Nampak Zimbabwe Limited

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS ENDED JUNE 2023

TRADING ENVIRONMENT

The quarter under review was characterised by ongoing currency volatility resulting in inflationary pressures being felt across all the market segments. Although, the third quarter volumes were marginally up compared to the prior year period, the gain was weighed down by lower volumes at Megapak which continued to be affected by the increasing frequency of power cuts at the Ruwa plant.

The liquidity crunch in the market continued to affect trading, resulting in more domestic transactions occurring in foreign currency. The order book across the Group's operating units remains firm.

VOLUMES AND FINANCIAL PERFORMANCE

Revenue for the nine months to June at ZW$413,2 billion grew by 41% in inflation-adjusted terms compared to the prior year period. Revenue in historical terms for the same period at ZW$117,2 billion was 671% above the prior year period. Marginal volume improvements and inflationary pricing were the major contributors to the revenue growth. The Group has benefited from improved USD collections in the quarter on the back of constrained ZW$ liquidity, most of which was deployed into working capital to meet customer demand. The Group remains profitable despite the inflationary pressures pushing up the cost base.

Net working capital increased in the main due to an increase in debtors. The Group cash balances was ZW$24,6 billion at the end of the third quarter, mostly due to export receipts that came at the close of the period. Most of this balance will be applied toward stock replenishment and the settlement of trade payables.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Sales volumes at Hunyani Corrugated Division for the third quarter were 5% up on the prior year period. Sales volumes into the tobacco market were 12% ahead of the same period last year due to an improved tobacco crop in the year. Although demand for commercial carton volumes remains firm, volumes were 12% down on the prior year period due to constrained raw material supplies.

The Cartons, Labels and Sacks Division sales volumes for the third quarter were 7% up on prior year due to improved demand for tobacco paper wrap. Other commercial packaging was in line with the prior year volumes for the third quarter.

PLASTICS AND METALS SEGMENT

Mega Pak

The third quarter sales volumes were down by 7% compared to the prior year period. Despite firm demand from our customers, rolling power cuts negatively impacted the operation's ability to meet customer demand. Additional generator capacity has been installed to mitigate the impact of the power cuts.

CarnaudMetalbox

The sales volumes in the third quarter were 9% above the same period last year. Plastics led the recovery buoyed by higher HDPE bottle volumes, which were 36% above the prior year period. However, metals volumes were 17% down on prior year, whilst closures were 4% down on the same period last year.

FORESTRY

Estates

Horticultural development at the Maganga Estate near Macheke is progressing well, and it is expected that optimum use of the Estate will become a reality in the near future.

CAPITAL EXPENDITURE

Capital expenditure of ZW$2.8 billion during the nine month period under review relates mainly to the Netstal injection moulders, chiller and generator for Megapak. Various projects are under active consideration and may be pursued subject to the availability of foreign exchange.

DIVIDEND

The Board declared a further dividend of ZW$160 cents per share, which was paid on 21 July 2023.

DIRECTORATE

There have been no other changes to the directorate in the period under review.

OUTLOOK

The operating environment remains uncertain given that the election season is on the horizon. The surge in inflation remains a key issue that will impact on performance going forward. Our ability to continue sourcing key raw materials on the back of global supply chain constraints will be a key driver in sustaining the current operational performance. The Group will continue to focus on cost containment measures in order to improve profitability across all the businesses.

By Order of the Board

J P Van Gend
Group Managing Director

9 August 2023

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