

TRADING UPDATE

For the Period Ended 30 September 2023

Nutritious Foods and Beverages for
the Sustenance of Good Health

OPERATING ENVIRONMENT

The period under review remained challenging, marked by tight liquidity for both US\$ and ZW\$. Due to the stability of the exchange rate, month-on-month inflation decreased, with consumer prices remaining relatively stable throughout the quarter. However, there were exchange rate disparities which resulted in significant migration of customers to the informal trade, impacting competitiveness and demand in the formal trade channels.

BUSINESS PERFORMANCE

Raw Milk

The company processed 22.4 million (m) litres in the nine-month period under review, 13% above the comparative period last year. This was ahead of the 10% growth in national raw milk production as reported by the Dairy Services Department of the Ministry of Lands, Agriculture, Fisheries, Water, Climate and Rural Development. The volume constituted 34% of the milk received by processors.

Sales Volume and Revenue

Due to firm market demand and improved production efficiencies,

- Sales volumes for the quarter at 25.8m litres, were 11% higher than the same period last year (23.2m litres). Liquid Milks and Beverages increased by 16% and 14% respectively, while foods declined by 24%. Exports grew by 7% and accounted for 11% of total sales volumes in the quarter.
- Cumulative sales volumes for the nine months were 10% above same period last year. Beverages contributed 65%, Liquid Milks 28% and Foods 7% to total volume. Beverages recorded a notable 15% increase, with Liquid Milks realising a 9% growth. Foods sales volumes declined 23% on account of intermittent supply of quality inputs, and route to market disruptions negatively impacting demand.
- Domestic sales revenue and exports for the quarter grew by 870% and 1,213% respectively.
- Revenue for the cumulative period grew by 837% (historical terms) while operating costs increased by 784% on the back of tight cost management.
- Cumulative revenue in US\$ terms grew 27% to US\$82.4m, mainly driven by volume growth. For the quarter, 93% of the sales were in US\$, while for the cumulative period 74% of the sales were in US\$ compared to 51% in the prior year.
- The growth in sales volumes and cost reduction measures coupled with the firming of the local currency in July 2023 which bore significant foreign exchange gains, resulted in an improved operating performance. For the cumulative period, the operating profit grew 169% over the prior year (in historical terms).

OUTLOOK

Notwithstanding a tough operating environment, the Group is targeting growth and improved margins through various initiatives which include:

- Route to market optimisation.
- Rationalisation of operations to improve efficiencies.
- Automation and equipment de-bottlenecking projects.

By order of the Board



Maurice Karimupfumbi
Acting Company Secretary
13 November 2023