



8 Cambridge Avenue, Newlands, Harare, Zimbabwe

Tel: (+263-24) 2776998/2776273

## **AXIA CORPORATION LIMITED**

### **TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

#### **Trading Environment**

Trading for the most part of the quarter was satisfactory as the operating environment was relatively stable. The tail end of the quarter, however, witnessed increased levels of exchange rate volatility, and the gap between the formal exchange rate and the alternative market rate widened and this had a negative impact on our trading in the formal market. The reduction in ZWL interest rates had a positive impact on the operations and enabled the Group to access working capital funding in local currency.

The Group has continued to participate on the official auction system to maintain reasonable pricing to our customers. However, as retail and distribution do not rank in higher allocation tiers, the business continues to face significant foreign currency gaps which manifests in pricings risks, restocking challenges and balance sheet preservation challenges. Despite these challenges, the Group performance for the quarter was positive and the Group will continue to drive for growth for the last quarter of the year.

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

#### **TV Sales & Home**

Volumes for the quarter increased by 12% against the comparative period. Consumer spending has remained high as indicated by a 19% growth in the USD debtor's book from December position and the business has been making efforts to introduce new product lines that meet the ever-changing customer needs. The business was also able to leverage on the reduced local currency lending rates.

In line with the business' plans to grow the retail footprint, the new Madokero branch opened its doors in February 2023 and the business is currently working on strategic projects to open two additional TV Sales & Home stores in Harare and a bedding store in Gweru before the end of the financial year.

#### **Restapedic**

Turnover and volumes achieved were below expectation for the quarter. The downturn was a result of disruption caused by the move from Msasa premises to the new factory in Sunway which affected March sales and production figures. It is envisaged that the last quarter of the financial year will show significant recovery. Phase 1 of the new factory is complete, and management are now operating from the premises. Exports commenced in April 2023 with an initial order of three truck loads being sent to Zambia and one to Malawi. Work will need to be done to ensure that these new markets are developed and grown.

#### **Legend Lounge**

Volumes achieved in this unit during the quarter were disappointing. Production was interrupted as Management was working to fix product design with a view to aligning this with the market requirements. Product redesign is 80% complete and is helping the factory with efficiencies and improving the quality of the product to the customer. Significant work has been done on the pricing



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and sourcing of raw materials and this will make the product much more competitive (especially for exports). The first export load to Zambia was finalized and sent towards the end of April 2023.

### **Touch Distributors**

Turnovers and volumes continue to grow for this business unit. As a new business was established towards the end of the last financial year, there are no comparatives. As the market now has some experience with the offerings, an aggressive procurement plan has been put in place and the prospects for the future are very exciting. A new retail store is set to open in Harare at central sorting office, selling selected lines direct to the public.

### **Transerv**

During the third quarter, the Company's revenues are 11% above the prior year whilst volumes are marginally down.

The Company opened two new shops, one along Simon Mazorodze Road (Zindoga) and another along Harare Street (second shop along Harare Street). The total number of shops opened in the nine months is four including Mbare and Highglen retail shops that were opened in the second quarter. Two new shops, one along Samora Machel and one along Bulawayo Road are at an advanced stage of renovations and are expected to start trading in May 2023. In addition, the Company opened a wholesale division at its Head office along Simon Mazorodze. The expansion drive is aimed at giving customers convenient access to best priced genuine automotive spares.

### **DGA Zimbabwe**

Year to date volumes were 26% below the comparative period though Q3 volumes were only 7% down to comparative period. Decline in volumes is a result of a decision to stop supplying some customers to manage the risk on the extent of debtors' balances especially in an inflationary environment.

Management's focus is to safeguard and grow shareholder value by embarking on projects that generate positive cash flows and achieve the required returns.

### **DGA Region**

In Zambia, the Kwacha depreciated sharply off the back of low foreign currency supply. Q3 revenue increased by 16% whilst volumes increased by 10% compared to the prior year. Management's focus is on business growth through targeting new agencies.

Malawi continues to face shortages of foreign currency and the foreign currency shortages resulted in the business reducing its orders and selling of imported stock which led to a decline in sales volumes by 21%. Management's focus is on managing foreign suppliers and exploring ways to generate foreign currency to settle foreign suppliers.

### **Outlook**

The Zimbabwean operating environment remain challenging with many distortions. Management remains 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 is focused on exploring the expansion opportunities available in the market.



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By Order of the Board.  
**AXIA CORPORATION LIMITED**

A handwritten signature in black ink, consisting of a stylized, cursive letter 'A' with a loop at the top and a tail that curves back to the left.

Prometheus Corporate Services  
Company Secretary  
12 May 2023