



# Simbisa Brands

LIMITED

## SIMBISA BRANDS LIMITED TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The Zimbabwe Stock Exchange ('ZSE') has authorised the issue of a Trading Update for Quarter 1 Interim Financial Reporting in lieu of compliance with rule 35 (5) of the ZSE Rules (Statutory Instrument 134 of 2019).

Simbisa Brands Limited issues the following trading update for the first quarter ended 30 September 2019.

### Group Performance

- Simbisa Brands recorded a 455% increase in Group revenue in Q1 FY2020 versus the prior year comparable period, driven by a 676% year-on-year increase in average spend whilst customer counts fell 28% over the same period.
- The Zimbabwe operations' revenue grew 249% year-on-year whilst the regional operations achieved 9% year-on-year growth in US Dollar revenue driven by a 6% increase in customer counts and a 3% increase in US Dollar average spend in Q1 FY2020 versus prior year. On conversion to Zimbabwe Dollars, this translated to a 1003% year-on-year increase in regional turnover in Q1 FY2020 versus Q1 FY2019.
- Average Spend in Zimbabwe increased 480% year-on-year; however, as salaries significantly lag inflation, erosion of customer spending power resulted in a 40% year-on-year decline in customer counts in Zimbabwe in Q1 FY2020 versus Q1 FY2019.
- The Group has responded in the Zimbabwe market by introducing a range of value meals, increasing promotional and marketing activity and maintaining an optimal pricing strategy to maximise value to its customers whilst taking careful measures to preserve margins. Zimbabwe sales were also impacted by the adverse power situation, as power outages have shortened trading hours in the period under review versus the prior year period and contributed significantly to the operating cost structure.
- The regional markets continue to benefit from stable domestic operating environments. As such, the regions' contribution to Group performance continues to grow in line with the Group strategy.
- In Q1 FY2020, 6 counters were opened in Zimbabwe and the Rocomamas brand was successfully launched in Zambia with the inaugural store opening on the 19th July 2019. Two counters were closed in Namibia and one in Mauritius resulting in 4 net store openings in the Quarter. Simbisa closed the Quarter with 464 counters in operation.
- The Group continues to generate value for its shareholders; Basic Earnings Per Share in Q1 FY2020 were 294% higher compared to Q1 FY2019.

### Outlook

- The Group has a healthy capital expenditure pipeline for FY2020 and will continue to expand its footprint and defend its market share through the opening of new counters across all of its markets.
- The Group intends to open 21 new counters over the next six months; 10 counters in Zimbabwe and 11 counters in the region.
- Exchange rate movements against the US Dollar remain the greatest risk in the regional business. In this regard, increasing sovereign debt levels in Kenya and Zambia pose a downside risk on inflation and exchange rates in these markets. Whilst Ghana's macroeconomic outlook for FY2020 is favourable, the primary exchange rate risk emanates from policy relaxation in the run-up to the 2020 elections. The Group remains aware of these risks and continues to take proactive measures to hedge against the impact of adverse exchange rate movements, mainly through localising the cost base in each market.
- Despite operating challenges in Zimbabwe, careful and proactive management strategies as well the growing contribution from the regional business leaves Simbisa Brands Limited on course to meet our expectations for the half year ended 31 December 2019. We have put in place measures to ensure that we have adequate working capital for the upcoming festive season and going into 3Q FY2020.
- I would like to express my appreciation to the Simbisa Brands Board of Directors, Management and all our members of staff for their hard work and dedication; and to our loyal customers and shareholders for their continued support in these difficult times.

B Dionisio  
Group Chief Executive Officer  
14 November 2019