

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Introduction

The Company hereby issues its trading update for the first quarter ended 31 March 2023.

The Company continues to pursue transactions to broaden its investment portfolio, and shareholders will be updated on any further developments in due course. While several deals have been, and are still being pursued, progress has been hampered by the preference for share trading in USD instead of local currency. The Company remains focused on the conclusion of acquisitions that are in the works whilst considering a migration to the Victoria Falls Stock Exchange at the appropriate time.

Operating environment

An overview of the first quarter operating environment is included below:

- Monetary policy interest rates started the quarter at 200% and decreased to 150% with the monetary policy announcement on 2 February. A further reduction in interest rates to 140% was announced on 30 March.
- January 2023 was the last time that ZWL inflation was published, after which the authorities switched to the use of the blended consumer price index as its official inflation indicator. This blended rate combines USD and ZWL inflation and is of little use in understanding pure ZWL or USD inflation. Although the movement in ZWL inflation does not exactly track exchange rates, this seems to be the general trend over time. The year-on-year movement in the official exchange rate to the end of Q1 was an increase of 573% whilst the parallel rate increased by 452% over the same period. These figures are used as an indicative proxy for ZWL inflation in the absence of published information.
- Interbank exchange rates moved from 684 at the end of 2022 to 930 at the end of March 2023 – an increase of 68%. The same period saw a sharp increase in the parallel market of 52% from about 980 to 1490. The impact of this significant parallel market

premium and the requirement that formal shops may only convert ZWL prices to USD at the official rate plus 10% means that the foreign currency previously accessible to formal retailers has now largely moved to the informal sector. The parallel market has therefore thrived, and formal retail USD sales have decreased, thereby having a negative impact on business and increasing pressure on the auction. The RBZ is now pricing ZWL gold coins and tokens at the official exchange rate plus 20% whilst ZESA is charging business exclusively in USD which may be an indication of changes to come.

Overall, the operating environment has worsened in Q1 as compared to the previous quarter and remains difficult and unpredictable.

CLASS A PORTFOLIO – CONSUMER GOODS (MEDTECH BUSINESSES)

This portfolio primarily includes 50.1% of Zvemvura Trading (Private) Limited, trading as MedTech Distribution, and Chicago Cosmetics (Private) Limited, a 51% subsidiary of MedTech Distribution.

Performance commentary

First quarter sales volumes were lower than Q1 2022 by 31% although the product mix changed significantly – especially for products manufactured locally by the business. In USD equivalent value terms, as used for internal reporting, sales increased by 7.7% for the quarter to USD1.07 million as compared to Q1 2022. This was however a decline from USD1.42 million in sales for Q4 2022. Q1 is typically slower than Q4 and hence this result is in line with expectations.

The MedTech Businesses are significantly exposed to the devaluation of the Zimbabwe dollar due to ZWL being held for auction bidding purposes, where allocations are typically a lot less than the foreign currency applied for. In addition, the bulk of sales is to supermarkets in local currency which take extended periods to pay, further

exposing the businesses to devaluation risk. Borrowings are typically secured to mitigate this risk but with the high interest rates the level of borrowings has been inadequate to hedge the ZWL exposure.

CLASS B PORTFOLIO

Whilst a transaction is pursued, the Class B portfolio comprises an effective 50.1% of a stand registered in the name of MedTech Distribution. The Board is exploring opportunities to develop this property and to include it in a REIT to be listed later this year. This property was last valued at USD200,000 in 2021 giving the BridgeFort Class B Preferred shares an underlying asset value of USD102,000 or USD0.08 per share.

OUTLOOK

Over the past six weeks or so, the parallel market rate has moved considerably. This movement is particularly painful for the formal sector which is obliged to accept ZWL and is even worse for credit suppliers to supermarkets such as MedTech Distribution. As the only ones who are required to embrace it, the formal enterprises are the last line of defence for the ZWL, while the informal sector has rejected it.

As we move closer to elections the operating environment becomes more uncertain and the chances of us concluding a transaction before the end of August are low. We do however remain focused on our objectives and will continue to pursue acquisition targets even if this is largely transaction groundwork leading up to elections.



Vernon Lapham
Chief Executive Officer
11 May 2023