

SABS
ISO 9001

SAPPMA



TRADING UPDATE

FOR THE QUARTER ENDED 30 SEPTEMBER 2021

TRADING ENVIRONMENT

The Trading environment was challenging but relatively stable during the period under review. The backlog in the disbursement of foreign currency at the auction floor, which was stretching beyond two months, was significantly reduced during the quarter under review. Consequently, arrears to foreign creditors were reduced to approximately USD1 million from USD3 million during the quarter and we commend the authorities for their efforts to reduce the backlog which is proving to be a challenge for many businesses.

The global shortage of raw materials accompanied by price increases of the main ingredients used in the manufacture of our key products spilled into the third quarter and will certainly continue into the last quarter. This position is further worsened by shipping costs which have ballooned by more than 480%. Despite the challenges certain mitigatory measures are in place and the factory continues to run, albeit with interruptions from time to time.

The supply of electricity was not stable during the period under review and the business has had to rely on the standby generator for lengthy periods of production. The combination of the above factors has resulted in the trading environment for the quarter proving to be a challenge. However, the business has performed reasonably well under the circumstances.

BUSINESS PERFORMANCE

Demand for the Group's products was strong in the quarter with volumes growing up by 36% compared to similar period last year. Growth was registered across all the segments of the business. Export volumes grew by 178% thereby contributing 13% to total volumes.

Driven by the growth in volumes, revenue for the quarter increased by 225% from similar period last year in historical cost terms (72% in inflation adjusted terms). Although the business experienced a drop in margins due to the ever-increasing cost of raw materials, a strong earnings performance was recorded overall for the quarter.

Plant availability for the quarter was 92% with capacity utilization at 60%.

The current ratio improved to 1.6 from 1.4 as at 31 December 2020. Gearing was at 10% at the close of the quarter.

OUTLOOK

The major challenges in the final quarter of the year will be the supply, cost and the provision of adequate foreign currency for the importation of raw materials combined with stability in the supply of electricity.

Demand for the Group's products remain strong with plans put in place to ensure adequate supply of raw materials. The Group is therefore geared to post a reasonable full year performance, if all the risks highlighted are successfully mitigated.

G. SEBBORN
27 OCTOBER 2021