CHIEF FINANCIAL OFFICER'S REVIEW

Laurelle McDonald, *Chief Financial Officer*

The results presented in this integrated annual report reflect the impact of the group's exposure to the Western Cape and discipled cost control, driving revenue up by 19% and Ebitdar up by 32%.

Annual review

The year under review has been a record one for Southern Sun's profitability, with total income growth of 19%, Ebitdar growth of 32% and Adjusted HEPS growth of 88% to 56.4 cents per share. In addition to buying back just under 10% of the shares in issue in the last year, the group announced the declaration of a maiden dividend of 12.5 cents per share.

Free cash flow of R970 million has been applied to the share buybacks of R617 million as well as expansion capex of R180 million during the financial year, and the balance to the reduction of net debt to R1.0 billion, resulting in a comfortable leverage ratio of 0.7 times Ebitda.

This performance is anchored firstly, through the strict maintenance of the cost efficiencies achieved through the complete restructuring of the group during the Covid-19 period and secondly, through the significant exposure of the owned portfolio of hotels to the Western Cape and particularly the City of Cape Town, which has enjoyed a strong tourism, business travel and event-related year.

Aided by more normalised demand from local and international travellers and strong demand for conferencing and events, group occupancy at 58.6% for the year ended 31 March 2024, has increased by 7.1 percentage points (pp) compared to 51.5% in the prior year but is still 0.7pp below the 59.3% achieved for 31 March 2020, being pre-Covid-19.

This shortfall in occupancy largely relates to hotels in individual nodes, in South Africa and offshore, which have not yet fully recovered but are showing signs of improvement and present a focus area for management.

The group's rooms revenue growth of 23% to R4.1 billion (2023: R3.3 billion) has been supported by ARR growth which has increased by 9% (pre-frequentGuest adjustment) for the year ended 31 March 2024, compared to the prior year and by an encouraging 27% compared to the 2020 financial year.

Similarly, food and beverage revenue is up 15% to R1.5 billion (2023: R1.3 billion), property rental income has grown by 17% to R229 million (2023: R195 million) and other revenue has increased by 15% to R308 million (2023: R268 million excluding the once-off payment of R399 million (R313 million after tax) received from Tsogo Sun Limited (TS) on implementation of the Separation agreement on 30 September 2022 (Separation Payment)).

Combined South African and offshore hotel trading statistics, excluding hotels managed on behalf of third-party owners and those leased by third parties, are as follows:

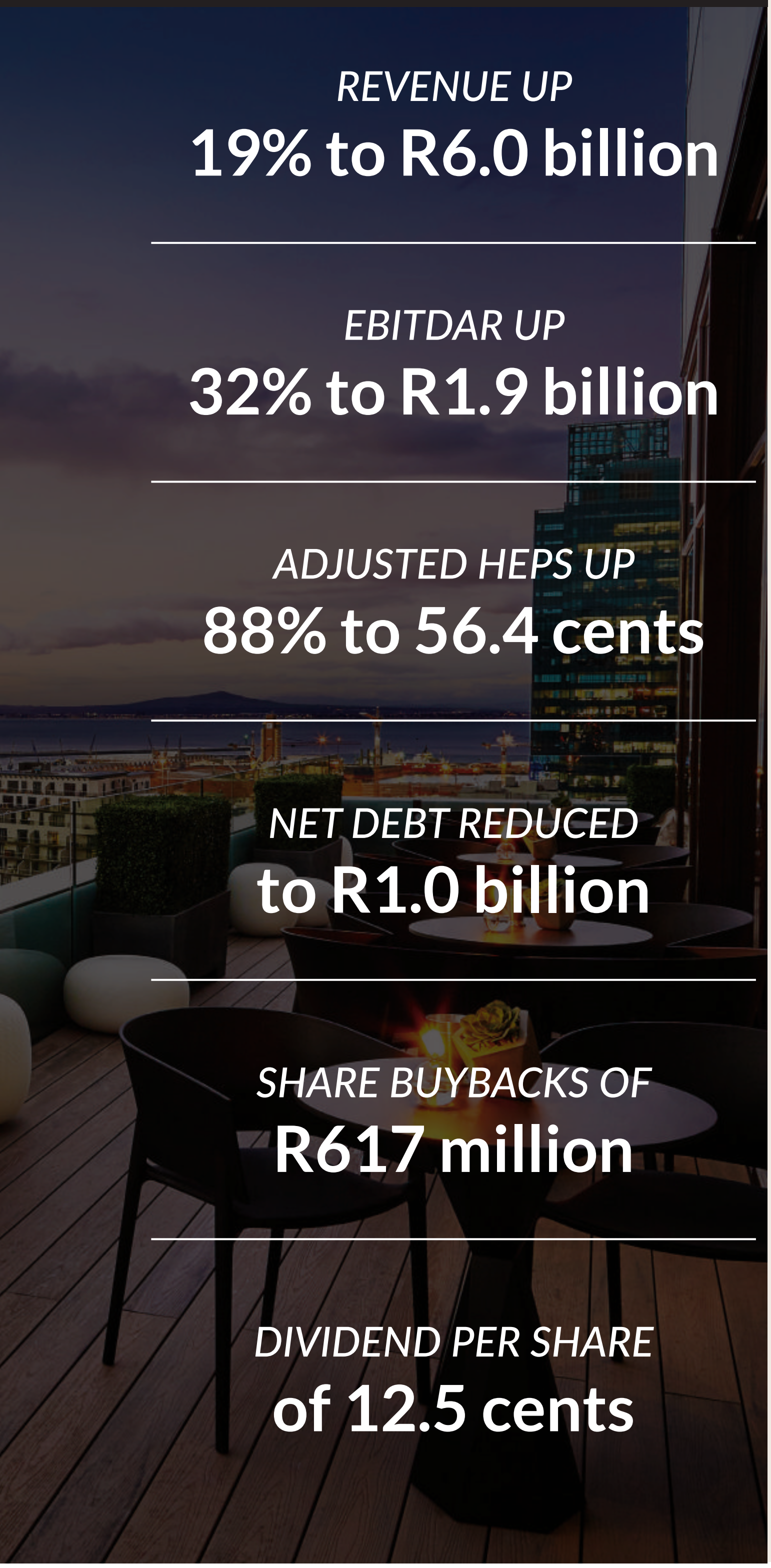
For the year ended 31 March	2024	2023
Occupancy (%)	**58.6**	51.5
Average room rate (R)	**1 388**	1 268
RevPar (R)	**813**	652
Rooms available ('000)	**5 035**	5 081
Rooms sold ('000)	**2 948**	2 615
Rooms revenue (Rm)	**4 092**	3 314
frequentGuest loyalty expense (Rm)[1]	**(84)**	–
Rooms revenue per the income statement (Rm)	**4 008**	3 314

1 *The net cost of the group's frequentGuest loyalty programme has been reallocated from Other to Rooms revenue which is in line with the requirements of IFRS 15 and has no impact on the group's total revenue for the year ended 31 March 2024.*

Overall, the group's operating costs for the year ended 31 March 2024 have increased by 14%. Main contributors to this increase being variable costs in line with the increased levels of trading. The increase in employee costs is attributable to above inflationary salary increases implemented on 1 April 2023 as well as increased rostering of OSS in response to higher trading levels. As a consequence of load shedding, R48 million (2023: R41 million) has been spent on diesel over the year, a 17% increase on the prior year. Property rates have increased by 1% to R162 million (2023: R160 million) for the year. The group continues to investigate options to reduce its energy costs.

The group generated Ebitdar of R1.9 billion (2023: R1.4 billion), a 32% increase on the prior year and equating to an Ebitdar margin of 31% compared to 28% (if the Separation Payment is excluded from total revenue) for the year ended 31 March 2023 and exceeds the Ebitdar margin achieved for the 2020 financial year of 30%; despite the consolidation of hotels previously accounted for as investment properties that generated rental income at an Ebitdar margin of 100% at that time.

AT A GLANCE



REVENUE UP
19% to R6.0 billion

EBITDAR UP
32% to R1.9 billion

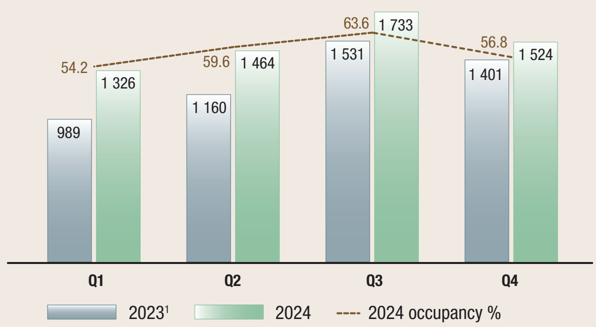
ADJUSTED HEPS UP
88% to 56.4 cents

NET DEBT REDUCED
to R1.0 billion

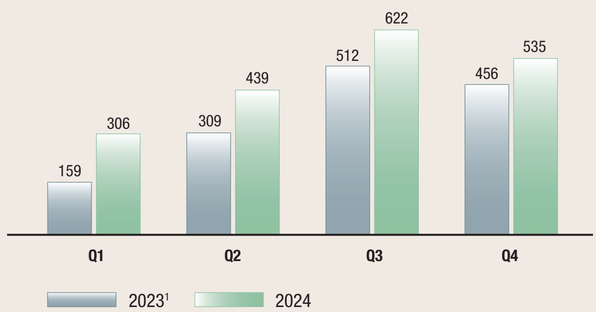
SHARE BUYBACKS OF
R617 million

DIVIDEND PER SHARE
of 12.5 cents

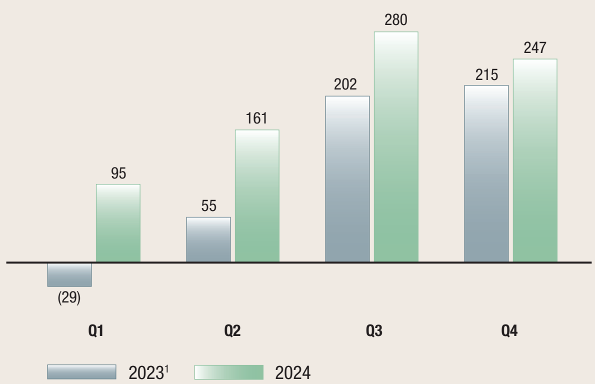
Quarterly performance – Income (Rm)



Quarterly performance – Ebitdar (Rm)



Quarterly performance – Adjusted earnings (Rm)



[1] *Income, Ebitdar and adjusted earnings for 2023 exclude the Separation Payment of R399 million (R313 million net of tax) and include discontinued operations.*

Summarised income statement review

Income statement (Rm)

	2024	2023[1]	Note
Income	**6 047**	5 081	1
Rooms revenue	**4 008**	3 314	
Food and beverage revenue	**1 502**	1 304	
Property rental income	**229**	195	
Other income[1]	**308**	268	
Overheads	**(4 145)**	(3 645)	
Ebitdar	**1 902**	1 436	2
LTI expense	**(25)**	(18)	
Property rental expense	**(170)**	(134)	3
Property rental expense	**(340)**	(288)	
Property rental expense – IFRS 16	**170**	154	
Amortisation and depreciation	**(369)**	(351)	
Amortisation and depreciation	**(284)**	(272)	
Amortisation and depreciation – IFRS 16	**(85)**	(79)	
Exceptional items	**56**	640	4
Profit before interest and taxation	**1 394**	1 573	
Finance costs (net)	**(291)**	(314)	5
Finance costs (net)	**(156)**	(182)	
Finance costs – IFRS 16	**(135)**	(132)	
Share of profits from associates	**80**	25	6
Income tax	**(327)**	(270)	7
Attributable profit for the year	**856**	1 014	8

[1] *The Separation Payment of R399 million has been excluded from Other revenue and disclosed as an exceptional item in 2023, additionally 2023 includes discontinued operations..*

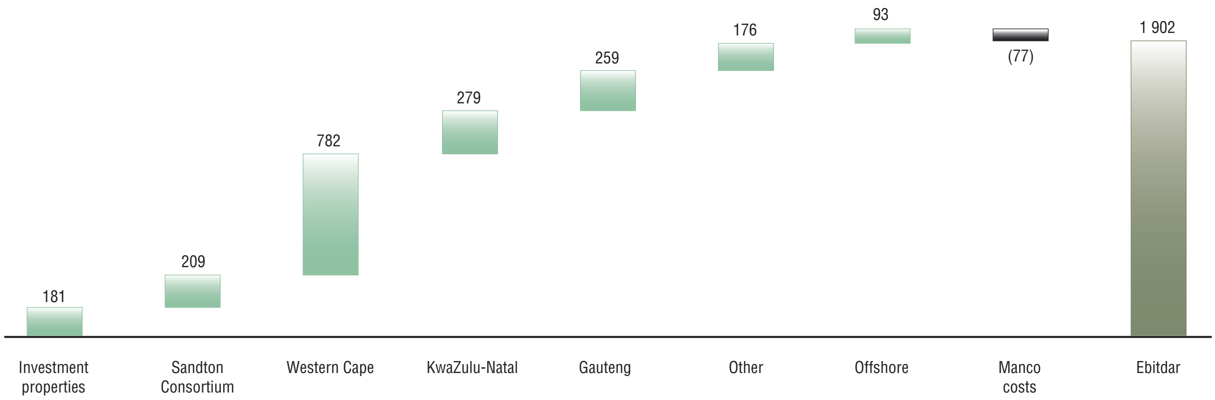
Note 1 **INCOME**

Total income for the year ended 31 March 2024 of R6.0 billion (2023: R5.1 billion) ended R1 billion above the prior year with a R694 million and R198 million increase in hotel rooms' revenue and food and beverage revenue, respectively. This performance was driven by a 7.1pp increase in occupancy from 51.5% to 58.6% and a 9.5% increase in ARR from R1 268 to R1 388. Property rental income ended R34 million above the prior year at R229 million while other income ended R40 million above the prior year at R308 million, reflecting the overall improvement in trading levels.

Note 2 **EBITDAR**

The group generated Ebitdar of R1.9 billion (2023: R1.4 billion), a R466 million increase on the prior year and equating to an Ebitdar margin of 31.5% compared to 28.3% in the prior year.

Segmental analysis for the year ended 31 March 2024 (Rm)



Note 3 PROPERTY RENTAL EXPENSE

Property rental expense of R170 million (2023: R134 million) represents the variable portion of lease payments. Excluding the impact of IFRS 16, the group incurred cash rent of R340 million for the year ended 31 March 2024 compared to R288 million in the prior year. The overall increase in the group's rent expense reflects the normalisation in trading, particularly in the Sandton Consortium hotels.

Note 4 EXCEPTIONAL ITEMS

Exceptional gains for the period of R56 million (2023 gains: R640 million) relate to the upward valuations of investment properties of R59 million net of loss on disposal of property, plant and equipment of R3 million. Exceptional gains for the prior year of R640 million relate primarily to the Separation Payment received from TS as well as the profit on the disposal of the group's hotel in Nigeria.

Note 5 FINANCE COSTS

Net finance costs of R291 million (2023: R314 million) include interest on capitalised leases of R135 million (2023: R132 million) and have reduced due to the reduction in the group's net interest-bearing debt levels.

Note 6 SHARE OF PROFITS FROM ASSOCIATES

The share of profit from associates of R80 million (2023: R25 million) includes the group's share of the valuation gain on the investment properties owned by International Hotels Limited (IHL) of R32 million (2023 loss: R15 million) net of fair value losses on interest rate hedges of R4 million (2023 gain: R5 million). Excluding these exceptional items, the underlying performance of the group's investments in the UK has grown by 46% from R35 million in 2023 to R51 million for the year ended 31 March 2024. Hotel trading in the UK recovered quickly post-Covid-19, particularly in the regional markets and trading levels and profitability continue to be encouraging. The group received dividends of R101 million during the year under review, R83 million of which relates to the group's share of the proceeds on disposal of two Holiday Inn Express hotels owned by IHL.

Note 7 INCOME TAX

The income tax expense for the year ended 31 March 2024 of R327 million (2023: R270 million) is in line with operating profits. Certain of the group's operating subsidiaries remain in assessed loss positions, however, these are being utilised as trading improves. Deferred income tax assets amounting to R94 million have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Note 8	ATTRIBUTABLE PROFIT

	2024 Net of tax Rm	2023 Net of tax Rm
Attributable profit	**856**	1 014
Separation Payment	–	(313)
Profit on disposal of subsidiary	–	(259)
Cash flow hedges reclassified to profit or loss	–	(21)
Fair value adjustment of investment properties	**(46)**	(3)
Loss on disposal of PPE	**2**	4
Transaction and restructuring costs	–	7
Impairment of trademark	–	4
Share of associates' exceptional items	**(29)**	10
Adjusted headline profit[1]	**783**	443
Weighted average number of shares in issue (millions)	**1 387**	1 476
Basic adjusted headline profit per share (cents)	**56.4**	30.0

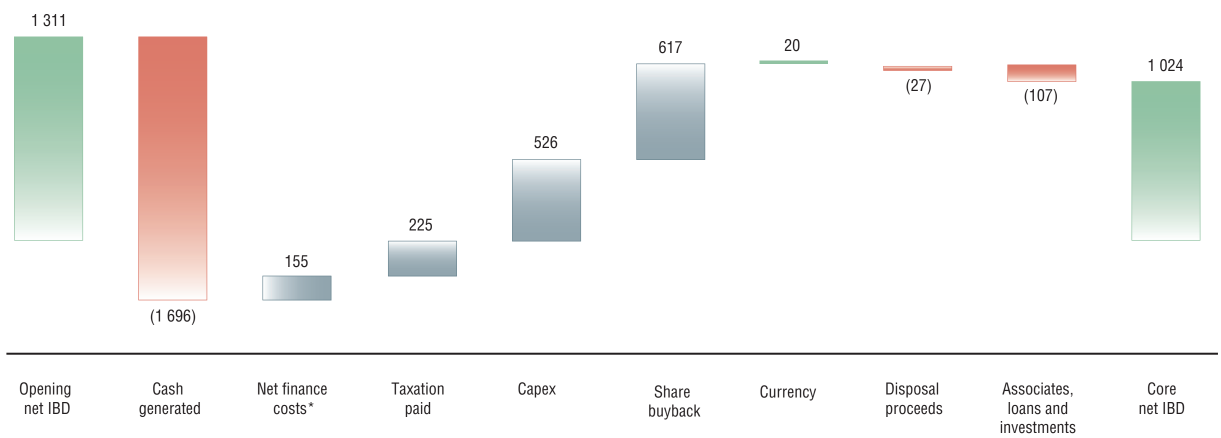
[1] *Adjusted headline profit is defined as profits or losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the financial results if they were not adjusted. This measure is not required by IFRS Accounting Standards and is commonly used in the industry. The directors are responsible for compiling the non-IFRS performance measures which are independently audited by the group's external auditors at year end.*

Liquidity, funding capacity and covenants

Interest-bearing debt net of cash at 31 March 2024 totalled R1.0 billion, which is R287 million less than the 31 March 2023 balance of R1.3 billion which is largely attributable to free cash flow generated over the year of R970 million net of the share buyback of R617 million and capital expenditure of R180 million, disposal proceeds of R27 million along with cash inflows from investments in associates of R107 million and net foreign exchange losses of R20 million. The group was well within covenant requirements for the year ended 31 March 2024, achieving a leverage ratio (net debt to Ebitda) of 0.7 times and an interest cover ratio of 7.2 times.

The group had cash and cash equivalents of R639 million (2023: R653 million) and access to R1.3 billion in undrawn facilities at 31 March 2024.

Summarised cash flow for the year ended 31 March 2024 (Rm)

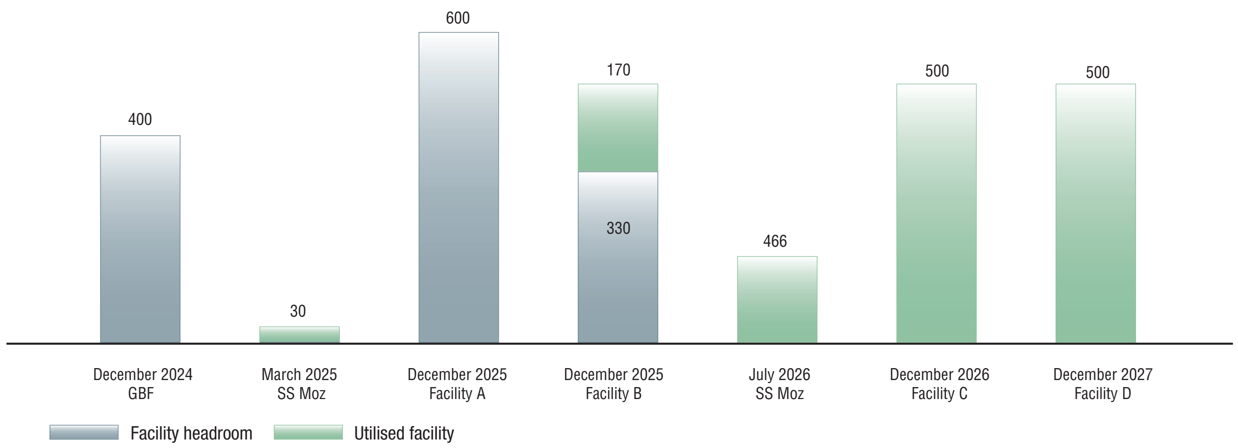


* *Excluding IFRS16 adjustments.*

Interest-bearing debts (IBD) net of cash at 31 March 2024 (Rm)

	2024	2023
External debt – offshore (US Dollar-based)	**496**	468
External debt (Rand-based)	**1 170**	1 500
Pre-paid borrowing costs	**(3)**	(4)
Gross IBD	**1 663**	1 964
Cash on hand – South Africa hotels	**(372)**	(529)
Cash on hand – Offshore hotels	**(267)**	(124)
Net IBD	**1 024**	1 311
Cash held as security for the SS Ikoyi refinancing	**–**	(230)
Net IBD as per balance sheet	**1 024**	1 081
Analysed as: South Africa hotels	**796**	967
Hotels offshore	**228**	344
Cash held as security for the SS Ikoyi refinancing	**–**	(230)

Debt maturity profile (Rm)



Laurelle McDonald
Chief Financial Officer (CFO)

31 July 2024

Financial strength and durability

It is important to ensure the group's capital structure is appropriate so that the business survives through economic cycles.

Cyclical variations in macroeconomic conditions are particularly relevant in the hotel industry, which is regularly in undersupply or oversupply. To withstand the impacts of these cycles, the group aims to ensure debt is used prudently.

Approach

The group manages debt levels using the leverage ratio (net debt:Ebitda) and ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity when economic conditions deteriorate.

Key performance indicators	2024	2023	2022
Net debt:Ebitda (times)	**0.7**	1.1	6.4
Unutilised facilities including core cash (Rm)	**1 959**	1 643	1 996
Weighted average expiry of debt facilities (years)	**2.2**	3.2	2.3
Gross debt hedged through fixed interest rate swaps (%)	**78.2**	66.2	45.8

2024 performance

Funding capacity and interest-bearing debt

The group's funding package is diversified across all four major South African banks in order to reduce our credit exposure and limit liquidity concentration risk. The group is never exposed to only one lender and has sufficient committed credit facilities to weather the cyclical nature of the business. The group's policy is to ensure that it has, at all times, in excess of 15% of surplus, undrawn committed borrowing facilities. At 31 March 2024, the group had R1.3 billion in unutilised facilities out of total committed facilities of R2.99 billion equating to 44% (2023: 33%) surplus facilities.

We aim to use the cash generated efficiently to reduce interest-bearing thereby preventing interest leakage. The group is able to allocate cash towards term loans on a quarterly basis. In the year under review, the group managed to further reduce its net interest-bearing debt from R1.3 billion to R1.0 billion after distributing R627 million to shareholders and spending a total of R478 million on maintenance and expansion capital expenditure. In the absence of further large share buybacks or corporate activity, we will continue repaying the longer-term, more expensive term loans in the year ahead.

Interest rate and currency risk management

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group policy. Group policy requires a long-term hedging profile of approximately 50%, deviating to a minimum of 25% and a maximum of up to 100% of gross debt, considering the interest rate cycle. The hedge ratio is monitored on an ongoing basis. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis. As at 31 March 2024, 78% of combined group gross debt was hedged through fixed interest rate swaps. The weighted average pre-tax effective interest rate for the year increased from 8.9% in 2023 to 9.0% in 2024, given increases in the underlying reference JIBAR and SOFR interest rates as well as higher cash balances earning interest at lower rates than those applicable to borrowings.

The group is not exposed to significant foreign exchange risk in its Offshore division as the functional currency (the currency in which cash flows are generated) matches the currency of the debt raised in those entities, being US Dollars. As a result, no forward cover contracts are required in respect of this debt and a natural hedge exists. There is, however, foreign currency risk exposure on the conversion of these US Dollar-denominated loans to Rand and while the group has not hedged this risk given that the cost to do so is prohibitive, the intention since listing has been to reduce the exposure to Dollar-denominated debt and the proceeds from the sale of Southern Sun Ikoyi in 2023 further assisted in achieving this. Offshore cash at year end was held 72% in US Dollar, 21% in Euro and 2% in Mozambican Metical with 5% in other local currency deposits.

Looking ahead

The group generated free cash flow of R970 million during 2024 and assuming the same level of cash flow is generated during 2025, in the absence of further buyback or investment opportunities, we intend to settle the two R500 million term loan facilities expiring in December 2026 and 2027.

Given that the group's interest rate hedges expire during September 2024, the lower Rand-based debt levels allow us to delay entering into new hedges until the refinancing of facilities expiring in December 2025, at which point interest rates should have declined. At a core debt facility level of R1.5 billion, ranging between one and four years' maturity and with a security pool value in excess of R10 billion, the group should be able to achieve more attractive margins and reduce funding costs.

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