Nampak Zimbabwe Limited

TRADING UPDATE FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 MARCH 2020

TRADING ENVIRONMENT

The economy continued to suffer from the scarcity of foreign exchange. The Reserve Bank of Zimbabwe on 25 March 2020 pegged the value of the Zimbabwe dollar at 25 to 1 United States dollar. Trading restrictions in multi-currencies were also eased in March 2020. However, tobacco funds and funds in export Nostro foreign currency accounts were not deemed free funds and could not be used to make domestic payments without prior Reserve Bank approval. Inflation has continued to rise driven by the use of multiple exchange rates and the increase in broad money supply. Fuel shortages, which resulted in long queues for diesel and petrol, eased towards the end of the period. Power supplies, initially very erratic, have shown an improvement possibly due to lower utilisation as a result of business shut-downs during the Covid-19 lockdown introduced at the end of March 2020.

The quarter from January to March 2020 was tainted by the outbreak of the Coronavirus pandemic (Covid-19) which impacted on the Group's operations, particularly from March 2020 when the lockdown was introduced. In terms of Statutory Instrument 83 of 2020, Nampak was authorised to remain operational as it provides packaging in support of the tobacco, food and beverage, pharmaceutical, detergent and sanitising industries.

PERFORMANCE

Difficulties in sourcing sufficient foreign currency, which is vital to import raw materials, remained the Group's paramount concern. This applied particularly to paper for conversion into corrugated boxes for the commercial and tobacco sectors. However, a number of exporting customers partially assisted in obtaining currency for their raw material requirements.

The revenue for the second quarter was 791% ahead of prior year in historical terms as a result of hyperinflation which boosted prices, although gross margins came under pressure in order to remain competitive. The revenue for the half year increased by 799% in historical terms. While volumes were down across all sectors of business, demand remained firm across the product portfolios.

All units continued to trade profitably, whilst treasury and cash flow management remained a key focus area.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging: Volumes were down by 5% for the quarter and 28% for the half year compared to the prior year periods. The major contributor to this decline was the export market which was down 69%. This was largely the result of increased competition from certain European Union countries in the regional tobacco case market. Volumes in the commercial segment were ahead of prior year quarter by 8% on improved demand.

PLASTICS AND METALS SEGMENT

MegaPak: Volumes declined by 27% in the quarter and by 30% for the half year due to consumer demand contraction in the beer beverage sector. There was some recovery in the cordials sectors. Raw material sourcing remained a serious challenge.

CarnaudMetalbox: Volumes for the quarter declined by 24% and by 31% for the half year compared to the prior year periods. HDPE sales volumes were affected by the decline in the scud and mahewu container off-take. The shortage of tinplate continued to impact negatively on metals volumes.

CAPITAL EXPENDITURE

Capital expenditure programmes remained curtailed due to the lack of foreign currency required to fund projects.

DIRECTORATE

Post reporting period changes have been the resignation of Mr. Robert George Morris as a result of his retirement from Nampak Limited. He has been replaced by Mr. Peter Crause as a non-executive director. Mr. Crause is Nampak's Finance Director for Paper and Eastern Africa.

DELAY IN PUBLICATION OF HALF-YEAR RESULTS

We anticipate to publish the half year results for the six months October 2019 to 31 March 2020 before the end of June 2020.

ANNUAL GENERAL MEETING

The Annual General Meeting for the year ended 30 September 2019, scheduled for 26 March 2020 and cancelled as a result of the Covid-19 pandemic, has now been rescheduled for 5 June 2020.

IMPACT OF CORONAVIRUS (COVID-19) / OUTLOOK

The full effects on the economy due to the lockdowns resulting from the Covid-19 virus remain to be seen. Like most countries throughout the world, Zimbabwe will not escape the negative impact of restricted travelling both internally and externally, closed businesses and the knock-on effect of depressed demand following the virtual devastation of the tourist industry. Consumer demand generally is reducing as incomes cannot keep pace with rising inflation. These factors, added to the already serious macro-economic difficulties facing the country and need for reforms, make any forecast of short to medium term relief extremely difficult. The Company has implemented various workplace measures to safeguard the health and safety of staff.

By Order of the Board

J. P. Van Gend
Group Managing Director

14 May 2020

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