Nampak Zimbabwe Limited

TRADING UPDATE FOR THE FIRST QUARTER OCTOBER TO DECEMBER 2022

TRADING ENVIRONMENT

The first quarter to 31 December 2022 was characterised by firm demand across all sectors of the business despite the adverse operating environment. Customers preferred to transact in US Dollars in the period under review, which helped secure the supplies of imported raw materials. The electricity supply, which deteriorated considerably during the quarter, curtailed our ability to fully meet customer requirements. MegaPak experienced power cuts of up to 12 hours per day, while CMB had no electricity supply since 18 December. Whilst all the operations have back-up generators, these do not cover the entire plant at MegaPak and CMB, and are not designed to operate continuously. The business is examining alternative energy solutions. Supply chain disruptions remain a challenge, with seemingly little hope of an immediate resolution of the Russian/Ukrainian war.

PERFORMANCE

The Group results are expressed in Zimbabwe dollars and have increased year on year in historical and inflation adjusted terms on revenue and trading income in all the three operating units. Whilst the group volumes for the quarter were only 3.3% ahead of the prior year, turnover for the quarter was 60% ahead of the prior year period in inflation adjusted terms. Turnover for the quarter was 457% ahead of the prior year period in historical terms. Inflation adjusted trading profit at ZW$3,131 million was 63% ahead of the previous year and 431% ahead in historical terms. Gross and trading profit margins remained flat when compared with the prior year period. The Group cash position was ZW$2,221 million as at 31 December 2022.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Volumes at Hunyani Corrugated Division for the first quarter were 13.6% up on the prior period. The main contributor to the growth was the improved tobacco case orders from the region, as well as some carry-over of late season orders from local tobacco merchants from the previous financial year. Despite a strong order book, commercial sales were below the previous year by 4% owing to continuing challenges with paper supplies from SAPPI, following a problematic start-up after their shut down at the end of the last financial year. Alternative paper suppliers are being explored. Cartons, Labels and Sacks Division's sales volumes were 15% below the previous year due to the late arrival of paper for tobacco rolls and tea sacks, as well as the delayed orders from flour millers who had sufficient stock on hand.

PLASTICS AND METALS SEGMENT

Mega Pak

The first quarter volumes were 10% below the comparative period for last year. Preform and closure sales were down as major customers imported product ahead of the festive season. Shortage of packaging material hampered our ability to supply orders on time and in full. Demand in the large injection moulding market continued and the commissioning of the replacement machine has helped to boost volumes. However, severe power cuts hampered production in the quarter with added complications of high or low voltages when power returned. This resulted in extended run times on the generators, which affected operational efficiencies.

CarnaudMetalbox

The sales volume for the quarter was 1% above the same period last year. Plastic volumes, especially closures, were well ahead of prior year but metal volumes were down due to the power outage during the last two weeks of December, which meant that the unit was only able to operate at 50% capacity producing only plastic products. No metal products were produced in this period.

CAPITAL EXPENDITURE

Capital spend of ZW$313 million for the period under review relates mainly to spend on completion of projects from the prior year. Various projects are under active consideration and may be pursued subject to availability of foreign currency.

FORESTRY

Estates

There has been significant development at Maganga Estate, which is largely leased to Zambezi Fresh. Joint venture agreements were signed with Zimbabwe Leaf Tobacco (ZLT) and the Sustainable Afforestation Association (SAA) for timber resuscitation. These developments demonstrate the positive benefits of public/private sector partnerships. Engagements with Government are ongoing over the remainder of our estates.

DIRECTORATE

There have been no changes to the Directorate since the previous reporting period.

COVID-19

The effects of Govenment's relaxation of COVID-19 regulations have continued to benefit the business as the order book continues to grow. Neverthelss, the Group maintains a Covid policy and strict adherence to safety standards remain in force for all stakeholders.

OUTLOOK

The order book is full across the entities and demand continues to accelerate, although the operating environment remains a challenge, given the high cost of borrowing and the excessive taxation regime. Whilst more action is required by the Authorities to address the macro economic challenges faced by businesses, the Group remains profitable. However, we predict further headwinds during the second quarter unless the power situation can be resolved.

By Order of the Board

J P Van Gend
Group Managing Director

68 Birmingham Road
Southerton
Harare

10 February 2023

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), M. Matafeni* (Group Finance Director), A. H. Howie, S. H. Murray, H. Neser (Mrs), Q. Swart, M. M. Valela (Alt, A. Makamure)
(*Executive)

Nampak Zimbabwe Limited
P O Box 4351, Harare, 68 Birmingham Road, Southerton, Harare, Zimbabwe
Telephone 662730/9, 0772192291/3