

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2020

TRADING ENVIRONMENT

The economic environment remained turbulent, characterized by hyperinflation, fuel and power shortages during the three months under review. Hyperinflation coupled with exchange rate instabilities posed significant challenges in pricing and created distortions in financial reporting.

The latter part of the first quarter was impacted by the emergence of the coronavirus ("COVID-19") pandemic. In response to COVID-19, many countries grounded their airlines, implemented travel restrictions and lockdown measures in a bid to contain the pandemic and flatten the curve. These measures have continued to weigh on the Group's international business outlook resulting in cancellation of bookings or deferrals without concrete alternative dates.

The combined effect of the turbulent macroeconomic environment and COVID-19 induced developments on the business is reflected in the reduction in volumes from export markets and subdued local market growth as explained under volume analysis.

VOLUME PERFORMANCE

Despite the effects of COVID-19, occupancy for the first quarter closed at 40% representing a 2-percentage points increase from 38% recorded in the same quarter last year. The recovery from Q1 of 2019 was largely due to a relatively stable operating environment in contrast to the comparable quarter last year which had civil unrest and national shutdown protests. Room nights sold increased by 4% from 52,617 reported in the comparable quarter last year to 54,972 this year. Business mix for the first quarter with regards to room nights was 67% local and 33% export. Export room nights reduced by 2% due to the early effects of COVID-19 which affected arrivals particularly in our Victoria Falls properties. Domestic room nights increased by 8%, a growth that was driven by corporate and NGO business.

KEY DEVELOPMENTS

Impact of novel corona virus (COVID-19)

COVID-19 represents the most significant challenge that our industry has ever faced. The number of new cases continues to surge around the world, particularly in Europe and the Americas which are key source markets for the Group. The World Travel and Tourism Council ("WTTC") estimates that the COVID-19 pandemic could adversely impact travel and tourism by up to 25% this year, an equivalent of three months tourism activity.

The government of Zimbabwe declared a state of national disaster on 17 March 2020, followed by a nationwide lockdown from 30 March 2020. In response to the government-imposed lockdown, the Group temporarily closed all its eleven (11) hotels and two (2) casinos effective 30 March 2020. As of 6th May 2020, statistics have shown that we have had 31 907 room nights cancelled, being quite substantial for the business. However, as lockdowns are proving to have an extremely high economic cost, governments world over have started looking at alternatives that will be less costly and more effective in the long-term at protecting communities and the economy. To that end, the government of Zimbabwe through several statutory instruments implemented measures to ease the lockdown to Level Two effective 4 May 2020. On 17 May 2020, the government further extended this lockdown for an indefinite period with regular two-week interval reviews to assess progress or lack thereof. Significantly, the latest Level Two extension saw the businesses trading hours being further relaxed and extended to 16:30pm from 15:00pm.

Under Level Two, in line with the relaxation of the lockdown measures, the Group took a decision to reopen its hotels on a phased approach. Under phase one, four (4) hotels being (Holiday Inn Harare, Holiday Inn Mutare, Holiday Inn Bulawayo and Great Zimbabwe Hotel) were reopened on 11 May 2020. The Group implemented various health and safety measures as guided by World Health Organization ("WHO"), InterContinental Hotels Group ("IHG") and government at its hotels. As the pandemic evolves, the Group continues to assess the risks arising from the virus at all levels.

Business contingency plans as recently published in our 2019 financial statements have been implemented at all levels and the Group continues to adjust these as required.

OUTLOOK

The worldwide COVID-19 induced lockdowns and travel restrictions have resulted in significantly reduced occupancies, with the month of April 2020 recording nil for all hotels. The Group anticipates continued disruption to travel and tourism in the months ahead, and forward visibility on the timing and shape of improvements in demand remains very limited. However, the Group is taking decisive action to protect the core of its business until the crisis passes and travel resumes. The Group expects domestic business largely driven by government and non-governmental organizations programmes centered on COVID-19 health responses and hunger alleviation to resume immediately. Taking into account the global trends, management expects international business to gradually resume starting from July as airlines rebuild their networks.

By Order of the Board



V.T. Musimbe
Company Secretary

26 May 2020

Directors: A. Makamure (Chairman), E. T. Shangwa (Managing Director)*, B. H. Dirorimwe (Finance Director)*, G. Chikomo, B. Childs, E. A. Fundira, N. G. Maphosa, T. M. Ngwenya, P. Saungweme. * Executive

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