



**Brainworks**

**Sharper focus, stronger assets**



DIAMOND

Zimbabwe hasn't put in a huge showing on the list of investors' favourite destinations

in recent years, due to what could charitably be described as challenging economic conditions brought about by eccentric political leadership. Since the elections of July 2018, however, the government under Emmerson Mnangagwa has gone on a charm offensive to persuade the world that the country is safe and secure for investment. While it would be premature to suggest the market is entirely convinced, it's a step in the right direction.

Bringing a bit of sense to the currency situation would be a major help, and Brainworks' results offer a beginner's guide to the transitional stabilisation programme intended to prevent inflation from entering another death spiral. Despite all the external challenges, Brainworks has put together a much-improved set of results, sharpening up the focus of its portfolio by exiting its financial services investments, strengthening its balance sheet and coaxing a solid performance out of its core hospitality division. Hospitality contributes 86% of the group's revenue, and it grew revenue by 32% in the period on the back of an increase in occupancy rate from 52% to 59%. The group has a strong portfolio of properties in the major cities, at Kariba and at Victoria Falls, including the mighty Victoria Falls Hotel, and these should benefit from the country returning to favour with the international market.

The real estate business more than doubled revenue due to sales at its maiden property development project in Harare, and overall it's been an encouraging performance. **x**

**Despite all challenges, Brainworks has put together a much-improved set of results**

**Pembury Lifestyle**

**Going concern challenge**



DOG

Pembury Lifestyle takes a cradle-to-grave approach to its clientele, offering

schools and retirement villages as we shuffle on and off this mortal coil. These are both businesses with potential, particularly in affordable private education.

But Pembury is a late arrival to the sector, which is already well served by some high-quality operations.

Its share price paints a clear picture of what the market thinks about the company, which listed at 100c in March 2017 and has since wasted away to 8c.

There are some signs of hope in the education business, with pupil numbers rising from 1,384 in December 2017 to 2,458 in January 2019, and nine of the company's 11 campuses now making a positive contribution at earnings before interest, tax, depreciation and amortisation level. Pupil numbers remain considerably lower than prospectus forecasts, and the company alludes to the level of competition in the sector, saying that at one of its schools 27 pupils left to join a larger private school grouping.

The retirement villages had a number of challenges in the period, notably a decrease in occupancy numbers due to what Pembury coyly refers to as "natural causes", and it had to close its Sandton village after a huge increase in the rates bill made it unviable. The group also suffered significant issues in its accounts department and a number of legal issues, but the major challenge is going concern.

The company urgently needs to raise funds for its operations – and that is hardly going to fill prospective clients with confidence. **x**