EDGARS STORES LIMITED
AGM- 11 July 2019
<u>Group Managing Directors' Trading update- YTD May 2019</u>

The Group's YTD PAT to May 2019 grew to Z$ 8.7million from $1.3 million last year while EBITDA increased by 524% to $16.3 million.
Turnover was up 90% on last year but unit sales decreased by 16% with recent improvement for the Jet chain with positive unit growth for April of 6% and May, 10% while Edgars posted a 6% unit growth in May. June $ turnover was trending above 200% over the prior year until the announcement SI 142 after which growth slowed down to around 100%.

Retail
New stores:
We reopened our Jet Kadoma store in April 2019 and the sales in the store indicate that our customers have been eagerly awaiting our return in Kadoma town. The search for a suitable site for the Edgars store in Kadoma is ongoing. Other revamps and new stores planned for this year, funds permitting, are Edgars Masvingo, Jet Masvingo and 2 to 3 new Jet stores.

Chain performance (May YTD)
Unit sales dropped 16% below the levels recorded in 2018.
Retail Sales as at end May trading were 90% above last year against inflation of 97%.

Finance income**:** - Finance income (LPC and debtors interest) has increased from $2.8million last year to $3.4million this year. Our debtors' book is at its cleanest since dollarization, credit goes to our credit teams and our customers for their timely payments.
We continue to reap the benefits of enhanced controls from our ERP solution.
We are in the process of increasing interest rates charged on customer accounts due to inflation and the increased cost of borrowing.

The retail business posted operating profit of $14million up from $3.8million last year, and a 365% growth in EBITDA, mainly due to continued focus on cost control by the management team and cost inflation trailing behind top line inflation.

EBITDA was $ 14 million, a 365% growth from last year.

Retail Credit: - Trade debtors (net of allowance for credit losses) stood at $33.2million, a 59% increase from last year.

The number of accounts at the end May were 285 016 (2018: 269 190), with 52% being active (May 2018- 58%).

Inventory: Retail stock grew by 95% over last year to $24.5million.

Factory – The factory has made a YTD trading profit of $1.5million, 41% above last year. Unit growth was a 12% increase from last year. 6% of the sales were exports.
The team continues to focus on export growth.

Club Plus: The loan book has grown to $5.5million from $2.2million last year and has posted a YTD trading profit of $0.5million up from a loss of $29k last year. The book is clean with non-performing loans (NPL) - 31 days plus at 6.1% at the end of May 2019.

Borrowings: - Total borrowings have increased to $9.8m from $3.5m last year. $5.9m is payable within 12 months and the balance is payable over the next 3years.
Finance costs have increased by 80% compared to last year. We expect this to go up further in line with the expected increase in the bank lending rates.
We plan to borrow more to fund capex requirements, growth in the micro finance unit and working capital, which has been under pressure due to inflation.

Liabilities: Trade and other liabilities at $15million, 112% growth from last year. The Group's foreign liabilities have gone down from USD2.8million last year to USD200k this year. Included in liabilities is an accrual of Z$2.3million franchise fees which is part of the "legacy debts".

Outlook: The business is committed to delivering growth to shareholders and good product at the best price to our customers. We are positive that the change to the Zimbabwe Dollar will bring some stability.
We are geared to take advantage of any opportunities that arise, finance permitting.

Linda Masterson
GROUP MANAGING DIRECTOR
11 July 2019