



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

Trading update for the first quarter ended 31 March 2022

African Sun Limited and its subsidiaries (“the Group”) is pleased to provide a trading update for the first quarter ended 31 March 2022.

TRADING ENVIRONMENT

Inflationary pressures, both in Zimbabwean Dollar (“ZWL”) and United States of America Dollar (“US\$”) terms persisted during the period under review mainly due to the continued weakening of the ZWL against the USD, foreign currency supply constraints, global price increases for commodities such as fuel, wheat, and fertilizer as a result of geo-political tensions in Eastern Europe. The year-on-year inflation rate increased from 60.7% at 31 December 2021 to 72.7% at the end of the reporting period.

With the relaxing of Covid 19 restrictions in the country, the Zimbabwean tourism sector continues to recover, albeit being predominantly driven by the domestic market. The impact of the Covid-19 pandemic on foreign arrivals continued into 2022, although a notable recovery relative to the comparable period last year. Indicative data shows that there was a 93% increase in tourist arrivals from 65 882 recorded during the first quarter (Q1) of 2021 to 126 955 recorded during the quarter ended 31 March 2022.

The property market activity continues to be depressed, with rental yields across all property sectors reflecting curtailed economic activity. Property sales transactions continue to be dominated by cash sales as mortgage finance is limited.

FINANCIAL PERFORMANCE REVIEW

The unaudited financial results for the first quarter of the current year presented below reflect improved business performance, emerging from what has been the most difficult period for tourism and hospitality players, not only in Zimbabwe but the world over.

Salient financial information

All figures in ZW\$	Inflation adjusted		Variance
	31 March 2022	31 March 2021	
Revenue	1 648 618 661	482 721 327	+242%
Earnings/(loss) before interest tax depreciation and amortisation (“EBITDA”) *	108 317 014	(109 676 209)	
EBITDA margin	7%	(23%)	+30%
Occupancy	37%	14%	+23%
Revenue per available room (ZWL)	6 087	1 826	+233%
Total revenue per available room (ZWL)	11 511	3 638	+216%
Average daily room rate (ZWL)	16 351	12 948	+26%

* This represents normalized EBITDA that excludes the impact of once-off transactions arising from activities not in the ordinary course of business.

The improved performance compared with the same period last year was mainly due to an increase in occupancies and cost-saving initiatives implemented by the Group. The Group’s occupancy levels for each of the three months ended 31 March 2022 were consistently better compared to the same period in 2019, the latter year being the last normal trading year before the Covid-19 outbreak.

The hospitality segment contributed 94% to Group revenue, whilst the real estate segment contributed the balance of 6%. Hotel revenue increased by 221%, largely driven by conference business during the period. City hotels (including the Troutbeck Resort) recorded 56% (2021: 24%) occupancies whilst the Resort hotels, which have not fully recovered from the impact of Covid 19, achieved an occupancy level of 21% (2021: 5%).

Total assets as at 31 March 2022 remained relatively flat at ZWL26.4 billion compared with the December 2021 position. The Group closed Q1 2022 with a debt-free position, buttressed by a healthy cash and cash equivalents position of ZWL1.55 billion. Subsequent to 31 March 2022, the Group paid a dividend of ZWL116,151,461 plus USD505,064 with respect to the year ended 31 December 2021.

Equity at ZWL22.3 billion remained flat compared with the December 2021 position.

COMPLETION OF DAWN PROPERTIES LIMITED ACQUISITION

The Group is currently finalizing the acquisition of the remaining Dawn Properties Limited issued share capital and will commence the full integration of the business as soon as the transaction is completed.

OUTLOOK

In spite of uncertainties on how the Covid 19 situation will evolve and the economic headwinds the Zimbabwe economy currently faces, the Group is cautiously optimistic that hotel occupancy levels will maintain an upward trajectory, driven predominantly by the domestic market in the short to medium term. Whilst the Asian market is lagging behind in terms of recovery, other parts of the world have opened up for international travel with Covid-19 restrictions curtailed quite remarkably. The Group anticipates that international arrivals will steadily improve as the year progresses.

The Group is encouraged by the resumption and increase of international flights into the Victoria Falls destination. Notably, Eurowings Discover airline launched its maiden flight into Victoria Falls from Frankfurt, while Fast Jet launched a direct flight to Kruger, Mpumalanga (South Africa). Whilst the resumption of international flights to the destination has been constrained by relatively low load factors, the Group anticipates that this will improve as the year progresses.

In anticipation of improved tourism activity, the Group will be undertaking refurbishment works at some of its hotels during the current year. Major refurbishment work is currently underway at the Troutbeck Resort, whilst preparatory work has commenced to undertake similar refurbishment work at the Hwange Safari Lodge. The Group anticipates to invest an estimated US\$10 million in refurbishments, soft furnishings and other ancillary developments around its hotels during the current financial year.

By order of the Board

V.T Musimbe
Company Secretary

17 May 2022

Directors:

E. A. Fundira (Chairman), P. Saungweme (Chief Executive Officer)*, N. Mutizwa (Chief Finance Officer)*, G. Chikomo, C. Chikosi, B. Childs, V.W. Lapham, L.M. Mhishi, T. M. Ngwenya, A.E. Siyavora. * Executive

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