



ZIMBABWE NEWSPAPERS (1980) LIMITED

TRADING UPDATE FOR THE THIRD QUARTER ENDING 30 SEPTEMBER 2019

Trading Environment

During the period under review, the economy continued to be affected by severe inflationary pressures, liquidity constraints coupled with high interest rates, high transactional costs, foreign currency and energy shortages. Resultantly, this affected consumer disposable incomes leading to low spending on the Company's products against the background of increases in prices of basic goods and services.

In response to the hyperinflationary environment, the Company implemented some price adjustments to hedge operating profit margins and business viability.

Product Performance

Attributable to the challenging operating environment, the Group's print advertising and circulation volumes declined by 16% and 22% respectively when compared to the same period last year. Circulation volumes were adversely affected by cash shortages whilst the uptake of advertising space was responding to the budget streamlining by clients, owing to the obtaining economic challenges in the country.

During the period under review, the Commercial Printing Division recorded growth in volumes of 29% compared to same period last year. The growth was mainly a result of improved demand for the Division's products, enhanced capacity utilisation and efficiencies. Although labels and inserts recorded 30% and 57% growth owing to improved demand, cartons and books declined by 59% and 5% respectively. The decline was caused by stock outs on account of foreign currency shortages. Labels export volume into Zambia improved by 67% compared to the same period last year as the Company's products gained brand loyalty.

The Radio Broadcasting Division recorded a growth in volumes of 22% compared to the same period last year. The growth was mainly driven by expansion of client base in the small to medium enterprise sector.

The Company's digital first strategy is starting to bear fruit as digital contributed 2% of the Company's revenue whilst the television project (ZTN) also contributed 2%. The Board and Management remains committed to ensure full capacitation of all new projects to promote revenue generation diversification.

Historical Financial Highlights

The Company's unaudited year to date historical financial highlights are as follows:

	Sept 2019 ZWL\$ 000s	Sept 2018 ZWL\$ 000s
Revenue	65,515	32,356
Gross profit	43,700	21,092
Profit before tax	14,099	4,004

The Group's revenue of ZWL\$65,5 million was 102.4% better than same period last year whilst the profit before tax improved by 252.1% to ZWL\$14,0 million.

The Company's gross profit margin improved by 2 percentage points to 67% compared to the same period last year. The improved gross profit margin was a result of better cost management due to direct procurement from the source and eliminating the middlemen in the process. Resultantly, the Company recorded a net profit before tax margin of 22% compared to 12% that was recorded in 2018.

The total assets of the Company increased by 48% to ZWL\$57.4 million due to an increase in current assets driven by improved working capital position. Although receivables increased in line with the nominal growth in sales, the management team is committed to improve collections and preserve value. To that end, a number of collection mechanisms have been put in place to drive the Company's vision on working capital management.

Outlook

The Company's performance for the last quarter of 2019 is expected to be in line with the current year to date performance trends as the Board and management are committed to arresting the volume decline that was recorded in the earlier months of the year. A number of volume recovery course of actions have been developed including promotions and product enhancement to increase value to the clients. Focus will remain on the foreign currency generation, digitalisation strategy and new projects as the Company diversifies to broaden its revenue base, whilst also focusing on maintaining the business viability of existing product offering.

Daphine Tomana
Company Secretary
13 December 2019

