my happy place

OK ZIMBABWE LIMITED
TRADING UPDATE
THIRD QUARTER ENDED 31 DECEMBER 2024

my happy place

THE COMPANY HEREBY PROVIDES ITS TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2024

OPERATING ENVIRONMENT

The operating environment was largely subdued due to lower than expected consumer spend in the quarter under review. Acute local currency liquidity shortages restricted access to the much needed funding to cover working capital cycles across the formal retail sector. The local currency unit, ZWG, experienced a sharp devaluation at the end of September 2024 as monetary authorities sought to improve the viability of the exchange rate system for the broader economy. Invariably, the devaluation had the net effect of nearly doubling existing US Dollar denominated obligations in loans and creditors' balances.

The Group experienced episodes of stockouts during the quarter under review as evidenced by daily availability levels of around 50% of normal stocking levels. These stockouts arose from restricted supplies from manufacturers and distributors. The Group had outstanding and overdue creditors' balances which were predominantly denominated in US Dollars against a backdrop of low US Dollar sales collection, at times reaching as low as 20% of sales revenue. The low stocking levels are a direct manifestation of sub-economic pricing arising out of exchange rate distortions and suppliers' need for foreign currency invoicing to cover their operational and raw material needs. Suppliers continued to insist on shorter trading terms and in some cases prepayments for supplies invoiced in local currency. This exerted pressure on the business' working capital and necessitated the need to access short-term funding.

Power outages worsened during the trading period resulting in disruptions in business operations and increases in operating costs as the business relied more on alternative sources of power. To mitigate against rising operating costs, the Group resolved to close four branches in Glen Norah, Kuwadzana 5, Chitungwiza Town Centre and Robson Manyika Street, all in Harare. Review and consideration of the future of branches saddled with the stifling impact of unsustainable operating cost structures and costly licencing requirements is in progress.

VOLUME PERFORMANCE

Volumes decreased by 36% in comparison to the same period last year. However, on a year-to-date basis the Group recorded volume growth of 10% over the same period.

FINANCIAL HIGHLIGHTS

The reduction in volumes recorded during the quarter translated to a decline in revenue of 36% as compared to the prior period.

OUTLOOK

The business has begun restocking the operating units with support from supplier partners as well as financial institutions that continue to assist with short-term funding structures. New alternative procurement models have been developed which include, but are not limited to, a structured stock supply arrangement with a third party for supplier assurance purposes as the business works to restore critical supply relationships with both local and foreign suppliers. The Group is confident of restoring normal stocking levels before the closure of the current financial year.

The fortunes of the country's formal retail sector are hinged on the stability of our exchange rate regime. Consultations with both Fiscal and Monetary Authorities have led to a relaxation of the very strict policing of applicable in-store exchange rates. The Group welcomes the recently announced Monetary Policy Statement measures which removed a number of limitations and introduced some level of flexibility within the foreign exchange market. However, there is need for absolute clarity on the roadmap towards a full market determined exchange rate system. Such a liberalized system will go a long way in restoring the competitiveness of the formal retail sector.

BY ORDER OF THE BOARD

MARGARET MUNYURU (MRS.)
GROUP COMPANY SECRETARY
14 FEBRUARY 2025