



Registered Office: Palm Grove House P. O Box 3186 Wickhams Cay 1 Road Town, Tortola British Virgin Islands
Regional Office: 9 Bantry Road P O Box 2777 Alexandra Park, Harare, Zimbabwe

TRADING UPDATE FOR FIRST QUARTER TO 31 DECEMBER 2023

TRADING ENVIRONMENT

The operating environment worsened during the quarter with the local currency instability and the significant disparity between the interbank exchange rate and prevailing market rates leading to pricing challenges and margin erosion on exports. The export proceeds surrender requirement poses a threat to the viability of exports under the prevailing economic conditions.

The authorities made attempts during the period to resolve the policy dichotomy on formal and informal market operations with regards to exchange rates, pricing and taxation. Market demand was subdued as local currency liquidity tightened and divergent exchange rates impacted pricing. In Zambia inflation increased due to the depreciation of the Kwacha, increased energy prices and commodity supply constraints.

GROUP BUSINESS PERFORMANCE

Revenue for the quarter ended December 2023 increased to ZWL58,9billion, 67% ahead of the prior year whilst in historical terms it stood at ZWL49,4billion 583% above the prior year.

Volumes overall were down by 9% with significant reduction in Paper where the tissue converting unit was shut down for 2 months to allow for its relocation to Kadoma. Export volumes declined by 7% as paper exports were curtailed, in order to minimize the impact of the foreign currency surrender requirements given the prevailing unfavourable market rates.

The Group faced worsening economic headwinds which impacted raw material availability, operating costs and liquidity. Power availability improved during the period.

DIVISIONAL PERFORMANCE

Batteries

Volumes declined by 14% from the prior year volumes of 91 226 units due to depressed demand and pricing challenges in the market. Export demand remained strong with sales volumes being affected by foreign currency allocation delays in both Malawi and Zambia as measures to mitigate credit risk were maintained.

Paper Volumes

The expected recovery of the paper volumes following the commissioning of the new plant was unfortunately affected by adverse exchange rate volatility and shortages of raw materials. The temporary shutdown coincided with increased imports in the informal market which the leaner and more focused business will be in a position to compete with following the first quarter hiatus. Sales were predominantly from stock and were 53% below the prior year at 622 tonnes during the period. Exports were limited to long term supply commitments in Zambia.

Eversharp

Volumes increased by 19% to 15 188 000 units during the quarter on the back of improved product availability. Demand was firm and budgeted volumes could not be met due to the delayed delivery of raw materials.

Exports contributed 5% of the volumes whilst trading stationery lines continued to perform well contributing 6% of total revenues.

Mutare Estates

Timber volumes at 2,583 cubic meters increased by 16% from the prior year as demand remained firm and sawmill efficiencies improved. Operating costs were contained however recovering occupancy costs in full from tenants at the Mutare Mill remains a challenge.

OUTLOOK

The economic environment is expected to remain complex and unstable. The Group will continue to implement difficult short-term measures to safeguard profitability and liquidity to enable the business to withstand an extended period of uncertainty.

The Paper Mill curtailment strategy will focus on the integration of the units with the predominant use of local wastepaper to manufacture tissue for the local market. We envisage that by half year the paper business will be a customer focused single unit with a much lower cost base following the site rationalisation.

The Group continues its drive to reduce short term borrowings whilst exploring appropriate funding options for its growth initiatives for the core energy storage business. Plans to dispose underutilized land in Mutare are ongoing. We are hopeful that ongoing engagements with the authorities on the implementation of policies that resolve the pricing challenges in the local market as well as measures that support exports will bear fruits.

M. MACHEKA
GROUP CHIEF EXECUTIVE OFFICER
08 FEBRUARY 2024

