



Sun International Limited

Business Update

24 June 2020

Sun International

Situation prior to Covid-19

- Continuous margin improvement over the past few years
- Reduced tax leakage
- Several operations restructured
- Liquidity position significantly improved with strong cash generation
- 2020 trading to mid March reflecting similar trends to 2019 with low revenue growth, margin improvement and earnings growth

Situation from mid March

- Trading slowed significantly prior to lockdown
- All operations in Chile closed from 18 March 2020
- All South African operations closed from 26 March 2020
- Group's operations in Peru, Argentina, Colombia and Panama closed in late March 2020

The SIL Board and Management's response to the crisis has been swift and decisive

A Crisis Task Team comprising of senior executives was immediately constituted

Supported government's initiatives to "flatten the curve"

Ensured effective engagement with government, regulators, partners, customers and staff

Applied on behalf of employees in respect of the UIFTERS benefits

Pro-actively engaged with the company's lenders

Focused on reducing costs and managing working capital

Formulated plans to achieve operational efficiencies and improvements

Start-up operational plans including detailed safety protocols for staff and customers

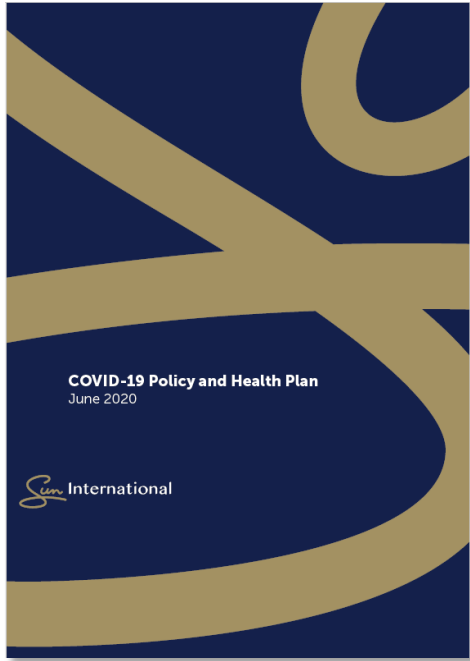
Formulated plans to restructure certain operations and parts of the business

Gave notice to union, staff and regulators on the closure of Naledi and Sun Carousel

Followed a similar approach in Latam



Operational Review



- Announcement on 17 June 2020 that casinos, restaurants, hotels and resorts will be allowed to open
- Regulations still need to be published
- Inter-provincial travel still restricted which will impact the opening of certain properties, e.g. Sun City and Wild Coast Sun
- Properties are in a state of readiness to reopen at short notice

Developed and documented comprehensive health and safety protocols for business units	<ul style="list-style-type: none"> • Collection and protection of personal information, measures to ensure physical distancing, sanitisation and hygiene practices for our people and facilities, provisions for personal protective equipment (PPE) where required, contingencies for the protection of vulnerable individuals, and measures to deal with a potential COVID-19 incident on-site, including contact tracing
Once trading is allowed, operations to commence trading, if viable	<ul style="list-style-type: none"> • It is anticipated that there will be restrictions initially • Although hotels may resume operating, it is still not commercially viable to reopen certain operations, namely: <ul style="list-style-type: none"> ○ Table Bay ○ Maslow Sandton
Level of employees returning to work will depend on business levels	<ul style="list-style-type: none"> • Reduced salaries until trading reaches normalised levels (20% - 30% reduction) • Reduced hours for scheduled workers • Employees not required initially to be temporarily laid off at substantially reduced salaries
Operating costs	<ul style="list-style-type: none"> • Operating costs will be reduced following in-depth engagement with suppliers and service providers

- We anticipate Advanced Alert level 3 regulations under the Disaster Management Act 57 of 2002 to be published incorporating restrictions relating to the resumption of trading of casinos, conference venues, restaurants and hotels which may include restrictions relating to, among others:
 - Crowd control aligned to submissions made by the industry (50% of capacity)
 - Prohibition of on-premises consumption of alcohol
 - Smoking indoors
 - Social distancing
 - Switching off every second slot machine and having shields between slots
 - Limiting the number of tables players
 - Physical barriers between dealers and players
 - MVG only access
- Compliance requirements in respect of increased sanitation and PPE usage
- We anticipate the regulations will be in line with what CASA and the Tourism industry proposed



Unless regulations state otherwise – given the fact that our sites are currently permitted to sell food and or alcohol on a takeaway basis, all LPMs sites are expected to reopen and operate, in line with the following restrictions or requirements

- Limited trading hours for each primary business category that has an LPM licence attached to it
- COVID-19 health and safety protocols pertaining to the primary business
- COVID-19 health and safety protocols pertaining to gambling activities (sanitising of gaming areas/machines, installing machine screens, separating of machines or the deactivation of machines in line with physical distancing)
- Revised internal control and compliance standards already granted by the various provincial regulators

Sun Slots is working with site operators in anticipation of opening

- Sites have been assisted with COVID-19 SMME debt relief applications
- Sites assisted with making formal applications to landlords for rental waivers and deferrals
- All sites have been provided with initial supply of sanitisers
- Standard Operating Procedures have been drawn up for both primary (F&B) and gaming parts of the business
- Assistance to be provided for social media marketing campaigns

- Approximately 27% of our sites, which are classified as restaurants, can be reopened if there is a prohibition of on-premises consumption of alcohol
- Regulators have been cooperative and supportive of reopening plans
- Site licence applications were being processed by regulators during lock down

The restructure will be a difficult process but is vital for the long term survival of our hotel and resort properties given the difficult environment that they will be facing.

In a number of cases we will require gaming board approval

- Anticipated slow start to trading
- Hotel and resort properties will be under pressure for some time
- Significant restructure of our hotel and resort properties planned
- Limited restructure of our gaming operations. However we anticipate significantly reduced hours and or temporary layoffs

Closure of properties	Staffing reduction levels	Smaller gaming units	Gaming operations
<ul style="list-style-type: none"> • Sun Carousel • Naledi 	<ul style="list-style-type: none"> • Sun City - 1183 employees • Boardwalk – 164 employees • Wild Coast – 81 employees • The Table Bay - 183 employees • Maslow Sandton - 141 employees 	<ul style="list-style-type: none"> • Proposed restructure of our smaller gaming units (Meropa, Flamingo, Windmill, Worcester) • Primarily the outsourcing of food and beverage • Certain managerial restructuring 	<ul style="list-style-type: none"> • Proposed changes to gaming operations • Includes combining: <ul style="list-style-type: none"> • <i>IT and Slots technical</i> • <i>Guest service attendants role and guest technical assistant roles & MVG Hosts</i> • <i>Combining count and cashiering</i> • <i>Moving MVG from slots department to marketing</i> • Likely impact on approximately 100 employees

Chile

- Initially operations were closed until 28 March however lockdown was subsequently extended with no date for opening announced at this stage
- Following discussions with the union and staff, salaries were reduced by 50%
- The government is also offering support to companies and employees by allowing companies to suspend the labour contracts while taking care of the social security and health payments
- Management are considering various other alternatives to further reduce employee and other costs

Peru

- Reduced salaries and although we achieved a 50% reduction, with a minimum of Peruvian SOL 1500 per employee this has only reduced payroll costs by 24% due the minimum wage payable
- Discussions are ongoing with the aim to achieve a greater reduction in these costs

Argentina

- Employee costs have been reduced
- Discussions are being held with Hyatt to reduce their charges and fees



Liquidity Position

Focused on preserving our liquidity position

- Paid 40% of normal TCOE in April 2020 plus TERS benefit to all employees other than for certain essential services such as security
- Paid the higher of 40% or the TERS benefit in May and June 2020
- Most service providers and suppliers waived costs, reduced costs or deferred payments
- Engaged with our landlords on rental reductions – Head Office, Table Bay, Maslow Sandton
- Only critical and already committed capex spent
- Costs that could not be eliminated entirely included employee remuneration, rates and taxes, licence costs, security, certain IT software and services, insurance, water and electricity

Management have a proposed number of initiatives to further augment its liquidity position in the medium term, which includes:

- Proposed disposal of land surplus to the Group's requirements – Carnival (R70 million), Carousel (estimated R200 million), Sibaya (R45 million) and Time Square (R64 million)
- Making progress with the disposal of eSwatini (R50 million) and Nigeria
- Deep dive into costs during lockdown and identified savings in a number of areas
- Investigating an alternate gaming system and/or reducing cost of existing system
- Only critical vacancies to be replaced
- Utilising an employer surplus in the provident fund of approximately R289 million over the next 24 months thereby reducing the Company's cash contributions to the fund
- Claiming back taxes paid on free play across the country of approximately R170 million. Have been successful in every legal challenge to date

- The table summarises the approximate cash and amortised costs incurred for payroll and other expenses (excluding depreciation and amortisation) during April and May and the anticipated costs for June 2020
- The reduction in payroll costs in May 2020 is due to the Group paying the higher of 40% of Total Cost Of Employment (“TCOE”) or the Temporary Employee Relief Scheme (“TERS”) benefit whereas in April 2020 employees were paid 40% of TCOE plus the TERS benefit
- Latam anticipated to commence operations in September / October and has sufficient cash available to fund operations until December. Successfully negotiated debt service dererrals and covenant waivers with its lenders

Rm	April 2020	May 2020	June 2020
South Africa	143	110	110
Payroll	73	40	40
Other	70	70	70
Latam	68	57	65
Payroll	36	28	35
Other	32	29	30



Proposed Rights Offer

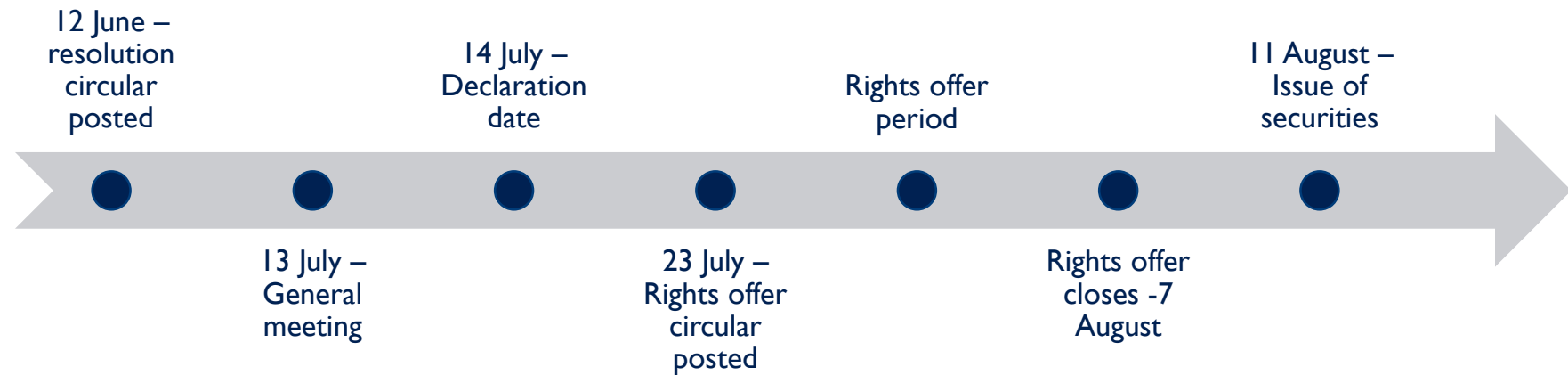
The COVID-19 pandemic is having a material negative impact on the macroeconomic environment with notable implications for the South African GDP outlook and a slow domestic recovery

Although trading conditions are going to be challenging, we are confident that, with the appropriate level of support from shareholders and lenders, the company can trade through this crisis

- Uncertain environment
- Restricted trading conditions
- The rationale for the Proposed Rights Offer is to:
 - Improve Sun International's liquidity position; and
 - Strengthen its balance sheet
- Based on a prudent estimation of when normal trading is likely to resume, the funds raised as a result of the Proposed Rights Offer will be used to ensure that the group not only recovers post the COVID-19 pandemic but is well positioned to create future sustainable value for shareholders

Terms and indicative timelines

Quantum	R1.2 billion
Underwriter	<ul style="list-style-type: none">In discussion with potential underwriters
Underwritten amount	<ul style="list-style-type: none">As above
Pricing	To be announced
Timing for completion	August 2020



Key to obtaining the support for the proposed rights offer from shareholders was the package of concessions negotiated with lenders

Deferrals	
<ul style="list-style-type: none"> Capital payments 	<ul style="list-style-type: none"> Capital payments for 30 June 2020 to March 2021 deferred, resuming on 30 June 2021 The waived amounts will be amortised over the remaining period
<ul style="list-style-type: none"> Interest and dividends 	<ul style="list-style-type: none"> Interest and dividend service will recommence on 31 December 2020, conditional upon: <ul style="list-style-type: none"> Sun International resuming operations (opening of Grand West, Sibaya and Time Square) by 15 November 2020 Sun International's liquidity buffer being at or above R1.2bn, after interest service On 31 March 2021 on an unconditional basis, should the above conditions not be met
Covenants	
<ul style="list-style-type: none"> Current covenants 	<ul style="list-style-type: none"> Waiver of current contractual covenants (Net Debt: EBITDA and Interest Cover) until 30 June 2021
<ul style="list-style-type: none"> Revised covenants 	<ul style="list-style-type: none"> New contractual covenant levels to be agreed by 31 March 2021 for the measurement periods after 31 March 2021
<ul style="list-style-type: none"> Additional covenants to 30 June 2021 	<ul style="list-style-type: none"> A minimum liquidity buffer of R500m (via cash and/or facilities) to be measured every month Failure to resume at least 50% of operations by 1 January 2021 would trigger the right for Lenders to declare an event of default
GBF	<ul style="list-style-type: none"> Convert the on demand GBF to a committed facility until 30 June 2021
Pricing	<ul style="list-style-type: none"> Increase in funding costs



Conclusion

Acquisitions	<ul style="list-style-type: none">• 30% interest in Sun Slots – In discussions with GPI
Disposals	<ul style="list-style-type: none">• Steady progress with the proposed disposals of:<ul style="list-style-type: none">○ Nigeria○ eSwatini
Online gambling	<ul style="list-style-type: none">• Sunbet will commence offering Lucky Numbers, Bet Games and Live Games from July 2020• Well positioned to capitalise on online casino gambling when regulated• Submissions made to DTI to permit land based casinos the right to offer online casino games
Wildcoast licence renewal	<ul style="list-style-type: none">• Extension of licence granted due to the lockdown
Table Bay lease renewal	<ul style="list-style-type: none">• Discussions with landlord ongoing
Boardwalk Mall	<ul style="list-style-type: none">• Parties are in discussions regarding the viability of the project
Western Cape exclusivity	<ul style="list-style-type: none">• The “Relocation Bill” has been published for comment which is due in August 2020• The Tsogo declaratory order was set down and heard on 22 and 23 June 2020 with judgment reserved
Smoking ban	<ul style="list-style-type: none">• No further feedback has been received subsequent to the last submissions made in August 2018
SCJ licence renewals in Chile	<ul style="list-style-type: none">• Draft legislation issued prior to lockdown – industry is engaging on terms for an extension

Sun International is a company with robust fundamentals, quality assets and a proven track record of being capable and resilient in dealing with the challenges that lie ahead

- Costs well managed during lockdown
- Opportunity to realise cash from property and business sales
- Significant savings will be achieved through proposed restructuring
- Significant savings identified in security, house keeping, cleaning, communication and other areas
- Savings from Central Office restructure still to reflect and current vacancies will not be replaced resulting in further savings
- Proposed Rights Offer proceeds and support from banks will ensure sufficient liquidity to see the company through the Covid-19 crisis
- Sun Time Square continued to gain market share prior to lockdown and further growth anticipated
- Group will benefit from a likely extension of the current SCJ licences in Chile
- Solbet online casino launched in Peru
- Online gaming in South Africa could be legalised