



UNAUDITED GROUP FINANCIAL RESULTS

27 week period ended 30 October 2022 & dividend announcement

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 27 week ended 30 October 2022	Unaudited 27 week ended 31 October 2021	Audited 52 week ended 24 April 2022
	P'm	P'm	P'm
Revenue	4 500.8	3 487.7	7 519.5
Cost of sales	(4 188.4)	(3 249.5)	(6 996.4)
Gross profit	312.4	238.2	523.1
Other income and gains	21.3	13.0	51.5
Administrative expenses	(136.8)	(105.8)	(251.6)
Earnings before interest, tax and amortisation (EBITA)	196.9	145.4	323.0
Amortisation	(3.3)	(3.0)	(7.1)
Investment income	17.5	25.5	54.2
Finance costs	(12.3)	(12.5)	(21.9)
Profit before share of results of associates	198.8	155.4	348.2
Share of results of associates	(3.6)	(2.8)	(14.4)
Profit before tax	195.2	152.6	333.8
Income tax expense	(53.2)	(63.5)	(112.7)
PROFIT FOR THE PERIOD	142.0	89.1	221.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of land and buildings			19.2
Gross gain on revaluation of land and buildings			25.5
Income tax on gain on revaluation of land and buildings			(6.3)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	(12.9)	(1.9)	27.4
Other comprehensive (loss) / income for the period (net of tax)	(12.9)	(1.9)	46.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	129.1	87.2	267.7
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent	141.6	89.0	219.6
Non - controlling interests	0.4	0.1	1.5
TOTAL PROFIT FOR THE PERIOD	142.0	89.1	221.1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	128.7	87.1	266.2
Non - controlling interests	0.4	0.1	1.5
TOTAL COMPREHENSIVE INCOME	129.1	87.2	267.7
Number of shares in issue at beginning and end of the period	250 726 709	250 726 709	250 726 709
Dividends per share (thebe) - ordinary - interim	12.00	10.00	10.00
Dividends per share (thebe) - ordinary - final	n/a	n/a	30.00
Basic earnings per share (thebe)	56.48	35.54	87.59

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 27 week ended 30 October 2022	Unaudited 27 week ended 31 October 2021	Audited 52 week ended 24 April 2022
	P'm	P'm	P'm
Net cash generated from operating activities	41.8	102.9	284.9
Net cash flows generated by / (utilised in) investment activities	148.0	(58.8)	(70.5)
Dividends paid	(75.2)	(75.2)	(100.3)
Net cash flows utilised in other financing activities	(32.5)	(35.5)	(61.7)
Net movement in cash and cash equivalents	82.1	(66.6)	52.4
Cash and cash equivalents at beginning of period	530.6	474.7	474.7
Effect of exchange rate on cash and cash equivalents	(3.6)	(0.4)	3.5
Cash and cash equivalents at end of period	609.1	407.7	530.6
Represented by:			
Cash and cash equivalents	664.1	411.6	575.2
Bank overdrafts	(55.0)	(3.9)	(44.6)
Cash and cash equivalents at end of period	609.1	407.7	530.6

COMMENTARY

Basis of preparation and accounting policies

The unaudited abridged consolidated financial results of Sefalana Holding Company Limited and its subsidiaries ("Sefalana" / the "Group") are extracted from the interim Group financial information that has been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention except for the revaluation of certain non-current assets being land and buildings, investment in properties and preference shares, which are carried at fair value.

The accounting policies applied in the preparation of the unaudited financial information for the 27-week period ended 30 October 2022 (the "period" / the "half year"), are consistent with those applied in the preparation of the audited financial statements for the 52-week period ended 24 April 2022.

Financial results of the Group – key factors to highlight

Over recent months, we have noted a positive level of recovery from the effects of the Pandemic, which has been the centre of all trading activities and decisions across the Group for almost 3 years. During that period, our teams have worked tirelessly to ensure we remain resilient and respond quickly and appropriately to the continuously changing environment.

Each business sector, and each geographical region, has brought with it unique circumstances and challenges. Due to the complex nature of the sectors in which we operate, navigating around those obstacles has not been easy; but we have managed to do so, successfully. With challenges, come opportunities, and there are a number of new projects we are pursuing, to support a long-term sustainable profit stream for the Group. These new opportunities come with excitement and determination to enhance shareholder value. We look forward to providing further announcements in respect of these projects as soon as we are able to do so.

Our greatest focus has for some time now, been on the core Fast Moving Consumer Goods (FMCG) businesses where we have placed considerable efforts to enhance margins and relative contribution to Group results. Margin pressure continues especially during inflationary times where disposable income is under strain. We have noted this trend worldwide. Through efficient management of stock and bulk procurement we are pleased to report that our overall margins have been maintained at previous levels.

Our manufacturing operations which support the FMCG businesses are also key focus areas for us. These have performed well during the period despite certain impediments beyond our control.

It is within this context, that we are pleased and proud to report to you, our best half year results to date. This is on the back of reporting our best (in our 48-year history) full year results to 24 April 2022. Our diversification across sectors and territories has helped enable us to consistently deliver better results year on year.

For the period under review, the Group generated a profit before tax ("PBT") of P195 million, up 28% on the prior period. The effective tax rate for the period of 27% is significantly lower than that of the prior period which was 42% with the absorption of the accelerated withholding tax paid on dividends declared by subsidiary companies to Sefalana Holding Company Limited, prior to the increase in Botswana withholding tax rates on 1 July 2021, which results in the majority of our future dividends to shareholders being free of tax.

Our net asset position grew from P2.0 billion at April 2022 to P2.2 billion at October 2022, and this is after the P75.2 million final dividend paid to shareholders in 2022. The market capitalisation of the Group at 30 October 2022 amounted to P2.4 billion, placing Sefalana as the largest in the Retail and Wholesale sector on the Botswana Stock Exchange.

Our share price at P9.58 has not seen significant movement during the period, predominantly because of the illiquid nature of our stock, where our large institutional shareholders opt to hold on to their holdings in Sefalana despite an overweight position. Our consistent dividend policy of paying out approximately 50% of earnings in the form of dividends has provided a regular and sustained income stream for our shareholders for many years. Third party valuations have suggested a share price value in excess of P12.50 illustrating an upside capital growth potential.

During the period under review, we invested significantly in inventory to ensure shortages were minimized. This has enabled us to avoid stock-outs and provide our customer base with a consistent product offering. There have been numerous price increases from suppliers in South Africa over the last 18 months, and where possible we have increased procurement to mitigate these increases. In doing so, we have been able to delay price increases to our end consumer in many instances.

Our cash position at the end of October 2022 is good and sufficient to meet all our current liabilities with a sensible and prudent retention. Overall, our working capital position remains strong and puts us in good stead as we approach the year end.

We are pleased to report that with this continued level of growth, our Group has created employment for an additional 493 staff during the period taking our total number of staff to 6,112. We look to further employment creation in the second half of the year. We continue to focus our employment on citizens in all our areas of operation and report under 1% non-citizen employment.

Financial highlights

For the 27-week period to 30 October 2022, the Group's:

- Revenue was P4.5 billion – up 29% on prior period;
- Gross profit was P312 million – up 31% on prior period;
- Earnings before interest, tax, and amortisation ("EBITA") was P197 million, up 35% on prior period;
- Profit before tax was P195 million – up 28% on the prior period;
- Earnings per share was 56.48 thebe - up 59% on prior period; and
- Interim dividend of 12 thebe per share to be paid to our Shareholders, up 20% on prior period.

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 October 2022	Unaudited 31 October 2021	Audited 24 April 2022
	P'm	P'm	P'm
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	870.8	795.6	857.4
Right of use assets	204.2	173.9	229.7
Investment property	234.5	227.3	230.0
Intangible assets	117.2	124.4	123.4
Investment in preference shares		187.3	
Investment in associates	61.2	72.6	63.7
Deferred lease assets	4.9	5.0	4.7
Deferred tax assets	32.4	29.8	29.7
Trade and other receivables	7.6	8.2	6.3
Total non-current assets	1 532.8	1 624.1	1 544.9
CURRENT ASSETS			
Inventories	1 217.8	944.0	1 007.4
Trade and other receivables	373.2	305.2	327.8
Investment in preference shares			190.7
Current tax assets	24.6	28.6	2.3
Cash and cash equivalents	664.1	411.6	575.2
Total current assets	2 279.7	1 689.4	2 103.4
Asset classified as held for sale		23.9	34.8
TOTAL ASSETS	3 812.5	3 337.4	3 683.1
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	686.4	686.4	686.4
Other reserves	244.8	209.1	257.7
Retained earnings	1 279.4	1 107.3	1 213.0
Equity attributable to owners of the parent	2 210.6	2 002.8	2 157.1
Non - controlling interests	16.9	15.2	16.5
Total equity	2 227.5	2 018.0	2 173.6
NON - CURRENT LIABILITIES			
Lease liabilities	170.5	140.4	160.8
Loans and borrowings	105.1	106.6	105.8
Deferred tax liabilities	116.2	108.9	116.8
Total non-current liabilities	391.8	355.9	383.4
CURRENT LIABILITIES			
Trade and other payables	963.2	806.6	862.3
Lease liabilities	58.4	57.0	93.3
Loans and borrowings	1.6	1.8	1.7
Contract liabilities	16.9	15.7	15.0
Current tax liabilities	37.3	30.6	33.8
Bank overdrafts	55.0	3.9	44.6
Accruals	60.8	47.9	75.4
Total current liabilities	1 193.2	963.5	1 126.1
Total liabilities	1 585.0	1 319.4	1 509.5
TOTAL EQUITY AND LIABILITIES	3 812.5	3 337.4	3 683.1

Segmental Reporting

The Group's business and geographical segments are reported separately. Intersegment transactions are eliminated, and costs of shared services are accounted for in a separate ("Intersegment or Unallocated") segment. All transactions between segments are at arm's length.

Review of operations

Botswana Business units – 62% of Group PBT

Overall Botswana business units have generated P120 million of PBT for the period, compared to P75 million in the prior period. The most significant growth has been in the Trading consumer goods sector, with an impressive turnaround in both the Wholesale and Retail business.

Trading – consumer goods

The Botswana FMCG businesses had been adversely affected for much of the last 2 years by the trading restrictions that had been in place as a result of the Covid-19 protocols. These restrictions have largely been lifted and consequently there has been a solid recovery of performance by this segment. There remain several import restrictions on confectionary, fruit, and vegetables, but we have managed to mitigate the downside impact of this through diversification into wider product and service offerings. Wherever possible we support the local producers with favourable trading terms.

Consumers are returning to more frequent visits to stores in the current period. The consumer is still somewhat cautious and tends to focus more on value packs, necessities, and private label products, rather than luxuries. The desire for a one-stop shop is very much apparent and we have responded accordingly.

Due to the changes in legislation relating to liquor licensing, the business now classifies and monitors liquor outlets as separate stores. Consequently, at the end of the period, the Botswana FMCG business consisted of 4 hyper stores ("Sefalana Hyper"), 25 cash and carry stores ("Sefalana Cash & Carry"), 31 supermarket retail stores ("Sefalana Shopper"), 53 liquor stores ("Sefalana Liquor"), 4 convenience stores ("Sefalana Quick"), and one catering outlet ("Sefalana Catering"), giving the Group a total of 118 stores in Botswana.

As part of our annual birthday promotion, our Cash & Carry business for the past 4 years rolled out its empowerment program and gave away a total of 144 mobile kiosks to Batswana to start their own businesses. This year, to reach a wider number of winners, we introduced our scratch card promotion where our customers stood a chance to win cash prizes. The total cost of this promotion to the Wholesale business was P3 million.

Our Retail birthday promotion once again gave away P2 million in the form of cash and mobile phone prizes. This generated a lot of excitement in the market meeting the needs of our retail customers who prefer cash rather than prizes in kind, during these challenging inflationary times.

Sefalana Cash & Carry Limited contributed 54% and 40% of the Group's revenue and PBT for the reporting period, respectively. Revenue amounted to just over P2.4 billion, which is an impressive 35% up on the prior period.

Overall, a very pleasing performance by this division which this year, reports its best half year results to date.

Trading – others

This segment which consists of Commercial Motors (Pty) Limited ("CML") and Mechanised Farming (Pty) Limited ("MFL") contributed 1.3% and 1.5% to Group turnover and PBT, respectively. This is a relatively small Group segment in line with our focus on the core business of FMCG.

CML historically relied on tender business, and over recent years has been focusing on growing its private sales due to a general decline in tender activity. Overall performance has improved following the move of the dealership to the new site last year, where greater visibility has helped promote our 3 brands.

MFL focuses almost exclusively on the supply of components to Botswana Railways. This business no longer sells to walk-in customers and is not a primary focus for the Group.

Manufacturing

Foods Botswana (Pty) Limited ("FB") contributed 3% and 8% to Group turnover and PBT for the period respectively. The profitability of this business is largely dependent on the timing of orders placed by Government in respect of the various feeding schemes, and also on availability of raw materials.

Milling Division

During this period FB manufactured and supplied on the Government tender for only the first 3 months. Since then, there has not been a further tender award. During this 5-month waiting period, we have tendered to supply for a 4-month interim contract and the next 24-month contract. In January 2023 we were awarded the 4-month tender. The outcome of the 24-month tender evaluation is still ongoing, but we are hopeful that we will be awarded a significant portion of the tender in the coming months.

In the meantime, we continue to focus on the manufacture and supply of branded products to utilise factory capacity and to avoid unemployment. Growth in this area is positive and showing an upward trend. The Sechaba range of products has increasingly become a popular household name and a preferred choice for many regions across the country.

In November 2022 we employed just over 60 additional staff to create an internal sales and merchandising team to help promote and deliver the sale of our branded products across the country. This team will also be responsible for the portfolio of Beverages products. We anticipate growth in this area, to reduce the level of dependence on tenders.

