



ASX Announcement

3 May 2017

PRESENTATION TO INVESTORS

Attached is a presentation that will be delivered by The Star Entertainment Group Limited to investors at the Macquarie Securities Australia Conference in Sydney on 3 May 2017.

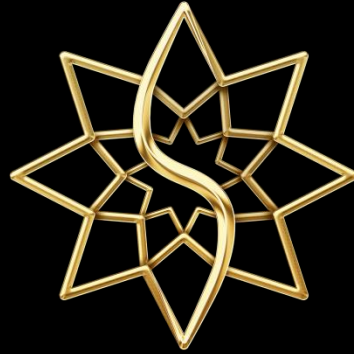
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THE STAR

ENTERTAINMENT
GROUP

THE STAR ENTERTAINMENT GROUP

**PRESENTATION AT
MACQUARIE'S AUSTRALIA CONFERENCE**

WEDNESDAY
3 MAY 2017

THE STAR ENTERTAINMENT GROUP

THE STAR ENTERTAINMENT GROUP LIMITED (ASX: SGR)

BASIS OF PREPARATION AND NON-IFRS INFORMATION

- ◆ Information in this presentation is provided as at the date of the presentation unless specified otherwise. It should be read in conjunction with The Star Entertainment Group Limited's financial report for the half year ended 31 December 2016 and other disclosures made via the Australian Securities Exchange
- ◆ The Star Entertainment Group results are reported under International Financial Reporting Standards (IFRS). This presentation may include certain non-IFRS measures including normalised results, which are used internally by management to assess the performance of the business
- ◆ Non-IFRS measures and current trading 2H FY2017 results to date have not been subject to audit or review
- ◆ Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover, with no adjustments to commissions, rebates or doubtful debts
- ◆ Normalised EBIT (Underlying Earnings) and Normalised EBITDA are calculated based on normalised gross revenue and normalised taxes. Significant items are excluded from the normalised results
- ◆ Queensland results referred to in this presentation relate to the Gold Coast and Brisbane segments as reported in the statutory accounts






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1. OVERVIEW

KEY METRICS

FOOTPRINT

-  **3** properties (Sydney, Brisbane, Gold Coast)
-  **1,330** 5 star hotel rooms
-  **~20m** guests per annum
-  **8,000 +** total employees
-  **\$10m+** contributed to partnerships, community groups and charities

FY2016 FINANCIALS

-  **\$4.9bn** total assets
-  **\$556m** normalised EBITDA (\$489m statutory EBITDA)
-  **\$241m** normalised net profit (\$194m statutory NPAT)
-  **23.6 cents** statutory earnings per share

FUTURE *

-  **\$2bn** Queen's Wharf Brisbane Integrated Resort development
-  Up to **\$850m** Gold Coast expansion
-  Up to **\$1bn** Sydney expansion
-  Less than **60%** of forward capex funded by SGR

Source: The Star Entertainment Group. FY2016 operating and financial data. Normalised results are based on a 1.35% International VIP Rebate business win rate and exclude significant items as reported for the full year ended 30 June 2016.
* Proposals subject to approvals

1. OVERVIEW

KEY INVESTMENT MESSAGES

CLEAR STRATEGY

Valuable long term licences in desirable locations with growth potential

Established organic growth plans – leverage existing assets in known markets

Strong balance sheet, good cash flow

Partners with development and hospitality expertise, diversified Asian networks and capital

FOCUSED EXECUTION

Domestic revenue growth, diversified international strategy

Underlying operational momentum, continuing focus on loyalty, customer service and costs

POSITIVE MOMENTUM

Capital projects progressing to plan and budget

Newly commissioned assets in ramp up, performing to plan

Moderate domestic growth impacted by softer macro-environment

International VIP business volumes showing signs of stabilisation with continued strong win rate

Improved loyalty program implemented, displaying early signs of traction

No material disruption from capital works anticipated for remainder of CY2017

1. OVERVIEW

LONG TERM ORGANIC REVENUE GROWTH PROFILE

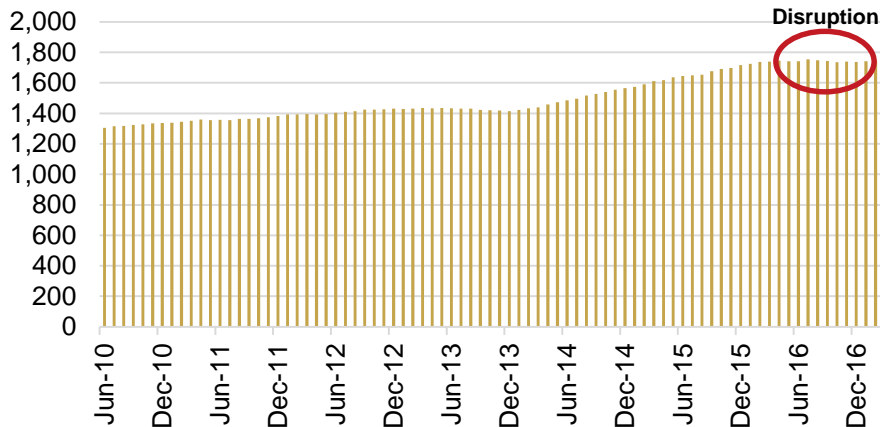
DOMESTIC

- ◆ 84% of group EBITDA*
- ◆ Key growth drivers:
 - Improved and differentiated product
 - Improved marketing and sales activities
 - Benefits from customer knowledge via loyalty program
 - Improved customer service
 - Positive market growth dynamics

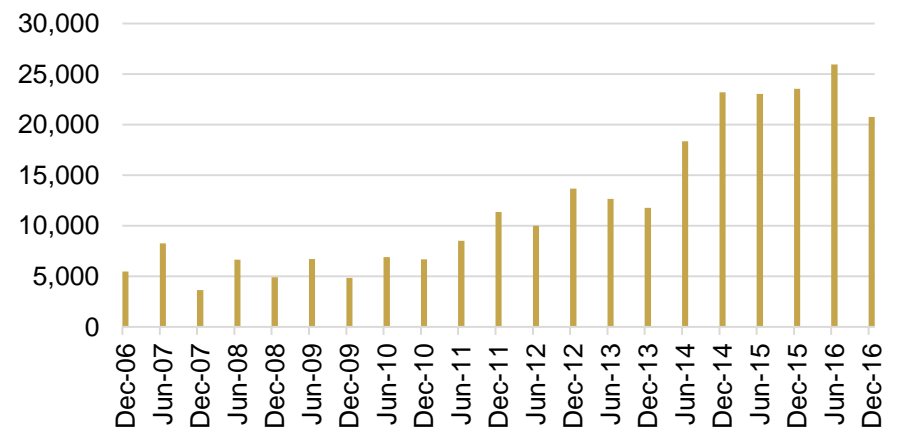
INTERNATIONAL

- ◆ 16% of group EBITDA*
- ◆ Key growth drivers:
 - Improved marketing, newly established sales teams in a range of source markets gaining traction
 - Continued strong credit management
 - Upgraded product in desirable locations

TOTAL DOMESTIC REVENUE
(12 MTH ROLLING, \$M, TO MAR 17)



INTERNATIONAL VIP REBATE TURNOVER
(6 MTHLY, \$M)



* Based on FY2016 Group normalised EBITDA

2. STRATEGY – FOCUSED ORGANIC GROWTH

CLEAR PRIORITIES WITH FURTHER GROWTH POTENTIAL

SYDNEY



Up to \$1bn planned investment to expand property to:

- ◆ ~1,000 premium hotel rooms and residences (including The Ritz-Carlton)
- ◆ ~50 F&B offerings
- ◆ Signature gaming
- ◆ Lyric theatre
- ◆ Multi-use event centre

GOLD COAST



Up to \$850m planned investment to expand property to:

- ◆ ~1,400 premium hotel rooms and residences
- ◆ Over 20 F&B offerings
- ◆ Signature gaming
- ◆ New resort facilities and retail outlets

Potential for further long-term growth with precinct masterplan

QUEEN'S WHARF



Expected \$2bn budget for new integrated resort:

- ◆ ~1,100 premium hotel rooms over 5 brands (including The Ritz-Carlton)
- ◆ Over 50 F&B offerings
- ◆ Signature gaming
- ◆ 12 football fields of public space
- ◆ Repurposed heritage buildings

Note: Images are concept only. Property capital projects are subject to all approvals

2. STRATEGY – LEVERAGE ASSETS

LOYALTY

Key customer segment – 0.9m loyalty members driving 66% of domestic electronic gaming revenue

Competitive advantage through customer acquisition (improved program features), tiering and new analytics capability (marketing and customer retention)

CUSTOMER SERVICE

Customer service prioritised as differentiator – over 85% of staff completed Star Quality service foundations, embedded in induction program

Continuous improvement – customer service trend scores improving across all tiers and all properties

Demonstrated success – The Darling recently recognised with Forbes 5 star rating (only hotel in Sydney to receive this rating)

TOURISM

Strong underlying trends – 1.2m Chinese visitors to Australia in 2016 (+16% vs pcp), 2.0m by 2025*

Competitive advantage through luxury offerings in highly desirable destinations

Near term focus to increase day visitation via digital channels and trade engagement

Medium term growth from new hotel room capacity in Sydney and Gold Coast

* Based on ABS and TRA data

2. STRATEGY – FUNDING ORGANIC GROWTH

STRONG BALANCE SHEET

1.1x Net Debt / Statutory 12 month trailing EBITDA at 31 Dec 2016

Fund investments with strong balance sheet and cash flows

Conservative balance sheet maintained throughout investment cycle

STRONG CASH FLOWS

Over \$1 billion free cash flow before reinvestment (generated over 3 years to Dec 16)

50% dividend payout ratio policy, residual for investment

CAPITAL EFFICIENT STRATEGY

Less than 60% of capital investments funded by SGR balance sheet and cash flows (before apartment sales proceeds)

De-risked with partners – development and sales expertise, capital

Complementary partners – China tourism and property networks, customer insights and brands

Returns improved by mixed development – residential, premium hotels, F&B, retail

3. EXECUTION – 1H FY2017

SIGNIFICANT PROJECTS COMPLETED

SYDNEY



GOLD COAST



3. EXECUTION – NEAR TERM MILESTONES

DELIVERABLES ON TRACK, DISRUPTION ABATING

LIMITED DISRUPTIONS

Limited disruption from capital works expected over rest of CY2017

Sydney and Gold Coast CY2017 capital works in existing customer facing areas focused on non-gaming areas

SYDNEY

Recently completed

Upgrade to 303 room Astral Tower hotel

Entry level domestic PGR (Vantage),
MTGM theatre, poker stadium

Capital projects near term milestones

Upgrade to 130 Astral Residences
apartments due 1Q FY2018

New Hotel Club Lounge due 2Q FY2018

New Lobby and Porte Cochere 1Q FY2019

GOLD COAST

Recently completed

MGF refresh

Upgrade to 596 room The Star Gold
Coast hotel, reception, Atrium area

Launched 2 new restaurants

Capital projects near term milestones

6 star hotel with ~60 suites, PGR and VIP
gaming due Dec 2017

MGF expansion and L19 restaurant due
Mar 2018

3. EXECUTION – NEWLY COMMISSIONED ASSETS

POSITIVE CUSTOMER RESPONSE

SYDNEY

Improving trend in entry level domestic PGR (Vantage) opened Q2 FY2017

NMR per day +21% Q3 FY2017 vs Q2 FY2017

MGF Slots improving momentum, return of capacity as projects completed

NMR per day +6% Q3 FY2017 vs pcp

Non-gaming asset upgrades delivering

Hotel average cash room rate +28% in Q2-Q3 FY2017 vs pcp

GOLD COAST

First phase of capital works focused on non-gaming

Hotel average cash room rate +20% in Q2-Q3 FY2017 vs pcp

Restaurant spend +16% Q3 FY2017 vs pcp driven by newly opened restaurants

Rebrand to The Star Gold Coast completed Mar 2017

3. EXECUTION – LOYALTY

ENCOURAGING SIGNS OF TRACTION

UPGRADED PLATFORM

Relaunched November 2016

Improved program features implemented with single currency and realigned rewards

New loyalty engine and analytics capability implemented to optimise future marketing

EXISTING CUSTOMERS

Group rated play +10.0% Q3 FY2017 vs pcp (rated play growth stronger at all properties)

Mid-tier benefits (more attainable gifts) encouraging play

Month on month improvement in customer perception of relaunched program

NEW MEMBERS

Improved new member quality – increased visitation within first 4 weeks of signing up across all properties in Q3 FY2017 vs pcp

Opportunity to improve member acquisition metrics

NEAR TERM FOCUS

Continue to communicate benefits to existing and new members

Leverage analytics to optimise marketing to loyalty customers

Further refinements

3. EXECUTION – INTERNATIONAL VIP EFFECTIVE DIVERSIFICATION

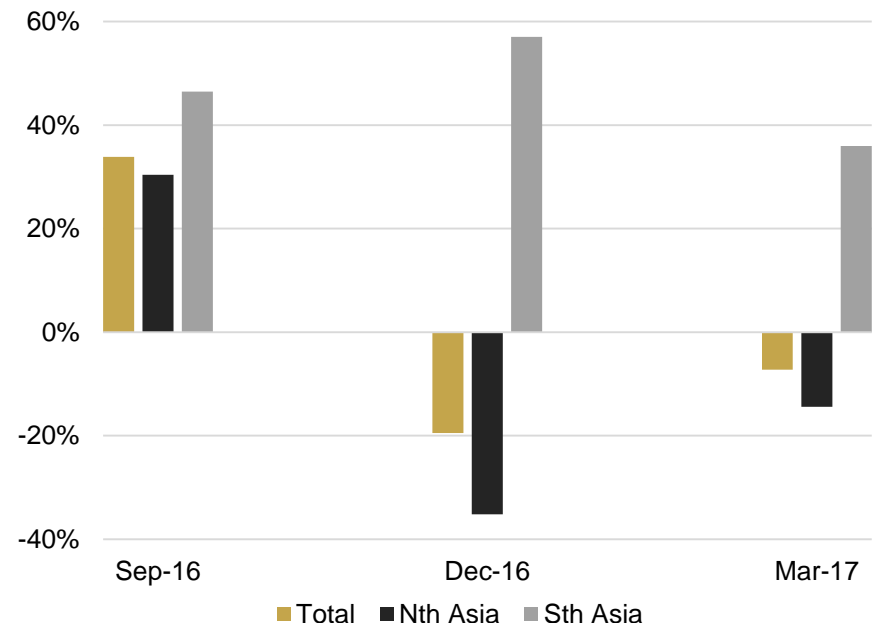
STRATEGY

- ◆ Diversification into global VIP markets commenced CY2015
- ◆ Focus on large growth markets
 - South Asian VIP
 - Premium Mass
 - Inbound tourism
- ◆ Continued focus on low cost / low risk execution
 - Near term cautious approach in North Asia
 - Core South Asian and Premium Mass teams in place – expansion underway
 - Leverage destination and resort offerings as competitive advantages

KEY METRICS

- ◆ Early signs of moderation despite continuing cautious approach to North Asia activities
- ◆ Above average win rates have continued into 2H FY2017

FRONT MONEY (QTR VS PCP)



4. OUTLOOK AND PRIORITIES

TRADING UPDATE AND NEAR TERM PRIORITIES

TRADING UPDATE

SGR continues to see domestic revenue growth in 2H FY2017 to date despite softer gaming market and macro-economic conditions

Gross revenue, excluding International VIP Rebate business, is up 4.1% on pcp from 1 January 2017 to 30 April 2017

International VIP Rebate business volumes continue to be impacted in 2H FY2017 following the detention of Crown Resorts employees in October 2016

Management continues to optimise its domestic and international cost base to reflect trading conditions

NEAR TERM PRIORITY – EXECUTE ESTABLISHED LONG TERM STRATEGY

Improve earnings across the Group through continued focus on operations and efficiency

Invigorate marketing – leverage investment in assets, loyalty and customer service to optimise new customer acquisition and retention

Continue diversification of international revenues

Deliver capital projects

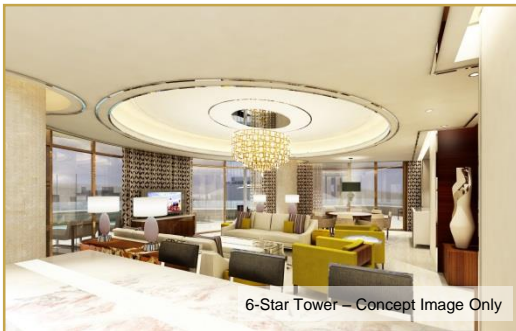
4. OUTLOOK AND PRIORITIES – THE STAR GOLD COAST NEAR TERM GROWTH DRIVER

6 STAR HOTEL, EXPANDED MGF AND VIP GAMING OPEN BY APRIL 2018



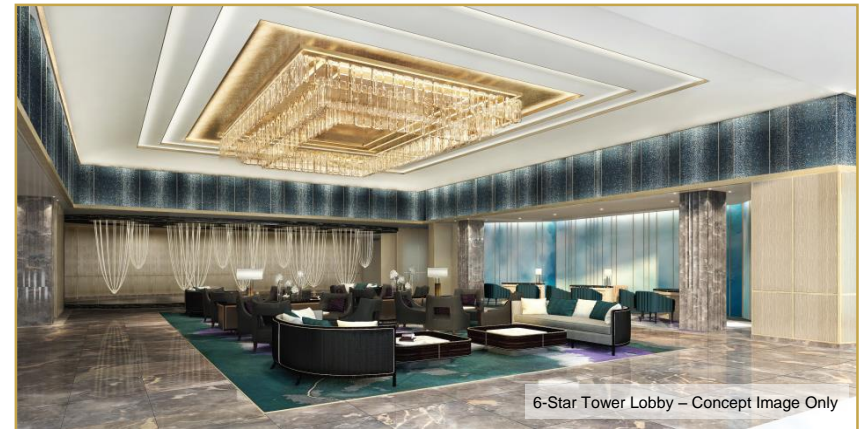
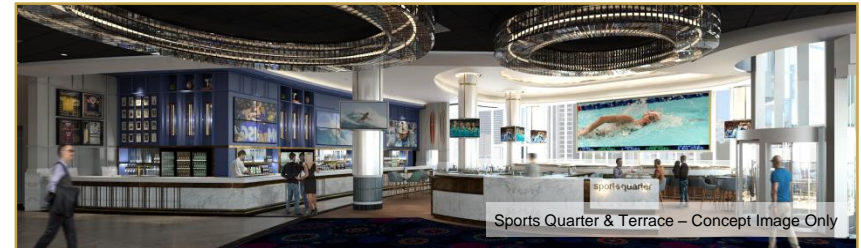
KEY DATES *

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|-----------|--|
| 3Q FY2017 | ◆ Rebranding to The Star Gold Coast completed |
| 1H FY2018 | ◆ Pre-sales of apartments in new joint venture tower commences |
| 2H FY2018 | ◆ Complete 6 star hotel (before 2018 Gold Coast Commonwealth Games opens) and associated gaming and non-gaming offerings
◆ Commence construction of new joint venture tower (subject to satisfactory pre-sales) |
| FY2021 | ◆ Complete new joint venture tower and associated facilities |



* Subject to planning and other approvals

4. OUTLOOK AND PRIORITIES – THE STAR GOLD COAST NEAR TERM GROWTH DRIVER



* Subject to planning and other approvals

APPENDIX

GLOSSARY

Term	Definition
CAGR	Compound Annual Growth Rate
Capital expenditure (capex)	Unless otherwise stated, capital expenditure is presented on an accruals basis and excludes investments in associates and equity acquisitions
D&A	Depreciation and Amortisation
DBC	Destination Brisbane Consortium
Domestic Tables	Domestic Tables includes main gaming floor table games, private gaming room table games, domestic rebate table games
EGM	Electronic gaming machine – includes both slots and MTGMs
F&B	Restaurants and bars
MGF	Main gaming floor
MTGM	Multi-terminal gaming machine or electronic table game
NMR	Net revenue per machine
Normalised revenue	Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of actual turnover
pcp	Prior comparable period
PGR	Private gaming room
Rebate	International VIP Rebate business and Domestic Rebate business
Significant items	Significant items are items of income or expense which are, either individually or in aggregate, material to The Star Entertainment Group and: <ul style="list-style-type: none"> ◆ Outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or ◆ Part of the ordinary activities of the business but unusual due to their size and nature



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THANK YOU