ZIMBABWE NEWSPAPERS (1980) LIMITED

TRADING UPDATE

FOR THE THIRD QUARTER ENDING 30 SEPTEMBER 2022

Trading Environment
The economy continued to show resilience to the significant shocks that arose from the Russia/Ukraine conflict, erratic rainfall, Covid-19 pandemic, liquidity crunch and the high cost of borrowing. Owing to the runaway inflation and fast deterioration of the local currency against major currencies, the monetary authorities' efforts to stabilise the local foreign exchange market and lower inflation is expected to bear fruit. Some stability on exchange rate and inflation has been achieved as average month on month inflation for the third quarter was 13.8% compared to 22.4% for the second quarter. Although inflation has come down whilst the gap between the official exchange rate and the parallel market continued to narrow, concern still remains on the sustainability of these measures in their current form.

Volume Performance
Due to the declining aggregate demand in the economy, the Zimpapers Group has also been feeling the effects of reduced spending across some of its major products and services.

Looking at the performance of Zimpapers' Digital and Publishing Division (DAP), which publishes The Herald, The Sunday Mail, H-Metro, Manica Post, Chronicle, The Sunday News, Business Weekly, Kwayedza, uMthunywa, B-Metro, Surbuban and other digital products and platforms, advertising volumes increased by 5 percent while its circulation declined by 7 percent on year to date when compared to the same period last year.

However, the Division's advertising volumes for the third quarter declined by 28 percent when compared to the second quarter of 2022. Of note, the division recorded an 8 percent volume growth in the third quarter of last year when compared to the second quarter of the same year.

The 28 percent volume decline was mainly caused by the Government's economic interventions of increasing the cost of borrowing and freezing payments to its contractors to tame inflation and run-away exchange rates. These worthwhile interventions had a negative effect on the overall demand of the Division's products as disposable income shrank. A number of advertisers were affected by these measures as they adopted a wait and see approach.

The Radio Broadcasting Division (RBD) recorded a 3 percent volume growth when compared to the same period last year on year-to-date basis. However, the momentum that had been gained in the second quarter could not be sustained following some significant economic changes that affected liquidity in the market. Resultantly, the division's volume declined by 9 percent in the third quarter when compared to the second quarter. In the same vein, the division suffered a 10 percent volume decline in Q3 when compared to Q3 of 2021.

Unlike the newspaper and radio broadcasting divisions that lost volume when compared to the second quarter, the Commercial Printing Division (CPD) recorded a 54 percent volume growth when compared to the second quarter. The positive volume growth was a result of improved raw material supplies in the third quarter as the second quarter had stock-out challenges owing to limited foreign exchange availability. In line with the third quarter performance, the division recorded a 30 percent volume growth on year-to-date when compared to the same period last year.

The ZTN channel recorded a 35 percent volume growth on year to date when compared to same period last year following it's official launch on the DStv platform in May 2022. The station continues to make positive growth strides as volume for the third quarter increased by 41 percent when compared to the second quarter.

Financial Performance
In hyperinflation terms, the Group's year to date revenue grew by 67 percent to ZWL$12.7 billion when compared to ZWL$7.6 billion for same period last year. The year-to-date revenue growth was supported by volume growth across the operating business units of the Group.

Revenue for the third quarter increased by 14 percent when compared to the second quarter. This growth was in line with the 13.8 percent average inflation for the quarter. Resultantly, year to date net profit before tax and monetary adjustments increased by 51 percent to ZWL$1.4 billion when compared to same period last year.

Net profit margin of 11 percent was recorded compared to 12 percent for same period last year. Net profit margin was affected by high cost of borrowing following the significant increase in borrowing costs during the quarter. Owing to limited foreign currency availability, exchange losses of ZWL115.7 million were recorded that had a negative effect on the overall profitability of the business.

While the newspaper division continued to be the biggest revenue contributor to the Group at 62 percent, it lost ten percentage points, nine of which were taken by the Commercial Printing Division with seven and radio division with the other two percent when compared to the second quarter.

During the quarter under review, the Commercial Printing Division improved its revenue contribution to the Group, from 10 percent to 17 percent while the radio division improved from 14 percent to 16 percent. The Zimpapers Television Network (ZTN) channel contributed 4 percent.

The divisional contributions to Group revenue were in line with those attained in the same period last year.

The liquidity of the Company is affected by slow paying debtors who are owing ZWL$2.3 billion and collections from these debtors were being hampered mainly by the liquidity crunch. However, management is making concerted efforts to improve the overall liquidity of the company by focusing on intense collections, among other measures.

Outlook
The liquidity crunch experienced in the third quarter is expected to continue to the end of the year and will have a negative effect on the uptake of the Company's products and services. Therefore, the Company's performance for the fourth quarter is expected to be in line with the third quarter.

By order of the Board

P. Deketeke
GROUP CHIEF EXECUTIVE

Digital & Publishing | Commercial Printing | RADIO | BoldAds | ZTN