Tangenda tea Company Limited

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TRADING UPDATE

FOR THE THIRD QUARTER ENDED 30 JUNE 2023

OVERVIEW OF OPERATING ENVIRONMENT

The quarter under review was characterised by rising inflationary pressures, currency volatility and rapid changes in the policy environment. The exchange rate moved by 646% from a base of ZWL932:US$1 to a peak of ZWL6 949:US$1 during the quarter, putting further pressure on costs.

Pricing of products and credit terms have been affected by exchange rate volatility coupled with fluctuations in market liquidity. However, we anticipate the resultant value chain pricing distortions to self-correct over the ensuing period as players run down stocks.

Our investment in solar is yielding results by reducing the cost of power. Fortunately, power supply from the national grid to the operations improved in June 2023 and the future looks promising in power supply from both our own solar system investment and improvement in supply from the national utility.

Cumulatively, rainfall received on the estates has been in line with our ten-year averages however, winter rains have been lower than past years affecting tea production in winter. Management keep monitoring the weather patterns taking possible appropriate action.

FINANCIAL PERFORMANCE

Company revenue for the quarter under review of ZWL32 billion was 45% ahead of ZWL22 billion achieved in the previous financial year in inflation adjusted terms while revenue for the nine months ended 30 June 2023 of ZWL100 billion grew by 61% from prior year of ZWL62 billion.

As a result of the late onset of the rainy season, bulk tea production was 4% below comparable period in prior year and in turn bulk tea export volumes were 12% below prior year.

Packed tea sales volumes were 7% below prior year as the rapid decline in local currency saw volumes with some of the major customers decreasing. To counter this impact, the company continues to develop alternative trading channels.

Macadamia production was in line with prior year. The macadamia marketing season commenced earlier than prior year with 260 tonnes of current year crop already exported in addition to 475 tonnes that had remained unsold at the end of prior year.

Avocado production was 38% below prior year as a result of biennial bearing phenomenon coupled with the impact of the extensive pruning carried out on 55 hectares of mature trees to rejuvenate them. Revenue from export of avocados is expected to be recognised in the last quarter of the financial year.

Inflation adjusted profit after tax of ZWL9 billion was 10% below prior year of ZWL10 billion mainly as a result of the decline in plantation crops volumes. This is expected to improve next year as avocados come out of the biennial phenomenon.

OUTLOOK

Demand for our products remains fairly strong in spite of the impact of complex macro-economic factors. Inflationary pressures and local currency devaluation will however continue to impact on business performance. The confidence from our customers and their support including the value addition projects in the pipeline for our plantation crops will see profitability increasing especially as management focus on efficiency in managing costs.

By Order of the Board

S. N Kodzanai
Company Secretary
11 August 2023