



TSOGO SUN HOLDINGS
ANALYSTS & FUND MANAGERS
PRESENTATION
May 2018

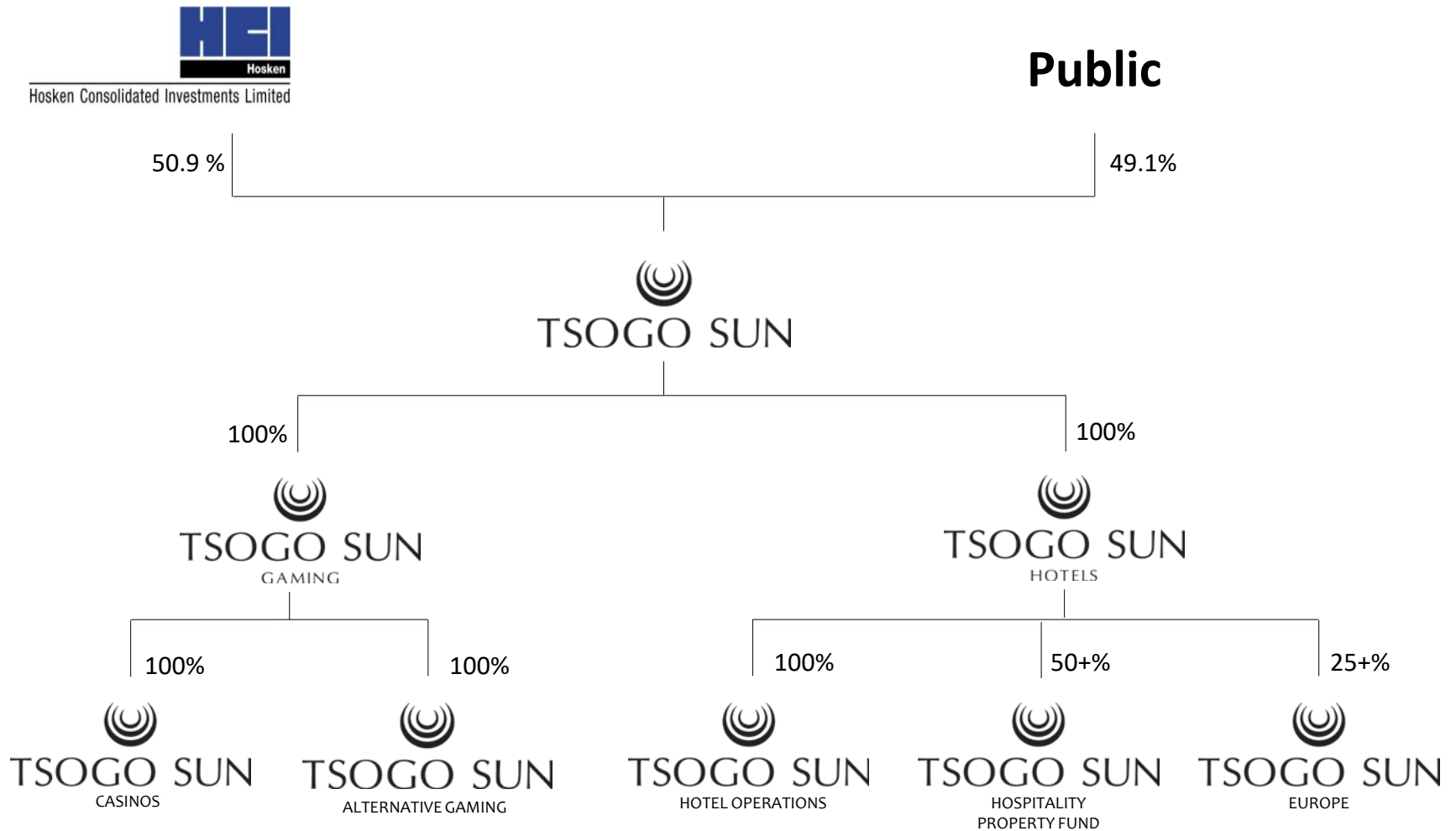
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GROUP STRUCTURE



MANAGEMENT AND BOARD



■ TSH Board of Directors

● Executive Directors

- Jacques Booysen – Group CEO
- Rob Huddy – Group CFO

● Non-Executive Directors

- Johnny Copelyn – Chairman
- Marcel Golding
- Mac Gani – Audit & Risk and Social & Ethics Chairman
- Busi Mabuza – Lead Independent
- Elias Mphande
- Jabu Ngcobo
- Yunis Shaik – RemCo Chairman

MANAGEMENT AND BOARD

▪ **Group Executive Committee**

• **Corporate**

- Jacques Booysen – Group CEO
- Rob Huddy – Group CFO
- Noeleen Bruton – Marketing Director
- Vusi Dlamini – Group HR Director
- Laurelle McDonald – Corporate Finance and Treasury Manager
- Zibusiso Kganyago – Group Development Director
- Henry Parrymore – Chief Information Officer
- Graham Tyrrell – Group Legal Director and Company Secretary

• **Gaming**

- Glenn Joseph – COO Gaming
- Greg Lunga – FD Gaming

• **Hotels**

- Ravi Nadasen – COO Hotels SA
- Richard Weilers – COO & MD Offshore
- Jaco Boshoff – FD Hotels



FINANCIAL OVERVIEW

FINANCIAL OVERVIEW – SEGMENTAL (Rm)

	Income			Ebitdar ⁽¹⁾			Ebitdar Margin %	
	F'18	F'17	% Change	F'18	F'17	% Change	F'18	F'17
Casino gaming								
Montecasino	2 625	2 694	(2.6)	1 135	1 196	(5.1)	43.3	44.4
Suncoast	1 681	1 732	(2.9)	752	810	(7.2)	44.7	46.8
Gold Reef City	1 497	1 450	3.3	569	549	3.5	38.0	37.9
Silverstar	686	735	(6.6)	212	248	(14.4)	30.9	33.7
Golden Horse	397	392	1.1	177	176	0.7	44.6	44.8
Emnotweni	381	383	(0.4)	136	145	(6.1)	35.7	37.9
The Ridge	381	382	(0.2)	145	147	(1.6)	38.0	38.6
Hemingways	314	306	2.5	97	95	1.2	30.8	31.2
Garden Route	235	225	4.5	99	96	2.4	41.9	42.8
Mykonos	183	162	12.4	86	72	19.2	47.2	44.5
The Caledon	177	175	1.1	49	54	(7.5)	28.0	30.6
Blackrock	160	170	(6.2)	54	65	(16.9)	33.6	37.9
Goldfields	135	133	1.5	38	41	(6.6)	28.5	31.0
Alternative gaming⁽²⁾								
Galaxy	263	n/a	*	69	n/a	*	26.2	n/a
Vukani	362	n/a	*	169	n/a	*	46.7	n/a
Other gaming operations	184	195	(5.6)	(141)	(154)	8.4	*	*
Total gaming operations	9 661	9 134	5.7	3 646	3 540	2.9	37.7	38.8
South African hotels ⁽³⁾	3 799	3 509	8	1 470	1 359	8	38.7	38.7
Offshore hotels division	565	635	(11)	120	108	11	21.2	17.0
Pre-foreign exchange				119	146	(18)	21.1	23.0
Foreign exchange gains/(losses)				1	(38)	*	*	*
Corporate ⁽³⁾	(50)	(56)	11	35	42	16	*	*
Group	13 975	13 222	6	5 271	5 049	4	37.7	38.2

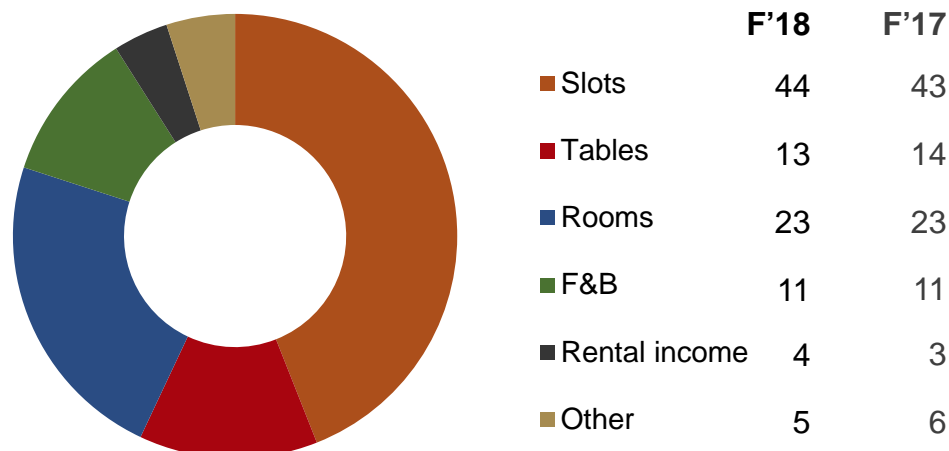
Note: ⁽¹⁾ All casino units are reported pre-internal gaming management fees
⁽²⁾ Gaming division includes Galaxy and Vukani ("Gameco") w.e.f. 20 November 2017
⁽³⁾ Includes R50 million (F'17: R55million) intergroup management fees

FINANCIAL OVERVIEW – INCOME STATEMENT (Rm)

	F'18	F'17	% Change
Income	13 975	13 222	6
Net gaming win	7 940	7 483	6
Revenue			
Rooms	3 160	3 078	3
F&B	1 561	1 434	9
Rental income	549	445	23
Other	765	782	(2)
Ebitdar	5 271	5 049	4
LTI expense	24	(49)	*
Property rentals	(282)	(242)	(17)
Amortisation & depreciation	(912)	(846)	(8)
Exceptional items	(439)	787	*
Net finance costs	(1 157)	(1 023)	(13)
Associates and JVs	63	38	66
Taxation	(410)	(665)	38
Non-controlling interests	(187)	(542)	65
Attributable earnings	1 971	2 507	(21)
Adjustments	(5)	(520)	*
Adjusted earnings	1 966	1 987	(1)

FINANCIAL OVERVIEW – SUPPLEMENTARY INFO

Group Income by Nature %



Total Hotel Ebitdar (Rm)

	F'18	F'17
Hotels SA	1 470	1 359
Core business	1 108	1 082
HPF	362	277 ⁽¹⁾
Hotels Gaming	186	190
Hotels Offshore ⁽²⁾	119	146
Ebitdar	1 775	1 695
% of Group Ebitdar	34	34

Notes:

(1) Includes 7 months of HPF 3rd party operated hotels

(2) Pre-forex

FINANCIAL OVERVIEW – ADJUSTED HEPS (Rm)

	F'18		F'17		%
	Gross	Net	Gross	Net	change
Attributable earnings		1 971		2 507	(21)
PP&E disposal losses	2	2	12	9	
Impairment of PP&E	68	63	77	45	
Fair value of HPF shares on acquisition	-	-	(46)	(46)	
Gain on bargain purchase price	-	-	(82)	(82)	
Profit on sale of investment property	-	-	(36)	(18)	
Fair value adjustment on investment property	191	115	(757)	(385)	
Impairment of goodwill and intangibles	112	86	1	1	
Impairment of equity loan to associate	7	7	-	-	
Fair value adjustment on assets held for sale	1	1	-	-	
Associate headline adjustments (net)		(7)		2	
Headline earnings		2 238		2 033	10
Pre-opening expenses	19	14	-	-	
Impairment of loans, net of recovery	(34)	(34)	4	4	
Restructure costs	38	28	7	4	
Transaction costs	33	32	27	26	
Interest rate swap fair value adjustment	2	1	6	3	
Debt restructure costs	3	2	-	-	
Cullinan option fair value adjustment	-	-	(35)	(35)	
Derecognition of deferred tax	-	(307)	-	(37)	
Associate exceptional items (net)		(8)		(11)	
Adjusted headline earnings		1 966		1 987	(1)
Weighted number of shares in issue (m)		994		957	
Headline EPS (cents)		225.2		212.4	
Adjusted HEPS (cents)		197.8		207.6	

FINANCIAL OVERVIEW – GROUP CASH FLOW (Rm)

	F'18	F'17
Ebitdar (incl. LTI) per income statement	5 295	5 000
Property rentals	(282)	(242)
Ebitda	5 013	4 758
Working capital adjusted for non-cash and exceptional items	(533)	102
Dividend income	24	50
Cash generated from operations	4 504	4 910
Interest paid (net)	(1 148)	(1 076)
Taxation paid	(688)	(627)
Operating equipment purchased	(55)	(65)
Maintenance capex	(675)	(925)
Free cash flow	1 938	2 217
Ordinary dividends paid	(1 015)	(975)
Non-controlling interests' dividends	(161)	(246)
Disposal proceeds	9	145
Investment activities	(2 576)	(2 590)
Share scheme loans	1	6
Treasury share settlement	86	-
Cash proceeds from rights issue (HPF)	995	-
	(9)	-
Net cash deficit	(732)	(1 443)
Currency	(8)	(5)
Move in Net IBD	(740)	(1 448)
Opening net IBD	(12 113)	(9 248)
Acquired with acquisitions	191	(1 536)
Accrued interest, prepaid borrowing costs and IBD currency	125	119
Closing net IBD	(12 537)	(12 113)

FINANCIAL OVERVIEW – INVESTMENT ACTIVITIES (Rm)

	F'18	F'17
Investment activities	2 576	2 590
SunWest and Worcester	-	1 272
Gold Reef City redevelopment	19	34
Suncoast expansion	291	112
Mykonos land	30	-
Monte Circle and Monte Place	26	16
SunSquare and SE Cape Town FF&E	34	53
Cape Town land	-	79
Sun 1 expansions	-	25
Sandton Eye	271	-
SE Maputo	145	-
Gameco acquisition	1 733	-
Galaxy expansion	24	-
Acquisition of Mykonos minorities	-	190
Acquisition of Blackrock minorities	-	5
Acquisition of Cullinan minorities	-	459
Acquisition of Liberty hotels	-	310
Other including loan recoveries	3	35
Maintenance capex	675	925
Gaming equipment	227	281
Hotel major refurbishments	-	114
Casino major refurbishments	-	81
Other maintenance capex	448	449
Total investment spend	3 251	3 515

FINANCIAL OVERVIEW – INTEREST BEARING DEBT (Rm)

		F'18	F'17
External debt (US\$ based)		969	986
External debt (Rand based)		10 714	10 160
External debt HPF (Rand based)		1 952	1 725
Bank overdrafts		1 736	1 699
Prepaid borrowing costs		(27)	(33)
Gross IBD		15 344	14 537
Cash on hand		(2 807)	(2 424)
Net IBD		12 537	12 113
Cost of net debt	— pre tax	9.4%	9.4%
	— post tax	6.8%	6.8%

Dividend of R676m (70c per share) declared May 2017, paid June 2017














Dividend of R339m (32c per share) declared November 2017, paid December 2017



TSOGO SUN
CASINO GAMING



CASINO GAMING PORTFOLIO

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

Note: TSH sold its 25% interest in Queens on expiry of the casino licence in December 2017

CASINO GAMING WIN (Rm)

		F'18	F'17	% Change
Gaming win		7 357	7 483	(2)
Tables		1 822	1 891	(4)
Slots		5 535	5 592	(1)
Win/drop %	– tables	20.9	21.8	(0.9)pp
Hold/handle %	– slots	5.0	5.0	-
		F'18	F'17	% Change
Gauteng		3 878	3 985	(3)
KwaZulu-Natal		2 022	2 068	(2)
Mpumalanga		572	573	-
Western Cape		529	504	5
Other		356	353	1
		7 357	7 483	(2)



GAUTENG CASINO GAMING TAX REVENUES

Growth in Gaming Win (%)

	Gauteng	Montecasino	Gold Reef City	Silverstar
Calendar years				
2000	25.0	(4.9)		
2001	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
6 months to September 2017	1.4	(10.1)	1.6	(8.0)
6 months to March 2018	13.0	1.4	4.2	(8.5)
12 months to March 2018	7.1	(4.5)	2.9	(8.3)

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

GAUTENG CASINO GAMING TAX REVENUES

▪ Time Square Impact on F'18

	F'18 Rm	F'17 Rm	% Change
Market	7 937	7 410	7.1
Tsogo Sun	3 886	4 002	(2.8)
Rest of Gauteng	3 059	3 198	(4.3)
Time Square (estimate)	992	-	100.0
Morula	-	210	(100.0)



KZN CASINO 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	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
6 months to September 2017	1.4	(1.3)	(0.8)	(11.9)
6 months to March 2018	2.2	(2.7)	3.0	(5.7)
12 months to March 2018	1.9	(2.3)	1.1	(8.8)

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

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

OTHER CASINO GAMING TAX REVENUES

Growth in Gaming win (%)

	Province	Unit	Unit	Unit
	Mpumalanga	Ridge	Emnotweni	
6 months to September 2017	(0.2)	(3.4)	0.7	
6 months to March 2018	0.2	1.5	(0.3)	
12 months to March 2018	-	(0.9)	0.2	
	Western Cape	Caledon	Mykonos	Garden Route
6 months to September 2017	0.2	2.6	10.6	1.7
6 months to March 2018	2.1	(7.3)	9.9	6.2
12 months to March 2018	1.1	(2.7)	10.2	4.1
	Eastern Cape	Hemingways		
6 months to September 2017	(1.1)	(1.0)		
6 months to March 2018	0.3	2.1		
12 months to March 2018	(0.4)	0.6		
	Free State	Goldfields		
6 months to September 2017	(3.5)	1.3		
6 months to March 2018	(0.6)	3.0		
12 months to March 2018	(2.1)	2.1		

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

CASINO GAMING – REGULATORY MATTERS

- B-BBEE condition of licence
- Regulation regarding the maximum number of casino licences nationally
- Gauteng gaming taxes
- Smoking regulations



CASINO GAMING – FUTURE OPPORTUNITIES

■ Suncoast redevelopment

- Expansion comprises a new Privé, refurbishment of the existing main floor, new restaurants, structured parking, a Barnyard theatre and the Dome venue at a cost estimated at R1.6bn
- Construction continues with the Privé scheduled to open during July 2018 and completion of the remainder of the project by December 2018
- R322m spent prior to F'18 including R100m CSI and R291m spent during F'18



CASINO GAMING – 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 group will comment by the end of May 2018 and is broadly satisfied with the draft Bill and regulations



CASINO GAMING – FUTURE OPPORTUNITIES

■ Monte Circle and Monte Place

- Construction of building C at Monte Circle completed and construction of building K at Monte Place will commence during April 2018
- R26m spent during F'18 with R10m to be spent on building C and R32m to be spent on Building K during F'19
- Additional phases will be rolled out as tenanting proceeds



CASINO GAMING – FUTURE OPPORTUNITIES

- Gaming positions licensed but not currently displayed

	Slots	Tables
Montecasino	574	6
Gold Reef City	330	4
Suncoast	750	13
Silverstar	200	-
The Ridge	64	2
Golden Horse	-	1
Hemingways	43	-
Emnotweni	75	1
Mykonos	-	3
Caledon	52	-
	2 088	30





ALTERNATIVE GAMING

▪ Vukani and Galaxy acquisition

- The acquisition of Niveus' alternative gaming interests, excluding sports betting, was implemented effective 20 November 2017
- The group invoked § 124 of the Companies Act to compulsorily acquire all the Gameco shares from minorities
- The purchase consideration was:

	<u>Rm</u>	
Cash	1 733	
Shares	1 983	(98 478 021 shares at R20.14)
	<u>3 716</u>	

- The approval of the Northern Cape Gambling Board of Tsogo Sun's acquisition of the Kuruman casino has not yet been received and Niveus thus retains ownership of the casino and will either put the casino to the group, if approval is received, or pay R95m to the group by 30 June 2018

ALTERNATIVE GAMING - VUKANI

- **Income statement**

	F'18 Actual	F'18 Illustrative full year
Revenue	362	961
Ebitdar	169	425
Rent	(3)	(8)
Depreciation	(34)	(94)
Exceptional items	(2)	(16)
Finance costs	(8)	(16)
Taxation	(35)	(75)
Non-controlling interests	(3)	(11)
Adjustments	2	16
Adjusted earnings	86	221

ALTERNATIVE GAMING - VUKANI

- **Gaming win by province**

	F'18 Actual	F'18 Illustrative full year
Mpumalanga	31	87
Eastern Cape	46	120
Kwa-Zulu Natal	70	182
Limpopo	44	116
Western Cape	98	265
Gauteng	31	83
North West	12	32
Free State	11	32
Northern Cape	6	13
	349	930

ALTERNATIVE GAMING - VUKANI

- **Footprint as at 31 March 2018**

	<u>Sites</u>	<u>Machines</u>
Mpumalanga	102	546
Eastern Cape	113	963
Kwa-Zulu Natal	228	1 030
Limpopo	136	775
Western Cape	191	891
Gauteng	151	698
North West	77	498
Free State	82	333
Northern Cape	33	160
	<u>1 113</u>	<u>5 894</u>

ALTERNATIVE GAMING - GALAXY

▪ Income Statement

	F'18 Actual	F'18 Illustrative full year
Revenue	263	647
Ebitdar	69	162
LTI expense	-	(6)
Rent	(17)	(45)
Depreciation	(12)	(33)
Exceptional items	(2)	(13)
Taxation	(10)	(28)
Non-controlling interests	(5)	(3)
Adjustments	2	13
Adjusted earnings	25	47

ALTERNATIVE GAMING - GALAXY

▪ Gaming win by province

	F'18 Actual	F'18 Illustrative full year
Gauteng	98	272
North West	19	51
Limpopo	15	26
Mpumalanga	13	19
Eastern Cape	63	147
Kwa-Zulu Natal	26	65
	234	580⁽¹⁾⁽²⁾

Notes: (1) Full year gaming win grew by 28% on F'17

(2) Gaming win growth of 11% on F'17 excluding new sites opened in F'17 and F'18

ALTERNATIVE GAMING - GALAXY

▪ Footprint as at 31 March 2018

	Bingo	Casino	ISO (40 LPM site)	Bingo licenses not yet rolled out
Gauteng	4			
Eastern Cape	6 ⁽¹⁾			
North West	2			
Limpopo	2 ⁽²⁾⁽⁴⁾			
Mpumalanga	2 ⁽³⁾		1	
Kwa-Zulu Natal	4 ⁽⁵⁾			3
Northern Cape		1 ⁽⁶⁾		
	20	1	1	3
Number of machines	3 060	168	40	

- Notes:
- (1) New site opened in September 2017
 - (2) New site opened in June 2017
 - (3) New sites opened in August 2017 and January 2018
 - (4) Additional new site opened in April 2018 not included above
 - (5) Operating as ISO (40 LPM sites) and paper bingo as at 31 March 2018
 - (6) Subject to approval of the Northern Cape Gambling Board and not yet included

ALTERNATIVE GAMING – REGULATORY/LEGAL MATTERS

- **Galaxy**

- Litigation against Electronic Bingo
 - KwaZulu-Natal
 - Eastern Cape
 - North West
- Litigation relating to the validity of bingo licenses
 - KwaZulu-Natal
- Smoking regulations

ALTERNATIVE GAMING – FUTURE OPPORTUNITIES

▪ **Vukani**

- 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

▪ **Galaxy**

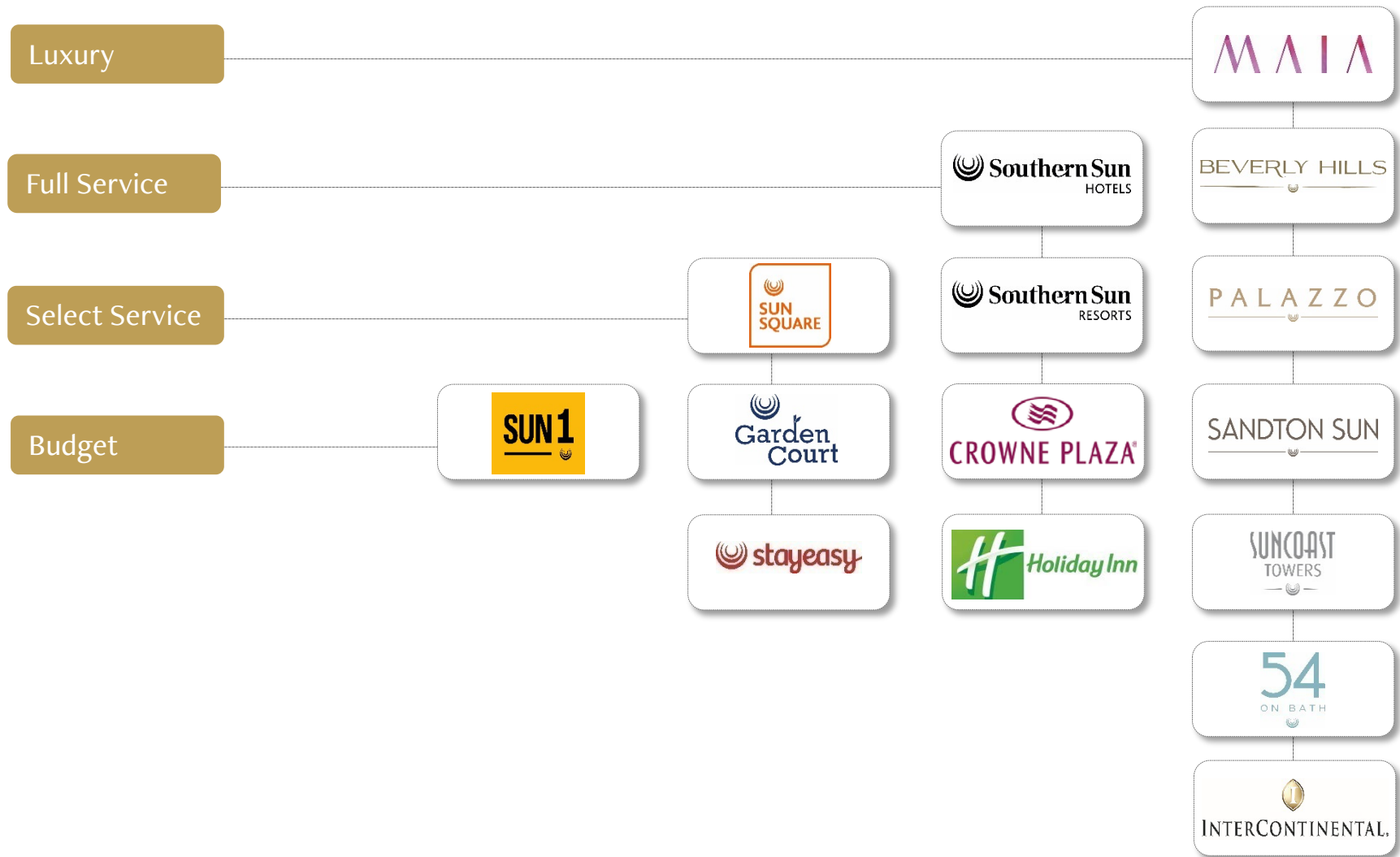
- Additional site opened during April 2018 (Tzaneen)
- 3 undeveloped licenses in KwaZulu-Natal
- Rollout of electronic bingo in KwaZulu-Natal
- Growth in profitability in new sites (4 in F'17 and 4 in F'18)
- Expansions and redevelopment of existing sites (6 projects in F'19)
- Investment in new product
- Possibility of new licences (Bingo not yet licensed in Western Cape, Northern Cape or Free State)



**TSOGO SUN
HOTELS**



GROUP OPERATED HOTEL PORTFOLIO



GROUP OPERATED HOTELS PORTFOLIO AND STATISTICS

	Hotels	Rooms	Owned	Managed
Luxury	6	1 105	410	695
Full Service	25	5 386	5 386	-
Select Service	27	5 079	4 563	516
Budget	22	1 741	1 741	-
Timeshare & Resorts	6	992	138	854
South Africa	86	14 303	12 238	2 065
Offshore	10	1 561	1 038	523
Total	96	15 864	13 276	2 588

- Portfolio as at 31 March 2018
- Owned includes leased hotels and associates
- Excludes hotels managed by 3rd parties:
 - HPF 3rd party managed hotels
 - International Hotel Properties Limited

Owned Stats – (SA and Offshore)	F'18	F'17	% Change
Occupancy (%)	63.5	63.3	0.2pp
Average room rate (R)	1 045	1 063	(2)
RevPar (R)	664	672	(1)
Rooms available ('000)	4 763	4 578	4
Rooms sold ('000)	3 024	2 895	4
Rooms revenue (Rm)	3 160	3 078	3

SOUTH AFRICAN HOTELS TRADING

- Occupancy increased 0.4pp to 64.7% on the prior year
- Average room rate ended flat on the prior period
- The majority of the portfolio has been refurbished and is in very good condition



SOUTH AFRICAN HOTELS – CAPE TOWN WATER

- **Westin, SS Cullinan and SS Waterfront (R3.9m)**
 - Reverse osmosis plant to make brackish water pumped from Westin basement (1.2m l/d) potable
 - Completed April 2018
- **Radisson Waterfront and SE Century City (R4.1m)**
 - Boreholes and reverse osmosis
 - Completed April 2018
- **SS Newlands and SunSquare Gardens (R2.0m)**
 - Borehole and filtration
 - Completed January 2018



SOUTH AFRICAN HOTELS – CAPE TOWN WATER

- **GC Nelson Mandela Boulevard (R2.5m)**
 - Borehole and filtration
 - Anticipated completion May 2018
- **Sun 1 Parrow, Sun1 Milnerton, Sun 1 Foreshore (R900k)**
 - Additional storage tanks
- **Protea Victoria Junction**
 - Additional storage tanks as borehole unsuccessful
- **Cape Sun and SunSquare and StayEasy City Bowl**
 - No action as yet as are in the CBD



OFFSHORE HOTELS TRADING

- Offshore hotels trading remains under pressure with occupancies up 0.9pp on the prior year to 56.8% and average room rates down 3% in US\$ and 11% in Rand
 - Remains impacted by weaker corporate markets attributable to the negative impact of commodity prices
- Forex gain for F'18 R1m (F'17 R38m loss) on cash and monetary items



OFFSHORE HOTELS – FUTURE OPPORTUNITIES

▪ **StayEasy Maputo**

- Capital cost of 125 key hotel US\$16.5m
- 50 year land lease on a shopping development at zero cost
- Construction completed and hotel opened



▪ **SS Nairobi**

- Existing lease terminates November 2020
- Landlord has agreed to a 12.5% reduction in rent until July 2019
- Landlord will then refurbish the hotel and Tsogo Sun will operate it under management contract



OFFSHORE HOTELS – FUTURE OPPORTUNITIES

- **Expansion in the territories the group already operates in**
 - Management agreements for a 150 key Southern Sun in Accra, Ghana, and a 128 key Garden Court in Kitwe Zambia concluded
 - Construction has commenced on both hotels with expected opening dates during Q1 2019 and Q2 2018 respectively





HPF GROUP STRUCTURE



Public

59.2%

40.8%

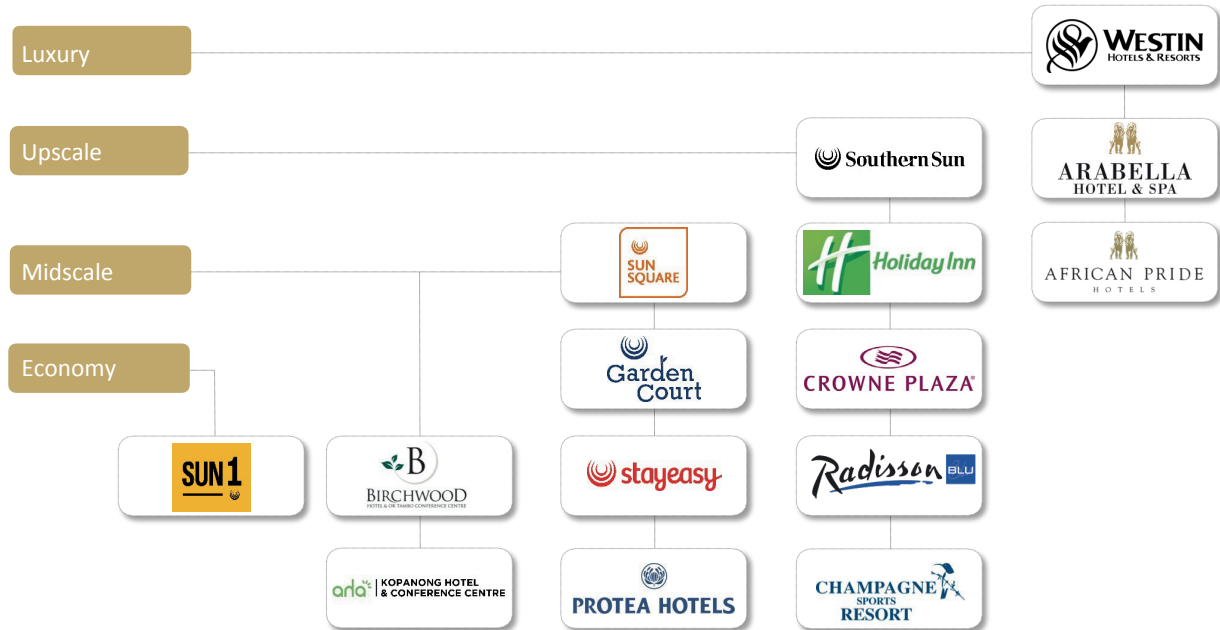


HOTEL PROPERTY OWNER

Leases

TENANT/
HOTEL OPERATOR

HPF HOTEL PORTFOLIO



HPF HOTELS PORTFOLIO AND STATISTICS

	Hotels	Rooms
Luxury	3	749
Upscale	12	3 227
Midscale	19	3 519
Budget	19	1 508
Total	53	9 003

- Portfolio as at 31 March 2018

Statistics	F'18	F'17	% Change
Occupancy (%)	63.0	63.6	0.6pp
Average room rate (R)	1 087	1 088	(0.1)
RevPar (R)	685	692	(1.1)

- On a like-for-like basis for the year ended 31 March 2018, including acquired properties and excluding disposed properties for the full period

HPF INDICATIVE CONSOLIDATION OF HPF INTO TSH

	HPF Statutory	Tsogo Sun Group
Rooms revenue	-	1 167
Food & beverage revenue	-	275
Other revenue	-	53
Rental income	866	410
3 rd party	402	402
Tsogo Sun	464	8
Overheads	(40)	(987)
Hotel trading related	-	(947)
HPF central	(40)	(40)
Ebitdar	826	918
Depreciation on owner occupied properties	-	(76)
Finance costs on HPF debt	(161)	(161)
Taxation	-	(116)
Minorities	-	(243)
Distributable/adjusted earnings	665	322

Note: Year ended March 2018

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

Net of exceptional items and adjustments

HPF COMPLETED PROJECTS

■ 2nd Tsogo Sun transaction

- HPF acquired 29 hotels (3 771 rooms) from TSH effective 1 July 2017
- Purchase consideration of R3.6bn was settled R2.6bn in shares and R1.0bn in cash

■ Rights Issue

- Rights Issue of R1.0bn undertaken in July/August at market price of R14.00
- Underwritten by TSH
 - TSH sold rights to R510m equity to HCI Foundation and Foundation underwrote an additional R90m
 - TSH took up R7m equity in the underwrite



HPF COMPLETED PROJECTS

▪ Sandton Eye

- Acquired various additional sections and exclusive use over Sectional Title Scheme (Radisson Blu Gautrain) in Sandton Eye, including real right of expansion by $\pm 10\,000$ bulk square metres or additional 7 floors
- Aggregate purchase consideration of R302m : R271m in cash and R31m in shares paid on 31 August 2017

▪ Reduced funding costs

- Existing funding was refinanced effective October 2017 which resulted in a reduced funding cost





EUROPE – RBH (PREVIOUSLY REDEFINE BDL)

- TSH owns 25% plus board and committee representation
- Manages 67 hotels (9 384 rooms) in the UK
 - includes new contract for the management of 26 hotels from September 2017
- Manages under multi brands including Crowne Plaza, Holiday Inn, Holiday Inn Express, Best Western, Westin, Hilton, Marriott, Aloft



EUROPE – INTERNATIONAL HOTEL PROPERTIES

- TSH owns 25.9% plus board representation
- RDI Reit (previously Redefine International) own 74.1%
- TSH intends to increase stake to 50%
- Currently has GBP118m (R2.0bn) in hotel assets (1 135 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
- Opportunities to expand the operations significantly which will require capital



Hampton by Hilton Gatwick



Holiday Inn Express Dunstable



FUTURE PROSPECTS

FUTURE PROSPECTS

▪ Group

- Strong cash generation
- Growth opportunities will be pursued if compelling but debt levels higher
- Upside potential from any economic recovery is significant
- Focus on driving revenue and cost control remain to protect margins
- REIT structure for gaming assets and unbundling of REIT aims to unlock shareholder value



FUTURE PROSPECTS – TSOGO SUN POST REIT AND UNBUNDLING (Rm)

	F'18 Reported	HPF Deconsoli- daton	Gaming leases and debt	F'18 Illustrative
Income	13 975	(402)	-	13 573
Net gaming win	7 940	-	-	7 940
Revenue		-	-	
Rooms	3 160	-	-	3 160
F&B	1 561	-	-	1 561
Rental income	550	(402)	-	148
Other	764	-	-	764
Ebitdar	5 271	(362)	-	4 909
LTI expense	24	-	-	24
Property rentals	(282)	(464)	(1 842)	(2 588)
Amortisation & depreciation	(912)	76	-	(836)
Exceptional items	(439)	196	-	(243)
Net finance costs	(1 157)	164	765	(228)
Associates and JVs	63	-	-	63
Taxation	(410)	107	303	-
Non-controlling interests	(187)	166	-	(21)
Attributable earnings	1 971	(117)	(774)	1 080
Adjustments	(5)	(121)	-	(126)
Adjusted earnings	1 966	(238)	(774)	954

FUTURE PROSPECTS

■ Casino Gaming

- Gaming win growth – medium term outlook uncertain
 - Need consumers to get wealthier and, more importantly, feel wealthier
 - Regulatory issues remain a threat
- Western Cape metropole
- Mpumalanga fourth casino licence
- Complete development activity
 - Suncoast is the final major project



FUTURE PROSPECTS

■ **Alternative Gaming**

- Continued rollout of licensed sites
- Potential for new site licenses
- Electronic bingo in KwaZulu-Natal
- Expansion and redevelopment of existing sites
- Regulatory/legal issues remain a threat



FUTURE PROSPECTS

■ Hotels

- Occupancy and rate still under pressure until transient Corporate demand recovers
- Focus on customer satisfaction, brand awareness, distribution through channels and Web and yield enhancement
- Opportunistic in SA – land bank, acquire leases, new builds and acquisitions
- Continued pursuit of offshore expansion
 - Focus on the territories the group already operates in – Africa and Middle East
 - Asset acquisition in UK and Europe through International Hotel Properties



