

PRESENTATION OF FINANCIAL RESULTS

For the year ended 07 January 2018

LINDA MASTERSON

GROUP MANAGING DIRECTOR

28 March 2018



EXECUTIVE SUMMARY

KEY HIGHLIGHTS: MANAGEMENT COMMENTS

- Sales growth: Edgars 16.5%, Jet 35.8%.
- Significant improvement in quality of debtors book. Cost savings of \$ 3m in bad & doubtful debts.
- Store improvements:
 - Completed Stanley House revamp in Harare CBD.
 - Conversion of Edgars Rusape to Jet completed.
 - Completed Edgars Gweru revamp.
- Net Profit for the year: \$ 4.1m vs \$ 0.5m last year.
- Operating cash flow: \$ 8.3m.
- Microfinance commenced trading in September 2017.
- Gearing of 0.08 from 0.35 last year.
- Dividend declared – US 0.33 cents per share.
- Well stocked at beginning of year and trading ahead of last year.

EXECUTIVE SUMMARY (CONTINUED)

STRATEGIC 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, customer service, promotions, revamps & new political dispensation.

	F2017	F2016
• Retail sales	↑ 24.9%	↓ 19.2%
• Cash sales	↑ 44.6%	↓ 12.0%
• Credit sales	↑ 15.6%	↓ 22.3%
• Unit Sales	↑ 15.8%	↓ 9.3%



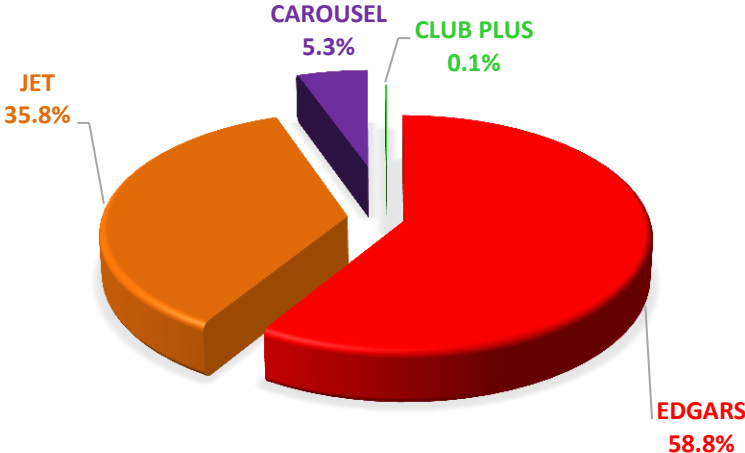
RESULTS

Profit for the year - \$4.1m (F2016 : \$0.5m)
Positive Operating Cashflows \$8.3m
(F16:\$10.2m)

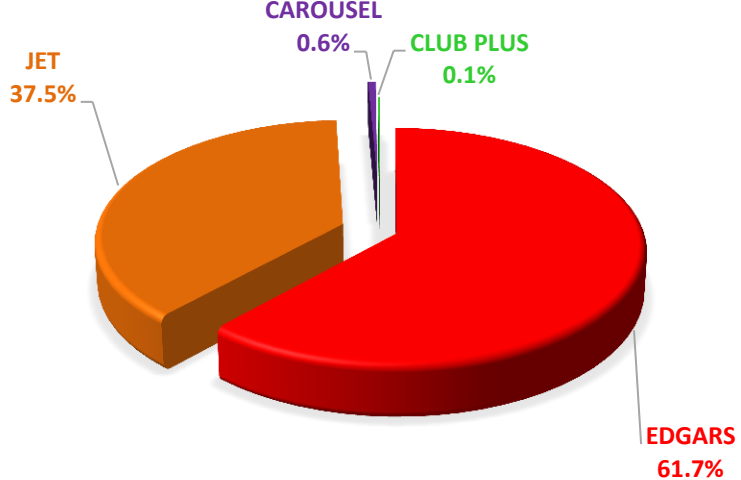
• Gross profit	↑ 25.3%	↓ 24.8%
• Net Profit	↑ 648.4%	↓ 86.2%
• EPS (cents)	1.59	0.21


SEGMENT ANALYSIS – TURNOVER CONTRIBUTION

Unconsolidated



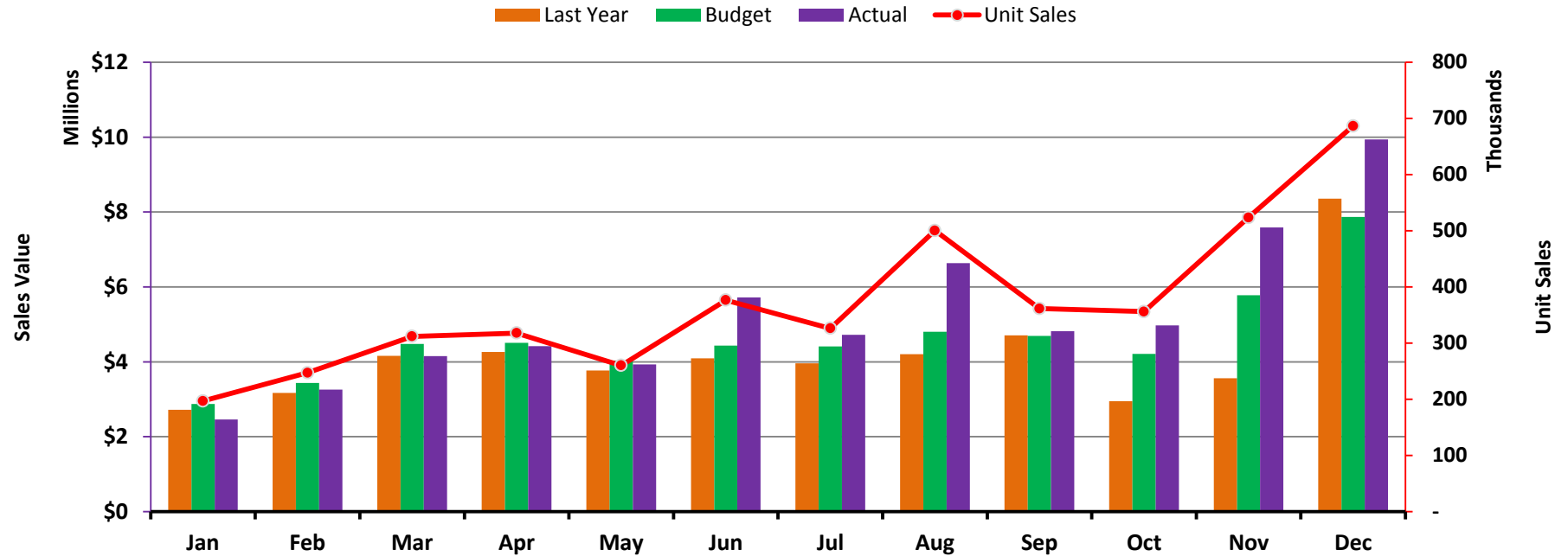
Consolidated



own your look  Edgars

TURNOVER - MONTHLY

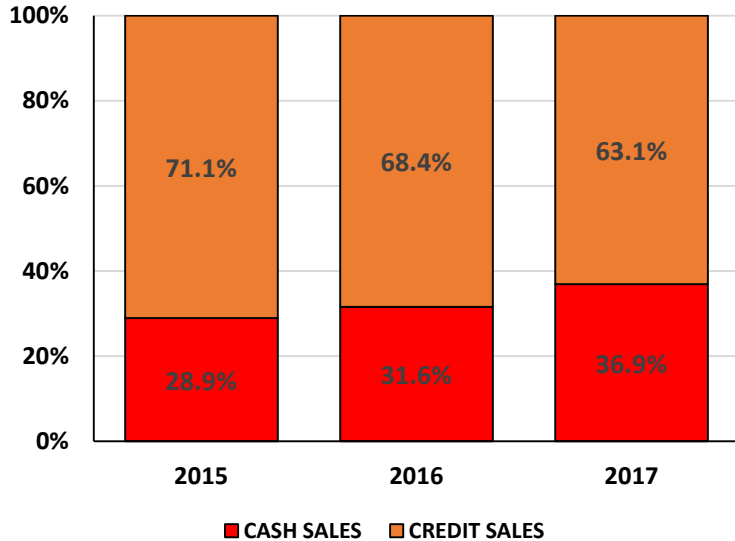
Group



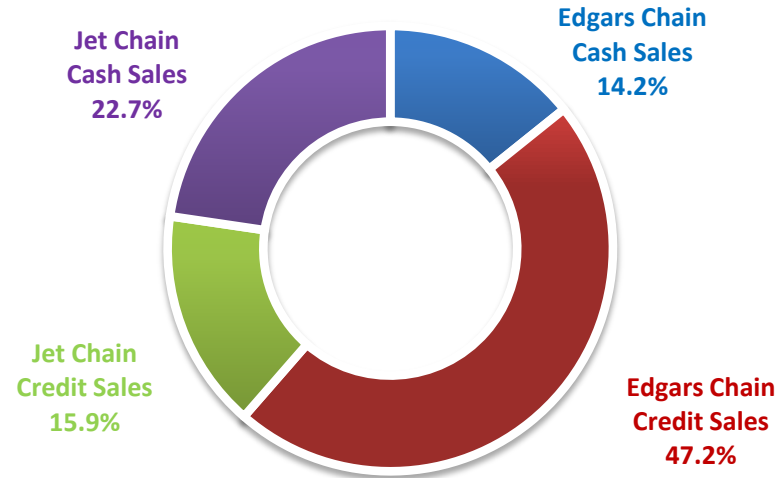


TURNOVER SPLIT

CASH vs CREDIT



BY CHAIN

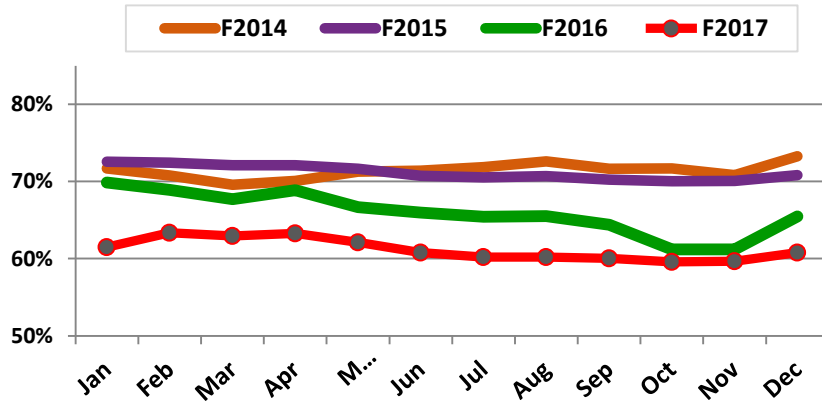


- F2017 Group Cash and Credit Sales grew by 46.7% (\$ 7.4m) and 15.6% (\$ 5.3m) respectively.
- Jet Chain contribution to Group sales increased from 35.5% last year to 38.6% this year.

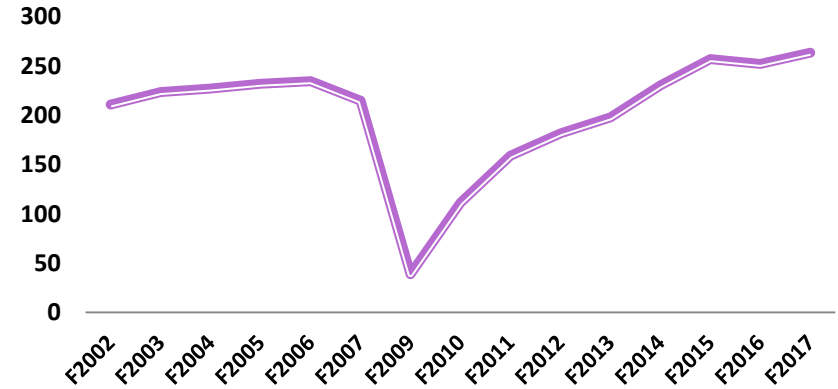


ACCOUNTS PERFORMANCE


ACTIVE ACCOUNTS %AGE



TOTAL ACCOUNTS (000s)

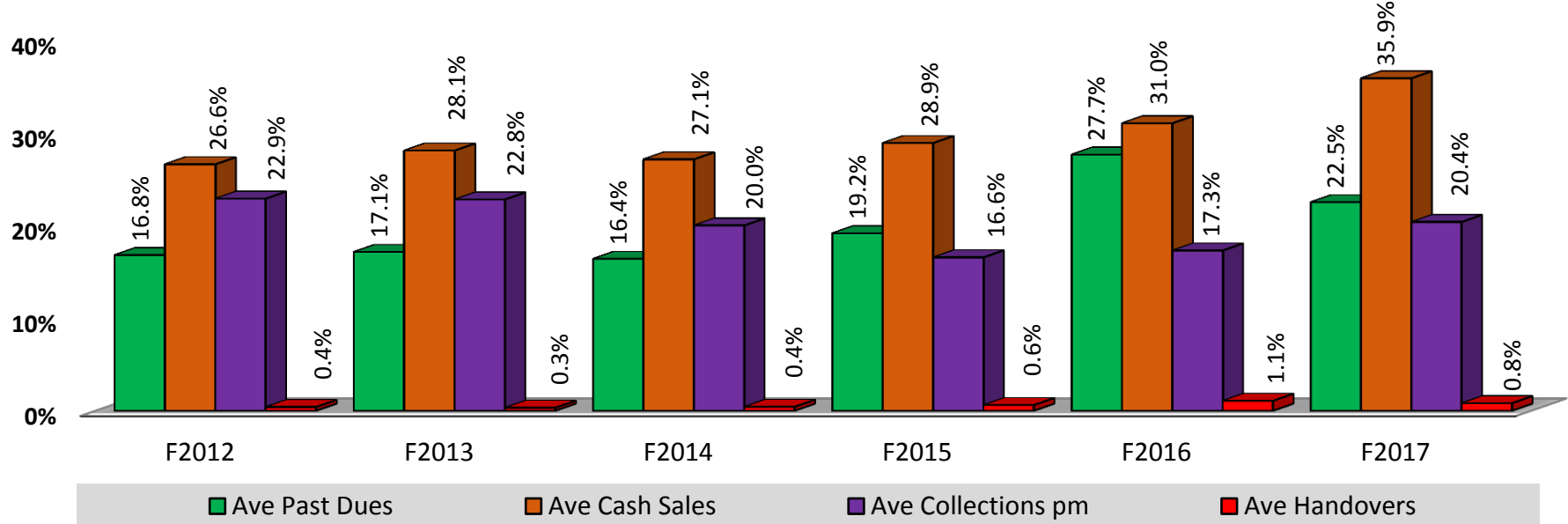


- Average number of new accounts per month = 1,788 accounts (F2016: 1,977).
- Total new accounts opened this period = 23,472 accounts (F2016: 25,976).
- Average active accounts percentage = 61.2% (F2016: 65.9%).
- Growth in Average monthly purchasing accounts of 11.8% over prior year.
- Increase in average dollar purchase per account of 3.4% over last year.



9.6%
New
Accounts

CREDIT MANAGEMENT – DEBTORS STATISTICS



- Collections improved from 17.3% to 20.4%. Actual Group collections declined by 7.9% in value.
- Debtors book experienced a decline of 1.5% over last year.
- Significant decline in Credit Management & Debt Collection Costs by 54.6% to last year due to improved productivity and efficiency strategies.
- Handovers are against 6 month lagged debtors.

EDGARS CHAIN – F2017

- **Retail sales growth of 16.5% to F2016.**
 - Cash sales increased 47.3%
 - Credit sales also grew by 13.1%.
 - Unit Sales increased by 11.8% to last year.
 - Chain profitability up 24% (2016: 18%)
- **Key performance drivers:**
 - **Store Revamps** of big stores.
 - First Ever **Black Friday** in Zimbabwe promotion.
 - Improved & better **merchandise assortments**.
 - Availability of all **payment options**.
 - Excellent **customer service** and promotional initiatives.

	F2017	F2016
Retail sales growth (%)	16.5	(24.6)
LFL sales growth (%)	20.4	(24.2)
Gross margin (%)	47.7	49.1
Total number of stores	26	27
Space (sqm)	27,588	28,063
Credit Sales (%)	76.8	81.2
Turnover per Sqm (\$)	1,784	1,467
Unit Sales (000)	1,942	1,733



55.0%
Segment Profit Growth

Productivity:

- Turnover per Employee up 7.0%
- Units sold per Sqm up 14.0%.

Expenses:

- Store expenses marginal increase of 0.4%.

Other:

- Ave Active Accounts = 56.2% (60.5% Lyr).
- Collections decline of 12.0% in value.

JET CHAIN – F2017

- **Sales growth of 35.8% to prior year.**
 - Cash sales increased by 46.3%.
 - Credit sales increased by 24.0%.
 - Unit sales growth of 18.9% over last year.
 - Chain profitability up 21% (2016: 13%).
- **Key performance drivers:**
 - Profit focused merchandise procurement.
 - High cost consciousness.

	F2017	F2016
Retail sales growth (%)	35.8	(7.6)
LFL sales growth (%)	34.3	(6.7)
Gross margin (%)	40.8	39.1
Total number of stores	25	24
Space (sqm)	12,020	11,545
Credit Sales (%)	41.2	45.3
Turnover per Sqm (\$)	2,602	1,990
Unit Sales (000)	2,522	2,121



110.3%

**Segment Profit
Growth**

Expenses:

- Store expenses up 7.6%.

Productivity:

- Units sold per Sqm up by 14.2%
- Turnover per employee increased by 9.1%

Other:

- Ave Active accounts = 77.6% (88.0% Lyr)
- Collections grew by 9.7% in value.

CAROUSEL –F2017

F2017 F2016

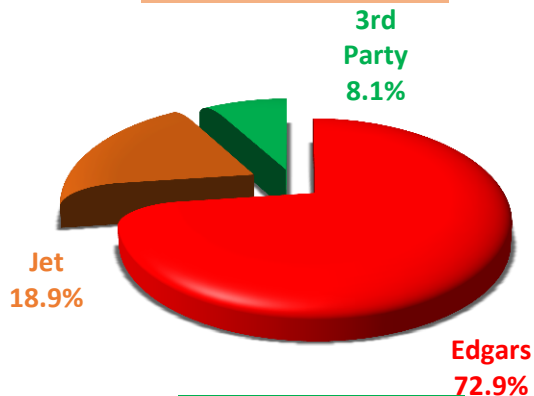
Production Growth (Units) - % (14.4) (17.2)

Sales growth (Value) - % (6.8) (28.7)

Sales growth (Units) - % (12.8) (14.5)

- Sales in 2017 were curtailed by unavailability of essential fabrics due to forex shortages.
- Aggressive export drive in progress to ease forex pressures.
- Enhanced quality and productivity focus in support of exports.
- Implementation of mini re-tooling to enhance efficiencies and productivity, especially denim lines.

Sales by Customer



Sales by Category



CLUB PLUS –F2017

FINANCIAL HIGHLIGHTS

	F2017
Revenue	91,856
Net Profit/ (Loss)	(106,484)
Net Profit Margin - %	-115.93%
Loans and advances to customers	643,573
Provision for Credit Loss	17,111
Current Ratio	0.92

Commentary

- Club Plus started operations in September 2017.
- We offer Personal Loans targeting mainly school fees, home improvements and medical expenses.
- We operate from 7 Branches in Bulawayo, Harare, Masvingo & Mutare. We have agency arrangements with all Edgars & Jet Branches. Loans can be accessed and also repayments processed at any Jet or Edgars store.

No. of Active Loans – 1,525

Non-Performing loans 0.069%

Credit Loss Ratio– 0%

Breakeven projection date
June 2018.

Projected profit by end of
2018 – \$285K

KEY FINANCIALS



FINANCIAL HIGHLIGHTS

	F2017	F2016	% change
Retail Sales	62,882,028	50,329,626	24.9
Net Profit Margin %	6.5	1.1	499.0
Earnings per Share (cents)	1.59	0.21	645.8
Trade and Other Receivables \$	24,760,027	24,808,996	(0.2)
No. of Active Accounts	263,495	252,036	4.5
Gearing	0.08	0.35	78.4
Net Equity per Share (cents)	12.08	10.48	15.2
Borrowings @ period end \$	4,665,031	11,255,094	58.6
EBITDA	8,761,715	3,692,308	137.3
Net Leverage (Net Debt/EBITDA)	0.27	2.58	89.5
Interest Cover (times)	6.40	1.21	429.6
Debt Service Cover	0.68	1.03	(33.9)
Current Ratio	2.98	2.12	40.8



STATEMENT OF COMPREHENSIVE INCOME

	F2017	F2016	% change
	\$ 000	\$ 000	
Retail Sales	62,882	50,330	24.9
Revenue from micro finance institution	92	-	-
Gross Profit	27,022	21,562	25.3
Gross Profit Margin %	43.0	42.8	0.3
Net exchange gains and other losses	(117)	(137)	14.9
Credit Management & Debt Collections	(2,513)	(5,530)	54.6
Store Expenses	(11,473)	(11,914)	3.7
Depreciation & Amortisation	(1,793)	(1,659)	(8.1)
Other Operating Expenses	(11,857)	(10,553)	(12.4)
Finance income	7,700	10,264	(25.0)
Finance costs	(1,089)	(1,682)	35.3
Profit before Tax	5,880	351	1,574.9
Taxation	(1,777)	197	(1,001.7)
Profit after tax	4,103	548	648.4





FY2018 FORECAST

Turnover Growth

14%

PAT Growth

32%

Gearing

0.30

Operating Cashflow

+ve

THANK YOU

For more information

Our website: www.edgars.co.zw

