



# ARISTON

HOLDINGS LIMITED

(A public company incorporated in the Republic of Zimbabwe under company registration number 254B 104/1947)

## TRADING UPDATE FOR THE 1ST QUARTER ENDED 31 DECEMBER 2022

### ENVIRONMENT

In spite of the dry spell that was experienced at the operations in Chipinge and Chimanimani in October 2022, higher rainfall has since been received at an average of 396mm of rain in the first quarter of the 2022/2023 season. This rainfall was significantly higher than what was received in the comparative prior period. The rains received at Kent Estate were adequate to germinate dryland planted maize, while potato harvest was also not disrupted.

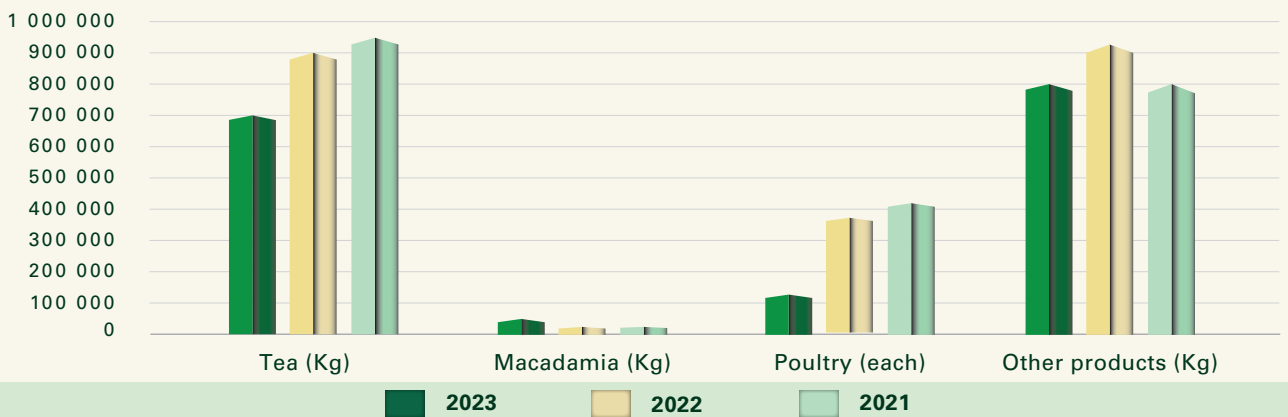
Operations continued to be affected by increasing inflation which was at an annual rate of 243.8% as at the end of the quarter compared to 60.7% in the prior comparative period. Disposable incomes continued to decline, thereby adversely affecting local revenue.

Incessant power-cuts were experienced and these had to be mitigated by use of costly alternative sources.

### BUSINESS PERFORMANCE

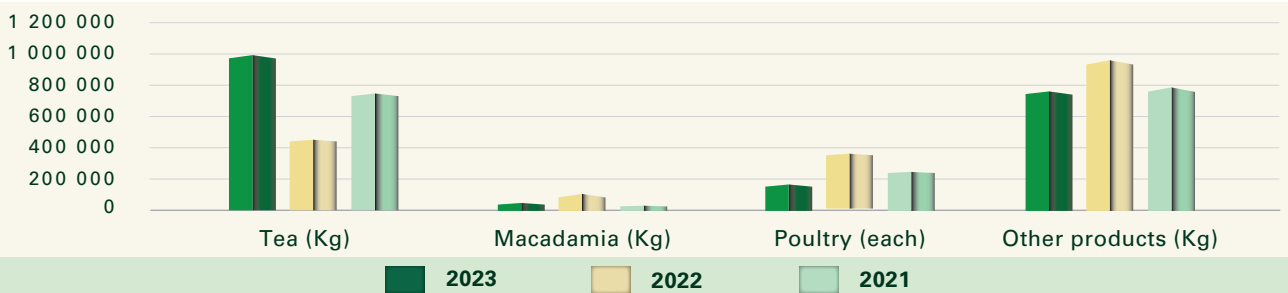
#### Volume performance:

1st Quarter Production Volumes



- The dry spell experienced in October 2022 delayed the start of the current year tea harvesting period. However, this situation was temporary with weather conditions improving from November 2022 onwards. As a result, production levels are on an upward trajectory. In this current year, the Group has increased its focus on improving tea quality so as to grow its export sales volumes as the local economy is expected to continue to face headwinds. This shift in focus will result in lower tea production than in prior year in terms of overall quantity but will result in higher volumes of export grade teas than in the previous year. Increased export sales will translate to increased profitability which mitigates against the effect of the low performance of the local market on the Group's financial well-being. Results on the ground so far, have shown that this strategy will improve overall tea performance.
- The harvest of macadamia nuts begins in March hence the minimal production levels. The volumes for early drop macadamia nuts were 91% ahead of prior comparative period.
- Poultry is produced on an out-grower model for the largest producer in Zimbabwe. There was a reduction in the number of poultry placements in the current period, thereby resulting in a decline in produced volumes. The reduction was due to the timing of placements.
- Other products consist of potatoes and bananas. Banana production volumes had a 14% increase from the prior comparative period due to the heavier rains received in the current period. In the current period, planting of potatoes was delayed to avoid losses normally experienced when the fields are too waterlogged for potato harvesting. As a result of changes in timing of potatoes, harvesting commenced in January 2023, whilst in prior year, harvesting occurred in December. Thus the timing difference resulted in a 32% decline in production volume as at 31 December 2022.

1st Quarter Sales Volumes



- The current period registered an increase in total tea sales volume from the prior comparative period. This was due to various reasons. The Group closed the financial year ended 2022 with some tea stocks which were sold in the current period. The global economy activity recovered from the impact of the Covid-19 pandemic while global shipping shortages have improved resulting in a 229% increase in export tea sales. Local tea sales volumes registered a 102% increase in volume as demand from local customers improved.
- Although macadamia nut production volumes increased, sales volumes declined. This was due to prior period having late macadamia exports which didn't occur in the current year.
- Sales of Poultry and Other Products were in line with production volumes.

### FINANCIAL PERFORMANCE

There was a 27% decline in revenue compared to the prior comparative period. The decline was attributable to potatoes which were sold in December in prior year whereas in the current year, these were sold in January 2023. Further, timing of poultry placements contributed to the revenue decline and the late season macadamia export in prior year boosted prior year revenue. Overall, these issues are all about differences in timing and will reverse as the year progresses.

### OUTLOOK

Normal to above normal rainfall is anticipated for the rest of the year. The automation processes that were implemented during the prior financial year are expected to continue yielding improved quality for both tea and macadamia nuts. An improvement has been experienced in the average selling prices of both local and export tea and this is expected to continue. Early indications on macadamia production volumes and quality are showing an improvement. It is still too early to determine the indicative macadamia selling prices, however, management believes that these should be in line with the prior year depressed price and that a real recovery in macadamia prices should be more evident in 2024.

The Group continues to focus on cost containment measures, and improving production processes and product quality. It is hoped that Government promotes a more stable policies environment so as to enable business to make better long term decisions.

#### By Order of the Board

**N. Ncube**  
Company Secretary

25 January 2023

**DIRECTORS:** Mr. A.C. Jongwe (Chairman), Mr. P.T. Spear\* (Chief Executive Officer), Mr. I. Chagonda, Mr. C.P. Conradie, Mrs.T.C. Mazingi, Mr. J.W. Riekert. \* Executive

