Nampak Zimbabwe Limited



TRADING UPDATE FOR THE FIRST QUARTER 1 OCTOBER 2021 TO 31 DECEMBER 2021

TRADING ENVIRONMENT

The three-month period from 1 October 2021 to 31 December 2021 was marked by a sustained strong demand across all sectors of the business, although tempered by challenges in the operating environment. The continued lack of foreign exchange at affordable rates, shortage of raw materials, and the worldwide logistics bottlenecks continue to curtail our ability to supply our customers with all the product they need when it is required. Margins were somewhat squeezed due to increased competition, while reduced power supplies resulted in greater generator use and the widening divergence between the auction rate and the market rate contributed to higher inflation.

PERFORMANCE

Revenue in historical terms for the first quarter was 83% ahead of prior year, as a result of improved sales volumes and inflationary pricing. Gross margins have come under pressure as costs escalated, and were 5% below prior year. Nevertheless the Group remained profitable with historical trading profit being 27% ahead of the previous year. Net working capital is positive. The Group had a cash holding of ZW$599 million at 31 December 2021, which will be applied to stockholding, capital projects and settlement of trade payables.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper & Packaging

Sales volumes at Hunyani Corrugated Division for the first quarter were 43% up on the prior year. The major contributor to growth was due to a carry-over of late season tobacco box orders from the previous financial year. Volumes in the commercial sector were 3% below prior year period as a result of paper supply challenges despite a strong order book. This is expected to continue for the rest of the financial year due to world paper shortages.

Cartons Labels and Sacks Division was 23% below the previous year period, largely due to lower flour bag sales and tobacco paper sales. There were also machine downtimes and paper supply challenges.

PLASTICS AND METALS SEGMENT

Mega Pak

The first quarter volumes were 2% below the prior year period. Demand in the large injection market exceeded our available capacity. The increased demand in the preforms market remained strong and there was an upturn in tank demand. All sectors of the business suffered from raw material shortages. The unreliable electricity supply at Ruwa affected both the available plant capacity and operational efficiencies.

Regional economies are still recovering and our direct exports were lower than planned. However, indirect exports of preforms into Zambia were strong.

CarnaudMetalbox

Volumes grew by 2% compared to the prior year quarter period. The business relied largely on local agents for the supply of plastic raw material. Higher HDPE bottle volumes being 10% up on the previous year period were aided by a 4% growth in injected closure volumes. Metals volumes were down 13% mainly due to tin plate shortages.

CAPITAL EXPENDITURE

Expenditure for the period under review was ZW$70,7 million, which relates to projects started in the prior year and spares capitalised. A new Injection Moulding Machine is on order for Mega Pak and the replacement of generators for Hunyani and Mega Pak is also in progress.

ESTATES

We continue to engage with the relevant Authorities to regain effective control over our Estates. At Maganga Estates, we are entering into joint venture agreements with third parties to rehabilitate it for timber and agricultural purposes in line with the National Development Plan. A long term lease agreement from Government is still awaited.

DIRECTORATE

There have been no changes to the Directorate.

COVID-19

Although the effects of the pandemic appeared to be on the wane at the end of the quarter, the Government declared a national lockdown for another period at level 4. This has since been relaxed. The Group has adopted a COVID-19 policy and strict adherence to safety standards remains in force. This also applies to stakeholders when they visit the premises.

OUTLOOK

Difficulties remain ahead with the disparity between the official and market based exchange rates, giving rise now to spiralling inflation which in turn increases costs and wage pressures. The shortage of raw materials and continuing difficulties in accessing sufficient foreign exchange are ongoing challenges which will not go away in the foreseeable future. Businesses are resilient, but the continued economic headwinds continue to hamper operations.

By Order of the Board

J. P. Van Gend
Group Managing Director

68 Birmingham Road
Southerton
Harare

11 February 2022

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