



AFRICAN SUN

L I M I T E D

Investing in Southern Africa: Success Stories

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GLOBAL TOURISM TRENDS

- Global tourism decreased by 3% down from 3.9% in the previous period. This was a result of the slowdown in the USA economy, high fuel costs and concerns over climate change.
- Europe and America fell below global average growth to 2.1% and 2.3% respectively.
- The Middle East recorded an increase of 5.2%.
- Asia & the Pacific surged by 5.7% in arrivals
- Africa recorded a growth of 5.7%

Source: UNWTO / World Travel & Tourism Council (WTTC)



AFRICAN TOURISM TRENDS

- Africa's tourism sector has demonstrated tourism growth patterns in recent years
- Africa recorded positive growth rate of +9% in 2007 (UNTWO)
- WTTC estimated that tourism & travel are 9.9% of world GDP
- Africa's contribution quite low –
 - region has a lower range of visitors at 44 million for 2007

PERFORMANCE COMPARISON

AFRICA

- +9% Growth in Africa in 2007
- 44 million arrivals in 2007
- 4.9% of total volume

REST OF THE WORLD

- 4.2% Growth in Europe in 2007
- 480 million arrivals in 2007
- 53.5 % of total volume in Europe
- 20.6% of total volume in Asia and the Pacific

- There are still greater opportunities for Africa to :
 - Gain momentum in this sector
 - Impact significantly on its economic growth

MACRO – ECONOMIC ENVIRONMENT IN AFRICA

- Tourism one of the largest industries in the world accounting for
 - 9.9% of world GDP in 2007
 - 233 million jobs
- Impact on Africa great with travel & tourism contributing 7.9% to GDP and 10 million jobs in 2008
- In Sub-Saharan Africa 4% real growth per annum expected over the next 10 years
- Tourism expected to continue growing in importance as one of the world's strongest industries and employing 5.6% of total employment in Africa

CHALLENGES

- Political Instability
 - affects international perceptions about safety
- Accessibility
 - Access to attractions in Africa constrained by lack of comprehensive infrastructure
- Telecommunications
 - Slow development creates reliance on third party sales agents resulting in decreased yield
- Utilities
 - In most parts of Africa local policies not aligned to strategic growth & investment to the private sector
- Infrastructure
 - Inadequate for holistic travel & tourism services
- Human Capital
 - Flight of skilled personnel to more developed countries

THE ZIMBABWE OPPORTUNITY

- Zimbabwe no longer the political hot spot it has been recently
- Tourism will be the first to recover because of:
 - Pervasive nature: contributes to all sectors of the economy
 - Political Settlement will result in:
 - Humanitarian Process – Capacity Building
 - Resumption of Business Operations because of the following reasons:
 1. Exploration of resources
 2. Infrastructure still there to accommodate arrivals
 - Tourism
 - Increased leisure travel as a result of improved country image
- The above will result in foreign currency inflows and employment

WAY FORWARD FROM AFRICAN SUN LIMITED PERSPECTIVE



REGIONAL BUSINESS DRIVERS

- Research in Sub-Saharan Africa has shown that Africa has a critical need for 5 times more rooms in the hospitality sector than are currently available.
- ASL has mapped out their key country strategy for Sub-Saharan Africa driven primarily by:
 - Oil / Mineral Reserves
 - Cities
 - Mega Cities
 - Growth Cities
 - Gateway Cities
 - Natural Tourism Attractiveness

AFRICAN SUN LIMITED SYNOPSIS

- ASL has necessary overhead support & structure to support large hotel base in Zimbabwe and throughout Africa
- ASL has good management team with requisite skills and competencies to drive strategy
- Successful hospitality training academy (HTA) providing a 'one stop' shop for all elements of hospitality training
- HTA Satellite Academies to be set up in West and East Africa

REGIONAL EXPANSION STRATEGY

- African Sun, as a result of their knowledge of the region, have successfully operated both IHG and their own branded hotels in the region and have been able to successfully adapt their business model to help cope with the potentially highly volatile political and economic climates in some countries
- The PCC (Protected Cell Company) structure which African Sun has adapted will allow country specific risk to be isolated so as to mitigate risk on the rest of the organisation
- Setting up three regional hubs on the continent will ensure the appropriate level of support and overhead to facilitate all hotel operations which will then result in less IHG resource requirements for the entire continent
- Strong operational capabilities and hospitality 'know how' developed by African Sun will provide a strong platform to support their expansion plans

ROLL OUT STRATEGY

- International trends show movement away from owner managed properties
- More economic to adopt a more effective real estate structure mix resulting in higher yields:
 - Leases
 - Management Contracts
 - Franchising
 - Ownership

ROOMS GROWTH

- ASL will grow rooms under management from current 2500 to 8500 by 2012

	CURRENT ROOMS		ADDITIONAL ROOMS				SUB-TOTAL
	JAN 2008	2008	2009	2010	2011	2012	
Management	0	696	2,035	2,024	438	0	5,193
Lease	1,929	45	1,945	1,837	1,020	0	6,776
Owner Managed	0	176	0	48	0	0	224
TOTAL ROOMS	1,929	917	3,980	3,909	1,458	0	12,193

BRAND LEADERSHIP

- Brands are a major pillar of ASL strategy
- Use of mixture of IHG brands
 - (Crowne Plaza, Holiday Inn, Express by Holiday Inn) in emerging markets
 - Use of own Brands (Mulberry, Platinum, Amber, Adrenal-Inn, My Place) in mature markets, and where ASL has gained acceptance
- Platform to launch other strategic projects in line with expanding the group's tourism chain

STRATEGY TO MANAGE SKILLS CAPACITY

- HTA Growth Plan
- Training Programmes continue to be enhanced
- Mentorship Programme to reinforce Group DNA transfer from the top
- Reward Strategy to be benchmarked to the sub-region
- '*Brain Drain to Brain Gain*' – Group has a database of managers in the region to staff pipeline projects in the next 12 months
- Role Profiling and brand alignment

MARKET CAPITALIZATION

- To achieve a market capitalization of US\$1 billion by 2012
- Leverage
 - Capacity to borrow three times equity and reserve
- Strategic Investor
- Yield below regional average in terms of ARR, Occupancy and RevPAR
 - Social-Political turnaround will result in influx of international visitors and produce better yields

DUAL LISTING

- To gain access to larger investor base ASL considering secondary listing on international stock exchange in 3 – 5 years
- ASL to grow market capitalisation to US\$1 billion prior to listing to attract appropriate investor base to justify cost of full international listing
- Selection of appropriate stock exchange for international listing
- Following stock exchanges being considered:
 - Johannesburg Stock Exchange
 - London Stock Exchange

THANK YOU

