

F'22H1

- Six-month occupancy at 21.9% (F'21 H1: 5.2%)
- Ebitdar at R145m (including R162m net insurance proceeds)
- Net debt maintained at R3.0bn
- R1.3bn in liquidity maintained



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GROUP STRUCTURE



BOARD OF DIRECTORS

Executive Directors

- Marcel von Aulock – CEO
- Laurelle McDonald – CFO

Non-Executive Directors














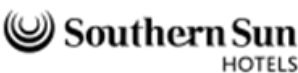



- Johnny Copelyn – Chairman
- Rob Nicolella

Independent Non-Executive Directors

- Mohamed Ahmed – Lead Independent
- Chris Gina
- Moretlo Molefi
- Jabulani Ngcobo
- Cornelia September



OPERATED PORTFOLIO

LUXURY	FULL SERVICE	ECONOMY
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PORTFOLIO BY ROOMS

PORTFOLIO BY NUMBER OF ROOMS, BRAND AND REGION (EXCLUDING RBH AND IHL IN THE UK)

Brand	Freehold & Land lease	Land & Building Lease	Owned Total	Tsogo Sun Gaming	3 rd party Owner	Total
Internally managed						
Luxury Portfolio	430	557	987	411	138	1 536
Southern Sun	3 956	366	4 322	723	24	5 069
Sun Square	136	202	338	179	-	517
Garden Court	2 181	1 378	3 559	198	72	3 829
StayEasy	698	302	1 000	250	-	1 250
Resorts	138	-	138	-	889	1 027
hi Hotels	-	-	-	123	-	123
Sun 1	1 689	-	1 689	-	-	1 689
Total internally managed rooms – South Africa	9 228	2 805	12 033	1 884	1 123	15 040
Mozambique	394	-	394	-	133	527
Zambia	154	-	154	-	260	414
Tanzania	152	-	152	-	-	152
Nigeria	181	-	181	-	-	181
Seychelles	80	-	80	-	-	80
UAE	-	-	-	-	353	353
Total internally managed rooms – Offshore	961	-	961	-	746	1 707
Third party managed						
Marriott	655	-	655	-	-	655
Radisson	397	-	397	-	-	397
Other	986	-	986	-	-	986
	2 038	-	2 038	-	-	2 038
Total rooms	12 227	2 805	15 032	1 884	1 869	18 785
Excluding third party managed			12 994			

GROUP FINANCIAL STRUCTURE – HOTEL OWNERSHIP

Freehold title, Land lease or Land & building lease

- 74 hotel income statements contribute to group revenues and expenses (Sun1 Beaufort West lease terminated effective 30/04/2021)
- Internal management fees are paid to Manco which eliminate on consolidation
- Rent is paid to an external land or hotel building owner if applicable

Owner-occupied and managed by third-parties

- The Westin and Radisson Gautrain hotel income statements contributed to group revenue and expenses with effect from 1 October 2020 and 1 November 2020 respectively
- Management fees are paid to Marriott and Radisson and not to Manco

GROUP FINANCIAL STRUCTURE – HOTEL OWNERSHIP CONTINUED

Leased by third-party management companies

- 5 hotels managed by external parties remain investment properties on the group balance sheet as at 30 September 2021
- Rental income earned from these 5 hotels is reflected as rental income in the group consolidated income statement
- Marriott handed back the Protea Hotel Victoria Junction in mid-October 2021- the group has closed the hotel and plans to re-open it as a Garden Court in the near future, reducing the number of hotels managed by third parties to 4
- No management fees earned by Manco

GROUP FINANCIAL STRUCTURE – HOTEL MANAGEMENT

Tsogo Sun Gaming

- 17 hotels owned by Tsogo Sun Gaming and run for their account
- Managed by Tsogo Sun Hotels with the management fee income recognised in Manco

Third-party owned

- 15 hotels owned by third parties and run for their account (includes the timeshare resorts)
- Managed by Tsogo Sun Hotels with management fee income recognised in Manco

REVIEW OF OPERATIONS

- The interim period under review was marred by the severe third wave of Covid-19 infections during June and July 2021 which resulted in level 4 lockdown restrictions, the highest instituted since the beginning of the pandemic
- The banning of alcohol sales as well as domestic leisure travel to and from Gauteng, fuelled by general fear among travellers of contracting the highly contagious Delta variant, negatively impacted trading in all regions setting the group's recovery back significantly
- A further setback was the violent protests and civil unrest in both Gauteng, but most materially for the group, in KZN. The KZN region and specifically Durban had been the group's best performing region throughout the pandemic and the impact of the violence on the confidence of travellers was pronounced
- The group suffered no property damage as a result of the protests and is grateful for the dedication and determination shown by our employees who ensured that guests, many of whom could not return home, were comfortable and safe
- Having achieved its highest level of system-wide room sales since the beginning of the pandemic at 117 952 rooms in April 2021, the group's room sales dropped to 55 280 in July 2021
- This negative impact on sentiment and further delays and disruption to the vaccination rollout has meant that the recovery in the corporate and international travel markets has been further delayed with many corporates only expected to return to their offices in January 2022

REVIEW OF OPERATIONS

- Thanks to the group's distribution and ability to co-ordinate large sporting events, we were able to secure the rights as the sole accommodation provider for the Castle Lager Lions Series tour to South Africa, the timing of which was ideal as it offset some of the revenue shortfall in July
- Total owned revenue from the tour and included in Other income was R64 million
- A further positive impact on the results for the six months was the collection of the insurance proceeds from the business interruption cover of a gross R177 million during August 2021
- These once-off gains played a vital role in improving the group's liquidity position after the third wave & violent protests
- As the third wave subsided and restrictions were relaxed, trading activity has consistently increased and in October 2021 at 167 967, the group achieved its highest room sales since the pandemic began, supported by the government, sports, groups and conferencing, and domestic leisure segments
- For the group to achieve normalised pre-Covid trading levels, the international and corporate segments need to return
- The removal of South Africa from the United Kingdom's red list which is one of the group's key source markets, is a welcome step in the right direction and while there have been signs of increased international and corporate activity, particularly in Cape Town, higher volumes of long lead time tourist groups and the relaxation of corporate travel restrictions are only expected in the latter half of the 2022 calendar year

CORPORATE ACTIVITY

Investment Property in Hospitality

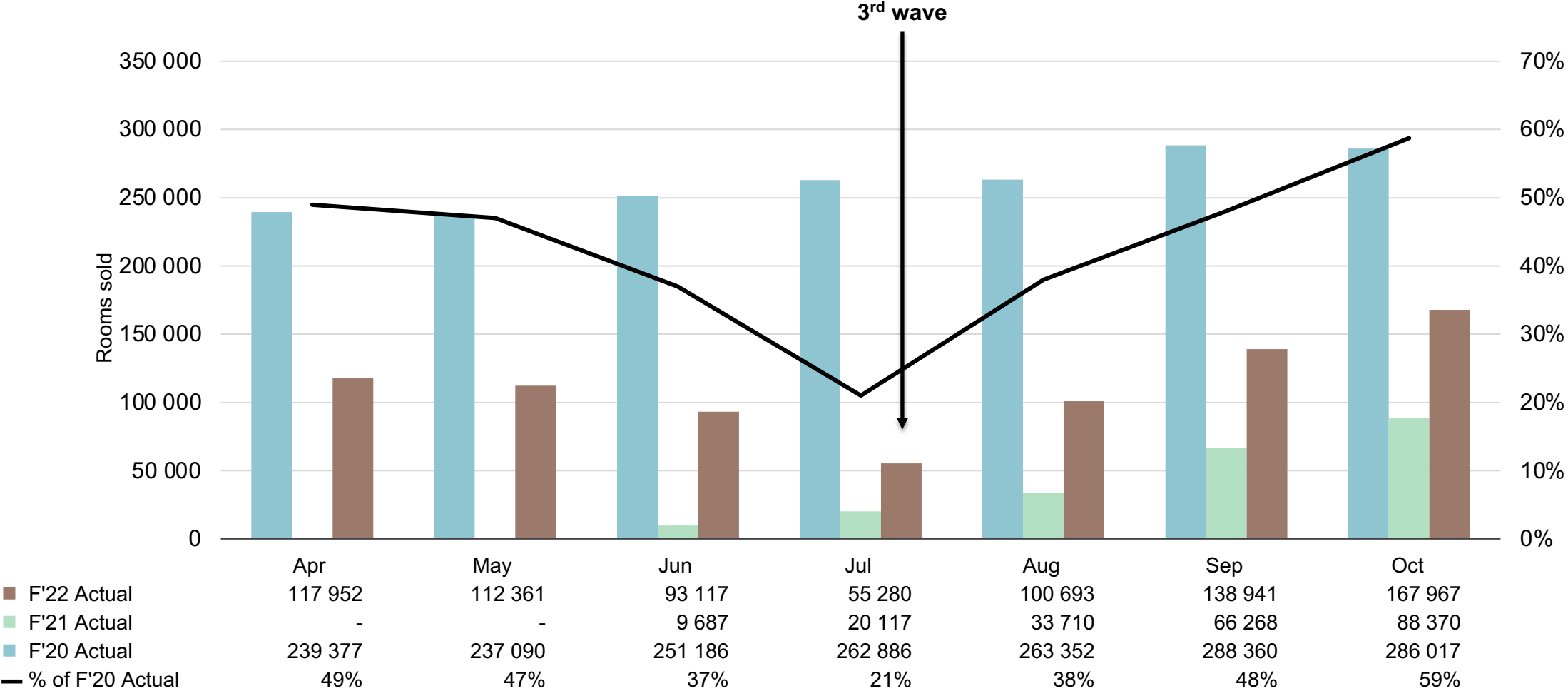
- Marriott vacated the Protea Hotel Victoria Junction in mid-October 2021. The group has closed the hotel and plans to re-open it as a Garden Court in 2022
- As a consequence, this hotel will transfer from investment property to owner-occupied property plant and equipment with the group recognising the hotels' trading results as opposed to rental income.
- This leaves only 4 hotels in the group portfolio which are classified as investment properties earning rental income



QUARTERLY PERFORMANCE (Rm)

	Q1	Q2	Total
Revenue			
F'22 H1	469	490	959
F'21 H1	58	277	335
Change on F'21 H1	411	213	624
Ebitdar			
F'22 H1	(39)	*184	145
F'21 H1	(160)	(46)	(206)
Change on F'21 H1	121	230	351
<i>* Includes net insurance proceeds of</i>		162	162
Adjusted earnings			
F'22 H1	(172)	*10	(162)
F'21 H1	(216)	(210)	(426)
Change on F'21 H1	44	220	264
<i>* Includes net insurance proceeds after tax of</i>		118	118

SOUTH AFRICA SYSTEM-WIDE PORTFOLIO – TREND IN ROOMS SOLD



INCOME STATEMENT | F'22 H1 VS F'21 H1 (Rm)

	F'22 H1	F'21 H1	Change on
Income	959	335	624
Rooms revenue	548	121	427
Food & beverage revenue	257	47	210
Property rental income	30	27	3
Other income	124	140	(16)
Overheads	(976)	(541)	(435)
Insurance proceeds (net)	162	-	162
Ebitdar	145	(206)	351
LTI expense	(6)	(4)	(2)
Property rentals	(1)	13	(14)
Property rentals	(73)	(51)	(22)
Property rentals – IFRS16	72	64	8
Amortisation & depreciation	(185)	(183)	(2)
Amortisation & depreciation	(148)	(146)	(2)
Amortisation & depreciation – IFRS16	(37)	(37)	-
Exceptional items	(3)	336	(339)
Loss before interest and taxation (c/f)	(50)	(44)	(6)

Owned stats	F'22 H1	F'21 H1
Occupancy (%)*	21.9	5.2
Average room rate (R)	999	1 007
RevPar (R)	219	53
Rooms available ('000)^	2 507	2 299
Rooms sold ('000)	549	121
Rooms revenue (Rm)	548	121

* Occupancy for the current and prior periods is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not

^ The increase in rooms available relates to the transfer of the HPF properties to internally managed and the inclusion of The Westin and Radisson Blu Gautrain as part of the group's owned portfolio

INCOME STATEMENT (Rm) CONTINUED

	F'22 H1	F'21 H1	Change on
Loss before interest and taxation (b/f)	(50)	(44)	(6)
Finance costs (net)	(178)	(184)	6
Finance costs (net)	(114)	(119)	5
Finance costs – IFRS16	(64)	(65)	1
Share of earnings/(loss) of associates & joint ventures	6	(109)	115
Income tax	54	91	(37)
Loss for the period	(168)	(246)	78
Non-controlling interests	6	70	(64)
Attributable loss	(162)	(176)	14

RECONCILIATION TO ADJUSTED HEADLINE EARNINGS (Rm)

	F'22 H1		F'21 H1	
	Gross	Net	Gross	Net
Attributable loss⁽¹⁾		(162)		(176)
Loss on disposal of PP&E	1	1	-	-
Gain on disposal of investment in MAIA	-	-	(355)	(355)
Share of associates' headline earnings adjustment	-	-	90	90
Headline loss⁽¹⁾		(161)		(441)
Transaction costs	-	-	5	5
Restructuring costs (including termination benefits)	2	2	10	7
Pre-opening expenses	-	-	4	4
Share of associates' exceptional items	(3)	(3)	-	-
Non-controlling interest effects of exceptional items	-	-	(1)	(1)
Adjusted headline loss⁽¹⁾		(162)		(426)

⁽¹⁾ These performance measures include the after tax impact of net insurance proceeds received during the period of R118 million

SEGMENTAL ANALYSIS (Rm)

	Income		Ebitdar		Ebitdar margin %	
	F'22 H1	F'21 H1	F'22 H1	F'21 H1	F'22 H1	F'21 H1
Manco ⁽¹⁾	41	20	145	(51)	*	*
Rental income	7	3	7	3	100	100
Trading income – HPF	46	-	(25)	-	(54)	-
Internally managed	762	264	13	(126)	2	(48)
Coastal	412	91	23	(89)	6	(98)
Inland	251	123	(17)	(36)	(7)	(29)
Other	99	50	7	(1)	7	(2)
Offshore ⁽¹⁾	129	41	5	(32)	4	(78)
Internal management fees	(31)	(9)	-	-	-	-
Total	954	319	145	(206)	15	(65)
Analysed as:			145	(206)		
Hotels SA			140	(174)		
Hotels Offshore			5	(32)		

⁽¹⁾ Ebitdar includes net insurance proceeds of R162 million

CASH FLOW (Rm)

	F'22 H1	F'21 H1
Ebitdar per income statement	145	(206)
Property rentals	(72)	(51)
Move in working capital adjusted for non-cash and exceptional items	104	158
Cash generated/(utilised) from operations	177	(99)
Net finance costs paid (excluding IFRS16 adjustments)	(114)	(119)
Taxation paid	(3)	(40)
Operating equipment purchased	(4)	(1)
Maintenance capex	(13)	(17)
Free cash inflow/(outflow) (c/f)	43	(276)

CASH FLOW (Rm) CONTINUED

	F'22 H1	F'21 H1
Free cash inflow/(outflow) (b/f)	43	(276)
Disposal proceeds	1	-
Investment activities – expansion capex	-	(16)
Associates, joint ventures, loans and investments	2	467
Net cash surplus	46	175
Currency	2	(7)
Move in net IBD	48	168
Opening net IBD	(3 069)	(3 252)
Prepaid borrowing costs and accrued interest	(2)	-
Currency	(12)	78
Closing net IBD	(3 035)	(3 006)

INVESTMENT ACTIVITIES (Rm)

	F'22 H1	F'21 H1
Investment activities	-	16
Riverside Conference Centre	-	16
Maintenance capex	17	18
Hotel major refurbishments:		
Paradise Sun	2	-
Garden Court Marine Parade	1	-
Southern Sun Cape Sun	-	2
Resorts (Drakensburg Sun, Sabi River Sun and The Hazyview Sun)	2	-
Garden Court Hatfield	-	1
Champagne Sports Resort	1	-
Birchwood	1	-
Other maintenance capex	10	15
Total investment spend	17	34

INTEREST BEARING DEBT (Rm)

	F'22 H1	F'21 H1
External debt – Offshore (US\$ based)	698	814
External debt (Rand based)	2 831	2 578
Prepaid borrowing costs	(5)	(7)
Gross IBD	3 524	3 385
Cash on hand – Hotels SA	(427)	(336)
Cash on hand – Hotels Offshore	(62)	(43)
Net IBD	3 035	3 006
Analysed as: Hotels SA	2 402	2 238
Hotels Offshore	633	768
Cost of net debt — pre tax	7.5%	6.5%
— post tax	5.4%	4.7%

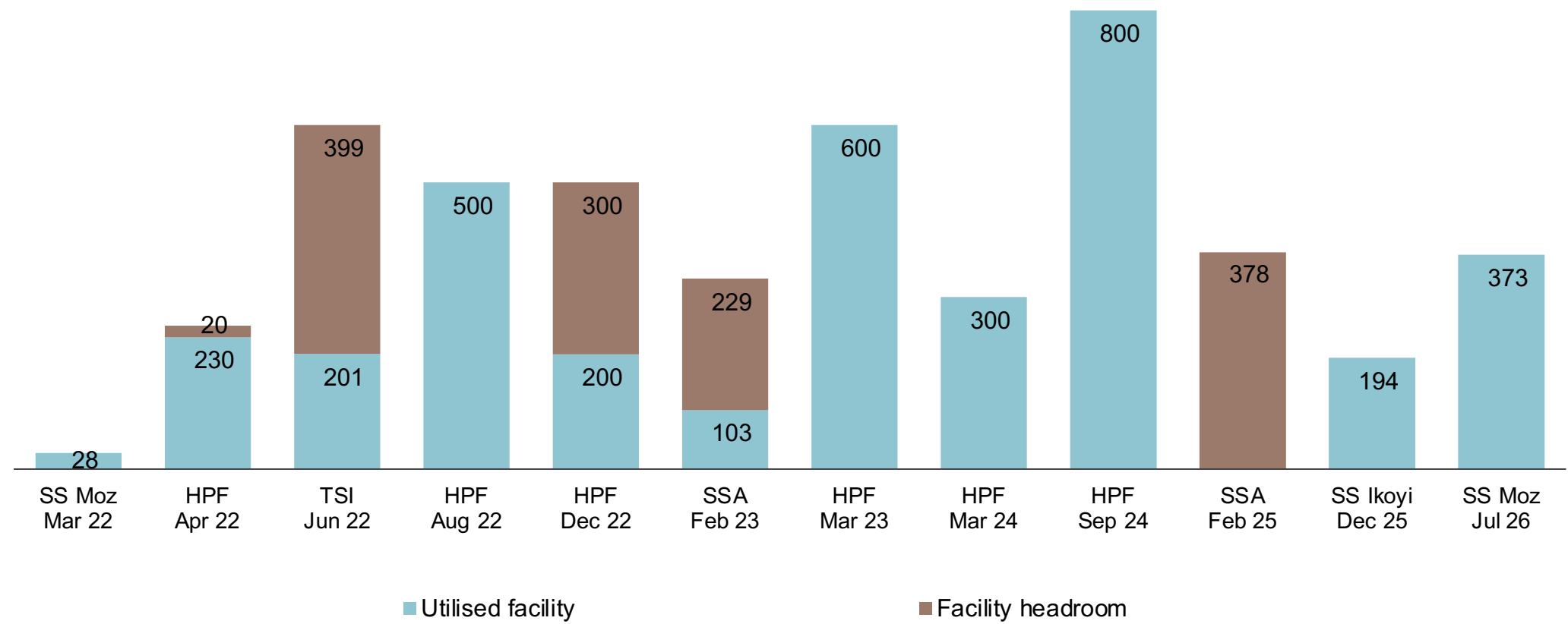
FINANCIAL COVENANT WAIVERS AND FACILITIES

- The group has comfortably met revised Ebitdar and liquidity covenants for the June 2021 and September 2021 measurement periods
- Lenders have approved the covenant waivers for March 2022 on the basis that the revised covenants continue to be measured. Liquidity thresholds at Tsogo Sun Hotels and Hospitality remain R500m and R125m respectively
- Based on the COVID-19 interventions already implemented, improvements in trading levels and cash flow forecasts, management believes that the group should meet these revised covenants
- Tsogo Sun Hotels successfully extended its R600m general banking facility of which R100m was utilised during March 2021 and an additional R100m accessed in June 2021, the latter of which was used to settled offshore US\$ denominated debt at a favourable rate (R13.56) in order to limit the group's foreign exchange rate exposure

FINANCIAL COVENANT WAIVERS AND FACILITIES

- Mozambican Central Bank approval was obtained on 4 June 2021 for the refinancing of US\$25m US Dollar denominated Mozambican facilities for further five years with effect from August 2021
- The US\$1.7m MZN denominated Mozambican facility due in March 2022 is in the process of being refinanced
- As at 30 September 2021, the group has net cash and cash equivalents of R489m (March 2021: R407m) and interest-bearing debt (excluding capitalised lease liabilities) of R3.5bn (March 2021: R3.5bn)
- Access to R1.3bn in undrawn facilities to meet its obligations as they become due

GROUP FACILITY PROFILE



PROSPECTS

- While we are encouraged by the recent upward trend in trading, we are acutely aware that we are still trading at only 50% of system-wide rooms sold prior to Covid-19 and at occupancies far below the group's long-term average
- It is clear that Covid-19 will remain with us for the foreseeable future and the only way to return to some form of normality is to ensure that the majority of the South African adult population is vaccinated
- For the hospitality industry in particular, ease and affordability of travel is of paramount importance as is the safety and confidence of tourists once they reach our shores and stay in our hotels
- The group continues to encourage our employees to get vaccinated and we maintain the highest levels of Covid-19 health protocols at all of our properties as evidenced by the successful sporting events we've hosted during the pandemic
- On the assumption that the current level 1 lockdown restrictions as announced by the President on 30 September 2021 continue for the remainder of the financial year and trading levels continue to improve in line with the trend over the past two months, there should be increasing demand for conferences, business and leisure travel with some international and corporate take up in the first quarter of the 2022 calendar year

PROSPECTS

- Should there be signs of an upturn in demand the group has the ability to reactivate the remainder of closed hotels which now make up only 19% of total room stock in order to capture the available business
- Hotels that remain closed are concentrated in the Cape Town and Sandton nodes in South Africa which are dependent on corporate and international travel as well as Southern Sun Dar-es-Salaam in the Offshore portfolio.
- There is still a risk that a fourth wave of infections as severe as the third could occur, however, the group's experience and learning throughout the pandemic means that management can quickly respond by deactivating hotels and reducing rostered staff to reduce cash burn to a minimum
- Any capital expenditure will be further delayed as far as practicably possible
- Substantial permanent cost savings have been achieved through the restructure of operations at head office and at unit level. This process began before Covid-19 but was accelerated by the pandemic
- Until the international and corporate markets return and demand levels normalise, the group continues to focus on cash preservation and liquidity to continue trading through the pandemic

