

City Lodge Hotels Limited
Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2022

- Revenue R1.10bn 2021: R0.51bn
- Average group occupancies 38% 2021: 19%
- EBITDAR R303.2mn 2021: (R136.7mn)
- Earnings per share 14c 2021: (161c)
- Headline loss per share (9c) 2021: (91c)
- Dividends declared per share Nil 2021: Nil

EMBRACING WELLNESS

Commentary

While the Covid-19 pandemic still lingers, the burden on the hospitality, travel and tourism sector lightened significantly during the year under review. The year has been a tale of two halves. We started this financial year in Lockdown Level 4 and in the midst of devastating riots and insurrection in South Africa (SA) which was a stark reminder of how the last few years of state capture and the fresh struggles of the pandemic have affected livelihoods and the economy.

The last two years of strategic innovation has enabled us to capitalise on the changing travel trends and needs of the post Covid traveller. CLHG launched the new 'Eat-In' offer at all Town Lodges and Road Lodges during the year which now offers a bespoke lunch and dinner menu, in addition to our much-loved, value-for-money breakfast. The enhanced food and beverage offering at all hotels across all CLHG brands, has made us more appealing to travellers who prefer hotels with complete accommodation and meal offerings, for the safety and convenience provided under one roof. The complementary new Best Available Rates ("BAR") methodology, which provides dynamic pricing, has made us more competitive across all markets, and especially appealing to leisure travellers, who have benefited from weekend specials, resulting in improved occupancies over the weekends. Shifts in leisure travel behaviour to include staycations, has also seen similar shifts in occupancies at our inland hotels. The new blend of business and leisure (bleisure) traveller, makes our hotels the perfect option, as we offer complimentary high-speed WiFi and good value-for-money accommodation for individuals and families. This evolution has resulted in a change in our customer-base, with the leisure market now comprising a much larger proportion of our total guests.

After several years of operating in East Africa, we completed the sale of our three hotels in Nairobi, Kenya (Fairview Hotel, Town Lodge Upper Hill and City Lodge Hotel at Two Rivers Mall) and City Lodge Hotel Dar es Salaam, Tanzania to their new owners on 30 June 2022. From 1 July 2022, these four hotels no longer form part of the group. We now have 7 534 (2021: 8 070) rooms across 59 (2021: 63) hotels in four southern African countries.

Financial review

Occupancy levels have tracked the easing of Lockdown Levels and seen a steady recovery to almost pre-Covid occupancies in the last quarter of the financial year as travel returns and the hospitality sector enjoys renewed activity from all sectors.

The steady improvement in occupancies and demand for hospitality services over the last few months has led to average group occupancies, based on total rooms inventory, of 38% for the year ended 30 June 2022 (2021: 19%) and 40% (2021: 26%) based on the open hotels. Occupancies for the SA hotels averaged 40% (2021: 21%) and 42% (2021: 28%) for open hotels, respectively. The group started the financial year with 89% of its 63 hotels open and by February 2022 opened all of its hotels except one in Nairobi.

Total revenue for the year increased by 117% to R1 104 million (2021: R508 million). This included the 150% increase in

food and beverage revenue spurred by our enhanced offering. The East African operations made up 6% of total group revenue. The improved occupancy, and the opening of all hotels, enabled the group to ease some of the cost-containment measures put in place during the pandemic, with full salaries reinstated with effect from May 2022 resulting in a 32% increase compared to prior year. The normalisation of trading and the associated increase in variable expenses as more hotels opened and occupancy increased, led to a 26% increase in 'total operating costs', which includes salaries and wages, property costs and other operating costs. However, total operating costs excluding unrealised foreign exchange gains and losses on intercompany loans, increased by 47%. Total operating costs per room sold excluding unrealised foreign exchange gains and losses reduced by 27%.

The group generated EBITDAR for the year of R303.2 million (2021: loss of R136.7 million), and an EBITDAR margin of 27% (2021: EBITDAR loss margin 27%). EBITDAR margin for the group, excluding unrealised foreign exchange gains and losses, was 20% (2021: margin loss of 20%) The EBITDAR contribution for the East African operations, excluding unrealised foreign exchange gains and losses, was R9.9 million for the year.

The group recognised exceptional transactions during the year which included an accounting profit on disposal of its East African operations of R88.3 million, representing a recovery of accumulated losses in the prior years and net impairment reversals of R57.2 million on property, plant and equipment and right-of-use assets.

The improved performance following the easing of lockdown restrictions resulted in a profit after tax for the year of R81.7 million (2021: net loss of R804.6 million), and earnings per share of 14.3 cents (2021: loss per share 160.6).

The headline loss improved to R49.5 million (2021: R455.2 million) and excludes the profit on disposal of the East African operations but includes an impairment of the deferred tax asset held in Namibia (R20.0 million). Undiluted headline loss per share improved by 90%, from a loss of 90.9 cents in 2021, to 8.7 cents in 2022. Excluding the effect of unrealised foreign exchange gains and losses together with the deferred tax impairment on headline earnings, headline loss per share improved from 17.9c in 1H2022 to 1.1c in 2H2022.

The group generated positive cash flows from operating activities of R265.8 million compared to a utilisation of cash from operations of R97.3 million in the prior year.

The group settled R720 million outstanding interest-bearing borrowings and subsequently entered into new R600 million interest-bearing debt facilities which mature between three and five years, and which are at more favourable financial terms and covenants. All of the original debt covenants continue to be waived for measurement periods up to and including September 2022. The loan to value covenant has been met for all measurement periods during the reporting period.

Directorate

The group welcomed Mathukana Mokoka as an independent non-executive member of the board and audit committee following her appointment on 1 June 2022.

Outlook

There are still many challenges ahead, from the state of our economy, to load shedding, petrol price increases, global inflation trends supply constraints, and geo-political tensions.

However, we feel confident that the financial and operational decisions taken over the past 27 months, and the response by all members and stakeholders of the CLHG family in the face of such adversity, has helped us grow and establish ourselves as a sustainable, agile and innovative hospitality group.

Occupancies and room rates continue to edge toward achieving 2019 pre-Covid levels. The South African hotels recorded occupancies of 53% in July 2022, 52% in August 2022, and 56% up to 18 September 2022.

The sale of the East African operations has curtailed the losses and boosted cash resources required to sustain operations, and has provided sufficient liquidity to reinstate the capital refurbishment programme. The capital investment programme over the next 12 months includes the completion of the fit-out of the remaining four floors at

Courtyard Hotel Waterfall City, and refurbishments at City Lodge Hotel V&A Waterfront and Road Lodge Richards Bay.

In July 2022, following receipt of the East African operations disposal and loan settlement net proceeds of R468.6 million, the group repaid R300 million of its existing debt facilities. As at the end of July 2022, the group had R300 million in available, undrawn debt facilities, plus R115 million of overdraft facilities, which together with the improved operational performance stands us in a promising position for future all-round wellness.

The CLHG family remains committed to providing outstanding accommodation services, a warm welcome to our guests and to tantalise their tastebuds with our enhanced food and beverage offerings.

Additional information

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement and the auditor's unqualified review conclusion are available on the company's website www.clhg.com. The full announcement can also be accessed directly using the following JSE link: <https://senspdf.jse.co.za/documents/2022/jse/isse/CLH/ye2022.pdf>. Any investment decision should be based on the full announcement published on SENS link above and on the company's website.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

21 September 2022

Directors

B T Ngcuka (Chairman), A Widegger (Chief executive officer)*, S J Enderle#, G G Huysamer, F W J Kilbourn (Deputy chairman), A R Lapping, M S P Marutlulle, N Medupe, M G Mokoka, S G Morris, D Nathoo*, L G Siddo*

*Executive #South African and Swiss

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Company secretary
M C van Heerden

Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

www.clhg.com