

TRADING UPDATE – 3 MONTHS TO MARCH 2024

TRADING ENVIRONMENT

- The first quarter of 2024 was slow mainly due to liquidity constraints in the environment.
- Several projects were stalled as clients struggled with cashflows.
- Implementation of fiscal policy measures announced in the 2024 National budget also impacted on trading as business grappled with compliance, particularly with the route to market for our products as the new policy required the business to transact with VAT registered customers only.
- Clients also slowed down on commencing projects as they adopted a wait and see attitude pending introduction of the new structured local currency.
- The structured local currency, Zimbabwean Gold (ZiG), was eventually introduced during the first week of the second quarter.
- In the quarter under review, the then local currency (ZWL) weakened against the USD posing a challenge on ZWL transactions.
- USD payments (at 90%) dominated transactions for the entire quarter.

BUSINESS PERFORMANCE

- Sales volumes for the quarter retreated 16% compared to the same period last year.
- Revenue weakened 24% compared to the previous year revenue of USD 5,448 million.
- The business recorded a breakeven position in profitability for the quarter.
- The revenue inflow was predominantly in United States Dollars.
- Production volumes grew by 8% compared to the previous period, thereby closing off backorders and re-stocking fast-moving products.
- The raw material supply was consistent throughout the quarter.

OUTLOOK

- Demand for irrigation pipes (including related fittings), borehole casing and newly introduced tanks is expected to improve, driven by drought mitigation related projects.
- Local Currency transactions mainly from public related institutions are likely to improve following the introduction of ZiG as local currency.
- Overall, we expect an improved performance in the second quarter of the year.
- Raw material pricing is anticipated to remain stable during the year, from a pricing point of view as well as availability.
- With the El-Nino induced drought, electricity generation is likely to be at its lowest posing supply gaps resulting in loading shedding.
- Materials for the new solar plant have now been delivered to site and work have commenced. The project is expected to be commissioned by the end of July 2024.
- The factory remains capacitated to convert all orders in time.



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