



ZIMBABWE NEWSPAPERS (1980) LIMITED

Market leader in Publishing, Broadcasting, Printing and Packaging

TRADING UPDATE FOR THE THREE MONTHS TO 31 MARCH 2022.

I am excited to present the Company's trading update for the three months to 31 March 2022.

Trading Environment

The operating environment during the first quarter of the year remained volatile. Due to the prevailing hyperinflationary environment, prices of goods and services continued to increase. The year-on-year inflation for the month of March closed at a reported 72.7% compared to 60.7% as at year ended 31 December 2021. All the gains that had been realised from managing inflation from a high of 240.6% in March 2020 are now being eroded by the current trend.

During the period under review, there were supply chain disruptions arising from the Russia/Ukraine conflict that have led to an increase in fuel, fertiliser and wheat prices amongst other commodities. Of concern to us was the supply and pricing of newsprint whose prices have shot up whilst availability is now critical.

It is however, pleasing to note that the Covid-19 infections slowed down and subsequent further relaxation of the lockdown restrictions were implemented.

Volume Performance

All the operating Divisions of the Group recorded volume recovery for the period under review. This was mainly a result of the lower base recorded in prior year (2021) owing to strict lockdowns that were in place to contain the spread of the Covid-19 infections.

The volumes for the Digital and Publishing Division (DAP) grew by 38% during the first quarter of 2022 when compared to the same period last year. The Division's focus on volume recovery witnessed growth in both circulation and advertising. To that effect, circulation was 46% better driven by subscriptions recovery, whilst advertising was 26% favourable to the same period last year.

The Radio Broadcasting Division (RBD) recorded a 36% volume growth during the quarter under review when compared to the same period last year. The volume growth was due to increased advertising campaigns by both the private sector and the national activities that took place during the period under review.

The Commercial Printing Division's (CPD) volumes for the quarter were 56% better than the same period last year. The improved performance for the quarter was a result of further relaxation of the Covid-19 lockdown restrictions, improved availability of critical raw materials in the first 2 months of the quarter and improved machine reliability.

Financial Performance (Hyperinflation)

In line with the volume recovery, the Group recorded a 63% revenue growth to ZWL\$1.200 billion compared to ZWL\$0.737 billion for the same period last year.

Whilst DAP continued to be the biggest revenue contributor to the Group, at 59% it lost 7 percentage points to CPD (4%) and RBD (3%). The CPD improved its revenue contribution from 17% to 21% whilst the RBD improved from 14% to 17%. The Zimpapers Television Network (ZTN) channel contributed 4%.

The Group recorded a net profit before monetary adjustments of ZW\$107 million compared to ZW\$ 88 million for the same period last year. Although the profit before monetary adjustments was 21% better than the same period last year, the net profit margin declined to 9% compared to 12.2% for the prior year. The decline in net profit margin was a result of the inflationary pressures that significantly increased operating costs as well as ZTN costs in preparation for launch.

Outlook

Despite the challenging operating environment, the second quarter of the year, as has always been the case over the years, is expected to record improved performance as the economy continues to open up. However, the continued hyperinflationary pressures and run-away exchange rates, if not controlled will seriously affect the performance of the Company. The Government of Zimbabwe is making concerted efforts to stabilise the economy as enunciated by the President. The Russia/Ukraine geopolitical conflict will continue to present supply chain disruptions that may have a detrimental effect to the performance of the Company for the remainder of the year.

The Company expects to launch its ZTN channel in the second quarter of the year which will further increase the revenue base of Zimpapers as well as fulfil its vision of becoming a fully integrated media house.

By order of the Board

P. Deketeke
GROUP CHIEF EXECUTIVE