



EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948, under Company Registration Number 379/1948)

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Registered Address: 9th Avenue and Herbert Chitepo Street, Bulawayo, Zimbabwe.

TRADING UPDATE FOR THE NINE MONTHS TO 08 OCTOBER 2023

The Company presents its business update for the nine months of the 2023 financial year.

Trading environment

The economic environment was relatively stable during the quarter after the interventions of the Central Bank and Government aimed at stabilising the ZWL exchange rate and inflation. The interventions among others included the announcement that multi-currency regime will continue until 2030, which brought confidence in the financial markets. Liquidity continued to be a challenge with most banks struggling to fulfil drawdown requests. This improved towards the end of the quarter soon after the elections and we anticipate that this will continue into quarter 4.

Group Performance

Unit sales – The Group did exceptionally well during the third quarter achieving unit sales of 649,788 which was 28.5% up from the same period last year which had 505,531. However, cumulatively for the nine months to 08 October, the unit sales were 2.4% below last year (2023: 1,744,654 vs 2022: 1,781,073) due to the currency instability experienced in quarter 2 which saw customers losing a significant part of their buying power especially the Civil Servants who are 35% of our business.

As at 08 October, borrowings closed at USD\$5.4m up from USD\$4.9m in Quarter 2 and ZW\$3.0 billion compared to ZW\$3.4 billion as at end of the second quarter, with the average cost of borrowing for ZWL at 107.99% per annum compared to 89.35% per annum in June 2023 while the USD average cost of borrowing was 13.39%. The Group had US\$125,456 in foreign liabilities which it can service from existing resources.

Edgars Chain – The Chain achieved quarter 3 unit sales of 260,043 representing a growth of 39.7% on prior year. However, cumulatively for the nine months to 08 October, the Chain unit sales were 2.16% down on prior year (2023: 703,253 vs 2022: 718,768). Revenue for the nine months was up 43.99% relative to same period last year in historical terms. Credit sales constituted 63% of total sales compared to 54% in same period last year. The chain closed September with stock cover of 10.0 weeks (2022: 17.3 weeks).

Jet Chain – The Chain achieved quarter 3 unit sales of 334,910 which were 18% up on prior year units of 283,877. However cumulatively for the nine months to 08 October, the Chain unit sales were 4.10% down on prior year (2023: 918,616 vs 2022: 957,900). Revenue for the nine months was up 47.98% on prior year same period in historical terms. Credit sales made up 60% of the total sales for the quarter compared to 49% in same period last year. Stock cover closed at 10.6 weeks (2022: 12.46 weeks).

Financial Services-In historical cost terms, Finance Income decreased by 32.80% (ZWL\$12.42 billion) in the nine months relative to prior year same period (ZWL\$18.48 billion). The ZWL book reduced to ZWL\$2.67 billion from a December 2022 balance of ZWL\$2.85 billion while the USD book grew 50.0% on the December 2022 balance to close at USD\$9.50 million. The debtors book performance remained healthy, with 80.6% of the ZWL book being current compared to 72.4% in September 2022 and 61.5% in December 2022 while 82.2% of the USD book was current at the close of the quarter down from 90.4% as at December 2022.

Carousel Manufacturing

The manufacturing business achieved a growth in sales units of 54.6% to 54,835 on the prior year during the quarter under review. Cumulatively, unit sales were up 17.6% to 122,789 (2022: 104,405). This was achieved through giving focus to local production to achieve exclusivity and high quality. There are plans to acquire more machines including a laser Cutter to improve efficiencies, increase production capacity and reduce cost of production. At the end of 30 September, the factory had enough stocks of raw materials to meet the increased demand from the chains. Orders for more fabric were placed to cover a 12 months of production for all the product ranges. There are plans to produce for the South African market in the coming year.

Micro Finance

The USD loan book closed the quarter at USD\$1.14million up 3.6% on December 2022 balance of USD\$1.10million while the ZWL loan book decreased by 92.1% to ZWL\$22.60million from ZWL\$285.55million at December 2022. In historical cost terms, Interest Income of ZWL\$2.62 billion was down 14.23% on prior year. The USD book was 75% in current at the end of the period, compared to 82.1% at end of December 2022. Currently the USD loan book is 79.3% current.

Outlook

The Group expects the operating environment to remain stable for the remaining part of the year, creating opportunities for the business to grow further. We will continue to look at our business model and review it, to adapt to changes taking place in the economy. The Group is

very confident that its turnaround initiatives are paying dividends as our operating results continue to improve each month with gross profit per unit going up while cost per unit is declining. The business is alive to opportunities presented to expand both our brick and mortar and online footprint and develop a resilient business model that will withstand the impact of future shocks and disruptions.

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Sevious Mushosho
GROUP CHIEF EXECUTIVE OFFICER
08 December 2023