TSOGO SUN

Shifting Perspectives

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Does the regulatory environment in South Africa make casinos unattractive investments?

Is the casino industry in South Africa mature with limited growth prospects going forward?

Does the regulatory environment in South Africa make casinos unattractive investments?

- No more so than any other regulated industries
  - Telecoms
  - Financial services
  - Liquor
  - Mining
  - Etc

Does the regulatory environment in South Africa make casinos unattractive investments?

- Government keeps re-visiting rules and regulations
- Tendency to act first and consult later
- However
  - Management's job to deal with it
  - Lobby for the issues to be understood

Regulatory environment of casinos

Advantages	Disadvantages
Barriers to entry	Tax regime allows changes targeted at gaming only
Protection from illegal traders	Slow decision making on applications
Recourse to law and courts	Quality of regulator = quality of decisions
Operational certainty	You have to operate within the regulation whether its logical or not

Casino landscape in South Africa

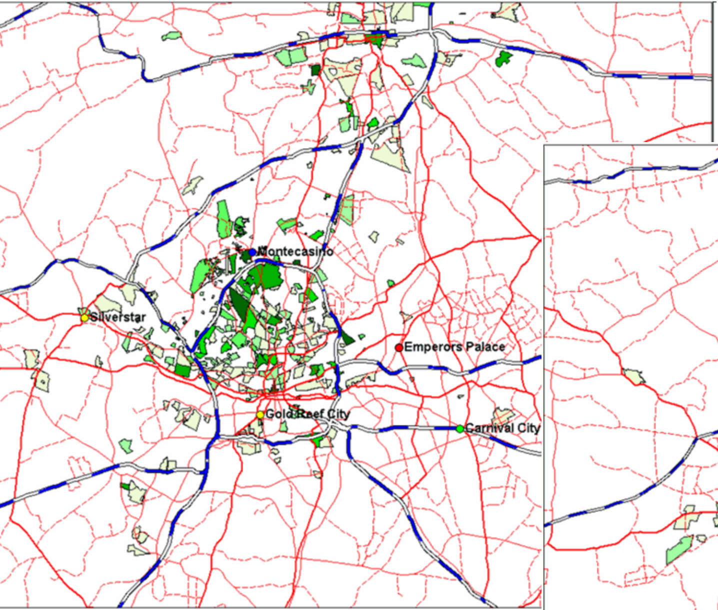
	Tsogo	SI	Pmt	LCI	Other	Unallocated	Total
Eastern Cape	2	2				1	**5**
Free State	1	2/1	1			0/1	**4**
Gauteng	3	2	1	1			**7**
KZN	3	1	1				**5**
Limpopo	-	1	1			1	**3**
Mpumalanga	2	-	1			1	**4**
North West	-	2	2				**4**
Northern Cape	-	1			1	1	**3**
Western Cape	3	2					**5**
	14	**13**	**7**	**1**	**2**	**3**	**40**

Who are our competitors?

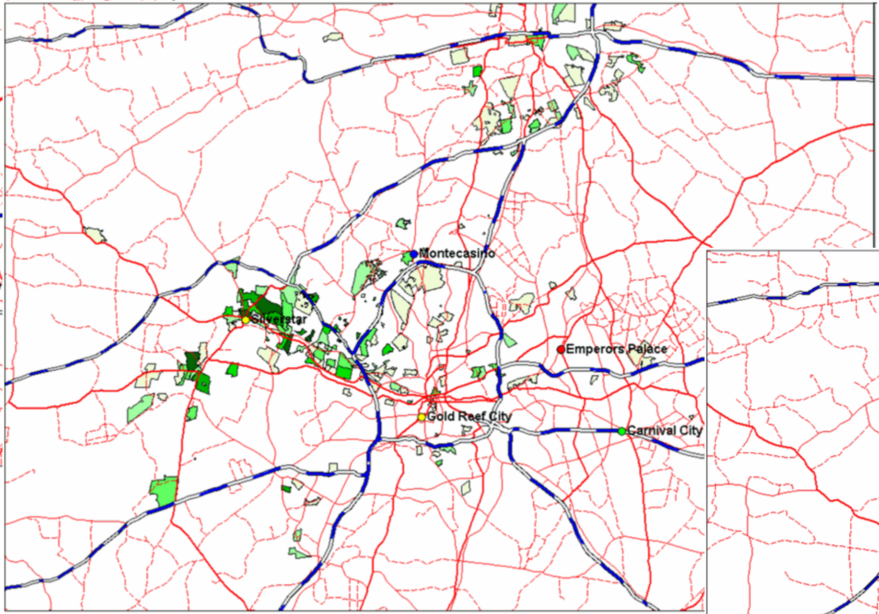
- Industry was designed to maximise investment in defined catchment areas
- Competition comes from other leisure and entertainment options
  - Compete for leisure spend
  - Compete for leisure time

Economic analysis of casino competition

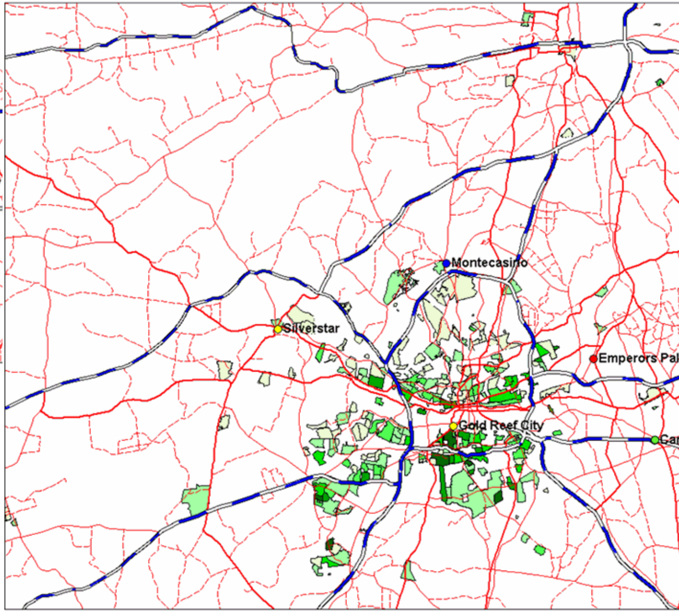
- Casinos have no pricing power
  - Operate at +/- 95% RTP despite only 80% legislative requirement
  - RTP in isolated casinos – same as the urban areas
  - Set based on guest experience – set RTP too low and people stop gaming because its not fun
  - Observed RTP varies with mix of play
    - Privé vs main floor
    - High vs low denomination
- Database tells us who the customers are and where they are from



Montecasino



Silverstar



Gold Reef City

Tsogo's strategy

- Make sure we get the licences
  - Acquired Century Casinos
  - Acquired Gold Reef
- Buy out minorities where possible and viable
  - TS-KZN - 43.5% to 99%

Tsogo’s strategy

- Maximise the potential of each licence though investment and expansion
  - Montecasino
  - Gold Reef City
  - Silverstar
  - Suncoast
  - Emnotweni
  - Blackrock
  - The Ridge
  - Hemingways
  - Garden Route

Montecasino

- **Phase 1 – 2000**
  - Casino
  - Complex – restaurant and entertainment
  - Palazzo hotel 246 rooms
  - Bird Gardens
- **Phase 2 – 2002**
  - Palazzo Towers East & West (8’000sqm offices)

Montecasino

- **Phase 3 – 2006**
  - East End Piazza – with 7 additional restaurants
  - Teatro – 1900 seat
  - SunSquare hotel – 198 rooms
  - Ballroom – 500 seats
  - Outdoor event area

Montecasino

- **Phase 4 – 2009**
  - Pivot office and conference centre – 16,000sqm
  - Southern Sun Montecasino – 198 rooms

Montecasino

- **Phase 5 onwards – TBA**
  - 700 additional gaming positions secured
  - 2 additional hotels possible
  - Office and other development on surrounding land recently acquired
  - 2000 seat multi purpose venue
  - Additional parking
  - Internal refresh

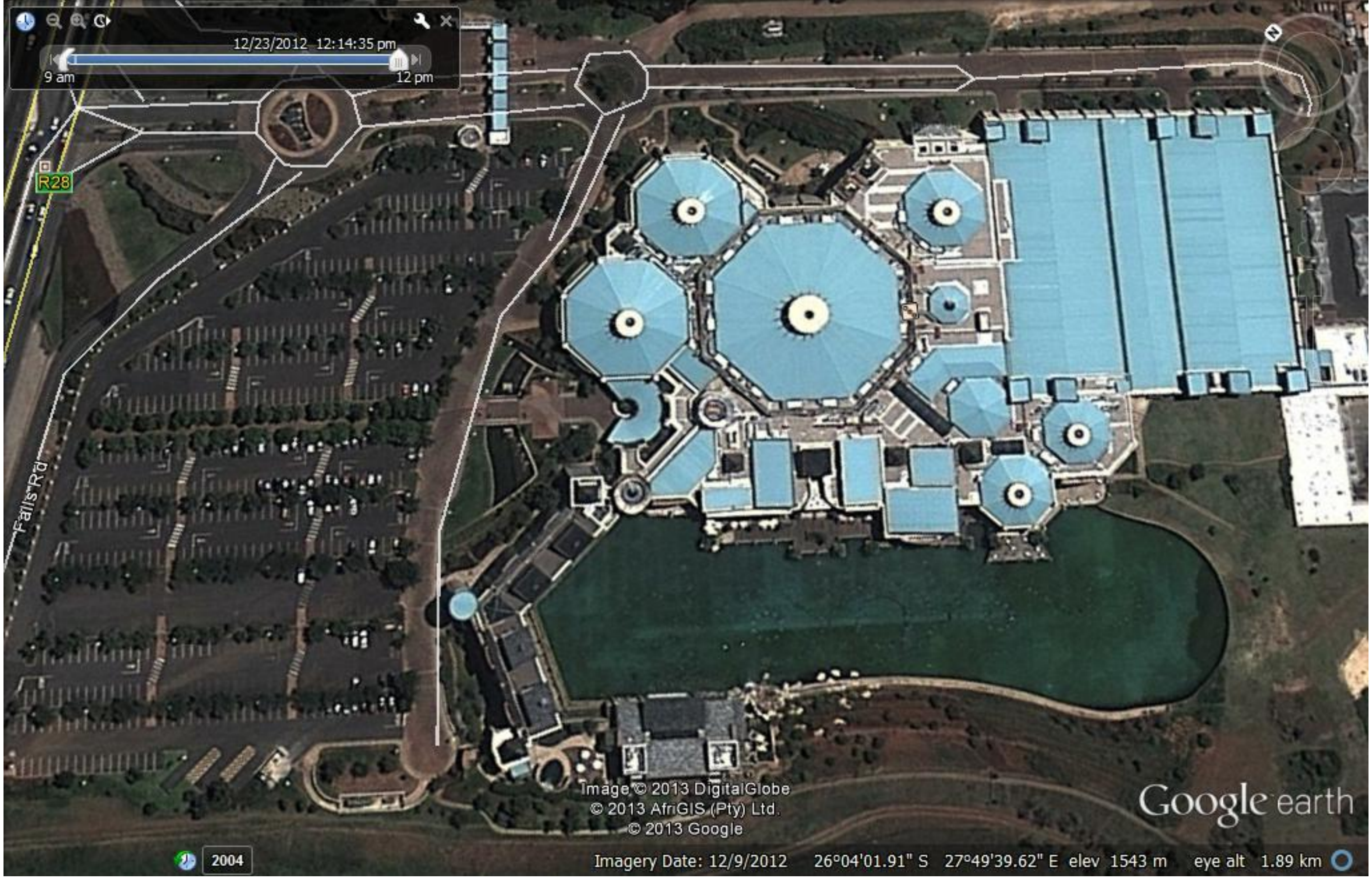
Gold Reef City

- **Acquired 2011**
  - Stabilise operations
  - Integrate Theme Park
- **Future plans – over the next 2 years**
  - 400 additional gaming positions
  - Cinemas
  - Ten Pin bowling
  - Tag laser games
  - Refurbish Theme Park
    - Activate night time trade
    - Additional F & B

Silverstar

- **Acquired 2011**
  - Stabilise trading
  - Plan redevelopment
- **In progress**
  - Outdoor area
  - Additional restaurants
  - Cinema complex
  - Bowling alley’s
  - 3000 pax amphitheatre
  - Refurbish casino
  - 400 additional positions

Silverstar before

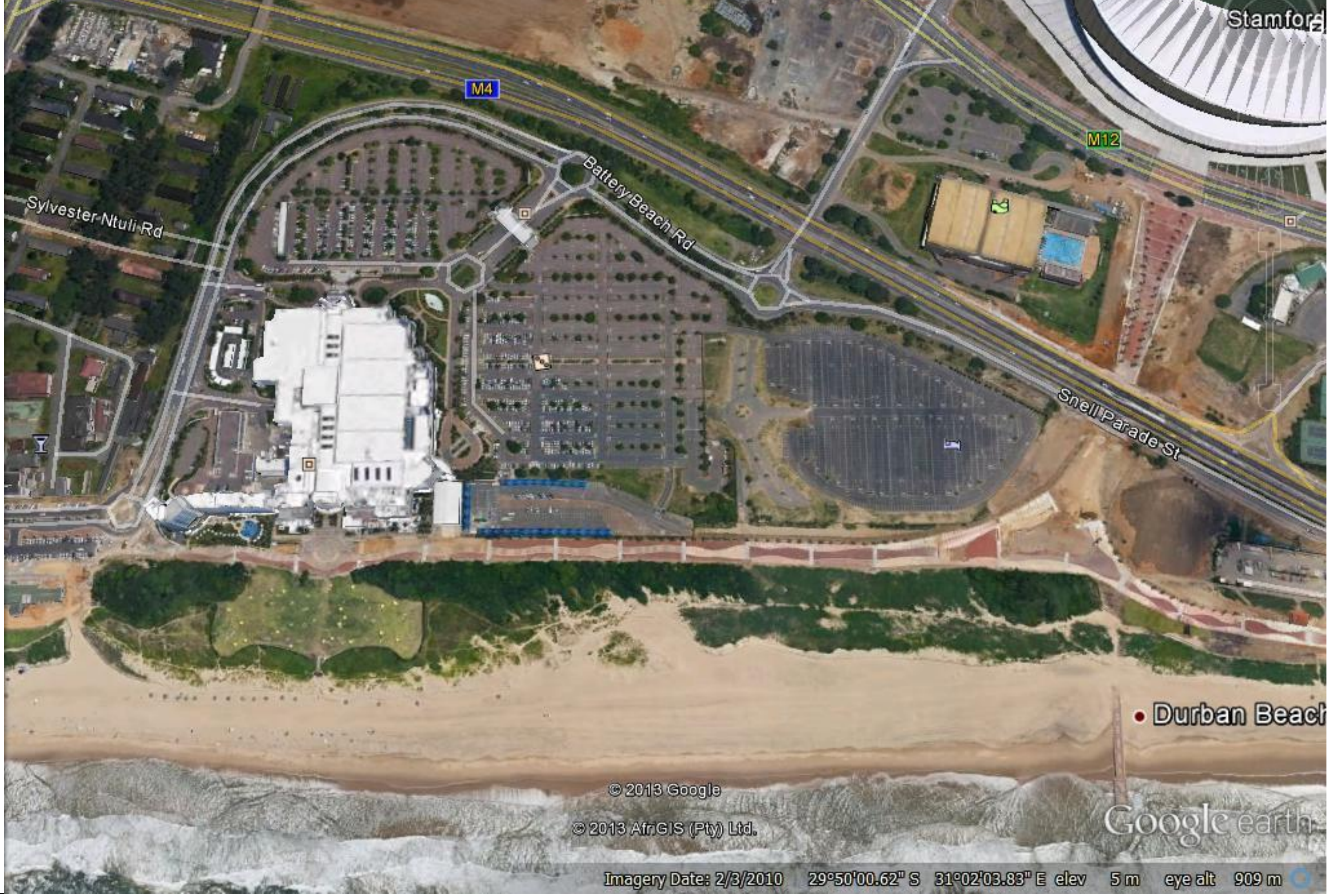


Silverstar
In progress

Suncoast

- **Planning and applications in progress**
  - Additional gaming positions and floor space
  - Destination retail and restaurants
  - 2000 seat banqueting and conference MPV
  - Resort swimming pools and sky deck

Suncoast



Stamford
M4
M12
Sylvester Ntuli Rd
Battery Beach Rd
Snell Parade St
Durban Beach
© 2013 Google
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Google earth
Imagery Date: 2/3/2010 29°50'00.62" S 31°02'03.83" E elev 5 m eye alt 909 m

Suncoast

Emnotweni

- **Construction in progress**
  - Additional gaming positions and floor space
  - Multi storey parkade
  - Banqueting and conference MPV
  - Introducing natural light and views into the casino

Emnotweni

Is the casino industry in South Africa mature with limited growth prospects

- Basic strategy – take what we've got and make the most of it
  - Assumes people will continue to enjoy casinos as a leisure activity
  - Assumes people's ability to allocate leisure spend to casinos will continue to grow as the wealth grows
  - Assumes wealth will continue to grow

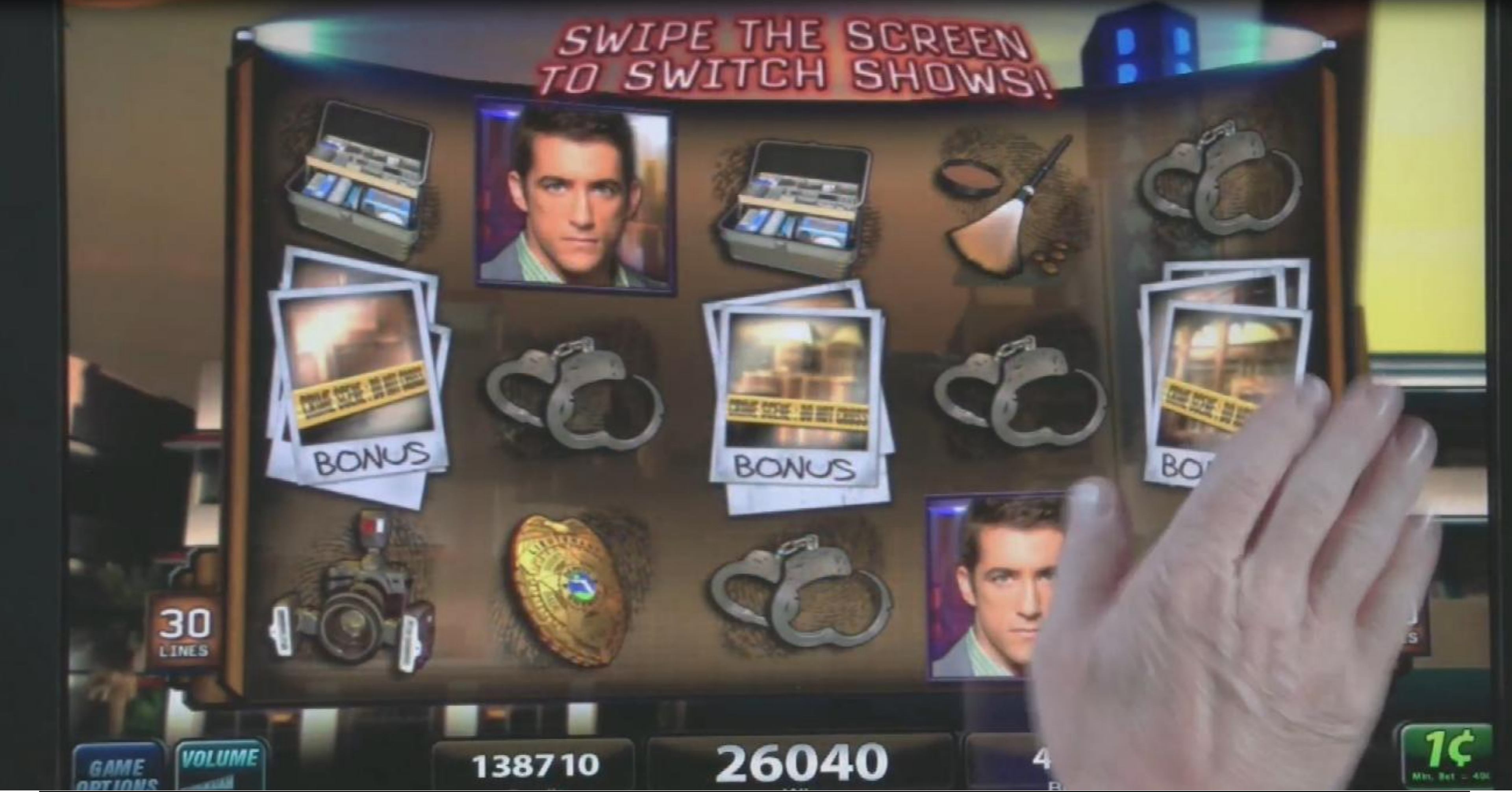
The (very) short history of gaming

- Betting and dice go back to ancient Rome and probably before
  - Loaded dice found in Pompeii …
- Card games and table games largely unchanged since invented
  - Limited scope for rule/odds changes – e.g perfect pairs, double zero
  - Regional /cultural preferences e.g. Craps / Baccarat
- Technological innovation in slot machines

Slots

The Liberty Bell, invented in 1895 by car mechanic, Charles Fey (1862–1944) of San Francisco

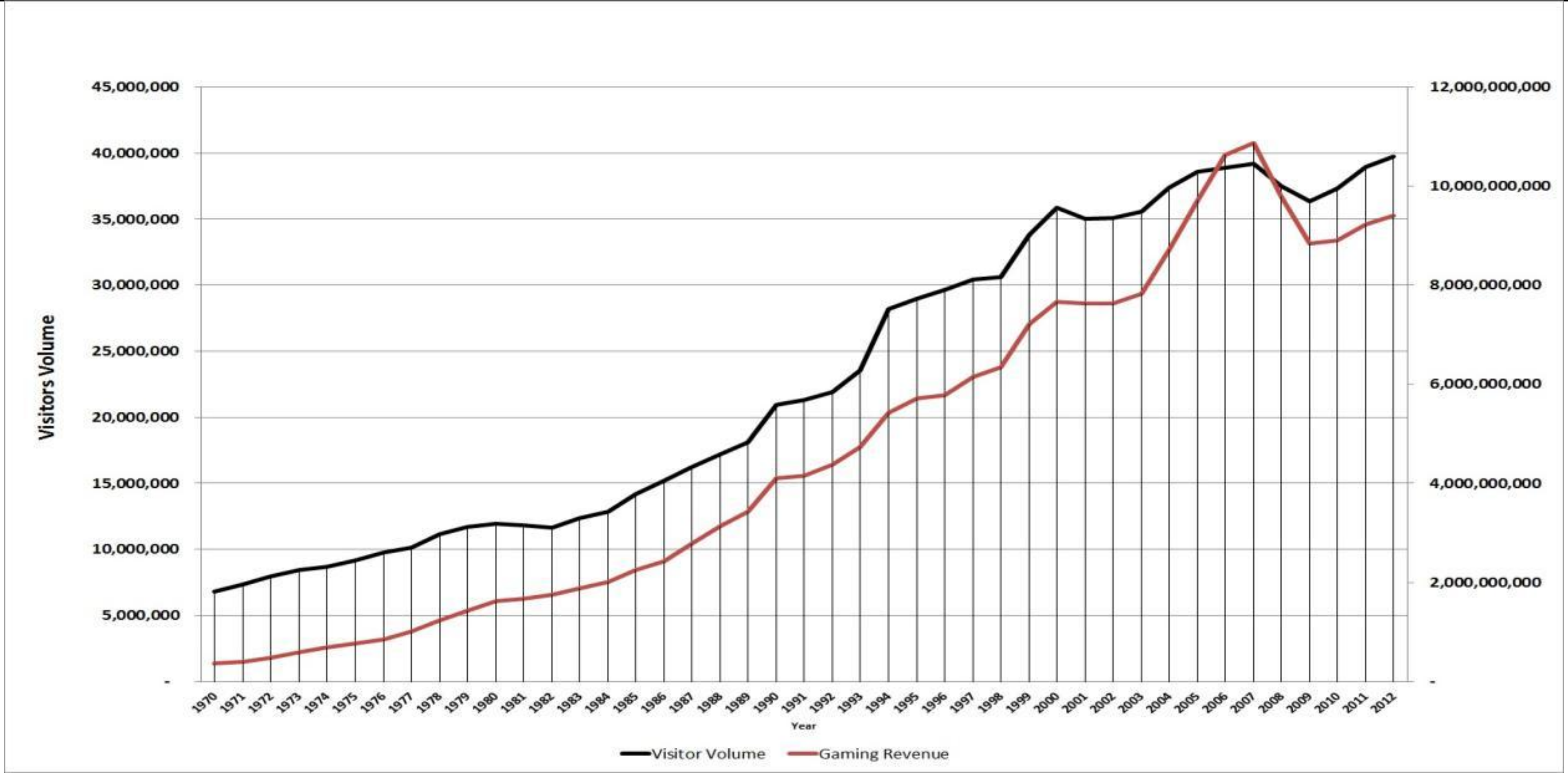

CSI:
CRIME SCENE INVESTIGATION
VIDEO SLOTS
CHOOSE A SHOW
CSI:
CSI: MIAMI
CSI: NY
NOW ON
THE CASINO FLOOR


SWIPE THE SCREEN
TO SWITCH SHOWS!
BONUS
BONUS
30
LINES
VOLUME
138710
26040
1¢


CSI:
CRIME SCENE INVESTIGATION
CRIME SCENE DO NOT CROSS
CSI:NY
CRIME SCENE DO NOT CROSS

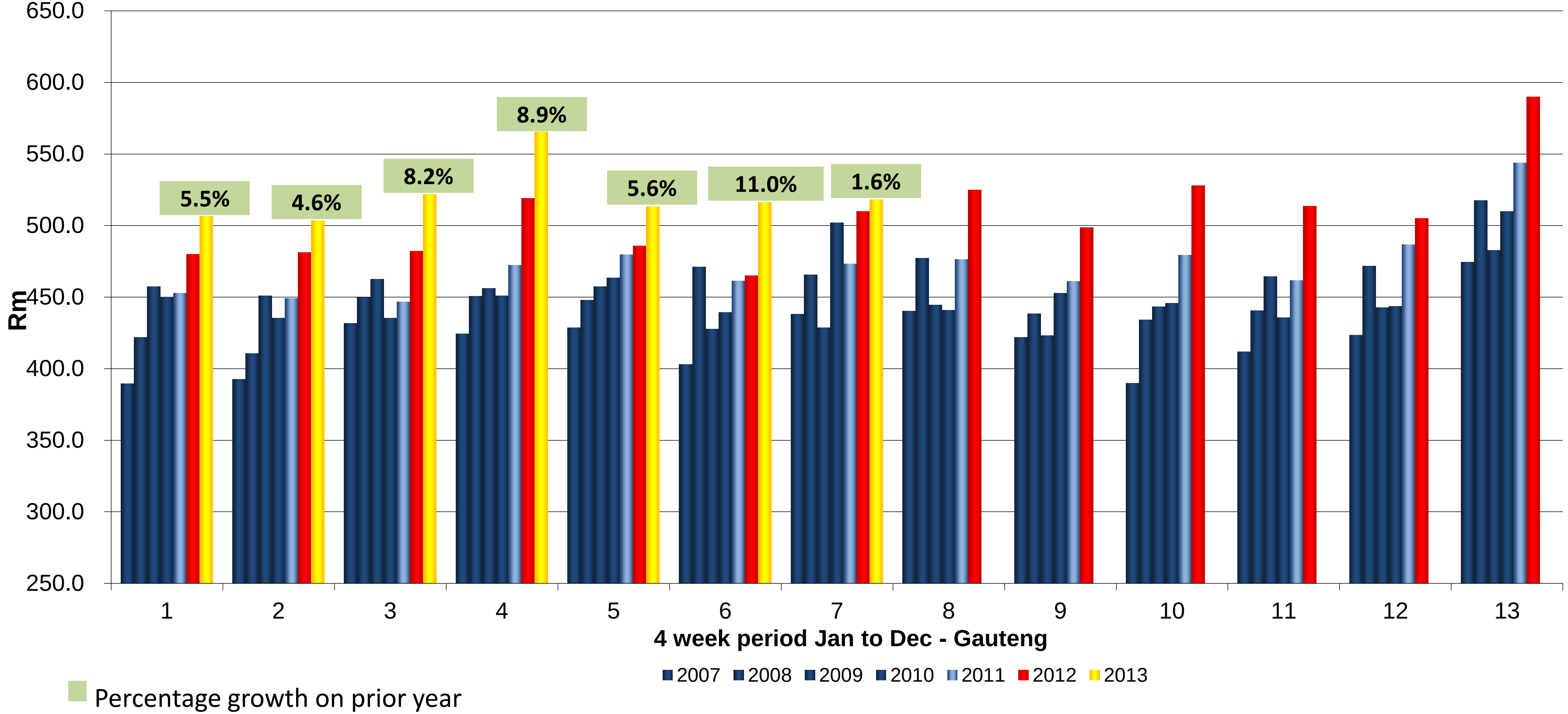

CSI: MIAMI
CSI:
CRIME SCENE INVESTIGATION
CSI:NY

Clark County – Las Vegas, Nevada



Sources: Las Vegas Convention and Visitors Authority; McCarran International Airport; Nevada Gaming Control Board; NV Dept of Transportation; CA Dept of Agriculture, Yermo

Gauteng Gaming Tax Revenues

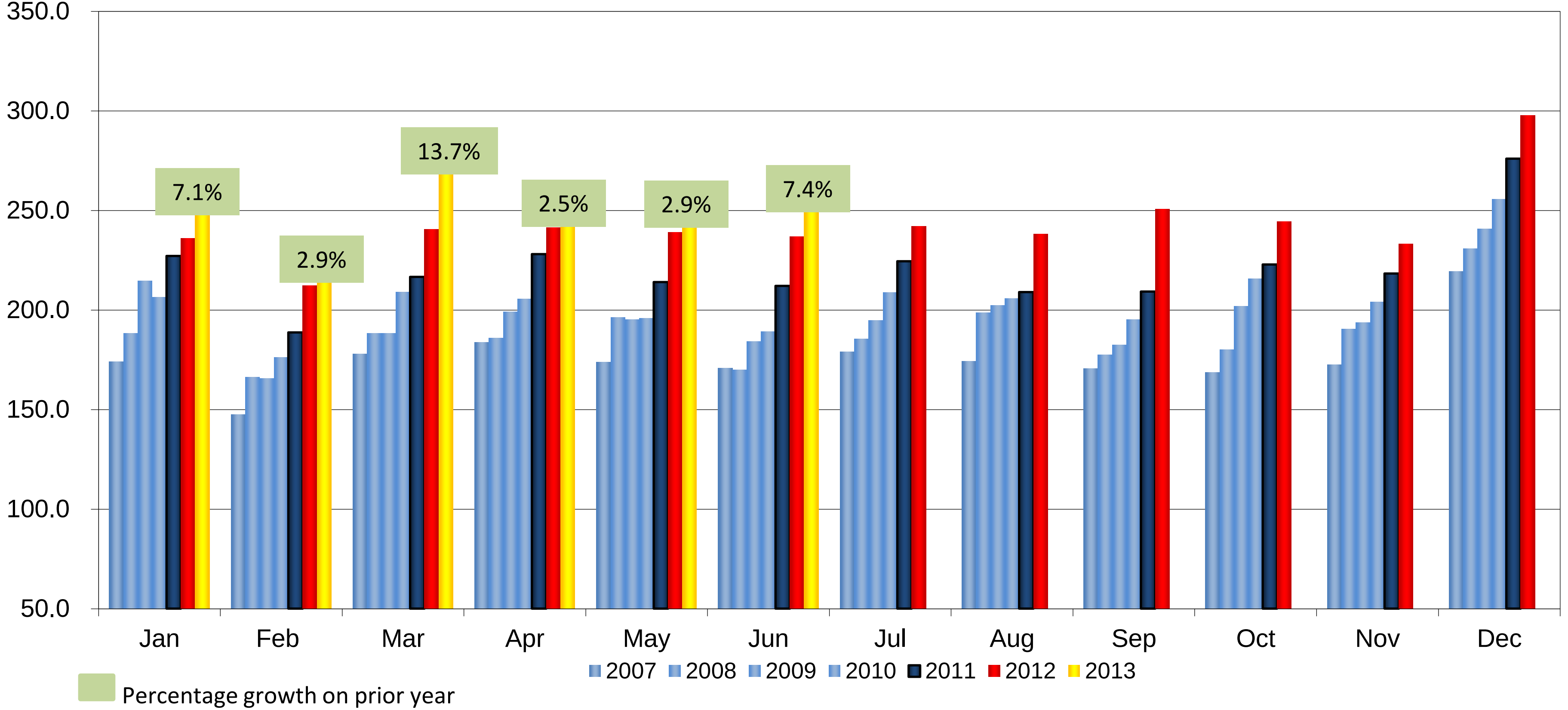


Gauteng Gaming Tax Revenues

Growth in Gaming win (%)	Gauteng	Montecasino	Gold Reef City	Silverstar
Calendar years				
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
6 months to June 2013	**8.2**			

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

KZN Gaming Tax Revenues



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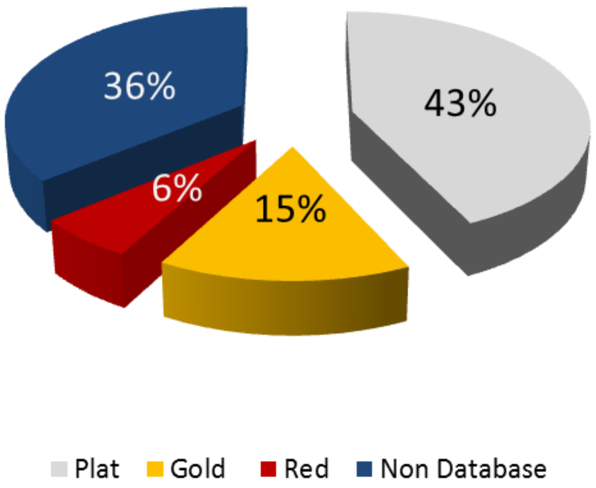
KZN Gaming Tax Revenues

Growth in Gaming win (%)	KwaZulu-Natal	Suncoast	Golden Horse	Blackrock
Calendar years				
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	10.8	9.2
2012	10.0	10.8	8.9	11.6
6 months to June 2013	**5.5**			

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

The Customer

		Plat	Gold	Red	Total
# of Active members		34 304	86 232	270 770	391 306
Revenue	**(Rm)**	2 782	970	392	4 145
Vists per year		67	29	6	16
Visits per month		6	2	0	1
Average spend	**(R)**	1 203	381	246	642
% of total Win		43	15	6	64



The Customer

Age	Total	Plat
18-24	6%	1%
25-34	18%	7%
35-44	21%	21%
45-54	23%	30%
55-59	10%	15%
>60	22%	26%
Not recorded	0%	0%
Total	100%	100%

Gender	Total	Plat
Male	45%	51%
Female	47%	46%
Not recorded	9%	3%
	100%	100%

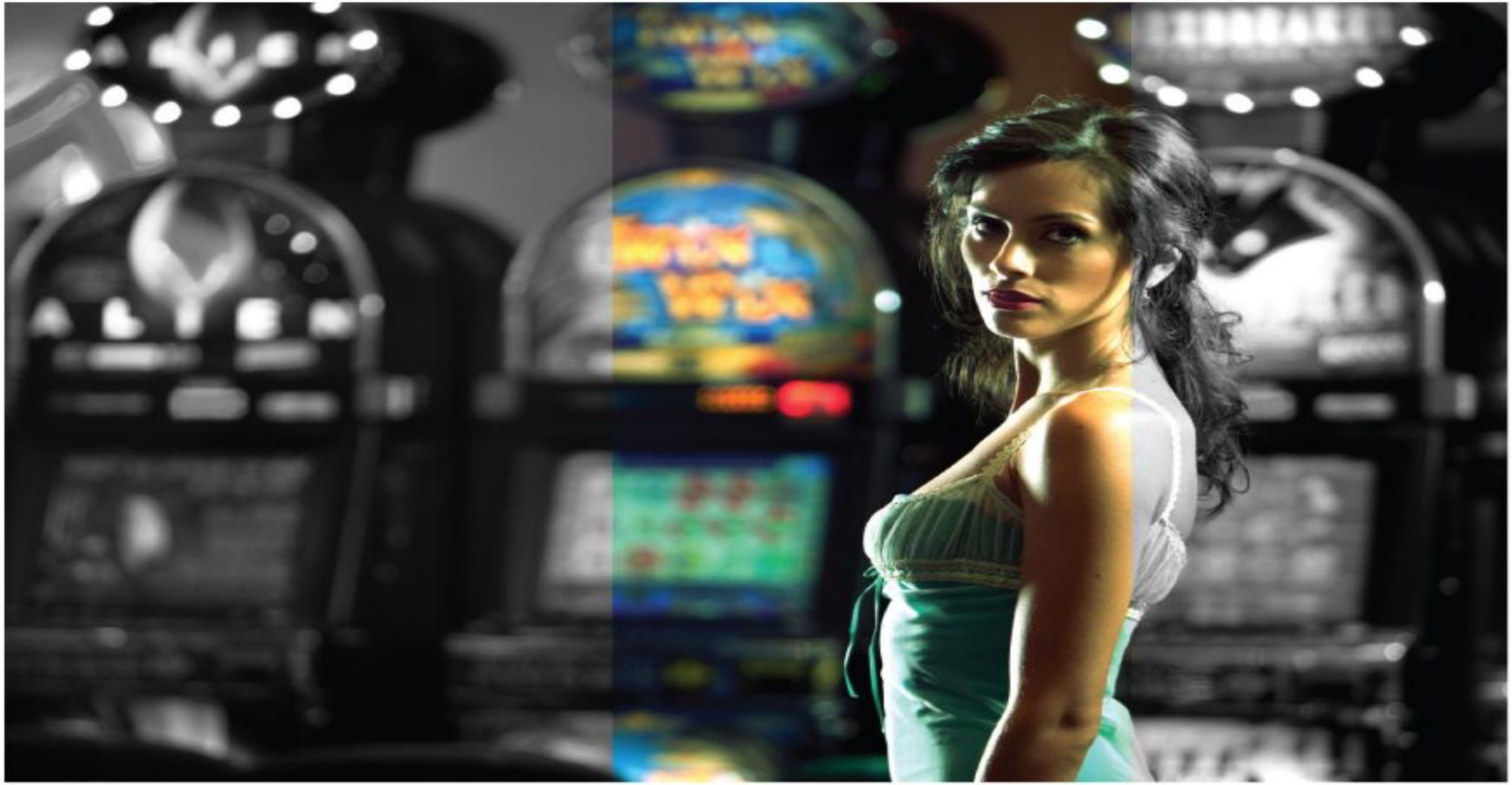
Ethnic origin	Total	Plat
Black	30%	28%
Asian	27%	23%
White	38%	46%
Not recorded	6%	4%
	100%	100%

Conclusion

- Gambling is not a fad – its been around for millennia
- Casinos target middle and upper income customers, with:
  - Disposable income
  - Leisure time
- Gambling is affordable entertainment for our target market

Conclusion

- Therefore
  - As the pool of upper/middle income consumers grow
  - The pool available for gambling and other entertainment will grow
  - Position our properties to be the most attractive leisure destinations
  - Make the most of our licenses



Thank you

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