



 **TSOGO SUN**
HOTELS

TSOGO SUN HOTELS
INVESTOR PRESENTATION

May 2020 |

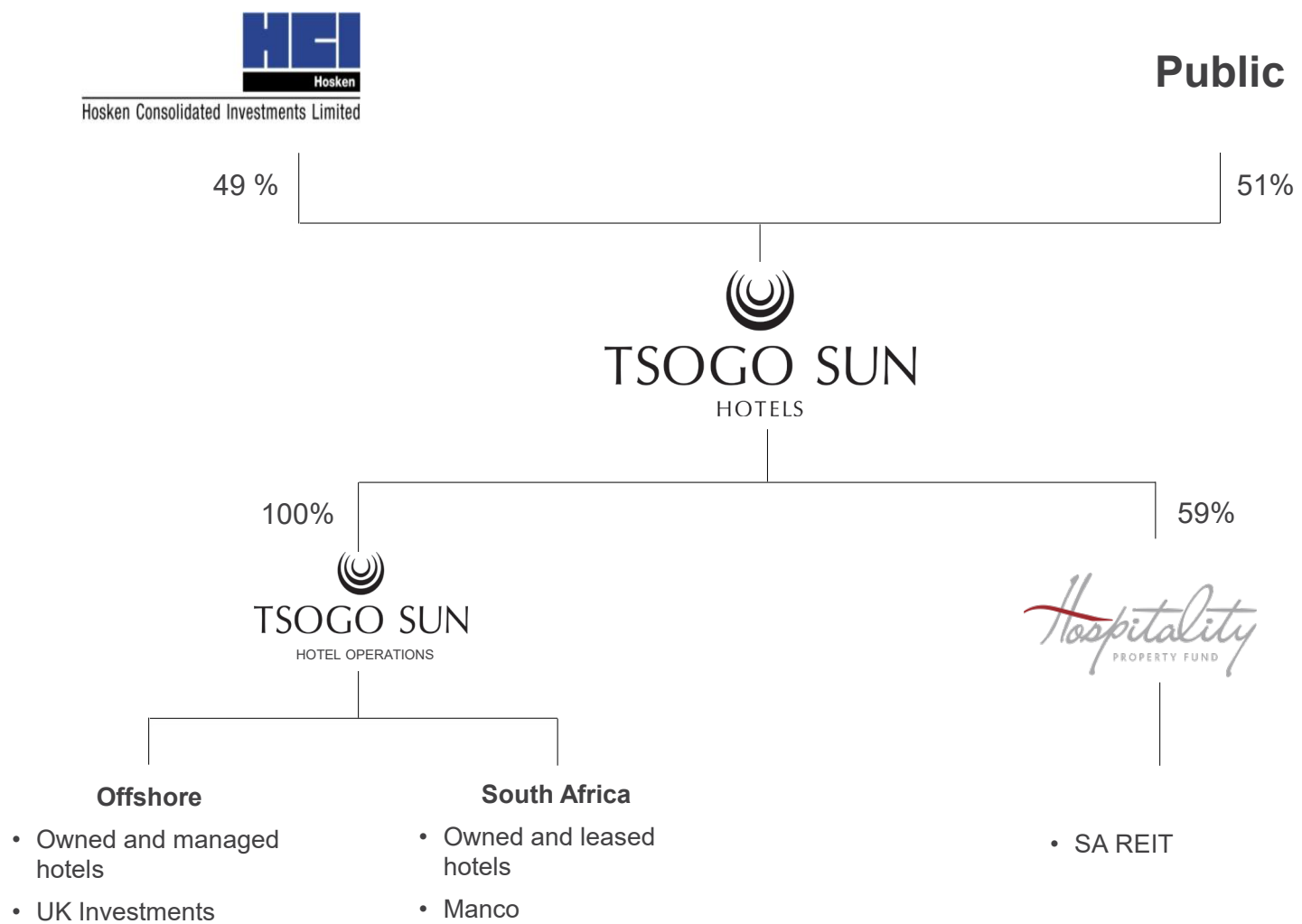
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GROUP STRUCTURE



BOARD OF DIRECTORS

Executive Directors

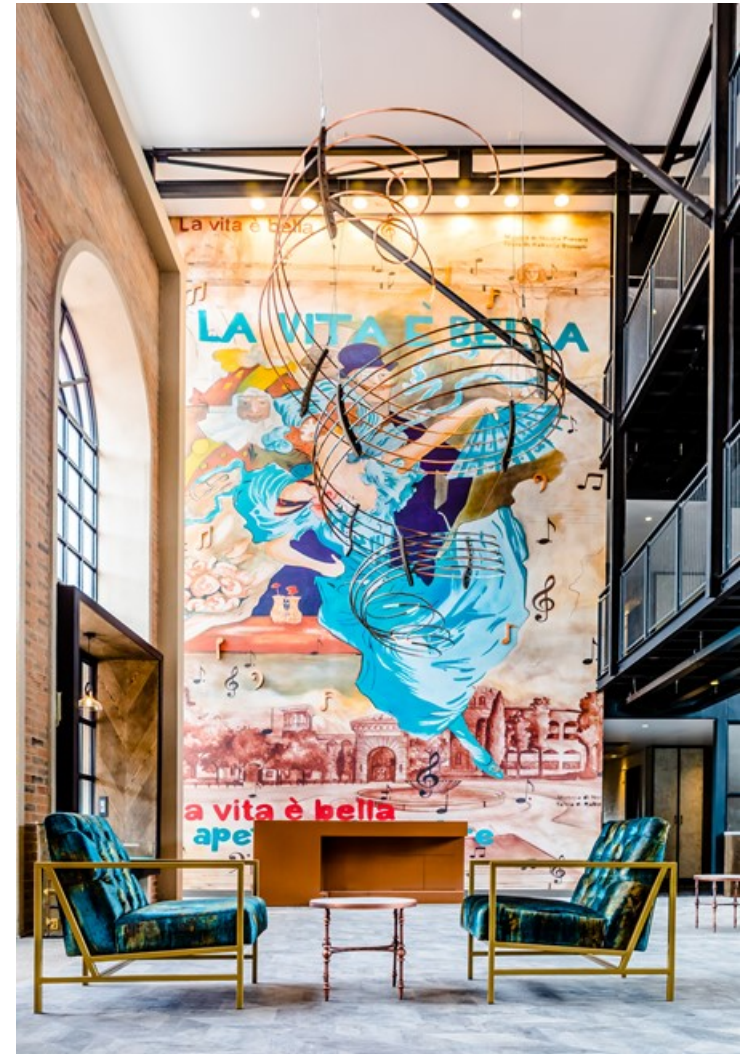
- Marcel von Aulock – CEO
- Laurelle McDonald – CFO

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				

PORTFOLIO BY ROOMS

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

Brand	Land / building			Owned Total	Tsogo Sun Gaming	3 rd party Owner	Total
	Freehold	Leases	HPF				
Internally managed							
Luxury Portfolio	164	557	145	866	246	138	1 250
Southern Sun	301	1 468	2 221	3 990	714	-	4 704
Sun Square	-	202	136	338	344	-	682
Garden Court	-	1 378	2 181	3 559	198	72	3 829
StayEasy	136	302	562	1 000	250	-	1 250
Resorts	138	-	-	138	-	889	1 027
hi Hotels	-	-	-	-	123	-	123
Sun 1	-	233	1 508	1 741	-	-	1 741
Total internally managed rooms – South Africa	739	4 140	6 753	11 632	1 875	1 099	14 606
Mozambique							
Zambia	-	394	-	394	-	133	527
Tanzania	154	-	-	154	-	260	414
Nigeria	-	152	-	152	-	-	152
Kenya	181	-	-	181	-	-	181
Seychelles	80	30	-	110	-	-	110
UAE	-	-	-	-	-	353	353
Total internally managed rooms – Offshore	415	576	-	991	-	746	1 737
Third Party managed							
Marriott	-	-	1 108	1 108	-	-	1 108
Radisson	-	-	397	397	-	-	397
Other	-	-	986	986	-	-	986
	-	-	2 491	2 491	-	-	2 491
Total rooms	1 154	4 716	9 244	15 114	1 875	1 845	18 834
Excluding Third party managed				12 623			

GROUP FINANCIAL STRUCTURE

Hotel Ownership

- Freehold title or Land/building lease:
 - 29 hotels are run for the group's account (Southern Sun Nairobi exited from 31 Jan 2020 and Sandton hotels included from 1 Nov 2019)
 - The 29 individual hotel income statements contribute to group revenues and expenses
 - Internal management fees are paid to Manco which eliminate on consolidation
 - Rent is paid to an external land or hotel building owner
- Hospitality Property Fund
 - Managed by Tsogo Sun Hotels
 - The 43 hotels managed by Tsogo Sun Hotels (TGO) are run for the group's own account (includes Arabella Hotel & Spa effective 1 Apr 2020)
 - The 43 individual hotel income statements contribute to group revenue and expenses with minorities entitled to 40.8% of net profits
 - Internal management fees are paid to Manco which eliminate on consolidation

GROUP FINANCIAL STRUCTURE

Hotel Ownership

- Hospitality Property Fund
 - Managed by third-party owners
 - The 11 hotels managed by external parties remain investment properties on the group balance sheet
 - The rental income earned by HPF from these 11 hotels are reflected as rental income in the group consolidated income statement
 - Minorities are entitled to 40.8% of the net profit from these 11 hotels
 - No management fees earned by Manco on these 11 hotels

GROUP FINANCIAL STRUCTURE

Hotel Ownership

- Tsogo Sun Gaming
 - 17 hotels owned by Tsogo Sun Gaming and run for their account (includes hi Hotel effective 1 Feb 2020)
 - Managed by Tsogo Sun Hotels with the management fee income recognised in Manco
- Third-party owned
 - 11 hotels owned by third parties and run for their account (includes the Bantry Bay timeshare resort effective 1 Jan 2020)
 - Managed by Tsogo Sun Hotels with management fee income recognised in Manco



FINANCIAL OVERVIEW

F'20 ACTUAL QUARTERLY PERFORMANCE (RM)

	2020				
	Q1	Q2	Q3	Q4	Total
Revenue					
2020 Actual ex-Sandton hotels	961	1 112	1 229	943	4 245
Change on 2019 Pro forma	14	35	(30)	(153)	(134)
% Change on 2019 Pro forma	1	3	(2)	(14)	(3)
Ebitdar					
2020 Actual ex-Sandton hotels	206	353	452	296	1 307
Change on 2019 Pro forma	(16)	(2)	(23)	(140)	(181)
% Change on 2019 Pro forma	(7)	(1)	(5)	(32)	(12)
Adjusted earnings					
2020 Actual	(18)	91	144	61	278
Change on 2019 Pro forma	(22)	(16)	(9)	(78)	(125)
% Change on 2019 Pro forma	*	(15)	(6)	(56)	(31)
% of Total	(6)	33	52	21	100

INCOME STATEMENT | 2020 VS 2019 PRO FORMA (RM)

	2020	2019 Pro forma	% Change
Income	4 475	4 389	2
Rooms revenue	2 791	2 732	2
Food & beverage revenue	1 063	990	7
Property rental income	331	357	(7)
Other income	290	310	(7)
Ebitdar	1 352	1 488	(9)
LTI expense	(17)	(13)	(31)
Property & equipment rentals	(84)	(208)	60
Property & equipment rentals	(210)	(208)	(1)
Property & equipment rentals – IFRS16	126	-	*
Amortisation & depreciation	(348)	(306)	(14)
Amortisation & depreciation	(289)	(306)	6
Amortisation & depreciation – IFRS16	(59)	-	*
Exceptional items	(1 669)	(581)	
(Loss)/profit before interest and taxation (c/f)	(766)	380	*

Owned stats	2020	2019
Occupancy (%)	59.3	60.6
Average room rate (R)	1 090	1 064
RevPar (R)	647	645
Rooms available ('000)	4 314	4 239
Rooms sold ('000)	2 560	2 568
Rooms revenue (Rm)	2 791	2 732

INCOME STATEMENT | 2020 VS 2019 PRO FORMA (RM) CONTINUED

	2020	2019 Pro forma	% Change
Profit before interest and taxation (b/f)	(766)	380	*
Finance income	40	38	5
Finance costs	(400)	(269)	(49)
Finance costs	(299)	(269)	(11)
Finance costs – IFRS16	(101)	-	*
Share of (loss)/profit of associates & joint ventures	(3)	15	*
Income tax expense	(96)	(118)	19
Profit for the period	(1 225)	46	*
Non-controlling interests	329	(18)	*
Attributable earnings	(896)	28	*

RECONCILIATION TO ADJUSTED HEADLINE EARNINGS (RM)

	2020		2019 Pro-forma		% change
	Gross	Net	Gross	Net	
Attributable earnings		(896)		28	*
Loss on disposal of PP&E	2	2	3	2	
Fair value adjustment of investment property	888	888	445	445	
Impairment of PP&E	716	664	94	67	
Impairment relating to RBH (Associate)	17	17	-	-	
Share of associates' headline earnings adjustment	41	41	10	10	
Non-controlling interest effects of adjustments	(500)	(500)	(181)	(181)	
Headline earnings		216		371	(42)
Fair value adjustment on interest rate swaps	-	-	(2)	(1)	
Restructure costs	40	30	8	8	
Transaction costs	3	2	32	32	
Pre-opening costs	-	-	1	1	
Impairment of inventory	2	2	-	-	
Fair value adjustment on RDI investment	1	1	-	-	
Derecognition deferred tax	30	30	-	-	
Share of associates' exceptional items	1	1	(1)	(1)	
Non-controlling interest effects of adjustments	(4)	(4)	(7)	(7)	
Adjusted headline earnings		278		403	(31)

EXCEPTIONAL ITEMS – FV ADJUSTMENT ON HPF PROPERTIES (RM)

	WACC %	2019 Valuation	Capex	2020 Valuation	FV adjustment
Westin Cape Town	13.5	1 712	70	1 528	(254)
Birchwood Hotel and ORT Conference Centre	14.0	847	14	486	(375)
Radisson Blu Waterfront	13.0	497	12	439	(70)
Champagne Sports Resort	14.0	246	5	289	38
Radisson Blu Gautrain	13.0	545	25	500	(70)
Protea Hotel Victoria Junction	13.5	228	2	174	(56)
Arabella Hotel and Spa	13.5	152	19	151	(20)
Protea Hotel Edward	13.5	172	3	143	(32)
Mount Grace Country House and Spa	13.5	147	2	116	(33)
Kopanong Hotel and Conference Centre	14.5	66	1	52	(15)
Protea Hotel Marine	13.0	88	3	105	14
Protea Hotel Hazeyview	14.0	67	1	53	(15)
Total		4 767	157	4 036	(888)
Minorities (40.8%)					362
Net of minorities					(526)

EXCEPTIONAL ITEMS – IMPAIRMENT OF PP&E & INVESTMENTS (RM)

	WACC %	Impairment
Southern Sun Rosebank	14.0	(35)
Holiday Inn Sandton	14.0	(40)
Garden Court Eastgate	14.0	(114)
Garden Court Hatfield	14.0	(86)
StayEasy Eastgate	14.0	(63)
Impairment of PP&E - Hotels SA		(338)
Minorities (40.8%)		138
Net of minorities		(200)
Southern Sun Ikoyi	9.9	(172)
Southern Sun Dar-es Salaam	9.0	(85)
Southern Sun Ridgeway	12.1	(32)
Southern Sun Maputo	13.4	(89)
Impairment of PP&E - Hotels Offshore		(378)
RBH Hotel Group	7.8	(17)
Impairment of investments - Hotels Offshore		(17)

SEGMENTAL ANALYSIS (RM)

	Income		Ebitdar		Ebitdar margin %	
	2020	2019	2020	2019	2020	2019
Manco	266	289	154	171	58	59
Rental income	310	337	310	337	100	100
Internally managed	3 501	3 329	787	839	22	25
Coastal	1 885	1 906	463	505	25	26
Inland	1 344	1 150	262	253	20	22
Other	272	273	62	81	23	30
Offshore	569	605	101	144	18	24
Internal management fees	(183)	(181)	-	-	-	-
Total	4 463	4 379	1 352	1 491	30	34
Analysed as:			1 352	1491		
Hotels SA			531	571		
Hotels Offshore			101	144		
HPF			720	776		

CASH FLOW (RM)

	2020	2019
Ebitdar per income statement	1 352	1 491
Property & equipment rentals (excluding IFRS16)	(210)	(208)
Move in working capital adjusted for non-cash and exceptional items	95	34
Dividend income from associates	22	11
Cash generated from operations	1 259	1 328
Net finance costs paid (excluding IFRS16)	(258)	(417)
Taxation paid	(121)	(79)
Operating equipment purchased	(30)	(34)
Maintenance capex	(366)	(384)
Free cash flow (c/f)	484	414

CASH FLOW (RM) CONTINUED

	2020	2019
Free cash flow (b/f)	484	414
Dividends paid to NCI	(245)	(296)
Disposal proceeds	6	2
Investment activities – expansion capex	(211)	(62)
Loans and investments	(60)	-
Net cash surplus	(26)	58
Currency	31	18
Move in net IBD	5	76
Opening net IBD (including group treasury loan)	(2 963)	(5 125)
Prepaid borrowing costs and accrued interest	8	88
Currency	(302)	(227)
Closing net IBD	(3 252)	(5 188)
Settlement of group treasury loan on listing	-	2 225
Pro forma closing net IBD	(3 252)	(2 963)

INVESTMENT ACTIVITIES (RM)

		2020	2019
Investment activities		211	62
Southern Sun Pretoria	HPF	200	-
Riverside Conference Centre	TGO	11	-
StayEasy Maputo	TGO	-	52
Hi Hotels brand	TGO	-	10
Maintenance capex		366	384
Hotel major refurbishments:			
Southern Sun Ridgeway Lusaka	TGO	73	27
Southern Sun Ikoyi	TGO	12	19
Southern Sun Cape Sun	TGO	9	25
Garden Court Hatfield	HPF	11	-
Westin Cape Town	HPF	70	73
Other maintenance capex	TGO	52	28
Other maintenance capex	HPF	139	212
Total investment spend		577	446

INTEREST BEARING DEBT (RM)

		2020	2019
External debt – Offshore (US\$ based)	TGO	1 430	1 224
Prepaid borrowing costs	TGO	(3)	(5)
External debt (Rand based) ⁽¹⁾	HPF	2 550	1 959
Prepaid borrowing costs	HPF	(3)	(3)
Gross IBD		3 974	3 175
Cash on hand	TGO	(431)	(117)
Cash on hand	HPF	(291)	(95)
Net IBD		3 252	2 963
Analysed as:			
	TGO	996	1 102
	HPF ⁽¹⁾	2 256	1 861
Cost of net debt — pre tax		8.1%	8.5%
— post tax		6.1%	7.2%

⁽¹⁾ 2019 includes accrued finance costs of R20m

FINANCIAL COVENANTS

	Required	2020
TGO		
Interest cover	>3.0x	12.2
Debt Ebitda	<2.5x	1.3
HPF		
Interest cover	>2.0x	3.7
Debt Ebitda	<3.5x	3.2
LTV	<40%	26%

COVID-19 ACTION PLANS

With effect from 27 March 2020 to date, all of the group's hotels have been deactivated with the exception of 17 hotels serving as quarantine facilities or providing accommodation to essential service providers

The group implemented the following steps to reduce costs and preserve cash:

Reduction of payroll burden

- Temporary layoff of employees
- Materially reduce pay for all levels including executive management and board members
- Operate on skeleton staffing levels until demand returns
- Employee recruitments and training on hold
- Salary increases and accrued bonus settlements deferred
- Applied for:
 - UIF TERS grant
 - Pension and medical aid fund contribution holidays
 - SDL payment holiday and PAYE payment deferral

COVID-19 ACTION PLANS

Rent relief

- For the period of the lockdown and subsequent low demand periods
- Negotiations in this regard continue

Suppliers

- Contractual variable costs with suppliers reduced to nil until trading resumes by extending the period of the contracts
- Negotiated reduced or extended payment terms with major fixed cost suppliers
 - Security
 - Lift maintenance
- Municipal rates and taxes - lobbying government through industry bodies to grant a deferral or payment holiday

COVID-19 ACTION PLANS

Management is currently formulating a plan for the phased reopening of its portfolio

- Phase 1: Resume operations under Level 3
- Phase 2: Resume operations based on anticipated demand
- Phase 3: Hotels reliant on international inbound travel and groups and conferencing not expected to be reactivated for an extended period of time

Industry health protocols and control measures implemented on re-opening

- Processes
 - Employee training, screening, social distancing & work from home
 - Public social distancing, demarcated areas, physical barriers & PPE
 - Sanitization of high touch points, deep cleaning & pest control
 - Preparation of HVAC, water reticulation systems, fridges, dishwashers, laundries, bedrooms, etc.
 - Increased food handling systems and processes

COVID-19 ACTION PLANS

Industry health protocols and control measures implemented on re-opening

- Access controls
 - Temperature & guest screening questionnaires at entrances of establishments
 - Mandatory use of masks for all guests
- Social distancing
 - Queuing systems, no less than 1.5m
 - No promotional activity, that encourages crowd gatherings
 - All gazetted capacities adhered to in terms of dining, vehicles, gatherings etc.
- Health and safety interventions
 - Educational signage
 - Staff PPE & hygiene resources
 - Bio hazard boxes for safe disposal of PPE
 - Enhanced food & beverage safety delivery measures
 - Internal & third-party audits, with records maintained

SUM OF PARTS VALUATION





THANK YOU

Experience life.

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