

SUN INTERNATIONAL LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1967/007528/06)

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Share code: SUI

LEI: 378900835F180983C60

("Sun International" or the "Company" or the "Group")

ACQUISITION OF THE PEERMONT GROUP AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Sun International is pleased to announce the proposed acquisition of Peermont Holdings Proprietary Limited ("Peermont" or "Peermont Holdings") (the "Proposed Transaction").

1. Introduction

The board of directors of Sun International ("Board") hereby advises shareholders ("Shareholders") that on 14 December 2023 ("Signature Date"), Sun International entered into a sale agreement ("Sale Agreement") in terms of which it will acquire, through its wholly owned subsidiary, Sun International (South Africa) Limited ("SISA"), all of the issued ordinary shares of and any claims on loan account against Peermont Holdings from the shareholders of Peermont Holdings ("Sellers") (collectively, the "Parties") for the Purchase Consideration, as defined and fully described in paragraph 6 below, subject to the fulfilment or, to the extent legally permissible, waiver, of the conditions precedent ("Conditions Precedent") set out in paragraph 9 below. Peermont Holdings and its subsidiaries are referred to as the "Peermont Group".

2. Key Highlights

- Unique opportunity to acquire the world-class and highly cash generative Peermont business
- Purchase price enterprise value of R7 300 million
- Implied acquisition EV/EBITDA multiple of 5.76x
- Fully debt funded with comfortable pro-forma gearing
- Expected to rapidly de-gear, allowing the combined group's equity value to significantly increase
- 62.54% of Sun International shareholders have provided written indications of support for the Proposed Transaction

3. Strategic Merits of the Proposed Transaction

- Land-based casinos, underpinned by the flagship Emperors Palace Resort, will enhance the quality of earnings and cash flow generation of the Group
- Increase in the contribution of land based and online gaming revenue to the combined group
- Opportunity to leverage off Sun International's proven SunBet management team's expertise to accelerate and further grow the online and sports betting business through extending the Group's omnichannel strategy across a scaled customer base
- Ability to leverage off combined synergies to drive margin enhancement opportunities and capital efficiency
- Ability to conclude a transaction of scale, rapidly de-gear and maintain a dividend pay-out

- The combination of Sun International and Peermont provides a compelling equity story, through increased scale, a larger enterprise value and greater capital markets visibility

4. Description of the Peermont Group

- 4.1. The Peermont Group is a leading hospitality and entertainment group of companies which operates 11 properties located across the Republic of South Africa (“**South Africa**”) and the Republic of Botswana (“**Botswana**”), in addition to the online sportsbook, PalaceBet.
- 4.2. Founded in 1995, the Peermont Group has developed an excellent track record in the design, development, management, ownership and operation of multifaceted integrated resorts, including hotels, casinos, convention centres, retail centres, health spas, restaurants, bars and other sport and entertainment facilities. This track record and differentiated approach bodes well as a further addition to the Sun International stable.
- 4.3. The Peermont Group’s flagship asset is Emperors Palace Hotel Casino Convention and Entertainment Resort (“**Emperors Palace**”), a leading gaming destination in Gauteng offering a world-class casino property, complemented by four unique hotels, a health and beauty spa, various dining options, entertainment venues, including a state-of-the-art cinema complex, and world-class conference facilities. Furthermore, it is ideally situated close to the OR Tambo International Airport, a travel hub for those entering South Africa.
- 4.4. Emperors Palace represents a significant proportion of the value of the Peermont Group and has achieved an average EBITDA margin (before accounting for management fees) of c.40% in the past four years (excluding the 2020 financial year which was impacted by the global Covid-19 pandemic). This is similar to the historical performance of some of Sun International’s largest casino operations and demonstrates the quality of the property.
- 4.5. Collectively, the Peermont Group’s physical properties offer 3 349 slot machines, 152 gaming tables and 1 636 hotel rooms. The details of the Peermont Group’s current operations are set out in the table below:

Property	Location	Gambling Jurisdiction	Property Type	Slot Machines	Gaming Tables	Hotel Category	Rooms
South Africa							
Emperors Palace	Kempton Park	Gauteng	Casino resort	1 695	69	Five, four and three star	757
Graceland	Secunda	Mpumalanga	Casino resort	271	16	Four star	98
Mmabatho Palms	Mafikeng	North West	Casino resort	155	8	Four star	-
Khoroni	Thohoyandou	Limpopo	Casino resort	150	8	Three star	107
Rio	Klerksdorp	North West	Casino resort	274	12	Three star	70
Umfolozi	Empangeni	KZN	Casino resort	292	12	Three star	44
Frontier	Bethlehem	Free State	Casino resort	152	6	Three star	21
Thaba Moshate	Burgersfort	Limpopo	Casino resort	160	10	Three star	82
Botswana							
Grand Palm	Gaborone	Botswana	Casino resort	150	11	Four and Three star	337

Sedibeng	Francistown	Botswana	Casino resort	50		N/A	53
Mondior	Gaborone		Stand-alone hotel	-	-	Four star	67
Total				3 349	152		1 636

4.6. Peermont Holdings' consolidated historical earnings before interest, tax, depreciation and amortisation ("**EBITDA**") was:

4.6.1. R1 056.2 million for the year ended 31 December 2022;

4.6.2. R549.0 million for the six months ended 30 June 2023; and

4.6.3. R1 165.5 million for the twelve months ended 30 June 2023.

4.7. Furthermore, as per Peermont Group management's estimates, the EBITDA from continuing operations for the year ending 31 December 2023 is estimated to be R1 268.0 million.

5. Rationale for the Proposed Transaction

5.1. Sun International has, over the last six years, repositioned itself from a highly geared hospitality and gaming group operating across several regions in Africa and Latin America, to a simplified and locally empowered South African-focused, cash generative business with disciplined capital allocation principles.

5.2. As per recent results, the Group generated EBITDA of R3 306 million and R1 571 million for the year ended 31 December 2022, and six months ended 30 June 2023, respectively. This strong performance has increased available capital, in the form of available borrowings and cash, for the Group to consider long-term strategic initiatives.

5.3. The Group is now in the advantageous position of being able to utilise this available capital to implement value accretive acquisitions at an attractive point in the cycle, and therefore has identified certain opportunities in the South African market, including acquisitions of scale such as the Proposed Transaction.

5.4. The Proposed Transaction represents a unique opportunity for Sun International to acquire a group of gaming and hospitality assets of significant scale and quality, which is aligned with Sun International's growth strategy, thereby enabling the Company to:

5.4.1. in relation to Emperors Palace, operate one of the largest, most cash generative, high-quality casinos situated in a major metropolitan area which is least affected by load shedding. With its unique proximity to the OR Tambo International Airport, Emperors Palace offers a gateway to high net-worth customers from the rest of Africa and abroad. This customer base will drive opportunities for synergies with the rest of the Group's operations, including hotels and resorts, as well as the online sports and gaming business, thereby creating large scale benefits for Sun International;

5.4.2. bolster its omnichannel strategy by leveraging its current core operations to enhance alternative gaming revenue streams through exposure to a broader customer base and alternative revenue streams such as conferencing and hotels;

- 5.4.3. increase its scale of operations and market share in an attractive provincial jurisdiction with the highest gambling spend in South Africa;
 - 5.4.4. advance the Group's strategic intent to focus its portfolio on large urban casinos with the ability to drive value-enhancing strategies across smaller regional assets and online growth;
 - 5.4.5. implement combined best practice across all operations to enhance potential cost efficiencies and optimise capital expenditure utilisation; and
 - 5.4.6. increase the depth at each of the Group's various staff and management levels while bolstering the industry specific critical skills base.
- 5.5. The Proposed Transaction is envisaged to enhance the Group's online business platform with opportunities for growth by extending Sun International's proven SunBet management team's reach across the Peermont Group's assets. In addition, extending the Group's omnichannel strategy across a scaled customer base unlocks operating leverage across revenues, marketing reach, payment processing efficiencies and game liquidity.
- 5.6. The Peermont Group has a demonstrated track record of success over the past 25 years, including its participation in the development and management of Emperors Palace. Peermont continues to be agile and responsive to the dynamic operating environment and this agility will bolster the current operational excellence of Sun International and assist in the smooth integration of the combined group's operations.
- 5.7. A large contributor to the success of the Peermont Group is its entrepreneurial management team who are extensively experienced in the South African casino industry together with a high performing staff base. Sun International is of the belief that the shared expertise of the staff and management of the combined group will result in mutual benefits and efficiencies post implementation of the Proposed Transaction. Further, the combined group creates more opportunities for its staff through the creation of a larger group with diverse operations.
- 5.8. The combination of Sun International and the Peermont Group is expected to generate strong cash flows given the quality of the portfolio of diversified assets and provide returns to Sun International's locally empowered South African shareholder base.

6. Purchase Consideration

- 6.1. The purchase price payable in cash to the Sellers will be determined with reference to an enterprise value ("**EV**") of the Peermont Group of R7 300 million, less net debt and certain Sellers' transaction costs and subject to capital expenditure and working capital adjustments, if applicable, calculated at the Closing Date (as defined in paragraph 10.4 below) of the Proposed Transaction, estimated to amount to approximately R3 236 million as at 30 September 2023 (being the last quarter end of the Peermont Group before the Signature Date) and shall adjust according to movements in items such as net debt during the period between the date of this announcement and the Closing Date ("**Purchase Consideration**").
- 6.2. To the extent that the actual EBITDA achieved by the Peermont Group for the year ending 31 December 2023 is less than R1 235 million, the Purchase Consideration will be reduced by the differential between R1 235 million and the actual EBITDA for the year, multiplied by four.

- 6.3. The EV implies a transaction EV/EBITDA multiple of 5.76x relative to the estimated EBITDA for year ending 31 December 2023 for the Peermont Group of R1 268 million, as noted in paragraph 4.7 above.
- 6.4. The Company will withhold from the Purchase Consideration paid to the Sellers on the Closing Date, an amount equal to R150 million as a provision for any adjustments to be made to the Purchase Consideration in respect of net debt, normalised working capital, capital expenditure and certain transaction costs, with any balance being payable to the Sellers upon such amounts being finally determined with reference to the Closing Date of the Proposed Transaction.

7. Capital Allocation

- 7.1. Sun International will effectively assume all the external debt owed by the Peermont Group at the Closing Date (other than that debt settled as part of the Reorganisation described in paragraph 8 below) approximating R4 024 million as at 30 June 2023. It is the intention of Sun International to refinance these facilities from funding to be received from its existing lenders.
- 7.2. The Purchase Consideration will be funded by new debt facilities, estimated to result in Sun International's South African debt levels as at 30 June 2023 of R5 926 million increasing to approximately R13 186 million, calculated on a *pro forma* basis, after the implementation of the Proposed Transaction.
- 7.3. At the Closing Date of the Proposed Transaction, it is estimated that the gearing levels of the Group will initially increase to approximately 2.6x, after which Sun International expects de-gearing to levels below 2.0x, within approximately 24 - 36 months.
- 7.4. The Board remains committed to the continued return of capital to Shareholders and therefore intends retaining the ordinary dividend policy of a 75% dividend pay-out ratio when the net debt to EBITDA ratio is below 2.0x, and a reduced 50% pay-out ratio when the net debt to EBITDA ratio is above 2.0x. It will, nevertheless, continue to proactively assess the Group's performance and macro risk factors and is prepared to take a more conservative approach to protect the balance sheet should the situation warrant it.
- 7.5. It is the Board's belief that the Proposed Transaction is in the best strategic interest of the Group and its Shareholders and it is encouraged by the ability of the Group to conclude an acquisition of this scale, while maintaining its dividend policy.
- 7.6. The financial information in this announcement has not been reviewed and reported on by the Company's auditors.

8. Reorganisation

In order to implement, and as a condition precedent to, the Proposed Transaction, the Parties will conclude an agreement in terms of which, Peermont Holdings and certain of its subsidiaries will be restructured to reduce the overall complexity of the Peermont Group ("**Reorganisation**") prior to its acquisition by Sun International.

9. Conditions Precedent

- 9.1. The implementation of the Proposed Transaction is subject to the fulfilment or, if legally permissible, the waiver of, the following Conditions Precedent, by no later than 17h00 on:

- 9.1.1. 31 March 2024, an appropriate warranty and indemnity insurance policy being concluded between SISA and the relevant insurance provider;
- 9.1.2. 31 March 2024, the requisite majority of Shareholders approving the ordinary resolution ("**Resolution**") required in terms of the Listings Requirements of the JSE Limited ("**JSE**") to give effect to the Proposed Transaction ("**Shareholder Approval**");
- 9.1.3. 31 May 2024, the agreement to give effect to the Reorganisation ("**Reorganisation Agreement**") being concluded and by 15 March 2025 or such other date as extended from time to time ("**Long Stop Date**"), such agreement becoming unconditional;
- 9.1.4. 31 July 2024, the lenders to Sun International consenting in writing to the Proposed Transaction, as may be required under the lending agreements in place between Sun International and its respective lenders;
- 9.1.5. 31 July 2024, the lenders to the Peermont Group consenting in writing to the implementation of the Sale Agreement and the Reorganisation Agreement;
- 9.1.6. the Long Stop Date, to the extent required, the approvals of the Gauteng Gambling Board being obtained;
- 9.1.7. the Long Stop Date, the necessary approvals from the Financial Surveillance Department of the South African Reserve Bank being obtained; and
- 9.1.8. the Long Stop Date, the Proposed Transaction being approved, with or without conditions, to the extent required, by:
 - 9.1.8.1. the competition authorities in Botswana; and
 - 9.1.8.2. the competition authorities in South Africa.
- 9.2. To the extent that any of the regulatory approvals are granted subject to any conditions, then the relevant Condition Precedent shall not be fulfilled unless such conditions are accepted in writing by the Party (acting reasonably) affected by such conditions, unless otherwise agreed to in writing between SISA and the Sellers.
- 9.3. The relevant fulfilment dates for the Conditions Precedent set out above may be extended either by written notice by one Party to the other or by prior written agreement between the Parties, as the case may be, and the Long Stop Date will be automatically extended by 6 months if the South African Competition Commission has issued its recommendation by the Long Stop Date, but the South African Competition Tribunal has not yet ruled on the Proposed Transaction by that date. The Long Stop Date will be further extended to the date which is 24 months after the date of the merger filing should an appeal of any decision of a competition authority be required.

10. Other Terms of the Proposed Transaction

10.1. Warranties and Indemnities

As a Condition Precedent to the Proposed Transaction, SISA will procure an insurance policy in relation to the warranties and indemnities on terms customary for a transaction of this nature.

10.2. Break Fee

In the event that either the Group or the Sellers breach certain of their undertakings or obligations under the Sale Agreement or fail to procure that certain Conditions Precedent within their control are timeously fulfilled (including, but not limited to, in the case of Sun International, not receiving Shareholder Approval as described in paragraph 9.1.2 above, or for any Party acting unreasonably in relation to fulfilling a relevant Condition Precedent) and the Sale Agreement fails to become unconditional as a result thereof, then a break fee becomes payable, in the amount of R75 million if the Sale Agreement lapses within 90 days after the Signature Date (“**Initial Date**”), which amount shall be increased by an amount equal to R16.7 million on the Initial Date and on the same day as the Initial Date in each subsequent calendar month following the month in which the Initial Date occurs, up to a maximum amount equal to R225 million.

10.3. Interim Period Conduct

Each of the Peermont Group and the Sellers shall exercise their respective voting rights and otherwise use their respective commercially reasonable endeavours to ensure that, during the period from the Signature Date to the Closing Date, the business will be carried on in the ordinary and usual course.

10.4. Effective Date

The Proposed Transaction will close and take effect on the last day of the calendar month in which the Sale Agreement becomes unconditional, provided that should that occur after the twentieth day of the relevant month, then closing will take place on the last day of the next calendar month (“**Closing Date**”).

11. Financial Information for the Peermont Group

11.1. The net asset value attributable to Peermont Holdings as at 30 June 2023 was R2 100 million.

11.2. Peermont Holdings’ consolidated historical net profit after taxation was:

11.2.1. R256.8 million for the year ended 31 December 2022;

11.2.2. R68.0 million for the six months ended 30 June 2023; and

11.2.3. R267.9 million for the twelve months ended 30 June 2023.

11.3. The above information was extracted from the reviewed consolidated interim results for the six months ended 30 June 2023 and the audited annual results for the twelve months ended 31 December 2022 of Peermont Holdings, both of which were prepared in accordance with International Financial Reporting Standards and the Companies Act, No. 71 of 2008 (as amended).

12. Details of the Sellers and SISA

12.1. The Sellers of Peermont Holdings are as follows:

- certain funds and accounts managed by GoldenTree Asset Management LP, an employee-owned global asset management fund;
- MIC Leisure Proprietary Limited, a 100% black-owned broad-based investment holding company that was established by the Mineworkers Investment Trust;

- Peermont Holdings' shareholder trusts (Ekurhuleni Peermont Chambers of Commerce Trust, Peermont Community Benefit Trust, Peermont Children's Trust, Peermont Education Trust);
 - members of Peermont Holdings' executive management team (Nigel Atherton, William Gray, David Milne, Charl Fouche, Fihliwe Molefi, Ranjay Harripersadh, Clive Tavener); and
 - other minority shareholders (Vusumuzi Zwane, Mabelindile Luhlabo and DB Consulting International CC (an entity controlled by Danisa Baloyi)).
- 12.2. SISA is the operator of casinos, hotels and entertainment facilities and is a wholly owned subsidiary of Sun International (a level 1 B-BBEE contributor).

13. Irrevocable Undertaking and Letters of Support

- 13.1. Value Capital Partners Proprietary Limited, holding 26.04% of the issued share capital of the Company, has provided an irrevocable undertaking to vote in favour of the Proposed Transaction.
- 13.2. Shareholders holding a further 36.50% of the issued share capital of the Company have provided letters of support to vote in favour of the Proposed Transaction.

14. Categorisation and Circular to Shareholders

- 14.1. The Proposed Transaction constitutes a Category 1 transaction in terms of the JSE Listings Requirements and as such, requires that the Resolution/s be approved by more than 50% of Shareholders present and voting, in a general meeting to be convened for such purpose ("**General Meeting**").
- 14.2. A circular containing full details of the Proposed Transaction, together with a notice convening the General Meeting of the Shareholders to consider and, if deemed fit, pass the Resolution/s necessary to approve and implement the Proposed Transaction, with or without modification, will be distributed to Shareholders in accordance with the timelines under the JSE Listings Requirements.
- 14.3. No related parties as contemplated in the JSE Listings Requirements are involved in the Proposed Transaction.
- 14.4. The Company confirms, for purposes of paragraph 9.16 of the JSE Listings Requirements, that nothing in the constitutional documents of the Peermont Group will, in any way, frustrate or relieve Sun International from its obligations in terms of the JSE Listings Requirements.

15. Withdrawal of Cautionary Announcement

Further to the cautionary announcement published by Sun International on the Stock Exchange News Service of the JSE on 27 November 2023, as the detailed terms of the Proposed Transaction have now been disclosed, the cautionary announcement is hereby withdrawn, and Shareholders are no longer required to exercise caution when trading in the Company's securities.

Johannesburg

18 December 2023

Investment Bank, Corporate Advisor and Transaction Sponsor to Sun International
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Legal Advisor to Sun International
Cliffe Dekker Hofmeyr Incorporated

Tax Advisor to Sun International
Webber Wentzel

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Financial Advisor to the Peermont Group
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Legal, Tax and Competition Law Advisor to the Peermont Group
Bowman Gilfillan Incorporated