

# City Lodge Hotels' robust annual results signal a resounding recovery

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City Lodge Hotels' (CLH) reviewed provisional condensed consolidated [results for the year to 30 June 2023](#) show an impressive recovery in occupancies, average room rates, and revenue post the Covid-19 pandemic and the severe effects of the lockdown on the hospitality and tourism industries.

## Highlights

	2023	2022
Revenue	R1.7bn	R1.1bn
Group occupancies	56%	38%
EBITDAR	R556mm	R303mm
Return on equity	16%	9%
Profit for the year	R164m	R82m
Earnings per share (diluted)	28.6c	14.3c
Headline earnings / (loss) per share (diluted)	30.3c	(8.6c)
Dividends	Final: 8c Interim: 5c	Nil

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.



*Andrew Widegger, chief executive officer*



*Dhanisha Nathoo, chief financial officer*

“We are now seeing our recovery playing out,” confirms Andrew Widegger, chief executive officer. “We expect this growth trajectory to continue as it rolls out several significant developments aimed at boosting the bottom line by enhancing the guest experience. Our drive is reflected in our new group slogan: ‘Life is hard. Check into easy.’”

## Financial review

Dhanisha Nathoo, chief financial officer, shares the good news, “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 volume, 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% to R189.6 million (2022: R125.0 million) and R124.8 million (2022: R74.4 million), respectively, and are driven by the increased volumes. 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 prolonged 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.

Dhanisha says, “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 receipt of the proceeds from the sale of the East Africa operations in July 2022 of R479.4 million, and the cash generated by operations of R539.5 million (2022: R265.8 million), enabled the group to repay R300.0 million of its total R600.0 million interest-bearing borrowings facilities during the year. 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 8c per share (2022: Nil).



*Artist impression of new guest rooms at City Lodge Hotel V&A Waterfront*

## Strategic developments

“The improved trading performance has allowed the group to once again focus on the value generated from its well-equipped and optimally positioned portfolio of hotels, which enable us to deliver exceptional service and an easy and seamless experience to our guests,” notes Andrew.

“As a consequence of our now robust financial position, our refurbishment programmes have recommenced to ensure our products are always in tip-top condition,” he explains.

During the past year, City Lodge Hotel at OR Tambo International Airport successfully completed its kitchen extension including equipment installation in September 2022, and now offers food and beverage solutions to guests 24-hours a day. Road Lodge Richards Bay completed its room and commercial area refresh and modernisation in April 2023. A major revamp is currently underway at the 207-room City Lodge Hotel V&A Waterfront, which includes a complete renovation and refurbishment of the bedrooms, and commercial area. Courtyard Hotel Waterfall City completed the fit-out of the remaining four floors in mid-December 2022.

These developments are complemented by CLH's continued focus on meeting and exceeding the needs of travellers, who demand an uncomplicated and easy life, during these challenging times. The food and beverage offerings are constantly being enhanced, and now includes new and improved menus at City Lodge Hotel and Courtyard Hotel brands, ordered using efficient point-of-sale devices, and delivered using state-of-the-art kitchen equipment. These meals are complemented by new cocktail and snack menus, affording the group an opportunity to earn more of the guest spend.

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, CLH has renewed its support and investment in transformation initiatives within its 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,” explains Dhanisha.

Sustainable and resilient environmental business operations are an imperative, and the group is responding to this need through the expansion of the group’s 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 month to date up to 7 September of 64%, and looks to continue well into the summer season and the remainder of the financial year.

Andrew says in summary, “The group and hotel positioning and brand messaging are being refreshed, tapping into the slogan: ‘Life is hard. Check into easy.’ The aim is to stand out from the crowd and strengthen top-of-mind awareness, positioning ourselves for a new generation of business and leisure travellers.”

[Annual Financial Statements for the year ended 30 June 2023](#)

[Results Presentation for the year ended 30 June 2023](#)

- ° **City Lodge Hotels' Clifford Ross inducted into Fedhasa Hall of Fame** 15 May 2024
- ° **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

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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](http://www.clhg.com) for more information.

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