

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

BUSINESS ENVIRONMENT

The quarter under review continued to be characterised by inflationary pressures and exchange rate volatility with year-on-year inflation reaching a peak of 285% in August 2022 from 191% in June 2022. As part of several policy measures aimed at stabilising the value of the local currency and arrest runaway inflation, the Government of Zimbabwe (“the Government”) introduced gold coins as an alternative stable investment option to store value and mop up excess liquidity from the economy. Furthermore, the Government also reviewed its procurement processes to bring normalcy in relation to pricing of goods and services. As a result, month-on-month inflation declined from 25.6% in July 2022 to 3.5% in September 2022, while parallel market exchange rate premiums also receded during the same period. The relative stability in the foreign exchange rate has been a welcome development for the economy and sustaining this trend is key for businesses. From a fiscal perspective, the Value Added Tax (“VAT”) exemption on domestic tourism, which had been availed by Government during Covid-19, expired on 31 July 2022.

On the global front, the operating environment remained turbulent, mainly driven by headwinds from the ongoing Russia-Ukraine conflict which continue to negatively impact food and energy prices, and disrupt global commodity supply chains; consequently stalling the recovery of international tourism.

FINANCIAL PERFORMANCE

The 30 September 2022 unaudited inflation adjusted financial results presented below reflect strong recovery compared to the same period last year (SPLY)..

Salient Financial Highlights

All figures in ZWL	Third Quarter (Q3)			Year to Date (YTD)		
	30 Sept 2022	30 Sept 2021	Movement	30 Sept 2022	30 Sept 2021	Movement
Revenue	8 833 793 342	2 823 108 452	213%	22 109 198 308	7 712 317 458	187%
Earnings before interest tax depreciation and amortisation (“EBITDA”)	2 996 762 769	133 126 667*	2 151%	13 456 901 102	796 427 958*	1 590%
EBITDA margin	34%	5%	619%	61%	10%	489%
Occupancy	53%	27%	96%	45%	25%	80%
Revenue per available room	37 484	9 533	293%	27 057	8 817	207%
Total revenue per available room	68 392	18 796	264%	50 102	19 278	160%
Average daily room rate	72 270	34 722	108%	59 734	36 174	65%

* The EBITDA figure disclosed above is a normalized EBITDA, which excludes gain on bargain purchase recognised in 2021.

Inflation adjusted revenue for Q3 increased by 213% to ZWL8,8 billion against ZWL2,8 billion recorded during the SPLY. Occupancy for the three months ended 30 September 2022, at 53% represents a 26 percentage points increase from the 27% achieved during the SPLY. Compared to pre-covid-19, occupancy for Q3 at 53% is 1 percentage point better than the comparable period in 2019. City hotels recorded a combined 59% (2021: 42%) occupancy, whilst the Resort hotels, which have not fully recovered from the impact of Covid 19, achieved an occupancy level of 47% (2021: 13%). Domestic business anchored the improved performance mainly from the Meetings, Incentives Conferences and Events (“MICE”) as foreign business continues to recover. During the quarter under review 15% (Q3 2021: 8%) of the business was foreign business, which is still lower than the average foreign business contribution of 20% pre-Covid 19.

Occupancy for the nine months ended 30 September 2022, at 45% increased by 20 percentage points compared to 25% which was recorded during the SPLY. However, YTD occupancy at 45% is still 2 percentage points below the 47% achieved in 2019. Inflation adjusted revenue for the nine months was up 156% at ZWL22,1 billion against ZWL14,8 billion achieved during the SPLY.

In terms of profitability, the Group recorded an encouraging inflation adjusted EBITDA of ZWL13,5 billion, on the back of increasing business volumes that spurred the growth of the top line.

Total assets as at 30 September 2022 closed at ZWL 112,4 billion. Turning to liquidity, the Group closed Q3 with cash and cash equivalents of ZWL8,9 billion.

Subsequent to 30 September 2022, the Group paid an interim dividend of ZWL0.102118 per share plus an additional USD0.000545 per share, payable for all ordinary shares of the Company.

OUTLOOK

Many challenges still lie ahead. High inflation trends not only on the domestic market, but also in all our major source markets, rising energy and food prices and the growing prospects of a global recession, among a plethora of challenges, will continue to be a threat to the recovery of international tourism in the short to medium term. Locally, the state of our economy, particularly inflationary pressures, mainly due to the parallel market exchange rates’ pass-through effect on prices, is expected to continue to exert pressure on margins.

The last quarter of the year presents our usual peak season, characterized by increase in leisure and conference business. We are cautiously optimistic that we can expect increased business activity for these segments.

As we look to the future, we remain focused on our strategy to upscale the state of our hotels through our ongoing various refurbishment programmes. During the period under review the Group:

- together with our Partner Meikles Hospitality (Private) Limited, completed the refurbishment of 46 rooms at The Victoria Falls Hotel and preparatory work has commenced for the planned 2023 second phase of the refurbishment program;
- completed the refurbishment of all the 70 rooms at Troutbeck Resort;
- commenced the US\$4,2 million refurbishment of the Hwange Safari Lodge, focusing on all the 99 rooms. The Group anticipates that a number of these rooms will be released back into inventory and be available for our guests to experience during the 2022 festive season; and
- is anticipating to complete refurbishment of a further 6 rooms at Great Zimbabwe hotel (GZ), which would bring the total number of rooms refurbished for the GZ to 35. The remaining 12 rooms will be refurbished in 2023. Refurbishment of the Hungwe Conference Centre at the same hotel is progressing well.

By order of the Board



V.T Musimbe
Company Secretary

15 November 2022

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