

SUN INTERNATIONAL FINALISES 'DREAMS' DEAL IN LATAM

Sun International confirmed today that it had entered into binding transaction agreements with Chile-based Dream S.A (Dreams) to merge its casino and hotel assets in its Latin American portfolio. This includes Sun International's Monticello Grand Casino in Chile, the Ocean Club Casino in Panama and the Sun Nao Casino in Colombia. This follows the completion of a reciprocal due diligence process. Dreams is a leader in the gaming and entertainment industry with operations in Chile and Peru. The deal was announced in February this year.

The contribution of Monticello and the Ocean Sun - together valued at approximately \$400 million - will give Sun International a beneficial interest of 50% of the issued and outstanding shares in the combined entity. The Sun Nao Casino in Cartagena, Colombia, which has been completed at an estimated cost of US\$25 million, will be acquired for cash by the merged entity which will effectively reimburse Sun International for its cost of development.

In order to consolidate the merged entity and entrench its position as the long term strategic shareholder, Sun International will acquire shares representing an additional 5% to increase its effective shareholding to 55%, for US\$50-million (which includes a control premium).

Dreams has built a strong base in Chile where it now operates six casinos and it has more recently expanded into Peru, where it operates four smaller gaming establishments focused primarily on the capital, Lima, with plans to expand across the region. The Dreams' properties typically have components that are similar to those of Sun International, including hotels, casinos, entertainment and food & beverage facilities.

The merged entity will have a sizeable portfolio of assets situated across 4 countries, making it the premier gaming group in Latin America, and initially consisting of 13 properties, that between them have 6,500 slot machines, 300 table games, 6 hotels and 25 restaurants.

For the 12 months ended 30 June 2015, based on the unaudited results for Dreams, the combined businesses generated EBITDA of approximately US\$100 million.

Sun International CE Graeme Stephens said that in recent years, Sun International had made a substantial investment in Latin America and had assembled an attractive portfolio of assets. These assets created the platform to leverage off its growth strategy in the region to establish a business of scale.

“In order to achieve critical mass in Latin America, we believed we should pursue a merger of our assets with another like-minded player with a substantial presence in the region. In addition to accelerating our growth strategy, a merger will also diversify our concentration risk”.

“We’ve been looking for a suitable partner in Latin America for some years and in Dreams, we have a partner with a strong presence in Chile, a country which we understand well where we were looking for further exposure. We also have a partner with an expansion strategy that has seen them grow a presence in Peru, which is complementary to Sun International’s expansion into Panama and Colombia.

“Apart from these complementary advantages, Dreams also has an executive management team that is Latin American and has significant operational experience in the region. Dreams also has strong local shareholders, in the form of both the Fischer family who have been in the industry for more than a decade and EdS (Entretenimientos del Sur Limitada), a private equity business which has an in-depth knowledge of the region and is seeking to grow the business and increase its value as part of its ultimate exit strategy. These partners are experienced investors in casino assets in Latin America and will make a significant contribution in adding value to the merged entity.”

From a Dreams perspective, the introduction of Sun International as a long term strategic shareholder with an aligned business vision provides significant momentum to Dreams’ growth aspirations and also opens the possibility for a medium term exit by EdS.

“We start with an excellent presence in the region, but our focus will be on growth in Latin America wherever an appropriate business case and regulatory environment exists. These vary in the region, and it is something we will analyze in detail”, said Jaime Wilhelm, Corporate General Manager of Dreams, who will become the CEO of the merged company in Latin America.

The proposed merger results in the creation of Latin America’s largest gaming group which will have the profile, critical mass and balance sheet to expand into the rest of the continent, make meaningful acquisitions, and take on larger projects. The proposed merger should also unlock synergies between the combined Chilean properties as a result of its enhanced scale.

The merged entity will be structured with a relatively low level of gearing (below 2x EBITDA of the merged entity) which will ensure that it is self-sustaining and able to grow in the near term and will operate without having to leverage off Sun International’s SA balance sheet.

The parties intend to list the merged entity in an Initial Public Offering on the Santiago Stock Exchange in Chile or another appropriate public market, within two years from the date of the merger agreement, provided that market conditions are appropriate. This will create liquidity in the shares of the merged entity and will enable Eds – which currently holds 49% of Dreams - to exit its shareholding in the merged

entity if it wishes to. Sun International intends to maintain its shareholding above 50% in the event of a listing.

The proposed merger is conditional upon approval by Sun International shareholders, the approval of the applicable regulatory bodies including the relevant gambling regulators in Latin America, the South African Reserve Bank and a waiver of the rights from lenders, who have the right to accelerate repayment of loans as a result of the proposed merger or the merging parties securing replacement financing for these loans.

ENDS