

# INTERIM RESULTS

For The Six Months Ended  
31 March 2019





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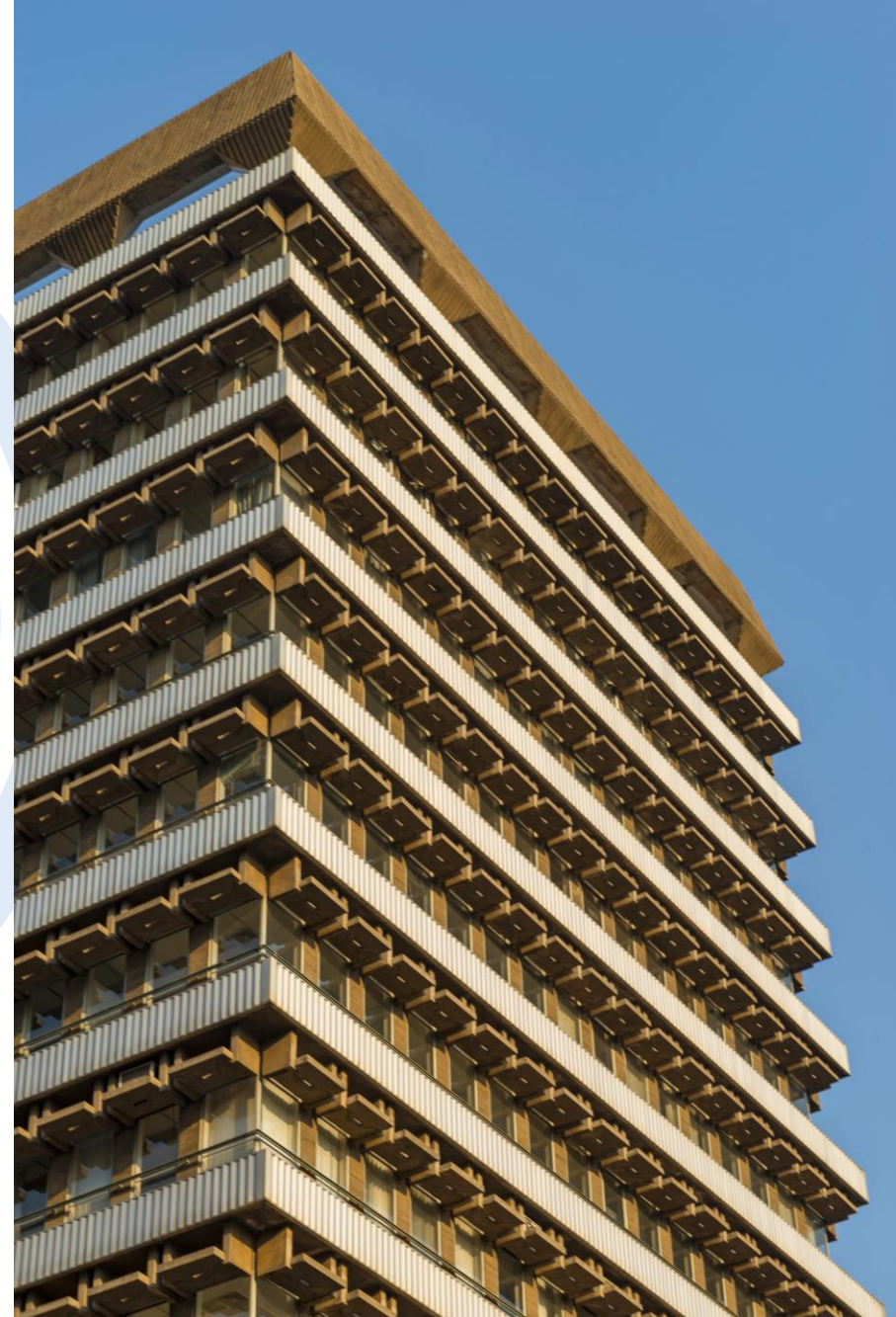
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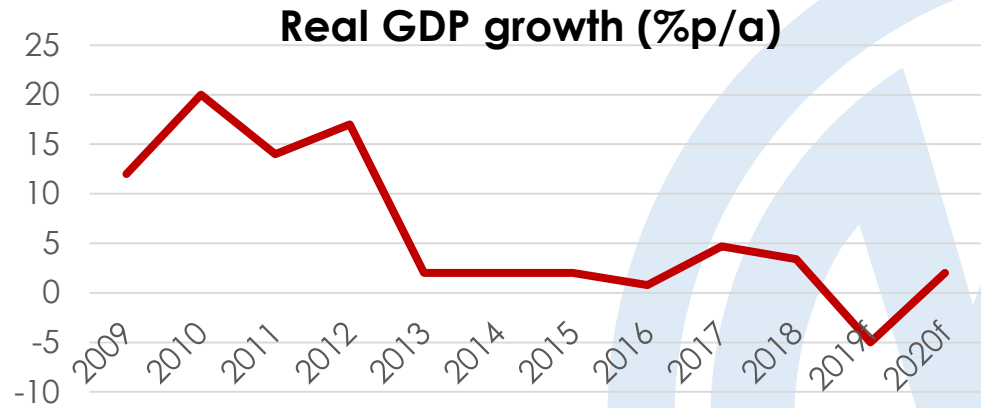


# Market Overview

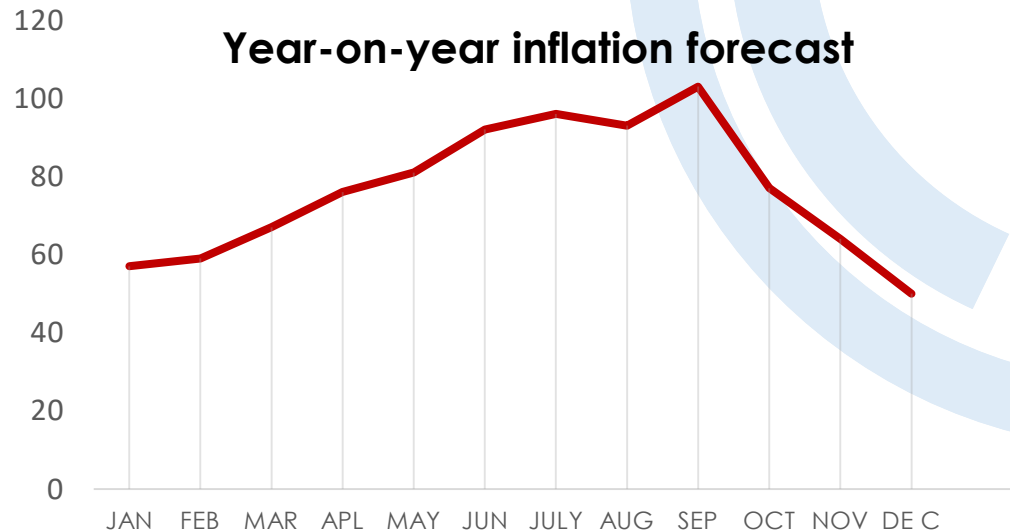




# Economic Overview | Macro Transmission Mechanism...



Source: T. Hawkins (2019)



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The economy is in recession – GDP forecast to fall; -2.1% (IMF) and -3.1% (WB).

**Growth** predicted to rebound gradually with a growth of 1.8% in 2020 and 2.8% in 2021

**Inflation** at 76% Q1 2019, forecast to exceed 100% by Q3 2019 before falling to 50% to 60% by year-end.

**Forex shortages**, erratic electricity supply & depleted disposable incomes hampering production

**Interest rates** have been hugely negative; 70 percentage points below inflation. RBZ adjusted the central bank's overnight window from 15% to 50%.

Declining **output & employment**; direct impact to space and housing demand.



## Property Market Overview

The **occupier sub-market** remains subdued on the back of macroeconomic challenges.

**Rent reviews** in response to **escalating inflation**.

The **development sub-market** remains subdued as new space demand remains depressed due to sluggish economic growth.

General consensus - property market lacks quality buildings in emerging locations. Observable developments mainly driven by corporate occupiers or pre-leasing.

Inconsistent **property valuations** triggered by SI 33 of 2019. Inaccurate portfolio performance measurement.

The **Harare CBD issue**; sustained outmigration. New City?

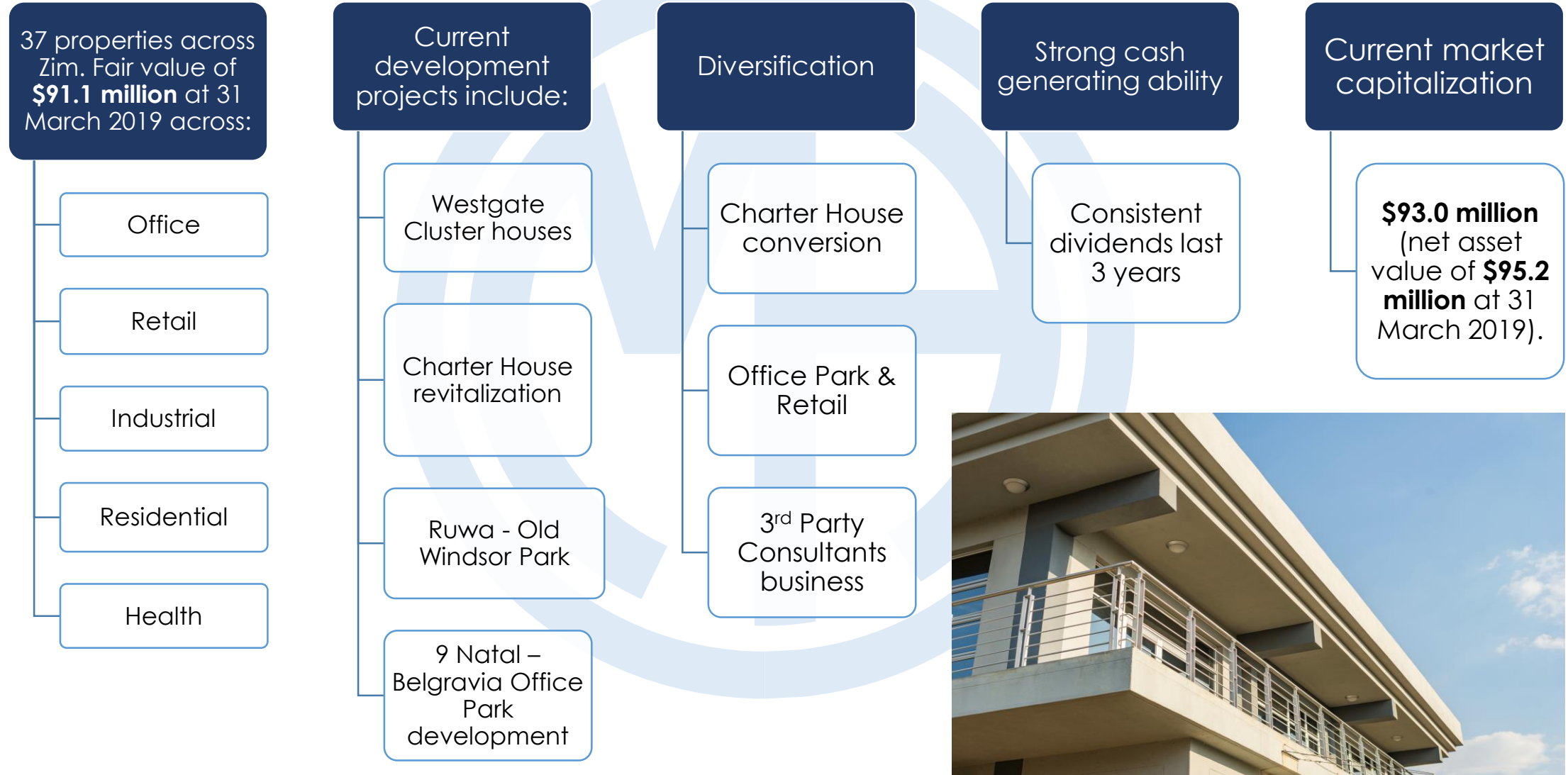
**Dollarization of property sales?** Low sales; sellers insist on USD settlements. SI 142 of 2019 criminalises local transactions in USD.

Players taking **strategic positions** within emerging development corridors.

Going forward – **property market** is likely to experience an extended trough.



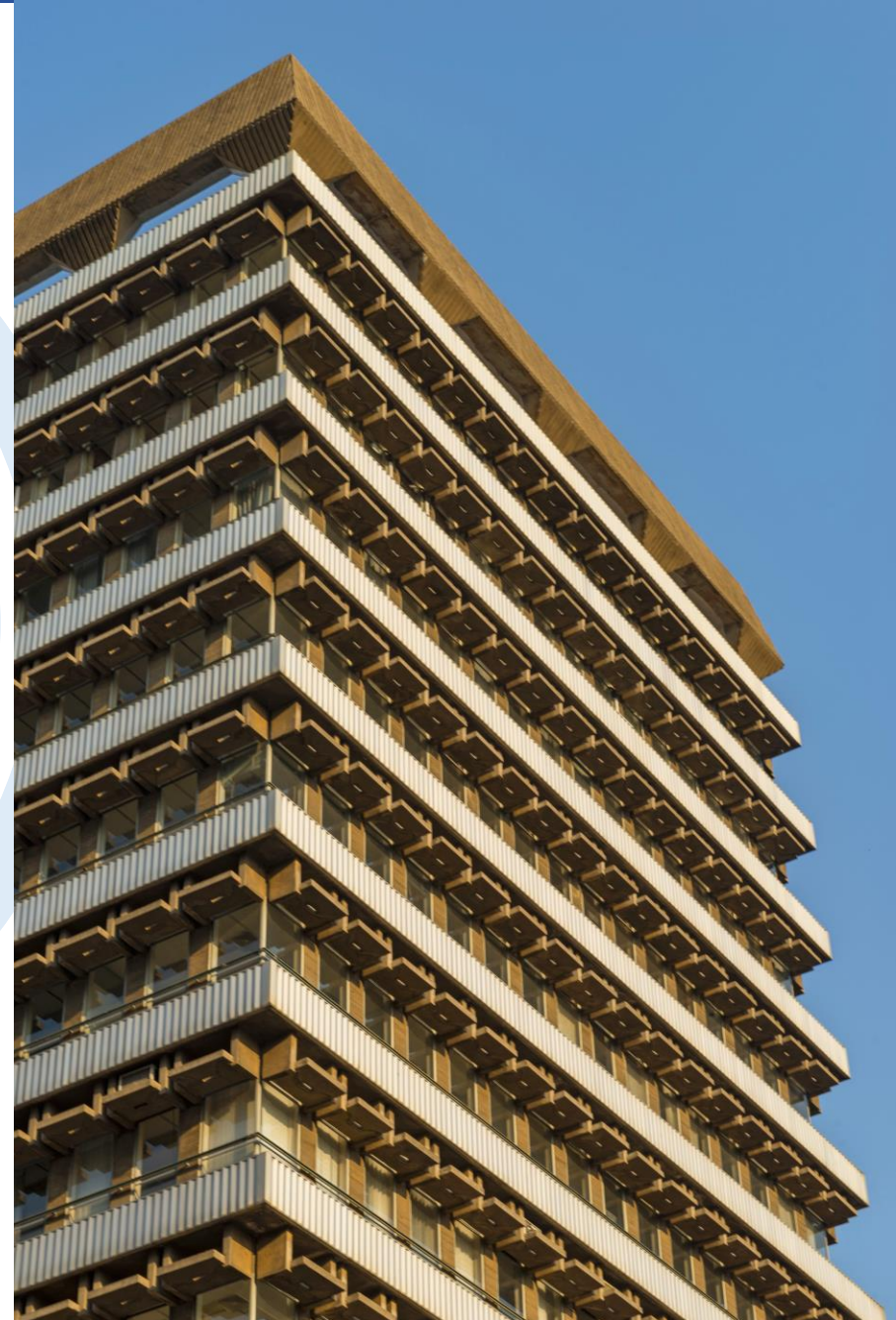
# Mashonaland Holdings Limited At A Glance





# Operations Review –

for the 6 months ended  
31 March 2019





# Our Response to operating environment

Challenges	Opportunities (Response)
Weak space demand (CBD)	<ul style="list-style-type: none"> <li>➤ Charter House repurposing</li> <li>➤ Diversification – portfolio + income streams</li> <li>➤ Flexible leasing</li> <li>➤ CBD building equipment refurbishment</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>➤ Quarterly rent reviews to hedge income streams and value</li> <li>➤ Brought forward scheduled and major building maintenance</li> <li>➤ Pre-purchase of building materials for approved projects – Westgate, 80 S. Mazorodze, 9 Natal</li> <li>➤ Value preservation through strategic land bank acquisition</li> </ul>
Weak Development fundamentals	<ul style="list-style-type: none"> <li>➤ Project de-risking, collaborative approach and fixed sum contracting</li> <li>➤ Virtual leasing of developments to reduce market risk</li> <li>➤ Robust catchment area study and City Authorities engagement to understand future urban structure</li> </ul>





## ...SI 142 OF 2019 & RBZ FX Guidelines

- Introduction of **SI 142 of 2019** will have an impact on the following initiatives:
  - Negotiating USD rentals with tenants.
  - Selling residential stands in USDs.
  - Selling non-core land banks and buildings to generate foreign currency to develop strategic land banks
  - Foreign currency required to import materials to complete projects.
  - The likely huge increase in interest rates is likely to curtail any debt funding opportunities.
- As a good and compliant corporate citizen MHL will be guided by both the provisions of SI 142 of 2019 and the RBZ's Exchange Control Directives RU102/2019.

# Financial Highlights For The Period

Rental Income 15%



Investment property 0.4%



Administrative expenses  
22%



Total assets 1.6%



Operating profit 103%



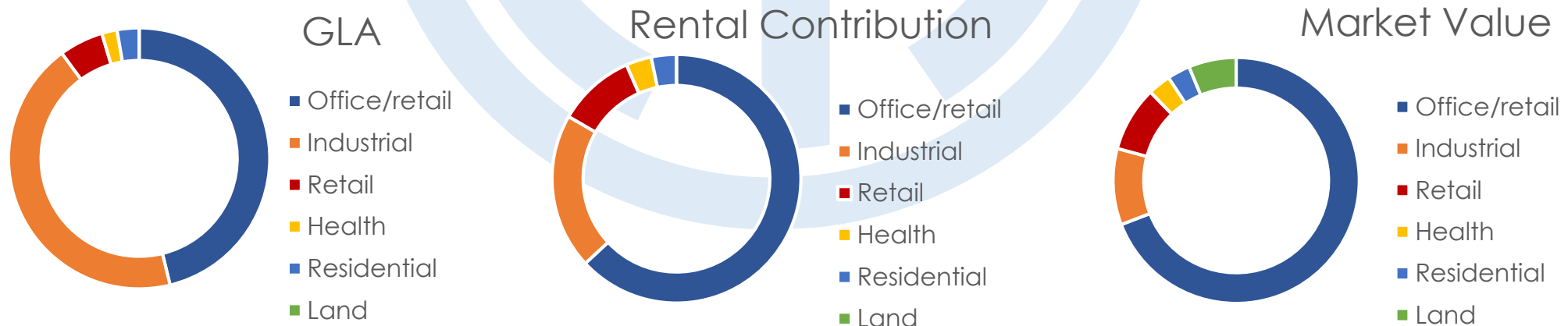
Shareholders' equity  
1.7%





# Property Portfolio Performance

	GLA – sqm	Fair Value	Rental income	Occupancy	Rent p/sqm	Yield
<b>Office/retail</b>	50,849	62,969,000	1,701,132	52%	10.72	5%
<b>Industrial</b>	48,143	9,134,000	546,128	100%	1.89	12%
<b>Retail</b>	6,021	7,800,000	272,283	80%	9.37	7%
<b>Health</b>	2,083	2,730,000	89,364	100%	7.15	7%
<b>Residential</b>	2,990	2,730,000	87,919	100%	4.9	6%
<b>Land banks</b>	-	5,688,000	-			
<b>Total/Average</b>	110,086	91,051,000	2 696 826	77%	5.50	6%





## Key Portfolio Performance Ratios Trend

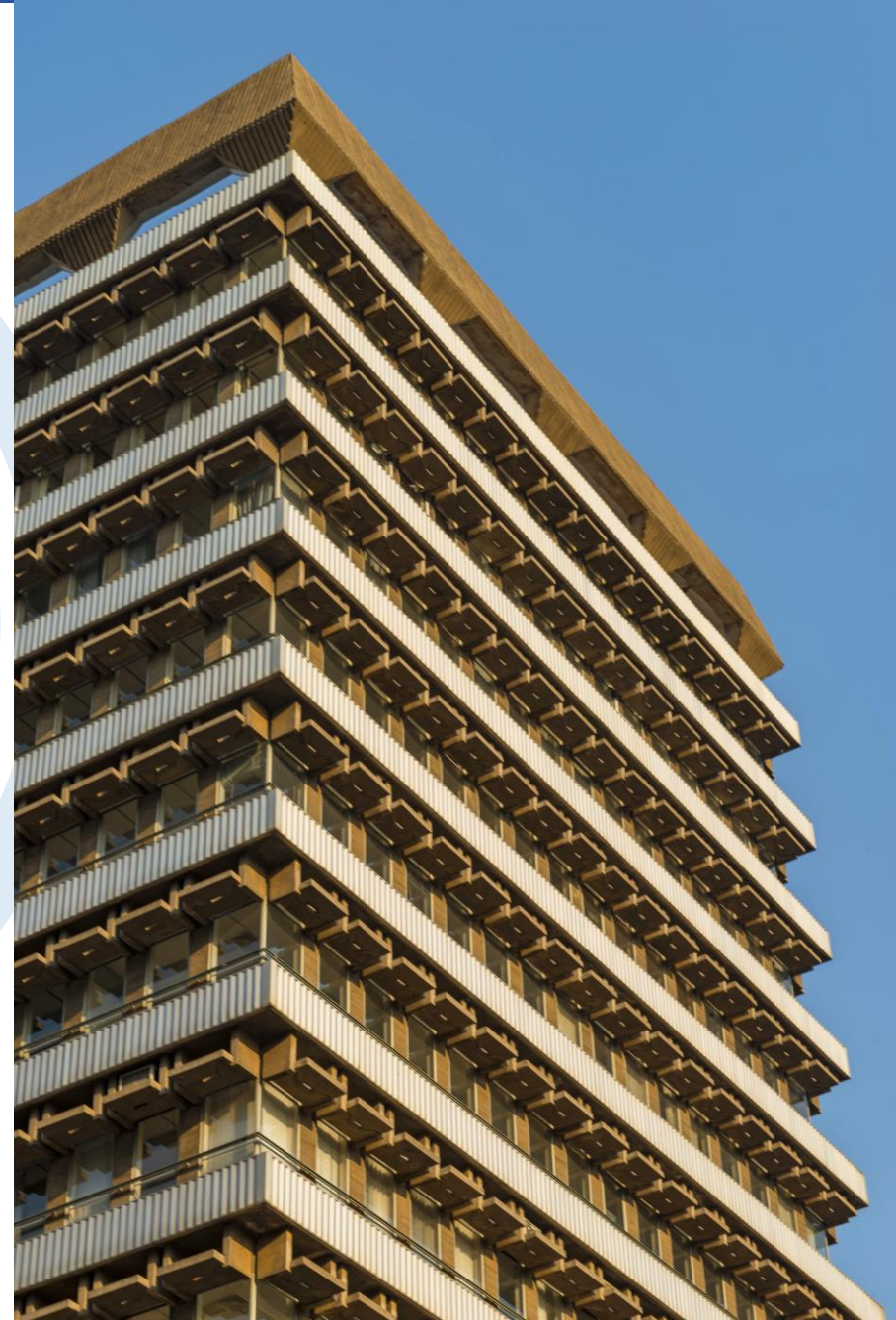
	HY 2019	FY 2018	FY17	FY 2016	FY 2015
<b>Occupancy</b>	77%	76%	72%	74%	76%
<b>Arrears</b>	16%	18%	23%	31%	28%
<b>Ave. rental per sqm</b>	\$5.50	\$4.70	\$4.50	\$5.69	\$5.67
<b>Yields</b>	6%	6%	6%	6%	6%





# Financial Results

for the 6 months ended  
31 March 2019





**Reporting  
currency,  
valuation of  
investment  
properties and  
new IFRS  
standards**

The interim results presented in RTGS\$; effective transition date: 20 February 2019 - limited forex transactions.

The Company complied with **Section 4(1) of SI 33 of 2019** - *“for accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued and expressed in United States dollars (other than assets and liabilities referred to in section 44C(2) of the principal Act) shall on and after the effective date be deemed to be valued in RTGS dollars at a rate of one-to-one to the United States dollar”*.

After translation to RTGS at 1:1, all monetary assets translated to RTGS\$ at interbank rate of 1: 2.5 with exchange differences recognized in the income statement.

**Investment property** - Key inputs required to determine investment properties fair values not readily available as input level not stable both in USD & RTGS\$ with limited comparable transactions.

Consequently, investment property values were maintained at 1 October 2018 values.

Due to rising inflation, significant changes to exchange rates, changes in government policies and the property market, the Company will fair value its investment properties before year end.









Adoption of IFRS 9 & IFRS 15 during the period did materially impact interim results.



# Statement of comprehensive income

	31 March 2019	31 March 2018	Movement
<b>All amounts in RTGS\$</b>			
Revenue	2,696,826	2,351,593	15%
Property expenses	(289,060)	(633,601)	54%
<b>Net Property Income</b>	<b>2,407,766</b>	<b>1,717,992</b>	<b>40%</b>
Other income	701,206	87,557	701%
Administrative expenses	(835,310)	(685,026)	22%
<b>Operating profit</b>	<b>2,273,662</b>	<b>1,120,523</b>	<b>103%</b>
Fair value adjustments – listed shares	667,138	(864,398)	177%
<b>Profit before finance income and tax</b>	<b>2,940,800</b>	<b>256,125</b>	<b>1 048%</b>
Finance income	115,877	291,156	60%
<b>Profit before tax</b>	<b>3,056,677</b>	<b>547,281</b>	<b>459%</b>
Tax expense	(433,338)	(247,113)	75%
<b>Profit for the period</b>	<b>2,623,339</b>	<b>300,168</b>	<b>774%</b>

# Statement of Financial Position

	31 March 2019	30 September 2018	Movement
Investment properties	91,051,163	90,657,000	0.4% 
Other non-current assets	892,739	1,115,435	20% 
Current assets	13,528,331	12,008,085	13% 
<b>Total assets</b>	<b>105,472,233</b>	<b>103,780,520</b>	<b>2%</b> 
<b>Shareholders equity</b>	<b>95,162,641</b>	<b>93,591,766</b>	<b>2%</b> 
Non-current liabilities	9,190,768	9,043,338	2% 
Current liabilities	1,118,824	1,145,416	2% 
<b>Total equity and liabilities</b>	<b>105,472,233</b>	<b>103,780,520</b>	<b>2%</b> 

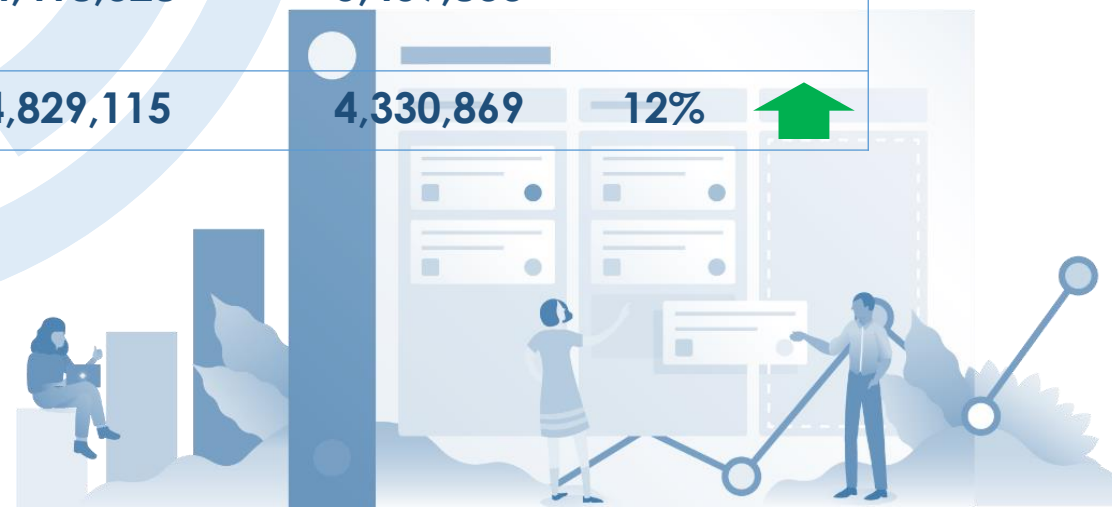






# Statement Of Cash Flows

	31 March 2019	31 March 2018	Movement
Cash generated from operations	1,877,396	1,635,992	15% ↑
Tax paid	(238,305)	(169,457)	41% ↑
Net cash generated from operations	1,639,091	1,466,535	12% ↑
Net cash outflows from investing activities	(315,895)	(823,898)	62% ↓
Net cash outflows from financing activities	(912,409)	(1,721,601)	47% ↓
Increase/(Decrease) in cash and cash equivalents)	410,787	(1,078,964)	62% ↑
Cash and cash equivalents at the beginning of the period	4,418,328	5,409,833	
Cash and cash equivalents at the end of the period	4,829,115	4,330,869	12% ↑



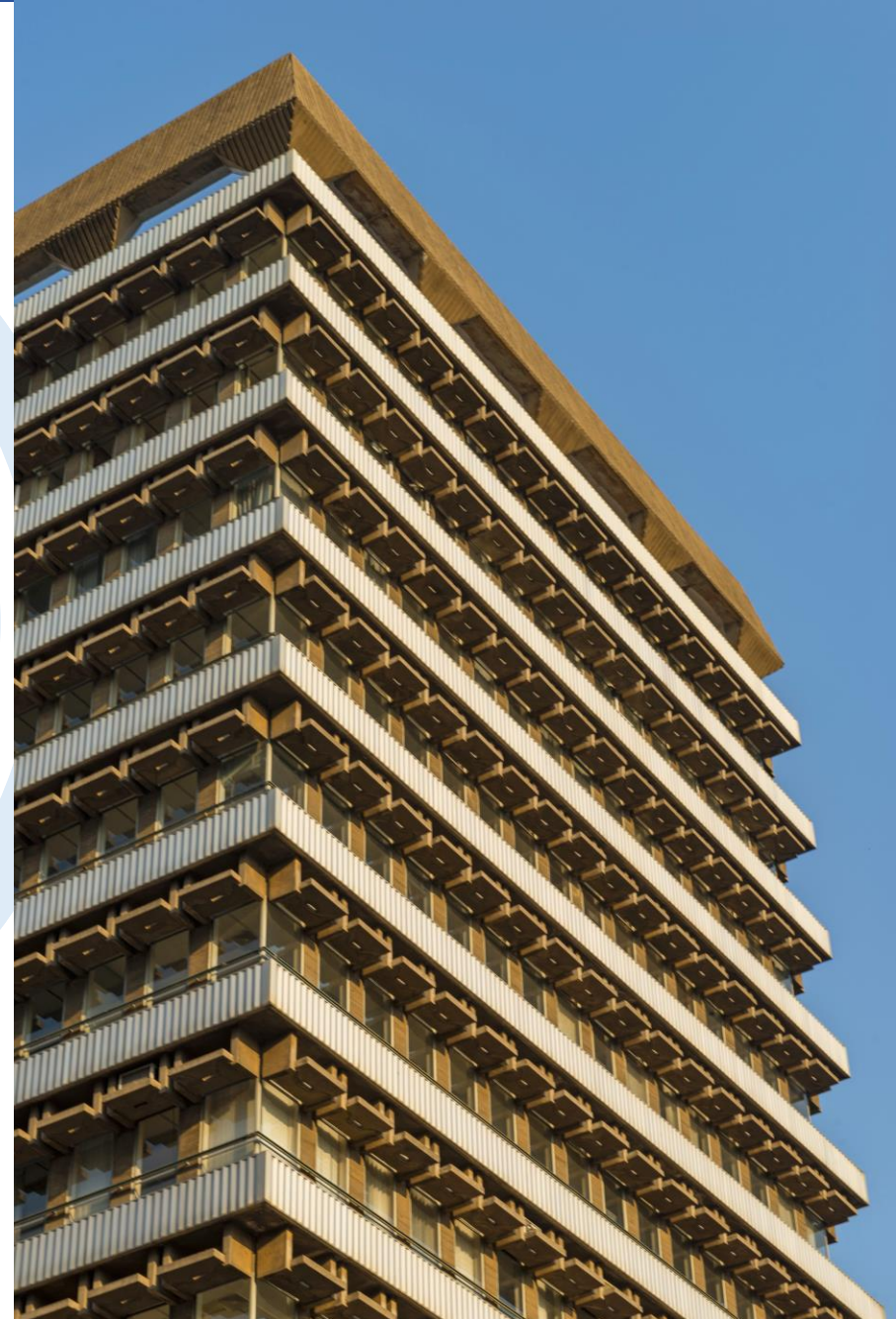
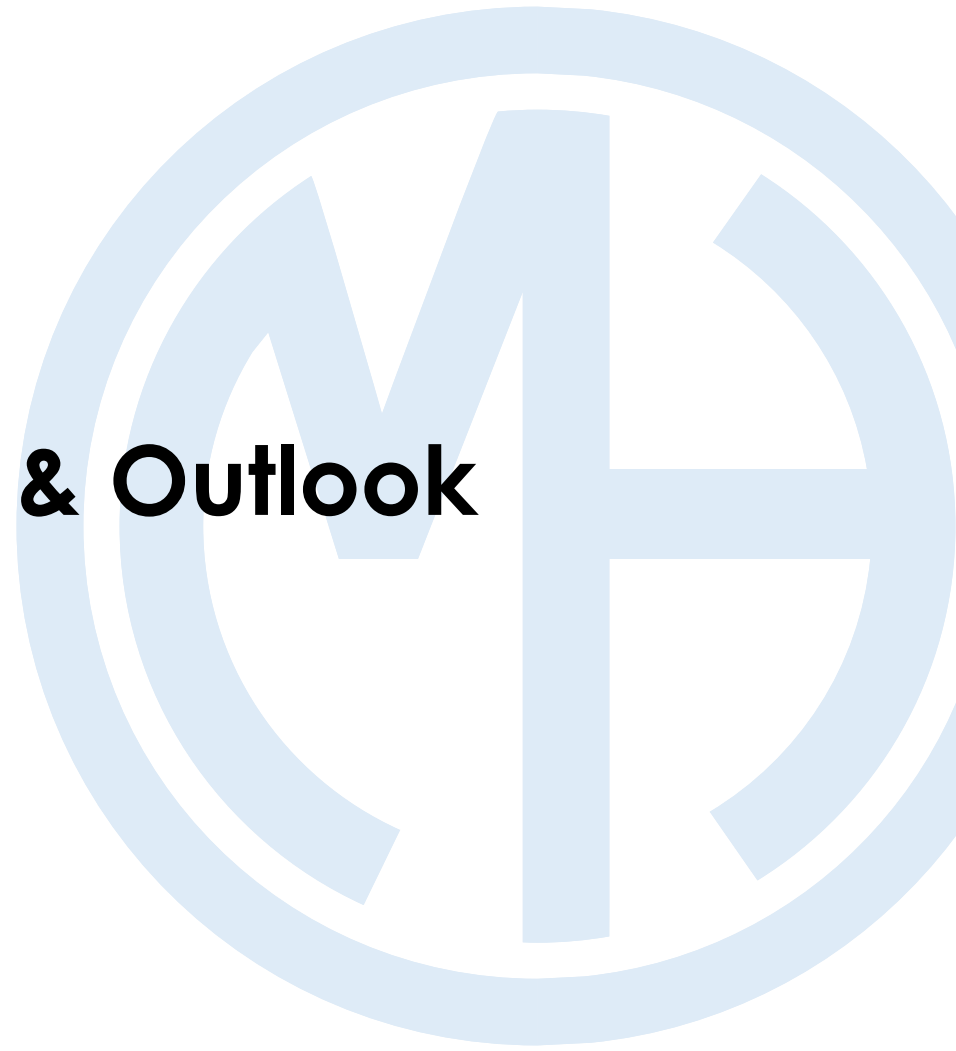


# Key financial performance ratios

	HY 2019	FY 2018	FY 2017	FY 2016	FY 2015
<b>Total expenses to revenue</b>	42%	52%	50%	67%	60%
<b>Net property income after admin expense to revenue</b>	58%	48%	50%	33%	40%
<b>Changes in investment property</b>	-	1%	(4%)	(8%)	(7%)
<b>Return on equity</b>	3%	3%	2%	(6%)	(6%)
<b>Current ratio</b>	12.09	10.48	7.56	4.84	6.43
<b>Earnings per share</b>	0.16	0.14	0.09	(0.35)	(0.36)
<b>Dividend per share (cents)</b>	0.079	1.115	0.097	0.030	-
<b>Net asset value per share (cents)</b>	5.63	5.52	5.54	5.48	5.83
<b>Debt to equity ratio</b>	-	-	-	-	-



# Strategy & Outlook

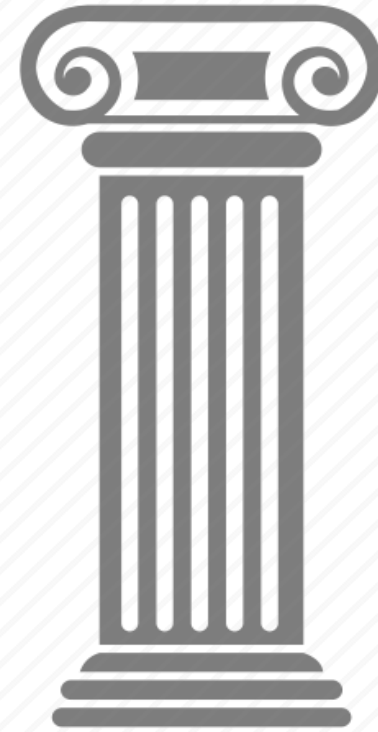
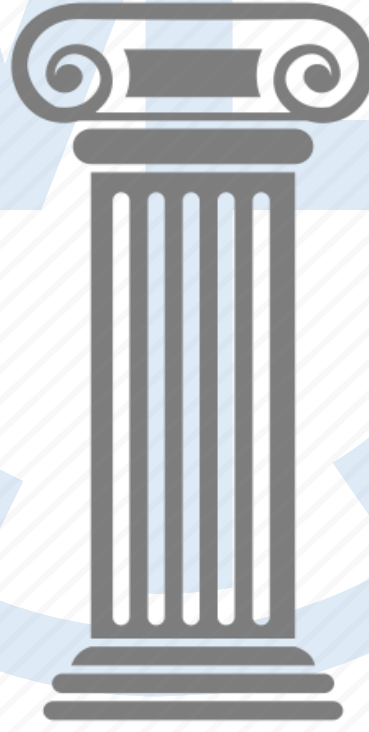


# 2019 Strategic Focus Areas

**PERFORMANCE**

**DIVERSIFICATION**

**GOVERNANCE**





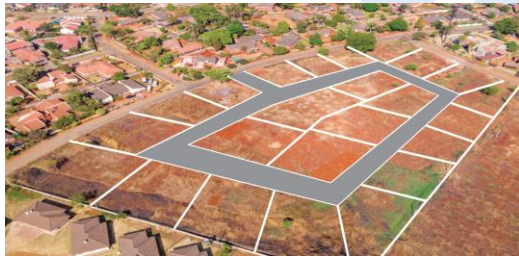
## Outlook

- The operating environment remains challenging and fraught with uncertainty.
- The company is well positioned to exploit emerging opportunities in the market.
- The market is likely to experience an extended trough pending correction of the macroeconomic fundamentals
- The key focus areas going forward includes:
  - **1.** Embark on **flexible leasing** through serviced offices and short term leases.
  - **2. Digitalization** of internal processes to improve efficiency and optimize occupancy cost for our tenants.
  - **3. Value preservation** - strategic site acquisition and pre-leased developments.

# Projects And Property Developments



**CHARTER HOUSE** revitalization to five star Hotel; approx. 80 rooms; Change of use application submitted and acknowledged by the City of Harare; MOU signed with potential operator. Joint design teams locked in the design studio!



**WESTGATE** - Cluster housing development in Westgate.

**Phase 1** - servicing of stands to be complete by mid July 2019;

**Phase 2** - construction to commence in Q1 2020



**BELGRAVIA** - Construction of a three story Office Park in Belgravia to commence in Q4 2019; design work currently underway.

50% of the development has been pre-leased.

Pre-purchasing materials underway.



**RUWA** - 24 serviced stands in Old Windsor Park, Ruwa : 800 – 1,100sqm selling at USD38 per sqm ; stand sales commenced in May 2019.



Thank You