Press Release – Tsogo Sun – 23/05/2018

Tsogo Sun's growth strategy delivers stable results in a muted macro-economic environment

Announcing full year results for the year ended 31 March 2018

Highlights

- Income R14.0 billion, up 6%
- Ebitdar R5.3 billion, up 4%
- Adjusted HEPS 197.8 cents, down 5%
- Final dividend per share 70 cents, unchanged

Commenting on the results, Tsogo Sun CEO, Jacques Booysen said: "*We are encouraged by the positive political developments that have resulted in improved sentiment. Despite this not yet translating into a significant improvement in trading, we had a better performance in the second half of the year. In line with our growth strategy, the results were assisted by the acquisition of the alternative gaming businesses, Vukani Slots and Galaxy Bingo (Gameco), which performed in line with our expectations. The continued pressure on the consumer due to the macro-economic environment, extremely weak sentiment and political uncertainty is expected to continue to create a challenging short term operating environment. In this low organic growth environment, cost control remains a significant focus for the group."*

Total income for the year of R14.0 billion ended 6% above the prior year with a 6% growth in net gaming win assisted by a 9% growth in food and beverage revenue as well as strong growth in property rental income. Ebitdar at R5.3 billion was 4% up on the prior year with an overall group Ebitdar margin of 37.7%. Adjusted headline earnings per share ("Adjusted HEPS") ended 5% down on the prior year at 197.8 cents per share, due to the 4% increase in the weighted average number of shares in issue following the Gameco acquisition. The group has declared a final dividend per share of 70 cents, unchanged from the prior year.

Coming off of a strong first quarter performance from Gauteng in 2017, (mainly at Montecasio), overall income for the casino gaming division decreased 1% on the prior year to R9.0 billion and was negatively impacted by the opening of Time Square. Ebitdar decreased 4% on the prior year to R3.4 billion at a margin of 37.7%, 1.1pp below the prior year with particularly good control on overheads mitigating the reduction in net gaming win. Overall income for the Galaxy Bingo and Vukani Slots gaming businesses from 20 November 2017 was R263 million and R362 million respectively. Ebitdar was R69 million and R169 million respectively at a margin of 26.2% and 46.7% respectively. Total revenue for the South African hotels division increased 8% to R3.8 billion, assisted by the inclusion of two additional hotels from October 2016, the consolidation of Hospitality Property Fund (HPF) from September 2016 and the opening of the SunSquare and StayEasy City Bowl hotels on 1 September

2017. The Offshore division of hotels achieved total revenue of R565 million which was 11% down on the prior year, impacted by tough local economic environments due mainly to the low commodity prices.

The group continues to pursue a variety of projects and acquisitions including:

- the R1.6 billion redevelopment of the Suncoast Casino in Durban. The budget includes past spend with the Salon Privè scheduled to open in July 2018 and the remainder of the project in December 2018;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group should the provincial authorities allow such a process. The Western Cape Provincial Treasury published a draft Bill and Regulations intended to permit the relocation of outlying casinos to within the Metropole and the group is currently assessing its commercial viability;
- the internal restructuring and negotiations with HPF for it to acquire certain of the group's casino precinct properties in exchange for the issue of new shares in HPF, and the unbundling of the group's entire interest in HPF; and
- potential additional investment in International Hotel Properties Limited, a 25% controlled associate of the group which currently owns nine hotels in the United Kingdom

On the outlook for the group Booysen said: "*With the 1% increase in the VAT rate, potential increases in the Gauteng gaming levies and the impact of draft smoking legislation, the group is faced with significant regulatory pressures. Add to that the weak state of the South African economy and many of the commodity focused countries in which the group operates, and the expectation is that trading will remain under pressure. Growth will depend on how these economies perform going forward, including the impact of changes in commodity prices and the level of policy certainty that the government is able to achieve. Despite this, the group remains highly cash generative and we are well positioned to achieve attractive returns from the implementation of our growth strategy once the macro-economic environment improves.*"