**ZIMBABWE NEWSPAPERS (1980) LIMITED**

# TRADING UPDATE

## FOR THE FIRST QUARTER ENDING 31 MARCH 2023

I am pleased to report the trading update of the Zimbabwe Newspapers (1980) Limited Group for the three months to 31 March 2023.

**Trading Environment**

The period under review was characterised by local currency volatility, relatively high Zimbabwe dollar borrowing rates and depressed domestic demand. As over 77% of local transactions were reported to have been done in hard currency, the Government of Zimbabwe introduced blended inflation rates. The blended inflation rate eased from 101.5% in January 2023 to 87.6% by end of March 2023. However, the quarter witnessed further widening of the gap between the official exchange rate and the parallel market rate that affected the general pricing of goods and services in the economy. In response, the Government of Zimbabwe continued to make necessary corrective interventions to bring the much-needed economic stability.

**Financial Performance**

The Group volume performance was affected by the general slowdown in advertising spend and low demand for the period under review. Several of our clients had limited advertising budgets owing to the tight operating environment. This was worsened by raw material availability and logistical challenges on imports, constraints associated with foreign currency availability and the general slowdown in advertising activities over the period under review. Resultantly, total volumes for the Group declined by 23%.

Owing to non-availability of relevant consumer price indices to comply with IAS29, Financial Reporting in Hyperinflationary Economies, the trading update has been done in historical terms.

The Group's revenue grew by 382% to ZWL$$5.5 billion when compared to the same period last year. Whilst volumes were depressed, the business continued to incur high-cost increases from local currency volatilities as the business largely operates in local currency. The impact of the high cost of borrowing in local currency had a further negative impact on the operational efficiencies of the business. In addition, the deterioration of the local currency against major currencies had an adverse impact on the cost of imported raw materials. Resultantly, the Group recorded a net operating loss before tax of ZWL$132 million for the period under review compared to a 9% net profit margin for the same period last year.

The company continued to focus on debt collection from its credit clients who were struggling to pay owing to the liquidity challenges. Management continues to put concerted efforts to improve the collections and change trading terms where possible to effectively improve its cash cycle.

**Outlook**

In line with the trend over the years, the operating environment is expected to improve in the second half of the year. This is usually the peak season for the company's products. The economic interventions by the Government of Zimbabwe to stabilise the operating environment are also expected to bear fruit as the year progresses. It is against this background that the Company's performance for the second half of the year is expected to be better than the period under review. The Board and Management will continue to focus on improving the performance of the business by capitalising on all growth opportunities.

**By order of the Board**

**P. Deketeke**
**GROUP CHIEF EXECUTIVE**