



ASX AND MEDIA RELEASE

Monday, 22 August 2022

THE STAR ENTERTAINMENT GROUP (ASX:SGR) FY2022 RESULTS¹

FY2022 REVIEW

- **Earnings materially impacted by COVID-19 related disruption but recovery underway**
 - Normalised² EBITDA of \$237m and normalised net loss of \$32m
 - Statutory EBITDA of \$239m (pre significant items) and statutory net loss of \$199m (post significant items including The Star Sydney goodwill impairment of \$162.5m³)
 - COVID-19 related property shutdowns, operating restrictions and border closures as well as the regulatory reviews materially impacted earnings
 - Following several COVID-19 restrictions lifting in the second half, domestic revenue recovered accordingly
 - June quarter underlying EBITDA \$119m
 - Domestic revenue in the June quarter was up 11% on pre-COVID levels
 - Slots revenue up 28%, non-gaming revenue up 26%, domestic tables down 4%
 - All properties at or above pre COVID levels – Gold Coast up 48% on 4Q FY2019, Sydney in line, Brisbane up 13%
- **Renewal Program underway**
 - Renewal Program underway as the foundation for a more robust and sustainable business, to earn the trust and confidence of all stakeholders
 - Enhancing the Group's governance, compliance, culture and uplifting our core processes and controls
- **Key executive and Board appointments**
 - Appointment of Robbie Cooke as Managing Director and Chief Executive Officer
 - Appointment of Scott Wharton as CEO The Star Sydney and Group Head of Transformation
 - New Board appointments – Michael Issenberg, Anne Ward and David Foster
- **Balance sheet sound – strong liquidity position, no covenant relief required**
 - Substantial liquidity - \$513m in cash and undrawn facilities
 - No covenant relief required for FY2023 testing dates based on current trends
- **Asset sales continue to progress**
 - \$170m first tranche completion of Brisbane Treasury assets expected in 1H FY2023 (\$78m second tranche in 1H FY2024)
 - Union Street Pyrmont compulsory acquisition underway, Sheraton Grand Mirage Gold Coast options under exploration
 - Opportunity remains to unlock the underlying value of the Group's property assets

¹ This release should be read in conjunction with The Star Entertainment Group Limited's FY2022 Results Presentation and Appendix 4E (Unaudited Preliminary Final Report) and Unaudited Preliminary Financial Report (collectively referred to as the Financial Report) for the twelve months ended 30 June 2022. FY2022 results have not been audited or reviewed.

² 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, taxes and revenue share commissions, unless otherwise stated, and are before significant items.

³ Reflects an increase to the WACC assumption used in the valuation of The Star Sydney goodwill due to regulatory and other uncertainties

FY2022 Financial Highlights	Statutory		Normalised	
	\$m	vs pcp	\$m	vs pcp
Gross Revenue	1,534	(2%)	1,532	(2%)
EBITDA (before significant items)	239	(44%)	237	(45%)
EBIT (before significant items)	31	(86%)	28	(87%)
NPAT (before significant items)	(31)	(128%)	(32)	(128%)
Statutory NPAT	(199)	(443%)	-	-

THE STAR SYDNEY

- Earnings significantly impacted by the closure of the property for 102 days, operating restrictions and other COVID-19 related impacts
- Strong domestic revenues when open on an unrestricted basis with June quarter domestic revenue consistent with pre-COVID levels
- Slots revenue in the June quarter up 17% on pre-COVID levels while domestic tables were down 8%

Normalised	FY2022		June Qtr
	\$m	vs pcp	\$m
Gross Revenue	781	(6%)	292
EBITDA	82	(60%)	57
EBIT	(36)	(143%)	27

THE STAR GOLD COAST

- Earnings impacted by the closure of the property for 11 days, operating restrictions, border closures and other COVID-19 related impacts
- Strong domestic revenues when open on an unrestricted basis with June quarter domestic revenue up 48% on pre-COVID levels
 - Slots revenue up 50% and domestic tables revenue up 23%
 - Non-gaming revenue up 69% with new amenities and the return of domestic tourism and the conferencing business

Normalised	FY2022		June Qtr
	\$m	vs pcp	\$m
Gross Revenue	424	11%	129
EBITDA	90	(20%)	36
EBIT	27	(47%)	20

BRISBANE

- Earnings impacted by the closure of the property for 12 days, operating restrictions, floods and other COVID-19 related impacts
- Performance improved when the last of the COVID-19 restrictions was removed in April
- Domestic revenue in the June quarter was up 13% on pre-COVID levels
- Slots revenue was up 26% while domestic tables were down 4%

Normalised	FY2022		June Qtr
	\$m	vs pcp	\$m
Gross Revenue	326	(6%)	93
EBITDA	65	(43%)	26
EBIT	38	(56%)	20

BALANCE SHEET AND CAPEX

- Lower net debt of \$1.15bn as at 30 June 2022
- Compliant with June 2022 amended covenants - gearing 2.8x (Net Debt / annualised 2H FY2022 EBITDA)
- Substantial liquidity on hand - \$513m in cash and undrawn facilities
- No covenant relief required for FY2023 testing dates based on current trends
- No final dividend declared
- FY2022 capex \$141m, well below D&A of \$208m
- FY2023 capex guidance is ~\$150m, down from prior guidance of ~\$175m, with additional JV equity contributions of ~\$115m
- Non-cash impairment recognised as a significant item. Reflects an increase to the WACC assumption used in the valuation of The Star Sydney goodwill due to regulatory and other uncertainties

PRIORITIES FOR THE YEAR AHEAD

- Commitment to demonstrating suitability to hold casino licences in NSW and Queensland
- Progress the Renewal Program
- New senior executive and Board appointments
- Address outcomes of the Bell and Gotterson Reviews
- NSW and Queensland legislation – consider the changes to the NSW Casino Control Act and the potential implications for The Star Sydney (including compulsory carded play, daily cash limits and the purported override of compensation rights) and the potential implications of the Bill to amend the Queensland Casino Control Act (noting it remains subject to the usual consultation and parliamentary processes)
- Drive revenue growth in a post COVID-19 earnings recovery, maintain cost control, and manage the competitive impact of Crown Sydney
- Queen’s Wharf Brisbane – continue to progress construction and prepare for the opening
- Gold Coast – complete Tower 1 settlements and continue to progress the construction of Tower 2
- Sydney – progress development opportunities
- Complete asset sales processes underway and explore opportunities to unlock the underlying value of the Group’s property portfolio
- Proceeds to be used to pay down debt and reduce gearing levels

TRADING UPDATE

- Revenue trends from 4Q FY2022 have continued into early 1H FY2023 trading
- In the period from 1 July 2022 to 18 August 2022, Group domestic revenue is up 9% on pre-COVID levels (1 July 2019 to 18 August 2019)
 - **Sydney** domestic revenue is in-line with pre-COVID levels. It is too early to ascertain the impact of Crown Sydney, which opened on 8 August 2022
 - **Gold Coast** domestic revenue is up 26%
 - **Brisbane** domestic revenue is up 18%

EXECUTIVE APPOINTMENTS AND THE RENEWAL PROGRAM

Interim Chairman Ben Heap said: “COVID-19 related disruptions and regulatory reviews have presented significant challenges. I would like to acknowledge the commitment of our 8,000 team members and express my appreciation for their tireless efforts.

“The underlying strength of the business has enabled a strong rebound post COVID-related property shutdowns and operating restrictions. The quality of the business also provided opportunity to attract high quality senior executives to drive future change and growth. We are delighted to have announced the appointment of Robbie Cooke as Managing Director and Chief Executive Officer. Robbie is a trusted, respected and highly experienced chief executive. He has been the CEO of major ASX 200 listed companies and brings extensive commercial experience in operating and driving transformation programs within highly regulated environments, overseeing large workforces and building executive teams in multi-jurisdictional locations.

“Given The Star’s significant investments to develop world-class tourism and entertainment destinations in South-East Queensland and Sydney, the company will benefit significantly from both his understanding of the industry’s regulatory environment and extensive insights and experience across the hotel and broader hospitality sector.

“Robbie is well placed to lead The Star and restore confidence in the organisation. He has the expertise and experience to guide the company through its critical Renewal Program, a body of work already underway that will deliver a number of near and medium-term initiatives focussed on governance, culture, training, and risk and compliance systems and technology, particularly with respect to AML/CTF and KYC obligations.

“The Renewal Program is integral to our commitment to earn the confidence and trust of our stakeholders. We are taking action across the business, improving our systems and controls, as we build a safer and stronger business.

“The appointment of Scott Wharton as CEO The Star Sydney and Group Head of Transformation will continue to advance that commitment.

“The Board renewal process is also progressing with the appointment of Anne Ward and David Foster as Non-Executive Directors. Michael Issenberg was appointed to the Board earlier this year.”

Acting Chief Executive Officer, Geoff Hogg said: “The past year has demonstrated how resilient our business is and how quickly customers return when the properties are allowed to open and operate without restrictions. This gives us great confidence moving forward.

“We opened the Dorsett Gold Coast Hotel and The Star Residences during the year. The hotel is performing above forecast levels given higher than expected occupancy levels and average daily rates. We have settled in excess of 90% of the apartments. Construction of Gold Coast Tower 2 is underway and all apartments have been sold.

“As we advised the market in July, Queen’s Wharf Brisbane is now expected to open from 2H CY2023 and total project costs are now expected to be up ~10% on prior guidance of \$2.6 billion.

“The fundamental earnings prospects for The Star’s domestic business remain attractive. They are underpinned by valuable long-term licences in compelling locations while the transformation of our properties into globally competitive integrated resorts continues.

“We would like to thank all of our guests and dedicated employees for their considerable support through these challenging times.”

KEY FINANCIALS (UNAUDITED) – TWELVE MONTHS TO 30 JUNE 2022

Statutory ³		vs pcp
Gross Revenue	\$1,534m	(2%)
EBITDA	\$239m	(44%)
EBIT	\$31m	(86%)
NPAT	(\$199m)	(443%)
Earnings Per Share ⁴	(20.9 cps)	(443%)
Normalised ⁵ (Underlying)		vs pcp
Gross Revenue	\$1,532m	(2%)
- Sydney	\$781m	(6%)
- Gold Coast	\$424m	11%
- Brisbane	\$326m	(6%)
EBITDA	\$237m	(45%)
- Sydney	\$82m	(60%)
- Gold Coast	\$90m	(20%)
- Brisbane	\$65m	(43%)
EBIT	\$28m	(87%)
- Sydney	(\$36m)	(143%)
- Gold Coast	\$27m	(47%)
- Brisbane	\$38m	(56%)
NPAT (after equity accounted investments)	(\$32m)	(128%)
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	\$1,333m	
Net Debt ⁶	\$1,149m	
Net Debt/ EBITDA (statutory)	2.8x (Net Debt/annualised 2H FY2022 statutory EBITDA)	
Net Debt/ EBITDA (normalised)	2.8x (Net debt/annualised 2H FY2022 normalised EBITDA) ⁷	

³ EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Statutory NPAT is after equity accounted investment profits/ losses and significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items.

⁴ Earnings per share based on weighted average number of shares on issue.

⁵ 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% of turnover, taxes and revenue share commissions, unless otherwise stated. Normalised EBITDA and Normalised EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items

⁶ Net debt shown as interest bearing liabilities (excluding lease liabilities of \$43m), less cash and cash equivalents less the net impact of derivative financial instruments.

⁷ Annualisation of 2H FY2022 as per amended covenant

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