

Distell Group Holdings Limited
REGISTRATION NUMBER: 2016/394974/06
JSE share code: DGH
ISIN: ZAE000248811
("Distell" or "the Group" or "the Company")

Trading update and voluntary trading statement for the 6 months ended 31 December 2020

The board and management of Distell wish to update shareholders and the market on the Company's business and performance ahead of the publication of its 2020/2021 interim financial results, for the six months ended 31 December 2020 ('current period').

Trading conditions across the Group's operating areas continue to be impacted in various ways as governments deal with the challenges of the COVID-19 pandemic ('the pandemic').

South Africa, our largest market by revenue, has seen the Government imposing further restrictions on the trading of alcoholic beverages, reducing the trading period by 22%. Other markets in Africa and international countries, which we operate in and export to, still have active off-consumption channels whilst international travel restrictions have adversely affected the global travel retail (GTR) market.

Notwithstanding these challenges, the Group's agility and previous investments in route-to-market (RTM) and optimisation of its production network, particularly in markets outside of South Africa, have enabled it to capture growth and productivity opportunities. This is evidenced by foreign based revenues improving by double-digits and earnings before interest and tax (EBIT) growth having a positive material effect in the period to offset the effects of the ban of alcohol sales in South Africa. These actions have improved the positioning of the Company for a long-term recovery as trading normalises in all markets.

TRADING UPDATE

Group performance

- Group revenue increased by 3.8% alongside volume expansion of 0.8% compared to the previous 6 months ended 31 December 2019 ('prior period').
- In South Africa, although 41 trading days were lost due to the alcohol ban in the current period, the business was able to recover and achieve near flat revenues and a 1.4% volume decline. Category performance continues to reflect preferences towards spirits and mainstream wine, driven by in-home consumption and stockpiling in fear of unexpected alcohol bans in South Africa. Select premium ready-to-drink (RTD) brands also continue to perform well with gains in market share.
- In the rest of Africa, excluding BLNE countries (Botswana, Lesotho, Namibia and Eswatini), the Group recorded an impressive performance with

increased revenues and volumes of about 20% compared to the prior period. This was largely driven by Kenya (+17% Revenue, +9.8% Volume growth), Mozambique (+33.3% Revenue, +15% Volume growth) and Nigeria (+22.9% Revenue, +20.3% Volume growth) as a result of our continuous RTM investments.

- The Africa business, including BLNE countries, also performed well with a revenue increase of 12.7% supported by 11.7% growth in volumes, driven by a recovery in trading following the easing of border closures and no further bans on alcohol sales.
- The international business performed strongly across all markets, with 15.4% revenue growth and significant margin improvement as the business capitalises on its premium whisky brands, improved online sales channels and historical investments in aged stock. Amarula delivered strong revenue and volume growth despite the current pressure on the GTR market due to international travel restrictions. Volumes declined by 9.1% as anticipated, given the cessation of sales of less profitable wine brands, bulk whisky and the exit of the RTD business.
- Group EBIT shows strong growth and EBIT margin improved by single digits.

The Group's net debt position has improved since June 2020. The South African net debt to EBITDA covenant, which is one of the Group's primary debt covenants, has improved to approximately 1.2x as of 31 December 2020 compared to 3.1x for 30 June 2020. The sale of Alto premium wine farm fell within the current period. We anticipate the sale of Plaisir de Merle to be completed in the second half of the financial year ending 30 June 2021.

Whilst overall performance and cash generation are ahead of expectations, the Group remains cautious as it trades into the second half of the current reporting period where a full month's trading has already been lost, and potential implementation of future alcohol bans in South Africa remain unpredictable. The current surplus of wine in South Africa created by previous bans is also a major concern to the Group which may bring long-term structural challenges to the wine industry.

Apart from a resilient South African business, Distell's businesses in both African and international markets are performing well by capitalising on previous investments and focused execution. As part of the Group's diversification strategy, we will continue our measured investment behind key markets and brands to pursue strategic growth opportunities.

The Group is confident in its ability to generate cash, the appeal of its diverse portfolio of brands, superior customer execution, production efficiencies resulting from past investments and sufficient liquidity headroom to navigate any short-term challenges in the current environment.

We remain committed to protecting the lives of our staff, livelihoods within our industry and to serving our customers efficiently while creating shareholder value over the long-term.

Voluntary trading statement

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on next will differ by more than 20% from the financial results reported in the previous corresponding period.

While management does not anticipate that the financial results will differ by more than 20% from those reported in the prior period, the Company wishes to update stakeholders on its trading and the expected impact of the pandemic on the business.

Accordingly, a review by management of the financial results for the six months ended 31 December 2020 has indicated the following:

	Expected (Current period) (cents)	Reported (Prior period) (cents)	% Change
Earnings per share (EPS)	622.5 - 650.0	550.3	13.1% - 18.1%
Headline earnings per share (HEPS)	595.5 - 623.0	548.6	8.6% - 13.6%

Leading as a trusted partner in responsible trading

Distell continues to play a positive role within the industry to ensure safe and responsible trading alongside Government's own efforts to contain the effects of the pandemic.

The Group has invested significantly behind a number of responsible alcohol initiatives and compliance in partnership with various Government departments and Provincial Liquor Boards.

Distell will also actively support the roll-out of approved vaccines as soon as these become available to its own employees, employees' families and to affected vulnerable communities in which it operates.

As the only large South African manufacturer of alcoholic beverages, Distell sees itself as a trusted partner in helping to shift societal behaviour whilst protecting and creating jobs in the industry to offset inequality and poverty, exacerbated by the pandemic and related bans on alcohol sales.

Distell is committed to playing an active role within an industry collective to proactively engage Government and key stakeholders and to monitor alcohol policy trends. We will continue to work with decision makers through a formal task team and on a regular basis in order to gain appropriate alignment on promoting responsible alcohol consumption while tackling alcohol harm through targeted interventions where society, industry and Government all play a role in fostering a more prosperous and healthy South Africa.

INVESTOR CONFERENCE CALL

The Group's interim financial results for the six months ended 31 December 2020 will be released on the Stock Exchange News Service on or about 25 February 2021. Management will be hosting a conference call after the release of the Group's interim results.

Participants are requested to register in advance by navigating to:
www.diamondpass.net/1002494

Any forecast or estimate financial information contained herein has not been reviewed and reported on by the Group's external auditors.

Stellenbosch
03 February 2021

Sponsor and Corporate Broker
RAND MERCHANT BANK (A division of FirstRand Bank Limited)