Nampak Zimbabwe Limited

TRADING UPDATE FOR THE YEAR ENDED 30 SEPTEMBER 2020

TRADING ENVIRONMENT

The quarter from 1 July 2020 to 30 September 2020 remained largely dominated by the Coronavirus pandemic (Covid-19). The lockdown measures continued to affect the Group's operations, mainly due to transport difficulties and some decline in employee morale. However, the Group's operating companies remained profitable, having been approved, as previously advised, as essential packaging suppliers.

Foreign exchange shortages were alleviated to a large extent, by the introduction of the foreign exchange auction system where the official exchange rate between the US dollar and the Zimbabwe dollar has stabilised at about ZWL$81 to USD1. Despite this, the allocated foreign exchange is insufficient to meet all the imported raw material requirements needed to facilitate efficient production schedules. Inflation, temporarily at a reduced rate of increase, is likely to remain under pressure to move upward. Power supplies improved during the year, reducing our dependence on generators, while fuel supplies remained constrained.

PERFORMANCE

Despite some alleviation as mentioned above, the foreign exchange shortage remained the Group's main concern, especially in respect of paper for conversion into corrugated boxes for the commercial and tobacco sectors. Group revenue and trading income results, being expressed in Zimbabwe dollars, were significantly up in all three operating units, boosted by inflationary price increases. This was despite lower sales volumes across all sectors of the business.

Treasury and cash flow management continue to be closely monitored.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

The sales volumes for the full year declined by 28% compared to prior year. The decline in Hunyani Corrugated Products division was driven by the tobacco case market where the local tobacco crop output was significantly down on the prior year and the delayed start of this year's tobacco marketing season due to Covid-19 concerns. The decline in regional exports was due to aggressive trading practices emanating from the European Union. The Cartons, Labels and Sacks division remained profitable despite stiffer competition and volume losses.

PLASTICS AND METALS SEGMENT

Mega Pak

The full year sales volumes declined by 12% against prior year mainly due to constrained consumer demand in the preforms market, in the first half of the year. However, local volumes picked up in the last quarter of the year. On the export front, there was depressed demand from regional markets, especially the Democratic Republic of Congo.

CarnaudMetalbox

The sales volumes for the full year declined by 34% compared to the prior year. The shortage of foreign exchange and reduced disposable incomes in the first half of the year impacted demand. There was increased product demand in the 4th quarter, as access to foreign exchange improved through the foreign exchange auction system.

CAPITAL EXPENDITURE

Capital expenditure programmes focussed mainly on projects started in the previous year. With some foreign exchange now becoming available through the auction system, we are hopeful that prioritised capital projects can be pursued.

DIRECTORATE

There has been no change in the Directorate since the last Trading Update and the publication of the Group's half year results which were published on 29 July 2020.

COVID-19 EFFECTS ON THE BUSINESS

All units maintained stringent sanitising measures in accordance with government policy. Shift work was adjusted to facilitate employee attendance after taking into account transport difficulties. All staff are required to adhere to the Covid-19 guidelines. All visitors, delivery and despatch vehicles are checked for compliance. All employees underwent Covid-19 testing and this resulted in five positive tests with the affected employees undergoing self-isolation; further testing proved negative and all returned to work. Regrettably, the Group recorded one death from Covid-19. Counselling has been introduced to minimise some morale problems arising from the disruptive effects of the pandemic.

OUTLOOK

The economy is likely to continue feeling the effects of the Covid-19 virus, but with the controls currently in operation, it is hoped that these will be minimised. Despite incomes not matching the inflationary pressures, the Group's order books are healthy. The Group remains confident of continuing sustainability. Owing to the additional accounting work necessary for regulatory compliance, including the requirement for both historical and inflation-adjusted figures, there could be a delay in publishing the Group's financial year end results. Shareholders will be advised should this be the case.

By Order of the Board

J. P. Van Gend
Group Managing Director

68 Birmingham Road
Southerton
Harare

11 November 2020

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)