NAMPAK ZIMBABWE LIMITED

Nampak
quality distinction

Trusted brands belong in our cans

TRADING UPDATE FOR THE FIRST QUARTER OCTOBER TO DECEMBER 2024

TRADING ENVIRONMENT

The operating environment during the first quarter, which ended on 31 December 2024, experienced fluctuations in exchange rates, following a significant depreciation of the ZWG against the United States Dollar ("USD") at the end of September 2024. While disparities between the official and alternative market exchange rates continued, the narrowing of the gap provided a measure of stability during the review period. However, we faced increasing challenges with power supply, especially at the Ruwa plant, which limited our ability to fully meet customer demand. To mitigate this, we have successfully installed additional generator capacity at the Ruwa plant, which will make a positive difference.

Demand for packaging across all business units faced pressure due to intensified competitor activity, especially in the commercial segment. Additionally, we encountered supply chain disruptions with raw materials arriving via Beira Port, stemming from the political unrest in Mozambique following the disputed election results. Although the raw materials were ultimately received, the delays impacted our delivery capabilities during the festive season.

The ongoing macroeconomic challenges are not yet resolved and will inevitably affect demand, as the wholesale and retail sectors navigate considerable branch closures that threaten the sustainability of businesses.

FINANCIAL PERFORMANCE

Group revenue for the quarter, expressed in USD terms, was 23% lower than in the prior year period, while trading profit declined by 56%. This decrease in revenue reflects the reduced demand across all business units. Notably, the gross profit margin held steady compared to the previous year, whereas the trading profit margin experienced a 9% drop. This reduction in trading margin is largely attributable to the hyperinflation accounting effects from the prior year's comparative period. We have now transitioned to USD reporting after changing our functional currency, effective 1 April 2024.

BUSINESS PERFORMANCE

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging
In the first quarter, the Corrugated Products Division recorded a sales volume decline of 35% compared to the same period last year. This decrease is primarily due to heightened competition within the commercial segment and a reduced carry-over of late-season orders from tobacco merchants.

The Cartons, Labels, and Sacks Division achieved a 4% increase in sales volumes compared to the prior year, fuelled by a recovery in commercial sales. Although tobacco wrap volumes outperformed the previous year's figures, the overall growth in this area remains somewhat constrained.

PLASTICS AND METALS SEGMENT

Mega Pak
In the first quarter, we experienced a 13% decline in volumes compared to the same period last year. The intermittent power disruptions from the Zimbabwe Electricity Supply Authority (ZESA) have led to increased operational costs and a rise in plant breakdowns, stemming from the resultant stop-start production process. This has negatively affected our efficiencies and we have installed additional generator capacity to ensure more efficient operations going forward.

CarnaudMetalbox
Sales volumes for the first quarter were down 7% compared to the previous year. This decrease is primarily due to a significant reduction in metals volumes, which have lagged behind last year's figures as a result of raw material shipping delays. We expect these materials to arrive at the beginning of the next quarter. Additionally, plastic volumes were slightly below the prior year, but this was largely a consequence of some customers facing liquidity challenges, which temporarily affected their offtake.

DIRECTORATE

There were no changes to the directorate during the period under review.

OUTLOOK

The operating environment in Zimbabwe is undeniably complex, impacted by policy changes and currency instability. We expect that the Government will take decisive steps to effectively address the increasing risks of company closures and retrenchments. The Group will continue to focus on cost-containment measures to protect margins and drive profitability across all operating units.

The Group continues to trade under a cautionary notice regarding the pending disposal of Nampak Southern Africa Holdings Limited's shareholding in the Group to TSL Limited.

By Order of the Board

J P Van Gend
Group Managing Director

12 February 2025

68 Birmingham Road
Southerton
Harare

Directors: A. H. Howie (Chairman), J. P. Van Gend* (Group Managing Director), M. Matafeni* (Group Finance Director), A. Aldridge, S. H. Murray, M. Valela (A. Makamure, Alt) * Executive Directors

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