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Power of Partnerships

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS TO DECEMBER 2019



ECONOMIC ENVIRONMENT

The trading environment for the period under review was characterised by economic challenges that included depreciation of the local currency and a rise in inflation. The exchange rate between the local unit (ZWL) and the United States Dollar ended December 2019 at ZWL 16.77: USD1. Year on year inflation ended the calendar year at 512%. The company managed to navigate through the challenges through initiatives to reign in costs, exploration of export opportunities and effective procurement strategies. The agriculture season which started off on a low note with below normal rains showed signs of improving towards the later part of December while the government also relaxed food importation regulations as a way to improve availability.

BUSINESS PERFORMANCE

Third Quarter Performance

Sugar sales volumes at Goldstar Sugars Harare (GSSH) were 7% higher than prior year comparative period due to improvement in export sales to South Africa, Botswana and Namibia. Sales volumes for Country Choice Foods (CCF), which is mainly into sugar derivatives, were 35% lower than prior year comparative with the main contributors being the slowdown experienced in the confectionary industry as well as the decline in the currency's purchasing power which led to the population channeling significant portions of their income to the very basic of food items. Occupancy levels at the properties unit remained constant as the company sought to balance the need to increase yields through rental adjustments with that of keeping occupancy at reasonable levels.

Year to date Performance

Sugar sales for the nine months to December 2019 were 8% lower than prior year comparative largely because of supply interruption in July 2019 and a part of August 2019 when the GSSH plant went on shut down due to acute electricity challenges. The power supply situation has since improved.

Sales at CCF were 11% lower than prior period comparative due to the marked slowdown in the third quarter as detailed under the third quarter performance narrative.

The properties occupancy for the nine months has been consistent as there were no major movements in terms of tenant activity from those obtaining at the beginning of the year.

Operations

The quarter October to December 2019 also saw water challenges as there were insufficient supplies from the City of Harare at a time when alternative sources such as boreholes could not yield meaningful supplies due to depleted water tables. The company is working on ways to ensure consistent water supplies at optimal costs.

Financial Performance

Revenue for the quarter grew by 208% in inflation adjusted terms (1 109% historical) on the back of price adjustments that were driven by changes in key costs, export sales growth as well as deliberate skewing of the sales mix towards products with better margins as a way of hedging against inflation. The inflation adjusted growth in revenue for the nine months was 214% (723% historical).

OUTLOOK

The remaining three months to the end of the reporting year are forecast to remain challenging but the company is confident of continuing on a profitable trajectory through widening exports market beyond the SADC region, stringent cost management as well as modifications to the current usage of the properties portfolio to increase occupancy. There is added hope that the current sugarcane plantations expansion taking place in the Lowveld under the Kilimanjaro Project will result in increased supply of raw sugar at competitive prices for both local and export requirements.

By Order of the Board

A. J. Musemburi
Company Secretary
12 February 2020