

MEIKLES

— L I M I T E D —

(Incorporated in Zimbabwe under Company registration number 1/37)

ZSE alpha code: MEIK ISIN: ZW 000 901 211 4

TRADING UPDATE

For the third quarter ended 30 November 2023

OPERATING ENVIRONMENT

The trading environment for the period under review was characterised by persistent depreciation of the Zimbabwe Dollar (ZWL) and a high use of United States Dollars (USD) in the economy. The exchange rate increased by 784% year-on-year, considerably increasing the cost of transacting in ZWL. According to a survey on consumer spending conducted by the Zimbabwe Statistical Agency (ZimStat), 80% of the transactions in the economy are conducted in USD, while the balance of 20% is in ZWL. In contrast, the percentage of revenue received in foreign currency by formal retailers is below 20% due to uncompetitive USD prices arising from compliance with the Government's in-store exchange rate policy. There are ongoing engagements with monetary and fiscal authorities on changing the in-store exchange rate policy.

BUSINESS PERFORMANCE

Supermarkets

Units sold and customer count increased by 5% and 2% respectively, for the quarter compared to last year. This reversed the decline trend experienced in the preceding two quarters. The decline in units sold for the nine months eased to 6% from the 10% reported for the six months to 31 August 2023.

The percentage of revenue received in foreign currency during the quarter and the nine months to date was below 20% despite an improvement from last year. This fell far short of the average of 80% per ZimStat's consumer survey findings, primarily due to compliance with the in-store exchange rate policy. The in-store exchange rate policy remains an albatross on formal retail in attaining the dollarisation level reached by most businesses in the economy. This creates ongoing supply chain challenges as suppliers are invoicing in USD and prefer settlement in USD.

The stores were relatively well stocked, hence the growth in units sold and customer count. Challenges were encountered in the range of stocks given the revenue split.

Hospitality

Room occupancy grew by five percentage points to 42% for the quarter from 37% achieved last year. The average room rate, in USD terms, was 13% above last year and, combined with the growth in room occupancy, resulted in a 29% growth in revenue per available room. Revenue per available room rose by 50% for the nine months to 30 November 2023 due to a room occupancy growth of ten percentage points and a 12% increase in the average room rate.

FINANCIAL PERFORMANCE

Group revenue for the quarter under review of ZWL 613.1 billion was 128% above last year in inflation adjusted terms (Historical cost: An increase of 762% to ZWL 562.2 billion). Inflation adjusted Group revenue for nine months grew by 111% to ZWL 1.7 trillion while in historical cost terms, Group revenue increased by 701% to ZWL 1.2 trillion. The profit margin remained at the same level as reported for the six months ended 31 August 2023.

The Group's liquidity remained strong despite the tightening of trading terms in the economy, which gives the Group leverage in a harsh trading environment.

OUTLOOK

The last quarter of the financial year commenced on a strong note, with the units sold by the supermarkets in December surpassing those sold the previous year. Our focus is on strengthening the Group operations' capabilities to adapt to the evolving trading conditions.

By Order of the Board



T. Mpofo
Company Secretary
22 January 2024

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