



Delta Corporation

LIMITED

TRADING UPDATE FOR THE FOURTH QUARTER AND FULL YEAR TO 31 MARCH 2020

The Company today issues a trading update for the fourth quarter and full year ended 31 March 2020.

TRADING ENVIRONMENT

The trading environment has remained turbulent due to hyperinflation, an unstable exchange rate, limited availability of foreign currency in the formal banking channels and the drought induced shortages of cereals used in the brewing processes. The supply of fuel and key utilities such as water and electricity continues to be erratic, thereby disrupting production and distribution operations. The prevalence of multiple exchange rates has distorted operating costs and product pricing. The inflationary environment has impacted negatively on consumer disposable incomes thereby reducing discretionary household spending.

The later part of the quarter was severely impacted by the restrictions to human and economic activity in response to the advent of the novel coronavirus (COVID-19) pandemic. This led to the declaration of the state of national disaster in Zimbabwe on 17 March 2020 which was scaled up to a lockdown from 30 March 2020. The measures implemented to contain and manage the possible spread of the virus include restrictions and prohibitions on travel and social gatherings including the closure of most channels of distribution which drive the consumption of our beverages. This impacts the levels of demand, product packs and sales mix.

VOLUME PERFORMANCE

Lager beer volume declined 27% for the quarter and 42% for the full year compared to the same period last year. There was a prioritisation of returnable bottle packs in an effort to conserve foreign currency and drive affordability.

Sorghum beer volume in Zimbabwe declined by 27% for the quarter and 25% for the full year. The pricing of the category was driven by the escalation in the cost of imported inputs such as packaging and brewing cereals.

At Natbrew Zambia, the volume was 37% down for the quarter and 27% for the full year compared to last year. There are ongoing measures to reverse the volume loss to other alcoholic beverage categories. The performance is constrained by a tight working capital cycle.

Sparkling beverages volume grew by 368% for the quarter off a low base in 2019 when the business was virtually closed. The volume declined 17% for the full year. The business continues to work collaboratively with The Coca-Cola Company to maintain consistent product supply whilst optimising the value chain and product offerings.

At African Distillers (Afdis), the total volume declined 12% for the quarter. The unit also benefited from a favourable product mix.

The beverages volume at Schweppes Holdings declined by 24% for the quarter due to low consumer demand. The supply of the Mazoe Orange Crush improved during the quarter following a period of shortages.

BRIGHTER TOGETHER

FINANCIAL PERFORMANCE

The revenue for the fourth quarter grew by 20% in inflation adjusted terms (720% historical) driven by the replacement driven product pricing and a low prior year base. The revenue increased 14% for the full year (historical 480%) compared to the average inflation of 363%.

The Directors remind readers that there are significant challenges in ascertaining the underlying business performance in an environment of hyperinflation, multiple exchange rates and rapid changes in the policies.

The full year financial results are expected to be published by 30 May 2020.

IMPACT OF CORONAVIRUS (COVID-19)

The World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020. The pandemic has spread to most countries of the world, impacting on human life and leading many countries to implement partial or complete lockdowns of their economies to mitigate the transmission of the virus. In Zimbabwe, similar measures were implemented through statutory instruments 76, 77, 82, 83 and 93 of 2020 which included a national lockdown extending from 30 March 2020 to 3 May 2020. The business was permitted to operate at reduced levels during this period. The selling and distribution of beverages has been curtailed by the restriction of movements and social gatherings, closure of on-premise consumption outlets and prohibition of other commercial and social activities that were deemed to pose a risk of spreading COVID-19. The Company has implemented various mitigation measures to improve the workplace health and safety and continues to assess the commercial risks arising from the pandemic. COVID-19 has and continues to adversely impact the national economies of most countries and is exacerbating the already fragile and difficult economic situation in Zimbabwe. There are many uncertainties that make it difficult to fully estimate the full impact of the COVID-19 pandemic on the financial health of the Company and Group entities.

ACQUISITION OF UNITED NATIONAL BREWERIES

The acquisition of United National Breweries, the leading producer of traditional beer and allied products in South Africa, has been concluded with effect from 1 April 2020. It is noted that South Africa has implemented very strict prohibitions on the sale and consumption of alcohol during the COVID-19 national lockdown. As such, the business is yet to trade since the conclusion of the transaction.

By Order of the Board.

A Makamure
Company Secretary
Date: 6 May 2020

