Nampak Zimbabwe Limited

PERFORMANCE UPDATE FOR FIRST QUARTER OCTOBER 2023 TO DECEMBER 2023

TRADING ENVIRONMENT

The first quarter from October 2023 to December 2023 was negatively affected by exchange rate volatility and power shortages mainly at the Ruwa plant as well as a ZESA fault at CMB in December which lasted for two weeks. The ongoing disruptions in power supplies at Ruwa, resulted in the increased usage of generators which in turn caused disruptions on production lines due to the quality of power supplied.

The order book across the Group remained firm particularly for the paper products and preforms, however, inflationary pressures saw an increase in the cost base. The shift in the turnover mix towards more USD denominated transactions helped maintain margins for the period under review.

Government has introduced a raft of measures in an effort to reduce inflation and protect the Zimbabwe dollar, the efficacy of which remains to be seen.

VOLUMES AND FINANCIAL PERFORMANCE

Sales Volumes - Tonnes

	Q1.FY24	Q1.FY23	% Change
Paper	8 454	8 027	5%
Metals	54	78	(31%)
Plastics	4 736	4 202	13%
Total Tonnes Sold	13 244	12 307	8%

Group volumes for the period under review were 8% ahead of prior year with total volumes across all the business units ahead of prior year. However, some product categories such as metals were behind prior year mainly due to raw material shortages over the period under review.

Group revenue for the three months to 31 December at ZW$172.5 billion grew by 19% in inflation adjusted terms compared to the prior year period. Revenue in historical terms for the same period was ZW$171.4 billion, an 845% increase year on year. Volume increases in the business units and inflationary pricing contributed to revenue growth. The Group remains profitable despite the difficulties faced.

Net working capital increased due to an increase in inventory. The Group closing cash balance was ZW$19,4 billion at the end of the first quarter. Most of this cash balance will be applied toward stock replenishment and the settlement of trade payables.

BUSINESS REVIEWS

Printing and Converting

Hunyani Paper and Packaging

Volumes at Hunyani were 5% ahead of prior year with significant recovery of the commercial volumes due to firm demand and improved raw material supply. Tobacco volumes were marginally below prior year volumes largely because of a higher carry-over of orders in the prior year period compared to the 2024 season.

Plastics and Metals segment

Megapak

Volumes at Megapak were 12% ahead of prior year despite the increased power outages. Demand remains firm although power related breakdowns continue to hamper the ability to meet demand. Use of generators has assisted in minimising the impact of the power outages.

CMB

Volumes at CMB were 10% ahead of prior year due to a recovery in HDPE volumes for the period under review. Metals volumes however were 31% behind prior year due to raw material shortages and the impact of the 2-week power blackout.

CAPITAL EXPENDITURE

Capital expenditure for the three-month period was curtailed largely as a result of the reduced cash balances following the payment of the two interim dividends declared last year. Management however continues to focus primarily on projects to increase capacity and improve plant services.

DIVIDEND

The Board declared a final dividend of US 0.20 cents per ordinary share for the year ended 30 September 2023.

DIRECTORATE

The Directors welcomed Ms. Angeline Aldridge to the Board on 1 November 2023 in place of Ms. Hanneri Neser who resigned the previous year. She is a non-executive director and has also been appointed to serve on the Audit Committee.

OUTLOOK

The operating environment remains volatile. Despite Government's efforts to contain inflation, the prediction is for a difficult second quarter due to factors beyond Government's control. These include the impact of El Nino with reduced rainfall during the agricultural season as well as the ongoing wars in the Middle East and Ukraine, which affect the raw material supply chain and lead times, and in some instances leads to higher prices which cannot be absorbed and must be passed on to customers. The shortage of adequate power due to reduced generation capacity is another problem which remains unresolved.

The order book however remains positive and the Board remains confident of the Group's going concern status.

By Order of the Board

J P Van Gend
Group Managing Director

68 Birmingham Road
Southerton
Harare

13 February 2024