

Operating environment

The Group operated in a difficult environment with significant exchange rate volatility, inflationary pressures, constrained local and foreign currency liquidity and weakening disposable incomes. Year-on-year inflation at the end of July 2023 was at 101.3%, up from 75.2% in April 2023. The official exchange rate to the US Dollar devalued by 985% from ZWL416:US\$1 in July 2022 to ZWL4 517:US\$1 at the end of July 2023. Monetary policy interventions took effect towards end of the quarter, relatively stabilizing the exchange rate.

National tobacco volumes were at 293 million kgs at the end of July 2023, 44% ahead of prior year and the national average tobacco price at US\$3.04/kg was at par with the prior year.

Business performance

Group revenue for the quarter at ZWL66.8 billion was 229% ahead of prior year of ZWL20.3 billion in inflation adjusted terms driven by strong volume growth, particularly in the tobacco-related businesses. US\$ portion of revenue for the quarter grew by 47% when compared to prior year. Profitability continued to grow, driven by improved operating efficiencies and increased capacity utilisation. Group borrowings are foreign currency denominated and remain low with adequate interest cover. The Group continued to generate positive operating cash flows and has reinvested in the expansion of operations and payment of dividends to shareholders.

Agriculture Operations

Tobacco Sales Floor cumulatively handled 51.9 million kgs of tobacco – a 125% increase on prior year's 23.1 million kgs. The strategy to serve the much larger contracted tobacco market is yielding fruit, with 75% of the total volumes handled coming from this segment. These positive results are, in large measure, attributable to a larger national tobacco crop, successful decentralisation of operations and the acquisition of new customers.

Propak hessian volumes were 17% ahead of prior year owing to stock availability and a larger tobacco crop size. Tobacco paper volumes were 90% ahead of prior year as the market has continued to respond positively to the locally coated paper.

Agricura's performance for the quarter was mixed. While some product lines performed better than the previous year on the back of product availability and competitive pricing, other product lines were lower than budget due to depressed demand.

In the farming operations, better yields were achieved compared to the previous year on tobacco, soya bean, and commercial maize. The new banana plantation started production in the year resulting in improved volumes.

Logistics Operations

The new business model, which supports the customer throughout the value chain, resulted in an increase in volumes across the logistics' divisions. Tobacco handling volumes were significantly ahead of the prior year due to an increase in the customer base. The rail service from both Maputo and Beira has continued to operate and performance in the quarter was satisfactory. Clearing and forwarding volumes remained strong due to improved volumes from customers. General cargo handling volumes were buoyed by product movements to Zambia via the Beira corridor. Demand in the FMCG division was depressed as the formal retail sector struggled against the informal market as a result of the afore-mentioned pressures in the operating environment.

Premier Forklift volumes were 17% ahead of the prior year as the business continues to grow its volumes from both new and existing clients.

Avis' rental days were below prior year due to a decrease in international arrivals in the period.

Real estate operations

The Group commenced the construction of a new world class 15,000 square meter warehouse at a prime location. Voids improved to 7% from 12% in prior year due to improved demand for warehouse space.

Outlook

The Group will continue to pursue key strategic initiatives in line with its "moving agriculture" strategy.

The afore-mentioned challenges in the operating environment will be proactively managed to ensure shareholder value is continuously created and preserved.

By Order of the Board



Fadzayi Pedzisayi
Company Secretary
15 September 2023