# SUN INTERNATIONAL RESULTS 1 JULY TO 31 DECEMBER 2016

*Please note: Sun International has changed its year end to 31 December to align with its Chilean operations' statutory requirements. These year-end results are for the period 1 July to 31 December 2016. The next full financial period will be for the 12 months ending 31 December 2017.*

Sun International today released its results for the period 1 July to 31 December June 2016. The Group grew revenue 31% to R7.7-billion, with the strong growth attributable to the inclusion of Dreams S.A. and GPI Slots' operations for the full period.

South African revenue continued to be impacted by difficult trading conditions and reduced consumer spend. Excluding revenue from GPI Slots, comparable revenue was flat on the back of lower casino revenues. Sun City and the Table Bay continued to benefit from an increase in international tourism which helped boost rooms revenue by 14%.

Revenue growth in Chile slowed over the six months with Sun Dreams' revenue up 1% in local currency. Monticello was impacted by the relocation of the toll road to the Santiago side of Monticello, making it more costly to reach the property, whilst Iquique, which is located in a copper mining region, was impacted by the weak copper price.

Group CE Anthony Leeming said: "*We've made good progress with some key initiatives during the past six months. In particular, the country's second largest casino, Time Square, will open on time and in line with its R4.2-billion budget in April. The Arena will open in September this year and the hotel and conference centre in April 2018. Time Square will be key to our portfolio and to our growth in South Africa*."

"*We increased our interest in GPI Slots to 70% during the period and completed the upgrade of the entertainment and conference centre at Sun City in November 2016*."

EBITDA increased by 24%, however on a comparable basis it decreased by 12%. Interest charges were significantly higher due to the conversion of US Dollar debt in late 2015 to Rand-based debt with higher effective interest rates, R27-million of unamortised debt raising costs expensed on the refinance of the LatAm debt, and the consolidation of the GPI Slots and Dreams S.A. results.

Adjusted headline earnings of R233-million for the period were down 35%. Headline and adjusted headline charges include impairment charges of R208-million of the Carousel and Morula assets as a result of the likely negative impact of Time Square and R61-million (R34-million attributed to the group) of the Sun Nao Casino assets due to continued underperformance. They also include a reduction in the fair value of the put options of R247 million, interest charges of R43-million (R23-million attributable to the group after tax) on the debt raised for the Time Square settlements (with Peermont and Gold Rush), a present value charge of R20-million on the early settlement of the Tsogo note relating to the 10% disposal of SunWest and Worcester.

In addition, headline and adjusted headline charges also included an unrealised forex loss of R80-million (R45-million after tax attributable to the group) on US Dollar-denominated shareholder loans owed by the Federal Palace property in Nigeria, reversal of deferred tax assets of R87-million (R47-million attributable to the group) of Ocean Sun Casino and Sun Nao Casino and amortisation of R104-million of Dreams S.A. intangibles (R41-million after tax attributable to the group).

Prevailing economic conditions negatively impacted the group's core casino operations in South Africa, with casino revenue down 2.7% on the back of a weaker than expected December trading period. While the group's International VIP Gaming Business result was impacted by a low win percentage, GPI Slots continues to trade well, with revenue up 10%.

With comparable revenue (excluding IB and GPI Slots) flat on the prior corresponding period, EBITDA from South African operations was down 8%. EBITDA was also impacted by a R34-million charge relating to the temporary conference centre at Sun City which was used during the renovations.

Lower gaming revenues at GrandWest resulted in a revenue reduction of 2%.  Costs were well managed with the decrease in EBITDA contained to 3%.  An events and exhibition facility has been opened and will help drive significant footfall. Upgrades to the gaming floor have taken place including the establishment of a VIP gaming area.

Total revenue at Sun City increased 7% with gaming revenue up 3% and rooms revenue up 10%. EBITDA decreased by 48%, mainly due to the non- recurring rental cost of R34-million for the temporary conferencing facility. Excluding this, EBITDA would have increased by 1%. Hotel occupancy levels have increased and the conferencing facility is almost fully booked for the 2017 financial year.

At Sibaya, revenue dropped 4% and EBITDA decreased 8%. Costs, excluding gaming levies and VAT, were in line with the previous year. Sibaya will be opening new restaurants and a Sun Park, and an expansion of the gaming area is under review.

Despite increased footfall, gaming revenue at Carnival City declined by 8% largely as a result of a drop in average spend and a 16% drop in tables' revenue. Overall costs excluding gaming taxes were down 1%. EBITDA declined by 18%. Carnival is undergoing a refresh of its retail and food and beverage offering and a Sun Park exhibition and eventing facility has been completed.

Competition from Electronic Bingo Terminal (EBT) operations within the Boardwalk's catchment area and a weak regional economy continue to impact gaming revenues. Revenue decreased by 5% and EBITDA by 24%.  Costs excluding gaming taxes were up by 2%.

In local currency, the Chilean operations (other than Iquique and Monticello) performed satisfactorily. Overall revenue from Chile increased by 1% and EBITDA was down by 1.5%. At Iquique, costs are being reduced which should have a positive impact on margins. At Monticello, the casino system was replaced in July 2016, and a new arena, additional smoking terrace and bar are due to open in June this year.

The bidding process for the Chile municipal casino licences has been delayed following their High Court's decision to hear objections from a number of third parties. As a result of the delay, the municipal licences will be extended to 31 December 2018 in the event a new licence is not ready to operate before then. Sun Dreams is planning on bidding to renew its two licences, as well as bid for additional licences.

Due to the restrictive banking practices in Panama which restrict the Ocean Sun Casino from receiving or paying out money, the VIP operations have been kept to a minimum. This situation was largely resolved towards the end of 2016 which should have a positive impact on trading going forward.

The environment in Nigeria continues to deteriorate and as a result, revenue during the period, decreased by 39% while EBITDA recorded a loss of R1-million compared to the prior corresponding period's R18-million profit. Sun International is pursuing its decision to exit Nigeria.

The group has unutilised borrowing facilities of R1.6 billion and available cash balances of R767-million. Projected capex is R1,666-million to end December 2017, the vast majority of which is for Time Square and Sun City.

Looking ahead Leeming said: "*We expect gaming revenue in South Africa to remain under pressure given economic conditions. However, we do anticipate hotel occupancy to grow for the remainder of the year, boosted by the refurbished conference and entertainment centre at Sun City, where forward bookings for conferences are well up on last year. We are also looking forward to the opening of the casino at Time Square, which we expect will have a positive impact on the group's performance going forward*."

"*In Latin America, the Chilean economy, although still experiencing low GDP growth, is showing signs of improvement with an increase in the copper price and low inflation and interest rates. Although trading in the early part of 2017 has remained subdued, it is expected to pick up towards the end of the year*."

The group's main focus in the immediate future will be to reduce debt and bed down the implementation and integration of recent acquisitions. Taking account of the difficult trading conditions, the need to complete strategic group initiatives (particularly Time Square), and the need to reduce debt, the board decided not to declare a dividend for the period