

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



BRITISH AMERICAN TOBACCO (ZAMBIA) PLC
[Incorporated in the Republic of Zambia]

Company registration number: 119630002333
Share Code: BATZ
ISIN: ZM0000000029
Authorised by: Zoe Chisanga Chiliboyi- Company Secretary

SPONSOR



Stockbrokers Zambia Limited

[Founder Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature. Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 23 March 2021

PRESS RELEASE

AUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020

[Incorporated in the Republic of Zambia]
Company registration number: 119630002333
Share Code: BATZ
ISIN: ZM0000000029



The Directors of British American Tobacco (Zambia) Plc ("the Company") present the audited financial results for the period ended 31 December 2020. Extracts of the financial statements are as follows:

49% Increase in Turnover vs 2019

92% Increase in Operating Margin vs 2019

39% Increase in contributions to the Government Treasury

9% Sales above 2019

ABRIDGED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 ZMW'000	2019 ZMW'000
Gross revenue	530,569	388,380
Excise Duty and Value Added Tax (VAT)	(187,339)	(157,749)
Net revenue	343,230	230,631
Total cost of operations	(288,853)	(211,624)
Operating profit	54,377	19,007
Finance costs	(91,321)	(44,104)
Profit/(Loss) before tax	(36,944)	(25,098)
Income tax expense	9,682	1,838
Profit/(Loss) after tax	(27,262)	(23,260)
Other comprehensive income	-	900
Total comprehensive income (loss)	(27,262)	(22,360)
Interim dividend	-	-
Basic and diluted earnings	(0.13)	(0.11)
Per share (ZMW)	(0.13)	(0.11)

ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD

	Share capital ZMW'0000	Accumulated Losses/ Profits ZMW'000	Foreign currency translation reserve ZMW'000	Total Equity ZMW'000
At 1 January 2019	2,125	4,376	(900)	5,601
Comprehensive Income	-	(23,260)	-	(23,260)
Other Comprehensive Income for the year	-	-	900	900
Dividends	-	-	-	-
At 31 December 2019	2,125	(18,884)	-	(16,759)
At 1 January 2020	2,125	(18,884)	-	(16,759)
Comprehensive Income	-	(27,262)	-	(27,262)
Other comprehensive income for the year	-	-	-	-
Dividends	-	-	-	-
At 31 December 2020	2,125	(46,146)	-	(44,021)

Operating Environment

During the period under review, the Company demonstrated resilient performance despite the economic and social effects of the Coronavirus (COVID-19) pandemic which strained economic growth in an already challenging operating environment. In 2020 the economy was projected to record a negative real GDP growth of 4.2 percent, thereby registering the country's first recession since 1998 with all sectors expected to record negative growth. The pandemic exacerbated the country's existing macroeconomic vulnerabilities due to the contraction in global business activity which led to supply and value chain disruptions that dampened demand for goods in general and commodities in particular with a negative effect on domestic production and consumption. Notably, Copper prices plunged 27% to a low of United States Dollar (US\$) 4,617 per metric tonne in late March 2020 as the global impact of COVID-19 became apparent. However, recovery began to be registered as prices stabilized and then rose to record the highest London Metal Exchange (LME) cash price level since March 2013, closing at US\$7,742 per metric tonne.

The Kwacha depreciated by 50 percent over the period. This depreciation reflected supply constraints and increased demand for foreign exchange, particularly from the importation of agricultural inputs and health related supplies that characterised the year 2020. The fiscal deficit was projected to increase on a cash basis to 11.7 percent of GDP against the target of 5.5 percent by the end of the year due to the fall in revenues and grants, increased government spending including increased external debt servicing costs, and worsening domestic inflationary pressures. Harsh economic conditions amidst an increasing challenging operating environment.

The performance of the cigarette industry continues to be affected by the prevalence of the illicit cigarette market. In 2020, country lockdowns and supply chain disruptions contributed to distortions in the flow of illicit activities wherein there was a noted increase in the prevalence of Zambian manufactured cigarettes being sold openly in the informal market in various Southern African countries resulting in substantial loss of forex earnings for the Revenue Authority. Locally, the legitimate cigarette industry continues to grapple with the open sale of duty not paid cigarettes that do not comply with legal requirements pertaining to utilization of the appropriate health warning messages and/or the affixation of ZRA tax stamps as required by Zambian Law.

COVID-19 Response

The COVID-19 pandemic tested the Company's agility and its capacity to react, adapt and administer crisis management mechanisms to ensure sustainability in a volatile business environment. The Pandemic has been characterized by severe restrictions and lockdowns that prompted the Company to implement Business Continuity Plans which include increasing stock holding durations for raw materials, imported finished goods and spares.

ABRIDGED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 ZMW'000	2019 ZMW'000
Non-current assets	156,214	145,357
Bank balances and cash	51,246	28,332
Other current assets	68,023	58,862
Total current assets	119,269	87,194
Total assets	275,483	232,551
Non-current liabilities	(5,658)	(151,977)
Current liabilities	(313,846)	(97,333)
Total net assets	(44,021)	(16,759)
Total Shareholders' funds	(44,021)	(16,759)
Total capital employed	(44,021)	(16,759)

ABRIDGED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 ZMW'000	2019 ZMW'000
Cash generated from operations	(9,954)	43,244
Net interest paid/Received	(10,727)	(12,903)
Tax paid	(385)	(1,618)
Net cash from operating activities	(21,066)	28,723
Net cash used in investing activities	(5,454)	5
Net cash used in financing activities	(20,658)	(53,390)
Decrease in cash & cash equivalents	(47,178)	(24,662)
At the start of the period	28,332	27,469
Differences on Exchange	70,092	25,526
At the end of the period	51,246	28,332

This resulted in tying up approximately K10 million additional working capital in stock. Additionally, the Company faced substantial business and operational disruptions, which have included reduced time in trade, as well as unbudgeted costs related to the purchase of COVID-19 personal protective equipment as per the Ministry of Health guidelines. Nevertheless, the Company remains optimistic that it will continue to invest in its brands and people as it navigates the challenges posed by this pandemic.

In 2020, the industry received significant support from government in form of enacted legislation and enforcement of laws aimed at deterring illicit trade in cigarettes. We welcome measures to create a level playing field in the cigarette industry and fully support the scaling up of enforcement activities to curb illicit trade.

Financial Results

The Company continued to grow its operating profit despite the impact of the COVID-19 pandemic.

The Company recorded an increase in turnover of 48.8% amounting to K343.2 million during the period under review compared to the K230.6 million recorded in the same period in 2019. The increase in turnover was largely driven by improved revenue resulting from a price increase on our key brands. Total cost of operations increased by 36.5% to K288.9 million reflecting the impact of the increased cost of production. The increase in operating costs was mainly driven by the cost of tobacco leaf and wrapping material imports.

Operating margin increased by 92.2% percent from 8.2% in 2019 to 15.8% in 2020. The increase was mainly as a result of an increase in price for our key brands.

For the period ended 31 December 2020, the Company made a loss before taxation of K36.9 million compared to a loss before taxation in 2019 of K25.1 million. The increase is largely attributed to higher finance costs in 2020 due to the Company's borrowing facility being denominated in US\$, and the Zambian Kwacha depreciation during the year.

Contributions to the Government Treasury

The Company continues to be a key and compliant contributor to the Zambian Government's treasury through the payment of various taxes key among them; Excise, Corporate Tax, VAT, PAYE and Withholding Taxes. The Company's contribution to the Zambian Government treasury in various taxes for the period to 31 December 2020 was K207.2 million (2019: K149.3 million), which represents an increase of 38.8% year on year.

Dividend

In view of the Company's financial performance highlighted for the period, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2020. Further, no interim dividend was declared or paid for the year ended 2020. The Directors recommend that the short-term focus for the business be on the liquidation of the loan which was obtained to finance the factory construction.

Lusaka
23 March 2021

By Order of the Board
Zoe Chisanga Chiliboyi
Company Secretary