

# INNSCOR AFRICA LIMITED

# TRADING UPDATE

Third Quarter ended 31 March 2023



Our passion for value creation

Innskor Africa Limited hereby issues the following trading update for the Third Quarter of F2023, which ended 31 March 2023.

## TRADING ENVIRONMENT AND GROUP SUMMARY

The Group operated under turbulent economic conditions during the Third Quarter as the market experienced significant inflationary pressure, currency instability, and constrained local and foreign currency liquidity, which gave rise to weakening disposable income within the consumer market. In addition, a marked loss of business sentiment was impacted further by uncertainty across the international financial and political landscape.

While consumer demand remained relatively buoyant across the informal trade, the formal market continued to face a crowding-out effect arising from policy-induced pricing distortions and resultant arbitrage evident across the formal trade. These effects were further aggravated by a hostile, uncertain, and ambiguous taxation system severely impacting formal business. The Group remains hopeful that the authorities will swiftly act to eradicate such market inefficiencies to stimulate aggregate demand and arrest the contraction of the formal market.

Notwithstanding the challenging environment, volume performance for the Group, on a cumulative nine-month basis, remains ahead of the comparative period. The Protein, Beverage and Light Manufacturing segments registered pleasing volume growth, whilst volumes for the Mill-Bake segment continued to recover into Quarter Three.

The short to medium-term outlook remains uncertain, especially in the formal trade, exacerbated by the economic conditions highlighted above. These challenges are expected to persist for the foreseeable future. The Group remains resilient in its efforts to sustain volume growth and maximise capacity utilisation, particularly across the Group's new investment areas. Our management teams remain focused on cost containment, ensuring efficient route-to-market strategies are employed and that our trading models are appropriately geared to suit difficult economic conditions.

## BAKERIES

Loaf volumes within the Bakery division continued to recover into Quarter Three. However, on a cumulative nine-month basis, volumes closed marginally behind the comparative period, driven mainly by the international wheat pricing dynamics experienced during Quarter One. The operation's new world-class production line in Bulawayo is expected to reach final commissioning imminently.

## NATIONAL FOODS

At National Foods, volume performance, from a cumulative nine-month perspective, was 5% behind the comparative period:

- The Flour division recorded volumes 18% behind the comparative nine-month period, driven largely by the international wheat pricing dynamics seen in Quarter One, which resulted in affordability challenges in the downstream bread category. In addition, the flour milling market saw several new players enter, heightening competition in the category.
- The Stockfeeds division has seen encouraging volume recovery in the last two quarters after a challenging first quarter. The division registered 4% volume growth over the comparative nine-month period.
- Similarly, the Maize division has seen firm volumes recorded in quarters two and three, and on a cumulative nine-month comparison, volumes remained at similar levels. National Foods has launched several Sorghum and Millet based products under the division, providing a wider range of healthy starch options for the consumer.
- The Downpacked division, comprising mainly salt and rice, has shown steady volume growth over the period. Volumes within the division closed 15% ahead of the comparative nine-month period.
- The Snacks division continues its strong volume trajectory, recording a 27% increase in volumes over the comparative nine months, mainly in the hard snacks category, while the "King" range continues to lead the market in the soft snacks category.
- The Cereals, Culinary, and Baby division ("CCB") delivered volume growth of 42% ahead of the comparative nine-month period. The division launched a new breakfast cereal range comprising flakes and instant cereals in December 2022, and market uptake has been extremely encouraging.
- The Bulawayo-based flour mill is in an advanced stage of development and is expected to be commissioned in June 2023, while work continues on the new pasta and biscuit plants in Harare, and it is expected that these plants will be commissioned in late 2023.

## COLCOM

The Colcom division, comprising Triple C Pigs and Colcom Foods, continued registering solid volume growth, mainly driven by the fresh pork category, which delivered growth of 9% over the comparative nine-month period. Pig production continues to improve, with overall pig supply registering a 3% growth over the comparative nine-month period.

Colcom Foods continues its investment drive to upgrade and modernise its factory operations at the Coventry Road site in Harare, while investment to further expand upstream piggery operations is also underway. The new feed mill at Triple C Pigs will be commissioned in the next quarter.

## IRVINE'S

At Irvine's, cumulative nine-month volumes for the table egg and day-old-chick categories closed 18% and 7%, respectively, ahead of the comparative nine-month period. The frozen poultry category continued to operate near capacity, and volumes remained in line with the comparative nine-month period. Production at Irvine's continues to be supported by targeted investment across its value-chain to expand operations and unlock operational efficiencies.

## ASSOCIATED MEAT PACKERS ("AMP")

The AMP Group registered an aggregate volume growth of 6% over the comparative nine-month period. In the beef category, volumes recovered well despite local supply continuing to be constrained on account of disease challenges. Within the chicken category, consumer demand remained firm, and volumes on a cumulative nine-month basis closed ahead of the comparative period.

AMP opened four new "Texas" branded retail outlets during the nine-months, bringing the total number of stores under management to fifty. The focus remains on driving volume throughput and ensuring convenience and affordable pricing of high-quality protein products to the consumer.

## NATPAK

At Natpak, volumes closed 3% ahead of the comparative nine-month period, with favourable growth registered across all four divisions. Capacity utilisation within the Rigids division continues to see improvement, supported by strong demand in the preform channel; the division registered 3% volume growth over the comparative nine-month period. Within the Corrugated division, strong demand for commercial boxes and egg trays drove volumes to close 4% ahead of the comparative period, while the Flexibles and Sacks divisions continued to experience stable demand, and volumes closed slightly ahead of the comparative period.

## PRODAIRY

Pro dairy delivered 36% volume growth over the comparative nine-month period driven by the "Revive" dairy blend category, which delivered volume growth of 65%. The "Life" UHT Milk, Butter, and Cream offerings also delivered strong volume growth, while the Maheu category registered volumes consistent with the levels seen in the comparative nine-month period.

The business continues on a strong expansionary drive, which will see additional capacities across key production lines introduced during the next financial quarter.

## MAFURO FARMING

Mafuro Farming increased raw milk production by 8% over the comparative nine-month period, underpinned by the expansion of the milking herd and production efficiencies. The business is currently focused on commissioning its new state-of-the-art dairy operation in the Midlands, which is expected to reach scale early in the new financial year.

## PROBOTTLETS

Pro bottlers delivered overall volumes which were 9% ahead of the comparative nine-month period, mainly driven by investment undertaken to increase the production capacity of the 500ml "Fizzi" line during the previous financial year. Volumes within the Cordials category remain behind the comparative period on account of the previously cited grey-market import pressure evident in the trade, whilst both categories continued to face challenges as regards viable sugar pricing and trade terms.

Pro bottlers has developed an exciting range of new beverage products to complement the existing CSD and Cordial categories; these products are expected to be available to the market in the coming months.

## THE BUFFALO BREWING COMPANY ("TBBC")

TBBC introduced its new sorghum beer offering under the "Nyathi" brand in December 2022. Market uptake has been pleasing during its first quarter of operation, and volume performance has met expectations.

## PROFEEDS (ASSOCIATE)

At Profeeds, solid volume growth was achieved across its core categories. The Stockfeed division continued to operate at capacity and registered a growth of 11% over the comparative nine-month period, supported by strong demand within the key poultry market, to deliver a 24% growth in day-old-chick volumes over the same period.

The "Profarmer" retail network continues to expand its footprint countrywide, with several new locations opened during the period. Over the comparative nine-month period, the division realised favourable growth across its entire product range of agricultural inputs.

## NUTRIMASTER (ASSOCIATE)

The "Nutrimaster" fertiliser operation delivered volume growth of 17% ahead of the comparative nine-month period, supported by a strong order book emanating from the most recent summer row-cropping and tobacco seasons.

## PROBRANDS (ASSOCIATE)

At Probrands, despite aggregate volumes lagging on a cumulative nine-month basis due to the business' restructuring initiatives, favourable volume growth was realised across the Finished Goods and Condiments categories, closing 10% and 26%, respectively, ahead of the comparative nine-month period. The business remains focused on creating innovative household and condiment brands for the Zimbabwean market.

By order of the Board  
INNSCOR AFRICA LIMITED

AD Lorimer  
Company Secretary  
Harare  
15 May 2023