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## **TRADING UPDATE FOR THE FIRST QUARTER ENDING 31 MARCH 2022**

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I hereby present to you the GB Holdings Ltd trading update for the first quarter ended 31 March 2022.

### **Operating Environment**

The concerted effort by the Zimbabwean Government, global players and the private sector in the containment of the COVID 19 pandemic brought respite to the economy as measured lockdown restrictions were relaxed. Although the disease had morphed into multiple variants, the predominant OMICRON was regarded as less virulent with some developed economies relegating the disease to being endemic. Locally, there are efforts to achieve the herd immunity threshold while at the same time encouraging booster shots to avert any possible eruption.

Having contained the pandemic, the Russia- Ukraine conflict emerged as a Global flash point which has spawned among others global logistical constraints which have resulted in delayed delivery of raw materials. Inevitably the conflict has negatively impacted economies through pass-on increases on raw materials, energy, mining and agriculture input costs.

The local macro-economic environment is still characterised by unstable foreign exchange market and hyperinflation whose overall effect is depressed aggregate demand of the company's products. The costing of utilities based on parallel exchange rates by quasi-government institutions and the taxes thereon has further eroded employees' disposable incomes. As a result, industry faces further exposure to skills flight risk as the remaining technical skills are being sought after by developed countries whose economies are more stable. The spectrum of policy measures intended to arrest the volatile exchange rates threaten the going concern status of businesses as the abrupt suspension of facilities would dislocate cash flow plans and further delay the movement of raw materials from further afield.

### **Performance**

The above notwithstanding, the company generated an operating profit on the back of carried forward stocks and orders from prior year. Volumes at 307 metric tonnes were 48% above same period prior year's volumes 207 metric tonnes. Both operating divisions recorded growth in revenue and volumes compared with the same period prior year.

In view of the limited pricing options and limited raw materials supplies, turnover on an inflation adjusted basis at ZWL 210 million grew by 23% from the ZWL 170 million recorded same period prior year. On a historical basis turnover at ZWL196 million grew by 104% from prior years ZWL96 million. Gross margins and operating expenses were under severe pressure due to parallel rate indexing of local costs. As a result, operating profit is lagging behind budget.

### **Business Outlook**

The raft of monetary policy measures aimed at arresting the exchange rate volatility have presented a profound challenge to business operations. The impact of abrupt policy directives in incapacitate firms ability to effectively deploy working capital and erode market confidence. It is hoped that as measures take effect a more enduring and lasting solution will enable firms to gain traction in the later half of the year.

The absence of a cessation in the Russia – Ukraine crisis, logistical delays will continue to disrupt the flow of materials into the sub-region. Therefore, local firms will be compelled to procure locally in order to avoid long lead times and working capital cycles. GB Holdings will focus on value preservation through continued profitability in the traditional markets which are expected to be buoyed by improved mineral commodity prices and increased local demand as firms opt to procure locally.

For and on Behalf of GB Holdings Ltd



**Patrick Munyanyi (Mr.)**

**Company Secretary  
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**18 May 2022**