



**Tsogo Sun Holdings**  
Investor Presentation  
May 2019

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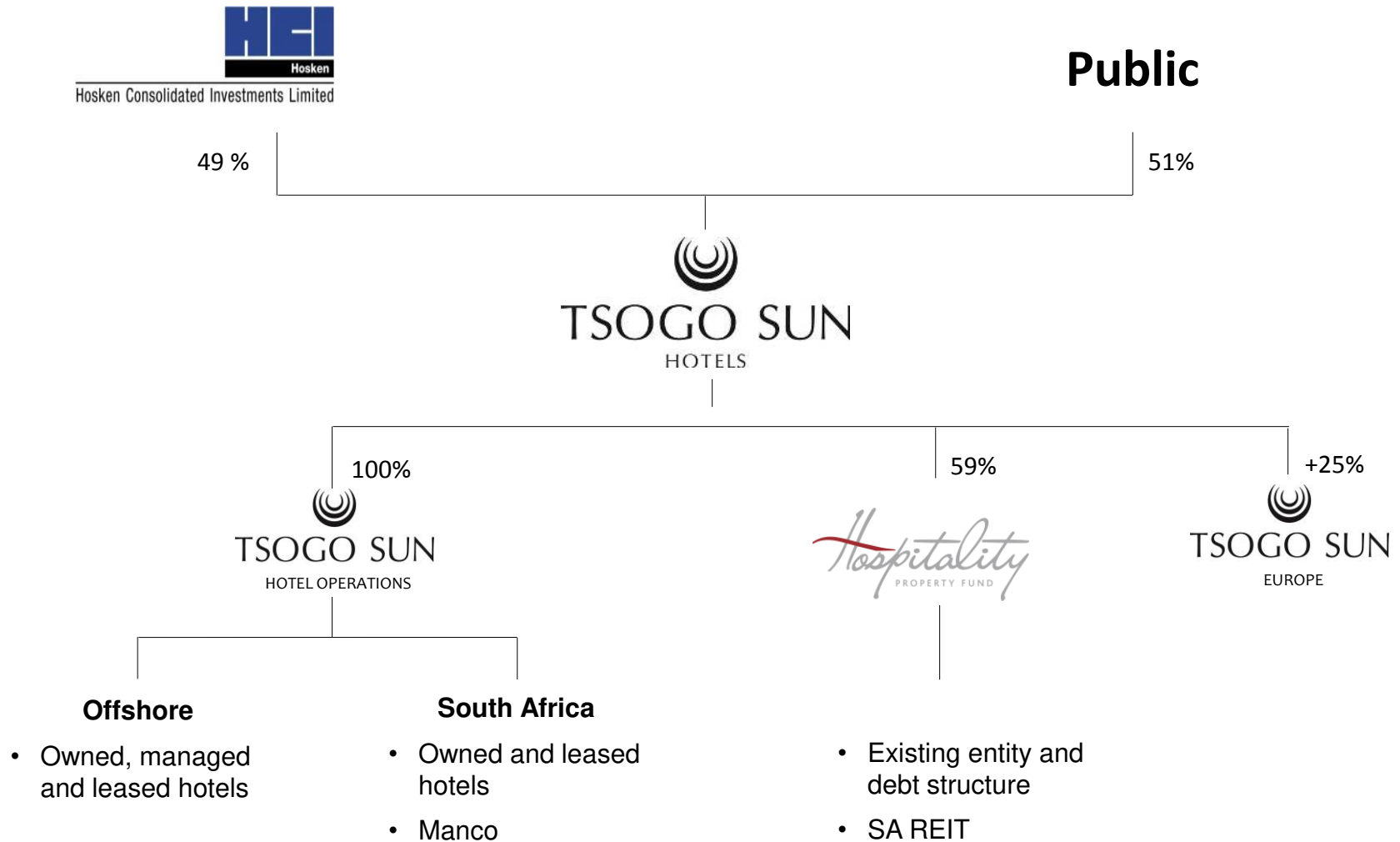
**TSOGO SUN HOTELS**

# Unbundling of the Tsogo Sun Hotels Group

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- Tsogo Sun Holdings (“TSH”) will distribute its entire interest in Tsogo Sun Hotels Limited (“THL”) in an unbundling ratio of 1 THL share for every TSH share held to shareholders in terms of a s46 “unbundling transaction” per the Income Tax Act
- The THL unbundling does not require TSH shareholder approval as it is not the disposal of all or greater part of the assets or undertaking of TSH
- The gaming and hotel divisions operate in distinctly different markets and service different customers
- The separation of the group into two focused companies will provide Tsogo shareholders with greater investment choice and the ability to elect their exposure to Tsogo Sun Gaming (TSG) and Tsogo Sun Hotels (THL) respectively
- The separate listing of THL will provide shareholders with transparent disclosure relating to hotel operations and allow for the valuation of the hotel group without discounts for gaming-related regulatory risks (gaming taxes, smoking regulations, etc.)

# Tsogo Sun Hotels Structure – Post Unbundling



# Tsogo Sun Hotels – Board

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- **Board of Directors**

- **Executive Directors**

- Marcel von Aulock – CEO
    - Laurelle McDonald – CFO

- **Non-Executive Directors**

- Johnny Copelyn – Chairman
    - Rob Nicolella

- **Independent Non-Executive Directors**

- Mohamed Ahmed – Lead Independent
    - Chris Gina
    - Moretlo Molefi
    - Jabu Ngcobo



# Tsogo Sun Hotels – Operated Portfolio



Note : 4 Hotels operated under IHG brands

# Tsogo Sun Hotels – Rooms

## Portfolio by number of rooms, brand and region (excluding RBL and IHL in the UK)

Brand	Land / building			Tsogo Sun Gaming	Third party Owner	Total
	Freehold	Leases	HPF			
Internally managed						
Deluxe Portfolio	164	-	-	246	695	1 105
Southern Sun	301	1 708	1 981	714	-	4 704
Sun Square	-	202	136	344	-	682
Garden Court	-	934	2 181	198	516	3 829
StayEasy	136	302	562	250	-	1 250
Resorts	138	-	-	-	854	992
Sun 1	-	233	1 508	-	-	1 741
Total internally managed rooms – South Africa	739	3 379	6 368	1 752	2 065	14 303
Mozambique	-	394	-	-	133	527
Zambia	154	-	-	-	260	414
Tanzania	-	152	-	-	-	152
Nigeria	181	-	-	-	-	181
Kenya	-	171	-	-	-	171
Seychelles	80	30	-	-	-	110
UAE	-	-	-	-	353	353
Total internally managed rooms – Offshore	415	747	-	-	746	1 908
Third Party managed						
Marriott	-	-	1 253	-	-	1 253
Radisson	-	-	397	-	-	397
Other	-	-	986	-	-	986
	-	-	2 636	-	-	2 636
Total rooms	1 154	4 126	9 004	1 752	2 811	18 847



A scenic view of a lake with reeds in the foreground and a canoe in the background. The reeds are tall and thin, with small brown flowers at the top. The lake is calm, and the background shows a line of trees and a cloudy sky. A semi-transparent dark rectangle is overlaid on the right side of the image, containing the text.

# **TSOGO SUN HOTELS FINANCIAL OVERVIEW**

## Tsogo Sun Hotels – Segmental Analysis (Rm)

	Revenue			Ebitdar			Ebitdar margin %		
	F'19 Actual	F'18 Actual	F'17 Actual	F'19 Actual	F'18 Actual	F'17 Actual	F'19 Actual	F'18 Actual	F'17 Actual
<b>Manco</b>	<b>289</b>	286	209	<b>155</b>	168	115	<b>53.8</b>	58.9	55.1
<b>Rental income</b>	<b>347</b>	402	299	<b>347</b>	402	299	<b>100.0</b>	100.0	100.0
<b>Internally managed</b>	<b>3 329</b>	3 295	3 084	<b>845</b>	900	944	<b>25.3</b>	27.3	30.6
Coastal	<b>1 907</b>	1 902	1 735	<b>497</b>	536	578	<b>26.0</b>	28.2	33.3
Inland	<b>1 150</b>	1 124	1 090	<b>254</b>	263	268	<b>22.0</b>	23.4	24.6
Other	<b>273</b>	269	258	<b>94</b>	101	98	<b>34.5</b>	37.5	38.0
<b>Offshore</b>	<b>605</b>	565	634	<b>144</b>	120	107	<b>23.9</b>	21.2	16.9
Elimination of internal management fees included in Manco	<b>(181)</b>	(183)	(83)						
<b>Total</b>	<b>4 389</b>	4 364	4 143	<b>1 491</b>	1 590	1 465	<b>33.9</b>	36.4	35.3

## Tsogo Sun Hotels – Income Statement (Rm)

	F'19	F'18 Restated <sup>(1)</sup>	% Change
<b>Income</b>	<b>4 389</b>	<b>4 364</b>	<b>1</b>
Rooms revenue	2 732	2 687	2
Food & beverage revenue	990	969	2
Property rental income	357	416	(14)
Other income	310	292	6
<b>Ebitdar</b>	<b>1 491</b>	<b>1 590</b>	<b>(6)</b>
LTI expense/(credit)	(4)	7	*
Property rentals	(208)	(189)	(10)
Amortisation & depreciation	(306)	(270)	(13)
Exceptional items	(581)	(240)	*
Net finance costs	(417)	(480)	13
Associates and JVs	15	55	(73)
Income tax (expense)/credit	(70)	188	*
<b>Profit for the year</b>	<b>(80)<sup>(2)</sup></b>	<b>661</b>	<b>*</b>
Non-controlling interests	(18)	(166)	*
<b>Attributable earnings</b>	<b>(98)</b>	<b>495</b>	<b>*</b>

<sup>(1)</sup> Restated for discontinued operations

<sup>(2)</sup> Variance of R21m to the loss from discontinued operations of the TSH group of R59m relates to tax provisions released by THL against opening retained income in the PLS

## Tsogo Sun Hotels – Adjusted HEPS (Rm)

	F'19		F'18 Restated <sup>(1)</sup>		%
	Gross	Net	Gross	Net	change
<b>Attributable earnings</b>		<b>(98)</b>		<b>495</b>	*
Loss on disposal of PP&E	3	2	-	-	
Impairment of PP&E	94	68	-	-	
Fair value adjustment of investment property	445	263	187	111	
Associate headline adjustments (net)		10		(14)	
<b>Headline earnings</b>		<b>245</b>		<b>592</b>	
Transaction costs	32	29	13	11	
Restructure costs	8	5	19	19	
Pre-opening costs	1	1	19	19	
Fair value adjustment on interest rate swaps	(2)	(2)	1	1	
Debt restructure costs	-	-	3	3	
Deferred tax derecognised		5		(307)	
Share of associates' exceptional items (net)		(1)		(1)	
<b>Adjusted headline earnings</b>		<b>277</b>		<b>337</b>	(18)

<sup>(1)</sup> Restated for discontinued operations



# Tsogo Sun Hotels – Income Statement : Reconciliation to Pre-Listing Statement Proforma (Rm)

	<b>F'19 Proforma<sup>(1)</sup></b>	<b>F'19</b>	<b>Change</b>
<b>Income</b>	<b>4 389</b>	<b>4 389</b>	<b>-</b>
<b>Ebitdar</b>	<b>1 488</b>	<b>1 491</b>	<b>(3)<sup>(2)</sup></b>
LTI expense	(13)	(4)	(9) <sup>(2)</sup>
Property rentals	(208)	(208)	-
Amortisation & depreciation	(306)	(306)	-
Exceptional items	(581)	(581)	-
Net finance costs	(231)	(417)	186 <sup>(3)</sup>
Associates and JVs	15	15	-
Income tax expense	(118)	(70)	(48) <sup>(4)</sup>
<b>Profit for the year</b>	<b>46</b>	<b>(80)</b>	<b>126</b>
Non-controlling interests	(18)	(18)	-
<b>Attributable earnings</b>	<b>28</b>	<b>(98)</b>	<b>126</b>
Adjustments	375	375	-
<b>Adjusted earnings</b>	<b>403</b>	<b>277</b>	<b>126</b>

(1) Proforma per the Prelisting Statement issued on 23 May 2019

(2) Corporate recharges and IFRS 2 share-based payment charge on equity-settled THL SAR Plan

(3) Finance cost saving on the transfer of R2.2 billion debt to the Gaming group

(4) Tax on the above adjustments

## Tsogo Sun Hotels – Cash flow (Rm)

	<b>F'19 Actual</b>	<b>F'18 Restated<sup>(1)</sup></b>
<b>Ebitdar per income statement</b>	<b>1 491</b>	<b>1 590</b>
LTI	(4)	7
Property rentals	(208)	(178)
Move in working capital adjusted for non-cash and exceptional items	32	(146)
Dividend income from associates	11	22
<b>Cash generated from operations</b>	<b>1 322</b>	<b>1 295</b>
Finance costs paid (net)	(422)	(470)
Taxation paid	(79)	(104)
Operating equipment purchased	(34)	(38)
Maintenance capex	(384)	(248)
<b>Free cash flow</b>	<b>403</b>	<b>435</b>
Dividends paid to shareholder	(5)	-
Dividends paid to NCI	(291)	(159)
Disposal proceeds	2	1
Investment activities – expansion capex	(62)	(450)
Recapitalisation of hotels	2 225	995
<b>Net cash surplus</b>	<b>2 272</b>	<b>822</b>
Currency	18	(8)
<b>Move in net IBD</b>	<b>2 290</b>	<b>814</b>
Opening net IBD (including group treasury)	(5 125)	(5 831)
Prepaid borrowing costs and accrued interest	102	(219)
Currency	(230)	111
<b>Closing net IBD</b>	<b>(2 963)</b>	<b>(5 125)</b>

<sup>(1)</sup> Restated for discontinued operations

## Tsogo Sun Hotels – Investment Activities (Rm)

	F'19	F'18
<b>Investment activities</b>	<b>62</b>	<b>450</b>
SunSquare and SE Cape Town FF&E	-	34
Sandton Eye	-	271
SE Maputo	52	145
Hi Hotels	10	-
<b>Maintenance capex</b>	<b>384</b>	<b>248</b>
Hotel major refurbishments	119	16
Other maintenance capex	265	232
<b>Total investment spend</b>	<b>446</b>	<b>698</b>

## Tsogo Sun Hotels – Interest Bearing Debt (Rm)

	F'19	F'18
External debt (US\$ based)	1 224	969
External debt HPF (Rand based)	1 959	1 952
Internal debt group treasury	-	2 440
Bank overdrafts	191	132
Prepaid borrowing costs	(8)	(11)
<b>Gross IBD</b>	<b>3 366</b>	<b>5 482</b>
Cash on hand	(403)	(357)
<b>Net IBD</b>	<b>2 963</b>	<b>5 125</b>
Cost of net debt — pre tax	8.5%	8.9%
— post tax	7.2%	7.3%





# Tsogo Sun Hotels – Operated Hotels Portfolio and Statistics

	<b>Hotels</b>	<b>Rooms</b>	<b>Owned</b>	<b>Managed</b>
Luxury	6	1 105	164	941
Full Service	25	5 386	4 423	963
Select Service	27	5 079	3 988	1 091
Budget	22	1 741	1 741	-
Timeshare & Resorts	6	992	138	854
<b>South Africa</b>	<b>86</b>	<b>14 303</b>	<b>10 454</b>	<b>3 849</b>
Offshore	12	1 908	1 162	746
<b>Total</b>	<b>98</b>	<b>16 211</b>	<b>11 616</b>	<b>4 595</b>

- Portfolio as at 31 March 2019
- Owned includes leased hotels and associates
- Excludes hotels managed by 3rd parties:
  - HPF 3<sup>rd</sup> party managed hotels
  - International Hotel Properties Limited

<b>Owned Stats – (SA and Offshore)</b>	<b>F'19</b>	<b>F'18</b>	<b>% Change</b>
Occupancy (%)	60.6	62.5	(1.9)pp
Average room rate (R)	1 064	1 043	2
RevPar (R)	645	652	(1)
Rooms available ('000)	4 239	4 123	3
Rooms sold ('000)	2 568	2 576	-
Rooms revenue (Rm)	2 732	2 687	2

## Tsogo Sun Hotels – South African Hotels Trading

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- System-wide occupancy decreased 1.2pp to 63.5% on the prior year
- System-wide average room rate increased 2% on the prior year
- KZN performance was in line with the prior year, with poor association business offset by good public sector support
- Cape region had a poor year. Day Zero publicity resulted in weak inbound visitors and poor association business. New supply exacerbated the weak demand situation
- Inland was largely in line with the prior year with reasonable Sandton trading offset by weak Pretoria and a mixed performance in outlying regions
- Sun1 experienced poor group demand which previously helped offset weak transitory business. Administered costs in HLP and property rates had a notable impact during the period

## Tsogo Sun Hotels – Offshore Hotels Trading

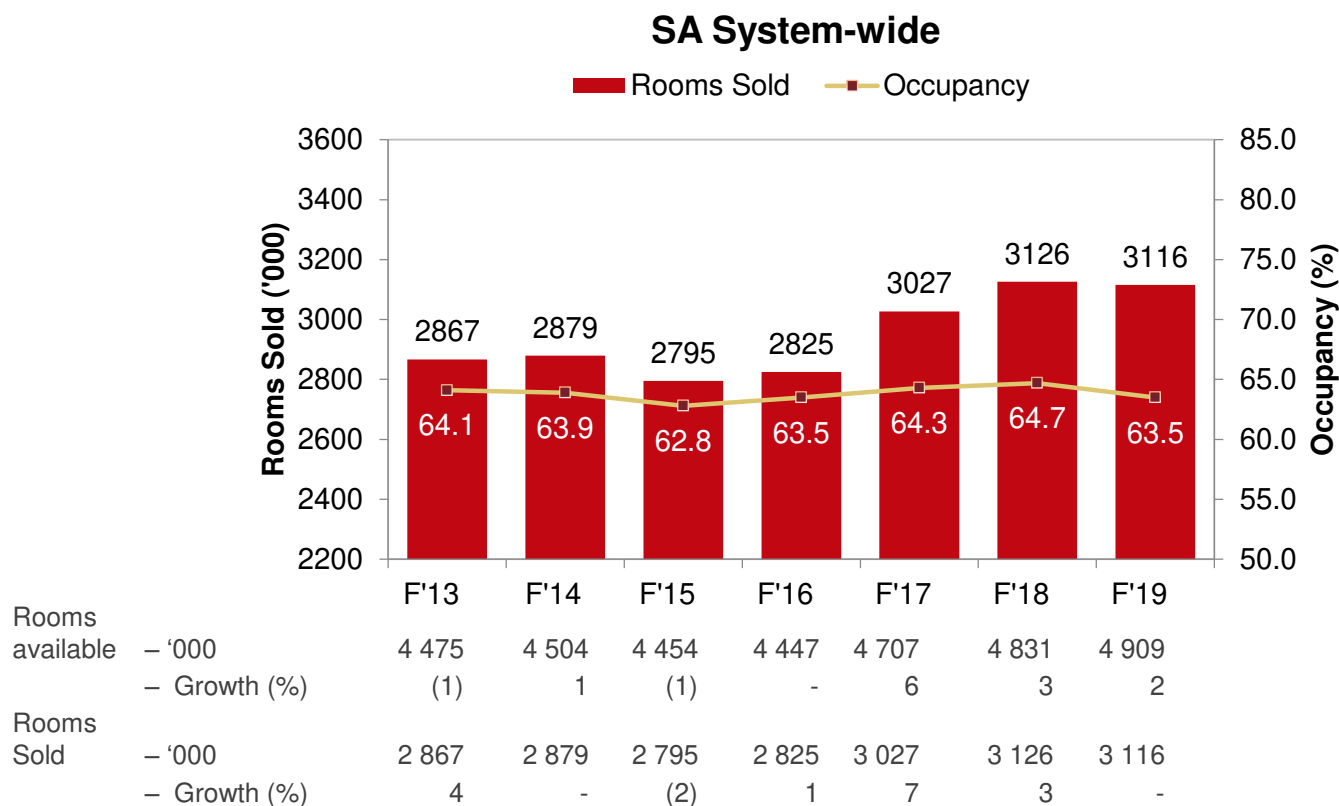
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- Offshore hotels trading remains under pressure with occupancies down 2.1pp on the prior year to 54.7% and average room rates down 7% in US\$ and 2% in Rand
- Forex gain for F'19 R6m (F'18 R1m) on cash and monetary items
- Lusaka – the hotel is currently under comprehensive refurbishment. New product should make it highly competitive in the future
- Maputo – growth due to the opening of the SE Maputo and good support for the Southern Sun product, although with discounting
- Dar es Salaam – weak trading on the back of aggressive government policies impacting business confidence and airlift and the relocation of key government departments out of the city
- Nairobi – improved trading off a low base, but not assisted by a terrorist incident and continued security threats. We will exit this property in January 2020
- Lagos – good improvement in both occupancy and rate, and the rooms are currently undergoing a soft refurbishment. The conversion of some rooms into a meeting space assisted
- Seychelles – strong first 8 months with a notable pullback in the last 4 months from French and South African markets. German support remained steady



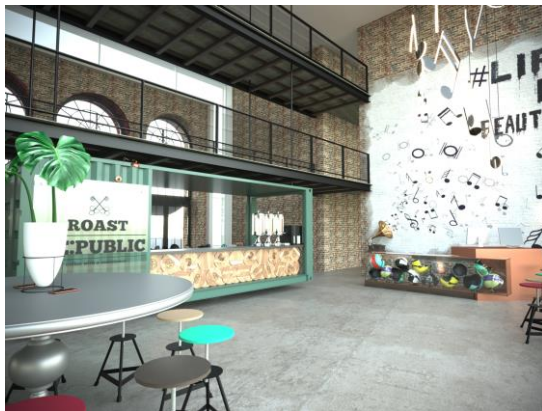
# Tsogo Sun Hotels – Future Opportunities

- Organic growth is the biggest opportunity
  - 10% occupancy = R450m revenue
  - R100 ARR = R260m revenue
  - Occupancy and rate tend to move in tandem through yielding



# Tsogo Sun Hotels – Future Opportunities

- New brand in Hi Hotels
  - Modular build process
  - First hotel with 123 keys scheduled to open at Montecasino during December 2019
  - Aim to build more than 10 hotels if suitable sites obtained



# Tsogo Sun Hotels – Future Opportunities

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- Internal operational and cost focus remains
  - Information Technology
    - Streamline operations and improve purchasing
  - Web & Channels
    - Important transaction and information resource for the market
    - New booking engine during June 2019
  - Marketing
    - Tsogo Sun brand halo
    - Focused campaigns with call to action
  - Sales
    - Strong local servicing of the Corporate & Public sector
    - Strong international relationships and representation
    - Strong sports relationships
  - Head Office Support Services
    - Cost focus



# Tsogo Sun Hotels – HPF Group Structure

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# Tsogo Sun Hotels – HPF Hotel Portfolio





# Tsogo Sun Hotels – HPF Hotels Portfolio and Statistics

	Hotels	Rooms
Luxury	4	926
Upscale	8	2 216
Midscale	22	4 354
Budget	19	1 508
<b>Total</b>	<b>53</b>	<b>9 004</b>

- Portfolio as at 31 March 2019

Statistics	F'19	F'18	% Change
Occupancy (%)	61.1	62.9	(1.8)pp
Average room rate (R)	1 100	1 089	1
RevPar (R)	673	685	(2)

- On a like-for-like basis for the year ended 31 March 2019, including acquired properties for the full period

# Tsogo Sun Hotels – HPF Indicative Consolidation of HPF into TSH

	HPF Statutory	Tsogo Sun Hotels
Rooms revenue	-	1 312
Food & beverage revenue	-	303
Other revenue	-	59
Rental income	830	357
3 <sup>rd</sup> party	347	347
Tsogo Sun	483	10
Overheads	(53)	(1 157)
Hotel trading related	-	(1 104)
HPF central	(53)	(53)
<b>Ebitdar</b>	<b>776</b>	<b>874</b>
Depreciation on owner occupied properties	-	(91)
Finance costs on HPF debt	(167)	(167)
Taxation	-	(82)
Minorities	-	(212)
<b>Distributable/adjusted earnings</b>	<b>609</b>	<b>322</b>

Note: Year ended March 2019

Ebitdar difference = Tsogo Sun management fees + 1% of Ebitdar

Net of exceptional items and adjustments



# Tsogo Sun Hotels – Europe

## ■ RBH Hotels

- TSH owns 25% plus board and committee representation
- Manages 39 hotels (5 718 rooms) in the UK
- Manages under multi brands including Crowne Plaza, Holiday Inn, Holiday Inn Express, Best Western, Westin, Hilton, Marriott, Aloft



# Tsogo Sun Hotels – Europe

## ■ International Hotel Properties

- Tsogo Sun Hotels owns 25.9% plus board representation
- RDI Reit own 74.1%
- Currently has GBP117m (R2.1bn) in hotel assets (1 143 rooms)
  - 4 Travel Lodges – leased to Travel Lodge
  - 4 Holiday Inn Express hotels (Dunstable, Southampton, Redditch, Edinburgh)
  - Hampton by Hilton Gatwick
- The five non-Travelodge hotels are managed by RBH
- Steady state as Tsogo Sun Holdings unbundles  
Tsogo Sun Hotels and RDI were under a potential offer



Hampton by Hilton Gatwick



Holiday Inn Express Dunstable



# Tsogo Sun Hotels – Risks

- Annexure 15 in the Pre-listing Statement sets out the principal risks
- Economic environment is the primary growth opportunity and main risk to the group's performance
- Other key risks include:
  - Security of tenure of leases and management agreements
  - Sustained increase in administered costs above inflation and revenue growth
  - Low barriers to entry resulting in continued new supply







**TSOGO SUN GAMING**

# Tsogo Sun Gaming – Group Structure Post Unbundling





# Tsogo Sun Gaming – Board



## ■ Board of Directors

### • Executive Directors

- Jacques Booysen – Group CEO (to be replaced by Chris du Toit)
- Rob Huddy – Group CFO

### • Non-Executive Directors

- Johnny Copelyn – Chairman
- Yunis Shaik – RemCo Chairman

### • Independent Non-Executive Directors

- Marcel Golding
- Mac Gani – Audit & Risk and Social & Ethics Chairman
- Busi Mabuza – Lead Independent
- Elias Mphande
- Jabu Ngcobo (to be replaced by Rachel Watson)





# TSOGO SUN GAMING FINANCIAL OVERVIEW



# Tsogo Sun Gaming – Segmental Analysis (Rm)

	Income			Ebitdar <sup>(1)</sup>			Ebitdar Margin %	
	F'19	F'18 Restated <sup>(2)</sup>	% Change	F'19	F'18 Restated <sup>(2)</sup>	% Change	F'19	F'18 Restated <sup>(2)</sup>
Montecasino	2 714	2 625	3.4	1 175	1 135	3.5	43.3	43.3
Suncoast	1 734	1 681	3.1	720	752	(4.2)	41.5	44.7
Gold Reef City	1 477	1 497	(1.3)	550	569	(3.2)	37.3	38.0
Silverstar	691	686	0.7	210	212	(0.9)	30.4	30.9
Golden Horse	409	397	3.1	176	177	(0.3)	43.1	44.6
Emnotweni	368	381	(3.5)	119	136	(12.3)	32.4	35.7
The Ridge	391	381	2.6	144	145	(0.5)	36.9	38.0
Hemingways	304	314	(3.1)	84	97	(13.3)	27.5	30.8
Garden Route	245	235	4.0	100	99	1.6	40.9	41.9
Mykonos	179	183	(2.2)	80	86	(7.5)	44.6	47.2
The Caledon	181	177	2.3	49	49	(1.8)	26.9	28.0
Blackrock	170	160	6.4	53	54	(2.0)	31.0	33.6
Goldfields	137	135	1.5	35	38	(8.2)	25.8	28.5
Galaxy <sup>(3)</sup>	855	263	*	247	69	*	28.9	26.2
Vukani <sup>(3)</sup>	1 559	543	*	441	169	*	28.3	31.1
Other gaming operations <sup>(4)</sup>	205	184	*	(111)	(106)	*	*	*
<b>Continuing Operations</b>	<b>11 619</b>	<b>9 842</b>	<b>18.1</b>	<b>4 072</b>	<b>3 681</b>	<b>10.6</b>	<b>35.0</b>	<b>37.4</b>

**Note:** <sup>(1)</sup> All casino units are reported pre-internal gaming management fees

<sup>(2)</sup> Restated for discontinued operations and reallocation between Vukani gaming win, other income, gaming VAT and LPM site owners commission

<sup>(3)</sup> Gaming division includes Galaxy and Vukani w.e.f. 20 November 2017

<sup>(4)</sup> Corporate included in other gaming operations due to restatement of discontinued operations

# Tsogo Sun Group – Income Statement (Rm)

	F'19	F'18 Restated <sup>(1)</sup>	% Change
<b>Continuing operations</b>			
<b>Income</b>	<b>11 619</b>	<b>9 842</b>	<b>18</b>
Net gaming win	9 821	8 124	21
Rooms revenue	490	473	4
Food & beverage revenue	648	592	9
Other revenue	433	520	(17)
Property rental income	137	133	3
Other income	90	-	*
<b>Ebitdar</b>	<b>4 072</b>	<b>3 681</b>	<b>11</b>
LTI (credit)/expense	(3)	17	*
Property rentals	(132)	(93)	(42)
Amortisation & depreciation	(738)	(643)	(15)
Exceptional items	(70)	(197)	64
Net finance costs	(811)	(678)	(20)
Associates and JVs	7	8	(13)
Income tax expense	(644)	(597)	(8)
<b>Profit for the year from continuing operations c/f</b>	<b>1 681</b>	<b>1 498</b>	<b>12</b>

<sup>(1)</sup> Restated for discontinued operations and reallocation between Vukani gaming win, other income, gaming VAT and LPM site owners' commission



## Tsogo Sun Group – Income Statement (Rm)

	F'19	F'18 Restated <sup>(1)</sup>	% Change
<b>Continuing operations</b>			
<b>Profit for the year from continuing operations b/f</b>	<b>1 681</b>	<b>1 498</b>	<b>12</b>
(Loss)/profit from discontinued operations	(59)	660	*
<b>Profit for the year b/f</b>	<b>1 622</b>	<b>2 158</b>	<b>(25)</b>
Non-controlling interests			
– continuing operations	(41)	(21)	
– discontinued operations	(19)	(166)	
<b>Attributable earnings</b>	<b>1 562</b>	<b>1 971</b>	<b>(21)</b>
Adjustments			
– continuing operations	53	163	
– discontinued operations	375	(168)	
<b>Adjusted earnings</b>	<b>1 990</b>	<b>1 966</b>	<b>1</b>

<sup>(1)</sup> Restated for discontinued operations and reallocation between Vukani gaming win, other income, gaming VAT and LPM site owners' commission

# Tsogo Sun Group – Adjusted HEPS (Rm)

	F'19		F'18 Restated <sup>(1)</sup>		%
	Gross	Net	Gross	Net	change
<b>Attributable earnings</b>		<b>1 562</b>		<b>1 971</b>	
Continuing operations – Gaming		1 640		1 477	11
Discontinued operations – Hotels		(78)		494	*
(Gain)/loss on disposal of PPE	(1)	(1)	2	2	
Impairment of PP&E	21	16	68	63	
Fair value adjustment of investment properties	8	6	4	4	
Impairment of goodwill and intangibles	1	1	112	86	
Impairment of equity loan to associate	-	-	7	7	
Add: discontinued operations adjustments	541	344	188	105	
<b>Headline earnings</b>		<b>1 928</b>		<b>2 238</b>	<b>(14)</b>
Transaction costs	16	16	19	19	
Restructure costs	16	11	33	26	
Share based payment charge on NCI's	9	4	-	-	
Previously impaired loans recovered	-	-	(34)	(34)	
Additional recovery from hotels group	-	-	(15)	(11)	
Fair value adjustment on interest rate swaps	-	-	1	1	
Add/(less): discontinued operations adjustments	40	31	56	(273)	
<b>Adjusted headline earnings</b>		<b>1 990</b>		<b>1 966</b>	<b>1</b>
Continuing operations – Gaming		1 693		1 640	
Discontinued operations – Hotels		297		326	
Weighted number of shares in issue (m)		1 058		994	6
Basic and diluted adjusted HEPS – continuing operations (cents)		160.0		165.0	(3)
Basic and diluted adjusted HEPS – discontinued operations (cents)		28.1		32.8	(14)

# Tsogo Sun Group – Cash Flow (Rm)

	F'19 Actual	F'18 Restated <sup>(1)</sup>
<b>Continuing operations Ebitdar per income statement</b>	<b>4 072</b>	<b>3 681</b>
Property rentals	(132)	(93)
Move in working capital adjusted for non-cash and exceptional items	(83)	(379)
Dividend income from associates	8	2
Cash flow from discontinued operations	1 322	1 284
<b>Cash generated from operations</b>	<b>5 190</b>	<b>4 495</b>
Finance costs paid (net)	(814)	(678)
Taxation paid	(559)	(586)
Operating equipment purchased	(18)	(17)
Maintenance capex	(540)	(425)
Cash flow from discontinued operations	(920)	(860)
<b>Free cash flow</b>	<b>2 339</b>	<b>1 929</b>
Dividends paid to shareholders	(2 137)	(1 015)
Dividends paid to NCI	(19)	(2)
Disposal proceeds	9	7
Investment activities	(958)	(2 126)
Expansion capex	(960)	(393)
Acquisitions and minorities	(2)	(1 733)
Associates, JVs, loans and investments	4	-
Share scheme	1	1
Share buy-back/ Treasury share settlement	(65)	86
Recapitalisation of hotels	(2 225)	-
Share issue expenses (Gameco acquisition)	-	(9)
Cash flow from discontinued operations	1 869	386
<b>Net cash deficit</b>	<b>(1 186)</b>	<b>(743)</b>
Currency	18	(8)
<b>Move in net IBD</b>	<b>(1 168)</b>	<b>(751)</b>
Opening net IBD	(12 537)	(12 113)
Acquired with acquisitions	4	191
Prepaid borrowing costs and accrued interest	(15)	25
Currency	(230)	111
Discontinued operations – Hotels net IBD	2 963	-
<b>Continuing Operations – Closing net IBD</b>	<b>(10 983)</b>	<b>(12 537)</b>

<sup>(1)</sup> Restated for discontinued operations

## Tsogo Sun Gaming – Investment Activities (Rm)

	F'19	F'18
<b>Investment activities</b>	<b>958</b>	<b>2 126</b>
Suncoast expansion	758	291
Gold Reef City redevelopment	6	19
Mykonos land	-	30
Monte Circle and Monte Place	29	26
Gameco acquisition	-	1 733
Galaxy site developments and machine acquisitions	76	24
Vukani intellectual property, machine and equipment acquisitions	86	-
Other including loan recoveries	3	3
<b>Maintenance capex</b>	<b>540</b>	<b>425</b>
Gaming equipment	289	227
Other casino maintenance capex	251	198
<b>Total investment spend</b>	<b>1 498</b>	<b>2 551</b>

## Tsogo Sun Gaming – Interest Bearing Debt (Rm)

	F'19	F'18
External debt	11 605	8 274
Bank overdrafts	1 929	1 575
Prepaid borrowing costs	(10)	(16)
<b>Gross IBD</b>	<b>13 524</b>	<b>9 833</b>
Cash on hand	(2 541)	(2 421)
<b>Net IBD</b>	<b>10 983</b>	<b>7 412</b>
Cost of net debt — pre tax	9.7%	9.8%
— post tax	7.0%	7.1%

Dividend of R745m (70c per share) declared May 2018, paid June 2018

Dividend of R1 400m (132c per share) declared November 2018, paid December 2018





# Tsogo Sun Gaming – Casino Portfolio

Gauteng	KZN	Western Cape	Mpumalanga	Eastern Cape	Free State
100%	100%	100%	100%	65%	100%
					
100%	100%	100%	100%		
					
100%	100%	100%			
					

## Tsogo Sun Gaming – Casino Gaming Win (Rm)

	F'19	F'18	% Change
Gaming win	7 494	7 357	2
Tables	1 912	1 822	5
Slots	5 582	5 535	1
Win/drop % – tables	20.6	20.9	(0.3)pp
Hold/handle % – slots	4.9	5.0	(0.1)pp
	F'19	F'18	% Change
Gauteng	3 955	3 878	2
KwaZulu-Natal	2 081	2 022	3
Mpumalanga	569	572	(1)
Western Cape	538	529	2
Other	351	356	(1)
	<b>7 494</b>	<b>7 357</b>	<b>2</b>

# Tsogo Sun Gaming – Gauteng Casino Gaming Tax Revenues

## Growth in Gaming Win (%)

	Gauteng	Montecasino	Gold Reef City	Silverstar
<b>Calendar years</b>				
2000 Monte vs Sundome	25.0	(4.9)		
2001 Other casinos opened	5.8	20.9		
2002	13.9	16.5		
2003	11.0	9.6		
2004	18.9	15.5		
2005	11.1	13.2		
2006	14.9	14.5		
2007	13.1	12.6		
2008	7.8	(6.8)	(1.0)	*
2009	(0.9)	0.5	(1.3)	7.4
2010	1.1	2.0	(3.6)	0.6
2011	4.1	7.8	8.8	0.5
2012	7.2	8.0	7.5	4.2
2013	3.9	5.6	4.7	6.5
2014	4.5	4.6	(1.7)	4.2
2015	2.0	2.5	1.1	5.3
2016	4.3	6.1	10.0	-
2017	4.1	4.4	7.6	7.8
2018	6.0	(2.8)	4.2	(5.2)
<b>6 months to September 2018</b>	<b>6.2</b>	<b>6.3</b>	<b>(1.8)</b>	<b>5.8</b>
<b>6 months to March 2019</b>	<b>2.2</b>	<b>3.9</b>	<b>(1.7)</b>	<b>(2.6)</b>
<b>12 months to March 2019</b>	<b>4.1</b>	<b>5.1</b>	<b>(1.7)</b>	<b>1.5</b>

Note: Gaming stats differ to accounting due to timing and IFRS

# Tsogo Sun Gaming – KZN Casino Gaming Tax Revenues

Growth in Gaming Win (%)

	KwaZulu-Natal	Suncoast	Golden Horse	Blackrock
<b>Calendar years</b>				
2004	24.5	37.3		
2005	24.7	22.5		
2006	16.2	15.1		
2007	19.6	15.6		
2008	6.9	8.3		
2009	4.6	5.0	1.4	5.5
2010	4.4	4.6	4.1	10.1
2011	7.3	5.3	9.2	10.8
2012	10.0	10.8	8.9	11.6
2013	5.3	6.9	(1.6)	7.3
2014	2.8	3.2	(1.6)	2.7
2015	7.9	6.9	6.8	8.3
2016	2.8	2.2	10.7	5.0
2017	2.1	2.3	6.6	3.6
2018	1.9	(1.2)	1.0	(9.8)
<b>6 months to September 2018</b>	<b>2.3</b>	<b>1.7</b>	<b>1.9</b>	<b>11.4</b>
<b>6 months to March 2019</b>	<b>3.3</b>	<b>3.0</b>	<b>3.8</b>	<b>6.7</b>
<b>12 months to March 2019</b>	<b>2.8</b>	<b>2.4</b>	<b>2.9</b>	<b>9.0</b>

Note: Gaming stats differ to accounting due to timing and IFRS

Note : Market statistics for January to March 2019 not yet available from the board and are estimated

# Tsogo Sun Gaming – Other Casino Gaming Tax Revenues

Growth in Gaming win (%)

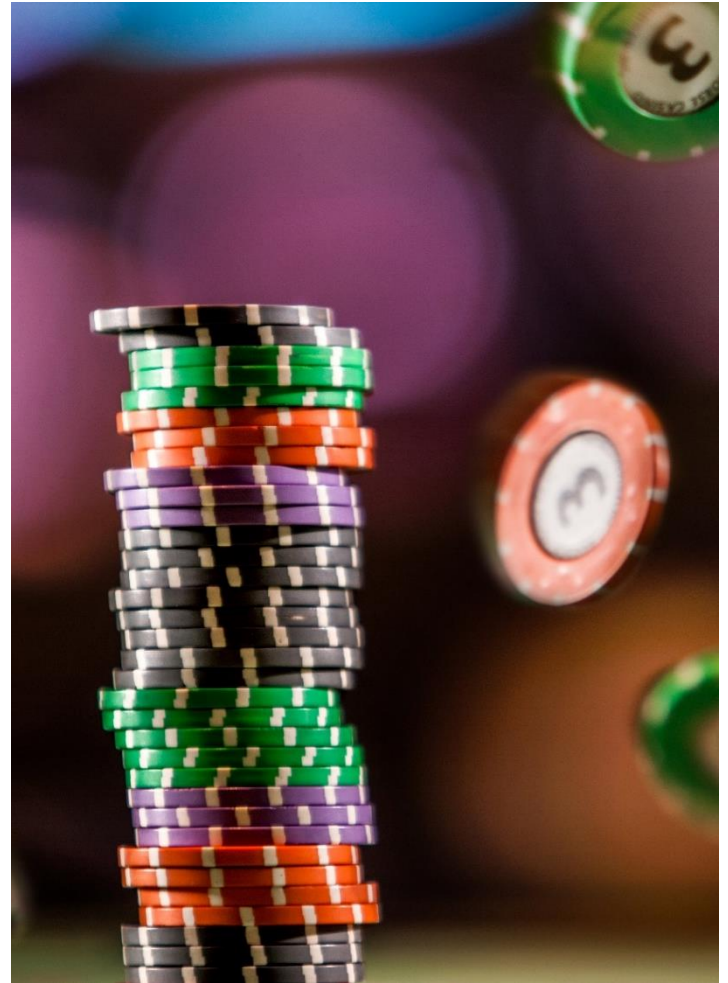
	Province	Unit	Unit	Unit
	Mpumalanga	Ridge	Emnotweni	
<b>6 months to September 2018</b>	(1.8)	3.0	(7.5)	
<b>6 months to March 2019</b>	2.8	-	3.5	
<b>12 months to March 2019</b>	0.5	1.4	(2.1)	
	Western Cape	Caledon	Mykonos	Garden Route
<b>6 months to September 2018</b>	1.5	1.3	(1.6)	6.1
<b>6 months to March 2019</b>	4.1	2.7	(1.8)	4.5
<b>12 months to March 2019</b>	2.8	2.0	(1.7)	5.2
	Eastern Cape	Hemingways		
<b>6 months to September 2018</b>	(2.2)	1.9		
<b>6 months to March 2019</b>	1.2	(4.7)		
<b>12 months to March 2019</b>	(0.5)	(1.5)		
	Free State	Goldfields		
<b>6 months to September 2018</b>	0.3	1.9		
<b>6 months to March 2019</b>	(4.0)	5.1		
<b>12 months to March 2019</b>	(1.8)	3.5		

Note: Gaming stats differ to accounting due to timing and IFRS

# Tsogo Sun Gaming – Casino Regulatory Matters

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- B-BBEE condition of licence
- Regulation regarding the maximum number of casino licences nationally
- Gambling tax
- Gauteng gaming taxes
- National Gambling Amendment Bill
- Smoking regulations
- Illegal gambling



# Tsogo Sun Gaming – Casino Future Opportunities

## ■ Suncoast redevelopment

- Expansion comprising a new Privé, refurbishment of the existing main floor, new restaurants, structured parking, a Barnyard theatre and the Dome venue completed with the Privé opening on 1 August 2018 and the remainder of the project opening during December 2018
- R613m spent prior to F'18 including R100m CSI
- R758m spent during F'19





# Tsogo Sun Gaming – Casino Future Opportunities

## ■ Western Cape Metropole

- The Sun International and Tsogo Sun legal proceedings were stayed pending the publication of legislation permitting relocation
- The Western Cape Provincial Treasury published a draft Bill and regulations to permit the relocation of two casinos within the Metropole
- The suspension of the litigation against Sun International and the Western Cape Government has been lifted and will now continue as no further progress has been made by the Western Cape Government





# Tsogo Sun Gaming – Casino Future Opportunities

## ■ Monte Circle and Monte Place

- Construction of building D at Monte Circle commenced during April 2018
- R29m spent during F'19 with R13m to be spent on building D and R61m to be spent on Buildings E and F during F'20 and beyond
- Additional phases will be rolled out as tenanting proceeds

## ■ Hi Hotels

- Construction has commenced on a new limited service hotel that is based on a modular design
- Each hotel is expected to cost R75m for 120 rooms
- The first hotel will be built at Montecasino during F'20
- The second hotel is planned for Silverstar during F'21



## Tsogo Sun Gaming – Casino Future Opportunities

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- Organic growth is the biggest opportunity
  - 1% gaming win – R92m revenue and approximately R69m Ebitdar
- Gaming positions licensed but not currently displayed as at 31 March 2019

	Slots	Tables
Montecasino	616	5
Gold Reef City	330	4
Suncoast	507	9
Silverstar	200	5
The Ridge	64	1
Golden Horse	-	1
Hemingways	43	-
Emnotweni	75	2
Garden Route	-	4
Mykonos	-	3
Caledon	52	-
	<b>1 887</b>	<b>34</b>

# Tsogo Sun Gaming – Casino Future Opportunities

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- Internal operational and cost focus continues
  - Operational efficiency without impacting the guest experience
  - Central office
    - Maximum value at minimum cost
    - Centralisation only where efficiencies improved
- Major refurbishment and expansion projects are complete and all casinos are in excellent condition which will reduce non-machine related capex for the medium term
- Cash flow generation remains strong and cash retained will be utilised to:
  - Reduce gearing levels
  - Pay dividends to shareholders



## Tsogo Sun Gaming – Bingo Gaming Win by Province

	<b>F'19 Actual</b>	<b>F'18 Actual</b>	<b>F'18 Illustrative full year</b>
Gauteng	282	98	272
North West	58	19	51
Limpopo	75	15	26
Mpumalanga	55	13	19
Eastern Cape	197	63	147
Kwa-Zulu Natal	89	26	65
Northern Cape <sup>(2)</sup>	22	-	23
	<b>778<sup>(1)</sup></b>	<b>234</b>	<b>603</b>

Note:

(1) Full year gaming win grew by 29% on F'18

(2) Included from 15 June 2018

## Tsogo Sun Gaming – Bingo Footprint as at 31 March 2019

	Bingo	Casino	ISO (40 LPM site)	Bingo licenses not yet rolled out
Gauteng	4			
Eastern Cape	6			
North West	2			
Limpopo	3 <sup>(1)</sup>			
Mpumalanga	2		1	
Kwa-Zulu Natal	4 <sup>(2)(3)</sup>			3
Northern Cape		1 <sup>(4)</sup>		
	<b>21</b>	<b>1</b>	<b>1</b>	<b>3</b>
Number of machines	3 060 <sup>(5)</sup>	168	40	

- Notes:
- (1) An EBT site was opened in Tzaneen during April 2018
  - (2) Operating as an EBT site and includes a ISO (40 LPM) site
  - (3) Additional new site opened in Pinetown during April 2019 not included above
  - (4) Acquired during July 2018 post the approval of the Northern Cape Gambling Board
  - (5) Includes 160 LPM's

# Tsogo Sun Casinos – Bingo Regulatory/Legal Matters

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- Litigation against Electronic Bingo
  - KwaZulu-Natal
  - Eastern Cape
  - North West
- Litigation relating to the validity of bingo licenses
  - KwaZulu-Natal
- Gaming Tax
- National Gambling Amendment Bill
- Smoking regulations
- Illegal gambling



## Tsogo Sun Gaming – Bingo Future Opportunities

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- Additional site opened during April 2019 (Pinetown)
- 2 undeveloped licenses in KwaZulu-Natal
- Growth of electronic bingo in KwaZulu-Natal
- Growth in profitability in new sites
- Expansions and redevelopment of existing sites (5 projects in F'20)
- Investment in new product
- Possibility of new licences (Bingo not yet licensed in Western Cape, Northern Cape or Free State)



## Tsogo Sun Gaming – Vukani Gaming Win by Province

	<b>F'19 Actual</b>	<b>F'18 Actual<sup>(1)</sup></b>	<b>F'18 Illustrative full year</b>
Mpumalanga	<b>144</b>	48	134
Eastern Cape	<b>205</b>	73	187
Kwa-Zulu Natal	<b>293</b>	104	268
Limpopo	<b>200</b>	69	180
Western Cape	<b>419</b>	148	398
Gauteng	<b>142</b>	47	127
North West	<b>68</b>	19	51
Free State	<b>57</b>	18	48
Northern Cape	<b>21</b>	7	21
	<b><u>1 549<sup>(2)</sup></u></b>	<b><u>533</u></b>	<b><u>1 414</u></b>

Note

<sup>(1)</sup> Restated for reallocation between Vukani gaming win, other income, gaming VAT and LPM owners' commission

<sup>(2)</sup> Full year gaming win grew by 10% on F'18

## Tsogo Sun Gaming – Vukani Footprint as at 31 March

	2019		2018	
	Sites	Machines	Sites	Machines
Mpumalanga	117	589	102	546
Eastern Cape	102	895	113	963
Kwa-Zulu Natal	244	1 086	228	1 030
Limpopo	143	857	136	775
Western Cape	194	895	191	891
Gauteng	146	693	151	698
North West	79	534	77	498
Free State	90	374	82	333
Northern Cape	29	135	33	160
	<b>1 144</b>	<b>6 058</b>	<b>1 113</b>	<b>5 894</b>

## Tsogo Sun Gaming – Vukani Future Opportunities

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- Growth dependent on continued rollout of LPM sites (net of sites closed) and improved gaming offering (product and sites)
- Limited number of licences per province with significant barriers to entry

# Tsogo Sun Gaming – Risks

- Economic environment is the primary growth opportunity and main risk to the group's performance
- Other key risks include:
  - Regulatory uncertainty including:
    - Relocation of licences
    - Smoking regulations
    - Additional taxes
  - Proliferation of illegal gambling
  - Sustained increase in administered costs above inflation and revenue growth
  - Level of financial gearing







 TSOGO SUN

THANK YOU