

Tsogo Sun aims for organic growth

By [Nick Hedley](#)

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Listed hotel and casino operator Tsogo Sun expects increased revenue to come from continued economic recovery and the organic growth of the business, according to chief executive Marcel von Aulock.

Von Aulock said in an interview last week that while the hospitality sector was in a healthier state, it was "by no means back to the boom times".

The hospitality sector has been hurt by an over-supply of rooms and a decline in demand due to the recession, though analysts believe a gradual recovery is on the cards as demand increases.

Von Aulock said Tsogo Sun had seen a continued improvement in trading conditions.

In the group's half-year results released in November the company said there had been an uptick in occupancies.

The group reported an increase in earnings for the six months ended September, driven by solid growth in its gaming and hotel divisions' revenue. Diluted headline earnings per share rose 40% to 69.9c for the period.

While Tsogo Sun was targeting opportunities in the rest of Africa, Von Aulock said there were still opportunities for growth in SA - in the form of acquisitions and new developments. But the group's single biggest opportunity was growth from its existing portfolio.

"Everything we've done in the past few years has been bulking up our South African operation - we've acquired hotels that have been distressed, we've brought the Gold Reef Resorts group into the organisation.

"So our view is that if you get an economic recovery, which we think should happen, the single biggest growth opportunity we've got is organic - from the asset base that we've built up," he said.

Hotels and gaming analyst at Avior Research, De Wet Schutte, said on Friday (18 January) that Tsogo Sun was well placed to capitalise on improving economic conditions.

"The nature of their business is that it's a fixed-cost business, and as a result there's a lot of leverage to grow revenues," he said, adding that a continued recovery would be led by the hospitality segment.

"The hotel sector in SA is on a normalisation path - there are not a lot of rooms being added currently and demand-supply

dynamics are helping the sector to normalise," Schutte said.

Source: *Business Day* via I-Net Bridge

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