

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

Condensed Unaudited Consolidated Interim Financial Results and Cash Dividend
Declaration for the six months ended 31 December 2024

- Revenue R1.02bn up 2% HY2024: R1.00bn
- Average Room Rate up 10% HY2024: up 9%
- Average group occupancy 57% down 4% points HY2024: 61%
- Earnings per share (undiluted) 21.6% up 15% HY2024: 18.8%
- Headline earnings per share (undiluted) 21.6c up 15% HY2024: 18.8c
- Adjusted headline earnings per share (diluted) 19.6c down 2% HY2024: 19.9c
- Dividends declared per share 6c no change HY2024: 6c

Commentary

City Lodge Hotels has delivered a stable trading performance for the first half of the year, against strong headwinds in demand, as consumer and business spending remained subdued. While economic sentiment has improved following the outcome of the South African national government elections and the formation of the Government of National Unity (GNU), consumers and businesses have remained cautious until meaningful changes have been realised.

National elections held in the other SADC countries in the second quarter have contributed in varying degrees to disruption in operations and occupancy. Unrest in Mozambique remains disruptive to both our operations and the group's schedule to complete the remaining three floors of the hotel. However, the hotel remains operational and has served as a safe haven for guests.

Financial review

These challenges have dampened occupancies in the first half of the financial year, which is down four percentage points, over the last six months. The decreased occupancies have been somewhat mitigated by the delivery on the group strategy for more effective yield management delivering a 10% increase in average room rates. This has resulted in an overall 2% increase in total revenue for the six months ended 31 December 2024 to R1.02 billion (six months ended 31 December 2023 (HY2024): R1.00 billion).

Our enhanced food and beverage (F&B) offering is now well established across all brands, and is still showing promising prospects for further growth, notwithstanding that it has been negatively affected by the lower occupancies and the refurbishments in progress during the period. F&B revenue increased by 6% to R200.2 million (HY2024: R188.5 million), and it now accounts for 20% (HY2024: 19%) of total revenue.

With constrained occupancies, together with the 35,500 (HY2024: 17,000) room nights taken out of inventory during the refurbishments, the group focused on cost containment resulting in a marginal 3% increase in total operating costs.

The 6% increase to salaries and wages to R288.8 million was largely aligned to the annual inflationary increase offered to staff of 6.25% in August 2024. The group has mitigated the average 13% utility price increases over the last year, through the increased use of solar generated power from the additional 16 solar installations, and the reduced consumption of generator fuel, resulting in property costs increasing by only 2% to R95.9 million.

Rooms related costs of R104.5 million (HY2024: R110.5 million) are mainly variable in nature, and decreased by 5% during the period. F&B costs of R77.6 million (HY2024: R77.8 million) have remained unchanged for the period, delivering further efficiencies against the F&B revenue growth of 6%. F&B gross profit margins have improved to 61% from 59% in the prior period.

The group generated EBITDAR of R330.1 million (HY2024: R312.3 million) for the period, and an EBITDAR margin of 32.3% (HY2024: 31.2%). Adjusted EBITDAR margin, which excludes unrealised foreign currency gains/(losses), retracted slightly to 31.2% (HY2024: 31.8%).

Lease related expenses (i.e. depreciation on right-of-use assets of R45.8 million and interest expense on leases of R62.9 million) exceeds cash lease payments of R86.3 million by R22.4 million.

Profit after tax increased by 12% to R120.4 million (HY2024: R107.3 million), and diluted earnings per share increased by 16% to 21.6 cents (HY2024: 18.7 cents). Diluted headline earnings per share increased by 16% to 21.6 cents (HY2024: 18.7 cents per share), and adjusted headline earnings per share, which excludes unrealised foreign currency gains/(losses) and exceptional items, has decreased by 2% to 19.6 cents (HY2024: 19.9 cents).

Strategic update

The board has approved an interim ordinary dividend of 6 cents per ordinary share (4.80 cents net after deducting withholding tax) in respect of the six months ended 31 December 2024 (HY2024: 6 cents and 4.80 cents net after deducting withholding tax).

The group has actively managed its debt position and cash generated by operations of R250.5 million (HY2024: R265.9 million) to fund its extensive refurbishment investment in key hotels and resilience initiatives around water and electricity. These investments ensure that the group is well-positioned to respond to guest demands, is more sustainable, and continues to deliver value from its well equipped and maintained portfolio of hotels. During the period, the group utilised R60.0 million of its R600.0 million loan facilities, to fund the capital expenditure incurred during the period.

The group completed five refurbishment projects during the period under review which included City Lodge Hotel Lynnwood, Town Lodge Bellville, Road Lodge Durban, Road Lodge N1 City, and Courtyard Hotel Sandton - commercial area. Four additional projects are in progress, and will be completed in the current financial year. These include Town Lodge George, City Lodge Hotel Umhlanga Ridge, City Lodge Hotel V&A Waterfront - commercial area, and the expansion at City Lodge Hotel Maputo.

The doors to City Lodge Hotel Katherine Street permanently closed in December 2024 after 35 years of operations. Loyal guests have been redirected to our other three hotels in the Sandton area, covering a range of budget options. The hotel is in the process of being sold for gross proceeds of R68 million, and the sale is expected to complete in the financial year. The group intends to use a portion of the sales proceeds towards share buy-backs.

Outlook

The South African macro-economic outlook is positive over the next 12 months and together with the upcoming G20 summit later this year, a positive impact to consumer and business spending and including elevated investor interest is expected.

The group has benefited from these green shoots with occupancy growth in January 2025, which is typically our quietest month, up two percentage points to 44% (January 2024: 42%), with SA occupancy growth up three percentage points. The positive momentum has carried into February 2025, with month to date occupancy up by 3.8 percentage points to 60.3% (February 2024: 56.5%) compared to the same time last year.

The strategy to deliver value from the group's extensive hotel portfolio and its modernisation programme is progressing at pace and on conclusion of this current phase, we would have completed refurbishments to 21% of our portfolio.

The group continues to seek and pursue selected opportunities for new hotels in high growth areas within South Africa.

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 <http://www.citylodgethotels.com>. The full announcement can also be accessed directly using the following JSE link: <https://senspdf.jse.co.za/documents/2025/jse/isse/CLH/ie2025.pdf>

Any investment decision should be based on the full announcement published on the SENS link above and on the company's website.

Declaration of dividend

The board has approved and declared an interim dividend (number 67) of 6 cents per ordinary share (gross) (HY2024: 6.00 cents) in respect of the six months ended 31 December 2024.

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 ("JSE") 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 598 146 832 ordinary shares in issue; and
- the company's income tax reference number is 9041001711.

Shareholders are advised of the following dates:

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|---|--------------------------|
| - Last date to trade cum dividend | Tuesday, 11 March 2025 |
| - Shares commence trading ex dividend | Wednesday, 12 March 2025 |
| - Record date | Friday, 14 March 2025 |
| - Payment of dividend | Monday, 17 March 2025 |
| - Share certificates may not be dematerialised or rematerialised between
and Friday, 14 March 2025, both days inclusive. | Wednesday, 12 March 2025 |

For and on behalf of the board

Bulelani Ngcuka Andrew Widegger
Chairman CEO

19 February 2025

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, MG Mokoka, 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

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