

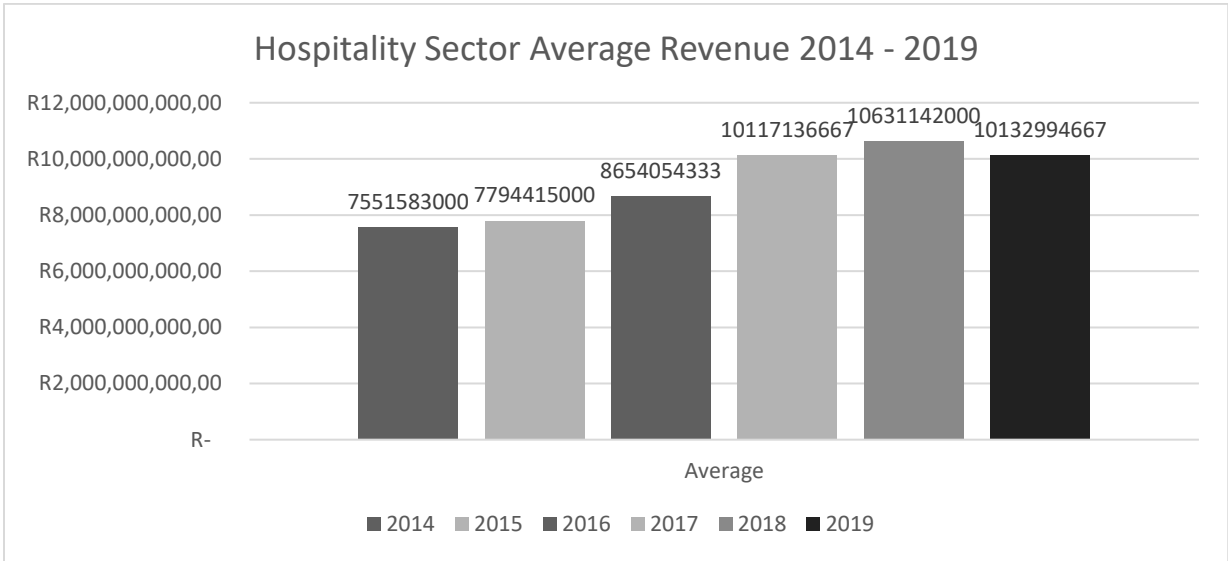
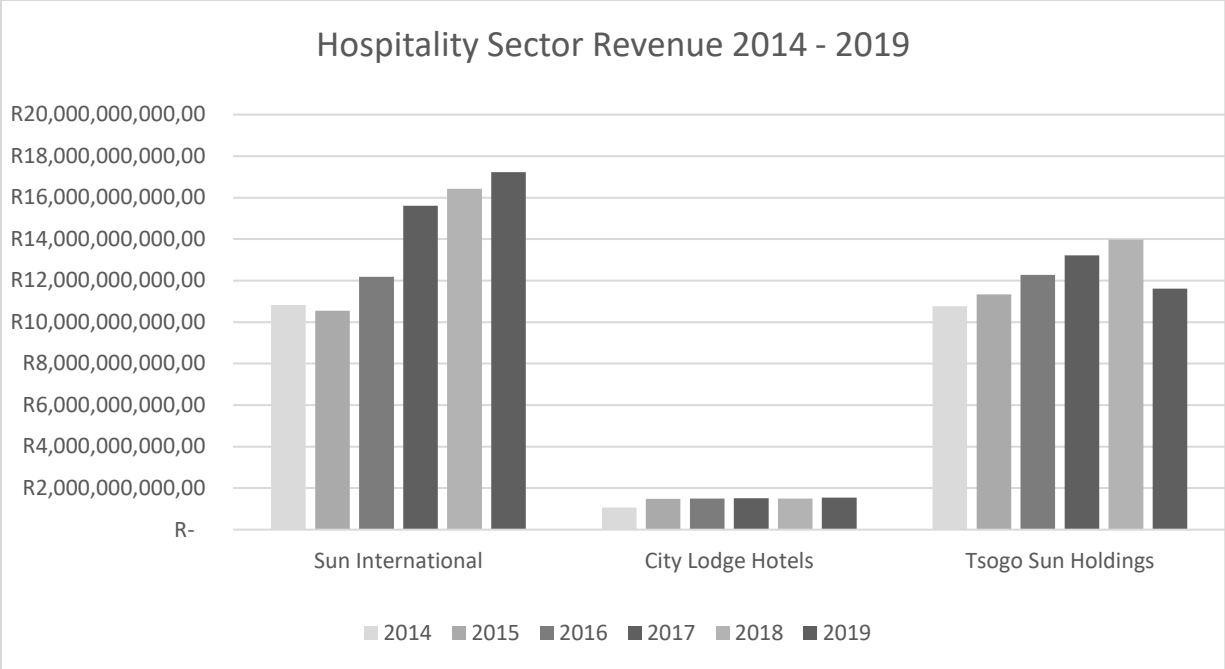
2020 Sector Report: Hospitality

Introduction

This report analyses three companies in the hospitality sector: Sun International City Lodge Hotels and Tsogo Sun Holdings. They are listed on the JSE under the travel and leisure sector.

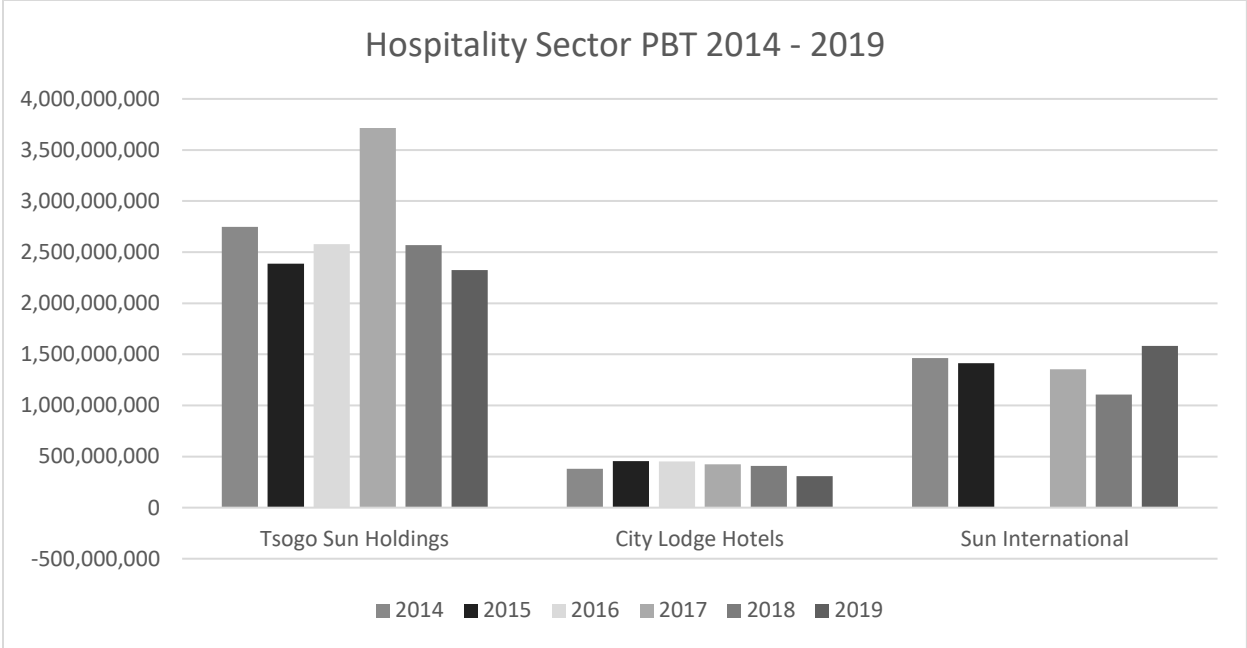
Revenue

Sun International maintained its market lead in the sector generating total revenue of R17,3 billion, simultaneously reporting the highest revenue increase in the sector of 4% from R16,4 billion in 2018. Tsogo Sun Holdings reported the highest decrease in revenue of 16% from R13,9 billion to R11,6 billion. This in turn led to the sector reporting an overall decrease in revenue with the average dropping by 4% from R10,6 billion to R10,1 billion in 2019. City Lodge maintained a steady increase.

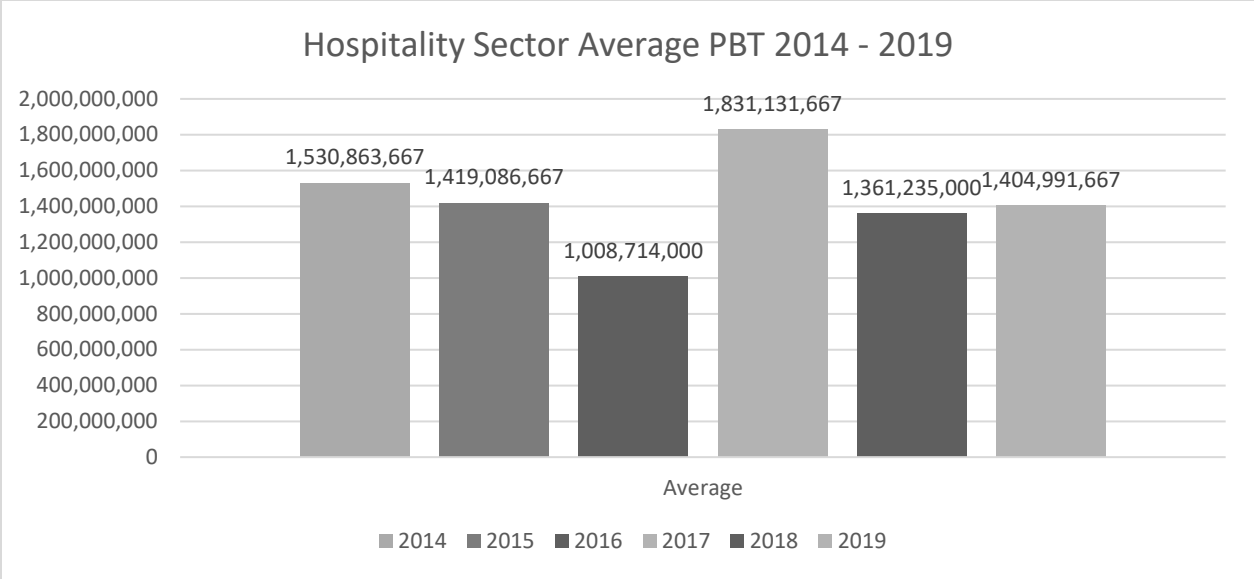


Profit before Tax

Despite not recovering from a decrease in profit in the last two years, Tsogo Sun Holdings continued to record the highest profit in the hospitality sector with a figure of R2,3 billion in 2019 down 9% from the 2018 profit of R2,5 billion.

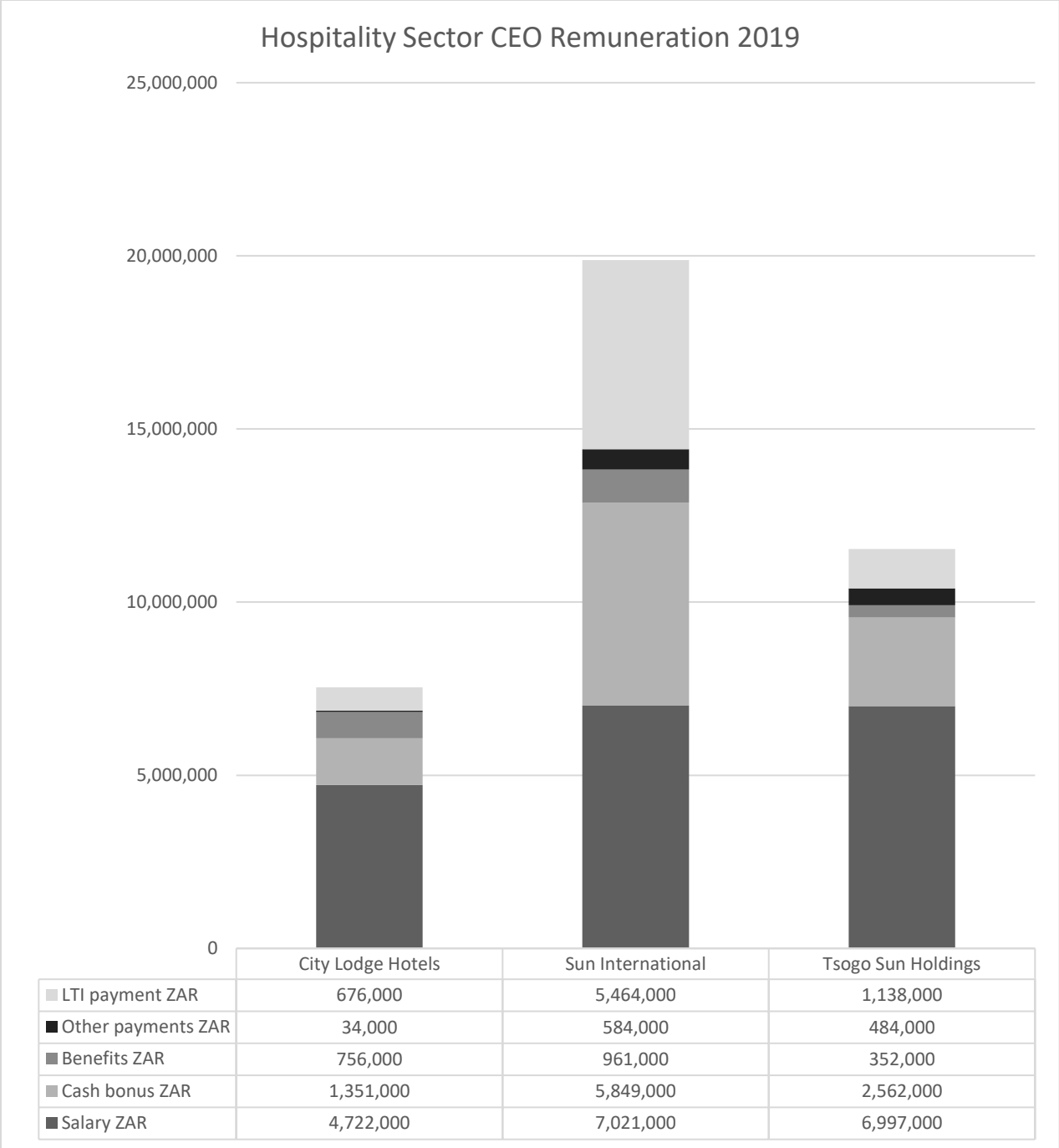


City Lodge Hotels recorded the highest drop in profit of 24% from R407 million to R306 million in 2019 whilst Sun International was the only company in the hospitality sector which reported an increase in profit, significantly a 42% change from R1,1 billion in 2018 to R1,5 billion in 2019. Therefore, despite the decrease in profit by City Lodge Hotels and Tsogo Sun Holdings, the net effect of Sun International’s increase in profit brought the overall average profit of the sector up by 3% in the 2019 financial year to R1,4 billion from R1,3 billion in the previous financial year.

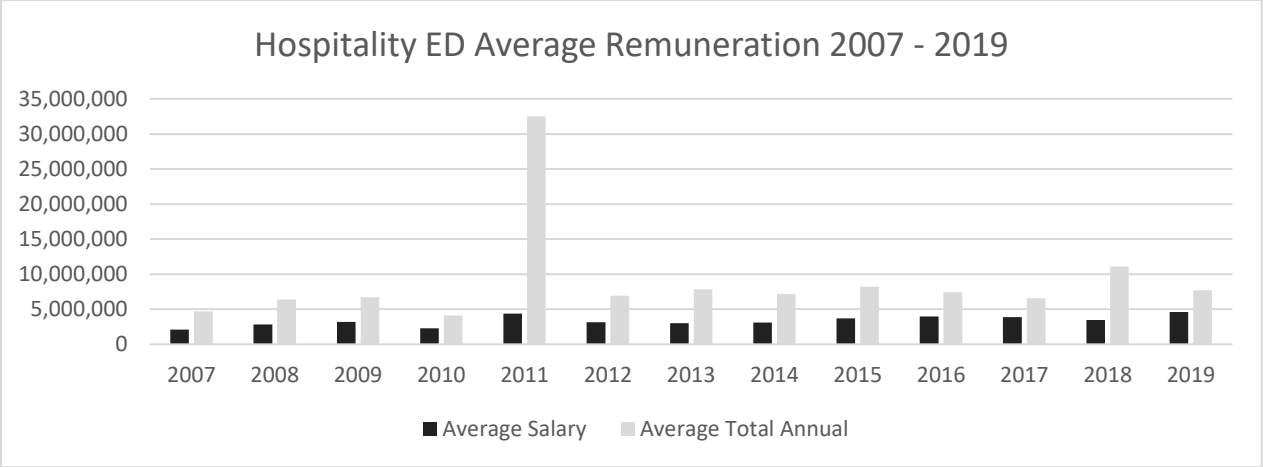


Directors' Remuneration

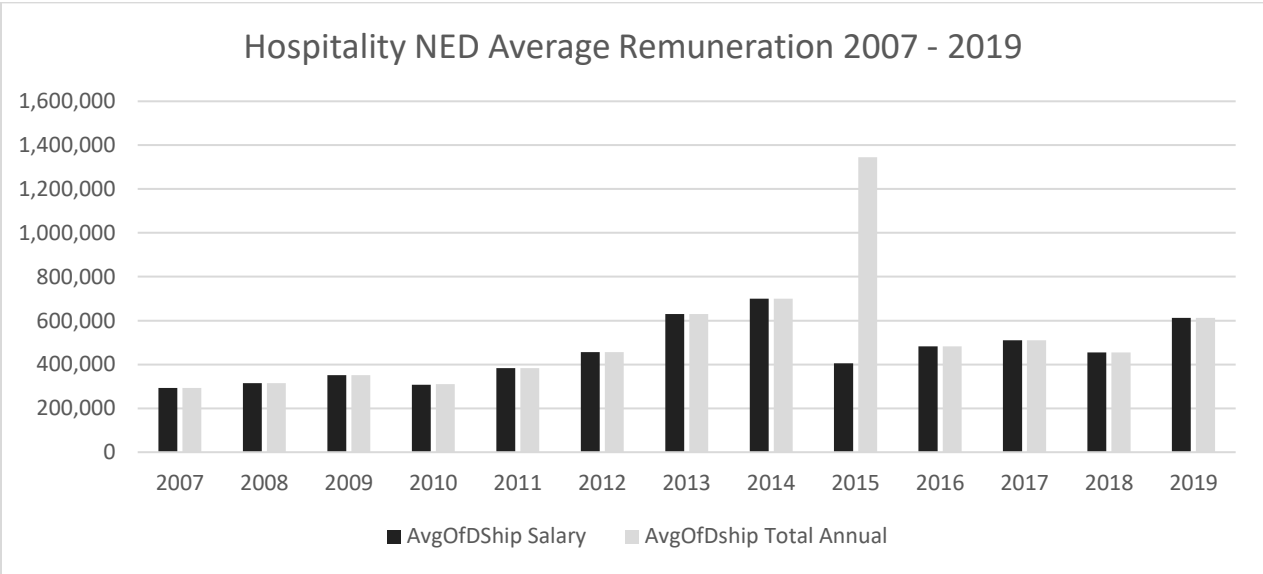
Sun International's CEO Anthony Leeming took home the highest total remuneration in the hospitality sector at R19,8 million. His salary was mostly comprised of a R7 million salary, a cash bonus and long-term incentive payment over R5 million each. Tsogo Sun Holdings' CEO Jacque Booyesen took home R11,7 million, and despite his salary being close to Sun International's annual salary, Tsogo Sun's LTI and cash bonus was significantly lower in the 2019 year.



On average, the salaries of executive directors – seven directors in the hospitality sector - increased by 32%. Total remuneration on the other hand decreased by 30% owing to the fact that in 2018 Tsogo Sun Holdings made LTI payments to directors who resigned.



The remuneration of the 27 non-executive directors in the hospitality sector went up by 34% in the 2019 financial year increasing from R454 714 in 2018 to R612 111 in 2019.



Conclusion

The hospitality industry is intertwined with the broader trends of the travel and tourism industries¹. As a luxury item, the sector is prone to be among the first to suffer the impact of economic setbacks². The sector created more jobs than mining and manufacturing combined in 2017 and has therefore come to assume a position of economic importance.

¹ <https://www.pwc.co.za/en/publications/hospitality-outlook.html>

² <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>.