



EDGARS STORES LIMITED

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

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TRADING UPDATE FOR THE 13 WEEKS ENDED 09 OCTOBER 2022

The Company presents its business update for the third quarter (Quarter 3) of the 2022 financial year.

Trading environment

The operating environment remains complex and challenging. In order to tame inflation, the Central Bank at the beginning of the quarter tightened monetary policy, increased interest rates from 80% to 200%, introduced gold coins as a store of value and further liberalized the forex market. As a result of these measures, the parallel market stabilized and the gap between the formal and parallel market exchange rates reduced to below 35% by end of the quarter. However, the depreciation of the local currency and the high interest rates dampened consumption and investment levels resulting in our customers cutting on ZWL purchases negatively affecting our sales growth. The Company introduced USD credit in response to this decline in ZWL demand.

Group Performance

Unit sales – Quarter 3 sales at 505,531 were down 26% from prior year (681,191) while cumulative units sold were 1.78 million as at end of Quarter 3, which was 10% ahead of last year. Cumulative unit sales growth benefitted from strong demand in 1st half of the year which also had a lower prior year base due to lockdowns.

As at the end of September *borrowings* were USD\$700k and ZW\$3.01 billion compared to ZW\$2.02 billion as at end of the second quarter, with the average cost of borrowing at 166.19% per annum compared to 55.46% per annum in June 2022. The Group had US\$113,226 in foreign liabilities which it is able to service from existing resources.

Edgars Chain - unit sales of 186,179 were down 23% on prior year same period and also down 37% on Quarter 2 largely on account of reduced aggregate demand following a sharp increase in minimum lending rates (MLR) announced in early July. Revenue for the quarter was down 38% relative to Quarter 2 in inflation adjusted terms while in historical terms, revenue growth of 5% on the second quarter. Credit sales constituted 45.6% of total sales compared to 60.2% for Quarter 2. The chain closed September with stock cover of 16.5 weeks (2021: 12.5 weeks).

Jet Chain - unit sales of 283,877 were down 27% on prior year. Revenue for the quarter was down 26% on second quarter in inflation adjusted terms while in historical terms, revenue was up 27% on the second quarter. Credit sales made up 37.6% of the total sales for the quarter compared to 52.75% at the end of June. Stock cover closed at 11.88 weeks (2021: 11.15 weeks).

New stores – Jet Norton was opened towards the end of the quarter. Performance of the store has been encouraging.

The unit sales performance for the chains was underpinned by promotional activities that took place during the quarter: Father's Day Promotion which paid tribute to all men and fathers in our communities, Winter Clearance Sale, and the Mother and Baby Promotion.

Financial Services-In inflation adjusted terms, Finance Income grew 91% (ZWL\$2.44 billion) in Quarter 3 relative to Quarter 2 (ZWL\$1.28 billion). Historical Finance income of ZWL\$2.33 billion was up 225% in Quarter 3 relative to Quarter 2 on the back of a growing debtors' book which increased from ZW\$2.86 billion in Quarter 2 to ZW\$3.04 billion in Quarter 3 attributable to the upward interest rate review. The recently introduced USD book closed the quarter at USD\$1.99 million. The debtors book performance remained healthy, with 77.0% of the ZWL book being current compared to 85.3% in Quarter 2 (2021: 86.3%) while 93.2% of the USD book was current at the close of the quarter. USD active accounts closed the quarter at 89.9%, split as follows: Edgars 88.7% and Jet 91.2%. ZWL active accounts at 32.4% were stable throughout the year but decreased relative to prior year (September 2021: 37.8%) with split as follows: Edgars 27.9% and Jet 41.6%.

Carousel Manufacturing

Unit sales for the quarter were down 24% on prior year (35,475 vs 46,524). Year to date unit sales declined by 13% (104,405 vs 120,545). The sales reduction was due to the weaker aggregate demand from the retail chains in response to the reduced appetite for credit.

Micro Finance

The ZWL loan book decreased by 10% to ZW\$236.85million from ZWL\$262.27million at Quarter 2 while the USD loan book closed at USD\$302k as at September 2022. In inflation adjusted terms, Interest Income of ZWL\$250.02 million was down 2% on Quarter 2 while Interest income of ZWL\$236.96 million was up 67% from Quarter 2 in historical cost terms. 64.5% of the ZWL\$ book was current at the end of the period while 95.9% of the USD book was current at the end of the period, compared to 84.1% at end of Quarter 2 (2021: 82.1%).

Outlook

The company expects the operating environment to remain challenging and complex in the face of difficult choices on economic policy, rising global inflation and high local inflation. As we focus on business continuity, we are taking steps to exercise rigorous management of inventory levels, closely monitor all aspects of the trade receivables portfolio and optimising our funding mix to meet the needs of the business.

The business is alive to opportunities presented to expand both our brick and mortar and online footprint and develop a resilient business model that will withstand the impact of future shocks and disruptions.



Tjeludo Ndlovu
GROUP CHIEF EXECUTIVE OFFICER
11 November 2022