

Trading Update for Quarter ended 30 June 2024

Trading Environment

Inflation stabilized in the quarter under review with month-on-month rates staying below 1 % per month as confidence in the ZWG prevailed. Competition increased forcing prices and margins down. The order book improved towards the end of the quarter as construction projects increased. Electricity load shedding persisted, impacting on throughput and efficiencies.

Volume performance

Despite a good start to the production season, a combination of factors, such as electricity load shedding and limitations in working capital, resulted in a 16% decline in production compared to the prior year. Production has since been ramped up to within year-to-date targets. Sales volumes declined by 5% compared to the prior year largely due to low availability of stock, liquidity shortages and increased competition. An increase in housing development in most cities and towns subsequently pushed demand up.

Financial Performance

Revenue is 5% above budget. Product mix remains within target. The revenue mix shifted towards the local currency in the quarter under review. Focus remains on generating sufficient cash flows and managing costs.

Business Continuity

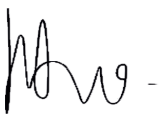
The surge in housing development projects in urban areas presents opportunities to increase production and revenue in the remainder of the year. Competition, however, remains stiff. Efforts to raise funding to acquire a modern and more efficient brick making plant are in progress. Land development initiatives are at various stages of statutory approval and are expected to begin to realise cashflows in the coming financial year.

Solvency

Strategies are in place to resource the business to meet its working capital requirements from time to time to ensure sustainable viability. The general market acceptance of the ZWG for transacting will ease pressure to generate US\$ for local transactions. Liquidity and solvency ratios are at satisfactory levels.

Outlook

Stability in the macroeconomic environment, underpinned by stable exchange and inflation rates, will increase business confidence and unlock several construction projects. Efforts to improve competitiveness through investment in modern plant technology will be intensified in the next quarter. Cost containment will be critical going forward to sustain margins, faced with increasing competition.



By Order of the Board
M Munginga
Company Secretary
2 August 2024

