Nampak Zimbabwe Limited

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 JUNE 2020

TRADING ENVIRONMENT

The quarter from 1 April 2020 to 30 June 2020 continued to be dominated by the Coronavirus pandemic (Covid-19), which impacted on the Group's operations due to ongoing lockdowns. Nampak remains operational as it was approved as an essential industry for manufacturing packaging in support of the tobacco, food and beverage, pharmaceutical and detergent and sanitising industries.

The economy continued to suffer from the scarcity of foreign currency. The introduction of the foreign exchange auction system has improved availability of United States Dollars at an official exchange rate. The interbank exchange rate is currently trading at ZWL$80 to USD1, from an initial starting point of ZWL$57 to USD1. Inflation, temporarily at a reduced rate of increase, will continue rising against the value depreciation of the Zimbabwe Dollar. Fuel shortages, which eased towards the end of the previous quarter, appear to be resurfacing. Power supplies are steadier, which have assisted production schedules.

PERFORMANCE

The shortage of sufficient foreign currency for importing raw materials remained the Group's main concern, especially in respect of paper for conversion into corrugated boxes for the commercial and tobacco sectors. The revenue for the third quarter under review was 522% ahead of prior year quarter in historical terms, as a result of inflation assisted prices. The cumulative revenue for the nine months to 30 June 2020 was 644% ahead of the prior year period in historical terms as the business adjusted prices in line with economic trends. Volume reduction continued across all sectors of the business and margins were squeezed due to competition in the market. However, demand remained positive across most product portfolios and all units traded profitably.

Treasury and cash flow management have been under strict control with participation on the foreign exchange auction expected to strain liquidity.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging: Volumes were down by 36% for the quarter and 31% for the nine months compared to the prior year periods. The decline in the export market was some 56%, still largely due to competition in the regional tobacco case market. Volumes in the commercial segment were 13% below the prior year nine-month period, affected in the third quarter by depressed demand due to the Covid-19 lockdown restrictions.

PLASTICS AND METALS SEGMENT

Mega Pak: Volumes declined by 12% in the quarter and by 25% for the nine months, mainly due to continuing contraction in consumer demand in the beverage sector. There was a partial recovery in the third quarter due to higher volumes for preforms and closures driven by indirect exports. Raw material sourcing remained of concern.

CarnaudMetalbox: Volumes were down by 48% and by 36% respectively, for the quarter and the 9 months of the financial year compared to the corresponding periods in the previous financial year. HDPE sales volumes continue to be affected by the decline in the scud and mahewu container offtake. The metals volumes are being impacted negatively by the shortage of tinplate.

CAPITAL EXPENDITURE

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

DIRECTORATE

There has been no change in the Directorate since the last Trading Update and the publication of the Group's half year results.

ANNUAL GENERAL MEETING

The Annual General Meeting for the year ended 30 September 2019 was held on Friday 5 June 2020. The delay was occasioned by the Covid-19 pandemic. Shareholders were advised that the economy had not undergone any material improvement since the previous AGM as necessary socio-economic fundamentals had yet to be implemented. They were also told of renewed efforts to re-establish the Group's presence and control of its timber estates through appropriate representations to government and local authorities. There was good business potential if the estates could be resuscitated to economic viability in line with the national agricultural strategy.

COVID-19 EFFECTS ON THE BUSINESS

All units have implemented stringent sanitising measures in accordance with government policy. Taking into account reduced working hours and the curfew, shift work has been adjusted to facilitate appropriate employee attendance and measures taken to assist with transport for staff. Those who are able to work from home are encouraged to do so. All visitors, delivery and despatch vehicles are also checked for compliance. It is anticipated that the disruptive effects of the pandemic will be felt for some considerable time. Testing has been implemented and isolation introduced where necessary.

OUTLOOK

The full effects of the Covid-19 virus on the economy remain to be seen. The negative impact of restricted travelling both internally and externally, closed businesses and reduced consumer demand, where incomes do not keep pace with inflation, are problems to which the business will have to adjust. The unstable macro-economic difficulties are unlikely to be overcome in the short to medium term; however, the Group remains confident of continuing sustainability.

J. P. Van Gend
Group Managing Director

12 August 2020

68 Birmingham Road
Southerton
Harare

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), F. Dzingirai* (Group Finance Director), P. Crause, P. Gowero (M. Valela, Alt), A. H. Howie, K. J. Langley, Q. Swart. (* Executive)