

PRESENTATION OF FINANCIAL RESULTS

For the Half Year period ended 09 July 2017

LINDA MASTERSON

GROUP MANAGING DIRECTOR

09 October 2017



EXECUTIVE SUMMARY

KEY HIGHLIGHTS: MANAGEMENT COMMENTS

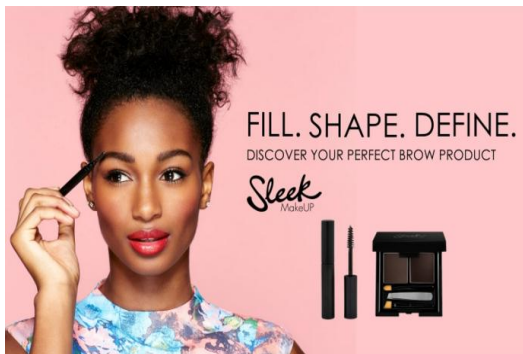
- 7% growth in turnover driven by good merchandise assortments, especially in the second quarter.
- Enterprise Resource Planning (ERP) solution has enhanced controls over credit policies leading to significant reduction in credit management and debt collection costs.
- Launched microfinance business, Club Plus.
- Store improvements:
 - Completed Stanley House revamp in Harare CBD.
 - Conversion of Edgars Rusape to Jet completed.
 - Edgars Gweru revamp planned before year end.
- Import substitution to reduce the impact of foreign currency shortages on fourth quarter merchandise assortments.
- People development, retention and succession planning initiatives in place.

EXECUTIVE SUMMARY (CONTINUED)

STRATEGY & TURNAROUND INITIATIVES

- **Customer Service:** Staff Training, in-store environment improvement through revamps and Customer Centric Service and thinking. Loyalty programs roll out.
- **People:** Critical skills preservation, succession planning, talent and performance management.
- **Internal Processes:** Optimum utilisation of new ERP system, Business Process Re-engineering and improvement in supply chain management.
- **Merchandise:** Import substitution, while necessary, will reduce diversification, increase prices and erode our value proposition. Smart buying will be required to ensure balanced assortments, value and freshness.
- **Manufacturing:** Actively pursuing exports in order to earn foreign currency to support factory inputs and merchandise offerings in the retail chains.

KEY FEATURES



SALES

Good merchandise assortments, especially in the second quarter.

	HY2017	HY2016
• Retail sales	↑ 7.5%	↓ 23.5%
• Cash sales	↑ 31.9%	↓ 23.0%
• Credit sales	↓ 2.6%	↓ 23.7%
• Unit Sales	↑ 5.7%	↓ 12.6%



RESULTS

Profit for the half year - \$0.568m.
Positive Operating Cashflows \$1.76m (HY16:\$4.11m)

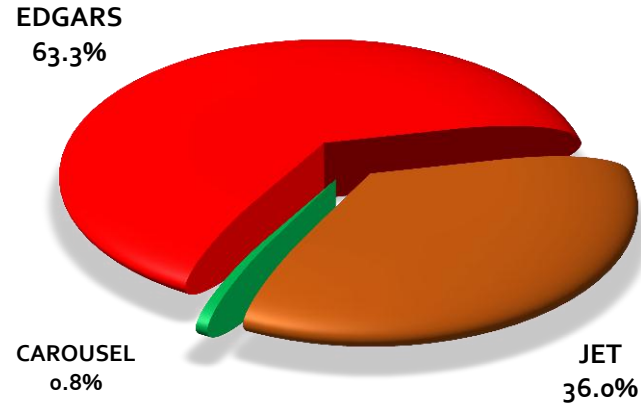
• Gross profit	↑ 3.6%	↓ 29.4%
• Net Profit	↑ 420.1%	↓ 90.8%
• Operating Cash Flow	↓ 57.2%	↑ 357.4%

SEGMENT ANALYSIS – TURNOVER CONTRIBUTION

Unconsolidated



Consolidated

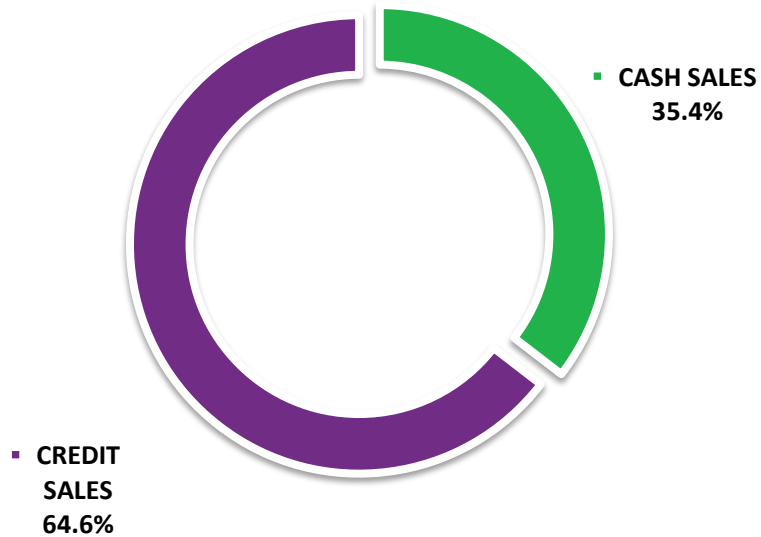


- Edgars Chain and Jet Chain turnover for the period grew by 5.3% and 12.3% respectively over last year.

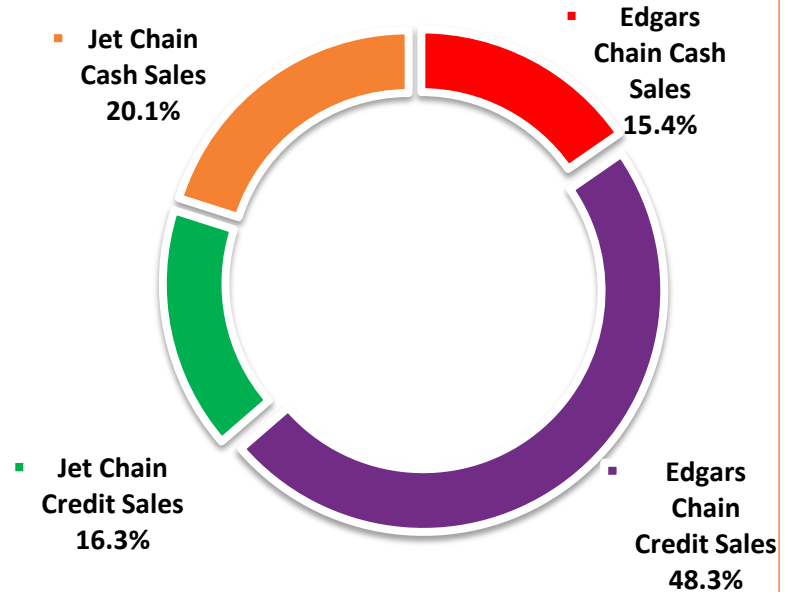
- Carousel third party sales declined by 17.1% over HY2016.

TURNOVER SPLIT

CASH vs CREDIT



BY CHAIN

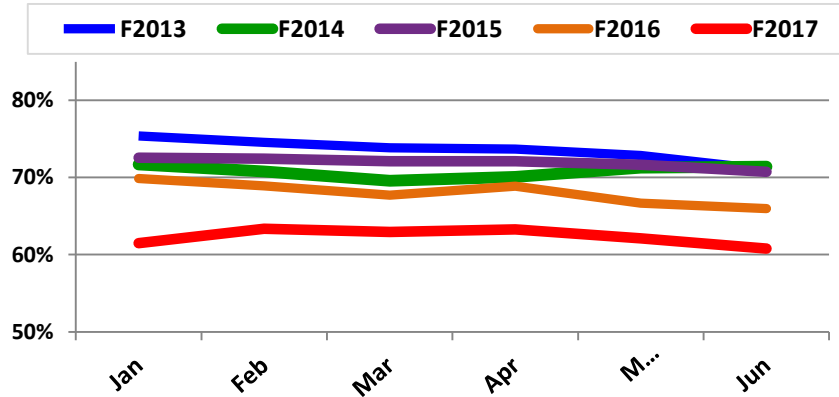


- Group Cash Sales grew by 34.3% over last year and its contribution increased from 28.5% last year to 35.5% this year.
- Group Credit sales declined by 2.6% over last year.

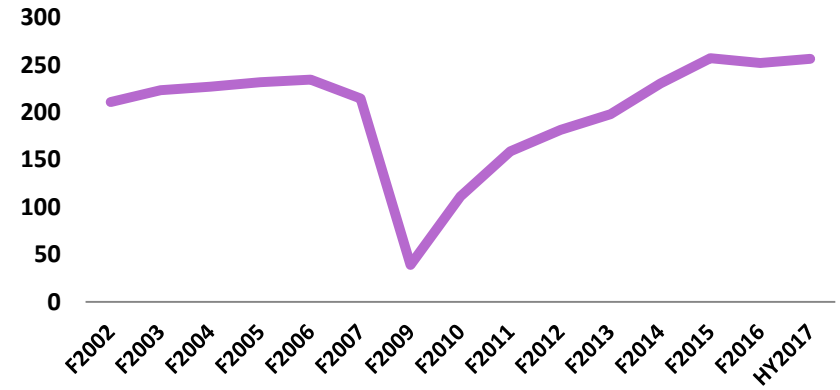


ACCOUNTS PERFORMANCE

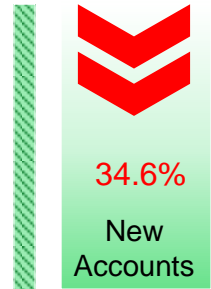
ACTIVE ACCOUNTS %AGE



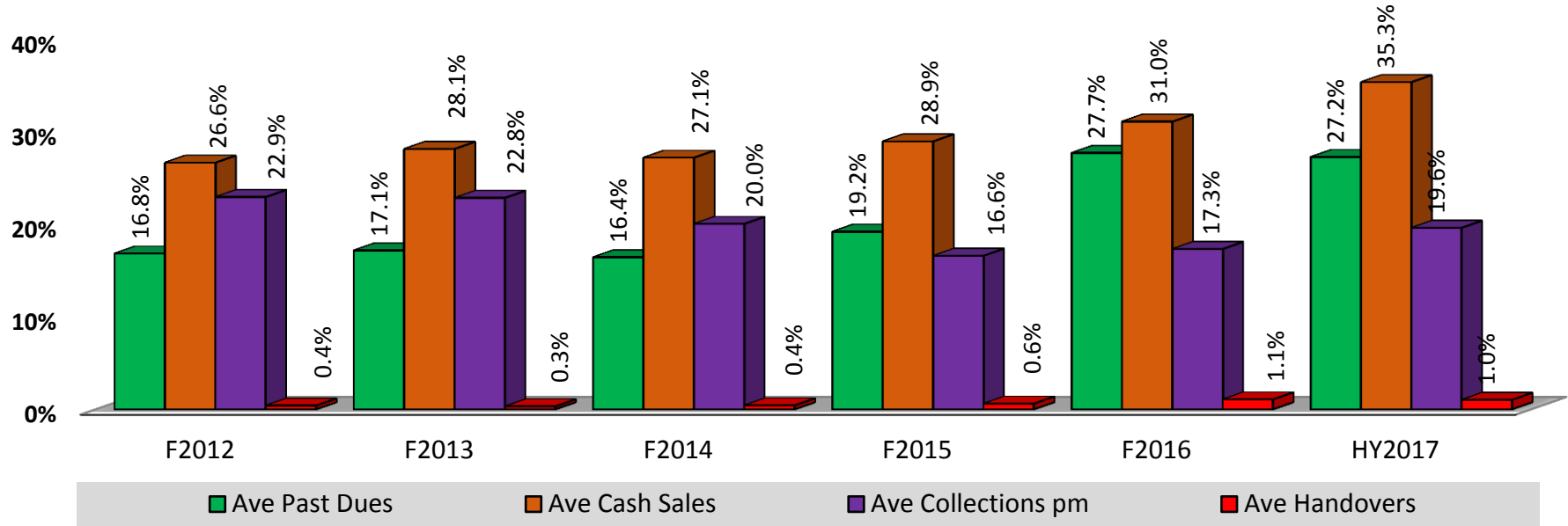
TOTAL ACCOUNTS (000s)



- Average number of new accounts per month = 1,545 accounts (HY2016: 2,364).
- Total new accounts opened this period = 9,270 accounts (HY2016: 14,182).
- Average active accounts percentage = 62.3% (HY2016: 68.0%).



CREDIT MANAGEMENT – DEBTORS STATISTICS



- Collections improved from 17.3% to 19.6%. Only F2015 through F2017 are comparable (12months to pay launched 2014).
- Debtors book experienced a decline of 24.2% over last year.
- Net Bad Debt Write Offs came down by 19.1% due to increased debt recovery efforts and enhanced controls over policies.
- Handovers are against 6 month lagged debtors.

EDGARS CHAIN – HY2017

- **Retail sales growth of 5.3 % to HY2016**
 - Cash sales increased 61.3% and credit sales decreased 5.1%.
 - Unit Sales increased by 4.5% to last year.
- **Deliberate gross margin decline of 4.6%**
- **Product sourcing and logistical challenges.**

	HY2017	HY2016
Retail sales growth (%)	5.3	(31.5)
LFL sales growth (%)	5.9	(30.7)
Gross margin (%)	47.0	49.3
Total number of stores	27	27
Space (sqm)	28,063	28,063
Credit Sales (%)	75.9	84.2
Turnover per Sqm (\$)	543	515
Unit Sales (000)	771	738



32.9%
Segment Profit Growth

Productivity:

- Turnover per Employee down 5.8%
- Units sold per Sqm up 4.5%.

Expenses:

- Store expenses decline of 5.4%.

Other:

- Ave Active Accounts = 57.4% (62.5% Lyr).

JET CHAIN – HY2017

- **Sales grew by 12.8%**
 - Cash sales increased 19.0% and credit sales increased by 6.0%.
 - Unit sales growth of 6.7% over last year.
- **Gross margin percentage decreased by 3.0% due to product mix and import substitution.**

	HY2017	HY2016
Retail sales growth (%)	12.8	(2.9)
LFL sales growth (%)	13.9	(0.5)
Gross margin (%)	40.6	41.9
Total number of stores	24	24
Space (sqm)	11,545	11,545
Credit Sales (%)	44.8	47.6
Turnover per Sqm (\$)	754	668
Unit Sales (000)	940	881



15.3%

Segment Profit
Growth

Expenses:

- Store expenses up 2.7%.

Productivity:

- Units sold per Sqm up by 6.7%
- Turnover per employee decreased by 5.1%

Other:

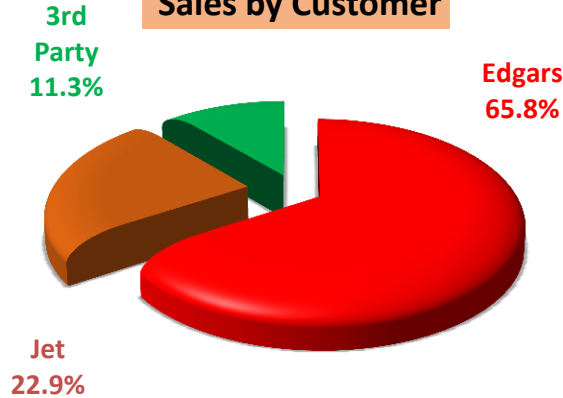
- Ave Active accounts = 79.2% (91.9% Lyr)

CAROUSEL – HY2017

HY2017

Production Growth (Units) - %	3.3
Sales growth (Value) - %	6.6
Sales growth (Units) - %	5.6
Net Profit /(loss) growth - %	10.6

Sales by Customer



- Exports planned for FY2018.
- Production was hampered by late payments for fabric and trims due to the prevailing forex shortages.
- Improvement of the order book and sales by widening our product range to include sleepwear and schoolwear to be explored.



KEY FINANCIALS



FINANCIAL HIGHLIGHTS

	HY2017	HY2016	% change
Retail Sales	24,078,656	22,395,826	7.5
Net Profit Margin %	2.4	0.5	383.8
Earnings per Share (cents)	0.22	0.04	450.8
Trade and Other Receivables \$	21,982,481	26,502,532	(17.1)
No. of Active Accounts	155,909	170,284	(8.4)
Gearing	0.29	0.55	47.3
Net Equity per Share (cents)	10.72	10.50	2.1
Cash flow from operations \$	1,758,558	4,111,087	(57.2)
Borrowings @ period end \$	9,436,155	15,380,302	38.6



STATEMENT OF COMPREHENSIVE INCOME

	HY2017 \$ 000	HY2016 \$ 000	% change
Retail Sales	24,079	22,396	7.5
Gross Profit	10,064	9,713	3.6
Gross Profit Margin %	41.8	43.4	(3.7)
Net exchange gains and other losses	(182)	(26)	(599.5)
Credit Management & Debt Collections	(750)	(2,707)	72.3
Store Expenses	(5,253)	(5,708)	8.0
Depreciation & Amortisation	(899)	(789)	(13.9)
Termination Benefits	-	(646)	100.0
Other Operating Expenses	(5,723)	(4,624)	(23.8)
Finance income	4,237	5,371	(21.1)
Finance costs	(618)	(906)	31.8
Profit before Tax	874	(321)	372.1
Taxation	(307)	430	171.3
Profit after tax	568	109	420.1



FY2017 FORECAST

- Turnover Growth
- PAT Growth
- Gearing
- Operating Cashflow

TARGET

5%

400%

0.3

+/- \$2m



THANK YOU

For more information

Our website: www.edgars.co.zw

