



## TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

### Operating Environment

The period under review remained challenging, characterized by liquidity constraints, adverse effects of the El Nino-induced drought and pricing distortions arising from exchange rate differences between the official and alternative foreign exchange markets. The month-on-month inflation rate closed the quarter at 0.7% as at 30 September 2024 up from -0.3% recorded at the end of the second quarter, whilst the year-on-year inflation rate increased from 3.8% at the end of the second quarter to 4.2% in September 2024. The current inflation trends come on the back of a depreciating parallel market exchange rate.

The Reserve Bank of Zimbabwe devalued the local currency by 43% in a bid to reduce pricing distortions in the economy and this represents a substantial shift in the country's economic strategy, and it is expected to have profound implications for businesses and consumers alike. The Central Bank also announced various measures which include increasing bank interest rates from 20% to 35% and allowing exchange rate flexibility. The latter could lead to an improved valuation of the ZWG and could potentially reduce arbitrage opportunities.

### Business Performance

#### Production

The company produced 9,728 tonnes of fibre-cement and concrete products in the 3rd quarter of 2024 representing a 14% growth compared to the same period last year. This was driven by improved production efficiencies and critical raw materials availability.

#### Profitability

The sales revenue for the quarter was USD3.3 million which was a 6% growth compared to the same period last year (USD 3.1 million). The revenue growth is attributed to a change in the sales mix which was skewed towards the high value and low tonnage products. Consequently, the sales volumes for the quarter were 8,537 tonnes, which was 7% lower than the same period last year (9,132 tons) due to the change in the sales mix.

Cumulative sales volumes for the nine months ending 30 September were 5% above the same period last year. Similarly, the cumulative sales revenue was USD8.8 million which was a 5% growth from same period last year and this was driven mainly by fibre cement products availability. The gross margin for the third quarter was 19% against a prior year figure of 16% and the improved margins



## TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

are mainly due to the change in the sales mix as the Group enjoys higher margins on the fibre-cement products.

However, in spite of the ongoing cost containment initiatives, the Group's expenses increased by 19%, thereby eroding the benefits of the improved gross margin. Consequently, the Group has been in a loss-making position since the beginning of the year.

### Cash generation and utilization

There was a notable improvement in the cash generated from operations compared to the same period last year. Despite the losses recorded year to date, the business had positive cashflows generated from operations amounting to \$985,967 up from -\$6,9 million last year. Net cash inflows from financing activities amounted to \$1.6 million and this was mainly driven by loans received from the shareholders and financial institutions which were used to fund working capital and civil works for the fibre-cement plant which will be installed in Harare.

### Outlook

Currently, civil works are ongoing in preparation for the installation of a new sheeting plant in Harare which will boost output, lower production

costs and result in significant cost savings particularly in respect of transportation costs. The roofing tiles plant capacity is also going to improve through the injection of additional tile templates in the 4th quarter of 2024. Progress has been made in improving the operational efficiency of the Tile Plant and further gains will follow when the new templates arrive.

There are deliberate strategies being implemented to improve the product offering in an effort to grow revenues. Enhancement of production efficiencies and cost containment remain key focus areas as well for management and these efforts are starting to bear fruit. We remain committed to turning the Group's fortunes around and restoring it to profitability.

### Appreciation

I would like to express my profound gratitude to all our stakeholders, investors, board, management and staff for your continued support.

### By Order of the Board



G.H. Hampshire

Board Chairman

14 November 2024