



AFRICAN SUN

L I M I T E D

(Incorporated in Zimbabwe on 2 July 1971 under Company Registration Number 643/71)

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2021

TRADING ENVIRONMENT

The impact of the COVID-19 pandemic on tourism carried over into 2021. The Group's steady recovery recorded in the last quarter of 2020, suffered further setbacks at the beginning of 2021 as countries tightened travel restrictions in response to a surge in COVID 19 infections and outbreaks of new variants. In Zimbabwe, the lockdown which was imposed at the beginning of the year was only lifted at the end of February 2021. However, all our hotels continued operating, albeit at limited capacity. Since the easing of the lockdown at the beginning of March 2021, the Group achieved encouraging performance closing the months of March and April 2021 with 24% and 29% occupancy respectively. The Group expects COVID-19 to continue affecting operations at least in the short to medium term. We are hopeful that the vaccination programs being implemented across the world will slow down the pandemic and allow international travel to restart.

FINANCIAL PERFORMANCE

The 2021 first quarter ("Q1") results reflect the devastating impact that the COVID-19 second wave induced lockdowns and travel restrictions had on the business.

The Group recorded an occupancy of 14% for the three months ended 31 March 2021 representing a 26 percentage points decline compared to 40% that was recorded during the same period last year ("SPLY"), noting that SPLY was before the onset of lockdowns. Inflation adjusted revenue for Q1 was down 64% at ZWL279,52 million against ZWL784,82 million achieved SPLY. Included in the current year revenue is ZWL26,14 million (9%) from the recently acquired subsidiary Dawn Properties Limited ("Dawn").

The Group recorded an inflation adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") of ZWL5,91 billion due to the bargain purchase of ZWL5,96 billion from the acquisition of 91,17% of Dawn in January 2021. The bargain purchase was largely a result of inflation driven fair value adjustments on Dawn's investment properties post establishment of the share swap ratio. In US\$ terms, Dawn's net assets declined by 6% to US\$80,66 million as at 31 December 2020 from US\$85,59 million as at 31 December 2019. Normalised EBITDA for the period was a loss of ZWL51,39 million, and accordingly the Group reported a loss before tax of ZWL165,57 million from operations.

The Group's financial position improved during the period under review largely driven by an increase of ZWL5,54 billion in property and equipment following the consolidation of Dawn. Turning to liquidity, the Group closed Q1 with cash and cash equivalents of ZWL737,23 million; an 8% decline from ZWL799,37 million reported on 31 December 2020. The Group has two undrawn facilities amounting to ZWL318 million which will be utilized should the need arise.

OUTLOOK

The Group's occupancy is expected to maintain an upward trajectory spurred by the domestic market. The key drivers of the domestic market will remain non-governmental organizations ("NGOs"), corporates and government business in the short-term. We expect the growth to remain modest on the back of the government's COVID-19 vaccination programme, with real impact likely to be felt in the last quarter of the year. However, international business is expected to remain subdued over the coming months as some of our key source markets are experiencing a resurgence in COVID-19 infections. This third wave of infections requires the Company to remain diligent in its various cost containment and cash preservation initiatives.

By order of the Board

V.T Musimbe
Company Secretary

14 May 2020

Directors:

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