AFRICAN SUN LIMITED

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

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2023

African Sun Limited ("the Company" or "the Group") hereby presents the Trading Update for the first quarter ended 31 March 2023.

TRADING ENVIRONMENT

The first quarter ended 31 March 2023 continued to be characterised by macro-economic challenges ranging from inflationary pressures to foreign exchange rate volatility.

The Zimbabwe dollar ("ZWL") liquidity crunch persisted during the quarter under review, which combined with other factors led to the economy being substantially United States of America dollar ("US$") driven. The Reserve Bank of Zimbabwe in its first monetary policy statement of 2023 advised that approximately 76% of transactions in the local economy are now being conducted in US$. As a result, the Group witnessed its revenue and expenditure notably skewing toward US$, with monthly averages of 60% and 40% of the Group's revenue being earned in US$ and ZWL respectively. Based on the fact that the Group now primarily generates its revenues and incurs its costs substantially in US$, the Group changed its financial reporting functional currency from ZWL to US$ effective 1 January 2023.

The foreign currency liquidation exemption which the tourism sector enjoyed since February 2022 expired during the quarter. The disparity between the parallel market exchange rate and the official exchange rate continues to exert pressure on operating margins as there is a notable mismatch between the exchange rate used by suppliers and the exchange rate used to liquidate foreign currency into ZWL and required for pricing of goods and services in ZWL.

On a positive note, subsequent to the end of the quarter under review, the RBZ announced that all domestic foreign currency proceeds shall be exempt from liquidation for all sectors while export proceeds will continue to be subject to a 25% liquidation.

FINANCIAL PERFORMANCE HIGHLIGHTS

The 31 March 2023 unaudited financial results presented below are in US$, pursuant to the Group's adoption of the US$ as its functional currency effective 1 January 2023. The results reflect a slow start compared to the same period last year ("SPLY").

Salient Financial Highlights

	First Quarter (Q1)		
	31 March 2023 USD	31 March 2022 USD	Movement
Revenue	7 896 839	8 029 093	**-2%**
Occupancy	39%	42%	**-8%**
Revenue per available room	37	36	**2%**
Average daily room rate	940	85	**10%**

Revenue at US$ 7.9 million for the first quarter ended 31 March 2023 was down 2 percentage points compared to the same period last year. The decline was largely due to depressed business volumes with occupancy at 39% being 3 percentage points lower than the comparable period. Both of our hotel operating segments experienced declines in occupancy levels with City Hotels posting a combined 51% (2022: 56%), whilst Resort Hotels achieved 23% (2022: 26%). Despite the waning impact of Covid 19 and the concomitant announcement by the World Health Organisation that it was no longer a public health emergency of international concern, foreign business remains depressed at 20% whilst domestic guests anchors business performance with a contribution of 80%.

OTHER SIGNIFICANT EVENTS

In line with the Group's strategy to exit non-core assets, the Group successfully exited its investment in Dawn Property Consultancy (Private) Limited during the quarter under review.

At an extraordinary general meeting held during the quarter, the shareholders of the Company approved the delisting of the Company on the Zimbabwe Stock Exchange immediately followed by its listing on the Victoria Falls Stock Exchange on 14 April 2023.

Subsequent to 31 March 2023, the Group paid a final dividend of 0.073027 US$ cents per share.

OUTLOOK

While concerns about the macroeconomic environment persist both locally and globally, there are promising prospects of a business upturn buoyed by removal of the Covid-19 restrictions. We anticipate improvements in occupancies at many of our hotels driven largely by election business and remaining "pent-up" demand arising from overdue events and conferences. In addition, we expect to see continued improvements to business and corporate transient demand as businesses continue to make progress toward normal travel patterns including a perceptible acceleration in international travel, particularly for our Victoria Falls hotels.

In line with our vision to be the leading provider in hospitality and leisure operations in Africa by providing outstanding hospitality experiences, we remain focused on our strategy to upscale the state of our properties through our ongoing various refurbishment programmes. The Group anticipates completing the US$4.2 million Hwange Safari Lodge 100 rooms refurbishment during the second quarter of the current year.

Going forward, the Group will continue to monitor and respond to the unique challenges and opportunities presented by the current operating environment.

By order of the Board

V. T. Musimbe

Venon T. Musimbe
Company Secretary and Governance Executive

19 May 2023

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