

TRADING UPDATE

for First Quarter ended 31 December
2021



Trading Environment

The depreciating Zimbabwe dollar, which moved from ZW\$87.67 to the United States dollar at the beginning of the quarter to ZW\$108.67 at the end, and rising monthly inflation which reached 6% for December, continued to cause uncertainty in the business environment. Business activity in the construction sector was affected by a shift in spending patterns as consumers adjusted to the prevailing economic situation.

Volume performance

Sales volumes decreased by 20% compared to the same period in the prior year, but are 5% above budget. Decreased offtake from cluster home developments and lower activity from institutional buyers impacted on volumes. Stock holding was satisfactory going into the annual shutdown period. Production resumed on 1 February as planned after the traditional annual maintenance programme..

Financial performance

The subdued volumes resulted in a 7% decline in revenue for the quarter compared to the same period in the prior year in hyperinflation terms. Product mix was better and, complemented by increased volumes, should drive margins and profitability for the remainder of the year.

Business continuity

It is encouraging to note that the impact on the business of the fourth wave of the Covid19 variant has been minimal. We continue to operate under strict guidelines issued by the health authorities to minimize transmission of the Covid19 virus. Almost all employees have heeded the call to get vaccinated against the virus. The gradual relaxation of Covid19 restrictive measures should further open up the business environment.

Solvency

The business remains solvent. Working capital is available to support the business in the short term. Cash flows continue to be generated from sales.

Outlook

We expect sales volumes to rebound towards the end of the second quarter into the third quarter as more construction activities resume after the rainy season. Production should reach targeted levels provided there is sufficient electricity supply. Stability in the macroeconomic factors of the economy is required for an improved operating environment. The supply gap in housing and infrastructure delivery remains huge.

M. Munginga

Company Secretary
www.willdale.co.zw

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