



**AXIA CORPORATION LIMITED**  
**TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**Trading Environment**

The trading environment in Zimbabwe continued to be volatile characterized by continued shortage of foreign currency with a resultant detrimental impact on exchange rates, inflation and disposable income. The unstable exchange rate and limited availability of foreign currency in the formal banking channels has made it difficult to settle foreign obligations as well as sell imported products. Added to this, the ability to source funding from the formal banking sector became increasingly difficult during the quarter and beyond.

**Financial Performance**

Despite the above difficulties, headline earnings per share increased by more than 1000% which is above the inflation rate.

**TV Sales & Home**

Trading volumes in the third quarter were up 15% on same period last year, continuing the positive trend witnessed in the second quarter. This positive trend resulted from aggressive promotion activity which was designed to capitalise on the successful "Black Friday" and Christmas promotions. Year-to-date volumes were down 17% against comparative period due to a poor first quarter. The majority of the sales growth was achieved in sales of locally made furniture and appliances.

**DGA Zimbabwe**

Distribution Group Africa Zimbabwe operations witnessed a 25% decrease in volumes for the quarter compared to same period last year. Volumes for the nine months were 35% below comparative period. The shortage of foreign currency resulted in the business reducing its imported stock levels due to the concomitant pricing pressures, with more reliance in distribution of local products. Despite the reduced volumes, turnover and profits growth remained high.

**DGA Region**

In Zambia, volumes for the quarter were 27% above same period last year. This was due to new distributorship agencies. Volumes for the nine months were 3% below that achieved in the same period last year.

In Malawi, volumes for the quarter decreased by 11% but increased by 10% for the nine months compared to the same period last year. The decline for the quarter was mainly caused by some political instability which saw shops closing for some days during the quarter.

**Transerv**

Volumes decreased 22% for the quarter and 40% for the nine months. As the business imports most of its inventory, accessing foreign currency remains the biggest challenge. The business completed renovations of some outlets. Despite the reduced volumes, the business still achieved revenue and profit growth.



### Impact of COVID-19

The quarter ended amid the global spread of the Covid-19 pandemic. As with many other countries, Zimbabwe went into full lockdown from 30 March 2020 for 5 weeks. This was partially lifted and downgraded into phase 2 lockdown from 4<sup>th</sup> of May onwards.

During the full lockdown period, our retail businesses TV Sales & Home and Transerv were significantly affected as they were closed for almost the whole of April 2020. For the last few days of April, TV Sales & Home was only allowed to trade through its online platform and Transerv was allowed to trade from a limited number of outlets countrywide. The distribution business in Zimbabwe was operating at reduced levels with minimal staff as it is part of essential services providing FMCG products to mainstream retailers and wholesalers. The regional distribution businesses were not affected as they continued operating with no effective lockdowns in either Zambia or Malawi. Despite the adverse effects of lockdown, the Group still recorded an attributable profit for the month of April.

The Group has implemented several measures to protect its staff as well as improve health and safety measures at workplaces and to mitigate the spread of this deadly virus. Axia Corporation Limited (Axia), together with its strategic partners launched an offensive joint initiative to ensure that it is in a position to assist its staff during this time by offering the necessary medical hardware, personal protective equipment and sufficient qualified health professionals. This initiative is being administered by the Group's payroll and wellness service provider, Providence Human Capital.

The impact of Covid-19 on businesses globally is and will continue to be significant. Given the effects worldwide, as a Group we have to embrace new technologies and we are also assessing all supply chain constraints for imported and local goods. Axia remains resilient and determined to withstand the effects of this dreadful pandemic.

By Order of the Board.

  
LEM Ngwerume  
Chairman  
8 May 2020