

# TRADING UPDATE

For the first quarter ended 31 March 2021

*Nutritious Foods and Beverages for the Sustenance of Good Health*



**Dairibord**  
**Holdings**  
*More Than Just Milk*

## OPERATING ENVIRONMENT

During the quarter under review, macroeconomic fundamentals were relatively stable, continuing from the fourth quarter of 2020. Foreign currency availability and stability improved, stabilising prices, resulting in declining inflation. Annual inflation for March stood at 240.55%, which was a significant drop from 348.6% in December 2020.

The quarter was not without its challenges, notably the Level 4 COVID-19 lockdown measures instituted on 5 January which disrupted supply chains, route to market access and trading hours. Electricity, water and labour costs remained high and were significant cost drivers over the period.

The good rains in the 2020/2021 agricultural season improved the general outlook and economic prospects for industry in 2021. However, heavy rains and high stock feed costs negatively impacted productivity of the national dairy herd, thereby reducing raw milk supply volumes during the quarter. This, coupled with protracted lead times on importation of supplementary milk powders, exacerbated the national raw milk deficit and led to supply shortages of dairy products to the market.

COVID-19 mitigation remains a key focus for the nation. Dairibord actively supports the Government roll out of the COVID-19 vaccination program through employee awareness and other corporate social responsibility initiatives.

Against this backdrop, the Group achieved the following performance:

### Raw Milk Intake

Dairibord remained the largest milk processor in the country within the quarter, with 40% raw milk intake market share. The company's intake for the period was 1% lower than prior year, outperforming the average national decline of 8% recorded by processors. Efforts to grow raw milk supply will continue.

### Sales Volumes

Sales volumes increased by 18% over the same period in 2020, with growth being recorded across all product categories. Liquid milk sales grew by 10% on account of a significant growth in Lacto and Steri. Growth in this category was constrained by raw milk supply shortages. Foods grew 31% driven by excellent growth in yoghurts and ice creams. However, condiments were affected by input supply challenges and declined by 10%. Beverages volumes were 22% above those of the comparative period on account of growth in Pfuko and the dairy juice blends of Cascade and Fun 'n' Fresh.

The improved performance was achieved despite the lockdown from 5 January to 28 February 2021, while there was no corresponding lockdown over the same period in 2020. Volumes are expected to continue growing on the back of improvements in input supply, brand extensions and an aggressive sales strategy leveraging a remodelled route to market.

### Revenue and Profitability

Revenue for the period grew by 27% (historical: 412%) to ZW\$1,74 billion in inflation adjusted terms due to positive volume, product mix

and price performance. Foreign currency revenues grew by 193% and accounted for 15% of total revenue for the period and thereby contributing to improved capacity to procure raw and packaging materials.

Operating profit margin at 3% in inflation adjusted terms, remained under pressure due to high input costs (historical: 7%, representing an improvement from 5% in 2020). Global crude oil price increases had a material impact on raw and packaging material costs of petroleum based products and freight charges. Furthermore, the cost of milk powder increased on the world market resulting in cost push on milk and dairy products. Utilities and labour also remained significant cost drivers.

## OUTLOOK

Dairibord commends the efforts made by government and various national stakeholders to contain the spread of the COVID-19 pandemic in Zimbabwe. Most notably, the roll out of the vaccine program is expected to gain momentum assisting the country to reach herd immunity in the near future. It is anticipated that there will be improved overall economic performance, driven by the good agricultural season, continued stability in the exchange rate, stable inflation and improvement in the efficiency of supply chains.

Dairibord projects a better Q2 performance than Q1 anchored by a continued volume growth trajectory and cost containment. The business is geared to take advantage of the improving macroeconomic environment.

Despite the impacts of the COVID pandemic, the company remains solvent with assets exceeding liabilities as at 31 March 2021. The company has adequate strategies in place to sustain business continuity in the foreseeable future and protecting value in an operating environment that is improving and stabilising but remains challenging.

## TRADING UNDER CAUTIONARY

On 1 July 2020, the company advised shareholders that it had entered into discussions with an unlisted entity, Dendairy (Pvt) Limited, for a merger and acquisition transaction. If successfully concluded, this transaction will have a material effect on the price of the company's shares, the full impact of which is still being determined. Subsequent updates relating to this matter are being done as per ZSE requirements.

Accordingly, shareholders are advised to continue exercising caution when dealing in the company's shares until further notice.

### By Order of the Board

**S. Punzisani**  
**Company Secretary**  
**14 May 2021**

**Directors:** J. Sachikonye (Chairman), S. Chindove, C. Mahembe, \*A. Mandiwanza (Group Chief Executive), \*M. Ndoro (Group Finance Director), R.P Kupara, N. Chiromo, C.R.J Hawgood, K. K. Naik \* **Executive.**