

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: Deborah Bwalya – 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. Stockbrokers Zambia Limited

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: 07 March 2019



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 [“ZAMBREW” or “the Company”]

The Board of Directors of Zambian Breweries Plc., in compliance with the requirements of the Securities Act No.41 of 2016 and the Listing Requirements of the Lusaka Securities Exchange, Zambrew Plc is pleased to announce the audited financial results for the year ended 31 December 2018.

Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December 2018	Year ended 31 December 2017
	K ‘000	K ‘000
Revenue	2,200,228	1,561,138
Cost of sales	(1,199,154)	(877,354)
Gross profit	1,001,074	683,784
Other operating income / (expenses)	1,086,908	(8,957)
Distribution costs	(141,764)	(129,328)
Administrative expenses	(336,178)	(179,482)
Operating profit	1,610,040	366,017
Finance income	43,691	20,733
Finance costs	(34,789)	(66,721)
Finance income / (costs) – net	8,902	(45,988)
Profit before income tax	1,618,492	320,029
Income tax expense	(162,806)	(99,209)
Profit for the period	1,456,136	220,820
Total comprehensive income for the period	1,456,136	220,820
Attributable to:		

Continuing operations	336,688	194,769
Discontinued operations	1,116,448	26,051
	<u>1,456,136</u>	<u>220,820</u>
Earnings per share for profit attributable to the equity holders of the Company		
- Basic and diluted	2.667	0.404
	<u>2.667</u>	<u>0.404</u>

Statement of Financial Position

	Year ended 31 December 2018 K '000	Year ended 31 December 2017 K '000
Capital and reserves attributable to the Company's equity holders		
Share capital	5,460	5,460
Share premium	450,207	450,207
Proposed dividends	-	110,410
(Accumulated deficit) / Retained earnings	<u>309,633</u>	<u>862,777</u>
	<u>765,300</u>	<u>1,428,854</u>
Non-current liabilities		
Deferred income tax	<u>625,629</u>	<u>507,254</u>
	<u>625,629</u>	<u>507,254</u>
Total equity and non-current liabilities	<u>1,390,929</u>	<u>1,936,108</u>
Non-current assets		
Property, plant and equipment	1,698,173	1,428,767
Intangible assets	<u>21,677</u>	<u>72,811</u>
	<u>1,719,850</u>	<u>1,555,578</u>
Current assets		
Inventories	554,343	482,628
Trade and other receivables	260,070	193,691
Current income tax	-	5,909
Cash at bank and in hand	<u>2,397,637</u>	<u>324,736</u>
	<u>3,212,050</u>	<u>1,006,964</u>
Non-current assets held for sale	<u>-</u>	<u>500,004</u>
Current liabilities		
Trade and other payables	3,512,858	869,378
Borrowings	115	257,060
Current income tax	<u>27,998</u>	<u>27,998</u>
	<u>3,540,971</u>	<u>1,126,438</u>
Net current assets / (liabilities)	<u>(328,921)</u>	<u>(119,474)</u>
Total assets less current liabilities	<u>1,390,929</u>	<u>1,936,108</u>

Statement of Cash Flows

	Year ended 31 December 2018 K '000	Year ended 31 December 2017 K '000
Cash flows from operating activities		
Cash generated from operations	1,100,157	987,293
Interest received	15,271	12,116
Interest paid	(10,406)	(42,463)
Income tax paid	(10,524)	(4,629)
Net cash generated from operating activities	<u>1,094,498</u>	<u>952,317</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(295,310)	(334,426)
Proceeds from sale of property, plant and equipment	1,654,030	506
Purchase of intangible assets	(5,143)	
Net cash generated from / (used in) investing activities	<u>1,353,577</u>	<u>(333,920)</u>
Cash flows from financing activities		
Interest paid on borrowings	(547)	(31,863)
Proceeds from borrowings	-	314,344
Repayment of borrowings	(241,918)	(425,000)
Dividends paid to shareholders	(110,410)	-
Net cash used in financing activities	<u>(352,875)</u>	<u>(142,519)</u>
Net increase in cash and cash equivalents	<u><u>2,095,200</u></u>	<u><u>475,878</u></u>
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	309,594	(169,907)
Increase/(decrease) in cash and cash equivalents	2,095,200	475,878
Exchange difference in cash and cash equivalents	(7,272)	3,623
Cash and cash equivalents at end of the period	<u><u>2,397,522</u></u>	<u><u>309,594</u></u>

Statement of Changes in Equity

	Share capital	Share premium	Proposed dividends	Accumulated deficit / Retained earnings	Total equity
	K '000	K '000	K '000	K '000	K '000
Year ended 31 December 2017					
At start of period	5,460	450,207	-	752,367	1,208,034
Comprehensive income:					
Profit for the year	-	-	-	220,820	220,820
Total comprehensive income for the year	-	-	-	220,820	220,820
Transactions with owners:					
Proposed dividends	-	-	110,410	(110,410)	-
Total transactions with owners	-	-	110,410	(110,410)	-
At end of year	5,460	450,207	110,410	862,777	1,428,854
Year ended 31 December 2018					
At start of year	5,460	450,207	110,410	862,777	1,428,854
Comprehensive income:					
Profit for the period	-	-	-	1,456,136	1,456,136
Total comprehensive income for the period	-	-	-	1,456,136	1,456,136
Transactions with owners:					
Dividends paid	-	-	(110,410)	-	(110,410)
Special dividends approved	-	-	-	(2,009,280)	(2,009,280)
Total transactions with owners	-	-	(110,410)	(2,009,280)	(2,119,690)
At end of year	5,460	450,207	-	309,633	765,300

Zambian Breweries – Annual Results Narrative

Commercial Performance

Results for the year 2018 were remarkable, especially on the clear beer side, with volumes growing at a record of 23%. Our total volumes grew by 13%, partially eroded by a decline of 8% in the soft drinks category, leading to a total growth of 11%.

The increase resulted from the successful execution of our growth strategy, driven by expanding distribution through a “go deep and go rural” plan linked to affordability, coupled with targeting the growing middle-class segment with our locally produced and imported premium beer brands.

Locally manufactured beer sales volumes were up 29% above prior year, driven by strong growth of the 750ml mainstream and affordable packs. The mainstream 750ml pack recorded impressive 166% growth, while the affordable 750ml pack recorded 77% growth.

The launch of Budweiser and Stella Artois continued to gain traction, having been well received in the market. The premium segment is back to growth with an 8% improvement against prior year, thanks to the recovery of Castle Lite and the introduction of Stella Artois and Budweiser. Strong gains were recorded by Stella Artois in the high-end segment, and there were encouraging results from Budweiser.

Soft drinks volume performance faced heavy competition from non-alcoholic drinks on the market, leading to an 8% drop against prior year.

Marketing

Our Marketing Department excelled this year, launching two flagship global brands in the market: Budweiser and Stella Artois, with more “thundering” news for consumers in the upcoming year.

Once again, our Mosi Day of Thunder music festival in Livingstone proved a national cultural highlight, while the Castle 5’s final with soccer icon Samuel Eto’o generated goodwill and brand awareness on an unprecedented scale.

The year 2018 was also very active on our Smart Drinking agenda. We believe there is a universal truth about beer: it brings people together to celebrate life.

Therefore, as the leading global brewer, we believe we have a unique role to promote responsible drinking and discourage harmful drinking, and we will continue taking this seriously.

Financial Performance

Our operating profit posted an amazing growth of 340% against prior year as a result of the strong revenue growth mentioned above, the exceptional earnings related to the proceeds from the sale of the soft drinks business, and comparison of one-off costs incurred last year (including voluntary separation payments, spares write-offs and bad debt provisions taken to align with AB InBev accounting policies).

On clear beer profitability, we finished on target with our budget, delivering an operational profit growth of 29% and an excellent 51% EBITA margin. Our superb performance is the result of a new, simpler, leaner and single-minded DREAM, to grow volumes up to 3 Million hectolitres by 2020, and the successful anchoring of our AB InBev ownership culture to manage our costs tightly and to focus on promoting internal talent, resulting in an improvement in people engagement and morale levels.

Investment

In June we launched the latest phase of our US\$30 million expansion project in Ndola with the commissioning by the Minister of Commerce, Trade and Industry of a new packaging line as part of the investment that will allow our Ndola plant to double its production capacity. We have also seen plant upgrades in Lusaka (under a 3-year investment plan), which will ensure sufficient capacity in the pipeline to achieve our volume growth aspirations.

A Promising Outlook

We are braced for a demanding year in 2019, amid economic uncertainty, increased regulation and a continued threat from smuggling and illicit alcohol.

On the positive side, the disposal of the Coca-Cola business will enable us to focus on our clear beer objectives, and to reach out to a growing middle class, which remains receptive to our premium brands.

We believe our twin strategy of targeting affordable and premium markets will diversify economic risks and position us well to take advantage of the opportunities.

Our strengths lie in our exceptional brand portfolio of both locally brewed and imported beers, and a strong, productive and stable management and workforce, with the expertise and experience to produce world-class beers.

Finally, we would like to extend our gratitude to our consumers, customers, suppliers, farmers, partners in general and shareholders for their inspiration, guidance and support, and to our “Super Thunderous” employees, who dedicate themselves to delivering outstanding results and who embody our core values and principles – we are never completely satisfied with our results, which is the motor of success of our Company.

Earnings per Share

The Board of Directors of Zambia Breweries Plc (“the Board”) wishes to advise the Shareholders that for the period ending 31 December 2018, the basic earnings per share and head line earnings per share are both expected to be 560% and 72% respectively, higher than those of the year ended 31 December 2017. This increase in profitability is due to the strong sales volume performance during the past financial year coupled with efficient cost control initiatives implemented by management. Further profit was realised from the sale of the non-alcoholic business, as shown in the profit or loss by profit from discontinued operations, adding to the higher growth of the basic earnings per share.

Dividends

At the Annual General Meeting held on 29 March 2018, the final dividend payment, in respect of the period ended 31 December 2017, of K0.20 per share, proposed by the Directors was approved. The total amount of dividends paid during the year amounted to K110 million.

On 27 December 2018 the Board approved a special dividend of K3.68 per share amounting to K2,009 million.

At the next Annual General Meeting to be held on 28 March 2019, the Directors do not intend to propose any payment of dividends in respect of the year ended 31 December 2018.

By order of the Board

Deborah Bwalya
Company Secretary

Issued in Lusaka, Zambia on 07 March 2019

Lusaka Securities Exchange Sponsoring Broker



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Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

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