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Zambeef Products PLC
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Zambeef Products plc

("Zambeef" or the "Group")

Interim results for the half-year ended 31 March 2023

Zambeef (AIM: ZAM), the fully integrated cold chain foods and retail business with operations in Zambia, Nigeria and Ghana, today announces its results for the half-year ended 31 March 2023.

Financial Highlights

Figures in 000's	**2023 ZMW**	**2022 ZMW**	**%**	**2023 USD**	**2022 USD**	**%**
Revenue	**2,784,261**	**2,568,680**	**8.4%**	**158,738**	**148,136**	**7.2%**
Change in fair value of biological assets	484,630	381,567	27.0%	27,630	22,005	25.6%
Cost of sales	(2,394,019)	(2,096,854)	14.2%	(136,489)	(120,926)	12.9%
Gross profit	**874,872**	**853,393**	**2.5%**	**49,879**	**49,215**	**1.4%**
Administrative expenses	(658,098)	(597,097)	10.2%	(37,519)	(34,435)	9.0%
Distribution Expenses	(68,801)	(29,850)	130.5%	(3,923)	(1,721)	128.0%
Net impairment losses on financial assets	(449)	-	100%	(26)	-	100%
Other (expenses)/income	(47,950)	3,961	-1310.6%	(2,734)	228	-1299%
Operating profit	**99,574**	**230,407**	**-56.8%**	**5,677**	**13,287**	**-57.8%**
Share of loss equity accounted investment	(1,415)	(1,287)	10%	(81)	(74)	9.5%
Finance income	-	113	-100%	-	7	-100%
Finance costs	(54,087)	(58,413)	-7.2%	(3,084)	(3,369)	-8.5%
Profit before taxation	**44,072**	**170,820**	**-74.2%**	**2,512**	**9,851**	**-74.5%**
Taxation charge	(14,405)	(33,587)	-57.1%	(821)	(1,937)	-57.6%
Group income for the year from continuing operations	**29,667**	**137,233**	**-78.4%**	**1,691**	**7,914**	**-78.6%**
(Loss)/ Profit from asset held for sale	(10,654)	10,330	-203.1%	(607)	596	-201.9%
Group income for the period	**19,013**	**147,563**	**-87.1%**	**1,084**	**8,510**	**-87.3%**
EBITDA	**229,377**	**310,422**	**-26.1%**	**13,078**	**17,902**	**-26.9%**
Gross Profit Margin	31.4%	33.2%		31.4%	33.2%	
EBITDA Margin	8.2%	12.1%		6.2%	12.1%	
Debt/Equity (Gearing)	35.4%	14.9%		39.0%	14.9%	
Debt-To-EBITDA	5.7	1.9	**196.5%**	6.9	1.8	**153.6%**

PERFORMANCE OVERVIEW

The half-year period ended 31 March 2023 was characterised by a difficult trading environment due to constricted consumer spending amidst a tight monetary policy. This was further exacerbated by a rise in the cost of key inputs and commodities which the Company's operations rely upon. Compared to prior year comparative period, the cost of maize purchased increased by ZMW80 million (USD 4.6 million), the cost of soya by ZMW25 million (USD1.4 million) and the Company saw a sharp increase in agriculture inputs, by approximately ZMW67 million (USD3.8 million). Key to note among the various price increases was also the volatility in the price of diesel, which in comparison to the previous period went up by ZMW 20 million (USD1.1 million). Invariably, these increased factors impacted our cost of sales and these unanticipated increases could not be fully passed on to the consumer and was contained by the business.

The local currency experienced a steady depreciation against the US Dollar with a sharp depreciation in March 2023 which resulted in exchange losses of ZMW58 million (USD3.3 million). The key drivers for the depreciation were the increased demand for the USD, uncertainty over the debt restructuring and a sustained rise in global interest rates affecting participation of offshore investors in local bond auctions. The ZMW/USD exchange rate opened at K15.75 and ended at K21.31 (35% increase).

Despite the challenges highlighted, the Group posted volume growth in most of its divisions as the momentum of the second half of 2022 continued into the current period, aided by a meticulous price moderation approach. The gross profit margin for the period under review was 31.4%, a decrease of 1.8 percentage points from prior year. The decline in gross margin despite a 9.2% growth in revenue highlighted the impact of the escalation in our input costs with cost of sales increasing by 39.1%.

The outbreak of Contagious bovine pleuropneumonia (CBPP) disease towards the end of the last financial year continued to impact the performance of our beef division in the current period.
The accelerated slaughter of cattle resulted in the depletion of our cattle herd in the feedlot and, therefore, impacted supply at a time when the Group aimed to build up cattle stock.

The Group generated revenue of ZMW 2.78 billion (USD 158.7 million) and achieved a gross profit of ZMW 874 million (USD 49.9 million) representing an increase of 8.4% and an increase of 2.4% on the prior year comparative period in kwacha terms, and an increase of 7.2% and decrease of 1.3% in US dollar terms, respectively.

The Group delivered a half year operating profit of ZMW 99.6 million (USD 5.7 million), representing a decline of 56.8% in kwacha terms (57.3% in US dollar terms), compared to ZMW 230.4million (USD 13.3 million) in the prior year comparative period. Performance against prior year was impacted by exceptionally higher price of soya beans and wheat in the prior year from which the Cropping division benefited.

Finance costs reduced by 7.4% despite an elevated net debt position owing to a reduction in exposure to foreign denominated debt. The actions previously taken by the Group allowed for reduction of currency risk.

The US$100 million expansion programme which commenced last year is in progress with most of these projects expected to be concluded in the coming financial year. This has resulted in an increase in the Net debt to ZMW 1.4 billion (USD 67.4 million) at 31 March 2023 from ZMW 818 million ($45.3 million) at 31 March 2022. Of this capex funding increase was ZMW 566 million (USD 32.2 million) whilst working capital funding increase of ZMW 8.8 million (USD 0.5 million) primarily due to increased input costs.

Management continued optimising top line growth through revenue management while the continued cost control measures positioned the Group on the path to actualise its short to medium-term strategy.

Commenting on these results, Chairman Mr. Michael Mundashi said:

"*The Group's performance demonstrates our ability to remain resilient in the evolving market and illustrates the strengths of our vertically integrated business model which is key to creating long-term shareholder value.*

The Board is committed to unlocking the value of its shares and is actively engaging the Company's shareholder British International Investments Plc, on the preference shares it holds.

We remain excited as Zambeef remains well positioned to capitalise on the opportunities ahead with the progress made in the expansion of our cropping operation and investment in production facilities."

Copies of Accounts the Interim Report for the half-year ended 31 March 2023 will shortly today be available on the Group's website.

For further information, please visit www.zambeefplc.com or contact:

Zambeef Products plc Tel: +260 (0) 211 369003

Faith Mukutu, Chief Executive Officer
M'boo Mumba, Chief Financial Officer

FinnCap Ltd (Nominated Adviser and Broker) Tel: +44 (0) 20 7220 0500

Ed Frisby/Abigail Kelly (Corporate Finance)
Tim Redfern/Barney Hayward (ECM)

Autus Securities Limited Tel: +260 (0) 761 002 002

Mataka Nkhoma

About Zambeef Products PLC

Zambeef Products plc is the largest integrated cold chain food products and agribusiness company in Zambia and one of the largest in the region, involved in the primary production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, fish, flour and stockfeed, throughout Zambia and the surrounding region, as well as Nigeria and Ghana.

It has 236 retail outlets throughout Zambia and West Africa.

The Company is one of the largest suppliers of beef in Zambia. Five beef abattoirs and three feedlots are located throughout Zambia, with a capacity to slaughter 230,000 cattle a year. It is also one of the largest chicken producers in Zambia, with a capacity of 8.8m broilers and 22.4 million-day-old chicks a year. It is one of the largest piggeries, pig abattoirs and pork processing plants in Zambia, with a capacity to slaughter 75,000 pigs a year, while its dairy has a capacity of 120,000 litres per day.

The Group is also one of the largest cereal row cropping operations in Zambia, with approximately 7,263 hectares of row crops under irrigation, which are planted twice a year, and a further 7,830 hectares of rainfed/dry-land crops available for planting each year.

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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