



THE STAR

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THE STAR ENTERTAINMENT GROUP LIMITED

ACN 149 629 023

ANNUAL GENERAL MEETING

THURSDAY 26 OCTOBER 2017

CHAIRMAN'S ADDRESS

Introduction

Ladies and gentlemen, welcome again to The Star Entertainment Group's Annual General Meeting here at The Star Sydney – a property that in 2017 was once more a multi-award winning business and is now also home to the only luxury hotel in NSW to win a Forbes five-star rating – The Darling.

This is now my sixth Annual General Meeting as your Chairman.

With your indulgence, I would like to briefly reflect on the progress made, and key achievements of the last few years that bring The Star Entertainment Group to where it is today – an organisation with a clear vision and strategic plan to maximise the value of tourism assets based in great locations.

We have a high-quality management team in place that is continuing to execute against that plan to improve financial performance and returns to shareholders. Since FY15, annual statutory NPAT has increased from \$169 million to \$264 million and annual statutory EBITDA has increased from \$451 million to \$586 million. Earnings per share have grown from 20.5 cents to 32 cents per share and dividends have increased 18.2% and 23.1% respectively in the last two years. During this timeframe, we have also embarked on significant transformation projects at our properties here in Sydney and on the Gold Coast, with more to come. Managing Director and CEO Matt Bekier will talk to this shortly.

Equally importantly, since 2014 we have formed and continued to develop our relationship with joint venture partners Chow Tai Fook and Far East Consortium, with masterplan developments proposed for each of our properties in Sydney and on the Gold Coast, as well as the Queen's Wharf Brisbane project. In FY17 this partnership was also expanded through the acquisition of the Sheraton Grand Mirage Resort, a unique, beachfront asset on the Gold Coast.

This complementary partnership provides not only capital investment, but also depth of experience and expertise, and access to valuable distribution channels in Asia that support our pursuit of current and long-term opportunities for Australia in the tourism sector.

With this foundation, I am confident in our ability to realise our vision of becoming Australia's leading integrated resort company through fully harnessing our unique opportunities in each property.

Turning more specifically to the 2017 financial year – as reported to shareholders in the Annual Report, the year in review saw The Star Entertainment Group continue to mature as a business.

Operating results remained steady while there was continued concentration on progressing our strategic agenda. This included continuing to invest in key domestic assets, which I will touch on and Matt will expand upon, and diversifying our international business.

With international visitation, most notably from Asia, continuing to rise substantially, we are now well advanced with a diversification strategy to benefit from a broader base of customers and source markets in our international business.

A key development to support this diversification and tourism-focused strategy is the new luxury suite hotel at the Gold Coast.

Let's take a look at a time lapse video of the construction of this wonderful boutique hotel at the Gold Coast. It is on track to be open before the Gold Coast 2018 Commonwealth Games, of which we're proud to be a major partner.

FY17 Review - Financial Results and Operating Performance

Let me now provide an overview of the company's performance in the 2017 financial year.

Continued stable leadership across the Board and the executive management team was again instrumental in delivering:

- Sustained operating momentum and financial performance;
- Earnings growth; and
- Increasing returns to shareholders.

In terms of the company's financial performance for FY17:

- Statutory net profit after tax for the Group was \$264.4 million, up 36% on the prior year. This was supported by domestic revenue growth in the second half of the year, and effective ongoing cost management, assisted by a favorable win rate in the International VIP Rebate business.
- Applying the normalised win rate of 1.35%, normalised NPAT was \$214.5 million, down 11.1% on FY16. Lower turnover in the International VIP Rebate business and disruption in the North Asia market – which has now abated to an extent – impacted on the result.
- Statutory earnings before interest, tax, depreciation and amortisation increased 19.9% on FY16 to \$586.2 million and normalised EBITDA was \$515.1 million, down 7.4%.

Importantly, the Board declared a final dividend of 8.5 cents per share fully franked, taking total dividends for the year to 16 cents per share. This was up 23.1% on FY16, despite the capital projects program, and represents growth in dividends returned to shareholders over each of the last five years.

Tourism Assets - Project Delivery

As I outlined earlier, these results were achieved as transformational projects were carried out across our properties.

- Hotel room refurbishments at the Astral Towers in Sydney were completed.
- At the newly rebranded The Star Gold Coast, all 596 hotel rooms were refurbished.
- The luxury suite hotel at the Gold Coast is nearing completion.
- New food and beverage and entertainment offerings have been opened in Sydney and on the Gold Coast.

This reinvigoration of existing assets, the acquisition of the Sheraton Grand Mirage Gold Coast, and the development of a new suite hotel at the Gold Coast, highlight our commitment to delivering world-class tourism and entertainment destinations. As does our pipeline of further capital works projects.

In the past year, we have:

- Seen a decision made on the winning design for a proposed Ritz-Carlton hotel and apartment tower at The Star Sydney;
- Received development approvals for a new 700-key hotel and apartment tower at The Star Gold Coast in a further joint venture with Chow Tai Fook and Far East Consortium; and
- Taken possession of the 13-hectare Queen's Wharf Brisbane integrated resort development site and commenced demolition works.

Let's watch a time lapse video of some of that work undertaken within the Brisbane CBD.

The Queen's Wharf Brisbane project of course is a joint venture, where we – as part of the Destination Brisbane Consortium – are bringing this extraordinary transformation to life with our partners.

As mentioned at the outset, it is a partnership which has continued to grow and flourish over time. Chow Tai Fook and Far East Consortium are also partnering with us on projects in Sydney and at the Gold Coast. Their expertise in property development, retail and access to tourism source markets in Asia is incredibly valuable.

So too is the support of the local communities in which we operate. We have been extremely focused on community engagement programs during the planning and development phases in Sydney, Gold Coast and Brisbane.

There are considerable advantages we are bringing, and can continue to deliver, in terms of employment, tourism assets, taxes and other economic or community contributions during this transformational period for all our properties.

However, it is also imperative we invite the community to take the journey with us and acknowledge their opinions throughout the process.

Closing

In closing, I am pleased to report that in FY17, we maintained momentum and efficiencies in the business. We also progressed our strategic priorities – including the ongoing delivery and planning of substantial development projects – for the benefit of shareholders.

I would like to thank the committed directors of The Star Entertainment Group Board, and again make special mention of Greg Hayes' contributions during his term. On behalf of the entire Board, I wish Greg all the best for the future.

I also want to extend my gratitude to all our shareholders for their ongoing support.

I will now hand over to our Managing Director and Chief Executive Officer, Matt Bekier.

Thank you.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S PRESENTATION

Introduction

John, thank you.

Ladies and gentlemen, the Chairman touched on the progress we are making on our strategic agenda, including ongoing investment in our tourism and entertainment assets. I would like to provide some further context on that topic.

Let me focus for a moment on the international tourism opportunities for Australia, and what that means for The Star Entertainment Group.

These opportunities are aligned with our investment strategy and our vision to become Australia's leading integrated resort company.

Projections from Tourism Australia and other industry bodies have identified for some time the expected surge of inbound visitors from China over the next decade.

However, only a fortnight ago, those projections were updated. The rise of Chinese tourists to Australia is set to grow at an even more rapid rate than originally envisaged.

The Australia China Business Council now expects the number of Chinese tourists to Australia to triple from the current figure of just over 1 million annually – to 3.3 million a year by 2026.

Income from Chinese tourists is also expected to jump almost 50 percent to \$13 billion a year by 2020.

The growth of the affluent Chinese middle-class demographic is behind the increased forecast, along with trade and travel agreements that make this country a more appealing destination for the Chinese.

We also know most of these Chinese visitors, whether they are on holiday, visiting friends and family, or travelling here for a variety of other reasons, want high-end and authentic experiences.

They like to stay in four or five star hotels, eat quality produce at quality restaurants, they like to shop, go sightseeing and take in the natural beauty, the climate and the clean air of Australia.

But we cannot be complacent about these projections. Tourism is a fiercely-competitive industry. The Star Entertainment Group faces competition domestically and from around the world when it comes to attracting tourists from China and other international markets.

China is not the only area of growth for us, or for Australia. There are increasing visitation numbers from South-east Asian countries and a variety of other northern hemisphere regions. Rising economies, including India, are also poised to be tourism growth markets.

We are taking a similar view with our International VIP Rebate business. The Chairman referred to the diversification of our International VIP business. As outlined in the Annual Report, this diversification delivered pleasing results in FY17.

Our strategy of providing a compelling high-end tourism proposition for VIP and Premium Mass customers from an expanding range of source markets showed good traction.

In support of this strategy, we expanded our sales team to enable coverage of a broader international footprint. We welcomed VIP or Premium Mass guests from 13 countries and continue to access new markets.

The key for us is to provide world-class offerings. Offerings unique to the great locations in which we operate – Sydney, Gold Coast and Brisbane.

Let me update you on each of those properties.

In Sydney:

- We completed extensive works in FY17, including the refurbishment of hotel rooms and the expansion and upgrade of the Main Gaming Floor.
- While talking about our hotels, I also want to make mention of The Darling. It was recognised by Forbes as the only five-star rated luxury hotel in NSW – and The Star Event Centre for winning Best Specialty Event Venue for the third year running at the National Meeting and Events Awards.
- Development approvals were received this month to complete around \$500 million of capital works at the property. The plans include a new arrival experience, a new luxury retail zone, VIP facilities upgrades and infrastructure upgrades that will improve our sustainability outcomes.
- Development plans for a new \$500 million Ritz-Carlton hotel and apartment tower – and associated food and beverage and entertainment amenities – will be formally lodged during this financial year. Architectural firm FJMT won the right to design the tower after a design excellence competition earlier this year. The panel of experts deciding on the design included the State architect. A significant community consultation program was also embedded into the process.

In Brisbane:

- The Destination Brisbane Consortium took possession of the Queen's Wharf Brisbane site at the start of the year. Demolition and excavation works are now well underway.
- In 2018 we expect excavation works to start to lay the foundations for the car parks and the basements of the core development. Some of the public areas on the riverfront will also start taking shape.

And at the Gold Coast:

- All existing hotel rooms at The Star Gold Coast have been refurbished, and a range of new food and beverage offerings have been opened.
- The new luxury suite hotel and the extension of the Main Gaming Floor will be operational before the Commonwealth Games.
- And, importantly, apartment pre-sales for a new 700-key hotel and apartment tower on the island have exceeded expectations following a launch to the market only last month. We are confident we will reach the pre-sales threshold. There will be around 400 apartments in The Star Residences, which will be part of the tower development.

Full Financial Year Results

Looking now at our financial results for FY17 which were released in August.

We showed good progress in the performance of the core business despite a softer trading environment and disruption in Sydney and the Gold Coast due to capital works projects.

We have also seen positive momentum post the Loyalty Program re-launch, with member perception improving and pleasing growth in private gaming room revenues.

The second half of the year delivered solid domestic revenue growth from the positive response from guests to our completed investments.

For the full year, actual gross revenue across the Group grew 3.2% to \$2.43 billion. Normalised gross revenue declined 3.9% to 2.34 billion.

Domestic gaming revenues grew 2% to \$1.54 billion. Non-gaming cash revenue was up 0.6% to \$248 million. Again, the first half year was impacted by disruption due to capital works.

The International VIP Rebate business witnessed actual revenue growth of 7.3%, supported by a high win rate of 1.59%.

International VIP Rebate business turnover was down 19.9%, with lower volumes impacted by the high win rate and the well documented disruption to the North Asian market. I have already spoken to the advantages we have seen from our diversification strategy in this area.

It was also pleasing to see collections remained strong, reflecting a continued focus on credit risk management and effective credit processes.

Operating expenses were up 1% on the previous year to \$971 million, despite record capital expenditure, the relaunch of the Loyalty program, expansion of our VIP sales teams and the rebranding of the Gold Coast property.

We funded this incremental growth expenditure by cutting other areas in our expense budget.

Team and Community

I have discussed at length our strategic direction, our development pipeline and our financial year results.

I would now like to turn to our people as it's an area critical to our success.

The transformation of our integrated resorts will create thousands of jobs over the next five years. The growth of inbound tourism will also require the industry to expand its workforce to cope with the demands those increased visitation numbers will create.

We are preparing for that future in a variety of ways. We are embedding our values and culture to drive ongoing improvements in guest service excellence. We are also partnering with institutions in a practical and value-add manner.

We partnered this year with TAFE NSW to establish a Sydney School of Hospitality Excellence. A similar initiative was launched in Queensland last year.

The Star Entertainment Group also encourages and supports its local communities and the events that matter to the cities in which we are based.

The value of contributions to community groups, charitable organisations and partnerships across the Group exceeded \$13 million.

I'm delighted to confirm our properties won 48 awards during FY17.

We were acknowledged for:

- Hospitality and Entertainment across several categories;
- For Diversity and Inclusion;
- As an Employer of Choice; and
- For Sustainability – most notably the winning of a 6-Star Green Star Communities Rating for the QWB integrated resort development.

Perhaps most impressively, The Star Entertainment Group was again acknowledged in the Dow Jones Sustainability Index assessment as the global leader in the Casinos and Gaming sector. The annual review saw us handed the top ranking for the second successive year, with maximum scores for "Anti-Crime and Policy Measures" and for "Promoting Responsible Gambling".

Trading Update

Let me update you on trading at the start of FY18.

For the period from 1 July to 22 October 2017, total group normalised revenue is up 4.0% on the prior comparable period, with domestic revenue up 5.2%. Domestic revenues in both Sydney and Queensland are exhibiting similar levels of growth, with momentum continuing at The Star Gold Coast ahead of the opening of new facilities in advance of the April 2018 Commonwealth Games.

Volumes in the International VIP Rebate Business are in-line with the prior period as The Star continues to benefit from the diversification strategy aimed at broadening the base of customers and source markets in our International VIP Business.

Statutory Group revenues have been impacted by a low win rate in the International VIP Rebate business, which can fluctuate over short periods of time. Actual win rates were above the theoretical win rate in prior period. This has impacted the Statutory Group revenue, down 12.4% on the prior period.

Priorities for FY18

Our priorities for the 2018 financial year are clear and unchanged from the direction we described last year. We plan to:

- Improve earnings across the Group through continued focus on domestic gaming and operating efficiencies;
- Deliver on the next stage of the capital works program;
- Progress planning approvals for joint venture developments with Chow Tai Fook and Far East Consortium in Sydney and Gold Coast;
- Continue diversification of the Group's VIP and Premium Mass revenue base;
- Continue the drive to differentiate the value proposition at each property.

Closing

In closing, I would like to extend my gratitude to the Board and management team for their support, and to our team members whose enthusiasm and commitment has been so important to our ongoing growth.

I also want to thank the millions of guests who visited us during the year and experienced the significant changes we have made, and continue to make, to enhance each one of our properties.

I will now pass back to John for the formal business of today's meeting.