EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948, under Company Registration Number 379/1948)

Directors: T.N. Sibanda (Chairman), C.F. Dube, R. Mlotshwa, T.N. Ndlovu (CEO), B. Ndlovu (CFO), V. Mpofu, M. Hosack, H. Vundla.

Registered Address: 9th Avenue and Herbert Chitepo, Bulawayo, Zimbabwe.

TRADING UPDATE FOR THE 13 WEEKS ENDED 11 APRIL 2021

The company presents its business update for the first quarter of the financial year 2021.

Trading Environment

Trading for this quarter was significantly affected by the Covid-19 lockdown as physical stores were closed for more than 7 weeks of the 13 weeks in the quarter. Online stores were open but recorded very little business due to delivery constraints during lockdown. Normal trading resumed on 3 March 2021 bringing relief to our turnover and more importantly to our cashflows. The debtors' book collections kept the company going during lockdown as most of our credit customers paid their instalments on time. Lessons drawn from the 1st lockdown assisted the company in improving online payment platforms for our customers, hence a significant increase in collections during the 2nd lockdown compared to 2020 lockdown. The company was able to honour its pressing obligations on time.

Access to foreign currency from sales, interbank markets and the RBZ auction continues to improve although not enough to cover fabric and merchandise imports.

Operating and borrowing costs are however on the increase particularly food and fuel. This affected related costs such as distribution and employee benefits. The percentage of disposable incomes spent by Zimbabweans on food is as high as 79% of total income, which crowds out discretionary spending on other needs such as clothing.

Group Performance

Year to date turnover for the quarter to 11 April 2021 was down 17% in inflation adjusted terms and up 248% in historic terms compared to previous year's quarter. ***Units sold*** for the year to date declined to 417,639 from 542,082 last year. Resultantly, inflation adjusted EBITDA was down 17% compared to last year as the Group traded for just above 6 weeks in the quarter.

Borrowings at end of Q1 trading period were ZWL$364 million up from ZWL$245 million in December 2020. The Group did not have any material foreign denominated debt at the end of the quarter.

Edgars Chain
*Year to date **unit sales*** of 132,120 units were down 36.1% compared to the same period in 2020. ***Credit sales*** declined from 67.7% to 64.7% of total sales during the quarter compared to the previous year.

Jet Chain
Unit sales of 188,249 units were down 42.2% for the period to date against 2020. Cash and credit sales contribution to total sales was consistent with prior year at 52% and 48% respectively.

Carousel Manufacturing
Unit sales of 42,757 were up 298.6% compared to last year. The factory remained open over the lockdown as it was classified as an essential service.

Financial Services.
Receivables book declined marginally from $428m in December to $420m as at the end of March 2021.

Interest income grew 27% year on year in inflation adjusted terms compared to previous year in line with growth in debtors book. The business recorded normal interest income during the lockdown period. This is a reflection of the resilience of our business model.

Active accounts as expected declined to 37.6% from 41% of the total number of accounts recorded in December. We expect this number to improve as we open up more credit to our customers in light of an improved operating environment.

Debtors collections - Average collections were 39.8% of the total book compared to 36.1% in December 2020 and 34.7% in September 2020. The ***quality of the book*** was maintained over this difficult period with “Current’’ account balances at 85% (December 2020: 88%). Expected credit losses increased to 2.2% as at end of the quarter from 1.1% of the total debtors book as at the end of December trading period.

Club Plus
The microfinance ***loan book*** continued to show tremendous growth. It grew 56% to ZWL$47.2m from ZWL$30.5m in December 2020. Compared to the previous year 1st quarter the loan book was up 51% in inflation-adjusted terms.

Interest income increased by 55% in inflation adjusted terms (532% growth historically) from Q4 of F2020 on the basis of a bigger book and firm interest rates.

Outlook
On reopening in March, winter inputs deliveries commenced. This has positioned the Group well for trading as the local economy shakes off the effects of the 2nd lockdown.

We are also cognisant of Covid-19 third wave threat. We are therefore encouraging staff members to get vaccinated. We are also perfecting our preparedness for future lockdowns. We count some positives such as the decline in borrowing costs over the last month and a good agricultural season which we hope will result in positive economic growth. The biggest constraint is low demand as a result of low disposable incomes of our customers in general.

Management continues to monitor costs, cashflows and volumes in this rapidly changing business environment.

Tjeludo Ndlovu
GROUP CHIEF EXECUTIVE OFFICER
24 May 2021