



THE STAR

## ASX Announcement

28 October 2021

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

**ANNUAL GENERAL MEETING**  
**THURSDAY 28 OCTOBER 2021**

### **CHAIRMAN'S ADDRESS**

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#### **Introduction**

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

It was 10 years ago that your company, now The Star Entertainment Group, came into existence as a pure play integrated resort company, following its demerger from Tabcorp.

From that time, our 3 properties in Sydney, Gold Coast and Brisbane have been on a journey of physical transformation and continuous improvement, as you will see from our presentations today.

As a publicly listed company operating within a highly regulated industry, and holding casino licences in New South Wales and Queensland, we appreciate and understand the importance of effective regulatory frameworks, risk management, governance and compliance.

It is fundamental to our business, and extends even to requirements which are reflected in our Constitution, such as limiting individual ownership to 10% without regulatory approval.

I will deal with our business performance and other events from the 2021 financial year shortly.

However, I believe it is important and appropriate to address up front some issues that have received more profile in recent weeks.

#### **Media Reports**

On 14 September, the New South Wales (**NSW**) regulator – the Independent Liquor and Gaming Authority – announced it would commence its regular five-year review of The Star Sydney in accordance with the legislative requirements under the Casino Control Act, and that the review will be undertaken by Mr Adam Bell SC.

The previous review was conducted in 2016 by Mr Jonathan Horton QC.

On 10 October, and in following days, there were a series of media reports containing various allegations about The Star.

Following those reports, the Queensland regulator – the Office of Liquor and Gaming Regulation – will also investigate these allegations.

The Star issued two ASX Releases in the wake of these media stories.

In the first, on 11 October, The Star said it was concerned by a number of assertions within the media reports that it considers misleading.

The second release on 12 October dealt specifically with media reports asserting that reports prepared for The Star by KPMG in 2018 in relation to an independent AML Program review were kept secret and not adequately acted on.

As noted in the release, those assertions are incorrect.

For context, the Anti Money Laundering (**AML**) legislation provides for regulated entities, such as The Star, to conduct periodic independent reviews of their AML Programs.

This provides a regular cycle of review activity directed toward continuous improvement in what is a complex and evolving area.

Independent Review reports are expected to make recommendations for improvement, even where controls are adequate. These reviews are not generally published or otherwise made public – for very sound reasons.

The 2018 review made a number of specific recommendations that The Star could implement to more effectively identify, manage and mitigate money laundering risks.

The Star initiated a program to address all recommendations from the review. That program of work was conducted from mid-2018 to early 2020.

The most recent regular independent review of The Star's AML program was commenced in late 2020.

The first stage of this review was completed in July 2021, and all recommendations are being adopted by The Star, consistent with previous practice.

The reviewer's findings included that, in their opinion, the AML program complies and has been effectively implemented.

There have been other allegations in various media reports concerning various individuals.

As you would appreciate, we are not able to comment publicly on individuals.

However, we can comment on steps we have taken for continuous improvement in not only the area of AML but also Responsible Gambling and other key operational practices across the Group.

Our focus on continuous improvement must, and will, continue as the external market continues to evolve and factors such as technology present new opportunities and challenges for our business.

Our CEO and Managing Director, Matt Bekier, will take you through some of these initiatives and investments in more detail shortly.

However, it is also worth noting that The Star Sydney has in excess of 3,500 CCTV cameras and more than 6,400 are in operation across the Group.

We have over 400 personnel in our security, surveillance and investigations teams.

Facial recognition technology has been installed in Sydney and is planned for roll out in Queensland.

We also rely on our long standing, working relationships with law enforcement agencies and assist them in their enquiries and investigations.

I want to make it clear – The Star is committed to a culture of compliance and to the extent improvements in controls or practices are identified, we will act on them.

Given the review by Mr Bell SC is underway it would not be appropriate to comment further on the matters that will properly be considered in that process, but – again – we will co-operate fully with all regulatory processes.

## **Regulatory Reform**

The Star has a strong risk and compliance model in place. Risk and compliance governance is a critical enabler of the company's operations across all of our properties.

The board and its respective committees play an important role in assessing the appropriateness of systems and processes, and overseeing and addressing areas of improvement, as the Group strives for continuous improvement.

The Star also recognises that regulation is fundamental to the operation of casinos and I want to share with you today some of the observations we made in a written submission to the Bergin Inquiry.

The Star acknowledged that specific areas of casino businesses will be subject to higher levels of regulatory scrutiny because of the associated risk.

It is therefore important to have an appropriate and effective regulatory framework in place to minimise potential issues.

We favour an enhanced regulatory regime because it will ultimately prove beneficial for the industry and all stakeholders, including investors.

We supported this and suggested it could be best achieved by re-establishing an independent, dedicated casino regulator in NSW with the necessary framework to address current challenges including a new and highly competitive two-casino environment.

We are therefore supportive of the recommendations from the Bergin Inquiry, accepted by the NSW Government regarding re-establishing a specialist regulator.

While determining an appropriate level of regulatory control or oversight remains a matter for governments, The Star is proud of its strong history of compliance in NSW and Queensland, and we remain committed to working closely with both State and Federal regulators.

As mentioned earlier, the regular five-yearly review of The Star Sydney is underway and, as announced last week, components of the review will now be held in public in March 2022, with the review report due by 30 June 2022.

The Star welcomes the opportunity to fully co-operate with the review, in all manner required by Mr Bell SC, and we will continue to comply with all aspects of the review.

We also acknowledge the concerns that some shareholders will rightly have regarding the impacts of these developments on our share price.

We are committed to keeping shareholders updated and we remain steadfast in our belief that we are operating a well-governed and sustainable business that will create value for shareholders.

## **Tourism & Development**

Turning to growth initiatives, we remain focused on projects including the world-class multi-billion-dollar Queen's Wharf Brisbane integrated resort due to open in the first half of 2023, and our Gold Coast masterplan.

We are extremely confident about the future of Australia's tourism industry – on both a domestic and international basis – when border restrictions are eventually eased.

We are even more excited about the future of South East Queensland specifically.

The announcement in July that Brisbane will host the 2032 Olympic Games is a significant opportunity to drive increased global awareness, fast-tracked infrastructure, and additional investment across the region.

The Olympics offer South-East Queensland (**SEQ**) and Queensland more broadly a 10-year “Green and Gold runway”, and a 10-year legacy to follow.

The tourism and jobs growth potential for Queensland will be substantial – and so important in the years following the COVID-19 pandemic.

There will be exciting supply chain opportunities for businesses right across Brisbane and the State.

The Star Entertainment Group and its partners are committed to Queensland's tourism future and our long-term investment strategy will soon be moving to an operational phase across joint venture projects in both Brisbane and the Gold Coast.

The Queen's Wharf development will be transformational for Brisbane and on the Gold Coast we have two additional hotel and apartment towers under construction right now, all part of a \$2 billion-plus masterplan.

### **COVID-19 Recovery**

As I outlined in the 2021 Annual Report, the COVID-19 pandemic has had a debilitating impact on the tourism, hospitality and entertainment sector.

The pain has been experienced more broadly, of course.

So many individuals and businesses – small, medium and large – have experienced considerable disruption and dislocation since the emergence and identification of COVID-19 in early 2020.

But we do need to look forward. Look forward with confidence and optimism.

Vaccination rates in Australia are on the rise and restrictions are easing or preparing to ease across various jurisdictions.

In NSW, the double dose vaccination rate is now well past 80%.

It is encouraging of course that The Star Sydney reopened this month on 11 October after being closed since 25 June.

For more than three months we were unable to trade.

It was difficult for the business, and clearly it was incredibly difficult for our staff.

In FY2020, we had the unenviable task of temporarily standing down more than 95% of what was a 9,000-strong workforce in Sydney and Queensland.

During FY2021, our team members had to continue living through the uncertainty that COVID-related restrictions placed on our operations.

Their resilience and commitment to our vision of becoming Australia's leading integrated resort operator is acknowledged and greatly appreciated.

## **Financial Results**

Moving to the 2021 financial year results, and despite ongoing COVID-related operating restrictions – including the forced shutdown of our properties in Sydney and Queensland at various times, and extended border closures – we delivered a sound performance in the context of these significant business impacts.

Normalised EBITDA of \$430 million was flat on pcp, and normalised NPAT of \$116 million was down 5%.

Statutory EBITDA was \$427 million – up 51% – and statutory NPAT was \$58 million. This compared with a loss of \$95 million after tax in FY2020.

The Star also remains committed to maintaining a balance sheet that positions the Group for the post COVID-19 recovery.

As you would be aware, the Board did not declare a final dividend for FY2021 given the continuing impacts of COVID-19 on the business and, consistent with the June 2020 covenant waiver, cash dividends cannot be paid until gearing is below 2.5 times.

In terms of the performance of our properties, our Queensland business deserves special mention.

Matt will speak in more detail to the results achieved in Gold Coast and in Brisbane.

But the fact we delivered record earnings in a couple of areas is particularly noteworthy.

The Group continued executing its strategy exceptionally well in the context of the extraordinary COVID-19 related challenges.

The fundamental earnings prospects for The Star's domestic business remain attractive and they are underpinned by valuable long-term licences in compelling locations.

Importantly, as mentioned earlier, the transformation of our Queensland properties into globally competitive entertainment destinations is nearing completion.

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

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

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### **Introduction**

Thank you John, and welcome everyone.

As the Chairman outlined, I will provide an overview of last year and go into further detail on our efforts in the areas of Anti Money Laundering and Responsible Gambling.

But it would be remiss if my address today did not initially focus on the 8,000 team members of The Star.

In the Annual Report, I have referenced their commitment to excellence, to “doing the right thing”, and acting in a collaborative manner that is the essence of true teamwork – these characteristics are among our core values.

Even more impressive has been the extraordinary agility and enthusiasm our team have shown in the face of on-again, off-again operations that have continued to be impacted by the COVID-19 pandemic.

We have – due to too much practice unfortunately – become incredibly proficient at closing properties then moving quickly and efficiently to safely reopen them when the opportunity presents.

I would like to extend my gratitude and thanks to a workforce that has dealt with those issues so professionally.

These have been uncertain times, with financial concerns uppermost in the minds of many.

The Federal Government's JobKeeper program ended in March 2021 and a further Government program providing direct payments to workers on reduced hours was later installed.

In an effort to further assist our staff, The Star introduced top up payments to team members who were stood down or had to work reduced hours.

In FY2021 The Star received \$88 million under the JobKeeper program and every dollar was used for the purpose the Government intended.

Payments flowed directly to team members or were used to return team members to their roles – which would otherwise not have been viable.

The Star's business has been significantly impacted by COVID-19.

Across FY2020 and FY2021, The Star has made a combined net loss after tax of \$37 million.

In the previous two years – when unaffected by COVID – the aggregate net profit after tax was \$346 million.

## **Financial Results**

Despite these significant headwinds, our business has shown an ability to weather the COVID-19 storm.

Normalised Group revenue in FY2021 was \$1.56 billion and there were exceptional results achieved at our Queensland properties in the second half of the financial year, despite closures and ongoing restrictions.

EBITDA for the Queensland properties increased 48% on pcp to \$226 million.

The Gold Coast delivered record domestic earnings and strong revenue growth – domestic gaming revenue at the Gold Coast was up 18% in the second half of FY2021 compared to the same pre-COVID period in 2019.

The strong results in the Gold Coast follow a significant transformation of the property in recent years and underline the very attractive opportunity the group has in SEQ.

At the same time, cost control across the Group was a key priority.

Operating expenses were down 11% on pcp to \$740 million and down 30% on 2019.

Net debt was reduced by \$211 million, and Capex was down 63% to \$89 million.

We continued to pursue our capital light strategy, and were able to announce the sale and partial leaseback of the Treasury Brisbane buildings for \$248 million earlier in the week.

We are also exploring the potential for a sale and leaseback, or similar transaction, of The Star Sydney property.

## **FY2021 Achievements**

While we dealt with shutdowns and operating restrictions, we remained active with our development pipeline and by pursuing other growth and improvement opportunities. At Queen's Wharf Brisbane, more than 90% of project costs are now under lump sum terms and we announced during FY2021 a lease agreement with DFS for around 6,000 square metres of luxury retail floor space.

At the Gold Coast, construction of the Dorsett hotel and residences tower is nearing completion with opening planned for December.

We have commenced work on the next tower which will house apartments as well as a five-star international brand hotel which we expect to open in FY2025.

At The Star Sydney, the 2021 financial year saw several key projects launched, to refresh and renew venues and team facilities.

In July 2020, The Star opened its expanded and improved Sovereign private gaming room.

The Darling hotel also received a Forbes five-star rating for the fifth consecutive year.

Plans for additional development at Pyrmont also continued to progress through the NSW Government's Pyrmont Peninsula Place Strategy.

We expect that our masterplan, including a hotel only tower and a mixed-use tower, will go on exhibition soon.

The NSW Government also announced in June that a new metro railway station will be built at Pyrmont as part of the Sydney Metro West project.

This will be a major connectivity boost for Pyrmont, significantly improving accessibility to the area for the rest of Sydney.

In August 2021, we announced the NSW Government had agreed to commence formal negotiations with The Star in relation to our proposal to increase the number of gaming machines permitted to be operated at The Star Sydney.

The Star Sydney is currently permitted to operate 1,500 gaming machines.

This represents 1.6% of the total number of gaming machines in the state, and well below the number permitted in other capital cities.

Under The Star's proposal there would be an overall reduction in the number of gaming machines in the State due to the forfeiture of some of the gaming machine licences acquired.

The Star has also announced it is exploring the prospect for two new theatres at The Star Sydney.

The Star also launched its first standalone Sustainability Report for FY2021 where detailed disclosures and performance reporting can be found.

Targets outlined in the Sustainability Report include The Star to have net zero carbon emissions by 2030 for its wholly owned and operated assets.

### **Continuous Improvement**

As the Chairman outlined, we place the highest priority on ensuring we operate a well-governed and sustainable business for our shareholders, team members and customers.

In an industry that is rapidly evolving, it is important this focus continues so we are well positioned to respond to the opportunities and inevitable challenges our business will face given the industry we operate in.

I would now like to give you a better understanding of our ongoing commitment to compliance and continuous improvement across the Group's operations and processes.

To do so, let me take you through some of the initiatives and technology investments we have made in key areas such as our Anti Money Laundering and Counter Terrorism Financing program, and Responsible Gambling.

The Star has implemented a new groupwide AML compliance management system that delivers us a single and centralised repository for all AML related customer data and AML program information.

It also provides consistent AML compliance processes across all of The Star's properties, a holistic view of customer activities and risk, and integration with Know Your Customer information databases.

In parallel, new and purpose built automated transaction monitoring capability has also been implemented.

This system further enhances The Star's existing capabilities to combat money laundering and detect potential suspicious matters.

We believe that we have made very good progress in this area and we have a range of further improvement initiatives under development.

In regards to Responsible Gambling (**RG**), The Star has identified RG as its most material environmental, social and governance issue.

We strive to proactively address community concerns about gambling, and approach Responsible Gambling with a focus on early interaction and continued improvement.

Our program includes:

- A dedicated RG team at each property;
- Self-exclusion and operator-initiated exclusions;
- Comprehensive and compulsory training for all employees;
- Data analytics to identify risks and allow for early intervention;
- RG risk reviews of new products;
- Counselling, support services and information including operator funded treatment services; and
- A pre-commitment system that allows slots playing loyalty members to set time and money limits.

In 2018 we reviewed our Responsible Gambling Policy to validate its relevance and ensure alignment with industry best practice, global harm minimisation trends and regulatory compliance.

However, The Star recognised there is always more that can be done, and a five-year strategy was developed and launched the same year.

The three key initiatives of this strategy were:

- Guest Support Centres at each property, where guests can speak to trained and qualified staff in a safe and private setting;
- The creation of a guest support advocates network – senior operational staff who have completed advanced training to observe and report indicators of problem gambling and to interact with our guests; and
- A time play management system that is connected to the use of loyalty cards.

From a governance perspective, the People Culture and Social Responsibility Committee of the Board approved the five-year RG Strategy and receive ongoing quarterly reports on the RG program.

We have a commitment to, and a focus on, AML and RG programs – and we are driven to deliver continuous improvement in these areas.

## Key Priorities

Let me turn to the key priorities.

In the current financial year, we remain committed to our strategy and key priorities. They include:

- In the Legal, Regulatory and Compliance area, we are looking to further use technology to help enhance our Anti Money Laundering capabilities, remain focussed on Responsible Gambling and advance our roadmap towards cashless gaming;
- The recovery of our business operations post-COVID while maintaining cost benefits;
- Deliver shareholder value through strategic initiatives, including the exploration of value-enhancing transactions and the possible sale of some assets; and
- Finally, to continue to progress major projects in Brisbane and the Gold Coast, and potentially in Sydney, to further enhance our portfolio of world-class properties.

## Trading Update

Trading in the first half of FY2022 has been impacted by the property shutdowns and COVID-19 related restrictions when open.

Sydney re-opened to vaccinated guests on 11 October 2021 after being shut down from 25 June.

The Star Sydney has had a positive start with encouraging trends since re-opening.

Some COVID-19 related restrictions are still in place in Sydney with a significant easing scheduled from 1 December 2021.

Queensland properties are operating after brief shutdowns in July and August.

When open in Queensland, the revenue trends are broadly consistent with the prior comparable period in the first half of FY2021.

All properties will benefit from the planned re-opening of domestic and international borders.

As the Chairman explained, we believe we operate a well-governed and sustainable business.

Within that framework, we are absolutely committed to addressing issues where they arise.

As New South Wales and Australia more broadly embrace an easing of COVID-related restrictions, we are well placed and prepared as a business, and look forward to returning to a more normalised and consistent operating environment.

I will now pass back to John.

## Authorised by:

The Board of Directors

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