CHIEF EXECUTIVE OFFICER'S STATEMENT

Mr Pikirayi Deketeke
Group Chief Executive Officer

Overview

The operating environment remained difficult in 2020 and the situation was worsened by the negative effects of the Covid-19 pandemic. The Government introduced lockdown measures in an effort to control Covid-19 infections. The restrictions in the movement of people, Covid 19 coupled with other challenges, resulted in reduced economic activity and subsequently an estimated -4.1% contraction in the country's GDP.

Despite the difficult environmental challenges, there were notable improvements in the foreign currency availability situation following the introduction of the auction system in the second half of the year resulting in price and exchange rate stability being achieved. To that end, year on year inflation fell to 348.5% as at 31 December 2020 compared to an all high of 837.5% recorded in July 2020.

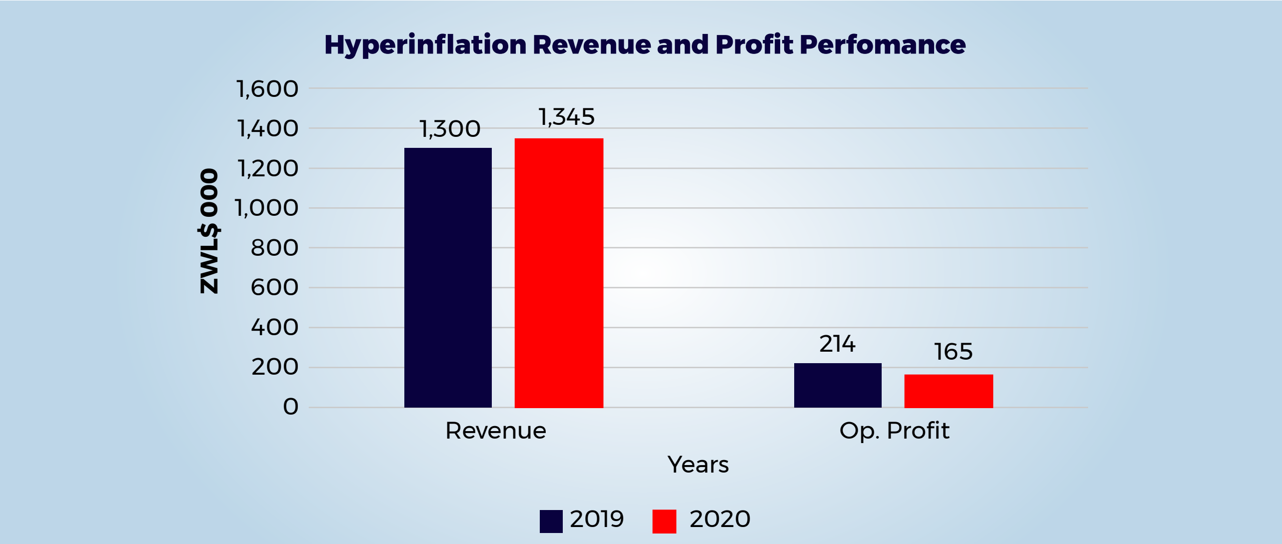
In view of the pandemic, the Company dedicated more efforts in ensuring the safety of its employees and its viability by focusing on enforcing Covid 19 safety measures and a strict cash flow management regime respectively. Generation of foreign currency remained topical although it was significantly affected by the enforcement of Covid-19 measures as countries closed their borders to curb the spread of the virus.
The disruption in the entertainment and media industry opened opportunities for the Company to diversify and launch multiple platforms that continued to attract diverse audiences and advertising from international brands. The Company made significant progress in its diversification thrust following the licensing by the Broadcasting Authority of Zimbabwe (BAZ) of its television station (ZTN) in November 2020. ZTN is now poised for improved financial performance following the expansion of its footprint. The Company will be able to launch ZTN in line with the regulator's 18 months-timeframe. The 360 degrees' media solution provides better opportunities for the Company to provide captivating content on multiple platforms around the clock to create the necessary audiences, which offer great value to advertisers.

The Company's competitive advantage remains its people, who have been able to transform it and save its position as the biggest and sole listed media company in Zimbabwe. The team has continued to monitor global trends and implement solutions that work in the local environment at the same time generating content with a global appeal.

Financial Performance

In a very challenging operating environment where the media industry was one of the hardest hit sectors by the pandemic, the Company recorded a 3% growth in revenues to ZWL$1, 345,000,460 compared to ZWL$1 300 144,343 for the same period last year. The growth was mainly from the Digital and Publishing Division, driven by advertising revenues.

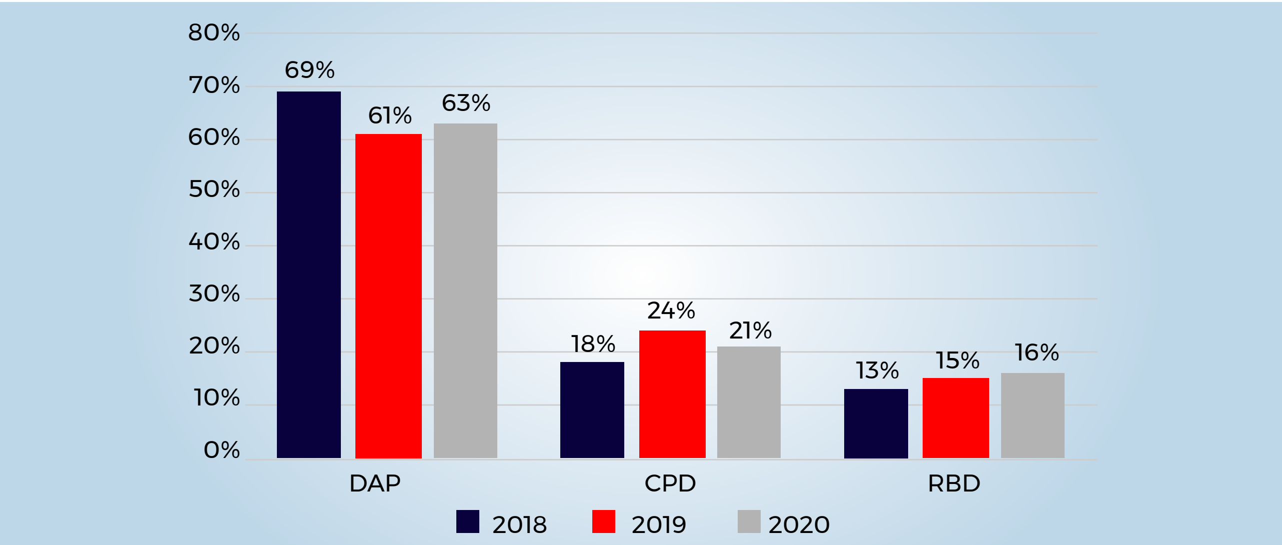
Figure 1: Revenue and Profit Performance



The Company posted revenue of ZWL$1,345 million compared to ZWL1,300 million recorded in 2019. The drop in operating profit before financing, exchange gains/(loses) and monetary adjustments was a result of the 12% drop in revenue for the Commercial Printing Division and the general decline in profitability across all the divisions owing to the hyperinflationary environment. An analysis of the divisional performance is presented below.

Division Hyperinflation Revenue Contribution
In 2018, as shown in figure 3 below, the Digital and Publishing Division (DAP) contributed 69% to the Company's total revenue whilst the Commercial Printing Division (CPD) and the Radio Broadcasting Division (RBD) contributed 18% and 13% respectively.

Figure 2: Division Revenue Contribution

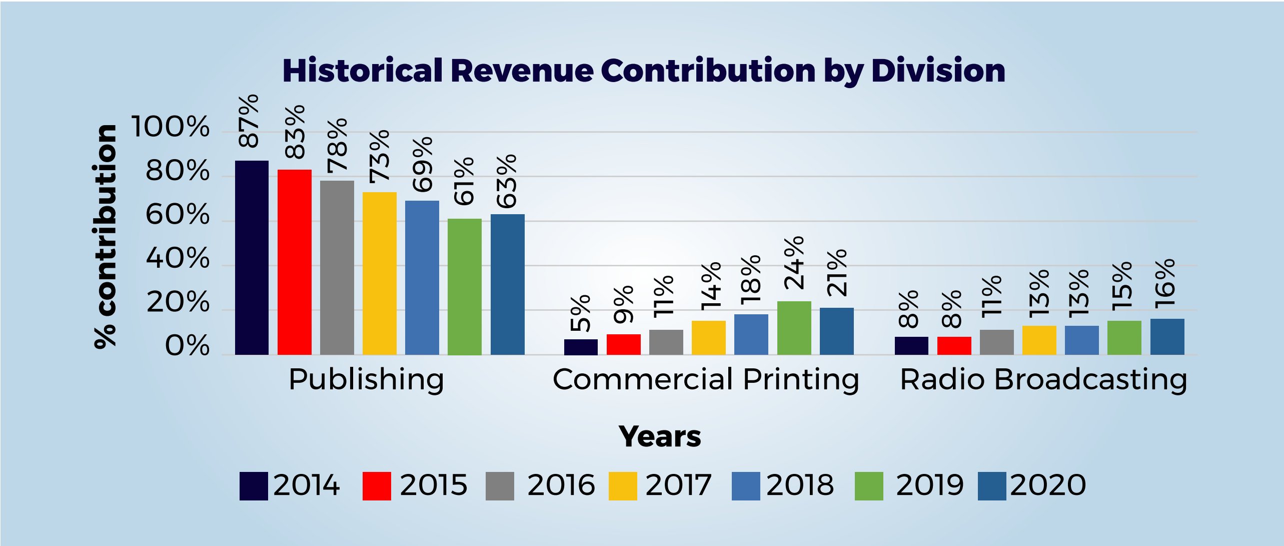


The DAP Division has been the pillar of the Group contributing above 60% revenue over the years. Following a 9 percentage point revenue decline to 61% in 2019, the Division recorded some recovery, albeit small, to 63% of the Group revenues.

The CPD suffered a 3 percentage point decline in revenue contribution. This was because Typocrafters experienced limited trade as schools remained largely closed on account of the Covid-19 pandemic. There were also material supply and logistical challenges associated with restrictions in people movement.

The RBD gained by 1 percentage point to 16% on account of better performance by the television channel, ZTN.

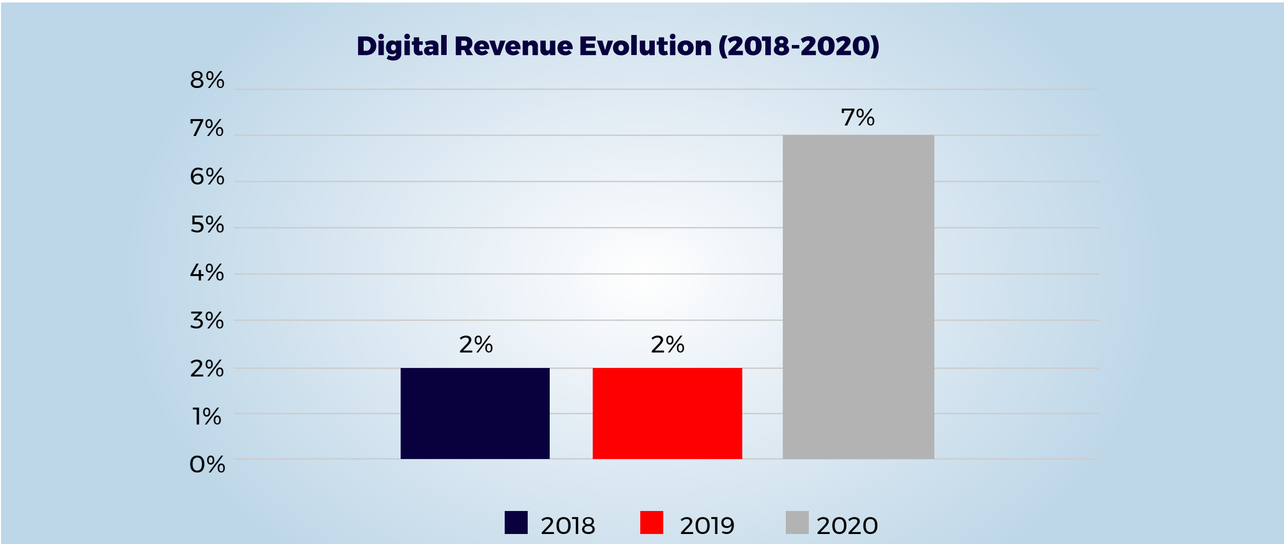
Figure 3: Historical Revenue Contribution by Division 7 Year Trends



A trend analysis over the past 7 years shows the impact of new media on print products.

As shown by figure 3, the Newspaper Division has been recording declining revenue contributions to the total Group over the years. In 2014, the newspapers were contributing 87%, which has now come down to 63% (2019: 61%). In 2014, the Commercial Printing Division was contributing 5%, which has now risen to 21% (2019: 24%), whilst the Radio Broadcasting Division is now at 16% (2019:15%) from 8% in 2014.

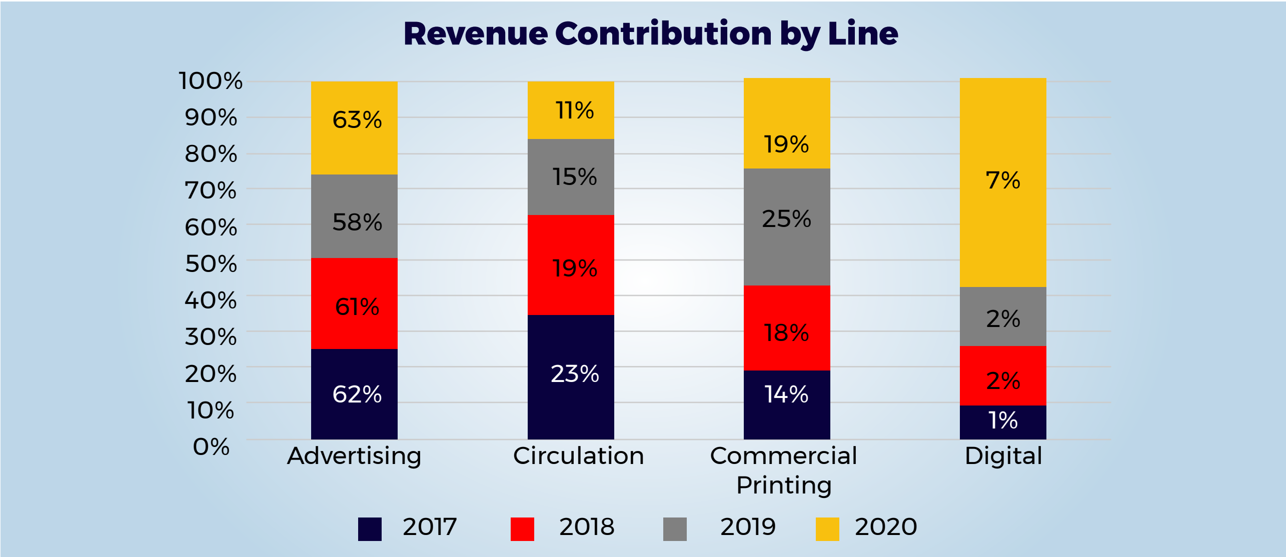
Figure 4: Historical Digital Revenue Contribution



In historical terms, digital revenue contribution improved to 7% from the 2% reported for both 2018 and 2019 as the Company continues to push for better market share in the digital market. During the course of the year, the company introduced e-papers and increased online performance by ZTN.

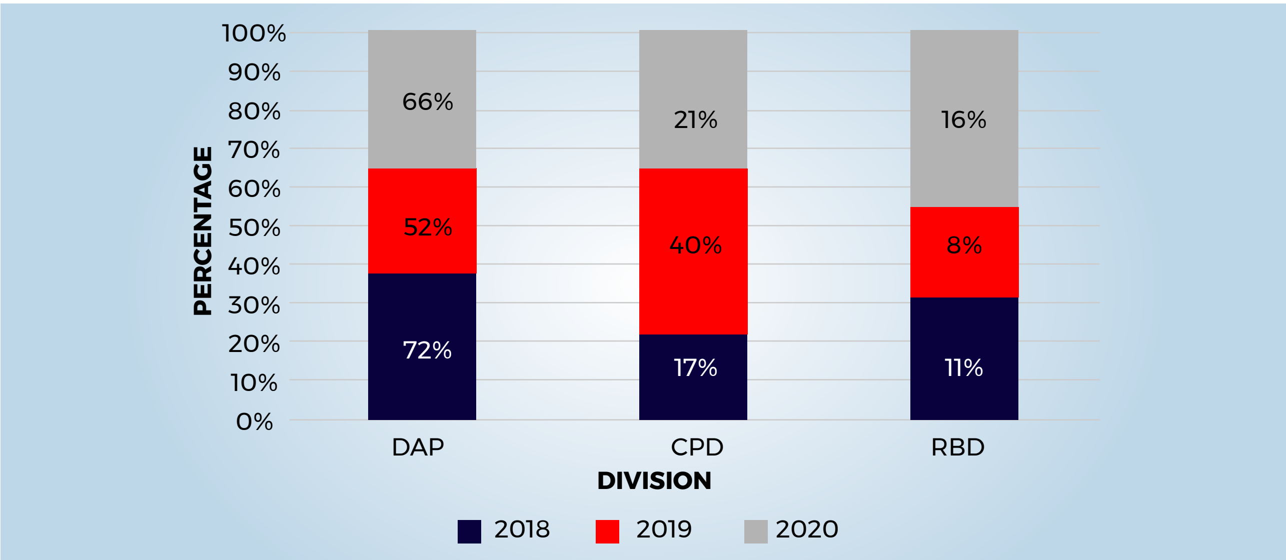
Revenue Contribution by line
Figure 5 below shows the historical revenue contribution by line.

Figure 5: Revenue Contribution by Line



The change in media consumption patterns has seen the migration of audiences from print to digital platforms. The Company has been able to move with times and appropriate investments in new platforms have been made. During the year under review, advertising contribution to Group revenues at 63%, was restored to the 2017 levels whilst print circulation has declined as audiences are migrating to digital platforms. Print circulation declined from 15% to 11% owing to Covid-19 as most workers were working from home enjoying digital media.

Figure 6: Hyperinflation Profit Contribution by Division



Unlike the decline in profit contributions recorded by both DAP and RBD in 2019, both significantly recovered in 2020 whilst the CPD suffered a huge drop to 21% from the 40% recorded in 2019. The RBD improved from 8% to 16% whilst DAP also improved from 52% to 66%.

Operations review
The Company performed satisfactorily under the circumstances despite the adverse effects of the Covid-19, liquidity constraints and associated low disposable incomes. All the divisions remained profitable during the year ended 31 December 2020.

Our strategic thrust remains on the following:

- Diversification and building on our leadership
- Innovation and investing for the future
- Continuously refining the business model, improving service delivery and product offering as well as embracing new technology
- Growth through audiences

Our objectives:

- Growing by building on core strengths and maximising opportunities
- Transforming through cost efficiency and business model innovation
- Building value through offering a 360-degree solution in line with our vision of becoming a fully integrated media house.

In pursuit of the 360-degree solution vision, the Company is now fully represented on all platforms that include audio, text, and visual. I am pleased to report that the television platform received a boost following the awarding of a DTT broadcasting licence by BAZ. Action plans to launch the station have been put in full motion with equipment payments being done.

Publishing and Digital Division

The Digital and Publishing Division remains the main contributor to Group revenue and profitability in both historical and hyperinflation terms. The profit contribution in hyperinflation terms for the division improved from 52% last year to 66% for 2020.

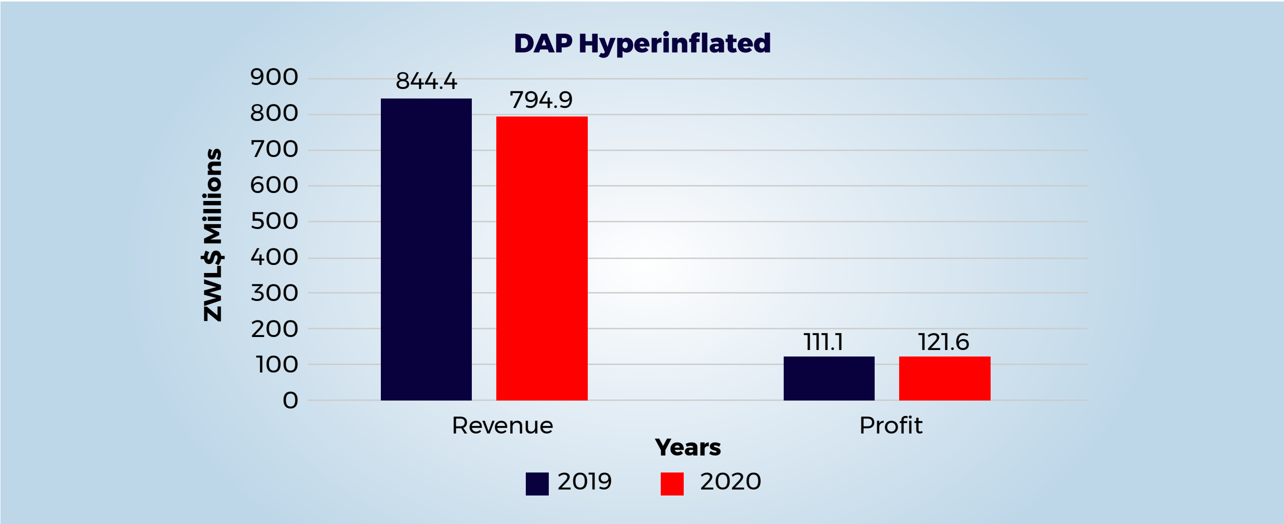
Figure 7: DAP Performance (Historical)

Revenue and net profit grew by 783.2% and 929.5% respectively when compared to same period last year.

Despite the change in reader habits, liquidity and the general economic challenges that continued to affect performance, the Division recorded performance that was above inflation for both revenue and operating profit. Advertising revenue recorded 835% increase whilst circulation had a 532% growth. The introduction of e-papers brought some significant revenue that helped the division to perform better.

Figure 8: DAP Performance (Hyperinflation)

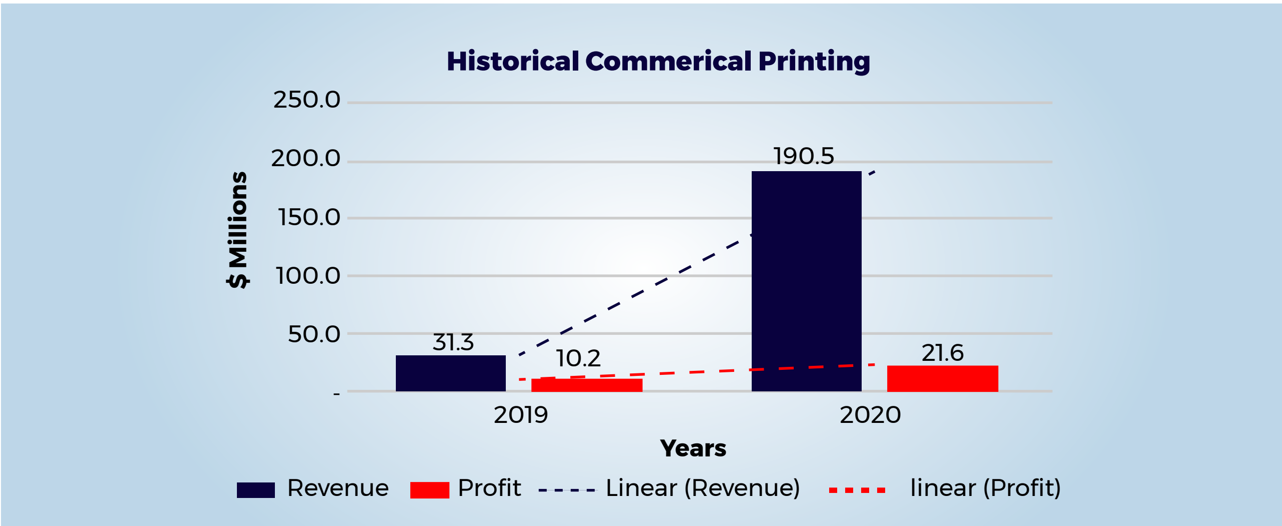
The Division's revenue in hyperinflation terms increased by 6% whilst net profit declined by 9% owing to losses that were recorded beginning of the year due to the effects of lockdown measures. The measures were subsequently relaxed, allowing the Division to improve its performance in the second half of the year.
The Division recorded impressive recovery in the second half of the year following the relaxation of the lockdown measures.



Commercial Printing Division

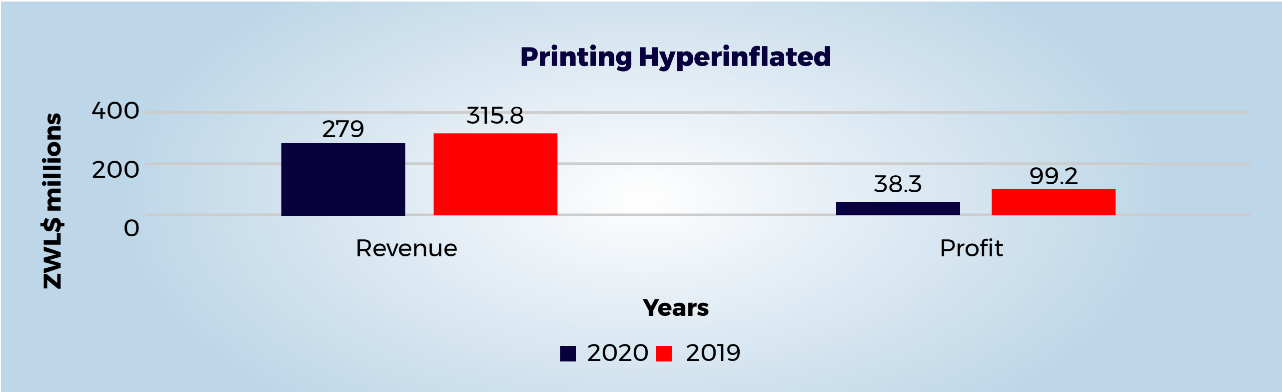
In historical terms, the Division relatively performed better resulting in both revenue and profitability increasing by 508%% and 112% respectively when compared to the same period last year. However, net profit growth was below the year on year inflation of 348.5% as the Division incurred high local procurement costs due to limited forex currency availability.

Figure 11: CPD Performance



The Division's net profit margin declined to 11% in 2020 when compared to 31% in 2019 as costs were increasing at a faster rate than the rate of revenue growth. Operating costs increased by 700% whilst revenue increased by 509%. The slow revenue growth was a result of constrained performance by Typocrafters as schools were closed due to Covid-19. Additional costs were incurred on Covid-19 related costs that included personal protective equipment, employee transport, testing, fumigation, and fuel amongst others.

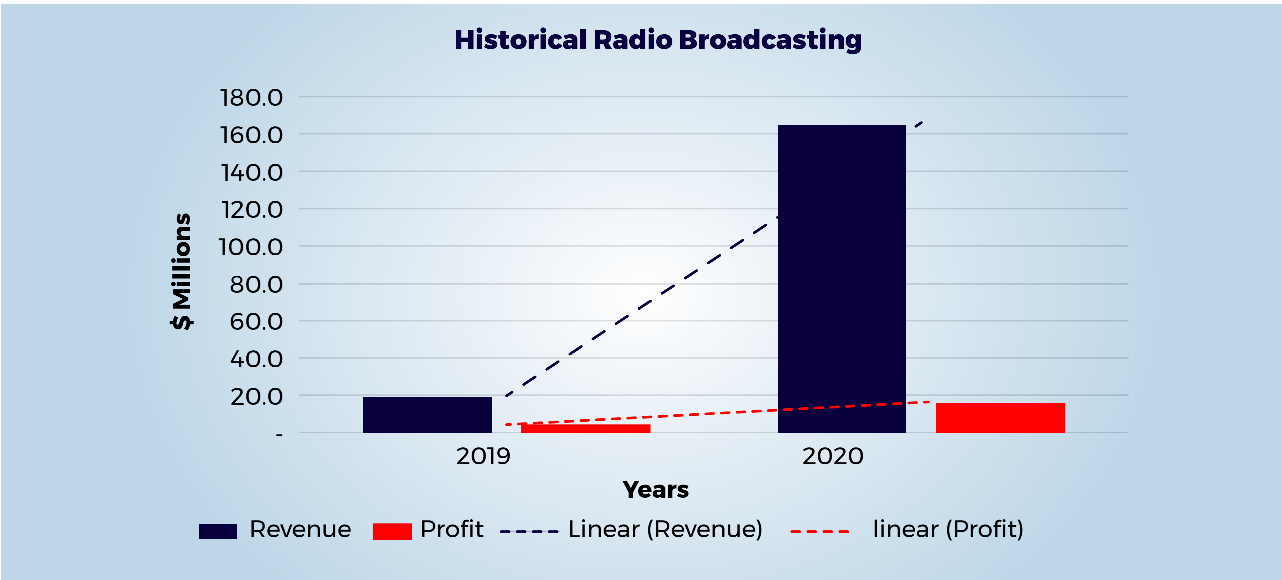
Figure 12: CPD Hyper inflated Performance



In hyperinflation terms, both revenue and profit declined by 12% and 61% respectively owing to a challenging operating environment as explained under the historical section of the results of the Division.

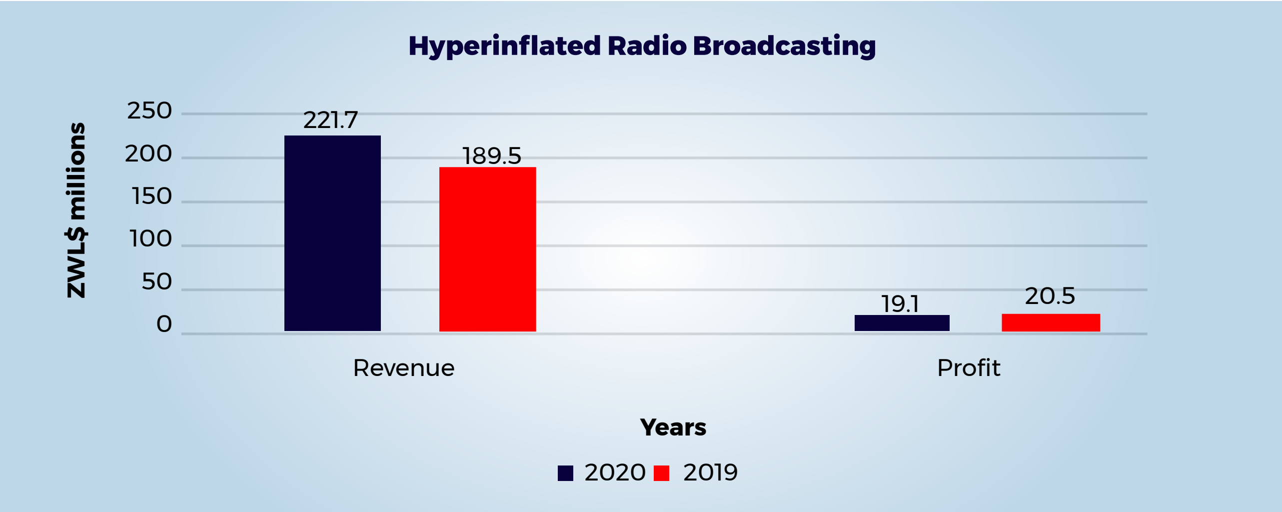
Broadcasting Division
The Division continued on a positive organic growth path as both revenue and profitability increased by 743% and 321% respectively.

Figure 9: RBD Performance Historical



This growth was driven by the increase in listenership and a diversified audience for the advertiser.

Figure 10: RBD Performance Hyper-inflated



In hyperinflation terms, revenue for the RBD grew by 17%, whilst profit was down by 7%. The drop in profit was a result of high costs arising from a very challenging operating environment.

Outlook

Following the awarding of the ZTN DTT broadcasting licence, the Company is optimistic that performance will improve. As the Company is working on setting up the ZTN station, profit margins are expected to decline in the short term.

Our people, skills and heritage remains the key source of our competitiveness today, tomorrow and into the future as the Company remains at the centre and leadership of dissemination of information for its local and diaspora audiences using its diverse platforms.

The Company's strategy will continue to focus on servicing the needs of the market through growing deeper relationships with our audiences, advertisers and various stakeholders, which will entail re-imaging our journalism to meet the new media trends and operating a sustainable business model.

As mentioned in last year's report, demand for our traditional products was anticipated to be affected by the Covid -19 pandemic, we foresee this extending into 2021. This will, however, happen at a slow rate as the vaccination programme will help the country attain herd immunity by year end. The possibility of a third wave cannot be ignored as the Indian variant has spread across a number of African countries. We will continue to look for opportunities of growing the business despite the challenging operating environment.