

BUSINESS UPDATE
FOR
THE 2014 AGM
30 July 2014

ISSUES COVERED

1. **Trading Environment**
2. **Trading Performance**
 - Volumes
 - Quarterly trends
 - Revenue
3. **Associates**
4. **Prospects for the year**



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TRADING ENVIRONMENT

- **Worsening macro-economic fundamentals: deflation and price corrections, retrenchments and failure to meet payroll commitments by many organisations including civil service.**
- **Price correction to be reinforced by coinage.**
- **Tight liquidity; high default rates, non performing bank loans.**
- **Consumers seeking real value, focus on basic necessities.**
- **Some improvements in agricultural output; tobacco, cotton, cereals but low market prices for cash crops.**
- **Rapidly informalising economy, low savings; majority living hand to mouth.**
- **Depreciation of Rand encouraging parallel imports – expanding cost differentials.**



SUMMARY OF TRADING PERFORMANCE QUARTER ENDING JUNE 2014

	ACTUAL	% CHANGE ON PR. YR
Volumes (000hls)		
· Lager Beer	366	(21%)
· Sorghum beer	977	15%
· Soft drinks	344	(8%)
· Alternative beverages	44	22%
Total Beverages (000hl)	1 731	1%
Revenue	\$149m	(3%)

**SHUMBA
MAHEU** 



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SUMMARY OF TRADING PERFORMANCE

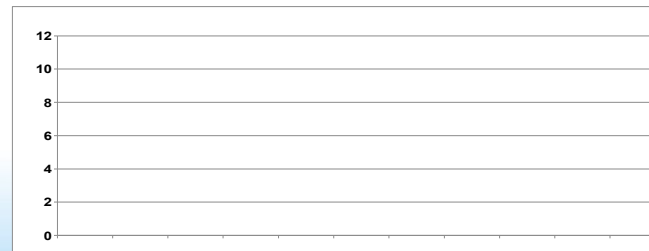
1. **Demand for lager beer depressed indicating down-trading to cheaper alternatives; premiums brands holding.**
2. **Strong Chibuku volume growth - spurred by additional production capacity for Chibuku Super.**
3. **Down turn in soft drinks reflecting soft aggregate demand. Shift in mix towards PET and cans.**
4. **Maheu growth driven by category expansion into dairy flavoured beverages (SuperSip drink and drinking yoghurt) – innovation pipeline to capture value**

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QUARTERLY TOTAL BEVERAGE VOLUME TRENDS F10 - F15

'000hls



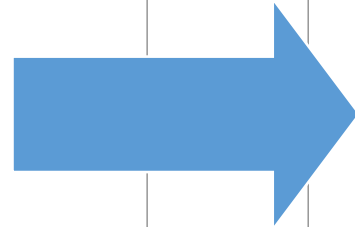
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QUARTERLY TOTAL BEVERAGE VOLUME CONTRIBUTION Q1 F15

QTR 1 F14

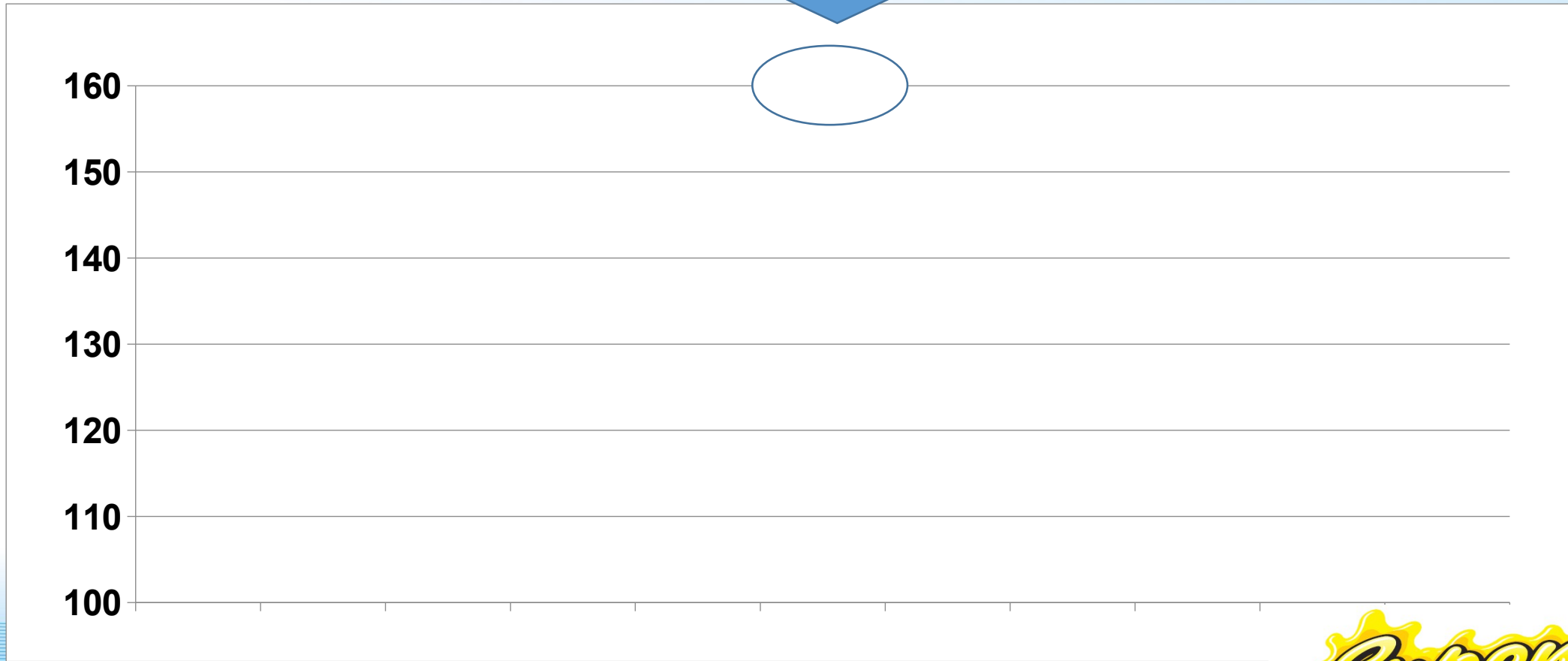
QTR 1 F15



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REVENUE QTR 1 F15

\$m



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QUARTERLY TOTAL BEVERAGE REVENUE CONTRIBUTION Q1 F15

QTR 1 F14

QTR 1 F15



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UPDATE ON MEGAPAK

1. **Proposal from Nampak on consolidation of their interests in the country.**
2. **Delta to swap 51% shareholding in MegaPak for 24% shares in Nampak Zimbabwe (Hunyani) – to be diluted to 22.6%.**
3. **Representation on the Board.**
4. **Supply contracts with new entity.**



UPDATE ON ASSOCIATES

1. ... commendable growth in volumes and



2. Schweppes Zimbabwe Limited

- Growth in volumes and top line. Improvements in profitability.
- Increase in competition in the juice and water categories
- Acquisition of Beit Bridge Juice Co. to safeguard juice



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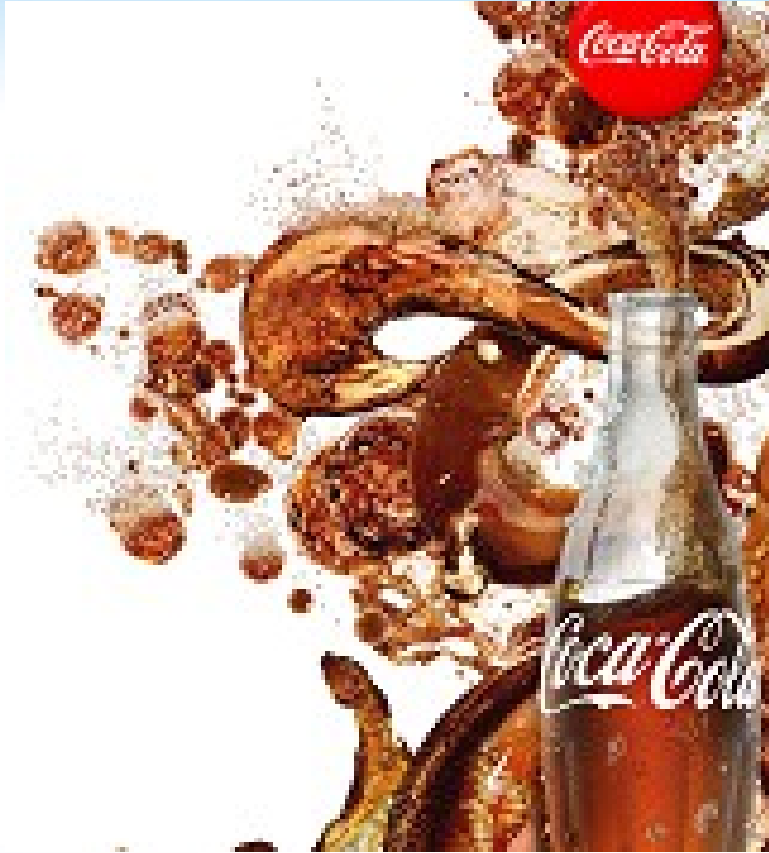


PROSPECTS FOR THE YEAR TO MARCH 2015

- **Volumes in lagers and soft drinks to continue to reflect weak economic fundamentals. Demand for sorghum beer to remain strong. Ongoing efforts to capture available value. No opportunity for pricing.**
- **Value chain optimisation initiatives to deliver some savings in production costs and overheads – Costs are resilient.**
- **Cash generations remains strong; higher contribution of cash sales**
- **Earnings growth will be soft to negative due to pressure on revenues.**
- **Capex to be targeted within 30 – 50% EBITDA.**
- **Dividend cover of 2,5 times to be maintained.**

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THANK YOU

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