

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 STATEMENTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2023

- Revenue R1.7bn	(2022: R1.1bn)	up by 55%
- Earnings per share 28.6c	(2022: 14.3c)	up by 100%
- Average group occupancies 56%	(2022: 38%)	up by 18 points
- Headline earnings/(loss) per share 30.3c	(2022: (8.6c))	up by 452%
- EBITDAR R556m	(2022: R303m)	up by 83%
- Final dividend declared per share 8.0c	(2022: Nil)	

Commentary

City Lodge Hotels has enjoyed an impressive recovery in occupancies and average room rate post the Covid-19 pandemic and the severe effects of the lockdown on the hospitality and tourism industries. Group occupancies are up 18 percentage points to 56% from the prior year of 38%, and 1.5 percentage points up from 55% for the 2019 financial year (FY19). Occupancies have been on a rising trend, with monthly occupancies since October 2022 exceeding those of 2019 (excluding January 2023).

Similarly, average room rates for the year have increased meaningfully by 12% compared to last year, and we have been recovering lost ground against pre-Covid room rates. We are now seeing our recovery playing out.

Financial Review

Revenue for the year ended 30 June 2023 increased by 55% to R1.7 billion (2022: R1.1 billion), indicating that the recovery from the Covid-19 pandemic is well established. Food and beverage revenue, has seen growth thanks to the introduction of new menus at City Lodge Hotels and Courtyard Hotels, as well as the expanded lunch and dinner options at the Town Lodge and Road Lodge brands. It now accounts for 17% (2022: 15%) of total revenue, and has delivered a 79% increase on the prior year.

The improved occupancies and the return to normal trading conditions, including the higher food and beverage volumes, has contributed to the increase in total operating costs. Salaries and wages increased by 32% to R492.7 million, as the prior year included a period of up to 30% salary reductions for reduced time worked during Covid as many hotels remained closed or had low occupancies. The additional contract staff support and food and beverage service staff has also contributed to the increase. Property costs increased by 19% mainly attributable to the increase in utility prices together with the increase in the variable portion of these costs arising from greater occupancy volumes. The cost of running the generators during more frequent power outages increased to R16.6 million from R3.2 million in the prior period.

Rooms related costs, and food and beverages costs are variable in nature. These costs increased by 52% and 68%, respectively. Food and beverage gross profit margins have improved to 58% from 55% in the prior year.

Other operating costs increased by 49% to R268.8 million compared to R181.0 million in the prior year. The increases are associated with variable direct cost increases and the relaxation of the strict cost management measures instituted during the Covid-19 pandemic. These relaxation measures include a normalised repairs and maintenance schedule for the hotels, and renewed investment in advertising and marketing.

The 28% decrease in the depreciation charge is as a result of a revision to the estimated useful life of furniture and fitting, and software. The increase in useful life is due to the pro-longed frequency of refurbishment cycles during and following the Covid-19 pandemic.

The group generated an increase in EBITDAR of 83% for the year to R556.3 million (2022: R303.2 million), and an improved EBITDAR margin of 32.4% (2022: 27.5%). EBITDAR margin excluding unrealised foreign currency gains is 30.0% (2022: 20.2%). The improvement in trading conditions has delivered a profit after tax of R163.7 million (2022: R81.7 million), and diluted earnings per share of 28.6 cents (2022: 14.3 cents).

Similarly, diluted headline earnings per share is 30.3 cents per share, compared to a loss of 8.6 cents per share in the prior period.

The group balance sheet reflects a much improved, and strengthened position compared to the prior year. Debt funding was R300.0 million as at 30 June 2023 (2022: R600.0 million), and cash balances were R328.3 million (2022: overdraft of R59.3 million), at the same date. The group continues to have access to the R300.0 million undrawn interest-bearing borrowing facilities and the R115.0 million overdraft facility. The loan covenants have been met for all measurement periods during the reporting period.

The board remains cautious about the economic challenges, particularly in South Africa, with the ongoing electricity and water supply constraints and the high inflation and interest rates over the last 12 months. However, the group also recognises the much improved liquidity position and the promising outlook, and is confident that it is able to withstand these headwinds. The board has declared a final cash dividend of 8.00 cents per share (2022: Nil).

As a consequence of our now robust financial position, our refurbishment programmes have re-commenced to ensure our products are always in tip top condition.

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 programme).

Outlook

The 2024 financial year, will be the year of renewed fervour into modernising and reinvesting in our portfolio of hotels, with refurbishments scheduled at 10 hotels, which will include the further roll-out of our new generation hotel room designs to make the products more appealing to our changing guest profile and delivering an enhanced return for our shareholders.

Sustainable and resilient environmental business operations are an imperative, and the group is responding to this need through the expansion of our solar programme to a further 15 hotels, in addition to the 25 hotels that already have solar energy generating capacity, and an increased focus on energy storage. Boreholes and filtration plants are being installed at properties where water is frequently disrupted and/or the water quality is sub-standard. All upgrades offer greater resiliency when it comes to supplementing off-the-grid electricity and water sources.

Total capital commitments authorised for the 2024 financial year is R367.6 million.

The group is encouraged that these shifts in economic sentiment have been mirrored in the positive occupancy trends in July 2023 of 61% (July 2022 - 52% and July 2019 - 56%), August 2023 of 61% (August 2022 - 51% and August 2019 - 55%) and up to 7 September 2023 of 64%, and looks to continue well into the summer season and the remainder of the financial year.

Declaration of dividend

The board has approved and declared final dividend (number 64) of 8.00 cents per ordinary share (gross) (2022: Nil) in respect of the year ended 30 June 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 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 8.00 cents per ordinary share for shareholders exempt from the Dividend Tax;

- The net local dividend amount is 6.40 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:

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|---------------------------------------|------------------------------|
| - Last date to trade cum dividend | Tuesday, 26 September 2023 |
| - Shares commence trading ex dividend | Wednesday, 27 September 2023 |
| - Record date | Friday, 29 September 2023 |
| - Payment of dividend | Monday, 2 October 2023 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 September 2023 and Friday, 29 September 2023, both days inclusive.

Additional information

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the consolidated annual financial statements for the year ended 30 June 2023 ("AFS FY2023") and does not contain full or complete details. The AFS FY2023 have been audited by the external auditor, PricewaterhouseCoopers Inc. who has expressed an unmodified audit opinion thereon.

The AFS FY2023 is available on the company's website www.clhg.com. The AFS FY2023 can also be accessed directly using the following JSE cloud link:

<https://senspdf.jse.co.za/documents/2023/jse/isse/CLH/ye2023.pdf>

Any investment decisions should be based on the AFS FY2023 published on the SENS link above and on the company's website.

For and on behalf of the board
Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

11 September 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*
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