City Lodge Hotels rides out Covid-19 storm through innovation

Issued by City Lodge Hotel

14 Sep 2021

Provisional results for year ended 30 June 2021

In brief:

Revenue: R0.51bn (2020: R1.6bn, -56%)
Earnings per share: -161c (2020: -440c*, -63%)
Headline earnings per share: -91c (2020: -128c*, -29%)
Dividends declared per share: Nil (2020: 153.0c)
Average group occupancy: 19% (2020: 38%)
Average occupancies open hotels: Group 26%; SA 28%
**EPS and HEPS for FY2020 has been restated for IAS 33 following the rights offer in August 2020*

#GettingBackToLife

After close on 18 months of Covid-19 pandemic-related flattening of travel and tourism activities, City Lodge Hotel Group and the industry are ‘getting back to life’. The group’s chief executive officer, Andrew Widegger, chief financial officer, Dhanisha Nathoo, and chief operating officer, Lindiwe Sangweni-Siddo outline the group’s key challenges and activities for the year under review.

City Lodge Hotel Group announced its reviewed group provisional results for the year ended 30 June 2021 today (10 September 2021). The 2020/2021 financial year has been dominated by the **Covid-19 pandemic** and the various degrees of lockdown mandated by President Cyril Ramaphosa. The City Lodge Hotel Group has demonstrated agility and innovation in running a **solutions-based operating environment** in which its management team responds quickly and creatively to challenges, including its ability to temporarily suspend and reactivate hotels as demand determines.

The government's **vaccination programme**, after getting off to a slow start, commenced in mid-February 2021. During the last two months, since vaccinations opened to 35- to 60-year-olds, we have seen the most momentum in people getting vaccinated. Vaccinations opened to 18- to 34-year-olds on 20 August 2021, earlier than initially planned, and the take-up has been very encouraging with almost 300,000 vaccinations being administered per day. As of 31 August 2021, in excess of 12 million vaccinations had been administered (source: www.sacoronavirus.co.za). The success of the vaccination programme is integral to the recovery of the hospitality industry.

Occupancies based on total inventory have steadily improved from the last quarter of the 2020 financial year, which ended on 4% occupancies, to slow improvements in occupancy in July 2020 of 7% when the group re-opened a total of 36 hotels as the level 5 hard-lockdown regulations were slightly relaxed and ending the financial year in June 2021 with monthly occupancy of 25% in the midst of the third wave of infections and adjusted level 4 restrictions. Occupancies for the year were 19%, compared to 38% in 2020 and 55% in 2019. Revenue for the period decreased by 56% to R0.5 billion, while operating costs, excluding depreciation and amortisation, decreased by 22%, and by 30% excluding unrealised foreign exchange losses. The operating cost reductions were mainly due to the cost-containment measures put in place from April 2020 to mitigate the extent of the losses arising from minimal revenues.

Depreciation and amortisation on owned assets decreased by 9.0%, while a depreciation charge for right-of-use assets decreased by 7%, mainly due to the impact of impairments recognised in the prior year. **Interest expense** decreased by R26.8 million, mainly due to the redemption and repayment of BEE preference shares and BEE interest-bearing loans, in December 2020.

The group incurred a **net loss** of R804.6 million (2020: R486.6 million) for the year. The prolonged recovery of the sector and the dependency on the successful vaccine roll-out has also led to the recognition of **additional impairments to property plant and equipment** of R390.4 million (2020: R245.5 million) mainly on impairment to fair value less cost to sell of the East African assets held for sale, reversal of impairment on right-of-use assets of R48.9m (2020: impairment loss R242.9 million), impairment of goodwill of R10.6 million (2020: Rnil) and impairment of VAT receivable of R25.9 million (2020: Rnil).

The loss in **earnings per share** of 161c (2020: 440c) and the loss in **headline earnings per share** of 91c (2020: 128c) has improved compared to prior year, mainly due to the dilutive impact of the additional shares in issue following the rights offer.

The completion of the **rights offer** in August 2020 raised gross proceeds of R1.2 billion, gave a much-needed injection of liquidity and has led to the group settling its broad-based black economic empowerment (BBBEE) debt through the redemption of the BEE preference shares and settlement of accrued preference dividends, term loans and interest accrued totalling R764.5 million in December 2020.

While we have maintained a **Level 4 BBBEE rating**, the rights offer resulted in the unwinding of our BBBEE structure and the loss of some equity ownership. BBBEE ownership remains important to the group, and we are committed to continually improving our BBBEE credentials and maintaining our overall rating.

The group's **lenders** have been very supportive during the ongoing operational challenges, the prolonged pandemic and the resurgent waves of infections, which have extended the economic recovery of the hospitality sector. The group has drawn R650 million of the total available loan facilities of R800 million and also has access to an overdraft facility of R115 million.

The **funders** recently approved an extension of the repayment date of Loan F, R100 million, from September 2021 to September 2022, and access to an additional R100 million Loan G facility (included in the total R800 million available facilities), in addition to waiving the original debt covenants to the September 2022 measurement period.

Development and disposal activity

South Africa

The 168-room **Courtyard Hotel Waterfall City** opened on 1 March 2021 and is the group's 63rd hotel. The new flagship of the Courtyard brand, which is located in the lively and vibrant Waterfall City in Midrand, marks a significant milestone in hotel design and development. It features the latest technological innovation, state-of-the-art conference facilities and a full culinary team preparing delectable cuisine. Initial trading has been encouraging.

East Africa

The big news for the group is the **sale of its four hotels in East Africa**. The sale is expected to complete within 22 weeks of signing date, which was in July 2021. The proceeds from disposal will be used to reduce debt levels, increase liquidity and support the working capital requirements of the group.

Dividend

Given the prolonged impact of the Covid-19 pandemic and the resurgence of new waves of infections on the group's operations and revenue, the board has determined that no final dividend shall be paid in the respect of the year ended 30 June 2021. The declaration of future dividends remains subject to satisfying solvency and liquidity requirements.

Outlook

Occupancies for July 2021, were 16% for the total inventory in the South African hotels following a turbulent month of civil unrest and lockdown restrictions to travel, while August saw an improvement to 24%. As at 9 September 2021, the group has **51 out of the 56 hotels open** in South Africa and **five out of seven hotels open** in Rest of Africa.

With the third wave of infections beginning to wane and the arrival of warmer weather, **the forecast for occupancies is positive**, as travel within and between South Africa and the world begins to recover. This is in no small part due to the **success of the rollout of the vaccination programme**, being the catalyst to growing confidence to travel by local and international travellers. Also, local industry associations like Tourism Business Council of South Africa and South Africa Tourism are lobbying hard to **get South Africa moved off the 'Red List'** of all European and North American countries. Good progress has been made in Germany, Switzerland, Netherlands and Canada who have removed South Africa from the 'red list'.

We remain **cautiously optimistic** that the worst of the Covid-19 pandemic is behind us, as an encouraging portion of the South African population has been vaccinated, and very soon we can all once again embrace the freedom of travel and hospitality, and start **#GettingBackToLife**. There is pent-up demand as we emerge from the 18-month confinement within our homes, to begin to **explore, socialise and experience life**. We have all made the many sacrifices necessary to try and limit the spread of this deadly virus. Now let us reward ourselves with a return to travel and City Lodge Hotel Group's promise of **TLC – tip-top, loving and clean hospitality** coupled with **service excellence**.

(The information contained in this 'Outlook' section has not been reviewed or reported on by the company's auditors.)

- **Planet vs. Plastics: City Lodge Hotels' eco-initiatives make sustainability easy** 23 Apr 2024
- **Sleep Easy with City Lodge Hotels! Bedtime Stories for Business People launched** 20 Mar 2024
- **Calling all last resorters: City Lodge Hotels' quarterly break saves the day!** 14 Mar 2024

- **Cheers to St Patrick's Day! Guinness specials and more at City Lodge Hotels!** 11 Mar 2024
- **City Lodge Hotels introduces Suhoor Breakfasts for Ramadan guests** 8 Mar 2024

City Lodge Hotel

CITY LODGE HOTEL GROUP

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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