



— ♣ —  
**RESULTS  
PRESENTATION**

*for the six months ended  
31 December 2013*

— ♣ —

*Sun International  
Limited*



Sun International

A Million Thrills. One Destination.





The Maslow Hotel

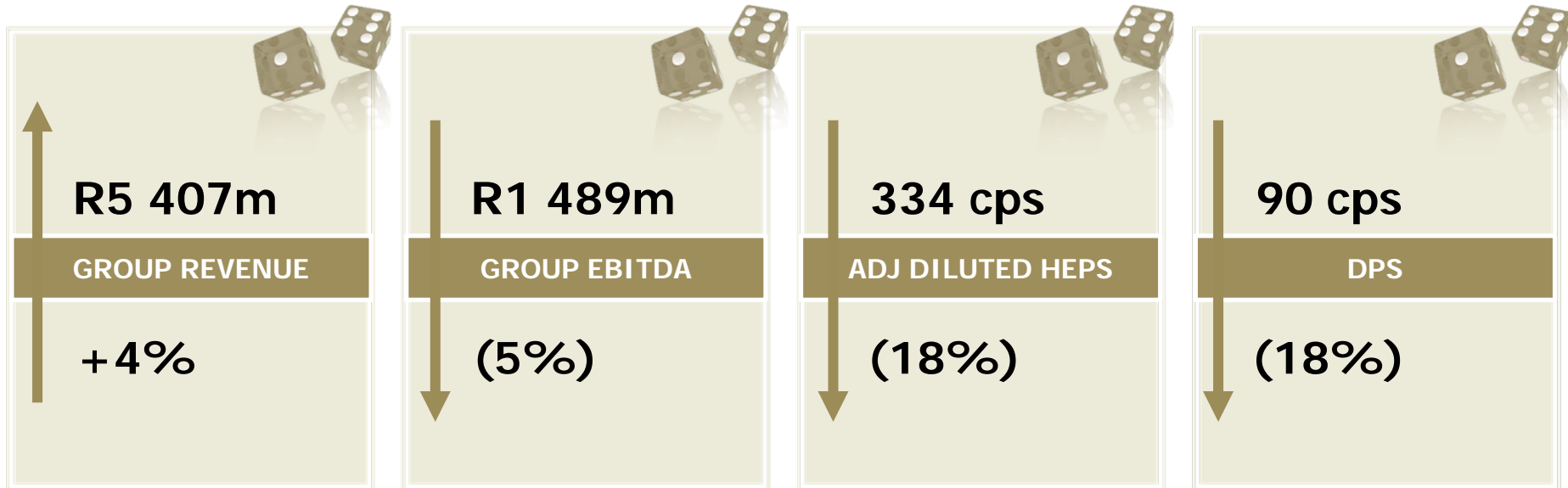
## OVERVIEW







## Key indicators





Kalahari Sands

## *Operating environment*



♣ Pressure on consumer spending

♣ Inflationary pressure on costs

♣ Increasing forms of competition

♣ Currency weakness

♣ Regulatory changes







GrandWest

**STRATEGIC  
REVIEW**





Gaborone Sun

## *Key strategic focus areas*



**Improve our  
existing  
operations and  
guest experience**

**OPERATIONS**



**Protect and  
leverage our  
existing asset  
portfolio**

**EXISTING  
ASSETS**



**Grow our  
business into new  
areas and  
products**

**GROWTH**



**Our People**

**PEOPLE**



**Governance  
& Sustainability**

**REPUTATION**





# Operations: *Improving existing operations and guest experience*



- **Improving marketing and sales capability:**
  - Chief Marketing and Strategy Officer appointed
  - Overseas marketing offices closed/refocused
  - Local sales team/call centre etc. restructured
  - Web/digital offering being enhanced
  - New brand/brand strategy to be launched
- **Various gaming revenue growth initiatives underway:**
  - Gaming Marketing team rebuilt
  - Gaming floors/database being mapped and monitored
- **Differentiating the Sun International guest offering:**
  - MVG program being refreshed
  - Integrating loyalty offering across casinos and hotels
- **Leveraging new technologies:**
  - EGS implementation going well
  - ERP project commenced
- **Reviewing cost/operating structures:**
  - S189 process initiated 29 January 2014
  - Potential to insource simultaneously being evaluated





Lesotho Sun

## *Existing Assets: Protect and leverage existing asset portfolio*



- **GrandWest exclusivity:**

- Increased engagement with relevant stakeholders
- In depth studies done on economic and social impact of second licence
- Public opinion surveys concluded
- No significant untapped gaming revenue in the Cape Metropole
- Small, geographically fragmented “untapped” areas better suited for EBTs

- **Sun City:**

- Vacation club refurbishment commenced and unit sales launched in November 2013
- Desert Suite in the Palace converted to high end VIP Privé

- **Morula relocation:**

- Public hearings scheduled for first week of April 2014

- **Federal Palace (Nigeria):**

- Shareholder issues
- Towers refurbishment
- Real estate development

- **Monticello:**

- 4 Smoking decks opened
- Employee restructure completed
- Improvement in EBITDA margin (Q1: 13.9%, Q2: 20.4%)
- Decline in gaming revenue slowing (Nov (11.0%), Jan (7.0%))





# Growth: Growing our business into new areas & products



[www.sunbet.co.za](http://www.sunbet.co.za)



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Sun International



Sunbet is operated by Powerbet Gaming Pty Ltd (Registration Number 2008/014410/07)  
Licensed by The Western Cape Gambling and Racing Board  
No persons under the age of 18 are permitted to gamble. Winners know when to stop.  
National Responsible Gambling Program 0800 006 008

Powerbet

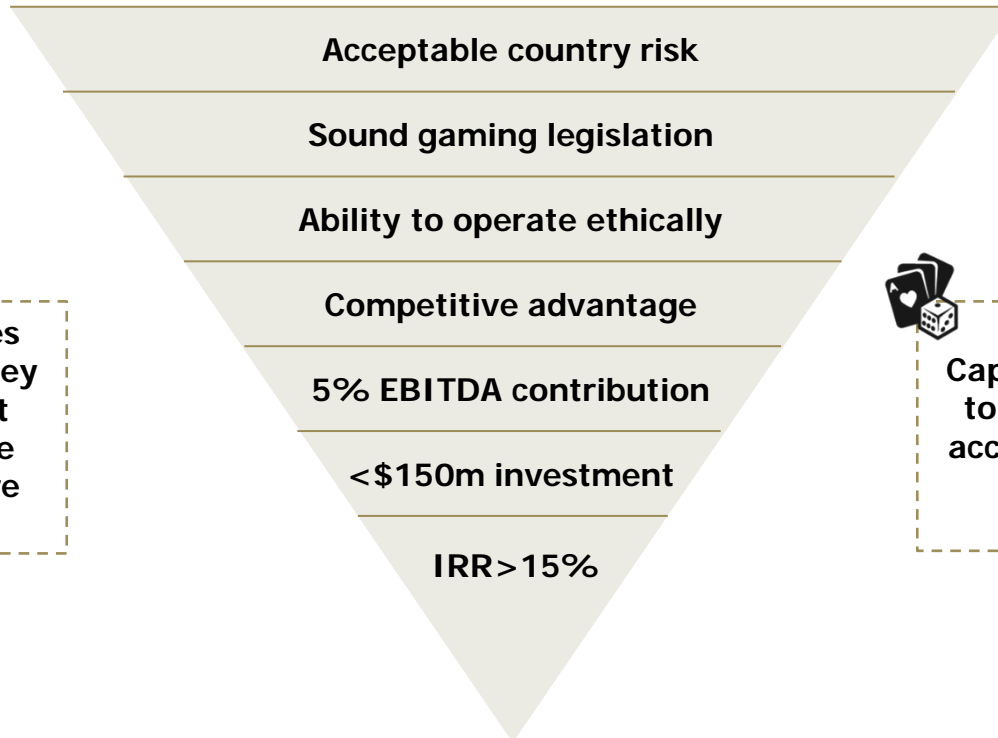
- **Online gaming and betting:**
  - R30m Powerbet acquisition: operating online under Sunbet
  - Focus on developing our online gaming presence
- **EBTs and LPMs:**
  - Market growing fast
  - Gaming boards licensing EBTs
  - Potential for growth in Africa and LATAM
- **VIP Gaming:**
  - Establishing partnerships and legislation process underway
- **Panama:**
  - Property acquired and fit out commenced
  - Opening September 14 at US\$105m cost (\$45m property cost and \$60m fit out and equipment cost)
- **Colombia:**
  - Casino licence application in progress
  - Small/low risk entry into attractive market
  - Concluding due diligence
- **Actively exploring opportunities (incl M&A) in various LATAM countries**
- **Recognise and explore appeal of Asia but difficult to get in**





Monticello

## *Growth: Allocating our capital*



Growth opportunities are only pursued if they pass our investment filters and where the returns on capital are attractive



Capital is only allocated to projects where the acceptable hurdle rates can be achieved







## *People: Investing in our people*



- **S189 restructure:**

- Unsettling for all
- Still c. 3 months to go

- **High performance culture:**

- Executive management restructured with key gaps filled
- 22 underperformers exited
- Performance management embedded in the organisation
- Strong focus on talent management

- **Transformation goals:**

- Impact of new Black Economic Empowerment Codes of Good Practice (“BEE Codes”) being assessed
- Transformation and change manager appointed

- **Union relationship:**

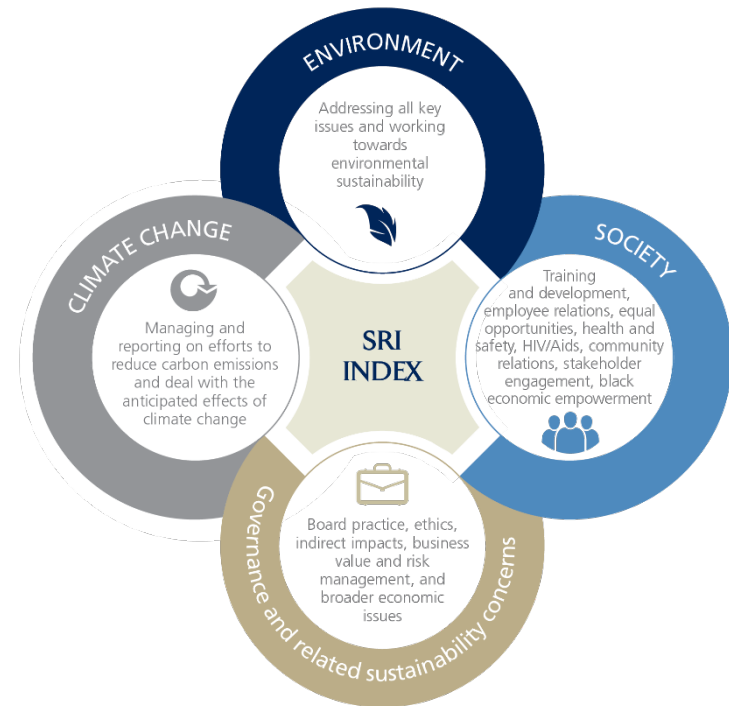
- Significant improvement in relationship
- Regular meetings with CE, CFO and HR director
- Communication with staff significantly improved





## *Reputation: Governance and sustainability*

- **Maintained inclusion in the JSE's SRI Index**
- **Stakeholder engagement significantly improved:**
  - Gaming boards
  - Unions
  - Shareholders
  - Analysts
- **Environmental Manager appointed**
- **CSI, SED and ED Initiatives:**
  - Need to leverage spend
  - Changes to the BEE Codes







Sibaya

## FINANCIAL REVIEW



# Income Statement



Rm	HY 2014	HY 2013	% change
Revenue	5 407	5 221	3.6%
<b>EBITDA</b>	<b>1 489</b>	<b>1 570</b>	<b>(5.2%)</b>
Depreciation and amortisation	(464)	(412)	
Property and equipment rental	(73)	(36)	
<b>Profit from operations</b>	<b>952</b>	<b>1 122</b>	
Foreign exchange profits	-	8	
Net interest paid	(239)	(228)	
<b>Profit before tax</b>	<b>713</b>	<b>902</b>	
Tax	(255)	(302)	
<b>Profit for the period</b>	<b>458</b>	<b>600</b>	
Minorities	(110)	(177)	
<b>Adjusted Headline Earnings</b>	<b>348</b>	<b>423</b>	<b>(17.7%)</b>

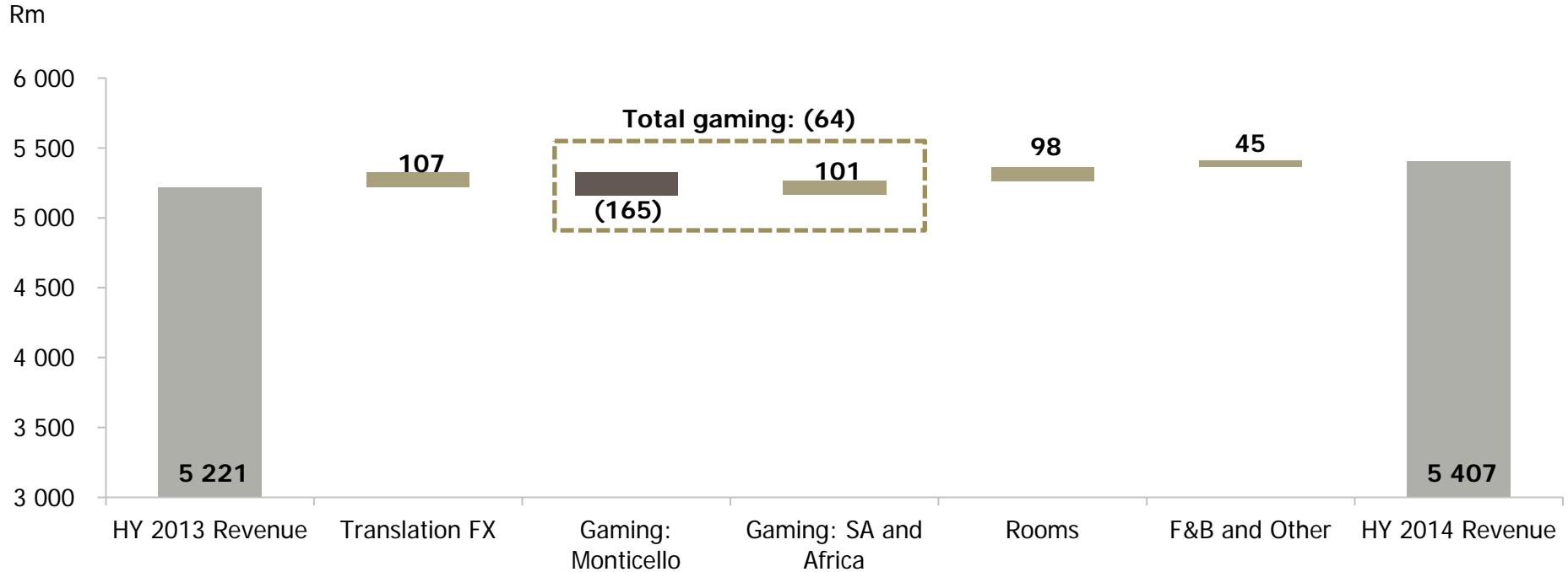




# Revenue by category



## Growth in group revenue by category



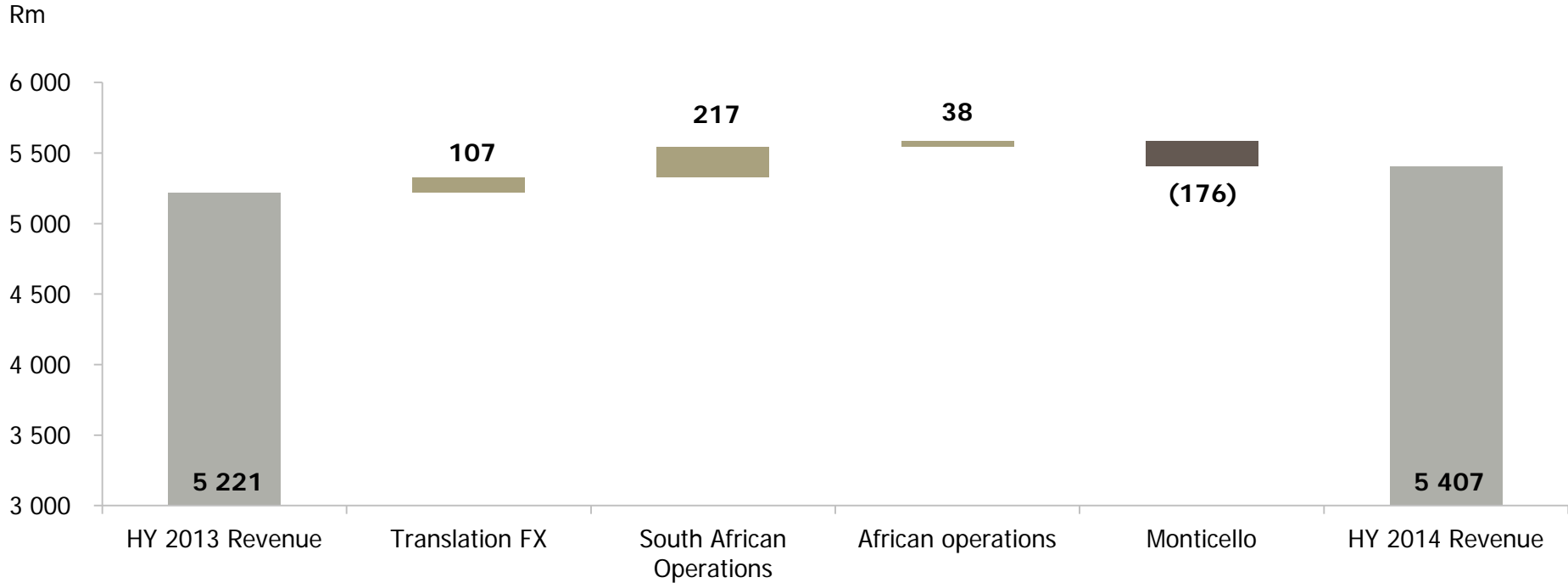
- Revenue up 4% on HY 2013
- Flat Casino revenue growth due to the anti smoking legislation in Chile however Q2 was up 1.5% on prior year
- Rooms revenue up 26% assisted by the opening of the Maslow and Boardwalk hotels (15% on a comparative basis)
- Food and Beverage increased 18% (9% on a comparative basis)



# Revenue by geography



## Growth in group revenue by geography



- South African revenue increased 5.7% following a stronger Q2
- Monticello's performance was impacted by the smoking ban
- South Africa: Remains the largest contributor to revenue

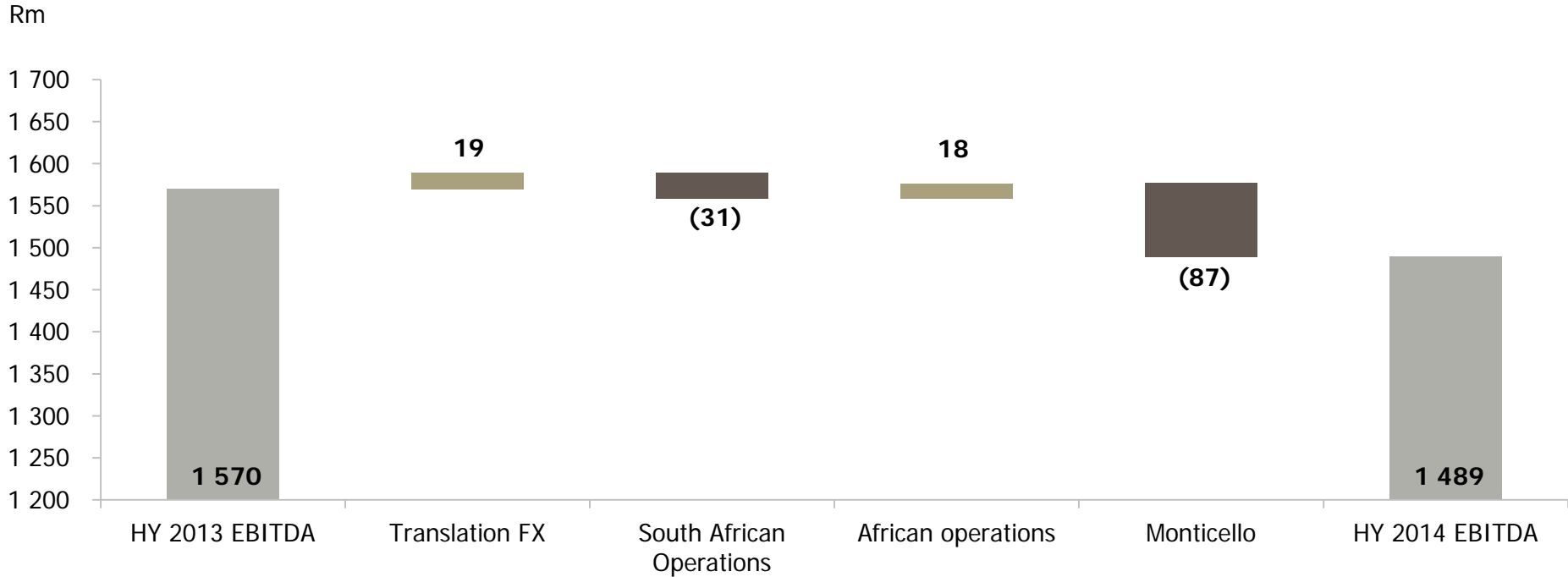




# Group EBITDA



## Growth in group EBITDA by geography

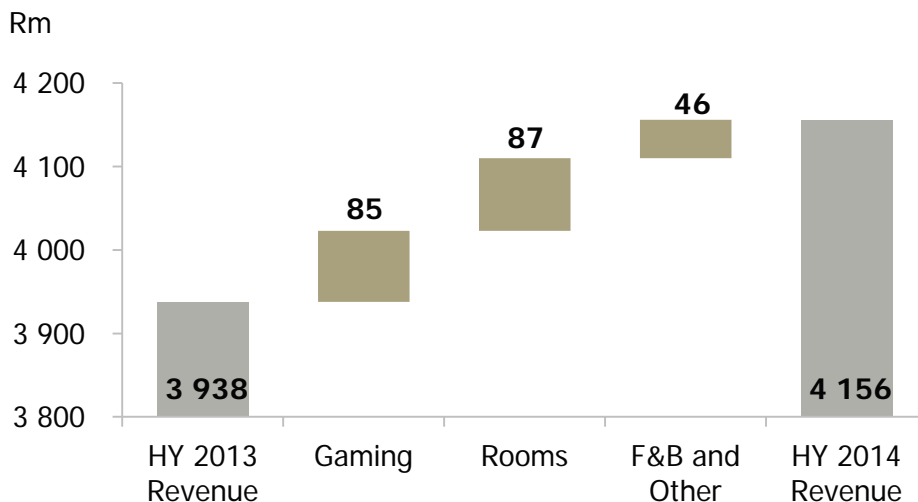


- Group EBITDA at R1.5bn was down 5.2% on last year with EBITDA margin declining from 30.1% to 27.5%
- Cost cutting initiatives positively impacted group EBITDA with Q2 EBITDA down 2.1% compared to 9.1% in Q1
- SA EBITDA improved in Q2 up 1.9% compared to 8.0% decline in Q1



## South Africa: Trading in a tough environment

### SA Revenue



- SA contributed 76.9% (75.4%) of group revenue of which 81.1% (83.4%) from gaming
- Gaming market share:
  - 18.2% (HY 2013: 19.6%) share of Gauteng gaming market
  - 35.6% (HY 2013: 35.3%) share of KZN gaming market
- SA Rooms revenue grew 29.5% (14.0% comparative) assisted by opening of the Boardwalk and Maslow hotels:
  - Group occupancy of 66.2% up 2.7%
  - Average daily rate of R957 up 10.5% on last year

### SA Gaming Revenue

Rm	First quarter		Second quarter		Six months to December	
	CY	% change	CY	% change	CY	% change
<b>South Africa</b>	<b>1 604</b>	<b>0.5%</b>	<b>1 767</b>	<b>4.5%</b>	<b>3 371</b>	<b>2.6%</b>
GrandWest	476	7.7%	508	7.6%	984	7.7%
Sibaya	251	0.4%	290	12.0%	541	6.3%
Carnival City	252	(4.9%)	256	(5.9%)	508	(5.4%)
Boardwalk	119	6.3%	140	15.7%	259	11.2%
Sun City	115	11.7%	150	17.2%	265	14.7%
Other	391	(8.0%)	423	(3.6%)	813	(5.8%)

### Occupancies for key properties

	Occupancy %		ADR	
	HY 2014	% change	HY 2014	% change
Sun City	63.8%	1.6%	R1 431	2.9%
Wild Coast Sun	79.7%	3.6%	R 478	(25.1%)
Table Bay Hotel	61.7%	17.2%	R2 176	4.5%
Maslow	54.9%	-	R1 102	-

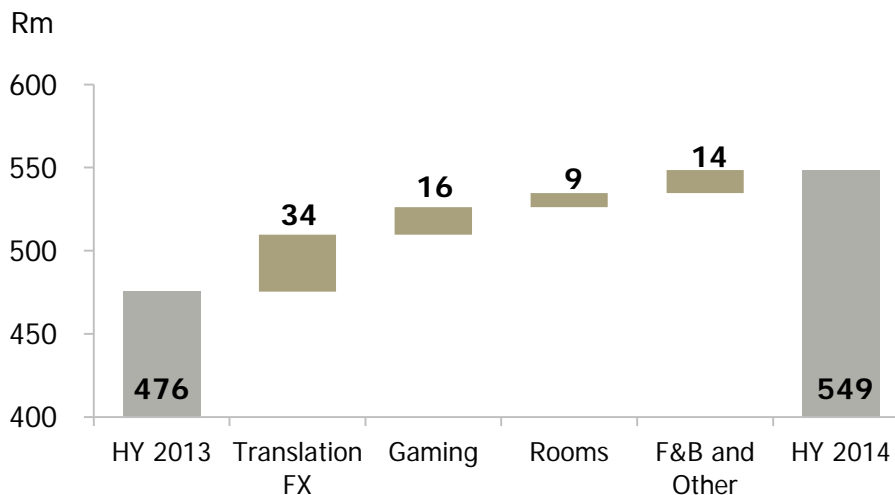




## Other African: Positive growth in gaming and rooms



### Other African revenue



### Occupancies for key properties

	Occupancy %		ADR	
	HY 2014	% change	HY 2014	% change
Zambia	45.2%	5.1%	R1 956	7.3%
Gaborone Sun	75.8%	(2.5%)	R855	14.9%
Federal Palace	62.4%	1.5%	R2 149	5.6%
Kalahari Sands	70.1%	13.6%	R702	3.5%

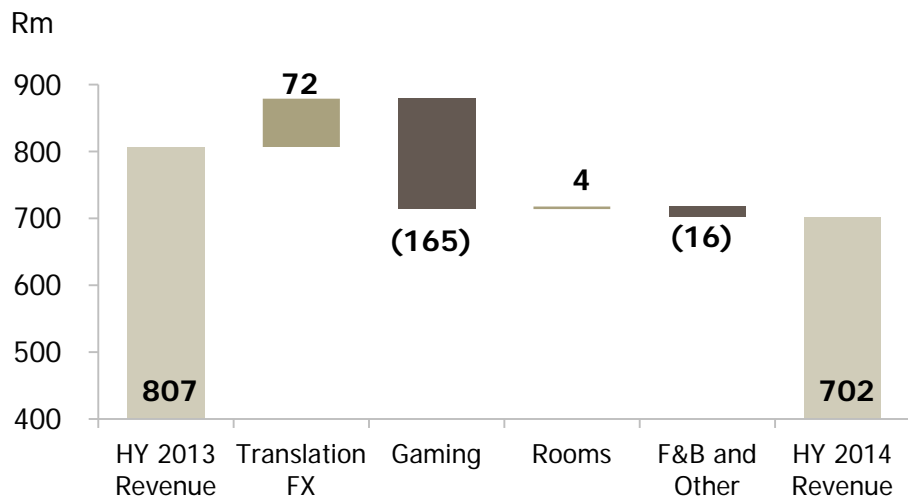
- **EBITDA margin increased 2.2 ppt to 18.4%:**
  - Strongest EBITDA growth from Kalahari Sands (+R13m or 162.5%)
  - Zambia EBITDA grew by 41.6% in constant currency (61.1% up in Rands)
- **African gaming performed well with revenue growing 8.3% in constant currency:**
  - Growth driven mainly by Kalahari Sands with gaming revenue increasing 48.2%
- **Rooms revenue grew 5.6% in constant currency with occupancies growing by 4.6%:**
  - Opening of two 5 star hotels in Lagos negatively impacted Federal Palace's rooms revenue
  - Despite the drop in occupancy at Gaborone Sun of 2.5%, rooms revenue increased in constant currency by 7.4% due to a 14.9% increase in ADR



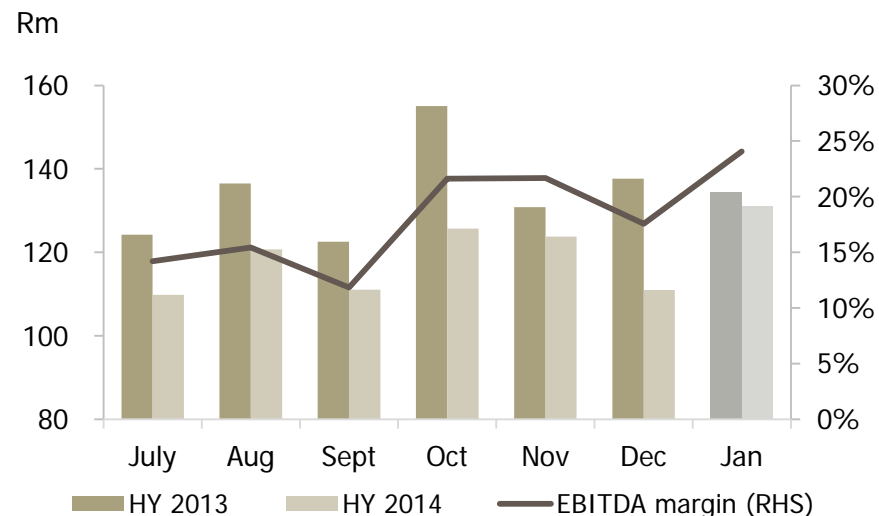
# Monticello: Showing positive signs of recovery



## Monticello Revenue



## Month on month analysis



- **Anti-smoking legislation impacted Monticello gaming revenue which declined 21.9% in constant currency:**
  - 4 new smoking decks were opened resulting in a slowing gaming revenue decline (11.0% Nov; 7.0% Jan in constant currency)
- **Monticello's gaming market share increased 3.3% to 70.8%<sup>1</sup>:**
  - Introduced 218 new slot machines and increased entertainment and promotional activity
- **Overall EBITDA margin declined 7.0%:**
  - Restructure of Monticello showing positive results with EBITDA margin improving from 13.9% to 20.4% in Q2

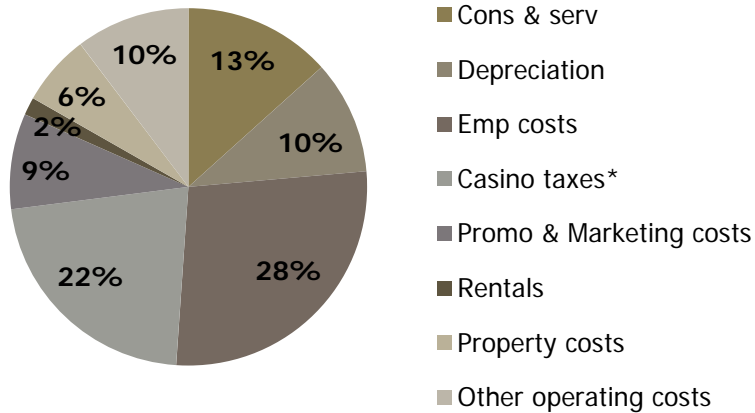




# Operating expenditure



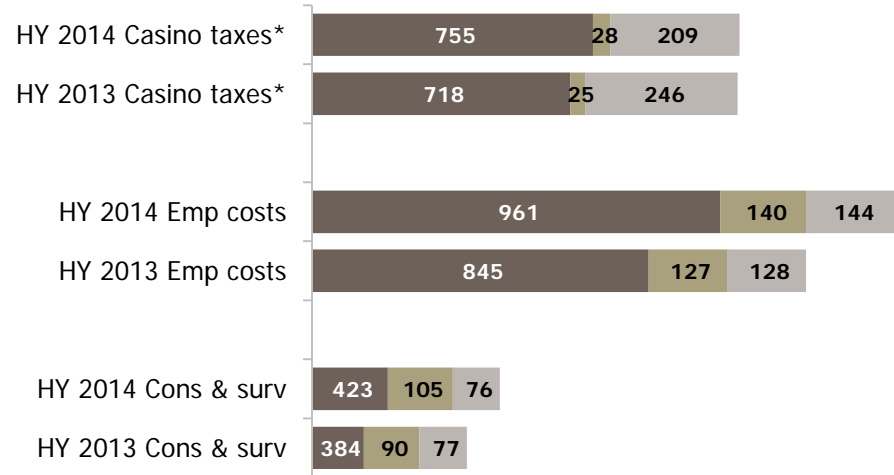
## Operating expenditure split



\* Casino levies and VAT

## Key expenditure items

Rm



■ South Africa ■ Africa ■ Monticello

- **Operating expenditure increased 8.7%:**

- Higher variable rentals at Maslow Hotel and Table Bay together with higher gaming equipment rentals drove property and equipment rentals up 35.2%
- Employee costs increased 13.2% largely due to R39m restructuring costs and cost of employees at 2 new hotels



## *Group statement of financial position*



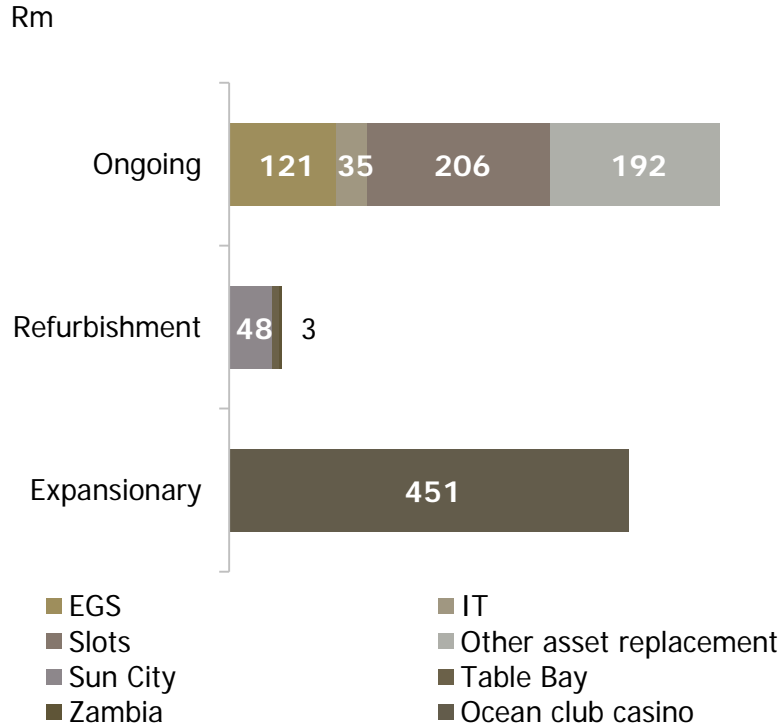
Rm	HY 2014	HY 2013	Movement
<b>Assets</b>			
Property, plant and equipment	11 288	10 036	1 252
Intangible assets	525	490	35
Accounts receivable and other	583	518	65
Cash and cash equivalents	989	923	66
Other non-current assets	303	278	25
Other current assets	101	90	11
<b>Total assets</b>	<b>13 789</b>	<b>12 335</b>	<b>1 454</b>
<b>Equity and liabilities</b>			
Total equity	3 712	2 925	787
Borrowings	7 649	7 068	581
Accounts payable and other	1 437	1 240	197
Other non-current liabilities	932	1 014	(82)
Other current liabilities	59	88	(29)
<b>Total equity and liabilities</b>	<b>13 789</b>	<b>12 335</b>	<b>1 454</b>



# CAPEX



## CAPEX incurred



## Future CAPEX

Rm

	Total	Spend to date	30 June	
			2014	2015
Ocean Club Casino	1 135	451	290	394
Sun City Vacation Club	300	21	126	153
Enterprise Gaming System	680	353	250	77
ERP System	141	43	37	61
<b>Total CAPEX</b>	<b>2 256</b>	<b>868</b>	<b>703</b>	<b>685</b>

- **CAPEX of R1.1bn:**

- Expansionary CAPEX: 42.3% of total CAPEX
- EGS: 11.4% of total CAPEX





## Capital funding slide



Group net finance costs	HY 2014	HY 2013	% change
Interest expense	253	245	3.3
Less interest income	11	15	(26.7)
<b>Net finance costs</b>	242	230	5.2
Weighted average interest rate	6.9	6.9	(0.0)
Net financing cost: EBITDA (cover)	6.2	6.8	(9.9)

Rm	HY 2014	HY 2013	% change
Fixed interest bearing debt borrowings	2 122	1 328	59.8
Floating interest bearing borrowings	5 030	5 262	(4.4)
<b>Total debt</b>	7 152	6 590	8.5
Less cash and cash equivalents (excl cash floats)	532	726	(26.7)
<b>Net debt</b>	6 620	5 864	12.9
Debt/EBITDA	2.5	2.3	10.3





**OUTLOOK**

Federal Palace





Boardwalk

## *Medium term outlook*



### GAMING

- Slowdown in consumer spending negatively impacting gaming
- Gaming marketing team rebuilt
- VIP gaming initiative



### ROOMS

- Weak rand continues to stimulate good growth in rooms revenue
- Integration with gaming



### EFFICIENCIES

- Restructuring announced
- Continued focus on driving margin expansion through cost reduction
- Marketing and sales restructured



### GROWTH

- LATAM expansion
- EBTs and LPMs
- Sun City redevelopment
- Morula relocation
- Internet gaming
- Other emerging market opportunities





# Key strategic focus areas



## Improve our existing operations and guest experience

- Integrate gaming and hotel divisions
- Improve marketing and sales capability
- Review business procedures to achieve efficiencies
- Insource key services
- Restructure food and beverage operations
- Deliver on financial goals

## Protect and leveraging our existing asset portfolio

- Overcome effect of smoking ban in Monticello
- Optimise South African and other African assets and licences
- Redevelopment of Sun City
- Secure GrandWest exclusivity

## Growing our business into new areas and products

- Actively seek opportunities in high growth emerging markets
- Expand into new product lines
- Secure funding for expansion projects

## Our People

- Create a high performance driven culture
- Drive learning, and development, talent management and leadership development
- Achieve transformation goals
- Improve union relationships

## Governance & Sustainability

- Maintain SRI inclusion
- Enhance environmental management and finalise carbon footprint strategy
- Improve corporate social investment, socioeconomic development and enterprise development initiatives
- Improve stakeholder engagement

