



THE STAR

## ASX AND MEDIA RELEASE

Tuesday, 11 June 2019

### THE STAR ENTERTAINMENT GROUP (ASX:SGR) TRADING AND EARNINGS UPDATE

- **Domestic revenue growth softened in 2H FY2019 YTD vs prior corresponding period (pcp)<sup>1</sup>. No change in International VIP trends from 1H FY2019 into 2H FY2019**
- **Cost management initiatives brought forward, \$40-50m per annum benefit, leveraging new group structure aimed at further enhancing the customer experience**
- **Major capital projects progressing to plan**

#### Trading Update – 1 January to 8 June 2019

The Star Entertainment Group (**The Star**) provides the following update in relation to trading and expected FY2019 earnings.

Domestic revenue growth trends across The Star properties have softened since the release of our 1H FY2019 results, with domestic revenue between 1 January and 8 June 2019 up 0.3% vs pcp. Total domestic revenue in FY2019 YTD is up 3.1% on the pcp.

International VIP<sup>2</sup> trends from 1H FY2019 have continued into 2H FY2019, with turnover down 31.1% in 2H FY2019 to 8 June 2019.

Based on these revenue growth rates, The Star expects FY2019 normalised<sup>3</sup> EBITDA in the \$550-560 million range (\$568 million in FY2018). All financials and the final result will be subject to end of year finalisation processes and external audit of the FY2019 financial statements.

The slowing of domestic growth in 2H FY2019 reflects a combination of more challenging macro-economic conditions across our markets, lower hold rates on tables games in private gaming rooms (**PGRs**) and the impact of disruption from capital works at The Star Sydney.

- **Slots:** Revenue up 1.6% vs pcp. Combined Brisbane/ Gold Coast slots increased market share over January-April 2019 vs pcp. Sydney revenue flat vs pcp
- **Table games:** Revenue down 0.8% vs pcp. Private gaming table revenue flat vs pcp (Sovereign up 9.6% at constant hold rates)
- **PGRs:** Group private gaming room volume growth vs pcp (both slots and tables) continued to grow faster than main gaming floor volumes
- **Non-gaming:** Revenue is up 1.2% vs pcp

---

<sup>1</sup> Adjusted for the impact of AASB 15 (Revenue from Contracts with Customers) for comparative purposes.

<sup>2</sup> International VIP Rebate business.

<sup>3</sup> Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover and commissions. Normalised EBITDA is calculated based on normalised gross revenue, commissions and normalised taxes. Significant items are excluded from the normalised results.

In International VIP over January-May 2019, unique patrons are up 7.6% vs pcp, front money is down 16.5% vs pcp, and turns were 9.5 times (vs 11.3 times in the pcp) with an actual win rate below the 1.35% theoretical win rate. The actual win rate for the year to date (July 2018 to May 2019) remains above the theoretical win rate.

### **Cost management initiatives**

The previously announced creation of centres of excellence in Gaming and Marketing enables the Group to improve capability, processes and decision-making. These improvements allow the consolidation of functions and provide the opportunity to generate material cost savings across non-customer facing functions and areas.

Given the current revenue environment, initiatives to deliver these cost savings have been brought forward, with a targeted \$40-50 million per annum cost savings run rate to be achieved by end 1Q FY2020. The Group will provide an update at the FY2019 results on the expected impact and associated restructuring expenses recognised as significant items in the FY2019 results.

### **Capital developments**

The Group's capital development program continues to progress to plan.

At Queen's Wharf Brisbane, excavation of the site is expected to complete in July 2019, in line with project timetables. Costs for that stage of works are slightly below budget. Tendering for the next stage of the project are advancing to plan. Multiplex has been selected as the preferred contractor and terms have been agreed for a lump sum contract for the shell, core, façade and services in line with the project budget. Subject to final approvals, Multiplex is expected to commence work in July 2019. Following the award of these works to Multiplex, around 60% of the project capex will have been completed or contracted at a lump sum amount. Award of the remaining fit-out works is expected in mid-CY2020.

At The Star Gold Coast, construction of the first joint venture tower with our partners Chow Tai Fook and Far East Consortium (the Dorsett Hotel and Star Residences) is underway, with completion remaining on track for FY2022. The second joint venture tower, comprising a new five-star hotel and residences, has been announced. Construction is subject to market conditions, the achievement of satisfactory level of presales of the residential apartments which commenced in May 2019, and all approvals.

Completion of the upgrade and expansion of the Sovereign Resorts at The Star Sydney remains on track for mid-CY2020. The new porte cochere, entry lobby and main gaming floor food and beverage venue were opened in April and May 2019.

### **Conference Call**

The Star will host a conference call at 10 am AEST today for investors and analysts.

Dial-in details for the call are below. Participants will be asked to provide their full name and passcode when joining the call.

|                                 |                             |                |               |
|---------------------------------|-----------------------------|----------------|---------------|
| <b>Passcode</b>                 | 29 905 79                   |                |               |
| <b>Australia Dial-In</b>        | 1800 148 258                |                |               |
| <b>Australia Mobile Dial-In</b> | 1300 157 230                |                |               |
| <b>International Dial-In</b>    | +61 280385271               |                |               |
| Belgium                         | 080071572                   | Malaysia       | 1800180708    |
| Canada                          | 18668374489                 | Netherlands    | 0800229451    |
| China                           | 108006110127 / 108003610079 | New Zealand    | 0800667018    |
| France                          | 0800908221                  | Norway         | 80010112      |
| Germany                         | 08001814827                 | Philippines    | 180016120005  |
| Hong Kong                       | 800965808                   | Singapore      | 8006162170    |
| India                           | 0008001007048               | Sweden         | 020799376     |
| Indonesia                       | 0018030612145               | Switzerland    | 0800561529    |
| Ireland                         | 1800720011                  | Taiwan         | 00801232398   |
| Italy                           | 800788772                   | Thailand       | 0018006121124 |
| Japan                           | 006633062118                | United Kingdom | 08000569662   |
| Korea (South)                   | 007986121097                | United States  | 18665862813   |

**For further information contact:**

|                           |   |                       |
|---------------------------|---|-----------------------|
| <b>Financial analysts</b> | Harry Theodore<br>Chief Commercial Officer                      | Tel: + 61 2 9657 8040 |
|                           | Danny Huang<br>General Manager, Strategy and Investor Relations | Tel: + 61 7 3306 8556 |
| <b>Media</b>              | Peter Jenkins<br>General Manager, Media and Communications      | Tel: + 61 2 9657 9288 |