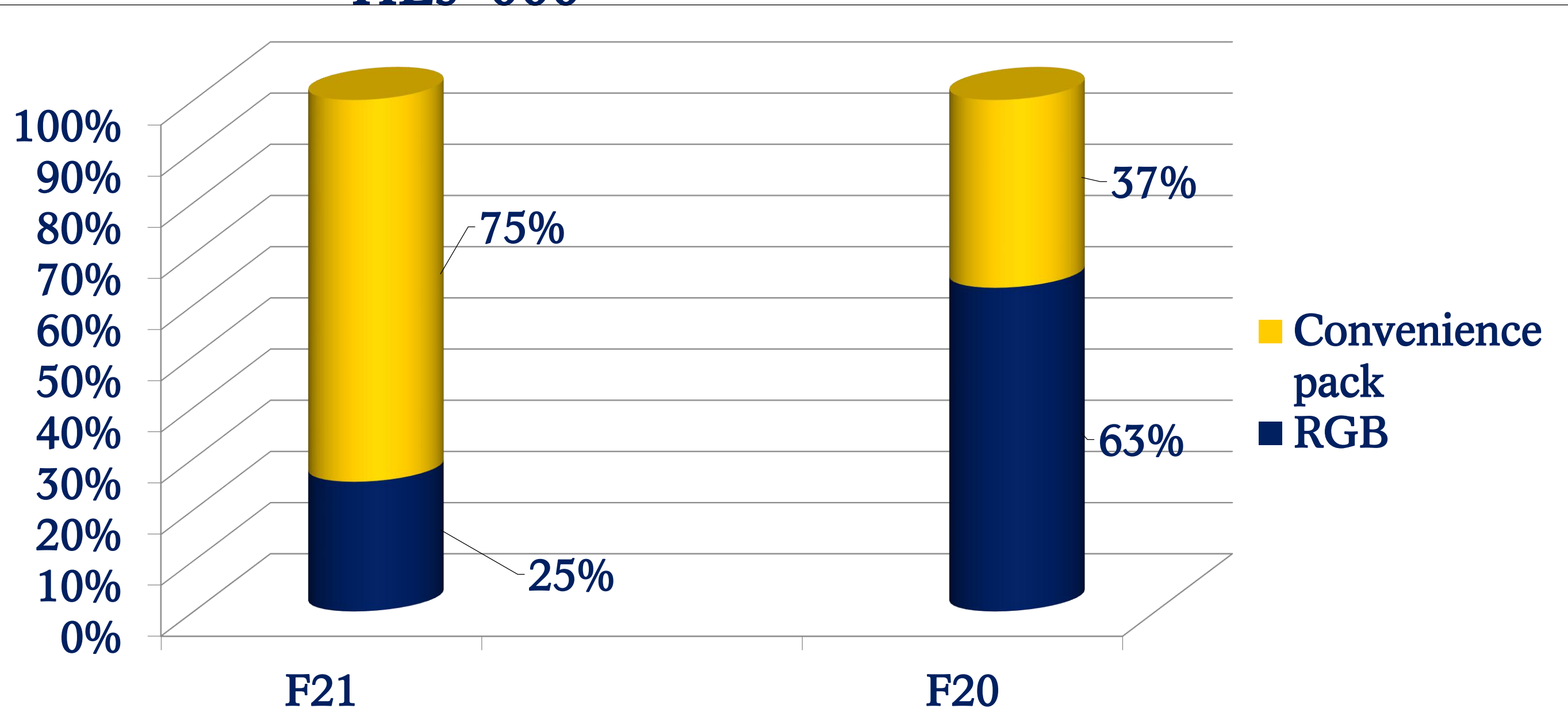


SPARKLING BEVERAGES 5 YEAR VOLUME HALF YEAR PERFORMANCE



TRADING REVIEW- SPARKLING BEVERAGES MIX

HLs '000



AFRICAN DISTILLERS VOLUME PERFORMANCE

	Actual Volume 000litres	% Change on Prior Year
1. BEVERAGES (Litres 000)		
1.1 Spirits	22 861	25
1.2 Wines	1 468	(37)
1.3 Ciders	13 607	10
Total	37 936	15

- Volume growth driven by good product supply.
- Successful launch of new product innovations that have received encouraging market acceptance.



UPDATE ON ASSOCIATES

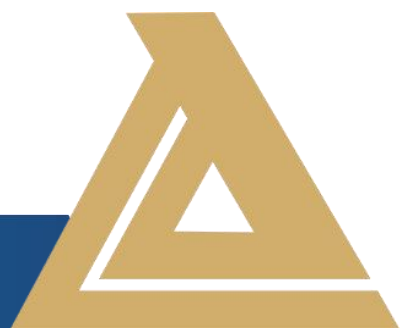
1. Schweppes Zimbabwe Limited

- Beverages division constrained by imported supplies and value chain cost pressure.
- Witnessed slow demand under lockdown conditions.
- Rolling out new flavours under the Minute Maid brand.
- Improved juicing fruit intake for processing divisions.



2. Nampak Zimbabwe

- Entities allowed to operate during Covid-19 lockdowns.
- Ongoing efforts to increase exports of plastic packaging into the region.
- All business units operating profitably in spite of reduced volumes.



FINANCIAL HIGHLIGHTS

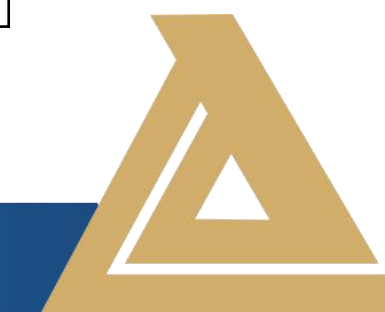
Inflation Adjusted Information		Historical Cost Information	
Revenue	Increased by 11% to ZWL 12,94 billion	Increased by 910% to ZWL 10,62 billion	
Operating Income	Increased by 15% to ZWL 4,03 billion	Increased by 955% to ZWL 3,47 billion	
Dividend per share	Interim dividend declared – ZWL 45,00 cents	Interim dividend declared – ZWL 45,00 cents	



SEGMENT REVENUE – HISTORICAL COST

	September 2020		September 2019		
	Revenue	Revenue Contri. %	Revenue	Revenue Contri. %	% to Prior Year
Lager Beer	4 242 692	40	381 121	36	1 013
Sparkling Beverages	1 199 969	11	125 929	12	853
Sorghum Business	4 301 093	41	462 191	44	831
Wines and Spirits	847 517	8	80 267	8	956
Total Reportable Segments	10 591 271	100	1 049 508	100	909
All other segments	32 987	-	2 183	-	1 411
Total Revenue	10 624 258	100	1 051 691	100	910

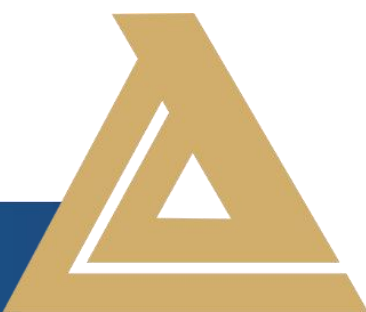
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FOREIGN CURRENCY EXPOSURE

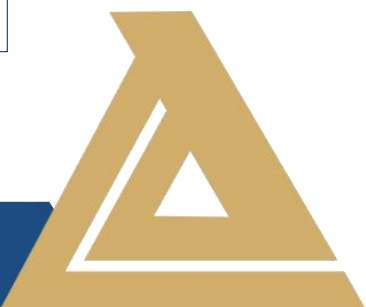
	September 2020	March 2020
Legacy Debts	47 752	63 800

- Legacy debts covered by RBZ arrangements.
- UNB - deferred purchase consideration of R423 million.
- Generating adequate foreign exchange from domestic sales to cover legacy debt payments and import requirements.



OUTLOOK

- Global resurgence of Covid-19 infections raises risks and uncertainty about the trading conditions in the near term.
- Re-modelling of outlets /route-to-market to align with new reality of living with Covid-19.
- Hoping for policy stability to anchor multi currency trading and exchange rate stability.
- Expansion of Coca-Cola franchise to Manicaland.
- Manage import logistics challenges arising from congested borders.





*Thank
you*

