Click here to watch a video summary

Sun International

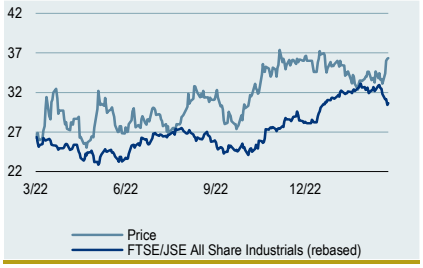
The house always wins

#themes: Omnichannel Gambling; Tourism; De-gearing

- **Sun International (SUI) is one of SA's leading gambling/gaming businesses founded in 1967, with substantial market share in urban casinos, Limited Payout Machines (LPMs) and an emerging competitor in SA's online betting sector**. The group has transformed since 2018, as recent capital raises, improved cash conversion (from FY19: 59.2% to FY22: 67%), the LATAM divestment and c. R600m embedded cost savings since 2019 have facilitated debt reduction from 5.6x to 1.8x EBITDA. The strengthened balance sheet, in our view, provides a firm base for management to drive its omnichannel strategy, facilitating improved shareholder returns.
- **SunBet, the growth engine, catapults to be the fifth-largest gaming operation in the group in FY23E with 5x growth expected to FY26E.** as management endeavours to leverage SUI's well-established brand, presence, and loyalty programme to attract and retain players. Management's current focus is on investing in growth and enhancing brand awareness to gain market share. We note more established global peers deliver c. 25-30% EBITDA margins relative to SunBet at c. 12%. Therefore, we expect profitability to improve, as the investment cycle settles into FY26E. **Our analysis based on FY26E estimates suggests the division could be valued at c. R2.5bn in 2025/26 (c. 26% of current market cap) versus our current fair value of c. R1.2bn.**
- **Urban casinos (74% of group EBITDA) are expected to hold their own.** SUI's urban casinos have successfully defended their market share and achieved record margins (post IFRS 16) despite revenue remaining below pre-pandemic levels. We believe the company's focus on attracting and retaining high-end customers through events, refurbishments, and the most valued guest (MVG) loyalty programme has and is likely to continue contributing to its success. Although load-shedding may impact costs (SBGSe c. R120m in FY23E), we expect increased traffic during these periods to support topline.
- **Resort and Hotels (14% of group EBITDA) reflects a strong post pandemic recovery with record margins (IFRS 16) despite the absence of international tourists.** Sustained margin support has been achieved through renegotiated labour contracts with labour unions providing flexibility (particularly at Sun City). We anticipate further margin improvement supported by improved occupancy rates and growth in room rates, bolstered by the return of international tourists.
- **We initiate coverage of Sun International with a fair value range of R50 to R57, providing an estimated total return of 39% to 59%, including a 9% dividend yield (historic average c.6.3%)**. We forecast FY23E and FY24E dHEPS of R4.73 (+9%) and R5.05 (+7%) respectively. Should debt levels be maintained at c. 2x EBITDA, **we expect management to prioritise returning excess cash to shareholders**, in the absence of acquisitions. We suspect management will favour special dividends ahead of share buybacks considering liquidity constraints.
- **Risks**: regulatory adjustments on licences, smoking ban implementation, limited domestic flights challenging ease of travel and load-shedding.

Share data	
RIC	SUIJ.J
Sub industry	Gambling
Price (16 Mar 2023)	R 36.34
Market cap. (R m)	9,103
Enterprise value (R m)	13 949
Market cap. (USD m)	493
Enterprise value (USD m)	95
Avg. daily trade value (USD m)	n/a
Free float (%)	59

Price relative to FTSE/JSE All Share Industrials



Historical performance relative to FTSE/JSE All Share

Performance over	1M	3M	12M
Absolute (%)	8.7	0.9	38.0
Relative (%)	16.4	-5.2	23.7

Source: FTSE/JSE All Share Industrials, SBG Securities Research

The price relative chart measures performance against the South Africa FTSE/JSE All Share Industrials which closed at 103406 on 17 Mar 2023

Key forecasts	Dec 20A	Dec 21A	Dec 22A	Dec 23E	Dec 24E	Dec 25E
Revenue (R m)	6,054	8,334	11,302	12,899	13,974	15,031
EBITDA (R m)	936	1,685	3,306	3,692	4,041	4,426
Adj. EPS (R)	(10.45)	1.05	2.22	4.73	5.04	5.64
Adj. EPS (US$, at spot)	(0.57)	0.06	0.12	0.26	0.27	0.31
DPS (R)	0	0	3.29	3.55	3.78	4.23
Dividend Yield (%)	n/a	n/a	9.4	9.8	10.4	11.6
PE (adjusted)	n/a	24.2	15.8	7.7	7.2	6.4
EV/EBITDA (adjusted)	15.3	8.3	4.2	3.8	3.4	3.2

Source: Company financials, SBG Securities estimates

Research Analyst

Tinashe Hofisi
Tinashe.Hofisi@sbgsecurities.com
+27 11 415 4266

Ya'eesh Patel
Yaeesh.Patel@sbgsecurities.com
+27 83 857 7899

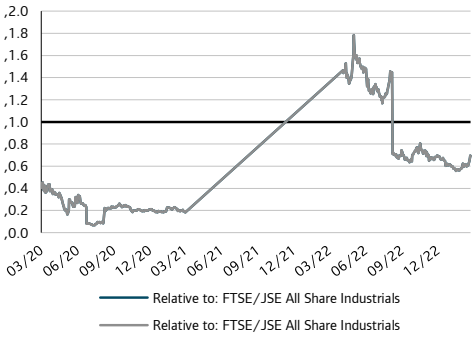
www.standardbank.com/research

Valuation metrics	Dec 20A	Dec 21A	Dec 22A	Dec 23E	Dec 24E	Dec 25E
P/E adjusted (x)	n/a	24.2	15.8	7.7	7.2	6.4
EV/EBITDA (adjusted) (x)	15.3	8.3	4.2	3.8	3.4	3.2
Dividend yield (%)	n/a	n/a	9.4	9.8	10.4	11.6
NAV/book value per share (R)	8.4	6.9	8.2	10.1	12.0	14.2

Ratio analysis	Dec 20A	Dec 21A	Dec 22A	Dec 23E	Dec 24E	Dec 25E
ROE (headline basis) (%)	-10.8	2.4	20.1	19.1	18.0	18.0
ROCE (EBIT basis) (%)	n/a	n/a	n/a	n/a	n/a	n/a
Gross margin (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	15.5	20.2	29.3	28.6	28.9	29.4
EBIT margin (%)	-22.8	15.7	21.6	21.8	21.3	21.8
Sales/total assets (%)	**45.3**	**63.3**	**83.4**	**91.0**	**94.1**	**96.5**
Net debt/equity (%)	459.8	377.9	293.0	262.5	236.9	213.5
Interest coverage (to EBITDA) (x)	(1.2)	(3.1)	(7.0)	(7.4)	(8.0)	(8.7)

Profit and Loss	Dec 20A	Dec 21A	Dec 22A	Dec 23E	Dec 24E	Dec 25E
Revenue (R m)	6,054	8,334	11,302	12,899	13,974	15,031
% growth	-64.9	37.7	35.6	14.1	8.3	7.6
Gross profit (R m)						
EBITDA (R m)	936	1,685	3,306	3,692	4,041	4,426
% growth	-79.7	80.0	96.2	11.7	9.5	9.5
EBIT (R m)	(1,378)	1,309	2,443	2,818	2,975	3,278
% growth	-151.0	195.0	86.6	15.3	5.6	10.2
Exceptional & non continuing items (R m)						
Reported PBT (R m)	(1,605)	574	1,368	2,320	2,470	2,767
Net interest (R m)	(924)	(564)	(495)	(498)	(504)	(511)
Tax (R m)	417	(192)	(603)	(696)	(741)	(830)
Tax rate (%)	26.0	33.4	44.1	30.0	30.0	30.0
Associate income (R m)						
Net profit (R m)						
Headline earnings (continuing business) (R m)	(234)	44	439	480	511	572
% growth	-138.7	118.9	895.2	9.3	6.5	12.0
Weighted diluted number of shares (m)	175	251	250	250	250	250
Earnings per share (EPS) (R)	(10.45)	1.05	2.24	4.80	5.11	5.72
Reported diluted HEPS (R)	(10.45)	1.05	2.22	4.73	5.04	5.64
% growth	-301.9	110.0	111.5	113.6	6.5	12.0
Adjusted diluted HEPS (cont. business) (R)	(2.34)	0.441	4.39	4.80	5.11	5.72
% growth	-138.7	118.9	895.2	9.3	6.5	12.0
Ordinary dividend per share (DPS) (R)			3.29	3.55	3.78	4.23
Ordinary dividend pay-out ratio (%)	n/a	n/a	75.0	74.0	74.0	74.0

Relative to JSE All Share



Source: Refinitiv

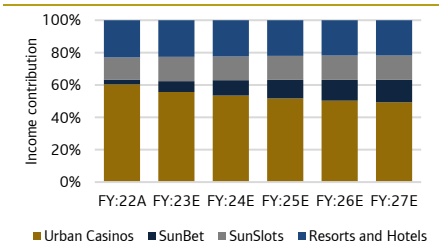
Cash flow	Dec 21A	Dec 22A	Dec 23E	Dec 24E
EBIT (cash flow) (R m)	1,309	2,443	2,818	2,975
Change in working capital (R m)	(73)	44	(15)	15
Operating cash flow (R m)	2,158	3,637	3,794	4,057
Net finance income (charge) (R m)	(539)	(473)	(498)	(504)
Taxes paid (R m)	(449)	(436)	(696)	(741)
Dividends paid (R m)	(158)	(490)	(1,169)	(1,255)
Total cash flow from operations (R m)	**1,709**	**3,201**	**3,098**	**3,316**
Total capex (R m)	**(550)**	**(922)**	**(1,548)**	**(1,677)**
Net cash flow from investing activities (R m)	(528)	(1,372)	(1,498)	(1,624)
Share issuance (repurchases) (R m)				
Net increase (decrease) in cash (R m)				

Balance sheet	Dec 21A	Dec 22A	Dec 23E	Dec 24E
Total non-current assets (R m)	**11,445**	**11,669**	**12,200**	**12,782**
Property, plant equipment (R m)	9,091	9,054	9,621	10,237
Intangible fixed assets (R m)	902	818	781	747
Total current assets (R m)	**1,686**	**1,822**	**1,912**	**2,013**
Cash (R m)	374	546	555	563
Total assets (R m)	**13,157**	**13,546**	**14,167**	**14,850**
Total ordinary shareholders equity (R m)	**2,007**	**2,357**	**2,665**	**2,993**
Total non-current liabilities (R m)	**8,200**	**7,802**	**7,930**	**8,010**
Current liabilities (R m)	3,241	3,712	3,750	3,879
Total equity and liability (R m)	**13,157**	**13,546**	**14,167**	**14,850**
Net cash (debt) (R m)	(7,584)	(6,906)	(6,997)	(7,175)

Source: Company financials, SBG Securities estimates

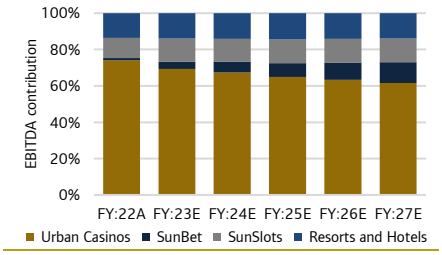
Contents

Figure 1: Total income mix by operation (FY22A – 27E). SunBet contribution set to increase from 3% to 14%.



Source: SBG Securities analysis, company financials and estimates

Figure 2: EBITDA mix by operation (FY'22A–27E). SunBet contribution set to increase from 1% to 11%



Source: SBG Securities analysis, company financials and estimates

Investment case

Sun International was founded in 1967. The group's operations can simplistically be divided into Gaming and Non-Gaming operations (Accommodation, Food and Beverage, MICE). Gaming activities contribute >80% revenue and c. 90% EBITDA to the group. Geographically, Sun International has exposure in South Africa and Nigeria, though South Africa is the primary generator of revenue and EBITDA. In our view, the group's investment case is founded on the following key pillars:

- Gambling
  - Resilience in challenging times.
  - Urban casinos winning streak: 11 land-based casino licences delivering market share gains and FY22 record margins (SA operations).
  - SunBet: Accelerating investment to grow online betting business 6x by FY27E.
  - Sun Slots: Substantial market share in profitable provinces, with LPM runway remaining.
- Resorts and Hotels: Strong recovery and record margins despite the absence of international tourists.
- Should debt levels be maintained a c. 2x EBITDA, we expect management to prioritise returning excess cash to shareholders, in the absence of acquisitions. We suspect management will favour special dividends ahead of share buybacks considering liquidity constraints.

Headwinds to the sector include regulatory adjustment on licences, smoking ban legislation, load-shedding and illegal gambling.

That said, we view the group's sector positioning as favourable and management as well experienced. We therefore initiate coverage of Sun International with a fair value range of between R50 and R57, implying a total return of 39% to 59%, including a dividend yield of 9% (historical average is c. 6.3%).

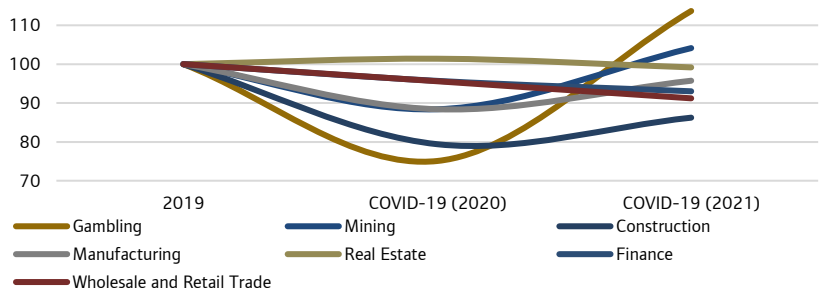
The gambling industry proves its resilience in challenging times

History has shown that the gambling sector is not immune to economic downturns but is more resilient in comparison to other sectors. Following the COVID pandemic, the gambling sector recovered swiftly in relation to other sectors, proving its resilience. We believe this is due to:

While the gambling sector is not immune to crises, it has demonstrated a higher level of resilience compared to other industries.

- **Diverse offerings** cater to a broad audience with varying budgets and preferences enabling it to withstand economic downturns and regulatory changes.
- **Technological advancements**: adoption of online and mobile gaming has allowed it to adapt to changing consumer behaviour and thrive during the Covid-19 pandemic.
- **Economic impact**: Gambling is a significant contributor to the economy, generating tax revenues and supporting employment opportunities. This has made it a politically important sector, which has helped it to remain resilient even during times of economic uncertainty.

Figure 3: Growth rates during Covid-19
Gambling not immune to crises but it is more resilient



Source: Stats SA, National Gambling Board and SBG Securities analysis

Management anticipates that the smoking ban could negatively impact revenue by between 12% and 20% upon implementation.

That said, over the near-term implementation of a new smoking ban could provide sector headwinds. Management is anticipating the bill to be passed in the medium term. In our view, gambling has become a significant contributor to the South African economy and is a politically crucial sector, generating substantial tax revenue (c. >R3bn) and providing employment opportunities. As a result, we do not anticipate the

bill to be passed before the 2024 elections. Management indicates that on implementation, revenue could decline by between 12% and 20%, with a potential recovery anticipated within two years. Our analysis suggests the decline is more pronounced in less developed countries, though a relatively similar recovery period is noted. Nevertheless, we anticipate that online gaming (SunBet) could provide a marginal offset, as casino patrons could transition to online gaming. **Our analysis suggests c. 16% and c. 25% downside risk to our FY25E EBITDA and HEPS, respectively.**

Figure 4: Impact of smoking ban in casinos in developed and less developed countries

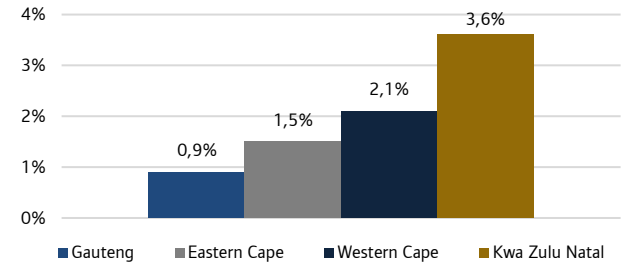
Developed Countries	Date implemented	Revenue change in the first year after ban	Years to Recover
Las Vegas (USA)	Dec-06	4.6%	6 to 12 months
Atlantic City (USA)	Apr-07	19%	Two to three years
Scotland (UK)	Mar-06	12%	Two to three years
Windsor (CAD)	Jan-06	6%	6 to 12 months
Ontario (CAD)	May-06	13%	One to two years
Illinois (USA)	Jan-08	23%	Two years
Pennsylvania (USA)	Sep-09	16%	Two to three years
Delaware (USA)	Nov-02	13%	One to two years
Average decline		**13%**	
Emerging and Developing Countries			
Buenos Aires (Argentina)	Dec-11	15.7%	Two to three years
Sau Paulo (Brazil)	Aug-09	20.7%	One to two years
Lima (Peru)	Mar-06	10%	One to two years
Montevideo (Uruguay)	Mar-06	4.6%	6 to 12 months
Mendoza (Argentina)	Jun-11	10.6%	One to two years
Cairo (Egypt)	Jun-07	20.7%	Two to three years
Panama City (Panama)	Mar-09	20%	Two to three years
San Jose (Costa Rica)	Mar-12	20%	Two to three years
Average decline		**15%**	

Source: US News, CNBC, The New York Times

Urban Casinos (74% of EBITDA): Market share gains and record margins post IFRS 16

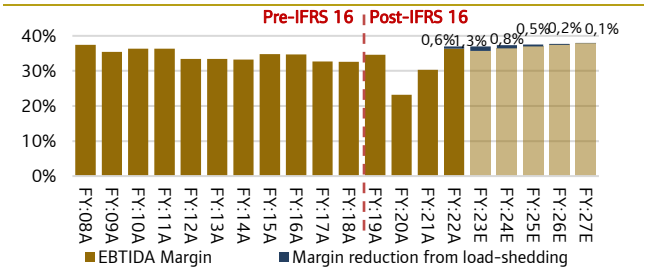
Sun International has successfully defended its market share and achieved record margins (post IFRS) despite revenue remaining below 2019 levels. We believe the company's focus on attracting and retaining high-end customers through events, refurbishments and the MVG loyalty programme contributed to this success, along with sustainable cost-saving measures (licensing fees and maintenance costs) through reducing excess slot machines and tables on the casino floor. Although load-shedding may impact costs, we expect increased traffic during these periods to support margins and provide operating leverage.

Figure 5: Urban Casinos market share gains in (Jan to Dec 2022)
Defending market share in key provinces



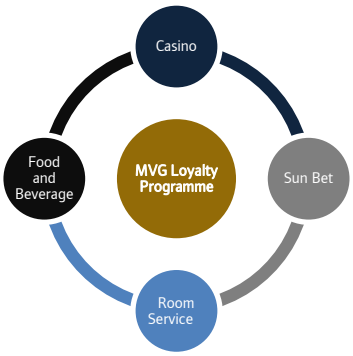
Source: Company Data and SBG Securities analysis

Figure 6: Urban Casinos EBITDA margin (%)
Record margins in FY'22



Source: Company Data and SBG Securities analysis and estimates

Figure 7: Sun International ecosystem - Most Valued Guest (MVG) Loyalty Programme



Source: Company reports and SBG Securities analysis

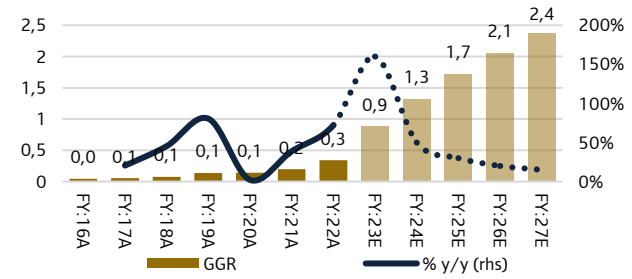
Sunbet: Accelerating investment to scale online gambling business

Management believes that SunBet will be the fifth-largest gaming operation in the group in FY23E and five times bigger (c R2bn) in FY26E after the successful launch of online casino games (live tables in Aug 2021 and slots in Aug 2022). As of January 2023, online casino-style games accounted for c. 70% of GGR (slots c. 50% of GGR and tables c. 20%), with c. 30% from sports betting. The launch of online casino games will support the omni-channel strategy between land-based and online gaming, providing customers with a seamless experience.

In FY22, SunBet's gross gaming revenue almost doubled (96% y/y) supported by growth in active players (50% y/y) and deposits (130% y/y). We expect GGR to reach R1bn in FY25E as management endeavours to leverage Sun International's well-established brand, presence and loyalty offering to attract and retain players. The latter provides a competitive advantage through its ability to add value to the offering through the diverse Sun International stable.

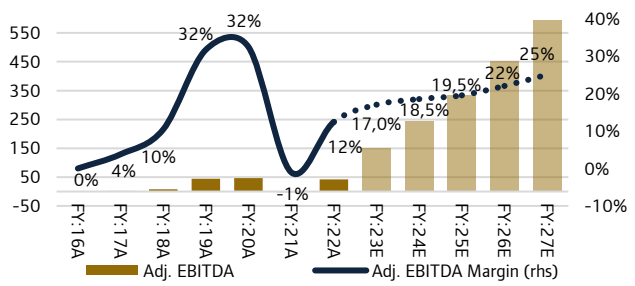
Currently, management is committed to investing in growth and enhancing brand awareness to gain market share. We believe its aggressive stance is warranted considering that online gambling is a high growth market. SunBet does not have outstanding debt. As the investment cycle subsides into FY26E, we expect profitability to improve. **Generally, we note that online gaming is less capital and expense intensive, which implies substantial margin improvement after the investment cycle. We note more established peers deliver c. 30% EBITDA margins relative to SunBet at c. 12%.**

Figure 8: SunBet gross gaming revenue (ZARbn) and % y/y
SunBet exponential growth driven by online casino-style games



Source: Company reports, SBG Securities analysis and estimates

Figure 9: SunBet EBITDA margins
Economies of scale to filter through as investment cycle subsides

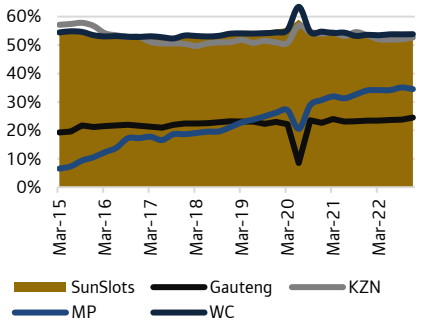


Source: Company reports, SBG Securities analysis and estimates

Sun Slots: Substantial market share in profitable provinces

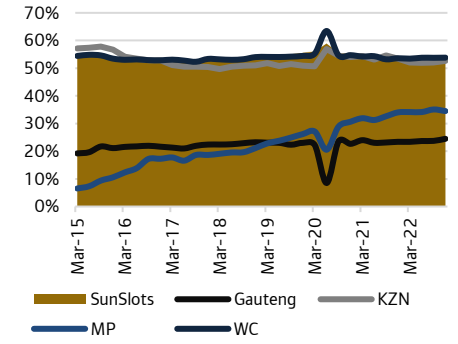
Sun Slots has a significant market share in each of the four provinces where it operates, namely Gauteng, Western Cape, KZN, and Mpumalanga. In terms of total wagered amount, gross gaming revenue, and active Limited Payout Machines (LPMs), it is a dominant player in the industry. Sun Slots' highest competitive advantage is in Western Cape and KZN, which are the two most profitable provinces in the LPM industry.

Figure 10: Sun Slots Market Share – Total Revenue. Total market share of 54% in the areas it has a presence



Source: National Gambling Board and SBG Securities analysis

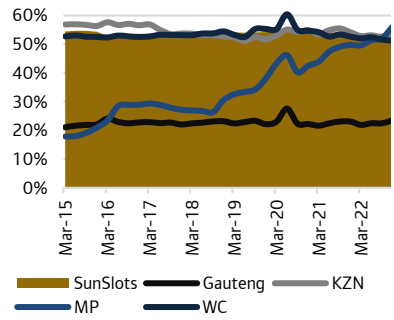
Figure 11: Sun Slots market share – gross gaming Revenue. Total market share of 54% in the areas it has e a presence



Source: National Gambling Board and SBG Securities analysis

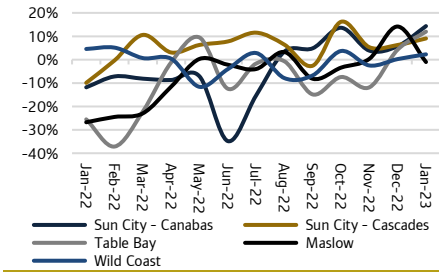
Figure 12: Sun Slots market share – LPM

Total market share of 52% in the areas it has a presence



Source: National Gambling Board and SBG Securities analysis

Figure 13: Room occupancies versus 2019. Back to pre-pandemic levels in the absence of international tourists



Source: Company reports and SBG Securities analysis

Resorts and Hotels: Strong recovery and record margins despite the absence of international tourists

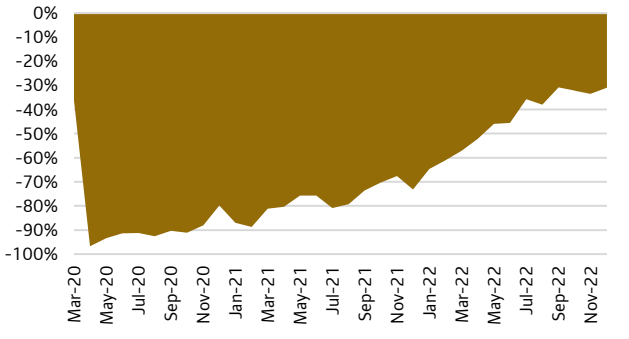
Despite the absence of international tourists, the hospitality business has shown a strong recovery, with total income returning to pre-pandemic levels (+0.3%). Urban casinos were the top performer, exceeding 2019 levels by 3%, followed by food and beverage at 2%. Although rooms lagged at -8%, they still exhibited a strong recovery, primarily driven by local tourists who have been the mainstay of the industry in 2022.

FY22 proved to be a boon for the industry, delivering the highest EBITDA margin in over a decade. This was attributed to the renegotiation of labour contracts with labour unions, particularly at Sun City, allowing for a flexible labour contract that permits labour to be moved to divisions requiring more hands at a particular point in time. Additionally, contracts with third-party service providers were also renegotiated, providing support for margin improvement. Looking ahead, we anticipate further margin improvement to come from 1) the return of international tourists, who typically generate higher spending than local tourists; 2) Locals rediscovering local tourist destinations, which we believe will continue to **generate** strong spend; and 3) the weaker rand, which is expected to benefit both international and local tourism. International visitors are likely to find it more affordable to visit South Africa, while locals may find it more expensive to travel outside the country's borders.

Overall, the **outlook is positive**, with all demand categories (leisure, conferencing, sports, and events) recovering to pre-pandemic levels, except for transient corporate travel. We expect corporate travel to return in the second half of this year, **further bolstering resorts and hotels growth**.

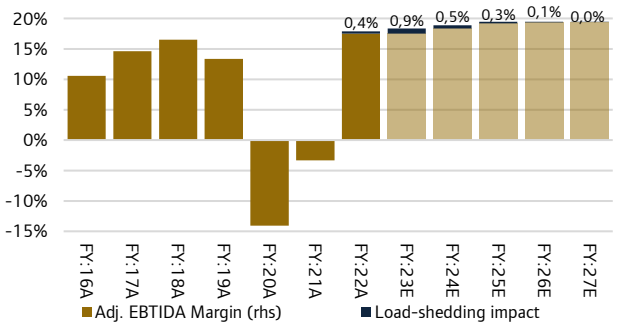
Figure 14: International tourist arrivals in South Africa

International tourism recovering…



Source: Stats SA and SBG Securities analysis

Figure 15: Resorts and Hotels EBITDA margin (%). Record margins in FY'22 despite lack of international tourists



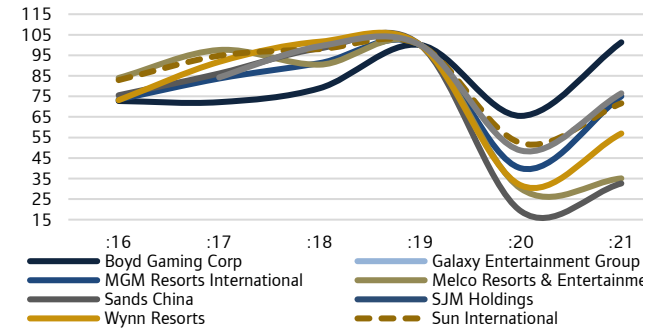
Source: Company reports, SBG Securities analysis and estimates

Peer Analysis: Revenue recovery and efficiency

Sun International's recovery from the pandemic has been relatively in line with its peers across the gaming and hospitality industry. Furthermore, SUI has historically achieved the highest efficiency in terms of generating revenue by utilising assets, which we view as vital, particularly for an asset-heavy industry such as gambling and hospitality, in order to improve profitability and return on investment.

Figure 16: Total Income (2019 =100)

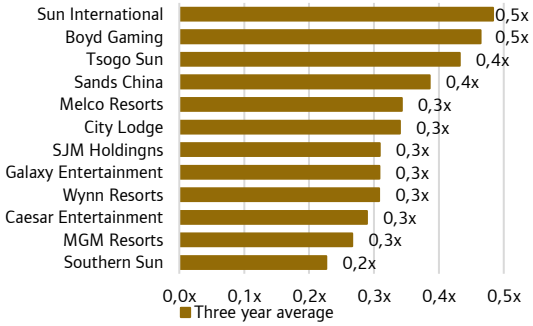
Overall, SUI recovery was swift relative to global peers



Source: Company reports, SBG Securities analysis and estimates

Figure 17: Asset turnover (three-year average)

Sun International has the highest asset efficiency



Source: Company reports, SBG Securities analysis and estimates

Financial analysis

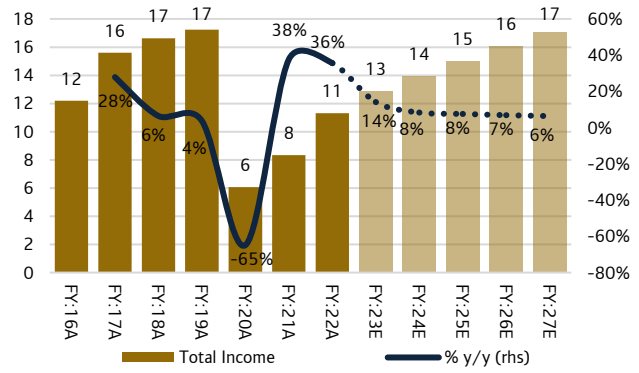
Historically, the group has achieved total income growth and EBITDA 3-year CAGR (from 2016 to 2019) of 12.4% and 4%, respectively. Additionally, the group has also divested its LATAM operations, which has resulted in a healthy rate of cash conversion and has facilitated debt reduction from 5.6x to 1.8x EBITDA. Furthermore, based on a peer analysis on page 43, we observe that Sun International's asset efficiency features favourably compared to its global peers.

Revenue: Online gaming the growth engine

We expect a group total income 3-year CAGR of 10% driven by:

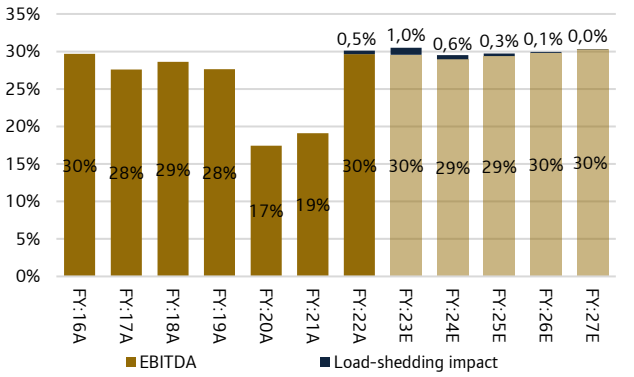
1. Sun Bet: The online gaming industry is expected to grow at c. 30% y/y. As a result, management is investing aggressively in acquiring new customers to grow its customer base and market share. Management has set a target of achieving GGR of R2bn by 2026E, which would make SunBet approximately five times bigger than in FY22A. The primary driver being live casino games, which currently account for c. 70% of GGR, while sports betting enhances brand awareness.
2. LPM rollouts will continue to strengthen Sun Slots' position, considering its high market share in all four provinces where it operates.
3. Resorts and hotels division should benefit from the return of international tourists, sustained local demand and increasing appetite for conferences post the pandemic.
4. Urban casinos are expected to return to pre-pandemic levels in FY23E, but growth is expected to be modest thereafter as other forms of legal gambling are becoming increasingly popular.

Figure 18: Total Revenue (ZARbn) and % y.y



Source: Company reports, SBG Securities analysis and estimates

Figure 19: EBTIDA margin and load-shedding impact



Source: Company reports, SBG Securities analysis and estimates

EBITDA: Cost efficiencies to sustain margins

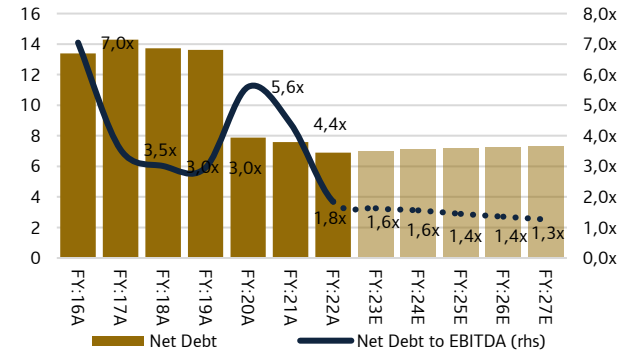
We expect 10% growth in group EBITDA on a 3-year CAGR basis, supported by sustained cost-saving measures, including:

1. The renegotiation of labour contracts with labour unions, particularly at Sun City, providing flexible labour terms facilitating the movement of employees based on demand. Additionally, contracts with third-party service providers were renegotiated.
2. Reduction of excess machines and tables on casino floor to reduce licencing fees and other related operating costs (e.g., maintenance costs).
3. In addition, we also do not anticipate sizeable increase in taxes/levies.
4. Load-shedding: We factor in R120m of costs related to load-shedding which we expect to reduce EBITDA margin by 100bps in FY23E. That said, based on managements' endeavours we expect the cost to dilute over the forecast period.

Leverage and Dividends

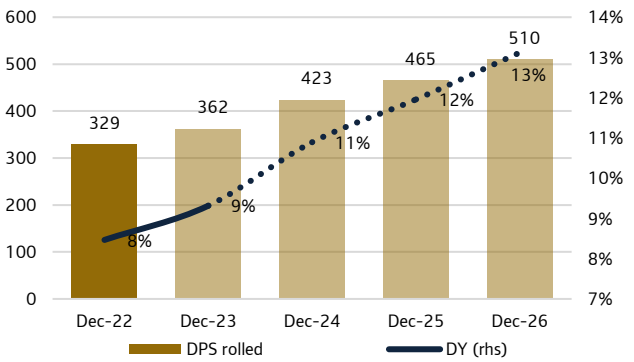
Debt levels have reduced significantly from a recent of peak of 5.6x net debt to EBTIDA in FY20 to 1.8x in FY22. Management noted that net debt is within its 2x appetite and commits to a pay-out ratio of 75%. We estimate a 12-month forward dividend yield of 9%.

Figure 20: Net Debt (ZAR'bn) and Net Debt/EBTIDA (x)



Source: Company reports, SBG Securities analysis and estimates

Figure 21: Rolled DPS cents and Dividend Yield (%)



Source: Company reports, SBG Securities analysis and estimates

Summarised income statement

Figure 22: Sun International summarised income statement

	FY:19A	FY:20A	FY:21A	FY:22A	FY:23E	FY:24E	FY:25E	FY:26E	FY:27E
Income	11 481	6 054	8 334	11 302	12 899	13 974	15 031	16 064	17 089
Urban Casinos	7 467	3 857	5 071	6 738	7 166	7 462	7 772	8 094	8 430
SunBet	140	137	182	339	881	1 322	1 719	2 062	2 372
SunSlots	1 310	886	1 292	1 506	1 933	2 066	2 217	2 394	2 570
Resorts and Hotels	2 564	1 123	1 679	2 572	2 918	3 123	3 324	3 513	3 717
y/y growth		-47.3%	37.7%	35.6%	14.1%	8.3%	7.6%	6.9%	6.4%
Urban Casinos		-48.3%	31.5%	32.9%	6.3%	4.1%	4.1%	4.1%	4.2%
SunBet		-2.1%	32.8%	86.3%	160.0%	50.0%	30.0%	20.0%	15.0%
SunSlots		-32.4%	45.8%	16.6%	28.4%	6.9%	7.3%	8.0%	7.4%
Resorts and Hotels		-56.2%	49.5%	53.2%	13.5%	7.0%	6.4%	5.7%	5.8%
EBITDA	3 173	1 047	1 569	3 304	3 809	4 041	4 426	4 790	5 185
Urban Casinos	2 583	894	1 433	2 445	2 558	2 721	2 877	3 033	3 197
SunBet	44	46	-2	42	150	245	335	454	593
SunSlots	335	202	313	367	472	502	576	625	673
Resorts and Hotels	342	-158	-56	450	513	574	638	679	722
EBITDA margins	27.6%	17.3%	18.8%	29.2%	29.5%	28.9%	29.4%	29.8%	30.3%
Urban Casinos	34.6%	23.2%	28.3%	36.3%	35.7%	36.5%	37.0%	37.5%	37.9%
SunBet	31.4%	33.6%	-1.1%	12.4%	17.0%	18.5%	19.5%	22.0%	25.0%
SunSlots	25.6%	22.8%	24.2%	24.4%	24.4%	24.3%	26.0%	26.1%	26.2%
Resorts and Hotels	13.3%	-14.1%	-3.3%	17.5%	17.6%	18.4%	19.2%	19.3%	19.4%
Adj HEPS	603	-234	44	433	473	504	564	619	680

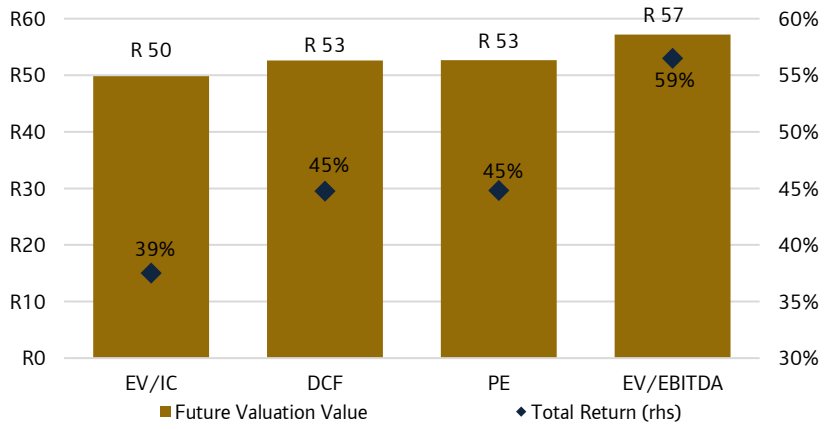
Source: Company reports, SBG Securities analysis and estimates

Valuation: We value SUI between R50 and R57

We use four methods to determine our equity valuation range for Sun International. These include, DCF, ROIC-IC, relative PE multiple and relative EV/EBITDA sum of the parts. We highlight that Sun International and its South African peers do not have consensus-based forward multiples. Therefore, to overcome the limitation of forward-looking multiples on consumer services on the JSE, we used MSCI EM consumer discretionary as a proxy and compared it with the MSCI US consumer discretionary. This helped us determined the discount to apply on global peers to get an implied multiple for Sun International.

Figure 23: Valuation summary

Sun International future ranges between R50 and R57

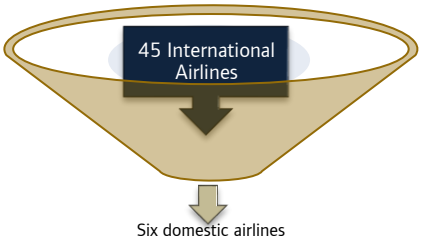


Source: Company reports, SBG Securities analysis and estimates

Investment risks

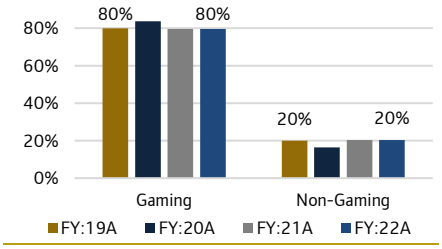
- **Load-shedding:** Management notes that the impact on Limited Payout Machines (LPMs) is a challenge, with site owners likely requiring additional support to ensure that their primary businesses are sustained, in turn, supporting the LPM business. However, we anticipate load-shedding could increase casino footfall.
- **Smoking ban legislation probable**: Management is anticipating that the bill will be passed in the medium term. We do not anticipate the bill to be passed before the 2024 elections. Management has advised that following the passage of the bill, it expects revenue to decrease by between 12% and 20%, with recovery anticipated within two years, based on empirical evidence. Our analysis suggests c. 16% and c. 25% downside risk to our FY25E EBITDA and HEPS, respectively.
- **Regulatory adjustment on licences:** GrandWest Casino previously held exclusive rights spanning 75km in the Western Cape region. However, in July 2021, the Western Cape High Court ruled that these rights were unconstitutional, reducing GrandWest's licence to a 25km radius. The judgement favoured Tsogo Sun as it facilitates a potential relocation to Helderberg in Strand. It is expected that the relocation of Tsogo Sun could result in a decline in revenues and market share for GrandWest Casino. Nonetheless, management is of the view that the impact will not be significant.
- **Domestic airline bottleneck could delay return of international tourists**: Although South Africa has over 45 international airlines flying daily, the domestic airline industry is limited to only six airlines since Comair ceased operating British Airways and Kulula. Consequently, international tourists may have difficulty reaching their destinations, and the reduced number of domestic airlines could lead to higher flight prices. This could deter international tourists and impede the recovery to pre-pandemic levels.
- **Weaker rand should support tourism demand.** We believe a weaker rand this year will have a double-edged effect on tourism. International tourists will find it much cheaper to travel to South Africa and receive more value for their money. However, for locals as it is becoming more expensive to travel outside South African borders, they will end up considering exploring more local destinations.

Figure 24: South Africa's airline base – international and domestic. South Africa's limited domestic airline industry may impede tourism recovery



Source: Domestic flight South Africa and airports company South Africa

Figure 25: Revenue mix by operation (FY'18 – 22). Gaming operations, 80% of SA total revenue



Source: SBG Securities analysis, company financials

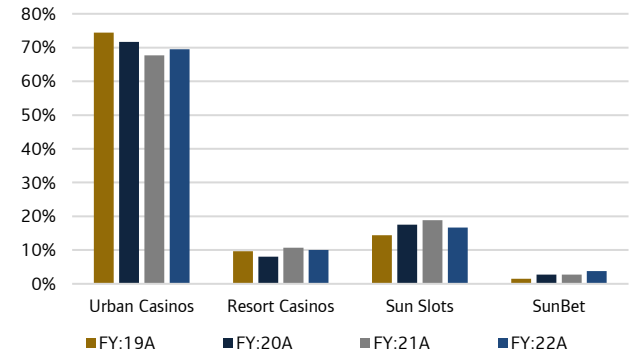
Company description

Business model overview

Sun International was founded in 1967. The company's operations comprise gaming and resorts and hotels. The group's Gaming division includes casino operations and alternative gaming (Sun Slots and SunBet) with the Resorts and Hotels operations including accommodation, conference and event facilities, and food and beverage services.

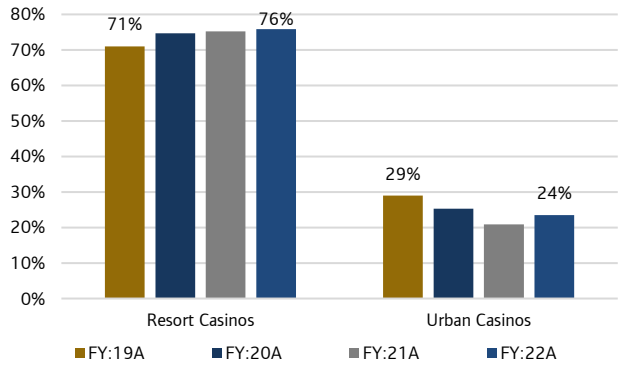
The Gaming division contributes the most revenue (>80%) and EBITDA (c. 90%) to the group. Geographically, Sun International has exposure in South Africa and Nigeria, though South Africa is the primary generator of revenue and EBITDA. Sun International can also be divided into Gaming and Non-Gaming operations (Accommodation, Food and Beverage, MICE).

Figure 26: Gaming revenue mix (FY19 – 22, inner core to outer core)



Source: Company reports, SBG Securities analysis

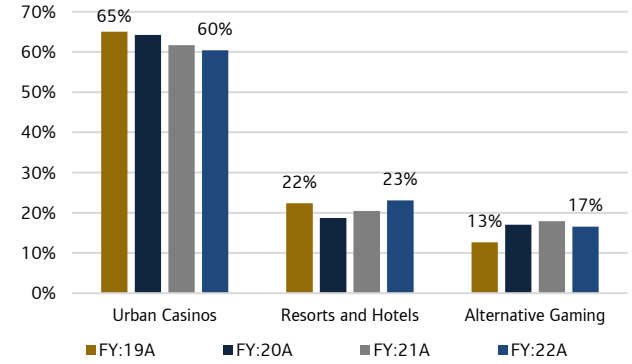
Figure 27: Non-gaming revenue mix (FY'19 – 22)



Source: Company reports, SBG Securities analysis

Figure 28: Revenue mix by group division FY'19 and H1'22

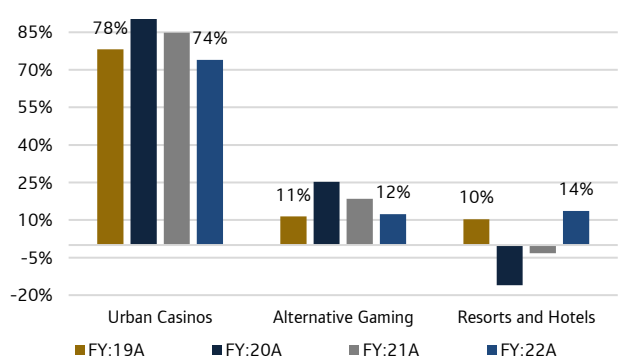
Gaming revenues accounts for almost 80% of group revenues



Source: Company reports, SBG Securities analysis

Figure 29: EBITDA mix by group division

Gaming EBITDA almost 90% of group EBITDA



Source: Company reports, SBG Securities analysis

Grand Parade Transaction

In November 2022, SISA, a Sun International subsidiary, acquired 7.8% of GPI's issued shares for R128.2 million. This is part of Sun International's strategy to increase its equity interest in its South African operations with minority interests. SISA's equity interest in GPI increased from 13.3% to 21.1%. Further transactions are a possibility. SISA holds equity interests in Sun Slots (70%), SunWest (61.59%), and Worcester Casino (61.40%), while GPI has a 15.10% equity interest in Worcester, and its subsidiary holds 30% and 15.10% equity interests in Sun Slots and SunWest, respectively.

Gambling sector overview

Gambling 101

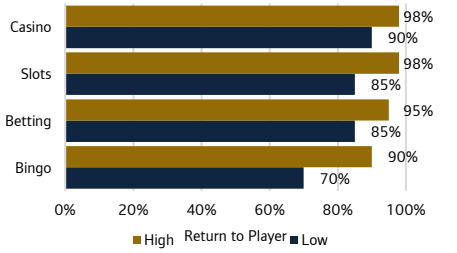
The house always wins is a function of time.

The gambling industry always has an edge over the player, hence the famous statement, "the house always wins". Research shows that gambling is a popular form on entertainment and can take different forms, including, 1) Casino; 2) Sports betting; 3) Lottery; and 4) Online gambling.

The revenue generating formula for a gambling business is as follows:

$$Gross\ Gaming\ Revenue = Amount\ wagered - Return\ to\ player\ \boldsymbol{OR}$$
$$Gross\ Gaming\ Revenue = Amount\ wagered * Hold\ or\ House\ Edge\ (\%)$$

Figure 30: Return to Player – different forms of gambling. Casino and slots have lower house edge



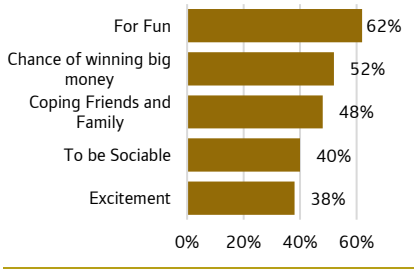
Source: Statista

Return to player or hold – 'the magic wand of gambling'

Return to Player (RTP) is a mathematical algorithm or a fixed set of rules that pay out a certain rate to the player while keeping (hold) some money for the 'house'. The RTP varies across different forms of gambling, as shown on Figure 30. For a gambling business to attain the pre-set hold or house edge, **is a function of time**, such as with slot machines, which have both negative and positive cycles and require the completion of both cycles to reach the pre-set hold percentage over time. It is important to attract players to play as many times as possible to ensure the cycle is completed and the house edge is attained.

Motives for gambling

Figure 31: Return to Player – different forms of gambling. Casino and slots have lower house edge



Source: Statista

A survey conducted in Australia to understand the motives for gambling among the players found the following:

- 62% played for fun
- 52% played to win big money
- 48% played to copy family and friends
- 40% played to be sociable
- 38% played for excitement.

In general, people gamble for leisure and for a chance to win big. However, it is important to understand that the motives for gambling could vary according to socio-demographics, the form of gaming, levels of income and addiction. However, to counter addiction or problem gambling, all licenced operators in South Africa are required to contribute towards the National Responsible Gambling Programme to educate, research and provide treatment.

Is gambling recession proof?

Gambling is not recession proof, but it is more resilient than other consumer discretionary industries.

In our view, gambling is not recession proof as it is heavily influenced by disposable income, consumer confidence and unemployment. During a recession, people tend to have less disposable income and are more cautious about spending, which can lead to a decrease in overall gambling activity. For example, during the 2008 financial crisis, the gambling industry in the US experienced a significant decline in revenue. Many casinos were forced to close, and others experienced a drop in attendance and revenue. In Las Vegas, gambling revenue declined by 15% in 2008 and continued to decline in the following years.

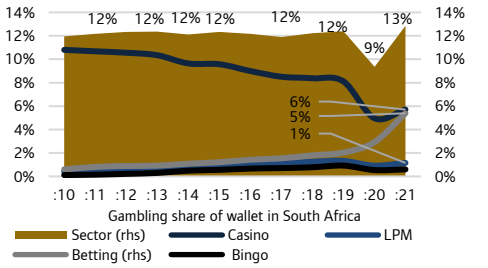
Similarly, the global gambling industry was adversely affected by the economic downturn caused by the Covid-19 pandemic. Many casinos and betting houses were forced to close or limit their operations, and sports betting was impacted by the cancellation or postponement of major sporting events.

While gambling may be more resilient than some other industries during a recession, it is still subject to the same economic forces as any other business.

South African context

One in ten South Africans participates in gambling activities, which equates to over 3 million people above the age of 18. Our analysis reveals that South Africans spend approximately 13% of their gross disposable income on gambling (see Figure 32). Note this number includes non-gamblers as well, therefore it is likely higher when considering only those who gamble.

Figure 32: Gambling share of wallet to gross disposable income

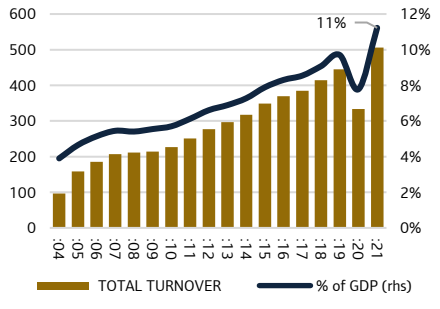


Source: National Gambling Board

Gambling total turnover

In 2021, the total turnover (wagered amount) of the gambling industry surpassed pre-pandemic levels, with a 14% increase compared to 2019, and broke the ZAR500bn mark for the first time. This impressive performance was largely driven by the betting sector, which was able to benefit from its online offerings. However, other forms of gambling saw a decline as they were not accessible online, highlighting the importance of online offerings in the industry.

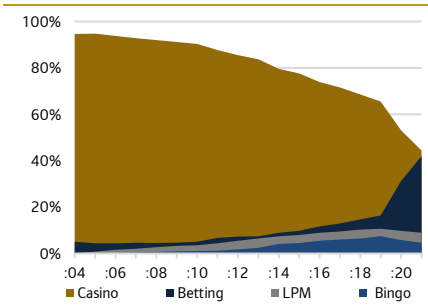
Figure 33: Total gambling turnover (ZARbn) and % of GDP. Gambling activity passed pre-pandemic levels, 11% of GDP



Source: National Gambling Board

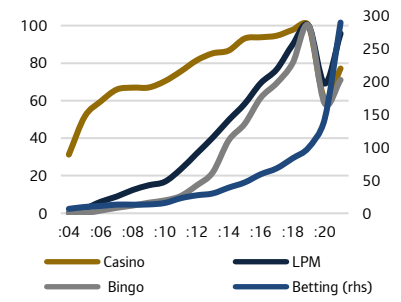
Figure 34: Turnover mix – forms of gambling

Betting exponential growth, now 42% of turnover (2019: 16%)



Source: National Gambling Board

Figure 35: Turnover (2019 = 100). Betting continued to grow while others were impacted by Covid

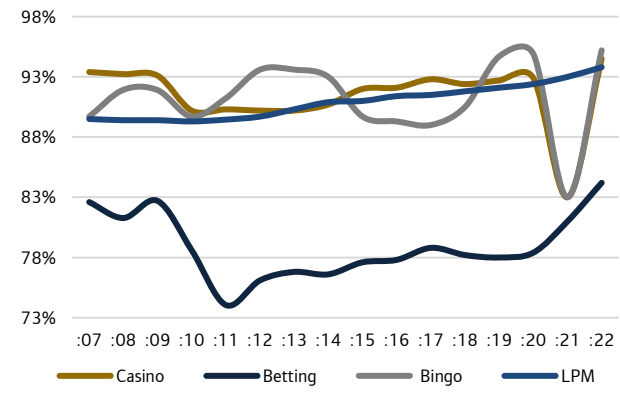


Source: National Gambling Board

Return to player and house edge: In the long run the house always wins

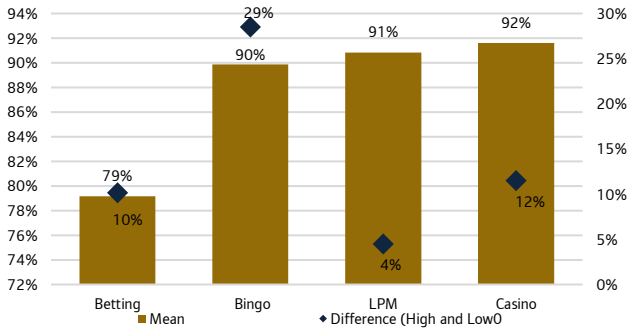
- Casino games have highest RTP (92%), followed by LPM (91%) and Bingo (90%). Betting has the lowest RTP (79%) over the last 17 years on average. The current RTP for betting is c. 93%.
- Bingo has the most volatile RTP with a spread of almost 30% due to its nature as a game of chance.
- LPMs have the most stable RTP because their offerings are similar across the sector. Therefore, altering the hold on the machines varies the experience in terms of game time on the same product offering. Hence, LPMs do not temper with the hold %.
- Betting RTP has increased since 2010 due to competition in the online betting industry.

Figure 36: Return to Player – form of gambling



Source: National Gambling Board

Figure 37: 17-year average and spread on Return to Player – forms of gambling. Casino has the highest Return to Player while Bingo is the most volatile



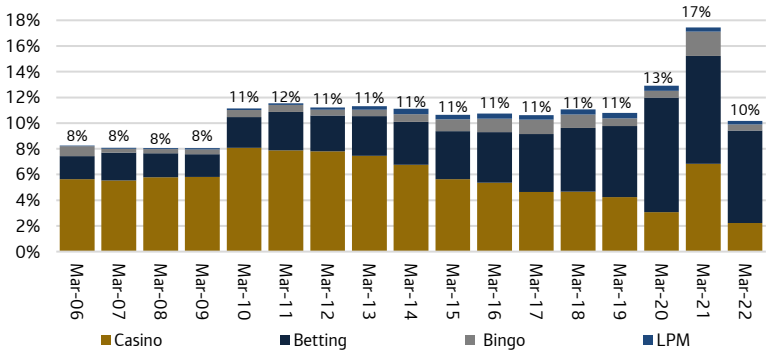
Source: National Gambling Board

During the pandemic, the gambling sector had a 17-year weighted average of 11%, implying that for every R100 wagered, the gambling firm gained R11.

During the pandemic, the weighted house edge in the gambling sector was c. 17%, the highest on record. We believe this is due to the following:

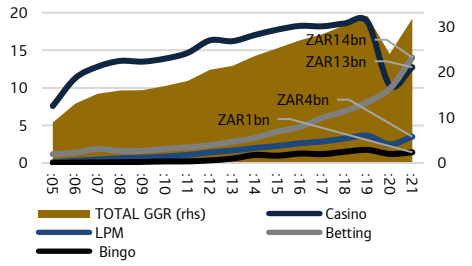
- **Online betting demand:** In our view, the closure or reduction of physical casinos during the pandemic led to an increase in online gambling, which historically has had a higher house edge than brick-and-mortar casinos. This shift in gambling traffic towards online betting could have resulted in an overall increase in the house edge for the sector, accounting for c. 50% of the sector's 'house edge'. See figure 38.
- **Impulsive and risky behaviour:** The pandemic may have created uncertainty and economic hardship, leading to increased levels of stress and anxiety. This could have resulted in impulsive or risky behaviour among players, such as gambling more frequently, which could have increased the house edge.

Figure 38: Weighted average house edge by form of gambling
Betting contributing the highest house edge in the sector



Source: National Gambling Board

Figure 39: Total gross gaming revenue (ZARbn)
Total GGR back to pre-pandemic level, betting keeps momentum

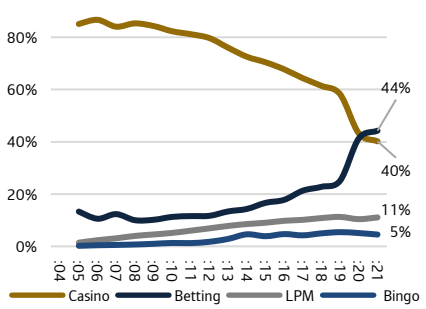


Source: National Gambling Board

Gross gaming revenue

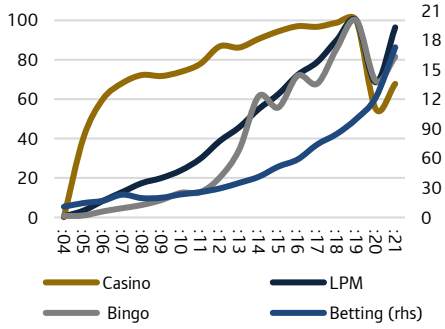
The South African gambling industry's total gross gaming revenue (GGR) surpassed ZAR30bn. Although the casino sector has historically been the primary contributor, accounting for c. 40% of GGR, the betting industry has recently overtaken it, representing c. 44% of GGR, becoming the main driver of GGR in the country. This shift can be attributed to the increasing popularity of online sports betting and the rise of mobile applications facilitating the ability to place bets conveniently. In contrast, the casino industry has been impacted by the pandemic and faces various regulatory challenges. However, both forms of gambling continue to contribute significantly to the sector.

Figure 40: GGR Mix – Forms of Gambling. Betting replaced casino as the main contributor in 2021



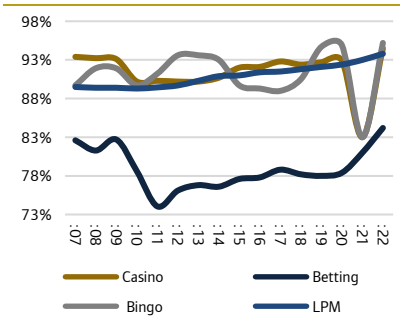
Source: National Gambling Board

Figure 41: GGR (2019 = 100). Betting unshaken and over 70% above pre-pandemic levels



Source: National Gambling Board

Figure 42: Return to Player (%). RTP for LPM and casino is stable while Bingo and betting fluctuate



Source: National Gambling Board

Figure 43: Seven companies and 37 casinos

Peers	Casinos	Provinces
Tsogo Sun	14	Seven
Sun International	11	Eight
Peermont Resorts	8	
London Clubs	1	
Northern Cape Resorts	1	
Billion Group	1	
African Pioneer Gaming	1	

Source: National Gambling Board

Figure 45: Inside of a slot machine

Source: Time Square

Figure 46: Yellow tag – seal to ensure the hold is protected and only changed upon approval.

Source: Time Square

Casinos

Figure 44: Key sector specific learnings from our site visits at Time Square and Sun City

Items	Description
Player motives	A form of entertainment through chasing the thrill of winning the jackpot. Secondly, escapism.
Casino-style games	1) Slot machines 2) Table games – roulette, blackjack and Bingo.
	Revenue mix: 70% to 80% from slots and 20% to 30% from table games. This is largely because slots are easier to play and understand.
Floor engineering	**Retail strategy applied** - placing cheaper products at the back.
	The floor is divided into components usually based on the offering of the game.
Slot machines	**Altering hold %**: Each machine is sealed (see yellow tag in figure 45) by the provincial gambling board. To break the seal and alter the hold, they apply to the board for approval and the entire process can take up to six weeks.
	All machines are made overseas, mostly in Europe.
	Every game comes pre-configured with different variations of hold %. There could be eight variations.
	Regulation: Maximum hold allowed is 12%.
	All machines are tested and approved by the South African Bureau of Standards (SABS) before being deployed to their respective casinos.
Regulatory requirements	**Conditions of Licence:** Conditions could include employing a specific number of people, sourcing from BBBE suppliers, giving bursaries to previously disadvantaged students.
	Smoking Regulation: 75% of the casino floor should be a non-smoking area and 25% smoking area.
	FICA: Every transaction over 25k is flagged. Over 5k is noted. All these transactions are sent to Financial Intelligence Centre (FIC) every Monday morning.

Source: Company reports

Figure 47: Slots machine

Source: Time Square

Figure 48: Table Game - Poker

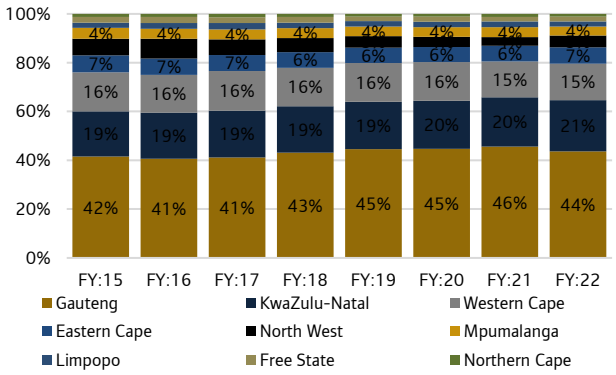
Source: Time Square

Figure 49: Table Game - Roulette

Source: Time Square

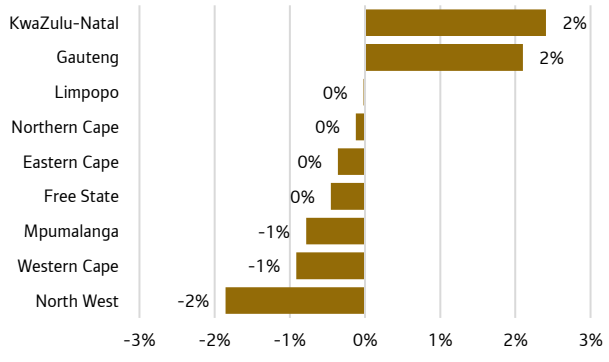
The largest contributor to industry GGR is Gauteng (45%), followed by KZN (21%) and the Western Cape (15%). Over the past eight years, only KZN and Gauteng expanded in terms of GGR contribution while the rest of the provinces declined.

Figure 50: Gross gaming revenue contribution by province
Gauteng remains main contributor to GGR



Source: National Gambling Board, SBG Securities analysis

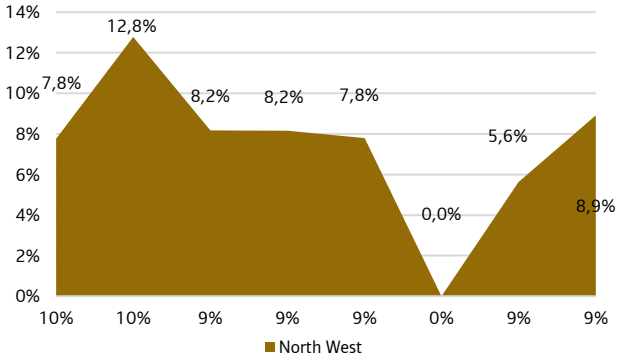
Figure 51: Gross gaming revenue contribution by province – 8yr. movement. Only KZN and Gauteng increased market share while all provinces declined



Source: National Gambling Board, SBG Securities analysis

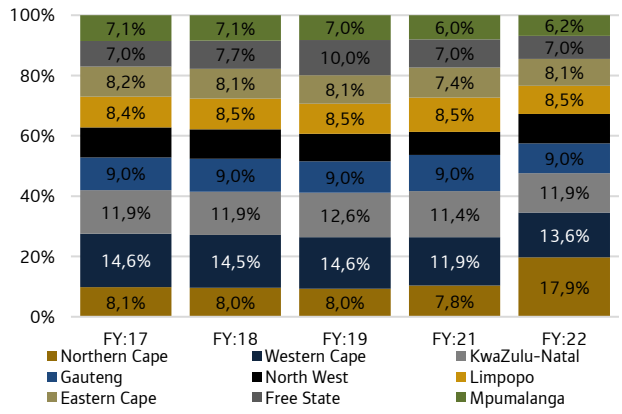
- Casino taxes/levies are slightly below pre-pandemic levels. Only Eastern Cape, Limpopo, Gauteng and Northern Cape are back to pre-pandemic levels, while the rest are below.
- Historically, Western Cape has recorded the highest taxes/levies as a percentage of GGR.
- Taxes/levies in Gauteng have remained unchanged for a while, but there is a possibility of an increase in 2023, which may affect the profit margins of casino operations.

Figure 52: Casino taxes/levies, % of GGR
Casino taxes/levies slightly below pre-pandemic levels



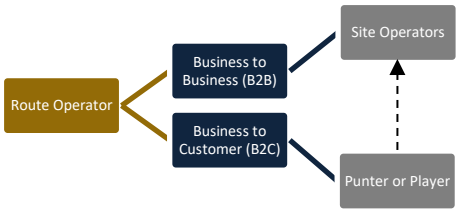
Source: Company reports, SBG Securities analysis

Figure 53: Casino taxes/levies contribution by province



Source: Company reports, SBG Securities analysis

Figure 54: LPMs business model



Source: SBG Securities analysis

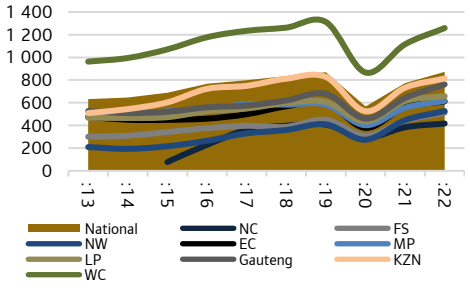
Figure 55: Route operator licences by type

Route operator licence types	LPMs per site	Contracts (GGR Share Model)
Type A	Up to Five	**60:40 split.** 40 % is the minimum that can be given to site operators.
Type B	Up to 40	**50:50 split.** 50% is the minimum that can be given to site operators.
Type C	More than 40	It could vary depending on the provincial gambling board.
ISO's	Depends on the type of licence issued or applied for (A to C)	100% income participation.

Source: Company information, SBG Securities analysis

Figure 56: Average GGR/LPM/day

WC is the most profitable with a GGR/LPM/Day 1.4x above sector average



Source: National Gambling Board, SBG Securities analysis

Limited pay-out machines

Limited pay-out machines (LPM) are a restricted form of gambling in South Africa with limited betting (ZAR5) and prize amounts (ZAR500). These machines are not allowed to operate in casinos due to the National Gambling Act, which defines casinos as venues holding a casino licence and offering games such as roulette and poker. In our view, this is the most regulated form of gambling in South Africa.

In South Africa, there has been a debate surrounding customers switching from casinos to LPMs. However, it's currently believed that the LPM business caters to a specific target market within close proximity to workplaces. The only time there may be an overlap is when a punter at LPMs wins enough money to visit a casino, but they generally return to LPMs after losing.

The industry players can be categorised into two groups:

- **Route operators:** Manage LPMs in a particular geographic area "route". They obtain licences, lease or own the machines, and handle installation, maintenance and repairs. They help expand LPM access to restaurants, bars and convenience stores, creating an additional revenue stream for site operators.
- **Site operators:** Host LPMs in locations such as restaurants, bars and convenience stores. They offer a convenient location for customers and benefit from a revenue-sharing model, receiving a percentage of the gross gaming revenue.

The LPM business has a four-tier licensing system:

- **Tier 1 – Route Operate Licence**: There are various types of ROL (A to C and Independent site operators (ISOs), see Figure 55) that can be issued by each provincial gambling board.
- **Tier 2 – Site Operator Licence**: Machines cannot be stored or housed at the premises that do not have a licence and have been vetted by the regulator. The vetting process includes tax clearance, criminal record, business licence approval and suitability of the individuals.
- **Tier 3 – Machine (LPM) Licence**: Each machined deployed at the site operator's premises must be licensed.
- **Tier 4 – Key Personnel Licence**: This is for staff (either at the site or offices of the route operator) that is involved in any aspect of the gambling process.

LPM industry overview

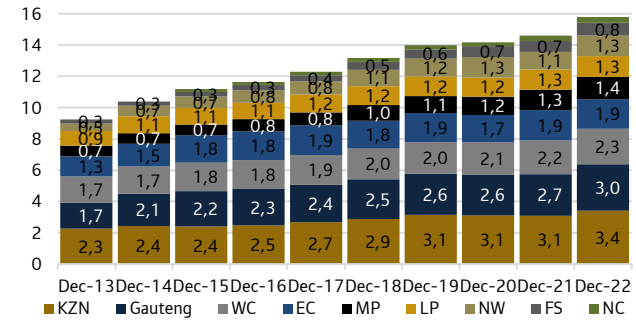
In South Africa, there is a maximum allowance of 50k LPMs but only 25k have been licensed, indicating that 50% of the allowance is still unallocated. The number of active LPMs sees Kwa-Zulu Natal leading with 3.4k followed by Gauteng with 3k and Western Cape with 2.3k.

Western Cape is the most profitable jurisdiction for LPMs. The average GGR/LPM/day in the Western Cape is c. ZAR1.3k, which is 1.4x higher than the sector average. This implies players in the Western Cape are spending more per session compared to other provinces. KZN (ZAR814) has the second-highest value spend per day and Gauteng the third (ZAR762).

Western Cape, KZN, and Gauteng lead in gross gaming revenue (GGR), accounting for more than two-thirds of the GGR. However, in the past eight years, the Western Cape's contribution has declined by 600 bps. We believe this may be due to smaller players relocating to other provinces to expand their businesses and increase their market presence. Since LPM product offerings are generally the same across the industry, it can be challenging for smaller players to compete, especially in the Western Cape where larger players dominate.

Figure 57: Active LPMs by province

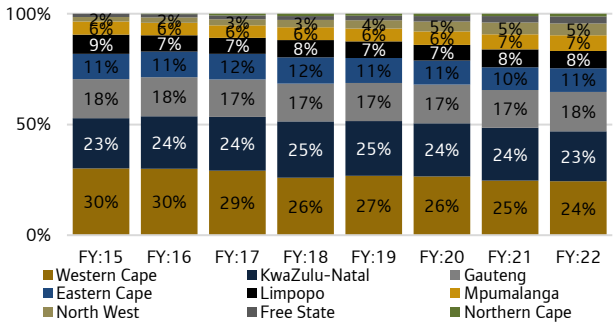
Sector currently has over 15k active LPMs



Source: National Gambling Board, SBG Securities analysis

Figure 58: LPM - gross gaming revenue contribution by province

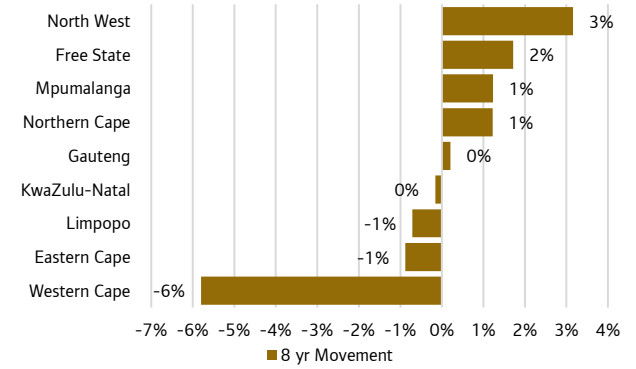
WC, KZN, Gauteng account for more than two-thirds of GGR



Source: National Gambling Board, SBG Securities analysis

Figure 59: LPM - GGR Contribution by province – 8yr. movement

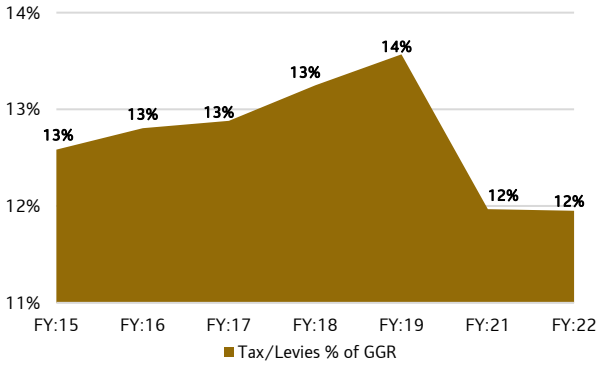
WC contribution declined as other players shifted focus to smaller provinces



Source: National Gambling Board, SBG Securities analysis

Figure 60: LPM tax/levies as % of GGR

Tax/levies still below pre-pandemic levels



Source: National Gambling Board, SBG Securities analysis

Internet penetration, smart TVs and mobile payments are supporting growth in online betting.

LPM taxes/levies are below pre-pandemic levels, mainly attributable to KZN (230 bps below 2019) and Eastern Cape (390 bps below 2019). The remaining provinces were unchanged. As LPM GGR continues to recover in 2023, we expect an increase in taxes/levies, especially in KZN and the Western Cape.

Racing and betting

The horse racing and sports betting industry has seen steady growth, c. 20% average increase in GGR over the past two decades, largely driven by bookmakers' sports betting accounting for 85% of total betting GGR. We believe sports betting is benefitting from the rise in online betting platforms which are leveraging the emergence of smart TVs, adoption of mobile payments and a growing digital population (41.19 million active users, c. 70% of the SA population).

Old Mutual Savings and Investments Monitor 2022 report reveals that online gambling activity increased, mostly led by the high cost of living due to increases in the repo and inflation rates. The key conclusions from the report, though well debated, are:

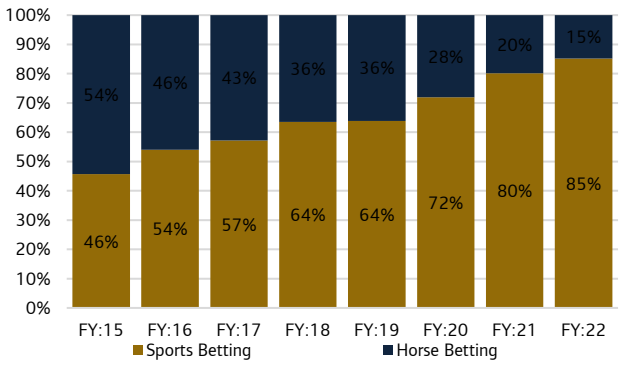
- **44%** of working South Africans are gambling online regularly (c. two to three times a week).
- **76%** of 18 to 29 years olds have gambled online.
- **28%** of Gen Z borrow money to gamble.
- **37%** revealed that they gamble online to try and make ends meet, a behaviour which is more prevalent in lower-income brackets.

Betting taxes/levies are lowest (as % GGR) in the sector to allow the industry to grow.

Despite the exponential growth in betting GGR (8x larger than 2015), the regulator has kept taxes/levies stable and the lowest in the sector. In our view, this has been done to allow the industry to grow without adding cost pressures and support future growth of the industry. The industry can be characterised by high growth requiring significant investment in marketing and systems. **Therefore, we do not anticipate significant changes in taxes/levies in the medium term.**

Figure 61: Betting GGR contribution by type

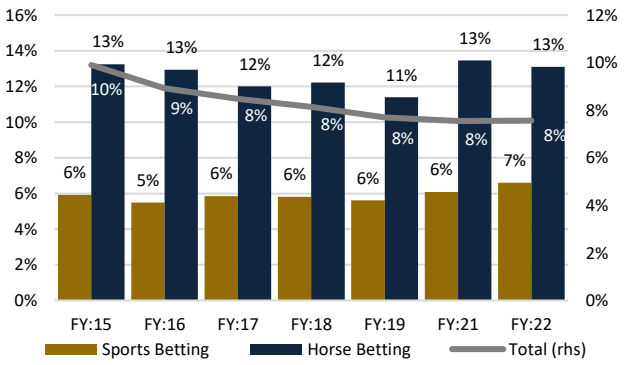
Sports betting gaining popularity



Source: National Gambling Board, SBG Securities analysis

Figure 62: Betting taxes/levies % of GRR by type

Betting taxes/levies are stable and lowest in the sector



Source: National Gambling Board, SBG Securities analysis

In our view, the barriers to entry are low compared to other forms of gambling though scaling up requires significant investment. The key items required to operate a betting company in South Africa are:

1. Software licence
2. Gambling licence
3. Key Personnel licences

Low barriers to entry but scaling a brand requires enormous investments in a highly fragmented market.

All these items can be acquired with relative ease though scaling a brand in a highly competitive industry is the main challenge. Therefore, we expect the South African industry to have numerous betting sites but with only a few notable sites. **There are currently >50 legal online betting sites in South Africa.**

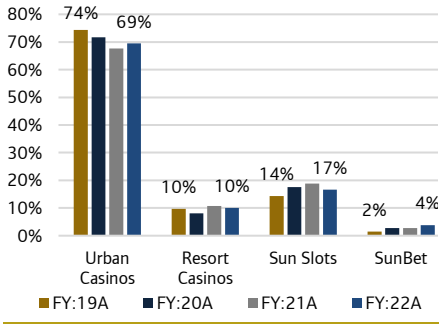
SUI gaming operations

Sun International's gaming operations are spread across eight out of nine provinces of South Africa. The group has 18 gaming licences (PY:19), 11 land-based casino licences, 6 Sun Slots route operators and One Sun Bet bookmaker licence. In Nigeria, there is only one land-based casino licence; however, Sun International is in the process of disposing of its exposure in Nigeria.

Urban Casino properties

Sun International casinos are spread across eight out of the nine provinces in South Africa. In Gauteng and KZN it has market share of 28% and 39% respectively and >50% in the other six provinces. The highest market share is in the Northern Cape (77%), Western Cape (78%) and Eastern Cape (80%). Nine of the eleven casinos are situated in urban locations and two are in resort areas. GrandWest, Time Square, Sibaya and Carnival City are the primary generators of revenue and EBITDA for the Urban Casino segment, Combined, these four casinos accounted for 82% and 74% of revenue and EBITDA respectively.

Figure 63: Revenue mix by operation (FY'19 – 22). Gaming operations, 80% of SA total revenue



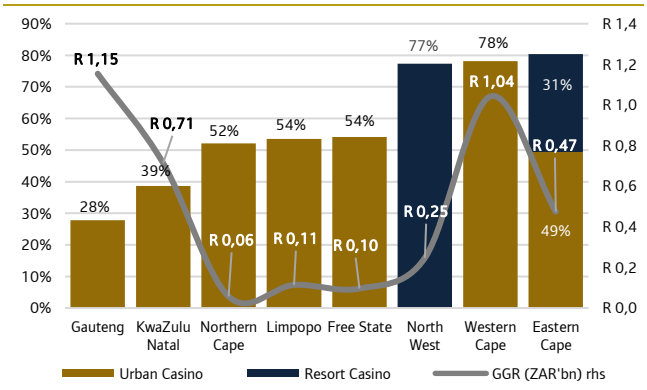
Source: SBG Securities analysis, company financials

Figure 64: Casino operations by province and location

	Casinos	Province	Urban/Resort
1	GrandWest	Western Cape	Urban
2	Time Square	Gauteng	Urban
3	Sibaya	KwaZulu-Natal	Urban
4	Carnival City	Gauteng	Urban
5	Boardwalk	Eastern Cape	Urban
6	Meropa	Limpopo	Urban
7	Windmill	Free State	Urban
8	Flamingo	Northern Cape	Urban
9	Golden Valley	Western Cape	Urban
10	Sun City	North West	Resort
11	Wild Coast	Eastern Cape	Resort

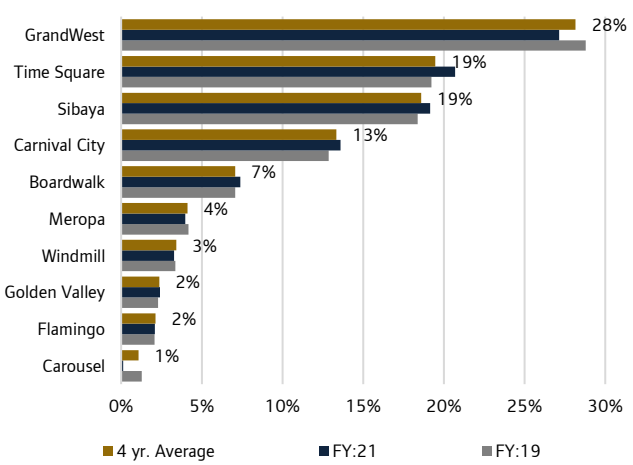
Source: Company reports, SBG Securities analysis

Figure 65: Casino operations market share and GGR by province
Decent share in Gauteng; More than 50% in six provinces



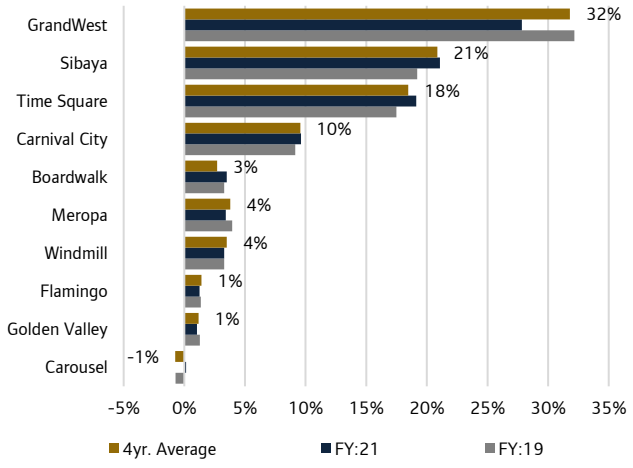
Source: Company reports, SBG Securities analysis

Figure 66: Urban casino operations revenue contribution
GrandWest, Time Square, Sibaya and Carnival City, c. 80% of revenue



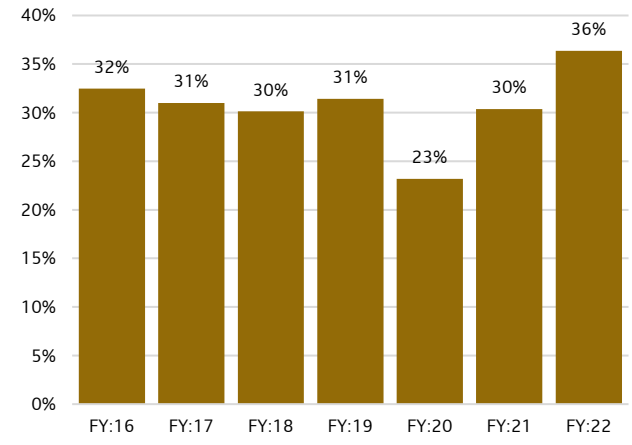
Source: Company reports, SBG Securities analysis

Figure 67: Urban casino operations EBITDA contributionGrandWest, Time Square, Sibaya and Carnival City, c. 80% of EBITDA



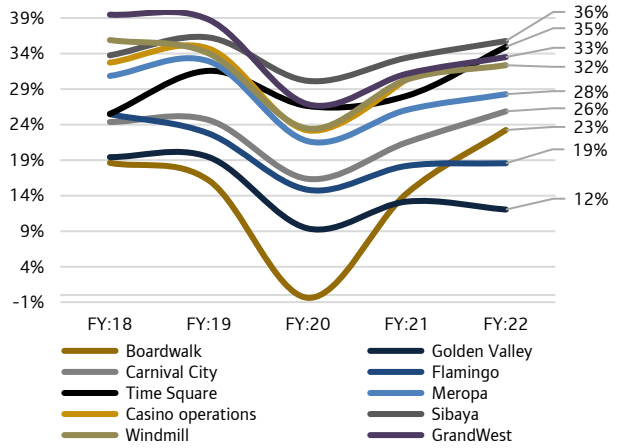
Source: Company reports, SBG Securities analysis

Figure 68: Urban Casino Adj. EBITDA Margin



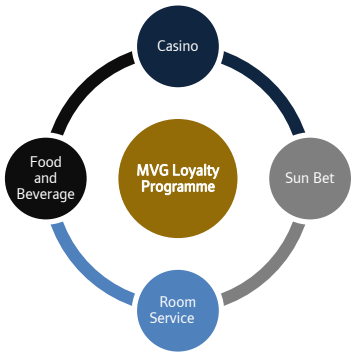
Source: Company reports, SBG Securities analysis

Figure 69: Urban Casino operations, Adj. EBITDA margin



Source: Company reports, SBG Securities analysis

Figure 70: Most Valued Guest (MVG) Loyalty Programme



Source: Company Information and SBG Securities analysis

We believe that while other services such as food and beverages, arena events, conferences, and room services generate approximately 10% of revenue for Urban Casinos, their primary function is to advertise the casino, attract traffic, and retain customers.

Customer Relationship Management and MVG loyalty programme

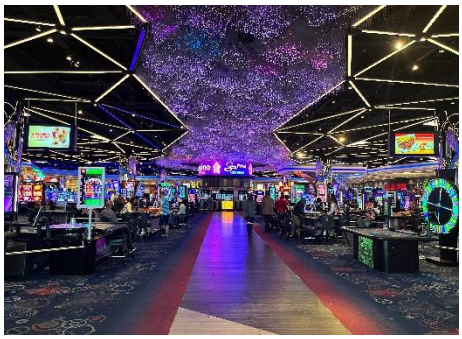
Sun International's Customer Relationship Management and MVG loyalty programme have been instrumental in providing the company with valuable insights into customer behaviour, enabling the casino operator to tailor its offerings and provide customised rewards to its patrons. This has helped Sun International to drive repeat business, increase customer loyalty and generate incremental spend from its customer base. See Figure 70 for more details.

Figure 71: Customer Relationship Management and MVG loyalty programme

Items	Description
Total customer base	• c. 500k. Generate 95% of casino revenue.
Marketing	• Focused on the existing loyal customer base.
New sign ups	• 3% to 5% of the total customer base per year
Customer trends post the pandemic	• Top-end customers: Fewer visits but spending more per visit. • Mid-income customers: better balance between visits and spending.
Retention strategy through CRM	• **Value-add offering:** Sun International uses CRM and MVG platforms to offer personalised rewards and vouchers such as drinks, dinner, or room nights based on the worth of the customer. • **Increase volumes and spend of wallet:** This is meant to give customers reasons to visit the casino more often to gain more incremental spend on each customer. It's all about increasing volumes to ensure the pre-set or theoretical hold % 'house edge' is reached.

Source: Company reports, SBG Securities analysis

Figure 72: Time Square – entrance to Main Floor



Source: Time Square

Figure 74: Time Square- Gaming Lab

Source: Time Square

Figure 75: Tine Square –smoking area

Source: Time Square

Figure 73: Urban Casinos – key learnings from our site visit Time Square

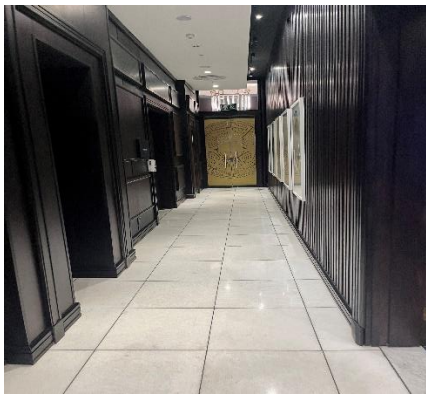
Items	Description
Customer profile	Valuable customer starts between 35 and 40 years as disposable income starts to stabilise. Typical and Most profitable: above 50 years.
Active customer base	20k customers per month. High LSM 2k to 3k, i.e., 10% to 15% of active customer base.
Total customer base	500k ~ c. 98% are signed up on MVG loyalty programme (Most Valued Guest).
Target market	Mid to high LSM.
Customer trends post the pandemic	Higher LSM customers increased, offsetting the decline in lower LSM customers. Higher LSM now contributing more than pre-pandemic.
Revenue generation	20% of active customers generate 80% of total revenue.
Classifications	**Guest classifications:** Silver, Diamond, Platinum and Diamond (based on worth;) **Sun Main Floor:** All players, i.e., Silver guests. **Sun Privé:** Platinum and Diamond only. **Sun Private Rooms:** Mostly Diamond, strictly by invitation.
Risk management	**First line** of defence: Internal Surveillance **Second line** of defence: Internal Audit **Third line** of defence: Gaming Board Audit **Last line** of defence: External Auditors
Time Square milestone	Five-year-old casino but with 17% market share.

Source: Company reports

Figure 76: Time Square – Sun Privé entrance

Source: Time Square

Figure 77: Time Square – Private Rooms Alley



Source: Time Square

Figure 78: Time Square – inside Private Rooms

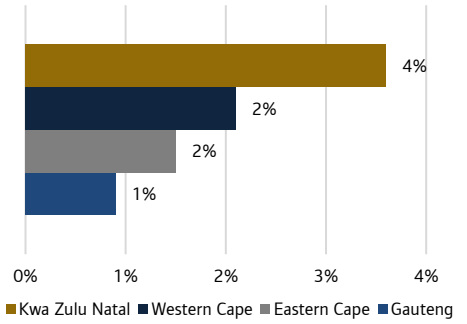
Source: Time Square

Figure 79: Casino key takeaways from our meetings with executives

Items	Description
Performance	• **Recovery from the pandemic:** Casinos have recovered but are c. 5% below 2019 levels. • **Recent trends** reflect weak momentum. Management believes this is due to other forms of gambling, especially online, increasing in popularity during and post the pandemic.
Load-shedding	• **Impact:** Demand has not been impacted much as generators provide back-up power. ZAR67m was spent on diesel in FY22. • **Mitigation:** Currently evaluating options to have a three-way blended power solution, which includes wheeling, solar and grid power. Feasibility study on solar power shows c. 20% return on capex spend. • **Cost of electricity:** Diesel generators R4/Kw/hour (c. 2.5 times more expensive than grid power at R1.5/Kw/hour). Solar is indicated to be the most affordable solution at c. 90 cents/Kw/hour.
Footfall drivers	• **At the top-end:** Endeavour to gain customers from competitors through hosting events and tournaments. Hence, a focus has been on refurbishing Sun Privé c. 20% of customers generate c. 80% of the casino revenue. • **Mass market:** 1) Focus is placed on enhancing MVG programme benefits and 2) CRM marketing strategies – online marketing and CRM receiving attention to drive mass market.
Focus areas	• Customer acquisition and retention, customer experience and margin improvement
Inflation and pricing	• Historically, we understand that betting sizes are not raised on tables nor are hold % of slot machines altered. Generally, patrons spend more as they view their nominal spend as insufficient due to inflationary pressures.
Smoking ban legislation	• **When:** Expectation for it to be passed in the medium term. • **Impact on revenue:** When the bill is passed, management expects revenue to decline by c. 10% to 20% and recover within two years. This conclusion has been guided by research and empirical evidence from other countries (see Appendix B). Moreover, management expects online gaming to offset some of the decline.
Regulatory adjustment on licences	• Tsogo Sun is now eligible to apply for relocation but management believes its likely relocation spot (Helderberg in Strand) is the least impactful location for them. It believes revenue and market share will decline but it will not be significant.
Exiting operations	• **LATAM:** Trading environment was challenging due to onerous requirements, social unrest, high taxes and government involvement. Management believes the exit was appropriately timed at the right price and is looking forward to receiving the earn outs (contingent consideration, R173m in 2024 and R520m in 2025+).
Outlook	• Management expects a tough year as lower real disposable income weighs on discretionary spending. Therefore, key focus will be on managing costs, maintaining margins and gaining market share, especially at the top-end of the market.

Source: Company reports

Figure 80: Casinos market share gains – FY22



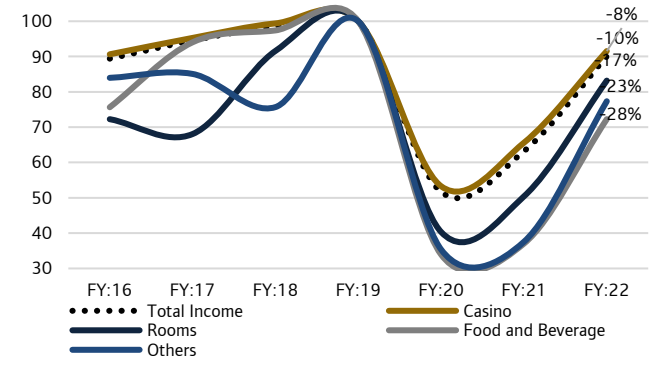
Source: Company Information and SBG Securities analysis

FY22 Performance: Strong recovery and record margins

Urban Casinos reflected a strong performance in FY22, supported by market share maintenance in key provinces (Gauteng, Eastern Cape, KwaZulu-Natal, and Western Cape), despite the waning popularity of land-based casinos. The company's efforts to attract and retain high-end customers through hosting events at its properties, refurbishing Sun Privé's to improve customer experience, and leveraging the MVG loyalty programme were instrumental in retaining market share. Although revenue recovery was robust across all divisions, it remained below pre-pandemic levels, with casinos being the top performer, only marginally below 2019 levels.

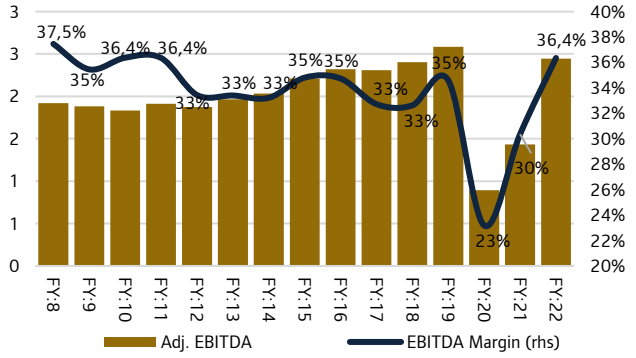
Notably, Urban Casinos delivered the highest EBITDA margins (36.4%) post IFRS 16, primarily due to sustainable cost-saving measures that involved reducing excess slot machines (12%) and tables (19%) on the casino floor. These measures facilitated savings in licence fees, operational costs and future replacement capital expenditure. Overall, Urban Casinos' positive performance and cost-saving measures demonstrate the company's commitment to achieving long-term sustained profitability.

Figure 81: Urban Casinos total income by operations
Recovered but still below pre-pandemic levels



Source: Company reports, SBG Securities analysis

Figure 82: Urban Casinos EBITDA (ZARbn) and EBITDA margins (%)
Record margins post IFRS 16 despite revenues still below 2019

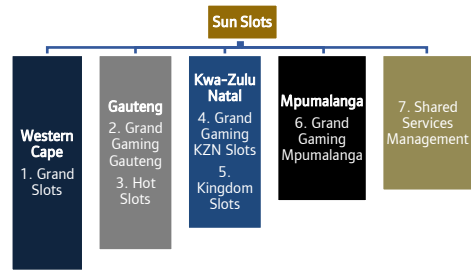


Source: Company reports, SBG Securities analysis

Alternative Gaming

1. Sun Slots

Figure 83: Sun Slots Organogram



Source: Company Information and SBG Securities analysis

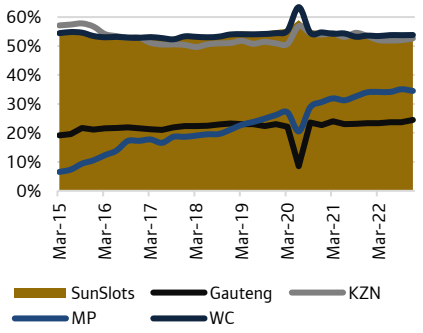
Sun Slots has seven subsidiaries, consisting of six licensed route operators and a services management entity. The latter simply provides support to the six entities. The six route operators collectively have over 5,000 limited pay-out machines (LPMs), which are housed in over 1,000 sites across the country. Overall, Sun Slots has a capacity of 6,500 and is expecting to reach full capacity by 2026.

Regulation legislates all the revenue sharing models entered into between Sun Slots and site operators. The most common revenue share for Sun Slots is 60 – 40. However, on a type A licence the group also offers 50 – 50 revenue share to site owners considered to be 'key accounts'. A key account is defined as site owners with more than five sites that generate acceptable levels of revenue.

Substantial market share in profitable provinces

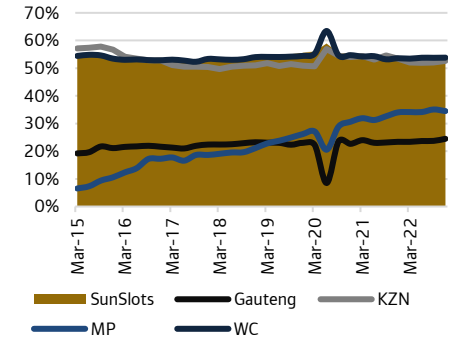
Sun Slots enjoys a significant market share in each of the four jurisdictions it operates in, based on total wagered amount, gross gaming revenue and active LPMs. The division has the highest market share in the Western Cape and KZN, which are the two most profitable provinces in the LPM industry.

Figure 84: Sun Slots Market Share – Total Revenue. Total market share of 54% in the areas it has a presence



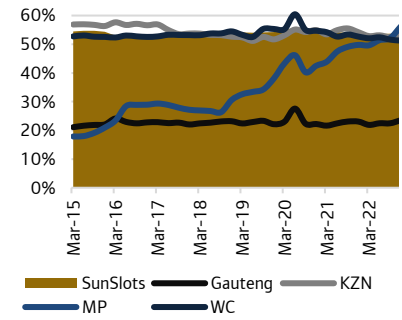
Source: National Gambling Board and SBG Securities analysis

Figure 85: Sun Slots market share – gross gaming Revenue. Total market share of 54% in the areas it has e a presence



Source: National Gambling Board and SBG Securities analysis

Figure 86: Sun Slots market share – LPM
Total market share of 52% in the areas it has a presence

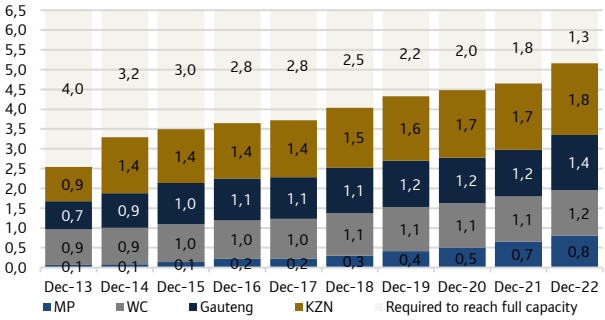


Source: National Gambling Board and SBG Securities analysis

Key performance metrics

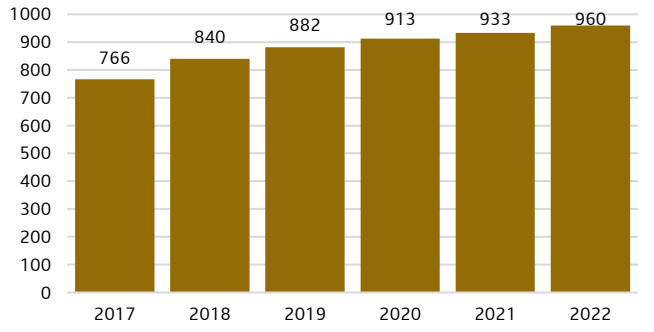
To evaluate Sun Slots' performance, we focus on 1) Active LPMs; 2) Number of sites; and 3) Average GGR/LPM per day.

Figure 87: Active LPMs by province (000)
Nearing full capacity



Source: Company reports and SBG Securities analysis

Figure 88: Number of sites increased by 25% since 2017 and supported LPMs footprint expansion



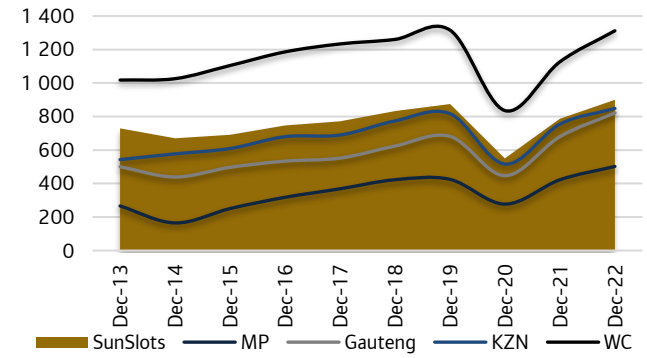
Source: Company reports and SBG Securities analysis

Key factors include Type B licences in the Western Cape, unexhausted LPM allocations in KZN and Gauteng, Race-to-Finishing-Line approach in Mpumalanga, and regulators' ability to issue additional allocations.

Sun Slots' number of sites has increased by 31% since 2017, supporting the group's LPM rollout programme. This increase suggests that the group has gained market share, mainly due to its primary competitive advantage of superior service delivery. Sun Slots aims to deploy 1,300 LPMs to achieve full deployment of 6,500, supported by:

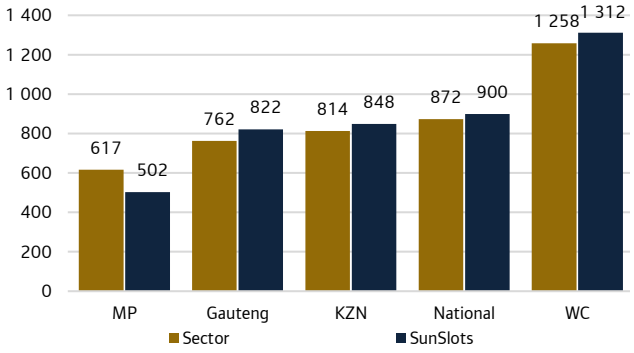
- **Issuance of type B licences in Western Cape:** Sun Slots is awaiting Western Cape type B licences to be legislated (allowing up to 40 LPMs per site), which management believes is imminent. As a result, Sun Slots management has held back capacity while waiting for the licences to be issued.
- **LPM allocations in KZN (30%) and Gauteng (10%) are not yet exhausted:** Sun Slots has two route operators in each of these provinces and has room to operate more LPMs as the combined number of active LPMs is currently 20% below the allocated portions.
- **An LPM race in Mpumalanga:** Legislation does not limit the number of LPMs per route operator but sets industry capacity at 1,870 LPMs. Sun Slots aims to roll out at least 1,000 LPMs, with 802 currently deployed. There are 1,428 active LPMs in Mpumalanga, indicating room for further expansion.
- **Regulators can issue additional LPM allocations at their discretion once the pool has been exhausted**, as demonstrated in the Western Cape, giving Sun Slots confidence that other provinces will follow suit.

Figure 89: Sun Slots, Avg. GGR per LPM/day by province
Western Cape is the most profitable province



Source: Company reports, SBG Securities analysis

Figure 90: Sun Slots, Avg. GGR per LPM/day versus sector
On avg. Sun Slots generates GGR above peers



Source: Company reports, SBG Securities analysis

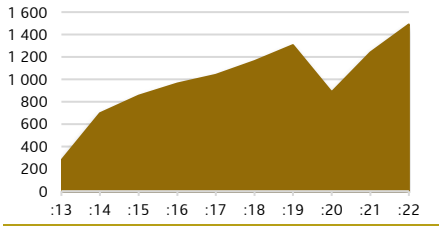
Sun Slots' LPM/site profitability is measured by average GGR per LPM per day, with set break-even and stretch targets.

Support staff are responsible for improving performance through increased footfall via marketing campaigns or adjusting the number of machines to optimise performance.

LPM/site profitability is measured by average GGR per LPM per day, with a set break-even target for each machine and site. In addition, there is a stretch target for each of the six businesses to have a higher GGR/LPM/day than the province. If the break-even target is not met, support staff (key employees at the site) are responsible for implementing a plan to improve performance through:

- **Increasing footfall to increase game play time on the machines**: Unlike a land-based casino, Sun Slots is limited in driving footfall into venues and machines as they do not have direct control of the primary businesses that house the machines. To attract customers, it must use marketing campaigns such as karaoke, happy hour, or competitions (pool or darts). These campaigns must appeal to the existing customer base of the site. Sun Slots can also encourage the site to run specials, but it doesn't cover the costs of these events, although it provides support.
- **Reducing number of machines and optimising performance:** If the first option does not work, it is then compelled to reduce the number of machines at the site to optimise performance of the machines that are performing.

Figure 91: Sun Slots gross gaming revenue (ZARm)

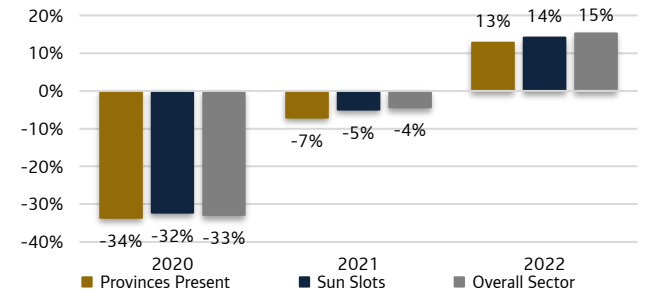


Source: SBG Securities analysis, company financials

Operational performance

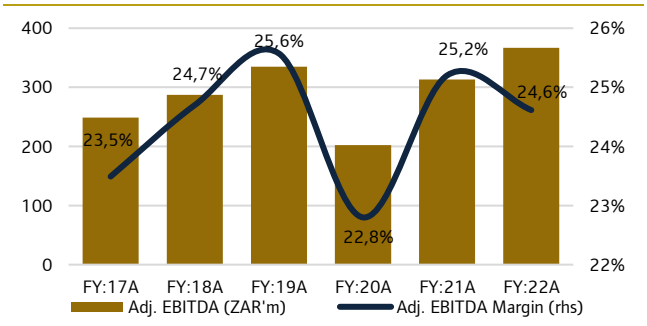
Sun Slots' 2022 GGR was 14% higher than in 2019, outperforming its competitors. This recovery can be attributed to several factors, including a better mix of sites that were less affected by the alcohol ban, fostering strong relationships with site owners during lockdown, improved service delivery, and providing support to site operators, all of which aided in maintaining customer loyalty, even in difficult times. Furthermore, Sun Slots' ability to adapt quickly to changing regulations and restrictions during the pandemic contributed to its fast recovery. It proactively implemented safety measures and complied with government guidelines, which instilled customer confidence.

Figure 92: Gross gaming revenue growth relative 2019. Sun Slots (+14%) well above 2019 levels and outperformed its direct competitors



Source: Company reports, SBG Securities analysis

Figure 93: Sun Slots, Adj. EBITDA (ZARm) and margin (%)
Swift margin recovery



Source: Company reports, SBG Securities analysis

Sun Slots' EBITDA margin has recovered to 25.2%, which is approximately 0.4% lower than the 2019 levels. This recovery can be attributed to the cost optimisation strategies implemented during the pandemic, such as repairing machines instead of buying new spares and renegotiating contracts. However, in 2022, management indicated that load-shedding had a severe impact on Sun Slots, particularly in the second half of the year. We believe that it had to provide additional support to site owners to keep their businesses running and attract customers.

We understand the segment achieves ROIC in excess of 35% for CAPEX deployed (cost of machines) considering minimal costs and revenue share agreements.

Figure 94: Sun Slots business overview

Items	Description and characteristics
Customer age profile	• More than 30 years (i.e., relatively similar to Casino but LSM category is different). • Primarily appeal is to an older crowd as younger age groups are found to be more discerning.
LSM	• Lower –weekly paid workers, taxi drivers, factory workers, etc. • Middle –teachers, government workers, senior artisans, etc.
Revenue share model	• Sun Slots primarily uses a 60-40 revenue share model, but it also offers a 50-50 split for 'key accounts' - site owners with more than five sites and acceptable revenue - under type A licences. Revenue share model for type B licences is regulated at a minimum 50-50 split.
Provincial exposure	• Sun Slots operates in four provinces: Western Cape, KZN, Gauteng and Mpumalanga, which are the more profitable regions. While it sees potential in other areas, it faces two limiting factors. **Firstly,** the high cost to acquire an existing licence makes it challenging to acquire operators. **Secondly**, if the group can't acquire, it has to wait for regulators to issue requests for proposal (RFPs) in new jurisdictions.
Product offering	• The product offering and experience are consistent throughout the entire network. As such, it does not typically adjust the hold percentage to avoid differences in the gaming experience for the same product. A higher hold percentage could result in less gaming time, while a lower hold percentage favours more gaming time.
Outside SA operations	• Management is testing its strategy in SADC with **minimal investment** by acquiring and repurposing ex-casino machines, as these markets allow casino machines across all gambling establishments. Currently, we understand the trial results do not justify investing in higher-quality machines yet. Nevertheless, management believes there is interest, albeit not as encouraging as in South Africa. • Initial plans included East Africa but were narrowed to SADC due to logistics in moving the machines.
Competitive edge	• Since the industry's offerings are almost identical, management prioritises service delivery; for example, rapid machine repairs to gain market share from competitors. It also provides value-added initiatives to support the growth of the LPM business and ensure the success of site owners. These initiatives include static loans and load-shedding partnerships.
Consumer types	• Site operators, i.e., business to business and player or punter i.e., business to customers.
Growth opportunities	• **Expanding LPM footprint in South Africa** • **Lobbying for Independent Site Operator (ISO) licence** – this allows 100% income participation as opposed to an income split with site owners. • **Africa expansion**

Source: Management comments

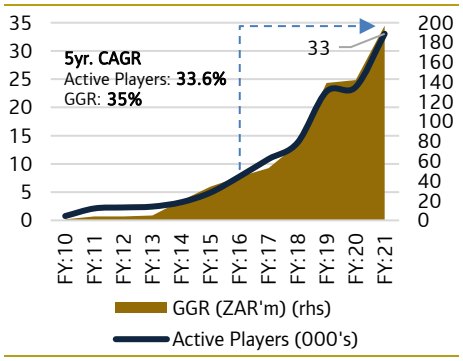
In contrast to a casino, LPMs rely on small denominations to sustain their business, yet they still generate transactions in the millions.

Sun International has tried three times to purchase an LPM operator in the Eastern Cape, but the price did not align with the 10-year licence, so it did not proceed.

Sun International's has a low-investment strategy for LPM expansion in SADC. It is conducting small-scale trials to test market potential before committing.

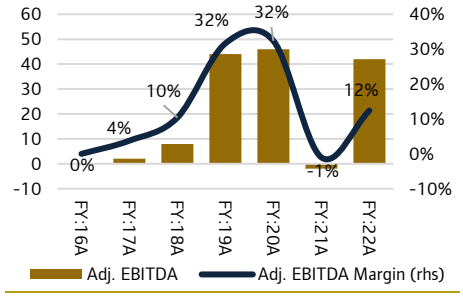
Standing out in a uniform Industry: prioritising Sun International prioritises service and support to drive LPM market share.

Figure 95: SunBet gross gaming revenue and active players. Acceleration of customer acquisition driving GGR



Source: SBG Securities analysis, company financials

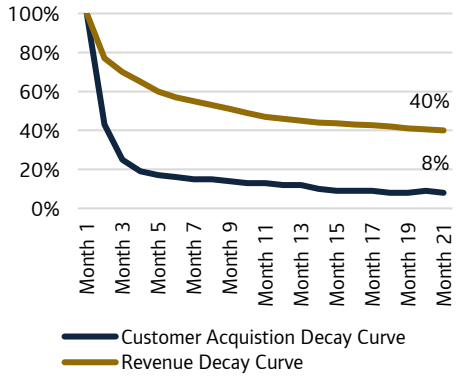
Figure 96: SunBet Adj. EBITDA and Margin
High marketing spending limiting margins



Source: SBG Securities analysis, company financials

SunBet's internal model shows higher retention of high-spending customers despite overall attrition.

Figure 97: Player attrition following month of sign-up. Retaining valuable customers in the long term



Source: SBG Securities analysis, company financials

2. SunBet

SunBet is Sun International's online gaming offering with a focus on online sports betting and a casino-style gaming platform aimed at providing a seamless experience to its customers. The SunBet platform primarily services South African customers; however, Sun International recently acquired a 70% stake in EaziBet group for USD3.2m (i.e., c. 4x smaller than SunBet GGR). EaziBet has licences in Zambia, Kenya and Ghana aligning with the group's strategy to launch expansion into other Africa markets. Management notes however, that it is still in the early stages of rolling out the SunBet operating model and brand in these markets.

Product offering in sight: As of January 2023, sports betting accounted for 30% of gross gaming revenue and 70% came from gaming platforms (50% from online slots and 20% from online casino tables). Online slots (launched in Aug 2022) and tables (launched in Aug 2021) are relatively new offerings but are already generating significant GGR. Management expects online slots to provide the most traction and resonate with consumers through ease of understanding compared to betting on sports and casino tables. However, management believes land-based casinos are likely to remain relevant as they offer a unique experience, i.e., a night out at the casino versus playing slots at home. In our view, SunBet is intentionally growing casino-style games which is akin to the group's heritage and customer base.

Customer profile and target market

Management is tailoring its offering to address mid- to high-end customers in line with the group's positioning. However, it acknowledges the opportunity within the lower income bracket. We understand the typical customer is aged 35 years and is mostly male, though the introduction of the slots offering has increased the proportion of women, as women tend to prefer slots to sports betting.

Management strategy: customer acquisition and value-add offering

- **Grow customer base:** As a growing division with encouraging potential, management intends to remain aggressive with its marketing campaigns to expand the customer base. On the other hand, EBITDA margins are limited considering the investment stage the division is in, though management does not intend for SunBet to be a loss-making division. We therefore expect to see meaningful improvement as the investment cycle unwinds. Daily active customer base ranges between 5,000 and 10,000 and management's target is open-ended (acquire as many customers as possible).
- **Offer value-add to customers:** Management aims to improve its customer relationship management (CRM) functionality to ensure value-add to the customer, ensuring the customer stays active over the long term and increasing playing frequency. Sun International's MVG loyalty programme has a wide customer base (c. 500k) with data on gambling behaviour, spending and propensity to play of each player. The intention is to use this data to drive its value-add offering and gain a competitive edge against competitors. SunBet customers signed up on the MVG loyalty programme could be offered casino play time and/or hotel stays.

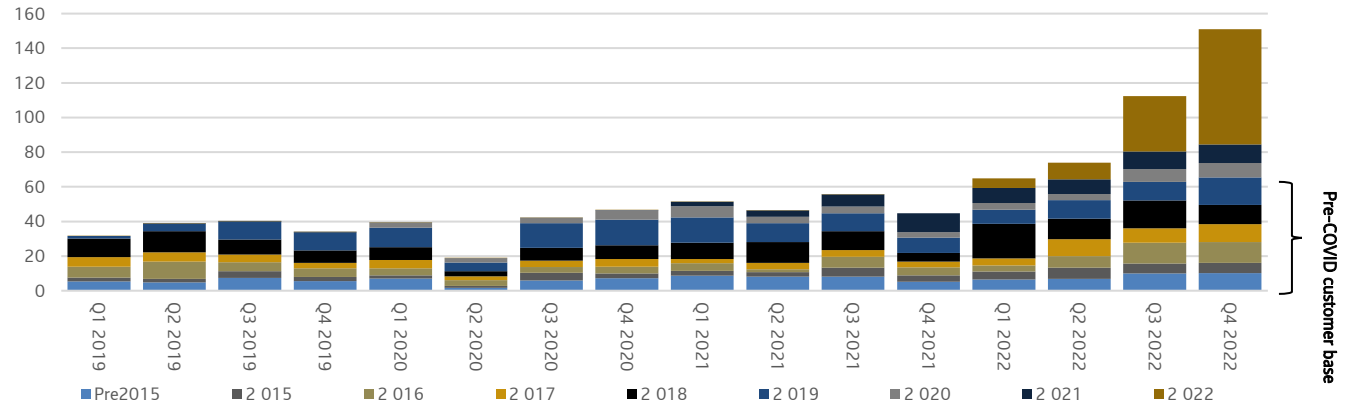
Player attrition and active customer base

- SunBet's internal player attrition model indicates that customer numbers are subject to decay following the month in which they are acquired. Of the customers acquired, 8% end up being long-term customers, which can be referred to as the conversion rate.
- However, revenues do not appear to fall at the same rate. Of the initial revenue, c. 40% is retained over the long term. This implies that SunBet is retaining customers that are big spenders with a higher propensity to gamble.
- Over Q4:22, c. 50% revenue was generated from customers acquired between 2015 and 2019. Figure 98 shows that SunBet is generating more revenue from customers that were acquired pre-pandemic, which suggests a valuable customer base of long-term customers.

- In 2022, SunBet intensified customer acquisition in line with its strategy to scale the business. As a result, 2022 cohorts accounted for c. 40% in Q422 revenue. Therefore, if we apply the results shown by its internal model on player attrition, we can conclude that SunBet will likely retain c. 40% of the revenue generated by 2022 cohorts in Q422 over the medium term. Thereby, continuing to build a base of valuable customers.

Figure 98: Quarterly revenue performance by year of sign-up

Building valuable base of long-term customers



Source: Company estimates

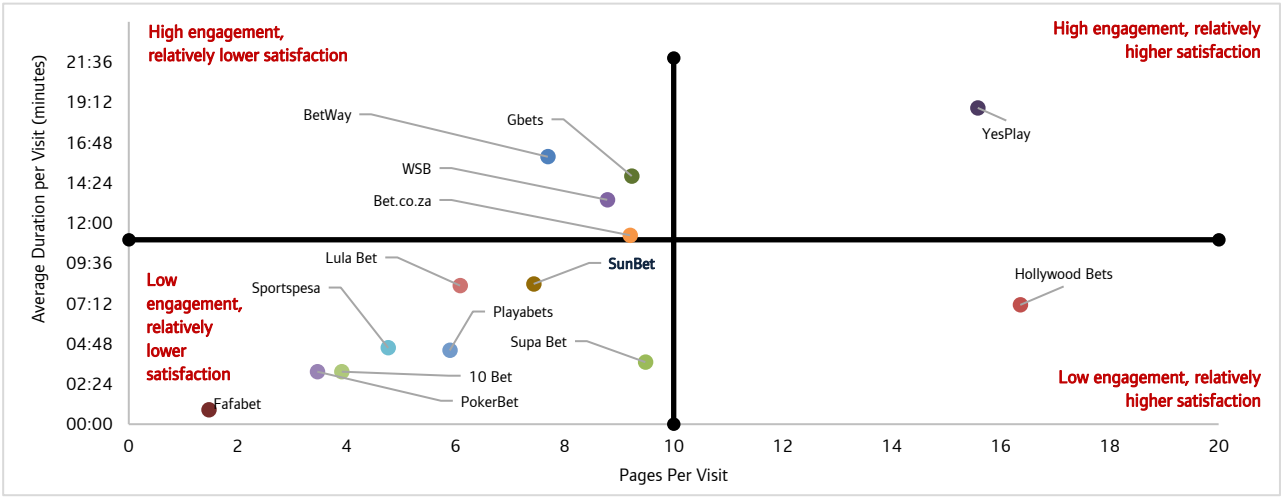
We believe the reason for low ratings on customer engagement and satisfaction on SunBet is mainly because it is a relatively new competitor in the betting space. Therefore, we expect to see an improvement as brand awareness is enhanced.

Online betting – peer analysis

- **Customer experience and engagement:** Figure 22 examines the degree of customer satisfaction and engagement for SA's top betting platforms. Engagement is measured through the time spent on the sites and satisfaction through the number of pages viewed per visit. The results show that 53% of sites have low engagement and lower satisfaction. SunBet is part of this group. The top site is YesPlay. We note most of the competitors' part of the analysis are over-indexed in sports betting relative to SunBet that is more indexed to casino type games.
- **Addressable market and product offering:** SunBet has a three-month average visit rate of almost 800k and is included among the top 10 sites with the highest monthly visits. We also find SunBet has diversified its offering to slots and casino-style games which is akin to the group's heritage and customer base.

Figure 99: Analysing customer experience (duration per visit and pages per visit).

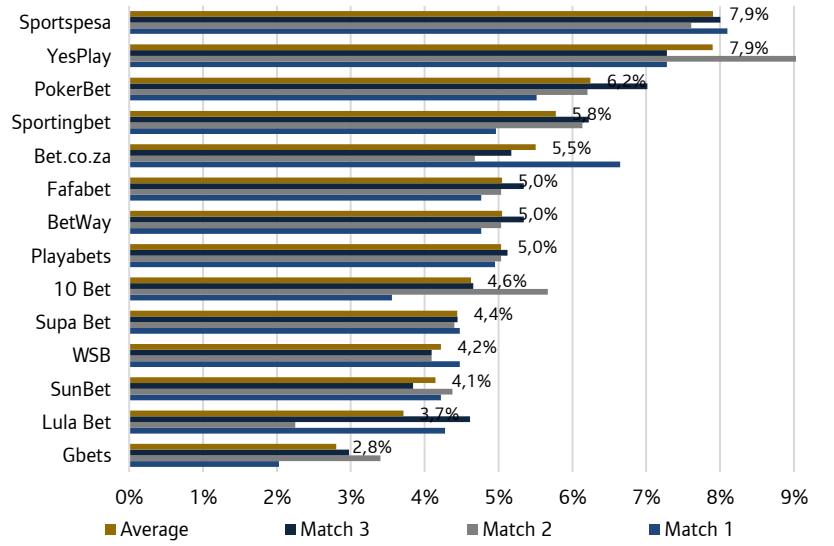
SunBet among sites with low engagement and relatively lower satisfaction



Source: SBG Securities analysis

- **Pricing:** SunBet has one of the most competitive pricing strategies, especially when considering the value-add offerings included in the MVG loyalty programme. We find that based on three high-profile UEFA Champions League matches, SunBet's margin averaged 4.1%. The bookmaker's margin is the percentage of the total amount of money bet on an event that the bookmaker expects to keep as profit, regardless of the outcome of the event. We highlight that these margins are mainly for sports betting, not for the entire gaming portfolio, including casino-style games.

Figure 100: Bookmarkers' margin on three high-profile UEFA matches
SunBet offers competitive pricing



Source: SBG Securities analysis

SUI gaming - segmental analysis

Urban casinos

Total income

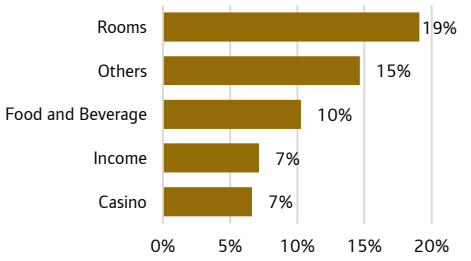
After a strong recovery in FY22, we expect momentum to continue though at slower pace and return to pre-pandemic levels in FY23E:

1. **Increasing frequency of visits and footfall**

- **Age of machines** across the group improved to 7 years from 8.5 years after purchasing new machines. This implies an updated offering likely attracting more customers.
- **Strong position at the top end:** We believe the group's focus on the top-end market could provide resilience as disposable income tends to be less impacted during economic downturns than in the mass market. Secondly, we expect Sun Privé's (premium offering) refurbishments to help attract more top-end customers and increase their frequency of visits.
- **Inflation and pricing:** To curb inflationary pressures, we expect the group to reduce the mix of machines with low denominations on the casino floor, especially on the main floor.
- **Load-shedding**: We expect demand to benefit from load-shedding as customers escape the negative impact on their home environment.

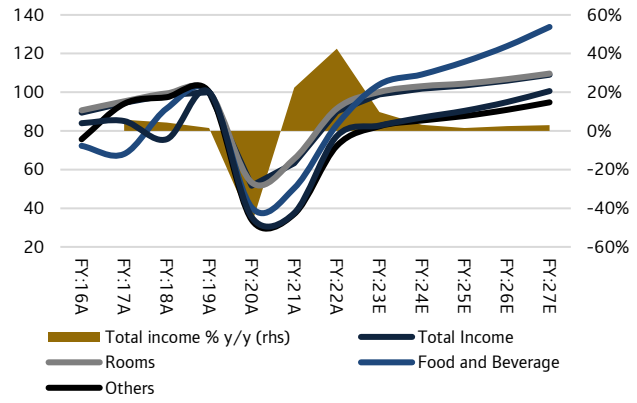
2. **Inflation and pricing:** To curb inflationary pressures, we expect SUI to reduce the mix of machines with low denominations on the casino floor, especially on the main floor.
3. **In addition,** we anticipate that our rooms and food and beverage divisions will return to pre-pandemic levels, benefiting from increased gaming activity at the casino, as well as strong demand for conferences and transient corporate travel from both locals and international travellers.

Figure 101: 3yr CAGR revenue (%)



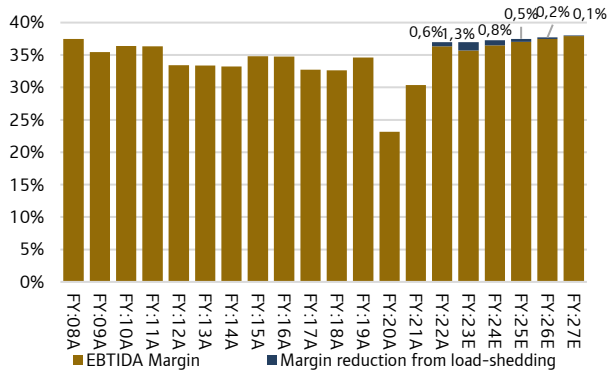
Source: SBG Securities Analysis

Figure 102: Urban Casinos total income (2019=100) by segments and total income (% y/y)



Source: Company reports, SBG Securities analysis and estimates

Figure 103: Urban Casinos EBITDA Margin (%) and load-shedding impact



Source: Company reports, SBG Securities analysis and estimates

EBITDA

Record margins post IFRS 16 were achieved in FY22 benefitting from cost efficiencies through the reduction on excess slots and tables. Going forward we expect these operational changes to support margins. Management is targeting EBITDA margins of 38% to 40% by FY26E. We believe the main risk to margin improvement is running diesel generators shedding off margin by c. 140bps, 80bps and 50bps in FY23E, 24E and 25E, respectively. Also considering slower growth in urban casinos prior to the pandemic due to other forms of gambling especially online gaming, we tend more toward the lower end of their guidance i.e., 38%.

Sun Slots

Gross gaming revenue

LPMs' gross gaming revenue is primarily driven by two factors, namely the number of active LPMs and the average GGR per LPM per day. Increasing revenue involves servicing the existing active LPM base and rolling out new LPMs.

1. Limited payout machines programme

Full capacity should be reached by 2025/26 but potentials delays in regulatory approvals and finding suitable sites could derail the trajectory to 2027.

Sun Slots has a 6,500 LPM capacity though c. 1.3k are yet to be deployed. Management aims to reach full capacity by 2025/2026, though factoring in potential delays in obtaining regulatory approvals leads to our 2027 expectation. Moreover, we anticipate challenges in finding suitable sites due to space limitations as they are required to be in specific areas to appeal to their target market, especially in high-traffic provinces such as the Western Cape, KZN and Gauteng.

Management is expecting to accelerate the roll-out programme in FY23E. We believe this is to capitalise on new opportunities that arose due to the pandemic.

- **Type A – 580 machines**: Sun Slots plans to add 220 LPMs in Mpumalanga, bringing its total coverage to 1,000 machines out of the 1,870 allocated for the industry in the region. There are 142 in KwaZulu-Natal, 138 in Gauteng and 89 in the Western Cape.
- **Type B – 143 machines:** We believe the majority will be in the Western Cape as management believes the issuance of type B licences in the Western Cape is imminent. The rest of the machines to be spread across other provinces, especially Gauteng.

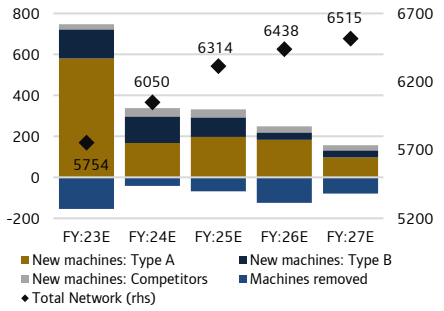
After FY23E, we expect management to embark on a gradual rollout programme and reach full capacity of 6,500 by FY27E.

2. Average GGR/LPM/day

The aggressive roll-out will lower the average GGR/LPM/day as new machines take time to reach their set break-even targets. In the long run, we expect an increase as game time improves and inflation slows down.

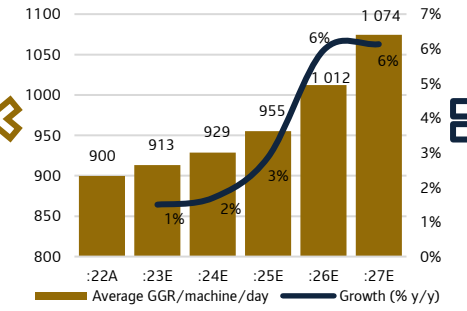
The average GGR per machine per day has historically averaged c. 4% over the past decade. However, due to the aggressive rollout programme planned in FY23E, we anticipate a decline in average GGR as new machines take time to contribute. Subsequently, we expect to see an increase in average GGR as game time on the machines improves over the medium term. Additionally, we are factoring in decelerating inflation, which could increase machine spend.

Figure 104: LPM machines roll out programme



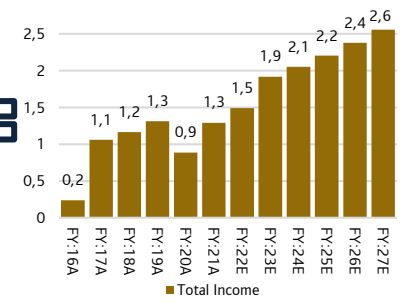
Source: Company Data and SBG Securities analysis

Figure 105: Average GGR/LPM/day (ZAR)



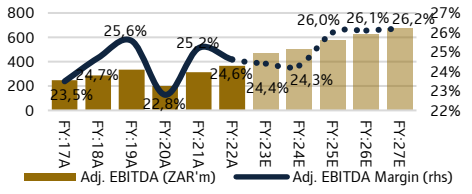
Source: Company Data and SBG Securities analysis

Figure 106: Gross gaming revenue (ZAR'bn)



Source: Company Data and SBG Securities analysis

Figure 107: EBITDA (ZARm) and Margin (%)



Source: Company reports, SBG Securities analysis and estimates

EBITDA

In FY22, EBITDA margins declined by 60bps y/y. We attribute this to the newer machines (508), as they normally take time to mature to acceptable profitable levels. As management seeks to continue taking an aggressive stance on rolling out new machines in the near term, we expect margins to remain constant or come off slightly. However, we anticipate that they will increase afterwards to approximately 26% as per management guidance when the profitability per machine starts to improve.

SunBet

Gross gaming revenue: Aggressive customer acquisition

SunBet set to become the fifth-largest gaming operator in the group following successful launch of online casino games.

Management believes SunBet will be the fifth-largest gaming operation in the group in FY23E after the successful launch of online casino games (live tables in Aug 2021 and slots in Aug 2022). As of January 2023, online casino-style games accounted for 70% of GGR (slots ~ 50% of GGR and tables ~ 20%) and 30% from sports betting. We commend SunBet's strategy as it leverages the company's strength in casino-style games to improve its brand perception in online gambling, which, in turn, makes it easier to sell other products such as sports betting to both existing and new customers.

By FY26E, management expects SunBet's GGR to reach R2bn, which implies a c. 32% four-year CAGR (2022 – 2026E). We expect growth to be derived from:

1. **Recently launched casino-style games, particularly online slots, are expected to be the primary revenue generator for SunBet.** Management anticipates that slots will become the dominant offering, mirroring the trend in land-based casinos where slots account for a larger share of gross gaming revenue than table games, largely due to their ease of understanding.

In FY22, active players increased by 50% y/y and deposits more than doubled (130% y/y).

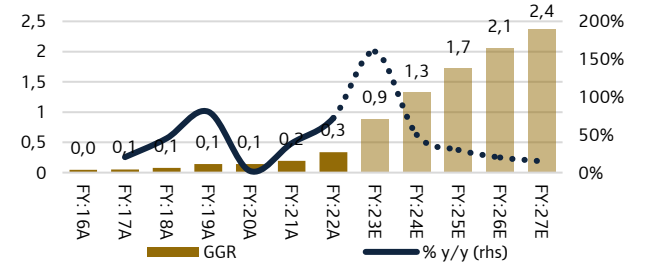
2. **Accelerating customer base growth through marketing and established brand perception:** Historical data shows the SunBet customer base has been built on valuing long-term customers. This we believe is largely driven by the value-added MVG loyalty programme. Moreover, despite being a relatively small brand in the online gambling sector, SunBet benefits from the established brand perception of Sun International appealing to new customers as a result.

3. **Leveraging on MVG loyalty programme is vital in acquiring new customers and cross-selling casino customers to betting**.

Since SunBet has no outstanding debts, management's assertive strategy to expand the active customer base and acquire new customers can be pursued without any concern

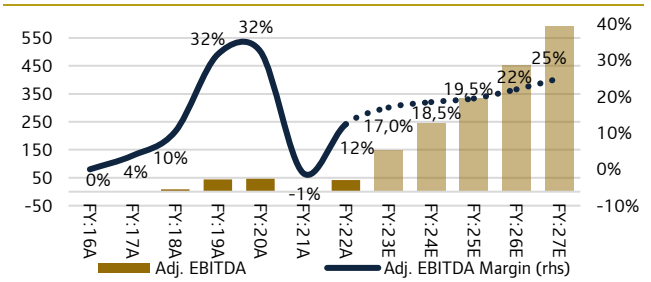
about debt-related limitations. This, in our view, gives management the freedom to establish ambitious objectives for its customer acquisition campaign.

Figure 108: SunBet gross gaming revenue (ZARbn) and % y/y
SunBet exponential growth driven by online casino-style games



Source: Company reports, SBG Securities analysis and estimates

Figure 109: SunBet EBITDA margins
Economies of scale to filter through as investment cycle subsides



Source: Company reports, SBG Securities analysis and estimates

SunBet EBITDA margins to benefit from economies of scale when the investment cycle slows.

EBITDA: Economies of scale to filter through

Management aims to increase EBITDA margins to c. 25% by 2026. Currently, EBITDA margins are c. 12%, lower than that of more established peers (c. 30%) who benefited from early entry into the market which required lower initial investment. This contrasts with smaller brands, which are ramping up their investment efforts to expand brand resonance, limiting EBITDA margin improvement. In order to aggressively expand their customer base, SunBet is increasing marketing and systems spend. Consequently, a significant improvement in EBITDA is expected when the investment cycle slows and the benefits of economies of scale are realized. We expect investment to ramp up significantly in FY:23E and FY:24E, potentially tapering off in FY:25E. Based on our forecast, we anticipate SunBet achieving a margin of >20% by 2026E.

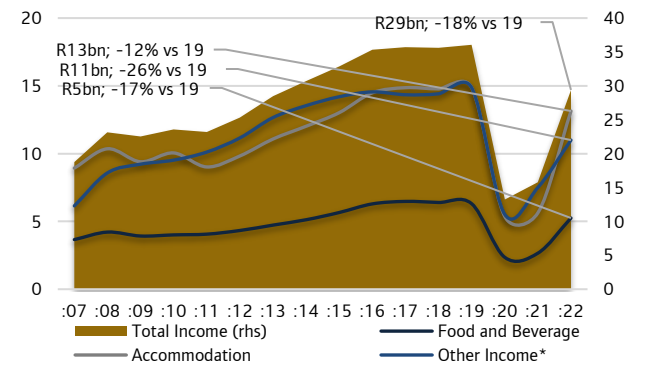
Resorts and Hotel sector overview

Market size

The hotel industry in South Africa was valued at ZAR29.4bn in 2022 showing sign of a recovery post the pandemic, albeit c.11% below 2019 levels. Hotel revenue is primarily generated through accommodation services (ZAR13bn, -12% below 2019), food and beverage (ZAR5bn, -17% below 2019) and other services (c. ZAR11bn, -26%). The other services segment comprises primarily casino gambling but also includes laundry and telephone services, rentals and fees received for transport services, offices, shops and garages.

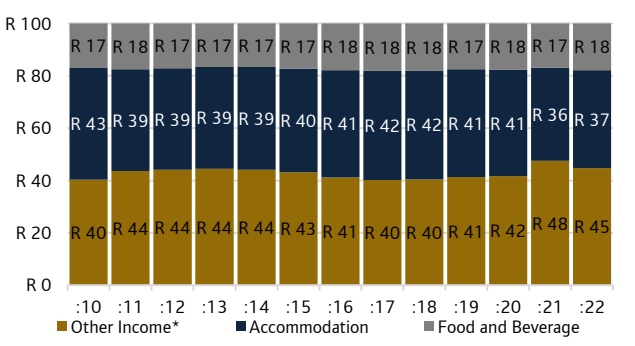
Demand in the hotel industry is categorised into four segments: 1) Leisure (domestic and international); 2) Corporate (domestic and international); 3) Conferencing; and 4) Sports and events. In this section, we focus mostly on leisure, which accounts for most of the tourism demand.

Figure 110: Hotels total income (ZARbn) by product category. Hotel industry is approximately -18% below 2019 levels in 2022



Source: Stats SA

Figure 111: Hotel total spend by product category, per every R100. R37 of every R100 spend on hotels went to accommodation in 2022 (-10% vs 2019)

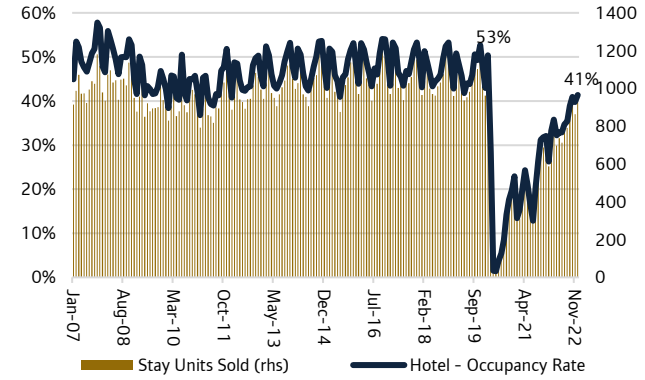


Source: Stats SA, *primarily casino

Accommodation key metrics

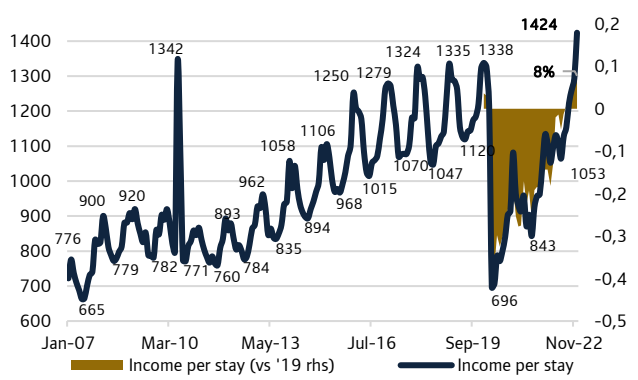
The hotel industry's occupancy rate in South Africa is recovering post the pandemic, reaching c. 41% in December. However, this is c. 12% lower than the peak of c. 53%. recorded in 2019. Despite this decline, income spent per stay has surpassed pre-pandemic levels by c. 8%. In our view, this is attributable to higher inflation as well as strong demand from locals, as international tourism is yet to return to pre-pandemic levels.

Figure 112: Hotels – occupancy rate and stay units sold. Occupancy rates are recovering but are c. 12% below 2019 levels



Source: Stats SA

Figure 113: Hotels – income per stay per month. Income spent per night at hotels exceeded pre-pandemic peak (+8%)



Source: Stats SA

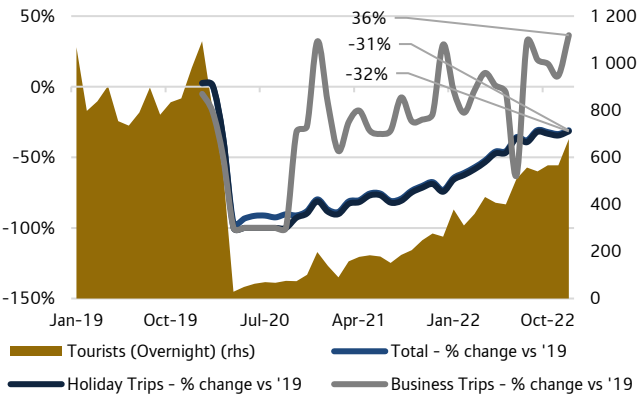
Tourism Dynamics

International tourism: Leisure recovering while corporate travel exceeds 2019 levels

International tourist arrivals have started to recover, but they are still well below pre-pandemic levels. A weaker rand is expected to make South Africa a more attractive and affordable destination for international tourists.

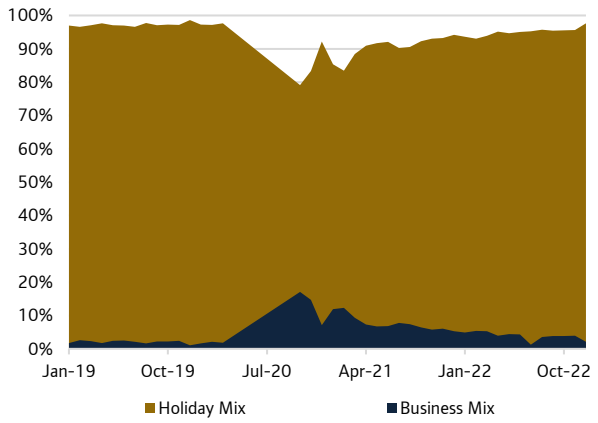
- International tourist arrivals have recovered but remain c. 31% below 2019 levels. Of these arrivals, holiday tourists (leisure travellers) typically account for over 95% but are still c. 31% below 2019 levels. At the current pace of c. 12,000 incremental arrivals per month, we estimate that international leisure travel could return to pre-pandemic levels in the first quarter of 2024.
- Business travel has already exceeded 2019 levels, with international business trips in December 2022 being c. 36% higher than in 2019. We believe that corporate travel has recovered as South Africa eased travel restrictions and swiftly reopened its borders.
- While we believe that sports travel's contribution to total international arrivals is negligible, we do expect that arrivals have recovered but remain below pre-pandemic levels.
- Our positive outlook is driven by a weaker rand improving travel affordability for international tourists.

Figure 114: SA foreign tourists (000) and % change vs '19 (Jan:19 to Dec:22). Foreign visitors 31% below pre-pandemic, business exceeded but holiday below



Source: Stats SA

Figure 115: SA tourist travellers by category (Jan:19 to Dec:22) Corporate travel accounts for c. 4% of international tourist arrivals

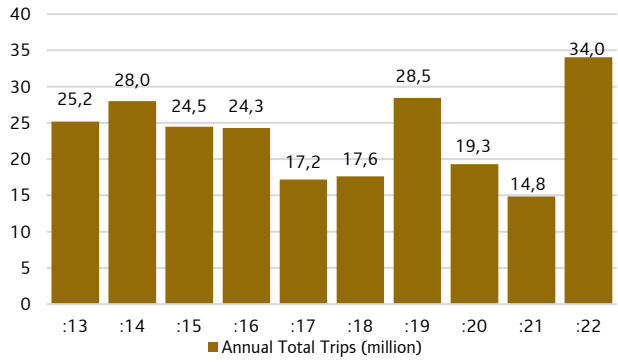


Source: Stats SA

Domestic tourism: Could pent up demand continue in 2023?

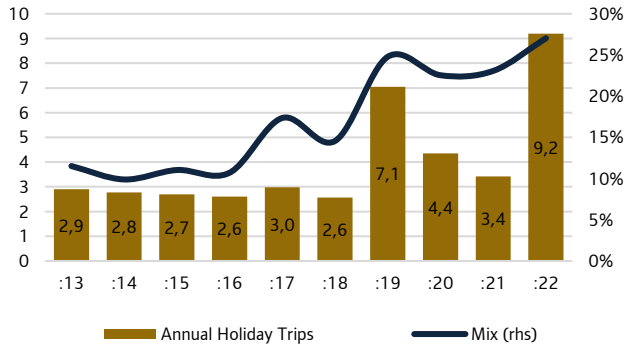
- Domestic tourism reached record levels in 2022 after almost two years of travel restrictions.
- The total number of domestic trips reached 34 million in 2022, which is up c. 20% on 2019. Holiday (leisure) trips account for 27%, which represents 9.2 million trips.
- Domestic tourism spending was ZAR99m, with holiday spending accounting for c. 47%, which represents ZAR46m.
- We believe that other categories (e.g., business trips and sporting events) have followed similar trends and have exceeded pre-pandemic levels. In our view, sporting and business trips will continue to increase as activity in the economy picks up. However, leisure trips might decline as people resume international leisure trips in 2023.
- **Positive outlook**: We expect local demand to remain strong over the medium term, considering that locals have rediscovered domestic destinations during the pandemic as well as a weaker rand making it less affordable to travel outside South Africa, encouraging locals to explore domestic destinations.

Figure 116: Annual domestic trips (million). Pent-up demand for travel in in 2022 exceeded 2019 levels



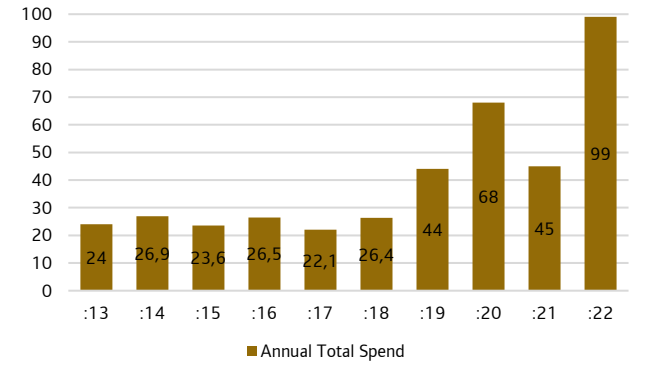
Source: Domestic Tourism Report 2022

Figure 117: Annual domestic holiday trips (million). Pent-up demand for travel in 2022 exceeded 2019 levels



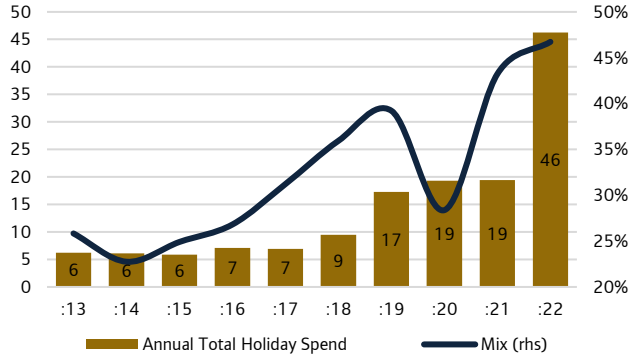
Source: Domestic Tourism Report 2022

Figure 118: Annual domestic spend (ZARbn). Domestic tourism spend exceeded 2019 levels



Source: Domestic Tourism Report 2022

Figure 119: Annual domestic holiday spend (ZARbn). Domestic tourism spend exceeded 2019 levels

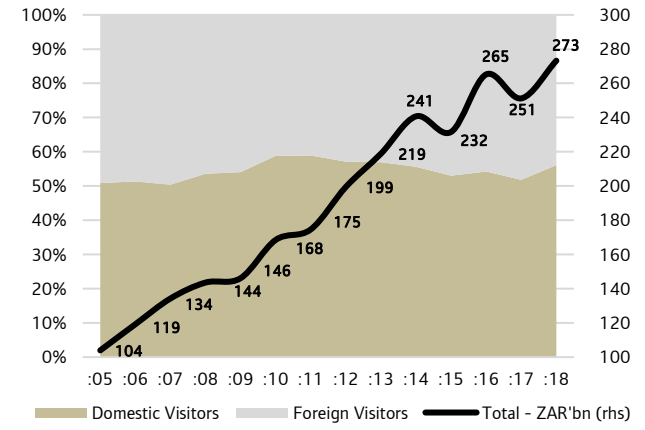


Source: Domestic Tourism Report 2022

Tourist spending insights

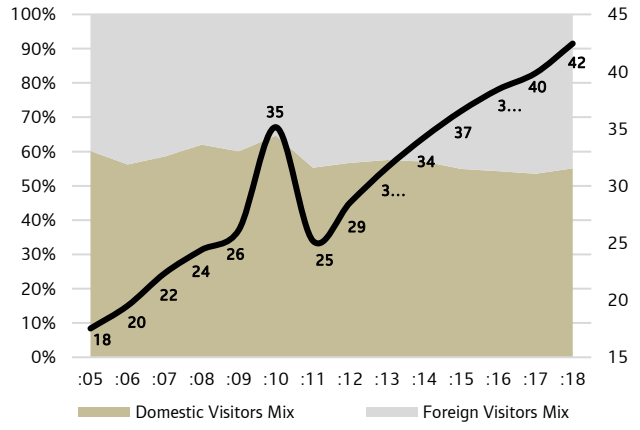
Foreign tourists were a significant contributor to pre-pandemic tourism spending, contributing over 40% to total spend. As travel restrictions ease, we expect the Resorts and Hotels sector to experience strong growth in 2023 and beyond.

Figure 120: Total tourism expenditure by domestic and inbound tourists. Inbound tourists' expenditure is significant, 44% of total tourism spend



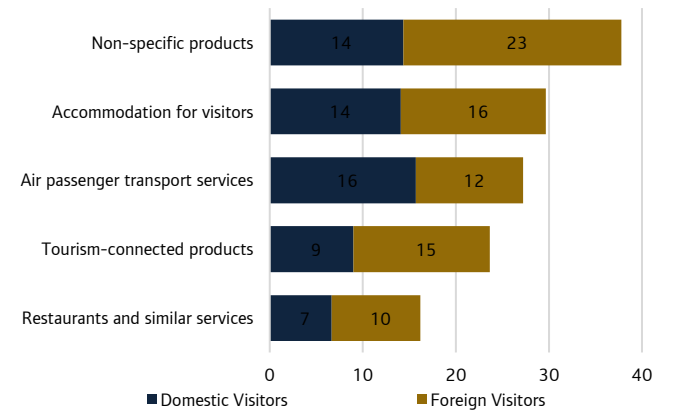
Source: Tourist Satellite Account

Figure 121: Accommodation expenditure by domestic and inbound tourists. Inbound tourists' expenditure is significant, 45% of accommodation spend



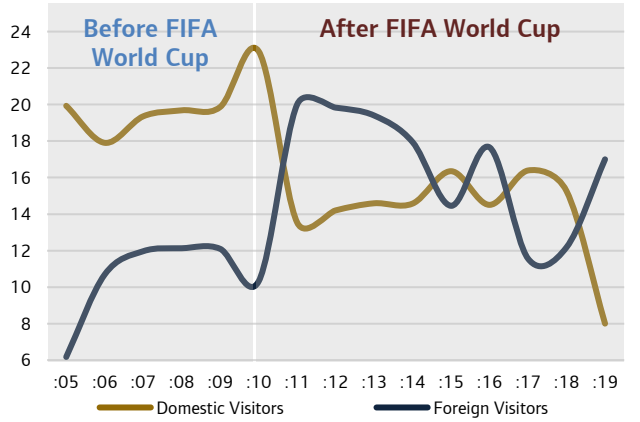
Source: Tourist Satellite Account

Figure 122: Tourism expenditure by type of product (per ZAR100) 5-year average before 2019. Foreign visitors spent more on accommodation than locals



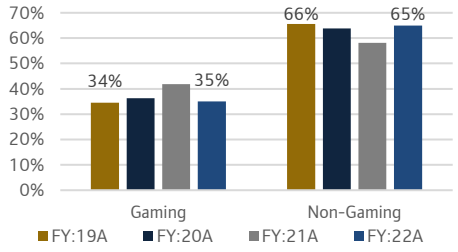
Source: Tourist Satellite Account

Figure 123: Accommodation expenditure per ZAR100 spend – 2005 to 2019. Foreign tourists' expenditure increased after FIFA World Cup in 2010



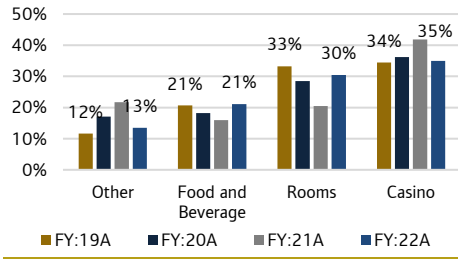
Source: Tourist Satellite Account

Figure 124: Resorts and Hotels revenue: Gaming and Non-gaming (FY19 – FY22)



Source: SBG Securities analysis, company financials

Figure 125: Resorts and Hotel revenue by category (FY19 – FY22)



Source: SBG Securities analysis, company financials

SUI's Resorts and Hotels overview

- The group's Resorts and Hotels segment has four properties, namely Sun City, Table Bay, Wild Coast and Maslow. Before 2015, the group had exposure in Swaziland, Botswana, Zambia and Namibia. The Resort and Hotel operations can be split into Gaming and Non-gaming i.e., hospitality business. Non-gaming/hospitality consists of room service, and food and beverage to name a few.

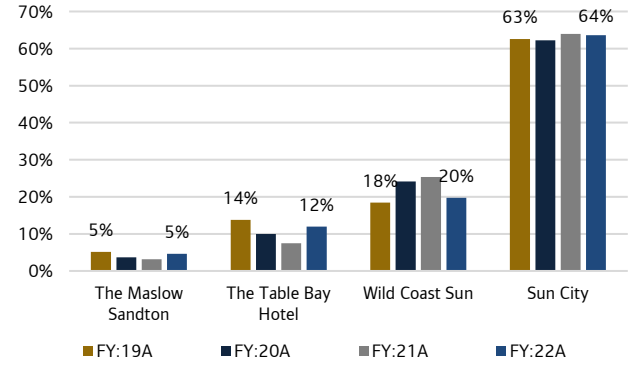
- Non-gaming is the main contributor to total income though more recently, casino income has increased its contribution. Most of the properties are in holiday regions, resulting in higher exposure to both domestic and international tourists. We believe Maslow is an outlier as it caters to mostly corporate travel customers.

- Domestic airline limitation: Due to tourism exposure, demand is affected by airline availability and pricing, particularly on international tourists. We believe international airline is big with c. 45 international airlines, though domestic airline is smaller c. 6 after Comair ceased operations of Kulula and British Airways.

- Additionally, demand can also be categorised by leisure, conferencing, sporting events and arena events. The main drivers of demand are leisure and conferencing.

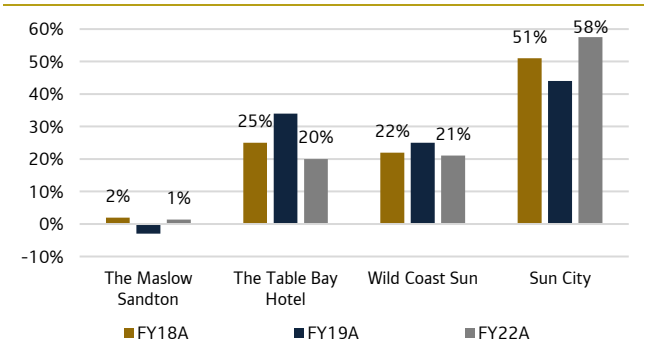
- Sun City is the main contributor, contributing c. 65% to total income in FY'22 and 51% of EBITDA before the pandemic. Wild Coast and Table Bay share a large portion of the remainder while Maslow made a negligible contribution.

Figure 126: Resorts and Hotel properties revenue contribution



Source: Company reports, SBG Securities analysis

Figure 127: Resorts and Hotel properties EBITDA contribution (FY18, FY19 and FY'22)



Source: Company reports, SBG Securities analysis

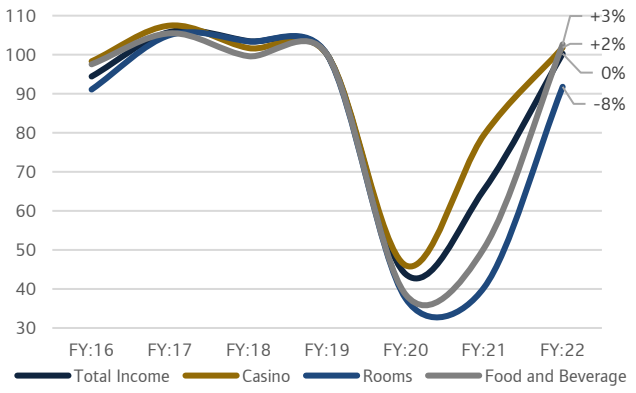
Recent trading performance

Resorts and Hotels division rebounded strongly in FY22 supported by the easing of restrictions in the second half of the year and strong demand from locals as international tourists only started to return in the last quarter of the year. Leisure, conferencing, sport, and events have all exceeded pre-pandemic levels. We find corporate travel lagging (Maslow most exposed, in our view) though it is recovering.

EBITDA margins reached record highs post IFRS 16 and were supported by structural cost-saving measures. Management was able to renegotiate most of its contracts with labour unions and third-party service providers. Secondly, the impact of load-shedding is less severe at Sun City due to load-curtailment agreements with Eskom instead of load-shedding. For instance, Eskom can inform Sun City to reduce its load by 20% requiring the site to use its generators to support the 20% off the grid load. Historically, Sun City has been viewed as the albatross of Sun International due to its enormous expense budget. Recent results suggest a clear focus on cost containment.

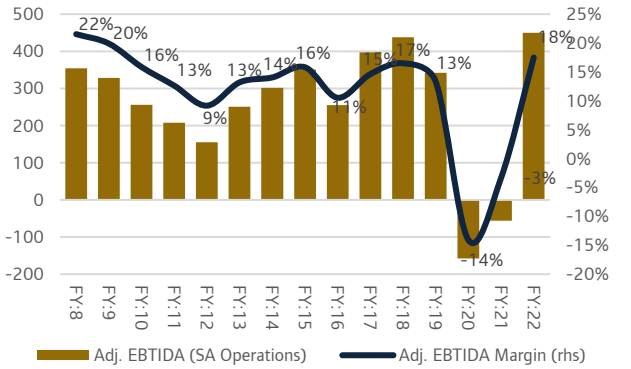
We emphasise these results have been achieved despite the absence of international tourists *(c. 30% of hospitality business pre-pandemic),* who normally tend to spend more and have a higher duration in terms of stays per night.

Figure 128: Resorts and Hotels revenue (FY2019 = 100). Strong recovery while international tourists largely absent



Source: Company reports, SBG Securities analysis

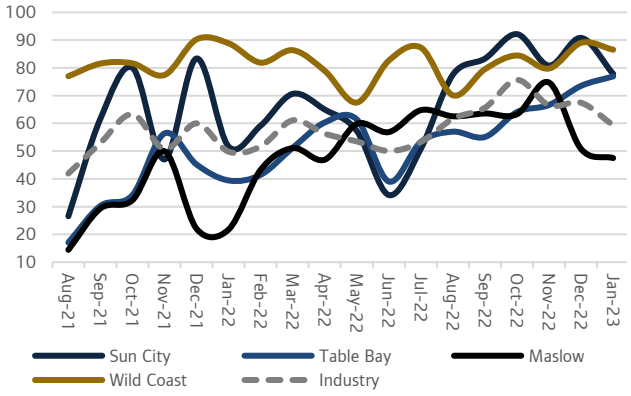
Figure 129: Resorts and Hotel Adj. EBITDA (ZARm) and EBITDA (%) Record EBITDA margins post IFRS 16 despite the absence of international tourists who have a higher yield



Source: Company reports, SBG Securities analysis

Figure 130: Room occupancy rates

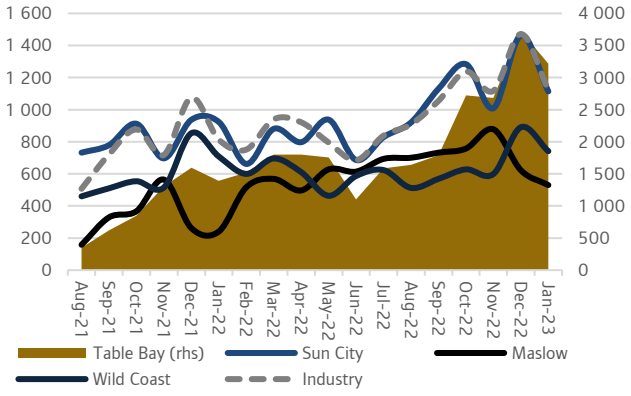
Occupancies recovered across the group



Source: Company reports, SBG Securities analysis

Figure 131: Resorts and Hotel, EBITDA margin

All recovered but Table Bay shooting the lights out



Source: Company reports, SBG Securities analysis

SUI resorts and hotels segmental analysis

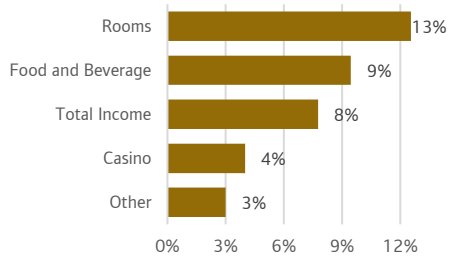
Total income

Revenue has recovered and exceeded pre-pandemic levels with strong demand for leisure and conferencing. Sporting events and arena have also recovered but are a small portion of the group. This performance has been largely driven by locals in the absence of international tourists. Below, we highlight drivers of total income in the near term.

Hospitality business

1. The return of international tourists, especially considering the removal of the zero-Covid policy in China. International tourists tend to spend more over an extended period. In terms of regional contribution to international tourism, we note a skew towards Chinese and Indian tourists.

Figure 132: 3yr CAGR (FY22A – FY25E)



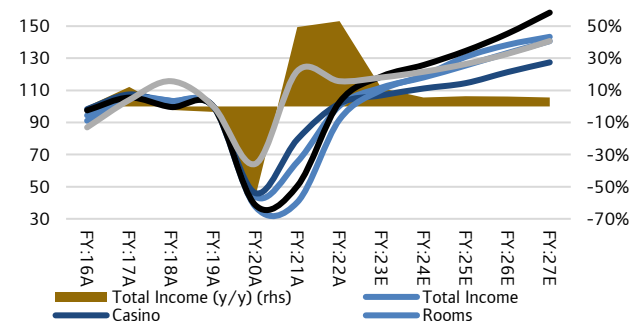
Source: SBG Securities analysis and estimates

2. Local demand is expected to remain strong despite the easing of global travel restrictions. The pandemic has led to the rediscovery of local destinations and locals could choose to remain in SA before resuming their overseas travels.
3. Weaker rand has a double-edged effect on tourism. International tourists will find it much cheaper to travel to South Africa and receive more value for their money. For locals it is becoming more expensive to travel outside South Africa's borders, so they could consider staying in SA to explore more local destinations.
4. Inflation: Management indicated it is likely to increase room rates by c. 10% to 20% for international tourists and high-single digits for locals.
5. Occupancies have recovered to pre-pandemic levels despite the lack of international tourists. We expect to see an increase from this year.

Gaming business

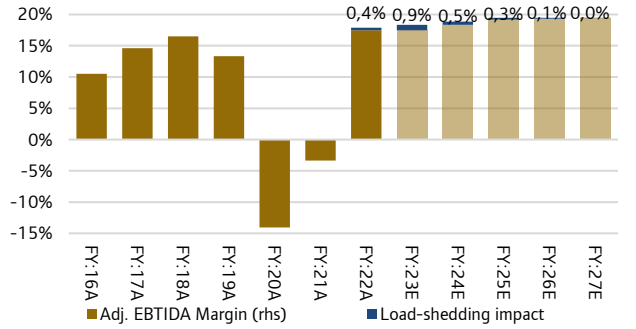
Overall, as traffic increases gaming income will also benefit. We believe the majority of casino players in resort areas have a higher gaming propensity because the primary activity in those areas is leisure. Therefore, as traffic from international increases we expect to see more growth. In the case of a smoking ban, we expect resort casinos to be less affected (-10%) than urban casinos (20%), largely because visitors to resorts are there primarily for 'holiday' leisure purposes. This means that behaviour adjustment is likely to be quicker in resort areas than in urban casinos.

Figure 133: Resorts and Hotels Total revenue (2019=100) and total revenue % y/y



Source: Company reports, SBG Securities analysis and estimates

Figure 134: Resorts and Hotels EBITDA (ZARbn) and EBITDA Margin (%)



Source: Company reports, SBG Securities analysis and estimates

EBITDA margin

After achieving record margins post IFRS 16 despite elevated load-shedding and the absence of international tourists it is starting to look like Sun City has turned a corner and is managing its huge cost base. Management believes it is in a better place than before the pandemic and is confident of reaching its target of +20% by FY26E. In our view we expect more margin improvements coming from:

1. Return of high spending international tourists,
2. Sustainable cost saving measures attained during the pandemic, flexible labour contracts and restructuring contracts with third party suppliers, and
3. Additional cost saving measures including but not limited to installing solar power generation and entering wheeling contracts to reduce the use of diesel generators. Management indicates it is currently working on installing a 1MW solar power generation and increasing to 5 or 6MW by the end of year. Thereafter, it is expecting daytime electricity consumption to be reduced by c. 50%.

Peer analysis

Figure 135: Financial analysis chain reaction for asset-heavy industries

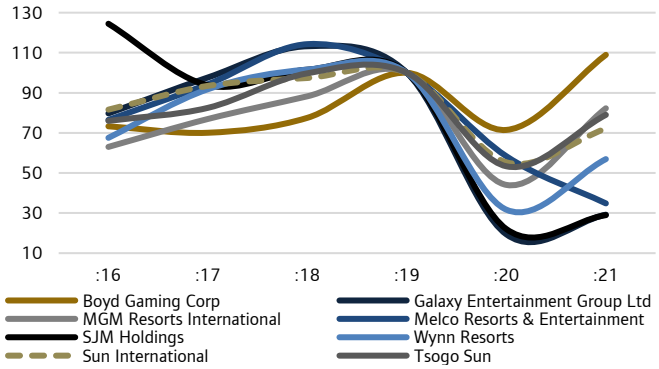
Source: SBG Securities analysis

Revenue – recovery in line with global peers

- Sun International's gaming revenues have recovered relatively in line with most of its global peers.
- However, the recovery of hotels, and food and beverage operations was slower than expected, possibly due to more severe travel restrictions and slower easing of restrictions in the countries where Sun International operates, compared to other countries such as the US.
- Overall, despite the challenges faced during the pandemic, Sun International's recovery has been relatively in line with its peers across the gaming and hospitality industry.

Figure136: Gaming wins (2019 = 100)

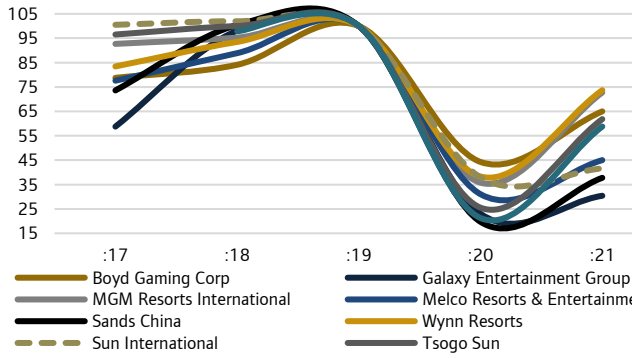
SUI recovered faster than most of the global peers



Source: Bloomberg, SBG Securities analysis

Figure 137: Hotel's revenue (2019 = 100)

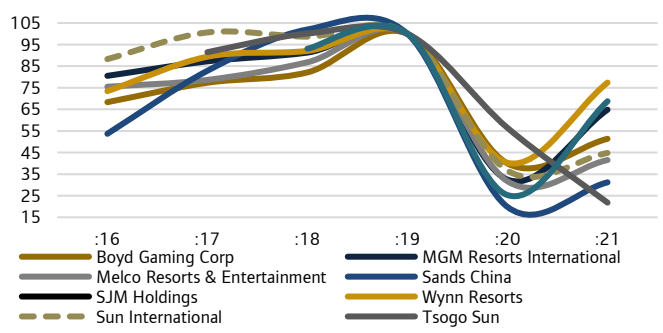
Covid less severe but took longer to recover



Source: Bloomberg, SBG Securities analysis

Figure 138: Food and Beverage Revenue (2019 = 100)

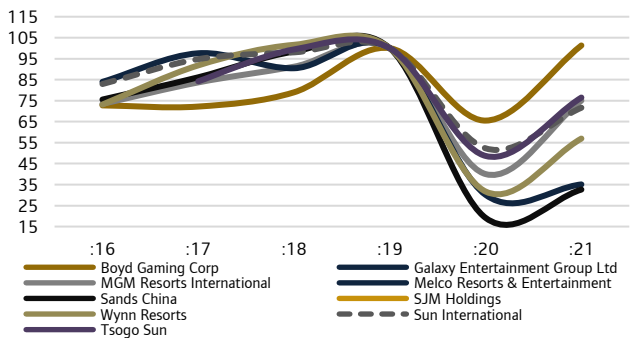
Food and Beverage slower recovery relative to peers



Source: Bloomberg, SBG Securities analysis

Figure 139: Total Income (2019 =100)

Overall, SUI recovery was swift relative to global peers

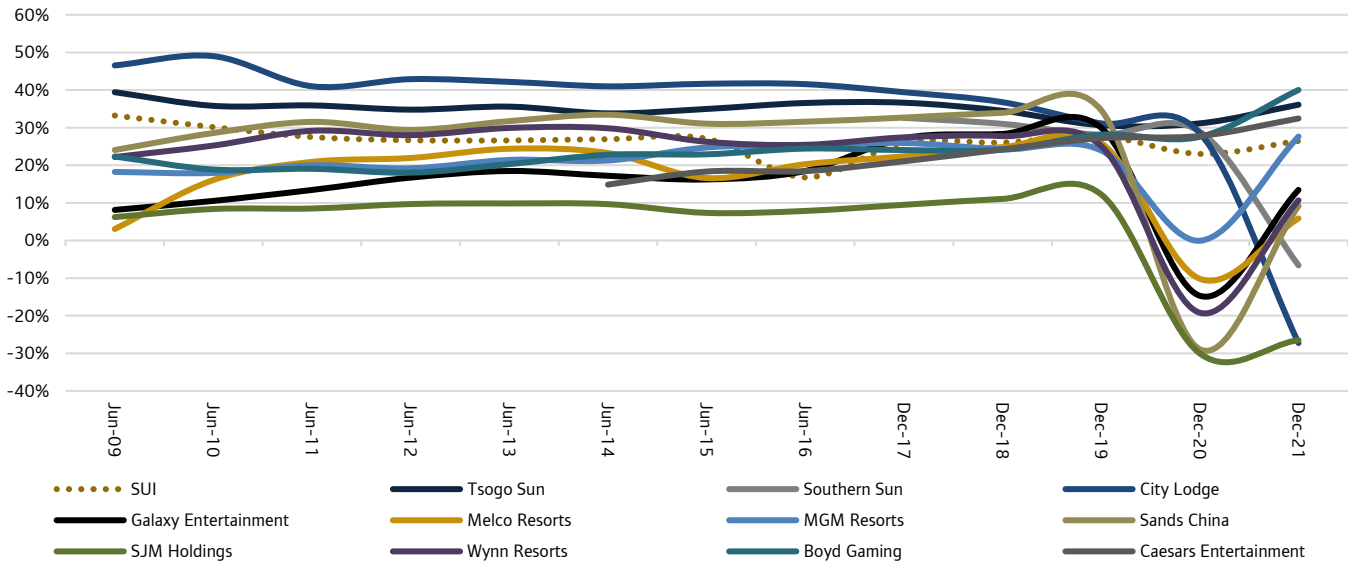


Source: Bloomberg, SBG Securities analysis

Adj. EBITDA margin competitive relative to peers

- Sun International's EBITDA margin performance has been competitive compared to its global peers. This is likely because Sun International has higher exposure to gambling (approximately over 80%) than hospitality, which was more susceptible to the pandemic.
- We believe this highlights the resilience of the gambling sector, which has helped Sun International to weather the impact of the pandemic and maintain its financial performance.

Figure 140: Adjusted EBITDA margin (%)
EBITDA margin competitive relative to peers

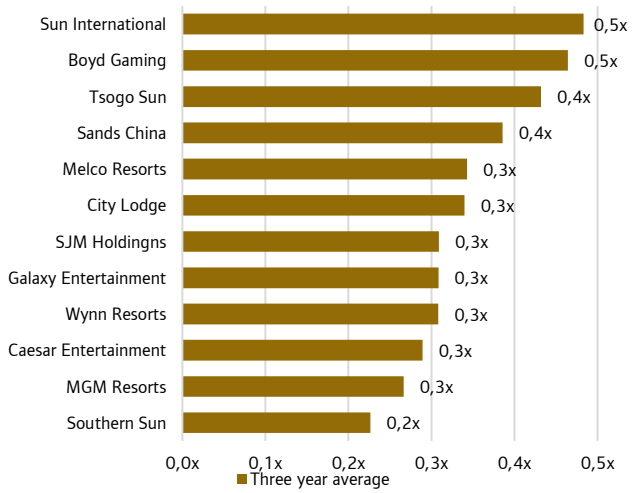


Source: Bloomberg, SBG Securities analysis

Asset efficiency

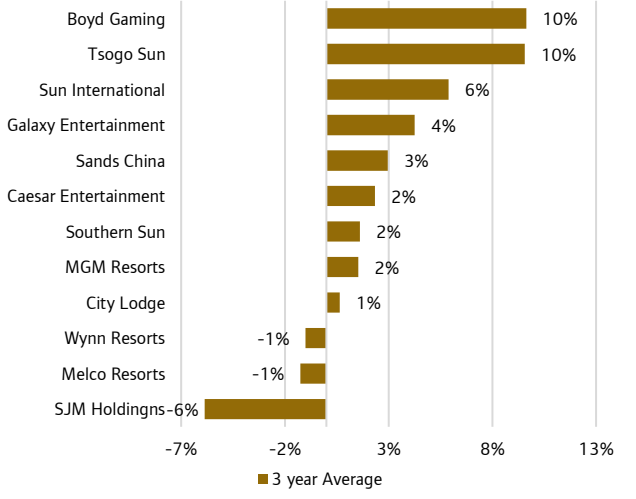
- Sun International has achieved the highest efficiencies from its assets in generating revenues and cash flows over the past three years, which is vital for an asset-heavy industry such as gambling.

Figure 141: Asset turnover (three-year average)
Sun International has the highest asset efficiency



Source: Bloomberg, SBG Securities analysis

Figure 142: CFO/total assets (three-year average)
Sun International performance above most of the global peers

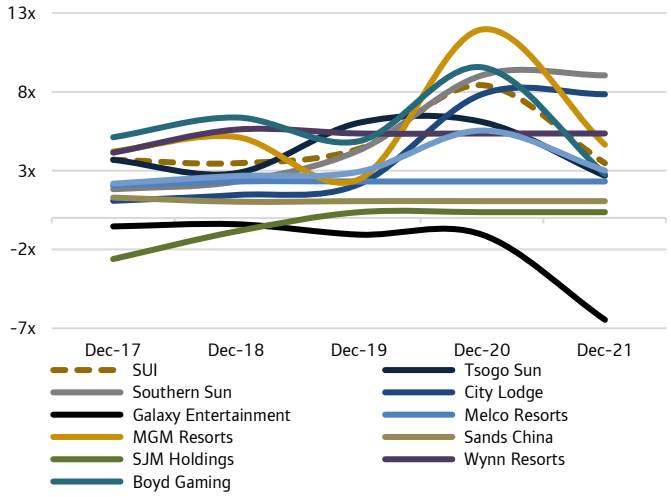


Source: Bloomberg, SBG Securities analysis

Leverage and liquidity

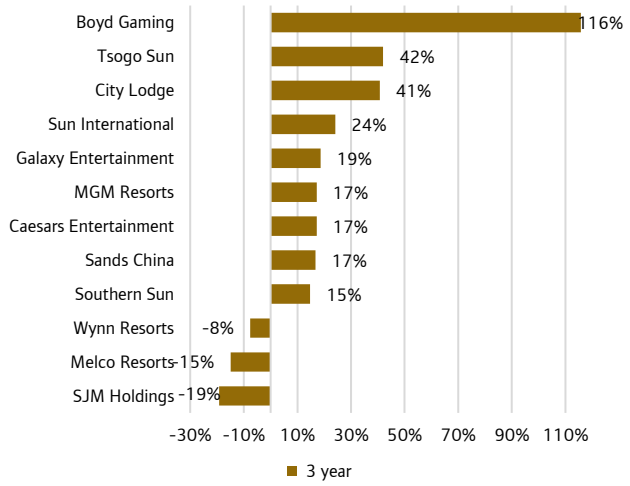
Sun International is among the few gambling peers that aggressively reduced its debt levels during the pandemic. It successfully lowered its debt and was still able to maintain a relatively healthy liquidity position, which suggests that it is a strong cash-generative business.

Figure 143: CFO/Avg. current liabilities (three-year average)
SUI among the few peers to reduce debt aggressively



Source: Bloomberg and SBG Securities analysis

Figure 144: CFO/Avg. current liabilities (three-year average)
SUI maintains a relatively healthy liquidity position

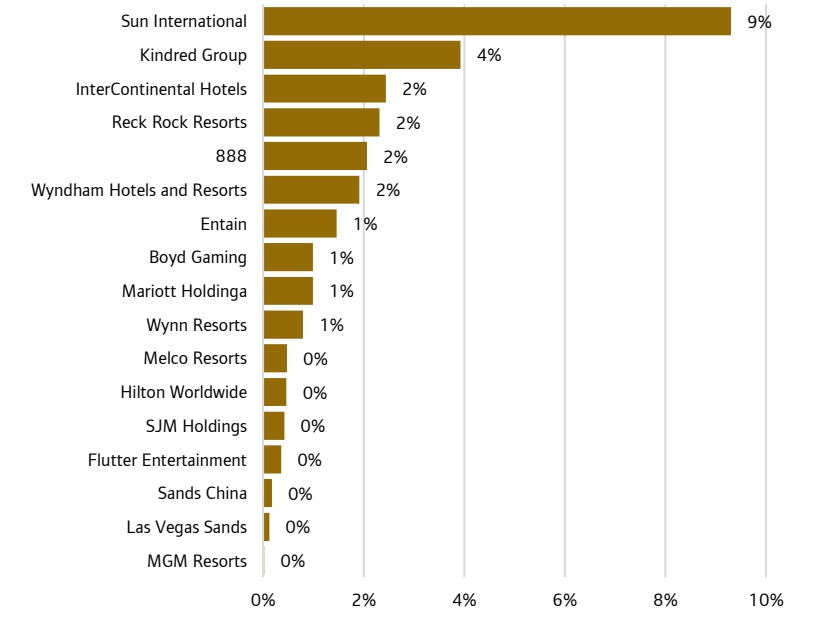


Source: Bloomberg, SBG Securities analysis

Dividend Yield

Sun International's dividend yield is trading at a premium compared to global peers. This is likely due to global gambling companies reinvesting a larger portion of their profits into expanding their operations, acquiring new businesses, and increasing their geographical presence. Consequently, the availability of cash for disbursing dividends to shareholders may be constrained, leading to a decline in the dividend yield.

Figure 145: 12 month Forward Dividend Yield – SUI versus Global Peers



Source: Bloomberg and SBG Securities analysis

Financial analysis

Figure 146: Sun International summarised income statement - Annual

	FY:19A	FY:20A	FY:21A	FY:22A	FY:23E	FY:24E	FY:25E	FY:26E	FY:27E
Income	11 481	6 054	8 334	11 302	12 899	13 974	15 031	16 064	17 089
Urban Casinos	7 467	3 857	5 071	6 738	7 166	7 462	7 772	8 094	8 430
SunBet	140	137	182	339	881	1 322	1 719	2 062	2 372
SunSlots	1 310	886	1 292	1 506	1 933	2 066	2 217	2 394	2 570
Resorts and Hotels	2 564	1 123	1 679	2 572	2 918	3 123	3 324	3 513	3 717
y/y growth		-47.3%	37.7%	35.6%	14.1%	8.3%	7.6%	6.9%	6.4%
Urban Casinos		-48.3%	31.5%	32.9%	6.3%	4.1%	4.1%	4.1%	4.2%
SunBet		-2.1%	32.8%	86.3%	160.0%	50.0%	30.0%	20.0%	15.0%
SunSlots		-32.4%	45.8%	16.6%	28.4%	6.9%	7.3%	8.0%	7.4%
Resorts and Hotels		-56.2%	49.5%	53.2%	13.5%	7.0%	6.4%	5.7%	5.8%
EBITDA	3 173	1 047	1 569	3 304	3 809	4 041	4 426	4 790	5 185
Urban Casinos	2 583	894	1 433	2 445	2 558	2 721	2 877	3 033	3 197
SunBet	44	46	-2	42	150	245	335	454	593
SunSlots	335	202	313	367	472	502	576	625	673
Resorts and Hotels	342	-158	-56	450	513	574	638	679	722
EBITDA margins	27.6%	17.3%	18.8%	29.2%	29.5%	28.9%	29.4%	29.8%	30.3%
Urban Casinos	34.6%	23.2%	28.3%	36.3%	35.7%	36.5%	37.0%	37.5%	37.9%
SunBet	31.4%	33.6%	-1.1%	12.4%	17.0%	18.5%	19.5%	22.0%	25.0%
SunSlots	25.6%	22.8%	24.2%	24.4%	24.4%	24.3%	26.0%	26.1%	26.2%
Resorts and Hotels	13.3%	-14.1%	-3.3%	17.5%	17.6%	18.4%	19.2%	19.3%	19.4%
Adj HEPS	603	-234	44	433	473	504	564	619	680

Source: Company reports, SBG Securities analysis and estimates

Figure 147: Sun International summarised income statement – Semi Annual

South Africa Operations	H1:19A	H2:19A	H1:20A	H2:20A	H1:21A	H2:21A	H1:22A	H2:22A
Total income	5 510	5 970	2 473	3 530	3 952	3 871	5 121	6 021
Urban Casinos	3 610	3 857	1 548	2 309	2 513	2 207	3 143	3 583
SunBet	69	70	51	86	91	91	125	214
SunSlots	637	673	303	583	608	634	730	776
Resorts and Hotels	1194	1370	571	552	740	939	1123	1448
y/y growth								
Total income			-55%	-41%	60%	10%	30%	56%
Urban Casinos			-57%	-40%	62%	-4%	25%	62%
SunBet			-26%	23%	78%	6%	37%	135%
SunSlots			-52%	-13%	101%	9%	20%	22%
Resorts and Hotels			-52%	-60%	30%	70%	52%	54%
EBITDA								
Total	1412	1892	123	861	749	939	1485	1819
Urban Casinos	1 096	1 487	163	731	672	761	1 141	1 304
SunBet	20	24	16	30	13	-15	14	28
SunSlots	157	178	56	146	152	161	178	189
Resorts and Hotels	139	203	-112	-46	-88	32	152	298
EBITDA margins								
Total	26%	32%	5%	24%	19%	24%	29%	30%
Urban Casinos	30%	39%	11%	32%	27%	34%	36%	36%
SunBet	29%	34%	31%	35%	14%	-16%	11%	13%
SunSlots	25%	26%	18%	25%	25%	25%	24%	24%
Resorts and Hotels	12%	15%	-20%	-8%	-12%	3%	14%	21%
Adj HEPS	136	469	-702	272	-3	47	92	341

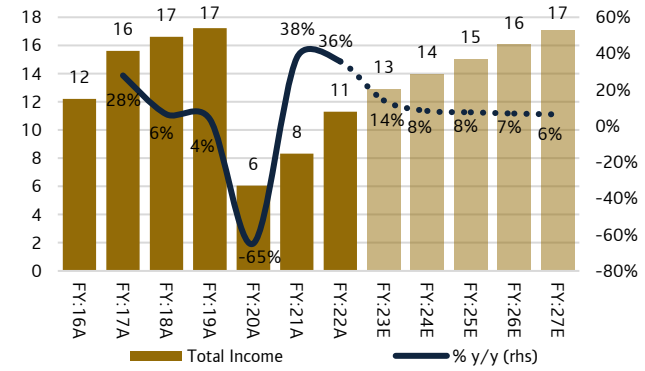
Source: Company reports, SBG Securities analysis and estimates

Revenue: Online gaming the major factor

We expect a group total income 3-year CAGR (FY22A – FY25E) of 10% driven by:

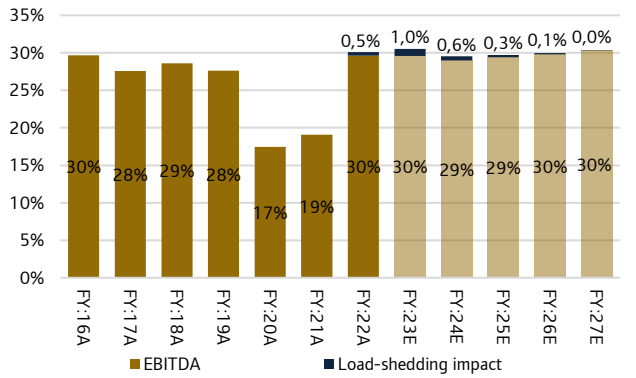
1. Sun Bet: The online gaming industry is expected to grow at c. 30% y/y. As a result, management is investing aggressively in acquiring new customers to grow its customer base and market share. Management has set a target of achieving GGR of R2bn by 2026E, which would make SunBet approximately five times bigger than in FY22A. The primary driver being live casino games, which currently account for c. 70% of GGR, while sports betting enhances brand awareness.
2. LPM rollouts will continue to strengthen Sun Slots' position, considering its high market share in all four provinces where it operates.
3. Resorts and hotels division should benefit from the return of international tourists, sustained local demand and increasing appetite for conferences post the pandemic.
4. Urban casinos are expected to return to pre-pandemic levels in FY23E, but growth is expected to be modest thereafter as other forms of legal gambling are becoming increasingly popular.

Figure 148: Total Revenue (ZARbn) and % y.y



Source: Company reports, SBG Securities analysis and estimates

Figure 149: EBTIDA margin and load-shedding impact



Source: Company reports, SBG Securities analysis and estimates

EBITDA: Cost efficiencies to sustain margins

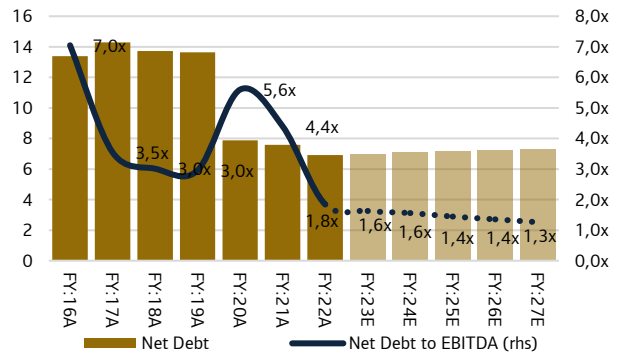
We expect 10% growth in group EBITDA on a 3-year CAGR basis, supported by sustained cost-saving measures, including:

1. The renegotiation of labour contracts with labour unions, particularly at Sun City, providing flexible labour terms facilitating the movement of employees based on demand. Additionally, contracts with third-party service providers were renegotiated.
2. Reduction of excess machines and tables on casino floor to reduce licencing fees and other related operating costs (e.g., maintenance costs).
3. In addition, we also do not anticipate sizeable increase in taxes/levies.
4. Load-shedding: We factor in R120m of costs related to load-shedding which we expect to reduce EBITDA margin by 100bps in FY23E. That said, based on managements' endeavours we expect the cost to dilute over the forecast period.

Leverage and Dividends

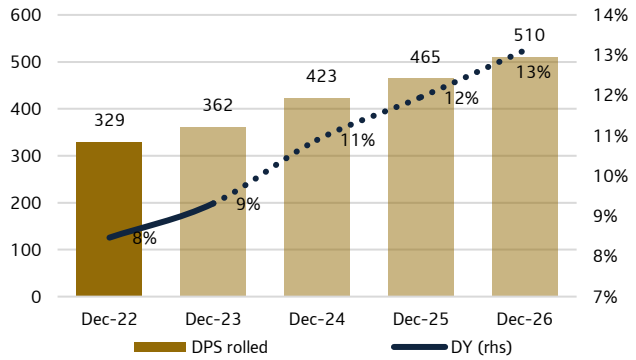
Debt levels have been reduced significantly from a recent of peak of 5.6x in FY20 to 1.8x in FY'22 (interest cover at 6.5x from 1.1x). Management noted that it is comfortable at the current levels and may not de-gear further as it aims to commit to growing dividends at a pay-out ratio of 75%. We estimate a forward dividend yield of 9%.

Figure 150: Net Debt (ZAR'bn) and Net Debt/EBTIDA (x)



Source: Company reports, SBG Securities analysis and estimates

Figure 151: Rolled DPS cents and Dividend Yield (%)



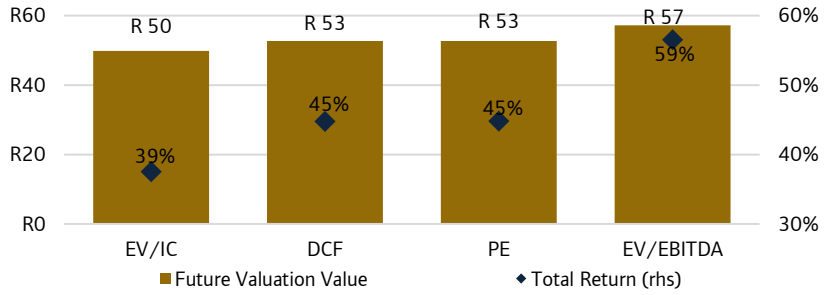
Source: Company reports, SBG Securities analysis and estimates

Valuation: We value SUI between R50 and R57

We use four methods to determine our equity valuation range for Sun International. These include, DCF, ROIC-IC, relative PE multiple and relative EV/EBITDA sum of the parts. We highlight that Sun International and its South African peers do not have consensus-based forward multiples. Therefore, to overcome the limitation of forward-looking multiples on consumer services on the JSE, we used MSCI EM consumer discretionary as a proxy and compared it with the MSCI US consumer discretionary. This helped us determined the discount to apply on global peers to get an implied multiple for Sun International.

Figure 152: Valuation summary

Sun International future ranges between R50 and R57



Source: Company reports, SBG Securities analysis and estimates

Discounted cash flow valuation: R53

Based on our discount cash flow valuation, we estimate a fair value of R53 implying a total return of 45% (including DY: +9%). In Figure 153, below, we show the parameters we used to calculate a WACC of 13.99%.

Figure 153: WACC calculation for Sun International

Capital Allocation	Cost of Equity	Cost of Debt	
Equity Weight	60% Rf=	10.15% Pre-Tax	10.8%
Debt Weight	40% E(Rmkt) =	6.00% Tax rate	27%
Total	**100% 3yr. Beta (Levered)**	**1,33**	
WACC =	**13.99% Re=**	**18.07% Rd (after tax)**	**7.9%**

Source: SBG Securities analysis and estimates, Bloomberg, and Company financials

In determining the DCF valuation, we applied long-term growth of 4.3% in line with Standard Bank Research long-term CPI forecast.

Figure 154: Sun International DCF valuation summary

DCF	FY'22A	FY'23F	FY'24F	FY'25F	FY'26F	FY'27F
EBITDA	3 306	3 692	4 041	4 426	4 790	5 185
Less Tax	-603	-696	-741	-830	-911	-1 000
Change in net working capital	44	15	-15	-1	12	11
Less CAPEX	-904	-1 548	-1 677	-1 804	-1 928	-2 051
FCF	**1 843**	**1 463**	**1 608**	**1 791**	**1 964**	**2 146**
Present Value			**1 333**	**1 285**	**1 256**	**1 208**
5yr Horizon		6 241	34%			
Terminal Value		11 949	66%			
Enterprise Value		**18 190**	**100%**			
Net cash/(debt)		-7024				
Equity Value		**11 167**				
Shares in Issue		250				
Fair Value		**53**				

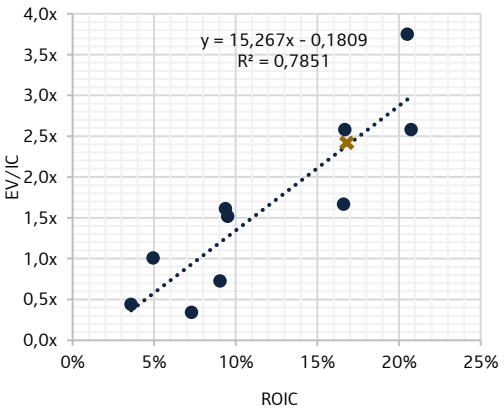
Source: Company financials, SBG Securities analysis and estimate

Regressed EV/IC valuation: R50

For our EV/IC valuation, we created a scatter plot of invested capital values versus forecast ROIC estimates for global listed gambling and resorts companies. Thereafter, we applied a linear regression line with the highest R-squared value to the scatter plot. We calculated the implied EV/IC that Sun International should be trading on relative to its peers using the line of best fit coupled with an applied a discount of 30% (differential between large and mid-to-small caps, i.e., liquidity discount) which translated to an implied enterprise value. Our analysis implies an enterprise value of R23bn and an equity value of R16bn.

Figure 155: Regressed EV/IC versus ROIC analysis indicates an EV/IC ratio of 2.4x and an implied EV of R23bn (equity value of R16bn)

EV/IC versus ROIC valuation	EV	IC	ROIC	EV/IC
SJM Holdings*	49 216	48 692	5%	1.0x
Sands China*	35 980	9 595	21%	3.7x
Las Vegas Sands*	52 241	20 235	17%	2.6x
Red Rock Resorts*	7 880	3 051	21%	2.6x
Penn Entertainment*	5 682	16 539	7%	0.3x
Melco Resorts*	12 838	8 451	9%	1.5x
MGM Resorts*	18 704	42 446	4%	0.4x
Wynn Resorts*	19 754	12 244	9%	1.6x
Boyd Gaming*	9 166	5 490	17%	1.7x
Caesars Entertainment*	22 523	30 993	9%	0.7x
Sun International	**23 249**	9 554	17%	2.4x
Net Debt	-7 024			
Equity Value	**16 225**			
Shares	250			
Fair Value	**65**			
Liquidity discount	30%			
	50			



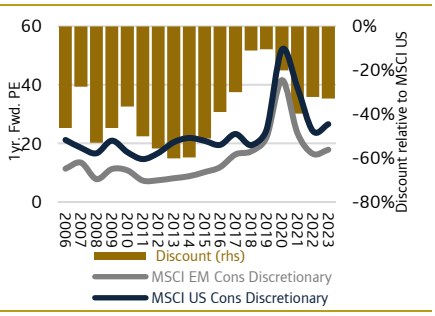
Source: SBG Securities analysis and estimates and Company financials, *EV and IC in USD

Forward relative PE multiple: R53

We utilised an applied forward PE multiple methodology, using SBGS' SUI earnings forecast. The global peer group has an average 12-month forward PE of 25x over 15 years, although these peers benefit from a valuation premium based on their domiciled exchanges. We found that the MSCI Emerging Markets consumer discretionary has traded at a discount of approximately 35% to the MSCI US consumer discretionary over the past 20 years. Therefore, by discounting the peer group multiple by approximately 35%, we arrived at an implied 12-month forward PE of x14. Based on this, we arrived at a PE multiple of 14x, which implies a fair value of R68. Additionally, we applied a liquidity discount of 30%, resulting in a future value of R53.

Figure 156: 1 yr. Fwd. PE valuation summary. On the right-hand side: 1yr Fwd. PE (MSCI Consumer Discretionary – EM versus US) and discount %

Relative PE Valuation	FY'22A	FY'23E	FY'24E	FY'25E	3yr CAGR
Forecasted Diluted HEPS	439	480	511	572	
% y/y		9%	6%	12%	9%
Rolled Forecasted Diluted HEPS		489	529	589	
% y/y		11%	10%	15%	
Forward PE		14			
Fair Value (ZAR'm)		**68**			
		30%			
Future Value		**53**			



Source: SBG Securities analysis and estimates and Company financials

EV/EBITDA relative multiple: R57

We utilised a sum-of-the-parts EV/EBITDA methodology to value the different segments of the company: Urban Casinos, Sun Slots, SunBet, and Resorts and Hotels. To determine the appropriate multiples, we looked at a peer group of five companies for each division.

Historically, the MSCI Emerging Markets one-year forward EV/EBITDA has traded at a discount of around 30% to MSCI US consumer discretionary. Based on the peer group analysis, we found that the average 15-year one-year forward EV/EBITDA multiples for the Urban Casinos and Sun Slots segments were 8.7x and 9.8x, respectively, while the Resorts and Hotels segment had an average multiple of 13.63x. However, for SunBet, we did not apply the discount, as we believe it will unwind quickly considering its exponential growth in EBITDA.

This led us to an implied one-year forward EV/EBITDA of 6.1x for Urban Casinos and Sun Slots, and 9.5x for Resorts and Hotels, resulting in a future value of 73.9. Considering that approximately 70% of Sun International's shares are held by long-term investors, we then applied a liquidity discount of 30%, which reflects the differential between large-cap and mid- to small-cap stocks. As a result, we arrived at a future value of R57. Our implied blended EV/EBITDA is 6.8x.

Figure 157: 1 yr. Fwd. EV/EBITDA SOTP valuation summary

	Rolled Adj. EBITDA	Adj. EBITDA % y/y	Adj. EBITDA Margin	12-month EV/EBITDA	EV
Casinos	2 607	6%	36%	6.1	15 807
Sun Slots	481	6%	24%	6.1	2 915
SunBet	178	63%	17%	9.8	1 743
Resorts and Hotels	531	12%	18%	9.5	5 066
Total					**25 531**
Net debt					-7 023
Equity Value					**18 507**
Shares in issue					250
Future value (before liquidity discount)					**74**
Liquidity discount					30%
Future value					**57**

Source: SBG Securities analysis and estimates and Company financials

Figure 158: 1 yr. Fwd. EV/EBITDA- Peer Group summary

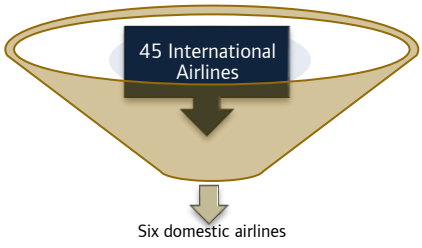
Casinos and Sun Slots	EV/EBITDA	Betting	EV/EBITDA	Resorts and Hotels	EV/EBITDA
Las Vegas Sands	9.9	Flutter Entertainment	14.2	Marriott International	14.0
MGM Resorts International	7.7	Entain	7.5	Hilton Wordwide Holdings	15.4
Wynn Resorts	7.9	888	8.1	InterContinental Hotels Group	12.8
Galaxy Entertainment		Kindred Group	9.4	Wyndham Resorts and Hotels Inc	13.2
Melco Resorts and Entertainment	9.1	GVC Holdings		AccorHotels	12.8
Peer Average	**8.7**		**9.8**		**13.6**

Source: SBG Securities analysis and estimates and Company financials

Investment risks

- **Regulatory adjustment on licences:** GrandWest Casino previously held exclusive rights spanning 75km in the Western Cape region. However, in July 2021, the Western Cape High Court ruled that these rights were unconstitutional, reducing GrandWest's licence to a 25km radius. The judgement favoured Tsogo Sun as it facilitates a potential relocation to Helderberg in Strand. It is expected that the relocation of Tsogo Sun could result in a decline in revenues and market share for GrandWest Casino. Nonetheless, management is of the view that the impact will not be significant.
- **Smoking ban legislation probable**: Management is anticipating that the bill will be passed in the medium term. We do not anticipate the bill to be passed before the 2024 elections. Management has advised that following the passage of the bill, it expects revenue to decrease by between 12% and 20%, with recovery anticipated within two years, based on empirical evidence.
- **Domestic airline bottleneck could delay return of international tourists**: Although South Africa has over 45 international airlines flying daily, the domestic airline industry is limited to only six airlines since Comair ceased operating British Airways and Kulula. Consequently, international tourists may have difficulty reaching their destinations, and the reduced number of domestic airlines could lead to higher flight prices. This could deter international tourists and impede the recovery to pre-pandemic levels.
- **Weaker rand to support tourism demand.** We believe a weaker rand this year will have a double-edged effect on tourism. International tourists will find it much cheaper to travel to South Africa and receive more value for their money. For locals as it is becoming more expensive to travel outside South African borders, they will end up considering exploring more local destinations.
- **Load-shedding:** Management notes that the impact on Limited Payout Machines (LPMs) is a challenge, with site owners likely requiring additional support to ensure that their primary businesses are sustained, in turn, supporting the LPM business. However, we anticipate load-shedding could increase casino footfall.

Figure 159: South Africa's airline base – international and domestic. South Africa's limited domestic airline industry may impede tourism recovery



Source: Domestic flight South Africa and airports company South Africa

Appendix A: Management profile

Anthony Leeming (Chief Executivie)

Anthony was appointed as the chief financial officer and an executive director of the board with effect from 1 March 2013. Anthony is a director of various Group companies including SIML, where he was appointed on 1 July 2009 with responsibility for the Group's corporate and SIML finance and has been integrally involved in all aspects of the Group's financial affairs. He has over 14 years' experience in the hotels, resorts and gaming industries, having joined the Group in 1999 as the Group financial manager. Anthony was appointed as the Chief Executive of the Sun International Group with effect from 1 February 2017.

Norman Basthdaw (Chief Financial Officer)

Norman was appointed as the chief financial officer and an executive director of the board with effect 24 March 2017. He is a director of various Group companies. Prior to his appointment, Norman was the Group Executive: Mergers and Acquisitions at Sun International from March 2013. He is a qualified chartered accountant by profession and holds a B Compt (Hons), CTA, CA (SA) as well as an M Com and a Higher Diploma in Company Law. Norman's prior experience includes senior corporate finance and finance positions at, among others, ABSA Bank Limited, Gensec Bank Limited a subsidiary of Sanlam, Genbel Securities Limited and Allied Electronics Corporation Limited. He has also been instrumental in Sun International's expansion into Latin America

Andrew Johnston (Group Company Secretary)

Andrew is a qualified and admitted attorney having served as a senior executive and group company secretary of several large public-listed companies in South Africa over the past 29 years. He holds BA, LLB, FCIS and Post Graduate Diploma in Environmental Law qualifications and was a member of the Accounting and Auditing Task Force of The King Committee responsible for implementing the third King Report on Corporate Governance for South Africa. In addition, Andrew serves as a member of the JSE Company Secretary Forum and was previously a member of The International Corporate Governance Network (ICGN) Remuneration Committee and the CRISA Committee.

Graham Wood (Chief Operating Officer - Hospitality)

Graham has 24 years of experience in the Hospitality & Gaming Industry including financial, commercial, operational management and strategic eadership roles. Most notably, Graham held the positions of Director of Operations: Sun City Resort (2003 – 2007) and Divisional Director Resorts (Designate) in 2008, prior to his appointment as Managing Director of Tsogo Sun Group – Hotels (formerly known as Southern Sun Hotels). Graham was appointed Chief Operations Officer: Hospitality at Sun International in February 2020.

Verna Robson (Director: Group Human Resources)

erna Robson was appointed Group Executive HR at Sun International in February 2015. Prior to this she worked as the Group HR Manager. She has been an HR executive since 2008 when she became the HR business partner at ABSA Wealth. She got her professional start as a Group Industrial Relations Manager at First Rand Bank. Verna has a B.Proc Law from the University of the Witwatersrand.

Mike Wilson (Director: Business support management)

Mike joined Sun International in 2013 and was appointed as Director of Business Support in 2020. Before joining Sun International, he worked as CFO at Purple Capital from 2007 to 2013 and at Consolidated Power Projects from 2006 to 2007. His career began in 1992 at PwC, after which he worked for Mavern Technologies from 2000 to 2002 and Macsteel International from 2002 to 2006.

Muxe Mambana (Director, Internal Audit)

Muxe Mambana has been at Sun Internationa for 8 years. In 2020, he was appointed Director (Internal Audit) but joined in 2015 as Group Internal Manager. Previously, Muxe worked for Sizwentsaluba Gobodo, Ubank and Deloitte. He started off his career in 2009.

Khati Mokhobo (Director: Strategic projects)

Khati has been at Sun International for 18 years. In 2013, he was appointed as the Executive Director (Strategic Projects). He joined the group in 2005 as the Director of New Business Development. Prior to that, he worked for various companies, including Gobodo Forensics and Investigative Accounts and Deloitte, spanning over 33 years.

Botlhale Maditse (Director: SIML Finance)

Bothabile joined Sun International in 2019. She has extensive experiece in Finance having working for seven companies (Department of Home Affairs, ITAC, Airport Logistics Property Holdings, Airport company South Africa, Standard Bank, FNB and ABSA) over a period of 16 years.

Appendix B: Smoking ban empirical evidence

Figure 160: Impact of smoking ban in casinos in developed and less developed countries

Developed Countries	Date implemented	Revenue change in the first year after ban	Years to Recover
Las Vegas (USA)	Dec-06	4.6%	6 to 12 months
Atlantic City (USA)	Apr-07	19%	Two to three years
Scotland (UK)	Mar-06	12%	Two to three years
Windsor (CAD)	Jan-06	6%	6 to 12 months
Ontario (CAD)	May-06	13%	One to two years
Illinois (USA)	Jan-08	23%	Two years
Pennsylvania (USA)	Sep-09	16%	Two to three years
Delaware (USA)	Nov-02	13%	One to two years
Average decline		**13%**	
Emerging and Developing Countries			
Buenos Aires (Argentina)	Dec-11	15.7%	Two to three years
Sau Paulo (Brazil)	Aug-09	20.7%	One to two years
Lima (Peru)	Mar-06	10%	One to two years
Montevideo (Uruguay)	Mar-06	4.6%	6 to 12 months
Mendoza (Argentina)	Jun-11	10.6%	One to two years
Cairo (Egypt)	Jun-07	20.7%	Two to three years
Panama City (Panama)	Mar-09	20%	Two to three years
San Jose (Costa Rica)	Mar-12	20%	Two to three years
Average decline		**15%**	

Source: US News, CNBC, The New York Times

Appendix C: Financial statements

Figure 161: Income statement

INCOME STATEMENT	FY:20A	FY:21A	FY:22A	FY:23E	FY:24E	FY:25E	FY:26E	FY:27E
Net gaming wins	5 065	6 632	8 997	10 370	11 256	12 129	12 989	13 828
Revenue	989	1 180	2 305	2 529	2 718	2 902	3 074	3 261
Other Income	0	522	0	0	0	0	0	0
INCOME	**6 054**	**8 334**	**11 302**	**12 899**	**13 974**	**15 031**	**16 064**	**17 089**
Consumables and services	-667	-789	-1 193	-1 288	-1 224	-1 163	-1 105	-1 049
Depreciation and amortisation	-921	-863	-828	-991	-1 067	-1 148	-1 237	-1 331
Employee costs	-1 612	-1 674	-2 146	-2 318	-2 445	-2 560	-2 680	-2 806
Impairment of assets	-1 257	0	0	0	0	0	0	0
Levies and VAT on casino income	-1 164	-1 568	-2 146	-2 473	-2 685	-2 893	-3 098	-3 298
LPM site owners commission	-258	-362	-438	-575	-656	-705	-721	-741
Promotional and marketing costs	-272	-341	-464	-580	-696	-800	-880	-968
Property and equipment rentals	-12	-26	-62	-71	-77	-82	-88	-94
Property costs	-618	-729	-850	-1 044	-1 122	-1 280	-1 432	-1 583
Net impairment (losses)/gains on financial assets	32	-10	-11	0	0	0	0	0
Other operational costs	-683	-663	-721	-741	-1 028	-1 121	-1 269	-1 363
Time Square settlements	0	0	0	0	0	0	0	0
Total Operating Expenses	**-7 432**	**-7 025**	**-8 859**	**-10 081**	**-10 999**	**-11 754**	**-12 510**	**-13 234**
Operating profit/(loss)	**-1 378**	**1 309**	**2 443**	**2 818**	**2 975**	**3 278**	**3 554**	**3 855**
Foreign exchange losses	-269	-30	-71	0	0	0	0	0
IFRS 9 extinguishment adjustment	-43	43	0	0	0	0	0	0
Finance income	17	45	20	24	24	25	26	27
Finance expense	-941	-609	-515	-522	-529	-536	-543	-550
Change in estimated redemption value of put option	1 007	-184	-510	0	0	0	0	0
Share of profit of investments accounted for using the equity method	2	0	1	0	0	0	0	0
Profit/(Loss) before tax	**-1 605**	**574**	**1 368**	**2 320**	**2 470**	**2 767**	**3 037**	**3 332**
Tax	417	-192	-603	-696	-741	-830	-911	-1 000
Profit/(loss) for the year from continuing operations	**-1 188**	**382**	**765**	**1 624**	**1 729**	**1 937**	**2 126**	**2 333**
Loss for the year from discontinued operations	-1 235	-2	0	0	0	0	0	0
Profit/(loss) for the year	**-2 423**	**380**	**765**	**1 624**	**1 729**	**1 937**	**2 126**	**2 333**
Profit/(Loss) for the year attributable to:	**-2 423**	**380**	**765**	**1 624**	**1 729**	**1 937**	**2 126**	**2 333**
Minorities	-594	117	210	438	467	523	574	630
Ordinary shareholders	**-1 829**	**263**	**555**	**1 186**	**1 262**	**1 414**	**1 552**	**1 703**

Source: SBG Securities analysis and estimates and Company financials

Figure 162: Balance sheet

BALANCE SHEET	FY:20A	FY:21A	FY:22A	FY:23E	FY:24E	FY:25E	FY:26E	FY:27E
Non-Current Assets	**11 595**	**11 445**	**11 669**	**12 200**	**12 782**	**13 406**	**14 064**	**14 747**
Property, plant and equipment	9 333	9 091	9 054	9 621	10 237	10 894	11 581	12 293
Intangible assets	956	902	818	781	747	715	685	657
Other non-current assets	1 306	1 452	1 797	1 797	1 797	1 797	1 797	1 797
Current Assets	**1 748**	**1 686**	**1 822**	**1 912**	**2 013**	**2 120**	**2 230**	**2 371**
Inventory	100	88	118	127	121	115	109	104
Trade and other receivables	1 110	1 224	1 130	1 202	1 302	1 400	1 496	1 592
Cash and cash equivalents	538	374	546	555	563	577	596	648
Other urrent assets	0	0	28	28	28	28	28	28
Non-current assets held for sale	26	26	55	55	55	55	55	55
TOTAL ASSETS	**13 369**	**13 157**	**13 546**	**14 167**	**14 850**	**15 581**	**16 348**	**17 173**
EQUITY AND LIABILITIES								
CAPITAL AND RESERVES	1 462	1 716	2 032	**2 487**	**2 961**	**3 499**	**4 088**	**4 733**
Ordinary shareholders' equity before put option reserve	3 001	3 293	3 643	3 951	4 279	4 646	5 049	5 492
Put option reserve	-1 286	-1 286	-1 286	-1 286	-1 286	-1 286	-1 286	-1 286
Ordinary shareholders' equity	1 715	2 007	2 357	**2 665**	**2 993**	**3 360**	**3 763**	**4 206**
Minorities' interests	-253	-291	-325	-178	-32	138	324	527
NON-CURRENT LIABILITIES	**8 429**	**8 200**	**7 802**	**7 930**	**8 010**	**8 090**	**8 170**	**8 250**
Borrowings	7 047	6 716	5 914	6 042	6 122	6 202	6 282	6 362
Trade payables and accruals	0	0	127	127	127	127	127	127
Other non-current liabilities	1 382	1 484	1 761	1 761	1 761	1 761	1 761	1 761
CURRENT LIABILITIES	**3 478**	**3 241**	**3 712**	**3 750**	**3 879**	**3 993**	**4 091**	**4 190**
Borrowings	1 377	1 242	1 538	1 510	1 530	1 550	1 570	1 590
Trade payables and accruals	1 849	1 827	2 014	2 080	2 189	2 282	2 361	2 440
Other current liabilities	252	172	160	160	160	160	160	160
Non-current liabilities held for sale	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	**11 907**	**11 441**	**11 514**	**11 680**	**11 889**	**12 082**	**12 261**	**12 440**
TOTAL EQUITY AND LIABILITIES	**13 369**	**13 157**	**13 546**	**14 167**	**14 850**	**15 581**	**16 348**	**17 173**

Source: SBG Securities analysis and estimates and Company financials

Figure 163: Cash Flow Statement

CASH FLOW STATEMENT	FY:20A	FY:21A	FY:22A	FY:23E	FY:24E	FY:25E	FY:26E	FY:27E
Operating profit/(loss) – continuing operations	-1 425	1 309	2 443	2 818	2 975	3 278	3 554	3 855
Operating loss – discontinued operations	-1 486	-2	0	0	0	0	0	0
Adjustments for non-cash transactions	**3 393**	**315**	**655**	**991**	**1 067**	**1 148**	**1 237**	**1 331**
Working capital changes	-144	-73	44	-15	15	1	-12	-11
CASH GENERATED BY OPERATIONS BEFORE:	**434**	**2 158**	**3 637**	**3 794**	**4 057**	**4 427**	**4 778**	**5 174**
Tax paid	-94	-449	-436	-696	-741	-830	-911	-1 000
CASH GENERATED BY OPERATING ACTIVITIES	**340**	**1 709**	**3 201**	**3 098**	**3 316**	**3 597**	**3 867**	**4 175**
Purchase of property, plant and equipment	-440	-550	**-922**	**-1 548**	**-1 677**	**-1 804**	**-1 928**	**-2 051**
Investment income received	2	4	7	24	24	25	26	27
Purchase of listed shares	0	0	-374	0	0	0	0	0
Net disposals/(acquisitions)	2 210	18	-83	26	28	31	34	37
CASH FLOWS FROM INVESTING ACTIVITIES	**1 772**	**-528**	**-1 372**	**-1 498**	**-1 624**	**-1 748**	**-1 868**	**-1 986**
(Decrease)/increase in cash and cash equivalents	-256	-195	174	9	7	14	20	52
Foreign currency effect	5	31	-2	0	0	0	0	0
Cash and cash equivalents at beginning of the year	789	538	374	546	555	563	577	596
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	538	374	**546**	**555**	**563**	**577**	**596**	**648**
Cash held by discontinued operations	0	0	0	0	0	0	0	0
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	538	374	**546**	**555**	**563**	**577**	**596**	**648**

Source: SBG Securities analysis and estimates and Company financials

Companies Mentioned (Price as of 21 Mar 2023)
Sun International (SUIJ.J, R38.65, FVVR R50 -R57)
Kindred Group (KINDsdb.ST, 112,5 SEK, Not Covered)
Intercontinental Hotels Group (IHG.L, 5384 GBX, Not Covered)
Red Rock Resorts (RRR.O, 43.29 USD, Not Covered)
888 Holdings (888.L, 60.3 GBX, Not Covered)
Wyndham Hotels Resorts (WH, 69.94 USD, Not Covered)
Entain (ENT.L, 1238 GBX, Not Covered)
Boyd Gaming (BYD, 61.93 USD, Not Covered)
Marriott International (MAR.O, 167.76 USD, Not Covered)
Wynn Resorts (WYNN.O, 108.19 USD, Not Covered)
Melco Resorts Entertainment ADR 1:3 (MLCO.O, 12 USD, Not Covered)
Hilton Worldwide Holdings (HLT, 140.86 USD, Not Covered)
SJM Holdings (0880.HK, 3.73 HKD, Not Covered)
Flutter Entertainment (FLTRF.L, 14320 GBX, Not Covered)
Sands China (1928.HK, 26.6 HKD, Not Covered)
Las Vegas Sands (LVS, 55.16 USD, Not Covered)
MGM Resorts International (MGM, 42.68 USD, Not Covered)
Tsogo Sun Gaming (TSGJ, J, 11.7 ZAR, Not Covered)
City Lodge Hotels (CLHJ.J, 3.9 ZAR, Not Covered)
Southern Sun (SSUJ.J, 6.65 ZAR, Not Covered)
Galaxy Entertainment Group (0027.HK, 50.8 HKD, Not Covered)
Caesars Entertainment (CZR.O, 44.45 USD, Not Covered)

Disclosure Appendix

Analyst Certification and Important Disclosures

Analyst(s) Certification(s)

The following analyst/s: Ya'eesh Patel, Tinashe Hofisi certify, with respect to the companies or securities under analysis, that (1) the views expressed in this report accurately reflect their personal views about all of the subject companies and securities and (2) no part of their compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report. SBG Securities Analyst receive compensation that is based, in part, on the overall firm revenues, which include investment banking revenues.

Important Global and U.S. Disclosures

See the Companies Mentioned section for full company names.

SUIJ.J	Closing	Future Value	Coverage
Date	**Price**	**Valuation Range**	

Analysts' stock ratings are defined as follows*:

Future Value Valuation Range (FVVR): The expected valuation range over a 12 months horizon based on a variety of valuation methods such as Relative PE, Enterprise Value to EBIDTA, Warranted Price-to-Book or Discounted Cash Flows, that SBG Securities believe the subject company may attain over the investment horizon.

Restricted (R): In certain circumstances, Standard Bank Group policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of SBG Securities' and/or Standard Banks Group's engagement in an investment banking transaction and in certain other circumstances.

Not Covered: SBG Securities Equities Research does not cover the issuer or offer an investment view on the issuer or any securities related to it. Any communication from Research on securities or companies that SBG Securities does not cover is factual or a reasonable, non-material deduction based on an analysis of publicly available information or consensus forecasts.

Analyst's coverage universe weightings are distinct from Analyst's stock ratings and are based on the expected performance of an Analyst's coverage universe* versus the relevant broad market benchmark**:

**An analyst's coverage universe consists of all companies covered by the Analyst(s) within the relevant sector.

SBG Securities' distribution of stock ratings is:

Global Ratings Distribution as of 22 March 2023	BUY	SBUY	Hold	Sell	RESTRICTED
All Recommendations (%)	52.1	6.8	27.4	9.4	4.3
Recommendations with investment Banking Relationships (%)	8	0	3	0	20

*For purposes of the FINRA ratings distribution disclosure requirements, our stock ratings of BUY, HOLD, and SELL most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

SBG Securities' policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

SBG Securities' policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please contact the Legal and Compliance Division of SBG Securities' and request their Policies for Managing Conflicts of Interest in connection with Investment Research.

SBG Securities does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for (SUIJ.J)

Methods: We used four valuation methods to determine our Future Value Valuation Range: 1) Discounted Cash Flow (DCF); 2) 12 Month Forward PE; 3) 12 Month Forward EV/EBITDA and 4) EV/IC. For the DCF model, we assumed a 10.15% risk-free rate, which is indicated by 10-year government bonds. We also assumed a 4.3% nominal long-term growth rate, in line with Standard Bank Research long-term CPI forecasts, and a risk premium of 6%. For the 12 Month Forward PE, we used a peer group of companies listed in the US and applied discounts of 35%, respectively, to get an implied multiple for Famous Brands. We determined these discounts by comparing the MSCI EM consumer discretionary as a proxy for South Africa with MSCI US consumer discretionary. We then applied a liquidity discount of 30% to further discount the future value. For 12-month forward EV/EBITDA sum of the parts method, we used four segments of the business (Urban Casinos, Sun Slots, SunBet, and Resorts and Hotel). To determine the appropriate multiples, we looked at a peer group of five companies for each segment. We discounted peer multiple for all segments by 30% (MSCI EM trades at a discount to MSCI US), but for SunBet, we kept the multiple unchanged as we believe it will unwind swiftly considering the SunBet's exponential EBITDA growth rate. In the EV/IC valuation, we created a scatter plot of invested capital values versus forecast ROIC estimates for global listed restaurant companies. We then applied a linear regression line with the highest R-squared value to the scatter plot and calculated the implied EV/IC that Famous Brands should be trading on relative to its peers using the line of best fit. We applied a liquidity discount of 30% (differential between large and mid-to-small caps), which translated to an implied enterprise value.

Risks: Investment risks include regulatory adjustments on exclusivity licenses, smoking legislation, domestic airline bottlenecks potentially delaying the return of international tourists, a weaker rand, and load-shedding

To the extent this is a report authored in whole or in part by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors:

If you received this research report from Standard New York Inc., a US broker-dealer affiliate of the Standard Bank Group registered with the SEC and a FINRA Member, it is third party research.

The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analysts listed below may not be associated persons of ICBC Standard Securities Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ya'eesh Patel, Tinashe Hofisi, Non-U.S. Analyst(s) is a (are) research analyst(s) employed by SBG Securities.

Important Standard Bank Disclosures

Company	Disclosure
Sun International	H

A:	The analyst, a team member, a member of the analyst's household or a team member's household serves as an officer, director or advisory board member of the subject company
B:	The company beneficially owns 5% or more of the equity shares of Standard Bank Group
C:	Standard Bank Group beneficially owns 1% or more of the equity shares of the company*
D:	The company is or has been the client of Standard Bank Group in the past 12 months
E:	Standard Bank Group has lead managed or co-lead managed a public offering of securities in the Company or any related derivatives in the last 12 months
F:	Standard Bank Group has received compensation for investment banking services from the company within the last 12 months
G:	Standard Bank Group expects to receive, or intends to seek, compensation for investment banking services from the company during the next 3 months
H:	Standard Bank Group has sent extracts of this research report to the subject company prior to publication for the purpose of verifying factual accuracy. Based on information provided by the subject company, factual changes have been made as a result.
I:	Analyst or a member of their household holds long or short personal positions in a class of common equity securities of this company
J:	Standard Bank Group is a market maker or liquidity provider in the financial instruments of the relevant issuer or any related derivatives
K:	Standard Bank Group provided non-investment banking services, which include Sales and Trading services, to the subject company within the past 12 months
L:	Standard Bank Group has received compensation for products and services other than investment banking services from the subject company within the past 12 months
M:	Standard Bank Group beneficially owns 5% or more of the equity shares of the Company*
N:	The Analyst has received compensation from the company in the past 12 months

O: The analyst, a team member, a member of the analyst's household, a member of the team member's household, any person who has pre-publication reviewing responsibilities with regard to the research report, or any person who had/has access to the pre-published report, has confirmed to be aware or has reasons to be aware of other material conflict of interests that have the ability to influence the content of this research report- Employees or members of the Board of Directors of the Standard Bank Group and/or any other employee that works for Standard Bank Research (i.e. the research department of the Standard Bank Group) and/or members of the Group Board (pursuant to relevant domestic law) could be members of the Board of Directors of the analysed company. Members of the Board of Directors of the analysed company hold office in the Board of Directors of Standard Bank Group (pursuant to relevant domestic law). The application of this key "O" is limited to persons who, although not involved in the preparation of the analysis, had or could reasonably be expected to have had access to the analysis prior to its dissemination to customers or the public.

** Disclosures are correct as of 2023-03-14*

** Based on SBGS trading information*

Company Specific Disclosures for Compendium Reports: Important Disclosures, including price charts are available for compendium reports and all SBG Securities and Standard Bank Group covered companies by emailing ResearchCompliance@standardbank.co.za or calling +2711 415 4272 with your request. Standard Bank Group's Strategy, Technical, and Quantitative Research teams may screen companies not covered by Standard Bank Group. For important disclosures for these companies, please call +2711 415 4272 or e-mail ResearchCompliance@standardbank.co.za

For full conflict disclosures on all companies under coverage by Standardbank Research (including SBG Securities which is the Institutional Brokerage of Standard Bank Group) please follow this link

Recipients who no longer wish to receive such research reports should call +27 (11) 415 4272 or email SBGSEquityResearchSupport@sbgsecurities.com

This report may include references to Standard Bank Group Limited's research recommendations. For further information and for published Standard Bank reports in their entirety, please visit the website at http://research.standardbank.com/

Distribution in the United States: This publication is intended for distribution in the U.S. solely to U.S. institutional investors that qualify as "major institutional investors" as defined in Rule 15a-6 under the U.S. Exchange Act of 1934 as amended, and may not be furnished to any other person in the United States. Each U.S. major institutional investor that receives these materials by its acceptance hereof represents and agrees that it shall not distribute or provide these materials to any other person. Any U.S. recipient of these materials that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this document, must contact and deal directly through a US registered representative affiliated with a broker-dealer registered with the U.S. Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA). In the U.S., Standard Bank Group [SBG] has a subsidiary, Standard New York Inc. located at 520 Madison Avenue, 28th Floor, USA. Telephone +1 (212) 407 5000 which is registered with the SEC and is a member of FINRA and SIPC.

Important Regional Disclosures

Companies that are not subject of this report are mentioned for illustrative purposes only. We are not commenting on the investment merit of the securities of these companies.

Singapore recipients should contact a Singapore financial adviser for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company within the past 12 months. Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is n ot affiliated with SBG Securities should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Taiwanese Disclosures: This research report is for reference only. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. Reports may not be reprinted without permission of SBG Securities. Reports written by Taiwan-based analysts on non-Taiwan listed companies are not considered recommendations to buy or sell securities under Taiwan Stock Exchange Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers.

Disclaimers continue on next page.

Protection of Personal Information Consent

Standard Bank Group, its subsidiaries and associate companies (SBG Securities) have committed to treat the personal information that it collects as private and confidential and has published a comprehensive privacy statement accessible on this link. Should you wish to withdraw your consent to the processing of your personal information kindly email ResearchCompliance@standardbank.co.za

Client:	means, for the purpose of this section, any natural or juristic person acting through their duly authorise representative(s), who has subscribed to or consented to being subscribed to receiving research Services
Personal Information:	means information relating to an identifiable, natural or juristic person, including information relating to race, gender, sex, marital status, nationality, ethnic or social origin, colour, sexual orientation, age, physical or mental health, religion, belief, disability, language, birth, education, identity number, telephone number, email, postal or street address, biometric information and financial, criminal or employment history as well as correspondence sent by the person that is implicitly or explicitly of a private or confidential nature or further correspondence that would reveal the contents of the original correspondence.
Process:	means any operation or activity, whether automated or not, concerning Personal Information, including collection, receipt, recording, organisation, collation, storage, updating, modification, retrieval, alteration, consultation, use, dissemination (whether by means of transmission, distribution or making available in any form), merging, linking, blocking, degradation, erasure or destruction.
Research Reports:	means investment research reports, in relation to the Services, prepared by an independent research analyst, non-independent research analyst or strategist who is part of an investment research team in a stock brokerage, global markets desk or corporate and investment bank environment.
Services:	means, *inter alia*, the provision of the Research Reports and other communications and events with respect to equities, market strategy, companies, industries, commodities and countries and associated sales and trading commentary by SBG Securities

Consent for Processing Personal Information

The Client acknowledges that:

1 Applicable law may at times require SBG Sec to collect the Client's Personal Information;

2 Personal Information may be collected from public sources;

3 SBG Sec may be unable to fulfil its regulatory obligations and provide Services to the Client without Processing the Client's Personal Information;

4 All Personal Information which the Client provides to SBG Sec is voluntarily provided;

5 SBG Sec shall determine the Services and means of Processing any Personal Information that is provided by the Client;

6 Personal Information may be processed by SBG Sec and/ or, The Standard Bank of South Africa Limited and/or its associated entities or duly authorised third-party service providers.

7 The Client consents to SBG Sec processing its Personal Information in order to:

7.1 create and administer the Client's profile as contemplated by regulation;

7.2 carry out statistical and other analysis to identify potential markets and trends;

7.3 develop new products and services; and/or

7.4 any other purpose SBG Sec reasonably believe is required to fulfil its obligations in accordance with regulation or this agreement.

8 The Client has consented to the Processing of its Personal Information for the purpose of clause 7 above.

9 The Client hereby expressly consents that SBG Sec may disclose to or share its Personal Information with duly authorised third parties, which may be located in the Republic of South Africa or other jurisdictions, where it is necessary in order for SBG Sec to fulfil its obligations in accordance with the regulation and/or this agreement.

10 SBG Sec will require any third-party service providers to whom the Client's Personal Information is provided to agree to SBG Sec' data privacy principles policy and practices in accordance with the prevailing regulations including data privacy laws.

Disclaimer and Confidentiality Note

SBG Securities Proprietary Limited ("SBG Sec") is a wholly owned subsidiary of the Standard Bank Group Limited, an authorised use of the JSE Limited ("JSE") and an authorised Financial Service Provider (FSP No. 26691) The information, tools and material presented
in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. This report has been prepared by SBG Securities
for information purposes only without regard to your needs or investment objectives. SBG Securities will not treat recipients as its this report constitutes investment, tax or any advice. Further this report does not make any presentation of investment or strategy that the bases and levels of taxation may change. All statements of facts in this report has been obtained and compiled in good faith from sources believed to be reliable source. However, no representation or warranty, express or tacitly is made by SBG Sec with respect to the completeness or accuracy of the material in the report, thus it is not to be relied upon as authoritative and should not be taken in substitution for the exercise of reasoned, independent judgement by you. SBG Securities accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to SBG Securities.
This report is not to be relied upon in substitution for the exercise of independent reasoned judgment. SBG Securities may have issued, and may in the future issue, a trading call regarding this security. In addition, SBG Securities may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the Analysts who prepared them and SBG Securities is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. SBG Securities may be involved in businesses that relate to companies mentioned in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by SBG Securities and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADRs, the values of which are influenced by currency volatility effectively assume this risk. Investments discussed in this report may have a high level of volatility.
High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. SBG Securities accepts no liability whatsoever for the actions of third parties.
The document may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the document refers to website material of SBG Securities. Such address or hyperlink (including addresses or hyperlinks to website material SBG Securities) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document.
SBG Securities has not reviewed the linked website(s) page. Equally, except to the extent to which the document refers to website material of SBG Securities, SBG Securities takes no responsibility for, and makes no representations or warranties whatsoever as to the data and information contained therein. Accessing such website or following such link through the document or the website of SBG Securities shall be at your own risk and SBG Securities shall have no liability arising out of or in connection with, any such referenced website. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. This report was originally prepared by SBG Securities for distribution to SBG Securities and Standard Bank Group to qualified investors in accordance with their jurisdiction requirements. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the PRA or in respect of which the protections of the PRA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report. In jurisdictions where Standard Bank Group is not already registered or licensed to trade in securities, transactions will only be effected in accordance with the applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements".
SBG Securities Research may not be distributed to the public media or quoted or used by the public media without the express written consent of the Group.

V1.1

.

SBG Securities Coverage and Contacts

Heads of Equity Research

Marc Ter Mors (Head of Equity Research)	(27 11) 415 4265
Muyiwa Oni (West Africa)	(234 1) 422 8667

Sector Heads

Tim Clark (Metals and Mining)	(27 11) 415 4295
Rey Wium (Consumer)	(27 11) 415 4250
Marc Ter Mors (Industrials)	(27 11) 415 4265
Nadim Mohamed (TMT)	(27 11) 415 4253
Charles Russell (Financials)	(27 11) 415 4649

Macro

Elna Moolman (SA Economics, Team Head)	(27 11) 415 4543
Jibran Qureishi (Africa ex-SA, Team Head)	(254 20) 363 8138
Blessing Oladipo (West Africa)	(234 1) 422 7576

Strategy

Deanne Gordon (Head SA Strategy)	(27 21) 712 0875
Adele Fermoyle (SA Strategy)	(27 11) 415 4429
Penny Byrne (ESG)	(27 11) 415 4177

Sector and Company Research

South Africa

Financials

Charles Russell (Banks, Team Head) (27 11) 415 4649
Charles.Russell@sbgsecurities.com
Abonga Mvovo (Junior Analyst) (27 11) 415 4271
Abonga.Mvovo@sbgsecurities.com
Mweisho Nene (Real Estate) (27 11) 415 4655
Mweisho.Nene@sbgsecurities.com
Pranita Daya (Real Estate) (27 11) 415 4622
Pranita.Daya@sbgsecurities.com

Retail

Ya'eesh Patel (27 11) 415 4261
Yaeesh.Patel@sbgsecurities.com
Tinashe Hofisi (27 11) 415 4266
Tinashe.Hofisi@sbgsecurities.com

Construction and Materials

Marc Ter Mors (27 11) 415 4265
Marc.Termors@sbgsecurities.com
Tumi Makoah (27 11) 415 4263
Tumi.Makoah@sbgsecurities.com

Diversified Industrials

Marc Ter Mors (27 11) 415 4265
Marc.Termors@sbgsecurities.com
Tumi Makoah (27 11) 415 4263
Tumi.Makoah@sbgsecurities.com

Healthcare and Pharmaceuticals

Anuja Joshi (27 11) 415 4254
Anuja.Joshi@sbgsecurities.com

South Africa (continued)

TMT

Nadim Mohamed (27 11) 415 4253
Nadim.Mohamed@sbgsecurities.com

Consumer

Rey Wium (Lux/Bev/Tob, Team Head) (27 11) 415 4250
Rey.Wium@sbgsecurities.com
Sumil Seeraj (Food) (27 11) 415 4256
Sumil.Seeraj@sbgsecurities.com

Metals and Mining

Tim Clark (Metals & Mining, Team Head) (27 11) 415 4295
Tim.Clark@sbgsecurities.com
Adrian Hammond (Gold, Platinum) (27 21) 401 2885
Adrian.Hammond@sbgsecurities.com
Thabang Thlaku (Diversified Miners, Steel) (27 11) 415 4015
Thabang.Thlaku@sbgsecurities.com
Ntuthuko Sithole (Junior Analyst) (27 11) 415 4110
Ntuthuko.Sithole@sbgsecurities.com

Chemicals

Adrian Hammond (27 21) 401 2885
Adrian.Hammond@sbgsecurities.com

Forestry & Paper

Tim Clark (27 11) 415 4295
Tim.Clark@sbgsecurities.com

Corporate Commissioned Research

Nic Dinham
Nic.Dinham@sbgsecurities.com

David Kinsey (27 11) 415 4122
David.Kinsey@sbgsecurities.com

Sub Saharan Africa (Ex-South Africa)

Financials

Muyiwa Oni (West Africa) (234 1) 422 8667
Muyiwa.Oni@stanbicibtc.com

Consumer

Fola Abimbola (West Africa) (234 1) 422 8667
Fola.Abimbola@stanbicibtc.com
Olayinka Adesanya (West Africa) (234 1) 422 7374
Olayinka.Adesanya@stanbicibtc.com

TMT

Tracy Kivunyu (East Africa) (254 700) 385 540
KivunyuT@stanbic.com

Infrastructure and Materials

Olayinka Adesanya (West Africa) (234 1) 422 7374
Olayinka.Adesanya@stanbicibtc.com

Oil and Gas

Olayinka Adesanya (West Africa) (234 1) 422 7374
Olayinka.Adesanya@stanbicibtc.com

Equity Sales

South Africa

Nick Higham	(27 11) 415 7018
Graham York	(27 21) 670 6423
Abi Ajisafe	(27 21) 415 7020

Sub Saharan Africa (Ex-South Africa)

Gregory Waweru (East Africa)	(254 20) 363 8948
Vinita Kotedia (East Africa)	(254 78) 867 1735
Idris Toriola (West Africa)	(234 1) 422 8501

North America

Luca Del Conte (1 917) 946 5716

United Kingdom, Europe

Francis Harcus (44 744) 705 7250

Sales Trading

South Africa

Selvan Kistnasamy (Head Equities)	(27 11) 415 7013
Tom Gale	(27 11) 415 7023
Kagiso Matlala	(27 11) 415 7021
Jesse van Rensburg	(27 11) 415 7040
Tokelo Khambule	(27 11) 415 7814
Alexander Ferrer	(27 11) 415 7024
Richard Juchniewicz	(27 11) 415 7125

West Africa

Bunmi Olarinoye (CE)	(234 1) 422 8392
Afolabi Gbenro (Head Sales Trading)	(234 1) 422 8382
Peter Abe	(234 1) 422 8380
Akinsola Arikawe	(234 1) 422 8329
Abimbola Moronkola	(234 1) 422 8330

East Africa

Gregory Waweru (CE)	(254 20) 363 8948
Eric Ogechi	(254 20) 363 8961
Augustine Misoka	(254 20) 363 8960
Edna Maathai	(254 20) 363 7321
Nicholas Kimuli (Uganda)	(256 031) 222 4972