ART
AMALGAMATED REGIONAL TRADING
www.artcorp.co.zw

Art Holdings Limited Trading Update For The Third Quarter Ended 30 June 2020

ART Holdings Limited today issues the following Trading Update for the Third Quarter ended 30 June 2020.

TRADING ENVIRONMENT

The operating environment during the reporting period was significantly impacted by the Covid-19 pandemic as infections worsened across the globe and in the region. Restrictive measures to contain transmissions were introduced in April and some of the business units were closed for a significant part of the full lockdown period. Trading improved when the lockdown was eased in May. The monetary authorities introduced the foreign currency auction system in June in response to the unstable exchange rates and continued foreign currency shortages. The high levels of inflation prevailing necessitated frequent price increases at a time when disposable incomes were constrained.

VOLUME PERFORMANCE

The Group's overall volumes for the quarter declined by 17% compared to the same period last year mainly due to trading restrictions during the lockdown period. Export earnings for the quarter decreased by 8% compared to prior year. Year to date overall volumes for the 9 months ended 30 June 2020 decreased by 3%.

The batteries business segment managed to meet export orders and improve product availability in the local market. Sales volumes recovered from a 44% reduction in April to an overall decline of 6% for the quarter compared to prior year. The EXIDE- Battery Delivery service was enhanced in Harare and extended to Bulawayo to improve customer convenience.

The Paper business continued to rely on imported paper as local collection volumes slumped in line with reduced economic activity. Power supply improved during the period and new lines aimed at increasing the usage of available local waste grades were introduced. Volumes declined by 40% compared to the same period last year as logistical challenges on imported raw material impacted operations.

Softex tissue volumes declined by 14% as a result of the inconsistent supply of raw materials from the Mill and foreign currency challenges. The contribution of hygiene volumes increased to 7% compared to 3% last year as the company's diversification strategy continues to show promise.

Eversharp pen volumes were 71% lower than prior year as business was affected by the lockdown and uncertainty around the school calendar. The division managed to breakeven during the quarter due to improved process and cost efficiencies.

Timber sales volumes for the quarter declined by 57% due to trade restrictions during the lockdown period, consequently cumulative volumes for the year decreased by 27% compared to the same period last year. Operations at the estates remained unaffected and sales improved when the lockdown restrictions were eased.

FINANCIAL PERFORMANCE

Group revenues for the quarter grew by 132% in inflation adjusted terms and 831% in historical terms as the escalation of costs necessitated significant price adjustments. All business units remained profitable during the quarter despite reduced volumes and increased inflationary pressure on costs.

The business continued to focus on exports in the region, with the battery exports increasing by 22% during the period on the back of improved product availability. Kadoma tissue exports declined by 38% as movements in the domestic currency adversely affected competitiveness.

The Group successfully eliminated its foreign currency exposure during the period and the Board will maintain its thrust to increase foreign currency generation given the prevailing shortages in order to sustain operations.

IMPACT OF COVID-19

The Global Covid-19 pandemic is adversely affecting the Group's operations with the increased transmissions in the country and the region resulting in constrained trading, worsening supply chain disruptions and increasing operating costs. The full impact of the pandemic on the Group's 2020 financial performance remains uncertain. The Board has however, put in place measures to safeguard the health and safety of the workforce. Contingency plans have also been instituted to mitigate associated risks and ensure minimal disruptions to the operations.

OUTLOOK

The Group has managed to sustain production and trading in both the local and regional markets despite the challenges in the environment. Opportunities to supply new lines in market segments affected by reduced imports will continue to be taken to build on the resilience of the business units. The measures taken to stabilize the exchange rate and improve foreign currency availability will improve raw materials imports and local trading conditions.

A Chingwecha
GROUP COMPANY SECRETARY
13 AUGUST 2020

CHLORIDE ZIMBABWE · CHLORIDE ZAMBIA · EXIDE · EXIDE EXPRESS · EVERSHARP · SOFTEX · KPM KADOMA PAPER MILLS · NWC