The Company today issues a business update for the third quarter ended 31 December 2020.

OPERATING ENVIRONMENT

The trading environment during the period under review was largely influenced by the restrictions to human and economic activity implemented by authorities in response to the COVID-19 pandemic. In Zimbabwe, Zambia and South Africa, the lockdown measures were partially eased during the quarter to 31 December 2020, allowing for increased business activity albeit with some restrictions on social gatherings and targeted measures limiting the sale or consumption of alcoholic beverages. The COVID-19 infections rose sharply towards the end of December 2020 leading to the tightening of the restrictions across the region.

The Zimbabwe economy benefited from the stability on the foreign currency auction system and liberalisation on the use of foreign currencies for domestic sales under Statutory Instrument 185 of 2020. The improved access to foreign currency has resulted in stable pricing and consistent product supply due to better access to imported raw materials and spares.

In Zambia, the economy has experienced resurgent inflation and currency depreciation. In the face of rising cost of living, consumers are searching for cheaper alternatives.

VOLUME PERFORMANCE

Lager beer volume grew 48% for the quarter and 20% for the nine months compared to the same period last year. The volume recovery is attributed to the competitive pricing and consistent product supply, benefiting from the injection of new returnable glass and fewer disruptions to production operations. On-premise consumption curtailed, there are ongoing efforts to promote at-home consumption in line with the COVID-19 guidelines.

In Zimbabwe the Sorghum beer volume grew 29% for the quarter but still trailed prior year by 14% for the nine months. There was improved market access following the relaxation of the lockdown measures during the quarter. The Sorghum Beer category was negatively impacted by limited access to trade channels such as bottle stores and rural markets in the first half of the year.

The volume at Natbrew Zambia declined by 2% for the quarter and is up 5% for the nine months. The category has witnessed the resurgence of illegal trading in bulk beer which trades at a discount to packaged product.

The South African entity, United National Breweries recorded a year on year decline of 19% for the quarter as South Africa has implemented very strict restrictions and bans on the sale and consumption of alcohol. The total ban on alcohol sales was re-imposed at the end of December 2020.

Sparkling beverages volume grew by 66% for the quarter and is up 42% for the nine months compared to prior year. The category has benefited from consistent product supply and competitive pricing. The sales mix has shifted towards take-home packs in response to the restrictions on gatherings.

African Distillers (Afdis) registered volume growth of 37% for the quarter and 25% for the nine months driven by the spirits and ready to drink ciders.

FINANCIAL PERFORMANCE

Group revenue grew by 77% for the quarter and 33% for the year to date in inflation adjusted terms and by 784% and 837% in historical cost terms for the quarter and year to date respectively. This reflects the significant volume recovery across all beverage categories and attention to replacement cost-based pricing.

The Group has benefited from the improved access to foreign currency through domestic Nostro sales. The foreign currency is being prioritised towards settlement of the legacy debts in line with the arrangements with the Reserve Bank of Zimbabwe. Steady progress has also been made in the settlement of the loan for the acquisition of UNB (SA).

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.

In Zimbabwe and Zambia, the businesses were permitted to operate albeit at reduced levels during the various phases of lockdowns. South Africa has adopted more stringent bans on the sale of alcohol. 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 report on volume and financial performance above indicates that the business has been able to sustain its viability during the peak of the COVID-19 restrictions. 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.

OUTLOOK

The authorities in regional markets invoked heightened levels of lockdowns in January 2021 in response to the upsurge in COVID-19 infections and emergence of more virulent strains. The business outturn for the fourth quarter will therefore be subdued although the Zimbabwean economy could benefit from improved access to foreign currency and lower inflation.

The Company will continue placing the safety and health of its employees first and abiding by best practice as pronounced by the authorities whilst seeking to keep the Company and Group entities afloat in the circumstance of this COVID-19 pandemic.

The envisaged extension of the sparkling beverages franchise territory to Manicaland is awaiting regulatory approvals which are anticipated during the fourth quarter.

By Order of the Board.

A Makamure
Company Secretary
Date: 21 January 2021