

City Lodge Hotel Group announces interim results reflective of pandemic

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- Revenue: R215,6m; 2019: R809,3m (-73%)
- Group occupancies - all hotels: 17% (-37%); 2019: 54%
- Group occupancies - open hotels: 27%
- Flagship Courtyard Hotel Waterfall City opens 1 March 2021
- Courtyard Hotel Rosebank refurbishes
- Technology further streamlines contactless operations

The JSE-listed City Lodge Hotel Group has announced its [unaudited interim results](#) for the six months ended 31 December 2020, reflecting the sweeping effects of the coronavirus pandemic. However, during this time the group has notched up [several notable achievements](#). The opening of Courtyard Hotel Waterfall City next week is a significant date in the group's calendar. On completion of this hotel, the group will offer 8,070 rooms at 63 hotels in six countries. The 83-room Courtyard Hotel Rosebank has undergone a revamp. Technological advances to ensure the ongoing safety of guests are well underway, and the group's sustainability journey continues.

Nevertheless, the group is counting the cost of the nearly 12 months of the **Covid-19 pandemic and associated lockdown** measures by governments across the world, which has had a devastating impact on individuals and economies. The industries worst affected by these measures have been the travel and hospitality industries. These interim results reflect the continued challenges faced by the industry through prolonged lockdown measures and the impact of reduced travel confidence due to the uncertainty of further infection waves and subsequent lockdown measures to control the spread of infections.

The group has seen a **steady improvement in occupancies** since the last quarter of the 2020 financial year, which ended on 4% for the quarter, when almost all hotels were temporarily suspended of services, except for those hotels providing quarantine facilities to repatriated citizens, and essential and critical business continuity services. As South Africa progressed to the lockdown Level 1 - Risk Adjusted Strategy (RAS) by September and domestic and eventually international travel restrictions eased, the group's occupancies gradually improved to 28% and 27% occupancies of the total inventory at all 62 hotels in November and December, respectively, and 35% and 34% of total available rooms at open hotels in November and December respectively. The group continues to review demand when assessing whether to reopen hotels and to date has **42 hotels open in South Africa and four hotels open in the rest of Africa**, i.e. 74% of the hotels in its portfolio.

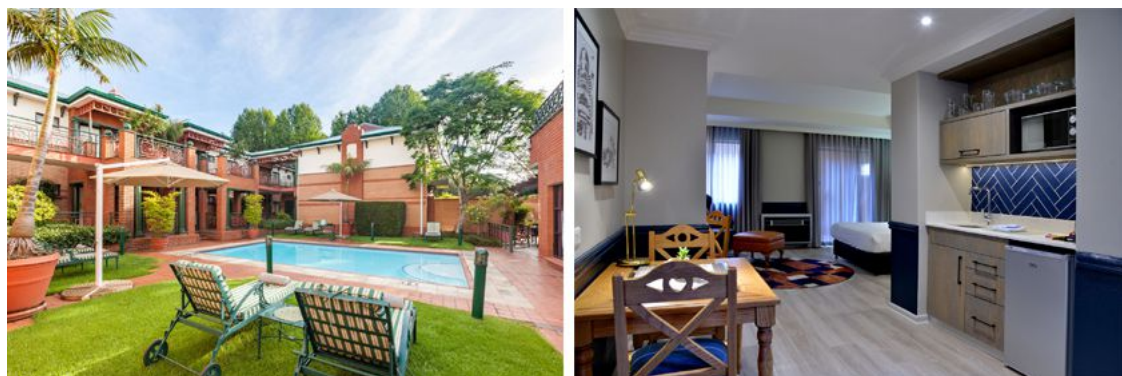


These challenges resulted in **average occupancies** of 17% for the group for the six months to 31 December 2020, a 37% decline compared to 54% in the previous financial period. In South Africa, where the group has the majority of its hotels, occupancies decreased from 57% in the previous financial year to 18%, and 29% based on open hotels only.

Total revenue decreased by 73% to R215.6 million, while **operating costs**, excluding depreciation and amortisation, decreased by 34%, and by 48% excluding unrealised foreign exchange losses on intercompany loans. The operating cost

reductions were mainly due to the cost containment measures put in place from April 2020, to mitigate the extent of the losses arising from minimal revenues.

The group incurred a **net loss after tax** of R550.4 million (2019: profit of R46.3 million) which includes exceptional losses of R290.9 million (2019: Rnil), net of tax, related to the impairment of property, plant and equipment along with right-of-use assets of some hotels. This is primarily due to the impact of the Covid-19 pandemic and the prolonged lockdown measures and travel restrictions enforced by governments to control the spread of the virus. The additional impairments for the period are based on management's assessment of the **extremely slow recovery of business and international leisure travel and tourism in East Africa**. The hospitality industry there is highly dependent on the North American and European source markets which have been the worst impacted by the Covid-19 pandemic, and the second wave of infections has delayed any short-term recovery prospects.



Normalised headline earnings decreased by 399% to a loss of R240,6 million. **Diluted and undiluted normalised HEPS decreased** by 129% to a loss of 54.2 cents.

The group's chief financial officer Dhanisha Nathoo notes that during the year, City Lodge successfully raised proceeds of R1,2 billion through a **fully subscribed rights offer** which closed on 21 August 2020. The net proceeds of the rights offer have been used to repay a portion of amounts owing under its secured facilities and settlement of the company's guarantee of the BEE SPV's interest-bearing borrowings, preference shares and accrued interest and dividends totalling R764,5 million, as at 14 December 2020. The remaining funds have been utilised to improve liquidity and support the working capital requirements of the group during the Covid-19 pandemic.

The group has also secured access to a R700 million loan facility with the group's funders of which R170 million remains undrawn as at the end of December 2020, and secured a waiver of the debt covenants for the June 2021 measurement period.

Lindiwe Sangweni-Siddo, chief operating officer, says that in terms of **development in South Africa**, directors and management are excited to open the new Courtyard Hotel Waterfall City, the group's 63rd hotel, on 1 March 2021. The new flagship of the Courtyard brand, which is located in the lively and vibrant Waterfall City in Midrand, marks a significant milestone in hotel design and development. It features the latest technological innovation, state-of-the-art conference facilities and a full culinary team preparing delectable cuisine.

The hotel will open initially with all restaurants, 100-seater conference centre, gym, co-meeting areas, 84 bedrooms and four suites, with the remaining floors and 80 rooms opening in phases during the next few months according to demand. The property is to receive a four-star Green Building Council SA certification that validates the sustainability initiatives implemented during the design, construction and procurement phase.

The Courtyard Rosebank refurbishment was completed in December 2020, ready to welcome guests to its reopening of the refreshed, eclectic and trendy rooms in January 2021.

All other pipeline developments have been put on hold due to the cash constraints resulting from the pandemic.

Further sustainability steps include the all new, **environmentally friendly amenities** range launched in July 2020 means **no more single-use plastic** in the guest rooms. From shampoo “Zero” bars to shower caps made from corn starch, each of the new amenities has been reformulated, and are now packaged in Forest Stewardship Council-certified **recyclable cardboard packaging**. In total, that's an estimated 2.1 million units less of plastic in South Africa's landfills each year.

Strategic opportunities in East Africa include the board receiving an unsolicited non-binding approach for the proposed acquisition of City Lodge's East African operations, comprising of its four hotels situated in Kenya and Tanzania. The board is in the advanced stages of negotiating the potential disposal.

Looking ahead, the second wave of infections and the return to lockdown adjusted Level 3 RAS in December has impacted the steady occupancy growth observed in the last quarter of 2020. January 2021 occupancy expectations were underwhelming due to some travel demand impediments in South Africa, as a result of the lockdown adjusted Level 3 beach closures, curfews and alcohol restrictions. However, with the further easing of some of these lockdown measures in late January, and the drop in new infections, February occupancies have seen a steady improvement.

Andrew Widegger, CEO, comments, “While we anticipate a slow recovery of the hospitality sector, we are encouraged that vaccination roll-out programmes across the world are gaining momentum. South Africa has recently begun its vaccination programme. These actions are expected to lead to improved travel confidence and boost the recovery of the sector.”

He concludes, “The group has embraced the need to innovate and create a safer, healthier stay for all guests through its industry-leading hygiene and safety protocols, and the introduction of technology enhancements that reduce direct contact and touch, through the development of the web and app-based online check-in, online Covid-19 pre-screening, and QR code menu and service selection. We remain ready to warmly and safely welcome our guests.”

The latest **special accommodation offers** that give guests more hotel for their money include:

- **WOZA Friday** offers greatly discounted rates all year round when booked on the last Friday of the month.
- **WKND Special** has great rates on offer every weekend for Friday, Saturday and Sunday nights.
- **Valentine's Day** packages were a hit and the upcoming **Easter Special** is expected to be too.
- **#YourPrivateOffice** offering is ideal for those needing a professional space in which to work for the day. Certain rooms have their large workdesks set up conference-style to cater for guests needing to boost productivity. Day guests have access to tea and coffee-making facilities, secure parking, fast and reliable Wi-Fi, air conditioning, and most importantly peace and quiet.

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