BIZCOMMUNITY

City Lodge posts interim results, progress on four new hotels

Announcing its interim results for the six months to December 31, 2016, City Lodge is making significant progress with the development of three new hotels in Nairobi (Kenya), Dar es Salaam (Tanzania) and Windhoek (Namibia), and has begun the development of a 148-room City Lodge Hotel in Maputo, Mozambique.

Image Source: City Lodge Hotel Group

Contractors began work on the City Lodge Hotel Maputo site in late January and the hotel is expected to open in the second quarter of 2018. It said the 172-room City Lodge Hotel Two Rivers in Nairobi is expected to be completed in the third quarter of 2017, the 147-room City Lodge Hotel Dar es Salaam is scheduled to open its first rooms towards the end of the fourth quarter of 2017, and the 147-room Town Lodge Windhoek is on track to open in the third quarter of 2017.

These four hotels are part of the City Lodge Hotel Group's targeted expansion programme in East and Southern Africa which will see the number of hotels in the group rise to 61 in 2018 from the current level of 57 with the total number of rooms in South Africa, Botswana, Kenya, Tanzania, Namibia and Mozambique increasing to 7,686 from the current level of 7,072.

The group reported an average occupancy rate of 66% for the first half of its 2017 financial year, down from 69% in the previous corresponding period. This was mainly due to low business and consumer confidence in South Africa where the group has 54 hotels. Occupancies in Botswana were on a par with the previous year and Kenyan operations achieved slightly higher occupancies.

Total group revenue rose by 5% to R791.3 million, benefitting from an inflationary increase in room rates and first-time contributions from the 90-room Road Lodge Pietermaritzburg and the 148-room City Lodge Hotel Newtown. Operating costs were again well contained with normalised operating costs increasing by 7%.

Normalised profit before tax increased by 3.7% to R275.2 million while normalised headline earnings grew by 1.5% to R197.1 million as a result of a slightly higher effective tax rate. Fully diluted normalised headline earnings per share increased by 1.6% to 454 cents. A gross interim dividend of 272 cents was declared, in line with the policy of paying out 60% of normalised earnings.

Chief executive Clifford Ross said trading in the first six weeks of calendar 2017 has been “mixed”, making it difficult to ascertain an outlook for the second half of the financial year. “Stronger economic growth and improved business and consumer confidence would be catalysts for a stronger performance by the group,” said Ross.