

City Lodge Hotels Limited
(Reg. No. 1986/002864/06)
(Incorporated in the Republic of South Africa)
Share Code: CLH ISIN Code: ZAE000117792
"City Lodge" or the "Company" or the "Group"

Trading statement

In terms of the JSE Limited Listing's Requirements, companies are required to publish a trading statement as soon as they are reasonably certain that the financial results for the current reporting period will be more than 20% different to those of the prior comparative period.

Shareholders are advised that for the year ended 30 June 2020, the Company expects to report:

- normalised headline earnings - loss of between R(70.1) million and R(86.1) million, being a decrease of between 126% and 132% compared to normalised headline earnings of R267.1 million for the year ended 30 June 2019 ("YE2019");
- normalised diluted headline earnings per share ("HEPS") - loss of between (161.5) cents and (198.4) cents, being a decrease of between 126% and 132% compared to normalised diluted HEPS of 613.4 cents for YE2019;
- basic earnings per share ("EPS") - loss of between (1,310.8) cents and (1,344.5) cents, being a decrease of between 333% and 339% compared to basic EPS of 562.0 cents reported for YE2019; and
- basic HEPS - loss of between (369.6) cents and (403.3) cents, being a decrease of between 166% and 172% compared to basic HEPS of 561.7 cents reported for YE2019;

On a comparable basis, excluding the effects of implementing IFRS 16 *Leases*, normalised headline earnings would be a loss of between (R2.7) million and (R18.8) million, being a decrease of between 101% and 107% compared to the normalised headline earnings of R267.1 million for YE2019.

The normalised headline earnings, normalised diluted HEPS, basic EPS and basic HEPS are collectively referred to as "Estimated Financial Information".

Normalised headline earnings and normalised diluted HEPS comprise headline earnings adjusted for the effects of transactions relating to the BEE SPVs and those of a non-recurring and/or core nature. They are the responsibility of the directors of City Lodge and have been provided for illustrative purposes only. Because of their nature, normalised headline earnings and normalised diluted HEPS usually differ from City Lodge's HEPS and diluted HEPS.

The basic EPS results are adversely impacted by exceptional losses of R344.6 million (YE2019: R nil) net of tax related to the impairment of property, plant and equipment and right-of-use assets of some hotels. In addition, we have recognised an impairment of deferred tax assets of R47.0 million (YE2019: R nil). The impairments are due to management's assessment of the negative impact of COVID-19 on forecast cash flows to be generated by the underlying hotels and increased risk assessments that have had a material impact on the valuation discount rates applied across the portfolio. Further details of the impairments will be disclosed in the Reviewed preliminary results (refer below).

Reviewed preliminary results in relation to the pending Rights Offer

For purposes of enhancing financial disclosure in the context of the planned rights offer ("the Rights Offer"), the Group intends to publish reviewed preliminary results for the nine months ended 31 March 2020 ("Reviewed preliminary results") prior to the issuance of the Rights Offer Circular, planned for on or about 3 August 2020.

Financial overview

The global economy, and specifically the hospitality industry, has been heavily impacted by the COVID-19 pandemic and, in particular, President Cyril Ramaphosa's declaration of a national state of disaster on 15 March 2020, shortly followed by the announcement of strict lockdown protocols and travel restrictions commencing on the 27 March 2020. Similar lockdown protocols were announced in all other countries in which the Company operates.

These measures resulted in the initial temporary closure of all hotels to the public. Four hotels remained open to provide support to government authorities and essential and critical business continuity services, and to provide other enabling services in the form of quarantine facilities or to provide accommodation to international tourists unable to return to their home countries. As South Africa progresses through the COVID-19 Risk Adjusted Strategy, more hotels have undergone a phased re-opening to provide accommodation to authorised business and essential services guests. Re-opened hotels continue to operate on a reduced basis, with limited occupancy. For additional information please refer to the COVID-19 operational updates published on 24 March 2020 and 12 June 2020.

The pandemic has had an adverse impact on the Group's results for the year ended 30 June 2020, but more specifically in the last three months.

Selected consolidated financial statement captions for the ten months ended 30 April 2020 and the year ended 30 June 2020

The consolidated revenue, total salaries, interest expense (including BEE interest and BEE preference dividend), interest expenses - leases, depreciation, depreciation - leases and impairments of property, plant and equipment and right-of-use assets of the Group for the ten months ended 30 April 2020 and the year ended 30 June 2020 (collectively "Financial Statement Captions") have been provided to afford shareholders with additional information in relation to the financial performance of the Group during the recent COVID-19 lockdown period.

The Financial Statement Captions have been extracted from reviewed special purpose consolidated financial statements of City Lodge for the ten months ended 30 April 2020 and the twelve months ended 30 June 2020 ("Special Purpose Consolidated Financial Statements"). The accounting policies used in the preparation of the Special Purpose Consolidated Financial Statements are the same as those used for the preparation of the audited consolidated financial statements of the Group for the year ended 30 June 2019 and are consistent with the recognition and measurement criteria of International Financial Reporting Standards, except for the adoption of IFRS 16 *Leases*.

The directors are responsible for the Special Purpose Consolidated Financial Statements and for the correct extraction of the Financial Statement Captions presented below.

Ten months ended 30 April 2020

- revenue R1.14 billion;
- total salaries R347.7 million;
- interest expenses R72.8 million;
- interest expenses - leases R96.1 million;
- depreciation R110.8 million;
- depreciation - leases R79.5 million;
- impairments of property, plant and equipment and right-of-use assets R488.4 million

Year ended 30 June 2020

- revenue R1.16 billion being a decrease of 25% compared to R1.55 billion for YE2019;
- total salaries R385.3 million being a decrease of 5% compared to R404.1 million for YE2019;
- interest expenses R87.0 million being an increase of 45% compared to R59.8 million for YE2019;
- interest expense - leases R117.2 million compared to R nil for YE2019;
- depreciation R131.2 million being an increase of 12% compared to R117.5 million for YE2019;
- depreciation - leases R92.3 million compared to R nil for YE2019;
- impairments of property, plant and equipment and right-of-use assets R488.4 million compared to R nil for YE2019;

The Financial Statement Captions are prior to the application of any proceeds from the Rights Offer as announced on 22 June 2020.

The financial information presented above relating to YE2019 has been extracted from the audited annual financial statements for that period which are available, together with the related unmodified audit opinion at: www.clhg.com.

The Special Purpose Consolidated Financial Statements, from which the Financial Statement Captions have been extracted, and KPMG Inc.'s related unmodified special purpose review opinion, may further be obtained from the Company Secretary at mvanheerden@clhg.com.

Results announcement

Shareholders are advised that the Estimated Financial Information on which this trading statement is based has not been reviewed or reported on by the Company's auditors. City Lodge's results for the year ended 30 June 2020 will be released on SENS on or about 27 August 2020.

24 July 2020
Bryanston

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