

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

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

- Revenue R848m	(2021: R436m)
- Earnings per share 17c	(2021: (6c))
- Average group occupancies 57%	(2021: 30%)
- Headline earnings/(loss) per share 17c	(2021: (6c))
- EBITDAR R304m	(2021: R125m)
- Dividends declared per share 5c	(2021: Nil)

Commentary

The new financial year saw the tapering off of direct pandemic-related impacts to our operations, and the continued recovery of revenue lost during the past two years through wide ranging innovation.

Continued recovery from the Covid-19 pandemic has seen improved numbers of foreign tourists visiting South Africa, in addition to an increase in domestic business and leisure travel. In December 2022, StatsSA reported 677 838 foreign tourists, significantly up (158%) from the 263 108 foreign tourists reported in December 2021. This is still well below December 2019 numbers (981 038) but the trend is promising.

We are pleased to report sustained growth in average occupancies, with the second quarter's occupancy rates well in excess of 2019 (pre-pandemic) levels. December 2022 monthly occupancies in South Africa closed at 62%, compared to 50% in 2019. Group average occupancies for the six months ended 31 December 2022 were 57% (2021: 30%) and 58% (2021: 32%) for South African hotels compared to 57% in 2019. Average room rates in South Africa for the six months have increased by 10% compared to 2021, but remain only 1% above 2019.

In South Africa, business has been hampered by crippling electricity loadshedding and the knock-on effect of interruptions to water supply and higher cost of operations in general. These interruptions, including the war in Ukraine, have steadily impacted the supply chain, resulting in longer lead times and higher prices, which contributed to the increase in operational costs, and the delays to planned capital investment projects.

Financial review

Total revenue for the six months ended 31 December 2022 increased by 94% to R848 million (2021: R436 million), driven by the steady return of guests with a renewed fervour for travel and hospitality in both the leisure and business markets. The roll-out of the new food and beverage offering at Town Lodge and Road Lodge, as well as service and menu enhancements at City Lodge branded hotels has delivered a 132% increase in food and beverage revenue, which now comprises 16% of total revenue. The group welcomed the receipt of the settlement of the Covid-19 business interruption claim of R27 million, which is included in other income.

The improved occupancies and the return to normal trading conditions, has also contributed to the increase in operating costs. Salaries and wages increased by 43% to R230.3 million, as the prior year included 30% salary reductions. Property costs increased by 25% mainly attributable to the increase in utility prices together with the increase to the variable portion of these costs arising from greater occupancy volumes. The cost of running the generators during power outages, increased to R7.4 million from R0.9 million in the prior period.

Other operating costs have increased by 200% to R261.4 million compared to R87.1 million in the prior six months. However, excluding unrealised foreign exchange gains on intercompany loans (December 2022: R8 million and December 2021: R66.5 million), other operating costs has increased by 75%. The increases are associated with variable direct cost increases and the relaxation of the strict cost management measures instituted during the pandemic. These relaxation measures include a normalised repairs and maintenance schedule for the hotels, renewed investment in

advertising and marketing which has delivered some award-winning radio adverts over the summer, and the overall return of variable expenditure associated with a return of corporate travellers and travel agents. Other operating costs per room sold, excluding unrealised foreign exchange gains has reduced by 13%.

The group generated EBITDAR for the six months of R303.8 million which is an improvement of 143% (2021: R124.9 million), and an improved EBITDAR margin of 35.8% (2021: 28.7%). EBITDAR margin excluding unrealised foreign currency gains and losses is 34.9% (2021: 13.4%).

The improvement in trading conditions has delivered a profit of R97.9 million from a loss of R33.8 million in the prior period, and diluted and undiluted earnings per share of 17 cents (2021: loss per share 6 cents).

Similarly, headline earnings per share is 17 cents per share, compared to a loss of 6 cents per share in the prior period. Headline earnings per share, excluding the settlement of the Covid -19 business interruption claim, is 14 cents per share.

The receipt of the proceeds from the sale of the East African operations in July 2022 of R467.2 million, and the cash generated by operations of R260.4 million (2021: R13.1 million), has enabled the group to repay R300 million of its total R600 million interest-bearing borrowings facilities. The group has a cash and cash equivalent balance as at 31 December 2022 of R247.9 million (2021: overdraft of R50.9 million). The group continues to have access to the R300 million undrawn interest-bearing borrowing facilities and the R115 million overdraft facility. The loan covenants have been met for all measurement periods during the reporting period.

Due to the much improved liquidity position and the promising outlook, the board has declared an interim cash dividend of 5c per shares (2021: Nil)

Net asset value per share is 188c (2021: 151c), and net replacement asset value per share, based on the insured value of the hotels, is 1060c, compared to 1100c in the prior year, which included the four East African hotels disposed of in June 2022.

Strategic developments

The pandemic has revealed a new demographic of guest, largely newcomers to the tourism industry and those keen to explore their own country, and with four brands to choose from, we are well placed to attract that market. In addition, we have demonstrated agility in expanding our offering to meet the needs of the growing leisure market, in addition to enhancing our offering for the benefit of our regular bleisure and business travellers.

Innovation from our food and beverage offering has greatly assisted us in attracting new markets such as domestic leisure travellers. What was originally driven by guests wanting to avoid leaving their hotel for meals during the pandemic, has quickly become part of our standard offering. Last year, we completed the rollout of lunch and dinner menus, in addition to the already popular breakfast buffets, at all Town Lodges and Road Lodges. In the last six months we have revamped the lunch and dinner menus at City Lodge Hotels and Courtyard Hotels, and new for 2023 is the launch of our fabulous cocktail and drinks menus.

Best available rate (BAR) continues to reap rewards in delivering revenue growth, allowing our hotels to optimise rates during periods of high demand and in turn, offering competitive, best value promotional pricing during low demand periods. As we emerge from the pandemic there is more consistency in buying patterns and routine demand, and we are deriving maximum benefit from our AI investment, as forecast patterns are being revealed.

Refurbishment programmes have re-commenced to ensure our products are in tip top condition. City Lodge Hotel at OR Tambo International Airport successfully completed its kitchen extension including equipment installation in September 2022, and now offers food and beverage solutions to guests 24-hours a day. This includes an a la carte menu, buffet offering, and in-room dining.

Courtyard Hotel Waterfall City completed the fit-out of the remaining four floors in mid-December 2022, adding 68 Studio Rooms and six Junior Suites to this enormously popular hotel. The hotel now has a total of 152 Studio Rooms,

four Executive Suites and six Junior Suites. The refurbishment at Road Lodge Richards Bay started in January 2023 and is expected to be completed by the end of April 2023. City Lodge Hotel V&A Waterfront will commence its big revamp of bedrooms and commercial areas in April 2023, with completion expected by the end of October 2023.

Our environmental sustainability journey is gathering momentum to mitigate against the ongoing energy and water scarcity, with more of our hotels earmarked for solar solutions and four more borehole installations scheduled for this year, to give our guests a seamless experience and ensure improved business resilience.

The group has improved its B-BBEE rating to a level 3 in the current year, from a level 5 in the prior year. As operating activities improve we have renewed our support and investment in transformation initiatives within our communities, and also invested in the development of the future workforce from training and practical experience offered through the youth employment scheme (YES program).

Outlook

Consumers' budgets are stretched by the higher prices of groceries, petrol price fluctuations, and the increased interest rate. This, on top of high unemployment, poverty, crime and corruption is pointing to cost-of-living challenges to come, leading to a risk of stagflation and a period of economic hardship, and lower household disposable income.

However, inflation is expected to return to the SA Reserve Bank's target levels of 3 - 6%, and is forecast to average 6.1% in 2023, a Bureau for Economic Research survey shows. This, together with petrol price stabilisation will bring some consumer relief.

Despite these dismal macro-economic factors, occupancy growth remains encouraging with group occupancy for January 2023 of 43% (January 2022 - 31%), and up to 23 February 2023 of 59% (February 2022 - 45%).

Our guests will be looking for hotels with a seamless operating environment, in which they can run their business and personal lives online hassle-free, enjoy delicious and contemporary food and beverages, meet and relax. They will be after great rates and good deals, which our technology tools help us deliver on. And they will be expecting service excellence from check-in to check-out which will be delivered by our friendly, professional staff. City Lodge Hotel Group delivers on a range of guest requirements, needs and budgets, but underpinning all of this is our core motto, that we are "People Caring for People".

Declaration of ordinary cash dividend

The board has approved and declared interim dividend (number 63) of 5,0 cents per ordinary share (gross) (2021: Nil) in respect of the six months ended 31 December 2022.

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 Listings Requirements the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local Dividend Tax rate is 20% (twenty per centum);
- The gross local dividend amount is 5,0 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend amount is 4,0 cents per ordinary share for shareholders liable to pay the Dividend Tax;
- The Company currently has 609 859 502 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, 14th March 2023
Shares commence trading ex dividend	Wednesday, 15th March 2023
Record date	Friday, 17th March 2023
Payment of dividend	Monday, 20th March 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2023 and Friday, 17 March 2023, 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.clhg.com. The full announcement can also be accessed directly using the following JSE link: <https://senspdf.jse.co.za/documents/2023/jse/isse/CLH/ie2023.pdf> and may be requested in person, at no charge, from the registered office of the company or the sponsor during office hours. Any investment decision should be based on consideration of 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

24 February 2023

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