



**Mashonaland  
Holdings Limited**  
(Incorporated in Zimbabwe)

**Analyst Briefing  
10 Dec 2020**



# CONTENT

**Market  
Overview**

**Operations  
Review**

**Financial Results**

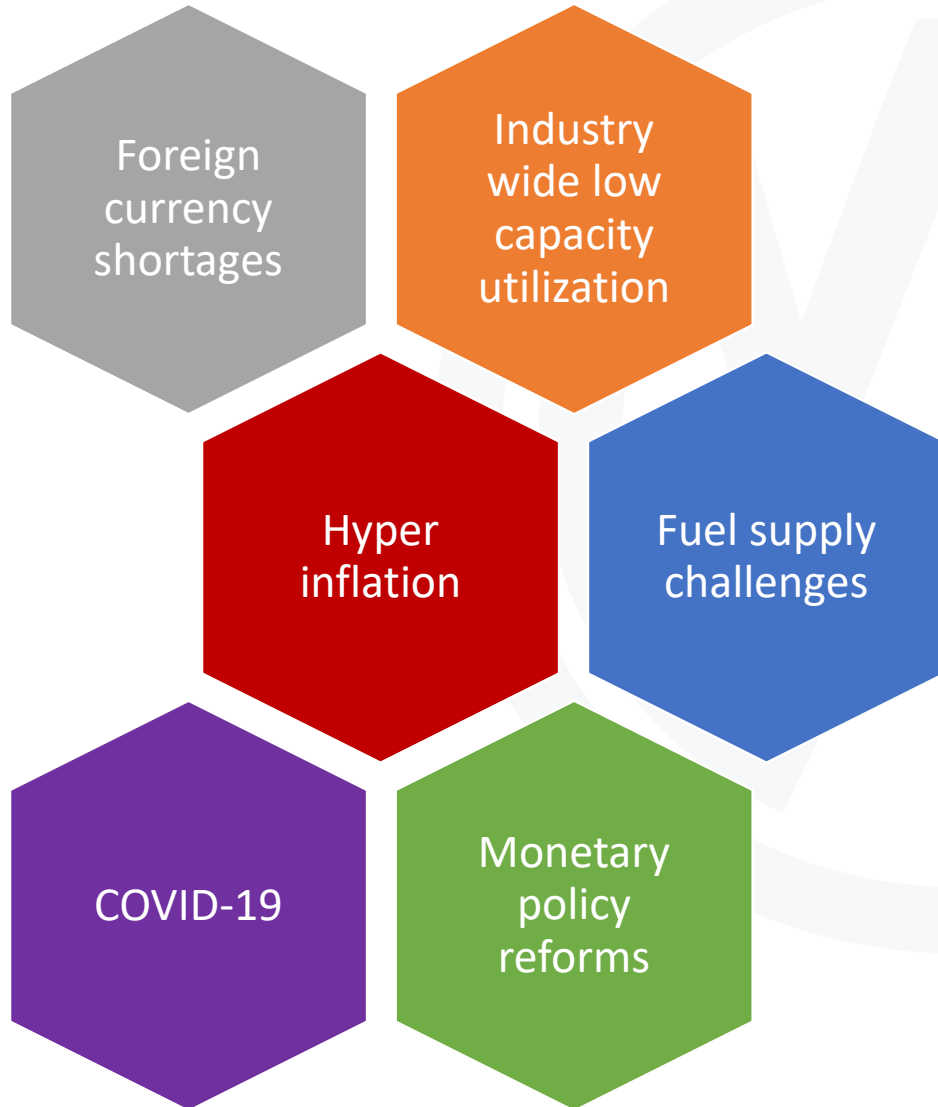
**Strategy &  
Outlook**



## Macro & Property Markets Overview



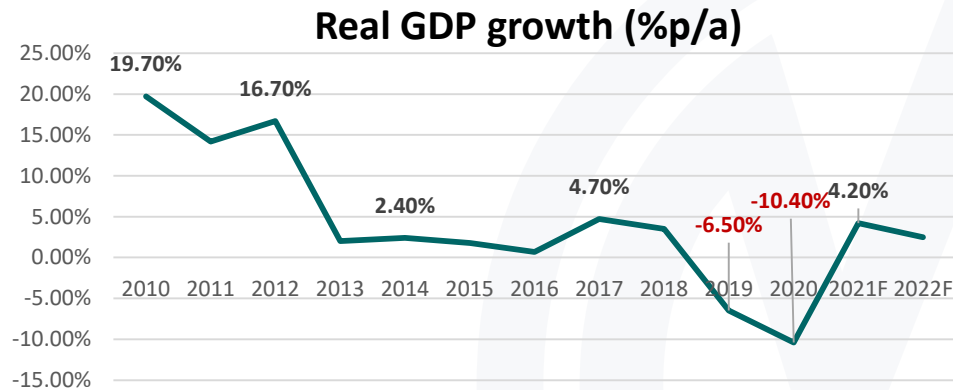
# FY 2020 Macro- Economic Themes



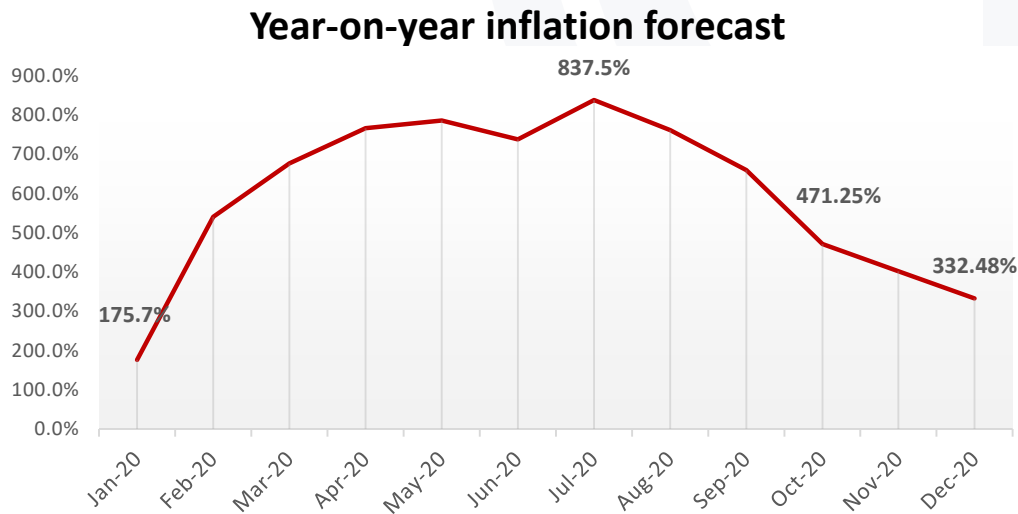
- **GDP** decline on 8.3% in 2019. Forecasted decline of 4.1% in 2020 (MoF) and 10% (IMF)
- **Inflation** at 353% (October 2019), peaked at 837.5% in July 2020 and closed the trading period at 659.4%
- Exchange rate at USD1: ZWL\$15.29 as at 01 October 2019 and closed trading period at USD1:ZWL\$81.44
- The foreign currency exchange auction (June 2020)
- S.I. 85 of 2020 (dual pricing) improved economic activity



# Macro economic overview



Source: IMF (Dec. 2020)



Source: Ministry of Finance & Economic Development (Nov. 2020)

**Official and Parallel Exchange rate**



GDP forecast to contract by 10.4% in 2020. Gradual growth is anticipated, forecast 4.2% growth in 2021 and 2.5% in 2022. (IMF).

**Inflation** at 471.25% in Oct. 2020, forecast to recede to 332.48% by end of 2020. Inflation of 9.04% expected by Dec 2021. (MoF)

**Exchange rate stability** - foreign currency auction system (RBZ)



# Property market – Filtering through of Macro factors

## Occupier Market

- Rent reviews – sticky, lagging inflation
- Reduced demand in space, growth in voids
- Tenants' rent paying capacity waning, growing arrears
- S.1. 96 of 2020 – Deferral of Rent and Mortgage during National Lockdown

## Development Submarket

- Development costs exceeding Capital values
- Project completion delays; foreign supplied building materials
- Small scale developments – owner occupier motivations

## Investment Submarket

- Valuation uncertainty viz. reporting currency
- Values coming-off in real terms
- Investment returns tumbling
- Reduced new investments, constrained exits

## Freehold Sales submarket

- S.I 142 led to high grade withdrawals
- Opaque sales market to avoid costs
- S.1. 85 brought sanity and some level of activity



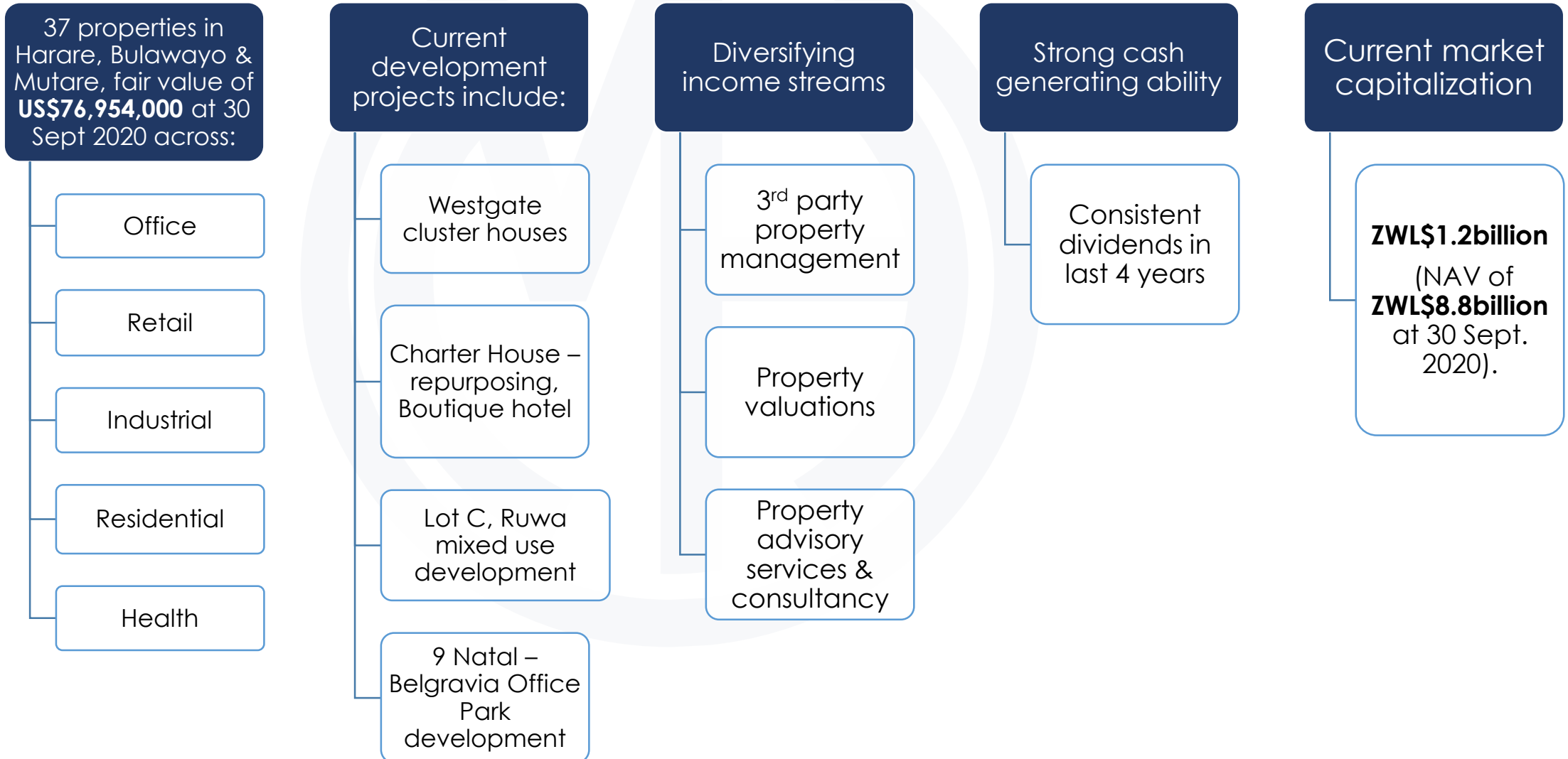
# **OPERATIONS REVIEW**

for the 12 months ended  
30 September 2020





# Mashonaland Holdings at a Glance







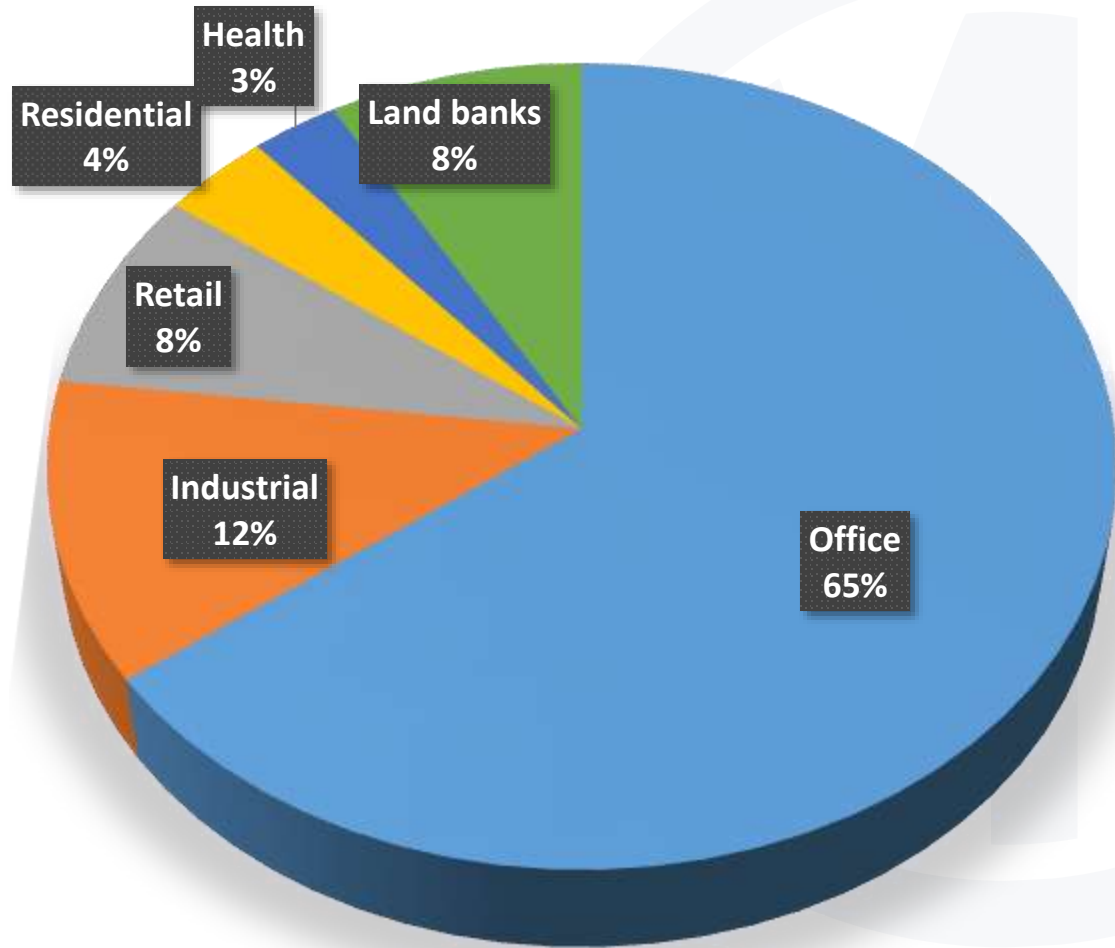
# Property Portfolio Performance

	GLA – sqm	Fair Value (ZWL\$'000)	Rental income (ZWL\$'000)
Office	50,849	5 832 500	97 532
Industrial	48,143	1 076 942	49 224
Retail	6,021	728 920	14 044
Health	2,083	260 620	7 490
Residential	2,990	324 500	5 072
Land banks	-	758 632	-
<b>Total</b>	<b>110,086</b>	<b>8 982 114</b>	<b>173 362</b>
<b>% change from 2019</b>	<b>-</b>	<b>5% ▼</b>	<b>30% ▲</b>

- 5% portfolio value loss recorded as at 30 September 2020
- Revenue increased by 30%.
- Occupancy improved to 79.2% (77%: 2019)
- Weighted average portfolio return for the year is 8.5%.



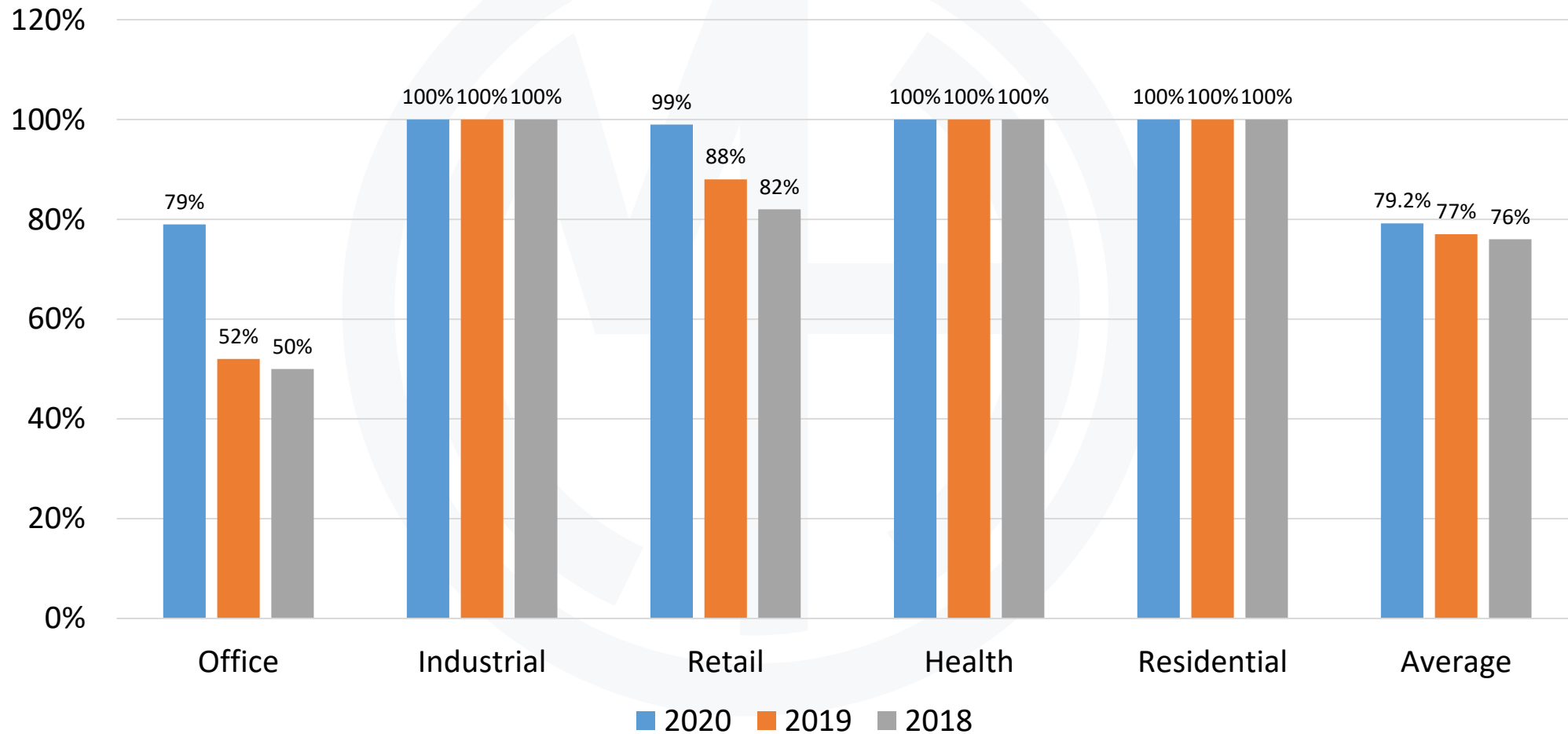
## Portfolio Structure (by value)



- Portfolio structure predominantly weighted towards CBD office space.
- Diversification thrust – Office Parks, Retail, Hospitality, Health and upmarket residential.



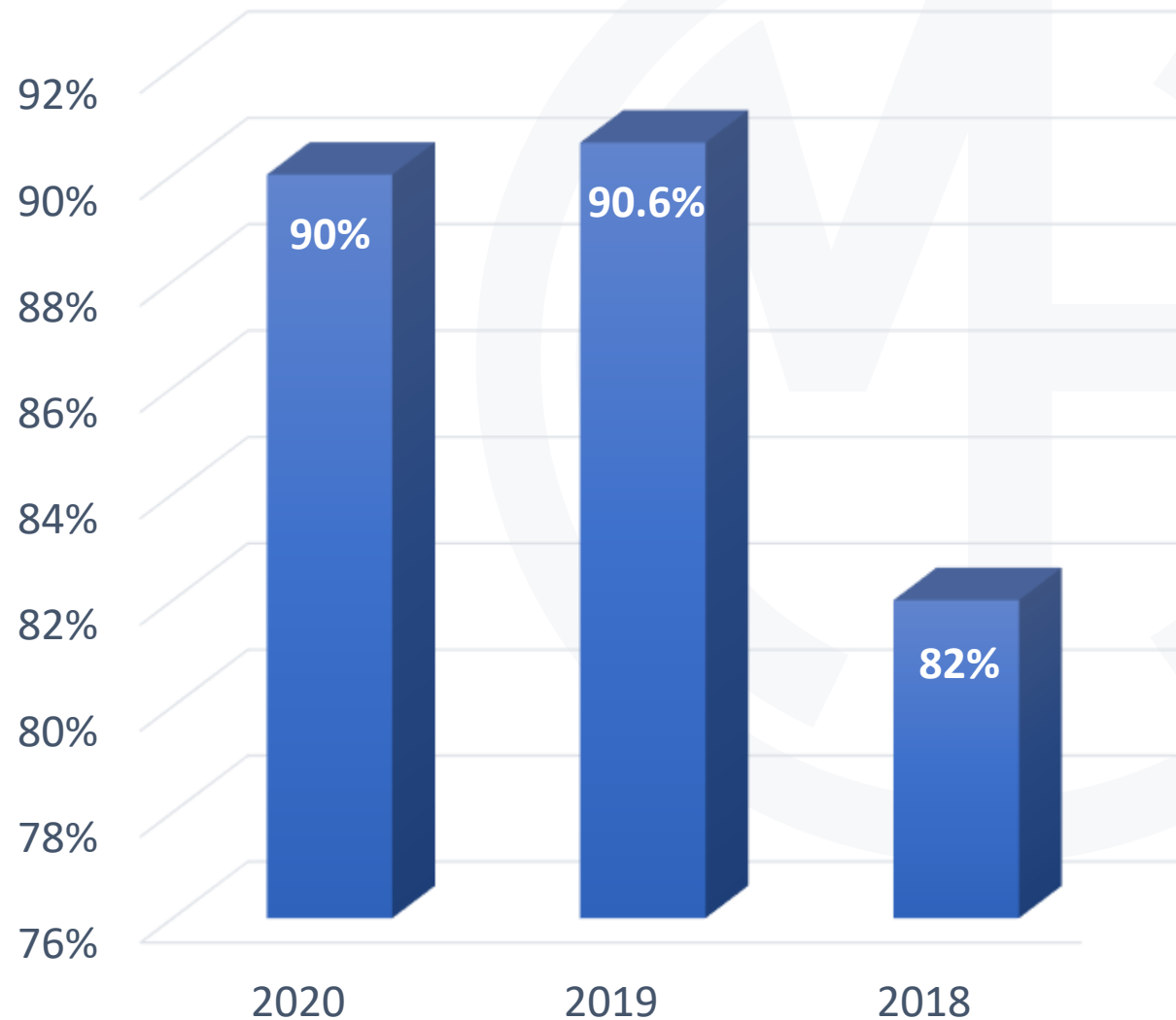
# Occupancy per sector



- Tenancy attraction and retention initiatives under our Portfolio Optimization strategic pillar continues to bear fruits.



# Collections



- Collections remained resilient at 90% despite the COVID-19 challenges.
- The company continues to implement robust tenant on-boarding and arrears collection policies.





# Projects and Property Developments



**CHARTER HOUSE** – change of use to five star Hotel; approx. 80 rooms; permit secured; MOU signed with potential operator> Project implementation was delayed by COVID-19.



**WESTGATE** - Cluster housing development in Westgate; servicing of stands now complete. Preselling and construction of a model house to commence in Jan 2021.



**BELGRAVIA** - Construction of a three story office block in Belgravia. Design work completed. Construction work to commence on completion of ongoing viability assessments.



**RUWA** - 24 serviced stands in Old Windsor Park, Ruwa averaging 800 – 1,100sqm in size. Selling of stands to commence on securing of certificate of compliance. Targeted selling price is US\$38 per square meter.



# **Audited Financial performance for the year ended 30 September 2020**

# Financial Highlights

Rental Income 30%



Occupancy 3% growth



Operating profit 7% growth



Investment property 5% decrease



Share price- 620% growth





# Revenue performance

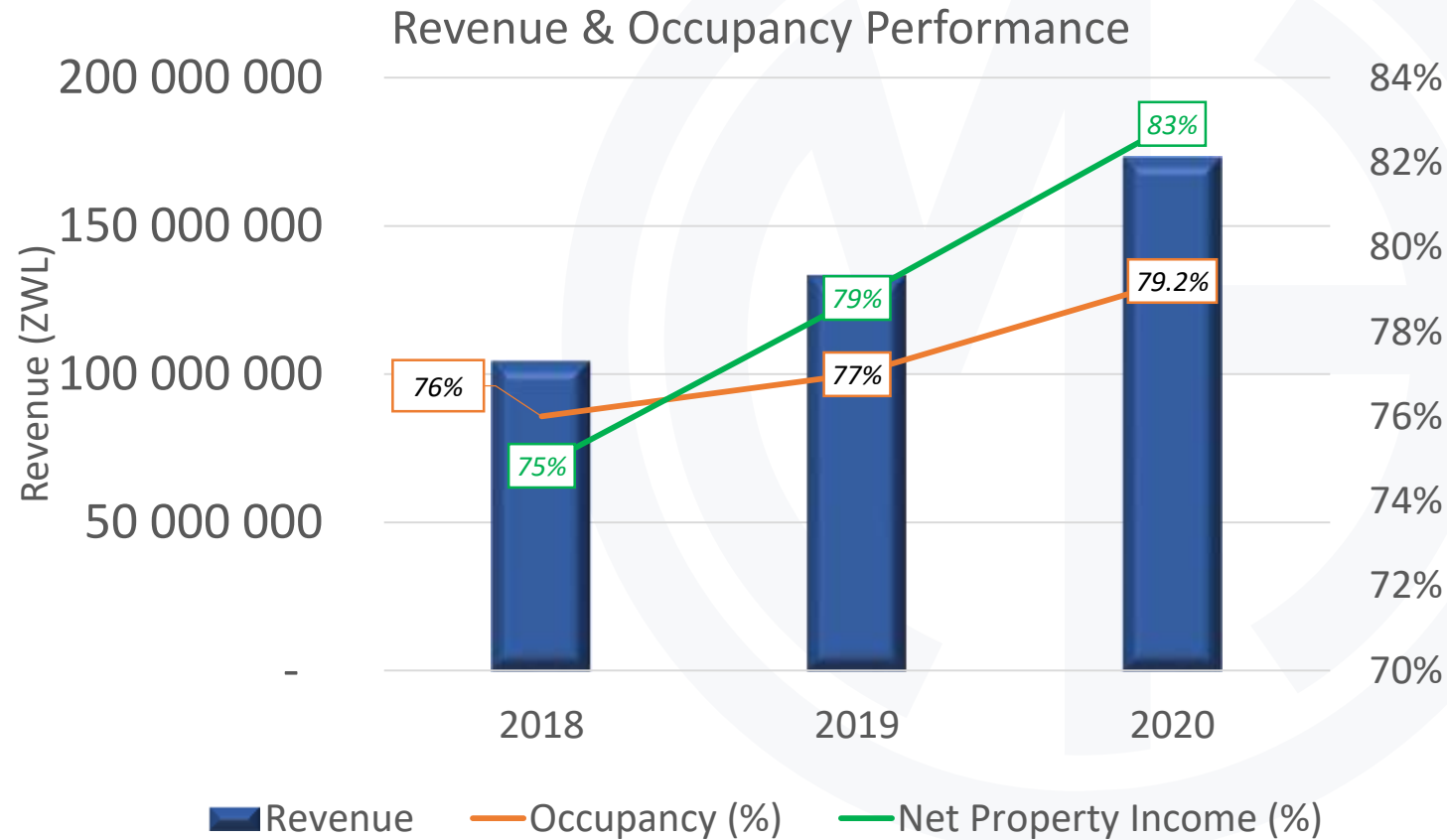
	2020 ZWL	2019 ZWL	2018 ZWL	3 Year Av. ZWL
Revenue	173 361 830	133 452 078	104 536 319	137 116 742
Occupancy	79.2%	77%	76%	77%

- 30% Revenue Growth was due to the improved occupancy and rental adjustments implemented during the year. Rental yield of 8.5% was supported by the rental reviews.





# Revenue performance



- Occupancy improved by 3% from 77% in 2019 to 79.2% in 2020. The company is focused on growing its occupancy by repurposing some of its buildings and in some cases disposal of non-core properties.
- The Net Property Income (NPI) % also improved from 79% to 83% driven by the revenue growth.



# Operating profit & key ratios

	2020 ZWL	2019 ZWL	2018 ZWL	3 Year Average ZWL
Operating profit	102 773 762	95 903 225	53 595 845	84 090 944
Net Property Income (%)	75%	79%	83%	79%
Operating profit (%)	59%	72%	51%	61%
Operating cost to revenue (%)	50.1%	50.3%	54.8%	52%

- Operating profits improved by 7% largely due to the above explained rental reviews.
- NPI % improved by 5% to close the year at 83%. This was achieved through cost optimization strategies implemented during the year, this also resulted in the operating costs to revenue improving from 50.3% to 50.1%.
- Operating profit % however decreased due to lower dividend income earned from the company's equity investments compared to the 2019 financial year.



# Investment property valuation

Sector	Market values (ZWL'000)		
	2020'	2019 (Restated)	Capital Growth %
Office	5 832 500	6 163 254	-5%
Industrial	1 076 942	1 104 797	-3%
Retail	728 920	787 391	-7%
Residential	324 500	329 657	-2%
Health	260 620	279 540	-7%
Land banks	758 632	784 495	-3%
<b>Total</b>	<b>8 982 114</b>	<b>9 449 135</b>	<b>-5%</b>

- The independent investment properties valuation performed as at 30 September 2020 lagged the inflation adjusted portfolio value as at 30 September 2019.
- The loss reflects the worsening investment climate represented by two successive years of negative GDP growth. The investment climate was further impacted by the COVID-19 pandemic which slowed rental growth.



# Inflation adjusted statement of comprehensive income

(All figures in ZWL)			
	Inflation adjusted		
	2020	2019	% change
<b>Revenue</b>	<b>173 361 830</b>	<b>133 452 078</b>	<b>30% ▲</b>
Property expenses	(29 630 027)	(28 294 848)	5% ▲
<b>Net property income</b>	<b>143 731 803</b>	<b>105 157 230</b>	<b>37% ▲</b>
Other income	16 203 951	29 529 229	45% ▼
Administrative expenses	(57 161 992)	(38 783 234)	47% ▲
<b>Operating profit</b>	<b>102 773 762</b>	<b>95 903 225</b>	<b>7% ▲</b>
Finance income	3 498 815	4 595 720	24% ▼
Monetary loss	(40 038 541)	(113 357 019)	65% ▼
Fair value adjustments	(471 008 483)	7 493 576 488	106% ▼
Loss / Profit before tax	<b>(404 774 447)</b>	<b>7 480 718 414</b>	<b>105% ▼</b>
<b>Loss/ Profit for the year</b>	<b>(372 567 928)</b>	<b>7 131 758 872</b>	<b>105% ▼</b>

- Revenue improved due to rental reviews aimed at indexing rentals the US Dollar to Zimbabwe dollar exchange rate based on the RBZ Auction Market System.
- The fair value loss is a result of the current property valuation lagging behind inflation.





# Statement of Financial Position

	2020 ZWL	2019 ZWL	% movement
<b>Assets</b>			
Non current assets	9 010 933 395	9 480 346 624	5% ▼
Current assets	274 098 543	239 846 866	14% ▲
	<b>9 285 031 938</b>	<b>9 720 193 490</b>	4% ▼
<b>Equity &amp; Liabilities</b>			
Shareholders' funds	8 768 517 601	9 160 713 815	4% ▼
Deferred tax	475 519 679	530 845 814	10% ▼
Current liabilities	40 994 658	28 633 861	43% ▲
	<b>9 285 031 938</b>	<b>9 720 193 490</b>	4% ▼
<i>Net asset value per share- cents</i>	518.63	541.79	4% ▼
<i>Current ratio</i>	6.69	8.38	20% ▼





# Abridged Consolidated Statement of Cash Flows

Abridged consolidated statement of cashflows	ZWL	ZWL	% change
Net cash inflow from operating activities	45 802 979	24 838 186	84% ▲
Net cashoutflow from investing activities	(12 442 475)	(70 804 648)	-82% ▼
Net cash outflow from financing activiites	(17 420 240)	(31 946 096)	-45% ▼
Increase/ (decrease) in cash & equivalents	15 940 264	(77 912 558)	120% ▲
Cash & equivalents at the beginning of the period	19 525 536	97 438 094	80% ▼
<b>Cash &amp; equivalents at the end of the period</b>	<b>35 465 800</b>	<b>19 525 536</b>	<b>82% ▲</b>





# Final Dividend

- The Board has declared a final dividend of ZWL 1.34 cents in addition to the interim dividend of ZWL 0.515 cents which was paid during the year.



## Strategy & Outlook





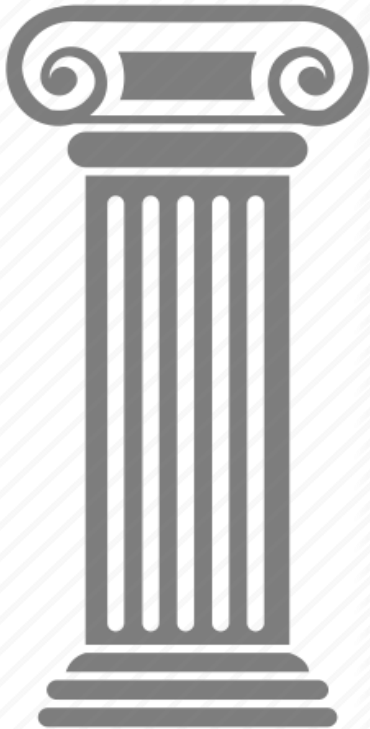
# Strategic Pillars

**PERFORMANCE**

**DIVERSIFICATION**

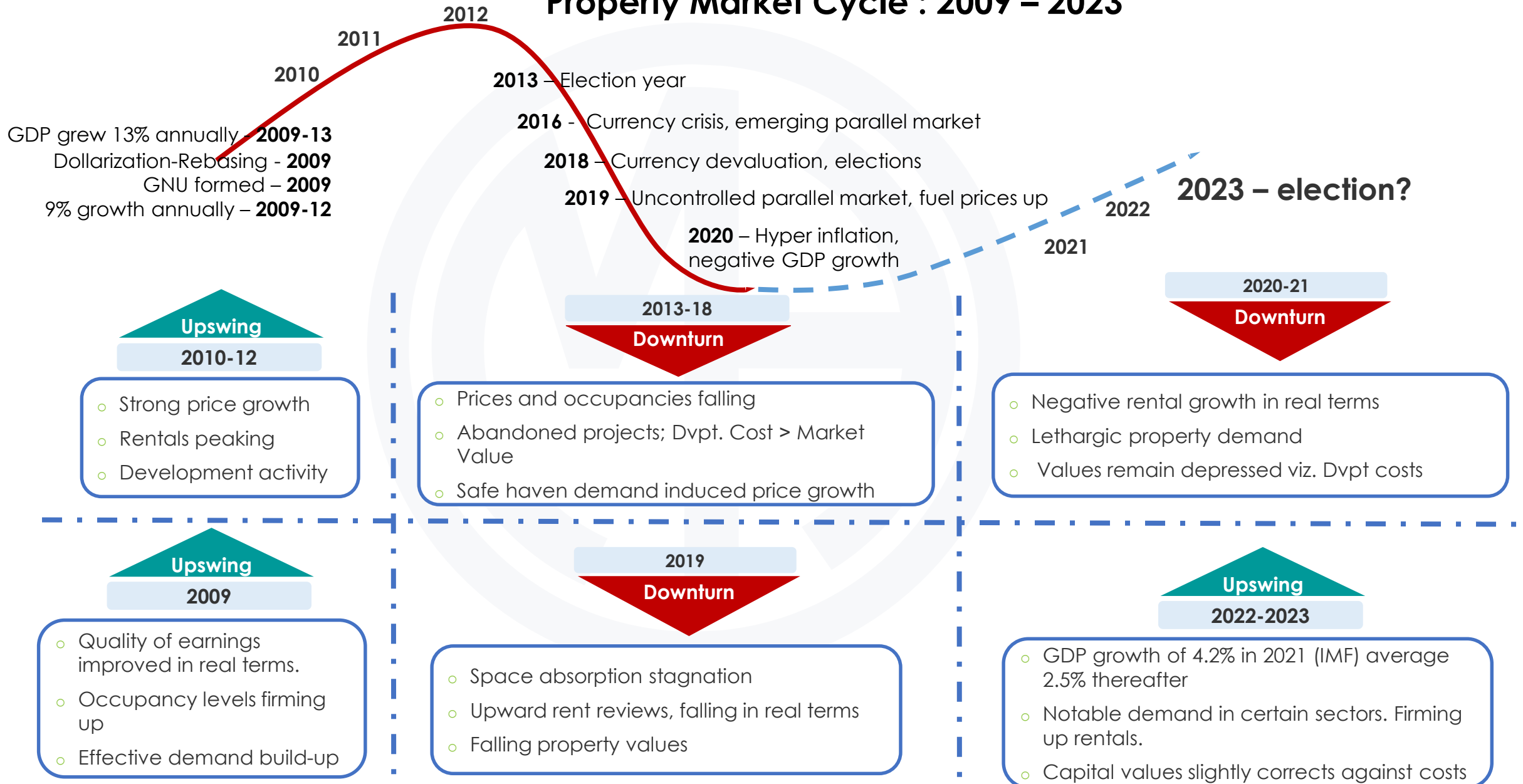
**GOVERNANCE**

**DIGITALISATION**





## Property Market Cycle : 2009 – 2023





# The perfect place to call home

Invest in your own secure place at Bluff Hill Cluster Homes. Coming in 3-bedroom units, Bluff Hill Cluster Homes provide a sound investment whether you're looking to be a first time home owner or to invest in real estate. Call us today.

25 Cluster  
Housing Units



Bluff Hill



190m<sup>2</sup>  
173m<sup>2</sup>



Stand Sizes: from 700m<sup>2</sup> to 900m<sup>2</sup>

24-Hour Security



3 Bedrooms



# THANK YOU