

Art Holdings Limited First Quarter Trading Update

for the three months ended 31 December 2019

ART

AMALGAMATED REGIONAL TRADING



TRADING ENVIRONMENT

The trading environment for the first quarter ended 31 December 2019 was characterised by high inflation, foreign currency and power shortages as macroeconomic fundamentals continue to deteriorate. The Group managed to establish stable foreign currency streams from exports and except for the Paper Mill was able to use alternative power sources to minimise the impact of the erratic power supplies.

GROUP RESULTS

Group financial highlights for the First Quarter	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue from contracts with customers	150,729	82,406	126,266	13,164
Operating profit before impairments and fair value adjustments	30,617	13,658	31,784	2,167
Cash generated from operations	16,925	1,333	15,994	733
Net assets	657,050	633,754	279,800	259,779
Gross profit percentage	47	41	53	41

Revenue for the quarter increased by 83% in inflation adjusted terms and 859% (historical) as overall volumes grew by 9% compared to the same period last year.

BUSINESS SEGMENTS

BATTERIES

Q1 Financial highlights	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue	156,473	81,738	138,557	13,057
Operating profit before impairments and fair value adjustments	39,271	14,495	35,960	2,315
Net segment assets	262,653	243,216	138,372	13,516

Battery revenue increased by 91% (inflation adjusted) and 961% (historical) reflecting a 28% increase in volumes on the back of improved product availability as well as strong demand for solar and industrial standby batteries.

PAPER

Financial highlights	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue	15,319	16,265	12,472	2,598
Operating profit/(loss) before impairments and fair value adjustments	(5,282)	2,302	(1,307)	368
Net segment assets	60,090	26,318	51,281	4,204

Revenue for the quarter decreased by 6% in inflation adjusted terms and increased by 380% in historical terms reflecting the replacement cost price increases effected during the quarter. Volumes dropped by 46% as orders could not be met following increased load shedding. In December, the Mill plant availability fell to 35%.

SOFTEX

Financial highlights	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue	32,662	24,852	27,617	3,970
Operating profit before impairments and fair value adjustments	5,708	1,746	5,151	279
Net segment assets	14,017	12,833	14,725	2,050

Revenues increased by 31% (inflation adjusted) and by 596% (historical). Volumes fell by 23% due to delays in receiving raw material.

EVERSHARP

Financial highlights	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue	23,106	18,201	19,784	2,907
Operating profit before impairments and fair value adjustments	4,389	4,066	3,542	650
Net segment assets	26,491	31,786	13,327	2,258

Revenue grew by 27% (inflation adjusted) and 580% (historical) from prior year reflecting a 15% volume increase. Sales were driven by the improved product availability and a successful marketing campaign at the onset of the back to school period.

PLANTATIONS

Financial highlights	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL\$ 000	2019 ZWL\$ 000	2020 ZWL\$ 000	2019 ZWL\$ 000
Revenue	6,851	3,554	5,845	568
Operating profit/(loss) before impairments and fair value adjustments	394	404	689	64
Net segment assets	309,788	57,678	148,395	9,214

Revenue increased by 93% (inflation adjusted) and 929% (historical) as production was supported by timber trading in order to meet demand.

OUTLOOK

The operating environment is not expected to improve in the short term. The Group will continue to seek growth opportunities in the region whilst consolidating its resilient and dominant business segments in the local market in order to minimise the impact of the macro environmental challenges.

A Chingwecha
GROUP COMPANY SECRETARY
11 FEBRUARY 2020