



THE STAR

ASX Announcement

4 May 2016

PRESENTATION TO INVESTORS

Attached is a presentation that will be delivered by The Star Entertainment Group Limited to investors at the Australian Macquarie Securities Conference in Sydney on 5 and 6 May 2016.

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THE STAR

Presentation to Australian Macquarie Securities Conference

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FRIDAY 6 MAY, 2016

THE STAR ENTERTAINMENT GROUP

THE STAR ENTERTAINMENT GROUP LIMITED (ASX: SGR)

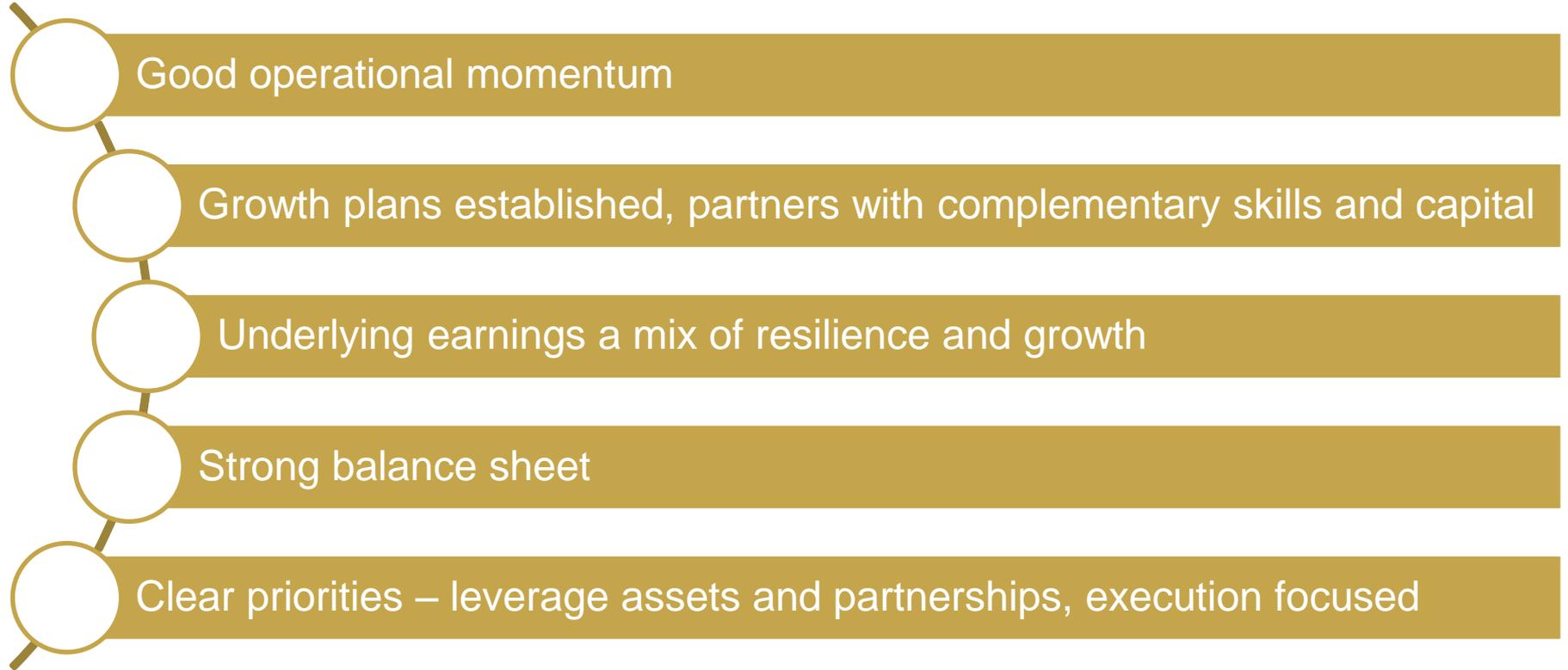
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- Non-IFRS measures and current trading results to date have not been subject to audit or review
- Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover
- 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 Jupiters and Treasury segments as reported in the statutory accounts

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KEY MESSAGES

- 
- Good operational momentum
 - Growth plans established, partners with complementary skills and capital
 - Underlying earnings a mix of resilience and growth
 - Strong balance sheet
 - Clear priorities – leverage assets and partnerships, execution focused

SGR OVERVIEW

KEY METRICS

FOOTPRINT

-  **3** properties (Sydney, Brisbane, Gold Coast)
-  **~22m** visitors per annum
-  **8,173** employees
-  **\$540m** taxes and levies paid to all levels of government
-  **\$13m+** community group, charity and partnership contributions

FINANCIALS

-  **\$4.8bn** market capitalisation
-  **\$521m** normalised EBITDA
-  **\$219m** normalised net profit
-  **\$292m** normalised pre-capex free cash flow (after tax, interest, dividends)

FUTURE *

-  **\$3bn** Queen's Wharf development
-  Up to **\$845m** Gold Coast expansion
-  Up to **\$1bn** Sydney expansion

SGR OVERVIEW

1H 16 RESULTS SUMMARY



UNDERLYING EARNINGS GROWTH

- Actual EBITDA (excluding significant items) of **\$193m**, down 19.9% on pcp due to win rate
- Normalised EBITDA (at 1.35%) of **\$293m**, up 19.7% on pcp
- Interim dividend per share of **5.5 cents**, up 10.0% on pcp, fully franked reflecting strong underlying momentum
- Good progress on key strategic priorities



STRONG KEY OPERATING METRICS

- Domestic tables revenue up **12.3%** across the Group
- Slots revenue up **7.4%**
- Non-gaming cash revenue up **1.1%**
- Operating costs well controlled up **3.2%**



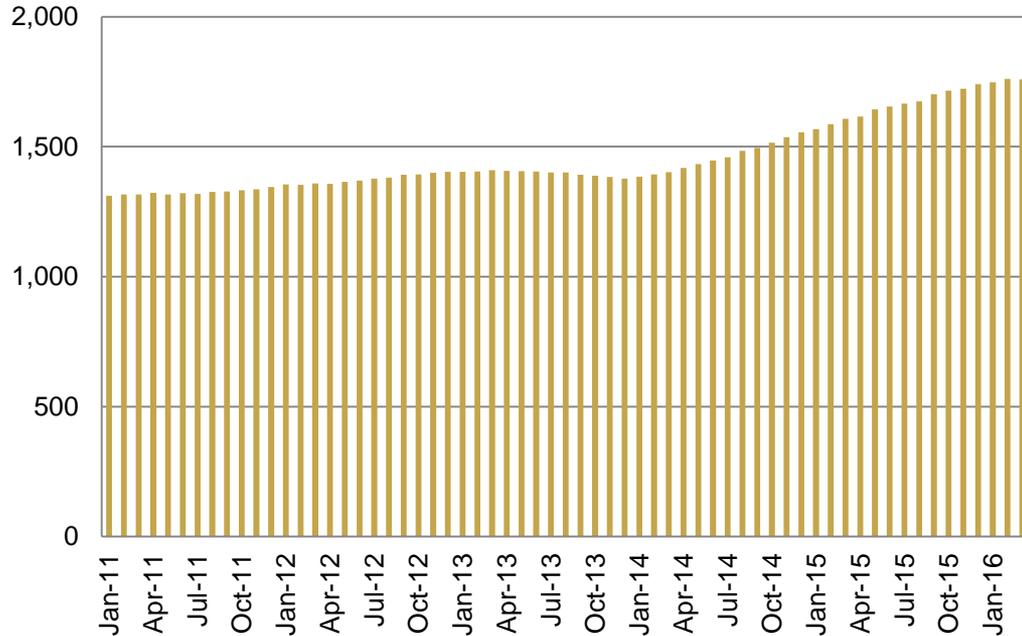
BELOW TREND IRB WIN RATE

- Turnover of **\$23.6bn**, up 1.5%
- Actual win rate of **0.88%** down on prior period of 1.33% and normalised win rate of 1.35%

DOMESTIC REVENUES

RESILIENCE WITH POSITIVE TREND

TOTAL DOMESTIC REVENUE
12 Month Rolling, \$m

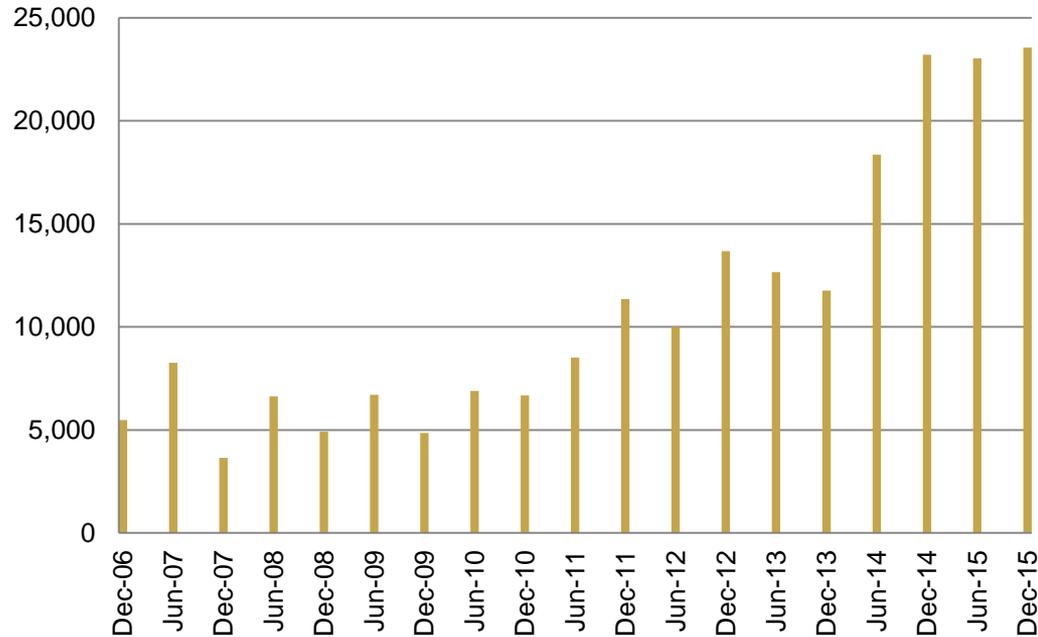


KEY DRIVERS AND COMMENTS:

- Solid underlying market growth
- Improved product
- Improved marketing and sales
- Benefits from investment in loyalty (upper tiers)

INTERNATIONAL VIP REBATE SIGNIFICANT GROWTH TO DATE

INTERNATIONAL VIP REBATE TURNOVER
6 Monthly, \$m



KEY DRIVERS AND COMMENTS:

- Improved product
- Improved marketing
- Multiple reasons for VIPs to visit Australia
- Growth managed with enhanced credit controls

STRATEGY OVERVIEW – WHAT PRIORITIES AT EACH PROPERTY ESTABLISHED FURTHER GROWTH POTENTIAL WITH MASTER PLANS



Queen's Wharf Brisbane

\$2bn investment (IRD only)



The Star Sydney

Up to \$1bn investment



Jupiters Gold Coast

Up to \$850m investment

STRATEGY OVERVIEW – WHY STRATEGIC RATIONALE



FAVOURABLE TAILWINDS

- Long-term domestic gaming resilience
- Favourable returns from prior growth investment (Sydney visitation and earnings uplift from prior investment)
- Asian/Chinese middle class thematic
- Australia ranked as most desirable destination with key customer segments
- Lower Australian dollar



UNIQUE PROPOSITION

- Premium assets, high appeal to key customer segments
- Sydney and Queensland locations popular with key customer segments
- Significant international appeal
 - More than 20% of Chinese visitors to Sydney and Queensland already visiting our properties
- Partners with strong hospitality links into China
 - China network, development expertise, consumer insights
 - Capital efficient

STRATEGY OVERVIEW – HOW CAPITAL EFFICIENT STRATEGY – CONTEXT AND WAY FORWARD



CONTEXT

- IRDs require significant investment to be internationally competitive, and have high fixed cost leverage
- Earnings driven by high visitation and spend
- Attractions drive visitation, but low standalone returns



SOLUTION – CAPITAL EFFICIENT STRATEGY

- Improve overall project returns by mixed development:
 - Residential
 - Premium hotels
 - F&B, retail
- De-risk with partners:
 - Development and sales expertise
 - Capital
- Optimise partner choice. Chinese partners bring:
 - China network
 - Customer insights



THE STAR'S OPPORTUNITY

- Improved standalone development returns (ex gaming)
- Residential sales fund hotels
- Opportunity to recycle capital
- Organic growth through use of free cash flow

INTERNATIONAL STRATEGY

NEAR TERM DIVERSIFICATION INTO ADJACENT MARKETS



WHAT

Leverage existing VIP success, diversify into customer adjacencies

- Grow existing VIP revenues by further leveraging existing customer networks
- Expand presence in South East Asia VIP whilst maintaining credit controls
- Target fast growing Premium Mass segment
- Move from passive to active beneficiary of inbound Tourism



WHY

Add to Chinese-sourced VIP

- **South Asia** – attractive market, long-term growth expected
- **Premium Mass** – fast growing market, higher margin than VIP, limited cheque cashing facility required
- **Tourism** – capture broader HNW customer segment; Sydney and Queensland in demand; luxury in demand



HOW

Optimise North Asia VIP, low cost/ low risk expansion into South Asia VIP and Premium Mass

- **North Asia** – optimise (tier 2 cities, focus on hot pockets, manage junket/ direct mix)
- **South Asia** – experienced new team, expanding presence in key markets
- **Premium Mass** – experienced new team, leverage loyalty programs
- **Tourism** – gather relevant insights, leverage relationships, focus on distribution

STRONG BALANCE SHEET SUPPORTS INVESTMENT AND GROWTH PLANS



CURRENT GEARING

1.3 times

- Net Debt/ Actual 12 month trailing EBITDA



SOURCE AND USE OF FUNDS – WORKED EXAMPLE

Cashflow: ~\$2bn

- Free cash flow pre-capex over next 7 years
- Based on FY2015 \$292m normalised pre-capex free cash flow (ie no earnings growth)

Investment: ~\$2bn

- SGR share of investment at three properties over FY2016 to FY2022

OUTLOOK AND PRIORITIES

2H16 TRADING UPDATE

- Group experiencing good demand in all properties in 2HFY2016 year to date, showing consistent volume levels to those experienced in 1HFY2016
- Gross gaming revenue, excluding International VIP Rebate business, up 6.1% on the pcp in 4 months to end April 2016
- Total domestic revenue up 5.1% on the pcp in the 4 months to end April 2016, impacted by disruption from capital works in the quarter and a stronger pcp in domestic gaming
- Non-gaming revenue softer on pcp, where impacts from capital works disruption are more material
- International VIP Rebate business turnover in 2HFY2016 to date is performing in-line with management's expectations
- Impact from disruption as a result of capital investment is not expected to be materially different in May and June 2016 vs the first four months of 2HFY2016

OUTLOOK AND PRIORITIES

STRATEGIC PRIORITIES – 2H16 AND BEYOND





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