

City Lodge Hotels Limited
Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH
ISIN: ZAE000117792
(the "company" or the "group")

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

- REVENUE R1.0bn	(2022: R0.8bn up 18%)
- GROUP OCCUPANCY 61%	(2022: 57% up 4% points)
- EARNINGS PER SHARE (EPS) 18.8c	(2022: 17.1c up 10%)
- EPS excluding business interruption receipts and unrealised foreign exchange losses/gains 20.0c	(2022: 12.0c up 66%)
- HEADLINE EARNINGS PER SHARE 18.8c	(2022: 17.1c up 10%)
- DIVIDENDS DECLARED PER SHARE 6c	(22: 5c up 20%)

Commentary

It is heart-warming to compare a clear six-month period of pandemic-free operations, with a similar, Covid-19 restriction-free comparable period, as the last remaining restrictions were lifted on 22 June 2022. The recovery in trading remained robust for the six months ended 31 December 2023, with the group achieving a four percentage points (pp) growth in occupancies to 61% compared to the prior period of 57%, and six pp above the same period to 31 December 2019. The new business strategies of best available rates (BAR) and the enhanced food and beverage offer have contributed to an 18% increase in total revenue for the six months, to R1.0 billion (2022: R0.8 billion).

The group is in a strong financial position which is reaffirmed by net cash of R54.6 million (2022: net debt of R52.1 million), and all outstanding borrowings have been settled (2022: R300.0 million) as at 31 December 2023. The group has access to R600.0 million in available debt facilities and a R115.0 million overdraft facility. The loan covenants have been met for all measurement periods during the reporting period.

Financial review

The revenue performance can be attributed to a 16% increase in accommodation revenue of R806.7 million (2022: R695.3 million) and a 36% increase in food and beverage revenue to R188.5 million (2022: R138.9 million). Rooms revenue growth has been achieved through the balancing of occupancy demand and average room rate (ARR). ARR has improved monthly and delivered an average increase of 9% for the six months, compared to the prior period. The food and beverage offer is garnering a loyal patronage as we establish ourselves in the market and now accounts for 19% (2022: 16%) of total revenue.

This improvement has been systematic with most hotels trading above pre-Covid-19 levels.

However, the outlook is obscured by the complexities of operating in the South African economy, which continues to face low GDP growth, high inflation, ongoing loadshedding, and most recently, the upcoming uncertainty of the elections. These negative influences have a direct impact on business and consumer confidence and sentiment.

Total operating costs (salaries and wages, property costs, food and beverage costs, rooms related costs and other operating costs) for the six months increased by 19% and by 11% per room sold, compared to the prior period. Our people are integral to our service delivery and salaries and wages accounts for 39% of the total operating costs, which increased by 18% due to salary increases, a normalisation of head count and the augmentation of the food and beverage service teams. Rising utility prices over the last year, have contributed

to the 11% increase in property costs, however these have been partially offset by additional solar usage, and reduced diesel costs.

The volume increase in corporate travel bookings and the associated commissions and reservation costs have contributed to the increase of 21% to R110.5 million (2022: R91.0 million) in rooms related costs. Food and beverage gross profit margins have improved to 59% from 56% in the prior period. Food and beverage costs are variable in nature and have increased by 27% to R77.8 million (2022: R61.1 million).

Other operating costs increased by 20% to R142.4 million compared to R118.8 million in the prior period. The reinvigorated launch during October 2023, of the new City Lodge Hotels branding and payoff-line 'Life is hard. Check into easy' has won a number of awards and has connected with many South African's as it adds light and humour to our daily struggles. This reinvestment in marketing and promotional spend and the resumption of back-logged repairs and maintenance schedules have contributed to the other operating cost increases.

The group continues to maintain a strong culture of cost control, whilst balancing the need to invest and maintain the stated strategy of food and beverage growth, and maintaining our hotels in tip-top condition. As a result, the group generated an increase in EBITDAR (Earnings before interest, income tax, depreciation, amortisation, rent and exceptional items) of 3% for the period to R312.3 million (2022: R303.8 million), and an EBITDAR margin of 31.2% (2022: 35.8%). EBITDAR for the period, excluding Covid-19 business interruption receipts in the prior period, and unrealised foreign currency gains and losses, increased by 19.4% to R319.1 million (2022: R267.3 million) and adjusted EBITDAR margin increased slightly to 31.8% (2022: 31.5%). EBITDAR was negatively impacted during the refurbishment of City Lodge Hotel V&A Waterfront during the six months under review as only 50% of the rooms were available.

The group has generated a 10% increase in profit for the period of R107.3 million (2022: R97.9 million), and earnings per share (EPS) of 18.8 cents (2022: 17.1 cents). EPS (excluding the business interruption receipts in the prior period and unrealised foreign exchange gains and losses) increased by 65.8% to 20.0 cents (2022: 12.0 cents).

Headline earnings per share is 18.8 cents per share, compared to 17.1 cents per share in the prior period.

Capital allocation

In line with the group's strategy to return capital and value to our shareholders, the group acquired 0.3 million shares at an average price of R4.71 per share in December through the odd-lot offer. In addition, during November and December 2023, the group acquired a further 1.7 million shares at an average price of R4.44. The cost of the share repurchases totalled R9.0 million, and following cancellation of these shares in December 2023, the overall shares in issue net of treasury shares are 569.6 million. The group continues to buy back shares on a systematic basis, and has acquired a further 2.0 million shares to date in the third quarter of the financial year.

In addition, the group is buoyed by the recent positive results, debt-free balance sheet, the positive cash flow forecasts and the continued recovery of the hospitality sector. The board has declared an interim cash dividend of 6.00 cents per share (2022: 5.00 cents).

The group is focused on generating the best value from its well-equipped and optimally positioned portfolio of hotels, which enable us to deliver exceptional service and an easy and seamless experience to our guests. In order to do this the group has embarked on key refurbishments and, sustainable and resilient energy and water solutions during the period:

- Phased refurbishment of rooms at City Lodge Hotel OR Tambo International Airport.
- Completed the major revamp of the 207-room City Lodge Hotel V&A Waterfront, which includes a complete renovation and refurbishment of the bedrooms. The refurbishment of the commercial area is due to commence in March 2024.
- Completed phase 2 of our solar installations in December 2023 bringing the total to 41 hotels with access to solar renewable energy, and a total generating capacity of 2.6MW or 16.3% of the group's energy requirements.
- Battery storage has been added to two hotels as part of a battery pilot program.
- The water supply resilience strategy has delivered a further three new boreholes and filtration plants bringing the

total number of such installations to seven, and a further 14 filtration plants are planned to existing boreholes during the next 12 months.

- Point of sale devices were launched in July 2023 at all our restaurants which have improved service, processing of orders, guest satisfaction and up-selling revenue.

Outlook

The pending South African government elections has created uncertainty, and business and consumers are cautious with their budgets. January 2024 has had a slow start with group occupancies of 42% (January 2023 - 43%) and 59% up to 22 February 2024 with a strong projected finish to the end of the month (February 2023 - 59%). Average room rates however, have held the gains seen in the recent months. January and February 2024 ARR was on average 9% higher compared to the prior period. In addition, food and beverage revenues continue to outperform expectations with revenue 12% and 18% higher in January and February 2024 to date, respectively, compared to the prior periods.

The pipeline of capital projects over the next six months will continue to deliver strategic reinvestment into key properties in the portfolio, to ensure that our value proposition continues to simplify, satisfy and exceed guest expectations, after all "Life is hard. Check into easy".

Declaration of dividend

The board has approved and declared an interim dividend (number 65) of 6.00 cents per ordinary share (gross) (2022: 5.00 cents) in respect of the six months ended 31 December 2023.

The dividend will be subject to Dividend Tax. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Limited (Listings Requirements) the following additional information is disclosed:

- The dividend has been declared out of distributable reserves;
- The local Dividend Tax rate is 20% (twenty per centum);
- The gross local dividend amount is 6.00 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 4.80 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- The company currently has 605 880 112 ordinary shares in issue; and
- The company's income tax reference number is 9041001711.

Shareholders are advised of the following dates:

Last date to trade cum dividend	Tuesday, 12 March 2024
Shares commence trading ex dividend	Wednesday, 13 March 2024
Record date	Friday, 15 March 2024
Payment of dividend	Monday, 18 March 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2024 and Friday, 15 March 2024, both days inclusive.

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 is available on the company's website www.citylodgethotels.com. The full announcement can also be accessed directly using the following JSE link: <https://senspdf.jse.co.za/documents/2024/jse/isse/CLH/ie2024.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

23 February 2024

Registered office: The Lodge, Bryanston Gate Office Park, Corner Homestead Avenue and Main Road, Bryanston, Johannesburg, 2191

Directors: B T Ngcuka (Chairman), A C 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,
D Nathoo (Chief financial officer)*, L G Siddo (Chief operating officer)*
*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