

INNSCOR AFRICA LIMITED

TRADING UPDATE

First Quarter ended 30 September 2023



Our passion for value creation

Innskor Africa Limited hereby issues the following trading update for the First Quarter that ended 30 September 2023.

TRADING ENVIRONMENT AND GROUP SUMMARY

The Group operated under relatively stable trading conditions during the quarter, which was characterised by reduced inflationary pressure and currency volatility following various policy measures implemented by the authorities. Recent policy announcements regarding the extension of the multi-currency environment until 2030 are extremely positive and will enhance capital allocation strategies over the medium-term, whilst efforts to remove the pricing distortions in the formal trade will normalise the competitive landscape and ultimately benefit the end-consumer.

The Group registered favourable volume growth across the portfolio during the quarter under review. Notable volume recovery was delivered in the Mill-Bake segment, whilst the volume growth recorded across the Protein, Beverage, and Light Manufacturing businesses in the previous financial year was sustained into the quarter under review, driven by the significant expansion investment made across the Group over the last two financial years, and which was targeted at expanding existing capacity, modernising plant and equipment, and venturing into new product categories.

Notwithstanding the relative macroeconomic stability experienced in the quarter under review, trading dynamics remained complex and challenging, mainly in respect of constrained liquidity and the previously reported pricing distortions in the formal trade. Our management teams remain focused on ensuring business models are constantly refined to suit the ever-changing trading environment, whilst volume growth and the achievement of optimal operational cost efficiencies remain key metrics in assessing overall business performance. Management of working capital and financing remain vital determinants in ensuring that the strong free cash flows recorded in F2023 continue to be delivered across the Group's operations.

BAKERIES

The Bakery division recorded a firm recovery in loaf volumes, closing 39% ahead of the comparative quarter, which had been impacted by raw material cost push pressure following the outbreak of the conflict in Eastern Europe.

The division recently commissioned a state-of-the-art bakery operation in Bulawayo, whilst further automation initiatives are currently underway in the Harare factory. The division also extended its "Baker's Inn Express Shop" footprint during the quarter, with 120 shops now in operation; a creative initiative to empower the extensive vendor network across the Country, and improve convenience to the consumer.

NATIONAL FOODS

Aggregate volumes at National Foods closed 17% ahead of the comparative quarter, mainly driven by a strong recovery across the Flour and Stockfeed businesses:

- Volumes in the Flour division closed 19% ahead of the comparative quarter, owing largely to the stabilisation of international wheat pricing, which allowed for affordable bread pricing to the consumer. Commodity prices have largely returned to more typical levels over the last year.
- The Stockfeed division registered 21% growth over the comparative quarter, with the poultry category continuing to drive volume momentum.
- The Maize division had a challenging quarter from a volume perspective, as the first quarter represents the seasonal low in maize as the local crop is harvested. Volumes were also impacted by the prevalence of cheap imported maize meal, notably in the southern part of the Country.
- The Downpacked division saw a slight overall volume reduction following the Indian rice export ban enforced during the quarter. Demand across the salt and FMCG categories remained firm during the quarter, and pleasing growth was realised in these categories.
- Volumes in the Snacks division improved 31% against the comparative quarter. The division continues to receive meaningful investment targeted to expand capacity and ensure the division can satisfy the growing market for both hard and soft snacks.
- The CCB division, which produces a range of breakfast cereals under the "Nutri Active" range, had a challenging quarter, as sales were impacted by some of the disruptions faced in the formal trade. The newly launched range of affordable and healthy breakfast cereals has been very well received by consumers, and an intense effort is being made to ensure efficient sales and distribution of these new and exciting products.

COLCOM

The Colcom division, comprising Triple C Pigs and Colcom Foods, maintained volume momentum during the quarter under review, with the processed lines delivering volumes in line with the comparative quarter, whilst the fresh pork category recorded 2% growth. Triple C Pig volumes closed at the same level seen in the comparative quarter. The division remains occupied with upstream piggery expansion and enhancement initiatives, including the recently commissioned stockfeed production facility, whilst various upgrades are ongoing at the Colcom Foods' Coventry Road factory.

IRVINE'S

At Irvine's, volume growth was concentrated across the Frozen Poultry and Day-Old-Chick categories, growing 14% and 7% over the comparative quarter, respectively. The Table Egg category continued to operate at capacity and delivered volumes consistent with the comparative quarter.

ASSOCIATED MEAT PACKERS GROUP ("AMP")

The AMP Group registered 37% overall volume growth over the comparative quarter, driven by a strong recovery in beef volumes which increased 58% over the comparative quarter, whilst chicken volumes closed 6% ahead of the same period.

NATPAK

At Natpak, overall volumes closed 17% ahead of the comparative quarter, driven by a 13% growth in the Sacks division and 31% in both the Rigids and Corrugated divisions. Investment across all four divisions is ongoing, focused on expanding existing capacities and extending manufacturing capabilities to improve the serviceability of the local market.

PRODAIRY

Pro dairy continued its solid growth trajectory, with overall volumes closing 56% ahead of the comparative quarter, underpinned by the significant capacity expansion investment deployed over the last 12 months. The Dairy Blend category, operating under the "Revive" brand, continued to record exceptional performance, with volumes closing 72% ahead of the comparative quarter. The UHT Milk category, operating under the "Life" brand, benefitted from increased raw milk intake, and closed 18% ahead of the comparative quarter, whilst the Maheu, Butter, Cream, and Steri Milk categories all delivered growth over the same period.

Pro dairy launched its new spoonable yoghurt product, under the "Life" brand, to the market during the quarter, and initial market uptake has been pleasing. Capacity expansion across the Dairy Blend and Maheu categories continues, coupled with additional product formats, which will be introduced to the market in the coming period.

MAFURO FARMING

At Mafuro Farming, raw milk supply increased significantly against the comparative quarter, driven by investment to expand the milking herd across the three farming operations. The business recently commissioned its world-class dairy in the Midlands, and expects further raw milk supply growth as the milking herd transitions into full production.

PROBOTTLERS

Probottlers delivered total volume growth of 23% over the comparative quarter, driven by the CSD category, operating under the "Fizzi" brand, which registered an increase of 33% over the comparative quarter. The Cordial category, operating primarily under the "Bally House" brand, also registered favourable growth for the quarter.

Probottlers introduced an array of new products during the quarter under review, including an Energy Drink offering under the "Mammoth" brand, a Sports Drink under the "Activ8" brand, and bottled water under the "H2Go" brand. Market uptake has been very pleasing.

THE BUFFALO BREWING COMPANY ("TBBC")

TBBC launched its sorghum beer product under the "Nyathi" brand in December 2022, and volume performance remains aligned with target.

NUTRIMASTER

Nutrimaster recorded volume growth of 81% over the comparative quarter, driven by strong demand by winter wheat producers. The business has a strong order book across commercial and small-scale customers ahead of the summer cropping and tobacco seasons, and continues to expand its agri-chemical offering under the "OptiChem" brand.

PROBRANDS (ASSOCIATE)

At Probrands, volumes lagged the comparative quarter following the change in business strategy away from lower-margin, commoditised categories, to innovative, higher-margin, household, and adjacent condiment products for the Zimbabwean consumer.

PROFEEDS (ASSOCIATE)

Profeeds continued to operate at capacity during the quarter, and stockfeed volumes closed 14% ahead of the comparative quarter on the back of sustained demand from small-scale poultry producers, which also contributed to similar growth for the Day-Old-Chick category.

The Profarmer retail network comprising 57 stores nationwide continues to drive pleasing volumes across its all-encompassing agricultural product range.

By order of the Board
INNSCOR AFRICA LIMITED

AD Lorimer
Company Secretary
Harare
14 November 2023