

TSL ANALYST PRESENTATION  
28 January 2021

“Moving  
Agriculture”



## 1 Operating Environment

- ✓ Volatile and unpredictable environment
- ✓ Limited availability of foreign currency
- ✓ Tight ZWL liquidity and soaring interest rates
- ✓ Rising inflation - eroded disposable incomes and reduced consumer spending power
- ✓ Unstable exchange rates – Interbank (to Mar 1:15), fixed 1:25 (to Jun) Auction System (1:25-1:81)
- ✓ Some exchange rate stability and availability of foreign currency introduced by auction system.

## 2 Agricultural Sector

- ✓ Dry start to summer season – severe drought averted by mid January rains.
- ✓ Vast segments of population left food insecure
- ✓ Crop yields affected negatively
- ✓ Low dam levels – negatively impacting winter and subsequent summer cropping programmes
- ✓ National tobacco volumes down 29% from 258 mkg to 183mkg
- ✓ National tobacco prices - 23% firmer at US\$2.50 (US\$ 2.03)
- ✓ Decentralisation of tobacco selling due to COVID-19 mobility restrictions

## 3 COVID-19 Pandemic

- ✓ Declared a global pandemic by WHO – 11 March 2020
- ✓ National lock down subsequently enforced and ongoing
- ✓ All group businesses qualify as essential services – continued operating but impacted to varying degrees
- ✓ Independent Auction Floors not permitted to decentralise
- ✓ Local and International travel bans – Car hire business significantly impacted
- ✓ Increased health and safety risk to staff and stakeholders
- ✓ Various mitigatory and contingency plans implemented to curb infections
- ✓ Supply chains significantly disrupted
- ✓ Pandemic expected to persist



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## Financial positioning and value preservation

- ✓ Remained focussed on executing “Moving Agriculture” strategy
- ✓ Group has remained resilient – good profit performance in real terms
- ✓ Shareholder value preservation remains key focus
- ✓ Financial position has been strengthened
- ✓ Foreign currency generation markedly increased and improving
- ✓ Gearing remains deliberately low – under 5%
- ✓ Kept minimal foreign currency exposures
- ✓ Continuing to generate positive cash flows
- ✓ Continued investment in productive capital assets to support growth and efficiencies – new plant, machinery, and warehouses
- ✓ Invested in adequate stocking levels for coming season
- ✓ Cash returned to shareholders as dividends



1 Note for Users of Financial Statements

- ✓ Inflation adjusted accounts disclosed as primary set of accounts – hyperinflationary environment
- ✓ Volatile exchange rates - stabilised in June 2020 by introduction of interbank auction system
- ✓ Mismatch in reporting of USD revenues using official rate whilst most ZWL costs tracked a higher parallel rate.
- ✓ *Users advised to use caution in interpretation of these financial statements*

2 Key Judgement Areas – property valuations

- ✓ Independent professional valuation performed in US\$
- ✓ No ZWL inputs since reintroduction of ZWL
- ✓ Professional valuers highlighted risk of overstatement of asset base if US\$ valuation is converted at closing interbank rate of 1: 81.35
- ✓ Conservative Directors’ valuation taken based on actual yields of 7.8% (up from 5% in prior year) giving effective rate of 1:56.69 (30% discount)

3 Audit Opinion 2020 financial statements

- ✓ Adverse audit opinion issued – non compliance with IAS 21 – The effects of foreign exchange rates
- ✓ Consequential impact of applying IAS 29 – Financial Reporting in Hyperinflationary Economies
- ✓ Absence of market evidence to support ZWL property valuation inputs

## 1 Financial Performance

- Based on **inflation-adjusted results**
- Y-O-Y inflation was 471%
- Revenue down 16% to Z\$2,2 Bn from Z\$2,6 Bn. (Increased 540% in historical terms)
- Operating Profit down 37% to Z\$ 0.7 Bn from Z\$1.1 bn. (Increased 421% in historical terms)
- EBITDA down 28% to 0.89 Bn from 1.24 Bn
- Fair Value gain on Investment Properties of Z\$ 0.35 Bn in profit and loss (Z\$ 0.18 Bn)
- Profit Before Tax down 40% to Z\$0.65 Bn (Z\$1.1 Bn)
- Earnings Per Share (EPS) down 42% to 105.8cps from 182cps
- Headline EPS down 7% to 208.1cps (224cps)

## 2 Financial Position

- Financial position remains sound
- NAV up 19% to 1,158cps from 975cps
- Gearing remains low at under 5%
- Current ratio reduced to 1.7 from 2.6
- Minimal foreign currency exposures

## 3 Cashflow position

- Cash generation remains strong
- Cash deployed in capital investments
- Limited borrowings
- Dividend paid to shareholders

1 Agricultural Operations

**Tobacco related services**

- ✓ Independent auction volumes down 69% to 6.69 mkg – smaller national crop size, decentralisation approvals not granted.
- ✓ Contract volumes handled for merchants down 42% to 8.46 mkg
- ✓ Market share increased to 72% of independent auction with highest seasonal average price
- ✓ Work being undertaken with Industry players for smoother 2021 season
- ✓ Hessian volumes down 24% - decline in national crop size
- ✓ Hessian importation assisted by foreign exchange auction system

**Farming operations**

- ✓ Satisfactory yields achieved across major irrigated summer crops (Tobacco, Maize, Soya and Chillies)
- ✓ Tobacco pricing marginally below last year.
- ✓ Banana and winter wheat yields down – rationing of water due to lower rainfall

**Agricultural trading**

- ✓ Uptake of agro chemicals impacted by drought
- ✓ Volume growth realised on major product lines – increase in market share, product availability, better pricing on manufactured product lines
- ✓ Strategic shift from over-reliance on imported products to more locally manufactured product – better pricing for market.
- ✓ Steady growth in locally manufactured animal health remedies
- ✓ Increased investment in manufacturing capabilities in partnership with international players to produce a wider product range.
- ✓ COVID-19 fight : production of sanitizers and disinfectants for market and workplace and home disinfection services





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## Logistics Operations

### End to End logistics Services

- ✓ Tobacco handling volumes down 9% - Later start to tobacco season and tobacco processing delays
- ✓ Significant growth in distribution volumes - new customers
- ✓ Port volumes down 51% - Slower movement of imports and exports (COVID-19)
- ✓ Forklift handling 23% down – Delayed start of Tobacco processing
- ✓ Forklift sales depressed – Customers deferred / cancelled capital projects
- ✓ Freight forwarding and customs clearing volumes down due to subdued imports

### Vehicle Rental

- ✓ Rental days 54% down – Ban on local and international travel due to global pandemic

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## Real Estate Operations

### Real Estate

- ✓ Rental yields enhanced to 7.8% from 5% in prior year.
- ✓ Voids increased from 4% to 12% - redevelopment of a key property and smaller tobacco crop.
- ✓ Construction of a 10,000 square metre world class warehouse progressing well – completion and occupation in April 2021.

1 Outlook

- ✓ Difficult operating environment expected to continue
- ✓ COVID-19 Second Wave – Renewed lockdown to impact operations
- ✓ Foreign currency auction system to assist with availability of foreign currency for restocking and capital investments
- ✓ Group to continue to pursue the “Moving Agriculture Strategy”
- ✓ Continued investment in people, infrastructure, manufacturing plants, market presence and technology platforms
- ✓ Continue to leverage on international partnerships
- ✓ Group exploring opportunities to expand operations locally and regionally; organically and through strategic acquisitions.

1 Prospects

- ✓ **Agro inputs trading** – Continue to invest in building local manufacturing capacity in partnership with international partners – broader range of products.
- ✓ **Tobacco related operations** – Increase contract handling for merchants in decentralised locations
- ✓ **Farming operations** – Expand hectares under farming operations
- ✓ **Logistics operations** – TSL with its partners FINSEC, CBZ and Government to undertake commodities exchange pilot for primary agricultural produce – expected to positively impact agriculture sector.
- ✓ **Real estate operations** – Complete projects currently under construction and increase stock of world class warehousing





# Thank you



## Our Brands

