

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

TRADING ENVIRONMENT

Global Environment

After a marked reduction in new cases from June to August 2020, our key source markets, Europe, the United States of America ("USA") and Asia are now unfortunately experiencing a significant resurgence in Coronavirus ("COVID-19") cases. Resultantly, their Governments have reintroduced partial or complete lockdowns in a bid to control the COVID-19 second wave. The Group expects this resurgence to negatively impact international business at least in the short to medium term.

The recent announcement of a vaccine is positive news, but the headline number says little about what kind of cases are being prevented and the challenge of storing at ultra-cold temperatures plus the myriad logistical challenges surrounding production and distribution means we still believe our industry will face challenges in the medium term.

Domestic and Regional Environment

While COVID-19 challenges persist in key markets, it is encouraging to note that, South Africa which is our tourism hub opened international travel effective 1 October 2020. On the domestic front, the quarter under review saw the Government allowing intercity travel in September 2020, with the resumption of international flights starting on 1 October 2020. Despite the reopening of borders and resumption of international flights, most travelers are discouraged by the requirements to self-isolate or quarantine for extended periods upon arriving at the holiday venues. In the short term this will continue to hamper efforts to boost international tourism.

On the economic front, macro-economic performance continued to be subdued, largely due to foreign currency shortages, low disposable incomes, high unemployment and the curtailed business activity due to the COVID-19 lockdowns. On the positive side, the interbank and inflation rate seem to have stabilised on the back of the foreign currency auction system introduced in June 2020.

Operationally, the Group has now opened all of its hotels after the COVID-19 induced closures earlier this year. The Group expects the September and October 2020 relaxation of travel restrictions to boost domestic and regional demand going forward.

FINANCIAL PERFORMANCE

The third quarter ("Q3") results reflect an encouraging improvement from the second quarter ("Q2") amid the intractable impacts of COVID-19. The Group more than doubled the number of room nights sold from 8,144 in Q2 to 20,329 in Q3, with domestic demand being driven by Government and Non-Governmental Organizations.

For the three months ended September 30, 2020, occupancy decreased by 37 percentage points compared to the same period last year ("SPLY"). Inflation adjusted revenues for Q3 were down 78% at ZWL260.88 million against SPLY. While Group performance for the quarter under review continued to suffer from COVID-19, key Group performance indicators in Q3 show a steady recovery from Q2. Occupancy improved from 5% in Q2 to 14% in Q3, largely driven by the relaxation of lockdown restrictions, together with a number of promotional initiatives by the Group to improve demand.

Turning to year to date ("YTD") performance, occupancy was down 28 percentage points, compared to the prior year. Inflation adjusted revenue for the period decreased by 62% at ZWL965.3 million against SPLY. The decrease is attributed to the COVID-19 pandemic and the related reduction in global travel and tourism, which required the complete suspension of all hotel operations at some point during the nine months ended 30 September 2020. Going forward, cost containment initiatives adopted in Q2 and Q3 are expected to drive our cash preservation mode in Q4 and beyond.

OUTLOOK

Looking ahead, we expect international business to remain subdued over the coming months due to the resurgence in COVID-19 cases in our key source markets. This second wave of infections requires continued diligence and dexterity to manage costs and preserve cash. However, we remain cautiously optimistic that we will continue to see a modest uplift in domestic and regional demand in the short term.

EVENTS AFTER REPORTING PERIOD

Subsequent to the reporting date, the proposed transaction by the Company to acquire up to 100% of Dawn Properties Limited ("DPL") by way of a share swap of DPL shares for shares in African Sun with no cash alternative ("the Offer") was approved by the shareholders at an our Extraordinary General Meeting ("EGM") held on 13 October 2020. The processes to finalise the transaction are proceeding well with the Offer having been extended to individual DPL shareholders. As of 12 November 2020, 89.75% of DPL shareholders had accepted the Offer. The transaction should be concluded by 31 December 2020 and DPL will become a subsidiary of the Company.

By Order of the Board



V.T. Musimbe
Company Secretary

13 November 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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