



TRADING UPDATE

FIRST QUARTER (JULY - SEPTEMBER 2023)

National Foods hereby issues the following trading update for the quarter ended 30th September 2023.

Economic Environment and Trading Performance

- The economic environment was relatively stable in the quarter, with a reduction in inflation following various measures implemented by the authorities.
- The recent announcement regarding the continued use of the multi-currency environment until 2030 is most welcome and allows for clear long term planning in the business.
- The distortions impacting the formal retail trade continued during the period. Towards the end of the quarter, various measures were implemented to correct some of the distortions. Our hope is that in time these measures will level the playing field such that both the formal and informal trade can compete fairly in servicing the consumer.
- The local wheat harvest is underway, and the size of the crop appears to be encouraging. To date, National Foods has purchased the wheat grown under the PHI/A-Growth contract scheme, amounting to some 40,000MT.
- From a trading perspective, performance for the quarter registered a general improvement compared to the previous 2 quarters, which were very challenging for the Group.
- Volumes for the quarter at 137,000 tons were 16.8% ahead of last year, driven by strong performances in Flour and Stockfeeds.
- Revenue for the quarter was US\$ 81.9 million, a 5.6% increase over last year. Revenue growth was less than volume growth due to the declining raw material prices, which fed through to lower selling prices to the consumer.
- The performance by category is summarised in the table below:

| Category | Q1 vs. Prior Year |
|------------|-------------------|
| Flour | 19% |
| Stockfeeds | 21% |
| Maize | -9% |
| Downpacked | -5% |
| Snacks | 31% |
| CCB | -4% |
| Group | 16.8% |

- Flour volumes registered a recovery relative to last year, where volumes were impacted by raw material cost push following the outbreak of war between Ukraine and Russia, which in turn pushed bread prices over \$1 per loaf. In general, commodity prices have largely returned to more typical levels over the last year.
- Volumes in the Stockfeeds unit have again shown encouraging growth, with this momentum continuing to come from the Poultry category.
- The Maize unit had a challenging quarter from a volume perspective. 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 south of the country.
- The Downpacked unit saw reduced volumes, as we had to restrict rice sales following the Indian ban on rice exports. This ban impacted the global rice market, and although we now have a reasonable pipeline of stock, international rice prices have increased significantly over the last few months. Our expectation is that consumers may partially convert to alternative starches until the market settles.

- The Snacks unit registered quarterly volume growth of 31% compared to last year. Investments in increasing the capacity of the snacks platform have continued, ensuring we can satisfy the growing market for our snacks products.
- The CCB unit, which produces a range of breakfast cereals, had a disappointing quarter, with volumes declining by 4% relative to last year. Sales were impacted by some of the disruptions in the formal trade. The newly launched range of affordable and healthy breakfast cereals has been very well received by consumers, and intense effort is being made to get these products to the market.

Update on New Investments

- The Group continues to invest heavily in both its existing as well as new facilities. Investment for the past 2 financial years (covering the period July 2021 to June 2023) has amounted to US\$ 26 million. The Board has approved additional projects valued at US\$ 15 million, which are currently at various stages of execution, and most of which will be concluded during the 2024 calendar year.
- Apart from the new state of the art flour mill installed at our Bulawayo site, the investments made over the last 2 years largely see National Foods moving up the value chain to produce a broader range of products for the consumer such as breakfast cereal, biscuits, pasta and snacks. Many of these products were previously imported.
- The update on the specific projects is as follows:
 - The Bulawayo flour mill was commissioned mid-2023, and we are delighted at the results it is producing
 - The new Pasta and Biscuit plants which are being installed at Stirling Road are progressing according to plan. The civil work has now been completed and mechanical installation of the equipment is underway. We expect that both plants will be commissioned early in 2024
 - The Aspidale rice packing facility will be extended and upgraded during 2024

Outlook

- Whilst volumes and the general trading environment have both recovered to an extent compared to recent quarters, the overall trading environment remains challenging.
- Specifically, costs continue to increase in real terms and we are largely unable to recover these costs from the consumer with our desire to grow volumes. Consumer spending power continues to be impacted by the generally constrained liquidity.
- With this in mind, it remains imperative that we continue to drive operational and cost efficiencies across our various manufacturing platforms.
- Intense focus is being placed on landing the new ranges of breakfast cereals, biscuits and pasta in the market.
- In conclusion, we welcome the pro-business orientated policies promulgated in the recent past, and look forward to seeing a continued and steady improvement in the economy.

By order of the Board

NATIONAL FOODS HOLDINGS LIMITED

LC Howes
Company Secretary
Harare
14th November 2023