City Lodge Hotels Limited
Incorporated in the Republic of South Africa
Registration number: 1986/002864/06
Share code: CLH ISIN: ZAE 000117792
("City Lodge" or the "company" or the "group")

REVIEWED GROUP PRELIMINARY RESULTS
for the year ended 30 June 2020

Highlights
- Revenue R1,16bn
  2019: R1,55bn (-25%)

- Earnings per share ("EPS") -1 329,4c
  2019: 562,0c (-337%)

- Headline earnings per share ("HEPS") -388,1c
  2019: 561,7c (-169%)

- Normalised diluted headline EPS -181,1c
  2019: 613,4c (-130%)

- Normalised diluted headline EPS excluding IFRS -26,3c
  2019: 613,4c (-104%)

- Dividend declared per share 153,0c
  2019: 366,0c (-58%)

Commentary
The group recently celebrated its 35th anniversary in August, which is 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. In contrast, this year has also 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.

Average occupancies for the group in the 12 months to 30 June 2020, declined from 55% in the previous financial year to 38%. In South Africa, occupancies decreased from 58% in the previous financial year to 41%, which is a further 16 percentage point decline from the occupancy for the six months to 31 December 2019. The operating environment in South Africa was impacted by persistent negative growth, and low business and consumer confidence, which contributed to the Moody's rating agency downgrade of South Africa to 'Junk' status in late March and to marginally lower occupancy levels in the first three quarters of the financial year. However, the restricted operational and economic environment arising from the COVID-19 pandemic, and following the declaration of the National State of Disaster on 15 March 2020, had a significant adverse impact on the group's results for the year ended 30 June 2020.

The impact of the COVID-19 pandemic on the group's business and results of operations generally increased in magnitude and severity following the commencement of strict lockdown protocols in South Africa on 27 March 2020. Similar lockdown protocols were followed shortly thereafter in the other African countries where the group operates. These measures resulted in the temporary closure of almost all of the group's 62 hotels, except for those hotels which remained open on a limited basis providing quarantine facilities to repatriated citizens, and hotels providing support to government authorities and essential and critical business continuity services. The easing of lockdown measures has resulted in the gradual re-opening of approximately 32 hotels across South Africa and rest of Africa operations based on demand.

Total revenue decreased by 25% to R1,16 billion, while operating costs excluding depreciation decreased by 24%. Excluding the implementation of IFRS 16 Leases, the reported operating costs decreased by 11%. The operating cost reductions are 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%.

The group incurred a net loss of R486,6 million (2019: profit of R205,5 million). This is primarily due to exceptional losses of R344,6 million (2019: Rnil), 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 R47,1 million (2019: Rnil) together with the recognition of IFRS 16 Leases interest expense, and depreciation net of previously recognised lease expenses of R67,4 million, net of tax, contributed to the loss. The impairments are due to management's assessment of the negative impact of COVID-19 on forecast cash flows generated by the underlying hotels and increased risk assessments that had a material impact on discount rates applied across the portfolio.

Normalised headline earnings decreased by 130% to a loss of R78,8 million, and excluding the effects of IFRS 16 Leases normalised headline earnings decreased by 104% to a loss of R11,4 million. 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.

Normalised information is the responsibility of the directors of City Lodge and has been provided for illustrative purposes only. Because of their nature, normalised HEPS usually differ from the group's HEPS.

Development activity

South Africa

Construction at Courtyard Hotel Waterfall City resumed following lockdown and is progressing well. We anticipate a four-month delay compared to original pre-COVID 19 estimates, with an anticipated opening of all 168 rooms in March/April 2021.

Southern Africa

The 148-room City Lodge Hotel Maputo opened its first 68 rooms in the second week of February, with a further 54 rooms becoming available in March. The completion of the remaining rooms has been put on hold due to the impact of lockdown on trading operations. The completion of City Lodge Hotel Maputo will bring to an end the current phase of the group's targeted expansion strategy in Southern and East Africa.

On completion of Courtyard Hotel Waterfall City and City Lodge Hotel Maputo, the group will offer 8 070 rooms at 63 hotels.

Dividend

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.

Outlook

With the continued support of our shareholders, City Lodge has successfully raised proceeds of R1,2 billion 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 COVID-19 pandemic.

The board intends to use the net proceeds of the rights offer to repay a portion of amounts owing under its secured facilities, retain on deposit an amount equal to, and set aside for the settlement of, the company's guarantee of the BEE interest-bearing borrowings and the BEE preference shares and accrued dividends liability to settlement date, and to improve liquidity, including to ensure that the group is well positioned from a working capital perspective to fully resume operations as lockdown measures relating to the COVID-19 pandemic are relaxed. The proceeds are expected to support the working capital requirements until the group reaches breakeven EBITDA levels, which are anticipated to be in the last quarter of the 2021 financial year.

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 the South Africa moving to lockdown level 2 from mid-August. Occupancies based on the trading hotels are approximately double the total inventory percentages.

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.

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. #Welcomeback.

Review report of the independent auditor
The condensed consolidated financial statements for the year ended 30 June 2020 have been reviewed by KPMG Inc., who have expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's website.

Additional information
This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement and the auditor's review conclusion are available on the company's website www.clhg.com. The full announcement can also be accessed directly using the following JSE link: https://senspdf.jse.co.za/documents/2020/jse/isse/CLH/ye2020.pdf. Any investment decision should be based on the full announcement published on SENS and on the company's website.

For and on behalf of the board

Bulelani Ngcuka	Andrew Widegger
Chairman	Chief executive officer

2 September 2020

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Sponsor
Nedbank Corporate and Investment Banking

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For additional information go to: www.clhg.com