



THE STAR

ASX Announcement

9 November 2023

THE STAR ENTERTAINMENT GROUP LIMITED
ACN 149 629 023

ANNUAL GENERAL MEETING
THURSDAY 9 NOVEMBER 2023

CHAIRMAN'S ADDRESS

Introduction

Ladies and gentlemen, welcome to the 13th Annual General Meeting of The Star Entertainment Group Limited.

FY23 was a challenging time for The Star, a challenging time for shareholders.

What I can assure you of is that we have committed to fundamental change.

Resetting behaviours and ways of operation were imperatives for this new Board and the Management team.

All the Non-Executive Directors here today, and our Group CEO and Managing Director, joined the Board during FY23.

Our latest Board member, Toni Thornton, joined the Board last month after receiving all regulatory approvals.

It is our responsibility to take this company forward.

What has gone before cannot happen again.

Society, our regulators, our governments and you, our shareholders, demand it.

But we are also demanding it of ourselves.

Suitability

The path to a successful and sustainable future is clear.

We need to restore our suitability, regain trust, and seek to ensure our casino licences are retained and maintained.

Those licences are a privilege, not a right, and we understand the gravity of responsibility associated with holding them.

Constructive engagement with our regulators in Queensland and NSW has been prioritised.

We want to repair and strengthen those relationships.

A draft remediation plan is currently with the regulators, and we await their approval.

But we are not sitting still in the meantime.

Uplifting critical areas of the business including financial crime, harm minimisation, risk management and our controls environment continues.

We are embedding greater accountability and governance.

PVP

We are also committed to transforming The Star's culture.

We have listened and learned.

Robbie will speak in more detail about our new Purpose, Values and Principles.

But they have been shaped with what we want to be known for.

Two of the four new values talk to 'Leading with Integrity' and 'Take Good Care'.

They go to the heart of being honest and ethical, and making sure the wellbeing and safety of our teams, guests and communities are always at the forefront of our thinking.

Capital Raising & Refinancing

I want to thank existing shareholders for their support during the two equity raising processes this calendar year and I welcome all new additions to our register.

The refinancing and capital structure initiatives we undertook are key milestones for the renewal of The Star.

We have strengthened the balance sheet and have additional flexibility to move forward and deliver on our strategic priorities and the remediation program.

Issues

We continue to deal with external matters including AUSTRAC, the remaining class action in the Victorian Supreme Court, and a dispute between the Queen's Wharf Brisbane joint venture vehicle DBC and the contracted builder which has led to legal proceedings in the Queensland Supreme Court.

We were pleased to reach in-principle agreement in relation to the casino gaming tax issue in NSW in August this year with manageable increases in rebate play duty rates and table game duty rates, and a deferral until 1 July 2030 of poker machine duty rate increases.

Until that time we will remain on the rates for poker machines outlined in the gaming taxes agreement signed with the NSW Government in June 2020.

Resolving the casino gaming tax issue is important for not only removing uncertainty for our Sydney operation but for the protection of thousands of NSW jobs.

Development

We have Queen's Wharf set for a planned opening in the first half of 2024 and this will be a transformational development for Brisbane and Queensland, as well as The Star.

It was 2015 when what was then Echo, and our ongoing JV partners Chow Tai Fook and Far East Consortium, won the right to develop this riverside precinct and blend stunning contemporary architecture with magnificent heritage buildings.

This will be a tourism beacon.

Hotels, restaurants, bars, cafes, the Sky Deck, reinvigoration and beautification of the riverside, multi-million-dollar art installations across the vast public realm spaces, major event activations and arts/culture opportunities.

Queen's Wharf is a game changer.

Here on the Gold Coast, Tower 2 is also continuing to grace the skyline of the region at an ever-increasing height.

It is another joint venture development with Chow Tai Fook and Far East Consortium.

It is also part of an overall \$2 billion masterplan for The Star Gold Coast which has been approved by the Queensland Government and still has scope for a further three towers here on Broadbeach Island.

Both the Queen's Wharf project and our Gold Coast masterplan are underpinned by our desire to further diversify the business.

We are more than just casinos – we are firmly entrenched in the entertainment, hospitality and tourism industries with some of the finest assets in the country.

Financial Results

Reflecting briefly on the financial results for FY23:

- statutory EBITDA before significant items was \$317 million – that was up 34% on the prior corresponding period;
- statutory net loss after tax was \$2.4 billion – that included \$2.8 billion of significant items.

Those significant items primarily reflected the non-cash impairment of The Star Sydney, The Star Gold Coast and Treasury Brisbane, ongoing regulatory and legal costs, debt restructuring costs and redundancy costs.

Closing

In closing, I want to thank you, our shareholders, for your support and for trusting this new Board with your company.

I want to thank the millions of guests who visit our three properties each year.

I also want to voice my gratitude to the Board, our Group CEO Robbie Cooke, and the Management team for their ongoing commitment to transforming The Star.

We will create a truly sustainable business making positive community contributions and I consider it an honour to hold the position of Chairman as we undertake that journey.

I will now hand over to our Group CEO and Managing Director, Robbie Cooke.

MANAGING DIRECTOR AND CEO'S ADDRESS

Introduction

Thanks David and good morning.

A lot has transpired since I spoke to you at our AGM last year here at the Gold Coast. At that time, I had been in the CEO 'seat' for about 5 weeks.

It is fair to say our business has faced some quite extraordinary issues since that time which I will discuss shortly.

Importantly, the events of the last year reinforce the critical need for us to rethink, reshape and reimagine the future for The Star.

We are on a journey to restore our suitability and to earn back trust - that will take time, but we are committed to being a better company, operating with the highest levels of integrity in all that we do.

I will this morning talk about:

- some of the issues we have had to address;
- the changes we have implemented in our business to date;
- the regulatory environment;
- our financial performance; and
- our priorities for FY24.

Reflecting on the Challenges

So first up, reflecting on the challenges we have experienced.

When presenting to you last year I mentioned my enthusiasm for our business.

In particular, I mentioned the fact that we have three casino and entertainment destinations in arguably Australia's best locations – Sydney, the Gold Coast and, our Olympic city, Brisbane.

Despite what we have gone through in the last 12 months, my belief in the business and our future opportunities has not waned.

Against that back drop however, to say the year was challenging completely understates the lived experience here at The Star over the last 12 months. The damage to our social licence caused by the acts of the past have been felt daily in our business on multiple levels. Our business has also had to address, amongst other things:

- in New South Wales the suspension of our licence, the appointment of a manager and a \$100 million fine;
- the issuance of show cause notices in Queensland followed by another \$100 million penalty and the appointment of a special manager to The Star Gold Coast and the Treasury Brisbane casinos;
- four class actions, now aggregated into one, being launched against us;
- AUSTRAC proceedings being instituted;

- ASIC commencing civil penalty proceedings against a number of our former directors and past executives;
- a proposed increase in our NSW gaming duty rate by the former New South Wales Government which dramatically impacted our share price;
- two equity raisings and the refinancing of our complete debt 'stack';
- Queensland Supreme Court proceedings being brought against the Destination Brisbane Consortium by the contracted builder of Queen's Wharf Brisbane; and
- the need to retrench 500 of our colleagues following the rapid deterioration in our operating environment.

Actions Taken to Date

As a team we have without reservation acknowledged and accepted the failures of the past as identified in the Bell and Gotterson reviews and in response our remediation program is, above all else, our key focus.

Our Remediation Plan, when approved, will principally address the failings and root causes identified by the Gotterson and Bell reviews.

Our Remediation Plan will track and hold us accountable to the multi-year program we are committed to delivering.

As part of our commitment to embed real and meaningful change:

- we have commenced a significant uplift in our risk management, safer gambling and AML capability and have started to embed greater accountability and more robust governance;
- we have enhanced our control environments and are operationalising and embedding these controls; and
- we have improved our financial crime management and overall approach to harm minimisation.

In terms of specific actions taken:

- we have expanded our AML team from 26 to 121 full time employees;
- we have more than quadrupled our safer gambling team with 83 full time employees, up from 18;
- we engaged Deloitte to complete an independent root cause analysis of the failings identified in the Gotterson and Bell reviews;
- the highly respected The Ethics Centre completed an intensive culture review, the recommendations of which are being fully implemented;
- we have created a new organisational strategic vision, a new purpose statement and a new set of values and principles with input from our team. David mentioned two of our new values, "Leading with Integrity" and "Take Good Care". The other two new values are "Owning It" and "Building Memorable Connections".

- on 30 June 2023, we replaced our Sydney internal controls – a project completed in 8 months by around 150 team members and involving 546 unique controls. Alongside this we have been working with the Queensland Office of Liquor and Gaming Regulation to uplift our Queensland internal controls; and
- we have submitted to our regulators our latest detailed draft Remediation Plan which now sets out a roadmap for around 640 remediation milestones across 15 workstreams to be implemented over a multi-year horizon.

In addition, I have had the pleasure of welcoming significant management expertise to The Star's Group Leadership Team.

We have also undergone an organisational restructure designed to create a simpler framework with more decision-making power at a property level, while maintaining appropriate oversight from a Group level.

I believe this new structure – which includes CEOs for each of our three properties with those CEOs reporting directly to me – will provide further guardrails to help to ensure there will never be a repeat of the issues identified by the Bell and Gotterson reviews.

The first of those three CEOs is Jess Mellor, who has taken on the role here at The Star Gold Coast. We are advanced in the recruitment process for our Sydney and Brisbane CEOs and expect to make announcements shortly.

In regard to other roles, we have refreshed our senior leadership team with new external hires being made including:

- myself;
- Group Chief Risk Officer;
- Group Chief Controls Officer;
- Group Chief Legal Officer;
- General Manager Safer Gambling;
- General Manager Financial Crime;
- Whistle-blower Protection Officer; and
- our Company Secretary.

In addition, we have appointed from within The Star new personnel including our:

- Group CFO;
- Group Chief People Officer;
- Group Chief Technology and Innovation Officer; and
- Chief Transformation Officer.

The entire Board of The Star has been replaced with all current Non-Executive Directors appointed since the commencement of the 2023 financial year. As a management team, we appreciate the gaming experience residing on our Board – with Michael Issenberg having served as a former Chair of Reef Casino Trust, and Anne Ward, who was a Non-Executive Director on the Crown Resorts Board before joining the Board of The Star.

Casino Regulatory Environment

As we all know, the casino regulatory environment has changed following the findings from the Bergin Inquiry and the Bell and Gotterson reviews.

In New South Wales, cashless and carded play has been legislated for implementation from August next year.

We have started preparing for its introduction and are in the process of commencing a trial involving 51 poker machines and 8 gaming tables at The Star Sydney.

We look forward to important data being generated by this trial over the ensuing months, especially in terms of customer adoption and guest experience.

We are engaging with the Queensland regulator about the prospect of a similar trial at Treasury Brisbane, prior to the opening of The Star Brisbane.

The New South Wales trial is connected to the in-principle agreement in relation to the casino duty regime reached with the New South Wales Treasurer on 11 August 2023.

As I have said previously, the in-principle agreement was the result of a formal and consultative process put in place by the new Labor Government. It was a welcome change to the approach taken by the previous Treasurer who prior to the 2023 March election sought to arbitrarily increase our casino duty rates without any consultation.

The outcome achieved with the current Treasurer was designed to help protect the viability of The Star Sydney and thousands of team members' jobs.

Financials

On the financials front, the Group started FY23 positively after COVID-19 restrictions began easing in late FY22, and operating conditions returned to a more normal state.

The first half of FY23 produced a number of strong revenue months, particularly on the Gold Coast and in Brisbane, as both properties enjoyed strong domestic tourism from pent-up demand following the relaxing of COVID enforced restrictions. However, conditions turned in Sydney and on the Gold Coast in the second half particularly from March, with a number of factors impacting our operating performance. These included:

- the impacts from the necessary implementation of uplifted controls, which resulted in increased guest exclusions;
- coupled with the costs of the required uplift in our risk and compliance resourcing;
- along with new competition in the Sydney table games market and certain operating restrictions which impacted our customer experience; and
- the impact of a weakening in consumer discretionary spending.

We delivered underlying EBITDA for the year of \$317 million slightly above our previously announced guidance. We achieved an underlying net profit of \$41 million. This underlying result excluded \$2.82 billion in significant items which included:

- \$595 million in legal and regulatory costs paid or provided for in the year including NSW and QLD fines, AUSTRAC civil proceedings, underpaid NSW casino duty, Gotterson Review and other legal and regulatory costs;
- also \$2.17 billion in non-cash impairment of goodwill and property assets in relation to The Star Sydney, The Star Gold Coast and Treasury Brisbane which reflects amongst other things:
 - changed operating conditions;
 - increased discount rates;
 - along with proposed changes to our NSW casino duty rates.

Our statutory net loss after tax was \$2.4 billion including the significant items mentioned. This result included remediation costs, reflecting our continued investment in uplifting our compliance capabilities as we seek to return to licence suitability – and the significantly increased headcount some of which comprised third party consultants used as ‘surge’ resourcing particularly in the first half to accelerate our compliance actions.

In terms of year-to-date trading performance, our FY24 to date performance remains broadly consistent with the fourth quarter of FY23. Average monthly revenue for the period July to October inclusive is 2.5% up on fourth quarter FY23. Our operating expenses are 4% higher reflecting expected increases in EBA rates. Our margin is consistent and monthly average EBITDA for the period July to October inclusive is \$20.1 million compared to our Q4 average of \$19.9 million.

Priorities

In terms of key strategic priorities for the Group, remediation measures feature strongly and our priorities are:

- to continue our comprehensive and urgent focus on remediation actions including cultural transformation;
- remaining focused on achieving our return to suitability and having our licence suspensions removed;
- lifting our operational performance; and
- repairing and strengthening the Group’s relationship with our regulators and other stakeholders.

Other strategic priorities include:

- closely managing our capital expenditure programs to deliver value and returns for shareholders;
- identifying, retaining, developing and engaging a highly talented team of employees across our properties and our Group.

More immediately, in FY24, management’s focus will be on:

- our operations – including preparing for cashless and carded play and onboarding more management expertise;

- our major projects – that includes preparing for the phased opening of Queen’s Wharf Brisbane and progressing the construction of Tower 2 at the Gold Coast;
- concluding our planned asset sales – primarily the Treasury Brisbane assets which are currently on the market; and
- addressing the various proceedings in progress.

In closing, I would like to thank the Board and my management team for their considerable support since my arrival. I would like particularly to thank our 8,000 team members who continue to focus on our business and our guests, creating fun at our trusted destinations.

I would also like to offer my sincere thanks to you, our shareholders, through what have been difficult times.

You have my assurance we are doing all that we can to build a better and brighter future for The Star.

Authorised by:

Board of Directors

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