

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2024

Introduction

The Company continues to work on the transaction with Diaspora Kapita which would include the disposal of the MedTech business and a transfer of the listing to the Victoria Falls Stock Exchange.

Operating environment

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

- Monetary policy interest rates remained high throughout the quarter. Liquidity in the market remained tight with bank facilities being difficult to access.
- Interbank exchange rates moved from 6,105 on 31 December 2023 to 22,055 at the end March 2024 – an increase of 261%. The same period saw the unofficial rates move from about 10,200 to 26,000, an increase of 155%. The reduction in the unofficial market premium was a welcome development as this makes formal businesses more competitive against informal market participants.
- With the significant devaluation experienced during the quarter, tight ZWL liquidity and low confidence in the local currency, the USD is increasingly the currency of choice.
- The introduction of route to market legislation was a disruption for formal business along with TaRMS implementation, QR codes on invoices and fiscal device upgrades.

The operating environment was substantially more unstable than it has been for a long time with significant uncertainty prevailing.

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 values decreased by 8% versus the first quarter of 2023 – from USD1.07 million in 2023 to USD990 thousand in 2024. First quarter 2024 volumes declined by 1.25% compared to the same period last year from 470,816 units in the first quarter of 2023 to 464,940 units for the first quarter of 2024. Chicago, the manufacturing business, experienced an increase in turnover of 5% whilst MedTech Distribution sales declined by 30% compared to the same period last year.

The MedTech businesses remain significantly exposed to the potential devaluation of the local currency due to the bulk of sales being to supermarkets, in ZiG, which take extended periods to pay. Sales to supermarkets have declined significantly largely due to competition from the informal sector, uncompetitive pricing and customers frequently on stop supply for non-payment.

CLASS B PORTFOLIO

Whilst a transaction is pursued, the Class B portfolio comprises bank and cash balances of USD120,000.

OUTLOOK

We are hopeful regarding the success of the ZiG and believe that the formal sector should strongly support this as a key differentiator between formal sector players and the informal sector.

The largely untaxed informal sector continues its strong growth trajectory which is having a negative effect on much of the formal sector and, one assumes, also on Government revenues. The result of the above is likely to see an increasing percentage of Government revenue being spent on the civil service wage bill with less available for capital expenditure and debt servicing. The risk emanating from this scenario is possibly an increase in money supply – in ZiG or Nostro USD or both – if shortfalls in the fiscus are funded through the Reserve Bank. The development of the country is dependent on strong fiscal revenues from all sectors and we urge the authorities to focus on the significant non-taxpaying informal sector.

We continue to work on the acquisition of Diaspora Kapita and are optimistic that this will be concluded within the next few months.



Vernon Lapham
Chief Executive Officer
15 May 2024