



THE STAR

ASX Announcement

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THE STAR ENTERTAINMENT GROUP LIMITED
ACN 149 629 023

ANNUAL GENERAL MEETING
THURSDAY 1 NOVEMBER 2018

CHAIRMAN'S ADDRESS

Introduction

Ladies and gentlemen, welcome again to The Star Entertainment Group Limited's eighth Annual General Meeting.

Last year I spoke of transformational projects being carried out across our properties, highlighting our commitment to delivering world-class tourism and entertainment destinations.

One year on, and nowhere is this more evident than here at The Star Gold Coast – an almost unrecognisable destination compared to when we last gathered here in 2016.

Since then we have:

- refurbished all 596 hotel rooms at The Star Grand hotel;
- added 11 award-winning food and beverage outlets;
- opened our all-suite hotel – The Darling;
- opened new premium gaming areas to meet international and domestic VIP customer demand;
- made The Star Gold Coast a real contender in the International VIP business;
- and underlined The Star Gold Coast's positioning as a global tourism destination by hosting significant international and national events, including as Official Partner of the Gold Coast 2018 Commonwealth Games.

There is still more to come for The Star Gold Coast and our Managing Director and CEO, Matt Bekier, will talk to this in more detail shortly.

Board of Directors

Before we continue, I would like to welcome to the Board of Directors table today, Zlatko Todorcevski and Ben Heap. Zlatko and Ben were appointed during the financial year, adding further depth of experience and skills to your Board.

At this important stage of the company's growth strategy, this depth and strength will ensure the Board continues to maintain vigilant oversight and appropriate governance in relation to The Star's strategic plan, culture, stakeholder engagement and operations. I thank my fellow directors for their ongoing commitment.

I will introduce Zlatko and Ben further as we come to the relevant items of business as we seek your support for their elections today.

FY18 Financial Performance

Moving briefly to the company's performance, I am again pleased to report that FY18 saw strong financial results with:

- record gross revenues for the group;
- record normalised earnings of \$588 million;
- and record normalised net profit after tax of \$258 million.

Importantly, this was a high-quality result with broad-based growth across the domestic business, market share gains in key gaming segments and improving momentum in earnings over the year.

Statutory results were however impacted by a low actual win rate in the International VIP Rebate business and significant items, which were in line with previous disclosures and which Matt will talk to in more detail.

In March this year, the Board also revised the company's dividend policy – increasing the target payout ratio to a minimum of 70% of normalised NPAT. The Board made this determination in light of The Star's strong financial outlook, extension of the capital-light growth strategy, which I will come to in a moment, and having regard to The Star's strong franking credit generation. This new dividend policy provides for materially increased cash dividend returns to all shareholders on a fully franked basis.

In line with this revised policy, and as a reflection of the positive earnings momentum, the Board declared a final dividend of 13 cents per share fully franked, taking total dividends for the year to a record 20.5 cents per share fully franked. This total dividend is up 28% on FY17.

Delivering on Growth Strategy – Expanded Strategic Partnership

As in FY17, the company's financial results in FY18 were achieved while transformational projects continued to be carried out and effectively delivered across our properties. The earnings momentum in our existing business, continued operating efficiency, efficient commercialising of investments, and long-term tourism forecasts, underpin confidence in the group's strategic priorities.

Last year, I spoke in detail about the growth of our partnership with Hong Kong based joint venture partners, Chow Tai Fook and Far East Consortium. At that time, we had added the Sheraton Grand Mirage Gold Coast to our portfolio of valuable joint venture assets.

In FY18, we took this relationship to another level, establishing an expanded partnership through a strategic alliance to enhance the long-term value of The Star's properties and core businesses. More specifically there are two key components in place.

1. First - An in-principle commitment between the partners to pursue development projects at the Gold Coast and in Sydney, in addition to the Queen's Wharf Brisbane development and the first stage of the masterplan here at the Gold Coast. We have already made great progress here in Queensland, which you can see outside today, and we are committed to continuing to pursue development approvals for The Ritz-Carlton at The Star, Sydney.
2. Second - We have a commitment to develop a marketing alliance which leverages our partners' expertise, networks, customer bases and loyalty programs to drive incremental high-value tourism to The Star's properties. This will be particularly important as we approach the opening of new facilities at the Queen's Wharf Brisbane integrated resort.

Our network of sought-after resorts along the east coast of Australia, together with our partners' understanding of the Asian consumer, distribution networks and other relevant businesses, positions The Star to benefit from the significant growth opportunity.

In addition, Chow Tai Fook and Far East Consortium each acquired a 4.99% equity interest in The Star, with regulatory approvals being sought to increase this to a collective total of 19.9%. Through this equity placement, each of the partners acquired 45.8 million new fully paid ordinary shares at \$5.35 per share for a total of \$490 million.

In addition to the strategic alliance providing potential for further efficient capital investment, welcoming CTF and FEC as shareholders aligns our collective interests in relation to the long-term growth and performance of The Star.

As your Board of Directors, we are confident that this expanded partnership with CTF and FEC not only further solidifies our company's growth strategy, but also enhances the long-term value of The Star for all shareholders.

We are pleased to have developed such depth in the relationship with our partners in the short period since forming the successful joint venture - Destination Brisbane Consortium – and successfully bidding for the Queen's Wharf Brisbane development in 2014.

This short concept video shows the first of our joint venture projects here on the Gold Coast, the Dorsett hotel and The Star Residences tower. Approved during FY18, work onsite is now underway....

[DORSETT VIDEO PLAYS]

Delivering Through Tourism Assets and as a Community Partner

Our portfolio of tourism, entertainment and gaming assets continues to expand at scale and to a level of quality that positions us favourably with any global competitor.

This ensures we are well placed to capitalise on opportunities within the domestic market, and from the sustained growth in international tourism.

This was seen at the Gold Coast 2018 Commonwealth Games, where the place to be was right here at The Star Gold Coast.

Across New South Wales and Queensland, we are proud to continue growing employment opportunities across our diverse workforce and to continue making significant tax and local economy contributions.

Closing

In closing, I am very pleased to report that in FY18, we continued progressing our vision of becoming Australia's leading integrated resort company through delivering on our growth strategy, achieving strong financial results and consistently delivering as a trusted community partner in our attractive local destinations, including right here on the Gold Coast.

On behalf of the Board, I thank Matt Bekier for his continued committed and effective leadership, and congratulate him, along with the management team on their efforts and dedication, and on returning value to shareholders.

Further, I extend my gratitude to all our shareholders for your ongoing support through our company's transformation and growth.

As I hand to our Managing Director and CEO, Matt Bekier, please enjoy this short video of our most recent ground-breaking ceremony for the Dorsett hotel and apartments tower, where we were joined by the Queensland Premier....

Thank you.

[GOLD COAST GROUND-BREAKING CEREMONY VIDEO PLAYS]

MANAGING DIRECTOR AND CEO'S ADDRESS

Introduction

Ladies and gentlemen, the Gold Coast has certainly had a ground-breaking year. As you can see all around you, our plans to transform this property into a world-class global tourism destination have come to life in this period.

As promised, we opened our new luxury suite hotel, The Darling, prior to the 2018 Gold Coast Commonwealth Games. The Darling is the best hotel on the coast and houses Nineteen at The Star, a restaurant and lounge bar that has been earning accolades from the night we opened.

Our confidence in the tourism opportunity available to South East Queensland as a region has been the catalyst for the large investments we are making with our partners Chow Tai Fook and Far East Consortium. We are investing for the long haul on the back of tourism research that supports the strategy we're following.

If you will indulge me for a couple of minutes, I will take you through a brief review that highlights how we are progressing towards our vision of becoming the leading integrated resort company in Australia – with the best tourism and entertainment destinations in the region.

Starting in Brisbane:

- We moved from demolition to excavation at Queen's Wharf.
- Works also commenced on the first public realm areas which include the Mangrove Walk and Waterline Park, part of the riverfront beautification program, and upgrading a 500-metre section of the Bicentennial Bikeway.
- All three areas are expected to be completed in the second half of 2019.
- At the existing Treasury property, we have reinvigorated our dining experiences with the inclusion of Black Hide by Gambaro – this award-winning restaurant opened in June.
- We improved performance at Treasury following the move to a new, dedicated leadership structure, including the appointment of a COO.

At the Gold Coast:

- The Darling hotel was completed on time and on budget.
- Approvals were obtained for the Dorsett Hotel and The Star Residences tower, with that project now under construction. The clip you just saw before was the sod-turning for this project where we were pleased to host the Queensland Premier and other dignitaries.
- The estimated development cost for the 700-key tower has now been locked in at \$370 million, well below earlier estimates.
- We expect to deliver that project with the same precision demonstrated in constructing The Darling.
- We're also continuing to progress with the Queensland Government the approval process for our expanded Gold Coast master plan and expect to provide you with more information very soon.
- The Commonwealth Games came to the Gold Coast and we played a central role in hosting athletes, dignitaries, organisers and media – while showcasing The Star Gold Coast and the Sheraton Mirage to the world and to locals.
- Following the Commonwealth Games, we hosted the Logies for the first time, another event to embed The Star Gold Coast as the entertainment hub of South East Queensland.

In Sydney:

- We fine-tuned the development application for the Ritz-Carlton tower and advanced it further in the planning process.
- We opened our new intermediate Sovereign Room facilities in August – drawing positive reviews from our premium guests.

- The Astral Lobby and Porte Cochere refurbishment are progressing well, as is the main entry foyer upgrade, on track for completion later this financial year.
- The Star Sydney hosted the AACTA awards and the ARIAs – the biggest entertainment awards nights in the film and music industries.
- The NSW Blues also held their welcome home reception at The Star Sydney after winning the rugby league State of Origin series – The Star being the official home of the Blues.

Let me pause now and play you a video highlighting some of these milestone moments...

[COMPILATION VIDEO PLAYS]

We won significant rewards and recognition for our properties in Queensland and Sydney:

- The Darling Hotel in Sydney received a 5-Star rating – the ultimate acknowledgement from Forbes Travel Guide. The Darling is the only luxury hotel in NSW to hold that 5-Star status and has enjoyed that leading position for two years.
- Our restaurants also continue to set fine dining standards across Sydney, Gold Coast and Brisbane.
- Momofuku Seiobo at The Star Sydney was rated the second-best restaurant in Australia by Gourmet Traveller.
- Sokyo continues to hold one hat from the Good Food Guide.
- The same recognition has been afforded to its sister restaurant Kiyomi, here at the Gold Coast.
- And Black Hide at Treasury in Brisbane was recognised just one month after opening as serving the finest steaks in Queensland.
- Second best steak in the Courier Mail food awards went to Nineteen at The Star here on the Gold Coast.

Again, if you would like to turn your attention to the big screen to see what's behind these successes...

[COMPILATION VIDEO PLAYS]

I hope you'll agree that what you have seen in the videos is worthy of celebrating. And I would like to thank our committed, talented teams – almost 9,000 team members across Queensland and Sydney – who are bringing these thrilling experiences to life for the more than 20 million guests we welcome to our properties each year.

Just this week, our talented team was recognised at the 2018 National Savour Australia Restaurant and Catering – Hostplus awards for excellence – winning the National George Mure Professional Development Award.

Full Financial Year Results

Looking now at our financial results for FY18 which were released in August.

As John mentioned, the results were strong. We had broad-based domestic growth, especially in slots, Queensland tables and non-gaming. Our non-gaming revenue was up 16% on the previous year to \$286.5 million, signalling a positive response from guests to our completed investments, particularly on the Gold Coast where non-gaming was up 19%.

We gained share in key gaming segments – notably slots in Sydney and the Gold Coast, and in the International VIP Rebate Business.

I would like to highlight the International VIP Rebate Business performance. Turnover was up 54% to a record \$61 billion and normalised revenue increased 52%. We now have the largest VIP business in ANZ and continue to see positive impact from our diversification into new source markets. Sydney is the No.1 VIP destination in the region and Gold Coast has overtaken Perth to be No.3. Despite growing strongly, we had record low debts as a percentage of revenue. All in all, a stellar effort from the VIP team. For the full year,

statutory Gross Revenue across the Group grew 6% to a record \$2.6 billion. Normalised Gross Revenue was up 15% to a record \$2.7 billion.

Normalised EBITDA was up 14% to a record \$588 million. Statutory EBITDA was down 19%, impacted primarily by the low actual win rate of 1.16% – well below the theoretical rate of 1.35% and the comparable period win rate in FY17 of 1.59%. Best explained, some of our guests were very lucky. It's in the nature of business.

Normalised NPAT was up 20% to \$258 million while statutory NPAT of \$148 million was down 44% on the comparable period, again impacted by the low actual win rate and one-off costs such as the USPP debt restructuring and Gold Coast pre-opening and launch costs.

Operating expenditure was up 7% on the previous year due to increased domestic and international gaming volumes, new and upgraded facilities at The Star Gold Coast and higher wage rates, offset by continued cost management.

Trading Update

Turning to trading in FY19 for the period from 1 July to 21 October 2018, group domestic revenue is up 6.7% on the prior comparable period.

Our domestic business is showing good momentum, with both Sydney and Queensland growing at similar levels. We are particularly pleased with the performance of the intermediate Sovereign Room in Sydney, and the effective transitioning of our highest valued customers.

The International VIP Rebate business normalised revenue is in line with the prior comparable period, with statutory results up strongly on the back of a better than theoretical win rate in early FY19. As always, we note that the VIP business exhibits volume and win rate volatility over short periods of time. In addition, the current quarter (2Q FY19) faces a very strong prior comparable period.

Our operational expenses continue to grow in line with business volumes, with incremental investment in Sydney for the intermediate Sovereign Room and new and expanded product at The Star Gold Coast.

Our capital investment programs are proceeding as planned, with the progress increasing our confidence that we will successfully deliver on these investments.

FY19 Priorities

Our priorities for the 2019 financial year are clear. We plan to:

- Improve earnings across the Group;
- Operate our assets as best we can to continually enhance customer service and efficiency;
- Deliver the next stage of our capital plans; and
- Ensure we maximise the opportunity to leverage the network Chow Tai Fook and Far East Consortium bring to our expanded strategic partnership.

Closing Thanks

In closing, I would like to thank the Board and management team for their support and extend my gratitude to our team members whose commitment has been crucial to our ongoing growth.

Thanks also to our investors for their continued support, with the share register now also including our valued partners Chow Tai Fook and Far East Consortium.

I especially want to thank the millions of guests who visited us again this year and enjoyed the considerable improvements we continue to make to our properties.

I will now pass back to John for the formal business of today's meeting.