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), H. Vundla (CFO), V. Mpofu, M. Hosack

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

TRADING UPDATE FOR THE 13 WEEKS ENDED 10 OCTOBER 2021

The Company presents its business update for the third quarter (Quarter 3) of the 2021 financial year. This update on financial performance is measured in inflation adjusted terms.

Trading environment

The impact of level IV lockdown introduced after the heightened third wave infections in June, curtailed foot traffic into stores during this trading quarter. This led to lost sales, productive time and pressure to settle fixed operating costs including Covid-19 related expenses for the Group. Consumer confidence and spending was significantly depressed, resulting in year to date turnover falling below forecast by the end of September 2021.

Group Performance

Unit sales – cumulative units sold were 1.6 million as at end of Quarter 3, which was 15.5% ahead of last year. Revenue and EBITDA for the quarter were ZW$1.29 billion (Q2: ZW$1.08 billion and ZW$411 million (Q2: ZW$329 million) respectively.

Gross margins - gross profit margin declined from 63% to 46% in historical terms compared to the same period last year due to price inelasticity, rising input costs as well as the need for discounting and promotions in order to stimulate sales.

As at the end of September, *borrowings* were ZW$906 million compared to ZW$725 million as at end of the second quarter, with the average cost of borrowing remaining largely unchanged. The Group had US$190,000 in foreign liabilities which it is able to service from existing resources.

New stores – During the quarter the following stores were opened - Jet Mutoko and Jet Hwange. The stores are profitable to date.

Edgars Chain - unit sales of 243,311 were up 14.7% from Quarter 2. Credit sales constituted 72.5% of total sales compared to 68.1% for Quarter 2. The chain closed September with stock cover of 12.5 weeks (2020: 19.6 weeks).
Jet Chain - unit sales of 391,356 were up 15.6% from the second quarter. Credit sales made up 48.6% of the total sales for the quarter compared to 46.5% at the end of Quarter 2. The chain closed September with a stock cover of 11.15 weeks (2020: 10.52 weeks).

Financial Services
Finance income was up 21.9% in Quarter 3 relative to Quarter 2 on the back of a growing debtors book which increased from ZW$582 million in Quarter 2 to ZW$814 million in Quarter 3. The debtors book performance remained healthy, with 87.5% of the book being current compared to 86.3% in Quarter 2 (2020: 78.2%). Active accounts at 37.8% have been stable throughout the year but increased relative to prior year (September 2020: 32.9%). Collections remained positive at 32.9% of the book compared to 36.7% in Quarter 2.

Carousel Manufacturing
Unit sales increased by 47.4% to 46,484 from 31,537 recorded in Quarter 2 (Quarter 1: 42,757). Management continue exploring export markets for opportunities offered by the COMESA registration received by the factory.

Micro Finance
The loan book principal value increased by 41.8% to ZW$101million compared to Quarter 2. Interest income was up 34.9% from Quarter 2. 82.1% of the book was current at the end of the period compared to 86.2% at the end of Quarter 2 (2020: 85.9%).

COVID 19
Given the uncertainties around COVID-19, we are taking mitigating steps to protect the Group's operations. This includes empowering staff members to work from home and maintaining World Health Organisation protocols enacted at the height of the pandemic to ensure safety of employees and customers. As at end of September 2021 over 70% of our staff members had been fully vaccinated.

The pandemic has had a significant impact on the Group's performance in the current period, most notably on revenue generation, profit margins, administration efficiencies and the merchandise value chain.

Outlook
Uncertainty caused by the pandemic is likely to continue due to emerging new variants of the virus and vaccine efficacy challenges. We are taking steps to exercise rigorous management of inventory levels, closely monitor all aspects of the trade receivables portfolio and optimising our funding mix to meet the needs of the business.

The business is alive to opportunities presented to expand both our brick and mortar and online footprint and develop a resilient business model that will withstand the impact of future shocks and disruptions.

Tjeludo Ndlovu
GROUP CHIEF EXECUTIVE OFFICER
17 November 2021