



Trading Update

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2021



The Company hereby issues a business update for the third quarter and nine months ended 31 December 2021.

OPERATING ENVIRONMENT OVERVIEW

The trading environment during the quarter under review was characterised by increased social and economic activity as the regional countries relaxed lockdowns before the onset of the fourth wave of COVID-19 towards the end of the calendar year. Employee productivity was negatively impacted by the increase in COVID-19 infections during the fourth wave which resulted in higher absenteeism during the periods of infection, quarantining or isolation.

In Zimbabwe, the economy continues to benefit from slower inflation and increased use of foreign currency for domestic transactions which provides industry with better access to imported raw materials and inputs.

Consumer spending was spurred by increased mining activity, improved agricultural output, infrastructure projects and payments of bonuses and salaries in foreign currency.

South Africa continued to relax the COVID-19 lockdown restrictions particularly as they relate to consumption of alcoholic beverages.

In Zambia, the Kwacha appreciated, and inflation has slowed in the post-election period. Consumer demand remains constrained under the COVID-19 restrictions.

VOLUME PERFORMANCE

Lager Beer

The lager beer volume grew by 6% for the quarter and 33% for the nine months compared to the same period last year. Product supply improved, benefitting from the injection of returnable glass and improved plant reliability. There were, however, supply gaps on some brands due to global supply chain disruptions induced by COVID-19.

Sorghum Beer

In Zimbabwe, the Sorghum beer volume grew by 25% for the quarter and 50% for the nine months compared to prior year. Chibuku Super contributed 77% in the quarter. There are ongoing interventions to unlock the capacity constraints on Chibuku Super in addition to the efforts to invigorate the standard Chibuku (Scud) product.

The volume at Natbrev Zambia grew by 2% for the quarter and was down 16% for the nine months. The business continues to face competition from the bulk beer players who avoid paying taxes. There is concern that the increase in excise duty implemented in January 2022 will favour the illicit trade, further entrenching the uneven playing field.

United National Breweries South Africa recorded a volume growth of 2% for the quarter and grew by 49% for the nine months in comparison to prior year. The focus is on expanding the trade channels and market reach.

Sparkling Beverages

The Sparkling Beverages business registered a robust volume recovery to grow by 34% for the quarter and 62% for the nine months compared to prior year. This reflects market share gains driven by affordability, consistent product supply and an expanded pack and flavour offering. There were some supply gaps in convenience packs arising from value chain challenges, currency related pricing distortions and outages of some key inputs.

Wines and Spirits

The volume at African Distillers Limited (Afdis) grew by 32% for the quarter and 48% for the nine months, driven by improved supply of ciders and other locally produced brands, on the back of better access to imported inputs.

Associate Entities

Schweppes Holdings recorded a beverages volume growth of 15% for the quarter, benefitting from the increased economic activity and consistent product supply. The 2021 intake of juicing fruit was below target due to higher exports of fresh fruit.

Nampak Zimbabwe are still to report their results to 30 September 2021. The sector benefits from the recovery in beverages volumes.

FINANCIAL PERFORMANCE

Group revenue grew by 34% for the quarter and 51% for the nine months in inflation adjusted terms compared to growth of 120% for the quarter and 149% for the nine months in historical cost terms. This reflects the volume recovery and replacement cost-based pricing.

The Group continues to leverage on the increased access to foreign currency through domestic nostro sales to contain input costs, which allows for competitive pricing.

EFFECTS OF CORONAVIRUS (COVID-19) ON THE BUSINESS

The Company will continue to review its responses to the COVID-19 pandemic based on the best available medical and safety advice with a focus to avoid or reduce transmissions of the disease through its activities.

The periodic upsurge in COVID-19 infections in waves driven by virulent and transmissible mutations of the virus continues to impact on business operations.

The roll out of vaccines has lessened the severity of disease and reduced mortality rates, with some countries concluding that the virus was now endemic. This allows for a gradual return to normal levels of social and economic activity as people adjust to living with COVID-19. There are many uncertainties that make it difficult to estimate the full impact of the COVID-19 pandemic on the financial health of the Company and Group entities. We continue to encourage our employees and stakeholders to embrace vaccinations including the booster doses.

OUTLOOK

The Zimbabwean economy continues to register growth in spite of the challenges related to an unstable exchange rate, high inflation and adverse impacts of COVID-19. The Zimbabwean businesses will continue to benefit from the growth in consumer spending driven by agriculture, mining, infrastructural development and general commerce. The improved access to foreign currency will enable the Company to undertake critical capital investments. The fourth quarter will witness increased political activity related to the by-elections scheduled for March 2022.

The Company will continue to prioritise the safety and health of its employees and to adhere to best practice and COVID-19 protocols as advised by the authorities whilst seeking to exploit any opportunities to grow the business. The Group will continue to upscale its sustainable development initiatives with a particular emphasis on responsible alcohol consumption, environmental protection and corporate citizenship.

By order of the board

A Makamure
Company Secretary
14 January 2022