



# Delta Corporation LIMITED

## Trading Update

FOR THE FIRST QUARTER ENDED 30 JUNE 2022



### The Company hereby issues a business update for the first quarter ended 30 June 2022.

#### TRADING ENVIRONMENT OVERVIEW

The trading environment during the quarter under review was characterised by increased social and economic activity as the COVID-19 restrictions and curfew times were progressively relaxed. The regional economies are being impacted by increases in global inflation, a surge in fuel prices and disruptions to international shipping which are driven by the COVID-19 impacts and the Russia/Ukraine war.

The Zimbabwean economy is witnessing a resurgence of inflation driven by an unstable exchange rate and various interventions which give rise to more frequent ZW\$ price increases. The management of the exchange rate remains an area of opportunity.

Consumer spending remains high reflecting faster velocity of the local currency and spurred by increased mining activity, infrastructure projects, marketing of commercial crops and payments of wages and salaries in foreign currency. Demand is however being constrained by the low disposable income in certain consumer groups.

The South African economy is recovering benefitting from the removal of COVID-19 lockdown restrictions although disposable incomes are impacted by increases in fuel prices. There are concerns about rising violent crime.

In Zambia, the consumer demand remains constrained although the economy shows signs of recovery as evidenced by a stable exchange rate and declining inflation.

#### VOLUME PERFORMANCE

##### Lager Beer

The lager beer volume grew by 19% for the quarter compared to prior year. The volume recovery is underpinned by improved supply of brands and packs which has benefitted from the injection of returnable glass. There are intermittent supply gaps arising from the limited packaging capacity ahead of the installation of a new plant in early 2023.

The recently launched Sable lager has brought excitement to the market given its smooth taste and easy drinking credentials.

##### Sorghum Beer

The Sorghum beer volume in Zimbabwe grew by 14% for the quarter compared to prior year, driven by the standard Chibuku (Scud) product. The category continues to benefit from the increased social activities as we celebrate the Chibuku brand's 60th anniversary. Chibuku Super is constrained by the limited production capacity. A new Chibuku Super plant is being installed at Harare brewery for commissioning in early 2023.

There is renewed focus on expanding the consumer choice. The Chibuku Super Banana flavour was launched in June 2022 and is exciting the market.

The volume at Natbrev Zambia remains under pressure, declining 9% for quarter, in the aftermath of the price increases implemented in January 2022 in response to the hike in excise duty. There are signs of recovery, which will be assisted by the broadening of the product offering, revamping of the route to market and exports of Chibuku Super into the region.

United National Breweries South Africa recorded a volume growth of 13% for the quarter despite the setbacks from the adverse weather in some markets. Progress is being made in accessing additional market channels, new products and pack innovations and winning consumers from home brews.

##### Sparkling Beverages

The Sparkling Beverages volume grew by 32% for the quarter and continues to recover market share. The category has benefitted from consistent product supply and an expanded pack and flavour offering. The category is affected by currency related pricing distortions.

The supply of PET packs remains constrained and will be addressed by the investment in additional capacity, expected by the end of the calendar year.

The range of no sugar variants has been expanded to include Coke, Fanta, Sprite and Sparletta Ginger beer brands.

##### Wines and Spirits

The volume at African Distillers Limited (Afdis) grew by 18% for the quarter. The supply of ciders has since stabilised, after the outage of glass bottles in the last quarter. The business continues to benefit from the local production of some key brands.

##### Associate Entities

Schweppes Holdings Africa Limited recorded a volume growth of 9% for the quarter, which was constrained by a shortage of fruit juices for the flagship Mazoe Orange Crush. The local supply of fruit juices has resumed as the harvesting season commenced in June 2022.

Nampak Zimbabwe Limited continues to benefit from the recovery in the beverages and edible oils sectors with overall volume growing by 16% in the quarter. There remain some challenges in accessing foreign currency.

#### FINANCIAL PERFORMANCE

Group revenue grew by 55% for the quarter in inflation adjusted terms compared to growth of 283% in historical cost terms. This reflects the volume growth and the replacement cost-based pricing. Whilst the Zimbabwean entities continue to generate sufficient foreign currency through domestic sales, there are concerns about the increased policy risks given the frequent legislative changes in this area.

The business remains cash generative with the cashflows supporting the capital expenditure programs and to build stock covers ahead of the coming peak season.

#### OUTLOOK

The Zimbabwean operating environment remains complex and challenging. The focus will be on business continuity in the face of rapid policy changes, rising global and local inflation and the uncertainties posed by the COVID-19 pandemic. The country will require additional foreign currency to fund the cereals deficit arising from mid-season drought.

The disparities in the exchange rate prevailing in Zimbabwe and lack of clarity in the legislation relating to currency of payment of certain taxes creates significant uncertainties and business risks.

The business remains poised to exploit opportunities from activities that generate aggregate demand such as the infrastructure development projects, mining activities and diaspora remittances.

The Group is undertaking an ambitious recapitalisation programme to address the capacity gaps and improve customer service.

#### By order of the board

**Ms F Musinga**  
Company Secretary  
28 July 2022