



Delta Corporation LIMITED



Trading Update

FOR THE FIRST QUARTER ENDED 30 JUNE 2023



The Company hereby issues a business update for the first quarter ended 30 June 2023.

OVERVIEW OF OPERATING ENVIRONMENT

The quarter under review was characterised by rapid changes in the policy environment in Zimbabwe and currency volatility across the regional markets. Zimbabwe is in the election season running up to harmonised elections scheduled for 23 August 2023.

The exchange rate volatility, coupled with fluctuations in market liquidity in both foreign currency and ZW\$, continue to create challenges for the formal sectors of the economy, particularly as it relates to the pricing of goods and trading terms. There has been a general increase in the use of foreign currency for domestic transactions.

Consumer spending remains firm, being buoyed by diaspora remittances, government spending on infrastructure projects, mining and agricultural activities and the more stable pricing in US Dollars. The current quarter also benefited from the improved marketing of tobacco.

The performance of the South African economy remains muted, indicating pressure on disposable incomes arising from a weaker Rand and the impacts of power supply disruptions.

In Zambia, the macro-economic environment remains stable although consumer demand remains low. The Kwacha depreciated during the quarter but has recovered in the aftermath of the positive resolution of the country debt scheduling discussions with the international lenders.

VOLUME PERFORMANCE

Lager Beer

The lager beer volume grew by 12% for the quarter compared to prior year. Product supply will improve following the commissioning of a new bottling line at the end of the quarter and the continued investment in returnable glass bottles. There were some gaps in product supply arising from the disruptions to supply of utilities and scheduled critical plant maintenance.

Sorghum Beer

The Sorghum beer volume in Zimbabwe grew by 7% for the quarter compared to prior year. There are ongoing adjustments to the route to market in response to the challenges facing the formal retail sectors. The new Chibuku Super plant being installed at Harare Brewery is scheduled for commissioning during the second quarter of the current financial year. This will close the product supply gaps and contribute to the regional supply grid.

Natbrew Zambia continues to record promising business recovery with the volume for the quarter growing by 74% over prior year, being driven by Chibuku Super and the returnable packs. The focus is on stabilising the manufacturing platform and optimising the route to market. There is concern about the constrained supply and firm pricing of maize in the Zambian market.

United National Breweries South Africa recorded a volume decline of 2% for the quarter. The offtake of the recently launched Chibuku Super is promising, ahead of the planned local production during the current year. The focus remains on penetrating new trade channels and optimising the route to consumer.

Sparkling Beverages

The Sparkling Beverages volume grew by 11% for the quarter. The new PET packaging line was commissioned during the quarter, which has allowed the expansion of the PET offerings. There is an ongoing injection of additional glass bottles, to avail more affordable packs.

Wines and Spirits

African Distillers Limited (Afdis) recorded a volume growth of 11% for the quarter compared to prior year, driven by the Ready to Drink and spirits categories. The wines category was impacted by the reduced consumer traffic in the formal retail chains.

Associate Entities

Schweppes Holdings Africa Limited recorded a volume growth of 5% for the quarter, which was constrained by the limited output of juice drinks and bottled water arising from a plant breakdown, which has since been resolved. There is also some impact from the challenges affecting formal sector traders.

The volumes at Nampak Zimbabwe Limited are trending in line with the growth in the key customer sectors. There were disruptions to production arising from power cuts.

FINANCIAL PERFORMANCE

Group revenue grew by 163% for the quarter in inflation adjusted terms compared to a growth of 929% in historical cost terms, driven by the growth in volume. The revenue in US Dollar terms grew by 10% over prior year. The Zimbabwean entities continue to generate sufficient foreign currency through domestic sales with average collections of over 80%, which reflects the constrained ZW\$ liquidity and trading challenges affecting formal sector outlets.

OUTLOOK

The operating environment in Zimbabwe will be impacted by the election season and the complex macro-economic factors. The recent surge in inflation and renewed currency volatility will remain key issues impacting on business performance.

The business will benefit from the improved product supply following the commissioning of additional packaging capacity. The recovery trends in the regional entities are encouraging.

The focus remains on exploiting opportunities from activities that generate aggregate demand such as the infrastructure development projects, mining activities and diaspora remittances. There are, however, still headwinds in the global economy which impact on the supply, logistics and pricing of commodities and currency volatility.

By order of the board

Ms F Musinga
Company Secretary
27 July 2023

