

TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 JULY 2021

Operating environment

The operating environment remains difficult. There was a significant increase in pricing across the market in May 2021 following regulatory pronouncements. Inflation has remained relatively stable, however, interest rates on local borrowings continue to be unsustainably high. Reported backlogs in foreign currency settlement on the auction system have resulted in an increasing disparity between the official exchange rate and the rates obtaining on the alternative market.

National tobacco volumes of 200 mkg as of 31 July 2021 are 13% above prior year, whilst the tobacco national average price at US\$ 2.78/kg is 11% ahead of prior year. A good rainfall season has ensured that output of other agricultural commodities is likely to be well ahead of the previous season.

Financial performance

The Group achieved good volume growth across most business units and remains profitable. Revenue is ahead of prior year, for the quarter, by 9% (inflation adjusted) and 105% (historical cost). Adequate interest cover on borrowings is maintained with most working capital requirements funded from internally generated resources. The developments in the marketplace from May 2021 have increased pressures on margins and may adversely affect efforts to preserve value.

Volume performance

Tobacco Related Operations

Tobacco Sales Floor handled 16.7 mkg of tobacco in the quarter against 6.9 mkg handled in the comparative period, an increase of 143%. Of this volume, 60% was on behalf of tobacco contractors in Harare and the new decentralized floors in Karoi and Marondera in line with the group's strategic thrust.

Propak hessian volumes are cumulatively 21% ahead of prior year. Due to the earlier start to the tobacco trading season, most of these volumes were delivered in the first half of the year and consequently the volumes in this quarter are 30% lower, reflecting this timing difference.

Tobacco Related Operations

Agricura achieved strong volume growth across most product lines due to increased market share, stock availability and attractive pricing particularly on locally manufactured products.

Farming Operations

The prior year drought adversely affected yields for tobacco, banana and chillies as water had to be rationed due to low dam levels. However, the above-normal rainfall season has resulted in good yields for the maize, Seed maize and soya bean crops.

Logistics Operations

Bak Logistics recorded good volume growth over prior year in tobacco handling (28%), distribution (36%), ports (285%) and transport (117%) divisions. This growth was attributable to new clients being signed up and the commencement of transport services from decentralized tobacco floors. Storage volumes in FMCG and General cargo were well below the comparative period, due to global supply chain disruptions which resulted in product being moved directly to consumers.

Handling volumes at Premier Forklifts improved by 28% in the quarter while forklift sales remained depressed as customers slowed down on capital projects.

Avis' rental days are up 121% in the quarter due to lighter lockdown restrictions and commencement of international travel when compared with prior year.

Real estate operations

Occupancies remain satisfactory and voids levels are comparable to prior year.

Outlook

The Group continues to pursue its "moving agriculture" strategy in a difficult operating environment and to invest accordingly to create and preserve shareholder value. The availability of foreign currency and appropriately priced financing will assist in taking advantage of the existing growth opportunities. The effects of the global COVID-19 pandemic, particularly on global supply chains, continue and require ongoing management.

By Order of the Board



James Muchando
Company Secretary
15 September 2021