

Trading Update for Quarter ended 30 June 2022



Trading Environment

The economic environment remained fluid during the quarter under review, characterized by a depreciating Zimbabwe dollar and rising inflation. Late rains that fell in April impacted on production. Real increases in costs of production were incurred as the Russia / Ukraine war affected the cost of fuel and other key cost drivers.

Volume performance

Sales volumes for the 9 months' period decreased by 9% compared to the same period in the prior year. The decline in sales is attributed to lack of stock which was caused by effects of the late April rains. Production is currently ahead of target and prior year and this should provide stocks to cover the sales gap in quarter 4. Demand remains high, driven by cluster home developments and individual home builders.

Financial performance

Cumulative revenue declined by 1% in hyperinflation terms compared to the prior year but was 91% above prior year in historical terms. Although average prices have been affected by exchange rate disparities, product mix remains favorable and this is expected to buttress margins for the full year.

Business continuity

Implementation of the business strategy continues despite the various local and external factors in the operating environment. Business continuity and risk management plans are in place and regularly reviewed to minimize negative impacts on the business. We continue to operate under strict guidelines issued by the health authorities to minimize the effects of the Covid19 pandemic, although there has not been any impact from the virus in the quarter under review.

Solvency

The recent tightening of lending terms and conditions by the central bank presents challenges in raising working capital. However, the business model in place is generating sufficient working capital to support the business in the short term.

Outlook

Increasing demand for bricks to meet the high demand for housing will drive revenues in quarter 4. Plant capacity utilization which is currently averaging above 80% should provide sufficient stocks to meet targeted sales volumes for the ensuing quarter, provided electricity supply remains reasonable. We hope the monetary and fiscal policy interventions by government will bring stability to the exchange rate and inflation and a better operating environment.

By Order of the Board

M Munginga

Company Secretary

3 August 2022

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