



Company: **Zambian Breweries PLC**
 Business: **Alcoholic Beverages**
 Listed: **1997**
 Country: **Zambia**

Company Report
 Equity Research
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ZAMBIAN BREWERIES PLC

Zambian Breweries PLC (“ZABR”, “The Company”) is a leading brewer based out of Lusaka, Zambia. The Company produces leading local brands and imports a range of premium international products. It is listed on the Lusaka Securities Exchange (“LuSE”). Its subsidiary, Zambian Breweries Distribution Company Limited, was incorporated in early 2022, to undertake the sales and distribution functions. The Company and its subsidiary are hereinafter referred to as “The Group”. The Group’s workforce strength is around 800.

SHAREHOLDING STRUCTURE

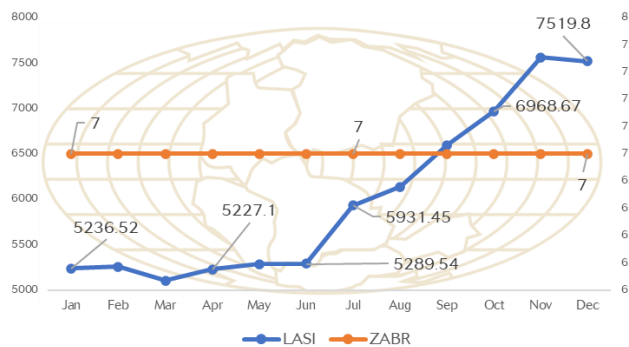
Shareholder Name	Percentage
A B InBev Africa BV	87.13
Public Free Float (LuSE)	12.87

MARKET INFORMATION AND PERFORMANCE

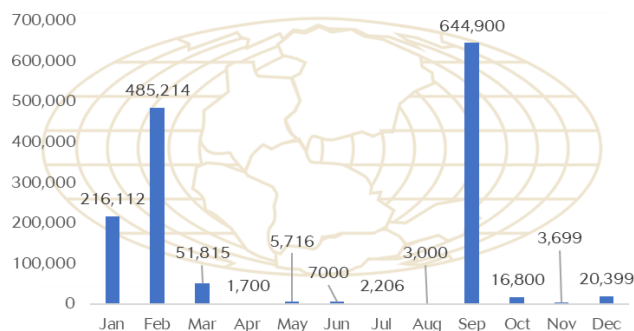
Ticker	ZABR
Closing price 4.11.24	6.98
Market Cap. 4.11.24	3.811 billion
52-Week High	7.01
52-Week Low	6.98
Market Cap. Rank 4.11.24	9
Issued Shares	546 million

ZABR fell by 0.29% YTD. It was ranked 10th in turnover on the LuSE, trading ZMW10,209,937 for the year 2023, recording 212 trades. This moderate turnover is underpinned by ZABR’s lack of dividends as well as belief in The Company’s financial and organizational stability, with qualified and experienced management being regularly appointed by its parent company, AB InBev.

ZABR and LASI Movements 2023



ZABR Volume on the LuSE 2023



ZABR has generally been an illiquid stock, with outlier months as shown in the volume chart – which may reflect singular major trades from institutional and/or major shareholders.

Minimal trading activity may signal shareholders’ preferences to hold the stock in anticipation of long-run appreciation and future dividends. The anticipation may have been fuelled by positive investor sentiments stemming from recent expansion of their Lusaka production facility.

Despite the Lusaka All Share Index and inflation increasing during 2023, absence of any price changes in ZABR suggests that the real value of the ticker may be lesser than ZMW7.00.

FINANCIAL RESULTS AND RATIOS

Financials (ZMW Billion)	2024 HY*	2023 HY	%Δ	2023	2022	%Δ
Revenue	2.29	1.84	24	5.41	4.84	12
Operating Profit/Loss	0.24	0.52	(53)	(0.44)	(0.29)	50
Net Income	0.01	0.25	(106)	(0.54)	0.10	(641)
Total Assets	6.60	5.37	23	5.98	4.80	25
Total Liabilities	5.91	3.98	48	5.28	3.56	48
Total Equity	0.69	1.39	(50)	0.70	1.24	(43)

*unaudited

Key Metrics	2024 HY*	2023 HY	2023	2022
EPS (ZMW)	(0.03)	0.44	(0.98)	0.18
Operating P/L Margin	0.105	0.283	(0.082)	(0.061)
Net Income Margin	0.004	0.136	(0.099)	(0.020)
Return on Equity	0.014	0.18	(0.762)	(0.080)
Return on Assets	0.002	0.047	(0.090)	(0.021)
Current Ratio	0.474	0.642	0.284	0.568
Debt to Equity	8.57	2.86	7.504	2.876

*unaudited

DEVELOPMENTS IN 2023

The rise in revenue stemmed from price increases in the first 6 months and positive performance from the higher margin, premium imported beers.

ZABR ended 2023 with the on-time completion of a USD104 million expansion at their Mungwi Road plant in Lusaka, which included a new heavy fuel oil boiler thus reducing reliance on coal. The project was funded through a combination of company funds, banking facilities from local banks and additional term loans.

The Company also launched a new product, Mosi Light, a low-alcohol beverage which has been received well by consumers. During the year, the Group did not export any goods, as opposed to exports amounting to ZMW19 million in 2022. PPE purchases totalled ZMW1.9 billion during the year.

DEVELOPMENTS IN THE FIRST HALF OF 2024

Net Revenue grew 24% when compared to the first half year of 2023. Pricing decisions taken early in the year on most of the brand portfolio to bolster performance coupled together with strong demand in high margin, high-end imported brands helped to drive this line.

Variable production costs escalated in the first half year of 2024 YoY due to significant escalations in commodity prices and to some extent on FX rates (against major currency pairs which the business has exposure to i.e. USD, EUR and ZAR), increasing energy costs via the use of generators, diesel and heavy fuel oils to mitigate supply security risks given the impact of higher loadshedding, all of which adversely impacted this line as inflation continues to create further cost price pressures despite measures implemented such as FX hedges.

At a meeting held on 25th July 2024 the Board of Directors resolved not to declare a dividend for the period ended 30th June 2024 and to instead focus on reducing the outstanding debt of the business to prioritize overall profitability.