



asimba
HOLDINGS LIMITED



TRADING UPDATE FOR THE NINE MONTHS TO 30 SEPTEMBER 2019

OPERATING ENVIRONMENT

The economy has continued to experience significant volatility, as evidenced by the following developments in the market:

- Removal of the multi-currency regime and the introduction of the Zimbabwe Dollar (ZWL\$) as the sole legal tender.
- Persistent shortages of foreign currency and the continued weakening of the ZWL\$ to the US\$ exchange rate, being the main drivers of hyper inflationary price increases of key building materials.
- Prevalent shortages and erratic supply of fuel and electricity in the country with no end in sight.

The above constraints have negatively impacted on business operations. Liquidity challenges, in particular, have contributed to the following:

- Projects scheduled to commence in the period under review have either been delayed or wholly suspended.
- Running projects are being executed at a much slower pace due to shortages of building materials.
- The currency of measurement has become convoluted such that distortions in pricing of works and new projects have become prevalent.

FINANCIAL PERFORMANCE

Revenue volumes for the nine months of the year to 30 September 2019 amounted to ZWL\$76,389,003. Trading operations improved in the third quarter of the year resulting in significant revenue growth of ZWL\$48,604,339. Earnings Before Interest, Depreciation and Fair Value Adjustments for the quarter and nine months ended 30 September 2019 amounted to ZWL\$12,151,084 and ZWL\$19,097,251, respectively. The improved profitability was largely driven by procurement, production and plant utilization efficiencies.

Coupled with operational efficiencies and overhead cost containment, Earnings Before Tax for the quarter and nine months ending 30 September 2019 were ZWL\$9,463,004 and ZWL\$22,035,737, respectively.

Capital expenditure and capital in progress incurred to date amounted to ZWL\$13,725,919 and was mainly comprised of capacity to improve on civils and roads construction projects. The Capital expenditure was largely funded by internal cash resources and external long-term borrowings and, as at end of the reporting period, borrowings were at ZWL\$1,668,640 (2018: ZWL\$1,772,473).

The order book at ZWL\$530 million, as at 30 September 2019, was boosted by the awarding of the rehabilitation and widening of a section of the Beitbridge to Harare highway.

Our SHEQ performance, as measured by LTIFR, improved to 1.16 (2018: 1.89).

OUTLOOK AND STRATEGY

Though the business has a firm order book, its successful execution is largely dependent on the ability of our clients to sustain the cashflow requirements, given the continued hyperinflationary pressures. Therefore, as a key strategy, the business will pursue value preservation strategies and, thus, defending its financial position.

By Order of the Board

Masimba Corporate Services (Private) Limited

Company Secretaries

15 November 2019