CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 September 2020

Continuing operations

	Six months ended 30 September 2020 Rm	Six months ended 30 September 2019 Rm	Year ended 31 March 2020 Rm
Income	**1 565**	5 958	11 686
Operating costs	**(1 374)**	(3 978)	(7 681)
Ebitda	**191**	1 980	4 005
Adjusted Ebitda (including leases)	**136**	1 920	3 883
Financing costs (excluding leases and hedge reserve)	**(477)**	(540)	(1 062)
Headline (loss)/earnings	**(543)**	675	1 284
Dividend per share (cents)	**Nil**	26cps	Nil
Capex and investments	**(86)**	(414)	(1 080)
NIBD and guarantees	**R11.8 billion**	R11.2 billion	R11.4 billion
Liquidity – ONL and RCF	**R1.05 billion**		
March 2021 covenant waivers required			

TSOGO SUN
GAMING

Tsogo Sun Gaming Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
Share code: TSG ISIN: ZAE000273116
JSE Alpha code: TSGI
("Tsogo Sun Gaming" or "the company" or "the group")

www.tsogosungaming.com

Commentary

OVERVIEW

The spread of the Covid-19 virus and government's regulatory restrictions such as the curfew, limited capacity and the ban on alcohol sales, had a substantial negative impact on the results for this interim reporting period.

All businesses in the group were closed for the first quarter of the financial period and thereafter opened in a staggered manner, but are not as yet fully operational.

Operating expenses

Operating expenses were tightly controlled during the period and continuing cost saving initiatives should provide sustainable benefits. The group successfully retained as many job opportunities as was possible, even though some processes are still continuing.

Finance costs

Finance costs for the period amounted to R477 million (excluding lease finance costs). The R7.5 billion of interest swaps which are still in place negatively impacted this cost.

Of these hedges, R4.0 billion are however maturing on 30 June 2021, which can potentially realise some interest cost improvement for the group in the next financial year.

Ebitda and headline earnings

Ebitda for the interim reporting period amounted to R191 million (R136 million including lease costs which are now included in depreciation and finance costs in terms of IFRS 16 *Leases*). The headline loss for the period amounted to R543 million.

It is encouraging that for September 2020 the group exceeded R0.6 billion revenue and R0.2 billion Ebitda and reflected a headline profit for the month. Regardless of this turnaround, the group is currently still in a substantial headline loss position.

There are no significant adjustments to headline earnings for the six months ended 30 September 2020.

Net debt

Net interest-bearing debt and guarantees at 30 September 2020 totalled R11.8 billion, which are R400 million above the 31 March 2020 balance of R11.4 billion.

The group's strategy remains to reduce the long-term debt levels thereby decreasing risk and funding costs.

Debt reduction should be accelerated in the second half of the financial year, provided there are no further setbacks relating to restrictive trading conditions.

Casinos

With the significant investment in infrastructure, high employment numbers and staff costs, casinos were not built to operate in a constrained environment, thereby placing severe pressure on the group's cash flow and debt position for the period under review.

The resultant focus on reducing operating expenses was therefore inevitable and this should provide a positive impact on the group's ability to survive, recover and emerge a strong business subsequent to the current crisis.

The 947 radio satellite broadcasting studio and the "Anyone can win a Ferrari" promotion at Montecasino are only some of the exciting new initiatives.

Interactive and technological development and the change in marketing focus are also expected to enhance the casino customer experience. The group's new website was launched in October under tsogosungaming.com and there are other exciting projects in process.

Entertainment facilities such as the Theme Park, theatres, arcades and cinemas remained closed during the reporting period, since it was deemed not viable to operate these businesses. Even though these offerings will reopen in a staggered manner in the second half of the financial year, management does not expect a significant contribution for this financial year.

Fourteen of the group's seventeen hotels were open by October 2020. The negative impact of hotels on Ebitda for these first six months amounted to R33 million.

Bingo

The Bingo division obtained some rental relief from its landlords for the period until September 2020, but rental costs reverted to the full contractual costs from October 2020. There are limited cost savings opportunities in this division.

The trading levels at Bingo sites were also constrained by floor limitations and the curfew.

LPMs

The ban on alcohol and consequential closure of bars and restaurants had a significant detrimental impact on the LPM division. Since the reopening of this sector of the economy, the division has recovered faster than all the other businesses in the group as a result of its low cost base, being a non-operational business and the low number of machines per site making social distancing easier to manage.

Unfortunately the impact of the pandemic was felt with some permanent site closures resulting in not all LPMs being operational as yet (95% at 30 September 2020).

The dedicated management team of the LPM division is pleased to report that in October 2020 the business exceeded the 2020 year end average per month performance for the first time since the pandemic crisis.

Capital expenditure, investments and sale of assets

Capital expenditure of approximately R37 million (excluding capital creditors) included committed projects on hotels from the prior year, the completion of the new exciting 947 studio at Montecasino and unavoidable maintenance capex.

The investment in Bet.co.za is part of the group's strategy to enter the online betting sector as reported previously.

Subsequent to 30 September 2020, the Bingo division concluded acquisitions at a cost of approximately R10 million, whilst the realisation of assets generated R27 million. Capex for the remainder of the year is expected to remain limited to maintenance, machine purchases for LPM roll outs and completion of some projects.

Capex in future must be value adding, gaming and entertainment focused and the amount of capex that is spent on projects be contained as much as is possible. No major projects are planned for the next year.

Investments and/or acquisitions in the industry and the possible sale of non-core assets, will be continuously evaluated and considered where appropriate or feasible.

Prospects

The group currently has a fairly narrow focus brought about by the pandemic, which virtually halted the momentum of the business improvement project which commenced in the prior year.

The cost reduction projects should not only assist in saving the business and preserve employment, but should also reward investors who are willing to remain invested in what the business can deliver post the pandemic. We are positive that the culture of saving has been entrenched with management and staff to deliver a more efficient business.

The month of October delivered a solid performance and a further improvement as a result of the relaxation of the curfew being applicable for the full month.

With reduced levels of revenue due to restricted trading, offset by a lower cost base, only essential capex to be spent and no dividends paid to shareholders, we are of the view that debt levels can be reduced significantly by September 2021. This may be negatively impacted by additional restrictions or acquisition decisions which will require cash.

Regardless of these efforts, the group will at least still be breaching debt covenants by March 2021.

DIVIDEND

The board of directors has resolved not to declare an interim dividend in respect of the six months ended 30 September 2020.

GOING CONCERN

The directors considered the going concern status of the group taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the Covid-19 pandemic.

The cash flow and liquidity projections for the group have been prepared based on current trading conditions extrapolated for a period exceeding 12 months from the reporting date and included performing sensitivity analyses.

After taking the above factors, including the discussions with the lenders, into account, the group considers the going concern method to be appropriate for the presentation of the Condensed Unaudited Consolidated Interim Financial Statements.

The September 2020 covenants have been waived by the lenders. The group still requires the waiver of the expected covenant breaches for March 2021 (and it is possible the group may require the waivers for September 2021) without which, the debt becomes due and payable. In addition, should there be a suspension of trade after 30 November 2020, or the group is not operating cash positive, the group would need to provide a business plan to be approved by the lenders.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with within the Condensed Unaudited Consolidated Interim Financial Statements that would affect the operations or results of the group significantly.

PRESENTATION

Shareholders are advised that a presentation which provides additional analysis and information will be available on the group's website at **www.tsogosungaming.com**.

CG du Toit
Chief Executive Officer

A Hoyer
Chief Financial Officer

19 November 2020