

AECI MINING EXPLOSIVES ZAMBIA PLC

AECI Mining Explosives Zambia Plc ("AECI" or "the Company") is the major producer and supplier of explosives and initiating systems in the region. The Company's factory is located in Mufulira and has extensive magazine facilities for the storage and distribution of other explosives products imported from AECI South Africa. The factory is situated along the Kitwe/Mufulira road, in the heart of the Zambia's Copperbelt. AECI South Africa uses the Company to service other Central and Southern African countries such as Zimbabwe, Malawi, western Tanzania and the Democratic Republic of Congo through their liaison office in Lubumbashi.

SHAREHOLDING STRUCTURE

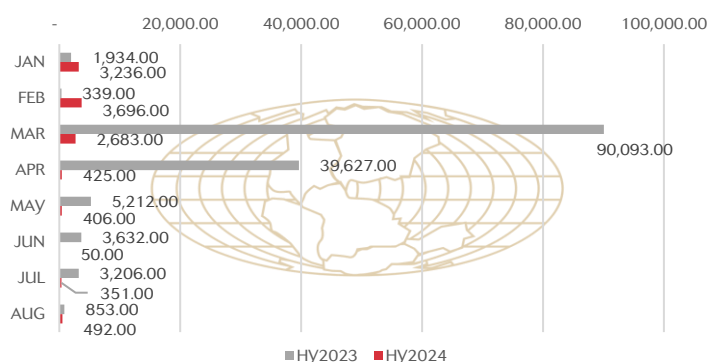
Shareholder Name	Percentage
Workers Compensation Fund Control Board	24.1
NAPSA Staff Pension Scheme DC	6.3
National Pension Scheme Authority	5.8
Local Authority Superannuation	4.8
Others (LuSE free float)	59.0

The shareholding structure above represents the 25% free float that is listed on the LuSE. The remaining 75% is owned by AECI group in South Africa

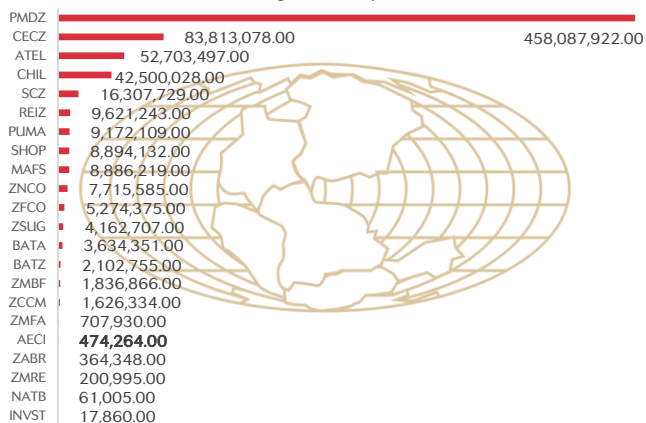
MARKET INFORMATION AND PERFORMANCE

LuSE Ticker – 01 November 2024	AECI
LuSE Price, in ZMW (Current)	32.00
LuSE Price, in USD	1.19
Issued Shares	20,406,600
LuSE Market Cap, in ZMW [Fully Diluted]	653,011,200.00
LuSE Market Cap, in USD [Fully Diluted]	24,237,036.38
LuSE Market Cap Rank	14
52-Week High, in ZMW	41.98
52-Week Low, in ZMW	32.00
Forex USD to ZMW [01 November 2024]	26.79

AECI Volumes Traded Jan to Aug (2023 vs 2024)



Turnover Ranking Jan to Sep 2024 (ZMW)



HY2024 FINANCIAL RESULTS AND RATIOS

Financials (ZMW'000)	H1-2024	H1-2023	%Change
Revenue	597,258	429,692	39.0%
Profit Before Tax	25,345	35,541	(28.7%)
Net income	9,590	35,541	(73.0%)
Total Assets	743,025	633,660	17.3%
Total Liabilities	171,596	155,584	10.3%
Total Equity	571,429	478,076	19.5%

Key Metrics	H1-2024	H1-2023
Earnings Per Share (ZMW)	0.47	1.74
Operating Profit Margin	0.04	0.08
Net Income Margin	0.02	0.08
Current Ratio	4.37	4.07
Debt to Equity	0.30	0.33

2023 COMPANY PERFORMANCE

The Company experienced a significant revenue growth of 39.0% year-over-year, reaching ZMW597.3 million. This surge can be attributed to two key factors:

- Favourable Exchange Rate Dynamics:** The depreciation of the Zambian Kwacha against the US Dollar by 33.1% boosted the dollar value of local sales when converted to Kwacha.
- Strong Underlying Business Performance:** A 4.5% improvement in underlying USD-denominated activity contributed to the overall revenue growth. AECI's increase in sales was driven by a 33.2% surge in export sales and a 42.1% increase in local sales. However, the cost of sales also rose 35.6% due to the impact of Kwacha depreciation.

The Company's profit before tax declined 28.7% to ZMW25.3 million. This decrease was largely influenced by a significant foreign exchange loss of ZMW17.6 million, compared to a gain of ZMW16.1 million in the prior year. The overall financial performance was notably impacted by the weakening Kwacha which contributed to higher cost of goods sold, and subsequently a 49.0% reduction in AECI's operating margin despite strong revenue growth. A ZMW15.8 million deferred tax liability also contributed to the 73.0% reduction in net income from ZMW35.5 million in H1-2023 to ZMW9.6 million in H1-2024 due to an increased tax expense.

Key Takeaways:

- Strong revenue growth was driven by exchange rate dynamics and improved underlying business performance with major Zambian mines such as Konkola Copper Mines and Mopani coming online.
- Increased costs, particularly due to currency depreciation which impacted profitability.
- Effective cost management mitigated the impact of adverse factors.
- Future performance will be contingent on exchange rate stability and continued business growth.

Despite economic headwinds, AECI was still able to manage costs effectively and grow their revenue. The Company will need to put additional measures in place to stabilize their cost structure and is well positioned to take advantage of the major Zambian mines that are looking to ramp up production.

OUR 2024 INSIGHTS

The domestic and international economic climate remains tough. Nonetheless, there is optimism for enhanced productivity in the local mining sector following recent shifts in the ownership of major mining companies. The persistent volatility of the Kwacha against the US Dollar is likely to significantly impact the year-end financial results. The spotlight remains on AECI and how it can effectively manage these headwinds.