Med Tech HOLDINGS LIMITED

TRADING UPDATE FIRST QUARTER ENDED 31 MARCH 2021

Introduction

The Group hereby issues a trading update for the first quarter ended 31 March 2021.

Operating Environment

The trading, operating and economic environment witnessed an improvement during the period under review mainly attributable to a stable currency. The Foreign Exchange Auction System limited the exchange rate movement during the period under review opening at USD1: ZWL 81.79 (01 January 2021) and closing at USD1: ZWL 84.40 (31 March 2021). The currency stability resulted in price stability leading to a slowing inflation rate. The price stability, along with increased incomes in certain sectors of the economy saw an improvement in consumer demand for our products. The stable currency had outweighed impending factors which negatively affect business such as increased distribution cost due to fuel price increases, increased city council rates and increased salaries.

Though, the exchange rate had somewhat stabilised the market remained distorted and operating expenses continued to reflect a premium to this rate. Possible cause of this is the time lags in payment of foreign suppliers after having bid allocations on the foreign exchange auction system. This time lag results in funds being blocked for a significant period and increases the working capital finance costs.

Government implemented a lockdown during January 2021 to contain the spread of coronavirus, however, the Group was categorised as an essential service provider and as such this lockdown had a minimal negative impact.

The Group continues to implement WHO approved COVID-19 guidelines in its operations to safeguard the health and wellbeing of all stakeholders.

Group Volume Performance

The first quarter sales volumes increased by 61% compared to the comparative prior period as a result of;

- Price stability and increased incomes resulting in improved demand,
- A reduction in competition from grey imports and smuggled goods due to movement restrictions,
- Improved working capital management to reduce the impact of any currency depreciation and thereby allow for more aggressive sales, and
- Constant supply of replacement stock and less stockouts. This had enabled the Group to constantly supply products at competitive prices resulting in increased shelf space and increased market share.

Segment Volume Performance

FMCG Segment

First quarter FMCG segment sales volumes increased by 145% compared to the comparative prior period for the reasons highlighted above.

Manufacturing Segment

First quarter manufacturing segment sales volumes increased by 8% compared to the comparative prior period.

Medical Segment and Associate company

There has been no activity in the medical segment nor the associate as these did not trade during the current or comparative prior year period.

Legacy debt

The Group owes legacy debts amounting to ZAR25,5 million to foreign creditors. Of the validated debts, ZAR24,3 million is yet to be paid while appeals have been lodged for ZAR2,1million. At this stage, the Group is unsure when payments will be made in full for the debts validated which are owing and when a response will be received for appeals lodged.

Reminder on cautionary statement

Shareholders are reminded of the cautionary statements published in the press. The latest published cautionary statement being 1 May 2021. Shareholders are advised to exercise caution when dealing in the Company's securities until a full announcement is made.

Outlook

The trading environment and macro-economic conditions remain mixed. In quarter 2 of year 2021, we are most likely to see a reduction in the pace of sales volume growth because of the negative effects of COVID-19. These include global shortages in raw materials and increased prices of raw materials and fuel.

Uncertainty related to payment of legacy debt affects our foreign credit and with no definitive position this may result in serious challenges. The Group is hopeful that the current economic policies and measures being implemented, which have brought some price stability, will further improve the economic environment going forward. Delays in auction bid allocations are causing a severe strain on working capital funding and it is hoped that such allocations are paid within shorter timeframes in future. If the economic improvements accompanied by a level of fiscal discipline can be maintained, then we do expect a better financial performance for the remainder of the year. We will continue to do our best to maintain market share and sales and keep up strict cost control.

BY ORDER OF THE BOARD

M Y Patel
Company Secretary

Stand 619
Corner Shumba / Hacha Road
Ruwa
11 May 2021