Sun International

SUN INTERNATIONAL INTERIM EARNINGS REFLECT STRONG GROWTH

Revenue +10% **EBITDA +20%**

Adjusted HEPS +39% **Interim dividend up 22% to 110 cps**

Sun International has reported an increase of 10% in revenue at R5.2 billion, and healthy growth of 20% in EBITDA for its interim results to end December 2012. An interim dividend of 110 cents per share was declared, up from 90 cents in 2012.

EBITDA for the six months was R1.6 billion, reflecting an increase of 2.6% in the EBITDA margin from 27.5% to 30.1%.Rand depreciation of only 2% against the US Dollar for the period led to a drop in foreign exchange profit to R10-million, compared to the R69 million in the 2011 period when the currency depreciated by 21%.

The net interest paid increased by 9% to R240-million as a result of the debt funding raised for the GPI and RAH transactions concluded in December 2011, and the completion of both The Boardwalk and Wild Coast capital expenditure.

Tax of R288 million decreased by 6%, mainly due to the abolition of STC from 1 April 2012. The effective tax rate, excluding non-deductable preference share dividends, STC, CGT and the prior year under provisions, remained unchanged at 30%.

Adjusted headline earnings of R423 million and diluted adjusted headline earnings per share of 408 cents were 42% and 39% above last year respectively. Excluding the impact of foreign currency movements and STC, adjusted headline earnings per share increased by 35%.

Newly appointed CEO Graeme Stephens said gaming revenue was up by 11% to R3.9 billion with growth from slots and tables at 11% and 9% respectively. A large component of the growth came from the group's Chilean operation, Monticello, and excluding this the gaming revenue for the rest of the business was 7% ahead of last year.

A strong slots performance drove Monticello's revenue up by 31% to R807 million. Factors which led to an EBITDA increase of 54% to R195 million and the EBITDA margin improving by 3.6 percentage points to 24.2% include higher revenues/operating efficiencies and cost containment. Rand weakness boosted reported results - in local currency, revenue and EBITDA increased by 15% and 36% respectively. Looking ahead, new anti-smoking legislation is being introduced in Chile and will have a negative impact on revenue in the short term.

GrandWest remains the flagship for the group and the property increased revenue and EBITDA by 5% for the period to R928 million and R387 million respectively. The EBITDA margin at the property was maintained through good cost control. We continue to engage with the relevant authorities regarding the issue of exclusivity over Cape Town.

In Gauteng good growth, primarily from tables, drove Carnival City revenue up 10% on last year to R554 million. The strong revenue growth, efficiency improvements and good cost control resulted in EBITDA increasing 23% to R173 million and the EBITDA margin increasing 3.1 percentage points to 31.2%.

Revenue at Sibaya grew by 9% to R524 million with EBITDA growth of 8% to R178million. The increase in KZN gaming levy rates during the current year, coupled with additional promotional spend, resulted in an EBITDA margin of 34%, 0.2 percentage points down from the previous year.

In Port Elizabeth the 140-room, five star Boardwalk Hotel, 3000sqm conference centre, retail complex and musical water extravaganza were all completed (on budget) during the period under review and were opened on 14 December 2012. The hotel brings a new standard to the hospitality offering of the city and the convention centre is unparalled in the region. Despite disruption from the R1-billion expansion project and the challenging economic environment, the Boardwalk lifted revenues by 4% to R236 million over the previous year but EBITDA declined 11% to R71 million and the EBITDA margin declined by 5.3 percentage points to 30.1%. The property is well positioned to capitalise on future growth.

In spite of the difficult trading environment, the hotels and resorts division achieved revenue of R1.3 billion, up 6% from last year. Occupancy dropped 2.0 percentage points to 61.3%, mainly as a result of an additional 150 rooms now available at the Wild Coast Sun. The average daily rate (ADR) increased by 6% to R1,258.

Sun City improved revenues by 3% from last year to R653 million, boosted by an increase in foreign visitors to South Africa. The local conference and meetings business showed a decline of 27% in room nights sold, resulting in an overall decline in occupancies to 62.2%. However, better room rate yields and an improved accommodation mix lifted ADR by 6% ahead of last year to R1,582. Good cost control and process improvements led to an EBITDA growth of 13% to R89 million.

Properties in Zambia, Nigeria, Botswana, Swaziland and Namibia grew revenues by 6% over the previous year to R416 million - an occupancy decline of 1 percentage point to 60% was offset by the ADR, which improved by 9% to R987. Casino revenues across the African properties reflected a growth of 8% to R169 million over last year.

Management fees and related income of R323 million was 11% ahead of last year. EBITDA of R164 million was 34% up owing to lower costs incurred on new project development and certain one-off employee related costs incurred last year.

The group’s borrowings at 31 December 2012 increased marginally from 30 June 2012, by R0.1 billion to R6.8 billion. Strong cash flows generated by operations have offset the debt required for the Boardwalk and Maslow expansions.

Other developments during the period included the 281-room four star Maslow Hotel refurbishment in Sandton which was completed on schedule in mid-December at a cost of R254 million. The hotel, which opened to the public on 7 January 2013, has been well received.

As reported in November 2012, Sun International intends to acquire on a freehold basis certain sections of the Trump Ocean Club International Hotel and Tower in Panama City, Panama. These include the casino, the penthouse level which will be converted into a Salon Privé, and certain apartments. The casino and Privé will be equipped with approximately 600 slot machines and 32 tables. The acquisition is subject, inter alia, to Panama’s regulator approving an application by Sun International for a casino licence and this process is currently underway.

This opportunity is in line with the group's strategic intent to focus on the Latam region and build on the successful track record set in Chile. The move will create greater awareness of the Sun International brand and will significantly enhance Sun's ability to access other opportunities in the region.

As previously announced on SENS, Peter Bacon has joined the board as a non-executive director and, with effect from 1 February 2013, Graeme Stephens became Chief Executive replacing Garth Collins who had been Acting Chief Executive since November 2011. The Chairman and Board of Directors extends its warm appreciation to Mr Collins for his service to the Sun International Group during his 46-year career, and for his contribution to the board during his appointment as Acting Chief Executive. Mr Collins will remain with Sun International until 30 June 2013 to assist with the handover of his responsibilities.

Also, as previously, announced, Rob Becker will, by way of mutual agreement with the Company, step down as Chief Financial Officer and executive director of Sun International with effect from 28 February 2013. In accordance with the Company's executive succession plan, Anthony Leeming, BComm, BAcc, CA (SA) will be succeeding Mr Becker and will be appointed as the Chief Financial Officer and an executive director of Sun International with effect from 1 March 2013. Mr Leeming has over 13 years' experience in the hotels, resorts and gaming industries having joined Sun International in 1999 as the Group Financial Manager. The Chairman and Board of Directors extend their appreciation to Mr Becker for his dedicated and outstanding contribution to the Sun International group during his tenure and wish him well in his future career.

Looking ahead, Stephens said: "*Further gradual improvement in the trading environment is anticipated in the second half of the year. We anticipate that higher capital changes and rentals for the Maslow and Boardwalk expansion projects, together with the deferred tax credits raised in the prior year, will result in the growth in adjusted headline earnings per share being lower than that experienced in the first half of the year.*"