



Delta Corporation

LIMITED

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS TO 31 DECEMBER 2019

The Company today issues a trading update for the third quarter and nine months to 31 December 2019.

TRADING ENVIRONMENT

The trading environment is characterised by high inflation and an unstable exchange rate with limited availability of foreign currency in the formal banking channels. Consumer spending is constrained by low disposable incomes as salary and wage adjustments continue to lag the increases in prices of goods and services. Our distribution and production operations were impacted by the power outages and constrained fuel supplies.

The sourcing of imported raw materials and services remains challenging due to the delays in servicing overdue payables.

VOLUME PERFORMANCE

Lager beer volume declined 43% for the quarter and 46% for the nine months compared to the same period last year. There is a focus on supplying key brands and packs and conserving foreign currency.

The Sorghum beer volume in Zimbabwe declined by 41% for the quarter and 25% for the nine months. The category has been adversely impacted by the constrained supply of maize and escalation in the cost of imported inputs such as packaging materials. There is renewed focus on the returnable Scud pack.

At Natbrew Zambia, the volume was 32% down for the quarter compared to last year. There are some pricing disparities with other alcohol categories particularly driven by the steep increase in maize prices.

The Sparkling beverages volume grew by 38% for the quarter and is down 40% for the nine months. There is a notable volume recovery in response to improved product supply and moderated retail pricing. The recently launched “No Sugar” variants have been welcomed by the consumers.

African Distillers (Afdis) recorded a volume drop of 10% for the quarter. The demand for ciders and white spirits remains strong. There is concern about the illicit trade in some of the product categories.

The beverages volume at Schweppes Holdings declined by 23% for the quarter due to an outage of key imported raw materials for both the Mazoe and Minute Maid brands. There was an improved performance on the recently launched Fruitade

range of products. The entity commissioned the one mega watt rooftop solar plant to mitigate the power outages at the Harare factory during the quarter.

FINANCIAL PERFORMANCE

The revenue for the quarter grew by 27% in inflation adjusted terms (646% historical) reflecting the changes in product mix and price increases that are based on replacement cost. The revenue increased 2% for the nine months (historical 346%).

The Directors remind readers that the financial performance may be adversely impacted by any policy changes with respect to the settlement of the legacy foreign liabilities. The Company is currently working closely with the Reserve Bank to expunge these liabilities within the agreed framework.

OUTLOOK

The operating environment is expected to remain challenging for the remainder of the year. The company will manage the emerging risks with particular focus on reducing the foreign liabilities and maintaining consistent product supply. The current shortage of maize and the anticipated drought in 2020 is likely to impact negatively on the business, particularly the sorghum beer category.

REMOVAL OF CAUTIONARY STATEMENT

Following the engagements amongst the parties, shareholders are advised that the Bottler Agreements with The Coca Cola Company (TCCC) have been renewed for a three-year term to September 2022. The cautionary notice has therefore been withdrawn.

By Order of the Board.

A Makamure
Company Secretary
30 January 2020



BRIGHTER TOGETHER