

Sun International Limited
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Share code: SU1
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LEI 378900835F180983C60

UNAUDITED INTERIM GROUP FINANCIAL RESULTS AND INTERIM CASH DIVIDEND DECLARATION for the six-month period ended 30 June 2023

KEY GROUP HIGHLIGHTS

INCOME

up 11.7%
to R5.8 billion

BASIC EARNINGS

up 81.9%
to 171 cents per share

HEADLINE EARNINGS

up 86.0%
to 173 cents per share

ADJUSTED HEADLINE EARNINGS

up 10.1%
to 197 cents per share

INTERIM DIVIDEND

up 68.2%
to 148 cents per share

INTRODUCTION

Sun International has delivered another set of exceptional results for the first half of 2023, building on its strong performance achieved in 2022. Income for the six-month period ended 30 June 2023 was up 11.7% to R5.8 billion compared to the prior period. Despite a significant increase in diesel costs and other cost pressures, disciplined cost management contributed to adjusted EBITDA being up by 5.6% to R1.6 billion. Adjusted headline earnings improved from R444 million to R482 million, with adjusted headline earnings per share increasing by 10.1% from 179 cents per share to 197 cents per share for the review period.

Gaming income, which makes up 78.0% of group income, showed continued sustained growth with income up 6.6%. Despite the difficult economic climate and increased competition, casino income proved resilient and increased by 3.2%. Sun Slots' operations were impacted by load shedding with income slightly behind the prior comparative period. SunBet generated record income during the review period, up 138.4% on the first half of 2022 and is well on its way to achieving the aggressive growth targets set for this business.

Resorts and hotels income achieved exceptional growth, increasing by 26.9% during the review period.

The adjusted EBITDA margin was impacted by an increase in net diesel costs of R60 million and the relatively higher growth in income from resorts and hotels which operates at a structurally lower margin than urban casinos. Overall, the adjusted EBITDA margin reduced from 28.7% in 2022 to 27.2%. Excluding the impact of the net diesel costs attributable to load shedding, the group would have achieved a 28.2% adjusted EBITDA margin, broadly in line with the first half of 2022. A renewable energy strategy is being implemented to protect margins and ensure energy security.

Our net external interest increased by 40.3% from the prior comparative period as a result of JIBAR increasing by approximately 3.5%. The reduction in minorities' share of earnings is attributable to the strong performance of our wholly owned subsidiaries, namely Sun City and SunBet.

The group is in a strong financial position with South African debt (excluding IFRS 16 lease liabilities) at R5.9 billion which remains in line with debt levels at 31 December 2022, with debt to adjusted EBITDA at 1.8 times. The debt levels take into account the payment of the 2022 final dividend of R632 million declared but paid in the review period. Overall the group returned R922 million of capital to shareholders in respect of the 2022 financial year, including the interim dividend, final dividend and share buy-back programme.

In line with Sun International's dividend strategy to provide its shareholders with an appropriate, sustainable pay-out over the long term while maintaining a targeted debt to adjusted EBITDA ratio of two times and a dividend pay-out ratio of 75% of adjusted headline earnings per share on a sustainable basis, the board has resolved to pay a gross interim cash dividend of 148 cents per share totalling R388 million.

OPERATIONAL HIGHLIGHTS

For urban casinos and resorts and hotels, we have enhanced our disclosure to refer to adjusted EBITDA pre-management fees as this more clearly reflects their contribution to the group.

Urban casinos

We continue to focus on customer acquisition and retention, customer experience and margin improvement and have made considerable investments in each of these areas. Despite a challenging operating environment due to load shedding and the resultant increase in diesel costs, income was up 4.2% with adjusted EBITDA of R1.1 billion for the review period. The adjusted EBITDA margin of 34.7% was down 2.8% on 2022.

Certain of our assets within our urban casino portfolio, which have previously encountered challenges, are currently experiencing significant growth. During the review period, Time Square has shown remarkable progress with a 7.9% increase in adjusted EBITDA to R287 million. The addition of the mall at Boardwalk has contributed notably to the successful turnaround of this property.

During the first half of the year, we continued to focus on driving cost mitigation strategies, including the launch of renewable energy programmes across our properties.

SunBet

SunBet has continued its strong growth trajectory and is exceeding its 5-year targets. Overall, income was up 138.4% for the period. Adjusted EBITDA increased from R14 million during the prior comparative period to R90 million in the review period, a 542.9% increase, underscoring the ground-breaking milestones for the business.

Active players continued to grow with additional games being offered and the overall player experience being enhanced.

At the end of the review period, we achieved substantial growth across our key performance indicators against 2022, which included:

- unique active players up 702.8%;
- first time depositors up 469.2%; and
- deposits up 216.2%.

SunBet offers the group significant and exciting growth potential, with the added advantage of the business model being self-funding and capex light. With this in mind, we continue to invest in people and marketing in order to significantly increase our share of the fast-growing online gaming market. We have made significant improvements regarding first time registrations, customer deposits and withdrawal processes as well as an overhaul of the customer contact centre. Our customers are now able to interact with us seamlessly and we are well positioned operationally for higher volumes of business.

We continue to leverage the Sun International brand, presence and loyalty offering to attract and retain players while positioning SunBet to be the most trusted and responsible online gaming operator in southern Africa. In a highly commoditised online industry, our competitive advantage lies in our ability to add value to the offering through the wider Sun International stable. We have increased our market share and are on track to achieve our target of greater than 10% by 2026.

We are on a focused journey to grow our current operating market and launch into new markets, as the online model is easily portable to new geographies. In this regard, we have made steady progress in preparing for the launch of operations in Ghana, Zambia and Kenya, which have attractive long term growth potential. We anticipate that we should be fully operational in these markets in the first half of 2024.

Resorts and hotels

Total resorts and hotels income was up 26.9% to 1.4 billion on the prior comparative period. Adjusted EBITDA was up 64.4% to R314 million from the R191 million in the prior period, which is an exceptional improvement. The adjusted EBITDA margin of 22.0% reflects a substantial improvement from the 17.0% achieved in 2022 and represents meaningful progress towards the long-term target for the group.

We continue to experience a strong recovery in both international and local business in the resorts and hotels segment of the group. Domestic leisure, conferencing and sports and events revenues continue to grow while international leisure business recovered strongly in the review period. Rooms and food and beverage revenue achieved exceptional growth, increasing by 45.1% on 2022, while average occupancy for accommodation increased from 57.0% to 66.8% for the period under review.

Sun City continues to achieve exceptional performance following the restructure and streamlining of its operations, along with the resorts strong appeal to the South African market. Additionally, the Table Bay Hotel experienced a significant surge in demand from international markets, leading to robust growth in both occupancies and room rates.

Sun Slots

During the review period, Sun Slots was significantly impacted by load shedding, and income reduced from R730 million to R717 million, while adjusted EBITDA reduced from R191 million to R166 million.

As noted above, load shedding remains the major contributor which is negatively impacting this business. This has resulted in a decline in game play and footfall at Sun Slots' sites which was the major contributor to the lower-than-expected results during the period. A number of interventions have been deployed to counter the impact of power outages which result in less game time.

Group debt

The group is in a strong financial position with South African debt (excluding IFRS 16 lease liabilities) at R5.9 billion which remains in line with debt levels at 31 December 2022. Our South African debt to adjusted EBITDA and interest cover of 1.8 times and 5.7 times respectively, are well within our lenders' covenants of less than 3.25 times and greater than 3.0 times respectively. This was despite the group paying a gross final cash dividend during the review period of R632 million for the year ended 31 December 2022, experiencing a heightened interest rate environment and committing to its full capex programme for the period. This is evidence of the strong cash generation by the group as well as its prudent allocation of capital. We continue to prioritise increasing free cashflows and disciplined capital allocation to maximise shareholder value within a set of fundamental capital allocation principles. Our balance sheet is in a strong position with unutilised facilities of R2.3 billion.

Outlook

Although economic conditions in South Africa and the environment in which we operate remains challenging, our business has proven to be resilient, and we anticipate that we will continue to improve earnings in the second half of the year.

Our balance sheet remains strong, and we are focused on efficiencies as we look to protect and grow our income and margins. SunBet is achieving record numbers in terms of income and all key indicators and will deliver another step change this year as this business continues to scale at a rapid pace. Our resort and hotel properties have continued to perform exceptionally well, and we anticipate another good year from them in 2023. Urban casinos and LPM operations are demonstrating continued resilience despite the tough operating environment.

With the strong momentum that we have achieved and having the right leadership in place, we will ensure that our strategy continues to deliver the required results.

INTERIM DIVIDEND DECLARATION

Notice is hereby given that the board has declared a gross interim cash dividend of 148 cents (118.40000 cents net of dividend withholding tax) for the six-month period ended 30 June 2023 being a 68.2% increase on the prior period's 88 cents, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The dividend has been declared from reserves and therefore does not constitute a distribution of 'contributed tax capital' as defined in the Income Tax Act, 58 of 1962. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 262 052 195 ordinary shares. The salient dates for the interim dividend will be as follows:

| | |
|---------------------------------------|------------------------------|
| Declaration date | Monday, 11 September 2023 |
| Last day to trade cum dividend | Tuesday, 26 September 2023 |
| Shares commence trading 'ex' dividend | Wednesday, 27 September 2023 |
| Record date | Friday, 29 September 2023 |
| Payment date | Monday, 2 October 2023 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 September 2023 and Friday, 29 September 2023, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on 2 October 2023. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. Where the transfer secretaries do not have the banking details of any certificated shareholders, the cash dividend will be held in the trust by the transfer secretaries pending receipt of the relevant certificated shareholder's banking details after which the cash dividend will be paid via electronic transfer into the personal bank account of the certificated shareholder.

Sun International's tax reference number is 9875/186/71/1

FINANCIAL OVERVIEW

| R million | 30 June 2023 | % | Restated* 30 June 2022 |
|--|-----------------|--------|------------------------------|
| Income | 5 785 | 12 | 5 181 |
| Adjusted EBITDA | 1 571 | 6 | 1 487 |
| Depreciation and amortisation | (424) | 4 | (441) |
| Adjusted operating profit | 1 147 | 10 | 1 046 |
| Foreign exchange losses | (11) | <(100) | (4) |
| Net interest | (299) | (31) | (229) |
| Net external interest | (261) | (40) | (186) |
| Loss relating to the interest rate swaps | - | 100 | (1) |
| IFRS 16 interest | (38) | 10 | (42) |
| Adjusted profit before tax | 837 | 3 | 813 |
| Taxation | (237) | 4 | (247) |
| Adjusted profit after tax | 600 | 6 | 566 |
| Minorities | (118) | 3 | (122) |
| Adjusted headline earnings | 482 | 9 | 444 |
| Adjusted headline earnings adjustments | (60) | 72 | (213) |
| Headline earnings | 422 | 83 | 231 |
| Headline earnings adjustments | (4) | <(100) | 1 |
| Basic earnings | 418 | 80 | 232 |
| Basic earnings (cents per share) | 171 | 82 | 94 |
| Headline earnings (cents per share) | 173 | 86 | 93 |
| Adjusted headline earnings (cents per share) | 197 | 10 | 179 |
| Interim dividend declared (cents per share) | 148 | 68 | 88 |

* The prior period comparative financial information was restated as per IAS 8, Change in Accounting Policies, whereby insurance receipts and restructuring costs are now included in adjusted EBITDA.

Further information

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement. Any investment decision should be based on the full announcement published on Sun International's website and on the SENS link below. Only the short-form announcement will be available on SENS. The full announcement will be available on the link www.suninternational.com/investors or through this link <https://senspdf.jse.co.za/documents/2023/jse/isse/SUI/HY2023.pdf>

These unaudited condensed interim group financial statements have not been reviewed or audited by Deloitte, the group's statutory external auditor. The group's external auditor has not reviewed or reported on any forecasts included in these unaudited condensed interim group financial statements. The unaudited condensed interim group financial statements are available for inspection at the company's registered office and also available on Sun International's website at www.suninternational.com/investors