



8 Cambridge Avenue, Newlands, Harare, Zimbabwe

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## **AXIA CORPORATION LIMITED TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

### **Trading Environment**

The quarter ended 31 March 2022 was characterized by increased levels of inflation and foreign currency exchange rate volatility. Global dynamics, particularly the ongoing Russia-Ukraine conflict, have had pass through effects in the form of shortages rising prices for food and key commodities such as fuel, fertilizer and wheat which destabilized the local market in the month of March.

Continued shortages of foreign currency on the official auction system coupled by increased arbitrage and market distortions negatively affect the Group's operations through pricing challenges and value preservation as retail and distribution rank low on the auction allocation continuum.

The Group noted the desire by the authorities to maintain high interest rates and a tight lid on the money supply during the quarter. However, the Group remains cautious to further upward review of interest rates and their likely impact post Q3 F22.

The regional trading environment has been positive in Zambia and Malawi, however significant pressure on access to foreign currency remains crucial to attainment of our core business objectives.

### **TV Sales & Home**

Volumes for the third quarter ended 31 March 2022 were up 24% compared to the same period in prior year. Firm volume performance attributed to the increase in trading days in current year compared to prior year where major restrictions to social and economic activity were in effect, following the advent of the Covid-19 pandemic. Year-to-date volumes up 15% from same period in prior year. In addition to the increased trading days, the improved performance was driven by the refurbishment of some of our stores that include Mbuya Nehanda and Gweru Main stores. Growth remains a key focus area and the business plans to expand its retail store footprint with three new stores scheduled to open in the 4th quarter, one in Bulawayo and two in Harare.

### **Transerv**

The business is continuing on its growth trajectory despite major challenges in obtaining foreign currency to ensure optimum stocking levels at all times.

Year to date volumes were 13% up compared to same period last year whilst the quarter registered growth of 15% compared to the same period last year.

During the quarter, the business opened two retail shops in Victoria Falls and Chiredzi. A fitment centre in Chikwanha is ready to start trading soon. The Avondale fitment centre (formerly Autocycle) opened its doors to the public in the third week of April. Before the financial year-end, management are looking forward to opening more retail shops in Bindura, Karoi and Zvishavane.



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### **DGA Zimbabwe**

Year to date volumes were 22% below the prior comparative period and 21% below same quarter in the prior year.

Effective 1 July 2021, DGA Zimbabwe acquired a 50% stake in National Foods Logistics, a warehousing and distribution company that provides National Foods Limited with its warehousing and distribution requirements. The purchase and funding consideration for this transaction was US\$1.1 million. The transaction was approved by the Competition and Tariff Commission "CTC" on the 4<sup>th</sup> of March 2022.

### **DGA Region**

In Zambia, third quarter volumes were 9% down compared to the comparative period, owing to the impact of termination of Johnson & Johnson agency. Year to date volumes were 16% below the prior comparative period.

In Malawi, third quarter 2022 volumes were 53% up compared to third quarter results in the prior year due to the introduction of new agencies namely Clover and Unilever and good support from Colgate . Year to date volumes were 55% above the prior comparative period.

### **Outlook**

The Zimbabwean operating environment remain complex and with many distortions. We remain hopeful that progressive policies regarding money supply, exchange rate and interest rates will be reinforced to foster stability in the market and gradual building of confidence. The Group remains focused on executing the expansion opportunities as previously advised.

Although Covid-19 remains endemic, the Board is confident that we will attain our growth targets and value preservation whilst ensuring all our staff continue with safe working measures.

The Group is hopeful that the increased gold output witnessed towards the end of the quarter as well as the tobacco selling season will improve foreign currency receipts to address foreign currency liquidity issues.

By Order of the Board.

**AXIA CORPORATION LIMITED**

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Prometheus Corporate Services

Company Secretary

28 April 2022