

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

CONSOLIDATED ANNUAL FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION
FOR THE YEAR ENDED 30 JUNE 2024

- Revenue R1.9bn	(2023: R1.7bn)	up by 13%
- Average group occupancy 58%	(2023: 56%)	up by 2% points
- Earnings per share (EPS) (diluted) 33.2c	(2023: 28.6c)	up by 16%
- Headline earnings per share (HEPS) (diluted) 33.2c	(2023: 30.3c)	up by 10%
- Adjusted headline earnings per share (diluted) 31.8c	(2023: 23.2c)	up by 37%
- Total dividends declared per share 15c	(2023: 13c)	up by 15%

Commentary

City Lodge Hotels continues to grow occupancies and revenues as its recovery from the legacy of the pandemic has progressed. City Lodge is well-positioned, with no outstanding debt, revenue up 13%, and group occupancies of 58%, two percentage points (pp) ahead of 2023. Food and beverage (F&B) revenue has grown by 22% in the year, complementing the City Lodge Hotels value-for-money, and service excellence offering.

The year under review, has been a tale of two halves. The financial year kicked off with strong demand for occupancy in the first quarter (eight pp ahead of the prior year). However, the strain of prolonged high inflation and, interest rates, and the cumulative effects of loadshedding, together with poor business and consumer confidence caused by the political uncertainty in South Africa, eroded corporate demand and consumer purchasing power. These factors led to a one pp reduction in occupancy, between November 2023 and June 2024, compared to the prior year.

Financial Review

Against these headwinds, City Lodge has delivered stronger occupancies compared to the prior year, supported by improving rates of 8%. Total revenue for the year ended 30 June 2024 increased by 13% to R1.9 billion (2023: R1.7 billion). Rooms revenue increased by 11%. Our enhanced F&B offering across all brands has been well received, resulting in an increase of 22% to R363.3 million (2023: R298.9 million) and it now accounts for 19% (2023: 17%) of total revenue.

The combination of increased occupancies, high inflation and continued focus on consistent and reliable service delivery to support the growing F&B offering, has resulted in a 10% increase in total operating costs.

The upskilling and general right-sizing of our staff complement has resulted in an increase of 12% in salaries and wages to R553.3 million. The group mitigated the general increases in property costs by utilising more solar power generated by the 16 additional hotels which have installed solar panels during the year.

Rooms related costs and F&B costs are largely variable in nature. The increase in corporate travel increased commissions paid, which is recorded in rooms related costs resulting in a 19% increase to R226.2 million (2023: R189.6 million). Volume variable F&B costs increased by 17% to R146.2 million (2023: R124.8 million). F&B gross profit margins have improved to 60% from 58% in the prior year.

The group generated EBITDAR of R574.4 million (2023: R556.3 million) for the year, and an EBITDAR

margin of 29.8% (2023: 32.4%). Adjusted EBITDAR margin excluding unrealised foreign currency (losses)/gains is 30.4% (2023: 30.1%).

Lease related expenses (i.e. depreciation on right-of-use assets of R95.0 million and interest expense on leases of R127.7 million) exceed cash lease payments of R164.1 million by R58.6 million.

Taxation amounting to R65.8 million (2023: R55.3 million) increased by 19%. Taxation includes a R20 million credit on the recognition of a deferred tax asset in Namibia.

The improved performance for the year has resulted in profit after tax of R188.7 million (2023: R163.7 million), and a 16% increase in diluted earnings per share to 33.2 cents (2023: 28.6 cents).

Diluted headline earnings per share increased by 10% to 33.2 cents (2023: 30.3 cents per share). Adjusted headline earnings per share, which excludes unrealised foreign currency (losses)/gains and exceptional items, and the impairment reversal of the deferred tax asset, has increased by 37% to 31.8 cents (2023: 23.2 cents).

Capital Allocation

The group has utilised its strong cash generated by operations of R576.7 million (2023: R539.5 million) to strengthen its balance sheet, return capital to shareholders, and continue with its investment in its hotels, to ensure it is more sustainable, resilient, and continues to deliver value from its well equipped and maintained portfolio of hotels.

The group has repaid its interest-bearing borrowings and is now debt-free, whilst still retaining access to R600 million in debt facilities, and R115 million in overdraft facilities.

During the year, the group acquired 0.3 million shares in the odd-lot offer at an average price of R4.71 per share, which also reduced the number of shareholders by more than half. In addition, 11.4 million shares were re-purchased at an average price of R4.37. Total consideration for all shares acquired totalled R51.6 million.

The group embarked on an extensive capital expenditure programme, including:

- Completion of the phased refurbishment of rooms at City Lodge Hotel OR Tambo International Airport and City Lodge Hotel V&A Waterfront. A number of additional refurbishment projects are underway.
- Environmental sustainability initiatives have delivered additional solar renewable energy installations at 16 hotels, bringing the total number of solar installations to 41. Battery storage has been installed at two hotels.
- The water supply resilience strategy has delivered three new boreholes and filtration plants, five new filtration plants to existing boreholes, and three additional water storage tanks.

The group's enhanced investment and efforts in transformation and diversity has realised an improved B-BBEE level 2 scorecard rating.

Outlook

The formation of the Government of National Unity is to be welcomed, which together with potential interest rate cuts later this year will bring relief to a stagnant economy. The 2025 financial year holds promise for a reinvigorated South Africa and surrounding territories, as the economy grows and foreign investment is realised.

Total capital commitments of R459.4 million have been authorised for the 2025 financial year. The funds will be applied to projects focused on deriving value from our modernisation programme, and delivering innovation and easy guest experiences through technology investments and sustainability initiatives.

The group is actively pursuing selected opportunities for new hotels in high growth areas within South Africa.

The 2025 financial year has commenced with a cautious improvement in economic sentiment, compared to the second half of the previous financial year. This sentiment has, however, not yet translated into occupancy trends, with softer occupancy for July 2024 of 56% (July 2023 - 61%), August 2024 of 55% (August 2023 - 61%) and month to date up to 5 September 2024 of 61% (5 September 2023 - 60%) having been experienced. We are optimistic that demand will continue to improve as business and consumer confidence returns and interest rates decrease.

Declaration Of Dividend

The board has approved and declared final dividend (number 66) of 9.00 cents per ordinary share (gross) (2023: 8.00 cents) in respect of the year ended 30 June 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 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 9.00 cents per ordinary share for shareholders exempt from the Dividend Tax;
- the net local dividend amount is 7.20 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 | Monday, 23 September 2024 |
| - Shares commence trading ex dividend | Wednesday, 25 September 2024 |
| - Record date | Friday, 27 September 2024 |
| - Payment of dividend | Monday, 30 September 2024 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2024 and Friday, 27 September 2024, both days inclusive.

Additional information

This short-form announcement is the responsibility of the directors, is only a summary of the information contained in the audited consolidated annual financial statements for the year ended 30 June 2024 ("AFS FY2024") and does not contain full or complete details. The AFS FY2024 has been audited by the external auditor, PricewaterhouseCoopers Inc. who has expressed an unmodified audit opinion thereon.

The AFS FY2024 is available on the company's website www.citylodgehotels.com. The AFS FY2024 can also be accessed directly using the following JSE cloud link:

<https://senspdf.jse.co.za/documents/2024/jse/isse/CLH/ye2024.pdf> .

Any investment decision should be based on the AFS FY2024 published on JSE cloud link above and on the company's website.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

06 September 2024

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, D Nathoo*, L G Siddo*

*Executive #South African and Swiss

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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