

City Lodge Hotel Group's financial results for the year ended 30 June 2020

Issued by [City Lodge Hotel](#)

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- Revenue: R1,16bn (-25%)
- Average group occupancies: 38% (-17%)
- Fully subscribed rights offer successfully raised R1,2bn
- Courtyard Hotel Waterfall City due to open March/April 2021



City Lodge Hotel Maputo - restaurant

The JSE-listed City Lodge Hotel Group celebrated its **35th anniversary** in August, a testament to the continued support from guests, shareholders, management, employees and other stakeholders in helping to build a South African icon in the hospitality industry over the years.

The group's **expansion into Southern and East Africa** is complete barring 26 rooms still to open at the 148-room City Lodge Hotel Maputo, Mozambique. Other properties that formed part of this growth strategy include the 147-room Town Lodge Windhoek, Namibia; 104-room Town Lodge Gaborone, Botswana; 127-room Fairview Hotel, 84-room Town Lodge Upper Hill and 171-room City Lodge Hotel at Two Rivers Mall in Nairobi, Kenya; and the 148-room City Lodge Hotel Dar es Salaam, Tanzania.

Construction of the “new concept” **Courtyard Hotel Waterfall City** in Midrand, Johannesburg was only set back by four months as a result of the COVID-19 pandemic and resultant lockdown, with all 168 rooms now due to open around March/April 2021.



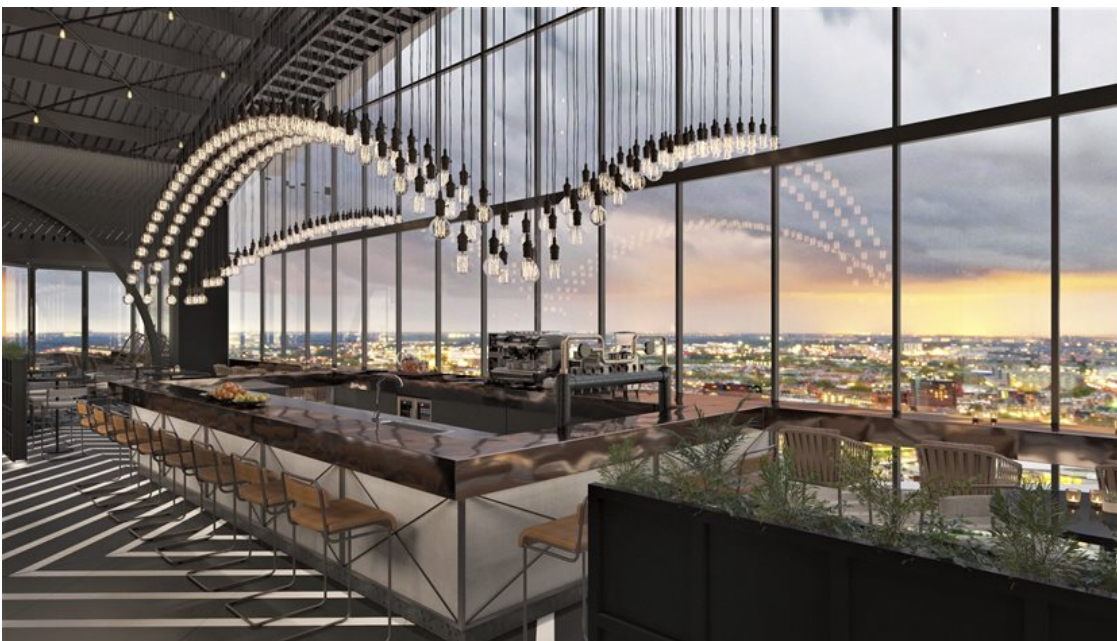
Courtyard Hotel Waterfall City - restaurant

On completion of Courtyard Hotel Waterfall City and City Lodge Hotel Maputo, the group will offer **8070 rooms at 63 hotels in six countries.**

However, this year has been one of the most challenging years in the group's history, due to the impact of the **Covid-19 pandemic** on the global and local economies and the travel and hospitality industry. The restricted operational and economic environment in the South African and the Southern and East African countries in which the group operates resulted in the temporary closure of almost all of its 62 hotels. The easing of lockdown measures has seen the gradual re-opening of approximately 32 hotels across South Africa and rest of Africa operations based on demand.

Average **occupancies** for the group declined from 55% to 38%. In South Africa, occupancies decreased from 58% to 41%.

Total revenue decreased by 25% to R1,16bn, while **operating costs** excluding depreciation decreased by 24%. Excluding the implementation of IFRS 16 Leases, the reported operating costs decreased by 11%, mainly due to the cost containment measures put in place from April to mitigate the extent of the losses arising from minimal revenues. Excluding the effects of IFRS 16 Leases, **normalised headline EBITDA margin** decreased by 12 percentage points to 20%.



Courtyard Hotel Waterfall City - view from rooftop bar

Normalised headline earnings decreased by 130% to a loss of R78,8m, and excluding the effects of IFRS 16 Leases normalised headline earnings decreased by 104% to a loss of R11,4m. **Normalised diluted HEPS** decreased by 130% to a loss of 181,1 cents. Excluding the effects of IFRS 16 Leases, normalised diluted HEPS decreased by 104% to a loss of 26,3 cents.

The group incurred a **net loss** of R486,6m (2019: profit of R205,5m) primarily due to exceptional losses of R344,6m, net of tax, related to the impairment of property, plant and equipment along with right-of-use assets of some hotels. The impairment of deferred tax assets of R47,1m together with the recognition of IFRS 16 Leases interest expense, and depreciation net of previously recognised lease expenses of R67,4m, net of tax, contributed to the loss.

Having regard to the impact of Covid-19 on the group's operations and the minimal revenue earned since the declaration of national state of disaster in South Africa on the 15 March 2020, the board has determined that **no final dividend** shall be paid in respect of the year ended 30 June 2020, and does not intend to pay dividends in the short term. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

The group's CFO Dhanisha Nathoo is delighted to report that through the continued support of its shareholders, R1,2bn has been successfully raised through a fully subscribed **rights offer** which closed on 21 August 2020. "The rights offer serves to support the group's long-term viability and continued growth during the uncertainty arising from the Covid-19 pandemic."

South African operations **occupancies** in the last quarter of 2020 were constrained to 4%. There has been some marginal improvement in July occupancies to 7%, following the easing of lockdown level 3 regulations, which allowed for intra-provincial leisure and domestic business air travel to resume. August occupancies of 10% of total room inventory have benefitted from South Africa moving to lockdown level 2 from mid-August. Occupancies based on the trading hotels are approximately double the total inventory occupancy percentages.

Looking ahead, CEO Andrew Widegger says, "The next year will remain **challenging** as we continue to bear the impact of the prolonged lockdown measures across the South African and remaining African economies. We, however, welcome the recent announcement by President Cyril Ramaphosa to move the country to Level 2 of the Covid-19 Risk Adjusted Strategy, which includes the opening of most industries and the resumption of inter-provincial leisure travel."

He adds, "The group's hotels remain **ready and flexible** to open at short notice based on guest demand, while ensuring strict adherence to our industry leading **hygiene and safety protocols** to ensure the safety and well-being of our guests and staff. City Lodge Hotel Group looks forward to **welcoming you back**."

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City Lodge Hotel

City Lodge Hotel Group has a variety of hotels dedicated to providing you with comfort at a level that suits you. With 5 Courtyard Hotels (480 rooms), 19 City Lodge Hotels (3281 rooms), 12 Town Lodges (1507 rooms) and 23 Road Lodges (2 272 rooms), the Group has a total of 7540 rooms and ranks among the 250 largest hotel chains in the world. We are dedicated to providing quality accommodation for business, leisure and 'bleisure' travellers in South Africa, Namibia, Botswana and Mozambique. From basic, functional rooms to magnificent luxury studios, we have the range and experience to give you unbelievable service and exceptional accommodation at a price you can afford and in a location near to where you want to be. Go to www.clhg.com for more information.

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