ZIMPLOW
ENGINEERING PERFORMANCE

Trading update for the First Quarter ended 31 March 2022

Zimplow Holdings Limited hereby issues the following trading update for the First Quarter ended 31 March 2022

TRADING UPDATE

During the first quarter of 2022, the local macro-economic environment was characterised by foreign currency shortages culminating in exchange rate volatility and inflationary pressures. The rate of inflation rose to 72.2% in March 2022 from 60.7% in December 2021. On the agricultural side, the softening of producer prices, together with the lower-than-expected rainfall for the 2021/22 season affected yields which gave rise to reduced disposal income by the farmer. In addition, the Russia/Ukraine conflict continues to affect supply chains which in turn have resulted in a significant increase in input and operating costs, especially for those relying on fuel and fertilisers in their value chains. The power supply grid has been erratic, resulting in increased reliance on alternative power.

Notwithstanding the challenges highlighted above, the Government continues to focus on infrastructure projects and the mining sector whose thrust in the short to medium term is to ramp up production to take advantage of the firm metal prices obtaining currently.

Financial Performance

The Group recorded a 5% and 48% growth in revenue and profitability in real terms respectively, despite the challenges obtaining in the domestic operating environment. The Board is encouraged by the resilient performance as Management continues to take advantage of pockets of opportunities in the market given the diversified structure of the Group.

AGRICULTURE CLUSTER

Farmec

The business unit recorded a significant growth in volumes across all product lines. Tractors and implements volumes increased by 53% and 13% respectively. Parts sales and service capacity utilisation increased by 7% and 51% respectively against prior year and same period under review. Farmec is expected to continue driving Group performance given the firm demand experienced in the first quarter of 2022.

Mealie Brand

The growth in export implement volumes at 26% ahead of prior year has set up Mealie Brand to a positive start, despite local implements volumes dropping by 15% against same period last year. The erratic rainy season and hyperinflationary environment has dampened uptake of animal drawn implements locally. Farmers have therefore relied on maintenance of their existing implements resulting in the growth of spares sold by 41% against prior year respectively.

We expect the export market volumes to continue to deliver positive performance given the better rainfall patterns experienced in the region outside Zimbabwe and the relaxation of COVID-19 restrictions. Going forward, Management will continue to focus on improved factory efficiencies to ameliorate the global raw material cost push factors.

MINING & INFRASTRUCTURE CLUSTER

Barzem

The performance for the quarter has been restricted by foreign currency bottlenecks resulting in depressed volumes of earth moving equipment at 88% below last year's performance for the first quarter. Management concentrated on value preservation and the provision of tailor made services in order to meet the fleet maintenance needs of our customers. To that end, workshop efficiencies were 53% ahead of prior year for the same period under review.

CT Bolts

The Division continues to be on a growth trajectory, with a 25% increase in tonnage of fasteners sold compared to the same period in the prior year. A focus on the core business, which is delivering quality and reliable fasteners to the sectors we operate in has so far driven CT Bolts performance.

Powermec

In the first quarter of 2022, the national grid experienced increased power cuts boosting demand for the Company's products and services. Volumes in gen-sets and solar equipment were 44% ahead of prior year whilst capacity utilisation increased by 71%. The top line improved by 230% in comparison to the same period in the prior year.

The performance of the solar range of products continues to gather traction and the Group looks forward to a strong performance premised on increased demand for alternative power products given the power outages experienced so far in 2022.

LOGISTICS & AUTOMOTIVE CLUSTER

Scanlink

Scanlink managed a revenue growth of 64% in real terms compared to the first quarter in the prior year on the back of a strong after-sales performance. Availability of trucks and buses from the principal supplier has improved. In addition, volumes sold in the period under review were in line with prior year. Parts sales increased by 57% and service hours grew by 6%. It is pertinent to point out that with improved supply of truck and buses, the business unit is confident of increased sales volumes going into the third quarter of 2022.

Trentyre

Trentyre's performance came at the back of significant supply chain realignments which we believe will offer the business unit strong prospects of growth in the rest of the year. The business unit recorded a 21% growth in off the road tyres, whilst lower than prior year performance for the commercial and consumer tyres resulted in an average 14% drop in revenue in Q1 2022 in comparison to prior year same period.

Outlook

The Group is in a strong position given its diversified structure to build on the resilient Q1 performance despite the challenging trading environment. In addition, the steps taken by the Board which included the realignment of the Executive Management structure to Group strategy and the leveraging upon Group synergies has propelled the Group to a position of being a one stop shop for its customer base.

In addition, the new positioning in the earth moving market is expected to unlock the Group's capability, infrastructure and expertise to deliver sustainable returns and fulfil value preservation objectives for all our stakeholders.

By Order of the Board

SHARON MANANGAZIRA (MRS)
GROUP COMPANY SECRETARY

30 April 2022

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