

TRADING UPDATE

for Quarter ended 31 March 2020



Trading Environment

The operating environment has been characterized by hyperinflation. The inflation rate reached 677% year on year to March 2020. Inflationary pressures emanated from price increases in most goods and services as a result of the weakening Zimbabwe dollar. The Covid19 pandemic resulted in the country being placed on total lockdown for 21 days followed by a partial lockdown for a further 14 days. This negatively affected company production and sales in the last few weeks of the quarter under review.

Volume performance

Sales volumes in the quarter were 62% below prior year as a result of declining effective demand and the effects of the Covid19 pandemic and subsequent lockdown. Year to date volumes were however 16% above prior year, driven by sales to new cluster housing projects. The Covid19 induced lockdown affected the level of production and activity in the brick and mortar industry. Several projects remain on the cards and will be pursued post-Covid19. Production resumed towards the end of April, although, at below 50% of capacity due to lockdown conditions.

Financial performance

Revenue for the interim 6 months in hyperinflation terms was 52% above the same period in the prior year. Profitability and cash flows were affected by declining sales and the impact of the Covid19 induced lockdown, operating conditions imposed such as social distancing, procurement of masks, sanitizers and other directives issued by the Ministry of Health and Child Care. Margins remain subdued due to low sales and increasing costs.

Business continuity

In view of the Covid19 pandemic, appropriate measures have been put in place to gradually resume operations to full capacity, while minimizing the risk of transmission of the Covid19 virus amongst staff, customers and other stakeholders. The measures include wearing recommended masks, regular sanitizing of hands, temperature checks, social distancing and following regulations and guidelines issued from time to time by the Ministry of Health and Child Care.

Solvency

The business is in a net current asset position and remains solvent despite the impact of the lockdown on production and sales. Working capital is being generated from carried forward trading stock of bricks and other raw material that had been prepaid for.

Outlook

The disruptions to production and sales as a result of the Covid19 pandemic and subsequent lockdown will be felt for the foreseeable future by the business. Our business continuity plan hinges on surviving the effects of the Covid19 lockdown. However, abundant opportunities in housing and infrastructure development will continue to be pursued and these present an opportunity to move away from the vulnerable position the business was facing as a result of the Covid19 induced lockdown.

By Order of the Board


Mavuto Munginga
Company Secretary
www.willdale.co.zw

12 May 2020

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