Brainworks strategies focus on debt reduction yields positive results

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Brainworks – a Mauritian-based JSE-listed holding company with a Zimbabwean hotel and real estate investment portfolio — released annual results for the year ended 31 December 2018, reporting revenue up by 35% to US$79.3 million from US$58.6 million in the prior year.

Notable contributions came from the hospitality segment accounting for 86% of the group's total revenue.

Domestic and foreign revenue increased 26% and 32%, respectively. Improved hotel occupancy (59% vs 52% in 2017) resulted in the average daily rate improving to US$109 from US$93, and revenue per available room up by 33% to US$64 from US$48. Hospitality and real estate segments remain the group's major drivers of revenue.

CEO Brett Childs says: "Despite the economic headwinds and currency reforms in Zimbabwe, the group has done well for the year under review. Our strategy of focusing on hospitality and real estate, which made a material contribution following the completion of our maiden property development in Harare, is proving successful as evidenced by our results and the significant reduction in debt."

Brainworks reduced its debts by 55% from US$38.3 million to US$17.1 million. This was achieved through capital raising initiatives during the year, as well as exiting our financial services businesses, namely, GetBucks Microfinance Bank and GetSure Life Assurance. The group recorded an overall positive impact of US$7 million from the exit of the financial services sector investments during the year.

In spite of increased volumes and inflationary pressures on operating costs, the group managed to curtail an increase in operating expense to only 19%, resulting in operating expenses of US$47.9 million. At the holding company level, operating expenses were reduced to US$4.7 million, down from US$5.7 million.

The Zimbabwean economy is showing signs of growth but is still constrained by a number of challenges – the most notable being the shortage of foreign currency. Authorities remain confident that newly implemented measures will stabilize inflation, exchange rates and foreign currency supply. Inflation recorded a significant increase in October 2018 closing the year under review at 42.1% compared to 3.46% in December 2017.

"We will continue our strategy of reducing costs at the centre, and focusing on our core businesses," says Childs.

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