Dairibord Holdings
More Than Just Milk

Dairibord Holdings Limited AGM Trade Update

By

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Zimbabwe (Private) Limited

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THE FAMILY CHOICE

Macro-Economic Environment

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- The improved performance of the agric and mining sectors is positively impacting economic prospects at national level. The IMF revised 2017 Zimbabwe GDP growth forecast from -2% to +2%
- Foreign currency challenges persist despite inflows from agriculture and mining
- Government policy on imports through SI64 continue to benefit local industry
- Inflation reverted to a positive territory mainly driven by supply side constraints and subdued local output
- April 2017 YoY inflation was at +0.48% while MoM inflation was +0.055%. YoY inflation is projected by the IMF to close the year at +5%.

Performance Overview

- The business has been remodelled to align revenue and costs
- Revenue to end of April 2% below 2016. January and February were affected by incessant rains and system migration challenges during consolidation. March and April performance improved
- Selling prices per litre and market share remain stable
- Profit margins improved as operating costs are trending lower than prior year and in line with turnaround strategy
- Overall performance is better than last year, a manifestation of the benefits of the turnaround strategy deployed by the Group effective January 2017

Volumes & Revenue Drivers

- New UHT carton plant fully commissioned, supply of cartonised Chimombe now stable
- Product quality has significantly improved
- Enhanced information systems hence improved control environment around inventories and trade receivables
- SI64 positively impacting the Foods category

Raw Milk Supply

Raw milk intake declined due to:

- Incessant rains in January and February [which adversely impacted yields per cow] and
- Increased number of processors against flat national output

To mitigate the decline, milk powders are imported to bridge the gap and reduce the overall cost of milk

Milk supply base however remains strong

Business Restructuring

- Consolidation of operations progressing as planned
- Manning levels reduced by 10% from December 2016
- Rationalisation costs incurred to date at $866k vs. a budget of $1 million. Actual costs not expected to exceed budget.
- On track to meet savings target for the year

OUTLOOK

Outlook

Significant headwinds are expected going forward driven by:

- Projected weak economic performance - low disposable incomes
- Inflation driving cost of inputs upwards
- Continued challenges in accessing foreign currency
- Intense competition

2017 H1 Outturn

The overall outturn for H1 2017 is expected to be better than same period last year.

Performance will be underpinned by:

- Sustained benefits of SI64
- Good agriculture season and improved mining sector performance
- Consistent product supply benefiting from working capital enhancement and commissioning of new UHT carton plant
- Improved product quality
- Enhanced market execution through consolidated route to market
- Positive impact of turnaround initiatives – overhead costs trending lower than 2016

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Thank You