



Dairibord

Holdings

More Than Just Milk

AGM Trade Update

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www.dairibord.com

PRESENTATION OUTLINE

Trading Environment

May 2020 YTD Performance

Outlook & Opportunities

Trading Environment



- The operating environment has been significantly impacted by COVID-19 Pandemic and is worse than anticipated at the beginning of the year;
- Foreign currency shortages and depreciation of local currency continued;
- All items Y-o-Y inflation closed May at 785.5%, while food and non-alcoholic beverages y-o-y inflation was at 953.3%. This hyperinflation has eroded disposable incomes which has affected aggregate demand.
- Supply of electricity and water has been stable however costs are rapidly escalating; and
- Fuel prices now linked to the interbank auction rate are escalating.

May YTD Performance Summary



Overall performance was not spared by headwinds in the operating environment.

Raw milk intake was down from prior year largely due to escalating cost of stock feeds affecting milk production. The Dairibord share of national milk production however remains high at 38%.

Sales volume growth was impacted by reduced demand, particularly April and May due to COVID-19 restrictions.

Performance Summary (continued)



The exports strategy achieved growth over the same period in 2019 despite 2020 targets being impacted by COVID-19 restrictions, depreciating regional currencies, and regional recessionary pressures.

The period was characterised by increasing input costs vs. limited ability to adjust selling prices. However, cost increases were below inflation. This was due to remodelling costs particularly distribution and labour (flexibility due to contract labour).

The first 3 months of the year performed better than April and May (during lockdown). We are however beginning to see recovery in June.

May YTD Performance Highlights



Raw Milk Intake	6% decline compared to a national decline of 8% Due to farmer support programs.
Volumes Sold	32% decline compared to industry reporting declines of between 20%-45%.
Revenue Growth	515 % growth (in historical terms).
Foreign Currency Revenue	20% growth over 2019

OUTLOOK AND STRATEGY

“Embracing the new normal to preserve value and drive growth”

OUTLOOK

- Introduction of foreign currency auction system on 23 June 2020 is yet to yield results of stabilising currency, the outcome will determine the trajectory of the productive sector;
- ZERA linking the weekly fuel price to RBZ auction rate will have a significant impact on distribution cost structure;
- Recessionary pressures and partial shutdown will continue to constrain aggregate demand;
- Opening up of borders (if implemented) will change regional competitive dynamics (Africa Free Continental Trade Area);

OPPORTUNITIES

- Milk supply development through strategic partnerships and outgrower schemes;
- Supporting development of local production of agro-based raw materials such as groundnuts to reduce over reliance on imports and create employment;
- Smart partnerships with suppliers of key raw and packaging materials;
- Cost containment and reduction to improve efficiencies across the value chain;

OPPORTUNITIES (continued)

- Scaling down investment to only mission critical equipment;
- Route to market re-modelling including digital marketing;
- Cash generation to improve working capital; and
- Intensifying export drive and harnessing domestic free funds in line with SI 85 of 2020 and various other policy pronouncements by the RBZ.

Our Brands



Thank You