



PRESENTATION OUTLINE

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TRADING ENVIRONMENT



TRADING ENVIRONMENT

INFLATION

- May 2022 all items Y-o-Y inflation at 131.7%, a three digit figure since June 2021.
- Rising local inflation as a result of the devaluation of the Z\$.
- Increase in cost of imported inputs, giving rise to imported inflation.
- Continued high cost of raw milk, raw and packaging materials, utilities, fuel and labour, contributed to cost push.

DEMAND

- Erosion of disposable incomes, negatively impacting aggregate demand.

TRADING ENVIRONMENT CONT'D

SUPPLY

- Covid-19 still causing supply chain disruptions (lock downs in China).
- Geo-political developments in Europe with the Russia- Ukraine war aggravating supply disruptions.

COVID- 19

- COVID-19 was relatively contained in Zimbabwe, allowing business to largely operate uninterrupted.

FOREIGN CURRENCY

- Foreign currency shortages and depreciation of the local currency continued.
- WBWS rate adopted and is expected to improve price discovery.
- Price distortions in the foreign exchange market still persist.

TRADING ENVIRONMENT CONT'D

FINANCING

- Low market liquidity.
- High interest rates and short term loans.
- Long working capital cycles, a result of delayed auction disbursements.

UTILITIES

- Escalating costs and inconsistent supply of utilities, especially electricity and water, disrupting operations.

TRADING ENVIRONMENT CONT'D

AGRICULTURE OUTPUT

- Lower than expected output during the 2021/2022 cropping season resulting in measures such as:
 - Reversal of a ban on maize imports;
 - Procurement of maize from Zambia and Malawi to buttress food security;
 - Import tariff suspension on a range of basic commodities, including maize meal.
- Grain supply challenges resulting in increases in price of stock feeds, threatening viability of dairy farming and national raw milk production.

MAY 2022 YTD PERFORMANCE



MAY 2022 YTD PERFORMANCE HIGHLIGHTS

Overall performance was not spared by headwinds in the operating environment.

Raw Milk Utilised	<ul style="list-style-type: none">• Same compared to prior year.• The company has retained its position as the processor with the highest milk intake.	●
Sales Volume	<ul style="list-style-type: none">• 13% increase over prior year, mainly driven by significant growth in beverages and foods.	▲
Revenue	<ul style="list-style-type: none">• 165% growth in historical terms.	▲
Foreign Currency	<ul style="list-style-type: none">• Foreign currency generation grew by 145% and accounted for 40% of volume sold.• Exports grew by 94% compared to prior year.• Domestic fx earnings grew by 158% compared to prior year.	▲

MAY 2022 YTD PERFORMANCE HIGHLIGHTS CONT'D

Material Costs	• Growth in material costs was 165% compared to prior year, but contained within revenue growth.	▲
Overheads	• Overheads grew by 153% against a revenue growth of 165%, a result of cost containment initiatives.	▲
Interest Bill	• 130% growth over prior year.	▲
Operating Profit Margin	• 8% compared to 7% in prior year.	▲

- Commissioned 2nd UHT filler.
- Commissioned ambient Cascade.
- Invested in fleet to enhance distribution, reduce costs and enhance revenue.

OUTLOOK



SHORT TERM OUTLOOK

- Global growth slowdown.
- Supply chain disruptions due to Russia - Ukraine war and uncertainty over the COVID 19 pandemic (lock downs in China).

Increase in foreign currency inflows as commodities are expected to benefit from continuing high international prices.

Dual currency regime to subsist.

SHORT TERM OUTLOOK CONT'D

- Negative impact of fuel price increases on business.
- Inflationary pressures expected to worsen, posing a threat to business performance.

- SI 98 to increase consumer options and competition to business.
- Some local businesses will benefit from duty free imports (sugar, oils, milk powders).

- Erosion of disposable incomes affecting aggregate demand.
- Increasing wage demands.

SHORT TERM OUTLOOK CONT'D

- High cost of borrowing and short tenures (Bank policy rate up from 60% to 80%).
- Profit margins to remain under pressure due to cost push.

STRATEGIES



STRATEGIES

Management will focus on:

1 **Volume Growth**

Volume growth mainly driven by:

- Foods and beverages benefiting from the 2nd UHT filler.
- Introduction of ambient Cascade
 - To widen and deepen reach in the domestic market;
 - Opportunities for the export market;
 - Reduction in distribution and storage costs.

2 **Raw milk supply growth:**

Competitive pricing of raw milk with partial payment in foreign currency to farmers.

STRATEGIES CONT'D

3 Value Preservation

- Intensifying foreign currency mobilization
- Prioritising cash and near cash generating channels
- Investments in plant and equipment
- Investing in inventory

4 Growth of market share

Increasing consumer offering through line extensions.

5 Cost containment

DIVIDEND

The directors revised the announced dividend position in the best interests of the company and shareholders, at the relevant time. The board will reconsider the dividend position at half year of 2022.

CONCLUSION

Notwithstanding the challenges in the operating environment, the business remains in good stead

- with growing volumes
- increasing foreign currency generation driven by people and brands

Our products remain in position 1 and 2 in the categories within which they participate

We remain alive to the environment within which we operate and clean energy, water recycling and CSR remain key focus areas



THANK YOU