Nampak Zimbabwe Limited

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS ENDED JUNE 2022

TRADING ENVIRONMENT

The quarter ending 30 June 2022 saw an increase in volumes across the Group. This was partly due to the relaxation of Covid-19 lock-down regulations. The availability of foreign currency remains critical, as delays in settling allocations through the auction system were more apparent in the quarter where about US$2 million already allocated is still outstanding. Amounts of foreign currency for imports received from customers assisted in closing the gap. Imbalances within the supply chain continue with some orders delayed due to supply chain inefficiency. The increase in volumes was nevertheless negatively affected by inflation, and margins were under pressure due to increased competition.

PERFORMANCE

Revenue in inflation adjusted terms for the third quarter was 4% ahead of the prior year quarter and 283% ahead of the same period in historical terms. The cumulative revenue in inflation adjusted terms for the 9-month period was 18% ahead of the equivalent prior year period and 178% above the same period in historical terms. This is because of improved sales volumes and selling price adjustments for the period to date. The Group remained profitable despite gross margins and costs coming under pressure.

Net working capital increased mainly due to an increase in debtors. The Group had a cash holding of ZW$989 million at the end of the third quarter. The higher balance is due to receipts from customer prepayments during the period. The majority of this balance will be applied to stockholding and the settlement of trade payables.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Sales volumes at Hunyani Corrugated Division for the third quarter were up on the prior period by 27%. The tobacco case volumes were ahead of the same period last year due to additional orders secured from the region. Although demand for commercial volumes remains firm, volumes were in line with the prior period due to constrained raw material supplies.

The Cartons, Labels and Sacks business sales volumes for the third quarter were down on prior year by 35%, as demand for SO bags slowed down. Tobacco wrap deliveries were completed earlier, compared to prior year, and this contributed to the drop in volumes. Essential machine upgrades were completed on the bulk bags section at the beginning of the quarter and this is expected to result in improved production volumes in this section going forward.

PLASTICS AND METALS SEGMENT

Mega Pak

The third quarter sales volumes grew by 12% compared to the prior period. Increased demand in the preforms market and large injection moulding were the major contributors, although closures were down compared to prior year. The improved volumes were driven by the beverage manufacturers in particular. Exports into the Democratic Republic of Congo were lower although there is some indication of recovery in volumes.

CarnaudMetalbox

The sales volumes in the third quarter were 8% above the same period last year. Metal volumes were up 78%, with food can and crowns leading the recovery. In plastics, performance was mixed with higher closure volumes, 17% ahead of the previous year, but offset by reduced HDPE bottle volumes that were 20% below the prior period.

CAPITAL EXPENDITURE

Capital expenditure of ZW$451.2 million during the nine-month period under review relates mainly to projects started in the prior year or spares capitalised in line with IFRS requirements. Various projects are under active consideration and may be pursued, subject to availability of foreign currency. A large injection mould machine was damaged in transit by the transporter and its replacement is not expected to arrive before the financial year-end.

FORESTRY

Estates

Agricultural and horticultural development of the Maganga Estate near Macheke is well under way and is in line with the Government's National Development Strategy 1, following its issue of a lease over the property.

DIRECTORATE

There have been no changes to the Directorate.

COVID-19

The effects of Government's relaxation of Covid-19 regulations continue to impact the Group positively, as the increase in the order book is expected to continue. Neverthelss, the Group maintains a Covid-19 policy and strict adherence to safety standards remains in force for all stakeholders.

OUTLOOK

The overall situation facing the economy is more positive, with Government tightening up on the currency situation. The order book is full and demand continues to accelerate, with the main problem being our inability to source sufficient foreign currency for the importation of raw materials. Although more needs to be done by the authorities to address the macro economic challenges faced by businesses, the Group remains profitable and predicts a strong finish to the financial year-end, provided that current trends continue.

By Order of the Board

J P Van Gend
Group Managing Director

68 Birmingham Road
Southerton, Harare

29 August 2022

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

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