Dairibord Holdings
More Than Just Milk

TRADING UPDATE

FOR THE PERIOD ENDED 31 MARCH 2023

OVERVIEW

The business demonstrated steady volume growth month on month in Q1 exiting at 14% versus last year. The performance was driven by a sustained increase in production output and improved distribution across the country. The reduction in ZWL interest rates had a positive impact on interest costs. However, there was significant pressure from the devaluation of the ZWL vs US$ on the financing and operating costs. On aggregate, performance for the quarter was a good start for the year and the business will drive for growth for the rest of the year.

OPERATING ENVIRONMENT

The operating environment remained challenging at the back of tight monetary policy, shortages of foreign currency, depreciating local currency, and severe power cuts affecting production. In February and March 2023, the Reserve Bank of Zimbabwe reduced the lending rates from the previous 200% to 150% and 140% respectively. Despite the reduction, inflation on the ZWL continued to soar putting pressure on business performance.

The adoption of the use of the blended CPI to track inflation saw the year-on-year inflation as of 31 March 2023 at 87.6% against a high of 285% in August 2022. The absence of separate ZWL inflation indices will cause challenges in ZWL reporting going forward.

PERFORMANCE

Raw Milk

According to the Dairy Services unit of the Department of the Veterinary Services of Zimbabwe, national raw milk production grew 5% compared to the prior year and milk received by processors grew 8% to 20.747 million(m) litres.

Raw milk processed by the company at 6.863 m litres was 7% ahead of the same quarter last year and accounted for 33% of the milk received by processors. This growth was directly translated into sales growth of the liquid milks segment.

Sales Volume and Revenue

Sales volumes for Q1 were 14% above the same period last year supported by investments in capacity to meet market demand. Foods contracted by 8%, Milks grew by 7% and Beverages grew by 20%. Volumes sold in US$ increased by 68% to 15.3 m litres and accounted for 58% of the total sales up from 39% in the same quarter last year.

In historical terms, revenue grew 534%, with US$ revenue from the export market growing by 6%. Operating costs increased by 524% resulting in the operating profit margin improving by 2 percentage points to 6% up from 4% achieved in the same quarter last year.

OUTLOOK

The operating environment remains challenging and globally, economic growth will be slow due to the overhang of the COVID-19 pandemic, increased interest rates, and the effects of disruption to global supply chains.

Erratic supply and high cost of quality water and electricity are expected to persist, increasing the cost of production, and disrupting operations. Management will continue to engage in strategic partnerships and explore initiatives for alternative energy models and efficient production methods.

Management will optimize the newly installed capacity for volume growth in 2023 and will continue to seek value-adding opportunities. We will leverage initiatives in raw milk production growth, our diversified product portfolio, effective pricing models, and route-to-market strategies for sustained growth. Cost containment and cost reduction through improved productivity and efficiencies are also key focus areas to improve profitability.

By Order of the Board

M. Karimupfumbi
Acting Company Secretary

28 April 2023