Trading Update for Quarter ended 30 June 2023

Willdale Limited

Quality • Durability • Diversity

Trading Environment

The instability in the exchange and inflation rates presented a challenging operating environment characterized by low aggregate demand and high operating costs. Electricity supply improved in the quarter boosting efficiencies and production levels.

Volume performance

Despite the challenging environment, sales volumes for the quarter increased by 26% over the comparative period as the construction industry picked up from the rain season shutdown period. Year to date volumes for the 9 months were however 4% below the prior year and still reeling from the effects of low production experienced earlier in the year due to electricity shortages. A significant order book has been built to drive sales for the remainder of the year. The company continues to pursue various opportunities requiring bricks in various sectors.

Financial performance

Year to date revenue grew by 83% to ZWL 20 billion in hyperinflation terms and by 704% to ZWL 10 billion in historical terms compared to the prior year. Revenue continued to be impacted by exchange rate distortions. The continued growth in demand for higher margin brick types has helped to improve the product mix and margins. Focus remains on efficient production and cost containment given the prevailing economic environment.

Business continuity

The operating environment remains uncertain with the monetary authorities trying their best to stabilize the economy. Short term business plans will continue to be reviewed to remain viable. Appropriate strategies will be deployed to generate sufficient business given low aggregate demand. Statutory Instrument 134A of 2023 was issued on 25 July 2023 significantly resolving the impasse with ZIMRA on the issue of Value Added Tax on bricks. Clay bricks were classified as exempt from VAT with effect from 01 August 2022. This classification, however, implies that the VAT portion on purchases will no longer be claimable as input tax and will therefore increase costs of operations. This unfortunately will also increase the cost of construction.

Solvency

The business model remains viable and is generating sufficient resources to support operations in the foreseeable future. However, the tight monetary measures implemented to stabilize the economy will affect cash flow generation and operations.

Outlook

The tight liquidity conditions will heighten competitiveness in the market. However, it is expected that the liquidity situation will improve post general elections. The company will continue to leverage on its brand, superior quality and capacity to dominate the market and sustain margins, subject to sufficient supply of electricity.

By Order of the Board
M Munginga
Company Secretary
4 August 2023

www.willdale.co.zw