

Trading Update for the 9 months' period ended 30 September 2022

Zimflow Holdings Limited hereby issues the following trading update for the Third Quarter ended 30 September 2022.

TRADING UPDATE

During the period under review, the Government of Zimbabwe through the RBZ and Ministry of Finance has taken the initiative to mop up excess liquidity in the market in order to arrest the further devaluation of the local currency and to curb rising inflation levels. The measures however resulted in depressed demand for goods and services locally.

Central Government has demonstrated a renewed drive of late aimed at agricultural productivity, infrastructural development, and the evolution of the mining industry. These are precisely the markets that the Group operates in, hence the business is poised to leverage on the potential growth prospects that are presented by the renewed thrust as detailed above.

During the third quarter of 2022, the local macro-economic environment was characterised by foreign currency shortages despite the convergence of the official and alternative market exchange rates. The country's inflation rate stood at 280% as of 30 September 2022 up from a figure of 131.7 % recorded as at 31 May 2022. The country continues to experience electricity supply challenges which have had an adverse impact on costs of production thereof.

Financial Performance

The Group recorded an 11% increase in revenue compared to prior year same period thus demonstrating the Group's ability to adapt and respond in tandem with the challenging operating environment. This revenue figure excludes Barzem Enterprises (Private) Limited. Management shall leverage on increased activity within the fourth quarter of 2022, within the economic sectors that the Group operates in, that is, agriculture, mining and logistics in order to achieve improved profitability levels.

OPERATIONAL REVIEW

Agricultural Equipment & Service

Farmec

Tractors and implements volumes decreased by 4% and 9% respectively. Service capacity utilisation increased by 45% when compared to same period in the year 2022. The Group is confident that Farmec will make a notable contribution as it relates to the Group financial performance, in light of the commencement of the farming season.

Mealie Brand

The Company continues to place considerable emphasis on the export market. In this respect, the Company is consolidating its market positioning in the SADC region. The Company recorded a 26% growth in the provision of export implements to its clientele against prior year performance. Thus, the generation of foreign currency continues to drive the business unit's performance from an overall perspective. The Company has earmarked the introduction of a number of new products for the fourth quarter of 2022 in order to boost its revenues.

Logistics & Automotive Products & Service

Scanlink

Parts sales increased by 7% and service hours grew by 9%. The Company continues to increase its footprint on the local market thus boosting Group revenue.

Trentyre

Volumes in retreads for commercial and consumer tyres recorded a 60% increase in Q3 2022 in comparison to prior year same period. During the quarter under review, the Company installed a second chamber for purposes of retreads. This development has significantly increased production levels in so far as retreads are concerned.

Mining & Infrastructure Equipment & Service

Barzem

The business unit has largely been operating in care and maintenance and ceased to be the CAT distributor as of 30 September 2022. Zimflow is at an advanced stage of securing new Original Equipment Manufacturers (OEMs) to replace CAT.

CT Bolts

A 1% decrease in tonnage was recorded as at 30 September 2022, compared to the same period in the prior year. The Company continues to penetrate new market segments in the various domestic economic sectors thus bolstering its thrust to deliver customer centric services in the provision of fasteners and in turn a positive financial performance.

Powermec

Client appetite for alternative power sources such as solar power and generators increased significantly in the period under review due to continued depressed power provision at a national level. Part Sales and service increased by 24% and 70% respectively in comparison to the same period in the prior year.

The Company continues to actively pursue increased business volumes for its solar power products given the persistent power outages currently taking place countrywide. The Group expects to record notable revenue in this regard for the remainder of this financial year.

Outlook

The impending rainfall season will drive demand for products and services under the Group's Agriculture Cluster. Furthermore, the continued national strategic thrust on infrastructural development coupled with the continued drive in output growth in the mining sector by the Central Government, bodes well with the Group's Logistics & Automotive Cluster and the Mining and Infrastructure Cluster.

Value preservation, volumes growth and cost efficiency remain top priorities for the Group notwithstanding the challenging operating environment.

By Order of the Board



Sharon Manangazira (Mrs)
Group Company Secretary
23 November 2022