



**Dairibord
Holdings**
More Than Just Milk

TRADING UPDATE

For the Period Ended 30 September 2022

*Nutritious Foods and Beverages for
the Sustenance of Good Health*

OPERATING ENVIRONMENT

The operating environment for the three months to 30 September 2022 was mainly characterized by tight monetary policies in response to extreme inflationary challenges of the first half of the year. This resulted in liquidity challenges across the value chain, constraining aggregate demand and growth of the business.

Month on month inflation decreased during the quarter, an indication of deceleration of price increases. Despite the stability, exchange rate disparities impacted competitiveness and suppressed demand in the formal trade, as consumers shifted to the informal trade.

Global and regional economies remained negatively affected by increases in global inflation, a surge in fuel prices and continued disruptions to supply chains due to the impact of geo-political developments.

PERFORMANCE

Sales volumes for Q3 contracted 7% compared to the same period last year. Performance was affected by the changes in the operating environment that reduced sales volumes in July and August. The volumes recovered in September, exiting the month at 6% above prior year.

The cumulative sales volumes for the nine months were 5% above prior period with Foods and Beverages growing 21% and 12% respectively. Liquid Milk sales volumes declined 13% on account of raw milk supply challenges. Raw milk utilized for the period at 19.8m litres, was 3% lower than prior period and accounted for 32.9% of the intake received by processors. Dairibord remains the processor with the highest raw milk intake and widest milk intake base in the country.

The Group's focus on export market development was evident. Regional markets responded positively in the quarter. Export sales volumes for the quarter grew 118% compared to the same period last year and 101% for the cumulative period. Exports accounted for 11% of total sales in the quarter (5% in Q3 of 2021) and 9% for the cumulative period (4% in 2021). Revenue for the quarter in inflation adjusted terms was 39% above Q3 2021 (421% in historical terms). Year to date inflation adjusted revenue was 39% above same period last year (287% up in historical terms).

While revenue for the cumulative period grew by 39%, operating costs grew by 38% on account of cost containment measures and improved operational efficiencies. Resultantly, the operating profit margin improved to 7% from 6% in the prior period (10% from 8% in historical terms).

Management restructured borrowings to minimise the negative impact of the prevailing interest rates. As at the end of September 2022, total borrowings were at ZW\$2,213 billion, including foreign currency loans of US\$ 2.1million. In US\$ terms, the loans were at US\$3.6 million (at a Willing Buyer Willing Seller exchange rate of 647). The business remains fairly liquid with a current ratio of 1.3 times.

OUTLOOK

The Company has invested in processing capacity to close the current supply gap and to take advantage of opportunities arising from national economic growth, driven by agriculture, mining and beneficiation projects in oil, gas, lithium, platinum, gold, chrome and steel. However, inconsistent supply and high cost of utilities such as water and electricity remain a major challenge. Focus on operational efficiencies and cost containment remains a priority.

We target to achieve above average top line growth, driven by increased focus on domestic and export markets, improved product availability and an optimized route to market.

By Order of the Board

Maurice Karimupfumbi
Acting Company Secretary
10 November 2022