TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 JULY 2022

Operating environment

The operating environment in the third quarter of the financial year was complex. Year-on-year inflation at the end of July 2022 was at 256.9% up from 96.4% in April 2022. The official exchange rate to the US Dollar devalued by 179% from ZWL 159:US$ 1 in April 2022 to ZWL 443:US$ 1 at the end of July 2022. On 27 June 2022, the Monetary Authorities raised the Central Bank Policy Rate from 80% to 200% to reduce money supply in the economy.

Meanwhile, the ongoing Russia-Ukraine war resulted in cost pressures across global and local markets.

National tobacco volumes closed at 194 million kgs as of 31 July 2022, 3% below prior year whilst the national average price at US3.05/kg was 10% ahead of prior year. The independently grown crop stands at 6%.

Business performance

The Group continued to build on its strong foundation and actively pursued its “Moving Agriculture” strategy.

Group revenue for the quarter is 61% ahead in inflation adjusted terms of prior year and 363% ahead in historical cost terms. The operations remain profitable, and the Group continues to prioritise the preservation of shareholder value. Gearing remains low with adequate interest cover. The business will continue to monitor its ZWL exposures in the light of recent developments.

Agriculture Operations

Tobacco Sales Floor (TSF) cumulatively handled 23.1 million kgs of tobacco against 24.3 million kgs in the previous year, a 5% decline. The strategy to serve the much larger contracted tobacco market is yielding fruit, with 62% of the total volumes handled coming from this segment.

The business successfully opened a new floor in Mvurwi and the volumes therefrom were pleasing. This complements the business’ decentralized operations in Karoi, Marondera and Harare.

Propak hessian volumes were 15% below prior year owing to a reduced national crop and a change in the timing of collection of packaging materials by merchants. This gap is expected to narrow in the fourth quarter. The new tobacco paper manufacturing line, which was commissioned in December 2021 produced a high-quality, competitively priced paper that the market responded to positively. Paper volumes consequently grew by 24%.

Agricura’s performance for the quarter was mixed. Whilst some product lines performed better than the previous year on the back of product availability and competitive pricing, other product lines were not available as a result of inordinately long lead times as a result of global supply chain disruptions. These products will however be on hand for the coming summer cropping season.

In the farming operations, better yields were achieved compared to the previous year on tobacco, seed maize, soya bean and commercial maize. The improved water and weather conditions resulted in banana plantation production growing by 50%.

Logistics Operations

The new floor opened in Mvurwi coupled with the provision of handling services to new tobacco clients increased tobacco handling volumes by 31%.

General cargo volumes were significantly ahead of prior year due to improved fertilizer volumes.

The FMCG business continued to be affected by global supply chain challenges and volumes were depressed.

The Introduction of a reliable rail service between Harare and Maputo since August 2021 by the company in partnership with DP World and Unitrans continued to increase volumes in the Ports business. This is expected to

grow as the business commenced a rail service for exporters during the quarter.

Premier Forklift volumes were 5% ahead of prior year due to additional business from new clients. Forklift sales also significantly increased in the quarter as more clients resumed capital expenditure which was previously deferred.

Avis' rental days were materially ahead of prior year as lockdown restrictions continued easing.

Real estate operations

Certain properties were deliberately kept vacant for redevelopment in the later part of the financial year.

Consequently, the level of voids remains satisfactory. Additional warehousing space is currently under construction in response to existing demand and is expected to be added to the property portfolio in the coming financial year.

Outlook

The Group will continue to pursue its stated key strategic objectives and position itself appropriately to ensure shareholder value is continuously created and preserved. The afore-mentioned challenges in the operating environment will require ongoing management.

By Order of the Board

Fadzayi Pedzisayi
Company Secretary
15 September 2022