SUN INTERNATIONAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1967/007528/06)
Share code: SUI
ISIN: ZAE000097580
LEI: 378900835F180983C60
("Sun International" or "the Company")

OPERATIONAL AND STRATEGY UPDATE, TRADING STATEMENT AND BASIS OF REPORTING FOR THE YEAR ENDED 31 DECEMBER 2019

Sun International is currently finalising its financial results for the year ended 31 December 2019, which are expected to be released on the Stock Exchange News Service of the JSE Limited on or about Monday 16 March 2020.

OPERATIONAL AND STRATEGY UPDATE

The 2019 financial year marked a period of critical inflection in terms of delivering against our strategy to drive sustainable growth and profitability and unlocking value in the business. The key strategic priorities which the board has remained focussed on, continue to be:

- Protecting and leveraging the existing portfolio
- Accelerating balance sheet de-gearing
- Driving efficiencies, optimisation and quality of earnings
- Dealing with loss making units
- Investing in quality assets for growth

Significant progress has been achieved against all of these objectives during the 2019 financial year.

Group Financial Highlights

Total income for the year under review increased by 3.7% from R16.6 billion to R17.2 billion, primarily driven by above-market organic growth from key operations in South Africa and the impact of acquisitions made in Latin America during the prior year. Adjusted EBITDAR, was marginally up on the prior year at R4.6 billion, with pleasing margin expansion achieved in South Africa, offset by the impact of unexpected social unrest in Chile.

South Africa Business Highlights

During the financial year, the Sun International group made important strides by driving its objectives to allocate capital more efficiently, accelerate balance sheet de-gearing, improve margins and reduce cash leakage through minority dividends.

Total income increased by 2% to R11.5 billion with EBITDAR increasing by 4% to R3.3 billion, reflecting an improvement in the EBITDAR margin to 28.7% from 28.0% in 2018. This improvement was driven by the continued ramp-up of the flagship Time Square property, above-market growth at Sibaya, SunSlots and SunBet and margin improvement. This was partially offset by weaker performances at GrandWest and Sun City, which are in the early stages of full operational turnaround plans.

During the second half of the 2019 financial year, a simplified head office and group operational structure was implemented, with a renewed focus on our different customer-end markets in gaming and hospitality respectively. The revised structure will result in enhanced focus on the guest experience, improved operational efficiencies, as well as support continued margin improvement at our casino and hotel properties.

During the prior year, the refinancing of the South African debt facilities was successfully completed, resulting in a reduction in the weighted average interest rate. The effective tax rate has been reduced with most of the deferred tax asset relating to Time Square being recognised.

Cash flow supported the reduction of Debt to Adjusted EBITDA, excluding the impact of IFRS16 lease liabilities, to 2.78x as at 31 December 2019, down from 3.0x a year earlier and significantly lower than the current bank covenant threshold of 3.50x. Excluding the debt used for the acquisition of the Sibaya minority stake of R593 million, Debt to Adjusted EBITDA would have been 2.64x.

Total external South African debt amounted to R8,8 billion at 31 December 2019, reflecting a R384 million net debt reduction after acquiring the minority interests in Sibaya for R593 million.

Latin America Business Highlights

Sun Dreams' operations showed tremendous resilience despite the significant impact of unexpected and widespread social unrest, which erupted in Chile during the last quarter of the year, which resulted in the curtailment of certain operations, damage to several properties and significant deterioration in trading conditions during October and November. Overall Sun Dreams' EBITDAR for the 2019 financial year was down 5% to R1,290 million, with the contribution from the Chilean operations down 12%, partially offset by full year contributions of the Mendoza Hyatt (Argentina) and Thunderbird (Peru) acquisitions during 2018 which have enhanced the diversification of earnings across the region.

Notwithstanding the various challenges faced in Latin America, Sun Dreams' operations continued to demonstrate pleasing de-gearing and balance sheet strength. After minority dividends of R112 million, net debt in Latam (excluding lease liabilities capitalised in terms of IFRS 16 Leases), reduced to R3.8billion from R4.3billion. Net Debt to EBITDA (excluding the effect of IFRS16) reduced from 3.2x to 2.9x at 31 December 2019.

TRADING STATEMENT

Shareholders are advised that a reasonable degree of certainty exists that the Company's:

- **Basic earnings per share** for the financial year ended 31 December 2019 is expected to be between 475 cents per share and 570 cents per share compared against the prior corresponding period's loss of 6 cents per share, an increase of more than 100%;
- **Headline earnings per share** for the financial year ended 31 December 2019 is expected to be a profit of between 580 cents per share and 622 cents per share compared against the prior corresponding period's headline earnings profit of 213 cents per share, an increase of between 172% and 192%.
- A**djusted diluted headline earnings per share** is expected to be a profit of between 570 cents per share and 630 cents per share compared against the prior corresponding period's profit of 316 cents per share, an increase of between 81% and 99%.

The difference between basic earnings per share and headline earnings per share relates primarily to an impairment charge against the carrying value of Right-of-Use assets for the Maslow Hotel and certain individual Boardwalk assets. Following an assessment in terms of IAS 36, Impairment of Assets, these assets were impaired to the value of R172 million.

Adjustments to headline earnings to derive adjusted diluted headline earnings, which the board considers the most meaningful measure of the performance of the Company, includes the following significant adjustments:

- Amortisation of the Dreams intangible assets raised as part of the PPA of R104 million;
- Provision for additional gaming tax liabilities in Latin America made during the current year totalling R177 million;
- Insurance claims of R89 million received relating to the Sun City storm damage, included in "other income";
- Restructuring and related costs of R32 million; and
- Tsogo put option adjustment of R44 million.

BASIS OF REPORTING

Accounting for Sun Dreams

Reference is made to the SENS announcement published by Sun International on 1 November 2019 when, among others, shareholders were advised that the transaction involving the disposal by Sun International of a 14.94% equity interest in Sun Dreams to Pacifico Sur Limitada ("Pacifico"), which would have resulted in each party holding a 50% equity interest in Sun Dreams, had not been completed by the transaction longstop date of 31 October 2019, due to a delay in the receipt of the Casino Regulator's approval. Consequently, Sun Dreams has been consolidated for the full 2019 financial year's results.

IFRS 16: Leases

IFRS 16 was issued on January 2016 and adopted by the Sun International group on 1 January 2019. It has resulted in almost all leases being recognised on the balance sheet by lessees, due to the distinction between operating and financing leases having been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals is recognised. The group applied the simplified transition approach and has not restated the comparative amounts for the prior year. The financial effects of IFRS 16 on all affected financial statement line items will be disclosed as part of the 2019 annual financial results.

This operational and strategy update and trading statement has not been reviewed or reported on by Sun International's external auditor.

By order of the board

Johannesburg
28 February 2020

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