



## ASX Announcement

28 October 2016

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

**ANNUAL GENERAL MEETING**  
**FRIDAY 28 OCTOBER 2016**  
**CHAIRMAN'S ADDRESS**

---

### Agenda

Ladies and gentlemen, welcome to the company's sixth Annual General Meeting, and the first as The Star Entertainment Group Limited under the company's single brand strategy unveiled at last year's AGM.

Before I turn to the strategic outlook and a performance overview for FY16, let me deal with the issue that I'm sure many of you are wanting some clarity and commentary about.

Like everyone else, we are aware Crown has had 18 people detained by Chinese authorities.

We have no information as to why or for how long those Crown employees, and others, will be detained.

I can tell you:

- The Star Entertainment Group has no offices in mainland China
- We have had no staff members detained or questioned by Chinese authorities
- We work within parameters as determined by the Chinese authorities, in the same way we comply with rules and regulations in every other market in which we operate
- The VIP business delivers less than 30% of the Group's gross revenue and 16% of EBITDA. Around 80% of this revenue is derived from junkets out of Asia.

These are early days in terms of the situation in China. We will continue to monitor developments closely, while working with staff and Asian-based external agents to understand the situation more fully as it unfolds.

I hope that provides some context for you on the situation as it relates to us at The Star Entertainment Group.

I will now move on, and...as reported to shareholders in this year's Annual Report, the 2016 financial year was another year of:

- earnings growth,
- improved performance, and
- delivery against strategic priorities in order to continue to position the company for future growth.

It is through this sustained delivery of financial performance and strategic priorities, with strong and stable leadership in place, that the company is positioned to achieve the vision to be Australia's leading integrated resort company.

Those in attendance today can witness first-hand the redevelopment we're achieving here in line with the strategic priority to deliver on the capital program for our Gold Coast property. The internal transformation of the existing hotel complex is nearing completion and the new luxury hotel tower is taking shape at the front of Broadbeach Island, on schedule and to be completed in time for the Gold Coast 2018 Commonwealth Games. We are also excited to be bringing The Star brand to the new look Gold Coast property early in 2017, reflecting the quality of offering now available and the step change we have made at this iconic integrated resort.

Managing Director and CEO, Matt Bekier, will provide more detail on the plans we are executing against in Sydney, here at the Gold Coast and, of course, in Brisbane on the Queen's Wharf project with our partners, Chow Tai Fook and Far East Consortium. The depth and strength of the relationship with these partners is also enabling us to leverage our respective capabilities to explore further opportunities.

### **FY16 Review - Financial Results and Operating Performance**

Turning now to the company's performance for FY16.

A robust approach to 'more of the same' ensured ongoing momentum in the business while, more broadly, solid progress on projects at each of the company's properties was intrinsically aligned to our vision.

Matt will provide more detail on the financial results for FY16, however I will briefly touch on a couple of highlights.

The 2016 financial year saw a 14.9% increase in statutory net profit after tax to \$194.4 million. This represents a 33% compound annual growth rate over the last three years. Statutory earnings before interest, depreciation and amortisation (EBITDA) were \$488.8 million. These were solid results with broad based growth.

Acknowledging the imperative to continue delivering benefit to shareholders, the Board declared a final dividend of 7.5 cents per share, taking total dividends for the year to 13 cents per share, fully franked. This was up 18% on the previous year and reflected a payout ratio of 55% of statutory NPAT. The strategy of investing in the company's integrated resorts continues to provide benefit for shareholders.

Of particular note is the fact that the financial results were achieved across the Group as transformational projects, either underway or planned at each of the three properties, continued to progress.

This was achieved with ongoing stability in an established management team, expertly led by Managing Director and CEO, Matt Bekier. Their focus was delivering on strategic projects to position our properties within their incredible locations.

### **FY16 Review - Investment and Contributions**

We continue to capitalise on the opportunities presented to us by nature of great locations for our tourism assets in Sydney, Brisbane and here on the Gold Coast, and macro-economic conditions that point to existing rates of inbound tourism, particularly from China, continuing long-term. As mentioned at last year's AGM, the Board has ongoing confidence in the value of all our long-term casino licences – and the value they can help bring to the broader community in terms of employment, gaming taxes and other economic or community contributions.

Earlier, I noted the transformational projects under way at each of the company's three properties.

In Brisbane, we – as part of the Destination Brisbane Consortium – continue to work closely with the Queensland Government to finalise the planning and development approval process, with a target to start work onsite early in 2017. During this year, roadshows around Queensland have been conducted to showcase the potential opportunities associated with the project once the Queen's Wharf Brisbane integrated resort is operational.

In Sydney, we have been upgrading the existing hotel rooms and facilities as well as premium gaming areas and a new restaurant, Harvest Buffet. As previously announced, working with our Destination Brisbane Consortium partners, Chow Tai Fook and Far East Consortium, we also have plans to increase investment at The Star Sydney. The potential investment is a further \$500 million to add much needed new hotel rooms, food and beverage offerings, and other resort attractions. A design competition involving three world-class architectural firms has been in progress, along with a community engagement program, to ensure the design for the new tower and associated developments will enhance The Star as a destination for locals and tourists alike. Matt will this morning provide an update on how that design competition is progressing. More on that shortly.

Right here on the Gold Coast, we are particularly excited to be in the final stages of the planning and development approval processes with the State Government for Stage 1 of the masterplan for the property, after receiving full endorsement from the Gold Coast City Council last month. The broader masterplan for the property includes potential operations for up to five hotel and residential towers, a world class recreational deck and tropical gardens accentuating the idyllic beauty of the Gold Coast location. This development will create a tourism destination of enviable standards. We will be working with Chow Tai Fook and Far East to promote and leverage this compelling offering via their visitor distribution channels throughout Asia.

The benefits derived from the opportunity to work with partners of such calibre and expertise as Chow Tai Fook and Far East Consortium were clear in FY16. The relationship continues to strengthen, as emphasized by their willingness to joint venture with us beyond the Queen's Wharf Brisbane transformation. I'm delighted they are also partnering with us on exciting developments in both Sydney and here at the Gold Coast.

In parallel with the capital program, we are investing in our people. Matt will provide more detail on some of the initiatives and achievements we have been part of during FY16.

## **Closing**

In closing, I am pleased to report that in FY16, we continued to enjoy ongoing momentum in the business. We are focused upon maintaining this, and the efficiency of the business operations, while progressing delivery of strategic priorities – including the significant pipeline of capital projects with our development partners – for the benefit of shareholders.

I extend my personal thanks to the committed directors of The Star Entertainment Group Board. And, on behalf of the Board of Directors, extend our gratitude to all of our shareholders for their ongoing support.

As I hand over to our Managing Director and Chief Executive Officer, Matt Bekier, this is also a day where our capital works program in Sydney prepares to take another significant step forward. We will unveil the winner of the design excellence competition in the next few weeks.

Before Matt provides additional detail around that, please enjoy these fly throughs of the proposed new Ritz-Carlton Hotel and residential tower, as brought to life by our three contending architects.

Thank you.

***(The Star Tower Architectural Design Excellence video)***

## **MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S PRESENTATION**

---

### **Introduction**

Ladies and gentlemen, you have just seen the fly-throughs of the three designs submitted by the architectural firms of BVN, FJMT and Grimshaw. All three are contending as part of the design excellence competition for the proposed Ritz Carlton tower at The Star in Sydney.

Initially, we were planning to have a winner announced today. However, in working with the three firms and taking into consideration feedback received from the community and broader stakeholder groups, there is further work going into each scheme.

A five-person Design Review Panel will reconvene on the project and we expect to have a winning architect announced around the end of November. The preferred architectural firm will then go forward and work up a final design for submission to the Department of Planning.

In addition to luxury hotel rooms and apartments, this proposed development will double the food and beverage outlets to give us a greater variety of food venues across price points and cuisines. Overall, it will be a compelling restaurant precinct that will add to The Star's appeal as a tourism and leisure destination. We will also use this opportunity to better integrate the property into the transport network around Pyrmont.

The Sydney development, pending all necessary approvals, is another exciting opportunity for The Star Entertainment Group to continue building value for shareholders.

We operate in a highly-competitive industry, where competition exists within and beyond Australian borders. We have learned that to remain competitive at that scale, we need to keep investing to ensure our properties are must-go destinations for domestic and international visitors.

Tourism, especially from Asia, is a long term growth driver for Australia. Australia needs more quality hotels, and exciting entertainment and hospitality infrastructure, if we want to fully leverage the inbound tourism opportunity at hand. This is where this development in Sydney becomes relevant.

Before I move on, I would like to thank the architectural firms who have contested the design excellence competition in Sydney. I also want to thank the Design Review Panel for their time and commitment.

While we await the winner of the competition, the planning process will continue beyond that point with ongoing engagement with the community and other stakeholders.

The final design will be lodged with the Department of Planning during the first half of next year.

## **Full Financial Year Results**

Our financial results for FY16 were released in August.

As John mentioned, statutory EBITDA was \$488.8 million, up 7.5% on the prior year (excluding significant items). Normalised EBITDA increased 14.1% to \$556.2 million. Statutory net profit after tax for the Group was \$194.4 million, up 14.9% on the previous year.

Revenue growth for FY16 was again driven by increases across every gaming segment of our business. Actual gross revenues across the Group grew 4.4% to \$2.36 billion. The Star Sydney – under the stewardship of Managing Director Greg Hawkins – grew by 7.5% and the Queensland properties declined by 2.2%. The result in Queensland – under Managing Director Geoff Hogg – was impacted by disruptions caused by major capital investment projects throughout the year.

The International VIP Rebate Business recorded good growth again in FY16 with turnover of \$49.5 billion. Actual revenue was up 1.3% to \$596 million, and up 7.2% to \$670 million on a normalised basis.

We were pleased with the performance of our team given this result was achieved despite challenging global market conditions – and without compromising our credit risk standards.

Operating expenses were up 4.2% to \$961 million, driven primarily by the increased volumes in the International VIP Rebate business and increased investments in loyalty and marketing.

## **Team and Community**

Our continued improving financial performance has been accompanied by broader achievements within the business that we're enormously proud of.

For example, here at the Gold Coast, Kiyomi received the title of “Australia’s Best New Restaurant” and “Best Prestige Restaurant Queensland” for its cutting edge Japanese cuisine.

The new Garden Kitchen & Bar received international recognition for its design and only last month was named the Best Restaurant in the Accommodation Hotels category at the Queensland Hotel Association Awards.

In Sydney, The Star received 26 awards during FY16 spanning restaurants, bars, The Star Event Centre and hotels. David Chang’s Momofuku restaurant was awarded two chef’s hats in the Sydney Morning Herald’s Good Food Guide and crowned the No.1 Restaurant in Australia by Gourmet Traveller magazine.

These awards recognise talented people.

Across the Group, there are more than 8,500 team members in many different roles, all working towards our shared vision of becoming Australia’s leading integrated resort company.

We continue to invest in our staff and to develop them to deliver better outcomes for shareholders and guests.

We are pleased to see graduates emerging from the Queensland Hotel and Hospitality School – a partnership with TAFE Queensland.

We continue to work with the Macquarie Graduate School of Management where we are a founding partner of the women in MBA program and currently have five employees enrolled with MGSM.

Proudly, our focus on diversity and inclusion delivered the company Bronze status for the first time in the Australian Workplace Equality Index.

Importantly, in FY16, there were also significant initiatives in our approach to guest excellence and, separately, in sustainability.

Star Quality is a guest service program that provides the foundation for a guest-centric, service-focussed culture.

A company-wide rollout commenced in March 2016, starting with Leaders – including Senior Executives. As of today, over half of our 8,500+ team members have attended the program.

Pleasingly, we have also witnessed continued and significant improvements in our Internal Engagement results.

We had a record engagement rate of 62% for the Group in 2016 – compared to 49% in 2014 and 58% in 2015.

FY2016 also saw the development of a five-year Sustainability Strategy that feeds seamlessly into our overall business objectives. For example, over the last 2 years, we have increased our recycling rates from 20% to 33%, and our carbon emissions per guest by 8%.

I would also like to say how proud we are to be ranked as the global leader of the casino and gaming industry in the latest assessment for the Dow Jones Sustainability Index which gave us maximum scores in the areas of “Anti-Crime Policy & Measures” and for “Promoting Responsible Gambling”.

## **Capital Investment**

At last year’s AGM, I spoke about tourism and how it represented a significant opportunity for this company and for Australia as a nation.

Recent figures show there is no sign of a slowdown in the visitation trends. For example, the spend of Chinese tourists was up 27% on last year to \$8.9 billion. That figure represents almost 25% of the entire spend by foreign visitors to Australia.

So the tourism boom continues – and continued expansion and investment in our properties will allow us to maximise our share of the domestic and international wallet.

Our capital investment strategy is a pure tourism play targeting guests from a range of markets at different price points. We are developing world-class integrated resorts for locals, interstate and international guests, and we are mindful of those trends I have mentioned – the ever-increasing number of Asians, particularly Chinese, coming to Australia.

At Queen's Wharf in Brisbane, it is projected the development – including five hotels, 50 new restaurants, cafes and bars, and 12 football fields of public space – will drive an additional 1.4 million visits per annum.

It was for Queen's Wharf that we entered a joint venture with our Hong Kong partners Chow Tai Fook and Far East Consortium. That partnership has now extended to developments here at the Gold Coast and in Sydney – developments that will reach investment levels of close to \$5 billion. The Star Entertainment Group's share of that investment will be around \$2.24 billion.

I am delighted to say we are progressing well on the substantial capital works program to enhance our properties and thereby position the company for future growth, and delivering ongoing value for shareholders.

I have already mentioned the Sydney development plans. Here at the Gold Coast, we are well advanced on the complete refurbishment of the existing almost 600 rooms at the existing hotel and the hotel lobby. The six-star tower at the front of the property is under construction and on target for completion before the 2018 Gold Coast Commonwealth Games.

We are also awaiting final approvals for a 700 key hotel and residential tower, to be developed in a joint venture with our partners.

At Queen's Wharf, we expect to access the site in the New Year, commence demolition of non-heritage buildings and start underground excavation works.

These are all investments that will underpin our long-term growth. They come at a cost in the short term because of the disruption they cause, but the financial success of our previous investment programs is giving us the confidence that this strategy leads to long-term shareholder value.

### **Rebranding & The Star Club**

We have now completed our first year under the name of The Star Entertainment Group. The Star Sydney has rebranded, Jupiters will transition to The Star Gold Coast early next year and The Star Brisbane will come into effect when Queen's Wharf becomes operational.

The advantages of this consolidated brand will be further evidenced next month when we launch our new loyalty program, The Star Club.

Guests will be able to play with one card whether they are visiting our integrated resort in Sydney or either of our two properties in Queensland, and they will be able to earn and redeem points across pretty much all of our offerings.

It is an initiative which has the potential to make a significant contribution to the organisation as it complements the investments we are making into the physical properties and customer service.

### **Trading Update**

For the period of 1 July to 22 October, actual Group revenues are up 12.8% on the same period last year, while normalised total group revenue is down 2%. Domestic revenue (excluding international VIP play) is flat to last year.

The domestic business was impacted by an unusually low win rate in private gaming room table games of 15.9% vs 17.2% in the pcp - which can occur over shorter periods of time. Disruption from the development work in the Gold Coast and Sydney has also impacted visitation numbers and customer spend negatively. This disruption will reduce largely and is not expected to have any material impact in the second half of the year.

The international business is showing satisfactory volumes and an unusually strong win rate in the year to date (1.66% vs a normalised rate of 1.35%).

The situation in China has, understandably, created some uncertainty and potential impact on revenue is not clear at this point given the limited information available.

### **Priorities for FY17**

Our priorities for the 2017 year are clear:

- Secure planning approvals and execute property development plans at Sydney and the Gold Coast in partnership with Chow Tai Fook and Far East Consortium
- Deliver on the next stage of the capital program (The Star Sydney development, the Gold Coast development and masterplan, and the Queen's Wharf Brisbane development)
- Continue the drive to differentiate the value proposition at each of our properties through brand, loyalty, customer service, and food and beverage
- Improve earnings across the Group through continued focus on operations and efficiency and successful launch of the new gaming and non-gaming product that will come on stream in the second half of the year.

### **Closing**

In closing, I would like to thank the Board, the management team and all team members. Their contributions, commitment and enthusiasm has been valued and appreciated.

The performance of the Group this past year was not achieved by chance. We have a dedicated workforce that helps welcome more than 20 million guests a year and delivers them thrilling experiences. It is that mindset which will ensure our guests return.

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