



THE STAR

22 October 2020

## ASX Announcement

**THE STAR ENTERTAINMENT GROUP LIMITED**  
**ACN 149 629 023**

**ANNUAL GENERAL MEETING**  
**THURSDAY 22 OCTOBER 2020**

### **CHAIRMAN'S ADDRESS**

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

It is an AGM with an unfortunate historical overtone – the first out of necessity that we have had to stage on a completely virtual basis.

#### **Impact of COVID-19**

The COVID-19 pandemic has been a significant factor in all our lives, both professionally and personally, during calendar year 2020.

Certainly, through the final quarter of FY2020, the impact on our business was extraordinary.

Prior to that point, our performance was strong and showing pleasing momentum.

From July 2019 to February 2020, normalised NPAT was up 15.6% and domestic EBITDA was up 8.3%.

Even after the COVID-19 impacts descended, there were key milestones achieved over the entirety of the financial year, which will drive significant long-term value for shareholders.

- The Star agreed Sydney gaming tax arrangements and casino EGM exclusivity to FY2041 with the NSW Government.
- There was an end to the second integrated resort process on the Gold Coast with no requirement for additional capital expenditure.
- We completed Queen's Wharf Brisbane project financing on terms agreed pre-COVID-19.
- Significant capex projects remained on time and on budget despite the impacts of the pandemic.

A rapid and comprehensive response to mitigate the impacts of COVID-19 was also taken.

- Actions to safeguard team members and customers were implemented.
- The Star secured \$200 million of additional liquidity and June 2020 covenant waivers.
- Cash was preserved through reduced opex and capex, and an underwritten interim dividend.

These were responsible and necessary steps after pleasing financial results across the first 8 months of FY2020 gave way to Government enforced restrictions and shutdowns at our properties in Sydney, Gold Coast and Brisbane. When we reopened on a staged basis across Sydney, Gold Coast and Brisbane – albeit in a considerably reduced capacity – we also focused on the continued safe and effective management of those properties.

To give you a brief chronology of events, we updated the market through the ASX on March 16 about a range of precautionary measures – changes to our operating procedures – that were in line with social distancing measures under advice from government health authorities and our own independent medical advisor.

On March 22, the Federal Government announced further restrictions on social gatherings.

COVID-19 related directives issued by the Federal, New South Wales and Queensland Governments led to the cessation of gaming activities from March 23; and the closure of food and beverage, banqueting and conference offerings, with the limited exception of in room dining services for hotel guests, from the same date.

Hotel accommodation services in Sydney and Gold Coast remained open in a significantly reduced capacity. Treasury Hotel Brisbane was closed for more than three months.

In response, The Star made the incredibly difficult but necessary decision to temporarily stand down more than 95% of our approximately 9,000 employees.

In an update to the ASX on March 25, The Star Entertainment Group announced it would immediately move to assist employees by providing two weeks of paid pandemic leave and provide access to annual leave and long service leave entitlements. A few weeks later we launched a hardship program to assist team members hit hardest by the pandemic.

Additionally, the Board and Senior Management accepted reductions in directors' fees and salaries respectively. Directors' fees were reduced by 50% and Management salaries, including the CEO, by up to 40%.

On 30 March, the Federal Government announced its next financial stimulus in response to the COVID-19 pandemic – a JobKeeper wage subsidy. The Star registered as soon as possible to ensure eligible employees could access a flat payment scheme of \$1,500 per fortnight.

CEO Matt Bekier will take you through the specifics of those programs shortly.

I am delighted to tell you that while we continue operating well below pre-COVID-19 levels, we have returned around 85% of our workforce to their jobs.

However, the existing operational environment – with significant restrictions still in place – prevents us from making further material advancements on increasing staff numbers, at least for the time being.

### **Equity Bonuses to Executives**

I would like to address one other matter, regarding equity bonuses to executives.

There has been commentary surrounding this issue, and a supposed conflict of approving bonuses when the company was registered for JobKeeper to assist the retention of thousands of employees.

For FY2020, The Star passed on JobKeeper payments of \$64.8 million to eligible employees. Every dollar was used for the purpose the Government intended. Eighty-five percent flowed directly to team members who were stood down or working reduced hours. The remainder was used to return team members to their roles; an option that otherwise would not have been viable.

There was no connection between JobKeeper and bonuses.

Bonuses in FY2020 were equity incentives, not cash.

They were new issue shares.

Apart from the strategic achievements outlined earlier, there was also consideration given to retaining key talent as we prepare for a competitive casino landscape in Sydney.

But, importantly, the results attributable to Management will drive long-term shareholder value.

The new gaming tax arrangements in Sydney are favourable on multiple levels.

We have competitive neutrality on table games taxes with Crown Sydney and fixed rates on electronic gaming machines through to June 2041.

Further, The Star will continue to be the exclusive casino provider of EGMs in Sydney – and entitled to financial compensation from the NSW Government should EGMs be installed at Crown Sydney at any time until 30 June 2041.

In Queensland, the market landscape has also firmed up. On the Gold Coast, an end to the Global Tourism Hub process – together with our ongoing multi-billion-dollar investments in South East Queensland – have effectively ensured the threat of competition in the region has faded.

The ability to leverage the world-class properties we will showcase in Brisbane and the Gold Coast from 2022 will also be a deterrent any domestic or international competitor would concede is an impenetrable barrier to them entering the SEQ market.

## **FY2020 Financial Results**

Turning to the 2020 financial year results and The Star delivered record normalised and domestic earnings for July 2019 to February 2020 on a prior year basis before the full impact of COVID-19.

This reflected growth from investments, operational improvements and cost management benefits.

For the full year, the COVID impact is obvious. Normalised EBITDA was \$430 million, down 23% on the prior year. Normalised NPAT was \$121 million, down 46% on the prior year.

Statutory EBITDA was \$282 million, down 49%, impacted by an unusually low actual win rate in the International VIP Rebate business. Net loss after tax was \$94.6 million after significant items largely attributable to COVID-19 impacts.

The International VIP Rebate Business was obviously challenged due to border closures.

However, our ongoing diversification into the International Premium Mass business continued to show impressive growth pre-COVID with front money up 53%.

In order to maintain a balance sheet that positions the Group for a post COVID-19 recovery, no final dividend was declared. We are working diligently towards the goal of reinstating dividends for shareholders by improving net debt ratios as required under the terms agreed with the waiver of covenants at June 30, 2020.

In the Annual Report, I describe the 2020 financial year as extraordinary and challenging. The recession brought on by COVID-19 has tested the resilience and agility of entire communities.

This has been a year of unexpected obstacles, and they emerged at a time when the business had pleasing momentum.

As restrictions ease, we will return to more traditional operational and staffing capacities, allowing the business to resume its drive towards establishing The Star as Australia's leading integrated resort company.

I would now like to call on our Managing Director and CEO Matt Bekier.

## **MANAGING DIRECTOR AND CEO'S ADDRESS**

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Thank you John, and welcome to everyone.

As outlined in our Annual Report message, I would like to extend my heartfelt gratitude to our wonderful workforce at The Star. Their efforts in such difficult times during 2020 have been inspirational.

The enforced shutdowns of our properties in Sydney and Queensland occurred in late March.

At that time, there was a risk that we may have to endure those closures for many, many months.

However, when opportunities arose to partially reopen at various stages of the COVID-19 journey, our teams acted safely, swiftly and efficiently to ensure operations could be resumed.

We had to develop new ways of working across many parts of the business. And in the food and beverage area, we saw a real entrepreneurial spirit emerge.

We created takeaway options that had never previously been available and, when we initially reopened our restaurants in May, they had to be reimaged with a maximum 10 guests to serve.

On the first of June we partially reopened Sydney gaming areas. Queensland casinos followed on July 3rd. While they were welcome milestones, capacity constraints continue to prevent us returning all our valued team members to their jobs.

### **Team Member Payments**

When our properties were directed to close at short notice in March, The Star provided two weeks of paid pandemic leave to impacted team members. Payments totalled over \$18 million.

The Star also provided immediate access to annual leave and long service leave entitlements.

Shortly after, we launched a \$3 million hardship program for those team members hit hardest by the pandemic. Many were not eligible for any Government assistance.

These discretionary payments came to more than \$21 million. We are determined to balance the human impact on our workforce while taking the necessary measures to protect our business.

Other initiatives to assist team members included:

- Connecting them to other employment opportunities;
- Providing offers from suppliers; and
- Creating communications platforms for our team members to stay engaged and in contact with the company.

### **JobKeeper Payments**

The Star also registered for JobKeeper assistance.

The current position with JobKeeper is that our Queensland properties were ineligible for ongoing payments past September 27.

Eligible team members at The Star Sydney can receive JobKeeper Phase 2 payments because the New South Wales property met the qualification criteria of a 50% reduction in GST turnover for the quarter ending September 2020.

To further assist team members who remain stood down or are no longer eligible for JobKeeper payments, we've also decided to relaunch the Group-wide hardship program.

This is designed to help our most impacted staff, primarily in Queensland, navigate their way through the next few months as we await further opportunities to reopen.

We will provide fortnightly payments via the hardship scheme and have made provisions for up to \$5 million for what we consider an important investment in our people. Around 15% of our Queensland workforce remains stood down.

## **FY2020 Significant Achievements**

The Chairman mentioned the significant achievements of FY20 that will provide a robust platform for continued growth.

They included the gaming tax deal and exclusivity on casino EGMs in NSW until 2041, the financing of Queen's Wharf and the ending of the Global Tourism Hub process on the Gold Coast.

The Star's new \$250-million Sovereign area for high-tier loyalty members also opened to hugely supportive reviews. We believe it is the finest VIP gaming facility in the country and positions us for competition in Sydney.

In Queensland, our multi-billion-dollar projects in Brisbane and the Gold Coast continued to edge closer to planned 2022 opening dates.

Queen's Wharf remains on time and on budget, with finalisation of a \$1.6 billion debt funding package, and around 75% of total project costs now under lump sum terms.

At the Gold Coast, the Dorsett hotel and apartments tower has reached Level 22. It will be 53 storeys in total. Like Queen's Wharf, the project is on time and on budget.

Despite the financial impacts of COVID-19, there are many achievements to celebrate that enhance The Star's reputation and continue to support our vision of becoming Australia's leading integrated resort company. They include:

- The Darling hotel in Sydney retaining a Forbes Five-Star rating and remaining the only hotel in Sydney with that status;
- The Star was again recognised as the Global Leader in the Casino & Gaming category of the Dow Jones Sustainability Index for a fourth consecutive year;
- We committed to a net carbon-neutral target for owned and operated assets by 2030;
- We ranked 2nd in Australia and 25th globally on the 2019 Refinitiv Diversity and Inclusion Index;
- We were awarded 'Bronze Employer' status at the Australian LGBTQ Inclusion Awards;
- We continued to run internal engagement activities to celebrate International Women's Day, and
- The Star donated almost 34,000 kilograms of food to charities.

The Star Entertainment Group's longer-term strategy remains unchanged: that is, to improve earnings through ongoing operational efficiencies and to generate returns on the capital investments currently underway and in planning across the group.

## **FY2021 Priorities**

More immediately, the priorities for the 2021 financial year are:

- Operationally: to drive a COVID-19 earnings recovery, including a rapid refocus on local markets and domestic tourism; and addressing emerging competition in Sydney, operating expenses, and liquidity;
- For the Balance Sheet: to de-gear through cash preservation and capital recycling;
- Thirdly, to execute the Capital Light Model via further delivery on a centralised operating model, completing investment projects on time and on budget, and executing in a capital efficient way. These projects will provide us the platform to offer our customers the ultimate integrated resort experiences and secure their loyalty for repeat visitation.

I would like to thank the Board, the management team, and our thousands of team members for their resilience and commitment. I would also like to thank our millions of guests for visiting The Star and continuing to return.

## Trading Update

Further to my address, I would like to give an update on FY21 trading for the period 1 July 2020 to 15 October 2020. Performance has been pleasing, with group domestic gaming revenue approximately 75% of pcp and group domestic revenue approximately 70% of pcp, on reduced capacity at all properties.

The Queensland properties have traded strongly with domestic gaming revenue broadly in-line with the prior period, notwithstanding the spatial distancing requirements and reduced trading hours that are currently in place. Sydney continues to be impacted by the more onerous constraints on the operations of the property, including a cap on the number of patrons in an area and no co-mingling between areas.

Across the group, loyalty gaming revenue remains strong, enhanced by the newly opened Sovereign private gaming room in Sydney.

The VIP Rebate business continues to be impacted by the closure of the international and domestic borders with negligible turnover in the period.

Given the operating constraints, the group has managed operating expenses to the more restricted operations. Domestic EBITDA margins were above the prior period despite lower revenues, which has driven strong cashflow generation in the period and enabled significant debt reduction.

Restrictions may change over the remainder of the year which could materially impact revenues.

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

### Authorised by:

The Board of Directors

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