

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

REVIEWED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 MARCH 2020

For purposes of enhancing financial disclosure in the context of its rights offer ("the Rights Offer"), the Group has provided the reviewed financial information for the nine months ended 31 March 2020 prior to the publication of the Rights Offer circular on 3 August 2020.

		Nine months ended 31 March 2020 (Reviewed)	Nine months ended 31 March 2019 (Unaudited)	% Change
Revenue	R'000s	1,130,763	1,178,624	(4.1)
EBITDA	R'000s	443,036	383,865	15.4
(Loss)/Profit for the period	R'000s	(315,806)	172,086	(283.5)
Basic earnings per share	cents	(862.7)	470.5	(283.4)
Headline earnings per share (HEPS)	cents	78.5	470.5	(83.3)
Normalised HEPS	cents	181.3	492.3	(63.2)
Normalised HEPS excluding IFRS 16 Leases	cents	297.3	492.3	(39.6)

Review of Operations

The restricted operational and economic environment arising from the COVID-19 pandemic had an adverse impact on the Group's results towards the end of the nine months ended 31 March 2020, and increasingly so 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 31 March 2020 as conditions worsened due to the implementation of lockdown measures, both domestically and internationally. Occupancy for the Group's hotels in South Africa for the nine months ended 31 March 2020 was 52.7% down from 59.0% for the nine months ended 31 March 2019. Occupancy reduced to 16.7% in the second half of March 2020, following the declaration of a national state of disaster in South Africa on 15 March 2020. Average occupancy for the Group for the nine months ended 31 March 2020 was 50.0%, down from 56.6% for the nine months ended 31 March 2019.

The Group has incurred a net loss for the nine months ended 31 March 2020 of R315.8 million (31 March 2019: profit of R172.1 million) primarily due to exceptional losses of R344.6 million (2019: R nil) net of tax related to the impairment of property, plant and equipment and right-of-use assets of some hotels, together with the impairment of deferred tax assets of R47.1 million (2019: R nil), and the recognition of IFRS 16 Leases interest expense and depreciation net of previously recognised lease expenses of R50.5 million, net of tax. 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 have had a material impact on discount rates applied across the portfolio.

Total revenue decreased by 4.1% to R1,130.8 million due to the challenging operating environment impacted by persistent low levels of economic growth and business and consumer confidence throughout the year, further compounded by the impact of COVID-19 on operations at the end of the nine month period.

Due to the implementation of IFRS 16 Leases, reported operating costs decreased by 14.0%. Excluding the effects of IFRS 16 normalised operating costs decreased by 1.5% and the EBITDA margin decreased by one percentage point to 31.4%.

Depreciation and amortisation on owned assets increased by 14.0%, while a depreciation charge for right-of-use assets of R73.0 million was raised for the first time. Interest income increased by R0.8 million and the interest expense rose by R21.5 million to R23.1 million as a result of lower borrowing costs being capitalised as the construction of new hotels came to an end. An interest expense - leases of R85.4 million has now been raised in relation to the lease liabilities.

Normalised HEPS decreased by 63.2% to 181.3 cents. Excluding the effects of IFRS 16, normalised HEPS decreased by 39.6% to 297.3 cents.

Normalised HEPS are the responsibility of the directors of City Lodge and have been provided for illustrative purposes only. Because of their nature, normalised HEPS usually differ from the Group's HEPS.

These condensed consolidated financial statements for the nine months ended 31 March 2020 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion, which included the following emphasis of matter paragraph in respect of the material uncertainty relating to going concern. “We draw attention to the note 15 to the condensed consolidated financial statements, (relating to going concern) which indicates that the group (defined as the parent entity (City Lodge Hotels Limited) and all its subsidiaries) incurred a loss of R315,806 thousand for the nine months ended 31 March 2020 and as of that date the group’s current liabilities exceeded its current assets by R751,028 thousand. Should the rights offer not be successful as set out in note 15, these events and conditions indicate that a material uncertainty exists that could cast significant doubt on the group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter”.

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 Company’s registered office.

This short-form announcement is the responsibility of the directors of City Lodge.

The full announcement and the auditor’s review conclusion is 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/March20.pdf>.

The full announcement is available from the Company Secretary at no charge, by request via email at: mvanheerden@clhg.com from Thursday, 30 July 2020.

Any investment decision should be based on the full announcement available on the company’s website.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Andrew Widegger
Chief executive officer

Johannesburg
30 July 2020