

SUN INTERNATIONAL POSTS STRONG PERFORMANCE, POISED FOR GROWTH

- Income from continuing operations increased by 29%
- Adjusted headline earnings improved to R110 million
- Group adjusted EBITDA up 80%
- Adjusted profit before tax of R256 million
- Adjusted headline earnings of 44 cents per share
- Strong growth achieved in SunBet online business

Sun International released its full-year results today, showing strong growth in revenue and adjusted EBITDA and a significant reduction in group debt, despite the substantial impact of Covid-19 related restrictions on operations.

Sun International CE Anthony Leeming remarked : *“Through the Covid-19 pandemic, the group has fundamentally re-evaluated how it operates, with a focus on efficiencies and permanently eliminating cost inefficiencies and a renewed strategic intent.”*

“Sun International’s unique omni-channel offering across casinos, Limited Payout Machines (LPMs), online gaming, sports betting, resorts and hotels provides an integrated premium gaming and leisure customer proposition which supported the resilience and recovery of revenue for the group during 2021.

“Casino operations and alternate gaming, which make up 80% of group revenue, showed a significant recovery as lockdown restrictions eased. The group was able to successfully defend or grow market share at most urban casinos, while income generated from Sun Slots rebounded to pre-Covid-19 levels. SunBet generated record income during the year and is rapidly upscaling its premium sports and online betting offering,” Leeming said.

The R650 million in recurring cost savings embedded during 2020 resulted in margin resilience, even at reduced levels of operation. During 2021, casino operations delivered an adjusted EBITDA margin of over 30% despite the restricted trading conditions. Operational restructuring at the group’s hospitality properties resulted in R180m in annualised cost savings at Sun City alone. The various cost optimisation initiatives identified and implemented over the last two years imply an adjusted EBITDA margin improvement on the 2019 South African results from 28% to 34%.

Balance sheet de-gearing from operational cashflow accelerated in 2021, with net debt of R541m repaid during the financial year. The group’s capital allocation priorities remain focused on reducing leverage to create capacity for the re-instatement of dividends over the short to medium term and retaining flexibility for disciplined investment in high-return opportunities.

Casino income increased by 22% compared to the 2020 year. Since the easing of the lockdown restrictions, the group’s market share in the competitive Gauteng market increased from 25.47% in 2019 to 27.32% in 2021, while in KwaZulu-Natal it remained in line with the prior year.

Overall, casino operations generated adjusted EBITDA of R1,433m for the year. The effects of the achieved cost saving initiatives, reduced salaries and efficiencies were clearly evident. Despite casino income being 37% below levels achieved in 2019, the group achieved 56% of the 2019 adjusted EBITDA at a margin of over 30%.

Sun Slots income increased from R886m to R1,242m, with adjusted EBITDA up from R202m to R313m for the year under review.

The LPM business proved remarkably resilient, with a strong recovery in trading following the easing of the alcohol ban and relaxation of curfew hours in the last week of January 2021. The group swiftly reactivated closed sites, resulting in 4,652 of the machines being made available for play during the period under review.

SunBet continued its strong growth trajectory in 2021 and remains an exciting prospect for the group. Active players continue to grow and with additional games being offered, the overall player experience has been enhanced. At the end of the year under review, SunBet achieved a substantial improvement in key performance indicators which included:

- New player acquisitions up by 41% against 2020 and 88% compared to 2019;
- Turnover up 78% against 2020 and 66% against 2019; and
- Gaming income up to R182 million which represents an increase of 33% against 2020 and 30% against 2019.

“We believe SunBet offers the group significant and exciting growth potential, and with this in mind we continue to invest in people and marketing in order to significantly increase our share of the fast-growing online gaming market” said Leeming.

With the introduction of live dealer casino style games and potentially slot style games in the near future, the group is well placed to capitalise on this opportunity. Overall income was up 33% for the period while a small adjusted EBITDA loss was incurred as the group increased its marketing effort and addressed the staffing structures.

“The opportunity for SunBet to develop synergies with the group’s casino and hotel portfolio offering adds value to SunBet players and positions this unit for significant organic growth. Priority investment in the right people, continued operational improvements and focused marketing will allow SunBet to gain market share in this exciting industry” Leeming said.

Total resorts and hotels operations income was up 39% in 2021 to R1,559bn from R1,123bn in 2020, however income remained 39% below 2019 levels. Overall, the group’s resorts and hotels incurred an adjusted EBITDA loss of R56m for the year, significantly improved from an adjusted EBITDA loss of R158m during 2020.

Sun City Vacation Club proved remarkably resilient throughout the lockdown period with R185m in cash generated in time share sales during 2020 and 2021.

Overall group debt (excluding IFRS 16 lease liabilities) reduced from R7,630m to R7,089m. The group's debt to adjusted EBITDA and interest cover of 4.03 times and 2.67 times was well within its lenders covenant of 6.0 times and 1.75 times respectively.

Income from 2021 continuing operations increased by 29%, from R6,054m to R7,812m, and with sustainable cost savings of over R650m, continuing adjusted EBITDA was up 80% to R1,685m. Total group headline earnings improved from a loss of R409m to earnings of R265m, equivalent to headline earnings of 106 cents per share, from a loss of 234 cents per share in the prior year.

The group successfully settled its Covid-19 business interruption claim and has received net proceeds of R517m.

According to Leeming : "We remain optimistic that we are entering a more normalised trading environment despite the ongoing Covid-19 pandemic."

"Online gaming and sports betting continue to grow exponentially, driven by increased internet, smart phone and mobile money penetration. SunBet is rapidly scaling revenues from mid to high-end customers while building a reputation for excellence through our omni-channel offering with Sun International's premium hotel and casino portfolio and integrated MVG programme."

"Implementation of Playtech's Neon casino management system in both our land-based casinos as well as our online SunBet platform is a key component to this strategy which will allow our MVG customers to enjoy a seamless interaction with the group as they transition between online gaming and our land-based casinos. We anticipate SunBet will contribute meaningfully to group profitability within three years and are investing in critical resources and skills to capture this transformational opportunity."

"We expect to accelerate further de-gearing of the balance sheet to create capacity for disciplined capital allocation towards high-return opportunities, while targeting the re-instatement of dividends over the short to medium term, with a focus on maximising total shareholder return."