



ROYAL JOHANNESBURG
EST. 1890

Historic Past | Ambitious Future

The Lodge at Royal Johannesburg

Accommodation, Function Venue & Spa

ANNEXURE A **Special Resolution One (11.1)** **132ND ANNUAL GENERAL MEETING**

To authorise the Board to execute the establishment of the updated/revised joint venture proposal with our property developers (Tricolt), for the creation of a boutique lodge and a function venue as per the below document. Upon member approval, the Board will proceed with the legal agreements.



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Why should Royal Johannesburg commit its' land into a bespoke lodge, function venue and day spa?

The Club does not have any onsite accommodation and requires a unique function venue for events such as wedding ceremonies. We believe this facility would add immense value to both members and guests. It would fit into the Club's development strategy of creating new revenue streams, without selling further land. This plan would differentiate the Club and its' global offering (tourism, golf, events & travel), whilst generating significant non - golf income, on a no capital basis for the Club. The income will assist the Club's operational performance and accelerate growth in the Capital Fund.

A joint venture between the Club and its' trusted property developer, Tricolit (Tim Kloeck), who will together establish a 4 star, bespoke lodge (20 rooms) inside the tree line of the current 18th West hole, together with a 200 seater function venue (indoor/outdoor). The lodge will also be complimented by a day spa, it's own carpark, water and energy.

Tricolit will develop, build and finance the entire project and Royal will lease the land. We have renegotiated the shareholding at 85/15 in favour of Tricolit. The facility would be managed by the Club with minimum resources and economies of scale.

This wonderful facility offering will form part of the Club's identity and will increase the hosting of weddings, functions, conferences, food and beverage, golf rounds, membership and the overall utilisation levels of the Club.



Inspiration

The Lodge at
Pebble Beach, USA



Tubac Resort
Golf & Spa, USA

The Lodge
at Sea Island, USA



The Lodge at
Royal Norwich, UK

The Dormie House
CCJ, SA

The Houghton
Hotel & Spa, SA



The Pearl Valley Hotel
by Mantis, SA

The Fairway Hotel
Randpark, SA



Irene Country Lodge
Venue & Spa, SA

Centurion Golf Suites
SA

Background

With the success of the property developments at Royal Johannesburg, (Brookfield & Royal View), in early 2022, the Club and its' property developers (Tricolt), discussed the vision/opportunity of establishing a boutique lodge, which would be complimented by a function venue (out of play, agricultural land, right of the old 9th hole - West Course).

At the 131st AGM (2022), the members of the Club were conceptually presented the joint venture with our property developers (Tricolt) to progress with the vision. The Club proposed the lodge, including a swimming pool, a function venue and the relocation of the current green (18th West hole - to become a par 4) and on the basis that the Club would own the land and the developer would build the facilities.

The facilities would be managed by the Club, operating costs and performance would be shared in proportion to the contribution (agreed percentage value) of the partnership. The plan would require council approval and construction which would most likely be 4/5 years.

The members did not support the swimming pool nor the changing of the 9th hole (current 18th hole). The Board did however receive member support and approval to advance the discussions, to establish a heads of agreement and then revert back to the membership with a final, revised proposal, for resolution.



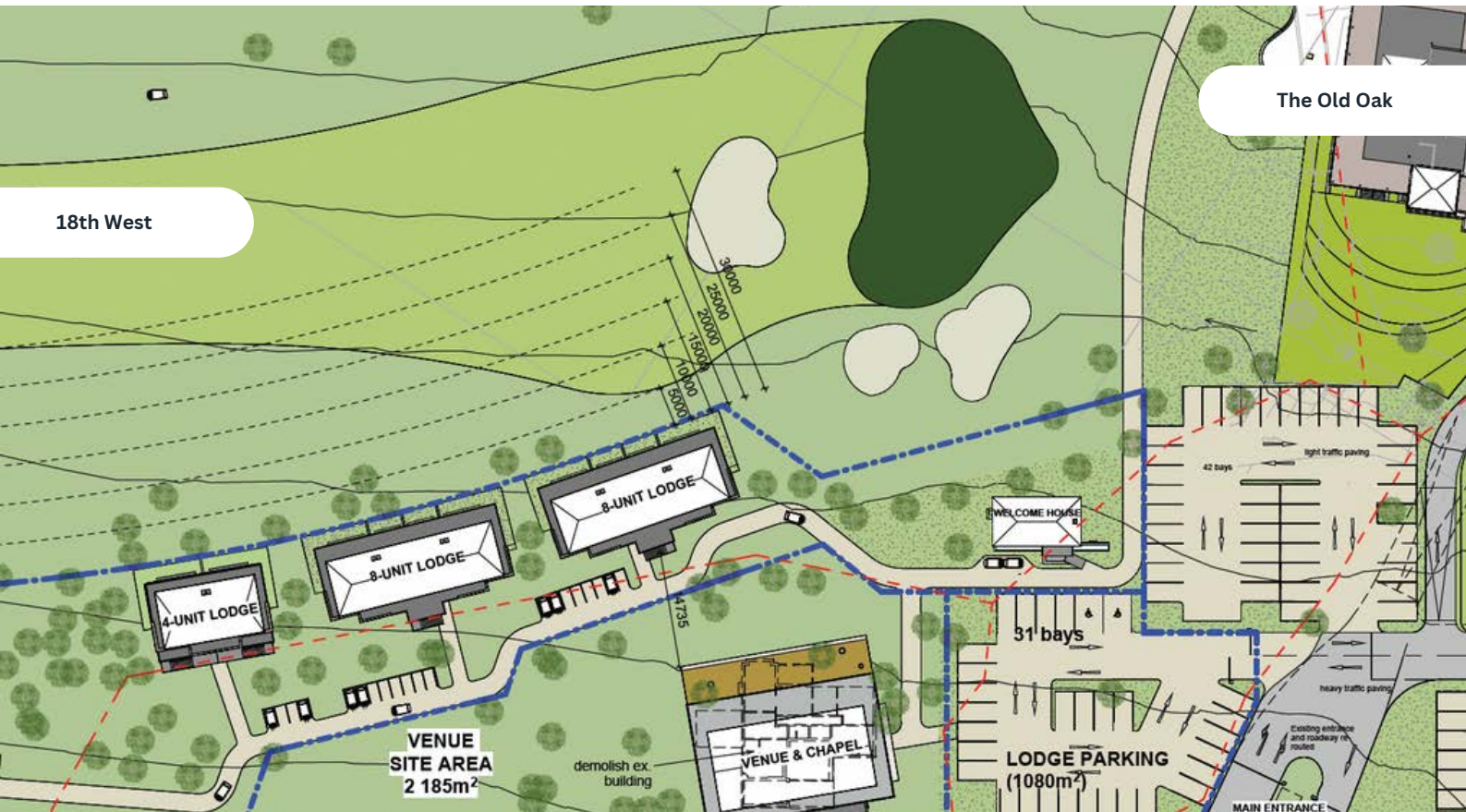
Lodge Entrance



Function Venue



18th West



The Old Oak

Out of play



The Updated Proposal

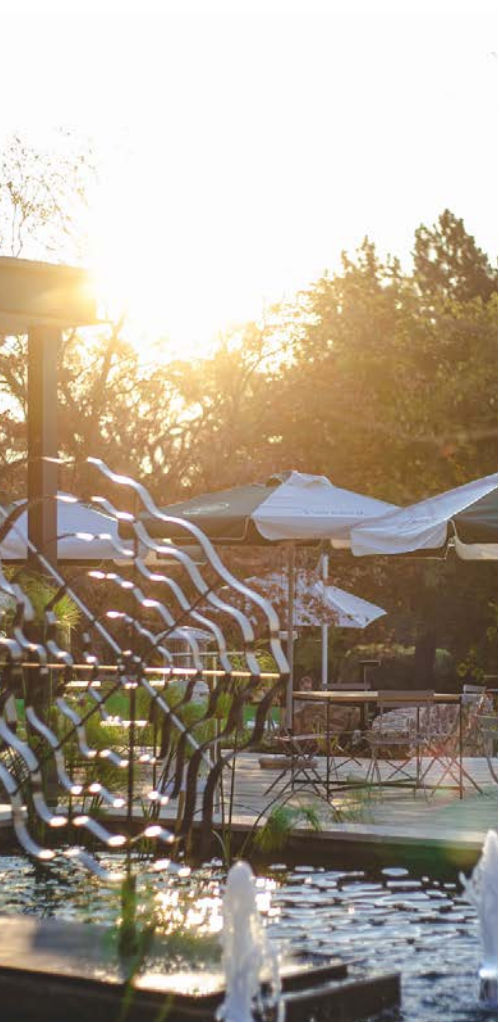
90 Year Lease

Over the past ten months, the Board has listened to the members and worked hard to establish a final proposal. The revised plan was presented to the Past Presidents of the Club and received unanimous support. The Board now seeks to receive final member approval at the 132nd Annual General Meeting.

- We have re - engineered and negotiated further.
- The plan no longer includes a swimming pool.
- The old 9th hole, current 18th West, will not change.
- The Lodge will be out of play and not compromise the golf hole.
- The Lodge will have it's own parking, energy and water backup.
- The partnership is on a no capital basis for the Club.
- Minimum operational resources will be required from the Club.
- We have included a potential day spa offering.
- Members will receive, lodge, spa and function venue discounts.
- The Club has retained all food & beverage rights and profits.
- The Old Oak Restaurant will service the lodge and function venue.
- 50/50 voting rights in the joint venture (minority rights protected).
- The Club has increased it's share in the partnership from 12% to 15%.
- We have negotiated the lease from 99 years to 90 years.
- The Club owns the entire Lodge at the end of the lease.
- Approximate future value of the Lodge at the end of the lease (@2% pa) R300m

Tricolt will invest approximately R45m for an 85% stake in the JV, the Club will commit (lease) the land (2h of agricultural land, valued at R6m) for it's 15% stake in the Joint Venture.

Total Value: R51m



Market Overview

The hospitality industry in South Africa is estimated at USD 1.30 billion in 2023, and is expected to reach USD 1.61 billion by 2028. South Africa is a top tourist destination on the African continent. The hospitality industry in South Africa is emerging, with a rising number of travellers visiting the country for business and leisure purposes.

According to Stats SA, in the ports of entry and exit into and out of South Africa in April 2022, 1,696,851 travelers (arrivals, departures, and transits) passed through South African ports of entry/exit. A comparison of movements in April 2021 and April 2022 shows that the volume of arrivals, departures, and transit travellers increased for South African residents and foreign visitors. Arrivals grew by 145.4% for South African residents (from 117,557 in April 2021 to 288,430 in April 2022). To accommodate rising travellers, the hospitality industry is expanding rapidly in the country and is scoring dynamic key performance indicators. Africa is at around 2.8 million for 2020 and 2.5 million for 2021, far from the 2019 figure of 10.2 million, let alone the projected figures for the two respective years had the pandemic not occurred. Furthermore, the growth of hotel rooms and keys is growing, with an additional 3,500 rooms, which will be added in the coming years. Short-term home rentals like Airbnb have been growing rapidly in the region.

100 000 South Africans are semigrating per quarter and commuting to Johannesburg for work Monday - Friday, which provides a wonderful solution and opportunity. The East of Johannesburg is rapidly changing and becoming the new North. In recent years we have seen significant development in the area and this is expected to continue for the next 15 years.

SWOT Analysis

Strength:

The Club is well established and regarded as one of the finest golfing facilities on the continent. With its strong culture and supportive membership, the Club is renowned for its foresight, wonderful developments, outstanding service and continual growth. The area only includes two commercial hotels worth mentioning, namely the Houghton Hotel (5 Star luxury), St Andrews (4 star business). Occupancy levels over the past two years at these hotels have been; 80% at Houghton Hotel and 65% at St Andrews Hotel. The Club and its facilities are well established and this provides economies of scale and synergy.

Weakness:

We are always critically looking into our business model and some of the weaknesses include no onsite accommodation for members, events, tournaments, tourists etc. The Club has committed to not accessing the Capital Fund and must generate its own surpluses for improvements. The Club is renowned for golf but not onsite lodging. We have for years turned away accommodation requests and will need to change the message. The Club offers no ceremony venue for events such as weddings.

Opportunities:

The Club still has unused, agricultural, out of play land. It is open 7 days a week, 364 days a year - giving us the advantage to leverage on any available opportunity. The Lodge will provide new business, new rounds of golf, new food and beverage sales. It will attract golfing tourists to stay and play at Royal. The opportunity allows Royal to further differentiate the Club in the global offering and generate new income to support the membership and Club. On site accommodation is a wonderful opportunity to attract international events and provide an all encompassing offering. The accommodation model at golf courses is proven to work worldwide. Locally, Houghton Hotel, CCJ (Dormy House), Randpark and Centurion have all seen huge success. The Dormy House at CCJ provides 18 Rooms and generates R3.5m turnover at a 50% occupancy. The Club currently loses out on hosting several weddings due to no ceremony venue.

Threats:

If we delay, we could miss the opportunity with Tricol. It is a unique structure not readily available. Some of the threats that are likely going to continue is the downturn in the economy which is going to affect consumers spending. Council approval and objections will take years. The Club will carry 15% of the benefits and it will also carry 15% risk.

Tricolt

A proven and trusted partnership with Royal Johannesburg over many years.

Tricolt was established in 2010 and they have completed over 4,000 residences with a total end value of more than R6 billion.

The group continues to grow at a steady rate and currently has 8 projects with over 2,000 residences under development across Gauteng, South Africa.

They have developed a trusted relationship in delivering not only quality but exceeding expectations.

Tricolt maintain a considered, measured approach to every project underpinned by strict acquisition criteria. There is no compromise on the quality of each location or access to amenity.

Tricolt is already heavily invested in the success of Royal Johannesburg (long term).



The Lodge

The Lodge at Royal Johannesburg will offer 20 luxurious rooms (phase 1), a day spa and function venue for members, local and international guests.

The Club will offer its' world class facilities to compliment the lodge stay and generate additional income (usage). Two golf courses, padel, gym, clubhouse (conferencing) and restaurant.

The ethos will be affordable luxury, complimented by personalised service and the historic aura of Royal Johannesburg.

Located in the Linksfield valley, nestled amongst the tree line of the 18th West fairway with magnificent views, this Lodge is the perfect distance from the hustle and bustle of the city, yet in perfect proximity to airports, shops, restaurants and businesses.



Summary of Financial Model

Nett present value

The Joint Venture

Funding Source	Amount
Tricolt (85%)	Capital – R45m
Royal Johannesburg (15%)	Land Value – R6m
TOTAL	R51M

ESTIMATED REVENUE	R9M (PA)
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Facility Budget (after operating costs)	Nett Profit (PA)
Venue hire / booking fees	R1.5m
Lodge occupation at 50% (Avg rate R1800)	R3m
Day Spa	R500k
Total Profit	R5m
Club Share (allocated to Capital Fund)	R750k

Club Budget

Annual Budget (after operating costs)	Nett Profit
Food & Beverage	R1m
Lodge Guests (Rounds & Golf Carts)	R500k
Total	R1.5m

Total Income to Royal

Annual Budget (after operating costs)	Nett Profit
Profit Share (allocated to Capital Fund)	R750k
Operating Income	R1.5m

***Grand Total**

Nett R2.25m

*Equating to 97 full Members of the Club.

CFC R750k
Club R1.5m

Frequently Asked Questions

Q: Will the Club have enough parking?

A: The Lodge will have its own (new) parking.

Q: What will the Lodge look like?

A: The architecture of the Lodge will be a modern take of the Clubhouse and feature many elements to compliment our historic architecture. The look of the Lodge must and will add value to the golf experience.

Q: This is a very long lease?

A: The proposal originally started at 99 years but we have renegotiated the lease to 90 years (as per bank approval). The Club is further pleased to confirm that it will take full ownership of the lodge at the end of the lease.

Q: Will the Lodge have its own energy and water back ups?

A: The Lodge will be developed as a self sustainable facility and where logical, will have economies of scale with the Club.

Q: Does the Club need to do this?

A: It is a wonderful and unique opportunity. Over the past couple of year's the Club's strategy has been to create new revenue streams (non-golf income) to circumvent the macro and micro challenges we face today (load shedding, Rand/Dollar machinery, the economy etc). The Club has made a commitment to fund its own capex and not draw down from the Capital Fund. We are aiming to be in a position to contribute to the growth of the fund, be in control of our own destiny and ensure we can handle the headwinds of the future, like climate change.

The Board has proactively identified non golf income streams to limit the future cost of golf for our members.

Q: Should we be going to market or tender the Lodge opportunity?

A: On the back of our very successful developments at Royal (by Tricolt) (Brookfield at Royal, Royal View, the Old Oak Restaurant and Royal Retreat Fitness and wellness Club), we have developed a trusted and proven partnership over many years. The Club approached Tricolt with the concept and together we established this unique opportunity.

We have informally enquired with other developers if they would be interested in this structure. The companies to whom we have spoken to have declined to pursue this long term model.

Q: How will the profits from the Lodge be allocated?

A: The new operational income will go directly into Club operations - estimated at R1.5m (occupation at 50%).

Despite the pandemic and having fully refurbished both our golf courses, the Capital Fund has been restored to a satisfactory level, with a current value of R16m.

With the re-engineering of the Club's business model over the past 5 years it is not anticipated that the Capital Fund will be accessed to service losses or capex for items such as course machinery which are now leased. Therefore, the direct profit share of 15% from the Joint Venture will be directed to the Capital Fund annually. This will accelerate the growth of the fund over time, together with the investments returns.

Closing

The proposed Lodge would provide overnight accommodation for members, golfing breaks, holidays, people attending weddings and social events at the clubhouse, together with offering a venue for golf societies and corporate events.

The Lodge would also support the future financial viability of the Club. The concept for this 4 star luxury and private accommodation has been in the works since last year when we recognised the untapped potential of such a development.

The Joint Venture proposal with Tricolts is unique and requires no capital outlay and minimal risk for the Club.

The initiative will further elevate the Club's offerings and create an experience for both golf enthusiasts and travellers seeking accommodation.

Upon member approval, followed by Council, the construction is expected to commence in 2027/28, with the works scheduled to be completed by 2030, This could also coincide/compliment with the Club's 140th anniversary.

www.royaljhb.co.za

www.tricolts.co.za