EVENT
HOSPITALITY & ENTERTAINMENT
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ASX ANNOUNCEMENT

Strategy delivering with strong first half result

THURSDAY 20 FEBRUARY 2020

Entertainment, hospitality and leisure operator EVENT Hospitality & Entertainment Limited ("EVT") today announced a half year result with Group revenue from continuing operations of $524 million, up 2% on the prior half year. Normalised profit from continuing operations before interest, tax and the impact of the new AASB 16 *Leases* accounting standard was $86.0 million, a decrease of 2.2%. Overall, statutory net profit after tax including discontinued operations was $93.6 million, an increase of 38.7%.

The result was impacted by a reduction in Entertainment gift card breakage revenue related to the legislated change in expiry dates of gift cards from one to three years, the impact of AASB 15 *Revenue*, the cessation of virtual print fee income in New Zealand, and the partial closure in March 2019 of Rydges Queenstown. After adjusting for these items, revenue for the Group was up 2.9% and normalised profit before interest and income tax expense was up 3.3%.

In announcing the result, EVT CEO Jane Hastings said: "The half year result was driven by strong results from the Entertainment group with adjusted profit up 7.4%, continued strong results from the Hotels division in a more competitive market with adjusted profit up 4.4%, and a good result from Thredbo despite less favourable ski conditions."

"EVT's Australian entertainment revenue was up 4% and profit was up 1% on an adjusted basis, underpinned by a record first half Australian box office. Our 'future of cinema' strategies are on track and delivering solid results. This includes growth in market share of blockbuster films, growth in admissions and average admission price with new cinema formats and a record merchandising spend per head strengthened by new food and beverage concepts. It was also pleasing to see an increase in the frequency of visits by Cinebuzz members despite the growing range of content options in the market".

"The New Zealand circuit delivered a record result with normalised profit up 30%, or up 49% on an adjusted basis, outperforming the overall market with market share up four percentage points, admission growth up 6% with average admission price up 10% and merchandising spend per head up 6%."

"Thredbo Alpine Resort revenue was relatively flat on prior year (+0.2%) with normalised profit marginally down 2.2%. The result was impacted by unfavourable snow conditions in the first peak trading period within the July school holidays. Pleasingly, Mountain Biking performance in summer continues to grow, being up 36%".

"The Hotel division achieved another good result in a more competitive market with adjusted revenue flat and profit up on a comparative basis. Growth was achieved in occupancy, revenue per available room and owned hotel conference and events revenue. Solid operating strategies also improved gross operating profit margin. Pleasingly, many of our hotels outperformed their respective markets across all hotel brands."

Ms Hastings commented on progress on the strategy to strengthen the Group's asset base: "Our focus on maximising assets by targeting capital investment to generate strong returns, is progressing well. New cinema concepts were introduced across 16 screens in Australia and 12 screens in New Zealand and are exceeding expectations. Hotel upgrade projects included QT Sydney, QT Melbourne, QT Gold Coast (in progress) and Rydges Geelong (in progress) to generate stronger returns from underutilised space and maintain a high standard in a more competitive market. Plans are well advanced for upgrades to Rydges North Sydney, QT Canberra and Rydges Melbourne to commence in the next financial year. Divestment of under-performing assets including Rydges Townsville in December 2019 contributed positively to the result."

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Ms Hastings continued: "Our recent 50% acquisition of budget accommodation operator Jucy Snooze opens up a new market segment for growth. The stage one development applications for the Group's major developments at 458-472 George Street and 525 George Street in Sydney are progressing well. Thredbo will also open the winter season with Australia's first Gondola at a ski resort, an upgraded Dream Run for skiers to enjoy and more carparks are under construction to increase capacity."

The Group provided an update on progress in relation to the sale of the Group's Entertainment German division. FCO proceedings are in progress and the Group is confident that a conditional clearance decision will be granted in late February or March 2020. Total consideration for the sale is expected to be €186.9 million (A$301 million) including an earn-out of €56.9 million (A$92 million).

Ms Hastings commented regarding the outlook for the second half: "The temporary closure of Thredbo in January due to bushfires in the region substantially impacted summer revenue, however visitors are now returning to Thredbo. The Hotels division will be impacted by the Government travel restrictions and suspended airline services as a result of the Coronavirus outbreak. Whilst it is too early to assess the full impact, the immediate impact on March earnings is expected to be between $2 million to $3 million. The Entertainment division will be marginally impacted by a reduction of Chinese film content."

"Aside from this, Entertainment has had a good start to the second half with Australian nationwide box office in January up 6% on prior year. The remainder of the year will be subject, as always, to the appeal of the major Hollywood titles, which include the new James Bond film *No Time to Die*, *Fast & Furious 9*, and *Wonder Woman 1984*. Whilst this film slate appears promising, it is up against a strong comparative period which included *Avengers: Endgame* and whether or not box office will reach prior year will be determined by audiences. Given the broader market conditions, cost saving and other mitigation initiatives are also underway across the Group. Overall, Event has a strong balance sheet, we are prepared for earnings headwinds and ready to leverage opportunities that may arise"

EVT Chairman Mr Alan Rydge announced a fully franked interim dividend of 21 cents per share, consistent with the prior year's interim dividend.

EVT operates cinemas in Australia and New Zealand primarily under the EVENT, BCC and GU Filmhouse brands, and in Germany under the CineStar brand. In Hotels and Resorts, EVT operates under the Rydges, QT and Atura brands and owns a 50% share of Jucy Snooze. EVT also owns the Thredbo Alpine Resort and has significant property holdings.

David Stone
Company Secretary

Further information

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