

# SUN INTERNATIONAL LIMITED

## New urban entertainment centre at Menlyn, Tshwane

*Sun International Limited (“Sun International”) is planning to relocate its casino at Morula, Mabopane and to create a new urban entertainment destination at Menlyn in Tshwane. The proposed development at this location will amount to an investment of some R3-billion and will provide to the City and Province an entertainment complex that will deliver to all stakeholders the appropriate benefits that can be expected from a Gauteng-based casino licence.*



### 1 Rationale

Sun International, through group companies, holds two licences in Gauteng: one at Carnival City in Brakpan and the other at Morula Casino and Hotel in Mabopane, the latter built in 1988.

For some time Morula has experienced a significant decline in revenues due primarily to its location which is now relatively inaccessible in the context of highway proximity and the new growth areas of Tshwane. More recently the business has been further negatively impacted by the growing electronic bingo and limited payout machine operations which are targeting the underserved Tshwane market, Morula’s key catchment area. Over the years the Morula casino has been downsized and Sun International believes that, in its current location, nothing further can be done to reverse this once-popular and successful property’s decline.

On the other hand, if the casino is relocated to an area that is closer to its source markets with good road access, then the opportunity arises to create a significant and unique entertainment and conference destination, tailored to suit the needs of Tshwane and maximizing for all stakeholders (provincial and national government, employees and shareholders) the true potential of this casino licence.

### 2 Relocation of casino to Menlyn

Based on extensive market research and after evaluating a number of options, the Menlyn area of Tshwane was identified as an area which is a high growth node, easily accessible to the key source markets of Tshwane East, North and Central, and to the region generally through good highway access along the N1.

In the Menlyn area a new large scale mixed-use project is currently under development, known as Menlyn Maine. This project will in its final form be an R8-billion precinct with a new shopping mall, a high-end residential component, an office park, hotels and an entertainment node – which is the component that Sun International will provide, with its proposed R3-billion development, “*Time Square at Menlyn Maine*”.

*Time Square at Menlyn Maine* will be an iconic “must see” destination and a key visitor attraction, surpassing anything in the region.

The proposed gaming, entertainment and conference facilities to be developed by Sun International will be complementary to the rest of the Menlyn Maine project and will balance and complete the retail, sport, hotel, office and residential facilities planned for the precinct, all within walking distance from each other, in a modern “Green City” environment.

The “Central Square” component being developed by Menlyn Maine, is located opposite the proposed Sun International entertainment project, and is to commence development from September 2013, with an opening date scheduled for the second quarter of 2016. It will consist of the following:

- 25 000m<sup>2</sup> of high-end convenience, niche retail with eateries, arranged around a public square which is to be used for special events, markets, fairs and outdoor exhibitions;
- 4 000m<sup>2</sup> Gym;
- 1 500m<sup>2</sup> Spa;
- ± 180 room Hotel;
- 9 500m<sup>2</sup> of corporate offices;
- ± 2 000 parking bays (additional to the 2 785 bays to be built by Sun International – see below).

At approximately 315 000m<sup>2</sup> in extent, Menlyn Maine is the largest mixed-use precinct ever to be built in Tshwane. The substantial entertainment and conference facility envisaged for *Time Square at Menlyn Maine* will be its major attraction,

not only to visitors residing in the area, but also to those from the surrounding suburbs, adjoining cities, and the Province.

All of Menlyn Maine’s buildings have been designed with the aim of achieving a best practice four-star rating from the Green Building Council of South Africa. This in itself will be an impressive achievement, and the developers are making history with their aim to build a Green City precinct.

Development to the value of R825-million has already commenced at the precinct and is currently either built or under construction. The proposed Sun International entertainment and conference component will act as a major catalyst for the rest of the project and will bring to the area a mixed-use entertainment facility on a scale that will create a new national and international landmark for the city of Tshwane.

Sun International has concluded an agreement to acquire the necessary land from the developers of Menlyn Maine under an option arrangement conditional upon receiving the required regulatory approvals. Approval has already been received for the necessary land rights, including all relevant zoning required for the development. Environmental impact assessments and traffic impact studies have also been completed.

### 3 The proposed development

Tshwane is ideally positioned to attract visitors to Gauteng who are looking for a new entertainment experience. Sun International’s *Time Square at Menlyn Maine* project reflects this positioning with a world class development that is in keeping with the City’s character, its rich traditions and diverse communities.

Care and attention has been paid to the design to ensure that as an entertainment and conference destination it will complement Tshwane’s other leisure offerings. It will provide local residents and visitors with a balanced range of activities and attractions, and will form an essential part of the R8-billion development that Menlyn Maine has undertaken.

*Time Square at Menlyn Maine* will offer:

- a 5-star hotel with 100 luxury rooms and 10 suites to cater to the diplomatic travel market, support the business traveller and encourage overnight stays in Tshwane and accommodate gambling patrons over weekends;
- a conference centre to complement the hotel and its anticipated clientele;
- an indoor entertainment arena seating 8 000 people and catering for international and local entertainment, concerts, sports events, conventions and exhibitions;
- a diverse range of retail shopping, bars and restaurants, with parking for 2 785 vehicles; and
- a state of the art casino (including a Salon Privé), built to latest design and technology standards and accommodating up to 3 000 slots and 100 tables.

Our market research has shown that there is clear demand for the hotel and convention space in Tshwane as well as the proposed entertainment arena – all of which also dovetail with Sun International’s existing assets and proven competence in the industry.

Research into the gaming market indicates that for many customers from Tshwane West, North, Central and East, the location of the existing Gauteng casinos has made reaching them difficult. This suggests that there will be growth in the market from these areas with a casino based in Tshwane, giving residents the opportunity to enjoy the same ease of access and urban facilities found in other South African cities. It is proposed that the casino will open with 2 000 slots and 60 tables and will have the flexibility to increase its offering once demand is proven.

### 4 Shareholding and Black Economic Empowerment Considerations

Sun International will through group companies have a management contract and hold an effective 74.9% of *Time Square at Menlyn Maine*. Sun International is fully committed to the long-term establishment of meaningful empowerment ownership, and, to this end, changes to the current shareholding structure of Morula are proposed to reflect this commitment within the new share ownership structure of *Time Square at Menlyn Maine*. Sun International proposes to utilize the new development as an opportunity to increase BEE’s effective interest to 25.1% from the current, effective BEE ownership of Morula of 15%. It is intended that the BEE shareholding will include community trusts and other broad based empowerment vehicles, as well as the Sun International Employee Share Trust. Sun International has a proven track record in delivering on its empowerment commitments and also anticipates engaging with the Province and the City to ensure the most appropriate allocation of this BEE shareholding.

### 5 Economic Benefits

*Time Square at Menlyn Maine* will bring something entirely new to the City. Its location in the growing Menlyn Maine node has been chosen to ensure minimal displacement from any similar operations and to maximise growth and the economic impact for Tshwane and the Province.

In addition to the financial returns inherent in the project, *Time Square at Menlyn Maine* will be developed to a standard and scale that will create significant employment, enable socio-economic upliftment, enhance the Government’s tax base and inject new and additional revenue into the local and national economy. It will employ significantly more people than Morula currently does due to its size, the diversity of its offerings and the related specialized services required.

The development and support of business enterprises associated with *Time Square at Menlyn Maine* will focus on local procurement, the creation of small businesses and the formation of business alliances. Further stimulus to secondary and tertiary industries through procurement and consumer demand is also anticipated.

Substantial projected economic contributions include:

- the cumulative contribution to GDP could amount to as much as R19,0-billion during construction and over the first 5 years of operations;
- the new development will generate considerably more revenue for both provincial and national government by way of taxes and gaming levies. It is anticipated that some R1,7-billion in gaming taxes and VAT would be generated in the first five years of operation at Menlyn Maine, The total estimated revenue to Government from the project over a five year period is estimated at R2,7-billion;
- approximately R32-million will be invested in social investment and enterprise development over the same period;
- an estimated 10 000 jobs will be created during construction. When operations commence it is estimated that *Time Square at Menlyn Maine* will create and sustain 1 228 direct jobs, including the jobs transferred from Morula, and a further 972 jobs through service providers and concessionaires. It is estimated, therefore, that total employment by *Time Square at Menlyn Maine* at full capacity will be 2 200 jobs – 1 600 more than are currently at Morula.

### 6 Responsible Gaming Considerations

Responsible gaming is a core component of Sun International’s approach to business. The National Responsible Gambling Programme, of which Sun International is a founding member and active participant, will be implemented at *Time Square at Menlyn Maine*. This will be in conjunction with Sun International’s existing Responsible Gambling Policy and be governed by an internal Responsible Gambling Committee.

### 7 Considerations pertaining to the Morula community as a consequence of the move

Sun International’s primary concern in relocating the casino to Menlyn Maine is for the existing staff at Morula, and the impact the move could have on the surrounding communities of Mabopane and Soshanguve.

Sun International recognizes its responsibility to employees and to the community, and to this end will offer all Morula staff the option of staying with the company in the same or similar job types. Given the relative proximity of the development to Morula, existing staff can be employed at the new location with bus transportation being provided.

The company is considering alternative uses for the existing Morula property including the possibility of utilising it as a hospitality school for the region. It intends to work with local government to establish the most appropriate utilisation of the property.

Sun International is also committed to continue supporting Morula’s social investment and enterprise development initiatives – but now on an enhanced basis given the greater economic benefits that flow from the relocation.

### 8 Process to relocate

The process to relocate and obtain regulatory approvals for the proposed project can be summarized as follows:

- Amendment of casino licence

Sun International (South Africa) Limited (“SISA”) is making an application to the Gauteng Gambling Board in terms of Section 34 of the Gauteng Gambling Act (“the Act”) to amend the Morula casino licence:

- to provide for a different location for the casino at Menlyn Maine, Tshwane;
- to provide for additional gambling devices (from 510 to 3 000 slot machines and 12 to 100 tables);
- to describe the gambling floor in the different location.

- Transfer of licence

The Morula casino licence is currently held in the name of SISA. It is proposed that the casino licence, once amended to reflect the premises as being Menlyn Maine, should be held in the name of a new entity “*Time Square at Menlyn Maine NewCo*”. *Time Square at Menlyn Maine NewCo* is making an application to the Gauteng Gambling Board in terms of Section 35 of the Act for the transfer of the casino licence in order to introduce a broad-based empowerment shareholding involvement. The result of the new shareholding will be an increase in the effective BEE interest from Morula’s current 15% to 25.1%.

### 9 Timing

Should the necessary regulatory approvals be granted, Sun International will immediately commence detailed planning (estimated to require 6 months). All necessary approvals/rights relating to the development itself are already in place and the land deal with the developers of Menlyn Maine has been concluded. Physical construction of the new entertainment destination is estimated to take no more than 30 months and will be completed in one phase. The total development is therefore estimated to be completed within a period of 3 years from date of receiving regulatory approval.

### 10 Summary

In South Africa, both national policy determinations and the legislative framework mandate a clear link between the operating of casino licences and the need to advance the public interest, including the provision of social benefits. The proposed development of *Time Square at Menlyn Maine* will deliver:

- an overwhelmingly compelling package of substantial economic and financial returns to all stakeholders;
- an integrated entertainment destination offering a range of experiences and mix of entertainment offerings and special events;
- a critical mass of attractions to leverage Tshwane’s leisure product and complement other attractions in the area;
- a destination which encourages overnight stays through offering 5-star hotel accommodation and conference facilities; and
- supportive marketing initiatives and events sponsorship which have a large television audience and promote local, national and international tourism.

**Sun International is 100% committed to bringing *Time Square at Menlyn Maine* to Tshwane.**

