

Trading Update for Quarter ended 31 December 2022



Trading Environment

The measures ushered in by the monetary authorities at the beginning of the quarter brought some stability to the exchange rate and inflation. However, the resultant liquidity shortages led to depressed orders.

Volume performance

Sales volumes for the first 3 months were 2% below the same period in the prior year. The decline in volumes was attributed to low product uptake caused by liquidity shortages. Production levels in the quarter declined in line with available working capital. The scheduled maintenance program has progressed well and the plant is expected to meet targeted efficiencies during the coming peak production season. Demand for bricks remains high for various projects such as housing developments, schools and shopping malls.

Financial performance

Revenue for the quarter in hyperinflation terms was 36% above the prior year. Average prices remained firm, sustained by a favourable product mix, while management remains focused on cost management. Low stock availability resulting from the seasonal nature of the production cycle will affect profitability in the ensuing quarter.

Business continuity

Short term business plans continue to be reviewed to navigate the fluid business environment. Several projects are planned for the foreseeable future and will provide the critical mass for the business. ZIMRA has raised claims for output VAT on bricks on the basis that the Company zero rated bricks without supporting legislation. However, the Company and other industry players have objected to ZIMRA's interpretation of the law and the matter is pending.

Solvency

Resources exist for working capital in the short term. However, high borrowing rates are making it uneconomic to finance the business through borrowings.

Outlook

The firm demand for housing development, shopping mall and school infrastructure construction presents opportunities which the Company will exploit throughout the year, provided stock availability is not significantly affected by electricity shortages. The recent investment in improving the crushing capacity will result in better product quality and improved competitiveness. Inflation needs to remain under control for a better operating environment.

By Order of the Board
M Munginga
Company Secretary
2 February 2023
www.willdale.co.zw

