

# TRADING UPDATE FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 SEPTEMBER 2019

## TRADING ENVIRONMENT

The economic environment remained turbulent characterised by significant policy reforms, inflation, power outages, erratic water supply and reduced aggregate demand across all sectors during the entire nine months under review. The first quarter was significantly impacted by violent demonstrations, and stay-aways which resulted in cancelled bookings from both the domestic and international market.

The second and third quarters, as well were negatively affected by hyperinflation, weaker demand on the local market and a decline in foreign tourist arrivals. A number of reforms have been adopted. Among them, being the currency reforms, which abolished the former multi-currency regime and introduced the Zimbabwean Dollar ("ZWL") as the sole legal tender for all domestic transactions. These currency reforms coupled with inflation pose significant challenges in pricing and creates distortions in financial reporting.

The combined impact of these macroeconomic and political developments on our business is reflected in the reduction in volumes from both our local and export markets as explained under volume analysis.

## VOLUMES ANALYSIS

Occupancy for the third quarter closed at 51% representing a 24-percentage points decline from 75% recorded in the same quarter last year. This is represented by a 32% decline in room nights sold from 108,448 reported in the comparable quarter last year to 73,929 this year. Business mix for the third quarter with regards to room nights was 59% local and 41% export. The revenue split (in historical terms) for local and export for the same quarter was 46% and 54% respectively.

For the nine months year-to-date, occupancy closed at 47% representing an 11-percentage points decline from 58% recorded in the same nine month period last year due to reasons aforementioned. This decline represents a 19% drop in room nights sold to 206,454 from 253,661 reported in the same period last year. The decline was across all our markets, with domestic and export room nights reducing by 20% and 26% respectively. The local market was negatively affected by the January protests and low disposable incomes. Of concern are clear indications that we are in a recession. In comparison, the international market has been affected by the general slowdown in world travel by 3%, as well as random actions of civil unrest like the Hong Kong strikes which affected our arrivals in the Victoria Falls destination, in particular for The Kingdom at Victoria Falls.

## KEY ACCOUNTING DEVELOPMENTS

### Reemergence of IAS 29, Financial Reporting in Hyperinflationary Economies

The current trading period has been characterized by rapid price increases and instability. Resultantly, on 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement indicating that the condition for a hyperinflationary economy had been met in Zimbabwe, and entities should commence hyperinflationary reporting in compliance with International Accounting Standard 29 ("IAS 29"), "Financial Reporting in Hyperinflationary Economies" for the period beginning 1 July 2019. The PAAB and ICAZ are expected to issue further guidance on the application of IAS 29 to ensure that uniformity is achieved by all entities. Therefore, the Group was notable to comply with the requirements of IAS 29 and the Zimbabwe Stock Exchange Listing Requirements to publish its Third Quarter 2019 Interim Financial Statements on or before 15 November 2019.

### Product improvement and expansion plan

The Group has taken an initiative to revamp its product offering through a number of refurbishment programs for most of the hotels at an estimated cost of US\$25 million. We have commenced the refurbishment of Troutbeck Resort, Carribea Bay Resort and Great Zimbabwe Hotel albeit at a much slower pace as funding commitments and long term planning have been hampered by the 20% foreign currency surrender, as well as the thirty (30) days liquidation period. We are in the process of completing mock-up rooms for Hwange Safari Lodge and The Victoria Falls Hotel, the rollout of which is expected in the first quarter of 2020.

In the quest to broaden our reach, the Group added high end Camp Sites at Great Zimbabwe Hotel and Carribea Bay Resort in the third quarter. This new product, known as "glamping", because of the more luxurious feel compared to a standard campsite has already hosted the maiden group of guests at Carribea Bay Resort in the October 2019. The market is excited about this new development and we anticipate an increase in foreign arrivals at these properties as we go into 2020. An official launch of this product will be announced to the market soon, which launch will include a completed Great Zimbabwe Hotel refurbishment.

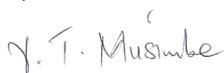
## DIVIDEND DECLARATION

No interim dividend has been declared for the quarter ended 30 September 2019.

## OUTLOOK

The current turbulent economic environment makes it difficult to forecast business performance. Our forward bookings up to the first quarter of 2020 are marginally below the 2019 levels, reflecting the difficult environment we are trading in. The local market will remain subdued in the short to medium term given the current challenging economic environment. We remain cautiously optimistic of our key foreign source markets given their own economic challenges, with the UK likely to still be dealing with Brexit, and the United States of America in elections mode.

By Order of the Board.



**V.T Musimbe**  
Company Secretary

15 November 2019

**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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