



TSOGO SUN HOTELS INVESTOR PRESENTATION

November 2020

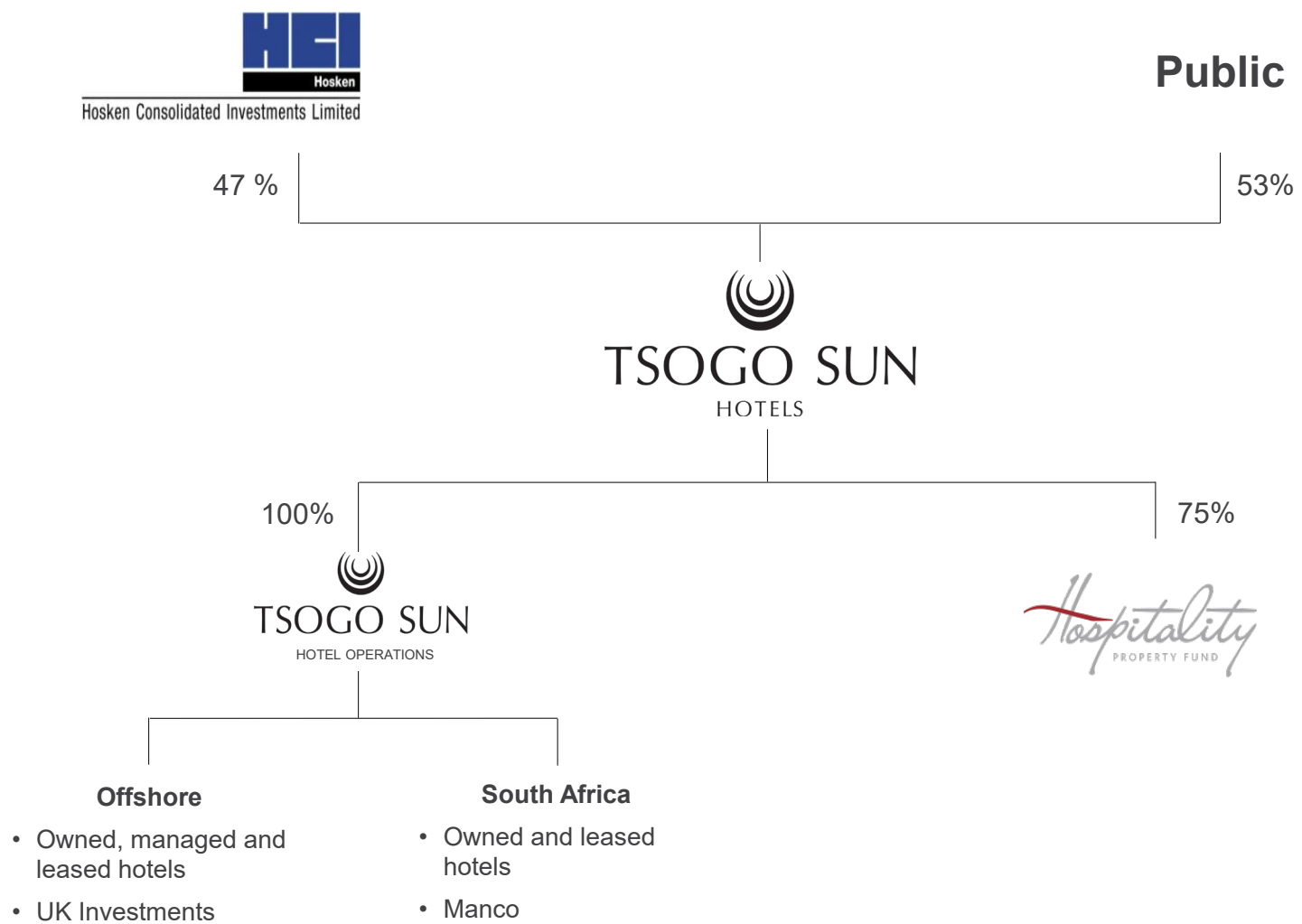
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GROUP STRUCTURE



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	266	987	246	138	1 371
Southern Sun	301	1 468	2 439	4 208	714	-	4 922
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	7 092	11 971	1 875	1 099	14 945
Mozambique							
Zambia	-	394	-	394	-	133	527
Tanzania	154	-	-	154	-	260	414
Nigeria	-	152	-	152	-	-	152
Kenya	181	-	-	181	-	-	181
Seychelles	80	-	-	80	-	-	80
UAE	-	-	-	-	-	353	353
Total internally managed rooms – Offshore	415	546	-	961	-	746	1 707
Third Party managed							
Marriott	-	-	769	769	-	-	769
Radisson	-	-	397	397	-	-	397
Other	-	-	986	986	-	-	986
	-	-	2 152	2 152	-	-	2 152
Total rooms	1 154	4 686	9 244	15 084	1 875	1 845	18 804
Excluding Third party managed				12 932			

GROUP FINANCIAL STRUCTURE

Hotel Ownership

- Freehold title or Land/building lease
 - 28 hotels are run for the group's account (MAIA Luxury Resort & Spa disposed of effective 13 July 2020)
 - The 28 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 46 hotels managed by Tsogo Sun Hotels (TGO) are run for the group's own account (includes The Mount Grace Hotel & Spa, Hazyview Sun and the Edward)
 - The 46 individual hotel income statements contribute to group revenue and expenses with minorities entitled to 24.6% 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 8 hotels managed by external parties remain investment properties on the group balance sheet
 - The rental income earned by HPF from these 8 hotels are reflected as rental income in the group consolidated income statement
 - Minorities are entitled to 24.6% of the net profit from these 8 hotels
 - No management fees earned by Manco on these 8 hotels

GROUP FINANCIAL STRUCTURE

Hotel Ownership

- 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
 - 11 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



FINANCIAL OVERVIEW

QUARTERLY PERFORMANCE (Rm)

	Q1	Q2	Total
Revenue			
F'21 H1 ex-Sandton hotels	58	234	292
F'20 H1 ex-Sandton hotels	961	1 113	2 074
Change on F'20 H1	(903)	(879)	(1 782)
Ebitdar			
F'21 H1 ex-Sandton hotels	(160)	(46)	(206)
F'20 H1 ex-Sandton hotels	206	353	559
Change on F'20 H1	(366)	(399)	(765)
Adjusted earnings			
F'21 H1 ex-Sandton hotels	(216)	(210)	(426)
F'20 H1 ex-Sandton hotels	(18)	91	73
Change on F'20 H1	(198)	(301)	(499)

SOUTH AFRICA SYSTEM-WIDE PORTFOLIO – TREND IN ROOMS SOLD

Lockdown	June Level 3	July Level 3	August Level 3/3	September Level 2/1	October Level 1
Total 2020	9 687	20 117	33 710	66 268	88 370
Total 2019	251 186	262 886	263 352	288 360	286 017
% of prior period	4%	8%	13%	23%	31%

INCOME STATEMENT | F'21 H1 vs F'20 H1 (Rm)

	F'21 H1	F'20 H1	Change on
Income	335	2 080	(1 745)
Rooms revenue	121	1 303	(1 182)
Food & beverage revenue	47	501	(454)
Property rental income	27	137	(110)
Other income	140	139	1
Overheads	(541)	(1 521)	980
Ebitdar	(206)	559	(765)
LTI expense	(4)	(7)	3
Property & equipment rentals	13	(35)	48
Property & equipment rentals	(51)	(106)	55
Property & equipment rentals – IFRS16	64	71	(7)
Amortisation & depreciation	(183)	(173)	(10)
Amortisation & depreciation	(146)	(151)	5
Amortisation & depreciation – IFRS16	(37)	(22)	(15)
Exceptional items	336	(24)	360
(Loss)/profit before interest and taxation (c/f)	(44)	320	(364)

Owned stats	F'21 H1	F'20 H1
Occupancy (%)	21.6	59.1
Average room rate (R)	1 007	1 036
RevPar (R)	217	613
Rooms available ('000)	559	2 126
Rooms sold ('000)	121	1 257
Rooms revenue (Rm)	121	1 303

INCOME STATEMENT | F'21 H1 vs F'20 H1 (Rm) CONTINUED

	F'21 H1	F'20 H1	Change on
(Loss)/profit before interest and taxation (b/f)	(44)	320	(364)
Finance costs (net)	(184)	(179)	(5)
Finance costs (net)	(119)	(130)	11
Finance costs – IFRS16	(65)	(49)	(16)
Share of (loss)/profit of associates & joint ventures	(109)	21	(130)
Income tax expense	91	(38)	129
Profit for the period	(246)	124	(370)
Non-controlling interests	70	(70)	140
Attributable earnings	(176)	54	(230)

RECONCILIATION TO ADJUSTED HEADLINE EARNINGS (Rm)

	F'21 H1		F'20 H1	
	Gross	Net	Gross	Net
Attributable (loss) / earnings		(176)		54
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) / earnings		(441)		55
Transaction costs	5	5	2	2
Restructuring costs (including termination benefits)	10	7	21	15
Pre-opening costs	4	4	-	-
Share of associates' exceptional items	-	-	1	1
Non-controlling interest effects of adjustments	(1)	(1)	-	-
Adjusted headline (loss) / earnings		(426)		73

SEGMENTAL ANALYSIS (Rm)

	Income		Ebitdar		Ebitdar margin %	
	F'21 H1	F'20 H1	F'21 H1	F'20 H1	F'21 H1	F'20 H1
Manco	20	127	(51)	64	(255)	50
Rental income	3	123	3	123	100	100
Internally managed	264	1 600	(126)	302	(48)	19
Coastal	91	875	(89)	157	(98)	18
Inland	123	593	(36)	115	29	19
Other	50	132	(1)	30	2	23
Offshore	41	305	(32)	70	(78)	23
Internal management fees	(9)	(81)	-	-	-	-
Total	319	2 074	(206)	559	(65)	27
Analysed as:			(206)	559		
Hotels SA			(203)	182		
Hotels Offshore			(32)	70		
HPF			29	307		

CASH FLOW (Rm)

	F'21 H1	F'20 H1
Ebitdar per income statement	(206)	559
Property & equipment rentals	(51)	(106)
Move in working capital adjusted for non-cash and exceptional items	158	6
Dividend income from associates	-	13
Cash (utilised)/generated from operations	(99)	472
Net finance costs paid (excluding IFRS16 adjustments)	(119)	(120)
Taxation paid	(40)	(44)
Operating equipment purchased	(1)	(14)
Maintenance capex	(17)	(222)
Free cash (outflow)/inflow (c/f)	(276)	72

CASH FLOW (Rm) CONTINUED

	F'21 H1	F'20 H1
Free cash (outflow)/inflow (b/f)	(276)	72
Dividends paid to NCI	-	(160)
Investment activities – expansion capex	(16)	(200)
Associates, joint ventures, loans and investments	467	(51)
Net cash surplus / (deficit)	175	(339)
Currency	(7)	5
Move in net IBD	168	(334)
Opening net IBD	(3 252)	(2 963)
Prepaid borrowing costs and accrued interest	-	(5)
Currency	78	27
Closing net IBD	(3 006)	(3 275)

CASH FLOW ANALYSIS (Rm)

	Hotels SA	HPF	Hotels Offshore	F'21 H1
Opening net IBD	279	(2 256)	(1 275)	(3 252)
Net IBD movement	(14)	(247)	507	246
Comprising of:				
Ebitdar / (Cash burn)	(203)	29	(32)	(206)
Covid-19 contractual income	117	-	-	117
Trading income	91	86	41	218
Less:				
Employee costs	(201)	(6)	(34)	(241)
Heat, light and power	(43)	-	(7)	(50)
Property rates	(60)	(28)	(1)	(89)
Other operating costs	(107)	(23)	(31)	(161)
Rent	(51)	-	-	(51)
Working capital inflow / (outflow)	273	(143)	28	158
Maintenance capex	(15)	(3)	-	(18)
Expansion capex	(16)	-	-	(16)
Taxation paid	(8)	(32)	-	(40)
Finance costs paid	4	(98)	(25)	(119)
Associates, joint ventures, loans and investments	2	-	465	467
Currency	-	-	71	71
Closing net IBD	265	(2 503)	(768)	(3 006)

INVESTMENT ACTIVITIES (Rm)

		F'21 H1	F'20 H1
Investment activities		16	211
Southern Sun Pretoria	HPF	-	200
Riverside Conference Centre	TGO	16	11
Maintenance capex		18	202
Hotel major refurbishments:			
Southern Sun Ridgeway Lusaka	TGO	-	59
Southern Sun Cape Sun	TGO	2	7
Garden Court Hatfield	HPF	1	-
Westin Cape Town	HPF	-	46
Other maintenance capex	TGO	12	19
Other maintenance capex	HPF	3	71
Total investment spend		34	413

INTEREST BEARING DEBT (Rm)

		F'21 H1	F'20 H1
External debt – Offshore (US\$ based)	TGO	814	1 279
External debt (Rand based)	HPF	2 578	2 334
Prepaid borrowing costs		(7)	(5)
Gross IBD		3 385	3 608
Cash on hand	TGO	(307)	(306)
Cash on hand	HPF	(72)	(27)
Net IBD		3 006	3 275
Analysed as:			
	TGO	503	970
	HPF	2 503	2 305
Cost of net debt — pre tax		6.5%	8.7%
— post tax		4.7%	6.4%

FINANCIAL COVENANT WAIVERS AND REVISED COVENANTS

Tsogo Sun Hotels

- Lenders have approved covenant waivers for March 2021 provided the revised covenants set out below, measured quarterly at December 2020 and March 2021 are met:
 - A maximum rolling 12-month negative Ebitda threshold of R1bn
 - A minimum liquidity threshold of R500m including unutilised facilities and cash on hand
- An event of default will occur if:
 - both the Ebitda and liquidity covenants are breached in one of the measurement periods or
 - the Ebitda covenant is breached for two consecutive measurement periods
- Based on the Covid-19 interventions already implemented, management believes there is sufficient headroom in place to meet these revised covenants

Hospitality

- Lenders have approved covenant waivers for March 2021 subject to a minimum liquidity threshold of R125m (including available facilities and cash on hand) being maintained
- No dividends until original minimum covenant requirements for both Tsogo Sun Hotels and Hospitality have been complied with

COVID-19 STATUS AND ACTION PLAN

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 – R103m processed
 - Pension and medical aid fund contribution holidays
 - SDL payment holiday and PAYE payment deferral
- With UIF TERS expected to come to an end and with occupancy levels unlikely to improve in the short term, the group will have to consider further operational restructuring to align headcount with trading levels

COVID-19 STATUS AND ACTION PLAN

Rent relief

- The group has received rental concessions from its various landlords and while terms varied, these mainly involved a discount in rent due for 2021 in exchange for the extension of lease terms by one year
- In other instances, property owners agreed to forgo rent and cover operating costs including payroll, security, utilities and rates, while hotels were closed or trading at low occupancies

Suppliers

- The group has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance
- Municipal rates and taxes are a material fixed monthly cost for the group and while we currently continue to meet these obligations, we are lobbying government through industry bodies to grant discounts or rebates, particularly on hotels that remain closed

COVID-19 STATUS AND ACTION PLAN

Health and safety protocols

- With our culture of prioritising customer health and safety, the group was well placed to comply with these regulations and worked closely with government and the Tourism Business Council of South Africa to develop the health and safety protocols for the tourism industry as a whole
- Since we are already highly compliant in this area, the implementation of these protocols has not required material capex spend
- The group also has a number of health protocols and control measures to safeguard our employees:
 - Employee training
 - Personal protective equipment and hygiene resources
 - Social distancing and screening
 - Increased sanitation and hygiene processes
 - Digital learning platform provides Covid-19 modules that employees can access remotely to stay informed

COVID-19 STATUS AND ACTION PLAN

Phased re-activation of portfolio

- Leisure hotels opened earlier to cater for demand for both intra and inter-provincial travel
- Regulations on international inbound travel were restrictive with many of the group's key source markets, including Germany, the UK, France and the USA, prohibited from travelling to South Africa
- Without international travel, the Cape region is expected to experience a slow recovery
- Many corporates have implemented travel restrictions and in order to limit social interaction, are likely to keep offices closed until 2021
- Together with government limiting travel and conferencing, the group will largely be reliant on the domestic leisure and sport segments over the coming months
- Demand from these segments is expected to contribute to the group's coastal and outlying properties, however many of the group's larger Gauteng based hotels catering to corporate and government groups and conferencing business, are expected to remain closed until the first quarter of 2021

PROSPECTS

Trading

- Encouraged by the recent move to Level 1 of the national lockdown as well as the lifting of the international travel ban
- Group now trading approximately 68% of the hotels in its portfolio
- Recovery of the hospitality industry is expected to be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals leading to reduced spend on hotel accommodation and conferences

Corporate Activity

- **MAIA**
 - Sale of MAIA for R465m was opportune and improved the group's liquidity

PROSPECTS

Corporate Activity

▪ Hospitality

- The general meeting to vote on the Hospitality transaction takes place on 19 November 2020
- Cash retention is a priority – especially in this low revenue environment where Hospitality is increasing its debt burden through covering the fixed property-related costs of the hotels
- The successful implementation of the Offer will eliminate the pressure for Hospitality to declare pre-tax cash distributions in order to retain its REIT status and will allow the group to focus on rebuilding the balance sheet once trading normalizes
- Acquisition of tenant companies of the Westin and Radisson Blu Gautrain hotels as well as the inclusion of the Mount Grace Hotel & Spa, Hazyview Sun and The Edward under management by Tsogo Sun Hotels is likely to result in these properties being treated as owner-occupied
- As a result, Hospitality's non-rental income would comprise more than 25% of gross income for the year ended 31 March 2021
- Unlikely that Hospitality would meet the qualifying distribution requirements to retain its REIT status



THANK YOU