



TRADING UPDATE FOR THE FIRST QUARTER ENDING 31 MARCH 2020

TRADING ENVIRONMENT

Foreign currency availability on the interbank market remained elusive and this continued to upset the timely importation of raw materials and spares, thereby impacting production capacity. Foreign currency shortages in the market resulted in the devaluation of the local currency.

The country continued to experience hyperinflation with market players changing prices regularly in response to the declining exchange rate between the Zimbabwean dollar and US dollar.

The economy experienced electricity and fuel shortages, and this affected productivity and increased the cost of production.

The Covid-19 pandemic had a significant effect on the economic environment in the country and across the world. It spread rapidly and resulted in restrictions on movement, business activities and international trade. Being a net importer, the country was affected by restrictions of international cargo movement towards the end of the quarter.

VOLUME PERFORMANCE

The Group experienced increased demand for its products during the quarter. The Group's sales volumes for the quarter were 45% above the prior year comparative period. The Group's export sales volumes were 4% of total turnover up from nil in the previous year. The exports were mainly made up of non-asbestos roofing products which were reintroduced in the second quarter of the previous year.

The Group benefited from the availability of stocks during the period and a strong appetite for shelter which allowed construction projects to continue in a period when construction activity is normally subdued.

Production volumes for the period were 17% above the prior year. Production volumes increased by a lower percentage compared to sales volumes as the Group closed the previous year with significant volumes of saleable stocks.

IMPACT OF COVID-19 ON THE BUSINESS

The Covid-19 disease was discovered in China in December 2019 and was declared a world pandemic by the WHO in March 2020. The pandemic spread to most countries of the world leading to illness and loss of lives. Many countries reacted by restricting movement and implementing partial or complete lockdowns of their economies to mitigate the transmission of the virus. In Zimbabwe, similar measures were undertaken, which included a national lockdown extending from 30 March 2020 to the 17th May 2020. The business was closed in the first three weeks of the total lockdown and reopened under the partial lockdown. While the company is allowed to trade under the partial lockdown regulations, the selling and distribution of our products have been curtailed by the restriction of movement and restrictions on purchasing non-essential products.

The company resumed sales on the 26th April 2020 and both production plants resumed production two weeks later. Management expects production to be at normal levels by the end of May 2020.

The Group imports most of its raw materials and spares from Europe, which was severely affected by the pandemic. The impact on the Group's supply chain is minimal as the Group had significant stocks that had been shipped when the lockdowns started. If the lockdowns in Europe are eased soon, the impact on the supply chain would not be significant.

The Group was profitable in the first quarter but reported a loss during the month of April when the company was closed. Nonetheless, management forecasts to report a positive financial performance for the second quarter and half year under the current trading conditions. The Group balance sheet was solvent at the time of reporting.

The Board acknowledges that there are many uncertainties that make it difficult to estimate the future impact of the Covid-19 pandemic on the financial performance and financial health of the business.

By Order of the Board

R. Likukuma (Mrs.)
Board Chairperson
14 May 2020

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