



EDGARS STORES LIMITED

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

Directors: T.N. Sibanda (Chairman), C. Dube, R. Mlotshwa, T.N. Ndlovu (CEO), B. Ndlovu (CFO), V. Mpofu, M. Hosack, H. Vundla.

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



TRADING UPDATE FOR THE 53 WEEKS ENDED 10 JANUARY 2021

The company presents its business update for fourth quarter ended 10 January 2021.

Trading Environment

The company recorded revenue growth across all business units during the quarter, particularly in December. The availability of merchandise, improved civil servants salaries, year-end bonuses and an enhanced credit offering to customers contributed positively to this growth.

Notwithstanding this growth, the trading environment remained challenging due to the ever increasing cost of doing business, liquidity constraints, high cost of borrowings, COVID-19 challenges as well as generally low disposable incomes.

Towards the end of the fourth quarter, government reintroduced a level four lockdown suspending all store trading.

Group Performance

Year to date turnover for the trading period to 10 January 2021 was down 17% in inflation adjusted terms and up 494% in historic terms. **Units sold** for the year to date declined to 2.4 million from 3.4 million last year. Demand for the quarter declined to 995 000 units from 1 224 000 units last year but was up from 585 000 units in the 3rd quarter. Resultantly, inflation adjusted EBITDA was down 6% compared to the same period last year.

Borrowings at end of December trading period were ZWL\$245 million. The Group did not have any material foreign denominated debt at the end of the quarter.

Edgars Chain

Year to date **unit sales** of 888 000 were down 36.5% compared to the same period in 2019. **Credit sales** increased from 40% of total sales in the 3rd quarter to 64% of total sales in the last quarter.

Jet Chain

Unit sales of 1.3million were down 29% for the period to date against 2019. Cash and credit sales contribution to total sales were 55% and 45% respectively.

Carousel Manufacturing

Unit sales were up 32% for the period to date. Total sales for the last quarter were lower than Q3 as the factory operated for only a week in December.

Financial Services

The company reviewed customer credit limits upwards during the last quarter, leading to an increase in the gross debtors book from ZWL\$123 million at the end of September to ZWL\$428 million at the end of December trading period.

Interest income grew 32% year on year in inflation adjusted terms in line with the growing debtors book. Having contained arrears follow up costs we shared the profits received from the growth in the book with our customers by reducing interest rates in December.

Active accounts firmed in response to the favourable credit terms, increasing to 41% of total number of accounts from 32.9% as at the 3rd quarter. We will be rolling out revised loyalty programmes to further improve customer engagement and retention.

Debtors collections - Average collections were up to 36.1% of the opening book, compared to 34.7% in Q3 and 24.5% last year. The **quality of the book** continued improving with "Current" account balances at 88%, up from 78.2% compared to the 3rd quarter.

Club Plus

The microfinance **loan book** increased 6% in inflation adjusted terms to ZWL\$30.5 million as at end of December trading period. In historical terms the book grew by 133% from ZWL\$13.1 million at the end of Q3.

Interest income grew 62% in inflation adjusted terms (729% growth historically) from Q3 on the basis of the bigger book written and firm interest rates.

Directorate

Dr L. L. Tumba retired from the Board effective 3 December 2020 after 14 years of service to the group. Ms. Happiness Vundla CA (Z) was appointed to the Board on the same date. A separate notice with details of the changes was circulated by the Company Secretary.

Outlook

The ongoing lockdown has denied business two months of normal trading, which has severely constrained prospects for Q1 of F2021. The business has responded through online store sales and WhatsApp trading – although volumes remain relatively low.

We have stepped up our efforts to ensure that our staff and customers remain safe under the second wave of COVID-19.

Recent hikes in fuel price and ZINARA toll fees has set off increases in prices for other products, which will further increase the cost of doing business, and limit customer demand. Under these conditions, management's focus is on cost containment and managing cashflows until the macro-economic fundamentals improve.

Tjeludo Ndlovu
GROUP CHIEF EXECUTIVE OFFICER
17 February 2021

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Jet

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