



EDGARS STORES LIMITED

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

Non-Executive Chairman: T.N Sibanda **Group Chief Executive Officer :** T.Ndlovu*

Directors: C.F Dube, R. Mlotshwa, M. Hosack, H.Vundla* *Executive

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

TRADING UPDATE FOR QUARTER ENDED 10 APRIL 2022

OPERATING ENVIRONMENT

The Quarter ended 10 April 2022 was characterised by an increase in inflation levels from 60.7% in December 2021 to 72.7% in March 2022. The rise in inflation has resulted in an increase in operating costs, with occupancy, employment, fuel and the cost of transacting being some of the significant costs that are continuing to rise and impacting the business negatively.

FINANCIAL PERFORMANCE

Notwithstanding the challenges in the operating environment and the uncertainty brought about by the Russia-Ukraine conflict, the Group managed to achieve volume growth across all significant business units.

Total Group units sold increased by 62% from 363,162 to 588,534 compared to the same period last year. This significant growth can be attributed to two factors: a) The COVID19 lockdown during Q1 of 2021 and b) Management's efforts in ensuring that fresher and more competitively priced merchandise is available in-store.

RETAIL PERFORMANCE

Volumes in the Edgars chain were up 81% with 239,055 units sold compared to 132,126 units in the comparative period. The split between credit and cash sales was 58% (2021: 65%) and 42% (2021: 35%) respectively. Net trading area increased from 20,814 m to 21,145 square metres following the move of the Borrowdale store to a larger trading space. This move has resulted in wider merchandise assortment for this market with the store showing strong performance in the quarter under review. Stock covers closed at 19.7 weeks (2021:20.3 weeks).

Total unit sales for the Jet chain were up 104% to 384,672 (2021: 188,279). The split between credit and cash sales was 48% (2021: 38 %) and 52 % (2020: 62 %). The Chain opened one new stores in the quarter, in Harare CBD, taking the store count to 32 (2021: 28). Comparable unit sales growth was 86%. Stock covers closed at 17.2 weeks (2021:14.6 weeks).

FINANCIAL SERVICES

Active accounts decreased from 128.2k to 127.3k. New business initiatives realised 3 052 new accounts vs. 883 opened in Q1 last year. Debtors' collections were above expectations, due to improved customer education about available multiple payment platforms. The asset quality remains firm with 85.9% (2021: 85.4 %) of our retail debtors' book in current status. Expected credit losses (ECLs) remain below the industry 5% benchmark at 3.1% (2021 3.0%). Despite the challenging inflationary environment, the business will continue to write good credit to new and existing customers. Management is pursuing funding options to ensure this continuity.

CLUB PLUS MICROFINANCE

The business experienced growth in disbursements in the quarter as compared to prior period. Asset quality remains positive with over 80% of the book being in current. Various investments in e-portals have resulted in improved efficiencies in loan approval and disbursement processes.

CAROUSEL MANUFACTURING

Total outerwear (excluding barrier masks) unit sales were up 48.9% to 18,924 (2021:12,712). Management has embarked on various retooling and training initiatives which will result in widening of product offering, improvement in quality, productivity enhancement and an improvement in efficiencies. The improved efficiencies will go a long way in ensuring profitability of the business. Efforts have also been made to procure critical raw materials so as to secure production in the third quarter and beyond. Management continues to engage new raw material suppliers to mitigate the effects of yarn shortages in the global market.

EFFECT OF COVID -19

The Group continues to implement and observe WHO approved Covid-19 guidelines throughout its operations to safeguard all stakeholders. Implementation of an effective staff vaccination program has seen over 98% of our staff being vaccinated. This, along with the various vaccination programs implemented by the Government will go a long way in ensuring the safety of our staff and our customers.

OUTLOOK

Management continues to review working capital and financing models to capitalise on opportunities that arise in the very uncertain operating environment. Due to rising costs, cost containment remains a focus area. The Group seeks to increase its net trading area through the opening of new stores.



T N NDLOVU
GROUP CHIEF EXECUTIVE OFFICER
20 MAY 2022