



AFRICAN DISTILLERS LIMITED

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS TO 31 MARCH 2020

Trading Environment

The trading environment has remained difficult as a result of hyperinflation, unstable exchange rate, limited availability of foreign currency, significant power outages and declining consumer disposable income. The Zimbabwean (RTGS) dollar continues to weaken against other currencies, resulting in frequent price increases across the economy. The combined effect of the macro-economic factors stated above resulted in reduced consumer spending hence declining sales volumes.

The declaration of the state of national disaster in Zimbabwe on 17 March 2020 which was scaled up to a lockdown from 30 March 2020 in response to the advent of the novel coronavirus (COVID-19) pandemic led to the suspension of some channels of distribution which drive the consumption of our products. The measures implemented to contain and manage possible spread of the virus include restricted operations centred on essential services as well as prohibition of social gatherings. These restrictions may negatively impact on volume performance in the period ahead due to limited market accessibility.

Volume Performance

The Company registered a decline of 3% against prior year on total volume during the period under review. Spirits category grew 5% over prior year while Ready-to-drink (RTD) and wine volumes declined by 6% and 50% respectively. The quarter's volume performance improved compared to previous quarters, ending the nine-months with a 28% decline on total volume against prior year. Consumers continue to trade down to more affordable categories due to the declining disposable incomes. In addition to this, volume performance was affected by the noticeable increase of illicit spirits and counterfeit products on the market.

Financial Performance

Revenue for the third quarter declined by 7% in inflation adjusted terms (544% historical growth) due to reduced volumes and unfavourable product mix. The nine months witnessed a 16% growth against a historical increase of 500%.


Impact of Corona Virus (COVID-19)

The World Health Organisation (WHO) declared COVID-19 a pandemic on 11 March 2020. The pandemic has spread to most countries of the world, affecting human life and leading many countries to implement partial or complete lockdowns of their economies to mitigate the transmission of the virus. In Zimbabwe, similar measures were implemented through statutory instruments 76, 77, 82, 83, 93 and 94 of 2020, which included a national lockdown extending from 30 March 2020 to 17 May 2020. The business was permitted to operate at reduced levels during this period. The selling and distribution of product has been limited by the restriction of movements and social gatherings, closure of on-premise consumption outlets and prohibition of other commercial and social activities that were deemed to pose a risk of spreading COVID-19. The Company has implemented various mitigation measures to improve the workplace health and safety and continues to assess the commercial risks arising from the pandemic. COVID-19 has and continues to adversely affect the national economies of most countries and is exacerbating the already fragile and difficult economic situation in Zimbabwe.

The extent of the impact of COVID -19 on the Company's business performance will depend on many factors including the duration and spread of the outbreak, impact on consumer spend, access to trade channels and maintaining the supply chain open. Fiscal and monetary intervention could add yet another dimension to the impact of the pandemic.

Outlook

The volume decline that has been witnessed in the period under review persists in the fourth quarter as the economy remains in turbulent times, worsened by COVID-19. The Company remains focused on protecting and defending market share for survival and enhancement of shareholder value.


L Mutamuko
Company Secretary

12 May 2020

