

# Sun International to ride out slow revenue growth

Gambling and hotels group Sun International will continue to look at expansion plans, despite a rocky road ahead, CE David Coutts-Trotter said yesterday.

“We’re going to continue to focus on expansion and renewal of our assets. It is tempting to cut back on these but if you do you tend to miss out at a later stage,” Coutts-Trotter said, following the announcement that a tougher industry outlook had hurt growth in the group’s gambling revenues.

The share price plunged 7,5% to ZAR 116,40 after the release of the results for the six months to December.

Gaming revenue increased 13% to ZAR 2,9bn in the six months to December but revenue growth was slower compared with previous periods, mainly as a result of interest rates and higher inflation. “We’re going to ride this out. There is no real choice. We’re not going to cut back on our revenue-generating opportunities or marketing promotions.

“We’ll just have to focus on overall cost containment,” Coutts-Trotter said.

Hotels contributed ZAR 421m in revenues and Coutts-Trotter said that this had shown more resilience than the gambling business as it was less exposed to interest rates and inflation than gambling.

The group’s earnings before interest, tax, depreciation and amortisation (Ebitda) showed an increase of 14%, while its underlying operating profit dropped from ZAR 908m in the same period last year to ZAR 844m this year, largely due to a black economic empowerment transaction charge of ZAR 182m.

“The empowerment transaction charge of ZAR 182m recognises the difference between the price at which Grand Parade Investments was granted an option over 5% of the equity in SunWest and the estimated fair value,” the company said.

Adjusted earnings per share were up 4% on last year, taking into consideration the dilution experienced from a ZAR 2,3bn share buy-back last year.

Debt increased to just under R6bn while total capital expenditure for the six months was ZAR 456m, including expansion, refurbishment and asset replacement costs.

Coutts-Trotter said “about R1bn” had been earmarked for offshore investments but said that the priorities were the group’s USD 200m casino and accommodation development in Chile and the USD 150m refurbishment of Nigeria’s Federal Palace Towers hotel.

The 40% stake in the Chilean casino project, Mostazal, he said, had cost the group about USD 44m and included a gambling licence covering 70km, including Santiago. The Chilean gambling regulator gave Sun International and its partners, Austrian group Novamatic, the go-ahead for the project in December last year. It is set to open in May next year.

“Our interests in neighbouring countries have been coming through nicely. Previously, people were saying that it was trading lower than our local operations, but it has actually helped us out,” Coutts-Trotter said in light of the local slowdown.

The group has recently employed the services of A-list actress Charlize Theron to promote it .