



TRADING UPDATE FOR THE QUARTER ENDED 30 SEPTEMBER 2023

OPERATING ENVIRONMENT

The business operating environment remained depressed characterized by liquidity challenges and reducing disposable incomes. The year-on year inflation rose by 0.7 percentage points to 18.4% in September 2023 up from 17.7% in August 2023, after the statistics agency changed its methodology to reflect the increased use of United States dollars in the economy. This is the second time the method of calculating inflation statistics has changed this year after the introduction of the blended inflation rates in March 2023.

The exchange rates were relatively stable during the third quarter of 2023, following the tight fiscal measures and monetary policy interventions implemented during the pre-election period.

PERFORMANCE UPDATE

The sales volumes for the quarter ended 30 September 2023 declined from 9,132 tonnes to 8,526 tonnes, which was a 7% decline compared to the same period last year. Business performance was negatively affected by product outages of roofing sheets owing to delays in the supply of the key raw material, fibre, due mainly to the impact of the war in Ukraine. However, alternative sources of fibre have since been secured from Brazil to complement the existing fibre supplies and business operations are expected to normalize in the fourth quarter of 2023. Building products, concrete products and AC Pipes contributed 53% and 46% and 1% of the sales volumes respectively.

Besides the fibre supply challenges, trading activity was also negatively affected by the liquidity crunch, low disposable incomes and price distortions prevailing in the economy.

The business maintained favourable liquidity and gearing ratios through the application of robust working capital strategies. Trading in a multi-currency environment enabled the Company to meet most of its foreign currency working capital requirements.

The company made significant strides towards the payment for a new state-of-the-art fibre cement sheeting plant and a Glass Reinforced Plastic (GRP) Plant. These new plants were funded using proceeds from a successful Rights issue.

OUTLOOK

Despite the hurdles experienced in the third quarter of 2023, the board and management remain focused on their strategies of re-capitalising the factories, enhancement of production efficiencies, cost containment and an improved product and service offering.

The acquisition of a new sheeting plant for Harare is now at an advanced stage and it is expected to be commissioned by the third quarter of 2024. This will significantly reduce the cost of transporting products from Bulawayo but more importantly will lead to increased sales volumes and an uplift in profitability.

Notable progress has been made towards the acquisition of a GRP pipe plant which will assist in widening the Group's product offering and in capturing business in the very significant regional export market. This plant will be commissioned in 2025.

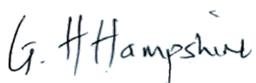
Action has been taken to increase output and sales of roofing tiles and the acquisition of machine spares and new templates in early 2024 will further support progress in growing this important business segment.

Considerable effort has been focused on resuscitating Turnall's fibre cement pipe business and the fruits of this effort are expected to have an impact in early 2024.

Power challenges, however, pose a threat to operations of the company and it is imperative that these are addressed for performance to be optimized.

The Board and the Executive are confident that the Group is geared for a significant improvement in its performance as it increases production output, widens its product offering, develops new markets, grows its revenue base, and does so in an effective and efficient manner.

By Order of the Board



G.H. Hampshire
Board Chairperson

