

Zimflow Holdings Limited issues the following trading update for the third quarter ended 30 September 2021

INTRODUCTION

The Group recorded a resilient performance in the third quarter with volumes increasing across all business units despite headwinds from Covid-19 lockdown restrictions and a challenging trading environment. Third quarter (Q3) Group revenues grew by 45% and profitability was 61% up in real terms compared to the prior year same period.

On a year-to-date basis, revenue and profitability were ahead of prior year by 62% and 61% in real terms, respectively.

Trading Environment

Q3 was characterized by a challenging trading environment with month-on-month inflation growing by 1% to 4.73% in September 2021 compared to June 2021.

Growth in economic activity driven by firm global metal prices, increased government expenditure on road rehabilitation projects, and improved output deliveries from the just ended 2020/21 agricultural season provide a foundation for improved economic performance given the right interventions.

OPERATIONS

Farmec

The unit maintained good growth momentum, driven by firm demand in tractors, implements and aftersales performance pushing up revenue for the nine months by 82% compared to same period last year. Tractor and implements sales volumes grew by 86% and 56% respectively against same period last year. Parts sales and capacity utilisation also improved by 19% and 26% respectively, against prior year. The unit continues to focus on improving customer experience through an information systems-based strategy, the right people and collaborative parts procurement systems.

Mealie Brand

Local and export implements sales volumes for the nine months were 37% and 30% ahead of prior year respectively. The projected normal to above normal rainfall for the 2021/22 summer season and the recovery of export markets owing to the easing up of lockdown measures in the region provides a boost for Mealie Brand performance as we enter the fourth quarter of the 2021 financial year.

Going forward, management will continue to focus on capacity expansion and improved factory efficiencies to reduce the impact of global raw material costs push factors.

Barzem

Barzem delivered a 42% growth in volumes of earth moving equipment for the nine-month period under review. Workshop efficiencies improved by 50% compared to same period last year. The road rehabilitation program has been a major driver of the uptake of earth moving equipment during the period under review. The unit looks forward to sustain the performance so far by following through on its strategy to improve response times, technician utilization through upskilling and tooling, financial risk management and a collaborative parts procurement system.

CT Bolts

CT Bolts continue to deliver volumes growth with a 56% jump in tonnage of fasteners sold for the nine months compared to prior year. A focus on the core business, delivering quality and reliable fasteners to the sectors we operate, has so far driven CT Bolts' performance.

Powermec

The division has had a particularly challenging year attributable to reduced reliance on standby power. However, the third quarter saw a steady growth in demand as the grid became unreliable. Volumes in gensets and solar equipment were behind last year by 37% and expect the business unit to recover volume performance in the fourth quarter as demand for standby power peaks. As a result of improved aftersales business, revenue for the 9 months ending September 2021 has been 17% ahead of prior year.

Scanlink

Management is pleased with Scanlink's Q3 performance as it delivered on the business model expectations. Profitability grew 4 folds driven by a strong performance in aftersales. Parts and hours sold grew by 121% and 12% respectively against prior year. Truck and buses volumes were however affected by supply chain gaps resulting in Q3 volumes dropping by 31% against prior year. The unit is engaging its principal supplier to improve availability of Scania products given the growth in demand for trucks and buses.

Trentyre

Trentyre's Q3 performance has been driven by a 14% growth in volumes with new tyres increasing by 23% and ancillary services growing by 12% against prior year's third quarter. The unit is seized with resetting the business model towards the strength of the Good Year brand and unlocking the supply chain gaps as well as retreading factory efficiencies.

OUTLOOK

The Group is focused on delivering its strategy and targets for the year. The prospects of a good agricultural season, continued growth in the infrastructure development projects as well as firm global metal prices offer a good platform for a strong fourth quarter performance. However, the Group will continue to trade cautiously given the challenging trading environment.

By Order of the Board



Charles Chaibva
Group Company Secretary
15 November 2021

