Sun International keeps strong focus on cash generation, debt reduction

- Group revenue for the year increases 7%
- Group EBITDA increases by 5%
- Sun Dreams income up 16% and EBITDA 12% in the second half
- Basic EPS up 98%
- Time Square grows market share in the second half
- The acquisition of an additional 9.86% interest in Sun Dreams in Latam concluded
- Business focused, resilient, cash generative

[Johannesburg, 18 March 2019] Sun International released its full year results today, reporting revenue growth of 7% and an increase in EBITDA of 5%. South African comparable income grew 1%, and Latam grew 6%. Adjusted headline earnings from continuing operations decreased from R485 million to R472 million, 3% below the prior year. Adjusted headline earnings per share was however up 4% to 316 cents per share.

Sun International CE Anthony Leeming remarked: "the trading environment in South Africa remains extremely challenging, with disposable income under considerable pressure. That said, despite continued economic weakness and an increase in VAT which took R44 million off the operating profit line, Sun International is resilient and cash generative. Our Sun Dreams operations had a particularly pleasing second half of the year with revenue up 16% and EBITDA up 12%.

"I am very encouraged by the reduction in our debt. Together with the equity raise in June last year of R1.6 billion and the strong cash flow generated from our operations, we reduced our South African debt levels from R11.4 billion at December 2017 to R9.2 billion at the end of this financial year. We're continuing our efforts to reduce debt and are confident we will continue to bring our debt down."

In South Africa, GrandWest, Sibaya and the Wild Coast Sun all performed to expectation, with Sun City, Carnival City, Boardwalk and the Table Bay coming under pressure. The Table Bay was severely impacted by the water crisis in Cape Town, but the situation has now improved with bookings picking up towards the end of the year. Sun Slots produced strong results with income increasing 10% and EBITDA 15%.

Said Leeming: "I'm particularly pleased with Time Square, which showed good growth, particularly in the second half of the year with casino income up 19%. We are anticipating further growth at Time Square now that it is fully functional. While Sun City's trading was challenging following the flood damage and the cancellation of some key conferences, forward bookings are tracking ahead of the prior year.

The company is dealing firmly with loss-making operations and has already begun the restructure of both Boardwalk and Carousel.

Sun International's Latam operations recorded good revenue and EBITDA performances during the second half, led by Monticello, which showed a strong recovery with revenue growth of 14%. As a result of a decision taken to exit the Sun Nao Casino in Colombia and the Ocean Sun Casino in Panama, these operations were accounted for as discontinued for the year.

The company concluded the acquisition of an additional 9.86% interest in Sun Dreams during May 2018 at a purchase price of R832 million, increasing its interest to approximately 65%. It also concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US$26 million) in April 2018 and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US$25 million) in July 2018. Both of these acquisitions were concluded at attractive valuations and will contribute positively to the group's future performance.

Given the continued focus on reducing debt levels, the board has decided not to declare and pay a dividend for the year under review.

Looking ahead, Leeming emphasised that: "While we are much encouraged by government's positive steps to combat corruption and boost the economy, we do not believe this will have a material impact on the economy in the short term. As a result we expect continued pressure on disposable income for the South African consumers. While these are factors beyond our control, for our part we will continue to work hard on maximising efficiencies and reducing costs in an economic environment that is demanding the very best of us".

"Trading in Latam, and particularly Chile, is expected to remain positive. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019, although interest costs in Latam will increase following these acquisitions and the purchase of the additional 9.86% interest in Sun Dreams.

ENDS