



Simbisa Brands LIMITED

SIMBISA BRANDS LIMITED TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

Simbisa Brands Limited issues the following trading update for the first quarter ended 30 September 2020.

GROUP PERFORMANCE

- Simbisa Group revenue in 1Q FY21 was flat (-1%) on prior year in inflation adjusted terms and recorded a 734% historical increase in revenue versus the prior year comparable period.
- The Zimbabwe operations' revenue grew 894% (historical) and 19% (inflation adjusted) year-on-year. Customer counts have been negatively impacted by the COVID-19 pandemic and the ensuing lockdown restrictions. Customer counts were down 18% in Q1 FY21 compared to the prior year despite counter trading hours in the period being 33% below prior year; the quarter also saw a marked improvement in foot traffic with customer counts increasing 74% versus Q4 FY20. The improvement in customer counts was achieved through increased trading hours coupled with more promotional and value offerings, an increased focus on deliveries and the successful launch of the Kerbside collection service.
- Customer counts in the region were down 26% against prior year as a result of COVID-19 induced business disruptions; however significant gains were made from the prior quarter where customer counts were down 48% year-on-year. As a result of lower customer counts, revenue from the regional operations' fell 18% (inflation adjusted) on a year-on-year basis. On a historical cost basis, revenue growth translated to 600% year-on-year.
- In Q1 FY21, 3 counters were opened in Zimbabwe. Kenya opened 3 new counters and Mauritius opened one new QSR-format Pizza Inn in the period under review. No counters were closed during this quarter. Simbisa closed the Quarter with 468 counters in operation.
- Group Operating Profit margins improved by 7.73 percentage points of which 5.63 of the percentage point change was attributable to the impact of IFRS 16 accounting and the balance a result of the success of the aforementioned cost-saving initiatives implemented in Zimbabwe and the Region.

CORONAVIRUS (COVID-19) BUSINESS IMPACT

To mitigate the adverse impact of the COVID-19 pandemic, the Group's focus during the period continued to be directed towards:

- Enforcing hygiene standards and social distancing protocols to ensure the safety of employees and customers;
- Aggressively expanding delivery channel sales and extending value promotions to stimulate trading volumes; and
- Alignment of operating costs to revenues to safeguard profit margins.

Despite COVID-19, the Group's liquidity and solvency position remained strong during the quarter. The Group's net debt to EBITDA ratio remains lower than 1x.

Zimbabwe

The Group has continued trading throughout the COVID-19 pandemic, albeit on reduced trading hours: counter trading hours in Zimbabwe were 33% lower in 1Q FY21 compared to prior year when the business was operating on normal trading hours, an improvement from 4Q FY20 when counter trading hours were down 49%. The Group continued to implement cost-containment measures introduced in Q3 FY20 including rationalisation of staff costs, rental negotiations and reducing non-essential expenditures in line with business volumes. The Group has placed increased focus on the delivery business through the upscaling of sites offering the Dial-a-Delivery service across the country and through the outsourcing of bike, riders and logistics management in order to leverage increased market uptake during the pandemic. Aggressive promotional and value offerings were implemented in the period under review to counter pressure on consumer spending power.

Region

Although some trading restrictions remained in our regional operating markets, counter trading hours significantly improved from the prior quarter and in Mauritius and Zambia trading hours resumed in full. Ghana's trading hours were 6% below full trading capacity in the quarter whilst Kenya traded on 62% capacity (up from 52% in Q4 FY20). Management continues to work hard at recovering lost customer counts and containing costs in the existing business and continues to pursue growth through enhanced efficiencies in the delivery business segment and through new store openings.

The contribution to revenue from delivery channels in the region has been growing steadily; in Q1 FY21 average delivery sales contributed 16% to total regional revenue versus 11% in Q1 FY20. In our largest regional market, Kenya delivery sales contribution has grown from 13% in 1Q FY20 to 20% in 1Q FY21.

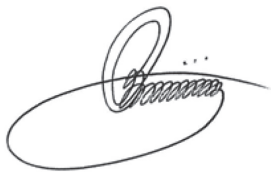
Outlook

As restrictions in our operating markets are relaxed and counter trading hours scale up, we are seeing a recovery in customer counts and revenue, both in Zimbabwe and in our regional operations. The Group will however continue to actively implement measures to safeguard the health and well-being of employees, customers, suppliers, and other stakeholders. The drive on promotional and value offerings to counter consumer spending pressure and to increase footfall into our shops will continue to be a key strategic imperative.

The Group remains in a strong solvency and liquidity position and is on track to open a target of 51 new stores in this financial year. The new store pipeline is focused on high return brands and locations to ensure that the business emerges from the COVID-19 crisis even stronger.

The focus will also remain on pursuing cost containment strategies in order to ensure margins remain firm and driving sales through delivery channels. The Dial-a-Delivery mobile application which was first launched in Kenya in Q1 FY20 has now been launched with extremely positive uptake in Mauritius and Ghana and the balance of our 2 regional markets will be launched in Q2 FY21. We have also engaged with third party delivery providers in order to enhance our delivery service. The launch of Kutuma Kenya was effective 1 July 2020 and we expect to see the full impact of the benefits that come from the synergies and efficiencies borne out of operating a dedicated delivery-focused company come through in FY21 and which should have a significant positive impact on delivery growth and contribution to revenue in Kenya, our largest regional market.

Despite the business disruptions stemming from the COVID-19 pandemic, the Board remains confident that proactive measures taken to counter the business impact will enable us to continue to grow the business and to consistently deliver value to all of our stakeholders. The Board commends our members of staff for navigating a challenging environment successfully and is confident that their hard work and dedication will see the business make a full recovery within the current financial year.



B Dionisio
Group Chief Executive Officer
15 November 2020