Simbisa Brands LIMITED

SIMBISA BRANDS LIMITED TRADING UPDATE
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

Simbisa Brands Limited ('Simbisa', 'Simbisa Group' or 'Group') issues the following trading update for the first quarter ended 30 September 2021.

GROUP PERFORMANCE UPDATE FOR THE QUARTER

- Simbisa Group revenue in Q1 FY2022 increased 74% on prior year in inflation adjusted terms and recorded a 125% historical increase in revenue versus the prior year comparable period.
- The Zimbabwe operations' revenue grew 139% (historical) and 57% (inflation adjusted) year-on-year driven by a 29% increase in customer counts versus the prior year period as Covid-19 related trading restrictions eased off. Despite some respite in the restrictions in the period under review, counter trading hours in Zimbabwe were still 52% below capacity due to sustained nationwide curfews that were in place during the quarter under review and seating capacity was restricted to 50%. The impact was most significant on Simbisa Zimbabwe's casual dining brands.
- Although consumer spending power remains under pressure in the market, Simbisa Zimbabwe achieved real growth in average spend in Q1 FY2022 versus the prior year comparable period. US Dollar average spend increased 11% versus prior year.
- Customer counts in the regional business increased 37% in Q1 FY2022 versus prior year, on the back of a recovery in trading activity as Covid-19 restrictions eased in the period under review. Whilst Kenya's trading hours were still 20% below full capacity, other markets including Mauritius, Ghana and Zambia resumed operations at full capacity, although seating restrictions were in place in Zambia resulting in all trading taking place on a takeaway basis in the quarter.
- On the back of increased customer counts, revenue from the regional operations increased 107% on a year-on-year basis, with USD Average Spend remaining flat (+1%) on the prior year period.
- Currencies in Simbisa's regional operating markets remained relatively stable in the Q1 FY2022 operating period. In the closing period September 2021 versus September 2020, the Mauritian Rupee and Ghanaian Cedi depreciated 7% and 5% against the US Dollar respectively, the Kenyan Shilling devalued just 2% against the US Dollar whilst the Zambian Kwacha appreciated 19% against the US Dollar, on the back of post-election positive sentiment.
- Zimbabwe opened 3 new counters and invested in 1 mobile truck in Q1 FY2022 to close the period with 238 counters in operation.
- In the quarter under review, Kenya opened 8 new counters, Ghana opened 2 new counters and Mauritius opened 1 new counter whilst 1 counter was closed in Zambia and 1 in Mauritius. Effective 1 July 2021, Simbisa converted Namibia into a franchised market, thus closing the period with 248 company-operated counters in the region as at 30 September 2021. Franchised market, DRC, opened 4 new counters in Q1 FY2022, closing the period with a total of 303 counters (franchised and company-operated) in the region.
- Group Operating Profit margins improved from 10% in Q1 FY2021 to 15% in Q1 FY2022 as a result of increased turnovers against a carefully managed cost-base. Zimbabwe's operating profit margins increased from 10% in Q1 FY2021 to 15% in Q1 FY2022 and the Regional Businesses' operating profit margins grew to 14% in Q1 FY2022 from 9% in Q1 FY2021.

CORONAVIRUS (COVID-19) BUSINESS IMPACT

To mitigate the adverse impact of the COVID-19 pandemic, the Simbisa Group remained focussed on the well-being of both employees and customers. The Group continued enforcing strict hygiene measures in all stores and offering free voluntary testing and counselling services to employees. Simbisa continued to contribute to various community based Covid-19 relief measures and complemented government efforts in the fight against Covid-19.

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

Zimbabwe
The Group has continued to navigate the health risks associated with the COVID-19 pandemic, albeit on reduced trading hours and seating capacity, as aforementioned. A relaxation in trading restrictions versus prior year enabled Zimbabwe's operations to grow customer counts which, supported by firmer real average spend attributable to a 53% year-on-year increase in deliveries, saw the business achieve top-line growth in Q1 FY2022 versus the prior year comparable period. The Group continued to implement cost-containment measures in order to grow operating margins.

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REGION

The regional business benefited from a relaxation in Covid-19 restrictions, with only Kenya and Zambia being affected by restrictions on operating hours and sit-ins. As a result of relatively relaxed trading restrictions and new store openings, the Regional business managed to grow customer counts and revenue. Sustained cost containment measures have been put into effect, resulting in improved operating margins.

Efforts to grow the delivery business have been successful with total deliveries in the Regional businesses growing 50% in Q1 FY2022 versus prior year.

OUTLOOK

With the easing of trading restrictions in our operating markets, trading capacity has scaled up and with that, customer counts have shown a recovery versus prior year. Increased delivery contribution, which has also translated to firmer average spend, has further supported the increase in turnover versus prior year. Continued cost management and currency stability have supported operating margins and translated top-line growth into improved profitability and Shareholder returns.

A strong investment pipeline, as the focus moves from navigating the Covid-19 induced challenges to continuing to grow the Group's footprint, will also deliver growth and create value for stakeholders. There are a further 73 new store openings in the pipeline for the remaining 9 months of the financial year under review. In addition to the new store openings, significant capital investment is being made in upgrading the Zimbabwe Operations' Central Kitchen and Central Stores to increase storage capacity and further automate the production process. The Group continues to explore potential investment opportunities that would be value accretive to Simbisa's shareholders, with a particular focus in our largest regional market, Kenya.

Simbisa's strategy to grow the delivery business has been fruitful, with the number of deliveries for the Group growing 48% in Q1 FY2022 versus prior year. Kenya has led the growth in the delivery business, with the contribution to revenue in this market increasing from 16% when the delivery business was unbundled in Q1 FY2020 to 24% in Q1 FY2022. The strategic focus in FY2022 will be to grow the delivery business in the rest of the region and in Zimbabwe, where deliveries contributed just 2% in Q1 FY2022 and therefore an opportunity for significant growth has been identified.

In line with the Group's strategy to leverage technology to improve efficiencies and overall customer experience, the Group launched in Zimbabwe its inaugural loyalty platform, "Innbucks", which is available as a mobile application or on USSD. The platform rewards customers with discounts on every purchase, gives them access to exclusive offers, allows them to buy meals for friends through easy wallet transfers and also solves the issue of change shortages. Simbisa is in the process of integrating the platform to Dial-a-Delivery and the intent is to roll out the platform across all of Simbisa's regional markets in due course.

As the business emerges out of the disruptive and restrictive environment surrounding the COVID-19 pandemic, the Board remains confident that Management will be able to continue to grow the business on a steady trajectory and to consistently deliver value to all of our stakeholders. The Board thanks Management and other staff members for navigating a challenging environment successfully and our loyal Customers and Stakeholders for their continued support and remains confident that the business make a full recovery within the FY2022 financial year.

B Dionisio
Group Chief Executive Officer
11 November 2021