



**Nampak
Zimbabwe
Limited**



TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 DECEMBER 2020

TRADING ENVIRONMENT

The three month period from 1 October 2020 to 31 December 2020 was marked by an increase in volumes for all the Group's entities, an indication that the overall trading environment had benefited from the easing of the lockdown compared to the previous quarters. Foreign currency sourcing remains a challenge and continues to hamper our daily trading environment. This resulted in supply chain imbalances with some orders being delayed prior to fulfilment. Despite the increase in volumes, the trading performance was tempered by the effects of hyperinflation and pressure on margins due to increased competition. The reduction in power supply added to the constraints on production, but, generally speaking, the Group finished the calendar year more buoyant than it started.

PERFORMANCE

Revenue in historical terms for the first quarter was 411% ahead of prior year, as a result of improved sales volumes, greater availability of raw materials and inflationary pricing. Gross margins have come under pressure as cost pressures intensified and competitor activity increased. The Group remained profitable.

Net working capital is positive. The Group had a cash holding of \$462 million at the end of the first quarter. This arose partly from customer prepayments and will be applied to restocking and settlement of trade payables.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Sales volumes at Hunyani Corrugated Division for the first quarter were up on the prior year by 8%. The volumes in the commercial sector grew by 106% on prior year led by improved demand while the tobacco sector was 25% below prior year. Late season tobacco orders did not materialise due to the reduced 2020 tobacco crop output locally and regionally.

The Cartons, Labels and Sacks Division sales volumes for the first quarter were up on prior year by 77%, due to robust sales of SO bags to the millers and cartons to food manufacturers on the back of the higher local wheat crop. Tobacco wrap sales were down in line with the lower tobacco crop.

PLASTICS AND METALS SEGMENT

Mega Pak

The first quarter sales volumes grew by 76% compared to the prior year period. Increased demand in the preforms market was the major contributor, but all areas of the business were up when compared to the prior year period with large injection moulding also being significantly higher. Exports were lower as regional economies also grappled with the COVID-19 impacts.

CarnaudMetalbox

The sales volumes for the quarter were 8% above the same period last year. Metal volumes were up 11% with food cans and crowns leading the recovery. In plastics, performance was mixed with higher HDPE bottle volumes, 33% ahead of the previous period being off-set by reduced closure volumes which were 39% below the prior period.

CAPITAL EXPENDITURE

Capital spend of \$17,2 million relates mainly to projects carried forward from the previous financial year. Various projects are under active consideration and may be pursued subject to availability of foreign exchange.

FORESTRY

Estates

We continue to actively engage with the relevant authorities to regain effective control over our estates. Our intention is to rehabilitate them for timber and agricultural purposes in line with the National Development Strategy (NDS1).

DIRECTORATE

There have been no changes to the Directorate.

COVID-19

The effects of the COVID-19 pandemic appeared to be on the wane at the end of the quarter, however, a resurgence in infections resulted in the re-introduction of the level 4 national lockdown on 2 January 2021. It is uncertain as to how long this will be effective. The Group continued to implement its safety and health prevention strategies.

OUTLOOK

The performance gains made in the first quarter are unlikely to be sustained in the second quarter owing to the lockdown, the tobacco packaging off-season and lower seasonal demand. The outlook for the rest of the year will depend on the success of the agricultural season, the possible impact of further COVID-19 lockdowns and the measures that the authorities take to tackle the macro-economic challenges.

By Order of the Board

J.P. Van Gend
Group Managing Director

68 Birmingham Road
Southerton
Harare

11 February 2021

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), F. Dzingirai* (Group Finance Director), P. Crause, P. Gowero (M. Valela, Alt), A. H. Howie, K. J. Langley, Q. Swart. *Executive Directors