Simbisa Brands Limited

TRADING UPDATE

For the Third Quarter ended 31 March 2023

Simbisa Brands LIMITED

Simbisa Brands Limited ('Simbisa') issues the following trading update for the third quarter ended 31 March 2023

TRADING **ENVIRONMENT**

The Group continues to be impacted by the global food security risk stemming from the war in Ukraine, resulting in price increases in the business's key raw materials. Global inflationary pressures have resulted in record-high inflation and currency volatility in our trading markets.

Simbisa has remained resilient and continues to grow the business, despite the economic headwinds. This is a testament to the strength of the Group's brands, to which customers have remained loyal, even in adverse economic conditions. A robust operating strategy has also enabled the Group to respond timeously and proactively to overcome various challenges.

GROUP PERFORMANCE UPDATE **FOR THE QUARTER**

The total customer count for the Group increased by 12.6% from 13.51 million in 3Q FY 2022 to 15.21 million in 3Q FY 2023, in line with our forecasts and driven primarily by new store growth. Over the 9-month period, the Group's total customer count increased by 23.0%.

Real (USD) Average Spend was flat in 3Q FY 2023 versus the prior year comparable period and increased 13.0% in the 9-month YTD period due to price increases implemented at the end of FY 2022 in response to inflationary pressures.

The store count for the Group increased from 524 on 31 March 2022 to 579 on 31 March 2023, an increase of 55 stores over the past 12 months. A net of 14 new counters were opened in 3Q FY 2023 (from the last reported store count of 565 as at 31 December 2022).

ZIMBABWE

The biggest challenge facing the Zimbabwe operations emanates from the sharp devaluation in the local currency (the official rate depreciated by 38% over the quarter under review) as well as sustained high inflationary levels with year-on-year CPI recorded at 274% in March 2023, leading to erosion of customer buying power. The exchange rate distortion between the official rate and the parallel market rate also continues to affect the business in terms of customer spend and profit margins. Furthermore, intermittent power supply has continued to be a notable driver of operating costs.

Despite the economic headwinds, the Zimbabwe operation continues to grow its footprint by opening 25 new counters over the past 12 months, including 6 new counters opened in the quarter under review to close the period with 275 counters as at 31 March 2023.

Customer counts increased 19.9% year-on-year in 3Q FY 2023 and by 31.7% over the 9-month YTD period as a result of new store openings and increased footfall in existing stores through successful promotional and value offerings. Real average spend held firm between 3Q FY2022 and 3Q FY2023 and increased marginally over the 9-month YTD period.

The delivery segment remains a key growth area, with the focus in the period under review being on enhancing the user experience through the introduction and upscaling of Dial-a-Delivery in smaller towns, improved rider productivity and shortened delivery times. The delivery segment achieved pleasing results for the quarter ending 31 March 2023, with total deliveries increasing 59.9% in 3Q FY2023 versus prior year

REGION

Soaring inflation levels and local currency devaluation impacted Simbisa's Regional operations, most notably in Ghana, where the Cedi depreciated 56% against the US Dollar between 31 March 2022 and 31 March 2023, albeit rebounding slightly in March 2023. The impact on consumer spending power has been significant, eroding disposable income levels. Simbisa's largest Regional market, Kenya, was also impacted by political unrest in March 2023.

Customer counts in the regional business increased 4.0% over the 9-month period to 31 March 2023. Despite local currency devaluation against the US Dollar, the Group's pricing strategy paid off, with USD Average Spend increasing by 13.0% in the 9-month YTD period.

Kutuma Kenya grew total deliveries in the Kenyan market by 37% in 3Q FY2023 versus prior year.

In the Region, a net of 30 new company-operated counters and 6 franchised counters were opened between 31 March 2022 and 30 March 2023. During the quarter under review, a net of 8 new counters were opened to close, with 304 company-operated outlets and 371 total outlets, including franchised Regional operations, trading as at 31 March 2023.

OUTLOOK

Despite economic headwinds with significant currency devaluations and record-high inflation levels in our operating markets, the Group has remained resilient, achieved top-line growth, and improved profitability in the quarter under review and over the 9-month YTD period.

Achieving and sustaining market dominance in our largest markets, Zimbabwe and Kenya, remains a priority through the rollout of new stores whilst holding our brands to the highest standard. In the other Regional markets, the Group is committed to increasing returns on the existing infrastructure in the short to medium term. The Group undertook a remodelling exercise in Mauritius, successfully improving the overall customer experience and the business's financial performance. The lessons and successes of this exercise will now be applied to Ghana and Zambia; this will entail changing the existing brand structure to enhance efficiencies and ensure adherence to brand standards and re-locating or, where necessary, closing underperforming sites.

As previously reported to Stakeholders, all Pizza Inn deliveries are now exclusively channelled through in-house platforms in Kenya, Zambia and Mauritius. Growing revenue streams from the delivery segment remains a key priority. This will be achieved by scaling operating capacity, enhancing fleet productivity and efficiencies, and improving the customer experience.

B Dionisio
Group Chief Executive Officer
16 May 2023