

Tsogo Sun Hotels Limited
(previously known as Southern Sun Hotels Proprietary Limited)
Incorporated in the Republic of South Africa
Registration Number 2002/006356/06
Share code: TGO ISIN: ZAE000272522
("THL")

ABRIDGED PRE-LISTING STATEMENT OF THL RELATING TO THE LISTING OF THL ON THE MAIN BOARD OF THE JSE LIMITED

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN OR INTO ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION OR REQUIRE FURTHER ACTION FOR SUCH PURPOSE.

1. INTRODUCTION

This announcement should be read together with the announcement released by Tsogo Sun Holdings Limited ("**Tsogo Sun**") on SENS on Thursday, 23 May 2019 in relation to the proposed unbundling ("**Unbundling**") of Tsogo Sun's hotel interests under one holding company (being THL) and the listing of THL ("**Listing**") in the "Hotels" sector on the Main Board of the securities exchange operated by the JSE Limited ("**JSE**").

The information contained in this Abridged Pre-listing Statement ("**Abridged Pre-listing Statement**") has been extracted, in summarised form, from the Pre-listing Statement issued by THL on Thursday, 23 May 2019 ("**Pre-listing Statement**"). This Abridged Pre-listing Statement is not a complete Pre-listing Statement and does not contain all the information that investors should consider in relation to the Listing and Unbundling.

This Abridged Pre-listing Statement is not an invitation to subscribe for shares in THL, but is issued in compliance with the Listings Requirements of the JSE ("**Listings Requirements**") for the purpose of providing information to the public with regard to the business and affairs of THL as at the time of the Listing.

Capitalised words and expressions used in this announcement bear the same meaning as the capitalised and defined words and expressions used in the Pre-listing Statement.

2. RATIONALE FOR THE UNBUNDLING AND LISTING OF THL

The hotels division of Tsogo Sun service a different customer base to the casinos division and are subject to different demand and risk profiles, particularly in the regulatory sphere. The Tsogo Sun Board is of the view that the separate listing of hotels and the unbundling of the hotel business to Tsogo Sun Shareholders should unlock value for Tsogo Sun Shareholders.

3. OVERVIEW, STRATEGY AND FINANCIAL INFORMATION

3.1 Overview of THL

THL owns, leases and manages hotels in South Africa as well as several sub-Saharan countries, the Seychelles and Abu Dhabi. The Tsogo Sun Group's 59.2% interest in Hospitality Property Fund Limited ("**HPF**") held by THL will remain owned and consolidated by THL. THL will also hold the Tsogo Sun Group's minority investment in RBH Hotels UK Limited ("**RBH**") and International Hotel Properties Limited ("**IHPL**"), based in the United Kingdom. The hotels that have been developed as part of the various casino complexes owned by the Tsogo Sun Group will remain with Tsogo Sun but will be operated under a management agreement by THL.

The THL Group today consists of a portfolio of 110 hotels of which 98 are internally managed and 12 properties owned by HPF are leased to and operated by third party operators outside of the THL Group, with a combined total of nearly 19,000 rooms.

THL's key investment highlights include:

- a fully integrated business model across the hotels and leisure industries;
- a leading position in South Africa and a selective international presence; and
- a defined growth trajectory through organic portfolio optimisation and innovation, as well as through well thought-out acquisitions in attractive geographies.

3.2 Strategy

The largest potential growth driver for the hotel business is a recovery of economic growth in the economies in which the THL Group operates. This will lead to additional demand for accommodation from business and leisure travellers and the opportunity to meaningfully increase room rates and consequently, EBITDAR performance.

In addition, the THL Group seeks to access new hotel opportunities through a variety of management contracts, new builds (on its own or via joint ventures), primarily within the markets that the THL Group already operates.

3.3 Risks

Whilst hotels are free of the regulatory risks associated with gaming, there are a number of risks prevalent in the industry. The three key risks over and above the economic environment are highlighted below:

- Management contracts and leases introduce an element of security of tenure risk to the THL Group's portfolio. There is no guarantee that contracts will be renewed on similar terms and conditions, if at all. Third-party owners may wish to try alternative operators and many of the international branded groups are seeking a representation in South Africa at almost any cost. The THL Group nonetheless seeks to defend and expand its operations in all relevant markets.
- Administered costs have seen a sustained above-inflation increase over the past number of years. These include property rates and the cost of heat, light and power. Whilst the THL Group has undertaken numerous steps to reduce its electricity and water consumption through employing efficient operating methodologies, the price per unit of these utilities have increased dramatically and are worsened through the requirement to fund generating capacity (diesel generators) during load shedding. Municipalities have come under increasing pressure to raise independent funding and this has led to substantially higher property rates being imposed on the THL Group's portfolio.
- There are low barriers to entry to the hotel market and a number of developers have built hotels that the THL Group believes are unviable. Nevertheless, they get built and this introduces an over-supply situation in various markets from time to time. Whilst these hotels inevitably experience financial distress, the room stock, once built, does not exit the market and it can take a substantial period of time for demand to catch up to supply.

3.4 Selected financial information

The summarised information set out in the tables below have been extracted from the Historical Financial Information of THL and have been reported on by the Company's auditors, PricewaterhouseCoopers Inc. Please refer to Annexure 1 of the Pre-listing Statement for the full information, including a reconciliation of headline earnings and adjusted headline earning.

Summarised statement of profit or loss

| (ZAR'm) | Audited FY2019 | Reviewed FY2018 | Reviewed FY2017 |
|--|-------------------|--------------------|--------------------|
| Revenue | 4 389 | 4 364 | 4 143 |
| Operating profit | 392 | 898 | 1 803 |
| (Loss)/profit before income tax | (10) | 472 | 1 437 |
| Income tax expense | (70) | 188 | (21) |
| (Loss)/profit for the year | (80) | 661 | 1 416 |
| (Loss)/profit attributable to: | | | |
| Equity holders of the company | (98) | 495 | 890 |
| Non-controlling interests | 18 | 166 | 526 |
| Headline earnings | 245 | 592 | 390 |
| Adjusted headline earnings ⁽¹⁾ | 277 | 337 | 369 |
| EBITDAR (pre-exceptional items) | 1 491 | 1 590 | 1 465 |

(1) The pro forma adjusted headline earning for the THL Group is R403 million for the year ended 31 March 2019 as set out in 3.5 below. The total pro forma adjustments amount to R126 million after tax and include a reduction in net finance costs of R134 million, an increase in net corporate recharge costs of R2 million and an increase in net IFRS2 share based payment costs of R6 million.

Summarised statement of financial position

| (ZAR'm) | Audited FY2019 | Reviewed FY2018 | Reviewed FY2017 |
|---|-------------------|--------------------|--------------------|
| Property, plant and equipment | 7 684 | 7 462 | 7 621 |
| Investment properties | 4 881 | 5 101 | 4 843 |
| Goodwill and intangible assets | 404 | 396 | 393 |
| Investment in associates and joint ventures | 608 | 605 | 572 |
| Non-current assets | 99 | 150 | 175 |
| Total assets | 13 676 | 13 714 | 13 604 |
| Net working capital | 295 | 277 | 383 |
| Net interest-bearing borrowings | 2 963 | 2 684 | 3 665 |
| Other non-current liabilities | 488 | 3 343 | 3 590 |
| Total shareholders' equity | 6 990 | 4 202 | 3 407 |
| Non-controlling interests | 2 939 | 3 209 | 2 559 |
| Total equity and liabilities | 13 676 | 13 714 | 13 604 |

The segmental analysis for FY2019, FY2018 and FY 2017

| (ZAR'm) | Income | | | EBITDAR ¹ | | | EBITDAR margin (%) | | |
|--|--------------|-------|-------|----------------------|-------|-------|--------------------|-------|-------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Manco | 289 | 286 | 209 | 155 | 168 | 115 | 53.8 | 58.9 | 55.1 |
| Rental Income - HPF | 347 | 402 | 299 | 347 | 402 | 299 | 100.0 | 100.0 | 100.0 |
| Internally Managed | 3 329 | 3 295 | 3 084 | 845 | 900 | 944 | 25.3 | 27.3 | 30.6 |
| Coastal | 1 907 | 1 902 | 1 735 | 497 | 536 | 578 | 26.0 | 28.2 | 33.3 |
| Inland | 1 150 | 1 124 | 1 090 | 254 | 263 | 268 | 22.0 | 23.4 | 24.6 |
| Other | 272 | 269 | 259 | 94 | 101 | 98 | 34.5 | 37.5 | 38.0 |
| Offshore | 605 | 565 | 634 | 144 | 120 | 107 | 23.9 | 21.2 | 16.9 |
| Elimination of internal management fees | (181) | (183) | (83) | | | | | | |
| Total | 4 389 | 4 364 | 4 143 | 1 491 | 1 590 | 1 465 | 33.9 | 36.4 | 35.3 |

¹ Pre long-term incentives

3.5 Pro Forma Financial Information

The Pro Forma Financial Information presented below has been prepared for illustrative purposes only and because of its nature may not fairly present the THL Group's consolidated financial position and consolidated results of operations.

The Pro forma Financial Information is based on the audited historical consolidated financial information of the THL Group prior to the Listing and Unbundling as at and for the year ended 31 March 2019 as set out in Annexure 1 of the Pre-listing Statement.

The Pro forma Financial Information has been prepared using the accounting policies of THL Group which comply with IFRS and are consistent with those applied in the Historical Financial Information.

| | Before | Pro Forma After the Listing and Unbundling | % Change |
|--|---------------|---|-----------------|
| EBITDAR (ZAR'm) ⁽¹⁾ | 1 491 | 1 488 | (0.2) |
| Adjusted headline earnings (ZAR'm) | 277 | 403 | 45.5 |
| Per THL share | | | |
| EPS (cents) | (450.4) | 2.6 | 100.6 |
| Diluted EPS (cents) | (450.4) | 2.6 | 100.6 |
| HEPS (cents) | 1 126.1 | 34.8 | (96.9) |
| Diluted HEPS (cents) | 1 126.1 | 34.8 | (96.9) |
| Adjusted HEPS (cents) | 1 273.1 | 37.9 | (97.0) |
| NAV (cents) | 658.9 | 662.0 | 0.5 |
| TNAV (cents) | 635.9 | 639.0 | 0.5 |
| Number of THL Shares in issue (m) | 1 060.9 | 1 060.9 | |
| Weighted number of THL Shares in issue (m) | 21.8 | 1 060.9 | |
| Diluted weighted number of THL Shares in issue (m) | 21.8 | 1 064.3 | |

(1) Pre long-term incentives

Notes:

- 1) The "Before" column sets out the EPS, diluted EPS, HEPS, adjusted HEPS, diluted HEPS, NAV and TNAV per THL Group share as extracted from the Historical Financial Information of the THL Group for the year ended 31 March 2019.
- 2) The "After the Listing and Unbundling" column sets out the EPS, diluted HEPS, HEPS, adjusted HEPS, diluted EPS, NAV and TNAV per THL Group share assuming that the Listing and Unbundling took place with effect from 1 April 2018 for pro forma consolidated income statement purposes and 31 March 2019 for pro forma consolidated balance sheet purposes.
- 3) Detailed notes to the pro forma financial effects are included with the pro forma income statement and balance sheet presented in Annexure 3 of the Pre-listing Statement.

4. LISTING ON THE JSE

The JSE has agreed to the listing of the entire issued share capital of THL in the "Hotels" sector on the Main Board of the JSE under the abbreviated name "THL", share code "TGO" and ISIN ZAE000272522 with effect from the commencement of business on Wednesday, 12 June 2019 ("**Listing Date**").

5. UNBUNDLING

In terms of the Unbundling, Tsogo Sun will distribute its entire holding of THL Shares to its shareholders as a distribution *in specie* in the ratio of one THL Share for every Tsogo Sun Share held on the Unbundling Record Date, being 14 June 2019.

6. SHARE CAPITAL

As at the Listing Date, the authorised share capital of THL, will be 2 000 000 000 ordinary no par value shares and as at the date of the Unbundling the issued share capital of THL will be 1 060 895 712 ordinary no par value shares. THL will have a stated capital of R4.6 billion.

All the ordinary shares in THL rank *pari passu* in all respects (there being no conversion or exchange rights attaching thereto) and have equal rights to participate in capital, dividend and profit distributions by THL.

7. THL DIRECTORS

The details of the executive directors of THL are provided below:

| Name and Qualifications | Age | Position | Business Address | Nationality |
|---|-----|---|--|---------------|
| John Anthony Copelyn BA (Hons), BProc | 68 | Non-Executive Chairman | Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005 | South African |
| Marcel Nikolaus von Aulock CA(SA) | 45 | Chief Executive Officer | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| Laurelle McDonald CA(SA) | 36 | Chief Financial Officer | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| Mohamed Haroun Ahmed BCom (Accounting) | 55 | Lead Independent Non-Executive Director | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| Sipho Christopher Gina Bachelor of Arts, MBA | 60 | Independent Non- Executive Director | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| Moretlo Lynette Molefi B.Sc., MBChB | 50 | Independent Non- Executive Director | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| Jabulani Geffrey Ngcobo | 67 | Independent Non- Executive Director | Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 | South African |
| James Robert Nicolella CA(SA), PLD | 50 | Non-Executive Director | Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005 | South African |

8. THL SHARE INCENTIVE SCHEME

THL has adopted a share incentive scheme, namely the THL Share Appreciation Rights Plan (“**THL SAR Plan**”), in which selected key senior employees of the THL Group are eligible to participate with the goal to incentivise, motivate and retain these high calibre employees and recognise their contributions to the THL Group.

The purpose of the THL SAR Plan is to provide awards of share appreciation rights to receive THL Shares (“**SARs**”) equal to the increase in value of a certain number of THL Shares between the award date and the exercise date of the SARs. The exercise price will be adjusted to take account of dividends paid, as further explained in the Pre-listing Statement. The vesting of the SARs will take place after 3 years, will be subject to continued employment and may be subject to performance conditions. The THL SAR Plan makes provision for two types of awards, namely new awards to assist in incentivising and retaining employees in the THL Group and replacement awards.

Replacement awards are provided for as a result of the right provided to employees of the THL Group on Unbundling to elect to exchange their rights held under the Tsogo Sun Long Term

Incentive Scheme for replacement awards under the THL SAR Plan. Going forward the replacement awards will be regulated by the THL SAR Plan. The salient features of the THL SAR Plan are set out in the Pre-listing Statement.

9. RECEIPT OF THL SHARES PURSUANT TO THE UNBUNDLING

A Tsogo Sun Shareholder holding Certificated Shares should pay special attention to the provisions of the following paragraph.

For the purposes of the Unbundling, Tsogo Sun Shareholders will receive their THL Shares pursuant to their respective Unbundling Entitlements in dematerialised form only. Accordingly, all Certificated Shareholders must appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive the dematerialised THL Shares on their behalf. Should a Certificated Shareholder not appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive THL Shares on such shareholder's behalf, such shareholder will be issued with a statement of allocation representing his THL Shares by the Transfer Secretaries. Certificated THL Shareholders can instruct the Transfer Secretaries to transfer their THL Shares represented by the statement of allocation to their appointed CSDP or can instruct the Transfer Secretaries to issue them with a share certificate at any time post Unbundling. There are risks associated with holding shares in Certificated form, including the risk of loss of or tainted scrip, which is no longer covered by the JSE Guarantee Fund.

All THL Shareholders who elect to convert their Dematerialised THL Shares into Certificated THL Shares will have to Dematerialise their Certificated THL Shares should they wish to trade them in accordance with the rules of Strate.

Further details of the action to be taken in this regard is set out in the Pre-listing Statement.

10. SALIENT DATES RELATING TO THE UNBUNDLING AND LISTING

The salient dates relating to the Unbundling and the Listing are set out below:

| | 2019 |
|---|--------------------|
| Abridged Pre-listing Statement published on SENS, on | Thursday, 23 May |
| Pre-listing Statement made available to Tsogo Sun Shareholders at www.tsogosun.com/investors , on | Thursday, 23 May |
| Pre-listing Statement posted to Tsogo Sun Shareholders, on | Monday, 27 May |
| Publication of finalisation information, on | Tuesday, 4 June |
| Last day for certificated Tsogo Sun Shareholders to appoint a CSDP in order to receive the THL Shares pursuant to the Unbundling on the Settlement Date | Monday, 10 June |
| Last day to trade for Tsogo Sun Shareholders to be entitled to participate in the Unbundling | Tuesday, 11 June |
| Listing of THL Shares on the JSE under the share code TGO and ISIN ZAE000272522 expected at commencement of trade, on | Wednesday, 12 June |
| Tsogo Sun Shares commence trading "ex" their entitlement to THL Shares, on | Wednesday, 12 June |
| Details of apportionment ratio released on SENS by 11h00, on | Thursday, 13 June |
| Record Date for the Unbundling and issue of share certificates to Certificated Shareholders | Friday, 14 June |
| Accounts at CSDPs / Brokers updated on (Settlement Date) | Tuesday, 18 June |

Notes:

1. These dates and times are subject to change. Any material changes to the above dates will be released on SENS and published in the South African press.
2. All times shown in this Pre-listing Statement are South African times.
3. Tsogo Sun Shares may not be Dematerialised or rematerialised between Wednesday, 12 June 2019 and Friday, 14 June 2019, both days inclusive.
4. Tsogo Sun Shareholders who trade Tsogo Sun Shares from Wednesday, 12 June 2019, trade “ex” their entitlement to THL Shares.
5. All Certificated Shareholders must appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, by no later than Monday, 10 June 2019 to receive THL Shares pursuant to the Unbundling on the Settlement Date.

11. FOREIGN SHAREHOLDERS

No action has been taken by Tsogo Sun or THL to obtain any approval, authorisation or exemption to permit the distribution of the THL Shares or the possession or distribution of the Pre-listing Statement (or any other publicity material relating to the THL Shares) in any jurisdictions other than South Africa.

Tsogo Sun Shareholders in terms of the Unbundling who have registered addresses outside South Africa and/or who are nationals, citizens or residents of countries other than South Africa (“Foreign Shareholders”) or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward the Pre-listing Statement to a jurisdiction outside South Africa, or who hold Tsogo Sun Shares for the account or benefit of any such Foreign Shareholder and will therefore hold THL Shares in a similar manner and hence may have an impact on Tsogo Sun Shareholders.

Foreign Shareholders are referred to the Pre-listing Statement for further detail regarding treatment of Foreign Shareholders in connection with the Listing and Unbundling.

12. COPIES OF THE PRE-LISTING STATEMENT

Copies of the Pre-listing Statement may be obtained during normal business hours from Friday, 24 May 2019 from THL’s registered office at Palazzo Towers East, Montecasino Boulevard, Fourways, Johannesburg and from the offices of the Financial advisor and transaction sponsor, The Standard Bank of South Africa Limited, at 30 Baker Street, Rosebank, Johannesburg. Copies of the Pre-listing Statement will furthermore be available on the Tsogo Sun and THL websites at www.tsogosun.com/gaming/investors and www.tsogosun.com/investors, respectively from 10:00 on Thursday, 23 May 2019.

Johannesburg
23 May 2019

Financial advisor and transaction sponsor
The Standard Bank of South Africa Limited

Corporate law advisors
Taback and Associates Proprietary Limited

Independent reporting accountants and auditors
PricewaterhouseCoopers Inc.

Tax advisors
PricewaterhouseCoopers Inc.

Independent property valuer
Excellerate Real Estate Services Proprietary Limited (trading as JHI)